

CASH FORECASTING

SETTING EXPECTATIONS &
ACHIEVING RESULTS



CRAIG JEFFERY

Managing Partner, Strategic Treasurer

MIKE ZACK

Pre-Sales Manager, GTreasury



WHAT.

Understanding the prerequisites to achieving optimal forecasting processes and workflows.



WHEN.

Thursday, March 21, 2019
11:00 AM – 12:00 PM EST



WHERE.

Live online presentation.
Replays at StrategicTreasurer.com



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Financial Planning &
Analysis Professional



This presentation is provided by Strategic Treasurer and GTreasury.

ABOUT THE SPEAKERS

GET TO KNOW TODAY'S
SUBJECT MATTER EXPERTS



CRAIG JEFFERY, CCM, FLMI

Craig Jeffery formed Strategic Treasurer LLC in 2004 to provide corporate, educational, and government entities direct access to comprehensive and current assistance with their treasury and financial process needs.

His 30+ years of financial and treasury experience as a practitioner and as a consultant have uniquely qualified him to help organizations craft realistic goals and achieve significant benefits quickly.



MIKE ZACK, MBA, CTP

Mike Zack is Global Pre-Sales Manager at GTreasury, where he helps large and mid-sized corporations understand how technology supports best practices in treasury management.

His experience with diverse treasury teams provides critical insight for GTreasury product teams and for industry audiences who read or hear his commentary on issues related to treasury and technology.

TOPICS OF DISCUSSION

WHAT AREAS OF FORECASTING WILL WE EXPLORE?



INTRODUCTION TO FORECASTING

Overview of the purpose of forecasting, the role treasury plays in the process, and the most common forecasting methods.



TREASURY FORECASTS IN CONTEXT

Forecasting is a core function for treasury, but is regularly ranked as one of the most difficult and time-consuming tasks to perform.



CHALLENGES TO CASH FORECASTING

What are the primary obstacles that treasury faces in their efforts to enhance and optimize forecasting operations?



LEVERAGING TECH TO ENHANCE FORECASTS

Analysis of the leading forecasting technologies and tools available on the market today that can aid treasury.



FORECASTING SUCCESS STORIES

Insights to real-life situations where companies effectively leveraged new tech to enhance their forecasts.



TREASURY TAKEAWAYS & ACTION ITEMS

What are some practical steps or considerations for treasury to enhance the accuracy of their forecasting workflows?

INTRODUCTION TO FORECASTING

FORECASTING & TREASURY IN CONTEXT



Forecasting is a Primary Treasury Function

Forecasting is one of the most commonly performed and required functions for treasury. Cash forecasting is a vital component to effective liquidity management.

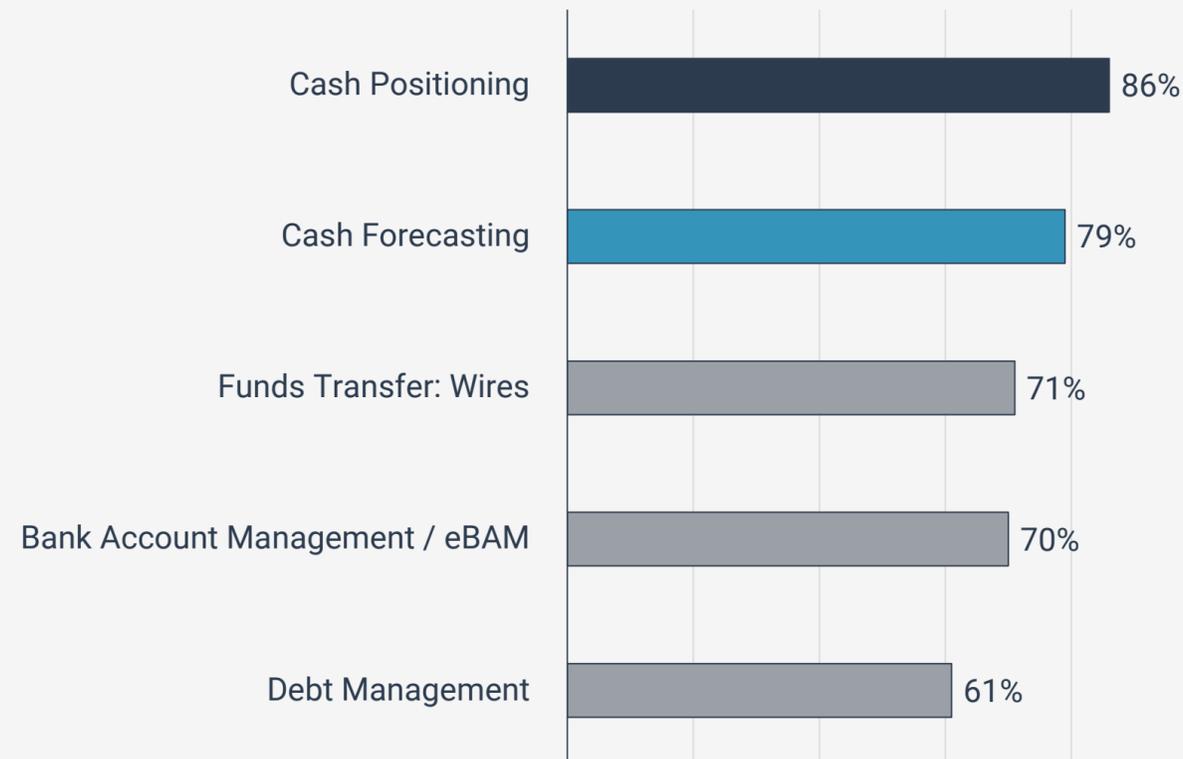


Treasury's Forecasting Objective

Although the KPIs and measurements for forecasting may vary by firm, the primary objective is to optimize future cash resources by making assumptions and projecting cash flows.

What functions do you use or need in treasury? (Select all that apply)

