



treasurytoday

Exclusive Adam Smith Webinar

WYNDHAM
WORLDWIDE



Frank Sassano
Snr. Director –
Treasury Operations
Wyndham Worldwide Corp.



Mike Cassidy
Treasury Director,
In-house Banking/EMEAI
Wyndham Worldwide Corp.

Facilitator:



Richard Parkinson
Managing Director
Treasury Today

WYNDHAM WORLDWIDE







International Treasury Transformation Overview

Frank Sassano
Snr. Director – Treasury Operations
Wyndham Worldwide Corp.

Mike Cassidy
Treasury Director, In-house Banking/EMEA
Wyndham Worldwide Corp.

April 15th, 2015

<i>Section</i>	<i>Page #</i>
Wyndham Worldwide Corporation: Company Overview	3
Pre-Transformation Challenges	5
Future State Objectives	6
In-House Bank Capabilities	7
Global Cash Pooling	8
Intercompany Netting & Settlements	10
FX Risk Management	11
Implementation Plan & Considerations	13
Summary of Benefits Realized	14
Key Take-Aways and Lessons Learned	15
Q&A	16

Business Segment	Market Position Worldwide	% of 2014 Adjusted EBITDA	Major Brands Include
<p data-bbox="189 401 357 429">Hotel Group</p> 	<p data-bbox="666 434 716 462">#1</p> <p data-bbox="581 491 801 558">Hotel franchisor by hotels</p>	<p data-bbox="1051 486 1132 515">25%</p>	
<p data-bbox="142 733 407 762">Exchange & Rentals</p> 	<p data-bbox="666 752 716 781">#1</p> <p data-bbox="556 809 826 919">Timeshare exchange and rental company</p>	<p data-bbox="1051 819 1132 848">25%</p>	
<p data-bbox="137 1066 413 1095">Vacation Ownership</p> 	<p data-bbox="666 1099 716 1128">#1</p> <p data-bbox="620 1156 761 1223">Timeshare developer</p>	<p data-bbox="1051 1152 1132 1180">50%</p>	

Corporate Treasury Centers



Parsippany, NJ
Treasury Operations
Securitization & Risk Management
14 employees



London, UK
In-house Banking & EMEAI
Treasury
3 employees



Montevideo, Uruguay
Latam & Asia Treasury
5 employees

Key Finance Offices



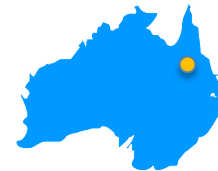
**Las Vegas
USA**



**Mexico City
Mexico**



Singapore



**Queensland
Australia**

3 Treasury Centers
& Key Finance Offices

22 Relationship Banks
(15 with cash mgt)

1,100 Bank Accounts
across 90 Banks

80-90% International vs.
Domestic Cash

- ❑ Wyndham's international treasury operations were not optimized or integrated since spin-off from Cendant
- ❑ Cash structure provided limited visibility and access to overseas liquidity
 - Bi-weekly liquidity visibility to 6 – 8 Wyndham's foreign legal entities and with limited or no automation
 - Inability to deploy available cash balances across pool participants
- ❑ Tax structure challenges relative to substance requirements
- ❑ FX risk management practices were fragmented, non-automated, and not transparent, resulting in greater cost and increased systemic risk to Wyndham
 - Exposure gathering and tracking systems and accounting processes were not standardized or robust, resulting in operational inefficiencies and unexpected P&L volatility
 - Performance reporting was non-existent
- ❑ Lack of consistent intercompany netting/settlement processes resulted in
 - Ad-hoc decisions to net and settle payables, lacking a structured approach
 - Significantly manual record keeping, introducing risk of errors
 - Higher volume of FX transactions for settling intercompany payables and receivables

Key objectives of the international treasury transformation initiative included:

- ❑ Optimization of cash balances across Wyndham's global entities
- ❑ Creation of IHB structure to focus on optimization and integration of Wyndham's international treasury operations inclusive of cash management, netting and FX processes
- ❑ Centralization, standardization and automation of FX exposure gathering and transaction execution processes to enhance the level of control and reduce risk to the Company
 - Generate cost efficiencies in FX transaction execution through minimizing number of external transactions
 - Implement regular FX hedge program performance reporting through FX Scorecard.
- ❑ Automation and streamlining of intercompany netting and settlement processes to generate operational efficiencies and enhance level of control
- ❑ Leveraging Treasury technology to enhance visibility and control and streamline workflow

In-house Bank Capabilities

Capabilities provided by an IHB structure were identified to help Wyndham achieve many of the future state objectives outlined above

