

# LEADING LADY



Group treasurer Sarah-Jane Chilver-Stainer plays a starring role in GSK's bond and share buyback programmes

Words: **Sally Percy** / Photos: **Will Amlot**

➤ The mundane surroundings of Brentford, west London, aren't necessarily where you'd expect to find one of the queens of treasury. But it is right here, at GSK House, a vast glass tower that accommodates around 4,000 workers and looms majestically above the A4, that Sarah-Jane Chilver-Stainer reigns at the top of GlaxoSmithKline's treasury team.

Chilver-Stainer has been group treasurer of the UK's largest drug maker since 2001, a role she combines with various other responsibilities at the company, including pension investment strategy and insurance arrangements. She also has operational control of GSK's much-publicised share buyback programme, which will see some £2-2.5bn returned to shareholders over the course of this year. The pharmaceutical company embarked on the programme in 2011 to create a balance to its strategies of paying dividends and making acquisitions. And the role of treasury is crucial. "We speak to the brokers every day, decide what we're going to do, record the transactions and coordinate the communications across GSK," Chilver-Stainer explains.

Another high-profile project that has taken up Chilver-Stainer's time this year is a successful \$5bn US bond issuance in May. It was GSK's first issuance in the US since 2008 and its only issuance since then other than a €1.6bn issue in Europe in 2009. The company had an order book in excess of \$15bn for the issue and the high level of investor interest brought the price down by more than 25 basis points on the day for most tranches. In total, GSK issued \$1bn of three-year notes and \$2bn each of five- and 10-year bonds.

"There is still a wall of cash to be invested," observes Chilver-Stainer. "The general investment community hasn't suffered enormous losses as a result of the credit crisis, due to the funds provided by governments." She adds that the bond markets are

likely to remain a good source of funding for investment-grade corporates for the foreseeable future. "Corporate bonds haven't suffered from the same problems as financial or government bonds. We are a small segment of the overall bond investment universe and represent an attractive diversification opportunity." GSK has a particular advantage in the bond market because it is a rare issuer that tends to issue in benchmark size, resulting in a decent secondary market for its bonds. It also takes pains to reassure investors of its commitment to maintaining its strong A1/P1 short-term credit ratings and not ramping up debt to unsustainable levels. (At present, GSK's net debt is around £10bn.) "We have a relatively modest debt portfolio compared with the size of the company," says Chilver-Stainer.

➤ GSK, like any other multinational, is not immune from the problems engulfing the eurozone. But, over the past few years, its treasury has played a key role in helping to reduce its risks in this area. It has consolidated its banking arrangements by closing legacy cash management arrangements and moving to cash pooling across Europe. It has been regularly paying off intracompany debts in Europe, taking dividends out and doing nightly euro cash sweeps.

"We're reducing financial risks wherever we can," says Chilver-Stainer. "The threat in the eurozone is very real. Not only have we done a lot in treasury in the past two years, we have also worked with operating companies to make sure they have risk mitigation plans in place. If there is a major event in Europe, they know what to do and who to contact." GSK takes a cautious approach to its circa £7bn investment portfolio, which is largely kept in bank deposits, US treasuries and AAA treasury and treasury repo-only money-market funds. ➤



With operations in more than 100 countries around the world, GSK has considerable exposure to emerging markets, including a substantial business in China. As a result, it has so-called 'trapped cash' in countries including India, China, Brazil and Venezuela, money that it is unable to remit to the UK easily due to exchange controls. But Chilver-Stainer explains that the company generally takes a long-term view of this obstacle. "Most of the countries we have trapped cash in are also countries we're expanding in. So there may be business opportunities locally." She points out that the other challenges of operating in emerging markets include banks not having a credit rating from Standard & Poor's or Moody's, security over financial assets and painfully long processes. "Every country has its challenges," she says. "It is important to stay on top of

**"The role of treasury has been highlighted by the credit crisis and the euro crisis. Without liquidity, a company cannot function and the responsibility of a treasurer is to provide that liquidity"**

how things are changing over time and make sure you can create improvements from a treasury point of view as soon as things change. For example, as soon as offshore investments are allowed, you need to make sure you are taking advantage of that and working with banks to make sure the cash can be invested elsewhere."

➤ GSK now has a centralised treasury function, based in its Brentford headquarters, although this wasn't always the case. Following the merger of Glaxo Wellcome and SmithKline

Beecham in 2000, the company had a treasury department that was split between London and Philadelphia in the US.

