

- **The Cash Conversion Cycle**
- 87 days
- **Days Sales in Inventory (DSI)**
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- 96 days
- **Days Sales Outstanding (DSO)**
- 39 days
- **Days Payables Outstanding (DPO)**
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- 144 days
- **Cash Conversion Cycle**
- **Day 0:** Receipt of Raw Materials
- **Day 39:** Pay for Purchased Materials
- **Day 183 :** Collect in Accounts Receivable

	2012	2013	2014	2015
Accounts Receivables (days)	110	96	96	96
Inventories (days)	90	87	87	87
Accounts Payables (days)	41	39	39	39
Cash Cycle (days)	159	144	144	144
Cash Cycle (months)	5	5	5	5

- **The Cash Conversion Cycle**
- 90 days
- **Days Sales in Inventory (DSI)**
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- 87 days
- **Days Sales Outstanding (DSO)**
- 39 days
- **Days Payables Outstanding (DPO)**
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- 139 days
- **Cash Conversion Cycle**
- **Day 0:** Receipt of Raw Materials
- **Day 39:** Pay for Purchased Materials
- **Day 178 :** Collect in Accounts Receivable

	2015	2016	2017	2018
Accounts Receivables (days)	96	92	90	88
Inventories (days)	87	91	91	91
Accounts Payables (days)	39	39	39	39
Cash Cycle (days)	144	144	141	139
Cash Cycle (months)	5	5	5	5

- **The Cash Conversion Cycle**
- 92 days
- **Days Sales in Inventory (DSI)**
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- 85 days
- **Days Sales Outstanding (DSO)**
- 10 days
- **Days Payables Outstanding (DPO)**
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- 168 days
- **Cash Conversion Cycle**
- **Day 0:** Receipt of Raw Materials
- **Day 10:** Pay for Purchased Materials
- **Day 178 :** Collect in Accounts Receivable

	2018	2019	2020	2021
Accounts Receivables (days)	88	87	86	86
Inventories (days)	91	92	93	93
Accounts Payables (days)	39	9	10	10
Cash Cycle (days)	139	169	168	168
Cash Cycle (months)	5	6	6	6

You've successfully completed the simulation.

Here are your final metrics:

- Sales: **\$18,304**
- EBIT: **\$1,897**
- Net Income: **\$1,080**
- Free Cash Flow: **\$1,138**
- Equity Value: **\$2,734**
- Total Firm Value: **\$5,278**

- Sunflower Nutraceuticals (SNC) is a privately held nutraceuticals distributor based in Miami, Florida, and founded in 2006. SNC started as an internet-based, direct-to-consumer distributor and retailer of dietary supplements, including vitamins, minerals, and herbs for women, with product offerings for all age groups. Through its website and catalog, SNC offers customers a large selection of stock keeping units (SKUs) from more than 50 third-party brands. Since its founding, the company ambitiously expanded into new retail outlets and launched several private-label brands, including a line of women's electrolyte sports drinks, metabolism-boosting powders, and a vitamin line for teenage girls.
- SNC is breaking even, with relatively flat annual sales growth on total revenues of \$10 million. The business is working-capital-intensive, and margins are generally thin. Several times during the past few years, the company struggled to finance the payroll, given the firm's constrained cash position, and more than once the company's line of credit was overdrawn. SNC keeps a minimum amount of cash on hand to meet operational needs and this level of **required** cash is \$300,000. The company also accesses a line of credit, with a fairly restrictive set of governing covenants, issued by a national bank. The credit limit on the facility of \$3,200,000 is priced as a spread over the 1-year LIBOR. It is currently set at a rate of 8%. SNC uses a cost of capital of 12% to evaluate investment opportunities.
- Health food companies have sold vitamins for decades, but the nutraceuticals industry is relatively new. Although regulatory bodies apply stricter definitions, the term nutraceuticals generally means "a fortified food or dietary supplement that provides health benefits". Examples include omega-3 fatty acids, probiotics, and soy and energy drinks. By 2010, the global nutraceuticals market was worth approximately \$128.6 billion; it is forecasted to grow at a compound annual growth rate (CAGR) of 4.9% and reach \$180.1 billion by 2017. The key driving factors for industry growth are the increase in the elderly population, the rate of growth in chronic diseases, the relative affluence of the working population, and increasing societal awareness of preventive

- SNC is considering working with Nutrilife on a half-size contract for its herbal nutraceutical product line, with an incremental sales benefit to the top line of \$2 million (a one-time 20% increase). In addition, Ayurveda Naturals, the India-based supplier of herbs for the Nutrilife contract, is offering very favorable payment terms: 2/30 net 60. In other words, SNC could lower its accounts payable liability to \$153,000 by paying Ayurveda Naturals within 30 days, thereby realizing a 2% discount on raw materials.