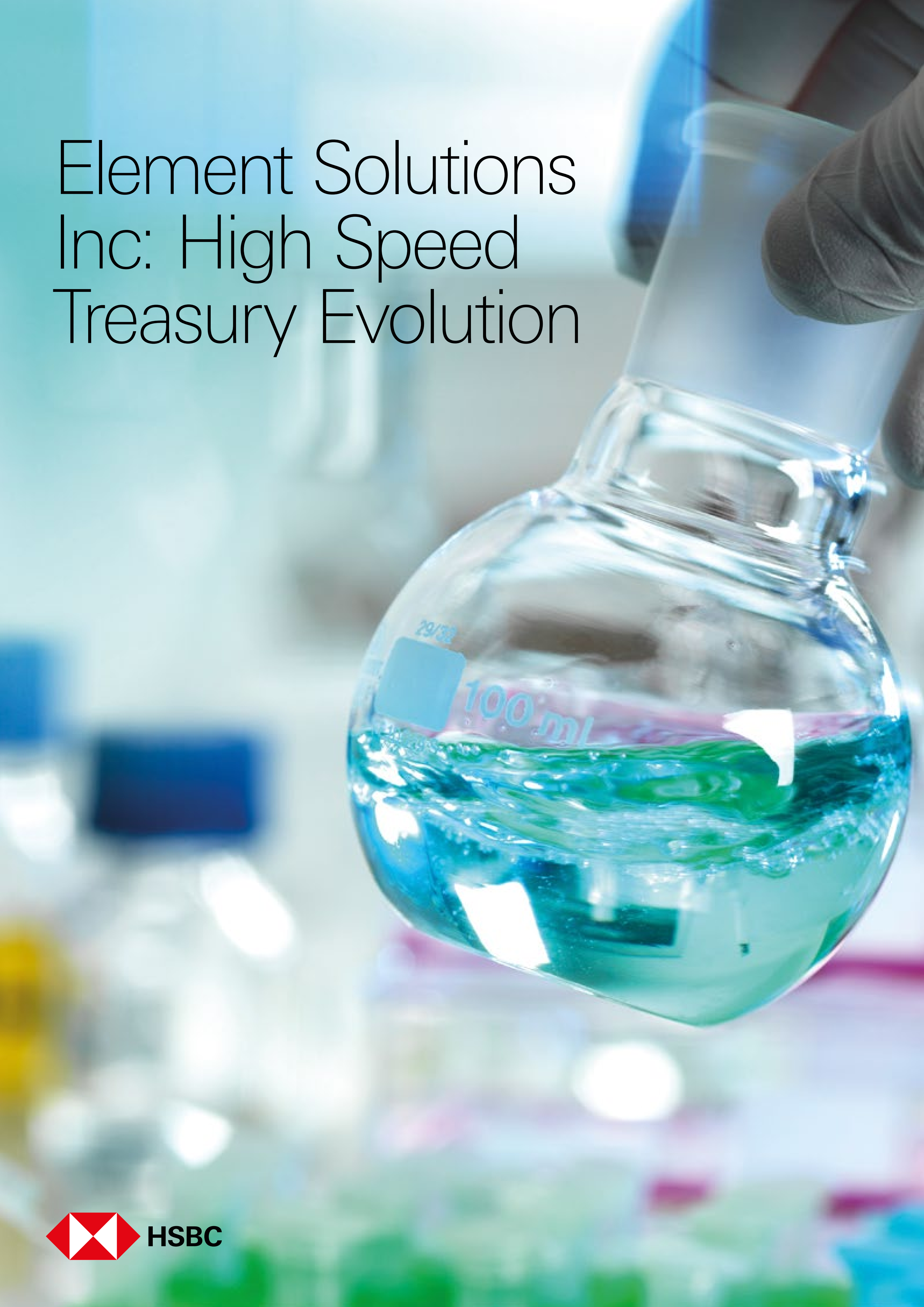
Element Solutions Inc: High Speed Treasury Evolution



