



Cash for growth or growth for cash?

2019 Vietnam Working Capital Study



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Vietnam working capital at a glance

509
Listed
companies

were studied across
15 industries



**7 out
of 15**

industries improved
their working capital
performance in 2018



Hospitality & Leisure
and Heavy Industry
deteriorated the most in
2018 in terms of C2C



Major working capital
improvement potential
lies in inventory and
receivables optimisation

USD
11.3 bn

potential cash release
opportunity with
better working capital
performance



Vietnam continue to
lag behind in terms of
C2C compared to other
regions

Revenue in 2018
increased by

15%

from 2017 but operating
profits grew by only

3%

due to margin pressures

Return on capital
employed (ROCE)
declined by

6.7 p.p.*

due to decline in
operating profits



A Vietnam centric
self-diagnostic tool is
available in this study to
assess your company's
working capital

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Foreword

Welcome to PwC Vietnam's second annual Working Capital Study, "Cash for growth or growth for cash?". Our report aims to raise awareness of the importance of viewing working capital as a source of cash and liquidity.

With the backdrop of Vietnam's booming economy and Vietnam being one of the beneficiaries of the trade war between US and China, optimising cash is key to maintaining a steady course to sustain profits. Having the capacity to turn sales into cash faster ultimately reduces the cost of running a business and is a source of competitive advantage.

Managing cash and liquidity for sustainable growth

We have analysed the working capital performance of over 500 Vietnam companies in 15 different industries for 2018. Our findings show that despite robust revenue growth, companies were unable to convert their sales into cash faster. Cash to Cash cycle deteriorated from 65 days in 2017 to 67 days in 2018.

We continue to see money being left on the table as our study shows a potential cash release opportunity of >USD 11 billion from corporate Vietnam's balance sheet. This is achievable through better working capital management practices.

Commitment to delivering operating cash flow excellence

At PwC, we are committed to providing you with the expertise to steer your company towards consistent working capital outperformance leading to improved operating cash flows through a combination of strategy, systems, and processes.

We hope you find our latest perspectives useful to your organisation in navigating the current business climate.



Johnathan Ooi SI
Deals Partner



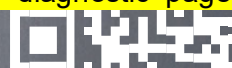
Mohammad Mudasser
Practice Leader

How does my company rate?

Scan the QR code to compare your performance against your peers in our self diagnostic centre



Insert active QR code to "self diagnostic" page





Working Capital Overview



Overall improvement in working capital performance by Vietnamese companies

Deteriorating Cash cycle in Vietnam between 2017 and 2018

Cash to cash cycle (C2C) illustrates the average number of days a company takes to translate resource inputs into cash flows

For Vietnamese companies, C2C deteriorated marginally by two days in 2018 over 2017

Elongation of their receivable days (DSO) was the primary reason, despite companies managing to reduce their inventory days (DIO) by two days for the same period

Note – The working capital ratios might not tally with our last report due to a new companies becoming listed, companies revising their financials and/ or getting de-listed from stock exchanges

Shorter payable days, influenced by Oil & Gas, Metal & Mining, and Commerce industries

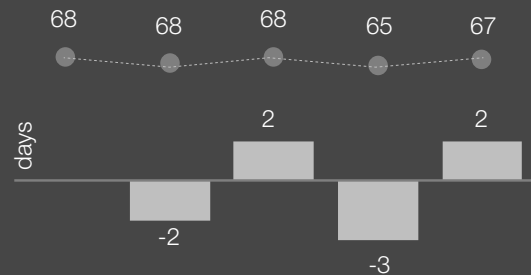
Payable days (DPO) declined in 2018 by three days potentially due to faster payments to suppliers compared to the previous year.

For the second successive year, a decrease in Days Payable Outstanding (DPO) underlined that the use of DPO as a quick fix is not a sustainable working capital management strategy.

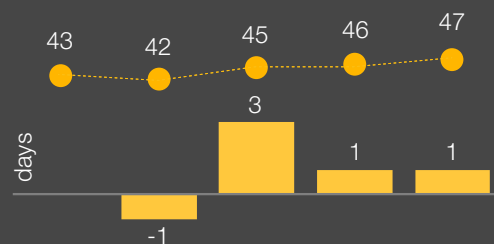
Did you know?

A more innovative way to sustainably manage account payables is to adopt Supply Chain Finance (SCF) (refer to page 22). Suppliers are given the option to receive payments ahead of due dates without pledging collaterals.

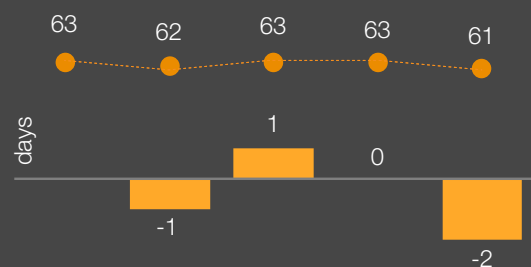
Cash conversion cycle (C2C)



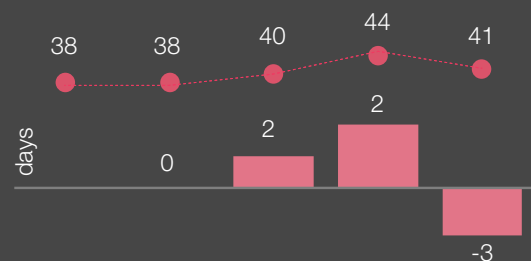
Days Sales Outstanding (DSO)



Days Inventory Outstanding (DIO)



Days Payable Outstanding (DPO)



Source : Bloomberg and PwC analysis

Vietnam companies were slower to convert profits into cash in 2018

Cash flow from operations deteriorated despite higher operating profits

Cash conversion efficiency (CCE) is an indicator of how efficient a company is in converting its profits into cash.

The CCE in 2018 decreased by 5%, which is equivalent 5 cents lower of OCF for every 1 USD of revenue generated.

While revenues are up 15% from last year, operating cash flows (OCF) have declined as a proportion of sales by ~5%. Companies continue to face operational challenges in converting additional revenues/profits into cash.

