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Annual Conference

OCTOBER 27-30, 2013 | LAS VEGAS

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Receivables Centralization Enabled by Technology

Maria Mandler,
Managing Director,
Global Receivables,
*Bank of America
Merrill Lynch*

Doug Hansen,
Senior Director,
Receivables
Management,
Ryder System, Inc

Michelle Theis,
CTP, Director of
Treasury Services,
*Hyatt Hotels
Corporation*

Amy Pillon,
Senior Manager,
Global Cash and
Payroll, *American
Axle &
Manufacturing Inc*

Maria Mandler

Bank of America Merrill Lynch

Managing Director, Global Receivables

- Responsible for wholesale lockbox and enabling paper to electronic conversion (Intelligent Receivables)
- Managed payments and receivables products US, Europe and Asia
- Served on the Board of Directors of NACHA and on the Electronic Payments Network business committee
- Bachelors degree from Mount Holyoke College
- MBA in Finance and Accounting degree from the Kellogg School (Northwestern University)

Doug Hansen

Senior Director, Receivables Management

Ryder System, Inc.

Doug Hansen

- Responsible for all Credit, Accounts Receivable, and Collections functions at Ryder's Shared Services Center in Atlanta
- Joined Ryder in 1986 with Public Accounting background
- Held various Finance & Accounting positions including Audit, Financial Systems implementation, and Shared Services implementation & Management
- BS in Accounting from University of Illinois – Chicago, MBA – Northern Illinois University, CPA

Ryder System, Inc.

- Leading provider of commercial transportation, logistics, and supply chain management solutions, serving customers throughout North America, Europe and Asia
- Fleet Management Solutions
 - Vehicle Leasing, Rental, Maintenance
- Supply Chain Solutions
 - 3PL, Dedicated Contract Carriage, Warehousing Solutions, Freight Brokerage, Carrier Management

Michelle Theis

CTP, Director of Treasury Services

Hyatt Hotels Corporation

Michelle Theis

- Oversees U.S. based cash operations for Hyatt Hotels Corporation including daily cash position, liquidity management, short term cash forecasting and investing, and global account administration
- Supports Hyatt Shared Services Center with corporate and hotel chain treasury management solution development, implementation and bank relationship management
- Prior to joining Hyatt in 2004, held treasury positions with CNA Insurance and Northern Trust Bank
- Earned BBA from University of Michigan and is a Certified Treasury Professional (CTP)

Hyatt Hotels Corporation

- Leading global hospitality company headquartered in Chicago, with financial shared service centers in Moore, Oklahoma and Mainz, Germany. Global Finance offices are located in Zurich, Hong Kong, Singapore and Mexico City.
- Company's subsidiaries manage, franchise, own and develop hotels and resorts under the *Hyatt®*, *Park Hyatt®*, *Andaz®*, *Grand Hyatt®*, *Hyatt Regency®*, *Hyatt Place®* and *Hyatt House®* brand names and have locations on six continents. *Hyatt Residential Group, Inc.*, a HHC subsidiary, develops, operates, markets or licenses as *Hyatt Residences™* and *Hyatt Residence Club™*
- Hyatt's worldwide portfolio consists of 524 properties in 46 countries.

Amy Pillon

Senior Manager, Global Cash and Payroll

American Axle & Manufacturing Inc

Amy Pillon

- Joined AAM's Treasury function in 2002.
- Has served in various Treasury positions with increasing responsibility.
- In current role as Senior Manager Global Cash & Payroll, is responsible for all aspects of the company's cash management, payroll, and banking operations.
- Focus of current role is management of Cash and liquidity needs on a consolidated global basis with an emphasis on automation and process improvements.
- Holds an Honors Business degree from the University of Windsor, has an MBA in Finance from Wayne State University, and is a Certified Treasury Professional (CTP).

American Axle & Manufacturing Inc

- Tier I supplier to automotive industry
- Manufacture, engineer, design and validate driveline, drivetrain systems, related components and chassis modules for light trucks, sport utility vehicles (SUVs), passenger cars, crossover vehicles and commercial vehicles.
- Driveline, drivetrain and related products include axles, chassis modules, driveshafts, power transfer units, transfer cases, chassis and steering components, driveheads, transmission parts and metal-formed products.
- Located in United States (U.S.) (Michigan, Ohio, Indiana and Pennsylvania), and have offices or facilities in Brazil, China, Germany, India, Japan, Luxembourg, Mexico, Poland, Scotland, South Korea, Sweden, Thailand.

