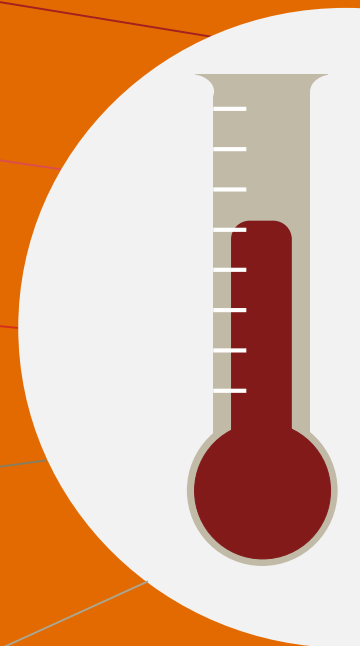


SCF Barometer 2017

November 2017



Foreword



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Chairman –
Supply Chain Finance
Community

An industry that is maturing is one that is going through a growth phase and a change phase, simultaneously. So it is with supply chain finance – **and that is exactly the picture painted by this year's SCF Barometer.**

The Supply Chain Finance Community is pleased to be again partnering with PwC on the second annual edition of this important project. It provides a useful **'sense check' that allows SCF professionals** – especially those working across multiple sectors or territories – to test the experiences we pick up through our engagement with businesses against the backdrop of a statistical survey of international firms.

The Barometer reinforces our perception of growth as it provides yet more evidence that more and more businesses are coming to SCF and offering it to their suppliers for the first time. For those who have previously implemented SCF programmes, the driving force is change and improvement: these businesses are today looking to extend their programmes, or are taking SCF to the next level by switching to newer, more innovative offerings. They are demanding more of their SCF programmes – and SCF is rising to the challenge.



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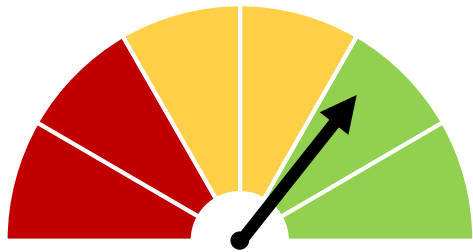
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The SCF Barometer - introduction



Goal of the survey

Understand the current position and awareness of SCF and implementation drivers & critical factors



SCF Barometer 2017



Profile of the respondents

- Diverse range of functions
- Variety of industries & size
- Global view
- Varying levels of SCF maturity

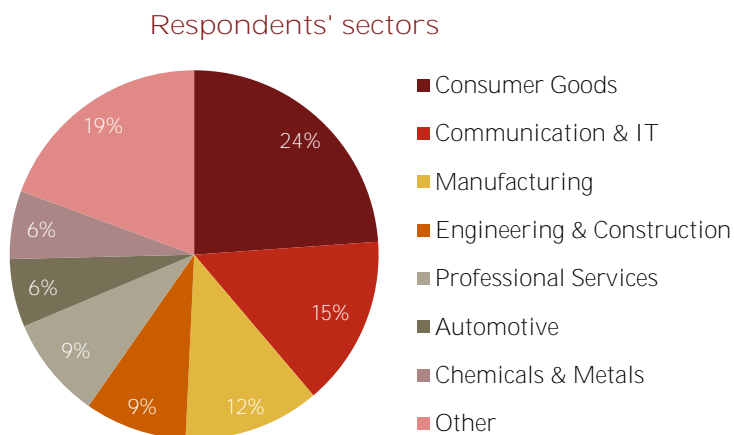


Key questions

- What are the reasons to implement or investigate a SCF implementation?
- On what basis are suppliers eligible to join the SCF programme?
- What are the key success factors and bottlenecks?
- Which department is initiating the SCF programme?
- How will the SCF programme develop?

Supply Chain Finance General Status

*Survey findings represent a diverse, global view
Participants are from a broad variety of sectors and functions and a range of geographical locations*

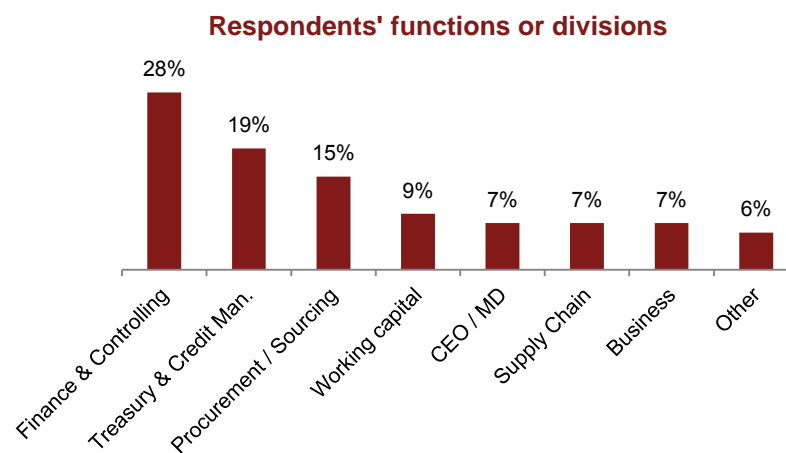


Sectors/industries

- Sectors which typically have relatively high levels of SCF adoption are well represented in the survey e.g. Consumer Goods, Communication & IT and Manufacturing
- This year's survey had less respondents in the automotive category, despite the relatively high volume of SCF programmes in this sector

