

MELBOURNE | FRIDAY 29TH MAY 2015



The *Essential* **Treasurer**

WELCOME

David Michell CFTP (Snr)

CEO

Finance and Treasury Association

THANK YOU TO OUR
EVENT PARTNER





FTA

U P D A T E

LATEST INSIGHTS IN FINANCE & TREASURY

Welcome to our New FTA Members

- **Laurel Dayman** CFTP, Senior Treasury Dealer, INCITEC PIVOT LTD
- **Mark Connell** CFTP, Group Treasurer and Investor Relations Manager, EBOS GROUP LTD



FTA

E V E N T S

PROFESSIONAL DEVELOPMENT - NETWORKING

Upcoming Events – June/July/August

- Financial Reporting Update for Treasurers – June
- Chapter luncheons
- Webinar – Reporting to the Board
- Fundamentals in Treasury Operations Conference
- Webinar – Anti-Money Laundering
- Supply Chain Finance – What it looks like now

Enterprise risk update – Fraud, Bribery and Corruption

FTA Essential Treasurer

29 May 2015



Building a better
working world

Agenda

- ▶ Treasury through the Enterprise Risk lens
- ▶ Focus 1 : Fraud
 - ▶ What are some examples of fraud
 - ▶ What are EY being asked in the context of Corporate Treasuries
 - ▶ What are some of the findings
- ▶ Focus 2 : Corruption
 - ▶ What are some relevant examples of corruption
 - ▶ What are some of the findings
- ▶ Summary of Issues

Introduction

- ▶ What is the Enterprise Risk Lens
 - ▶ Viewing risk holistically
 - ▶ Including compliance as a risk
 - ▶ Quantifying the risk of compliance

- ▶ Why discuss fraud, bribery & corruption
 - ▶ Increasing in complexity
 - ▶ Technology is making it easier to carry out (and easier to detect)
 - ▶ Increasing focus (larger penalties)

- ▶ Why is it relevant to treasury

Enterprise Risk Lens

The journey to best-in-class risk management

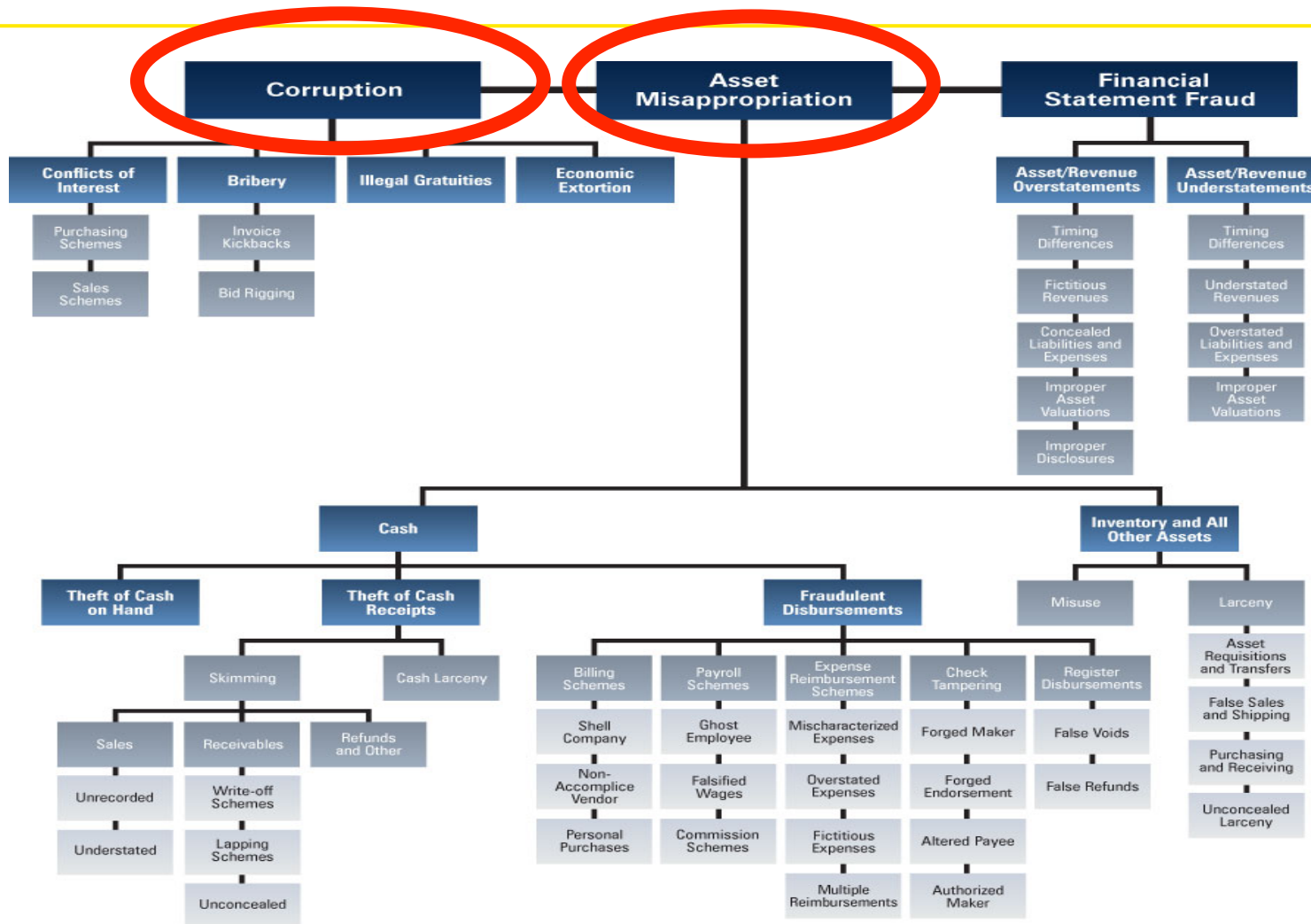
	Back office	Front office	Treasur
	Risk management as control function	Risk management as provider of value-added insights into the business	Risk management as partner with business in better decision-making
Value added by risk function	Limited: Focus on ex-post controls and compliance; check-the-box functionality	Medium: Provides static inputs to the business and is consulted on ad hoc basis for yes-no inputs	High: Management makes informed decisions based on understanding of risk-return implications and potential trade-offs
Capabilities required	Typically basic (e.g., risk limits and policies, escalation mechanisms, reporting on limit breaches) Focused on accounting and statutory metrics	Ability to understand corporate strategy and “speak” business language; basic stochastic modeling; economic capital, stress-testing Metrics are forward-looking (e.g., EaR, CaR) Provides insight and foresight into risk exposures	Comprehensive economic capital models to drive business decisions Advanced risk analytics (Solvency II’s “Pillars 1, 2, 3”) linked to key business processes

Source: McKinsey Insurance Practise

Fraud



Types of fraud



Source: Association of Certified Fraud Examiners, 2012 Global Fraud Study

Fraud – Recent Local Examples

▶ Clive Peters – Accounting / ETF (\$20m)

"I knew her as well as any other manager, but there was no outward sign that would give you an indication that she was the type of person that would do this. Certainly no ostentatious lifestyle to support [suspicions]."

▶ Flinders University – Cashier (\$27m)

"When one of the people whose home he financed asked where the money was coming from, he told them, 'the bank of Christopher Fuss'," he said

▶ ING – Accounting (\$43m)

"My manager is so slack, he didn't care, so I was sort of doing it to see when I would get caught [but] you know, he just left it open for me."

Are you confident that this couldn't happen?

Fraud – And a few global treasury examples

- ▶ City of Stockholm (\$150m in today's money)
 - ▶ Three treasury staff involved
 - ▶ Unauthorised trading

- ▶ Japanese Food Distributor (\$43m in today's money)
 - ▶ Embezzlement by treasury staffer to cover failed personal trading
 - ▶ Borrowed money from banks in the company's name

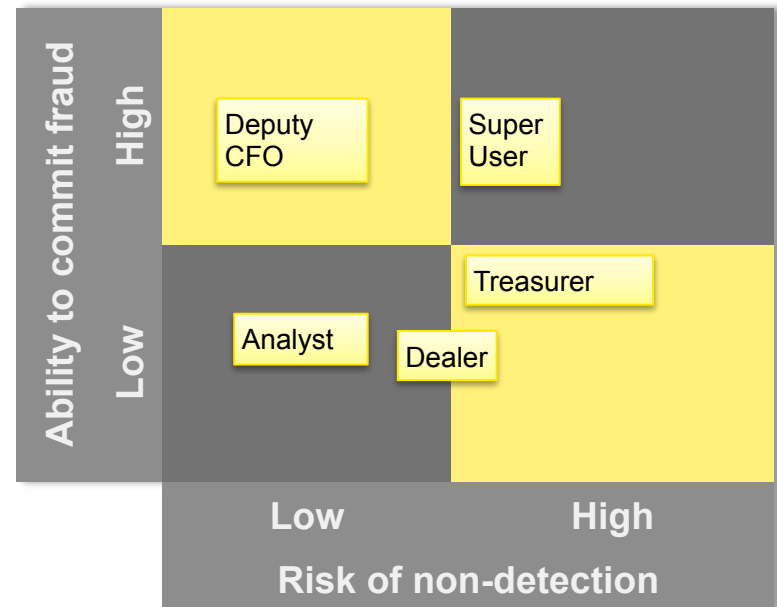
Could your controls protect against these activities?

Fraud – what are we being asked to do?

- ▶ Senior Management are seeking us out to focus on fraud
- ▶ Electronic payment systems
 - ▶ Payroll payments
 - ▶ Supplier and Third Party payments
 - ▶ New implementations
- ▶ Treasury systems
 - ▶ Segregation of duties
 - ▶ System ownership/management
- ▶ Banking interfaces
 - ▶ Online banking & trading
- ▶ Risk Management oversight and monitoring

Fraud – What are some of our findings?

▶ Example Risk Profile:



- ▶ Collusion is often required between 2 or more staff
- ▶ Senior members can influence staff of lesser seniority
- ▶ Changes in roles often do not result in changes in authorisations

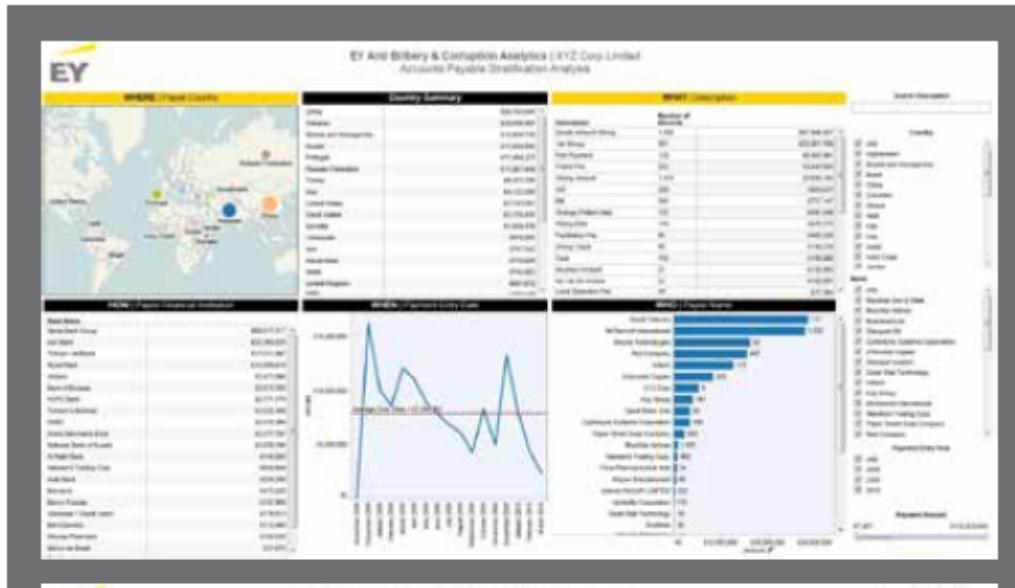
Fraud – What are some of our findings? (2)

- ▶ Middle or Back Office staff with System Administrator roles and/or ability to modify bank file submissions
- ▶ Disaster Recovery System may have different user profiles enabling single individual to perform dual roles
- ▶ Lack of monitoring of System Administrator activities

We are finding control weaknesses around external online systems (e.g. online banking)

Fraud – What are some of our findings? (3)

- ▶ Fraud analytics is becoming more mainstream
- ▶ Analytics suit regional treasury models



Fraud - Impact of internal controls

Figure 37: Median Loss Based on Presence of Anti-Fraud Controls

Control	Percent of Cases	Control in Place	Control Not in Place	Percent Reduction
Proactive Data Monitoring/Analysis	34.8%	\$73,000	\$181,000	59.7%
Employee Support Programs	52.4%	\$90,000	\$200,000	55.0%
Management Review	62.6%	\$100,000	\$208,000	51.9%
Code of Conduct	77.4%	\$100,000	\$200,000	50.0%
Internal Audit Department	70.6%	\$100,000	\$180,000	44.4%
Formal Fraud Risk Assessments	33.5%	\$94,000	\$168,000	44.0%
Surprise Audits	33.2%	\$93,000	\$164,000	43.3%
External Audit of ICOFR	65.2%	\$103,000	\$180,000	42.8%
Fraud Training for Managers/Executives	47.8%	\$100,000	\$168,000	40.5%
Hotline	54.1%	\$100,000	\$168,000	40.5%
Dedicated Fraud Department, Function or Team	38.6%	\$100,000	\$164,000	39.0%
Fraud Training for Employees	47.8%	\$100,000	\$164,000	39.0%
Anti-Fraud Policy	45.4%	\$100,000	\$155,000	35.5%
Management Certification of F/S	70.0%	\$120,000	\$184,000	34.8%
Job Rotation/Mandatory Vacation	19.9%	\$100,000	\$150,000	33.3%
External Audit of F/S	81.4%	\$125,000	\$186,000	32.8%
Rewards for Whistleblowers	10.5%	\$100,000	\$135,000	25.9%
Independent Audit Committee	62.0%	\$120,000	\$150,000	20.0%

[Source: Association of Certified Fraud Examiners, *2014 Global Fraud Study*]

Corruption



Corruption – What is it?

