



The Power of Experience®

Treasury Strategies Quarterly Corporate Cash Briefing™

4Q 2011

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Agenda



Corporate Cash Levels

Managing Interest Rate Risk

Current Market Turmoil – Euro Issues

Treasury Strategies Advice to Clients

Corporate Cash Levels

Corporate Cash At Record Levels

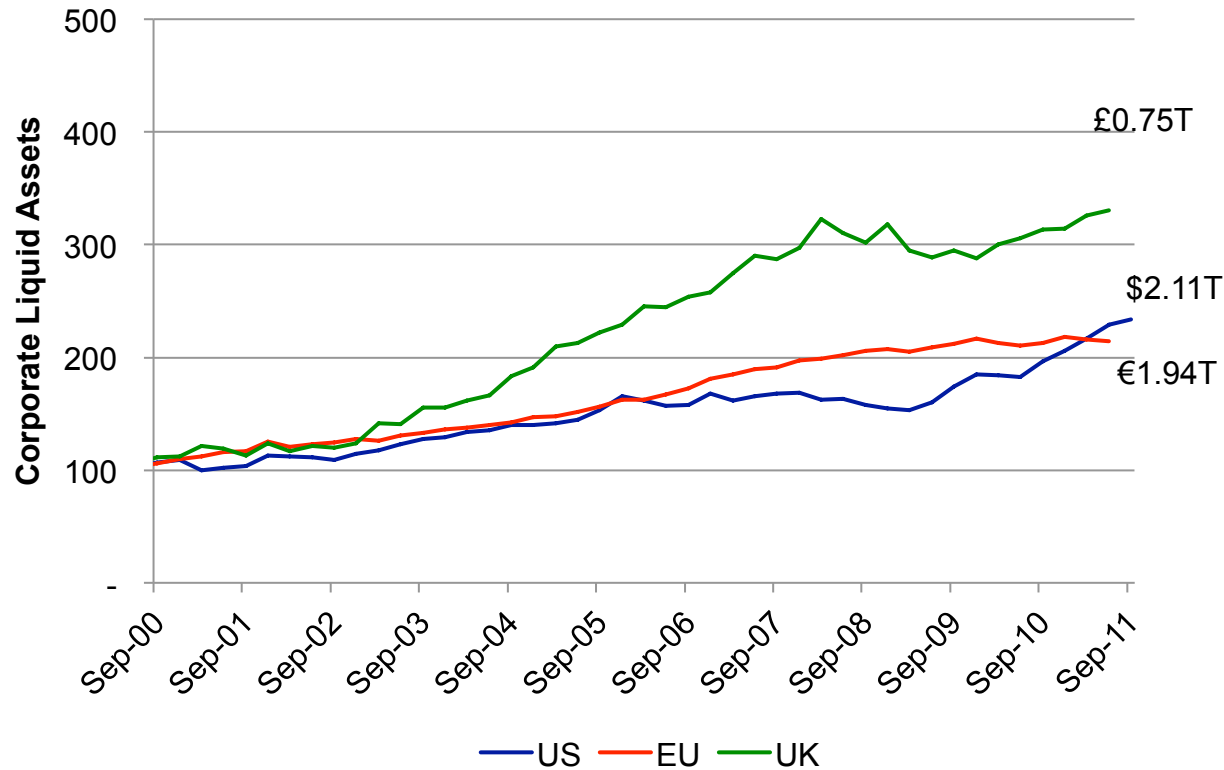
The U.S. Federal Reserve reports U.S. corporate cash as of 9/30/11 was \$2.11 trillion.



