



Simply Treasury

WHITE PAPER

FOCUS

MULTI-LEVEL TREASURY MANAGEMENT

How to optimize the financial risk management
through better sized IT solution?

SPOTLIGHT

VIEW FROM THE INDUSTRY

“Failures to address all facets of financial risks and FX risks management efficiently continues to have an impact on corporate results”.

Luca Grisot, FERRERO

“These are interesting times for Chiefs Financial Officers and of course for Treasurers (or persons in charge) as the world looks to a post-pandemic future, while still dealing with its impacts. CFOs must rethink their treasury management to set the stage for growth amid ongoing uncertainty”.

Patrick Verspecht, Board Member of the Belgian Treasury Association (ATEB)

“As “Once burned, twice shy”, a CFO after the COVID crisis must protect the management of his liquidities and working capital needs. Today, there are no more excuses for claiming that solutions do not exist or are not adapted or are too expensive. You just have to find the right partner”.

François Masquelier, CEO of Simply Treasury

30 years **30** employees **550** customers

WORLDWIDE

with focus benelux
France Allemagne

SHAREHOLDING

Independent IT vendor with
highly stable ownership

DIFFERENTIATION

Tailor-made service,
proximity customer (listening),
modular products,
Ease of implementation

MODEL

Saas + on premise

TARGETS

from corporate to SME
and midcap

TECHNOLOGY

studio.net, full web last
generation

CLIENTS

Adecco, Air Liquide, Bruneau,
Brussel Airlines...

WEB PAGE

www.key-business.be

ABILITY TO INTEGRATE
EASILY DATA
OF AN ERP (CONCEPT
OF SINGLE ENTRY)

François
Masquelier

Chairman of Luxembourg Treasury Association,
ATEL and Vice-Chairman of EACT



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INTRODUCTION



The difficulty many corporate CFOs face after a long period of COVID is living with the uncertainties and ensuring accurate cash and liquidity tracking at all times. The advent of home working has reinforced the need to have robust and secured tools that are appropriate, bullet-proofed, flexible, and tailored to the needs of treasury management. Some CFOs have realized how essential it is to have an appropriate tool to claim an optimized management and an accurate cash flow forecasting system, enabling assumptions and simulations on multiple dimensions.

The time of the XL sheet is over, even if for a long time to come it will help us to fill in the gaps in the existing systems for many treasury departments. The modern CFO wants to ensure the resilience of systems, total visibility, real-time cash flow and on-demand. To be well delivered by treasurers, the company needs to select best-in-class solutions.

To achieve this, they need to equip themselves with next-generation tools, that are more flexible, easier to implement, better suited to the needs of mid-sized companies and more affordable than the heavyweights of the treasury software industry.

CONTEXT AND CHALLENGES

After lockdown periods and a post-COVID crisis, finance teams must face uncertainties. In such a difficult context, financial and cash management is more than ever at the heart of CFOs' concerns. However, to fulfil properly its mission, Treasury needs to rely on ad hoc IT solutions. The good news is the emergence of more affordable solutions in every way, and this is a revolution because now a mid-sized company can access the technology, just like the larger ones. "Formula One-type" treasury solutions are no longer reserved exclusively for the largest companies.

What the CFO will be looking for is modularity of solutions to adapt precisely to his/her needs, no more, no less, and thus avoid overpaying for a solution that is oversized for his needs. He/she is also looking for IT security and ways to mitigate the operational risks of fraud (internal or external). For example, by using artificial intelligence to detect fraud, atypical or abnormal behavior and thus prevent it. Haven't we learned that the two best responses to the financial crisis are centralization of treasury operations and process automation?

The choice of a treasury solution is still too complicated for many companies who, in the jungle of solutions, do not always manage to find their way and the solutions at different levels, allowing management efficiency, ease of use and the production of adapted reports and dashboards. A pipe dream? No, if the selection of tools is accompanied and the choice is made for modern modular solutions, including security as a keystone.

Bruno Penguilly and
Thierry Lodomez (Key Business):
**Multilevel treasury
management**

INTERVIEW

Bruno Penguilly and Thierry Lodomez, respectively CEO and Sales & Marketing Manager, present accept to answer our questions. Interview.

Can you explain your activities in a few words?

