



The True Value of a Treasury System

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Today's Agenda

Topics of Discussion

- What is the true value
- Why not automation?
- Uncovering value benefits
- Getting into the details with Hunt

Importance of uncovering value of a TMS

Building a business case for technology is a reality

- Executive approval almost always needed
- Budget isn't just "handed out"
 - Even if informal, justification often has to be presented
- Justification often involves a mix of quantitative and qualitative benefits
- Productivity (measured by time savings) isn't enough

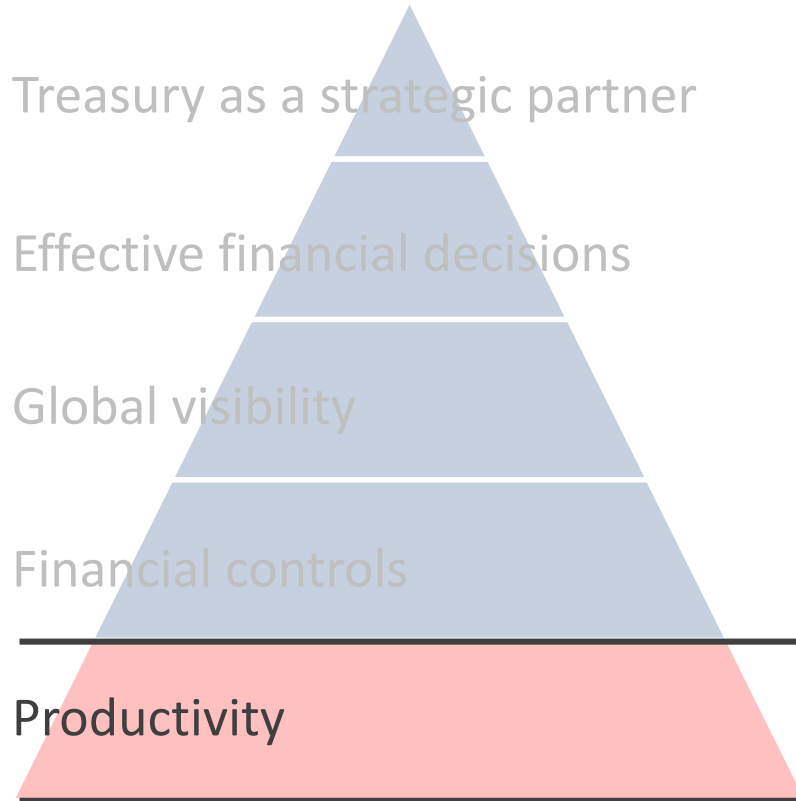
Importance of uncovering value of a TMS

Productivity is a 'soft' benefit

- Treasury doesn't get downsized for improving productivity
- You will still have a job; in fact, you will have a better job
- Productivity improvements are generated across all treasury roles
 - Would take realignment of treasury team's responsibilities to free up an entire FTE

Only realistic opportunity to count time savings in ROI is when additional headcount doesn't need to be hired

Value Creation Hierarchy



Single point of data entry

- Eliminate re-keying errors
- Improve accuracy and confidence in analysis

Automate repetitive tasks

- Shift time from processing to analyzing
- Achieve results more quickly

Streamline reporting

- Automate and schedule preparation and distribution

Value Creation Hierarchy



Examples

Streamlining of payments process

- 50 hours / month (25% ↑)

Consolidating Cash Forecast

- 80 hours / month (50% ↑)

Automating GL Entries

- 4 hours / day (50% ↑)

