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OPTIMIZING FOR GROWTH: WORKING CAPITAL & CREDIT AVAILABILITY

ACKNOWLEDGEMENTS

We gratefully acknowledge the efforts of our survey respondents and our forum participants who took valuable time away from their day jobs to participate in this work. We are particularly grateful to our research partner, EY Canada, without whom this study would not have been possible.

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EXECUTIVE SUMMARY

Canadian financial executives think that the business environment will continue to improve in the next 12 months, and that credit for working capital and growth financing is generally more available to their organizations than in previous years. However since the 2008 credit crunch, many Canadian companies, both large and small, continue to focus primarily on cost efficiency while being more conservative in investing for growth, both organic and inorganic. These are the main findings of Optimizing for Growth: Working Capital and Credit Availability, a research study by the Canadian Financial Executives Research Foundation (CFERF), and sponsored by EY Canada.

This report by FEI Canada's research arm in its fourth annual survey of the country's chief financial officers and other senior financial executives on credit availability and working capital issues. This year's conclusions are in line with last year's findings. Many survey respondents stated they are playing an increasingly strategic role in driving operational efficiency, including cost reduction and working capital improvement.

Cash flow is both the lifeblood of a company and a critical indicator of its current financial health. The availability of working capital is crucial to ensure an organization can continue its operations and has the funds necessary to support short-term debt obligations and operational expenses. For the purpose of this study, working capital is defined as the net liquid assets (current assets minus current liabilities) available to a business to meet liquidity needs of day to day operations.

Maintaining a healthy level of working capital can be an all-consuming focus for a company when cash is in short supply. Savvy cash flow management is a priority in times when credit is more difficult to obtain. When cash demands are high or credit availability is constrained, companies look to create liquidity for the variety of different funding needs within the business. Working capital is most affected through the management of three major areas: receivables, payables and inventory. These typically represent the primary areas in which a company can influence working capital in the short term without the need for external financing.

Despite a high focus on working capital management, there may be limits to how a company can significantly impact operational working capital. Therefore, the availability of external financing in its many forms is a constant focus for financial executives. Companies saw firsthand how quickly credit availability can be squeezed during the recession of 2008 and 2009 and remain watchful for signs that credit flow could lessen in the near term.

This study presents the perspectives of Canadian financial executives regarding the importance of working capital management and the availability of credit. It details strategies their companies have used to improve business performance and manage working capital, solutions put into practice to drive financial and operational improvements and how they have optimized capital structure and satisfied the credit requirements for their organizations.

Insights brought to light through the survey of 121 financial executives and roundtable sessions found that the executives are more optimistic about the prospects for their company than they were a year ago – 46% are more optimistic compared with just 16% who are less optimistic.

Other key survey highlights include:

- 55% of companies indicated their primary focus for the next 12 months is on organic growth, while only 31% are looking at inorganic growth such as through mergers and acquisitions or joint ventures.
- 56% of companies reported underperformance on revenue growth targets while 22% cited liquidity pressures.
- nearly two-thirds of companies (64%) are expecting higher interest rates over the next 12 months.
- 38% of companies which expect interest rates to rise plan to mitigate the effects of higher borrowing costs through fixed rate debt, the use of interest rate swaps or options (14%), and refinancing floating rate debt to fixed rates (8%).
- 44% of companies have experienced customers delaying an invoice payment and 31% have had customers going through financial difficulty over the past year.
- 60% of companies expect cost reduction and process efficiency to be the most important areas of focus when it comes to business improvement for their companies over the next two years.

“We negotiated credit 12 to 18 months ago, when the climate was a little more difficult. We had particularly great results, so we leveraged that into an increased demand loan capacity. The outlook looks much better now.”

Derek Petridis – CFO, Principal
Shikatani Lacroix Design

“Our company is well financed with retained earnings for the existing size of our operation. As we plan to build a new plant, we expect to find reasonable financing given our preliminary discussions with lenders.”

– Survey respondent

METHODOLOGY AND DEMOGRAPHICS

This study comprises the results of an online survey of Canadian financial executives which took place between September 17, 2013 and October 11, 2013. A total of 121 respondents completed the survey. Further insights were gathered at executive roundtables in Toronto and Montreal which took place simultaneously, connected by video conference, on October 9, 2013. Fewer than one-half (45%) of respondents were CFOs, and 18% held the title of VP Finance. Respondents were drawn from a wide range of industry groups and sectors. Of the respondents, 49% were from private companies and 37% from public. For more demographic information, please see Appendix A.

BUSINESS ENVIRONMENT AND OUTLOOK

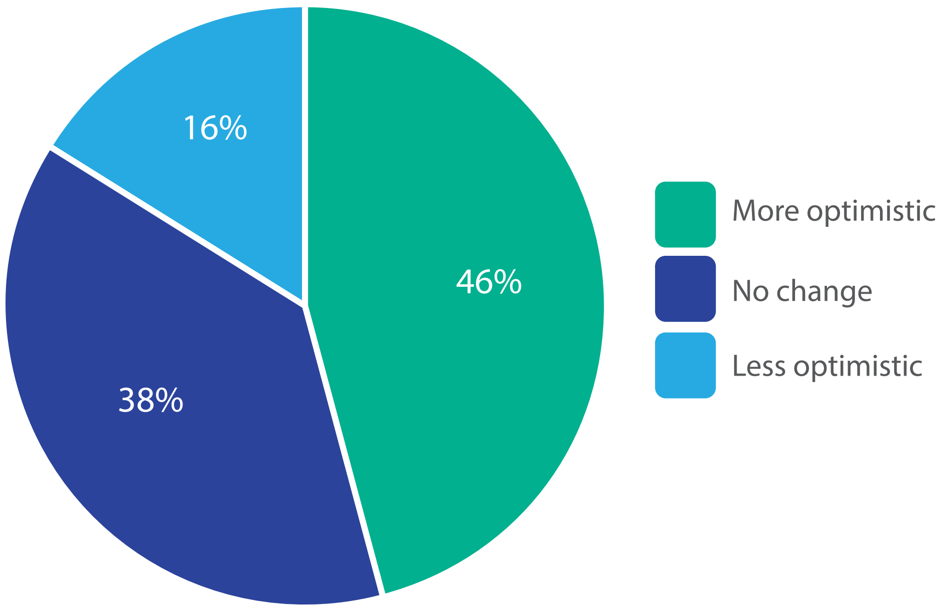
More than one third of companies are more optimistic about the current business environment, with 38% being more optimistic about the economy in their sector, while 11% reported that they were less optimistic. Half (51%) stated that business conditions are unchanged from a year ago.

Of the financial executives surveyed, less than half (46%) reported that they were more optimistic and 16% were less optimistic. Those expecting a year very similar to the last accounted for 38% of respondents. See Chart 1.

“My sense is investors are feeling a little less reactive to negative news and it just feels like a little bit more stability is creeping into the markets.”

– Forum Participant

CHART 1 – COMPARED WITH 12 MONTHS AGO, ARE YOU MORE OR LESS OPTIMISTIC ABOUT PROSPECTS FOR YOUR COMPANY?



Company-specific optimism about the coming year was highest among those at small private companies (65%) and lowest among small public and large public companies with 38% and 45% respectively reporting that they expect improved prospects for their organization.