Continuous Improvement

Phase 1 Global Cash Pooling	Phase 2 Centralized FX	Phase 3 Global Netting	Payments Factory <i>(Out of Scope)</i>	Collections Factory <i>(Out of Scope)</i>
<ul style="list-style-type: none"> Improved visibility and enhanced control over cash Reduced resources required for FX management and execution if multi-currency notional pool is used Efficiencies gained as a result of ability to manage liquidity centrally and leveraging TMS. 	<ul style="list-style-type: none"> Improved efficiency in risk mitigation due to centralization Lower transaction costs due to reduced volume of transactions Lower costs of compliance Improved management and exposure reporting 	<ul style="list-style-type: none"> Reduction in banking fees and FX cost as the result of fewer transactions Automated accounting eliminates manual processes Increased efficiency through automated Intercompany process Increased control of intercompany processes and reduction of LT risk 	<ul style="list-style-type: none"> Consolidated payments to global vendors, enabling lower bank fees Lower idle cash as only the Payment Factory needs to keep Liquidity Single bank payments file and STP from payment to accounting and bank reconciliation 	<ul style="list-style-type: none"> Centralized cash receipts and application, netting of 3rd party payments and receipts Lower idle cash as only the Collections Factory receives receipts Straight-through-processing (STP) from invoicing to cash receipt

In-House Bank (Full Service)

Approach: Implement Global Cash Pooling, Intercompany Netting and Centralized FX functions as part of IHB, replacing the IFSC structure. Payment and collections factory implementations can be considered in the future potentially aligning with shared services strategy.

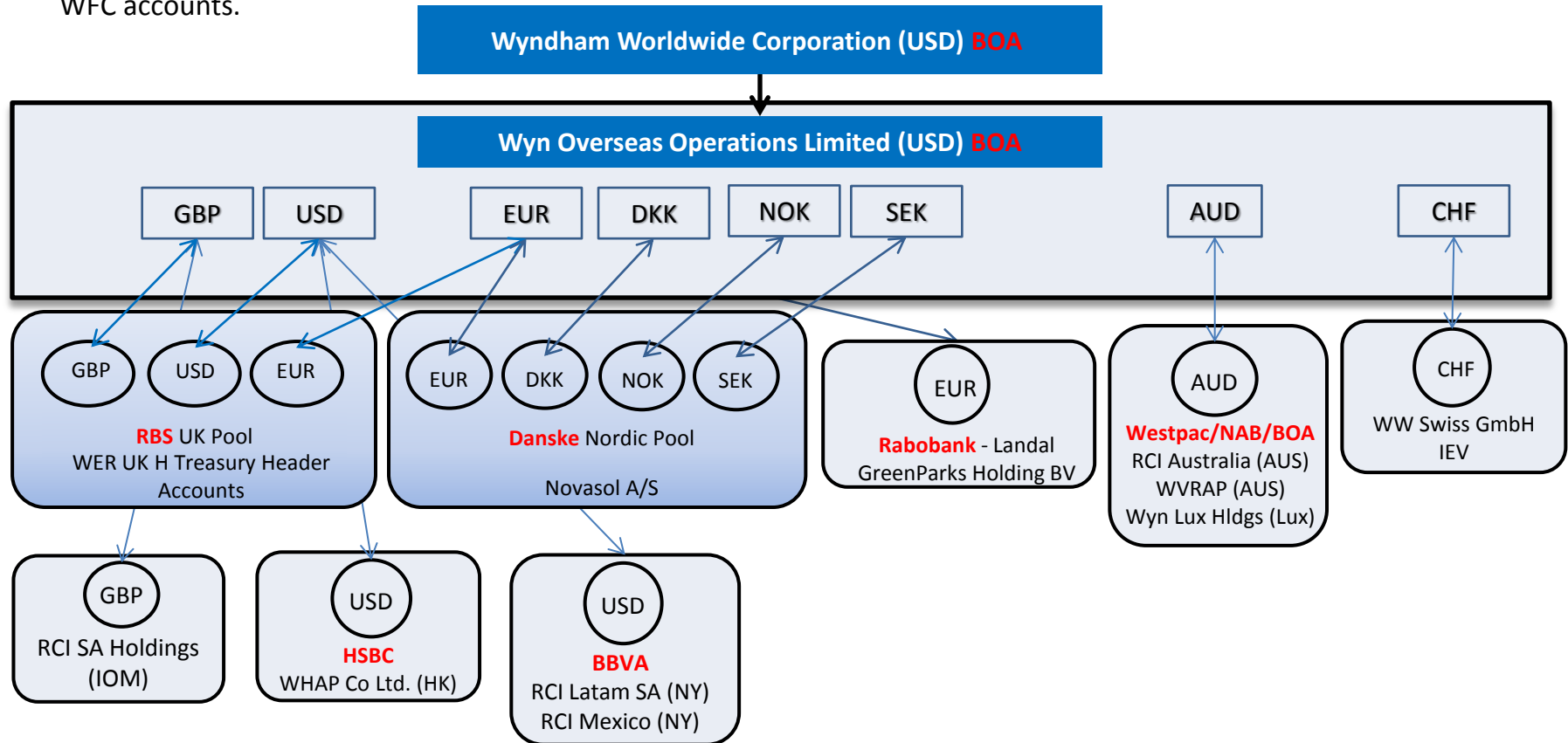
Considerations	Pre-Transformation
Liquidity Visibility	<ul style="list-style-type: none"> • Visibility to cash balances limited to only 6 - 8 entities and only twice per week through manual process • Monthly visibility only to other entities' cash balances as part of monthly reporting process
Information Flow	<ul style="list-style-type: none"> • Visibility to US legal entity balances available through Kyriba • Foreign entity process of getting visibility to cash is Excel based and manually intensive
Access to Liquidity	<ul style="list-style-type: none"> • Access to cash balances limited to only 6 - 8 entities and only twice per week through manual process • Access to other entities' cash balances is ad-hoc as part of monthly reporting process
Operating Model	<ul style="list-style-type: none"> • Hands-on and ad hoc interaction between Corporate Treasury, Regional Treasury, and Field
Overlay Structure	<ul style="list-style-type: none"> • Manual cash concentration structure

