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Cloud-Based ERP Drives Value Creation for Private-Equity Backed Companies

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Private Equity Firms: Diverse Portfolios, Common Needs

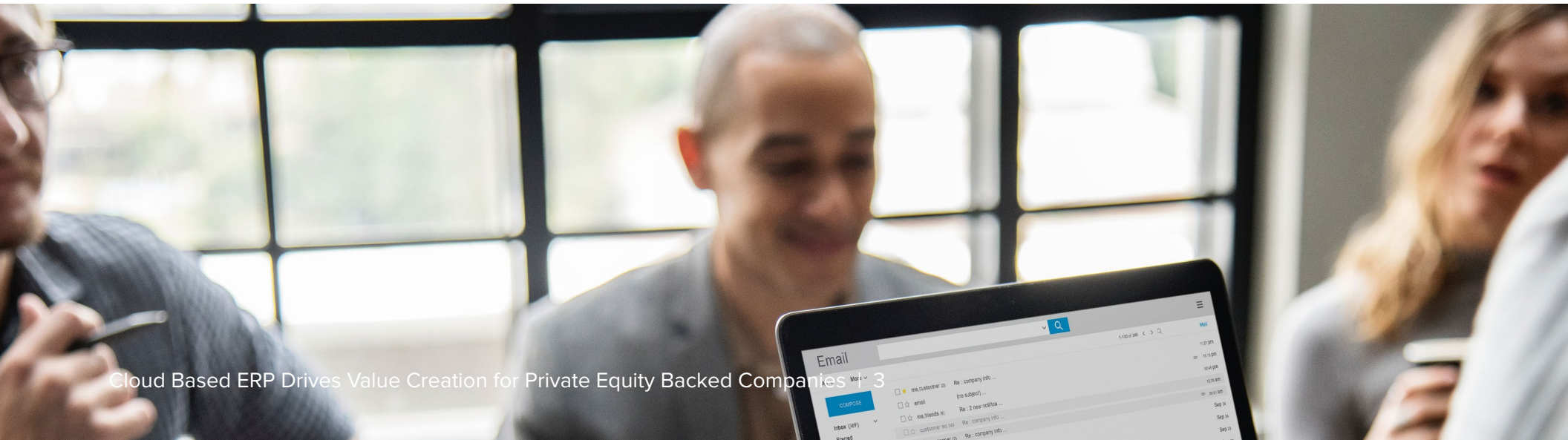
Known for its unremitting focus on value creation, the private equity (PE) market serves as a pivotal investment channel for companies of almost any type and size. Whether invested in software-as-a-service (SaaS) or consumer packaged goods firms, start-up or mature companies, PE firms are constantly pursuing operational improvements to capture growth for their portfolio companies.

Although they often have varied needs given their diverse investment portfolios, PE operations teams tend to employ a standard set of strategic levers to drive

improved performance. Key strategies include overhauling major financial management structures, standardizing business processes, reducing overhead, branching into new markets and expanding globally. These and other activities aim to propel each investment to greater heights, improve the top line and reach peak operational efficiency.

In an environment of ever-increasing competition, PE firms and the companies they back require a means to establish crucial financial controls and optimize business processes in order to drive

value creation of all kinds. Thousands of companies in this space have turned to Oracle NetSuite as a technology partner and a driver of fundamental change and growth. Because it recognizes the unique DNA of sponsor-backed companies, NetSuite has proven its ability to help these firms operate under accelerated timelines and aggressive budgets. Leveraging many strategic partnerships, along with a dedicated private equity practice, NetSuite provides industry-leading best practices that meet even the most daunting sponsor-related challenges.



