

NAVIGATING RISK DURING UNCERTAINTY: THE TREASURER'S GUIDE TO SCENARIO ANALYSIS



GERRY DALY

AVP Product Strategy, Treasury, HighRadius

CRAIG JEFFERY

Founder & Managing Partner, Strategic Treasurer



WHAT

Discussing the impact of scenario analysis on cash forecasting and how to get the most out of it.



WHEN

Wednesday, September 7, 2022
11:00 AM – 12:00 PM EDT



WHERE

Live online presentation
Replays at StrategicTreasurer.com



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This presentation is provided by Strategic Treasurer and HighRadius

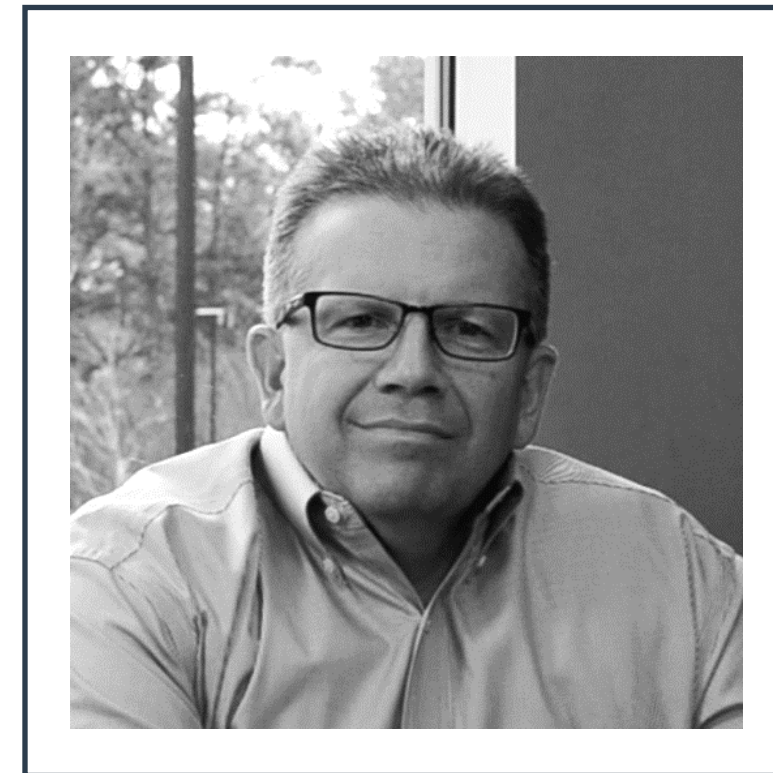
ABOUT THE SPEAKERS

GET TO KNOW TODAY'S SUBJECT MATTER EXPERTS



GERRY DALY

Gerry Daly is currently the AVP Product Strategy, Treasury at HighRadius. Gerry has over 25 years of experience in treasury and accounting to develop software, and drive sales growth and market share for high growth SaaS companies. Gerry is actively engaged in ongoing collaboration with market-leading software providers with a track record of success, assisting CFOs and Treasurers to use cloud-based technology to enable top-tier international finance and treasury teams.



CRAIG JEFFERY

Craig Jeffery formed Strategic Treasurer 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.

TOPICS OF DISCUSSION

KEY AREAS OF FOCUS &
ANALYSIS



UNCERTAINTY

PAST, PRESENT, FUTURE



RESPONSE

HOW TO MOVE FORWARD



FORECASTING

PREDICTING THE FUTURE



SCENARIO ANALYSIS

DISTINCTIONS AND
ADVANTAGES



EXAMPLE

WHAT SCENARIO ANALYSIS
LOOKS LIKE

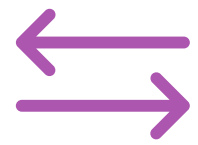


KEY TAKEAWAYS

AND FINAL THOUGHTS

UNCERTAIN TIMES

VOLATILITY ACROSS SECTORS



Foreign Exchange Rate

- Currency pairs (USD/EUR, USD/GBP, etc.)



