2023 Global Treasury Survey

October 2023

pwc

Content

01

Survey demographics

1. Survey demographics

375 Companies

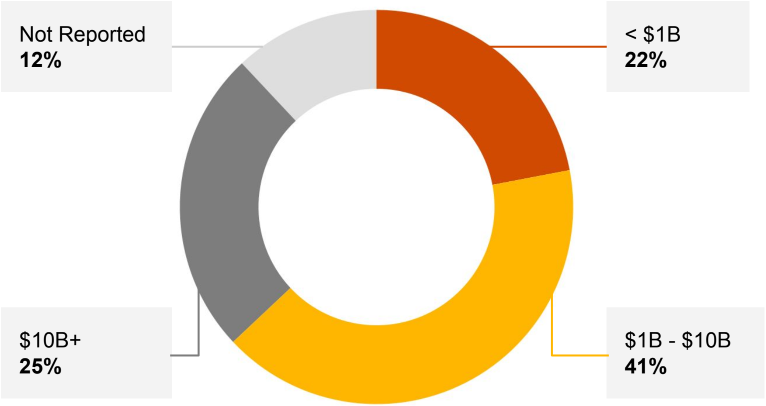
33 Countries

24 Industries

13.6B $ Average revenue

Distribution of respondents by geography

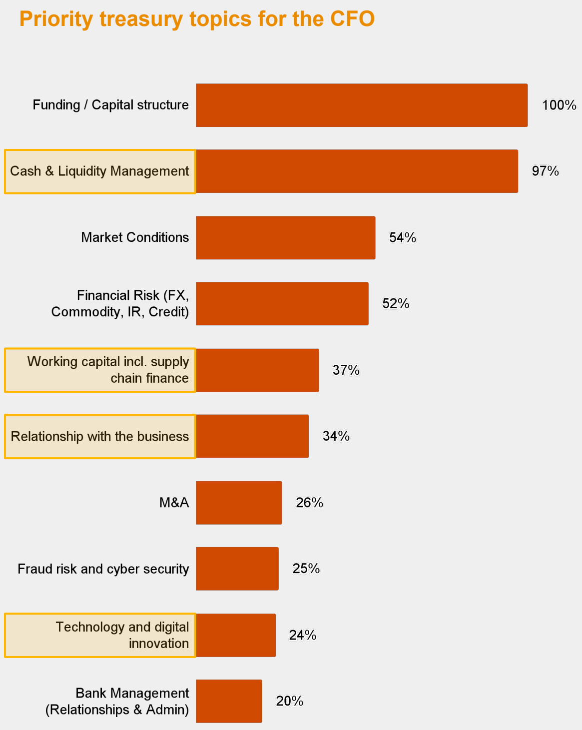
Distribution of respondents by revenue

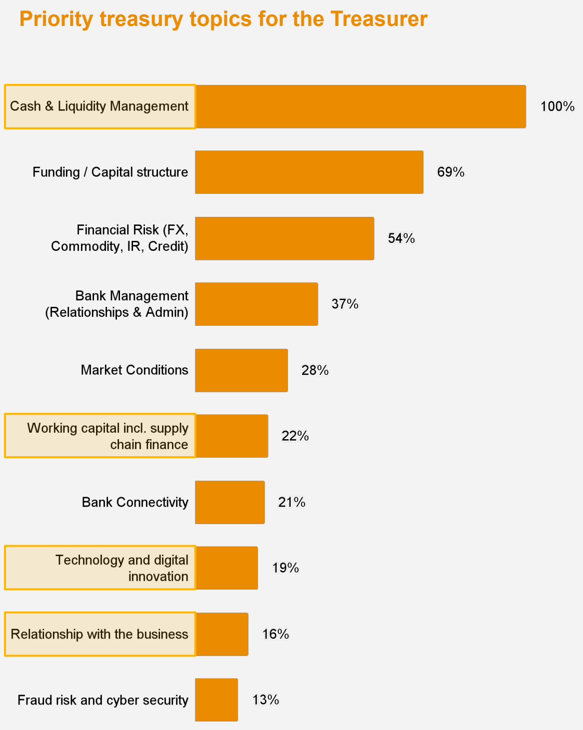


02

Top priorities & challenges

2. Top priorities





Key takeaways

While funding remains the nbr 1 priority for CFOs, **Cash & Liquidity Management remains key** on the agenda of both the CFOs and the Treasurers. Continued focus around cash optimisation:

- Access to internal cash and liquidity optimisation
- Automation and control
- Access to funding starting to become more stringent

CFO continued request to strengthen relationship with the business as highlighted in 2021 :

- Not yet really considered by the treasurers (-1 place versus 2021)

Technology and digital innovations have dropped significantly in the ranking (from nbr 5 priority in 2021 to nbr 8 or 9)

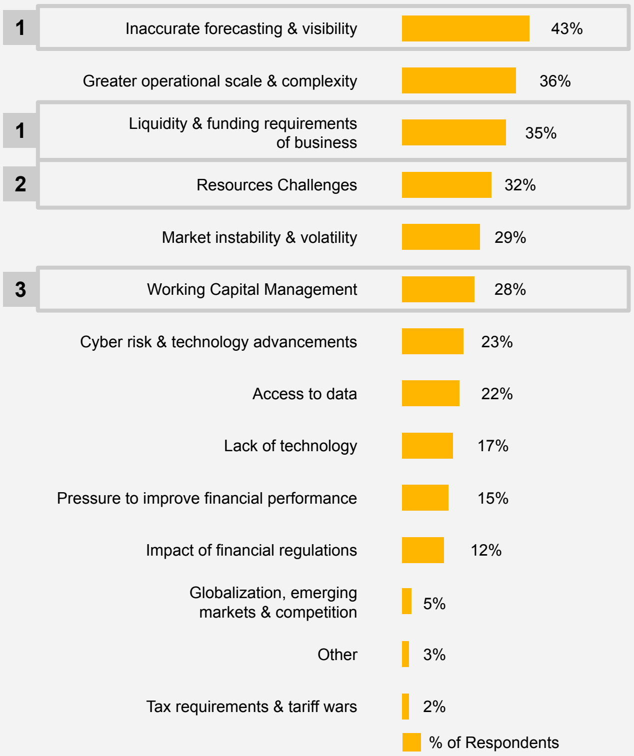
- Focus on the core risk management functions of treasury (funding, visibility and control in volatile market conditions)

Working capital has been mentioned for the first time in the priorities from the **CFO (priority nbr 5)**

- In line with the reinforced focus on cash and funding

Surprisingly, **talent management has disappeared** from the priority list of both the CFOs and the treasurers

2. Top challenges



Key takeaways

Minimal changes compared to 2021 survey (almost no change in the ranking)

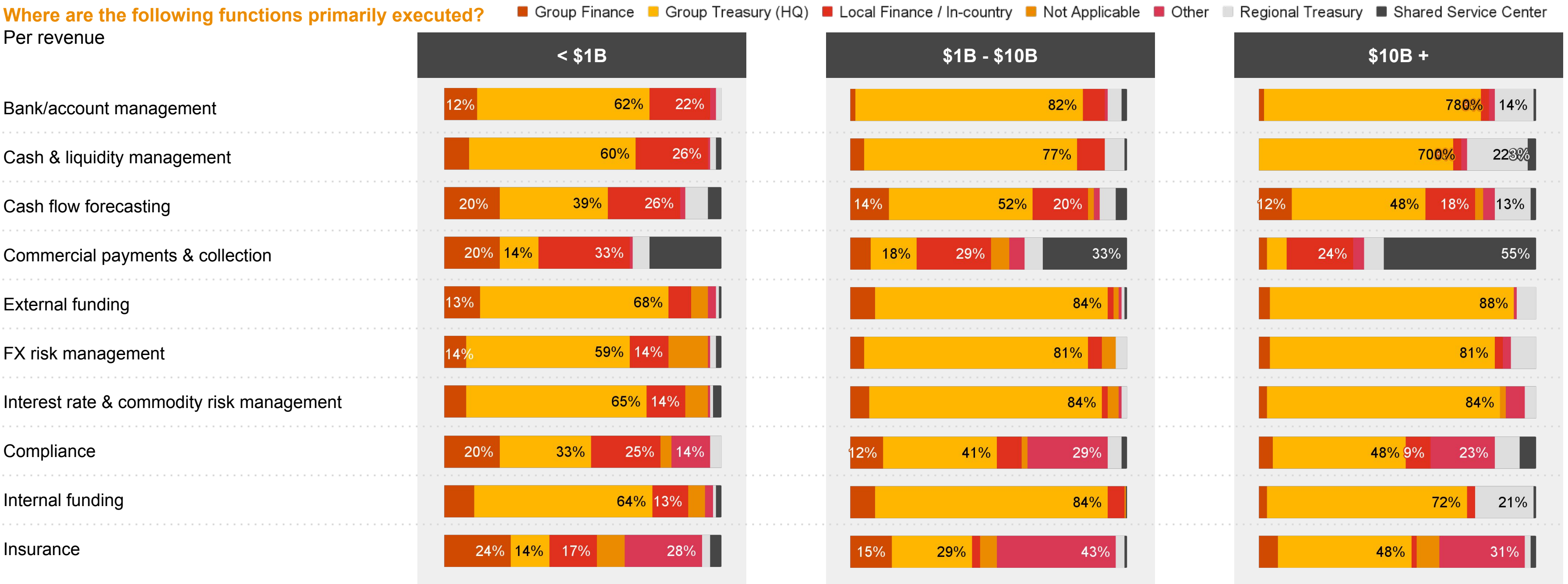
1. Although **cash and cash flow forecasting** has been the number 1 priority over the last several years:
   - For 43% of the respondents (45% in the 2021 survey), CFF remains the biggest challenge for treasurers.
   - For 35% (38% in the 2021 survey), liquidity and funding requirements remains within the top 3 challenges
2. Despite the fact that talent management has disappeared from the top 10 priority list, **resources challenges remain nbr 4 priority** compared to 2021.
3. The major change comes from **working capital that has made it into the top 10 challenges.** Not surprising considering the renewed CFO focus on the topic.