**Only Top 5 Answer Choices Shown*



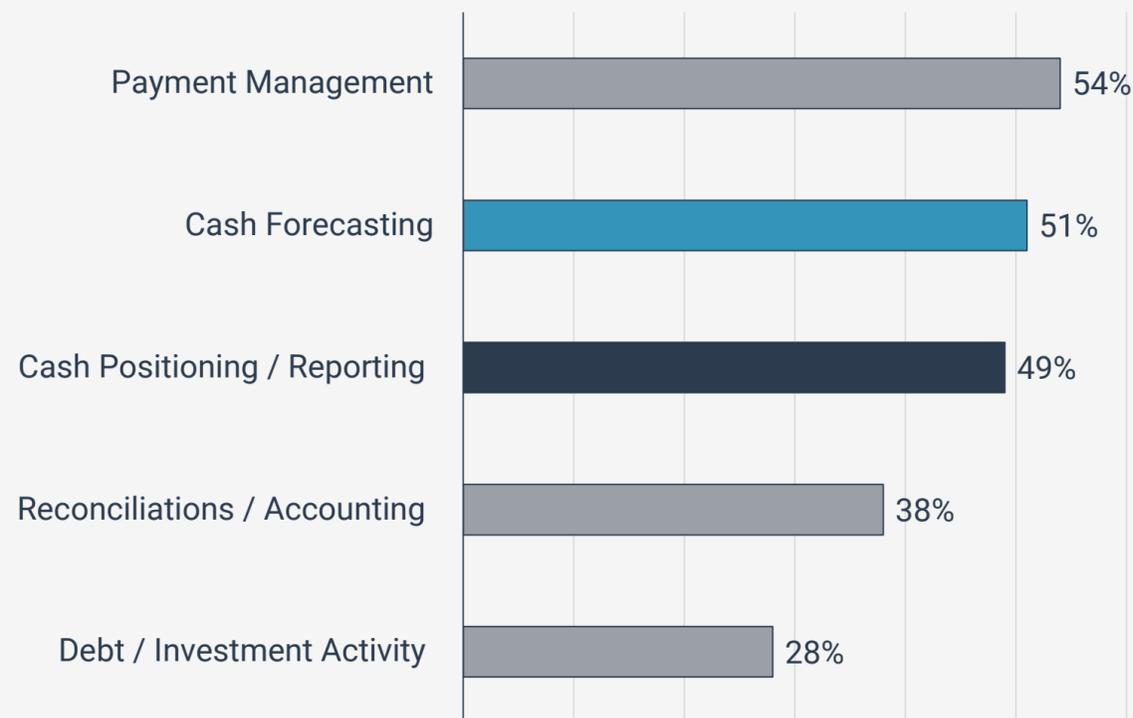
Treasury's Ties to Forecasting: In a recent survey, 79% of practitioners indicated that cash forecasting was a function used or needed in treasury. These forecasts may be either predictive (used to project cash flows into the future) or analytical (used to answer what-if questions or predict financial impact of certain actions), and may range in scope from a few days to several years.

INTRODUCTION TO FORECASTING

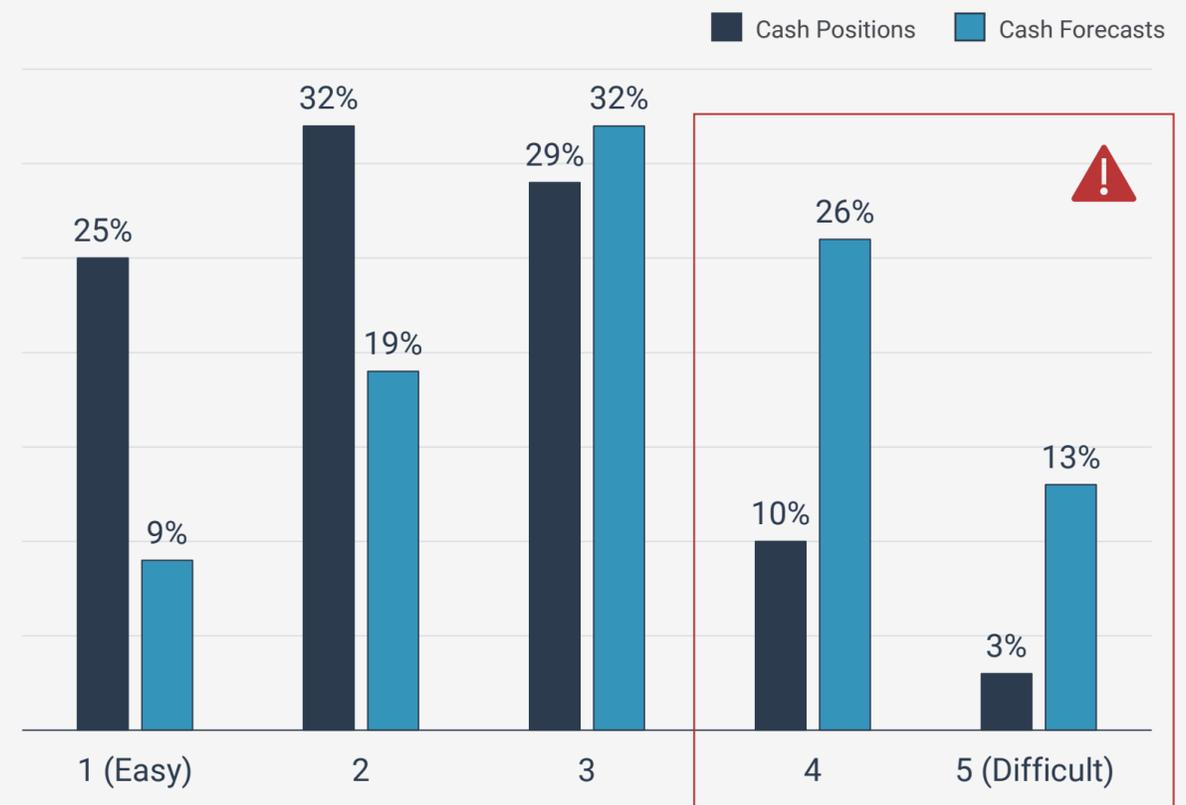
A TIME-CONSUMING & CHALLENGING TASK FOR TREASURY

Considering all of your operations, what three (3) areas do you spend the MOST time working on?

(*Only Top 5 Answer Choices Shown)



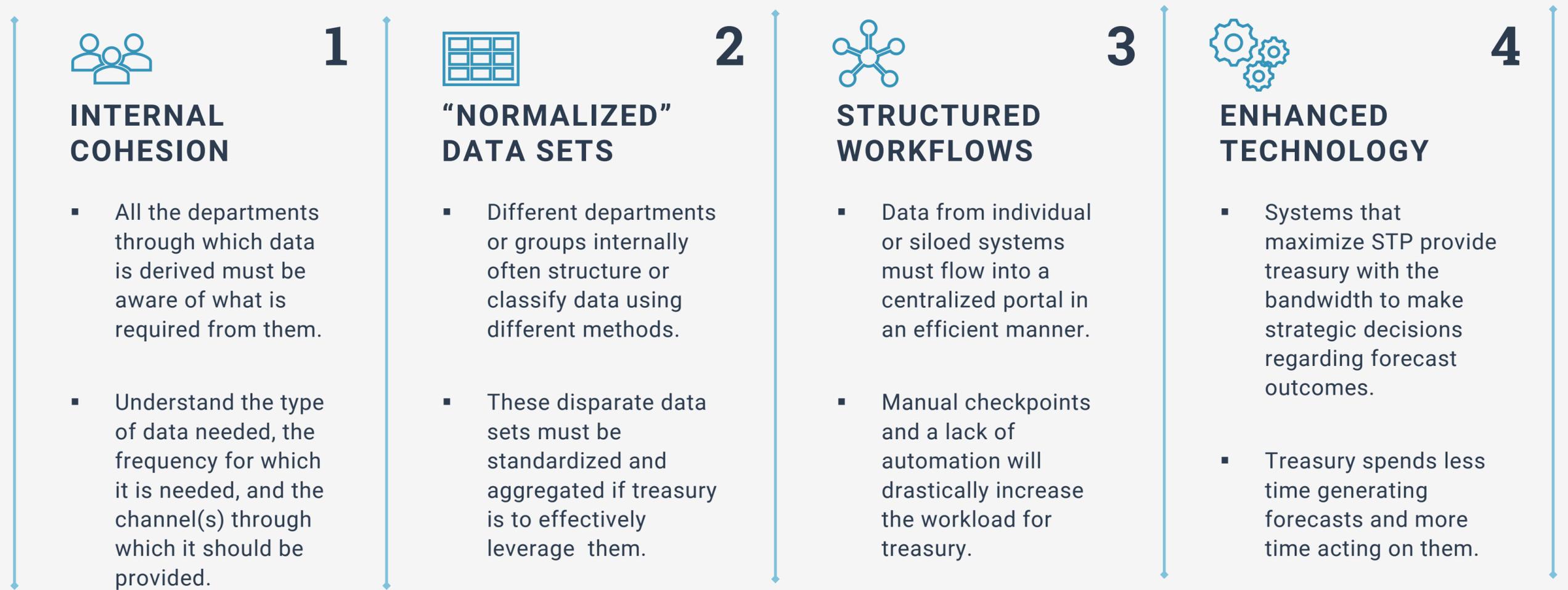
On a scale of 1-5, please rate how challenging it is for your treasury department to generate:



A Source of Significant Strain: Recent data has shed light on the extent to which forecasting workflows bog down treasury. Not only is forecasting one of the most time-consuming functions, but it is also ranked as one of the more difficult roles to perform. Much of this strain is due to a lack of structure and cohesiveness as data for forecasts is gathered internally.

TREASURY FORECASTING IN CONTEXT

WHAT DOES TREASURY NEED IN ORDER TO FACILITATE ACCURATE FORECASTS?



ACHIEVING THESE STANDARDS MEANS...

TREASURY CAN MAINTAIN STREAMLINED FORECASTING WORKFLOWS THAT PROVIDE ACCURATE & EFFECTIVE MEASUREMENTS

CHALLENGES TO CASH FORECASTING

VIEWPOINTS OF PRACTITIONERS



Gathering Internal Data is a SIGNIFICANT Hurdle

The vast majority of both small and large firms struggle significantly with gathering adequate internal data (from AP, AR, etc.) to generate accurate forecasts.



Small Firms Struggle to Find Time for Forecasting

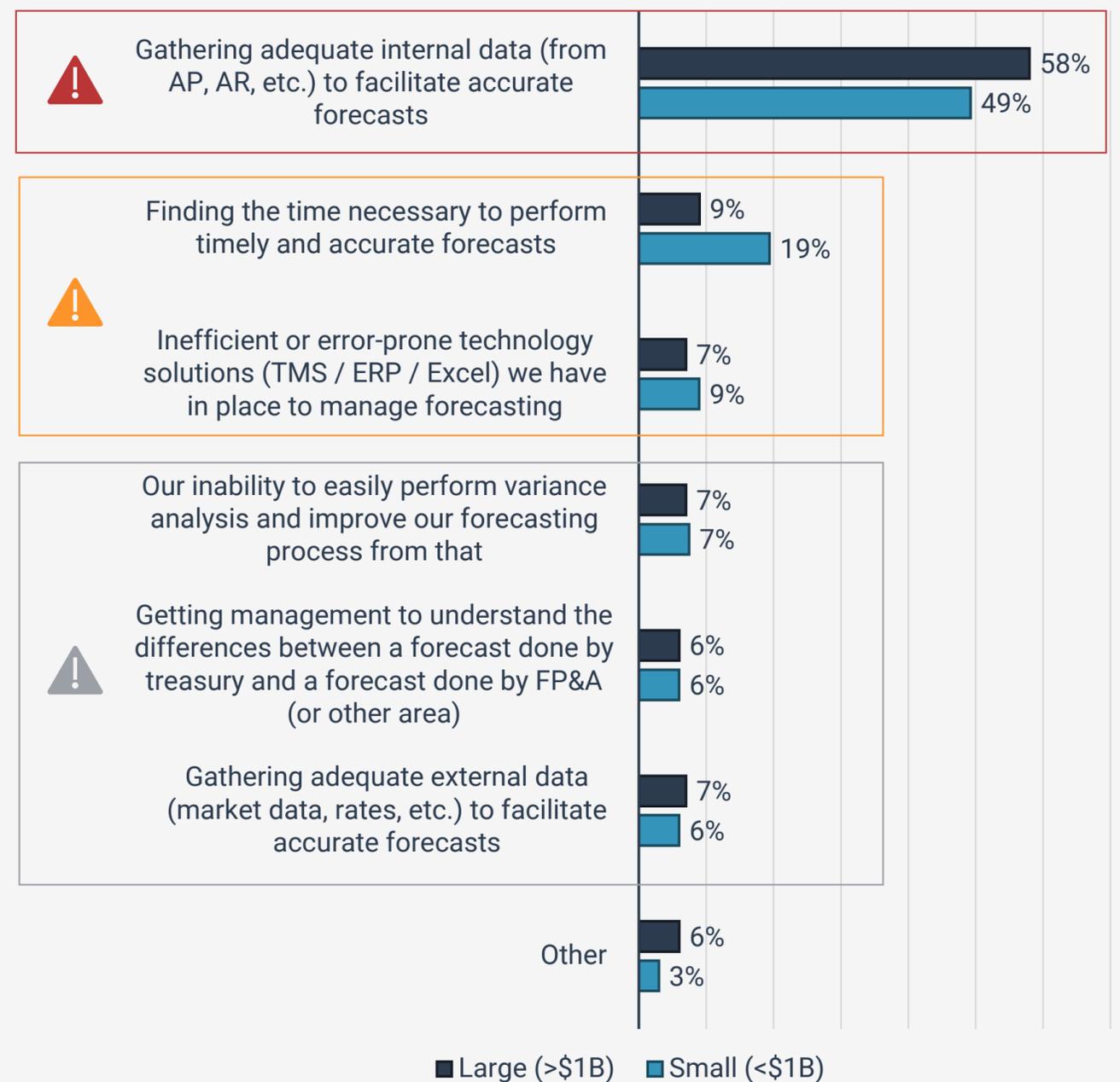
Compared to their larger peers, small firms are 2x more likely NOT to have time to conduct cash forecasts. These smaller firms tend to have fewer treasury employees and limited technology.



Other Challenges are Ancillary

Analyzing results in aggregate, other challenges related to forecasting are nowhere near as significant as the top 2. Cash forecasting is a time consuming and frustrating process, and gathering internal data is a major cause of this.

What is the most significant challenge you experience with regards to cash forecasting?

