SAPINSIDER SUMMITSERIES Finance & Innovation

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Group Reporting at Hexion: Leveling Up Financial Consolidation



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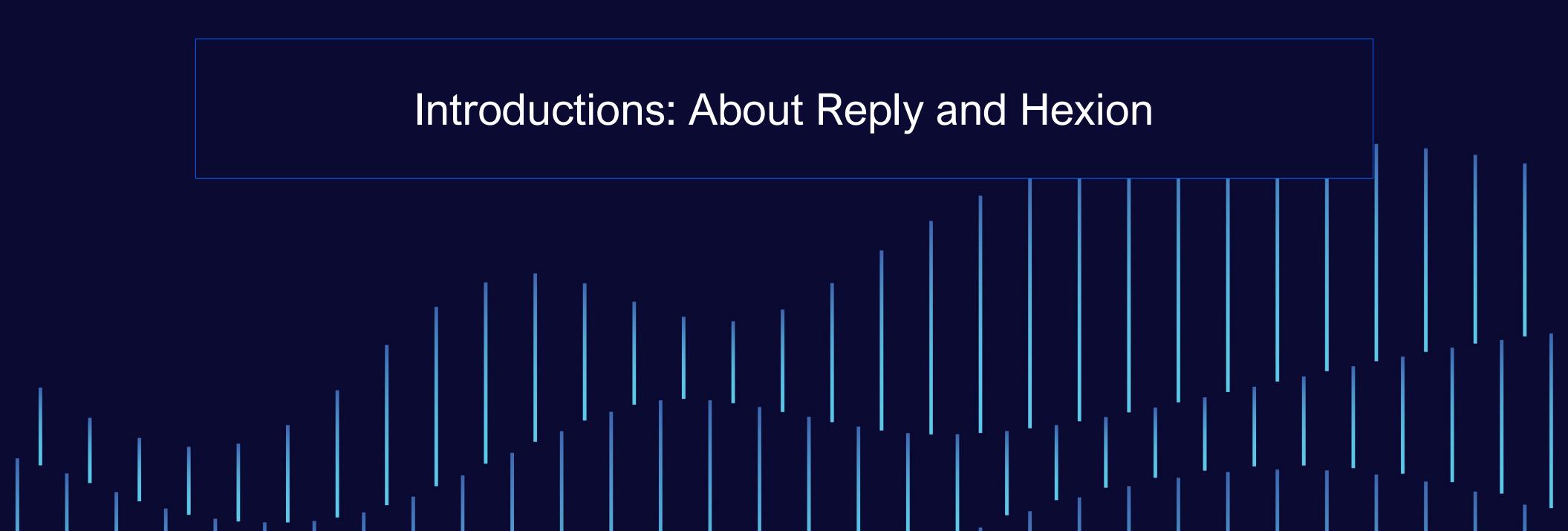


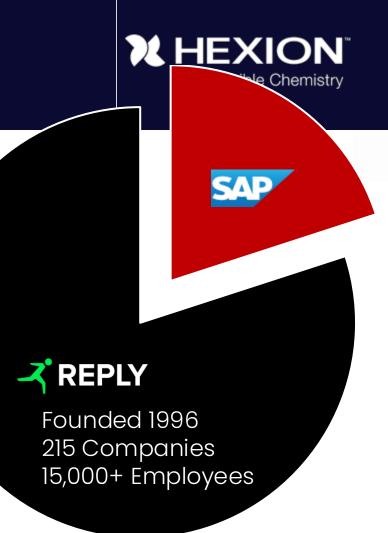
What We'll Cover

- Introductions: About Reply and Hexion
- Project Summary
- Project Deep Dives
- Wrap Up











REPLY

Founded 2002 3000 Experts

SAP specialists with the depth of Reply's global network.











20 Years of Growth

History is defined in many ways

- Ongoing client partnerships, new client growth, and ecosystem participation are a few.
- Global capabilities covering all world regions with a strong presence in Americas and Europe.
- Deep manufacturing focus.

- Continuous Growth and 100% Referenceable.
- Vision is to be an active extension of our customers' operation.
- We operate as a global partner with the expertise to be quick and agile locally.

Reply's Motivation is High Customer Value

Business Transformation

ECC and S/4HANA Cloud and On-Premise Enterprise Performance Management Supply Chain Management **Customer Experience**



Data Analytics & Technology

Business Technology Platform BW/4HANA and SAP Analytics Cloud Hyperscaler Landscape Management





Business Process Excellence

Celonis Execution Management SAP Signavio



Managed SAP Support

Remote Consulting Incremental Enhancements

For simplicity, just call us Reply!





