

Customer Spotlight

# Jack's Creek





## CASE STUDY



### Company Overview

Jack's Creek is a vertically integrated Australian premium beef company and winner of the 'World's Best Grain Fed Steak' and 'World's Best Sirloin' in 2019. Its operations include raising, feeding, processing, and marketing high-quality grain-fed Wagyu and Black Angus beef. Jack's Creek exports 85% of beef produced to more than 20 countries.

### About Corpay

Global businesses trust Corpay to power their international payments, execute plans to manage their currency risk and support their growth around the world. We aim to deliver unmatched service and expertise with respect to moving money. Utilizing our proprietary payment technology and hedging solutions, we combine the power and capability of a large financial institution with the agility of a fintech.

### What countries do you trade with and which currencies do you trade in?

We export to Japan, South Korea, EU, Middle East, China, SE Asia, North America, and South America. We trade mostly in USD and EUR, as well as some GBP.

### What are your typical currency volumes in AUD?

Each month, we turn over between \$10 million and \$15 million.

### What are your currency risks?

As an exporter, around 75% of our revenues are received in foreign currency, so fluctuations in FX rates can significantly impact the level of revenue we receive at the end of the day when converted back to AUD.

## Why do you need to manage your currency risks?

We are selling our beef one to three months out, but we have cattle on feed for a much longer time – up to 16 months for our flagship purebred Wagyu product. Having a strategy to protect against adverse moves in the currency helps us meet our budget targets and allows us to make informed business decisions over a longer-term horizon.

## What is your biggest challenge when it comes to currency risk management?

We have a variety of customers and trade terms – this adds variability to the timing of payments and makes it difficult to match sales to hedges as a one to one relationship.

We, therefore, maintain a rolling hedge position based on forecasted revenues in the various foreign currencies we deal with. This helps to protect the value of the cattle on feed as each represent future cashflows and profit margins which could be swayed by foreign currency movements.

## Are there any examples of how currency risks have negatively affected your business in the past?

The worst thing that can happen for us is increased cattle prices and an increase in AUD.

Where our input costs are going up, the ultimate revenue we receive in foreign currency may not necessarily cover that cost. It is really important that we are able to mitigate that sort of risk. So, in the past, anytime that the AUD is trending upwards we look to limit the possible losses, with the help of Corpay, to safeguard our bottom line.

## Was there a specific reason that made you look to use a third party?

We were introduced to Corpay by an analyst we respect and have known for quite some time. At the time, the range of products on offer at Corpay was not available via our bank.

Also, we felt it would be beneficial to have access to an expert provider, not only for their expertise but idea generation and to keep pricing competitive.

## What made you choose Corpay?

Corpay offers very competitive pricing on option strategies, spot transactions and forwards, and provide a well-informed analysis of the market and expertise in hedging strategies.

They also have same day settlement, which is important for us. The business we are in is very capital intensive, so we need turnover of cash very quickly. Having to wait a day for settlement just slows up our payments process for our vendors and impacts our cashflow.

## How do you use Corpay to manage your currency exposure or payments?

Corpay helps us to formulate strategies that allow us to target FX rates that protect our profit margin.

Because we are in such frequent contact with them, they know what the business is trying to achieve and as they see market opportunities present, they will come to me with ideas.

At other times, I'll come to them with a particular problem or situation I want to solve, and they will recommend the best product and strategy to deal with it.

## Can you give a specific example of how you've used Corpay to manage an international exposure?

We have been going through a period of very strong growth internationally, including expanding into new markets, so managing our foreign currency risks has become increasingly important for us. Since we started with Corpay in 2014, our turnover in EUR and USD has more than doubled. Corpay has been fantastic in helping us take a strategic approach to managing our currency exposures during this time.

About three years ago, with the strong growth that was occurring, it became clear that we needed to have a more formal process around hedging. Corpay helped us to establish a foreign exchange risk management and hedging policy. Having their expertise was fantastic as we didn't know where to start.

Part of our business strategy has been to diversify geographically, including establishing a subsidiary company in the US late last year. It was a move that proved timely as it helped to provide an alternative source of revenue when the coronavirus pandemic impacted demand and interrupted supply chains in some of our traditional markets such as China and Europe.

During this time, Corpay has been instrumental in helping us fine tune our hedging strategies to account for changes in our business flow. This well-managed diversification strategy has helped us to continue to grow the business this year (we are budgeting for 10-15% growth) despite the pandemic.

## How has Corpay helped you do address the challenges that you face when trading internationally?

Corpay has dedicated time to thoroughly learn about our business, the risks we face, and the goals we are trying to achieve. Enabling them to identify the products and services that best suit us.

The hedging policies and strategies we have put in place under the guidance of Corpay have helped us to minimise risk and protect our profit margins as we've grown the business at a rapid pace of 10-20% each year for several years.

The relationship has helped us thrive through periods of volatile currency markets, including the coronavirus pandemic which saw the AUD tumble by 20-25% before rebounding in a relatively short period of time. The hedging policies we had implemented meant we were well placed to ride out the volatility. It was also great having daily conversations with the Corpay team around what we should be doing.

At all times, but especially times of extreme uncertainty, they have been my sounding board and a source of great advice. This good communication is one of the biggest benefits of the relationship – knowing there is someone who not only understands what we want to do, but also the expertise to help us achieve it.

## What is the single biggest reason you would recommend our service offering?

Their expertise in options products and forecasting is a standout. The way they get to know your business and availability as a sounding board to discuss FX issues and provide solutions has proven very valuable.

## What products/solutions do you use?

We mainly use **options** either vanilla or outperformance strategies, and some **spot transactions** on payments that we receive from customers.

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