



treasurytoday

Exclusive Adam Smith Webinar



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Cash on Demand

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Agenda

Novartis Treasury & Finance Transformation Program

Conceptual Solution

Cash on Demand

Technical Solution

Key Performance Indicators

Lessons Learned & Next Steps

Novartis Treasury & Finance Transformation Program

The Company / Treasury

■ Novartis

- Healthcare company headquartered in Basel, Switzerland
- Net sales of USD 56.7bn in 2012
 - Pharmaceuticals USD 32.2 bn
 - Alcon USD 10.2 bn
 - Sandoz USD 8.7 bn
 - Consumer Health USD 3.7 bn
 - Vaccines & Diagnostics USD 1.9 bn

■ Treasury operations

- Corporate Unit within Group Finance
- 3 Departments (International Treasury, Capital Markets, Control & Reporting)

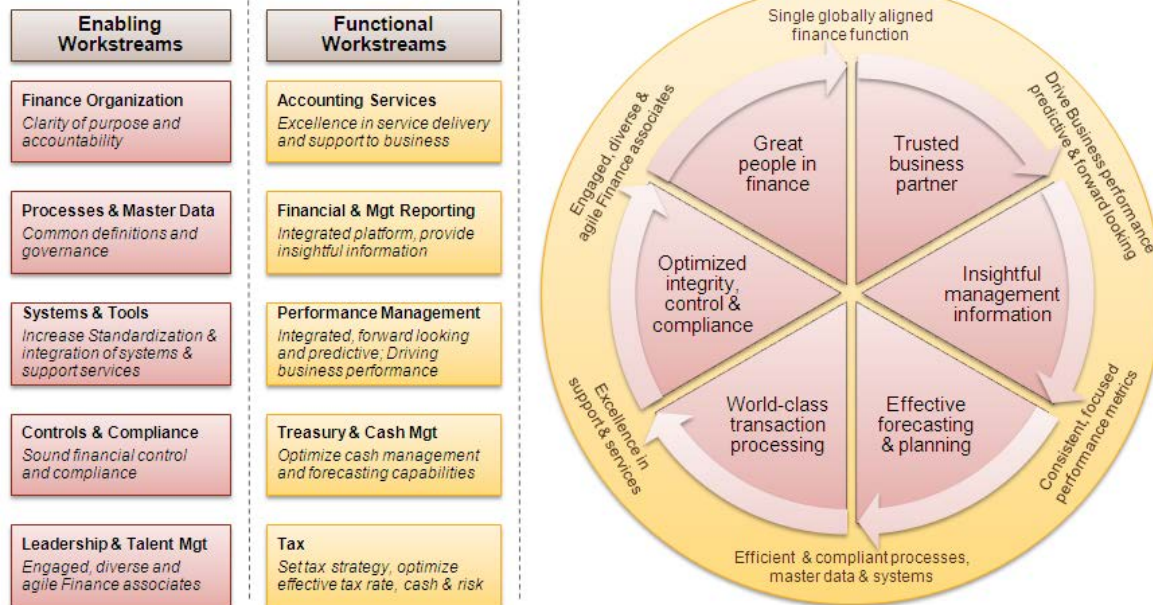
Main Objectives:

- Effective financial risk management
- Provide financing and financial services to the operating business of Novartis

Novartis Treasury & Finance Transformation Program

Objectives of the Finance Transformation Program

Overall



Treasury & Cash Management

- Have full control and visibility over the financial risk within the Group
- Have full control and visibility over the liquidity of the Group
- Maintain global Cash Pool structures wherever appropriate
- Concentrate Cash Management to a selected number of core banks
- Develop and streamline the payment infrastructure
- Introduce Centers of Competence within Financial Service Centers

Conceptual solution

From a local approach...



