Understanding the journey to cloud for E&C

2017 Engineering and Construction Conference
June 26-28, 2017
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<th>Module/Topic</th>
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<td>Why Cloud?</td>
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<td>Paths to Cloud</td>
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<td>Oracle and SAP Cloud Footprints</td>
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<td>Cloud Tax Footprint</td>
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<td>Q&amp;A</td>
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CNL Financial Group

Why Oracle Cloud?

CNL Financial Group
Why Cloud

What does Cloud have to offer E&C companies?
Current Trends in the ERP Landscape
Cloud is a major driver in the ERP marketplace based on new capabilities and continuous innovation.

TREND 1
Embracing Software as a Service (SaaS)

TREND 2
The move towards a tiered strategy

TREND 3
Enhanced flexibility in applications

TREND 4
Increased focus on analytics

TREND 5
Innovative application user interface

TREND 6
Leveraging wireless and mobile technology

Industry trend to cloud is accelerating

47% of Organizations plan to move to Cloud in next 5 years–Gartner

$18B SaaS to grow from $49B in 2015 to $67B by 2018–TBR Inc.

$66.3B PaaS to grow from $1.7B in 2014 to $68B by 2026–WRS.

Source: Deloitte Tech Trends 2014

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What is Cloud?
Cloud comes in several flavors and varying levels of flexibility

**Software-as-a-Service (SaaS)**
- Personalized, secure, and connected
- Functional Applications hosted by a provider on a cloud infrastructure
- Delivered as subscription service

**Platform-as-a-Service (PaaS)**
- Enrich your SaaS
- Create New features and New applications
- Providers deliver not only infrastructure but also middleware (databases, messaging engines and so on) and solution stacks for application build, development and deploy

**Infrastructure-as-a-Service (IaaS)**
- Delivery of computing infrastructure (network, storage and compute resources, usually with some virtualization technology) delivered as a service

**Use Case(s)**
- ERP, CRM
- Personalize the delivered UI
- Change existing business processes
- Public cloud

- Extend SaaS functionality
- Create Custom Web and Mobile applications
- Modernize legacy apps

Vendor Managed  Customer Managed

- Extend your existing IT footprint with advanced Engineered Storage and Compute functionality
- Private cloud
What Do Clients Expect of the Cloud?

Our clients have clear expectations of the value a cloud solution will provide to the organization.

- **Extensibility** (upgrade friendly)
- **Modularity and choice of adoption**
- **Social collaboration, contextual business intelligence, role-based dashboards, mobile applications**
- **Standard practices, vanilla mandate, data isolation and protection**
- **Lower total cost of ownership**
- **Unlimited elasticity and scalability**
- **Ongoing innovation and upgrades**
- **Completeness of solution**

Companies leverage a Cloud model for ERP to advance business objectives:

- **Drive Process Standardization**
- **Reduce Costs**
- **Change Customization Mindset**
- **Increase Speed to Deliver**
Forces Driving the Value of Modern ERP

The Modern Enterprise Cloud transforms back office business and IT operations and there are six key value drivers to consider:

1. **Business process transformation enabled by product capabilities**
   - Features and capabilities that positively impact key operational drivers and therefore the bottom-line.

2. **In-built digital transformation enablers**
   - Built ground up by leveraging other digital enablers: Social, Mobile, Analytics and Cloud.

3. **Total cost of ownership**
   - Eliminates the need for organizations to maintain hardware, infrastructure, associated costs and software licensing. Instead, enables user based subscription.

4. **Cloud operating model**
   - Enforces out-of-box functionality, upgrades are automatically available periodically, equal or greater security, and modularity framework provides choice of adoption.

5. **Underlying technological foundation**
   - Increased productivity through extensibility, 100% open standards, ability to tailor business processes.

6. **Front and back office synergy**
   - Increases overall adoption, lowers learning curve, reduces total cost, limits vendors and application support providers.

