Navigating Capital Structure:

Insights and Benchmarking From the 2024 NeuGroup Survey
(Including Industry Segment Appendices)

JOSEPH BERTRAN
SENIOR DIRECTOR, RESEARCH
Jbertran@neugroup.com

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Capital Structure Study Overview

Introduction

In today's complex landscape, corporate treasurers rely on a well-balanced capital structure to optimize financial stability and support strategic growth. Given the importance of the topic, NeuGroup partnered with **Standard Chartered** to conduct a comprehensive survey of capital structure among its membership in mid-2024. Treasury leaders from nearly **130** companies participated, addressing questions on key topics including:

- **Debt and ratings**
- **Liquidity**
- **Shareholder distributions**
- **Cost of equity**
- **Fixed/floating and foreign currency debt**

The goal of the study was to help NeuGroup members benchmark their practices against companies both within and outside of their industries. Survey questions addressed both "what" are the practices and the "why" behind them.

NeuGroup also facilitated discussion with dozens of companies that participated in the survey to delve deeper into the experiences of treasurers in navigating capital structure implementation.

Company Profile

Sector	# of companies
Technology	44
Healthcare	28
Industrials	23
Consumer	17
Media & Telecom	7
Natural Resources	5
Other	5
Total	**129**

Market Cap.	# of companies
> $100B	40
> $50B to $100B	25
> $10B to $50B	37
< $10B	27
Total	**129**

Title	# of companies
Treasurer	103
Asst. Treasurer	15
Dir. Treasury	4
Other	7
Total	**129**

Executive Summary

Key company characteristics

Talent and intellectual property emerged as the most important assets for most companies. **82%** of participants view talented people as a key attribute of their organizations. Treasurers in Healthcare and Technology also invest heavily in R&D.

Drivers of debt and liquidity

A vast majority of participants orient their debt and rating targets around financial flexibility to fund investment opportunities and to weather crises. **70%** of members indicated that maintaining excess debt capacity for potential investments and acquisitions is a key driver of their debt targets. A similar percentage indicated that crisis preparedness is the top driver of their liquidity policies.

Shareholder distributions

Most companies are paying dividends or repurchasing shares. **54%** of publicly traded firms are doing both. By far the largest driver of share repurchase policy is availability of residual cash after all other needs.

Cost of equity

As expected, there is a tendency for companies with high beta stocks to have a higher cost of equity. **80%** of companies with stock betas above 1.2 have cost of equity higher than 10%. While WACC has retreated as a driver of capital structure, financial theory continues to reign supreme when estimating the company’s cost of equity used for investment hurdle rates.

Participant Profile

Participant Profile

The study participants included a representative mix of NeuGroup members from 129 companies grouped into 7+ industries and 4 market capitalization segments. **Technology** was the top industry represented with over **34%** of participants, followed by **22%** in Healthcare.

Looking at company size, more than **30%** of participants had market caps of over $100 billion, which will be referred to as "mega-cap" throughout.

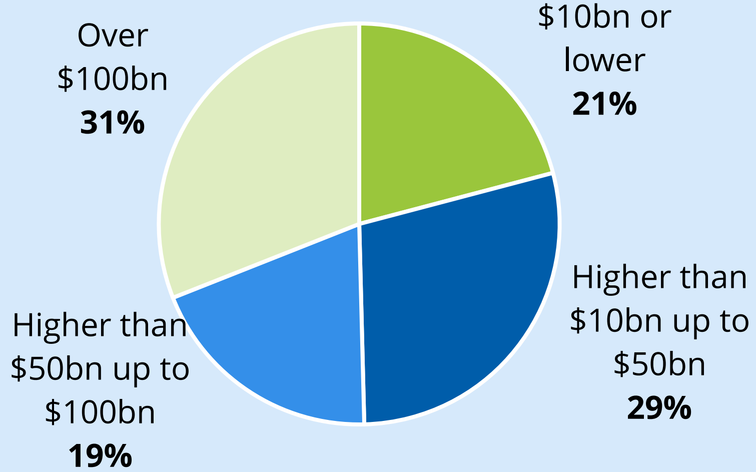
72% of firms had BBB ratings or better, with **17%** reporting that they are not rated.

More than **33%** of participants had P/E ratios greater than 25. This reflects the high number of **Technology** companies that participated.

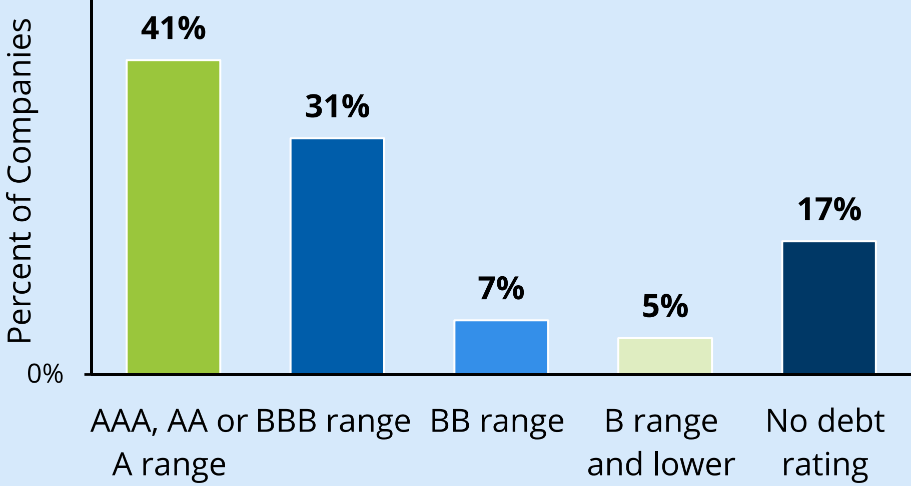
Company Sectors

Sector	% of companies
Technology	34%
Healthcare	22%
Industrials	18%
Consumer	13%
Media & Telecom	6%
Natural Resources	4%
Other	4%
Total	**N=129**

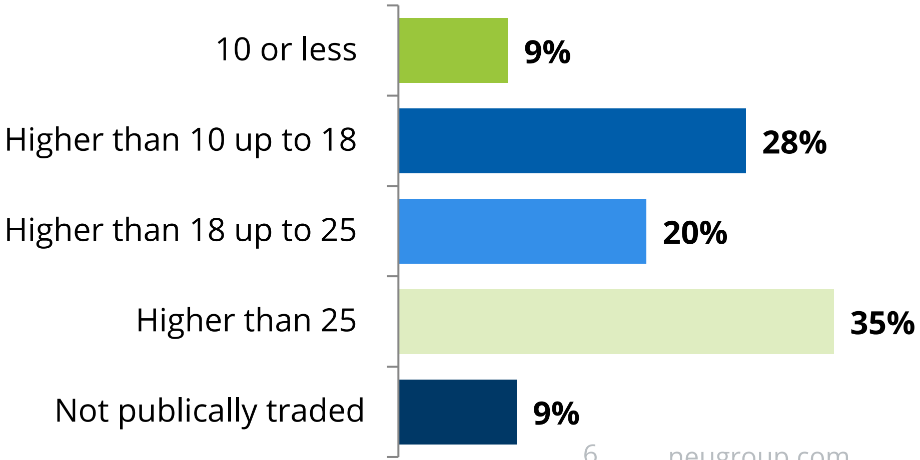
Market Capitalization (N=129)



S&P Senior Debt Rating (n=128)



P/E Ratio (n=128)



Participant Profile Continued

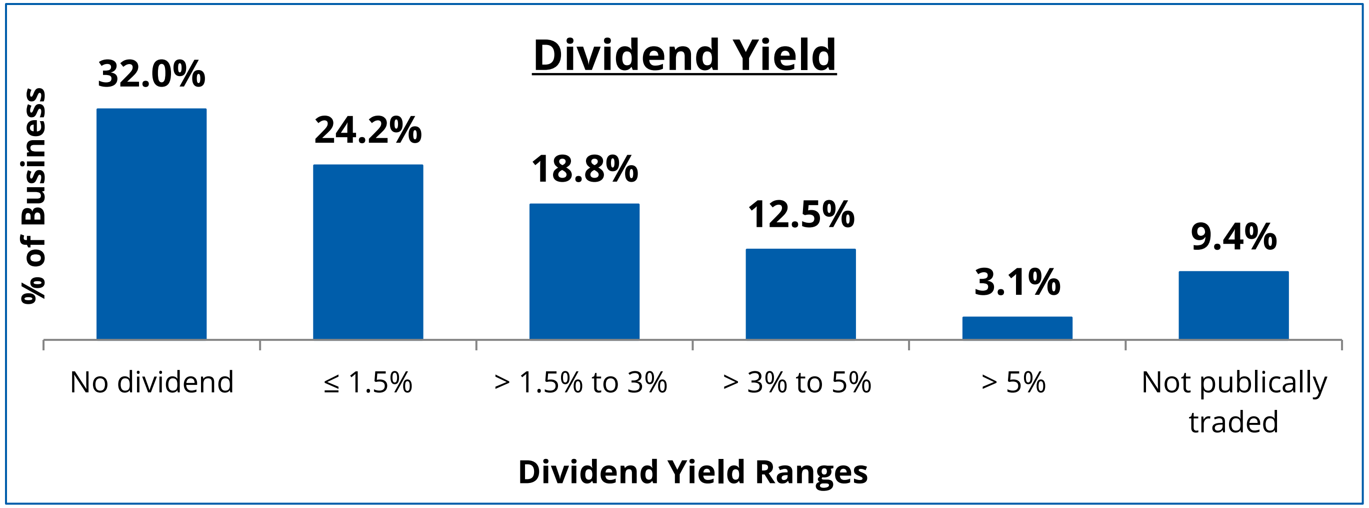
Shareholder distributions are top of mind for treasury teams.

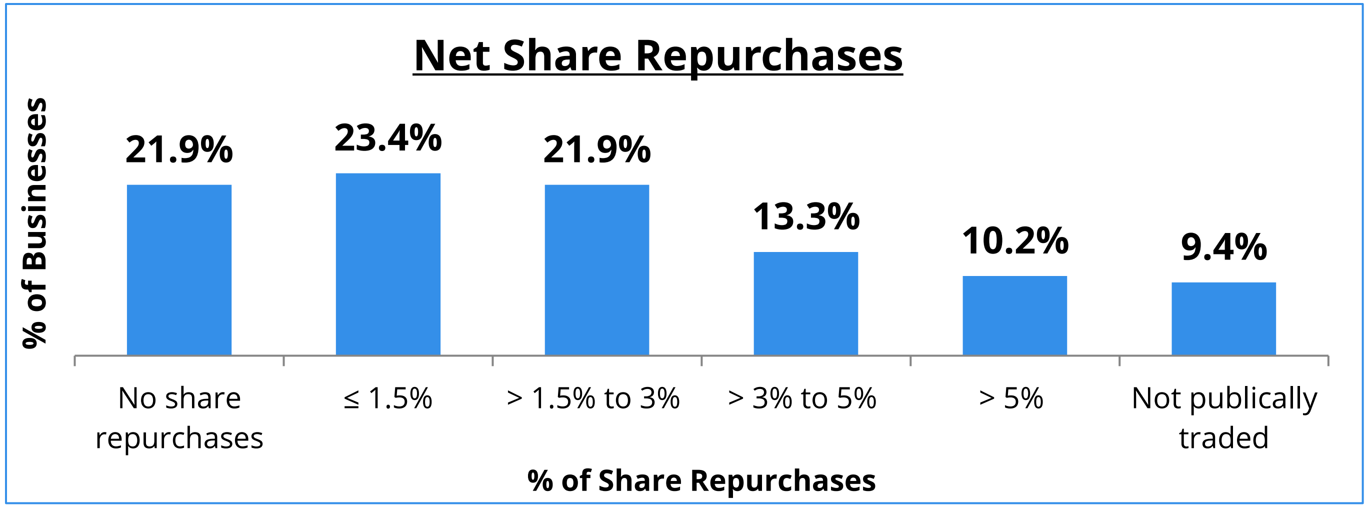
Returning capital to shareholders is a perennial topic of importance among NeuGroup members. Overall, more companies do share repurchases than dividends as a way to return capital to shareholders.

There was a rich diversity of dividend and share repurchase practices. **41%** of companies pay no dividend while **59%** pay some form of dividend.

Most companies have a share repurchase program, while **31%** either indicated that they would not repurchase shares in the current year **(22%)** or are not publicly traded **(9%)**.

15% of publicly traded companies do not pay a dividend and do not plan to repurchase shares in the current year.

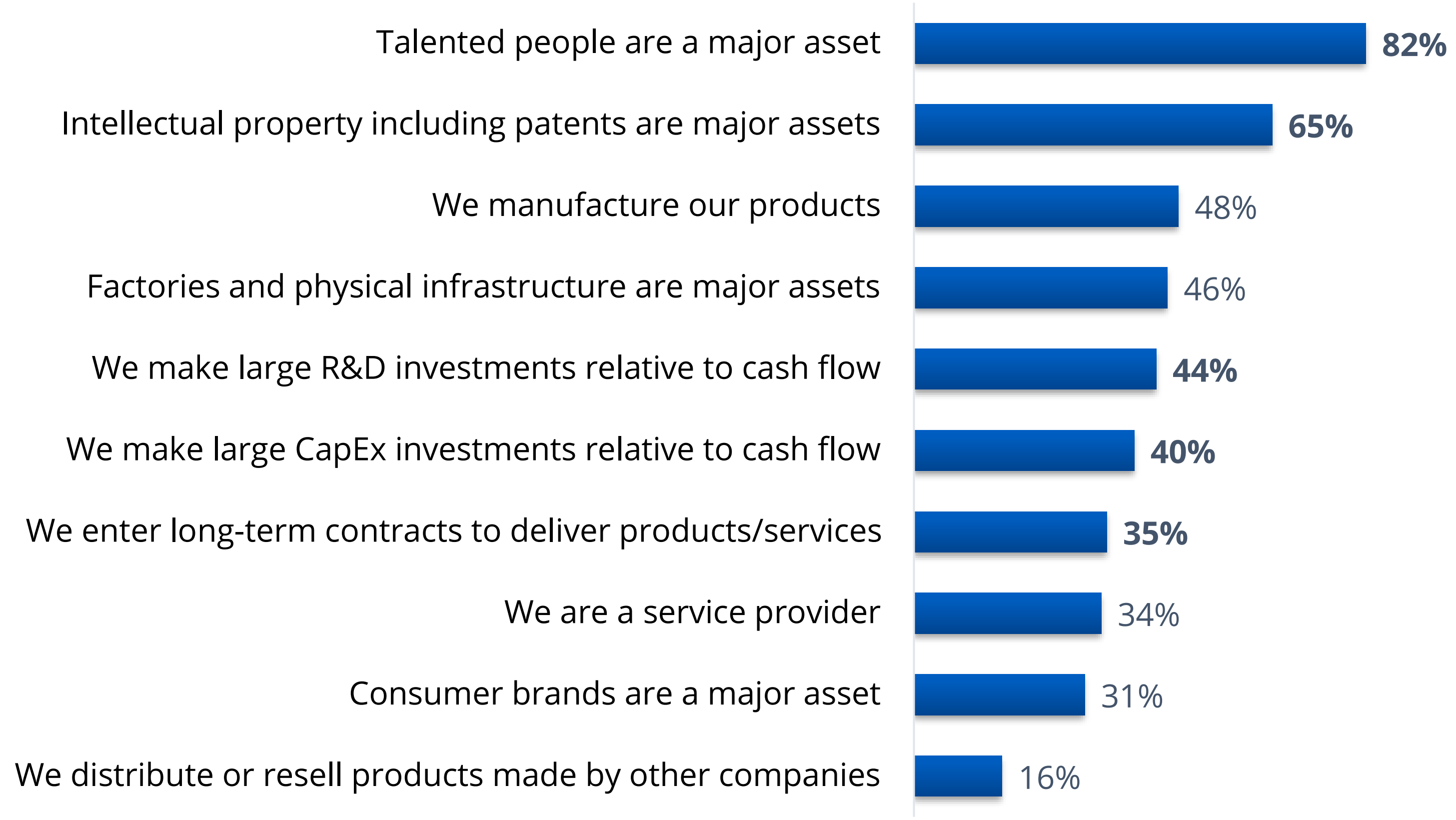




Q7: What is your company's current dividend yield? (n=129)
Q8: Roughly what percent of your company's shares are you purchasing in the current year, net of share issuances (usually employee stock plans)? (n=129)

Treasurers View Talent as the Most Important Asset

Which of the following materially describe your company?