- Local country management of short term cash and funding
- Multiple banking partners – 56 for EUR alone
- Periodic interaction between affiliates and Group Treasury; monthly visibility through reporting
- Limited automation or standardization – inconsistent approach to controls
- Heterogeneous approach to bank interfaces, file formats

Conceptual Solution

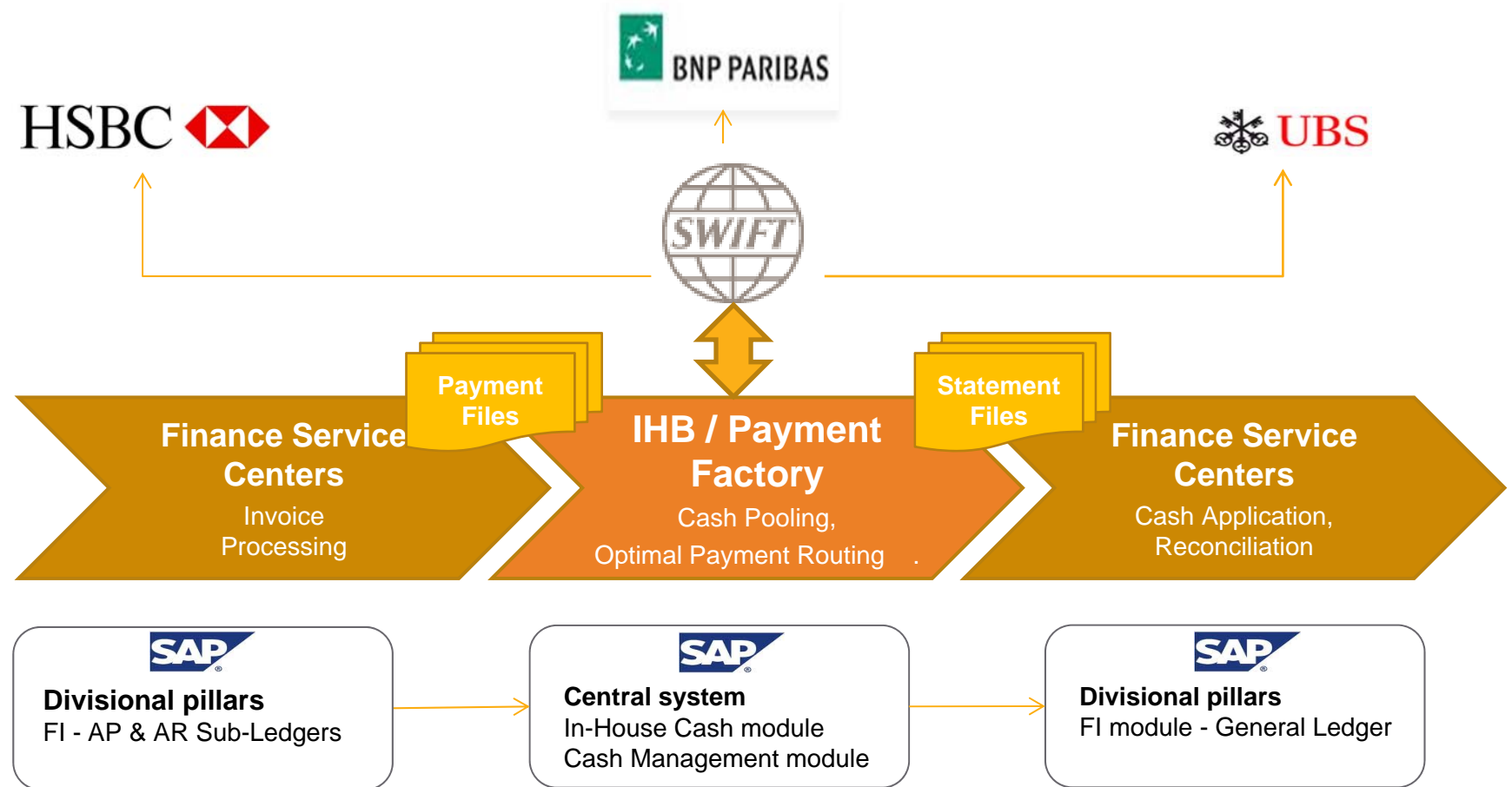
... To vertically integrated operational treasury activities in Europe



- Central management of affiliates' cash and liquidity by Group Treasury (**20 countries, approx. 150 legal entities**)
- 3 main banking partners in Europe – BNP Paribas, HSBC, UBS
- Improved cash forecasting through system based processes
- Standardized bank interfaces and file formats

