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Procter & Gamble Plans to Extend Supplier Bill Payment Cycle

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Procter & Gamble (PG) said it plans to increase the amount of time it takes to pay suppliers, potentially freeing up cash for the consumer products maker.

The move could free up as much as \$2 billion in cash if P&G extends its billing cycle by 30 days, *The Wall Street Journal* reported earlier.

The report cited people familiar with the matter who said the household products company plans to extend its supplier bill payment cycle to 75 days from its current average of 45 days.

"This program is a win-win for our external business partners and P&G," P&G said in a statement. "It enables us to improve our working capital in accordance with our Purpose, Values and Principles and local law, putting P&G on par with peer companies in terms of payables."

The consumer products giant already pays its suppliers faster than similar companies and large companies in other industries. According to the report, those companies generally have payment cycles of 60 to 100 days.

P&G's plans could impact hundreds of companies, the *Journal* said. The company recently began negotiations with its suppliers about the new payment terms.

The *Journal* added that P&G is working with banks to offer suppliers cash after 15 days from delivery for a fee, in an effort to help those suppliers deal with the extended payment cycle.

"External business partners will have the opportunity to leverage P&G's strong credit rating and receive faster payment via supply chain financing," the company said, noting that terms of existing contracts will be honored.

P&G added that it will discuss the program with external business partners "at the appropriate time."

Shares of P&G were down 1.2% at \$79.12 in mid-afternoon trading Wednesday.

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