



Managing the Modern Treasury

A Presentation to

FEI / FENG

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Bruce C. Lynn, CTP
Managing Partner

FECCG
THE FINANCIAL EXECUTIVES CONSULTING GROUP, LLC

Armando Gochuico
Manager, EY Global Treasury Services

Caye Hursey

Jeff Krasner

Agenda

- Panel Introduction
- The traditional treasury today
- A “perfect” treasury model
- Making it happen – building a business case for change
- Audience Q & A

Panel Introduction



Armando Gochuico - Panelist

Armando is a Manager in EY's Global Treasury Services practice in NYC with more than 20 years of financial industry experience in treasury and finance. Expertise include cash management, M&A-related treasury due diligence and integration, short-term and long-term debt issuance, process improvement and payments automation



Caye Hursey - Panelist

Corporate treasury professional with an expertise in international finance and risk and former Treasurer at Advanced Micro Devices (AMD) a 6BN public company



Jeffrey Krasner - Panelist

A fintech executive and Treasurer with over 30 years of experience in the Banking and brokerage industries, specializing in funding and liquidity, financial systems, cash, investment and capital management. He is currently VP of Product Development at Matrix Applications LLC, a provider of fixed income trading software.



Bruce Lynn, CTP - Moderator

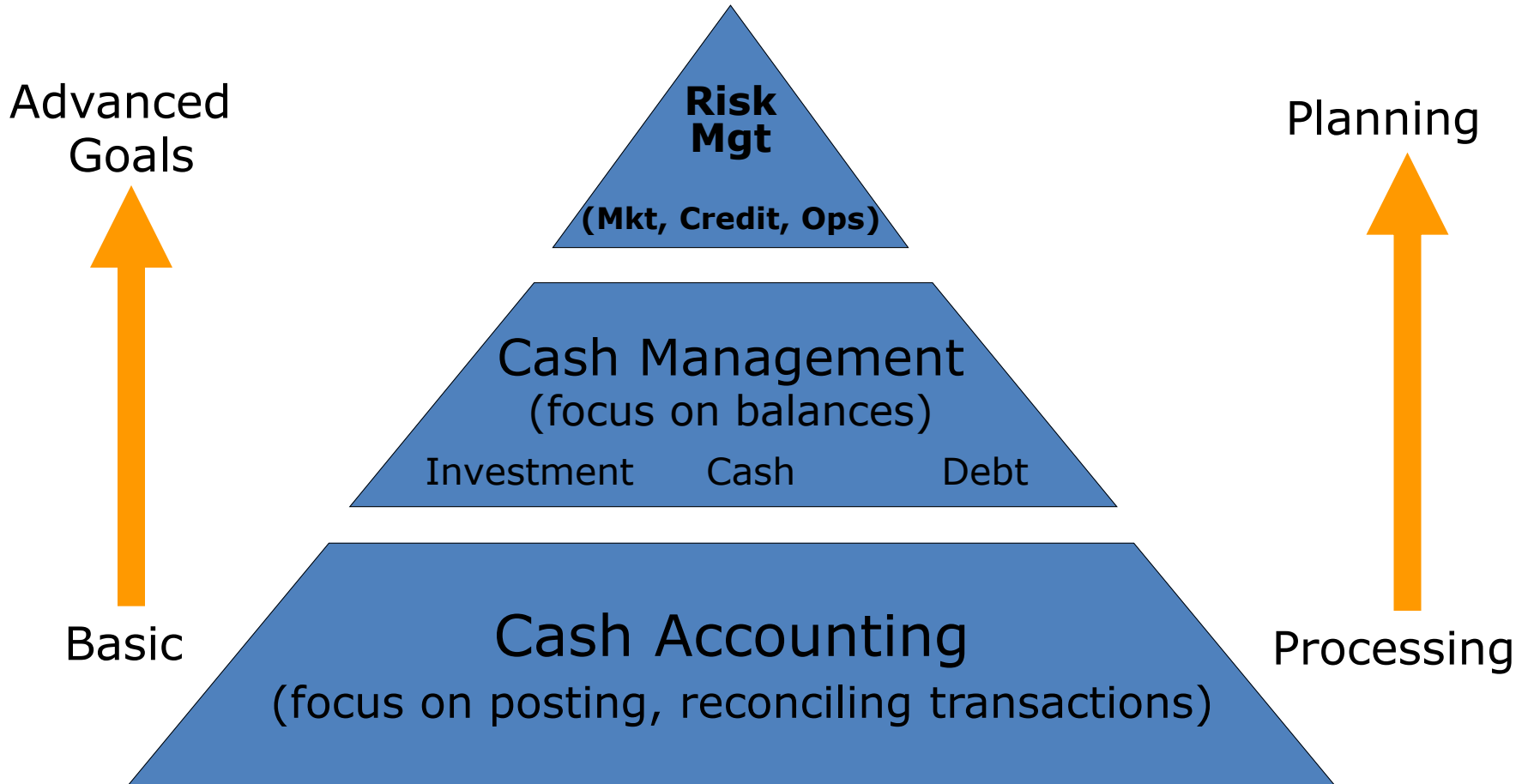
20 years of corporate and banking experience in all aspects of treasury by successfully tackling major assignments in such areas as treasury operations, cash management, strategic planning, credit, Treasury and systems enhancements

