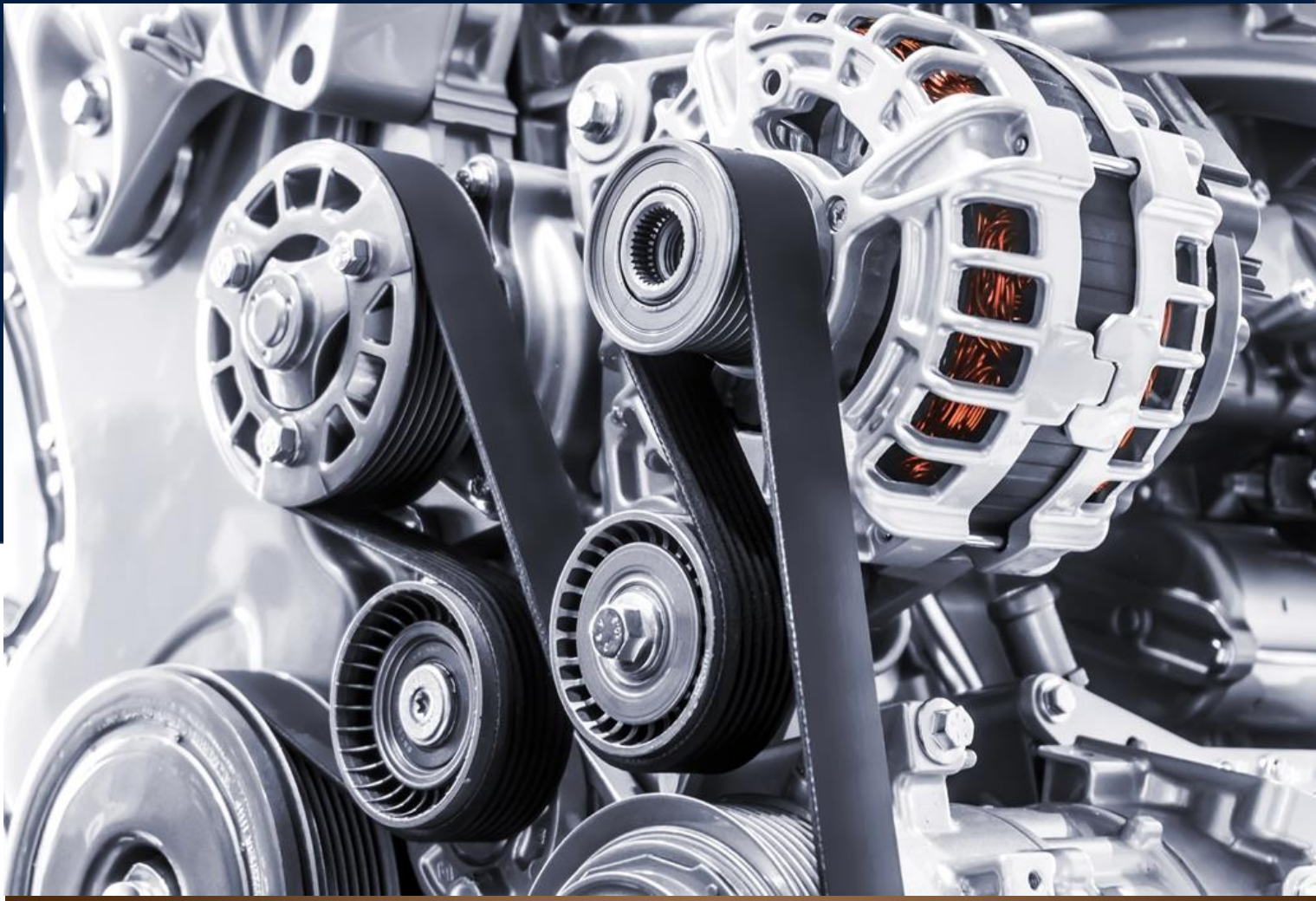


JPMorganChase

# Navigating the Treasury of Tomorrow

J.P. Morgan Payments | Diversified Industries



# Foreword

How can you establish a solid foundation for your treasury strategy in a time marked by transformative disruptions, conflicting perspectives, and numerous macroeconomic factors? Identifying a clear guiding principle for treasurers can be challenging, especially with the changing happening across the Diversified Industries (DI) sector.

In this inaugural edition of **J.P. Morgan's treasury benchmarking analysis for the DI sector**, we have summarized our analysis of treasury practices to present the current state within the DI sector on core, practical treasury topics. J.P. Morgan's comprehensive understanding of the treasury ecosystem across select 200+ global DI clients provides insight on how treasurers are navigating a changing landscape.

From **industrials to airlines, aerospace to defense, transportation to automotive**, J.P. Morgan can help drive new possibilities for your business as you evolve into the Treasury of Tomorrow.

Five core trends emerged in this treasury analysis:

# 1

Centralizing treasury operating model for greater efficiency and improved risk management has been a long-lived trend, and adoption of an **In-House Bank** to formalize this structure remains strong across our client base, with nearly **a third** using such set-ups. However, the structure can vary widely depending on the global breadth and depth of our clients with **45% of clients** having **Regional Treasury Centers** and **60%** being supported by **Shared Services Centers**.

# 2

Obtaining highest level of visibility while optimizing yield and efficiency is core to cash management, and close to **90% of our industry clients** are leveraging physical **Cash Concentration** structure to execute on this goal. We clearly see a focus on mobilizing own-cash as the cheapest source of funding in a time of high interest rates and volatility, and for those clients managing multiple currencies, **27%** are utilizing multi-currency **Notional Pools** to manage varying currency positions without physically converting.

Source: All statistical information is based on JP Morgan's internal data analysis; All percentages are calculated against the # of available data points

## Foreword (cont'd)

# 3

Adoption of **Virtual Account** structures - allowing for immediate instead of overnight consolidation of cash - is slowly ramping-up, with over **10%** adoption globally (Industrials as a sub-sector lead in adoption at 22%). While single-entity virtual account structure is often utilized for sub-ledgering of activities for the same entity, multi-entity structures are used to support the more advanced “On-behalf-of (OBO)” payment model (to maximize on control and efficiency). Globally clients in APAC and LATAM may face greater complexities in adopting the OBO model.

# 4

Increasing focus on working capital optimization amidst the uncertain market conditions - is seen across the industry, with well over a **third of clients** utilizing **Supply Chain Finance** (SCF) to facilitate global trade and support key suppliers. This trend highlights the strengthened need to support local and regional ecosystem through enhanced supplier relationship in times of volatility and political uncertainty. It is a mature solution for Industrials sub-sector with **two thirds** of clients utilizing SCF.

# 5

Finally, with regards to **Treasury technology**, SAP remains the number one ERP across our client base, with close to **70%** using the platform. With the 2027 deadline for all legacy ECC6 users to migrate to S/4HANA, many clients are already implementing the upgrade or are planning in near future. In contrast, the usage of treasury management system (TMS) is segmented with SAP, FIS, and Kyriba solutions leading the scene. As clients review and upgrade their tech stack, time is prime to review advanced treasury tools from their banking and business partners

*“Transforming your treasury from an operational to a critical business growth engine requires a strategic mindset, strong collaboration with key partners, and the drive to execute. This research is designed to guide you in navigating & evolving into the Treasury of the Future.”*



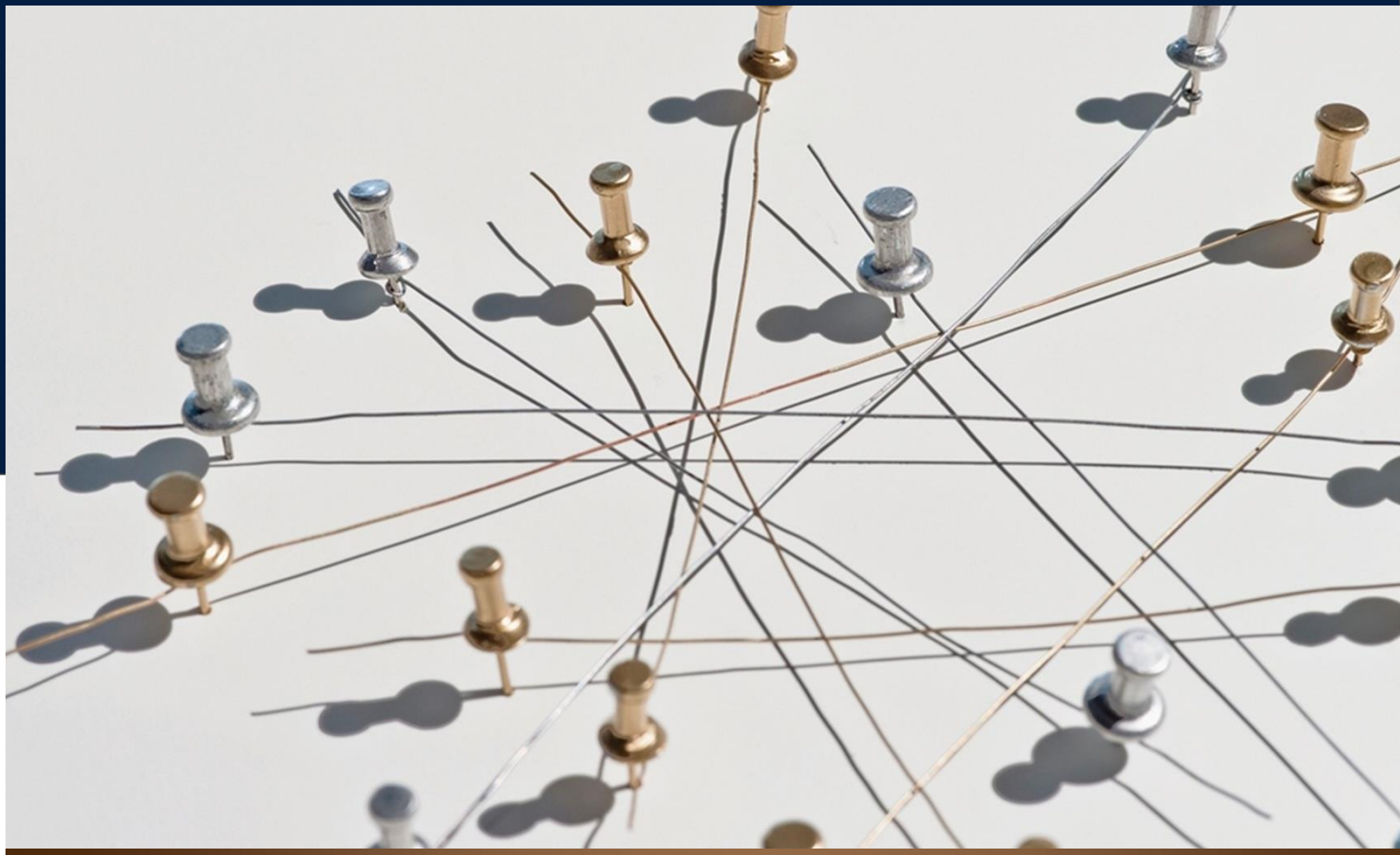
Michael Nelson, Managing Director  
J.P. Morgan Payments

**Connect with your J.P. Morgan Payments representative today to find the right solution for your business and benchmark your Treasury approach against your industry.**

Source: All statistical information is based on JP Morgan's internal data analysis; All percentages are calculated against the # of available data points

J.P.Morgan

# Diversified Industries Treasury Analysis Global Results



## Treasury Model

A focus on centralization, control and maximizing operational efficiencies

### KEY INDICATORS ACROSS J.P. MORGAN'S CLIENTS IN THE DI SECTOR



32%

#### In-House Bank

32% of J.P. Morgan's DI Clients leverage an In-House Bank (IHB), with many incorporating a dedicated entity to allow for efficient management of cash and risk across the group globally.

