

UNIT4
Financials
by Coda

Investment appraisal cloud migration

UNIT4 FINANCIALS BY CODA



Why Unit4 Financials by Coda (U4FbC) in the Cloud and why now?

When evaluating a migration to Unit4 Financials by Coda in Unit4 SaaS, we consider several costs as they manifest in a typical on-premise deployment versus a typical cloud deployment. Among the usual ongoing on-premise costs, you should also consider the following:

- Licenses for new users
- Ongoing maintenance and support
- Infrastructure (servers, 3rd party software, storage, backup hardware, real estate, power)
- Application maintenance (periodic technical updates and upgrades)
- IT resources to manage system (technical and functional)
- Ongoing training requirements (product updates, webinars, workshops, etc.)
- Downtime costs (planned and unplanned)
- Disaster recovery
- Risks associated with migration-related tasks
- Risks linked to data breaches and cybersecurity
- Risks linked to compliance (with local legislation, for example) and potential penalties

In a SaaS scenario, most of the heavy lifting is now handled by Unit4, while your data is securely stored and handled in a Microsoft Azure environment. In this case, the expected costs will mostly consist of:

- Subscription fees (usually between 40% and 70% of the overall cost)
- IT resources (functional, 10-20%)
- Consulting (10-30%)
- Training requirements (usually less than 7%)

Benefits of migrating to cloud

As your organization moves along your cloud journey, Unit4 helps you migrate to our latest technologies continually throughout the lifetime of the 5-year contract. During this time, you will benefit from significant savings and benefits and other intangible benefits all covered in this Unit4 customer Business Case. Overall, we help you:

- Focus on the things that matter for your core business: freeing-up IT resources from tasks that can be taken care of by Unit4 (automations, upgrades, software updates, etc.)
- Scale according to your business needs and benefit from operational agility.
- Reduce your IT CapEx spend - no more tracking and maintaining underlying server infrastructure and software (database backup, upgrades, and periodic maintenance). Reduce your overall spend on hardware, software and security.
- Realize how a SaaS model can benefit your cash flow with no heavy upfront investments required for software or hardware.
- Reduce the need for your staff to undergo technical training, reduce your dependency on expensive consultancy and the need to hire additional resources.
- Become resilient and save on back-ups and disaster recovery.
- Experience reliability and a reduced downtime*
- Empower your widely distributed workforce as they access the system from anywhere, anytime.
- Benefit from best-in-class security guaranteed by Microsoft Azure.
- Take advantage of Unit4 People Platform's latest innovations: digital assistant, integration kits, extension kits.
- Ensure your organization is compliant at all times by always being on the latest software versions.
- Save money on energy and reduce your organization's carbon footprint.

With the apparent benefits, every day you delay the decision costs you more. So when moving to the cloud, aim high. Work with people that deliver what you need. For a fixed upfront fee.

About this report

We have divided this report into four main categories: (1) Running costs, (2) Upgrades, (3) Risks reduction, and (4) Other benefits not accounted for in this business case. Often, the latter are disregarded due to the difficulty of quantifying them in the context of a Return On Investment (ROI) analysis, but their value shouldn't be diminished when planning for a long-term investment.

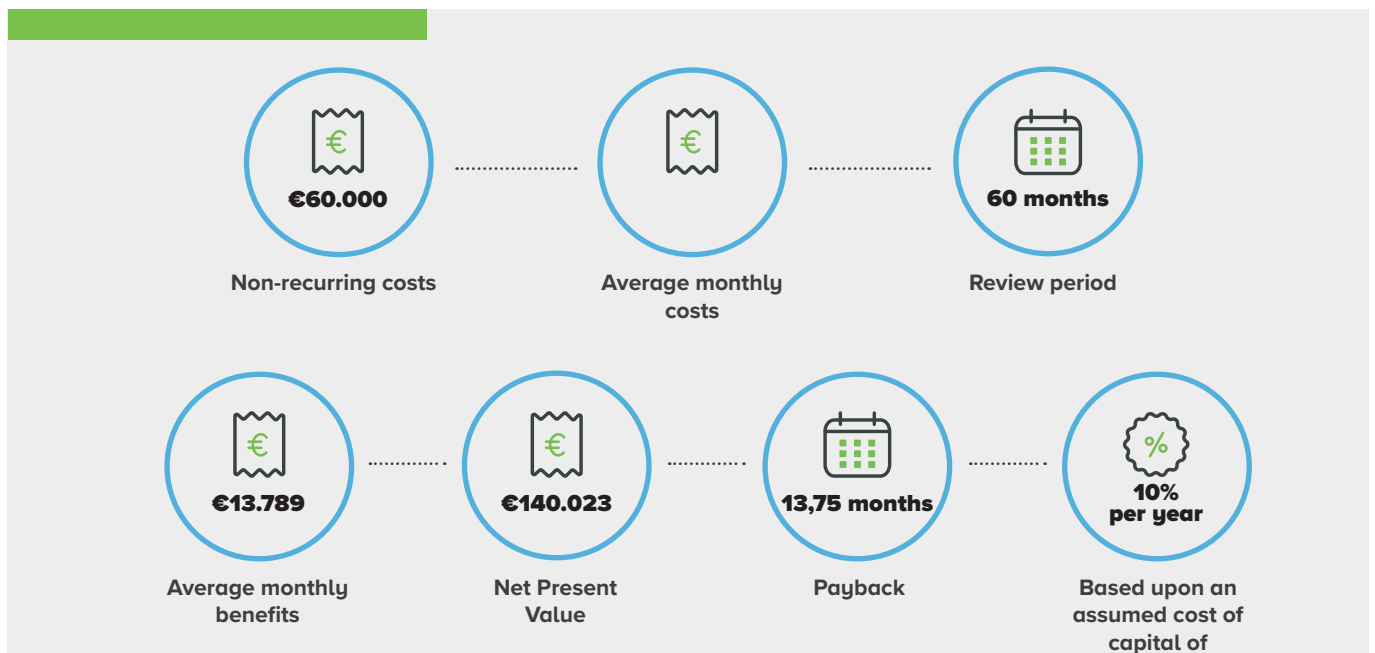
For 'Running Costs,' we consider everything that an organization spends on their IT infrastructure running and maintaining their finance system, such as hardware, software, IT resources employed to manage it, as well as the related costs of disaster recovery, facilities (cost of real estate) and power-related (electricity/cooling systems).