Leading Market Positions Across Key Business Segments



Responsible Chemistry

- Based in Columbus, Ohio, Hexion Inc. is a global leader in thermoset resins.
- Serve the global adhesive, coatings, composites and industrial markets through a broad range of thermoset technologies, specialty products and technical support for customers in a diverse range of applications and industries.
- Enable the production of the world's most sustainable building products and other growing specialty materials.
- With predecessors dating from 1899, Hexion serves more than 3,100 customers in approximately 85 countries.
- Sustainability is what guides Hexion's continued commitment to Responsible Chemistry.



Forest Product Resins

#1 global supplier of merchant formaldehyde and engineered wood adhesives to major engineered wood producers



Specialty Epoxy Resins

#1 global supplier of infusion resins and bonding pastes for wind turbine blades



Base Epoxy Resins

#2 supplier of Liquid Epoxy Resins (LER) in North America and Europe for use primarily in coatings and construction applications



Versatic Acids™ & Derivatives

#1 global supplier of neodecanoic acid (NDA) and its derivatives VeoVa™ Vinyl Ester and Cardura™ Glycidyl Ester for use in architectural and automotive coatings



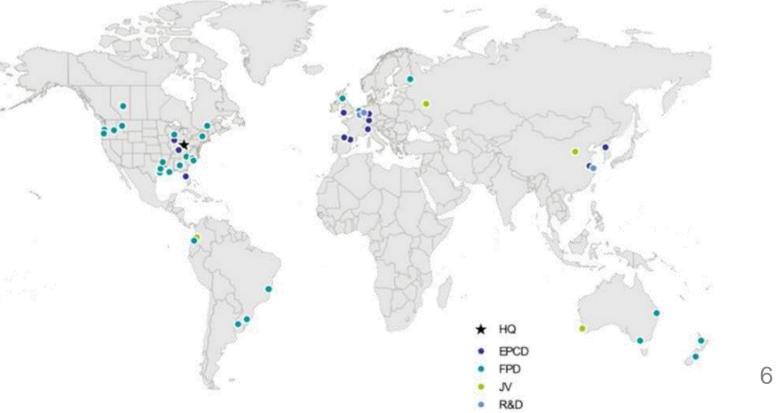
Phenolic Specialty Resins

#1 supplier of phenolic specialty resins and engineered thermoset molding compounds in North America and Europe for use in automotive, aerospace and industrial applications



