

# UK & Eurozone Corporate Cash Briefing™ Webinar 2Q 2012

## Presented by:

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Tony Carfang, Partner

28 June 2012



# Agenda



Corporate Cash Levels

Quarterly Cash Survey – Findings & Insights

Potential Game Changers

What Treasury Strategies' Clients are Saying

Treasury Strategies' Advice to Clients

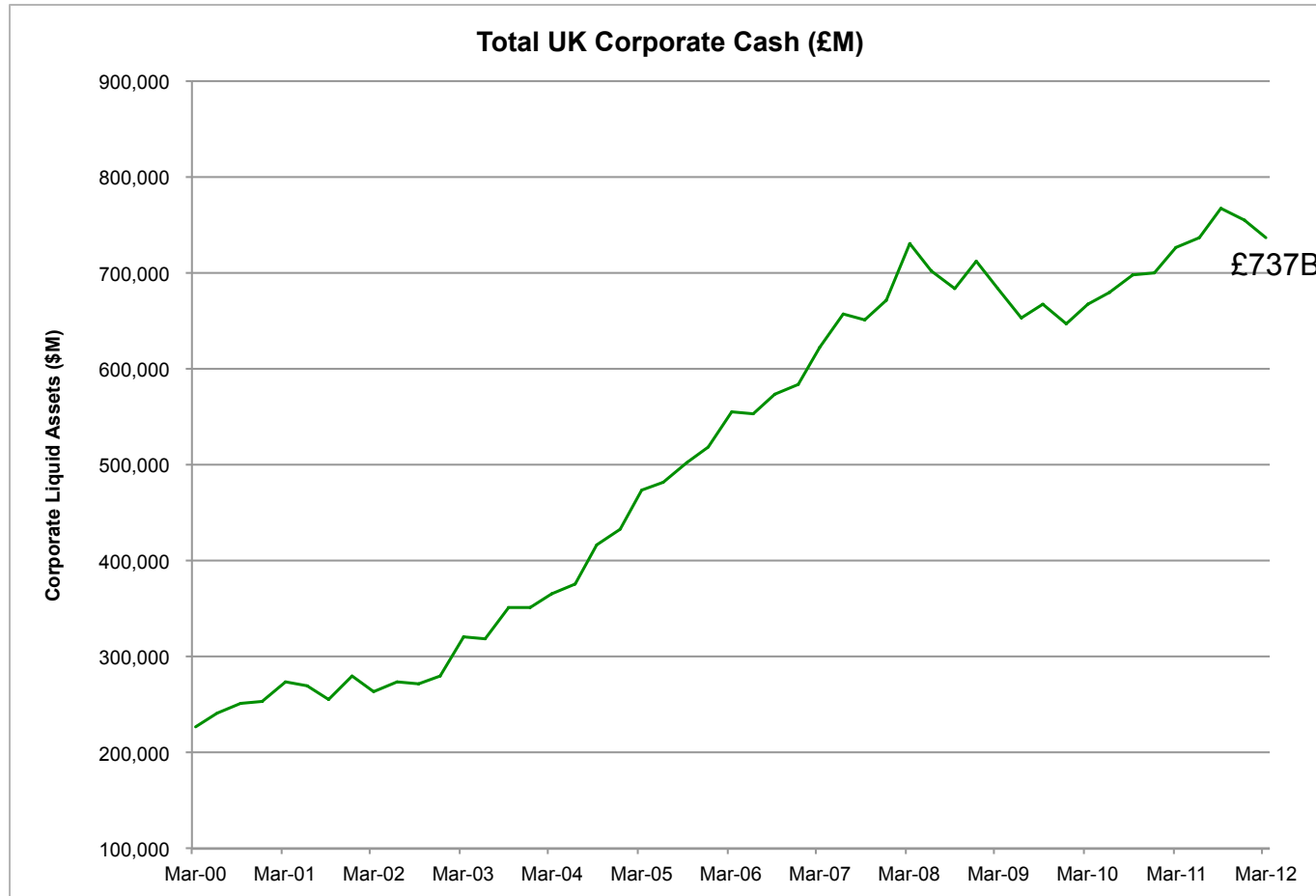
# Corporate Cash Levels



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# UK Corporate Cash

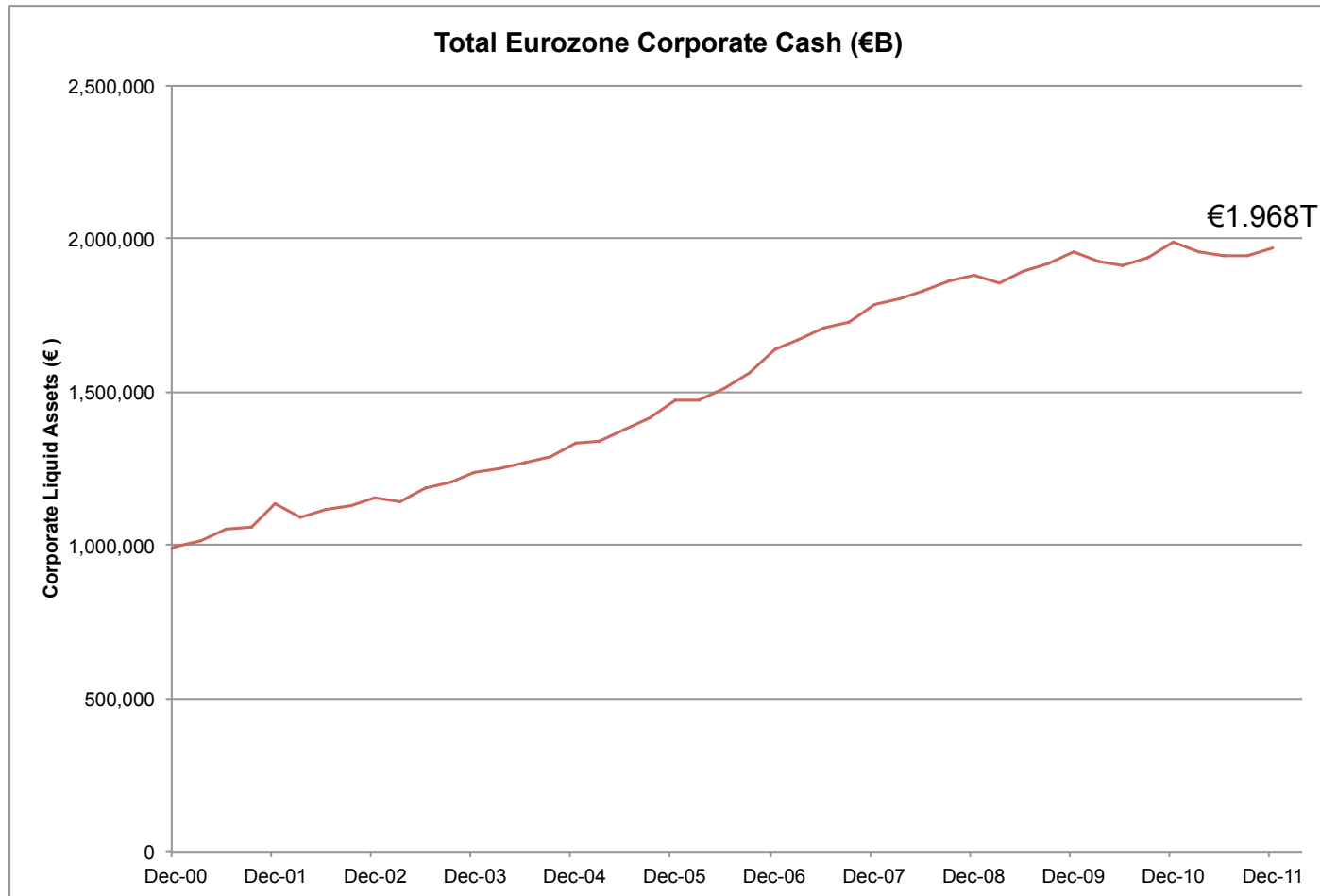
As of 31 March 2012, the Office for National Statistics reports that UK corporate cash levels were £737 billion.



