



**Industry:** Polymer processing

**Geographies:** Europe, North and South America, Africa, Asia

### Challenges:

- Large volumes of IC trade
- Lack of visibility into IC financing, currency transactions and FX risk
- Non-standardized processes
- Multitude of systems
- Compliance with netting regulations in 56 countries

### Solution:

- Coupa Treasury

### Results:

- Group-wide netting
- Control over IC trade and IC financing
- Consolidation of 60,000 invoices per month at the touch of a button
- Integration of all national regulations
- Centralized IC FX management
- Improved terms for FX trading
- Improved IC risk management
- ROI within 2 months due to FX savings alone

## Global Intercompany Reconciliation and Netting with Coupa Treasury

The **REHAU Group** is a Swiss family-owned polymer business, with five divisions: Automotive, Building and Infrastructure Solutions, Furniture Solutions, Window Solutions and Industrial Solutions. It has around 20,000 employees at more than 170 locations across five continents and 56 countries and generates annual sales revenue of several billion euros.

### The Challenge: to Reconcile and Pay 60,000 Invoices Every Month

REHAU operates across a large number of production sites, sectors and markets, offering the group significant synergies in procurement and throughout the entire value chain. However, this structure leads to a very high level of complexity in intercompany (IC) business and to a lack of clarity in relation to the financing of the group's individual entities.

With 60,000 intercompany invoices per month, processing, reconciliation and settlement involved a lot of work and incurred correspondingly high bank fees. There was also insufficient visibility and transparency into the group's FX transactions and therefore limited control of FX risk.

In addition to the vast number of intercompany invoices that need to be processed across the group, the lack of standardized processes and the fragmented system landscape presented the treasury team with particular challenges. Each company used its own systems to create intercompany invoices, including SAP and local accounting systems. Individual companies used a variety of different processing procedures and bookkeeping processes at local level to deal with intercompany invoices. To top it all off, there was no unified group-wide approach when it came to intercompany reconciliation.

The situation was further exacerbated by the fact that different countries have different regulatory requirements in relation to netting.

The company therefore wanted to use group-wide netting to drastically reduce the time and effort associated with intercompany business, standardize and automate processes across the group and centrally manage FX volumes and intercompany financing.

“ Netting with Coupa Treasury offers tremendous potential for optimization – the FX savings alone paid for the project in just two months. Adopting a standardized approach across the group has given us full visibility over the relationships between our companies. ”

— **Elvis Prosic,**  
Treasurer, REHAU

## The Solution: Visibility, Control and Efficiency in Global Intercompany Trade with Coupa Treasury

In collaboration with Coupa’s Solution Delivery team, REHAU introduced a netting model, split into a reconciliation and a netting process. The model enables all intercompany invoices that are due by the end of the next month to be consolidated and paid that month.

### Importing Data and Netting in Coupa Treasury

Three processes with different timelines are available for importing data into the Coupa Treasury system: automatic upload from the ERP system, manual file upload and manual entry. While the automatic import takes place immediately, an extra calendar day is available to companies for manual processes.

The model allows two days for the automatic reconciliation process in Coupa Treasury. All invoices that are not automatically confirmed are reconciled manually within 3 days of the mismatch.

The companies then have 12 days to transfer their payables and receivables to the netting center.

In the subsequent netting process, the netting center consolidates the submitted invoices, prepares and issues the netting statements a day later and executes the payments to the beneficiary accounts seven days later.

### The Global Netting Rule Book

Netting with the Coupa Treasury system is a smooth process because it is agreement-driven and offers automated digital escalation where there is uncertainty. However, this requires all participants in the netting process to adhere to strict rules.

“Regulators are constantly amending their regulations. Our netting rule book, developed in conjunction with Coupa, has empowered us to cope with such changes. We can use the rule book to catalog regulatory requirements, providing all participants with the certainty of clear rules.”

— Antonio Di Leonardo,

Head of Treasury & Risk,  
REHAU

REHAU's treasury team worked in tandem with Coupa's Solution Delivery team to develop a netting rule book for the group. The rule book sets out the relevant processes and contains all the information the companies need regarding netting, including:

- ▶ Where the netting center is located
- ▶ Which of the group's companies participate in netting
- ▶ When invoices must be submitted
- ▶ When the value date for payments falls
- ▶ How exchange rates are determined
- ▶ How FX risks are to be hedged

With the netting rule book, the group's treasury team not only achieved a fundamental harmonization of processes in intercompany business. It also helps the treasury team meet internal compliance standards and complex country-specific regulatory requirements in relation to netting and enables it to adapt quickly to changes.

## Integration of Netting Regulations for 56 Countries

Country-specific regulations require different approaches to netting. To ensure that all regulatory requirements of the 56 countries in which REHAU nets can be met within one netting cycle, the group carries out two different reconciliation and netting processes in parallel every month.

1. REHAU uses real netting for group companies that are allowed to offset their intercompany cash flows.
2. Companies that are not permitted to perform netting, i.e. that do not have a final net cash flow, nevertheless participate in the monthly reconciliation process. However, the payment process is carried out separately. These participants are "virtual netting clients" and pay and receive money directly from the relevant counterparties.

## Netting and FX Management: the Benefits of Centralization

Netting the cash flows of intercompany business centrally also allows intercompany FX management, and with it the group's internal currency risk, to be centralized. At REHAU, a netting cycle usually handles a volume of around EUR 100 million, of which the equivalent of EUR 20-30 million is processed in the following currencies: AUD, CHF, CZK, DKK, GBP, HUF, NZD, PLN, RON, SEK and USD.

REHAU's netting rule book requires all intercompany invoices to be imported into the Coupa Treasury system in the invoice currency. To shift the exchange rate risk from the companies to the netting center, all invoices or payables are converted into the customer currency.

The settlement currency is the functional or transaction currency of the beneficiary company, which is normally the currency it uses for invoicing. However, it is also possible to use another currency for settlement.

For example, the REHAU companies based in Singapore and Mexico prefer settlement to be in USD. Coupa Treasury offers treasury the choice of which currency to use for settlement, which enables risk management to be centralized: in principle, the FX risk can be transferred to the netting center or deliberately left with the group's companies. As settlement has also been transferred to the netting center, REHAU decided to centralize the FX risk related to netting, thus easing the burden on the group's individual companies.

## The Project in a Nutshell

The netting processes developed during the project were implemented in Coupa's system, enabling REHAU to standardize its group-wide treasury and accounting processes for intercompany business. The group now reconciles around 60,000 invoices with maximum efficiency every month at the touch of a button. The project paid for itself in just two months through FX savings alone.

Improved visibility over intercompany cash flows and centralization of currency management enables the treasury team to reduce overall exposure, benefit from significant savings on FX rates and efficiently manage currency risk.



“ Netting with Coupa Treasury enables us to manage all intercompany FX risk centrally, bringing increased certainty and making us much more robust. We also enjoy improved terms for FX trading, which is now really paying off every month given our netting volumes of around 100 million euros in 12 currencies. ”

— **Elvis Prosic**,  
Treasurer, REHAU

Find out more about  
Coupa Treasury