

**Boehringer
Ingelheim**

One of the largest research-based
pharmaceutical companies in Germany

Risk management**Year founded**
1885**Industry**
Pharmaceutical**About Boehringer Ingelheim**

One of the largest research-based pharmaceutical companies in Germany today. In 2022, the company generated EUR 24.1 billion in revenue and an operating profit of EUR 4.8 billion. The company is active in 130 markets with 180 entities.

Challenge

Boehringer Ingelheim was already professionally measuring currency exposures and managing currency risk in the past. However, as the hedging approach and related analyses evolved, system-breaks between the involved solutions emerged: SAP Treasury & Risk Management (TRM) where hedging transactions and market data are primarily managed, Nomentia, facilitating group-wide liquidity forecasting and a recently self-developed Excel-tool for calculating currency risk using cash flow at risk (CfaR). In addition, Boehringer wanted to extend the hedging approach to consider hedging costs as an additional decision criterion.

Solution

Nomentia Risk Management was chosen to eliminate the system breaks, automate the process and optimize the cost/benefit profile of the hedging portfolio. This was a logical step, as Nomentia not only offers comprehensive options for integrating SAP data but also has already been in use for group-wide cash flow forecasting which included data on group-wide planned exposures.

With Nomentia Risk Management, Boehringer Ingelheim now uses a solution that integrates with the group-wide liquidity forecast and which allows the company to calculate currency risk using CfaR-calculations based on group-wide exposures and active hedging transactions from SAP TRM. In addition, hedge portfolio optimization allows the company to hedge against currency risk at minimal costs.

**Nomentia Risk Management
at Boehringer Ingelheim**

By using Nomentia for the entire risk management process from exposure determination to hedging decisions, Boehringer Ingelheim achieves several advantages: Manual uploads and downloads are a thing of the past and the susceptibility to errors was greatly reduced, as market data – such as exchange rates and yield curves used for calculating the "cost-of-carry" – as well as active FX derivatives are automatically transferred from SAP to Nomentia daily. While the market data in SAP is fetched daily from a market data provider, the volatilities and correlations necessary for risk calculation and optimization are calculated directly in Nomentia. Since Nomentia Risk Management also integrates into liquidity and exposure planning, the preparation and consolidation of planned exposures is fully automated – a critical advantage for a company of this size.

From currency risk to optimized hedges

Nomentia Risk Management can calculate the cash flow at risk based on the open risk position from planned exposures and active hedging transactions. To be able to assess the impact of hedging decisions before trading, simulation derivatives can also be recorded in the system and be considered in the risk calculation. The result – whether with or without simulated hedges – is the CfaR as an EUR-amount, indicating which loss will not be exceeded with a certain probability – say 95% – in the selected period.

The main innovation for Boehringer Ingelheim

Nomentia Risk Management not only presents the currency exposures and calculates the risk, but also answers the question of which hedging strategy is cost-optimal. It does so by considering interest rate differentials between the respective base- and foreign currency, when calculating the hedging ratio required per currency pair to reach a freely definable target risk. Translated into "forward points", these interest differentials are a key component of the markup/markdown on the spot-price and thus determine the cost of hedging. Nomentia Risk Management completes the billions of arithmetic operations required for a portfolio including various currencies in just a few minutes and then allows analysis via flexible reports. The result: less hedging of fewer currencies and hence lower costs.



Flexible evaluations thanks to base reports and "self-service BI"

Besides the exposures, the results of the risk calculation and the target hedging ratios from the optimization are displayed in reports in Nomentia. In addition, thanks to the Nomentia Data Cube, Boehringer Ingelheim can analyze all data flexibly and independently directly in Excel at any time.



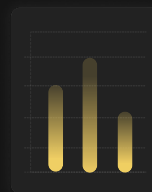
Key benefits of using Nomentia Risk Management

- Significantly reduced effort for FX exposure determination and risk calculation.
- Reduced hedging costs thanks to optimization of the hedging portfolio.
- Full transparency over cost vs. benefits of risk reduction.
- Increased data quality thanks to SAP data integration.
- Elimination of manual work and automation of the process.

"With Nomentia, we can identify FX exposure and cash flow-at-risk faster, and through the optimization function we can hedge more efficiently."

Jochen Alt

Senior Manager Corporate Treasury, Boehringer Ingelheim



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About Nomentia

Nomentia has over 1400 clients globally operating from multiple locations. Using Nomentia, you can build your cash and treasury management technology stack from scratch or add solutions to complement your existing technologies. Our solution portfolio includes tools for payment automation, liquidity management, cash flow forecasting and visibility, bank account management, bank connectivity, guarantee management, in-house bank, reconciliation, risk management, and treasury workflows and reporting.