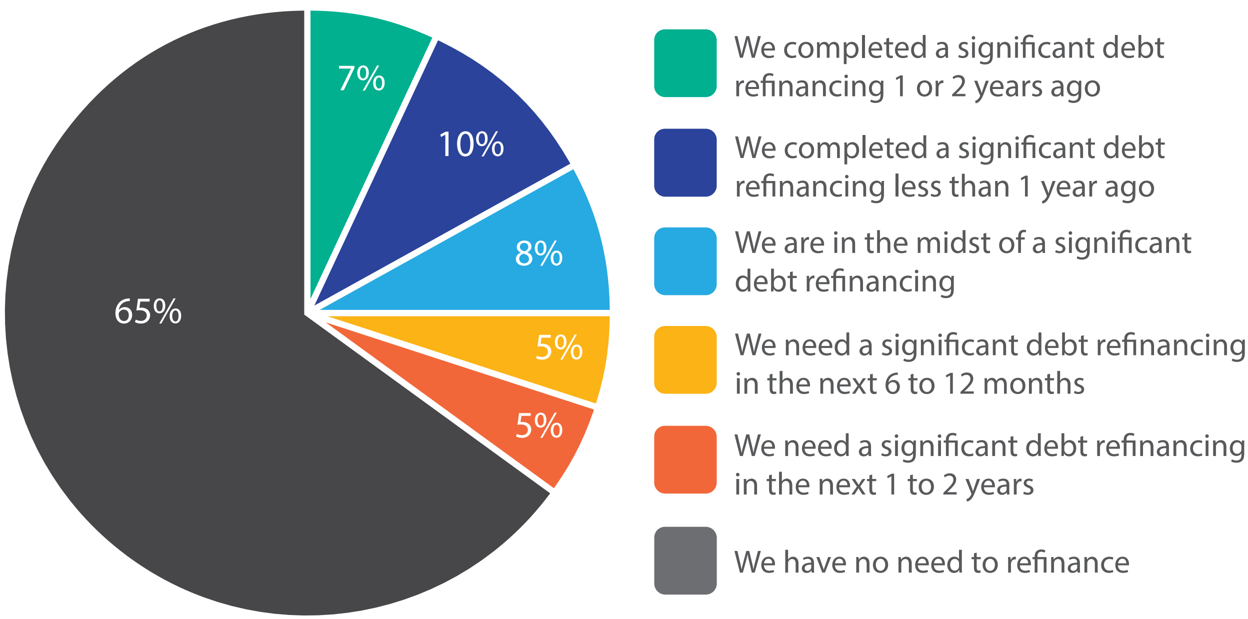
> “The economy has remained constant, which is strong, but the number of players as a result is increasing. Our win/loss ratios are starting to decrease.”
>
> **– Survey respondent**

> “We are embracing some new innovations and getting our younger staff more involved and engaged.”
>
> **– Survey respondent**

CREDIT AVAILABILITY TO ORGANIZATIONS

Study participants reported that they are finding it easier to obtain financing for their organization as a slow financial recovery takes shape in the U.S. and much of the rest of the world. Most companies said that they have no immediate need to finance (65%), while the remainder have recently completed a significant refinancing or will do so in the next one or two years.

CHART 2– WHICH ONE OF THE FOLLOWING STATEMENTS MOST ACCURATELY DESCRIBES YOUR COMPANY'S DEBT/FINANCING SITUATION?



> "Money is really easy to come by right now. I constantly have the bank asking if we want any more."
>
> **Jennifer Vandervelde – CFO, Duplium Corp.**

The near-term need for credit was highest among small public companies: 19% said they require a significant debt refinancing in the next 6 to 12 months, compared to 5% of companies overall.

Large private companies reported the least requirement for credit – 72% reported no need for refinancing. Small public companies are the hungriest for new capital, with 44% stating that they had either recently completed a major debt refinancing, were in the midst of one, or would complete one over the next two years.

Large public companies have been actively raising cash through credit, perhaps acting to lock in historically low rates before an inevitable rebound in interest rates. A total of 17% reported that they completed a significant financing less than a year ago and another 14% said that they completed a significant debt financing one or two years ago. Eight percent said they were in the midst of one.

The findings echo EY's Capital Confidence Barometer highlights from October, 2013. That study found credit is increasingly available globally as almost half see improvement. The turnaround in availability of financing is most significant in Canada, where those who say credit availability is improving rose to 45% in April from just 20% in October of 2012.

> "We are starting to see that in Canada there is much more confidence in the availability of credit. There's been a big change."
>
> **Tim MacDonald – Partner, EY**

> "It is really a tale of two balance sheets. Balance sheets that don't necessarily need the credit have no issue getting it. Companies that are more mid-size and smaller have to be really prepared to be perfect in order to get the interest of Schedule A banks to lend to them."
>
> **Ken Brooks – Partner, EY**

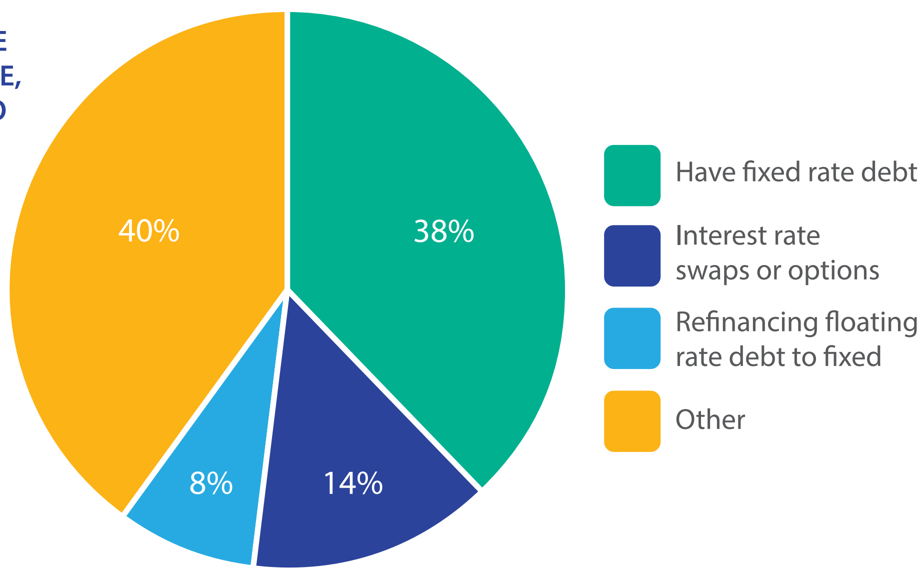
> "I chair a very small, public TSX venture exchange company, but we have a good balance sheet so we can get what we need. I think it's all about the quality of your balance sheet and your operations at the small end.
>
> **– Forum participant** "

INTEREST RATES

Despite the public determination of the U.S. Federal Reserve to keep benchmark rates unchanged in 2014, two-thirds (64%) of respondents expect that rates will rise over the next 12 months. Small public companies were most bullish on rates staying unchanged (50%) while large public and private companies are leaning towards higher rates (59% and 60% respectively).

Companies do not appear to be overly concerned about higher interest rates. Many (39%) have fixed rate debt, while a minority are taking active measures to guard against higher rates such as interest rate swaps or options (14%) and refinancing floating rate debt. A full 40% are not taking action because they carry no debt or only have minimal amounts. While some survey respondents said that they expect rates to rise, they think the increase will be moderate. Others indicated that they intend to reduce and minimize borrowing in the near term.

