

# Cash and Payments Transformation at Wienerberger

by Chris Van Tieghem, Group Treasurer, Wienerberger

The construction industry was hard hit by the worldwide recession in 2009, which triggered a sharp drop in the demand for building materials. On the one hand, new residential construction is heavily dependent on bank financing and, on the other hand, consumers tend to postpone investment decisions as a reaction to the weak economy and uncertain expectations for the future. Wienerberger implemented a wide-ranging action plan to adjust capacity to reflect these developments, which also included active working capital management to reduce inventories, a decrease in administrative and selling costs and a cut back in investments to the minimum. In 2009, the company earned revenues of €1.8bn and it employs more than 12,600 staff.

## Group treasury at Wienerberger

Wienerberger has a group treasury department based in Vienna, Austria, responsible for cash management, risk management and financing on behalf of the company. Over the past five years, the company has embarked on a cash management and payments transformation project, so these functions are now centralised in treasury. A project of this type brings significant complexities, but as Wienerberger's experiences demonstrate, the advantages can be considerable.

### Wienerberger

Wienerberger is the world's largest producer of bricks and No. 1 in the clay roof tiles market in Europe. The company also holds leading positions in concrete pavers in Central & Eastern Europe. Founded in 1819 and traded on the Vienna Stock Exchange, Wienerberger started its dynamic expansion in 1986, which has focused on building materials since the late 1990s. This transformed Wienerberger from a local Austrian brick-maker into the world's largest producer of bricks within two decades. During this time the number of production facilities rose from 11 to 227 plants in 27 countries.

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## Embarking on centralisation

### Cash management

Treasury manages cash pools per country, and a euro cross-border cash pool in Vienna with UniCredit. Where regulations permit, Wienerberger implements local zero-balancing solutions. We also perform inter-company netting on behalf of the group to minimise the total number of external flows between business units. We have a variety of leading systems in treasury to manage our activities, using Wallstreet for treasury management and SAP for netting.

### Payments

In 2006, prompted by new cash pools in central and eastern Europe, we made the decision to implement a payments factory, for which treasury is responsible. We selected SunGard AvantGard Payments for centralised payments processing which we started implementing in 2007, and which now forms part of an integrated treasury technology infrastructure.

### Bank connectivity

As part of our project, we implemented SWIFTNet to connect with our banks, which is integrated with AvantGard Payments, including FIN for transmitting high value, treasury payments, and FileAct for sending bulk payments and retrieving bank account statements.

## Drivers for payments and cash management centralisation

We had three key drivers for centralising cash management and payments:

Firstly, we aimed to optimise our global liquidity position and make the best possible use of cash;

Secondly, we wanted to reduce our internal costs, such as the cost of maintaining bank software at business unit level;

Thirdly, we sought to enhance the efficiency and security of our processes, and in doing so, in particular by migrating responsibility for payments and cash management to treasury, we could achieve better control of cash.

## Banking partners

In addition to establishing cash pools and implementing a payments factory, we rationalised our banks and bank accounts in order to optimise liquidity and simplify our cash management infrastructure. We appointed UniCredit as our primary bank in seven countries, based on a long-term relationship extending over many years, together with the quality of their services and experience with SWIFT Corporate Access. We adopted a regional banking approach, with one key appointment in each region, with some in-country relationships where appropriate, such as in parts of Western Europe. When reviewing our banking partners and connectivity, we found that banks had varying degrees of experience and support of SWIFT Corporate Access. Consequently, this was one of our key criteria when selecting our banking partners in cash management, so we were able to rely on a high level of support.

## Achieving objectives

We have been very successful in achieving our initial objectives. For example, we have optimised our liquidity position, and now have full visibility and control over cash within treasury, so we can apply funds where they are needed within the group and minimise the need for borrowing. As bank relationships and connectivity are now managed through treasury, we have reduced the cost and inconvenience of managing multiple proprietary electronic bank account systems. We opted to appoint a service bureau, Atos worldline, based in Belgium, for

### UniCredit Group

UniCredit Group is a major international financial institution with strong roots in 22 European countries and an international network present in approximately 50 markets, with 9,800 branches, and more than 165,000 employees as of 31 December 2009.

