Successfully navigating your treasury through a carve-out

Carve-outs shape new organizational structures, divested from larger structures. This includes treasury that is faced with a tricky situation: the transition needs to ensure both readiness for Day One and a sustainable setup for the long-term future. If your treasury is approaching a carve-out, how do you bridge both gaps? Matthias Deschner from BELLIN reveals how.

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Restructuring can create uncertainty. That's why in a carve-out, specific operations are sometimes covered by a Transition Services Agreement (TSA). However, this type of support by the larger company is rare in treasury.

Addressing the short-term needs

Mostly, it falls to the future spin-off to manage the transition and to build structures. This starts with the very basics: how many people are you going to need in your department? What structures can be retained? What needs to be set up from scratch? With many treasury responsibilities, you do not have the luxury of a gradual transition. You need to be ready for Day One, with no grace period. Short-term, you have to at a minimum cover the following bases:

- Establish a cash and liquidity management structure and ensure you have visibility
- Understand banking requirements and set up banking structures to address liquidity needs
- Identify potential financial risks
- Understand existing structures and interdependencies

A carve-out means disentangling. Existing arrangements end and require new solutions. As a carved-out company, you no longer have access to the financial infrastructure of the larger business. You need to disentangle yourself from certain setups and build your own infrastructure. This includes:

- Bank and in-house accounts
- Cash pools
- Hedging portfolios including derivatives
- Financing, including IC financing
- Banking relationships, including a potential move from an in-house bank to external banks
- Netting arrangements including contracts, participants and rules
- Treasury management system data entry/transfer
- Decision-making authority
- Training needs

Addressing the long-term strategy

In addition to ensuring readiness for Day One, a carve-out also requires a more long-term strategy. You need to really understand the new business with its market requirements, including the factors that influence them – such as FX scenarios, banking and counterparty risks or interest rates.

While certain structures must be in place straight away, this is not the end of the road. As a treasurer, you continue to streamline processes and take a strategic view on your company's financial needs. Structures and processes need to continuously be reassessed and potentially adjusted. Once you've built an independent infrastructure that meets your immediate business needs, this long-term strategy will fall into place and allow you to refine your setup.

Treasury consulting support for your carve-out

Navigating a treasury department through a carve-out is no mean feat. So how do you manage all this? Ideally, you have an internal project team that manages the transition from old to new. Even better: you get external advice and support. If you're working with or have decided to work with a treasury management system, then your TMS provider's consulting team is the obvious choice.

As consultants, we can draw on the experience from countless projects, including other carve-outs. This is especially helpful as carve-out projects often happen within a very limited time frame. For example, I recently worked with a client where we needed to arrange the close-out of derivatives for a certain date, including a settlement payment. It wasn't until two days before the close-out date that we were able to calculate this figure in the tm5 treasury management system, and we only had one day to enter and adjust data: cancel old deals, enter new deals, categorize them etc.

Restructuring can be daunting. But with the right preparation and support, you will manage the transition to becoming an independent company and pave the way for a successful future.

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Matthias Deschner oversees implementation and process consulting projects in multinational groups with a focus on centralized cash management, netting and risk management. Matthias has over 15 years' experience in treasury. Having trained as a banker/business administration specialist, he worked as Head of Accounting for an internationally active family business before joining BELLIN in 2009.

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