Respondents' profiles

- Survey respondents have diverse roles ranging from CEO to Supply Chain Manager
- Headquarters are based in Europe (76%), Australia (9%), Asia (8%) and Americas (8%)
- Companies vary in size with annual revenues ranging from less than €250m (24%) to more than €5,000m (30%)

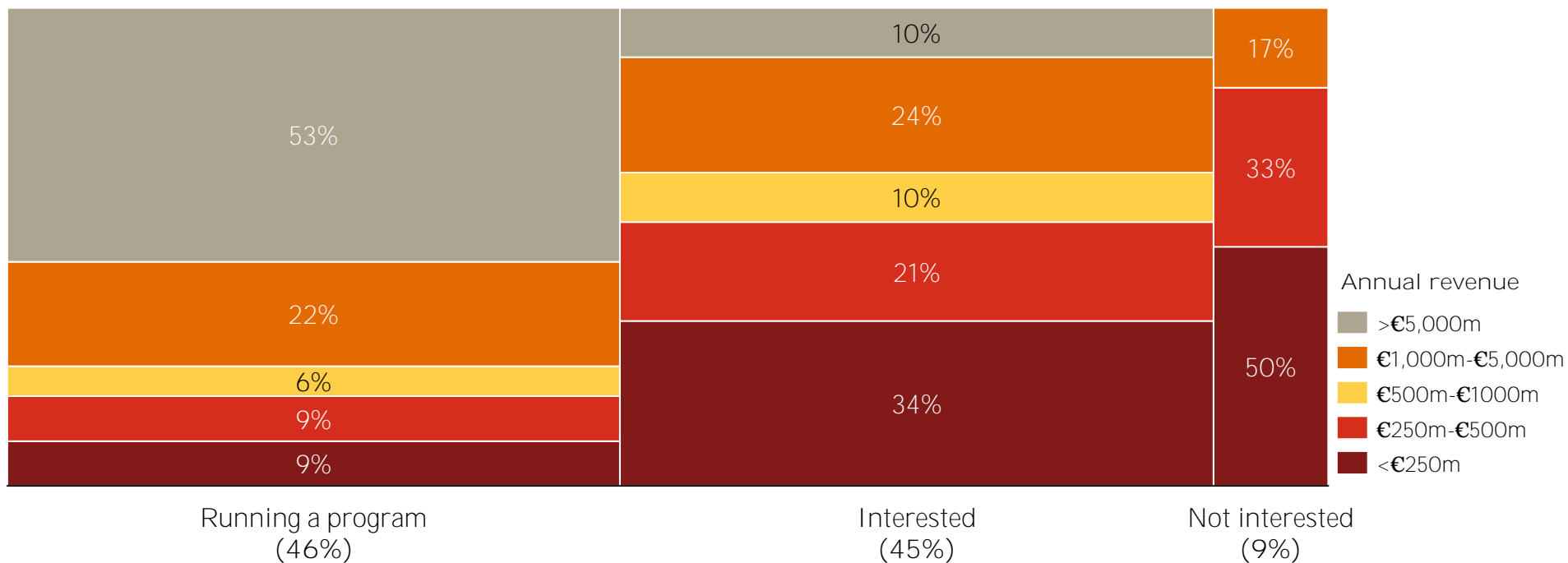


Respondents have varying levels of SCF maturity

Larger companies are more likely to be running a SCF programme

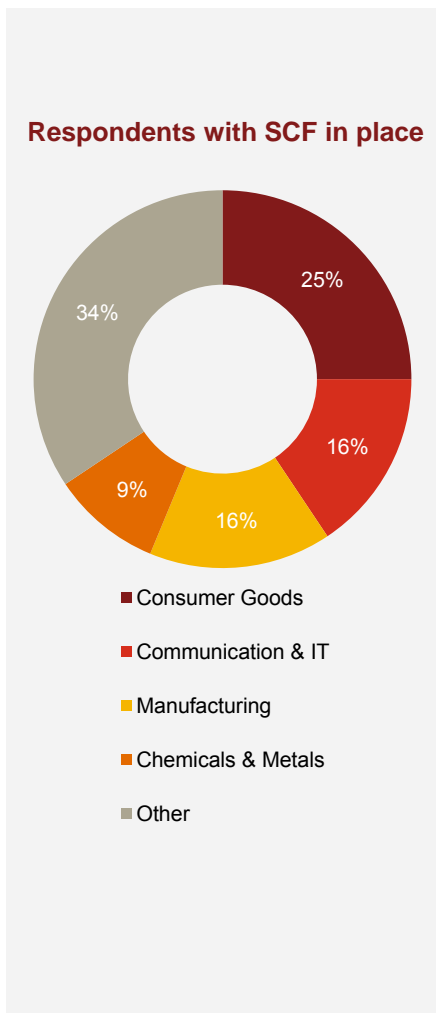
46% of respondents are running a SCF programme
 45% of respondents are interested in implementing a SCF program

More smaller (<€1bn) companies seem to be interested in SCF



40% of the companies running SCF have two or more SCF programs in place (all having revenues above €1bn)

Working capital optimisation is the key common implementation driver across the three largest sectors

