

A blurred background image of a business meeting with several people in professional attire. The text is overlaid on the top half of the image.

ENABLING BUSINESS TRANSFORMATION FOR PE AND PE-BACKED COMPANIES

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NETSUITE


Bridgepoint
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Read Time: 14 minutes

ENABLING BUSINESS TRANSFORMATION FOR PE AND PE-BACKED COMPANIES

Our Understanding

Even as the private equity environment is becoming more challenging than ever, amid uncertainty on interest rates and greater government scrutiny, the global value of private equity buyouts is more visible and bigger than ever.

Private equity's reputation to relentlessly focus on increasing the value of their portfolio of companies has helped fuel this growth. Though the ability to achieve high returns can be attributed to many factors, determined focus on cash flow and margin improvements and the strict adherence to new government regulations are among the key considerations for the private equity firms we talk to.

As strategic partners to many Private Equity firms, we attempt here to present NetSuite's perspective on how our organization's expertise and platform can enable operation managers at your organization to standardize business processes and improve compliance, thus increasing enterprise value of your

businesses while providing a consistent and real-time visibility to the stakeholders about the state of their investments.

Among the many hard benefits that these companies are realizing, the following are a few key drivers that both the private equity and their portfolios tend to most focus on:

1. Deployment of standardized business processes across the companies.
2. Improved cash management strategies.
3. Faster time to onboard/divest subsidiaries.

NetSuite Value Proposition

At NetSuite, we feel confident that the success of digitizing operations achieved at more than 40,000 companies can be replicated across your organization. Our platform can deliver not only the capabilities that your organization demands today, but also functionalities that will be extremely critical as the wave of digital transformation continues to evolve and impact new business models that are disrupting industries across the globe.

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INDUSTRY TRENDS AND THE PRIVATE EQUITY'S STAKEHOLDERS OBJECTIVE

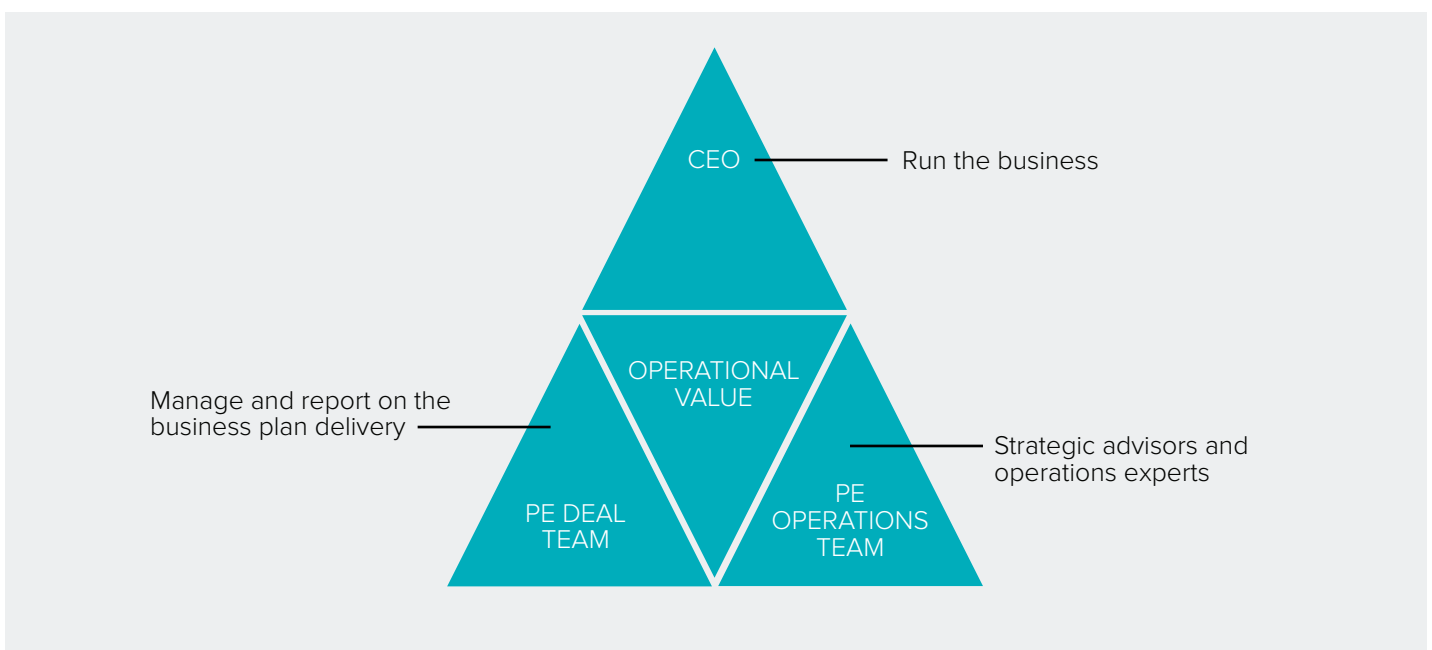
Our understanding

After several cycles and events ranging from extraordinarily cheap capital to the credit crunch, market conditions have accelerated the trend toward operational value as the primary source of value created by private equity.