Value Delivered:

- Economics, business transformation, standardization and simplification, agility, speed-to-market, talent availability, retention and attraction.
When should clients consider the cloud?
There are three primary drivers that cause clients to begin evaluating cloud options

<table>
<thead>
<tr>
<th>Business transition points</th>
<th>System transition points</th>
<th>Business value</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Business unit consolidation</td>
<td>• Losing support on an old version or eliminating a burning IT platform</td>
<td>• Cost reduction through business process automation, lower total IT cost of ownership, self service operations etc.</td>
</tr>
<tr>
<td>• Acquisition</td>
<td>• Alternative to costly upgrade</td>
<td>• Revenue growth through greater customer insight, improved pricing, etc.</td>
</tr>
<tr>
<td>• Divestiture/spin off</td>
<td>• Reduce maintenance on highly customized applications</td>
<td>• Revenue growth through enhanced customer experience and customer satisfaction.</td>
</tr>
<tr>
<td>• Significantly changed business model</td>
<td>• Systems consolidation (e.g., HCM, expenses, procurement, projects)</td>
<td>• Improved working capital, enhanced cash flow or better asset efficiency</td>
</tr>
<tr>
<td>• Preparation for IPO</td>
<td>• Data center consolidation and support cost reduction</td>
<td></td>
</tr>
<tr>
<td>• Business transformation mandate (e.g., increase working capital)</td>
<td>• Avoid new IT infrastructure costs</td>
<td></td>
</tr>
</tbody>
</table>
Is the value real?
Let’s take an example of two similar projects

<table>
<thead>
<tr>
<th>Private Cloud (IaaS)</th>
<th>Public Cloud (SaaS/PaaS)</th>
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<tbody>
<tr>
<td><strong>Modules</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Finance Transformation</strong></td>
<td>COA Re-design</td>
</tr>
<tr>
<td>26 Reports</td>
<td>67 Reports</td>
</tr>
<tr>
<td>16 Interfaces</td>
<td>44 Interfaces</td>
</tr>
<tr>
<td>19 Conversions</td>
<td>33 Conversions</td>
</tr>
<tr>
<td>33 Enhancements</td>
<td>2 Enhancements</td>
</tr>
<tr>
<td><strong>94 Total</strong></td>
<td><strong>145 Total</strong></td>
</tr>
<tr>
<td><strong>Technical Development</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Change Management</strong></td>
<td>No Training Responsibilities</td>
</tr>
<tr>
<td>OCM Lead/Comm Lead</td>
<td>Full OCM team</td>
</tr>
<tr>
<td><strong>Security</strong></td>
<td></td>
</tr>
<tr>
<td>Full Security Responsibilities</td>
<td>Full Security Responsibilities</td>
</tr>
<tr>
<td><strong>PMO</strong></td>
<td>Standard PMO Approach/Team</td>
</tr>
<tr>
<td><strong>Testing</strong></td>
<td>Limited Test Management Responsibilities</td>
</tr>
</tbody>
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The implementation benefits are tangible
SaaS ERP implementations are faster and more agile than private cloud and on premise approaches

<table>
<thead>
<tr>
<th></th>
<th>Private Cloud (IaaS)</th>
<th>Public Cloud (SaaS/PaaS)</th>
<th>SaaS Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Procure to Pay</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Procure to Pay</td>
<td>Full Procurement</td>
<td>Full Procurement</td>
<td>6.5x more users</td>
</tr>
<tr>
<td>Capabilities</td>
<td>Capabilities</td>
<td>Capabilities</td>
<td></td>
</tr>
<tr>
<td>Supporting</td>
<td>Supporting</td>
<td>Supporting</td>
<td></td>
</tr>
<tr>
<td>10,000 Users</td>
<td>65,000 Users</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Project/Grants</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project/Grants</td>
<td>200 Grants</td>
<td>8,000 Grants</td>
<td>20x more grants</td>
</tr>
<tr>
<td>Supporting</td>
<td>400 Active Projects</td>
<td>30,000+ Active Projects</td>
<td>75x more projects</td>
</tr>
<tr>
<td><strong>Technical Development</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hours/Object</td>
<td>263 hours/object</td>
<td>192 hours/object</td>
<td>25% decrease in hours/object</td>
</tr>
<tr>
<td><strong>US/Offshore Mix</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>52%/48%</td>
<td>28%/72%</td>
<td></td>
<td>50% greater offshore leverage</td>
</tr>
<tr>
<td><strong>Engagement Hours</strong></td>
<td>58K</td>
<td>72K</td>
<td>25% increase in hours (additional scope)</td>
</tr>
<tr>
<td><strong>Duration</strong></td>
<td>19 months</td>
<td>12 months</td>
<td>25% shorter time</td>
</tr>
<tr>
<td><strong>Hourly Rate</strong></td>
<td>$129/hour</td>
<td>$110/hour</td>
<td>15% lower hourly rate</td>
</tr>
</tbody>
</table>
What About After Go Live?