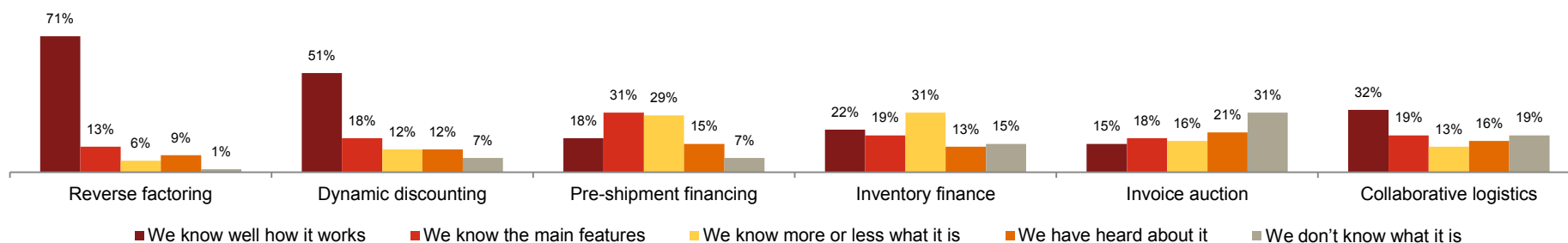



| | Consumer Goods | Communication & IT | Manufacturing |
|-----------------------------|--|--|---|
| SCF practitioners in sector | 50% | 50% | 63% |
| SCF solutions | Reverse Factoring or Inventory Finance/Asset Based Lending | Predominantly Reverse Factoring, however several other SCF programmes in place | Primarily Reverse Factoring |
| SCF drivers | Profitability improvements are another implementation driver | Working capital optimisation is the principal implementation reason | Supply Chain stability and Supplier relationship improvement are triggers to put a programme in place |
| SCF practitioners | Primarily companies with revenues above €5bn | Companies running SCF range in size | Primarily companies with revenues above €5bn |

Supply Chain Finance Programme

Despite a changing landscape, reverse factoring on a bank platform remains the most widely used SCF option

