



Red Stag Timber Nailing Every FX Dollar With Tuatara

After learning of Villa Maria's FX management success, New Zealand's largest sawmill recognised the potential of the same online Currency Navigation System to help maximise its export earnings. But then again, Red Stag could never be accused of missing out on a great opportunity...

Originally one of Fletcher Forests' four mills – and the largest mill in the country – Waipa Sawmill was caught up in the receivership of the Central North Island Forestry Partnership before the new owners bought it in 2003. The new owners had spotted the opportunity and potential of this versatile mill and have subsequently been set firmly back on its feet.

Although the plant itself was well equipped and ready to run, some of the management functions had not been handled onsite before. So in October 2003 Red Stag management found themselves handling their own FX management for the very first time.

"It was a substantial learning curve for the company at a time when we had many other critical areas to focus on," says Paul Laing, commercial manager for Red Stag. "Red Stag didn't have the systems in place to identify and

measure our exposure and we found ourselves at the mercy of the market."

Laing had joined Red Stag in January 2005, and recognised the company needed more FX expertise.

Red Stag's strategy of investment in business technology as a key to improved performance led to usage of CNS (Currency Navigation System). This new online FX management tool had been developed by corporate foreign exchange specialist Tuatara in recognition of the needs of their clients for minimising risk and protecting their bottom line.

Tuatara's decision to make it an online tool was a natural one given the highly mobile nature of the many exporters and importers they worked with. Proving to be highly successful, CNS is now used on a daily basis by a range of New Zealand companies.

"Tuatara offers a complete portfolio of ser-

vices and information," says Laing. "They are genuinely interested in our business. They've got good people, with excellent business skills and are keen to be of real help. The whole team has great market awareness and always have a finger on the pulse."

"CNS was offered to us by Tuatara as part of their total package. It's just a great tool. We love the transparency, and especially use the Orders and Forward Cover reports. The more we use it the more control over our FX management we have.

"Risk for us doesn't start when a boat full of our product sails. Our currency exposure starts at the very beginning - from the moment we accept or anticipate an order and start production - we have exposure, and subsequently risk. CNS gives us the ability to manage risk - this is its single biggest strength for us"

"This is a common scenario experienced by exporters," says Tuatara director Hilary Hunt. "Even modest currency movements, which can occur over the few weeks between the invoice date and the day the goods are paid for, can erode, wipe out, or even reverse a company's margin."

CNS evolved from the internal software Tuatara had developed which matched their client's FX transactions and forecasted cash-flows with real time market rates. The system provides an at-a-glance view of the client's foreign exchange position so companies can make better FX decisions.



“If a company you trust tells you they can add 1% to your bottom line margin without any major expenditure, how would you explain to your shareholders why you didn’t take it up?”

Marty Verry
Red Stag Timber director

An essential part of any FX management tool is the ability to ensure compliance with the new accounting policies coming into force on 1 January 2007. CNS enables companies to comply with NZ IAS 39, the new international accounting standard, because it provides an assessment of hedge effectiveness, evidence of underlying exposures and documentation of hedge strategies.

With around 40% of their product exported (the majority of this to Australia and Asian markets) effective FX management is vital to Red Stag.

“Working with Tuatara we can now do all the things we wanted and effectively man-

age our foreign exchange risk. It’s made a real difference to us, they highlighted some key risks we had not been managing as well as we could,” says Laing.

Mike Houlahan, director of Tuatara, says: “CNS was really the first access Red Stag had to FX management. Given the profile they had gained from the successful turnaround of the company, and the substantial export orders received, it was a timely introduction.”

“Red Stag is a good example of a company which wants to improve its performance, and has the vision to recognise that it needs proven expertise and the right tools to do so.”



> Red Stag Timber



Business Objective

> Red Stag needed to identify and measure its foreign currency exposure and manage risks associated with exchange rate fluctuations.

Solution

> Currency Navigation System from Tuatara Management

Business Benefits

> CNS provides Red Stag with an at-a-glance view of its foreign exchange position so it can make better FX decisions. CNS also enables Red Stag to comply with NZ IAS 39, the new international accounting standard, because it provides an assessment of hedge effectiveness, evidence of underlying exposures and documentation of hedge strategies.



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