2013 US Working Capital Survey

REL

Cash Flow Delivered

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2013 US Working

Top public companies in the US have more than $1 trillion tied up in working capital

Amount of cash idling in inventory, accounts receivable and accounts payable equals 7 percent of nation's GDP

The significant enhancements in working capital efficiency that were achieved during the great recession appear now to have been an anomaly, rather than the start of a new era of stronger practices and controls.

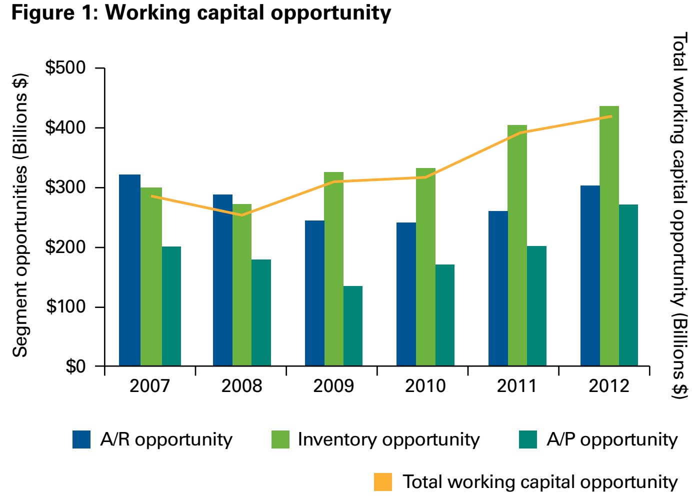
The $1.1 trillion currently tied up in working capital represents a 25 percent increase in the past three years (Figure 1). This extraordinary amount of capital is roughly equivalent to 7 percent of the US gross domestic product (GDP).

This is just one of the many eye-opening findings of the 2013 edition of the US Working Capital Survey, now in its 15th year. Conducted by REL, a division of The Hackett Group, the survey analyzes the working capital practices of the largest publicly traded US companies by revenue. Overall, the study findings indicate that there are substantial opportunities for companies to increase shareholder value by improving working capital efficiency.

For the second year in a row, companies' ability to generate cash from operations deteriorated, after having improved – only temporarily, it now appears – in the aftermath of the financial crisis. Companies took even longer in 2012 to convert sales into cash than they did in 2011. The working capital turnover ratio – measured as revenue divided by net working capital – decreased 1 percent year-over-year. What this means is that companies earned nine cents less for every dollar of working capital spent. Additionally, profitability declined by 3 percent – measured as EBIT (earnings before interest and tax) margin percentage. (Figure 2)

All three components of working capital – inventory, accounts receivable and accounts payable – continue to present substantial opportunities for improvement. The biggest is found in inventory,

Figure 1: Working capital opportunity



Capital Survey

where nearly half a trillion dollars ($459 billion) is unnecessarily restricted due to inferior practices. This figure represents 43 percent of the total working capital opportunity and 50 percent of the total working capital on the balance sheet for these companies (Figure 3).

Improving economic conditions at root of failure to sustain improvements

No company in the REL 1000 managed to improve all elements of days working capital (DWC) in each of the past three years. The past five years of survey results indicate that sustainability of working capital efficiency improvements is a broad-based problem. For example, only 81 of the companies studied improved DWC in 2013, compared to 12.3 percent in the 2009 survey. These findings suggest that once companies enhance their working capital efficiency, they gradually relinquish the rigor they have struggled to achieve. This pronounced lack of sustainability is particularly evident in the 14 percent year-over-year decline in free cash flow (Figure 4).

Free cash flow represents the capital a company is able to generate beyond the amount required to maintain or expand its asset base. This capital is conserved through efficient working capital practices. While it could be used to fund acquisitions, develop new products and reduce debt, thereby enhancing shareholder value, this does not appear to be the case.

Figure 2: EBIT margin percentage

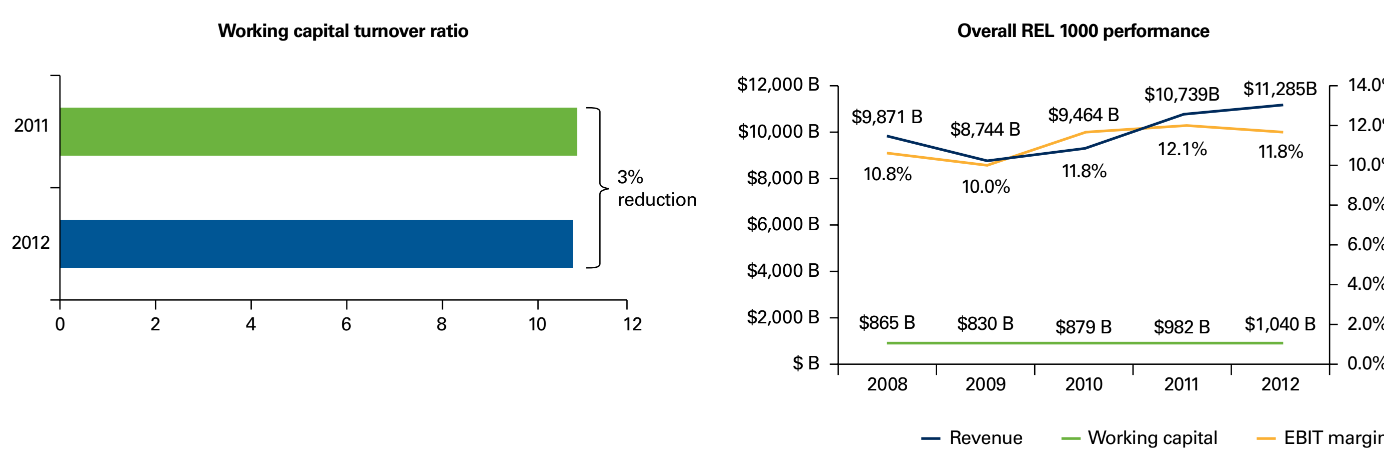


Figure 3: Working capital opportunity assessment

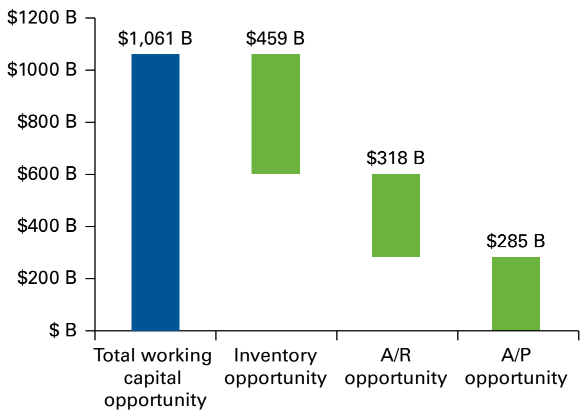
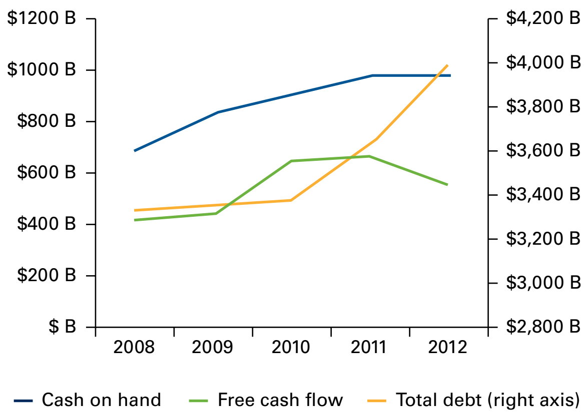


Figure 4: Cash management profile



Rather, companies are increasing debt, and with it cash on hand. The capital available through low-cost debt grew 10 percent year-over-year in 2012 to $356 billion, while cash on hand increased 0.04 percent to $7 billion over the same period. With cash from operations declining, it suggests that companies are using the money raised through debt to increase their capital expenditure spending (up 50 percent over the past three years) and dividend payouts (up 49 percent over the past three years). If this trend continues and interest rates increase, companies will not have enough money to support growth initiatives.

