



Getting Results: Measuring the ROI for Oracle EPM to Unlock Business Potential

HOW TO OPTIMISE YOUR EPM INVESTMENT STRATEGY

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PROJECT CATALYST

Oracle commissioned Ovum to conduct an independent research study, and author a white paper examining the return on investment (ROI) and net present value (NPV) of Oracle's on-premise Enterprise Performance Management (EPM) solution. The objective of this project is to develop and present an analysis framework that articulates the business value of an EPM solution, and which is targeted at educating an audience who may be new to the EPM solution proposition.

The methodology for this project is based on eight interviews conducted with a considered cross-section of existing Oracle EPM customers. Ovum based these interviews around a questionnaire designed to both identify and quantify the full range of direct and indirect costs and benefits of implementing an effective EPM solution.

The individual responses from each participant in the project were aggregated into a hypothetical "composite" company (explained below) against which all subsequent analysis was conducted.

This project was led by Ovum analysts with expertise in both EPM, business intelligence (BI) and Business Analytics, as well as in financial modeling techniques. Ovum has engaged with the companies it has interviewed under a strict non-disclosure agreement to ensure complete confidentiality. Please note that this paper specifically covers on-premise deployments of EPM, *not* EPM deployed on Oracle Cloud, which will be covered in future studies as more data from the financial performance of this deployment model becomes available.

EXECUTIVE SUMMARY

While most enterprises understand the value of EPM solutions, many wrestle with the challenge of quantifying the costs against the cash and non-cash benefits. Deploying EPM as an on-premise system can involve significant upfront investments in software, hardware and IT resources and skills and hence the challenge of defining the business case can hinder enterprises moving forward with what otherwise would be highly beneficial project.

To understand the total cost of EPM, its return on investment profile, and provide a framework for enterprises exploring EPM, Ovum has conducted an independent cost-benefit research exercise to model the return on investment (ROI) and net present value (NPV) of Oracle's on-premise Enterprise Performance Management solution.

Modeling a range of both direct and in-direct costs and benefits (defined in detail in this report), Ovum found that a composite enterprise **achieved positive ROI from year one. Over a five year period the composite enterprise achieved a ROI of 202%**. This signifies that, in present value terms, **every dollar invested in Oracle EPM will yield about 2 dollars in accrued profit after five years** for the composite enterprise.

Ovum found that key benefits from Oracle's EPM solution are both indirect and direct. By adopting Oracle's EPM solutions, enterprises were able to improve visibility, increase trust in financial forecasts and analysis, improve auditability, and increase finance and non-finance employee productivity. Direct benefits were derived from time saved due to process efficiencies related to streamlined financial processes (typically around close, budgeting and planning cycles), more accurate forecasting, and quicker time to decision insight and response. Ovum found that these direct benefits comprised the majority of the total benefits from Oracle's EPM solution. However, Ovum also identified a range of important indirect benefits, such as improved trust in data and reduction in business risk that can be attributed to business performance improvements and cost efficiencies. Ovum's sees benefits of EPM investment typically start accruing from the end of the first year of deployment and these increase as the project progresses and is widely adopted in the organization. Hence it is important that enterprises deploy EPM to cater to both current and future requirements, and that they plan an Oracle EPM program for at least a five year period.

In Ovum's cost analysis, license costs are the major item in the initial years, albeit with standard industry discounting practices reducing this burden. License costs were typically circa 60% of total initial costs for large deployments (over 1000 licenses). However for smaller scale deployments, cost of personnel, system integration, and deployment costs were greater than the licensing costs. In Ovum's research, we found that on average over 50% of the costs of EPM deployment accrued in the first two years of a five year program. While benefits continue to grow, costs reduced significantly from year two onwards as the majority of licenses were deployed/purchased by that time.

KEY FINDINGS AND RECOMMENDATIONS

Ovum's interviews with eight live, on-premise Oracle EPM customers, and subsequent financial analysis of a composite organization modeled from the empirical data gathered from the interview program, gives the following key findings:

Net Economic Value:

- ROI from investment in Oracle EPM was achieved from the end of the first year itself. EPM system started paying for itself in one year in terms of both cost savings and performance improvements to the business

- The NPV of EPM turned double digits between years one and two. In other words, if the system is used only for two years it still generates a sizeable profit.
- Deploying EPM to a broader user population accelerates the accrual of direct and indirect benefits
- Enterprises that follow a phased roll-out approach for Oracle EPM deployment (systematically increasing licenses rather than deploy all at once) achieve profitability much faster

Benefits:

- The present value of total benefits for ten years (TB10) was \$176.2m for the composite organization modeled by Ovum. In other word, if this composite organization realized all the savings as a lump-sum at the start of the project that they would have realized over the next ten years after deploying Oracle EPM, this is how much benefit they would get.
- Key quantifiable benefits are time savings on financial tasks, including financial close, planning, budgeting, forecasting. The reduction of the planning and financial close window was mainly due deployment of EPM which led to streamlining of previously inefficient and labor-intensive processes.
- The key intangible benefits include better capital management (optimizing capital management to lower weighted average cost of cost of capital) and better cash conversion cycle (optimizing receivables, payables, and inventory to free up money tied up in the production) which helps boost profitability
- Other benefits that are not quantifiable, but are vital to highlight in a business case for EPM, include trust in data, management efficiency, and a better alignment of tactical actions to financial performance

Costs:

- The present value of total costs for ten years (TCO10) was \$42.6M for the composite organization modeled by Ovum. In other words, if the composite organization had to pay all costs in the beginning in a lump-sum and never spend another penny on EPM for the next 10 years, \$42.6m would be the outlay.
- Direct costs, as the name implies, refer to costs that can be completely attributed to the acquisition, deployment, administration, and management of EPM. Direct costs could refer to licensing, labor, and expenses that have been solely used for EPM and can be completely attributed to EPM processes. In many cases, EPM uses shared resources (such as an existing server or an existing enterprise data warehouse). Such expenses are typically classified under indirect costs.
- To keep costs in control, enterprises need to choose a service provider that invests significant time in understanding their business process and their industry nuances for deployment success

 TABLE OF KEY FINDINGS

The following table summarizes the key metrics from the Composite Organization modeled by Ovum

Table 1: Study Results

Metric	Value	Meaning/Significance
Present value of total costs for ten years (TCO10)	\$42.6m	If the composite organization has to pay all costs today in a lump-sum and never spend another penny on EPM for the next 10 years, this is the outlay.
Present value of total benefits for ten years (TB10)	\$176.2m	If the composite organization realized all the savings as a lump-sum today that they would have realized over the next ten years after deploying Oracle EPM, this is how much benefit they would get today.
Net Present Value if EPM runs for 5 years (NPV5)	\$65.7m	After consideration of all costs and benefits for the next five years, a positive NPV means that investing in EPM will add this amount to company's savings and earnings.
Net Present Value if EPM runs for 10 years (NPV10)	\$133.6m	After consideration of all costs and benefits for the next ten years, a positive NPV means that investing in EPM will add this amount to company's savings and earnings
Return on Investment (5 years)	202%	This relates to total profit (i.e. benefits less costs) as a % of costs, or the total % profit after five years. It signifies that considering the time value of money, every dollar invested in EPM will yield about 2 dollars in accrued profit after five years.
Return on Investment (10 years)	313%	This relates to total profit (i.e. benefits less costs) as a % of costs, or the total % profit after ten years. This value signifies that considering the time value of money, every dollar invested in EPM will yield about 3.1 dollars in accrued profit after ten years.
Payback Period	~0.66 years	This relates to the number of years it takes for the composite organization to break-even (when expenses on project is equal to its benefits), or years it took for them to recover their original investment.
Discounted Payback Period	~0.72 years	Same as payback period, but with adjustments for the time value of money

Source: Ovum Analysis

UNLOCKING THE VALUE OF EPM INVESTMENT

Enterprise performance management (EPM) has emerged over the past decade as both a technology and methodology to link operational and/or strategic controls to drive business performance. Born in the office of finance, EPM is grounded on a core set of applications for financial consolidation, planning, budgeting, forecasting, strategy management and cost and profitability management. The overall objective of performance management is to achieve an assessment of business performance across operational activities and departments, and thereby create a link between business strategy, execution, and rewards. Performance management as a framework sets strategies and continually manages the execution in line with goals and targets. Performance management technology and software is used to facilitate strategy management and to drive the appropriate operational execution.

