



FINDING AN EASIER WAY TO MANAGE FX DERIVATIVES.

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Simon Boyd - CFO, HamiltonJet

ABOUT HAMILTONJET

HamiltonJet (www.hamiltonjet.com) is an iconic New Zealand company with typically Kiwi-inspired beginnings. The founder, Sir William Hamilton, developed a 'jet' boat in the 1950s that could be used to navigate the shallow rivers near his home in New Zealand's South Island. Sir William's waterjet propulsion system is now found in over 50,000 water craft around the world, including recreational, search & rescue, military and passenger ferries.

BACKGROUND

HamiltonJet's waterjet system is exported globally, giving rise to foreign exchange exposures that have a material impact on the financial performance of the company. Like many exporters, HamiltonJet enters financial instruments to hedge unwanted foreign exchange volatility, utilising vanilla instruments such as FX Forwards and FX Options to do so. Simon Boyd, HamiltonJet's Chief Financial Officer, was becoming frustrated with the inefficiency, inaccuracy and potential data security risks of using Excel spreadsheets to manage FX derivatives, and sought out an alternative. After evaluating a number of potential options, he decided to use Hedgebook's online solution.

CHALLENGE

BETTER VISIBILITY TO OPTIMISE PRICING DECISIONS

The waterjet propulsion market is niche, with a limited number of suppliers (one competitor is a household name, Rolls Royce). When quoting for new business HamiltonJet's FX hedging plays a significant role. If outstanding FX contracts are favourable than HamiltonJet can quote a superior price in foreign currency terms without compromising NZD profitability. Hedgebook quickly and clearly shows the amount of hedging in place versus cash-flow forecasts, as well as the weighted average exchange rate of the hedging. Knowing his FX position allows Simon to be better informed when setting rates for the purpose of quoting sales.

CLIENT
HAMILTONJET

SOLUTION
FOR CORPORATES

KEY FEATURE
FOREIGN EXCHANGE



APPROACH

THE MARGIN IMPACTS OF FX FLUCTUATIONS

With any company involved in exporting or importing activity, FX fluctuations can have a material impact on profits. According to Simon, Hedgebook “. . . summarises the data in a more meaningful way. Not only does Hedgebook provide useful reports on the current position but also allows for “what if” analysis based on higher or lower exchange rates i.e. the impact on profits of unhedged foreign currency cashflows. Such reporting tools allow for deeper conversations when deciding whether to take more cover or not, or what level of compliance versus our policy limits, is desired.”

BOARD REPORTING CLARITY

Like most companies, Simon has to report to his Board on a regular basis. Says Simon, “By having relevant, accurate information the Board is fully informed of HamiltonJet’s FX position and can take comfort that this important financial risk is being appropriately managed. Conversations between Board and management on FX related issues can be targeted and focused.”

RESULTS

STRONGER BANK RELATIONSHIPS

As CFO, Simon has Board approval to hedge foreign exchange cash-flows over multiple years. Committing the company to long-term financial contracts has implications from a bank funding perspective as out-of-the-money contracts can impair the credit appetite of the bank. For Simon, Hedgebook enhances the transparent and open relationship he has with his bank. Simon says, “The visibility over cash-flows and hedging that Hedgebook brings to the company, and the ease of sharing this information, means HamiltonJet can form a stronger partnership with the bank; the better they know your business, the more they can help you.”

“Relying on Hedgebook to streamline the management of its foreign exchange instruments has helped the company make better hedging decisions”

ADMINISTRATIVE EASE

As part of a global exporter Simon’s role takes him out of the country for a number of weeks of the year. As a cloud-based system, Hedgebook is always available. Managing maturing contracts, ensuring cash is available in the correct currency when it is needed, pre-delivering or rolling over contracts, answering Director’s questions, understanding the company’s FX position and making important hedging decisions can all be easily managed while on the road.

SIMPLER COMPLIANCE REPORTING

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SUMMARY

HamiltonJet is a successful New Zealand exporter and foreign exchange fluctuations impact the company’s financial performance. HamiltonJet recognised that relying on error-prone excel spreadsheets was inadequate. Simon comments, “Relying on Hedgebook to streamline the management of its foreign exchange instruments has helped the company make better hedging decisions due to the representation of the financial information. Hedgebook is more than just a valuation tool, it’s a day-to-day management tool helping engage the Board and the bank in a more meaningful way.”

ABOUT HEDGEBOOK

Hedgebook is an intuitive and easy-to-use treasury management system that helps treasurers and finance departments improve the way they record, report and proactively manage foreign exchange, interest rate, and commodity risk. Simple and intuitive, Hedgebook provides real-time visibility and insights of hedge positions for better hedging decisions and eases the burden of management and compliance reporting.

For more information visit: www.hedgebookpro.com



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