

CloudHR

Business proposal

Tiger Media

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Topics

- Background
- Music streaming industry
- Tiger Media strategy acknowledgement
- How can CloudHR help?
- Similar use cases
- Projected financial benefit

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Background

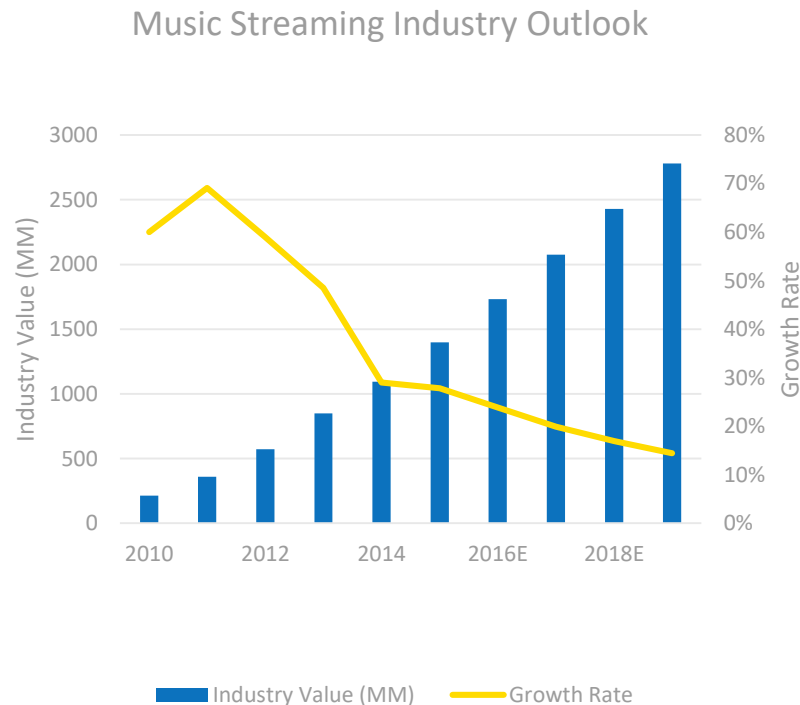
- **CloudHR** is an upmarket payroll and human resources company whose competitive position centers around a high quality product offering.
- **Tiger Media Inc** is a consumer targeted music company that allows users to listen to their favorite music through their smart phone, tablet, or PC.
- **Situation** – Tiger Media Inc is not satisfied with its current payroll and HR vendor and is seeking proposals from competing vendors.
- **Goal** – Sell Tiger Media Inc on why they should invest CloudHR's more expensive, but higher quality, product offering.

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Despite strong growth, the music streaming industry presents several challenges

- Strengths/Opportunities
 - Strong Growth
 - Global opportunities
- Weaknesses/Threats
 - Increased supplier power
 - Copyright Royalty Board Ruling
 - Long term profitability in question
 - Growth is projected to slow down

