

WINNER

First Class Bank Relationship Management

Holcim

Stefano Bianchi, Corporate Finance and Treasury



Hubert de Solages, BNP Paribas, Stefano Bianchi and Michael Furrer, Holcim

COMPANY PROFILE:

Founded in Switzerland in 1912, Holcim is one of the world's leading suppliers of cement and aggregates (crushed stone, sand and gravel). It also supplies ready-mix concrete and asphalt, and provides related services. Holcim is a global company employing around 71,000 people, with production sites in around 70 countries.

THE CHALLENGE:

Historically, Holcim had little synergy between its companies operating in Europe. Transaction fees were not sufficient to satisfy all its lending banks and many resources were dedicated to maintaining bank relationships. Some countries, especially in Southern Europe, which were badly hit by the construction crisis, were paying high interest charges for their local working capital facilities and were regularly facing refinancing risks. There was no coordinated approach to meet the imposed deadline for SEPA compliance. Documentation for operating guarantees required in the construction business was not drafted according to Holcim's documentation standards. Holcim launched a project which would be able to address all these problems without exception.

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THE SOLUTION:

In 2013 the company drastically changed its banking and funding set-up in Europe in two steps. Firstly, a cross-border zero-balance euro pooling structure was established to replace local pools and local working capital facilities in each country. It also selected a single cash management and funding bank for the eurozone, where previously it had used 46 banks.

"Holcim mitigated the impact on bank relationships by offering our group banks the possibility to participate in a fair and transparent selection process," explains Stefano Bianchi, Corporate Finance and Treasury.

Security and efficiency were optimised by establishing single host-to-host connectivity between the bank and Holcim's IT centre. Operating guarantee facilities for the region were granted by the bank, based on a uniform documentation. A central service level agreement was drafted to monitor the efficiency of the bank support desks and has put in place a billing report. Also embedded in the project, was full SEPA compliance which was achieved by the end of 2013.

In brief, through taking a regional approach with its single eurozone bank, Holcim was able to innovate and thus benefit from increased transparency, better compliance and enhanced cost effectiveness.

Implementation of the project was supported by BNP Paribas which was chosen as the bank for the entire eurozone, as well as for the euro cash pool.

PwC Zurich also supported the project, in particular with regard to the bank selection process and transfer pricing documentation.

BEST PRACTICE AND INNOVATION:

The key benefit of this project is the transformational effect that this transaction will have on the company. Establishing the cross-border pooling structure and selecting a single cash management bank was a big step towards centralisation for Holcim, given the very local nature of the business and management structure which is characteristic of the cement industry.

The implementation of the overall project was achieved in ten months and incorporated ten countries and 87 entities within its scope. This project will also now facilitate the establishment of a new European shared service centre (SSC).

"This project has been key to bringing transparency within Holcim," concludes Holcim's Group CFO.

KEY BENEFITS:

- Standard bank system and connectivity: Sixty percent reduction in transaction costs.
- Leaner bank set-up with about 120 accounts for 87 legal entities (45% decrease).
- Lower cost of funds with central borrowings at Holcim Group level: (65% decrease).
- Elimination of refinancing risk on short-term financing, especially among Southern Europe countries.
- Single physical euro cash pool with automated sweeps and interest calculation; arm's length tax documentation released to all group companies.
- Full SEPA compliance.