Audience Poll

1. Would you agree / disagree with the following statement: “Our treasury function spends a majority of its resources each month on transactional or cash accounting / reconciliation activities”
 - a. Agree
 - b. Disagree
 - c. Not sure
 - d. N/A - Our company doesn't have a treasury function

The Traditional Treasury

- Focused on Processing
- Resources devoted to repetitive tasks



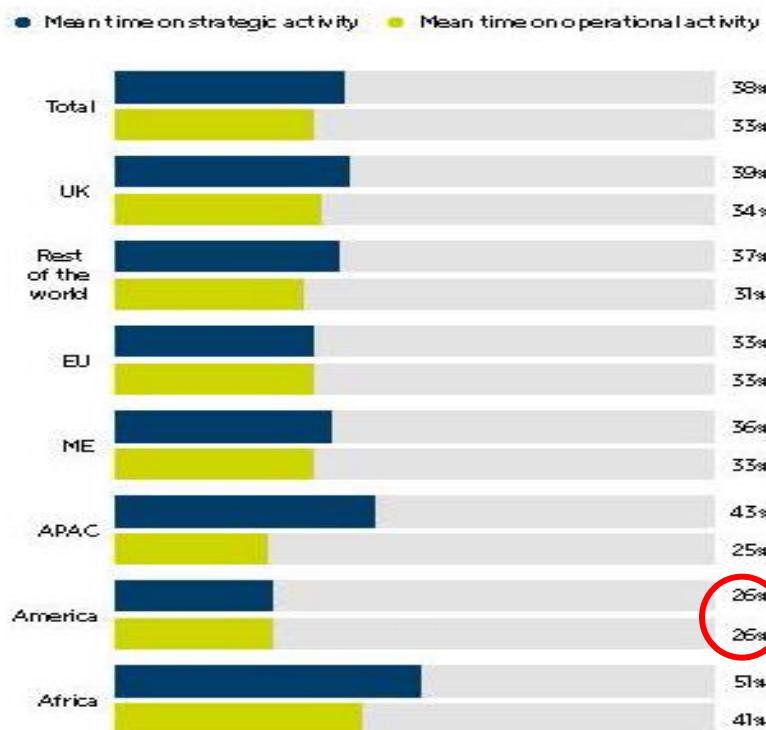
The Traditional Treasury (Continued)

- Number of S & P companies using cash flow metrics is low
- % of time spent on “strategic” activities is low

S & P 500 Free Cash Flow (FCF)			
Year	Mention in 10K	Defined?	% D =423
2002	38	19	9
2007	79	28	
2012	94	46	
2017	121	61	29

Source:
Georgia Tech Financial Analysis Lab Report - April 2018;
ProEDGAR Online Database, www.pro.edgaronline.com/

Average time spent on strategic versus operational activities



Source: Business of Treasury 2018, Association of Corporate Treasurers (ACT)

