

treasurytoday

Adam Smith Webinars

Firmenich



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Firmenich Finance SA In House Bank

Facts and Figures

01

Firmenich
Who are we?

LARGEST PRIVATELY OWNED FRAGRANCE & FLAVOR HOUSE NUMBER 2 WORLDWIDE

COMPANY FOUNDED

1895

in Geneva, Switzerland

GLOBAL TURNOVER

2.95bn

Swiss Francs (June 2014)

AVERAGE GROWTH PER YEAR

7%

Since 1989

GLOBAL PRESENCE

100+

markets

FACILITIES

64

countries

MANUFACTURING

28

sites

CLIENTS

3000+

around the world

INVESTED IN R&D

10%

of the annual turnover

PATENTS PRESENTLY IN FORCE

2000+

R&D AWARDS

35

including Nobel Prize in chemistry

IMPACT THE LIVES OF

1mio

children through improved
hygiene & nutrition

COMMUNITY DAY

1964

participants in 35 projects

OF EMPLOYEES

6500

INGREDIENTS

#1

Portfolio of Naturals & Molecules

PERFUMERY

#1

in Fine Fragrance

FLAVORS

#1

In citrus, vanilla & seafood

—
02
—

Vision

In House Bank – Change Vision Charter

KEY PROJECT because it capitalizes on SAP investment by:

- **pooling, harmonizing and standardizing Treasury processes worldwide,**
 - **while reducing costs and improving risk management.**
- + Clear move towards Best Practices!**

As Is (Initial Stage)

- Multiple Banks, e-Banking connection and too many Bank Accounts
- Non standardized payment process
- Multiple external IG payments
- Decentralized controls
- Lack of discipline; Painful reconciliation
- Heavy support and maintenance
- Unnecessary transactions costs
- Complex identification of cash flow and currency exposure
- Incomplete cash pool structure

To Be (Final Stage)

- Same connectivity for most affiliates
- Centralized process for most affiliates
- Internal IG settlement
- Minimize risks
- Automatic IG reconciliation
- Optimize bank structure

How do we get there?

- Selection of best cash management banks
- Standardized Connectivity (1-3 interfaces)
- Rely on SAP as the backbone of the project
- Revisit the Organization

What changes does this require ?

- New Entity to head the InHouse Bank
- Whole Payment process has been redesigned
- Roles & Responsibilities of all stakeholders
- New Organization (centralized and specialized)
- SAP Upgrade (ECC 6.0) + IHB and BCM Modules + Host-to-Host interfaces with Banks
- Reporting / Visibility of Affiliates Positions

Who will be involved and affected by the changes?

- **Regional & Local F&A Organization**
- **Treasury**
- **Tax & Legal**
- **Purchasing (suppliers)**
- **Customers**
- **Group Reporting and Consolidation**
- **IS and Business Process Excellence Team**

03

Pillars of the Project

The Pillars of our In House Bank Project

➤ New Legal Entity

- Fully dedicated to: CaPo, ICo, PoBo today and Forex tomorrow

➤ New Organization

- Revisited Bank Network:
 - 3 Cash Management Bank Partners selected
- New Back Office Organization:
 - Centralized and Fully Dedicated to Treasury
 - Outsourced to Xerox in Barcelona
- New Processes:
 - Standardized and Automated Processes
 - Daily Internal Bank Management (Bank Accounts balances, Bank Statements, transfers, payments,..)

