

Case Study

The Emerging Exporter





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The Challenge

This growing automotive parts distribution company in Ontario sets its sights on our largest trading partner to the south. They set out to pursue a rapid expansion plan across the US. With encouraging results from its test trial in 3 US states, they had decided to expand distribution throughout the US, and expected domestic sales to account for 90% of its \$60M revenue projections within two years.

These were exciting times for the humble company that started out of a 2,000 sq ft warehouse less than 10 years ago. They were keen to engage with their new US customer base, but were also concerned about protecting their profit margin now that they would be dealing predominately in USD. Currency had become one of their main challenges as the majority of revenues would now be in USD, and the bulk of their expenses are in CAD.

20% Avoided USDCAD
Currency Volatility




17% Protected
Profit Margin

Delivered 12 Month
Price Protection



The Solution

This company worked with Corpay to proactively evaluate, manage and hedge against risks in a collaborative and active approach.

Given the nature of their exposure (ie their payment terms with suppliers and pricing commitments), a rolling hedge strategy was executed to ensure that their profit margin was protected. By following our complete, five-step process, we helped to implement a strategy that was uniquely tailored to the company's budget rate and set goals.

We worked exclusively with the company to both provide guidance on and execute the day-to-day foreign currency transactions while offering a consultative approach to risk management designed around specific business needs. Corpay was able to take on much of the work in terms of monitoring the market for trading opportunities, alerting the company on market news, price action and risks and rewards that we saw developing, both in real-time and on a forward-looking basis. For executing simple spot transactions, forward-based hedges and more customized hedging strategies, we provided support and information required to make the best possible decisions from an FX perspective in managing the company's requirements and exposures.

Today, the company is delivering millions of shipments annually across the US to a vast US customer base. The company's bank was very happy to see that they chose to manage the risks associated with their sales revenue and profit margins and Corpay is happy to continue to partner with the company through their continuing successes.

The Results

- Protected profit margin on sales
- Gained clear understanding of company objectives/ goals and how to effectively achieve them
- Cash flow transparency allowing a better allocation of resources and strategic investment
- Shareholder value