



Standardized Narrative Performance Reporting for Dynamic Businesses

Presenter



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About Certent



PURPOSE

To make complex financial compliance and narrative performance reporting processes easier

SOLUTIONS

- Disclosure Management
- Equity Compensation Management
- Professional and Administration Services

GROWTH AND MOMENTUM

- Founded in 2002, headquartered Bay Area, California
- 2,400 customers in EMEA, North America, and APAC
- 280 Employees, 4 Global Offices

DISCLOSURE MANAGEMENT SOLUTION

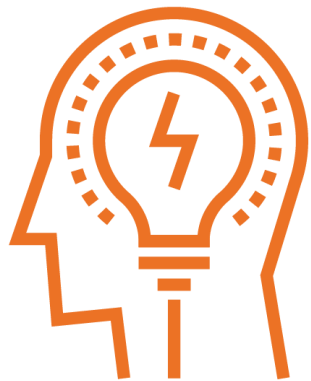
- Ranked #1 in quality amongst software vendors
- Endorsed for completeness of solution
- Full range of service offerings



What is Narrative Performance Reporting?



Narrative Performance Reporting Defined



Narrative performance reports are reports that are being created today within your organization. **Monthly management reports, board reports, budget books, etc.** are just some of the examples of reports that fall into this category. Many of these reports *should* contain both the numbers and the story behind the numbers, but often do not.

Let's explore why...

What is the value of a Narrative Performance Reporting Platform?

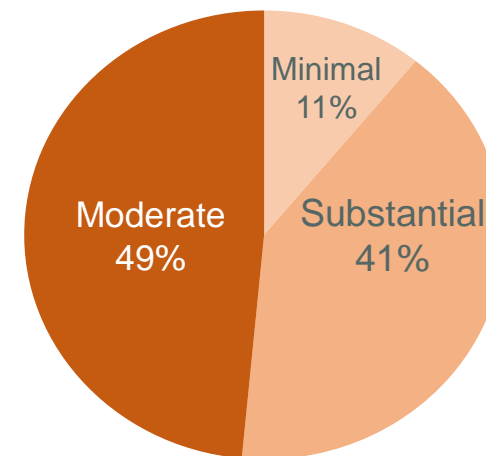
Reporting Beyond Charts & Graphs

Decisions can no longer just be made based on **numbers alone**

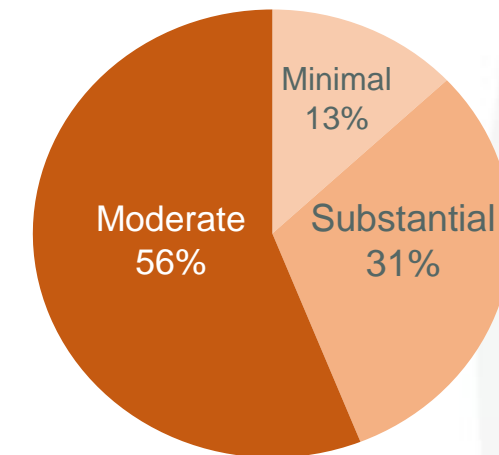
Executives and managers want **detailed analysis (narrative)** to support the data before making **critical business decisions**

Need to join **financial, operational, and statistical** data with detailed **qualitative analysis** in a **fluid and dynamic** environment

Many finance executives say that narrative portions of financial reports consume a substantial amount of their staff and management time.



How much staff time is required to collect, consolidate, and prepare the narrative portions of your financial reports?