- ▶ Bribery
- ▶ Conflicts of Interest
- ▶ Economic Extortion

- ▶ And Collusion...

Libor Rate Rigging

- ▶ Manipulation of market prices in the interest rate market
- ▶ Effected the rates on swaps and cost corporate and governments money
- ▶ It took years to be noticed
- ▶ Arguably a result of using publishing a rate not live markets

It was facilitated by modern technology

FX Rate Rigging

► Manipulation of market prices in FX Markets



FX Rate Rigging

- ▶ Effected the rates on FX transactions
- ▶ But this time performed on live markets

- ▶ So the message is corruption and collusion can be found anywhere

It was facilitated by modern technology too

Corruption – what are we being asked to do?

- ▶ Analytics and forensic analysis
 - ▶ Analytics are capable of searching across multiple sources (chat, email etc)
 - ▶ Analytics are able to identify the relationships between individuals that represent a higher risk (social media)
 - ▶ Combining expert knowledge and analytics is key
- ▶ Support of more regulatory oversight
- ▶ A focus on the end to end control framework

Corruption – What are some of our learnings?

- ▶ **Collusion is common, especially in industries where staff have many strong relationships**
- ▶ Managers need to be aware of relationships
- ▶ Managers need to consider behaviours outside of work hours (e.g. social media)

- ▶ **Technology has made colluding easy**
- ▶ Controls over technology usage are critical

- ▶ **Parties may not realise that their behaviour is collusion**
- ▶ A risk and control framework can reduce the opportunity
- ▶ Culture is always important

Final thoughts

- ▶ Large scale frauds and collusion are being enabled by technology
 - ▶ Online services
 - ▶ Cloud / Outsourced treasury systems
 - ▶ Messaging
- ▶ Segregation of duties may not be effective where staff can be influenced
- ▶ Treasury is not immune to these risks

- ▶ Analytics enable detection
- ▶ Well controlled end to end processes enable prevention

Final thoughts

Ethics change with technology.
–Larry Niven

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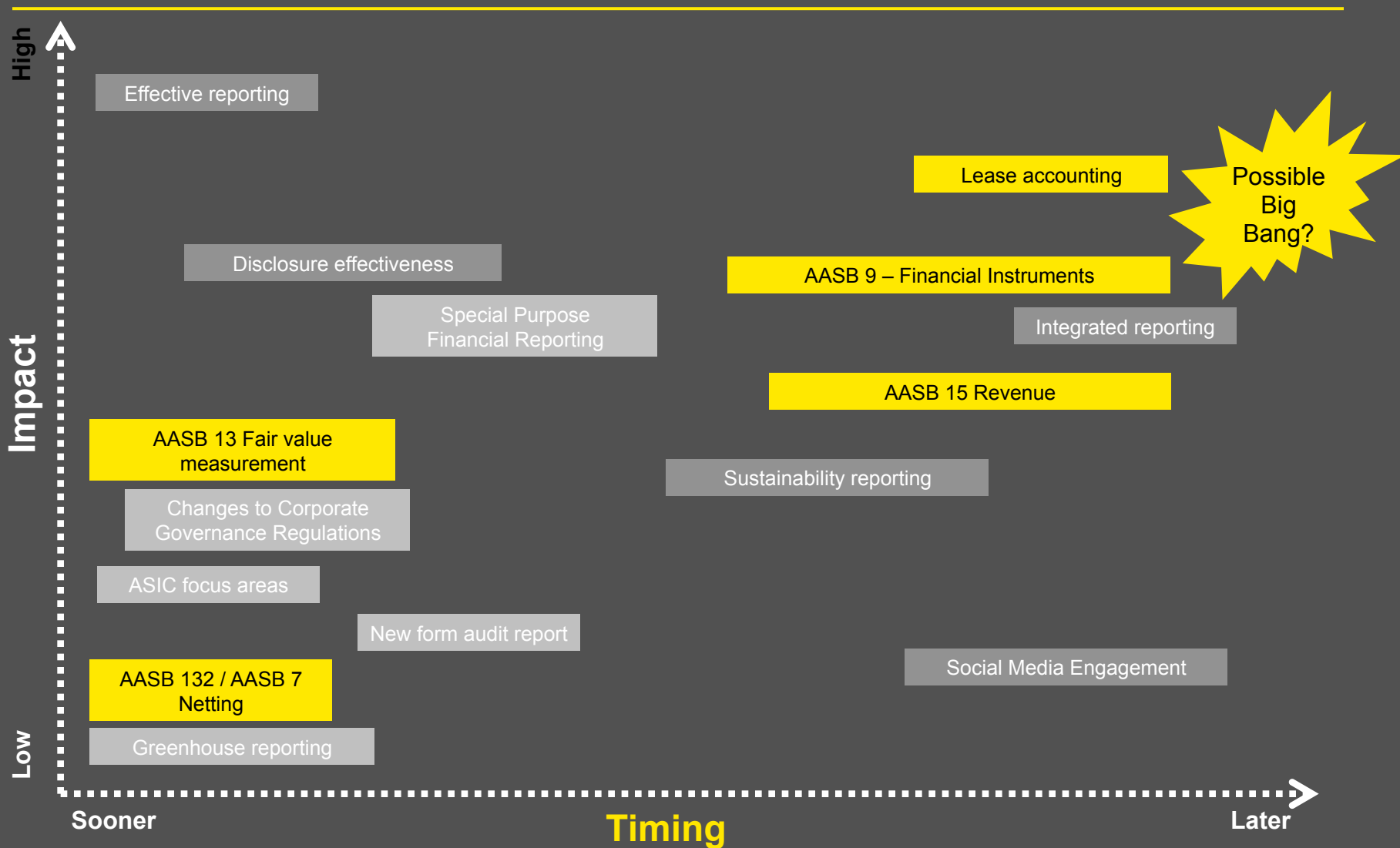
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Accounting Updates

FTA Essential Treasurer Event
Hayley Watson, Financial Accounting and
Advisory

29 May 2015

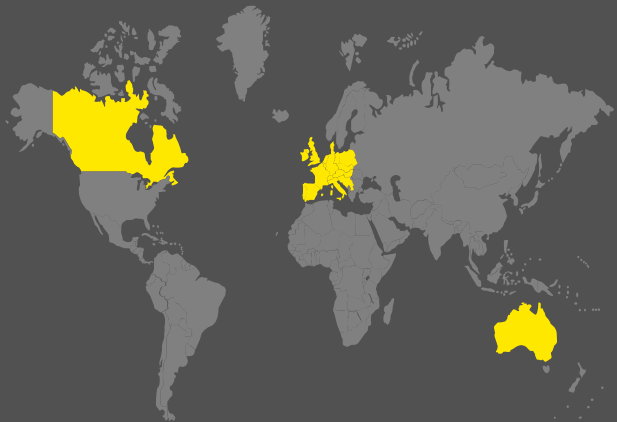
Financial reporting roadmap



Keeping up with recent accounting changes

Netting disclosure changes need work

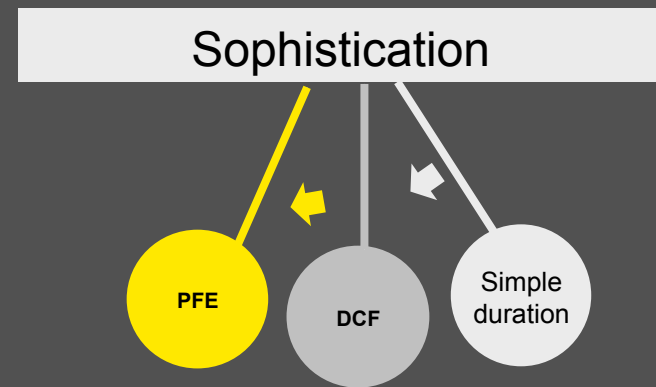
80% of organizations prepared qualitative netting disclosure supplemented with minimum quantitative requirements



Consider legal position of each entity in Group when preparing netting disclosure (1 Jan 2014)

Examination of when 'legally enforceable' applies – limited balance sheet netting under IFRS

CVA/DVA Methodologies under AASB13



36% of parties say that they are looking at changes to their methodology to reflect technology / valuation developments

'XVA' terminology now used in Banks. Pricing increasingly reflecting other charges (funding, regulatory)

AASB 9: overview of 3 phases

Classification & Measurement



Most corporates have simple financial assets and liabilities limiting the impact of this phase



AASB 9-2014 introduced new fair value category through OCI for debt instruments

Hedge Accounting



Most relevant / significant impact for corporates, although certain sectors traditionally opted for a non-accounting hedging model

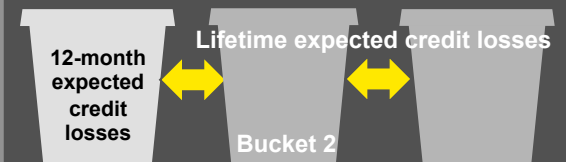


46% of Corporates performed; or performing assessment on benefits / timing of early adoption to take advantage of new hedging benefits

Impairment



Fundamental methodology change from incurred to expected loss model. Relevance to corporates will be driven by size of receivables book – Simplified approach will reduce burden



Δ Significant change in Credit

If the date of initial application is post **1 Feb 2015** Corporates are required to adopt all three phases of AASB 9.

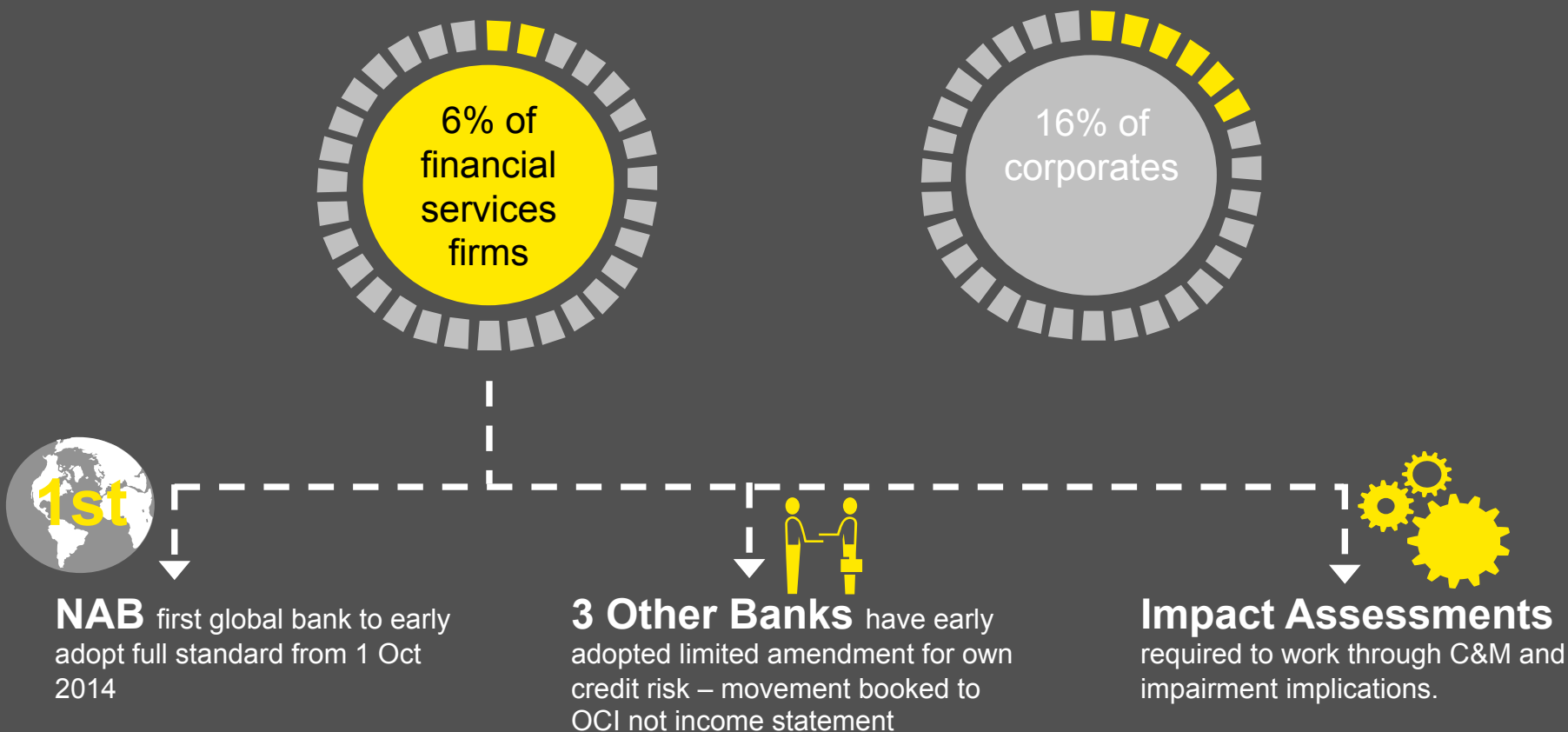
AASB 9: overview of 3 phases

	2009 2010	2011 2012	2013	2014 Q1	2014 Q2	Effective date
IFRS 9 (AASB 9)						
Classification and measurement	IFRS/ AASB	ED	R		IFRS/ AASB	2018
Impairment	ED	SD	ED		IFRS/ AASB	2018
Hedge accounting	ED	RD	IFRS/ AASB			2018
Accounting for macro hedging				DP		2020?
Other pronouncements						
Fair value measurements (<i>IFRS 13</i>)		IFRS				2013
Offsetting disclosures (<i>amendments to IFRS 7</i>)		IFRS				2013
Offsetting criteria (<i>amendments to IAS 32</i>)		IFRS				2014
Novation of derivatives and continuation of hedge accounting (<i>amendments to IAS 39 and IFRS 9</i>)			IFRS			2014
Note:	DP: Discussion paper	SD: Supplementary document R: Re-deliberations	ED: Exposure draft	RD: Review draft	IFRS: Final standard	