➤ Infrastructure/Configuration developed to support the In House Bank activity:

- Single Instance of SAP -
 - Complemented by 2 new modules: IHC and BCM
- Host-to-host connections with banks
- E-banking tools (as a back-up)
- Electronic Bank Statements, Payment Files and Payment Status Reports
- XML ISO 20022

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Steps

Main Steps of the Project

SEPA

Oct 2013
-
Jan 2014

CaPo

Oct 2013
-
May 2014

ICo

Oct 2013
-
May 2014

PoBo 1-2-3

Jan 2014
-
Sep 2015

PiNo

Sep 2015
-
Jun 2016

SEPA

SEPA

- Started in Oct 2013 and Live on January 6th, 2014
- 8 participating Affiliates having to comply with SEPA rules
- Implemented with a Bank selected to cover the full scope of the In House Bank project (CaPo, PoBo and PiNo)
 - BNP Paribas
- Set-up of electronic payment file:
 - Host-to-Host Connection
 - Validation of instructions in eBanking tool

Global Cash Pooling (CaPo)

CaPo

- Live since May 6th, 2014
 - Daily ZBA
 - Replacing RBS Cash Pooling (luckily!!!)
 - Extended Scope:
 - 27 Affiliates
 - 10 Currencies

- Volume of Cash Pooled
 - More than 80% of the cash of the Group

- Cash Management Banks
 - Reshuffling of Bank Network: selection of 3 banks + closing others
 - BNP Paribas for Europe
 - Citigroup for the rest of the World
 - UBS for CHF
 - Bank Conditions negotiated and close monitoring of the respect of conditions

- Integration and automation
 - Daily automated upload of electronic bank statements in SAP for 27 affiliates
 - Customized MT940 for Master accounts enabling automatic postings in SAP GL and IHB

Inter Company Netting (ICo)

ICo

- Live since May 6th, 2014
 - Replacing RBS External Netting tool
 - Scope: 25 Affiliates
- Full Internal Process
 - Internal Settlement – No Physical Transfer of Cash
 - Weekly Run vs. monthly previously
- Main Benefits:
 - Saving on cost of Netting Tool
 - Zero Transfer Cost
 - Elimination of FX transactions Costs for IntraGroup Transactions
 - Automated Reconciliation
- Settlement at transaction level, no grouping
- No Rejection

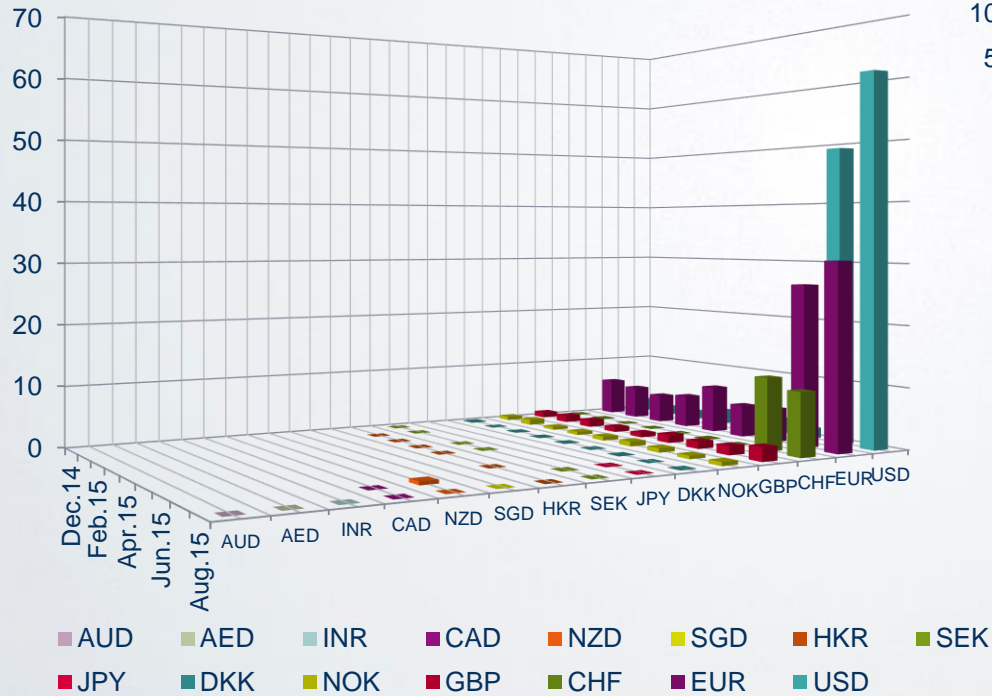
Payment on Behalf of (PoBo)