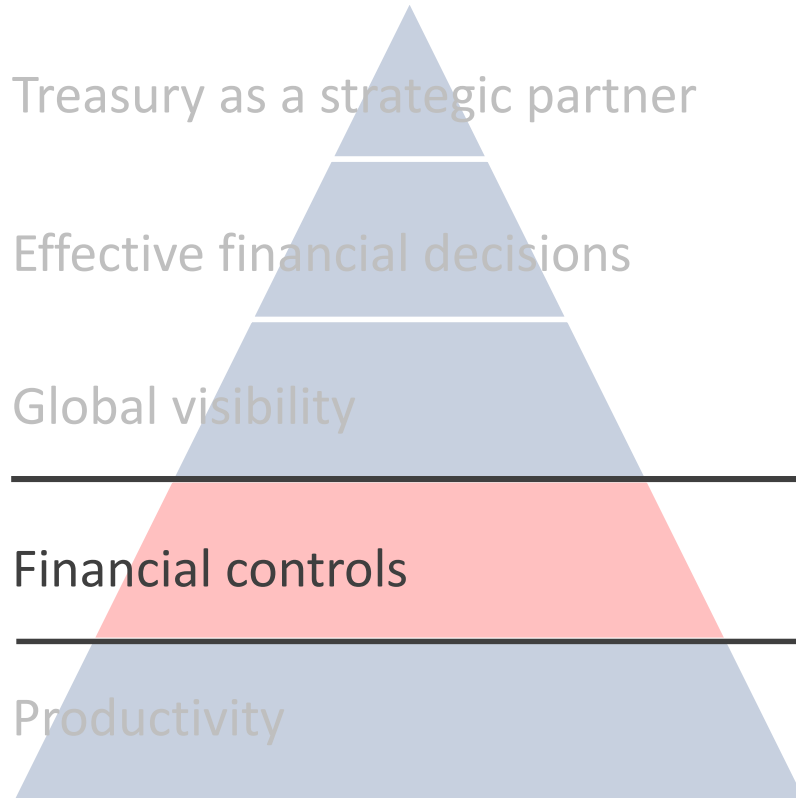
Multi-bank reporting

- 2 hours / day (25% ↑)

Productivity

$$\text{Productivity} = \frac{\text{Hours saved}}{8 \text{ Hours per day}} \times \text{Annual FTE Cost}$$

Value Creation Hierarchy



Improve data integrity

- Eliminate reliance on 'super' spreadsheets
- Standardize processes and procedures

Controlled workflow

- Separation of duties
- Reduce SOX audit costs

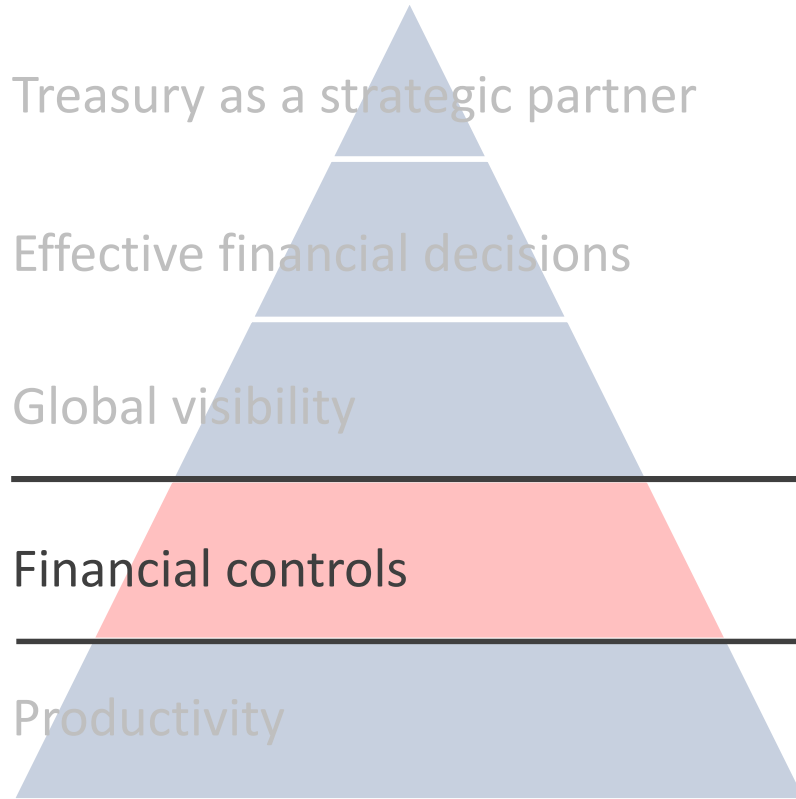
Centralized audit trails

- Improve visibility and transparency
- Better control of workflow

Reduce propensity of fraud

- Standardize payment workflows
- Central management of bank accounts
- Cloud hosting -> reduce internal fraud

Value Creation Hierarchy



Examples

Not as easy to quantify!!