Oracle NetSuite's Cloud Services Cover Critical PE Needs

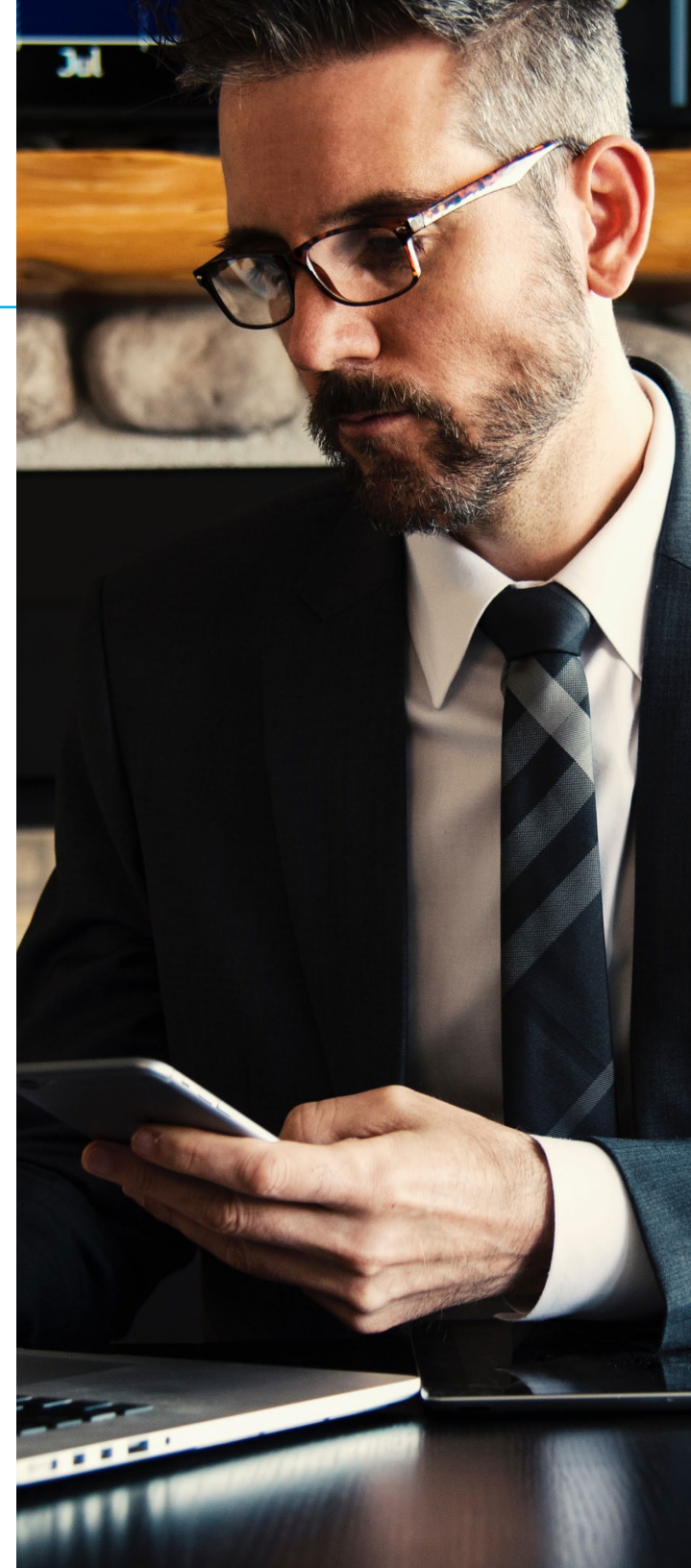
Today, the fundamental benefits of cloud-based computing are well established and widely desired. By tapping cloud services, companies can avoid costly and time-consuming on-site infrastructure and application deployments. Cloud adopters can greatly reduce operating costs by shifting many of their management, maintenance, security and other responsibilities to the cloud services providers. IT capacities can be ramped up and down as needed, and solution components can be easily added or dropped as market conditions and business needs fluctuate. Meanwhile, new offices or branch sites can be quickly up and running with needed IT services virtually anywhere in the world.

On top of these core cloud benefits, Oracle NetSuite provides solutions that accommodate the extreme variability that exists across both PE firms and the companies in their portfolios. Core functions of the software include accounting, inventory management, ecommerce and customer relationship management. To ease the challenges of

operating or expanding internationally, NetSuite's OneWorld offering has built-in support for multiple currencies, multiple languages and many country-specific tax requirements. Moreover, NetSuite goes to market in an industry-oriented fashion; from sales to implementation, its teams are focused on honing their own vertical expertise and building targeted functionality into the NetSuite services.

