BEYOND TRADITIONAL SUPPLY CHAIN FINANCE

A New Approach to **Working Capital Optimization**

Analysis based on global market data from 2019-2024, including over 1000+ program implementations across multiple industries and geographies.

ZENITH

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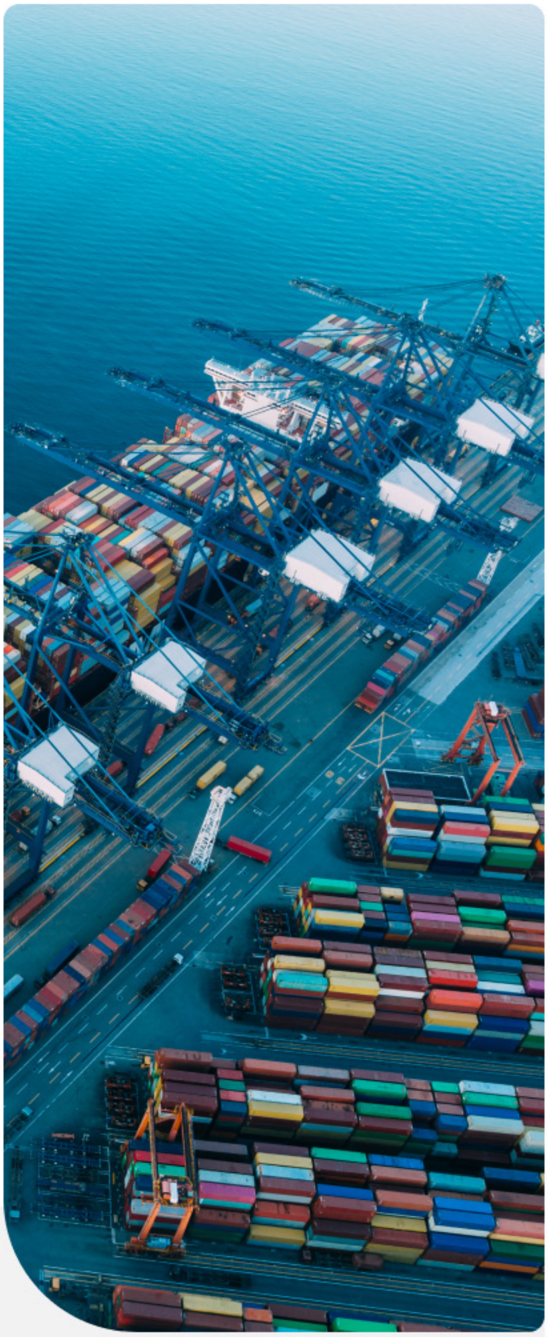
AT A GLANCE

- Global supply chain finance volume exceeded $2 trillion in 2024, with adoption accelerating across industries
- Modern solutions enable broader adoption beyond traditional Fortune 500 implementers
- Solutions like Zenith's insurance-backed trade receivable finance program are creating successful implementations for companies with $10M+ in revenue all the way up to enterprise level
- Implementation timelines have shortened from 3+ months to 2-3 weeks for qualified companies
- Strategic benefits extend beyond working capital improvement to strengthening supplier relationships and supply chain resilience
- Organizations implementing strategic finance solutions achieve 15-20% working capital improvement on average
- Regulatory clarity has standardized accounting treatment and program structures



The Zenith **Advantage**

Zenith is redefining the way companies manage working capital. By transforming lengthy financing processes into rapid, strategic implementations, our insurance-backed program not only boosts liquidity but also strengthens supplier networks and enhances overall supply chain resilience. Discover how smart finance can be a competitive edge.

1. The Evolution of Modern **Supply Chain Finance**

The rapid evolution of supply chain finance represents one of the most significant shifts in working capital management over the past decade. Traditional approaches to managing the buyer-supplier financing relationship have often created an adversarial dynamic, with buyers seeking to extend payment terms while suppliers struggle with liquidity constraints. Additionally, collaborating with banks exacerbates these challenges, as financial institutions typically require significant asset commitments and impose rigid lending criteria, making it challenging to develop flexible and efficient supply chain financing solutions. This tension has historically led to suboptimal outcomes for both parties, often manifesting in either strained supplier relationships or compromised working capital performance.

Supply chain finance has emerged as a strategic solution to this longstanding challenge. By leveraging the buyer's stronger credit rating and implementing solutions like Zenith's insurance-backed supply chain financing, organizations can now create programs that benefit both buyers and suppliers while strengthening overall supply chain resilience.