Reduce SOX Audit Costs

- 50% reduction in time taken

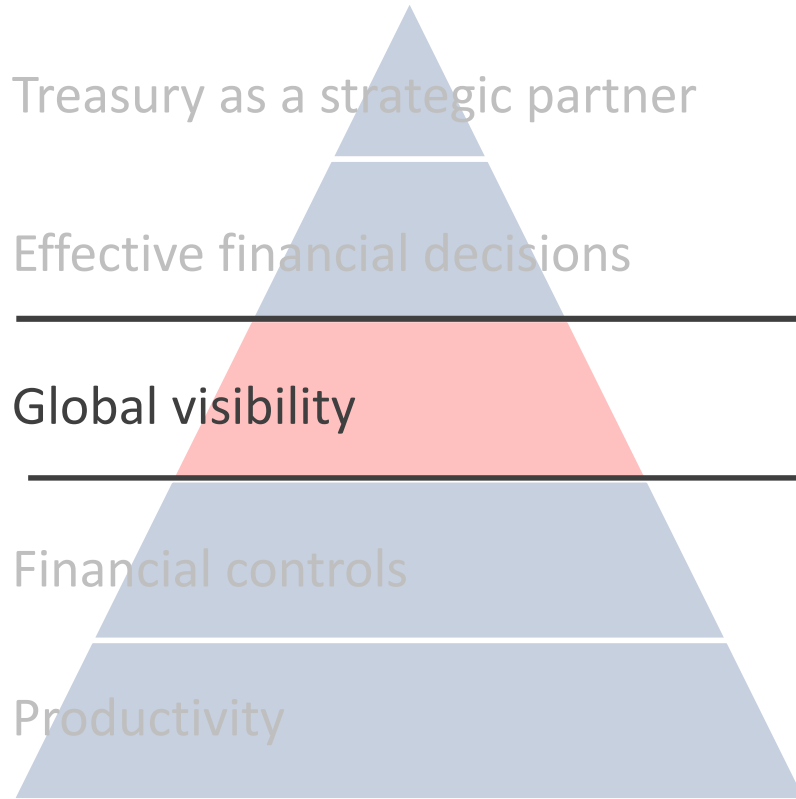
Reduced likelihood of fraud

- Total Cost of fraudulent payment or bank account
- % of event occurring

Reduced likelihood of errors

- Cost of error (e.g. broken formulae, 'extra' zero, duplicate payment)
- % of event occurring