It is no surprise then, for the past few years now, that some of the leading PE firms have and continue to relentlessly focus on creating value by improving business performance according to their investment thesis. They note that their ability to generate value

will increasingly depend on the firm's ability to develop and grow the business, improve the top line of its portfolio companies, and a determined focus on cash flow and margin improvement.

To drive operational value creation, third party analysts and leading management consulting firms have noted the evolution of the relationship among the key stakeholders—CEO, private equity deal team and private equity operations team.



Chapter 2

OPERATIONAL VALUE CREATION

Typology of 25 ways that companies can create operational value

Leading private equity firms excel at identifying the one or two critical strategic levers that drive improved performance. They are renowned for excellent financial controls and for a relentless focus on enhancing the performance basics: revenue, operating margins and cash flow.

Financial Structure	Bottom Line	Top Line (core business)	Top Line (expansion)
1 Working capital optimization Inventory, receivables, and payables management	6 Sourcing Outsourcing, offshoring, insourcing	12 Sales force effectiveness Incentives tied to margin and growth	19 Channel Strategy Expansion into new channels
2 Fixed-asset optimization Capacity, leasing, financing and utilization	7 Procurement Cost savings and supplier base	13 Account management Strategic accounts and end customer	20 Product innovation New product development
3 Capital expenditure optimization Postpone or avoid investments	8 Logistics Order handling, planning and stocks, warehousing, and distribution	14 Marketing Promotion effectiveness, brand management	21 M&A
4 Surplus cash policies Dividends, share buybacks and debt repayments	9 Operation, production, and manufacturing efficiencies	15 Pricing Strategy, levels and structure, execution	22 Brand Strategy
5 Restructuring or divestment	10 Overhead cost reduction Value- and activity-based cost reduction	16 Product line development Continuous improvement to existing products	23 Geographic expansion
	11 Delaying	17 Product bundling and cross-selling	24 Business model development
		18 Channel management Channel merchandising, sales aspects of logistics	25 Service Model, organization and processes

Source: BCG 2012 Private Equity Report, Engaging for Growth

NetSuite Enables Operational Value Creation & The Stakeholders Objective

An integrated platform delivers standardized processes, growth and compliance

The NetSuite platform’s unmatched financial controls, ability to deliver standardized business processes faster, agility to adopt to new business models and scalability offers a chance for substantial value creation. Several back-office functions at current customers have seen a 15-25 percent gain in productivity, whereas front-office processes could see improvements in many areas to drive higher customer satisfaction and improved margins.

Financial Structure	Improvement Potential*
Optimize Days Sales Outstanding (DSO)	40%-50%
Optimize Days Payables Outstanding (DPO)	10%-12%
Reduction in M&A integration costs	15%-20%

