

Everest Group PEAK Matrix™ for Finance and Accounting Outsourcing (FAO) Service Providers 2019

Focus on TMF Group
April 2019



Introduction and scope

Everest Group recently released its report titled “[Finance and Accounting Outsourcing \(FAO\) – Service Provider Landscape with Services PEAK Matrix™ Assessment 2019](#).” This report analyzes the changing dynamics of the FAO landscape and assesses service providers across several key dimensions.

As a part of this report, Everest Group updated its classification of 24 service providers on the Everest Group PEAK Matrix™ for Finance and Accounting Outsourcing (FAO) into Leaders, Major Contenders, and Aspirants. The PEAK Matrix is a framework that provides an objective, data-driven, and comparative assessment of FAO service providers based on their absolute market success and delivery capability. Everest Group also identified 6 service providers as the “2019 FAO Market Star Performers” based on the strongest forward movement demonstrated on the PEAK Matrix year-on-year.

Based on the analysis, **TMF Group emerged as a Major Contender**. This document focuses on **TMF Group** FAO experience and capabilities and includes:

- TMF Group position on the FAO PEAK Matrix
- Detailed FAO profile of TMF Group

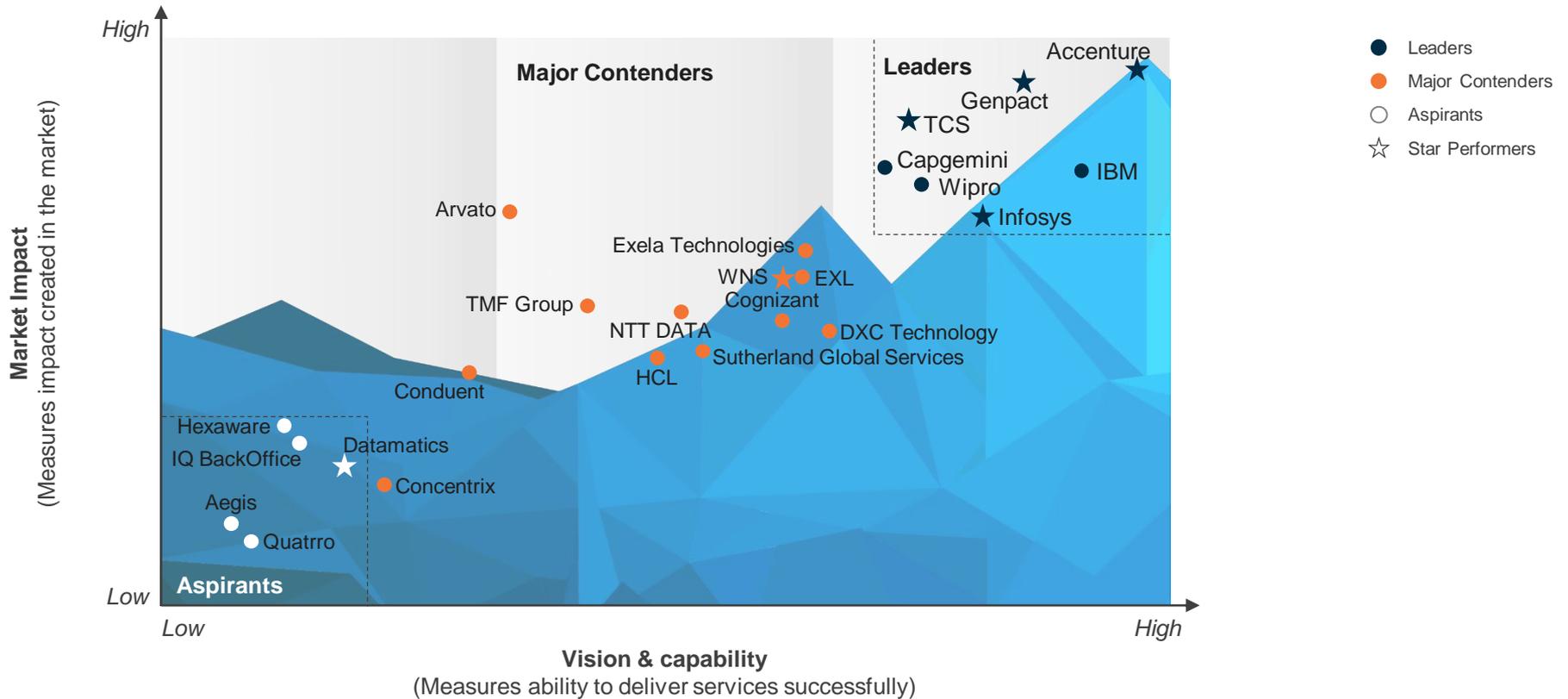
Buyers can use the PEAK Matrix to identify and evaluate different service providers. It helps them understand the service providers’ relative strengths and gaps. However, it is also important to note that while the PEAK Matrix is a useful starting point, the results from the assessment may not be directly prescriptive for each buyer. Buyers will have to consider their unique situation and requirements, and match them against service provider capability for an ideal fit.