#### Regional Treasury Center

45% of DI Clients use a Regional Treasury Center (RTC), either regional or global. Most of these perform payables, receivables or reconciliation duties; sometimes expanding into HR, IT, Legal, etc.



45%



60%

#### Shared Service Center

Shared Service Center (SSC) is a mature construct for DI clients, with 60% of clients having the structure, either regional or global. SSCs commonly support payables, receivables, reconciliations and reporting activities, with more mature set-ups expanding into more value-added services.

#### On-Behalf-Of

19% of Clients surveyed have adopted On-Behalf-Of ("OBO") processing. Most of these OBO structures are focused on payables and supported by a Payment Factory. Receive On-Behalf-Of lag behind payables but recent technology advancements - including Virtual Accounts - are upping the game.



19%

***"Clients across the sector are increasingly adopting a centralized treasury model, to optimize both capital and operational efficiency, while strengthening control as companies tackle a complex global value chain. Clients should review their Treasury set-up and approach to managing capital & risk, to ensure they are fit to face an evolving future."***



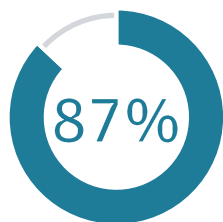
Tristan Attenborough, Managing Director  
J.P. Morgan Payments

Source: All statistical information is based on JP Morgan's internal data analysis; All percentages are calculated against the # of available data points

## Liquidity & FX Management

### Turning cash into a truly liquid asset

#### KEY INDICATORS ACROSS J.P. MORGAN'S CLIENTS IN THE DI SECTOR

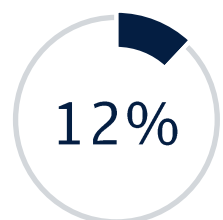
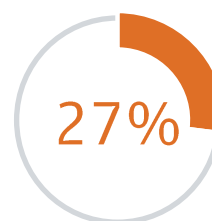


#### Physical Cash Concentration

Majority of DI clients - 87% - are concentrating cash physically to centrally manage, optimize, and utilize as an internal source of funding. Regional differences do exist however, with Clients in LATAM and selected regulated APAC markets lagging behind due to a more complex regulatory environment.

#### Notional Pooling

27% of J.P. Morgan's DI Clients are leveraging Notional Pooling structure, often used to offset currency exposure or optimize capital without co-mingling cash, improving overall risk management and potentially lower transactional expenses..

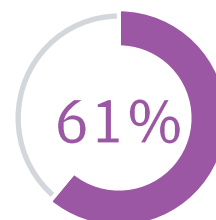


#### Virtual Accounts

While 12% of clients use Virtual Accounts today, adoption is on the rise with clients either in implementation stage or considering the solution. A bank provided sub-ledger solution, virtual accounts allow for an immediate consolidation of cash into the "Header" account, with segregation of activities and reporting needed for today's complex organizations.

#### FX Hedging

61% of J.P. Morgan's DI Clients are proactively participating in FX hedging programs, from cash flow hedging to Balance sheet hedging.



***“While traditional liquidity management practices remain prevalent in optimizing capital efficiency for our clients, there is an increasing shift towards innovative solutions that offer greater automation and real-time capabilities.”***



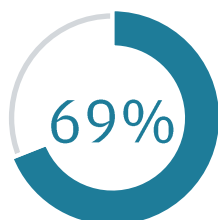
Shao Shroff, Executive Director  
J.P. Morgan Payments

Source: All statistical information is based on JP Morgan's internal data analysis; All percentages are calculated against the # of available data points

## Technology Set-Up

### Strengthening the foundation to enable real-time Treasury

#### KEY INDICATORS ACROSS J.P. MORGAN'S CLIENTS IN THE DI SECTOR

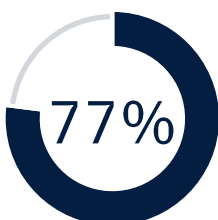
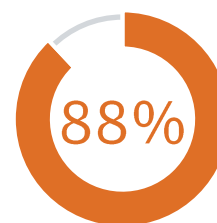


#### Enterprise Resource Planning

SAP clearly dominates the DI world, with 69% of DI clients operating this as their key ERP system. With the deadline for migration to S4/Hana fast approaching, clients will need to carefully plan resources as well as treasury priorities to ensure a successful upgrade.

#### Treasury Management System

While TMS landscape is more fragmented, the top three providers for the DI sector are FIS (36%) with Quantum and Integrity leading the scene, SAP (32%), and Kyriba (21%) - together comprising 76% of TMS configurations across our client base.

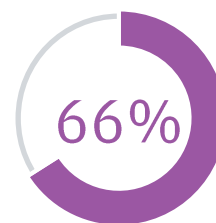


#### Connectivity

While clients can leverage multiple ways to connect to banking partners, Host-to-host connectivity remains the key channel for the DI sector (77%), in conjunction with e-banking (35%), SWIFT (18%), and increasing use for APIs (4%)

#### Cash Forecasting

Cash forecasting remains a key area of challenge for our clients, and for the DI sector, Excel still dominates as a primary tool utilized for cash forecasting, though many clients are leveraging TMS to streamline and automate the process.



***“More and more clients are exploring ways to streamline connectivity and adopt solutions to enable real-time visibility – not only to improve operational efficiency but also to strengthen controls with greater than ever focus on safety.”***



Lillian Sim, Managing Director  
J.P. Morgan Payments

Source: All statistical information is based on JP Morgan's internal data analysis; All percentages are calculated against the # of available data points

## Trade Finance

### Increased focus on Working Capital optimization

#### KEY INDICATORS ACROSS J.P. MORGAN'S CLIENTS IN THE DI SECTOR



37%

#### Supply Chain Finance (SCF)

With working capital levels reaching a 10 year high, clients are ever more focused on unlocking trapped liquidity in working capital – leading to significant expansion of trade finance tools. For the DI sector, SCF is a key trade solution utilized, with over a third of clients implementing the program with its suppliers.

#### Virtual Cards

Virtual Cards – often used as a complement to SCF for tail-end expenses – have historically been far more developed in the North American market where it originates. But we begin to see more appetite in other regions as these solutions are being brought to market.



30%



23%

#### Sales Finance

At the other end of the spectrum, we see adoption of Sales Finance solutions reaching 23% of J.P. Morgan's DI clients. Off-balance sheet treatment and scalability make Sales Finance a compelling solution to companies witnessing rapid balance sheet growth fuelled by both increasing volumes and rising commodities prices.

#### Inventory Finance

Inventory Finance, while still in its early stages, is being increasingly explored by clients to enhance working capital and optimize inventory management amidst volatility in global markets.



6%

***“With a fast-evolving market environment and supply chain uncertainties, businesses should focus on strengthening balance sheet management while maintaining access to liquidity. While there isn’t a one-size-fits-all solution, treasurers should look to improve overall working capital efficiency by analyzing and adopting a number of strategies.”***



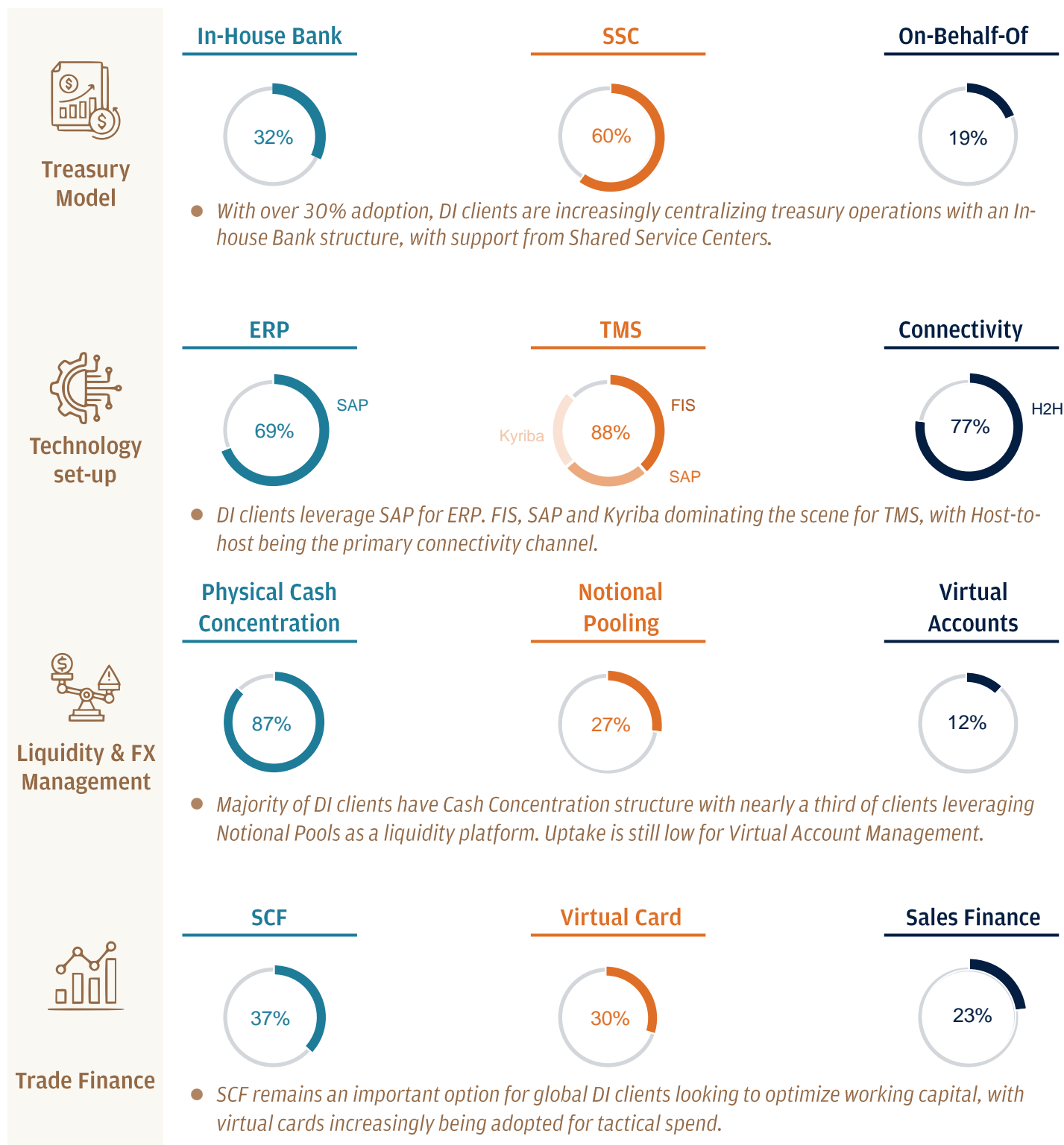
Eric Reimer, Executive Director  
J.P. Morgan Payments

Source: All statistical information is based on JP Morgan's internal data analysis; All percentages are calculated against the # of available data points