Source: Office for National Statistics

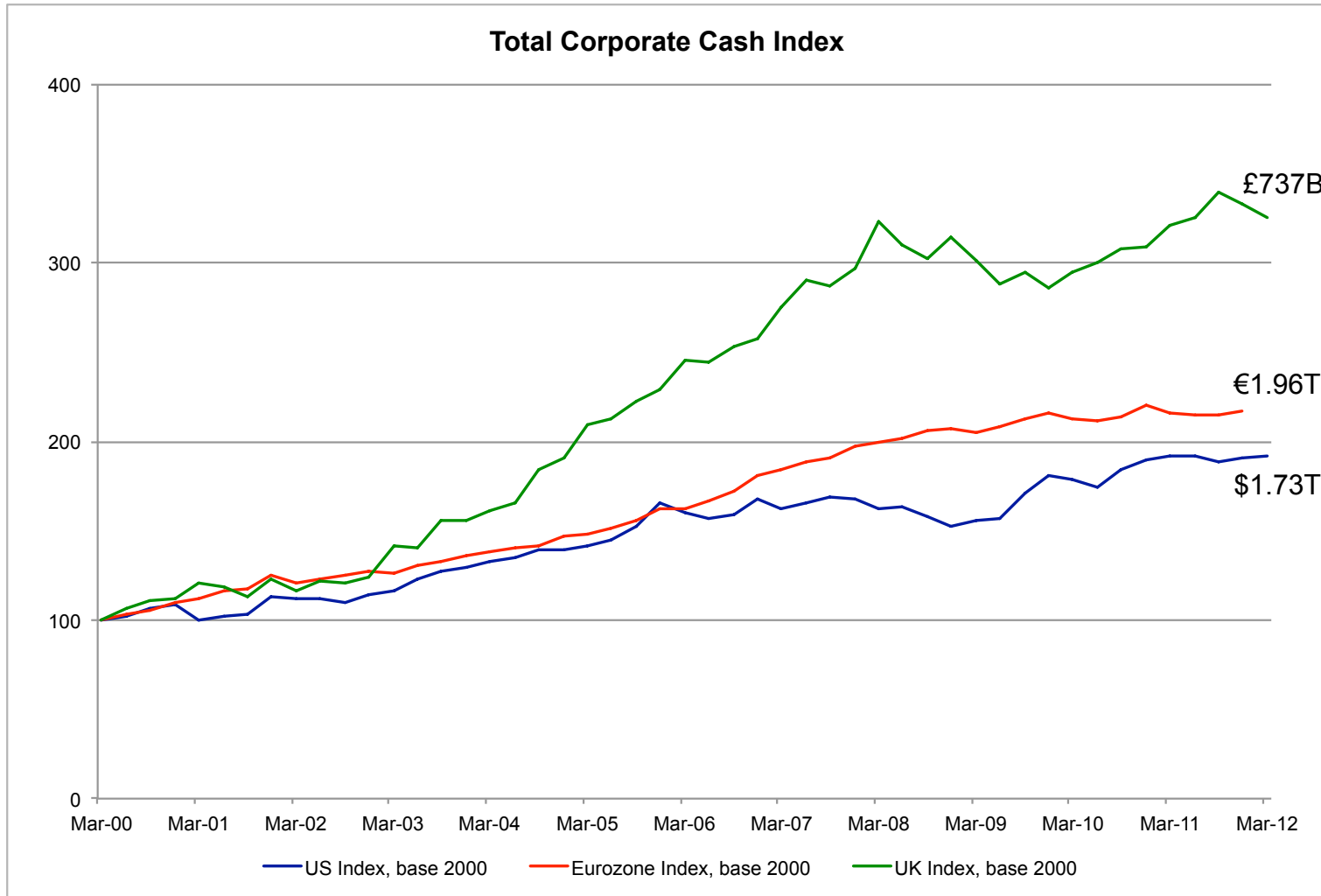
# Eurozone Corporate Cash

As of 31 December 2011, the ECB reports that Eurozone corporate cash levels were €1.968 trillion.



