Uncovering the Future of Treasury

Energy, Power, Renewables, Metals & Mining

Foreword

In a time of conflicting perspectives, transformative disruption and several macroeconomic variables, how do you find solid ground to build your treasury strategy? Identifying the treasurers' north star can be difficult, and recent volatility in the energy sector makes it doubly so. How can you leverage a deeper understanding of industry practice to deliver an effective treasury and cash management strategy?

We have refreshed our inaugural analysis of treasury practices with the objective of uncovering the simple truth of where the energy industry sits today on core, practical treasury topics. Using J.P. Morgan's in-depth understanding of the treasury ecosystem, this analysis of 160 global energy, power, renewables, metals & mining (EPRM) clients sets the scene in a landscape where many treasurers are managing various stakeholder pressures. Beyond the numbers, what is the real impact for corporate treasury?

We have identified 5 core trends from this treasury analysis:

1. Implementation of **in-house bank** structures across our client base remains strong, with close to a quarter using such setups. However, significant differences exist across regions, with over 40% of clients having adopted this structure in EMEA, while LATAM has an adoption rate well below 10%. Many ongoing projects across our EPRM clients—driven by the continued need to enhance working capital through efficient cash mobilization—should result in an increase of this metric in the years to come.

2. Connected to the pursuit of yield and efficiency, **cash concentration** remains high, with close to two-thirds of clients leveraging this structure. Although we clearly see a focus on mobilizing own-cash as the cheapest source of funding in a time of high interest rates and volatility, the limited evolution of cash concentration metrics since 2021 is driven by the perceived or actual challenges of setting up automated structures in both LATAM and selected APAC countries.

3. Adoption of **virtual account** structures—allowing for immediate instead of overnight consolidation of cash—is slowly ramping up, with EMEA clients leading the charge (17% adoption). This drive is at least partially to be explained by the lack of regulatory challenges in EMEA, that allow for the implementation of this native On-Behalf-Of model, while clients in APAC and LATAM face more complexity to create this structure. Across EPRM, Virtual Accounts have seen most traction with energy clients (16% share) while power & renewables and metals & mining uptake remains in the single digits for now.

4. When it comes to **Trade Finance**, we notice Supply Chain Finance adoption has risen in all four regions, with a 10% increase in global adoption. This trend highlights the strengthened need to support the local and regional ecosystem through enhanced supplier relationships in a time of volatility and political uncertainty. The most significant increase we have seen is in LATAM, where it appears that 7 out of 10 clients globally use a Supply Chain Finance solution.

5. Finally, with regards to **treasury technology**, SAP remains the number one ERP across our client base, with 77% using the German solution. With the 2027 deadline for all legacy ECC6 users to migrate to S/4HANA approaching, the market is now feeling the urgency to take action. In light of this transition, clients can opt to de-risk by leveraging tools from their banking and business partners.

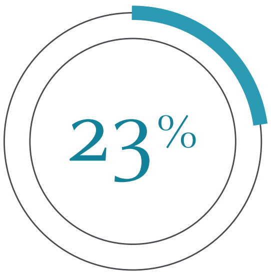
We don't believe treasury functions that are serious about change can do so in isolation – they need to evolve by optimizing their banking relationships. It’s a collaboration. This research is a guide to help navigate the challenges that are with us today, and in the years to come.

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.

EPRM INDUSTRY TREASURY ANALYSIS

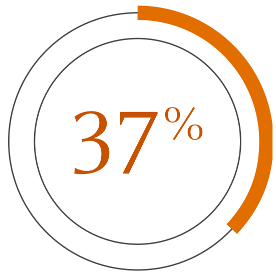
Global Results

A focus on driving liquidity and operational efficiencies



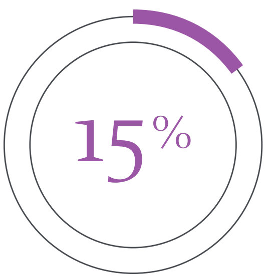
In-House Bank

23% of J.P. Morgan's EPRM clients leverage an in-house bank. The vast majority of these structures consist of nominated entities, allowing for efficient consolidation and recycling of group-wide cash.



