

## Improving Operating Working Capital



Rod Love was working with a Global Telecoms equipment provider to improve the operating working capital, by reducing the inventory held by the UK.

The operation had built up £3m of stock that could not be sold.

### Overview

The organisation was planning to sell the European operation to a Venture Capital firm and wanted to appear as profitable as possible

The level of Operating Working Capital was an area of concern, as a significant amount of stock (c£3m) held on the books was not saleable.

This was a result of a new product launch that made a significant amount of the stock redundant and large bespoke systems purchased early to meet committed sales lead times that had fallen through.

Rod was tasked with releasing as much working capital as possible without

### The Challenge

The stock was not going to move, it was either legacy stock replaced by the new parts and components or complex systems, built to specific customer requirements, which could not be sold on to other customers.

### The Solution

Rod decided to approach the problem with three actions:

1. Reuse of stock (legacy and complex systems)
2. Sale of components
3. Write off and scrap the remainder

#### 1. Reuse of stock

##### 1.1. Legacy

With the launch of the new products all components had new part numbers, however Rod had noticed the component within the systems were often the same products or easily upgraded within the UK technical configuration centre – these were processed and put back into stock under the new part number.

As the organisation had a separate spares operation that needed to support the customer base, and were placing orders for new equipment to top up their stocks, Rod made an agreement with them to provide any stock they wanted from the legacy base for the next three years.

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## 1.2. Complex systems

These were broken down into the component parts by the technical configuration team and put into stock under their part numbers or moved into spares stock as required.

## 2. Sale of components

Rod contacted a number of companies based in Europe and the US who were actively looking for certain base components (handsets, chips, circuit boards etc) and sold a significant amount of legacy stock to them.

## 3. Write off and scrap the remainder

The balance was scrapped it reduced the fees for warehousing space and time for stock management significantly.



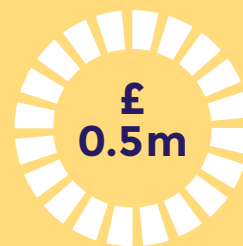
### Services delivered

- ✓ Supply Chain Management
- ✓ Driving Down Risk and Cost
- ✓ Increasing Equity Value

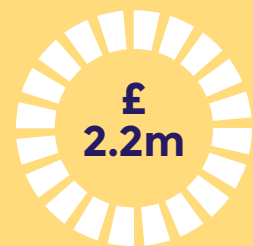
## The Outcome

The actions yielded the following reductions in Operating Working Capital:

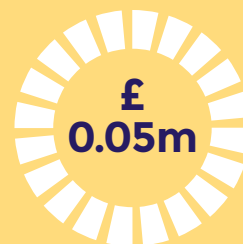
### Reuse of Stock



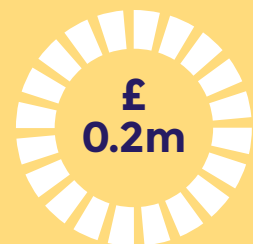
Legacy and spare



Complex systems



Sale of components



Write off

The release of the Operating Working Capital contributed to the eventual sale to the global distribution firm.