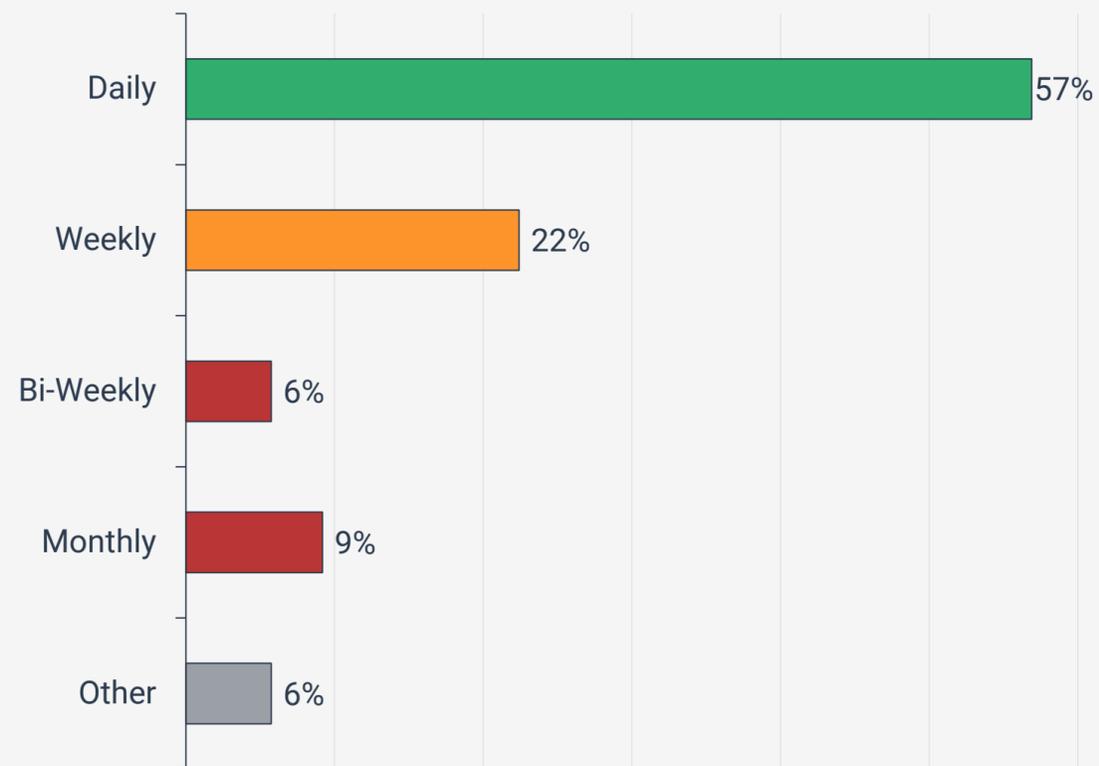


■ Large (>\$1B) ■ Small (<\$1B)

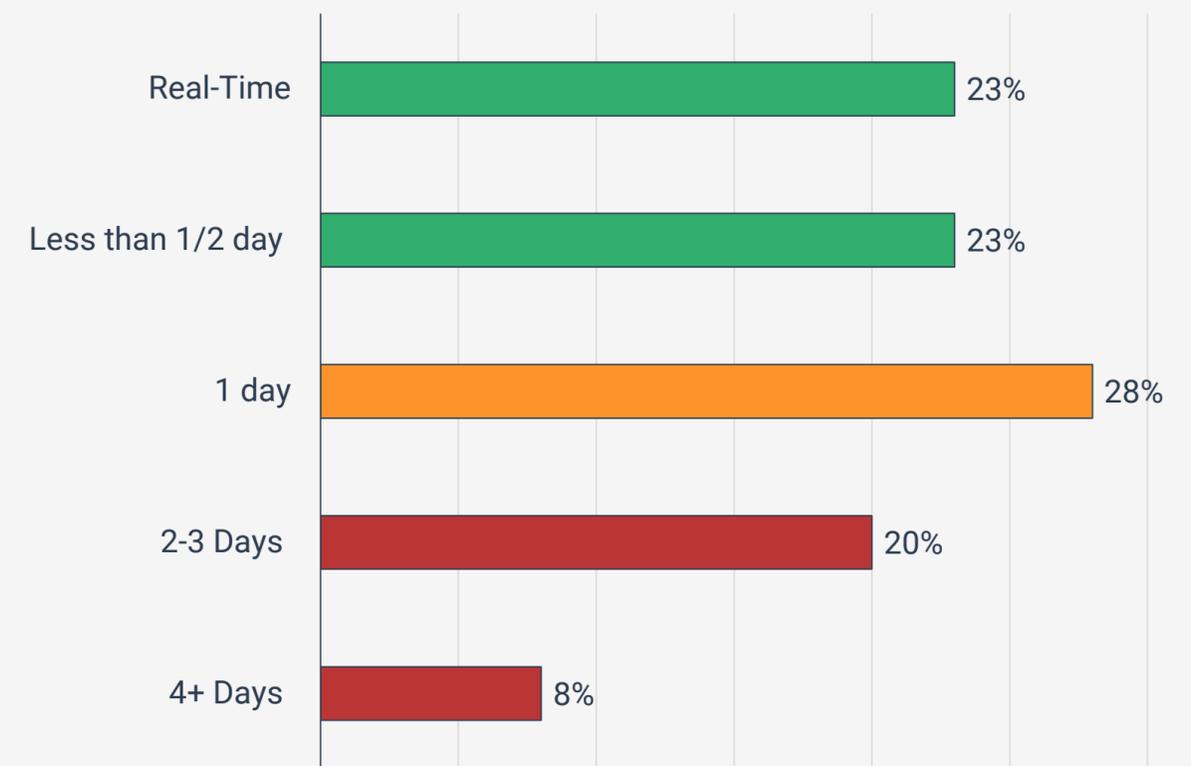
CHALLENGES TO CASH FORECASTING

GATHERING ADEQUATE INTERNAL DATA

How often do you receive cash position information from offices / headquarters?



How long does it take to consolidate data from regional offices?



Data Acquisition & Aggregation Take Time: Neither the acquisition nor the aggregation of treasury data is instantaneous. Both tasks require effort and time on the part of treasury, especially so if the process is primarily manual. In many cases, treasury is forced to sacrifice either accuracy for time, or time for accuracy.