Key Business offers an integrated solution which is unique within the financial management market; it provides a range of functionalities, in line with the expectations of national and international companies. We offer a cash management solution which meets treasurers' needs and expectations in terms of actual and forecast cash management in an international environment. Users can inte-

grate budgetary aspects, financing and reporting. Many companies have used our solution to manage their in-house bank and intercompany cash flow and to generate adequate reporting. Our solution monitors and manages corporate financing and provides simulations, comparisons and analysis for all kinds of borrowing. In addition, we also offer a payment factory which will connect directly with the Swift network through SWIFT Alliance Lite 2 or the existing and in-house office service. This tool is ideal

Clients are primarily looking for a comprehensive tool, a guarantee of service and a very predictable implementation.

for cash centres which want to centralise and to secure their payments with our anti-fraud solution. We have a global partnership with Epithete (Euro Information) service bureau. To optimise the work of accounting teams, we also offer a posting function for the automatic posting of bank statements and the letters of related customer/vendor accounts. This function helps with security and saves time, as it's interfaced with ERP tools on the market. In addition to this integrated solution, we can help companies when it comes to debt recovery. Our tool makes it possible to automate a series of tasks and to structure the information to speed up the debt recovery process. The objective is to reduce DSO and litigation.

What do you mean by Multilevel treasury management?

In theory, our product is multilevel: first of all, it delivers several levels of certitude related to future collections or payments. This allows you to generate various hypothesis: In case of the French PGE (Plan de garantie de l'Etat), our clients were able to produce 3 levels of certitude for their bankers. But they could also forecast their treasury with several time horizons: very short, short, long, very long. At the heart of our system, you find a very collaborative tool, with a strong capacity to source data from as many ERPs as you want. A central treasurer can receive previsions from various colleagues, analyze and select the more relevant ones which are integrated into the system. This multilevel approach can generate cash flow forecasting with a 'temporal' approach, a 'certitude' approach, an 'entity' approach and a 'source' approach.

What are corporates looking for today?

Overall, they are looking for a comprehensive tool, a guarantee of service and a very predictable implementation both in terms of timing and budget. Key Business guarantees an implementation in 15 days. But clients also want to be listened to and they expect a made to measure service. We pay real attention to their requirements, working closely with them to respond to their specific needs. For example, we regularly invite our clients to participate in workshops to help us to develop our software. Finally, I would say that we guarantee the security of all our software. We believe in technology, we detect fraud and we were among the first to implement biometric identification, back in 2007.

KEY FIGURES

More resources on the horizon:

74%

of CFOs expect the level of resources for both employees and technology within their treasury department to increase in the next three years, bridging the gap between wider responsibilities and aspiration.

Source: "Re-thinking Treasury: the road ahead" - Key findings of HSBC survey 2021

Room for improvement of FX risk:

57%

57% of CFO's say they suffered lower earnings in the past two years due to significant unhedged FX risks.

Source: "Re-thinking Treasury: the road ahead" - Key findings of HSBC survey 2021

We need to add a statistic on increasing risk of fraud and cyber risks !!!!

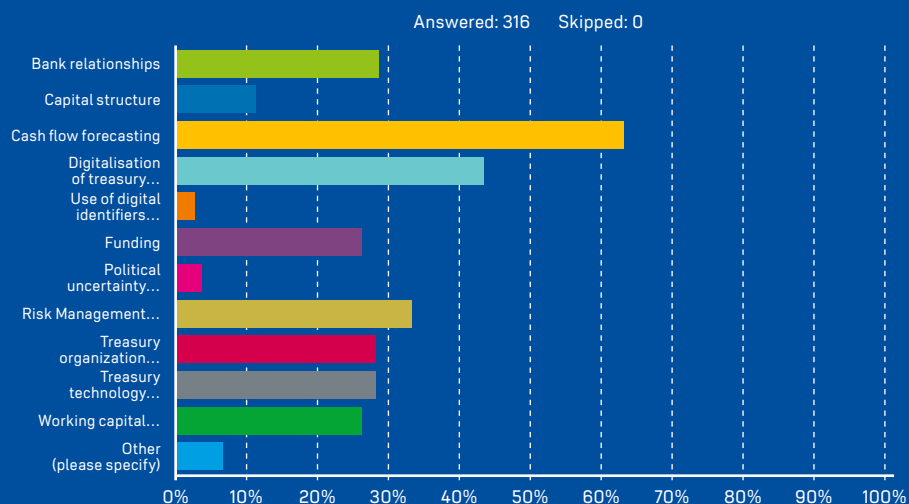
TREASURY TOP PRIORITIES

(Source EACT annual survey 2021)

The 2021 EACT survey determined what the treasury trends and priorities for multinational companies will be in the next 12 to 24 months. This year, not surprisingly, **future cash-flow forecasting** (#1) is largely in the lead, followed by the **digitalization of the treasury function** (#2), **financial risks management** (#3), followed by a few priorities at equal levels, such as **treasury organization, treasury technology** (including replacement of existing TMS), **working capital requirements**, financing, and banking relationship management.