AASB 9: early adoption statistics

1. Early Adopters

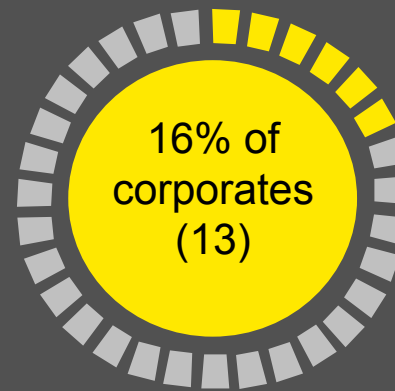
ASX 100 Analysis of early adopters (any version) as at 31 December 2014



AASB 9: early adoption statistics

1. Early Adopters

ASX 100 Analysis of early adopters (any version) as at 31 December 2014



Airlines, an advocate of hedging change unsurprisingly taking advantage of risk component hedging



Removing **Currency Basis and TVM** on options has been called out by several early adopters



Interest rate re-fixing of offshore debt in aggregate hedges has been referenced




Mix of **AASB 9 2010 and 2013** versions adopted. Only 1 corporate adopted AASB 9 (2014) with impairment

AASB 9: opportunities scorecard

Classification & Measurement



1. Out of the money equity investments through FVOCI


- 
1. Hybrid instruments at FVTPL in entirety
 2. Establish process for business model test



Hedge Accounting




1. Hedging Risk Components
2. Less volatility with option hedging
3. Removes ineffectiveness associated with forward points and currency basis
4. Aggregated exposures as hedged item
5. Elimination of the 80-125% effectiveness test
6. No retrospective effectiveness testing
7. FVO for own use contracts
8. Net positions/ layers

- 
1. Disclosures
 2. How to use macro CFH
 3. No voluntary dedesignation

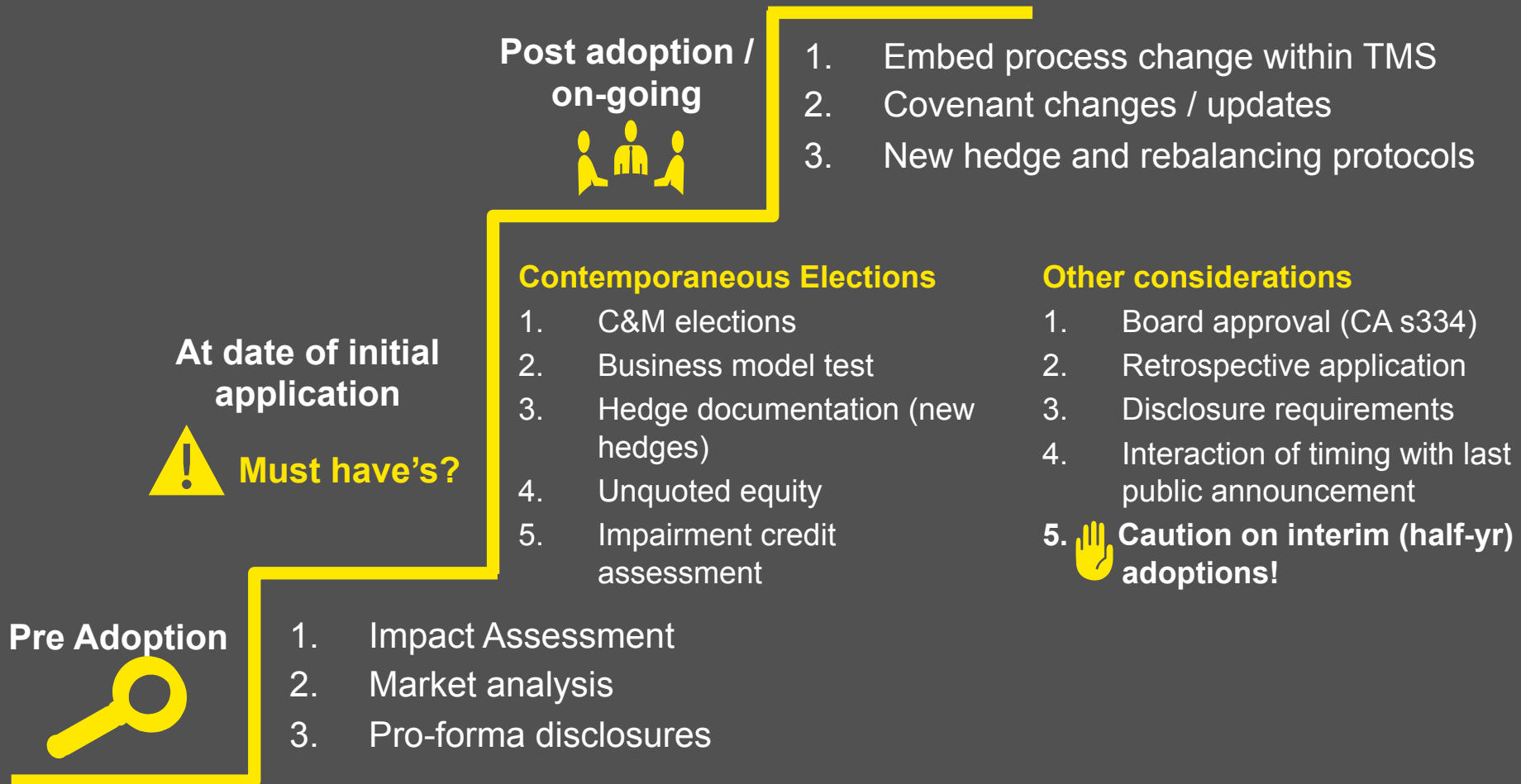
Impairment



1. Opportunity to better reflect 'expected downturn' in certain sub-sectors (i.e. mining-services)
2. Any transitional increase in provisions on trade receivables taken to retained earnings
3. Potential to scope in AASB 15 items (Contract assets/ WIP)

- 
1. Increased complexity of modelling
 2. Increase in judgment / subjectivity – lack of comparability

AASB 9: early adoption stepping stones



Leases: Where are we now?



Both Boards remain committed to putting most leases on lessees' balance sheets



Lessees applying IFRS would have a single recognition and measurement model for all leases (with certain exemptions).

Lessors applying IFRS would classify leases using the principle in IAS 17; in essence, lessor accounting would not change



FASB v IASB

- ▶ IASB – single model (Type A), with exceptions (e.g. short-term or “small ticket” leases)
- ▶ FASB – retain a dual model (classification) approach

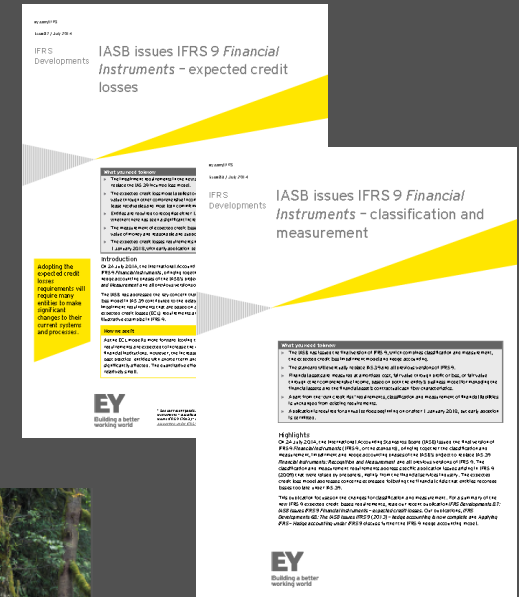
Thank you

Q&A

EY Resources

Thought leadership

- ▶ *Impairment of financial instruments under IFRS 9 (Dec 14)*
- ▶ *IFRS Developments, Issue 87: IASB issues IFRS 9 Financial Instrument – expected credit losses (July 2014)*
- ▶ *IFRS Developments, Issue 86: IASB issues IFRS 9 Financial Instrument – classification & measurement (July 2014)*
- ▶ *Applying IFRS: Hedge Accounting under IFRS 9 (Feb 14)*
- ▶ *Thought Center Webcast: Hedge Accounting for non-financial entities (Jan 14)*
- ▶ *Upcoming Applying IFRS publications on expected credit losses and classification and measurement*

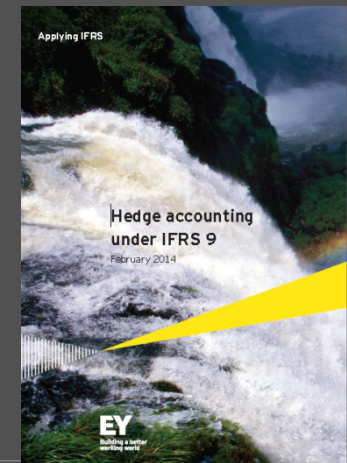


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Regulatory Update – Tax

29 May 2015



Paul Lombardo
Executive Director EY, Transaction Tax

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Agenda

- ▶ Australian Transfer Pricing Environment
- ▶ OECD Base Erosion and Profit Shifting (BEPS) – Update
- ▶ Unilateral Actions
- ▶ Relevance of after-tax outcome of financial instruments

Australian Transfer Pricing Environment



Australian Transfer Pricing Environment

ATO's Chris Jordan pushes for co-operation among global tax authorities

The multinational effort to tighten up on corporate tax arrangements is a long game.

AFR March 2015

Labour plans to raise \$2b by stopping multinational tax evasion

Federal Labour plans to recoup almost \$2 billion through clamping-down on multinational tax evasion as it pushes back at demands it detail alternative budget savings.

AFR March 2015

ATO says tax gain from multinationals could be billions

The Tax Office has flagged it could raise billions of dollars from its investigation of profit shifting by e-commerce multinationals as it widens its attention to the global pharmaceutical industry

AFR March 2015

Corporate tax needs global approach

The Senate Inquiry into Corporate Tax Avoidance and Minimisation is a welcome opportunity.

AFR February 2015

OECD BEPS Action Plan Update



OECD BEPS Action Plan Update

Coherence

Action 2:
Hybrid Mismatch Arrangements

Action 3:
CFC Rules

Action 4:
Interest Deductions

Action 5:
Harmful Tax Practices

Substance

Action 6:
Preventing Tax Treaty Abuse

Action 7:
Avoidance of PE Status

Action 8:
TP Aspects of Intangibles

Action 9:
TP/Risk and Capital

Action 10:
TP/High Risk Transactions

Transparency

Action 11:
Methodologies and Data
Analysis

Action 12:
Disclosure Rules

Action 13:
TP Documentation &
country-by-country reporting

Action 14:
Dispute Resolution

Action 1: Digital Economy

Action 15: Multilateral Instrument

Unilateral Actions



Unilateral Actions

- ▶ UK Diverted Profits Tax

- ▶ Australian Multinational Tax Changes

Australian Thin Capitalisation Changes

- ▶ Safe harbour debt ratio reduced from 75% (3:1 debt to equity) to 60% (1:5:1) finance entities (non ADI) reduced from 20:1 to 15:1
- ▶ Worldwide gearing test reduced to 100%, but now available for inbound investors
- ▶ De minimis threshold increased to \$2 million
- ▶ 768-A foreign non-portfolio dividend exemption replacement rules apply to distributions from October 2014
- ▶ Separate arm's length debt test (ALDT) review is underway by Board of Taxation

Relevance of after-tax outcome of financial instruments

- ▶ Almost every treasury transaction requires consideration of the tax implications
- ▶ Techniques and instruments used by a treasury function often give rise to complex accounting and tax issues
- ▶ Given their complexity, treasury transactions can be scrutinised by tax authorities
- ▶ How are the following risks being managed:
 - ▶ FX Risk
 - ▶ Interest Rate Risk
 - ▶ Liquidity
 - ▶ Cash management
 - ▶ Working Capital
- ▶ Has there been a tax overlay?
 - ▶ Financing and the Tax interplay receiving attention

Questions?



ESSENTIAL TREASURER SERIES

Cash Management and Technology

How is treasury technology evolving to support businesses in an increasingly complex growth environment as businesses move to real time.