Finding the right people is crucial for companies. Members often highlight human capital as more valuable than physical infrastructure, with soft assets like talent and intellectual property topping the list. Intellectual property was particularly important to companies with market caps of **>$100 Billion** with **81%** selecting that as a key attribute.

Not surprisingly **R&D** is important to **Technology** and **Healthcare.** Companies in these industries invest a substantial amount of cash flow into R&D. Healthcare firms also invest heavily in manufacturing with 74% selecting this as a top attribute

CapEx and long-term contracts did not rate highly overall, but did stand out among **Industrials. 64%** of them focus on CapEx. Their long-term contracts may partially explain higher credit ratings as seen later.

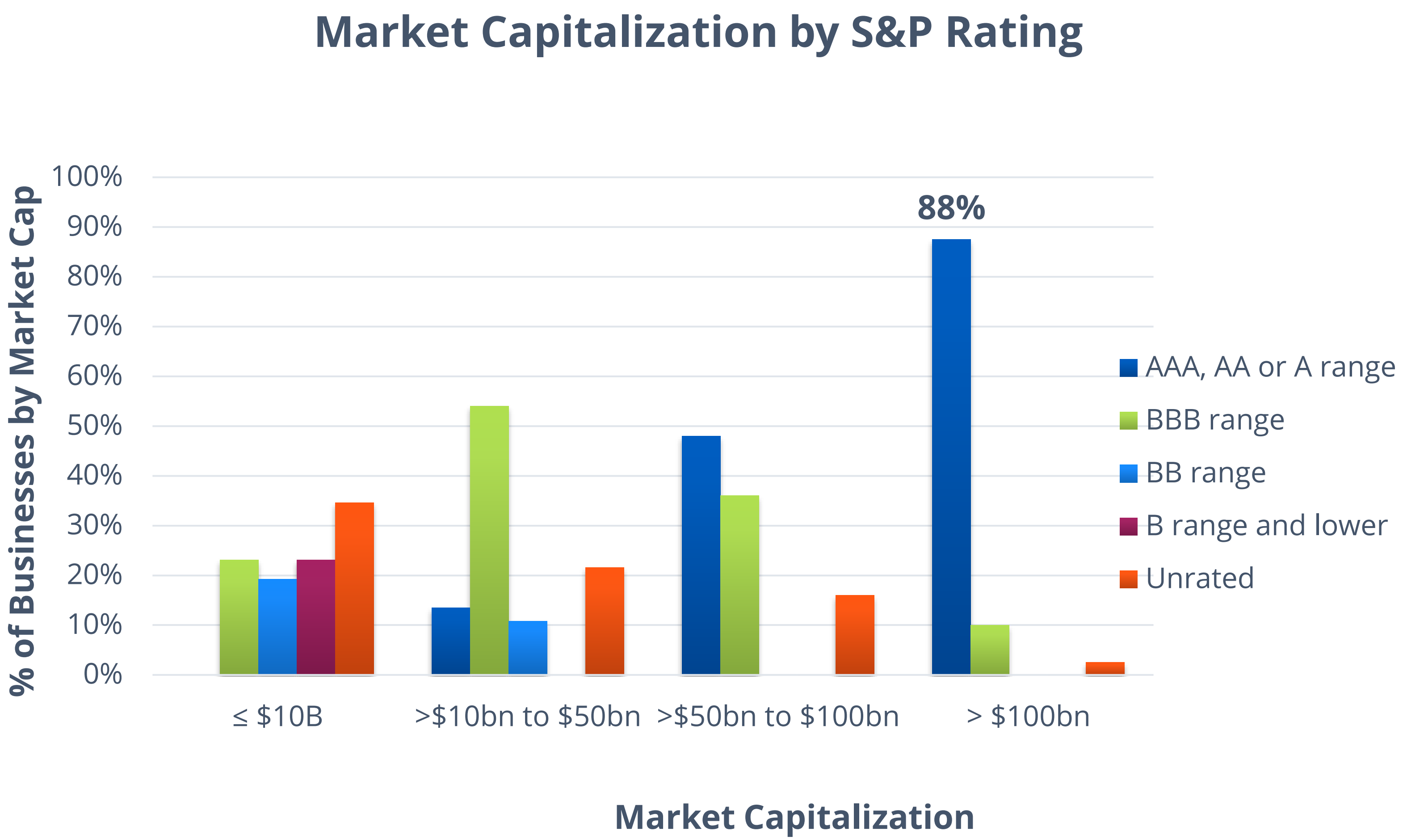
Q11: Which of the following materially describe your company? (n=118)

Debt and Ratings Targets

Debt Ratings and Market Caps are Correlated

Members were asked to share their S&P or equivalent ratings. As expected, larger companies tended to have higher debt ratings thanks to healthy balance sheets, and large cash reserves. **88%** of companies with market caps above $100 billion have ratings in the AAA, AA or A range.

The vast majority of firms above $10 billion in market cap have an investment grade rating, but as the firms get smaller BBB ratings are much more prevalent. Nearly all of the firms whose rating would put them in the high yield category are below $10 billion market cap.



Q1: What is the current market cap of your company (please estimate if not public)? (n=129)
Q4: What is S&P's senior debt rating of your company (if only rated by Moody's, please translate rating into S&P's equivalent)? (n=128)

The Average Debt to EBITDA Target Ratio Across Industries is 2.2x

Companies in the **Natural Resources (80%)** and **Industrials (57%)** sectors stand out with the highest relative ratings. Like other industries, rated **Healthcare** companies are overwhelmingly investment grade, but Healthcare also have the highest proportion of unrated companies (**29%**).

Industrials have the lowest leverage at 1.5x debt/EBITDA, while **Consumer** companies stood out as the most levered at nearly 3x debt/EBITDA. Not all participants reported their debt/EBITDA. One member shared the following: "We do not have a specific target range for our debt to Total Capitalization ratio. We maintain a debt level with a long-term view which ensures that we have the financial flexibility and stability needed to weather future downturns in the economy, deal with contingencies (including pension funding) and to remain a partner, contractor, and employer of choice."

S&P Rating By Industry								Debt/EBITDA*	
Industry	**n-value**	**AAA/AA/A**	**BBB**	**BB**	**B**	**Unrated**	**Total**	**Avg.**	**n-value**
Technology	43	40%	26%	9%	2%	23%	100%	2.2	16
Healthcare	28	32%	36%	4%	0%	29%	100%	2.4	12
Industrials	23	**57%**	26%	4%	4%	9%	100%	**1.5**	15
Consumer	17	35%	41%	6%	6%	12%	100%	**2.6**	10
Media & Telecom	7	29%	43%	14%	14%	0%	100%	2.0	5
Natural Resources	5	**80%**	0%	0%	20%	0%	100%	2.2	3
Other	5	20%	40%	20%	20%	0%	100%	2.2	4
Grand Total	**128**	**41%**	**30%**	**7%**	**5%**	**17%**	**100%**	**2.2**	**65**

*-Net debt/EBITDA when provided, otherwise gross debt/EBITDA

Q4: What is S&P's senior debt rating of your company (if only rated by Moody's, please translate rating into S&P's equivalent)? (n=129)
Q16: Please complete debt targets that apply to your company (n=65)

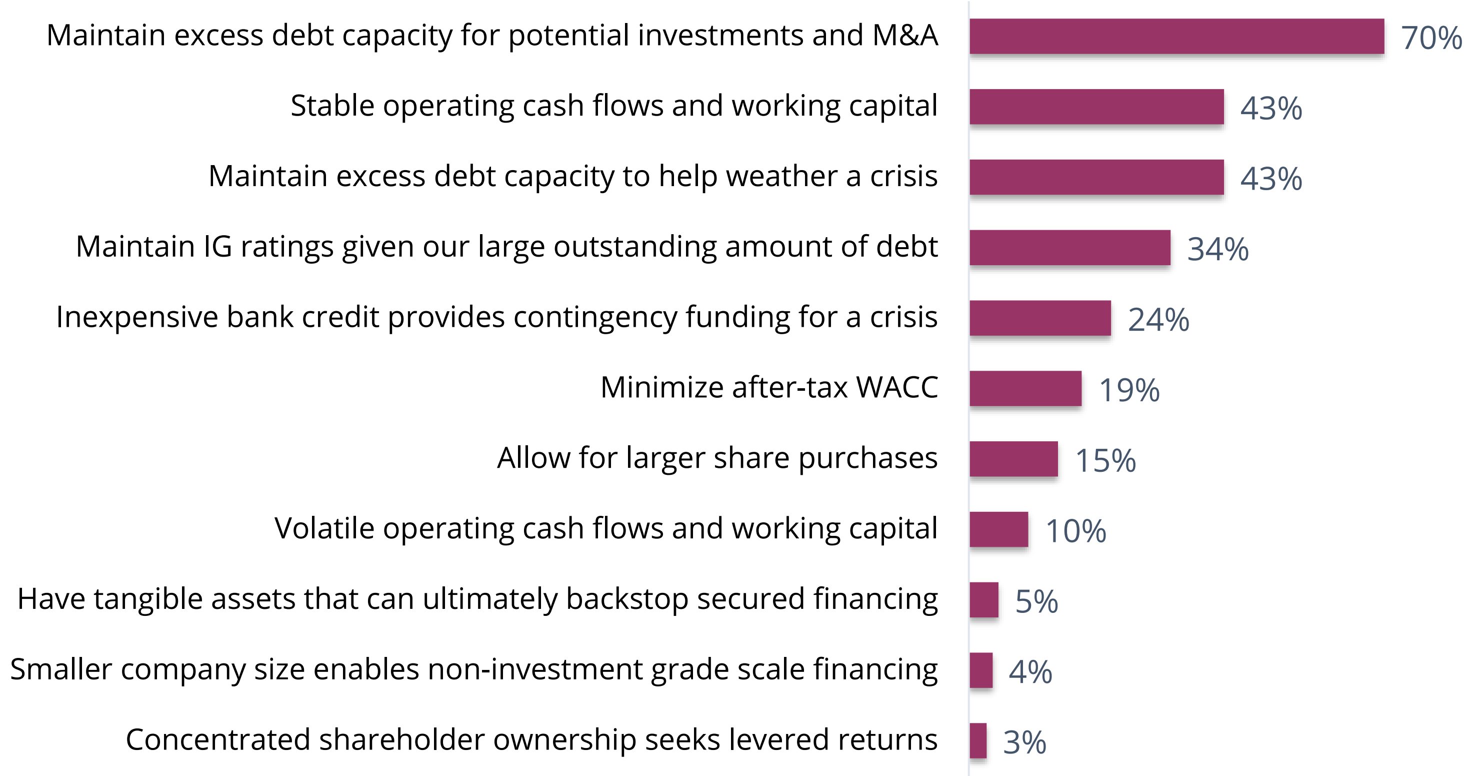
Excess Capacity for Investment and Acquisitions is The Top Driver of Debt Targets

When asked about their debt drivers, most participants indicated that they orient their debt and ratings targets around financial flexibility to fund investment opportunities (**70%**). Companies with market caps of **>$100 billion** were even more likely than average to view this as a top driver. **81%** indicated that maintaining excess debt capacity for potential investments was the top driver. From an industry perspective, all participants (**100%**) in the **Media & Telecom, Natural Resources** and **Other** sectors selected this as a top driver of debt targets.

Stable cash flows and working capital as well as maintaining excess debt capacity to help weather a crisis were a distant second with **43%** of participants selecting those options.

Interestingly, very few companies (**19%**) target a minimization of Weighted Average Cost of Capital (WACC), with no Healthcare companies selecting this as a key driver—a considerable divergence from 20 years ago.

Top Drivers of Debt Targets



Q17: What are up to 4 major drivers of your company's debt target? (n=116)

Liquidity

Cash Targets and Betas (a proxy for risk) are Positively Correlated

Companies with more volatile stocks tend to have higher cash targets.

Target cash/sales and target cash/fixed expenses scale up as beta increases. Median cash/fixed expenses is **100%** for companies with betas above 1.2. This suggests that for those companies, target cash should be sufficient to cover all fixed expenses.

During discussions on the survey findings, several members indicated that cash/sales is not typically used as a metric for establishing cash targets. However, it does serve as a benchmark and a potential test to determine if adjustments need to be made to targets arrived at using different approaches.

Corporate treasurers are rethinking how to calculate their cash targets.

Members in a focus group shared their preferred approaches to setting target cash levels including Cash/R&D, Cash/R&D and expenses, and Cash/OPEX. One member said that his team uses Monte Carlo simulations compared to all expenses at a 99% confidence level to fund R&D and expenses. Another member said, “we focus on working capital volatility to set our targets.”

	Target cash/sales			Target cash/fixed expenses in next 12 mons.		
Beta	**n-value**	**Mean target cash/sales**	**Median target cash/sales**	**n-value**	**Mean target cash/fixed expenses**	**Median target cash/fixed expenses**
0.8 or lower	17	12%	7%	7	27%	20%
Higher than 0.8 up to 1.2	29	12%	10%	15	41%	40%
Above 1.2	23	24%	17%	11	83%	100%
Not publicly traded	4	8%	7%	2	9%	9%
Choose not to answer	2	9%	7%	1	50%	50%
Total	**75**	**15%**	**10%**	**36**	**49%**	**45%**

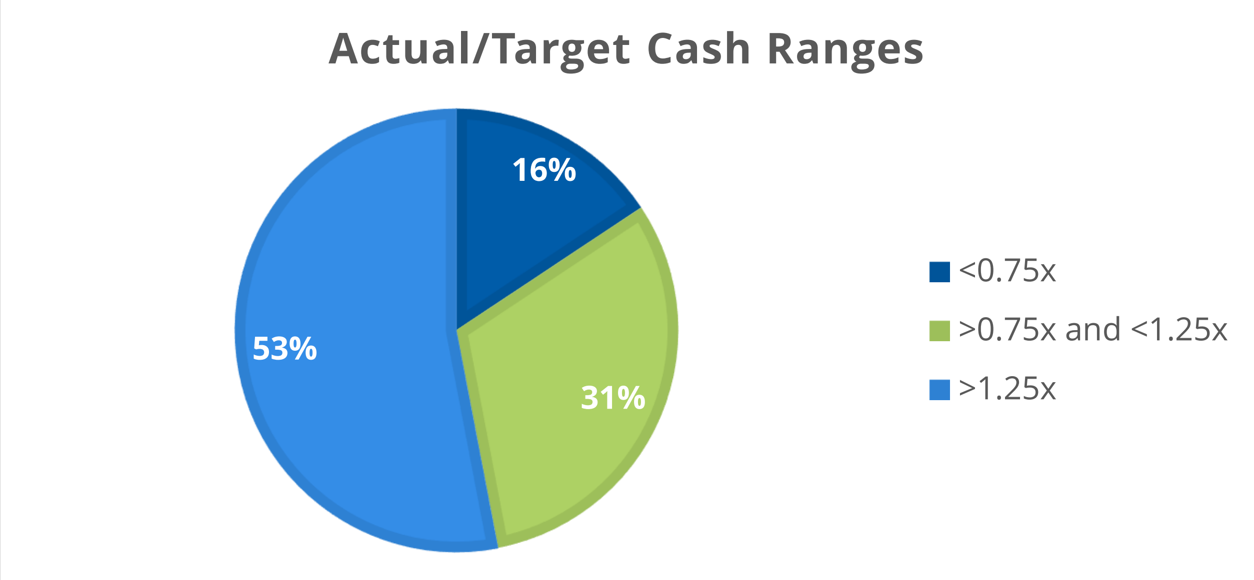
Q9: What is your target cash as a percent of sales? *What is your Target cash amount as a percent of fixed expenses in the next 12 months? (n=75)*

Actual Cash Exceeds Target Cash for Most Firms

Members were asked to share their target cash amount. Actual and cash equivalents for companies in the S&P 500 were collected via company financial statements. More than half of the companies for which data was available had actual cash exceeding target cash by more than 25%. Only 16% of companies had 0.75x actual to target cash.