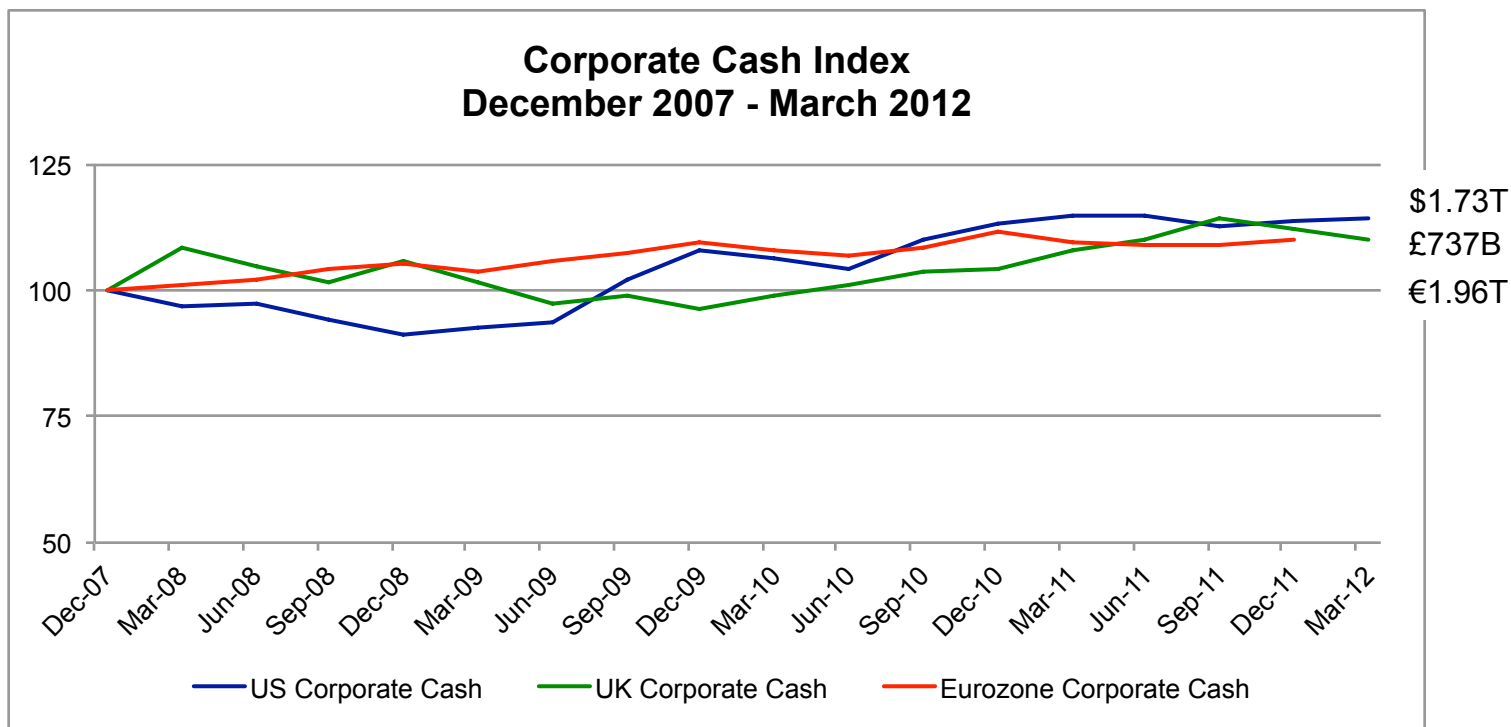
Source: European Central Bank

# Corporate Cash in Selected Regions



Source: European Central Bank, Office for National Statistics, Federal Reserve

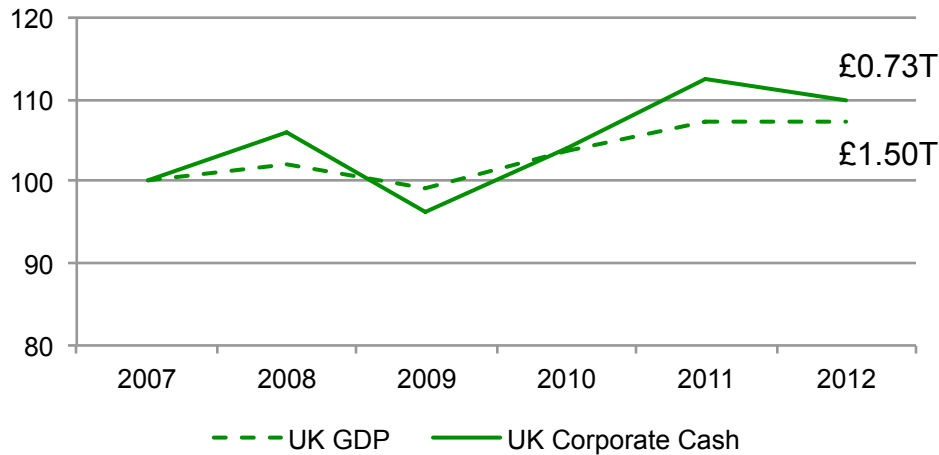
# Corporate Cash in Selected Regions: December 2007 – March 2012