"We needed to consolidate that and co-locate to one location to best serve the business," explains Chilver-Stainer. So, in April 2011, she embarked on a restructuring programme that saw the team centralised in the UK, with team members assigned to specific roles rather than overseeing a general portfolio of responsibilities as they had done previously. Individuals were designated to corporate finance or the global treasury consultancy, while a centre of excellence for cash management was created and a small team was assigned to pension investment risk management. At the same time, treasury took on responsibility for GSK's insurance activities. "It wasn't just co-locating, it was completely reinventing the team to make sure we've got the right team for the future



strategy of GSK," recalls Chilver-Stainer. She says the real work was "all in the upfront design of the new team and writing the job descriptions, which had to be incredibly detailed and accurate". Individuals will be encouraged to move between roles in the treasury function every few years to gain a broad depth of experience.

In the immediate future, Chilver-Stainer believes that treasurers will continue to face the same challenges they have been confronted with over the past four years. "The role of treasury has been highlighted by the credit crisis and the euro crisis. Without liquidity, a company cannot function and the prime responsibility of a treasurer is to provide that liquidity." She says that treasurers' priorities will continue to be liquidity, cash management, FX risk and other types of risk management. She also maintains that treasury is an 'innovative function' because it has to be ahead of the game "and make sure we're protecting the company in the best possible way from the point of view of liquidity and other market risks". At GSK, a major innovation by the treasury team is the introduction of an in-house bank as part of the new accounting system implementation. This will enable GSK's treasury to net settle intercompany transactions and vastly reduce the number of overall settlements. Chilver-Stainer adds: "It also enables us to centralise foreign exchange so that we can act as one resource."

## VITAL STATISTICS

**£27.4bn**

GSK's turnover  
in 2011

**£8.3bn**

turnover of  
GSK's European  
business in 2011

**97,389**

number of  
employees  
worldwide

**28**

size of the  
treasury team

**1.1bn**

number of  
vaccine doses  
delivered by GSK  
in 2011

**£503bn**

value of  
the global  
pharmaceutical  
market for the 12  
months ending  
September 2011





> Chilver-Stainer may be one of the UK's top women in finance, but she prefers to stay out of the glass ceiling debate. "I'm a firm believer that everyone stands on their own merit," she says. "Fortunately, I work for a company that has the same belief. I don't have a burning desire to storm to the top of the corporate world. I try to find a healthy balance between bringing up my family and the stimulation of work." Does that mean she hasn't set her sights on a CFO role one day? "I would never say never," she concedes. "As a treasurer, I think you're very well placed to become CFO. You're in a unique position to support the company's strategy, see how finance is brought together on a global basis and to enter into the current conversations with debt and equity investors." She herself presents to the board periodically on finance strategy, pension investment strategy and insurance.

Chilver-Stainer has a track record in endurance, being a keen sailor who completed a leg in the Whitbread Round the World Race in 1990 and set the record for the two-handed Azores and Back Race in 1991. That determination, along with the many achievements she has notched up in her career to date, indicate a treasury reign that will last a while yet. ♥

Sally Percy is editor of *The Treasurer*

**£180bn**

annual FX volume handled by GSK's treasury

**£5.6bn**

sum returned to shareholders in 2011 through dividends and buybacks

**26,000**

number of deals carried out by GSK's treasury in 2011

## SARAH-JANE'S TOP TIPS FOR SUCCESS:

1 "The secret to my success is sheer determination and hard work, combined with a fantastic team and great sponsors at GSK."

2 "I'm keen on people having their professional qualifications, particularly the MCT. I'm also very keen on management skills and communication skills, particularly writing. One of those hidden skills you need as a treasurer is how to write a decent board paper."

3 "I qualified as a member of the Association of Corporate Treasurers in 1992 and I am now a fellow. ACT qualifications are essential for a long-term career in treasury. They're not easy exams and they have a good reputation. If you pass, people know what you are capable of."

4 "My favourite gadget is the MapMyRUN app on my iPhone, which tells me how far I've run and how many calories I've burned – particularly useful after a bond celebration dinner."

5 "I have a slight dread of Sarbanes-Oxley. Signing off Sarbanes-Oxley certificates is not one of my most joyful tasks."

6 "The best way to relax after a long day is to go sailing. I used to do long-distance offshore racing, but I am currently happy to potter about inshore with my children, until they have grown up."

## SARAH-JANE'S CURRICULUM VITAE

### 2008-present

Senior vice president and group treasurer, GlaxoSmithKline

### 2001-2008

Vice president and group treasurer, GlaxoSmithKline

### 1995-2001

Various treasury positions, SmithKline Beecham

### 1988-1995

Company secretary and various treasury positions, First Mortgage Securities