

CRISIS TAKEWAYS AND TREASURERS' PRIORITIES



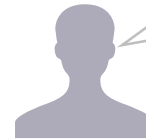
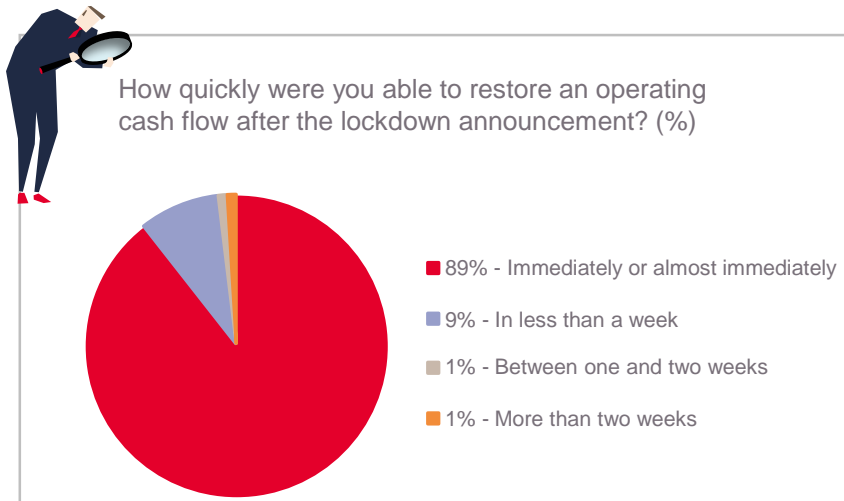
Results of the survey



Geneva | Houston | London
New York | Paris

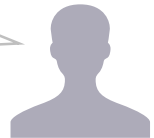
Business Continuity Plans (BCPs) have been effective in safeguarding treasury operations during the lockdown

Treasurers were successful in restoring an operating cash flow whilst working remotely



"We were very pleasantly surprised by treasury's ability to switch to a remote working arrangement and by the absence of problems when using or accessing our systems, regardless of whether they are hosted via SaaS or on premises."

"This crisis has helped validate past choices, some of which may have seemed superfluous in 'normal' times, but have proved invaluable."



BCPs were up to speed to address the challenges



Very few difficulties in accessing IT network tools and systems



Positive experiences on working remotely



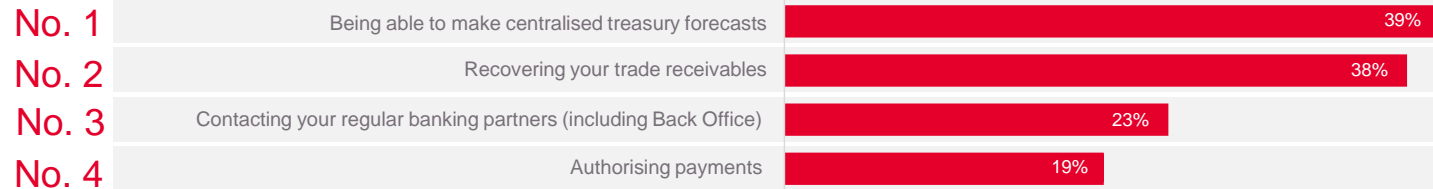
Always plan for the worst, understand best practices and anticipate potential difficulties that can be encountered

Cash flow forecasting and Working Capital (“WC”) management received most attention

Cash flow forecasting and management of working capital requirements were at the heart of the difficulties encountered to ensure liquidity.



From the list below, select the main problems that teams have encountered since lockdown began (%).



From the list below, select the projects that will be a priority for you once lockdown is over (%)



WC must be preserved without impacting the customer / supplier relationship

Certain courses of action are required to preserve or improve upon Working Capital management

Widespread deterioration in WC, most visible via lengthening Days Sales Outstanding (DSO)

- Money is not circulating as freely as prior to the lockdown
- Clients are asking for payment delays and suppliers for early payments

→ WE CAN ONLY MANAGE WHAT CAN BE MEASURED

- Measure the key parameters in the customer order to receipt process. For example:

To drive the invoicing performance measure the percentage of unbilled orders, the percentage of disputes, the number of calls chasing receivables, the percentage of bad debts etc.

