Working Capital Report 2023

McGrathNicol Advisory

Welcome

The length of the average working capital cycle shortened in 2023. This translated to the equivalent of c.$12.3 billion in additional cash released from the working capital balances of our sampled companies. There was a mix of results at the company level, with 53% of the businesses achieving a reduction in net working capital. This shows that a material competitive advantage can be achieved by implementing best practice.

Welcome to the 2023 McGrathNicol Advisory Working Capital Report, the 11th annual edition of the report from our Cash & Working Capital Centre of Excellence.

This year we have covered seven working capital-intensive sectors with a combined market capitalisation of $1 trillion. Our sample includes 139 ASX listed companies in the Agriculture, Building Products, Construction & Engineering, Food & Beverage, Mining & Resources, Retail and Transport & Logistics sectors. We have analysed the most recent full year (FY) results for 2023 and 2022, and incorporated international benchmarks for Asia, the US and Europe.

2023 saw the continued "normalisation" of trading conditions and stabilisation of global supply chains. However, businesses continued to be challenged by inflationary pressures (increasing input and energy costs), poor weather conditions in some regions, and labour shortages. Of our sampled companies, 76% reported an increase in revenue, however only 67% were able to convert the increase to an increase in earnings (EBITDA). This was all against a backdrop of higher interest rates, further impacting cash flow.

In our view, working capital performance is a primary indicator for assessing the overall health of an organisation. It provides significant insight into the way management teams operate and the strength of their relationships with customers, suppliers and other key stakeholders. In 2023, average Days Working Capital (DWC) decreased by 5.6 days, releasing an additional $12.3 billion in cash. This shift in DWC represented a reversal of the 5.3 day increase recorded in 2022 (a 10 year high). The reduction in DWC was driven by a decrease in inventory holdings (of close to two weeks), as the pressure on global supply chains eased and companies "unwound" inventory levels built up in 2022. Days Sales Outstanding (DSO) also decreased as companies collected cash from their customers more quickly. The additional cash generated was partly consumed by shorter supplier payment cycles (lower Days Payables Outstanding or DPO).

In 2023, McGrathNicol Advisory also conducted a survey of CFOs from SME and larger organisations to understand how they manage working capital. This highlighted that whilst working capital management is expected to get harder over the next 12 months, there is evidence that better processes will result in better outcomes. A key focus will be inventory management, where agile strategies are required to manage volatile demand and international instability.

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Working Capital Basics

DSO

2022	2023
39.5	33.7
Change	(5.8)

Measures the length of the 'order to cash' cycle.

Number of days of sales represented by outstanding debtors at the relevant calculation date.

An increase indicates that a company is taking longer to receive payment from its customers, which could result in cash flow constraints. A decrease indicates that a company is collecting payment from its customers more quickly.

DIO

2022	2023
100.2	88.0
Change	(12.2)

Measures the length of the 'make / supply to order' cycle.

The number of days of purchases represented by inventory balances at the relevant calculation date.

An increase indicates an increase in inventory holdings. The increase may be planned (in anticipation of growth) or it may represent a build-up of unsold inventory due to challenging market conditions. A decrease indicates a reduction in inventory holdings.

DPO

2022	2023
68.1	55.2
Change	(12.9)

Measures the length of the 'procure to pay' cycle.

The number of days of purchases represented by outstanding creditors at the relevant calculation date.

An increase indicates a company is taking longer to pay its suppliers. This is positive from a cash flow perspective in that it preserves cash, but can indicate tight liquidity and cause strained supplier relationships. A decrease indicates a company is paying its creditors more quickly. This may be planned, but it could also indicate a company is unable to negotiate longer terms with its suppliers.

DWC

2022	2023
59.1	53.5
Change	(5.6)

Measures the length of the full working capital or 'cash conversion' cycle.

The relative measure of total working capital tied up in a company relative to its sales.

An increase indicates that a higher level of working capital has been required to operate a business. A decrease indicates that a lower level of working capital has been required to operate a business.

Summary

How have working capital cycles changed in 2023?

5.6 days

decrease in DWC

$12.3bn

additional cash released by reducing working capital balances

7 sectors

recorded an improvement in DWC

43%

of companies increased revenue and reduced DWC

How have the underlying working capital metrics changed in 2023?

DSO

Average DSO decreased in all sectors and in 61% of sampled companies

DIO

Largest reduction in DIO in 11 years, which resulted in an additional $27 billion of cash released from inventory

DPO

Average DPO reduced in all sectors, and over 75% of the sampled companies

DWC

Average DWC decreased in all sectors, but there was a mix of company results (only 53% of the individual companies achieved the reduction)

What are the sector insights?

Agriculture had the largest DWC improvement of 14.1 days, however it still had the longest cycle of all sectors

Construction & Engineering had the lowest DWC improvement of 0.6 days, due to offsetting reductions in DSO and DPO

DWC spread of >70 days between "best and worst" operators in all seven sectors covered

How does Australia stack up against the rest of the world?

Australian sample companies had the lowest DSO (33.7 days) of all regions sampled

Inventory cycles were longer than the US (1.5x) and Asia (1.2x) but shorter than Europe (0.4x)

5.6 days

Australian sample companies had the largest DWC improvement of all regions sampled

FY24 Sector Outlook

All sectors saw a decrease in DWC in 2023. The decrease in DSO and DIO was partially offset by a decrease in DPO. The increase in inventory holdings seen in 2022 was partly "unwound" and payments to suppliers were made more quickly to shore up supply chains, particularly in the Mining & Resources, Building Products and Food & Beverage sectors.

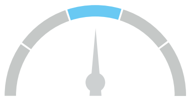
Over 60% of our sampled companies shortened the length of their customer collection cycles, with operators in the Mining & Resources and Food & Beverages sectors doing so by a week or more.

Agriculture

DWC (14.1)

Largest improvement in DWC of all sectors, driven by lower DIO and DSO. However, Agriculture remains the most working capital-intensive sector with operators holding inventory for close to six months (on average).

Looking forward



Moderate conditions

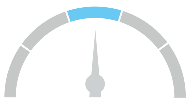
- Make further inventory reductions as global supply chains normalise.
- Proactively manage customer and supplier terms.
- Monitor production levels in the context of challenging weather conditions and lower agricultural commodity prices.

Building Products

DWC (1.3)

Large offsetting reductions in DIO and DPO of close to two weeks each, with DPO now at the lowest level it has been over the last 11 years (at 50.6 days). Resulting impact on net working capital was a small contraction of the cycle.

Looking forward



Moderate conditions

- Make further inventory reductions as global supply chains normalise.
- Shorten collections cycle to reduce / remove "funding gap" (noting over 40% of the sample reported a "funding gap" in FY23).
- Build strategic partnerships with customers to allow for better forward planning.

Construction & Engineering

DWC (0.6)

Decrease in DWC driven by shorter customer collection cycles (DSO down by 6 days). Notably, the benefit was passed onto suppliers, with 83% of the sample reducing DPO (paying suppliers more quickly).

Looking forward

Harder conditions

- Negotiate cash positive or cash neutral projects.
- Ensure robust internal processes, particularly for WIP management.
- Mitigate and manage counterparty risk as demand falls.

Food & Beverage

DWC (8.2)

Shortening of DWC by over a week, driven by material reductions in DSO and DIO. There was an offsetting shortening of DPO, with all of the companies that collected more quickly also paying their suppliers more quickly.

Looking forward

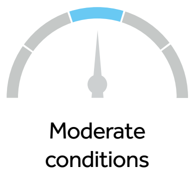
- Maintain or decrease inventory balances (to shift the burden of holding inventory along the supply chain).
- Integrate sales, operations, and inventory planning.
- Review supplier terms and the extent that these can be lengthened (without putting pressure on quality and supply).

Mining & Resources

DWC (5.9)

Lower DWC driven by decreases in DSO and DIO. Close to one third of the sample reduced DSO by two weeks or more (reversing the trend of recent years). The cash flow benefits were shared with suppliers (DPO down by 19.5 days).

Looking forward



- Maintain or further improve customer terms.
- Review counterparty risk, particularly on major projects.
- Integrate sales, operations, and inventory planning (as demand uncertainty in some international markets remains).

Retail

DWC (6.0)

Material reduction in inventory holdings (DIO down 19 days) as many retailers shifted from a "just in case" to "just in time" inventory strategy. Suppliers were paid more quickly, but an overall shorter net working capital cycle was achieved.

Looking forward

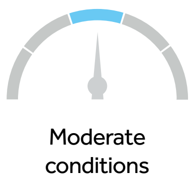
- Continued focus on inventory management.
- Invest in logistics and supply chain to meet multi-channel demand.
- Payment strategies, supplier segmentation, and effective negotiation of terms.

Transport & Logistics

DWC (1.1)

Shortest DWC of all sectors, with the reduction in 2023 driven by decreases in DSO and DIO. All but one of the sampled companies that lowered their DWC did so by collecting more quickly from their customers (DSO down by 3.4 days).

Looking forward



- Proactively manage customer and supplier terms.
- Consider tools to automate billing (given growing number of smaller customers for operators).
- Review supplier terms and the extent these can be lengthened (without putting pressure on quality and supply).


TOTAL
$1,016m
positive cash impact
DWC
14.1 days
decrease
DWC
136.6 days
highest overall

Agriculture

A shortening of the net working capital cycle by two weeks in FY23, primarily driven by an improvement in DIO.

"...significant improvement [in operating cash flow] as the business was able to make an ordinary reduction in the strategic inventory held previously as macro supply chains normalised."

