

Moderator: Diane Reyes, Global Cash Mgmt and Trade Sales Head, Global Transaction Service, Citi Capital Markets and Banking

Panelists:

- Pui Yee Lee, Director, Int'l Treasury, Honeywell International, Inc
- Jerry Rehfuss, Senior Director, Kimberly-Clark Corp.
- Erica McBride, Manager, Peer Review Program, Paychex, Inc.

# Cash Management

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BEST PRACTICES SUMMIT

# **Strategic Cash Management & Investment in Asia**

**Alexander Hamilton Best Practices Summit  
6 November 2007**

**Honeywell**

# Challenges Encountered in Asia

Honeywell

Cash Management & Investment Strategy	Regulatory Constraints	Business Environment Constraints	Organizational Constraints
Bank Rationalization	✓	✓	✓
Bank Account Rationalization	✓	✓	✓
Cash Management Structure	✓	✓	✓
Inter-company Operations	✓		✓
Investments	✓	✓	✓
Cash Visibility		✓	✓

***This Is Asia***

# Strategy Overview

- Bank Rationalization
  - Appoint 1 partner bank per country via a rigorous RFP process
  - Preference given to Honeywell's credit providers
- Bank Account Rationalization
  - Engage Honeywell's business units and chosen partner banks in the bank account migration and rationalization process
- Cash Management Structure
  - Identify an appropriate in-country cash management structure for each country with Honeywell's chosen partner banks
  - Adopt customized solutions to address domestic regulatory and business requirements
  - In addition, regional USD cash pool under development in Singapore

***Maximize Cash Deployability, Returns & Liquidity***

# Strategy Overview

- Inter-Company Operations
  - Automate in-country cash mobilization via cash pool structures
  - Lend excess cash that is re-deployable to Honeywell's in-house bank in Brussels
- Investments
  - Actively invest trapped cash to maximize investment returns
  - Negotiate with chosen partner banks to implement high yielding current accounts
  - Customize investment strategy to meet regulatory conditions and Honeywell's investment guidelines
- Cash Visibility
  - Track daily bank account balances via Quantum workstation and in-house web technology

***Maximize Cash Deployability, Returns & Liquidity***

# Results

Honeywell

- Consolidation of cash & banking operations at chosen partner banks
  - Implemented in-country cash pool structures with chosen partner banks
  - 40% reduction in bank fees since 2003
  - Cash balances substantially concentrated with chosen partner banks
- Redeployment of excess cash in line with Honeywell's internal liquidity management strategy
  - Three-quarter of re-deployable cash was lent to Honeywell's in-house bank in Brussels
  - Remaining cash left behind in respective countries to fund working capital, capex and acquisition requirements
- Investment of excess cash to maximize investment returns
  - Cash balances remaining in Asia actively invested
  - Improved investment returns by an average of 60bps per annum, representing an incremental interest income of \$2.1 million in 2006
- Cash management and investment strategy that is complementary to the needs and requirements of Honeywell's business units

***Defining & Delivering Tangible Results***

# Questions

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**Honeywell**

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# Honeywell

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