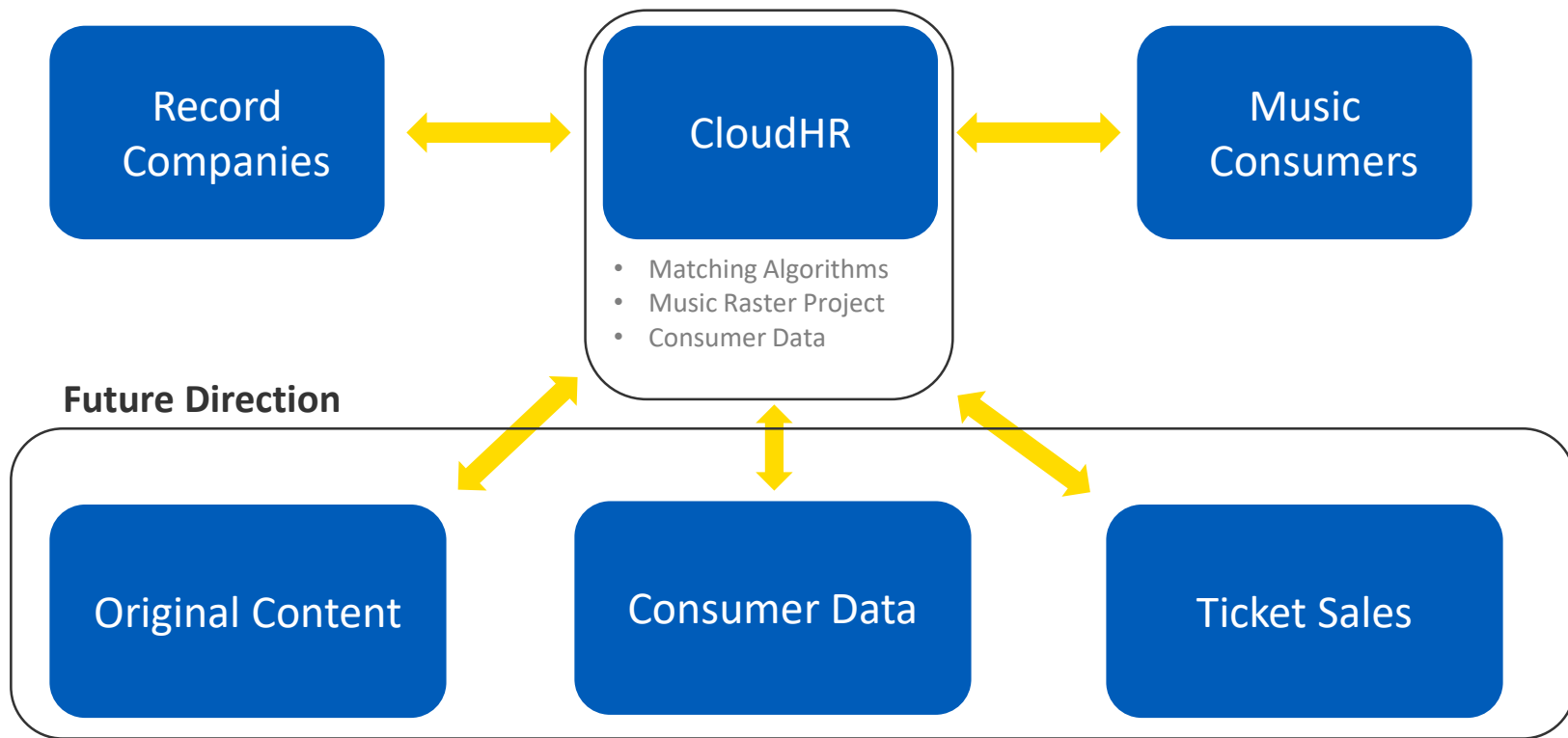


Source: Marketline

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Tiger Media is positioned for strong vertical growth



Tiger Media's primary focus is on growth and long term profitability

- Growth
 - Acquisitions
 - New offerings: Commerce, Data, Content
 - User Count
- Improve Long Term Profitability
 - Increased Supplier Power
 - Copyright Royalty Board Ruling
 - Headcount increase

Topics

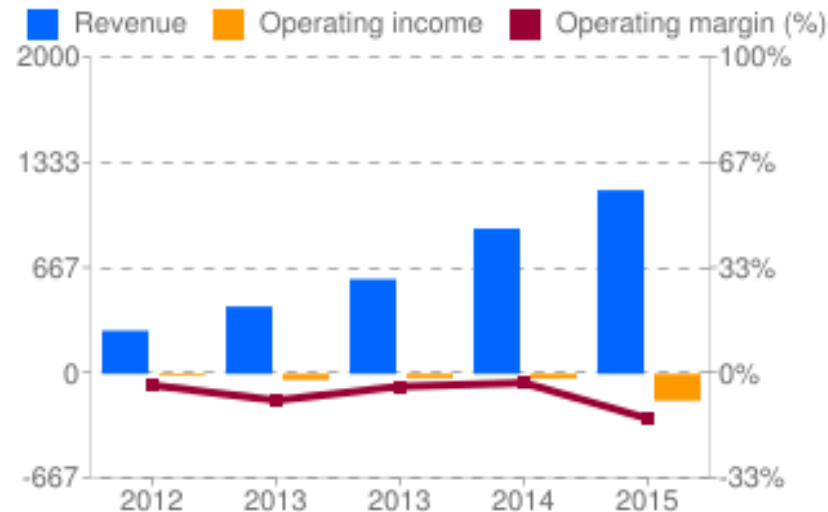
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CloudHR can help Tiger Media grow effectively with employee related HCM products

