TREASURY PERSPECTIVES

2019 SURVEY RESULTS ANALYSIS

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WHAT.
2019 Treasury Perspectives Survey
Results Analysis & Discussion

WHEN.
Wednesday June 12, 2019

WHERE.
Philadelphia AFP Member Meeting
Simeone Foundation Automotive Museum

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This presentation is provided by Strategic Treasurer & TD Bank.

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ABOUT THE SURVEY

RESPONDENT DEMOGRAPHICS, KEY FACTS & FIGURES

Development — *Run Time* — *Analysis*

2018 SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | 2019 JANUARY | FEBRUARY | MARCH

SURVEY FACTS & FIGURES

- ~340 respondents
- 2nd annual year of research
- 100+ questions
- 10 week survey runtime

RESPONDENT-REGIONS OF OPERATION

TOP CORPORATE RESPONDENT ROLES

- 24% *Treasurer/AT/Director*
- 19% *Treasury/Cash Manager*
- 13% *C-Suite*
- 12% *Treasury Analyst*

QUICK STATS

- **81%** of organizations expect U.S. interest rates to continue rising in 2019.
- **65%** of organizations have not experienced any significant impact from recent U.S. trade conflicts.
- **34%** of treasury groups don't have time to perform all their responsibilities.
- **5%** of organizations are currently using blockchain or distributed ledger technology in treasury.

KEY AREAS OF FOCUS

- *Economic Outlook*
- *Treasury Operations*
- *Technology Use*
- *Regulations & Compliance*

Internal

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TOPICS OF DISCUSSION

KEY AREAS OF FOCUS & ANALYSIS

ECONOMIC OUTLOOK

- How have treasurers' views on the economy shifted in the past year?
- How have developments like tax reform, trade conflict, and interest rates impacted corporate treasury?

TREASURY OPERATIONS

- What are the most significant challenges treasurers face with their operations?
- What specific treasury functions are most time consuming? How is treasury coping with these responsibilities?

TECHNOLOGY USE

- How have new and emerging developments in technology impacted corporate treasury?
- How are treasurers preparing for change and disruption in the industry?

REGULATIONS & COMPLIANCE

- How do practitioners view the current regulatory landscape and what do they expect from it moving forward?
- What are the most significant compliance-related challenges facing organizations today?

RESULTS IN AGGREGATE

BASED ON THIS DATA, WHAT ARE THE PRIMARY ACTION ITEMS & IMPLICATIONS FOR TREASURY HEADING INTO 2019 & BEYOND?

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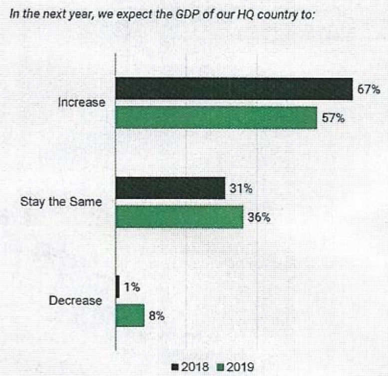
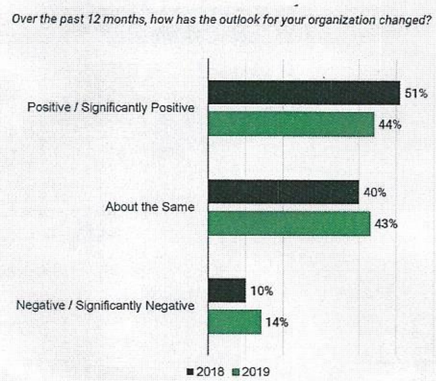
ECONOMIC OUTLOOK

COMPANIES LESS OPTIMISTIC TODAY THAN IN 2018





A NOTABLE SHIFT IN JUST A YEAR

The percentage of organizations expecting the GDP of their HQ country to increase has declined by 10% from 2018. Additionally, the percentage of firms that have grown more positive regarding the outlook of their organization has declined by 7% over the past 12 months.