Value Creation Hierarchy



Cash

- Bank reporting
- Cash positioning
- Forecasting
- Liquidity

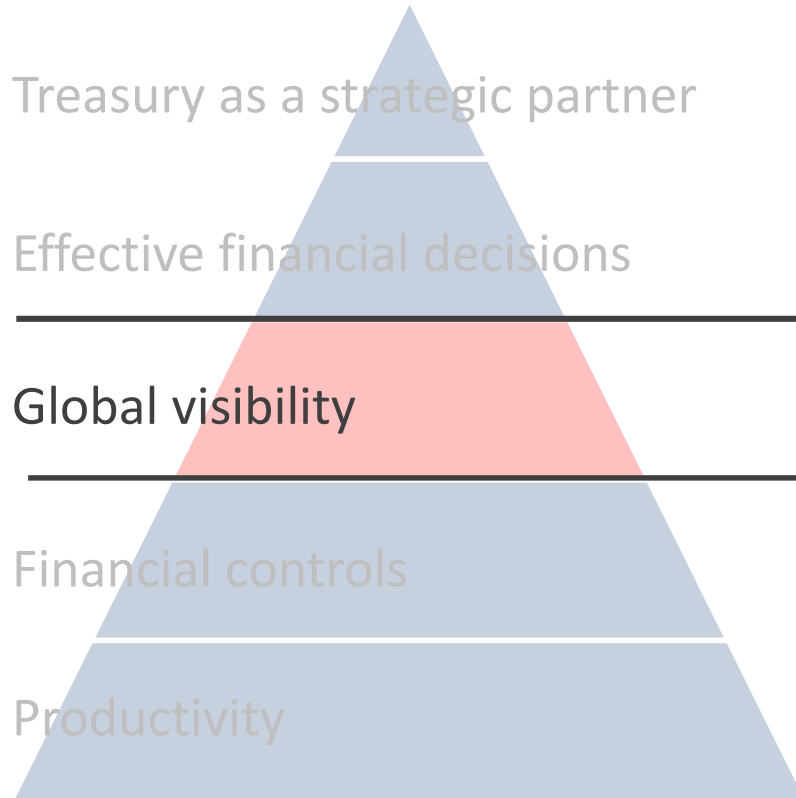
Financial positions

- Investment
- Debt
- Intercompany
- Foreign exchange

Exposures

- Foreign exchange
- Interest rate
- Counterparty
- Supply chain

Value Creation Hierarchy



Examples

Value of visibility is in the decisions it enables

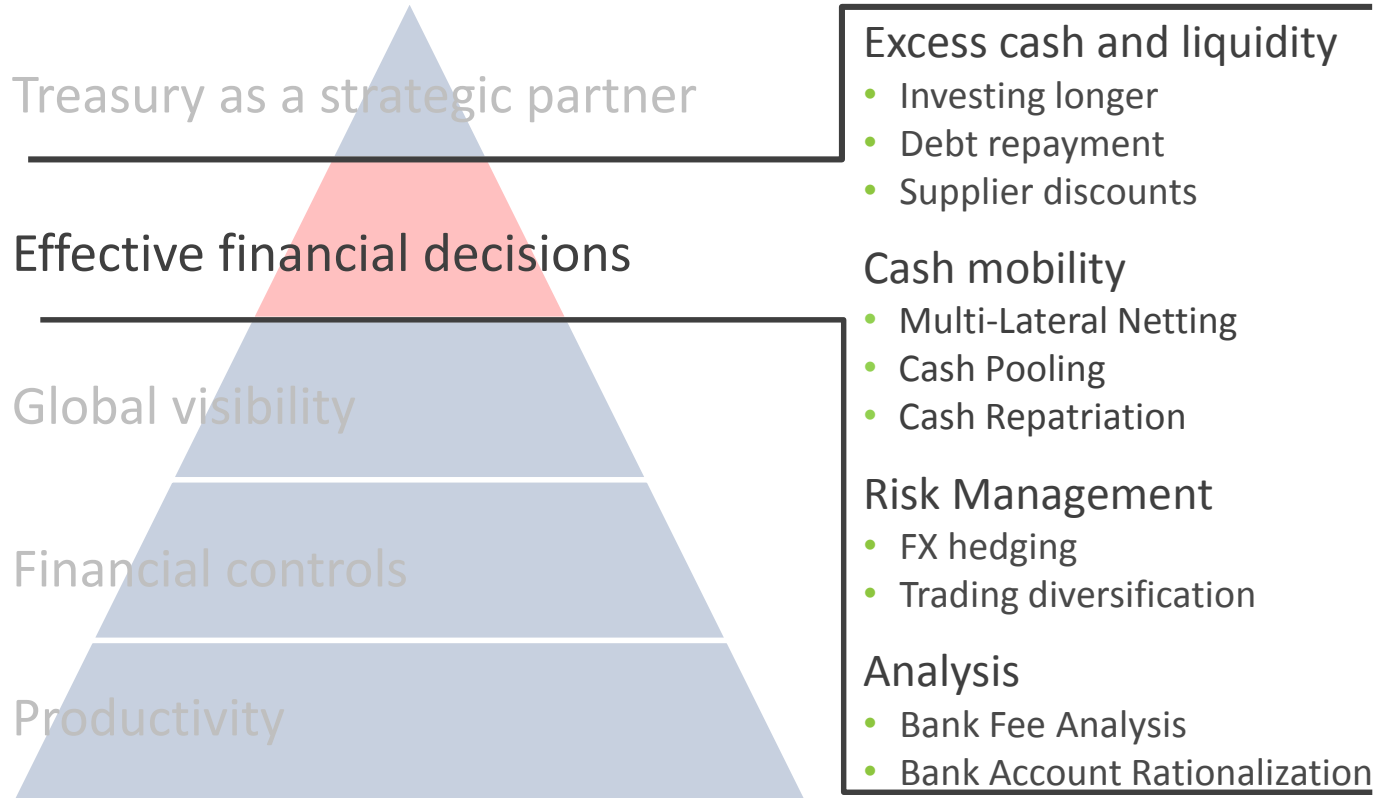
Bank Account Optimization

- Visibility into bank accounts
 - Visibility into bank fees
 - Visibility into bank reporting
- = cost/benefit of bank accounts

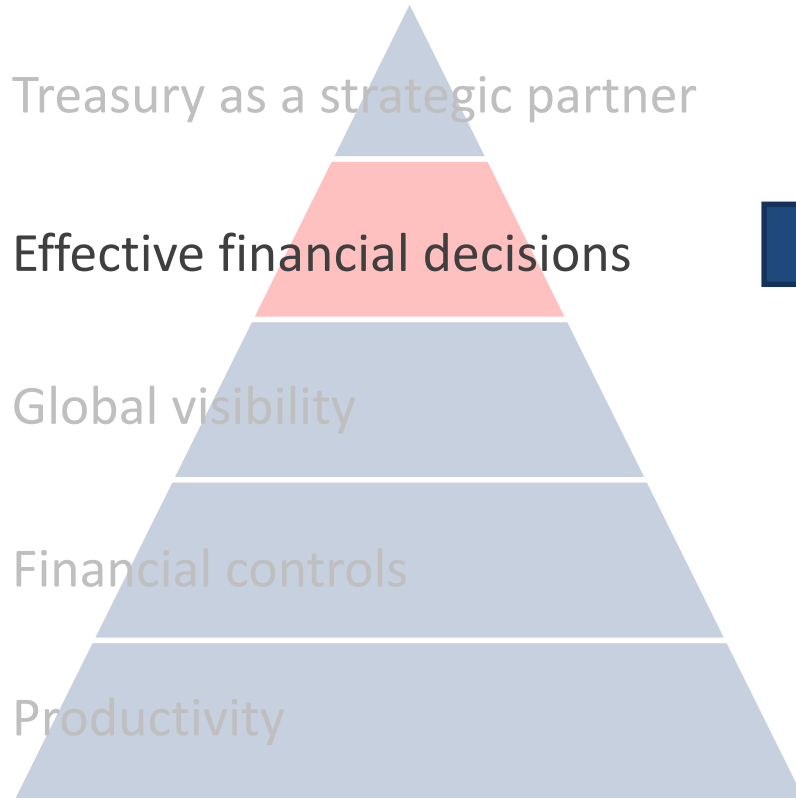
Identifying idle pockets of cash

- Visibility into bank reporting
- Can find balances didn't know you had (or balances higher than realized)
- More likely for decentralized