- Hire high quality employees
 - CloudHR Recruiting
 - Retain more employees
 - CloudHR Talent, Compensation, Learning
 - Educate existing employees
 - CloudHR Learning
 - Improve employee morale
 - CloudHR Benefits, Learning
- Recent 10K highlights
 - *If we cannot maintain our corporate culture as we **grow**, we could lose the innovation, teamwork and focus that contribute crucially to our business.*
 - *We depend on key personnel to operate our business, and if we are unable to retain, attract and integrate qualified personnel, our ability to develop and successfully **grow** our business could be harmed.*
 - *We expect to continue to hire additional employees in order to support our anticipated **growth** and our product development initiatives.*

CloudHR can help Tiger Media's long term profitability outlook through efficiencies

- Reduce payroll errors
 - CloudHR Payroll
- Optimize employee utilization
 - CloudHR Time and Absence, Workforce Planning and Analytics
- Reduce HCM manual work
 - CloudHR HCM and Financial Reporting interoperability



Source: Google Finance

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CloudHR has helped similar customers

- iLoveMedia
- Live Country Entertainment
- Calculus Media
- Scream
- Webflix

- *“The fact that we can have the latest and greatest in the CloudHR solution as it evolves over time is just really exciting. We don’t have to do a new implementation that takes 12 months and costs us another million dollars”*
– Kathy Roberson, Scream
- *We almost made the decision to stick with the familiar world of what we had. Thank goodness we didn’t. We now have HR, payroll, and financials in one application thanks to CloudHR.”*
– Richard Valas, Netflix

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Implementing CloudHR can have a strong impact to Tiger Media's bottom line

Year	1	2	3	4	5	6	7	8
Project Costs (One time)								
Knowledge Transfer Cost	\$0	(\$1,433,102)	(\$358,276)					
Consulting/Contractor Labor	(\$2,100,000)	(\$600,000)	(\$300,000)					
Software Cost	\$0							
Hardware Cost	\$0	\$0	\$0					
Total Costs	(\$2,100,000)	(\$2,033,102)	(\$658,276)	\$0	\$0	\$0	\$0	\$0
Savings								
CloudHR Cost		(\$443,800)	(\$443,800)	(\$443,800)	(\$443,800)	(\$443,800)	(\$443,800)	(\$443,800)
Incumbant Vendor Cost		\$332,850	\$332,850	\$332,850	\$332,850	\$332,850	\$332,850	\$332,850
Incumbant Upgrade/Maintenance Cost		\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000	\$125,000
Savings (Losses) over current Vendor		\$14,050	\$14,050	\$14,050	\$14,050	\$14,050	\$14,050	\$14,050
Other Savings								
Interoperability Benefit		\$895,689	\$1,791,378	\$1,791,378	\$1,791,378	\$1,791,378	\$1,791,378	\$1,791,378
Payroll Leakage		\$447,844	\$895,689	\$895,689	\$895,689	\$895,689	\$895,689	\$895,689
Decreased Employee Churn		\$2,239,222	\$4,478,444	\$4,478,444	\$4,478,444	\$4,478,444	\$4,478,444	\$4,478,444
Increased Employee Productivity		\$559,805	\$1,119,611	\$1,119,611	\$1,119,611	\$1,119,611	\$1,119,611	\$1,119,611
Total Savings	\$0	\$4,156,610	\$8,299,171	\$8,299,171	\$8,299,171	\$8,299,171	\$8,299,171	\$8,299,171
Net Cash Flow	(\$2,100,000)	\$2,123,508	\$7,640,895	\$8,299,171	\$8,299,171	\$8,299,171	\$8,299,171	\$8,299,171
Present Value of Cash Flow	(\$1,909,091)	\$1,754,966	\$5,740,718	\$5,668,445	\$5,153,132	\$4,684,666	\$4,258,787	\$3,871,624
Cumulated PV of Cash Flow	(\$1,909,091)	(\$154,125)	\$5,586,593	\$11,255,038	\$16,408,170	\$21,092,836	\$25,351,623	\$29,223,247

NPV (8 Years)	\$29,223,247
Total one time Costs	(\$4,791,378)
ROI	610%
Year over Year savings	\$8,299,171
Payback Period	2.03

