ANNUAL SUPPLEMENT

2013

TREASURY & CASH MANAGEMENT

GLOBAL FINANCE

02
Global Finance Cash 25: Ranking The Top Global Public Companies By Cash

08
Best Practice: Payables And Receivables

12
Liquidity & Investment Management: Sticking To The Straight And Narrow

14
CFO Interview: Nick Fanandakis, DuPont

18
Who's Who In Treasury & Cash Management

Cash Is (Still) King

The more things change, the more they stay the same. A cliché, to be sure, but one that rings true right now for corporate treasury & cash management. Companies continue to hold on to cash, as is abundantly clear in our first-ever global cash survey—the *Global Finance Cash 25*—and this trend seems unlikely to change anytime soon. But holding of on investment to await a change in the macroeconomy creates something of a catch-22: Companies are waiting for consumer spending to increase in order to invest, but consumer spending is unlikely to increase in any meaningful way until companies start to invest—not only to give consumers reason to believe it is safe to spend, but also to increase the liquidity in the market that is available for spending.

Having said that, in certain developed markets companies appear to have begun to invest some of their cash piles, which could be the kick start that is needed to get global economies moving again.

In the meantime, corporates are trying to make the best use of the cash that they do have, which is a key theme of this year's Treasury & Cash Management supplement. Whether investing it—generally still in safe, low-risk securities and investments—keeping it in bank accounts, bringing it back to home markets from abroad or safeguarding it in those markets, treasurers are tasked with ensuring that cash is kept secure while still creating value for the company. On the flipside, treasurers are still trying to ensure that financial operations are run as seamlessly and efficiently as possible to minimize working capital usage within those processes. The treasurer has long worn many hats, and the collection is only growing.

Denise Bedell
Managing editor
Global Finance
DBedell@GFmag.com
@DeniseBedellGF

What's Up With Corporate Cash?

Among various explanations for corporations' letting cash build up on their balance sheets, the most compelling one is that economic growth is still slow. But some companies are not waiting for growth to pick up in order to spend more aggressively. By Ronald Fink

Cash continues to build on corporate balance sheets because of, and perhaps also despite, the anemic global economy. This paradoxical possibility stems from market conditions that generate positive corporate cash flow without inspiring companies to spend with any urgency. In fact, the *Global Finance Cash 25*—the 25 public companies worldwide with the most cash, cash equivalents and short-term investments on their balance sheets—saw those figures rise by 7.9% in their most recent fiscal

TOP 10 COMPANIES BY LONG-TERM MARKETABLE SECURITIES

	Company	Country	†Long-Term Marketable Securities ($mn)
1	APPLE	US	92,122,000
2	SONY	Japan	75,608,117
3	TOYOTA MOTOR	Japan	54,982,285
4	GENERAL ELECTRIC	US	48,510,000
5	FORD MOTOR	US	36,735,000
6	MITSUBISHI	Japan	27,128,636
7	NIPPON STEEL & SUMITOMO METAL	Japan	19,391,025
8	SIEMENS	Germany	16,830,980
9	QUALCOMM	US	14,463,000
10	PFIZER	US	14,149,000
		Total	**399,920,043**

†Includes equity and debt holdings and other salable investments maturing in a year or longer
Data valid as of July 18, 2013.

METHODOLOGY

The *Global Finance Cash 25* ranks global public companies by cash, cash equivalents and short-term securities on their balance sheets. Data is gathered from more than 70,000 public companies worldwide. It is a ranking of nonfinancial corporations—we exclude banks and other financial institutions from the rankings.

TOP 25 GLOBAL PUBLIC COMPANIES BY CASH ON BALANCE SHEET

	Company	Country	Latest Reporting Year	Cash* $(mn)	Cash* $(mn) Previous Year	Cash* Change (YoY)	Operating Revenue ($mn)	Total Assets ($mn)	Capex ($mn)	R&D Expense ($mn)
1	GENERAL ELECTRIC	United States	2012	77,356	84,501	-7,145	147,359	685,328	15,126	4,500
2	MICROSOFT	United States	2013	77,022	63,040	13,982	77,849	142,431	4,257	10,411
3	PETRONAS	Malaysia	2011	50,595	47,730	2,866	71,659	150,334	n.a.	10
4	CISCO SYSTEMS	United States	2012	48,716	44,585	4,131	46,061	91,759	1,126	5,488
5	TOYOTA MOTOR	Japan	2011	35,795	42,223	-6,428	226,216	373,110	18,650	9,492
6	PFIZER	United States	2012	32,708	26,452	6,256	58,986	185,798	1,327	7,342
7	ORACLE	United States	2013	32,216	30,676	1,540	37,180	81,812	650	4,850
8	APPLE	United States	2012	29,129	25,952	3,177	156,508	176,064	8,295	3,381
9	AMGEN	United States	2012	24,061	20,641	3,420	17,265	54,298	689	3,330
10	TOTAL	France	2012	22,471	19,053	3,418	240,677	226,711	26,263	1,062
11	CHEVRON	United States	2012	21,913	20,071	1,842	241,909	232,982	30,938	1,728
12	JOHNSON & JOHNSON	United States	2012	21,089	32,261	-11,172	67,224	121,347	2,934	7,665
13	DAIMLER	Germany	2012	19,864	14,116	5,747	152,686	215,033	6,369	5,514
14	VODAFONE	Great Britain	2012	19,618	13,545	6,073	67,917	215,788	7,056	464
15	SONY	Japan	2011	19,178	19,976	-798	79,041	161,846	4,657	5,843
16	CHINA STATE CONSTRUCTION ENGINEERING	China	2012	18,819	14,400	4,419	87,360	103,615	1,548	n.a.
17	SAMSUNG ELECTRONICS	South Korea	2012	18,728	13,325	5,403	187,842	169,131	22,059	10,772
18	ROYAL DUTCH SHELL	Great Britain	2012	18,550	11,292	7,258	467,317	360,325	32,576	1,314
19	INTEL	United States	2012	18,162	14,837	3,325	53,341	84,351	11,027	10,148
20	MITSUI	Japan	2011	17,484	17,433	51	63,927	109,700	4,435	41
21	THE COCA-COLA COMPANY	United States	2012	16,551	14,035	2,516	48,017	86,174	2,780	n.a.
22	MERCK	United States	2012	16,141	14,972	1,169	47,267	106,132	1,954	7,911
23	RENAULT	France	2012	16,056	12,830	3,225	55,671	99,501	3,756	1,484
24	MITSUBISHI	Japan	2012	15,893	16,900	-1,007	63,396	153,061	6,139	57
25	FORD MOTOR	United States	2012	15,659	17,148	-1,489	134,252	190,554	5,488	5,500
			Total	**703,774**	**651,994**	**51,780**				

*Includes cash, cash equivalents and short-term securities (those maturing between three months and a year)
Data valid as of July 31, 2013. Companies where latest reporting year was prior to 2011 were excluded from the list.

