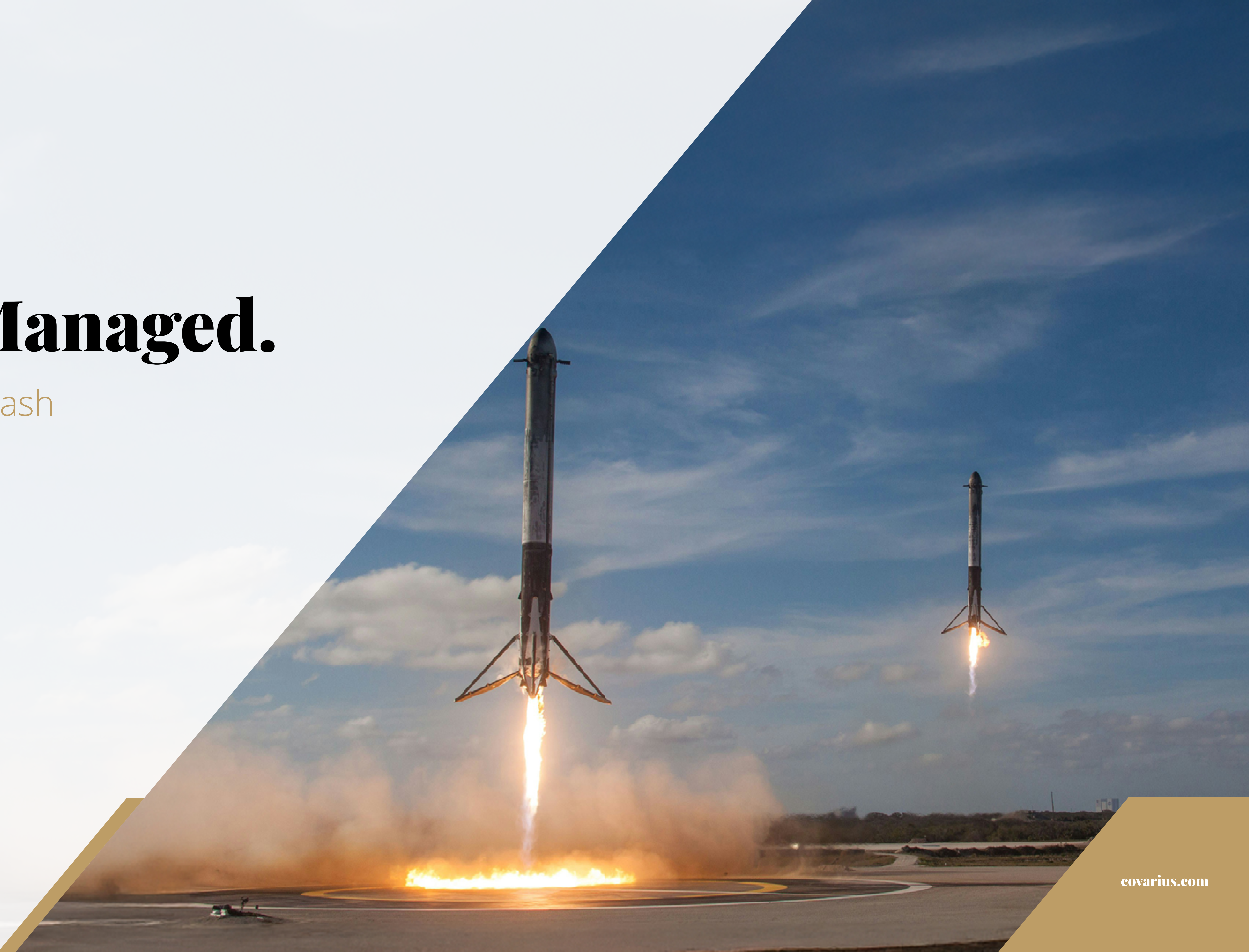
COVARIUS

Liquidity. Managed.

Creating confidence in Cash

Global Pharma



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Background

To enable optimised daily funding requirements for Group entities and eliminate dependencies on conservative funding practices, a global pharma sought to implement a solution for real-time global views of short-term liquidity.

Covarius is supporting the client in rolling out a solution that is automating cash-forecast data extraction from multiple SAP instances (2 of 4 complete) and interfacing this data seamlessly into its FIS Quantum treasury platform. Two key objectives are in focus. Firstly, strengthening the Group's cash visibility within FIS Quantum, in the immediate, leveraging predictive forecasts produced by the solution across the client's current legacy SAP ECC environments. Finally, facilitating a quickened strategy of re-integration with the new single global SAP instance, with this solution, to help de-risk the S/4HANA programme journey.

