Comprehensive Approach to Corporate Global Liquidity Risk Management

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Kyriba Overview

- Pioneered Treasury SaaS in 2004
- 1,200+ Clients and 50,000+ Users
- 450+ Global Banks Connected
- Largest single platform TMS provider
- 2012 – 2014 Winner: Best SaaS Treasury Management Platform
- 1,500,000 transactions processed per day
- $900M of supply chain finance invoices traded each month
- Kyriba HUB – Connectivity as a Service
- 2014 NetSuite Partner of the Year

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How do I answer….

- Do I have visibility to my corporate liquidity, and can I access it?
- Do I have the available liquidity necessary to fund major capital or corporate expense in the near term – and in the future?
- Do my global subsidiaries have the liquidity they need to be successful?
- Do I have confidence in my global cash forecast?
- Do I have the right banking partners to provide liquidity for my global regions?
- Do I have the technology infrastructure to support the business and balance my employees' time?

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Corporate liquidity balance

- Ensuring adequate liquidity to fund corporate investment strategies and global business units
  - Eliminating operational risks due to liquidity constraints
  - Optimizing liquidity at *appropriate level of risk and cost*
  - Executing corporate capital allocation strategy; share buyback, M&A, debt pay-down
- Investment returns versus available liquidity
  - Preservation of capital vs. higher yielding investments
  - Rate of return vs. cost of capital
  - Cash on my balance sheet vs. shareholder activism

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Discussion framework

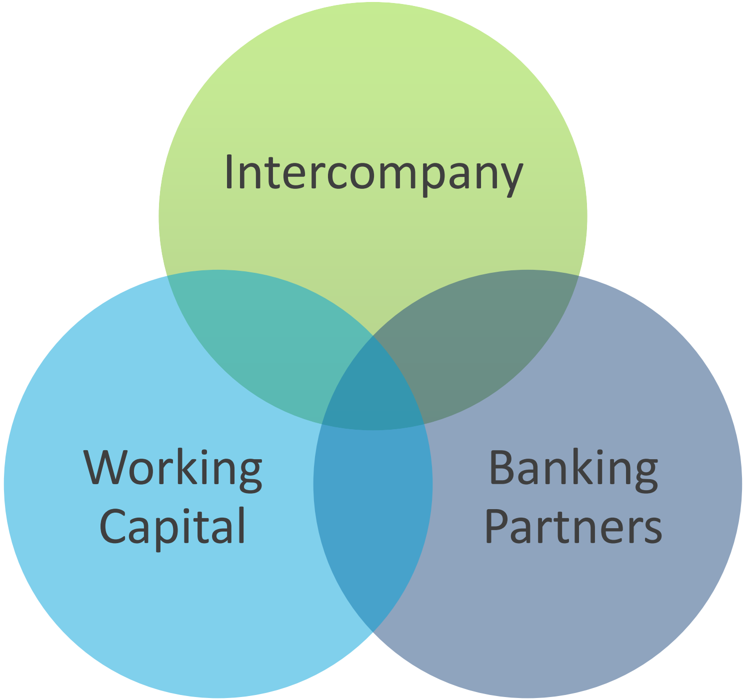
- Liquidity visibility (today and tomorrow)
- Leveraging global liquidity sources
- Project management and ongoing global monitoring
- Strategic business value to the organization

Current global liquidity profile

Do I understand my current liquidity structure… globally?

- Global bank balance visibility
- Corporate and local debt obligations (including i/c)
- Available local credit lines
- Local business and cash flows
- Insight to future liquidity demands
  - Forecasting objectives and process
  - Seat during the planning process
  - Internal alignment and buy-in

Three-pronged approach to treasury liquidity



- Mobilizing intercompany cash to enhance global liquidity, mitigate operational risk and positively impact P&L
- Working capital strategies to reduce the cash conversion cycle
- Utilizing bank partners to provide liquidity resources in strategic markets

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Intercompany liquidity considerations

Low cost liquidity source

- Internal cash is cheapest form of finance
- Automation through bank pooling structure
- Global deployment involving global entities, currencies and multiple bank relationships

Initial investment and due diligence

- Collaboration with treasury, tax, local finance and legal
- Financing entity (in-house bank) and loan documentations (participants)
- Optimization through automated bank pooling
- Technology investment and transparency