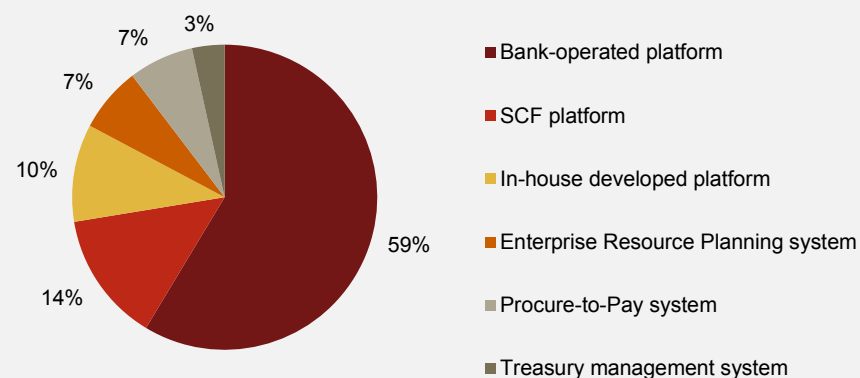
Awareness of SCF solutions



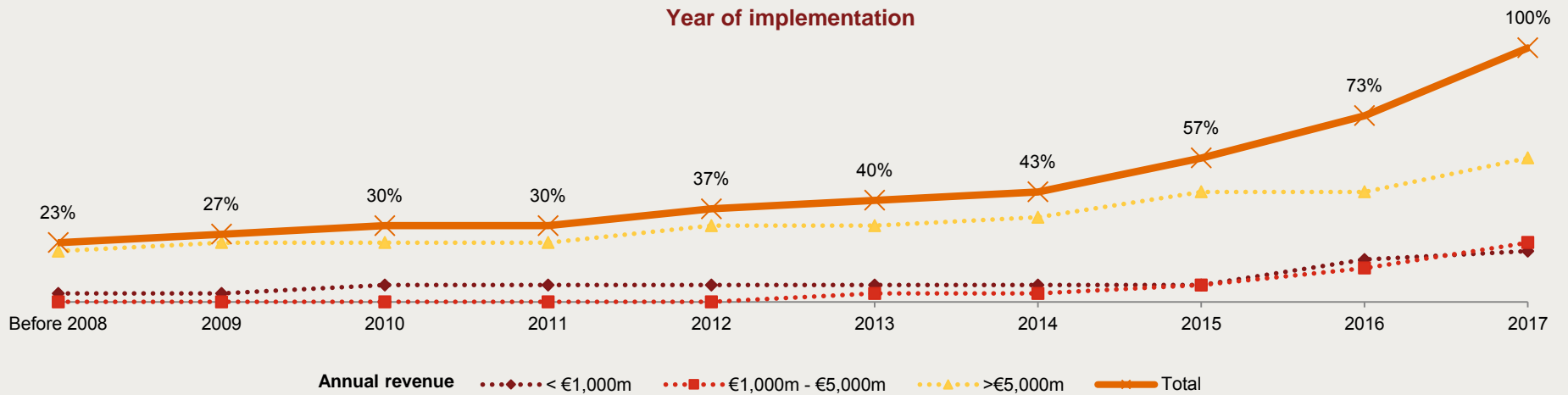


75% of companies use reverse factoring most frequently

SCF technology/platform used amongst Reverse Factoring users



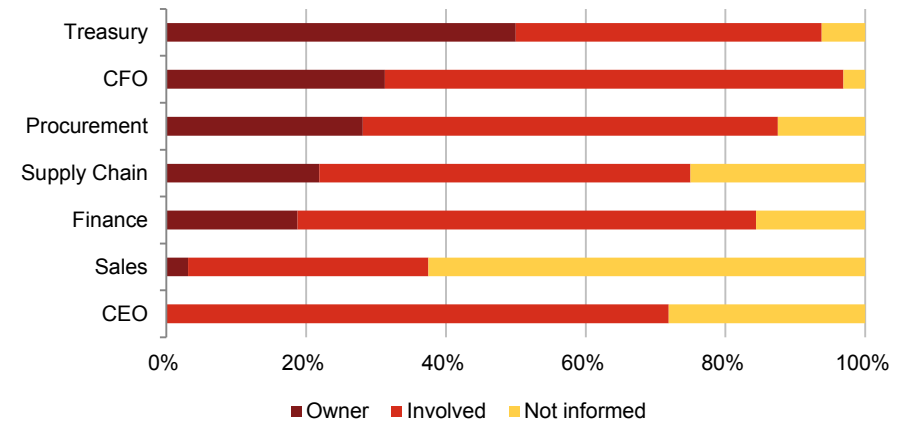
As seen last year, the trend for SCF roll outs continues to grow and are often driven by Treasury or the CFO



Smaller companies are beginning to introduce supply chain finance

Prior to 2012, SCF programmes were predominantly implemented in companies with revenues >€5bn

Involvement per function in SCF initiation

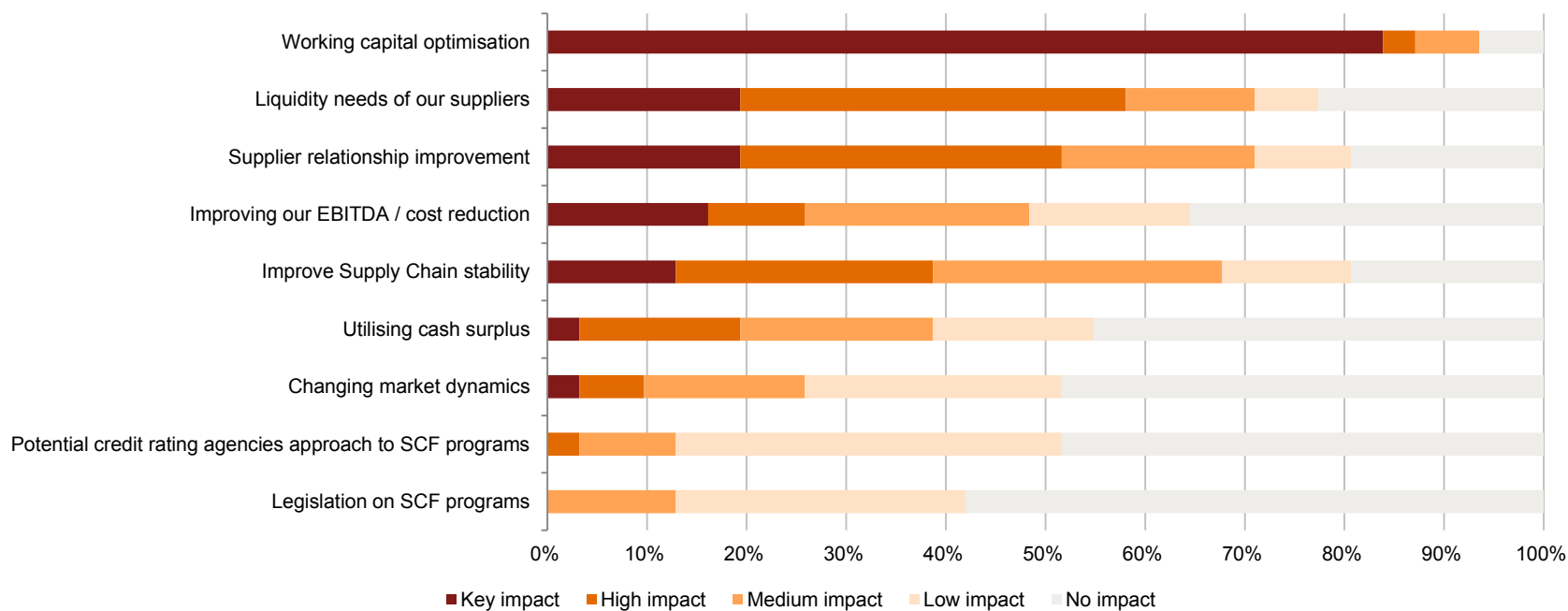


Working capital optimisation is the most important reason for implementing a SCF programme

The supplier umbrella, which includes supplier liquidity, supplier relationships and supply chain stability, for implementing a SCF programme is the second most important factor