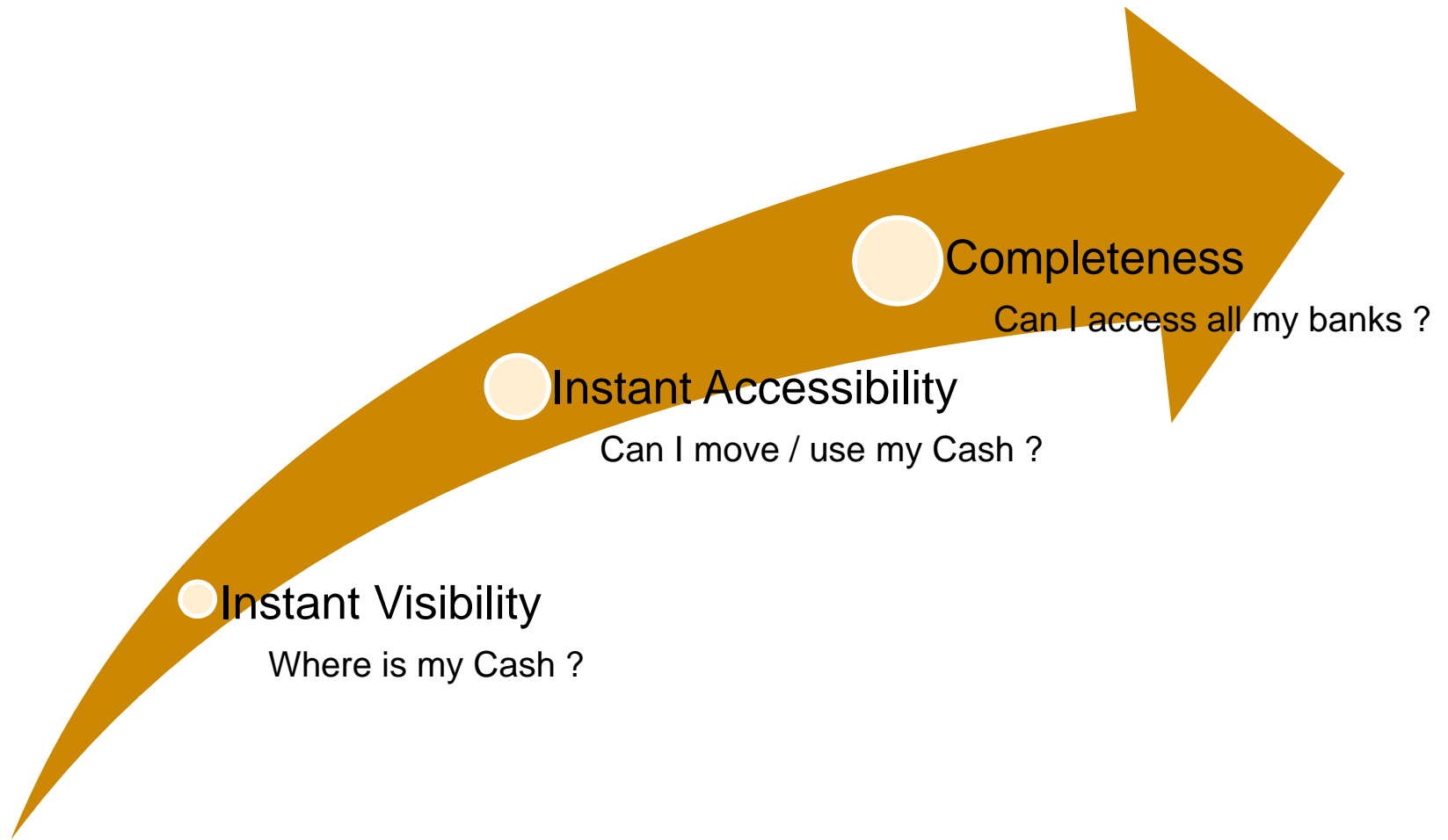
Conceptual Solution

Standardize, simplify, and automate processes