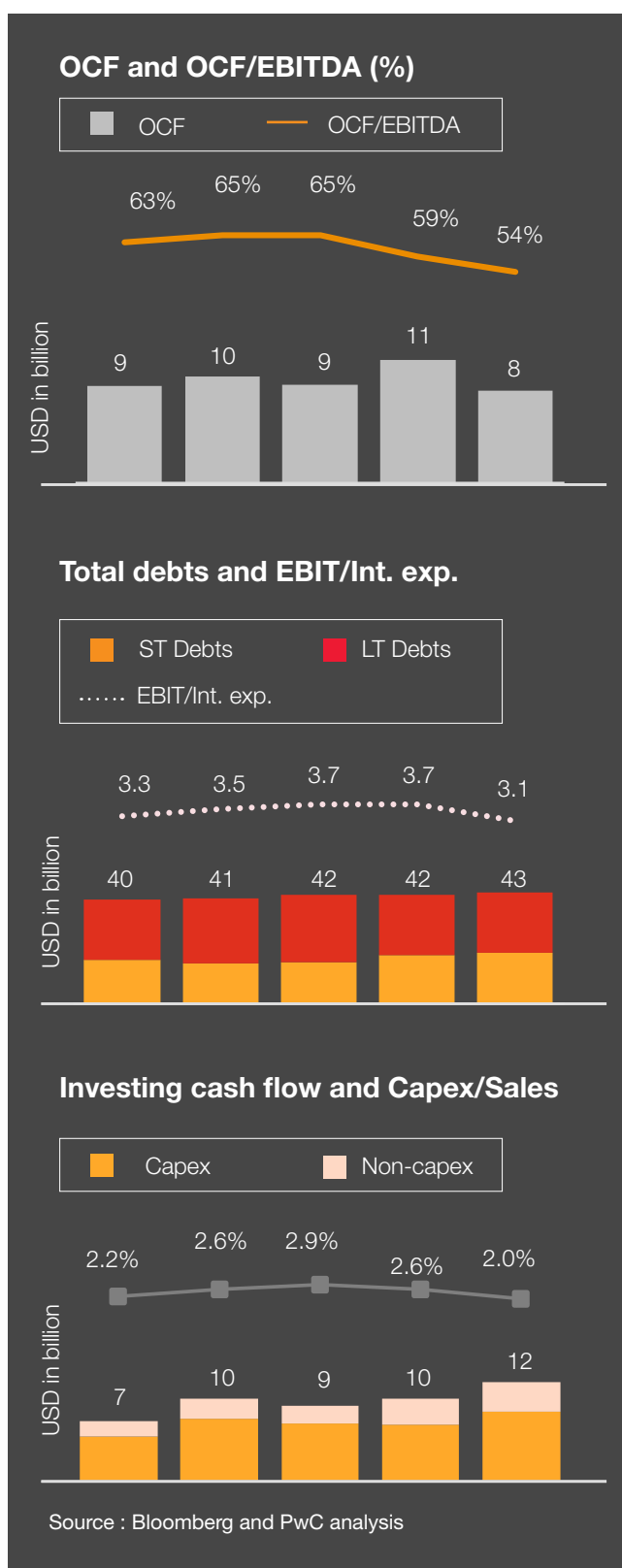
Companies have been more leveraged than ever, especially from Short-term borrowings

There has been an increase in the use of debts to fund operations as reflected in the lower EBIT/Int. exp. ratio, which decreased by 5% between FY14 and FY18.

Whilst Short-term debt is mostly used to fund working capital, Long-term debt is used for Capital expenditure (Capex) or fixed asset acquisition.

During the same period, Capex (as a percentage of revenues) continued to decline, which could suggest that companies are managing cash levels by limiting their investments.

*CCE = Cash from Operating Activities / EBITDA





Cash waiting to be unlocked from corporate Vietnam's balance sheets

?

Did you know?

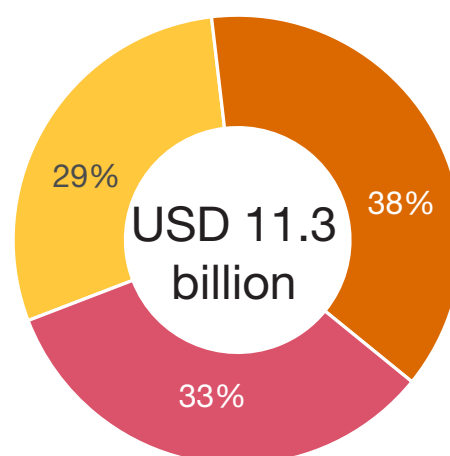
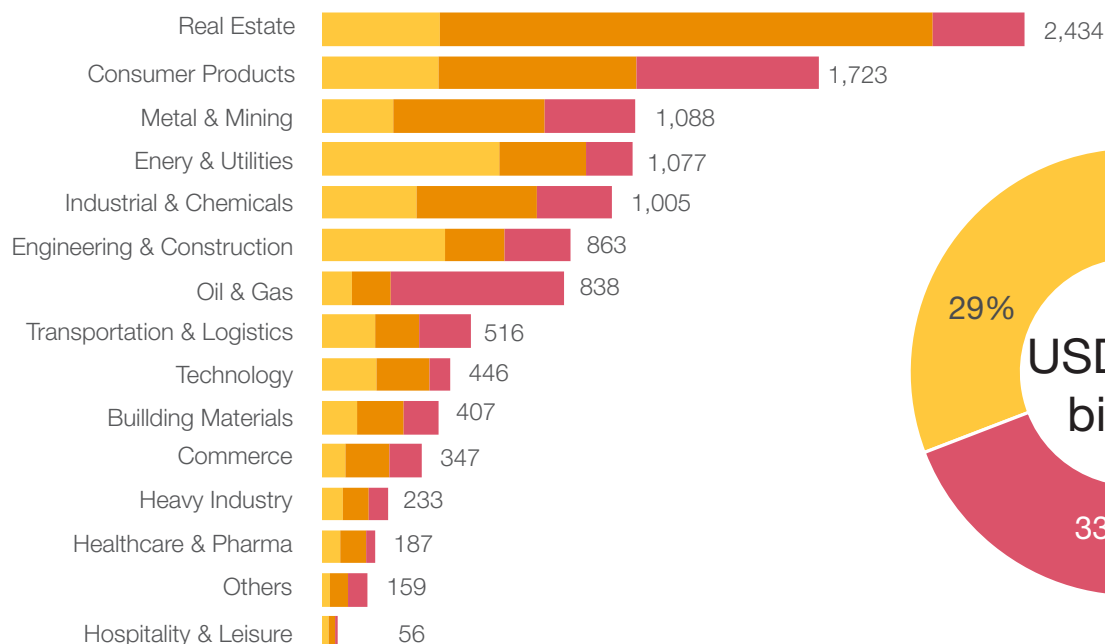
Cash release opportunities were much higher in 2018 compared to 2017. This could be due to the widening gap between the top and bottom performers in terms of C2C.

Over USD 11 billion left on the table

Our analysis indicated a cash release opportunity of USD 11.3 billion if companies were to optimise their working capital performances to the top quartile level within their industries.

The opportunity is distributed across Receivables, Payables, and Inventory, with inventory having the largest opportunity (38% of current NWC value).

Cash release by sectors by working capital elements to Upper Quartile (USD in million)



Source : Bloomberg and PwC analysis

The cash opportunity is illustrative and based on an external view of each company's working capital performance within its industry (based on publicly available numbers). This illustration does not take into account the commercial and operational strategies undertaken at the company level.

