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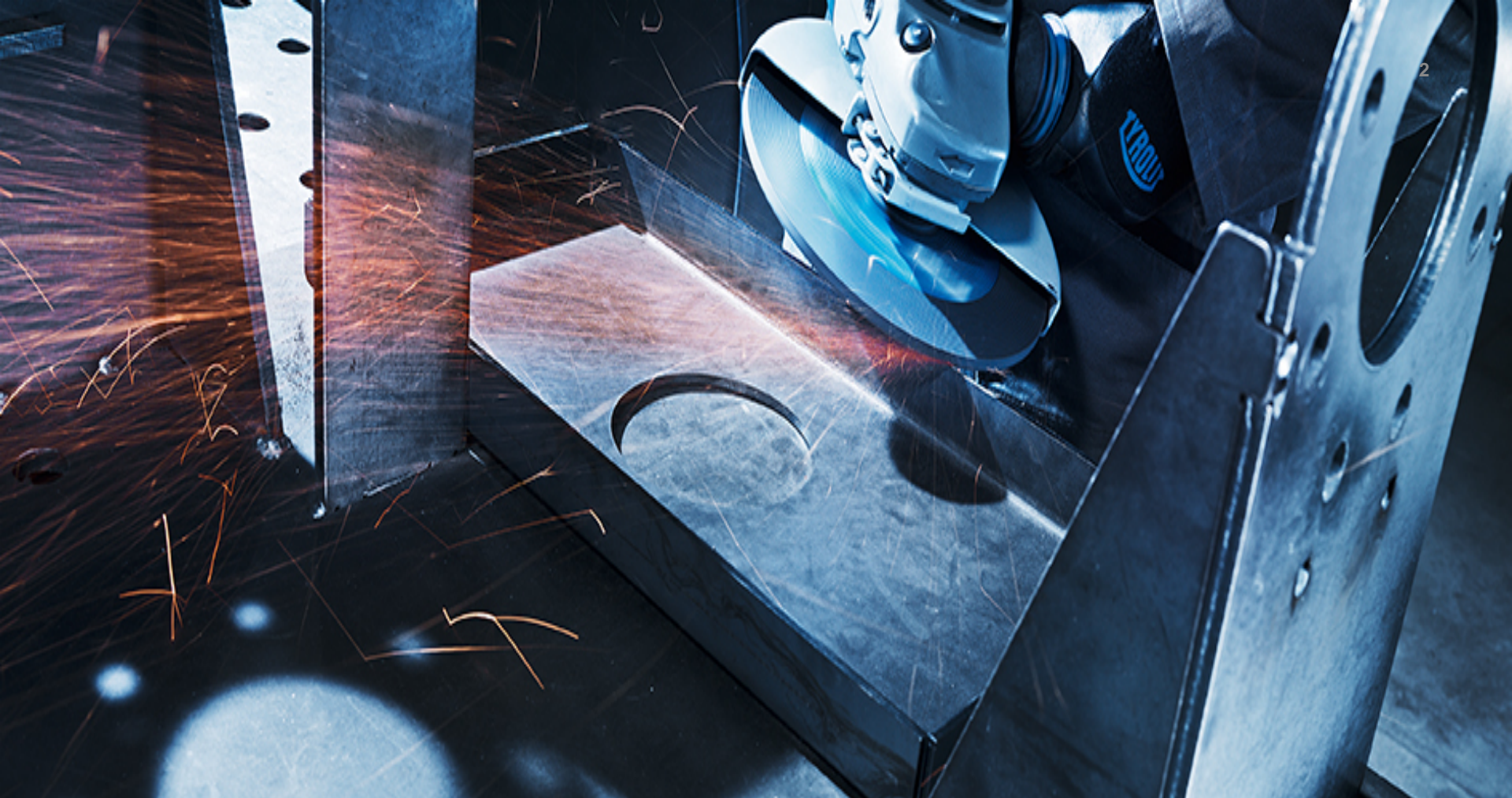


Franz Bramböck
Group Treasurer
TYROLIT Swarovski KG

Facilitator:



Eleanor Hill
Editorial Director
Treasury Today



TYROLIT'S CASH MANAGEMENT JOURNEY

Adam Smith Webinar, 11 February 2015

Franz Bramböck, Group Treasurer, TYROLIT Group

A Company of the SWAROVSKI Group
www.tyrolit.com

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Agenda

A. Overview TYROLIT Group

B. TYROLIT's cash management

C. Summary & lessons learned

TYROLIT BELONGS TO THE SWAROVSKI GROUP



- Worldwide leading manufacturer of crystal components. Jewellery, accessories, lighting and interior design
- Founded 1895 – in Wattens / Austria



- Leading suppliers for innovative solutions in grinding, cutting, drilling, honing, dressing and polishing
- Founded 1919 – in Wattens / Austria



- Leading manufacturer of optronic instruments, binoculars, telescopes, rifle scopes, range finders and image intensifier tubes
- Founded 1949 – in Absam / Austria





Turnover 2014

602 million euros

Employees 2014

~5,000, of whom 1,216 work at our headquarters in Schwaz, Austria.