→ IN THE SHORT TERM: "CASH SPRINT" ACTIONS

- Help relevant teams anticipate potential obstacles with cash receivables
- Refer, or threaten to refer, slow payers to government or business bodies tasked with reducing payment delays
- Remain open to reasonable requests from customers to spread the cost of payments and respect your own payment terms to suppliers
- Devise a plan of action with the sales team to recover overdue or delinquent accounts

→ IN THE LONG TERM

- Analyse supplier payment terms and identify potential savings
- Evaluate using 3rd party providers to recover overdue or past-due receivables (factor or specialist companies)
- Make staff aware of the impact of late receipts on the finance costs.

Credit insurers and factoring companies must support their clients

Several actions to be taken by credit insurers and factoring companies

Stricter criteria should be expected by credit insurers and factoring companies

- Anticipation of higher losses leads to stricter monitoring
- Certain sectors are likely to be penalised
- Slower approvals and increase in declines
- Reduction in customer sales leads to fewer discounted invoices and to lower interest and fees for factoring companies
- More provisions may be required by credit insurers and factoring companies in the future
- Although funding costs of factoring are stable for the time being this may change in the near future.

→ CREDIT INSURERS

- Heighten communication on credit management ↔ credit insurer & credit management ↔ trade
- Defend approval levels with risk analysts and help them with their assessment of the risks

→ FACTORS

- Regularise oral commitments given during the lockdown in writing
- Extend funding horizons + reduce amounts guaranteed + maintain financial terms and conditions
- Widen the scope (consider including shorter dated invoices, new debtors)
- Payment deferrals: ensure credit lines from the factor and approvals by the insurer are correctly aligned
- Anticipate a derecognition of receivables in order to guard against a deterioration in ratios (including at the end of June)

The liquidity crisis is driving companies to see how far they can extend cash pooling

More than a quarter of companies want to strengthen their treasury centralisation

Interlink all countries without regulatory and tax constraints (where applicable)

- Reconsider the advantages and disadvantages of centralisation (less drawdown from bank financing lines, invoicing/payment of creditor positions, etc.) vs. decentralisation (local payments, lower cost of cash management, local short-term financing lines, etc.)
-

Building bridges between continents — Europe / US / Asia

- Establish daily dialog between hubs/shared service centres in different parts of the world
 - Configure automatic rebalances, ideally without losing value dates
-

Re-examine countries where cash is trapped

- Review regulatory and tax changes in countries with restrictions in case there is a relaxation and a desire from these countries for greater freedom in the movement of funds
 - Explore workaround solutions using forex or going through non-resident accounts
-

Examine other forms of centralisation

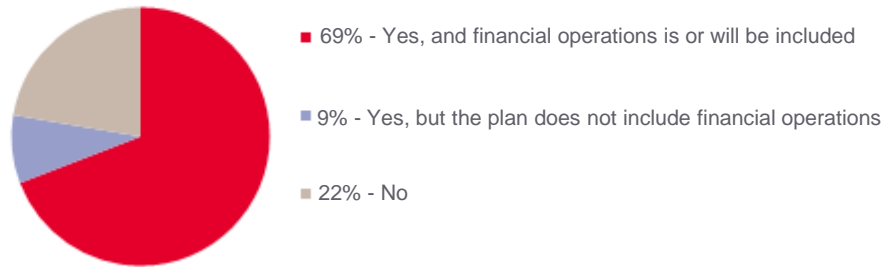
- Examine the centralisation of payments and receipts through POBO/COBO structures
 - Set up a payment netting system for intercompany invoicing
 - Evaluate the benefits of multi-currency notional pooling
-

Cost savings need to be mindful of core bank relationships

Implementing savings plans



Does your company plan to implement a savings plan before the end of the year? (%)



Nearly seven out of ten financial officers will roll out a savings plan by the end of the year

Amid increased need for credit, there are ways to optimise treasury operations whilst maintaining existing bank relationships.