Tony Singleton
Managing Director – APAC

May 29, 2015



REVAL®
Single Solution. Total Visibility.™



Agenda

- Who is Reval
- Trends in Treasury and Risk Management (TRM)
- Why the Cloud?
- The New ROI
- The Journey to Treasury Best Practice
- Seek Case Study

Who is Reval

Global Treasury and Risk Management provider (TRM)

620+ clients on our Cloud TRM Platform,

Clients in **30 countries** in **6 continents**

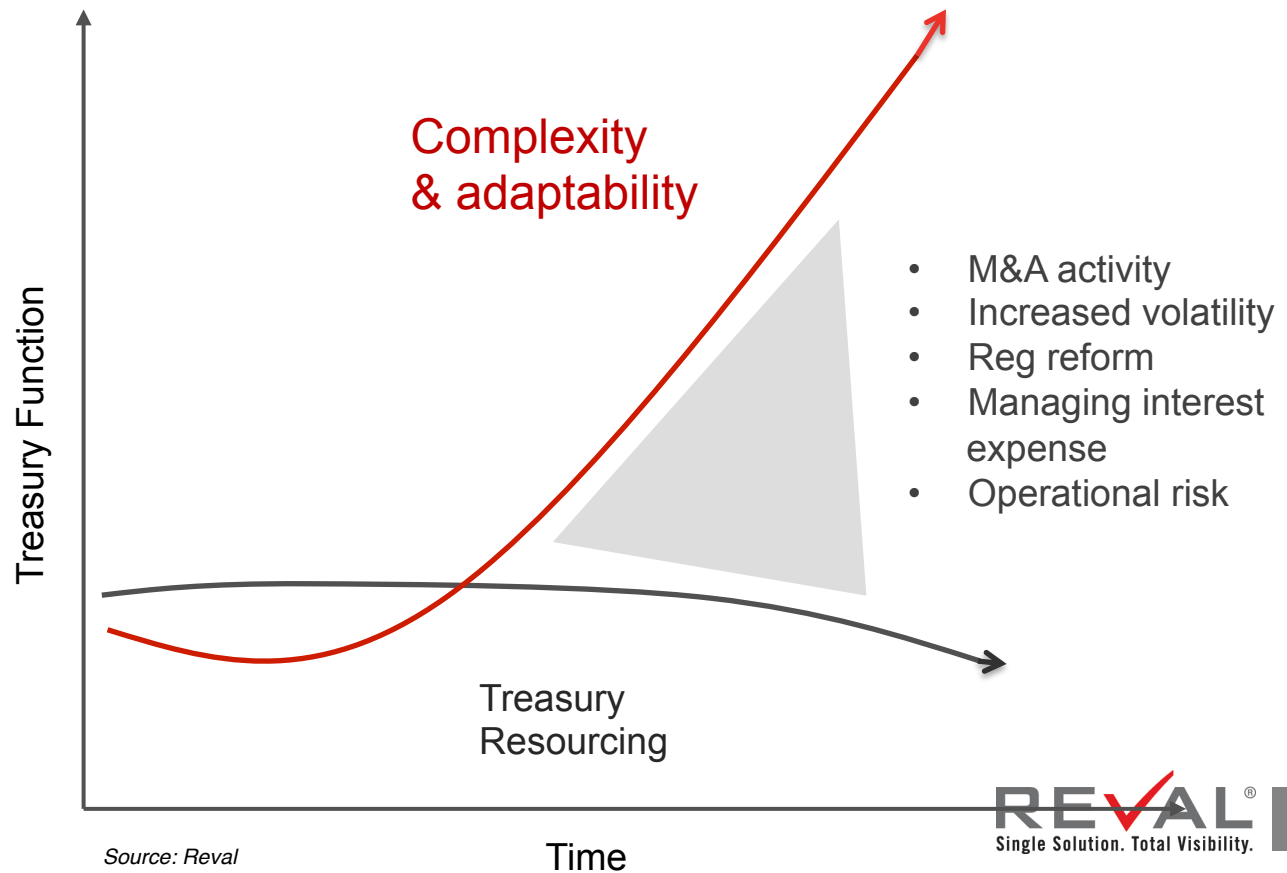
100+ client users in the **APAC region**



Confidential

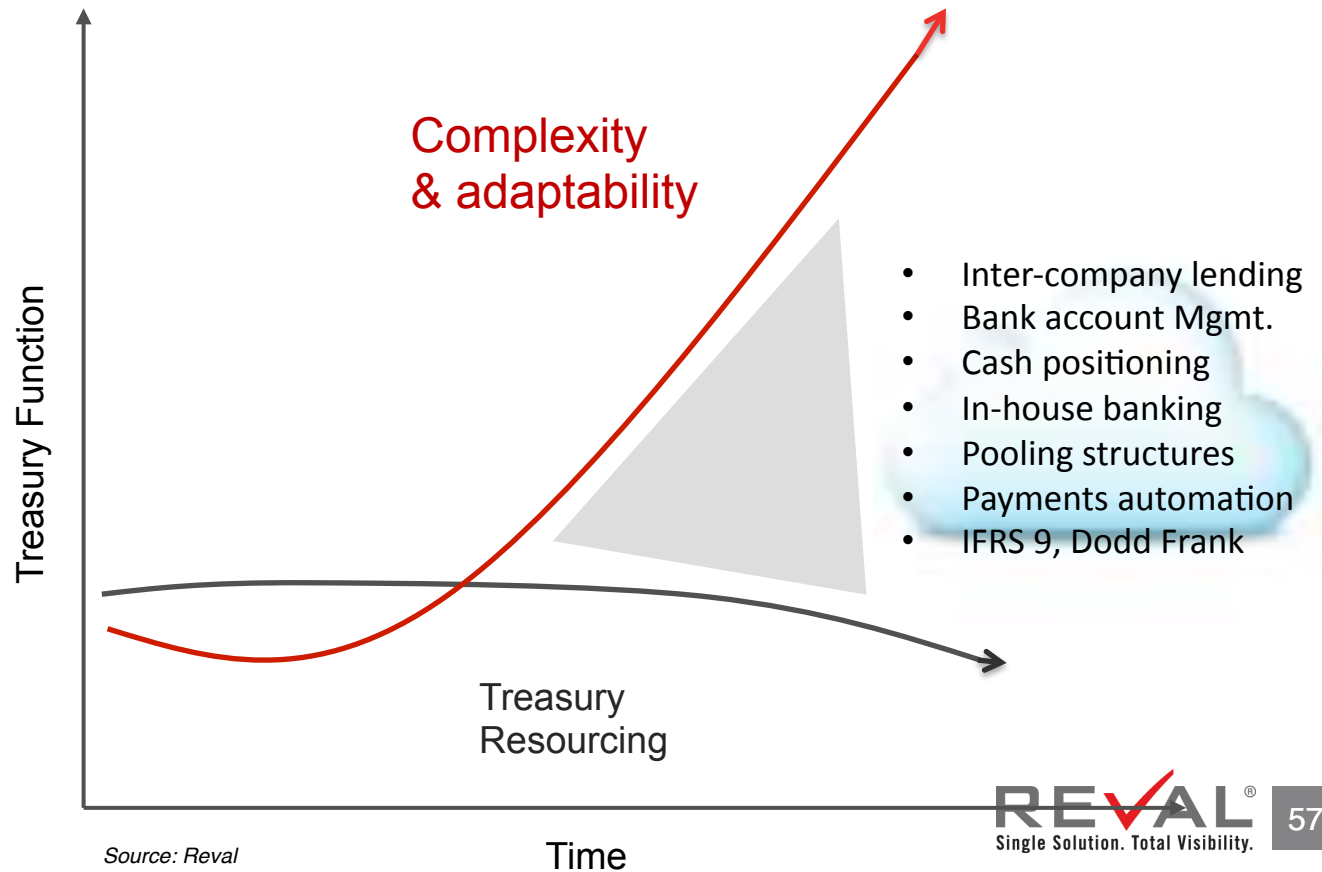
Treasury and Risk Management Evolution

Different year – same challenge!



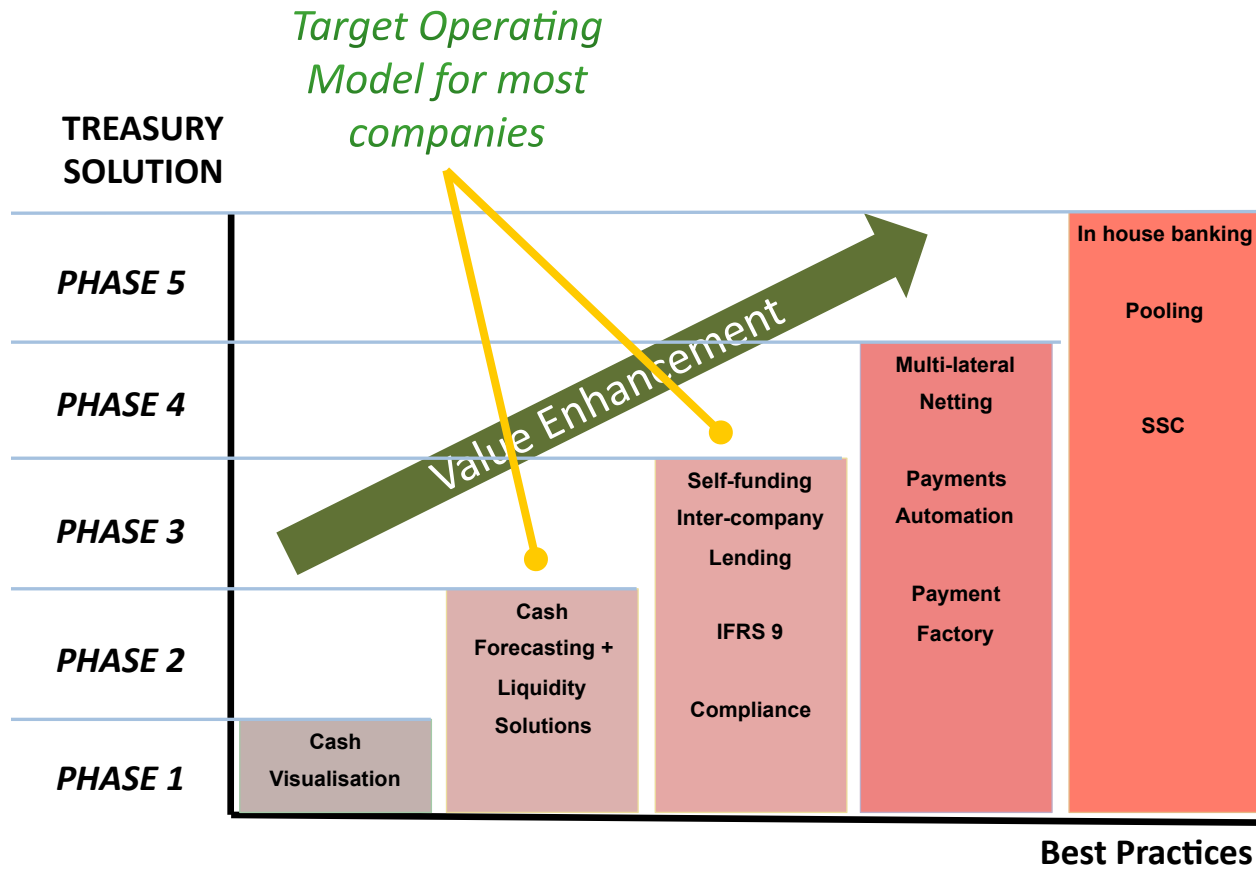
How Reval is Responding

- M&A activity
- Increased volatility
- Reg reform
- Managing interest expense



Source: Reval

The Journey to Treasury Best Practice



Why the Cloud?

- ❌ Historically
 - ❌ Lower cost
 - ❌ No IT involvement
 - ❌ Security
- Now ubiquitous – it is everywhere
- ✅ Made TRM available to all corporates
- ✅ Speed to deploy
- ✅ Flexibility
- ✅ Adaptability
- ✅ Every Vendor is claiming “via the cloud”
- ? Beware – not all Cloud platforms are equal



REVAL CLOUD PLATFORM

TREASURY AND RISK MANAGEMENT (TRM)
CONFIGURED TO YOUR NEEDS

Reval
CHOICE™
PACKAGE

CONFIGURES A UNIQUE
TRM EXPERIENCE THAT
BEST SUITS AND SCALES
TO YOUR NEEDS

Reval
CORE™
PACKAGE

PRE-CONFIGURED CORE
TREASURY TECHNOLOGY
FOR INSTANT VISIBILITY,
AUTOMATION, AND
CONTROL



CASH AND
LIQUIDITY



RISK
MANAGEMENT

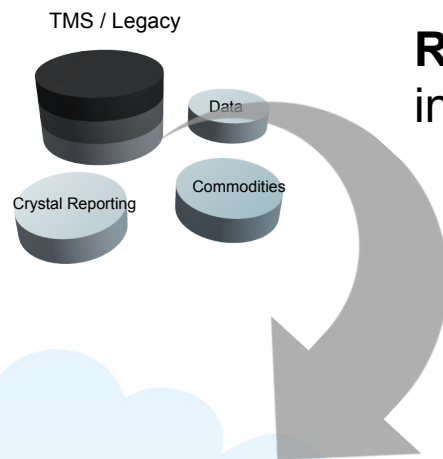


HEDGE ACCOUNTING
AND COMPLIANCE



PARTNER
COMMUNITY

Reval ClearPath™

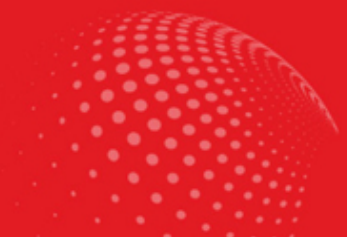


Reval ClearPath transforms outdated legacy operations with innovative cloud technology.

Reval ClearPath™ offers:

- Expert Services
- ClearPath Data Transformation
 - Static data
 - Validated market data
 - Migration of complete trade and transaction portfolio
 - Simplified and flexible templates for upload and configuration

The New ROI



ROI	Examples
Reduce Bank / Transactional Fees	<ul style="list-style-type: none">- Less external deals via use of internal funding and netting positions across the group- optimisation initiatives along with general better cash visibility reduce bank accounts and bank relationships
Reduce Funding Costs / Enhance Yields	<ul style="list-style-type: none">- Freeing up working capital reduces over debt levels- A more confident forecast leads to reduced cash buffers, lower facilities limits and longer term funding/investing decisions
Reduce / Reallocate Headcount	<ul style="list-style-type: none">- Straight through processing and automated reconciliation tools removes manual workarounds- Less bank accounts/relationships require less administrative overhead
Stronger Processes	<ul style="list-style-type: none">- Treasury and business units working from the same platform- Standardization of processes and economies of scale
Strategic Value	<ul style="list-style-type: none">- Automation and sophisticated analytics enable better decision making- Brings transparency to banking relationships and share of wallet- Enables new initiatives around supply chain finance, advanced market simulations etc.