Source: Federal Reserve

Corporate Cash in Selected Regions

Total Corporate Cash

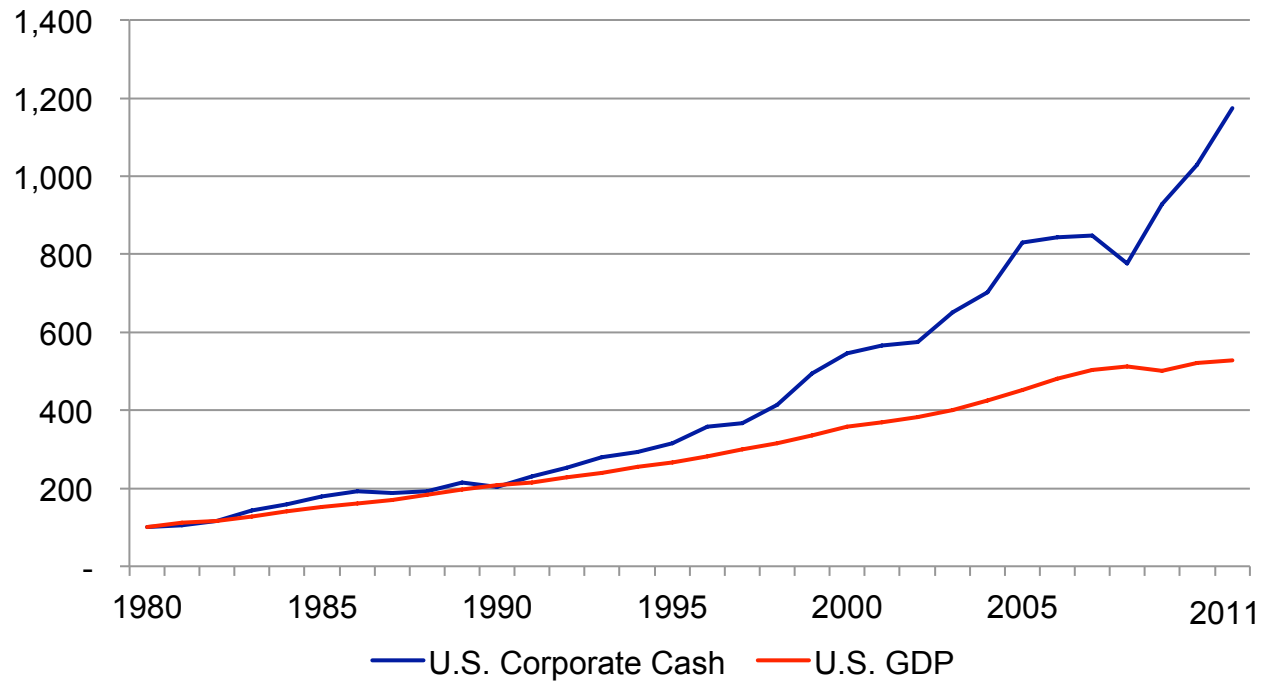


Sources: Treasury Strategies, Inc., Federal Reserve, ECB, and ONS.

Note: 1Q 2000=100

U.S. Corporate Cash Growing Faster than GDP

Growth in U.S. Corporate Cash and GDP



Sources: Treasury Strategies, Inc., Federal Reserve and BEA
Note: 1Q 1980 =100

Corporate Cash as % GDP by Region

Country / Region	2000	2011
United Kingdom	26%	50%
Eurozone	15%	21%
United States	10%	14%

Source: Treasury Strategies estimate

Sources of Corporate Cash: Past 6 Months



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Sources of Cash (U.S.)	Dec-10	Jun-11	Dec-11
Positive cash flow from operations	94%	92%	87%
Debt issuance (medium and long-term)	20%	15%	18%
Reduction of inventories	46%	3%	14%
Sale of company assets, divestitures	6%	14%	14%
Increased short-term borrowing	9%	16%	10%
Equity issuance	6%	3%	5%
Reduction in dividends	0%	1%	1%

Source: Treasury Strategies, Inc. Quarterly Corporate Cash Survey™, December 2011

Uses of Corporate Cash: Past 6 Months



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Uses of Cash (U.S.)	Dec-10	Jun-11	Dec-11
Capital expenditures	27%	33%	39%
Acquisitions	9%	19%	28%
Debt redemption (medium and long-term)	14%	21%	18%
Pay down of short-term borrowing	14%	10%	17%
Negative cash flow from operations	55%	22%	16%
Equity repurchase, stock buyback	10%	18%	14%
Increased inventories	18%	5%	11%
Increased pension fund contributions	0%	12%	7%
Increased dividends or special dividends	5%	5%	5%

Source: Treasury Strategies, Inc. Quarterly Corporate Cash Survey™, December 2011

Managing Interest Rate Risk

What Do Treasurers Say About Risk?



