

TREASURY & RISK  
THE FUTURE OF FINANCE TODAY

PRESENTS THE 16<sup>TH</sup> ANNUAL

# ALEXANDER HAMILTON BEST PRACTICES SUMMIT & AWARDS

● ● ● OCTOBER 25-26, 2011 | NEW YORK MARRIOTT DOWNTOWN



## Achieving The Holy Grail of Cash Management: Implementing a Single Application of **SAP** Enterprise-Wide

[WWW.ALEXANDERHAMILTONAWARDS.COM](http://WWW.ALEXANDERHAMILTONAWARDS.COM)

Presented by:



# Agenda

- Company Overview
- Business Challenges
- Treasury Challenges
- Project Highlights
- Project Results
- Achievements



# Company Overview

## SunChemical

Commercial Print

Ink +



Automotive

Paint

Cosmetics

Lipstick



Packaging

Ink +



Plastics

Colorants

Architecture

Paint



Publications

Ink +

The world's largest provider of printing inks, pigments and other specialty chemicals:

- History dates back to 1818
- \$ 3.5 billion in sales
- More than 300 locations in 56 countries
- 10,000 dedicated people
- 10 worldwide R&D centers
- Patent one innovation every two weeks
- Produce over 1 billion kilos of inks and pigments annually
- Subsidiary of Dainippon Ink and Chemical (DIC)
- 56 acquisitions between 1986 and 2004



# Significant Growth Resulted in Global Business Challenges

We found ourselves at a serious crossroad



- Over 150 Standalone Legacy Systems
- Inconsistent Processes across the Enterprise
- Disconnect between Sourcing Order Execution
- Manual Processes
- Lack of Measurement & Tracking Tools
- Sox Legislation Passed
- Inefficient Financial Supply Chain
- Multiple Regional and Local Admin Centers

Cost Reduction  
+ Process Improvement



Migrate from Admin Centers to Shared Service Centers



Global Implementation of a Single ERP System



Aligned With Advanced Capabilities



# Treasury Recognized Opportunity to Remedy It's Own Ailments

## Banking Structure

- **Excessive Number of Bank Accounts**
  - 60+ banks, 369 accounts Globally
- **Inefficient Liquidity Structure**
  - Multiple In-Country Pooling Arrangements
  - 75% Manual Flow to Global Overlay Pool
  - Time Zone Issues
- **Significant Amount of Float**
  - No Access to Unavailable Cash
- **Excessive Bank Fees**
- **Multiple e-banking Platforms**
  - Increased Fraud Risk
- **Separate Third Party Netting Provider**
- **Sox Compliance and Reporting Issues**

## Corporate Finance

- **No Real Time Global Consolidated Cash Position**
  - Decentralized, Executed Locally
- **Excel Based Treasury Reporting**
- **No Straight-thru-Processing**
  - No Accounting Interface
  - Manual Back, Middle and Front Office
  - JSox Compliance and Reporting Issues
- **No Automated Cash Forecasting**
  - No Interface to Sub Ledgers
- **Manual Bank Reconciliation Process**
- **Inefficient In House Bank**
  - FX Workflow, Intercompany Loans
- **Working Capital - Inefficient AR Processes**