Agenda

- 1 Welcome/Introductions

- 2 Three Journeys: Receivables centralization and use of technology

- 3 Receivables and technology panel discussion

- 4 Audience Q&A

- 5 Closing comments

Receivables and Technology

- Multiple benefits are derived through receivables centralization
- Enabling technology continues to evolve
- 88% of companies surveyed have started or plan to launch automation initiatives within the year ¹
- There is no “one size fits all” approach
- Today’s panelists have recognized both quantitative and qualitative benefits

1. Paystream’s Invoice and Workflow Automation Benchmark Report 2013: www.paystreamadvisers.com

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Three Journeys



Ryder System Inc

Centralization across functions and immediate impact to receivables

Achieving operational and strategic objectives

Leading provider of commercial transportation, logistics, and supply chain management solutions

Situation

- Excessive administrative costs.
 - AS 400 & all administrative processes in all 80+ District offices
- Process & customer service variability in each District Office
- Inflexible Organization Structure.
 - Changes to Operations Structure necessitated changes in admin. processing
 - Difficulty in integrating acquisitions
- Difficulty in rolling out new systems & processes to multiple locations

Approach

- Re-Engineering of Admin. Processes prior to consolidation
 - Capture information at the source
 - Reduce paperwork & manual processes
 - Centralized Financial Systems & access to information
- Receivables
- Payables
- General Ledger
- Site Selection & Build Out
- District Migration over 18 months

Impact

- Over \$12M per year in cost savings
- Centralized Accounts Receivable
 - Credit Decision Consistency
 - Automated Lockbox Processing
 - Image remit backup
 - Auto cash application
 - Professional and Timely Collections
 - Consistent handling of Stop Loss & Bankruptcy files
- Centralized Payables with Positive Pay functionality.
- Improved Working Capital Management

Ryder System Inc

Centralization across functions and immediate impact to receivables

Technology enablers & benefits-credit/collections

Technology Enablers

- Centralized A/R System with Automated Image Lockbox
- Parent level view of exposure across customer accounts and companies
- Monthly data append of credit scores & payment indices from Credit Information providers (Equifax/D&B)
- Credit requests from Sales routed through automated scorecards, pulling information from bureaus and internal history in scoring models
- On-Line work queues for both Credit & Collections Analysts
- Customer Dispute Resolution Workflow
- A/R Remote Data Capture for items received at SSC and high volume Field Locations
- Check by Phone and On-Line Customer Payment Capability (Electronic Invoice Presentation & Payment)

Benefits

- Immediate turnaround on 50% of credit requests.
- Credit process consistency and Analyst focus on structuring higher risk deals
- Scorecards can be quickly adjusted during boom or bust economies
- Collection strategies based on risk factors, past due receivables, and open disputes
- Quicker focus and remediation efforts on high risk/past due accounts
- Consistent handling of Stop Loss & Bankrupt accounts (payment plans/stop services/proof of claims/3rd party collections/litigation)

Overall Impact

- Efficient & Effective Receivables Management Processes
- Company-Wide A/R Metrics
 - Days Revenue Outstanding (DRO)
 - A/R Over 60 Days Past Due
 - Bad Debt Expense as a Percentage of Revenue

Hyatt Hotels Corporation

Leveraging technology to gain efficiencies for Hotels and Corporate

Corporate receivables consist primarily of fees paid by Hyatt branded hotels:

Chain fees, billbacks, loyalty program and gift card payments as well as insurance/benefit program contributions

Telephone Initiation

Touchtone Telephone Initiation
Implemented prior to 2005

System Issues

- Outdated technology - very expensive to maintain
- Vendor controlled hotel/customer data - cumbersome update process
- Slow, confusing payment entry process for Hotel Controllers
- High error rates
 - Misapplied payments
 - Incorrect payment amounts
- Labor intensive A/R posting

Simplify and Streamline

Hyatt Online Payments System

Internet Payment Portal
Implemented 2006

Benefits for Hotels

- User friendly, flexible system provided faster data entry, visual confirmation
- Self-service administration – hotel controlled funding account updates, password resets
- Improved accuracy and enhanced reporting benefited both hotels and Corporate A/R as payment errors decreased
- Automated A/R posting

Consolidate and Control

ACH Debit Origination

NACHA File STP via ERP
Implemented 2008 and 2010

Benefits for Corporate

- Corporate controlled payment initiation
 - Improved cash forecasting and working capital management
 - Eliminated A/R aging
- Fully automated A/R cash application and SSC reconciliation
- Scalable solution – incorporates most collection needs and easy to expand
- Convenient, time saver for hotel Controllers – very little resistance to Auto Debit as dispute resolution process was well defined

Hyatt Hotels Corporation

Leveraging technology to gain efficiencies for Hotels and Corporate

Current Initiatives

- SFTP to fully automate file transmissions
- ACH Debit clause in Hotel Franchise Agreements, Vendor Contracts
- Miscellaneous payment analysis – Remote Deposit, Lockbox, EFT
- Improved Accounting Data for SSC Reconciliation