# Global Summary View

## ASSESSING YOUR TREASURY SET-UP & PROCESSES WITH KEY INDICATORS ACROSS J.P. MORGAN'S DI CLIENTS



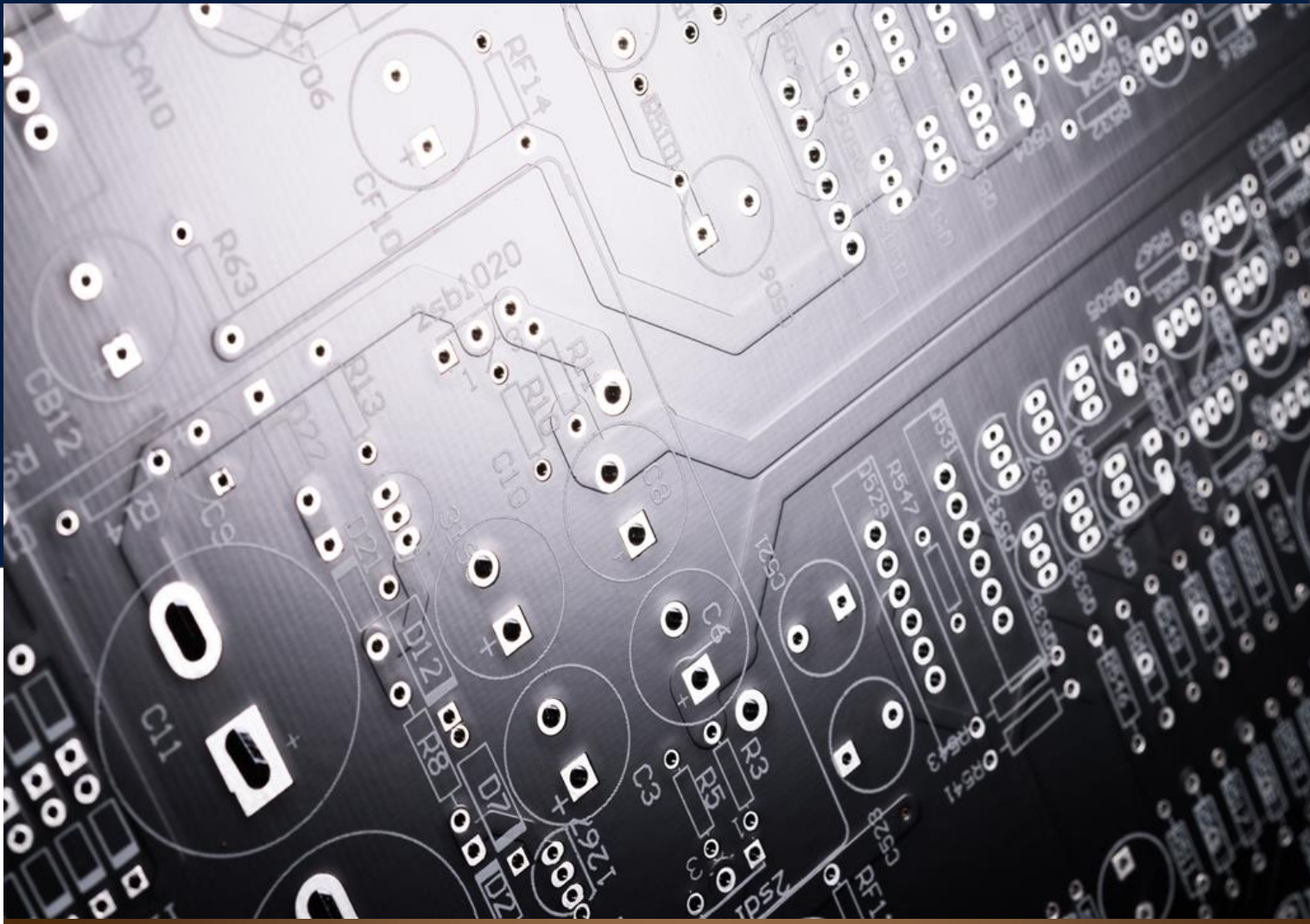
Source: All statistical information is based on JP Morgan's internal data analysis; All percentages are calculated against the # of available data points  
 SSC: Shared Service Center, ERP: Enterprise Resource Planning, TMS: Treasury Management Systems, SCF: Supply Chain Finance

J.P.Morgan

# Diversified Industries Treasury Analysis

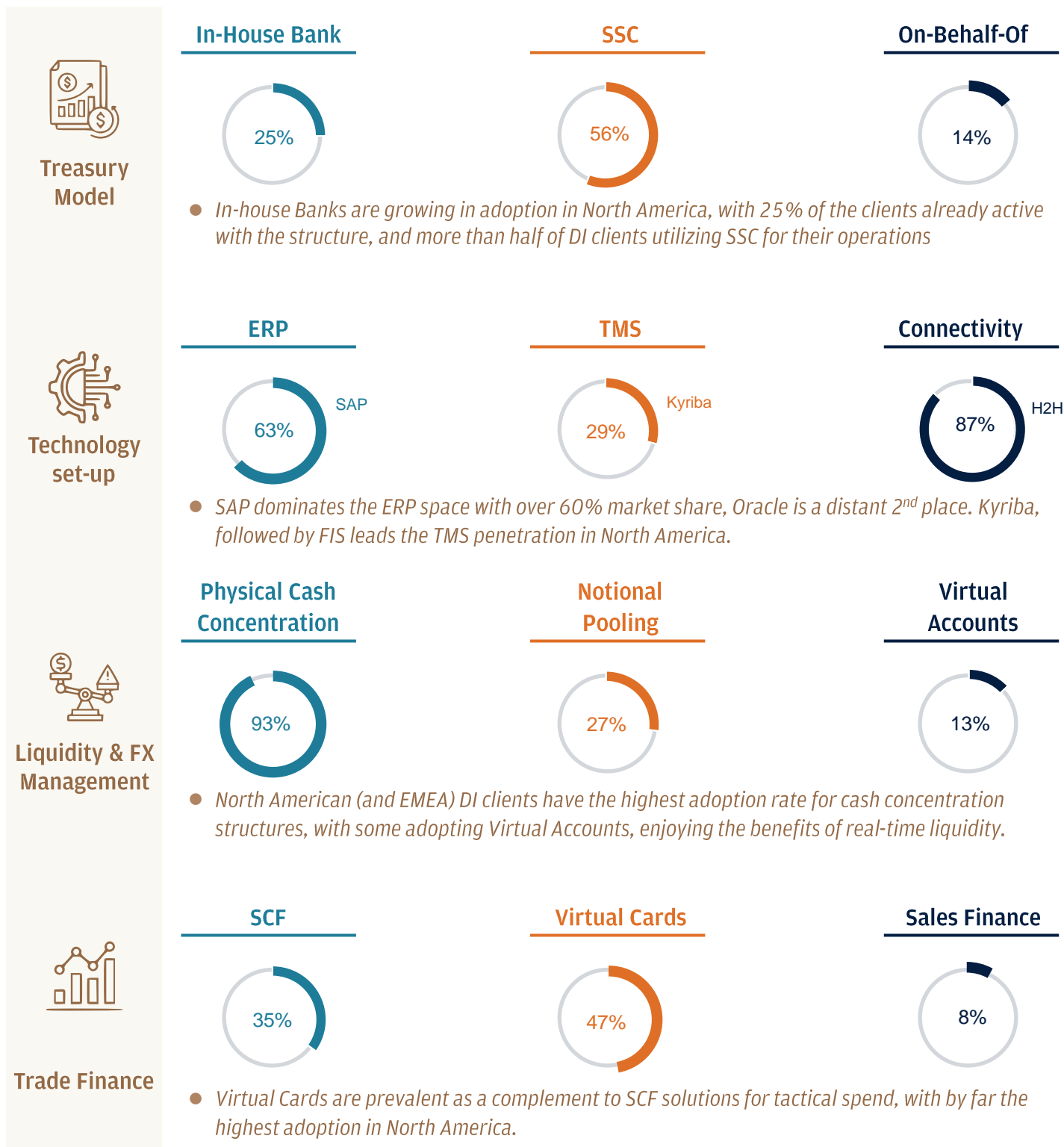
## Regional Results

Based on headquarter location



# Region: North America

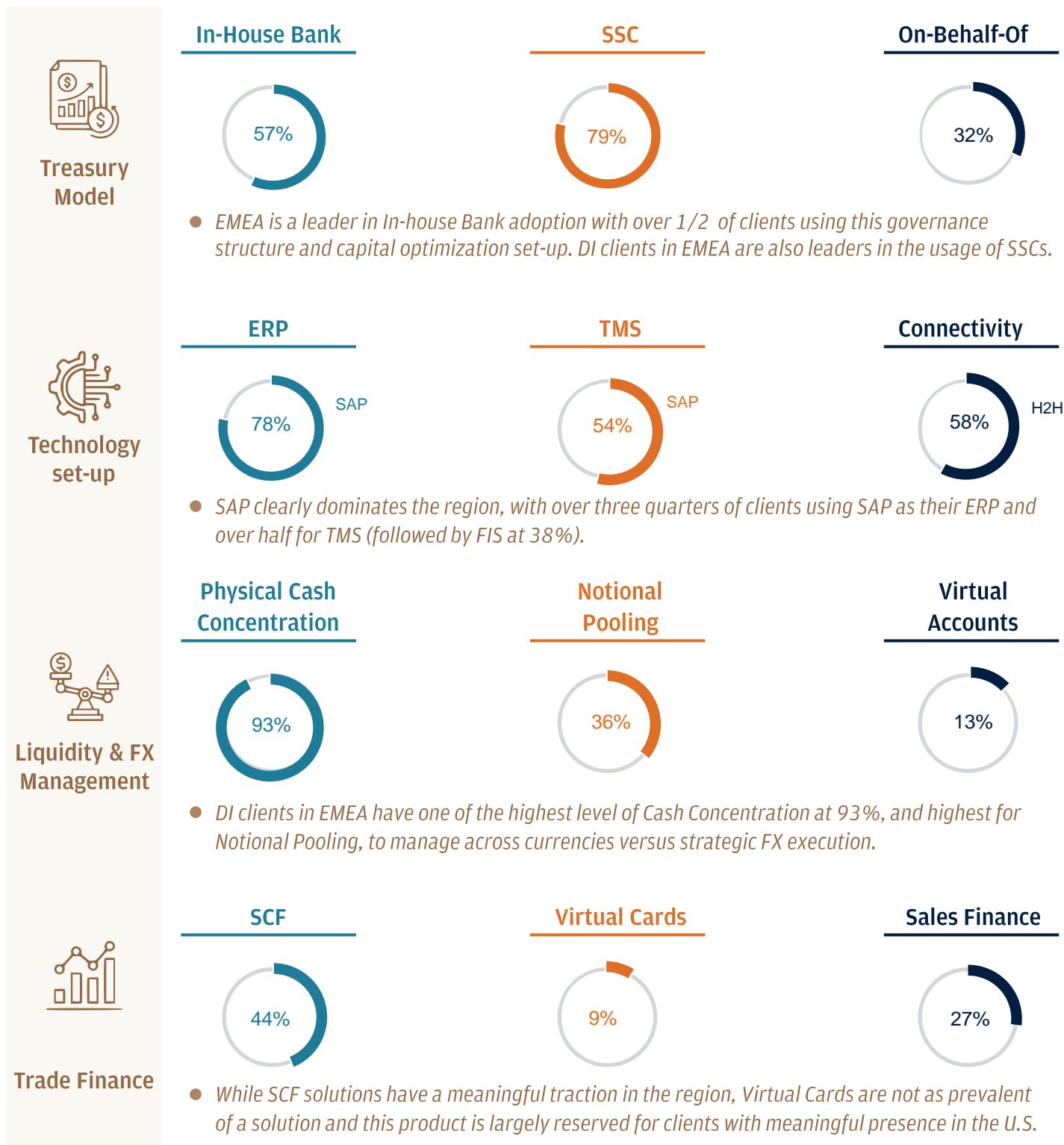
## ASSESSING YOUR TREASURY SET-UP & PROCESSES WITH KEY INDICATORS ACROSS J.P. MORGAN'S DI CLIENTS



