



# *SABMiller Case Study: The Challenge of Cash*

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# SABMiller

## Who are we?

- World's second largest brewer
  - Present in over 80 countries with over 200 brands
  - We have almost 69,000 employees worldwide
  - Mainly beer but non-alcoholic brands increasingly important.
- A decade of strong growth, organic and M&A
  - FTSE 20 company
- Group NPR\* of US\$26 billion, EBITA of US\$6.4 billion
  - 72% of EBITA from developing countries.
  - EBITA by region: 35% Latin America, 29% Africa, 13% North America, 12% Asia-Pacific and 11% Europe.
- In terms of volume of beer
  - Every minute of every day, more than 140,000 bottles of SABMiller beer are sold.





# *Agenda*

- Unlocking efficiency – streamlining your cash and payment systems
- Managing cash in ‘closed’ economies in the APAC region
- Rethinking your existing treasury technology: is it fit for purpose?
- Visibility and greater control through accurate forecasting

# SABMiller

## ***Optimising your Cash and Investment Strategy***

- The Group aims to move cash up to the centre as quickly as possible.
  - Central debt needs to be paid down – prevent gross-up.
  - Regulatory and tax environment are challenging in Latin America, Africa and parts of Asia-Pacific.
- Regular dividends.
- The businesses lend money to Group Treasury in the UK where possible.
- Counterparty Credit Risk policy is followed to minimise the risks from our Investment Strategy.
- Group Treasury is managing all cash balances around the Group (through four Regional Treasury Centres).



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## **Unlocking efficiency – streamlining your cash and payment systems**

- Like most multinational companies SABMiller are on a journey to have one global ERP system, centralise procurement activities and outsource processes to shared service centres.
- Likewise SABMiller's Treasury has transformed itself in the last 5 years:
  - Implemented a global TMS system (IT2).
  - Established Regional Treasury Centres (RTCs) in four regions and a Treasury Procurement centre in Switzerland.
  - Rationalised the transaction banking relationships in each region.
- How has SABMiller's Treasury changed in Asia?
  - IT2 has given daily visibility of cash, derivatives and debt.
  - No Treasury resources in markets – regional specialists.
  - Migrated operational cash management mandate to Standard Chartered Bank / Westpac consortium in Asia.



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## ***How are we more efficient?***

### Non-financial benefits

- Centralised governance and control
- Standardisation of operational treasury practices
- Consistency in reporting
- Strong, robust and proven treasury framework implemented across the globe

### Financial benefits

- Cash pooling / improved liquidity structures / automation through SWIFT
- FX and commodity hedge savings (trading platforms)
- Interest saving (better return on cash, lower financing costs)
- Headcount saving in markets (net of regional centre)
- System and interface costs lower



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## Managing cash in SABMiller

Cash management	SABMiller Standard Solution	Australia
<b>Liquidity solution:</b>		
Pooling	√	In-country only
Sweeping	√	√
<b>No FX Controls</b>	√	√
<b>Spot &amp; Forward FX market</b>		
Onshore	√	√
Offshore	√	√
<b>Automation tools:</b>		
360T	√	√
Misys	√	√
SWIFT	√	√
<b>SABMiller's cash management objective</b>	Daily sweeping	Daily sweeping

### Our standard solution allows Treasury:

To manage liquidity on behalf of our markets. Funding and cash investment is controlled by the RTCs.

Working capital is a key focus to optimise cash.

FX and commodities risk management is also managed by Treasury. Agency model in Asia – the RTCs are mandated to hedge on behalf of the business units.

Automation is key to an efficient process.

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## Managing cash in 'closed' economies in the APAC

### region SABMiller's footprint in Asia-Pacific:

- The Foster's acquisition in 2012 gave SABMiller scale in the region.
- Three large businesses in Australia, India and China (latter a JV).
- The business in China is a Joint Venture with China Resources Enterprises (CRE). SABMiller own 49% and CRE 51%.
- Two smaller businesses in South Korea and Vietnam. Distributor led model elsewhere in region e.g. New Zealand, Thailand, Singapore and Hong Kong.



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## Managing cash in 'closed' economies – India and Vietnam

Cash management	SABMiller Standard Solution	India	Vietnam
<b>Liquidity solution:</b>			
Pooling	√	X	X
Sweeping	√	In-country only	In-country only
<b>No FX Controls</b>	√	Highly regulated	Highly regulated
<b>Spot &amp; Forward FX market</b>			
Onshore	√	√ (regulated)	Spot only
Offshore	√	√ (fwds NDF)	X
<b>Automation tools:</b>			
360T	√	X	X
Misys	√	√ (+manual)	X
SWIFT	√	√	√
<b>SABMiller's cash management objective</b>	Daily sweeping	Funding	Funding



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## Managing cash in 'closed' economies – South Korea and China

Cash management	SABMiller Standard Solution	South Korea (MI)	China (JV) *
<b>Liquidity solution:</b>			
Pooling	√	X	√ (regulated)
Sweeping	√	In-country only	√ (opening up)
<b>No FX Controls</b>	√	Liberalisation	Liberalisation
<b>Spot &amp; Forward FX market</b>			
Onshore	√	√	√
Offshore	√	NDFs only	√
<b>Automation tools:</b>			
360T	√	X	X
Misys	√	√ (+manual)	√ (+manual)
SWIFT	√	√	CIPS
<b>SABMiller's cash management objective</b>	Daily sweeping	Dividends	Dividends



\* Note as China is a Joint Venture where SABMiller is the junior partner treasury management is not centralised. Treasury operations are managed locally.

# SABMiller

## ***Rethinking existing treasury technology:***

- IT2 is fit for purpose.
- We have invested heavily in straight through processing in the past 5 years.
- However, we don't stand still and we work with our vendors for the system to do more.
- IT2 merged with Wallstreet (part of ION group) 2 years ago but we believe they are committed to IT2.

## ***Visibility and control through accurate forecasting***

- SABMiller has daily visibility and valuations of debt, derivatives and cash. This includes daily credit risk.
- Forecasting of cash and financial risks could always be improved. Inaccuracy leads to inefficiency.



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*Thank you*