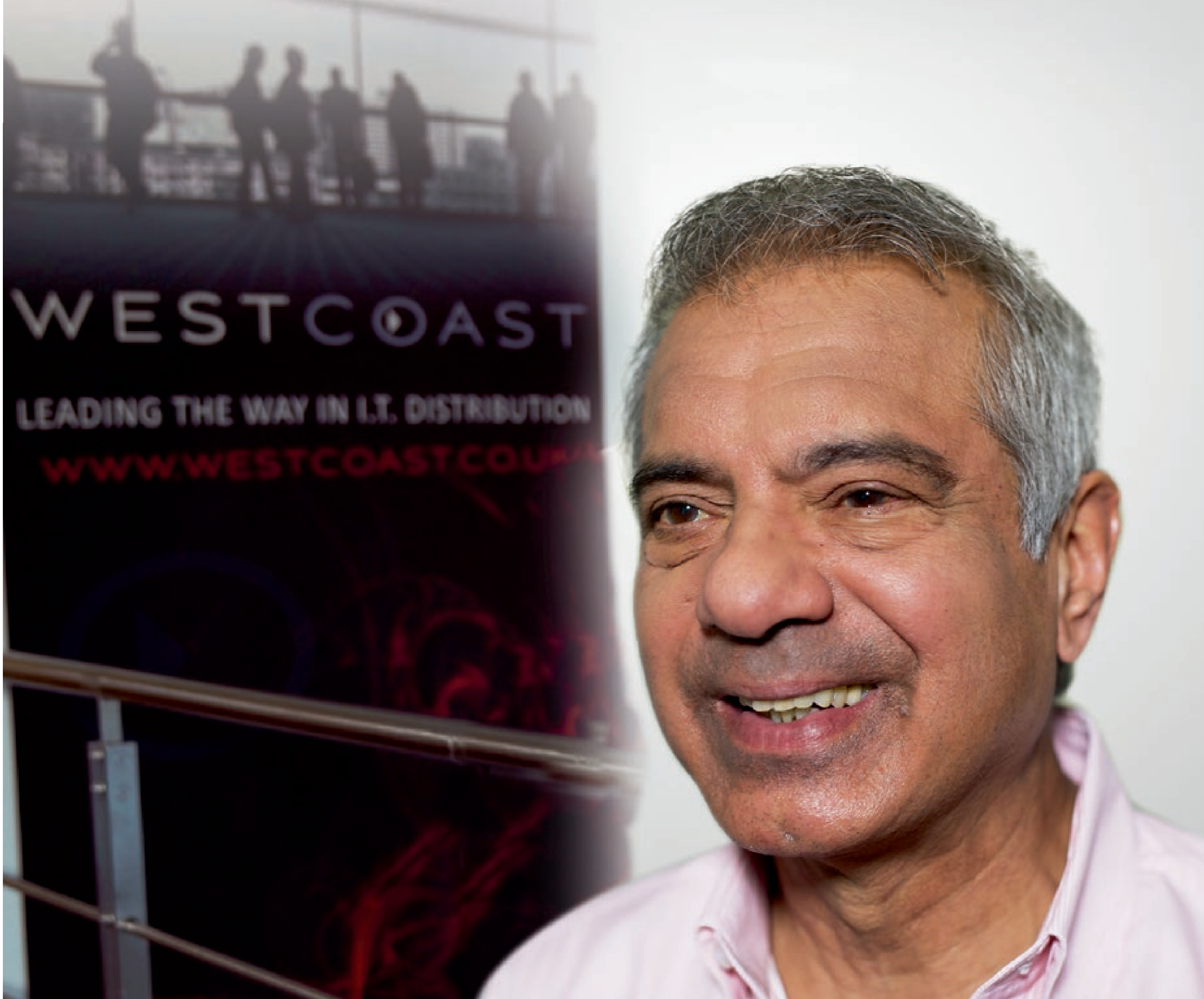
GLOBAL
CORPORATE PAYMENTS

AMERICAN EXPRESS® CASE STUDY – WESTCOAST

Cash Flow Management– Optimising Distribution

"I need enough credit with my suppliers to allow them to sell to me, and enough credit on account to enable me to sell to my customers. Effective cash flow management keeps us in business."

Joe Hemani, Owner & Chairman, Westcoast



WESTCOAST – Passionate about distribution

Westcoast is a wholesaler for the computer industry's houshold name brand products, from tablets to telephones, monitors to MP3 players. Most of the printer and toner cartridges sold in UK shops are likely to have come via Westcoast. Their customers represent many different vertical markets and sectors.