As previously noted, private equity-backed companies have specific needs and behavior that often result in an overhaul of their current financial infrastructure. The comprehensive features listed above are what has made NetSuite the go-to solution for many companies operating in the PE environment.

On the following pages, we examine several PE-backed companies that have adopted NetSuite solutions, along with the reasons, or triggers, for that adoption and the benefits achieved.



Private Equity Firm ERP Triggers and Needs

Private Equity Firm Triggers and Needs	NetSuite SuiteSolutions
M&A activity – Bailey International	PE-backed companies often grow by acquisition. NetSuite’s scalable platform enables companies to quickly and easily integrate acquisitions and accommodate even the most aggressive growth plans.
Evolving business models – SheKnows Media	PE-backed companies may seek to add new revenue streams or enter new markets to keep up with the rapid pace of change. Regardless of how rapidly or extensively their business models evolve, NetSuite’s multifaceted and scalable cloud services can easily and flexibly accommodate any changes.
Financial accuracy and visibility – LoveSac	PE-backed companies have zero tolerance for inaccurate or delayed financial reporting. NetSuite’s real-time visibility ensures the data is correct and available to the stakeholders who need it. Customizable roles and responsibilities ensure only the appropriate parties have access.
Rapid growth – Blue Microphones	PE-backed companies often use their source of funds to fuel growth internationally, open new distribution channels and/or accelerate organic growth. NetSuite’s OneWorld module allows multibook and multicurrency consolidation in real time. The platform provides companies with a single source of data across enterprise resource planning (ERP), ecommerce and customer relationship management (CRM), and provides a 360-degree view of the customer, even as businesses move toward an omnichannel environment.
Carve-out/divestiture – Quicken	Carve-outs are a common divestment strategy. With NetSuite’s engagement model, newly carved-out companies can often go live on NetSuite within 100 days, enabling them to adhere to even the most strict transition service agreements (TSAs).
Operational excellence – Free Flow Wines	To satisfy their investors, PE-backed companies must have a keen focus on operational excellence. NetSuite helps companies attain incremental EBITDA by driving front- and back-office synergies. Often, the number of full-time equivalents (FTEs) required for NetSuite’s highly automated cloud services is far less than the number required to manage on-premises alternatives, freeing up resources to work on higher-value activities.
Business stability – PODS	PE-backed companies must drive value creation within a finite hold period, typically five to seven years. This means they cannot afford lengthy implementation cycles or any inefficiencies in the evaluation process. NetSuite’s engagement model, SuiteSuccess, ensures rapid deployment and time to value with minimal disruption to the business.

Bailey International



Founded in 1976, Bailey International has established itself as a leading manufacturer and distributor of cylinders, pumps, valves, motors and other mobile International components. The company was acquired by Pflugsten Partners in 2012.

Anticipating a future of rapid growth, both organically and via acquisition, Bailey International knew that its existing IT infrastructure wasn't up to the task. Most of the company's operations were running on an aging IBM AS/400, which made it difficult for employees to extract data, perform financial analysis and share business intelligence with one another. Bailey International also worried that its aging system was giving its customers a less than ideal experience when they interacted with the firm. Upgrading the highly customized system would take millions of dollars and an unacceptable amount of time.

To support its growth ambitions and operational needs, Bailey International implemented NetSuite OneWorld and NetSuite SuiteCommerce. The combined, scalable solution handles all of the company's financials, ecommerce,

reporting, inventory, manufacturing, distribution, sales, customer service and supply chain operations. All of these functions operate on the same "unified source of truth" database, ensuring accuracy and facilitating efficient data sharing among the various NetSuite elements.

With the IT shift, Bailey International was able to replace three full-time developers who had maintained the AS/400 with more versatile IT professionals focused on data and system administration. The company cut its financial close time from 20 days to 3 days and can now generate reports in minutes rather than in weeks.

With the SuiteCommerce Advanced website, B2B and B2C customers get a streamlined experience. With its old system, employees had to download orders from an ecommerce site and manage them manually. Now, order placement and fulfillment are nearly instantaneous.

In the past, we utilized information silos in supply chain IT, manufacturing and sales. With NetSuite, everyone now has easy access to data, and it has made us a better company.