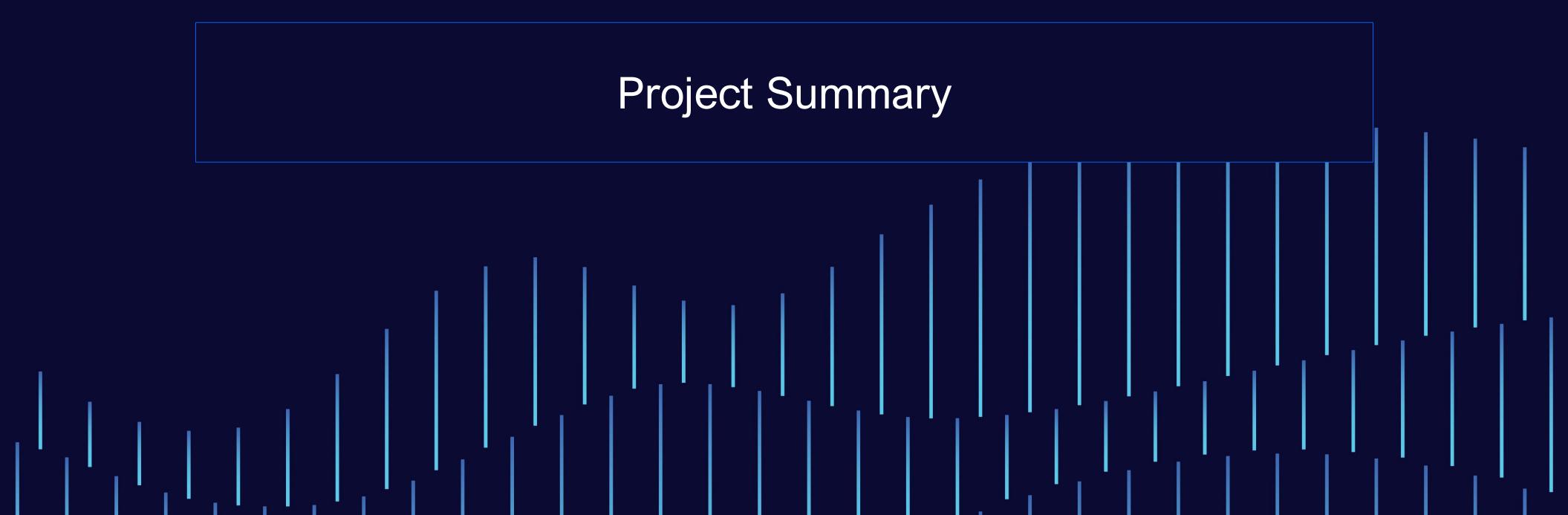
Resin-Coated Proppar

#2 global supplier of resin-coated proppants for the oil and gas industry













Hexion Project Summary and Key Initiatives

Project Summary

- Hexion's journey to replace legacy consolidation system, SAP BusinessObjects Financial Consolidation (BFC) in 2022.
- Implemented Group Reporting 2202 as part of SAP RISE Private Cloud. First live close in fiscal period Jan 2024.

Key Initiatives



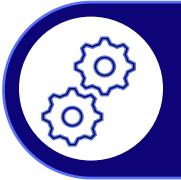
Fit with Hexion/IT Strategy

Single integrated system when migrating to S/4HANA



Meet External Reporting & Business Requirements

From a consolidations perspective for both current state and future needs



Maintenance and Support

BFC required a lot of upkeep/upgrades and difficulty finding IT resources with expertise in BFC





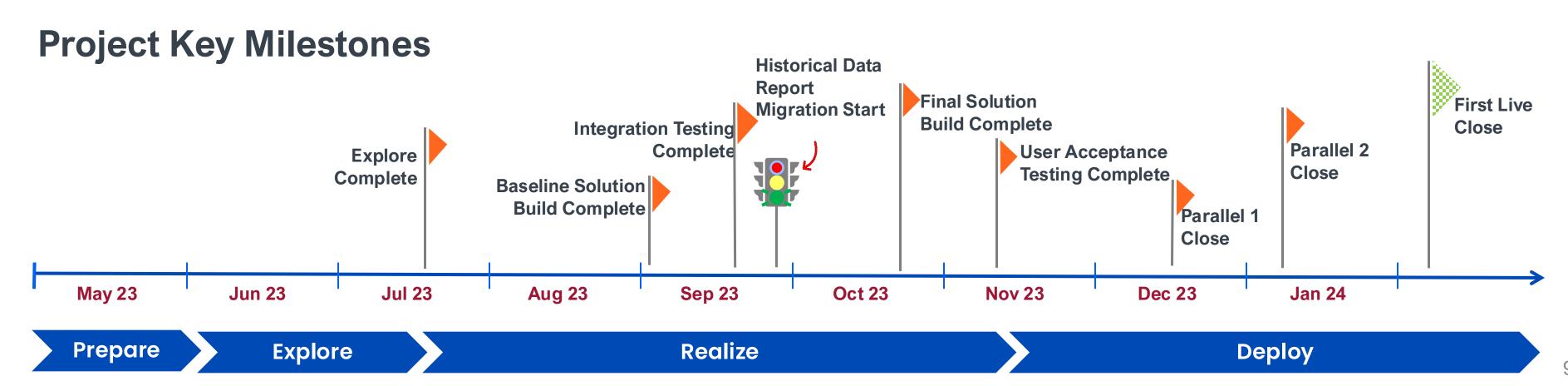
Project Strategy, Governance, and Key Milestones

Project Strategy

- Utilize SAP Best Practices as a baseline
- Agile delivery approach short time boxed build cycles
- Frequent "play backs" to validate solution

Project Governance

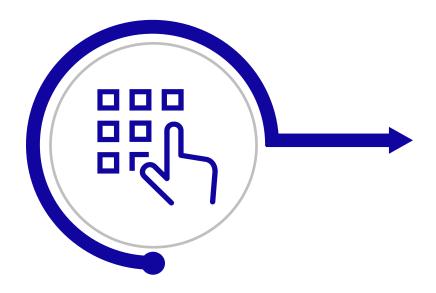
- Dual representation and active participation from IT and Business
- Core Team upskilled ahead of solution design and testing