Mick McMahon, Director and Chairman
Quinton Hildebrand, CEO and MD
Ridley Corporation Limited
FY23 Preliminary Annual Report

Our sample of Agriculture companies delivered a 13% increase in revenue during FY23 as many crop production volumes hit a record high. However, only 27% of the companies that increased revenue also achieved an uplift in margins, indicating the significance of the inflationary pressures that impacted fertiliser, fuel and feed costs during the year. Finance and labour costs also increased during FY23, reflecting rising interest rates and high competition for skilled workers, given low unemployment across the sector.

In terms of working capital performance, average DWC fell by 14.1 days to 136.6 days in FY23. Whilst this represented the largest improvement across all sectors covered, the sector remains the most working capital-intensive sector, with close to 60% of our sample carrying in excess of three months of working capital. The reduction in DWC was driven by lower inventory holdings, with average DIO falling by 27.2 days to 166.5 days in FY23. This reflected a release in the build up of inventory reported in FY22 as supply chains "normalised" and the level of agricultural exports increased. On average, our sample collected receipts from customers 5.5 days more quickly in FY23 (reducing DSO to 48.5 days). Approximately 64% of our sample reduced DSO, and most passed on the cash flow benefit to their suppliers through faster payments. On average, DPO decreased by 5.2 days to 65.1 days in FY23.

The large gap between the "best" and "worst" agricultural operators (> 400 days variance in DWC) highlights the complexities of managing working capital in this sector. Our Australian sample's DWC remains significantly higher than our international sample, driven by higher DIO compared to the US and Asia, and lower DPO compared to our European sample. Looking forward, the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) has forecast a 14% reduction in the value of Australian agricultural production in FY24, which is expected to be driven by shifting weather patterns to El Nino conditions and lower agricultural commodity prices.

Agriculture - Financial Year

Days	2022	2023	Change
DSO	54.0	48.5	(5.5)
DIO	193.7	166.5	(27.2)
DPO	70.3	65.1	(5.2)
DWC	150.7	136.6	(14.1)

Best & Worst

Days	Best	Worst	Spread
DSO	8.6	121.4	112.8
DIO	34.0	381.9	347.9
DPO	181.3	20.1	(161.2)
DWC	20.1	426.6	406.5

International Benchmarking

Days	Asia	EU	US
DSO	68.8	65.5	35.7
DIO	74.6	194.9	81.5
DPO	40.9	140.8	31.3
DWC	97.9	89.8	75.0

TOTAL
$190m
positive cash impact

DWC
1.3 days
decrease

DPO
11 year low

Building Products

Companies actively reduced inventory and customer collection cycles with the benefits passed onto suppliers through shorter payment cycles, resulting in a small net decrease in DWC.

"Adjusted operating cash flow... [showed] an increase of $39.8 million, primarily driven by a focus on cash conversion and working capital management."

Boral Limited
FY23 Annual Report

According to the Producer Price Index (PPI) for the Construction sector, input prices to house construction increased by 7.4% in FY23. This was driven by energy-intensive materials, including plaster, concrete, and plumbing products. Interestingly, the rate of increase for these input costs eased each quarter during FY23 as supply chains improved and the demand for new construction fell. For our sample of Building Products companies, 75% recorded an increase in revenue but only two of those operators were able to improve margins by passing the increased costs on to customers. Across the sector, the average gross margin decreased by 1%.

From a working capital perspective, there was an unwinding of the large increase in inventory seen in FY22. On average, DIO decreased by 13.1 days in FY23 (to 97.1 days). Customers paid 3 days more quickly (lower DSO) and suppliers were paid 13.6 days more quickly (lower DPO), which resulted in a small net decrease in DWC of 1.3 days (to 80.8 days).

The decrease in average DSO in FY23 (to 50.7 days) was driven by three quarters of the sampled companies improving collections. This was an important action to help maintain cash flow in the face of falling demand. Whilst DIO decreased in FY23, inventory management remains crucial for Building Products companies, with the average DIO of 97.1 days for FY23 representing over three months of inventory holdings. Interestingly, all but one of our sampled companies lowered DPO in FY23 and average DPO was the lowest it has been in the 11 years the McGrathNicol Advisory Working Capital Report has been prepared. Whilst this is partly explained by the stabilising material costs and lower levels of activity in the second half of FY23, it also shows the increased attention applied by management teams to ensure suppliers are paid on reasonable terms, to reduce and manage counterparty risk.

A decrease in DPO was seen across all international markets sampled and was a key driver in Asia and Europe experiencing an increase in average DWC in FY23. Looking ahead for the sector, a further easing in demand is expected to intensify the attention on working capital and cash flow management, with a focus on the continued reduction of inventory holdings to longer-term averages.

Building Products - Financial Year

Days	2022	2023	Change
DSO	53.7	50.7	(3.0)
DIO	110.2	97.1	(13.1)
DPO	64.2	50.6	(13.6)
DWC	82.1	80.8	(1.3)

Best & Worst

Days	Best	Worst	Spread
DSO	29.4	73.0	43.6
DIO	37.0	200.5	163.5
DPO	71.4	71.4	-
DWC	31.2	136.9	105.7

International Benchmarking

Days	Asia	EU	US
DSO	81.3	61.0	60.4
DIO	119.0	98.2	91.7
DPO	76.1	86.9	65.2
DWC	113.2	69.1	81.2


TOTAL
$71m
positive cash impact
DWC
0.6 days
decrease
Lower DPO for
92%
of sample companies

Construction & Engineering

Minimal overall movement in DWC masked some material movements in underlying working capital elements, with improved DSO and DIO offsetting a reduction in DPO.

"Cashflow conversion up from 56%... driven by disciplined working capital management."

MAAS Group Limited
FY23 Investor Presentation

It was a challenging year for the Construction & Engineering industry in FY23, with corporate insolvencies increasing by 72% (from FY22) to reach a 10 year high, driven by rising interest rates, input cost inflation and labour shortages. Poor weather in some regions and economic uncertainty more broadly resulted in project delays and deferrals, impacting activity levels and profitability.

Notwithstanding the above, our sampled companies were able to successfully pass on a 16% increase in direct costs to their customers in FY23 and maintain flat average margins relative to FY22 (24% gross margin and 7% EBITDA margin). Notably, our sample are listed entities, with many smaller operators experiencing material margin compression.

From a working capital perspective, DWC decreased by 0.6 days to 38.9 days in FY23. This incremental net change masked larger offsetting movements in DSO, DIO and DPO. Our sampled companies shortened their customer collection cycle (DSO down 6 days to 56.9 days) and held less inventory (DIO down 2.9 days to 22.8 days), but paid suppliers more quickly (DPO down 9.8 days to 50.2 days).

Lower DSO was recorded by 92% of our sample, reflecting process improvements but also a willingness by government agencies and developers to work with head contractors and expedite milestone payments. Interestingly, the increased discipline around billing and collections allowed companies to pass on the benefit to their suppliers, with 83% of our sample reducing DPO. In fact, average DPO in FY23 was the lowest it has been in six years, indicating a reversal in recent trends influenced by COVID lockdowns and the response by construction companies to defer supplier payments to improve their own cash flow. The result was the re-emergence of the "funding gap", where suppliers were paid more quickly than collections were made.

Internationally, the Asian and European markets saw an increase in DWC, with our Australian sample maintaining a materially shorter working capital cycle than the international sample. Going forward, we expect to see costs stabilise as demand across the sector falls, however there will likely be growth opportunities in renewable energy and the build to rent markets.

Construction & Engineering - Financial Year

Days	2022	2023	Change
DSO	62.9	56.9	(6.0)
DIO	25.7	22.8	(2.9)
DPO	60.0	50.2	(9.8)
DWC	39.5	38.9	(0.6)

Best & Worst

Days	Best	Worst	Spread
DSO	27.5	78.4	50.9
DIO	-	89.4	89.4
DPO	130.1	5.9	(124.2)
DWC	1.8	75.9	74.1

International Benchmarking

Days	Asia	EU	US
DSO	140.5	89.0	81.3
DIO	66.8	71.2	64.7
DPO	91.7	92.5	48.7
DWC	116.5	74.6	89.5


TOTAL
$294m
positive cash impact
DWC
8.2 days
decrease
DIO down
22 days
second largest
improvement

Food & Beverage

Material reduction in DWC driven by lower average DSO and DIO, despite an offsetting decrease in DPO.

"Reduction in inventory... reflects consumption of excess stock supplies held during COVID-19 to mitigate supply chain risks."

Retail Food Group Ltd
FY23 Investor Presentation

Our sample of Food & Beverage companies delivered average revenue growth of 9% in FY23, with 82% of operators reporting higher sales. Whilst some companies reported growth through product innovation and strong demand for products (such as dairy and olive oil), price increases were the main driver of higher revenue. The annual CPI for food and non-alcoholic beverages was 7.5% (12 months to June 2023), above the average CPI of 6% for all household expenditure. Annual price increases were highest for dairy, bread, and cereal products. However, only 36% of the sample was able to deliver both revenue and margin growth due to the combination of higher raw materials, utilities, freight and labour costs. The average gross margin fell by 5.5% across the sample.