Data Source: 2019 Treasury Perspectives

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ECONOMIC OUTLOOK

U.S. CORPORATE TAX REFORM HAS LIMITED IMPACT

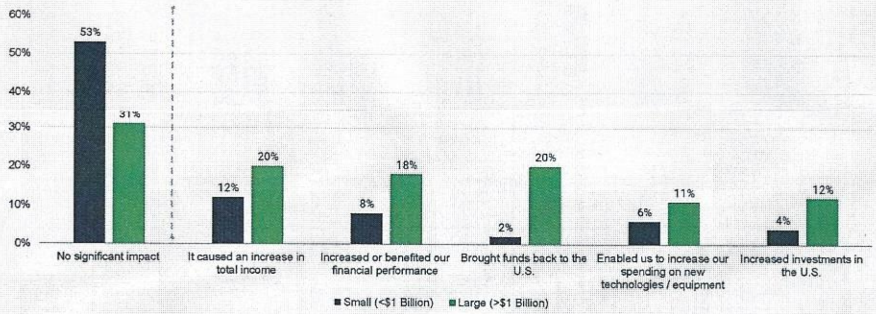
Nearly Half of Firms Don't Recognize Any Impact

While the significant overhaul to the U.S. tax structure that went into effect last year was widely anticipated to bring large benefits to businesses, many have not recognized any significant impact on their business.

Large Firms More Likely to Benefit

Additional analysis uncovered that large firms (Revenues >$1B USD) were far more likely to have benefited from tax reform compared to their smaller peers.

Corporates: How has tax reform impacted your business? (Select all that apply) ****Less Notable Answer Choices are Not Shown***



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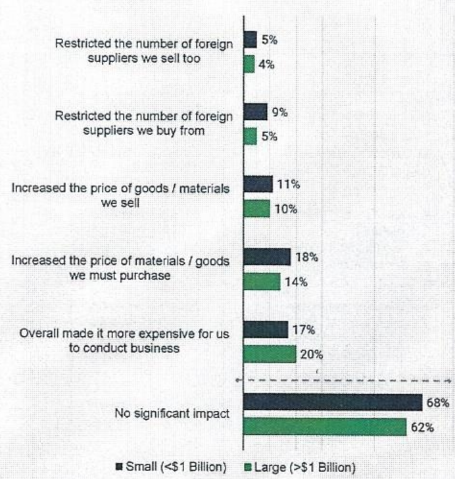
ECONOMIC OUTLOOK

TRADE CONFLICT IS NOT A TOP CORPORATE CONCERN

Corporates: How has trade conflict (China, G7, NAFTA) impacted your business? (Select all that apply) ****Less Notable Answer Choices are Not Shown***



2 in 3 Firms Unimpacted by Trade Conflict

Despite heightened industry concern regarding the repercussions of global trade conflicts, a significant majority of organizations remain unimpacted at this time.

15-20% of Firms See Costs Increase

While the majority of firms remain unimpacted, 1 in 7 businesses have seen increased expenses associated with the materials they purchase. 1 in 5 indicate that trade conflict has increased the overall cost of conducting business.

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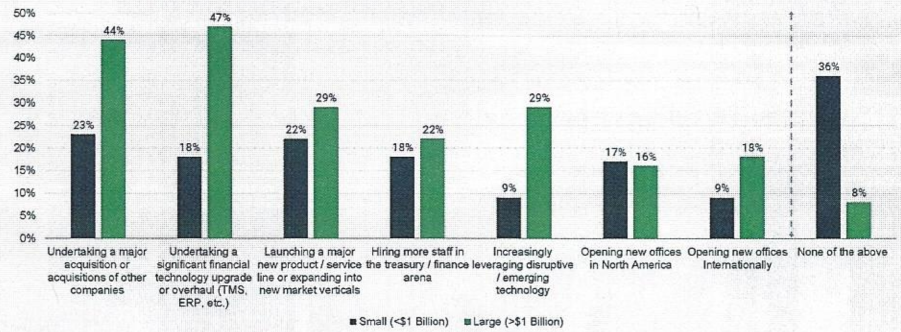
ECONOMIC OUTLOOK