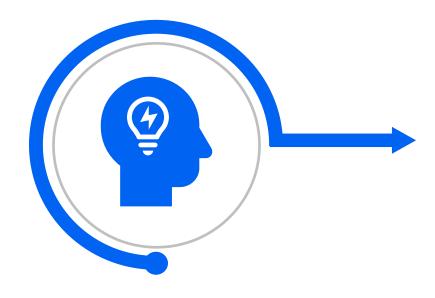


Hexion Solution Design Overview



Requirements

- Actual and plan data collection, group consolidation, and reporting (internal and external)
- 1 year of historical data migrated in Group Reporting
- Validation of new process
- Ad hoc scenarios to simulate carve outs and discontinued operations activity



Solutions

- Group Reporting Data Collection as an ETL tool
- Different reporting hierarchies and rule sets for internal and external reporting
- Multiple parallel closes to validate new process
- Additional configuration to simulate adhoc scenarios



Outcomes

- Reduce manual effort in consolidation process
- Dynamic and near real time access to data
- Simulation capabilities without interference to reported data
- Setup base landscape in preparation for S/4 migration











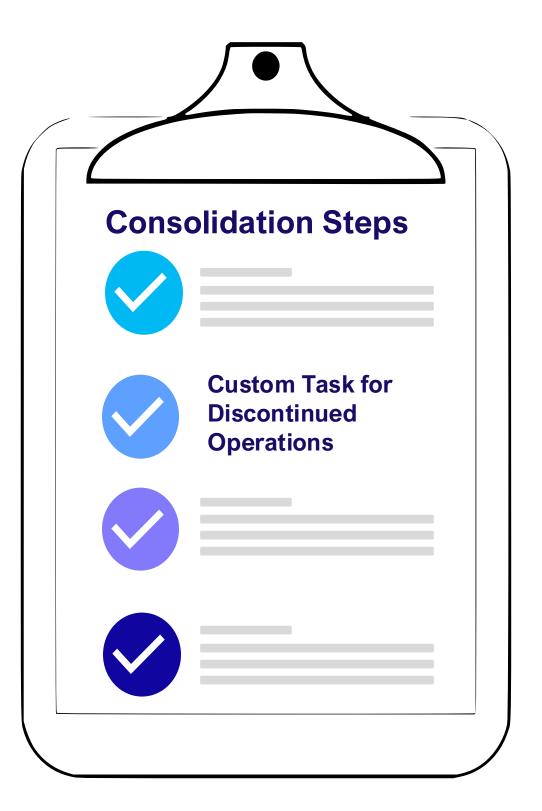
Deep Dive: Discontinued Operations

What is discontinued operations for External Reporting?

US GAAP requirement: If a major component of an entity has either been disposed of or classified as held for sale, the corresponding activity must be presented separately within the financial statements for each period presented.

Group Reporting Solution

Create a custom task in the system to reclass balances from continuing operation accounts to designated discontinued operation accounts.







Deep Dive: Solving for M&A Business Carve Out

What is the objective for carve out scenarios?

Selling off part of a business requires scoping out that portion of the financials so that potential buyers can perform due diligence and understand the business prior to bidding

Group Reporting Solution

Use separate versions to carve out data for simulation purposes while unaffecting reported data for internal & external reporting purposes







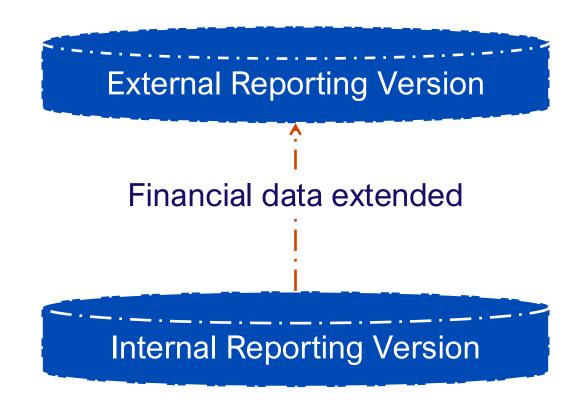
Deep Dive: Internal Reporting vs External Reporting

What are the differences in Internal & External Reporting?