03

Treasury activities

3. Treasury activities

Where are the following functions primarily executed?
Per revenue

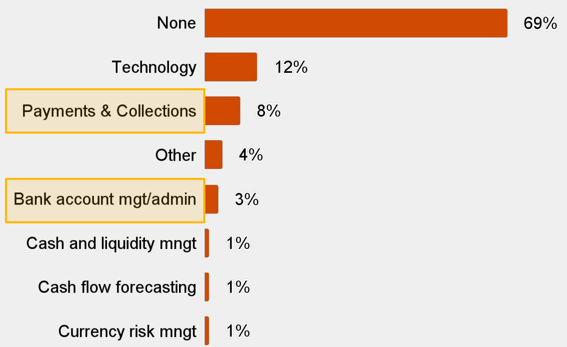


Key takeaways

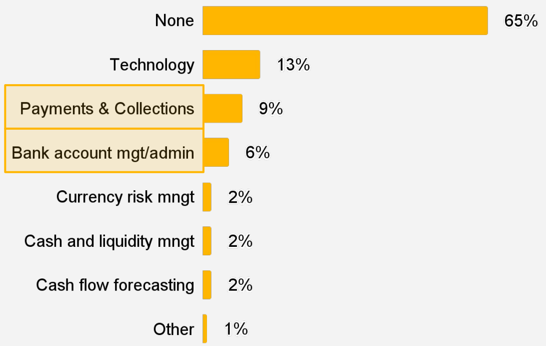
1. Without surprise, many treasury activities are still being executed by local finance or in-country resources for the below $1bn turnover companies, compared to larger size companies
2. 55% of the very large corporates have a SSC in charge of commercial payments and collections
3. One of the most significant difference of the role of treasury between different size companies is the insurance activity. For almost half of the very large corporates, treasury is responsible for insurance while this goes down to 29% for the medium size companies and 14% for the smaller ones.

3. Treasury activities

What treasury activities do you currently outsource to a third party provider?



What treasury activities would you consider outsourcing to a third party provider?

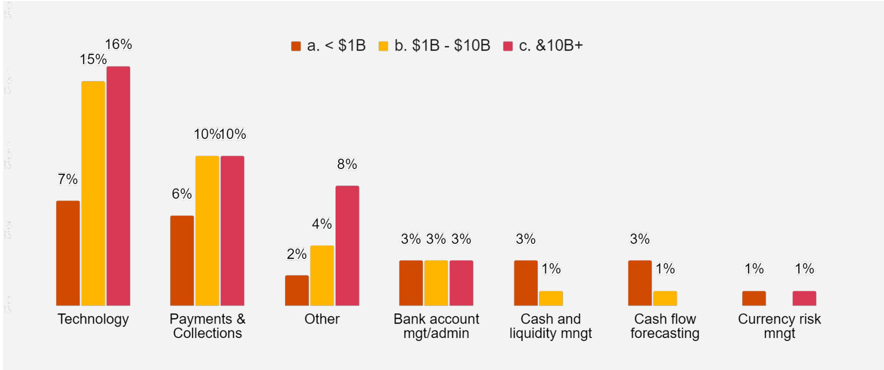


Key takeaways

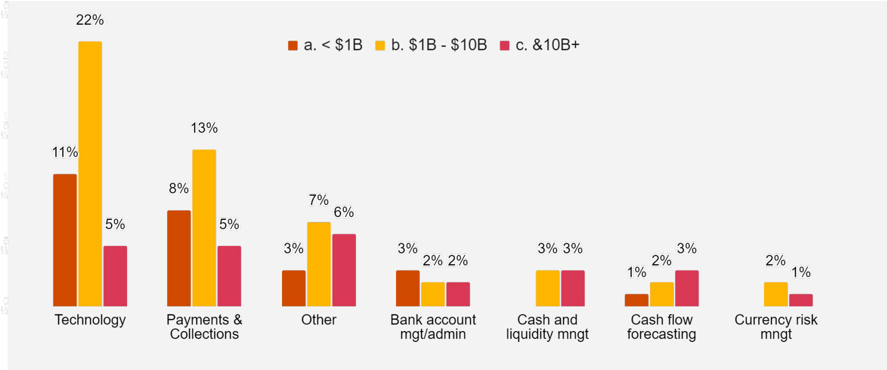
1. Potential for further outsourcing technology and payments and collections.
2. **Notable differences between regions:**
    - **Bank Account Management:** outsourcing more popular in Asia (13% currently outsourced compared to 2% in Europe and the Americas), although the appetite is getting bigger in the Americas (7% are interested to outsource)
    - **Payment and Collections:** American HQ corporates are the ones making most use of third party providers (12%) compared to 7% for European and Asian ones, but the biggest potential comes from Asian corporates with 14% being interested to outsource the service

3. Treasury activities

What treasury activities do you currently outsource to a third party provider?
Per revenue



What treasury activities would you consider outsourcing to a third party provider?
Per revenue

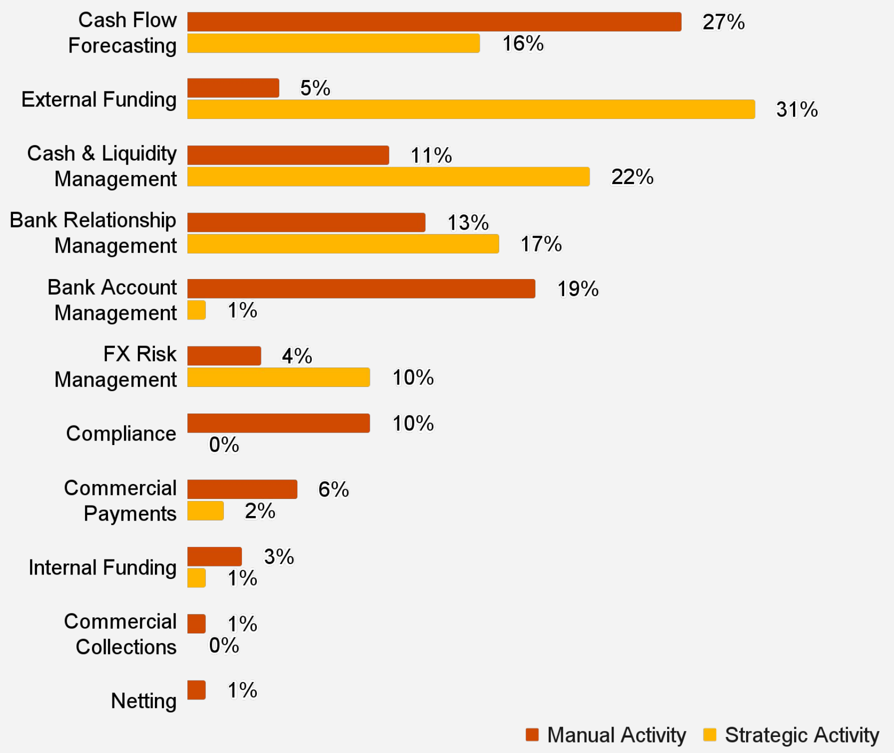


Key takeaways

1. Without surprise, the bigger the corporates, the larger the number of corporate outsourcing certain activities, in particular technology and payments.
2. The biggest potential for outsourcing technology, payments and collections comes from the medium sized companies, sized between $1bn and $10bn revenues

3. Treasury activities

What treasury activities do you consider as your most manual and most strategic?