Discussion Questions

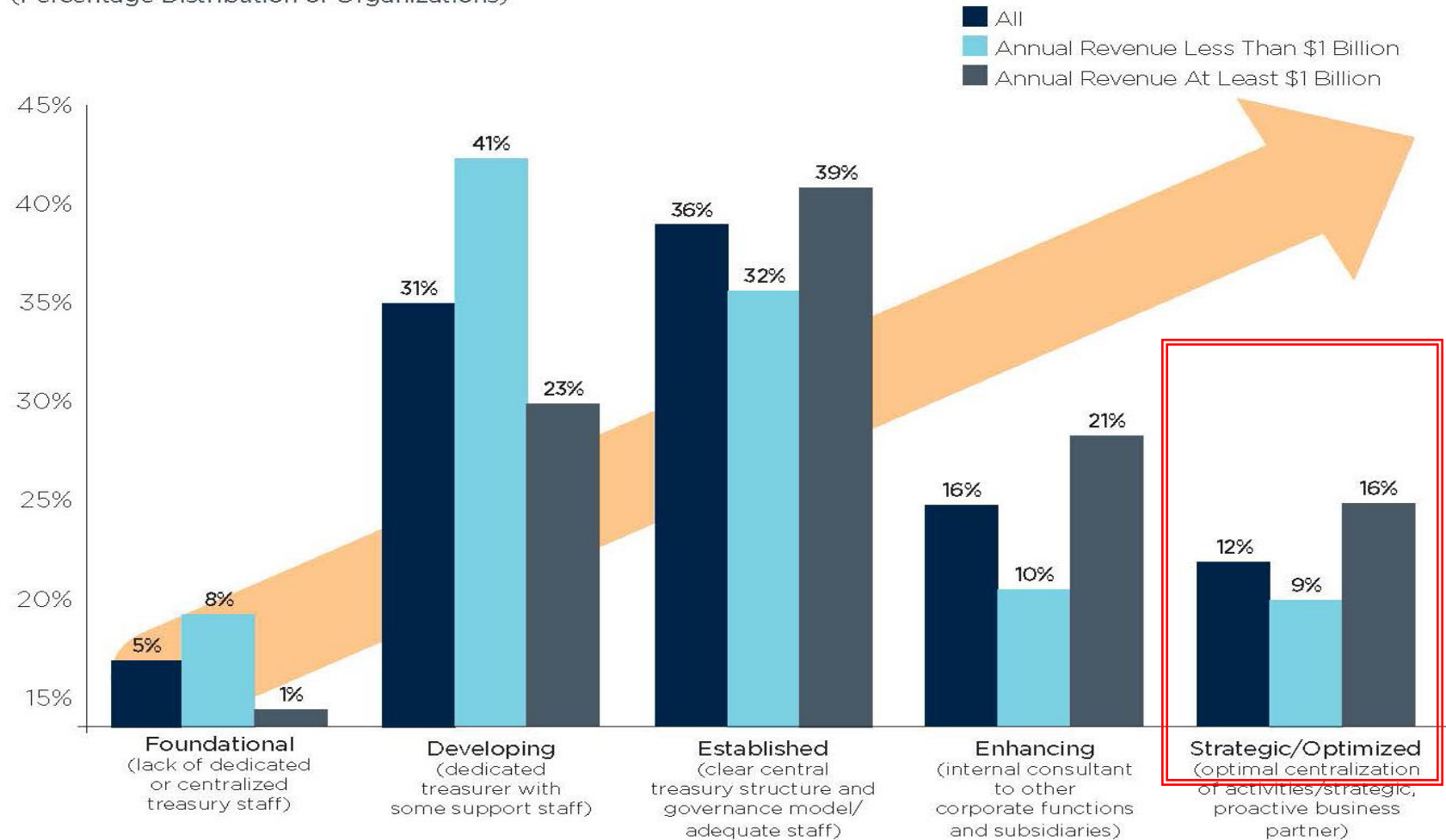
- What primary resources does treasury depend on to accomplish its mission and were they “enough”?
 - Banking network – contributor / constraint?
 - Staff levels / training – at the right levels?
 - Technology – too many spreadsheets?
- Do other functions within the company (business units, FP & A, Audit, Tax, etc.) view treasury as a “partner” ?