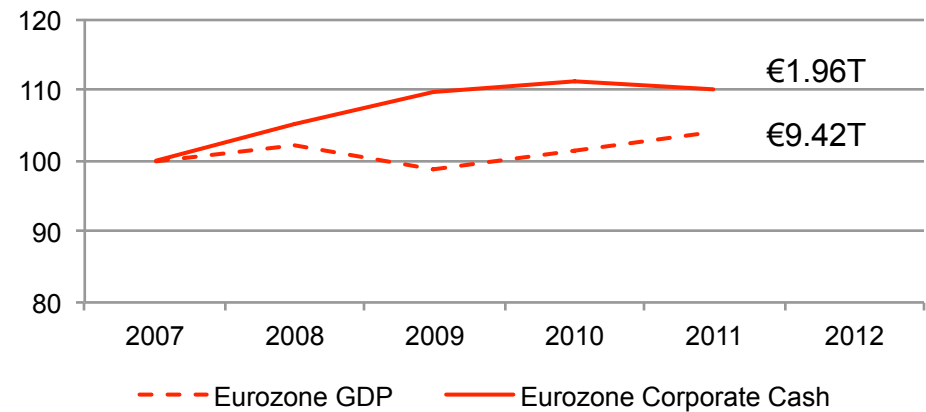
Source: European Central Bank, Office for National Statistics, Federal Reserve

# Corporate Cash and GDP

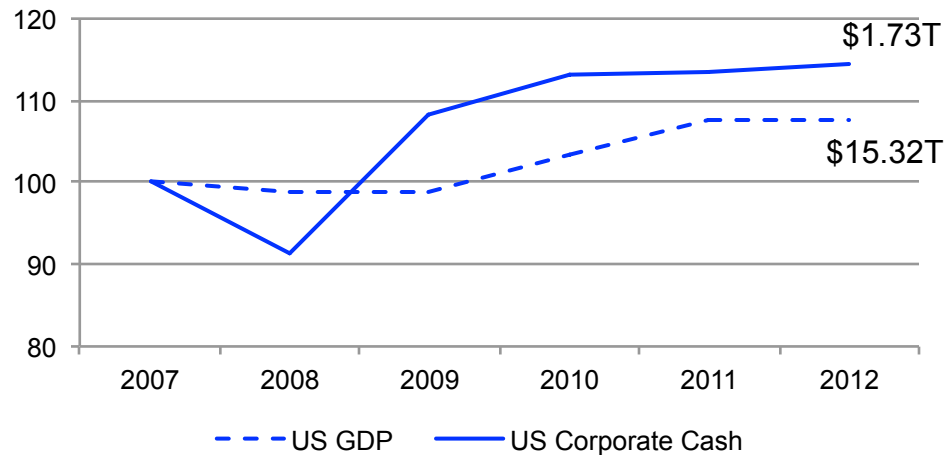
### Growth in UK Corporate Cash and GDP



### Growth in Eurozone Corporate Cash and GDP



### Growth in US Corporate Cash and GDP



Source: Treasury Strategies, Office for National Statistics, European Central Bank, and Federal Reserve