– Bailey Hydraulics

Trigger: M&A activity

Industry: Manufacturing and distribution

Bailey Hydraulics Implements Integrated Solution to Handle End-to-End Business Functions with NetSuite



NetSuite Solution: NetSuite OneWorld, NetSuite SuiteCommerce

Systems replaced: Highly customized ERP for IBM AS/400, MySQL database, ADempiere (open-source business management software)

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SheKnows Media



Since its 1999 launch as an entertainment, lifestyle and parenting website, SheKnows Media has skyrocketed in popularity, adding new features – and acquired companies – along the way. Sold by its parent company to Evolve Media Corp. in 2006, SheKnows Media was later acquired by PE firm Great Hills Partners in 2014. SheKnows Media went on to execute three acquisitions of its own within a two-year timespan.

Today, SheKnows Media operates a family of websites, including SheKnows.com, HelloFlo.com, BlogHer.com and StyleCaster.com. All told, the combined sites host 81 million unique visitors per month and have 302 million social media fans and followers, making SheKnows Media the world's leading lifestyle digital media company, according to comScore.

Its acquisitions and rapid growth came with a downside – SheKnows Media found itself with three ERP systems and disjointed business operations. To help seamlessly integrate its businesses and manage its growth, the company dropped the QuickBooks and Intacct systems being used by two of its acquired companies and

moved all of its operations onto NetSuite OneWorld. With OneWorld, SheKnows Media has powerful real-time visibility and financial reporting across all of its brands, properties and channels. The NetSuite system has also eliminated many manual processes, greatly speeding revenue recognition, billing, payments and the monthly financial close.

The data NetSuite OneWorld generates is helping SheKnows Media make better informed decisions about its current business, and also guiding it as it launches new products. OneWorld's open connectivity has allowed the company to easily integrate the system with more than 50 homegrown and third-party data sets, including the proprietary Momentum influencer platform.

NetSuite's scalable system with real-time data access has empowered our financial reporting and business planning. Our finance teams and executives are better equipped to make strategic business decisions, which has really stimulated our growth.

– SheKnows Media

Trigger: Evolving business models
Industry: Media and Publishing

SheKnows Media gets real-time visibility and financial reporting across all of its brands with NetSuite



NetSuite Solution: NetSuite OneWorld
Systems replaced: Quickbooks and Intacct

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LoveSac



Taking its name from the eight-foot-wide, foam-filled sphere its founder constructed in the mid-90's, LoveSac launched in 1998 and never looked back. By 2017, the company employed more than 300 people, counted close to 70 company-owned retail showrooms, and was named America's fastest growing furniture retailer by Furniture Today. Mistral Equity Partners acquired a majority interest in LoveSac in 2010.

LoveSac wanted to provide a common omnichannel experience across its in-store, online and call center operations, but its existing systems weren't up to the task. Previously running Microsoft Dynamics GP and various proprietary systems, LoveSac was also experiencing process inefficiencies and poor visibility across its operations. Seeking a solution that could also accommodate its 50% year-over-year growth, the company decided to deploy a collection of NetSuite services including NetSuite ERP, CRM, Order Management and SuiteCommerce InStore.

With the NetSuite solution, LoveSac now has a unified system that spans from its back office to the point of sale. It has also

been able to quickly implement custom workflows and to streamline its business processes. The cloud-based services can easily scale to accommodate increases in demand, and LoveSac is benefiting from improved insights into its financial, operational and customer metrics. The result: improving customer satisfaction and repeat business, as well as better informed, data-driven business decisions.

We use NetSuite to deliver a holistic, omnichannel experience that drives customer satisfaction and repeat business while streamlining our business processes.

– LoveSac

Trigger: Financial accuracy and visibility

Industry: Manufacturing/Retail

LoveSac Implements Solution to Support Custom Workflows and Streamline Business processes with Netsuite



NetSuite Solution: NetSuite OneWorld

Systems replaced: QuickBooks Enterprise

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Blue Microphones



NetSuite's unified cloud-based business management suite has made a huge difference in our business and has us well positioned for our next stage of growth.

– Blue Microphones

Trigger: Rapid growth
Industry: Manufacturing

A manufacturer of professional- and consumer-grade microphones, headsets and audio accessories, Blue Microphones experienced growth rates of 30-45% per year after its launch in 1995. The company was acquired by a PE firm in 2008, which then sold it to another PE firm, The Riverside Company, in 2013. As part of its sale, Blue Microphones recognized the need to modernize its IT environment.