CHART 3 – IF YOU BELIEVE INTEREST RATES WILL RISE, WHAT ARE YOU DOING TO MITIGATE THE RISK?



> “We’re in a unique situation. We’re very capital intensive and our revenue streams are very spotty due to the market timing of land sale proceeds. As a result, we need to entertain arrangements that will allow us to capitalize interest for the long term and the flexibility to pay it off down the road.”
>
> **Chad McCleave – CFO, Waterfront Toronto**

ACCESS TO CAPITAL

ABILITY TO OBTAIN LONG-TERM FINANCING

Survey respondents generally had little difficulty accessing sufficient long-term financing for fixed asset investments, equipment or to fund acquisitions. Forty-three percent reported that financing was very available and another 33% stated that financing was available to achieve their company's business objectives. Just 21% of participants stated that access to capital was somewhat available and 2% said financing was not at all available to them.

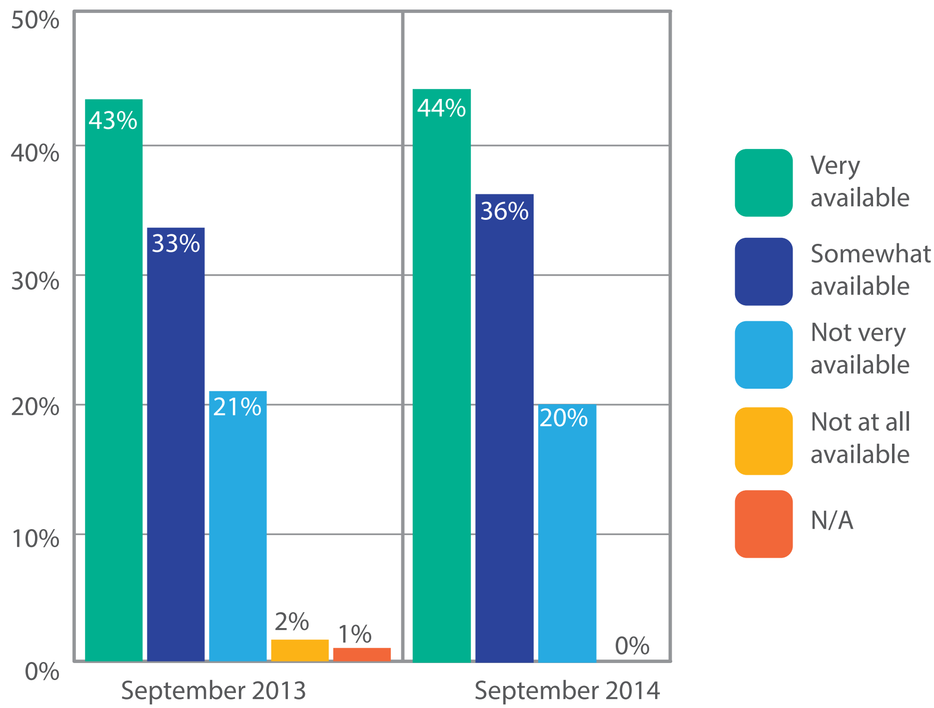
Large public companies have had the least trouble accessing long-term financing. Nearly two-thirds (62%) described financing as very available and another 23% reported it available. Just 4% reported that financing was not at all available. Large public companies are confident that the already rosy picture will improve: 72% predicted that financing will be "very available" in 2014 while 20% expect it to be available. None predicted that they will be unable to raise long-term capital next year.

Large private companies reported that long-term financing was easier to obtain than for their large public counterparts, and they too were more optimistic about next year. More than two-thirds described long-term financing as "very available" or "available" (46% and 33% respectively) and 21% said it was "somewhat available." None said they could not obtain long-term financing. A full 88% expect financing to be easily accessed next year.

As noted in our previous studies, small public companies have had the toughest time obtaining financing. Just 20% rated capital "very available" and 40% said it was available. A third (33%) said it was somewhat available and 7% reported that financing was not at all available. Small public companies are more optimistic about financing conditions in 2014. "Current market conditions are very favorable in our sector, offering relatively aggressive leverage ratios," said one survey participant.

Small private companies too, faced a mixed financing market. Forty-one percent said long-term financing was very available and 31% said it was available. One quarter (25%) said it was somewhat available. As a group, small private companies are not expecting an improved financing environment in 2014.

CHART 4 – PLEASE RATE YOUR ORGANIZATION'S ABILITY TO OBTAIN SUFFICIENT LONG-TERM FINANCING (FIXED ASSET, EQUIPMENT, ACQUISITION FINANCING ETC.) TO ACHIEVE ITS BUSINESS OBJECTIVES:



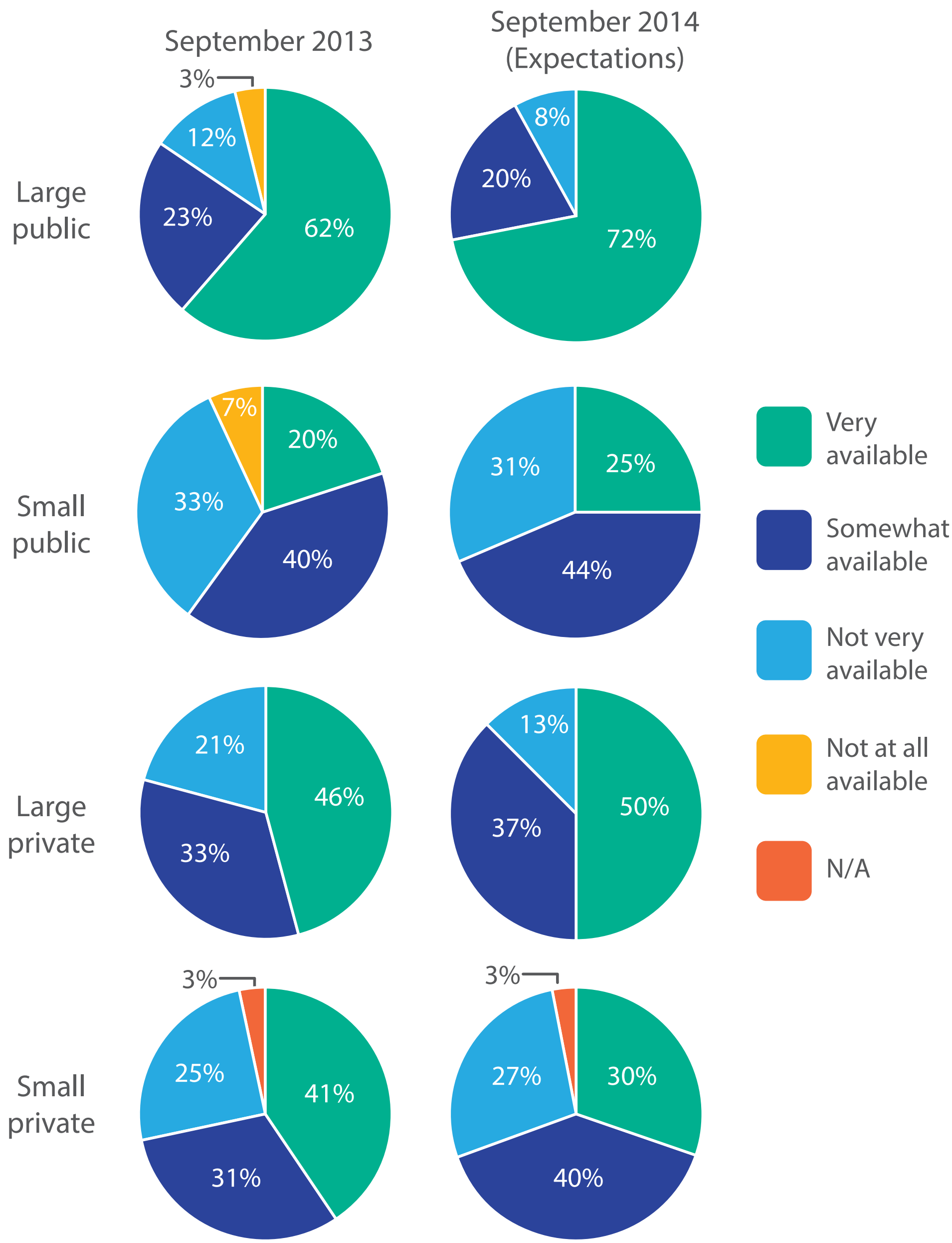
"The technology sector and science sector, where you have a lot of small companies, these companies rely on a lot of government funding and as the priorities switch, the funding is more or less difficult to get. Right now it's really not easy. And I'm thinking about federal or provincial funding. There is also venture cap, but again, they need more structured companies that are well organized with good management. Se you, it's really tough for small size companies especially in those sectors."