Source: All statistical information is based on JP Morgan's internal data analysis; All percentages are calculated against the # of available data points  
 SSC: Shared Service Center, ERP: Enterprise Resource Planning, TMS: Treasury Management Systems, SCF: Supply Chain Finance

# Region: EMEA

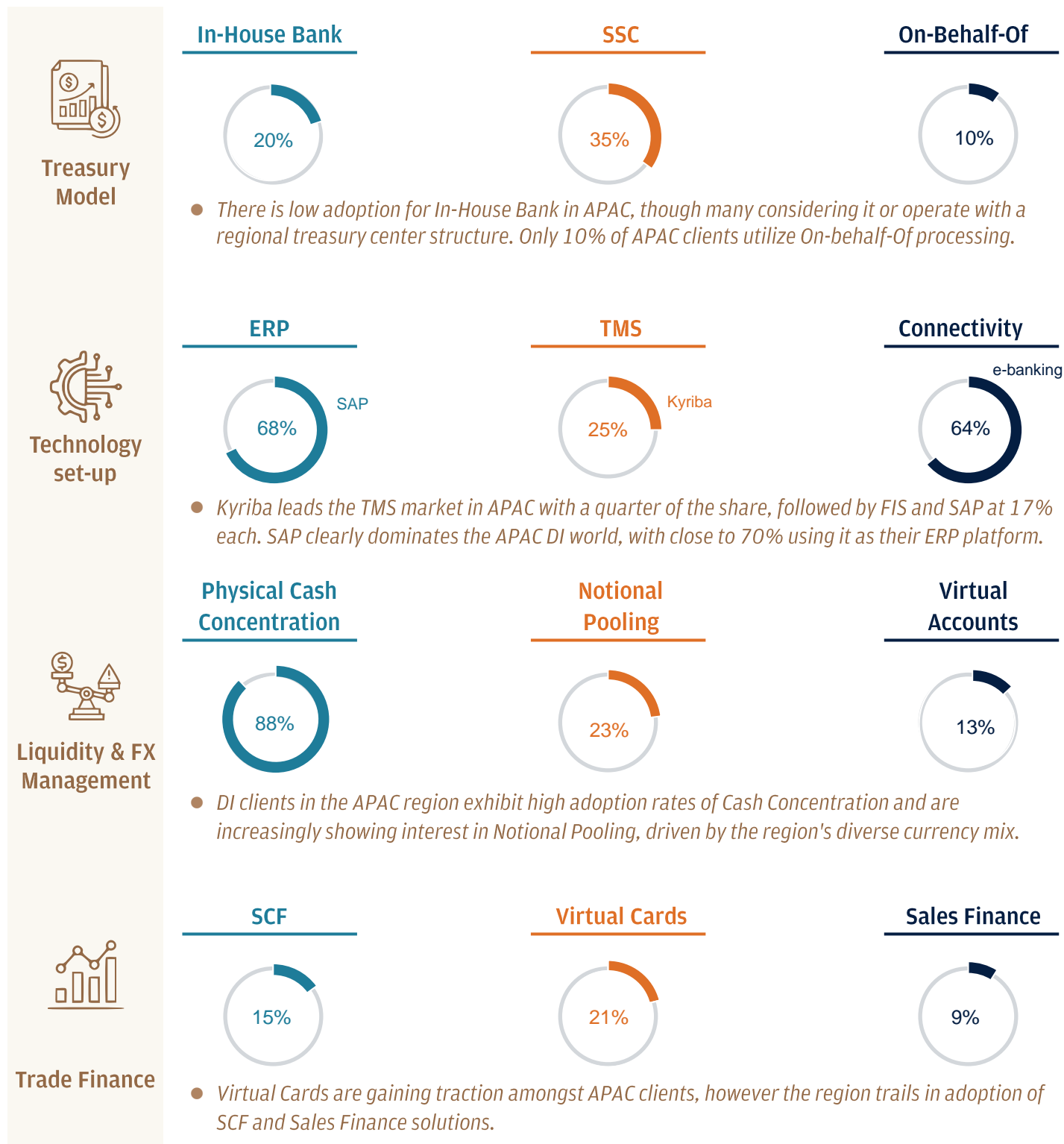
## ASSESSING YOUR TREASURY SET-UP & PROCESSES WITH KEY INDICATORS ACROSS J.P. MORGAN'S DI CLIENTS



Source: All statistical information is based on JP Morgan's internal data analysis; All percentages are calculated against the # of available data points  
 SSC: Shared Service Center, ERP: Enterprise Resource Planning, TMS: Treasury Management Systems, SCF: Supply Chain Finance

# Region: APAC

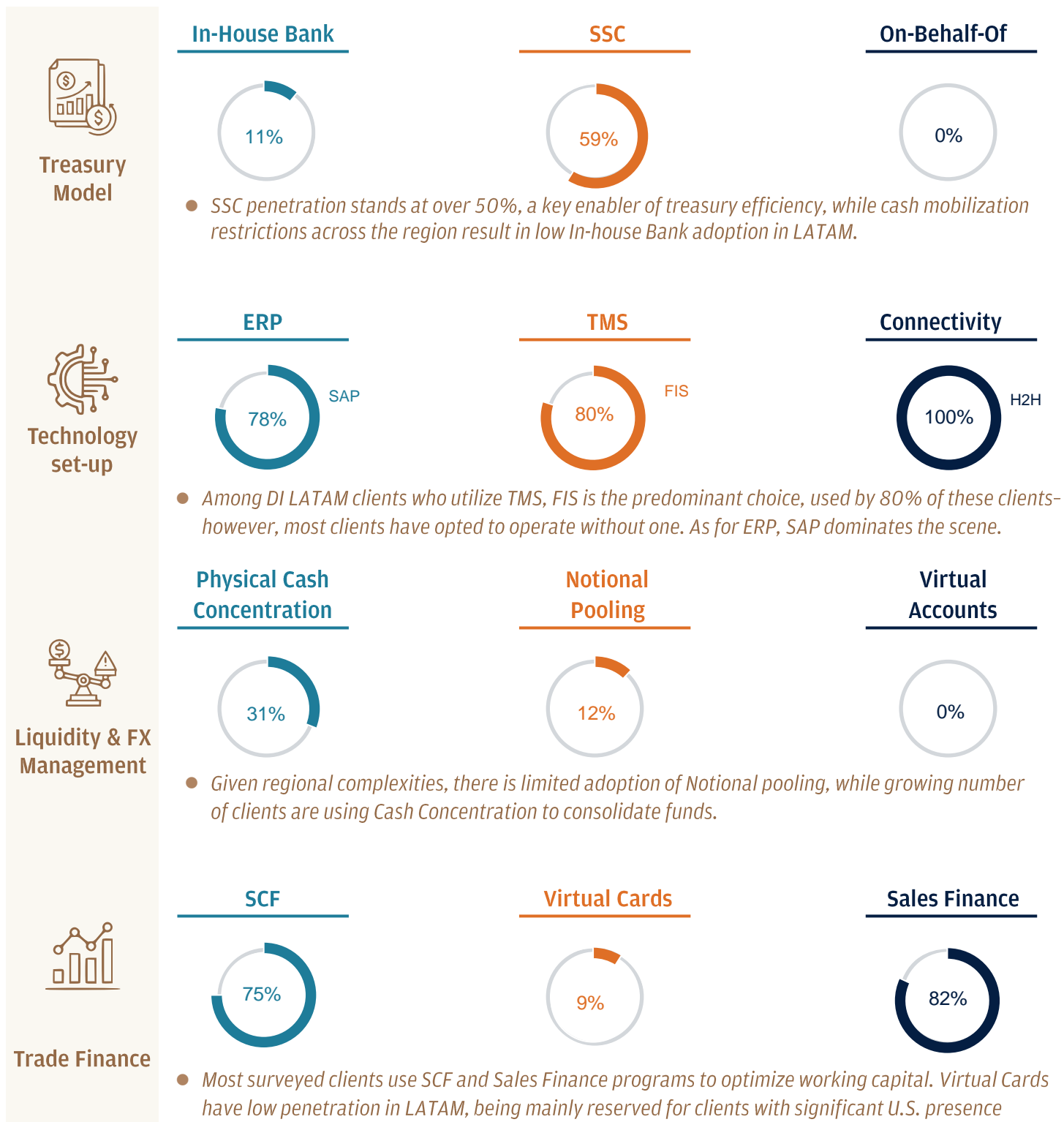
## ASSESSING YOUR TREASURY SET-UP & PROCESSES WITH KEY INDICATORS ACROSS J.P. MORGAN'S DI CLIENTS



Source: All statistical information is based on JP Morgan's internal data analysis; All percentages are calculated against the # of available data points  
 SSC: Shared Service Center, ERP: Enterprise Resource Planning, TMS: Treasury Management Systems, SCF: Supply Chain Finance

# Region: LATAM

## ASSESSING YOUR TREASURY SET-UP & PROCESSES WITH KEY INDICATORS ACROSS J.P. MORGAN'S DI CLIENTS



Source: All statistical information is based on JP Morgan's internal data analysis; All percentages are calculated against the # of available data points  
 SSC: Shared Service Center, ERP: Enterprise Resource Planning, TMS: Treasury Management Systems, SCF: Supply Chain Finance