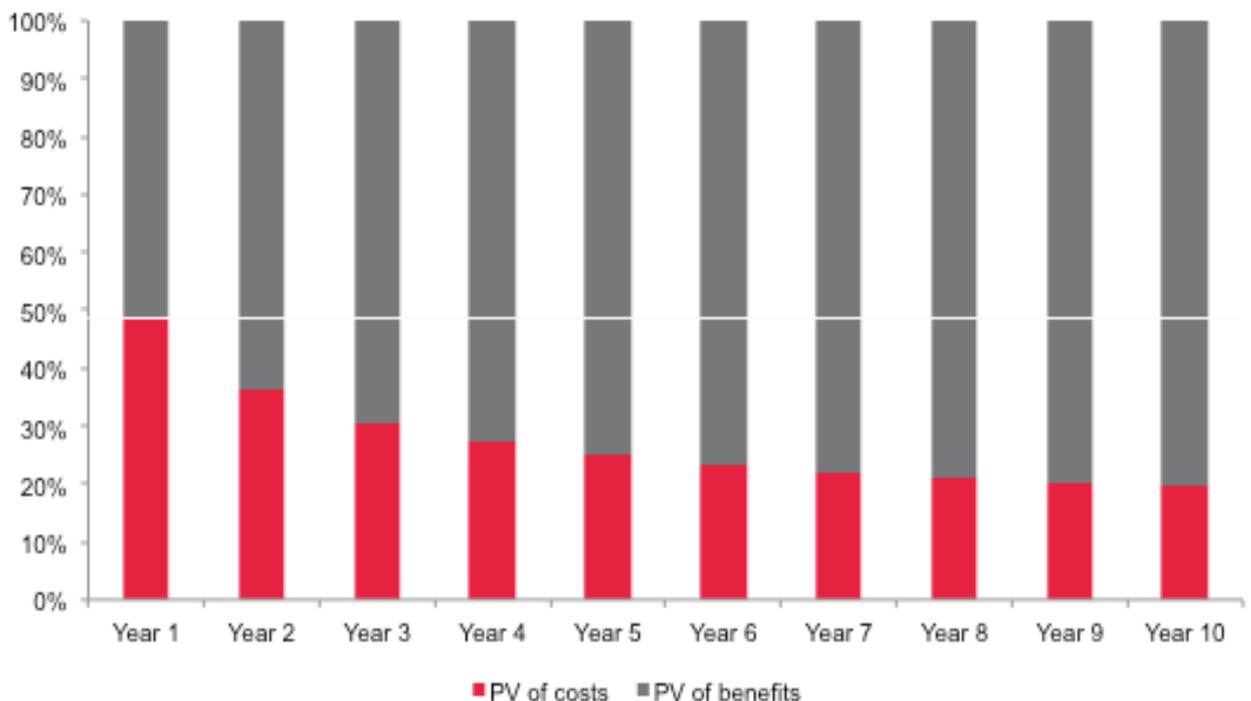
YOUR EPM INVESTMENT WILL PAY FOR ITSELF AFTER ONE YEAR

Our research shows that, on average, net cash flows (benefits less costs) from EPM deployment turned positive before year one (~0.7 years) from the start of EPM deployment.

In other words, the composite **enterprises' savings per year from EPM exceed their per year investment in EPM in less than one year. From year one onwards, the system starts paying for itself. This is above Ovum's expectations for other business IT projects, such as the deployment of ERP solutions.**

Figure 1 depicts how costs decline from just around 50% in year 1 to below 40% from years 2 onwards. All years where benefits are larger than costs show positive cash flows.

Figure 1: Percentage costs and benefits over ten years



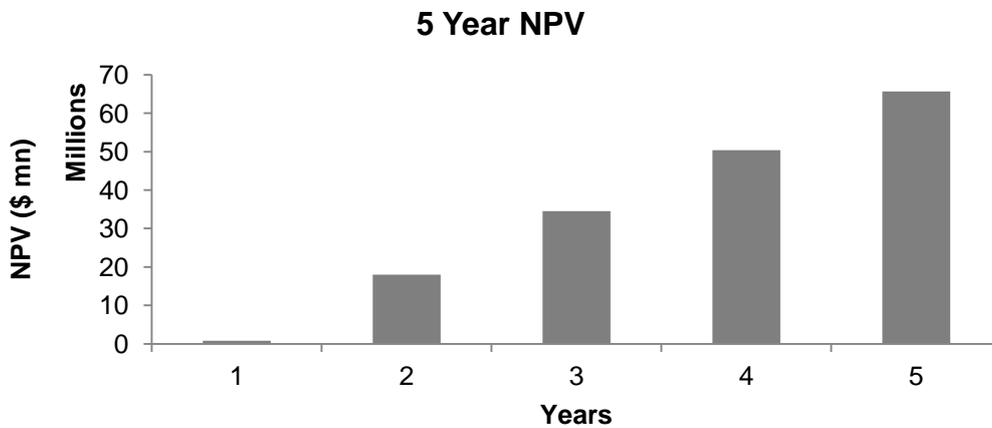
Source: Ovum Analysis

YOUR EPM INVESTMENT WILL START GENERATING PROFITS FROM YEAR ONE ONWARDS

The NPV of EPM for the composite enterprise is positive before the end of year one. In other words, **even if the system was used only for one year it will still generate a profit. Usage beyond one year increases the amount of profitability that the system provides. In effect, beyond three years, the system can be considered a positive cash flow asset for the company.**

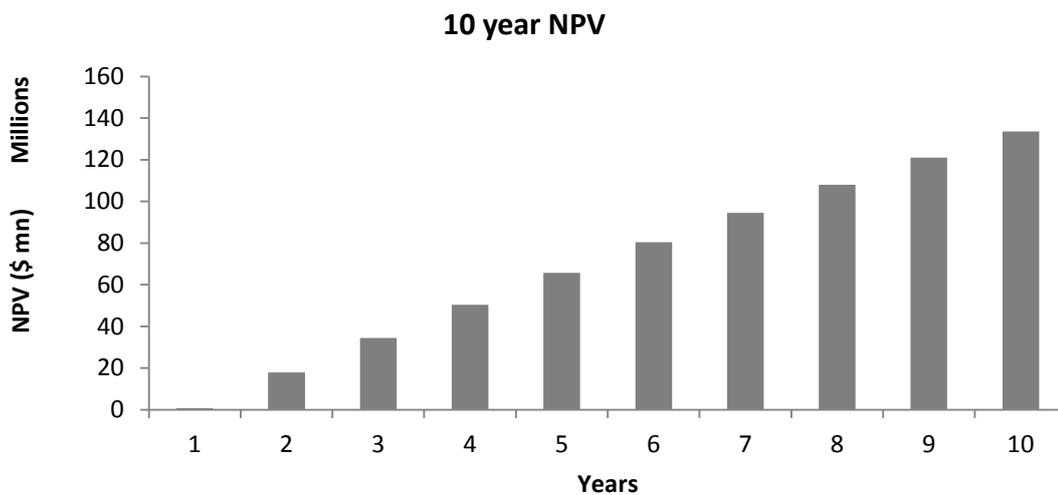
This is shown in figure 2 and 3 and is particularly evident from the fact that ten year NPVs were higher than five year NPVs in all cases. This is because once the initial deployment costs are borne, overall costs decline substantially and benefits increase on a yearly basis. The longer an enterprise uses their EPM investment, the greater the benefits.

