Case Study 2

2.4.1 Kingspan Treasury Structure Exercise[1]

Unit:	Study Unit 3 – Strategic Treasury Solutions
Case:	Case 2 – Treasury evolution
Date:	1 September 2016
Summary:	Exam-style questions looking at Kingspan's treasury structure and role.
Key words:	treasury structure, regional treasury centre, shared service centre, in-house bank, outsourcing

Question 1

a) Profile the current treasury structure in terms of Role, Authority, Attitude to Risk and Organisation.

Student notes

Consider:

- Theoretical Role / Authority / Risk / Organisation matrix – as applied to Kingspan.
- Footprint – thinly spread, lots of operating companies, countries – potentially inefficient
- Attitudes to risk – commercial & financial

b) How would you characterise the current role of treasury within Kingspan?

Student notes

- Short, one or two sentence answer here and move on.

c) In your view is it about optimum at present in terms of adding value . . . why / why not?

Student notes

Consider:

- Does it need to add value? Is cost down the same as value add?
- What about reducing financial volatility, hence risk? (But does WACC matter?)
- Even if treasury doesn't have to add value, should it anyway?

Question 2

Now that the share price has recovered all that was lost (and more) after the peak in June 2007, Kingspan wants to look beyond the setback in earnings in 2009 and continued softness in some markets, but believes that continuation of double-digit earnings growth is possible (even in some modest downturn situations) within the next five years by adding to

[1] Post your responses to the various questions and discuss your thoughts and responses in the Case study 2 forum in light of the answers posted by fellow group members and the model answer released by the tutors. You are expected to post during the Case study 2 timeline – see course site U3/Case 2 for dates.

recent investments such as significant ones in Canada and the Netherlands and investing say €500 million in the USA in the near term.

In the medium term, say over the next five years, how would you envisage the development of the treasury function?

Student notes
Consider:

- Consider volumes – Given 5 years compound growth, and a €500m acquisition, what does this imply for levels of debt, cash management volumes, Kingspan's footprint, FX and interest rate risks?
- Consider the development of the treasury structure in terms of Role, Authority, Attitude to Risk and Organisation. You have already looked at this in question 1, now think about how it should or could change in the future to accommodate the developments in the business.
- What do you think will be the main issues in managing and controlling businesses throughout the group?
- Can Kingspan continue to operate a centralised treasury? Consider alternatives such as Regional Treasury Centres, Shared Service Centres, in-house banks and changes in outsourcing.
- Consider how treasury adds value now and might do in the future.

Question 3
What role would treasury systems play in maintaining control and adding value?

Student notes
Consider:

- Systems necessary to support treasury now and in the future
- Impact of changes in treasury structure from above
- As treasury supports the business so systems have to support both
- Opportunities for straight-through processing
- Risk management issues
- Compliance and governance issues