How does Vietnam compare globally?



Source : Capital IQ , PwC SCF Barometer 2018/2019 and PwC analysis

67 days

Vietnam's C2C days performance lags behind the majority of countries in Asia, except for Indonesia

4th

In terms of C2C days, Vietnam was among the worst performers in terms of working capital management across ASEAN region

30 days

Room for improvement in Inventory management amongst Vietnamese companies

Vietnam's working capital performance is lagging behind other ASEAN countries, that indicates significant opportunities for improvement

Vietnamese companies appear to have higher C2C days relative to other ASEAN countries. It also lags behind developed markets, such as USA, Europe, and Australasia. When analysed further, major improvements are apparent in managing Inventory performance.

Payable days in the USA and Europe could be lower due to the higher adoption rate of Supply Chain Finance (SCF) programmes.

As the SCF market is more mature in the USA, more buyer-led programmes are being rolled out by both large multinational companies and small and medium companies (SMEs).

It is apparent that Vietnamese companies should further explore the available SCF options to release cash trapped in their payables, while having better control over their inventory.

Working Capital Performance Across Industries

**How did industries perform in 2018 in
comparison to 2017?**



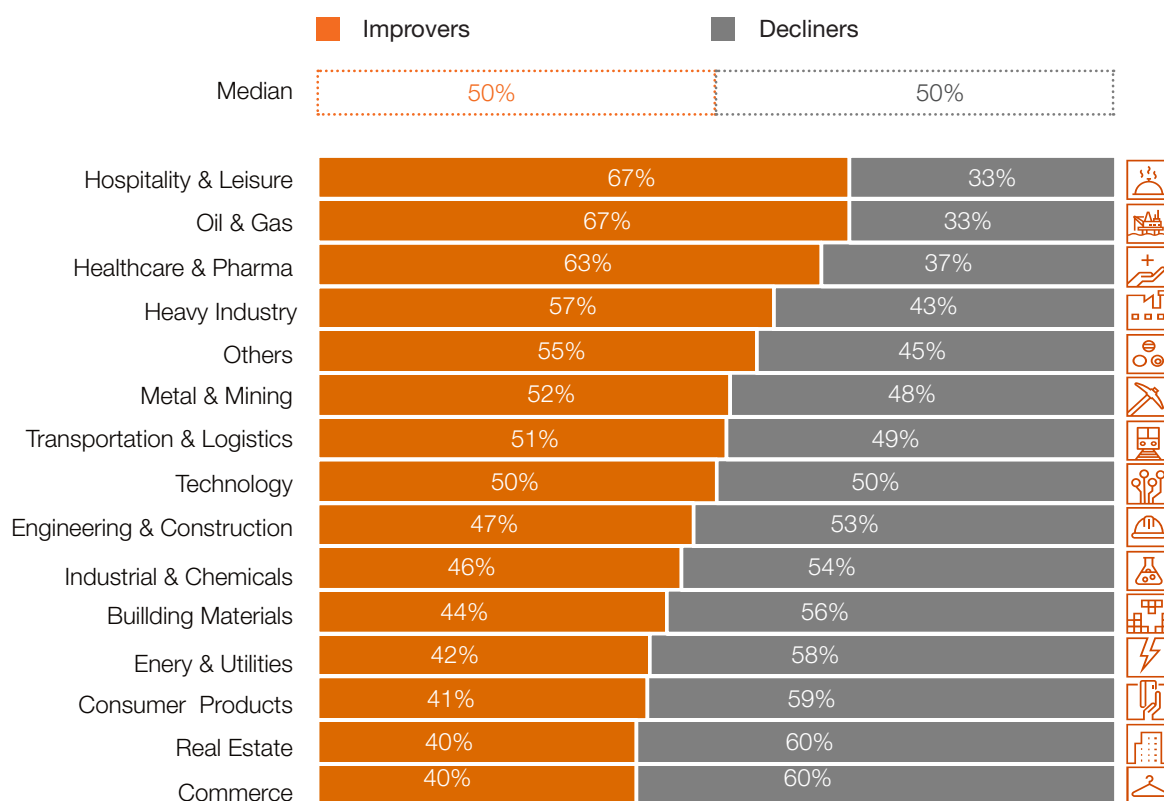


An analysis of the working capital performance metrics of over 500 companies in Vietnam in 2018 indicates that around half of the companies studied improved their C2C days. 7 out of the 15 industries enhanced their working capital performance relative to 2017 with over 50% of companies experiencing C2C improvement.

Our analysis shows the overall C2C deterioration is due to 8 out of 15 industries increasing their Receivables/Inventory days. This puts further pressure on the companies' liquidity by decreasing the payable days. If C2C days are managed more efficiently, more cash can be released internally for companies to improve their liquidity.

50% of companies analysed improved their C2C days in 2018

C2C Improvers and Decliners, FY17-18



Note: The companies are classified based on their 2018 C2Cs. "C2C improvers/decliners" are companies with their C2Cs in 2018 lower/higher in comparison to their C2Cs in 2017; the stacked bar chart illustrates companies breakdown by improved/deteriorated C2C for each industry



Focus Sector -

Engineering & Construction (1/2)

Receivable days have been considerably lengthened, while payables days worsened
Cash conversion cycle (C2C) increased by 10 days for FY17-18, despite a slight decrease in FY16-17 by a day.

The main reason was the extension of the receivables day (DSO) by 9 days between FY17 and FY18, while having improved inventory days (DIO) offset by deteriorated payables days (DPO).

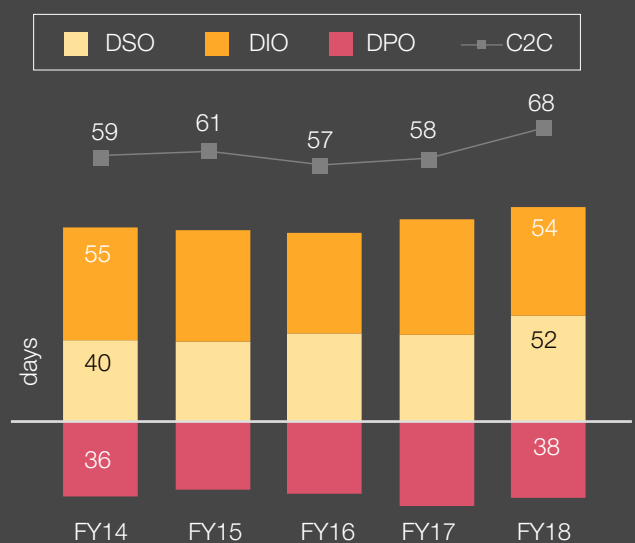
As a result, the companies have been leveraging receivables, especially unbilled revenue, to enhance its revenue.