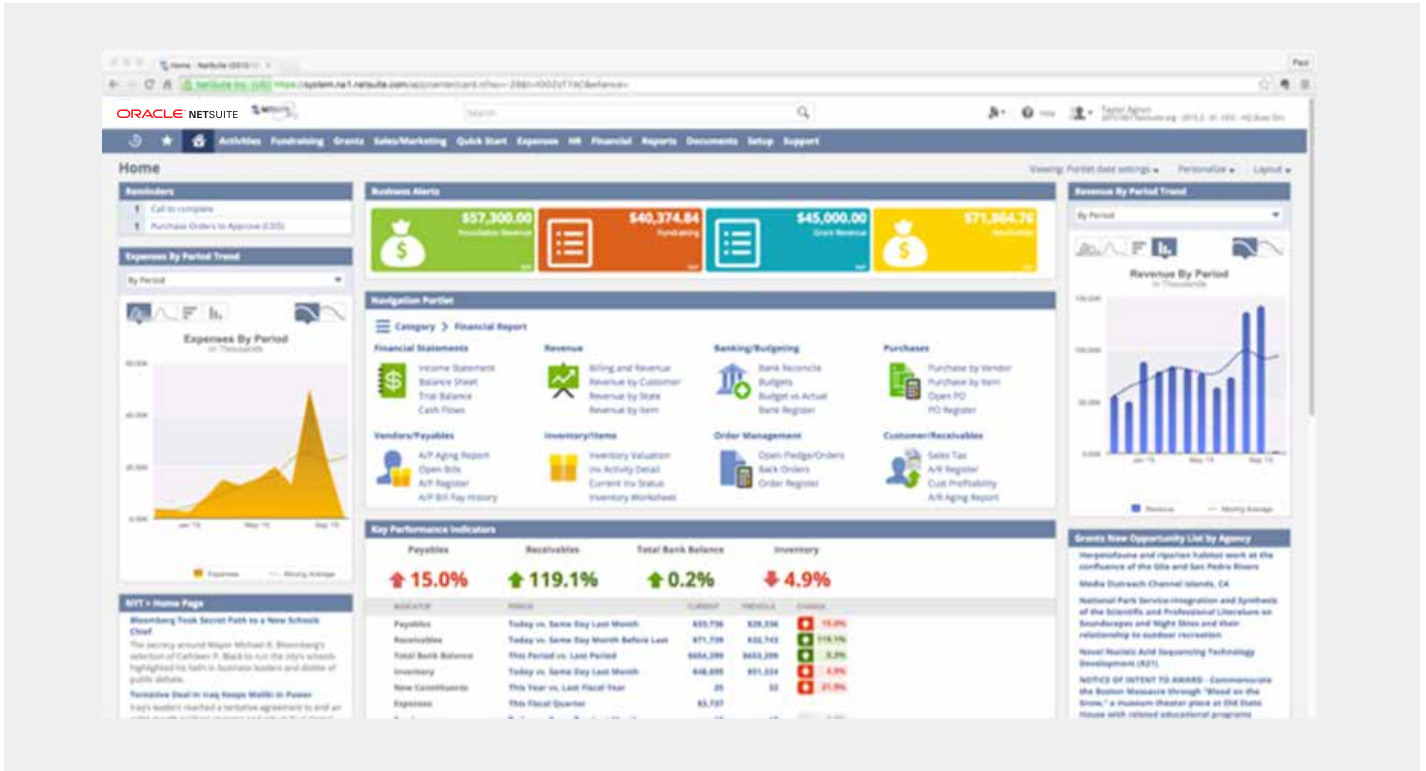
Bottom Line	Improvement Potential*
Faster period close (days)	3-7 days
Reduced audit cost	20%-30%
Improved SG&A costs	15%-25%
Improved vendor discounts	20%-25%
Improved IT TCO	20%-40%

Top Line (core business)	Improvement Potential*
Optimize Marketing Channels	5%-10%
Improved Margins	10%-20%

Top Line (expansion)	Improvement Potential*
Improved Revenue	1%-2%
Faster Time-to-Market	10%-15%

**Sample business drivers and example potential improvement ranges based on process benchmarks and based on NetSuite experience. Actual data required from company to develop a more detailed analysis.*

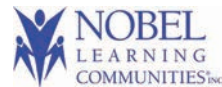
Real-time transparency into company performance across all business functions—from summary to transaction level.



\$100K reduction
in inventory costs by
avoiding overstock



15% decrease
in monthly inventory



\$1M annual savings
in capital and
maintenance costs



80% reduction
in outstanding receivables

Not all companies represented here are PE-owned companies

NetSuite Enables Operational Value Creation – Financial Structure

A real-time single source of truth for improved decision making



Inventory

NetSuite's inventory and warehouse management software allows you to consolidate your inventory systems into a single, integrated warehouse inventory control solution. You'll be able to manage inventory levels and get stronger control of inventory operations.



Fixed Assets

NetSuite Fixed Asset Management enables you to maintain and control the complete asset lifecycle from creation to depreciation, revaluation and retirement. Its detailed asset management functionality supports multiple depreciation calculation types, handling of

depreciating and non-depreciating assets, maintenance schedules, lease and insurance. Tight integration with NetSuite Financials creates accounting entries and fixed assets from purchases to help ensure that no equipment slips through the cracks



Working Capital Optimization

NetSuite's comprehensive accounting and finance capabilities provide end-to-end visibility into receivables and payables with integrated order-to-cash (i.e. sales order, billing, collection) and procure-to-pay (i.e. requisition, purchase order, invoice) transaction management. Support for project accounting and reporting on project financials and profitability, full-service payroll processing, and integrated budgeting and forecasting tools assist to optimize working capital.

casalife
furniture | accessories

\$120,000 savings

annually on purchasing, operations management and CRM

ROKU

500% reduction

in monthly financial close time without adding personnel

BACKSTOP
SOLUTIONS GROUP LLC

85% reduction

in time for budget reports for complex, multi-client projects

Allied Valve Inc.

Achieved 400%

company growth with same IT staff

byte mobile

50-55% reduction

in ERP system expenditures over 5-year period

Not all companies represented here are PE-owned companies

NetSuite Enables Operational Value Creation – Bottom Line

Standardize business processes and gain transparency into business operations



Business Process Standardization

NetSuite helps organizations streamline the close process with capabilities to manage period-end activities, and to detect and respond to problems before they escalate or occur.



Reporting & Analytics

Allow business user to create meaningful reports with easy-to-use tools, monitor the latest results as part of everyday activities, identify root causes of problems and take corrective action with NetSuite out-of-the-box reporting and analytics dashboards.