HSBC

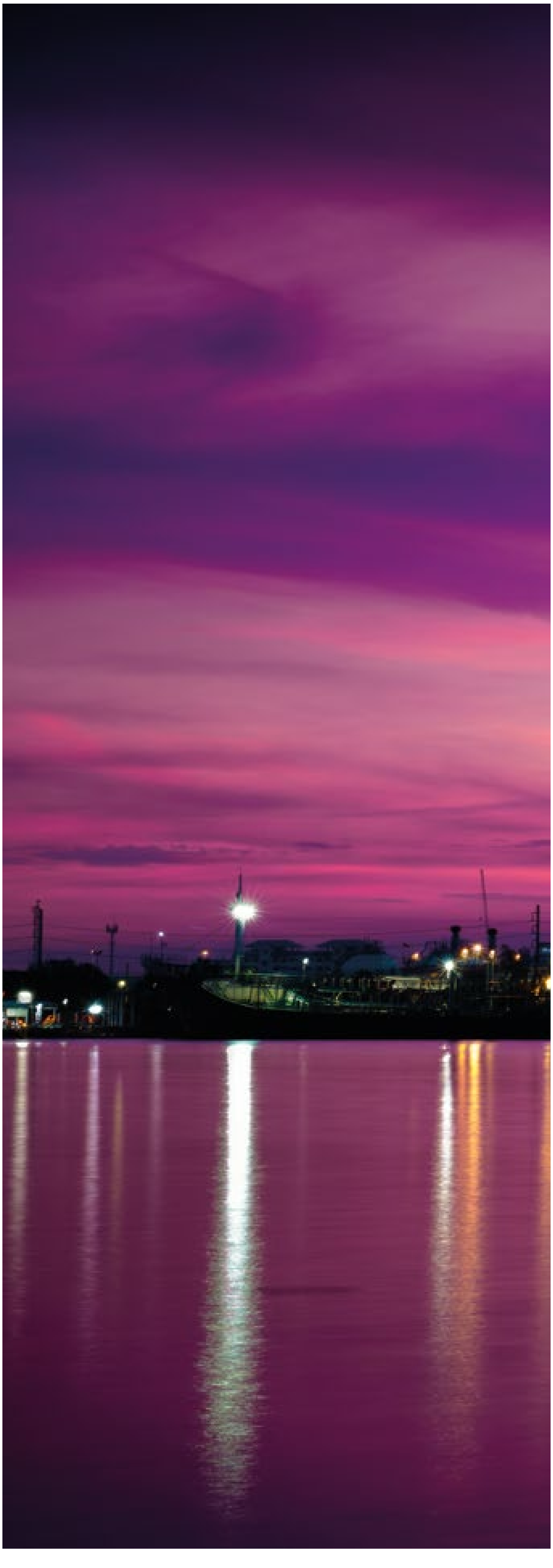
Element Solutions Inc: High Speed Treasury Evolution

Element Solutions Inc. (ESI) had a fragmented banking infrastructure and similarly decentralised liquidity. Following a spin-off of Arysta LifeScience Inc. and its subsidiaries from Platform Specialty Products Corporation (PSP), the company embarked on a major project with HSBC to address these challenges, which in just 18 months resulted in a complete transformation of its Asia Pacific treasury.

ESI's former parent, PSP, went through a major period of acquisitive growth between 2013 and 2015, before announcing its separation into two separate business units in mid-2018. One business was sold off, while the other - the former PSP performance materials business - was renamed ESI. Once the split was completed in early 2019, ESI's treasury was confronted with some significant issues. Prominent among these were the proliferation and duplication of bank accounts and relationships in Asia Pacific, which resulted in some entities having multiple redundant accounts with various banks.

Apart from the unnecessary costs incurred, this was also undesirable from a control and a liquidity management perspective. ESI therefore decided on a two phase strategy to improve the situation. The first phase would be to rationalise the bank account structure to a single regional provider in Asia Pacific, while the second would be to build upon this by implementing a regional cash pool. This second phase would also fulfil part of a broader corporate objective to streamline the ability to repatriate surplus cash to ESI's US head office.

