

IBM Cognos TM1: The guiding tool for Labco in times of continuous growth

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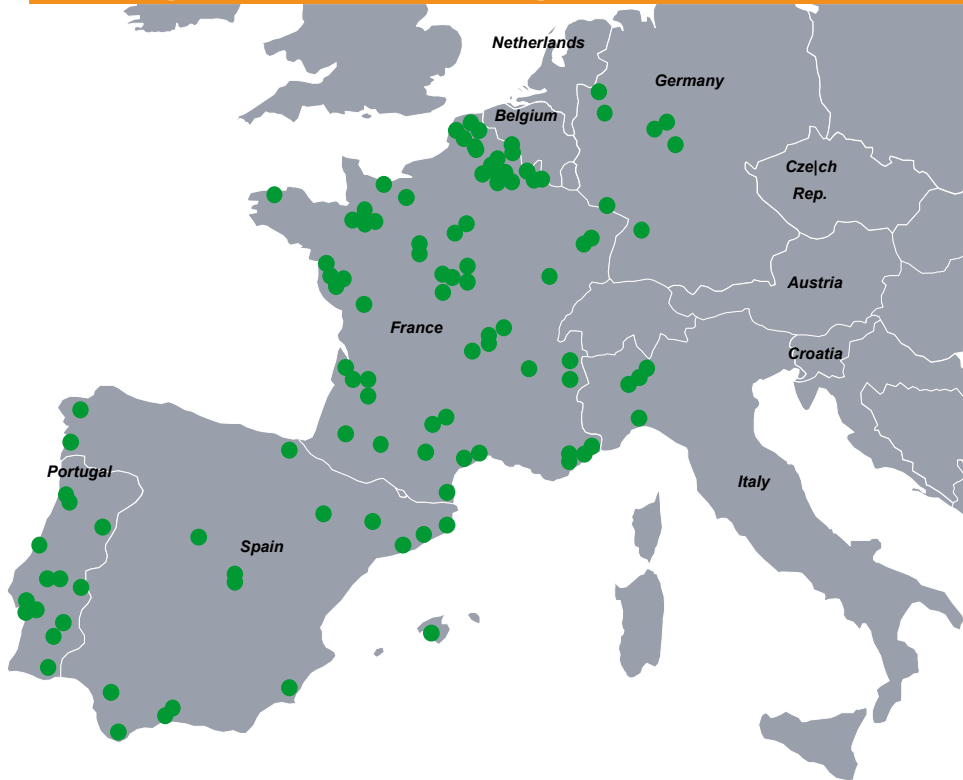


Introduction

- Project at Labco
 - Labco
 - Project team
 - KPMG
 - NX Partners
- More than TM1 alone – presentation focus on TM1
 - Some design considerations
 - Realizations and pitfalls



Putting Labco on the map



Key facts

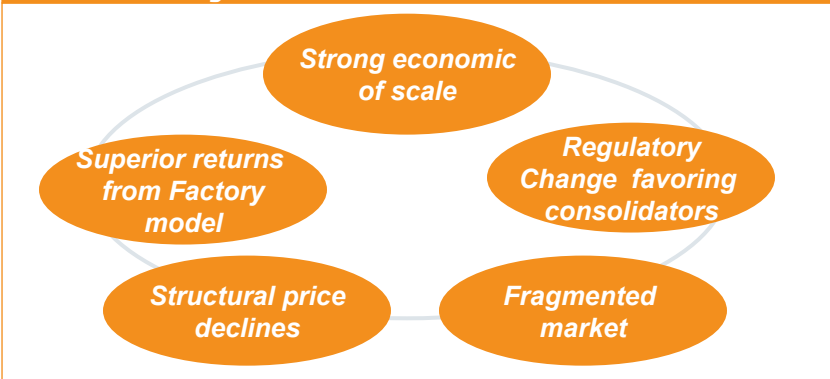
- Presence in 6 European countries
- Over 300 laboratories and collecting points
- 4,500 staff
- Over 400 laboratory chemists or doctors
- 15,000 referring physicians
- About 10 million patients a year
- A catalogue of more than 1.000 tests
- 250,000 tests performed each day
- 60% of activity in ambulatory care, 40% of activity in hospital care
- 3% market share in France, 5% private market
- 3% market share in Europe

Source: Company data



.... a clear proven build up strategy and expertise.....

