

WORKING CAPITAL MANAGEMENT REPORT

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NaviFloor Robotics, Inc.

For the Period Ending December 31, 2023

Prepared by: James Wilson, Chief Financial Officer

Date: January 11, 2024

1. EXECUTIVE SUMMARY

This Working Capital Management Report provides a comprehensive analysis of NaviFloor Robotics, Inc.'s working capital position, management strategies,

operational efficiency metrics for the period ending December 31, 2023. The report has been prepared in accordance with GAAP standards and internal financial controls.

2. CURRENT WORKING CAPITAL POSITION

2.1 Key Metrics

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Working Capital Ratio: 2.8x

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Quick Ratio: 2.1x

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Cash Conversion Cycle: 65 days

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Days Sales Outstanding (DSO): 45 days

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Days Inventory Outstanding (DIO): 85 days

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Days Payable Outstanding (DPO): 65 days

2.2 Working Capital Components

Current Assets: \$24,875,000

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Cash and Cash Equivalents: \$8,250,000

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Accounts Receivable: \$7,125,000

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Inventory: \$8,750,000

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Prepaid Expenses: \$750,000

Current Liabilities: \$8,875,000

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Accounts Payable: \$4,875,000

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Short-term Debt: \$2,500,000

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Accrued Expenses: \$1,500,000

Net Working Capital: \$16,000,000

3. WORKING CAPITAL TRENDS AND ANALYSIS

3.1 Year-over-Year Comparison

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Working Capital Growth: +28% YoY

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Inventory Turnover Improvement: 4.2x (2023) vs 3.8x (2022)

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DSO Reduction: 45 days (2023) vs 52 days (2022)

3.2 Industry Benchmarking

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Industry Average Working Capital Ratio: 2.3x

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Peer Group Average DSO: 50 days

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Sector Average Inventory Turnover: 3.9x

4. WORKING CAPITAL MANAGEMENT STRATEGIES

4.1 Accounts Receivable Management

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Implementation of automated billing systems

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Early payment incentive program (2% discount for payment within 10 days)

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Credit policy enhancement with risk-based terms

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Weekly AR aging review process

4.2 Inventory Management

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Just-in-time component ordering for AMR assembly

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Implementation of RFID-based inventory tracking

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Strategic safety stock levels for critical components

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Vendor-managed inventory agreements for key suppliers

4.3 Accounts Payable Optimization

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Negotiated payment terms with key suppliers (Net 65)

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Supply chain financing program implementation

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Electronic payment system automation

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Strategic payment timing optimization

5. WORKING CAPITAL INITIATIVES AND IMPROV

5.1 Current Initiatives

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Supply Chain Optimization Project

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Expected working capital impact: \$1.5M reduction

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Implementation timeline: Q1-Q2 2024

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ROI projection: 25% annualized

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Receivables Management Enhancement

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Credit management software implementation

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Customer portal development

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Expected DSO reduction: 5 days

5.2 Completed Improvements

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Inventory Management System Upgrade

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Capital investment: \$750,000

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Annual savings: \$425,000

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Inventory reduction: \$1.2M

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Payment Terms Standardization

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Supplier consolidation: 15% reduction

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Payment term optimization: 12 days improvement

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Annual cost savings: \$285,000

6. RISK ASSESSMENT AND MITIGATION

6.1 Identified Risks

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Supply chain disruption impact on inventory levels

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Customer payment delay risk in current economic climate

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Foreign exchange exposure on international purchases

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Seasonal working capital fluctuations

6.2 Mitigation Strategies

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Dual-sourcing strategy for critical components

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Credit insurance for key accounts

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FX hedging program implementation

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Seasonal credit facility arrangement

7. FORECASTING AND RECOMMENDATIONS

7.1 Working Capital Forecast

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Q1 2024 projected working capital requirement: \$17.5M

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Expected inventory optimization: \$1.0M reduction

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Projected DSO improvement: 3 days

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Anticipated working capital ratio: 2.6x

7.2 Strategic Recommendations

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Implement dynamic inventory management system

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Expand supply chain financing program

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Enhance credit management automation

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Optimize payment term strategies

8. CERTIFICATION

This Working Capital Management Report has been prepared under my supervision and, to the best of my knowledge and belief, accurately reflects the working capital position and management strategies of NaviFloor Robotics, Inc.

/s/ James Wilson

James Wilson

Chief Financial Officer

NaviFloor Robotics, Inc.

Date: January 11, 2024

DISCLAIMER

This report contains forward-looking statements and projections based on current assumptions and beliefs. Actual results may differ materially from those projected. This report is for internal management use and should not be distributed without appropriate authorization.