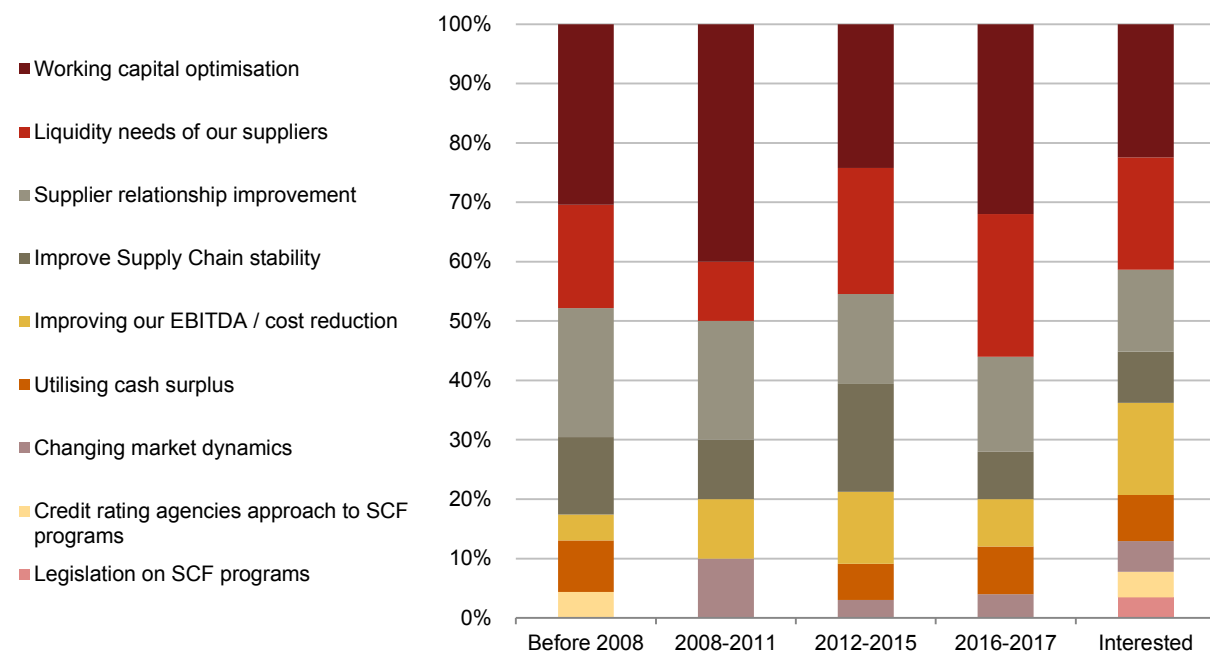
Implementation drivers appear mostly the same for different SCF solutions

Principal reasons for implementing a SCF programme



There is little historic fluctuation in key implementation reasons for both SCF practitioners and interested parties

Development of key and high impact reasons for SCF implementation



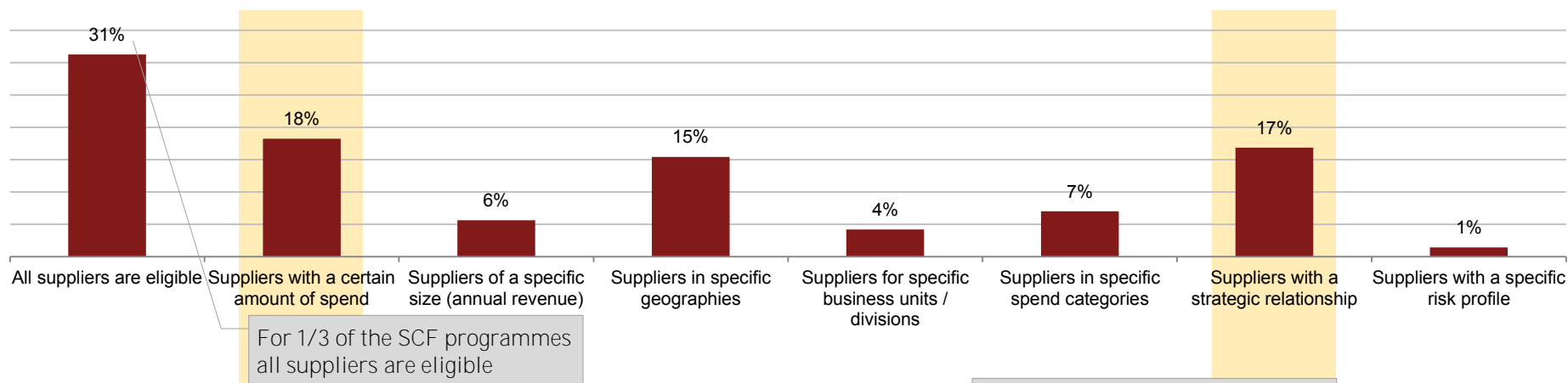
Legislation on payment terms is expected to play a bigger role in the near future, potentially impacting the (further) roll-out of SCF programmes

Liquidity needs of suppliers seems to be a rather stable driver for SCF implementation in the last 3 years, whereas working capital optimisation as a key reason for SCF implementation seems to become less important than in the early days of SCF