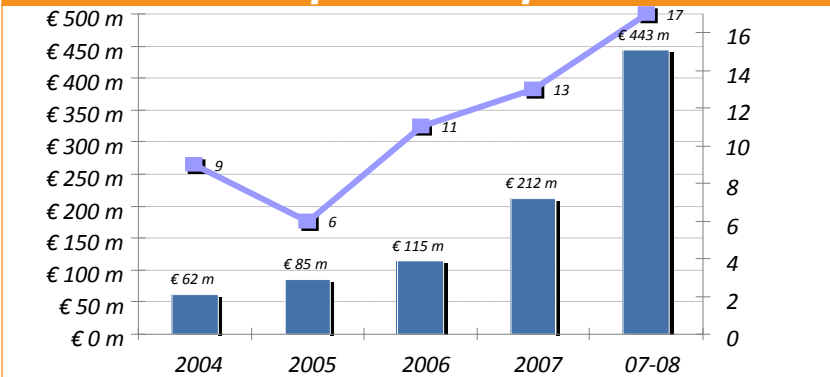
Market dynamics



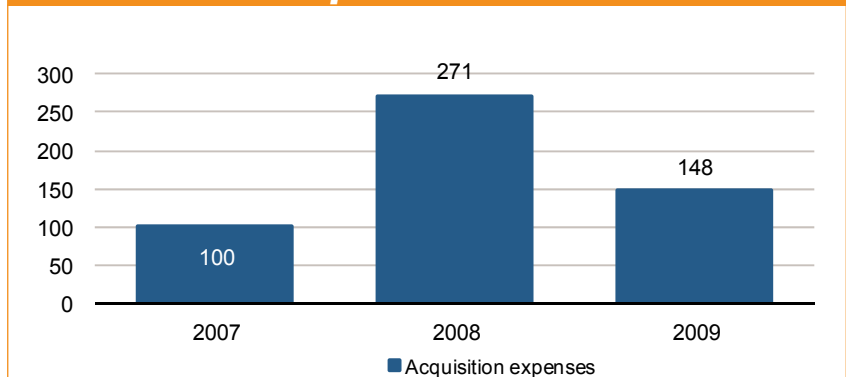
Labco strategy



Sales build-up and acquisitions



2007-2009 acquisitions overview



Thanks to its European experience and know-how, Labco takes advantage of specificities in regulations and cultures in European countries and has the ability to build-up an adapted model

...with an unique business model....

Partnership

Centralised
model

Minority stake

Physicians-
collaboration

Physicians-
individual

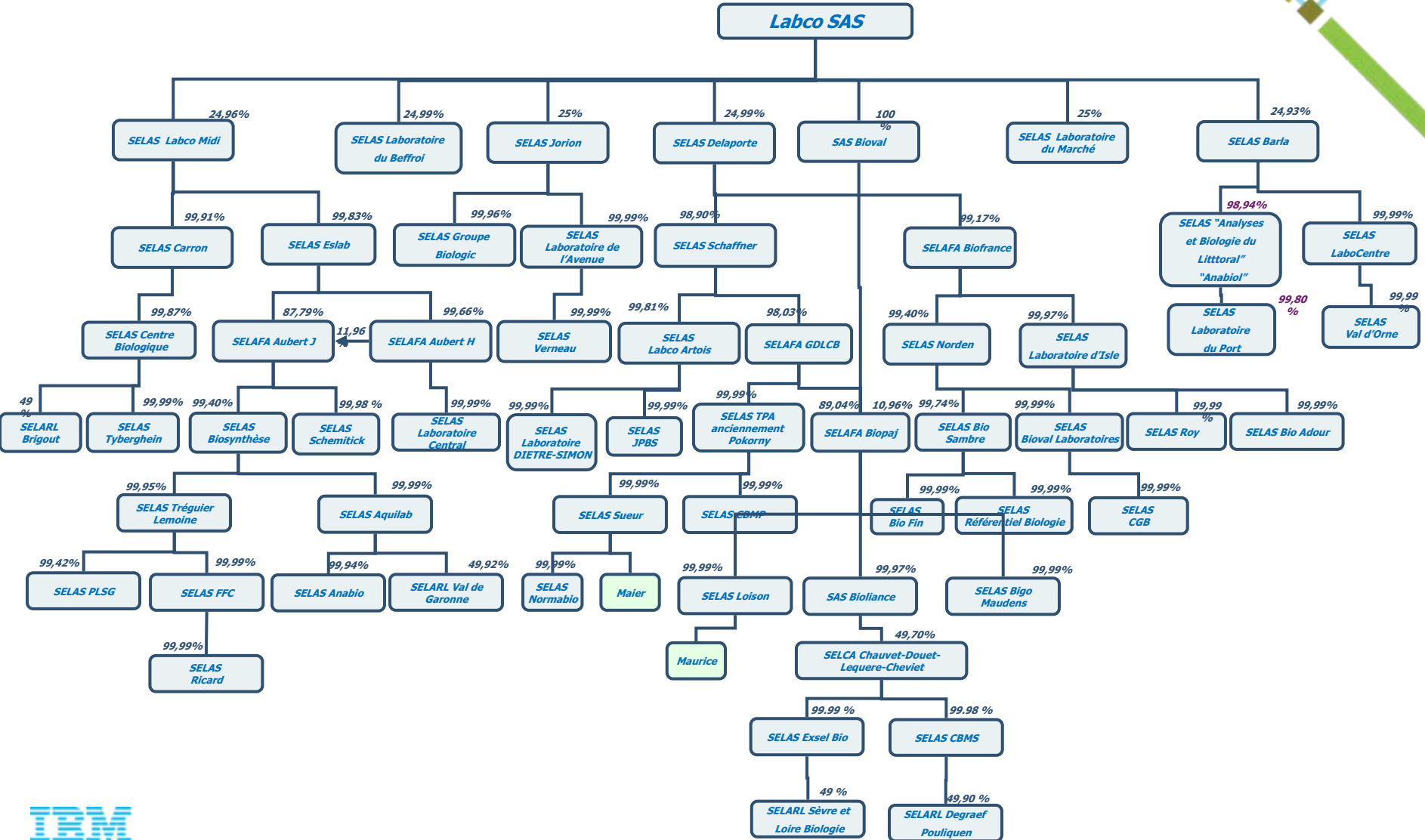
Partnership model

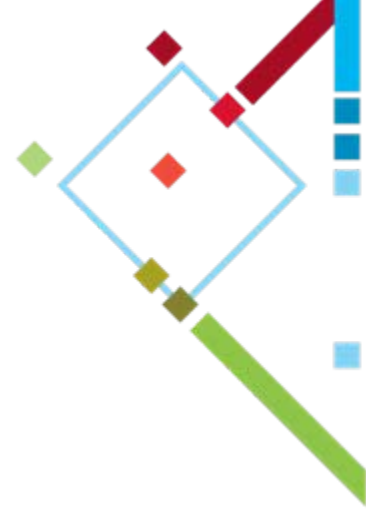
- ***Incorporation of either individual or small groups of local and regional laboratories into a national or international network with a partnership style governance structure***
- ***significant economies of scale***
- ***Local biologists and management teams retain a degree of independence and remain motivated through partial ownership of their contributed businesses; ownership and structure of individual laboratories depends on the applicable legal framework***

