

Treasury Strategies' Quarterly Corporate Cash Briefing™ for 4Q 2014

Presented by:

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8 January 2015



**Treasury
Strategies.**

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Agenda



Corporate Cash Levels

Semi-Annual Cash Survey – Findings & Insights

Roundtable:

- Association of Corporate Treasurers (ACT)
- Federated Investors
- Fitch Ratings



Corporate Cash Levels

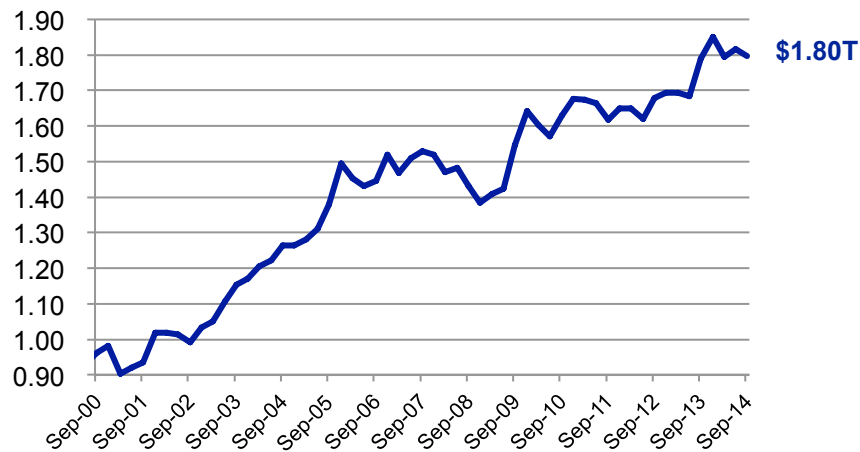


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Corporate Cash Levels

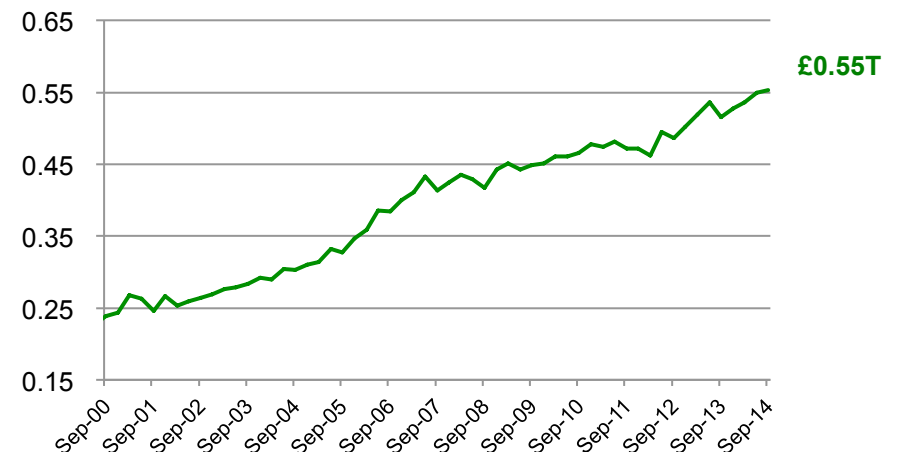


US corporate cash as of September 30, 2014



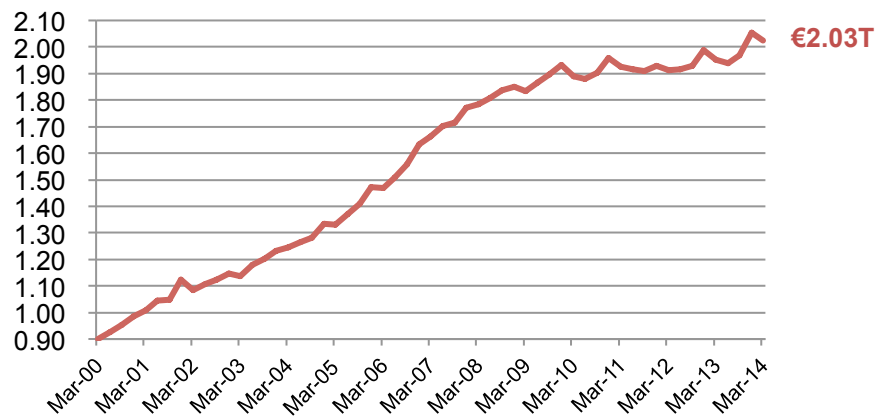
Source: Federal Reserve, Treasury Strategies

