

Building a Global, Systematized FX Hedging Program from Scratch



Amit Singh, Global Corporate Treasurer at Takeda

Company Info

Founded

1781, Top 10 global pharmaceutical company

Corporate Headquarters

Tokyo, Japan

Countries Operational

80 Worldwide

2019 Net Sales

\$30B

Currency Exposure

High

About Takeda

Takeda Pharmaceutical Company Limited is a global, R&D-driven biopharmaceutical leader headquartered in Japan, committed to bringing Better Health and a Brighter Future to patients by translating science into highly-innovative medicines. Takeda focuses its R&D efforts on four therapeutic areas: Oncology, Rare Diseases, Neuroscience, and Gastroenterology (GI). They also make targeted R&D investments in Plasma-Derived Therapies and Vaccines.



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Situation Summary

Takeda is a top 10 global pharmaceutical company with multiple locations and business sources linked to many FX exposures. Takeda completed its acquisition of Shire in January 2019, which doubled the firm’s total revenue to \$30 billion and expanded its FX footprint. The treasury team is based in Zurich, Dublin and Tokyo, which is Takeda’s headquarters. While the treasury function was centralized, the processes were regionalized. It was hard to manage a global balance sheet FX hedging program without having an ability to centralize the exposures.

Amit Singh, Global Corporate Treasurer at Takeda, previously in that role at Shire, is responsible for financial risk management, cash management, global treasury operations, and insurance. He shared his team’s experiences working with AtlasFX to build a cloud-based, automated, centralized FX hedging program.

Q&A with Amit Singh

What challenges or needs did you face that led you to look for an FX risk management system solution like one provided by AtlasFX?

We had several challenges. While our treasury function was centralized, our FX hedging process was done regionally and manually. The U.S. was only looking at U.S. exposures. The European office was looking only at its country exposures, and the same was the case with the Asia/ Pac office.

Basically, the left hand didn’t know what the right hand was hedging. One office might be hedging a long exposure and another might be hedging the same short exposure. Without it all being centralized, we could never know that the two hedges were canceling each other out, thus no hedge was needed. There was a lot of inefficiency. I was losing a lot of sleep over not having a central view.

Our situation is a typical story for many companies that have grown quickly and haven’t invested the time and money in an FX hedging system.

The result is having a manual process in which the treasury team is constantly running around trying to get the latest exposure and then haphazardly hedging them. Every time we learned about a balance sheet exposure changing during the month, we would run around trying to quickly hedge it.

That’s the story of an FX trader’s life – too much defense and not a lot of offense. For companies that don’t have a systematized FX hedging program, the traders and treasury team are never comfortable. They can never plan ahead because they are spending all their time struggling with day-to-day challenges, manual processes and excel spreadsheets.

With Takeda never having an automated solution, imagine the discomfort we felt when we acquired Shire and doubled our revenue and expanded the number of FX exposures. When the two companies came together in January 2019, each company had its own hedging program.

As if this wasn’t enough, Takeda was already planning a large effort to consolidate its Enterprise Resource Planning (ERP) systems. We started 2019 with four to five ERP systems, ended 2019 with two, and two years from now we should have one.

What were your criteria in selecting an FX hedging systems provider?

Flexibility: We had to select a company that would be able to work with us while we would be changing constantly in 2019. Flexibility was key. We could have made all the changes to our ERP first and then gotten a new FX hedging system, but we believed that was too much risk to be sitting on for a full year.

We started the ERP implementation on the Shire side first, then one by one we folded in Takeda U.S., Takeda Japan and finally, the biggest piece, Takeda Euro. We completed full integration in December 2019.



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✓ Criteria for Takeda’s FX hedging systems provider

- + Flexible
- + Fully dedicated
- + Hands-on
- + Cloud-based
- + Experienced in integrating with other trading partners

So, we moved from a completely manual process at the beginning of the year, did 3-4 major transitions of folding in more entities into a single FX solution and, today, we are fully integrated. All of the global exposures are onto AtlasFX now.

Fully dedicated/Hands-on: We knew we needed a fully dedicated team to work with us hands-on throughout the year. It’s one thing to find a new vendor or solution when everything in the company is stable – stable data and one ERP – and then selecting a new FX solution and knowing it will be complete in three to six months. We knew that wasn’t our case.

