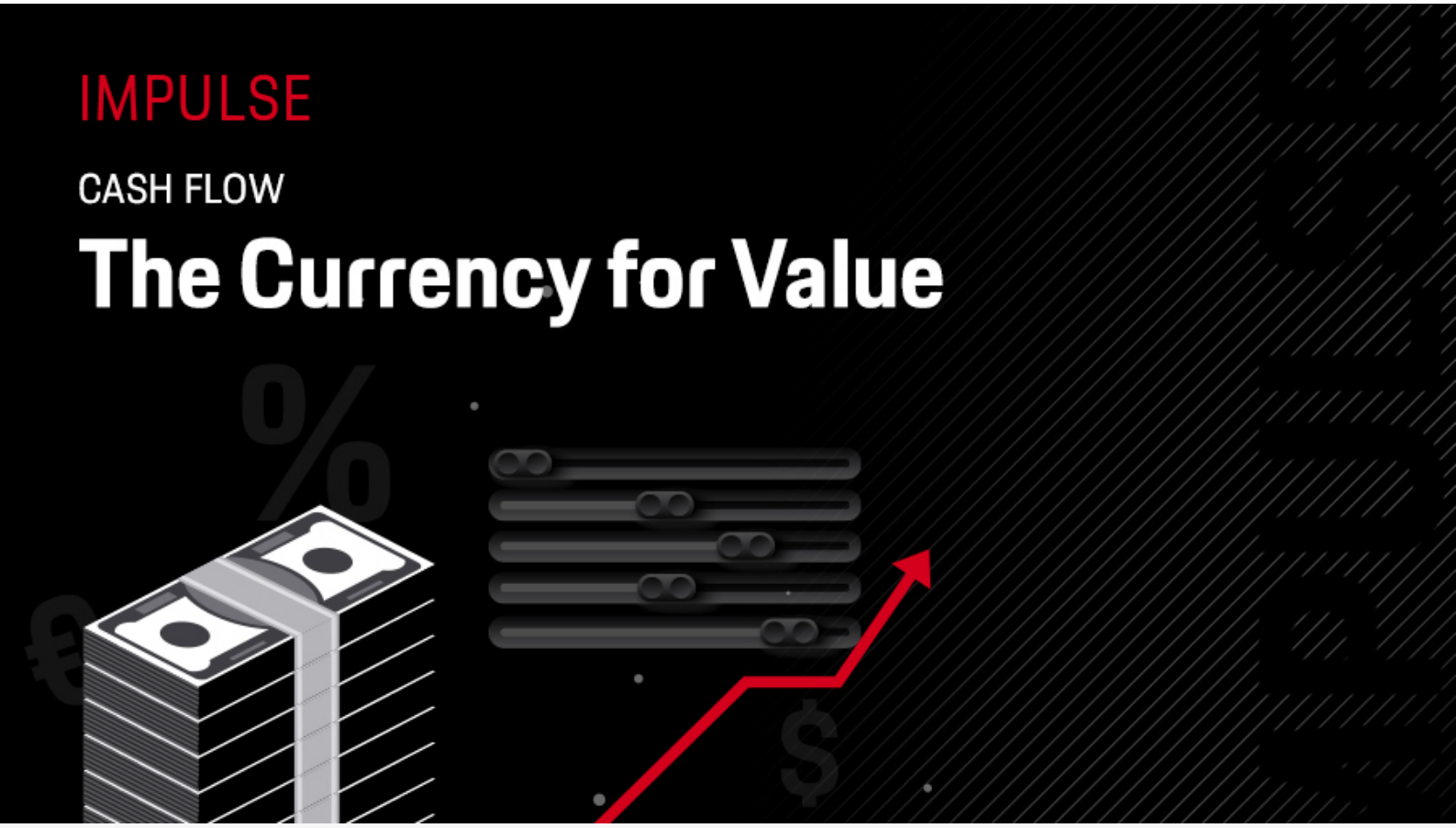


Cash Flow: The Currency for Value

12/09/2024 Leveraging cash flow steering to a strategic priority

Restructuring measures are currently booming, often resulting from cash flow problems and triggered by the multiple crises of recent years, which have mercilessly exposed the weaknesses of existing business models. The strength of a business model is primarily reflected in a company's market value, which is determined by expected future cash flows, and helps gauge if a company is heading in the right direction. Cash flow itself reflects a company's ability to generate profits, invest in growth opportunities, and repay liabilities. Consequently, a strong cash flow position is crucial for financial health and adaptability to evolving market conditions, improving the company's long-term prospects. Business decisions should therefore involve careful consideration of cash flow, an often underestimated but critical currency for growth.

Porsche Consulting's analysis, focusing on the leading companies—ten from each sector—in industrial goods, consumer goods, and automotive supply in the West from 2018 to 2023, highlights the critical role of cash flow management. According to their annual reports, 80 percent of these companies consider cash flow a primary key performance indicator (KPI) for actual performance and future potential. Additionally, 90 percent set explicit cash flow targets as key financial objectives for the

upcoming fiscal year. Consequently, integrating cash flow considerations alongside EBIT steering in strategic decision-making emphasizes the need to understand cash flow drivers and design effective value creation strategies.

Read the impulse in full length: Cash Flow: The Currency for Value

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