Employees in research and development: 102

29 production facilities in 13 countries

50 legal entities

in Asia, Africa, America, Australia, Europe

TYROLIT Finanz AG is it's in-house finance entity



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TYROLIT IMPLEMENTED SEPA FAIRLY EARLY AND THUS WAS ABLE TO OPTIMISE ITS “OLD” EUR CASH POOL STRUCTURE...

Before SEPA implementation

- EUR Cash Pool introduction together with ABN Amro in **2001**
- 3 layer structure for the EUR Cash Pool
- 23 Accounts for 9 entities
- > 1 operative EUR Cash Pool account per country in order to avoid the expensive cross border payments
- EUR Cash Pool exclusively within Eurozone
- Decentralized structure, solely the Info from the national pooling accounts was processed electronically
- Central Master Account in Amsterdam

After SEPA implementation

- Start of migration to SEPA already in **2011**
- 2 layers for the EUR Cash Pool
- 10 Accounts for 9 entities
- Only 1 EUR Cash Pool account per entity
- Expansion EUR Cash Pool to CZ, PL, CH, HU, UAE, IT, AU and HKG
- Centralized structure; automated electronic processing of all operative bank accounts in each ledger
- Central Master Account in Frankfurt

SEPA was seen within TYROLIT as a clear CHANCE, in order to

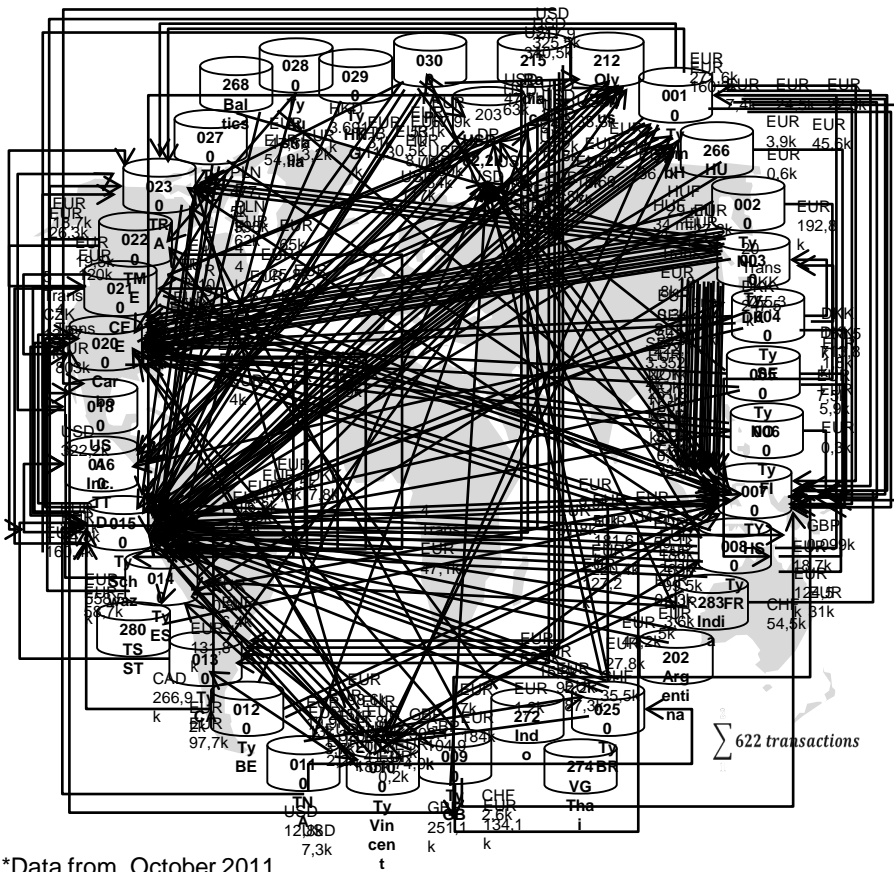
- Make use of the early mover advantage
- Have lower costs (less bank accounts, reduced SEPA fees)
- To avoid expected “Bottle-Necks” in general (IT at banks + operational at corporates)
- Critically challenge and analyse the existing, world-wide payment structures / behaviours and adapt them where necessary