Current State
<ul style="list-style-type: none"> • Real time visibility to more entities' cash balances as part of daily Kyriba reporting process
<ul style="list-style-type: none"> • All three Treasury centers live on Kyriba • Automated through Kyriba cash module • Access to all legal entities in scope for the global cash pooling project
<ul style="list-style-type: none"> • Real time access to liquidity of the legal entities in scope for the global cash pool • Access to incremental liquidity is generating substantial annual savings as compared to Wyndham's cost of funds
<ul style="list-style-type: none"> • Enhanced operating model structure with defined responsibilities for Corporate and Regional Treasury, and legal entities supported by Corporate and Regional Treasury
<ul style="list-style-type: none"> • Single entity multi-currency notional pool

Global Cash Pooling

Overlay Structure Recommendation

- A notional pool overlay structure was identified to help Wyndham obtain a consolidated view of cash balances across all pool participants.
- Created a new IHB entity (Wyn Overseas Operations Limited, WOOL) with 32 participating entities. Currently existing underlying physical pooling structures will continue to consolidate in-country cash balances and sweep into respective WFC accounts.



Intercompany Netting and Settlements

Process Overview

The process for IC netting and settlement is designed for all entities in scope for netting*, and the netting calculation process will leverage Kyriba's Netting module. WOOL is the netting center entity.

Considerations	Pre-TT	Post-Treasury Transformation
Identification of IC Transactions to be Netted and Settled	Ad-hoc	Upload transaction data into Kyriba netting module
Netting Calculations	N/A	Performed by the netting center via Kyriba
Settlement Outputs	N/A	Participants obtain final net position via Kyriba final netting settlement reports. Kyriba provides Consolidated Netting report to feed FX trading process as well as generate wires to participants owed by the netting.
Accounting Outputs	N/A	Accounting entries provided from Kyriba GL module
Technology and Operating Model	N/A	Perform input, settlement, and accounting functions via Kyriba Netting module required to perform end-to-end netting in house



*Currently we are rolling out netting within the business.

FX Risk Management

Pre-Transformation & Current State Overview

Considerations	Pre-Transformation
Exposure Identification & Aggregation	Fragmented with lack of reliance on systems or best practices
Exposure Analytics	Limited high level exposure review prior to hedge execution
Hedge Execution	Centralized at corporate regardless of entity that has exposure with manual transaction capture into Reval
Business Visibility & Overall Governance of Risk Management Function	No monthly review of hedge strategy & policy not updated for current needs of the business
Performance Measurement and Reporting	Limited definition of policy goals and lack of routine performance reporting to key stakeholders. This is a key priority and needs to be addressed soonest (i.e. before the technology implementation)
Process Automation & Technology	No automated accounting or hedge effectiveness testing processes exist

Current State
Fireapps automated BS exposure extract from main ERP systems (Oracle R12, Peoplesoft)
Exposure analysis performed in Fireapps and Reval by Treasury Operations before hedging decisions are made*
Automated FX workflow from pre-trade input, approval, execution and settlement using Reval and FXall.
Monthly FX Scorecard review with business unit Finance teams as part of FX Risk Management Program
Redefined FX Risk Management goals and creation of monthly FX Scorecard vs. defined metrics
Automation of derivative accounting entries to Oracle ERP GL is planned for implementation late 2015.