LABCO

FRANCE

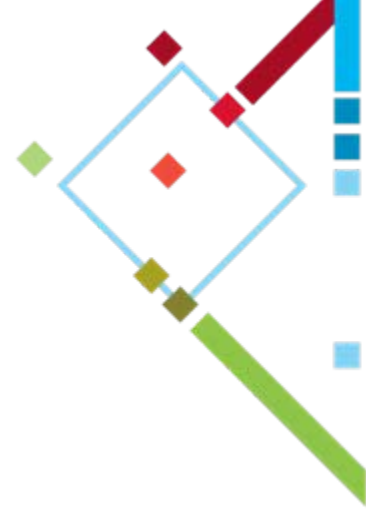
Situation on the 1st of March 2010





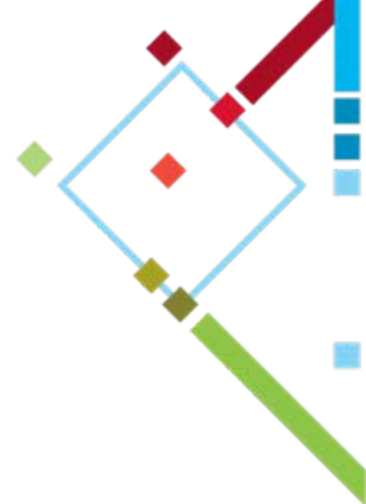
Situation

- Situation: Mid 2008: Major acquisition in Spain and Portugal
 - Syndicated bank loan and private equity shareholders
 - Obligation to report quarterly on
 - > Consolidated accounts versus Budgets
 - > Bank covenants
 - Every acquisition had to be submitted to the banks with impact assessment on the accounts and on covenants
 - Monthly management reporting
- Challenge:
 - Very recent organization (oldest entity 4 years in the group)
 - Local entities without corporate processes and culture
 - Local accountants that mainly weren't part of the Labco Group
 - Central Finance: understaffed, young and entirely focused on acquisitions
 - No budgets, no real Group data definitions, no consolidation application or processes
 - Available applications and databases: Excel
 - Complex legal structure
 - High expectations on management information (perimeter, economic view vs legal view, GAAP's, conso vs solo, country, ...)