Ensure ancillary cash management business is directed to the group's core banks



Optimise supplier costs for services from non-banking players



Accelerate the move toward paperless processes



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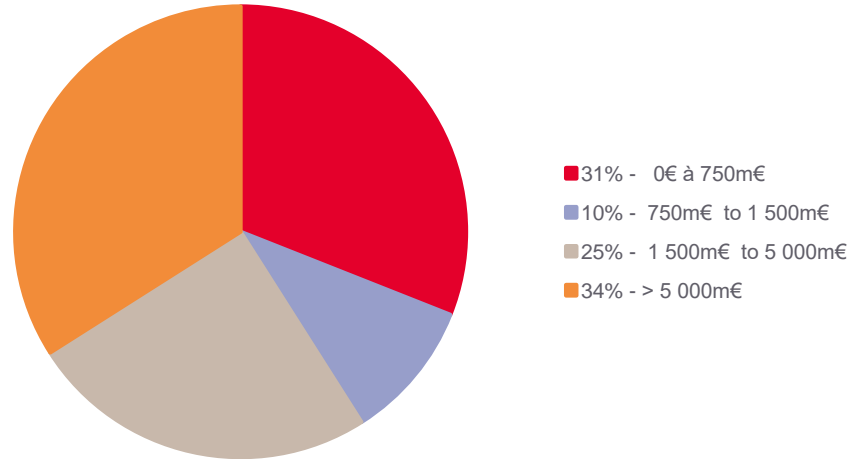
FULL RESULTS



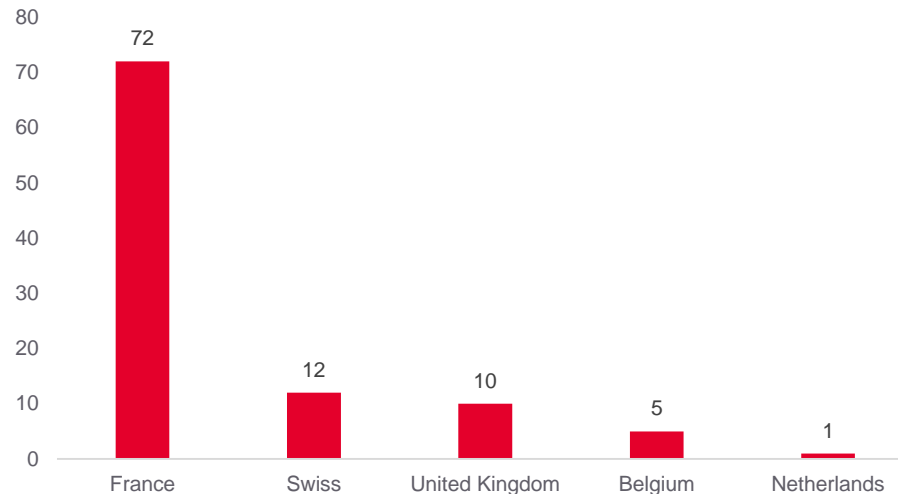
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Redbridge surveyed 104 French, Swiss, Belgian, British and Dutch companies

Turnover of responding companies (%)

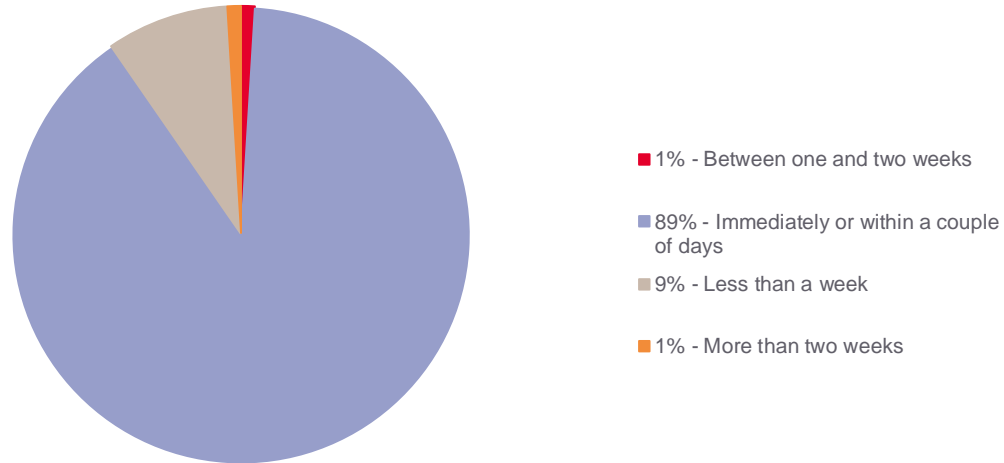


Location of responding companies (%)