- Full, centralised transparency over the local Cash Flows
- Lower operational – and transaction costs
 - Relief of local accounting teams
- Optimised payment flows incl. reduced manual intervention
- Reduced fraud possibilities and mistakes
- Increased compliance and control
- Despite the very low SEPA fees, a Cash Pool pays off due to world-wide participants

THE SEPA CONSOLIDATED FINDINGS RESULTED IN THE ROLL-OUT OF INTERCOMPANY (IC) NETTING

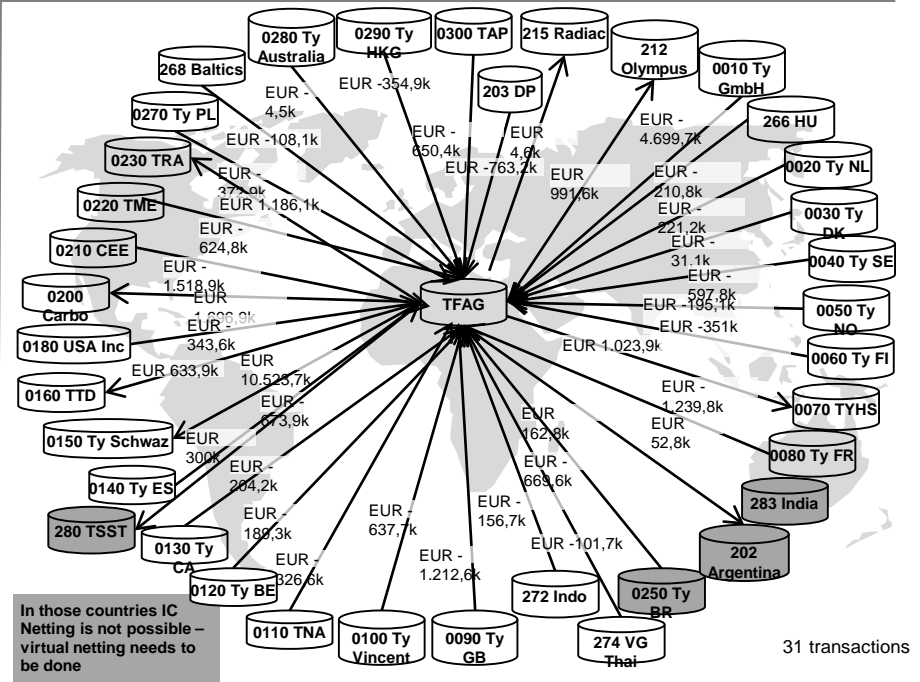
Initial situation: During the SEPA implementation, analysis was conducted into the IC payment behaviour and the associated costs. As a result, it was decided to start the roll-out of IC Netting in **2012**

