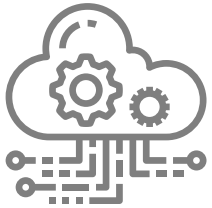


Financial planning & analysis

(SaaS-based company)

- Assessed the contract-to-cash cycle to identify the key drivers causing higher DSO.
- Also, identified opportunities to optimize the CTC cycle and quantified the cash flow improvement potential.

IRM software provider needs to identify key drivers for DSO

FINANCIAL PLANNING AND ANALYSIS

Picture this…

You're looking for the contract-to-cash cycle and identify the key drivers causing higher DSO. Additionally, identify opportunities to optimize their CTC cycle and quantify the cash flow improvement potential. Currently, you are experiencing a significant increase in the AR and DSO (50 to 120) over the 6 months since you terminated the factoring arrangement resulting in inefficient working capital cycle.

You turn to Accordion.

We partner with your team to assess the contract-to-cash cycle to identify the key drivers causing higher DSO. And to identify opportunities to optimize the CTC cycle and quantified the cash flow improvement potential, including:

1) Analyzing the transactions for 6-month and benchmarking the actual DSO against the ideal DSO (i.e., if all customers paid as per terms) to identify the delays in payment receipts at overall company level and by payment terms, revenue streams etc.
2) Segmenting orders by attributes such as revenue segment, customers segment (Direct, Distributor etc.) to provide visibility into the drivers of delay enabling the team to narrow down the focus area of process excellence.
3) Quantifying the impact of unbilled revenue and its effect on overall DSO by analyzing billings for the 6-month period and benchmarked it against the billings schedule to identify key drivers of unbilled revenue.
4) Analyzing the potential cash flow improvement if payment terms were changed/renegotiated – split into opportunity to current and 'next-best' terms.

Your value is enhanced.

You have improved cashflow by up to $11.4M through collection optimizations and an additional opportunity of $4.7M through negotiated better payment terms. You have also identified invoicing delays of up to $4.7M (53% of total unbilled AR) with an average delay of 6 days in the non-professional segment.

KEY RESULT

- ~$11.4M of cashflow improved
- ~$4.7M of additional opportunity
- ~$4.7M of invoicing delays

VALUE LEVERS PULLED

- Best Possible DSO calculation
- Collections optimization and risk Mitigation
- Commercial terms improvement
- Disputes and deductions trends

Improvement of cash flow for an IRM software provider

Contract-to-Cash Optimization

Situation

- The client was experiencing significant increases in their AR and DSO (50 to 120) over the 6 months since they terminated their factoring arrangement resulting in inefficient working capital cycle
- Partnered with the client to assess the contract-to-cash cycle and identify the key drivers causing higher DSO. Additionally, identify opportunities to optimize their CTC cycle and quantify the cash flow improvement potential

Accordion Value Add

- Analyzed the transactions for 6-month and benchmarked the actual DSO against the ideal DSO (i.e., if all customers paid as per terms) to identify the delays in payment receipts at overall company level and by payment terms, revenue streams etc.
- Segmented orders by attributes such as revenue segment, customers segment (Direct, Distributor etc.) to provide visibility into the drivers of delay enabling the team to narrow down the focus area of process excellence
- Quantified the impact of unbilled revenue and its effect on overall DSO by analyzing billings for the 6-month period and benchmarked it against the billings schedule to identify key drivers of unbilled revenue
- Analyzed the potential cash flow improvement if payment terms were changed/renegotiated – split into opportunity to current and 'next-best' terms

Impact

- Identified opportunity to improve cashflow by up to $11.4M through collection optimizations and an additional opportunity of $4.7M through negotiated better payment terms
- Identified invoicing delays of up to $4.7M (53% of total unbilled AR) with an average delay of 6 days in the non-professional segment

Methodology/ approach

Analyze transactions to track current state of Account Receivables

- Analyzed the transactions for last 6 months **to provide visibility into current state of account receivables.**
- Deep-dived into monthly trends at a granular level (by payment terms, revenue stream etc.) to identify the trajectory of AR and the drivers of increase during the last 6 months
- Analyzed the unbilled data to identify the key drivers of late invoicing billings and effecting the CTC cycle