MAJOR PRIORITIES OVER THE NEXT ONE TO TWO YEARS

Which of the following are likely to be your major priorities next 12 to 24 months? Please choose 3.



We are not surprised that Cash-Flow Forecasting comes out on top when the COVID crisis has been hitting us for the past year. The uncertainties surrounding the economy explain the difficulty in producing reliable and accurate forecasts. In addition, the C-level has repeatedly called for stress scenarios and sensitivity analyses to predict the most diverse situations. The digitalization of the treasury function, itself part of the modernization of the finance function, was ranked second. Here again, it seems to us that the need to dematerialize, digitize and automate is logical to make companies more resilient and efficient in their financial management. Finally, in this top tier, the management of financial risks, including currency risk, which can be explained by the increased volatility of the markets. As can be seen, despite the health crisis, the priorities have remained relatively identical, even if the ranking order is somewhat different. However, amazingly, the funding issue is not included in the top 6 priorities. After the COVID crisis, many businesses were under pressure and face liquidity problems. We could have expected this issue higher ranked.

TAKEAWAYS

We must recommend 8 tips to CFOs and Treasurers who want to optimize their IT tools and get the best out of it at the minimum price.

- 1 Choice of a comprehensive TMS solution** at the size of treasury needs and not over-sized. This solution must be modular, flexible, in SaaS or on-premises, cheap, with fast implementation, integrated to all other IT tools of the finance department and bullet-proofed in terms of IT security with best-in-class biometric recognition.
- 2 Search of new technologies** rather than solution that are not SaaS native or with heavy legacy, for an easier implementation. The bank connectivity must be multi-channel and protocols depending on bank counterparties and geographic zones.
- 3 After a treasury diagnosis of "AS IS" state**, preparation of an IT roadmap and a solid business case to get approval on the investment for the "TO BE".
- 4 In case of Request-For-Proposal (i.e., RFP)**, it is crucial to base the short list of IT vendors and solutions on a benchmark to identify best-of-breed systems and maximize chances of a successful and at lowest cost implementation.
- 5 Commitment on the number of days** for the implementation (ideally capped) and guarantee of an internal team of consultants provided by the IT vendor.
- 6 RFPs are often never detailed enough and therefore**, if not the final scoping document must be highly detailed and comprehensive to get the maximum commitments from the supplier on the deliverable.
- 7 Conversation with peers and key-users** to share experience and feedbacks.
- 8 Reporting capabilities of IT vendors** are often a weak point never investigated in detailed. Nevertheless, it is the final stage which enables upstreaming of efficient dashboard to the C-level.

CONCLUSIONS

Resilience should come from a good organization and be based on a robust state-of-the-art tool. The multi-dimension approach is essential to produce accurate and in real-time cash-flow forecasting at treasury level. The first dimension is (1) the CERTAINTY LEVEL of the cash-flows (i.e., classified in "certain", "high probable", "partially certain", "uncertain"). The second dimension (2) is SOURCES OF DATA (i.e., from the TMS, the payroll systems, the ERP's for A/Cs & A/Ps, or any other feeding system). This second dimension must be also fed with assumptions and stress-scenarios (to be reviewed and validated on a regular basis and updated based on actual figures). The third dimension (3) is TIME HORIZON (i.e., very short-term through medium-term and long-term periods). The fourth one (4) is the FLOWS PROVIDERS (i.e., multiple entities which will feed the Cash-flow Forecasting and update it on a regular basis).

A modern TMS must deliver accurate, fast-produced, and adjustable cash-flow forecasting for an optimal cash management. The boundaries between solutions are becoming more fluid and that barriers are being lowered, offering new opportunities. Cost pressure and efficiency improvement will help convince treasurers to review their technological strategy. The need for more real-time information and a more predictive approach is forcing us to reinvent ourselves. COVID has increased further need for real-time treasury, the "Treasury-On-Demand" concept. In a context of increasing frauds and cyber-risks, with more home-working and cost-cutting, selecting the right partner is key. Automation, in whatever form, is the primary objective. The treasury is the depository for a mass of financial data. To evolve, it needs to transcend its initial roles and focus more on quality and speed of delivery of reports to the C-level.



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