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Intercompany liquidity techniques

Intercompany infrastructure for cash mobilization

- Intercompany term notes
- Cash pooling and appropriate authorities to move the cash
- In-house bank legal structure, intercompany facilities
- Capital contributions, intercompany dividends
- Multi-lateral netting agreements, disciplined intercompany invoice settlement

Local bank balance targets and enforcement

- Challenge local balance requirements (show me your plan)
- Backstop of local credit line

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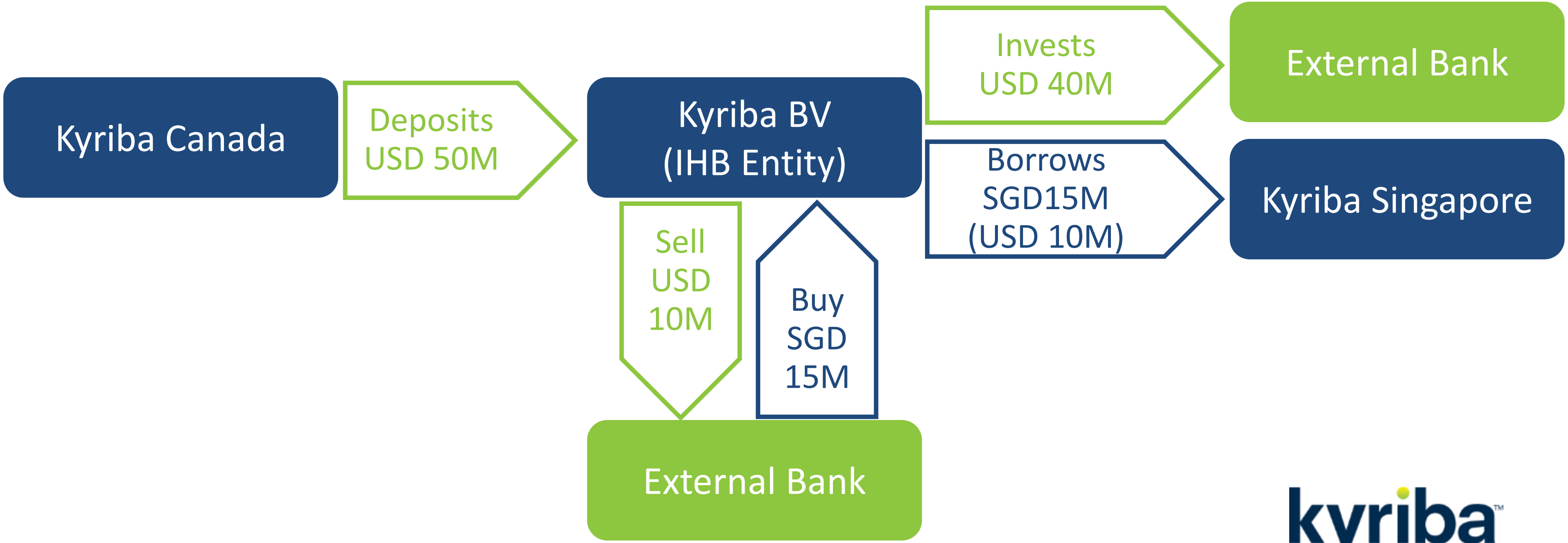
In-house bank liquidity example

- Address Kyriba Singapore liquidity deficit with Kyriba Canada surplus
- Reduce SGD external expense, achieve higher consolidated investment balance



Working capital optimization approach

Reduce the Cash Conversion Cycle

- Time cash is tied up in working capital
- Reduce DSO
- Extend DPO
- Optimize inventory balance

Cross functional strategic initiatives

- Demonstrate liquidity and P&L benefits
- AP, AR, manufacturing and procurement effort
- Involve your banks and technology partners