Many PE-backed companies use their investor funding to expand internationally, to open new distribution channels and to accelerate organic growth. As it pursued these strategies, however, Blue Microphone's QuickBooks Enterprise accounting system wasn't able to adequately scale as the company grew. The legacy system couldn't handle multicurrency transactions, and it was difficult to integrate with marketing and engineering systems. These shortcomings along with encouragement from its new PE owner convinced the company to deploy NetSuite ERP and CRM, following an evaluation of nine different ERP systems.

With the cloud-based services, Blue Microphones has a unified system for

handling its accounting, inventory, warehousing, order processing and integration needs, as well as one that can handle the company's continued growth and changing business conditions. The company is now able to capture more detailed data throughout its end-to-end processes, which also facilitates Blue Microphones' electronic data interchange (EDI) exchanges with its larger customers.

Blue Microphones Implements Solution for End-to-End Business Functions with NetSuite



NetSuite Solution: NetSuite, CRM, TribeHR

Systems replaced: Microsoft Dynamics GP, proprietary systems

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Quicken



Quicken, a pioneer in personal money management software, traces its roots to 1984, when its first DOS-based product debuted. By 1988, Quicken had become the top-selling consumer software product. As it added millions of customers, Quicken offered new services such as Quicken Bill Pay, and it partnered with complementary companies such as PayPal and Dropbox. Global investment firm H.I.G. Capital acquired Quicken from its previous owner, Intuit, in 2016.

Carve-outs such as Quicken are a common divestment strategy, but one that puts immediate pressure on the carved-out firm to operate on its own. Carve-outs typically include transition service agreements (TSAs) that dictate how quickly the divested company must stop using its former parent's legacy software systems and forge out on its own.

With its divestiture from Intuit, Quicken needed to quickly implement a new technology foundation to support its operations and continued growth. Despite having only about 100 employees, Quicken has operations in both the United States and India, and revenues of about \$100

million. The company was able to transition from a temporary QuickBooks Online solution to NetSuite OneWorld in five months, beating its self-imposed six-month deadline.

The OneWorld foundation has allowed Quicken to operate with a much smaller accounting team than is typical for companies of its revenue size. The NetSuite services are also easy to integrate with third-party applications such as Bill.com.

One of NetSuite's most valuable features for Quicken is its ability to easily support different revenue models. The company is adding a cloud-based software-as-a-service option to its traditional software licensing business, and NetSuite OneWorld can handle the revenue recognition processes specific to each business model.

I've used eight different ERP systems—from SAP to QuickBooks Online. NetSuite is perfect. It's not too complex, not too simple. It's flexible and powerful, but still easy to use.

– Quicken

Trigger: Carve-out/divestiture
Industry: Software



NetSuite Solution: NetSuite OneWorld
Systems replaced: QuickBooks Online

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Free Flow Wines



Free Flow Wines is changing people's opinions of what beverages are best delivered inside kegs. Since its 2009 founding, the company has become a leading provider of premium wine on tap, offering more than 250 wine brands in kegs from wineries throughout North and South America, New Zealand, Australia and Europe. In 2016, Veritas Financial Partners provided Free Flow Wines with a \$9 million credit facility to help fund the company's growth.

In addition to its winery partners, Free Flow Wines works with more than 300 wholesalers. The company also has a daunting inventory control challenge: it needs to track the locations and status of 85,000 stainless steel kegs. The company's previous software platform, a combination of QuickBooks and Excel, couldn't handle this burden, nor revenue growth rates that have reached 300% per year at times.

In 2012, Free Flow Wines deployed NetSuite Financials and Inventory Management, which have allowed the company to manage its fast-growing and complex business. NetSuite's cloud-based

services are often able to help companies attain improved EBITDA by driving front- and back-office synergies and eliminating manual processes. A common result is that companies require fewer full-time staff than they would with on-premises software alternatives.

In addition to gaining real-time visibility into its distributed inventory of kegs with the NetSuite deployment, Free Flow Wines now has access to detailed business metrics that help it accurately forecast demand months in advance.