Figure 2: NPV over five years



Source: Ovum Analysis

Figure 3: NPV over ten years

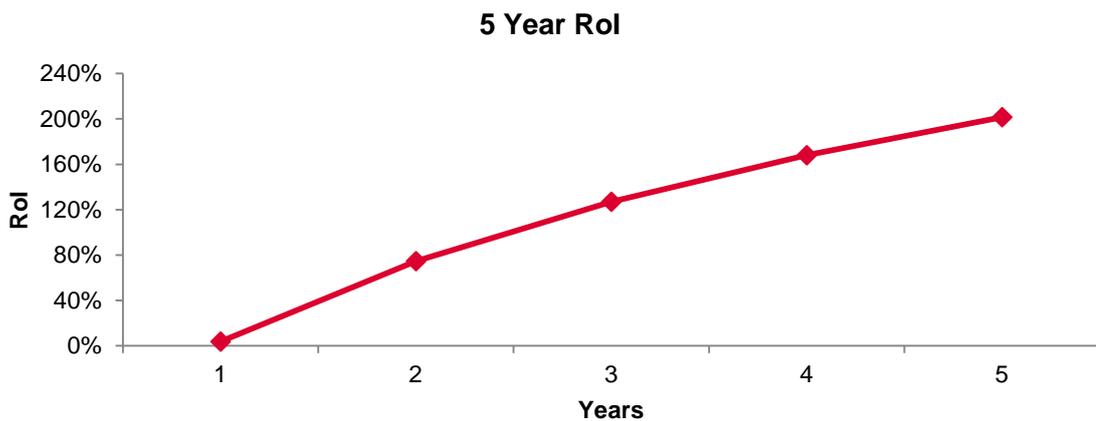


Source: Ovum Analysis

EXPANDING THE NUMBER OF USERS HAS A MULTIPLIER EFFECT ON ROI

The **more the number of users or licenses, the faster a company achieves positive return on investment (RoI) and NPV.** The composite company's payback period is considerably shorter than it would have been had it deployed lesser licenses. **Expanding EPM deployments across more departments in the organization with more users has a multiplier effect,** as each day shaved off the monthly or yearly planning cycle means a day extra for all users (and more enterprise departments) that could be used for other activities.

Figure 4: RoI over five years



Source: Ovum Analysis

Figure 5: RoI over ten years



Source: Ovum Analysis

Large enterprises spend a smaller percentage of their costs on system integrators, while smaller companies end up spending more on IT services as a % of total costs. However, smaller enterprises manage to better

align and focus EPM deployments to achieve specific business goals (such as revenue growth or cost reduction), and are therefore better equipped to understand and articulate direct benefits from EPM.

In some cases we find that where **EPM deployment is driven by regulatory pressures, it also helps enterprises reduce business and operating risks.** Risk management counts as a key qualitative benefit. Being better equipped to comply with regulatory pressures reduces business and operating risk for enterprises. However pricing or quantifying this benefit is difficult, as risk-pricing is subjective and differs widely across industries.

A SYSTEMATIC APPROACH TO EPM DEPLOYMENT HELPS TO ACHIEVE PROFITABILITY FASTER

Our research shows that where EPM is deployed in a phased manner, profitability is achieved much faster. Instead of deploying all licenses at once, Ovum's composite enterprise phases out deployment in a linear fashion and captures low-hanging fruits to achieve break-even faster. Ovum sees this in organizations that test the solution with a smaller group/division to leverage the benefits of better data quality and automation before rolling the system out to the entire user group(s).

CHOOSING THE RIGHT PROFESSIONAL SERVICES PARTNER IS CRITICAL TO EPM DEPLOYMENT SUCCESS

Our research shows that third party professional services firms engaged in deployment and application development need to invest themselves in understanding their clients' business process and industry nuances. Ovum's research has found that service providers that do not undertake this rigorous analysis sometimes lead to semi-successful deployments that do not deliver promised benefits.

CUSTOMERS TRUST EPM TO MANAGE FINANCIAL DATA QUALITY AND MANAGEMENT

Our research found that most of the customers surveyed (and therefore we assumed this for our composite enterprise), do not use an enterprise data warehouse for feeding data to EPM, and prefer instead to perform data management tasks (ETL transformations and mappings, data quality, etc.) when data is pulled inside the EPM environment. This shows that **customers use Oracle's EPM suite to manage data quality.** In Ovum's opinion this is a key differentiator for Oracle versus other vendors. The EPM market has now been flooded by solutions that lack data management capabilities and users that have complex data management requirements should be made aware of Oracle's prowess in this area as compared to these solutions. Ovum believes that this is a result of Oracle's investments around its Oracle Hyperion Financial Data Quality Management (FDM) module.

THE VITAL INTANGIBLE BENEFITS OF EPM: HARD TO QUANTIFY, BUT KEY TO SUCCESS

Apart from hard quantifiable benefits from EPM, enterprises also signaled that there is great value from intangible benefits of EPM. These should not be discounted and should be factored into any investment decision. They include:

- **EPM as a golden record for financial data:** Oracle EPM automates the collection, mapping, verification, and movement of financial and non-financial data. Creating a standard process for data collection and transformation eliminates variability and uncertainty around data quality. Implementing a data quality initiative lowered the cost of compliance for the composite

enterprise. Compliance cost is particularly relevant for highly regulated industries (i.e. insurance, healthcare) governed by ever-stringent compliance directives. Auditable and validated financial data is easier to audit and review and can be easily traced back to original sources to identify problems.

- **EPM drives greater management efficiencies:** Oracle EPM helps present a unified and consistent view of the consolidated enterprise, which is invaluable to management for formulating strategy and making key business decisions. Overall, the composite enterprise deploying EPM reports higher management efficiencies through faster and more accurate decision making processes; though these benefits are hard to quantify..
- **EPM training enhances employee retention:** For finance employees in particular, knowledge and training in the Oracle EPM platform enhances their skills and raises their profile in the organization. Business users perceive Oracle EPM expertise to be a key skill, and organizations that provide this training regularly are considered attractive places to work.

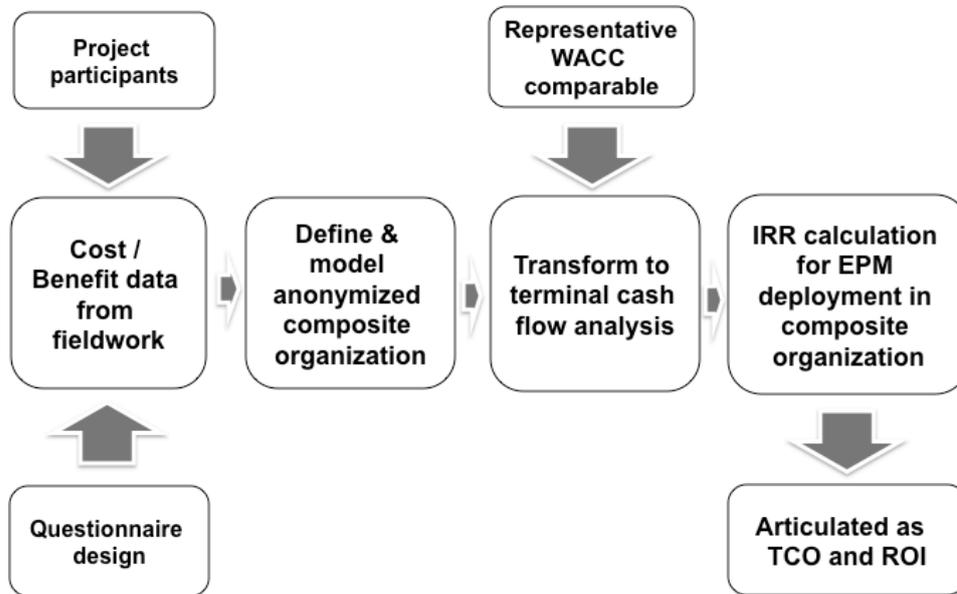
METHODOLOGY AND THE COMPOSITE EPM USER

PROJECT METHODOLOGY

Ovum’s financial experts used classic cash flow based modeling to evaluate the TCO and Rol of Oracle EPM solutions. Primary inputs were:

1. Costs
2. Benefits to the entire organization
3. Discount rate or the appetite for risk and return

Figure 6: EPM project modeling methodology



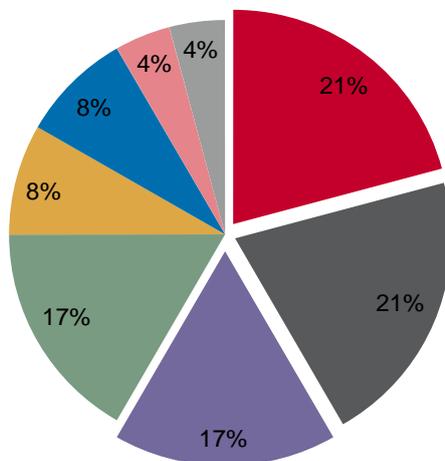
Source: Ovum Analysis

Note: WACC denotes Weighted Average Cost of Capital

INTERVIEWEE PROFILE

- Total organizations interviewed: eight (description below)
- Designations: VP Financial Systems; Manager Financial Planning and Business Analytics; Sr. Director Financial Systems; and similar
- Total number of solutions deployed: 24, or an average of 3 EPM tools per enterprise. There were other parts of the Oracle software deployed (BI stack, data integration, database, middleware) that was not counted for this project
- EPM functions: Oracle Hyperion Enterprise Financial Planning Suite and Oracle Hyperion Financial Management were the most deployed tools across eight interviewed organizations, followed by Oracle Hyperion Financial Data Quality Management.

Figure 7: Distribution of Solutions in use



- Oracle Hyperion Enterprise Financial Planning Suite
- Oracle Hyperion Financial Management
- Oracle Hyperion Financial Data Quality Management
- Oracle Data Relationship Management
- Oracle User Productivity Kit for Hyperion
- Oracle Hyperion Strategic Finance
- Oracle Hyperion Profitability and Cost Management
- Oracle Hyperion Public Sector Planning and Budgeting

Source: Ovum

RESPONDENT HIGHLIGHTS

Ovum conducted eight interviews for this study, involving representatives, from both the office of finance and IT departments responsible for running and maintaining financial systems).

The companies covered were:

1. Multinational defense and aerospace company. Its relationship with Oracle draws back over 12 years and used Oracle Hyperion Enterprise for reporting actuals versus plans. As an acquisition-led company, it faced significant integration issues with legacy financial and other business systems, and subsequently reached out to Oracle/Hyperion for Oracle Hyperion Financial Management and Oracle Hyperion Financial Data Quality Management, followed by other EPM modules.

2. Major entertainment outlet chain. The company owns a chain of entertainment outlets operating in the Americas and Asia Pacific regions that owns five different entertainment brands. The company purchased and implemented Oracle Essbase (when it was sold by Arbor) in 1998, and in 2005 they implemented Oracle Hyperion Financial Management. A key requirement was to provide a more consistent and transparent view of accounts data that could be mapped into specific lines business, all managed within a centralized financial consolidation tool.

3. Media company. This company, headquartered in the US, caters to more than 150 million consumers through its print and digital media brands. It also owns a division that develops video programming; and owns a print brands. The company purchased and deployed Oracle Hyperion Planning, Oracle Hyperion Financial Reporting, Oracle Hyperion Financial Data Quality Management, and other parts of the Oracle stack. A key requirement was to achieve better data quality and to instill trust in organizational data, to optimize and accelerate financial planning and financial close processes, while at the same time reducing the amount of manual work for compiling analytic reports.

4. System integrator specializing in government sector. This company - a subsidiary of a top aerospace and defense company - provides system integration and IT services to customers in the defense, government, and commercial sectors. The extensive use of Microsoft Excel had exposed the company to significant operational risk and was making yearly auditing cycles more complex and difficult. Seven years ago the company embarked on an initiative to build a center of excellence around Oracle's EPM products. Tools implemented include Oracle Data Relationship Management, Oracle Hyperion Profitability and Cost Management, and Oracle Hyperion Financial Management along with other parts of the Oracle stack such as Oracle Business Intelligence Enterprise Edition for business analytics and Oracle Data Integrator for data transfer.

5. Multinational Oilfield services company. The company is one of the world's largest oil field services companies, with operations globally. It has an extremely complicated and diverse holding structure with that require numerous inter-company reconciliations. The company has over 5,000 users of Oracle EPM. Products deployed include Oracle Hyperion Financial Management, Oracle Hyperion Planning, Oracle Hyperion Financial Data Quality Management, Oracle Data Relationship Management and Oracle Hyperion Strategic Finance.

6. Specialty healthcare and education center. The organization is widely regarded as one of the best hospitals in the US, and also maintains a widely accredited academic institution and a research center. The company originally invested in Peoplesoft and then adopted Hyperion in 2000. Subsequently it ran a diverse IT environment with different solutions (sourced from different vendors) for core HCM, supply chain, and general ledger functions. They adopted Oracle Hyperion Planning in 2003 and switched to Oracle Hyperion Public Sector Planning and Budgeting in 2013. The key objective was to reduce the annual budgeting cycle.

7. Large banking and financial services company. This company is one of the largest financial institutions in the APAC, operates across ten countries in the region, and providing business, personal, wholesale banking services and manages private wealth. It deployed Oracle Data Relationship Management (DRM), Oracle Hyperion Financial Management and Oracle Hyperion Planning. DRM is key to requirements for controlling master data hierarchies across divisions and products. The deployment is also helping the company to reduce close times and create data quality checks and balances within system itself for compliance with mandates such as Sarbanes-Oxley Act.

8. Global manufacturer. This company maintains a network of integrated operations, including its own production and supply chain systems. The company is a long-time Hyperion customer - primarily for financial consolidation and reporting. It moved to adopting the Oracle EPM portfolio, with Oracle Hyperion Financial Management and Oracle Hyperion Financial Data Quality Management deployments. They also acquired Oracle Business Intelligence Enterprise Edition and Oracle Hyperion Financial Reporting. The company is looking for its EPM initiative to evolve from being extremely decentralized to being centralized in its data architecture, with highly curated quality and controls for data.

COMPOSITE ORGANIZATION

The hypothetical composite organization is a multinational holding company with diversified business interests across multiple industries. It has a strong background in defense and aerospace, and has acquired (and is open to acquiring) other asset heavy integrated manufacturing businesses.

To provide customers easy financing for purchasing its capital intensive goods, the company has also started its own non-banking financial services (NBFC) arm that provides a gamut of banking services. Its assets are distributed across various geographies, some of them in hyper-inflationary economies. Each business unit effectively functions as an independent entity, but synergies are now being explored to reducing operating costs as a key goal for this year. Given the wide variance in the nature of its businesses and operating locations, the company has to maintain an extremely heterogeneous technology environment that is prone to organizational data silos.

However, the parent holding company has now expressed a need to reconcile individual subsidiary financial statements, and present a global view in line with US GAAP reporting every year; something that is proving to be a major challenge. In the most recent year, the holding company had \$15 billion in sales; sales are growing at 4% year on year on average. The organization has approximately 10,000 employees.

MODEL ASSUMPTIONS

The ROI model that was used to for this study (that was built using free cash flow modeling principles) rests on a few assumptions detailed in Table 2 and in the list below.

