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Streamline Cash Management & Liquidity Forecast with SAP S/4 HANA

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Joe Lincoln, SVP Treasury, Serrala

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About the Speakers

Renee Fan

- Director, Financial Systems & Controls at Freeport LNG Development, L.P.
- A CPA with 20+ years of experience in IT and ERP systems
- A hands-on director and process architect who enjoys exploring SAP's unlimited capability
- Fun Facts: Travel and Photography; Experimenting recipes for quick yummy dishes

Joe Lincoln

- SVP Treasury at Serrala
- Over 23 years experience in treasury ERP
- Nationally ranked college swimmer who enjoys downhill skiing, hiking and international travel

Key Outcomes/Objectives

Share a journey of successful implementation of SAP S/4HANA treasury capabilities

- Discuss the pros, cons, and implications of potential system architecture (Classic ECC, ECC & S4 Sidecar, or S4 Integrated)
- Discuss the differences between S4 versions & alternative solutions
- Discuss project planning, system preparations, and resource engagement, skill sets, change management, training needs, etc.

Agenda

1	**Freeport LNG Overview – Now and Future**
2	Cash Management/Reporting/Analysis Challenges
3	Treasury Transformation – a Side-Car Workstation
4	Project Experience & Challenges
5	Benefits of New Cash and Liquidity Solution

Freeport LNG Development, L.P. Overview

- Corporate Headquarters in Houston
- The LNG export terminal on Quintana Island – 70 miles south of Houston
- Founded in 2002 to operate an LNG import and regasification terminal
- Began construction of a 3-train LNG export facility in 2014
- The LNG export facility scheduled to commence operations – Q3 2019
- Will liquefy and export natural gas with a capacity approximately 15mtpa
- Train 4 in development, expected construction in 2019 and operation in 2023
- Better U.S. Foreign Trade Balance
- Global Environment Benefits – Cleaner Air

Freeport LNG - Now

Freeport LNG - Future

Future → 3-train facility will produce/export approximately 15 mtpa of LNG, starting between Q3 2019 (Train 1) and Q2 2020 (Train 3).

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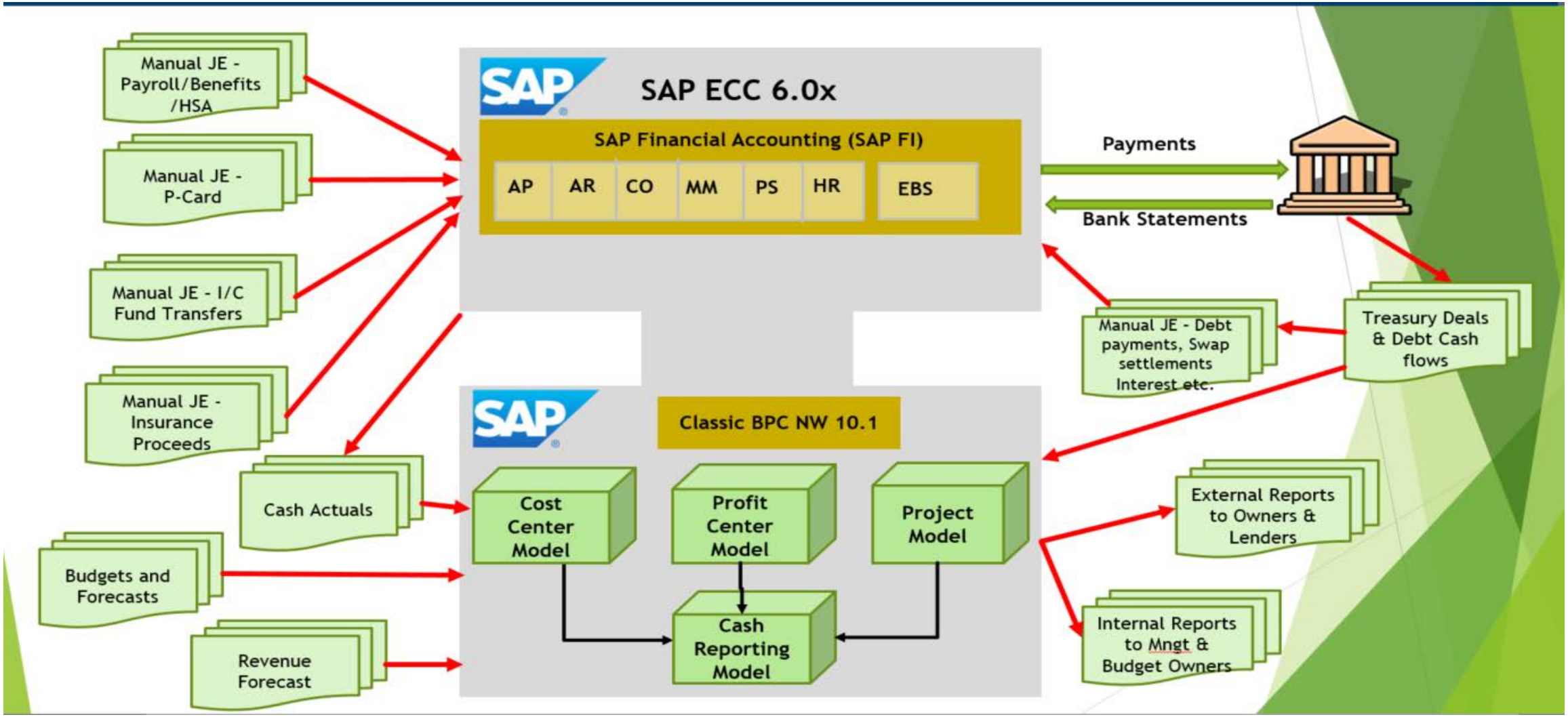
Accounting/Finance Reporting & Analysis Challenges