DESPITE ECONOMIC UNCERTAINTY, CORPORATES STILL PLAN TO SPEND

Please indicate your company's expected activity or interest in the following areas over the course of the next two (2) years: (Select all that apply)

***Less Notable Answer Choices are Not Shown**



Large Firms Spend, Small Firms Save

While nearly half of large firms (annual revenues >$1 Billion) plan to undertake a significant financial technology upgrade or complete a major acquisition, spending plans for smaller firms were subdued across virtually every category. Over 4x more small firms did not plan to spend on any listed category.

Data Source: 2019 Treasury Perspectives

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ECONOMIC OUTLOOK

NOTABLE POINTS

ECONOMIC GROWTH GETS REALITY CHECK

- After several years of rapid growth, expectations are being reevaluated.
- Practitioners remain overall bullish on economy, just less-so than in previous years.
- Cautious optimism is becoming the norm.

DEBT REPAYMENT A TOP FOCUS

- As interest rates rise, debt repayment is becoming a top priority.
- Debt repayment is the most anticipated use of excess cash in 2019 (31% of firms).

FINANCING OPTIONS ARE REEVALUATED

- 26% of firms with revenues >$1 billion plan to increasingly leverage supply chain finance (SCF) or other alternative financing options as a direct result of IR hikes.
- 30% of small firms list credit / lending conditions as a top reason for switching banks.

TRADE ESCALATION COULD CAUSE MAJOR CHANGE

- 65% of firms indicate no major impact from trade conflict as of this point.
- However, if ongoing negotiations (particularly with China) fail, further escalation of conflicts could result in a much larger impact as tariffs and embargoes grow more severe.

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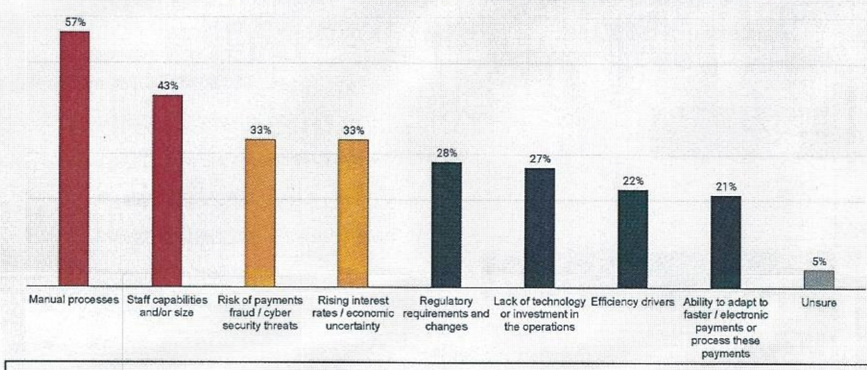
TREASURY OPERATIONS

MANUAL PROCESSES CONTINUE BOGGING DOWN CORPORATES

Corporates: What areas represent the TOP operational challenges for your organization in 2019? (Select all that apply)



As Corporates Hold Off on Tech Adoption, Manual Processes Bog Them Down

While corporates continue to remain hesitant in adopting new or disruptive tech, manual processes continue to represent the top operational challenge for organizations in 2019.