Monthly FX Scorecard

Balance Sheet Exposure Review

Balance Sheet Exposure Scorecard: BU: **WER** As of: **3/31/2014**

Percentage Hedged	Actual 3/31 BS Exposure (FC)	BS Hedge as of 3/31 (FC)	Actual	Goal	Bands
RCI Europe - DKK	10,860,165	-6,286,735	58%	90-100%	>90%, <110%
RCI Europe - EUR	-23,306,333	24,013,262	103%	90-100%	=80-90%, =110-120%
RCI Europe - NOK	12,712,469	-12,297,218	97%	90-100%	<80%, >120%
RCI Europe - SEK	15,863,638	-14,590,249	92%	90-100%	
RCI Europe - USD	-1,342,252	1,395,441	104%	90-100%	
RCI Europe - ZAR	12,797,637	-10,405,124	81%	90-100%	
RCI US Interco - ZAR	10,713,461	-11,137,628	104%	90-100%	
RCI US Royalties - ZAR	20,622,393	-19,206,431	93%	90-100%	
RCI Brazil - USD	-4,710,583	5,463,257	116%	90-100%	
RCI Chile - USD	3,197,874	-3,097,531	97%	90-100%	
RCI Colombia - USD	2,009,343	-1,801,016	90%	90-100%	
RCI Mexico - USD	11,203,926	-11,182,072	100%	90-100%	
RCI Uruguay - UYU	-41,118,133	40,679,445	99%	90-100%	
WWC (Novasol) - SEK	-136,145,071	137,035,290	101%	90-100%	
Novasol - GBP	8,009,618	-6,961,232	87%	90-100%	

Metric: % Cover – FX Policy Compliance

P&L Impact	Impact on Underlying Exposure (LC)	Impact on Hedge (LC)	Net Impact % of Unhedged	Net Impact	Bands
RCI Europe - DKK	£1,478	-£626	42%	£852	>90%, <110%
RCI Europe - EUR	-£51,036	£60,677	119%	£9,640	=80-90%, =110-120%
RCI Europe - NOK	£9,193	-£8,662	94%	£532	<80%, >120%
RCI Europe - SEK	-£6,713	£8,427	126%	£1,715	
RCI Europe - USD	-£4,151	£2,463	59%	-£1,688	
RCI Europe - ZAR	£15,187	-£14,879	98%	£308	
	-£36,042	£47,401		£11,358	

Hedge Cost - (Loss)/Gain	Full Year Hedge Cost - Budget (USD)	YTD Hedge Cost - Budget (USD)	YTD Hedge Cost - Actual (USD)	Variance (USD)
RCI Europe - DKK	\$ 7,032	\$ 1,758	\$ 1,621	\$ (137)
RCI Europe - EUR	\$ (182,942)	\$ (45,735)	\$ (27,503)	\$ 18,232
RCI Europe - NOK	\$ (14,178)	\$ (3,545)	\$ (5,040)	\$ (1,495)
RCI Europe - SEK	\$ (10,391)	\$ (2,598)	\$ (2,064)	\$ 534
RCI Europe - USD	\$ (4,100)	\$ (1,025)	\$ (1,138)	\$ (113)
RCI Europe - ZAR	\$ (50,061)	\$ (12,515)	\$ (12,776)	\$ (261)
RCI US Interco - ZAR	\$ (89,783)	\$ (22,446)	\$ (14,989)	\$ 7,456
RCI US Royalties - ZAR	\$ (67,455)	\$ (16,864)	\$ (21,318)	\$ (4,454)
RCI Brazil - USD	\$ (221,351)	\$ (55,338)	\$ (104,709)	\$ (49,371)
RCI Chile - USD	\$ 107,319	\$ 26,830	\$ 9,522	\$ (17,307)
RCI Colombia - USD	\$ 33,401	\$ 8,350	\$ (1,567)	\$ (9,918)
RCI Mexico - USD	\$ 619,874	\$ 154,969	\$ 56,818	\$ (98,150)
RCI Uruguay - UYU	\$ 29,363	\$ 7,341	\$ 8,890	\$ 1,550
WWC (Novasol) - SEK	\$ 241,151.79	\$ 60,288	\$ 56,715	\$ (3,573)
Novasol - GBP	\$ (4,293.00)	\$ (1,073)	\$ (11,545)	\$ (10,472)
Total	\$ 393,587	\$ 98,397	\$ (69,083)	\$ (167,480)