J.P.Morgan

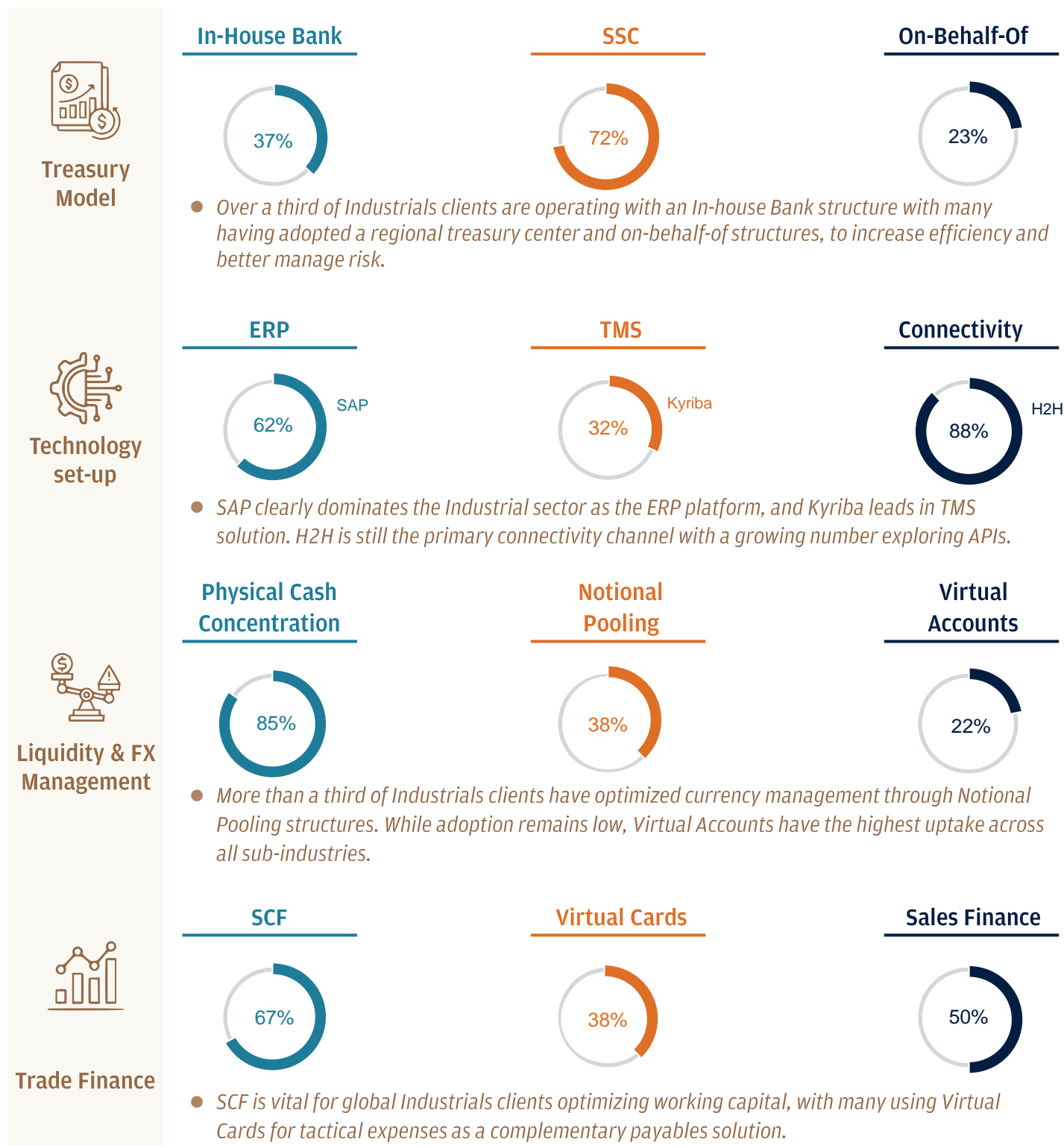
# Diversified Industries Treasury Analysis

## Sub-Industry Results



## Sub-Industry: Industrials

### ASSESSING YOUR TREASURY SET-UP & PROCESSES WITH KEY INDICATORS ACROSS J.P. MORGAN'S DI CLIENTS

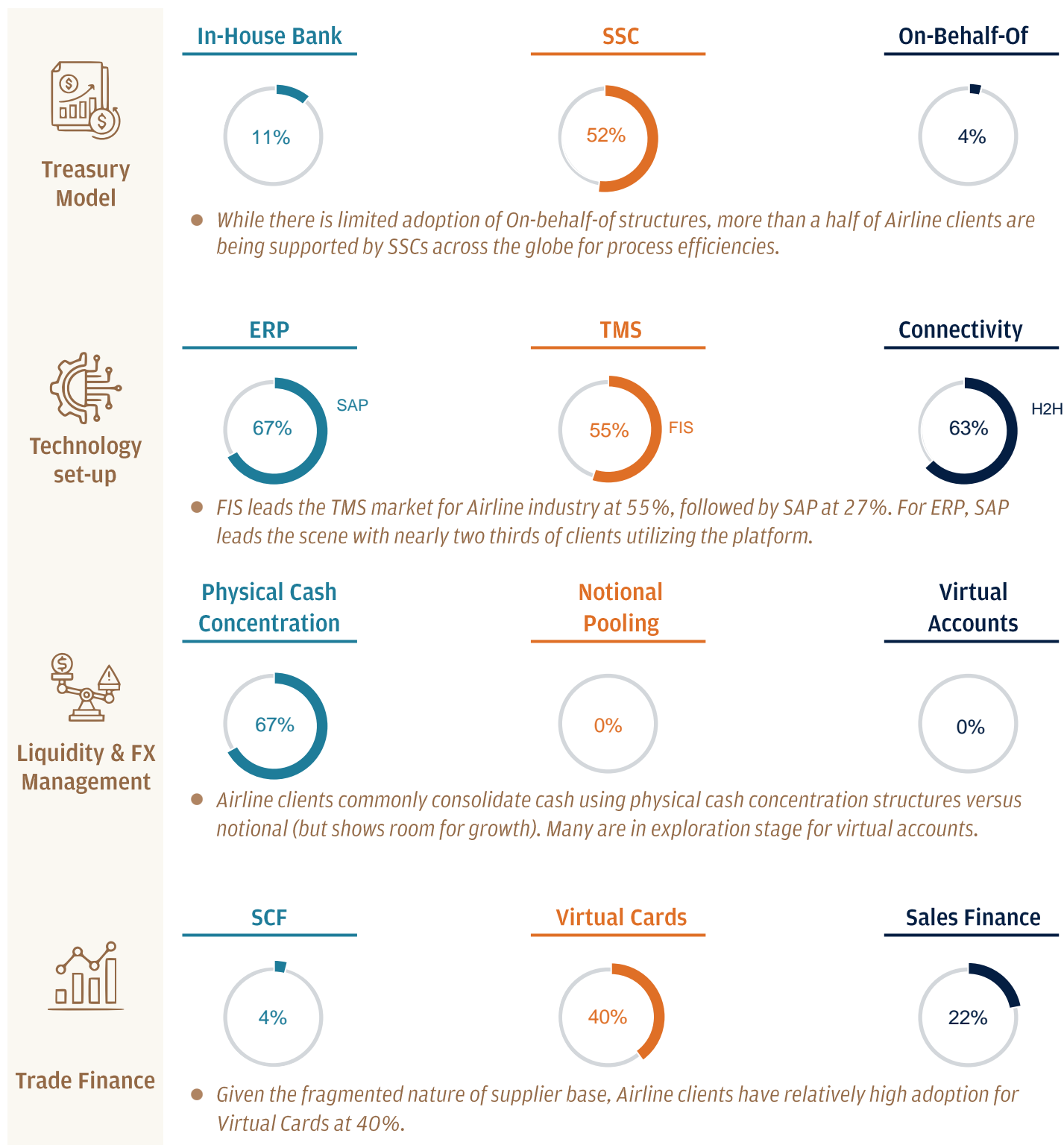


Source: All statistical information is based on JP Morgan's internal data analysis; All percentages are calculated against the # of available data points  
 SSC: Shared Service Center, ERP: Enterprise Resource Planning, TMS: Treasury Management Systems, SCF: Supply Chain Finance



## Sub-Industry: Airline

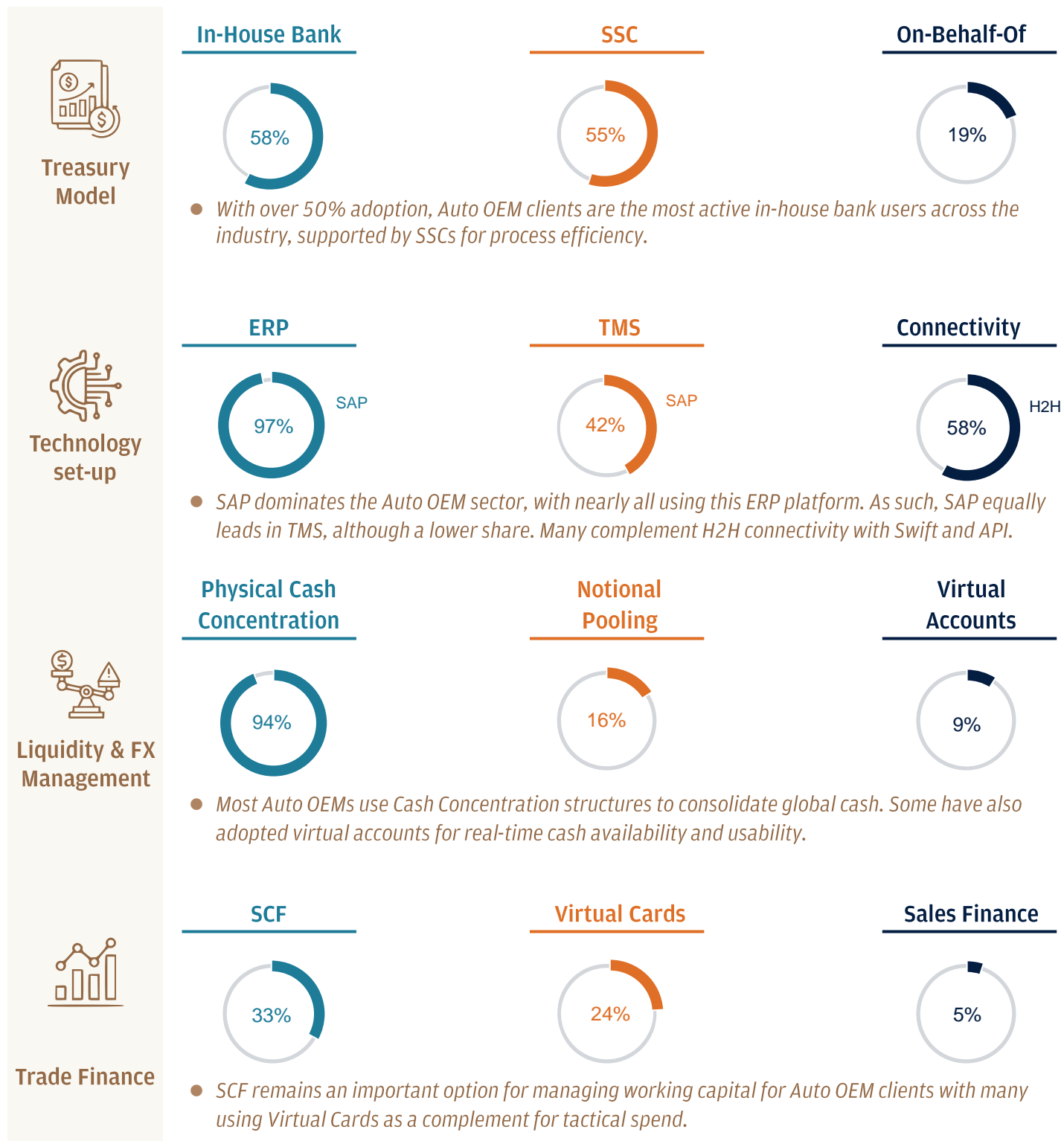
### ASSESSING YOUR TREASURY SET-UP & PROCESSES WITH KEY INDICATORS ACROSS J.P. MORGAN'S DI CLIENTS



Source: All statistical information is based on JP Morgan's internal data analysis; All percentages are calculated against the # of available data points  
 SSC: Shared Service Center, ERP: Enterprise Resource Planning, TMS: Treasury Management Systems, SCF: Supply Chain Finance