Shared Service Center

Over a third of EPRM clients use a shared service center, either regional or global. Most of these perform payables, receivables or reconciliation duties, sometimes expanding into HR, IT, Legal, etc.



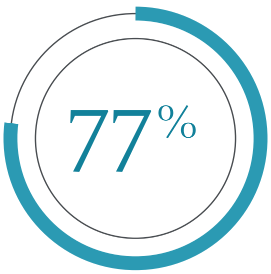
On-Behalf-Of

15% of clients analyzed have adopted on-behalf-of ("OBO") processing. Most of these OBO structures are focused on payables and supported by a payment factory. Collections on-behalf-of are still lagging behind, but recent technology advancements – including Virtual Accounts – are upping the game.

> *"Clients across the sector have an opportunity to leapfrog to the latest strategies in Treasury. This will allow them to maximize daily effort, prepare for change and enable ongoing growth of the business. They should review their Treasury setup and their approach to working capital to ensure they are fit to face an evolving future."*

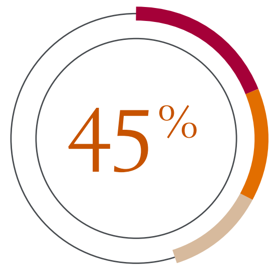
Tristan Attenborough, Managing Director
J.P. Morgan Payments

Strengthening the foundation to enable real-time treasury



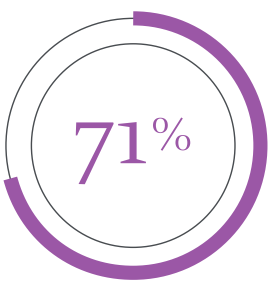
Enterprise Resource Planning (ERP)

SAP clearly dominates the EPRM world, with 77% of clients operating this ERP. For now, only a limited proportion of clients have transitioned to S/4HANA given the resource-intensive nature of this upgrade. But as the migration deadline approaches, we anticipate a potential bottleneck effect.



Treasury Management System (TMS)

In contrast to the ERP landscape, there is no clear #1 for TMS. Setups including SAP (19%), Kyriba (14%) and FIS (12%) lead the industry and together comprise 45% of TMS configurations across our client base.



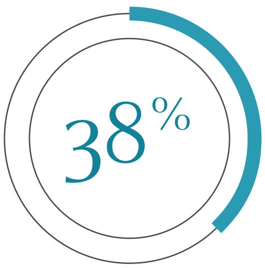
Connectivity

The EPRM industry's connectivity of choice is dominated by host-to-host as a primary channel, highlighted by its proficiency for corporates with a close pool of banking partners and typically high transaction volumes. Swift, however, remains the "preferred route" for large value, urgent transactions.

> *"Treasury is still working through the perennial challenges of optimizing end-to-end liquidity management. Banks, in partnership with ERP and TMS vendors, are striving to provide next-gen solutions including real-time capabilities to corporates, helping them navigate these challenges."*

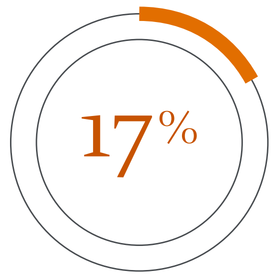
Jerome Brun, Executive Director
J.P. Morgan Payments

Increased focus on working capital optimization



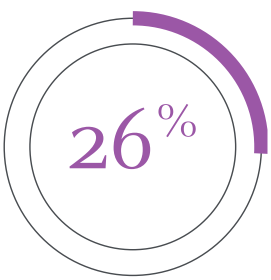
Supply Chain Finance (SCF)

Increasing focus on working capital optimization – highlighted by the volatile energy and commodity markets – is leading to significant expansion of Trade Finance tools. SCF is gaining traction with nearly 40% of EPRM clients leveraging this solution to support suppliers and secure sourcing at a time of global economic volatility.



Virtual Cards

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



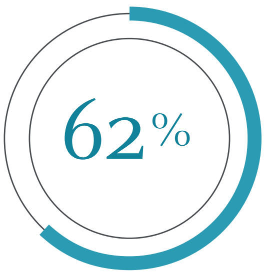
Sales Finance

At the other end of the spectrum, we see adoption of sales finance solutions reaching 26% of J.P. Morgan's EPRM clients. Off-balance sheet treatment and scalability make sales finance a compelling solution to companies witnessing rapid balance sheet growth fueled by both increasing volumes and rising commodities prices.

