

Moderator: Steve Everett, SVP/Director, Northern Trust

Panelists:

- Albert Ciafre, VP, Corporate Funding & Investment, Capital One
- Craig Calle, VP/Treasurer, Gateway, Inc
- Jim Colby, Asst. Treasurer, Honeywell Int'l Inc.

# Global Liquidity

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**Northern Trust**

*Treasury & Risk's 12th annual*

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BEST PRACTICES SUMMIT

# Liquidity Management at Honeywell

Alexander Hamilton Best Practices  
Conference

07-Nov-07

**Honeywell**

# Capital Deployment at Honeywell

Honeywell

- Large and dynamic funding requirements require world-class liquidity management practices

<i>(dollars in millions)</i>	<u>2005</u>	<u>2006</u>	<u>2007H1</u>	<u>Total</u>
<b>Sources of Funds</b>				
Free Cash Flow	\$ 1,758	\$ 2,478	\$ 1,278	\$ 5,514
Divestitures	\$ 1,068	\$ 752	\$ 134	\$ 1,954
	<u>\$ 2,826</u>	<u>\$ 3,230</u>	<u>\$ 1,412</u>	<u>\$ 7,468</u>
<b>Uses of Funds</b>				
Acquisitions	\$ (3,381)	\$ (979)	\$ (108)	\$ (4,468)
Share Repurchases, net	\$ (966)	\$ (1,500)	\$ (3,063)	\$ (5,529)
Dividend	\$ (700)	\$ (744)	\$ (392)	\$ (1,836)
	<u>\$ (5,047)</u>	<u>\$ (3,223)</u>	<u>\$ (3,563)</u>	<u>\$(11,833)</u>
<b>Funding Requirement</b>	<b>(2,221)</b>	<b>7</b>	<b>(2,151)</b>	<b>(4,365)</b>

**Strong Liquidity Management Practices Support Valuation**

# Cash Management

- Knowing where your cash is
  - Track global balances daily via Quantum workstation and in-house web technology
  - Supported by dedicated Treasury IT resources
- Ability to mobilize your cash
  - In-country cash pools in Americas, EMEA and AP
  - Regional EUR cash pool in Brussels
  - Regional USD cash pool under development in Singapore
  - Investment policies monitored by Investment Committee
- Ability to forecast cash generation and utilization
  - Historical data gathered monthly within and outside United States
  - Forecasts continually updated using historical data and forward-looking data provided by business units and other corporate functions

***Efficient Cash Management Critical – Hoarding Not Tolerated***

# Debt Management

- Ability to raise funds quickly when needed
  - Committed multi-year credit facilities, renegotiated as conditions warrant
  - Sufficient to back-stop anticipated CP issuance with a safety margin
  - Don't want to be forced into long-term debt markets at inopportune times
  - Global availability, extension options, LC sub-limits, eligible borrowers, MAC clauses, financial covenants, swing lines
- Appropriate management of long-term debt maturities
  - Extend duration when cost of liquidity is cheap
  - No more than 20% maturing in a single year
  - Weighted-average maturity goal of approximately 10 years
  - Sufficient cash and unutilized credit lines to repay current maturities of long-term debt
- Pay attention to debt covenants with long-term perspective in mind
  - Credit facilities, bond indentures and other financings

***Be Proactive and Pay Attention to the Details***

# Relationship Management

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Honeywell

- Banks
  - Carefully tier revolving credit facility
  - Diversify credit providers by product capability and geography
  - Track business activity by bank
  - Strategically award discretionary business
- Rating Agencies
- Internal Relationships
  - Tax, Controller's, Legal, Business Analysis and Planning, Corporate Development and other central office functions
  - Business units
  - Run for mayor, be a leader
  - Treasury cannot succeed on its own

***Perhaps the Least Appreciated Element of Liquidity Management***