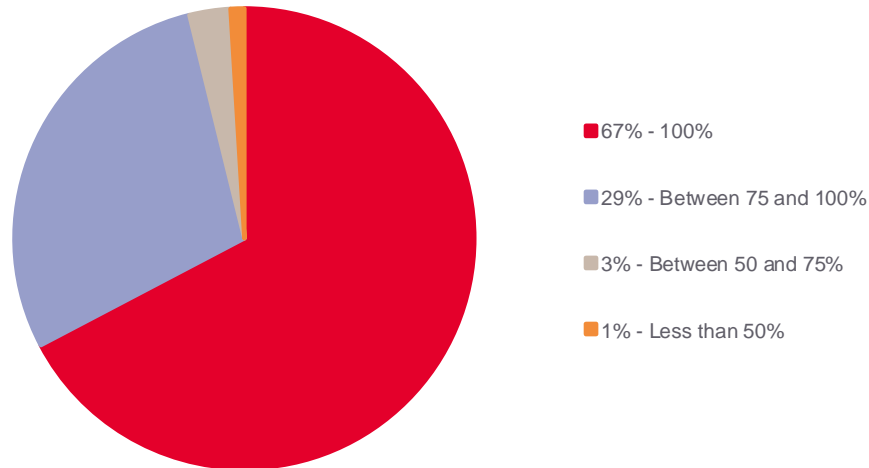


A treasury organisation to be redeployed

How long did it take you to regain an operational treasury function (e.g. monitoring of liquidity and cash positions, management of the payment and collection chain, risk management etc.) after the announcement of the confinement / work from home measures

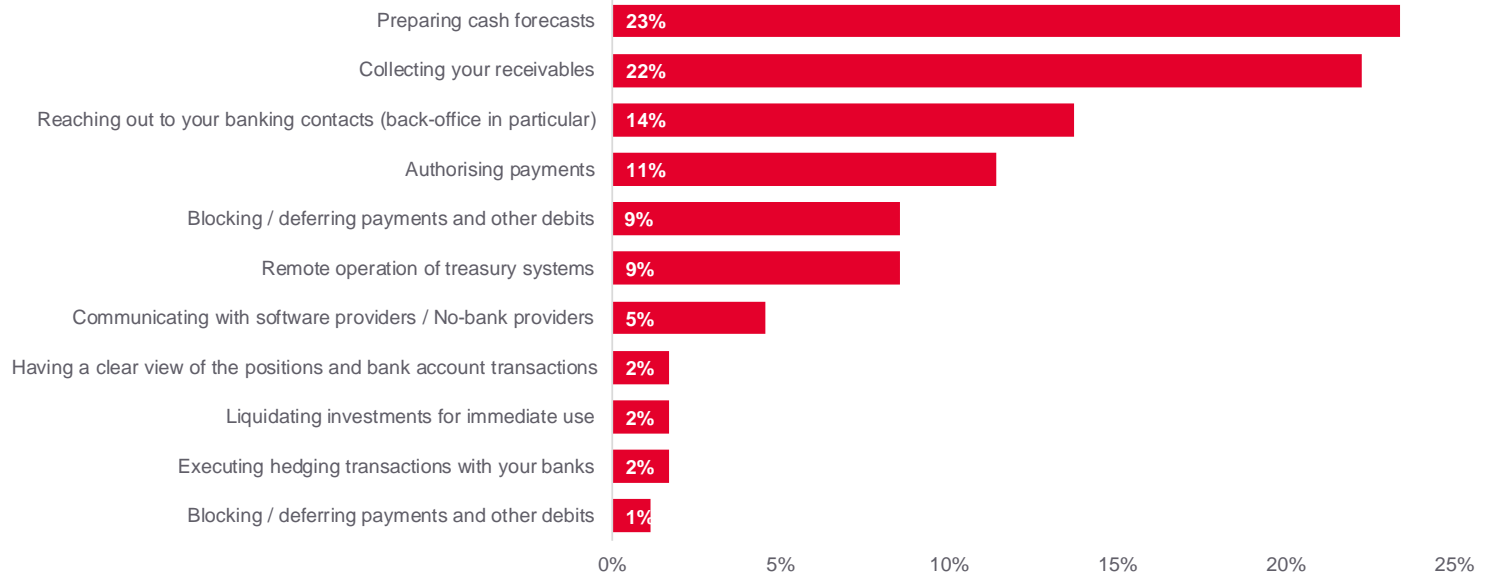


To date, how well do you feel you cover your treasury operational activities compared to how they were covered before the start of confinement? (%)