> *"The tide is changing. Trade Finance solutions are needed more than ever to help manage the working capital constraints brought on by market volatility."*

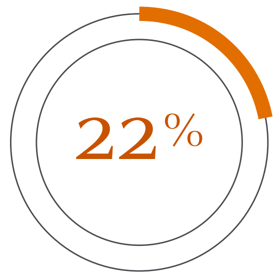
Alastair Northway, Executive Director
J.P. Morgan Payments

Turning cash into a truly liquid asset



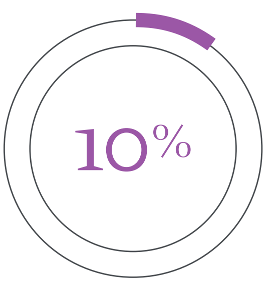
Physical Cash Concentration

EPRM clients are focused on mobilizing their own cash as their cheapest source of funding. As a result, over 60% of clients globally have already adopted automated Physical Cash Concentration. However, significant regional differences exist; clients in LATAM and selected regulated APAC markets are lagging behind due to a more complex regulatory environment.



Notional Pooling

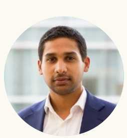
22% of J.P. Morgan's EPRM clients are leveraging Notional Pooling structures to efficiently manage the trade-off between FX for funding vs. strategic FX execution and thereby optimize transactional expenses.



Virtual Accounts

While only 10% of clients already use Virtual Accounts for payables and/or receivables, adoption is on the rise with many more clients under implementation stage. In the context of a liquidity setup, Virtual Accounts allow for immediate consolidation and usability of cash into the "header" account, helping ensure group cash is recycled efficiently.

> *"While traditional liquidity management techniques remain in use, innovative solutions enable treasurers to transform their setup into a real-time business function."*



Alex Eclapier, Executive Director
J.P. Morgan Payments

EPRM INDUSTRY TREASURY ANALYSIS

Regional Results

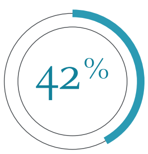
Assessing your treasury setup and processes against J.P. Morgan's EPRM clients headquartered in Europe, Middle East & Africa

> *"EMEA is at the epicenter of geopolitical developments and the energy dilemma. A future-proof treasury enables growth, stability and safety for EPRM corporates."*

Suela Rossberg, Executive Director
J.P. Morgan Payments

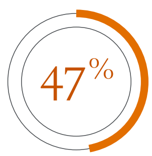
Key indicators across J.P. Morgan's EPRM clients in EMEA

Treasury Landscape



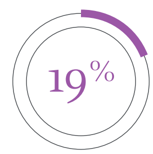
In-House Bank

EMEA is a leader of in-house bank adoption with over 40% of EMEA clients using this cash optimization setup.



Shared Service Center

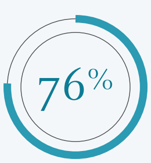
Nearly half of EMEA clients use a shared service center, primarily focused on financial functions (AP, AR and reconciliation).



On-Behalf-Of

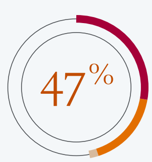
Close to a fifth of clients have adopted on-behalf-of processing, mostly focused on payables management.

Technology Setup



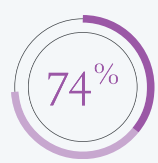
Enterprise Resource Planning

SAP clearly dominates the region, with over three quarters of clients using this technology as an ERP.



Treasury Management System

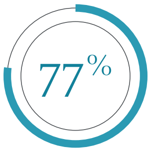
FIS (28%) is leader of TMS setups in EMEA, while SAP (17%) and Kyriba (2%) come 2nd and 3rd respectively.



Connectivity

Standalone host-to-host, or in conjunction with Swift, is the primary connectivity channel in EMEA - accounting for 37% each

Liquidity Management

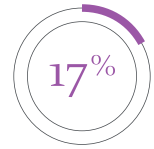


Physical Cash Concentration

EMEA clients show the highest level of automated cash concentration across regions, with over 75% adoption rate.