Most of our efforts were going to be managed in Dublin and Zurich, so we wanted a firm with people who were in those local time zones.

Cloud-based: Finding a cloud-based solution was important because we didn’t want it to be embedded in our own systems. That would have been an IT nightmare for us and additional charges to the company. AtlasFX’s cloud-based approach works very well for us.

Experience integrating with other trading partners: Finally, we wanted a team with the experience in interfacing with a wide number of trading tools and partners such as FXAll, 360T and Bloomberg. We wanted a team that had successfully integrated and worked with all of those partners.

Why did you choose AtlasFX over the competition?

We interviewed firms we thought would be able to cope with all of the challenges we were going to throw at them. All of our criteria led us to selecting AtlasFX.

Now, in looking back, I am very happy that we made the selection. I’ve worked with peers of AtlasFX. Some of those companies are very hierarchical, everything is very formal. Any new change to the program you would like to make must go through their change management. It takes too much time. We were going to be so dynamic given our situation, that wouldn’t work for us.

How was the set-up process with AtlasFX?

The set-up process took some time, but that was to be expected since we were working from scratch.

It was a journey for the whole team; it took a lot of effort internally. There’s a lot of details that come up that you cannot imagine when you start.

Two pieces of advice I have for firms considering moving to a new solution is understanding it takes time and you need to have full buy-in from your internal team to successfully embark on and complete a new solution. It took time for them to be involved, but by the end of the integration, the team fully understood the process because they had been part of the build phase.

So, instead of having a vendor build it and then handing it over to you, which seems like a very good situation but the team doesn’t really understand the ins and outs of it, it’s definitely helpful for the whole team to go through it step by step.

Make sure your team is dedicated to the build-out and refinement process.

Did you know exactly what you needed and how to set it up, or did you consult with AtlasFX?

This was one of the key themes that distinguished AtlasFX from its competitors. Given we were coming from a manual process, we needed a firm that would not only replicate our process, but could also improve it.

We spent 4-6 weeks with AtlasFX explaining our process to them and brainstorming what would be the best approach for us, including what would have to be customized to suit our specific needs.

Other companies say, “You tell us what to do and we do it.” They don’t provide the consulting support like AtlasFX does.

“With AtlasFX, I sleep better at night, knowing we have a central view.”

What results have you seen since implementing our product/solution?

We've begun to see the full fruits of our labor in 2020, but we started to see benefits while we were transitioning in 2019. The outcomes each month became more predictable; the range of gains and losses in the FX program narrowed.

There used to be more surprises when the process was manual, which is understandable given many of the hedges were not being done systematically or at the right time. It's a better risk management outcome to have less variability in your P & L. We hope to see more of that in the coming months.

With AtlasFX's analytics we can dig deeper into the data and get answers for the first time on why we have the results that we do.

Another benefit that I did not foresee with AtlasFX's analytics is we can have more productive conversations with the accounting team. The analytics give us more information, talking points and confidence to go to the accounting team if their numbers don't match with those in the AtlasFX system.

We are still going through a lot of changes in the accounting system, so of course not everything is going to line up perfectly. If we didn't have a second source to question the results, we would find it difficult to find the errors, to determine why they are occurring, correct them and be sure they don't happen again.

A significant change is there's more time for strategic thinking. Typically, with a manual process treasury teams are simply hedging exposures and not questioning the nature of the exposures and why they are even there. We are now able to do that.

For example, we recently noticed that some of the Latin American countries had started to show higher than normal exposures. These are countries where it is more expensive to hedge the currency exposures. With the AtlasFX program, we were able to pinpoint the issues. We saw a build-up in inter-company invoices and inefficiencies in their processes. We worked with the local country managers and finance teams to find ways to reduce the exposures, thereby go to the root of the exposure and eliminate/reduce the exposures in a more fundamental way.

A year ago, that would not have been possible - we would have no time to question anything. We would have just hedged whatever was there. Now we can dig deeper. Our data is more accurate and robust. There's time to be more strategic. With AtlasFX, I sleep better at night knowing we have a central view.

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