- Organizations procure software at a wide range of discounts from publicly listed Oracle prices that are determined on a several criteria including existing relationship, complexity, size, and type of deal. For the purposes of this exercise we assume a reasonable discount percentage off the published list price. Note: this is not a mathematically derived "average" discount; rather it is based on anecdotal accounts of conversations with Oracle clients Ovum has interviewed for this project, and supported by prior engagements with existing clients as part of our research.
- Organizations use standard blade and rack servers for deployment, which typically cost about \$10,000 per blade. This is an average figure and has been verified from all respondents.
- The total annual compensation and rewards for an IT and finance employee (as provided in Table 2) includes salary, variable compensation, and all direct benefits. Salaries are assumed to grow by 5% every year.
- Discount rates will vary widely within industries and companies, and measure the ideal return that a company expects given the risk profile of the company and the project its undertaking. In most industries discount rates vary from 8 - 12%; and we therefore assume an average cross industry discount rate of 10%. The discount rate is a measure of how much return the company expects from the project given the risk its taking. For example, a project deemed to be "risky" in a new geography might carry a much higher discount rate than a similar project in a known and tested geography. Generally, most enterprises consider their weighted average cost of capital (WACC) to be their ideal discount rate. Enterprises are therefore urged to consult with their respective company's finance department to determine the most appropriate discount rate to use within their own organizations.
- Time-line horizons used for the financial modeling spans between five to ten years. In Ovum's experience organizations implement and use the same EPM platform for at least ten years.
- Ovum believes that the principle of the free cash flow modeling dictates that financing decisions be based on cash flows rather than on accounting adjustments, such as capitalization and depreciation. Since the model is based on free cash flow, both capitalization and expensing lead to the same cash flow. In other words, all costs can be assumed to be expensed as incurred, and not capitalized, for the purposes of this model.

Table 2: Model Assumptions

Reference	Metric	\$/year	\$/month	\$/day
SITE	Total annual compensation of dedicated IT employee managing EPM installation	100,000	8,333	278
SFE	Total annual compensation of dedicated finance employee using EPM installation	120,000	10,000	333

Source: Ovum

FINANCIAL ANALYSIS

The TCO ROI model used for this assessment calculates the benefits and costs for EPM. It uses these inputs to measure economic return on investments.

QUANTIFIABLE BENEFITS

Ovum's research identifies direct and indirect benefits that are realized from deploying Oracle EPM.

Direct benefits tend to derive from the calculated time saved due to process efficiencies related to streamlined financial processes (typically around close, budgeting and planning cycles), more accurate forecasting, and quicker time to decision insight and response, and are easily quantifiable. Indirect benefits, such as improved trust in data and reduction in business risk are usually qualitative, and not easily quantifiable but can be attributed to business performance improvements and cost efficiencies.

Increased efficiency of financial EPM processes

Direct benefits are principally realized from efficiency in finance teams, which translated into time/man-hour savings for companies. This was particularly true for financial planning, budgeting and financial close, where even a single day saved impacted a large group of finance professionals. With additional time at their disposal, finance professionals are freed of the burden of mundane data quality tasks, freeing them up instead to focus on value-add financing tasks and decisions such as financial management.

Time savings on financial tasks (TSFB): close, planning, budgeting, forecasting

The composite organization's biggest benefit is in reducing the planning and financial close windows. Capturing the effort and time savings from monthly, quarterly, yearly close and planning helps it to record positive returns in a short time. The EPM system accelerates close and streamlines previously inefficient and labor-intensive processes.

The savings are accrued in several ways:

- Time savings from financial close, planning, budgeting, forecasting - through conversion to number of man-hours and associated salaries savings.
- Reduction in finance headcount - as a result of intercompany reconciliation and consolidation. In some cases finance teams do not engage in headcount reduction but choose to take on more responsibilities with the same team size.
- Accelerated financial cycles - particularly for financial reporting and disclosure, strategic planning, forecasting, simulation/optimization (what-if analysis), and management reporting.

Shaving down monthly planning cycles

Monthly planning used to be extremely time consuming before deployment of EPM. After deploying the planning and financial data quality module, the composite company unified disparate financial data stores, shortening its month-to-end cycle time and accelerating its financial close. Time savings on planning is directly counted as a tangible benefit by converting it to man-hours and salaries saved.

We estimate that the composite organization is saving three and a half days from its monthly planning cycle 'off the bat' after implementation of the EPM system. This is attributable to a large number of factors, of which software automation and usage is a major factor. Ovum finds that 40% of the savings can be attributed to EPM; the rest being claimed by manual process improvements.

Table 3: Savings from reduced monthly planning cycles

Number of planning users	Over 2,500	Salary of finance user in year 1	SFE*1.05
Time saved every month in days	4	Time saved every year in days	4*12=48
Time savings attributable to EPM	=40%*48=19.2 days every year every EPM user	Total time saved by EPM in days per year	=51,840
Total ongoing time savings every year(TSPn)	=51,840/365*SFE*1.05=\$ 17,895,452 in year 1, growing at 5% every year		

Note: Savings shown are hypothetical based on the composite enterprise

Shrinking the yearly financial close

Financial close is the process of completing all financial transactions, finalizing and closing the financial accounts, correctly accounting for assets and liabilities, adhering to compliance initiatives, and finally preparing for releasing the results to stakeholders. Longer financial close cycles are likely caused due to too many manual processes with poor handoffs, poor process design, not using EPM to automate reconciliations and computations, and poor data management practices.

For yearly close, the composite organization used to input finalized data (quality controlled and curated, with internal controls applied) at the end of December into its financial systems, struggling at times to close all books only by mid-February next year. After deploying Oracle EPM, it can now finalize and close by the end January the next year - resulting in 15 days of savings every year. Saving 15 days every year for over 2500 employees had a huge impact on efficiency. The organizations we interviewed for this report also reinforce this benefit; stating on average 40% of the time savings was estimated to be attributable to EPM software itself. The other (i.e. up to 60%) of time savings were attributable to improvements in the close process, through the elimination of manual, repetitive (and often unnecessary) approval steps at each stage of the process. We have attributed 40% of the time savings to the EPM ROI calculations.

Table 4: Savings from quicker yearly close cycles

Number of users	Over 2500	salary of finance user in year1	SFE*1.05
Time saved every year in days	15		
Time savings attributable to EPM in days for each user	=40%*15=6 days every year every EPM user	Total time saved by EPM in days per year	=16,200
Total ongoing time savings every year(TSCn)	=16,200/365*SFE*1.05=\$5,592,329 in year 1, growing at 5% every year		

Note: Savings shown are hypothetical based on the composite enterprise

Time savings on IT tasks (TSIB): data quality, maintenance, management

Time savings accrued on IT tasks such as data quality, maintenance, management is directly counted as a tangible benefit by converting it to man-hours and salaries saved.

The composite company reports that the automation of complex and often lengthy data collection and management processes reduced manual effort. Manual efforts were spent by IT to massage and reconcile disparate data sources that feed into its EPM processes. Ovum estimates that the composite organization saved 1 IT FTE in year 1 and 2 IT FTE from year 2 onwards.

Table 5: Time savings accrued from reduction on IT tasks and skills

Number of IT personnel saved in year 1	1	salary of IT user in year1	SITE*1.05
Number of IT personnel saved in year 2	2	salary of IT user in year2	SFE*1.05*1.05
IT savings attributable EPM in year 1	=1*SITE*1.05=\$105,000	IT savings attributable to EPM in year 2	=2*SITE*1.05*1.05=\$220,500

Note: Savings shown are hypothetical based on the composite enterprise

UNQUANTIFIABLE INDIRECT BENEFITS

The composite organization realizes several benefits from its Oracle EPM - such as risk management - that do not directly affect the income statements as revenue or profit/loss numbers. In other words, it is very difficult to assign a dollar value to some benefits. However, their overall impact on the business was undoubtedly positive. These include:

The benefits include:

- Better capital management - by optimizing capital management organization can lower its weighted average cost of cost of capital (WACC)
- Better cash conversion cycle - by optimizing receivables, payables, and inventory organization can free up money tied up in the production

Better capital management

The composite organization operates in asset heavy industries and needs capital infusions regularly to finance its operations and grow its business. Capital is raised through either debt or equity, each of which carries a particular cost. After using EPM to optimize finance operations and cash management the company could:

- Collect customer dues much quicker
- Drive more informed project financing decisions that led to positive returns in a much shorter period
- Generate positive returns out of acquisitions, due to better reconciliation processes and unified chart of accounts

All of these improvements help the composite organization reduce its cost of capital (CoC). However, it is not possible to quantify the exact impact of the reduction in CoC, as a reduction in CoC affects different industries differently.