- **Eddie Collis, Group Finance Director**



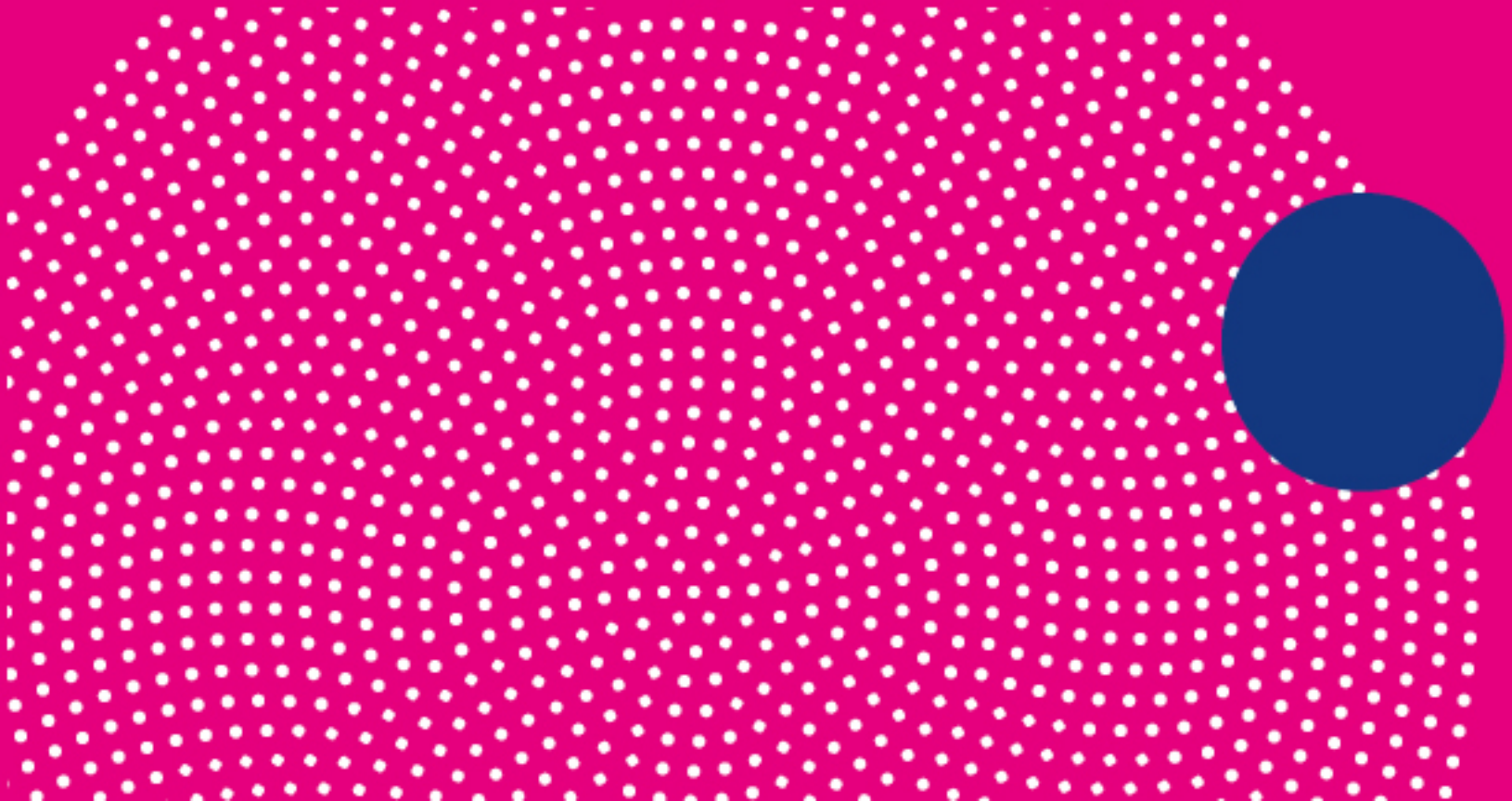
- Eddie has over 20 years' experience in a range of senior financial and executive roles with other ASX-listed businesses, including AWB Ltd and Country Road Ltd, and prior to that he qualified as a Chartered Accountant with KPMG.
- He holds a Bachelor of Commerce from the University of Melbourne and is a member of the Australian Institute of Company Directors.



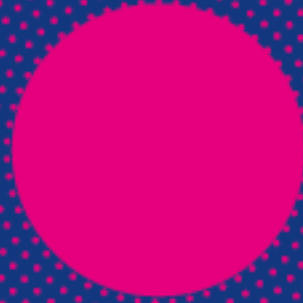


Leveraging treasury technology to support growth

Eddie Collis - Group Finance Director, SEEK

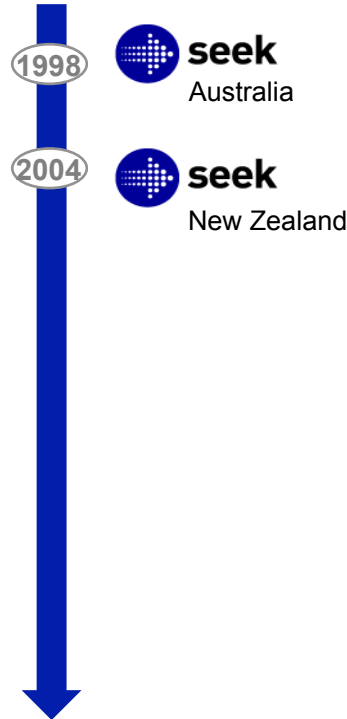


Overview of SEEK



From a domestic start-up 17 years ago, SEEK has built a global business

SEEK Domestic



SEEK International

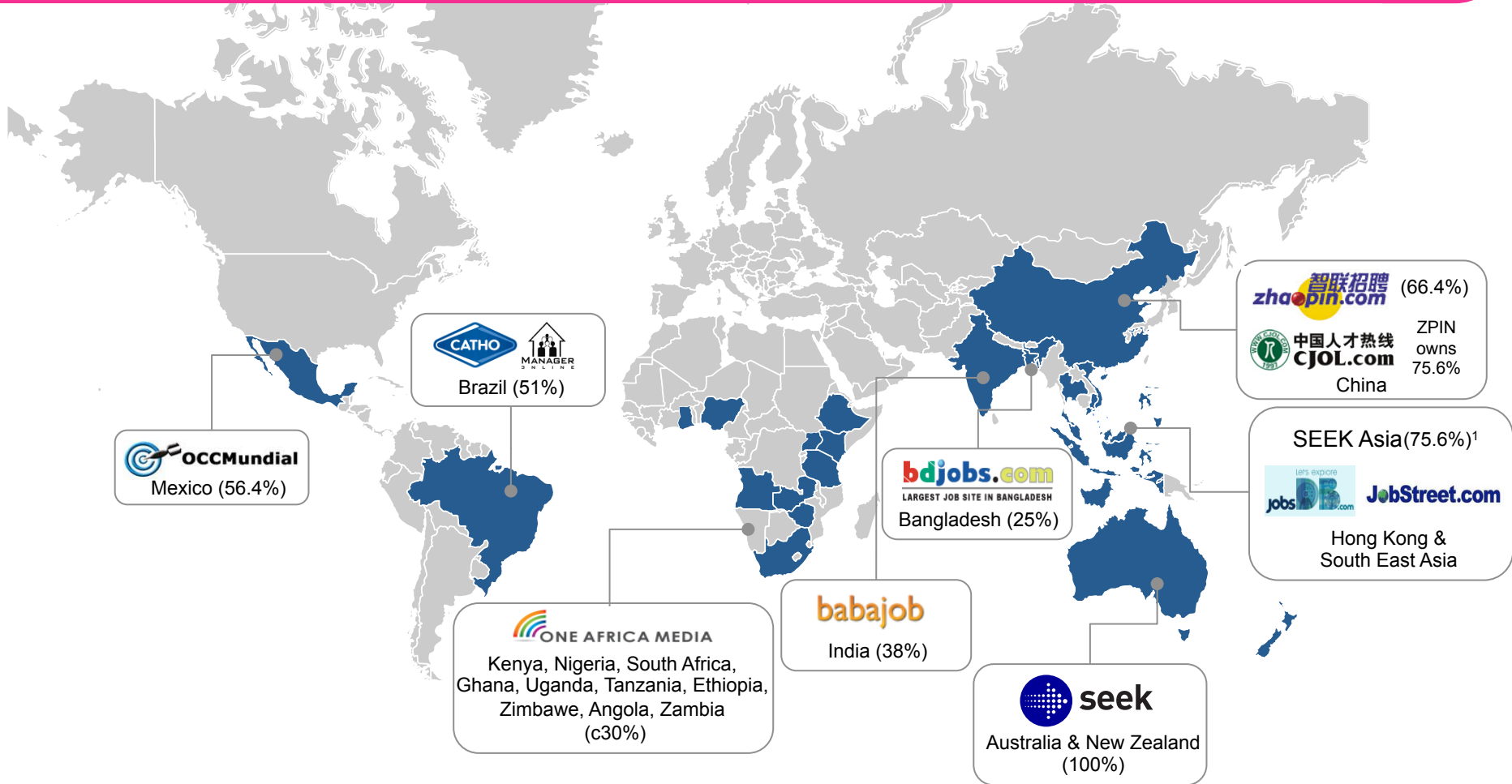


SEEK Education



Ranked #14 in Forbes Most Innovative Growth Companies 2015
SEEK is the largest online employment marketplace in the world by Revenue, EBITDA, NPAT and Market Capitalisation (cA\$5.5B)

Aspiring to be the global leader in online employment, matching more people with job opportunities than any other organisation in each market in which we operate



SEEK's exposure to over 4.1b people and >25% of Global GDP provides a large growth platform

SEEK is having a global impact improving people's lives across employment & education

Our Purpose: To help people live more fulfilling and productive working lives and help organisations succeed

SEEK Domestic

SEEK International

SEEK Education



35+ MILLION
Monthly Visits



330+ MILLION
Monthly Visits



55,000+
Students helped to
find courses (per
annum)

130,000+
Monthly Paid Job Ads

3+ MILLION
Monthly Job Ads

370,000
Course Enquiries
(per annum)

SEEK has a track record of creating value and the business is positioned for future growth

Key Investment Highlights

Strong track record of creating value ...

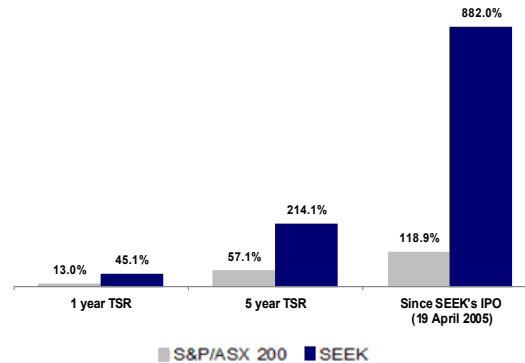
Incubating Businesses
SEEK Learning & Swinburne Online grew from only **A\$9m** of upfront capital

Running Businesses
SEEK Domestic is a **highly profitable** market leader

Buying Businesses
c4x total return on investment from M&A

...that has delivered strong shareholder returns...

Large excess returns vs S&P/ASX 200 for a sustained period¹



- **cA\$484m** of fully franked dividends paid to SEEK shareholders²

...and also well positioned for medium to long term growth

Strong Management Team

Well regarded and stable management team

Market leaders

Exposed to large and growing market opportunities



Over 4.1b

People

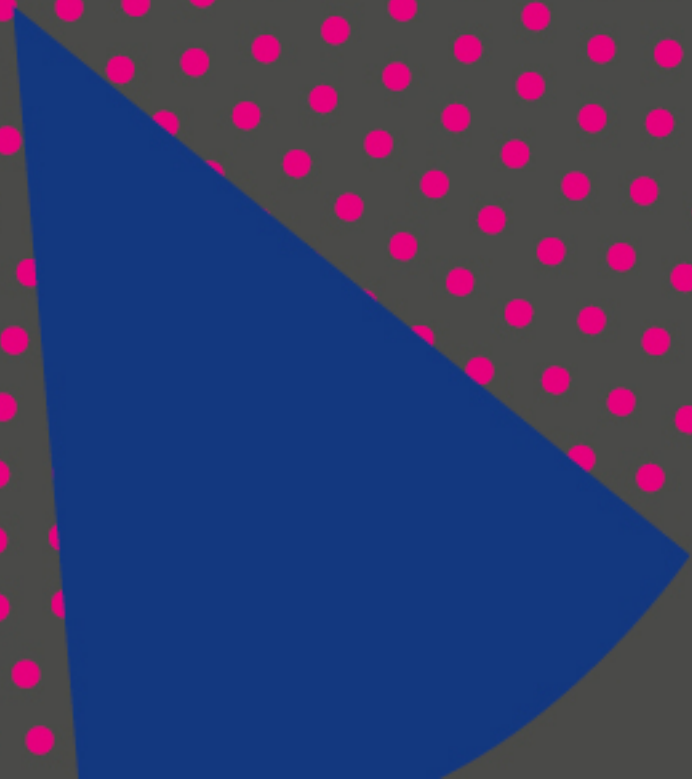
>25%

Global GDP

Investing Heavily in Product

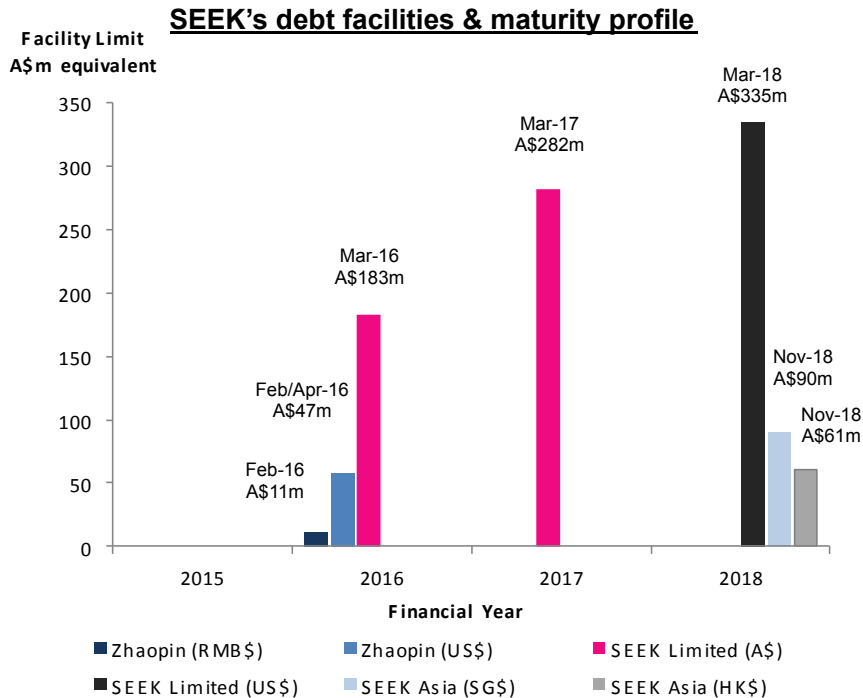
Expect investment in our Placements Strategy to unlock large growth opportunities both domestically and internationally