## Sub-Industry: Auto OEM

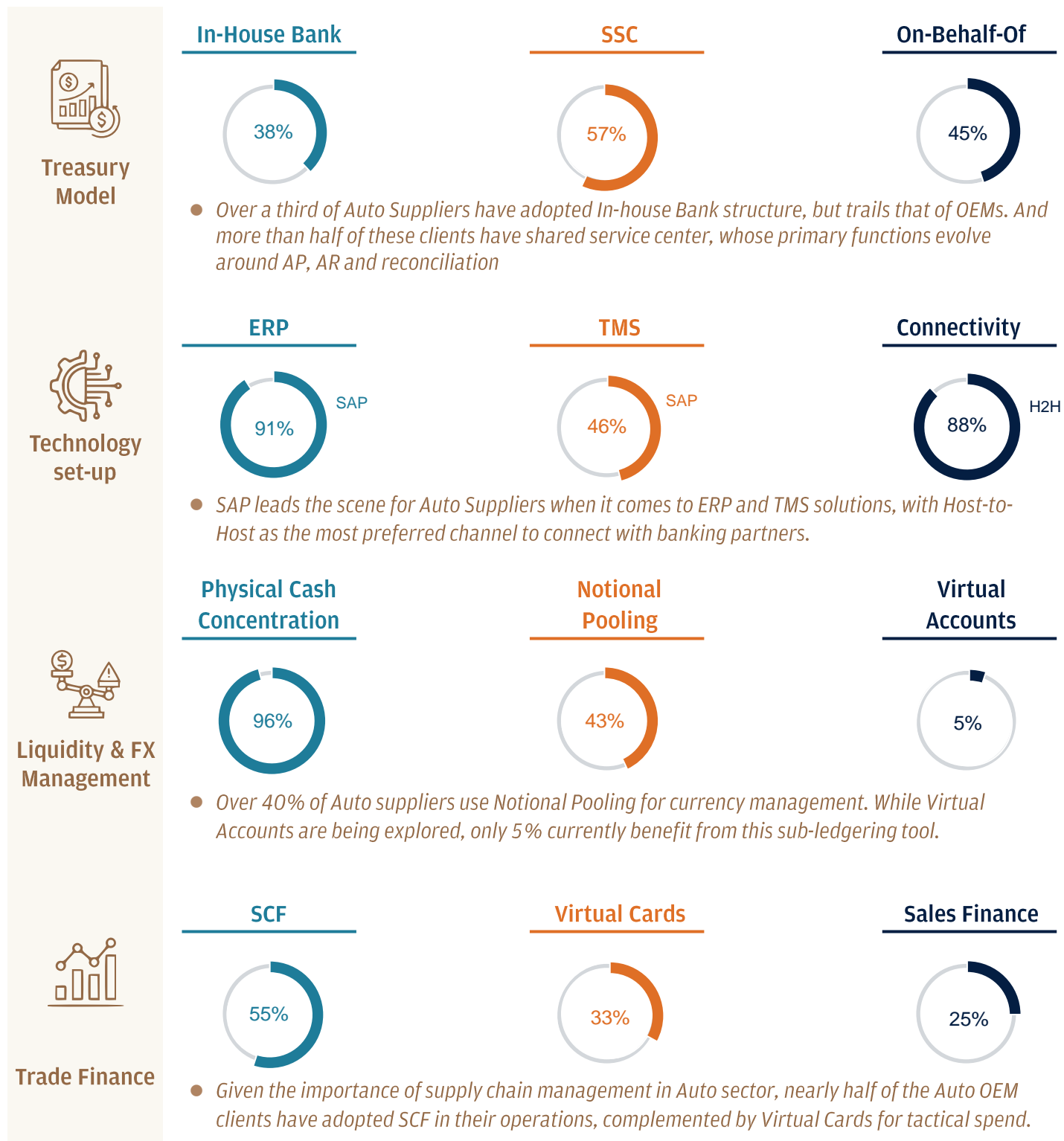
### ASSESSING YOUR TREASURY SET-UP & PROCESSES WITH KEY INDICATORS ACROSS J.P. MORGAN'S DI CLIENTS



Source: All statistical information is based on JP Morgan's internal data analysis; All percentages are calculated against the # of available data points  
 SSC: Shared Service Center, ERP: Enterprise Resource Planning, TMS: Treasury Management Systems, SCF: Supply Chain Finance

## Sub-Industry: Auto Suppliers

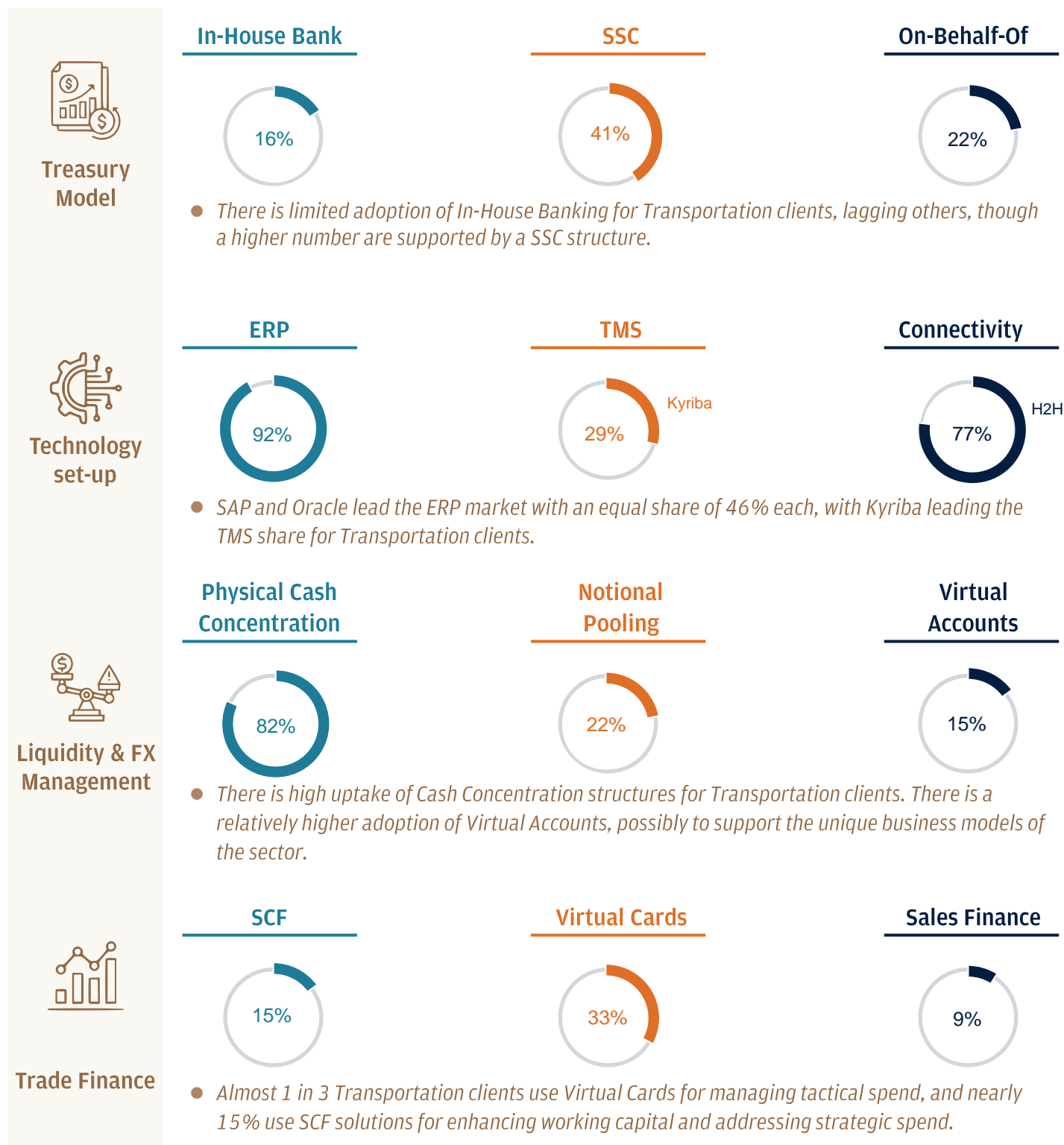
### ASSESSING YOUR TREASURY SET-UP & PROCESSES WITH KEY INDICATORS ACROSS J.P. MORGAN'S DI CLIENTS



Source: All statistical information is based on JP Morgan's internal data analysis; All percentages are calculated against the # of available data points  
 SSC: Shared Service Center, ERP: Enterprise Resource Planning, TMS: Treasury Management Systems, SCF: Supply Chain Finance

## Sub-Industry: Transportation

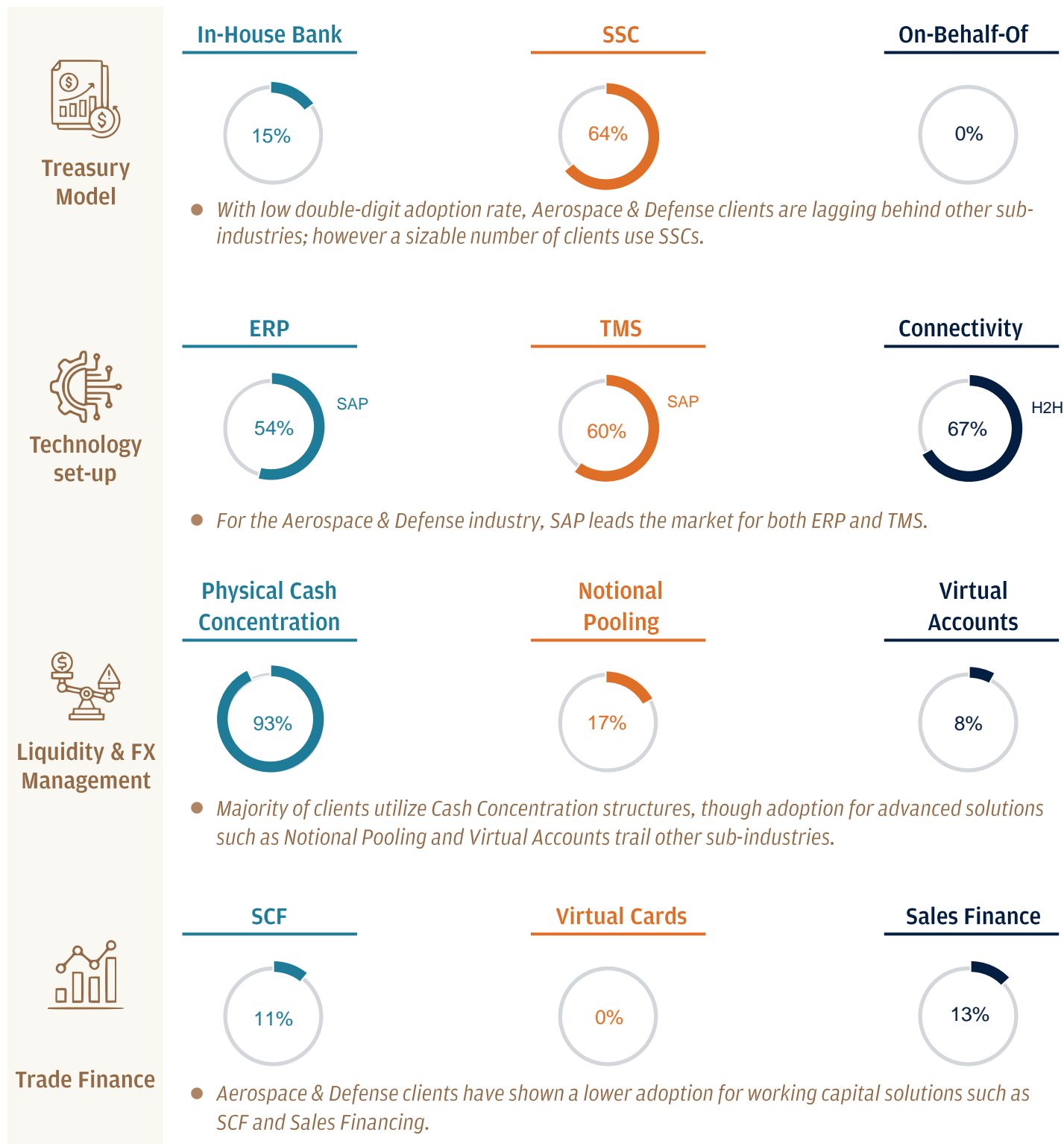
### ASSESSING YOUR TREASURY SET-UP & PROCESSES WITH KEY INDICATORS ACROSS J.P. MORGAN'S DI CLIENTS



