Working Capital Recovery Without Sacrificing Service or Growth

Executive assessment

Approximately $0.61 million is the quantified conditional cash-recovery candidate from existing excess stock. A further $1.85 million of open purchasing commitments merits capital-avoidance review, but cannot be treated as proven savings. The evidence does not establish a guaranteed cash release, a dated near-term collection forecast or a net surplus after protecting growth.

The recoverable-stock estimate covers **3,794 full units across 12 SKUs**, with **$1,034,665 of book value**. Applying supplied gross recovery percentages less additional disposition-cost percentages gives **$607,626 net proceeds** and **$427,039 below-book-value exposure**. This is a scenario based on the supplied estimates, not confirmed offers or approved disposal quantities.

Economic category	Quantified amount	Appropriate treatment
Existing-stock cash recovery	**$607,626 conditional net proceeds**	A recovery opportunity to validate; include in a committed cash forecast only when quantities, net prices and payment timing are established
Reduction in inventory book value	**$1,034,665**	Stock that could leave the balance sheet if the full candidate pool is realized; not an equivalent amount of cash
Future purchasing review	**$1,846,014 open PO exposure**	Determine cancellable, reducible or deferrable quantities; actual avoided payments remain unquantified
MOQ operating-model opportunity	**$294,519 illustrative reduction in average cycle-stock value**	Potential lower future inventory funding requirement under feasible smaller-lot terms; overlaps stock and PO opportunities
Carrying burden on the excess-review pool	**$222,684 annually**	Economic benefit if the stock is removed and not replaced; not necessarily a cash expense reduction

These amounts measure different effects and must not be added into a single recovery total.

1. Near-term cash release from stock already held

The most defensible cash opportunity is the conservative excess-review pool, not a percentage cut across all $8.845 million of inventory. The screen retains committed stock, the existing safety buffer and demand for a full planning-lead-time-plus-review interval. It uses September demand and rounds each candidate quantity down to whole units.

Excess-review group	Full units	Book value	Conditional net recovery	Annual carrying burden
Planned phase-out	1,330	**$438,174**	**$184,033**	$98,589
Demand softening	1,392	**$285,608**	**$181,361**	$58,055
MOQ exceptions	646	**$178,758**	**$151,050**	$38,869
Reduced customer programs	416	**$131,181**	**$90,417**	$26,959
Other: SKU-095	10	$944	$765	$212
Total	**3,794**	**$1,034,665**	**$607,626**	**$222,684**

Rounded rows may not add exactly to rounded totals. Recovery estimates assume the supplied recovery percentages are gross proceeds and disposition-cost percentages are additional.

Prioritize SKU-067 and SKU-031 because of the December 30 phase-out, then the larger-value softening, MOQ and reduced-program candidates. Validate current customer obligations and remaining demand before realizing any quantity. Test normal sell-through, redeployment and supplier returns against liquidation offers; the files do not provide enough evidence to quantify a higher-value route or promise when cash will arrive.

The estimate is conservative in its retained stock allowance, but that does not prove service will be unaffected. Daily variability, receipt timing and current commitments still need confirmation. Until net offers and collection dates exist, **$607,626 is an opportunity estimate rather than bankable near-term liquidity**.

2. Future capital avoidance through purchasing decisions

Preventing another unwanted receipt can preserve cash without selling existing stock at a discount. The relevant purchasing exposure is concentrated in 15 declining-demand, phase-out, reduced-program and MOQ SKUs.

Purchasing group	Open PO exposure	Capital decision
Reduced customer programs: SKU-052/090	**$478,278**	Reconcile retained program demand; cancel unsupported units or reschedule the remainder
Demand softening: SKU-019/034/061/078	**$405,222**	Reset forward demand; reduce or delay quantities that exceed supported needs
Phase-out: SKU-031/067/094	**$262,182**	Align receipts with final sell-through and replacement plans; challenge arrivals without a consumption route
MOQ exceptions: SKU-022/055/088/109	**$700,332**	Negotiate smaller releases or changed delivery timing while preserving needed supply
Total review exposure	**$1,846,014**	**Avoided cash payments cannot yet be quantified**

Within that total, **10 SKUs carrying $1,425,281 of open POs already have on-hand availability above the conservative excess screen**: SKU-019/031/034/052/055/061/067/078/090/109. This makes them a strong first review set, but does not prove every outstanding unit can be cancelled; later consumption and replenishment timing may still require some receipts.

