



ACUMATICA ERGO RESEARCH

ANALYST

Rebecca Wettemann

THE BOTTOM LINE

Ergoresearch deployed Acumatica to replace multiple accounting systems and processes and establish a foundation for rapid growth. Nucleus found the project enabled the company to reduce technology costs, standardize processes and reporting, and increase staff productivity while increasing revenues.

ROI: **389%**

Payback: **9 months**

Average annual benefit: **\$1,579,000**



THE COMPANY

Ergoresearch LTD is Canada's leading manufacturer of intelligent custom-fit foot orthotics and other biomechanical devices. The company holds a number of patents for orthotics, prosthetics, neurostimulation, and human bionics. Headquartered in Quebec, the company is publicly traded on the Toronto Venture Stock Exchange, and was recently ranked as Canada's 129th-fastest growing company.

THE CHALLENGE

Rapid growth, both organically and through acquisition, led the company to a point where it had multiple accounting systems, databases, and operating systems, as well as different accounting processes for its four different subsidiaries, which made full reporting and compliance a challenge. The company recognized that to support its future growth and drive greater efficiency, it needed one common enterprise

resource planning (ERP) solution that could support standardized processes while being flexible enough to adapt for future business needs.

Cost : Benefit Ratio | 1 : 5.1

THE STRATEGY

The company began exploring potential new ERP solutions in February 2014 and shortened the list to four vendors: Microsoft Dynamics, SAP, Acumatica, and NetSuite. Each vendor was asked to propose a solution based on Ergoresearch’s specific needs and ultimately Acumatica was selected for two primary reasons:

- Platform. With Acumatica, Ergoresearch believed it could build and integrate the business-specific modules it needed without the need to learn an application-specific programming language.
- Cost. Acumatica was the most cost-effective solution, and its flexible user-unlimited pricing model also enabled Ergoresearch to add additional users as needed without renegotiating its licensing.

Working with SiPD, an Acumatica reseller, Ergoresearch began to implement Acumatica in multiple phases beginning in June 2014. The phased deployment was spread over two years for the four entities, during which time the company scrubbed and migrated the necessary data from existing legacy systems, built a number of custom modules, and built and deployed mobile applications enabling users to access the application data remotely. Approximately 100 users underwent eight hours of training on how to use Acumatica.

TYPES OF BENEFITS



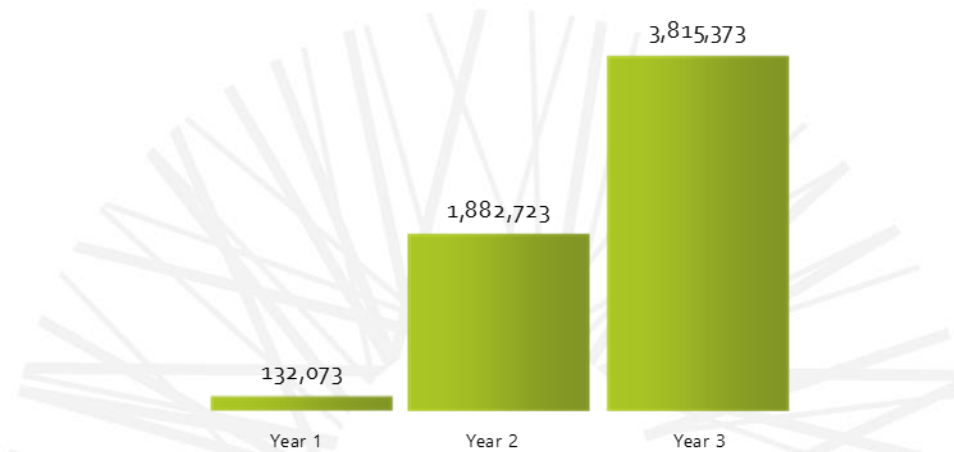
KEY BENEFIT AREAS

Standardizing on Acumatica for all of its businesses has enabled Ergoresearch to streamline its operations and ensure that all users have access to the same data and

functionality across the business regardless of their location. Key benefits of the project include:

- Improved compliance. Acumatica enables executives to more rapidly review financials between outlets and divisions, and consolidation in one system has accelerated and increased control of quarterly and annual financial statements.

