Working Capital Basics

DSO

2025	2026
46.0	47.7

Change 1.7 ↑

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

The 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.

Tips to reduce DSO:

- Clear credit policy
- Calls made to customers at billing time and before invoice due date
- Visible DSO and debtor aging dashboards
- Incentives tied to collection targets

DIO

2025	2026
59.0	59.0

Change 0.0 —

Measures the length of the 'make 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.

Tips to reduce DIO:

- Supply chain risks understood and managed
- Clear reporting by business unit and SKU
- Alignment of customer buying patterns with inventory holdings
- Regular review of re-order volumes and timing

DPO

2025	2026
61.3	63.1

Change 1.8 ↑

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 tighter liquidity and may cause strained supplier relationships. A decrease indicates a company is paying its creditors more quickly. This may be planned, but it could also indicate that a company is unable to negotiate longer terms with its suppliers.

Tips to optimise DPO:

- Regular review and negotiation of payment terms
- Purchasing, ordering and accounts payable teams working closely together
- Link to DSO where possible to remove / reduce 'funding gap'
- Ageing analysis tied to supplier terms

DWC

2025	2026
45.4	47.3

Change 1.9 ↑

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, and may result from an increase in DSO or DIO, or a decrease in DPO. A decrease indicates that a lower level of working capital has been required to operate a business, and may result from a decrease in DSO or DIO, or an increase in DPO.

Summary

How have working capital cycles changed in 2026?

1.9 days

average increase in DWC

$5.5bn

additional cash locked up by increasing working capital balances

9 of 13

sectors recorded increases in average DWC

39%

of companies increased revenue and decreased DWC

How have the working capital metrics changed in 2026?

DSO 1.7 days ↑

Average DSO increased in **11 of 13** sectors but for only 53% of sampled companies, indicating a mix of results at a company level

DIO 0.0 days —

Average DIO increased in **7 of 13** sectors and in 38% of sampled companies

DPO 1.8 days ↑

Average DPO increased in **8 of 13** sectors, with a movement of more than a week in 31% of sampled companies

DWC 1.9 days ↑

Average DWC increased in **9 of 13** sectors and in 51% of sampled companies

What are the sector highlights?

Agriculture, Food & Beverages recorded the largest DWC deterioration (+16.2 days), driven by a 12.4 day increase in DIO, largely reversing the FY25 improvement

Construction & Engineering DPO reached a seven-year high of 62.1 days (+3.1 days), increasing pressure on the collections cycle for Building Products, where DSO has risen steadily over the past two years (+0.9 days in FY26)

Wide performance gaps persist, with DWC spreads exceeding 80 days in all sectors and 200 days in six sectors

How do our 'deep dive' sectors in this report compare globally?

Australian sample companies recorded the lowest DSO (42.6 days) and DPO (60.0 days) across all regions analysed

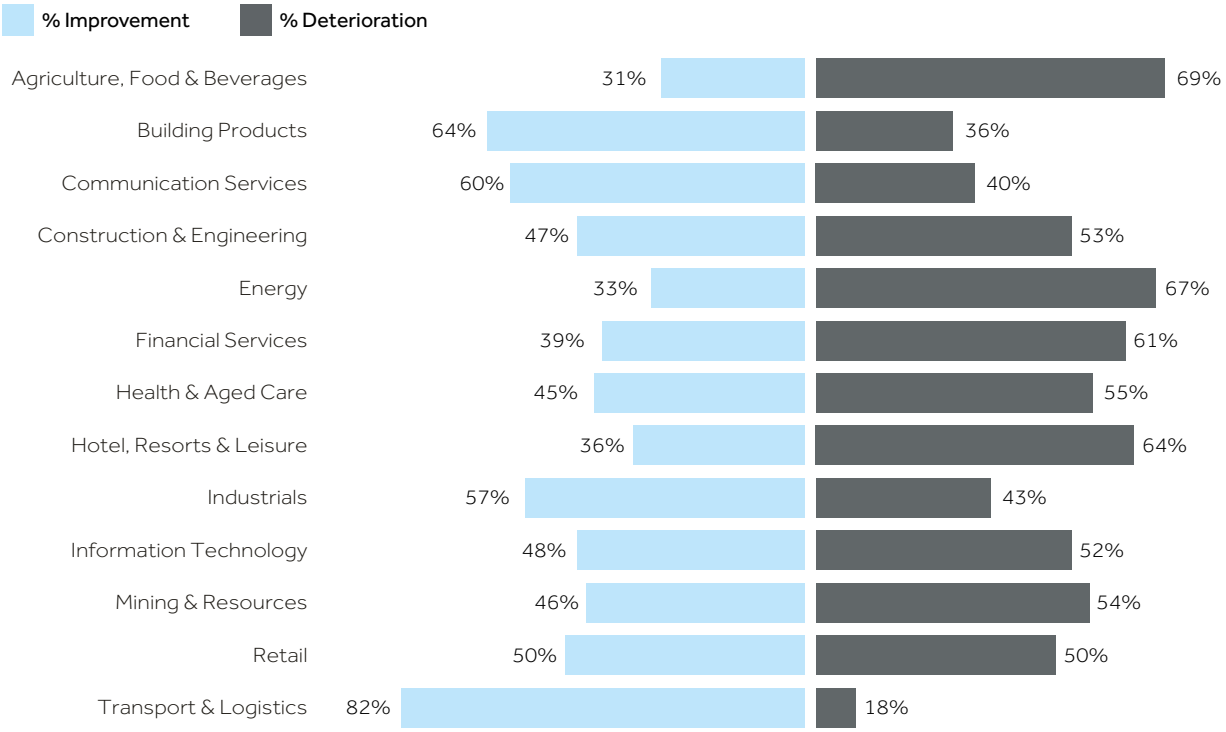
Inventory cycles remained longer than all major international regions, including the US (1.1x), Asia (1.0x) and Europe (0.7x)

