Customer story

Axis Communications
Scalability is the key to fast growth
Security solutions company Axis Communications operates in 40 countries and through global partnerships its products are sold in over 170 countries. Axis has grown rapidly over the last decade, with revenue increasing by 20% or more each year.

Christoffer Strauss, Group Treasurer, has sole responsibility for the global treasury function at Axis. “I cover everything from cash management and market preparations, to FX and insurance.” He works closely with the company’s CFO and nine regional heads of finance. Day-to-day payments, transactions and administration is partly handled by a back-office accounting team.

Over the last decade, Axis has experienced rapid growth internationally. “We have had tremendous development with revenue growing on average by 20% or more per annum,” says Strauss. “But growth is about more than increasing revenues. It is also about penetrating new markets and segments. Really, there is no one thing that defines growth. The whole operation thrives on growth and produces growth.”

Strauss explains that the biggest challenge Axis faces is putting in place agile financing structures that can keep pace with the organisation’s rapid growth. “It is about thinking a few steps ahead and trying to figure out not just our immediate needs but also what we need for long-term success.”

Using local cash pools
The key focus for Strauss is managing liquidity in all its forms. “We are always looking to increase the efficiency with which we handle our cash — both from an investment and liquidity point of view.

For us, that means making sure HQ and the treasury have control over as much of our cash as possible, and that it is available when and where it is needed.”

In 2007, Axis chose Nordea to help it introduce a series of cash pools. The aim was to have as few bank accounts and interfaces as possible. “That was before my time at Axis,” says Strauss. “But our aims remain the same — to keep things simple, maintain control and support growth through scalability. Adding just one more banking relationship to every country you move into will swamp you legally. You’re

“"You need to have good support from the banks and a good setup. And you need a strategy defining how you want funds to be pooled and where, and who has access to what.”

Christoffer Strauss, Group Treasurer, Axis
talking the difference between ten minutes and possibly hours to carry out simple transactions, depending on whether you have one or ten banks."

More than 80% of total revenue generated by Axis now flows into two main cash pools — one in Sweden and one in New York. "We have been fortunate that from very early on we were able to concentrate a lot of liquidity in Sweden by invoicing distributors in Europe, the Middle East and Africa directly out of our main operational unit," says Strauss. "And SEPA has made this even simpler. It means for our customers there is no difference paying from an account in Sweden, Germany or France. We can invoice across a large geographical region from one legal entity."

The company’s New York cash pool receives cash from its North American and Asia Pacific operations, which all deal mainly in US dollars.

There are four hubs in China, Japan, Russia and Brazil, which handle revenue from each region and where cash cannot be pooled to Sweden or New York for currency and legal reasons, or volume size. All cash is usually converted back to Swedish kronor on a daily basis, depending on cash forecasting.

**Expanding into new markets**

According to Strauss, the cash pools have made expansion into new markets relatively straightforward from a cash management perspective. "Often the sales generated in the new country or region are legally owned by one of our existing hubs. They are introduced and assimilated into the same process that is used by other units in the same region. Our structure is easily scalable — and to me that’s vital to everything we do to enable growth."
But he says that the issue of opening new legal entities is always a challenge, not least from an administrative and legal point of view. “The KYC process [Know Your Customer — the process of verifying the identity of customers] we encounter in every single country is a complex experience,” he explains. “We always face different problems, either for legal or banking reasons. It is a big issue for us growing at the pace we are and trying to remain nimble.”

Strauss explains that in his view communication is essential to overcoming these issues. “I try to find out what the business’ plans are for expansion — where we are planning to expand next and what countries are on the hot list. I then try to be as proactive as I can and discuss with our banks and corporate governance team how should prepare so that we are as ready as we can be when the decision to proceed is made.”

Creating a credit risk portfolio

Strauss says one of the biggest challenges to international growth is trying to gauge the risk when looking for new partners in emerging markets, where credit information and intelligence is scarce. “We try to be vigilant with our new partners and demand a fair amount of information from them,” he says. “But often an annual report is as good as we can get.”

“We have introduced a credit portfolio that allows us to gauge credit risk across the whole business,” says Strauss. “When we move into a new market, the volumes are not usually that big so the impact in terms of risk is relatively minor. But the credit portfolio has made it easier for central finance and regional teams to understand how we measure credit risk and what we need to bear in mind when we are assessing new partners.

“One of the ways we have successfully dealt with credit risk is by demanding prepayment — either in full or part — before we deliver goods.”

Understanding the business

When asked how the treasury can best support fast international growth, Strauss says the key is understanding business goals and the core drivers for growth. “I seek to maintain an ongoing dialogue with the whole business about what challenges we face — with our operations teams, supply chain experts, sales teams and legal, as well as finance. It’s only when you understand the business to the core — and not just in terms of percentages — that you can contribute proactively by supplying your colleagues with the right information at the right time.

Strauss believes these same qualities are essential in a banking partner. “In Nordea, we have a bank that takes the time to get to know your business, that suggests things we may not have thought of ourselves and that challenges the way we are doing things.”

Looking ahead and staying agile

As Axis grows as a business, it is looking to put in place more organisational and financial structures that support expansion. It has recently implemented a substantial cash and liquidity forecasting initiative. “Forecasting has been limited in the past,” says Strauss. “We have been growing so fast and with such a strong cash flow, it has never been prioritised. We have met some resistance to the new initiative because it adds some administration for our different sales operations.” But Strauss is confident that having better forecasting tools in place will help the company plan for the future and remain agile. “Agility and scalability are vital to a fast-growing business,” says Strauss. “You need initiatives that grow with your business — not ones that will block innovation and growth.”

About Axis

Axis offers intelligent solutions for the security and video surveillance industries. It is a global market leader in network video camera and a key innovator in the industry through constant development of new network products based on an open platform. The company’s network video products are installed in public places and areas such as retail chains, airports, trains, motorways, universities, prisons, casinos and banks. It has a head office in Sweden and its products are sold in over 170 countries through a well-developed collaborative network of partners.

With thanks to:
Christoffer Strauss
Group Treasurer
Axis

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