

Benchmarking analysis

Providing insight into your company's performance

EY

Building a better
working world

Benchmarking analysis: bringing you valuable insights from leading practices

Private companies are the engine room of the global economy, whether they are startups or market leaders. And there is one thing that is common to all private companies – the need to accelerate growth.

While private companies often have clarity about their financial performance, they sometimes have little idea how they are performing in comparison with other private companies. Drawing comparisons can allow them to assess their processes and performance measures against leading practice, and it can help to establish internal goals, highlight market opportunities and identify competitor weaknesses.

This is where the EY Benchmarking Analysis (EYBA) can help. The EY Benchmarking Analysis is part of EY Private Client Audit Experience and helps EY teams better understand your business.

What is the EY Benchmarking Analysis?

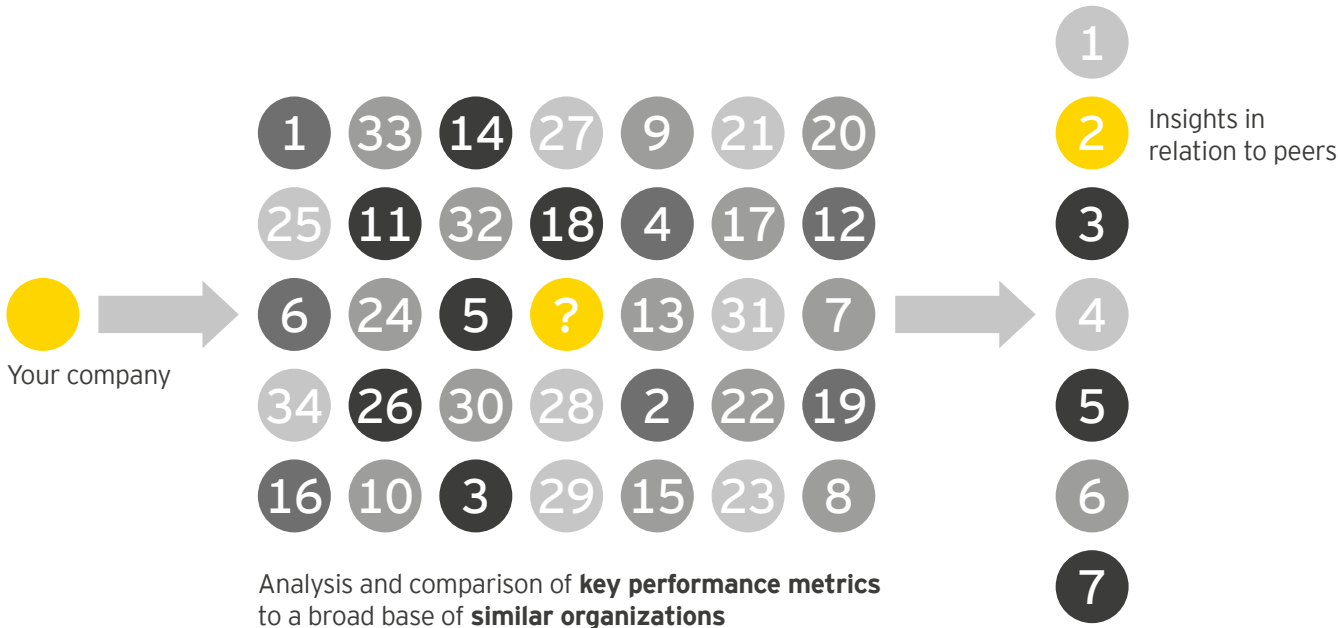
The EYBA can provide insight into your organization's performance by comparing financial and related data from similar organizations.

It shows your overall performance on key metrics, using top, median and bottom quartiles, and it can identify opportunities for cost savings or ways to increase the effectiveness of your business processes, for example in:

- ▶ Size and cost of your finance function
- ▶ Efficiency of financial reporting processes
- ▶ Working capital
- ▶ IT function
- ▶ Overall business performance

The information used for these comparisons comes from a database of financial and operational metrics owned by a leading third-party provider of independent, high-quality data. And as the EYBA is scalable, it can be tailored to your industry sector, your company size and your location.

EYBA also is an integral part of the EY Private Client Audit Experience, tailored audit approach for private companies.



How EY teams add value

Comparing data is one thing, but what about interpreting it to your potential benefit? This is where the knowledge and experience of EY teams comes in.

