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**Allocating Expenses:
An Introduction to Hyperion Profitability & Cost Management**

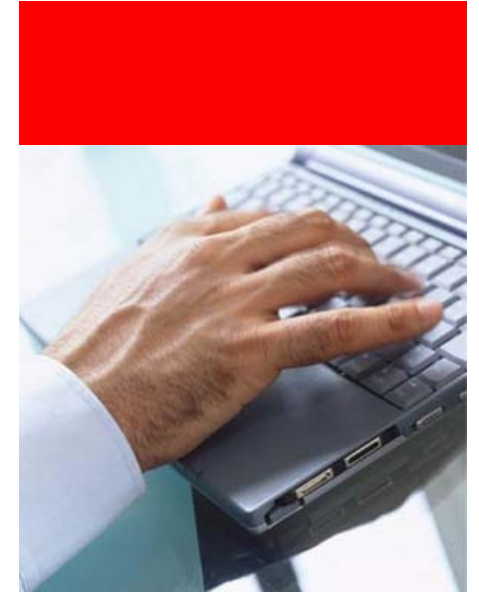
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Agenda

- Introduction to Hyperion Profitability and Cost Management
- Allocations in Planning or HPCM?
- Planning for Profitability
- Demo



Company Profitability is a Clean, Well-understood Standard process

ORACLE CORPORATION						
Q3 FISCAL 2008 FINANCIAL RESULTS						
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS						
(in millions, except per share data)						
	Three Months Ended				% Increase (Decrease) in US \$	% Increase (Decrease) in Constant Currency (1)
	February 29, 2008	% of Revenues	February 28, 2007	% of Revenues		
REVENUES						
New software licenses	\$ 1,616	30%	\$ 1,390	31%	16%	9%
Software license updates and product support	2,624	49%	2,108	48%	25%	18%
Software Revenues	4,240	79%	3,498	79%	21%	15%
Services	1,109	21%	916	21%	21%	14%
Total Revenues	5,349	100%	4,414	100%	21%	15%
OPERATING EXPENSES						
Sales and marketing	1,083	20%	967	22%	12%	6%
Software license updates and product support	254	5%	210	5%	22%	16%
Cost of services	989	19%	820	18%	21%	14%
Research and development	682	13%	570	13%	20%	17%
General and administrative	206	4%	175	4%	18%	12%
Amortization of intangible assets	292	5%	222	5%	32%	31%
Acquisition related and other (2)	(40)	(1%)	53	1%	(176%)	(178%)
Restructuring	8	0%	3	0%	134%	125%
Total Operating Expenses	3,474	65%	3,020	68%	15%	10%
OPERATING INCOME						
Interest expense	(82)	(2%)	(82)	(2%)	0%	0%
Non-operating income, net	84	2%	94	2%	(11%)	(13%)

Customer/Product Profitability is Complex, Unique and Fuzzy

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- No Standard Process
- **Indirect** Costs are difficult to track and measure
- Each organization has its own unique method of Assigning Costs to Products or Customers

Hyperion Profitability and Cost Management

- A user-driven Performance Management application

Order	Name	Dimension 1	Dimension 2	Dimension 3
1	General Ledger	Departments	Accounts	
2	Business Operations	Departments	Activities	
3	Products	Products		
4	Customers	Customers		
5	Market	Customers	Products	Regions

- Determine which products/customers/services are PROFITABLE and which are not
- Discover DRIVERS of Profitability (and Costs)
- MODEL scenarios to apply optimum action for improving Profitability

Hyperion Profitability and Cost Management – What is it?