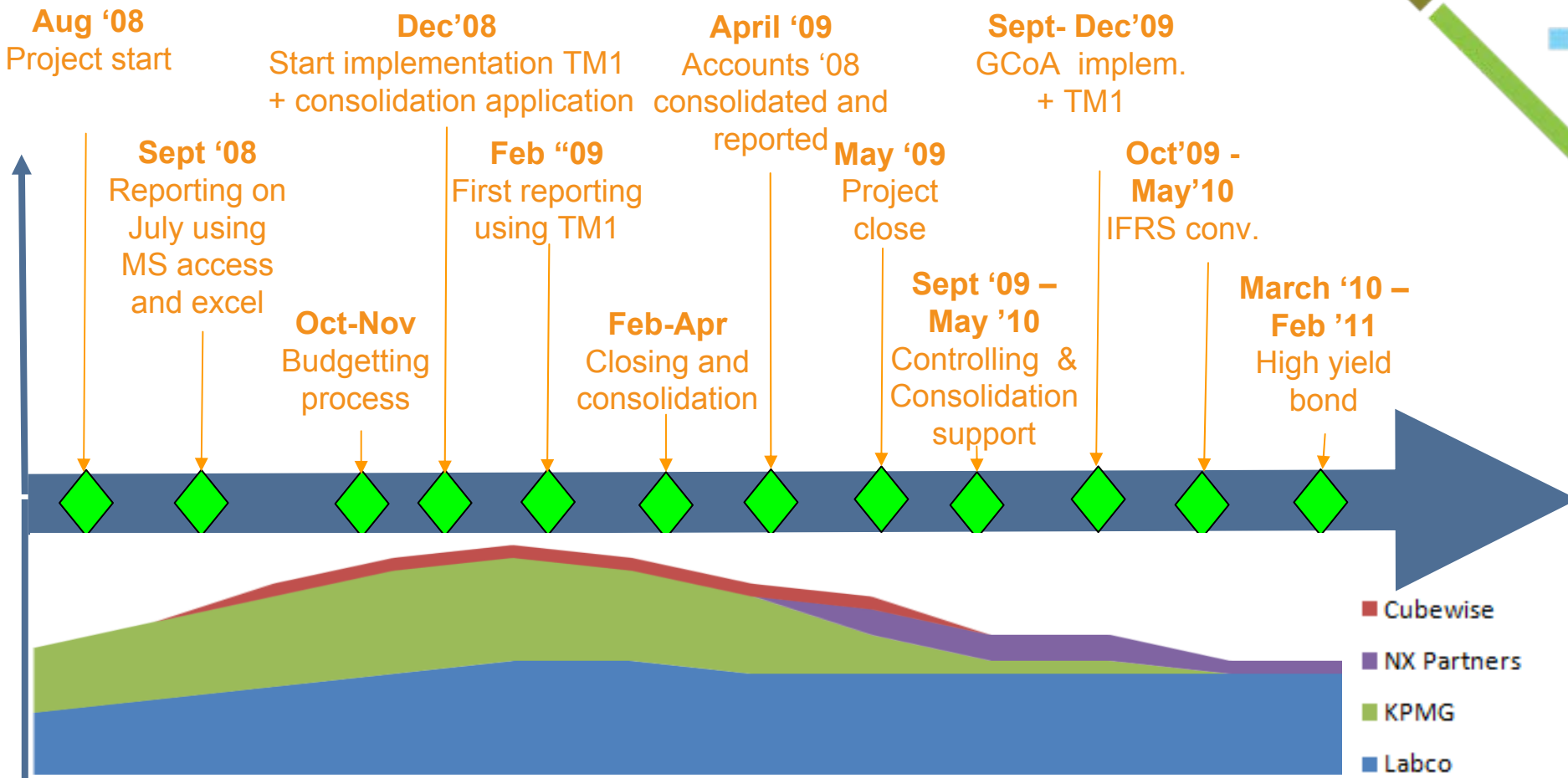


Project objectives

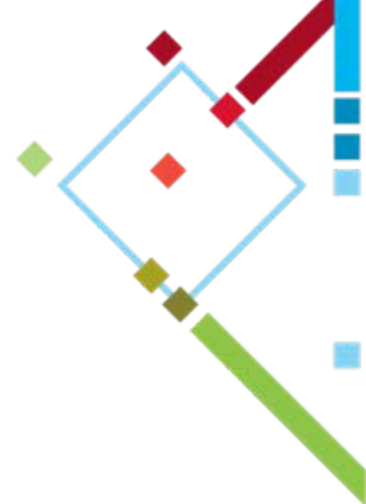
- Initial assignment:
 - Management reporting:
 - Increase completeness and accuracy
 - Decrease delays (60 – 45 – 30 – 25 - ...)
 - Including covenant calculations on different perimeters
 - Consolidation process
 - From yearly French consolidation by external service provider to quarterly internal group consolidation
 - Planning
 - Install budgeting process with simulation possibilities on acquisitions.
- Increasing to
 - Systems selection (consolidation, planning and reporting) and implementation
 - Support on recruitment
 - IFRS Conversion
 - Controlling support
 - Forecasting process
 - Debt restructuring and bond issue
- What needed to happen globally, what business challenges needed to be solved?