Data provided by:
Orbis by Bureau van Dijk

year, according to data compiled for *Global Finance* by research firm Bureau van Dijk.

Not every cash-rich company got even richer in their latest reporting year. Exxon Mobil, for instance, fell off the list of 25 companies with the most cash and equivalents (before including short-term investments, which are defined as those maturing in three months to a year) after a $3.1 billion, or 10.6%, increase in capital spending in 2012, which reduced its cash and equivalents to $9.6 billion from $12.7 billion in 2011. Exxon also paid down its debt by $3 billion.

And a few other companies on the list of the 25 with the biggest totals of cash, equivalents and short-term investments—including Ford, General Electric, Johnson & Johnson, Mitsubishi, Sony and Toyota—also saw declines in their most recent year (the most recent reporting year is 2011 for Japanese companies, as they haven't reported their 2012 results yet).

But those companies are exceptions to the general rule as well as to trends in their industries. In the US, cash still exceeds normal levels by about 30%, according to a recent study by the Georgia Institute of Technology, which found that cash, cash equivalents and short-term investments currently equal 13% of revenues. While that's down from 16% at the height of the financial crisis, it's still three full percentage points above the 10% level before the crisis. Cash for the 25 global companies with the most as of the recent fiscal year averaged more than 27% of revenues, and that includes non-US companies that usually tend to hold less cash than do US ones.

In contrast to Ford, the cash positions of non-US automakers Daimler and Renault, also on the list of the 25 global companies with the most cash, equivalents and short-term securities, increased by $5.7 billion and $3.2 billion, respectively, in 2012. For its part, Ford boosted its capital spending by roughly 25% last year, to $5.5 billion from $4.3 billion, helping drain $1.5 billion of the cash on its balance sheet in 2012.

Similarly, cash at three pharmaceutical giants among the top 25—Amgen, Merck and Pfizer—also advanced, while Johnson & Johnson's cash declined, primarily as a result of a $10.5 billion stock repurchase.

Even J&J's decline in cash reflects caution about growth prospects. A spokesman for J&J noted that returning cash to shareholders is a distant third among the company's three priorities for capital allocation, after M&A and reinvestment in the business. Capital investment by J&J last year was flat, while R&D inched up from $7.5 billion in 2011 to $7.7 billion in 2012.

TECHNOLOGY CASH PILES GROW

Within the tech sector—another industry that dominates the list of companies with the most cash on their balance sheets—Apple, Cisco, Intel, Microsoft, Oracle and Samsung all experienced significant increases in cash, equivalents and short-term investments during their most recent year. Notably, Apple also has $92.1 billion invested in long-term instruments such as corporate equities and bonds and Treasuries maturing in more than one year. That's more than three times as much as Apple holds in cash, equivalents and short-term securities, and over $16.5 billion more than any other company. The inclusion of long-term securities in calculating cash accounts for the $130 billion to $150 billion (depending on the source) that Apple is often cited in the press as having in "liquid assets" (see table: Top 10 Global Companies By Long-Term Marketable Securities, page 2).

Not that technology companies are just sitting on their cash. Intel, for example, has dramatically increased both capital spending and research and development during the past two years. This tack is in keeping with the company's belief that "you invest through a recession" so as to emerge in a stronger position—a stance held by the company since it was first pronounced by its founder Gordon Moore, and reiterated in an interview with *Global Finance* by Intel vice president and treasurer Ravi Jacob.

The practical application of this stance is borne out by the fact that Intel's capital expenditures ("capex") in 2012 of $11 billion had risen to twice its 2008 level. Despite the increased spending, Intel's cash increased by $3.4 billion in 2012, to $18.2 billion from $14.8 billion in 2011.

Although Exxon also increased capex and repaid debt—and saw its cash on balance

REGIONAL TOP 10 PUBLIC COMPANIES BY CASH ON BALANCE SHEET

NORTH AMERICA

The 10 North American companies with the most cash on balance sheet are all US-based. GE and Microsoft top the list, though their cash is moving in opposite directions. The rest of the top 10 are dominated by tech and pharma companies, with Johnson & Johnson the only one to see cash decline in its most recent year—the result of a big stock buyback.

	Company	Latest Reporting Year	"Cash* $(mn)"	"Cash* $(mn) Previous Year"	Change (YoY)
1	GENERAL ELECTRIC	2012	77,356	84,501	-7,145
2	MICROSOFT	2013	77,022	63,040	13,982
3	CISCO SYSTEMS	2012	48,716	44,585	4,131
4	PFIZER	2012	32,708	26,452	6,256
5	ORACLE	2013	32,216	30,676	1,540
6	APPLE	2012	29,129	25,952	3,177
7	AMGEN	2012	24,061	20,641	3,420
8	CHEVRON	2012	21,913	20,071	1,842
9	JOHNSON & JOHNSON	2012	21,089	32,261	-11,172
10	INTEL	2012	18,162	14,837	3,325
		Total	563,449	523,828	39,621

WESTERN EUROPE

The 10 Western European companies with the most cash on their balance sheets saw that sum increase by 22% in their most recent year. Telefónica of Spain led the increase, with a 77% rise, to $15.5 billion from $8.7 billion. Others that saw big increases were Royal Dutch Shell, with a 64% increase, Vodafone, with a 45% increase, and Daimler, with a 41% increase. The only companies on the list that experienced declines were Siemens

	Company	Country	Latest Reporting Year	Cash* $(mn)	Cash* $(mn) Previous Year	Change (YoY)
1	TOTAL	France	2012	22,471	19,053	3,418
2	DAIMLER	Germany	2012	19,864	14,116	5,747
3	VODAFONE GROUP	Great Britain	2012	19,618	13,545	6,073
4	ROYAL DUTCH SHELL	Great Britain	2012	18,550	11,292	7,258
5	RENAULT	France	2012	16,056	12,830	3,225
6	TELEFÓNICA	Spain	2012	15,462	8,747	6,715
7	SIEMENS	Germany	2012	14,760	17,480	-2,720
8	NOKIA	Finland	2012	12,526	13,546	-1,019
9	ERICSSON	Sweden	2012	11,793	11,694	99
10	TELECOM ITALIA	Italy	2012	11,468	10,588	880
			Total	162,567	132,890	29,677

*Includes cash, cash equivalents and short-term securities (those maturing between three months and a year)
Data valid as of July 31, 2013.
Companies where latest reporting year was prior to 2011 were excluded from the list.