In the 'Cost of Upgrades' category, we consider hardware, software, IT resources and project costs.

We will refer to the parameters that will decrease risks and associated costs in the "Risks Reduction" category. Usually, it includes risks linked to migration, data breach and cybersecurity. Although we acknowledge that these risks are not a given and that, as an example, the probability of a data breach is low, we have built a business case based on a "what if" scenario. Should it be of interest to your organization, we can assess the impact of such risks for a best- and worst-case situation, based on your current risk levels for each of these parameters.

The investment evaluation of these costs and savings has been completed using the Shark appraisal tool.

Summary



Investment summary

Non-Recurring Costs

	Value	Month
Fixed price migration	€35.000	0
Cost estimate of business process changes for customer (e.g. user testing, 3rd party software changes)	€25.000	0
Total non-recurring costs	€60.000	

Recurring Costs

	Value	Month	Recurrence	Growth (per year)
SaaS fees	€30.000	1-60	Quarterly	2%
Average monthly costs	€10.400			



Running costs

Eliminating the Cost of Maintenance	
Current annual maintenance / support spend	€50.000
Reduction in maintenance / support spend post-solution	100%
Annual savings	€50.000
Growth (per year)	2%
Impact life (months)	1-60
Average monthly savings	€4.384

Purpose:

Quantify the savings that could be made by reducing the current cost of Unit4 maintenance.

Data used:

Customer will avoid an annual spend of 50.000 Euros on maintenance by migrating to Unit4 cloud.

Avoid software costs for on premises Asset, Billing, Flexifields, Mobile Task Approval, XL & Analyzer	
Start month	1
One-time benefit	€50.000

Purpose:

Quantify the savings from not having to purchase additional software licenses, already included in Unit4 SaaS.

Data used:

Costs avoided for Asset, Billing, Flexifields, Mobile Task Approval, XL & Analyzer would be 50.000 euros in this scenario.

Eliminating the Cost of Maintenance for all On-Premises Additional Modules & Capabilities	
Current annual maintenance / support spend	€10.000
Reduction in maintenance / support spend post-solution	100%
Annual savings	€10.000
Impact life (months)	1-60
Average monthly savings	€833

Purpose:

Quantify the savings that could be made by reducing the current cost of Unit4 maintenance.

Data used:

License costs for additional modules are also subject to a yearly maintenance of 20% in case of an on-premise upgrade. It corresponds to 10.000 euros in this scenario.

Freeing-up Time from Your IT Resources	
Time spent on activity (total FTE hours per month)	70
Annual loaded cost per person	€50.000
Efficiency improvement post-solution	100%
Time saved per month (hours)	70
Growth (per year)	2%
Impact life (months)	4-60
Average monthly savings	€2.068

Purpose:

Quantify the savings that could be made by improving an activity's efficiency, in this case, installing packages and other technical tasks such as the configuration of files, migrating data, etc.

Data used:

- Each member of staff costs 300 euros per day or 38 euros per hour. We have assumed a conservative annual loaded cost of 50.000 euros.
- On average, Unit4 customer's IT team spends 70h each month on technical activities.
- We account for a 2% salary increase year on year of the Unit4 customer's staff (Source: <https://tradingeconomics.com/european-union/wage-growth>).
- By migrating to cloud, we estimate that 100% of such burden will be taken away from the IT staff.

Avoiding the Cost of Running Existing Servers	
Number of servers currently in use	4
Revised number of servers required post-solution	0
Servers avoided	4
Annual internal charges per server (allocation)	€300
Annual external charges per server (3rd party etc)	€4.500
Growth (per year)	1%
Impact life (months)	4-60
Average monthly savings	€1.557

Purpose:

Quantify the savings tied to the cost of running Unit4 customer's current server estate.

Data used:

- Unit4 customer currently runs at least 4 servers fully dedicated to their finance system.
- The minimum cost of running each server is 300 euros per year (cost of hardware + interest rates).
- There are also costs with dedicated storage space in 3rd party cloud vendors to be considered at about 4.500 euros per year and for both servers.

Avoiding Software License Costs with 3 rd Party Vendors	
Annual license costs	€9.500
Reduction in license costs post-solution	50%
Revised license costs	€4.750
Growth (per year)	2%
Impact life (months)	4-60
Average monthly savings	€395

Purpose:

Quantify the savings tied to the elimination of redundant software. In this case, by migrating to the cloud, costs linked to running redundant servers' software are also avoided.