Keys to Success

- Knowledgeable IT Support – Experience with bank file formats, knowledge of ERP essential
- Bank education and support
- Early buy-in from key stakeholders
 - Corporate Treasury: Working Capital/Cash Forecasting
 - Corporate A/R: Operational efficiencies
 - Hotels (Customers): Convenience, Compliance
- Use Metrics to build support for project and measure success
- Frequent re-assessment of solution effectiveness and organizational needs

American Axle & Manufacturing Inc

Leveraging Technology to Automate Accounts Receivable

Current State

- **Centralization of Receivables** - Regional Shared Service Center for North America
- **Automated Cash Application** - receipt of a combined ACH and Check file via the bank on a daily basis
- **Straight Through Reconciliation** - logic has been built into our ERP system to automatically apply cash received on a daily basis – customer match on remitter information
- **Automated Cash Accounting** -
 1. Automatic Reconciliation - cash on a daily basis is reconciled against previous day report provided by the bank
 2. ERP Integration - accounting for all cash activity has been fully automated in our ERP system
- **Host to Host Connection with Customers** - Certain remittance information received directly from customers and applied automatically
- **Image Lockbox** - automation of all check remittances from suppliers, employee payments, etc.
- **Remote Deposit** - expedite the collection and availability of miscellaneous refunds, etc.
- **Integrated Software** - continued effort to reduce manual cash application and receipt of multiple remittance formats (fax, e-mail, paper, etc).

American Axle & Manufacturing Inc

Leveraging Technology to Automate Accounts Receivable

Current Challenges

- **Inconsistent Remittance Data** - reliability and consistency of the data received by our customers
- **ERP System Matching** - inability or errors in matching against what is currently in our ERP system (i.e. mismatch between invoice number and remittance information provided)
- **Limited Customer Capability** - limitations on customer ability to send CTX information for ACH payments (i.e. remittance information provided via customer portal, fax, mail, e-mail etc.)
- **Going Paperless** - moving away from check to ACH (especially in regions where check is still such a common form of payment India, Thailand)
- **Minimization of Float** - continued focus to minimize float especially in regions that have multiple clearing systems
- **Availability of Funds** - Look for strategic opportunities to minimize check clearing timeline and expedite funds availability (i.e. in Thailand we were able to reduce availability from 3-5 days down to 1 day availability)

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Panel Discussion

- Doug Hansen, Senior Director, Receivables Management, *Ryder System, Inc.*
 - Amy Pillon, Senior Manager, Global Cash and Payroll, *American Axle & Manufacturing Inc*
 - Michelle Theis, CTP, Director of Treasury Services, *Hyatt Hotels Corporation*
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- Moderator: Maria Mandler, Managing Director, Global Receivables, Bank of America Merrill Lynch

Panelist Questions

(will not be included in final deck)

1. You all have centralized receivables, and have talked about the advantages of doing so. Are there disadvantages of centralizing receivables? What are they? **DOUG, Michelle, Amy**
2. You have referenced metrics used in your journeys. We have a prepared slide of sample metrics used in receivables management. Would you expand on your 'vital few' metrics? **AMY, Michelle, Doug**
3. You have different roles in your organization, but all are stakeholders in receivables management. Would you comment on how organizational structure impacts your companies' use technology in managing receivables? **AMY, Michelle, Doug**
4. How are you engaged in strategic dialogue with your internal technology groups about receivables management? **MICHELLE, Amy**
5. Your companies have very different kinds of customers/ payers. Given your power in the supplier-customer relationship, how does this impact your ability to influence choice of remitter payment method? **MICHELLE, Amy, Doug**
6. Do you have a goal to convert payers from paper check to electronic collection? If so, how are you influencing your customers to convert from paper? What is your "hierarchy" of collection methods (receive ach credit, initiate ach debit, credit card, etc.)? How are you managing the need for the kind of remittance detail that customarily is provided by check? **DOUG, Michelle, Amy**

Receivables Management Metrics

Financial

- *Days Revenue/Sales Outstanding (DRO/ DSO)*
- *Unapplied Cash*
- *Bad debt write-offs (% of Revenue)*
- *Accuracy of Cash flow forecasting*
- *Dollars over 60 days past due*
- *% breakdown of payment types*

Employee Perspective

- FTE trained/year
- % of employee turnover

Internal Customer Satisfaction

- Survey results

Operations

- *Auto cash application (STR)*
- DSO vs. payment terms
- Error rate
- Cycle time improvement
- *Total FTE Costs*
- Costs/ employee
- Cost as % of expenses, % of revenue
- Number of transactions per Employee

Control Measures

- Satisfactory audits
- Satisfactory management ratings

Strategy/Innovation

- Survey results
- Ideas implemented
- % breakdown of payment types

Closing Comments

- Clear benefit to collections and credit management through centralized receivables
- Continued focus on technology and process improvement – in the US and abroad
- Continued adoption of new receivables' tools
- Key metrics are key to receivables management



American Axle &
Manufacturing



Hyatt Hotels
Corporation



Ryder System Inc

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