REGIONAL TOP 10 CONTINUED

CENTRAL & EASTERN EUROPE

Cash varied greatly for those making our top 10 list in CEE. While cash at Acron Group of Russia more than trebled, that at Russia's Svyazinvest fell by 39%. There was also wide variation in the totals, with $12.2 billion in cash at the top company, Surgutneftegas of Russia, exceeding the $536 million at the bottom company, Russia's Rosoboronexport, by more than 20 times.

	Company	Country	Latest Reporting Year	Cash* $(mn)	Cash* $(mn) Previous Year	Change (YoY)
1	SURGUT-NEFTEGAS	Russia	2012	12,154	12,416	-262
2	RUSSIAN HIGHWAYS STATE COMPANY	Russia	2012	1,813	1,439	374
3	URALKALI	Russia	2012	1,666	1,018	648
4	ACRON GROUP	Russia	2012	1,633	465	1,168
5	INTER RAO	Russia	2012	1,582	1,352	230
6	MOL MAGYAR OLAJ- ES GAZIPARI	Hungary	2012	1,574	1,293	281
7	SVYAZ-INVEST	Russia	2010	723	1,185	-462
8	GUP MOSKOVSKY METRO-POLITEN	Russia	2011	652	235	416
9	NOVATEK	Russia	2012	606	740	-134
10	ROSO-BORON-EXPORT	Russia	2011	536	1,088	-553
			Total	22,404	20,143	2,261

LATIN AMERICA

The Curaçao-domiciled holding company of global group Schlumberger tops the list in Latin America, doubtless reflecting the island's tax-haven status (see cover story, page 16). The list includes three other firms in the tax havens of Bermuda and the Cayman Islands: Marvell Technology Group, and two Chinese holding companies, Yingli Green Energy and Greentown China.

	Company	Country	Latest Reporting Year	Cash* $(mn)	Cash* $(mn) Previous Year	Change (YoY)
1	SCHLUM-BERGER	Curaçao	2012	6,274	4,827	1,447
2	TELEMAR	Brazil	2012	3,842	7,377	-3,534
3	YINGLI GREEN ENERGY HOLDING	Cayman Islands	2012	3,052	892	2,160
4	EMBRAER	Brazil	2012	2,380	2,123	257
5	FEMSA	Mexico	2011	2,013	2,210	-197
6	MARVELL TECH-NOLOGY GROUP	Bermuda	2012	1,919	2,246	-328
7	GRUPO TELEVISA	Mexico	2012	1,874	1,558	316
8	ULTRAPAR	Brazil	2012	1,474	1,457	18
9	GREENTOWN CHINA HOLDINGS	Cayman Islands	2012	1,256	971	285
10	BRF	Brazil	2012	1,249	1,474	-224
			Total	38,001	35,902	2,099

sheet decline—other energy companies among the top 25, such as Chevron, Royal Dutch Shell, Petronas and Total, all saw their cash move in the opposite direction.

Among industrial conglomerates on the list with big finance subsidiaries, which naturally require a lot of cash, GE is an interesting exception to the trend. Though the company topped the list with $77.4 billion in cash, that total was down by more than $7 billion from 2011, or more than 9%, as the company has sought to shrink its finance subsidiary in relation to its industrial business. Sure enough, GE's capital spending increased by almost $2.5 billion last year, or almost 20%, while total assets declined by 5%.

There are several theories as to why cash at other companies continues to increase. In the case of the US multinationals, some experts cite their aversion to domestic taxation at rates as high as 35%, if and when they bring the money home from foreign subsidiaries, and so, the thinking goes, they keep cash earned abroad stashed in banks but squarely on their balance sheets. That, in fact, may be one reason why US companies generally hold more cash than companies based elsewhere.

Other experts say global firms are holding big cash reserves to help make acquisitions, so as to build market share or scale. Regardless of the rationale for M&A, shareholders can be expected to demand at least some of these companies' cash back sooner or later in the form of dividends or stock repurchases if acquisitions do not materialize or create much value.

Still other experts say the reason many companies aren't reinvesting the money, either through M&A, capital spending or research and development, but remain reluctant to return it to shareholders is that they simply don't want to admit they lack sufficient growth prospects to justify spending the money—in effect, signaling to investors that they're no longer growth companies. And still others say companies holding significant amounts of cash are exhibiting caution in light of weak demand for their products and services.

WAITING FOR A GREEN LIGHT

David McLean, a professor of finance at the University of Alberta, contends that the latter explanation makes the most sense, since the only condition behind such rationales that is different than it was before the onset of the financial crisis is a shortfall in demand. "It's the only thing that has changed," McLean observes.

But even some observers who agree that companies are sitting on cash for precautionary reasons say macroeconomic conditions aren't primarily responsible.

A paper recently published by the highly regarded Ohio State University finance professor René Stulz and two colleagues argues that companies hold more cash than necessary to fund their operations primarily because they increasingly believe their competitive advantage lies in intangible assets, which are most often the product of research and development. And using internal cash to fund R&D is cheaper than using outside funding. The academics' reasoning: External financing is more expensive for R&D than it is for capital spending, because R&D, although more valuable, is more risky. "A detailed analysis shows that the increase in cash holdings of multinational firms is intrinsically linked to their R&D intensity," Stulz and his co-authors wrote.

That view seconds one voiced in the November 2003 issue of the Harvard Business Review by Richard Passov, then-treasurer of Pfizer. He and his fellow researchers concluded that the decision to run large cash balances was "one of the key factors in sustaining the value of their intangible assets—which typically comprise a substantial portion of overall valuations."

Interestingly, the era in which Passov wrote his article closely followed one in which many companies favored the use of debt, over cash, to finance acquisitions and investment—only to see a major backlash against leverage in the wake of the collapse of Enron and other heavily indebted companies. Almost 10 years later, corporate finance circles have yet to witness a comeback of the "cash is trash" mentality.

With $33 billion in cash on its balance sheet in 2012, Pfizer now ranks sixth in cash holdings among the top 25 global companies. But it ranks first in fixed assets to capital spending, showing that its focus is on research and development instead.

Intel's Jacob lends further support to the idea that big R&D requirements dictate lots of cash. He points out that Intel learned that the hard way back in the early 1980s, when a lack of cash and high potential outside financing costs for research and development led it to turn to its biggest customer, IBM, for an infusion of equity to help fund innovation. IBM later sold its Intel shares at a profit, but Jacob says Intel doesn't want to put even a sliver of its destiny in a customer's hands again, however much their interests may align.

Still, some observers contend the theory that outside R&D financing costs militate toward keeping more cash on the balance sheet holds little water in the prevailing environment. Charles Mulford, an accounting professor at the Georgia Institute of Technology, says he doubts that companies are much concerned about financing costs at present, when such costs are at historic lows.