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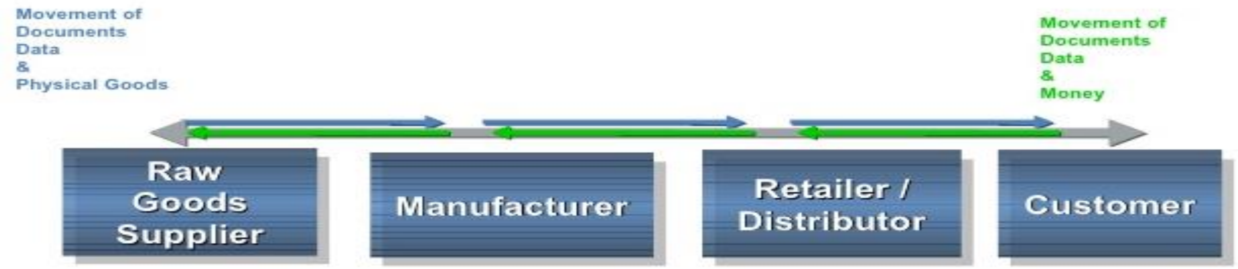
Optimization of the Financial Supply Chain

Physical SCM Vs Financial SCM



- What to buy?
- When to buy?
- How much to buy?
- From whom to buy?
- **Just-in-time-manufacturing**

- What and how to pay?
- When to pay?
- How much to pay?
- Who to pay?
- **Just-in-time-cash**

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Factors driving supply chain finance programs

- Regional liquidity risks due to US/OUS cash allocation
- Achieving operating cash flow targets
- Large companies generally have stronger credit ratings and excellent access to credit when compared to their suppliers
- Suppliers generally fund themselves via expensive working capital solutions with higher funding costs
- Suppliers often encounter issue of late payments which places major strain on their cash flow

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Payable financing steps

1. Supplier requests early payment from buyer invoice
2. Bank pays supplier early at discount
3. On due date of invoice buyer pays the bank full value of invoice

A win-win-win for supplier, buyer and bank

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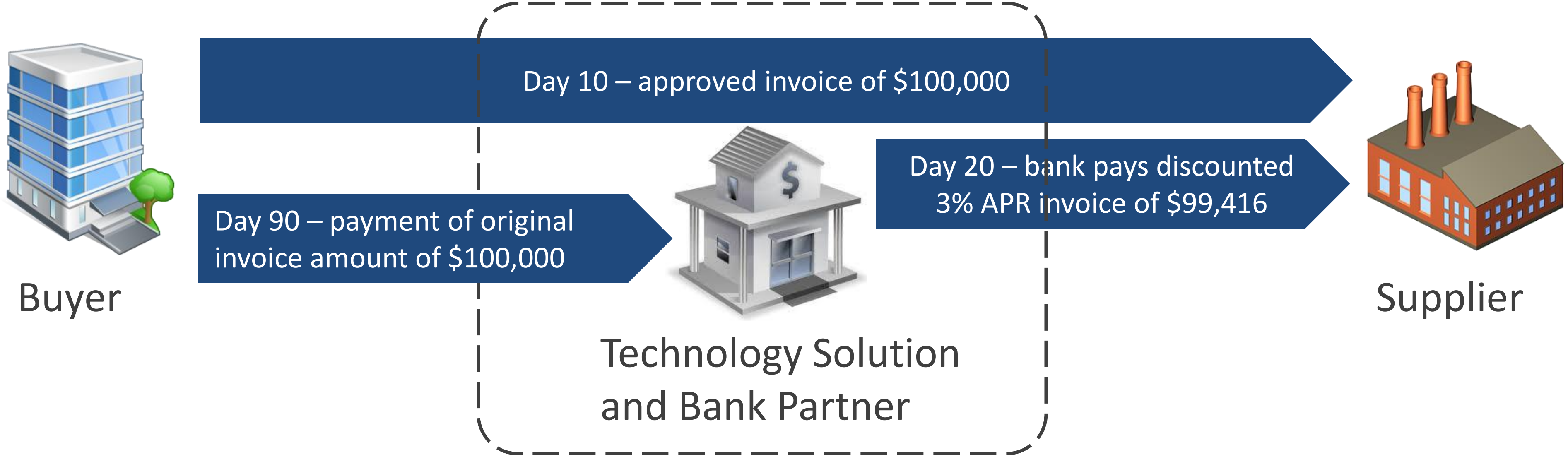
Workflow: payable financing example

Scenario: Buyer receives $100,000 invoice from supplier with 90-day payment terms



