

Highly Commended Winner

**Best in Class Treasury Solution in Africa**

**Coca-Cola HBC**

Dimitris Siokis, Group Treasury  
Nicholas Zenzefilis, Financial Risk Manager  
Nikos Arabatzoglou, Group Treasury



Coca-Cola HBC is a growth focused consumer-packaged goods business and strategic bottling partner of The Coca-Cola Company, founded on a leading market presence in attractive growth categories across a diversified country footprint.

## FX solution mitigates risk for Coca-Cola HBC in Nigeria

### The challenge

Coca-Cola HBC has been present in Nigeria through the birth of the company, founding the Nigerian Bottling Company in 1951. Given its experience in the market and risk management being embedded in its DNA, the company strived to implement a solution that would address several challenges when operating in Nigeria.

Macroeconomic conditions prevailing at the beginning of the COVID-19 pandemic had a particularly detrimental effect in Nigeria, Africa's largest economy. Particularly, foreign exchange availability, where FX liquidity from the local market remained sparse for over four years, disrupting Nigeria's dynamic economy growth efforts.

During this period, FX liquidity needs for most international participants were either self-funded through various intercompany capital transactions or through FX structures offered from banking partners.

Alternative FX sources and structures could result in:

- Cross-border transfers of foreign currency in Nigeria through equity injections or intercompany loans.
- Accumulated cash balances in Nigeria in local currency.
- Open FX positions introducing the risk of FX losses in the event of its currency (Nigerian Naira), weakening.

### The solution

"The first level of our risk management initiative was risk mitigation through mobilising internal stakeholders to minimise the needs for foreign exchange," comments Nicholas Zenzefilis, Financial Risk Manager.

The company then quantified the residual risk and with the help of its trusted banking partner Citi, it structured a Nigeria self-funded solution with an FX risk management overlay, which combined:

- A long-dated USD/NGN FX swap in Nigeria, which would use Nigerian Naira balances to fund the purchase of FX liquidity. This reduced the need for the group to support the company with FX liquidity coming from outside Nigeria and at the same time utilised the large cash balances in Nigerian Naira.
- Long dated FX derivative instruments available at the time. These instruments were fully hedging the FX liability created by the FX swap and subject to remeasurement.

Following the arrival of the new Central Bank of Nigeria Governor in 2023, efforts for the reform of the FX market were initiated. It was a challenging and volatile journey during which the Nigerian Naira lost approximately 70% of its value against the USD before FX liquidity returned in the Nigerian market in a consistent manner.

The implemented solution proved to be particularly successful as it:

1. Provided protection against re-measurement losses from the sizeable weakening of the Naira.
2. Generated necessary NGN liquidity from the hedge settlement at times when NGN interest rates skyrocketed.
3. Allowed the full repayment of the accumulated FX liabilities as soon as the FX market re-opened.



Nicholas Zenzefilis, Coca-Cola HBC, Dimitris Rousakis, Citi and Nikos Arabatzoglou, Coca-Cola HBC

### Best practice and innovation

The solution adopted showcases best practice by addressing, in the most appropriate way, the specific requirements and focused on ensuring the availability of FX liquidity. This approach minimised idle Naira cash and mitigated FX risk. It also matched the time horizon of the need and ensured full compliance with applicable laws and regulations, generating the documentation required to unwind immediately when the market conditions allowed. Citi was instrumental in co-creating the solution and sourcing the necessary liquidity.

The structure utilises prudent risk management practices, addressing foreign exchange, liquidity and convertibility risk, adjusted to the capabilities available in the Nigerian market and prevailing regulatory requirements. It allowed Coca-Cola HBC to continue its successful growth story in Nigeria, while remaining unscathed from FX losses compared to other participants in the Nigerian market.

### Key benefits

- Cost savings.
- Risk mitigated.
- Improved visibility.
- Errors reduced.
- Number of banking partners/bank accounts reduced.
- Future-proof solution.
- Exceptional implementation (budget/time).
- Improved key performance indicator (KPI) metrics.

"The true value of this solution became evident from the minimal financial impact to our company, compared to other participants in the Nigerian market, from the exceptionally large Naira weakening," says Zenzefilis.

Coca-Cola HBC's resilience, innovation and commitment to long-term progress has ensured uninterrupted investment and sustainable growth in a volatile market. The company's strategic and forward-looking approach to risk management not only safeguarded ongoing business operations, but also laid a solid foundation for future financial growth. As a trusted advisor, Citi is proud to collaborate with Coca-Cola HBC, leveraging our global footprint and deep local expertise. Together, we turned uncertainty into opportunity, with a meaningful impact and set a gold standard for operational excellence in challenging markets.

**Adewole Ayoade, VP, Corporate FX Sales**  
**Citibank Nigeria**

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