

WORKING CAPITAL MANAGEMENT REPORT

Polar Dynamics Robotics, Inc.

For the Period Ending December 31, 2023

Prepared by: Katherine Wells, CFO

Date: January 11, 2024

1. EXECUTIVE SUMMARY

This Working Capital Management Report provides a comprehensive analysis of Polar Dynamics Robotics, Inc.'s working capital position, operational efficiency metrics, and liquidity management strategies. The report covers Q4 2023 and includes year-over-year comparisons with historical data from 2022.

2. CURRENT WORKING CAPITAL POSITION

2.1 Key Metrics (as of December 31, 2023)

- Working Capital: \$14.2M
- Current Ratio: 2.8
- Quick Ratio: 2.1
- Cash Conversion Cycle: 82 days
- Net Working Capital Ratio: 43.7%

2.2 Component Analysis

- Current Assets: \$22.8M
- Cash and Cash Equivalents: \$8.3M
- Accounts Receivable: \$7.2M
- Inventory: \$6.4M
- Prepaid Expenses: \$0.9M
- Current Liabilities: \$8.6M
- Accounts Payable: \$4.8M
- Short-term Debt: \$2.1M
- Accrued Expenses: \$1.7M

3. WORKING CAPITAL TRENDS

3.1 Year-over-Year Changes

- Working Capital: +18.3% from 2022
- Current Ratio: Improved from 2.4 to 2.8
- Inventory Turnover: Increased from 5.2x to 5.8x
- Days Sales Outstanding: Reduced from 65 to 58 days

3.2 Seasonal Variations

Detailed analysis of working capital fluctuations corresponding to peak production periods for cold storage automation systems (Q2 and Q4).

4. INVENTORY MANAGEMENT

4.1 Inventory Composition

- Raw Materials: \$2.8M (43.8%)
- Work in Progress: \$2.1M (32.8%)
- Finished Goods: \$1.5M (23.4%)

4.2 Inventory Control Measures

- Implementation of JIT inventory system for critical components
- Strategic buffer stock maintenance for proprietary cold-resistant actuators
- Vendor-managed inventory program for standard components

5. ACCOUNTS RECEIVABLE MANAGEMENT

5.1 Aging Analysis

- Current: 72%
- 1-30 days: 18%
- 31-60 days: 7%
- 61-90 days: 2%
- >90 days: 1%

5.2 Credit Policy

- Standard payment terms: Net 45

- Early payment discount: 2/10 net 45
- Credit limit determination methodology
- Customer credit rating monitoring system

6. ACCOUNTS PAYABLE MANAGEMENT

6.1 Payment Terms

- Average payment period: 42 days
- Supplier early payment discount utilization: 68%
- Strategic payment scheduling program

6.2 Vendor Analysis

- Key supplier payment terms
- Supply chain financing arrangements
- Vendor consolidation initiatives

7. CASH MANAGEMENT STRATEGIES

7.1 Cash Flow Optimization

- Implementation of automated cash management system
- Bank account structure optimization
- Interest-bearing account utilization
- Short-term investment strategy for excess cash

7.2 Working Capital Financing

- Revolving credit facility: \$10M (unutilized)
- Supply chain financing program
- Invoice factoring arrangements (selective basis)

8. RISK MANAGEMENT

8.1 Identified Risks

- Supply chain disruption contingencies
- Foreign exchange exposure
- Seasonal working capital requirements

- Customer concentration risk

8.2 Mitigation Strategies

- Supplier diversification program
- FX hedging strategy
- Working capital buffer maintenance
- Customer credit insurance

9. RECOMMENDATIONS

9.1 Short-term Initiatives (0-6 months)

Implement automated collections management system

Optimize inventory levels for high-value components

Negotiate improved payment terms with key suppliers

Enhance cash flow forecasting accuracy

9.2 Long-term Strategies (6-18 months)

Develop supply chain financing program

Implement advanced inventory management system

Establish regional distribution centers

Enhance working capital analytics capabilities

10. CERTIFICATION

This Working Capital Management Report has been prepared in accordance with standard financial reporting practices and represents an accurate assessment of Polar Dynamics Robotics, Inc.'s working capital position as of December 31, 2023.

/s/ Katherine Wells

Katherine Wells

Chief Financial Officer

Polar Dynamics Robotics, Inc.

Date: January 11, 2024

DISCLAIMER

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