Inflation

- Spending



Interest Rates

- Central bank monetary policy



Energy/Commodities

- Availability
- Cost
- Impact on other areas



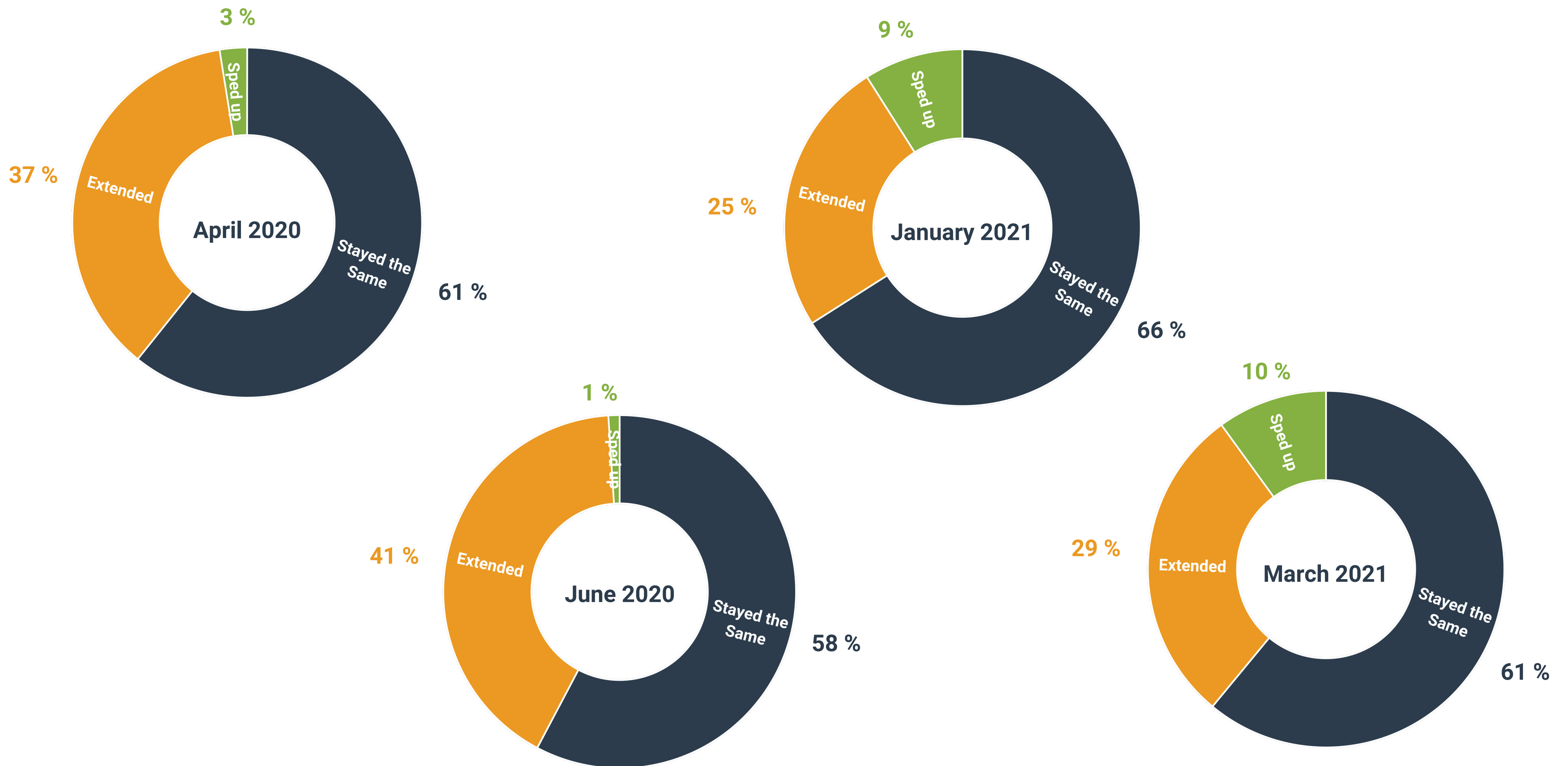
Spending Programs

- Fiscal policy

