Corporate Treasury & Finance
"Better information - better decisions"

Celesio AG headquarter in Stuttgart, Germany

- Status: Standard work flow in SAP was too slow and not user friendly. A new approach was necessary.

- New developed bdf Cash Cockpit supports the day to day work during the cash disposition process in the best possible way.

- Subsidiaries have access to the central platform.

Starting Position

In 2008 Celesio AG Head Office used an Accounting Software, which was coming towards the end of its life time, and a Treasury Management Software that did not support the increasing reporting requirements for example connected to IFRS 7. We decided to move from these two stand alone applications to an integrated SAP solution.

When we compared our requirements for the daily cash disposition and the existing work flow in SAP, we recognized that this crucial process was too slow and not user friendly. As every mistake and any delay within the daily cash disposition could cost the company significant amounts, we decided to develop with bdf Consultants an integrated SAP add on solution – Cash Position Cockpit -, which supports the day to day work during the cash disposition process in the best possible way.

Ultimately it extends the time which you have to gather information on your funding requirements as far as possible and thus allows you to make better informed decisions.

An interview with Andreas Sowa, Head of Corporate Treasury and Martina Schade, Corporate Treasury Specialist, Celesio AG

Celesio AG - a brief description

Celesio AG is a leading international trade, logistics and service company working in the pharmaceutical and healthcare sector that proactively and preventatively ensures that patients receive optimum care and support. We operate in 27 countries worldwide and employ around 45,000 people. With more than 2,200 of our own and 4,500 partner and brand partner pharmacies, we look after more than two million customers daily. We supply around 65,000 pharmacies and hospitals with up to 130,000 medications through our approximately 140 branches.

Corporate Treasury and Finance is a group of 9 persons, who are responsible for the financing of the group and its financial risk management including contingent liabilities and customer credit risk. Within this group, Corporate Treasury, a team of 4 persons, covers all front office tasks. We take care of the daily cash management for the group holding as the core financial hub of the group, trade all derivatives, perform cash management tenders, and consult our subsidiaries in all treasury related aspects.

Andreas Sowa, head of corporate treasury

Celesio AG implemented its first Treasury Management System in 2004 when the group wide financing and hedging tasks were concentrated at the Head Office and in our Dutch finance vehicle, Celesio Finance B.V..This TMS was a stand alone solution, as was the accounting software used at that time at the head office. The interface between these two systems was a daily paper trail. Even though we started to leverage further possibilities like the download of deal data from 360 T, we realized that this TMS was not able to cover our increasing risk management and reporting requirements.

The task

In line with a group wide software standardization we decided to opt for an integrated SAP solution. Our majority shareholder had just recently implemented the same

Martina Schade, corporate treasury specialist

solution at their head office, which allowed us to initially start the project with a copy of their existing system. This saved initially a significant workload and shortened the learning curve, as we could build on experiences made by our colleagues.

In close cooperation with bdf Consultants we performed a detailed gap analysis between the existing SAP solution and our requirements. We recognized that the daily cash disposition process, including the information gathering from our subsidiaries on their expected cash in- and outflows, but also the subsequent money market dealing was suboptimal in SAP. It would have taken too long and would have also required repeated input of the same data.

The solution

Thus we decided to develop a daily cash planning support system with three main screens:

Disposition reporting

This screen allows the user to **determine the cash requirements for that day**. It is fed with the value balances of the attached bank accounts. Next, our local colleagues capture their daily cash need or surplus. If they miss the deadline for this, up to four automatic e-mail reminders are produced – the last one going to the local finance director. In addition to this, cash flows from derivatives and maturing money market deals are automatically displayed. This allows to determine the funding requirement for that day, which will be supported by the second screen, the

Interactive disposition

This screen provides a **comprehensive view of all existing credit facilities**, any **current draw** down of these facilities and their pricing. New draw downs or extensions of existing draw downs can easily entered in a pop up window which already displays all available information. Once the user confirmed the new draw down, the related data is fed into a handful of SAP components to initiate for example the accounting process. This also works for deposits. One of these components is the disposition reporting screen.

Finance Status

This screen provides an **accounting view** on the balances of the **captured bank accounts**. You see the aggregated indebtedness resulting from account balances with the possibility to drill down to each single bank account. It also shows the market value of the existing treasury deals including any derivative deal and thus allows a quick view on the company's overall financial status.

Implementation at Celesio AG started on 1 April 2009. The go live of the new joint Accounting / Treasury IT landscape was one year later on 6 April 2010.

The new central **SAP Treasury Management System** includes **SAP's Credit Risk Analyzer**, **Market Risk Analyzer** and since last year also **Bank Communication Management**. Subsidiaries have access to the central platform via Citrix. The TMS is connected to 360 T for FX trading, Misys for FX and money market confirmations, Bloomberg for market data and SWIFT for payments.

Implementation

While the go live was without any substantial issue we recognized in the following days that the integration between Accounting and Treasury required a greater amount of communication between these two departments than previously expected. Both sides had to learn the language and know more about the work of the other department in order to make the new processes successful. Also, we had to learn quickly that the use of the business partner data provided by our majority shareholder saved initially time, but also brought along plenty of data which was irrelevant to our business.

bdf Consultants

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Apart from this the implementation went quite smooth. Following the go live we continued to optimize the processes based on our experience from the daily work.

XBAM

An issue that we faced was SAP's use of various tables which appear to the untrained user as being quite similar, but have in fact a significantly different meaning. This can expose the user to an additional operative risk especially when it comes to payment related data like Standard Settlement Instructions. bdf developed the idea of a screening tool, called **XBAM**, which **covers all relevant data** connected to the bank accounts, provides compliance related information regarding the bank accounts and monitors their signature responsibilities integrated with BCM processing. Furthermore from the process point of view **XBAM** displays business partner data relevant for Treasury operations and allows thus to identify wrong or missing data at short notice.

Late 2010 we decided to move towards the next integration stage and use SAP Bank Communication Manager to forward payment files. Celesio AG became a member of SWIFT and choose to use a SWIFT Service Bureau as intermediary. In the mean time we execute all payments of our French and German wholesalers via SWIFT, soon to be followed by those of our Austrian and Norwegian subsidiaries. At this point of time we provide 5 banks with payment files in the SWIFT file act format. We regard this as a major step forward to reduce the operational and the fraud risk connected to the execution of payment orders.

Outlook

We will continue to review our processes in order to identify further workflows which can be optimized using SAP.

bdf CASH COCKPIT

Highly integrated with:

SAP's Credit Risk Analyzer

Market Risk Analyzer

Bank Communication Management

Complex economic structures require easy and effective tools to monitor and control. Our clients attach great importance to industry-specific concepts and customised solutions for SAP ERP architectures. For years, international companies have been relying on our know-how and innovation in the areas of Finance & Treasury, Supply Chain Management, Product Lifecycle and Customer Services.

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