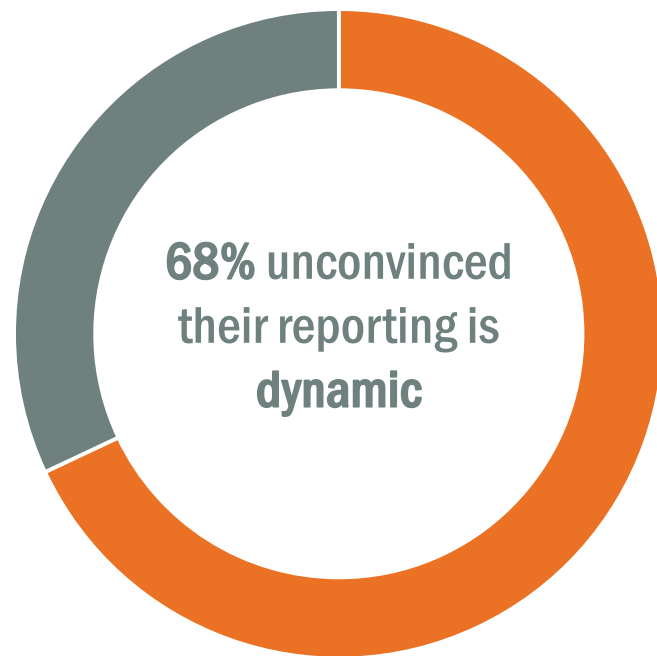


How much management time is required to analyze, approve, and review the narrative portions of your financial reports?

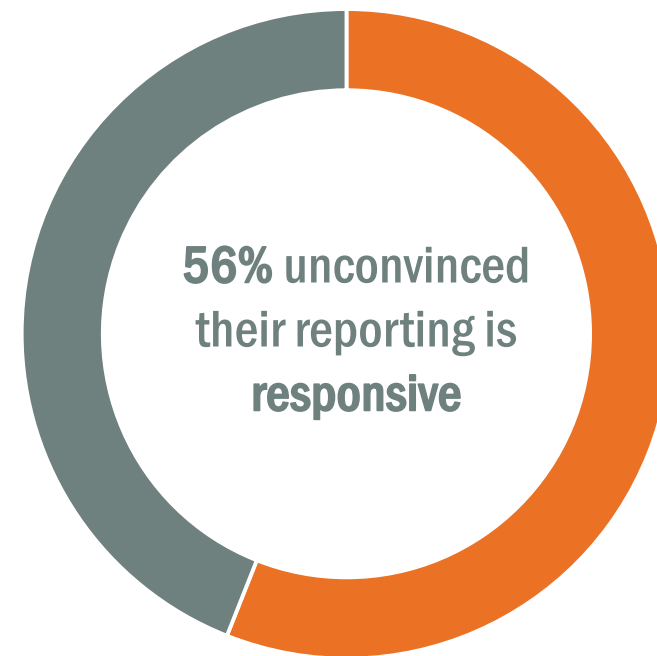
Poll Question #1

- Based on the definition of Narrative Performance Reporting do you feel you have automated, controlled, and created efficiencies in the production of these reports?
 - Yes
 - No

Room for Improvement in Management & Board Reporting



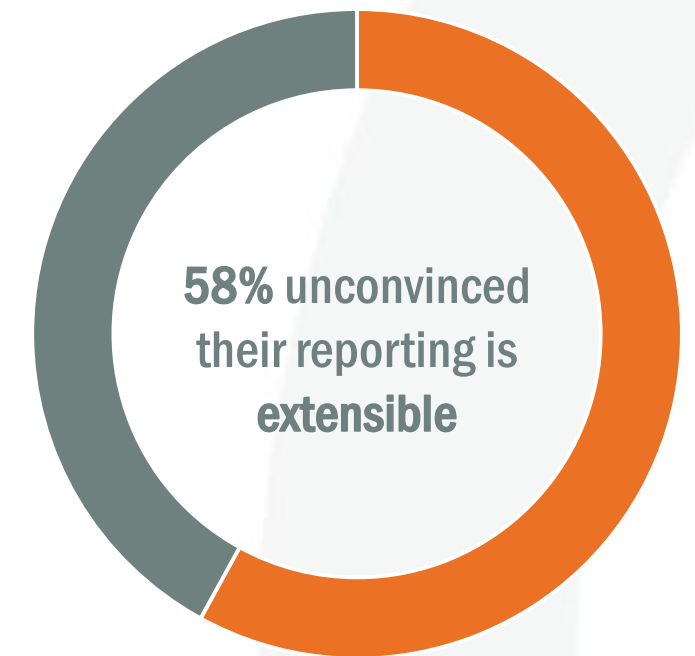
“Dynamic” – Management and Board room reporting is more fluid, and our reporting can respond to new agenda items at short notice



“Responsive” – Our reporting process responds well to ad-hoc queries in the board room



“Insightful” - Our reporting process delivers good forward-looking insights to the management and board (not just historic performance)



“Extensible” - Our reporting process expands easily to accommodate new regular information requirements requested by the board

