

The Importance of **Financial Stability** in Global Mobility



Relocation Management Companies (“RMC”) process billions of dollars of transactions on behalf of their customers. Examples of transactions that RMCs pay for and bill to their clients include real estate transactions, rent, cash allowances, travel and other reimbursements, visas, work permits, shipments of household goods, tuition, and tax payments.

Organizations utilizing an RMC to manage their employees' relocation experiences should be aware of their RMC's financial stability and overall financial health. An RMC's financial stability is a beacon signaling its ability to support their clients' relocating populations, provide seamless delivery of services, invest in and offer useful technological solutions to support the relocation process, and build long-lasting, transparent partnerships with service providers around the world that benefit everyone involved.

Throughout this document, we will explain why it is important to evaluate your RMC's financial stability, identify ways to evaluate it, examine possible red flags that may signal weaknesses, and summarize why all of this is critical to employers and their relocating employees.

| What You Should Know About Your RMC's Financial Health and Why

Your RMC has an impact on the success of your company's employee mobility program. Following are some key questions that you should be able to answer about your RMC with explanations for what they mean and why they are important.

It is important to know the answer to as many of these questions as possible because your RMC's financial stability directly impacts their overall ability to support your talent by providing a quality relocation experience.

Are they a public company or privately owned? Are they owned by a private equity firm or are the owners active in “day-to-day” business?

If they are publicly held, you should consider who they primarily serve and how Wall Street plays into their overall business strategy. Investors and shareholders may be their primary concern rather than customer service, technology, and the necessary support systems that are needed to provide quality service to you and your relocating employees.

If they are owned by a private equity firm, they may be under pressure to reduce costs in order to maximize their valuation in preparation for an eventual sale, resulting in inferior service delivery or lack of investment in technology. These RMCs may change ownership more frequently, which also may impact their overall ability to deliver consistent, quality services, and invest in technology solutions.

If they are privately held, are they willing to open their books and share financial data? A company in a good position is proud to share their information about their financial condition. A company unwilling to share information may be a sign of financial weaknesses.

Do they have adequate operating cash and access to unused lines of credit?

When doing business with an RMC (or any company), it is important to know or have a basic understanding of their financial strength to ensure they are capable of managing the finances associated with your mobile employee's relocation. A weakened financial position could jeopardize making timely payments to the RMC's partner network, resulting in the partner network performing below expectations and resulting in a poor experience for the relocating employee. Slower expense

reimbursements to the relocating employee will also lead to employees experiencing inconvenience and hardship.

Working capital is the difference between a company's current assets, such as cash and accounts receivable (customers' unpaid bills), and its current liabilities, such as accounts payable. Working capital is a measure of a company's liquidity. If a company has substantial positive working capital, then it should have the potential to invest and grow. If a company's current assets do not exceed its current liabilities, then it may have trouble growing or paying back creditors, or even go bankrupt.

A line of credit (LOC) is a preset borrowing limit that can be used at any time. The borrower can take money out as needed until the limit is reached and as money is repaid; it can be borrowed again in the case of an open line of credit. If a company's lines of credit are fully drawn, then the RMC may not be able to invest in its people, processes, and technology, or pay its partner network or reimburse your relocating employee in a timely manner.

Negative working capital, low available cash, and maxed lines of credit can be an indicator of a company's weak financial standing.

Are they free of debt or leverage?

Too much debt, and poor debt and leverage ratios, can be a signal of weak financial health, but they should not be only consideration.

Have they had historical financial troubles?

Understanding a company's historical financial health and stability are important beyond current ratios. The pandemic created unexpected and downright unthinkable situations for many businesses. Pandemic cause-and-effect aside, knowing a company's financial history and how they have performed over the years – within varying economies – is a sign of their stability or lack thereof.

Sudden or repeated changes in leadership, as well as any acquisitions, mergers, or divestitures, may also be a sign of financial instability or the priorities of the company not laser-focused on the relocating employee and the client's needs.

Do they own a lot of hard assets such as commercial real estate or transportation assets that have faced growing valuation pressure post-COVID?

Such assets' valuations may impact a company's creditworthiness and create additional strains on the overall business, which can impact staffing, technology, and service delivery.

Agile businesses with less overhead will have the ability to respond to unforeseeable situations such as a pandemic, natural disaster, or recession and continue through times of hardship while maintaining service and staffing levels.

Do they have strong financial references?

A third-party assessment of a company's creditworthiness is another aspect of understanding a company's financial position.

Is the RMC willing to let you talk to their banker and public accountants? You can evaluate the length of time these service providers have worked with the RMC, how they talk about the RMC, and what they say. This is a level of due diligence that will provide valuable insight.

Third-party rating agencies can also provide valuable insight. Moody's, Standard & Poor, and Fitch are well known for providing ratings of companies. Rapid Ratings is well known for providing ratings

for privately held companies.

All of these data sources have various products for credit rating and risk analysis to help organizations determine the financial health of companies in their supply chain.