Everest Group PEAK Matrix™

FAO Services PEAK Matrix™ Assessment 2019 | TMF Group positioned as Major Contender



Everest Group Finance and Accounting Outsourcing (FAO) Services PEAK Matrix™ Assessment 2019¹



¹ Assessment for Aegis, Arvato, Concentrix, and Quattro excludes service provider inputs and is based on Everest Group's proprietary Transaction Intelligence (TI) database, service provider public disclosures, and Everest Group's interactions with FAO buyers

Overview

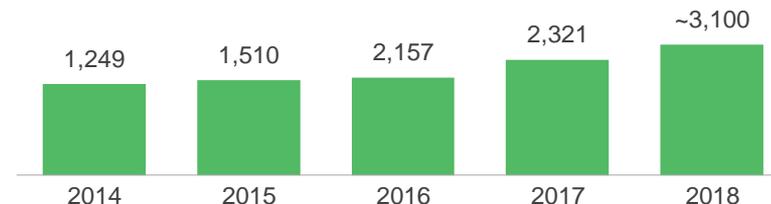
Key FAO leaders

- Daniel Max – Head of Global Solutions
- Emine Constantin – Head of A&T EMEA
- Patrick Begley & Joanna Prateviera – A&T Americas
- Laurence Tsi – A&T APAC

Category	Recent developments/investments
Service scope expansion	<ul style="list-style-type: none"> • 2018: Acquired VAT International (VI) to strengthen its capabilities in VAT compliance services • 2017: Acquired Gentoo, a fund administration services provider, to enhance its offerings in fund administration and corporate services • 2016: Restructured to align GBS accounting and tax with international structuring services
Technology expansion	<ul style="list-style-type: none"> • 2017-2018: Invested heavily in developing unified Accounting & Tax client portal with multiple modular components such as: <ul style="list-style-type: none"> – OneStream for consolidation of data and reporting functionalities – OneSource for VAT compliance, enabling automated filings of tax returns • 2018: Encryption for all state of data to improve data security for all clients • 2018: Alliance with SAP HANA to increase productivity and improve mobility • 2017: Opened a data center at Russia to improve local data security • 2016: TMF Horizon – a tool to aggregate client data at the global level • 2016: Local accounting products – rolling enhancement of local best-of-breed accounting packages to meet local needs
Delivery footprint Expansion	<ul style="list-style-type: none"> • 2016-2017: Expanded service delivery footprint in Canada, Cuba, Jamaica, and Portugal • 2017: Acquired Nyaasa to strengthen service delivery from India on transactional accounting processes • 2017: Acquired Upstream Accounting Excellence AS (UPAX) to strengthen its expertise in offering finance & accounting services to the energy & utilities sector and enhanced its delivery presence in Norway

Scale of operations

Number of FAO¹ FTEs over time



FAO service suite

TMF Group provides financial and regulatory compliance services on a global basis. TMF's FAO services work alongside their HRP and international entity management offering to help coordinate and control global operations with local experts:

- Global tax services including CIT, VAT/GST, WHT, and IPT
- Locally-compliant bookkeeping services
- Local statutory reporting services in 90+ countries
- Global reporting services in accordance with relevant standards (IFRS, U.S./UK GAAP)
- Accounts receivable and payable management services
- Consulting services (global taxes, market entry, and transactional support)
- International structuring and advisory services

■ >1,500 FTEs
 ■ 500-1,500 FTEs
 ■ <500 FTEs



¹ Excludes subcontractor FTEs at multiple locations

Client portfolio

Major FAO clients:

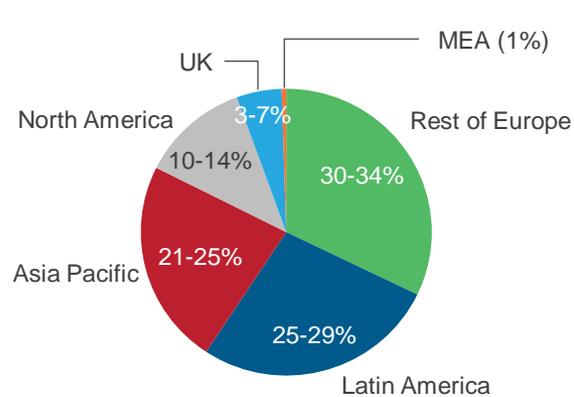
Services 40% of Fortune 500 firms, with major clients coming from all industry verticals from across the world. Largest clients include a U.S.-based telecom company, a U.S.-based healthcare firm, and various European energy companies, as well as a rapidly-expanding portfolio of technology clients from Europe and the United States

Recently-announced FAO engagements (non-exhaustive)

Time of signing	Client	Contract details
Q4 2018	Multinational Finland.-based manufacturing client	Full global compliance and reporting in 15+ countries
Q3 2018	Multinational U.S.-based energy client	Full accounting and tax services in 20+ countries
Q2 2018	Multinational U.S.-based technology client	Full accounting and tax services as well as payroll in 20+ countries
Q1 2018	International RPA technology client	Accounting and tax services in 10+ countries globally

