

# ***STRATA***

Dynamic forecasting  
framework and scenario  
analysis for operating  
model optimisation

September 2017



# Creating a link between business strategy, operating model and tax to enhance shareholder value

*Tax has become an integral part of corporate strategy to enhance shareholder value.*

*Many M&A transactions have been heavily impacted by tax policies. Even in a non-deal environment, reorganisations of legal entity structures have deep tax implications.*

*Our framework integrates a company's targeted transfer pricing policies with its commercial strategic plan and operating model to help you achieve:*



*A deep understanding of the tax and operational impact of strategic decisions*



*Transparency of value drivers and a clear roadmap to value creation*



*Dynamic scenario analysis and visualisations to improve the decision making process*



*Clear audit trail, save time with scalable analysis and eliminate errors*

## 1 How it works

**Two key inputs:**



Strategic Plan



Operating Model and Transfer Pricing Policy

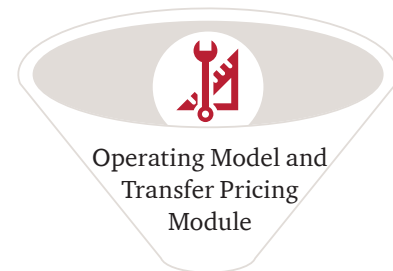
**Stratify your *existing* strategic plan...**

Products/  
Services



Geography

*...by filtering it through a....*



Operating Model and Transfer Pricing Module

**...to create *stratified forecasts* on *multiple dimensions*!**

Products/  
Services



Geography

Legal Entity

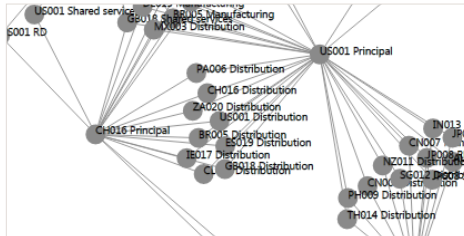


Functional Activity

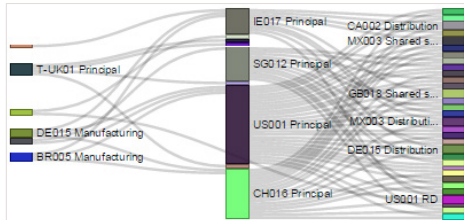
## 2 Typical steps and transparent, dynamic outputs

### 1. Map intercompany and transaction flows and specify the operating model

#### Network of Intercompany Transactions

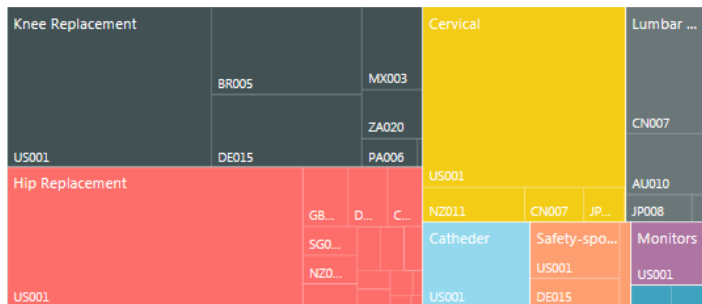


#### Intercompany Transaction Flows



STRATA forecasts intercompany accounts across all dimensions. Forecasts are based on operating model, transfer pricing targeted returns and intercompany transactions flows.

### 3. Visualise profits by products and legal entities



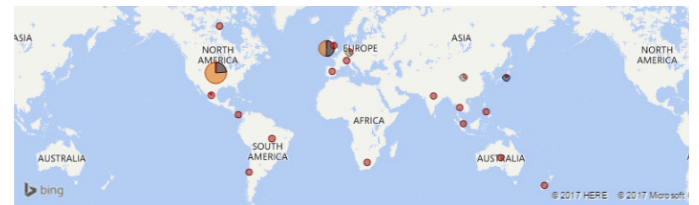
STRATA allows you to better understand your commercial forecast from a statutory perspective. For example, observe forecasted statutory operating profit by product and function or by product and legal entity over time.