The average ratio of actual to target cash was **1.2x** with members having $3.22 billion vs. an average target of nearly $2.7 billion. This data was based on 83 respondents.

This relative conservatism could reflect the many economic, geopolitical and environmental uncertainties that companies are facing. Higher for longer interest rates also play a role as companies can achieve relatively high and stable returns on their cash. This dynamic may begin to shift once interest rates begin to decline.



Avg. Actual Cash	Avg. Target Cash
$ 3.22 Billion	**$ 2.69 Billion**

1.2x
Average actual to target cash ratio

Q9: What is your target cash amount? (n=83)

Composition of Liquidity

Cash and marketable fixed income securities represent nearly 50% of participants' liquidity.

Sources of liquidity are critical for treasury departments. For nearly **100%** of respondents, cash and marketable fixed income securities maturing within 90 days make up the largest portion of their liquid assets. This speaks to treasurers need to have ready access to funds. Recent crises and preparation for potential disruptions means that this is a higher priority.

85% of members are using undrawn facilities and **50%** are using forecasted retained cashflow over the next 12 months. **21%** of members selected other. One member specified "We have about **40%** of our cash in operating accounts or MMF, the rest is in externally managed accounts." Other members shared the following:

- "We have 1.5B in an undrawn revolver"
- "We have plenty of liquidity from 90-365 days too"
- "Other short-term investments"

Composition of Liquidity

Composition of liquidity	n-value	% responding	**Avg. composition of liquidity**	**Weighted avg. composition of liquidity***
Cash and marketable fixed income securities maturing within 90 days	94	98%	**46%**	**45%**
Committed undrawn facilities	82	85%	**43%**	**37%**
Forecast retained **Cash Flow** over next 12 months after any haircuts we apply	48	50%	**27%**	**14%**
Other	20	21%	**23%**	**5%**
Total	**96**	**--**	**--**	**100%**

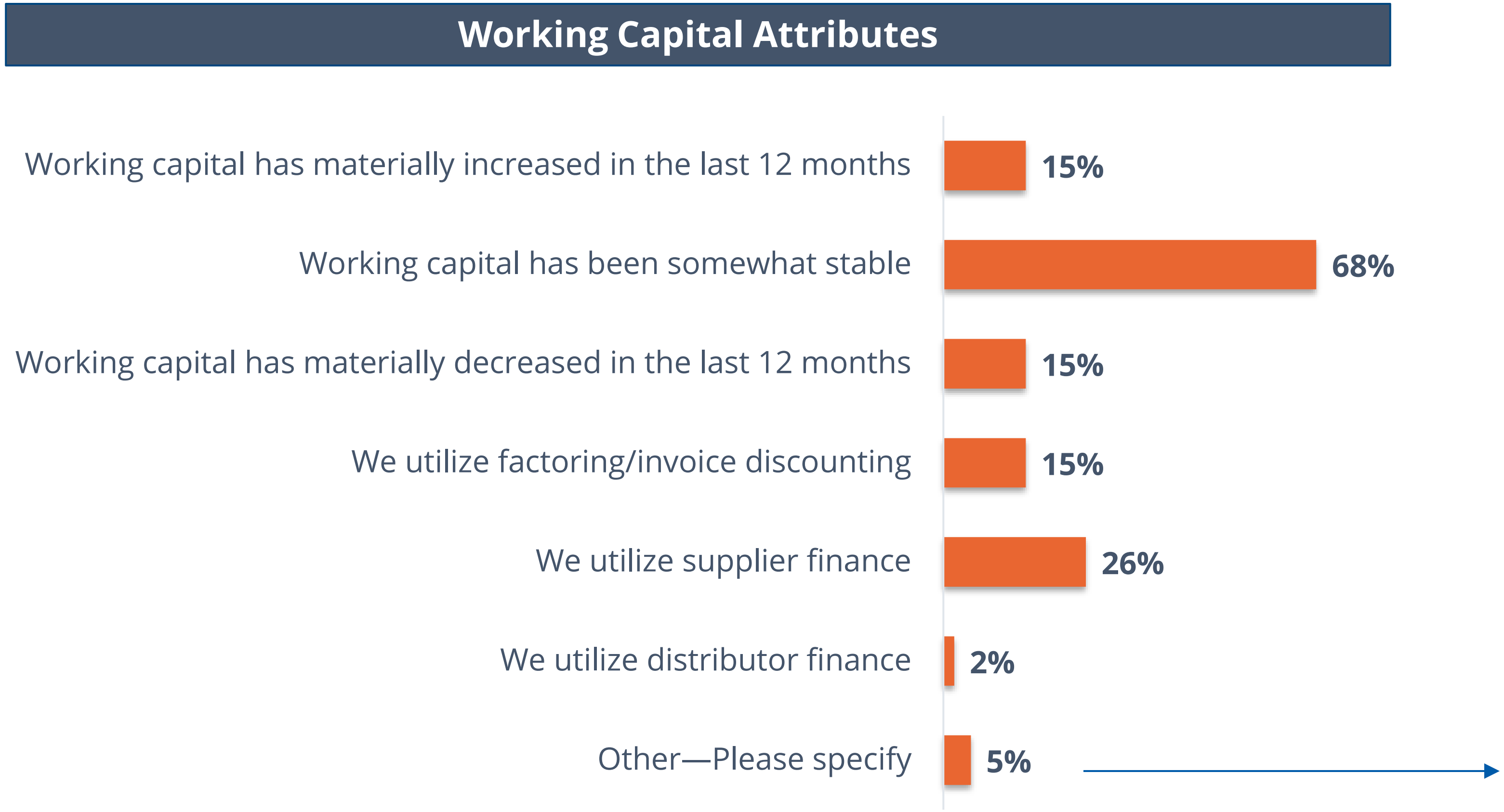
* Weighted avg. assumes no answer is equivalent to zero

"We have about **40%** of our cash in Operating Accounts or MMF, the rest is in Externally Managed Accounts"

Q12: What is your company's composition of liquidity? (n=96)

NeuGroup 30 YEARS

Working Capital has Been Stable for Most Participants



Q13: Which of the following describes your working capital? *(n=120)*

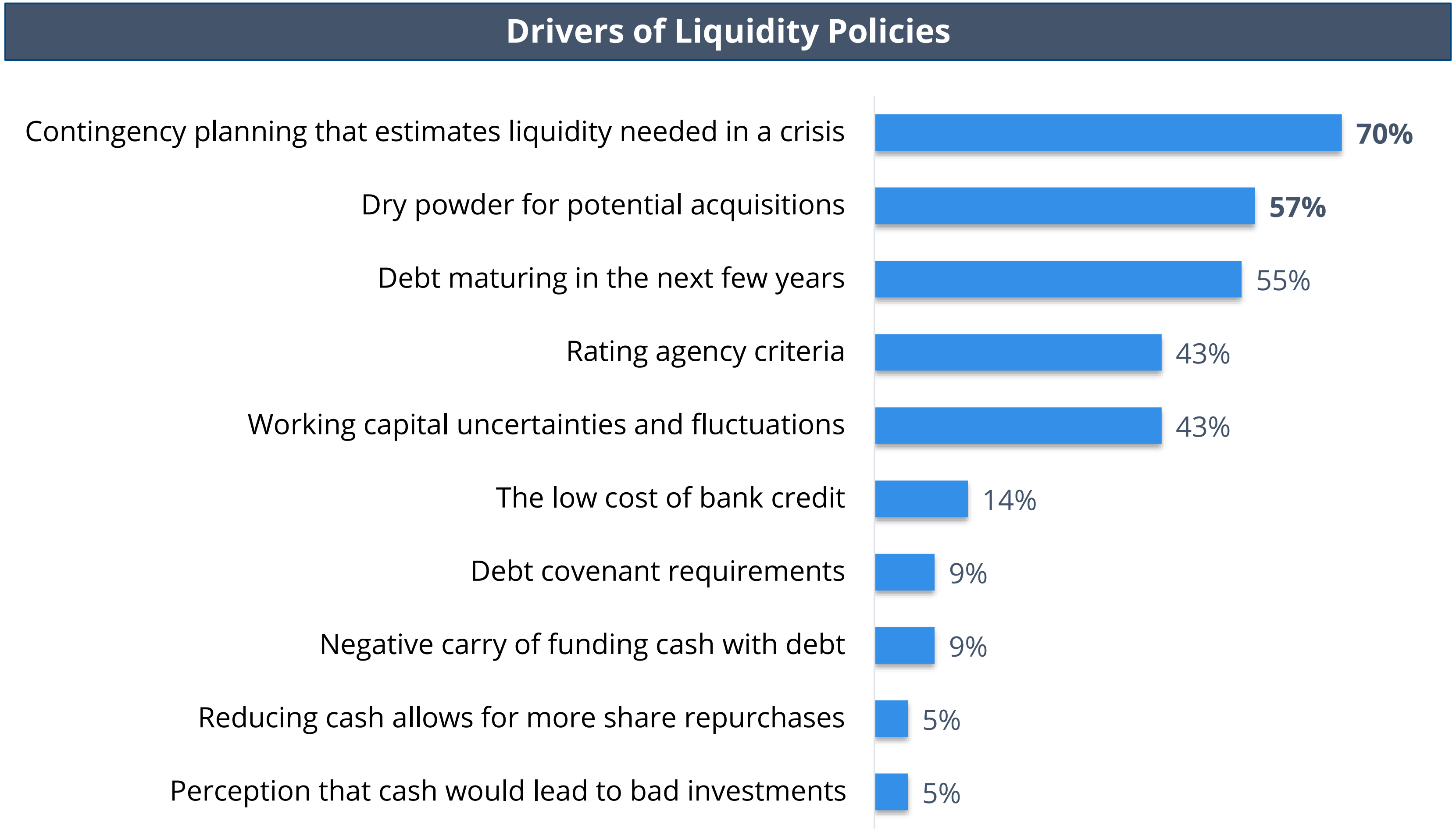
Working capital has been stable according to **68%** of respondents. **Consumer** firms were most likely to state that working capital was stable with **76%** selecting that option.

An even split of participants indicated that working capital had either decreased **(15%)** or increased **(15%)** materially in the last 12 months. While optimizing working capital is an area of growing interest, practices in this area are driven by company leadership and can vary from firm to firm.

Working Capital in members own words

- "WC is impacted by major transactions over last two years. Generally neutral."
- "Currently assessing supply chain financing."
- "Working capital is correlated to commodity prices."
- "We utilize an Account Receivables Securitization."
- "Working capital improvements remain a focus for the corporation."

Crisis Preparedness Tops Drivers of Liquidity Policies



Q21: What are up to 4 major drivers of your company's liquidity policies? (n=116)

Contingency planning emerged as the top driver of liquidity policies. **70%** of participants consider this to be a key driver, though it is somewhat surprising that this figure is not closer to 100%. A reason for this may be that some treasurers consider meeting rating agency criteria and preparing for working capital uncertainties serve as supplements to contingency planning.

As was the case with debt drivers, a majority **(57%)** of respondents view access to dry powder for potential M&A activity as a top consideration in their liquidity policies. This figure was even higher for Healthcare companies **(63%)** and companies with market caps between $50 and $100 billion **(70%)**.

Negative carry is only a minor factor, and few companies are now worried about having too much cash. This is a marked change from the last 10-20 years when having too much cash was a concern.

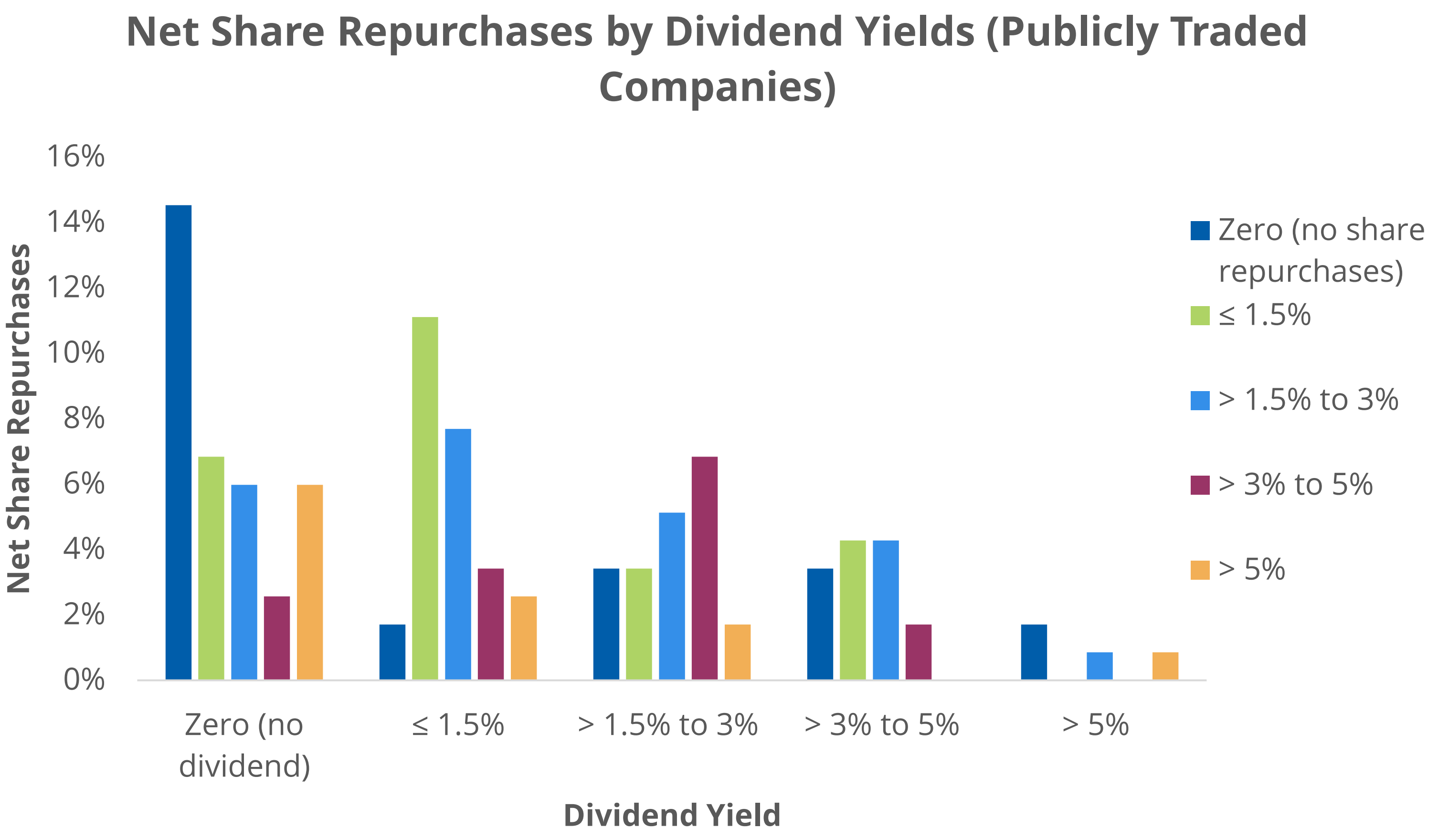
Shareholder Distributions

Returning Capital to Shareholders

The vast majority **(85%)** of publicly traded participant companies are using dividends and/or share repurchases to return capital to shareholders.