Key takeaways

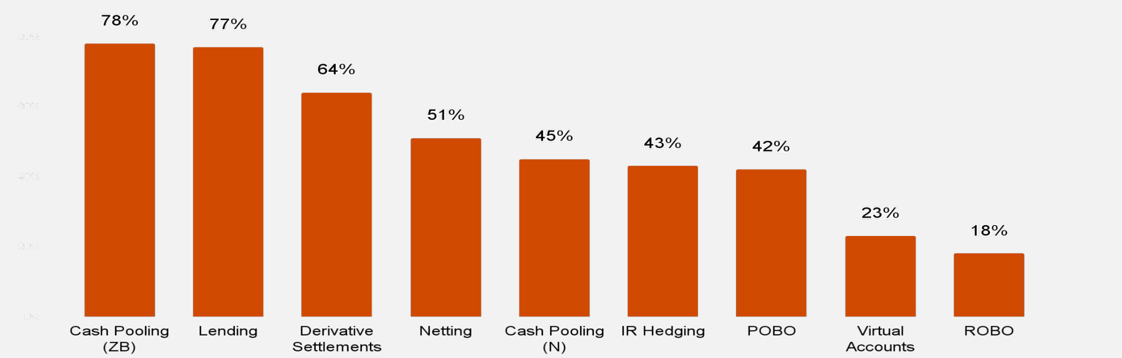
1. **High correlation between most strategic activities and priorities** (refer to earlier slide)
2. **Despite being one of the most strategic focus, cashflow forecasting** remains the most manual treasury activity
3. **Bank account management** remains a **manual** effort for many (although we can see a slight improvement compared to 2 years ago, down from 23% to 19%
4. **Compliance** remains a painful manual effort for 10% of the respondents

04

In-house bank services

4. In-house banks services

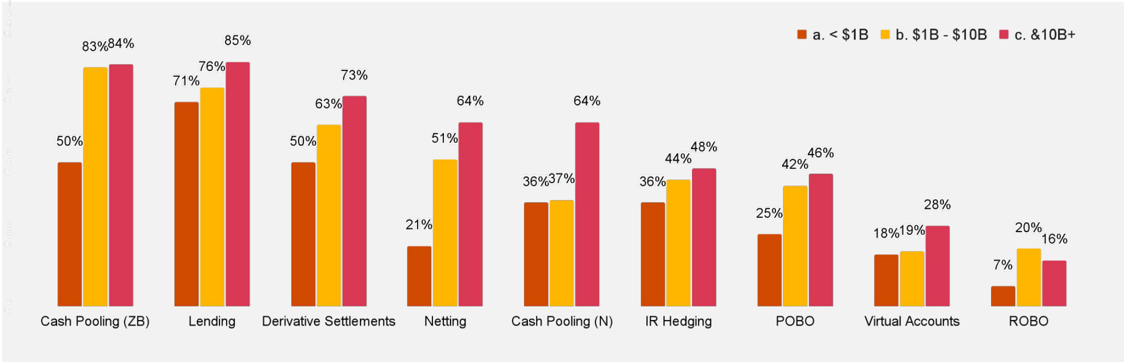
2023 results



Key takeaways

1. Small decrease of the use of notional pooling compared to 2021 (51%), but still popular with 45% of the corporate using the solution
2. 42% using a PoBo scheme and close to 20% have a ROBO solution in place. These set-up are getting more and the norm, in particular for the larger sized corporates

Per revenue



Key takeaways

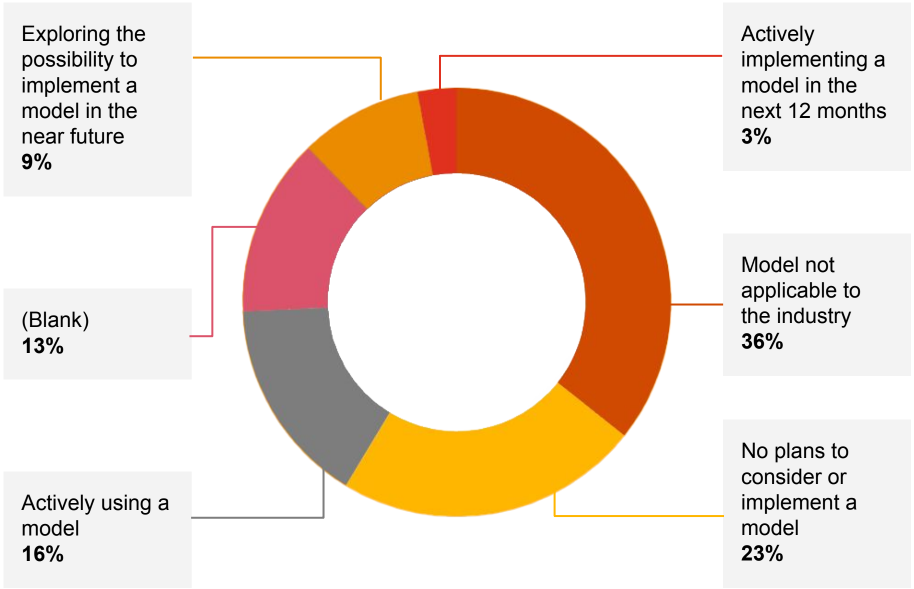
1. The bigger the companies, the more frequent use of a broad range of services being performed by the IHB

05

Market place

5. Marketplace model

Do you anticipate adopting a marketplace / eCommerce model?



Key takeaways

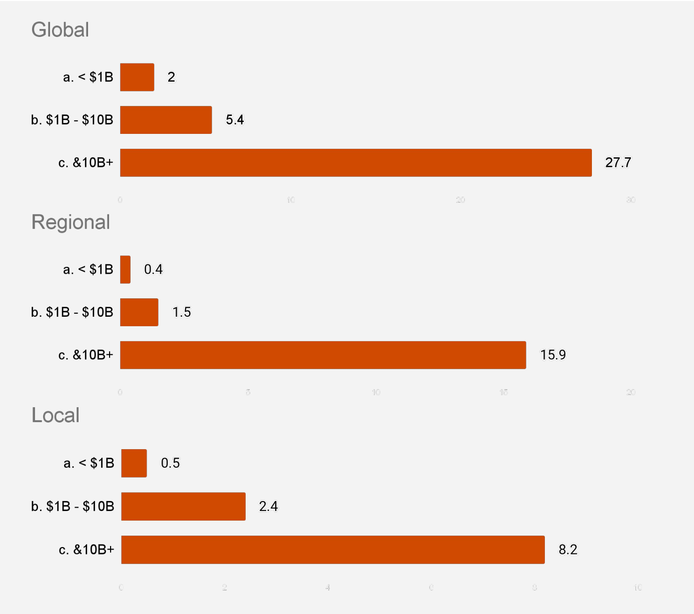
1. The **majority** of corporates have **no plan to implement such a model** or believes that the model is not applicable to their industry
2. From the 9% that are exploring implementing the model, 23% are coming from the consumer market, 20% from the industrial manufacturing sector, 14% from the energy utility sector and 11% from the automotive sector

06

People

6. People

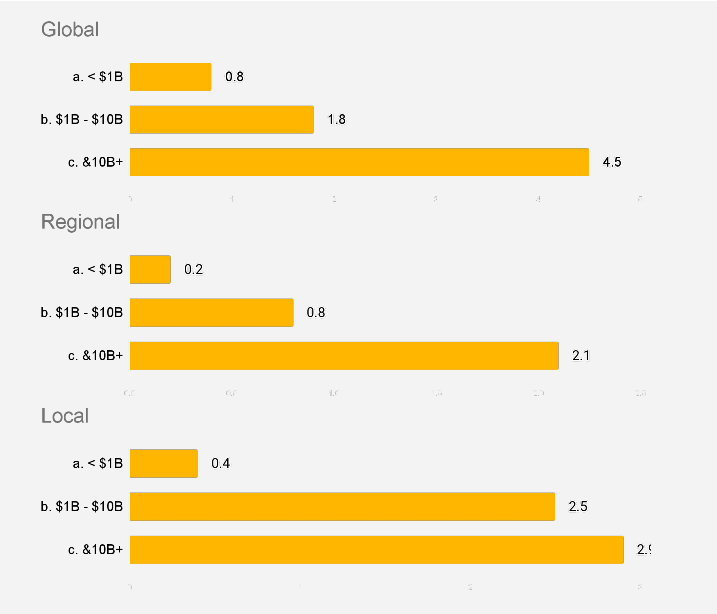
How many direct resources does your treasury organization currently have?