– Forum Participant

"Our company is well financed with retained earnings for the existing size of our operation. As we plan to build a new plant we expect to find reasonable financing given our preliminary discussions with lenders."

– Survey respondent

CHART 5 – PLEASE RATE YOUR ORGANIZATION'S ABILITY TO OBTAIN SUFFICIENT LONG-TERM FINANCING:



DIFFICULTY IN OBTAINING CREDIT

For most companies, the absolute low water mark to measure the accessibility of financing was in the dark days of 2008 and early 2009. Lenders have loosened up as the economy has improved and weathered shocks and scares in Europe and Asia. The still-important U.S. economy has continued to grow, if slowly. That does not mean, however, that the process to obtain credit is a breeze for all firms.

While just 4% of survey participants reported that they found the financing process very difficult (e.g. the time necessary to arrange lending, covenant restrictions, refinancing terms), one-quarter (25%) rated the process as difficult. The majority rated it "not very difficult" (47%) or "not at all difficult" (25%). It is interesting to note that respondents predicted the process would be more difficult in 2014.

Large public companies, which typically have the greatest in-house resources to deal with the bureaucratic requests of creditors, reported the easiest time with the process of obtaining financing – 48% said the process was not very difficult and 43% described it as not at all difficult.
Small public companies reported the least amount of ease with the exercise of obtaining credit: 8% rated it very difficult and 54% described it as difficult.

"The bank wouldn't touch us because our balance sheet was ugly. Therefore, we had to start looking at VCs (venture capital). Unfortunately, VCs wanted to take part of the business. The owner didn't want to give away any part of the business, so we rode out the storm and improved our cash internally over 12 months. We have recurring revenue, cash up front model that we could prove was successful. However, most institutions wanted 12 or 18 months of performance, which wasn't going to allow us to move forward with potential ventures, purchases or expansion. We didn't do ourselves any favours by having an ugly balance sheet, though we did have access to lots of cash during portions of each month. Also, we didn't have very attractive retained earnings which didn't give anybody in the banking or financing industry any warm fuzzies."

Jim King – VP Finance, TekSavvy

“I have not experienced a situation where I couldn’t find financing if I had the right value add proposition. Finding money is never an issue. If you can add value and there is supporting cash flow and you have the management team that can deliver the promise, you should not have a problem raising capital. The real issue is understanding the value proposition strategically for your business, validating that the rest of the executive team understands it in the same way and then you are in a good position to get your financing.”

John Forester – CFO, DBG Canada Ltd.

“Large corporations will always have access to funding wherever we are in the business cycle. You’ll always end up finding somebody who’s going to lend you money. It is different for smaller companies. They will have to be more creative, accept tighter covenants and reduced availability during periods of economic slowdown.”

Pierre Van Gheluwe – Treasurer, Yellow Pages Group

“We make a point of dipping into and out of bank financing, just like a pool. Just get wet a bit and just making sure that it’s there. And when you do use it, I find you get a bit more attention out of the banks, they will continue to service you and offer you a bit more. If you don’t use it, they will slowly try and reduce it, and earmark that credit to an active borrower. Once they lower it, it’s very hard to get it back up again. So it’s almost like you want to be using it. Banks like things very simple. Grow, but don’t grow with complexity. Grow simply and grow predictably and grow repeatedly. Use the credit line a bit, not a lot, So they want to see those variables. So as long as you always hit the strike zone, they’ll always give you something. At least that’s what we’ve found.”

Derek Petridis – CFO, Principal, Shikatani Lacroix Design

“We’re definitely seeing a lot more credit availability. Part of that come from the fact the food industry has been a great place to be the past few years and part of it comes from the fact we’ve had strong results. Another thing that has helped us with access to credit is that we spent a lot of time with our lenders throughout the year to ensure they understand our strategy, our results and the options we are contemplating. That’s important because when it comes time to do a transaction it enables us to get a quicker buy in.”

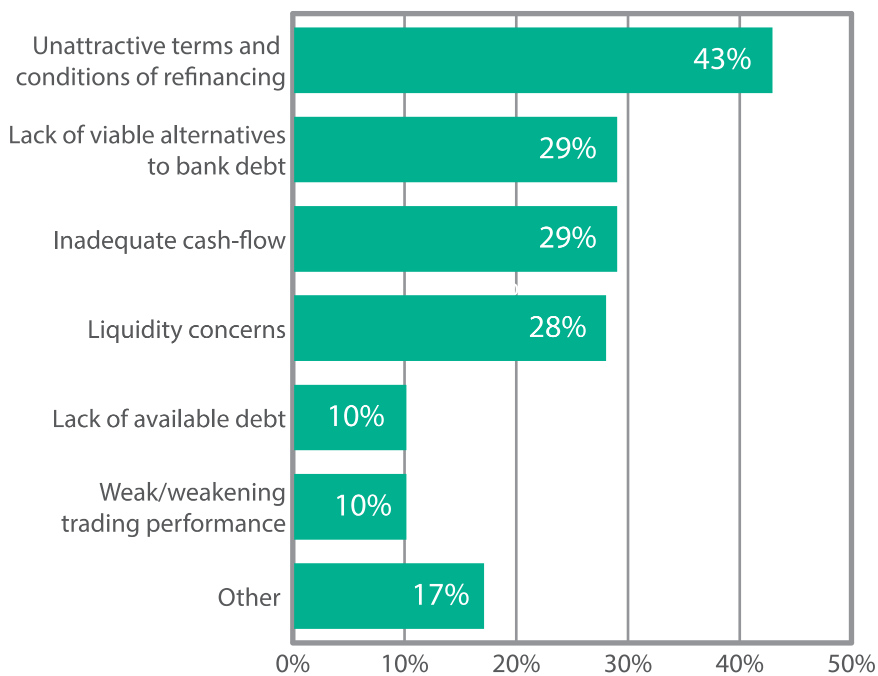
Tyrone Cotie – Treasurer, Clearwater Seafoods

CHALLENGES FOR UPCOMING DEBT REFINANCING

External conditions such as difficulties dealing with lending institutions and less financing alternatives are expected to be more of a challenge for companies seeking refinancing in the future than any potential inadequacies on their balance sheets. Survey respondents said that unattractive terms and conditions of refinancing (43%) are expected to be the biggest potential hurdle in any future refinancing. The next most common worries were a lack of viable alternatives to bank debt and inadequate cash flow (29%), liquidity concerns (28%), and weak or weakening trading performance (10%).