More than half (**54%**) of companies use both approaches. Among dividend-paying companies, **27%** offer yields up to 1.5%. Only 1 company with dividend yields above 5% is repurchasing more than 5% of its shares, net of share issuance, in the current year.

According to one member a key driver of share repurchases is to maintain a stable dividend distribution. The member said, “we aim to keep ordinary dividends affordable over time by continuing to repurchase shares.”



Q7: What is your company's current dividend yield? (n=129)
Q8: Roughly what percent of your company’s shares are you purchasing in the current year, net of share issuances (usually employee stock plans)? (n=120)

Dividend Yield and Share Repurchases by Industry

Share repurchases are more common than dividend payments across most industries.

Growth oriented **Technology** and **Healthcare** companies are less likely to pay dividends compared to **Industrials** (**83%**) and **Consumer** (**76%**) firms.

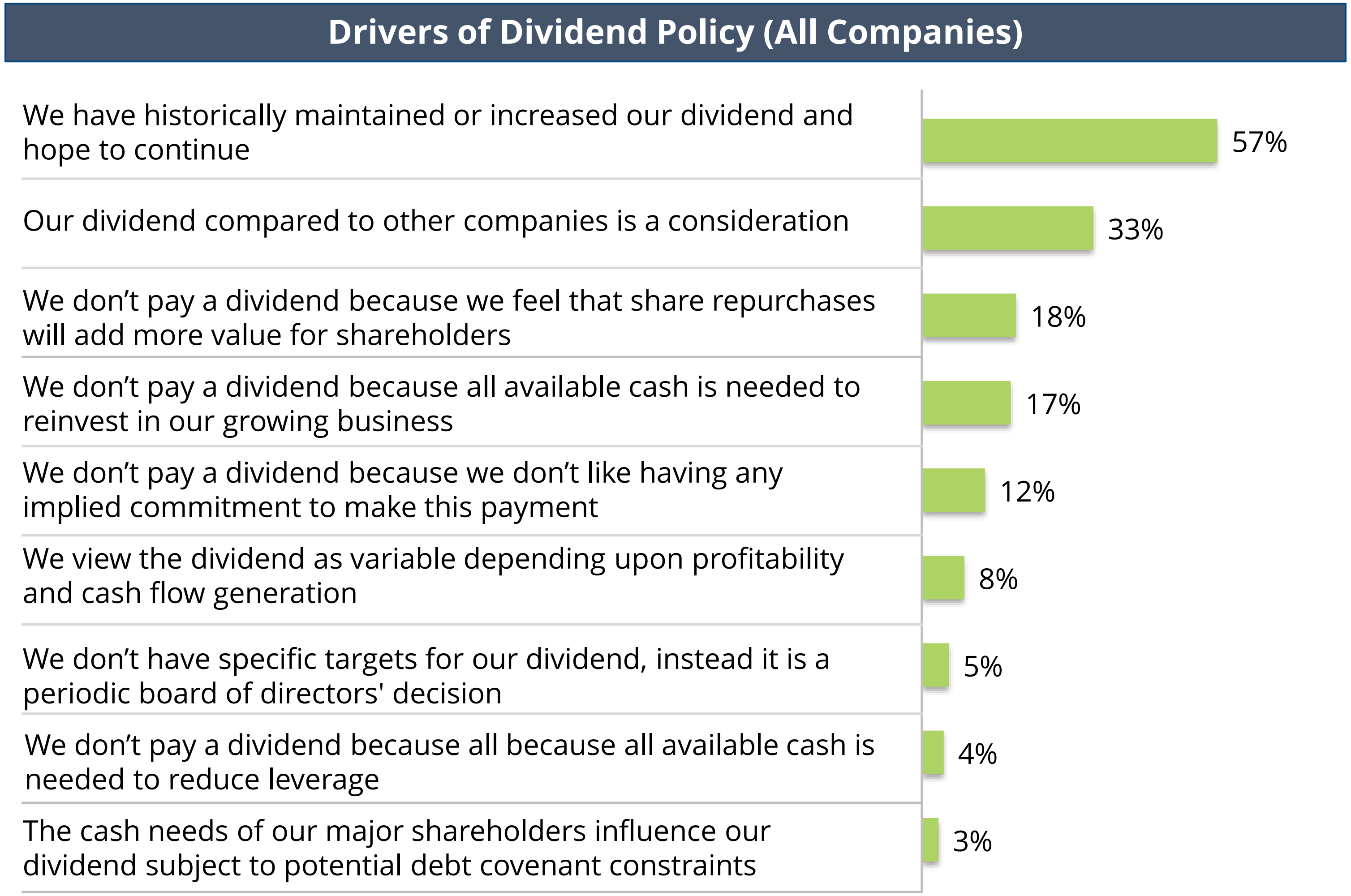
In general, fewer companies pay dividends than repurchase shares across most industries and with good reason. Taking the step to pay dividends is a long-term commitment as reducing or eliminating dividend payments after they are set can have a negative impact on a company's stock. **Industrials** and **Natural Resources** are the only sectors with an equal percentage of firms paying dividends and doing share repurchases.

As expected, larger firms are more likely to pay dividends and repurchase shares. Among companies with market caps of **<$10 billion, 30%** reported paying dividends and **41%** reported participating in share repurchases. These figures rose significantly to **78%** and **83%** respectively when looking at companies with market caps of **>$100 Billion.**

Industry	# of companies who pay a dividend	% of companies who pay a dividend	Average dividend yield	# of companies with a share repurchase program	% of companies with a share repurchase program	Avg. current year share repurchase %
Technology	20	45%	2.0%	25	57%	2.9%
Healthcare	15	54%	2.9%	18	64%	2.4%
Industrials	19	83%	2.3%	19	83%	2.7%
Consumer	13	76%	2.9%	15	88%	3.1%
Media & Telecom	3	43%	1.5%	5	71%	3.1%
Natural Resources	3	60%	2.8%	3	60%	3.4%
Other	2	40%	3.1%	3	60%	1.8%
Grand Total	**75**	**58%**	**2.5%**	**88**	**68%**	**2.8%**

Q7: What is your company's current dividend yield?
Q8: Roughly what percent of your company’s shares are you purchasing in the current year, net of share issuances (usually employee stock plans)?

Companies are Focused on Steady and Competitive Dividend Payments



Q18: Which statements apply to your dividend policy? (n=115)

The primary driver when it comes to dividend policies is keeping a steady or increasing payment inline with historical distributions. **Industrial (81%)** and **Consumer (76%)** companies are significantly more focused on maintaining and increasing dividends than other industries. 80% of companies with market caps **>$100 billion** selected this option. A third of companies benchmark against other firms when determining their dividend payouts. When looking just at companies that pay dividends, this figure increases to **48%.**

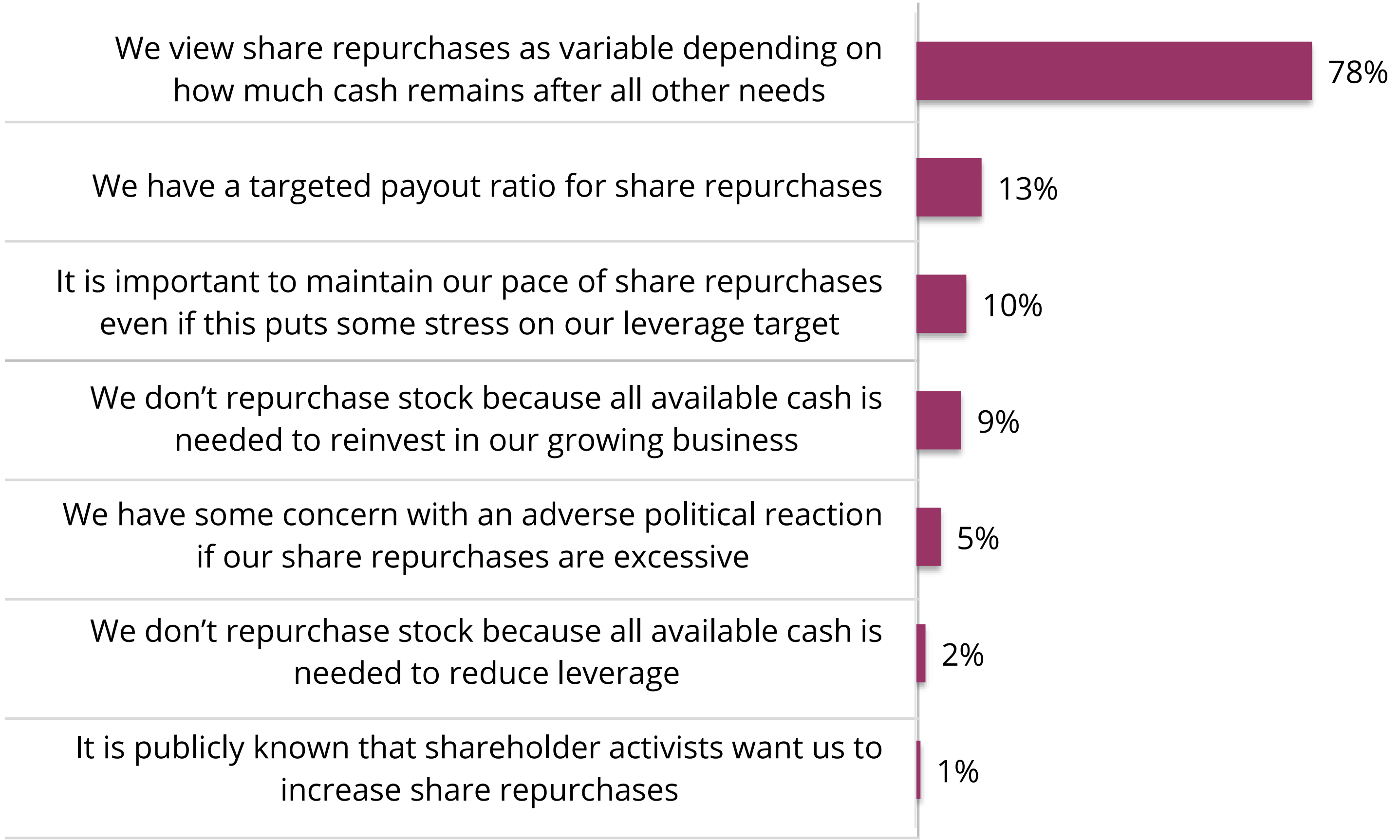
A meaningful minority of companies don't pay a dividend because cash flow is better deployed elsewhere. For companies that do not pay dividends, the main consideration is that share repurchases add more value to shareholders (**18%**). That is closely followed by **17%** of members that believe they need all available cash to reinvest in growth. From an industry perspective, **Healthcare** companies were most likely to indicate that investment for growth was a key reason for not paying dividends, with **32%** selecting that option.

Share Repurchases are Viewed as Variable by Most Companies

By far the largest characteristic of share repurchase policies is availability of residual cash after all other needs. As a result, share repurchases are more variable than dividends. Nearly **90%** of mega-cap companies indicated that they view share repurchases as variable.

Very few companies are concerned with public sentiment around share repurchases. **Consumer** firms were most likely to indicate that they have concerns with an adverse political reaction if share repurchases are excessive, with **20%** selecting this option compared to just 5% of the overall participants. **Consumer** firms tend to be more visible to the public and therefore more susceptible to shifts in public opinion.

Drivers of Net Share Repurchase Policy



Q19: Which statements characterize your share repurchase policy? (n=104)

Higher Excise Taxes are Not a Major Concern…Yet

94%

The current 1% tax has no impact on our share repurchase policy.

22%

If the tax goes up to 4% then we will reconsider our repurchase strategy

8%

If the tax goes up to 4% then we will still not alter our share repurchase strategy

3%

If the tax goes up to 4% then we will likely reduce our share repurchases

The vast majority of participants indicated that the current 1% tax has had no impact on their share repurchase policy.

Only **25%** of respondents indicated that they would reconsider their strategy or decrease their share repurchases if a 4% tax rate is imposed. This may be in part because many do not expect an increase in the near term. There was very little variance by size or sector on this question. Perceptions may change if the possibility of a higher tax rate increases.

Q20: Regarding the excise tax on share repurchases, which of the following statements apply? (n=98)

Cost of Equity

Cost of Equity is Closely Correlated to Debt Ratings

Cost of equity (COE) that feeds into determining hurdle rates is an important consideration for businesses as they can play a role in determining the attractiveness of an investment or acquisition.

It comes as no surprise that there is a tendency for lower rated companies to have higher cost of equity and for IG companies to have lower COE. Over **65%** of companies have a Cost of Equity that is in the 8% to12% range.

There is also a correlation between stock betas and credit ratings. Hence, consistent with the Capital Asset Pricing Model (CAPM), higher beta companies tend to assume higher cost of equity. **80%** of companies with betas above 1.2 have cost of equity higher than **10%.**

Healthcare companies generally assume a lower cost of equity than other companies, possibly because they have lower betas. **Technology** companies tend to assume a higher cost of equity.

Cost of Equity by S&P Rating

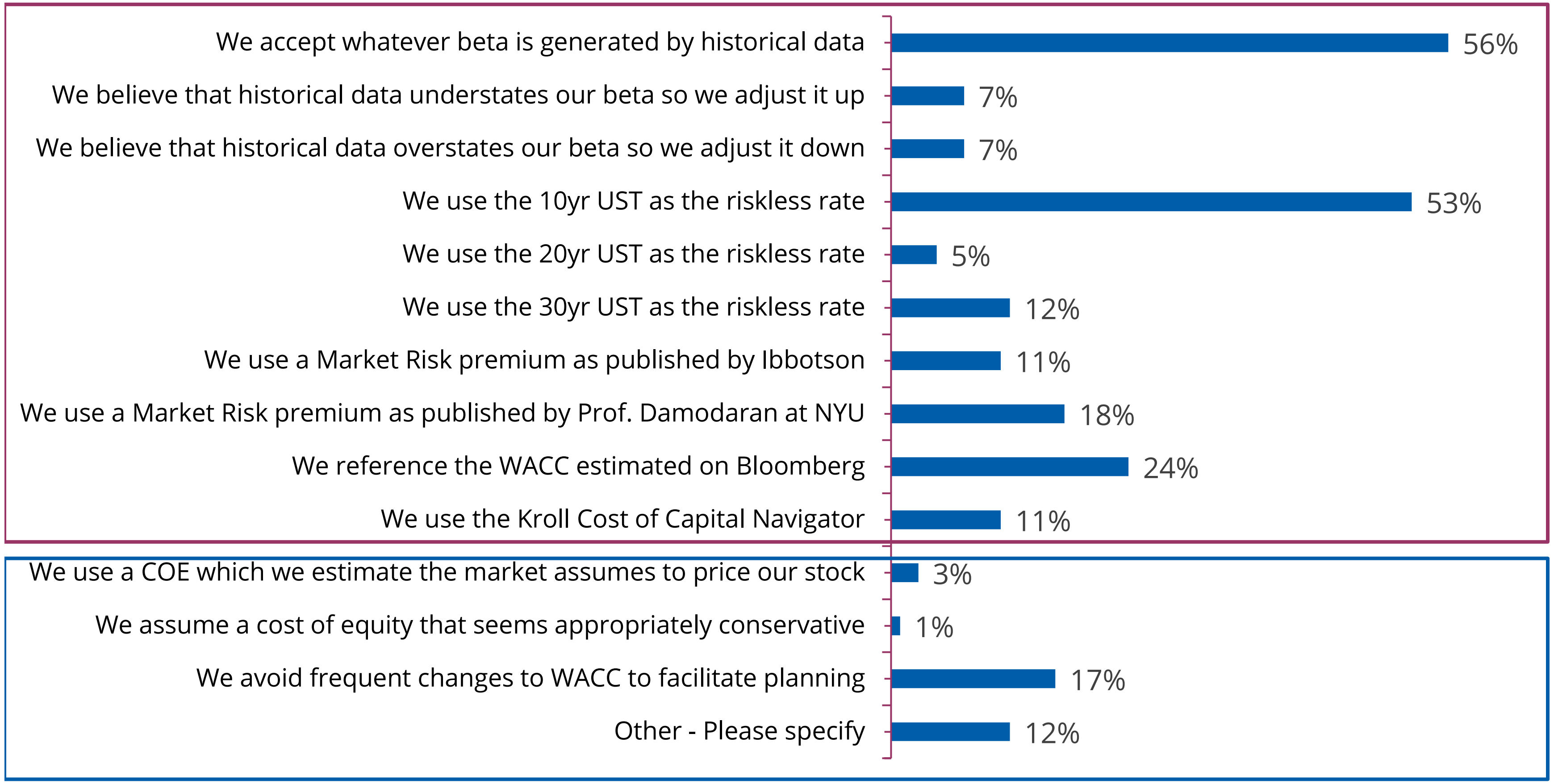
Cost of equity	n-value	AAA, AA or A range	BBB range	BB range	B range and lower	No debt rating	Grand Total
6% or under	2	2%	3%	0%	0%	0%	2%
Higher than 6% up to 8%	16	21%	15%	14%	0%	6%	15%
Higher than 8% up to 10%	38	38%	41%	29%	33%	24%	36%
Higher than 10% up to 12%	33	26%	35%	43%	17%	35%	31%
Above 12%	17	12%	6%	14%	50%	35%	16%
Grand Total	**106**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Q14: What is your company's assumed cost of equity that feeds into WACC, ROIC and investment hurdle rates? (n=121)

Cost of Equity Statements

We use Capital Asset Pricing Model (CAPM) | We do not use CAPM (last 4 items)

How Companies Determine Cost of Equity



Q15: Which of the following statements are applicable to your cost of equity? (n=119)

While WACC is no longer a driver of capital structure, financial theory continues to play a key role when it comes to the challenging task of estimating the company's cost of equity. Here CAPM remains the predominant tool to estimate cost of capital despite issues with estimating its parameters. Most members suggested that they are using a variety of approaches or "all of the above" to estimate cost of equity.