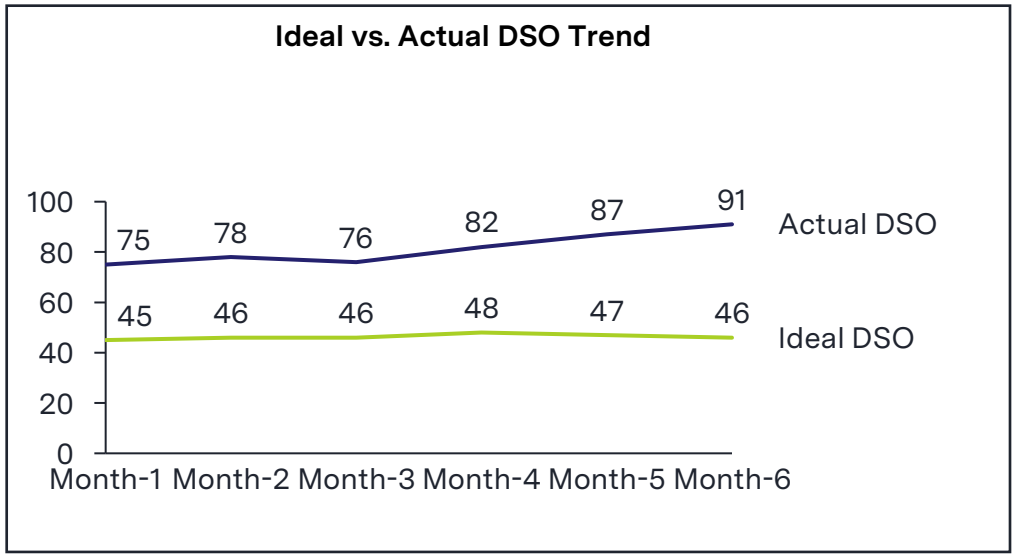
Ideal DSO vs. Actual DSO

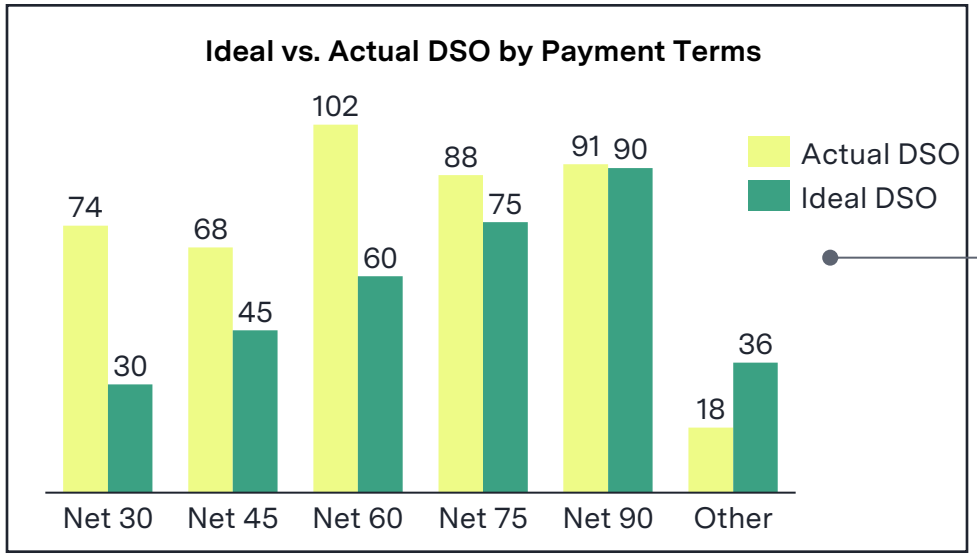
- Analyzed the DSO for overall company & by various attributes (by payment terms, revenue stream etc.) and benchmarked against the Ideal DSO i.e., if all payments received on payment terms
- Segmented the transactions further by revenue (i.e., top 80%, 15% & bottom 5%) to identify the segment driving the DSO higher. Further, analyzed the customers causing higher DSO by layering in further attributes such as revenue stream, customer segment etc. to identify the key attributes of the customers with higher DSO

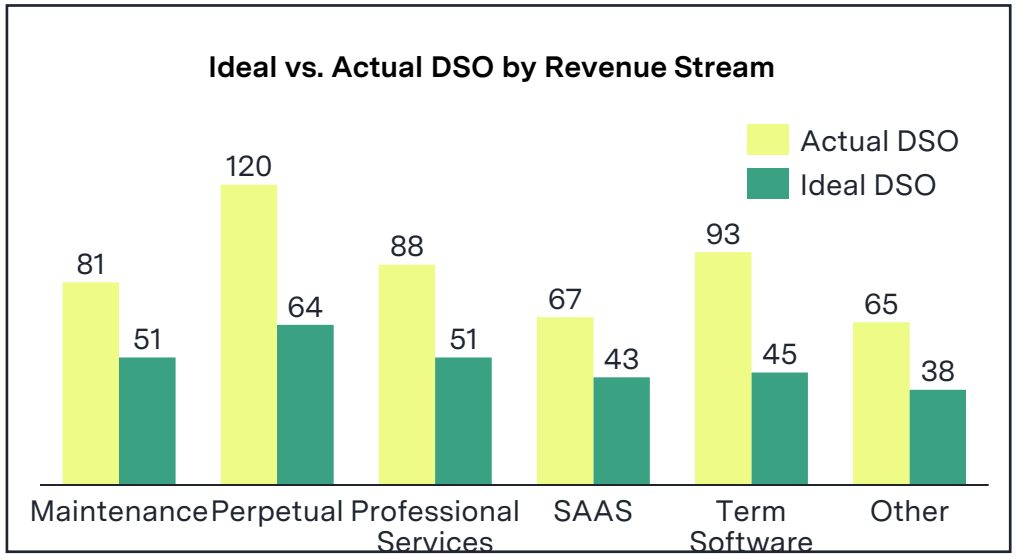
Collection Optimization and Cash benefits