Australian sample companies experienced the largest deterioration in DWC of any region, driven by higher DSO and lower DPO

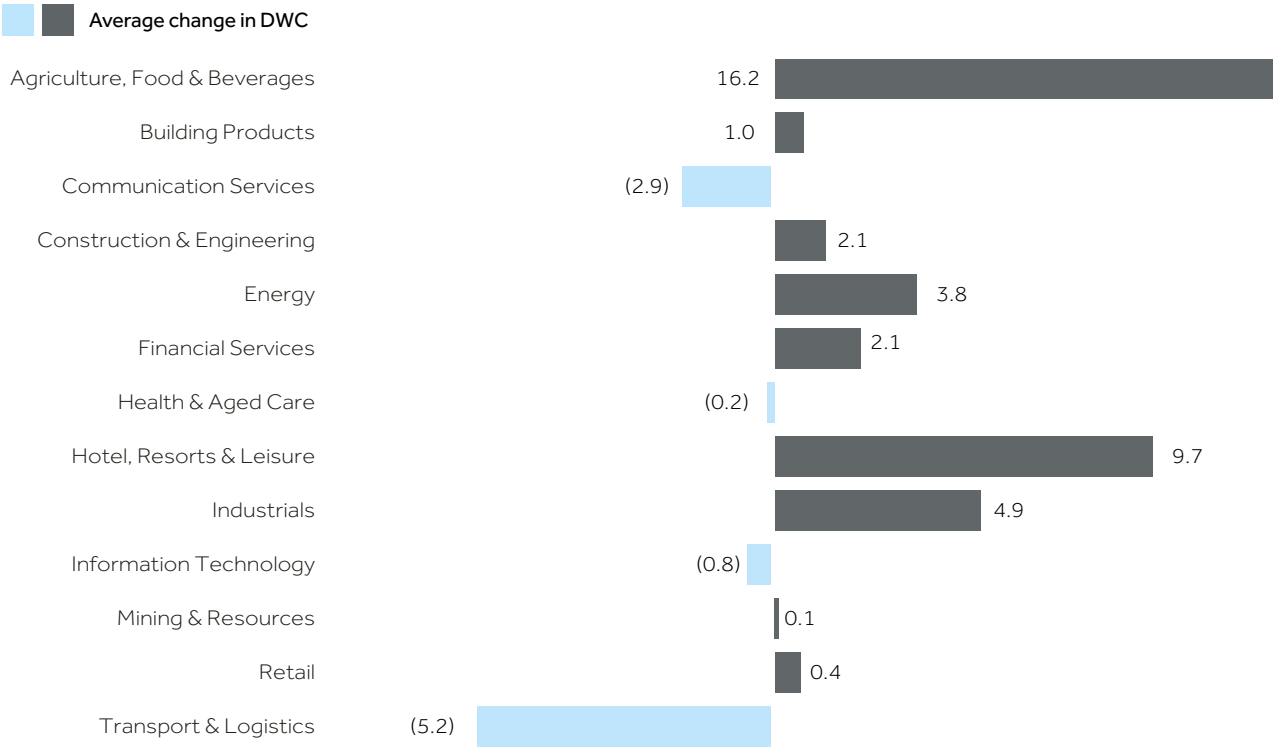
ASX 500 Sample Companies

Working capital performance across the ASX 500 was mixed in FY26, with companies tying up an additional $5.5 billion of cash as DWC increased across more than half of the sample. Sector-level performance deteriorated, with 9 of 13 sectors reporting higher DWC, driven primarily by rising DSO and inventory balances. While many sectors continued to extend payment terms to suppliers, this was insufficient to offset pressure from slower collections and higher inventory holdings.

