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BUSINESS GUIDE

ERP for Private Equity-Backed Companies

A guide to giving your team and investors
the data they need



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In the 18 months leading up to mid-2022, the private equity industry's total buyout deal value was the biggest in its history, at \$1.7 trillion USD. Yet today, persistent inflation, declining tech valuations, and geopolitical disruption are making it harder to close investment transactions.

Against this backdrop, PE firms want the best possible data on their portfolio companies' performance. However, many PE-backed companies continue to

manage their businesses with spreadsheets and a mix of individual systems that don't easily integrate with one another. This makes it difficult to deliver investors the clear view of business performance that they demand, and it may impede healthy growth.

Adopting a cloud ERP system is a smart step for PE-backed companies seeking the most productive relationship with their investors and the maximum capacity to scale.



Impact of Disconnected Systems Throughout the PE Ecosystem

When a PE-backed company depends on a patchwork of individual business management solutions, it impacts not only internal operations but also the way it reports to its PE firm — and potentially the profitability of that firm.

1. Impact on portfolio company operations
 - Lack of insight into financial and operational data, core processes, and customer behavior.
 - Difficulty transitioning systems in M&A scenarios.
 - Manual, time-consuming workflows.
2. Impact on portfolio company reporting
 - Unreliable KPIs and metrics.
 - Difficulty maintaining compliance and control.
 - Team dysfunction as staff struggle with a lack of integrations and inefficiency.
3. Impact on PE firm profitability
 - Low carve-out potential due to lack of portfolio company performance data.
 - More complex and costly onboarding.
 - Regulatory compliance issues.
 - More difficulty managing risk.

Benefits of Cloud ERP for PE-Backed Companies

For PE portfolio companies, replacing a mix of entry-level systems with a cloud ERP facilitates:

- Unified data and real-time reporting.
- Faster, easier growth and expansion, both locally and abroad.
- Increased ability to manage multiple product lines.
- Faster integration of add-on acquisitions.
- Enhanced customer experience.
- Improved compliance and control.
- Easy integration with third-party applications.

- Support for tax compliance and subsidiary management across languages, currencies, and countries.

Cloud ERP can also improve the overall health of a portfolio company's relationship with its PE investors by speeding otherwise time-consuming processes such as reporting.

Five Reasons PE Portfolio Companies Choose Cloud ERP

1. Easier exits

More than anything, acquirers and markets want to see a company's potential, which requires a clear view of its current and forecasted financial performance. Also, constantly evolving reporting requirements put a premium on easy, transparent access to years of financial data and reports. ERP systems can deliver those insights and ease pre-IPO or post-acquisition due diligence.
2. Reduced risk

Best-in-class cloud ERP systems provide:

 - Data security. With the right ERP, company leaders can be confident that data is accurate, timely, and protected by better than enterprise-grade data security.
 - Access controls. Cloud ERP systems like [NetSuite ERP](#) are accessible from any location at any time yet protected with monitoring and controls. Employees can only access the system's data and functionalities appropriate to their business role.
 - More time for value-added tasks. ERP systems reduce the need for manual processes across departments, including IT maintenance. This gives teams more time to spend assessing and adjusting strategy and ensuring compliance, reducing risk.
3. Capacity to expand

This is where ERP comes into its own. Businesses often adopt ERP so that they can scale easily and effectively. ERP systems equip them to take on the challenges of managing multiple product lines, flexing as supply chain conditions change, and onboarding

acquisitions and subsidiaries. ERP systems like [NetSuite OneWorld](#) support multi-subsidiary accounting and international expansion.

4. Faster financial close and audit preparation

It can take weeks for companies to close their books if they must consolidate and review entries from varied systems and spreadsheets. An ERP system automates many tasks associated with the month-end close, giving finance teams data rather than detective work. NetSuite ERP also ensures data integrity by creating accounts that can be readily audited.

5. Standardized processes for investors

Managing your business with a best-in-class ERP system makes it more attractive to your PE firm. And if other portfolio companies start to use the same system, investors can make quicker, more informed decisions as they assess the health of the companies with unified reporting. In effect, they can start to manage their portfolio as if it's a single organization.

“We needed to deliver high-quality information to our shareholders and executive team while quickly growing the business internationally with a lean finance team. Choosing NetSuite ERP and implementing it quickly, along with SuiteApps, allowed our business to provide meaningful information to our board and auditors.”

Robert Tearle, former interim CFO,
Global Processing Services



NetSuite ERP for PE-Backed Companies

As a robust, cloud-based system, NetSuite ERP provides three key capabilities to portfolio companies:

1. A strong financial foundation

NetSuite sets companies up to provide the financial transparency they and their investors need right out of the box, with the option to add more sophisticated capabilities as they grow.

2. Role-based business management

NetSuite's role-based dashboards are designed for functions such as purchasing, accounts receivable, the CFO, and the rest of the C-suite. These customizable dashboards display the metrics most critical to those roles, so each individual can quickly deliver insights to their team and investors when requested.

3. Scalability

NetSuite supports efficient growth, whether it's adding locations and customers or expanding into new geographies. The cloud-based solution makes it especially easy to set up and "switch on" subsidiaries in new regions, updating automatically with no need for hardware. Companies can easily add NetSuite modules as they evolve, so they only pay for the functionality they need at each stage of growth.

See more on how NetSuite equips investment-backed companies to scale into mature players.

NetSuite and the Private Equity/Venture Capital Market

- Founded in 1998, NetSuite was acquired by Oracle in 2016. The company operates a dedicated PE and VC practice.
- 7,000+ PE- and VC-backed companies run on NetSuite ERP.
- NetSuite customers make up two-thirds of tech company IPOs since 2011.
- NetSuite maintains direct relationships with 600+ PE and VC firms.



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