While overall revenue grew for these companies in 2012, so did the net working capital supporting this increase in revenue. Gross margins decreased by 0.8 percent, a clear indication that companies spent more of their working capital to achieve the revenue increases. Given the ultimate goal of companies to increase shareholder value, a superior way to fund growth opportunities would be through efficient working capital practices. Few companies seem to be making this a priority, however.

Not all industries fared poorly in the survey. Those improving DWC performance include computers and peripherals (39 percent decrease in DWC), wireless telecom services (17 percent decrease), diversified telecom (16 percent decrease) and oil, gas and consumable fuels (12 percent decrease). These industries sharply contrast with the DWC performance of internet software and services (21 percent increase in DWC), diversified consumer services (18 percent increase) and metals and mining (10 percent increase) (Figure 5).

In 2012, companies in cyclical sectors, which thrive when consumers and businesses are more apt to spend money, managed working capital less effectively than their non-cyclical counterparts, so-called "defensive" companies that are not affected by economic downturns. Revenues for cyclical organizations increased 7 percent in 2012, but the working capital needed to support these revenues grew at an even higher rate, causing net working capital and profitability to fall 10 percent and 2 percent, respectively. Overall, companies in cyclical industries earned 50 cents less revenue per dollar of working capital spent in 2012 than in 2011. Although non-cyclical companies enjoyed stronger overall working capital performance, they lagged behind cyclical companies in inventory and receivables management.

The big picture: corporate focus straying from working capital and cash

In the aggregate, REL's study results reveal that working capital performance remained essentially flat, neither improving nor deteriorating to any great degree in the past year. From this, REL theorizes that working capital and cash are no longer a priority for companies, representing a major shift in corporate mindset from the immediate post-recession era. Overall DWC is currently at 36.3 days, a mere 0.3 days more than in 2011.

A quarter of companies maintained their DWC performance within 5 percent or more in each of the past three years, whereas at 27 companies, performance deteriorated by more than 5 percent.

The figures suggest that there are numerous avenues for improving working capital efficiency open to companies. The opportunity to improve inventory alone, for instance, has increased by 20 percent since the recession. Companies in the top quartile have 49 percent less working capital tied up in operations than median performers. Top-quartile companies are defined as those with the lowest days inventory outstanding (DIO) and days sales outstanding (DSO), and the highest days payables outstanding (DPO). Altogether, this group operates with only about half the working capital of median companies.

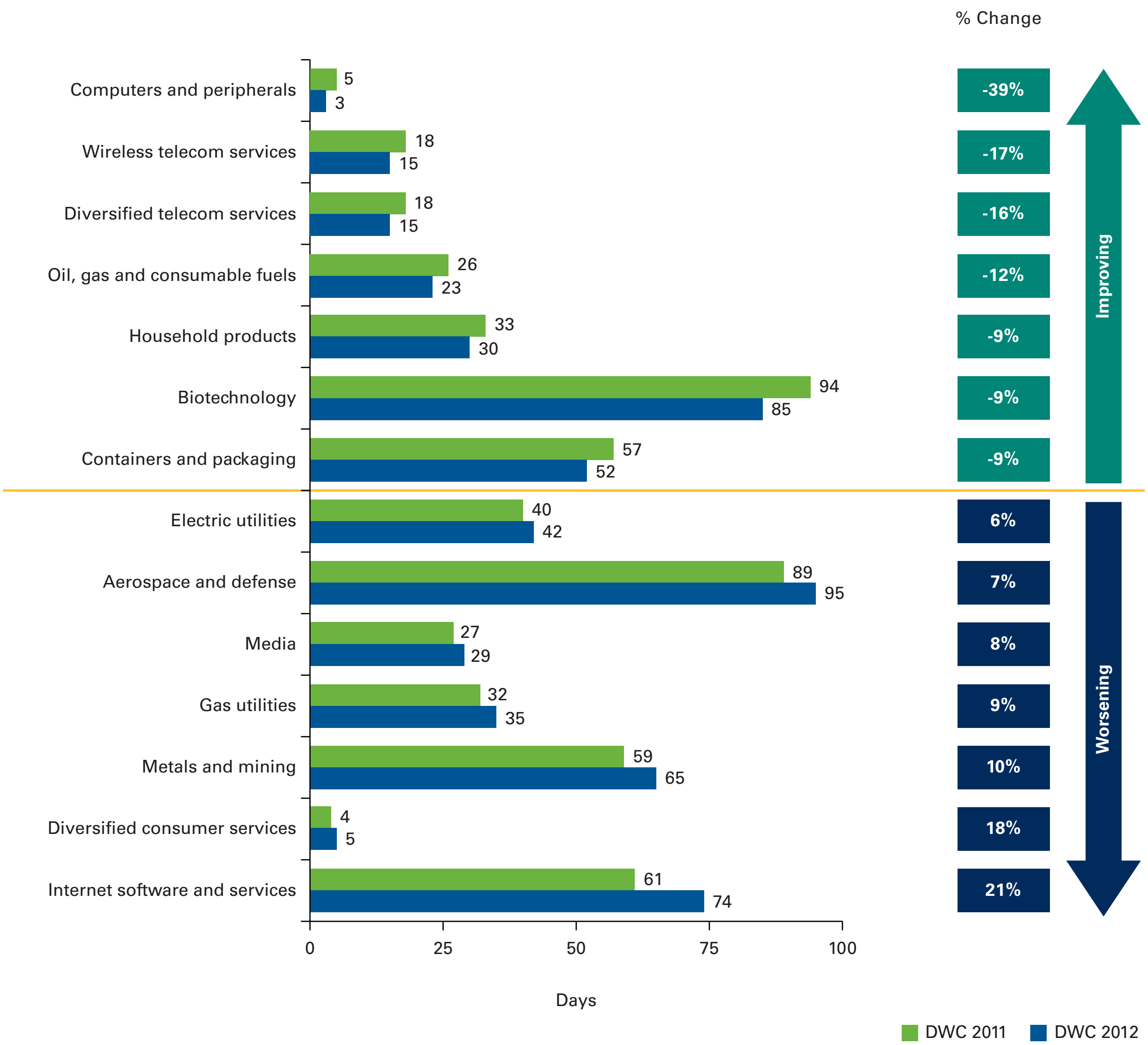
Opportunity costs too large to ignore

The opportunity costs of failing to improve working capital efficiency are too large to ignore. In DPO

Year-over-year working capital performance

Component	2012 performance	Year-over-year trend
DWC	36.3 days	0.3 days improvement
DSO	36.3 days	0.2 days improvement
DIO	32.1 days	0.2 days improvement
DPO	32.3 days	Flat

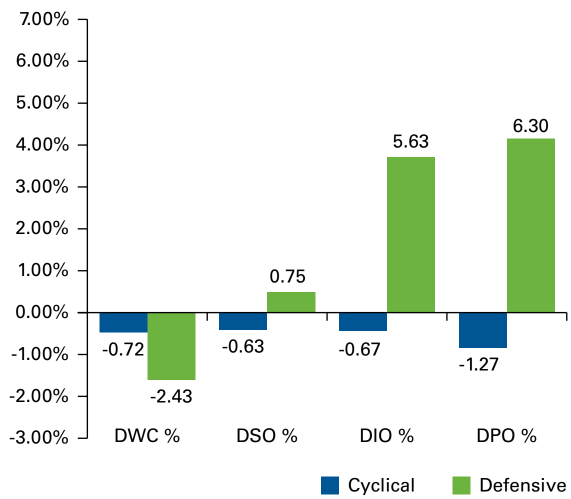
Figure 5: Best/worst percentage change in DWC performance by Industry



The hotels, restaurants and leisure industry and airlines industry have been removed from the list, since these are industries that see big swings due to the nature of the business and dependence on external factors

Figure 6:

Working capital performance by sector



Cyclical sector performance

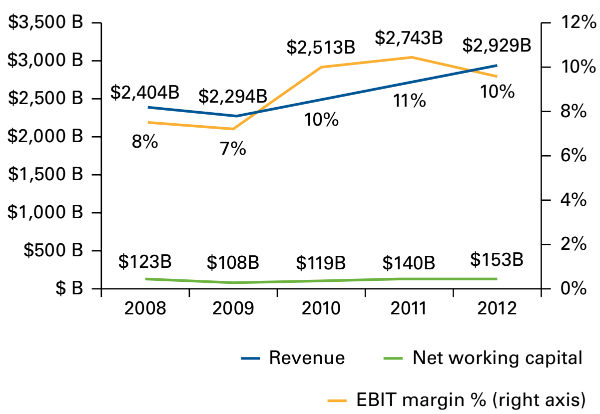


Figure 8: DIO - REL 1000

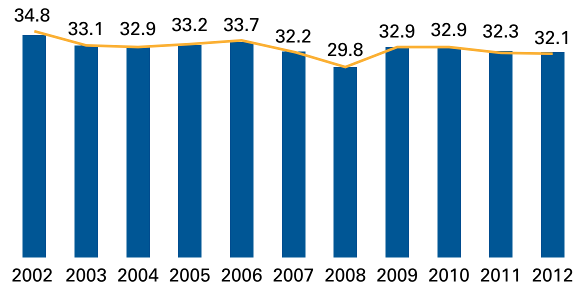


Figure 9: DSO - REL 1000

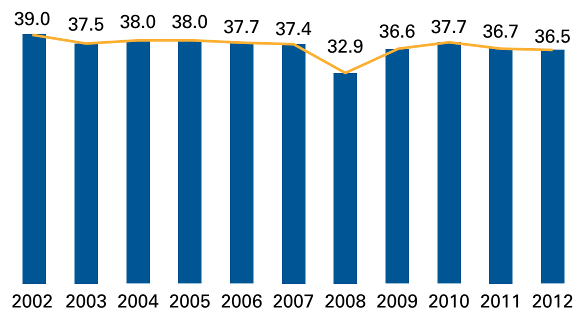


Figure 10: DPO - REL 1000

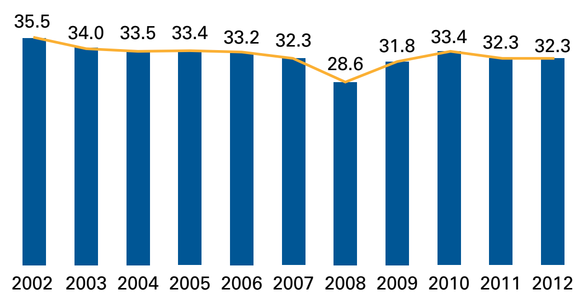
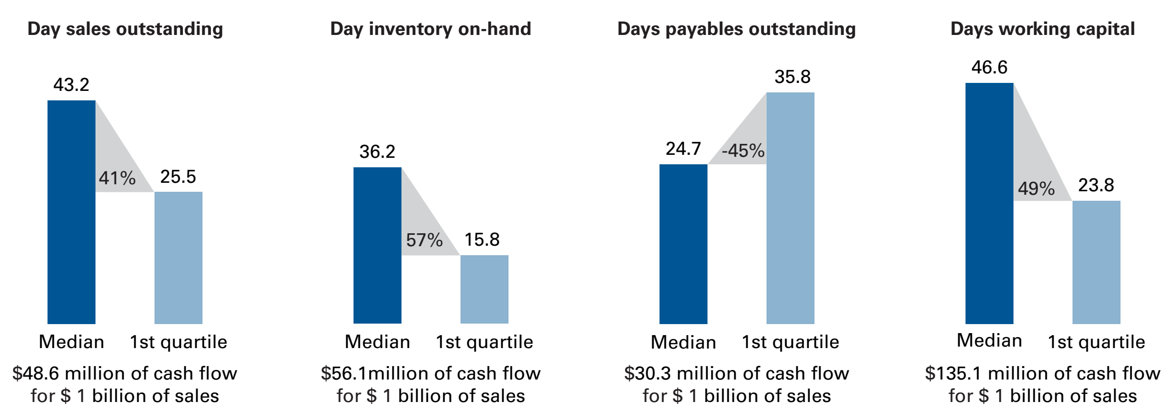


Figure 7: Upper quartile companies* in the top US firms have 49 percent less working capital tied up in operations than median† performance



* Upper or 1st quartile performance - lowest DIO or DSO, or highest DPO in top 25 percent of companies
† Median performance - median DIO, DSO, or DPO in all companies

alone, there is a huge performance gap between the top and median performers, resulting in a cash flow impact of $30 million for a company with $10 billion in annual revenues.

The individual components of working capital efficiency improved in the 2012 survey.

Inventory:
Company inventories increased by $56 billion. Inventory turns decreased from 12.56 to 12.40 year-over-year, indicating they are holding more inventory than needed for the revenue they have achieved. Altogether, the REL 1000 has $459 billion in excess inventory on hand – larger than DSO and DPO. The reasons appear to be related to an uptick in forecasted sales. Although these are only projections, many organizations have their extensive supply chains preparing nonetheless (Figure 8).

Receivables:
DSO improved by half a percent since 2011, by 0.2 days, following several years of considerable increases (15 percent, on average, from 2008 through 2011). The receivables turnover increased from 9.96 to 10.04, an indication that companies are efficiently managing their credit and collections processes. There is still room for improvement, in light of the 11-year DSO low recorded in 2008 (32.9 days) (Figure 9).

Payables:
DPO did not change from 2012 figures and thus remains flat. Companies no longer seem able to sustain the DPO improvements seen coming out of the recession. Payments have overall improved slowly since the all-time low of 28.6 days during the height of the recession in 2008. Yet a considerable gap remains between the 35.5 days DPO performance in 2002 to the 32.3 DPO in 2012 (Figure 10).

Working capital improvements remain desirable even as business prospects improve

Expectations for profitable business growth appear to be the primary factor weakening the resolve among companies to sustain working capital efficiency. For example, in an effort to secure a new customer in a new geography, a company salesperson might offer extended payment terms to the prospective buyer. Inventory also might be built up if the company has yet to develop reliable logistics patterns. By developing a cross-functional view of working capital that adheres to specific metrics, operations can be guided to maintain working capital performance, even when going into new markets.

Indeed, working capital performance does not have to go by the wayside when inexpensive debt and growth opportunities collide. By improving working capital efficiency, companies can increase cash levels, even if top-line revenue is flat. The free cash flow generated by superior working capital management can be used instead of debt or equity to invest in the development of new products or acquisitions, as well as reduce assumed debt levels. The solution to is to permit a degree of flexibility in DWC metrics, depending on the specific growth opportunity, and not allow wide deviations.

Companies can find a desirable balance between capital investments and working capital management. In effect, they can have their cake and eat it, too – generate cash revenue through superior working capital performance to invest in opportunistic spending on organic and inorganic growth initiatives, share buybacks, dividend payments and debt obligations. This efficiency also pays off in improved customer and supplier relationships, and there is a direct correlation between optimal working capital management and shareholder value.

Strategic implications

REL's 2013 US Working Capital Survey indicates that substantial capital that can otherwise be conserved or invested in growth opportunities is being squandered through inefficient working capital management practices. From a strategic standpoint, working capital is the least expensive form of cash available to an organization. In this regard, companies need to elevate working capital standards and continually reassert them to sustain superior working capital efficiency.

The benefits of such practices are profound, as there is an apparent link between working capital performance and shareholder value. This factor alone should encourage organizations to maintain their focus on working capital in good times and in bad.