> "We do have to invest in working capital to grow more business. So it's certainly a challenge the banks look at. There's a lot of focus around here, we've actually brought in a working capital SWAT team, external consultants to come in and do a study to see where we can improve on the working capital side. So it'll be interesting to see the results of that."
>
> **– Forum Participant**

CHART 6 – WHAT ARE THE BIGGEST CHALLENGES YOU FORESEE REGARDING YOUR NEED FOR UPCOMING DEBT REFINANCING? (SELECT ALL THAT APPLY)



THE DOWNSIDE OF INTERNATIONAL GROWTH

Custom metal parts manufacturer DBG Canada Ltd. faces unique challenges in expanding its business in the United States and Mexico and its ability to continuing funding growth with its traditional Canadian financing relationships.

"Our Mexico sales have been growing and Mexico has significantly more sales than Canada," said John Forester, CFO of DBG Canada. "Mexico is now a major contributor to cash flow and the Canadian banks generally don't have a big appetite for non-Canadian risk, particularly Mexico, which has its own unique attributes."

DBG is looking to expand its operations in the U.S. and Mexico and the company's Canadian lenders are more enthusiastic about the U.S. "In the U.S. we are looking at potential acquisition scenarios," Forester said. "All our customers, all the M&A opportunities, are in the U.S. or Mexico. We're basically trying to realign ourselves with lenders that are willing to go across borders.

"We are trying to develop a borrowing base in Mexico. A lot of growth is about matching the lending institutions' risk appetite. We require a clear value-added business strategy, combined with the history of management delivering the plan, that we can share with the lenders. The lenders who are interested will be the ones who work with us going forward."

BUSINESS IMPROVEMENT

WORKING CAPITAL CHALLENGES OVER THE LAST 12 MONTHS

In an improving, but slow-growth economy, there is no shortage of operational challenges for companies large and small. The main working capital pressure point for respondents over the past year has stemmed from their customers. Nearly half (44%) cite customers delaying invoice payments and 31% have faced a customer experiencing financial problems. As well 30% were asked to extend credit and other payment terms.

The picture proved to be more complex when different types of companies were examined however. Large public companies reported that centralizing or outsourcing business processes were their most common challenge (45%), followed by customers delaying payments (41%), and managing rising input costs (34%) as well as customers experiencing financial difficulty (34%). Small public companies put financial headaches at the top of the list with 44% citing customers delaying invoice payment, followed by managing rising input costs (31%).

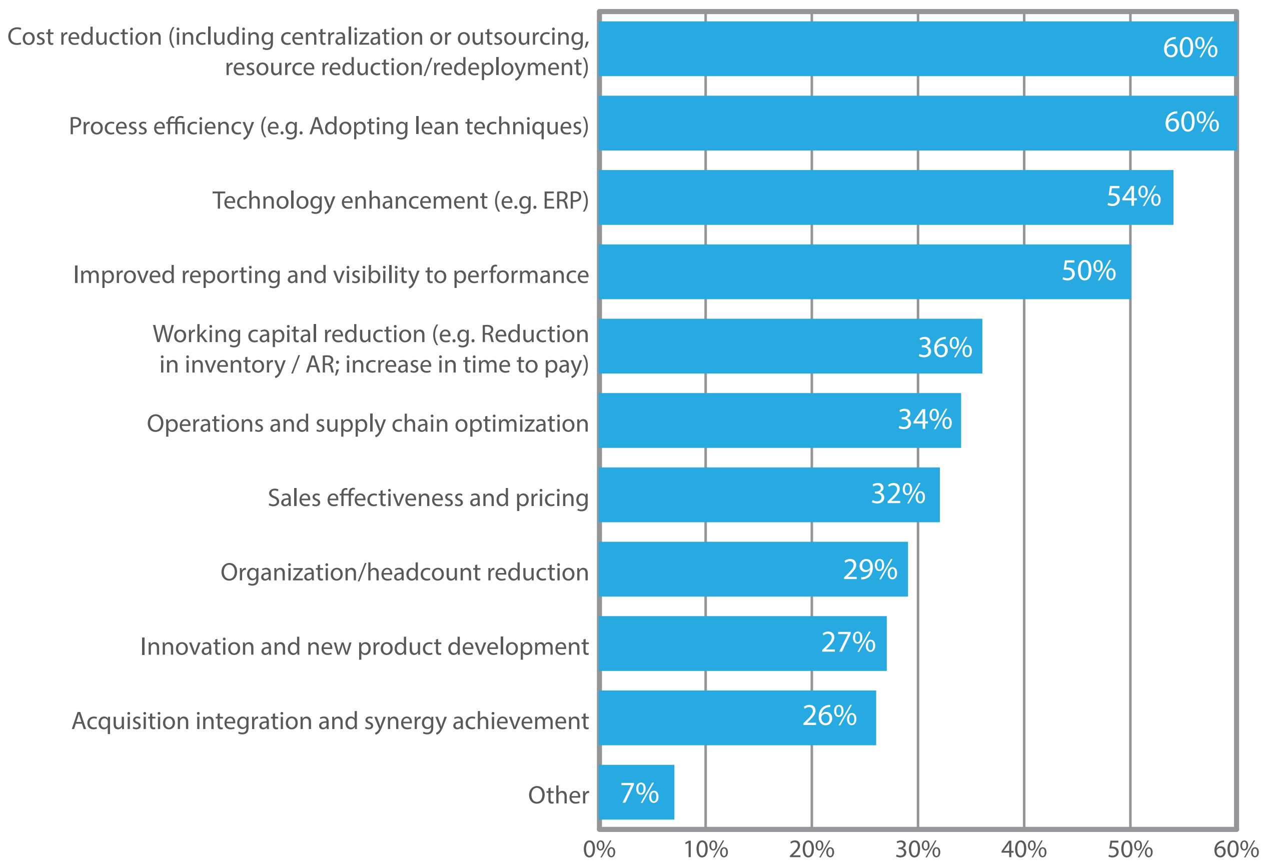
The main drivers for companies to focus on improving free cash flow and working capital are primarily to meet annual free cash flow targets (56%) while others stated that pressure from stakeholders (banks, board, analysts, credit rating agencies) or returning cash to shareholders, both at 32% of respondents, were important. Further down the list were paying down debt (28%) and funding acquisitions (26%).