Better cash conversion cycle

Cash conversion cycle (CCC) is a metric that expresses the length of time, in days, that it takes for a company to convert its resources/inputs into cash flows.

Having a small CCC is important for the composite organization, as it measures how quickly it can convert its products into cash through sales, freeing up money tied up in the production. Mathematically, CCC is calculated as the receivable days + inventory days - payable days.

For the composite organization, EPM solutions improve its CCC by streamlining receivables collection, and payables distribution processes, and helping it optimally manage inventory. The net result of a shorter CCC is helping the company improve its profitability. Again it was difficult to quantify the exact impact of the reduction in CCC, as the benefits could equally be claimed by process improvement and not software deployment alone.

NON-QUANTIFIABLE INTANGIBLE BENEFITS

Delivering trusted data

For the composite organization, ensuring data quality is an essential prerequisite for maintaining good financial processes. Having access to a clean, consistent and current set of data helps finance to improve the quality of internal controls and reporting processes, and helps establish stakeholder trust in data. Hence, while the benefit from trusted data cannot be quantified directly, it is considered extremely valuable to overall business and management.

Implementing the Oracle Hyperion Financial Data Quality Management module automates the collection, mapping, verification, and movement of financial data for the composite organization. It also lowers the cost of compliance for the enterprise, which are particularly relevant for its defense and aerospace operations which are governed by stringent compliance directives.

The other knock-on benefits from better data quality experienced include:

- Reduction in providing regular data extract requests from regulators/auditors
- Reduction in write-offs and mark-downs in inventory
- More accurate forecasts
- Reduction in financial auditing costs/efforts.

Risk-adjusted performance management

Oracle EPM is helping the composite organization to drive employee behavior that improved the risk profile of the composite organization. Specifically, integration of risk data helps the holding company grow business without raising its net risk profile. Using EPM and risk management together the enterprise achieves a more granular level of transparency.

For example, the non-banking financial corporation division of the composite enterprise would reward all sales teams that grew the total assets under management; after deploying EPM, a salesperson bringing in a large number of small accounts and another one with a small number of high net-worth accounts can be incentivized accordingly, taking into account that each option carries different risk profiles.

Higher management efficiency and faster decision making

The Oracle EPM solution presents a unified and consistent view of the consolidated enterprise, which is invaluable to the composite organization's management team in formulating strategy and making key business decisions. The Oracle Hyperion Strategic Finance module is extensively used by C-level management to align corporate strategy to operational execution. After deployment, the organization reported higher management efficiency and faster decision making. However, these factors were qualitative and therefore not priced as a quantifiable benefit.

ESTIMATING TOTAL BENEFITS

At the end of a benefits exercise, Ovum calculated the total benefits.

The calculations for benefits have been explained in the previous sections. The table simply sums up all these individual components. A key point to note in the table below is that since benefits are directly related to time saved and salary of a finance/IT professional, the dollar value of benefits goes up by 5% (or the assumed wage inflation rate) every year.

Table 6: Calculating total benefits - Part 1 - Years 0 to 5

Benefits	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Tangible benefits						
Time saved on monthly planning	-	\$17,895,452	\$18,790,225	\$19,729,736	\$20,716,223	\$21,752,034
Time saved on yearly close	-	\$5,592,329	\$5,871,945	\$6,165,542	\$6,473,820	\$6,797,511
Time saved on IT tasks	-	\$105,000	\$220,500	\$231,525	\$243,101	\$255,256
Intangible benefits (IB)		Not priced				
Total benefits		\$23,592,781	\$24,882,670	\$26,126,803	\$27,433,144	\$28,804,801

Note: Savings shown are hypothetical based on the composite enterprise

Table 7: Calculating total costs - Part 2 - Years 6 to 10

Benefits	Year 6	Year 7	Year 8	Year 9	Year 10
Time saved on monthly planning	\$22,839,636	\$23,981,617	\$25,180,698	\$26,439,733	\$27,761,720
Time saved on yearly close	\$7,137,386	\$7,494,255	\$7,868,968	\$8,262,417	\$8,675,537
Time saved on IT tasks	\$268,019	\$281,420	\$295,491	\$310,266	\$325,779
Intangible benefits (IB)	Not priced	Not priced	Not priced	Not priced	
Total benefits	\$30,245,041	\$31,757,293	\$33,345,157	\$35,012,415	\$36,763,036

Note: Savings shown are hypothetical based on the composite enterprise

COSTS

Software licensing costs (SWLC)

Licensing was found to be the largest cost component in this exercise. The composite organization was a heavy user of Oracle Hyperion Enterprise Financial Planning Suite, and also deployed Oracle Hyperion Financial Management, with Oracle Hyperion Financial Data Quality Management, Oracle Data Relationship Management and Oracle Hyperion Strategic Finance. All licenses were per application user.

The deployment schedule was as follows:

- Oracle Hyperion Enterprise Financial Planning Suite: Over 2500 licenses all deployed in the second year
- Oracle Hyperion Financial Management: Over 100 licenses, out of which 67% were deployed in the first year and 33% in the second year
- Option: Oracle Hyperion Financial Data Quality Management: Several licenses, out of which 67% were deployed in the first year and 33% in the second year

- Option: Oracle Data Relationship Management: 100 licenses, out of which 67 were deployed in the first year and 33 in the second year
- Oracle Hyperion Strategic Finance: 40 licenses, out of which 27 were deployed in the first year and 13 in the second year

Table 8: Software Licensing Costs (SWLC)

Module	Licensing Metric	Total License Price Year 1 (\$): SWLC1	Total License Price Year 2 (\$): SWLC2
Hyperion Enterprise Planning Suite	App User	N/A	14,842,575
Hyperion Financial Management Plus	App User	286,000	143,000
Option: Hyperion Financial Data Quality Management for Oracle	App User	92,125	45,375
Option: Hyperion Data Relationship Management for Oracle	App User	184,250	90,750
Hyperion Strategic Finance	App User	N/A	539,000
Total		=286,000+92,125+184,250=\$562,375 mn	=14,842,575+143,000+45,375+90,750+539,000=\$15.661 mn

Note: Deployed license numbers are for the purposes of this report only

Software maintenance costs (SWMC)

The composite organization acquired a standard 22% maintenance contract from Oracle. The maintenance contract runs for a term of one year.

Table 9: Maintenance costs for composite organization (SWMC)

Number of licenses acquired in year one	=340	Maintenance cost in year zero	=SWLC1*22% = \$123,722.5
Number of licenses acquired in year two	=2,843	Maintenance cost in year one and beyond	=SWLC2*22% = \$3.6 mn

Note: Maintenance prices are hypothetical based on the composite enterprise

Hardware costs (HWC)

There are no specialized hardware requirements for deploying the Oracle EPM Suite. The composite organization has purchased commodity rack blade servers, which cost in the range of \$10,000 per server (estimated). It used different servers for testing and production, and some of the test servers were virtualized.

Table 10: Hardware costs of composite organization (HWC)

Number of production servers	60	Cost per blade server	\$10,000
Number of test servers	32	Total number of servers	2
Rollout plan	45 servers to be deployed in year one, and 47 servers to be deployed in year two		
Total hardware costs in the first year (HWC1)	=45*\$10,000=\$450,000		
Total hardware costs in the second year (HWC2)	=47*\$10,000=\$470,000		

Note: Hardware prices are hypothetical based on the composite enterprise and may not reflect real product prices

Deployment costs (DC)

Deployment costs are significant for the composite enterprise, given that its operations are geographically scattered and diverse. The composite organization is engaged an external IT service firm to manage deployment and is charged on the "time and materials" basis. The IT services provider was 'joined at the hip' with internal IT while carrying out deployments and had a keen understanding of the customer.