Data used:

- Currently, this Unit4 customer spends €9.500 per year on third-party software running on the servers supporting the finance system.
- We estimate that we can eliminate the need for such software by at least 50%.

Purpose:

Quantify the savings made by reducing the electricity consumed by hardware, especially servers and cooling systems, keeping these servers running. It is also worth mentioning the potential reduction of the organization's carbon footprint.

Power Savings	
Current energy consumption (kWh per month)	2.482
Reduction in consumption post-solution	100%
Cost per kWh	€0,190000
Growth (per year)	1%
Impact life (months)	4-60
Average monthly savings	€459

Data used:

- 4 servers are currently supporting the system.
- One server can use between 500 to 1 200 watts per hour, according to Ehow.com. If the average use is 850 watts per hour, multiplied by 24 that equals 20 400 watts daily, or 20.4 kilowatts (kWh). Multiply that by 365 days a year for 7 446 kWh per year. $7\ 446 / 12\ \text{months} = 620.5\ \text{kWh}$ every month for each server (Source: <https://www.zdnet.com/article/toolkit-calculate-datacenter-server-power-usage/>).
- Electricity prices in Europe would range from 0.10 to 0.29 euros per kWh in 2019 (source: https://ec.europa.eu/eurostat/statistics-explained/index.php/Electricity_price_statistics). Therefore, we have assumed an average of 0.19 euros per kWh. We have assumed a price increase of 1% per year.

Reducing Help Desk Trouble Tickets with Unit4	
Annual number of trouble tickets	20
Cost per trouble ticket	€300
Current annual cost of trouble tickets	€6.000
Reduction in trouble tickets post-solution	30%
Revised annual cost of trouble tickets	€4.200
Growth (per year)	2%
Impact life (months)	1-60
Average monthly savings	€158

Purpose:

Quantify the savings that could be made by reducing the number of trouble tickets raised with Unit4. By migrating to the cloud, the Unit4 team will take over a part of your team’s current work to troubleshoot issues.

Data used:

- Each member of your IT team has a cost of, on average, €300 per day. Two days is the minimum average time spent on a trouble ticket.
- Around 20 helpdesk trouble tickets are being dealt with annually.
- By migrating to the cloud, Unit4 customer will reduce the number of tickets opened by at least 30%.
- We account for a 2% salary increase year-on-year of the Unit4 customer’s team members (Source: <https://tradingeconomics.com/european-union/wage-growth>).

Reducing Downtime Costs (Planned Maintenance)	
Current downtime per month (hours)	0,67
Downtime cost per hour	2.000
Reduction in downtime post-solution	75%
Impact life (months)	4-60
Average monthly savings	€955

Purpose:

Quantify the savings to be made by reducing the amount of planned system downtime for maintenance.

Data used:

- One maintenance window is planned each quarter on average (approx. 2h), usually out of working hours, i.e. about 40min per month.
- The cost of each member of staff assumed can be an average of 300 euros per day or roughly 38 euros per hour. About 2 500 users could be impacted by downtime but in this case, since this is a planned downtime out of working hours, the impact is minimal.
- We estimate that by moving to cloud, we can help Unit4 customer to reduce planned downtime for maintenance and change requests by at least 75%.

Disaster Recovery Savings	
Time spent on DR capability maintenance (total FTE hours per month)	0,67
Annual loaded cost per person	€50.000
Time saving	100%
Annual value of time saving	€238
Annual non-labor DR costs	€4.500
Reduction in non-labor costs	100%
Annual non-labor cost saving	€4.500
Impact life (months)	4-60
Average monthly savings	€375

Purpose:

Quantify the savings that could be made by reducing the time or the cost of maintaining disaster recovery capability.

Data used:

- We currently don’t have data about the number of hours spent on Disaster Recovery activities. Therefore, we have assumed that this Unit4 customer spends at least 40min per month on related activities.

- We've accounted for an average annual loaded cost of €50.000.
- Non-labor costs include data storage (3rd party providing cloud service), room space, servers, software running, electricity, etc. Therefore, we have assumed a cost of €4.500.