"We were looking for a banking partner to support us on our treasury transformation project in Asia. HSBC played a pivotal role in delivering a smooth transition journey in just 18 months and is now our lead bank in Asia" says Denis Brauer, Vice President and Corporate Treasurer, Element Solutions Inc.



Bank selection and solution implementation

ESI held discussions with various potential partner banks as well as conducting Request For Proposals (RFPs), which resulted in it awarding its Asia Pacific cash management mandate to HSBC in Q1 2017. In mid-2017 ESI and HSBC started the process of rationalising the company's Asia Pacific bank accounts, completing this in early 2018, with the migration of balances from legacy accounts being concluded four months later.

In Asia Pacific, some ESI bank accounts had to be maintained with local banks for making statutory payments, such as tax. Nevertheless, these local bank accounts (together with the new HSBC accounts in the rationalised bank infrastructure) are all centrally visible to ESI's treasury through a single interface. Originally this was via HSBCnet, but is now via a new Kyriba treasury management system. This has also radically reduced the time taken to run balance reports.

The second phase of the implementation, which involved centralising liquidity through a regional structure in Singapore, began in Q1 2019. Various Asia Pacific countries (where permitted by local regulation) were added to a new pool structure, which also included the migration of an existing notional pool in Hong Kong SAR, specifically for mainland China. This last point involved extensive discussion and negotiation with Chinese regulators to obtain approval and the necessary quota.

The new Singapore pool is now live and consists of HKD, RMB, JPY, USD and SGD. Other than where there are regulatory constraints, a daily zero sweep per market is now made to the master account in Singapore. For markets such as mainland China, a target balancing sweep is run based upon the quota agreed with the regulator. The majority of ESI's Asia Pacific entities are cash positive, but those that are not positive, are funded via the sweep to avoid unnecessary borrowing costs.