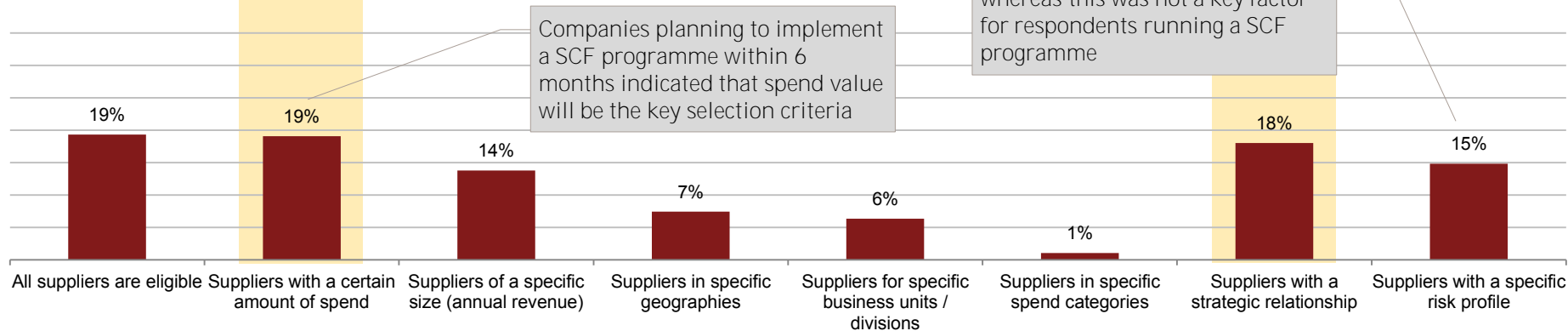
Supply Chain Finance Supplier Base

Spend value and strategic relationships are key drivers for supplier selection

Supplier selection criteria - Respondents running a SCF programme



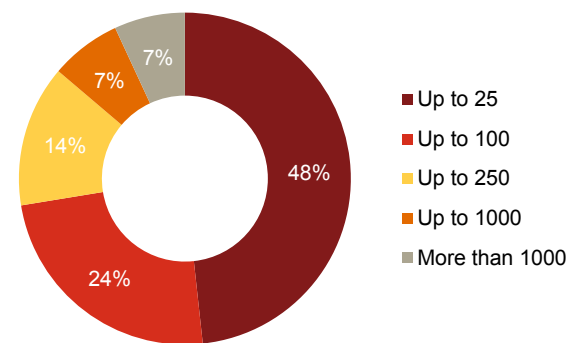
Supplier selection criteria - Respondents interested in a SCF programme



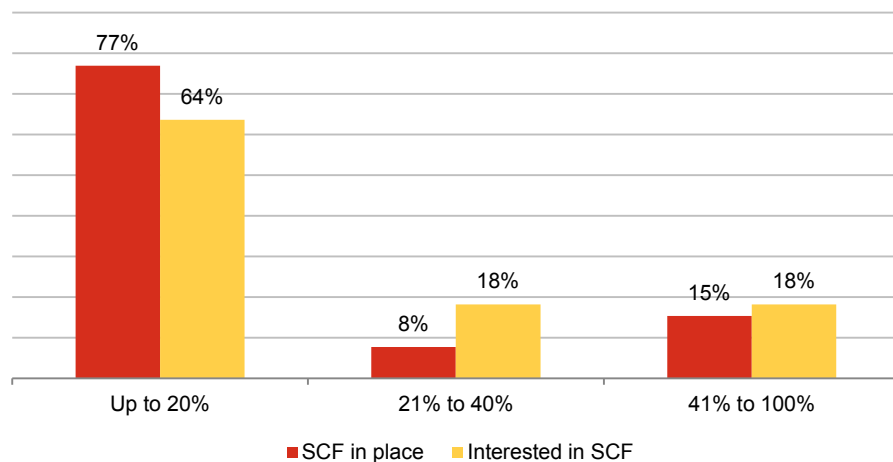
A typical SCF programme for respondents covers 20% of spend value and less than 100 suppliers

Expectations of spend coverage by those interested are currently higher than spend covered by practitioners in survey. This could be driven by both evolving and new SCF solutions which cover greater spend and larger supplier base

Number of suppliers who joined the programme



Spend covered by SCF: actual vs expectations

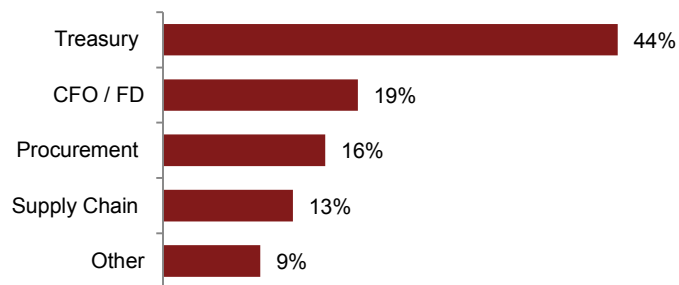


72% of the SCF participants have less than 100 suppliers enrolled which appears in line with expectations of survey practitioners

Supply Chain Finance Implementation

Moving from contract stage to initial invoice processing takes less than 6 months for a third of programmes

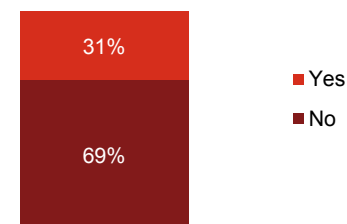
Roll-out manager



Respondents used external support for all phases of a SCF implementation, including:

- business case assessment
- legal/contract review
- IT implementation
- supplier on boarding
- project management

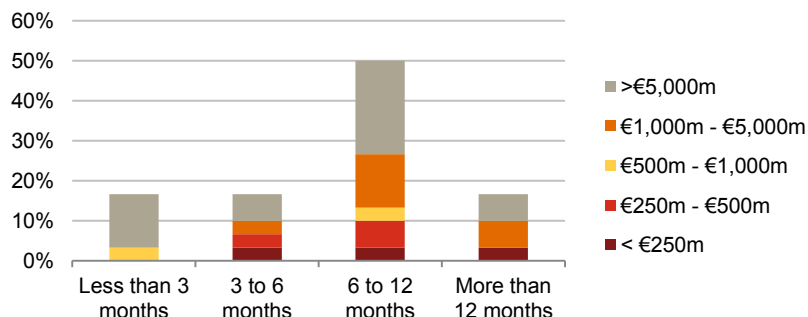
Did you use external implementation support?