PoBo 1-
2-3

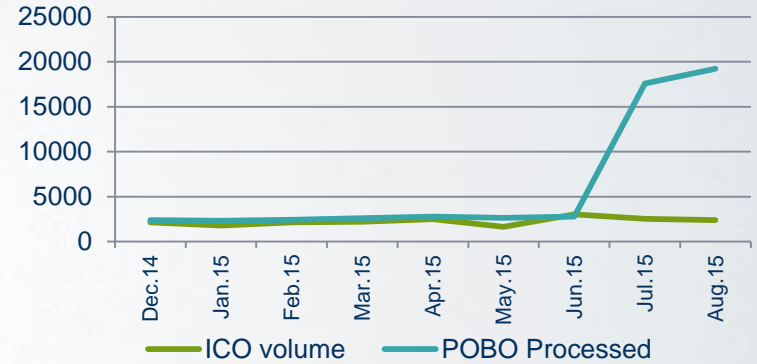
- 23 Participating Affiliates Implemented in 3 Phases:
 - 12 in December 2014
 - 8 in July 2015
 - 3 in September 2015
- Volumes:
 - 62% of Payments (equiv. ~CHF 2bio) going through Payment Factory
 - Number of Payments per Month:
 - *PoBo I*: ~2'500
 - *PoBo I + II*: ~18'000
 - *PoBo I + II + III*: ~21'000
- Payment Rule:
 - On Due Date
- Payment Process:
 - Payment Request at Affiliate Level (F110)
 - Payment Execution at IHB level (F111)
 - Release of Payment at Group Treasury level (BCM module)
- Other:
 - No Manual Payments, only Electronic
 - Payment Remittance Advice sent to Suppliers including list of invoices paid
 - Payment done at individual invoice level, no grouping
 - Information of invoice number and ultimate debtor transmitted to vendor
 - Payment Status Report: immediate notification of payment acceptance or rejection