- Cash actuals manually converted from GAAP-based accounting
- Treasury deals maintained and calculated on spreadsheets
- Annual budgets and 5-year forecast manually compiled with minimum system data
- 6-month liquidity needs for the projects manually compiled
- Monthly cash calls manually compiled
- No transparency on cash flows and their associated sources and uses
- Period end closing with tight timelines
- Massive Internal/External Reporting obligations fulfilled by very lean teams
- SAP FICO/MM/PM implemented within 6 months in 2015
- Functionality required for future LNG operations yet to be implemented

Initial System Landscape & Financial Operations



High Level Objectives

- Implement straight-through processing (STP) to reduce use of spreadsheets
- Standardize processes and information flow to achieve data transparency
- Maintain single source of truth in SAP
- Administrate financial instruments and centralize debt management in SAP
- Combine financial and accounting data to reduce manual efforts and cycle lengths
- Report actual cash flows based on electronic bank statements
- Enhance electronic bank statement reconciliation
- Monitor bank balances and cash positions in real time
- Support internal and external reporting obligations with consistent system data
- Support cash-based budget and forecasts with reliable system data

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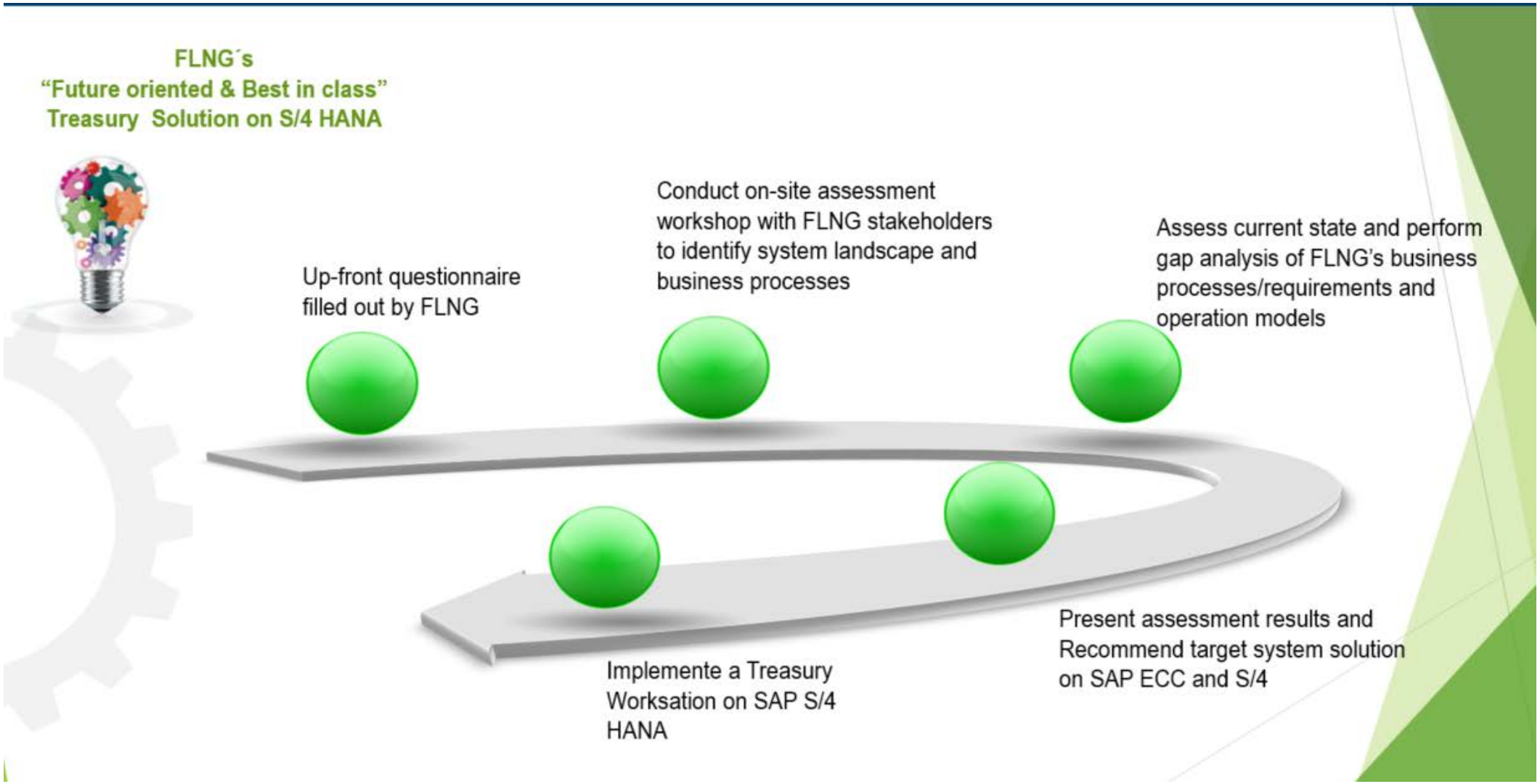
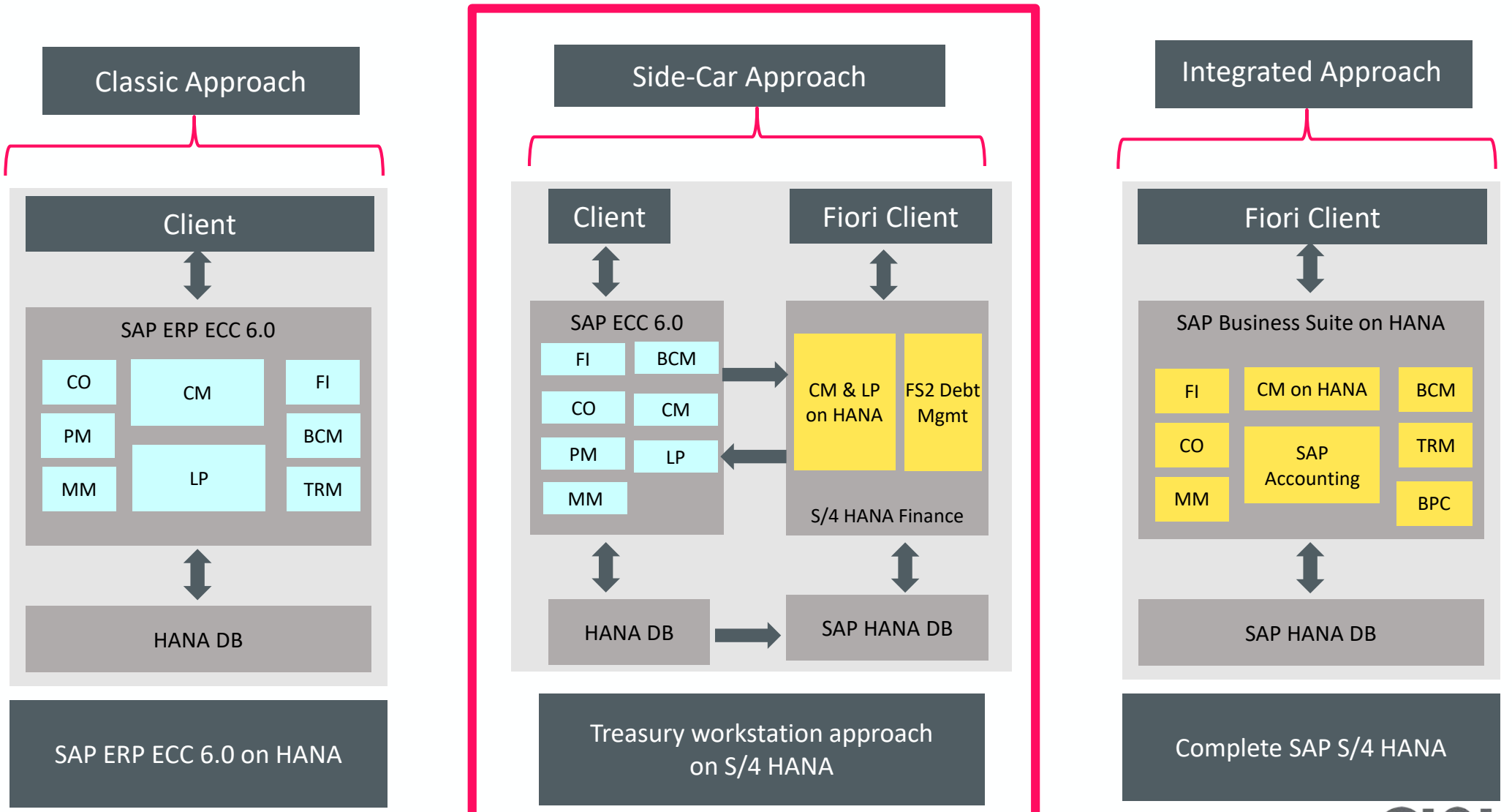
Challenges to Find the Right Direction