UK corporate cash as of September 30, 2014



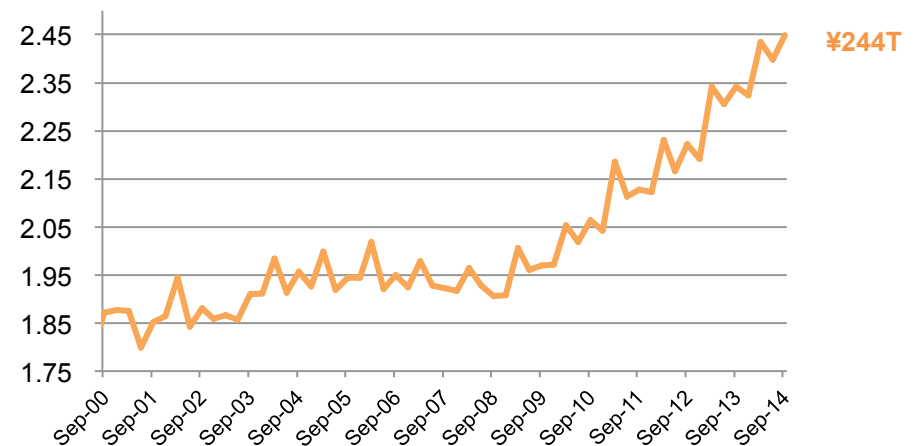
Source: Office of National Statistics, Treasury Strategies

Eurozone corporate cash as of March 31, 2014



Source: European Central Bank, Treasury Strategies

Japanese corporate cash as of September 30, 2014



Source: Bank of Japan, Treasury Strategies

Corporate Cash as % GDP by Region

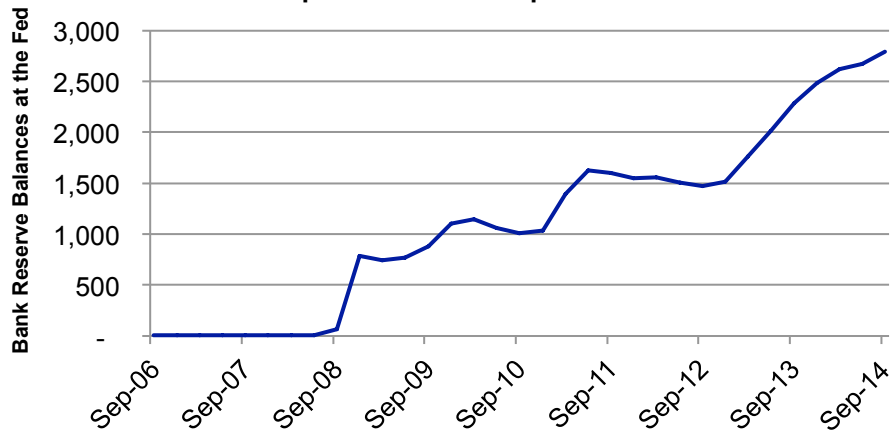


Country/Region	September 2000	September 2014
United States	9%	11%
Eurozone	14%	21%
United Kingdom	25%	34%
Japan	36%	50%

