



Dividing the Business, Consolidating the Value

In addition to the formal plenary sessions and workshops, the Cash Management University launched its 'open stage' in 2016 in which participants could present, engage with, and debate the issues that they were dealing with in their organisations. One of these open stage sessions featured Michel Verholen, Director of Zoetis' Global Treasury Centre, who described how treasury had supported and reinvented itself as a result of the company's spin-off from Pfizer. Vincent Roskam, Key accounts manager for cash management in EMEA for BNP Paribas also added his comments.

Pfizer's animal health business developed substantially during the sixty years from the 1950s, when the corporation first entered this sector, through to 2012 when the decision was made to spin off the business into a separate company, Zoetis. Throughout its history, both as part of Pfizer and as an independent corporation, Zoetis has been characterised by its innovative approach to research, acquisition and international growth, developing the medicines, vaccines and diagnostics that keep both livestock and companion animals safe and well across more than 100 countries. Today, we generate \$4.8bn in annual revenue through more than 300 products for eight animal species, and employ a workforce of more than 9,000 globally.

Building a treasury framework

Treasury was inevitably one of the business functions most affected by the decision to spin off Pfizer's animal health business into Zoetis. Not only did we have to manage the process of dividing up assets and liabilities, and setting up new bank relationships, accounts and liquidity structures without interrupting our core business activities, but we also



An 'Open Stage' session by Michel Verholen, Director, Global Treasury Centre, Zoetis

needed to establish a treasury function that could manage the ongoing needs of a large, global, acquisitive corporation.

We had the opportunity to leverage Pfizer's technology platform for a period of time following the spin off, but we needed to design a new treasury function that would support both short- and longer-term objectives. We aimed to automate our treasury processes wherever possible by implementing a single treasury management system (TMS) which would capture all of our treasury transactions, provide a cohesive control environment and facilitate the smooth integration of transactions

between our banks and our internal systems. Pfizer has a highly centralised treasury organisation, but we wanted to take this even further by implementing a fully centralised treasury and banking model. This would give treasury full control over cash and financial risk management processes, and facilitate automated cross-border cash concentration, working with a maximum of four regional cash management banks around the globe. We had a three-year rollout programme for a global ERP, which enabled us to put in place a strategy to fully standardise and automate straight-through processing (STP), leveraging SWIFT for bank communications, and achieve a consistent approach to managing exposures and cash flow forecasting information.

Project progress

In the three years since the spin-off, we have achieved a number of key successes against these objectives. We have set up a new treasury centre infrastructure, and selected and implemented a new TMS. We have also established a SWIFT connection, and designed and rolled out a new cash management structure. More widely across the business, we have completed our ERP implementation, including building interfaces between treasury and our business operations, and aligned our processes with our ERP and our new shared service centre.

As part of the development of our cash and treasury management infrastructure, we appointed BNP Paribas as our primary cash management bank for Europe, Africa and the Middle East. BNP Paribas has been instrumental in our success in setting up a new treasury function and supporting the liquidity and risk management needs of the Zoetis business. In particular, the bank has been able to support our strict project timetable, and provide a consistent approach to solutions, contracts and service levels. We simultaneously rolled out similar structures with our cash management banks for the other regions, so it was important for us to co-ordinate activities and achieve consistency across each region. We have also been grateful for the level of personal support and the quality of the relationship with our key contacts, such as Vincent Roskam.

The scope of our relationship extends to 23 countries, of which ten are euro-based countries. We have implemented 49 legal



"We have been proud to support Zoetis through this exciting but challenging period, and we have forged strong relationships both with group treasury and with local business units. For a multinational business such as Zoetis, the quality and consistency of solutions and services at both a regional and local level is essential, so the depth and breadth of our pan-European network has been invaluable. There are few situations in which a company can build a treasury function from scratch, as Michel and his team have done, but it is important that all treasuries look at their business with an open mind to identify opportunities to enhance and potentially transform their activities, and find ways to create value for the enterprise."

Vincent Roskam, Key accounts manager, Cash Management, EMEA, BNP Paribas

entities with a total of 144 accounts, with four more pending. We transferred our legacy accounts from Pfizer, so the closure of these accounts is ongoing. We connect to SWIFT for accounts payable and receivable, including local instruments as well as SEPA payments/collections through our ERP. Our bank communication is now centred through a global electronic banking platform with central administration, supported by two local electronic banking platforms to support specific local requirements. Bank communication, from payment initiation through status reporting and bank statements, is based on standardised XML formats.

From a liquidity management perspective, we have automated zero-balancing both in-country and cross-border as appropriate in Euro, USD, GBP, HUF, CHF and CZK, plus local cash pooling in PLN. We have also achieved a standardised process for domestic flows in most cases, with the remainder due to be harmonised shortly.

Delivering success

Although it has been an intense project given that every element of our treasury function is new, we have been very successful in meeting our original treasury design objectives, and delivering value to the Zoetis business. By streamlining our bank relationships and centralising liquidity, we have reduced our

banking costs and by optimising working capital, we have also reduced borrowing costs. We have efficient, automated, standardised processes, while also reflecting local nuances, and by leveraging a single platform, we have a centralised view of cash, risk and operations, and a consistent approach to security, control and audit. Furthermore, by building a new treasury function, we have been able to implement a global approach to core contracts and a harmonised contract base, providing better governance at a group level.

A cohesive culture

A project of this scale, scope and intensity inevitably brings challenges, the most difficult of which are often related to the building of a new team. Ultimately, our treasury team has very little overlap with the previous team derived from Pfizer. It has therefore been very important to shape a business culture that reflects Zoetis' energy, innovation, integrity and professionalism and help each individual to be proud and passionate about the contribution they make to a thriving global business. Looking ahead, we are now able to work with BNP Paribas to leverage the cash management framework we have implemented to achieve further centralisation and harmonisation through solutions such as payments on behalf of (POBO) and collections on behalf of (COBO). ■