

Dressed for success

Companies expanding in the retail sector are rare commodities, and yet New Look is moving forward at home and abroad. Steve Humphreys discusses how his treasury team supports the business

Words: **Ben Poole** / Photography: **Louise Haywood-Schiefer**

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Taking time out to travel to the northern hemisphere is a familiar rite of passage for many young Australians. For Steve Humphreys, this also signalled the start of a different journey – into the world of treasury.

“When I came over to the UK in the late 1990s, to finance my travels I was able to get a contract accounting role with a software telecommunications company based in London’s Docklands,” explains Humphreys, now head of group treasury at fashion retailer New Look. “I’d been based there for around six months when the FD approached me and said they would be interested in me taking on more of a treasury role. This was during the time of the dotcom boom and at the time the company was expanding rapidly globally.

“They were looking for someone who could manage the international treasury exposures, predominantly through liquidity management. There was a lot going on, with global cash-flow requirements, FX and managing the ever-changing liquidity needs of the international subsidiaries. I realised that I really enjoyed the work.”

During the four years he was at Mobile Software International, Humphreys began to bring operations into a centralised treasury function, building a policy and a framework for how treasury operated. “That’s how I got into treasury, and I’ve been doing it ever since,” he says.

Following his return to the UK in 2005, after five years back in Australia (where he spent his time as a financial accountant and then assistant treasurer for multinational construction and development giant Multiplex Group), Humphreys became involved with the ACT, through the Certificate of International Cash Management (CertICM). “That was a great certificate to undertake as it gave me a really good overview of the theoretical aspects of global cash management,” he recalls. “Through that initial course, I had a great opportunity to meet and network with like minds when it came to what they had to do on a day-to-day basis, be able to share experiences and really understand that you are not alone out there in the world.”

Fashion goals

After treasury roles at Peacock Group and BMW (UK) Capital, and after passing his AMCT, Humphreys moved to New Look in 2011. “This was a great opportunity because New Look was at the stage where it had a capital structure that I felt had the

opportunity for a treasurer to impact on,” says Humphreys. “You could have that experience of taking a corporate through a full refinancing – or refinancings, as it has turned out – and have a really positive long-term impact on the company.”

Back in 2011, New Look had a capital structure that was light on bank debt, but heavy on payment in kind (PIK) loans. The shareholders at the time were looking to restructure that. “I found I could add a lot of value by supporting that process with the senior executives and the management at the time,” says Humphreys. “It was quite clear that the company would have to go through one or more refinancings, and I saw that as a great opportunity.”

Another attraction of the New Look role was the opportunity to lead the treasury team. “In my previous role, I had been the treasurer, but there were also other team members that reported into a broader structure within a much larger organisation. Here, I get to lead the team and report directly to the FD and CFO.”

New Look’s treasury team won UK Medium/Small Sized Business Treasury Team of the Year in the ACT’s Deals of the Year Awards 2015 (see *The Treasurer*, February 2016, page 29), so leading his five-strong team is clearly something Humphreys excels at. An investor relations manager also reports to Humphreys, and for the refinancing cited by the Deals of the Year judges, the team was supported by colleagues from the wider group finance function. The key responsibilities for Humphreys at New Look cover the traditional treasury risk management areas: liquidity risk management, FX management, interest-rate risk management, funding requirements and the associated effects on the balance sheet.

Investor facing

“The other area that I’m also responsible for, since I’ve joined, is the investor relations [IR] function,” explains Humphreys. The background to this responsibility began in 2013, when New Look went through a capital markets refinancing and completed its inaugural bond offering on the capital markets. This saw the company’s balance sheet move from a bank-funded, private loan-funded capital structure to a capital markets-funded structure with predominantly bonds on the balance sheet and some remaining PIK loans.

This change led to an influx of new investors, which was the point that Humphreys set up a debt-IR function. “As we





have a small treasury team, I set this up so that we could report to them effectively and efficiently – as the covenant of our bond facilities requires. I also wished to promote regular ongoing communication with investors through a variety of other avenues. This includes our quarterly reporting, investor conferences, investor meetings (either individually or group meetings), setting up store visits or taking them to our distribution centre. In conjunction, I also set up a debt-investor microsite so that we could store our financial information in a way that lets our investors access it to see financial results, the most recent quarterly reporting, investor reports and any press releases or relevant news regarding the company.”

The 2013 refinancing raised just over £800m in bonds to support the New Look balance sheet. This was followed in 2015 with another refinancing that raised £1.2bn, which took place in parallel to the acquisition of New Look by new shareholders, allowing the company to completely repay the existing debt and put in place new debt to fund the business, so IR are more important than ever. “The IR function works very well for potential investors, as well as existing ones, to give them access to information to allow them to make an informed decision,” says Humphreys. “If the company says it is going to do something, we do it and also report against that. The IR function provides our investors with a very clear reporting framework.”

VITAL STATISTICS

£1,414.5m

Total revenue for the New Look Group in FY2015

575

Stores in the UK

170+

Stores across Europe and Asia

13%

Amount of revenues generated by www.newlook.com globally

£1.2bn

Successful refinancing in 2015

1969

First New Look store opened in Taunton, Somerset

Supporting strategic initiatives

New Look has a core strategy that centres on brand, product, international, menswear and multichannel.