External support

SCF implementation takes less than 12 months when external support is used

Implementation time per revenue size



Expectations

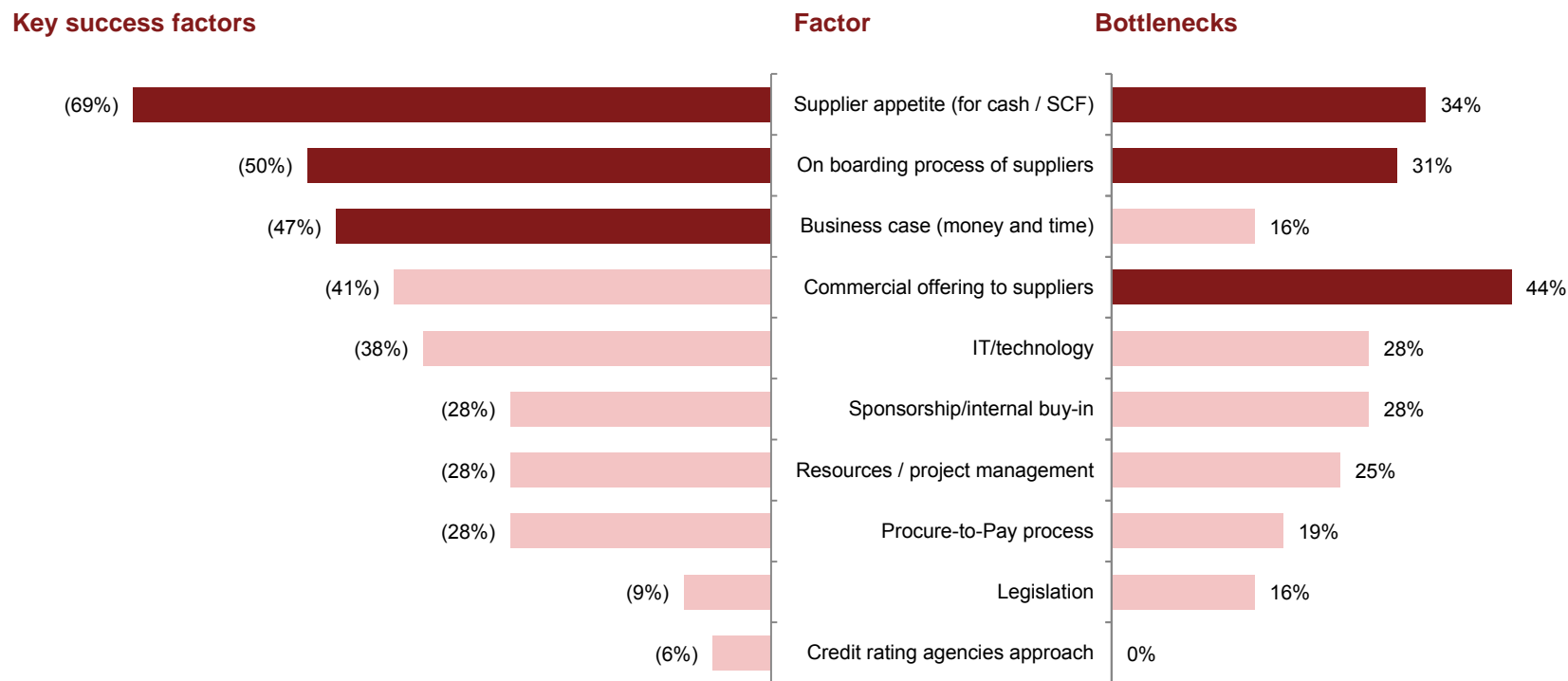
Respondents planning a SCF programme anticipate implementation to take between 3 and 6 months

*implementation time refers to the period between signing the contract with the SCF provider till processing the first invoice on the platform