In the CEE region, UniCredit Group operates the largest international banking network with around 4,000 branches.

The group operates in the following countries: Austria Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Germany, Hungary, Italy, Latvia, Lithuania, Kazakhstan, Kyrgyzstan, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Turkey and Ukraine.

Global Transaction Banking of UniCredit combines the local expertise of more than 2,000 professionals with the experience of a sophisticated global transaction bank, offering a diverse and proven set of core competencies in the fields of Cash Management and eBanking, Trade Finance, Supply Chain Management, Structured Trade and Export Finance. UniCredit Group is the largest transaction bank in continental Europe, which has been recognised through a variety of international awards.

maintaining our connection to SWIFT, as opposed to attempting to maintain a direct connection in-house. This has proved a positive decision and we no longer have to deal with the cost and complexity of bank connectivity.

## Additional outcomes

In addition to achieving our initial objectives, we have encountered a number of additional benefits that we had not anticipated when we embarked on our project:

### Bank charges

Our objective when rationalising our bank relationships and bank accounts was primarily to optimise liquidity. However, an additional outcome of this has been a reduction in bank charges through greater economies of scale. Furthermore, by reviewing and revising our banking arrangements, we have also been able to standardise terms and conditions with our banks, and be specific about the services that we require from each one. We are now in a better position to benchmark banking services and therefore to negotiate more effectively.

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*"It has been a privilege to support Wienerberger through its centralisation and bank connectivity project, building on a relationship that has extended over many years. As Wienerberger's experience demonstrates, the benefits of rationalising bank relationships, optimising cash management and standardising connectivity can have significant benefits. Working with the right banks and technology vendors is an important factor in achieving project success, but the vision and professionalism of the combined project team has also been key to delivering the outcomes of this project.*

**Dieter Feiertag, International Cash Management Sales, Austria, UniCredit**

**Security**

Secondly, we have significantly enhanced the security of our cash management and payments processes. By maintaining multiple banking systems, security is often compromised as each one requires its own security protocols, passwords etc. With a fragmented approach to security, it becomes a major task to change signatories and keep up to date with the various security requirements, so security is often compromised. By adopting a single payment platform, we have been able to adopt a standardised and rigorous approach to security, which we recognise as a significant benefit.

**Standardisation**

While we encountered some connectivity challenges during the implementation project, these were rapidly resolved, and the solution now works well. In the past, when using multiple proprietary banking systems, we had to maintain a variety of different file formats, which was inefficient, costly and resource-intensive. We have now largely standardised

our formats to MT101 messages for credit transfers and MT104 messages for direct debits, with local formats in Belgium, Germany and France. In addition to the immediate benefits of standardisation, we also anticipate that the migration to SEPA will be easier in the future.

In addition to our technology vendors and service bureau, our banking partners, in particular UniCredit, have been instrumental in the success of our project. In the future, we

may seek to extend our use of the SWIFT connection into areas such as confirmation matching and electronic bank account management, although these are not immediate priorities. A project of this type is not easy, particularly as centralising cash management and payments results in a loss of autonomy for the business units, but by communicating clearly and managing the project efficiently, the benefits across the group have been compelling. ■



**Chris Van Tieghem**  
Group Treasurer, Wienerberger AG

Chris Van Tieghem joined the treasury department of Wienerberger in Vienna in 2005.

At Wienerberger he has further developed cash management and netting, and implemented a payment factory. Recently he implemented a group-wide credit insurance programme, and initiated factoring in some countries in which the group is represented.

Before joining Wienerberger he worked for Koramic Building Products in Belgium for over 20 years.