DREAMWORKS ANIMATION
WORKING CAPITAL MANAGEMENT

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	DreamWorks (2012)	DreamWorks (2011)	Lionsgate (2011)
Days receivable	183	150	180
Inventory	441	670	0
Days payable	220	226	149
Net cash conversion cycle	**404**	**595**	**31**

RECOMMENDED ACTIONS

- In order to reduce the cash conversion cycle, DreamWorks needs to significantly reduce its inventory. The film industry is very volatile and projecting demand for certain material may be difficult. DreamWorks has high inventory representative of productions costs. As revenue is earned on releases, DreamWorks capitalizes the costs associated with each of their movies and its amortized over a 10 year period. If they restructured this process then their inventory conversion would improve significantly thus improving their cash conversion cycle.
- In regards to earnings made by distributors, DreamWorks will further amortize inventory and cost of production as distributors make earnings and contributions are paid to DreamWorks.

RECOMMENDED ACTIONS

- However, there has been a recent trend for more digital content where customers are consuming content at their own demand, whenever they want, and has slowed growth in tangible products. Lionsgate on the other hand has 0 inventory, meaning they don't have any tangible productions and outsource inventory and content for other companies. Therefore, DreamWorks should focus on implementing their content into a more digital form, so as to create a real time, build to order system for demand, which can be intangible "inventory."
- It is also important to note that DreamWorks' Days Payable Outstanding (DPO) is higher at 220 compared to Lionsgate 149 DPO. DreamWorks is in a better cash position and has a lot more negotiating power and can delay payments to its suppliers.