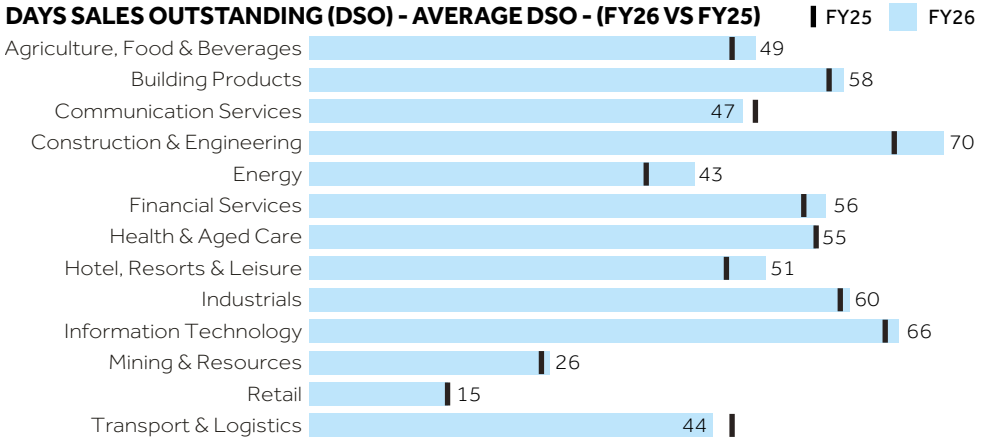
HOW MANY COMPANIES INCREASED AND DECREASED DAYS WORKING CAPITAL?



AVERAGE CHANGE IN DAYS WORKING CAPITAL

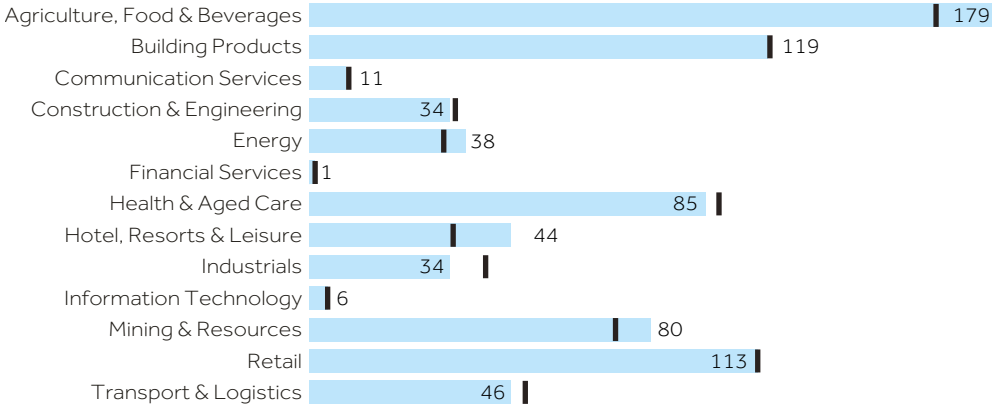


DAYS SALES OUTSTANDING (DSO) - AVERAGE DSO - (FY26 VS FY25)



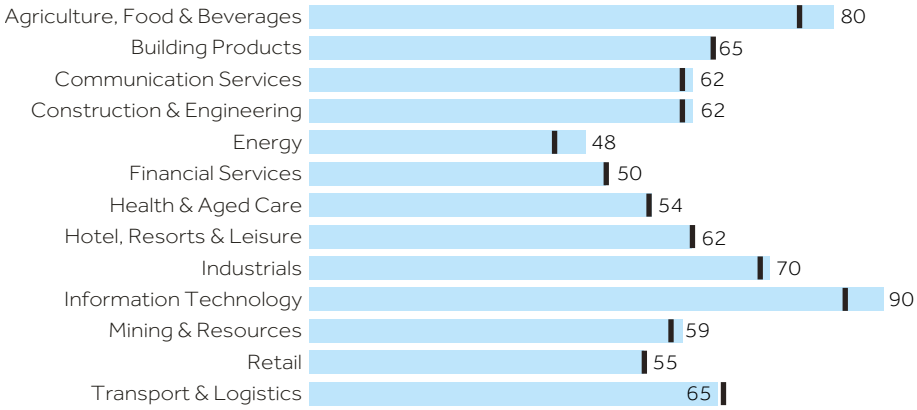
	2025	2026	DSO Var
Agriculture, Food & Beverages	46.0	48.9	2.9
Building Products	57.3	58.2	0.9
Communication Services	49.2	47.4	(1.8)
Construction & Engineering	64.9	69.8	4.9
Energy	38.8	42.8	4.0
Financial Services	54.2	56.1	1.9
Health & Aged Care	54.7	55.0	0.3
Hotel, Resorts & Leisure	44.3	51.3	7.0
Industrials	58.7	60.1	1.4
Information Technology	63.5	66.4	2.9
Mining & Resources	24.3	25.9	1.6
Retail	15.0	15.4	0.4
Transport & Logistics	46.3	43.8	(2.5)