HOW A CRISIS AFFECTED PAYMENTS

DURING COVID-19

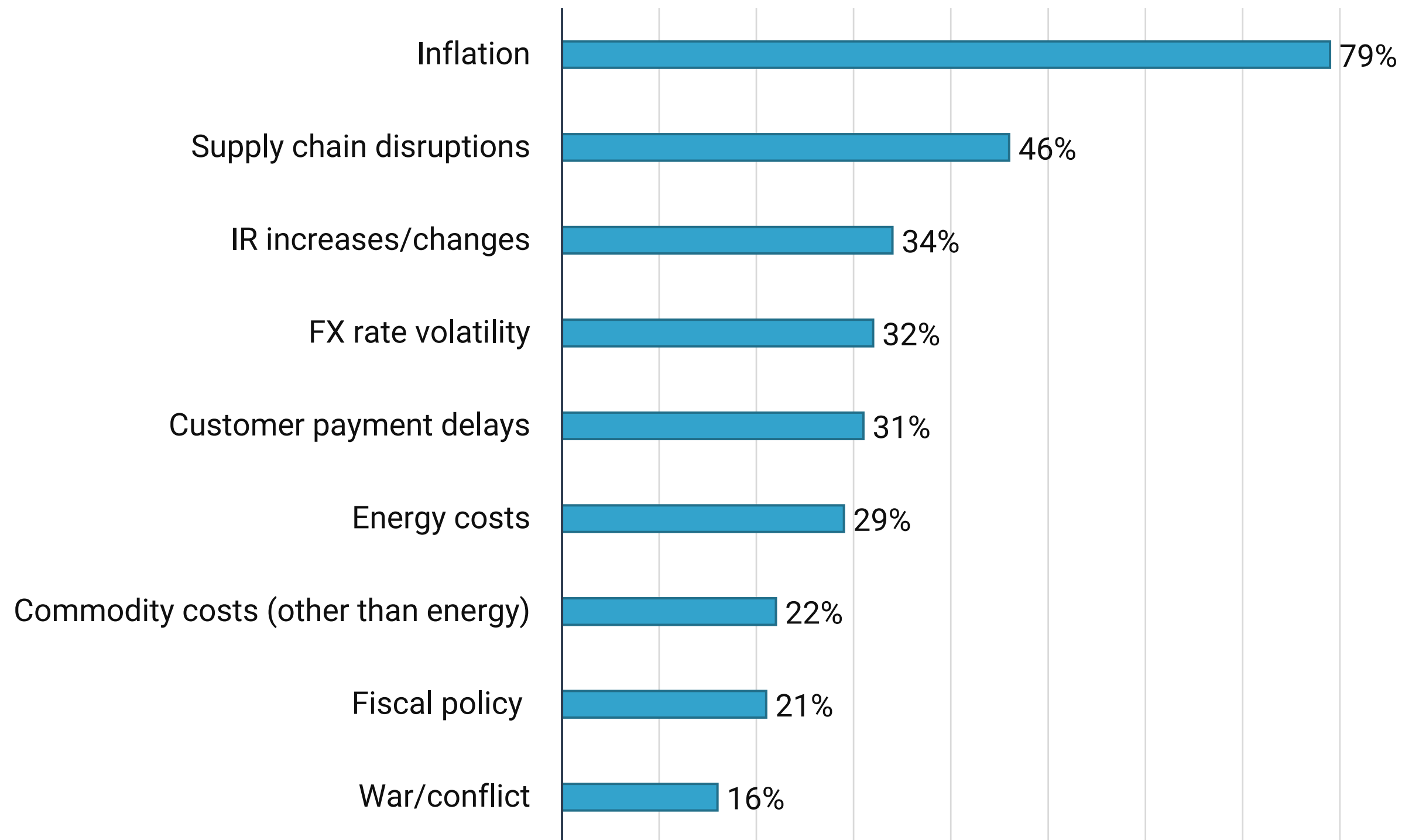
Compared to typical times, our timing for paying vendors and suppliers has:



Source
Note: "I don't know" responses have been omitted.