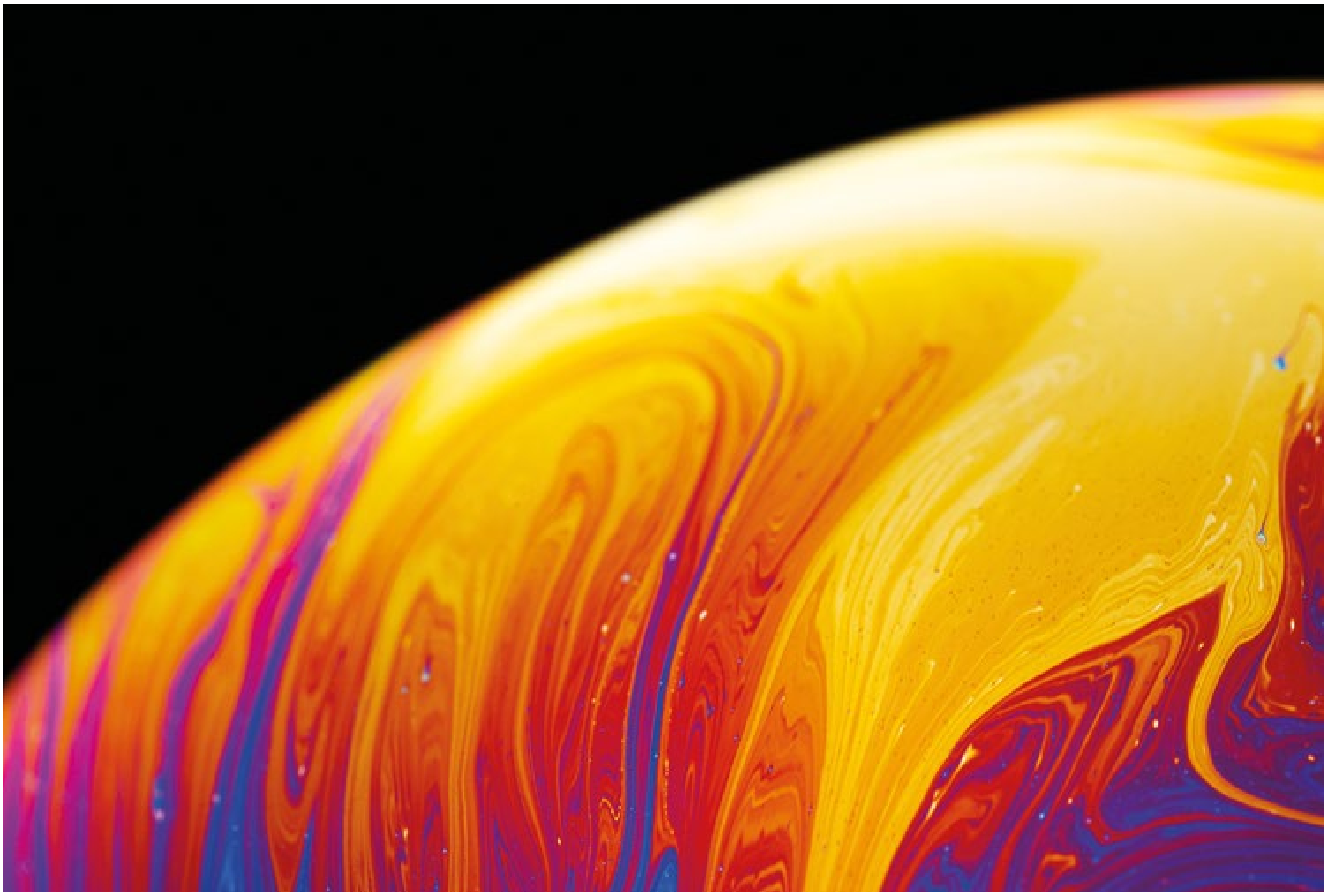
Numerous benefits

The bank account rationalisation and liquidity management project has delivered a range of important benefits to ESI. The company's treasury now has total visibility and control of all ESI's bank balances in Asia Pacific via a single interface, which means that it can quickly mobilise its Asia Pacific liquidity, be that for investment or US repatriation. The cash now available for this is substantial, with some 60 per cent of the company's Asia Pacific liquidity now concentrated in the new Singapore pool structure. As a result, cash mobility is also now far faster: if cash is needed in a particular location, it can now be moved there within 30 minutes, when in the past this could often take days. "Clients, such as Element Solutions Inc., are able to optimise their liquidity and enable the rapid flow of funds to meet strategic needs through a regional liquidity structure" says a Senior HSBC Senior Representative.

A high level of automation has been achieved through the project, with no manual intervention required to operate the pooling structure or to run balance reporting. This means that the time required to undertake routine treasury tasks has declined dramatically. For instance, Asia Pacific balance reporting now takes five minutes, versus the 24-48 hours it previously took. Consequently the productivity of finance personnel has improved substantially, with more resources now available for value-added activities.

Costs have also fallen sharply. Bank charges have declined by 35 per cent due to the 30 per cent reduction in the number of Asia Pacific bank accounts achieved. At the same time, the consolidation of Asia Pacific liquidity has enabled an appreciable increase in investment returns on surplus cash.

In the past, the large number of bank accounts, coupled with a lack of standardised controls on payment authorisation processes and limits, made compliance with legislation such as Sarbanes-Oxley extremely difficult. However, the restructuring of ESI's Asia Pacific banking (coupled with an earlier European bank account restructuring) now means that it is far easier to ensure compliance.