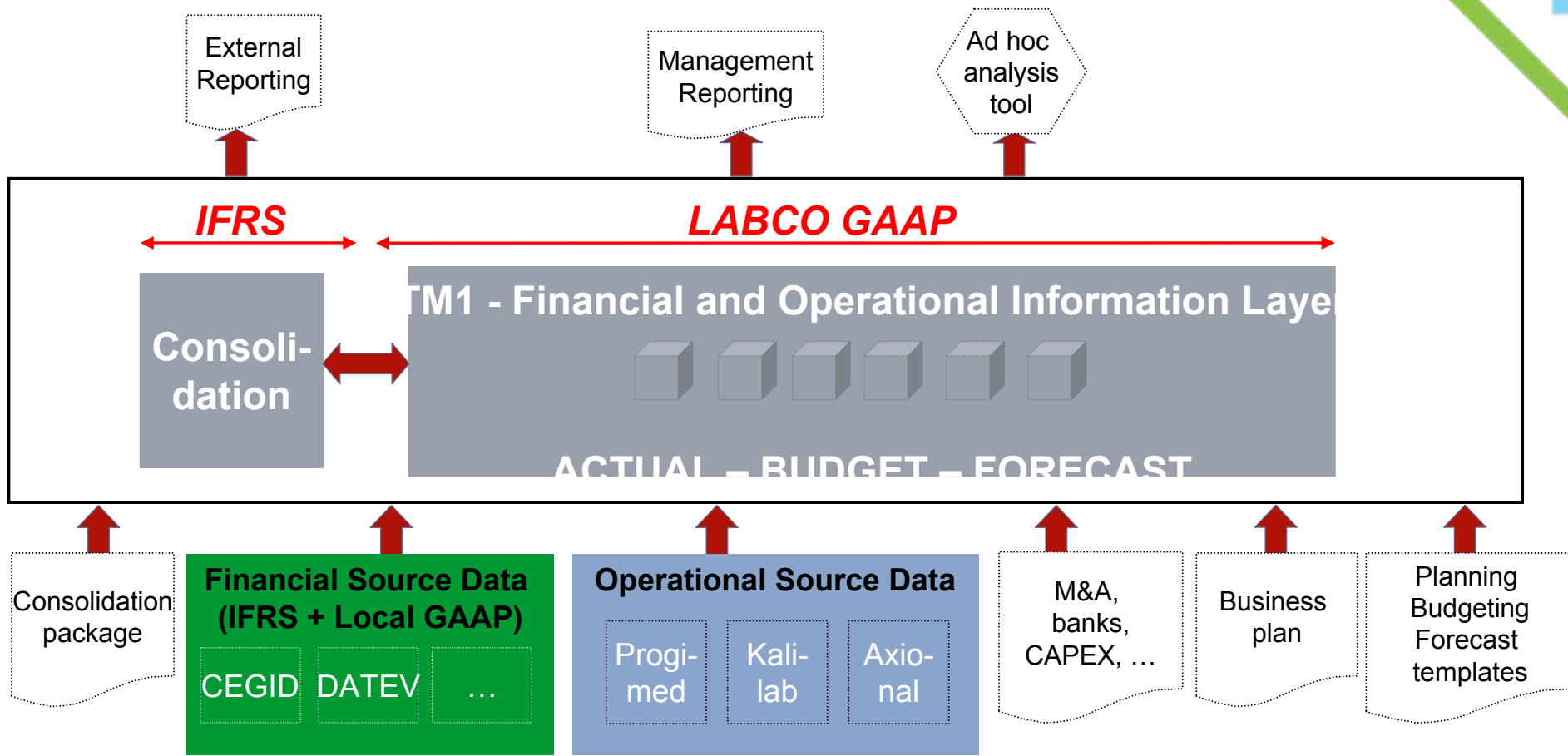
Project timeline



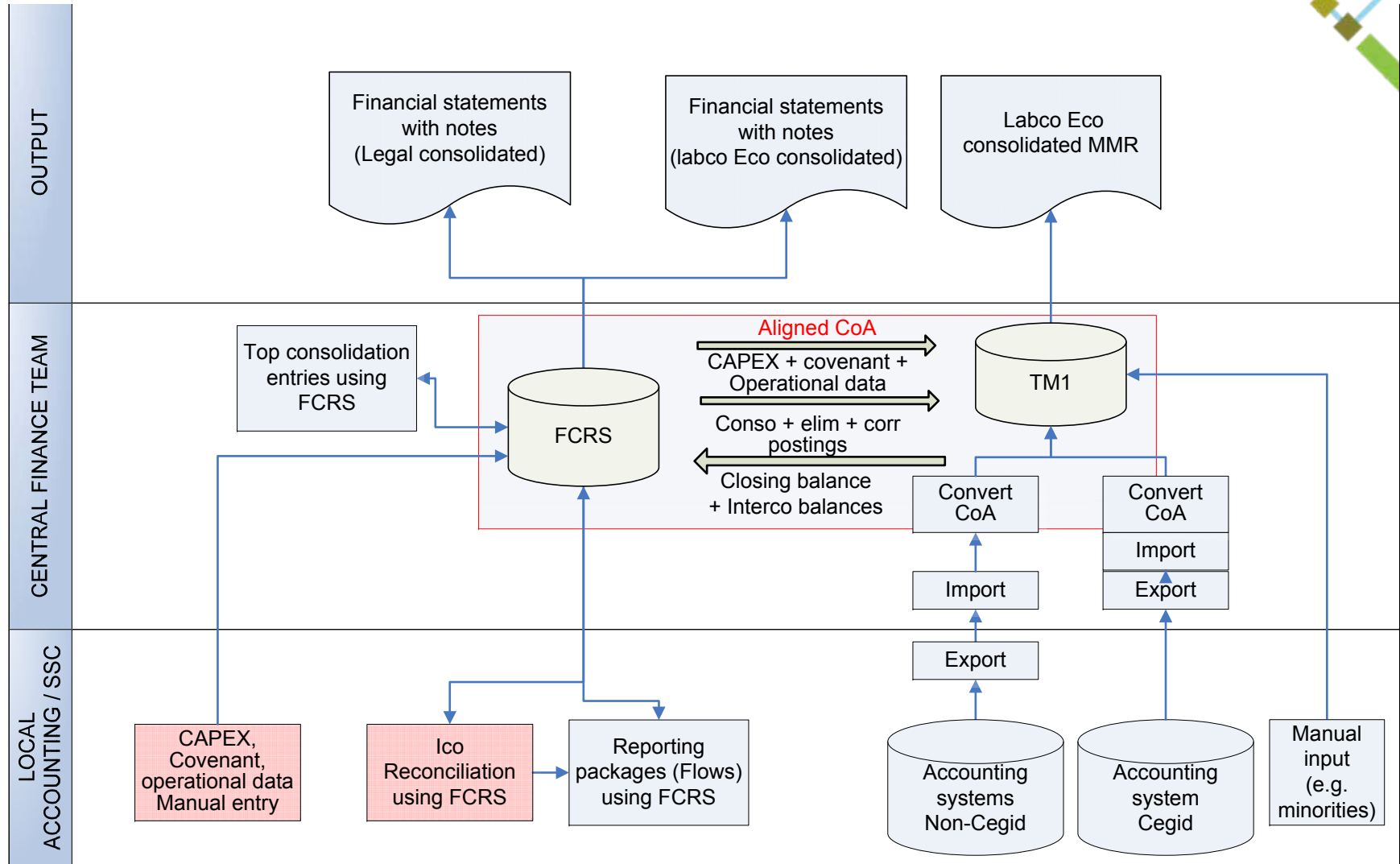
Project team / Group Controlling

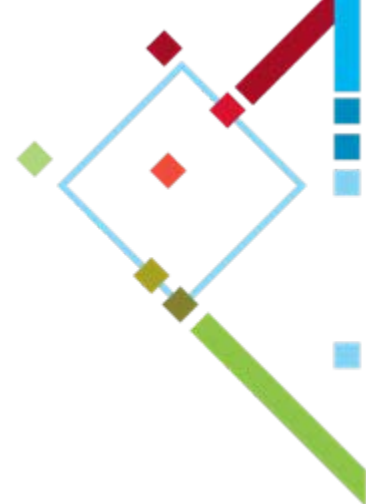


Financial Systems Architecture

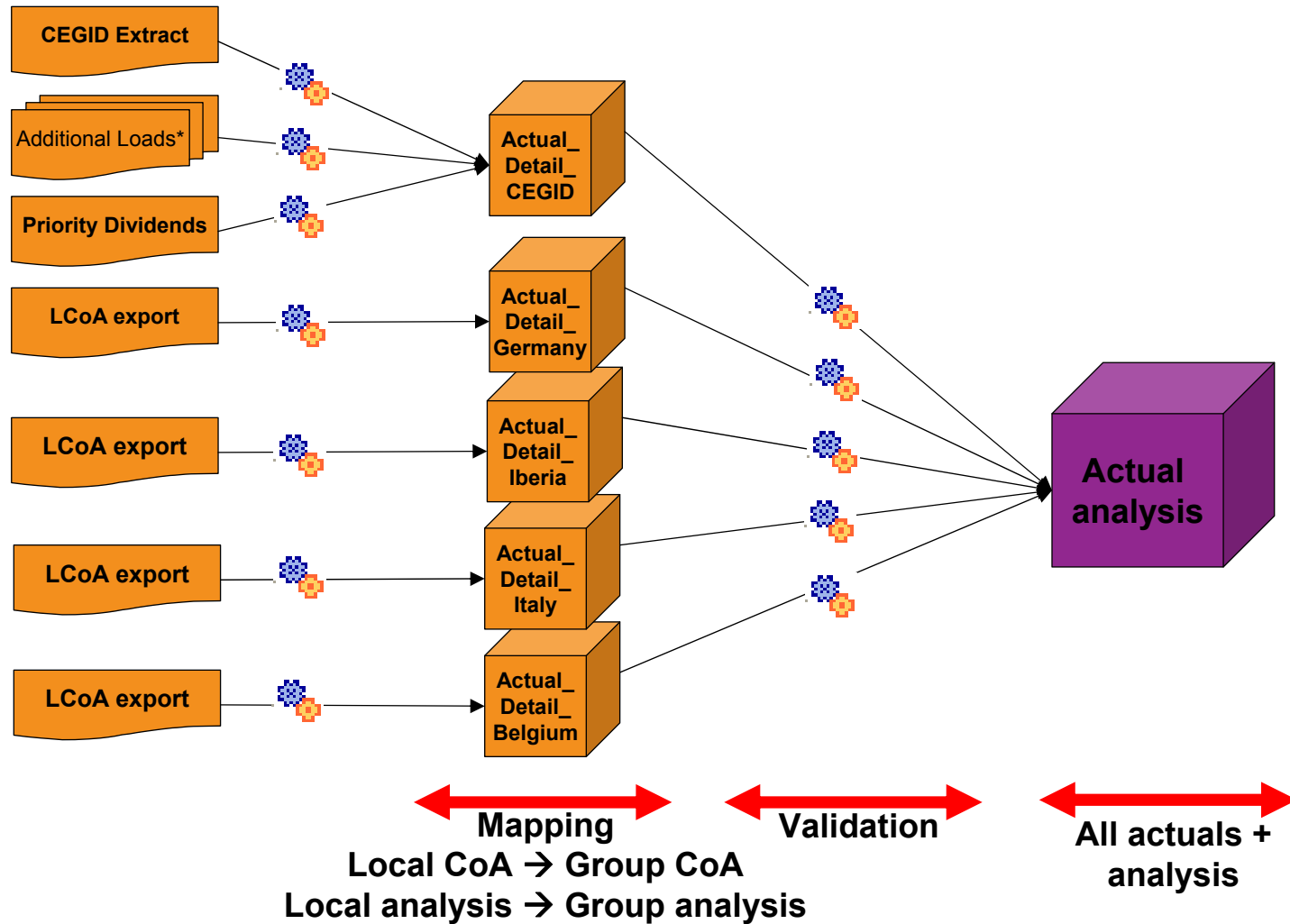


Consolidation – Target functional architecture

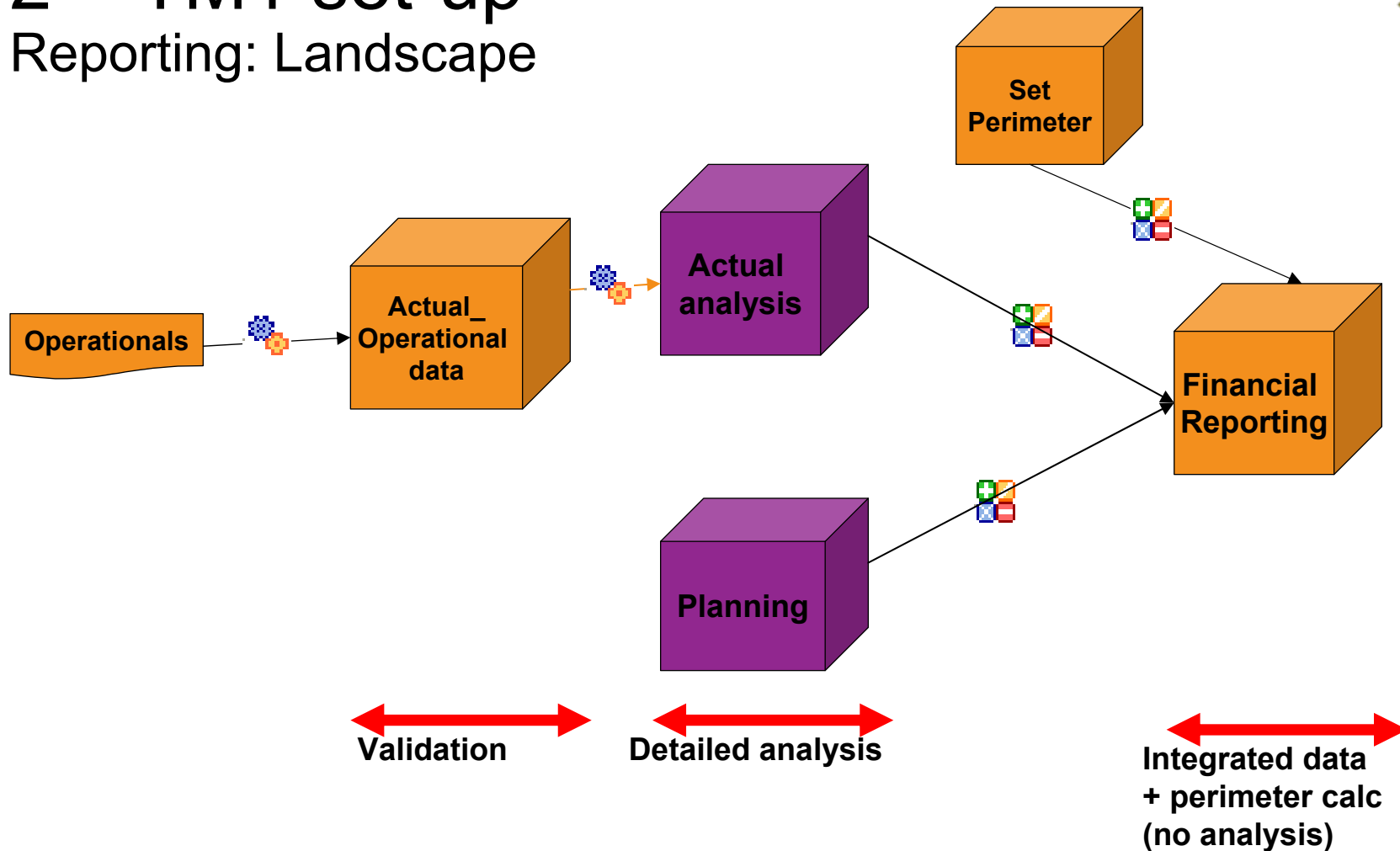




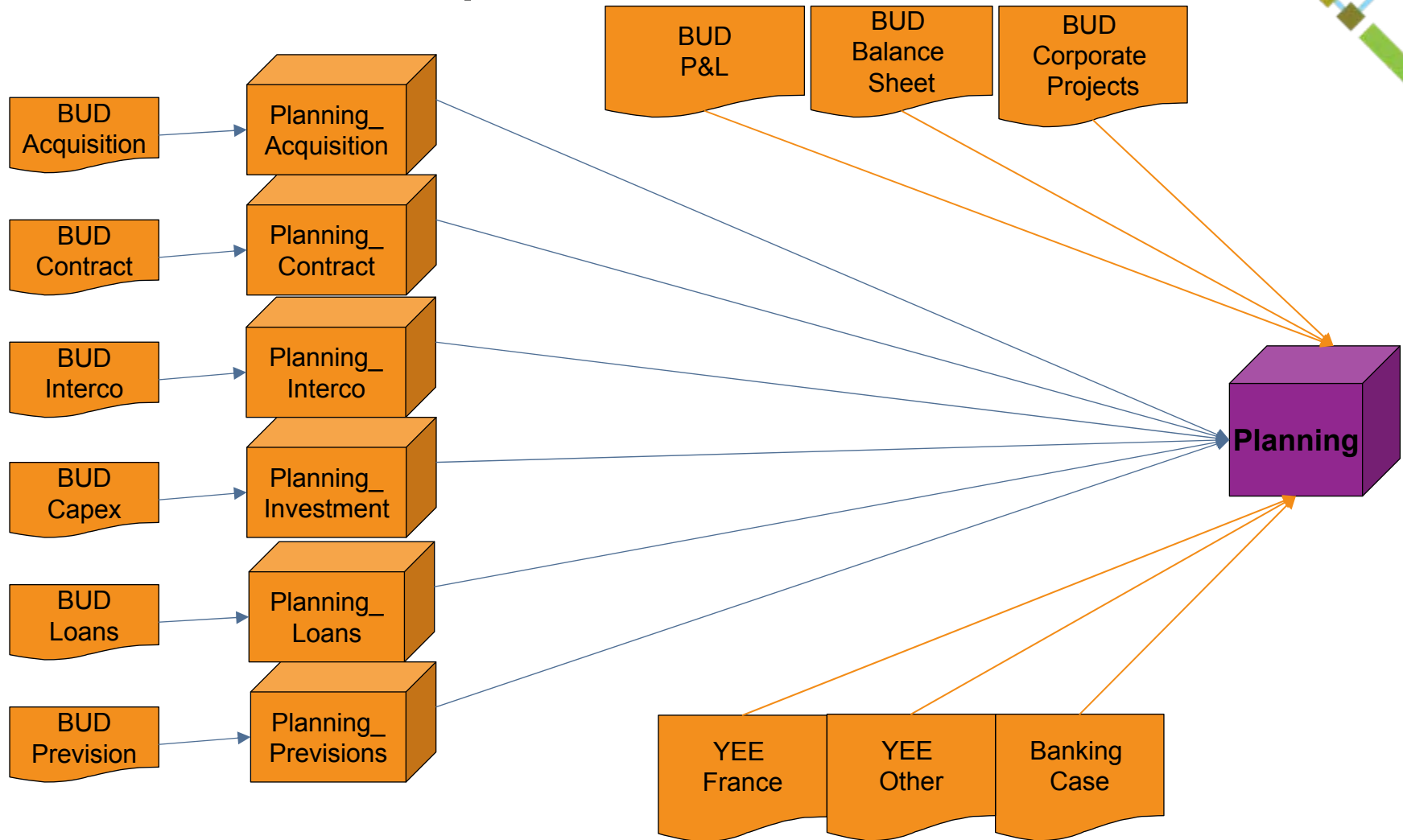
TM1 set-up Actual: Landscape



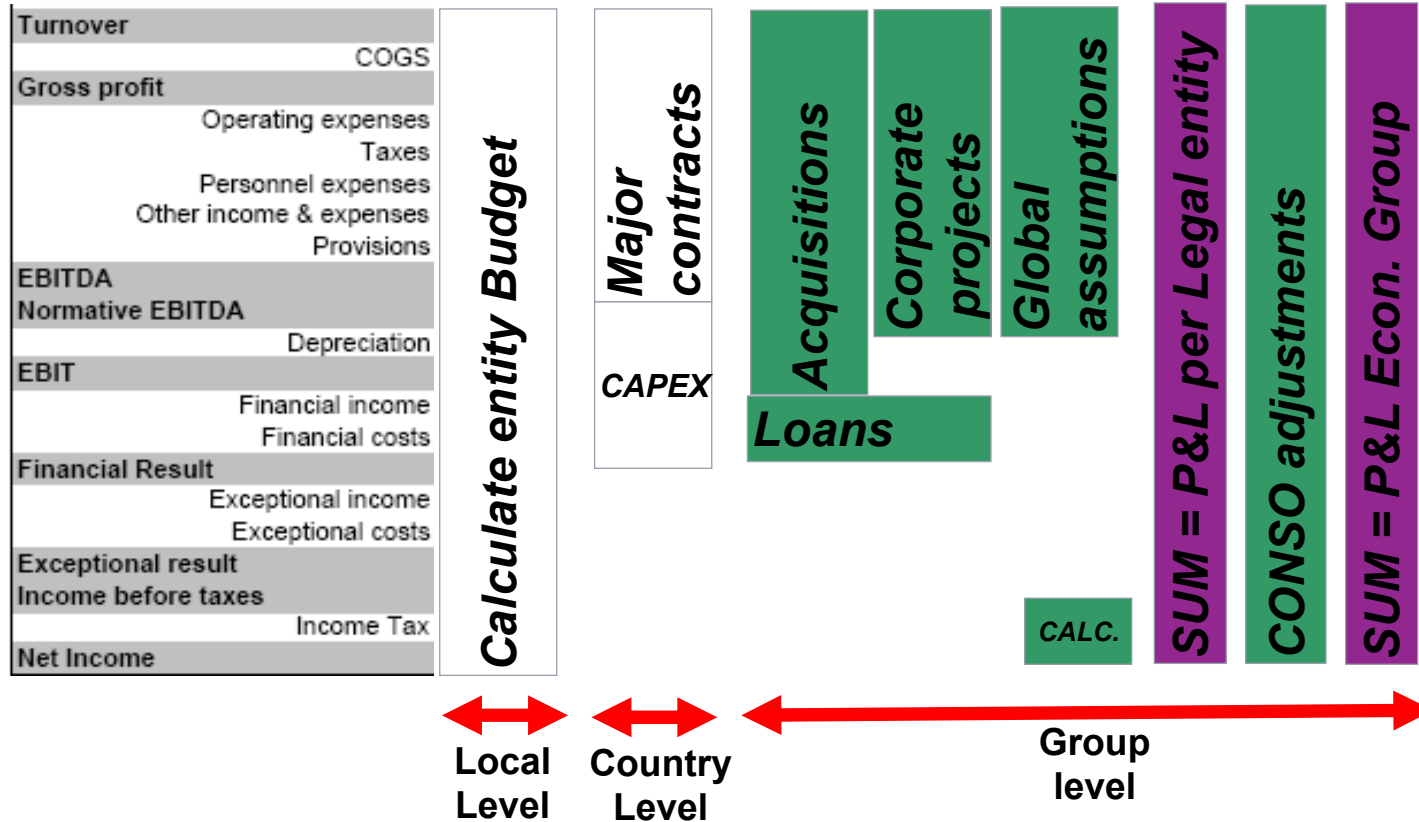
2 – TM1 set-up Reporting: Landscape



2 – TM1 set-up YEE & Budget: Landscape



P&L Budget Calculation



Flexible – adapt to the process



TM1 achievements

- Quality and speed improved