POLL QUESTION

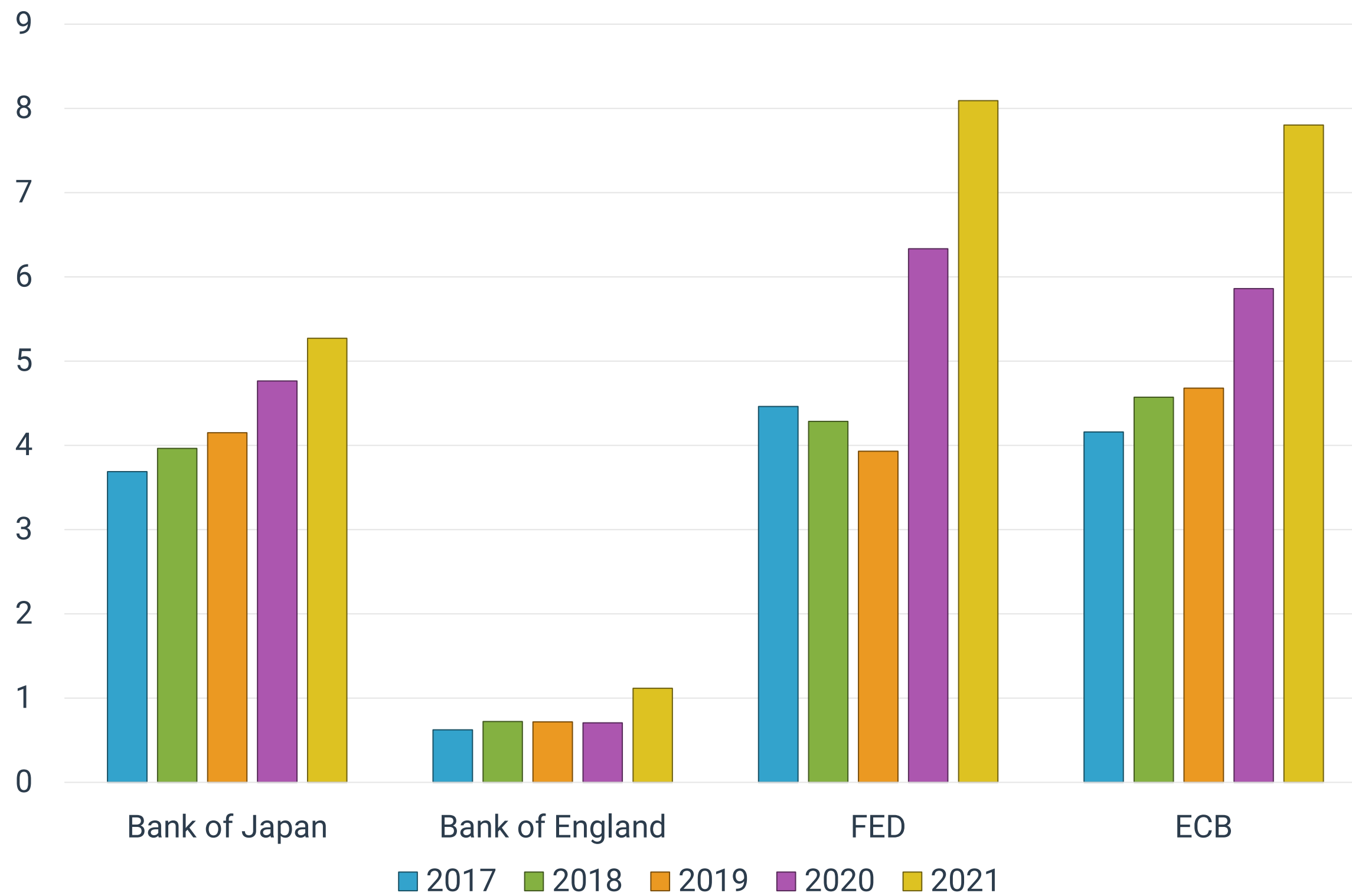
Which areas do you recognize as being or causing significant headwinds in your industry? All that apply.



HEADWINDS I

CENTRAL BANK ASSETS

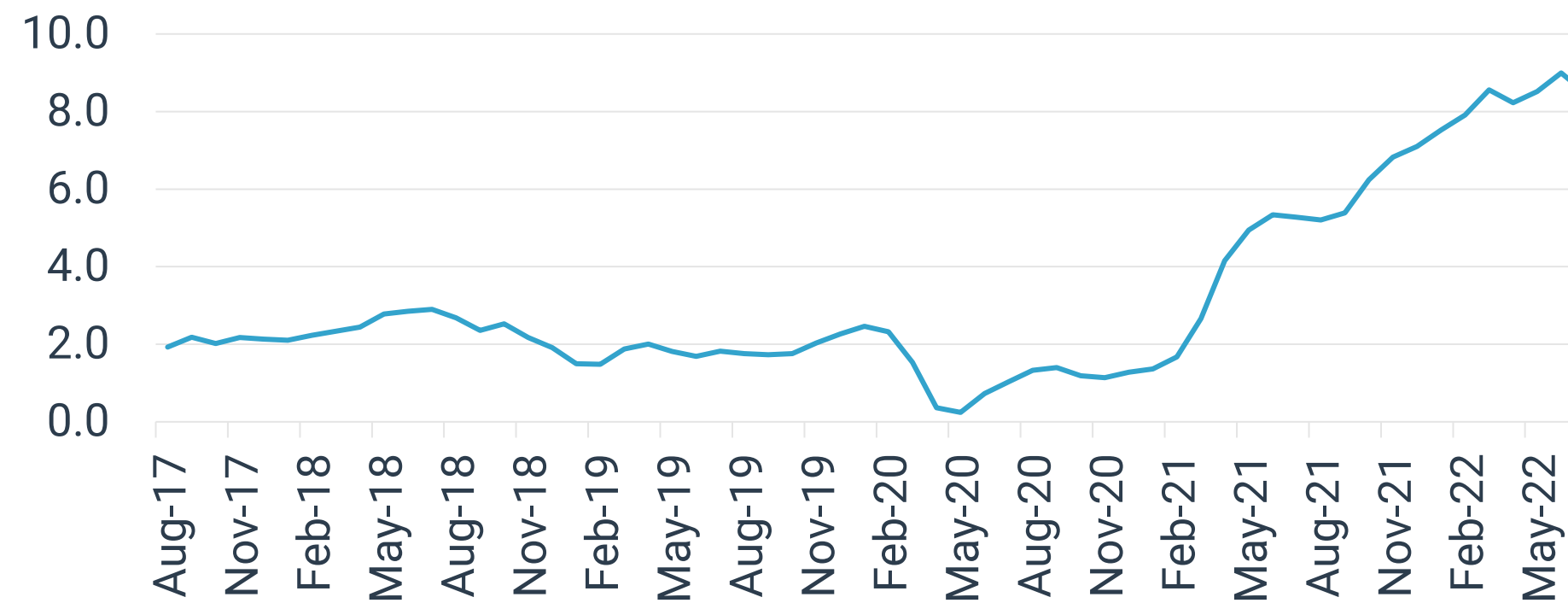
Central Bank Assets (in trillions USD)