Poll Question #2

- How do you currently create you internal narrative performance reports (i.e. Management Reports, Board Presentations, etc.)
 - Microsoft Office tools
 - Corporate Performance Management solution (*i.e. Budgeting & Forecasting and/or Consolidation solution*)
 - Business Intelligence solution
 - Other

Common Challenges

- “Our organization and leadership would love to have more narrative detail in our periodic reports and presentations, but we simply do not have the time. The production of these reports is time-consuming and involves a very manual process.”
- “The data that is required for these reports lives in multiple systems and spreadsheets. Collecting, organizing, and then making sense of the data takes up a majority of our report cycle time.”
- “Trying to automate these reports will be very difficult as the format, reported numbers, charts and graphs change every period.”
- “There are many people involved in contributing, reviewing, and approving these reports. With no ability to work on the different sections of the reports simultaneously there are many bottlenecks in our workflow and version control issues. This leaves little time to provide valuable commentary on the data.”



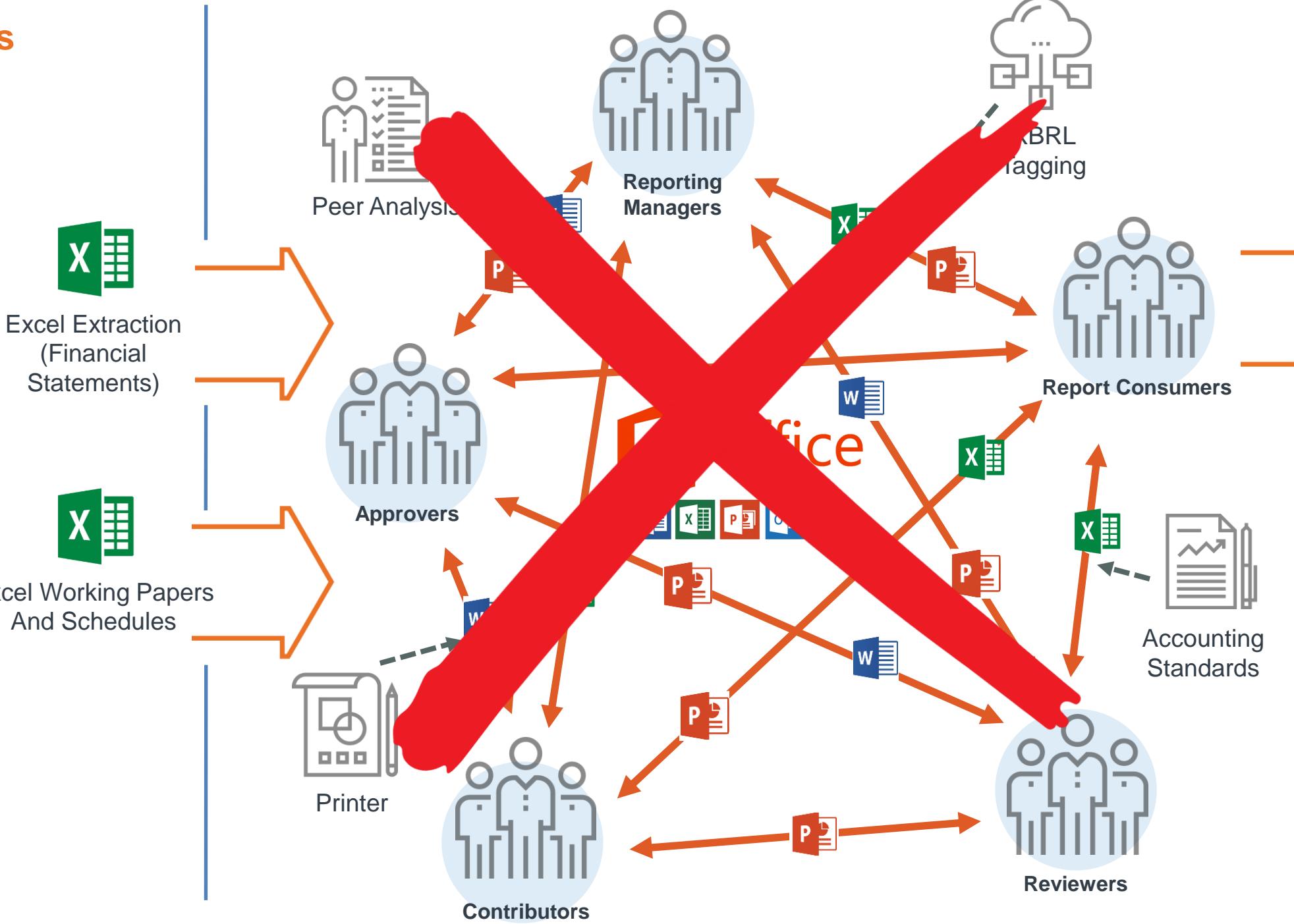
The Current State



The Report Production Challenge

Data Inputs

- Relational / DW
- Consolidations
- Budgeting Forecasting Planning
- Other



Narrative Performance Reports



Process is typically:

- Manual (using MS Office)
- Time-consuming
- Error-prone

investments, including acquisitions, and mix in as-a-Service which is not yet at scale. The operating (non-GAAP) gross margin of 48.9 percent decreased 1.9 points compared to 2015 driven primarily by the same factors.

Total expense and other (income) increased 4.9 percent in 2016 compared to the prior year. Total operating (non-GAAP) expense and other (income) increased 5.6 percent compared to 2015. The key year-to-year drivers were:

	Total Consolidated	Operating (non-GAAP)
• Currency*	2 points	2 points
• Acquisitions**	5 points	4 points
• Base	(2) points	0 points

* Reflects impacts of translation and hedging programs

