



Privately Speaking

Insights on private company growth
from private company insiders

Issue 36 | Strengthening your business | September 2018



The data-savvy board

Data underpins almost every business decision. Are your board of directors and audit committee helping to ensure that your company is finding the right insights while also protecting the company, its employees, and its customers?

In this edition of *Privately Speaking*, we look at how private market company boards are challenging their companies to reassess their policies, infrastructure, and capabilities in order to make better business decisions.

Given the recent explosion of data and innovations in analytics, it is more important than ever that private market boards and audit committees have a holistic view of their company's Data and Analytics (D&A) strategy. In particular, the board needs to know what data is being collected, how it is being used, and who is overseeing the effort.

Did you know?

89% of U.S. CEOs believe that protecting customer data as one of their most important jobs as CEO.

Source: KPMG U.S. CEO Outlook 2018

Key questions for boards to ask regarding D&A



- Are current and future business challenges being effectively aligned with the right data and technology solutions?
- How is the data being collected and organized within the company and who is involved?
- Has management assessed the security of the data infrastructure as well as the availability of data to drive the digital strategy? Who is accountable for data decisions and the associated risks?
- Can the data be trusted? How is the quality and integrity of the data assessed?
- Does the company have a data ethics policy to protect the brand reputation and reduce legal risk?
- Has management assessed the robustness of the IT infrastructure to support these advanced technologies?
- Does the company have the right talent, skills and resources required to implement and then manage its D&A activities?
- Has the company scoped out the near-term and longer-term opportunities for its use of D&A, including financial reporting and predictive analytics?
- Has an appropriate governance structure been put in place, including board and committee oversight responsibilities and processes, to manage such innovation and change?

“ Given their oversight roles, boards have a responsibility to ensure that the company is protecting customer data, and the business and the CEO's office has a strategy in place so that everyone understands what data is being collected, how it's used, and how it's accessed.

—**Brian Hughes**, KPMG National Private Markets Group (PMG) Leader, National Venture Capital Coleader ”

Did you know?

78%

of U.S. CEOs say they have ignored insights from their analytics models because they ran contrary to their own personal experience or intuition.

Source: KPMG U.S. CEO Outlook 2018

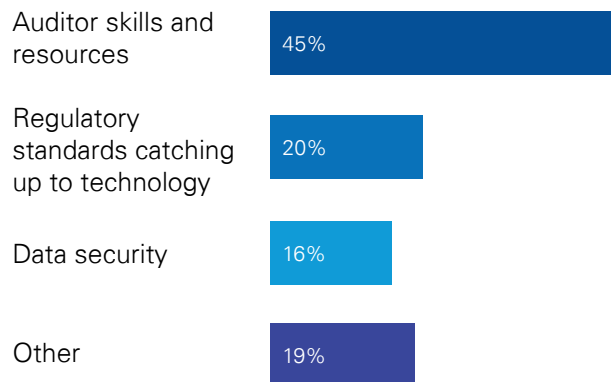
Data and the audit

Automation and advanced analytics are not just changing the way companies do business. They are also changing the way internal and external auditors are managing their audits.

For example, the use of smart audit platforms can enable more analysis of larger volumes of data which, in turn, can help the audit team to better assess anomalies and exceptions and understand how they were handled. D&A can also help auditors to identify earlier indicators to control risk, to perform greater scenario analysis, and to stress test against trends.

However, audit leaders will need to think carefully about how they develop the right capabilities, skills, and resources to support these new demands and ways of working.

In your view, what are the greatest challenges to integrating data and analytics into the audit?



Of 658 audit committee members, other directors, and C-level executives surveyed during the Webcast on March 22, 2018.

Source: KPMG Audit Committee Institute Webcast, Oversight of Data and Analytics, March 22, 2018.

“When it comes to a company’s D&A strategy, it’s critical for boards to have a holistic view. Being able to answer key questions such as what data is being collected, how it is used, and which teams are managing the data, will help boards better assess any potential risks and opportunities.

—Conor Moore, KPMG National Venture Capital Coleader”

Don’t ignore the non-GAAP data!

In May 2016, the Securities and Exchange Commission (SEC) issued an updated Compliance & Disclosure Interpretation that provided additional guidance on how companies should use non-GAAP financial measures. SEC staff continue to comment to companies about their use of these types of measures in communications and financial reporting.



What are non-GAAP financial measures and operating measures?

Sample non-GAAP financial measures	Sample operating measures
Adjusted revenue	Same-store sales
Adjusted net income	Average revenue per customer or user
EBITDA	Revenue per available room
Adjusted EBITDA	Sales per square foot
EBITDAR	Customer retention
EBIT	NPS
Adjusted EPS	
Free cash flow	
Funds from operation	
Net debt	

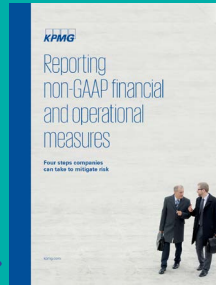
Want to learn more?

Board's-eye view of data and analytics



Read more >>

Critical issues for Audit Committees



Read more >>

Don't miss a thing

The environment for private companies is changing rapidly, and new opportunities are emerging every day.

Do not let an opportunity pass you by—sign up to receive KPMG's **Privately Speaking** series and make sure you are making the best decisions possible for your private company.

Register here to subscribe to KPMG's *Privately Speaking* series:

 **Subscribe**

Need help?

KPMG's Private Markets professionals have deep experience helping privately held companies assess, review, build, and energize their visionary boards. With extensive networks across multiple industry areas and companies, we understand what it takes to improve board decision-making. To discuss your board strategies and challenges, [click here](#) to contact your local KPMG member firm.



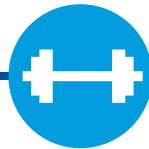
Starting your business



Growing your business



Strengthening your business



Transitioning your business



Privately Speaking focuses on the issues that matter most to privately held entities, including private equity- and venture capital-backed companies.

KPMG LLP's (KPMG) Private Markets Group understands what it takes to drive private company growth. In each edition of **Privately Speaking**, we share our insights—along with practical and actionable tips—to help boards, executives, and management grow, strengthen, and transition their privately held businesses.

For more information, click here to visit our **Privately Speaking** Web page.



Brian Hughes

Partner

National Private Markets Group (PMG) Leader

National Venture Capital Coleader

T: 267-256-1820

E: bfhughes@kpmg.com

Conor Moore

Partner

National Venture Capital Coleader

T: 415-963-7559

E: conormoore@kpmg.com

Sal Melilli

Partner

National PMG Audit Leader

T: 212-872-6030

E: smelilli@kpmg.com

Brad Sprong

Partner

National PMG Tax Leader

T: 816-802-5270

E: bsprong@kpmg.com

Contacts

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

kpmg.com/socialmedia



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2018 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. NDPPS 741134_Issue36

The KPMG name and logo are registered trademarks or trademarks of KPMG International.