Are they transparent in sharing their financial information?

Questions such as these are often found in Requests for Proposals (RFPs) prior to the start of a relationship with an RMC, but that is not the only time and place for them. This evaluation should continue throughout the life of the relationship.

There are other areas that also call for transparency. Service lines, service fees, operational capabilities, technology platforms, and a general working relationship are also important aspects of working with an RMC. Knowing how they do what they say they do, how they make their money, how agile they are to be able to deal with increases (or decreases) in relocation activity, and the systems they have to manage your relocating employees' relocations make transparency critical in all aspects.

It is critical to have open lines of communication regarding financial health with your RMC and any companies that are part of your supply chain in order to continue to make business decisions that are in your company's best interest.

| Red Flags

So now you know the questions to ask. But there are some other areas that are important to research that go beyond asking the right questions of your RMC.

Check references. Know your RMC's financial references and what they have to say about their ability to make payments. Financial references include banks, accounting firms, and any key suppliers. Know if there are any default risks that may keep them from being able to pay their bills, make payments to your relocating employees, and pay for services in advance of billing you. Knowing how quickly (or slowly) they pay their suppliers may demonstrate how dependable they are and how likely their suppliers will work for them, which can directly impact your relocating employees.

Stay on top of how their business has been impacted by the pandemic. The employee mobility industry, although diminished in 2020 by the pandemic in some regards, has not stopped. Companies in a good financial position prior to the pandemic with effective strategic leadership and initiatives are in the best position to be resilient and continue to grow through 2021 and beyond.

| Why This Matters in the Global Mobility Industry

It is critical to choose an RMC and develop a trusting relationship with them as they are responsible for one of your most important assets, your human capital. Choosing an RMC that can support your employee mobility needs and create seamless, stressless transitions can positively impact your talent strategies. Choosing an RMC that you trust to handle the financial aspects of managing your mobility program, audit and reimburse expenses within days, and be accurate in those transactions positively impacts the relocation experience. Choosing an RMC that has strong financial stability (allowing them to focus on service delivery while investing in technology and processes) positively impacts the relocation experience.

Knowing your RMC's level of financial stability is important in understanding their business model, operational capabilities, investment priorities, and financial priorities – all of which can impact the relocation experience of your employees.

About Aires

In operation since 1981, Aires is an industry leading, technologically advanced global mobility company. Headquartered in Pittsburgh, PA, Aires has offices across the U.S., as well as offices and legal entities in London, Hong Kong, Singapore, China, Malaysia, and India. Aires' worldwide offices and global partner network extend to 176 countries, ensuring broad coverage for clients. Aires' comprehensive suite of internally built technology tools include MobilityXchangeSM, featuring application programming interfaces (APIs) for tax, immigration, and HIRS systems. It also includes MobilityXSM, custom web portals for both employers and relocating employees offering accessibility to all key data to view, track, manage, and complete mobility tasks and details. Additionally, relocating employees can conveniently access MobilityXSM through their mobile devices.

With four decades of industry experience, Aires sets the standard in the global mobility industry, including the highest standard for financial stability.

An Industry Leader in Financial Stability

Aires is recognized as one of the most financially stable RMCs in the industry. There are many reasons Aires has such a strong financial position, including but not limited to the following.

- Aires has always been a privately owned company, focused first on its clients and their relocating families and on reinvesting in its people, processes, and technology to deliver world-class service.
- During the last 40 years, Aires has never purchased another company, nor has it been purchased. Aires has operated independently and grown year-over-year. Many other companies have been acquired, sold, divested, and gone bankrupt.
- The organic growth of Aires and its conservative fiduciary approach has allowed Aires to maintain zero debt, healthy cash reserves, and unused lines of credit, creating financial resiliency.
- Aires' business model is founded on independence. Although Aires has a global network of service providers, there are no pay-to-play contracts and no exclusivity agreements, ensuring that Aires' service partners are selected based on their merit, service delivery qualifications, and competitive pricing.
- Aires' technology platforms and applications are proprietary – designed, built, and maintained by Aires for Aires clients. Aires' technology has never been sold, co-branded, nor white-labeled. Aires' tremendous investment in its IT infrastructure, platforms, applications, and data security have provided clients with consistency, stability, dependability, and world-class service delivery. Aires' investment in developing a mobility ecohub (digital partnership with tax and immigration providers) is one example of how Aires is a leader of the future in mobility management.
- The members of Aires' executive leadership team have a combined average tenure of more than 20 years with the company. Longevity of strategic leadership has fostered Aires' culture of accountability and is a keystone of Aires' success.
- Aires survived the pandemic with a modest reduction in revenue for 2020 and has already rebounded to volumes in line with 2019, which was one of the best years in the company's history. Its cash reserves and strong independent business model contributed to its resiliency. Aires is proud to say they did not lay off any staff related to the pandemic, which has positioned the company extremely well to manage its customers' increased activity in 2021 and beyond.




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