Source: Treasury Strategies' estimate

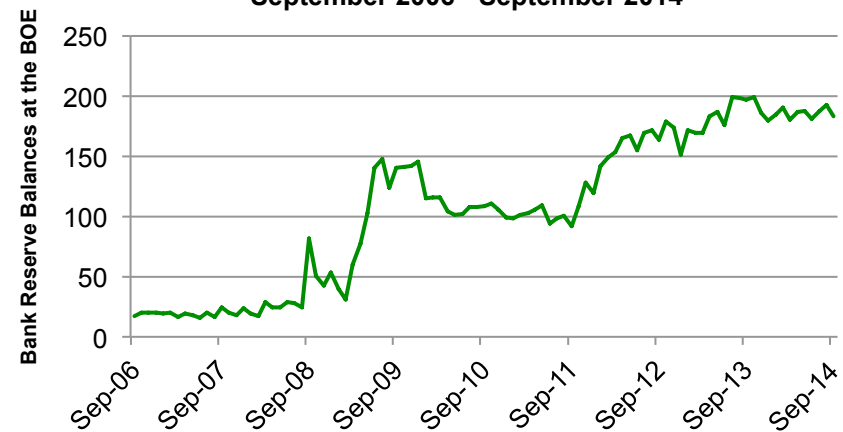
Reserve Balances

**Bank Reserve Balances at the US Federal Reserve
September 2006 - September 2014**



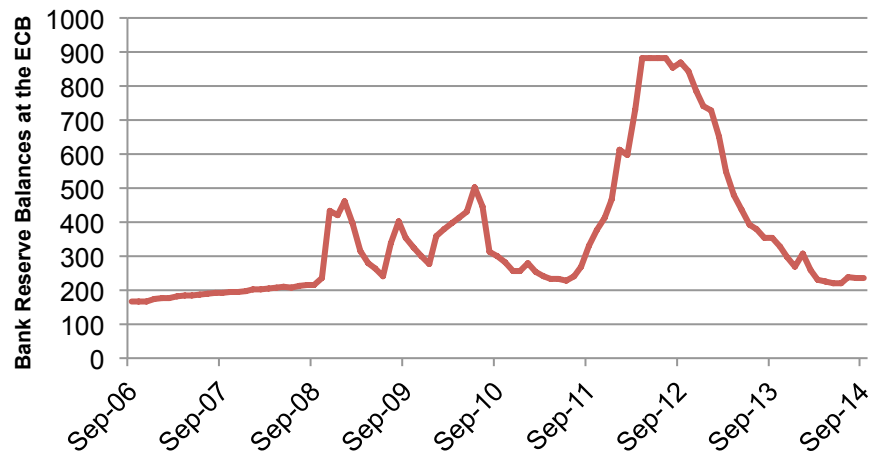
Source: Federal Reserve H3 Report, Treasury Strategies

**Bank Reserve Balances at the BOE
September 2006 - September 2014**



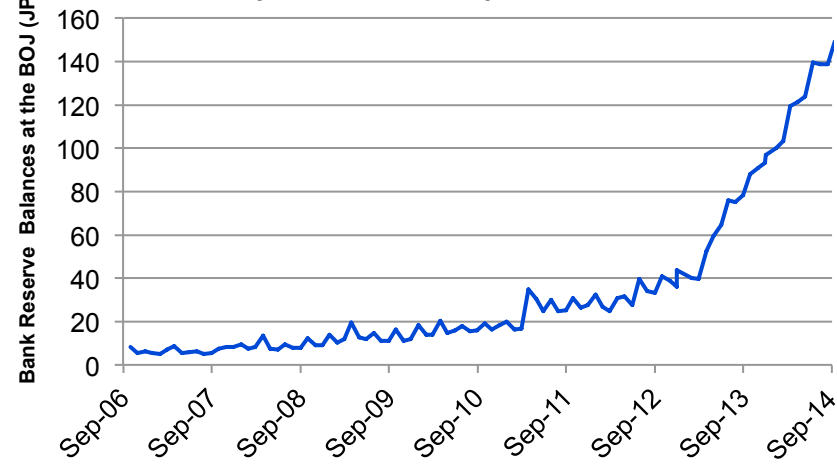
Source: Bank of England, Treasury Strategies

**Bank Reserve Balances at the ECB
September 2006 - September 2014**



Source: European Central Bank, Treasury Strategies

**Bank Reserve Balances at the BOJ
September 2006 - September 2014**



Source: Bank of Japan, Treasury Strategies

Semi-Annual Cash Survey: Findings & Insights



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Changes in Corporate Cash Levels