While only **7%** of members reported adjusting beta up or down, a notable minority **(41%)** of **Consumer** companies adjust their statistical beta.

Just **11** companies in the study reported **not** using CAPM.

Cost of Equity Statements [Others Specified]

Which of the following statements are applicable to your cost of equity?

"As we are private, we use a variety of modeling as well as assistance from investment bankers."

"Beta adjustment based on leverage adjustment."

"Not public, so derive our Beta estimate through competitor benchmarking opportunity cost."

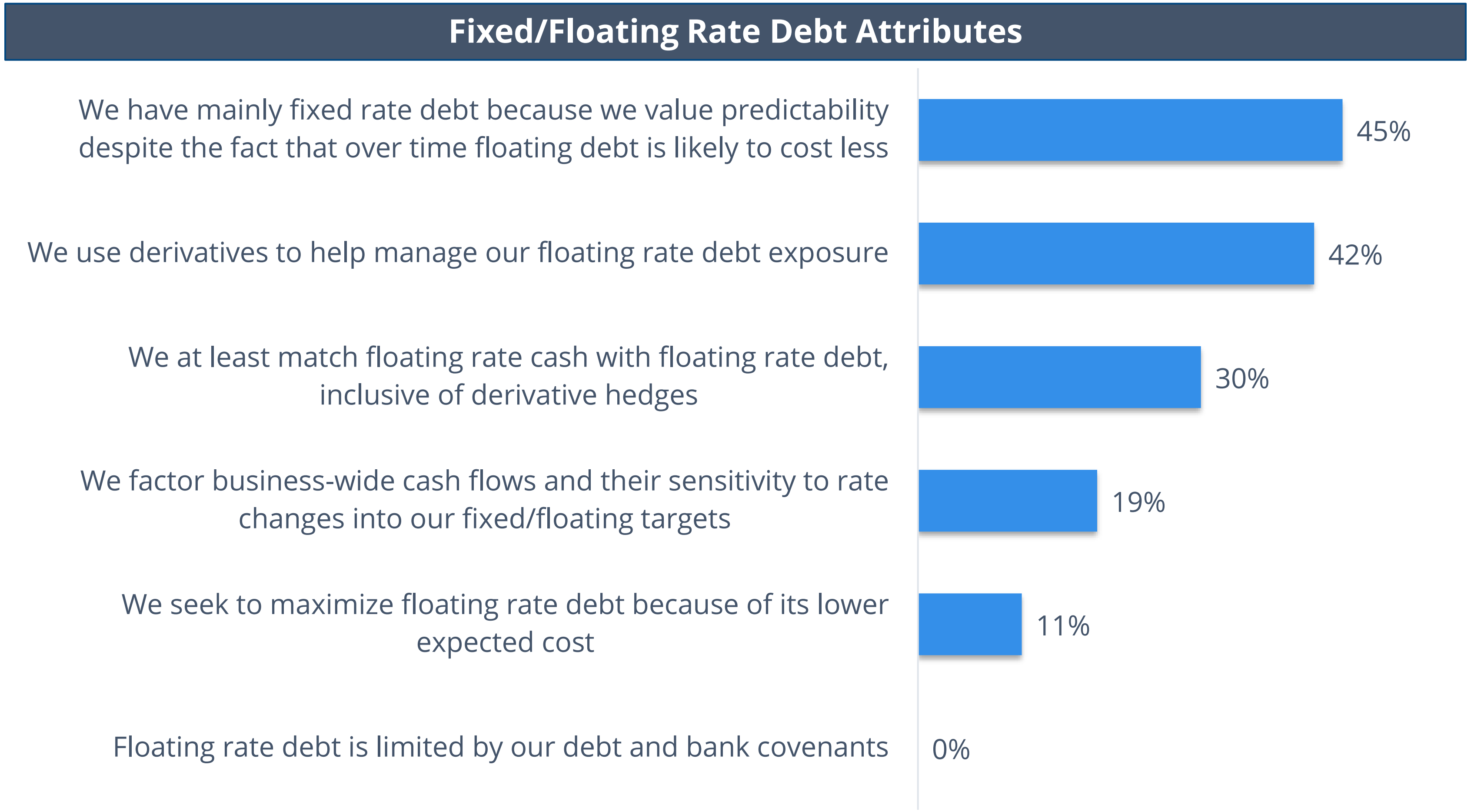
"We use a blend of historical and Kroll given that COVID distorts historical data."

"Survey relationship banks for how they calculate using CAPM."

"We use a range of Market Risk premiums as furnished by banks."

Fixed/Floating Debt and FX Borrowings

Treasury Places a Premium on Stability When It Comes to Debt



Q23: Which of the following describes your fixed/floating rate debt? (n=115)

Nearly **50%** of companies are concentrated in fixed-rate debt. Many companies locked in lower interest rates prior to the Fed interest rate hikes beginning in March 2022.

Healthcare companies are less motivated by the stability of fixed-rate debt than other companies, with only **24%** selecting this option.

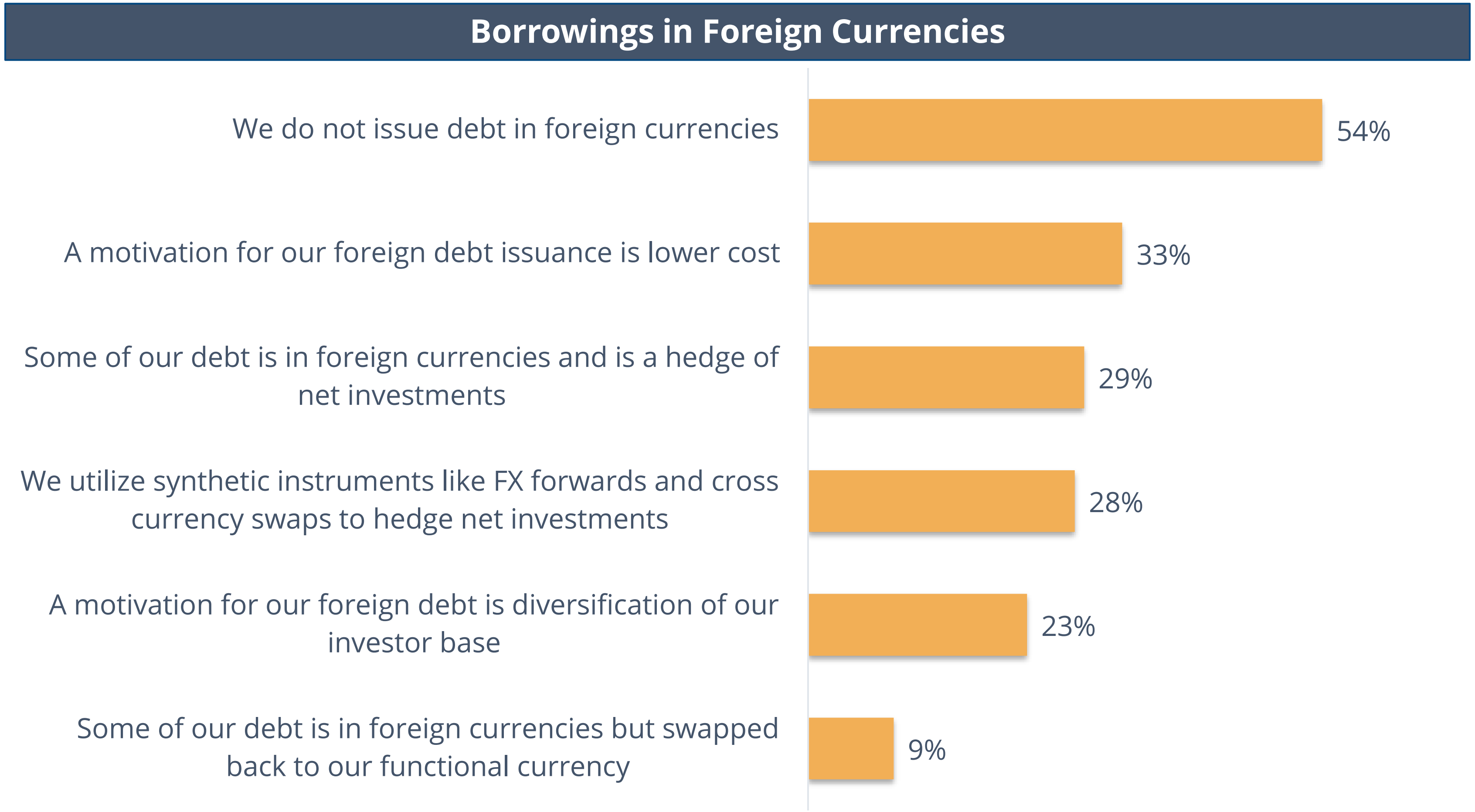
A meaningful minority (**42%**) of companies use derivatives to manage floating rate debt. This practice is even more prominent among **Consumer** companies of which **79%** indicated implementing this practice. Companies with market caps between $50 and $100 billion were also more likely to engage in this practice (**47%**) than other size segments.

Most Firms do Not Issue Debt in Foreign Currencies

Over **50%** of companies do not issue foreign currency debt. Nearly **70%** of **Technology** companies and over **70%** of Other Sectors do not issue debt in foreign currencies.

It appears that derivatives are more extensively used to hedge net investments than to manage fixed/floating mix. This is particularly true among **Healthcare** companies.

A meaningful number of **Healthcare, Industrials and Consumer** companies utilize both debt and derivatives to hedge net investments, frequently to reduce the cost of debt. **Mega-cap and large-cap** firms were significantly more likely to use debt and derivatives to hedge net investments.



Q24: Which of the following statements about borrowings in foreign currencies (i.e. currencies that are not your functional currency) apply to your company? (n=116)

Key Takeaways

Key Takeaways

Strategic Flexibility

Companies prioritize financial flexibility, driven by liquidity policies and excess debt capacity, to fund acquisitions, withstand crises, and respond to market volatility. Nearly 70% of participants cited maintaining excess capacity for investments as a primary driver of their debt and ratings targets.

Optimizing Shareholder Distributions

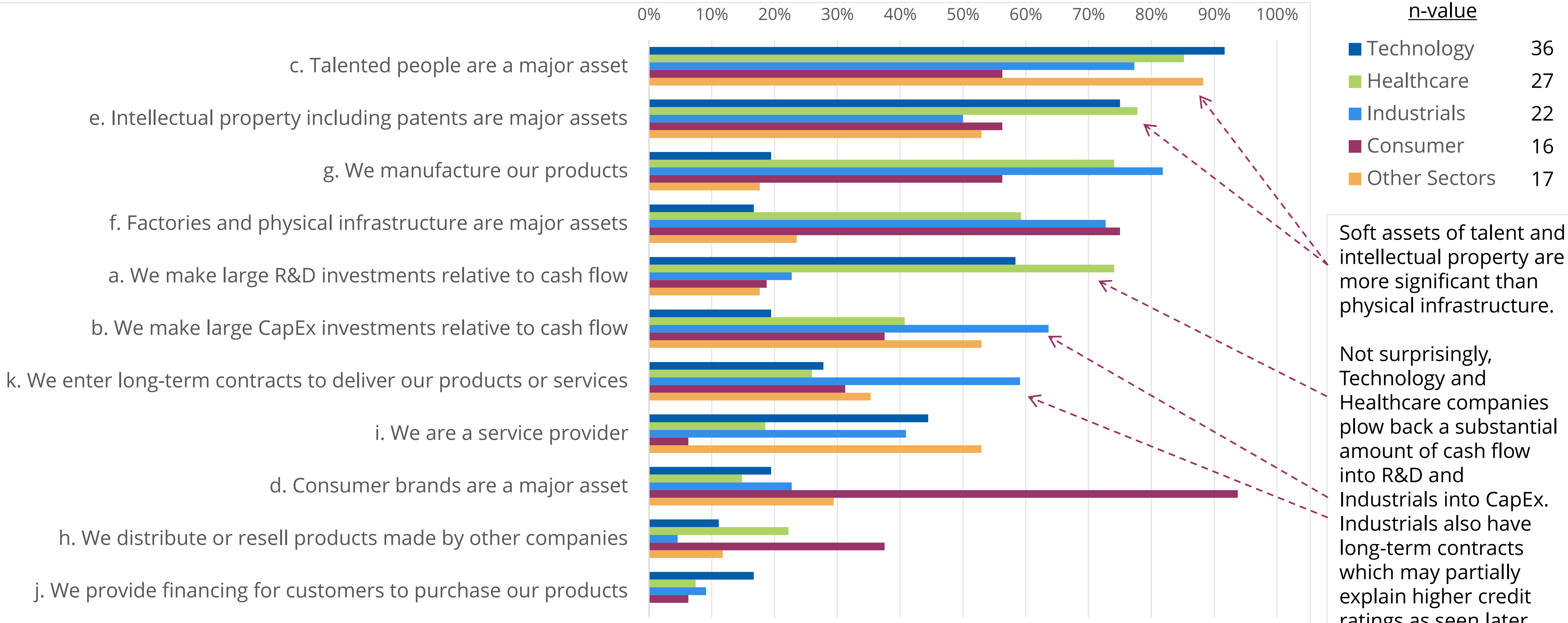
Companies are focused on returning capital to shareholders through dividends and share repurchases. The study shows a clear trend toward share repurchases, with 68% of companies engaging in repurchase programs in 2024. Companies that do not pay dividends often reinvest cash flow to fuel growth or manage leverage more effectively.