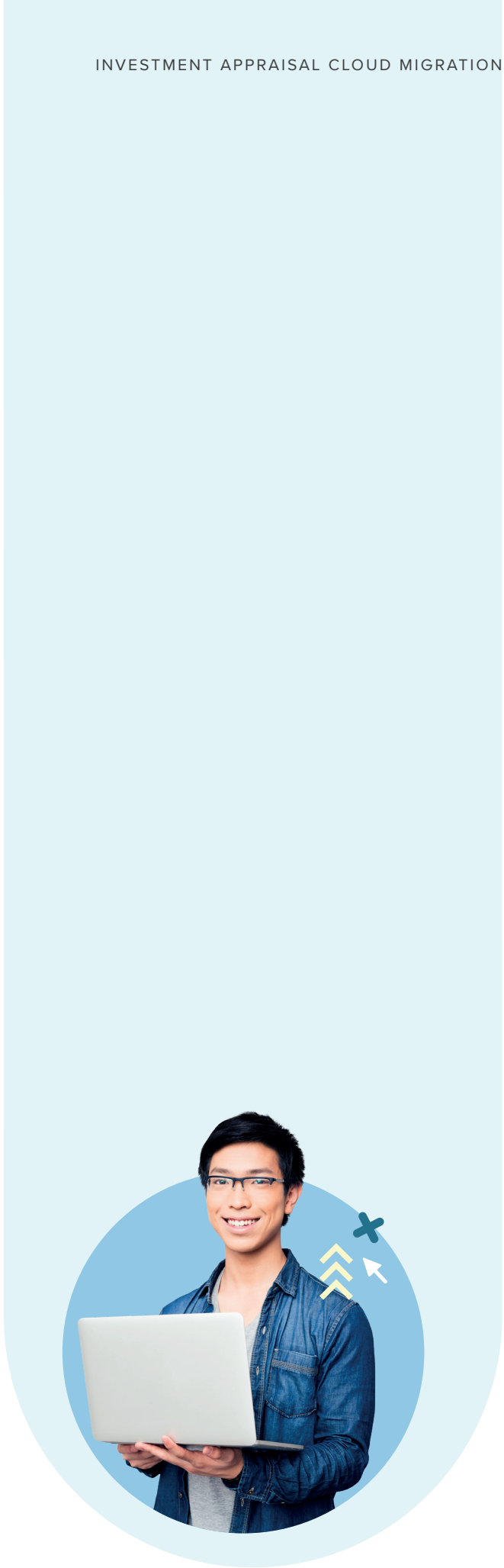
Purpose:

Quantify the savings that can be made by avoiding spending on training and having team members busy with training.

Data used:

- By migrating to cloud, we will eliminate the need for Unit4 customer's staff to go through technical training, such as: product updates, integration issues, etc.
- We account for a 2% salary growth as a general cost increase over the period of this business case.

Technical Training Requirement Reduction - Product updates, integration, etc.	
Current annual training spend	€2.500
Reduction in training spend post-solution	100%
Revised annual training spend	€0
Growth (per year)	2%
Impact life (months)	1-60
Average monthly savings	€219



Cost of upgrades

Avoiding the Costs of a Future Upgrade	
Current annual spend impacted by solution	€11.000
Reduction in spend post-solution	100%
Revised annual spend	€0
Impact life (months)	48-60
Average monthly savings	€199

Purpose:

Quantify the savings that can be made by avoiding spend on a future upgrade. Typically, every 3 to 5 years (36 to 60 months), a refresh of the current system is required. By migrating to the cloud, it is possible to avoid such CapEx spend.

Data used:

- This Unit4 customer will avoid a minimum technology refresh spend of €11.000 over the next 5 years related to their finance system, mostly down to consultancy and the reimplementation of Billing.



Risks reduction

Reducing Downtime Costs (Unplanned Downtime)	
Current downtime per month (hours)	0,25
Downtime cost per hour	42.000
Reduction in downtime post-solution	5%
Growth (per year)	2%
Impact life (months)	4-60
Average monthly savings	€523

Purpose:

Quantify the savings that can be made by reducing unplanned system downtime.

Data used:

- We calculated the costs of unplanned downtime for this Unit4 customer, should it happen a couple of times per year, for just 15min per month or 3h per year.
- The average cost of each FTE would be, on average, €300 per day, or €38 per hour.
- From the total number of employees (roughly 2.500), there are 2/3 at risk of not working during unplanned downtime.
- We estimate that we can help this Unit4 customer reduce unplanned downtime by at least 5% by moving to the cloud.

Cybersecurity Savings	
Current annual cost of implementing security	8.500
Reduction in security cost post-solution	100%
Revised annual security costs	€0
Growth (per year)	2%
Impact life (months)	4-60
Average monthly savings	€706

Purpose:

Quantify the savings that can be made by reducing the chances of investigating and rectifying cybersecurity breaches. This is a risk and not a given situation - in this business case, we are trying to assess the potential impact of such a risk for this Unit4 customer.

Data used:

We assume that removing the system from a security check will reduce the overall security costs by at least 8.500 euros for Unit4 customer. Such costs can be fully avoided by migrating to cloud.

Data Breach Risk Reduction	
Number of records	2.500
Estimated % records compromised	50%
Cost of investigation per breach	€2.500
Cost to improve security capabilities per breach	€8.000
Legal support costs per breach	€20.000
PR campaign costs related to breach	€10.000
Other costs e.g. credit monitoring services	€0
Cost per record of data breach	€32
Probability of data breach	10%
Reduction in breach probability	80%
Annual value of reduced security risk	€3.240
Growth (per year)	5%
Impact life (months)	4-60
Average monthly savings	€289

Purpose:

Quantify the savings that can be made by reducing the chances of investigating and rectifying cybersecurity breaches. This is a risk and not a given situation - in this business case, we are trying to assess the potential impact of such a risk for this Unit4 customer.

Data used:

- 2.500 members of staff = potentially 2.500 records breached.
- We simulate that 50% of all records have been breached by hackers.
- We estimate the costs of investigating such breach to be of at least 2.500 euros.
- We also made some estimations additional spend on security solutions to prevent identical breaches (8.000 euros), on costs related to legal (20.000 euros) and to PR efforts (10.000 euros)
- If the probability of Unit4 customer’s organization being breached is 10% and we can reduce this risk by 80% by migrating all data to the cloud, we can significantly reduce the risks associated to data security.
- As cyber-attacks become more prominent and sophisticated, we account for a potential growth of risks and associated costs of 5% per year.

