



Supply Chain Conference

Managing Financial Risk

- What to ask your CFO/Treasurer
- What not



Types of Risk

- Foreign Exchange
 - Rates
 - Convertibility
- Financing
 - Debt vs. Equity
 - Parent Company vs. Third Party
- Interest Rate Risk
 - Including the Real Cost
- Cash Management & Repatriation
 - Including taxes!!!!!!!!!!

Questions to Ask and Not to Ask

- F/X
 - Do ask range of rates?
 - Don't ask where the currency is going to be in a period of time
- Interest
 - Do ask the real cost of debt
 - Don't ask where rates are going?
- Financing
 - Do ask if there are financing incentives, particularly tied to product supply



What You Should Consider

- Consider Local Sourcing
 - Raw and Packaging Materials
 - Wages
- Export for Hard Currency
- UNDERSTAND YOUR PRODUCT DESIGN AND ABILITY TO PRICE IT VISA VIA YOUR COMPETITION!!!

Class Quiz

- You are producing a consumer goods product in Mexico City for sale in Mexico
- Margins are 10% before tax
- The major material is 2% cheaper if you buy off a global contract in \$ vs purchasing locally
- What do you ask your CFO/Treasurer?
- What's your homework?