From a working capital perspective, average DWC for our sample decreased by 8.2 days (to 39.7 days) in FY23. Operators achieved a 7.6 day reduction in average DSO (to 32.3 days), however there was an offsetting shortening of supplier payment cycles with all of the companies that collected more quickly also paying their suppliers more quickly. Average DPO decreased by 15.3 days to 51 days in FY23. While these movements were important, inventory management remains key to working capital performance for Food & Beverage companies. Average DIO decreased by 22 days (to 56.3 days), representing the second largest reduction in inventory holdings of all sectors covered. The overall movement masked the fact that 45% of our sample experienced an uptick in DIO, highlighting the complexities of managing inventory in a sector where demand has been variable and participants need to manage a range of inputs. The biggest improvements were delivered by manufacturers and distributors of non-perishable products (including drinks and baby formula).

Our analysis of international metrics shows that the average DWC for our Australian sample was lower than their counterparts in Asia and Europe due to lower average DSO and DIO, however it was higher than the US sample, who pay their customers on longer terms. Looking forward, we expect that the rising cost of living and weaker consumer sentiment will put pressure on discretionary Food & Beverage providers. Uncertainty around demand will require an ongoing focus on strong sales, operations, and inventory planning.

Food & Beverage - Financial Year

Days	2022	2023	Change
DSO	39.9	32.3	(7.6)
DIO	78.3	56.3	(22.0)
DPO	66.3	51.0	(15.3)
DWC	47.9	39.7	(8.2)

Best & Worst

Days	Best	Worst	Spread
DSO	0.8	82.0	81.2
DIO	4.5	118.6	114.1
DPO	87.6	23.6	(64.0)
DWC	(19.3)	110.7	130.0

International Benchmarking

Days	Asia	EU	US
DSO	38.7	50.6	30.9
DIO	75.3	110.5	62.1
DPO	59.9	94.1	78.7
DWC	51.6	51.8	22.4


TOTAL
$6,488m
positive cash impact
DWC
5.9 days
decrease
DSO down
10.5 days
largest improvement

Mining & Resources

Easing global supply chain pressures have helped reduce inventory (lower DIO), with the benefit of this and shorter customer payment cycles (lower DSO) passed onto suppliers (lower DPO).

"Demand for... raw materials for FY2024 is expected to remain robust but with some pricing volatility in the shorter term as supply chain continues to tightly manage inventory levels in light of global macroeconomic conditions."

Pilbara Minerals Ltd
FY23 Annual Report

Our sample of Mining & Resources companies reported average revenue growth of 9% in FY23, a positive result but well below the double-digit growth achieved in FY21 and FY22. The main driver was the "normalisation" in commodities prices for a number of key exports, such as coal (67% reduction), LNG (51% reduction) and lithium (35% reduction). Interestingly, only 39% of operators that increased revenue were able to convert this into higher gross margins as labour, fuel and energy costs also materially increased. On average, gross and EBITDA margins fell by 3% and 4% respectively in FY23, but remained at very healthy levels.

From a working capital perspective, DWC decreased by 5.9 days to 42 days in FY23. Our sampled companies were able to reduce their inventory holdings, with average DIO falling by 4.5 days (to 76.7 days). Our sampled companies also shortened their customer collection cycles, evidenced by close to two thirds of our sample recording lower DSO (overall down by an average of 10.5 days to 31.5 days). Notably, 34% of sampled companies that reduced DSO did so by two weeks or more, signifying a material improvement in this metric (which had drifted higher over the last two years).

The improvements in DSO and DIO were driven by the reopening of supply chains, particularly international shipping. This allowed Australia's key exporters to move commodities to end-customers more quickly, with a third of our sampled companies having a lower year-end inventory balance than in FY22. The benefit was also shared with suppliers, with DPO reduced by 19.5 days (to 58.6 days).

Our Australian sample companies sat within the range of DWC achieved in Asia, Europe and the US. Going forward, we expect to see ongoing volatility in commodity prices as the transition to renewable energy continues and demand uncertainty in some international markets remains (including China, where lower construction activity may materially impact iron ore prices).

Mining & Resources - Financial Year

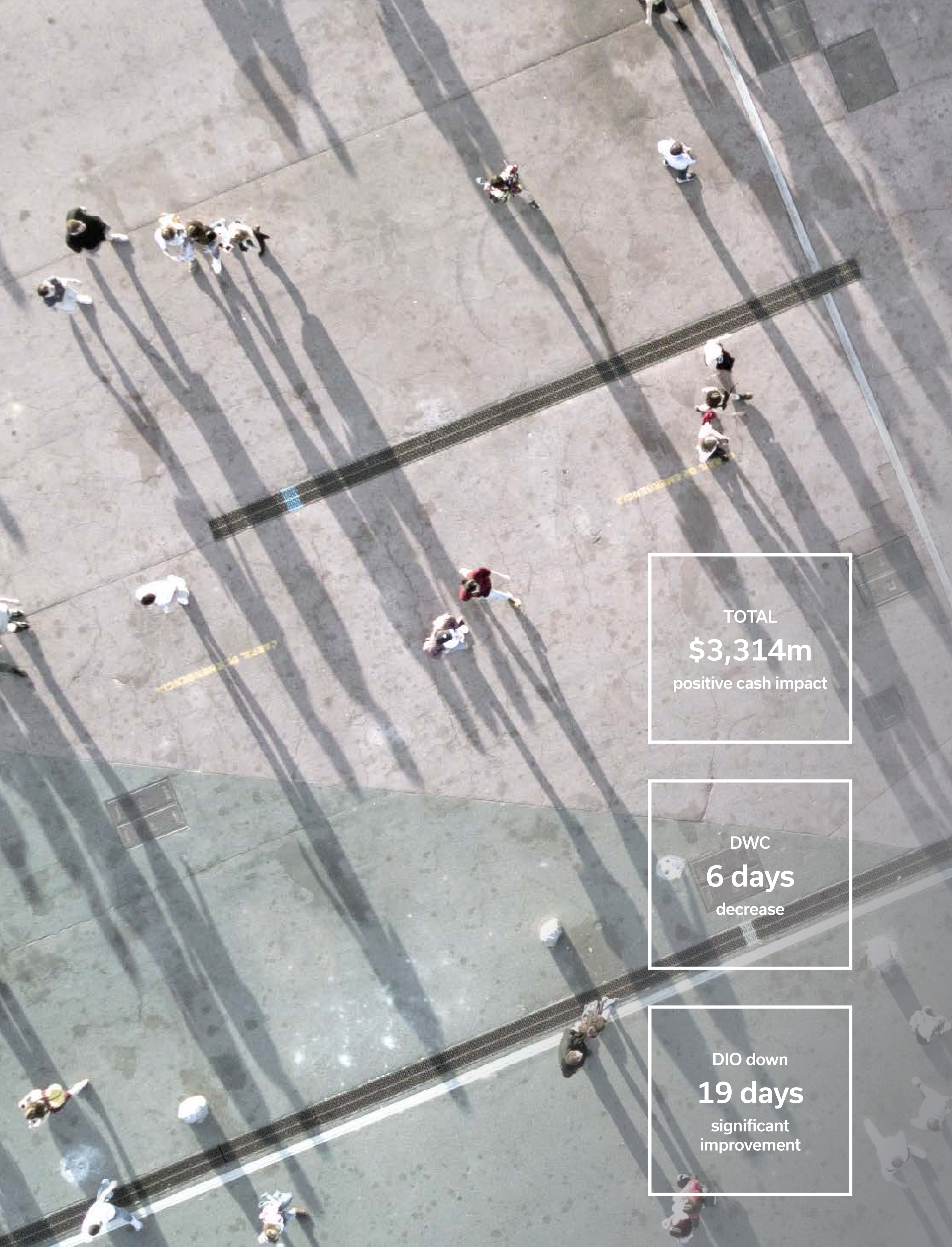
Days	2022	2023	Change
DSO	42.0	31.5	(10.5)
DIO	81.2	76.7	(4.5)
DPO	78.1	58.6	(19.5)
DWC	47.9	42.0	(5.9)

Best & Worst

Days	Best	Worst	Spread
DSO	-	105.7	105.7
DIO	1.6	240.6	239.0
DPO	212.1	4.7	(207.4)
DWC	1.5	119.5	118.0

International Benchmarking

Days	Asia	EU	US
DSO	49.7	47.6	31.2
DIO	82.1	72.0	43.5
DPO	52.4	78.7	83.0
DWC	73.5	43.0	22.6



TOTAL
$3,314m
positive cash impact

DWC
6 days
decrease

DIO down
19 days
significant improvement

Retail

DWC decreased by close to a week in FY23, driven largely by a decrease in DIO as retailers strategically unwound inventory levels.

"Gross Profit was largely impacted by the aggressive sell-through of inventory... to realign the business with current trading conditions."

David Shafer
CFO, COO and Executive Director
Kogan.com Ltd
FY23 Investor Presentation

Retail sales remained resilient in FY23 (growing by 8%) despite consumer pessimism persisting at historically high levels. In the second half of FY23, demand began to slow on the back of ongoing cost-of-living pressure, however 76% of our sample recorded revenue growth overall.

Whilst retail sales grew, it was inflation (rather than volume growth) that drove much of the reported increase, with margin compression evident at both a gross margin and EBITDA margin level (both down 1%). Wage growth and other inflationary pressures impacted cost of sales (up 8%) and costs of doing business.

A significant 19 day decrease in DIO drove a 6 day improvement in average DWC across our sample. Many retailers moved from a "just in case" to "just in time" inventory strategy, as supply chains opened up. Responding to an increasingly "value" driven consumer, many operators increased promotional activity and rationalised product lines/SKUs. Retailers looked to reduce elevated inventory holdings from FY22 in the face of slowing demand and a rebalancing of sales between channels.