Managing Cost of Capital

The cost of equity is closely correlated with company credit ratings and stock betas. Treasurers must carefully estimate and manage this cost to ensure competitiveness in capital allocation. Despite challenges, the Capital Asset Pricing Model (CAPM) remains a dominant method for estimating the cost of equity, with most companies using a combination of modeling tools to refine their estimates.

Appenix

Key Characteristics of Participant Companies

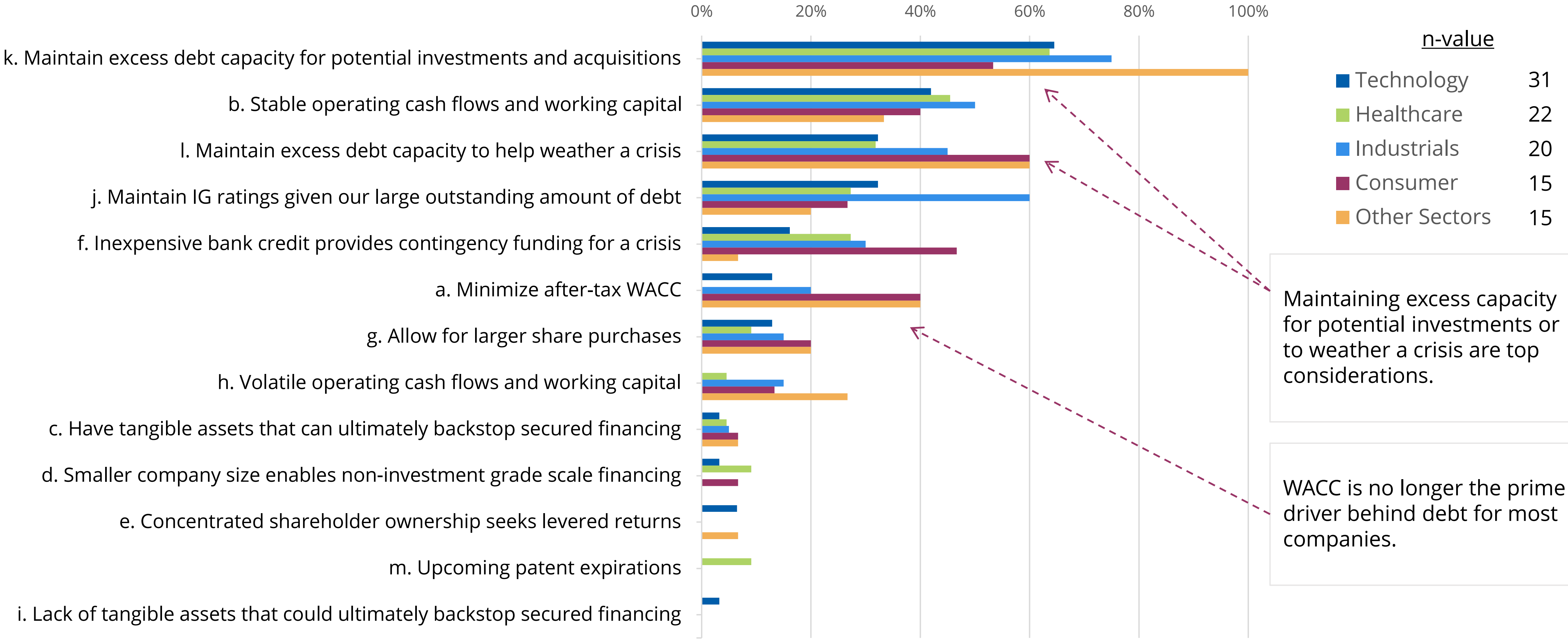


Soft assets of talent and intellectual property are more significant than physical infrastructure.

Not surprisingly, Technology and Healthcare companies plow back a substantial amount of cash flow into R&D and Industrials into CapEx. Industrials also have long-term contracts which may partially explain higher credit ratings as seen later.

Q11: Which of the following materially describe your company?

Drivers of Debt Targets by Sector

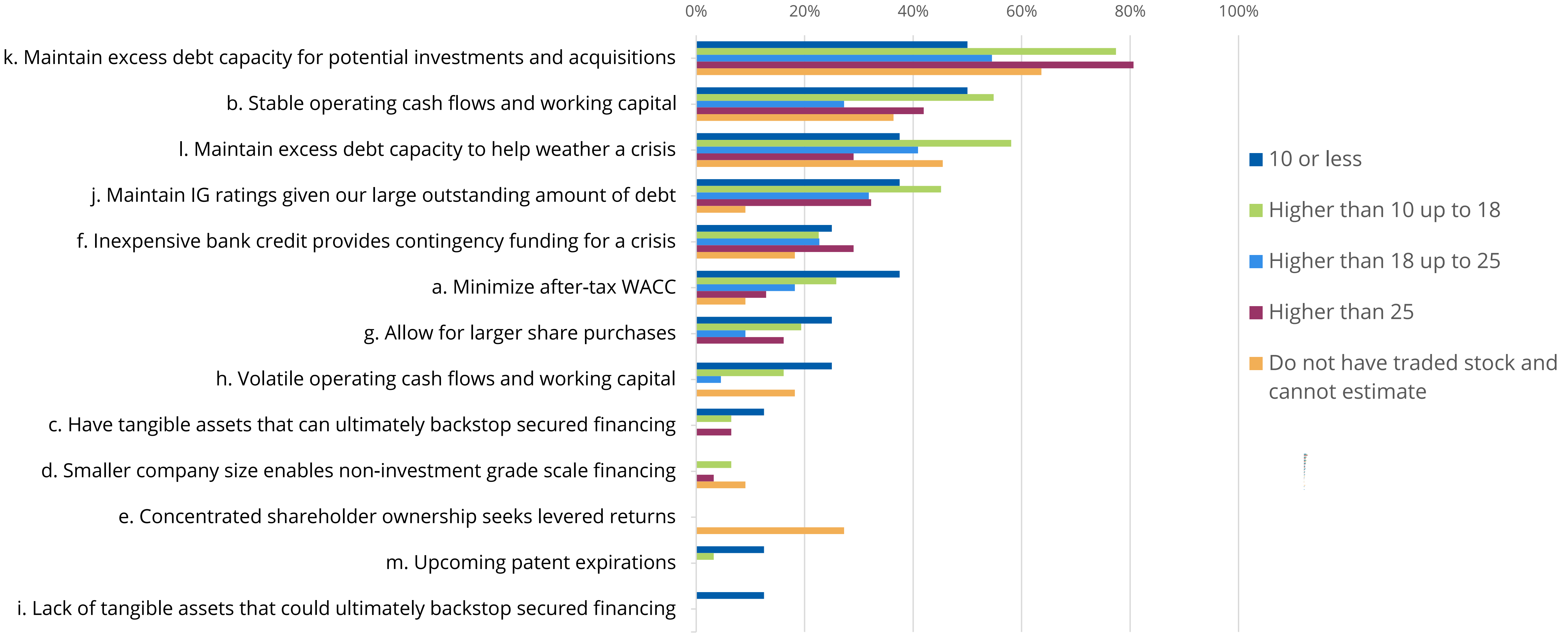


Maintaining excess capacity for potential investments or to weather a crisis are top considerations.

WACC is no longer the prime driver behind debt for most companies.

Q17: What are up to 4 major drivers of your company's debt target?

Drivers of Debt Targets by Sector P/E



Q17: What are up to 4 major drivers of your company's debt target?

Cash Targets and Liquidity by Industry

A large proportion of Healthcare, Industrial and Natural Resource companies have a cash/sales target. Although cash/sales varied among industries, S&P's more comprehensive measure of liquidity was strong or better across all industries.

Industry	Companies with cash/sales targets	% of companies with cash/sales target	Avg. target cash/sales	# Companies with strong or better S&P liquidity	% with strong or better S&P liquidity
Technology	25	57%	22%	27	87%
Healthcare	21	81%	14%	19	82%
Industrials	19	83%	7%	14	90%
Consumer	10	63%	5%	13	80%
Media & Telecom	3	43%	18%	7	100%
Natural Resources	4	80%	6%	4	100%
Other	3	60%	34%	1	33%
Total	85	67%	14%	**85**	88%

Q10: How does S&P categorize your company's liquidity?

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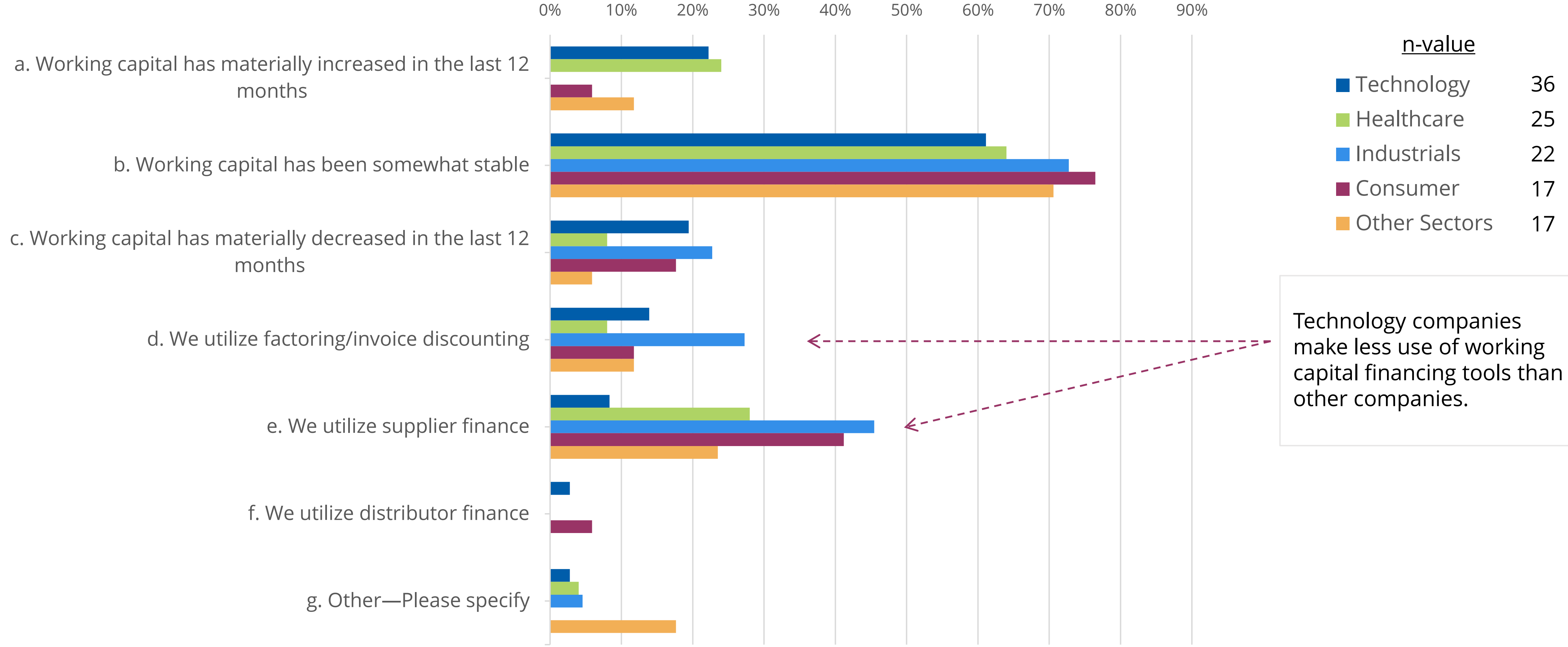
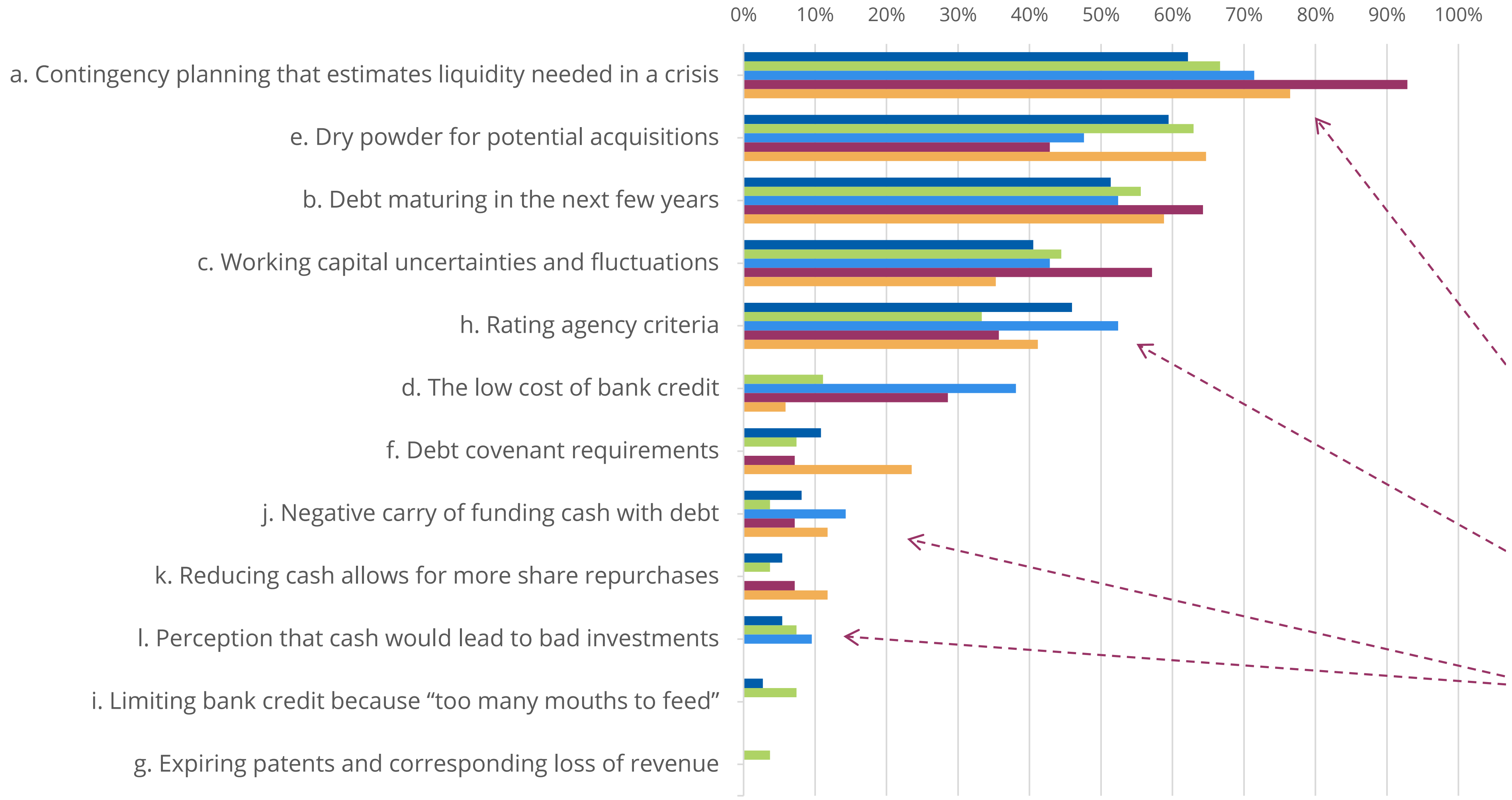
Working Capital Attributes by Sector



Technology companies make less use of working capital financing tools than other companies.

Q13: Which of the following describes your working capital?