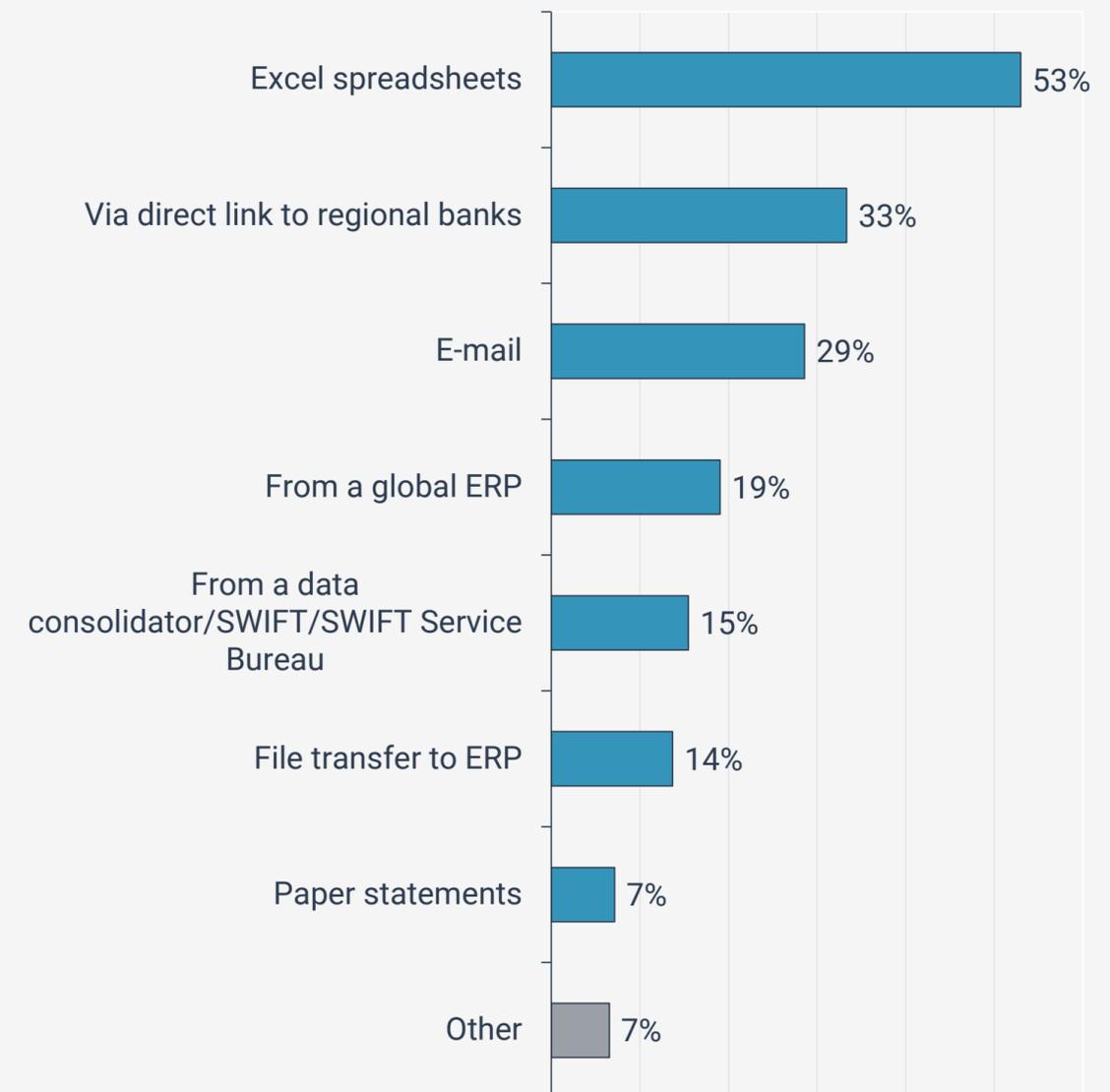
CHALLENGES TO CASH FORECASTING

GATHERING ADEQUATE INTERNAL DATA

Data Gathered From Numerous Departments in Multiple Formats:

- **AP / AR:** Transactional data related to purchasing of supplies, equipment, etc. as well as payments received from customers / clients. ←→
- **Accounting:** Historical data useful for certain forecasting methods. Retrospective variance analysis. ←→
- **Regional Treasury / Cash Centers:** Depending on the treasury structure, data from certain regions may be captured locally and then transferred to headquarters. ←→
- **Direct From Banks:** Treasury HQ will of course be capturing certain transactional data as part of their own direct treasury operations. Bank channels may be varied and numerous. ←→

How do you get treasury data from your offices / headquarters?
(Select all that apply)



CHALLENGES TO CASH FORECASTING

INEFFICIENT & ERROR-PRONE TECHNOLOGY



TECHNOLOGY SHOULD BE AN ENABLER

The treasury solutions available on the market today continue to advance in capabilities. Many treasury teams have revolutionized their operations through an implementation.



FORECASTING TECH COMMONLY UNDERPERFORMS

However, forecasting functionality is commonly highlighted as an area of disappointment. Forecasting modules are more likely to be labeled as ineffective than any other TMS module.

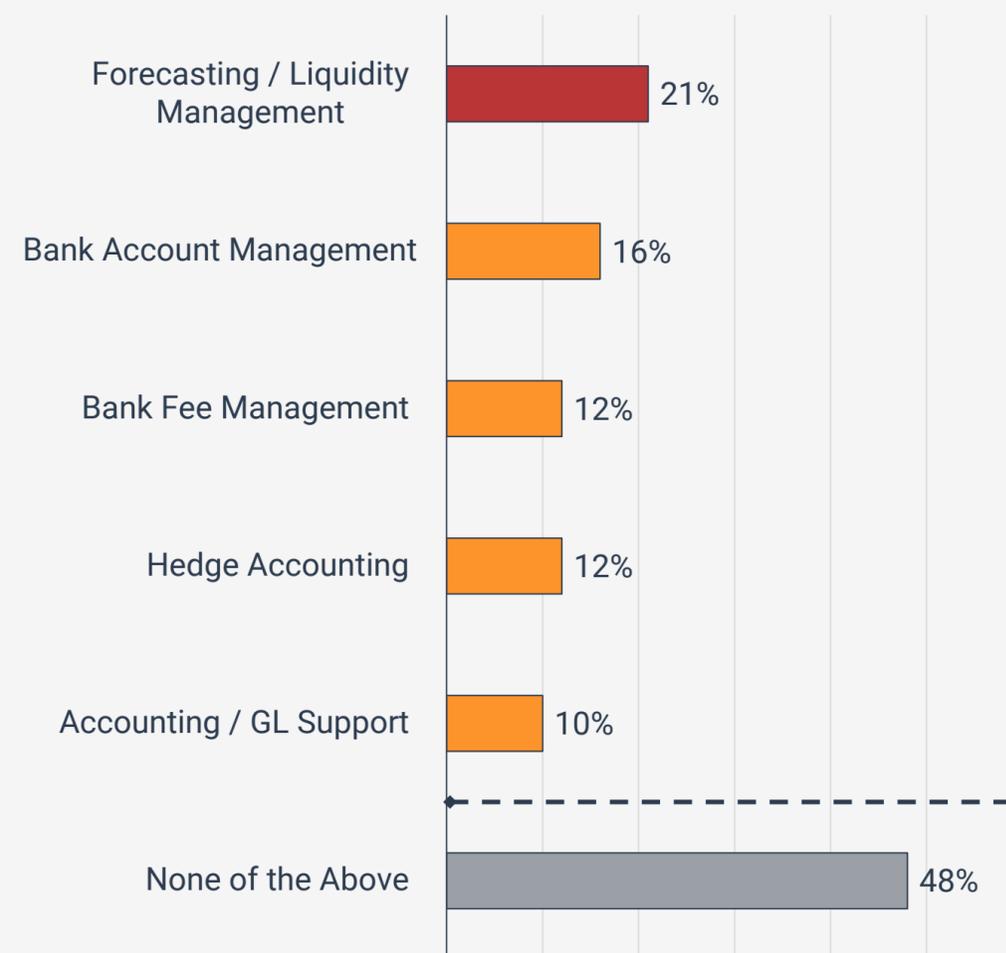


AN UNNECESSARY HURDLE

Treasury has enough challenges to overcome without having to deal with error-prone tech. This data highlights the importance of understanding the exact capabilities and requirements of the solution you are adopting.