Metric: Hedge Cost v. Budget – Hedge Efficiency

RCI US Interco	\$ 21,952	\$ (21,264)	97%	\$ 689
RCI US Royalties	\$ 37,856	\$ (37,864)	100%	\$ (8)
RCI Brazil	\$ 155,721	\$ (178,362)	115%	\$ (22,641)
RCI Chile	\$ (53,112)	\$ 56,690	107%	\$ 3,578
RCI Colombia	\$ (66,875)	\$ 70,145	105%	\$ 3,270
RCI Mexico	\$ (155,951)	\$ 163,546	105%	\$ 7,595
RCI Uruguay	\$ 5,588	\$ (29,806)	533%	\$ (24,218)
WWC (Novasol) - SEK	\$ 146,008	\$ (153,050)	105%	\$ (7,042)
Novasol - GBP	\$ (28,425)	\$ (6,194)	-22%	\$ (34,620)
	\$ 91,187	\$ (129,965)		\$ (38,778)

Metric: % Offset – Hedge Effectiveness

Wyndham Worldwide Corporation's International Treasury Transformation has been successful due to a disciplined implementation approach that brought together cross-functional internal and external resources that executed the project under a strong governance structure

Resources:

- Internal: Treasury, IT, Accounting, Tax, Legal, PMO, Lean Six Sigma Master Black Belt and Internal Audit
- External: Banks, Vendors (Fireapps, Reval & Kyriba), Advisor (Deloitte & Touche Treasury Advisory)

Project Governance:

- Capital Approval Request, Project Charter, Business Case
- Lean Six Sigma Steering Committee Tollgate Reviews

Budget:

- Capitalized expenses: external and internal design & development hours
- Operating expenses: incremental Reval module & Fireapps, FXAll subscription fees net of Treasury outsource and retired system savings
- Hardware: One virtual server (Reval/Fxall connector)

Key benefits realized to date from phases 1 & 2 of the implementations include:

Phase 1 – New IHB and Cash Overlay Structure:

- **Cost Savings:** \$1.03M FX hedge cost p.a., net \$580K interest savings = \$1.6M total uplift.
- **Productivity Gains:** Cost of additional EMEAI Treasury Analyst more than offset by Operating Expense savings from eliminating prior IHB outsource Treasury admin fees.
- **Process Efficiencies:** Dynamic daily liquidity “pull” solution replaces twice weekly “push” system.
- **Yield Enhancement:** New cash overlay released 10M of previously untapped liquidity, and working with Corporate Tax developed further means to access quarter end excess liquidity.

Phase 2 – FX Risk Management Process Redesign:

- **Cost Savings:** FX Scorecard feedback loop and Fireapps implementation exposure reviews resulted in finding unhedged and incorrect exposures, thus reducing P/L volatility.
- **Productivity Gains:** Targeted 25% reduction in time spent on transaction processing, elimination of IHB outsourcer trades (342 p.a.), reduced monthly accounting and reporting burden.
- **Process Efficiencies:** Paperless workflow from hedge input through approval, execution and settlement results in significant time savings and refocus toward analysis.

Key Take-Aways and Lessons Learned

- Adopted a Six Sigma approach with focus on transforming processes and using systems as enablers of process change
- Phased approach to manage scope and resource intensity – implementation would be too intensive without phasing (and sub-phasing) into logical “chunks”.
- Buy-in from international and business units is critical; participation from dependent functional teams is mandatory (e.g. IT, Finance and Accounting).
- Tone at the top – Upfront approval and ongoing involvement from cross-functional executive team (Six Sigma Steering Committee).
- Require detailed SOW up front from every vendor.
- SaaS low IT intensity, however, regular upgrades sometimes create uncertainty in the process. Watch out for vendors who upgrade frequently, results in increased “freeze” periods.
- Require SaaS vendors to supply a test environments to avoid testing in production.
- Test, test and re-test! Several iterations of our straight through processing connectivity.
- Check bilateral agreements and feeder bank SWIFT capabilities up front – every bank is different
- If using part-time internal project resources, be prepared for longer roll-out timelines.
- Utilize and leverage internal PMO’s if available.
- Allow for extra time in your plan for vendor negotiations and bank documentation (KYC’s).



treasurytoday Question Time

WYNDHAM
WORLDWIDE



Frank Sassano
Snr. Director –
Treasury Operations
Wyndham Worldwide Corp.



Mike Cassidy
Treasury Director,
In-house Banking/EMEAI
Wyndham Worldwide Corp.

Facilitator:



Richard Parkinson
Managing Director
Treasury Today