- Internal P&L, EBITDA focused
- External P&L, Net Income focused

Group Reporting Solution

- Two versions of data with instantaneous replications from internal to external
- Allows for External Reporting only journal entries
- Two P&L Hierarchies to represent EBITDA (Internal) and Net income (External)





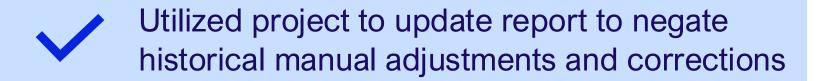


Deep Dive: Enhancing the Statement of Cash Flows

BEFORE

- Unable to update system calculation due to complexity
- Dozens of manual adjustments
- Missing SCF categories
- Report frequently not totaling to change in cash
- Diving into details was very manual

AFTER



Analysis for Office reports allow for refresh of details with ease

Additional visibility in categories like Other Assets and Other Liabilities

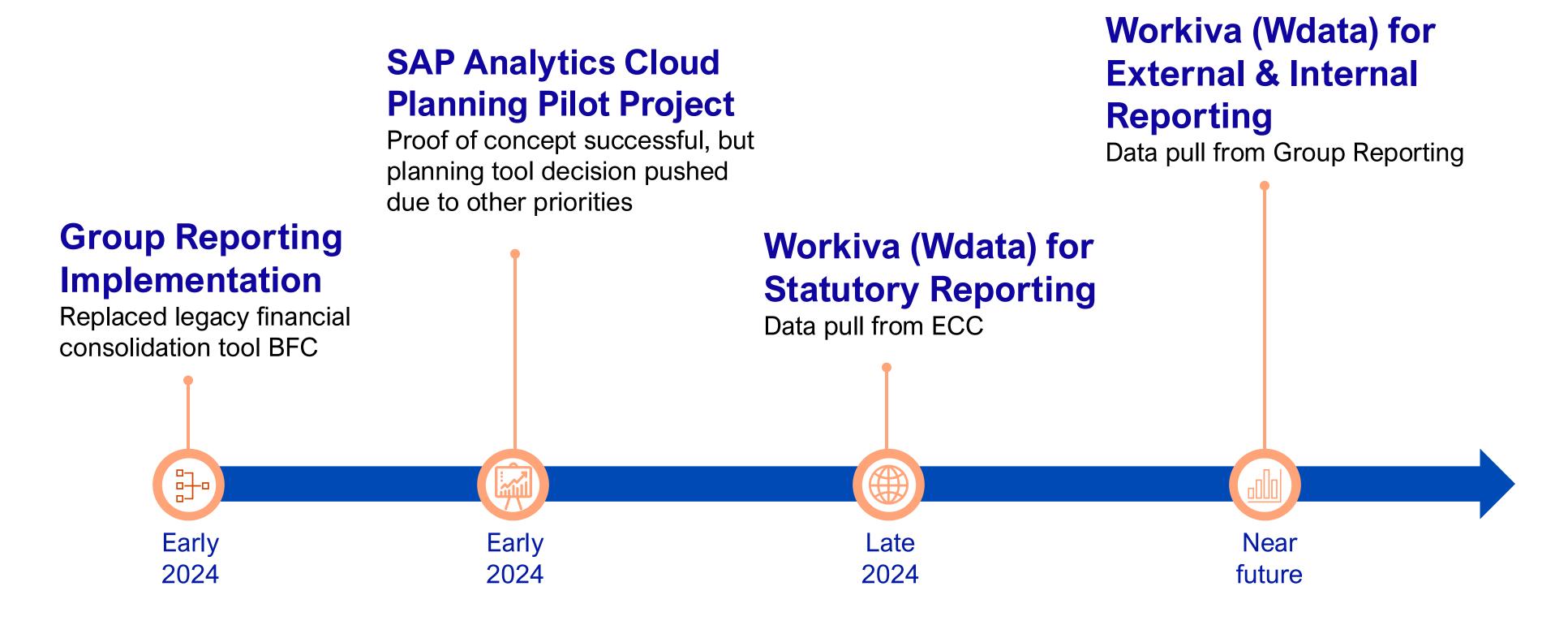
Simplicity in maintaining calculation for new activities