Source: All statistical information is based on JP Morgan's internal data analysis; All percentages are calculated against the # of available data points  
 SSC: Shared Service Center, ERP: Enterprise Resource Planning, TMS: Treasury Management Systems, SCF: Supply Chain Finance

## Sub-Industry: Aerospace & Defense

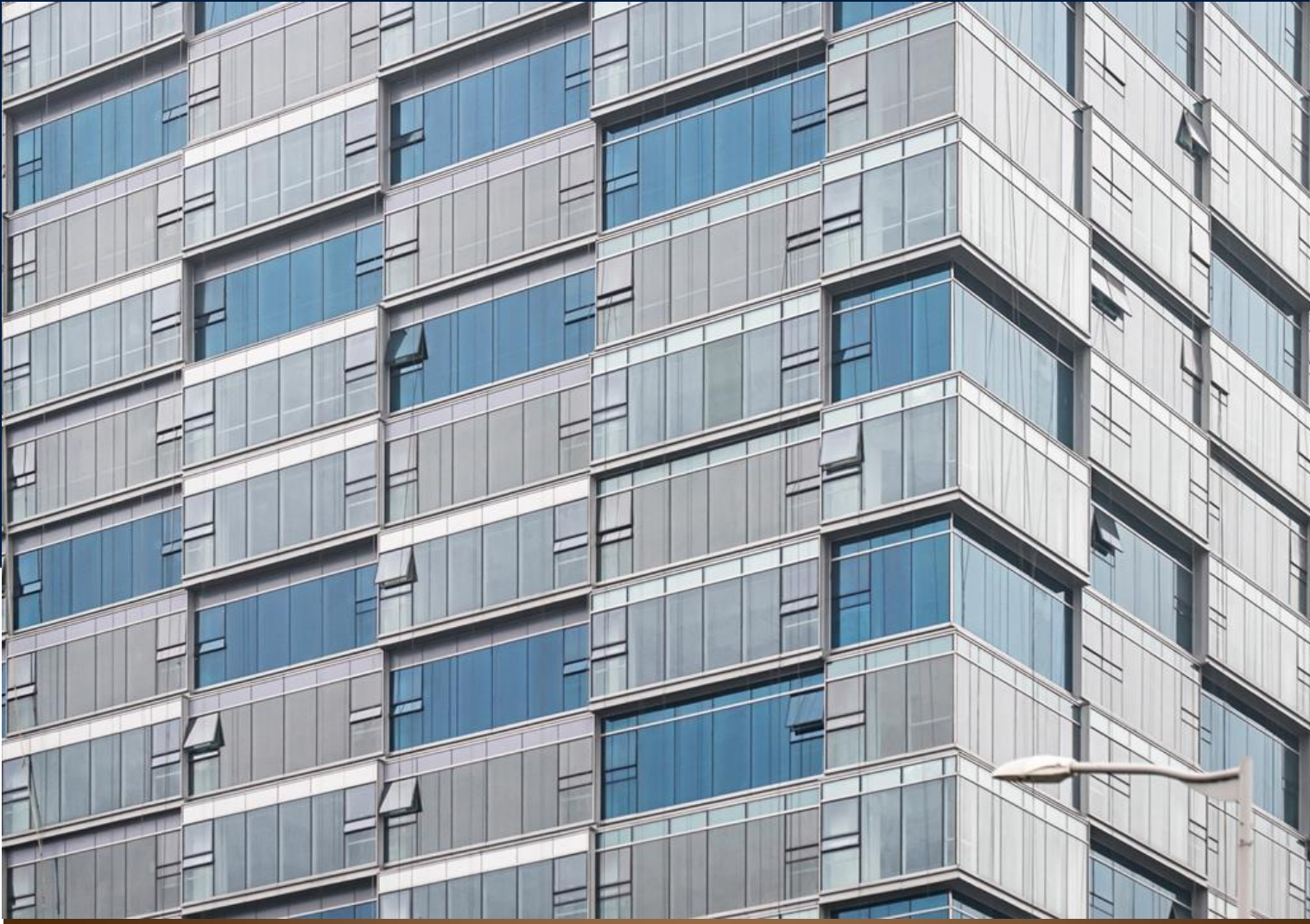
### ASSESSING YOUR TREASURY SET-UP & PROCESSES WITH KEY INDICATORS ACROSS J.P. MORGAN'S DI CLIENTS



Source: All statistical information is based on JP Morgan's internal data analysis; All percentages are calculated against the # of available data points  
 SSC: Shared Service Center, ERP: Enterprise Resource Planning, TMS: Treasury Management Systems, SCF: Supply Chain Finance

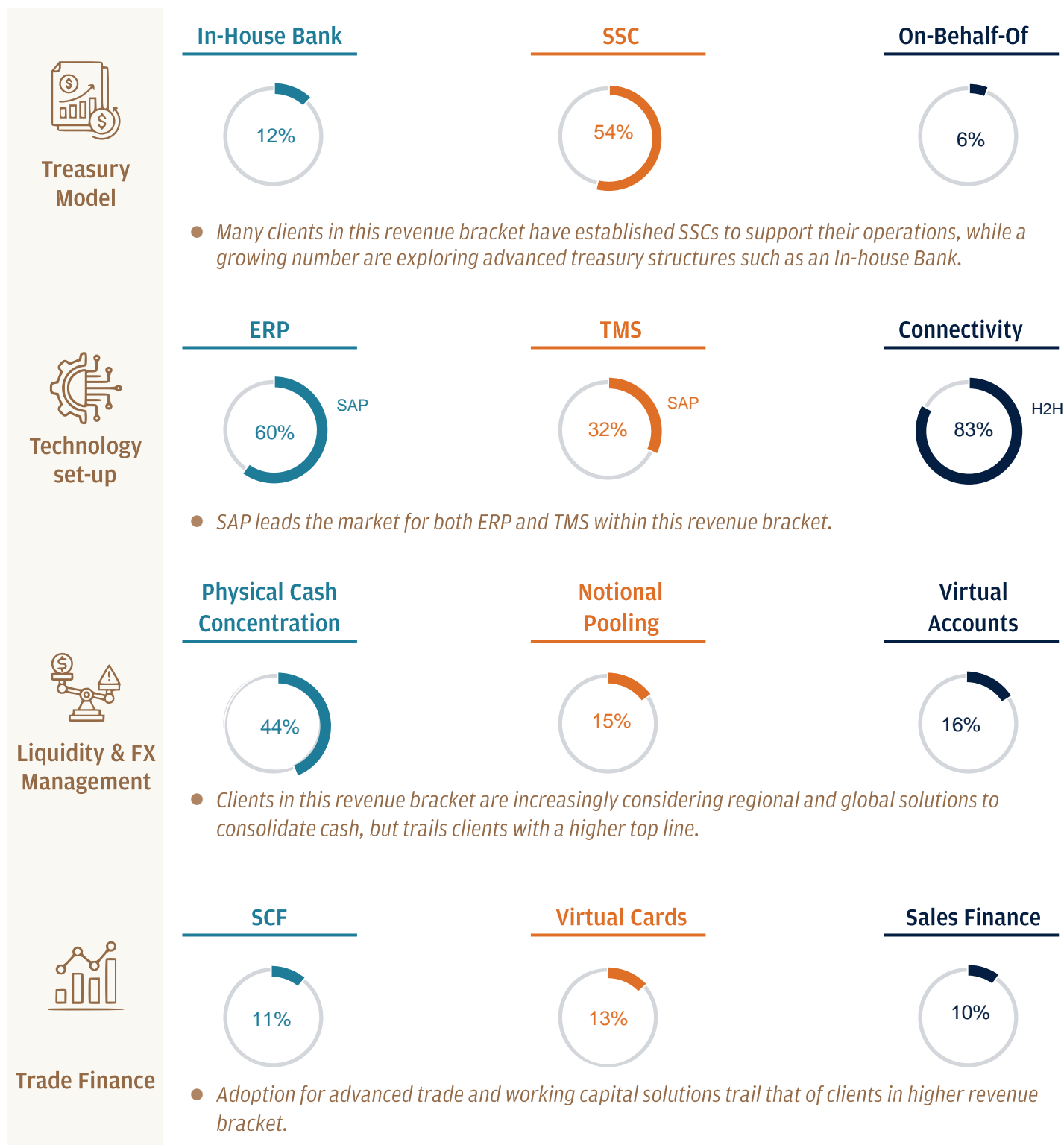
J.P.Morgan

# Diversified Industries Treasury Analysis Revenue Results



# Revenue Results: Less than USD 10bn

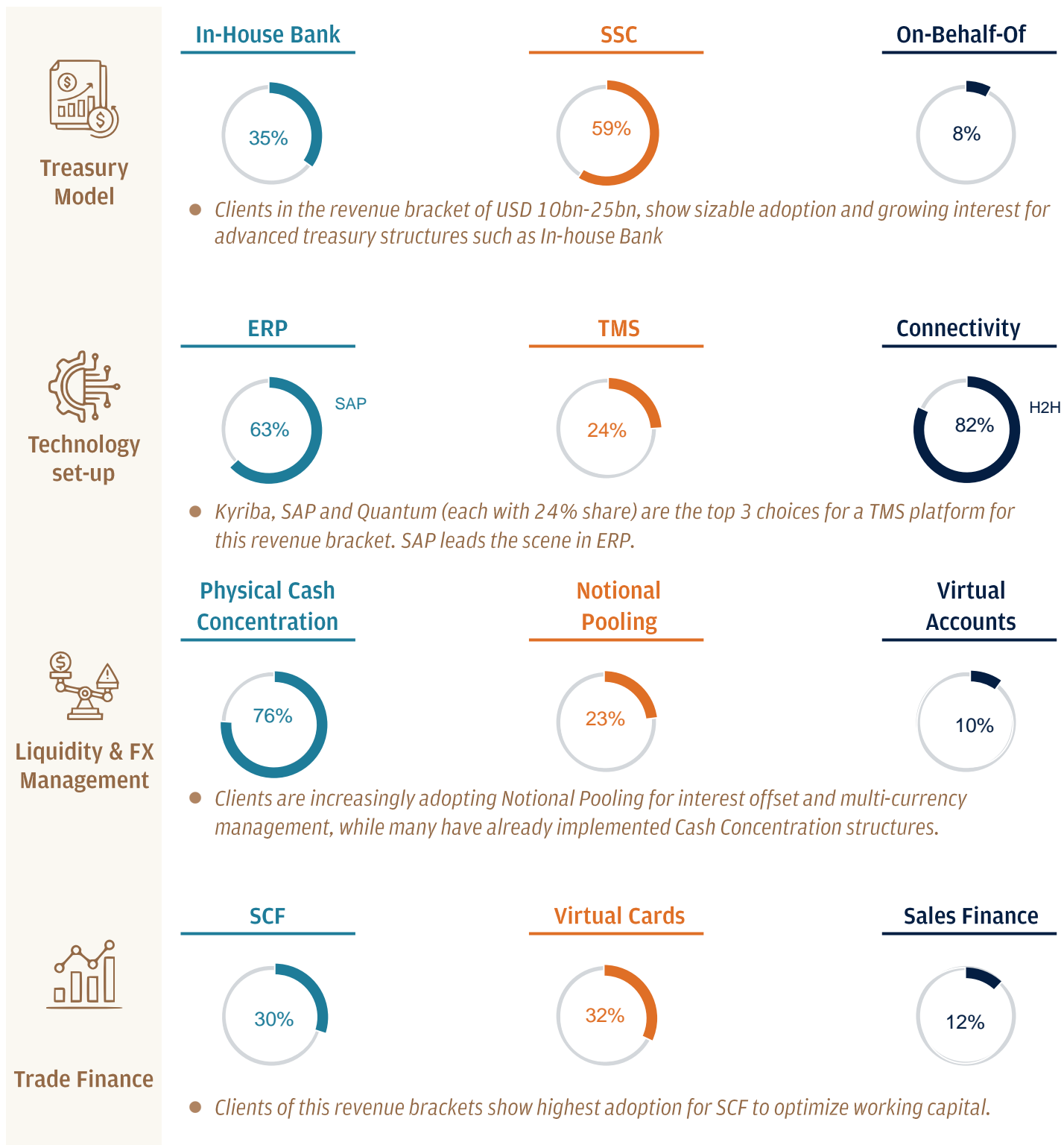
## ASSESSING YOUR TREASURY SET-UP & PROCESSES WITH KEY INDICATORS ACROSS J.P. MORGAN'S DI CLIENTS



