

# Honeywell frees up working capital at height of pandemic with record SCF solution



## Adam Smith Awards Asia *Winner – Best Supply Chain Finance Solution*

### About

Headquartered in North Carolina in the United States (U.S.), Honeywell is a global diversified conglomerate specializing in four areas of business including aerospace, building technologies, performance materials & technologies, and safety products & solutions.

It operates 970 sites across 70 countries and has 110,000 employees.

### The challenge

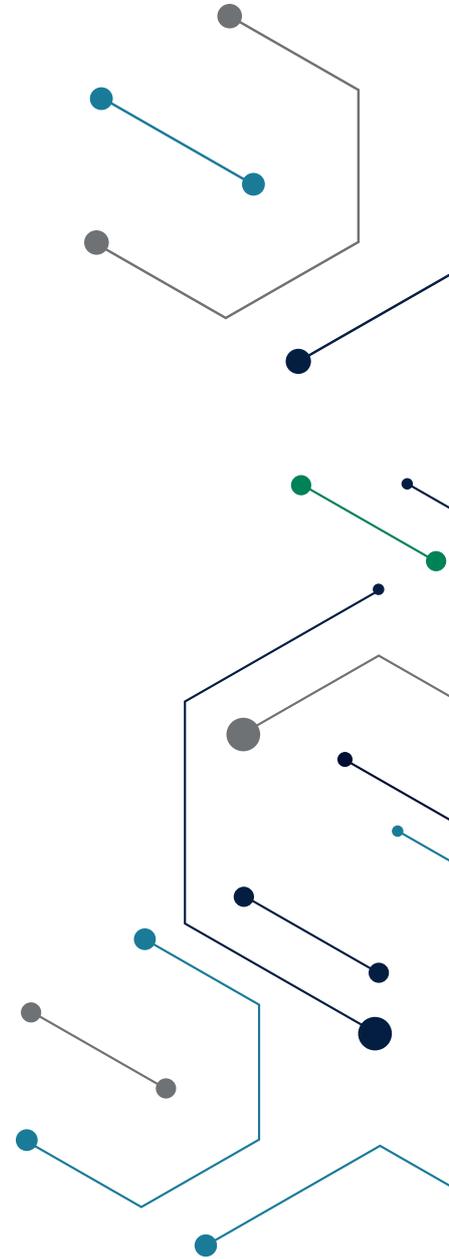
Honeywell has been looking to globalize a supply chain finance program it rolled out in the U.S. in 2019; this is part of its strategy to stabilize its supplier base as well as free up internal sources of working capital, in response to the widespread dislocations in supply chains worldwide as a result of the rising geopolitical challenges in recent years.

The need became urgent at the start of 2020, especially for its Asia Pacific business, when the COVID-19 crisis further rattled supply chains amid country lockdowns and movement restrictions in the region, prompting Honeywell's customers hurt by a slump in business to ask the firm for better payment terms. With Honeywell's aerospace business taking a hit as a result of the travel downturn, freeing up internal working capital also became even more pressing for the firm to meet its operational costs.

At the same time, the leading producer of personal protective equipment (PPE) like N95 masks faced the challenge of having to rapidly manufacture PPE to meet the demands of the healthcare industry at the forefront of the fight against the pandemic. Accordingly, ensuring a stable and efficient supply chain to ensure timely procurement of materials became even more critical.

### The solution

Honeywell knew it had to act quickly, and in collaboration with J.P. Morgan, launched a large-scale supply chain finance (SCF) program across Asia Pacific, with total eligible procurement spend of \$900 million across more than 260 suppliers. The first phase of the rollout that took place across four countries - China, India, Singapore and Malaysia - was completed in record time of six weeks per market. The launch of the second phase including other markets like Hong Kong and Thailand is currently under way.