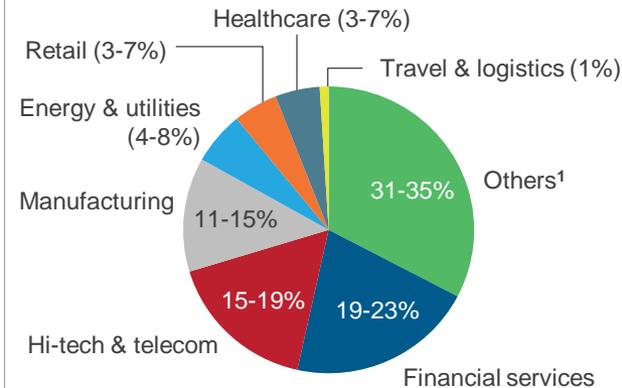
FAO revenue by signing region

2017



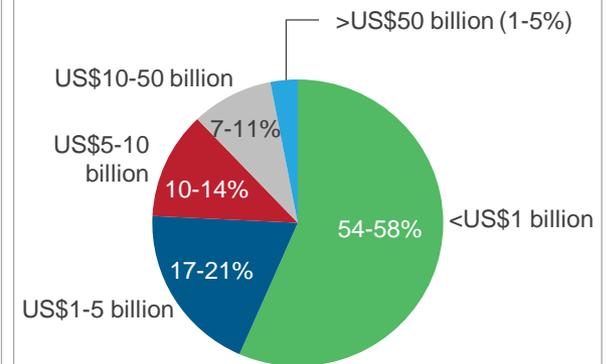
FAO revenue by buyer industry

2017



FAO revenue by buyer size

2017



1 Others include hospitality, government, professional services, and other industries

Location landscape¹

FAO delivery locations¹



¹ Wide geographic presence across the globe. Only top 35 locations by FTEs have been noted above

Technology solutions

	F&A outsourcing services	Global compliance and reporting	Consulting
Solution description	<ul style="list-style-type: none"> Provides an end-to-end solution for all transactional processes and local compliance processes Full coverage of O2C, P2P, and R2R processes 	<ul style="list-style-type: none"> To provide statutory and tax compliance for companies undertaking transactional accounting in-house Assistance with tax registrations, reclaims and recovery, and health checks for tax efficiency 	<ul style="list-style-type: none"> Full suite of services to assist with: <ul style="list-style-type: none"> Market entry Global governance Process management Global taxes Global mobility
Technology leveraged	<ul style="list-style-type: none"> Microsoft Dynamics AX 2012 R2 (“DAX”) TMF Insite – file transfer and data verification tool Best-of-breed local accounting solutions Future state: Consolidation of accounting software 	<ul style="list-style-type: none"> VAT automated tool ADTS – TMF integration technology 	Mix of global platforms and local tools
Delivery model	<ul style="list-style-type: none"> Local delivery with in-country specialists who speak the local language and know the local compliance requirements Global coordination layer Future state: Regional hubs to consolidate some of the transactional processes 	Mix of local delivery and central coordination hubs building on the local knowledge and expertise	<ul style="list-style-type: none"> Mix of local delivery and central coordination hubs building on the local knowledge and expertise
Pricing model	Fixed & transaction-based pricing	<ul style="list-style-type: none"> Transaction-based pricing Output-based pricing 	<ul style="list-style-type: none"> Time & material Transaction-based pricing

TMF Group | FAO profile (page 5 of 5)

Everest Group assessment – Major Contender

Measure of capability:  High  Low

Market impact				Vision & capability				
Market adoption	Portfolio mix	Value delivered	Overall	Scope of services offered	Innovation and investments	Delivery footprint	Vision and strategy	Overall
								

Strengths

- TMF Group has decent capabilities across the entire F&A value chain, with significant expertise and capabilities in tax and accounting services
- TMF Group specializes in handling global and local financial and regulatory compliance requirements of its clients
- Continues to grow inorganically through mergers & acquisitions (e.g., acquisition of VAT International and Nyaasa)
- Has delivery presence across all major geographies; focuses on providing customized and localized F&A solutions to clients, leveraging its strong onshore and nearshore presence
- Investments made in accounting and tax client portal, data encryption, and datacenters to enhance user experience and security of its services

Areas of improvement

- TMF may consider building next-generation technology capabilities such as RPA and advanced analytics, either in-house or through partnerships, to add more value to their services
- TMF may want to build frameworks to increase the adoption of their accounting & tax client portal
- Scope exists for TMF to address the broader F&A processes including P2P and O2C, in addition to high-end R2R processes, to provide end-to-end F&A services