Benefits – payable financing

Buyer

- Extend payment terms without negatively impacting supplier's cash flow
- Improve *DPO* metrics to enhance working capital
- Minimize counterparty risk from improved financial health through the supply chain
- Improve supplier relationships

Supplier

- Real-time transparency of receivables
- Receive payments for 100% of invoice value, less any financing charges
- Improve *DSO* metrics to enhance working capital
- Opportunity to discount receivables at a better rate than other trade finance options by leveraging buyer's credit

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Local banking partners

Partner with corporate and regional offices to provide reliable liquidity solutions

- Overdrafts (intraday and overnight)
- Guarantees / Letters of Credit
- Regional pooling solutions
- Regional AR/AP working capital solutions
- One-off programs to meet local needs

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Commencing new liquidity optimization project

- Champion strategic alignment
  - Involve your stakeholders; communicate value to internal partners
  - Senior management sponsorship
  - Engage technology and banking partners
- Set realistic implementation goals
  - Distinct deliverables, consistent 'wins'
- Pay attention to local needs
  - Propose solutions to liquidity problems that impact the organization (know your businesses!)
  - Ensure regulatory compliance

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Measuring global liquidity management

Set Objectives

- Clear reporting expectations for global regions
- Senior management buy-in and incentives
- Set metrics and KPIs: e.g. target bank balances, forecast accuracy

Liquidity Scorecard

Entity	Act	Plan	F (U)
Acme CA	0.9	0.5	(0.40)
Acme UK	1.6	1.0	(0.60)
Acme JP	0.8	1.0	0.20
Acme DE	0.5	0.5	-
Acme AU	1.1	1.0	(0.10)

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Monitor

- Transparent and proactive reporting
- Treasury scorecards, incentives, multibank technology communication channels

Realign

- Take action – working capital strategies (e.g. SCF) to improve cash flow
- Proactive restructuring of liquidity and KPIs as business evolves

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Liquidity risk management & optimization summary

Improve cash and liquidity visibility

- Technology
- Banking channels
- Global consolidation and reporting

Access to available liquidity

- Payment authorities
- Target balancing
- Pooling

Ensure liquidity programs in place

- Optimize intercompany cash flow sources
- Working capital solutions
- Banking partners

Treasury as strategic partner to support global business objectives, execute corporate investments and reduce operational risks

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Treasury's business value

Manage global liquidity and financial risk

- Mitigate liquidity and operational risk through comprehensive visibility and cash control
- Support liquidity demands of global companies (i.e. customers) by optimizing local cash balances
- Execute corporate strategic investment and capital allocation strategies
- Provide guidance to leadership through cash flow measurement and alignment with strategic plans
- Improve shareholder sentiment by optimizing balance sheet cash position by improving long-term cash forecast

Case Study – Cunningham Lindsey

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Introduction to Cunningham Lindsey

- Cunningham Lindsey is one of the leading global loss adjusting and claim management companies headquartered in Tampa with locations in over 55 countries
- Global cash management presence with 260 operating bank accounts with 67 banks plus an additional 500+ accounts held for their clients
- Global treasury staff of six team members
- Alexander Hamilton Award for Cash Management awarded in Oct 2012 to Group Team

Cunningham Lindsey Global treasury project goals

- **Improve visibility into global cash**
  - Obtained weekly balances for less than 10% worldwide bank accounts (50% of global cash)
- **Improve accuracy of cash forecasting**
  - Struggled to achieve accuracy of 75% to 80% on average
  - Problematic at peak times when cash inflows doubled to tripled weekly averages
- **Optimize use of cash**
  - Cash held on balance sheet more than 250% over target
  - Not optimally deployed to pay down debt or invest in favorable ROI projects

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Global Liquidity project benefits

Global Cash Visibility

- Automated daily reporting on 92% of accounts from 50+ banks (previously 8%)
- 85% of entities have complete visibility into cash
- Comprehensive connectivity strategy of FTP and SWIFT

Cash Forecast Accuracy

- Measured actual to forecast performance of each business unit to identify problem areas
- Reduced cash forecast variances by 60%

Optimized Global Liquidity

- Implemented global in-house bank
- Target balancing to centralize cash and reduce local balances
- Paid down external debt reducing interest expense and adding enterprise value

Audience questions

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