Market Context and Recent Developments

The global supply chain finance market has experienced significant transformation since 2020. Several key factors have driven this evolution:

1. Supply Chain Resilience as a Board-Level Priority
The increasing focus on supply chain resilience has elevated working capital optimization to a board-level priority. Organizations now recognize that financial supply chain health directly impacts operational performance and risk management, driving demand for solutions that strengthen supplier relationships while optimizing working capital.

2. Eliminating Barriers Through Innovative Financing
Innovative financing structures have removed traditional implementation barriers. While technology platforms have proliferated, the most impactful solutions emphasize fundamental financial innovation—specifically, extending payment terms while maintaining trade payable classification without the need for complex supplier onboarding.

3. Regulatory Clarity Driving Streamlined Solutions
The evolving regulatory environment now offers clearer guidance on accounting treatment and program structure. This clarity has paved the way for streamlined solutions that eliminate complex inter-creditor agreements or changes to existing banking relationships, enabling organizations to access sophisticated working capital solutions without traditional implementation hurdles or balance sheet impacts.

These changes have made sophisticated working capital optimization accessible to a broader range of organizations, particularly those seeking solutions that don't require extensive technology investment or supplier adoption programs. The focus has shifted from complex platform implementations to straightforward financial structures that deliver immediate working capital impact.

2. Understanding the **Strategic Opportunity** and **Traditional Barriers**

Organizations seeking working capital optimization often face a fundamental challenge: traditional financing solutions that promise working capital improvement frequently create new constraints that can outweigh their benefits. This is particularly evident in conventional bank-led supply chain finance programs.

Even when banks offer attractive payment terms, their solutions typically require significant collateral commitments. Most programs begin by securing a position against accounts receivable and inventory - often the same assets companies need to maintain flexibility for growth. This encumbrance of key assets can severely restrict an organization's ability to pursue other strategic opportunities or respond to market changes.

Implementation of bank programs presents another critical challenge. Timelines frequently stretch beyond six months as banks conduct extensive due diligence, negotiate complex inter-creditor agreements, and establish new control accounts. This process typically requires dedicating significant internal resources while managing multiple stakeholder relationships, including existing lenders who may have concerns about subordination.

Perhaps most significantly, these facilities generally appear as debt on the balance sheet rather than trade payables. This classification can impact key financial ratios, affect loan covenants, and constrain future borrowing capacity. For many organizations, this balance sheet impact represents a material limitation that reduces the program's strategic value.

For example, a food manufacturer with $750 million in revenue successfully eliminated traditional financing barriers and transformed their working capital strategy. The manufacturer had been operating with standard 60-day payment terms across their supplier base, balancing their working capital needs against supplier relationships. Through an innovative financing structure, they achieved:

- **Extension of payment terms to 180 days without impacting supplier relationships**
- **No collateral requirements or impact on existing credit facilities**
- **Maintenance of trade payable classification for all obligations**
- **Implementation within weeks rather than months**

In another example, a furniture retailer facing similar challenges used this approach to address their cash conversion cycle challenges. They eliminated the need to front capital for inventory purchases while extending their payment terms to 180 days, giving them time to collect from customers before paying suppliers. This improved their working capital position without requiring suppliers to factor receivables or seek other high-cost financing solutions.

This transformation occurs without requiring suppliers to change their processes or enter into new agreements. The buyer maintains their existing supplier relationships while optimizing their working capital position - a true win-win that avoids the traditional trade-offs between payment terms and supplier health.

3. **Critical** Success Factors

Experience with successful working capital optimization programs has identified several key elements that differentiate successful implementations:

1. Strategic Financial Alignment

- Program structure that preserves trade payable classification
- Clear visibility into available supplier payment terms and discount opportunities
- Simple metrics focused on working capital improvement and cost reduction

2. Operational Simplicity

- Minimal changes to existing supplier payment processes
- Flexible funding portal for invoice management
- No requirement for complex technology integration

3. Implementation Approach

- Focus on opportunities for immediate working capital impact
- Maintain existing supplier relationships and processes
- Ability to scale without additional supplier agreements

The most successful organizations approach working capital optimization pragmatically, focusing on solutions that deliver immediate financial impact without requiring complex technology implementation or supplier onboarding programs. This streamlined approach enables them to capture both the benefits of extended payment terms and early payment discounts while maintaining the flexibility to adjust their strategy as business needs evolve.

BALANCE SHEET EFFICIENCY

A Better Approach to **Supplier Finance**

The traditional approach to extending supplier payment terms often presents CFOs with an unnecessary trade-off between working capital optimization and maintaining strong supplier relationships. Understanding the structural advantages of modern solutions requires examining how they impact financial statements and key metrics.

Most approaches to extending payment terms either strain supplier relationships or require complex banking arrangements that impact the balance sheet. Traditional bank solutions typically require collateral, appear as debt rather than trade payables, and can take months to implement. This limits financial flexibility and often creates new constraints that offset the working capital benefits.