Some of the benefit of the lower inventory holdings was passed onto suppliers, resulting in a 9.5 day reduction in average DPO. 67% of sampled companies had a lower accounts payable balance at year-end compared to FY22, despite average revenue growth overall.

Australia's improvement in DWC was higher than international counterparts, with Asia, Europe and the US experiencing an improvement of between 2 – 3 days, however the Australian sample still sits at the upper end of the DWC range on a comparative basis.

As noted above, some signs of weakness emerged in the second half of FY23 (more evident in discretionary categories) as legacy "protective forces" from COVID-19 (high household savings levels and pent-up lockdown demand) unwound. Despite this, many retailers are cautiously optimistic and anticipate an improvement in retail conditions in the second half of FY24 on the back of slowing inflation and an expectation that interest rates may have peaked. That said, conditions are likely to remain difficult in the near term, requiring careful inventory management.

Retail - Financial Year

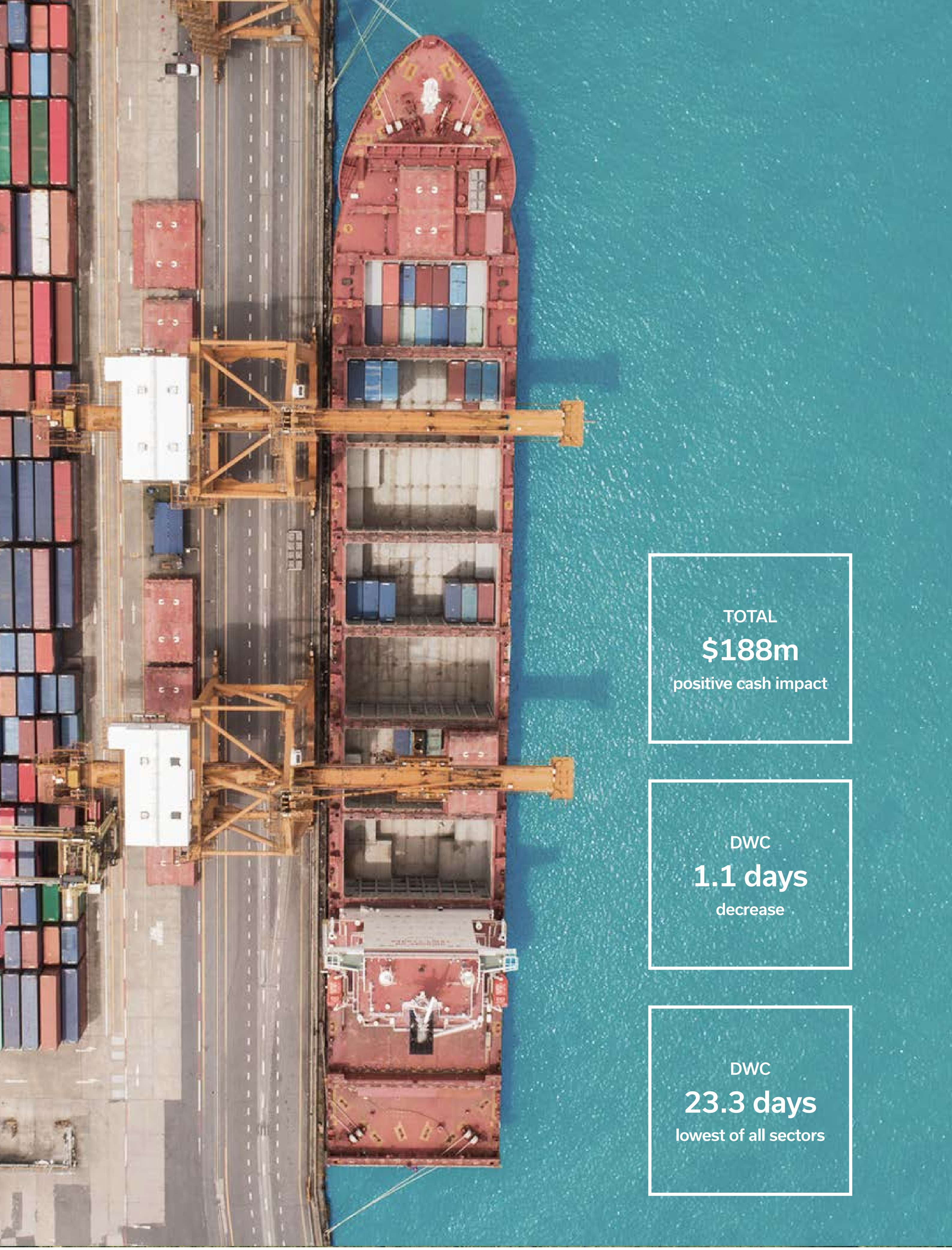
Days	2022	2023	Change
DSO	15.9	14.7	(1.2)
DIO	138.5	119.5	(19.0)
DPO	54.1	44.6	(9.5)
DWC	52.1	46.1	(6.0)

Best & Worst

Days	Best	Worst	Spread
DSO	-	64.9	64.9
DIO	3.3	351.6	348.3
DPO	99.2	10.1	(89.1)
DWC	(34.0)	164.9	198.9

International Benchmarking

Days	Asia	EU	US
DSO	35.9	27.8	17.0
DIO	89.6	97.2	88.7
DPO	74.7	70.8	70.7
DWC	46.2	37.8	29.8


TOTAL
$188m
positive cash impact
DWC
1.1 days
decrease
DWC
23.3 days
lowest of all sectors

Transport & Logistics

A shortening of the net working capital cycle by 1.1 days achieved by a reduction in DSO and DIO, offset by a shortening of average supplier payment cycles (lower DPO).

"Strong, investment grade balance sheet. Focused on working capital and prioritising inventory reduction."

Ron Delia, CEO
Amcor plc
Fiscal Year 2023 Investor Presentation

For our sample of Transport & Logistics companies, average revenue and direct costs both increased by 9% in FY23, resulting in stable margins. Whilst some operators achieved organic volume growth, cost pressures continued to be driven by adverse weather conditions, elevated labour costs, and ongoing cost increases related to port congestion and fuel.

In terms of working capital performance, average DWC decreased by 1.1 days to 23.3 days in FY23 (the lowest DWC of all sectors covered). However, there was a mix of outcomes across the sample with 57% of operators experiencing an increase in DWC. Interestingly, all but one of the sampled companies that were able to lower DWC did so by collecting more quickly from their customers (reducing DSO). On average, DSO fell by 3.4 days to 37.3 days in FY23.

The most significant working capital movement was observed in DPO, with our sampled companies reducing DPO by 9 days in FY23 (to 71.4 days). Close to 90% of our sample paid their suppliers more quickly in FY23, and 42% of those operators did so whilst still achieving a reduced net DWC, highlighting their preparedness to share the cash flow benefits from tighter working capital management with their suppliers. Average DIO also decreased by 4.7 days to 42.5 days in FY23 (almost back to pre-COVID levels).

Looking internationally, our Australian sample companies appeared to manage working capital well when compared with their overseas counterparts, with comparable figures to the US and Europe, and much lower DWC than the Asia sample. While global market dynamics have eased around congestion, vessel capacity, and reduced shipping charges, the domestic market is expected to face continued challenges. Inflationary pressures associated with key inputs are expected to continue and there is some risk of reduced demand as consumer spending comes under pressure.

Transport & Logistics - Financial Year

Days	2022	2023	Change
DSO	40.7	37.3	(3.4)
DIO	47.2	42.5	(4.7)
DPO	80.4	71.4	(9.0)
DWC	24.4	23.3	(1.1)

Best & Worst

Days	Best	Worst	Spread
DSO	13.7	55.0	41.3
DIO	-	199.1	199.1
DPO	133.2	26.0	(107.2)
DWC	(26.2)	103.6	129.8

International Benchmarking

Days	Asia	EU	US
DSO	51.6	46.0	41.6
DIO	37.0	23.8	29.9
DPO	43.4	68.3	60.7
DWC	45.9	16.4	22.4

Note: airlines were excluded from our sample due to the contrasting nature of their working capital cycles (often negative) and the size and scale of their operations (which disproportionately skew the sample set).

Survey Highlights

In 2023, McGrathNicol Advisory conducted a survey of CFOs from SME and larger organisations to understand how they manage working capital. The survey responses are particularly insightful given the challenging macroeconomic environment faced by participants across most sectors.

Managing working capital well is fundamental to strong cash flow, and astute business leaders can carve out a real competitive advantage by giving it the right level of attention as they head into 2024.

Managing working capital was difficult in 2023 and is expected to get harder in 2024

Despite our analysis showing a reduction in average DWC across all sectors, 73% of our survey respondents indicated that they had to work hard to manage working capital in 2023. Against the backdrop of challenging market conditions, 70% of respondents expect that it will become even more difficult to manage working capital and cash flow over the next 12 months.

Better process results in better outcomes

Interestingly, 57% of our survey respondents identified a lack of clear processes and / or accountabilities as the key challenge to improving working capital. This highlights the importance of a strong framework for working capital management that has standardised procedures, agreed accountabilities, and clear roles and responsibilities for finance and operational staff.

Automation and data can drive a step change in working capital

Automation and data integrity are important for longer term, sustainable working capital improvement, with 47% of our survey respondents identifying technology, systems or data limitations as a key challenge in 2023. For growing businesses, identifying opportunities to automate billing, collection and payment processes can shorten working capital cycles considerably and release staff capacity for other more strategic purposes.

