A Year of Challenge and Change
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2016 was a year that will stick in the minds of many people for different reasons, and treasurers and finance managers of technology, media and telecoms companies are no exception. The second half of the year, particularly the last quarter, brought major organisational upheavals for many, with a number of high profile mergers, acquisitions and spin offs, particularly in the technology sector. For example, during the first year since the division of Hewlett-Packard in November 2015 into Hewlett Packard Enterprises (HPE) and HP Inc., HPE has been busy in M&A. In May 2016, it sold its Enterprise Services division to competitor Computer Sciences Corporation in, and announced the acquisition of Silicon Graphics International only three months later, completed in November 2016. In September 2016, HPE announced a 'spin-merge' with Micro Focus International: Micro Focus acquires HPE’s non-core software, and HPE shareholders owns 50.1 percent of the merged company, which will continue to be known as HPE.

M&A for depth and diversification
The telecoms sector is also experiencing industry consolidation and restructuring albeit to a lesser degree. In particular, we are seeing mobile operators acquiring and forming partnerships with content providers, such as AT&T’s announcement of a deal to acquire Time Warner in October 2016, as mobile networks and the media that is exchanged across them become more inextricably linked. As another example, Verizon made a variety of acquisitions during the second half of 2016, including Yahoo!’s operating business in July, fleet telematics system company Fleetmatics in August, and mapping startup SocialRadar in November. Furthermore, Verizon’s purchase of Sensity, an LED sensor startup in September, is an interesting example of the way in which telecom companies are seeking to take advantage of innovations in areas such as the Internet of Things to drive the communication models of the future.

Treasury has a major role to play in M&A and corporate spin offs, not least in ensuring that new and merged entities have the bank accounts and internal financial infrastructure to conduct business, appropriate financing and the ability to manage liquidity and risk. These often need to be achieved in short timeframes with considerable organisational barriers and uncertainties. At the same time, the treasury organisation itself, whether acquiring new responsibilities and staff, splitting out or establishing for the first time has considerable staffing, systems, policies and procedural issues to contend with.

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It is not only treasurers and finance managers of companies engaged in M&A that are experiencing challenge and change. Regulatory change and market volatility both at a global and local level continue to prompt treasurers to review their policies, processes, controls and reporting.
Treasurers globally are dealing with the consequences of their banks’ adoption of Basel III and the impact of changes such as IRS 385. At the same time, they are also having to revise their strategies in countries such as China where opportunities to repatriate RMB have become more restricted in recent months, and the value of the currency, particularly against USD has fallen. Several other emerging markets currencies have depreciated against the USD in 2016, including the Peso, Rupee, Ringgit and Dong.

Devaluation of both hard currencies, such as GBP and emerging currencies such as EGP are also forcing a review of hedging policies and strategies.

Government strategies and wider geopolitical upheavals are undoubtedly causing treasurers to pause, reflect and adjust. In India, the change to the cash system and creation of a universal payments interface (UPI) create new opportunities to automate and standardise payments and collections, and revisit liquidity structures. Similarly, India is presenting interesting strategic opportunities for corporations in the technology, media and telecoms sectors: Google’s strategy to attract their next billion users will depend heavily on digitisation in India, for example. In the UK, the result of the Brexit referendum creates uncertainty for many corporations, but at the same time, large US technology companies in particular are increasing their investment in the country, creating an interesting dynamic.

**A treasury response**

While 2016 has been marked by shocks and uncertainty, a trend that looks set to continue in the year ahead, treasurers’ tool box to help overcome the challenges with which they are presented is growing. For example, an expanding spectrum of companies are taking advantage of bank-agnostic connectivity opportunities such as SWIFT and standards such as XML ISO 20022. Meanwhile, bank collaborations with emerging as well as established financial technology (‘fintech’) companies are set to drive an expanding range of innovative opportunities in 2017 to automate and increase control over existing business processes and facilitate new business models.

In this complex environment, treasurers are looking for clarity, consistency and reliability from their banking partners. At HSBC, we provide the coverage and depth of solutions and service offerings in the markets in which our clients do business. We offer high quality advisory services tailored to the specific needs of our technology, media and telecom clients at a local, regional and global level. Most importantly of all, we partner our clients as they progress their strategic journey, whether expanding into new markets, or consolidating their positions in existing ones. While 2017 will bring surprises, some positive and undoubtedly some negative, clients rely on us to bring stability, certainty and expertise in a time of challenge and change.

Published: January 2017

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Registered in England No 14259

Registered Office: 8 Canada Square London E14 5HQ United Kingdom

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