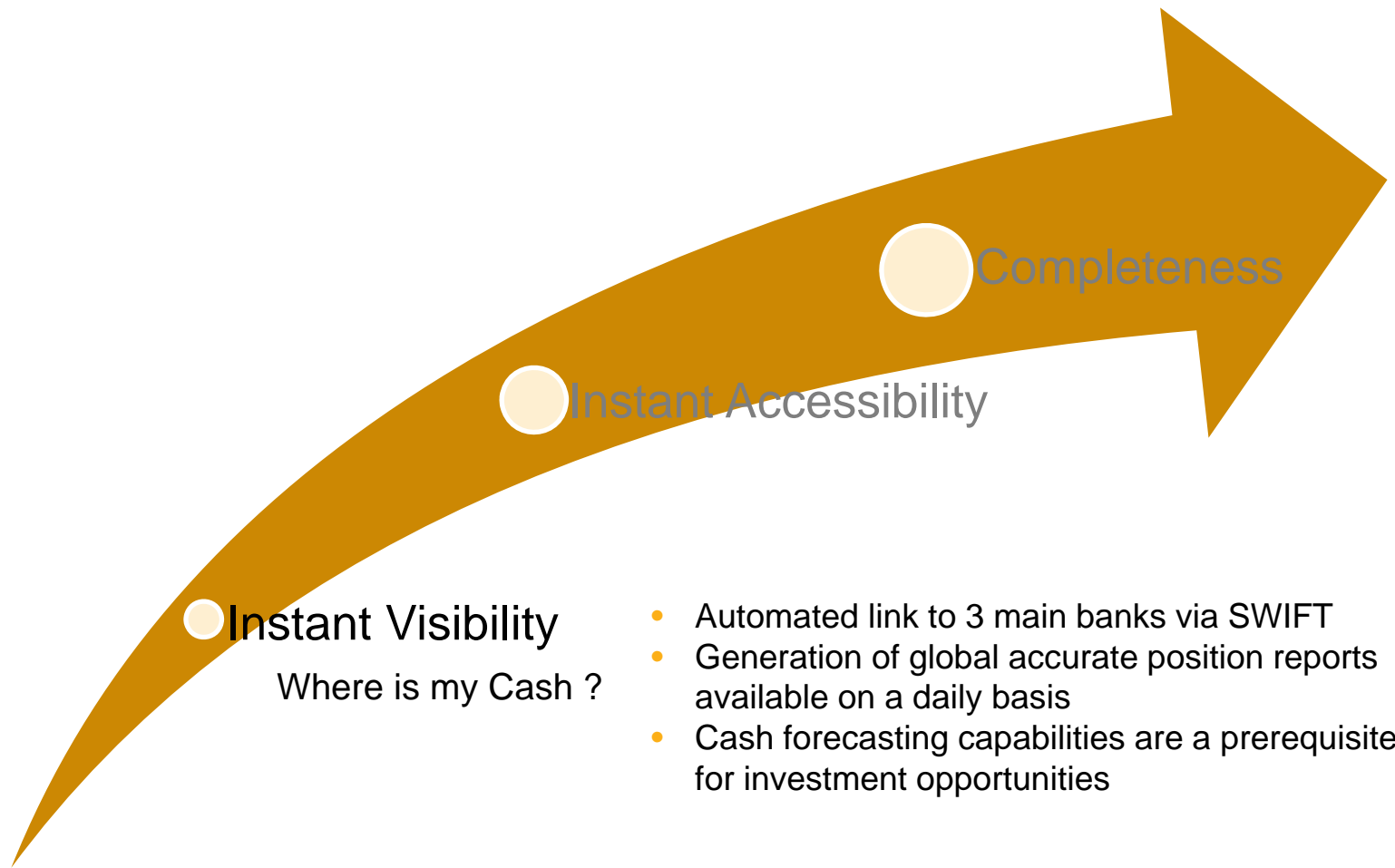
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Key factors