**Includes acquisitions completed in prior 12-month period; operating (non-GAAP) is net of non-operating acquisition-related charges.

The increase in expense was driven primarily by the impact of acquisitions completed in the prior 12 months and an impact from currency. Base expense performance reflects a higher level of intellectual property (IP) income (\$950 million) year to year driven primarily by the company's software licensing arrangements. Base expense also includes charges in 2016 for actions taken to accelerate the transformation of the company's workforce and shift its skill base, as well as increased investments in the strategic areas of cognitive, security and cloud. This included a higher level of workforce rebalancing charges (\$451 million) year to year and real estate capacity charges (\$291 million) related to the workforce transformation. The company continued to invest at a high level in 2016 and

\$12.39 in 2016 decreased 8.9 percent year to year. In 2016, the company repurchased 23.3 million shares of its common stock at a cost of \$3.5 billion and had \$5.1 billion remaining in the share repurchase authorization at December 31, 2016. Operating (non-GAAP) diluted earnings per share of \$13.59 decreased 8.9 percent versus 2015. Diluted earnings per share from discontinued operations was (\$0.01) in 2016 compared to (\$0.18) in 2015.

At December 31, 2016, the company continued to have the financial flexibility to support the business over the long term. Cash and marketable securities at December 31, 2016 were \$8.5 billion, an increase of \$0.3 billion from December 31, 2015. Key drivers in the balance sheet and total cash flows were:

Total assets increased \$7.0 billion (\$7.7 billion adjusted for currency) from December 31, 2015 driven by:

- Increases in goodwill (\$4.2 billion), retirement plan assets (\$1.3 billion), net intangible assets (\$1.2 billion), deferred taxes (\$0.4 billion) and cash and marketable securities (\$0.3 billion).

Total liabilities increased \$3.0 billion (\$3.9 billion adjusted for currency) from December 31, 2015 driven by:

- Increases in total debt (\$2.3 billion), retirement-related liabilities (\$0.6 billion) and taxes (\$0.4 billion)

Total equity of \$18.4 billion increased \$4.0 billion from December 31, 2015 as a result of:

- Increases from net income (\$11.9 billion) and stock-based compensation (\$0.5 billion); partially offset by

Ever been on this call...?



No time for analysis....we constantly need to update and validate the data...

How did this happen...again

Not surprised the data is different...these reports took a week to put together

CxO: This is **not** the data that we have... why is your data different? And where is the analysis?