Treasury Overview



Strong balance sheet and a diverse capital structure

SEEK has diverse funding sources



- SEEK has a diversified capital structure with 54% of debt facilities (by value) denominated in foreign currencies to match underlying offshore earnings
- Appropriate maturity profiles
 - SEEK Group debt three facilities (maturing between 12+ months to 4 years)
- Zhaopin debt is “cash backed” and non-recourse to SEEK Group
- SEEK Asia debt is non-recourse to SEEK Group and business generates high cash flow with a priority to reduce leverage in the short-term

Net debt breakdown

		31-Dec-14		
Debt Facility Limit	Gross Debt ¹	Cash & Cash Equiv. ²	Net Debt/(Cash)	
	A\$m	A\$m	A\$m	
SEEK Limited	A\$465m	283.0		
SEEK Limited	US\$273m	334.6		
SEEK Domestic		617.6	44.5	
SEEK Asia	SG\$97m	89.6	89.6	
SEEK Asia	HK\$388m	61.2	61.2	
Total SEEK Asia		150.8	54.4	
Zhaopin	US\$47m	57.8	(270.4)	
Brasil Online			32.4	
OCC			16.1	
International Other			2.8	
SEEK International		208.6	434.0	
SEEK Reported¹		826.2	478.5	
			347.8	

- Strong bal. sheet with reported net debt of A\$347.8m (at Dec-14)
- All International businesses except for SEEK Asia are in net cash position
- All of SEEK's consolidated international businesses and all education businesses have a track record of paying dividends

¹ Gross Debt above excludes A\$8m in unamortised borrowing costs included in statutory accounts disclosures

² Includes Cash of A\$70.9m held as security by Zhaopin lenders which is recognised in “other financial assets” in SEEK's statutory accounts at 31 Dec-14

What SEEK treasury deals with

Borrowings & interest rate

	Weighted Average interest rate % at 31 Dec 14
AUD denominated borrowings	4.5%
USD denominated borrowings	2.0%
RMB denominated borrowings	4.2%
SGD denominated borrowings	4.1%
HKD denominated borrowings	4.0%
Total Group borrowings	4.4%

Cash Management

Country (Company)	Local Cash Rate % at 31 Dec 14
Australia (SEEK Limited)	2.5%
China (Zhaopin)	2.6% - 4%
JobsDB & JobStreet Businesses	0.25% - 8.5%
Brazil (Brasil Online)	11.8%
Mexico (OCC)	3.0%

Source: Trading Economics. Zhaopin represents average cash deposit rates

Hedging & derivatives

- 1) Look to create a **natural hedge** by matching debt with underlying local currency earnings
- 2) Where (1) is not possible, look to create synthetic debt (via cross **currency swap**) to hedge underlying earnings & balance sheet
- 3) When international cash inflows & outflows are certain, hedge inflows/outflows for FX translation risk
- 4) Where appropriate, adopt interest rate swaps, interest rate caps, forward rate agreements (FRA), and FX collars to manage interest rate & currency risks on domestic and US denominated debt with target levels on hedging varying by duration and type of debt
- 5) From a P&L perspective, SEEK's Reported AUD results are well positioned to benefit from a declining AUD
 - A 10% decline in the AUD vs USD equates to c+3% benefit to Group underlying NPAT

TMS Implementation:



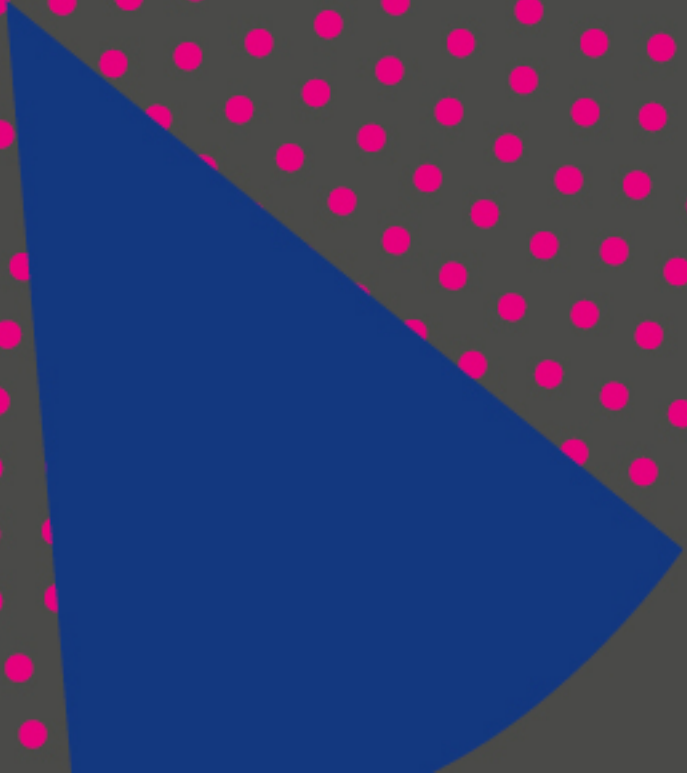
Challenges & lessons learned

Don't ass+u+me ...

- Not all things are equal
 - cost of SWIFT messages
 - varies exponentially between markets / banks
 - bank mandate letter formats
 - Like opinions... everyone's got one !
 - Time taken to spec & build system:
 - Kick off to go-live of actual system
< 3 months
 - Time taken to get bank mandates:
 - SE Asia, Brazil and Mexico done **> 3 months**
 - China in progress
- Engagement
 - Coming off a low base in terms of technology / automation
 - Generally positive engagement within HO and offshore

**The
why...**

**Benefits
captured**



Visibility:

“Next-day” reporting of cash balances and movements

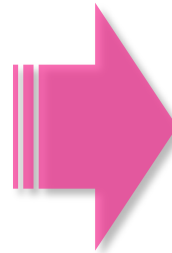
Before

Summary level subsidiary cash position

- Receive balance sheet / **summary** cash position as part of reporting pack – **WD 10+**

Detail subsidiary cash position (by account / currency)

- Request for detail on cash balances gets prioritised **behind** main reporting pack (WD10+)
- Human intervention required
 - Look up on individual bank platforms
 - Consolidate in spreadsheet
 - Check / Review / Email
- Time to collate information ~ 3-5 days –**WD15+**

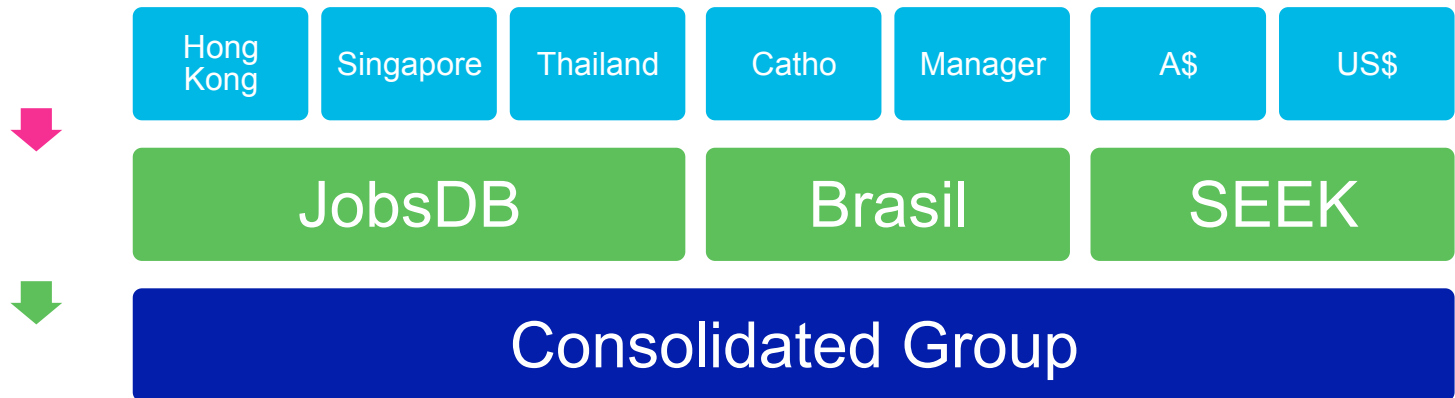


After

- Available “**next day**” in summarised & detailed form
- Fully automated
- Zero FTE effort required
- **Detail balances and movements available to both HQ and BU’s next day!**

Efficiency and scalability: Single point-of-entry for liquidity forecasting

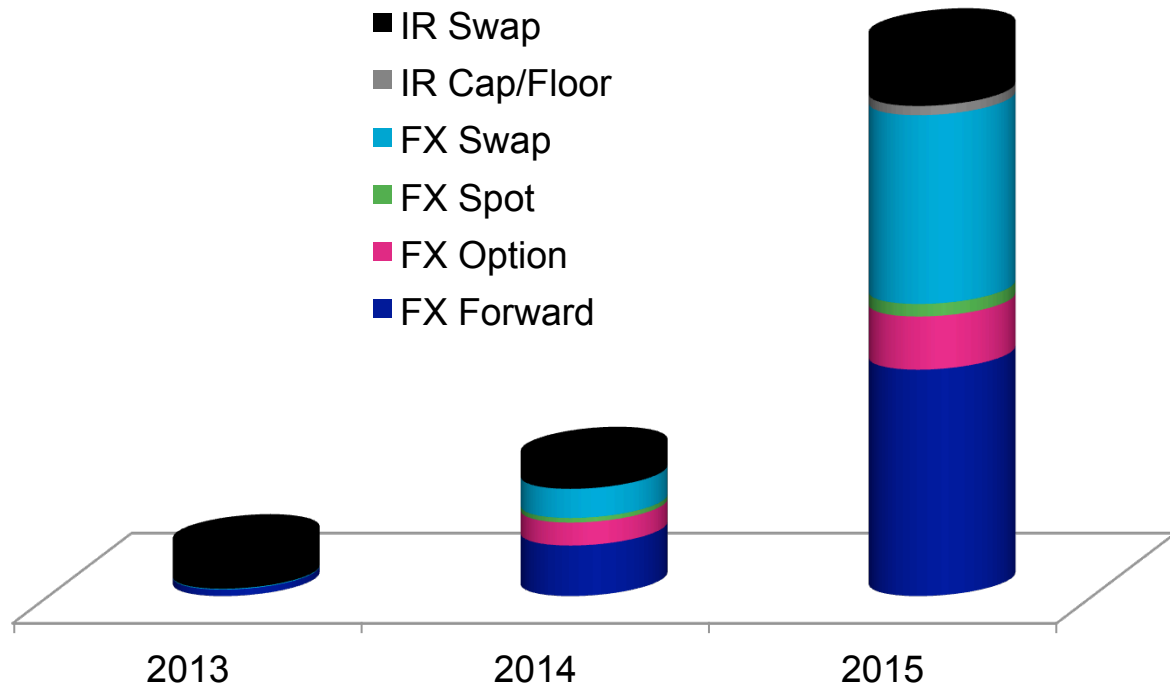
- SaaS provides easy ‘distribution’ to offshore locations
- Multi-user
- Multi-currency
- Hierarchies to manage
 - sub-consolidations
 - entity consolidations
 - currency consolidations
- Simple excel-style interface
- Auto-refresh with each day’s cash balance!!!!
- Treasury deals linked / flow thru
 - Eg FX, debt repayments, etc



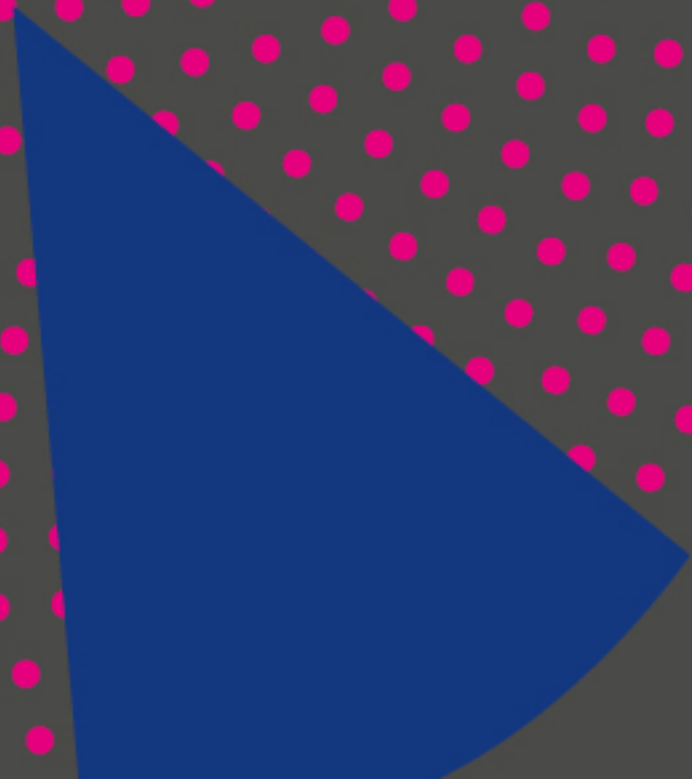
Control:

Recording, executing, re-valuing, settling, reporting

- Massive growth in transaction volumes
- Scalability
 - HO treasury team = 4
- Efficiency
 - Automation of settlements



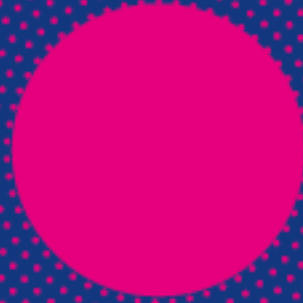
**What's
next...**



Functionality still to be implemented ...