Drivers of Liquidity Policies by Sector



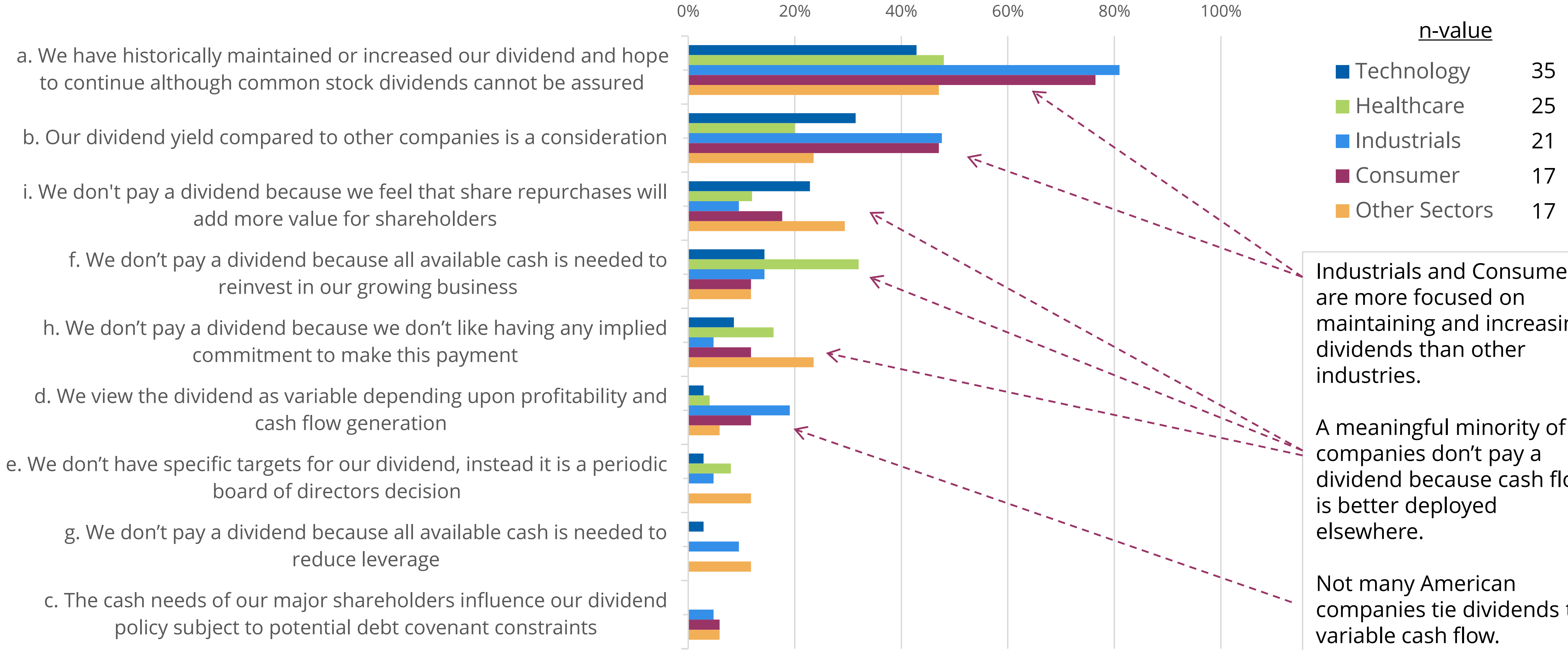
Contingency planning is a major driver across a majority of companies, but shouldn't it be closer to 100%?

Rating agency criteria are important to at least a third of companies.

Negative carry is only a minor factor, and few companies are now worried about having too much cash.

Q21: What are up to 4 major drivers of your company's liquidity policies?

Drivers of Dividend Policy by Sector



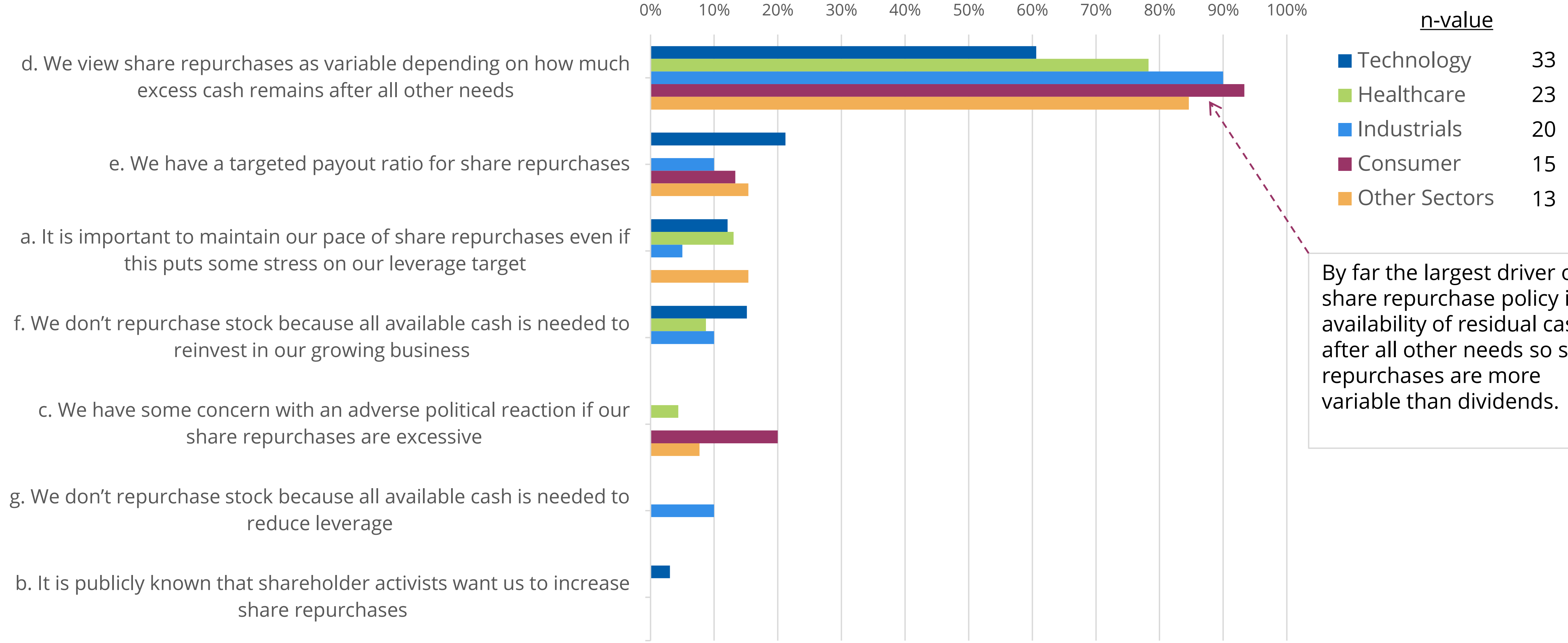
Industrials and Consumers are more focused on maintaining and increasing dividends than other industries.

A meaningful minority of companies don’t pay a dividend because cash flow is better deployed elsewhere.

Not many American companies tie dividends to variable cash flow.

Q18: Which statements apply to your dividend policy?

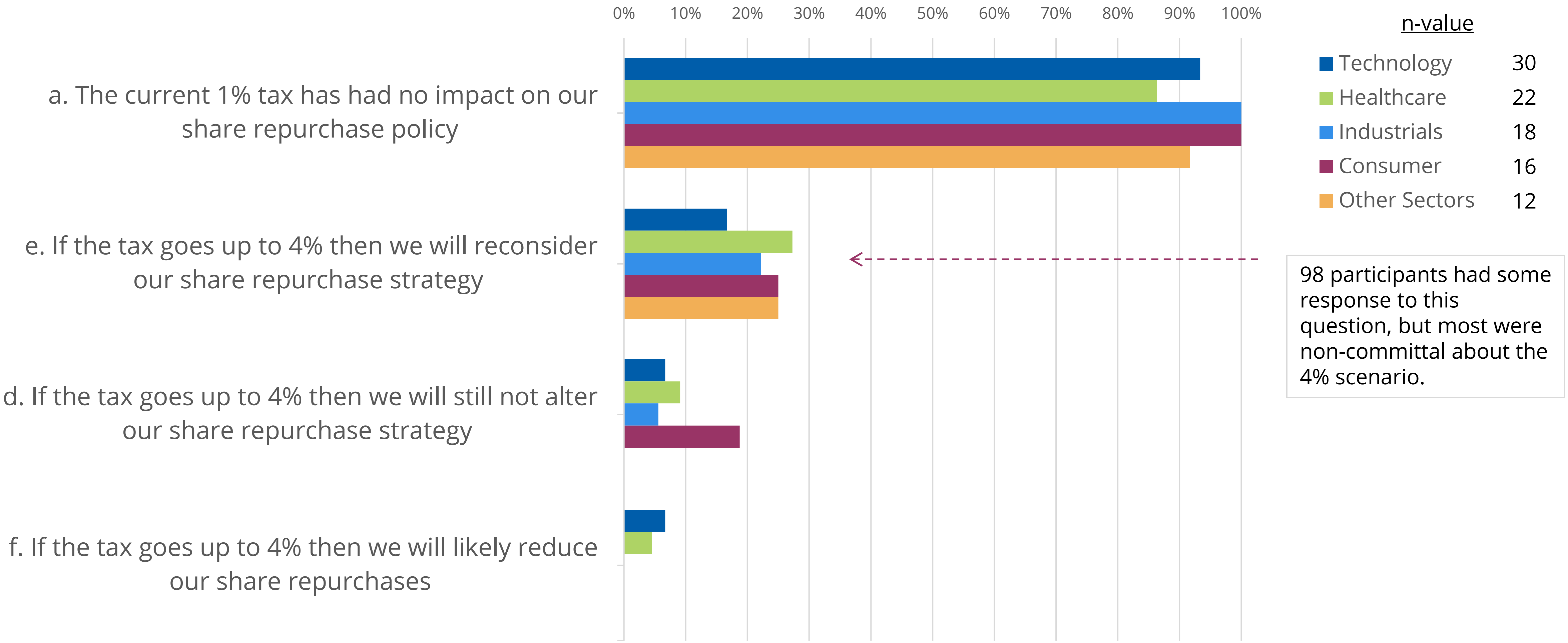
Drivers of Net Share Repurchase Policy by Sector



By far the largest driver of share repurchase policy is availability of residual cash after all other needs so share repurchases are more variable than dividends.

Q19: Which statements characterize your share repurchase policy?

Responses to Excise Tax by Sector

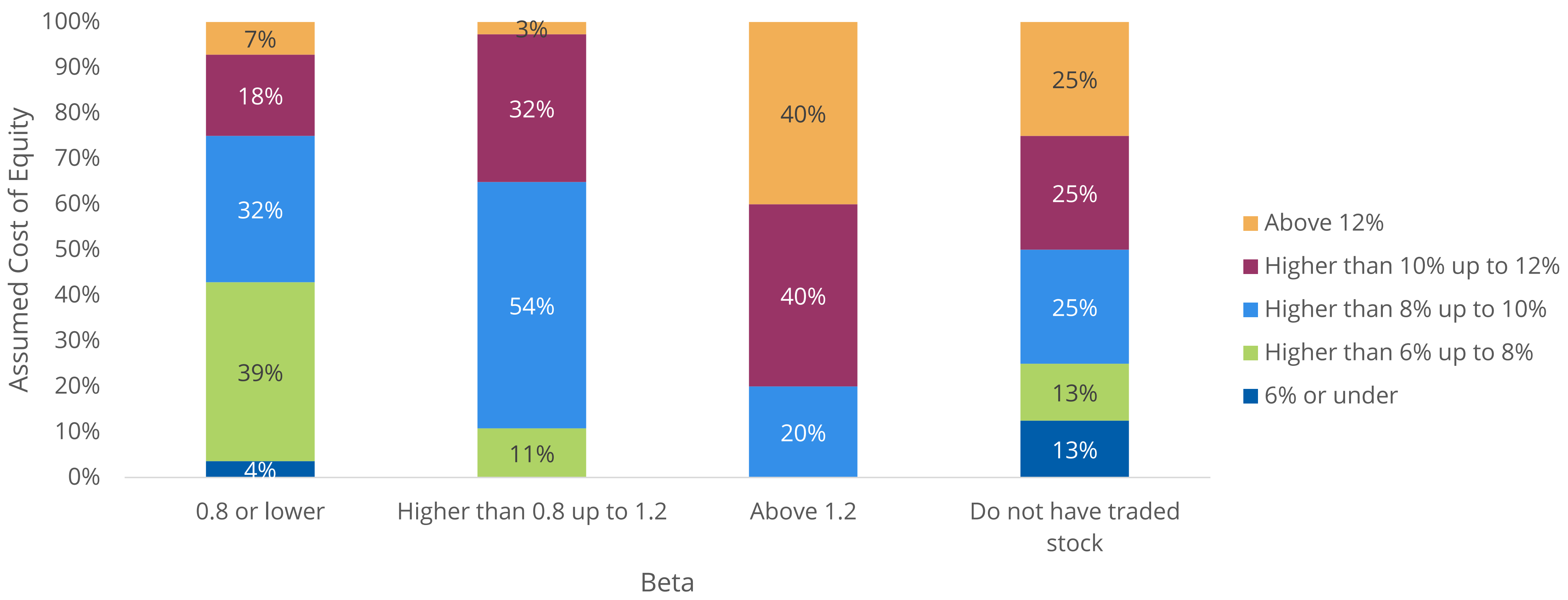


Q20: Regarding the excise tax on share repurchases, which of the following statements apply?

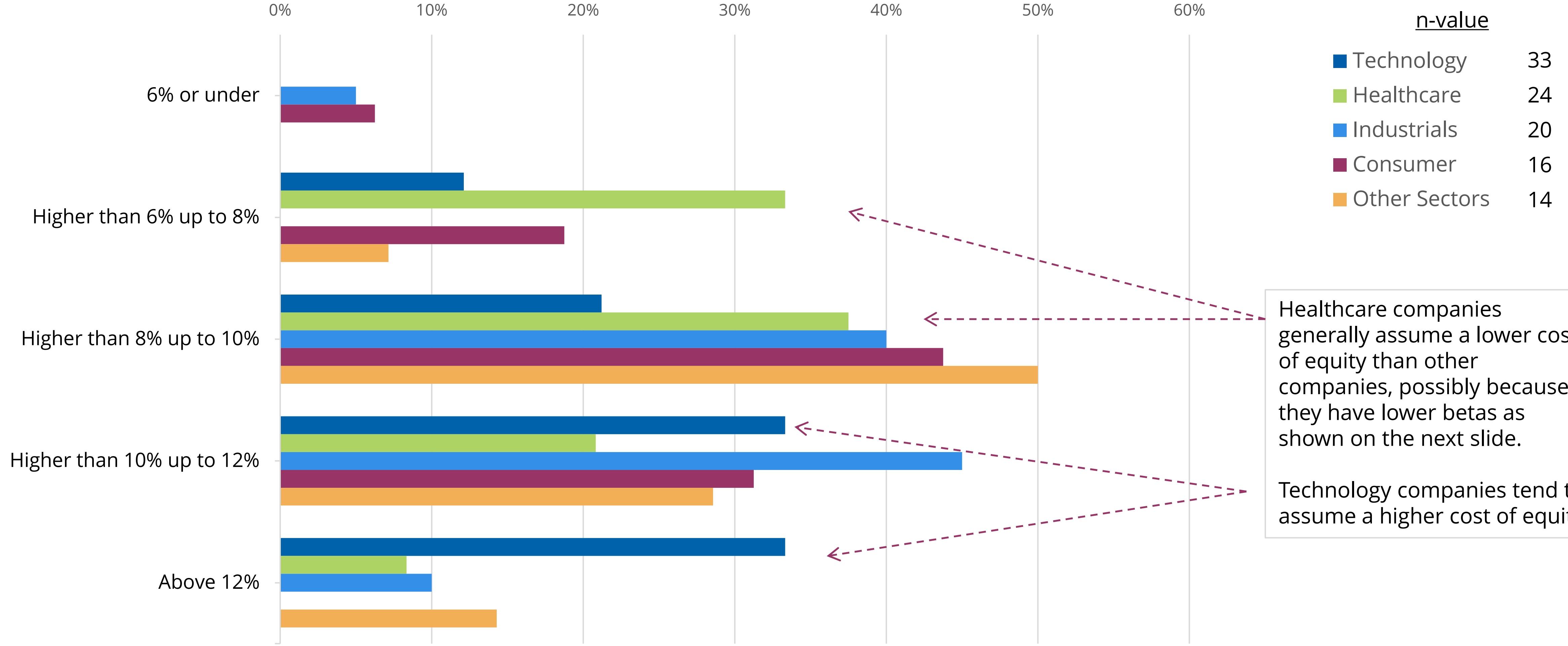
NeuGroup 30 YEARS

Stock Beta by Assumed Cost of Capital

Consistent with CAPM, higher beta companies tend to assume higher cost of equity.