Purpose:

Quantify the savings that can be made by avoiding regulatory non-compliance that can incur penalties.

Data used:

- Currently Unit4 customer spends on average 15.000 euros per year in making sure that each local entity/ country’s local legislation is applied and complied with. These costs can be reduced by migrating to cloud by at least 50%.
- Such issues and associated costs will increase by at least 5% year on year as the organization’s acquisition strategy takes place in multiple locations worldwide.

Regulatory Compliance Savings – e.g. Local Legislation, etc.

Current annual cost of complying with regulations	€15.000
Reduction in costs post-solution	50%
Annual compliance savings	€7.500
Growth (per year)	5%
Impact life (months)	4-60
Average monthly savings	€670

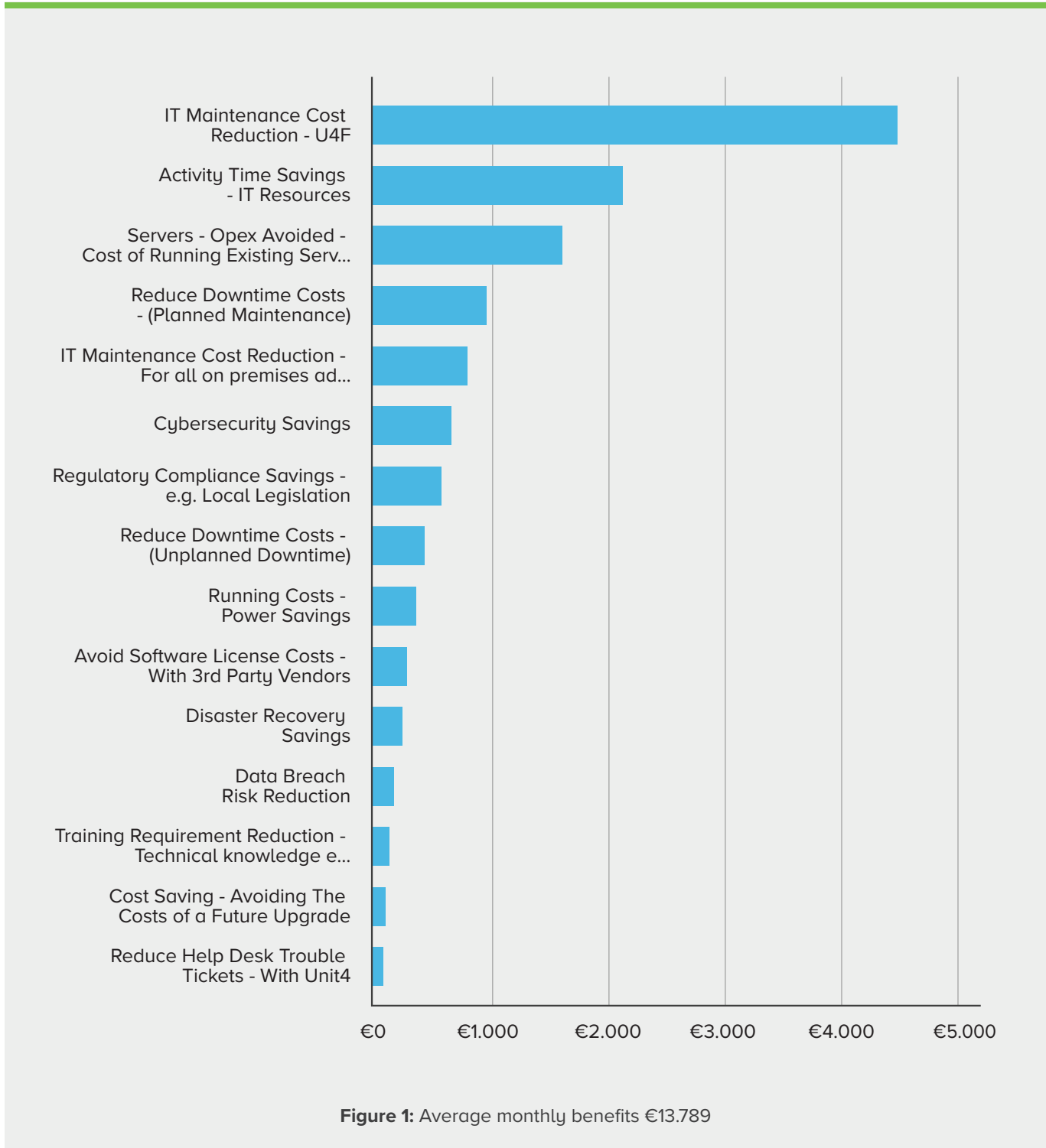


Other benefits not accounted for in this business case:

- Operational agility and scalability as your business grows
- Faster application deployment
- Faster access to innovation
- Access to Unit4's People Platform Services:
 - Integration kit
 - Extension kit
 - Unit4 Identity Services (IDS)
- Lower reliance on external consultants or subcontractors
- Reducing your organization's carbon footprint

