

Engineering Liquidity

Babcock's Blueprint for Cash Management Efficiency



Babcock International Group has rapidly overhauled its global cash management. Since completing its core project in early 2023, the group has cut complexity, unlocked visibility over 95% of global balances, and reshaped treasury's role at the heart of the business.

When Babcock set out to redesign its cash management structure in 2022, the defence company was already in the middle of sweeping corporate change. Senior management had refocused the business on its core activities, divested non-strategic units, and set new priorities for international growth. Treasury needed to match that ambition.

For a company with revenues exceeding £4.5bn and approximately 28,000 employees spread across multiple regions, the old ways of working were no longer sustainable. Babcock's fragmented network of more than 25 local banking relationships, combined with an ageing UK-only pooling structure, was straining both efficiency and control.

Karen Anderson, Assistant Treasurer, Babcock, recalls: "It had simply become too complex. Our legacy multicurrency

notional pool was outdated in the market. We were making constant transfers to avoid breaching offset overdraft limits on individual accounts, which created a tangle of intercompany loans. At the same time, short-term FX swaps into sterling were hiding the true underlying exposures of our businesses. And beyond the UK, we had no central visibility at all."

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The case for change was clear. To enable growth, reduce risk, and support new shared processes in AR/AP, treasury needed a global solution.

From many banks to one vision

The starting point was a global banking RFP. With the help of EY, Babcock ran a scorecard process that narrowed the field to a handful of its syndicate banks before awarding a multicountry mandate to BNP Paribas.

Three factors played a significant role in arriving at this decision: the alignment of BNP Paribas' footprint with Babcock's, the strength of its proposed pooling and cash concentration structure, and its ability to deliver at speed.

"Every bank had a slightly different offering, but BNP Paribas scored highly because its solution was cost-effective and aligned to our operations across five key markets," Anderson explains. "We needed a partner capable of embedding best practice in payments and liquidity, while meeting strict security standards."

The decision marked the start of a compressed six-month implementation programme. For Babcock, it meant migrating 61 subsidiaries and more than 160 accounts into a new structure, alongside 32 BACS service user numbers, Swift connectivity, and a move from MT940 statements to ISO 20022 CAMT.53 account statements. For BNP Paribas, it meant delivering what would usually be a 12-month project in half the time.

Building the 14-currency pool

At the centre of the solution is a multicurrency notional pool that has grown to cover 14 currencies, including the recent addition of the Singapore dollar. The pool works in conjunction with end-of-day sweeping across group accounts to a single treasury entity.

The gains have been tangible. On BNP Paribas' proprietary platform, Babcock can now view daily balances for 95% of global cash, compared with around 60% previously. Netting within the pool minimises debit interest, while credit balances reduce the need for external borrowing. Crucially,

the structure enables treasury to choose when FX swaps are genuinely needed, cutting unnecessary costs.

"Babcock is a sterling-centric company, but the pool gives us flexibility," explains Anderson. "Some businesses can run temporary overdrafts that are offset elsewhere, which means fewer FX trades and lower processing costs. And with visibility across currencies, we can be much more selective in how and when we hedge."

With that clarity, decisions move faster. Rather than piecing together fragmented reports, treasury can now optimise excess cash centrally, make more informed investment choices, and track intercompany loan positions with precision.

Turning structure into culture

The technical redesign is only part of the story. For a historically decentralised group, moving to a single global structure meant a profound cultural shift. Bank accounts were centralised with BNP Paribas, AR/AP were reorganised into a new finance services hub, and Babcock's SAP system was linked directly to the bank via SwiftNet.

"Effectively, all invoicing goes through SAP, runs its approvals, and then feeds straight through to the bank file," says Anderson. "It has reduced costs, maximised daily cash on hand, and supported our prompt payment practices."

For local businesses, however, the transition required careful management. End-of-day sweeping meant



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subsidiary accounts would show zero balances, replaced by intercompany loan entries. While efficient from a group perspective, it created sensitive presentation issues for some divisions in their standalone financials.

“The unintended consequence of cash concentration is that some businesses suddenly looked as if they had no cash,” Anderson says. “When bidding for work, clients would question how those entities could support projects. We had to educate people that the intercompany loan was equivalent to cash, and in a handful of cases, we introduced target balancing so that minimum balances were visible.”

It showed that treasury transformation is as much about communication as it is about technology. “You can’t just flick the switch,” she adds. “You have to bring the businesses with you, otherwise the numbers on their reports don’t make sense.”

The data backbone is just as vital. Migrating to CAMT.53 and moving BACS submissions to SwiftNet in XML format standardised reporting and tightened reconciliation, so exceptions are easier to spot and fix. The Swift interface into SAP now provides a controlled supplier payment flow through the finance services hub, lowering processing costs and supporting prompt payments.