- **Allocation Engine**
 - Measures, Allocates and Assigns Costs and Revenues
- **Analytical and Reporting Engine**
 - Computes and Analyzes Profitability for business segments, customers, products and services
- **Scenario Modeler**
 - Improve decision making - understand the potential results of What-if scenarios before implementation





Cost of Customer Care

	Corporate	SalesDept	Shipping	Customer Service	Facilities	Administration
Sales Visits	893	3721	-	-	-	-
Sales Calls	-	2147	-	-	-	-
Sales Order Processing	-	569	-	-	-	-
Service Calls	213	1873	-	4652	-	-
Returns Processing	-	-	2365	-	-	-
Order Assembly	-	-	1456	-	-	-
Delivery Processing	-	-	592	-	-	-
Non Productive Time	-	-	-	-	-	-
Customer Servicing Activities	1106	8310	4413	652	-	-


HPCM – One System for Profitability Reporting, Profitability Analytics, and Profitability Management

 Oracle Differentiator



ALLOCATION ENGINE

- Drastic Cost Reduction in performing Cost Allocations
- Cuts IT delays; frees IT resources
- Rules based, Finance Controlled
- Business Analyst driven profitability model development and deployment
- Flexible Allocation Platform 
- Methodology Independent 
- Visual Modeling
- Advanced Calculation Engine
- Multi-dimensional, high performance calculation engine 
- Allocation transparency 

REPORTING & ANALYTICS ENGINE

- Understand basis of profitability
- High-performance, multi-dimensional analysis 
- Profitability Measurement Reporting
- Cost Metric and Benchmarking
- Causality Reporting
- Discover root causes to enact change

SCENARIO MODELER

- Predict results of contingent actions
- User Defined What-if Scenarios 
- Change drivers, assumptions, allocations
- Scenario Comparison 
- Affect on budget of implementing recommendation A vs. B
- Test and anticipate results of potential remedies
- Corporate agility

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Selected HPCM Customers



Product Profitability



Product, Channel Profitability
Cost of Service



Product/Channel/Segment/
Customer Profitability
Shared Services Costing
Cost to Serve



Product Profitability
Customer Profitability



Shared Services Costing
Pricing Contracts
Regulatory Reporting



Shared Services Costing
Regulatory Reporting

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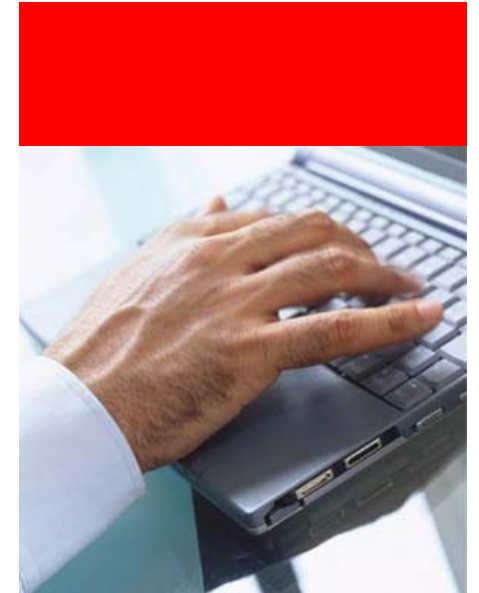


Examples of Problems being solved by HPCM

- Determine and report on Customer, Product, Service, or Channel Profitability
- Analyze why some customers/products are profitable and others not
- Discover and analyze cost burdens of Shared Services organizations
- Understand the impact on Profitability when:
 - Change in Product mix
 - Change in Pricing
 - Increasing/Decreasing Capacity
 - Reassignment of Resources
 - - closing a plant, reorganizations, changing a channel, etc

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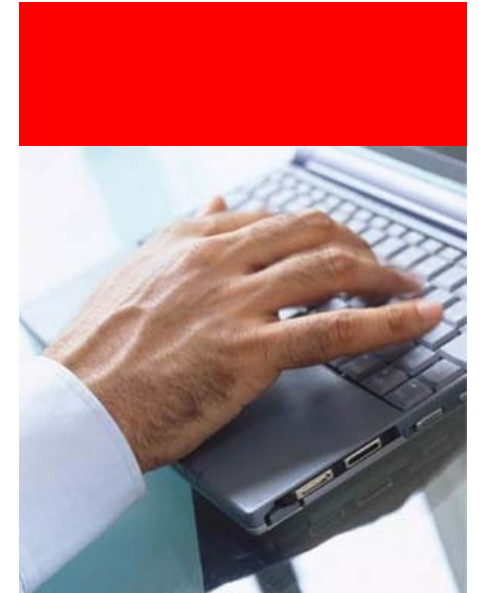


Allocations in HPCM or Planning?