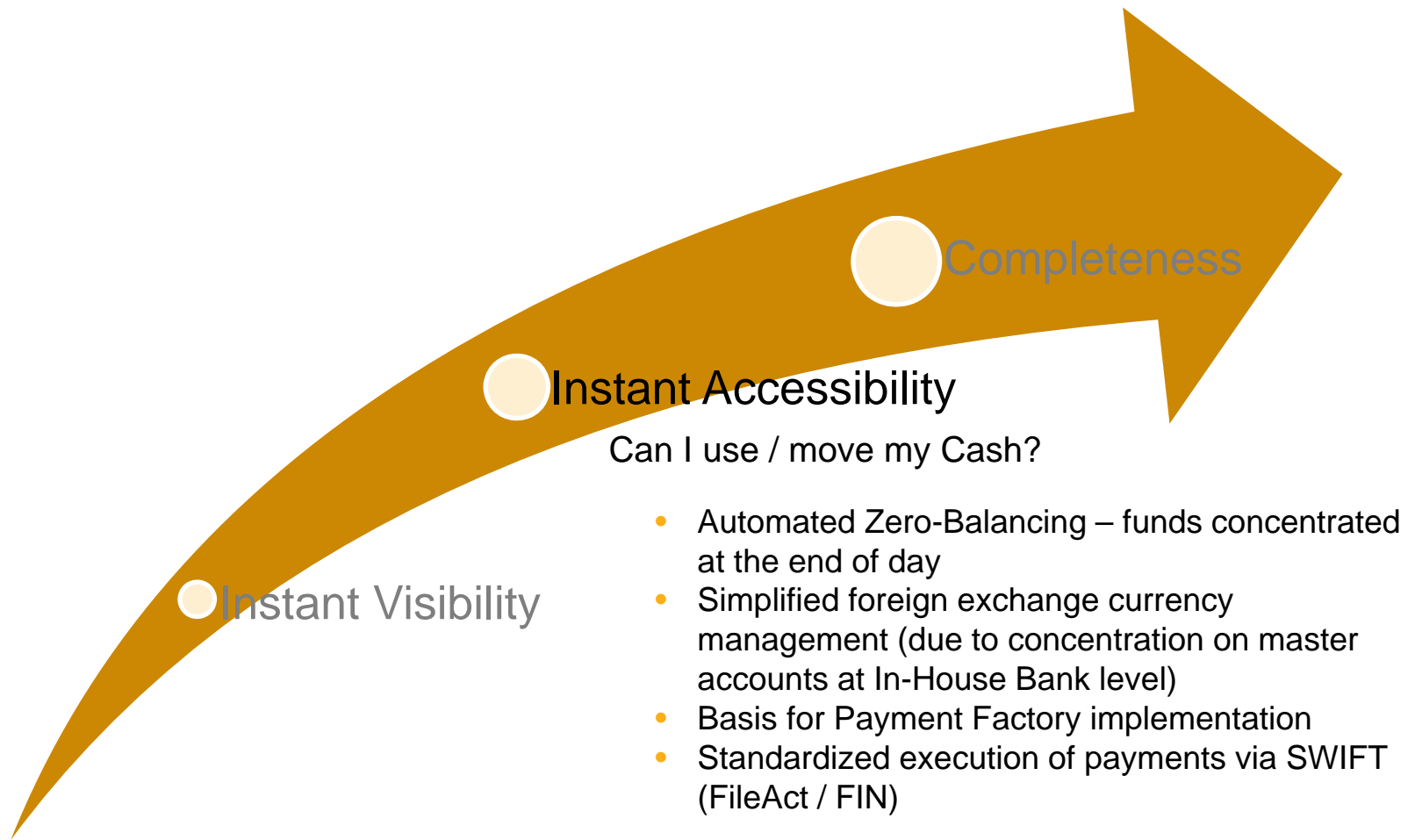
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Instant Visibility



