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Bonduelle

Treasury evolution has been synchronised, with the development of a professional treasury team able to take advantage of new analytical tools and reporting facilities made available through automation.



Case Study: Bonduelle Benefits from Automated Cash and Risk Management

About BONDUELLE treasury department

Since the 2008 global financial crisis Bonduelle's treasury function has worked to enhance its capabilities through automation, essentially in managing market risk and securing dependable liquidity. Treasury evolution has been synchronised, with the development of a professional treasury team able to take advantage of new analytical tools and reporting facilities made available through automation.

The step by step roll-out of an integrated, software as a service (SaaS)-based strategic treasury automation programme has generated a range of high priority business benefits, primarily relating to foreign exchange (FX) and interest rate exposure and hedge portfolio management, achieving bank independent mark-to-market (MTM) valuations, and implementing secure and efficient system-based workflows.

The solution now provides a dependable platform that will shortly be used for generating a new set of reporting to support the complex demands of European Market Infrastructure Regulation (EMIR) compliance.

The Treasury and Finance Department

The department is organised into two main sections: cash management plus reporting and risk monitoring.

The four person cash management and reporting team's responsibilities include daily treasury operations, cash planning and debt monitoring, payment factory operation, bank accounting, back office, treasury IT and daily bank relationship management.

The front office is responsible for FX and interest rate risk monitoring and hedging, and also for intra-group refinancing, risk reporting and optimisation, and International Financial Reporting Standards (IFRS) compliance. It has one employee and a permanent specialist consultant. The department is tasked with ensuring smooth, secured and disintermediated refinancing, risk management, producing periodic IFRS-based reporting including International Accounting Standards (IAS) 32/39 quarterly accounting on debt and derivatives, and generating a range of management reporting.

Bonduelle treasury and finance works with eight core banks, which service its liquidity needs, and a second group of about 20 non-core banks used for executing collections, and sometimes for local payments. Globally, the company operates about 250 bank accounts, including technical accounts such as the master accounts used in support of cash pooling. The annual volume of payment transactions is about 90,000, and treasury executes around 800 FX and interest rate market transactions, also performing various debt operations.



The department services internal customers, including the chief executive officer (CEO) and chief financial officer (CFO), and acts as guarantor for financial policy compliance. The key business relationships between treasury and the global network of subsidiaries include FX exposure hedging, the provision of liquidity and execution of commercial payments on behalf of the business units.

About 98% of the group's funding is financed centrally in the name of the mother company. The centralisation of borrowing operations achieves better pricing than could be expected were the business units to act alone. For example, central treasury periodically issues private placement bonds both in the US and the euro domestic market.
Bonduelle's corporate organisation does not include treasurer positions in the subsidiaries, so the six-person central treasury team manages over 90% of the corporation's treasury business requirements globally.

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We needed to establish efficient automated interfacing with Oracle's JD Edwards enterprise resource planning (ERP) technology to achieve the efficiency and error reduction benefits of technical integration."**

Treasury Growth and Automation

Bonduelle's senior management team quickly recognised the strong strategic value of investing in treasury and treasury technology, in response to the effects of and new risks generated by the 2008 crisis. The size of the central treasury function has doubled in the intervening years, reflecting the level of additional importance that has been assigned to treasury operations. The crisis was the catalyst for enhancing the company's FX and interest rate risk hedging, and also for building its capabilities to secure dependable liquidity to support world-wide commercial operations, as well as for financing external growth through acquisitions.

The success of the automation program was judged as central to the success of our small treasury operation with its enterprise-wide responsibilities. It was evident that a specialist treasury management system (TMS) was needed to replace the spreadsheets used to support risk monitoring and hedging. The old solution lacked the necessary functionality and robustness for supporting the critical financial operations of a listed company, for example for IFRS compliance.



Further, we needed to establish efficient automated interfacing with Oracle's JD Edwards entrprise resource planning (ERP) technology to achieve the efficiency and error reduction benefits of technical integration.