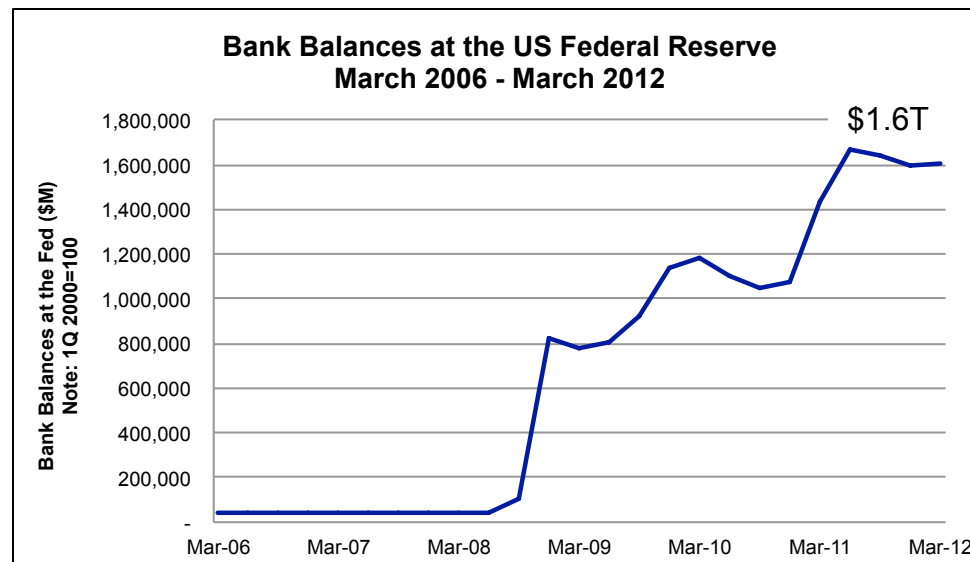
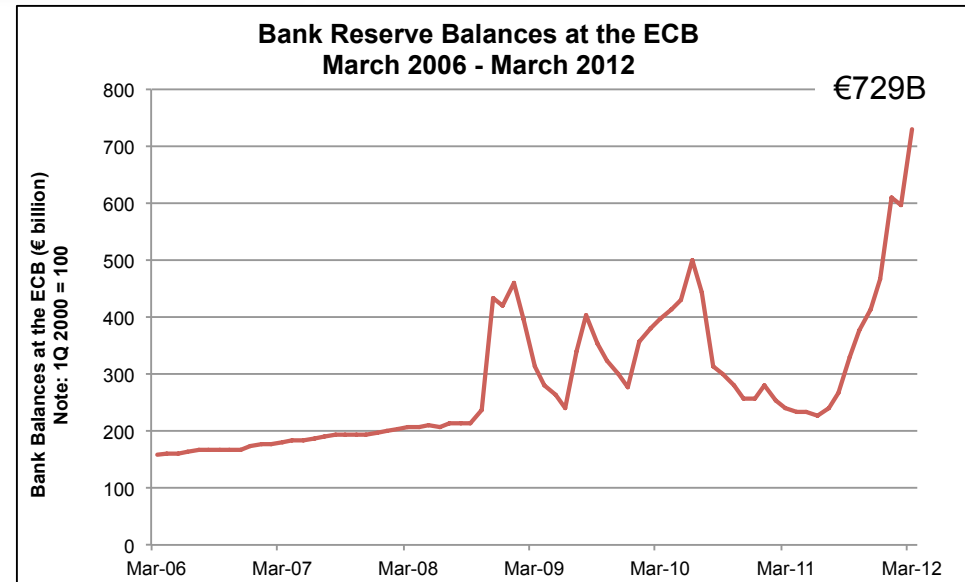
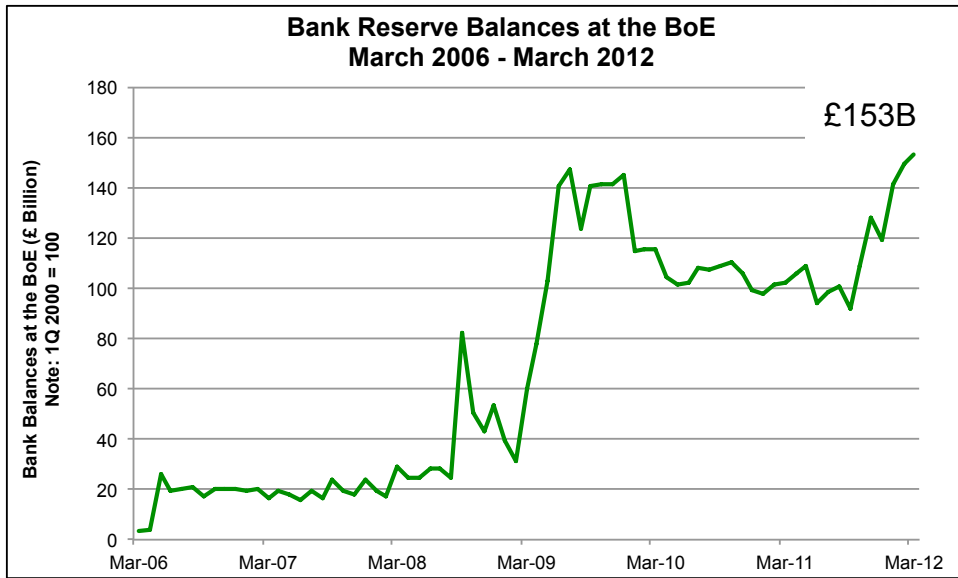