Data Source: 2019 Treasury Perspectives

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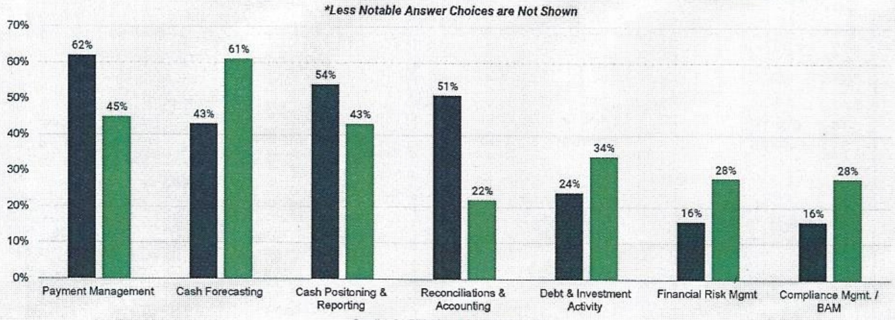
TREASURY OPERATIONS

PAYMENTS & FORECASTING ARE TIME CONSUMING

Corporates: Considering all your operations, what three (3) areas do you spend the most of your time working on? (Select three choices)

***Less Notable Answer Choices are Not Shown**



Large Firms Struggle with Forecasts, Small Firms with Payments

Nearly 2/3rds of large firms indicated that cash forecasting was an area where significant time was spent, while payment mgmt. and cash positioning were also strenuous. Two-thirds of small firms indicated payment management was tedious, along with cash positioning and reconciliations.

Data Source: 2019 Treasury Perspectives

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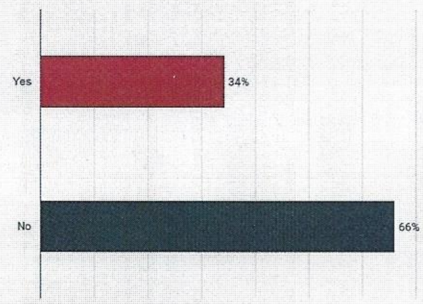
TREASURY OPERATIONS

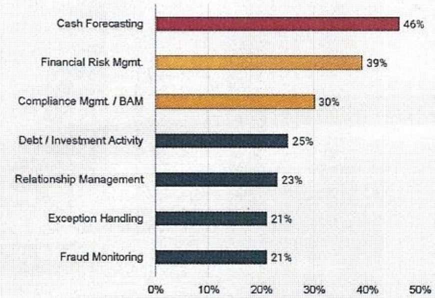
OVER 1/3rd OF TREASURY GROUPS CAN'T PERFORM ALL THEIR DUTIES

Corporates: Are there currently any responsibilities you don't have time to perform?



Corporates: What are these responsibilities? (Select all that apply)

***Only Top 7 Answer Choices Shown**



Key Treasury Functions Get Neglected

Over 1/3rd of treasury teams cannot perform all their responsibilities. For these teams, cash forecasting and risk management are the functions that most commonly fall to the wayside.

Data Source: 2019 Treasury Perspectives

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TREASURY OPERATIONS

NOTABLE POINTS

TREASURY IS OVERWORKED

- Treasury's list of responsibilities is long and complex.
- Limited staffing and inadequate tech further exasperate practitioners.
- The environment continues to grow in complexity.

1/3RD OF GROUPS STRUGGLE TO KEEP UP

- A full 34% of practitioners do not have time to perform all their responsibilities.
- Letting functions like compliance mgmt., risk mgmt., or forecasting fall to the wayside is not ideal. These groups need to act before a major exposure occurs.

LAGGING TECH ADOPTION HAS AN IMPACT

- Internal expectations regarding treasury's output continue to increase.
- The best way for treasury to gain the upper hand is through enhanced technology. However, corporates continue to slowly update their processes.

MANUAL ISSUES WILL REMAIN UNTIL CORPORATES ACT

- While tech adoption lags, corporates have labeled manual processes as the top operational challenge in 2019.
- This will not change until corporates are proactive in addressing the issues bogging them down.

