# Short term cash forecasting accelerator

Practical considerations for taking control of your cash

April 2020





## Cash forecasting excellence

Clients often struggle with direct forecasting, predicting receipts and payments, because whilst they may have a robust reporting environment, a lack of need means short term cash forecasting does not feature in the regular cadence of the business. Where it is done, it can often be the domain of just one individual, and the prospect of rolling out in a time constrained business can be unappealing.

However, an effective cash forecasting process provides clear visibility on your cash position and more importantly provides a platform for informed decisions on cash conservation activity.

Three things are key to any effective process:

- Process
- People
- Tools

Whilst process and people are critical to enable real change, an effective cash forecast relies on business wide accessible tools supported with involvement from all functions to input assumptions.

We have developed a template tool and approach which can help you track cash and realise benefits from day 1, whilst looking to develop and embed a sustainable cash culture to drive home value.

#### **Cash Forecasting Maturity:**



#### Sophistication of tools and implemented 'cash culture'

- Group level forecast only
- Top down, centrally created
- No KPI reporting or variance analysis
- No sensitivity analysis
- Static template with manual roll forward

- Major Business unit analysis
- Variances measured but no target range
- Limited sensitivity analysis
- Finance accountability
- Limited KPIs

- Driver based receipts and payments by location, currency and customer
- Risk analysis for receipts and payments
- Variance explained within forecast range
- Finance and operations meetings to identify variances
- Clear initiatives tracking
- Automated updates

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## Key components of cash forecasting

Effective cash forecasting has the tools and the people & process working together to deliver excellence

# Tools (the "what")

A business-wide accessible tool

- 13 week direct cash forecast
- · Granular in detail
- With links to longer term business views

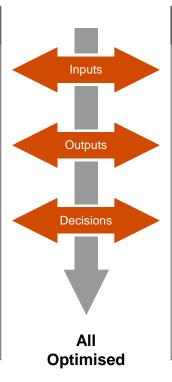
Dashboards supported by appropriately detailed input

#### **Assumptions**

- · Latest operational forecasts
- · Conversion to cash
- Reflecting cash scenarios

#### Analysis

- · Forecast vs forecast
- · Actual vs forecast



# People & Process (the "how")

Ownership and accountability delegated to controllers throughout the business

Reliable cash flow forecasting

Minimum cash headroom (range)

Business wide involvement, to improve accuracy:

- operational business inputs to cash flow forecasting
- cash conversion assumptions
- · cash flow output and decisions

Challenge the output and performance of the forecast

Monitor and track output to identify and drive operational improvement

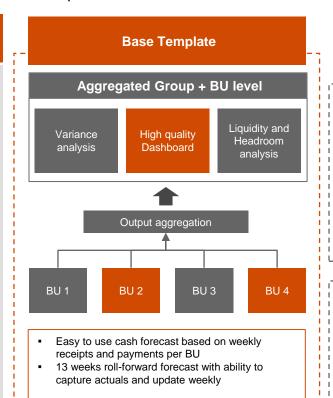
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## Cash forecasting tools - a modular approach

We have developed a generic template which can be deployed from day 1 to give you an immediate view on cash. We will work with you to enhance and build on the template using a modular approach, allowing you to build out the tool in a way that is relevant to you, only layering in those aspects which are business critical.

### 13 week cash flow forecast template - introduction

- Our 13 Week Cash Flow Forecast Template allows capturing and tracking of core performance
- The Template includes:
  - o direct cash flow for up to 4 BUs
  - o basic AR/AP unwind
  - variance analysis to track forecasting accuracy
  - graphic dashboarding for liquidity and headroom analysis
- It provides a platform on which robust processes and due consideration on the inputs can be built
- We can work with you to expand, extend and enhance the template and your process through a number of modules



Additional support available **Technical modules** Smart Smart HR AR Unwind AP Unwind (incl. Tax) **Budget Overlay** Accruals Property leases Intercompany Sales forecast Capex Trading/Loans Tax FX Covenants

**Embedding for success -**

| People and Processes |                  |                     |
|----------------------|------------------|---------------------|
| Training             | Embed model      | Governance          |
| Alteryx<br>Workflows | Cash levers      | Treasury management |
| Verify Actuals       | Test assumptions | Cash processes      |

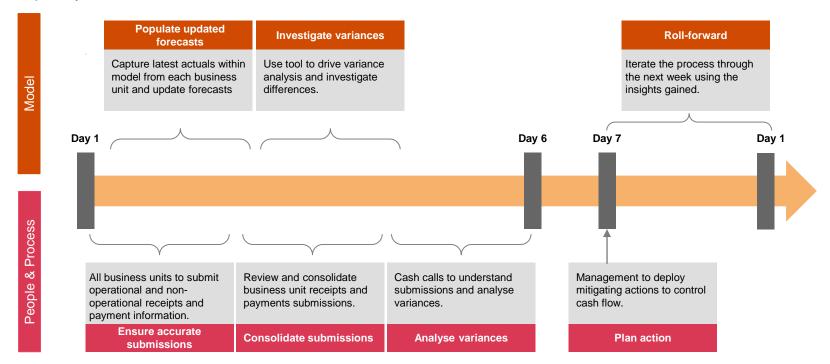
## The template: what do you get?

