

OVERALL WINNER

Best Risk Management Solution

adidas AG

Herzogenaurach, Germany

Marc Andre Mohn, Senior Treasury Manager – Global Financial Risk Management



Martin Bechtold, FIS and Marc Andre Mohn, adidas AG

Global sports giant is top of the league in currency risk management

Company profile

adidas AG is a multinational corporation, founded and headquartered in Herzogenaurach, Germany. It designs and manufactures shoes, clothing and accessories. It is the largest sportswear manufacturer in Europe, and the second largest in the world.

The challenge

As a global company, currency risk represents the biggest single market risk in adidas' portfolio.

Manual reporting is a laborious and inefficient task at best and at adidas, with no way to quickly simulate currency risk positions, it hampered the ability to react to rapidly changing market conditions. In addition, the threat of manual error meant significant effort was required to secure data quality. "Our objective was to build an end-to-end process, to increase the transparency of our currency risk positions with a fully automated solution," says Marc Andre Mohn, Senior Treasury Manager – Global Financial Risk Management, adidas AG.

The solution

With the implementation of a new treasury management system (TMS), adidas has created a bespoke and fully automated solution to enable a reporting of all of its global currency risk positions in a real-time market environment. This significantly increases the company's visibility of risk, reduces workload and increases the quality of its hedging decisions.

In practice, and as a prerequisite, the cash flow forecasts submitted by entities are uploaded and maintained in the TMS in a streamlined process. Further, all hedging positions are maintained in the TMS environment through a fully redesigned hedging process.

Every new hedging process is actively started by the risk management team in the TMS, based on the hedging decision in operation. All transactions are then dealt via its trading systems.

All steps thereafter to secure hedge accounting have been streamlined via an automated end-to-end process. For FX risk reporting, a real-time market data connection from Bloomberg ensures 'one-click' live calculations of market impacts on all global FX risk positions at any time during the business day.

With this fully redesigned set-up, the company can now create a live snapshot of all global currency risk positions whenever it needs to. It can see aggregated net-exposures (per entity), coverage, hedge rates and more complex simulated hedge rates, considering all forwards and options. "We create a real-time view on all exchange-rate driven

variances of our global FX positions, showing actuals and forecasts of our anticipated hedging results based on current market developments," explains Mohn.

Best practice and innovation

adidas has transformed its FX risk reporting from a complex IT landscape, significant manual workload and delayed market data, into a fully-automated process with a streamlined system architecture enabling real-time risk reporting directly out of its TMS. This innovative solution creates a powerful tool for global currency risk management. This level of detail is rarely found in the corporate sector.

It enables the company to immediately react to market developments, using a full picture of its current net risk-positioning. Further, it is possible to simulate an immediate overview of the economic effects of hedging decisions, with the provision of automated ad-hoc analysis of exchange rate variances for senior management.

"In designing the future of risk reporting, we invented a new way to leverage our position in the field. As teammates with our service provider, we aligned our IT and business understanding to create a result-driven and visionary mindset. We unleashed the power of digitisation in risk management to win the sprint," concludes Mohn.

Key benefits

- Creates a unique live market view on all currency risk positions globally.
- Delivers a live snapshot on all FX rate variances.
- Improved FX hedging decisions.
- Time-savings.
- Risks mitigated.