Change in Corporate Cash Level	Expected in the Next 6 Months			
	<i>Dec. 2011</i>	<i>Dec. 2012</i>	<i>Dec. 2013</i>	<i>Dec. 2014</i>
Increase	30%	35%	37%	31%
Decrease	31%	18%	18%	20%
Remain about the same (within 10%)	39%	47%	45%	49%

Source: Treasury Strategies, Inc. Corporate Cash Report™ Dec. 2011; Dec. 2012; Dec. 2013; Dec. 2014

Sources of Corporate Cash



Sources of Cash	Dec. 2011	Dec. 2012	Dec. 2013	Dec. 2014
Positive cash flow from operations	81%	78%	82%	63%
Reduction of inventories	22%	24%	21%	23%
Debt Issuance (medium- and long-term)	12%	19%	18%	9%
Increased short-term borrowing	13%	12%	9%	13%
Sale of company assets, divestitures	10%	17%	9%	15%
Equity issuance	5%	4%	7%	8%
Reduction in dividends	3%	4%	5%	7%

Source: Treasury Strategies, Inc. Corporate Cash Report™ Dec. 2011; Dec. 2012; Dec. 2013; Dec. 2014

Uses of Corporate Cash



Uses of Cash	<i>Dec. 2011</i>	<i>Dec. 2012</i>	<i>Dec. 2013</i>	<i>Dec. 2014</i>
Capital expenditures	37%	41%	41%	32%
Negative cash flow from operations	25%	31%	19%	28%
Paydown of short-term borrowing	22%	20%	27%	12%
Acquisitions	18%	13%	20%	11%
Increased inventories	12%	9%	12%	7%
Debt redemption (medium- and long-term)	16%	14%	18%	12%
Equity repurchase, stock buyback	8%	14%	12%	9%
Increased dividends or special dividends	5%	9%	10%	8%
Increased pension fund contributions	3%	7%	8%	4%

Source: Treasury Strategies, Inc. Corporate Cash Report™ Dec. 2011; Dec. 2012; Dec. 2013; Dec. 2014

Corporate Cash: Managing Risk



Maturity Risk

Maturity Structure	Past Six Months (Dec. 2014)	Next Six Months (Expected)
Shorter	9%	9%
Longer	25%	16%
About the Same	67%	75%

FX Risk

Hedges of FX Exposures	Past Six Months (Dec. 2014)	Next Six Months (Expected)
Increasing	12%	27%
Decreasing	15%	6%
About the Same	73%	67%

Credit Risk

Credit Risk	Past Six Months (Dec. 2014)	Next Six Months (Expected)
More Conservative	21%	11%
Less Conservative	15%	16%
About the Same	64%	72%

Source: Treasury Strategies, Inc. Quarterly Corporate Cash Survey™, December 2014

Changes to Treasury Management Practices



Forecasting, treasury technology and policy management continue to be key focus areas for Treasurers in optimally executing their increasingly critical role in the organization.

Expected Changes in Treasury Management	Dec. 2011	Dec. 2012	Dec. 2013	Dec. 2014
Increasing reliance on cash forecasting	47%	40%	36%	36%
Implementing new technology for cash management	27%	30%	30%	28%
Formally modifying investment policies	17%	15%	17%	12%
Formally modifying risk management policies	9%	15%	17%	11%

Source: Treasury Strategies, Inc. Corporate Cash Report™, Dec. 2011; Dec. 2012; Dec. 2013; Dec. 2014

What Treasury Strategies' Clients Are Saying



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What Treasury Strategies' Clients Are Saying



Our cash position is higher than historical averages due to an expense reduction initiative...and the development of a corporate cash reserve policy requires that certain cash reserve levels be attained prior to release of funding for capital expenditures.

If our bank requires us to move deposits or starts charging for deposits, we will move our business.

There are so many recent and impending regulations, it's impossible to fully understand or to take the time to fully understand the impact to us. Which ones are the most critical to focus on, what should we be doing in response, and what are best practices?

Our banks initially viewed our deposits as non-operational. However, we have successfully worked with them to demonstrate the underlying operational nature of our deposits.

We invest heavily in money market funds in both the UK and the US and want to avoid VNAV because of the accounting treatment. We plan to invest in repos, and for security reasons we plan to go with Gilts and/or US Treasuries.