Pressures on management time will continue

CFOs are resource-constrained, with 37% of our survey respondents concerned that they do not have the availability of staff or sufficient time to put into working capital management. Interestingly, the pressures appear to be manifesting in the customer collections cycle, with a third of the respondents pointing to slow paying customers as a key challenge. To counter the cash flow impact, 57% of respondents intend to reduce costs or attempt to access additional capital in 2024.

Inventory management needs a flexible and disciplined approach

Despite our analysis showing an unwinding of COVID-level inventory holdings in 2023, 33% of our respondents remain concerned about a supply chain disruption or slowing demand leading to another build-up of inventory. With unpredictable demand, inflationary pressures, environmental concerns, and continued international political instability, a disciplined yet flexible approach to inventory management is required.

Inventory Management in Focus

Inventory management is critical for the majority of sectors covered by our analysis and is often a key contributor to strong working capital performance when prioritised and done well.

Whilst Australian companies decreased average inventory holdings by 12% in FY23, inventory cycles in Australia remain 1.5x and 1.2x longer than in the US and Asia, respectively. In the Agriculture, Building Products and Retail sectors, operators continue to hold more than three months of inventory.

So, what are the factors most influencing inventory levels and DIO metrics, and what is on the horizon for Australian businesses?

International shipping is more reliable and cost effective (for now)

Whilst still not back at pre-COVID levels, global schedule reliability has improved to 64% (c.80% pre-COVID) and costs have come down with the Drewry World Container Index now 2% below 2019 average rates. Whether this is sustainable in the long term is difficult to assess, with inflation and the unpredictability in customer demand forcing shipping lines to continue to manage capacity closely.

Warehousing capacity is the next big challenge

Port congestion has significantly eased across the major container ports, however bulk ports still continue to experience some congestion due to the increased export volumes from the Agriculture sector. Whilst the easing of congestion is good news, the problem has now shifted to storing the product that has been shipped, with the national industrial and logistics vacancy rate of 0.6% in the first half of 2023 (January to June), indicating a material undersupply of space. This is the lowest rate globally, with all major markets recording relatively low, although improving, vacancy levels.

ESG initiatives remain a focus, despite higher costs of capital

Climate change and investor demands have forced logistics providers to focus on supply chain ESG, including reducing carbon emissions, with initiatives often financed through increased debt. The increased focus is here to stay, so providers need to factor ESG initiatives into their cost considerations over the next 12 months.

Agile inventory management will become essential in 2024

The ongoing shortage of warehousing capacity will limit businesses' ability to stockpile inventory. Coupled with the increased reliability and lower cost of international shipping, there will be a temptation to return to the "just in time" inventory management practices seen prior to the pandemic. However, with volatile consumer demand across a number of sectors and international instability increasing (particularly in the Middle East, which could materially impact fuel prices), businesses will need to consider agile inventory management strategies. A disciplined approach to demand forecasting and inventory monitoring will also be required, with an ability to quickly change course should it be required.

Basis of Preparation

Data used in this publication has been sourced from the S&P Capital IQ platform.

Peer group classification

The Agriculture, Building Products, Construction & Engineering, Food & Beverage, Mining & Resources, Retail and Transport & Logistics peer group samples underpinning this report have been selected according to the Global Industry Classification Standard ("GICS") listed in the table opposite.

Accounting periods

Financial information in this publication draws from the most recently published full year accounts as at 6 October 2023 (i.e. the most recently published full year financial information prior to this date has been used). Prior year comparable figures may differ from our 2022 report for companies in the sample that adjusted their 2022 accounts following the release of our report or restated their accounts when presenting current year results. Adjustments may occur if there has been a change in accounting policy.

Peer group sample	GICS groups included
Agriculture	Beverages Chemicals Food and Staples Retailing Food Products
Building Products	Building Products Construction Materials Metals and Mining Trading Companies and Distributors
Construction & Engineering	Aerospace and Defense Commercial Services and Supplies Construction and Engineering Energy Equipment and Services Metals and Mining Real Estate Management and Development
Food & Beverage	Food Products Personal Products Hotels, Restaurants and Leisure Internet and Direct Marketing Retail
Mining & Resources	Chemicals Construction and Engineering Electric Utilities Metals and Mining Oil, Gas and Consumable Fuels Software Trading Companies and Distributors
Retail	Auto Components Commercial Services and Supplies Distributors Electronic Equipment, Instruments and Components Food and Staples Retailing Household Durables Internet and Direct Marketing Retail Multiline Retail Specialty Retail Textiles, Apparel and Luxury Goods
Transport & Logistics	Commercial Services and Supplies Containers and Packaging Distributors Metals and Mining Road and Rail Transportation Infrastructure

The full peer group samples are included on pages 26 - 30.

Basis of Preparation

Source data

This publication contains high level financial information sourced from the S&P Capital IQ database of the latest available published financial statements of ASX listed entities for the 2023 financial year. The information contained herein is based on sources we believe reliable, but we do not guarantee its accuracy, and it should be understood to be general information only. The information is not intended to be taken as advice with respect to any specific organisation or situation and cannot be relied upon as such.

McGrathNicol accepts no responsibility for errors or omissions in financial information underpinning this publication, nor the loss of any person arising from use of or reliance on information herein. All readers of this publication must make their own enquiries or obtain professional advice in relation to any issue or matter referred to in this publication.

Limitations

McGrathNicol acknowledges that at the level of detail applied, the analysis has limitations, some of which are noted below. For this reason, the analysis focuses on performance relative to the prior period, rather than in absolute terms against peers.

Days sales outstanding

Debtors include GST, whilst sales do not. To the extent that a company makes more or less of its sales in Australia (or another jurisdiction that levies a consumption tax), results will vary.

Days inventory outstanding

To the extent that a company has more or less labour included in its cost of sales, results will vary.

Days purchases outstanding

Creditors include GST, whilst cost of sales do not. To the extent that a company acquires inventory or input services in Australia (or another jurisdiction that levies a consumption tax), results will vary. To the extent that a company has more or less labour included in its cost of sales, results will vary.

In addition, to the extent that there has been an accounting adjustment that has affected a company's sales, purchases, debtors, inventory or creditors, this has not been isolated in the analysis and may be reflected as a change in working capital.

Calculation methodology

The working capital metrics referred to in this report have been calculated, as follows:

Days Sales Outstanding ("DSO")

DSO is the number of days' worth of sales represented by the outstanding debtors at the relevant calculation date. The calculation used in this publication is:

$$\text{DSO} = \frac{\text{Debtors}}{\text{Sales}} \times 365$$

A low DSO metric is desirable and indicates that it takes a relatively low number of days for a company to collect debtors.

Days Purchases Outstanding ("DPO")

DPO is the number of days' worth of purchases represented by the outstanding creditors at the relevant calculation date. The calculation used in this publication is:

$$\text{DPO} = \frac{\text{Creditors}}{\text{Cost of Sales}} \times 365$$

A low DPO metric indicates that it takes fewer days for a company to pay its trade creditors. A high DPO is desirable from a cash flow and working capital management perspective, but can be an indicator of tight liquidity and the cause of strained supplier relationships.

Days Inventory Outstanding ("DIO")

DIO is the number of days' worth of purchases represented by the inventory balances at the relevant calculation date. The calculation used in this publication is:

$$\text{DIO} = \frac{\text{Inventory}}{\text{Cost of Sales}} \times 365$$

A low DIO metric is desirable and indicates a relatively high turnover of inventory.

Days Working Capital ("DWC")

DWC is a relative measure of total working capital tied up in a company relative to sales. The calculation used in this publication is:

$$\text{DWC} = \frac{\text{Debtors + Inventory - Creditors}}{\text{Sales}} \times 365$$

A low DWC metric is favourable as it indicates a low level of working capital relative to the size of the business.

International benchmarking

AU

Australia (ASX 500)

Asia

China (SS 180 Index); Hong Kong (Hang Seng Index); Japan (S&P Japan 500); and Singapore (FTSE Straits Times Index)

EU

Europe (S&P Europe 350); and United Kingdom (FTSE 350 Index)

US

USA (S&P 500); and Canada (TSX Composite Index)

