

Can benchmarking help you turn up the heat on your competition?


Find out how the EY Benchmarking Analysis can help you grow from challenger to leader.



The better the question. The better the answer.
The better the world works.



Building a better
working world



Every business owner, CEO or entrepreneur has their own unique ambition. It may be that the business thrives across generations or expands internationally to accelerate growth. It could also be about building trust through compliance or a desire to disrupt their industry. Whatever their ambitions, EY professionals can support business owners and leaders as they work to realize them.

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

This is where the EY Benchmarking Analysis can help.

What is the EY Benchmarking Analysis?

The EY Benchmarking Analysis (EYBA) can provide insight into your organization's performance by comparing financial and related data from similar organizations. It analyzes your overall performance on key metrics, using top, median and bottom quartiles. It can also 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. Also the EYBA can be tailored to your industry sector, company size and location.

How EY teams can add value to your operations

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. EY teams gather data from 15 different metrics to:

1. Conduct the benchmarking analysis and then draft the benchmarking report
2. Analyze your report that includes observations, key findings and a list of all metrics used
3. Invite you to have a deeper conversation about how these numbers can be turned into real insights that can help strengthen your business

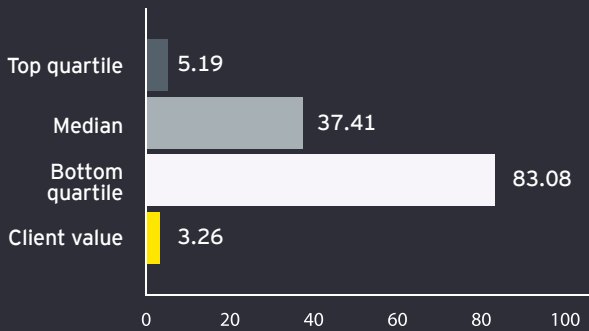
These conversations can also help you to better understand:

- ▶ How your business compares with your peers in key measure areas
- ▶ 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

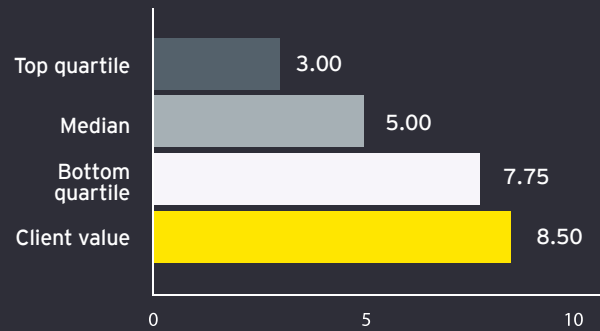
Let's assume EY teams perform the EYBA with a fictional EY audit client, called ABC Limited. ABC Limited has revenues between US\$100m and US\$500m and is in the consumer products sector. The graphics below show the EYBA output reports. The following observations are identified:

Figure 1: Manual journey entry percentage



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

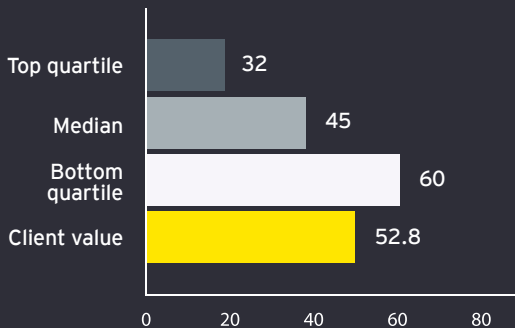
Figure 2: Cycle time to produce annual financial statements



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

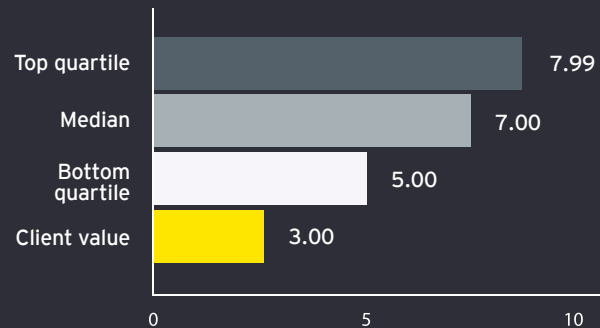
Despite a strong automated finance system (shown by the low percentage of manual journal entries of only 3.26% in figure 1), it seems to take a relatively high number of days to produce annual financial statements (8.50 days, see figure 2) for a company of this size in this sector. Knowing ABC Limited better, EY teams are aware that this organization is interested in having a robust commentary included in the annual financial statements, which could explain these metrics to a certain extent.

Figure 3: Day sales outstanding (DSO)



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

Figure 4: Total inventory turns



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

If ABC Limited could achieve the median DSO position, there would be an improvement of roughly eight days in cash collection (see figure 3). However, ABC Limited could increase this to 21 days if they achieved the top quartile DSO position in the industry. Also, ABC Limited's total inventory turns of 3.00 is significantly less than the comparable of 5.00 that low-performing organizations in the industry have. These metrics reveal a significant improvement opportunity in working capital.

Why EY teams

As your external auditor, the EY audit team members already have a great understanding of your close process and your reporting needs as well as the environment in which you operate. Moreover, EY teams are multidisciplinary, work across geographies, and they combine experiences in assurance, tax, strategy, transaction and consulting services. They are high-impact, professionals who bring a breadth of knowledge and practical experience, as well as multiple-year track records of working together with private businesses.

While performing the EYBA, the EY audit team members can work with other EY professionals, where needed, reducing the time impact on you and your staff.

Also, they continuously aim to build on and enhance their understanding of your organization and your business and provide quantifiable data and objective insights to help strengthen your business.

They can discuss the details and timings of your organization's benchmarking analysis with you to understand your expectations and scope of services related to the audit. Based on their experience, they can suggest a good time to conduct the EYBA, for example, when your EY audit team is performing the interim audit procedures.

About EY Private

As advisors to the Ambitious™, EY Private professionals possess the experience and passion to support private businesses and their owners in unlocking the full potential of their ambitions. EY Private teams offer distinct insights born from the long EY history of working with business owners and entrepreneurs. These teams support the full spectrum of private enterprises, including private capital managers and investors and the portfolio businesses they fund, business owners, family businesses, family offices, and entrepreneurs.

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Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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EYG no. 007734-20GbI

BMC Agency
GA 1016900

ED None

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