- G/L interface
 - Automation of journal entries
 - Automation of FX rate feed into G/L
 - Significant savings in FTE effort (manual journals!)
- Automation of sweeping / pooling
- Further reporting / dashboard enhancements

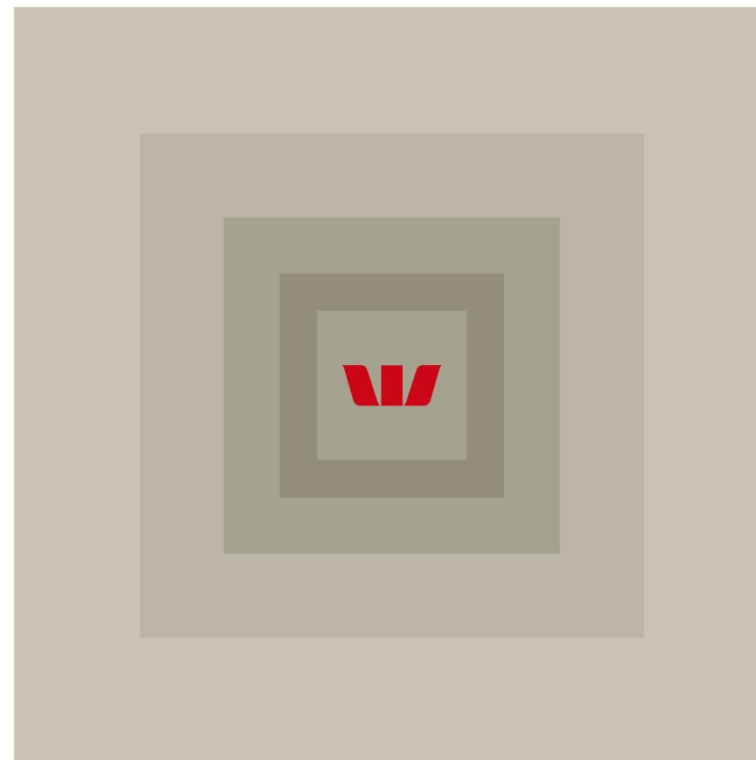
What's in it for
me ?



The right technology can help you keep pace with the growth and remain in control

- Visibility
 - one source of treasury positions across many counterparties / geographies
- Speed
 - cloud-based = rapid deployment
- Scalable and efficient
- CONTROL:
 - Direct feed from banks for
 - Transactions/ reconciliation
 - Reporting
 - Settlements

Capital & Funding Strategies

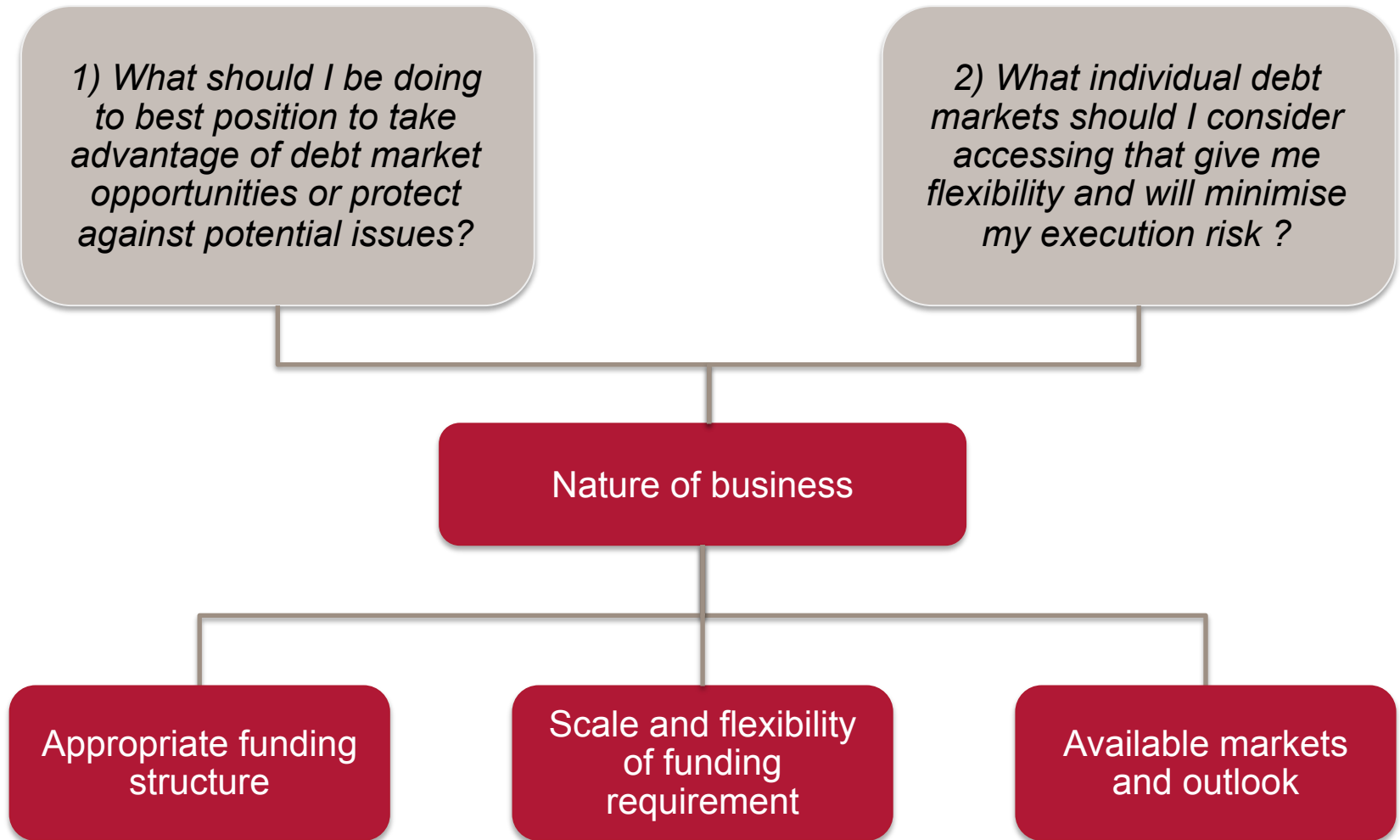


Westpac

**Institutional
Bank**

May/June 2015| John Chauvel

Questions for the Essential Treasurer....



Nature of Business – Industry Context

Utility/Infrastructure

- Annuity/regulated cashflows, low volatility

Real Estate

- Annuity retail/commercial linked cashflows

Resources:

- Commodity prices, reserves, FX, global economy

Manufacturing

- Local/global demand, technology

Retail

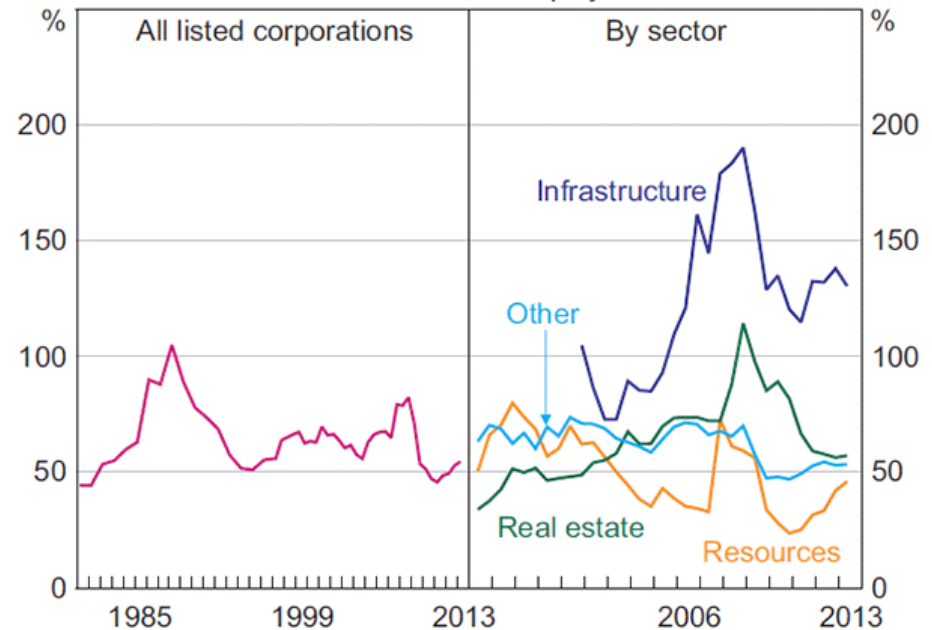
- Domestic economy, import/export markets, FX

Financial

- Regulation, domestic/global economy, liquidity

Listed Corporations' Gearing*

Book value debt-to-equity ratio



* Excludes foreign-domiciled companies; final observations are estimates based on a matched sample of companies that have reported to date
Sources: Bloomberg; Morningstar; RBA; Statex

Theory versus Practice

Theory (nice to know)

- Optimising capital structure
- Maximising ROE, EPS

Practice

- #1 Reduce Risk
- #2 Provide for Growth
- #3 Price optimisation
- = producing consistent returns to shareholders

Risk

Meeting liabilities as they fall due

- Asset/liability mismatch
- Maturity profile
- Access to cash or standby commitments
- Meeting working capital growth
- Off balance-sheet commitments

Managing cashflow volatility

- Interest rate risk
- FX risk
- Commodity price risk
- Seasonality
- Principal and interest cover

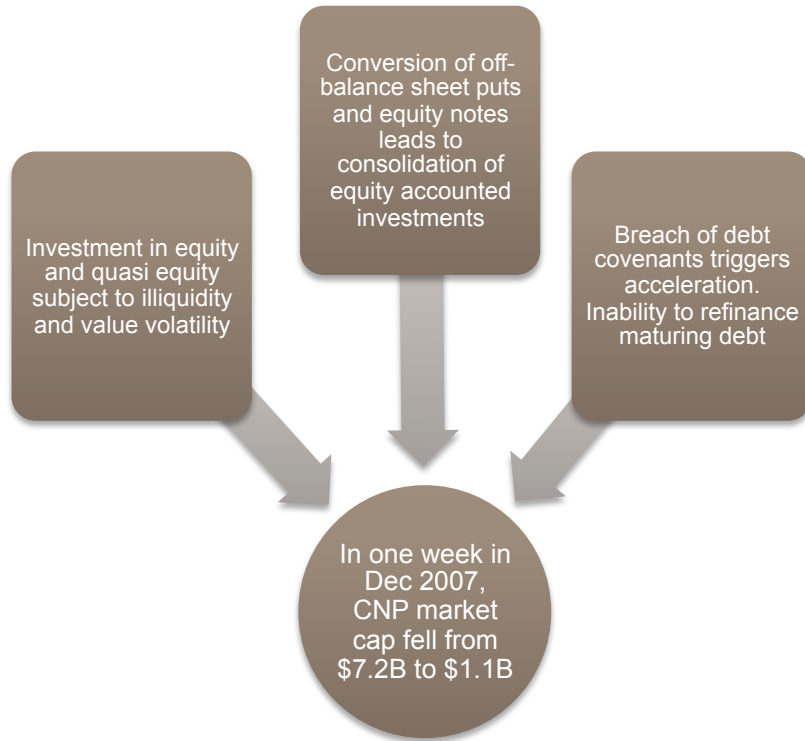
Concentration to lender, investor or market

- Market illiquidity
- Hedging constraints
- Event risk in asset class

Execution risk

- Pre-funding planned major outflows
- Price fluctuations
- Non-underwritten

Case Study - Centro



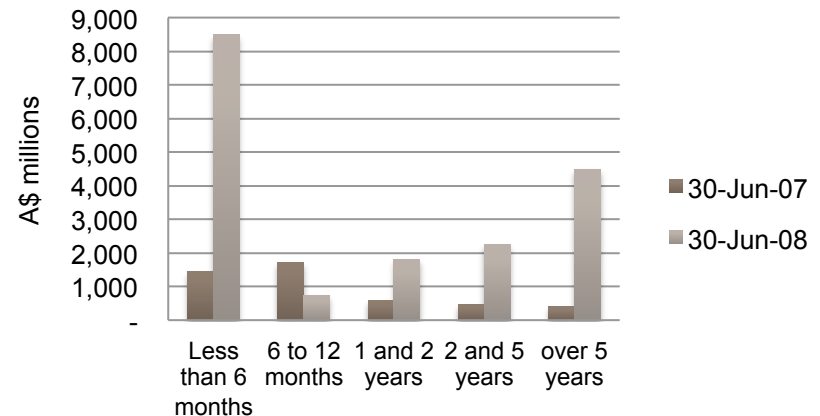
In 2007

- Gross borrowings of \$3.8B
- Gearing = 48%
- Debt to EBITDA = 5.6x

In 2008

- Gross borrowings = \$15.1B
- Gearing = 74%
- Debt to EBITDA = -9.2

Maturities of Financial Liabilities



Key Considerations/Strategies

Maturity Profile

- Cover debt maturing in next 12 months with cash or standby commitments
- Extend maturities in capital markets to manage debt towers
- Use structured finance to match fund financial assets (e.g. trade receivables or loans)

