

AVX rationalizes bank structure by 75 percent with full treasury transformation



Adam Smith Awards Asia Winner - Best Cash Management Solution

About

Headquartered in South Carolina, USA, AVX Corporation (AVX) is a leading manufacturer and supplier of advanced electronic components with 29 manufacturing facilities in 16 markets globally.

AVX employs more than 15,000 full-time staff globally and reported revenues of \$1.8 billion in 2019, with over 30 percent attributed to the Asia Pacific (APAC) region.

The challenge

Having gone through multiple rounds of acquisitions, AVX's banking and treasury organization had become highly decentralized. Its operations in APAC were particularly sub-optimal, with the firm facing the following challenges:

- **Decentralized banking structure** with more than 100 accounts and over 30 banking relationships, resulting in excessive operating costs.
- **Ineffective use of liquidity** with over \$100 million in idle operating balances spread across 10 countries, including majority of cash trapped in restrictive markets such as China and Korea that yielded minimal returns.
- **Expensive FX conversion costs** as the firm had to convert funds into multiple currencies and maintain local currency accounts to meet working capital needs across markets.
- **Inefficient day-to-day banking processes** for cross-border, tax and non-bulk payroll payments that relied on paper-based documentation and in-person visits to physical bank branches.
- **Manual month- and year-end account reconciliation** that still utilized traditional applications such as Excel spreadsheets, requiring significant amount of time devoted to manual processes.
- **Limited connectivity** between its operations in APAC and EMEA, resulting in a lack of visibility and controls of funds.

AVX set out on a treasury transformation journey to support the firm's ongoing expansion needs, including identifying a single banking partner to provide a full spectrum of cash, liquidity and FX services.

AVX rationalizes bank structure by 75 percent with full treasury transformation

The solution

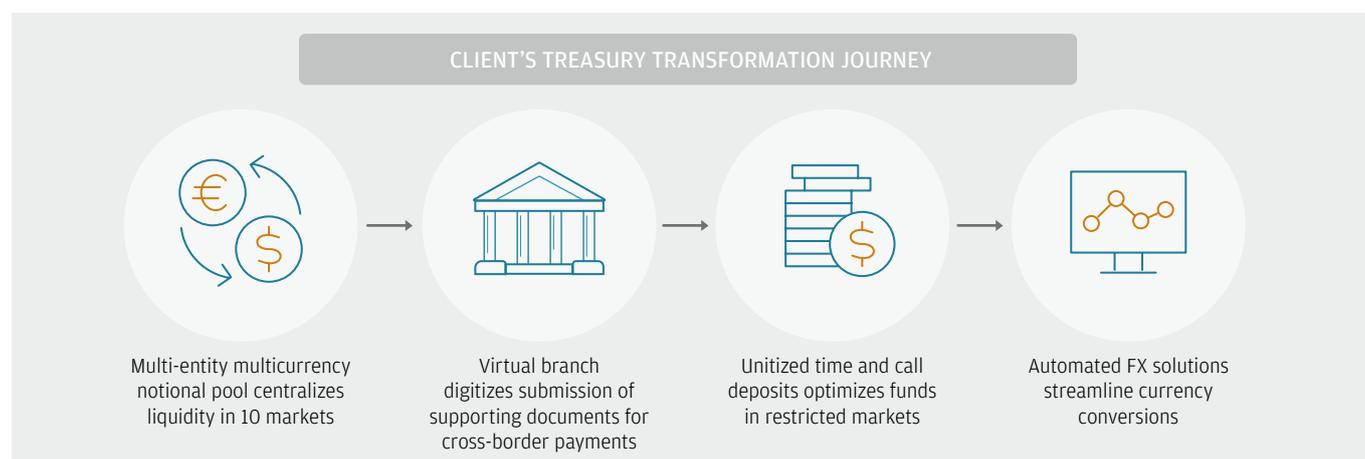
Collaborating with J.P. Morgan, AVX implemented a multi-entity, multicurrency notional pool in Hong Kong to centralize liquidity across 26 entities in 10 markets through an automated two-way cross-border sweep structure. To ensure restricted markets were included, the bank worked closely with the U.S.-based manufacturer in obtaining regulatory approvals from the China and Korea central banks to integrate AVX's local entities into the cross-border liquidity solution; making AVX one of the first companies to connect a Korean entity into a regional notional pool through automated sweeps.

With J.P. Morgan's support at both the regional and global level, AVX can now also seamlessly execute capital injections from its notional pool in Hong Kong or the U.S. into restricted markets in APAC to effectively manage working capital. One such case was when AVX needed to urgently move a large sum of funds to support a manufacturing project in Thailand - a highly restricted market. AVX worked closely with J.P. Morgan to ensure proper regulatory documentations were in place to execute the cash injection seamlessly, while also determining the right timing to conduct the transaction to effectively reduce FX risks.

Aside from the liquidity structure, AVX also deployed several digital solutions to overhaul its manual workflows including:

- Optimizing funds in restrictive markets like China, India and Vietnam by automatically investing a target set of end-of-day onshore balances in high yielding unitized time and call deposits, and any excess cash thereafter invested into smaller units of deposits to maximize yields.
- Digitizing the submission of supporting documents for cross-border and statutory tax payments through virtual branches to free up manual resources and improve efficiencies.
- Streamlining FX processes by establishing a transparent rate mechanism that automatically prices AVX's payments and receipts in nearly 40 currencies without having to maintain individual currency accounts, eliminating non-functional currency accounts that saves on costs while improving reconciliation and reporting.