PoBo Statistics – Volumes

POBO Values in Mio CHF / split by currency

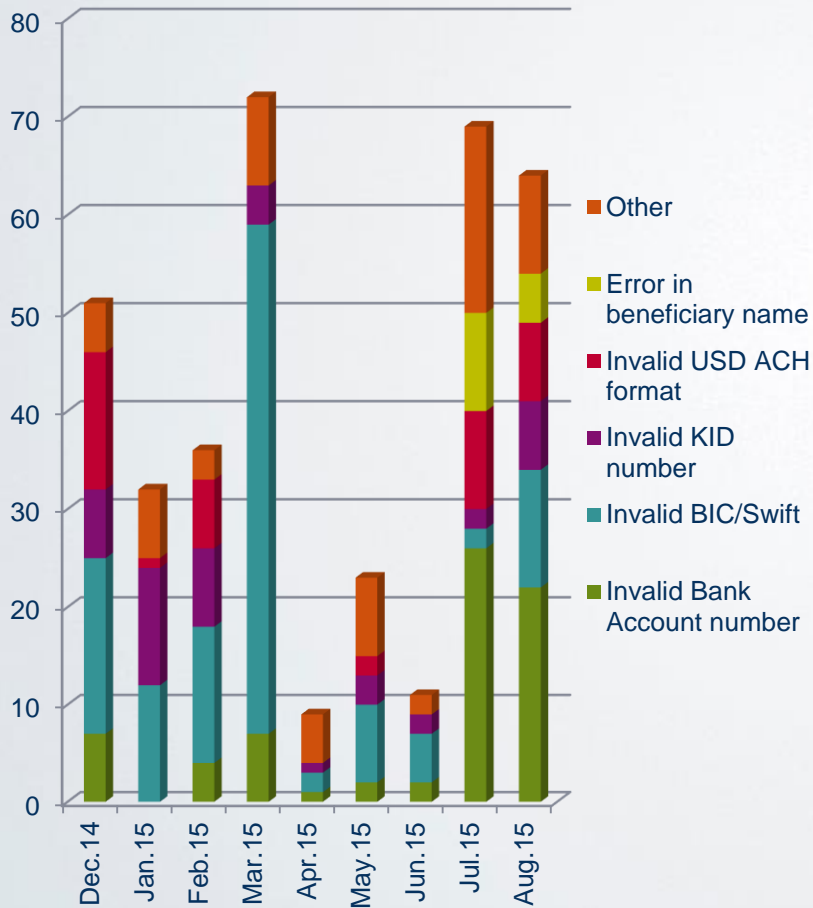


ICO / POBO volume (No of transactions settled)

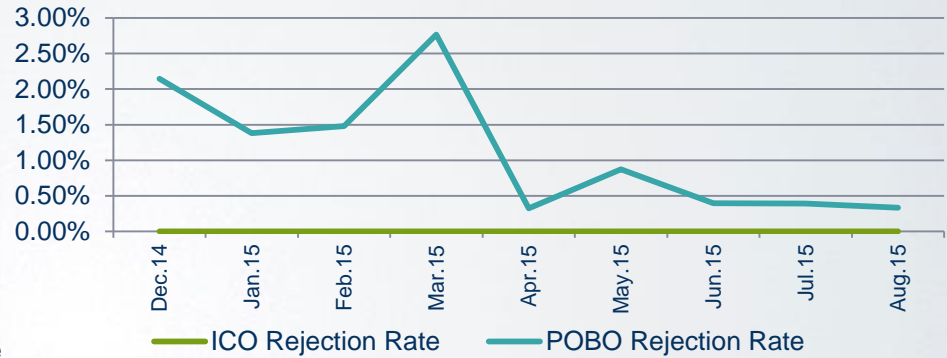


PoBo Statistics – Rejections

Reasons of rejections



Rejection Rate (%)



Payment In the Name Of (PiNo)

PiNo

➤ Objectives = move Affiliates unable to join PoBo towards New Standards

- Standardization of the payment process
- Use of Core Banks (close other banks)
- Use same connection channel with banks
- Same Process (as for PoBo) to generate the payment file
- Optimize the Security of the Payment Process

05

Benefits and Lessons

Benefits

➤ Tangible Benefits

- Savings on Bank Fees
 - Closure of Bank Relationships (around 30 at this stage)
 - Closure of Bank Accounts (around 115 out of 300 at this stage)
- Savings on Services
 - Netting Service offered by RBS replaced by IHB Internal process
 - No more Service Fee
- Savings on Transactions
 - International/Cross Border replaced by Domestic or SEPA transfers
 - Volume of FX transactions linked to Netting reduced to ZERO
 - Reduced FX Spreads further to Centralization of FX activity
 - IntraGroup Transfers in the context of Netting reduced to ZERO

➤ Intangible Benefits

- A true Global End-to-End process benefiting from:
 - Standardization
 - Integration
 - Ease of control on Execution
- Trans-divisional project enabling
 - Collaboration spirit
 - Knowledge sharing

Lessons learned

- Business case:
 - Key to define the right budget with the right consultants

- Project Management:
 - Team: Importance of including various skills and expertise
 - Defining clear roles and responsibilities

- Communication:
 - With external banks: regular meetings and thorough follow-up of pending issues
 - Internal communication and change management with a sponsor at top level

- Network:
 - Get input from other corporates, share experience and challenges

- Test before Implementation:
 - For PoBo: Penny tests is a mandatory step in the preparation phase however the best penny test is with the go-live

- Be prepared for surprises, impossible to tackle all potential issues on the testing phase

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inspiring!



120
YEARS
BECAUSE
WE CARE

INNOVATIVE CRAFTSMANSHIP IN FRAGRANCES AND FLAVORS SINCE 1895

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Question time
Firmenich



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