Value Creation Hierarchy



Kyriba – Business Value

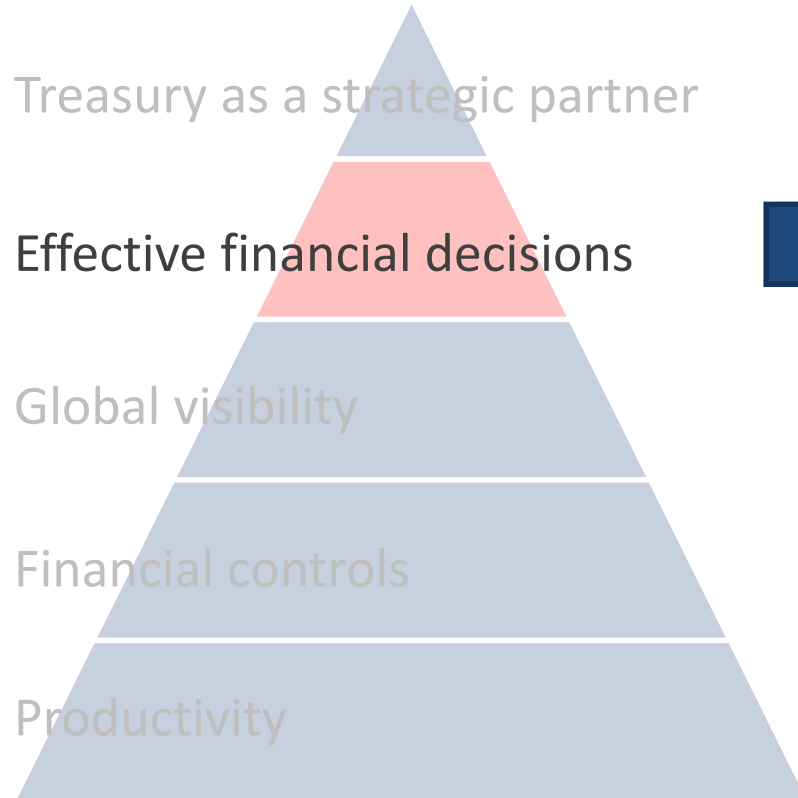


Visibility

Cash Forecasting

- By improving forecast accuracy, CFOs are able to reduce idle or underinvested cash balances and increase returns on cash
- For every \$10M of idle cash freed for strategic investment, bottom line impact is > \$100,000/year

Kyriba – Business Value

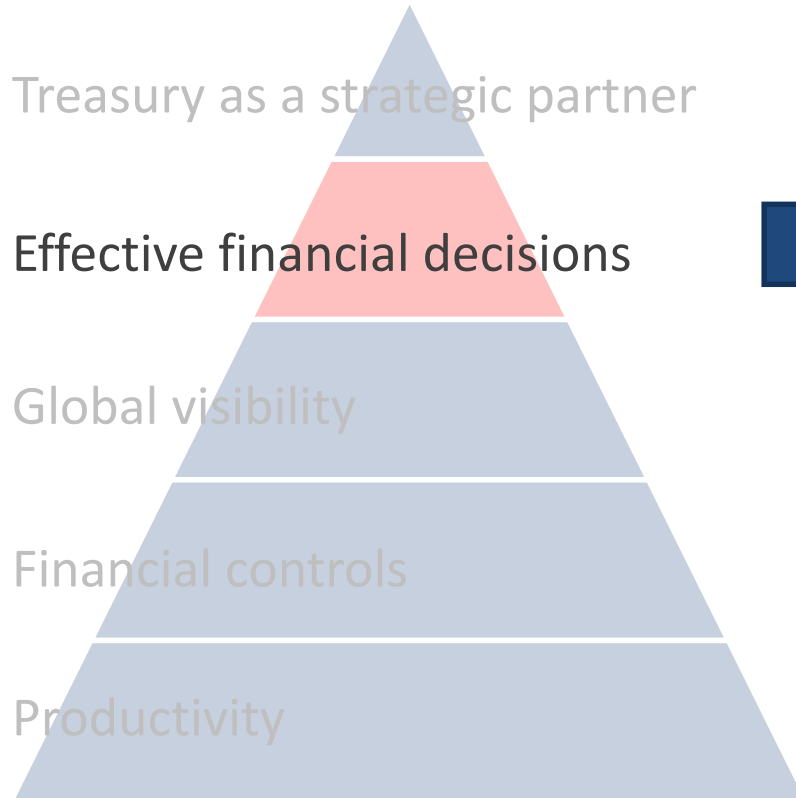


Visibility

Hedge Effectiveness

- A better forecast means a better hedge program
- For a \$1B distributor with 50% global revenues, a 1% \uparrow in USD means \$500M of global revenue becomes \$495M
- Increasing hedge coverage from 50% to 75% protects \$1.25M for every 1% \uparrow in USD