Narrative Performance Reporting at the Enterprise Level

Consolidated GAAP Financial Statements and Footnotes

Executive Compensation

Asset Management

Operational & Risk Measures

Business Unit 1 Sales & Revenue

Business Unit 2 Sales & Revenue

Plan and Forecast Data



CEO/CFO Packages

Board Books

Monthly Management Reports

Regulatory & Statutory Reports

Plan & Forecast Packages

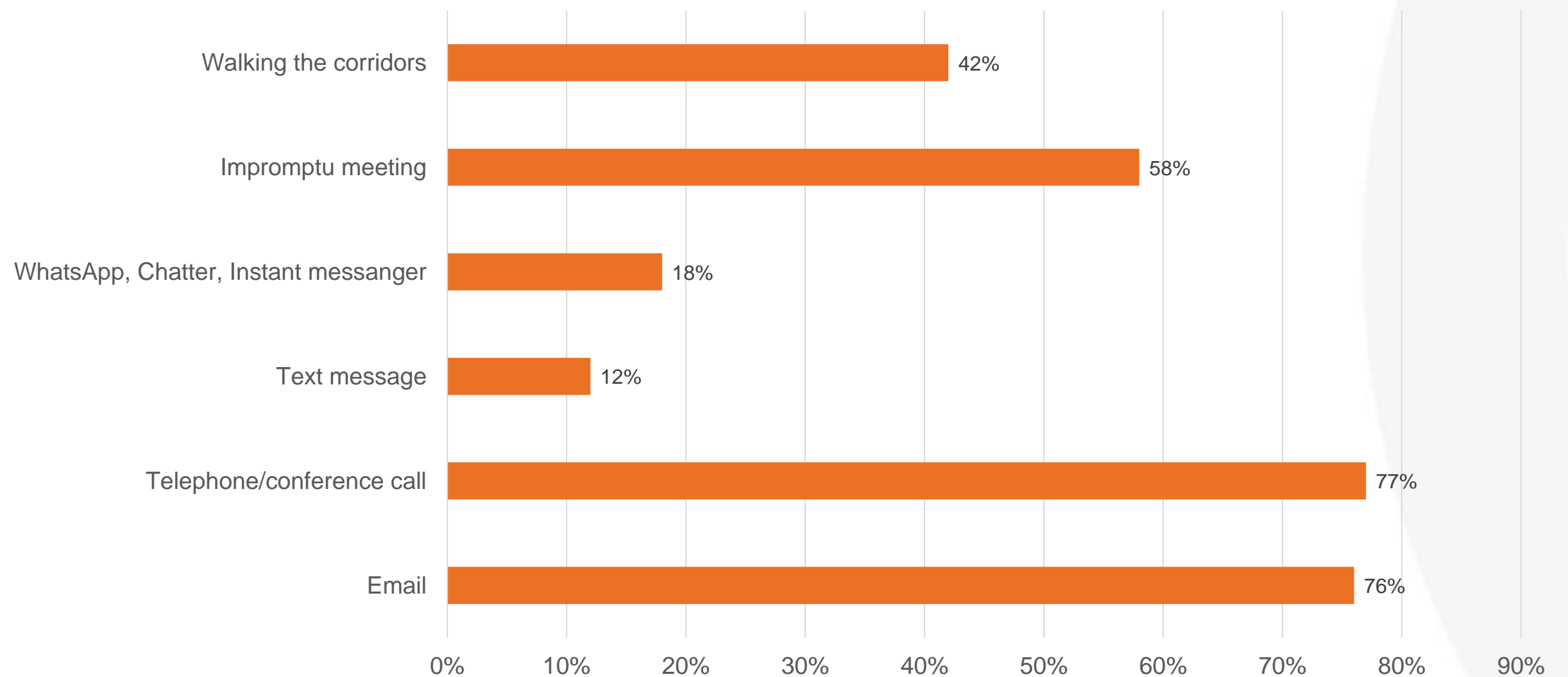


Poll Question #3

- Do you feel the current process for producing these internal narrative reports collaborative and controlled?
 - Yes
 - Somewhat
 - No

