



Three Unassuming Letters Every CEO Needs To Look Forward To Reviewing...

Why Does It Matter?

Liquidity! The shorter the cash conversion cycle (CCC), the more working capital is being generated by the business to reinvest in future expansion, pay down debt, or reward investors.

By keeping a close eye on CCC trending, CEOs can ensure their team is set up to generate the cash flow needed to fund their longer term strategic vision.

Points For Your Consideration:

- ⇒ The operational mechanisms impacting CCC are absolutely controllable
- ⇒ CCC metric is easy to calculate with data you already have on hand
- ⇒ Seeing creeping days can help isolate aspects of the Organization needing intervention (operational Improvements, process redesign, revamped training, financial acumen refreshers, etc.)
- ⇒ CCC has direct connections with capital structure, credit facility decisions, vendor relationship management, and even your employee life cycle
- ⇒ CCC metric lends itself so well to enterprise goal setting, data visualization, executive dashboards, and benchmarking
- ⇒ "Good" depends on your products and your industry. However, there is such a coveted unicorn as a negative CCC!

Next Steps:

If one of your key metrics is not CCC:

- 1) Break out your financial statements and create it!
- 2) Start graphing your data points to visualize the trend.
- 3) Compare your trajectory with other firms within your industry
- 4) Ask your team: do we understand the cash flow implications for daily operational decisions we are making?
- 5) Ask yourself: where is the opportunity to shave off days?
- 6) Ask your managers: What are we doing today to remove cash constraints?



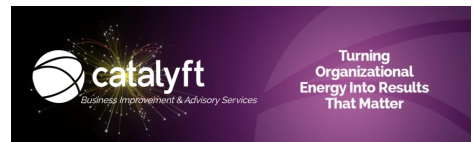
Definition:

Number of elapsed days to convert the outlay of cash for raw materials to the receipt of cash after goods have been sold.

Formula:

Cash Conversion Cycle =

Days Inventory Outstanding (DIO) +
Days Sales Outstanding (DSO) -
Days Payable Outstanding (DPO)



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