Separate the financial effects:

- **Cancellation or quantity reduction:** can avoid future payments, net of fees and replacement costs, if the commitment has not already been paid and the quantity is genuinely unnecessary.

- **Rescheduling:** can defer a payment or receipt; it does not necessarily eliminate the commitment. Payment terms determine whether it creates near-term liquidity.

- **Smaller supplier releases:** can reduce average physical stock; capital benefits depend on ownership, payment terms, price and freight changes.

- **Refund or supplier credit on prepaid commitments:** creates a different recovery route; advance-payment information is not supplied. Freight terms labelled “Prepaid” do not establish that the product invoice has been paid.

Accordingly, the analysis supports **$1.846 million of purchasing decisions to challenge**, not $1.846 million of assured cash avoidance.

3. Structural capital avoidance after the operating model is repaired

The business can reduce the amount of capital needed to maintain service, but only if the underlying supply and ordering constraints improve.

Opportunity	Quantitative indication	What can be underwritten now
Smaller MOQs on SKU-022/055/088/109	Approximately **$294,519 lower average cycle-stock value**, with **$60,912 annual carrying burden**, in the smaller-lot scenario	A negotiation case, not guaranteed cash release; the scenario assumes uniform consumption, feasible deliveries and excludes additional ordering/freight charges
Improved SUP-03/14/11/07 lead times	Approximately **$657,543 of lead-time-demand coverage at cost** associated with average overruns on matched SKUs	A measure of coverage pressure relative to contracted averages; not a validated inventory reduction or amount incremental to current settings
Shorter periodic-review intervals	**$1.379m of demand at cost** lies within review windows across 39 periodic-review SKUs	A protection-horizon measure, not a removable stock balance; net benefit depends on lot sizes and ordering economics

None of these structural figures can be added to the existing-stock recovery or purchasing review totals. They describe alternative improvements to overlapping inventory and supply decisions.

4. Protect service and reserve capital for growth

A service-preserving recovery must remove the wrong stock while funding the right demand. The following constraints limit how much recovery can become freely available cash.

Protection requirement	Evidence	Implication for recovery
Growth and promotion shortages	Eight growth SKUs were underforecast by about **22%**	Reset approved demand and supply timing; do not finance the reduction campaign by cutting their needed coverage
Material growth coverage gaps	SKU-116/008/101/065 have diagnostic available-plus-open-order shortfalls worth about **$934,834 at ledger cost**	These are competing coverage needs, not an approved purchase budget. Validate quantities and timing before deciding how much recovered cash must be redeployed
Customer-critical long-lead stock	SKU-013/049/083: **$186,037 on hand**, 120-day planning lead times and 99% stated service targets	Preserve justified protection; these products are not part of the screened reduction pool
Regional shortages	SKU-039/074/112 have only **101 available network units** against **208 historical backorders**	Use feasible transfers and inbound rerouting, but do not assume excess elsewhere supplies these different SKUs

The $934,834 diagnostic growth-gap value must not be mechanically subtracted from $607,626 to forecast net cash: neither is an approved, time-phased cash flow. It does show why leadership cannot assume all disposal proceeds are surplus liquidity.

Leadership verdict

Treat approximately $0.61 million as the quantified existing-stock recovery candidate, subject to service checks and confirmed realization terms. Treat $1.85 million as the purchasing exposure from which future capital avoidance must be established. No defensible combined net cash-release figure is available yet.

Leadership should first validate the 12 stock candidates and the 10 highest-priority inbound reviews, secure actual recovery offers and supplier amendments, and time-phase the resulting cash against approved growth and service requirements. Only contracted net proceeds and verified avoided or deferred payments belong in the cash forecast.

The findings describe the supplied snapshot. Current stock and commitments, invoice payment status, cancellation terms, realization prices, customer demand and collection dates remain unverified. The realistic outcome is therefore a focused, quantified recovery opportunity with material capital-avoidance potential, rather than a guaranteed reduction equal to the inventory and PO book totals.