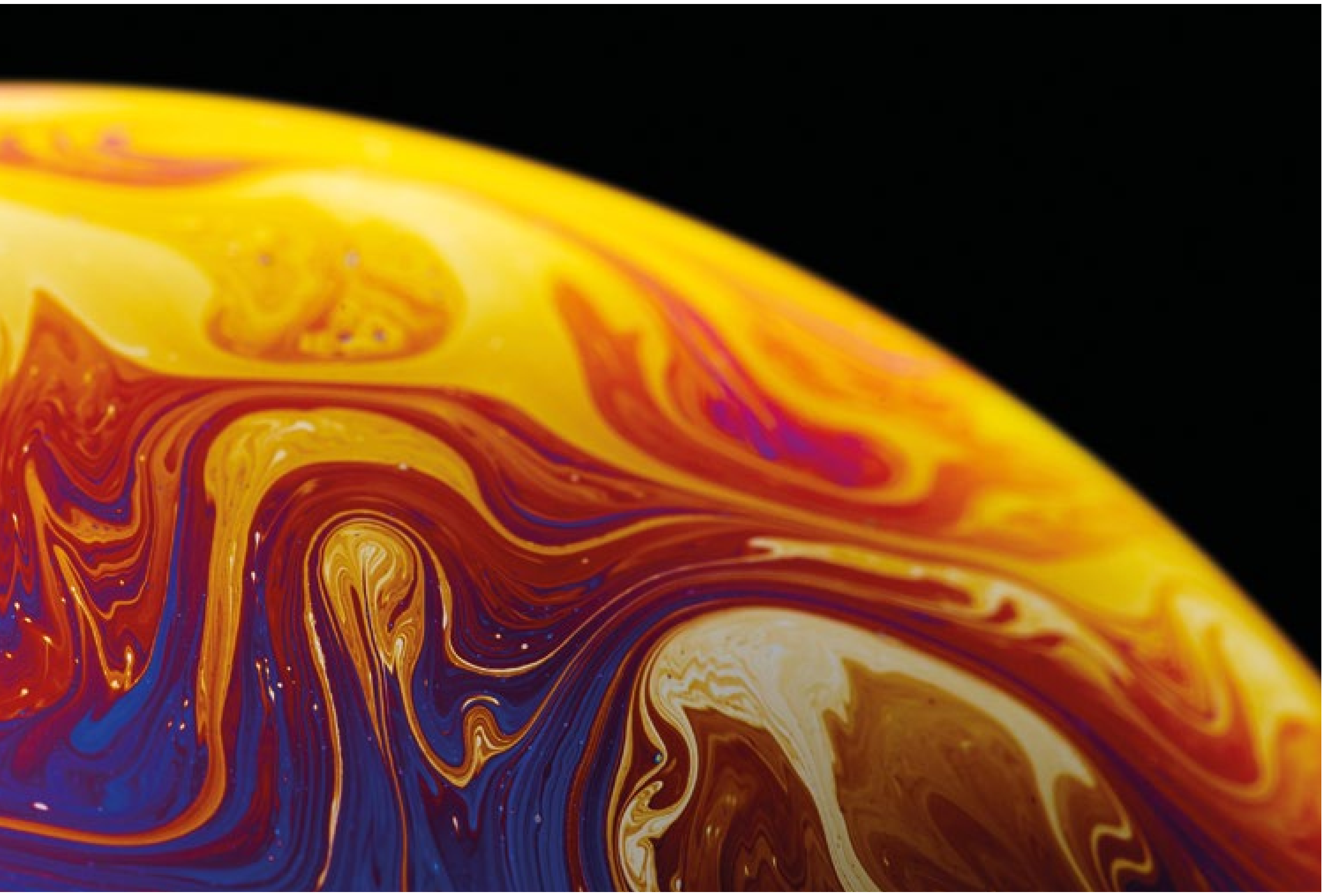


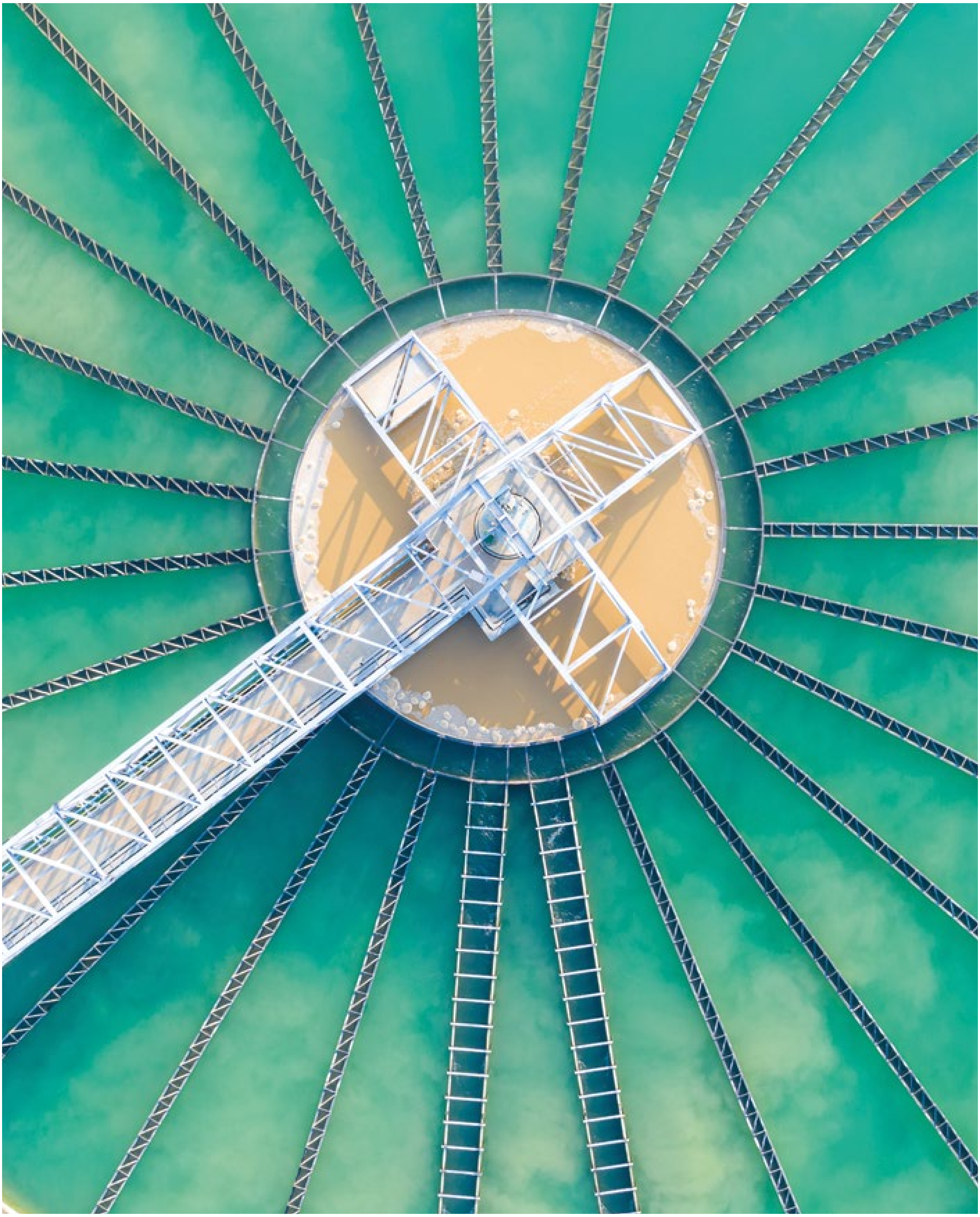
Conclusion

As companies like ESI transform themselves in preparation for the future, HSBC is glad to be partner in their journey by providing solutions to help their treasuries optimise and innovate.

In the 18 months the rationalisation and liquidity project took to complete, ESI's treasury function in Asia Pacific was completely transformed. It now has total visibility across all its bank accounts in Asia, a far lower cost base, complete control of corporate cash in the region, automated processes and robust investment returns on surplus cash. Close cooperation between the ESI and HSBC implementation teams played a key role in delivering a result that is not only critical to the company's Asia Pacific business, but is also reproducible. All the infrastructure and processes that underpin this solution are replicable and scalable, so ESI's treasury has effectively future-proofed itself should the need arise to roll out these or similar enhancements to other regions.

For more information on how HSBC can help meet your needs please contact your local HSBC representative or visit **gbm.hsbc.com**





Published: February 2020
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