BE LEADERS, NOT FOLLOWERS

With those costs in mind, Intel issued $6.2 billion in senior notes last year, not to fund innovation so much as to finance a stock buyback, Intel's Jacob reports, adding that low financing costs made such a transaction especially compelling in comparison with the tax cost of repatriating foreign cash for that purpose instead. Apple made headlines earlier this year for using a similar tactic to fund a $25 billion share buyback.

Yet if McLean and Mulford are right that macroeconomic conditions must change before corporate caution gives way, this creates a fundamental problem. Companies, paradoxically, may have to lead the charge in increasing spending—rather than being followers and waiting on increased spending by consumers before they start to invest some of their cash pile—to fuel the very demand they would like to see. The likelihood of such Keynesian economic bootstrapping is not high, however.

Jeff Wallace, a principal in consulting firm Greenwich Treasury Advisors, notes that GE's German rival, Siemens, grew so concerned during the financial crisis about the solvency of its bank counterparties that it put €5 billion on deposit with the European Central Bank. Many analysts and regulators think banks in Europe and the US still need more capital to shore themselves up. Siemens did not respond to a request for comment.

And US glassmaker Corning was so worried about what might happen to short-term interest rates in the US during the congressional debate over the federal debt ceiling in the summer of 2011 that it withdrew a significant amount of cash from money market funds holding Treasury securities and deposited it in US banks. Sure enough, Washington, DC, seems poised for a fresh round of debate about the debt ceiling, even as US president Barack Obama at press time was focused on promoting new investment in infrastructure, research and education—while offering recalcitrant Republicans a deal on business tax cuts, including a lower rate on corporate income but a minimum rate on repatriated cash.

In any case, caution on the part of most companies makes those such as Exxon, Ford, GE and Intel stand out. But if that also makes this less-cautious quartet lonely, the chipmaker, for one, doesn't mind. Then again, it may have little choice.

Intel readily admits it missed the technology industry's recent embrace of mobile devices and tablets, while the PC business stagnated, as evident in the company's most recent quarterly decline in both revenue and earnings from year-earlier levels. To catch up, Jacob says, the company must spend freely to develop new manufacturing technology despite an uncertain economy. Unlike many companies, Intel's treasurer notes, it deals with changing macro conditions not by ramping up or cutting back spending on R&D or capital investment but by slowing or accelerating stock buybacks. (The 87 cents per share that Intel pays out to shareholders in dividends involves a less easily modified commitment, Jacob notes.)

Stock buybacks in that sense are the "dial" that the company uses to manage cash as conditions change, says Jacob. "That's how we modulate it."

Only time will tell if the unfashionable boldness of Intel and of its few fellow big spenders pays off. For now, their more numerous and cautious counterparts may be content to wait and see. ■

REGIONAL TOP 10 CONTINUED

ASIA-PACIFIC

The Top 10 in Asia-Pac saw only a 4% overall increase in their total during their most recent year. Several companies saw big declines. Honda had the biggest percentage decrease, with a 15.6% reduction, to $12.8 billion from $15.2 billion, followed by Toyota, with a 15.2% decline, Mitsubishi, with a 5.9% decline, and Sony, with a 4% decline.

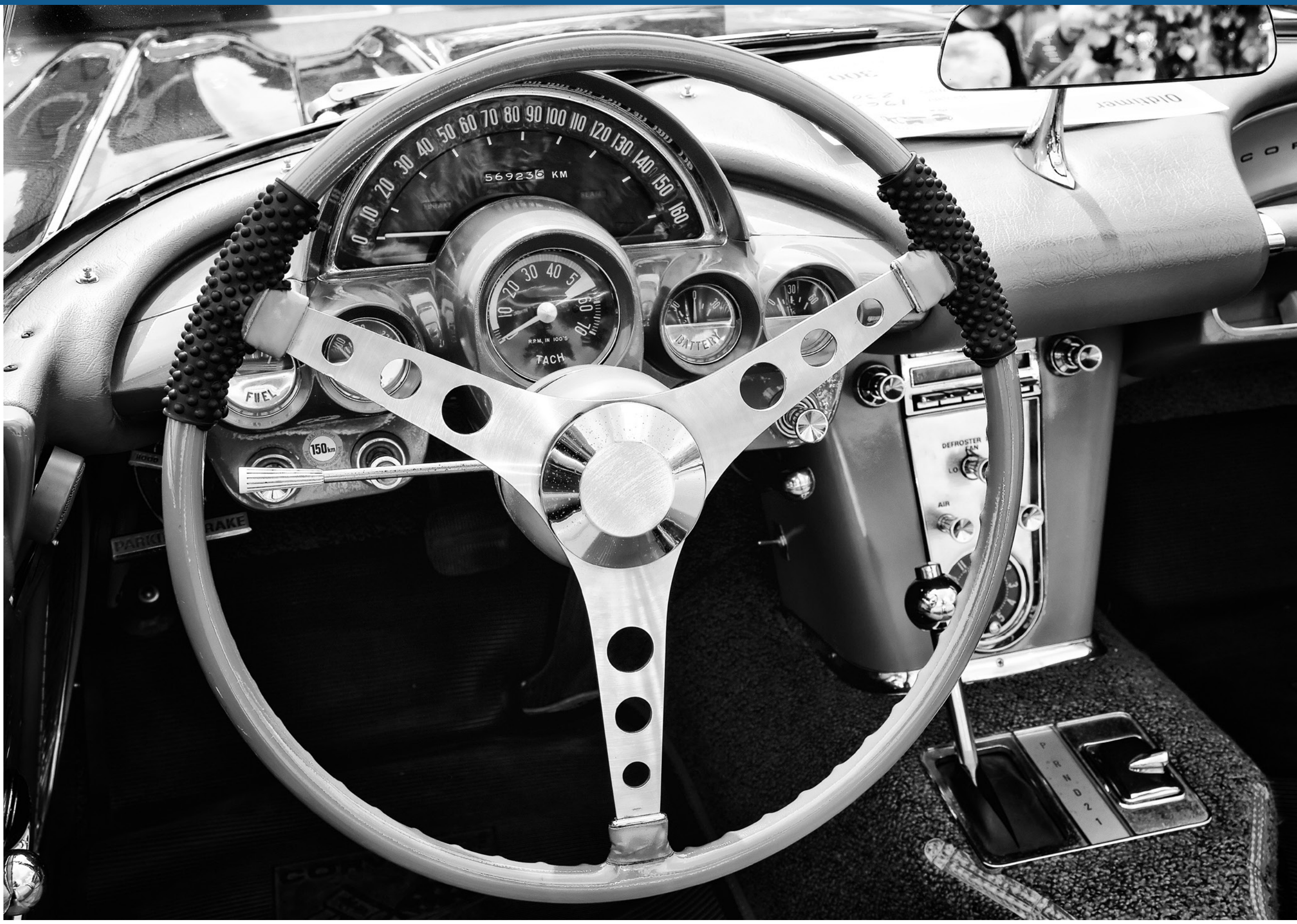
	Company	Country	Latest Reporting Year	Cash* $(mn)	Cash* $(mn) Previous Year	Change (YoY)
1	PETRONAS	Malaysia	2011	50,595	47,730	2,866
2	TOYOTA MOTOR	Japan	2011	35,795	42,223	-6,428
3	SONY	Japan	2011	19,178	19,976	-798
4	CHINA STATE CONSTRUCTION ENGINEERING	China	2012	18,819	14,400	4,419
5	SAMSUNG ELECTRONICS	South Korea	2012	18,728	13,325	5,403
6	MITSUI	Japan	2011	17,484	17,433	51
7	MITSUBISHI	Japan	2012	15,893	16,900	-1,007
8	SOFTBANK	Japan	2012	14,592	12,426	2,166
9	RELIANCE INDUSTRIES	India	2011	13,274	10,039	3,235
10	HONDA MOTOR	Japan	2012	12,811	15,181	-2,370
			Total	217,169	209,633	7,537