Free Flow Wines is also using NetSuite's B2B portal, where its winery clients can submit work and sales orders and view their order history and keg status. The portal replaced an inefficient process that involved phone, email and fax communications.

NetSuite has definitely given us the scalability for rapid growth. We can focus on what we do best in kegging premium wine rather than manual work with orders, inventory and accounting.

– Free Flow Wines

Trigger: Operational excellence

Industry: Wholesale

Free Flow Wines Gains Real-Time Visibility into Its Distributed Inventory and Access to Detailed Business Metrics That Help It Accurately Forecast Demand with NetSuite



NetSuite Solution: NetSuite Financials, Inventory Management
Systems replaced: QuickBooks, Excel

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PODS



Before we had even made the decision to purchase NetSuite, they had a detailed engagement plan with very specific steps on how we would implement the solution.

– PODS

Trigger: Business stability

Industry: Moving and storage services

With its launch in 1998, PODS (Portable On Demand Storage) Enterprises disrupted the established worlds of moving and storage. Customers can pack PODS containers on their own if they wish, and the loaded containers are then transported on trucks and can serve as storage units at their destinations. Today, the company has more than 170,000 PODS containers and more than 230 PODS Storage Centers in North America, and it also operates in Canada, Australia and the United Kingdom. First acquired by PE firm Arcapita in 2007 for \$430 million, PODS was sold to the Ontario Teachers' Pension Plan for more than \$1 billion in 2015.

PE-backed companies must drive value creation within a finite hold period, typically five to seven years. As such, they can't afford lengthy implementation cycles or process inefficiencies when evaluating solutions. By 2016, PODS executives concluded that they needed to move to a new software platform to support the company's continued growth and complex business requirements.

The following year, PODS deployed NetSuite SuiteSuccess, having been impressed by the suite's broad

functionality, ease of use and painless upgrade cycle. SuiteSuccess is a unified offering that includes OneWorld, a new customer engagement model, business optimization methods, industry best practices and an agile approach to product adoption. PODS is using SuiteSuccess to ensure a successful deployment of OneWorld across its 16 subsidiaries and its 230 Storage Centers.

With OneWorld, PODS gained the accounting and operational capabilities required to keep its worldwide operations moving smoothly. Those capabilities include OneWorld's support for centralized order and inventory management; its multicurrency, language and tax support; its built-in business intelligence; and its open-ended scalability. PODS is also leveraging NetSuite's extensive partner ecosystem and NetSuite's SuiteCloud development platform to tailor the solution to its specific needs.

PODS Implements New Customer Engagement and Business Optimization Model with NetSuite



NetSuite Solution: NetSuite OneWorld

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Summary/Conclusion

On most levels, PE-backed companies are like any other business; they strive for profitability, sustained growth, improved efficiencies and productivity—and, ultimately, strong competitiveness. Because they often have the additional burden of meeting their investors' objectives, including rapid time to value, the cloud-based Oracle NetSuite offerings have emerged as a go-to answer to meet the needs and activities of PE firms as well as those of the companies in their portfolios.

In particular, NetSuite's SuiteSuccess offering has become the most popular choice for PE-backed companies, delivering faster time to value, increased business efficiency, flexibility and greater customer success. SuiteSuccess combines

20 years of industry leading practices, a new customer engagement model and business optimization methods into a unified, industry cloud solution that is engineered to solve unique industry challenges that historically have limited a company's ability to grow, scale and adapt to change.

Having helped pioneer the cloud business model 20 years ago, the Oracle NetSuite Global Business Unit has few, if any, peers when it comes to delivering on the promise of cloud-based services. For more information about how NetSuite can help companies in the private equity sector meet their business and investment objectives, see www.netsuite.com/portal/partners/private-equity.shtml.

About Oracle NetSuite



For more than 20 years, Oracle NetSuite has helped organizations grow, scale and adapt to change. NetSuite provides a suite of cloud-based applications, which includes financials, enterprise resource planning (ERP), HR, professional services automation and omnichannel commerce. NetSuite services are used by more than 40,000 organizations and subsidiaries in 199 countries and territories.

For more information, please visit www.netsuite.com.

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