Number bank transactions before IC NETTING*



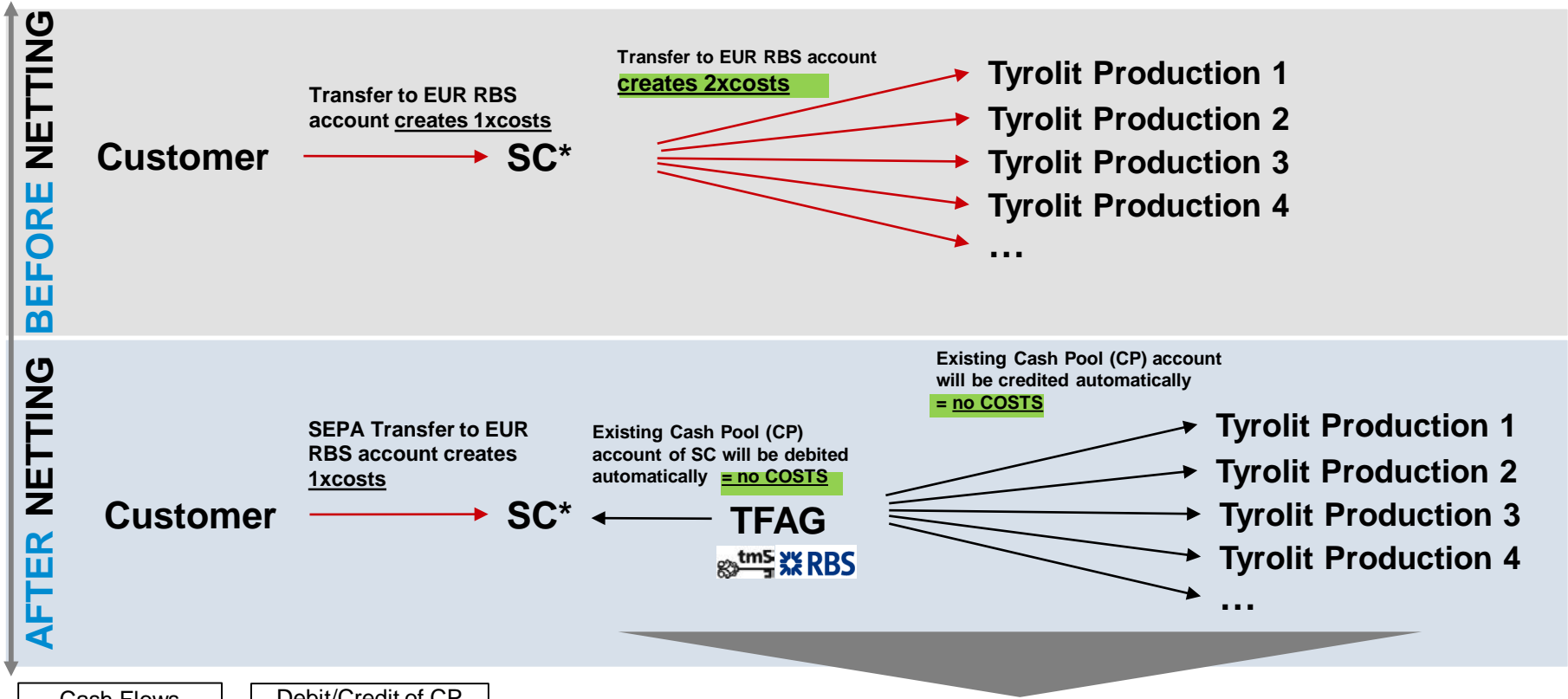
*Data from October 2011

Number bank transactions after IC NETTING



- Besides a massive cost reduction
- The total FX Volume is now centralised → reduced by > 50% due to internal hedging possibilities
- No IC overdue AR exist anymore (relief of TYROLIT's production companies)
- TYROLIT's core banks benefit a lot

INTERACTION OF SEPA, IC NETTING AND CASH POOLING



Cash Flows
→

Debit/Credit of CP
A/R or A/P
→

- Straight Through Processing
- Automated posting in SAP
- Pure accounting step
- RBS benefits from highly increased local payment volume

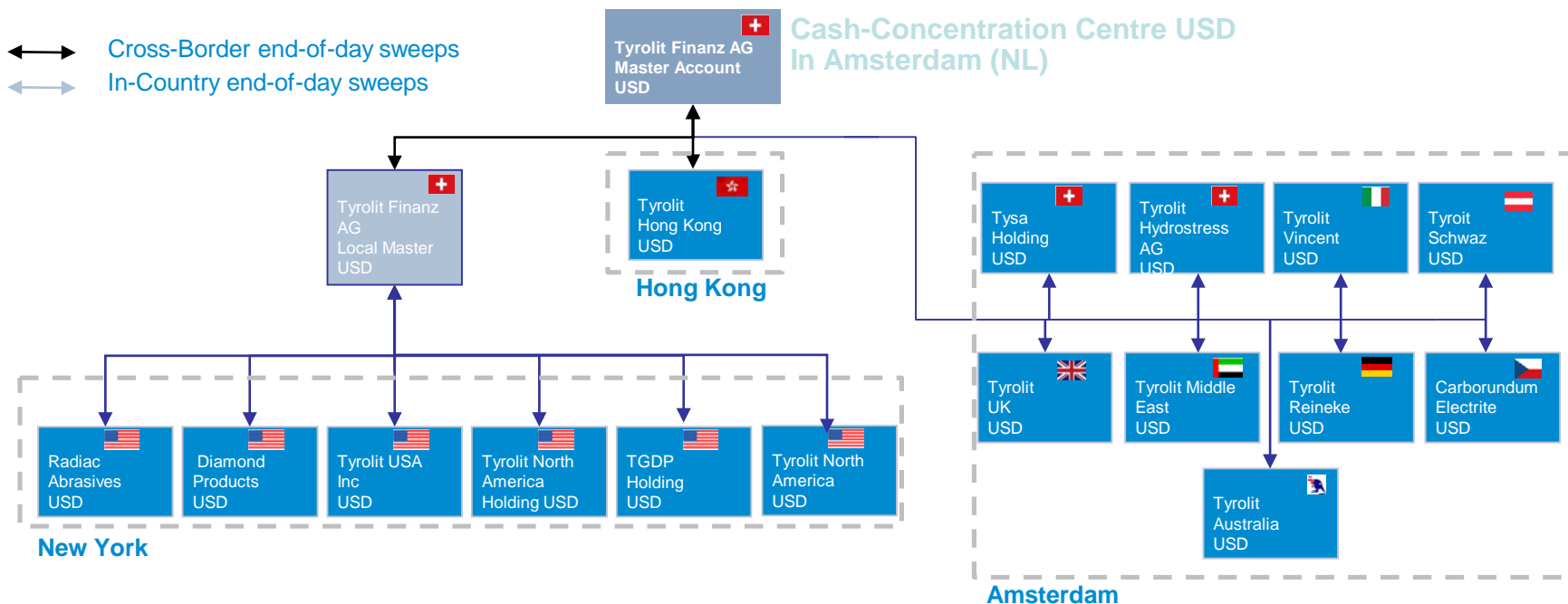
- Implementation of Cash Pools in other currencies
- Elimination of > 90% of the to date Payment Volume
- Reduced bank fees