MIDDLE EAST/AFRICA

Changes in cash among the Middle East and Africa's top 10 varied widely. Cash at Israel's Teva Pharmaceuticals and Israel Electric more than doubled, while Ooredoo of Qatar saw its cash fall by 29%, to $4.1 billion from $5.8 billion, and that of South Africa's Sasol

	Company	Country	Latest Reporting Year	Cash* $(mn)	Cash* $(mn) Previous Year	Change (YoY)
1	OOREDOO (QTEL)	Qatar	2012	4.123	5.838	-1.715
2	TEVA PHARMACEUTICAL	Israel	2012	2,879	1,096	1,783
3	METROPOLITAN HEALTH HOLDINGS	South Africa	2012	2,067	n.a.	n.a.
4	TASNEE	Saudi Arabia	2012	1,722	1,236	485
5	SASOL	South Africa	2012	1,606	2,162	-556
6	CHECK POINT SOFTWARE TECHNOLOGIES	Israel	2012	1,503	1,360	144
7	ISRAEL AEROSPACE INDUSTRIES	Israel	2012	1,331	1,619	-288
8	NASPERS	South Africa	2011	1,281	1,306	-25
9	THE ISRAEL ELECTRIC CORPORATION	Israel	2012	1,112	495	616
10	ZAIN	Kuwait	2012	1,086	1,474	-389
			Total	18,709	9,653	9,056

*Includes cash, cash equivalents and short-term securities (those maturing between three months and a year)
Data valid as of July 31, 2013.
Companies where latest reporting year was prior to 2011 were excluded from the list.



In The Driver's Seat

Companies taking a best-practice approach to AP and AR management are seeing big cost savings and much-improved cycle times. But revamping processes is no mean feat. By Hilary Johnson

Like other former back-office financial processes, accounts payable and accounts receivable have come to the fore in recent years to take a place of prominence within the broader scope of supply chain and working capital management. That's because accounts payable (AP) and accounts receivable (AR) are critical parts of the bigger financial picture, when it comes to understanding and improving working capital and improving relationships with suppliers.

Knowing who is paid, how often, and through what method allows companies to see just where cost savings can be realized. Receivables can often be streamlined as well, which has a more direct impact on cash flow. For this reason, AP and AR personnel have become strategic partners with the whole finance organization, says Nicole Tranchitella, managing director, finance and enterprise performance consulting at Accenture.

"You have to be able to manage cash flow to make sure that you are receiving the cash you deserve for the products that you sold, or that you're paying your vendors when you should be paying them and taking advantage of discounts when it makes sense," Tranchitella says.

"Having that visibility is critical for a finance organization. It's almost the bare minimum. It's not just closing the books anymore. You have to be able to help your company manage that activity."

Best practices in accounts payable and accounts receivable, for many companies, involves first taking a close look at the books, to understand, often through benchmarking, how much time and money is being spent on inefficient processes and technologies.

ACCOUNTS PAYABLE: LOW-HANGING FRUIT

AP is the area usually scrutinized first, says Martin Runow, managing director and head of cash management corporates, Americas region, at Deutsche Bank, because payers hold the purse strings. "It's in the company's control. It may not be as much as they wish, but conceptually, they're in control."

Some companies, even larger ones, fall into a "laggard" camp when it comes to AP efficiency, according to benchmarking studies. Companies that have been slow to adopt new systems and that still deal mostly with paper and spreadsheets tend to take a longer time to pay invoices—and spend more time and money doing so, according to research from Aberdeen Group.

Some companies take more than 16 days to process an invoice, from receipt to approval, and spend more than $16 to do so, Aberdeen Group found, analyzing a survey of 180 companies that was conducted in the spring of last year.

Best-in-class companies, conversely, take one-fourth of that time (about four days) and spend just $3.34 to process an invoice.

"The cost becomes pretty substantial over time," says Ankita Tyagi, research analyst at Aberdeen Group. "Gradually people are catching on that there are efficiencies to be realized in this area, to realize savings."

Best-in-class practice in AP involves improving automation and reducing the amount of errors—and work. How to do this? Remove human involvement as much as possible, says John Mulhall, partner in the Advisory group at consultancy KPMG.

"A straight-through process, untouched by human hands, is the nirvana."

—John Mulhall, KPMG

"A straight-through process, untouched by human hands, is the nirvana," he says.

Ideally, all invoices should be submitted in standard electronic format, such as electronic data interchange (EDI). Then, software systems can read the data, keep track for you and flag any issues or problems that may be present—for example, when an invoice doesn't match a purchase order.

Many companies, especially large ones, tend to use a centralized enterprise resource planning (ERP) system, like SAP or Oracle, and integrate it with an accounts payable module to achieve the best results, according to Aberdeen Group's findings. Those companies that achieve faster processing and lower cost are 71% more likely to have accounts-payable processing systems embedded in their ERP software, Aberdeen reported.

Honeywell International, for example, though they still process many paper invoices around the world, achieved improvements in accounts-payable cycle times by using a module, provided by Dolphin Enterprise Solutions, that works with SAP. Since rolling out the module, which processes all kinds of invoices and allows for one place to do so, the $37 billion company has improved invoice cycle time across many businesses, Carol Lietzau, ACS project manager at Honeywell International, said in a recent webcast.

ACCOUNTS RECEIVABLE: GREATER EFFORT FOR GREATER REWARD

In the area of accounts receivable, where efficiencies translate more dramatically to the bottom line, the challenges are greater, but so are the rewards.

Two major challenges for corporations are cash applications—where payments and invoices are matched—and deductions—in which there may be agreed-on discounts with a purchaser (or decisions to accept less than the invoiced amount, subject to materiality thresholds). For the latter, such decisions may normally be made on a case-by-case basis, which can involve a great deal of time and effort, especially with various forms of payment and communication. It can be a challenge to automate this process.