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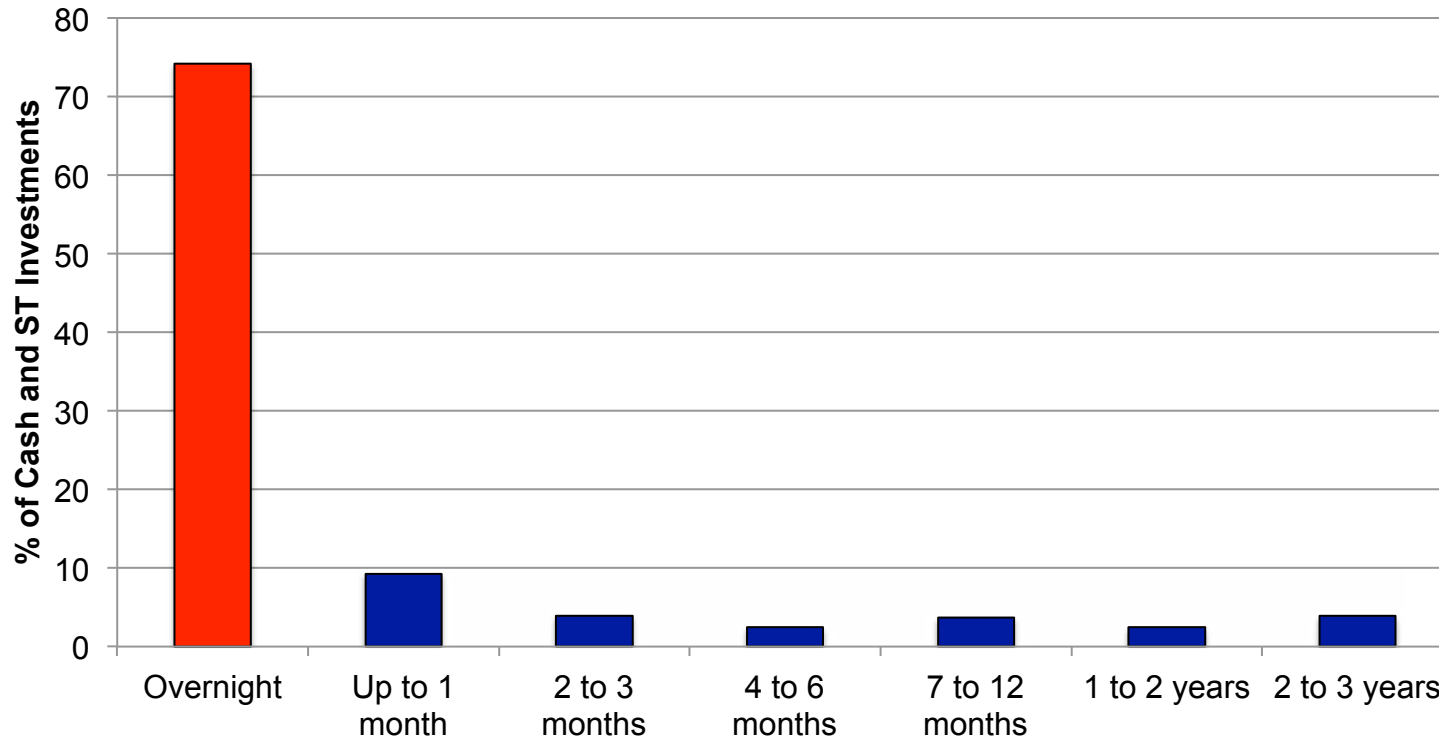
U.S. Only	Past Six Months (Dec-11)	Next Six Months (Expected)
Maturity Structure		
Shorter	28%	5%
Longer	5%	12%
About the Same	66%	83%
Credit Risk		
More Conservative	22%	10%
Less Conservative	3%	7%
About the Same	75%	83%

Source: Treasury Strategies, Inc. Quarterly Corporate Cash Survey™, December 2011

Maturity Structure

U.S. corporations hold almost 75% of total liquidity in overnight investments, money funds and bank deposits.

% of Holdings by Maturity (U.S. Only)



Source: Treasury Strategies, Inc. Quarterly Corporate Cash Survey™, December 2011

Instruments

U.S. corporations hold approximately 75% of total liquidity in bank accounts (DDA, MMDA/Savings, and Sweep) or money market mutual funds.

% of Holdings by Instrument (U.S. Only)	Dec-11
DDA Accounts	38%
Money Market Mutual Funds	23%
MMDA/Savings Accounts	12%
Government Securities	7%
Sweep Accounts	7%
Other Instruments	13%

Source: Treasury Strategies Inc. Quarterly Corporate Cash Survey™, December 2011

What Treasury Strategies Clients Are Saying

“Improved cyclical performance and cautious capital investment.”

“Reduction of operating expenses. Lower than expected interest rates projected to remain constant for next 3 years.”

“Issuing debt earlier than needed to take advantage of low interest rates. Cash from operations better than historically. Expect cash position to slowly draw down as capital expenditures are made.”

“We had a temporary hold in investing long term. Cash should start to decrease in 2012 into longer term investments.”

“...we are positioning a portion of the portfolio to take advantage of potential rising rates 18-24 months down the road.”

“We initiated several revenue cycle initiatives that increased cash collections. We expect it to remain at the new level.”

“Our company is continuously growing organically and through acquisition.”

“Holding higher liquidity to insulate from business volatility.”

“1) Decrease in personnel.
2) Extended payment periods for accounts payable.”