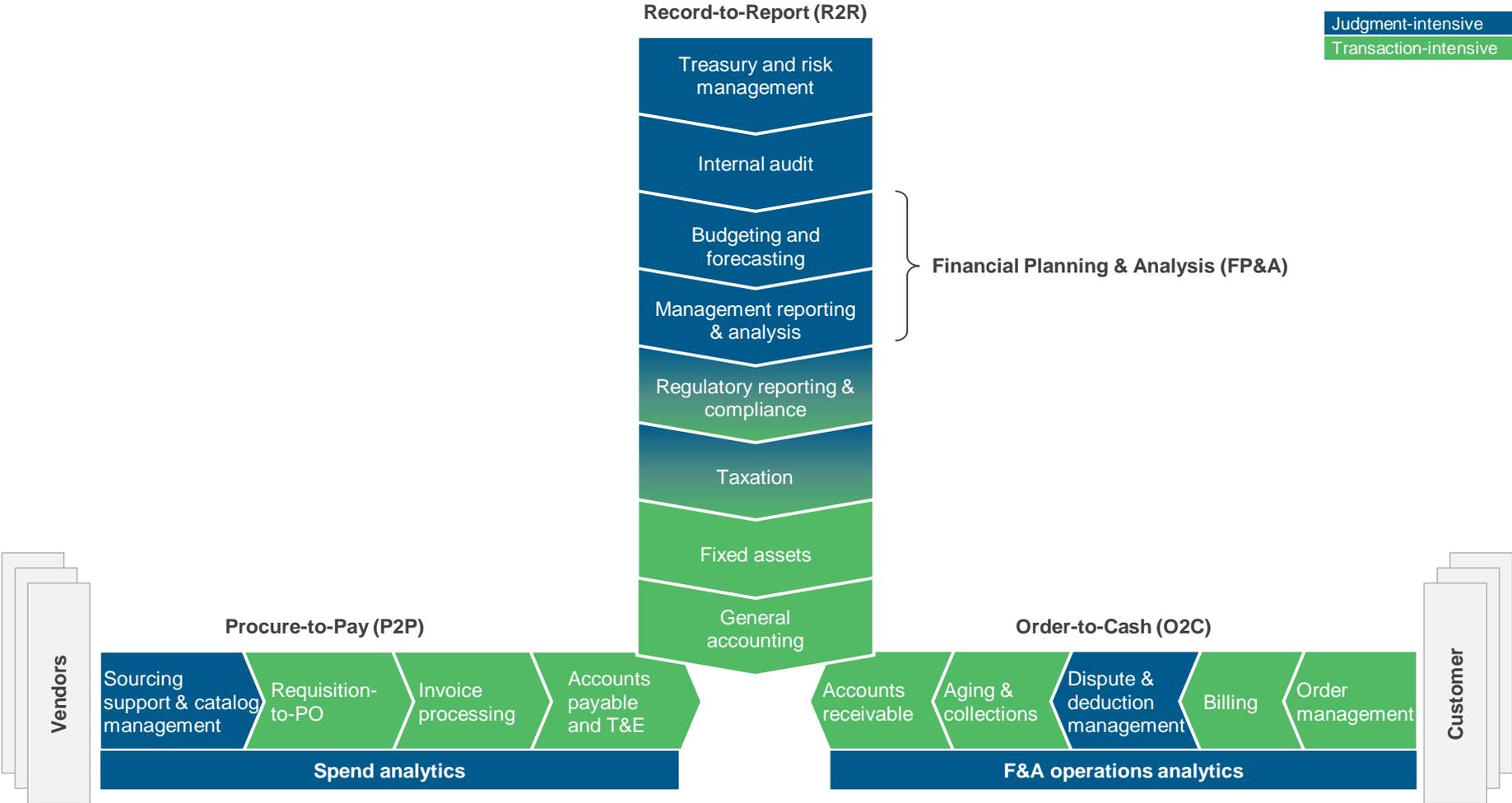
Appendix

Traditionally, FAO has been limited to transaction-intensive processes with labor arbitrage being the key driver behind outsourcing