Notwithstanding the reduced maintenance overhead, SaaS solutions continue to deliver cost savings while allowing continuous innovation.

<table>
<thead>
<tr>
<th>Timeline and Release</th>
<th>External Hours of Support</th>
<th>Life of Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Private Cloud (IaaS) - PeopleSoft</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial Go-live 2005</td>
<td></td>
<td>6 Years</td>
</tr>
<tr>
<td>Upgrade to Release 9.1 2011</td>
<td>111,625 Hours</td>
<td>5 Years</td>
</tr>
<tr>
<td>Upgrade to Release 9.2 2016</td>
<td>41,338 Hours</td>
<td>Estimated 5 Years</td>
</tr>
<tr>
<td>Totals</td>
<td>152,963 Hours</td>
<td>16 total Years</td>
</tr>
<tr>
<td>9,560 Ave Hours Per Year</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Timeline and Release</th>
<th>External Hours of Support</th>
<th>Life of Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public Cloud (SaaS/PaaS)—Oracle ERP Cloud</strong></td>
<td></td>
<td></td>
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<tr>
<td>Initial Go-live 2015</td>
<td></td>
<td>6 Months</td>
</tr>
<tr>
<td>Upgrade to R10 2015</td>
<td>2,000 Hours</td>
<td>6 Months</td>
</tr>
<tr>
<td>Upgrade to R11 2016</td>
<td>800 Hours</td>
<td>6 Months</td>
</tr>
<tr>
<td>Totals</td>
<td>2,800 Hours</td>
<td>18 Months</td>
</tr>
<tr>
<td>2,100 Ave Hours Per Year</td>
<td></td>
<td></td>
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Where is the Effort?
With accelerated innovation cycles and faster timelines, the effort has shifted in implementing and sustaining the ERP.
Paths to Cloud

How do I move my company towards Cloud?
Cloud Marketplace and Products
ERP Cloud Market has more than 25 different named products with different cloud flavors and depth of functionality.

Choose the right ERP Cloud Product

Qualifies as Modern ERP Cloud?

Depth Of Functionality

Integrated Suite

Key SaaS Players

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How Well Does Oracle ERP Cloud Fit E&C Organizations?

Functionality continues to grow in Cloud and vendors providing less functionality in On-Premise

ERP vs. Cloud Functionality Over Time

Better than where we started

More functionality = more adoption

Oracle is investing $5B in Cloud functionality

New Functionality

Time

How Well Do Oracle ERP Cloud Fit E&C Organizations?

Cloud solutions have come into their own in terms of product maturity; however, functionality is still evolving to support E&C companies. Best of breed can be used to fill gaps.

Core finance, procurement, and human resource capabilities meet the needs of most companies but projects, billing, equipment and union payroll continue to evolve.