Table 11: Deployment costs of composite organization (DC)

Number of man-years spent by IT services firm on deployment	2	Number of man-days spent by IT services firm on deployment	=2*365=730
Rate charged per man-day	\$650		
Cost schedule	50% man hours charged in year one, and 50% in year two		
Total deployment costs in the first year (DC1)	=50%*\$730*\$650=\$237,250		
Total deployment costs in the second year (DC2)	=50%*\$730*\$650=\$237,250		

Note: Deployment costs are hypothetical based on the composite enterprise and may not reflect real service prices

Customization and application building costs (CABC)

Given that EPM processes are unique, there is no standard one-size fits-all approach to EPM. The composite organization built its own custom EPM processes on the software, including data management processes for specific financial reporting dashboards. This is a one-time activity (does not need staffing on a regular basis) handled internally by a team for two IT personnel who worked 9 months each in the first year of the deployment.

Table 12: Customization and application building costs of composite organization (CABC)

Number of months spent by each IT personnel	9	Number of total man-years spent	=2*9/12=1.5
Number of IT personnel engaged	2		
Total customization and application building costs (CABC)	=SITE *1.5= \$150,000		

Note: Number of months spent are hypothetical based on the composite enterprise and may not reflect time taken

Training costs - development and delivery (TC)

The composite organization provides ample training and content alongside deployment in order to ease the transition for business users to the EPM system. An internal resource was provided by the company in order to design content for training. Internal resources are also tasked with providing classroom training. The composite organization has a preference to conduct training in-house, where a group of trainers travelled to all geographies at deployment time and 'trained the trainers', who then become topic experts for the region. There is also an internal IT personnel staffed on building the training content for one month.

Table 13: Training costs of composite organization (TC)

Number of trips undertaken	15	Number of people on each trip	2
Cost per round trip for one person (including stay and flights)	=\$1,500	Days spent on each trip	3
Time spent by IT personnel loaned for developing content	1 month	Cost of IT personnel	=1/12*SITE=\$100,000/12=\$8,334
Total training costs (TC)	=\$1,500*15*2=\$45,000		

Note: Training costs hypothetical based on the composite enterprise and may not reflect costs

Personnel costs - running and administration (PC)

The composite organization relies on a dedicated team devoted to run and administer EPM deployments, cater to break-fix requests, and develop new reports/applications as needed. This responsibility is shared between finance and IT; with IT more involved in the first phase managing the installation and development, and with finance pitching in for design and content.

The demand for EPM personnel is variable; usually hitting a peak of around month-, quarter-, and year-end, coinciding with planning windows and financial close. Due to the variable nature of demand, the enterprise recruits a small number of permanent employees and "loaned" EPM personnel from other divisions to cover peaks in demand for personnel. On an average the composite organization employed three dedicated IT personnel and one finance personnel in the first year, while in following years they employed two finance personnel and two IT personnel.

Table 14: Personnel costs of composite organization (PC)

Number of dedicated IT personnel in first year	3	Number of dedicated finance people in first year	1
Number of dedicated IT after first year	2	Number of dedicated finance people after first year	2
Total personnel costs in year one (PC1)	=SITE*3+SFE*1=\$100,000*3+120,000*1=\$420,000		
Total personnel costs in year two onwards (PC2)	=SITE*2+SFE*2=\$100,000*2+120,000*2=\$440,000*105%=\$462,000		

Note: Personnel costs hypothetical based on the composite enterprise and may not reflect costs

Cost of integration (IC)

Oracle provides a variety of connectors (or individual connectors) to ERP systems, and has APIs that can be programmed to receive data from any external transactional systems. These connectors are usually priced per application user and were accounted for as such. The connectors required by the composite organization were included in Oracle Hyperion Financial Data Quality Management and have been accounted for under that heading.

There is also a variable and recurring element to integration cost. The composite organization uses data connectors to a legacy system and manual intervention while loading data. Doing so required developers trained in SAP ABAP sourced from IT at a full-time employee (FTE) basis. Ovum estimated this to be 1 IT personnel per year borrowed from IT for 40% of his yearly capacity (FTE).

Table 15: Integration costs of composite organization (IC)

Number of dedicated FTEs required every year 40% of 1 employee
 Total integration costs every year one (PCn) =40%*SITE=\$40,000

Note: Integration costs are hypothetical based on the composite enterprise and may not reflect costs

ESTIMATING TOTAL COSTS

At the end of a costing exercise, Ovum calculated the total costs, broken down into direct/fixed costs and indirect/variable costs.

The calculation for direct/fixed costs SWLC, SWMC, HWC, and indirect/variable costs IC, PC, DC, CABC, and TC have been explained in the previous section. The table sums up all these individual components.

Table 16: Calculating total costs - Part 1 - Years 0 to 5

Cost	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Direct or Fixed Costs (DFC)						
SWLC	\$562,375	\$15,660,700	0	0	0	0
SWMC	\$74,984	\$3,569,225	\$3,569,225	\$3,569,225	\$3,569,225	\$3,569,225
HWC	\$450,000	\$470,000	0	0	0	0
Indirect or Variable Costs (IVC)						
IC	\$40,000	\$42,000	\$44,100	\$46,305	\$48,620	\$51,051
PC	\$420,000	\$462,000	\$485,100	\$509,355	\$534,823	\$561,564
DC	\$237,250	\$237,250	0	0	0	0
CABC	\$150,000	0	0	0	0	0
TC	\$55,000	\$45,000	0	0	0	0
Total Costs (DFC+IVC)	\$2,038,348	\$20,486,175	\$4,098,425	\$4,124,885	\$4,152,668	\$4,181,840

Table 17: Calculating total costs - Part 2 - Years 6 to 10

Cost	Year 6	Year 7	Year 8	Year 9	Year 10
Direct or Fixed Costs (DFC)					
SWLC	0	0	0	0	0
SWMC	\$3,569,225	\$3,569,225	\$3,569,225	\$3,569,225	\$3,569,225
HWC	0	0	0	0	0
Indirect or Variable Costs (IVC)					
IC	\$53,604	\$56,284	\$59,098	\$62,053	\$65,156
PC	\$589,642	\$619,124	\$650,080	\$682,584	\$716,714
DC	0	0	0	0	0
CABC	0	0	0	0	0
TC	0	0	0	0	0
Total Costs (DFC+IVC)	\$4,212,471	\$4,244,633	\$4,278,404	\$4,313,863	\$4,351,094

STUDY RESULTS

The results calculated in the Costs and Benefits sections is used to determine the ROI, NPV, NPV, and overall payback period for the composite organization’s investment in Oracle EPM.

These are broken down in Table 18 below.