Access to Markets

- Bank debt is more flexible, but avoid concentration risk
- Choose multiple markets, but must maintain periodic access
- Consider secured and unsecured
- Maintain external credit rating to maximise options
- Use structured finance to obtain ratings uplift or off balance sheet treatment

Minimise Risk
Maximise Opportunity

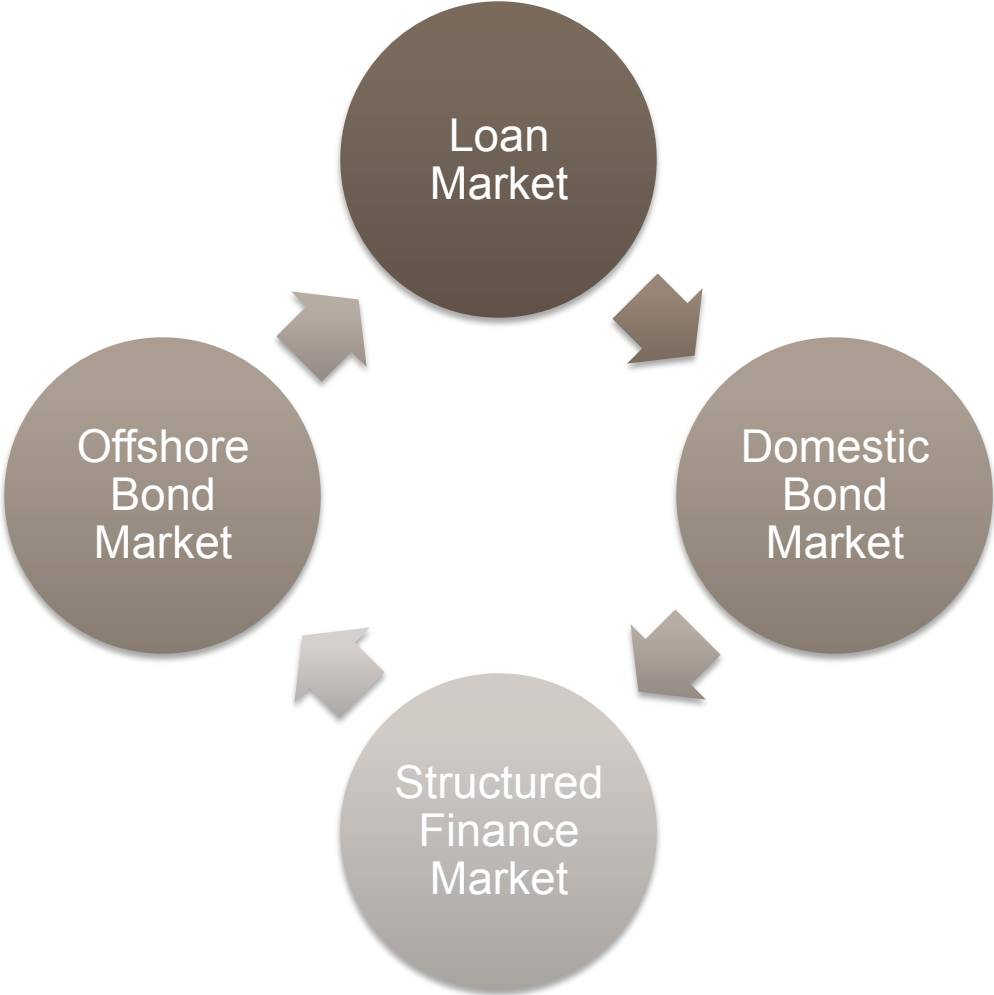
Currency and interest rate

- Use hedging to opportunistically issue in foreign currency or fixed/floating rate
- Consider impact of hedging on bank risk appetite and accounting treatment

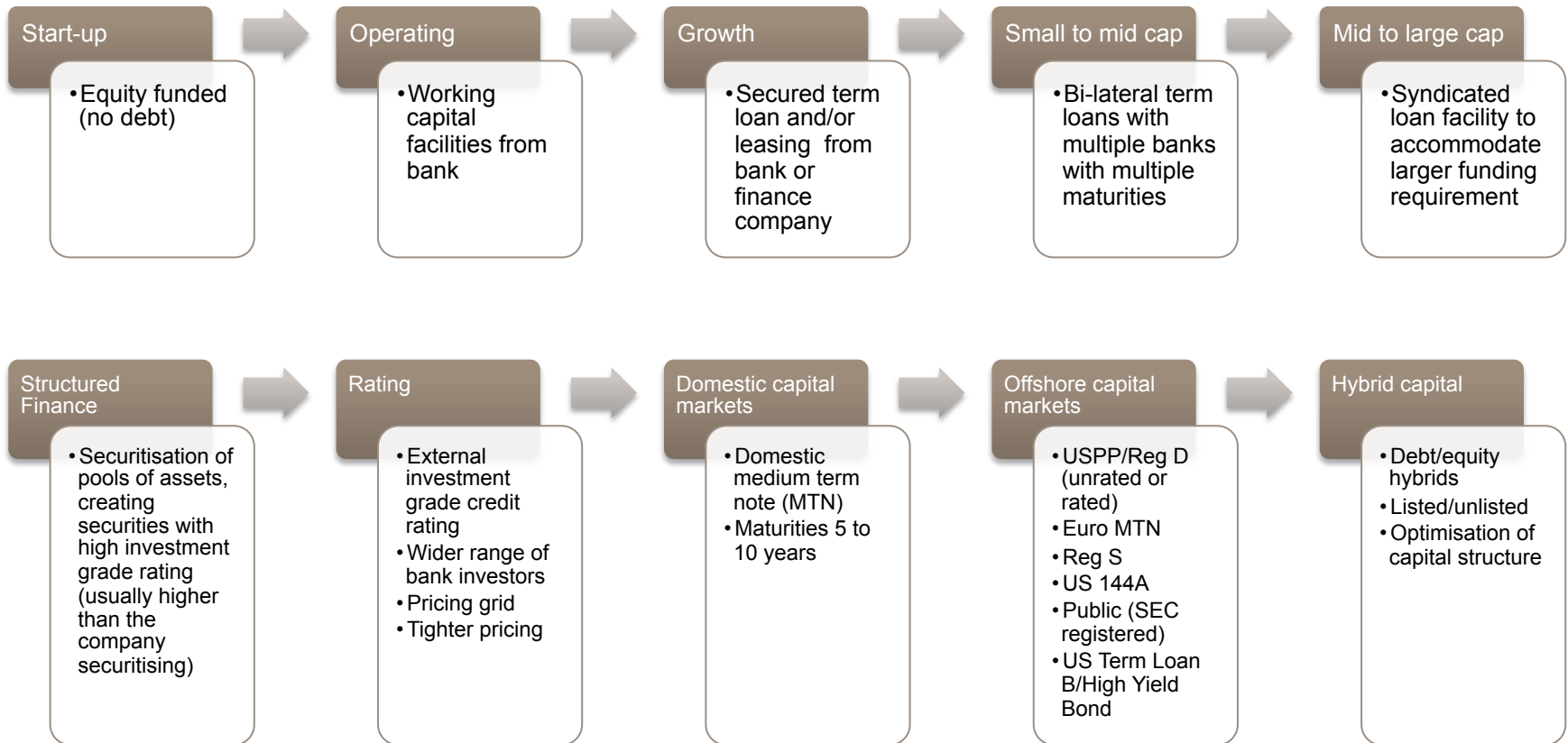
Pricing and Execution

- Provide frequent bank and investor updates
- Use favourable market conditions to revise covenant packages
- Avoid extended marketing periods, especially if issuing in non-core currency or benchmark rate
- Offer cross sell to banks to get better pricing terms

Debt Markets









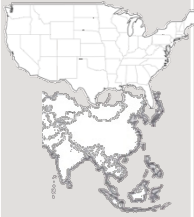

Corporate Borrowing Life Cycle



Alternative Funding Options

	Syndicated Bank Debt	USPP	A\$ Retail	Trade Receivables Financing
Revolving	Yes	No	No	Yes
Deal Size	Large	Between US\$100 to US\$500MM	Between A\$50 to US\$200MM	Between A\$50 to US\$200MM
Tenor	3 to 5 years (50% max. in 5 years)	Typically 7 to 15 years	Up to 7 years	1 to 3 years
Indicative Margin	BBSY + 100 to 150 area	UST + 175 bps area (BBSW +200 bps area)	TBD	Senior Tranche BBSW + 120 area
Undrawn Pricing	Yes	No	No	Yes
Fees	Establishment Fee	Arranger Fee	Underwriting/Arranger Fee	Establishment Fee
Transaction Costs	Legal: c. \$50k	Legal + Roadshow + Ancillary: c. US \$250k	Legal + Roadshow + Ancillary: c. \$200k (additional costs if listed)	Legal + Accounting: c. \$100k
Rating	No rating required	NAIC-2 Rating (BBB-range credit profile)	No rating required	No rating required
Accounting	On-balance sheet Financial Indebtedness	On-balance sheet Financial Indebtedness	On-balance sheet Financial Indebtedness	Off-balance sheet, non-recourse financing
Covenants	Consistent credit terms across relationship banks	Terms, conditions and financial covenants consistent with bank debt facilities	Lighter covenant package with some reference to bank debt covenants	Limited covenants that relate to the performance of the trade receivables
Investors	Domestic majors, supplemented by select foreign banks.	Predominantly US insurance companies.	Individuals, Self-Managed Superannuation Funds and Shareholders	Bank
Process	Can be arranged by bank or self arranged	US road show Timing – typically 8 to 12 weeks before issuance	Two to three months preparation One month for Offer Period	Bilateral facility with borrower Timing – typically 8 to 12 weeks to establish
Facility Terms	Revolving or term facility. Prepayment and amendment of terms generally allowed subject to negotiation	Term facility only. Prepayment and amendment of terms generally not allowed	Term facility only. Prepayment and amendment of terms generally not allowed	Revolving facility, extendable at each anniversary, with repayment occurring from the cash flows of the trade receivables.
Conclusion	Provides greatest flexibility dealing with relationship banks at low cost – significant liquidity available	Provides longer tenor finance at competitive pricing	Ability to fund in functional currency without obtaining an external credit rating	Provides de-recognition of receivables and associated financing from balance sheet at competitive pricing resulting in improved financial metrics

Global Market Comparisons

	 EUR	 GBP	 USD	 AUD
Size & Maturity	<ul style="list-style-type: none"> • €500m - €2bn+ (benchmark = €500m) • 3 – 10 years 	<ul style="list-style-type: none"> • £250m - £500m (benchmark = £250m) • 7 – 30 years for most corporates 	<ul style="list-style-type: none"> • \$350m - \$5bn+ (benchmark = \$500m) • 3, 5, 10 and 30 years 	<ul style="list-style-type: none"> • A\$100m - \$500m (benchmark = A\$100m, A\$150m for sufficient liquidity) • 3 – 10 years
Documentation	<ul style="list-style-type: none"> • Reg S EMTN programme • 4-6 weeks process 	<ul style="list-style-type: none"> • Reg S EMTN programme • 4-6 weeks process 	<ul style="list-style-type: none"> • 144A or Reg S documentation • 144A documentation more onerous & expensive 	<ul style="list-style-type: none"> • A\$MTN programme • 4-6 week process
Marketing	 <ul style="list-style-type: none"> • Min 3-4 day roadshow required • Target group lunch & 1-on-1 meetings in London, Paris, Frankfurt 	 <ul style="list-style-type: none"> • Min 2-3 day roadshow required • Target group lunch & 1-on-1 meetings in London / Scotland • Additional conference call 	 <ul style="list-style-type: none"> 144A: Min 3 -4 day roadshow required covering: New York, Chicago, Boston, Los Angeles and San Fran 	 <ul style="list-style-type: none"> Minimum 2-day domestic roadshow covering Sydney and Melbourne
	<ul style="list-style-type: none"> • Additional conference call • Roadshow raises the profile of the issuer: opportunity to 'sell the story' & receive positive press coverage • 1-2 week execution 	<ul style="list-style-type: none"> • Roadshow raises the profile of the issuer: opportunity to 'sell the story' & receive positive press coverage • 1-2 week execution 	<ul style="list-style-type: none"> Reg S: min 2 day roadshow covering Singapore and Hong Kong and potentially London 	<ul style="list-style-type: none"> Asian investor participation becoming increasingly prevalent in AUD transactions, accordingly a min 2-day roadshow covering Singapore and Hong Kong and potentially Tokyo
Diversification	Deep and wide funding source	Less deep than EUR or USD, but still significant	Deepest market	Institutional buyers with increasing Asian representation
Ratings	Rating from min one agency recommended	Rating from min one agency recommended	Moody's and S&P ratings recommended	One of Moody's, S&P or Fitch
Conclusion	Simple documentation and execution process with good investor depth	Strong execution in longer maturities with long term buy and hold investors	Currently Reg S USD market is providing comparable pricing and volume to 144A without the onerous documentation expense	Market continues to support domestic names with favourable pricing and demand out to 10-years



FTA

U P D A T E
LATEST INSIGHTS IN FINANCE & TREASURY

ASSOCIATION UPDATE

David Michell CFTP (Snr)
CEO

Finance and Treasury Association

MELBOURNE | FRIDAY 29TH MAY 2015



The *Essential* **Treasurer**

THANK YOU FOR YOUR ATTENDANCE

THANK YOU TO OUR
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