Key takeaways

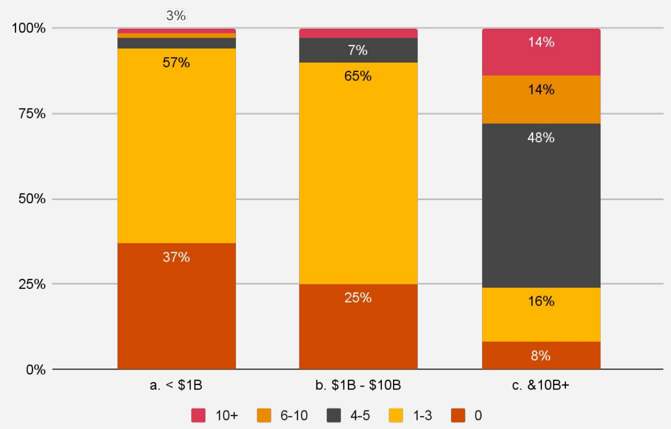
1. Direct correlation between size and direct/indirect resources working for treasury.
2. Although the smaller corporates tend to be the least sophisticated and manual, they are also the ones having limited number of resources dedicated to treasury, making it sometimes complicated to respect even basic segregation of duties
3. Less remarkable differences for the indirect resources working for treasury by size, compared to direct resources

How many indirect resources does your treasury organization currently have?

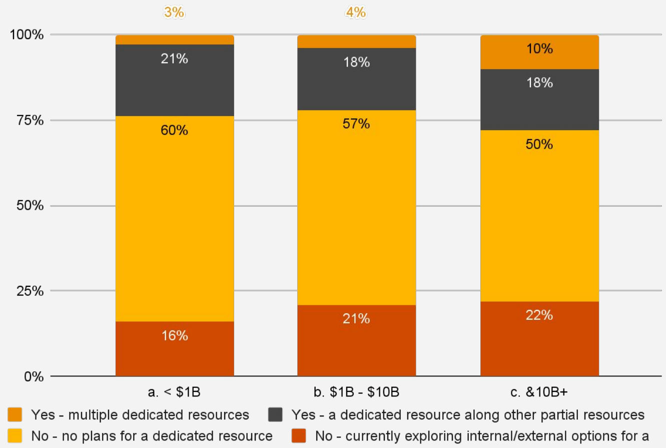


6. People

How many FTEs support treasury IT?



Do you have a full time resource in treasury that supports data and analytics?



Key takeaways

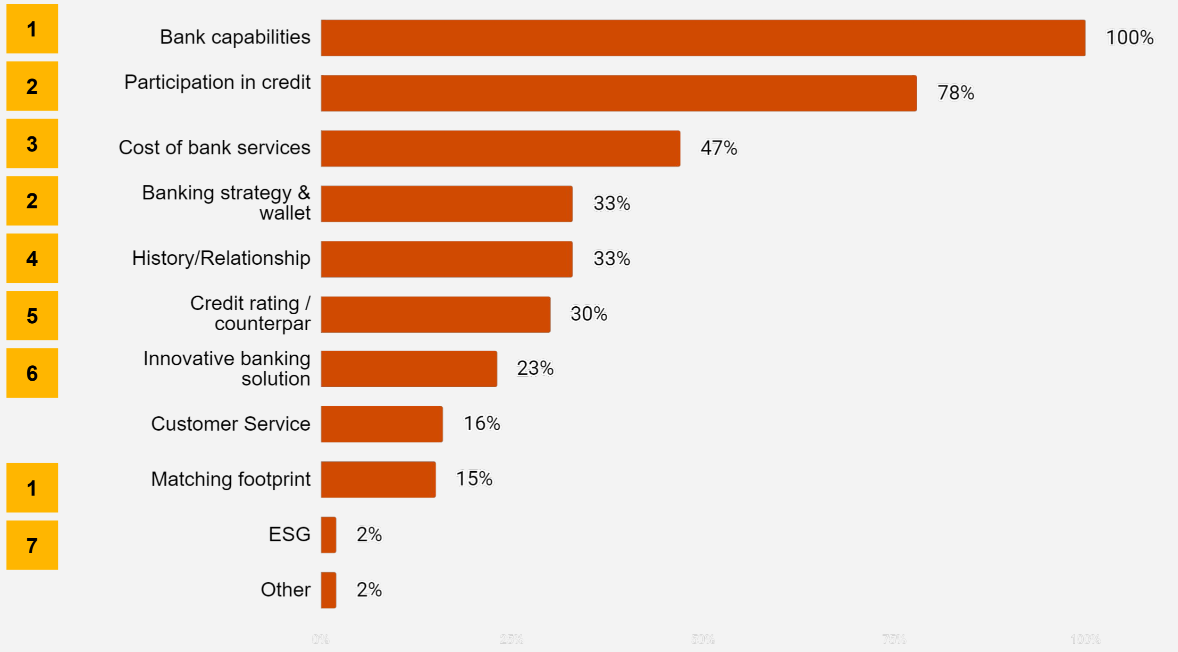
1. More than ⅓ of the smaller corporates have no FTE supporting treasury IT, making it difficult to invest into new technologies and solutions
2. Still a limited number of corporates making use of dedicated data and analytic experts

07

Cash and Liquidity

7. Cash & Liquidity management

When selecting a bank to provide a product or service, what are your most important decision criteria?

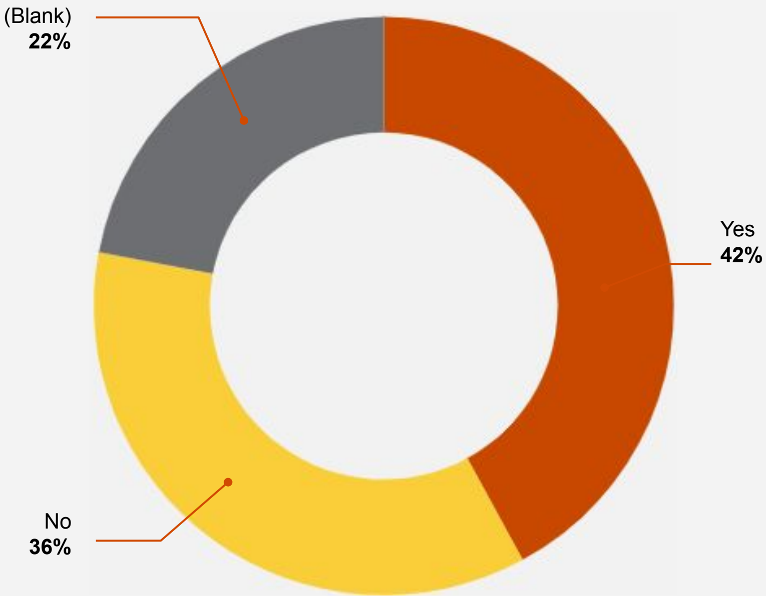


Key takeaways

1. Similar than 2 years ago, confirmation that **bank capability** is an absolute requirement but not necessarily with 'Bricks & Mortar' presence (15% vs 27% two years ago)
2. Participating to the **long-term funding** remains a prerequisite to have the ***'right to pitch'*** combined with **wallet sharing** (two places up compared to 2 years ago)
3. **Cost** remains important but based on experience (same position as 2 years ago), only becomes a key criteria at final stage of selection
4. **Penetrating new CM target remains difficult**
5. **Strong credit rating** will help, but surprisingly enough, **2 places down** compared to 2 years ago. The turbulences on the market (several bankruptcy) were not there at the closure of the survey data collection.
6. **Innovative solutions** goes 2 places up but still quite low in the selection criteria
7. ESG appears for the first time in the selection criteria list

7. Cash & Liquidity management

Are you considering a bank rationalization exercise in the next 2 years?