Kyriba – Business Value

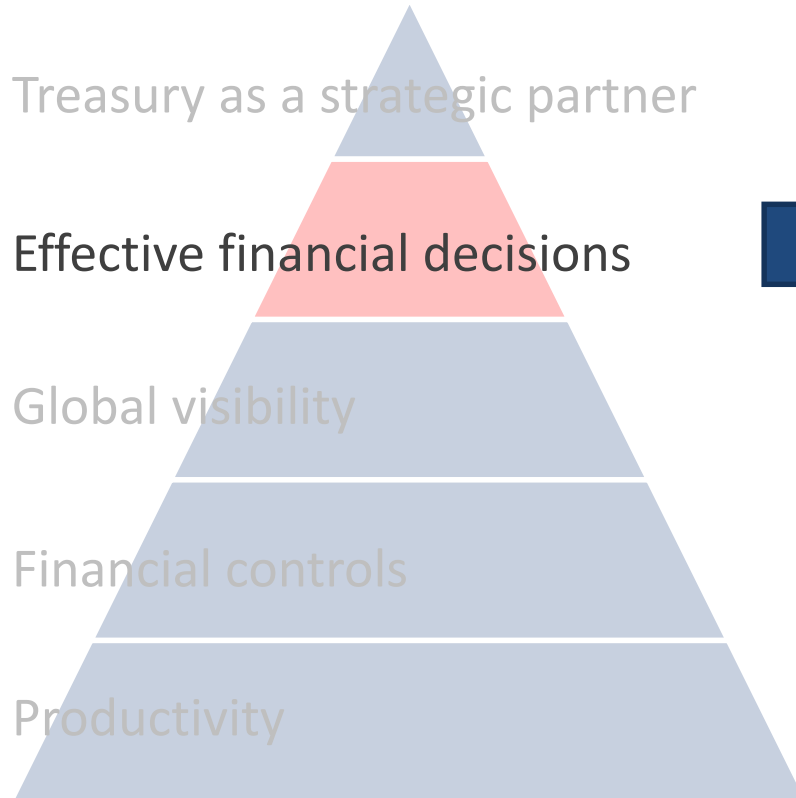


Optimization

Reduced Bank Fees

- TMS enables rationalization of bank accounts, elimination of data storage costs and redundant users, implementation of transaction netting
- Will reduce bank fees by at least 10-20%
- At least \$50,000 to \$100,000/year

Kyriba – Business Value



Controls

Fraud Prevention

- TMS strengthens controls for cash management, payments and bank accounts.
- Direct financial loss alone is typically \$100,000+ (many examples of \$1M+)
- Reputational risk and stock price degradation are millions → billions

Value Creation Hierarchy



Build value through collaborative business partnerships

- Intelligence
- Insight
- Analysis

Examples

- Shared service model
- Forecasting economic change
- Sales enablement
- M&A analysis
- Market expansion
- Business Intelligence

Using a TMS at Hunt Companies



Hunt Companies, Inc.



- Founded in 1947
- Invests in business focused in the real estate and infrastructure markets
 - Investment management
 - Mortgage banking
 - Direct lending
 - Loan servicing
 - Asset management
 - Property management
 - Development
 - Construction
 - Consulting and advisory
- The platforms employ over 6,000 people and touches over \$30 billion in assets



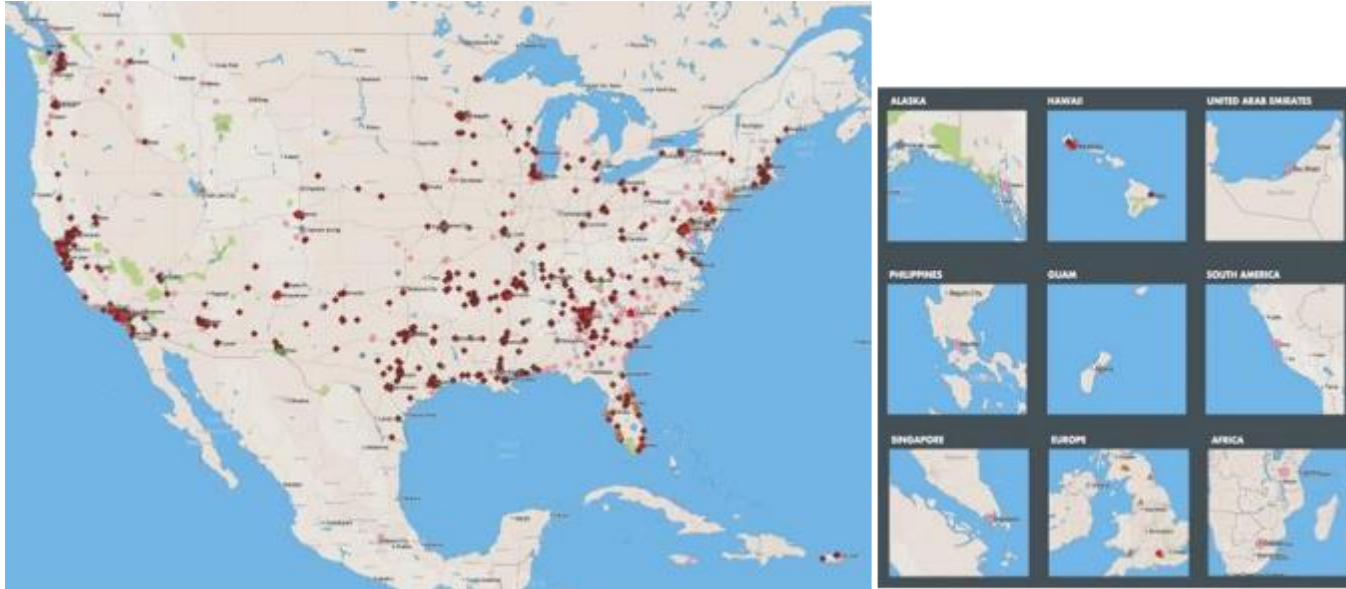
Hunt Companies, Inc.