Notional Pooling

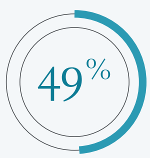
A quarter of EMEA clients are leveraging Notional Pooling to manage FX for funding vs. strategic FX execution.



Virtual Accounts

Early adoption of Virtual Accounts across EMEA clients, with 17% already enjoying the benefits of real-time liquidity.

Trade Finance

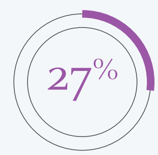


Supply Chain Finance

Increasing focus on working capital optimization in EMEA leads to significant expansion of Supply Chain Finance.

Virtual Cards

Virtual Cards have low penetration in EMEA; this product is largely reserved for clients with meaningful U.S. presence.



Sales Finance

Off-balance sheet treatment & scalability make sales finance a compelling solution for EMEA clients.

Assessing your treasury setup and processes against J.P. Morgan's EPRM clients headquartered in North America

> *"North American EPRM corporates have entered a period defined by two trends: firstly, technology infrastructure enabling innovation, and secondly, a deep dive into working capital solutions to optimize balance sheets."*

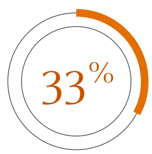
Alex Rea, Managing Director
J.P. Morgan Payments

Key indicators across J.P. Morgan's EPRM clients in North America

Treasury Landscape

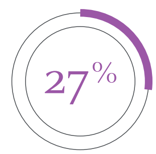
In-House Bank

We see growing adoption of in-house banks in North America, with 18% of clients already active with this structure.



Shared Service Center

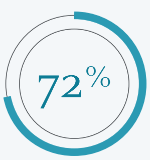
1 out of 3 EPRM clients in North America use a shared service center, either regional or global.



On-Behalf-Of

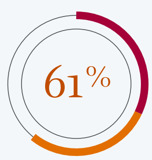
North American clients lead on-behalf-of adoption, helped by a favorable regulatory environment.

Technology Setup



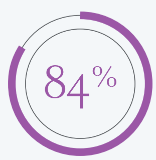
Enterprise Resource Planning

SAP dominates the North America EPRM world with over 70% market share; Oracle is a distant second place.



Treasury Management System

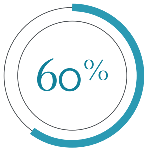
Kyriba (32%) leads TMS penetration in North America, with SAP (29%) in second place.



Connectivity

Host-to-host is the most common connectivity channel in North America, with 84% of clients opting for this method.

Liquidity Management

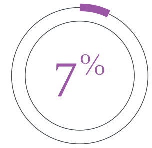


Physical Cash Concentration

We see a high adoption rate for Physical Cash Concentration in North America, facilitated by the USD centricity of the Energy industry globally.

Notional Pooling

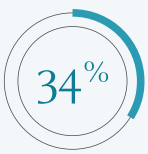
North American clients are increasingly using Notional Pooling, with structures located in EMEA or APAC given restrictions in the U.S.



Virtual Accounts

7% of clients already use Virtual Accounts, with adoption on the rise and many more in the implementation stage.

Trade Finance

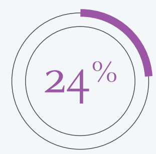


Supply Chain Finance

North America has seen significant expansion of Supply Chain Finance, although still lagging EMEA & LATAM.

Virtual Cards

Virtual Cards are prevalent as a complement to SCF solutions for tail-end expenses, especially in the U.S.



Sales Finance

Off-balance sheet treatment & scalability make sales finance a compelling solution for North American EPRM clients.

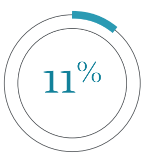
Assessing your treasury setup and processes against J.P. Morgan's EPRM clients headquartered in Asia-Pacific

> *"Virtualization and API adoption continue to be top of mind for treasurers in APAC, enabling them access to real-time insights and liquidity on demand."*

Sanath Shetty, Executive Director
J.P. Morgan Payments

Key indicators across J.P. Morgan's EPRM Clients in APAC

Treasury Landscape

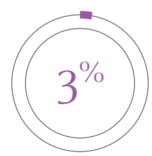


In-House Bank

We observe low adoption of in-house banks in APAC, explained by restrictions on cash mobilization in selected markets.