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COMPANY	DWC 2012	DWC 1 YR% CHANGE	DWC 2011	DSO 2012	DSO 1 YR% CHANGE	DSO 2011	DIO 2012	DIO 1 YR% CHANGE	DIO 2011	DPO 2012	DPO 1 YR% CHANGE	DPO 2011
Aerospace and Defense Industry												
Northrop Grumman Corporation	33	1%	33	41	1%	41	12	-4%	12	20	-2%	20
Huntington Ingalls Industries, Inc.	44	12%	39	49	25%	39	16	-26%	21	21	-3%	21
Raytheon Co.	53	8%	49	68	2%	67	6	15%	5	20	-9%	22
The Boeing Company	150	-3%	155	24	-17%	29	169	-1%	171	42	-6%	45
Moog Inc.	163	6%	154	108	7%	101	80	1%	79	25	-4%	26
B/E Aerospace Inc.	221	-6%	236	48	-2%	49	207	-4%	216	34	16%	29
Median Performance	97	3%	94	65	3%	62	54	4%	52	27	-2%	27
Air Freight and Logistics Industry												
Pacer International, Inc.	12	23%	10	34	4%	33	NM	NM	NM	22	-4%	23
Hub Group Inc.	16	2%	16	41	-6%	43	NM	NM	NM	24	-11%	27
Expeditors International of Washington Inc.	24	22%	19	63	13%	55	NM	NM	NM	39	9%	36
United Parcel Service, Inc.	28	-3%	29	41	-4%	43	3	12%	2	15	-3%	16
Atlas Air Worldwide Holdings Inc.	30	24%	24	28	16%	24	6	-10%	7	5	-35%	7
FedEx Corporation	30	-2%	31	40	-5%	43	4	-7%	4	14	-13%	16
Median Performance	25	28%	19	41	-5%	43	-	NM	-	21	-9%	23
Airlines Industry												
Southwest Airlines Co.	(7)	22%	(8)	7	3%	7	10	7%	9	24	-4%	25
United Continental Holdings, Inc.	(3)	-222%	(1)	13	0%	13	7	13%	6	23	15%	20
SkyWest Inc.	(3)	-216%	2	8	-36%	13	12	2%	12	23	4%	22
US Airways Group, Inc.	6	24%	5	8	-14%	9	8	20%	7	10	-11%	11
Alaska Air Group, Inc.	10	50%	6	10	-11%	11	5	22%	4	5	-42%	9
Republic Airways Holdings Inc.	18	-6%	19	10	-9%	11	11	-13%	13	4	-31%	6
Median Performance	2	-49%	4	9	-19%	11	7	27%	6	13	-8%	14
Auto Components Industry												
Lear Corp.	13	3%	13	51	5%	48	18	11%	16	56	8%	52
Tower International, Inc.	14	357%	3	47	-20%	58	14	-6%	15	46	-34%	70
TRW Automotive Holdings Corp.	17	-2%	17	49	-2%	50	22	14%	19	54	4%	52
Icahn Enterprises, L.P.	58	-13%	67	44	-17%	53	47	-6%	50	33	-8%	36
Cooper Tire & Rubber Co.	67	-9%	74	36	-10%	40	64	-3%	66	33	4%	32
Exide Technologies	70	-10%	77	59	-8%	64	57	-14%	66	46	-12%	53
Median Performance	35	5%	33	50	-2%	51	27	7%	26	46	-4%	48
Beverages Industry												
Coca-Cola Bottling Co. Consolidated	24	-2%	24	27	0%	27	15	-4%	15	18	1%	18
Pepsico, Inc.	29	-6%	31	34	5%	32	20	-5%	21	25	11%	22
Dr Pepper Snapple Group, Inc.	33	-9%	36	34	-7%	36	16	0%	16	17	5%	16
Brown-Forman Corporation	172	0%	172	64	-9%	70	124	3%	120	16	-10%	18
Constellation Brands Inc.	231	27%	182	60	32%	46	189	26%	150	18	27%	14
Beam, Inc.	279	3%	270	61	6%	58	257	5%	245	39	20%	33
Median Performance	51	-7%	55	51	10%	46	24	-1%	24	19	1%	19

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Biotechnology Industry												
Vertex Pharmaceuticals Incorporated	17	-70%	57	34	-28%	47	7	-75%	29	24	25%	19
Celgene Corporation	71	-7%	76	64	-11%	71	17	20%	14	10	5%	9
Biogen Idec Inc.	79	15%	69	63	7%	59	30	25%	24	13	0%	14
Gilead Sciences Inc.	82	-12%	93	66	-22%	85	66	8%	61	50	-5%	52
Amgen Inc.	92	-17%	111	53	-22%	68	58	0%	58	19	27%	15
Regeneron Pharmaceuticals, Inc.	181	140%	75	184	118%	84	8	-44%	14	10	-55%	23
Median Performance	80	6%	76	63	-9%	70	23	-11%	26	16	-5%	17
Building Products Industry												
USG Corporation	39	-19%	48	37	-7%	40	34	-6%	37	32	14%	28
Masco Corporation	44	-1%	45	45	2%	45	37	-1%	38	39	3%	38
Fortune Brands Home & Security, Inc.	46	-1%	46	39	2%	38	36	-2%	37	29	2%	29
Owens Corning	63	0%	63	42	1%	42	55	2%	54	35	5%	33
Lennox International, Inc.	67	-1%	67	46	-7%	50	56	11%	50	35	8%	33
Griffon Corporation	84	0%	84	61	-11%	68	51	-4%	53	28	-25%	37
Median Performance	55	0%	55	43	-2%	43	43	-6%	46	31	2%	31
Chemicals Industry												
CF Industries Holdings, Inc.	22	-21%	28	13	-20%	16	17	-9%	18	7	18%	6
PolyOne Corporation	32	-6%	34	39	-4%	41	31	-1%	31	38	1%	38
The Mosaic Company	34	-24%	44	23	-29%	32	41	-13%	47	30	-13%	35
Sensient Technologies Corporation	146	6%	138	59	6%	56	111	5%	106	24	1%	24
FMC Corp.	148	17%	127	110	9%	101	82	21%	68	43	5%	41
Tronox Limited	218	160%	84	73	23%	59	182	165%	69	38	-15%	44
Median Performance	75	7%	70	51	1%	51	51	-1%	52	30	2%	29
Commercial Services and Supplies Industry												
The ADT Corporation	(3)	11%	(3)	9	-20%	11	5	23%	4	16	-9%	18
Deluxe Corp.	7	1%	7	17	-5%	18	6	-1%	6	16	-6%	17
TMS International Corp.	11	11%	10	41	1%	40	7	-5%	8	36	-3%	38
Tetra Tech Inc.	99	-2%	100	126	-6%	134	NM	NM	NM	28	-17%	34
ACCO Brands Corporation	127	35%	94	104	39%	75	55	1%	55	32	-10%	35
KAR Auction Services, Inc.	196	15%	171	276	11%	249	NM	NM	NM	80	2%	78
Median Performance	42	-7%	45	52	8%	48	6	-1%	6	25	1%	25
Communications Equipment Industry												
QUALCOMM Incorporated	23	19%	19	28	15%	24	20	5%	19	25	5%	24
Juniper Networks, Inc.	24	-8%	26	37	-23%	47	5	-8%	6	18	-34%	27
Brocade Communications Systems, Inc.	30	-17%	36	38	-10%	42	11	-12%	13	19	3%	19
JDS Uniphase Corporation	79	8%	73	66	-2%	68	38	9%	35	26	-13%	29
Ciena Corporation	85	-18%	103	69	-21%	87	52	7%	48	36	9%	33
Netgear Inc.	99	4%	95	73	-9%	81	50	-1%	51	25	-31%	36
Median Performance	66	-7%	71	51	-9%	56	22	-6%	23	25	-14%	29