Challenges

1. Automate a global view of short-term liquidity and cash positions across entities, currencies, and regions to support improved funding and investment decisions.
2. Eliminate manual data collection processes related to T+2 funding requirements and SAP payment run executions.
3. Consistently include forecasted customer receipts within funding decisions and with predictive models, reduce impacts of misalignments between forecasted and actual dates.
4. Reduce excess headroom in cash pools where possible to optimise interest income/expense.
5. Identification of forecast vs actual variance to drive organisation change required for longer term forecasts.

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Approach

Treasury-led approach prioritised establishing confidence in short-term liquidity through incremental delivery of on-demand SAP data integration and focused machine learning models for cash prediction.

1. Definition of clear, automated short-term liquidity improvement objectives between the client and Covarius to deliver confidence in short-term liquidity timing for funding and cash management.

2. Cash horizon determination and data assessment to deliberately focus forecasting to a one-week horizon to establish trust in outputs before extending to other forecast horizons.

3. Deploy real-time access to relevant payments and receipts data across multiple SAP ERP instances without reliance on manual processes or flat-file interfaces.

4. Implement machine learning models to dynamically determine the appropriate forecasting approach based on the data available, rather than forcing a single model.

5. Deliver data insights and visibility for forecast accuracy and variances to support confidence, control, and continuous improvement.

Why Covarius?

Proven track record of delivery at this pharma client across Treasury, Banking organizations and S/4HANA programme functions.

Rapid deployment approach for ERP Connector and data science-led benchmarking to assess post-go-live effectiveness of optimized Cash Forecasting.

Consulting expertise in FIS Quantum and SAP Finance modules, that enables Covarius to deliver integrated solutioning of both technologies.

Data reconciliation approach to automate and reconcile aggregate predictive cash forecasts through a bottom-up detailed SAP data interface.

FIS ERP Connector Forecast module powered by a proprietary application and real-time integration product for ERPs, Uniun.

Delivery

1 Approach to Design, leveraging FIT/GAP analysis, local market participation and IT-independent review of SAP Finance setup to speed the documentation of regional payment and receipt behaviours.

2 Production-led data extraction, enabled direct export of payments and receipts from SAP ECC production systems, facilitating faster evaluation of the overall solution.

3 Data integrity and reconciliation principles established during UAT, ensured that the necessary controls were in place to ensure reliability of forecasted data.

4 Multi-model machine learning for receipts and rule-based payment date adjustments for payment run calendars, to generate accurate cash forecasts directly in the client's TMS.

5 Delivered statistical-based evaluation to evidence the performance and stability of the forecasting models, within statistically significant confidence levels.

6 Actual – variance analytics deployed to support the forecasting solution, enabled the solution to become embedded into daily Treasury operations.

"This initiative has strengthened our short-term liquidity by replacing manual workflows with integrated, decision-ready insights, enabling Treasury to manage funding and cash more effectively."

Treasury Manager, FTSE Pharma

Impact

1 The platform deployed extended Treasury's net liquidity forecasting horizon within FIS Quantum platform to one week and enabled the future extension of automated forecasting views up to five weeks.

2 Comprehensive integrated forecast coverage including all on system entities, enabling efficient use of internal liquidity.

3 Enhanced liquidity view includes all customer receipts, means that previously missing customer receipt data is now included into liquidity decision making processes.

4 A rapid and scalable rollout approach of the Cash Forecasting solution to other SAP instances and regions, without the dependency to wait for long-term ERP transformation to S/4HANA.

5 Structured machine learning model selection and evaluation ensured best fit prediction models were applied.

6 Actual variance intelligence provided Treasury with ongoing visibility into forecast accuracy and root causes, helping achieve process maturity in the short-run.

1 Year

2 of 4 SAP Systems integrated and live in year 1.

100%

Entity reporting coverage. Increase from 3 to 247 for live systems.

c. 75%

same-day receipt prediction accuracy with ML models *

* Initial evaluation has yielded promising improvements based on limited historic training data. Further accuracy gains are expected as the historic training data set expands, and model optimisation occurs.

COVARIUS

Contact

Covarius UK

+44 (0) 20 3948 1967

contact.UK@covarius.com

211 The Frames
1 Phipp Street
EC2A 4PS
London

Covarius US

+1 888-866-9799

contact.US@covarius.com

111 Congress Avenue
Suite 500
Austin, TX, 78701

Covarius ZA

+27 (0) 10 003 7760

contact.ZA@covarius.com

61 Katherine Street
Sandton, Johannesburg
South Africa,
2196