Shared Service Center

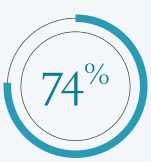
Only 14% of APAC clients have a shared service center, with a focus on AP, AR and reconciliation.



On-Behalf-Of

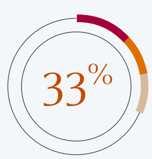
Given regional complexities, only 3% of APAC clients analyzed have adopted on-behalf-of processing.

Technology Setup



Enterprise Resource Planning

SAP clearly dominates the APAC EPRM world, with nearly three quarters of clients using this platform.



Treasury Management System

Kyriba (15%) leads the TMS market in APAC, with SAP & FIS in second place with 9% share each. Self-developed tools remain popular in APAC.

Connectivity

Host-to-host is the most common primary connectivity channel in APAC, with 94% of clients selecting this method.

Liquidity Management

62%

Physical Cash Concentration

Significant level of cash concentration across APAC clients, driven by the need to efficiently mobilize internal cash.

29%

Notional Pooling

Diverse currency mix within the region pushes APAC clients to adopt Notional Pooling solutions.

8%

Virtual Accounts

8% of APAC clients currently use Virtual Accounts, primarily across the least restricted APAC markets.

Trade Finance

14%

Supply Chain Finance

APAC has seen low uptake of Supply Chain Finance so far although we believe this will likely evolve over time.

0%

Virtual Cards

Virtual Cards have not gained traction across APAC clients.

19%

Sales Finance

Off-balance sheet treatment & scalability make sales finance a compelling solution for APAC clients although penetration lags EMEA and North America.

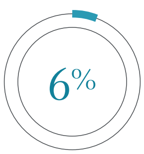
Assessing your treasury setup and processes against J.P. Morgan's EPRM clients headquartered in Latin America

> *"Integrated working capital solutions, alongside real-time treasury information, cash visibility and control, continue to be key as we help companies navigate volatility in Latin American economies."*

Fernanda Salerno, Executive Director
J.P. Morgan Payments

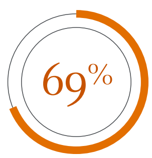
Key indicators across J.P. Morgan's EPRM Clients in LATAM

Treasury Landscape



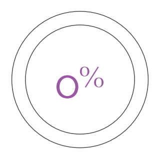
In-House Bank

Cash mobilization restrictions across the region result in low in-house bank adoption in LATAM.



Shared Service Center

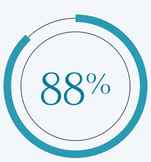
With over two thirds of LATAM clients using a shared service center, such structures are important enablers of treasury efficiency.



On-Behalf-Of

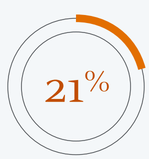
No LATAM client analyzed has thus far adopted on-behalf-of processing, primarily due to selected restrictions in intercompany lending.

Technology Setup



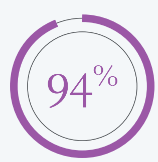
Enterprise Resource Planning

SAP clearly dominates the LATAM EPRM world, with nearly 90% of clients using this ERP technology.



Treasury Management System

SAP (21%) also leads the market for TMS in LATAM; however, most clients have opted to operate without one.



Connectivity

Host-to-host is by far the most common primary connectivity channel in LATAM, with 94% share.

Liquidity Management

13%

Physical Cash Concentration

The complex regulatory landscape across the region results in only 13% of LATAM clients having adopted automated Physical Cash Concentration.

6%

Notional Pooling

Limited consolidation of cash results in a low adoption rate of Notional Pooling structures for LATAM clients.

0%

Virtual Accounts

No LATAM clients use Virtual Accounts today; however, adoption is being increasingly considered for offshore markets.

Trade Finance

71%

Supply Chain Finance

LATAM is the leading region for Supply Chain Finance adoption across the EPRM sector globally.