Audience Polling Question

2. How mature is your treasury function?
 - a. **Foundational** – focus is on cash accounting; no centralized or dedicated treasury staff
 - b. **Developing** – resources focused on cash mgt. / payment transactions; staff dedicated to cash functions
 - c. **Established** – Resources focused on cash, debt, investments: dedicated & centralized treasurer + treasury staff
 - d. **Enhanced** - centralized and regional treasury resources; special treasury technology in use; forecasting important
 - e. **Strategic** – enhanced + uses metrics to evaluate liquidity and risk alternatives throughout company; acts as “in house bank” or consultant to allocate internal funds to business units

The Traditional Treasury (Continued)

Position of Treasury Department on the Maturity Spectrum
(Percentage Distribution of Organizations)



Source: 2017 AFP Strategic Role of Treasury Survey, p3

Discussion Questions

- What support (internal / external) would treasury need to become a “modern” treasury?
- Which comes first: show value or invest in more treasury resources (e.g. staff, technology, etc.?)

3. How should treasury measure its success (i.e. ability to add value)? (choose all that apply)
 - a. Contribution to EBITDA?
 - b. Ability to effect operating cash flow?
 - c. Impact on borrowing utilization ?
 - d. Reduce exposure to “rate risks” (e.g. currency, commodity, interest rate)?
 - e. Ability to obtain “enough” 3rd party capital at the lowest after tax cost?

A Model for the “Perfect” (Modern) Treasury



- Policies Highly Visible
- Interactive Communications
- Plan, Actual & Forecast in Sync

- Functions & Systems integrated
- Performance Metrics in Place to Demonstrate Value

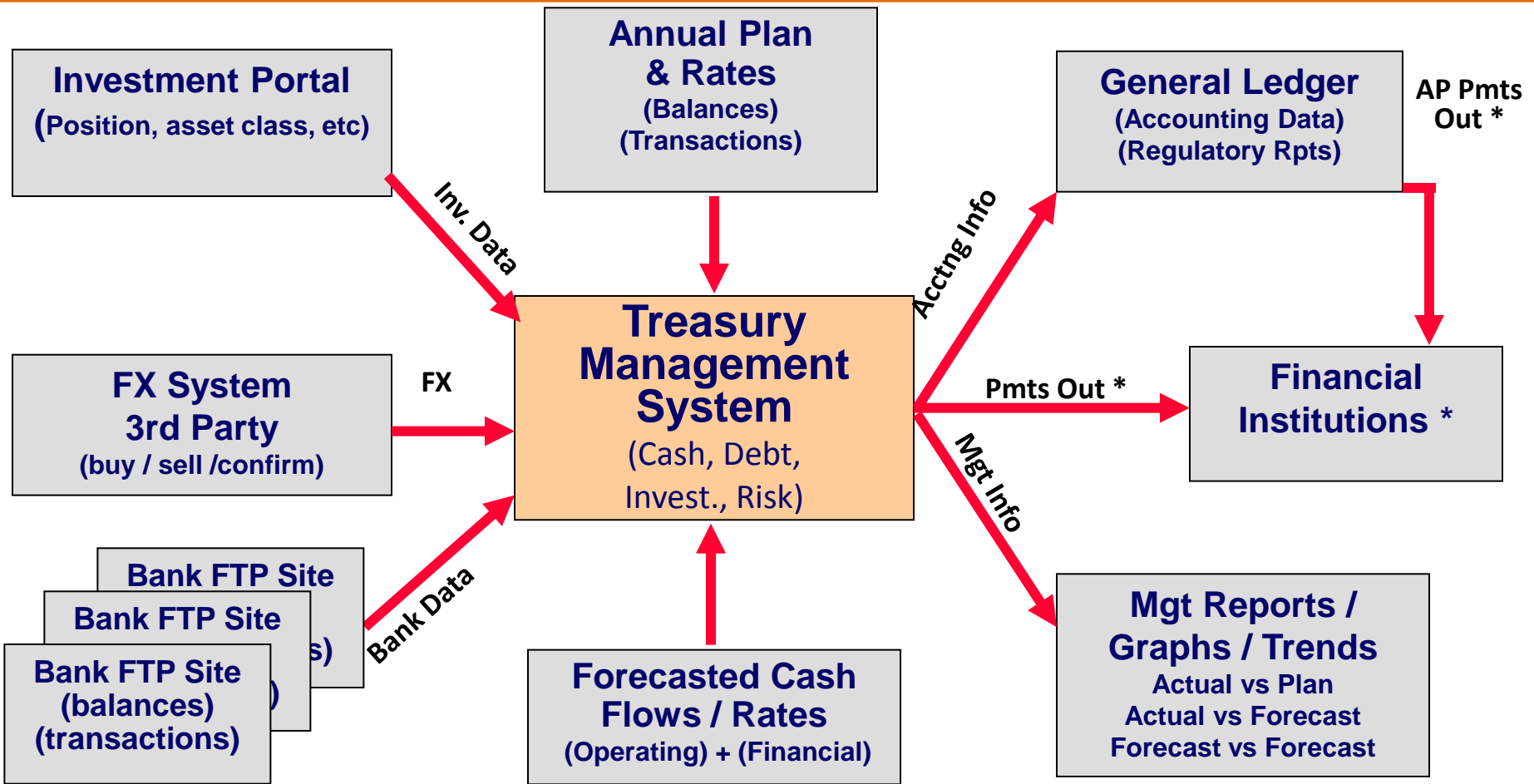
A Model for Modern Treasury (Continued)