DAYS INVENTORY OUTSTANDING (DIO) - AVERAGE DIO - (FY26 VS FY25)



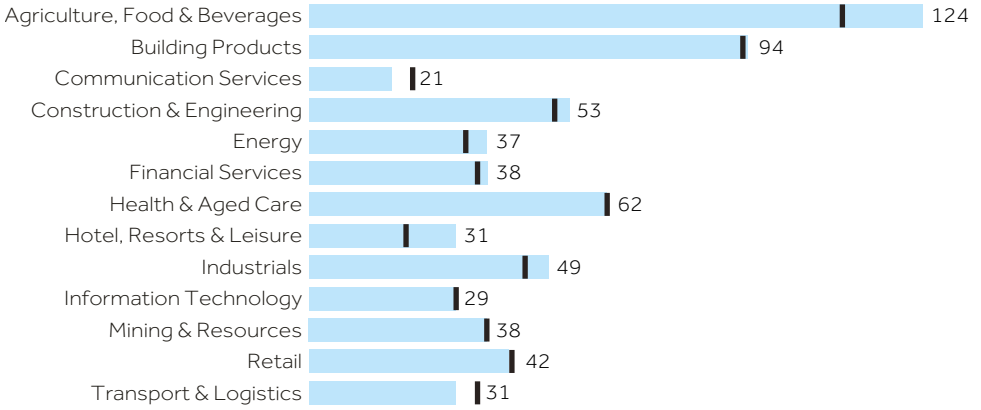
	2025	2026	DIO Var
Agriculture, Food & Beverages	166.4	178.8	12.4
Building Products	117.9	118.9	1.0
Communication Services	10.1	11.0	0.9
Construction & Engineering	35.4	33.6	(1.8)
Energy	32.8	38.2	5.4
Financial Services	0.6	0.8	0.2
Health & Aged Care	90.1	84.8	(5.3)
Hotel, Resorts & Leisure	33.6	44.4	10.8
Industrials	40.6	33.5	(7.1)
Information Technology	7.6	6.2	(1.4)
Mining & Resources	75.3	79.9	4.6
Retail	116.3	113.4	(2.9)
Transport & Logistics	51.9	45.8	(6.1)

DAYS PAYABLES OUTSTANDING (DPO) - AVERAGE DPO - (FY26 VS FY25)



	2025	2026	DPO Var
Agriculture, Food & Beverages	74.9	80.2	5.3
Building Products	64.5	65.0	0.5
Communication Services	59.1	61.5	2.4
Construction & Engineering	59.0	62.1	3.1
Energy	40.7	48.4	7.7
Financial Services	50.3	49.5	(0.8)
Health & Aged Care	53.4	53.6	0.2
Hotel, Resorts & Leisure	61.8	61.8	-
Industrials	71.6	69.8	(1.8)
Information Technology	83.2	90.4	7.2
Mining & Resources	56.7	59.4	2.7
Retail	54.8	54.7	(0.1)
Transport & Logistics	65.7	65.1	(0.6)

DAYS WORKING CAPITAL (DWC) - AVERAGE DWC - (FY26 VS FY25)



	2025	2026	DWC Var
Agriculture, Food & Beverages	107.6	123.8	16.2
Building Products	93.3	94.3	1.0
Communication Services	24.3	21.4	(2.9)
Construction & Engineering	50.9	53.0	2.1
Energy	33.5	37.3	3.8
Financial Services	35.4	37.5	2.1
Health & Aged Care	62.4	62.2	(0.2)
Hotel, Resorts & Leisure	21.2	30.9	9.7
Industrials	43.8	48.7	4.9
Information Technology	29.8	29.0	(0.8)
Mining & Resources	37.5	37.6	0.1
Retail	41.7	42.1	0.4
Transport & Logistics	36.1	30.9	(5.2)