

Improve Visibility and Control of Accounts Fragmented Due to Acquisition

Overview

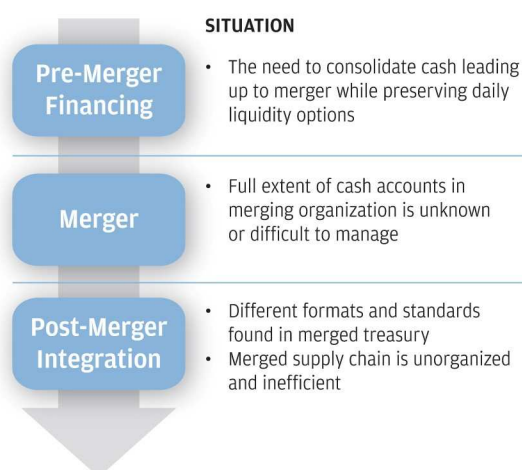
Even during volatile market conditions, companies continue aggressive mergers and acquisitions (M&A) activities. Numerous business transactions – such as combining, dividing, spinning-off, carving-out and/or restructuring – typically leave treasury professionals with an indecipherable financial map. Fortunately, J.P Morgan offers direction to help bring everything back together.

Challenge – Resolve financial inefficiencies caused by M&A activity

High-growth activities such as M&A often result in decentralization. This means fragmented accounts, platforms, systems, processes, and supply chain elements. Related inefficiencies can include:

- Decreased overall effectiveness of treasury functions.
- Lower straight-through-processing (STP) rates.
- Increased costs for liquidity and funding the organization.

MERGERS & ACQUISITIONS PROCESS FLOW



Frequent examples of areas to be investigated for optimization could be:

- An entity in the process of being integrated that has legacy payment platforms incompatible with an organization's standard.
- Cash trapped in subsidiaries due to lack of visibility across accounts or a tradition of autonomy at the subsidiary level.
- Redundancies in the merged supply chain requiring an audit of freight payments and associated accounts.



CASE STUDY – ENERGY GIANT CONSOLIDATES CASH MANAGEMENT IN ASIA REGION

One of the largest integrated energy companies in the world, with operations in over 100 countries and nearly 60,000 employees, had experienced significant M&A activities. Specifically, in its Asia-Pacific region, predecessor companies had different approaches to managing banking and cash management activities.

Across the region treasury held hundreds of bank accounts with varying pricing, transaction fees and compensating balances. Multiple ERP systems, with assorted banking connectivity, provided low visibility of balances. Having different bank systems and decentralized processes made it extremely difficult to manage cash.

The company sought to centralize treasury management activities, standardize cash management processes, use only approved financial technology, minimize the number of banks and accounts, reduce bank account cash balances, negotiate lower bank service fees, achieve enterprise-wide cost reduction and enhance liquidity management.

Working with J.P. Morgan enabled the corporation to consolidate four disparate ERP systems and nearly 50 banking relationships – as well as raise liquidity from \$1 million to \$9 million in just two years. Ongoing results include annual cost savings of over \$1 million and additional IT cost avoidance of over \$200 thousand per year.

For more information, please contact your J.P. Morgan Treasury Services representative or visit jpmorgan.com/ts

Solutions – Continuity and consistency from end-to-end

Standardize and Centralize

To start, all fragmented processes should be evaluated, with accounts consolidated via a Shared Service Center (SSC) or Enterprise Resource Planning (ERP) system. Though this process, J.P. Morgan can help clients:

- Shift from paper to electronic records to benefit from scope and scale.
- Standardize for better control of current methods and easier integration of future processes.
- Develop or reinforce a standard precedent throughout the organization.

Visualize, Simplify and Optimize

The next step is to improve global visibility into cash positions. J.P. Morgan provides a single-source, real-time dashboard view of all information about banking transactions, investments, budgets and project statuses. This data facilitates centralization of cash, reduces borrowing and FX costs, trims inefficient banking relationships and optimizes interest-earning.

Reducing the target balances of local currency accounts minimizes cash-on-hand required, as does rationalization of accounts. With fewer banking relationships, concentrated account balances can be combined to gain higher yields, with an added benefit of less currency risk.

For circumstances when cash can be repositioned, J.P. Morgan offers an array of products to concentrate balances via:

- Sweeps and overlay structures.
- Physical pooling, sweeping excess balances from local currencies into hard currency accounts.
- Notional Pooling, offering benefits of cash concentration without physical movement of funds.

Conclusion – Fragmented accounts equal additional financial resources

With the right tools, fragmented accounts and processes due to M&A activities represent a considerable opportunity for treasury to release an abundance of additional financial resources. Through improved visibility and thoughtful liquidity management, money that previously had been spread across multiple entities and bank accounts can be put to better use. J.P. Morgan is the ideal guide to help corporate clients navigate solutions and practices best suited to their organization.

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