

# Kongsberg Automotive improves cash visibility and cuts interest expenses



## Adam Smith Awards

Winner - Harnessing the Power of Technology

### About

Founded in Kongsberg, Norway but headquartered in Zurich, Kongsberg Automotive is a diversified automotive parts manufacturer, with production plants throughout the world.

### The challenge

Kongsberg Automotive (KA) required a significant overhaul of its Treasury operations. As a business, it had limited visibility over the company's daily cash movements, and little control over payments which made liquidity planning difficult across its different group entities ("Group").

Day-to-day treasury responsibilities were onerous and involved numerous administrative tasks - many of them manual. There was a clear need to transform treasury management to provide better cash visibility, more accurate cash flow forecasting, and tighter control over payments and liquidity.

The main objective of the transformation was to establish the most efficient treasury function in the automotive parts sector. This meant a department focused on long-term value creation, which could act as a strategic business partner for the whole Group.

*“ We set out on a journey to transform KA Group Treasury function to a best practice centralised treasury function and service provider to entities in the Group, by means of centralising, standardising and automating the Treasury function ”*

Abraham Geldenhuys,  
Vice President & Group Treasurer

J.P.Morgan

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## The solution

The absence of a legacy treasury IT system gave Kongsberg Automotive the opportunity to design a brand-new treasury function from scratch. Rather than simply developing and implementing strategies over time, Kongsberg Automotive used a scoping workshop to define a market-leading 'Big Bang' approach that would take a holistic view of optimizing its treasury.

Kongsberg Automotive worked out a three-year strategic treasury transformation plan. It established its vision for treasury, the building blocks to meet that vision, the timeline for achieving it, and risks to success.

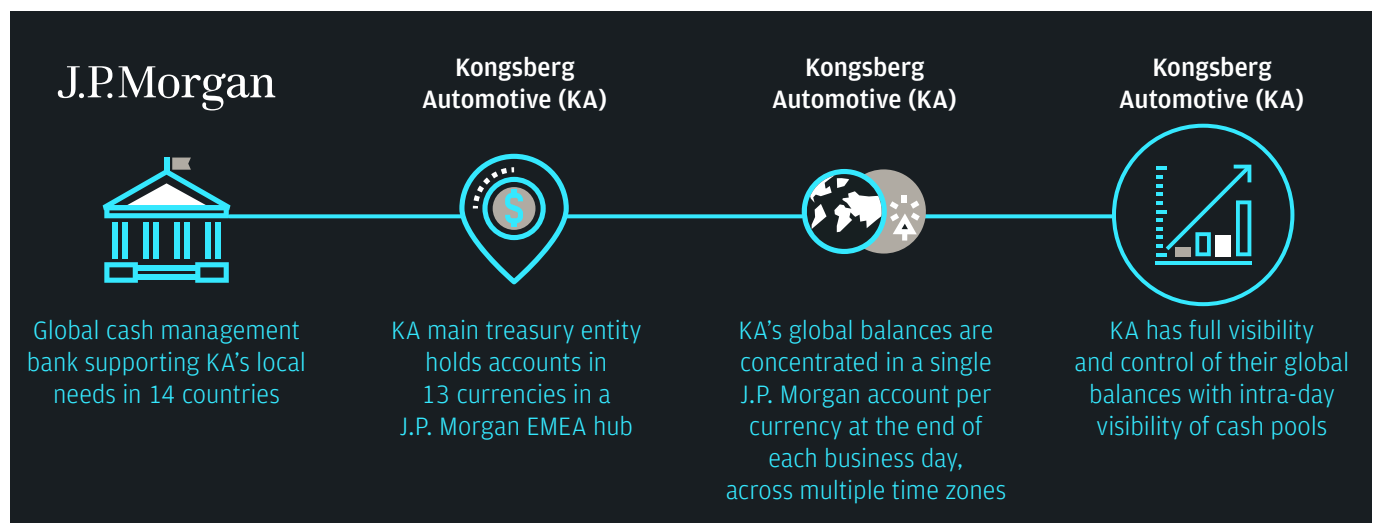
There were three main pillars:

- Group-wide and bank-wide cash visibility for better decision-making and risk management
- Centralised workflows and control with optimised banking set-up and an in-house bank
- Automation and efficiency, founded on a group-wide, integrated treasury management system

As part of this reform, Kongsberg Automotive chose J.P. Morgan as its global core cash management bank to support all of its local needs in 14 countries. At the same time, Kongsberg Automotive's main treasury entity held accounts in 13 currencies in a J.P. Morgan EMEA hub.

Today, all of Kongsberg Automotive's global balances are automatically concentrated into a single J.P. Morgan account per currency at the end of each business day across all time zones, offering its treasury team full visibility of their global balances.

By deploying a team of experts led by a single point of contact, J.P. Morgan was able to implement its part in the transformation of Kongsberg Automotive's treasury management in record time, despite all the complexities that such a large scale global implementation normally triggers.



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## The results

As a result of this ambitious vision, group treasury has become a strategic business partner for the whole of Kongsberg Automotive.

The centralisation of cash management, with the aid of J.P. Morgan, has helped Kongsberg Automotive achieve economies of scale. Thanks to global cash pooling, centralised payment management and a consequent improvement in cash flow forecasting, Kongsberg has also seen a fall in interest expenses.

Most importantly, Kongsberg Automotive now has 100% global daily cash visibility, with intra-day visibility into cash pools, and monthly reconciliation and settlement of intercompany invoices through its in-house bank.

Kongsberg Automotive was recognised as the overall winner in the hotly contested 'Harnessing the Power of Technology' category in the 2020 Adam Smith Awards - widely acknowledged as the industry benchmark for treasury excellence.

*“ Our cash balances follow the sun, passing into a single J.P. Morgan account as the business day ends in each time zone. That means we know exactly how much cash we have at the end of each business day. ”*

Abraham Geldenhuys, Vice President & Group Treasurer

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