

Case study: Westcon

Westcon's Henk Keijzer needed a banking partner to help realise the vision for a streamlined, efficient treasury management structure across Europe. HSBC delivered the goods.

When credit is scarce and cash at a premium, the treasurer's skills come to the fore. Maximising cash-flow and making your cash work harder is particularly vital when a credit crunch and recession combine. But a smart treasurer working with a highly capable banking partner can make all the difference.

Westcon is a US-headquartered distributor of networking equipment and digital security tools with global annual sales of more than US\$2bn.

Its European business generates around US\$ 125m each month from ten country subsidiaries, leaving Treasurer and Credit Control Manager Henk Keijzer with a number of challenges – from dealing with local collections and expenses, to maximising returns on cash and managing foreign exchange risk.

"Seven years ago, when I started in this role, we had no cash pool," says Keijzer. "But for the past four or five years, we've been doing things very differently."

Keijzer's vision? A cash pooling structure that sweeps all local account balances into the UK each day to give maximum visibility on – and control of – Westcon's cash position.

"I developed this structure, then went to talk with two or three banks about making it work," he says. "HSBC was clearly prepared – and able – to deliver the project."

The relationship

The bank's global footprint was a major advantage. HSBC has a local presence for every Westcon subsidiary. And

as a major player in the US (site of Westcon's global headquarters), the bank could meet all the European treasury operation's needs, in this case, in the UK, Belgium, France, Germany, Italy, The Netherlands and Spain.

"We really do try to develop strong relationships with all our customers – and we've done that with Westcon," says Cliff Bownes, Senior International Payment Solutions Manager at HSBC Global Transaction Banking.

"I have cash management counterparts in all the countries where Westcon does business, as well as relationship managers. It's not just about a hand-over of responsibilities – we work in partnership with Henk and his team so there's true continuity in their treasury operations."

Keijzer agrees: "From the beginning, the relationship was good. All kinds of parties were involved from the HSBC side – their implementation team, their development team, their legal department – and everyone worked together in weekly calls during the set-up. It was great – it worked perfectly to deliver the structure I wanted."

The Westcon relationship is managed by Nick Raye, Global Relationship Manager, at Thames Valley Corporate Banking Centre in the UK.

Visibility

Weston's new European treasury operation is deceptively simple. The company invoices all customers from the UK, and they make payments into local subsidiaries' bank accounts. At the end of each day, the balances on those accounts are swept into the UK treasury accounts – and the finance function can

make suitable payments back into separate “accounts payable” facilities for each subsidiary to meet payroll, local taxes and other expenses. Vendors are all paid centrally. What makes all this possible is the online banking platform HSBC*net*.

“It’s the same product across the world, so it’s ideal for businesses with a wide spread of operations,” says Bownes. “Westcon uses HSBC*net* to repatriate funds to head office in New York, for example, but having a single electronic banking platform means they have complete control across their treasury operation. Henk can see all of the receipts and payments made by local finance managers.”

For Keijzer, this visibility is crucial. “At 7am, I download all of the balances into my own treasury system and within 30 minutes I have a complete view of our cash position in all currencies in all countries,” he says. “It’s vital to have that completely up-to-date cash position so we can hedge our currency exposures in the proper way.”

HSBC enhances the system every quarter, ensuring it remains a best-in-class solution. It’s straightforward to use – and being online means that when new offices are added under Westcon Europe’s remit (as Dubai was two years ago), they are immediately part of the treasury structure.

Functionality

Although HSBC*net* provides the core functionality for the system, Westcon’s structure required some expert handling by the joint implementation team. For a start, while cash pooling is very logical – not least because it maximises interest payments on monies held in the central account – it can be complex.

“Pooling and cash concentration is also highly regulated,” says Bownes. “Setting it up requires a high level of commitment on both sides, which is why teamwork is so critical – it’s not just a question of switching it on.”

For hedging – crucial when currency markets are in flux and monies must be repatriated to the US – Westcon uses HSBC’s e-trade foreign exchange system. “We can trade 24 hours a day if we need to,” says Keijzer. “I’m also in direct contact with the dealing room in London. They send me a market update email each morning. Then I have at least one call a day with my account manager in London to discuss the current situation in the markets.”

Westcon is also an acquisitive business. In 2007, it bought two large companies in Europe. The strong relationship with HSBC made it a logical partner for handling deal finance.

“We used debt arranged with HSBC Invoice Finance,” says Keijzer. “We set up a structure where customer payments flow into the local bank accounts and, from there, directly into the invoice finance bank accounts. It’s working fantastically.” (And, naturally, it was a “very smooth process” to include those new accounts into the cash management structure.)

Westcon can draw up to 85 per cent of invoices – and when customers make payments to local bank accounts, the balance is paid down automatically. That keeps both admin and finance costs down – and ensures the maximum amount of cash is available to the treasury team at any given time.

Building the right structure

In short, then, HSBC has been able to offer Westcon Europe a rounded, flexible and efficient treasury platform. Keijzer adds one more benefit: “Another important factor in the selection process was the costs for our international payments and the sweeping arrangement,” he says. “With HSBC, we only pay a small amount for transfers to other countries and when we need to make payments to the US.

“I have lots of experience in this field and had the structure I wanted for Westcon Europe very clear in my mind,” Keijzer concludes. “Together with HSBC, we were able to achieve our goals and set up the perfect cash management structure we have in place now.”

Key benefits:

- Total visibility of cash.
- Automatic pooling of all European account balances.
- Full-service management of currency risk.
- Standardised global electronic banking.
- Optimisation of invoice finance facility.

Next steps

If you have any questions relating to this service or would like any further information:

- Speak to your HSBC Relationship Manager
- Email pcm.enquiries@hsbc.com
- Visit www.hsbcnet.com/solutions

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