Which TMS modules or services that you purchased are you not using because they are not working properly or are ineffective? (Select all that apply)

**Less Notable Answer Choices Not Shown*



CHALLENGES TO CASH FORECASTING

TREASURY'S FORECASTING HEADACHES

Data Acquisition & Aggregation

Forecast Development & Analysis

Forecasting Output



Data Acquisition & Aggregation Take Time

- *Treasury may have to wait up to a week to receive data from offices.*
- *Data is being received from numerous departments, via a broad array of channels.*
- *This data must be standardized and aggregated once it is received.*



Manual Processes Cause Further Exasperation

- *Excessive use of spreadsheets can delay the process even further.*
- *Manual workarounds are both error-prone and time-consuming.*
- *This ultimately has a negative impact on the timing and accuracy of forecasts.*

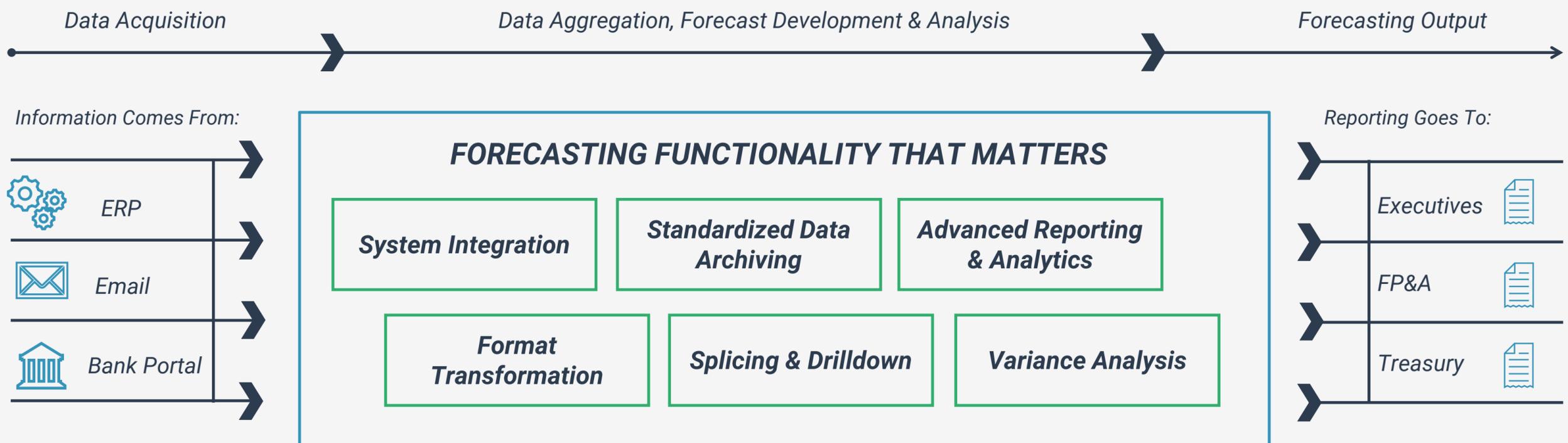


Outdated Technology Can be an Impediment

- *Outdated or legacy technology will not provide treasury the help they need.*
- *Legacy or siloed systems may only automate a portion of the process, leaving exposures.*
- *Data shows 1 in 5 companies with a TMS indicate the forecasting module does not function properly.*

LEVERAGING TECH TO ENHANCE FORECASTS

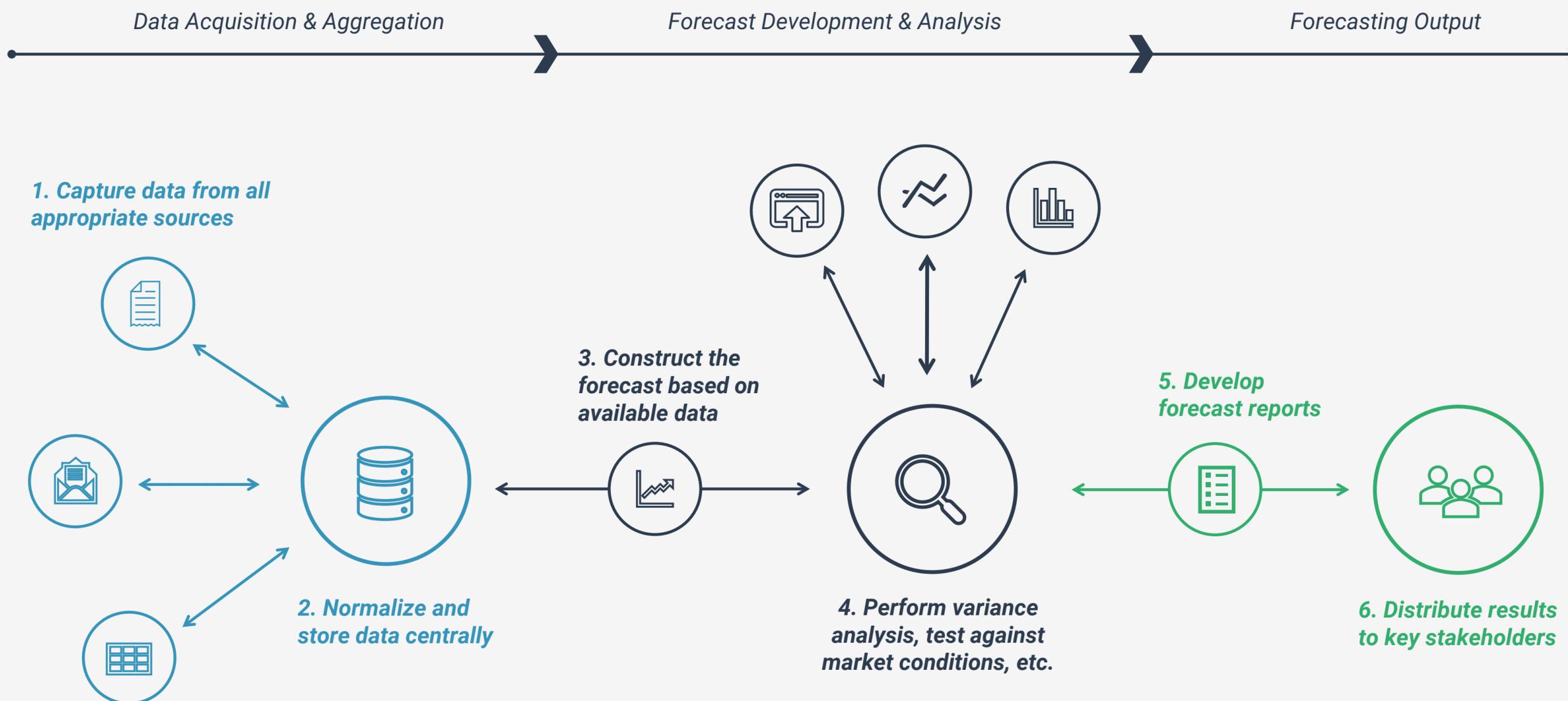
WHAT TECHNOLOGY FUNCTIONS ARE ESSENTIAL FOR TREASURY TO OPTIMIZE THEIR FORECASTS?



