



REDUCING FX VOLATILITY

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Tom Robertson, Senior Treasury Analyst

CLIENT
XERO

SOLUTION
FOR CORPORATES

KEY FEATURE
FOREIGN EXCHANGE

ABOUT XERO

Xero is a phenomenal success story. From its beginnings in 2006, Xero has grown to a \$407 million revenue, ASX listed, global company with offices in New Zealand, Australia, UK, US, Canada, Asia and South Africa. The Xero platform is available in over 180 different countries and its app market place has over 700 add-ons that have been built by third party vendors.

BACKGROUND

Xero's growth beyond its New Zealand borders was not without challenges. Rapid growth in overseas revenue and costs gave rise to significant foreign exchange risks. Reducing volatility in NZD cashflows, Xero's base currency, became an area of focus for the finance team. Tom Robertson, Senior Treasury Analyst, recalls, "We needed a cost-effective tool which would give us efficiencies and control when managing our FX exposures. Hedgebook jumped out as an attractive solution. Hedgebook was a quick win from our perspective and a big step forward. It enabled us to embed deal capture, confirmation, strategy and reporting within a single tool."

CHALLENGES

The increased complexity and quantum of Xero's foreign exchange exposures required the treasury function to become more sophisticated. Hedging was traditionally transacted in its most basic form — forward exchange contracts — but Xero's treasury team were keen to explore alternative hedging instruments. Tom continues, "When considering the use of FX options as one of our hedging tools, a key decision was being able to use those sophisticated products with more control. Hedgebook gives us independent valuations and clear visibility of our overall hedging position.



Hedgebook

Challenges cont....

We have board approved risk control limits, so it is critical we remain within these bounds." A balanced foreign exchange hedge book will consist of a range of hedging instruments, from the vanilla to the more sophisticated. Understanding the mix of the hedging in place and the potential outcomes from future movements in exchange rates is critical to robust risk management. Hedgebook provides this oversight so Tom and the team can be confident that foreign exchange risk is managed within an environment of control and compliance.

APPROACH

ENHANCED STRATEGIC DECISION MAKING

Every company is different in its approach to foreign exchange management. Factors such as the ability to pass-through adverse foreign exchange movements to your products selling price, the competitive landscape, the risk appetite of the organisation, etc., all influence hedging. As a progressive company it is no surprise that Xero looks beyond the "vanilla".

Hedgebook allows us to be more dynamic in the way we manage our risk positions. Hedgebook's strategic decision-making tools play a key part and gives us the ability to roll forward hedging outcomes. We can visualise our hedge position not only today or the end of the month but also where we'll be in three or six months' time under different scenarios" says Xero's Senior Treasury Analyst,

RETROSPECTIVE EVALUATION OF HEDGE POSITIONS

With a commitment to treasury excellence, critical appraisal of previous hedging decisions is an important aspect of Xero's approach to foreign exchange risk management. Xero's treasury team use Hedgebook's reporting tools to gain insights on rate achieved outcomes when measuring actual performance against alternative, hypothetical hedging approaches.

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RESULTS

SHARING RESULTSS

An aspect of Hedgebook's functionality that resonates strongly with Xero is the ease of sharing of information. As Hedgebook is built using cloud technology, Xero can give access to all relevant users, both inside and outside the organisation. Tom picks up the narrative, "The ability for our strategic advisors to be looking at, and talking to, the same information without emailing spreadsheets back and forth is an important attribute. At Xero we are about helping businesses work smarter, so it's great to work with third-parties such as Hedgebook who share our philosophy."

VERY GOOD USER EXPERIENCE

At Hedgebook we work hard to provide a treasury platform that is easy to use. Treasury is a complex area. Tom comments, "In terms of support and onboarding I thought it was really easy and supportive, a very straightforward implementation. And it is good to work with people who are genuinely looking to improve their product and listen to their end users. A very good experience."

ALL GROWN UP

Xero has grown into a mature business with shareholders to answer to. Managing financial risks appropriately and smoothing volatility in group cashflows is a fundamental requirement of the treasury function.

Tom sums up, "Hedgebook forms the basis of our monthly and quarterly management and board reporting. Hedgebook improves Xero's processes, it's visibility over hedging and, therefore, gives us greater confidence when making hedging decisions, resulting in more effective hedging."

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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