

How Corporate Alliance FX (CAFX) manage your Foreign Exchange risk



Company Introduction

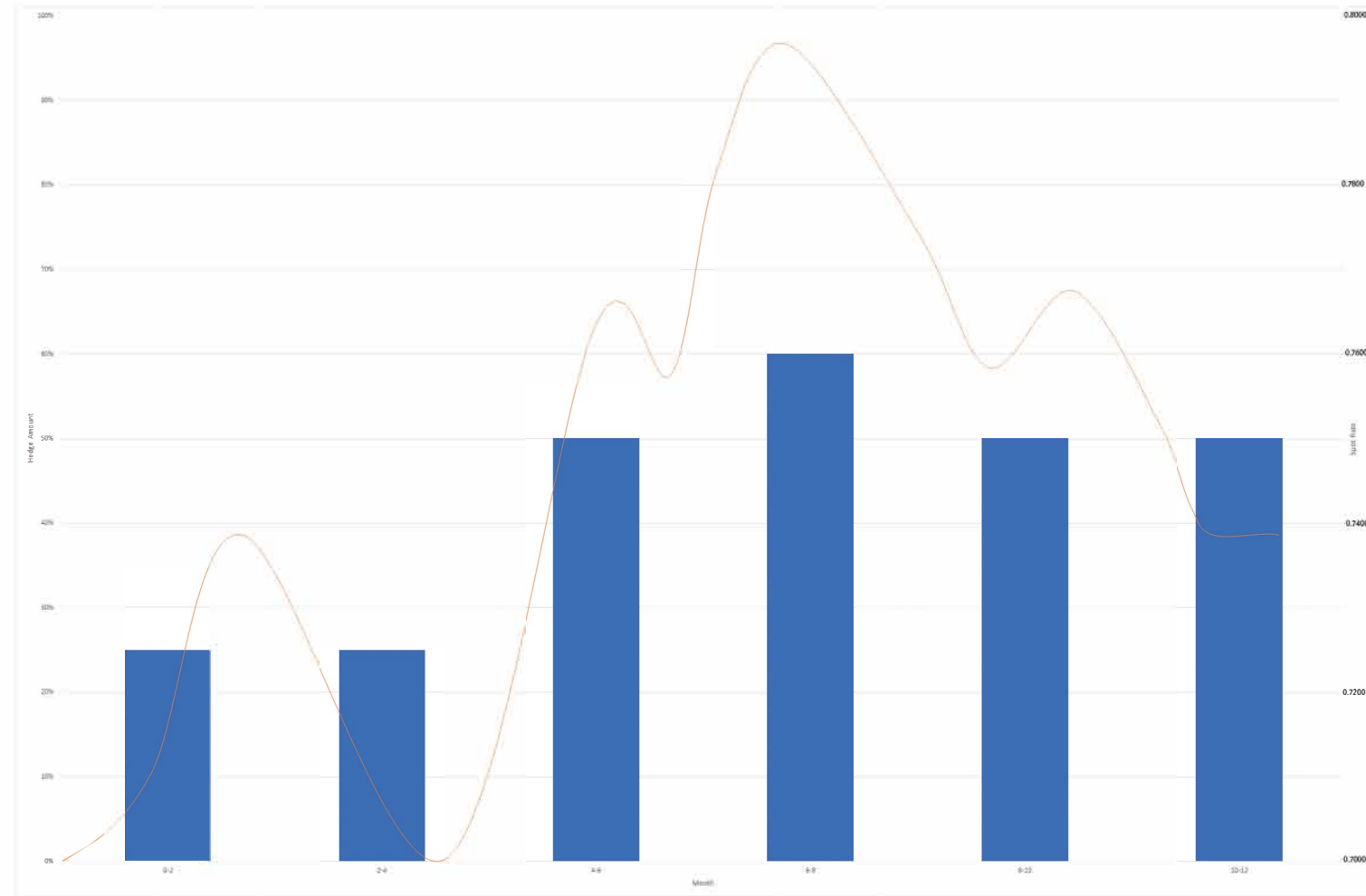
CAFX' s client is a solar wholesaler and distributor. It focuses on providing solutions to solar retailers that focus on new methods to compete and add value to their end customers. This is done by implementing innovative, high quality products or finding ways to pass on savings as a point of competitive differences. Our client has more than 15 years of combined team industry experience and expertise which provides them a great insight of the solar industry throughout all of Australia.

Company's Pain Point

They are many competitors in the solar industry. Hence prices for solar retailers' solutions are extremely competitive that in times could have a significant impact on our client' s profit margin. Once they have confirmed the order from their customer, they will raise an invoice and require hedging against currency fluctuations to protect their profit margin. However, this created a dilemma, due to the volatility of the Aussie Dollar against USD dollars, it is challenging to not over-hedge or under hedge depending on the exchange rate at the time.

Our Solutions to client

- CAFX had a comprehensive discussion with our client's Sales Director and Managing Director, understanding what their FX requirements that were driven by sales forecast.
- We worked out a plan for their hedging needs, choosing the right time and entry point to hedge downside risk. Constant monitoring and hedging top up depending on different market conditions.
- CAFX designated account manager has been immensely helpful to our client's request. CAFX manages client's daily payments, providing different solutions depending on the market conditions to achieve our client's objectives.
- This hedging strategy worked extremely well with client's objectives, protecting their profit margin whilst having the opportunity to participate when markets conditions are more favorable.
- With daily FX payments on averaged about USD 70,000, our client started off with 25% coverage when the exchange rate of AUD/USD was at 0.7000 to 0.7400; increased to 50% hedging when AUD/USD was above 0.7500; and at it' s peak for year 2021, our client hedged for 60% when AUD/USD was trading close to 0.8000.



CAFX - Your true ally when it comes to foreign exchange risk



Our client initially has facility with their banks in place who helped them in their spot transactions. Since working close with CAFX, we were able to convey our value to manage their FX risk more effectively. CAFX thoroughly understand our client's FX requirements and constant discussions about risk management solutions. CAFX go through a process of identify our client' s requirements, implement solutions and reviewed appropriately to see if the solutions have been working well for client's needs. This is the main reason why our client chose our service compared to the bank.