A Well-Rounded Solution is Key: From the time data arrives in a treasury system to the time reports are delivered to management and executives, there are a number of steps that must be completed. Each of these steps is equally important to the forecast output; data must be captured, standardized, and stored effectively. Treasury must also be able to categorize and sort data quickly within the system, and then generate intuitive and visual reports for other parties. Finally, treasury must be able to compare the accuracy of their forecasts against actuals to search for deviations and improve the process.

LEVERAGING TECH TO ENHANCE FORECASTS

WHAT SHOULD THE PROCESS LOOK LIKE?



LEVERAGING TECH TO ENHANCE FORECASTS

FUNCTIONALITIES THAT PRACTITIONERS SHOULD STRONGLY CONSIDER



PREDICTIVE ANALYTICS

- Leveraging a solution that uses historical information to help predict future outcomes.
- Useful for understanding what “could” happen based on patterns and seasonality shifts in the business.



TIME MODELING

- Standard business cycle or cash cycle identification. Evaluation of cash flows based on cyclical movements.
- Day of month, week of month, day of week nested modeling.



MODELS & BACK TESTING

- Version control – save different forecasts and align them with future predictions.
- Scenario analysis and stress testing allow users to test their results against current/future market conditions.



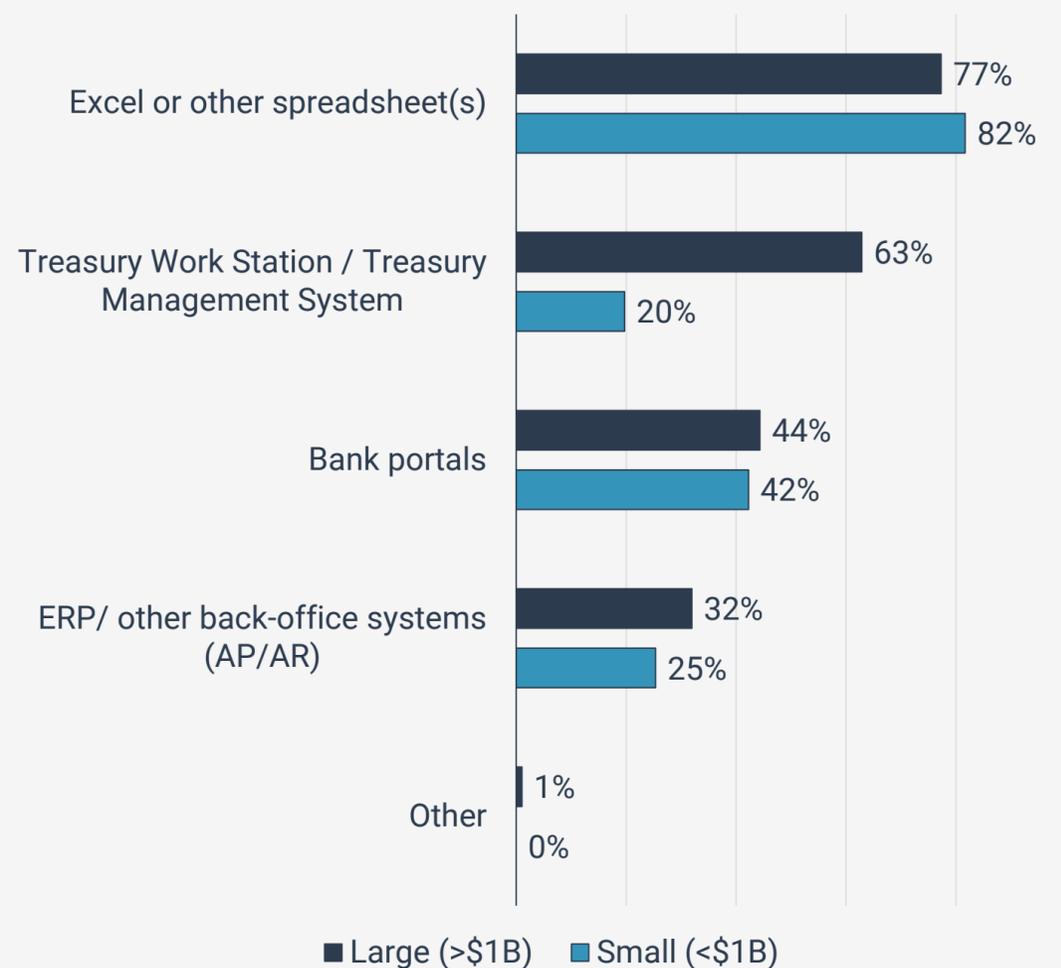
AUTOMATED VARIANCE

- Tracking discrepancies and identifying key gaps that need to be investigated further.
- Understand what was suppose to happen vs. what actually happened.