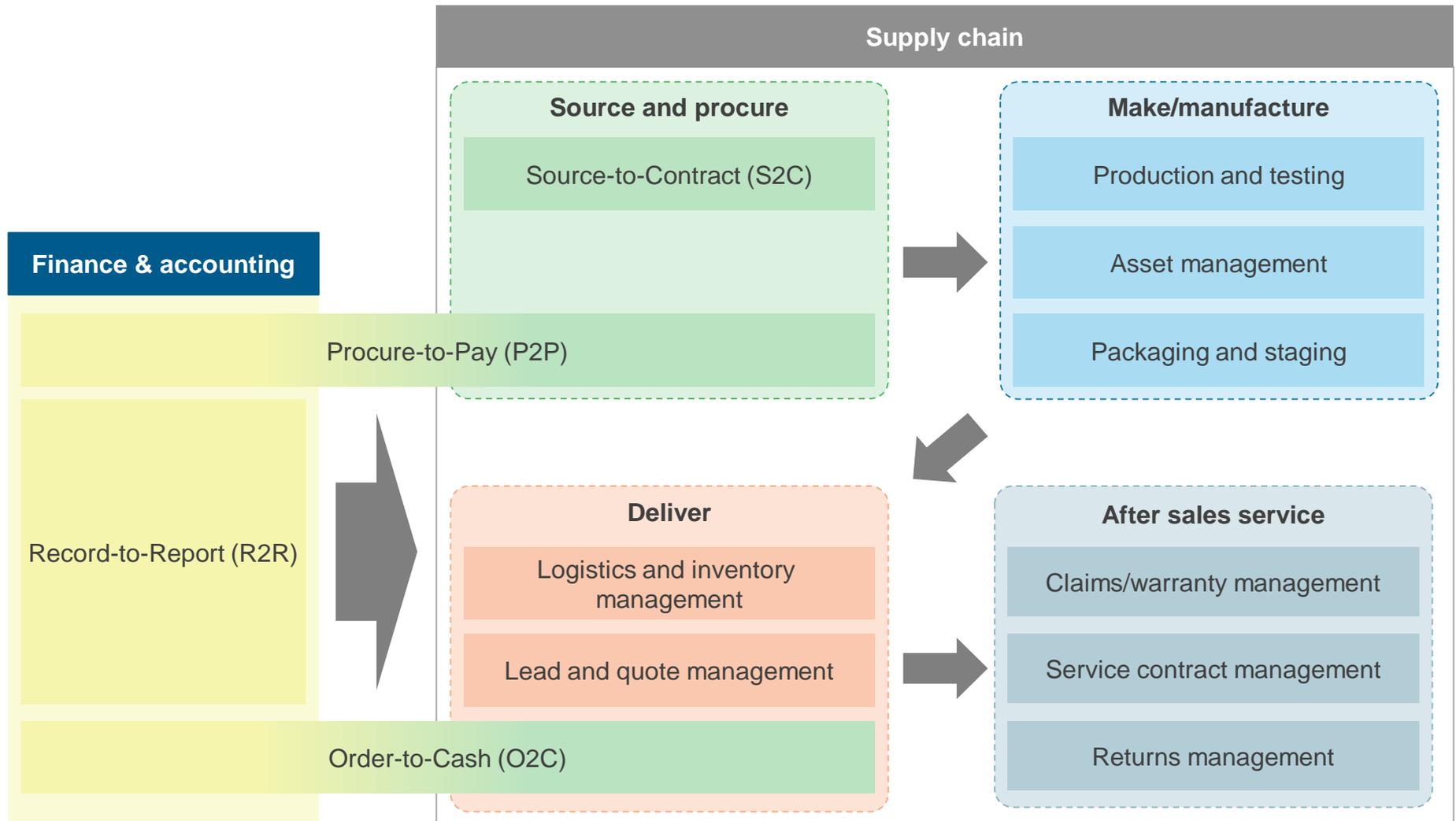
 <p>Strategy</p>	 <p>F&A strategy</p> <ul style="list-style-type: none"> • F&A strategy including tax and risk position • Accounting policy and control • Shareholder relations • M&As/divestitures • External reporting 					
 <p>Judgment intensive</p>	 <p>Internal audit</p> <ul style="list-style-type: none"> • Strategy • Establish annual audit plan • Conduct audits • Reports and recommendations 	 <p>Budgeting/forecasting</p> <ul style="list-style-type: none"> • Strategy • Budget analysis and approval process • Build-line item budget • Forecast roll-ups and consolidation • Forecast analysis and approval process 	 <p>Capital budgeting</p> <ul style="list-style-type: none"> • Strategy • Administer approval process • Project reporting 	 <p>Treasury & risk management</p> <ul style="list-style-type: none"> • Strategy • Bank relations and administration • Cash management and forecasting • Investments • Debt management • Foreign exchange • Treasury risk management 	 <p>Management reporting & analysis</p> <ul style="list-style-type: none"> • Strategy • Regular reporting • Data extraction • Analysis • Ad hoc analysis and special projects • Cost accounting 	 <p>Regulatory reporting & compliance</p> <ul style="list-style-type: none"> • Strategy • Data extraction • Management Discussion & Analysis (MD&A) • Regulatory reporting • Compliance program
 <p>Transaction intensive</p>	 <p>Fixed assets</p> <ul style="list-style-type: none"> • Maintain master data • Merger, acquisition and consolidation of assets • Post depreciation 	 <p>General accounting</p> <ul style="list-style-type: none"> • Strategy • Process general entries • Account reconciliations • Inter-company accounting • Prepare trial balances • Perform closings • Manage consolidations • Cost accounting 	 <p>Accounts receivable</p> <ul style="list-style-type: none"> • Strategy • Customer set up • Billing • Cash applications • Credit and collections • Customer inquiries • Reporting 	 <p>Tax</p> <ul style="list-style-type: none"> • Strategy • Tax accounting • Tax planning and analysis • Tax compliance • Tax audit 	 <p>Accounts payable and T&E</p> <ul style="list-style-type: none"> • Strategy • Maintain master data • Process payment requests • Process T&E claims • Administer EDI /P-card • Month-end close • Vendor inquiries • Reporting 	

However, an end-to-end process-driven approach is emerging, which focuses on consistency, delivery, and enterprise-wide integration