> “The most important thing with finance is understanding the value-added proposition of the business. What is it that your business or organization does that creates value add? Because that's absolutely the business you're in. The finance person has to understand the business, be part of it, but also validate with the rest of the executive team that it understands where the true value comes from, because, sometimes, they might think a particular customer is very valuable when in fact they are not. But when you do some homework, it turns out that that's not the best customer to go after.”
>
> **John Forester – CFO, DBG Canada Ltd.**

BUSINESS IMPROVEMENT FOCUS FOR THE NEXT TWO YEARS

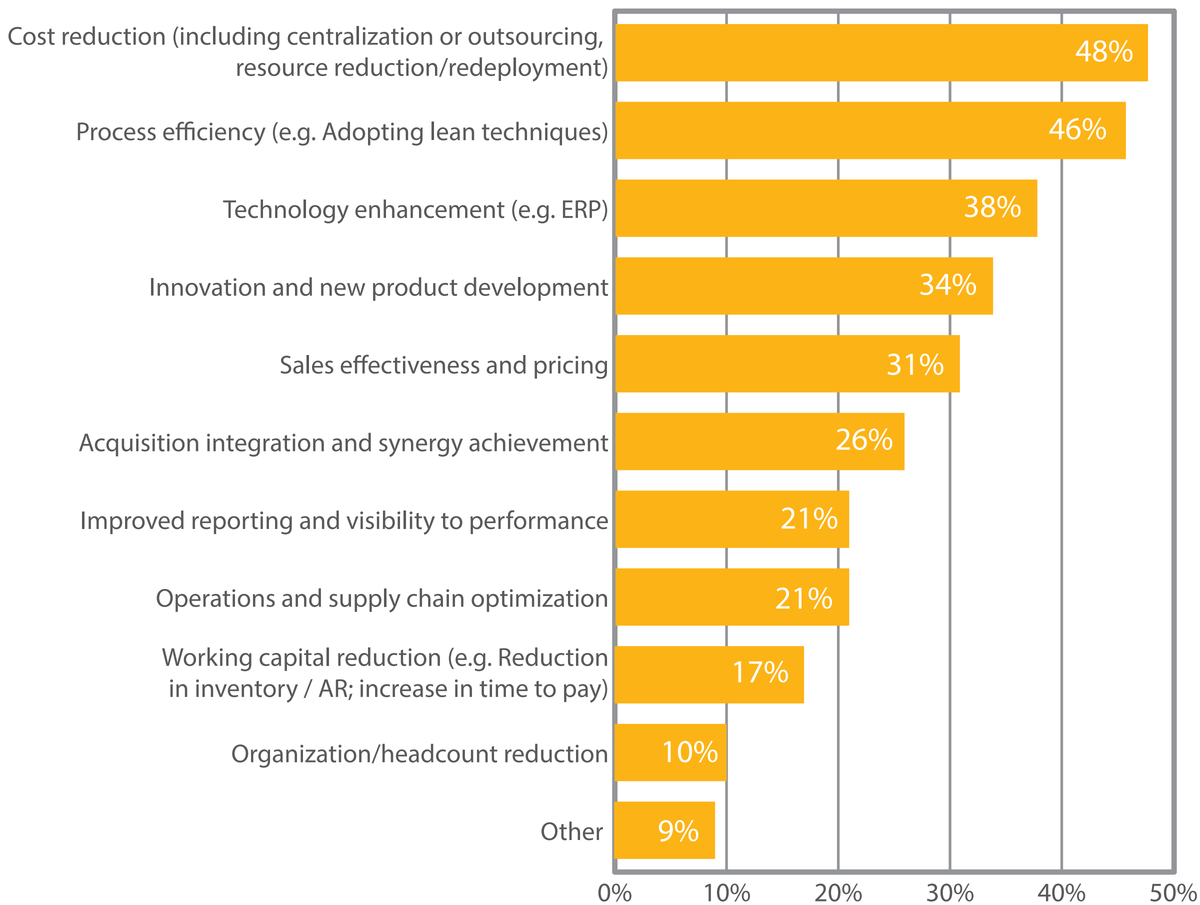
Companies have a decidedly inward focus when they outline the business improvement drivers for the near term. Over the past two years, the focus was on cost reduction (60%), process efficiency (60%) and technology enhancement (54%). In the past, innovation and product development was also much less of a focus (27%) than was improved reporting (50%). See Chart 7.

CHART 7 – WHAT HAS BEEN THE BUSINESS IMPROVEMENT FOCUS IN THE PAST TWO YEARS? (SELECT ALL THAT APPLY)



Study participants identified cost reduction (48%) and process efficiency (such as adopting lean techniques)(46%) as the two most important business improvement areas over the next two years, followed by technology enhancement (38%) and innovation and new product development (34%) See Chart 8.

CHART 8 –WHAT DO YOU PREDICT WILL BE THE THREE MOST IMPORTANT BUSINESS IMPROVEMENT FOCUS AREAS FOR THE NEXT TWO YEARS? (SELECT ALL THAT APPLY)



Cutting costs through centralization or outsourcing will be the chief focus among large public companies at 76%. That was well ahead of the next three areas of focus which were all cited by 38% of respondents: innovation and new product development; sales effectiveness and pricing; and technology enhancement. Large private companies have a similar two-year focus, their top three business improvement areas: process efficiency (52%); technology enhancement (48%); and cost reduction (36%).

The study results correspond with the EY Canadian Capital Confidence Barometer April-October 2013 report that was presented at the CFERF October roundtable. It found that efficiency and cost control, followed by risk management, continue to be the boardroom focus of Canadian companies. There is also less focus on growth (through innovation and R&D) and economic confidence has yet to translate into boardroom action as yet.

“We like to grow when everyone else isn't and we like to optimize process and costs when everyone else is growing. And what we find is we're picking up opportunities of getting talent in the market place using our financing. Since we negotiated when everyone else was having a more challenging time, we are focusing now in talent that's available in the market place. Increased financing allows us to manage the ups and downs of economic activity in a stable fashion. We love when we see studies like this one because it tells you what people are going to do in reaction to this. So we always try to work against that to pick up some talent or invest when everyone is thinking about optimizing and cost control, they're laying off talent because of financing restrictions or lack of financing. On the flip side when everyone else is investing and securing their financing, we find there's a shortage of talent and that's when we go into the optimization mode. Ready, in place financing really allows you the flexibility to ride out the waves, and even go full speed against them without fear.”

Derek Petridis – CFO, Principal, Shikatani Lacroix Design

STRATEGIC OPTIONS AND ALLOCATION OF CAPITAL

Financial executives are presented with a myriad of proposals, opportunities and requests for budgetary support. Not every project at a company will be fully budgeted, if at all, in any given fiscal year. Because financial resources are almost always more limited than the requests for funding, just how companies prioritize capital allocations is a critical factor to success, or failure.

Survey respondents prioritized the strategic allocation of capital by internal rate of return (33%), net present value (21%), payback period (20%) and impact on economic value (15%).

There appears to be no clear winner when it comes to capital allocation methodology. Among large public companies, the net present value calculation was the preferred method among 41%, followed by internal rate of return (34%). Large private companies relied on the internal rate of return (44%) to prioritization capital allocation, followed by payback period (32%) and impact on economic value or EVA (16%). Small public companies utilized internal rate of return (44%), net present value (31%) and payback period (19%). Small private companies favor internal rate of return and payback period (both at 26%) followed by impact on economic value (21%) and net present value (15%).

“Our organization has a business model, which is basically a look and see as to what’s coming at us for the next two or three years and it becomes the budget base. If there is any new initiative it gets layered in and it becomes part of your targets for next year. That initiative now becomes part of the business plan that you have to deliver.”

John Forester – CFO, DBG Canada Ltd.