Using data for 15 specific metrics, EY teams conduct the benchmarking analysis and then draft the benchmarking report. Together with you, we then look at your individual output report that includes observations, key findings and a list of all metrics used. We then invite you to have a deeper conversation with us about how we can turn these numbers into real insight for you that can help strengthen your business. This conversation may also help you get a better understanding of:

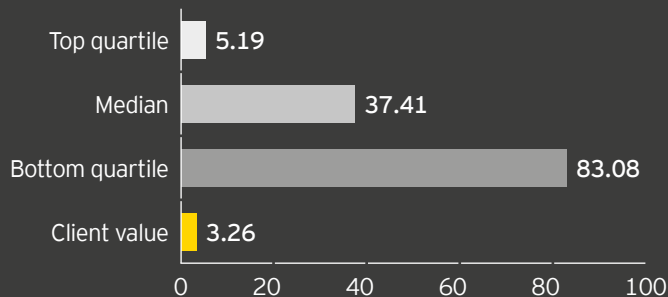
- ▶ How your company compares with its peers in key measures
- ▶ Untapped opportunities to achieve cost savings
- ▶ Existing opportunities to increase the effectiveness of specific business processes, as well as your internal control framework

How key findings would be shared in a report

Let's assume EY teams perform the EYBA with an audit client of EY, called ABC Limited. The organization has revenues between US\$100m-US\$500m and is in the consumer products sector. The graphics below are an example of their EYBA output reports. You can make the following observations:

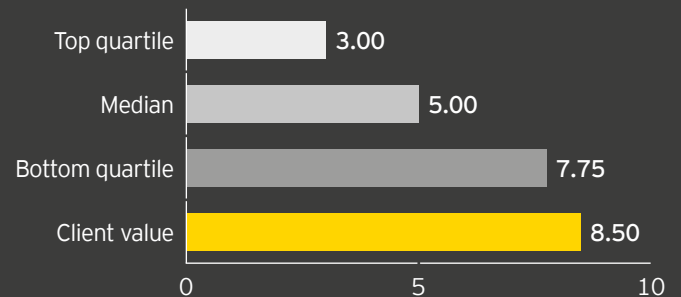
- ▶ Despite a strong automated finance system (shown by the low percentage of manual journal entries of only 3.26%), it seems to take a relatively high number of days to produce annual financial statements (8.50) for this size of company in this sector. Knowing ABC Limited better, we are aware that this organization is interested in having robust commentary included in the annual financial statements, and this may explain these metrics to a certain extent.
- ▶ The total inventory turns metric is significantly worse than the lowest performers in the industry (5.0), and the day sales outstanding (DSO) is worse than the median point (45). This reveals a significant improvement opportunity in working capital.
- ▶ If ABC Limited could achieve the median DSO position, this would be an improvement of 8 days in cash collection. However, ABC Limited could even increase this more, if they achieved the same performance as the top of the industry (21 days).

Manual journey entry percentage



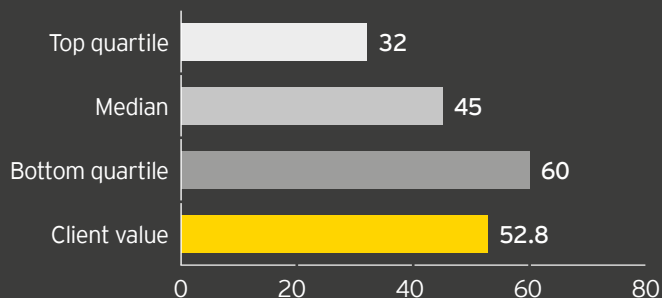
Revenues between US\$100m-US\$500m, consumer products

Cycle time to produce annual financial statements



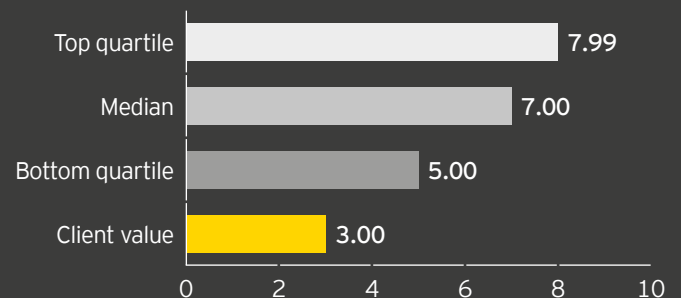
Revenues between US\$100m-US\$500m, consumer products

Day sales outstanding



Revenues between US\$100m-US\$500m, consumer products

Total inventory turns



Revenues between US\$100m-US\$500m, consumer products

Why EY

The commitment to you is that the teams continuously aim to build on our understanding of your organization and your business and reinforce the trust you have placed in us.

Your knowledgeable and experienced EY audit team can provide the quantifiable data and objective insights needed to help strengthen your business. We can discuss the details and timing of your organization's benchmarking analysis with you when we meet to understand your expectations and scope of services related to the audit. From the experience we suggest to conduct the analysis when we are performing the interim audit procedures.

The team can also present improvement opportunities that are identified at the conclusion of the audit using the management letter toolkit. Other findings will be shared with you as soon as they are available.

EY Benchmarking Analysis is an integral part of the EY Private Client Audit Experience – allowing the teams to bring you valuable insights from leading practices.

Contacts

In case of any question about the EYBA, please reach out to your EY audit team or contact Randall L. Tavierne (randall.tavierne@ey.com), EY Global Private Client Services Assurances Leader, directly.

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2018 EYGM Limited.
All Rights Reserved.

EYG no. 012475-18Gbl

BMC Agency
GA 1009387

ED None



In line with EY's commitment to minimize its impact on the environment, this document has been printed on paper with a high recycled content.

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

ey.com/privateclientservices