>USD 860 million can be released from working capital, especially from Receivables

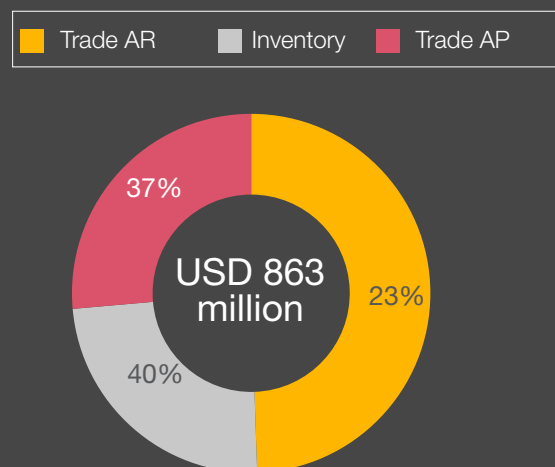
There is a potential cash release of USD 863 million, of which half of this can be released from receivables alone.

An improvement of 20% for Receivables/ Payables alone can effectively translate into a 30% reduction of overall net working capital or cash flow improvement.

Working Capital ratios



Cash release by working capital elements



Source : Bloomberg and PwC analysis



Focus Sector -

Engineering & Construction (1/2)

Top C2C performers have achieved outstanding performance financially

The best companies are the ones with the lowest DSO/DIO of 25 days on average while having a high DPO of 2 months.

Out of the 89 companies studied, 25% of the companies were classified as top C2C performers.

It is possible to reduce C2C without compromising sales growth

The fastest growing companies have been expanding their top line by over 30% per annum over the past 4 years, which is 3x faster than the sector's average, while their working capital needs grew at only half of the pace.

In addition, these companies were able to contain themselves from too much dependence on borrowings as a source of funding, having decreasing Net debt/EBITDA ratio over the years.



Source : Bloomberg and PwC analysis

Slow/de-growing

+2% NWC
+1% Net debt/EBITDA

Fast growing

+18% NWC
-7% Net debt/EBITDA

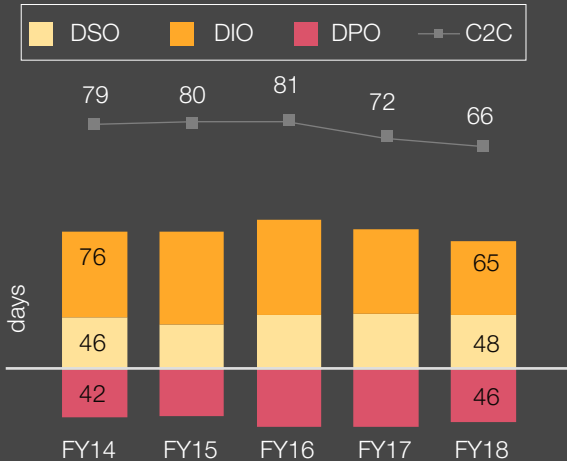
+/- % is CAGR for FY14-18



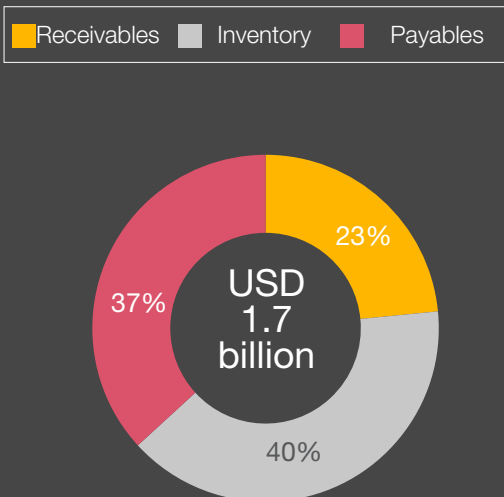
Focus Sector -

Consumer Products (1/2)

Working Capital ratios



Cash release by working capital elements



Source : Bloomberg and PwC analysis

Inventory cycle was significantly improved, while payables cycle deteriorated

Overall, the industry improved its C2C days by 6 days on a Y-o-Y basis for FY17-18.

This could be influenced by the improvement in inventory days (10 days reduction) and the marginal benefit from receivables reduction (a days decrease) over the same period.

However, the benefits were offset by the shorter payables cycle by five days over the same period.

USD 1.7 billion can be released from working capital, especially from Inventory and Payables

There is approximately USD 1.7 billion of cash release opportunity within the Consumer Products sector, >56% of NWC balance for FY18 of USD 3.1 billion.

~80% of the opportunity can be realised by optimising the management of supplier payments and stock turnovers.

For payables, companies can consider implementing channel financing options by leveraging on higher credit rating.

For inventory, the Order to Cash process should be assessed in detail in order to enhance stock visibility and reduce obsolete/unnecessary WIP in stock.

~80%

of the opportunity can be realised by optimising the management of supplier payments and stock turnovers

Focus Sector -



Consumer Products (2/2)

The largest companies within the sector had the lowest C2C by stretching their payables cycle

Top C2C performers even had negative C2C as a result of having DPO 3x higher than DIO/ DSO on average.

17% of the studied companies were top C2C performers, while 36% of them were bottom ones.

The main reason behind the cash cycle improvement of the sector was improvement from these top performers alone.

In other words, ~50% of companies studied were able to reduce their C2C between FY18 and FY17, while having the same ratio between FY18 and FY14.

?

Did you know?

Industry 4.0 allows for inventory optimisation through cross-functional synergies between inventory management, production planning, and transport logistics.

An Industry 4.0-enabled business has real-time visibility and dynamic demand forecasting that can help mitigate both overstocking and understocking.