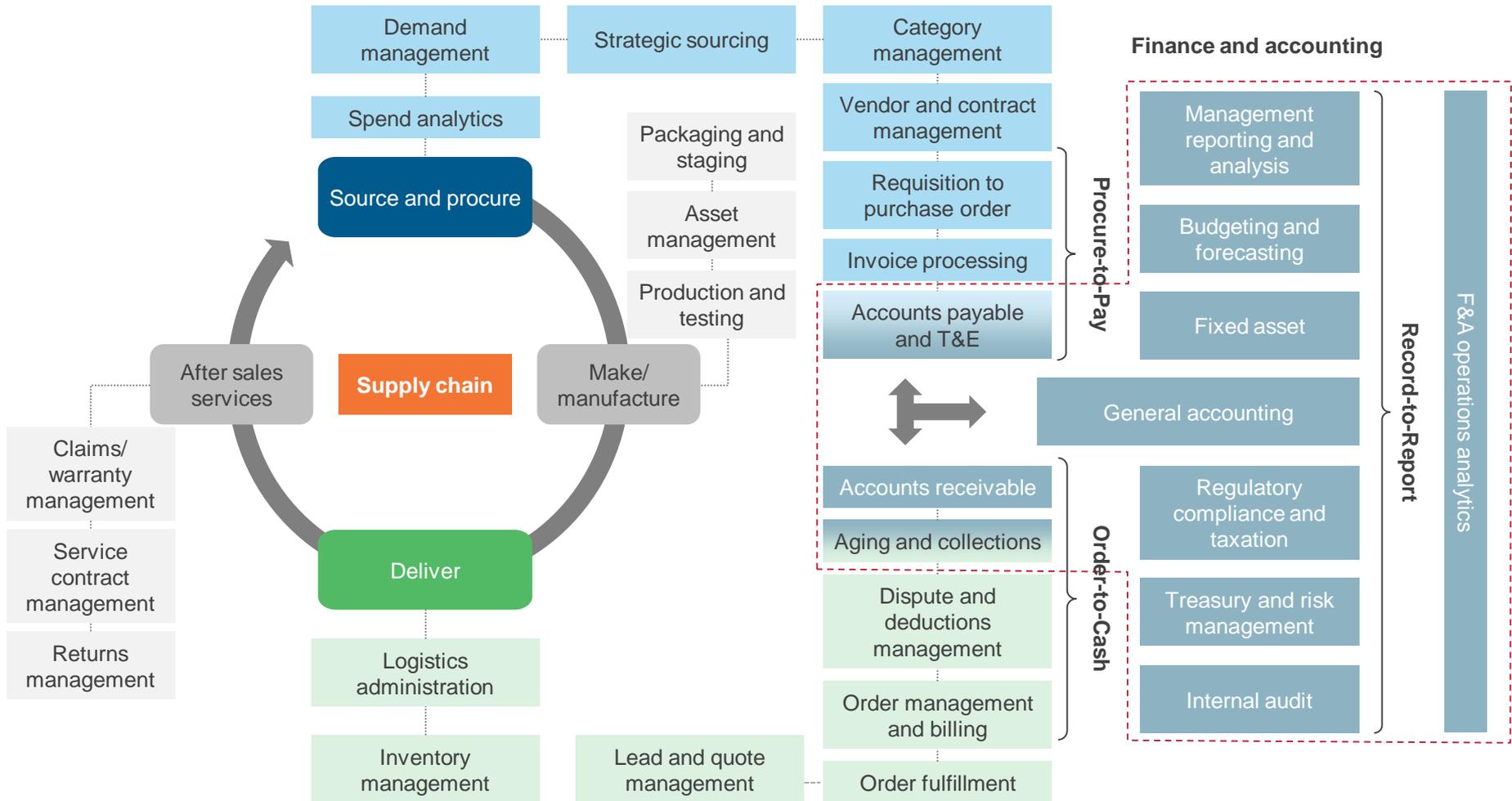
End-to-end process-driven definition of F&A



This end-to-end process-driven approach is expanding the F&A scope into the adjacent areas of procurement and supply chain