With revenues of £1.5 billion in 2013, Westcoast employs 510 people. Its 5,000 customers range from large corporate commercial resellers to high-street retailers and large corporate users to small shops.

Westcoast's company strategy is to distribute its suppliers' products to the UK market in a timely and cost effective manner. Westcoast therefore needs to purchase a sufficient quantity of the right products to fulfil its customers' demands and ensure they retain their business and maximise revenues.

The company was founded 30 years ago and still remains a privately owned company. As such, it does not have the opportunity to raise capital from corporate bonds or shareholders. It must look to different solutions to expand its working capital.

As a distribution business, effective use of working capital is the key to Westcoast's continued success.

> ''In our business, positive cash flow is absolute key. It allows us to generate cash, which we can then put to use for other activities that benefit not only our suppliers, but also our customers and helps us to grow.''
>
> Sunil Madhani, Finance Director Westcoast

Working capital – the challenge for privately owned companies

Since the 2008 global banking crisis, privately owned UK companies, like Westcoast, have found access to capital challenging.

In the past, Westcoast's ability to access working capital was sometimes reduced because it operates in a market characterised by a gap between invoice payment terms with suppliers and those for customers.

The electronics and computer sector is typically risk averse so suppliers offer short credit terms which are payable by direct debit. For example, one large PC, computer software and consumer electronic supplier offers Westcoast payment terms of 14 days. However, customers invariably want to pay on 30, 60 or 90-day terms.

With longer payment terms for its customers than those offered by its suppliers, cash was going out of Westcoast more quickly than it was coming in. As a consequence, it wasn't able to purchase optimum levels of stock for its customers without incurring hefty rates of interest.

Westcoast wanted to increase the amount of available working capital. It looked for an alternative payments solution which could supplement its traditional invoice process and complement its existing business credit and insurance structures. It also wanted this additional capital to be available at a competitive rate.

Making use of American Express' straight forward and simple electronic payment solution enables Westcoast to access incremental working capital. By implementing the solution,both as a buyer and a seller, they've also been able to take advantage of process efficiencies.

> 'American Express' solution works alongside our existing financial arrangements.'
>
> Sunil Madhani, Finance Director, Westcoast

Working capital benefits as both a supplier and a buyer

American Express' payments solution gives Westcoast more days to pay than previously experienced. The working capital solution is advantageous for Westcoast because the payment period of up to 58 days with American Express is considerably longer than the conventional arrangement with suppliers. As a result, days payable outstanding (DPO) are increased and Westcoast's working capital is optimised.

Westcoast can access the multi million pound credit facility that it has with American Express. This incremental capital facility enables Westcoast to buy at competitive prices and meet customer demand.

As Sunil Madhani, Finance Director, says, "We have the flexibility to access funds at any time through American Express, so it has had a very positive impact."

At the same time Westcoast's suppliers benefit from American Express' working capital solution because they receive payment more promptly than via a traditional invoicing process. This decreases their days sales outstanding (DSO).

As a supplier, Westcoast also gains working capital benefits from earlier receipt of customer payments because of the electronic payments solution. Westcoast receives payment five days after their customer's authorisation, which is quicker than conventional invoice terms, while the customer pays only when the statement is due.

Benefits for Westcoast as a buyer

- Improved working capital
- More stable and predictable working capital
- Diversified capital resources and reduced need for external financing
- Improved cash flow from extended payment periods
- Increased DPO
- An additional payment tool

Benefits to Westcoast as a supplier

- Ability to meet market demand
- Access to incremental funds
- Improved working capital
- More stable and predictable working capital
- Faster and easier customer payments
- Reduced credit control admin

Benefits for suppliers to Westcoast

- Ability to fund market demand
- Prompter receipt of payment – a decrease of DSO

"The flexibility and the incremental nature of the facility that American Express offers is clearly a great benefit to me and my customers".

Sunil Madhani, Finance Director Westcoast

Advantages of working capital solutions:

The American Express solution for optimised cash flow management could create benefits for both buyers and suppliers – helping enable short-term and long-term improvements in liquidity and profitability. The working capital solution adopts a partnership approach to financial management, harmonising otherwise opposing interests. The solution could improve liquidity planning and streamline processes for both sides.

www.americanexpress.co.uk/corporate