13%

Virtual Cards

Virtual Cards have low penetration in LATAM; this product is largely reserved for clients with meaningful U.S. presence.

44%

Sales Finance

Off-balance sheet treatment & scalability make sales finance a compelling solution for LATAM clients, with the highest regional penetration.

EPRM INDUSTRY TREASURY ANALYSIS

Sub-Industry Results

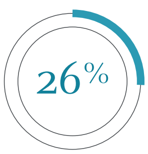
Assessing your treasury setup and processes against J.P. Morgan's energy clients

> *"As energy majors streamline their asset base and grow into the trading business, efficient and timely mobilization of cash becomes a crucial success enabler."*

Alex Baudon, Executive Director
J.P. Morgan Payments

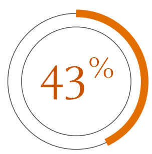
Key indicators across J.P. Morgan's clients in the energy sector

Treasury Landscape



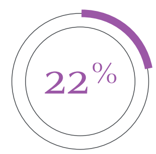
In-House Bank

With over 25% adoption, energy clients are the most active in-house bank users across the industry.



Shared Service Center

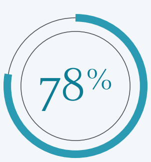
Leading the industry, 43% of energy clients have a shared service center, whose primary functions evolve around AP, AR and reconciliation.



On-Behalf-Of

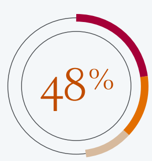
Over a fifth of energy clients analyzed have adopted on-behalf-of processing, mostly focused on payables management.

Technology Setup



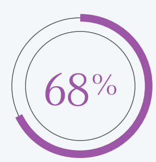
Enterprise Resource Planning-

SAP clearly dominates the energy sector, with over three quarters of clients using this ERP technology.



Treasury Management System-

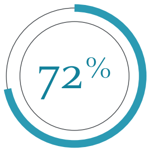
SAP equally leads in TMS (23%), although with a lower share. Kyriba (14%) and FIS (11%) come second and third.



Connectivity

Host-to-host is the most common primary connectivity channel for energy clients, with over two thirds opting for this technology.

Liquidity Management



Physical Cash Concentration

At 72% adoption, energy clients are leaders on cash concentration, driven by the heavily USD-centric nature of the business.

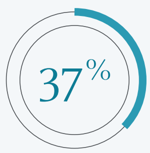
Notional Pooling

Close to a third of energy clients have streamlined currency management through the implementation of Notional Pooling structures.

Virtual Accounts

Energy clients are leaders in Virtual Account adoption, with 16% already enjoying real-time availability and usability of cash.

Trade Finance



Supply Chain Finance

SCF remains an important option for global energy clients looking to optimize working capital.

Virtual Cards

Virtual Cards are used by selected Energy clients in the U.S. as a complement to SCF solutions for tail-end expenses.

Sales Finance

Off-balance sheet treatment & scalability make sales finance a compelling solution for energy clients, with close to one third leveraging such facilities.

Assessing your treasury setup and processes against J.P. Morgan's power & renewables clients

> *"As power & renewables companies navigate the energy transition, a dynamic and responsive treasury setup is critical for responding to the evolving needs of the business."*

Fintan West, Executive Director
J.P. Morgan Payments

Key indicators across J.P. Morgan's EPRM clients in the power & renewables sector

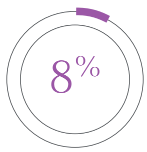
Treasury Landscape

In-House Bank

Almost at par with their energy peers, 25% of power & renewables clients enjoy the benefits of an in-house bank.

Shared Service Center

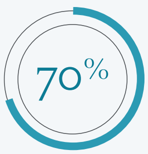
24% of power & renewables clients use a shared service center, essentially on a regional basis given the location of the business.



On-Behalf-Of

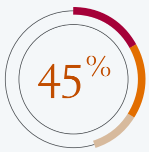
Limited uptake of on-behalf-of structures for power & renewables clients.

Technology Setup



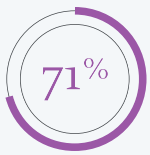
Enterprise Resource Planning

SAP clearly dominates the power & renewables world, with over two thirds of clients operating the same; Oracle is a distant second.