Modern solutions have eliminated these trade-offs by using innovative financial structures that preserve trade payable classification while extending terms up to 180 days. This approach maintains existing supplier relationships while providing significant working capital benefits.

TRADITIONAL VS. MODERN SUPPLIER FINANCE

Traditional Approach	Modern Solution
Bank Agreements Requires complex contracts with financial institutions.	**Simple Agreements** Zenith's agreements are streamlined, no bank contact or approval required.
Collateral Requirements Often necessitates pledged assets, reducing flexibility.	**No Collateral** Eliminates the need for pledged assets or guarantees.
Debt Classification Appears as debt on the balance sheet, impacting leverage.	**Trade Payable Classification** Maintains classification as trade payables, not debt.

1. Impact on **Financial Performance**

The accounting treatment of supply chain finance represents one of its most significant advantages. When properly structured, these programs allow obligations to be classified as trade payables rather than debt. This distinction proves crucial for organizations managing their balance sheet metrics and covenant compliance.

Consider a manufacturing company with $500 million in annual revenue. By implementing a supply chain finance program, this organization can extend supplier payment terms from 45 to 90 days while simultaneously offering suppliers the option to receive payment within 15 days. The impact on working capital can be substantial - potentially freeing up $60-80 million in cash - while maintaining or even improving supplier relationships.

2. Financial Innovation as the **Critical Enabler**

The evolution of working capital solutions has moved beyond traditional technology-centric approaches to focus on fundamental financial innovation. While platforms and supplier portals initially dominated solutions, true transformation comes from a simpler, more direct approach to supplier financing.

Zenith exemplifies this evolution through a simplified financial framework that eliminates traditional barriers to working capital optimization. By structuring the solution as a true trade payable and removing the need for supplier agreements or complex inter-creditor arrangements, organizations can implement working capital solutions that deliver immediate impact without the burden of extensive technology integration.

This innovative approach fundamentally changes how organizations think about supplier financing. Rather than focusing on complex platform implementations and supplier onboarding programs, companies can select specific invoices for extended payment terms while maintaining complete control over their supplier relationships. The result is a more flexible, scalable solution that preserves existing business processes while optimizing working capital performance.

Perhaps most importantly, this structural innovation eliminates the reconciliation and integration challenges that often plagued earlier financing solutions. Organizations working with Zenith maintain their existing payment processes while extending payment terms up to 180 days and improving working capital - a straightforward approach that delivers immediate results without compromising supplier relationships or existing banking arrangements.

IMPLEMENTATION

A **Direct** Approach

Successful working capital optimization begins with identifying the right opportunities. Rather than requiring complex technical assessment or lengthy supplier analysis, implementation focuses on three key elements:

- **Review current supplier payment terms and identify opportunities for extension**
- **Select specific invoices or suppliers for the program**
- **Submit invoices through Zenith's funding portal**

Simple & Fast Implementation Process

Review Terms & Conditions

Find extension opportunities.

Select Invoices or Suppliers

Choose invoices for the program.

Submit to Zenith's Funding Portal

Upload invoices to Zenith's portal.

1. From Decision to **Implementation**

Unlike traditional supply chain finance programs that require extensive preparation and supplier onboarding, Zenith’s implementation can begin within weeks of agreement. Organizations typically follow a simple process: Start with key suppliers representing significant spend. The program works particularly well with suppliers who:

- **Currently receive payment within 60-90 days**
- **Represent material spending volume**
- **Supply finished goods or critical materials**

A furniture retailer recently implemented this approach with their Asian suppliers. Rather than spending months on technology integration and supplier negotiations, they began capturing working capital benefits within the first month. By focusing on specific high-value invoices, they achieved significant working capital improvement without changing their supplier relationships or requiring new technology infrastructure.

This straightforward approach eliminates traditional implementation barriers and allows organizations to realize benefits quickly. The focus remains on working capital optimization rather than complex technology deployment or supplier adoption programs.

2. Measuring **Program Success**

The measurement of program success extends beyond simple working capital metrics. While many traditional supply chain finance programs focus primarily on supplier adoption rates and processing efficiency, Zenith's approach enables a more direct focus on tangible business outcomes.

A manufacturer's recent implementation demonstrates these clear metrics. By measuring specific success indicators, the organization documented:

- **Extension of payment terms from 60 to 180 days**
- **Improvement in on-time supplier payments from 73% to over 90%**
- **Significant early payment discounts, directly reducing COGS**
- **No impact on existing banking relationships or credit facilities**
- **Maintenance of trade payable classification for all obligations**

Zenith’s approach focuses on real business outcomes, eliminating supplier onboarding so organizations can optimize working capital and capture discounts seamlessly.