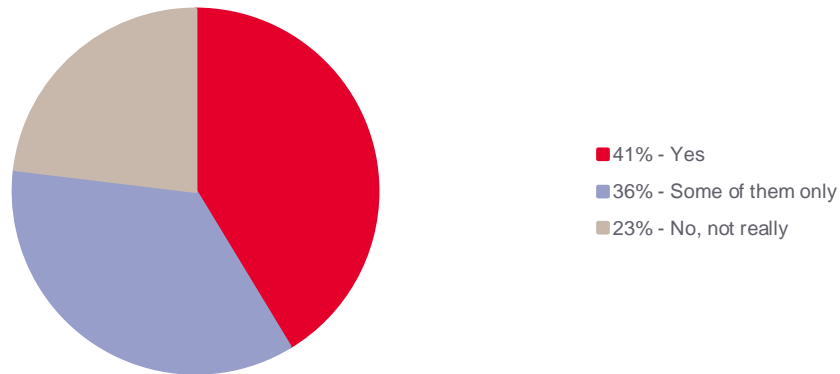


A treasury organisation to be redeployed

Can you select from the list below the main difficulties encountered by the treasury team since the start of the confinement period? [Remote operation of treasury systems] (%)

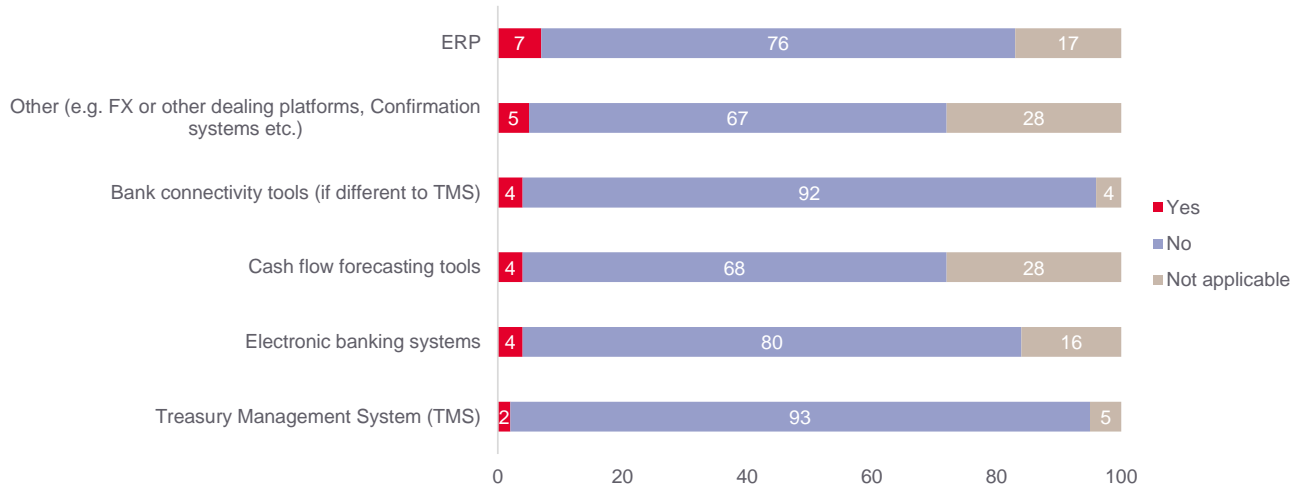


Did you notice greater flexibility by your banks with regards to certain processes (e.g. implementation of new services, addition of account signatories, acceptance of remittance formats, debit positions etc.)? (%)