- by the numbers



Hunt Companies, Inc.

Hunt manage diverse assets throughout the U.S. and worldwide



Hunt – Treasury Overview

– Treasury Team

- Formerly two treasury teams brought together
- Total of 5 people
- Located in New York and El Paso
- Responsible for:
 - Cash Positioning
 - Bank Account Management and
 - Cash Forecasting and
 - Fraud Protection
 - Payments
 - Foreign Exchange

Hunt – Treasury Transformation

December 2014 – began project to transform treasury

Key objectives

- 1) Adopt treasury best practices
- 2) Review treasury technology
 - Identify opportunities for automation, generation of value
 - Select and implement a best-of-breed treasury management system to enable Hunt’s global treasury operations

Hunt – Treasury Transformation

Scope of best practices review

- Cash Management
- Cash Accounting
- Payments
- Bank Account Management
- Cash Forecasting

Hunt – Project Objectives

Opportunities for treasury technology

- 1) Automate and improve cash management process
- 2) Improve effectiveness of cash positioning and forecasting
- 3) Automate interfaces to the General Ledger
- 4) Centralize and standardize the payment process
- 5) Improve management of bank accounts and single system of record for account/signatory information

Hunt – TMS Selection and Implementation

- Initiated selection process in Summer 2014
- Collaborative process across finance
- Selected TMS in Fall 2014
- Decision factors included:
 - Cloud
 - Aligned with business requirements
 - Cost/Value
 - Viability – we wanted partner that could support us for years



Hunt – TMS Selection and Implementation

TMS Project Implementation was

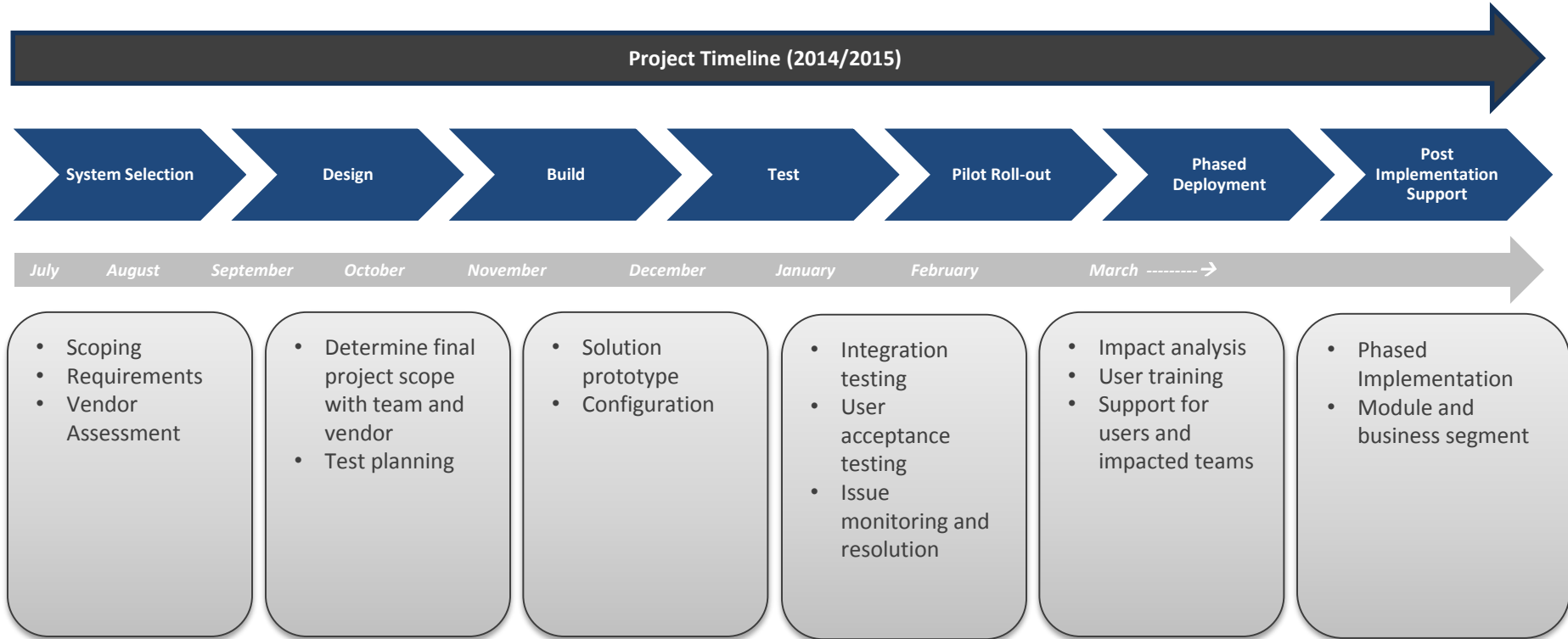
- Sponsored by the CFO
- Led by Treasury
- A collaboration of different groups:
 - Accounting
 - Accounts Payable
 - Technology
 - Treasury
 - Finance