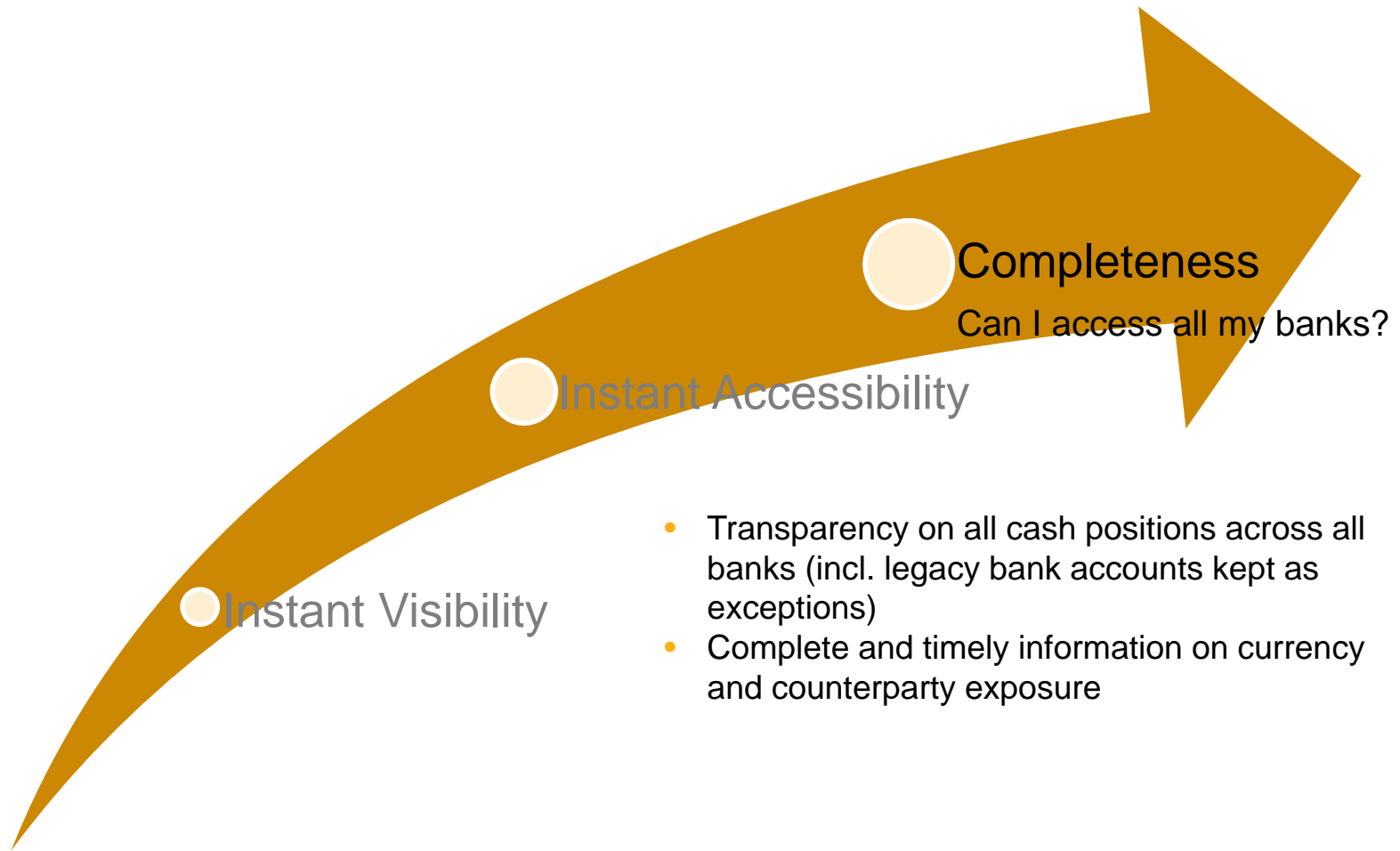
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Instant Accessibility



Cash on Demand

Completeness



Technical Solution Overview

Affiliates

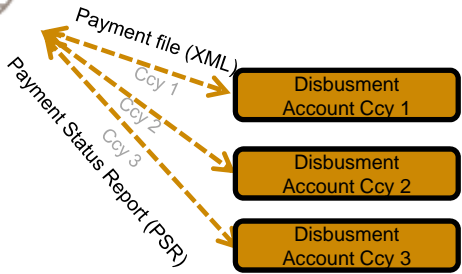
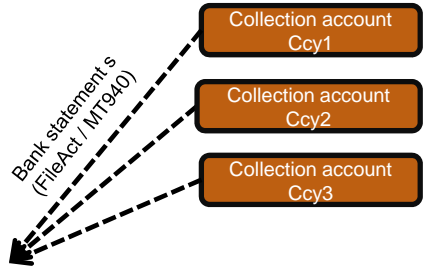
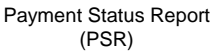
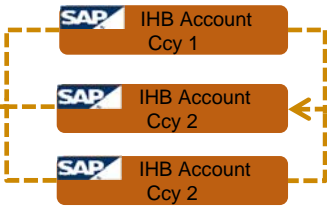
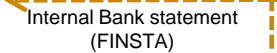
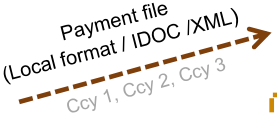
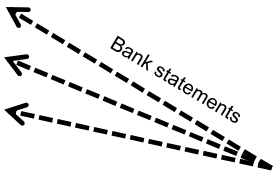
In-House Bank Payment Factory