Employee Retention can have a very large impact on the project NPV

		Savings from Employee Retention			--->	--->		
	\$29,223,247	0.0%	2.5%	5.0%	7.5%	10.0%	20.0%	30.0%
Cost to	0%	6.76 M	6.76 M	6.76 M	6.76 M	6.76 M	6.76 M	6.76 M
Replace	25%	6.76 M	12.38 M	17.99 M	23.61 M	29.22 M	51.69 M	74.15 M
Employee	50%	6.76 M	17.99 M	29.22 M	40.45 M	51.69 M	96.61 M	141.54 M
(% of Salary)	75%	6.76 M	23.61 M	40.45 M	57.30 M	74.15 M	141.54 M	208.93 M
	100%	6.76 M	29.22 M	51.69 M	74.15 M	96.61 M	186.46 M	276.31 M
	150%	6.76 M	40.45 M	74.15 M	107.84 M	141.54 M	276.31 M	411.09 M
v	200%	6.76 M	51.69 M	96.61 M	141.54 M	186.46 M	366.17 M	545.87 M
	300%	6.76 M	74.15 M	141.54 M	208.93 M	276.31 M	545.87 M	815.42 M

		Savings from Employee Retention			--->	--->		
	\$29,223,247	0.0%	2.5%	5.0%	7.5%	10.0%	20.0%	30.0%
Consulting/	5,000	8.08 M	19.31 M	30.54 M	41.77 M	53.00 M	97.93 M	142.85 M
Contractor	7,500	7.42 M	18.65 M	29.88 M	41.11 M	52.34 M	97.27 M	142.19 M
Hours	10,000	6.76 M	17.99 M	29.22 M	40.45 M	51.69 M	96.61 M	141.54 M
Billed	12,500	6.10 M	17.33 M	28.57 M	39.80 M	51.03 M	95.95 M	140.88 M
	15,000	5.45 M	16.68 M	27.91 M	39.14 M	50.37 M	95.30 M	140.22 M
	25,000	2.81 M	14.05 M	25.28 M	36.51 M	47.74 M	92.67 M	137.59 M
v	50,000	-3.76 M	7.47 M	18.70 M	29.93 M	41.16 M	86.09 M	131.02 M

Questions?

Appendix 1 – Assumptions

Cost per FTE Calculation			
Cost of Rev - Other		79,858	
Product Dev		84,581	
Sales and Marketing		398,169	
G&A		153,943	
Total		716,551	(000's)
% of costs making up Employee related costs		25%	
Estimated Employee related costs		\$179,138	(000's)
Number of employees		2,219	
Cost per FTE		\$80,729	Real

Employee Retention			
Cost to Replace Employee		50%	% of FTE Salary
		\$40,365	
Previous Retention		50%	
New Retention		45%	
Improved Retention		5%	
Savings from Retention		\$4,478,444	

More Assumptions

Savings over Current	Workday Costs	Existing Vendor	
Cost per FTE	200	150	
Cost per Year	\$443,800	\$332,850	
Upgrade Costs (Amortized)	\$0	\$125,000	Based on \$500K upgrade every 4 years
Total Yearly Cost	\$443,800	\$457,850	\$14,050 Yearly Savings
Activation Fee	\$ -	N/A	Assuming there is an activation fee

Knowledge Transfer Cost	
Hours per FTE	20
Hourly Cost per FTE	40
Cost per FTE	807
Total Cost	1,791,378

Interoperability Benefit		
% of employees impacted	0.05	
Hours Saved	400	10 weeks
Hourly Cost per FTE	40	
Total Interoperability Savings	\$1,791,378	

More Assumptions

Payroll Leakage Savings			
Estimated Payroll	\$179,137,750	30% of SG&A, Product Dev, & Other Costs	
Payroll Leakage	0.5%	0.5% Estimated Savings	
Payroll Leakage Savings	\$895,689		

Increased Employee Productivity			
% of Employee Churn Savings	25%	Correlated with Employee Retention	

Consulting/Contractor Costs		
Hours billed	10000	Over 3 years
Consulting Hourly Cost	300	
Total Consulting/Contractor Costs	\$ 3,000,000.00	

Appendix 2 – Financial Assumptions

Assumptions					
Consulting/Contract Labor \$300/hr for 10,000 hours over 3 years					
Knowledge Transfer Cost - 20 hours per FTE @ \$40/hr					
Payroll Leakage: Payroll cost = (25% of SG&A, Product Dev, & Other Costs) * 0.5%					
Discount Rate of 10%					
Decreased Employee Churn: Based on 5% improved retention and cost to replace FTE @ 50% of annual salary					
3 Year implementation timeline: 2nd and 3rd year will primarily consist of change management					
Interoperability Benefit: 5% of employees @ 400 hours saved w/ 40/hr					
Software Cost: 1 time activation fee of \$500,000					
Increased Employee Productivity is 25% of Savings from decreased employee churn					
All FTE calculations are based on 2219 employees, even for future years					