HPCM	Planning
HPCM was purpose-built for doing Cost Allocations, reporting and scenario modeling	Planning was purpose-built for budgeting and forecasting
Model driven approach -allocations are designed in a modeling environment. Calc Script is automatically generated.	Procedural approach - calculation scripts have to be built/coded for each allocation .
No Essbase knowledge required to Model, build and maintain allocations	Essbase knowledge required to build, manage, and change allocations
Complete Transparency – All Allocations visible on screen - includes allocation logic, values, formulas and drivers, including ALL intermediate steps/calculations/allocations/drivers etc.	Only final results of allocation can be seen – in custom developed reports. Intermediate results not visible
Out-of-box functionality for multi-stage, multi-step allocations, including reciprocal allocations	Multi-stage, multi-step allocations need to be custom coded
Out-of-box Allocation validation and audit. Includes Traceability Maps, Stage Balancing.	Allocation validation and audit needs to be custom coded

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- **Planning for Profitability**
- Demo



Business Planning and Profitability Management – Two sides of the same coin

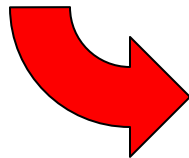
Profitability and Cost Management

Allocate overhead costs to business segments to calculate profitability by segment

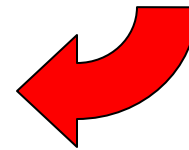


Business Planning

Create a business plan for the next fiscal year – Revenue, Gross Margin and Operating Expenses