Findings

Agriculture

	DSO			DIO			DPO			DWC		
Company name	**2022**	**2023**	**Change**	**2022**	**2023**	**Change**	**2022**	**2023**	**Change**	**2022**	**2023**	**Change**
Australian Agricultural Company Limited	6.7	8.6	1.9	408.0	381.9	(26.1)	24.6	23.1	(1.5)	449.4	426.6	(22.8)
Australian Vintage Limited	58.2	53.1	(5.1)	375.6	362.2	(13.4)	100.0	75.0	(25.0)	243.4	256.9	13.5
Costa Group Holdings Limited	37.9	33.7	(4.2)	88.2	90.3	2.1	56.1	62.0	5.9	48.8	42.9	(5.9)
Duxton Broadacre Farms Limited	9.6	17.9	8.3	94.1	35.4	(58.7)	18.3	21.6	3.3	93.0	57.7	(35.3)
Ecofibre Limited	48.2	32.4	(15.8)	347.2	148.6	(198.6)	47.6	81.0	33.4	211.9	80.3	(131.6)
Elders Limited	108.9	90.7	(18.2)	92.2	83.6	(8.6)	126.4	95.2	(31.2)	81.6	81.1	(0.5)
GrainCorp Limited	55.7	34.5	(21.2)	146.2	92.1	(54.1)	42.4	20.1	(22.3)	141.0	92.3	(48.7)
Nufarm Limited	121.8	121.4	(0.4)	154.8	256.0	101.2	168.6	181.3	12.7	111.5	174.9	63.4
Ricegrowers Limited	66.7	64.8	(1.9)	230.8	212.6	(18.2)	95.8	88.8	(7.0)	150.9	138.9	(12.0)
Ridley Corporation Limited	44.5	35.3	(9.2)	45.0	34.0	(11.0)	58.5	50.7	(7.8)	32.3	20.1	(12.2)
Select Harvests Limited	61.7	47.3	(14.4)	309.1	157.5	(151.6)	103.4	48.1	(55.3)	221.9	187.1	(34.8)
Synlait Milk Limited	17.3	22.1	4.8	54.0	68.2	14.2	32.5	50.7	18.2	36.8	38.0	1.2
Treasury Wine Estates Limited	60.5	64.7	4.2	236.1	258.8	22.7	78.4	88.8	10.4	151.8	160.1	8.3
United Malt Group Limited	58.4	53.1	(5.3)	130.9	150.4	19.5	32.1	24.3	(7.8)	134.9	155.7	20.8
Peer group average	**54.0**	**48.5**	**(5.5)**	**193.7**	**166.5**	**(27.2)**	**70.3**	**65.1**	**(5.2)**	**150.7**	**136.6**	**(14.1)**
International benchmarking												
Asia	**71.8**	**68.8**	**(3.0)**	**75.0**	**74.6**	**(0.4)**	**46.5**	**40.9**	**(5.6)**	**96.6**	**97.9**	**1.3**
EU	**85.5**	**65.5**	**(20.0)**	**196.4**	**194.9**	**(1.5)**	**182.5**	**140.8**	**(41.7)**	**91.7**	**89.8**	**(1.9)**
US	**45.7**	**35.7**	**(10.0)**	**101.7**	**81.5**	**(20.2)**	**44.9**	**31.3**	**(13.6)**	**87.2**	**75.0**	**(12.2)**

Building Products

	DSO			DIO			DPO			DWC		
Company name	**2022**	**2023**	**Change**	**2022**	**2023**	**Change**	**2022**	**2023**	**Change**	**2022**	**2023**	**Change**
Adbri Limited	58.5	55.9	(2.6)	41.1	39.0	(2.1)	55.2	47.9	(7.3)	46.1	48.1	2.0
BlueScope Steel Limited	39.0	35.4	(3.6)	124.8	99.1	(25.7)	73.0	55.1	(17.9)	68.3	63.2	(5.1)
Boral Limited	58.4	56.5	(1.9)	36.1	37.0	0.9	80.6	71.4	(9.2)	24.5	31.2	6.7
Brickworks Limited	50.0	46.0	(4.0)	161.4	139.8	(21.6)	73.6	59.6	(14.0)	109.4	102.5	(6.9)
CSR Limited	32.5	35.5	3.0	96.8	90.7	(6.1)	63.9	50.2	(13.7)	55.4	64.2	8.8
Fletcher Building Limited	46.0	50.1	4.1	88.5	102.1	13.6	46.4	48.5	2.1	75.7	87.0	11.3
GWA Group Limited	60.4	52.9	(7.5)	154.6	126.8	(27.8)	93.8	65.6	(28.2)	97.7	90.6	(7.1)
James Hardie Industries plc	33.1	29.4	(3.7)	43.7	52.0	8.3	42.7	29.9	(12.8)	33.7	43.8	10.1
Reece Limited	61.8	53.2	(8.6)	101.2	86.7	(14.5)	56.5	45.3	(11.2)	93.9	82.9	(11.0)
Reliance Worldwide Corporation Limited	78.1	70.1	(8.0)	170.4	139.7	(30.7)	44.0	33.6	(10.4)	154.9	135.3	(19.6)
Wagners Holding Company Limited	70.2	73.0	2.8	91.6	51.5	(40.1)	50.0	34.1	(15.9)	95.0	83.7	(11.3)
Vulcan Steel Limited	56.8	49.9	(6.9)	212.7	200.5	(12.2)	90.4	65.4	(25.0)	130.2	136.9	6.7
Peer group average	**53.7**	**50.7**	**(3.0)**	**110.2**	**97.1**	**(13.1)**	**64.2**	**50.6**	**(13.6)**	**82.1**	**80.8**	**(1.3)**
International benchmarking												
Asia	**72.8**	**81.3**	**8.5**	**111.2**	**119.0**	**7.8**	**84.5**	**76.1**	**(8.4)**	**90.9**	**113.2**	**22.3**
EU	**61.4**	**61.0**	**(0.4)**	**99.6**	**98.2**	**(1.4)**	**91.5**	**86.9**	**(4.6)**	**67.6**	**69.1**	**1.5**
US	**62.2**	**60.4**	**(1.8)**	**91.5**	**91.7**	**0.2**	**70.0**	**65.2**	**(4.8)**	**79.2**	**81.2**	**2.0**

Findings

Construction & Engineering

	DSO			DIO			DPO			DWC		
Company name	**2022**	**2023**	**Change**	**2022**	**2023**	**Change**	**2022**	**2023**	**Change**	**2022**	**2023**	**Change**
Austal Limited	33.7	31.1	(2.6)	80.1	80.8	0.7	46.2	33.1	(13.1)	62.2	75.9	13.7
Downer EDI Limited	63.9	65.7	1.8	13.1	13.4	0.3	138.7	130.1	(8.6)	(2.6)	1.8	4.4
GR Engineering Services Limited	38.3	27.5	(10.8)	-	0.1	0.1	64.0	40.3	(23.7)	(4.2)	3.0	7.2
Johns Lyng Group Limited	68.2	56.7	(11.5)	1.5	1.4	(0.1)	76.1	57.5	(18.6)	10.0	12.6	2.6
Lendlease Group	64.3	57.3	(7.0)	65.4	59.1	(6.3)	103.8	99.0	(4.8)	28.8	19.7	(9.1)
Lycopodium Limited	79.3	76.3	(3.0)	1.3	0.8	(0.5)	13.6	16.0	2.4	74.2	70.5	(3.7)
MAAS Group Holdings Limited	54.2	53.7	(0.5)	117.4	89.4	(28.0)	64.9	68.2	3.3	82.0	65.0	(17.0)
Mader Group Limited	76.1	69.3	(6.8)	-	-	-	8.1	5.9	(2.2)	69.6	64.7	(4.9)
Monadelphous Group Limited	57.0	53.8	(3.2)	0.7	0.3	(0.4)	26.7	20.7	(6.0)	32.7	34.8	2.1
Service Stream Limited	91.1	78.4	(12.7)	5.4	4.4	(1.0)	28.3	20.2	(8.1)	76.2	68.0	(8.2)
SRG Global Limited	55.2	49.6	(5.6)	22.4	21.7	(0.7)	95.2	61.9	(33.3)	20.8	31.7	10.9
Worley Limited	73.5	63.6	(9.9)	1.4	1.6	0.2	54.3	49.2	(5.1)	24.0	19.0	(5.0)
Peer group average	**62.9**	**56.9**	**(6.0)**	**25.7**	**22.8**	**(2.9)**	**60.0**	**50.2**	**(9.8)**	**39.5**	**38.9**	**(0.6)**
International benchmarking												
Asia	**129.3**	**140.5**	**11.2**	**56.3**	**66.8**	**10.5**	**84.0**	**91.7**	**7.7**	**103.2**	**116.5**	**13.3**
EU	**84.3**	**89.0**	**4.7**	**65.8**	**71.2**	**5.4**	**92.8**	**92.5**	**(0.3)**	**64.8**	**74.6**	**9.8**
US	**82.7**	**81.3**	**(1.4)**	**64.1**	**64.7**	**0.6**	**49.9**	**48.7**	**(1.2)**	**90.2**	**89.5**	**(0.7)**

Food & Beverage

	DSO			DIO			DPO			DWC		
Company name	**2022**	**2023**	**Change**	**2022**	**2023**	**Change**	**2022**	**2023**	**Change**	**2022**	**2023**	**Change**
Bega Cheese Limited	28.5	29.2	0.7	50.0	57.4	7.4	42.0	40.3	(1.7)	34.6	43.1	8.5
Bubs Australia Limited	98.1	46.4	(51.7)	225.6	117.1	(108.5)	96.0	61.5	(34.5)	185.8	110.7	(75.1)
Collins Foods Limited	1.3	5.4	4.1	5.1	4.5	(0.6)	63.6	54.1	(9.5)	(26.5)	(19.3)	7.2
Domino's Pizza Enterprises Limited	26.3	27.0	0.7	11.1	14.5	3.4	70.3	87.6	17.3	(0.3)	(6.7)	(6.4)
Good Drinks Australia Ltd	85.9	60.1	(25.8)	165.3	75.8	(89.5)	107.3	48.0	(59.3)	107.0	73.8	(33.2)
Inghams Group Limited	28.5	30.6	2.1	37.8	31.8	(6.0)	45.5	42.7	(2.8)	21.9	21.5	(0.4)
Marley Spoon AG	1.1	0.8	(0.3)	22.2	25.6	3.4	55.3	38.2	(17.1)	(16.8)	(5.8)	11.0
Maggie Beer Holdings Ltd	28.6	29.0	0.4	151.6	118.6	(33.0)	56.3	45.9	(10.4)	74.6	65.1	(9.5)
Noumi Limited	38.4	31.3	(7.1)	45.7	47.3	1.6	47.9	39.3	(8.6)	36.6	37.4	0.8
Retail Food Group	86.1	82.0	(4.1)	84.2	43.2	(41.0)	108.0	79.5	(28.5)	79.6	71.7	(7.9)
The a2 Milk Company Limited	16.4	13.3	(3.1)	63.1	83.3	20.2	37.4	23.6	(13.8)	30.3	45.3	15.1
Peer group average	**39.9**	**32.3**	**(7.6)**	**78.3**	**56.3**	**(22.0)**	**66.3**	**51.0**	**(15.3)**	**47.9**	**39.7**	**(8.2)**
International benchmarking												
Asia	**38.2**	**38.7**	**0.5**	**71.1**	**75.3**	**4.2**	**63.3**	**59.9**	**(3.4)**	**45.9**	**51.6**	**5.7**
EU	**50.9**	**50.6**	**(0.3)**	**101.7**	**110.5**	**8.8**	**96.7**	**94.1**	**(2.6)**	**46.4**	**51.8**	**5.4**
US	**30.1**	**30.9**	**0.8**	**62.4**	**62.1**	**(0.3)**	**85.8**	**78.7**	**(7.1)**	**17.6**	**22.4**	**4.8**