3^{bn} USD

Industry with 2nd largest amount of trapped cash in working capital

>600^{mn} USD

Cash release opportunity through inventory optimisation

6 days

Overall improvement in C2C days










Self-Diagnostic Centre –

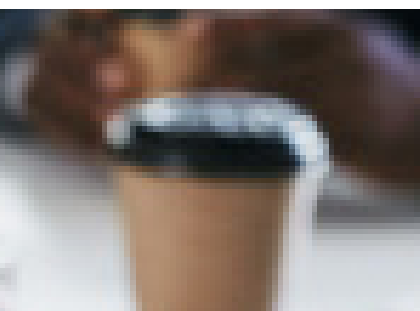
C2C days in 2018



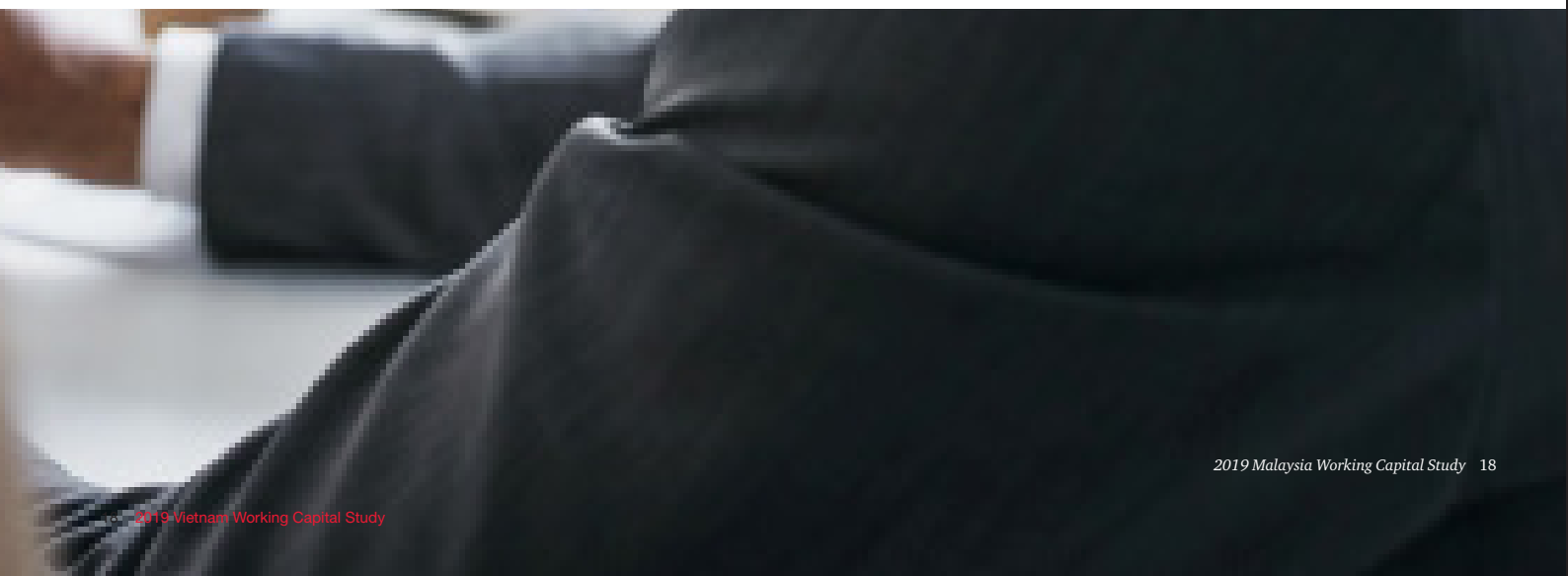
How does your company rate in working capital performance?

	Industry (no. of companies)	Upper Quartile	Median	Lower Quartile
	Engineering & Construction (89)	-28 days	68 days	179 days
	Consumer Products (75)	-30 days	-66 days	198 days
	Energy & Utilities (48)	-11 days	61 days	161 days
	Industrial & Chemicals (46)	-15 days	66 days	196 days
	Transportation & Logistics (41)	-21 days	71 days	190 days
	Building Materials (32)	-15 days	60 days	147 days
	Metal & Mining (29)	5 days	77 days	162 days
	Real Estate (25)	-15 days	86 days	201 days
	Technology (22)	-23 days	52 days	114 days
	Heavy Industry (21)	-31 days	84 days	166 days
	Others (20)	-20 days	50 days	155 days
	Oil & Gas (15)	-34 days	56 days	161 days
	Commerce (15)	24 days	98 days	170 days
	Healthcare & Pharma (19)	5 days	98 days	200 days
	Hospitality & Leisure (12)	-27 days	96 days	189 days

Source : Bloomberg and PwC analysis



CXO's Perspectives



Stock Churn velocity – From a Consumer & Brand perspective



One-up the growth landscape – everyone's business

“Trends, Traffic and Trade” Three T's which are specific to the cultural response to opportunity and trial. Opportunity doesn't claim preparation and trial doesn't guarantee vindication. Catch-me-if-you-can case of Vietnam.

The consumer dilemma is not different from the business/brand dilemma. How do you monetize a moment of choice? The new average (the consumers who have raised their expectations and reaching for quality of life) is very much a reality of Vietnamese consumer demand. We can witness the race to re-appraise the offer by many local and international brands to keep up with the new average.

But where is the value in premiumisation? For the business, a break-even which goes beyond just being-there and doing it like others. For consumer to cut through the crowd and chase at the shelves and so in life.

In order for value to be seen in the moment of choice along the premiumisation pursuit – the offer must capture and convert the short moment of attention of a drifting consumer decision into a meaningful experience – for conversion.

Consumer being spoilt for choices doesn't have to come from character (research/reference) in the landscape of titillation and exploration fuelled by the rising local confidence and easy access to resources. Both the consumer and business are looking for a “one-up” moment of differentiation in the middle of myriad choices.

Consumer rewards you for the decisions you make for them, simply because convenience is the currency they have come to appreciate. It works for the business if that is part of a plan to leverage that moment of choice – from decision (on the proposition) and distribution (choice offered at the convenient pit-stops of conversion).

But where is the time to prepare the facts and plan the course of action? Of course, not. When the rush to ride along is bigger than the promise of hitting gold - you haven't been visioning the future.

You've been reacting to the present than making sense of the present – in the context of your business, brand and your “bring-it-on” consumer. Your eyes were firmly fixed to copy and conquer. “What has worked for others will also work for us” is a mind-set which forces you to produce, stock and “try” to sell. You might have mistaken a fad for a trend, and you end up with stuff which is no longer saleable in the same velocity which you envisioned. Result - Higher stock across the supply chain.

If your business culture lends itself into “following the tide” than “growing the wave”, you are dealing with a glimpse and glee for growth, not exactly a window of opportunity. In this landscape, businesses not clear about their own DNA and process for deliberation, compulsively fall into following the herd – for good or for bad.

And when you are not restrained by resources you tend to take the chance – for good or for worse – to be figured out, eventually – and it is not a make or a break. That also prompts you to forgo the pain of preparation – of resources to reach the finish line, nevertheless.

Following the tide is not necessarily filled with facts, but hearsay. Hearsay is held as a good chance in Vietnamese business culture. Hearsay mimics consensus not conviction – an average too low to be a competitive advantage. And that's a safe chance for a short-cycle. Sometimes and short-term – are the success scenarios in such a bet. But this could have big unsettling ramifications for business planning. The ball is firmly out of control – on the design side as well as the demand side. Hence, the stock and churn bloc."

**Chief Strategy Officer and Business Head,
Brand Consulting arm of a leading media
company**

Role of Treasury in Financial Efficiency & Effectiveness



Treasury management within the retail business is inevitable to ensure the efficient operations of the Company.

The retail industry is a cash-based business model which deals with managing a huge inflow and outflow of money from the head office to subsidiaries and vice versa on a daily basis. Consistent cash management throughout the Group is critical for the operations at each and every subsidiary. It is not only about how to manage the safest daily cash at subsidiary level but also maintaining a clear procedure on work-flow between the Head office and Subsidiaries.