Treasury supports all of these areas. One of the most obvious ways is by looking after the liquidity of the group, managing cash flows and ensuring there is enough funding on the balance sheet to support the strategic growth and plans of the business.

“If you look at all of the strategic pillars as a whole, the capital markets funding of the bonds is an example of treasury’s support to the business,” says Humphreys. “The 2015 refinancing to fund the business extended the maturity on our new debt out to seven to eight years. Under the previous debt, bonds were due to mature in 2018, but with the new debt they are due to mature in 2022 and 2023. We also lowered the average cost of our debt by around 300 base points.”

Expanding into China, the New Look treasury needed to ensure that it was well funded and had the liquidity to grow the China business. “We have provided FX support when we are investing capital into China, to set up the subsidiary and the support centre in Shanghai, for example,” says Humphreys. “We also supply funding for the capex that is required to open new stores. Approximately two years ago we opened our first stores in Shanghai, and today we have more than 85 stores in China. Treasury helped support that strategic initiative, which not only covers the international pillar, but also the multichannel, brand and product pillars as well.”

On a micro basis, treasury supports the brand pillar by ensuring available funding for the ongoing refurbishment of all of the stores to make sure there is a consistent brand identity. "To do that, you need the capex capacity and the cash flows, helping to ensure that we have sufficient liquidity in place for this initiative," says Humphreys.

With the multichannel initiative, New Look's treasury helps support the set-up of the acquiring relationships and the banking relationships domestically in each country that it expands into. "This support allows the New Look project team to set up the stores, get the bank accounts opened and get the acquiring relationships in place," says Humphreys. "It also helps to get the banks and acquirers talking to our IT teams, to ensure that the connectivity between our point-of-sale equipment, our PIN entry devices and our payment service providers are all interconnected by the time we open the store."

The multichannel support also sees treasury responsible for fraud risk management, working with the payment service providers on e-commerce to manage the fraud risk. "All the transactions that go through our website also go through our payment service providers' fraud risk management service," explains Humphreys.

On the product front, treasury is responsible for hedging all of the FX risk related to the ongoing product purchases. New Look does the majority of its buying in US dollars, so the treasury function is responsible for buying those dollars and hedging the forward exposures related to the purchases of the product.

"[The CertICM] gave me a really good overview of the theoretical aspects of global cash management"

"We look forward around two seasons, so we can be buying spring/summer or autumn/winter," explains Humphreys. "Clearly, we have an obligation to pay suppliers at a point in the future for the product that we are ordering today. Some of the products can have long lead times, while a lot of it can have short lead times, so we know that we have a certain level of commitment rolling out over the next two buying seasons. Treasury supports the business by actively hedging the purchasing exposure to the US dollar."

As with the international initiative, the menswear pillar has seen the opening of new stores, with the first six stand-alone menswear stores recently opened in the UK. "We helped support that by making sure that the connectivity to the various acquirers is ready to go live on the day those stores were opened. Equally, we also regularly communicate to our investors on the progress we are making," says Humphreys.

Career support

On his journey from an Aussie abroad to the head of group treasury at a growing global retailer, Humphreys says that the ACT has been an important source of support for him.

"What I think the ACT does best is that it provides a forum and qualification that benefits those that undertake it to help support them through their careers and really help them with a framework to use on a day-to-day basis. The ongoing contact you have with the ACT – whether through the website, doing additional courses or attending events such as the ACT conference – provides an opportunity for treasurers, and those wanting to get involved in treasury for the first time, the ability to access information and develop their careers." ♦

STEVE'S TOP TIPS FOR SUCCESS

♦
Know what is on the minds of your CFO and your CEO. Understand the strategy and what the objectives are. Be there to support that and make sure you can really add value as a treasurer. You can make a real difference.

♦
The AMCT has given me the framework to take my career forward. It has given me the theoretical understanding and knowledge I needed to take the next step up from being an operational treasury individual to someone who looks strategically at the way the business operates.

♦
My iPhone is possibly my favourite gadget – it is the one I use the most, at least. I rely on it the most for checking emails, texts and the financial markets... it enables treasury on the go!

♦
I don't think there is any secret to career success. You have to be focused, work hard, ensure that you build a solid network, get to know the people you are working with, and understand and support their goals and objectives.

♦
The worst question my FD could ask is the one that elicits the answer: "I'll have to come back to you on that."

♦
The best way to wind down after a stressful day is spending it with my family. Having been working with big numbers and complex issues all day, it is a reality check to come home and hear about how my two little boys' day went and what is most important to them.

STEVE'S CV

2011-present

Head of group treasury, New Look

2006-2011

Treasurer, BMW (UK) Capital plc

2005-2006

Group treasury manager,

The Peacock Group plc

2001-2005

Assistant treasurer, Multiplex Group

QUALIFICATIONS

Advanced Management Programme –

Ashridge Business School (2016),

CertICM (2006), **AMCT** (2010)

Ben Poole is a freelance writer and editor, specialising in treasury and transaction banking