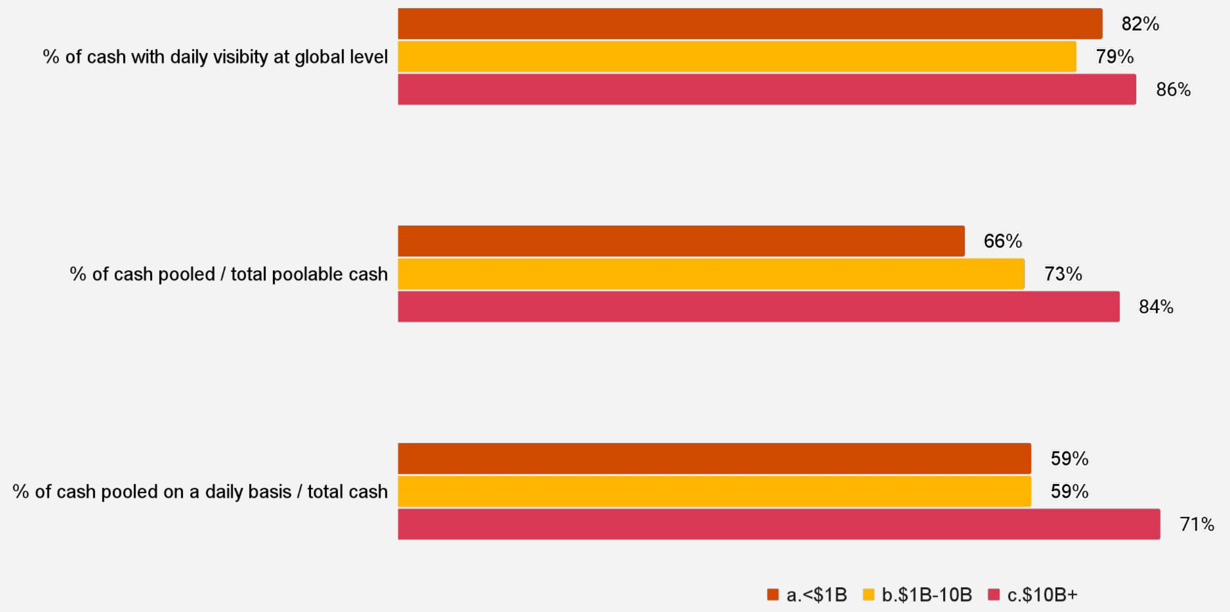


Key takeaways

1. Significant market activity expected in the next 2 years

7. Cash & Liquidity management

Indicate the following KPI for your cash



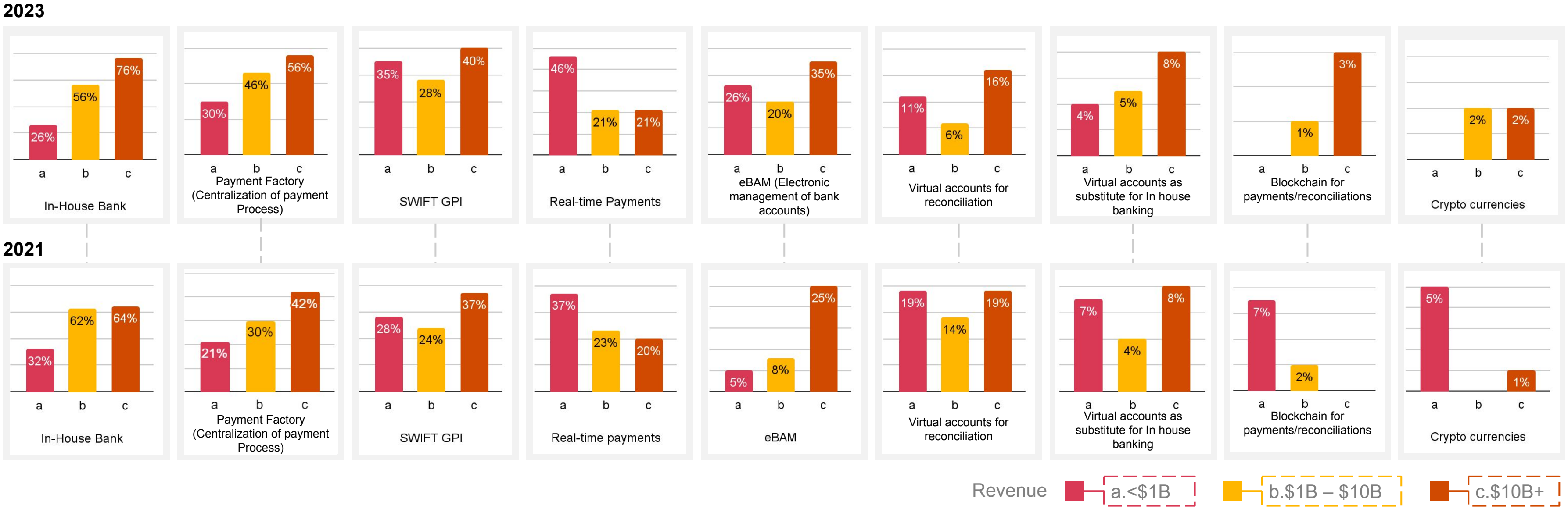
Key takeaways

Clear correlation between **size and % of cash being centralised.** This could be explained by multiple factors:

- Smaller size corporates do not get the same attention for the large global/regional banks and have to work with a **multitude of smaller sub-regional or local banks** to cover all their needs across the globe, making cash concentration more difficult and costly to execute
- **Less sophistication in terms of treasury systems and in-house bank solutions,** making it more complicated to follow inter-company positions created by cash concentration structures on a daily basis. Cash is centralised more on an ad hoc basis.

7. Cash & Liquidity management

Initiatives for banking and cash management operations
Per revenue & per year



Key takeaways

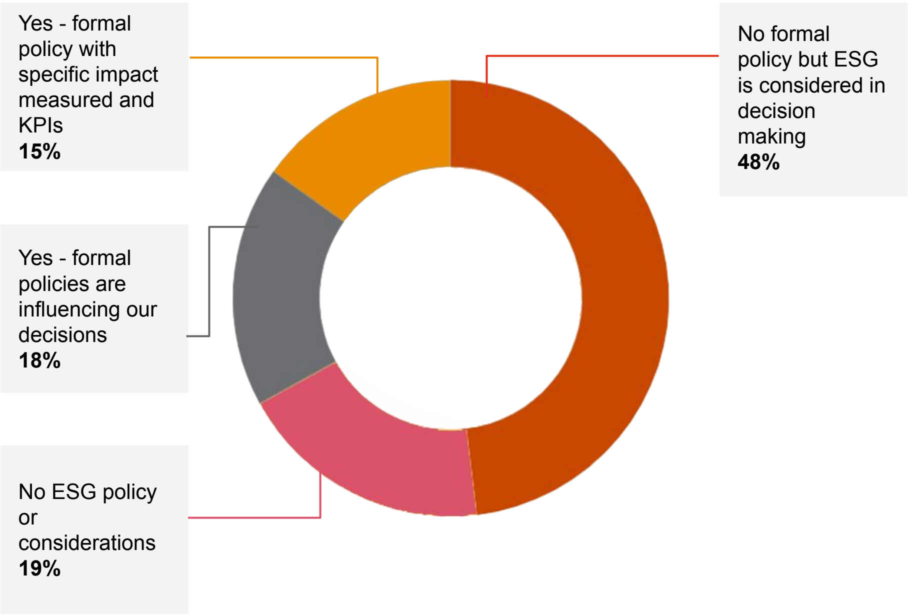
1. Significant increase across all size of companies in solutions like in-house banks and payment factories with almost 10 points increase across categories compared to 2 years ago
2. Virtual account as a substitute for in-house banking does not seem to create much more market interest compared to 2 years ago

08

ESG

8. ESG

Do you have any policies to address ESG?



Key takeaways

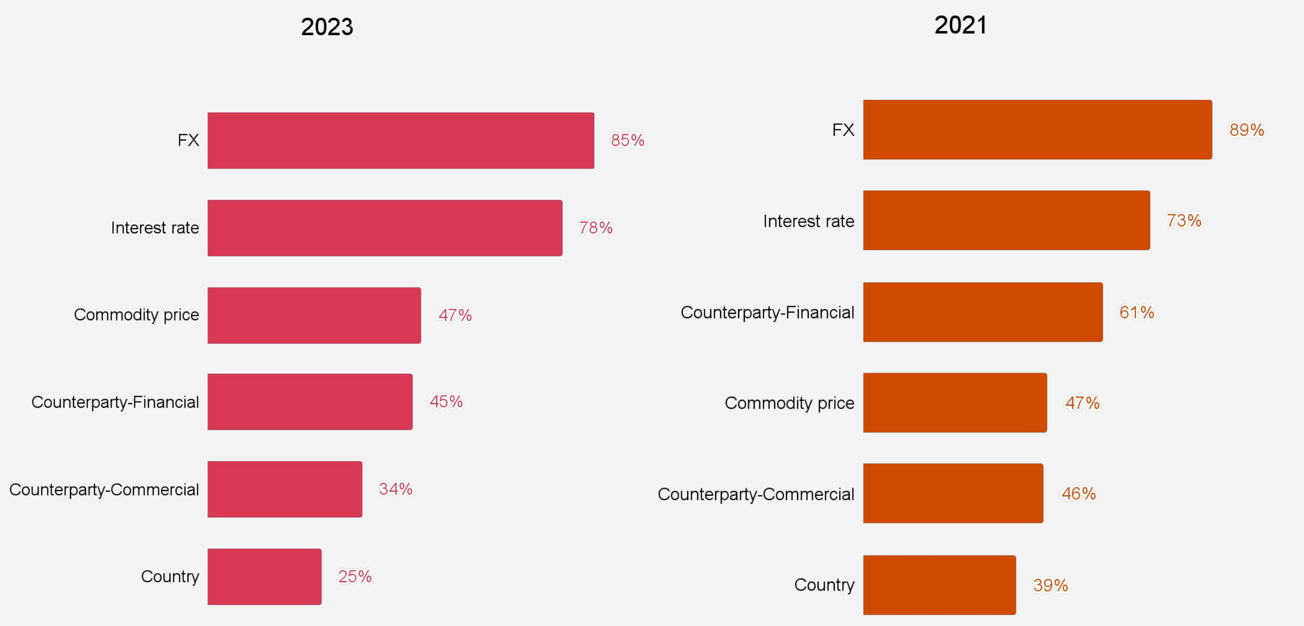
1. **81%** (versus 76%) of respondents either have an ESG policy or integrate ESG in their overall decision making
2. Nevertheless, only **33%** have a formal policy in place
3. Major differences per sector (% having a formal policy in place, with or without KPIS - minimum of ~20 responses per sector)
   - Automotive: 22%
   - Pharma: 24%
   - Transport and logistics: 26%
   - Industrial manufacturing: 28%
   - Technology: 35%
   - Consumer market: 36%
   - Energy, utilities and resources: 40%
   - Engineering and construction: 53%
4. Significant differences per region (% having a formal policy in place, with or without KPIS)
   - MENA: 21%
   - Americas: 26%
   - Europe: 33%
   - APAC: 38%