IT Costs

Without the upfront expensive capital cost required with on-premise software and the lower costs to manage, deploy, integrate and upgrade a cloud platform drives lower total cost of ownership. NetSuite's multi-tenant cloud architecture provides economies of scale across a shared infrastructure, with cost efficiencies that are impossible for an individual department to realize on its own.



REVENUE RECOGNITION

- Flexible Revenue Recognition Scheduling
- Revenue Arrangements with Multiple Deliverables
- Percentage-of-Completion Accounting
- Software and Service Contracts

UNIFIED BILLING

- Rating for Subscription Billing
- Rev Rec Support for Subscriptions Phase 2
- UI for Managing Plans, Subscriptions and Order Management
- Consolidated Invoicing Statement with Sales Orders

OMNICHANNEL COMMERCE

- Ecommerce
- Point of Sale
- Commerce Marketing
- Order Management
- Product Content Management



Triples ecommerce productivity, reduces IT costs over 20 percent with NetSuite



Unified solution for financials, inventory, ecommerce and retail POS



25% improvement in order efficiency and improved customer satisfaction



20% reduction in operating costs while experiencing double digit growth

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NetSuite Enables Operational Value Creation – Top Line (Core Business)

A platform ready to support new business models and enable top line growth



Revenue Recognition

Revenue is recognized when it is realized or realizable, and when it has been earned. Whether a sales transaction consists of a single action, a series of actions across a period of time or contains different types of deliverables in a bundle, NetSuite ERP enables accounting departments to comply with revenue recognition requirements in a productive manner so that your financial statements are always accurate.



Omnichannel Ecommerce

NetSuite's SuiteCommerce enables businesses companies to seamlessly connect every step of a multi-channel, multi-location business—from ecommerce, Point of Sale (POS) and order management to merchandising, marketing, inventory, financials and customer service.



Unified Billing

NetSuite's invoicing software turns your billing management process into a competitive asset by completely integrating it into your business. NetSuite billing management software offers flexible billing scheduling and an integrated process flow that adapts to your specific needs, helping you reduce billing errors and improve customer satisfaction.

199

Countries and Dependent Territories Deployed

24

UI Languages

190+

Currencies Updated Daily

200+

Countries and Dependent Territories Transacted

90+

Bank Payment Formats

100+

Countries Supported for Taxes and Reporting



Deployed to 10 international subsidiaries.

Extended solution, to Mandarin speakers across the manufacturing plant



Achieved 20% annual revenue growth

with global agility across 35 countries



Expanded worldwide base of 5,000 customers

including GE, Honeywell and Philips



Rapid growth
to 105+ locations in four countries

Not all companies represented here are PE-owned companies

NetSuite Enables Operational Value Creation – Top Line (Expansion)

Cloud platform reduces cost of integration and enables faster geographic expansion



Global Expansion

Move into new markets with the ability to adjust for local currency, taxation and legislative differences, with regional and global financial consolidation and roll-up, in one cloud-based system and all in real-time.



Real-time KPIs

Provide your companies with real-time global business insight via role-based dashboards and audit trail capabilities.



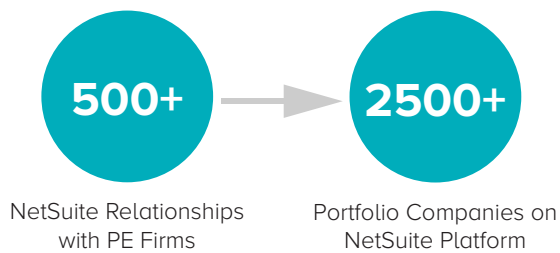
Compliance

Deliver a global end-to-end solution to meet critical and time-consuming regulatory financial compliance requirements such as IFRS, SOX and GAAP.

NEXT STEPS

A Stronger and Strategic Partnership

NetSuite is aligned and committed to your philosophy of enhancing operational value. As a strategic partner, we will take this responsibility extremely seriously and are ready to bring our expertise and cloud solutions delivery experience to your organization.



NetSuite has a dedicated Global Private Equity practice that engages exclusively with PE and PE-backed companies to drive some of the portfolio technology value creation. There are thousands of PE-backed companies who have chosen NetSuite as their platform for growth, and we have found that these firms have a unique DNA in terms of growth, investment theses (e.g. growth by acquisition, carve outs or divestitures, etc.), and often operate under accelerated timelines and aggressive budgets. To support that, we offer a team that is able to move quickly and easily navigate the transaction-oriented environment.

For more information contact privateequity@netsuite.com.

Proposed Next Steps:

- Plan and schedule a value assessment engagement to confirm and validate the operational value that can be realized with NetSuite solutions.
- Establish a joint executive sponsorship and governance team to track and monitor our strategic partnership.

Notes

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