Bank



3rd Party Collections

3rd Party Payments



Key Performance Indicators

KPIs as enabler for change management

- Clear communication to affiliates about expectations is a key
- Promote consistency in defining the internal processes
- Allow learning curve and then include in the annual objective
- Make performance visible by benchmarking across affiliates
- Facilitate feedback & knowledge sharing (learn from the “best” approach)

KPI measurement shall ultimately lead to the “profound knowledge” of the processes and increase of outcome’s quality

Cash Balances Report

Country	Company Code	Cash Pool	Opening Balance	Plan	Forecast	Actual	Deviation
Austria	AT01	EUR	24.000	0.000	0.000	24.000	0.000
Belgium	BE02	EUR	-5.000	-5.000	-5.000	-5.000	0.000
Denmark	DK07	DKK	1.597	0.000	1.597	1.597	0.000
France	FR10	EUR	839	0.000	839	839	0.000
Germany	DE03	EUR	19.034	0.000	19.034	19.034	0.000
Hungary	HU02	HUF	72.349.304	0.000	72.349.304	72.349.304	0.000
Italy	IT01	EUR	0.000	0.000	0.000	0.000	0.000
Netherlands	NL01	EUR	0.000	0.000	0.000	0.000	0.000

Deviation Report

Country	Company Code	Cash Pool	Opening Balance	Plan	Forecast	Actual	Deviation
Austria	AT01	EUR	24.000	0.000	0.000	24.000	0.000
Belgium	BE02	EUR	-5.000	-5.000	-5.000	-5.000	0.000
Denmark	DK07	DKK	1.597	0.000	1.597	1.597	0.000
France	FR10	EUR	839	0.000	839	839	0.000
Germany	DE03	EUR	19.034	0.000	19.034	19.034	0.000
Hungary	HU02	HUF	72.349.304	0.000	72.349.304	72.349.304	0.000
Italy	IT01	EUR	0.000	0.000	0.000	0.000	0.000
Netherlands	NL01	EUR	0.000	0.000	0.000	0.000	0.000

Payment Factory KPIs

Country	Company Code	% of Opening Balance	% of Daily Movement	% of Error	% of Unutilized Balance	% of E+20	% of E-20	% of Manual Payments
Austria	AT01	57	26	10	100	90	3	0
Belgium	BE02	0	0	22	50	33	0	0
Denmark	DK07	18	48	44	93	47	3	0
France	FR10	40	302	36	86	75	0	0
Germany	DE03	53	49	21	100	100	0	0
Hungary	HU02	100	621	3	100	100	0	0
Italy	IT01	0	0	0	0	0	0	0
Netherlands	NL01	100	1705	23	100	93	0	0

Lessons Learned & Next Steps

Critical factors to be considered

- **Legal issues**
 - What are the no-gos for your legal department?
 - Do the Partner Banks apply the same contracts as the main bank?

- **Specific requirements in certain countries**
 - What payment/collection methods & legal requirements are unique?
 - Can the chosen bank support these requirements if not a retailer?

- **Compatibility of payment files and account statements with standard Electronic Banking System (EBS)**
 - What file formats are supported in each country by local EBS?
 - Is the bank's standard EBS the most suitable in each country?
 - Has an end-to-end testing been carried out before go-live?