09

Financial Risk Management

9. Financial Risk Management

What are your most important/impactful economic risks?

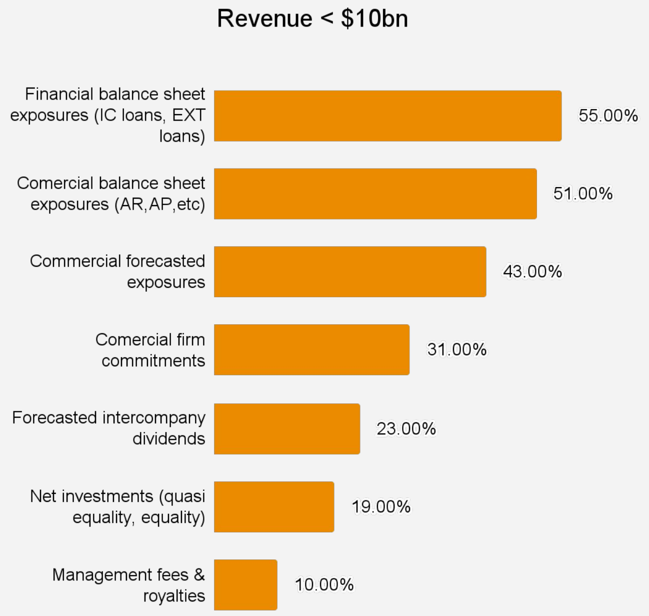


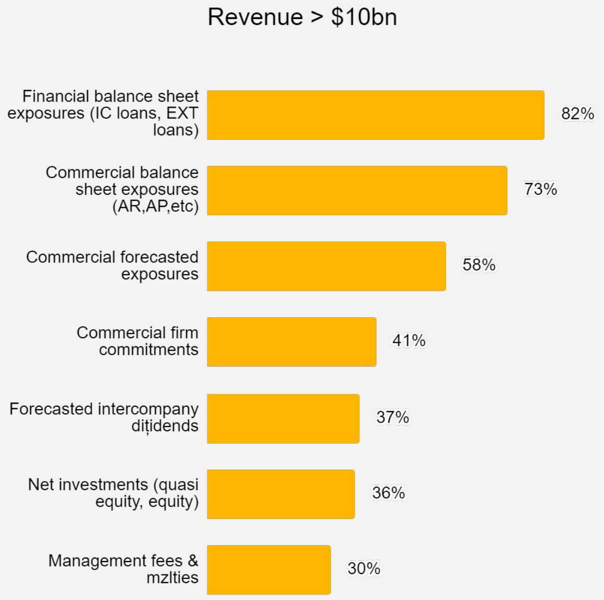
Key takeaways

1. Just like in 2021, the top two **main financial risks** for Corporate Treasurers remains **FX** and **Interest rate** with over 78% of respondents selecting both as their biggest economic risk.
2. The number of respondents indicating Interest rate as one of their most important economic risk has slight gone up compared to 2021. This is mostly a consequence of the increase in global interest rates since 2021.
3. Compared to 2021, commodity price risk has become more important. Most probable this is a consequence of the volatility in **commodity prices** following the Corona crisis and subsequent disruption in supply chain. However, it is still only considered by less than half of the respondents as a major risk.

9. Financial Risk Management

Do you hedge the following FX exposures against functional currency?



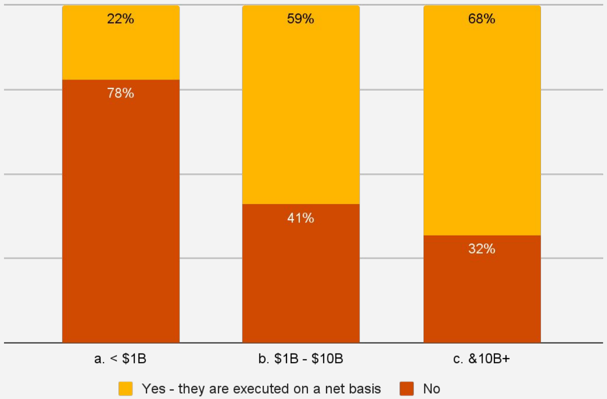


Key takeaways

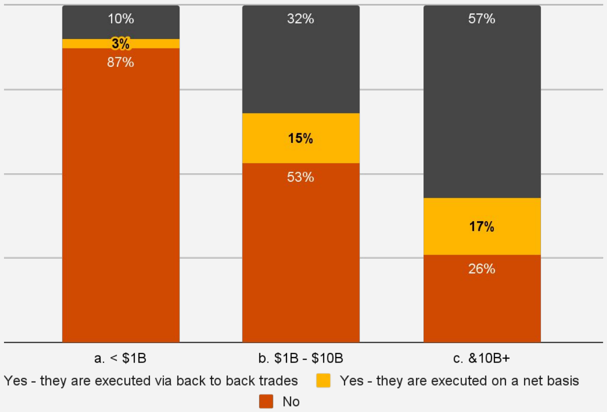
- Although the order of types of FX exposures being hedged is the same independent the size of the company, we see that **the bigger the company the more respondents indicated they actually hedge the FX risk.**
- For the companies with revenue then 1$0Bn over 70% are hedging their **balance sheet risk** and nearly 60% hedge forecast **commercial off-balance sheet risk.** For smaller companies, we see these numbers reduce to respectively 50% and 43%.
- % of respondents hedging **net investments** is relatively small. However, also here we see a big difference depending on the size of the company with for the bigger companies 36% of all correspondents hedging net investments while only 19% for smaller companies.

9. Financial Risk Management

Do you leverage a centralized hedging center entity?



Are intercompany derivatives used by your organisation?

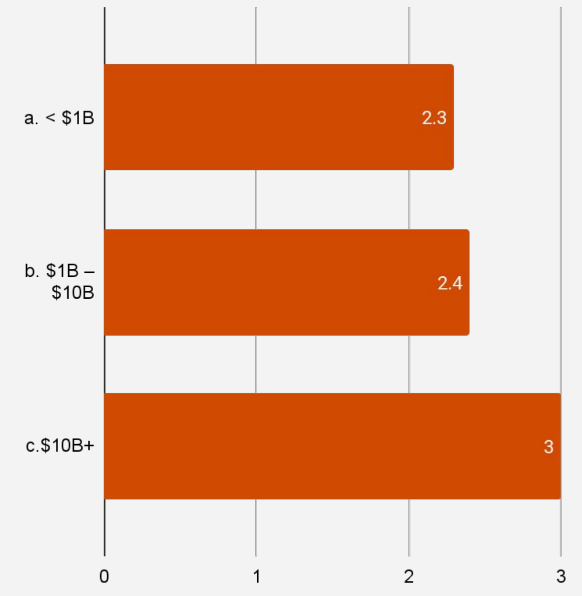


Key takeaways

1. The bigger the company the more likely they have a **centralised FX risk management function** across the company and are making use of a single centralised hedging entity that is facing the external banks.As expected, we see that the use of intercompany derivatives follows the trend for the usage of a centralised hedging entity.
2. In terms of intercompany derivatives we see that the vast **majority of companies** is still **applying a back-to-back structure** instead on hedging the internal exposure on a net basis.