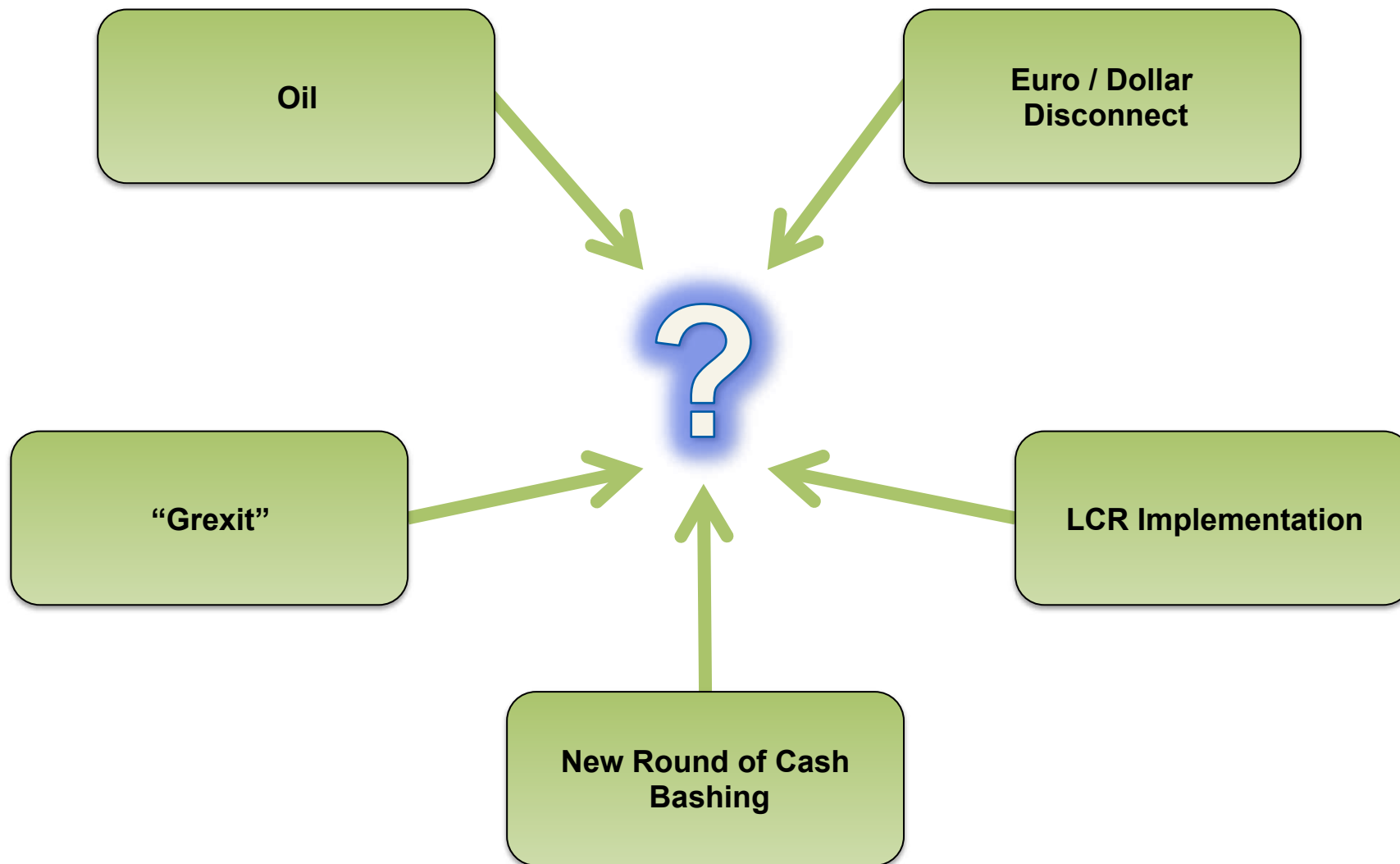
We are beginning to get our arms around the potential impact of Basel III to our banking relationships, particularly with regard to deposits. However, it is still very fuzzy and we are not hearing consistent stories among our banks.