J.P.Morgan



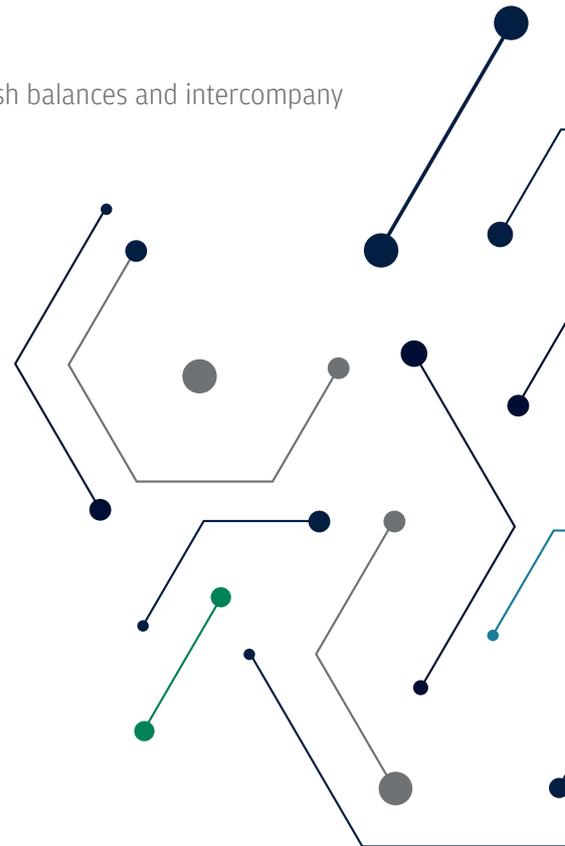
AVX rationalizes bank structure by 75 percent with full treasury transformation

The results

- A 75 percent rationalization in banking structure and 52 percent reduction in bank accounts, resulting in an estimated \$175,000 in cost savings per annum.
- Saving \$100,000 in annual costs as a result of improving efficiencies through self-funding of working capital through the regional cash pool to fund local business needs, including mobilizing cash out of restricted markets.
- Enhancing FX conversion processes by automatically converting incoming funds to foreign currencies through visible FX rates, with over \$75,000 in savings.
- Generating higher yields on overall regional cash balances via enriched investment options.
- Reducing significant man-hours through Virtual Branch and unitized time and call deposit solutions to digitize highly manual treasury and investment processes.
- Improving visibility and control of liquidity, as well as the ability to track cash balances and intercompany positions in real-time through a single banking portal.

“The solution has been truly transformational for AVX, generating significant benefits in terms of cost savings and efficiencies for the firm. The success was made possible as a result of the tremendous efforts and coordination between AVX and J.P. Morgan’s working groups.”

- Morgan McGrath, Head of International Banking for Commercial Banking, J.P. Morgan





To learn more about how we can support your business, please contact your J.P. Morgan representative.

This material was prepared exclusively for the benefit and internal use of the JPMorgan client to whom it is directly addressed (including such client's subsidiaries, the "Company") in order to assist the Company in evaluating a possible transaction(s) and does not carry any right of disclosure to any other party. In preparing this material, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources or which was provided to us by or on behalf of the Company or which was otherwise reviewed by us. This material is for discussion purposes only and is incomplete without reference to the other briefings provided by JPMorgan. Neither this material nor any of its contents may be disclosed or used for any other purpose without the prior written consent of JPMorgan.

J.P. Morgan, JPMorgan, JPMorgan Chase and Chase are marketing names for certain businesses of JPMorgan Chase & Co. and its subsidiaries worldwide (collectively, "JPMC"). Products or services may be marketed and/or provided by commercial banks such as JPMorgan Chase Bank, N.A., securities or other non-banking affiliates or other JPMC entities and such affiliate or entity may or may not be the JPMC entity operating and regulated in your jurisdiction locally. JPMC contact persons may be employees or officers of any of the foregoing entities and the terms "J.P. Morgan", "JPMorgan", "JPMorgan Chase" and "Chase" if and as used herein include as applicable all such employees or officers and/or entities irrespective of marketing name(s) used. Nothing in this material is a solicitation by JPMC of any product or service which would be unlawful under applicable laws or regulations.

Investments or strategies discussed herein may not be suitable for all investors. Neither JPMorgan nor any of its directors, officers, employees or agents shall incur in any responsibility or liability whatsoever to the Company or any other party with respect to the contents of any matters referred herein, or discussed as a result of, this material. This material is not intended to provide, and should not be relied on for, accounting, legal or tax advice or investment recommendations. Please consult your own tax, legal, accounting or investment advisor concerning such matters.

Not all products and services are available in all geographic areas. Eligibility for particular products and services is subject to final determination by JPMC and or its affiliates/subsidiaries. This material does not constitute a commitment by any JPMC entity to extend or arrange credit or to provide any other products or services and JPMorgan reserves the right to withdraw at any time. All services are subject to applicable laws, regulations, and applicable approvals and notifications. The Company should examine the specific restrictions and limitations under the laws of its own jurisdiction that may be applicable to the Company due to its nature or to the products and services referred herein.

Notwithstanding anything to the contrary, the statements in this material are not intended to be legally binding. Any products, services, terms or other matters described herein (other than in respect of confidentiality) are subject to the terms of separate legally binding documentation and/or are subject to change without notice.

Changes to Interbank Offered Rates (IBORs) and other benchmark rates: Certain interest rate benchmarks are, or may in the future become, subject to ongoing international, national and other regulatory guidance, reform and proposals for reform. For more information, please consult: https://www.jpmorgan.com/global/disclosures/interbank_offered_rates.

JPMorgan Chase Bank, N.A. Member FDIC.

JPMorgan Chase Bank, N.A., organized under the laws of U.S.A. with limited liability.

© 2021 JPMorgan Chase & Co. All Rights Reserved.