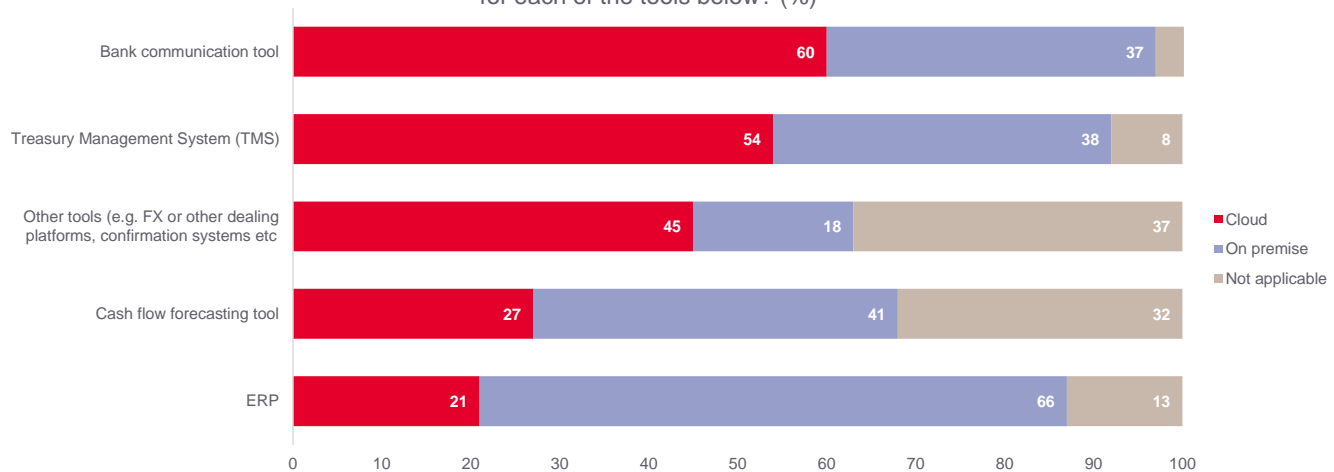


A treasury organisation to be redeployed

With which systems did you encounter difficulties while connecting remotely? (%)

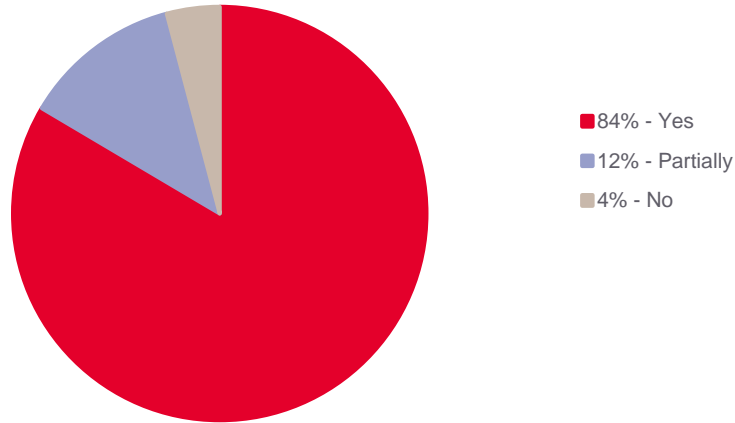


Can you tell us the delivery model provided by your vendor (e.g. ASP hosted, On-premises, SaaS etc.) for each of the tools below? (%)