The treasury team went live in sterling first, with international payments deliberately sequenced for a later wave once data quality met the higher bar. That staging avoided a scramble, protected core operations, and created an on-ramp for richer ISO 20022 data across the estate.

A partnership forged under pressure

Delivering this scale of change in just six months required close collaboration between the Babcock and BNP Paribas teams. Weekly and sometimes twice-weekly calls kept the project on track, alongside regular meetings of the steering committee.

Both sides recall the pivotal moment in late summer 2022, when deadlines appeared to be under threat. Rather than push ahead with every item, the teams agreed to de-scope certain elements to reduce risk. This included the complete migration to CAMT reporting and BACS submission via SwiftNet, which was completed the following year.

“It was a sensible decision,” reveals Anderson. “There was no point overstressing resources when the core structure was the priority. By phasing the work, we went live on time and then built on that foundation.”

Behind the scenes, the pace of change was relentless. BNP Paribas ran a formal ISO 9001 project methodology, with weekly project boards and, at peak, two or three working calls

a week. A steering committee meeting at the end of August set the tone for disciplined delivery, formally de-scoping the move from MT940 to CAMT.53 and BACS submission via SwiftNet to reduce risk. Account opening was almost from scratch in key markets, which made the pace more striking given the summer holidays. Go-live landed in early December with the migration of 32 BACS service user numbers on a single cutover day. The project closed in January, on time.

The project also benefited from executive sponsorship within Babcock. Having buy-in from the Director of Finance and the new Group Treasurer and team created the momentum to overcome resistance and keep the timetable intact. “Change is far easier when the entire organisation is seeking improvements,” Anderson reflects.

BNP Paribas also had to co-ordinate tightly on its side. Dedicated implementation and client service teams were engaged early, and account managers were introduced before project close to ensure continuity.

A common pitfall after go-live is a drop in service as project teams stand down. Here, day-to-day account managers were brought into the tent early, shadowing delivery so the handover was seamless. For the first couple of months after close, implementation remained on call as an internal reference point. The standing forum also mattered.

“After the main implementation period, we set up biweekly calls to ensure any lingering actions were completed, and we’ve found them so useful that we’re still doing them as part of ongoing operations,” notes Anderson.

A platform for growth

Three years on, the impact is clear. Treasury has moved from a fragmented, reactive model to a centralised structure that supports group strategy and international expansion.

Operationally, the new platform provides near-total cash visibility, more accurate FX management, and rationalised

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intercompany lending. Costs have been reduced through lower interest charges and fewer manual transfers. Payment processes are more secure and standardised, with automation reducing workload in the finance hub.

More importantly, the project has repositioned treasury within the organisation. By aligning with Babcock's broader transformation programme, it demonstrated the value of financial control and strategic foresight.

Anderson is clear that the work is not finished. "Treasury is a moving, ongoing target," she says. "There's always innovation coming through, always further improvements to be made. But we now have a structure that gives us the platform to grow."

Not every region was eligible for automated cash concentration from day one. Babcock deliberately retained its Australasian businesses with specialist local banks, reflecting time-zone complexity and a cost-benefit that did not justify immediate automation. In South Africa, legal impediments prevented inclusion. "It was about striking the right balance," Anderson explains. "We still work closely with those teams to centralise surplus liquidity and align payment standards, but we didn't want to impose a one-size-fits-all structure where it didn't make sense."

A blueprint for others

For Anderson, the project highlights three lessons that stand out: communication, alignment, and sponsorship.

"Be clear with subsidiaries what sweeping really means," she emphasises. "Some of our businesses were surprised to move from holding cash to holding intercompany loans. It takes education to explain why FX management still matters, even within a pool. If we had prepared people more during implementation, the transition would have been smoother."

Alignment with banking partners is also essential. "Find a bank with a footprint that mirrors your business, including future opportunities," Anderson advises. "That alignment is invaluable, because when Babcock enters new markets, BNP Paribas can often support us straightaway."

The final lesson is about leadership. "Having drive from the top changes everything," Anderson affirms. "It means people expect change and the organisation has the willpower to deliver it."

Future-proofing treasury

For Babcock, cash transformation has been part of a wider re-engineering of the group. By tackling both the technical and cultural elements of treasury, the company has put itself in a stronger position to support its core mission in defence and engineering.

The relationship with BNP Paribas has matured into an ongoing partnership, with operational and strategic discussions ensuring that the structure evolves in line with business needs. Feedback from Babcock has even prompted changes at the bank, such as revised cut-off times for payments, demonstrating it has been a collaboration that benefits both sides.

Streamlining liquidity across 61 subsidiaries and 14 currencies was never going to be a simple task. But with determination, executive support, and a pragmatic approach to change management, Babcock has created a structure that matches its global scale and ambitions.

As Anderson reflects: "We're proud of how far we've come. The visibility, efficiency, and control have been a real win for Babcock. And the journey isn't over yet."



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