

Highly Commended Winner

Best Crisis Management Solution

Kimberly-Clark Brazil

Denilson Da Silva, Credits & Collections Manager Brazil, Rodrigo Melecchi, Finance Director Brazil, Victor Silva, Sales Director Brazil and Paola Capelo, LAO Corporate Treasury Manager



Headquartered in Dallas, Texas, Kimberly-Clark has approximately 46,000 employees worldwide and operations in 34 countries.



Denilson Da Silva, Credits & Collections Manager Brazil, Rodrigo Melecchi, Finance Director Brazil, Victor Silva, Sales Director Brazil and Paola Capelo, LAO Corporate Treasury Manager

K-C Brazil reacts to pandemic with distribution finance solution

The challenge

In March 2020, as the COVID-19 pandemic reached Brazil, Kimberly-Clark (K-C) immediately stepped up to ensure that its hygiene products were available to protect families and communities. At the same time, its clients and distributors in Brazil were challenged to manage the unprecedented working capital pressures created by the pandemic.

"We quickly mobilised our resources across our global business services (GBS) division and approached our partner bank to develop a solution to mutually sustain and grow our business during this difficult period," explains Denilson Da Silva, Credits & Collections Manager Brazil.

The solution

Together, the joint K-C and bank teams evaluated the challenge and set to work to devise a solution. Recognising the urgency of the situation and already packed agendas given the pressures of the pandemic, the team met three times a week at 6.30am. Creating a solution was particularly challenging given the regulatory constraints that exist in Brazil. Factoring was not a feasible option as the costs involved exceeded the working capital funding costs. The outcome was a truly unique distribution finance solution that met the needs of the company's buyers, whilst complying with the regulatory and legal requirements in Brazil.

The programme took the form of an equivalent amount of one-month net sales, which were uncommitted

receivables purchase programme (limited recourse accounts receivable purchase agreement) underpinned by an offshore support. The buyers were already established clients of K-C that together represented 45% of net sales.

"Risks are shared between us and our bank through a first loss tranche, senior and mezzanine tranches. The programme is managed in a highly automated way, avoiding any additional administrative burden, and ensuring the rapid and efficient exchange of funds," says Da Silva.

Once a buyer purchases goods, K-C sends the invoice details to the bank electronically, with the net amount disbursed directly to K-C. On the invoice due date, the buyer remits funds to K-C as collection agent, which is then sent back to the bank. This avoids disruption to buyers and helps maintain relationships. From an accounting perspective, accounts receivables through the distributor financing programme are treated as off-balance sheet items. Most of the areas from K-C GBS division were engaged in this project, including Internal Control, Accounting, Treasury, Purchase-To-Pay, Order-To-Cash, IT, Legal and Tax.

Best practice and innovation

This was a unique and disruptive solution in Brazil, creating an entirely new way to achieve short-term business sustainability and revenue growth during a time of crisis. K-C is a financially conservative corporation, and a project that broke through accepted

Highly Commended Winner Best Crisis Management Solution Kimberly-Clark Brazil

Denilson Da Silva, Credits & Collections Manager Brazil, Rodrigo Melecchi, Finance Director Brazil, Victor Silva, Sales Director Brazil and Paola Capelo, LAO Corporate Treasury Manager

norms to solve challenges in such an innovative way was unprecedented.

Consequently, there was a very high risk that senior management would not approve the project in time to avoid a significant negative impact on its business and the communities it serves. Furthermore, there was a great deal of scrutiny on the project, not only in Latin America, but globally. The programme went live in only six weeks, five times less than the normal time frame expected. This was the result of a variety of factors:

- Focus across the team, with over 30 people working long hours during a period of significant personal and professional anxiety to reach a

common goal. This was on top of their regular day-to-day responsibilities and working from home.

- Appointment of a third-party to conduct client due diligence, a process that was ongoing 24/7 for the duration of the project.
- Senior management approval at the right time.

Key benefits

- Top line and margin improvements.
- Business continuity and ongoing supply of care and hygiene products.
- Enhanced processes.



Kimberly-Clark (K-C) quickly aligned its strategy to respond to increased customer demand and play its part in fighting the pandemic and supporting its wider ecosystem. The pandemic reinforced the value of trusted partnerships, and it has been a privilege to support K-C throughout this critical period, and beyond. Our combined team quickly stepped up, often at very antisocial hours, to create and deliver a bespoke solution at pace. The outcome was a solution in which the combined team should take significant pride, driving sales growth and supporting K-C's wider distribution ecosystem, whilst addressing working capital needs in an efficient way.

**Gustavo Castro, Latin America Trade Structuring Head,
Treasury and Trade Solutions, Citi**

in partnership with 