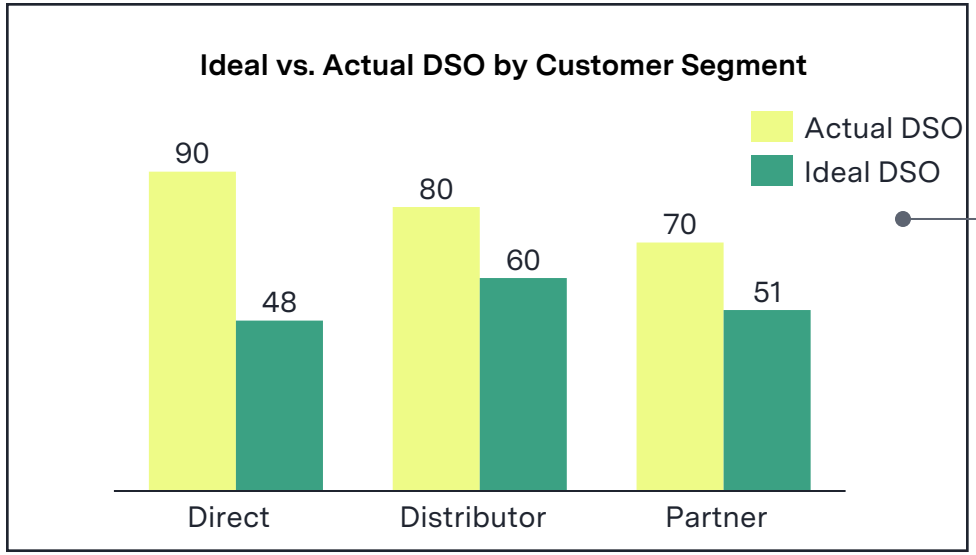
- Segregated the invoices based on payment delays to identify the opportunity for collections improvement which will result in **one-time cash release and recurring WC benefits**

Ideal DSO vs. Actual DSO









Comparison of Ideal DSO vs Actual DSO to identify key drivers of higher DSO

Collections optimization opportunity, by payment terms

Customer Segment	Key Stats	Early	On Time	1-5 days late	6-29 days late	30-59 days late	60-89 days late	90+ days late	Total
Net 30	Paid amount	$25,256,167	$2,012,599	$7,555,241	$20,041,562	$9,720,206	$6,039,280	$2,565,500	$73,190,556
	% Paid amount	35%	3%	10%	27%	13%	8%	4%	100%
	No. of invoices	359	33	121	313	169	84	109	1,188
	Average invoice value	$70,351	$60,988	$62,440	$64,031	$57,516	$71,896	$23,537	$61,608
	Days to Pays (DTP)	12	30	33	46	74	107	150	45
	DTP (vs. Due Date)	-18	0	3	16	44	77	120	15
	Opportunity to Term	$0	$0	**$114,140**	**$1,364,520**	**$2,240,086**	**$2,292,676**	**$1,497,748**	$7,509,170
Others	Paid amount	$3,502,971	$326,304	$703,623	$2,124,373	$865,183	$1,293,776	$658,916	$9,475,148
	% Paid amount	37%	3%	7%	22%	9%	14%	7%	100%
	No. of invoices	38	10	20	18	23	10	9	128
	Average invoice value	$92,183	$32,630	$35,181	$118,021	$37,617	$129,378	$73,213	$74,025
	Days to Pays (DTP)	31	45	48	60	83	113	154	64
	DTP (vs. Due Date)	-14	0	3	15	38	68	109	19
	Opportunity to Term	$0	$0	**$10,528**	**$157,454**	**$166,101**	**$417,684**	**$346,034**	$1,097,802
Total	Paid amount	$46,101,631	$4,048,948	$17,129,178	$31,323,560	$15,289,674	$7,813,988	$3,930,470	$125,637,448
	% Paid amount	37%	3%	14%	25%	12%	6%	3%	100%
	No. of invoices	648	83	386	489	249	118	155	2,128
	Average invoice value	$71,144	$48,783	$44,376	$64,056	$61,404	$66,220	$25,358	$59,040
	Days to Pays (DTP)	23	44	58	57	80	111	156	54
	DTP (vs. Due Date)	-21	0	5	14	41	75	116	10
	Opportunity to Term	$0	$0	**$264,891**	**$2,074,746**	**$3,871,678**	**$2,768,739**	**$2,455,980**	**$11,436,035**

Captured invoice payments by delay period to identify the delayed payments

Calculated the total opportunity for one-time cash release through optimizing collections process