Benefits summary

	Monthly Saving
Eliminating the Cost of Unit4 IT Maintenance	€4.384
Eliminating the Cost of Unit4 IT Maintenance for all On-Premises Additional Modules & Capabilities	€833
Freeing-up Time from Your IT Resources	€2.068
Avoiding the Cost of Running Existing Servers	€1.557
Avoid Software License Costs with 3rd Party Vendors	€395
Power Savings	€459
Reduce Help Desk Trouble Tickets with Unit4	€158
Reduce Downtime Costs (Planned Maintenance)	€955
Disaster Recovery Savings	€375
Avoiding The Costs of a Future Upgrade	€199
Technical Training Requirement Reduction	€219
Reduce Downtime Costs (Unplanned Downtime)	€523
Cybersecurity Savings	€706
Data Breach Risk Reduction	€289
Regulatory Compliance Savings	€670
Total	€13.789
Total average monthly benefits	€13.789
Total one-time benefits (Additional Capabilities)	€50.000



Cash only summary

The cash only impact of this appraisal, which specifically excludes any revaluation for time value of money is summarized in the table below. This table should be reviewed in isolation from the rest of the appraisal which may include revaluations for delays, growths, timings, interest costs etc.

Benefits	Value
Eliminating the Cost of Unit4 IT Maintenance	€263.012
Avoid software costs for on premises Asset, Billing, Flexifields, Mobile Task Approval, XL & Analyzer	€50.000
Eliminating the Cost of Unit4 IT Maintenance for Additional Capabilities	€50.000
Freeing-up Time from Your IT Resources	€124.063
Avoiding the Cost of Running Existing Servers	€93.428
Avoiding Software License Costs with 3rd Party Vendors	€23.677
Power Savings	€27.537
Reduce Help Desk Trouble Tickets with Unit4	€9.468
Reduce Downtime Costs (Planned Maintenance)	€57.285
Disaster Recovery Savings	€22.507
Avoiding The Cost of a Future Upgrade	€11.917
Technical Training Requirement Reduction	€13.151
Reduce Downtime Costs (Unplanned)	€31.403
Cybersecurity Savings	€42.370
Data Breach Risk Reduction	€17.355
Regulatory Compliance Savings	€40.173
Total Benefits	€877.346
Costs	
Fixed price migration	€35.000
Cost estimate of business process changes for customer (e.g. user testing, 3rd party software changes)	€25.000
SaaS fees	€624.000
Total costs	€684.000
Net Benefits	€193.346
Simple ROI	28%

Return on investment appraisal elements

Net Present Value (NPV)

Review period (months)	60
Non-recurring costs	€60.000
One-time benefits	€50.000
Peak monthly benefits	€55.366
Average monthly costs	€10.400
Minimum return (per year)	10%
NPV	€140.023

Discounted Cashflow Analysis - NPV

Month	Year 1	Year 2	Year 3	Year 4	Year 5
0	-60.000				
1	25.165	-15.294	-14.203	-13.179	-11.599
2	5.289	12.224	11.304	10.455	10.288
3	5.254	12.144	11.231	10.388	10.220
4	-16.014	-14.883	-13.821	-12.824	-11.284
5	12.963	11.987	11.086	10.253	10.087
6	12.879	11.909	11.014	10.187	10.021
7	-15.582	-14.482	-13.448	-12.479	-10.978
8	12.712	11.755	10.871	10.056	9.890
9	12.629	11.679	10.801	9.990	9.825
10	-15.162	-14.091	-13.085	-12.142	-10.679
11	12.465	11.527	10.661	9.862	9.697
12	12.384	11.453	10.592	10.424	9.633
Total					140.023