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Computers and Peripherals Industry												
Dell Inc.	(22)	-7%	(21)	38	-1%	39	8	7%	8	69	2%	67
Apple Inc.	(22)	23%	(29)	25	41%	18	2	-29%	3	49	0%	49
Lenovo Group Limited	(7)	-315%	(2)	29	26%	23	15	11%	14	52	34%	39
SanDisk Corp.	67	45%	46	47	26%	37	54	24%	44	34	-2%	34
NCR Corp.	78	-8%	85	66	-3%	68	51	-5%	53	39	7%	36
Diebold, Incorporated	83	1%	82	60	12%	53	50	-11%	57	27	-4%	29
Median Performance	29	-10%	32	50	8%	46	20	-6%	22	41	6%	39
Construction and Engineering Industry												
Fluor Corporation	16	-28%	23	42	-15%	50	NM	NM	NM	26	-4%	27
Granite Construction Incorporated	36	25%	29	61	26%	48	10	13%	9	35	23%	29
Primoris Services Corporation	36	29%	28	63	36%	47	9	10%	8	36	34%	27
AECOM Technology Corporation	73	-6%	77	106	-2%	108	NM	NM	NM	34	10%	31
Tutor Perini Corporation	88	6%	83	150	-7%	160	NM	NM	NM	62	-20%	77
Boart Longyear Limited	108	15%	94	40	-24%	53	97	34%	72	29	-8%	31
Median Performance	55	3%	53	75	-1%	75	3	-17%	3	29	-3%	30
Containers and Packaging Industry												
Crown Holdings Inc.	25	8%	23	38	13%	34	50	4%	48	63	8%	59
Greif, Inc.	31	-28%	43	39	-20%	48	32	-13%	37	40	-6%	42
Ball Corporation	40	-11%	45	36	2%	36	44	-4%	45	40	10%	36
Packaging Corp. of America	73	7%	68	45	1%	45	43	-6%	45	15	-30%	22
Sealed Air Corporation	78	-26%	105	63	-27%	86	38	-31%	55	23	-37%	36
AptarGroup, Inc.	92	3%	89	62	2%	61	51	13%	46	21	26%	17
Median Performance	52	-14%	60	39	-13%	45	44	-6%	46	32	-9%	36
Diversified Consumer Services Industry												
H&R Block, Inc.	(58)	-7%	(54)	12	-9%	13	NM	NM	NM	70	4%	67
Coinstar, Inc.	(3)	-263%	2	10	17%	8	29	4%	28	42	20%	35
Service Corp. International	1	5534%	0	13	-6%	14	4	-8%	4	16	-13%	18
Education Management Corporation	20	46%	14	26	32%	20	1	-9%	1	7	-2%	7
Regis Corp.	21	8%	19	5	19%	4	24	1%	24	8	-6%	9
Corinthian Colleges Inc.	23	3%	22	28	-24%	37	1	-2%	1	5	-64%	15
Median Performance	9	66%	5	15	21%	13	1	-9%	1	9	-11%	11
Diversified Telecommunication Services Industry												
Level 3 Communications, Inc.	(4)	55%	(8)	41	-25%	55	NM	NM	NM	45	-29%	63
AT&T, Inc.	5	-59%	11	36	-5%	38	3	-13%	3	35	15%	30
IDT Corporation	11	-34%	16	20	-25%	27	NM	NM	NM	10	-12%	11
Windstream Corporation	19	-48%	37	36	-35%	56	4	-32%	7	22	-15%	25
Cincinnati Bell Inc.	23	34%	17	49	10%	45	8	28%	6	34	1%	33
Verizon Communications Inc.	28	0%	28	40	2%	39	3	9%	3	15	8%	14
Median Performance	11	-27%	15	36	-6%	39	2	-2%	3	24	-21%	30

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Electric Utilities Industry												
Great Plains Energy Incorporated	(4)	-127%	16	9	-63%	24	39	8%	36	52	20%	43
Edison International	7	-35%	11	40	-9%	44	10	-13%	12	44	-4%	46
OGE Energy Corp.	13	-24%	17	35	-1%	36	17	-1%	18	39	9%	36
Southern Company	63	33%	47	31	-4%	32	62	33%	47	31	-5%	32
Duke Energy Corporation	67	23%	55	52	4%	50	62	48%	42	47	27%	37
Hawaiian Electric Industries Inc.	423	-1%	426	446	-1%	450	NM	NM	NM	23	-6%	24
Median Performance	32	2%	31	41	-3%	42	21	-1%	21	38	18%	33
Electrical Equipment Industry												
Acuity Brands, Inc.	43	-7%	46	50	-7%	53	37	9%	34	44	6%	41
The Babcock & Wilcox Company	61	-1%	62	76	-2%	77	15	3%	14	29	0%	29
Brady Corp.	63	-5%	66	55	-12%	62	32	2%	31	24	-11%	27
EnerSys	92	-9%	102	75	-13%	86	58	-7%	62	40	-15%	47
Regal Beloit Corporation	93	-11%	105	51	-7%	55	71	-14%	82	29	-10%	32
GrafTech International Ltd.	202	24%	163	69	13%	61	150	22%	123	17	-16%	21
Median Performance	73	0%	73	69	11%	62	43	9%	39	32	-1%	32
Electronic Equipment, Instruments and Components Industry												
Jabil Circuit Inc.	9	-13%	10	24	-2%	24	48	-2%	49	64	0%	64
Tech Data Corp.	22	-23%	29	40	-9%	43	25	-25%	33	42	-11%	47
Ingram Micro Inc.	29	14%	25	53	17%	45	35	17%	30	59	19%	49
Molex Incorporated	97	-3%	100	79	-5%	83	56	2%	55	37	2%	37
Amphenol Corporation	98	1%	96	77	9%	71	62	4%	60	42	21%	35
FLIR Systems, Inc.	170	17%	145	87	12%	78	108	24%	87	24	23%	20
Median Performance	61	14%	53	60	2%	59	45	-4%	47	42	-4%	44
Energy Equipment and Services Industry												
Unit Corporation	4	-52%	9	41	-19%	50	2	-4%	2	39	-11%	43
Patterson-UTI Energy Inc.	41	-7%	44	62	-15%	74	4	-19%	4	25	-26%	34
Seacor Holdings Inc.	49	9%	45	65	-16%	78	12	14%	11	29	-34%	43
Forum Energy Technologies, Inc.	151	2%	147	59	-20%	74	117	12%	105	26	-19%	32
Cameron International Corporation	161	-7%	173	78	-2%	79	123	-6%	131	40	5%	38
National Oilwell Varco, Inc.	164	3%	160	79	-4%	82	107	7%	100	22	-3%	22
Median Performance	79	-8%	86	75	-3%	78	41	1%	40	25	-14%	29
Food and Staples Retailing Industry												
Village Super Market Inc.	(4)	18%	(5)	NM	NM	NM	14	-4%	15	18	-7%	20
Costco Wholesale Corporation	(1)	-183%	1	0	-4%	0	26	-4%	27	27	0%	27
Casey's General Stores, Inc.	1	4782%	0	1	-14%	1	12	-14%	14	12	-22%	15
CVS Caremark Corporation	36	-10%	40	19	-7%	21	32	-7%	34	15	1%	15
United Natural Foods, Inc.	45	0%	45	21	3%	21	40	-3%	41	17	-3%	17
Rite Aid Corporation	53	-1%	53	14	1%	14	59	1%	58	20	5%	19
Median Performance	11	2%	11	6	5%	6	28	1%	28	19	-1%	19