Table 18: Net Cash Flows - Years 0 to 5

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Total Costs	\$2,038,348	\$20,486,175	\$4,098,425	\$4,124,885	\$4,152,668	\$4,181,840
Total Benefits		\$30,245,041	\$31,757,293	\$33,345,157	\$35,012,415	\$36,763,036
Net Cash Flows (benefits - costs)	(\$2,038,348)	\$3,106,606	\$20,784,245	\$22,001,918	\$23,280,476	\$24,622,961

Table 19: Net Cash Flows - Years 6 to 10

	Year 6	Year 7	Year 8	Year 9	Year 10
Total Costs	\$4,212,471	\$4,244,633	\$4,278,404	\$4,313,863	\$4,351,094
Total Benefits	\$30,245,041	\$31,757,293	\$33,345,157	\$35,012,415	\$36,763,036
Net Cash Flows (benefits - costs)	\$26,032,570	\$27,512,660	\$29,066,754	\$30,698,553	\$32,411,942

Note: Cash flows shown are hypothetical based on the composite enterprise

Table 20: RoI and NPV Table

Year	RoI at the end of year	NPV at project beginning if project continues till the end of year
Year 1	4%	785,840
Year 2	75%	17,962,901
Year 3	127%	34,493,268
Year 4	168%	50,394,146
Year 5	202%	65,683,068
Year 6	230%	80,377,775
Year 7	254%	94,496,119
Year 8	276%	108,055,974
Year 9	296%	121,075,158
Year 10	313%	133,571,364

Note: RoI and NPV shown are hypothetical based on the composite enterprise

CONCLUSIONS

At the end of this study, Ovum arrived at the ROI and NPV figures demonstrated in table 20. These numbers clearly show that the composite enterprise achieved positive NPV and ROI before the completion of year one. In other words, Ovum found that deploying and using Oracle EPM for more than a year is enough to break even, recover costs, and generate a profit. Enterprises can use these figures as a guideline to a typical deployment, which should help assist purchase decisions. Ovum also found that deploying EPM to a broader user population accelerated the benefits accrued, but deploying systematically helped achieve profitability much faster.

- Key quantifiable benefits (that formed the basis for the cash-flow model) came from time savings on financial tasks. EPM deployment led to the reduction of financial close, planning, budgeting, forecasting windows and helped the organization become more efficient. However, equally important from a qualitative aspect were intangible benefits such as better capital management and better cash conversion cycles which helped boost profitability. In addition, deployment of EPM led to greater trust in data and helped align tactical actions with strategic plans.
- Both direct and indirect costs contributed to the total expenditure on the project. While licensing was the primary cost for large deployments, licensing costs were generally concentrated around years one and two. Costs reduced significantly beyond year two as benefits started kicking in.

RECOMMENDATIONS

- Ovum's study derives a hypothetical composite enterprise from eight enterprises that have deployed and used Oracle EPM. This can be used as a benchmark and Ovum also advises enterprises to use this study along with their own assessments or to customize this study to their organization to accurately measure ROI and NPV for their organization.
- Assumptions change cash flows significantly, so it is important that organizations evaluating the costs and benefits of Oracle EPM research and test their assumptions both internally and with service providers. It is worthwhile to get a quote for the cost of new hardware (servers), if required. If there is a preferred IT services provider, it can be worthwhile getting to know its "time and materials" rate for services such as deployment and training.
- Internally, it is important to work closely with corporate finance and human resources to ensure that the financial assumptions are accurate. Points of inquiry should include estimates of the total annual compensation and rewards of an IT and finance employee, annual rate at which salaries grow, and the discount rate usually used for NPV calculations. In addition, it is worthwhile to check with IT if internal deployment capabilities, including the presence of in-house resources for deployment, development of applications, and training are sufficient to handle the deployment. If there is an internal chargeback policy in place, details of notional list prices for these services should be acquired.
- Enterprises that deploy in phases achieve profitability much faster. In other words, instead of deploying all licenses at once, enterprises that deploy licenses in phases to capture low-hanging fruits achieve breakeven faster. This is particularly true for organizations that test the solution with a department/group first to capture the benefits of better data quality and automation before rolling it out to the entire user group.
- Choose the right IT services provider is critical to deployment success. Most enterprises that engage third-party professional services firms for deployment and application development find that the choice of services provider is critical. Selecting a provider that does not understand the business well often

leads to semi-successful deployments that do not deliver promised benefits. Ovum advises that enterprises choose a services provider recommended by the software vendor and one that has expertise in their geography and industry of interest.

APPENDIX A: OVERVIEW OF ORACLE EPM PORTFOLIO

This study does not include the Oracle Enterprise Performance Management Cloud, which delivers Oracle EPM applications on the Oracle cloud. Covering cloud solutions requires a change in approach which was considered outside the scope of this study. The cloud solution offers the Oracle Enterprise Planning Cloud and the Oracle Financial Reporting Cloud.

On premises, Oracle Hyperion Enterprise Performance Management delivers a comprehensive, integrated suite of EPM applications detailed below.

Table 21: Oracle EPM Portfolio

Enterprise Performance Management Standalone Products

Oracle Hyperion Financial Management

Oracle Hyperion Financial Close Management

Oracle Hyperion Disclosure Management

Oracle Financial Management Analytics

Oracle Quantitative Management and Reporting for Solvency II

Oracle Hyperion Planning

Oracle Hyperion Public Sector Planning and Budgeting

Oracle Hyperion Project Financial Planning

Oracle Hyperion Profitability and Cost Management

Oracle Hyperion Strategic Finance

Oracle Hyperion Strategic Finance for Banking

Oracle Hyperion Financial Data Quality Management

Option: Oracle Hyperion Financial Data Quality Management Adapter for Financial Management

Option: Oracle Hyperion Financial Data Quality Management Adapter Suite

Option: Oracle Hyperion Financial Data Quality Management ERP Source Adapter for SAP

Oracle Data Relationship Management

Option: Oracle Data Relationship Management Read Only Access

Oracle Data Relationship Steward

Source: Oracle

Oracle Hyperion Financial Close Suite

Option: Oracle Hyperion Disclosure Management for Oracle Hyperion Financial Close Suite

Option: Oracle Data Relationship Management for Oracle Hyperion Financial Close Suite

Hyperion Oracle Data Relationship Steward

Oracle Hyperion Enterprise Financial Planning Suite

Option: Oracle Hyperion Financial Data Quality Management for Oracle Hyperion Enterprise Planning Suite

Option: Oracle Crystal Ball Enterprise Performance Management for Oracle Hyperion Enterprise Planning Suite

Option: Oracle Data Relationship Management for Oracle Hyperion Enterprise Financial Planning Suite

Oracle Data Relationship Steward

User Productivity Kit

User Productivity Kit Content Materials for Enterprise Performance Management Applications

User Productivity Kit for Hyperion Financial Management

User Productivity Kit for Oracle Hyperion Planning

User Productivity Kit for Oracle Hyperion Planning

APPENDIX B: FINANCIAL METRICS OVERVIEW

Net Present Value: In finance, the net present value (NPV) or net present worth (NPW)[1] of a time series of cash flows, both incoming and outgoing, is defined as the sum of the present values (PVs) of the individual cash flows of the same entity.

Return on Investment: In business, the purpose of the "return on investment" (ROI) metric is to measure, per period, rates of return on money invested in an economic entity in order to decide whether or not to undertake an investment. It is also used as indicator to compare different project investments within a project portfolio. The project with best ROI is prioritized.

Discounted cash flow: In finance, discounted cash flow (DCF) analysis is a method of valuing a project, company, or asset using the concepts of the time value of money. All future cash flows are estimated and discounted to give their present values (PVs)—the sum of all future cash flows, both incoming and outgoing, is the net present value (NPV), which is taken as the value or price of the cash flows in question.

Discount Rate: The discount rate used is generally the appropriate weighted average cost of capital (WACC) that reflects the risk of the cash flows in DCF. The discount rate reflects two things:

- Time value of money (risk-free rate) – according to the theory of time preference, investors would rather have cash immediately than having to wait and must therefore be compensated by paying for the delay
- Risk premium – reflects the extra return investors demand because they want to be compensated for the risk that the cash flow might not materialize after all

AUTHORS

Surya Mukherjee, Senior Analyst, Information Management

surya.mukherjee@ovum.com

Adrian Drury, Consulting Director

adrian.drury@ovum.com

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Ovum Europe
Mortimer House
37-41 Mortimer Street
London W1T 3JH, UK
+44 20 7551 9000
crmgroup@ovum.com

Ovum Australia
Level 5, 459 Little Collins Street
Melbourne, VIC 3000
Australia
+61 3 9601 6700

Ovum New York
17 State Street, 32nd Floor
New York
NY 10004, USA
+1 212 686 7400

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