Findings

Mining & Resources

	DSO			DIO			DPO			DWC		
Company name	**2022**	**2023**	**Change**	**2022**	**2023**	**Change**	**2022**	**2023**	**Change**	**2022**	**2023**	**Change**
Ampol Limited	37.9	25.5	(12.4)	58.0	28.4	(29.6)	66.3	42.1	(24.2)	30.5	12.5	(18.0)
Base Resources Limited	79.2	75.8	(3.4)	44.1	70.4	26.3	51.5	54.7	3.2	75.7	82.9	7.2
Beach Energy Limited	45.8	52.8	7.0	36.1	55.7	19.6	119.2	114.1	(5.1)	(2.3)	15.4	17.7
BHP Group Limited	32.0	31.5	(0.5)	203.0	175.9	(27.1)	220.5	212.1	(8.4)	29.5	24.1	(5.4)
Boart Longyear Group Ltd.	60.0	51.0	(9.0)	101.6	99.3	(2.3)	42.7	46.2	3.5	108.0	94.9	(13.1)
Champion Iron Limited	23.1	34.4	11.3	77.3	73.3	(4.0)	125.1	59.2	(65.9)	8.0	42.8	34.8
Coronado Global Resources Inc.	65.2	36.3	(28.9)	23.9	46.0	22.1	18.5	14.8	(3.7)	68.0	57.9	(10.1)
Emeco Holdings Limited	73.9	66.0	(7.9)	28.3	21.5	(6.8)	90.6	74.0	(16.6)	48.9	42.1	(6.8)
Evolution Mining Limited	21.9	14.7	(7.2)	58.1	67.7	9.6	57.1	60.3	3.2	22.7	20.7	(2.0)
Fortescue Metals Group Limited	8.0	7.2	(0.8)	54.5	56.1	1.6	46.6	46.4	(0.2)	11.5	11.7	0.2
Gold Road Resources Limited	-	-	-	80.2	91.8	11.6	22.1	19.4	(2.7)	35.4	42.5	7.1
Grange Resources Limited	10.2	29.6	19.4	218.8	169.6	(49.2)	40.6	32.9	(7.7)	96.6	119.5	22.9
IGO Limited	38.4	26.1	(12.3)	144.7	143.5	(1.2)	261.9	169.4	(92.5)	11.4	17.3	5.9
Imdex Limited	77.2	76.0	(1.2)	194.1	193.4	(0.7)	55.7	58.6	2.9	120.6	118.5	(2.1)
Incitec Pivot Limited	47.7	34.5	(13.2)	137.9	102.4	(35.5)	140.5	98.9	(41.6)	46.2	36.6	(9.6)
Lynas Rare Earths Limited	42.3	26.5	(15.8)	85.3	102.1	16.8	15.1	37.3	22.2	68.9	61.6	(7.3)
Macmahon Holdings Limited	53.3	50.8	(2.5)	63.6	56.8	(6.8)	78.5	97.1	18.6	48.7	38.3	(10.4)
New Hope Corporation Limited	67.5	18.6	(48.9)	22.7	22.7	-	36.0	36.6	0.6	62.6	13.8	(48.8)
Newcrest Mining Limited	6.6	11.7	5.1	85.2	69.1	(16.1)	90.9	77.9	(13.0)	2.7	5.3	2.6
Nickel Industries Limited	65.2	53.8	(11.4)	133.1	64.2	(68.9)	70.0	54.0	(16.0)	104.5	61.7	(42.8)
Northern Star Resources Limited	5.6	10.3	4.7	76.0	84.4	8.4	5.1	4.7	(0.4)	66.4	69.9	3.6
NRW Holdings Limited	58.4	47.7	(10.7)	19.6	25.1	5.5	65.8	64.5	(1.3)	33.1	26.8	(6.3)
OM Holdings Limited	21.4	17.2	(4.2)	150.7	186.8	36.1	58.2	83.9	25.7	86.5	99.0	12.5
Orica Limited	36.3	37.6	1.3	63.0	69.3	6.3	73.1	68.3	(4.8)	29.6	38.3	8.7
Origin Energy Limited	71.5	51.5	(20.0)	5.0	4.5	(0.5)	94.8	54.1	(40.7)	(11.9)	7.8	19.7
Perenti Global Limited	43.8	43.0	(0.8)	43.7	40.3	(3.4)	41.7	38.3	(3.4)	45.3	44.4	(0.9)
Perseus Mining Limited	0.4	0.5	0.1	103.3	100.7	(2.6)	96.3	91.2	(5.1)	3.9	4.5	0.6
Pilbara Minerals Limited	88.5	7.4	(81.1)	66.4	45.7	(20.7)	22.4	13.9	(8.5)	102.6	13.4	(89.2)
Ramelius Resources Limited	1.2	1.6	0.4	102.9	101.2	(1.7)	18.0	17.7	(0.3)	67.8	67.0	(0.8)
Regis Resources Limited	-	-	-	54.4	68.0	13.6	13.7	13.9	0.2	38.0	52.7	14.8
Rio Tinto Group	23.3	24.9	1.6	65.4	68.5	3.1	90.1	81.4	(8.7)	9.3	16.4	7.1
RPMGlobal Holdings Limited	110.1	100.2	(9.9)	1.8	1.6	(0.2)	21.1	20.2	(0.9)	95.9	88.1	(7.8)
Santos Limited	50.7	42.7	(8.0)	52.9	43.9	(9.0)	107.7	77.8	(29.9)	21.7	24.2	2.5
Silver Lake Resources Limited	4.0	3.9	(0.1)	59.0	52.8	(6.2)	46.4	25.0	(21.4)	14.3	28.5	14.2
South32 Limited	26.7	19.6	(7.1)	118.3	113.3	(5.0)	98.0	87.8	(10.2)	33.7	31.9	(1.8)
Stanmore Resources Limited	97.0	26.9	(70.1)	93.8	240.6	146.8	421.1	68.6	(352.5)	10.6	42.4	31.8
St Barbara Limited	1.7	1.9	0.2	260.7	108.3	(152.4)	159.6	86.9	(72.7)	90.4	19.9	(70.5)
Viva Energy Group Limited	38.8	23.6	(15.2)	46.9	22.9	(24.0)	76.9	46.5	(30.4)	12.2	1.5	(10.7)
Westgold Resources Limited	3.6	3.3	(0.3)	56.5	47.8	(8.7)	28.0	16.9	(11.1)	30.9	33.1	2.2
Whitehaven Coal Limited	44.6	13.4	(31.2)	39.8	29.3	(10.5)	15.2	14.7	(0.5)	51.8	17.4	(34.4)
Woodside Energy Group Ltd	66.5	24.5	(42.0)	46.5	31.6	(14.9)	36.3	22.8	(13.5)	71.0	28.4	(42.6)
Yancoal Australia Ltd	35.1	22.6	(12.5)	32.0	33.8	1.8	64.9	53.6	(11.3)	24.0	15.6	(8.4)
Zimplats Holdings Limited	121.0	105.7	(15.3)	83.8	69.5	(14.3)	53.9	59.2	5.3	135.4	112.6	(22.8)
Peer group average	**42.0**	**31.5**	**(10.5)**	**81.2**	**76.7**	**(4.5)**	**78.1**	**58.6**	**(19.5)**	**47.9**	**42.0**	**(5.9)**
International benchmarking												
Asia	**51.2**	**49.7**	**(1.5)**	**79.5**	**82.1**	**2.6**	**56.8**	**52.4**	**(4.4)**	**68.9**	**73.5**	**4.6**
EU	**54.9**	**47.6**	**(7.3)**	**79.8**	**72.0**	**(7.8)**	**91.2**	**78.7**	**(12.5)**	**46.8**	**43.0**	**(3.8)**
US	**45.4**	**31.2**	**(14.2)**	**44.3**	**43.5**	**(0.8)**	**119.4**	**83.0**	**(36.4)**	**27.3**	**22.6**	**(4.7)**