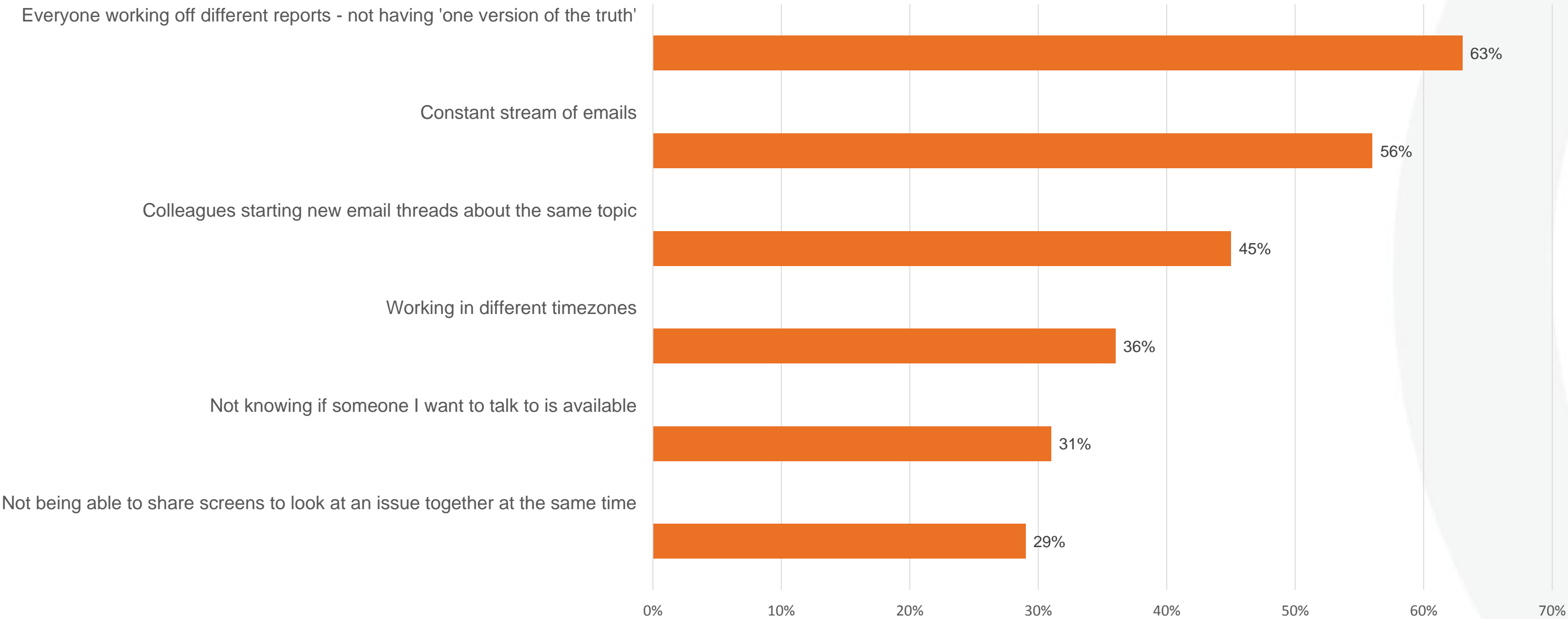
Collaboration is Still Relying on Old Technology

When things go unexpectedly wrong in reporting, what is your preferred method of communication?



Biggest Obstacles to Collaboration in Reporting

Factors driving growth in financial data volumes



“What is the difference between what I do today and the additional value can Certent provide?”

Certent + Internal Solutions and Processes = Narrative Performance Reporting

Traditional internal reporting solutions and developed processes provide all the **data** your organization requires in a structured reporting format.

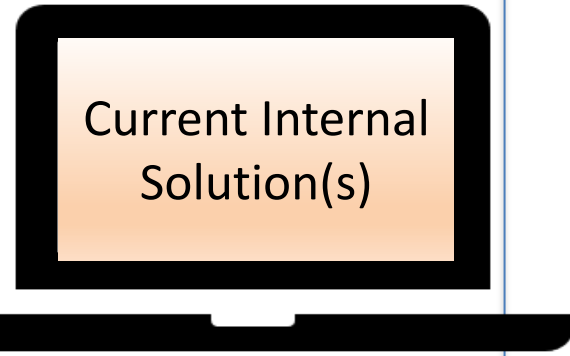
It may also provide **minor commentary** around certain balances.

More often than not, data and minor commentary are not telling the **full story behind the numbers.**

This is where Certent allows you to extend your internal investment to create **narrative performance reports** in multiple output formats.