By removing supplier agreements and tech integrations, success is measured through immediate cash flow gains and extended payment terms, as seen in a recent furniture retailer implementation.

With a simplified structure, performance tracking is streamlined to four key metrics: payment term extensions, early payment discounts, free cash flow gains, and reduced COGS—ensuring clear program value without complexity.

THE PATH FORWARD

Optimizing Working Capital Through **Financial Innovation**

The traditional approach to supply chain finance has often created unnecessary complexity and implementation barriers. As organizations seek to optimize working capital while maintaining strong supplier relationships, innovative financial structures have emerged that eliminate these traditional constraints.

Recent market experience demonstrates the tangible impact of this approach. A furniture retailer transformed their cash conversion cycle by extending payment terms to 180 days while maintaining strong supplier relationships. Similarly, a cookie manufacturer captured substantial early payment discounts, effectively reducing their cost of goods sold with no impact on their credit facilities or banking relationships.

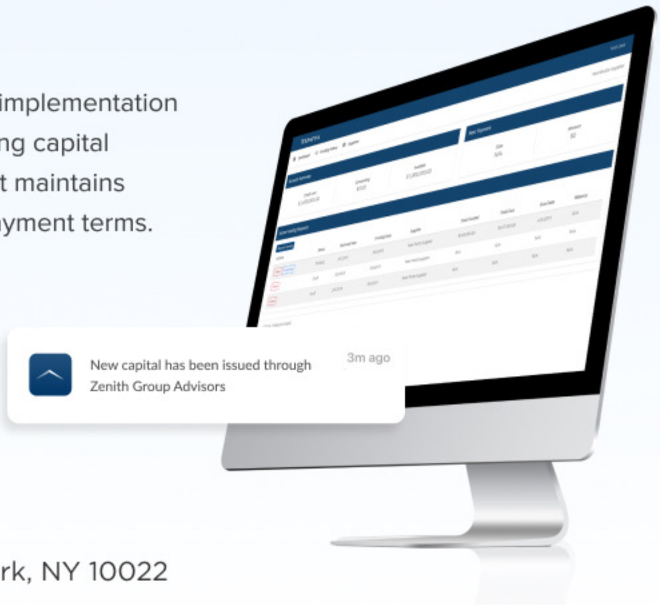
Organizations ready to capture these benefits should begin by reviewing their current supplier payment terms and working capital metrics. This review often reveals significant optimization opportunities, particularly in industries with extended cash conversion cycles or seasonal working capital needs. Understanding existing credit facilities and balance sheet constraints helps identify how an unsecured program could enhance financial flexibility.

Taking the next Step

To explore how Zenith's innovative approach can transform your working capital position while strengthening supplier relationships, contact:

Your financial agility starts with **ZENITH**, with over **$500 Million**

Invested in global supply chains and a proven implementation methodology, Zenith delivers immediate working capital impact through a straightforward approach that maintains trade payable classification while extending payment terms.



Reach Out Directly

(833)-458-1118

Info@ZenithGroupAdvisors.com

445 Park Avenue, 9th Floor, New York, NY 10022

Frequently Asked Questions

1. How does Zenith's program impact our balance sheet?

Zenith's unique structure classifies all obligations as trade payables rather than debt. The program is specifically designed to enhance your balance sheet flexibility while providing extended payment terms up to 180 days. This structure has been validated by major accounting firms and helps preserve key financial ratios.

2. What makes Zenith different from other supply chain finance providers?

- No supplier contact required - unlike other programs, Zenith works directly with you and never needs to interact with your suppliers
- Unsecured structure - no collateral requirements or impact on existing credit facilities
- Extended payment terms of up to 180 days with the ability to achieve early pay discounts
- True off-balance sheet solution accounted for as trade payables
- Simple implementation with minimal IT requirements

3. What is the typical implementation timeline with Zenith?

Implementation is streamlined through Zenith's proprietary technology platform. Most clients can begin accessing funds within 2-3 weeks of completing documentation. The platform's intuitive interface and Zenith's dedicated support team ensure rapid supplier onboarding and minimal disruption to existing processes.

4. How does Zenith's supply chain finance solution differ from traditional bank programs?

Unlike traditional bank programs that require complex inter-creditor agreements and may create conflicts with existing facilities, Zenith's solution is completely unsecured and operates as a true trade payable. This means you can implement the program without impacting existing banking relationships or requiring bank approval.

5. Is there a minimum supplier spend requirement for the program?

While the program works best with suppliers representing significant spend, Zenith offers flexibility in how you structure your program. Clients can start with a few key suppliers and expand over time. Unlike other programs that require minimum annual spend thresholds, Zenith focuses on overall program value rather than rigid qualification criteria.