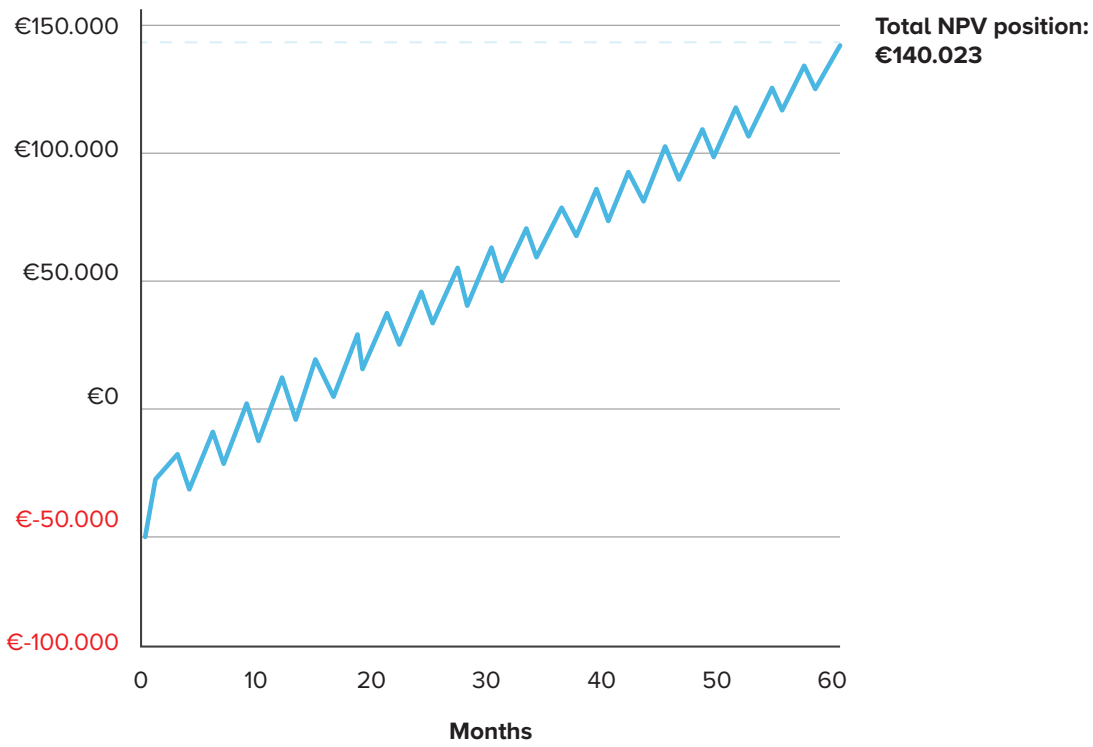


Figure 2: NPV Cumulative Discounted Cashflow 140.023



Payback

Non-recurring costs	€60.000
One-time benefits	€50.000
Peak monthly benefits	€55.366
Average monthly costs	€10.400
Payback (Months)	13,75

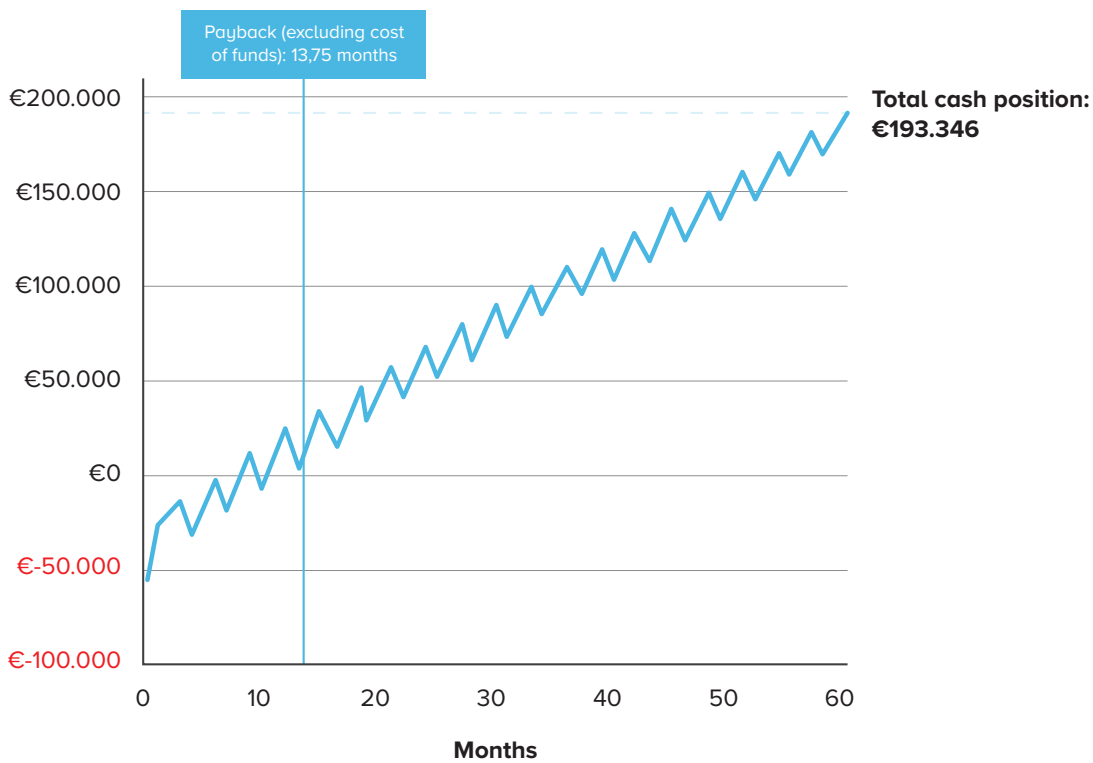


Figure 3: Payback Cumulative Cashflow 13,75 months

Cost of delay, cost of doing nothing

Cost of Delay

Every month that the decision is delayed is worth €3.389. If Unit4 Customer chooses to delay the decision by 12 months net benefits of €40.669 would be lost.

