

Case Study

TS Manufacturing



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About TS Manufacturing

TS Manufacturing (381572 Ontario Limited dba TS Manufacturing) is a family owned and operated quality equipment manufacturer founded in 1972 in Lindsay, Ontario. The Founder, Ted Smith, started with a vision to create a dynamic 'one-stop shop' business, manufacturing quality equipment for the forest products industry. The market and demand grew for log, lumber, and residual material handling, so the company expanded gradually and now operates over 80,000 sq. ft. of production capacity. TS Manufacturing is also funded by the Federal Economic Development Agency for Southern Ontario.

Currency Needs

As a Canadian manufacturer, primarily in the sawmill, mining and biomass industries, TS Manufacturing needed an FX solution for conducting business globally. The company books transactions predominantly in US dollars, but being based in Canada its home currency is CAD. In 2022, at the beginning of their relationship with Corpay, TS Manufacturing had an approximate annual FX volume of US\$20 million.

The Challenge

A large portion of TS Manufacturing's business is in North America, and due to the volatility of the US dollar and Canadian dollar currency pair they find it beneficial to have currency risk management solutions. Historically, the company had an ad hoc approach to

foreign exchange, typically booking spot trades through local banks. In the past, they often felt held hostage by their forward contracts and spot fees incurred via traditional avenues. They found foreign exchange challenging because of the uncertainty regarding currency conversion rates, and because their previous FX provider did not adequately help them implement appropriate tools to mitigate risk.

Since TS Manufacturing works on a project and contract basis, they wanted more budget rate certainty and predictability when planning ahead to protect their margins.

The Solution

After a budget rate analysis and outcome evaluation, led by the company's Controller Stephanie Smith, CPA, CA, the company decided to take more control of their bottom line by exploring options. Today, TS Manufacturing keeps a close eye on market movements, and saves money with Corpay's favourable rates – which is especially important as the US and Canadian dollar currency pair is in constant fluctuation. They find themselves feeling secure with the risk-mitigating tools and trade-offs of their FX strategy.

Since partnering with Corpay, TS Manufacturing has taken a proactive and strategic approach to managing FX risk, using a blend of tools including forward contracts and options structures. The company's primary goal is to protect themselves on the downside and, when possible, be able to potentially realize some upside versus their budgeted rates.

TS Manufacturing has used several different FX structured products, including Target Accrual Redemption Forwards (TARF) and Knock-In and Knock-Out options. They also occasionally take advantage of favourable spot rates to exchange funds, or to make early payments to vendors.

Depending on market conditions, these tactics and tools have allowed TS Manufacturing to achieve an average FX rate better than their budgeted rate. Stephanie noted that there have been times that the market has moved against them, but on average, they have been pleased with the performance of their hedging programme.

Their proactive approach adds some predictability, helping the company better plan ahead for projects and contracts instead of being at the mercy of fluctuating spot rates. The options structures can provide more flexibility than forward contracts. They also use Corpay's online platform to pay foreign currency bills like time-sensitive international wires. The Corpay team helps TS Manufacturing every step of the way, and all transactions are documented in

very detailed reports available on the online platform. Corpay is proud to have helped, and that Corpay is still helping, TS Manufacturing address the challenge of foreign exchange with a portfolio of hedging tools. This helps the company make more informed decisions and has helped the company achieve more desirable outcomes.

Why Corpay?

In Corpay, TS Manufacturing found a payments provider that understands their cash flow and can help them manage their risk, almost "set it and forget it" supported by regular communication. The full-service approach to payments is what really makes Corpay stand out.

The flexibility to explore a variety of FX options on their schedule and more strategically than they experienced before Corpay, brings the TS Manufacturing team a new level of comfort. To rely on an FX provider that listens and communicates effectively makes their decision making much easier!

"Previously we only used banks for spot trades, and no one had tried options at the company before; the approach was ad hoc. When we did book forward contracts, we felt handcuffed. I've learned from my experience with Corpay that prudent use of hedging is not a gamble. It's not too good to be true. It's a strategic plan.

When we searched for an FX provider, we noticed many are only doing spot trades, not options, and did not offer a full-service approach. Corpay stood out as a one-stop shop! That's what sets Corpay apart: their full-service capabilities, hedging, and FX trading – they have everything we need!"

Stephanie Smith
CPA, CA and Controller at TS Manufacturing.

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