

RH Amar: Bespoke layered FX strategy



About RH Amar

RH Amar is a UK-based full service importer and distributor of branded and private label fine foods for the retail, food service, impulse, cash and carry and independent sectors. The company also offers brand partners a full suite of complementary services, including sales support across trade channels, brand management, marketing and public relations, research, logistics, food technology and IT solutions.

The challenge

The company is cash generative with no overdrafts or loans. But it doesn't come without risk. About 40% of RH Amar's produce is imported from the EU, requiring roughly €20m a year, along with a smaller need for dollars. The company's FX cash flow requirements are constantly changing and therefore difficult to anticipate. In addition, many of its buyers, particularly in the UK retail grocery business, are in the process of consolidating. To protect margins and cash flows in both the short- and medium-term, RH Amar needs to be able to maintain and refine its FX strategy. This means planning hedges for the next year as well as for the next quarter and adapting to market

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Paul Tuhrim, Finance Director, RH Amar
January 2019



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conditions as they change. "You can't just buy for three months," says finance director Paul Tuhrim. "You've got to buy forward and, in doing so, you'll get better leverage and better rates." He also believes that it's prudent to layer-in, rather than buy currency cover all at once.

Investec's solution

RH Amar was first introduced to Corporate & Investment Banking through dealings with Investec's Wealth & Investment arm. That relationship developed further through the team's comprehensive understanding of the company's FX hedging requirements and its ability to respond quickly.

The FX team at Investec reviewed the way the company was executing its hedging strategy to determine which trades were working, while also suggesting alternative strategies for those that weren't. The team introduced RH Amar to different types of transactions and offered different ways of assessing their mix and viability.

"We provide RH Amar with dynamic tools and analysis when they deem appropriate" says Investec FX dealer, Kiran Russell. "This enables Paul and his team to better understand how future changes in the underlying market can impact RH Amar's overall hedge rate and level of cover."

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The Investec team also monitor the market and report on developments that could affect specific FX positions, providing actionable guidance on how the client might better position for changing currency market conditions.

Outcome

Being able to layer in cover up to a year forward or more has allowed RH Amar to lock in better exchange rates than hedging on a strictly near-term basis. By keeping the strategy simple and focusing on two or three different trades that are easy to understand RH Amar's average margins on FX trades have been enhanced.

This improvement falls directly to the bottom line, enabling the company to remain competitive, offer more services and expand its

footprint. Russell continues: "We pride ourselves on our responsiveness, which suits RH Amar's strategy and hedging objectives. As RH Amar's risk appetite adjusts, we alter our solutions to match business circumstances and market dynamics."

"With Investec's help we've actually maintained our 2019 average compared to 2018, despite a weakening pound" concludes Tuhrim. "I would not have achieved that without Investec's support."

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“With Investec’s help we’ve actually increased the average exchange rate for 2019 over 2018, which has allowed us to stay competitive.”

Paul Tuhrim, Finance Director, RH Amar
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Contact

Kiran Russell
kiran.russell@investec.co.uk
+44 (0) 20 7597 3662

Investec Dealing Desk
0800 055 6339

investec.com

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