Roadmap to Treasury System Solution



Deployment Options: Defining the Best Solution



Evaluation of Treasury as a S/4HANA Side-Car Solution

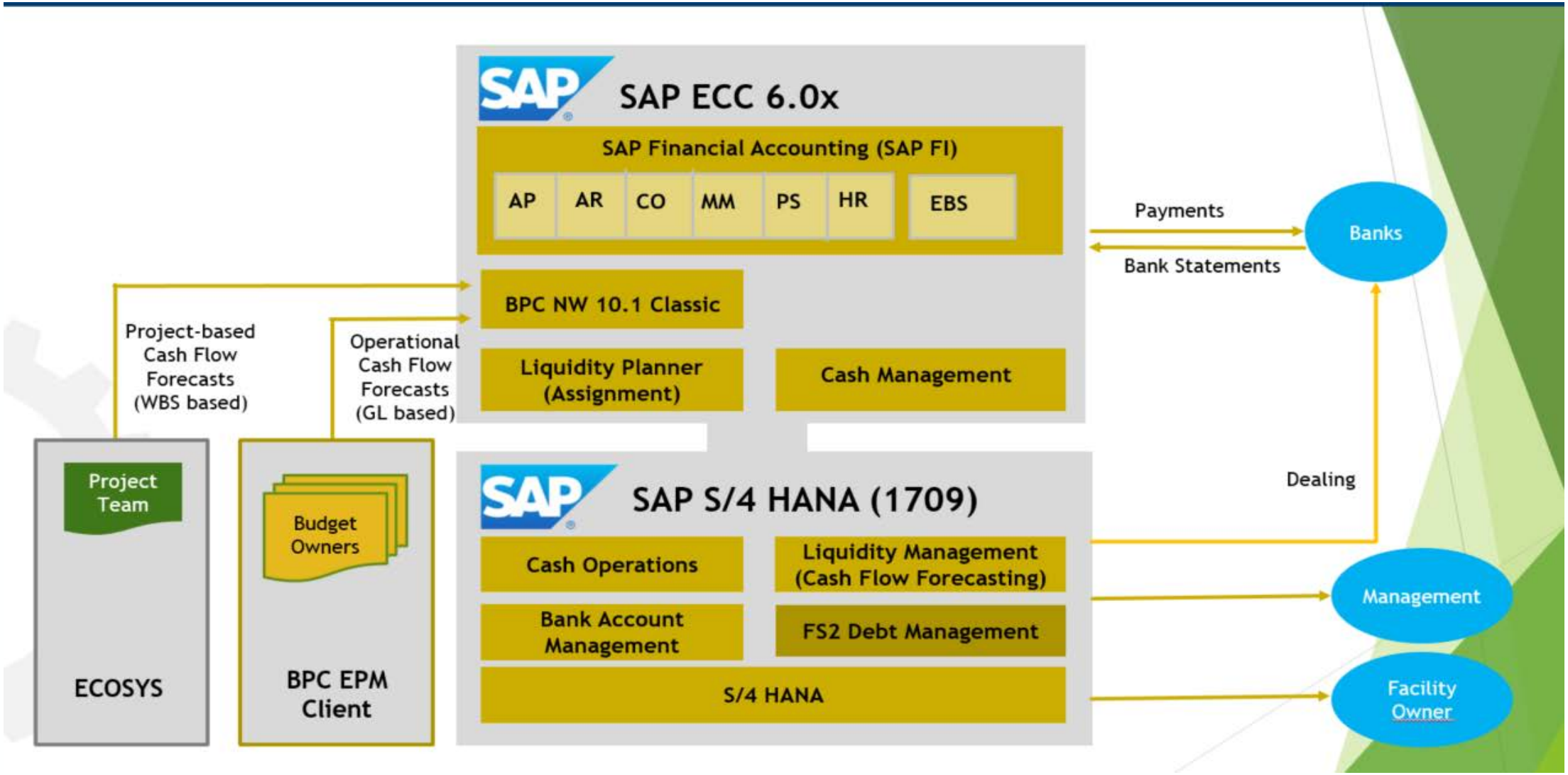
Pros

- Cash/Liquidity Project timelines aligned to LNG operation commencement schedules
- The most mature / stable option of all 3 to utilize S/4 HANA
- Benefit from the best of both ECC & S/4 worlds – new S/4 features & ECC stability
- Low risk implementation with no dependence on S/4 HANA Finance Universal Journals
- Plan holistically and methodically move other ECC components to S/4 in the future
- Leverage existing BPC functionality and requires no new licenses

Cons

- Extended ALE interfaces to transmit data between ECC, S/4, and BW
- S/4 drill down features not fully realized because transactions are in ECC
- Maintenance of two system landscapes (ECC & S/4) until the full implementation of S/4

