

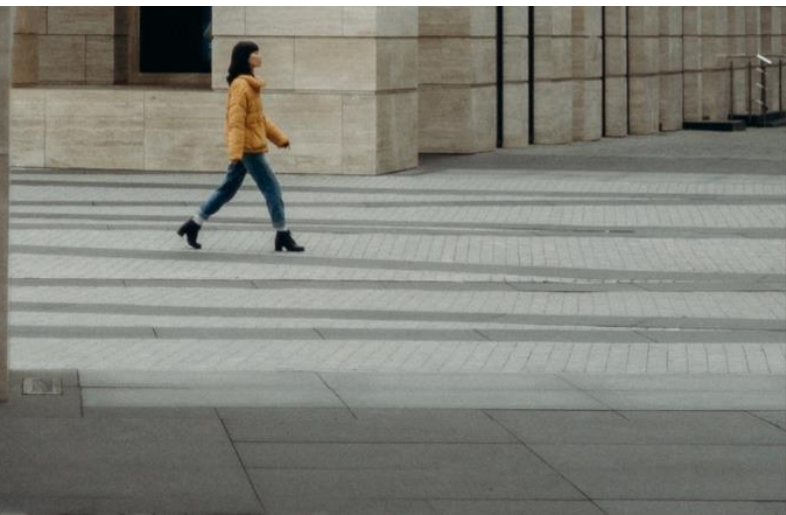


An introduction to High Value Cash Forecasting



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What is High Value Cash Forecasting?

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In simple terms, High Value Cash Forecasting is cash forecasting that is used to drive meaningful business activity. This means using cash forecasts for one of two purposes; decision making or critical reporting.

This short guide has been designed to help you understand the conditions necessary for High Value Forecasting and how you can start gaining more value from your cash forecasting process.



Types of forecasting processes

Our experience and research has shown that cash forecasting processes in large organisations can typically be grouped into one of the three categories outlined below. Forecasting processes are grouped on the basis of where most time is invested in the process itself and what the forecasts are ultimately used for.

01:

ADMINISTRATION VALUE LEVEL

Majority of time spent on manual tasks such as spreadsheet consolidation and troubleshooting. Considerable time spent reconciling numbers and chasing entity data with little follow-up.

02:

REPORTING VALUE LEVEL

Preparation of cash forecasts for limited internal distribution with no strategic impact. Processes of this type achieve a degree of task automation but do not monitor or measure accuracy.

03:

This process generates treasury cash flow analytics that are used for decision making or critical reporting. Central to this type of process is building confidence in forecast accuracy through continual measurement and improvement.

INCREASING VALUE
TO THE ORGANIZATION

How they are used

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High Value Cash Forecasts are used by Treasury and Finance teams to guide daily funding and risk management decisions while also feeding into critical reporting processes. High Value Cash Forecasts are used in one or more of the following ways:

MAXIMIZE OPPORTUNITIES

- ➔ Proactive foreign exchange hedging
- ➔ Make the best use of organic cash
- ➔ Minimise external funding requirements
- ➔ Efficient capital allocation & acquisition planning

REDUCE RISK

- ➔ Gain a clear view over future cash needs
- ➔ Avoid shortfalls and surprises
- ➔ Accurately predict covenants & key compliance metrics

CRITICAL REPORTING

- ➔ Strategic planning (budget, 3-year plan, etc.)
- ➔ Board reporting
- ➔ Management and executive reporting
- ➔ External stakeholder reporting (investors, banks etc.)

Barriers & challenges

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High Value Forecasting is all about generating a cash forecast that is reliable enough to be used for decision making. This means the person that uses it, be it a treasurer, financial controller or CFO, is confident that the forecast they have is as accurate as it can be.

Central treasury and finance teams in large companies face multiple challenges when attempting to consistently generate an accurate cash forecast that they are confident using to make decisions.

These challenges include the complexity of managing streams of data from multiple sources, including people, and not having the time and tools available to monitor the accuracy of forecasts.

Ultimately, these complexities and challenges don't allow companies to build the confidence they require in their cash forecasts which in turn stops them from using them for high value purposes.

- ⚠ Numerous ERP's
- ⚠ Many banks & accounts
- ⚠ Multiple currencies
- ⚠ P&L/balance sheet budget
- ⚠ Intercompany reconciliation
- ⚠ Multiple business units
- ⚠ No cash culture
- ⚠ Manual consolidation & reporting
- ⚠ Shared spreadsheets

Necessary conditions

Creating the internal conditions that allows cash forecasting accuracy to be quickly understood and continuously improved lies at the heart of High Value Cash Forecasting. There are four conditions necessary for High Value Cash Forecasting.

1: Accurate & reliable information input

The quality and accuracy of the information captured by your cash forecasting process will determine the ultimate quality and accuracy of the final reporting output. A High Value Cash Forecasting Process is designed to ensure that the quality and accuracy of the information used by the process is as high as it possibly can be.

2: Full, meaningful engagement from participants

Accurate and reliable information input is to a large extent dependent on each person involved in the process engaging with it in a meaningful way, at all times. Gaining the initial buy-in required to set-up a forecasting process and ensuring that it is engaged with in a meaningful way will go a long way to safeguarding the quality of the final output.

3: Appropriate tools, process, & support

Cash forecasting can be a time intensive process and specialist tools may be required to avoid burdening both business units and head office with additional manual workload. Factors such as the level of detail required, the number of data sources and the frequency of reporting will determine how much work is involved in a process and what tools are needed.

4: Analysis, performance reviews, & feedback

Monitoring and measuring the accuracy of forecasts over a period of time is crucial to building confidence and trust in the data that is used for decision making purposes. Accuracy metrics should be provided to every person involved in the forecasting process so that they can use it to understand and improve the quality of data that is used for forecasting.



Key takeaways

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01:

High Value Forecasts are forecasts that are used for decision making and critical reporting purposes.

02:

Accuracy sits at the core of High Value Forecasting as it allows you to build confidence in the data used for decision making.

03:

Building an accuracy feedback loop into your forecasting process will allow you to drive continuous incremental improvements in accuracy.

04:

The buy-in and support of people contributing to the forecasting process is a key element of a High Value Forecasting process.

About GTreasury

GTreasury provides CFOs and Treasurers with [The Clarity to Act](#) on strategic financial decisions with the world's most adaptable treasury platform, empowering them to face the challenges of today and tomorrow. Because each company faces different points of complexity and needs, our industry-leading solutions are purposefully designed to support every stage of treasury complexity, from Cash Visibility and Forecasting to Payments, Risk, Debt, and Investments.

With GTreasury, financial leaders gain comprehensive connectivity across all banks and ERPs to build an orchestrated data environment, enabling rapid value realization with implementations up and running in weeks. Plus, our unmatched industry expertise ensures your continued success through dedicated guidance and top-tier support.

Trusted by over 1,000 customers across 160 countries, GTreasury provides treasury and finance teams with the ability to connect, compile, and manage mission-critical data to optimize cash flows and capital structures. To learn more, visit GTreasury.com.

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North America	847.847.3706
APAC (Sydney)	+61 2.9262.6969
EMEA	
London	+44 203 787 4843
Dublin	+353 1 524 0552
Geneva	+41 22 311 13 83