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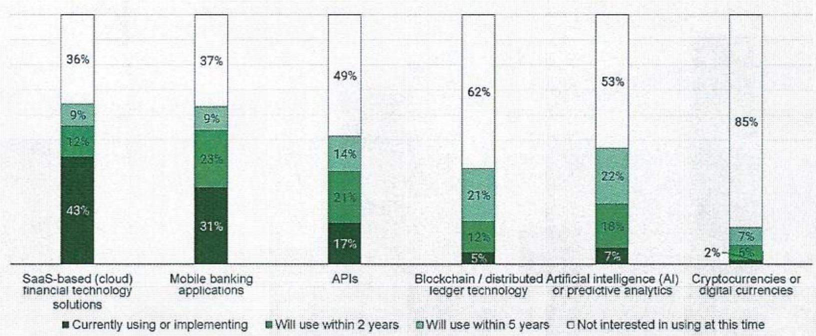
TECHNOLOGY USE

CORPORATES SLOWLY APPLYING NEW TECH

Which of the following technologies are you using / interested in using in treasury?



Minimal Use, Notable Plans

Many of the newer technologies we have seen arrive onto the treasury and finance scene (blockchain, AI, etc.) have yet to see significant corporate traction. However, nearly 50% of practitioners plan to use AI in treasury within the next 5 years, and 37% plan to use blockchain. Use of APIs, mobile banking apps, and SaaS-based fintech solutions within treasury is projected to be over 50% by 2024. Cryptocurrency use will remain very low.

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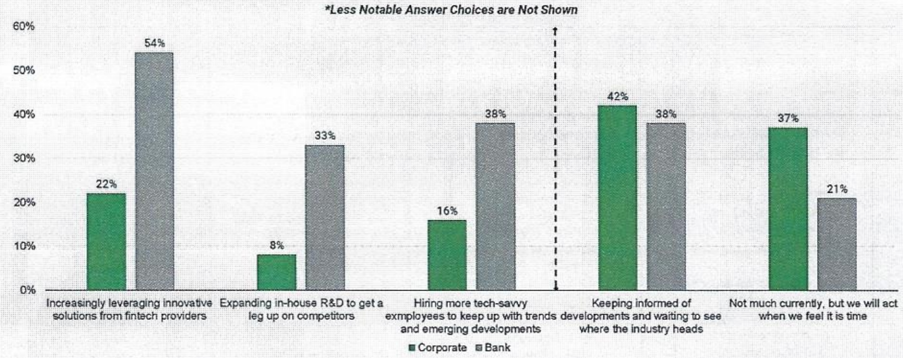
TECHNOLOGY USE

CORPORATES ARE LARGELY UNPREPARED FOR TECH DISRUPTION

Corporates vs. Banks: How are you preparing for disruption in the treasury / banking industry? (Select all that apply)

***Less Notable Answer Choices are Not Shown**



Banks Actively Prep for Disruption, Corporates Wait on the Sidelines

Over 4x more banks are expanding R&D to maintain a competitive advantage. 2.5x more banks are hiring more tech-savvy employees and leveraging innovative solutions from fintechs. Corporate are nearly 2x more likely to not be doing anything to prepare for disruption. Banks tend to have more incentive from a competition standpoint to stay abreast of major industry changes.

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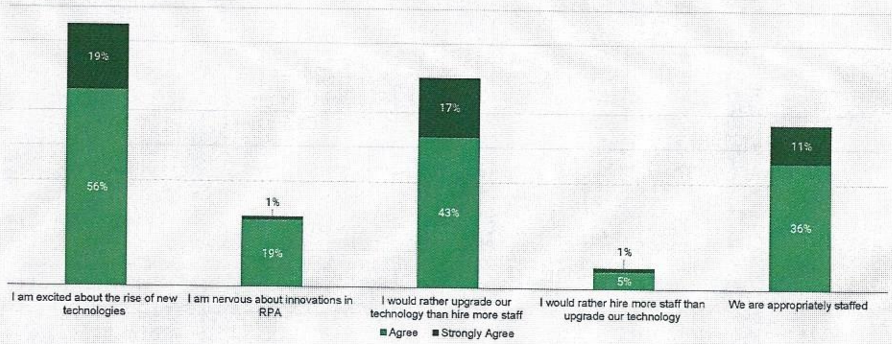
TECHNOLOGY USE