Treasury Management System

FIS and Kyriba equally lead in TMS, with a 17% market share each, while SAP follows in third (11%).



Connectivity

Host-to-host is the most common primary connectivity channel for power & renewables clients, with over 70% share.

Liquidity Management

50%

Physical Cash Concentration

At 50% adoption rate, automated Physical Cash Concentration for power & renewables clients still has room for growth.

12%

Notional Pooling

Limited adoption of Notional Pooling across power & renewables clients, which can be explained by the largely domestic client base.

5%

Virtual Accounts

5% of power & renewables clients already use Virtual Accounts, with adoption on the rise and many more in the implementation stage.

Trade Finance

35%

Supply Chain Finance

Power & renewables clients are growing usage of Supply Chain Finance, particularly in North America.

45%

Virtual Cards

Virtual Cards have strong uptake in the power & renewables sector driven by the U.S. market.

23%

Sales Finance

Nearly a quarter of power & renewables clients use sales finance although penetration lags behind the energy sector.

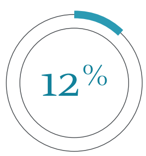
Assessing your treasury setup and processes against J.P. Morgan's metals & mining clients

> *"New treasury technologies offer metals & mining companies real-time insights, promoting a strong financial foundation that maximizes long term growth and optimal resource allocation."*

Kimberley McNeil, Executive Director
J.P. Morgan Payments

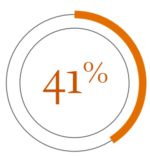
Key indicators across J.P. Morgan's EPRM clients in the metals & mining sector

Treasury Landscape



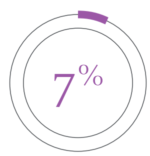
In-House Bank

With low double-digit adoption rate, metals & mining clients are lagging behind the other sub-industries.



Shared Service Center

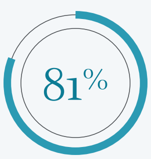
41% of metals & mining clients use a shared service center, either regional or global.



On-Behalf-Of

On-behalf-of is not a common market practice across metals & mining clients, with a 7% adoption rate only.

Technology Setup

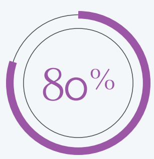


Enterprise Resource Planning

SAP clearly dominates the metals & mining sector, with over 80% of clients operating this technology for ERP.

Treasury Management System

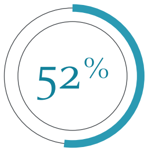
SAP (20%) equally leads in TMS for metals & mining, albeit with a lower share; followed by FIS (12%) and Kyriba (8%).



Connectivity

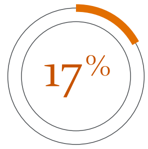
Host-to-host is the most common primary connectivity channel for metals & mining clients, with over three quarters of clients opting for this technology.

Liquidity Management



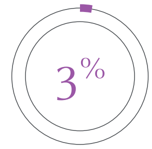
Physical Cash Concentration

Automated Physical Cash Concentration is seen to be more pronounced as client size measured in revenues increases.



Notional Pooling

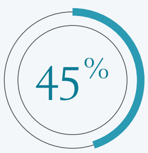
Close to a fifth of metals & mining clients have a notional pool, helping alleviate intensive manual management of multi currency cashflow.



Virtual Accounts

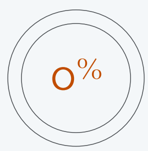
With a low adoption rate, metals & mining clients are yet to realize the benefits of future-proof liquidity management.

Trade Finance



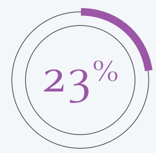
Supply Chain Finance

Metals & mining has a deeper penetration of supply chain financing than the energy sector.



Virtual Cards

Virtual Cards do not appear to be used by our global metals & mining clients.



Sales Finance

Nearly a quarter of metals & mining clients use sales finance although penetration lags behind the energy sector.

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 (ERP) – 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.

EPRM - Energy, Power, Renewables, Metals & Mining

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 subsidies, 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 (SCF) – 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 (TMS) – a software application which automates a Corporates 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.

J.P.Morgan

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Source: J.P. Morgan internal research, March – April 2024