

## **Vestel's supply chain program to reach 400M TL annual volume**

**Monitoring cash flows via a single platform with Citibank, Vestel has the ability to foresee cash deficits and surpluses in different countries.**

Alp Dayı, Vestel Group of Companies Asst. General Manager in charge of Finance, announced that they have established a new supply chain financing program for domestic purchases in TL. Dayı states, "We plan the program to reach an annual volume of 400 million TL in the scenario that it covers all our suppliers."

Supply chain financing is a recently developing area where many leading banks in the Turkish banking system offer companies a range of solutions. Alp Dayı, Vestel Group of Companies Asst. General Manager in charge of Finance, provided information about their active utilization of this financing method, with the essential features as follows: "Offering discount credits to the suppliers through a framework where Vestel's payment performance is priced. As such receivable discounts will be based on a TR LIBOR spread fixed over a period of minimum 1 year, it will provide our suppliers a borrowing opportunity that is both transparent and has a lower cost compared to the current borrowing costs. This is achieved by Vestel being the invoice debtor. We aim to turn our suppliers' collaboration with Vestel into a strength factor, and offer them Vestel's credibility as a support. Within this scope, as Vestel, we will provide an additional loan limit via local partner bank, where we set certain transaction limits. The additional financing and borrowing with reasonable costs will support our suppliers' growth strategies. Both Vestel's and the suppliers' cash flow planning will benefit from the program.

Additionally, the program is supported by Local partner bank's banking technologies, where all transactions related to the program will be compatible with our ERP system, SAP, and realized via the bank's Internet branch. This will enable our suppliers to realize their discount transactions in the fastest and most secure manner.

We can propose that a supply chain financing program with such features is definitely a "win-win" situation for Vestel and its domestic suppliers."

## **Monitors cash movements via a single platform**

Dayı reminds that Vestel is one of the pioneers of the export-focused growth strategy of the 1980s, and tells that they are still committed to this mission even with greater ambition. “However, especially our growth in Europe through the 1990s and 2000s has recently introduced some scale-economy-related problems. Scale economy, cash management and optimization, transparency and centralization of the business processes and cash procurement planning is more important than ever in the current period, where all industries are forced towards cost reduction” he comments.

## **Vestel’s projects for ‘financial transformation’**

- Trade financing products for international procurement activities, which are configured as import factoring
- Supply chain financing program for domestic suppliers
- MIS and IFRS reporting systems integrated into the IT system following rapid consolidation and healthy optimization of the related financial processes
- Factoring programs for the export receivables of all foreign subsidiaries
- Ability to centrally manage and automate the company’s cash in hundreds of current accounts by tens of banks over Europe, accounting system automation
- Risk management through an all-centralized single claim insurance that even covers the receivables from challenging financial markets such as Europe and Russia
- Systematic hedging of sales in different currencies as well as the balance sheet open positions, and focus on operational profits
- Ability to systematically monitor all indicators as KPIs and simulate all their impacts through working capital to profitability

Dayı states that their path crossed with Citibank on this phase and explains their collaboration as follows: “Citibank, with its widespread international network and technological infrastructure, provided us the opportunity to monitor our cash flows, that are spread over hundreds of accounts worldwide, via a single platform.

This tool will serve us both in the cash collection activities, as well as being an introduction to the automatic cash sweeping process we will introduce next period. We will introduce the target cash balance practice in all our subsidiaries across Europe, and centralize all our cash worldwide at Citibank by automatic cash sweeping.

## **Control over cash deficits and surpluses in different countries**

Dayı emphasizes that the platform offered by Citibank has another basic feature of global cash flow planning for Vestel, which provides the opportunity to foresee potential cash surpluses and deficits in different countries and plan domestic cash flows accordingly.

“Besides the assets, we have an innovative collaboration with Citibank also on the liabilities side of the balance sheet” says Dayı, and adds, “In procurement activities from international suppliers for our LCD/LED TV manufacturing, we prefer Citibank’s import factoring product instead of deferred letter of credit. In an industry like ours, where manufacturing and shipping timing is of primary importance, this product stands out not only with its financial cost advantage, but mainly with its quality of shortening the operational processes, which is the characteristic of a letter of credit.”

Dayı makes a remark that they are realizing a financial change management in Vestel, and it is strategically aimed at scale economy and minimization of financial costs in the turnover figure.

Dayı also states that they target to implement this approach to 12 foreign subsidiaries in 9 different countries, as well as over 20 group countries.

“Our target point is a structure with fully optimized financial processes, that is able to simulate as far as the company market capitalization using KPI values from the operational processes.

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