Supply Chain Finance Success Factors and Bottlenecks

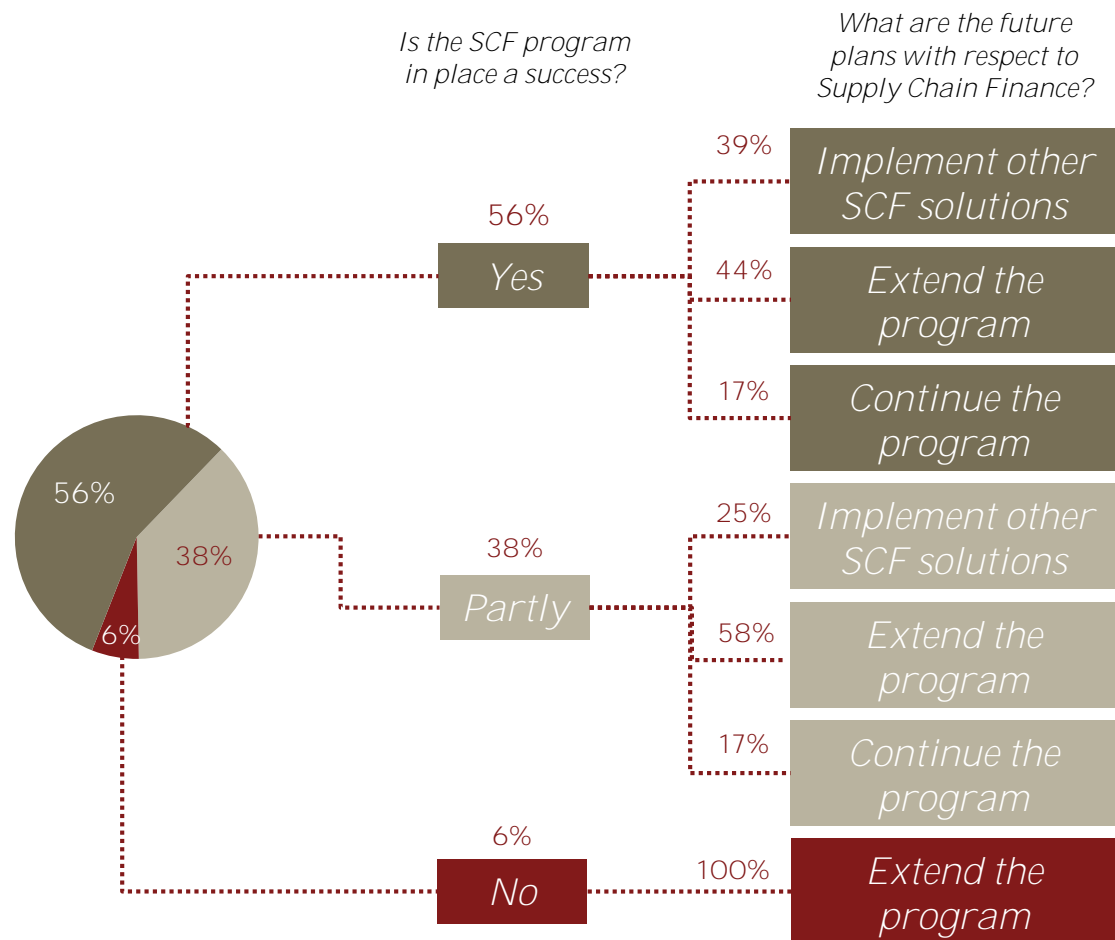
Supplier appetite, on boarding process, and business case are the key success factors for a SCF programme

An interesting observation is that the two key success factors with highest response are also considered as potential bottlenecks, being supplier appetite and on boarding process for suppliers



External factors (e.g. appetite, commercials, supplier on boarding) are seen as greater bottlenecks than factors within a company's control (e.g. resources, processes, sponsorship)

SCF programmes are generally viewed as a success and >80% of participants plan to extend their SCF solutions



94% of the respondents consider their SCF programme a (partly) success

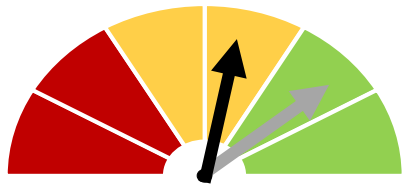
>80% of the respondents will further extend their programme or implement other SCF solutions

| Spend covered | Continue the programme | Extend the programme | Implement other SCF solutions |
|---------------|------------------------|----------------------|-------------------------------|
| Up to 20% | 8% | 42% | 27% |
| Up to 40% | - | 4% | 4% |
| Up to 100% | 4% | 12% | - |

Supply Chain Finance Barometer

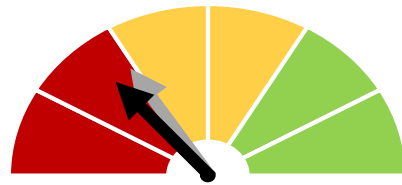
BAROMETER

There is an increasing awareness over the past few years, driving appetite for introducing or extending SCF solutions



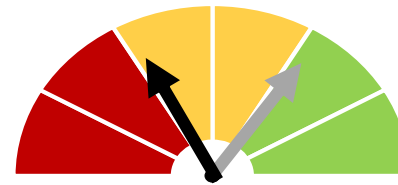
56%

consider the programme to be a full success



28%

of the programmes have over 100 suppliers on the platform



33%

implemented the programme within a 6 month timeline



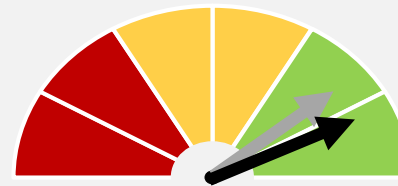
Although SCF programmes are generally considered successfully, supplier coverage is limited

There is a lot of interest in implementing further SCF solutions. However, we notice that SCF is not very common in small- and medium enterprises



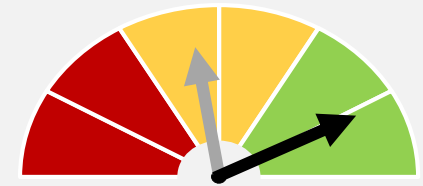
53%

of the companies with a SCF programme in place have revenues >€5,000m



84%

intend to enhance its SCF solutions



84%

of the respondents not having a SCF programme are interested in implementing

Supply Chain Finance and Working Capital contacts



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Supply Chain Finance Community
Bridging physical and financial supply chains

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