Certent + Internal Solutions and Processes - Defined



Cash by Region

Management Briefing Deck

Adjusted and Consolidated
March, 2017

Northwest
March
2017

In USD

(thousands) Actual

Plan

Variance

Var %

Cash

5,000

15,000

(10,000)

(67%)

Net Sales eroded substantially from prior quarter against plan to **\$5.0 million**, a period over period **decrease** of **\$10 million**. This was due to a Days Sales Outstanding (DSO) increase to 120 days versus 90 in **2016 Q4**. The DSO increase was due to an unanticipated departure of several associates in A/R Collections Department and an substantial increase in net-new orders.

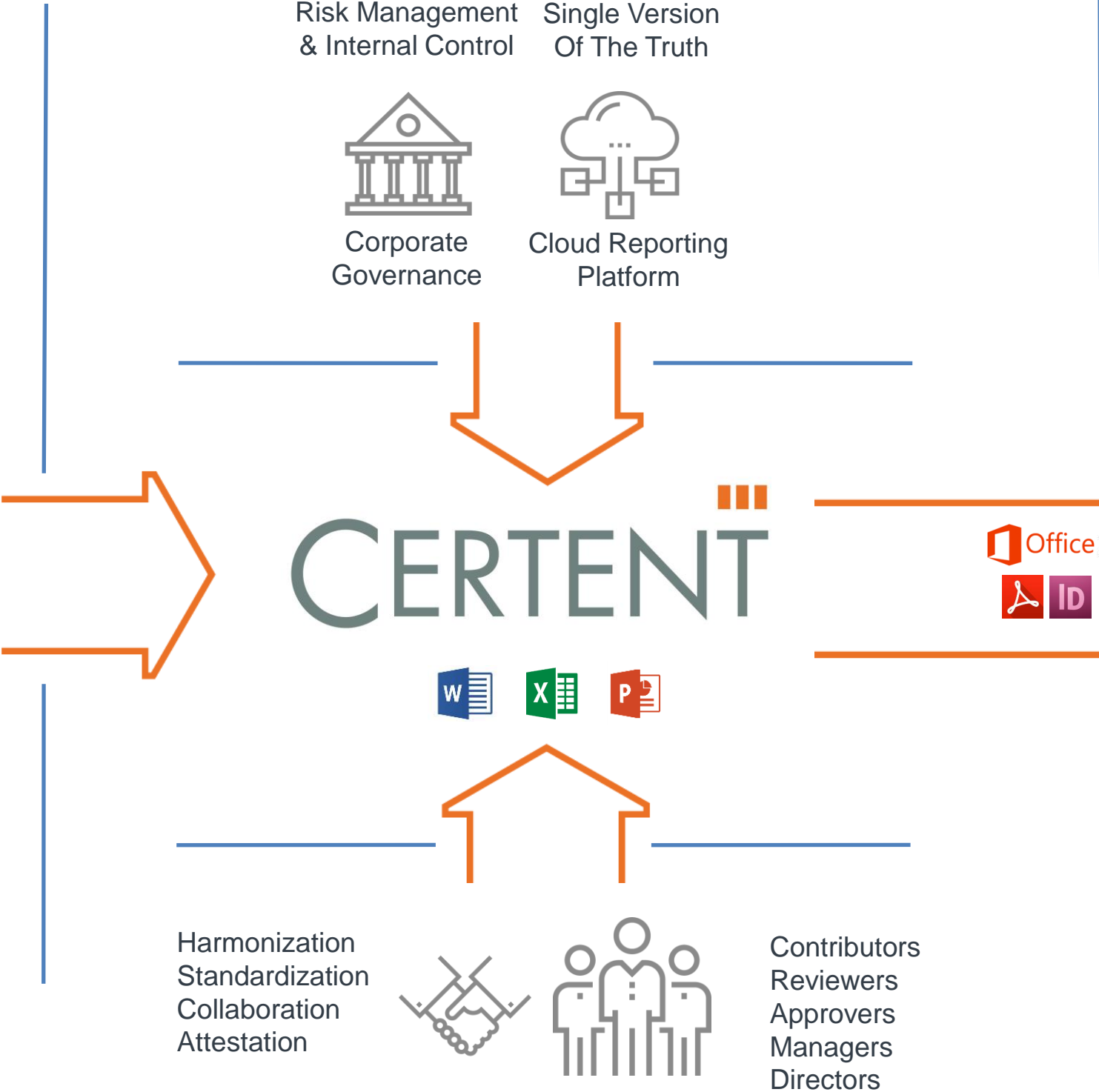
Global Initiative #45 is to decrease DSO to 75 days by **Q4 2017**. We are just starting to implement #45 in April with the hiring of 15 new A/R Collections associates. Based on our planned ramp-up schedule we anticipate getting to plan by **Q3 2017**, for both Cash balance and Days-Sales-Outstanding.