- **Internal issues**
 - Monitoring of closing of local legacy structures required

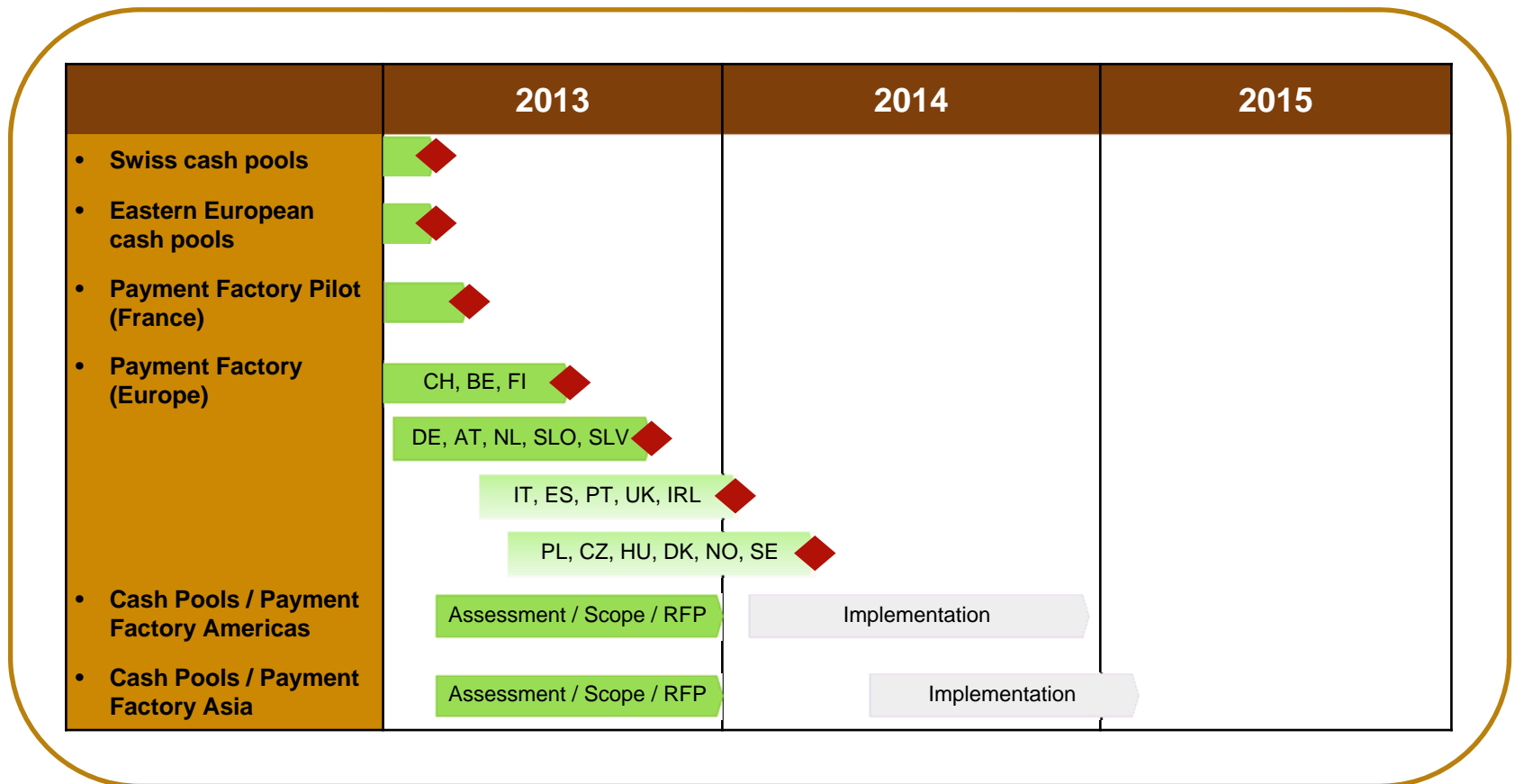
Lessons Learned & Next Steps

Next Steps

- Roll-out of cash pooling concept to new regions (Americas & Asia)
- Introduction of Payment Factory
 - Account statements collected «on behalf» and pushed to various backends
- Conversion to SEPA-compliant master data and file formats
- Improving auto-allocation process
- Embedding AP and AR processes into Financial Service Center environment

Lessons Learned & Next Steps

Implementation Scope and Timeline





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Question Time



NOVARTIS



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