DESPITE LAG, CORPORATES ARE EXCITED ABOUT NEW TECH

Corporates: Please rank how you feel about each of the following statements:



Corporates are Excited, but Not Proactive, When it Comes to New Tech

Despite their hesitancy to adopt new technologies right now, 75% of corporates indicate that they are excited about the rise of new technologies and nearly 8x more corporates would rather upgrade their technology than hire more staff. However, 1 in 5 practitioners are also nervous about developments in RPA (automation).

Data Source: 2019 Treasury Perspectives

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TECHNOLOGY USE

NOTABLE POINTS

BANKS CONTINUE LEADING THE WAY WITH NEW TECH

- Banks lead on the adoption of virtually every category of technology.
- Banks are also more proactive in hiring tech-savvy employees and in preparing for further disruption.
- Banks often have a higher incentive to stay on top of changes.

CORPORATES REMAIN ON THE SIDELINES

- Over 1/3rd of corporates are not doing anything to prepare for tech disruption.
- The majority are staying informed of new developments but not acting.

INTEREST EVENTUALLY LEADS TO ADOPTION

- Despite limited adoption, corporates indicate they are excited about new tech developments
- The overall corporate stance of cautious optimism should eventually lead to adoption.

THE NEXT FIVE YEARS ARE CRITICAL

- Today, a minority of firms are leveraging SaaS, APIs, AI, and blockchain in treasury.
- However, planned adoption over the next 5 years would see ~40-70% of firms using these technologies. The next five years are a critical growth stage.

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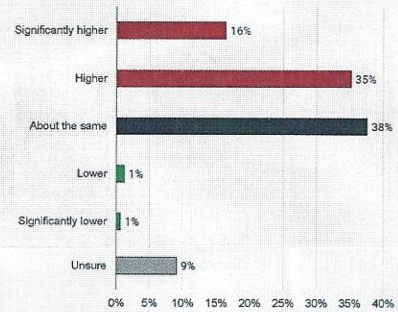
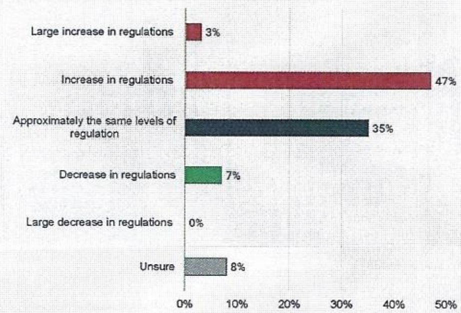
REGULATIONS & COMPLIANCE

REGULATORY PRESSURE IS HIGH & EXPECTED TO INCREASE

Corporates: With regard to historical norms, the current level of regulatory oversight and compliance requirements impacting treasury is:



Corporates: In the near future (1-2 Years), I expect the following to be true of the regulatory environment:



Regulatory Oversight is Higher Than Normal & Expected to Increase

51% of corporates view current levels of regulation as higher than historical norms. Just 2% view current levels as lower. Although there has been some anticipation that the current U.S. government will reduce the level of regulation currently in place across the corporate environment, 7x more corporates expect an increase in regulation over the next 1-2 years compared to those expecting a decrease.