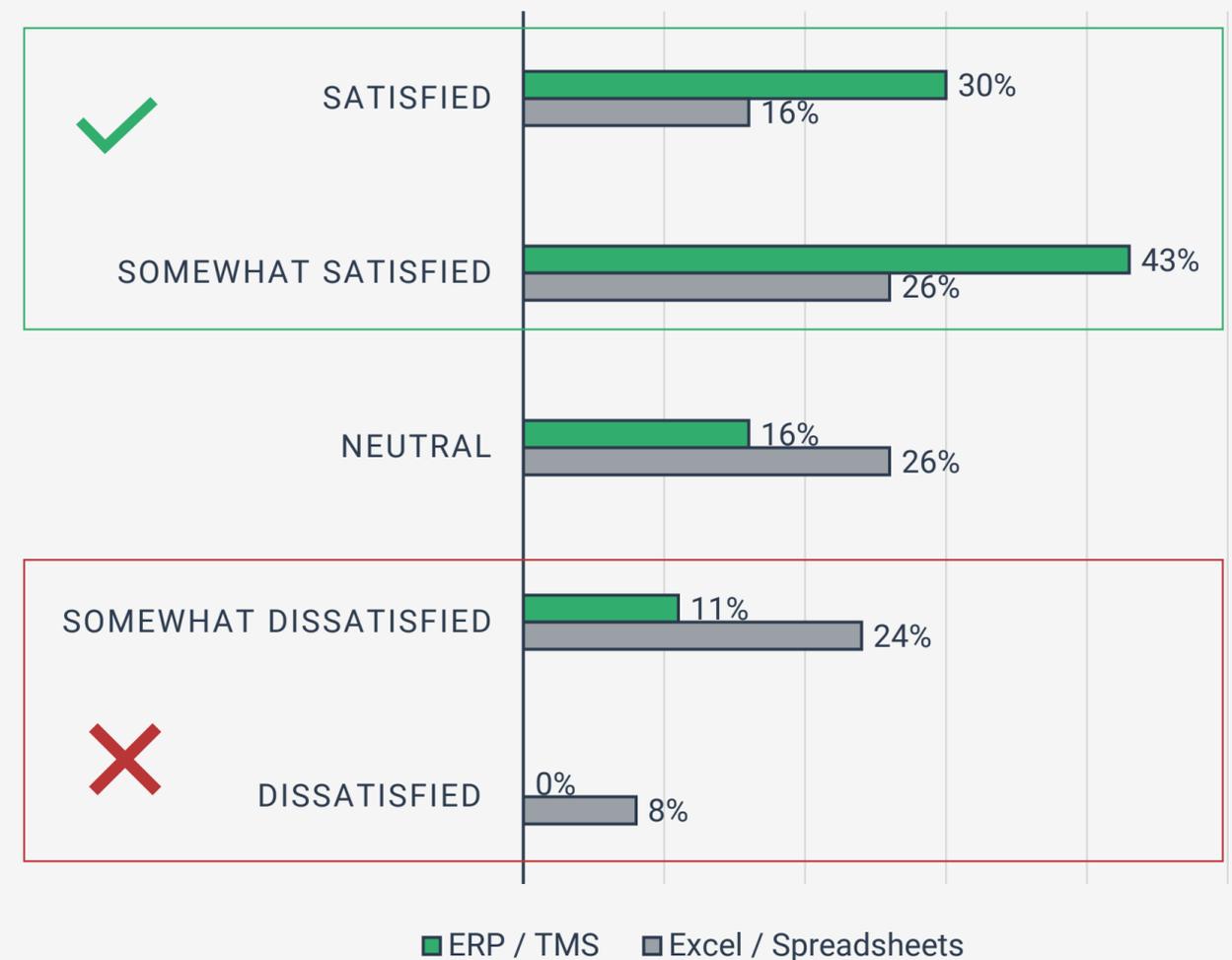
LEVERAGING TECH TO ENHANCE FORECASTS

ENHANCED TECHNOLOGY RESULTS IN GREATER SATISFACTION

Which tools are you currently using for cash reporting?
(Select all that apply)



If you are primarily using ___ for cash reporting or forecasting, please indicate your level of satisfaction with your current processes & workflows:



FORECASTING SUCCESS STORIES

CORPORATE CASE STUDY #1



About the Client: A privately-held real estate investment and property management company HQ'd in Northeast USA. Treasury manages 200+ bank accounts across ~12 banks. Treasury team consisting of just two individuals. The majority of operations are domestic.



The Challenge: Treasury is tasked with managing almost all bank activity, including opening/closing of accounts, analyzing bank fees, executing ACH / wire transfers, compiling AP reports, and developing cash positions / forecasts. Team relying heavily on spreadsheets and bank portals. Treasury could not effectively forecast cash beyond 1 week.



The Solution: Client needed visibility into all bank accounts for daily cash balancing and reporting. Advanced forecasting capabilities desired for rolling 12-month forecast and daily/weekly forecasts. As a mid-market firm, a modular SaaS solution was preferred due to lower cost and ability to only purchase functionality that was required.



Key Results

✓ **Automation of key treasury functions freed up valuable time.**

✓ **Data collection reduced by 90%.**

✓ **Accuracy and timeliness of cash forecasts significantly improved.**

FORECASTING SUCCESS STORIES

CORPORATE CASE STUDY #2



About the Client: A U.S.-based university founded in 1925. Campuses located globally but financial offices HQ'd domestically. Smaller treasury team operating with limited budget. Primary treasury requirements centered around cash reporting and forecasting, as well as funds transfers.



The Challenge: In the wake of 2008 financial crisis, heightened emphasis on effective cash management and forecasting pushed treasury to improve their cash mgmt. functions. Treasury team was handling all cash management tasks via Excel; manual processes were error-prone and time consuming.



The Solution: Client needed greater automation across cash management functions. Ability to receive daily cash positions, categorize data according to preferred metrics, and use data to develop forecasts without excessive manual checkpoints. Availability of functionality for variance analysis heavily preferred.



Key Results

✓ **Elimination of error-prone cash reporting functions**

✓ **Daily visibility across bank accounts.**

✓ **Accuracy and timeliness of cash forecasts significantly improved.**

PUTTING IT ALL TOGETHER

WHAT STEPS SHOULD TREASURY CONSIDER IN ORDER TO OPTIMIZE THEIR CASH FORECASTS?



FIRST THINGS FIRST: DATA AGGREGATION

- Make sure you have all the source information for forecasting accounted for in the organization.
- Talk to all department stakeholders and determine which information is relevant.
- Understand different ways to consolidate data (i.e. APIs, SFTP, Excel upload, etc.).



NORMALIZATION IS CRITICAL

- Find a common ground for key terminology globally.
- Determine the optimal method for representing data.
- Granular is key; data should be strictly defined and structured.



LET THE SYSTEM DO THE HEAVY LIFTING

- Once organizations can develop a “source of truth”, a proper forecasting system can perform the following:
 - *Variance Analysis*
 - *Pattern Detection*
 - *Predictive Foresight*
 - *Suggested Alerts*



DEVELOP MAINTENANCE PROTOCOLS

- Business and technology are changing every day. Make sure new processes and procedures are implemented on a frequent basis.
- Perform regular system tune-ups.
- Periodically check with key stakeholders to make sure they are maximizing the ROI of the technology.

LET'S CONNECT.

DON'T LET THE LEARNING END HERE...
CONTACT US WITH ANY FUTURE QUESTIONS.

Thank you for your interest in this presentation and for allowing us to support you in your professional development. Strategic Treasurer and our partners believe in the value of continued education and are committed to providing quality resources that keep you well informed.



STRATEGIC TREASURER

Craig A. Jeffery
Managing Partner

✉ craig@strategictreasurer.com

☎ +1 678.466.2222



GTREASURY

Mike Zack
Pre-Sales Manager

✉ marketing@gtreasury.com

☎ +1 847.847.3706



Want More Insight on Forecasting?

This eBook provides an extended look into the practice of cash forecasting, with analysis of both the primary challenges impacting treasury as well as the key solutions that companies can implement to alleviate their strain and enhance their workflows.

Request a copy for complete coverage and commentary on today's forecasting landscape.



Request the eBook