The most challenging part in treasury managing is cash planning entailing matching the forecast of Procure-to-Pay and Order-to-Cash to ensure cash flow runs smoothly and optimising the cash benefits.

Also, the next challenge comes from the centralised or decentralised management procedure, which depends on management's choice. The set-up of the whole business needs to be crystal clear to ensure risk management in operations.

There have been big changes from profit culture to cash culture in the retail industry. For a long time, people used to concentrate more on the bottom line but did not pay enough attention to the real cash level and cash flow matters.

It was a revolution to make the industry change their view, shifting from only profit and cost to cash. A proper cash culture in retail should be promoted in order to encourage the activeness of the entire organisation with a clear process for all the stages of flows.



To keep treasury performance on track, each entity should set up the target on debt/cash/risk management for each period of time. This should include not only cost perspective but also internal compliance on each category of KPIs to create the responsibilities of treasury function in bringing the most efficient contribution.

Recent developments in banking technology also incorporates ERP into the ACH (Auto Clearing Housing), improving the accuracy of invoice clearance, as well as the reduction in the lead-times of manpower. Automation also allowed users to save time on transactional processes and instead shift their focus onto the human-centric side of the AP/AR process, which is also a must in more developing markets.

With the increasing use of technology and automation, treasury management is most likely to become more transparent, resulting in a more rigid adherence to parameters set by organisations.”

Dipesh Patel
Finance Director, Volvo

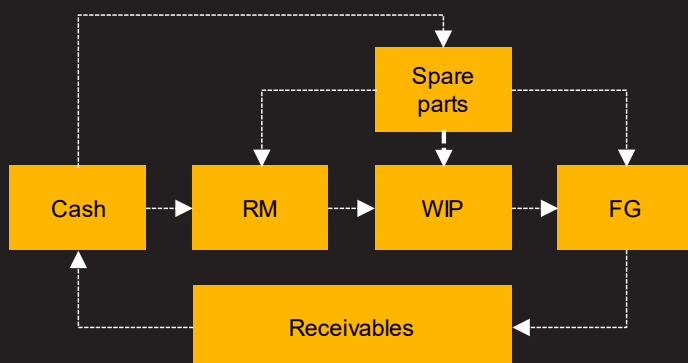
Manufacturing & Supply Chain in Working Capital Management



When talking about inventory, it could be in the form of raw materials (RM), work-in-progress (WIP), Finished goods (FG), or even spare parts.

They are all assets of the business and the effective use of these assets would link to the company's ability to optimise its working capital (WC) performance.

The relation of these inventory elements within the WC cycle could be simply illustrated as below:



Even though RM, WIP and FG are closely tied together, RM and FG are normally easier to handle, comparing to WIP.

We might have an estimation of how much RM or how much FG are there in the warehouse or factory, however, it might not be the case for WIP, either in simple or complex manufacturing processes.

Spare parts, in other hand, contribute to the making of WIP or the handling of RM/FG; their stock levels would therefore be linked indirectly to the company's cash levels.

WIPs appear between every manufacturing process and are not always visible to everybody from management to supervisors, engineer, team leaders and operators, hence, imposing a need of having proper control methodologies to be adopted well across the teams.

Manufacturing organisations that has poor inventory management systems, or specifically, poor WIP management systems, may see hundreds of thousands, or even millions of USD dollars locked up without top leadership's understanding of where are they (in the warehouse or in the production shop floor?) or how to approach optimising them.

WIP optimisation could be thought of from different angles. However, it all starts with thorough understanding of your end-to-end value chain, ensuring every element is revealed and visible (for example via value stream mapping), and find out where the gaps are; then, we would consider effective planning and operational excellence programs.

At the end, these activities must all supporting the business and its ability to manage working capital effectively."

Supply Chain & Manufacturing expert,
leading footwear manufacturing company

Importance of cash flow for import driven and branded retail sectors



Q: How important is cash flow in an import driven business?

A: We need stable supply of products, which can be optimised from both a cost and timing perspectives.

We have to convert our sales into cash and inventory into sales as quickly as possible. Effective cash flow management is a source of competitive advantage for us.

Q: How has the credit climate evolved in the country and what could be the potential risks going forward?

A: Vietnam as a country has been seeing a robust credit growth, but our experience shows that the bad debts have also been rising.

Especially in our business, account receivables and debtor management, especially on the Business-to-Business segment.

Q: Key Operational challenges and risks your business sees in the coming year?

A: There has been a shift in the distribution landscape across the country with the bigger retail customers flexing their might for cost and cash advantages.

The biggest operational risk is increased competition and many organized and unorganized players in the market, leading to pricing wars and squeezing of margins and cash flows."

Managing Director, a large branded kitchenware distributor and retailer



Q: Key Operational challenges and risks your business sees in the coming year?

A: Our company has big aspirations for Vietnam. Achieving these aspirations require working with strong partners. Finding such partner and formulating the right 'fit' for sustained long term collaboration is one of our key challenges.

A substantial size of the opportunities in Vietnam are time limited. Acting with speed is essential.. Adopting globally successful and future oriented strategies and implementing them at scale here in Vietnam is a great challenge and also an opportunity.

Importance of cash flow and inventory churn in the business and how is Vietnam better off/worse off?

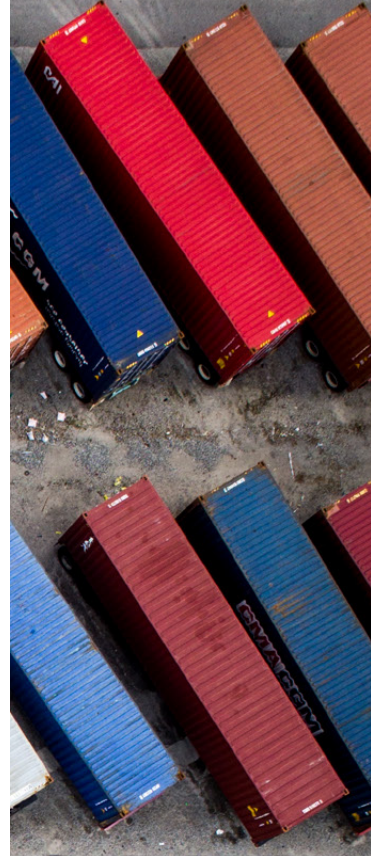
Consumerism although growing is often not able to keep pace with a plethora of brands offering innumerable choices. This often leads to lesser than expected inventory churns.

Companies should be aware and careful in their planning as well as have suitable cash flow planning done in order to execute their strategic choices effectively.

