Panel Discussion: Implications of Mergers and Acquisitions or Spin-Offs for Treasury Management

Swati Mitra  
Managing Director  
Global Sales Leader  
Emerging Markets Corporate Clients  
swati.mitra@citi.com

Gabriel Kirestian  
Managing Director  
TMT and C&H Sector Sales Head  
Latin America  
gabriel.kirestian@citi.com
Treasury’s Role in Supporting Strategic Transactions

Treasury operations involvement is critical to the successful execution of a merger—to help ensure economic value is extracted from the transaction and as a catalyst for meaningful enhancement of Treasury.

While strategic transaction structures vary, these interconnected and interdependent workstreams are common elements that need to be given consideration, regardless of the form.
Strategic Transactions: Prioritizing Delivery of Desired Outcomes

A truly effective integration requires rationalization and optimization of business processes and supply chain management are important medium to long-term considerations.

Urgent short-term Priorities
- Settlement and Execution
- Organizational Structure and Project Management
- Visibility, Cash Optimization and Investments
- Systems Integration, Connectivity and Technology
- Workflow Efficiency Tools
- Risk Management, Control and Compliance

Factors to Consider in the Medium to Long-term

- Re-engineering Business Processes
- Evolution to Shared Services
- Review of Receivables Management
- Opportunities to Outsource
- Addressing Supply Chain Inefficiencies
Supporting Growth via Mergers and Acquisitions

Supporting growing business momentum and inorganic growth via M&A requires Treasuries to implement sophisticated subsidiary funding techniques, ensuring the right amount of liquidity at the right place at the right time.

2015 corporate top-line growth estimates are robust, often with expansion into new segments and geographic markets

- Legacy treasury processes and financial infrastructure may be inadequate to support growth

Transformational M&A actions are increasingly common, with firms using these to reshape businesses

- Integration into (or separation from) established financial and technology infrastructure present urgent project-orientated challenges

- Growth and acquisitions may structurally change currency profiles, sources and uses of funds, and embedded currency risks

- Terms of trade in new geographies, products, or acquisitions may require more investment in working capital and worsen WCM metrics

- Growth may impact natural hedges previously inherent in supply chains, or give rise to new FX risks in currency and tenor

- Urgent projects added to BAU needs may stretch Treasury capacity. Continuous planning around resourcing and expertise is essential to meeting deliverables

- Terms of trade in new geographies, products, or acquisitions may require more investment in working capital and worsen WCM metrics

Impacts
Liquidity Risk

Changes
Working Capital Investment

Shifts Currency Exposures

Calls on Treasury Resources
The “Clone and Go” Approach

Leveraging the Expertise and know-how of the ParentCo, the “Clone and go” method quickly provides the SpinCo with a baseline structure mirroring that of the parent organization.

1. Conduct assessment to identify and evaluate all aspects of existing treasury, structures, functions, processes, policies and procedures

2. If feasible, reevaluate and refine where necessary and applicable

3. Develop a detailed design of the desired post-transaction, end-state SpinCo Treasury function, using the ParentCo as a model for development

A “Clone and go” approach can simplify the complex spin-off process, making it not only more feasible, but more cost-effective as well.
M&A or Spin-Off Deal Execution and Treasury Integration Considerations

Treasurers need to consider a range of solutions for M&A transactions from early execution stage to late post-acquisition stage to ensure an efficient and integrated treasury operating model.

Execution
- Tender and Exchange Services
- Closing Agent Services
- Escrow Agent Services
- Cash Accounts
- Web-based reporting of all securities and cash transaction flows

Project Management
- Big Bang vs Phased approach
- Legal, tax, technical resources*

Visibility of Information
- Technology enabled tools to support enterprise-wide visibility of financial information, access to bank account information and transaction ability

Treasury Management
- Account rationalization
- Liquidity Management structures

Systems Connectivity, Technology
- Rationalization: Enterprise Resource Planning (ERP) and Treasury Workstations
- Electronic channel solutions to address connectivity needs post M&A

Workflow Efficiency Tools
- Regulatory and country by country capabilities information to assist with due diligence

Risk Management, Control, Compliance
- Trade solutions for risk mitigation

Assessment of Future Priorities
- Liquidity Management and investment options
- Payables and Receivables Management Solutions
- Solutions for cross-border payments without having to maintain multiple currency accounts
- Commercial Cards to support travel and expense management
- Trade Finance risk mitigation solutions

Issuer Services

Treasury and Trade Solutions

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