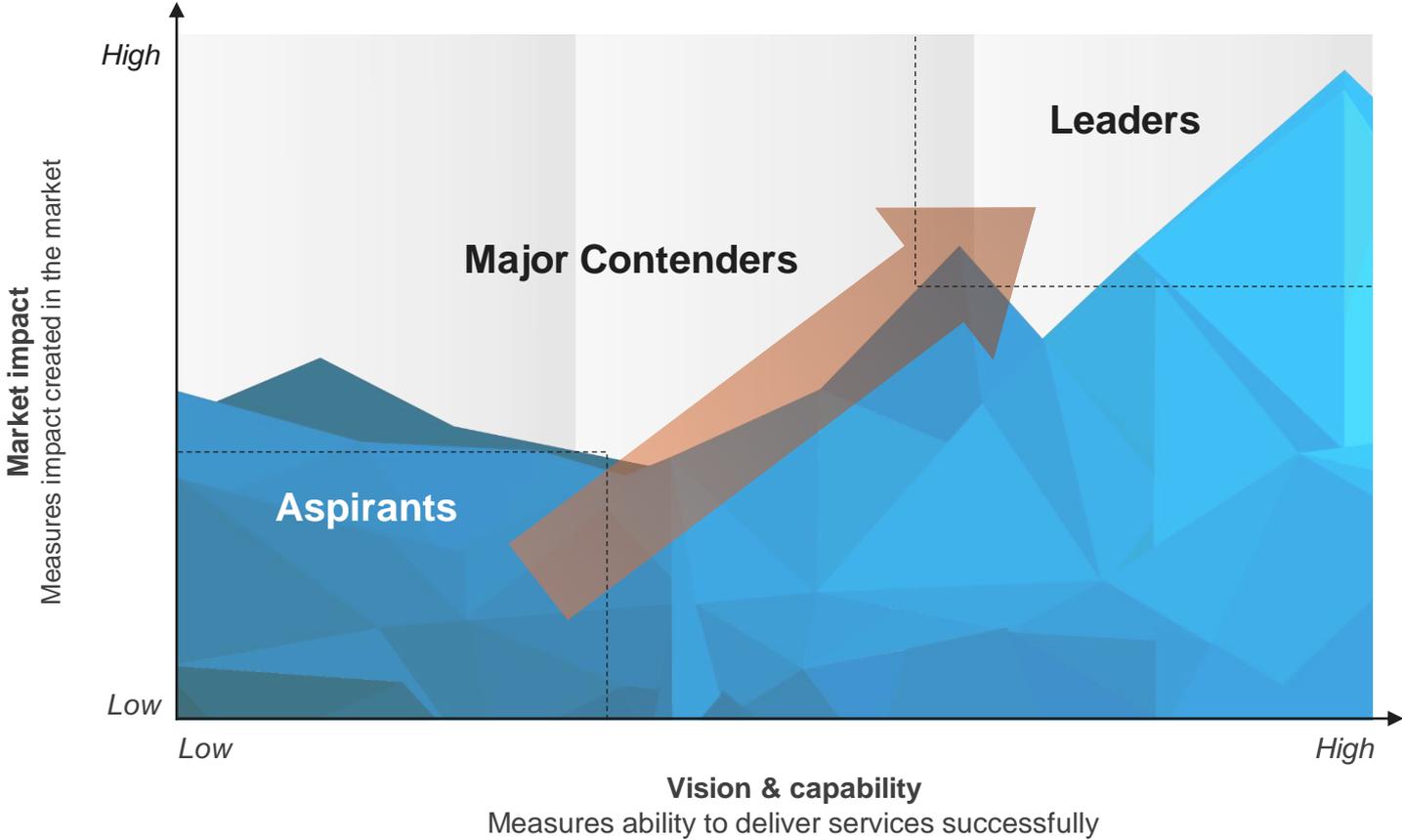
Everest Group's research is guided by a framework that clearly distinguishes F&A from supply chain and procurement processes



Note: Everest Group's analyses include multi-process FAO contracts with a minimum of two F&A processes, over US\$1 million in ACV, and a minimum contract term of three years

Everest Group PEAK Matrix™ is a proprietary framework for assessment of market impact and vision & capability

Everest Group PEAK Matrix



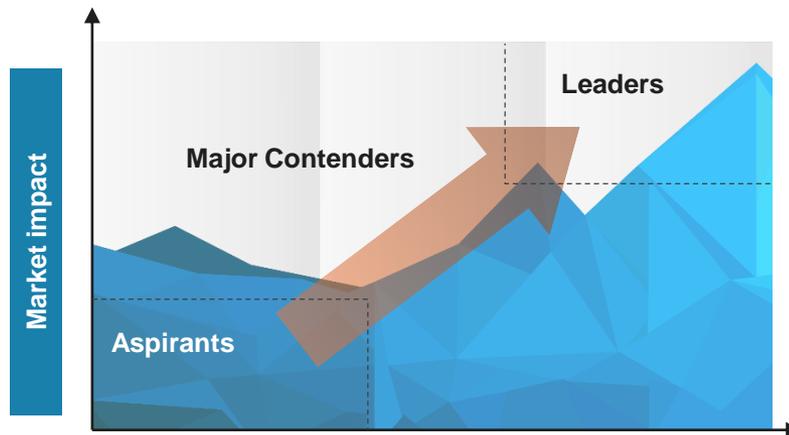
Services PEAK Matrix™ evaluation dimensions

Measures impact created in the market – captured through three subdimensions

Market adoption
No. of clients, revenue base, and YOY growth, deal value/volume

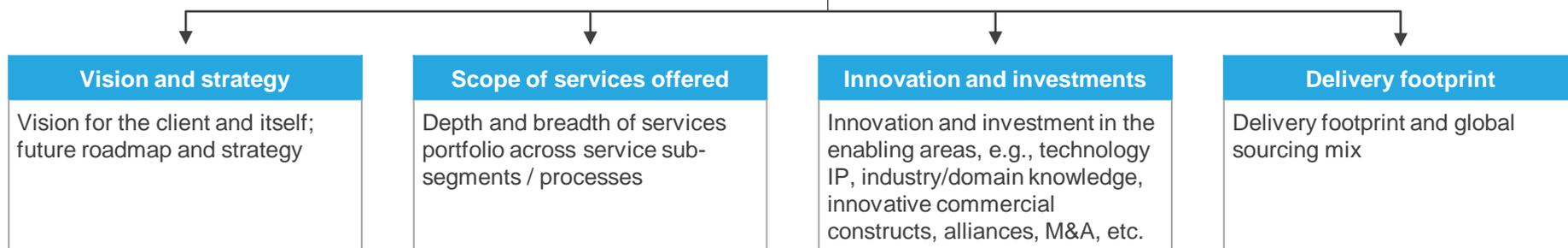
Portfolio mix
Diversity of client/revenue base across geos and type of engagements

Value delivered
Value delivered to the client based on customer feedback and transformational impact