*SC = Sales Company



TYROLITS USD CASH POOL

IDEAL USD Cash-Pool Structure for TYROLIT Group



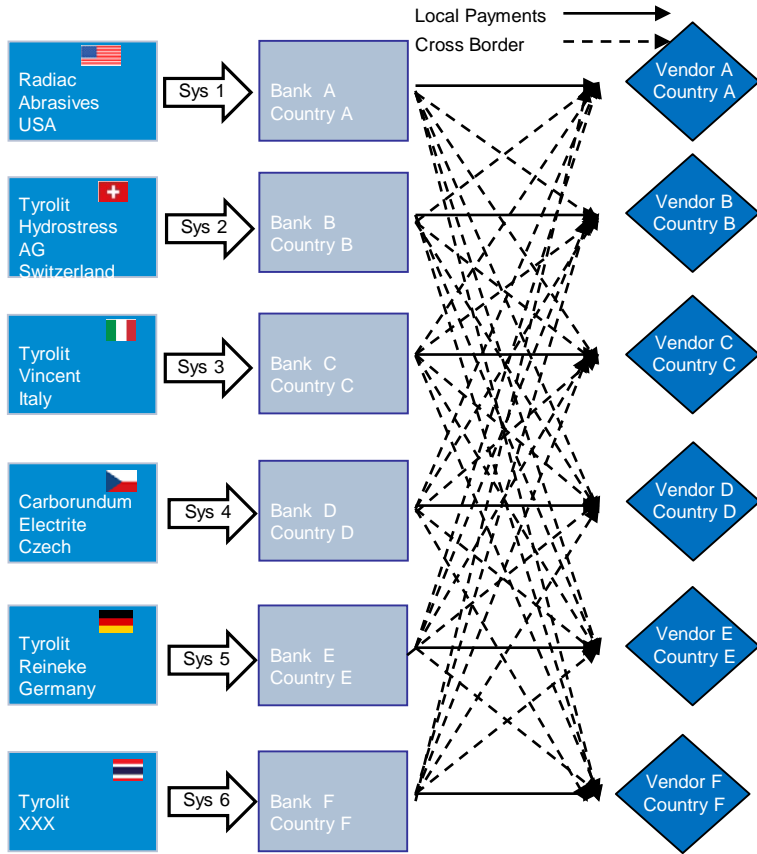
IMPLEMENTATION OF THE USD CASH POOL ALLOW'S TYROLIT TO

- ✓ Centralise the huge long USD Cash Position and thus
- ✓ Optimise the interest result of the group
- ✓ Further reduce bank charges
- ✓ Combination with (IC) Netting