### 2. Translate the commercial outlook to a statutory outlook

#### Commercial View: EBIT by Country of Sale



#### Statutory View: EBIT by Country of Entity

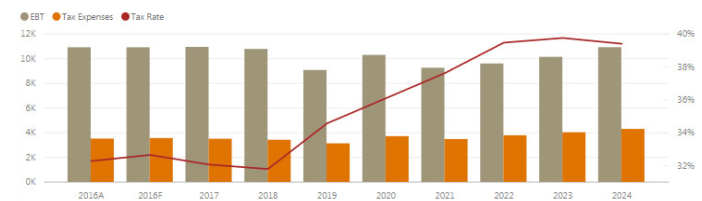


STRATA allows you to see your forecast across both:

- Commercial dimensions (products and countries of sale)
- Statutory dimensions (legal entities and functions)

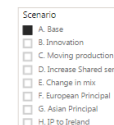
### 4. Forecast statutory earnings and the effective tax rates over time

#### Estimated Statutory Tax Rate by Year



#### Average Statutory Tax Rate

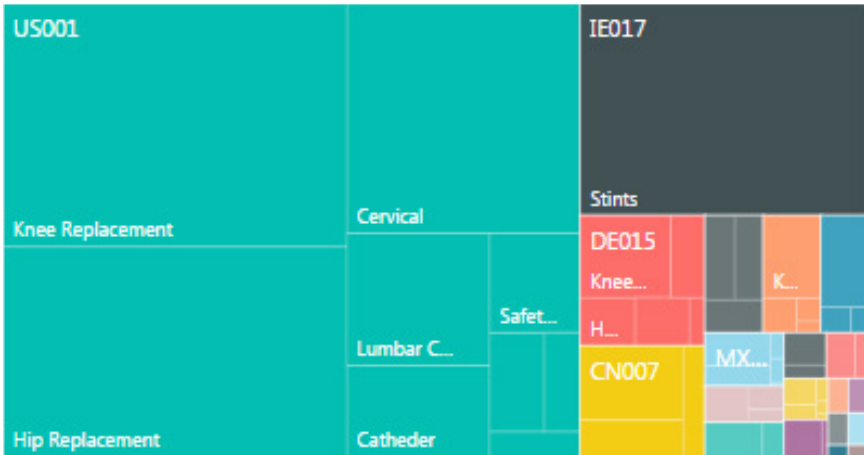
35.9%



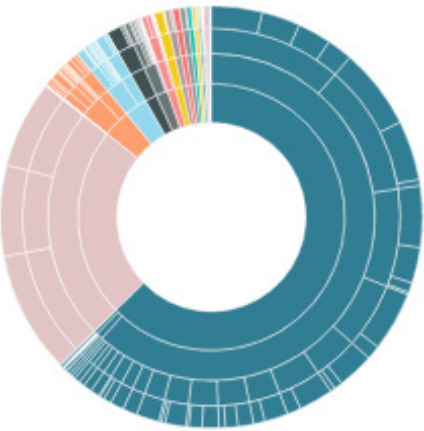
STRATA forecasts statutory tax rates across all dimensions and across scenarios.

5. Analyse value of key decisions and understand valuation impact of operational changes

NPV by Entity and Product



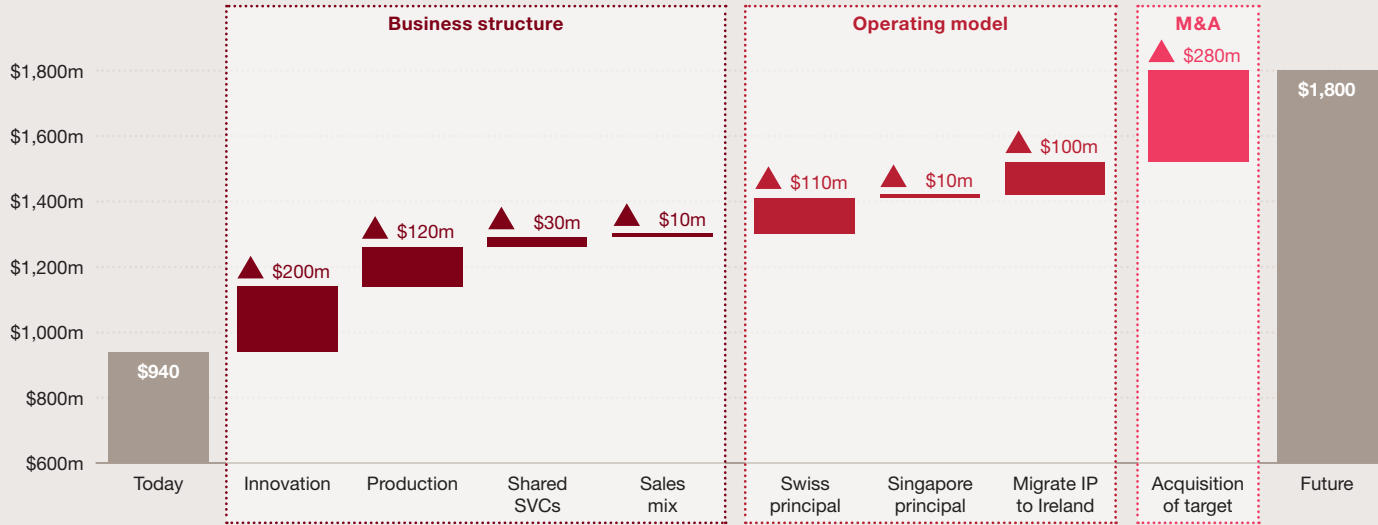
Value Concentration by Entity, Function, Country of Sale, and Product