- Process ‘industrialized’
- Gradual implementation – improvement with ‘IT –literate finance resources’
- Considerable complexity handled
 - Perimeter (acquisitions per year + planned acquisition per stage)
 - Economic view– legal view
 - Country operations: excl holding costs and variable pay
 - Country holdings
 - Country and group performance:
 - Economic view = incl holding cost and excluding variable pay
 - Legal view: incl - incl
 - Entity dimension (number of entities + Structure) with country subconso + group conso.
 - Local CoA + mapping (country and entity) + Group CoA
 - Labco GAAP – IFRS
 - Scenario (Actual – Budget – QPRx – Business plan)
 - Business as usual + Acquisitions + Corporate projects (economies of scale)
 - Profit & Loss, Balance Sheet & Cash flow + Covenant calculation
 - Operational data (e.g. number of analysis, employees)



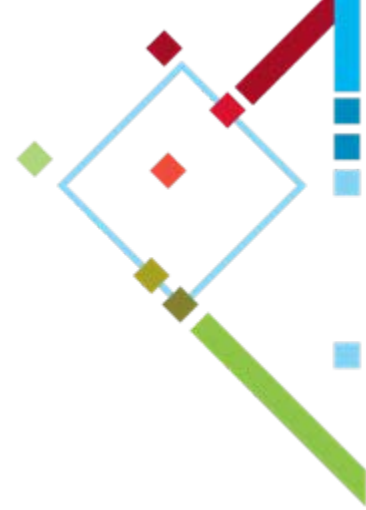
Advantages and pitfalls

- Advantages TM1: Flexibility + Finance owned.
 - Gradual implementation process possible. If structure of output cube stable → input cubes can be changed without major impact on reports and templates
 - Adapt structure to changing processes, insights and organization
 - Systems integration (conso accounting)

- Lessons learned
 - Too ambitious with respect to details considering maturity of organization and processes (e.g. Budget B/S, IFRS adjustments, budget elements, ...).
 - Differentiate (temporarily) data requirements / levels of detail / data structure depending on source of information (country – project – organization level).
 - Manage and own account mapping yourself (stay informed – in control) + Build in common level of detail with local level (same level).
 - Complex model?
 - Check thoroughly + Conversion insufficiently checked + issues indirectly .
 - Report in one standard + Communicate unambiguously
 - Test environment



Questions?



Thank you

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