Plan for Profitability

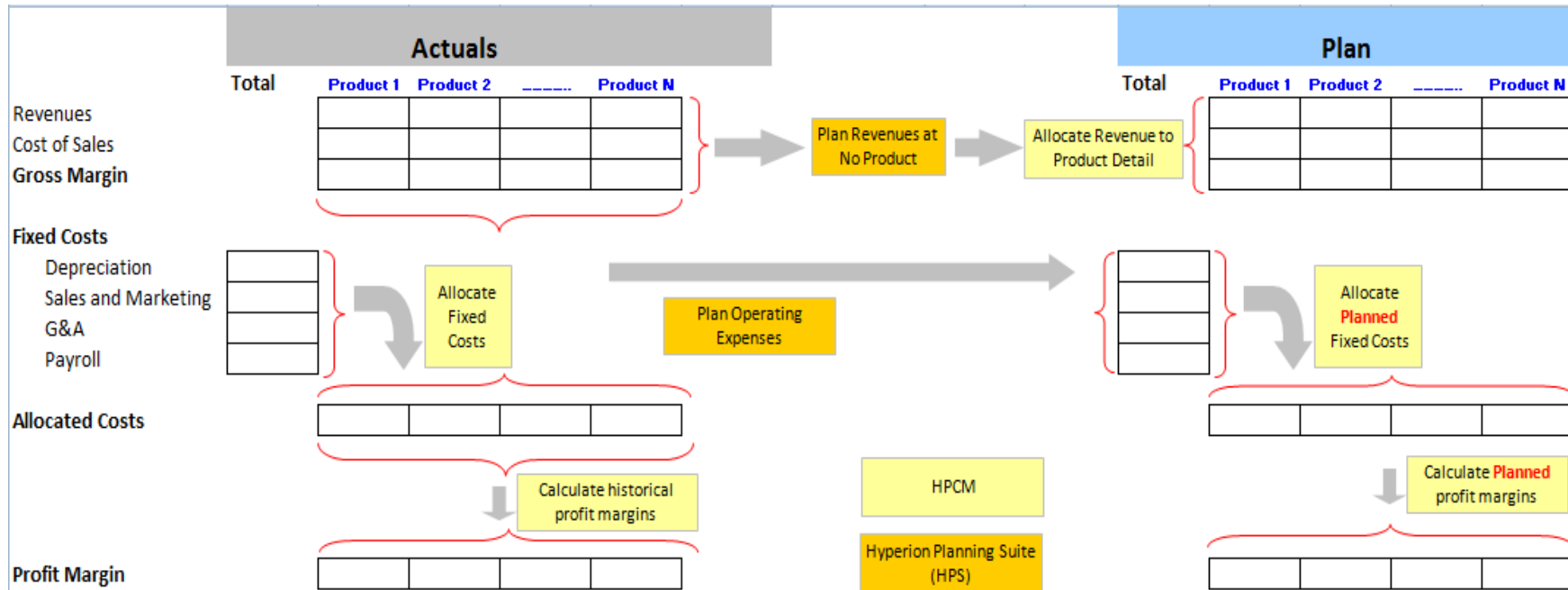




Why Plan for Profitability?

- Gain visibility into forward looking profitability forecasts for key business segments
 - Products
 - Customers
- Make resource reallocation decisions pro-actively rather than reactively
 - Sales Force re-alignment
 - Capacity reallocation
 - Pricing / Promotion decisions
- Provide better guidance to external and internal stakeholders
 - Line of Business Managers
 - Wall Street

Plan for Profitability Process





Integrating Planning and Profitability

- Typical Planning Application
 - Financial planning
 - Not by Product or Customer
- Key Takeaways
 - HPCM requires use of EPMA Dimensions
 - Planning can utilize EPMA dimensions or can use Classic Planning
 - Dimensionality should be the similar
 - i.e. Entities, Departments, Scenarios, Periods, Years
 - Know where to load your plan data
 - Getting your data from Planning into HPCM
 - Maxl to:
 - DATAEXPORT calc function and data load rule



Brainstorming

- Company doesn't want to plan by customer & sku. Use HCPM to allocate all costs down based on historic models.
- Customer wants to plan by customer and / or sku BUT wants HCPM to provide first cut of allocated data. HCPM could provide starting point for the planning process at the customer / sku level.
 - Take high level revenue targets, feed into HCPM
 - HCPM allocates data to customer & sku
 - Data is brought back into Planning
 - End users can alter the allocated data



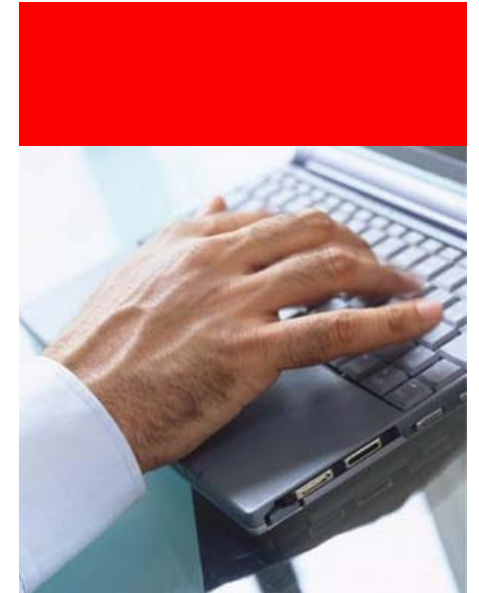
Integrating Planning and Profitability

Integration Steps

1. Create your plan in Planning
2. Extract the Plan data, or the subset of plan data that you want to allocate within HPCM
3. Load the Plan data into HPCM
4. Generate the PLAN HPCM Calculations
5. Execute the PLAN HPCM Calculations
6. Report

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Summary

- HPCM is a new EPM application for Allocations, Profitability Analytics and Profitability Management
- Recommend Allocations be done in HPCM
- HPCM is complimentary with Planning
- Most organizations that currently use Planning will benefit from implementing HPCM

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