CUMULATIVE NET BENEFIT

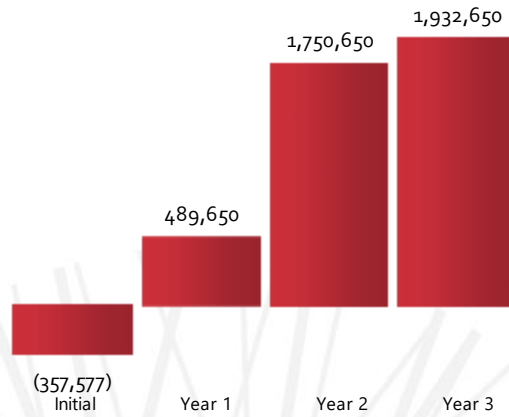


- Increased accounting and general employee productivity. One single accounting system has enabled Ergoresearch to shrink its accounting staff by more than 20 percent. Greater visibility across all departments and the ability to access the application remotely has increased productivity for staff who spend much of their time out of the office.
- Improved technology management. Ergoresearch was able to eliminate the license maintenance fees and cost of staff time that was previously spent supporting the legacy accounting and other applications it replaced with Acumatica.
- Increased revenues. Greater visibility into patient records, linked with the accounting and calendaring system, has enabled the company to have a more efficient recall and replacement process for patients, driving additional revenues from replacement orthotics.

KEY COST AREAS

Costs of the project include software licenses and annual maintenance fees, hosting fees, consulting, personnel to deploy and support the application, and employee time spent in training.

NET CASH FLOWS



BEST PRACTICES

Because Acumatica is built on Microsoft .NET technology, Ergoresearch’s internal IT team was able to rapidly master application development without any additional training and now has the flexibility to build new modules or adapt the solution without additional consulting. This gives Ergoresearch the flexibility it needs to address changes in its rapidly growing business.

CALCULATING THE ROI

Nucleus quantified the initial and ongoing costs of software license and maintenance fees, hosting fees, consulting, personnel time to implement and support the application, and employee training time to calculate Ergoresearch’s total investment in Acumatica.

Direct benefits quantified included the elimination of software license maintenance and the cost of IT staff time to support the retired applications as well as the reductions in accounting staff driven by the project. Indirect benefits quantified included increased employee productivity, which was calculated based on the average annual fully loaded cost of an employee using a productivity correction factor to account for the inefficient transfer of time between time saved and additional time worked. Other indirect benefits quantified included the increased profits driven by greater visibility into and management of the recall process enabled by Acumatica.

FINANCIAL ANALYSIS

Acumatica

Annual ROI: 389%

Payback period: 0.7 years

BENEFITS	Pre-start	Year 1	Year 2	Year 3
Direct	0	482,000	563,000	563,000
Indirect	0	243,000	1,443,000	1,443,000
Total per period	0	725,000	2,006,000	2,006,000

COSTS - CAPITALIZED ASSETS	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Project consulting and personnel	0	0	0	0
Total per period	0	0	0	0

COSTS - DEPRECIATION SCHEDULE	Pre-start	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Project consulting and personnel	0	0	0	0
Total per period	0	0	0	0

COSTS - EXPENSED	Pre-start	Year 1	Year 2	Year 3
Software	100,000	21,600	21,600	21,600
Hardware	0	0	0	0
Consulting	80,000	0	20,000	0
Personnel	162,000	213,750	213,750	51,750
Training	15,577	0	0	0
Other	0	0	0	0
Total per period	357,577	235,350	255,350	73,350

FINANCIAL ANALYSIS	Results	Year 1	Year 2	Year 3
All government taxes	45%			
Cost of capital	7.0%			
Net cash flow before taxes	(357,577)	489,650	1,750,650	1,932,650
Net cash flow after taxes	(196,667)	269,308	962,858	1,062,958
Annual ROI - direct and indirect benefits				389%
Annual ROI - direct benefits only				97%
Net Present Value (NPV)				1,763,709
Payback period				0.7 years
Average Annual Cost of Ownership				307,209
3-Year IRR				233%

All calculations are based on Nucleus Research's independent analysis of the expected costs and benefits associated with the solution.