



STREAMLINING THE AUDIT PROCESS AND IMPROVED PRODUCT MARGINS.

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Chris Kinraid, Group Financial Controller

CLIENT

KATHMANDU

SOLUTION

FOR CORPORATES

KEY FEATURE

FOREIGN EXCHANGE

ABOUT KATHMANDU

Kathmandu has revolutionised the outdoor clothing and equipment market over the last 30 years. By taking advantage of lightweight and quick-dry materials, spending time in the great outdoors has never been more enjoyable or accessible. From one store in Melbourne in 1987, Kathmandu has grown to over 100 across NZ, Australia and the UK.

BACKGROUND

FOREIGN EXCHANGE RISK

Kathmandu has a team of merchandisers securing the latest materials and products for their designers and customers. Kathmandu's FX hedging plays a key role in the negotiations with these suppliers. Chris Kinraid, Group Financial Controller, says, "One of the challenges a retail business such as Kathmandu faces is securing the supply chain. Much of our products and materials are sourced in Asia, paid for in USD and imported into our various markets. Our buyers need to know the exchange rate on which to base negotiations. Hedgebook is a very intuitive and user friendly system for capturing our FX transactions. We know with confidence our FX position which, in turn, allows our procurement team to negotiate with confidence. Reports on our FX exposures versus our future cashflows, both known and forecast, means we have oversight on the P&L implications of fluctuating exchange rates."



Hedgebook



CHALLENGE

CONTROL AND COMPLIANCE

Kathmandu recognised the need for a Treasury Management System to manage both the FX and interest rate exposures. Chris comments, "As a publicly listed company it is important that we operate in an environment of control and compliance. A Treasury Management System helps us achieve that goal. We have used other TMSs in the past but Hedgebook gives us all the functionality we need to capture, value and report our treasury exposures and at a fraction of the cost."

Streamlining the reporting process means Kathmandu can spend less time with the auditors and more time on value-add aspects of the business. Chris says, "We are in an environment of increased regulation and this does not appear to be changing anytime soon. Independent valuations and disclosures such as sensitivity analysis have been a mainstay of financial reporting but we continue to see further requirements. Credit Valuation Adjustments are an example of this. To try and achieve this level of compliance by relying on banks and spreadsheets, when low cost tools like Hedgebook are available, does not make sense."

APPROACH

SAVING ADMINISTRATION TIME

There is always the day-to-day administration of FX contracts to manage. In Kathmandu's case this is across two entities. Maria McGoldrick is Kathmandu's Banking & FX Manager, "A focus for my role is ensuring cash is appropriately managed. This means cash is available at the right time, in the right currency, in the right place. Kathmandu's international presence makes this task multi-faceted and relying on error prone spreadsheets is not an option. Hedgebook's email notifications of maturing transactions is a feature of the system that ensures I do not get any surprise phone calls from the bank about settlements. The Hedgebook system is super easy to use and makes my job easier."

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Naturally, timing of the physical movement of cash may not line up with hedging contracts so there are regular pre-deliveries or rolling over of contracts. Such activity results in adjustments of the contract rate due to the FX forward points. Maria comments, "Hedgebook provides live FX rates, both spot and forward, so when I transact with my banks I have the visibility over the FX market to know the quoted rate is fair and reasonable."

RESULTS

BETTER HEDGING DECISIONS

Month-end and management reporting is fundamental to any well run organisation particularly one that has compliance commitments for two stock exchanges. Leveraging technology allows the reporting to be timely and accurate. Reviewing the performance of past FX hedging decisions helps with making better hedging decisions in the future. Chris says, "Hedgebook reports our matured deals and clearly shows the financial impact of our delivered FX contracts when compared against a "no hedging" approach. To not hedge is not a viable approach as we need a degree of certainty around FX rates for the season ahead to give our buyers confidence, but we still want to know the impact from our decisions. Hindsight is a wonderful thing but it is another piece of the FX hedging jigsaw that Hedgebook helps us with."

SUMMARY

Kathmandu is a publicly listed international retailer with significant foreign exchange exposure. Having clear visibility over FX hedging puts the buyers of materials and products in a stronger position when negotiating with suppliers. Hedgebook provides this visibility in a simple and intuitive way. As a publicly listed company Kathmandu has regulatory compliance requirements regarding financial instrument fair value and disclosures. Hedgebook streamlines this process in a cost effective way. Share this article on:

ABOUT HEDGEBOOK

Hedgebook is an intuitive and easy-to-use treasury management system that helps treasurers and finance departments improve the way they record, report and proactively manage foreign exchange, interest rate, and commodity risk. Simple and intuitive, Hedgebook provides real-time visibility and insights of hedge positions for better hedging decisions and eases the burden of management and compliance reporting.

For more information visit: www.hedgebookpro.com



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