9. Financial Risk Management

How automated is your process to aggregate currency exposures across businesses? (Manual + Excel Solutions = 1 / Fully automated processes=5)

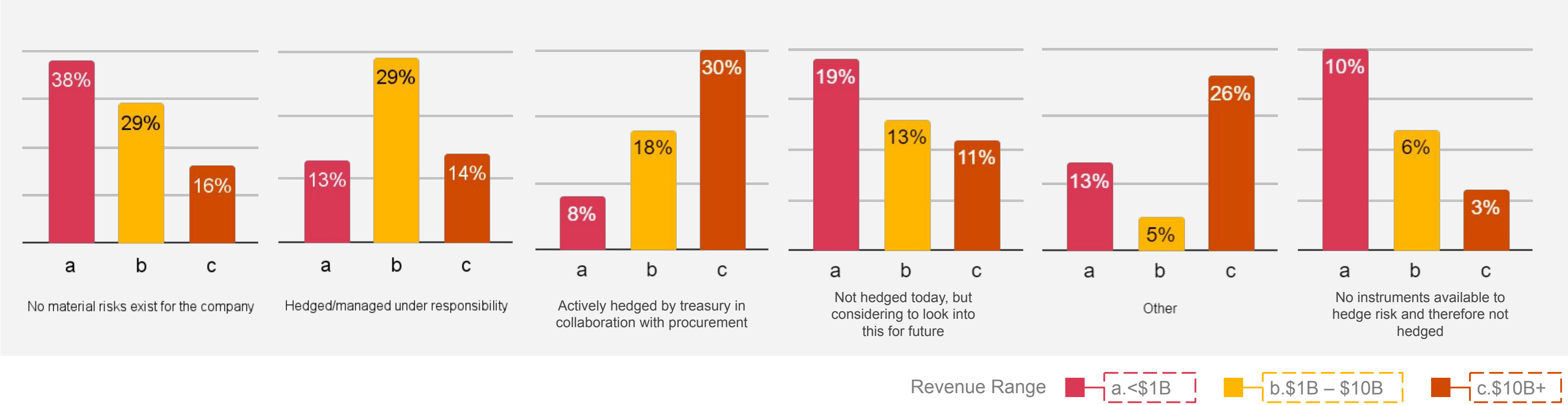


Key takeaways

We see the bigger the company the more likely they have invested in technology to automate the process to aggregate currency exposures across the group. However, will see that even for the biggest companies this is still a semi-annual process. This mostly because the information is often spread across a multitude of systems which are not always interfaced to a central data lake.

9. Financial Risk Management

How is commodity price managed?
Per revenue

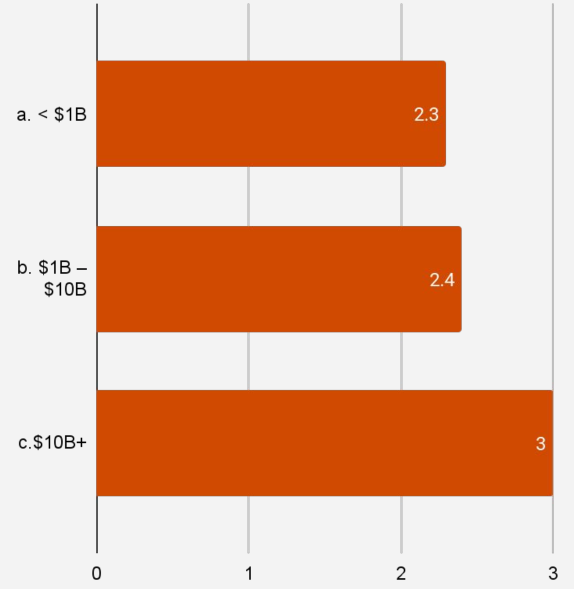


Key takeaways

1. The bigger the company, the more like that the exposure to commodity prices is considered as a material risk.
2. We see that the bigger the company, the more likely Treasury is involved in managing the risk. For mid-sized companies, it is mostly procurement who is managing the exposure to commodity prices.

9. Financial Risk Management

How automated is your process to aggregate currency exposures across businesses? (Manual + Excel Solutions = 1 / Fully automated processes=5)



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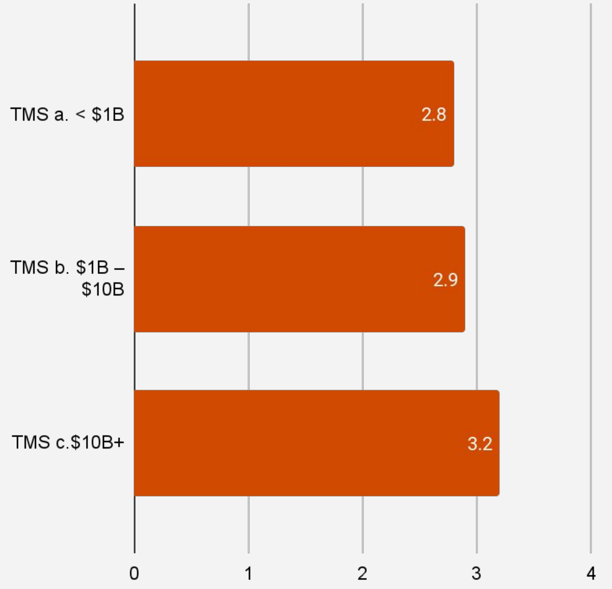
10

Technology

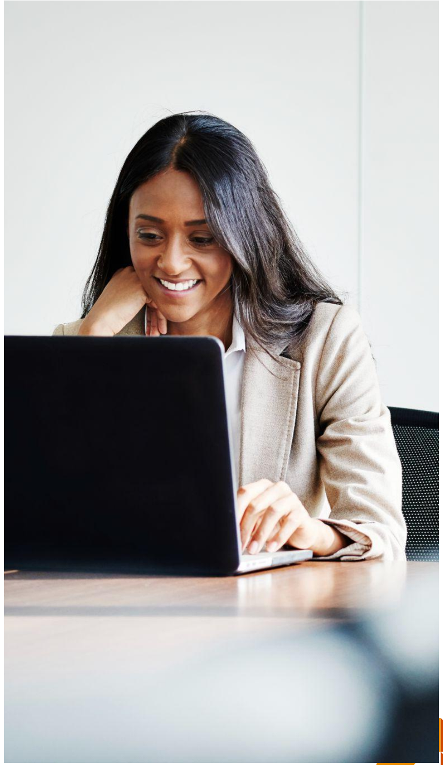
10. Technology

How would you rate the maturity of your treasury organization in term of digital and analytical capabilities? (5 - treasury trained and leveraging the latest tools)



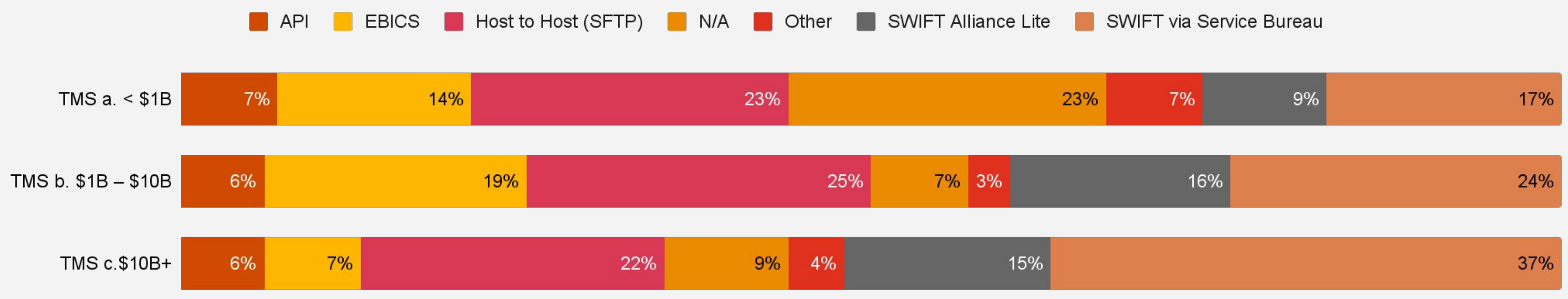
Key takeaways

1. Not surprisingly, **digital and analytical acumen increases with the size of the company**, however not in a linear way.
2. This observation correlates with the usage and adoption of core treasury tools (such as a TMS and payment factory / bank connectivity tool) and specialist applications (trade finance solution, CFF tool, etc.), which is higher for larger companies
3. Nevertheless, there is **still significant room for improvement possible for treasury organisations** regarding digital and analytical capabilities
4. New / upcoming digital skill sets in treasury organisations include **data & analytics, generative AI (usage)**, etc.
5. A consideration that could slow down the further adoption of these skills is the trend of outsourcing, where **technology ranks the highest activity for outsourcing**.