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Food Products Industry												
Hillshire Brands Company	16	37%	12	22	-17%	27	26	-1%	26	32	-23%	41
Dean Foods Company	20	12%	18	28	3%	27	13	8%	12	21	-3%	22
Darling International Inc.	23	34%	18	21	8%	19	14	35%	10	12	-6%	12
The J. M. Smucker Company	68	-7%	74	23	-12%	26	64	-3%	65	18	2%	18
Green Mountain Coffee Roasters, Inc.	81	-18%	99	34	-19%	43	73	-21%	93	26	-28%	37
Seneca Foods Corp.	169	-1%	171	22	-7%	24	165	-1%	167	18	-10%	20
Median Performance	43	-6%	45	25	-1%	26	40	-11%	45	25	0%	25
Gas Utilities Industry												
ONEOK Inc.	15	14%	14	39	18%	33	15	10%	14	39	16%	33
Southwest Gas Corporation	26	19%	22	51	-6%	54	5	17%	4	29	-18%	36
Atmos Energy Corporation	27	23%	22	22	2%	22	28	11%	25	23	-8%	25
National Fuel Gas Company	39	79%	21	30	-1%	31	28	65%	17	20	-24%	26
WGL Holdings Inc.	69	29%	54	56	42%	39	46	10%	42	33	17%	28
AGL Resources Inc.	94	-42%	162	116	-37%	183	66	-44%	117	88	-36%	138
Median Performance	32	5%	30	33	1%	33	20	0%	21	23	-11%	26
Healthcare Equipment and Supplies Industry												
Invacare Corporation	63	4%	61	50	-4%	53	46	12%	41	33	1%	33
West Pharmaceutical Services, Inc.	68	5%	64	50	12%	45	47	1%	46	30	8%	27
IDEXX Laboratories, Inc.	69	-3%	71	39	-8%	42	40	0%	40	10	-9%	11
Hologic Inc.	126	27%	99	75	15%	65	67	42%	47	16	23%	13
Teleflex Incorporated	129	1%	127	70	0%	70	76	4%	73	18	8%	16
Zimmer Holdings, Inc.	138	4%	133	72	5%	69	81	7%	76	15	28%	12
Median Performance	101	0%	102	66	2%	64	46	-4%	48	17	3%	16
Healthcare Providers and Services Industry												
Cigna Corp.	(95)	18%	(116)	22	-2%	23	NM	NM	NM	118	-15%	139
Triple-S Management Corporation	(83)	6%	(88)	17	-4%	17	NM	NM	NM	99	-6%	105
UnitedHealth Group Incorporated	(71)	2%	(73)	NM	NM	NM	NM	NM	NM	71	-2%	73
Team Health Holdings, Inc.	60	0%	60	64	0%	64	NM	NM	NM	4	-5%	5
Omnicare Inc.	62	-3%	64	51	-8%	55	23	-8%	25	12	-27%	16
Patterson Companies, Inc.	66	-5%	70	48	-3%	50	40	-6%	42	21	-4%	22
Median Performance	22	14%	19	33	36%	24	2	-16%	2	22	6%	21
Hotels, Restaurants and Leisure Industry												
Jack in the Box Inc.	(5)	-66%	(3)	16	-3%	16	2	11%	2	22	8%	21
Bloomin' Brands, Inc.	(5)	-93%	(2)	0	-19%	0	7	9%	7	12	30%	9
Chipotle Mexican Grill, Inc.	(4)	12%	(5)	2	66%	1	1	3%	1	8	5%	7
Marriott International, Inc.	62	131%	27	146	76%	83	2	31%	1	86	50%	58
Wyndham Worldwide Corporation	67	0%	67	61	1%	61	31	1%	30	25	4%	24
International Game Technology	97	13%	85	96	5%	91	16	16%	14	15	-23%	19
Median Performance	7	17%	6	11	21%	9	5	-3%	6	12	-2%	12

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Household Durables Industry												
Whirlpool Corp.	18	-21%	22	41	0%	41	51	2%	50	74	8%	69
Procter & Gamble Co.	21	-16%	25	26	-6%	28	29	-12%	33	35	-4%	36
Tempur-Pedic International Inc.	36	-15%	42	34	-8%	37	24	3%	23	22	24%	18
Lennar Corp.	479	-11%	538	3	-12%	4	498	-11%	560	22	-16%	26
Standard Pacific Corp.	599	-5%	633	3	-34%	5	603	-5%	635	7	-10%	7
Toll Brothers Inc.	739	-13%	847	29	10%	26	729	-14%	845	19	-19%	24
Median Performance	39	0%	39	38	5%	37	31	-7%	33	28	-7%	30
Internet and Catalog Retail Industry												
Expedia Inc.	(68)	-8%	(63)	42	16%	36	NM	NM	NM	110	11%	99
Amazon.com Inc.	(23)	14%	(27)	20	3%	20	36	-5%	38	80	-6%	85
Netflix, Inc.	(9)	12%	(10)	NM	NM	NM	NM	NM	NM	9	-12%	10
priceline.com Incorporated	13	29%	10	25	15%	22	NM	NM	NM	13	4%	12
HSN, Inc.	35	18%	30	28	5%	26	37	5%	35	30	-7%	32
Liberty Interactive Corporation	58	0%	58	44	9%	40	40	-1%	41	26	15%	23
Median Performance	2	7314%	(0)	27	10%	24	18	2%	18	28	2%	27
Internet Software and Services Industry												
Rackspace Hosting, Inc.	10	52%	6	26	6%	24	NM	NM	NM	16	-10%	18
IAC/InterActiveCorp	17	-14%	20	30	-5%	31	NM	NM	NM	13	12%	11
EarthLink Inc.	25	-7%	27	31	-4%	32	NM	NM	NM	5	14%	4
Facebook, Inc.	47	-1%	48	52	-4%	54	NM	NM	NM	5	-25%	6
Yahoo! Inc.	60	-5%	64	74	-3%	76	NM	NM	NM	14	11%	12
eBay Inc.	223	63%	137	231	59%	146	NM	NM	NM	8	-12%	9
Median Performance	46	7%	43	54	5%	52	-	NM	-	12	19%	10
IT Services Industry												
The Western Union Company	(35)	-1%	(35)	1	2%	1	NM	NM	NM	36	1%	36
Euronet Worldwide Inc.	4	-88%	31	107	-3%	110	29	-6%	31	132	20%	110
Paychex, Inc.	12	-41%	21	24	-18%	29	NM	NM	NM	12	43%	8
Mastercard Incorporated	83	45%	57	100	31%	76	NM	NM	NM	18	-10%	20
Gartner Inc.	99	1%	98	105	0%	105	NM	NM	NM	6	-10%	7
Moneygram International Inc.	328	-4%	341	331	-8%	362	NM	NM	NM	4	-83%	21
Median Performance	45	-6%	48	63	0%	64	-	NM	-	14	-9%	15
Life Sciences Tools and Services Industry												
Thermo Fisher Scientific, Inc.	77	-3%	79	53	-5%	56	43	0%	43	19	-3%	19
Mettler-Toledo International Inc.	77	-2%	79	68	1%	67	31	-19%	38	22	-16%	27
Agilent Technologies Inc.	79	11%	71	49	4%	47	54	9%	50	25	-6%	26
Bio-Rad Laboratories, Inc.	126	2%	124	70	0%	70	79	4%	76	23	2%	23
PAREXEL International Corporation	156	-16%	186	170	-13%	196	NM	NM	NM	13	39%	10
Bruker Corporation	169	-3%	174	59	-6%	62	125	-2%	127	14	-11%	16
Median Performance	94	3%	91	69	1%	69	43	1%	42	18	0%	18