1. Template purpose Easy to The purpose of this template is to facilitate a 13 week cash forecasting process. Each week, 13 weeks of forecast c These cash flows are aggregated to arrive at a group view with a dashboard output. Easy to set This template is aimed at supporting the weekly cash process and should be updated at the beginning of each weekly populate and the actual results for the previous week. The template provides forecast accuracy dynamics. up and tailor, Please note that this is a simple generic template that does not calculate the forecast cash inflows and outflows. The flexible to adapt corresponding section of the template to start 2. Instructions for use to your specific 23 Mar 20 30 Mar 20 6 Apr 20 13 Apr 20 20 Apr 20 27 Apr 20 4 M 27 Mar 20 3 Apr 20 10 Apr 20 17 Apr 20 24 Apr 20 1 May 20 8 M ote: Fach instruction below has a corresponding link on the right hand side, if necessary forecasting business as positive and cash outflows as negative values A) Navigation In order to navigate through the model, there are buttons at the top of each sheet which will take you to the navigation t Cash Flow) Inputs immediately Navigation to the rest of the sheets can be found in the NAV sheet. 1) Before first use, the Forecast start date (see section 4 below) should be set as the first day of the forecast period will be automatically rolled forward on a weekly basis. 2) After setting the Forecast start date, navigate to the 'Admin' sheet and populate the following to set up the model - Company name AP other Inter-company Expenses Graphic 11.1% (2.0%) 25.0% 11.1% 25.0% 11.1% (2.0%) 11.1% 25.0% analysis 2,000 2,000 2,000 2,000 2,000 2,000 2,000 2,000 2,000 2,000 70,665 72,501 72,357 72,795 72,395 73,455 74,668 74,637 75,127 5,000) (15,0 provides actionable insight and Supports weekly process by feedback on enabling targeted variance initiatives analysis of actuals v forecast, reforecast and accuracy PwC

## Creating a rhythm

A forecasting tool is only as good as the inputs and process around it. We can work with you to embed a daily or weekly operating rhythm which underpins the cash forecast, brings in the relevant stakeholders from across the business, and ensures accountability to enhance accuracy and allow mitigating actions where necessary.

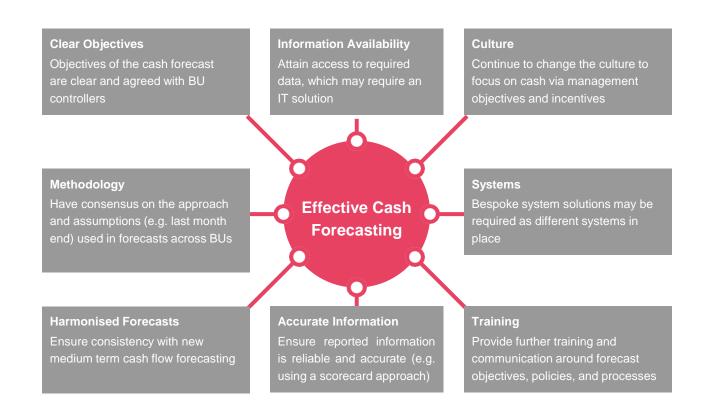
#### Example rhythm:



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### Critical success factors

There are eight critical success factors. Addressing these will help ensure a robust and accurate cash flow forecast process is embedded in your business.



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## Working with us

The accelerator provides value from day 1, whilst working to deliver a

sustainable cash culture Week 2-3 **Timing** Week 1 **Established Sprints Base Case** framework Leverage PwC 13 Fully functioning week cash flow direct cash flow template Add tailored Prepare base case modules (e.g. ledger 13-week weekly net unwind) Add driver-based cash flow forecast and bank balance forecasts of key Overview Document current lines where and future sources appropriate of data Add sensitivity and

- Support creation of scenario first forecast functionality
- Design first draft of · Automate updates processes where possible
  - · Verify Actuals are like-for-like
  - Automated dashboards

Week 4+

#### **Operationalising**

- Support with scenario running and cash calls as required
- Support with cash conservation activities
- On demand dashboards
- · Support embedding of cash culture
- Work with the business to optimise cash
- · Link in with medium term forecasting
- D&A tooling for detailed analysis of historical data



Sustainable **Process** 

Key Beta version of

deliverable



Final draft tool

Day 1: Provision of PwC 13 week cash accelerator

the tool

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