But with cash applications, banks and ERP solution providers offer tools, such as lockbox or virtual accounts, that help digitize paper, electronically match payment and invoice, and get the time-intensive and error-prone manual labor out of the picture. That all helps get cash in faster, and into the working capital coffers sooner.

Runow, Deutsche Bank: Take control of the data. It's not the client paying you, it's you initiating the collection.

One thing to keep in mind is having a sense of control, says Runow of Deutsche Bank, even though with receivables it often feels that the ball is in the payees' court. "Take control of the data," Runow says. "It's not the client paying you, it's you initiating the collection."

Satisfaction with improvements in AP and AR efficiency has been steadily rising, according to a study conducted by Accenture. More than three-quarters (77%) of over 500 financial executives polled said they were very satisfied in 2011, a jump of six percentage points from 71% in 2008, according to the consultancy's High Performance Finance Study.

There is still room for improvement and for accounts payable and receivable to further demonstrate their worth and relevance, says Nancy Atkinson, senior analyst at consultancy Aite Group.

"We're very close to a point where there will be an intersection of technology available from banks or other third parties and the corporation's ability and demand for a more strategic look at their financial management and working capital management," Atkinson says. "Companies will be able to be far more strategic in the way they go about managing their capital, and this will allow those who do it really well to excel." ■

Sticking To The Straight And Narrow

Companies continue to bank on safety and security in managing liquidity and investments.

By Karen Kroll

At the end of this year's first quarter, cash and short-term investment balances among the nonfinancial firms of the S&P 500 hit a record $1.29 trillion, according to data provider FactSet Research Systems. That's up more than 60% from the levels five years ago.

Even as firms' cash balances grow to eye-popping levels (see our *GF Cash 25* feature, supplement page 2), financial execs charged with managing these funds remain focused on safety and liquidity. "If there's no principal, there are no returns," points out Lisa Rossi, global head of structured liquidity products, GTB, Deutsche Bank.

Although Mark Eisele, CFO with Applied Industrial Technologies, has periodically turned to money market funds as investment vehicles, he has consistently shied away from prime funds. "We're not searching for extra returns," he says. "Not then [pre-crisis], not today." In fact, Eisele is currently keeping most of his short-term funds in deposit accounts. The reason? "Banks are providing an earnings credit rate that's higher than the money market fund rate," he notes.

The low rates do have their upside, of course. Atlas Air Worldwide was recently able to secure long-term financing for four aircraft at under 2%. "This rate environment has allowed us to draw significant leverage at historically low rates," notes Ed McGarvey, VP and treasurer at the airfreight outsourcing firm.

But for investing excess cash the name of the game is still safety and security—not returns. As part of this focus, finance executives are paying ever more attention to risk assessment. "The single biggest theme since the financial crisis has been an increased focus on counterparty risk," says Paul LaRock, principal with consultancy Treasury Strategies. While many companies' investment policies already limit the percentage of funds that could be invested with any single counterparty, asset allocation has become more critical to an organization's investment strategy over the past few years, Rossi notes.

For instance, the cash management team at Atlas Air holds weekly calls with the major money market funds with which it invests to ensure that it continues to be comfortable with their maturity profile and overall holdings, including specific country concentrations, McGarvey explains. It also uses the calls to gather general industry and regulatory reform updates. Adds Atlas senior vice president and CFO Spencer Schwartz: "When it comes to investments of our cash, we are risk averse and will sacrifice yield to maintain safety."

Fortunately, the robustness and sophistication of the IT systems they use to manage these assets have also advanced. Paul Reilly, EVP, finance and operations, and CFO of $20.4 billion Arrow Electronics, says over the past decade he's seen "an acceleration in the development of treasury tools that make the deployment of capital more of a well-thought-out process and less of a gut reaction, back-of-the-envelope approach."

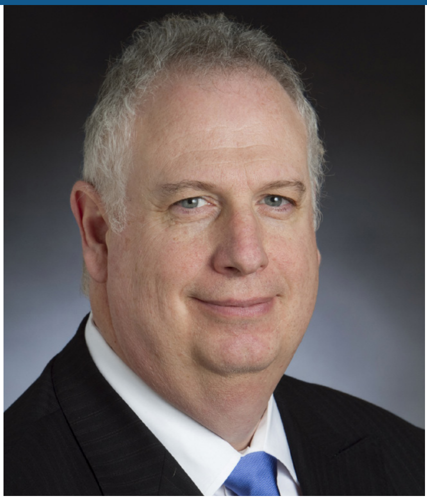
"Over the last few years, there's been an expanded use of investment portals," LaRock adds. One reason: Treasurers can embed their investment policy rules into the portal, preventing moves—whether deliberate or inadvertent—that would violate corporate policies.

WHAT TO DO WITH CASH

When it comes to investing excess cash, CFOs say they are either holding on to it or plowing it back into the business. During 2012, for instance, Applied completed eight acquisitions. Next on Applied's list: paying dividends—the company's five-year annual dividend growth rate is 10.8%—and engaging in stock buybacks. "We want to reward the shareholders who invest in our business," Eisele says.

At Atlas Air, cash is first used to ensure that the company maintains a strong balance sheet. Cash in excess of that is available for investment in new assets that generate appropriate returns to grow the business. In addition, the company has been actively buying back stock at a low price, Schwartz adds.

The attention many companies are currently paying to cash and liquidity management will likely become even more focused over the next year or two, as rates begin to rise. Although Reilly at Arrow doesn't anticipate a significant reduction in liquidity, he does expect it to come at a higher cost. ■



A Global View

Nick Fanandakis, EVP and CFO of global agriculture, industrial bioscience and advanced materials company DuPont, sat down with *Global Finance* to discuss the firm's growth strategy, resource allocation and cash management practices. By Denise Bedell

***Global Finance:* What would you say are the key risks or challenges in developing markets?**

Nick Fanandakis: We're a company that operates in over 90 different countries. We have 32% of our sales in developing regions. You have to be fully aware of the economic environment and the volatility around that. We manage our counterparty risk there very aggressively. We deal with multinational banks in those regions rather than any locals. We do routine sweeps of cash. You have to look at the partners you're choosing to work with in the region, make sure they're well respected in the region. Making sure you control your exposure in those areas is key.

***GF:* One big focus for DuPont is maximizing efficiency of resource allocation. Can you tell me about your strategy and how you measure effectiveness?**

Fanandakis: When we look at, for example, R&D, we spend a little over $2 billion a year in DuPont. If you look at our R&D spend over the last five years, it's increased by 50%. That's nice, but that isn't the story. The story is where you're spending it and how effectively you are spending it. That's the real key. We have [an internal] process that we call prioritization of initiatives, or POI. Every business will sit down during [budgeting] and develop what they believe are their top opportunities for R&D spend. The same would go for capital. They narrow down to about ten [key] projects. They submit that and then we go through a process at our Office of the Chief Executive (OCE) level. We look at market attractiveness, technology risks, the projected payouts and value. We rank all of those projects as to where we believe we want to spend our resource dollars. That becomes the budget that the businesses work from.

