

How Dechra Centralised Cash and Transformed Global Treasury Reporting with Salmon TMS

With revenues doubling and rapid expansion leading to an increase from 16 to 36 global business units, [Dechra Pharmaceuticals](#) faced a major challenge in managing its cash and treasury operations across the group. In this case study, Dechra's group treasurer Steve Card explains how they met the challenge.

The Challenge

In 2014, Dechra did not have any formalised treasury operations, no intercompany netting system, no formal intercompany loans reporting, and no cash pooling arrangements. Essentially, the group operated as 14 autonomous businesses from a cash perspective.

However, with an increasing need for cash within the group's head office (to fund both acquisitions and an increasing group dividend), a growing number of bank accounts across the globe which required more disciplined control and reporting, a greater volume of intercompany trading that was resulting in increased bank charges and adverse FX charges, and a complex network of intercompany lending, it was necessary that the group implemented some form of central control.

The major obstacles to creating an effective intercompany system, without using a TMS solution, were:

- The sheer volume of transactions that would need to be captured and reported (presumably by using some form of Excel system);
- Intercompany activity in different systems, i.e. ZBAs from all the different banks and all other activity in the netting system;
- The volume of multi-currency movements and positions, and the desire to report only in the functional currency of the business unit;
- Calculating interest accurately on moving positions;
- Handling the different taxation regimes in different jurisdictions;
- Combining and collating these disparate activities.

This process was further complicated by the growth of the group, introducing both new acquisitions and new geographic jurisdictions into the ongoing process.

The Solution

Having established a central group treasury, the group initially reaped the benefits of the 'low-hanging fruit' by implementing a group-wide netting system and a notional cash pool in Europe, which covered, at that time, the majority of the group's cash operations.

The next objectives were to implement a cash pool in the USA, introduce zero balancing in Europe and to formalise the intercompany loan positions, effectively by expanding group treasury into an in-house bank.

This required the implementation of a TMS. The group went through a formal RFP selection process in 2016/17 that resulted in the group choosing [Salmon Treasurer](#).

The group had a number of requirements for the TMS, but the two primary objectives were:

- Allow better transparency into Dechra's consolidated cash positions and FX exposure – and in real time;
- Ability to hold intercompany positions and capture zero balancing and Netting movements, thus allowing the implementation of an in-house bank.

The first of these objectives, prior to the introduction of Zero Balancing, was achieved by the implementation of MT-940 reporting of bank account balances and transactions – though we did not realise the protracted time it would take the banks to deliver the necessary files in the format required.

The second objective was not so easily achieved, requiring a close relationship with Salmon Software to deliver a solution that covers not only the daily balances and transactions of 36 business units, but is also able to account for both the daily interest and any withholding taxes arising on those balances and transactions.

The Benefits/Results

Dechra and Salmon worked together over a period of some nine months to deliver a comprehensive Intercompany module that allows for:

- Merging the data, from both Bank ZBA activity and intercompany netting activity, into one intercompany management system;
- Handling the different currencies across intercompany positions, which manages FX transactions within each business unit and reports in functional currencies;
- Accurate interest and tax applied to the reported intercompany positions;
- Real time maintenance of the transactions and balances;
- Accurate reporting of the individual and summary (treasury) positions.

and allows Dechra to report:

- Accurate and up to the minute intercompany positions;
- Accurate and up to the minute group cash positions;
- Group FX exposures;
- Tax liabilities, both to the business unit and to global tax authorities.

The Intercompany system on Salmon Treasurer allows all business units to receive balance, transaction and interest reporting, on a daily basis if necessary, in both paper (pdf) format and also in file formats that can be loaded directly into their business unit ERP system.

Most importantly, all these benefits are being achieved with a minimum of manual intervention on behalf of the (two) group treasury staff. This allows the group treasury team to concentrate on the management, control and reporting of the group's cash, FX and intercompany positions rather than being focussed on the collation and preparation of the data.

Furthermore, the Salmon system will allow for the inclusion of any future growth within the group, organically or by acquisition, and to respond to the inevitable changes in reporting requirements and group structures, as the business develops.

The implementation of Salmon Treasurer, particularly the Intercompany module, is a significant and valuable development of the group's treasury operations, which will enable Dechra to continue to grow globally whilst providing accurate, timely and relevant cash and interest reporting.

About Steve Card, Group Treasurer at Dechra Pharmaceuticals

After graduating from Loughborough University, Steve spent 10 years in the City with Midland Bank and TSB Bank, before moving into

Corporate Treasury with Littlewoods Group in Liverpool. Group Treasurer roles followed with Scapa plc, Signet plc and Ideal Stelrad, together

with treasury consultancy positions for Nycomed Amersham plc, Northumbria University and Findus Group, whilst running his own company.

Steve has now been in position with Dechra Pharmaceuticals PLC for four years as Group Treasurer, building a new Treasury department from scratch. Married with four children, a staunch Sheffield Wednesday supporter and an eternal optimist.