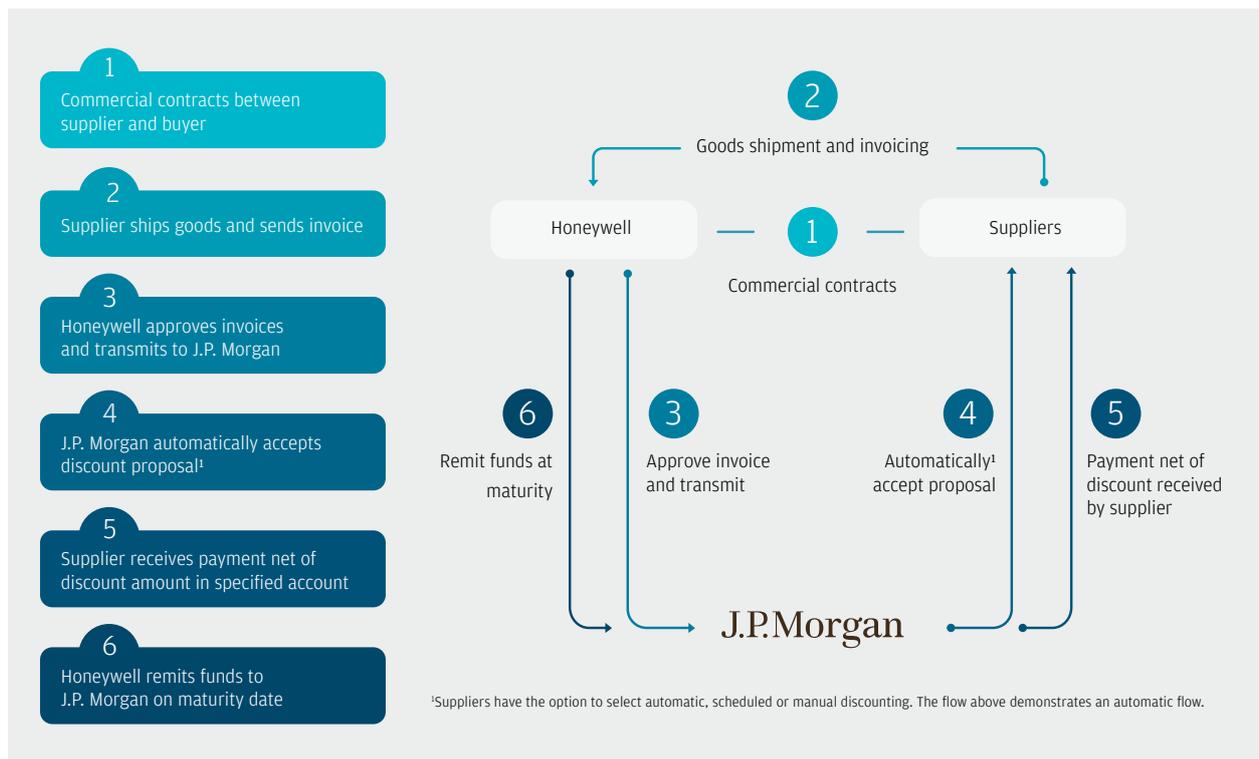
J.P.Morgan

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Through the SCF program, Honeywell suppliers can opt to be paid earlier, as J.P. Morgan can convert outstanding invoices into cash, at a discount. They can also leverage Honeywell's outstanding credit quality to access cheap and sustainable funding from J.P. Morgan.

As a result of the program, Honeywell suppliers who opt for the program are now able to receive payment as early as seven days from the invoice date, without having to wait until the payment maturity date. They are also able to discount invoices across an array of currencies including but not limited to CNY, USD, EUR, MYR, INR, SGD, and soon HKD and THB.

## J.P.Morgan



“The SCF programme proved to be a win-win solution for both ourselves and our suppliers during the unprecedented COVID-19 crisis.”

- Freya Yao, Senior Treasury Analyst, Honeywell



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## The results

- Free up a projected \$35 million in working capital a year to support operational expenses.
- Stabilize its supply chains to facilitate timely procurement of materials across its various divisions.
- Strengthened relationships with suppliers by providing them with the option to be paid much earlier, as well as convenient access to an alternate source of funding.
- Allow suppliers to discount invoices across an array of currencies including but not limited to CNY, USD, EUR, MYR, INR, SGD, and soon HKD and THB.
- Reduce administrative costs thanks to standardized payment terms and processes, as suppliers switched from manual invoicing to electronic payments.
- Improve transparency through J.P. Morgan's global electronic platform which provided Honeywell with full visibility of approved invoices. Suppliers also have complete control their payment / discount dates and access to electronic reporting.

“With in-person interactions not possible, J.P. Morgan worked closely with Honeywell to manage the entire implementation process virtually - including deploying e-signatures to execute digital contracts to reduce supplier and buyer onboarding time, and bringing the program up to speed - something that was particularly helpful at the height of the pandemic.”

- Erica Gong, Regional Relationship Banker, Asia Pacific, J.P. Morgan



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