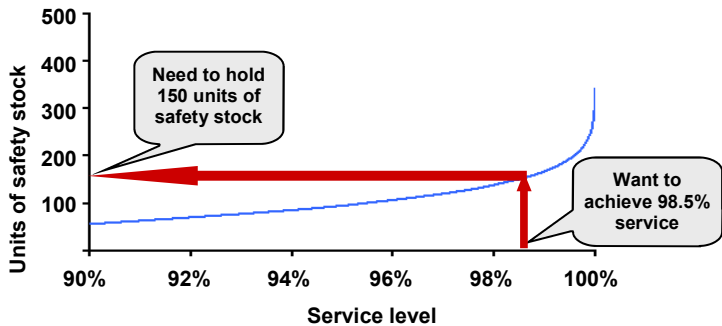


# Cash release in difficult situations

In managing a troubled business, Kingsgate know that access to cash is the critical factor. In our experience, companies try a variety of options to achieve this goal - the most obvious being debtor and creditor management. Although necessary, this is essentially a zero-sum game, and becomes progressively less effective as suppliers become less forgiving of customers with deteriorating credit ratings. When bank or shareholder support wavers, we find that businesses are faced with a number of in-house options - job losses, overhead cost reduction, cheaper purchases - all of which have uncertain outcomes, time lags and downside risk.

## A simple, effective approach

When the objective is cash release, Kingsgate prefer to take a different and more constructive approach: we always look to the opportunities available from inventory reduction. The reason for this is simple - inventory values in manufacturing organisations normally represent 30-40% of all working capital and are frequently a larger figure than the entire debtor book. Our experience from inside struggling businesses is that operating with lower inventories is a robust, sustainable way of releasing cash.



Our technique does not just entail a blanket reduction in all stock, but involves managing inventory levels more precisely. In companies where

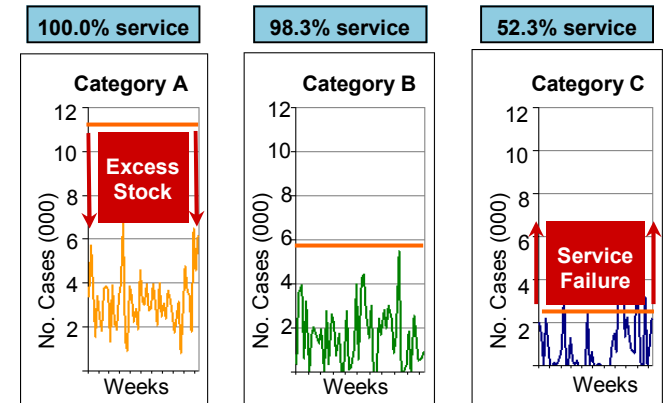
rules of thumb or local knowledge and experience have been used as the basis of inventory decisions, we have found that there are significant benefits to be gained by taking a more detailed analytical approach. By understanding the pattern of sales orders, product by product, we are able to construct stock profiles that free up cash AND protect customer service levels.

## Fast results

We know just how critical speed can be in difficult situations, so at Kingsgate we have developed a rapid implementation approach that releases cash from stock fast, taking full consideration of the unique elements of each case. Within a week or so, we can assess the opportunity, quantify the benefits available and re-set stock profiles. Then, by executing the changes, we can start delivering cash benefits immediately. Our streamlined approach requires only minimal input from the client organisation, leaving you free to deal with other areas of your business.

Where the circumstances warrant it, we can even advise on how to reduce service levels – by customer, by product line or even across the board – in order to release cash. For example, a reduction of just 2% on

stock availability could yield a 30% reduction in the amount of cash tied up in safety stock.



Of course, this approach doesn't suit every business. But in many cases, where companies hold too much stock or offer an unaffordable service level, it can be spectacularly effective.

## Contact us

Get in touch now to find out how we could help your business release some much-needed cash.