Findings

Retail

Company name	DSO 2022	DSO 2023	DSO Change	DIO 2022	DIO 2023	DIO Change	DPO 2022	DPO 2023	DPO Change	DWC 2022	DWC 2023	DWC Change
Accent Group Limited	14.5	8.2	(6.3)	174.6	140.1	(34.5)	40.7	27.3	(13.4)	74.4	57.8	(16.6)
Adairs Limited	-	-	-	122.7	95.4	(27.3)	41.2	37.4	(3.8)	42.6	31.3	(11.3)
AMA Group Limited	28.5	24.1	(4.4)	34.0	39.3	5.3	64.2	57.0	(7.2)	13.3	15.7	2.4
ARB Corporation Limited	39.0	42.9	3.9	262.0	265.5	3.5	11.7	10.1	(1.6)	151.2	164.9	13.7
Audinate Group Limited	45.9	24.3	(21.6)	174.7	125.7	(49.0)	73.2	50.4	(22.8)	71.6	45.4	(26.2)
Autosports Group Limited	10.4	12.1	1.7	52.8	72.0	19.2	22.4	20.7	(1.7)	34.8	53.1	18.3
Baby Bunting Group Limited	0.1	0.2	0.1	113.3	109.1	(4.2)	54.3	45.0	(9.3)	36.3	40.2	3.9
Bapcor Limited	34.3	34.9	0.6	200.1	176.1	(24.0)	65.7	71.4	5.7	106.0	90.7	(15.3)
Beacon Lighting Group Limited	9.5	11.0	1.5	361.7	351.6	(10.1)	48.4	25.4	(23.0)	106.2	116.3	10.1
Booktopia Group Limited	2.8	4.3	1.5	29.6	27.4	(2.2)	40.6	49.1	8.5	(6.9)	(15.3)	(8.4)
Breville Group Limited	43.9	60.1	16.2	174.5	166.9	(7.6)	114.4	99.2	(15.2)	83.4	104.2	20.8
Cettire Limited	-	-	-	1.8	3.3	1.5	52.2	47.4	(4.8)	(41.4)	(34.0)	7.4
City Chic Collective Limited	8.9	6.9	(2.0)	384.6	90.6	(294.0)	74.2	13.1	(61.1)	187.0	69.4	(117.6)
Coles Group Limited	3.5	4.1	0.6	30.6	28.2	(2.4)	40.1	39.9	(0.2)	(3.6)	(4.6)	(1.0)
Globe International Limited	32.0	31.9	(0.1)	168.3	137.5	(30.8)	65.1	40.7	(24.4)	86.2	84.6	(1.6)
GUD Holdings Limited	89.5	64.9	(24.6)	206.5	147.7	(58.8)	78.4	50.1	(28.3)	164.5	121.4	(43.1)
Harvey Norman Holdings Limited	15.5	14.1	(1.4)	102.3	105.7	3.4	50.5	50.9	0.4	50.0	51.3	1.3
JB Hi-Fi Limited	2.6	2.3	(0.3)	57.9	51.0	(6.9)	33.7	28.5	(5.2)	21.4	19.7	(1.7)
KMD Brands Limited	29.2	24.8	(4.4)	257.1	236.6	(20.5)	89.0	73.3	(15.7)	98.4	91.6	(6.8)
Kogan.com Ltd	2.3	3.3	1.0	109.3	70.5	(38.8)	40.8	42.3	1.5	53.2	23.6	(29.6)
Lovisa Holdings Limited	1.2	1.1	(0.1)	189.2	183.2	(6.0)	82.8	58.1	(24.7)	23.7	26.2	2.5
Metcash Limited	32.6	31.0	(1.6)	30.4	30.9	0.5	56.3	53.8	(2.5)	9.5	10.7	1.2
Michael Hill International Limited	2.6	5.0	2.4	315.0	329.6	14.6	77.3	63.9	(13.4)	86.6	100.0	13.4
Myer Holdings Limited	2.0	1.4	(0.6)	99.9	88.2	(11.7)	52.5	44.7	(7.8)	29.5	27.5	(2.0)
Nick Scali Limited	1.5	0.4	(1.1)	149.7	107.5	(42.2)	37.2	20.0	(17.2)	45.4	32.3	(13.1)
Premier Investments Limited	-	-	-	155.2	135.9	(19.3)	44.9	33.4	(11.5)	38.9	38.7	(0.2)
PWR Holdings Limited	49.9	49.4	(0.5)	223.1	272.6	49.5	50.5	65.9	15.4	85.5	91.0	5.5
Redbubble Limited	1.2	1.3	0.1	4.1	3.8	(0.3)	22.6	19.0	(3.6)	(11.4)	(9.2)	2.2
Super Retail Group Limited	1.9	1.8	(0.1)	154.4	140.8	(13.6)	62.6	63.8	1.2	50.7	43.2	(7.5)
Temple & Webster Group Ltd	0.2	0.5	0.3	33.1	24.8	(8.3)	32.1	33.0	0.9	0.9	(5.0)	(5.9)
Universal Store Holdings Limited	-	2.6	2.6	75.9	82.5	6.6	40.5	27.4	(13.1)	14.8	25.2	10.5
Wesfarmers Limited	18.7	15.3	(3.4)	93.7	75.4	(18.3)	82.6	65.8	(16.8)	25.8	21.8	(4.0)
Woolworths Group Limited	1.9	2.5	0.6	29.2	28.6	(0.6)	42.4	43.5	1.1	(7.8)	(8.4)	(0.6)
Peer group average	**15.9**	**14.7**	**(1.2)**	**138.5**	**119.5**	**(19.0)**	**54.1**	**44.6**	**(9.5)**	**52.1**	**46.1**	**(6.0)**
International benchmarking												
Asia	**34.5**	**35.9**	**1.4**	**86.2**	**89.6**	**3.4**	**72.3**	**74.7**	**2.4**	**44.1**	**46.2**	**2.1**
EU	**25.7**	**27.8**	**2.1**	**97.0**	**97.2**	**0.2**	**72.2**	**70.8**	**(1.4)**	**34.9**	**37.8**	**2.9**
US	**17.0**	**17.0**	**-**	**90.1**	**88.7**	**(1.4)**	**77.9**	**70.7**	**(7.2)**	**27.7**	**29.8**	**2.1**

Findings

Transport & Logistics

	DSO			DIO			DPO			DWC		
Company name	**2022**	**2023**	**Change**	**2022**	**2023**	**Change**	**2022**	**2023**	**Change**	**2022**	**2023**	**Change**
Amcor plc	51.1	47.1	(4.0)	79.9	68.2	(11.7)	100.7	82.9	(17.8)	34.4	35.1	0.7
Auckland International Airport Limited	30.0	27.1	(2.9)	-	-	-	31.3	30.0	(1.3)	15.2	18.3	3.1
Aurizon Holdings Limited	39.4	42.8	3.4	88.6	78.9	(9.7)	121.0	103.1	(17.9)	31.3	35.3	4.1
Brambles Limited	54.5	54.7	0.2	9.4	7.4	(2.0)	54.9	55.5	0.6	22.8	21.8	(1.0)
Cleanaway Waste Management Limited	62.6	55.0	(7.6)	7.7	7.0	(0.7)	63.0	51.0	(12.0)	39.2	35.0	(4.2)
Dalrymple Bay Infrastructure Limited	27.9	25.2	(2.7)	-	-	-	65.1	62.1	(3.0)	(11.8)	(8.0)	3.8
K&S Corporation Limited	48.2	34.2	(14.0)	5.1	3.8	(1.3)	60.7	52.2	(8.5)	0.4	(6.7)	(7.1)
Lindsay Australia Limited	54.5	53.5	(1.0)	22.3	14.9	(7.4)	59.6	56.8	(2.8)	29.6	26.1	(3.5)
Orora Limited	45.1	38.3	(6.8)	71.6	66.8	(4.8)	61.7	46.7	(15.0)	53.1	54.6	1.5
Pact Group Holdings Ltd	15.0	13.7	(1.3)	123.4	102.4	(21.0)	135.4	133.2	(2.2)	9.5	(0.4)	(9.9)
Qube Holdings Limited	65.0	52.4	(12.6)	11.6	7.7	(3.9)	146.7	116.5	(30.2)	16.0	5.9	(10.1)
Sims Limited	19.6	21.6	2.0	37.9	39.0	1.1	22.5	26.0	3.5	31.8	32.3	0.5
Supply Network Limited	39.2	40.4	1.2	203.3	199.1	(4.2)	94.7	89.6	(5.1)	101.3	103.6	2.3
Transurban Group	18.1	16.2	(1.9)	-	-	-	107.7	93.5	(14.2)	(31.5)	(26.2)	5.3
Peer group average	**40.7**	**37.3**	**(3.4)**	**47.2**	**42.5**	**(4.7)**	**80.4**	**71.4**	**(9.0)**	**24.4**	**23.3**	**(1.1)**
International benchmarking												
Asia	**48.2**	**51.6**	**3.4**	**32.2**	**37.0**	**4.8**	**41.5**	**43.4**	**1.9**	**40.6**	**45.9**	**5.3**
EU	**57.7**	**46.0**	**(11.7)**	**25.0**	**23.8**	**(1.2)**	**60.0**	**68.3**	**8.3**	**31.6**	**16.4**	**(15.2)**
US	**49.9**	**41.6**	**(8.3)**	**35.9**	**29.9**	**(6.0)**	**71.4**	**60.7**	**(10.7)**	**27.6**	**22.4**	**(5.2)**

Cash & Working Capital COE

The Working Capital Report 2023 has been prepared by McGrathNicol Advisory's Cash & Working Capital Centre of Excellence (COE). Our Cash & Working Capital COE is focused on increasing cash flow for our clients by using our cash flow optimisation system to forecast, track, save and generate cash. Cash is the lifeblood of business. The capacity to turn sales into cash faster reduces the cost of running a business and provides a material competitive advantage.

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