What Treasury Strategies Clients Are Saying

“Equity issuance coupled with increased cash flow from ops. Expected to remain this way for foreseeable future.”

“An investment decision was made to issue CP and keep the proceeds in cash on deposit with the banks. Until the future seems ‘clearer,’ I would imagine the balances will stay high through early next year.”

“Steady profitable growth.”

“We build up in preparation for large pension funding.”

“We have monetized non-strategic investments on the balance sheet to maintain cash levels. We are cutting cost to increase cashflow going forward.”

“Less opportunities to invest. Why take risk if the return is negligible?”

“We increased our cash levels during the financial crisis to ensure liquidity. We have already begun to bring them back to a normal level.”

“Increase in net income and limited capital expenditures. Cash should continue to increase this year, but at a slower pace.”

“Near-zero interest rates. Opportunity to offset bank fees using earnings credits.”

Implications of Current Turmoil

The Euro

How Management of Corporate Cash is Changing



Current market dynamics encourage corporate treasurers to move more quickly to the third generation of corporate treasury where they are the financial nerve center of the corporation.

Changes to Corporate Treasury (U.S.)	Past 6 Months	Next 6 Months
Increasing reliance on cash forecasting	47%	43%
Implementing new technology for cash management	15%	31%
Formally modifying investment policies	30%	20%
Formally modifying risk management policies	8%	5%

Source: Treasury Strategies, Inc. Quarterly Corporate Cash Survey™, December 2011

What Do Treasurers Say About Risk?



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U.S. Only	Past Six Months (Dec-11)	Next Six Months (Expected)
Hedges of FX Exposures		
Increasing	3%	3%
Decreasing	12%	15%
About the Same	86%	83%

Source: Treasury Strategies, Inc. Quarterly Corporate Cash Survey™, December 2011

Redenomination Risk

What will happen if the eurozone does not remain intact?

Low probability x Significant impact = **Cause for concern**

The slim probability of a collapse, combined with the severe magnitude of its impact, makes the expected value a material concern for many global companies.

It is now incumbent upon financial managers, perhaps even a fiduciary responsibility, to consider this issue.

Scenarios

- Single country exit
- Multi-country exit
- Total breakup

Redenomination Risk

Key Issues

- Denomination of obligations
- Jurisdiction
- Sovereign immunity

Levels of impact

- Primary
- Secondary
- Overall economy

Conclusions

Treasury Strategies Advice to Clients



Key themes emerging from our work with Corporate Treasurers

- Review and clarify investment policies in the “gray areas”
- Shorten maturities
- Increase credit quality
- Move assets into insured bank deposits
- Move assets into money market funds (MMFs)
- Issue commercial paper - as much as market will absorb
- Issue debt securities - as much as market will absorb
- Improve treasury technology tools
- Improve cash forecasting

Disclaimer: Treasury Strategies recommendations are situation specific and based upon careful, individual analysis. The advice cited above may or may not be appropriate for your specific situation.

Managing Redenomination Risk

Treasury Strategies advises our clients to institute a five step process in evaluating the implications of a eurozone breakup:

1. Conduct a complete assessment of all primary and secondary eurozone exposures.
2. Stress test these exposures under the three scenarios of a single country exit, multi-country exit and full dissolution.
3. Amend or clarify all contracts as appropriate.
4. Implement as many natural hedges as feasible.
5. Structure financial hedges to manage the remaining risks.

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Treasury Strategies Corporate Practice



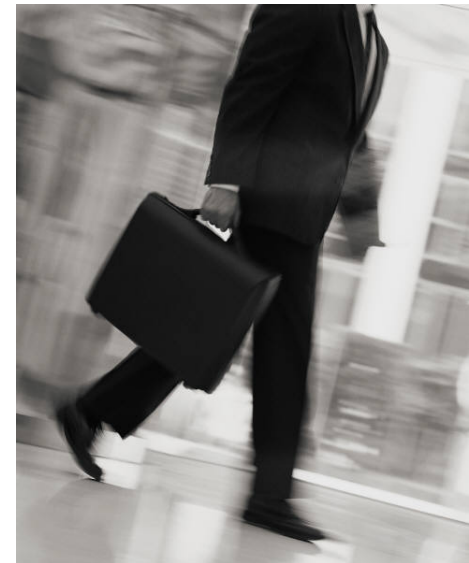
Our Corporate Practice consults across all areas of global treasury management. Through careful analysis and proven methodology, we deliver customized solutions and powerful results.

Clients

- Corporations
- Not-for-Profit Organizations
- Public Sector Organizations

Solution areas

- Global Cash and Liquidity Management
- Working Capital Management
- Best Practices Review and Benchmarking
- Risk Management
- Treasury Organization



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.

Accreditations



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