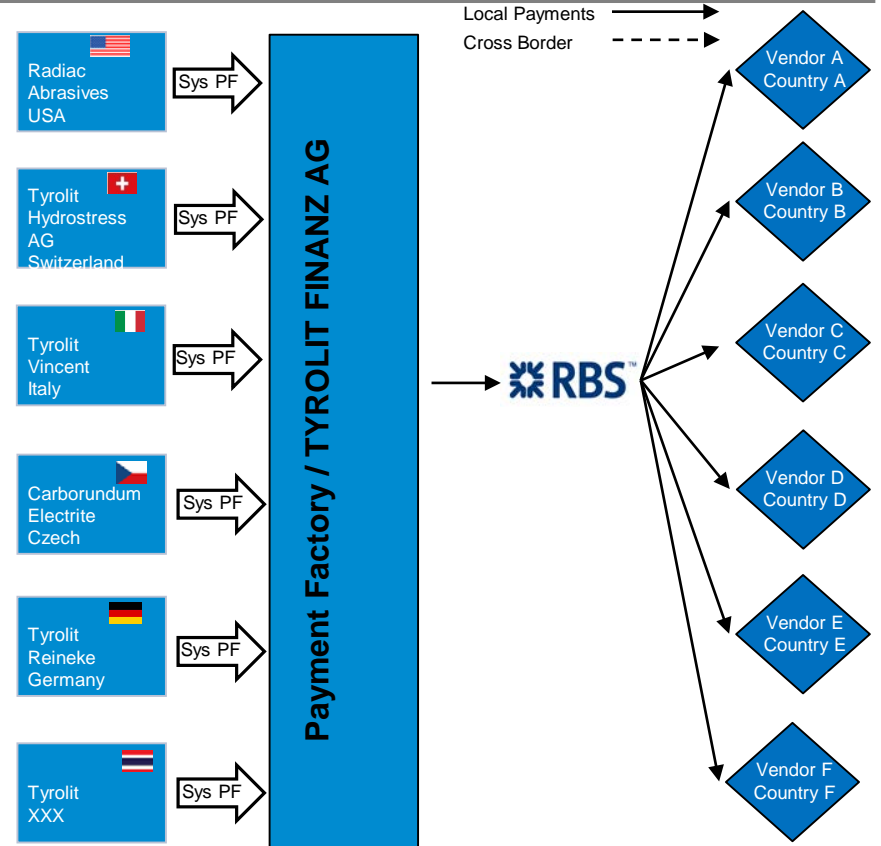
PAYMENTS ON BEHALF / SINGLE ACCOUNT STANDARDISATION

Initial Situation: TYROLIT has 29 production facilities in 13 countries, dozens of (raw-material) suppliers which deliver to most of the TYROLIT production companies;

Current vendor payment set-up



Future vendor payment set-up



For the time being, TYROLIT has neither the resources at HQ, nor does it really make sense (from an economic point of view) to complete the local, domestic payments centrally: Furthermore, if you “take away” the full payment responsibility, the psychological effect on colleagues locally should not be underestimated.

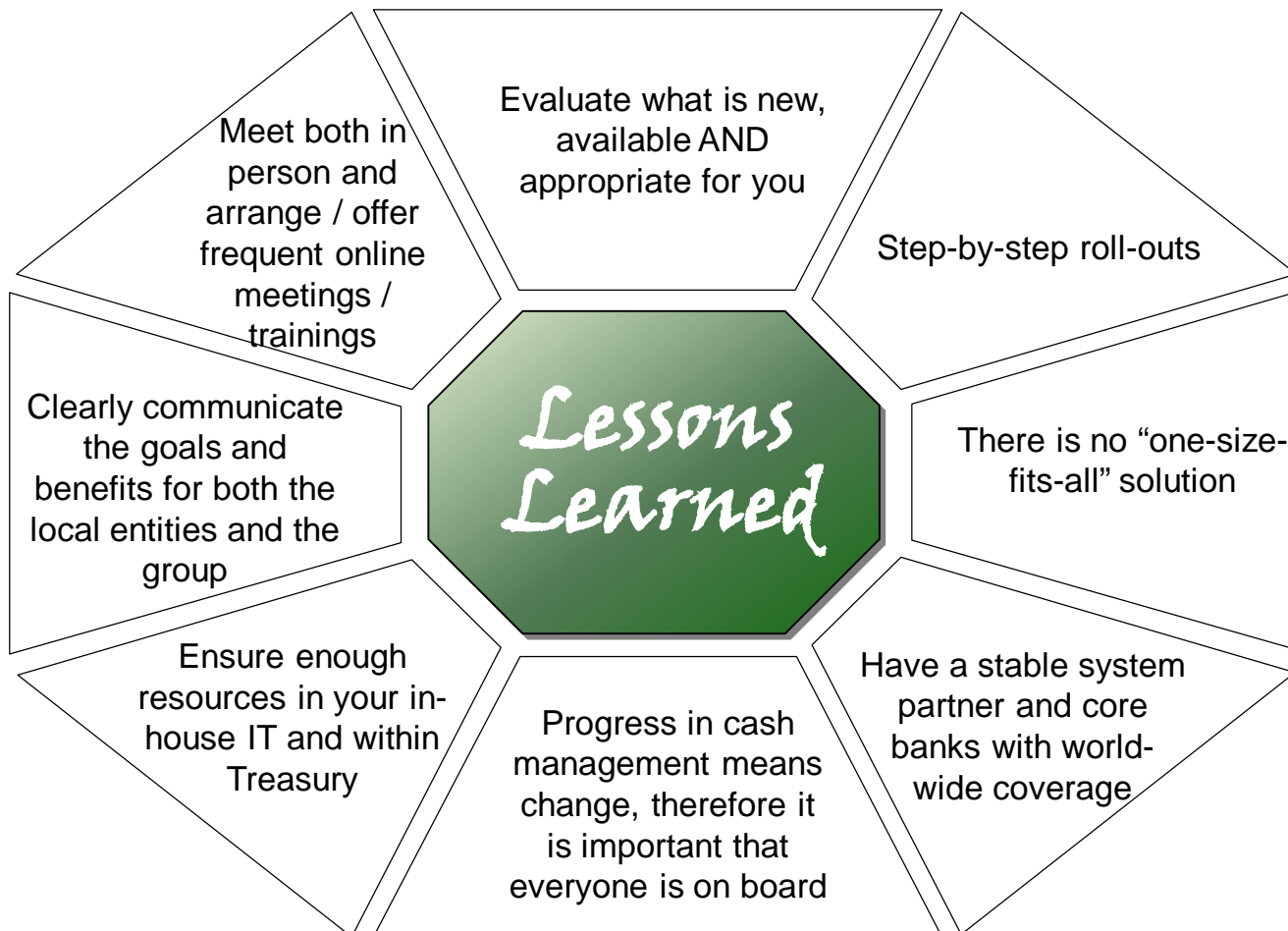
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SUMMARY OF TYROLIT'S RECENT CASH MANAGEMENT EVOLUTION

