

## Abstract

This master thesis is focused on operating working capital and its implication towards corporate performance in the retail industry in a relevant business framework that takes into account structural changes in the industry. Our results suggest that there is a negative relationship between cash conversion cycle and corporate performance. Therefore, the management of retail companies should focus on shortening the cash conversion cycle to create value. However, in the apparel retail industry, companies with exceptionally long cash conversion cycles are better off keeping working capital investments high as those companies generate on the WC higher profitability than are the opportunity costs for this allocated capital. Finally, we have not found enough evidence to conclude that investment strategies based on the cash conversion cycle are able to generate alpha. However, there seems to be a sign of persistence for value-weighted portfolios.

<b>JEL Classification</b>	G31, G32
<b>Keywords</b>	Working capital, Working capital management, Cash Conversion Cycle, Retail
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