Strategic Objectives of Automation

Bonduelle's automation program has achieved the following business objectives, through the roll-out of a global front to back office solution:

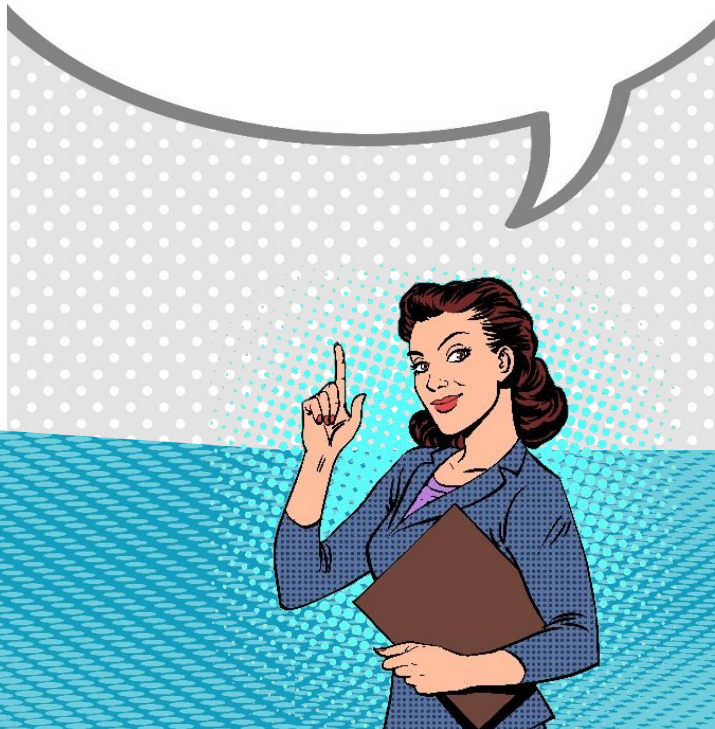
- Pricing market operations, using current market data linked to the TMS.
- Calculating independently mark-to-market (MTM) valuations of our treasury positions and deriving their sensitivity to hypothetical market movements.
- Ensuring full control of operations, split between a range of treasury accounting, front office and back office processes.
- Confirming market operations to counterparty banks.
- Calculating financial expenses and interest payable on Bonduelle's debt portfolio.
- Managing and monitoring subsidiaries' FX exposure within the system.
- Preparing treasury monthly management reporting.
- Interfacing debt and interbank funds transfer (IFT) settlements in our TMS.
- Determining our IFRS position and hedge accounting; accomplishing the effectiveness testing of hedging strategies and performing sensitivity calculations.

The automation and centralisation exercise was not envisaged as a single, discrete project, but was organised as a series of distinct treasury process automations rolled out over a three year period.

Besides automation, we were also developing the treasury department and building the professional team in measured steps, as we addressed key strategic issues, such as cash management, FX operations, liquidity, refinancing and the deployment of risk management tools.

We planned to develop from the starting point of a capable and well-organised treasury department to a position where we were achieving best practice in key disciplines such as FX hedging and payment factory operations.

"In terms of technology, the system's SaaS-based delivery was a very interesting option especially as it provided a fully automated mechanism for reliably backing-up our critical treasury data.



The System Selection Process

A shortlist of three solution vendors was drawn up for the strategic front to back office treasury automation initiative. The treasury team conducted an evaluation exercise, the result of which was the selection of 3V Finance's Titan as TMS. Our decision was based on Titan's ability to provide a solution matching our central business requirements and fully covering the range of hedging instruments we use, such as plain vanilla derivatives. It accommodates our transaction volume requirements, is fully IFRS-compliant and links to market data sources, enabling us to achieve bank independent MTM valuations and sensitivity analysis.