# Corporate Cash as % of GDP by Region

Country/Region	2000	2012
United Kingdom	26%	49%
Eurozone	15%	21%
United States	10%	11%

Source: Treasury Strategies estimate

# Bank Reserve Balances



Source: Bank of England, European Central Bank, Federal Reserve and Treasury Strategies estimate  
Note: 1Q 2000 = 100

# Bank Reserve Balances as a % of GDP

Country/Region	Reserves as a % of GDP			
	2Q 2011	3Q 2011	4Q 2011	1Q 2012
United Kingdom	6%	6%	8%	10%
Eurozone	2%	4%	5%	8%
United States	10%	10%	10%	10%

Source: Treasury Strategies

# Quarterly Cash Survey: Findings & Insights



# Looking Ahead at Cash Levels

Change in Corporate Cash Level (UK and Europe)	Expected in the Next 6 Months		
	2Q 2011	4Q 2011	2Q 2012
Increase	36%	33%	33%
Decrease	30%	23%	21%
Remain about the same (within 10%)	34%	44%	47%

Source: Treasury Strategies, Inc. Corporate Cash Report™, May 2011, December 2011, May 2012

# Sources of Corporate Cash

Sources of Cash (UK and Eurozone)	2Q 2011	2Q 2012
Positive cash flow from operations	97%	80%
Debt issuance (medium and long-term)	7%	10%
Reduction of inventories	8%	31%
Sale of company assets, divestitures	20%	21%
Increased short-term borrowing	3%	5%
Equity issuance	1%	3%
Reduction in dividends	13%	8%


Source: Treasury Strategies, Inc. Quarterly Corporate Cash Survey™, May 2011, May 2012


# Uses of Corporate Cash


Uses of Cash (UK and Eurozone)	2Q 2011	2Q 2012
Capital expenditures	24%	35%
Acquisitions	20%	24%
Equity repurchase, stock buyback	11%	5%
Debt redemption (medium and long-term)	25%	20%
Paydown of short-term borrowing	22%	25%
Negative cash flow from operations	37%	40%
Increased inventories	17%	21%
Increased dividends or special dividends	2%	13%

Source: Treasury Strategies, Inc. Quarterly Corporate Cash Survey™, May 2011, May 2012

# Corporate Cash: Managing Risk

Maturity Structure	Past Six Months (Jun-12)	Next Six Months (Expected)
Shorter	34%	13%
Longer	21%	16%
About the Same	45%	 70%

Credit Risk	Past Six Months (Jun-12)	Next Six Months (Expected)
More Conservative	46%	30%
Less Conservative	6%	7%
About the Same	48%	 62%

Hedges of FX Exposures	Past Six Months (Jun-12)	Next Six Months (Expected)
Increasing	21%	13%
Decreasing	15%	16%
About the Same	64%	 70%

Source: Treasury Strategies, Inc. Quarterly Corporate Cash Survey™, May 2012



# Changes to Treasury Management Practices

Current market dynamics encourage corporate treasurers to expedite the evolution to **Treasury 3.0**<sup>®</sup>, which positions Treasury as the financial nerve center of the corporation.

Changes in Treasury Management	Past 6 Months	Next 6 Months
Increasing reliance on cash forecasting	35%	→ 46%
Implementing new technology for cash management	12%	→ 22%
Formally modifying investment policies	21%	15%
Formally modifying risk management policies	32%	17%