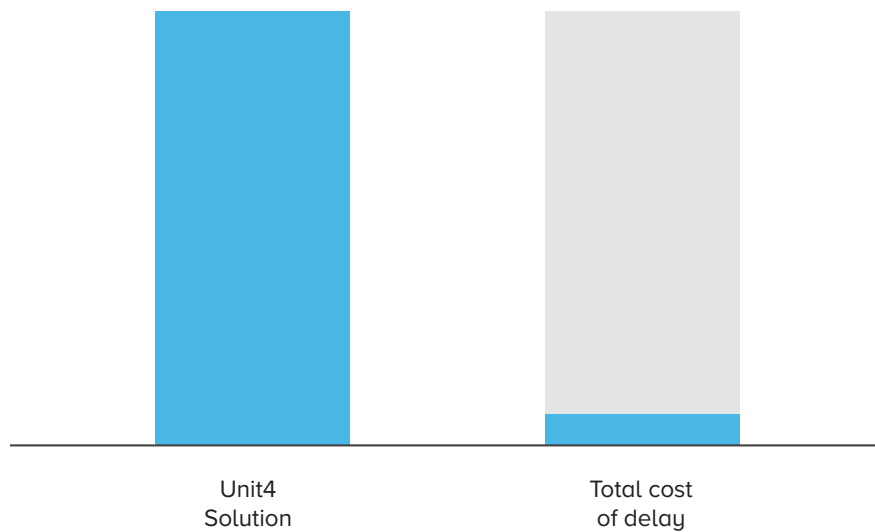
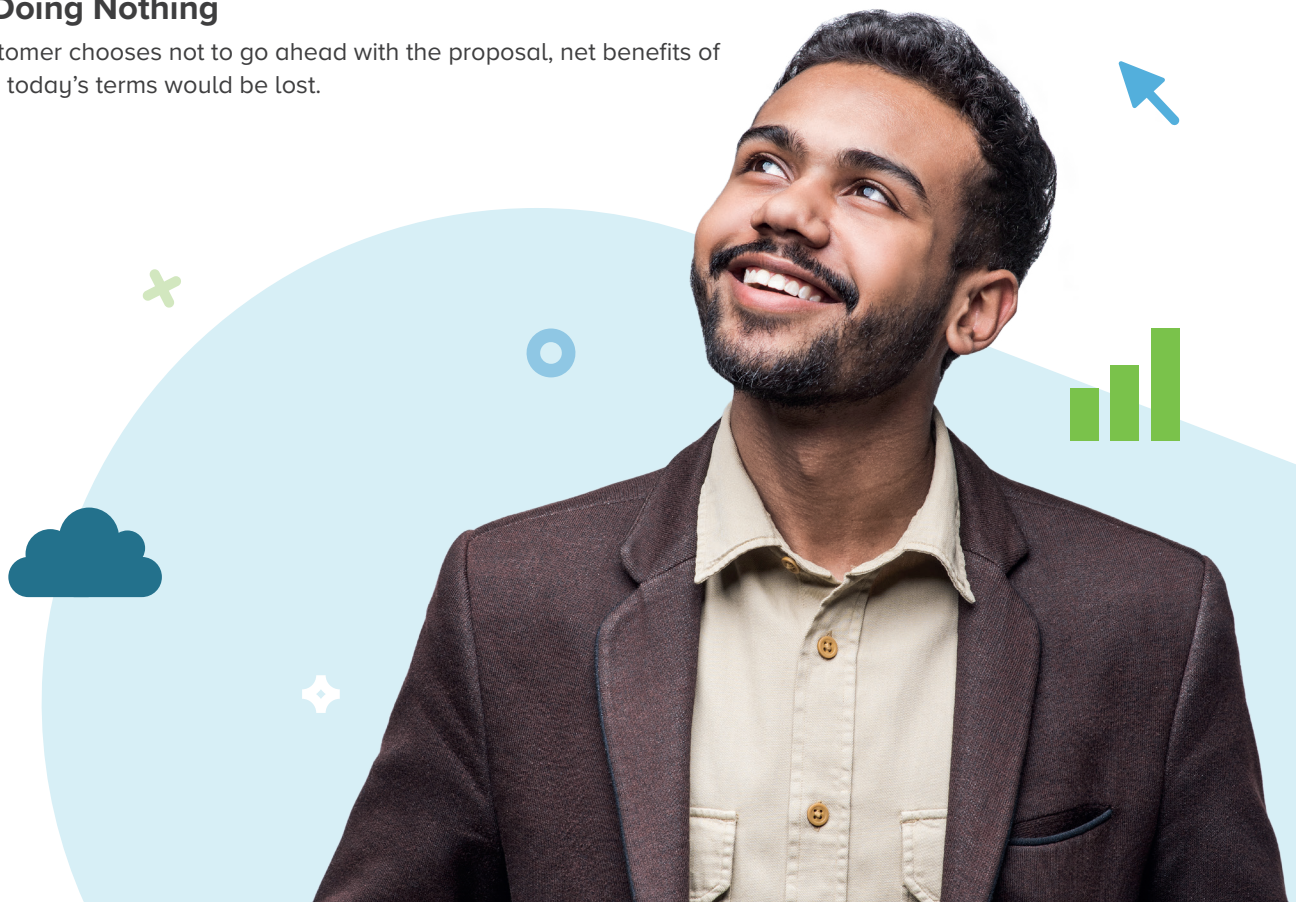


Figure 4: Lost benefits - total cost of delay €40.669

Cost of Doing Nothing

If Unit4 Customer chooses not to go ahead with the proposal, net benefits of €140.023 in today's terms would be lost.



Background to investment appraisal

To complete the investment appraisal, we used the following methods:

Net Present Value

A financial measure of whether a proposal delivers a “profit” or a “loss” using an annual cost of money applied to the timing of spend and savings. It includes the initial cost of the equipment/services and the monthly cost of maintenance, compared to the accruing financial benefits. The result is the change in shareholder value to be anticipated from project acceptance.

Payback

This compares the initial outlay of monies to buy equipment or services against the time taken for the savings to cover the initial outlay. This derives an answer that is a time measure and is usually quoted in months/years.



For more information go to:

unit4.com

Copyright © Unit4 N.V.
All rights reserved. The information contained in this document is intended for general information only, as it is summary in nature and subject to change. Any third-party brand names and/or trademarks referenced are either registered or unregistered trademarks of their respective owners. WP230905INT

UNIT4
Financials
by Coda

UNIT4
In business for people