

## Case study

# Uncovering Investment Capital to Stay Competitive

### The Challenge:

AGCO, one of the largest agricultural equipment manufacturers in the world, sells everything from state-of-the-art tractors to combines and grain storage systems. In order to maintain leadership in an extremely competitive market, AGCO needs to constantly develop new, more



efficient technology. But since 2015, the ag equipment market has been in a downturn, limiting Arco's ability to fund critical research and development.

That's why Director of Logistics & Materials Management, Dustin Barney went looking for effective ways

to find the dollars AGCO needs to invest in research. His mission was to find the best way to free up working capital. He cast a wide net and reviewed a number of potential

**“AGCO is investing in R&D at a record rate—even in a down ag equipment market. Unlocking our working capital is key to funding this.”**

— Dustin Barney, Director, Logistics & Materials Management, AGCO Corporation

solutions, including dynamic discounting, factoring and supply chain finance (SCF). After an in-depth evaluation, he landed on SCF as the most effective and flexible solution. He felt that SCF enabled AGCO to optimize working capital by extending payment terms with its suppliers, while offering their suppliers access to low-cost capital, visibility to payments, transactional efficiency and processing fee elimination for foreign suppliers.

## Case Study Snapshot



### Challenge:

- AGCO needed to increase its working capital to maintain R&D investments during a down cycle in the agricultural machinery industry. As the company consolidates its supply base, AGCO also wanted to create a more streamlined and uniform AP program for its suppliers.

### Results:

- Working with PrimeRevenue, AGCO achieved record results:
- Brought the program online in just 60 days
- Generated nearly \$30 million in working capital improvement in less than a year
- Standardized AGCO's accounts payable terms and practices across locations
- Funneled over \$100 million in direct material spend through the programs

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### Why AGCO selected PrimeRevenue: Unmatched Analytics and Flexible Funding

Still, AGCO had to find the best SCF supplier among a host of potential partners. Dustin's next step was to seek detailed proposals from a half dozen leading firms. After an exhaustive information review and analysis- which included Internet research, face-to-face presentations, site visits to potential providers and full spend analysis of suppliers - AGCO employed Six Sigma tools in a rigorous qualitative and quantitative evaluation.



According to Dustin, nobody came close to offering the solution, team and track record PrimeRevenue offered. "They are one of the largest players in the industry, with diverse sources of financing to offer," Dustin adds. He was particularly impressed with how PrimeRevenue was able to benchmark standard AP practices in his industry and segment AGCO's suppliers into prioritized groups to approach — with customized recommendations on payment terms for each. According to

Dustin, "No other firm under consideration offered us this type of analysis. That was a game changer for us."

#### The Results:

Ultra-fast and smooth 60-day implementation paved the way for widespread acceptance and success

While still in its early phases, the program has been so well received by suppliers that approximately 50 of them (a majority of those that AGCO approached) have taken advantage of the program. Dustin attributes much of the success to PrimeRevenue's implementation team and the thorough education process they conducted with suppliers. The result is that in less than a year the program has generated nearly \$30 million in working capital for AGCO, in addition to over \$100 million in direct material spend funneled through the program.

AGCO recognized from the very beginning that it would be critical for their suppliers to see SCF as a potential win for them. For Dustin, that translated into a requirement that the program be implemented across all North American sites with the potential to expand globally — and for all suppliers. He was impressed that PrimeRevenue provides the skills, training and tools to help onboard not only large, strategic suppliers, but also the small to medium ones. "This enables a number of our suppliers to leverage our size as a big company to give



AGCO is a worldwide manufacturer and distributor of agricultural equipment and solutions, including a full line of tractors, combine harvesters, hay and forage equipment, seeding and tillage implements, grain storage and protein production systems.

The program implemented by PrimeRevenue for AGCO was awarded Best Customer Implementation of a Supply Chain Financing Solution by Global Finance Magazine for 2017.



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them access to credit and funding rates on more favorable terms than many of them could ordinarily get from traditional banks and other financial institutions.” Suppliers also gain other benefits like standardization of payment timing across AGCO’s many sites. In fact, prior to the SCF rollout, there were over 70 different payment terms in North American alone.

**“PrimeRevenue’s supply chain finance program enabled us to keep our foot on the gas in developing new products and technology.”**

Almost as important for Dustin, were the speed and smoothness with which the program was implemented. “PrimeRevenue’s crack project management team implemented the program and brought suppliers on board seamlessly,” Dustin notes. “That they pulled this off in 60 days exceeded all our expectations.”

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## About PrimeRevenue

PrimeRevenue is the leader in supply chain finance solutions, managing and optimizing cash flow for more than 20,000 customers in over 70 countries. Each year, PrimeRevenue processes more than \$100 billion in supplier transactions through its cloud-enabled platform, helping companies unlock significant amounts of working capital.

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