	2001	2011	2012	2013/14	2014/15
Description	EUR Cash Pool <ul style="list-style-type: none"> • Make use the EUR introduction 	SEPA Go-Live <ul style="list-style-type: none"> • Evaluation of status quo in cash management 	(IC) Netting <ul style="list-style-type: none"> • Implement a coordinated inter-company payment behavior 	USD Cash Pool <ul style="list-style-type: none"> • Centralise the 2nd largest currency flows within TYROLIT Group 	Payments on Behalf <ul style="list-style-type: none"> • Optimise the last major cost driver in TYROLIT's cash management by implementing a customised payment factory
Provider					
+	<ul style="list-style-type: none"> • Interest Optimisation • Reduction of bank charges • Better value days • Free staff capacity 	<ul style="list-style-type: none"> • Further reduce bank fees • Reduce Cash Pool Structure Complexity • Avoid bottlenecks 	<ul style="list-style-type: none"> • Reduce complexity of internationalisation • Centralise FX Flows • Combine SEPA, Cash Pooling and Netting • Fantastic ROI 	<ul style="list-style-type: none"> • Centralise big USD Cash Position • Further Interest Optimisation • Reduction in bank charges 	<ul style="list-style-type: none"> • Eliminate expensive cross-border vendor payments • Standardise the system landscape • Basis for a potential further roll-out
-	<ul style="list-style-type: none"> • Implementation & documentation effort 	<ul style="list-style-type: none"> • One time change & documentation effort 	<ul style="list-style-type: none"> • Software costs • Implementation costs / effort 	<ul style="list-style-type: none"> • Implementation & documentation effort 	<ul style="list-style-type: none"> • Implementation & documentation effort
Degree of Centralization*	Local Treasury <ul style="list-style-type: none"> • Local payments • Local refinancing • Local asset mngmt. • Local FX + Interest • Central Cash Pool 	Treasury Center <ul style="list-style-type: none"> • Financing • Asset Management • FX + Interest mngmt. 	In-House Bank <ul style="list-style-type: none"> • Centralised handling of IC payments • Cash Pool expansion in both from a geographical and a currency point of view 	Payment Factory <ul style="list-style-type: none"> • Centralised handling of external payments 	

*definition according to Schwabe Ley & Greiner





treasurytoday Question Time



Franz Bramböck
Group Treasurer and
Risk Management
TYROLIT Swarovski KG

Facilitator:



Eleanor Hill
Editorial Director
Treasury Today

THANK YOU!

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Franz J. Bramböck

Group Treasurer

TYROLIT SCHLEIFMITTELWERKE SWAROVSKI K.G.