Game Changers



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Potential Game Changers



Speakers

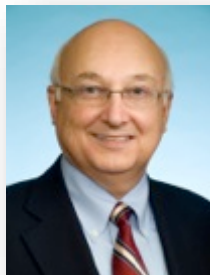


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About Treasury Strategies, Inc.



Who We Are

Treasury Strategies, Inc. is the leading treasury consulting firm working with corporations and financial services providers. Our experience and thought leadership in treasury management, working capital management, liquidity and payments, combined with our comprehensive view of the market, rewards you with a unique perspective, unparalleled insights and actionable solutions.

What We Do

Corporations

We help you maximize worldwide treasury performance and navigate regulatory and payment system changes through a focus on best practices, technology, liquidity and controls.

Treasury Technology

We provide guidance through every step of the technology process. Our expert approach will uncover opportunities to optimize the value of your treasury through fully integrated technology solutions.

Financial Services

Our experience, analytic approach and benchmarks provide unique consulting solutions to help you strengthen and grow your business.

Locations

Chicago • London • New York

Accreditations



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About the ACT



Who we are

The Association of Corporate Treasurers (ACT) sets the benchmark for international treasury excellence. As the Chartered body for treasury, we lead the profession through our internationally recognised suite of treasury qualifications, define standards and support continuing professional development. We are the voice of corporate treasury representing the interests of our members.

What we do

ACT supports the growth and professional development of treasurers and finance professionals. We are an active global network of treasury, risk and finance professionals with members and students in 98 countries.

- We promote treasury as a discipline, as a profession and as a career.
- We provide informed and unbiased technical advice.
- We teach, examine and qualify treasury professionals and offer ongoing CPD.
- We stimulate debate and facilitate the exchange of ideas and information through our events, conferences, webinars and forums.
- We represent the real economy and influence relevant regulation and market practice.



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About Federated Investors, Inc.



FIRM PROFILE

\$379.8 BILLION IN AUM

History of Quality and Innovation

- Founded and headquartered in Pittsburgh, PA, 1955
- Offices in New York, Rochester, Boston, Dublin, Frankfurt, London and Melbourne
- 1,400+ employees worldwide, including 223 investment professionals and 84 Chartered Financial Analysts
- Pioneer of money market and fixed income funds

Publicly Traded

- NYSE listed: FII
- Employees share in approximately 20% of firm's ownership

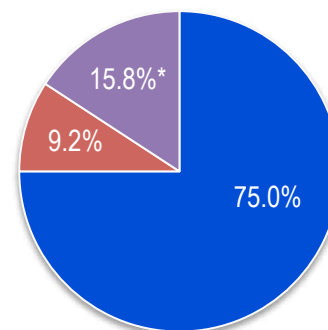
Investment Management Singular Focus

- Committed to delivering long-term outperformance
- Strategies utilize risk management process and maintain style consistency

Well-Resourced Investment Teams

- Experienced specialized teams committed to delivering long-term outperformance
- Deep historical commitment to proprietary research
- Majority of investment professionals' compensation directly tied to performance

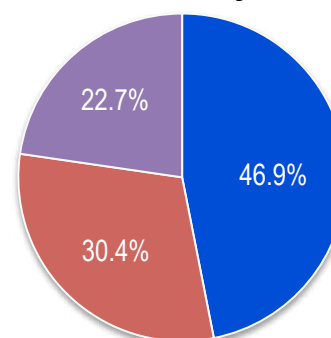
Firm-Wide



■ Liquidity Management ■ Equity ■ Fixed Income

**Liquidation portfolios comprise of 12.2% of firm-wide fixed income total.*

4Q Revenue by Source



■ Liquidity Management ■ Equity ■ Fixed Income

Asset breakdown as of 12/31/12



FitchRatings

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Fitch Group is a global leader in financial information services with operations in more than 30 countries. In addition to Fitch Ratings, the group includes Fitch Solutions, an industry-leading provider of credit risk products and services, and Fitch Learning, a preeminent training and professional development firm. Fitch Group is jointly owned by Paris-based Fimalac, S.A. and New York-based Hearst Corporation.

For additional information, please visit www.fitchratings.com.