- ATR: Acquire to Retire (Assets and Equipment)
- CM: Change Order Management
- FIN: General Ledger, Record to Report, Budget
- HTR: Hire to Retire
- PTC: Project to Close, Billing, AR
- PTP: Procurement to Payables
- TAX: Indirect (sales & use) and Direct
Customers need clear migration paths to Cloud

- Customers on Tier 2 can move to On-Premise or Cloud
- Customers on older On-Premise can upgrade On-Premise or Cloud
- Customers on any On-Premise can adopt a Hybrid Cloud model
ERP Cloud Hybrid Model
The Hybrid model allows customers to migrate from On-Premise to Cloud over time by both adding functionality and mitigating gaps

- Implement Human Resources Cloud with no impact on On-Premise financials or projects
- Implement Cloud for financials and revenue recognition
- Implement Project Management and Supply Chain for projects, billing and direct materials procurement and vendor management
- Implement added functionality for schedule, risk, and subcontract management
- Implement Capital Asset Management for equipment, devices and mobile *

* Since Capital Asset Management functionality is not in the Cloud, this could be integrated to earlier
Oracle Cloud
High Tech Manufacturing

Challenges and Objectives
- Acquisition of two subsidiaries
- Multiple processes/systems and manual operations
- Inconsistent reporting and governance
- Mandate to achieve growth and synergy objectives

Company Overview
- Global high tech manufacturing leader
- $15B in annual revenue
- 20+ countries
- 75,000 employees

Relevance to You
- Consolidating and standardizing operating companies
- Migration to shared services
- Mandate for single finance platform and corporate consolidation
- Establishing a platform for future acquisition growth

Modernization Roadmap

INITIAL STATE
- Multiple systems and disparate processes (representative examples below)
  - EBS R12 ERP
  - Workday HCM
  - Hyperion Planning
  - SAP R/3 ERP
  - Workday HCM
  - TM1 Planning
  - SAP R/3 ERP
  - Success Factors HCM
  - TM1 Planning

PHASED PROGRAM
- Options: Standardize on one existing platform or establish new platform
- Approach: Build a foundation first, defer new area risks (operations)
- Key components: Operating model implementation, process standardization, systems consolidation, data cleanup/governance

- ERP Phase 1
  - COA/Financial Master Data Close and Consolidation
  - Financial Reporting

- ERP Phase 2
  - Supplier Management
  - Indirect Procurement
  - Finance Operations

- ERP Phase 3
  - Customers
  - Contracts
  - Order Management

- ERP Phase 4
  - Supply Chain Manufacturing

- Cloud Middleware
- Global HCM
- Identity Management
- Integrated Reporting

Legacy Decommission

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Oracle Cloud

HSBC

**Company Overview**
- World’s fourth largest bank
- Total assets of US $2.67 trillion

Consolidating and standardizing operating companies
Staggered approach, heavy dependency on Oracle Projects

**Challenges and Objectives**
- Establish a new operating model enabled by:
  - New ERP solution
  - Re-engineered processes
  - Migration of activities to global service centers
  - Ability to meet regulatory needs

**Why the Cloud**
- Enhanced transparency, governance and cost control
- Platform for standardized processes
- Scalable model accommodating additional services
- Integrated technology solution
- Improved compliance with regulatory requirements

**Deloitte Partnership**

**DETERING RESULTS**
- Global operations shared services, with streamlined processes
- Platform that supports:
  - 300 Legal entities
  - 12,000 Profit centers
  - 40,000 intercompany transactions
  - 2,000 Finance users
  - 20,000 Procurement users
  - 60,000 Expenses users

**Company Overview**

<table>
<thead>
<tr>
<th>Implement Oracle PBCS to plan the bank</th>
<th>Core Financials plus new op model</th>
<th>Implement Expenses Pilot, then fully across the UK</th>
<th>Implement Procurement</th>
<th>Intercompany and new recharging model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning</td>
<td>Finance &amp; Projects</td>
<td>Expenses</td>
<td>Procurement</td>
<td>I\C Billing</td>
</tr>
<tr>
<td>UK</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Hong Kong</td>
<td>India</td>
<td>Next: US &amp; Switzerland</td>
<td></td>
<td></td>
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<tr>
<td>HKK Deployment</td>
<td>India Deployment</td>
<td>Next Deployment to US &amp; Switzerland</td>
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Oracle and SAP Cloud Footprints
What Oracle and SAP offer to run your business in the Cloud
Oracle ERP Cloud Solution for E&C
SAP S4/HANA Solution for E&C
Cloud Tax footprints