Treasury as a Side-Car Workstation



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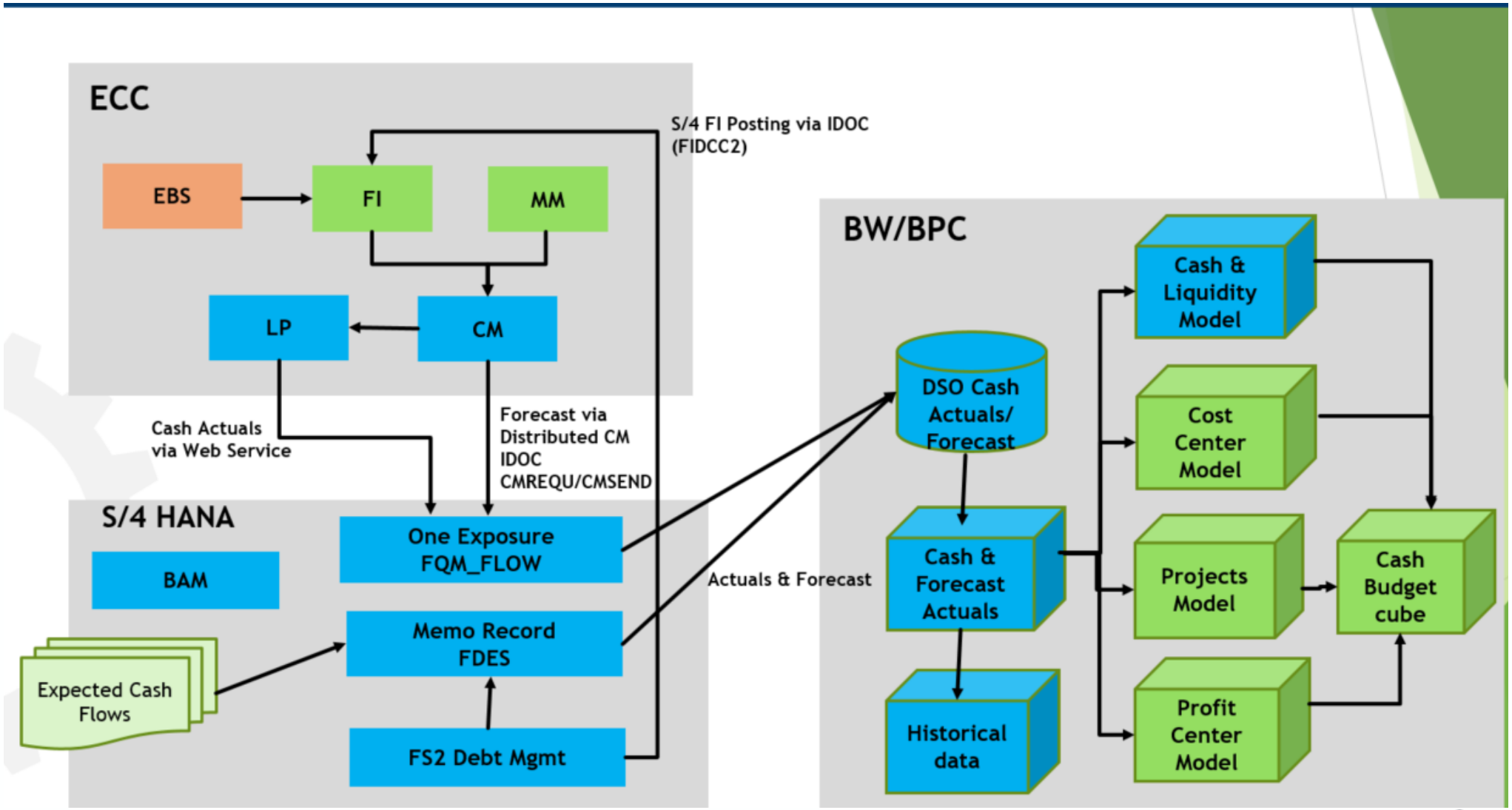
Cash Management & Liquidity Forecast Data Flow



Major Delivered Functionality

ECC Cash Management	✓ Automate EBS reconciliation using search strings for manual transactions ✓ Integration of actual cash flows from bank statements ✓ Integration of forecast cash flows from FI and MM
ECC Liquidity Planner	✓ Automatic determination of Liquidity item for actual & forecast cash flows ✓ Automatic feed of cash/liquidity data to S/4, subsequently to BW/BPC
FS2 Debt Management On S/4	✓ Record financial deals with the relevant maturities and conditions ✓ Automatic calculation of interest and amortization schedules ✓ Automatic postings of month end accruals, debt payments, swap settlements ✓ Integrate cash flows and forecast to S/4 Cash Management

Major Delivered Functionality

S/4 HANA Bank Account Management	✓ Central entry point for all bank account data and signatory ✓ Individual Bank Account Management workflow processes
S/4 HANA Cash Operations	✓ Integration of CM relevant information (FI documents, SAP subledger documents, memo records, payments) within the S/4 HANA “OneExposure” ✓ Central visibility of the group-wide cash position and cash pooling
S/4 HANA Cash Analyzer	✓ One stop display of sources and allocations of cash flows ✓ Direct cash flow statement ✓ Individual cash analysis per entity, project, cost center, and liquefaction train
BW / BPC	✓ Automatic feed of cash actuals and forecast into BW DSO and BPC cubes ✓ Automatically generate cash based reports and variance analysis