Multiple Legacy Systems and Admin Centers Added to Complexity

Treasury Becomes Fully Engaged In Project Aurora



# Project Aurora Highlights

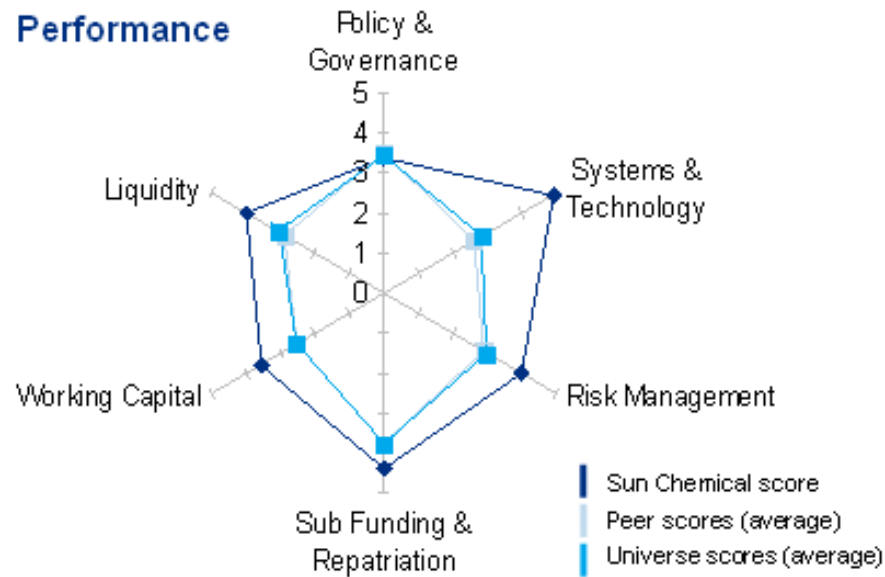


- **23 countries in 5 years – 6 Process teams OTC / PTP / PTR / PTF / HTR / GTM**
- **Global Treasury Management “GTM” fully integrated with other process teams**
  - SAP Modules: In House Cash, TRM and Cash Management
  - FI Functionality: Electronic bank statements, cash application, payments
  - Owned function design of banking interfaces
- **GTM Core Team – Sun resources, Citi implementation team (global/regional/local) and Consultant e5 Solutions**
  - Sun resources: Business Process Owner → Global Process Lead → Dedicated IT resources → Dedicated treasury resources → Treasury SME’s
- **Leveraged global template while ensuring local business practices were supported**  
**With each rollout Sun replaced all 369 legacy banks with streamlined Citi solution**
  - Implementation team supported local language where necessary, while continuing to work closely with global team
- **With SAP IHC and our single bank liquidity solution we achieved our goal to build a robust In House Bank:**
  - Created a very efficient liquidity structure – cash sweeping to Citi London at end of day
  - Eliminated 3<sup>rd</sup> party debt/investments and FX trading at subsidiary level where allowed by law – exceptions South Africa, Russia, Poland (FX local) and a few LATAM countries. Contracts entered on Finance company book with mirror deals posting to subsidiary.
  - Established an efficient Pay on Behalf structure – piloted payment factory (SEPA)
  - Built a world class Intercompany settlement process - Same day settlement of internal FX, Interco loan/interest and trade AP/AR on predefined netting day (once a month)
- **Businesses went live with Shared Services together with each SAP go-live.**  
**Rationalized two prong solution in 2011 - formed a Global Cash Operations (GCO) Center.**

# citi Treasury Diagnostics – Sun Chemical Results

Survey Contributors	2010 Client	2010	
		Peer Group	Universe
Participating companies	N/A	20	180
Industry Sector	EPC		
Scope of responses			
– Global	✓	16	121
– Regional		4	59
Revenue			
– <\$5B	✓	11	75
– \$5-15B		4	42
– >\$15B		5	63

## Performance



- 2010 Score represents Sun Chemical's absolute score within the Functional Area
- Vs 2010 Universe and Peers represents the positive or negative variance between Sun Chemical's score and the mean score in that Functional area of the Universe of participants and our peer group
- Participant companies are from the following sectors: Consumer & Healthcare; Power, Energy, Chemicals, Metals and Mining; Technology, Media and Telecommunications; Industrials; Non Bank Financial Institutions

Functional Area	2010 Score	Vs. 2010 Universe	Vs. 2010 Peers
Policy & Governance	3.4	-0.0	-0.1
Cash Management – Liquidity	4.0	+1.0	+1.2
Cash Management – Working Capital	3.6	+1.0	+1.0
Subsidiary Funding/Repatriation	4.4	+0.6	+0.6
Risk Management	4.0	+1.0	+1.1
Systems & Technology	4.9	+2.1	+2.3



# Achievements

## SAP / Citi Project

- 54% decrease in physical bank accounts
- Standardized metrics and reporting
- 95% payment automation – Three daily files to Citi – NA / EMEA / LATAM
- Improved visibility of auto cash application to drive further automation
- 33% reduction in bank fees
- 95% automated bank reconciliation
- Well documented global processes → easy to follow / train on SOP's
- 90% of our global cash consolidates at Citi London notional pool at end of day → reduced interest expense
- One global instance of Citidirect for online banking → improved controls

## Global Cash Operations Shared Service Project

- 43% reduction in headcount - 33 heads in two prong model down to 19 in GCO team
- Hybrid plan produced 30% savings vis a vis prior outsourced plan
- Delivered 21% savings versus forecasted plan
- STP increased 10% in 4 months time

Doing more with less at lower costs.



# Questions