A variety of solutions and benefits in the Cloud
Understanding Cloud-based ERP and Tax
Cloud-based ERPs offer a variety of solutions to fit your company’s most stringent tax requirements
Tax Benefits of switching to a Cloud-based ERP

**Legacy ERP**

<table>
<thead>
<tr>
<th>Stability</th>
<th>Flexibility</th>
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<tbody>
<tr>
<td>General ledger</td>
<td>Processing</td>
</tr>
<tr>
<td>Totals &amp; Indices Financial Accounting</td>
<td>Analytics</td>
</tr>
<tr>
<td>Pre-Defined Aggregates</td>
<td></td>
</tr>
<tr>
<td>Totals &amp; Indices Management Account</td>
<td></td>
</tr>
<tr>
<td>Sub-modules (AP, AR, Assets)</td>
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</table>

**Cloud-based ERP**

<table>
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<tr>
<th>Logistics document</th>
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<tr>
<th>Logistics document</th>
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**Tax opportunities of cloud-based ERP**

- Ability to drill down to transactional data
- Less time spent gathering and validating data
- Reduced reconciliation effort
- Capture key attributes through extensions to the code block
- Gain efficiency through redesign of business processes
- Automation of intercompany processes, insightful analytics, and transfer pricing automation
- Higher flexibility in reporting and analysis
Pre-configured solution

Introduction to the new Oracle ERP Cloud SolutionPrint for E&C
An accelerator and delivery model that expedites implementations by use of Deloitte’s collective industry and Oracle expertise in the form of a pre-built, end-to-end solution.

What is SolutionPrint™?

1. **Process flows**: 100’s of industry-specific detailed flows covering key process areas (OTC, PTP, PTM, RTR, etc.)
2. **Requirements**: 1000’s industry-specific requirements linked to the associated process steps
3. **Project plan**: Single ~4000-line project plan encompassing all threads and phases of the implementation
4. **Technical objects**: ~100 objects typically leveraged in implementations
5. **Configurations**: Tested and industry-pertinent configurations of all modules within the solution

**Benefits**

- **Increased quality**
- **Time to value**
- **Project affordability**
- **Reduced risk**
The SolutionPrint™ Difference

Traditional “Design and Build” phases are collapsed into an “Adapt” phase to accelerate decision making by focusing on exception based design.

**SolutionPrint differentiators**

- Leverage industry specific best-practice processes
- Leverage industry specific system as part of design confirmation
- Early identification and head start on development and data
- Minimize configuration, unit testing and string testing stages
- Jump directly into integration testing
- Timely Oracle knowledge transfer to client due to early system exposure

- “Cloud” delivery of a pre-configured environment provides greater agility
- Immediate Process Confirmation allows development to start sooner
- Overall ~ 50% reduction from traditional Design and Build Phases
The cloud transition lab

A structured framework for organizations to assess and prepare for Cloud
What is a Cloud Transition Lab (CTL)?
A structured and comprehensive framework to help organizations assess and prepare for cloud a transition that is focused on business value and balancing risk

Cloud Awareness
- What is Cloud?
- Why move to Cloud?
- What does Digital Finance mean?
- How to move? Critical aspects of the Cloud Journey

Cloud Marketplace
- Players
- Product Evaluation Criteria
- Assessment

Transformation opportunities and Cloud Fit
- Digital Finance demo experience “Demo Day”
- Priorities & Drivers
- Current Landscape
- Pain points & Challenges
- Fit gap

Strategy and Roadmap
- Optimal architecture assessment
- Phase & scope definition

Business Case
- Qualitative / Quantitative business value assessment
- Cloud readiness & risk assessment

Tactical Plan
- Implementation Approach
- Deployment Timeline
- Resource Plan
- Budgetary estimate
- Licensing

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