In terms of technology, the system's software-as-a-service (SaaS)-based delivery was a very interesting option especially as it provided a fully automated mechanism for reliably backing-up our critical treasury data. It also offered facilities for management of new system releases, so we would always be using proven, up to date software.
We talked with several of the vendor's current customers, to verify details of what the solution delivered in practice and assure ourselves that it was a reliable choice. We've since
been actively involved in a local users' club, enabling us to discuss and compare with our peers how we use the system and to analyse the value of possible system upgrades.

System Implementation

Lead manager for the implementation process was Bonduelle's IT department and I acted as sponsor and solution guarantor. Two people from treasury were selected for the exercise and the vendor assigned an IT engineer. As described above, the system was rolled out in a series of planned steps, in harmony with the evolution of the central treasury business organisation. Our strategic objective was to build the necessary skills base in treasury, so the team could act effectively on the new analysis as it became available.

Over the planned time span, the implementation has yielded the various process improvements described, and the treasury team has developed so that they can take full advantage of the new analytical tools.

Implementation Benefits

Bonduelle now enjoys the benefits of systematic FX position monitoring and management, combined with the generation of a dependable set of management reports. This represents a significant quality gain from the previous Excel-based solution, providing a robust, integrated platform for effective FX and interest rate risk management.



« As an example, we can now directly and easily compare the exposure position with the portfolio of hedging instruments that has been put in place through market operations. The system database provides treasury with a unique, reliable source of information on which we can confidently base our decisions, actions and management reporting.»

Numerous benefits have been gained through the close integration implemented between Titan and other systems. Treasury can initiate, record and execute the settlement of an operation in our system, and the single data entry of the transaction is then automatically transmitted to both the TMS for treasury flows and the accounting system for booking. We have measured that this high level of process automation achieves about 25% time saving in the efforts of the two members of the treasury team responsible for data booking operations. This new efficiency provides us with additional capabilities for doing value-adding work, such as treasury control and risk monitoring.

The system gives us the capability to generate our own MTM valuations, achieving our important objective of bank independence in this area. The calculations have proved fully reliable, so we have secured our auditors' approval for using this key process.

Further Solution Development Plans

We are now looking to broaden the solution to meet European Market Infrastructure Regulation (EMIR) compliance requirements, relating to the management and reporting of over-the-counter (OTC) operations in derivatives. They involve reporting to the trade repository all related derivative positions, and an automated and integrated solution for this complex requirement is clearly the best way to achieve compliance. The underlying information is already stored in our system database, so the requirement is simply to build the necessary reports, and we will soon implement a new EMIR-compliant release version of Titan.

Recommendations

Treasurers of organisations of comparable size and financial complexity to Bonduelle, evaluating similar development projects, might find the following checklist useful:

Do I want to calculate an independent MTM valuation using our own resources?

« We have replaced Excel as our primary treasury support tool and installed the required front to back office automated solution that enables transparent, audit-compliant daily liquidity, FX and interest rate risk management operations to be performed. »



Am I applying IFRS rules? If 'yes' can my present solution provide reliable data and IFRS compliant information?

How can I link my solution to my TMS – and do I want or need to do so?

Do I only need a tool to send paper-based deal confirmations to counterparty banks?

What do I need to manage my debt instruments – via bond issuance, back-up lines and overdraft facilities – effectively and accurately?

Do I have commodity exposures?
If 'yes', am I required to hedge them?

It is also important to review the current skill levels of the treasury team, set against the potential benefits offered by a front-to-back office solution.

Can I use an MTM analysis productively?

Can I organise my treasury department around an automated front to back office process, and then take advantage of the efficiency and information quality benefits of this set-up?

Can I add value from the results of our own sensitivity calculations?

Conclusion

Centralising and automating priority treasury issues has enabled Bonduelle to invest in new tools, which have helped us to improve the quality of treasury risk management.

Our operations now enjoy substantially higher levels of efficiency, security and transparency.

Having a global front to back office automated solution allows us to manage and hedge interest rate risk as well as FX exposures, and to manage our liquidity needs.