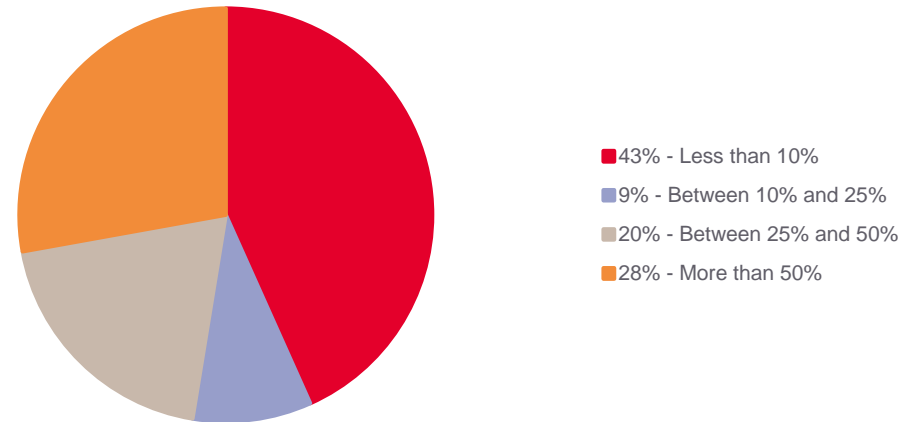


Cash, a priority in times of crisis

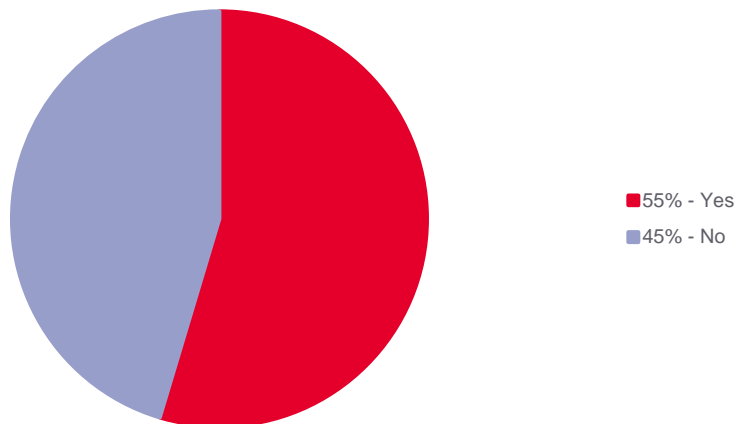
Did existing cash pool structures enable the seamless management of intra-group liquidity under crisis conditions at both group and regional levels? (%)



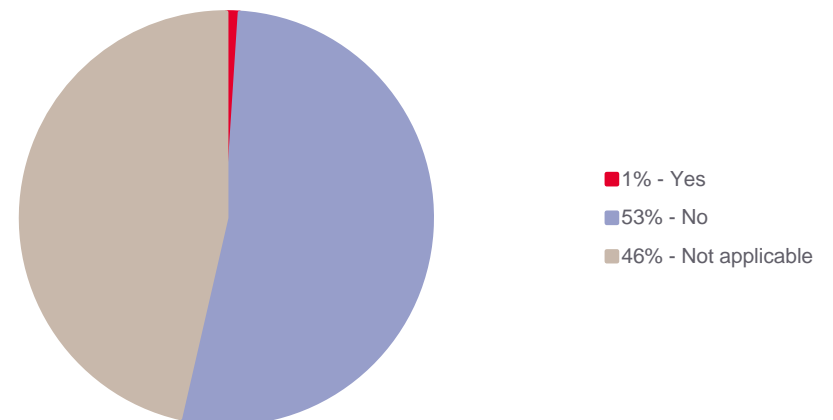
During this period, did you draw down on your existing committed or uncommitted facilities as a direct result of the crisis? If so, approximately what percentage of your facilities have you drawn down? (%)



Have you set up, or are you in the process of setting up, complementary finance facilities, with or without state aid? (%)

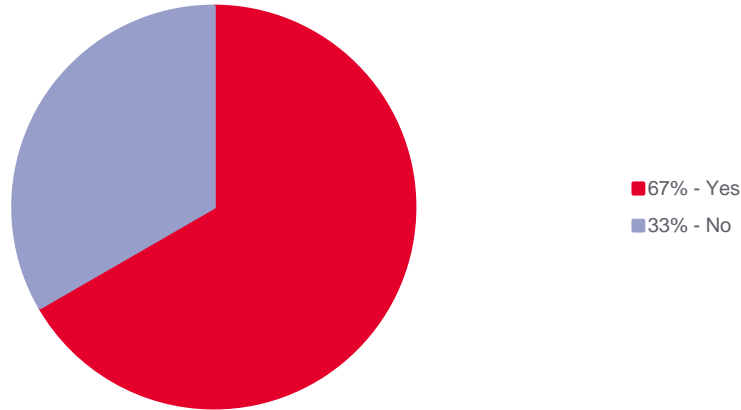


During this period, have you made greater use of any Supply Chain Finance platforms offered by some of your customers in order to accelerate your collections?