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Machinery Industry												
Navistar International Corporation	17	-20%	22	21	-34%	32	44	-3%	45	48	-14%	56
Deere & Company	17	-9%	19	41	2%	41	70	-1%	71	94	2%	93
PACCAR Inc.	20	38%	15	18	-12%	20	22	4%	21	19	-27%	26
Caterpillar Inc.	125	3%	121	58	-11%	65	106	-2%	108	39	-25%	52
Kennametal Inc.	129	1%	128	64	-6%	68	94	1%	94	29	-13%	34
Joy Global, Inc.	141	-3%	146	79	8%	73	91	-17%	111	29	-22%	38
Median Performance	77	-1%	78	54	-5%	56	55	-4%	58	30	-8%	33
Media Industry												
The Interpublic Group of Companies, Inc.	(40)	20%	(51)	305	3%	295	NM	NM	NM	346	0%	346
SIRIUS XM Radio Inc.	(37)	1%	(38)	23	-3%	23	3	-39%	4	63	-4%	66
Live Nation Entertainment, Inc.	(15)	-35%	(11)	26	-1%	26	1	-14%	1	41	9%	38
CBS Corporation	94	0%	94	81	-2%	83	22	13%	20	10	15%	9
Lions Gate Entertainment Corp.	104	327%	24	180	137%	76	NM	NM	NM	76	47%	52
Time Warner Inc.	110	11%	99	94	8%	87	26	10%	24	10	-19%	12
Median Performance	32	11%	29	51	8%	47	2	-4%	2	17	-10%	19
Metals and Mining Industry												
SunCoke Energy Inc.	19	-25%	25	13	-15%	16	31	-41%	52	26	-41%	43
Schnitzer Steel Industries, Inc.	29	-34%	45	15	-38%	24	27	-24%	35	13	-16%	15
Sims Metal Management Limited	32	-19%	39	16	-27%	21	36	-11%	40	20	-13%	23
Allegheny Technologies Inc.	125	1%	124	44	-11%	50	117	8%	108	36	5%	35
A. M. Castle & Co.	148	-4%	153	40	-32%	58	127	-4%	132	20	-48%	38
Carpenter Technology Corp.	187	11%	168	64	13%	57	166	11%	149	42	14%	37
Median Performance	71	11%	64	31	4%	30	57	3%	55	23	0%	23
Multiline Retail Industry												
Dollar General Corporation	26	6%	24	NM	NM	NM	52	2%	51	26	-2%	27
Family Dollar Stores Inc.	29	47%	20	NM	NM	NM	56	13%	49	26	-10%	29
Dollar Tree, Inc.	32	-5%	34	NM	NM	NM	48	-4%	50	16	-3%	16
Belk Inc.	70	5%	67	4	18%	3	88	4%	84	21	5%	20
Saks Incorporated	73	-4%	76	NM	NM	NM	87	-1%	88	14	21%	12
Nordstrom Inc.	76	-7%	82	68	-11%	77	40	4%	38	32	-4%	33
Median Performance	45	-2%	45	2	8%	2	62	-5%	66	25	9%	23
Multi-Utilities Industry												
Alliant Energy Corporation	5	-62%	13	21	12%	18	24	-3%	25	40	32%	30
Avista Corp.	10	-50%	20	46	0%	46	11	-4%	12	47	25%	38
Sempra Energy	22	7%	20	43	0%	44	15	23%	13	37	3%	36
NiSource Inc.	64	3%	62	66	25%	53	37	2%	36	39	46%	27
SCANA Corp.	69	1%	68	68	9%	63	39	5%	37	37	21%	31
CMS Energy Corp.	88	2%	86	55	6%	52	63	-5%	67	30	-7%	33
Median Performance	46	6%	43	53	10%	48	30	7%	28	36	11%	32

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Oil, Gas and Consumable Fuels Industry												
Linn Energy, LLC	(63)	-261%	(17)	82	24%	66	NM	NM	NM	145	73%	84
Noble Energy, Inc.	(54)	22%	(69)	75	-1%	75	8	-8%	9	136	-11%	153
Cabot Oil & Gas Corporation	(41)	-24%	(33)	50	24%	40	4	-46%	8	95	17%	81
Newfield Exploration Co.	72	30%	55	63	8%	58	19	41%	13	10	-41%	17
USEC Inc.	325	-21%	413	26	-27%	35	303	-21%	383	4	-9%	4
WPX Energy, Inc.	NM	NM	(11)	52	8%	48	8	12%	7	60	-10%	67
Median Performance	21	22%	17	38	14%	33	10	-2%	10	28	-11%	31
Paper and Forest Products Industry												
Verso Paper Corp.	35	-12%	39	25	-8%	27	33	-8%	35	23	-2%	23
KapStone Paper and Packaging Corporation	41	-27%	55	33	-23%	44	34	-23%	44	27	-18%	33
Louisiana-Pacific Corp.	46	6%	43	16	8%	15	45	2%	44	15	-4%	16
International Paper Company	48	6%	45	43	2%	43	41	9%	37	36	4%	35
PH Glatfelter Co.	58	0%	58	32	5%	31	56	9%	52	31	24%	25
Clearwater Paper Corporation	60	-10%	67	30	-10%	33	45	-2%	46	15	20%	12
Median Performance	47	-7%	50	31	-3%	32	43	-3%	44	25	3%	24
Personal Products Industry												
Nu Skin Enterprises Inc.	21	-10%	23	6	-6%	7	23	-3%	23	8	20%	7
Avon Products Inc.	33	-5%	35	26	4%	25	39	3%	38	31	14%	27
Herbalife Ltd.	34	15%	30	10	10%	9	30	16%	26	7	12%	6
The Estée Lauder Companies Inc.	58	-6%	62	40	2%	39	37	-10%	41	19	0%	19
Revlon, Inc.	59	-5%	62	55	-1%	56	29	0%	29	26	10%	24
Elizabeth Arden, Inc.	119	5%	113	55	8%	51	86	12%	77	23	54%	15
Median Performance	46	-4%	48	33	3%	32	34	1%	33	21	24%	17
Pharmaceuticals Industry												
Bristol-Myers Squibb Company	42	15%	36	53	-7%	57	34	44%	24	46	2%	45
Forest Laboratories Inc.	43	-30%	62	32	-20%	40	24	-36%	38	13	-18%	16
Allergan Inc.	51	-3%	53	48	-2%	49	18	6%	17	15	9%	13
Hospira Inc.	122	-5%	128	58	0%	58	89	-4%	92	25	13%	22
Mylan, Inc.	124	-2%	126	83	-2%	85	82	-2%	83	42	0%	42
Actavis, Inc.	139	34%	103	80	-13%	93	95	34%	71	37	-39%	60
Median Performance	82	-8%	89	61	-2%	63	44	16%	38	26	22%	22
Professional Services Industry												
Verisk Analytics, Inc.	23	-2%	24	42	1%	42	NM	NM	NM	19	5%	18
Insperity, Inc.	31	5%	30	32	3%	31	NM	NM	NM	1	-34%	1
Robert Half International Inc.	33	-9%	36	46	-4%	48	NM	NM	NM	12	9%	11
IHS Inc.	76	-6%	81	89	-1%	90	NM	NM	NM	12	39%	9
FTI Consulting, Inc.	97	0%	97	99	-1%	100	NM	NM	NM	2	-30%	3
Dun & Bradstreet Corp.	104	6%	98	113	7%	105	NM	NM	NM	9	19%	8
Median Performance	50	3%	48	70	17%	60	-	NM	-	11	30%	8