Saving time and sanity in an already complex financial statement



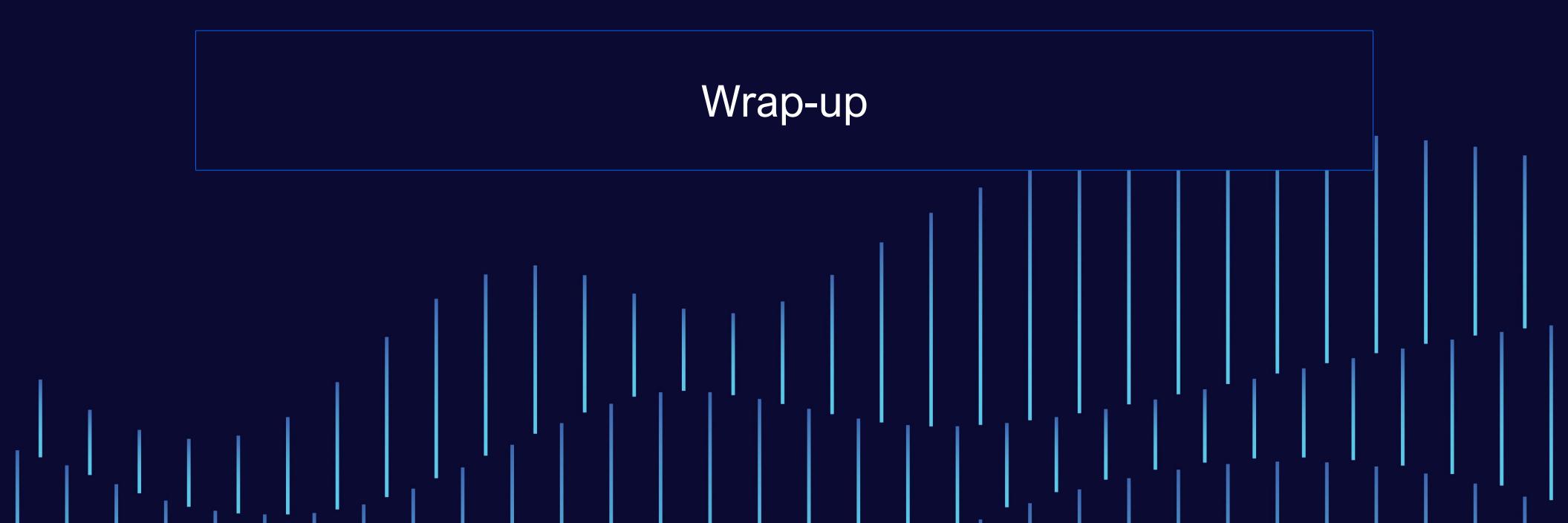


Hexion Strategic Finance & Reporting Initiatives













Key Points to Take Home

- Leverage Best Practices Content
 Use delivered content to fast-track solution build
- Plan for Two Critical Paths
 Have a strategy and plan for delays during historical data migration and report migration
- IT and Business Engagement
 Active participation from both throughout the project is a must
- Upfront Preparation and Education
 Engage core team in testing as early as possible





Thank you! Any questions?

Kristen VanDyne

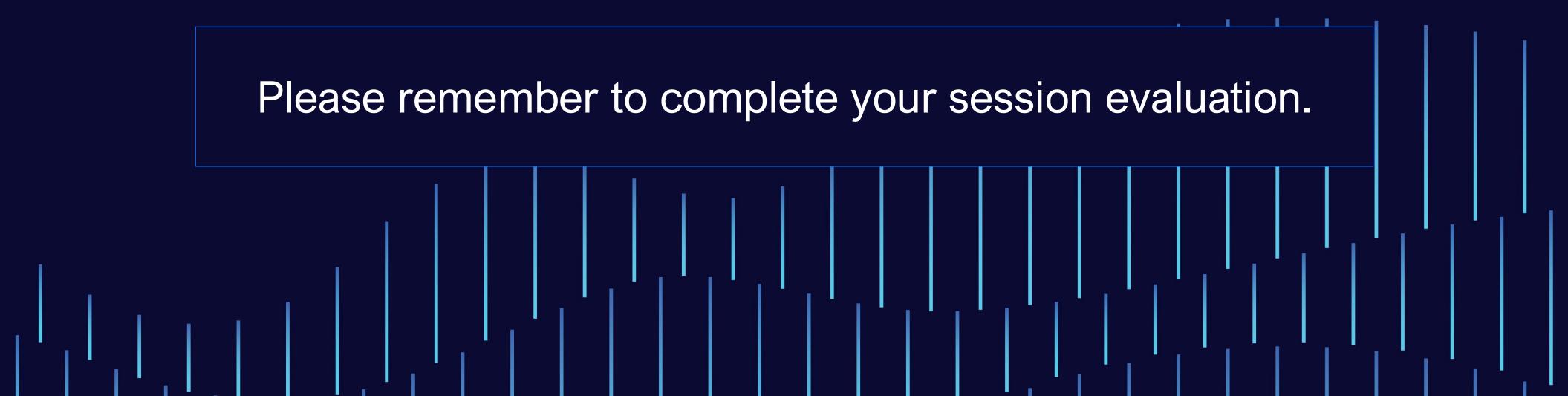
Finance Manager Hexion

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