The True Value of a Treasury System

David Miller
SVP, Treasurer

Bob Stark
Vice President, Strategy
Today’s Agenda

Topics of Discussion

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

- Productivity
- Financial controls
- Global visibility
- Effective financial decisions
- Treasury as a strategic partner

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

Treasury as a strategic partner

Effective financial decisions

Global visibility

Financial controls

Productivity

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 = \[ \frac{\text{Hours saved}}{\text{8 Hours per day}} \times \text{Annual FTE Cost} \]
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

- Financial controls
- Global visibility
- Effective financial decisions
- Treasury as a strategic partner
- Productivity

Value Creation Hierarchy

© 2016 Kyriba Corp. All rights reserved.
Value Creation Hierarchy

- **Treasury as a strategic partner**
- **Effective financial decisions**
- **Global visibility**
- **Financial controls**
- **Productivity**

**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

Treasury as a strategic partner

Effective financial decisions

Global visibility

Financial controls

Productivity

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

- Productivity
- Financial controls
- Global visibility
- Treasury as a strategic partner

Effective financial decisions

- Excess cash and liquidity
  - Investing longer
  - Debt repayment
  - Supplier discounts

- Cash mobility
  - Multi-Lateral Netting
  - Cash Pooling
  - Cash Repatriation

- Risk Management
  - FX hedging
  - Trading diversification

- Analysis
  - Bank Fee Analysis
  - Bank Account Rationalization
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%↑ in USD means $500M of global revenue becomes $495M
- Increasing hedge coverage from 50% to 75% protects $1.25M for every 1% ↑ in USD
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

Treasury as a strategic partner
Effective financial decisions
Global visibility
Financial controls
Productivity
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

- **Productivity**
- **Financial controls**
- **Global visibility**
- **Effective financial decisions**
- **Treasury as a strategic partner**

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

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multifamily Housing Units Owned</td>
<td>56,482</td>
</tr>
<tr>
<td>Billion Mortgage Servicing Portfolio</td>
<td>$11B</td>
</tr>
<tr>
<td>Multifamily Housing Units Developed</td>
<td>3.5M</td>
</tr>
<tr>
<td>Total Development Costs on Closed Projects</td>
<td>$6.7B</td>
</tr>
<tr>
<td>Military Housing Units Managed</td>
<td>18,036</td>
</tr>
<tr>
<td>Multifamily Housing Units Owned</td>
<td>93,367</td>
</tr>
<tr>
<td>Acres of Land Owned and Under Option</td>
<td>4.9A</td>
</tr>
<tr>
<td>Multifamily Units Managed by Ledic Realty Company</td>
<td>38,243</td>
</tr>
<tr>
<td>Total Construction Value of Completed Projects</td>
<td>$13.3B</td>
</tr>
<tr>
<td>Commercial, Retail, and Industrial Space Owned</td>
<td>100,911</td>
</tr>
<tr>
<td>Moss Construction Backlog</td>
<td>$833M</td>
</tr>
</tbody>
</table>
Hunt Companies, Inc.

Hunt manage diverse assets throughout the U.S. and worldwide
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
TMS Project Implementation was

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

System Selection
- Scoping
- Requirements
- Vendor Assessment

Design
- Determine final project scope with team and vendor
- Test planning

Build
- Solution prototype
- Configuration

Test
- Integration testing
- User acceptance testing
- Issue monitoring and resolution

Pilot Roll-out
- Impact analysis
- User training
- Support for users and impacted teams

Phased Deployment
- Phased Implementation

Post Implementation Support
- Module and business segment

Project Timeline (2014/2015)

July
- Scoping
- Determine final project scope with team and vendor
- Test planning

August
- Solution prototype
- Configuration

September
- Integration testing
- User acceptance testing
- Issue monitoring and resolution

October
- Impact analysis
- User training
- Support for users and impacted teams

November
- Phased Implementation
- Module and business segment

December
- Post Implementation Support
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 – 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
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?

David Miller
David.miller@huntcompanies.com

Bob Stark
bob.stark@kyriba.com
@treasurybob

Q & A
The True Value of a Treasury System

David Miller
SVP, Treasurer

Bob Stark
Vice President, Strategy