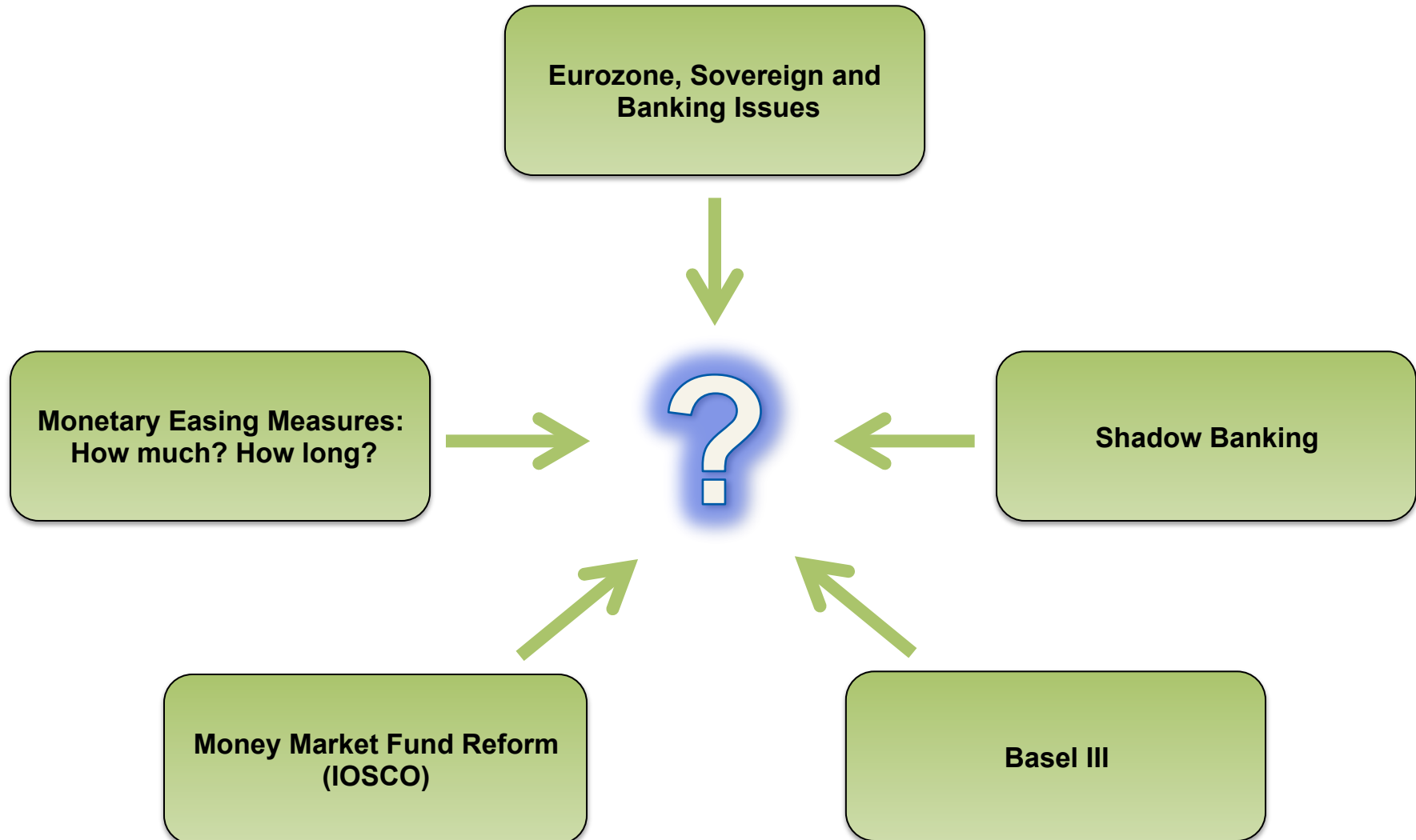
Source: Treasury Strategies, Inc. Quarterly Corporate Cash Survey<sup>™</sup>, May 2012

# Potential Game Changers



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# Potential Game Changers



# What Treasury Strategies' Clients Are Saying



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# What Treasury Strategies' Clients Are Saying

“Cash levels have improved as a result of working capital management, a profitable business model, and a reduction of inventories.”

“[We are] accumulating cash due to increased credit risk of our lending counterparties and the decision to draw all or part of the facilities down.”

“We are still growing profitably without new investments. Our strong cash will continue to the end of this year. Early next year we will need to draw down our cash to invest in new capacity.”

“The economic and risk landscape seems to change by the day. We need to be more prepared than ever before.”

“Uncertain economic climate has led us to maintain higher liquidity; we are just now in the process of drawing it down.”

“Need to keep more liquidity available due to current environment – as guaranty against ongoing financial crisis.”

“No bank debt to pay down. Company strategy to invest in growth, maintain dividend and return to shareholders has not yet materialised. “

# Treasury Strategies' Advice to Clients



The Power of Experience®

## Key themes emerging from our work with Corporate Treasurers

- Attain global visibility of cash
- Lock in external liquidity arrangements
- Optimise treasury technology
- Improve cash forecasting
- Invest short, borrow long
- Review and clarify investment policies in the “grey areas”
- Plan for regulatory changes

*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.*

# Contact Us



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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 maximise 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 optimise 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.

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