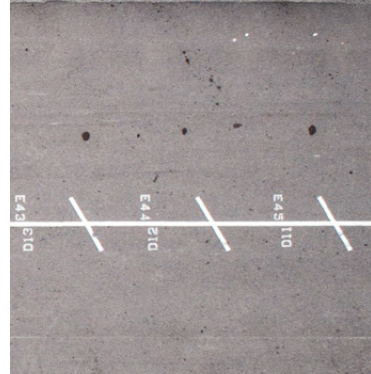
Q: What will your priorities be for the next couple of years?

A: Expansion in sales, business lines and nurturing a talented team are key priorities. In terms of the brand, achieving higher levels of awareness and advocacy are important aims."

CEO, a MNC footwear and fashion accessory manufacturer and retailer



Supply Chain Finance



Supply Chain

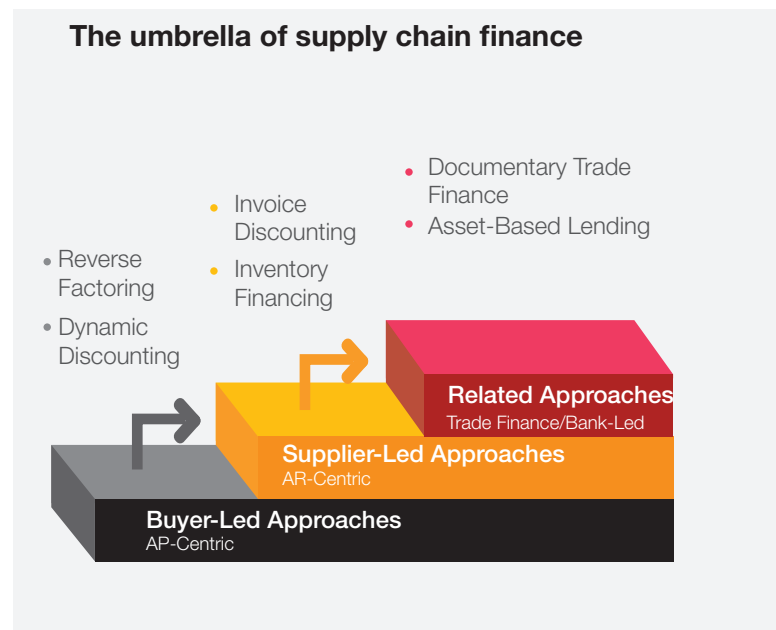
Finance

SCF is an alternative way of financing working capital and improving cash flow.

SCF constitutes an arrangement between a buyer, a supplier, and a financial intermediary where the credit standing of the buyer is leveraged to improve the working capital of a supplier.

Suppliers send their invoices to the buyer, which authorises the financial intermediary to pay the invoice on behalf of the buyer often within 15 days. The buyer reimburses the bank after an agreed period that often exceeds 60 days

In this manner, SCF allows buyers in a supply chain to postpone the payment of invoices, while suppliers see their invoices paid earlier.



Technology is an important enabler of SCF

Globally, the adoption of SCF solutions is on the rise driven primarily by the increase in Fintech and third party technology providers. However, in Vietnam, awareness levels are still low.

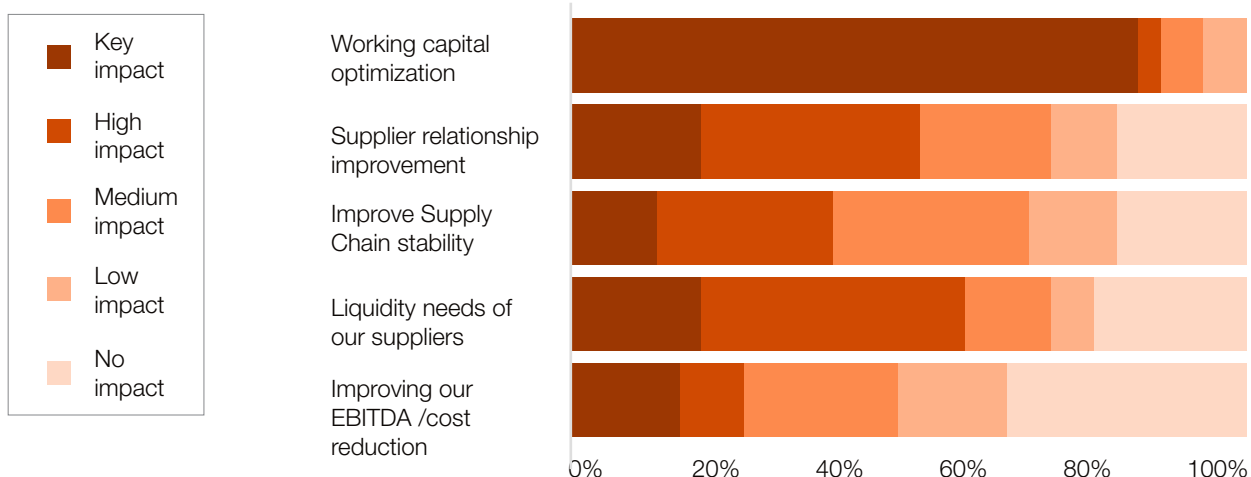
Fintech players offering SCF platforms such as reverse factoring and invoice discounting solutions will help spur on the adoption of SCF and facilitate its implementation.

Working capital optimisation is the key consideration for companies adopting SCF, followed by improving supplier relationships

According to PwC's SCF Barometer 2018/19, more than 80% of the respondents stated working capital optimisation as a key impact of implementing SCF.

