



# Stora Enso

Optimising receivables management



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Stora Enso is one of the world's largest producers of wood, paper, packaging and biomaterials, with more than 26,000 employees in 35 countries. The Finnish corporation set out to improve its working capital by removing receivables from the balance sheet.

Like many corporates, Stora Enso's treasury has been focusing on working capital management for a number of years. Accounts receivables emerged as an important part of the picture, as Kaarlo Höysniemi, VP, Assistant Treasurer at Stora Enso, explains. "In our industry, the standard is for long payment terms, and that puts strain on our balance sheet and our cash flow," he says. "We're working with our customers, suppliers, banks and other providers on a number of ways to speed up the process, but ultimately revising payment terms with existing clients is relatively difficult to do. That's why we initially started looking at receivables financing."

Selling invoices to a third party through a receivables factoring or discounting arrangement is becoming an increasingly common solution for corporates, alongside internal process changes. Done right, it can be a cost-effective way to speed up cash generation and bolster key balance sheet figures.

But for Stora Enso, the challenge had always been complexity. "Our customer base is very diverse: some of them have a very strong balance sheet and some of them don't," says Höysniemi. What's more, receivables were spread across many group companies within several divisions, across dozens of countries and currencies. Any kind of receivables financing initiative

would have to be efficiently managed and include some intelligent counterparty risk management if it was to prove a workable solution.

### Approach

A group-wide ERP upgrade in 2014 was the catalyst to solve this challenge. "We first needed all our data in one system," says Höysniemi. "We became better equipped to enter into this programme when we had all our financial building blocks in one place."

With that foundation in place, Stora Enso set out to evaluate the different receivables financing structures on the market. After careful assessment, a proposal from Nordea turned out to be the best fit for Stora Enso's latest factoring project. "From a relationship point of view, Nordea is one of our main banks," Höysniemi explains. "We've been working closely with it in the vast majority of treasury areas, so we knew it had the right resources and experience to take on the task."

Under the proposal, Nordea would purchase accounts receivables from three of Stora Enso's divisions: biomaterial, consumer board and packaging solutions. Buyer risk would be assessed and covered by Nordea at a portfolio level on an ongoing basis in conjunction with a third-party credit insurer, meaning counterparties of all shapes and sizes could be safely and affordably

### FURTHER INFORMATION

To find out how Nordea can help you implement receivables financing in your business, visit

[NORDEA.COM/EN/OUR-SERVICES/NORDEAFINANCE/RECEIVABLESFINANCE/](http://NORDEA.COM/EN/OUR-SERVICES/NORDEAFINANCE/RECEIVABLESFINANCE/)

### SHORTCUTS

To learn more about receivable financing and how leading companies are using it to optimise their working capital, visit

[INSIGHTS.NORDEA.COM](http://INSIGHTS.NORDEA.COM)

### STORA ENSO FACTS

Provides solutions to customers in more than 35 countries.

Chose Nordea as its partner to implement receivables purchasing project.

Achieved improvements in working capital management.

included in the scheme without need for any recourse. Stora Enso would retain control of the collections process, and its shared services centre in Tallinn would maintain a shadow ledger to reconcile customer payments against outstanding invoices as they came in directly to the Nordea accounts. Its other factoring processes also remained unchanged.

Work began in mid 2014, with close collaboration between Nordea, teams across Stora Enso, and external IT providers to finalise the structures of commercials, processes and

IT integrations. Such a complex project inevitably had its challenges: “this was a much bigger programme than we had previously run,” explains Höysniemi. “It was a learning curve for us and for Nordea, but the Nordea team have been very supportive since the very beginning and the attitude of its personnel has been continually excellent.”

### Results

By March 2015 the solution had gone live, and today the solution covers tens of thousands of invoices annually,



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VP, Assistant Treasurer.

across five currencies, 20 countries and eight group companies. Nordea and Stora Enso continue to collaborate daily about exceptional invoices and process questions – a relationship that’s becoming even closer as Nordea is moving its support team to Tallinn, too. The solution and the teams have bedded in well, Höysniemi reports. “We are moving away from a projects phase to a process phase with our daily operations, and the Tallinn team is becoming more and more independent.”

Although the solution has been live less than a year, Höysniemi is already seeing some strong results. “It was a working capital exercise, first and foremost, and we’ve seen improvements in the numbers there,” explains Höysniemi. “And of course, it was beneficial for the treasury in terms of cash position and funding.” In its 2015 annual report, Stora Enso reported a €100 million year-on-year reduction in receivables.

### Conclusion

Looking back on the project, Höysniemi has some clear recommendations for other treasurers investigating group-wide receivables financing projects. “As the market develops, it’s getting easier than ever to do this – but it’s still a very complex task. So think about what you can leave out to make it as simple as possible, and be sure to involve the

right resources from departments across the business, including sales, IT and finance,” says Höysniemi. “And be flexible: take the time to do it right, don’t just set an arbitrarily tight deadline to hit at any cost.”

Like any collaborative project, it’s important to take time at the outset picking the right partner for you. “What you really need is a common goal,” says Höysniemi. “Common agreements, common targets and a good track record of successful projects are all going to make your process run more smoothly; you don’t want this to be your bank’s first big project.”

For his part, Höysniemi sees potential to expand Stora Enso’s programme to include more invoices, more customers and more group companies. Process and IT fine-tuning is also on the agenda. “As is to be expected, there’re still a few technical improvements to make,” says Höysniemi. “Our immediate goal for 2016 is to focus on automating manual checks to streamline the process even more.”

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### About Stora Enso

Stora Enso is a global provider of renewable solutions in biomaterials, packaging, wood and paper with over 26,000 employees worldwide. With both Stora and Enso formed centuries ago, the two came together in the late 1990s following a number of mergers and acquisitions. Stora Enso is listed on the NASDAQ OMX Helsinki and Stockholm stock exchange and operates out of its headquarters in Stockholm and Helsinki.



With thanks to:  
Kaarlo Höysniemi,  
VP, Assistant Treasurer.



www.storaenso.com

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