- Become a strategic unit to add value by:
 - Shifting workload to strategic analysis/decision making
 - Centralizing funding/banking/FX (but leave execution local)
 - Focusing on forecasting and future events
 - Developing “success” metrics
 - Free Cash Flow
 - RAROC or “risk adjusted returns to capital”
- Move from Traditional to Modern with a “4 flows” model
 - Become pro-active by preventing rather than curing liquidity or risk issues
 - Become a problem solving resource for business units
 - Take economic ownership of the cash flow statement
 - Broaden career opportunities - interactions with FP & A, Tax, Board

Modern Treasury - Integration Check List

	Work flows	Cash flows	Accounting flows	Information flows
Cash	Deadlines Priorities Utilization	Payments Frequency Purpose	GL Accounts Deadlines	Position, Currency, Targets, Forecasts
Debt	Due date, deadlines	Borrow Repay	Interest expense	Covenants, terms, maturity
Investments	Due date, deadlines	Purchase Redeem	Interest income	Asset class, maturity
Risk	Authorize Compliance	Volatility Hedges	Hedge accounting	Exposure, targets Structures
Legal Entities	Setup Count	Interco.	Fees	Ownership Parent/child groups
Staff & Counterparties	Experience Priorities Deadlines	Beneficiaries Deadlines	Info source, Bk fees, penalties, reconciliation	Banks, contacts
Policies / Procedures	Responsibilities: FP&A, Audit, Tax, Treasury, Business units (Key - one unit's output is another's input)			
Technology	Integration: Market prices, In house, TMS, ERP, Portals, Spreadsheets, Regulatory / management reports			

Modern Treasury - System Relationships



* Need for link from TWS to Bank depends on payment purpose and ERP system

4. What benefits could accrue to a company by transitioning from a traditional to a strategic treasury function? (choose all that apply)
 - a. Reduce interest expense (borrow less)
 - b. Less risk (lower exposure to FX / interest rate volatility such as lower FX losses)
 - c. Lower need to borrow
 - d. Reduce bank fees
 - e. Lower “cycle” times (cash close, information available, etc)
 - f. Better use of staff time across company

Business Case for a Change

Benefits	Treasury	Accounting	FP&A	Tax	Audit	Business Units
Staff savings	★	★	★			★
Interest income	★	★		★		
Interest expense	★	★		★		
FX gains / losses	★				★	★
Borrowing utilization	★					★
Bank Fees	★					
Cash conversion cycle						★
Time to close		★				?
Operating risks		?	★		★	?
Compliance / bank fees	★		★	★	★	?
Cost of Funds	★	?				?

Make it Happen (A Transition Plan)

Top 10 tasks to transition from “processor” to “planner” (ranked easy to hardest)

1. Rationalize bank network
2. Set target balances at banks
3. Re-bid bank services to obtain market prices
4. Work with other units to establish joint goals (e.g. working capital?)
5. Upgrade treasury technology

Make it Happen

Transition Plan

6. Set up pooling or netting arrangement at international locations
7. Create in-house bank
8. Obtain analytical tools to measure risk
9. Imbed & reward liquidity and risk performance measures into corporate planning processes
10. Work with business units as “internal consultants”

Panel Contacts



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Email: blynn@thefecg.com