Principal reasons for implementing SCF

Source: PwC SCF Barometer 2018/19



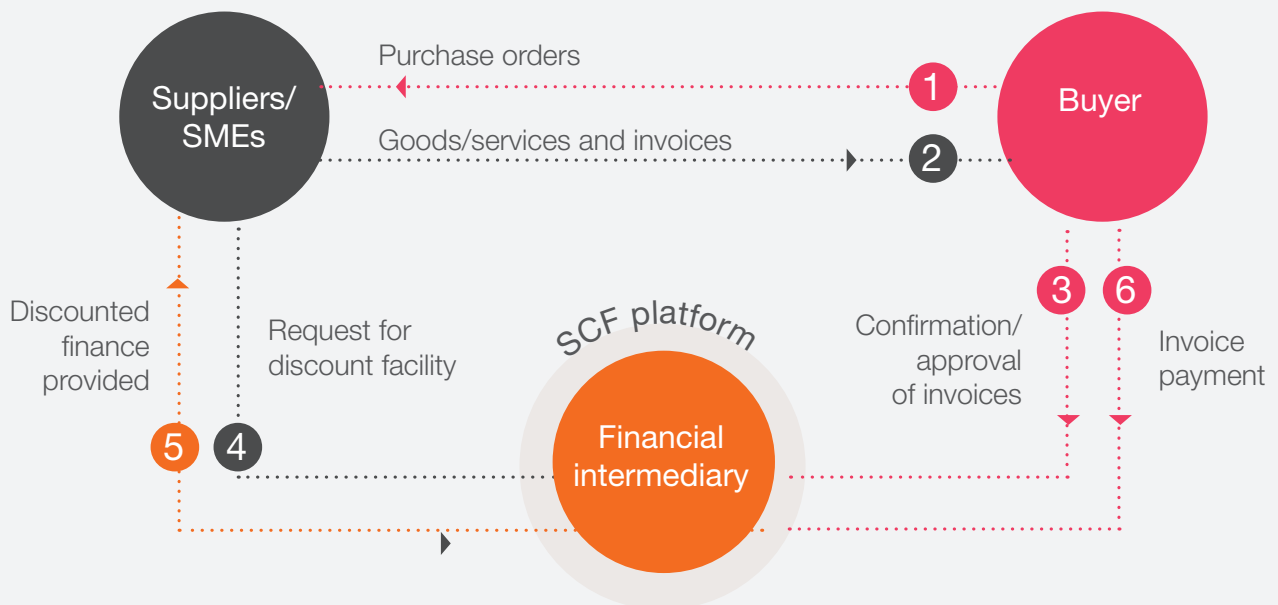
Supply Chain

Finance

Payables finance is the most popular SCF option implemented

According to PwC SCF Barometer 2018/2019, payables finance is the most preferred SCF solution globally. Payables finance is a buyer-led program, where sellers of goods and services are provided the option to receive the discounted value of receivables by the finance provider, such as banks, before payment is actually due. The payable to the buyer remains due at its original due date.

Mechanism of Payables Finance



PwC SCF Barometer 2018/19



Want to know more about SCF?

Scan the QR code to read our thought leadership on Supply Chain Finance

How we can help



How can PwC support you in optimising your working capital?

PwC assists organisations in articulating, formulating, and executing tasks required for efficient working capital management (illustrative interventions below)

Supply Chain Finance Feasibility Review & Opportunity Estimation

- Develop business case for SCF to analyse impact on cash & EBITDA
- Conduct SCF readiness assessment through analysis of existing processes to identify key challenges and improvement areas
- Design and implement client-centric SCF programme

Account Receivables

- Acquire more understanding of the impact customer contracts have on working capital and conduct trade-off assessments between cost and cash
- Create effective billing processes to minimise delayed or incorrect invoices
- Focus on proactive cash collection with active tracking of receivables ageing, with sufficient flagging mechanisms
- Follow a segmented collection strategy

Account Payables

- Improve process efficiencies leading to prompt payments enhancing the working capital performance and supplier relationships
- Prevent the proliferation of payment terms and misalignment of standard terms based on industries and geographical locations

Inventories

- Involve the supply chain as a strategic function for the organisation to remove excess cushion built up in inventory
- Enhance visibility and alignment of future demand across the company
- Maintain replenishment parameters across the organisation
- Implement a detailed approach towards slow moving and obsolete inventory managements

Cash & Treasury

- Avoid excess conversion charges, other related finance expenses, and unhedged forex currency fluctuations
- Monitor all expenditure incurred with accurate supporting general ledgers



Companies need to actively manage their working capital elements in order to remain competitive. PwC can assist in aligning and..

1. Partnering with operational decision makers to improve working capital management
2. Ensuring that operational decision makers understand the importance of sustained working capital improvement
3. Utilising the expertise of the finance and operations functions, as well as information and data/ systems to support improvement of working capital processes by decision makers
4. Providing business units with robust, credible information systems/tools to effectively negotiate and collaborate with third parties to decrease working capital within the organisation as well as across the supply chain

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Glossary

Metrics	Overview	Formula
C2C (Cash Conversion Cycle)	C2C is a measure of the average number of days a company takes to convert resource inputs into cash flows	$DIO + DSO - DPO$
Capex (Capital Expenditure)/ Sales	Capex/Sales is a measure of how much a company invests in fixed assets with respect to its total revenue	$Capex / Sales$
CCE (Cash Conversion Efficiency)	CCE is a measure of a company's efficiency in converting operating profit (EBITDA) to cash flow (OCF)	$OCF / EBITDA$
DIO (Days Inventory Outstanding)	DIO is a measure of the average number of days a company takes to convert its inventory into sales. Generally, the lower the measure, the better.	$(Inventory\ before\ provision / COGS) * 365$
DPO (Days Payables Outstanding)	DPO is a measure of the average number of days a company takes to pay its trade creditors. Generally, the higher the measure, the better	$(Trade\ payables / COGS) * 365$
DSO (Days Sales Outstanding)	DSO is a measure of the average number of days a company takes to collect payment after a sale has been made. Generally, the lower the measure, the better	$(Trade\ receivables / Sales) * 365$
EBITDA (Earning before interest, tax, depreciations and amortisation) margin	EBITDA margin is a measure of the company's operating profit as a percentage of its total revenue	$EBITDA / Sales$
Gross margin	Gross margin is a measure of the retaining revenue after incurring the direct costs associated with producing the goods/services as percentage of its total revenue	$(Sales - COGS) / Sales$
Interest coverage	Interest coverage is a measure of how easily a company can pay their interest expenses on outstanding debt	$EBIT / Interest\ expenses$
Net Debt	Net Debt is a measure of the overall debt situation of a company by netting the value of the liabilities and debts of a company along with its cash and other similar liquid assets	$(Short-term\ debt + Long-term\ Debt) - Cash\ and\ Cash\ Equivalents$
Net Debt/EBITDA	Net debt/EBITDA is a measure of how long would it takes a company to repay its debts using only operating profit	$Net\ Debt / EBITDA$
NWC (Net Working Capital)	Net working capital is a measure of the amount of cash tied up in the balance sheet in the form of Inventory, Trade receivables and lessening Trade payables	$Trade\ receivables + Inventory\ before\ provision - Trade\ payables$
NWC/Sales	NWC/Sales is a measure of working capital requirements relative to the size of the company	$NWC / Sales$
ROCE (Return on Capital Employed)	ROCE is a measure of company's profit as a proportion of its capital employed	$EBIT / (Total\ Asset - Current\ liabilities)$
SG&A/Sales	SG&A/Sales is a measure of how well a company in managing selling, general & administrative expenses with respect to its revenues	$SG\&A / Sales$

Methodology and appendices

This study provides a view of working capital performance based on the data sourced from Bloomberg terminal across 509 listed companies in Vietnam. Companies operating in the financial related services were excluded from the study.

Limitation

As the research is based on publicly available information, all figures are financial year-end figures. Due to the disproportionate efforts to improve working capital performance towards year-end, the real underlying working capital requirement within reporting periods might be higher. Also, off-balance-sheet financing or the effect of asset securitisation has not been taken into account.

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