We have a lot of metrics that we use to determine [value creation]. We've set a target where we want revenue [from new products] to be 30%. Last year we hit 29%, so we're starting to reach our objective there, which is great. We also look at top line growth from new products. If you look at growth top-line over a five-year period, almost three-quarters of it is coming from new products and production. The third, from a macro sense, is around margin improvements: We have long-term objectives that we've set within each of our businesses around margin improvements. Underneath all that we have individual reviews: We're looking at cash returns, milestones met, etc. The constant evaluation of those metrics and those projects is just as important as the process you use up front.

***GF:* Can you describe the risk function at DuPont?**

Fanandakis: We have a risk committee, which I sponsor. My treasurer (Donna Grier) chairs the committee. We meet monthly to review risk from a currency standpoint, from a commodity standpoint. Any kind of hedging that is going to be done has to come through that risk committee before it's implemented. As you would imagine, all of our work in this area around derivatives of that nature are all based on risk mitigation, not any speculative hedging.

[Our process has] changed a lot over the years. There are more areas of concern that we have to evaluate and make decisions on each month. It's taking more attention not only from us in management, but also the board. The board's perspective around this has changed and the engagement is much more than it was 10 years ago.

***GF:* DuPont had more than $4 billion in cash on balance sheet at the end of 2012. How do you ensure that cash is being most effectively utilized?**

Fanandakis: I have about $6.5 billion right now. That's a great question. As I said, we're a multinational company, so 60% of revenue [is generated] outside [the US] and that revenue generates earnings and cash outside as well. When you look at cash on balance sheet, there's a substantial amount that is outside the US. Our priorities are around creating value in R&D, around global reach and around execution. On global reach, the ability to fund that is largely supported by the cash we have overseas.

Also, we're an A, A2-rated company (ratings from S&P and Moody's, respectively). That's important to us. We want to maintain that credit rating. It served us very well during the financial crisis. It served us well when we came out of the financial crisis and had the opportunity to buy Danisco, a $7 billion acquisition that we were able to do and still keep our rating.

Agencies do look at your total adjusted net debt. When you look at our gross debt and take off the cash we're in one place, but then you add the pension liabilities—which are inflated now because of the discount rates—and it puts you in a different perspective from a rating agency view. That level of strength in the balance sheet is really necessary in order to maintain that single-A rating. ■

Who's Who

Global Finance's annual list of Who's Who in Treasury & Cash Management

Abu Dhabi Commercial Bank

Murali Subramanian

Executive president and head of transaction banking

ADCB's transaction banking division, which has won numerous industry accolades for cash management and trade services, is making great strides under Subramanian's watch.

Bank of America Merrill Lynch

Cindy Murray

Head of global treasury product, platforms and eChannel

Murray transformed the bank's eChannel solutions to create an integrated, multichannel experience for clients based on Web 2.0 technologies.

Barclays

Maurice Cleaves

Managing director and global head of treasury products

Cleaves has made a significant difference to the bank's proposition with the delivery of Barclays Pingit for Corporates, a mobile business payments service, and the rollout of the corporate e-banking platform Barclays.Net.

Becton Dickinson

John Gallagher

Vice president, treasurer

Becton Dickinson is a US Fortune 500 medical technology firm. Gallagher spent most of his career working at GE and Ford Motor Company. At GE he was responsible for debt and derivatives.

BMO Financial

Andrew Irvine

Group SVP and head, corporate payments North America

Irvine is responsible for delivering revenue growth, customer loyalty and risk performance in the North American corporate card, treasury management and merchant acquirer lines at BMO Financial.

BNY Mellon

J David Cruikshank

EVP and chief executive officer of treasury services

Cruikshank sets the strategic direction and leads business execution for the US-based bank's global payment, trade finance and cash management businesses.

CIBC

Phil Griffiths

Senior VP and head, global transaction banking

Griffiths sets strategy and helps drive revenue growth in the Canadian bank's business deposits, payments, cash management and trade finance businesses, including management of the sales, product and service teams.

Citi

Fernando Iraola

Managing director, treasury and trade solutions head Latin America

Iraola has a long history in financial services in Latin America, positioning Citi as a leading cash management and trade services bank.

Colgate-Palmolive

Elaine Paik

Vice president and corporate treasurer

With responsibility for the Fortune 500 firm's global treasury functions, Paik champions efficiencies by leveraging bank solutions and treasury technology.

Danske Bank

Erik Zingmark

SVP, global head of cash management

Since joining the Danish bank in January, Zingmark has created a single point of entry for its cash management solutions.

Deutsche Bank

Shahrokh Moinian

Head of trade finance and cash management corporates for the Americas

Moinian drives the transaction banking industry to create next generation treasury solutions for the largest multinationals in the Americas, allowing corporates to gain further efficiencies.

DUBAL

Toby Shore

Corporate treasurer & chief risk officer

Shore joined Dubai Aluminum, a leading UAE corporation, as a senior credit risk officer before assuming his current responsibilities.

Ecobank

Patrick Gutmann

Group head of transaction services

Gutmann looks after the cash & liquidity management and trade finance businesses, as well as corporate electronic channels.

AB Electrolux

Mikael Friberg

Group treasurer

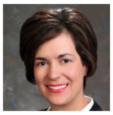
Friberg has worked in Sweden's Electrolux, a top 20 Nordic corporation by assets, since 2004. He supports treasury operations in 130+ countries.

Eurobank

Andreas Chasapis

Deputy GM, head of Eurobank Group corporate transaction banking

Chasapis oversees the end-to-end performance of cash management, trade services, e-banking corporate sales and factoring.



Exelon

Stacie Frank

Vice president and treasurer

Frank was previously director of finance within treasury at US energy producer and Fortune 500 firm Exelon.

Gerdau Ameristeel

Fernando Storchi

Corporate treasurer

Storchi joined Brazilian steelmaker and top 20 Latin American firm by assets Gerdau Group in June 1994. He is responsible for treasury as well as financial planning and analysis.

HDFC Bank

Bhavesh Zaveri

Head of operations and cash management products

Under Zaveri's leadership, the bank's cash management business has become one of the best in India.

Hellenic Telecoms Organization (OTE)

Panos Kaliabetsos

Group treasurer

Greece's OTE is a top 20 Eastern European firm by assets. Kaliabetsos, a former derivatives trader, is also a member of the board of directors at a number of OTE subsidiaries.