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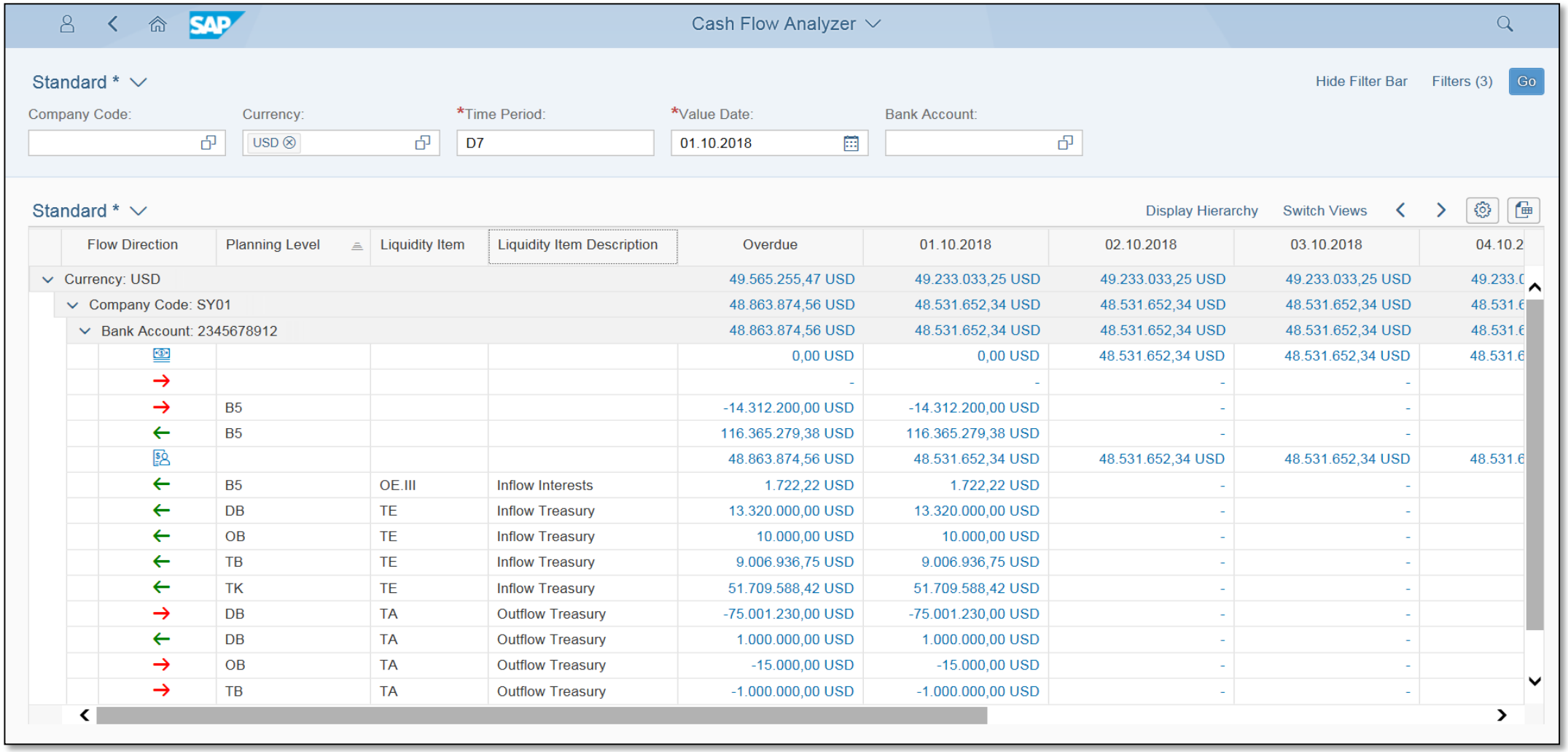
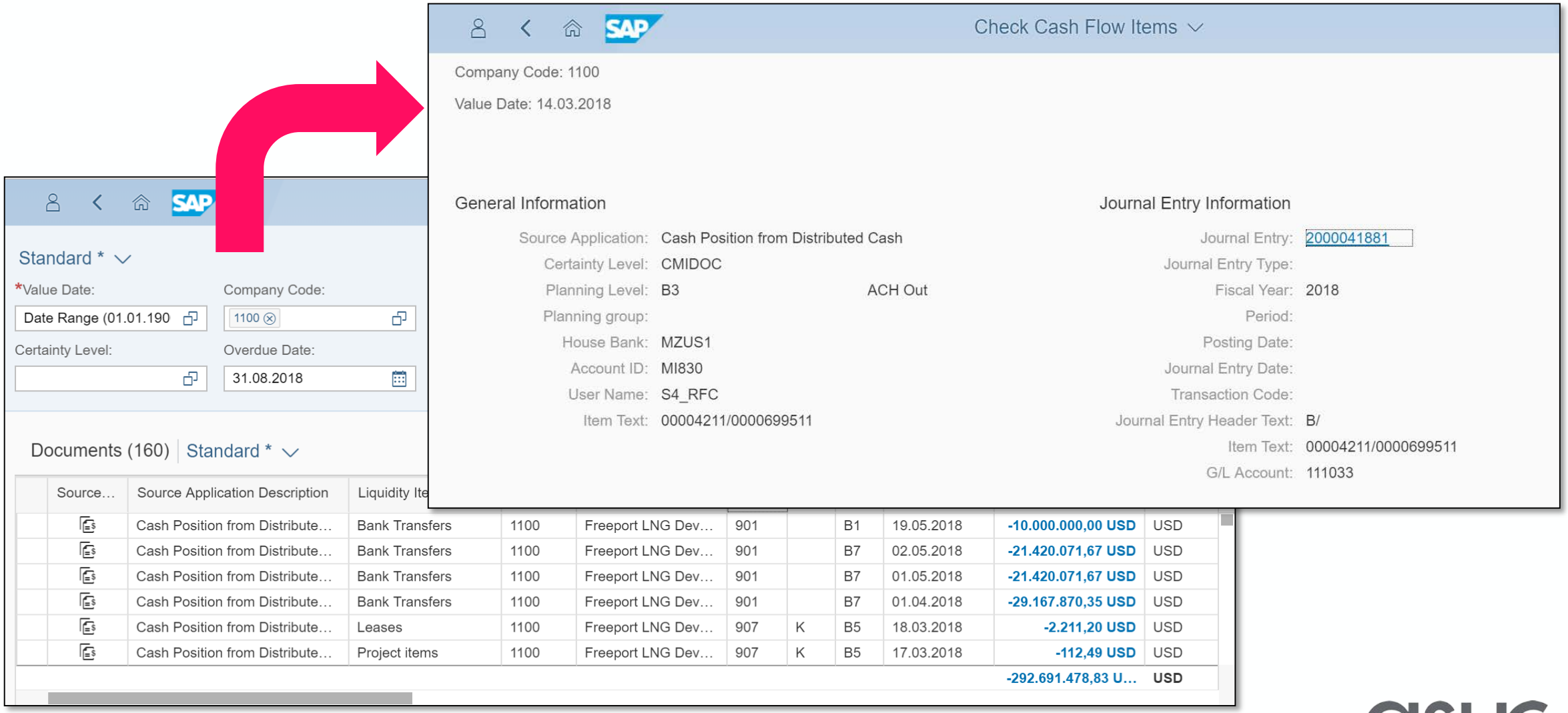
Cash Flow Analyzer