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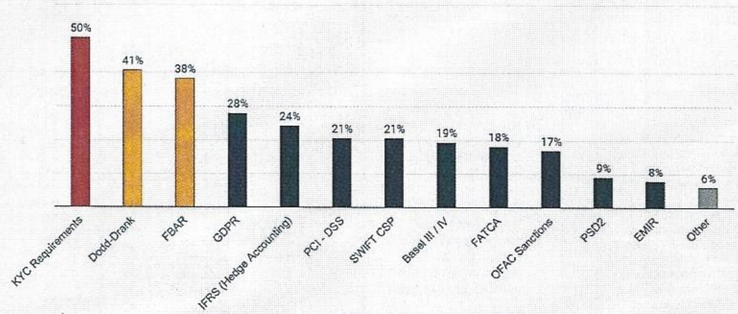
REGULATIONS & COMPLIANCE

KYC REMAINS THE TOP CORPORATE COMPLIANCE CONCERN

Corporates: Select the three (3) areas of regulations or security / compliance components that you feel will have the most significant impact on your treasury / finance operations over the next 1-3 years: (Select three options)



A Bank Regulation, a Corporate Concern

While KYC requirements are primarily levied onto banks when onboarding new clients, much of the headache associated with this due diligence carries over to corporates in the form of timely onboarding and hefty documentation requirements.

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REGULATIONS & COMPLIANCE

NOTABLE POINTS

THE LANDSCAPE HAS SHIFTED DRAMATICALLY

- The past decade has seen a number of new regulations introduced that directly impact treasury operations.
- Governments and legislative bodies continue to exercise more control and oversight to financial operations and proceedings globally.

COMPLIANCE IS NOW A MAJOR UNDERTAKING

- The majority of practitioners view today's environment as more restrictive than historical norms.
- A majority also expect the environment to continue growing in severity. Compliance mgmt. has become a major undertaking.

TREASURY NEEDS A FORMAL COMPLIANCE PROCESS

- Treasury cannot continue to deal with compliance only when they find time, or to assume their operations are already in-line.
- Formal procedures and designated roles must be assigned to monitor new regulations and manage compliance with existing regulations.

IGNORING THE ISSUE CREATES MORE EXPOSURES

- As firms struggle to manage compliance, many are letting it fall to the wayside.
- Large firms in particular are likely to ignore compliance due to time constraints.
- Ignoring the issue is not solving it. Exposures will not disappear on their own.

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PUTTING IT ALL TOGETHER

WHAT ARE THE IMPLICATIONS OF THIS DATA FOR TREASURY HEADING INTO 2019?

PAY OFF YOUR DEBT

- Interest rates are at their highest point in over a decade and there is a potential for more hikes over the next year.
- Gone are the days of interest-free borrowing. Instead, excessive debt can now cause a severe drain on working capital and becomes overly risky during periods of economic uncertainty.

TECHNOLOGY SPEND IS CRUCIAL

- Practitioners continue to indicate they are understaffed and overworked.
- While most treasury groups recognize a need to upgrade their technology, this realization needs to be followed up with action.
- Doing nothing about the problem only puts your firm farther behind.

OPTIMIZE BEFORE IT'S TOO LATE

- Over 1/3rd of treasury teams can't perform all their duties. 57% list manual processes as a top challenge in 2019.
- Groups in these categories must act fast; both external factors and internal expectations are resulting in greater complexity. Failure to optimize now will only result in further exposures down the road.

DEVELOP FORMAL COMPLIANCE POLICIES

- Today, there are dozens of regulations that directly impact treasury. However, 45% of firms do not have a dedicated team or established process for managing compliance.
- While compliance may not be treasury's top priority, groups cannot simply avoid these requirements.
- Compliance must be formally recognized as a responsibility.

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LET'S CONNECT

DON'T LET THE LEARNING END HERE... CONTACT US WITH ANY FUTURE QUESTIONS.

Thank you for your interest in this presentation and for allowing us to support you in your professional development.

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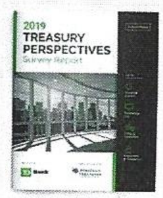
WANT MORE INFORMATION?

Download the 2019 Treasury Perspectives Survey Report & Infographic! The Survey Report offers in-depth commentary on nearly a dozen key findings drawn out of this industry-wide survey, while the infographic provides a brief, visual synopsis of some of the more notable data points obtained.



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