“Recently, our allocation of capital has been focused on the fixed assets required for our expansion initiatives, which has been prioritized based on economic indicators in our industry.”

– Survey respondent

“I work for a charity and the goals are not profit centered. We do, however, allocate funds based on a strategic plan to the areas of greatest need.”

– Survey respondent

ROLE OF FINANCE IN DECISION MAKING FOR STRATEGIC INITIATIVES

Finance executives can, and should, play a significant role in executive decisions regarding whether to go forward with strategic initiatives. Depending on the size of the organization, the level of involvement leaves an opportunity to continue to elevate the strategic role of finance. Survey respondents reported that finance typically plays a robust role in decision making to support various strategic initiatives. More than half (57%), described Finance as a strategic partner, involved at the earliest stages of decision making. One quarter (22%), said Finance acts only as a team member and part of the decision making while 7% characterized the role as one of financial analyst providing numbers for others in the organization to utilize in the decision making process.

Finance played the most active role in large public companies, with 66% describing it as a strategic partner involved throughout the process. Finance is a strategic partner at 64% of large private companies, 62% at small private companies and 50% at small public companies.

Although Finance is involved as a strategic partner, there may be room for improvement in how results are measured from growth strategy initiatives. Forty-seven percent of respondents said that annual operating budget performance was used to measure performance while only 36% stated that some form of tracking of individual strategic initiatives was used and only 9% were using post-mortem reviews. Perhaps the answer lies with the perspective of some finance executives who felt that a balance of all three types of measures should be used in order to be looking at both leading and lagging performance indicators.

"External communications and relationships with bankers and investors are important for a CFO who wants to perform efficiently in his work. However, internal relationships are equally important. For example, water cooler conversations sometimes are a good channel to hear about what's going on. The CFO has to be aware as soon as possible of new initiatives that start developing and eventually, might become reality. To do a good job in managing working capital, the CFO needs to plan for these new initiatives."

Monique Letourneau – President, Défistratège

"The role of the CFO has changed. If we don't appreciate and understand other departments in our organization, then it's hard to fulfill our role. This includes observing the R&D and testing that is done in the laboratories and knowing how it contributes to the successful functioning of the Company. It also includes visiting the plants, knowing the people at each location and understanding the uniqueness and capabilities of each facility. Product knowledge is critical, in the sense of understanding the Company's strategic advantages, potential weaknesses and being able to knowledgably portray the organization to 3rd parties, such as lenders. The role also requires participating in discussions relating to ISO non-conformances and contributing to providing solutions to these same issues to prevent re-occurrence. In this case, it's not so much the cost that might be attributed to a non-conformance as it is the impact that these occurrences have on customers, who are the lifeblood of the organization. Most importantly, it requires reaching outside our comfort zone to step into the shoes of a Marketing person to ensure that our review and analysis doesn't ignore ideas or projects that truly offer the prospect of adding value for the Company. Otherwise you're just the accounting person, armed with a spreadsheet and ready to avoid risk at all cost. If you are prepared to delve into other people's roles, I think it broadens your credibility and influence in the decision making realm."

Craig Smith – CFO, McAsphalt Industries Ltd.

CONCLUSION

Economic conditions may determine the ease of obtaining credit – the Great Recession of 2008-2009 graphically illustrated not only how critical it is to the smooth functioning of companies and also how scarce it can be in bad times. Since then, companies have been reminded how free cash flow must be carefully managed, even in so-called good economic periods since financial crises in Europe or Asia or politically inspired showdowns in the U.S. can affect financial flows. Working capital improvement is a key focus for finance, but it should also be a company-wide focus and imprinted upon the functions and policies of the business.

> "I look at working capital almost like any other investment, if you're growing your business you're typically going to invest in new technology or perhaps the sales force or whatever. And working capital is just part of that investment that you have to build into your plans and have to tell the story, and there has to be a return on it, just like there is a return on a piece of technology."
>
> **Tyrone Cotie – Treasurer, Clearwater Seafoods**

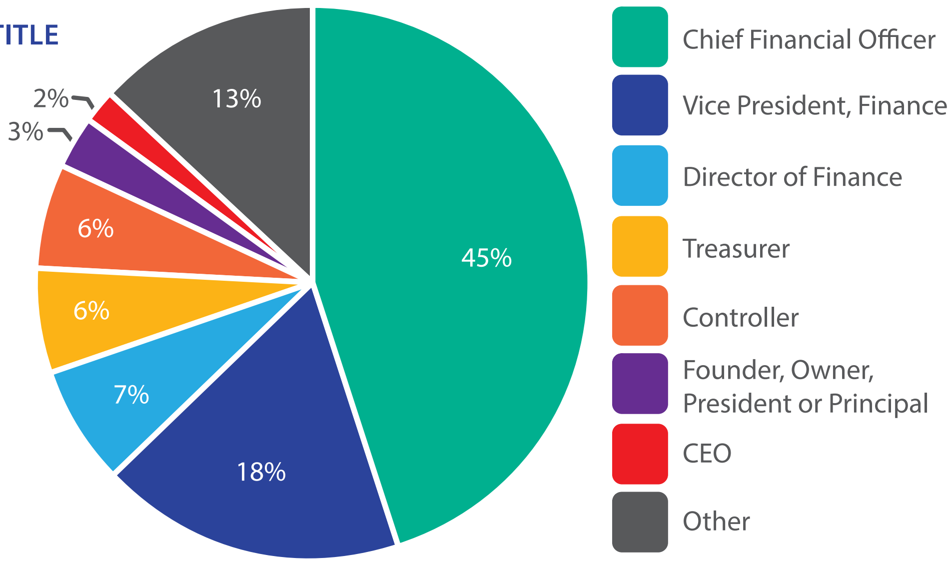
As this study has attempted to demonstrate, there is no single best approach to best manage cash flow and working capital. Large public companies typically approach it quite differently than small private companies do. Even with today's ultra-low interest rates, cash freed up from working capital is the lowest cost source of incremental funding that a company can lay claim to. Companies of all sizes need to ensure that their working capital processes and policies are both an area of organizational strength and a focus of continuous improvement.

The survey has also shown that there is generally more optimism from respondents including a belief that there is greater access to credit. However; there remains a need for caution with revenue growth underperforming targets and continued operational challenges (slow customer payment, pressures of payment terms, rising costs of inputs and raw materials). The environment remains uncertain despite positive indicators and it is key that companies maintain a focus on cash flow and operational working capital performance.