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Road and Rail Industry												
Norfolk Southern Corp.	(1)	-127%	5	37	10%	33	7	5%	7	45	26%	36
CSX Corp.	7	0%	7	30	-4%	31	9	14%	7	31	-1%	32
Avis Budget Group, Inc.	12	0%	12	27	-13%	31	NM	NM	NM	15	-21%	19
Old Dominion Freight Line Inc.	30	-9%	33	38	-8%	41	NM	NM	NM	8	-5%	8
Werner Enterprises Inc.	32	13%	28	38	-5%	40	4	-24%	6	10	-41%	17
Hertz Global Holdings, Inc.	40	14%	35	76	7%	71	4	16%	4	40	2%	39
Median Performance	22	8%	20	36	6%	34	3	3%	3	20	-4%	21
Semiconductors and Semiconductor Equipment Industry												
MEMC Electronic Materials Inc.	18	-34%	27	32	17%	27	55	-41%	93	69	-26%	93
Amkor Technology, Inc.	23	93%	12	52	23%	42	30	15%	26	58	4%	56
Advanced Micro Devices, Inc.	31	-35%	48	42	-17%	51	38	43%	26	49	64%	30
First Solar, Inc.	123	-22%	158	103	-7%	111	58	-17%	70	38	63%	23
KLA-Tencor Corporation	140	19%	117	81	20%	67	75	13%	66	16	-3%	16
Lam Research Corporation	156	68%	93	105	58%	67	87	94%	45	35	92%	18
Median Performance	72	12%	65	44	2%	43	50	13%	44	27	33%	20
Software Industry												
Intuit Inc.	2	-44%	4	16	-3%	17	NM	NM	NM	14	11%	12
Electronic Arts Inc.	19	-1%	19	32	-5%	34	5	-34%	8	19	-18%	23
Zynga, Inc.	24	-19%	29	30	-30%	43	NM	NM	NM	7	-53%	14
Citrix Systems, Inc.	81	12%	72	89	11%	80	2	8%	1	10	5%	10
PTC Inc.	90	-6%	96	95	-6%	101	NM	NM	NM	5	-7%	5
salesforce.com, inc	105	16%	90	110	17%	94	NM	NM	NM	5	34%	4
Median Performance	57	0%	57	64	0%	64	-	NM	-	7	-22%	9
Specialty Retail Industry												
Aaron's, Inc.	(22)	5%	(23)	12	-23%	16	NM	NM	NM	34	-12%	39
AutoZone, Inc.	(6)	14%	(7)	7	8%	6	111	0%	111	124	0%	125
Rent-A-Center, Inc.	(6)	17%	(7)	6	-5%	6	0	-15%	1	12	-11%	13
Lithia Motors Inc.	85	13%	75	8	4%	7	82	14%	73	5	4%	5
Zale Corporation	130	1%	128	NM	NM	NM	156	-1%	158	26	-13%	30
Tiffany & Co.	215	6%	203	18	-16%	22	208	8%	192	11	5%	11
Median Performance	37	2%	37	5	5%	5	54	5%	52	24	2%	23
Textiles, Apparel and Luxury Goods Industry												
Coach, Inc.	40	2%	39	13	7%	13	39	4%	37	12	14%	10
Fifth & Pacific Companies, Inc.	41	0%	41	29	3%	29	53	15%	46	42	22%	35
Steven Madden, Ltd.	44	-19%	54	50	-14%	58	19	-16%	22	25	-6%	26
Hanesbrands Inc.	109	-18%	134	41	5%	39	101	-24%	132	33	-12%	37
Columbia Sportswear Company	121	-1%	122	73	-4%	76	79	1%	79	31	-3%	32
Wolverine World Wide Inc.	151	42%	106	79	38%	57	108	69%	64	36	142%	15
Median Performance	71	-6%	76	44	6%	41	58	0%	58	27	3%	26

*For the purpose of the study companies that securitize their receivables have had the value of securitized receivables added back to the overall receivables figure.
NM (not meaningful): If DWC moved from a positive to a negative number, or vice versa.

BEST | WORST

COMPANY	DWC 2012	DWC 1 YR% CHANGE	DWC 2011	DSO 2012	DSO 1 YR% CHANGE	DSO 2011	DIO 2012	DIO 1 YR% CHANGE	DIO 2011	DPO 2012	DPO 1 YR% CHANGE	DPO 2011
Tobacco Industry												
Altria Group Inc.	44	-8%	47	4	-32%	6	49	-6%	52	9	-15%	11
Lorillard, Inc.	50	27%	39	1	73%	1	52	26%	41	3	17%	3
Reynolds American Inc.	50	-3%	51	7	-9%	7	52	5%	49	8	68%	5
Philip Morris International, Inc.	133	10%	121	42	11%	38	104	9%	95	13	6%	12
Universal Corporation	142	9%	130	58	22%	48	110	-2%	112	26	-12%	30
Alliance One International, Inc.	164	0%	164	49	6%	46	143	2%	140	27	23%	22
Median Performance	91	6%	86	24	8%	22	78	6%	74	11	-4%	12
Trading Companies and Distributors Industry												
United Rentals, Inc.	51	21%	42	70	8%	65	6	-2%	6	25	-12%	29
GATX Corp.	59	-37%	94	97	-21%	122	14	12%	13	52	25%	42
Bluelinx Holdings Inc.	59	12%	53	30	4%	29	44	14%	39	15	2%	15
Kaman Corporation	100	-5%	105	41	-12%	47	84	0%	84	26	-1%	26
Fastenal Company	118	-2%	120	43	-3%	45	83	-2%	85	9	-7%	10
Titan Machinery, Inc.	176	15%	153	18	22%	15	165	15%	143	6	18%	5
Median Performance	83	-10%	92	46	-4%	48	61	-2%	62	20	-9%	22
Wireless Telecommunication Services Industry												
Clearwire Corporation	(14)	-217%	12	7	-73%	24	3	-55%	7	24	27%	19
Leap Wireless International Inc.	7	161%	(12)	10	-3%	10	14	2%	14	17	-54%	36
Crown Castle International Corp.	12	42%	8	29	109%	14	NM	NM	NM	17	202%	6
Telephone & Data Systems Inc.	13	18%	11	28	1%	28	11	20%	9	26	0%	26
Sprint Nextel Corp.	14	-26%	19	38	9%	35	12	25%	10	36	42%	25
NII Holdings Inc.	34	-17%	41	42	-9%	47	21	40%	15	29	42%	20
Median Performance	12	3%	11	28	15%	24	12	25%	10	24	18%	20

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"REL hit the bull's eye with a pragmatic, straight forward process that met our needs. Their professionals found real solutions that our team embraced and implemented with line of sight impact on our target KPI. These guys get the job done."

Tim Wild,
Vice President,
Supply Chain,
Brunswick Boat Group

"REL brings in good professionals, who roll up their sleeves and start working with local teams to make things happen. They have a hands-on mentality and a no-nonsense approach. They are not like typical consultants who only give you plans to follow."

Rens Blankers,
Head of
Shared Business Services Finance
Philips

Scorecard methodology

The REL working capital survey and scorecard calculates working capital performance based on the latest publicly available annual financial statements of the 1,000 largest listed non-financial companies with headquarters in U.S. The survey takes an industry-based approach to ranking companies according to the four key working capital metrics – days sales outstanding (DSO), days inventory on hand (DIO), days payables outstanding (DPO) and days working capital (DWC). For each industry the companies are ranked according to overall DWC; the top three and bottom three performers are listed.

Companies are classified according to Standard and Poor's Global Industry Classification Standard (GICS), using data sourced from Capital IQ. Historical comparisons within the survey are made on a like-for-like basis. Where off-balance-sheet arrangements are used by the company, adjustments have been made to the data in order to provide true, consistent and comparable figures.

Definitions and calculations

DAYS SALES OUTSTANDING (DSO)

Accounts Receivable/(Total Revenue/365)
Year-end accounts receivables net of allowance for doubtful accounts, divided by one day of average revenue
A decrease in DSO represents an improvement, an increase a deterioration.

DAYS INVENTORY ON HAND (DIO)

Inventory/(Total Revenue/365)
Inventory divided by one day of average revenue
A decrease in DIO represents an improvement, an increase a deterioration.

DAYS PAYABLES OUTSTANDING (DPO)

Accounts Payable/(Total Revenue/365)
Year-end accounts payable divided by one day of average revenue
An increase in DPO represents an improvement, a decrease a deterioration.

DAYS WORKING CAPITAL (DWC)

(Accounts Receivable + Inventory – Accounts Payable)/(Total Revenue/365)
Year-end net working capital (accounts receivable + inventory - accounts payable) divided by one day of average revenue
The lower the number of days, the better. The percent change is marked NM (not meaningful) if DWC moved from a positive to a negative number or vice versa. Where the change in DWC is negative, this represents an improvement, while a positive DWC change represents a deterioration.

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About REL

REL, a division of The Hackett Group, Inc. (NASDAQ: HCKT), is a world-leading consulting firm dedicated to delivering sustainable cash flow improvement from working capital and across business operations. REL's tailored solutions balance client trade-offs between working capital, operating costs, service performance and risk. REL's expertise has helped clients free up billions in cash, creating the financial freedom to fund acquisitions, product development, debt reduction and share buy-back programs. In-depth process expertise, analytical rigour and collaborative client relationships enable REL to deliver an exceptional return on investment in a short timeframe. REL has delivered work in over 60 countries for Global 1000 companies. More information on REL is available by phone at **1 866 614 4059**; by e-mail at **info@relconsultancy.com**

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