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ORIGINAL→ESSENTIAL→UNBIASED→INFORMATION

Developing and Integrating an Effective Process for Working Capital Management

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Overview

- Background
- Developing a Process for a Working Capital Strategy
- Working Capital Strategy Implementation
- Reporting
- Risks
- Working Capital Process Summary

About Sunrise Senior Living

Sunrise Senior Living, LLC operates approximately 300 communities in the United States, Canada and the United Kingdom. It is considered the premier provider of senior living services.

About Sunrise Senior Living

Developing a Strategy

Importance of a working capital strategy

- Ensures that enough cash is on hand to pay short-term liabilities
- Balanced against the need to maximize investors' return

Developing a Process for a Working Capital Strategy

ELEMENTS OF THE STRATEGY

- Balance sheet review
- Forecasting
- Management approval
- Implementation
- Reporting

Developing a Process for a Working Capital Strategy

Understand your balance sheet

- Current assets/liabilities
- Breakout of items that are not truly current
- Variable Interest Entity (VIE) and balance sheet noise
- Point-in-time look at your working capital position

Developing a Process for a Working Capital Strategy

Create a meaningful forecast

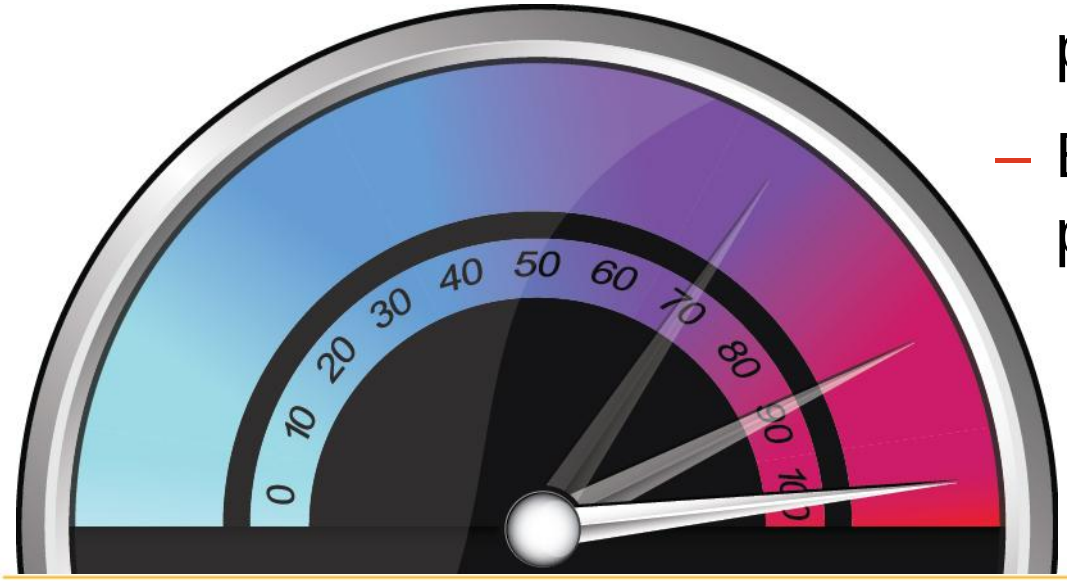
- Leverage the budget and capital plan, but don’t be a clone
- Trend analysis
- Reflect actual timing
- Variance analysis

Developing a Process for a Working Capital Strategy

Management Sign Off

- Use forecast and balance sheet review to generate your working capital number
- Management and investor approval

Working Capital Strategy Implementation



Receivables

- Speed up collection times
- Offer electronic payment options
- Eliminate redundant processing
  - Identify hidden receivables

Working Capital Strategy Implementation

Payables

- Standardize vendor terms
- Separation of duties within AP system
- Electronic payments within vendor terms
- Utilize best practices to secure payments

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Working Capital Strategy Implementation

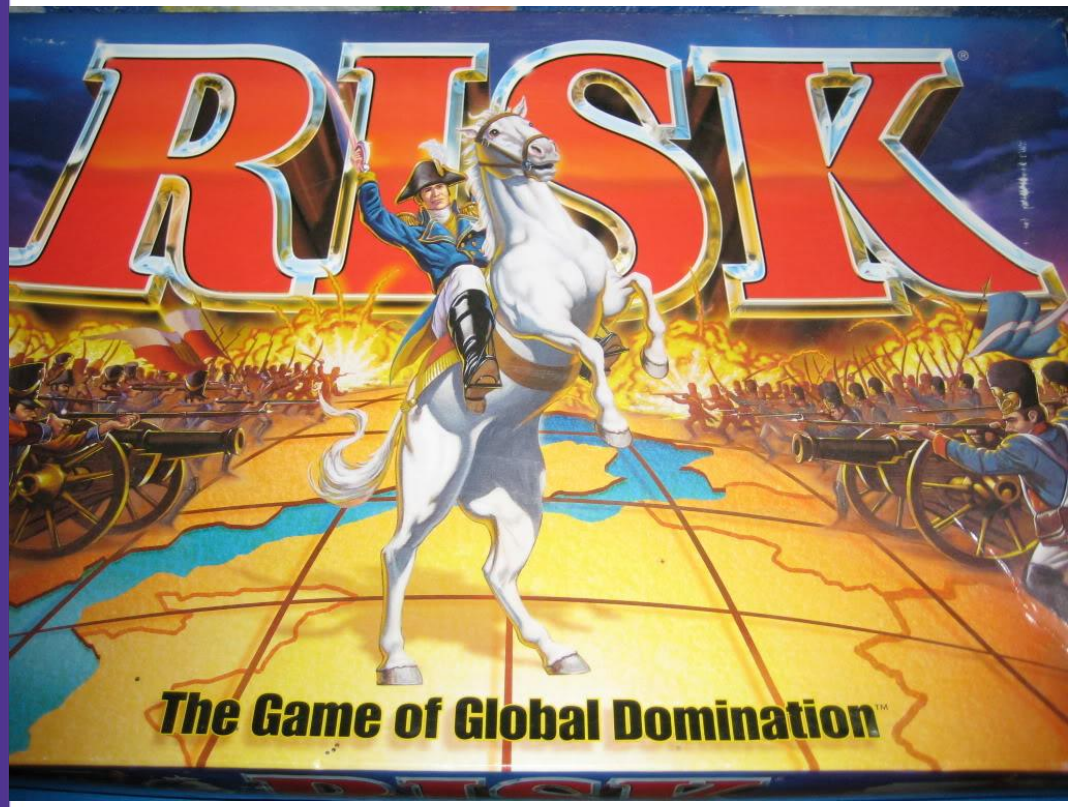
Intangibles

- Communication of strategy
- Empower team leaders
- Central decision maker
- Regular implementation discussions

Reporting

- Know your audience
- Types
  - Daily
    - Cash position
  - Monthly
    - Forecast
  - Annual
    - Review and reconciliation of forecast to budget and capital plan

Risks



- Fundamental shifts of business
  - Acquisitions
  - New product offerings
- Unforeseen events
- Miscommunication within company

Working Capital Process Summary

Questions?

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