10. Technology

Through which channel do companies maintain direct (end to end) connectivity with their banks?
Per revenue

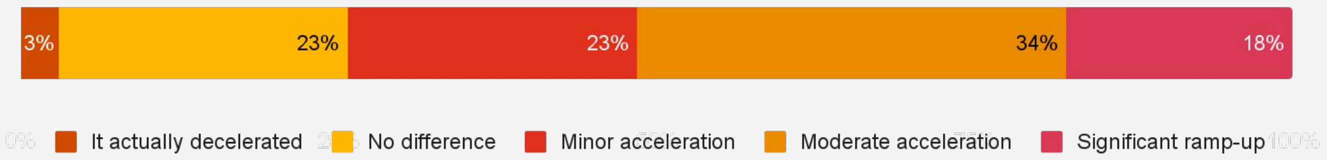


Key takeaways

1. Highest % (~25%) of the companies rely on **direct connectivity with their banking partners through host-to-host**. Next to that, a large number of respondents indicated they are leveraging regional connectivity options EBICS (Electronic Banking Internet Communication Standard)
2. These **direct connectivity methods have however decreased in popularity** over the last years as many companies are **transforming their core payment and bank reporting processes into a single bank connectivity / payment factory tool** with a **centralised bank connectivity gateway** over Swift (or APIs).
   This trend is most predominant for larger companies ($1B+)
3. Companies <$1B indicated N/A, suggesting the absence of bank connectivity. For these organisations, there is **still a high reliance on Banking Portals**.
4. Clearly the adoption of APIs started across the board, but the stats still don't proof the buzz. Companies are currently piloting this for bank reporting (end-of-day and intraday)

10. Technology

How has digitization accelerated as a result of market changes or organization needs?

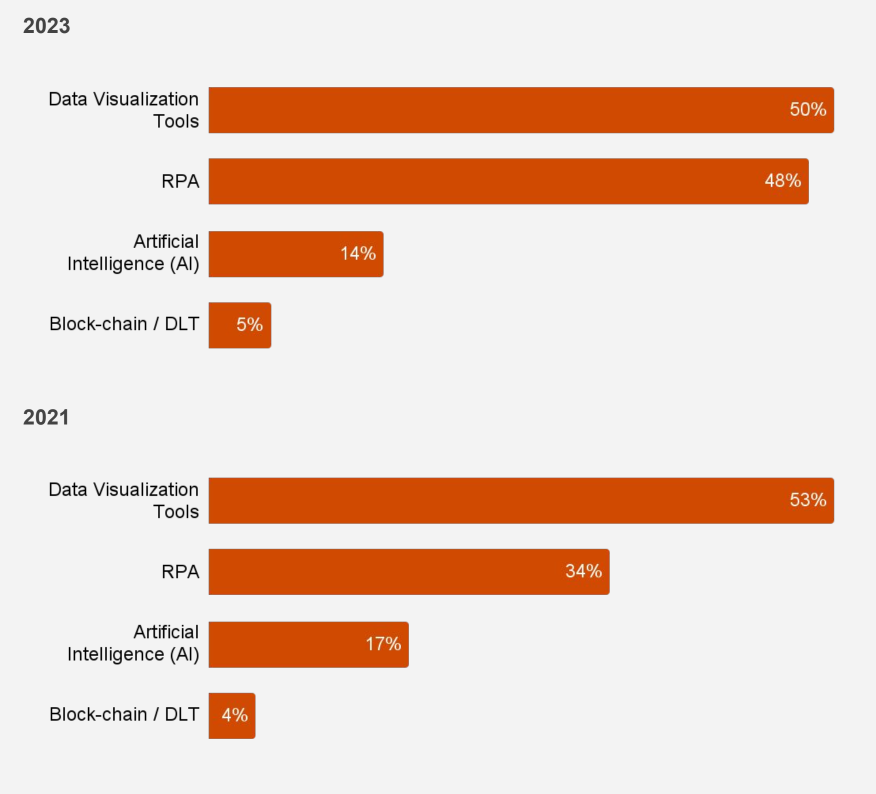


Key takeaways

1. 52% of the respondents indicated that market factors *(Volatility in IR, commodity & FX prices, ESG, Cyberfraud, etc.)* and company-specific factors *(M&A, focus on cash, etc.)* are leading **treasury functions to undertake significant digital transformations.**
2. These organizations accelerate their **transformation journeys to increase their agility to better operate** in a turbulent environment and to **take on the broader role of strategic advisor** within the organization.
3. As seen in the overall top priorities (see pg. 6) Technology and digital innovations have dropped significantly in the ranking (from nbr 5 priority in 2021 to nbr 8 or 9). However, given the focus on cash & liquidity and core risk management functions many organization are continuing their digitization journey, including the adoption of specialist tools (e.g. CFF tool, BI reporting, etc.) to meet distinct needs and enabling the treasury function to increase its value to the overall organization.

10. Technology

What tools are contributing to your digitization effort?

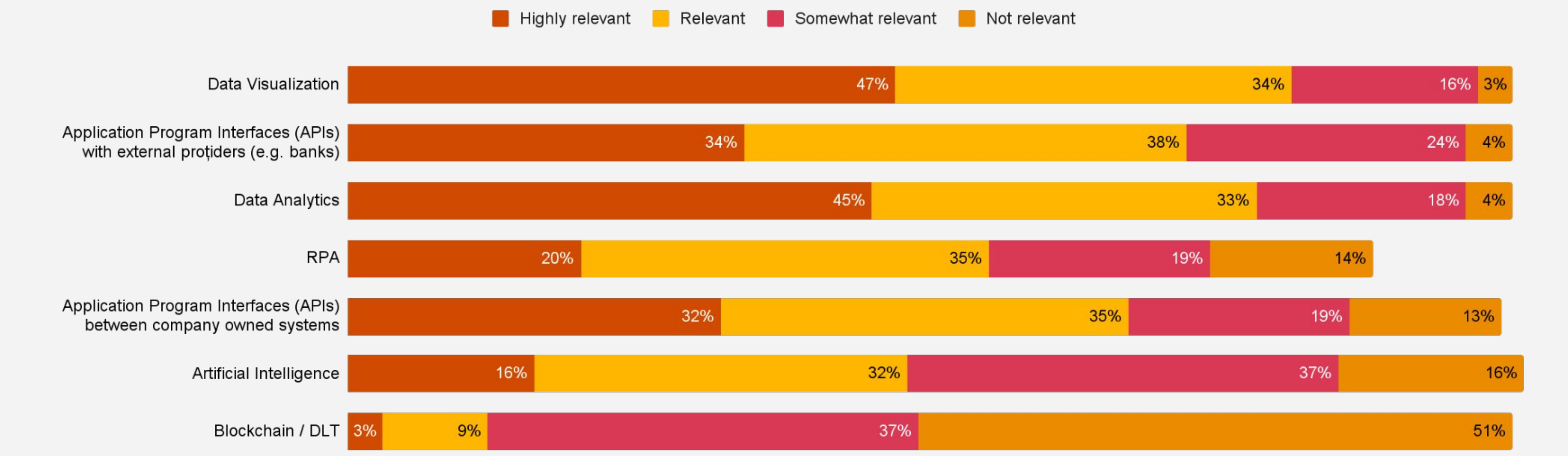


Key takeaways

1. Since, 2021 there is a consistent **high adoption rate (50%) amongst the respondents for data visualization tools** (e.g. BI solutions) to support decision making.
2. The momentum for Data Visualization Tools has however stalled (3% decrease vs 2021), as many c**orporates have shifted focus to optimize their treasury technology landscape, focusing on core TMS and central bank connectivity tools**. This should be a critical enabler for further adoption of Data Visualization tools in the years to come.
3. Additionally, treasury organisations increasingly (48%) adopted the usage of **Robotics Process Automation** (RPA) tools to optimize processes and eliminate manual, repetitive actions.
4. The adoption for **Artificial Intelligence** (AI) within treasury remains on the low side with 14% amongst the respondents. Typical use case include cash forecasting, payments fraud detection, and working capital optimization.
5. With the very fast rise of **Generative AI** in a multitude of domains, incl. corporate finance), this will be an area for treasury to look out for in the coming months and years.
6. Block-chain / **Distributed Ledger Technology** (DLT) remains at a low adoption rate with use cases predominantly in the space of Trade Finance.

10. Technology

How relevant are the following technologies in the next 2-3 years?



Key takeaways

1. Overall, it is the expectation that t**reasury of the future will harness data and leverage emerging technologies to inform decision making to drive cash flow improvements, optimize the balance sheet and manage financial risks.**
2. Key emerging technologies considered to become (highly) relevant for treasury are: Data Visualization & Analytics, internal / external APIs, RPA and AI

Thank you for your attention!

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