Flow Direction	Planning Level	Liquidity Item	Liquidity Item Description	Overdue	01.10.2018	02.10.2018	03.10.2018	04.10.2
Currency: USD				49.565.255,47 USD	49.233.033,25 USD	49.233.033,25 USD	49.233.033,25 USD	49.233.0
Company Code: SY01				48.863.874,56 USD	48.531.652,34 USD	48.531.652,34 USD	48.531.652,34 USD	48.531.6
Bank Account: 2345678912				48.863.874,56 USD	48.531.652,34 USD	48.531.652,34 USD	48.531.652,34 USD	48.531.6
				0,00 USD	0,00 USD	48.531.652,34 USD	48.531.652,34 USD	48.531.6
→				-	-	-	-	
→	B5			-14.312.200,00 USD	-14.312.200,00 USD	-	-	
←	B5			116.365.279,38 USD	116.365.279,38 USD	-	-	
				48.863.874,56 USD	48.531.652,34 USD	48.531.652,34 USD	48.531.652,34 USD	48.531.6
←	B5	OE.III	Inflow Interests	1.722,22 USD	1.722,22 USD	-	-	
←	DB	TE	Inflow Treasury	13.320.000,00 USD	13.320.000,00 USD	-	-	
←	OB	TE	Inflow Treasury	10.000,00 USD	10.000,00 USD	-	-	
←	TB	TE	Inflow Treasury	9.006.936,75 USD	9.006.936,75 USD	-	-	
←	TK	TE	Inflow Treasury	51.709.588,42 USD	51.709.588,42 USD	-	-	
→	DB	TA	Outflow Treasury	-75.001.230,00 USD	-75.001.230,00 USD	-	-	
←	DB	TA	Outflow Treasury	1.000.000,00 USD	1.000.000,00 USD	-	-	
→	OB	TA	Outflow Treasury	-15.000,00 USD	-15.000,00 USD	-	-	
→	TB	TA	Outflow Treasury	-1.000.000,00 USD	-1.000.000,00 USD	-	-	