Source: All statistical information is based on JP Morgan's internal data analysis; All percentages are calculated against the # of available data points  
 SSC: Shared Service Center, ERP: Enterprise Resource Planning, TMS: Treasury Management Systems, SCF: Supply Chain Finance

# Revenue Results: Between USD 10bn and USD 25bn

## ASSESSING YOUR TREASURY SET-UP & PROCESSES WITH KEY INDICATORS ACROSS J.P. MORGAN'S DI CLIENTS

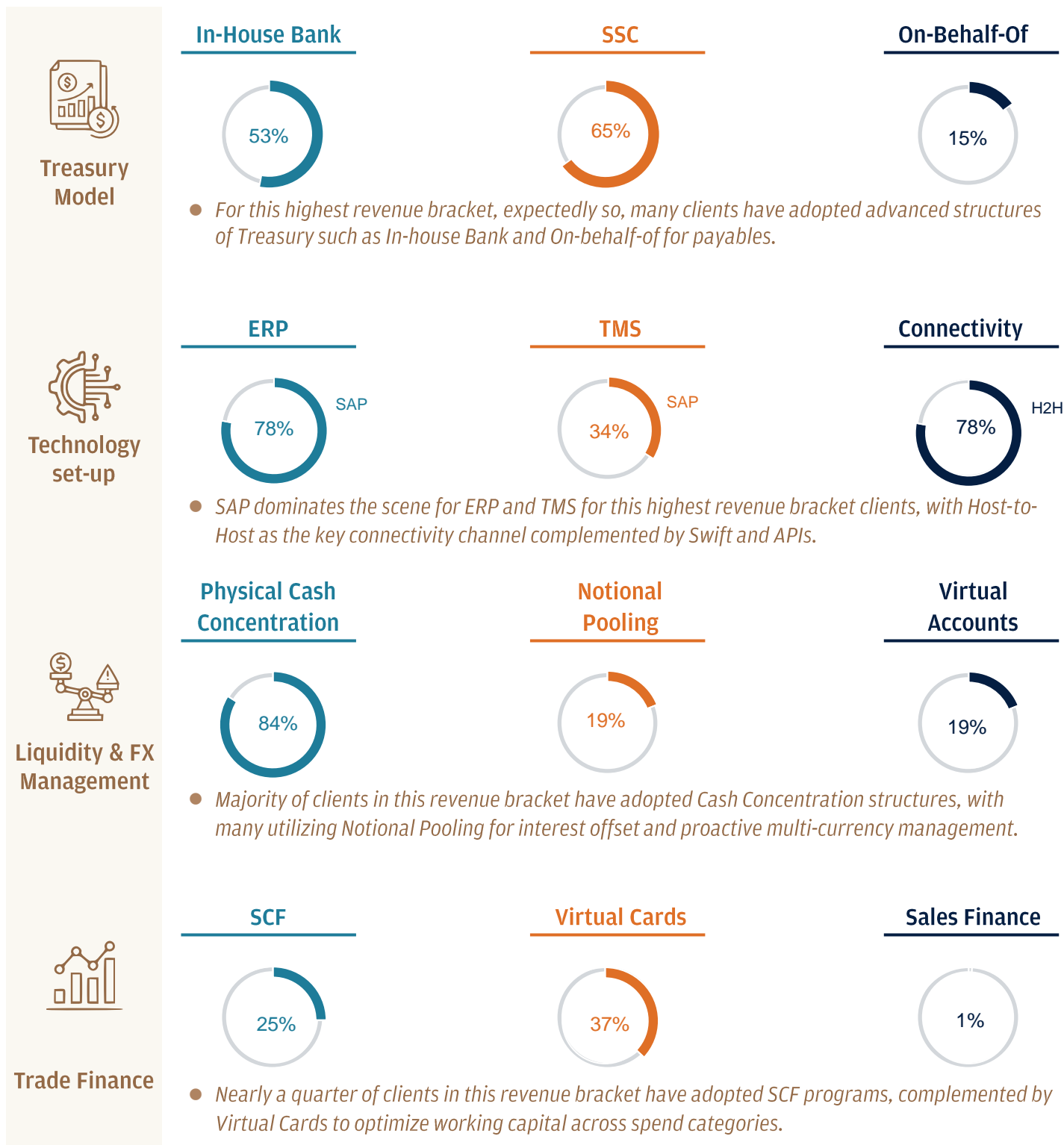


Source: All statistical information is based on JP Morgan's internal data analysis; All percentages are calculated against the # of available data points  
 SSC: Shared Service Center, ERP: Enterprise Resource Planning, TMS: Treasury Management Systems, SCF: Supply Chain Finance



# Revenue Results: Greater than USD 25bn

## ASSESSING YOUR TREASURY SET-UP & PROCESSES WITH KEY INDICATORS ACROSS J.P. MORGAN'S DI CLIENTS



Source: All statistical information is based on JP Morgan's internal data analysis; All percentages are calculated against the # of available data points  
 SSC: Shared Service Center, ERP: Enterprise Resource Planning, TMS: Treasury Management Systems, SCF: Supply Chain Finance

## Glossary

**Connectivity** - primarily required for Corporates to initiate payments and collect reporting from their Banks. Typically performed via Host-to-Host, SWIFT or API.

**Enterprise Resource Planning** - a comprehensive software system that organizations use to manage various essential parts of their business, with each department using a system optimized for specific tasks.

**In-House Bank** - an internal banking system that operates within a Corporate to manage the cash flow within the group efficiently and enhance processes for subsidiaries, improving efficiency & cost across the organization.

**Notional Pooling** - a tool that offsets debit balances against credit balances in one or multiple currencies to minimize currency management and maximize yield opportunities.

**On-Behalf-Of** - a set-up whereby a central Corporate entity (typically the In-House Bank) processes a Payment or Collection on behalf of a subsidiary, regulation allowing.

**Physical Cash Concentration** - a liquidity management technique that involves consolidating cash from various accounts into a single header account to improve cash visibility, control and yield.

**Sales Finance** - an alternative source of liquidity provided by a Bank through purchase of Corporate receivables.

**Shared Service Center** - a specialized organizational entity within a Corporate providing support for various functions including AP, AR, accounting, HR, payroll, IT, compliance, purchasing and security.

**Supply Chain Finance** - a set of solutions to optimize cash flow by allowing businesses to lengthen their payment terms to suppliers while allowing them to collect earlier.

**Treasury Management System** - a software application which automates a Corporate's financial operations, helping with day-to-day activities such as cash flow, assets and investments.

**Virtual Accounts** - a series of sub-accounts linked to a single header account, providing Corporates with improved availability and usability of cash while enhancing visibility and control.

**Virtual Card** - business to business payments solution enabling companies to create & manage unique virtual card numbers to facilitate payments to suppliers.

Note: All information is based on J.P. Morgan proprietary client data.

LEARN MORE AT JPMORGAN.COM

This material was prepared exclusively for the benefit and internal use of the JPMorgan client to whom it is directly addressed (including such client's subsidiaries, the "Company") in order to assist the Company in evaluating a possible transaction(s) and does not carry any right of disclosure to any other party. In preparing this material, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources or which was provided to us by or on behalf of the Company or which was otherwise reviewed by us. This material is for discussion purposes only and is incomplete without reference to the other briefings provided by JPMorgan. Neither this material nor any of its contents may be disclosed or used for any other purpose without the prior written consent of JPMorgan.

J.P. Morgan, JPMorgan, JPMorgan Chase, Chase, Chase Merchant Services, and Chase Payment Solutions are marketing names for certain businesses of JPMorgan Chase & Co. and its subsidiaries worldwide (collectively, "JPMC"). Products or services may be marketed and/or provided by commercial banks such as JPMorgan Chase Bank, N.A., securities or other non-banking affiliates or other JPMC entities. JPMC contact persons may be employees or officers of any of the foregoing entities and the terms "J.P. Morgan", "JPMorgan", "JPMorgan Chase", "Chase", "Chase Merchant Services" and "Chase Payment Solutions" if and as used herein include as applicable all such employees or officers and/or entities irrespective of marketing name(s) used. Nothing in this material is a solicitation by JPMC of any product or service which would be unlawful under applicable laws or regulations.

Investments or strategies discussed herein may not be suitable for all investors. Neither JPMorgan nor any of its directors, officers, employees or agents shall incur in any responsibility or liability whatsoever to the Company or any other party with respect to the contents of any matters referred herein, or discussed as a result of, this material. This material is not intended to provide, and should not be relied on for, accounting, legal or tax advice or investment recommendations. Please consult your own tax, legal, accounting or investment advisor concerning such matters.

Not all products and services are available in all geographic areas. Eligibility for particular products and services is subject to final determination by JPMC and or its affiliates. This material does not constitute a commitment by any JPMC entity to extend or arrange credit or to provide any other products or services and JPMorgan reserves the right to withdraw at any time. All products and services are subject to applicable laws, regulations, and applicable approvals and notifications. The Company should examine the specific restrictions and limitations under the laws of its own jurisdiction that may be applicable to the Company due to its nature or to the products and services referred herein.

Any mentions of third-party trademarks, brand names, products and services are for referential purposes only and any mention thereof is not meant to imply any sponsorship, endorsement, or affiliation.

Notwithstanding anything to the contrary, the statements in this material are not intended to be legally binding. Any products, services, terms or other matters described herein (other than in respect of confidentiality) are subject to, and superseded by, the terms of separate legally binding documentation and/or are subject to change without notice.

Changes to Interbank Offered Rates (IBORs) and other benchmark rates: Certain interest rate benchmarks are, or may in the future become, subject to ongoing international, national and other regulatory guidance, reform and proposals for reform. For more information, please consult: [https://www.jpmorgan.com/global/disclosures/interbank\\_offered\\_rates](https://www.jpmorgan.com/global/disclosures/interbank_offered_rates).

JPMorgan Chase Bank, N.A. Member FDIC. Deposits held in non-U.S. branches are not FDIC insured. Non-deposit products are not FDIC insured.

JPMorgan Chase Bank, N.A., organized under the laws of U.S.A. with limited liability.

© 2024 JPMorgan Chase & Co. All Rights Reserved.