Vision & capability

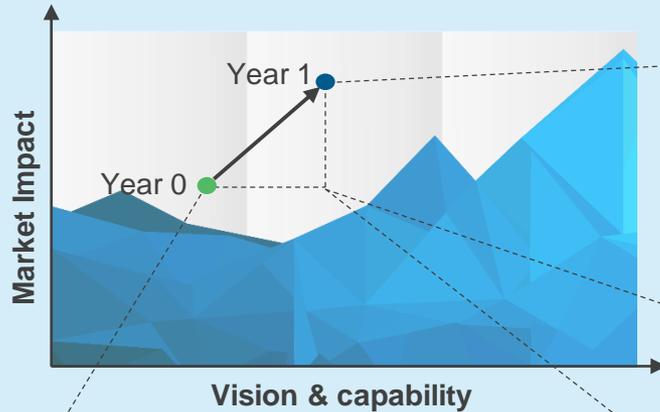
Measures ability to deliver services successfully. This is captured through four subdimensions



Everest Group confers the Star Performers title on providers that demonstrate the most improvement over time on the PEAK Matrix™

Methodology

Everest Group selects Star Performers based on the relative YOY improvement on the PEAK Matrix



In order to assess advances on **market impact**, we evaluate each service provider's performance across a number of parameters including:

- Yearly ACV/YOY revenue growth
- # of new contract signings and extensions
- Value of new contract signings
- Improvement in portfolio mix
- Improvement in value delivered

In order to assess advances on **vision and capability**, we evaluate each service provider's performance across a number of parameters including:

- Innovation
- Increase in scope of services offered
- Expansion of delivery footprint
- Technology/domain specific investments

We identify the service providers whose improvement ranks in the top quartile and award the Star Performer rating to those service providers with:

- The maximum number of top-quartile performance improvements across all of the above parameters AND
- At least one area of top-quartile improvement performance in both market success and capability advancement

Star Performers are identified by top quartile performance improvement on the X and Y axes for each segment

The Star Performers title relates to YOY performance for a given service provider and does not reflect the overall market leadership position, which is identified as Leader, Major Contender, or Aspirant.

Does the PEAK Matrix™ assessment incorporate any subjective criteria?

Everest Group's PEAK Matrix assessment adopts an unbiased and fact-based approach (leveraging service provider / technology vendor RFIs and Everest Group's proprietary databases containing providers' deals and operational capability information). In addition, these results are validated / fine-tuned based on our market experience, buyer interaction, and provider/vendor briefings

Is being a “Major Contender” or “Aspirant” on the PEAK Matrix, an unfavorable outcome?

No. The PEAK Matrix highlights and positions only the best-in-class service providers / technology vendors in a particular space. There are a number of providers from the broader universe that are assessed and do not make it to the PEAK Matrix at all. Therefore, being represented on the PEAK Matrix is itself a favorable recognition

What other aspects of PEAK Matrix assessment are relevant to buyers and providers besides the “PEAK Matrix position”?

A PEAK Matrix position is only one aspect of Everest Group's overall assessment. In addition to assigning a “Leader”, “Major Contender,” or “Aspirant” title, Everest Group highlights the distinctive capabilities and unique attributes of all the PEAK Matrix providers assessed in its report. The detailed metric-level assessment and associated commentary is helpful for buyers in selecting particular providers/vendors for their specific requirements. It also helps providers/vendors showcase their strengths in specific areas

What are the incentives for buyers and providers to participate/provide input to PEAK Matrix research?

- Participation incentives for buyers include a summary of key findings from the PEAK Matrix assessment
- Participation incentives for providers/vendors include adequate representation and recognition of their capabilities/success in the market place, and a copy of their own “profile” that is published by Everest Group as part of the “compendium of PEAK Matrix providers” profiles

What is the process for a service provider / technology vendor to leverage their PEAK Matrix positioning and/or “Star Performer” status ?

- Providers/vendors can use their PEAK Matrix positioning or “Star Performer” rating in multiple ways including:
 - Issue a press release declaring their positioning. See [citation policies](#)
 - Customized PEAK Matrix profile for circulation (with clients, prospects, etc.)
 - Quotes from Everest Group analysts could be disseminated to the media
 - Leverage PEAK Matrix branding across communications (e-mail signatures, marketing brochures, credential packs, client presentations, etc.)
- The provider must obtain the requisite licensing and distribution rights for the above activities through an agreement with the designated POC at Everest Group.

Does the PEAK Matrix evaluation criteria change over a period of time?

PEAK Matrix assessments are designed to serve present and future needs of the enterprises. Given the dynamic nature of the global services market and rampant disruption, the assessment criteria are realigned as and when needed to reflect the current market reality as well as serve the future expectations of enterprises



About Everest Group

Everest Group is a consulting and research firm focused on strategic IT, business services, and sourcing. We are trusted advisors to senior executives of leading enterprises, providers, and investors. Our firm helps clients improve operational and financial performance through a hands-on process that supports them in making well-informed decisions that deliver high-impact results and achieve sustained value. Our insight and guidance empower clients to improve organizational efficiency, effectiveness, agility, and responsiveness. What sets Everest Group apart is the integration of deep sourcing knowledge, problem-solving skills and original research. Details and in-depth content are available at www.everestgrp.com.

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