Cash Flow Line Items



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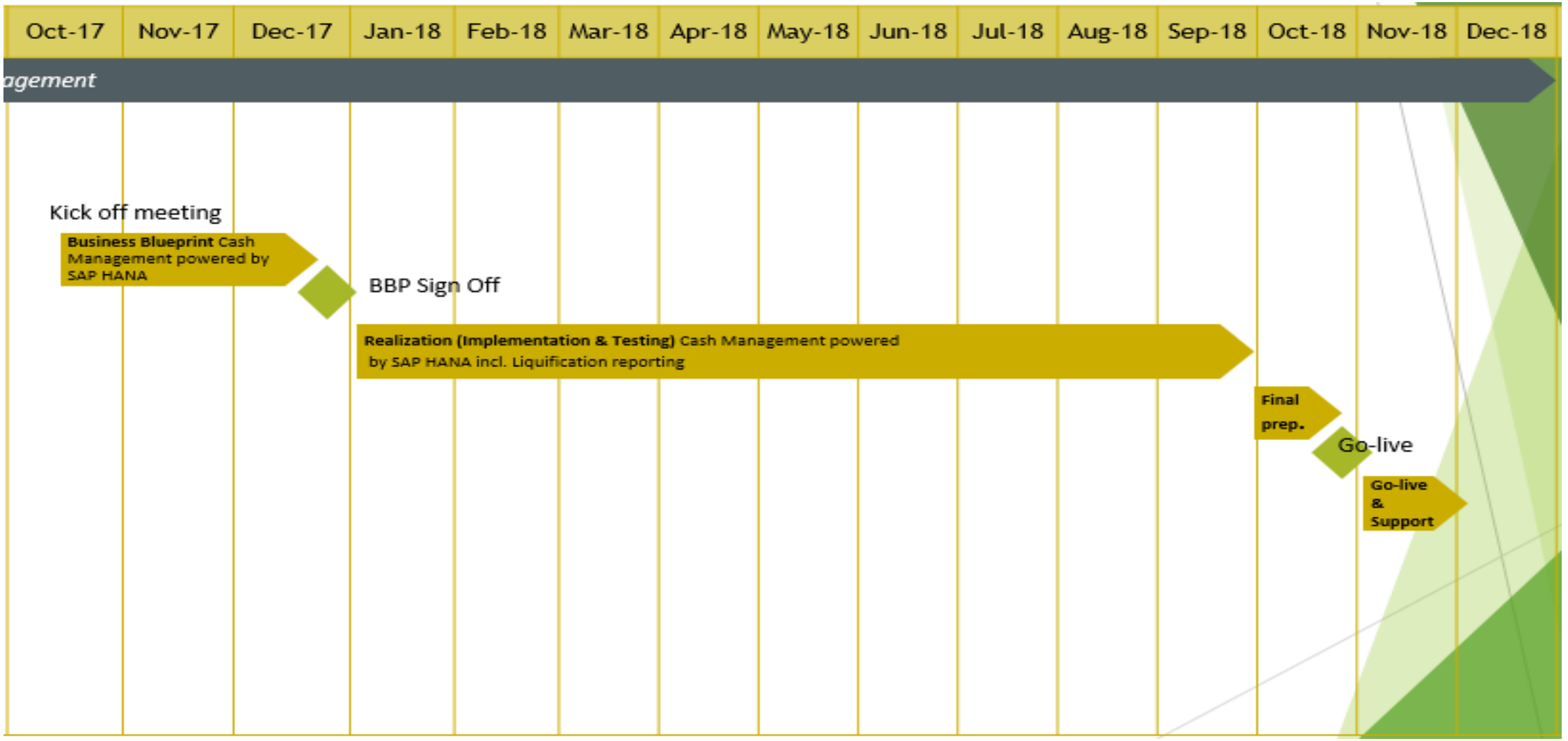
Project Timelines



Project Experience and Challenges

What went well –

- Business dedications for definitive requirements & data validation
- Knowledgeable consultants with expertise in Treasury processes and technology
- Open mind to embrace process changes and adopt functionality to avoid massive custom developments
- Enthusiastic IT Basis resources to welcome technology challenges
- Plan ahead for infrastructure, resources, and time commitments of stakeholders
- Project scope control
- Data validation and reconciliation across ECC, S/4, BW, and BPC
- SAP Ambassador Program – strong support from SAP Treasury team

Project Experience and Challenges

Challenges

- S/4 Version (1610 vs. 1709) technical requirements
  - Database HANA 2
  - Linux Version 12
- New S/4 Technology and development methodology Changes
  - Fiori development in SAP cloud via “Cloud Connector”
  - Hana Studio/Eclipse for Fiori application development
  - S/4 box certification processes
  - S/4 Fiori application authorization

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Benefits of Treasury as a Side-Car Solution

- Cost savings – the biggest benefit of the project
- Significant time and cost reduction associated with manual operations
- Significant time decrease for period-end closing
- Eliminate the need for additional headcount
- Redeploy accounting professionals from manual tasks to focus on analysis
- Support real-time reporting with reliable and consistent system data
- Straight-Through Processing (STP) Benefits
  - Provides transparent data in time for decision making
  - Improves security and controls including fraud risk reduction

Take Aways

- Fully understand the pros, cons, limitations and implications of potential system architecture (Classic ECC, ECC & S/4 Sidecar or S/4 Integrated)
- The S/4 versions have significant differences, so be prepared for redesign or design alternative solutions
- Engage IT Basis in early project planning and system preparations
- Understand that some processes (both IT and business) will have to change to align to the SAP standards
- Use the project as an opportunity to implement more efficient / standardized treasury processes
- Train project resources on S/4 technology before project starts for better planning
- Ensure the project team is adequately staffed with appropriate skill sets

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Presentation Materials

Access the slides from 2019 ASUG Annual Conference here:

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Q&A

For questions after this session, contact us at

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