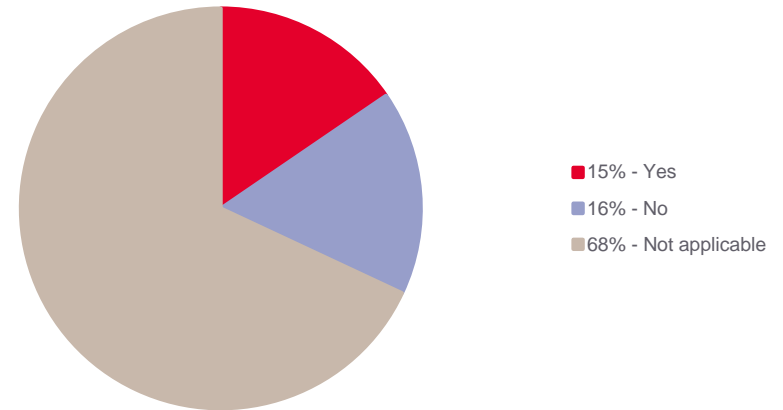


Cash, a priority in times of crisis

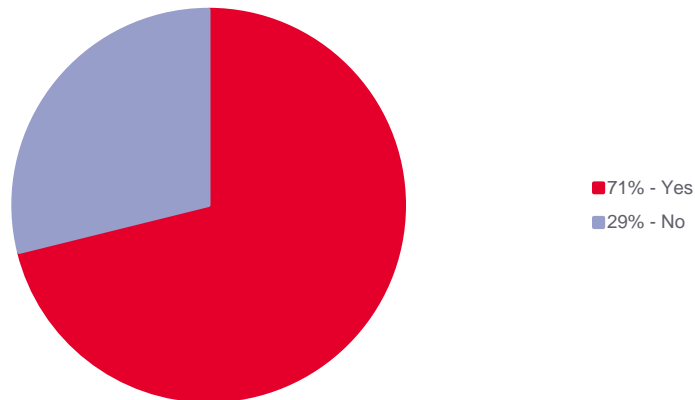
If yes, was this cash flow forecasting process adequate in assessing the liquidity, visibility and assessment requirements imposed by the crisis? (%)



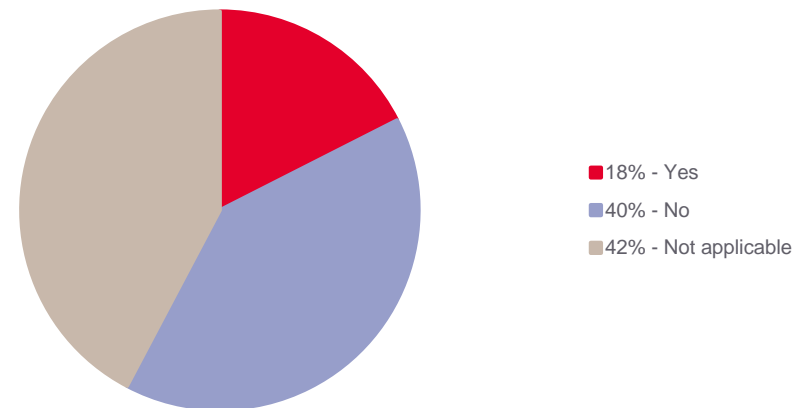
During this period, have you perceived an increase in the use of your Supply Chain Finance platform by your suppliers? (%)



Was there a cash flow forecasting process in place prior to the crisis? (%)

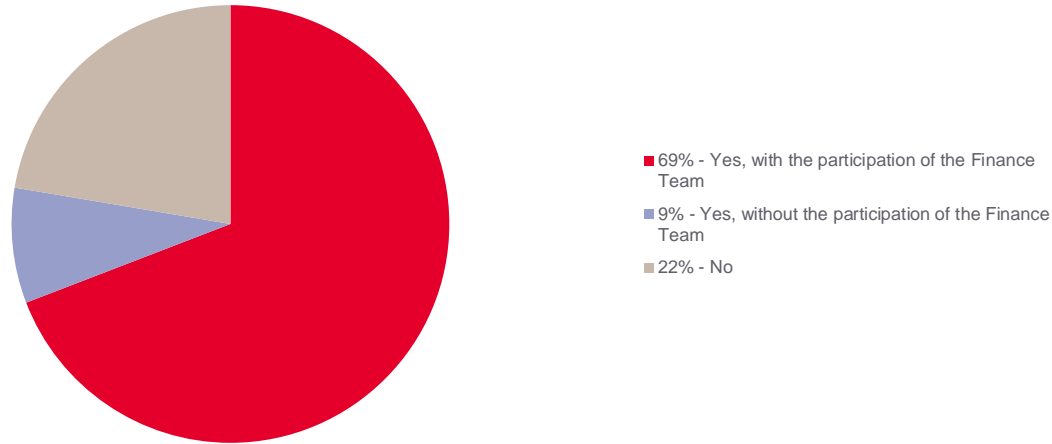


Have you mobilised your trade receivables more consistently in order to increase your short-term liquidity and/or have you tested your purchaser(s) / factor(s) on more significant outstandings than usual? (%)



Post-confinement lessons and priorities

Does your company consider implementing a cost savings plan before the end of the year? (%)



Can you select from the list below the projects that may be prioritised once the confinement period is over? (%)