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Hunt – TMS Selection and Implementation



Hunt – Project Objectives

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Hunt – technology successes

Cash Management

- Improve timeliness and accuracy of cash visibility
- Consolidate global bank reporting across 7 banks and 400+ accounts
- Automate generation of journal entries from bank transactions
- Speed up bank reconciliation process



Hunt – technology successes

Cash Management

Results

- Saved significant time across various roles
- Earlier to market: Cash position set by 10am
- Proactive reporting: Get analysis in people's hands by 8am ET (previously they had to login to bank portals)
- Generates 100% of cash journal entries
- Created new reporting that didn't previously exist

Hunt – technology successes

Payments

- Previously had two treasury management systems + bank portals to initiate payments
 - Very, very inefficient and a huge operational risk
- Disparate workflows for approval and transmission of payments
- Increased risk of fraud due to system disparity
 - Possibility it could happen and lacked ability to detect potential fraud due to lack of visibility



Hunt – technology successes

Payments

Results

- Full visibility: reduced operational risk
- Centralized payment workflows in Kyriba; connected to 5 banks
- Processed 8,000 payments with value of \$9 Billion+
- Standardized approval and documentation procedures for payments – regardless of bank, payment type, region
- Better fraud prevention and detection



Hunt – technology successes

Bank Account Management

- Two different systems tracking bank accounts with separate processes, signatories
- Multiple auditors and regulators
- Lacked visibility into bank accounts and corresponding signatories
- Needed better controls as accounts open/closed often



Hunt – technology successes

Bank Account Management

Results

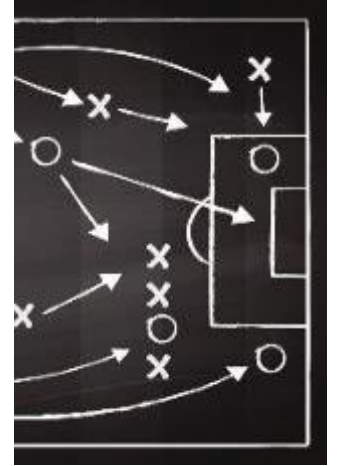
- Single system of record for bank accounts and signatories
- Improved visibility across all accounts; every account is known
- Better controls to manage open/closing + change of signatories
- FBAR not a driver for Hunt, but have all the data to comply



Hunt – the next successes

Phase 2 of TMS Implementation

- Setup Debt and Investment tracking within TMS
 - Currently managed in Excel, but lacks STP and integration with cash forecast
- Migrate Cash Forecasting to TMS
 - Operational risk to use Excel for forecasting
 - Lacks straight through process and auto reconciliation with cash position
 - Want automated variance analysis to increase confidence in forecast



Tips and Tricks to make your TMS successful

- Define your goals and be realistic on timing
- Get buy-in from all parties that will be affected
- Flexible budget that leaves room for additions, changes, customizations, etc
- Name executive level “champion” (e.g. CFO) to support the project
- Keep banks informed during the project (to avoid surprises = slow downs)
- Don't stop at demonstrations; require proof of concept with actual data
- Find your own references in addition to what vendor will volunteer
 - Ask your banks, ask your peers at TMANY
- Attend vendor user conferences, advisory boards, user groups, educational webinars (if offered)

Summary



- The value of a TMS is not productivity
- Automation frees time to accomplish value-added projects
- Making better decisions ➡ value
- Setting goals in advance helps ensure results = expectations
- Collaboration and executive sponsorship are keys to success



Questions?

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