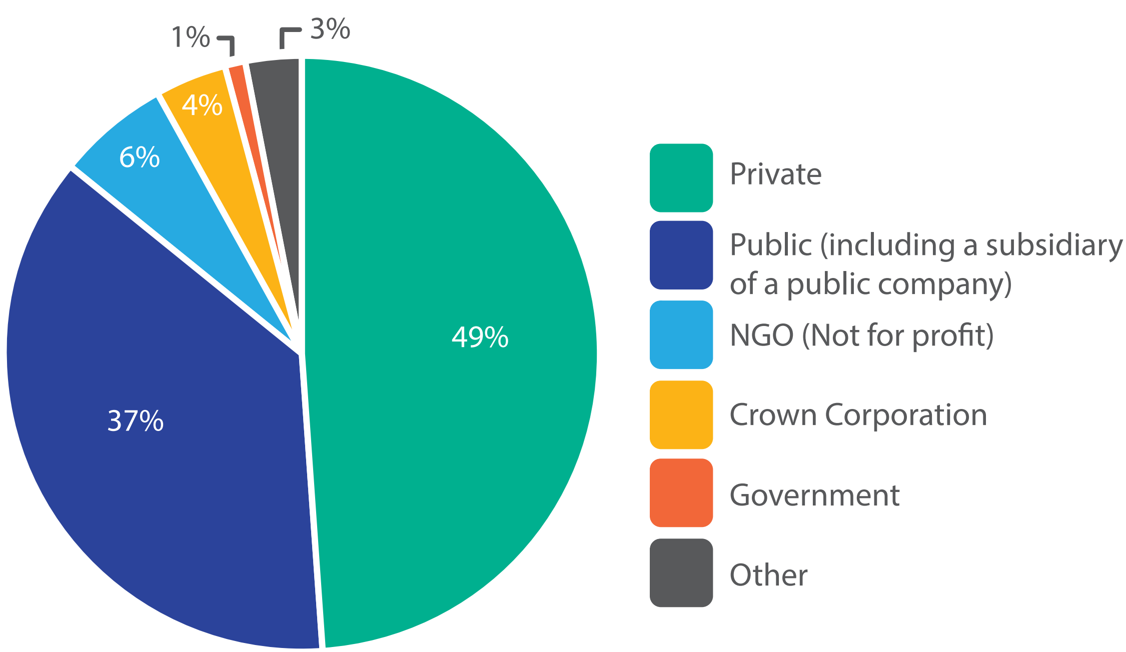
Respondents have noted that there is a need for a continued high focus on cash generative projects including cost reduction, technology upgrades and working capital optimization and ultimately these are to support reinvestment for growth, both organic and inorganic. The finance role can be much more than a scorekeeper. Finance can play a critical role in the achievement of free cash flow goals, whether raising cash, championing working capital improvement projects or acting as a business partner in the delivery of value added and strategically important initiatives.

APPENDIX A: SURVEY DEMOGRAPHICS

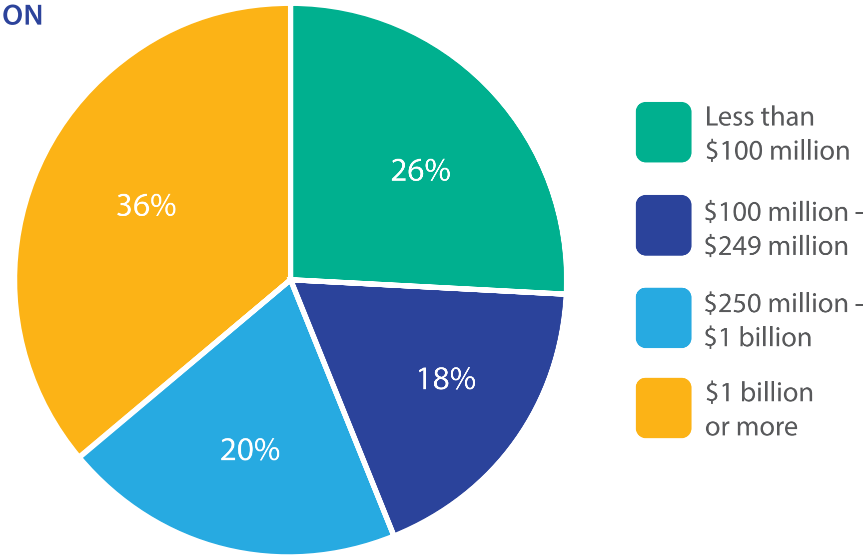
POSITION TITLE



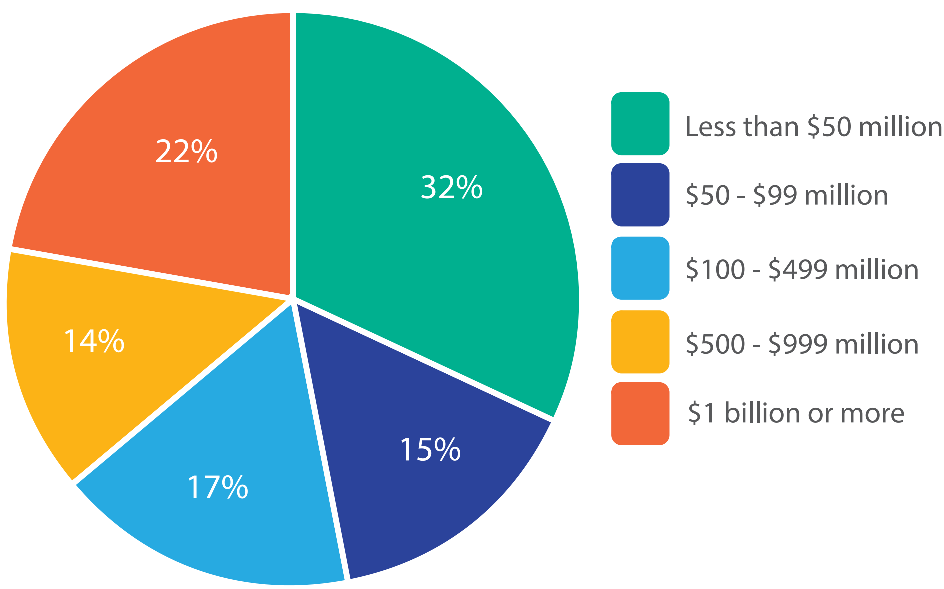
CORPORATE STRUCTURE



MARKET CAPITALIZATION
(PUBLIC COMPANIES ONLY)



ANNUAL REVENUE



INDUSTRY CLASSIFICATION

APPENDIX B: FORUM PARTICIPANTS

Forum Chair:	Vic Wells – Chair, CFERF
Moderators:	Christian Bellavance – VP, Research & Communications, FEI Canada Tim MacDonald – Partner, Transaction Advisory Services, EY Canada
Toronto Participants:	Tyrone Cotie – Treasurer, Clearwater Seafoods John Forester – CFO, DBG Canada Murray Johnston – Consultant Jim King – VP Finance, TekSavvy Leslie Markow – VP Finance, Stewardship Ont. Chad McCleave – CFO, Waterfront Toronto David MacIsaac – CFO, Northern Trust Co. Derek Petridis – CFO & Principal, Shikatani Lacroix Design Craig Smith – CFO, McAsphalt Industries Ltd. Jennifer Vandervelde – CFO, Duplium Corp.
Montreal Participants:	Ken Brooks – SVP, Transaction Advisory Services, EY Canada Monique Letourneau – President, Défistratège Pierre Van Gheluwe – Treasurer, Yellow Media
Phone Participants :	Michael Conway – President & CEO, FEI Canada John Hanbury – Corporate Treasurer, CHC Helicopter
Observers:	Toni Amato – Thought Leadership Specialist, EY Canada Megan Bell – Communications & Events Coordinator, FEI Canada Paul Brent – Writer

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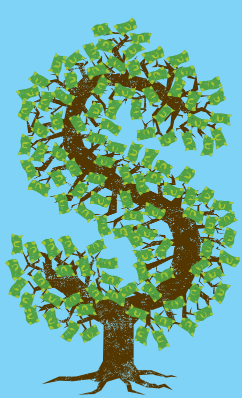

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