c/o Tyrolit Management Center

Swarovskistrasse 8

A-6130 Schwaz Austria

T+43 5242 606-3354

E franz.bramboeck@tyrolit.com

www.tyrolit.com



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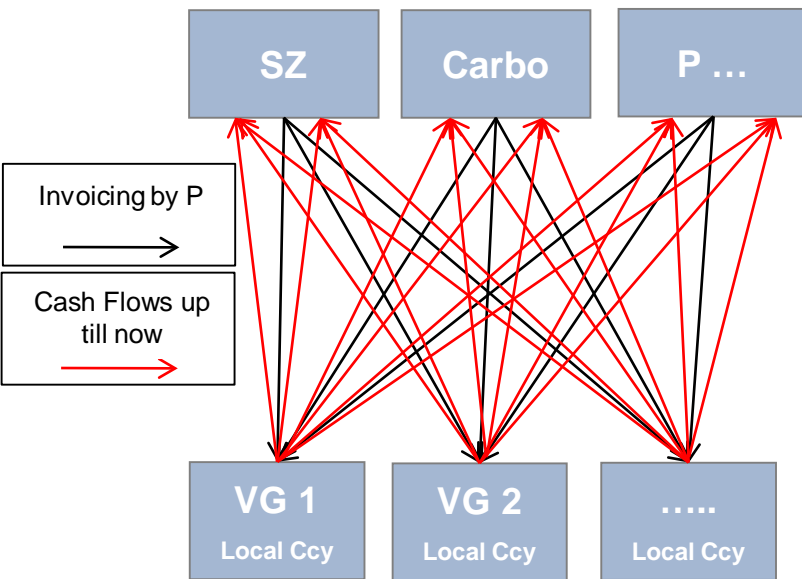
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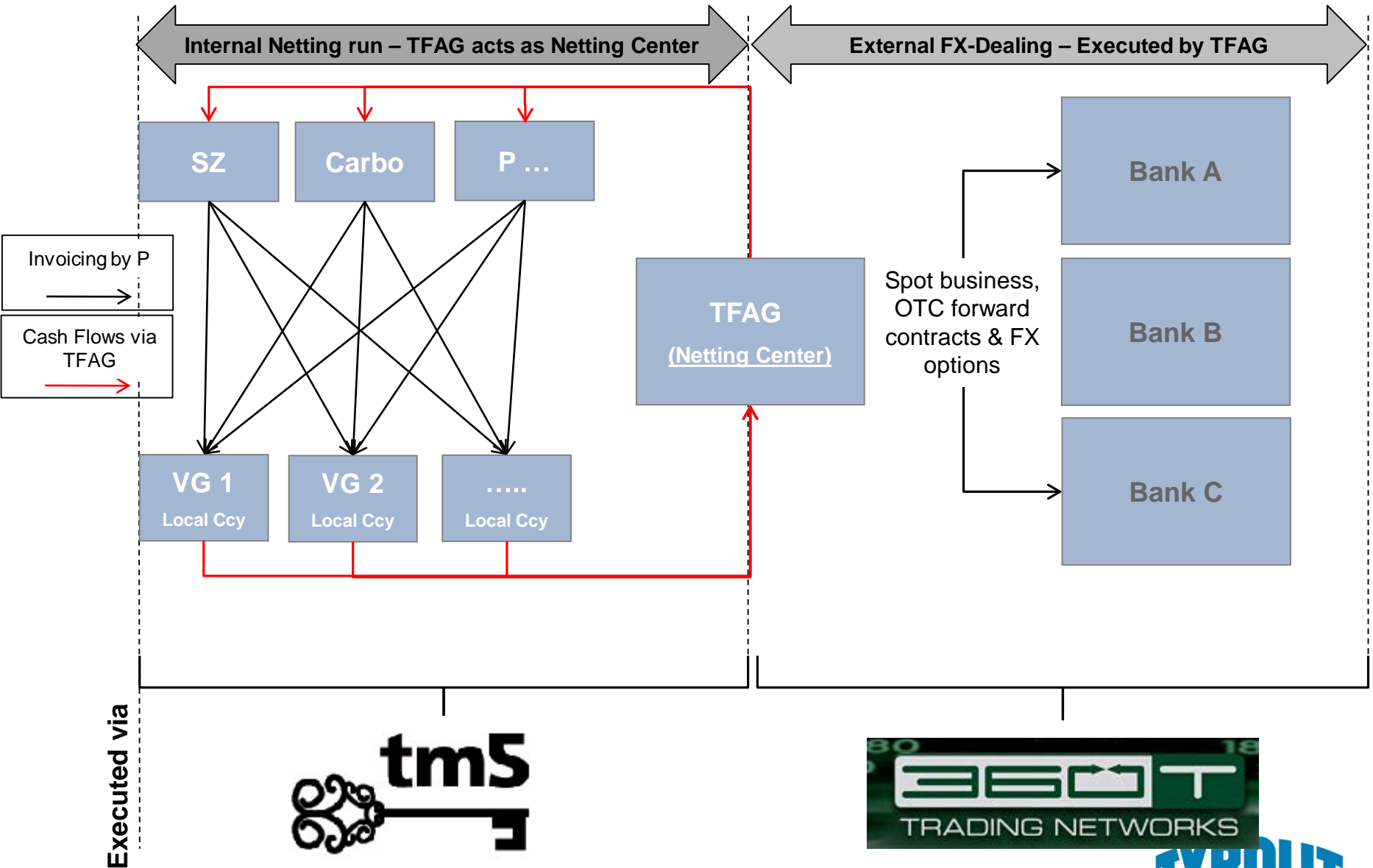
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APPENDICES

IC NETTING – INITIAL SITUATION



IC NETTING – NEW CONCEPT OVERVIEW





treasurytoday Question Time



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Group Treasurer and
Risk Management
TYROLIT

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