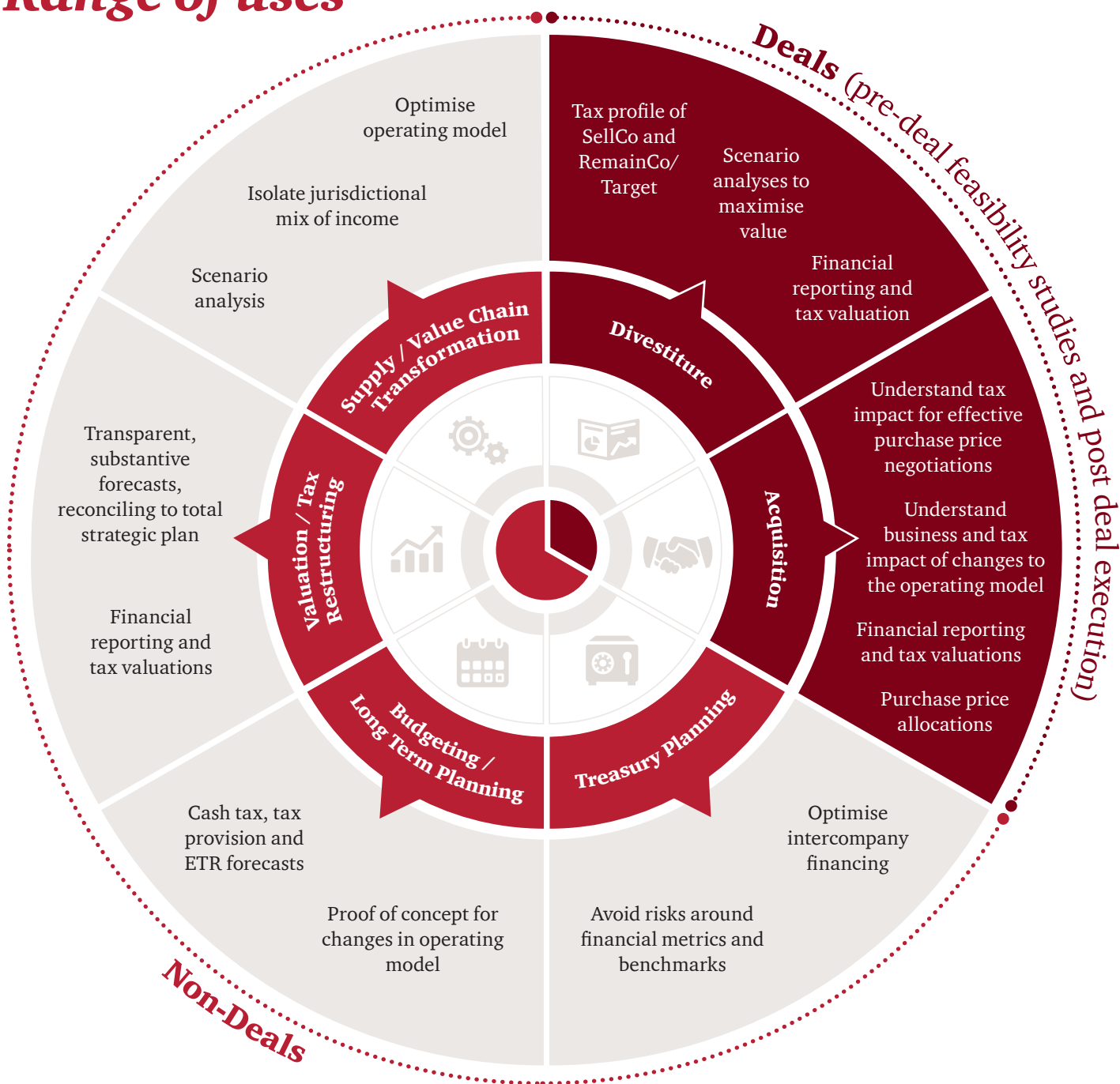
STRATA provides a robust forecasting framework to prepare valuations for tax purposes for both scenario cost benefit analysis and execution. For example, value legal entities and allocate value at the product level.

Dynamic outputs:

Holistic projected view of the company after operational, tax policy and transaction impacts



# Range of uses



# *For further information please contact:*

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