The Certent CDM Solution



Our Solution

Structured Data Sources



- Familiar Microsoft Office environment
 - Strong access controls and single sign-on
 - Workflow controls expedite the production cycle
 - Users can add their own side-bar commentary
 - Process task and check lists provide simple guidance
 - Audit trails let you see who did what and when
 - Validation rules tie out one part of the document to another part of the document (or a different document)
 - Single version of the truth
-
- Integrated version controls let you take report snapshots at any time.
 - CDM is available on premise or on the cloud
 - Report sections can be shared between different documents delivering production synergy
 - Documents can be rolled forward and cascaded making production cycles more sustainable



Support Multiple Reporting Requirements

Narrative Performance Reports

- **Finance and Accounting Operations**

- Sustainability / CSR
- Management accounts
- Corporate business plans
- Budget books / decks
- Board books / decks
- Business Unit Performance
- Project Management
- Treasury Reporting
- Line of business / central service function reports
 - *Departmental*
 - *Inter-departmental*
- Project Management
- Industry Specific Operational Reporting
- Profitability Analytics – Customer, Geography, Channel



Internal Report Consumers

Revisiting the Common Challenges...

Poll Question #4

- Based on the data presented earlier, what did the FSN Innovation in Reporting survey determine as the biggest obstacle to collaboration in reporting?
 - Working in different time zones
 - Constant streams of emails
 - Not having one version of the truth

Addressing Common Narrative Performance Reporting Challenges

- “Our organization and leadership would love to have more narrative detail in our periodic reports and presentations, but we simply do not have the time. The production of these reports is time-consuming and involves a very manual process.” – *Certent CDM automates many of the manual processes, reducing cycle times by as much as 50%, which allows more time for insightful narrative contributions.*
- The data that is required for these reports lives in multiple systems and spreadsheets. Collecting, organizing, and then making sense of the data takes up a majority of our report cycle time. – *Certent CDM can directly connect to multiple data sources within your organization and automate the data flow to one or many reports.*
- “Trying to automate these reports will be very difficult as the format, reported numbers, charts and graphs change every period.” – *Certent CDM provides an opportunity to standardize the narrative reporting within your organization which can be automatically rolled over every period.*
- There are many people involved in contributing, reviewing, and approving these reports. With no ability to work on the different sections of the reports simultaneously there are many bottlenecks in our workflow and version control issues. This leaves little time to provide valuable commentary on the data. – *Certent CDM is a multi-user solution that allows for many people to be in the report at the same time, while creating a controlled environment via workflow, notifications, and audit trail of every operation.*



Additional Resources



SOLUTIONS: [Narrative Performance Reporting](#) | [Use Applications](#)

NARRATIVE PERFORMANCE REPORTING

Disclosure management software is no longer just regulatory reporting. Other lines of business use this software daily.

Narrative performance reporting, internal reporting, management reporting – regardless of what your company calls it, the periodic consolidation of departmental results is a painful process for anyone. Each period, it's a tedious, redundant routine of using last period's now-outdated template, pulling in the new numbers and attempting to fill in the blanks with meaningful narrative. This painful process is often laden with inefficiencies and errors. Businesses the world over are turning to collaborative, single-data-source reporting engines to handle narrative performance reporting. After all, your business needs faster access to performance reporting in order to keep pace with competitive markets.

Applications

Bring a predictable and scalable reporting process to:

- Budgeting & Forecasting
- Board Decks
- Periodic Management Reporting
- Investor Relations Decks/Reports
- Press Releases
- Consolidated Tax Positions
- Mutual Fund Reporting
- Financial Planning

[The Case for Internal Reporting Software](#)

[Management Reporting: Let's Stop Reinventing the Wheel](#)

[Narrative Performance Reporting: The Story Behind Finance's Numbers](#)

[Visit \[certent.com\]\(https://certent.com\) for more information.](#)





Thank You.

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