Assumed Cost of Equity by Sector

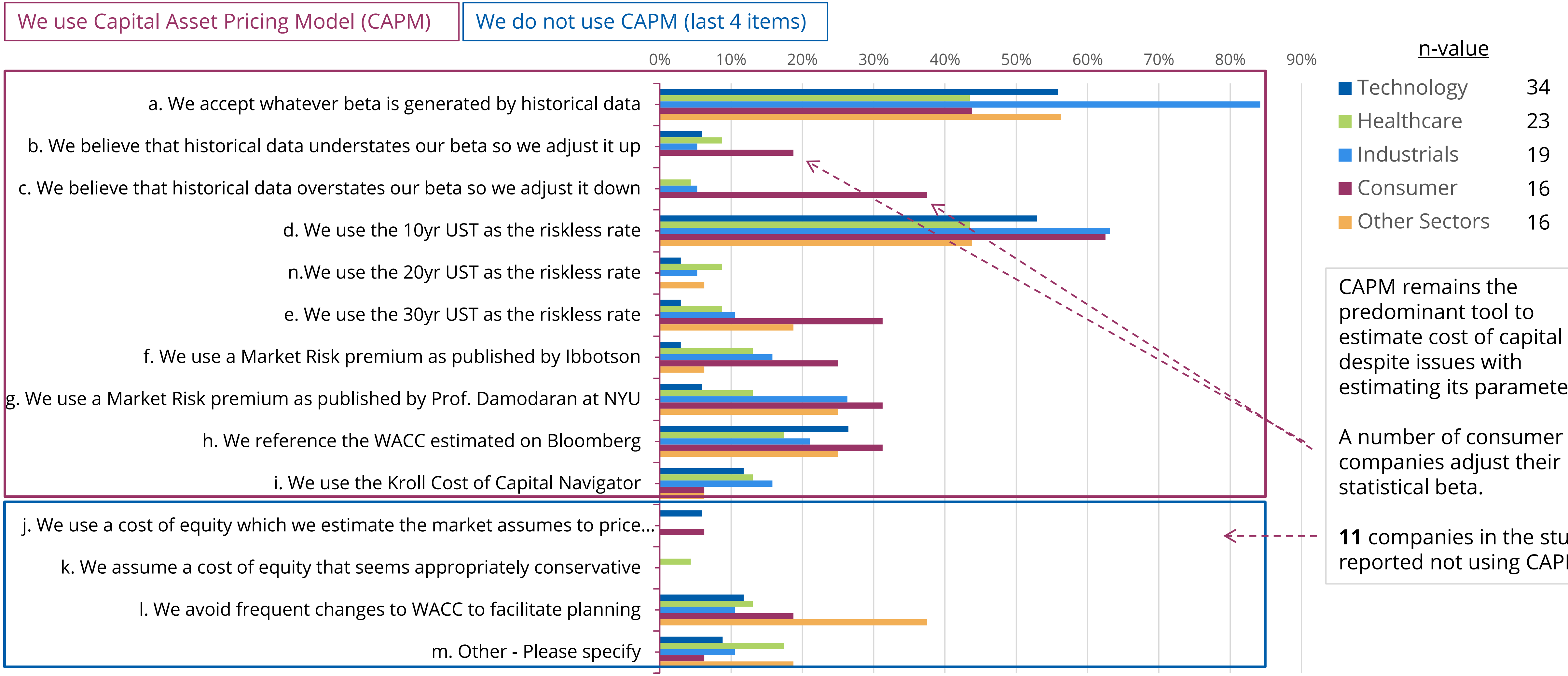


Healthcare companies generally assume a lower cost of equity than other companies, possibly because they have lower betas as shown on the next slide.

Technology companies tend to assume a higher cost of equity.

Q14: What is your company's assumed cost of equity that feeds into WACC, ROIC and investment hurdle rates?

Cost of Equity Statements by Sector



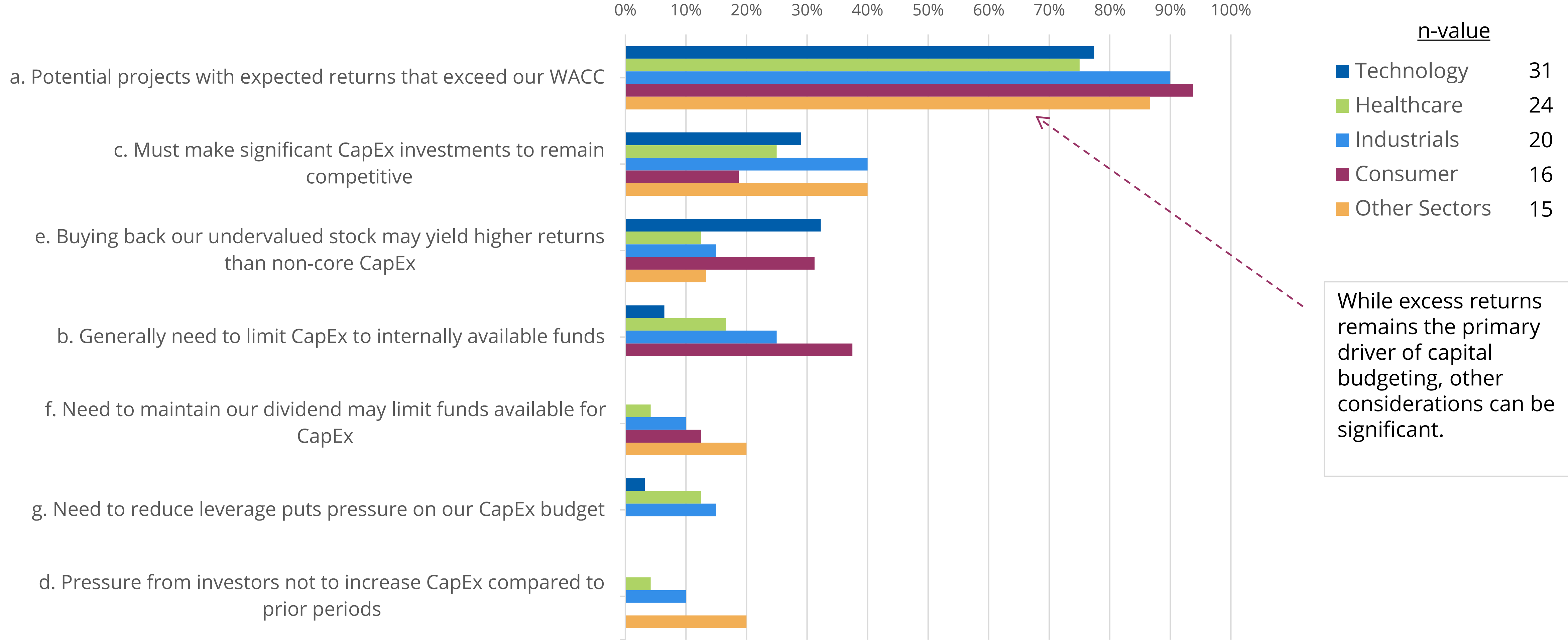
CAPM remains the predominant tool to estimate cost of capital despite issues with estimating its parameters.

A number of consumer companies adjust their statistical beta.

11 companies in the study reported not using CAPM.

Q15: Which of the following statements are applicable to your cost of equity?

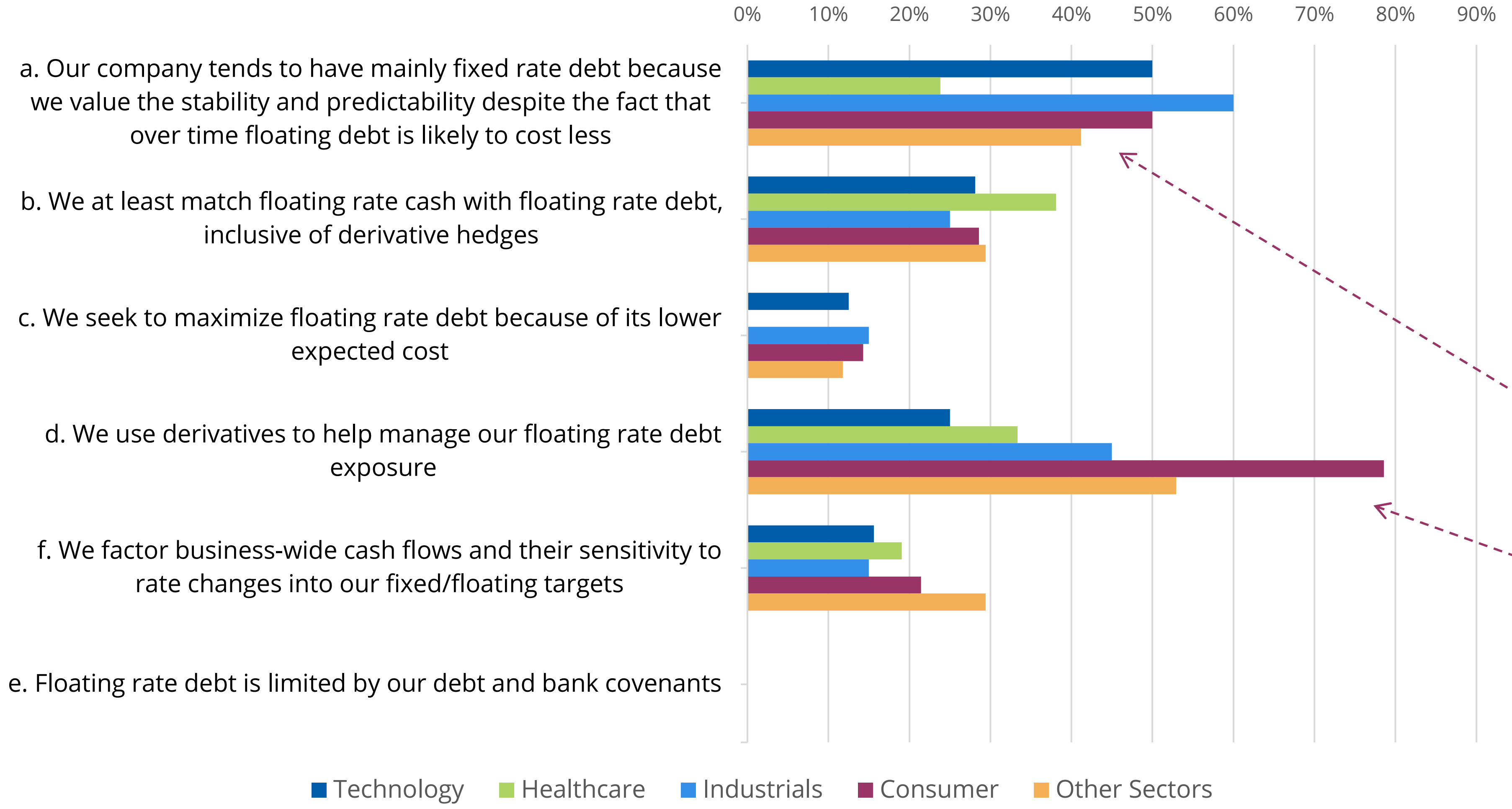
Drivers of Capital Budgeting by Sector



While excess returns remains the primary driver of capital budgeting, other considerations can be significant.

Q22: Select up to 3 drivers of capital budgeting

Fixed/Floating Debt by Sector



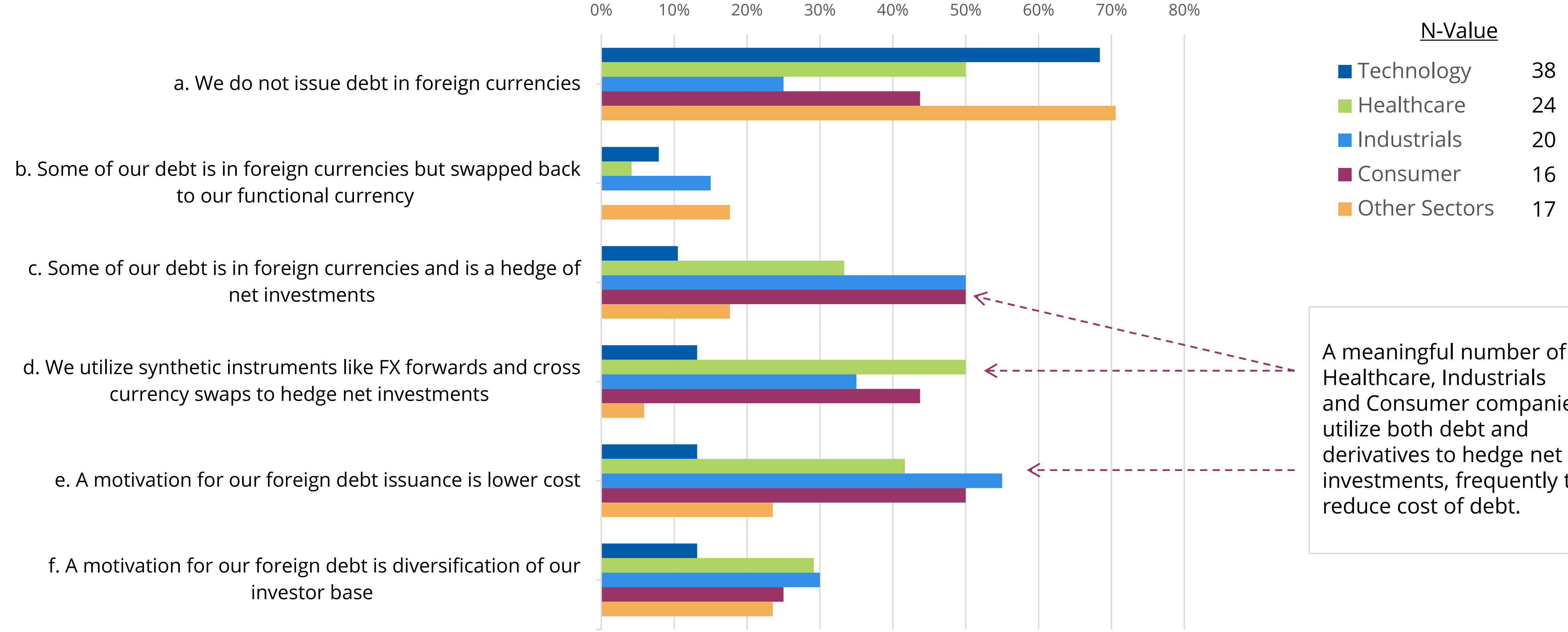
n-value	
Technology	32
Healthcare	21
Industrials	20
Consumer	14
Other Sectors	17

Healthcare companies are less motivated by the stability of fixed-rate debt than other companies.

Consumer companies utilize derivatives more than other companies.

Q23: Which of the following describes your fixed/floating rate debt?

Borrowings in Foreign Currencies by Sector



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Q24: Which of the following statements about borrowings in foreign currencies (i.e. currencies that are not your functional currency) apply to your company?

Thank You!

Please contact Jbertran@neugroup.com with any questions about the report.

About NeuGroup Peer Research

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NeuGroup Peer Research collects, analyzes and interprets data within a member-validated narrative. This type of knowledge exchange is a hallmark of NeuGroup's process and serves as a valuable tool for the membership, solution providers, or those who are looking for answers from leading treasury practitioners.