Hershey

Rosa Stroh

Vice president, treasurer and enterprise risk management leader

Stroh is responsible for Fortune 500 company Hershey's worldwide liquidity resources, managing financial and foreign exchange risks, and working with commercial and investment banks.

Hess Corporation

Bob Biglin

Vice president and treasurer

Hess Corporation is a global energy company based in New York. Biglin is responsible for overseeing capital markets, treasury operations, insurance and pension plan activities on a global basis.

HSBC

Diane Reyes

Global head of payments and cash management

Reyes's responsibilities include setting the strategic direction for more than 80 products and services offered to corporates, financial and government institutions.

Itaú BBA

Mário Brugnetti

Global head of cash management

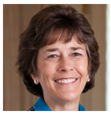
Itaú BBA is the wholesale banking arm of Itaú Unibanco. Brugnetti is in charge of strategy, business planning and development for cash and trade products.

J.P. Morgan

Paul Camp

Head of global transaction services business

Camp delivers integrated payables, receivables, cross-border payments and collections, escrow, and liquidity management solutions. The bank leads in mobile solutions and electronic payments.

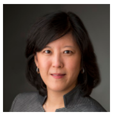


Marriott International

Carolyn Handlon

Executive vice president and global treasurer

Handlon's leadership in arranging third-party real estate financing for owners of Marriott Hotels contributed to a five-fold increase in hotel rooms.



Marsh & McLennan

Helen Shan

Vice president and treasurer

Shan is responsible for global treasury organization, including capital management, pensions, investments and cash management, at the Fortune 500 professional services firm.

MasterCard

Juan Rajlin

Corporate treasurer

Rajlin's treasury team is integrated into MasterCard's core business operations, which processes more than $1 trillion annually in MasterCard transactions. Rajlin was previously assistant treasurer at General Motors.

Mayerhofer

Peter Schädelbauer

Commercial director

Schädelbauer's areas of expertize at the German engineering firm include foreign exchange and cash management, process optimization, special guarantee constructs and joint venture models.

Nordea Bank

Mikael Bjertrup

Head of transaction products

Bjertrup's role is to provide all of Nordea's 600,000 corporate customers with cash management services covering accounts, transactions and payments services, liquidity management and advanced online tools.

OCTAL

Gary Slawther

Corporate treasurer

Slawther has spent most of his career working for companies undergoing major financial restructuring. Now at Oman's OCTAL Petrochemicals, the largest PET (polyethylene terephthalate) resin manufacturer in the Middle East, his job is ensuring that financing is in place to meet its ambitious growth plans.

Petrobras

Gustavo Tardin Barbosa

Global head of corporate finance

Barbosa has held various managerial positions at Petrobras, the largest Brazilian corporation by assets, including global head of financial planning and risk management, controller of Petrobras International and CFO of Petrobras America and Petrobras UK.

Royal Bank of Scotland

Steve Everett

Head of global cash management

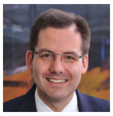
Everett is responsible for developing and promoting innovative cash management solutions for the UK-based bank. Previously, he delivered the bank's overall liquidity and FX proposition.

RTL Group
François Masquelier
Senior vice president of treasury and corporate finance

Masquelier has been with the Luxembourg media and entertainment company since 1997. He is also president of the Association of Corporate Treasurers of Luxembourg.

Santander
Carlos Rodriguez de Robles
Head of global transaction banking, executive committee member, SGBM

Rodriguez de Robles determines the strategic direction and drives the business execution for the Spanish bank's global trade finance, supply chain finance, custody and cash management businesses.



SAP
Matthias Heiden
Head of global treasury

Heiden's treasury team has contributed to SAP's external growth, including the acquisitions of Ariba and SuccessFactors.

Scotiabank
Alberta Cefis
EVP & head, global transaction banking

Cefis defines GTB's vision, strategy and key priorities, and led the rollout of the bank's Global Cash Management Solution.

SEB
Paula da Silva
Deputy head of transaction banking and head of working capital management

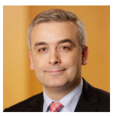
Da Silva has end-to-end responsibility for sales management and client services, product delivery, and electronic customer channels.

Société Générale
Martine Sodaify
Head of international cash management offer and promotion

Sodaify began her career at the French bank as a senior product manager in charge of cash management. She is heavily involved in implementing SEPA.

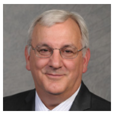
Standard Chartered
Ashutosh Kumar
Managing director and global head for corporate cash and trade

Kumar was instrumental in delivering the world's first synthetic securitization of trade finance loans for the bank. He is also chair of the Global Trade Industry Council at BAFT-IFSA, an industry association for finance and trade professionals.



SWIFT
André Casterman
Head of corporate and supply chain markets

Casterman heads strategy and business development in the corporate and trade markets for the global bank messaging network.



Tiffany & Co
Mike Connolly
Vice president, treasurer

Connolly is responsible for treasury, financial and operational risk management, tax, credit/collections, payments fraud and business continuity at US high-end retailer Tiffany & Co. He is also a past chairman of the Association for Financial Professionals.

Time Warner Cable
Matthew Siegel
Senior vice president and treasurer

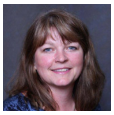
Siegel is responsible for all of the Fortune 500 company's treasury functions, including banking relationships, capital markets, financial analysis, capital structure oversight, cash and investment management, and corporate services.

UniCredit Group
Markus Straußfeld
Head of international cash management sales

Straußfeld assumed his current role after the merger of Bayerische Hypo- und Vereinsbank and UniCredit in 2005. He is chairman of the IBOS Association, an international banking network.

Virgin Media
Rick Martin
Group director, treasury & investor relations

Martin became group treasurer in 2005 and head of investor relations in 2008. From 2008–2012, he oversaw UK-based Virgin Media's creation of a new capital structure that resulted in upgrades from all three ratings agencies. Interest expenses were also reduced. In June this year Virgin Media was acquired by US cable giant Liberty Global.



Wells Fargo
Laura Orcutt
SVP and group product manager

Orcutt is responsible for the development and profitability of the US bank's ACH, mobile depository and prepaid card products. Her work in minimizing ACH fraud earned the NACHA Quality Award.

Wolters Kluwer
George Dessing
Vice president, corporate treasurer

Since joining Dutch information services firm Wolters Kluwer, Dessing has improved worldwide cash management systems, automated and standardized treasury processes, and established a financial risk management framework, which optimized the group's cash flow and working capital.

Xylem
Samir Patel
Vice president and treasurer

Patel has provided valuable operational expertise working for global multinationals (Kimberly Clark, GE) in the US and internationally. Upon completion of Xylem's spin-off from ITT in 2011, Patel was named treasurer of the Fortune 500 water technology firm.