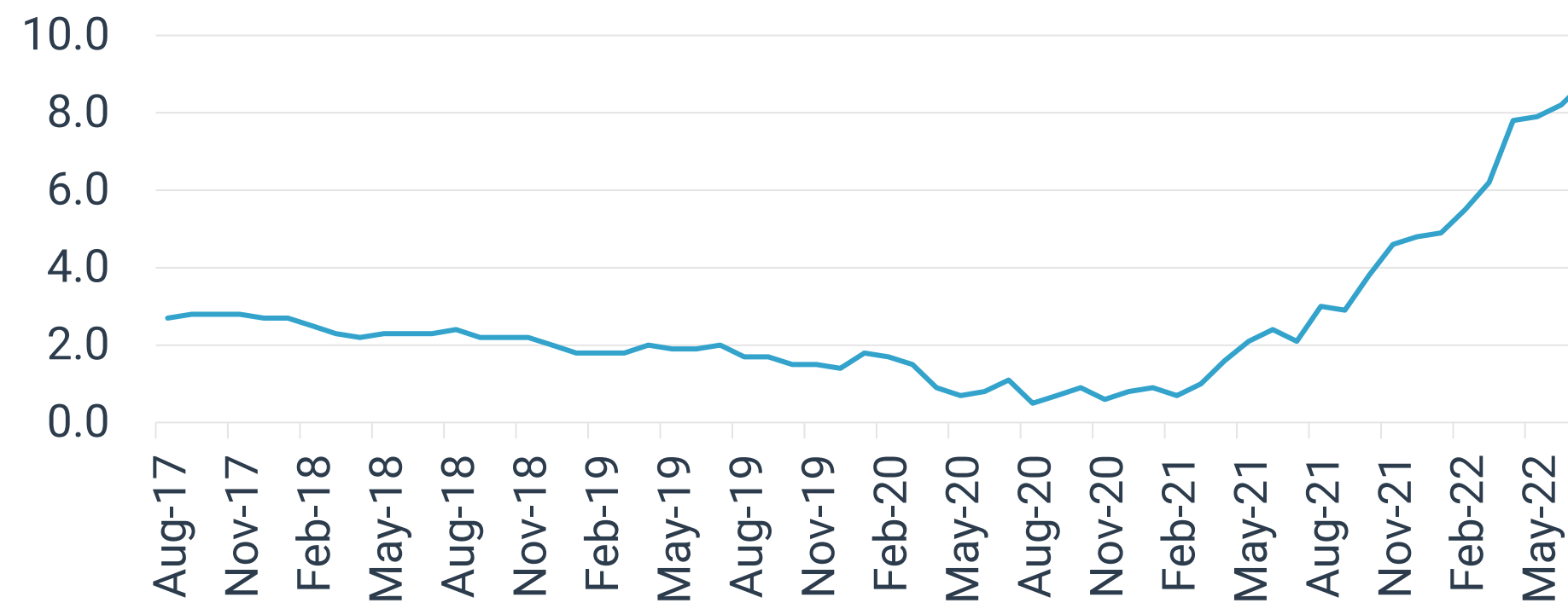
HEADWINDS II

INFLATION

US Inflation (percent change from year ago)



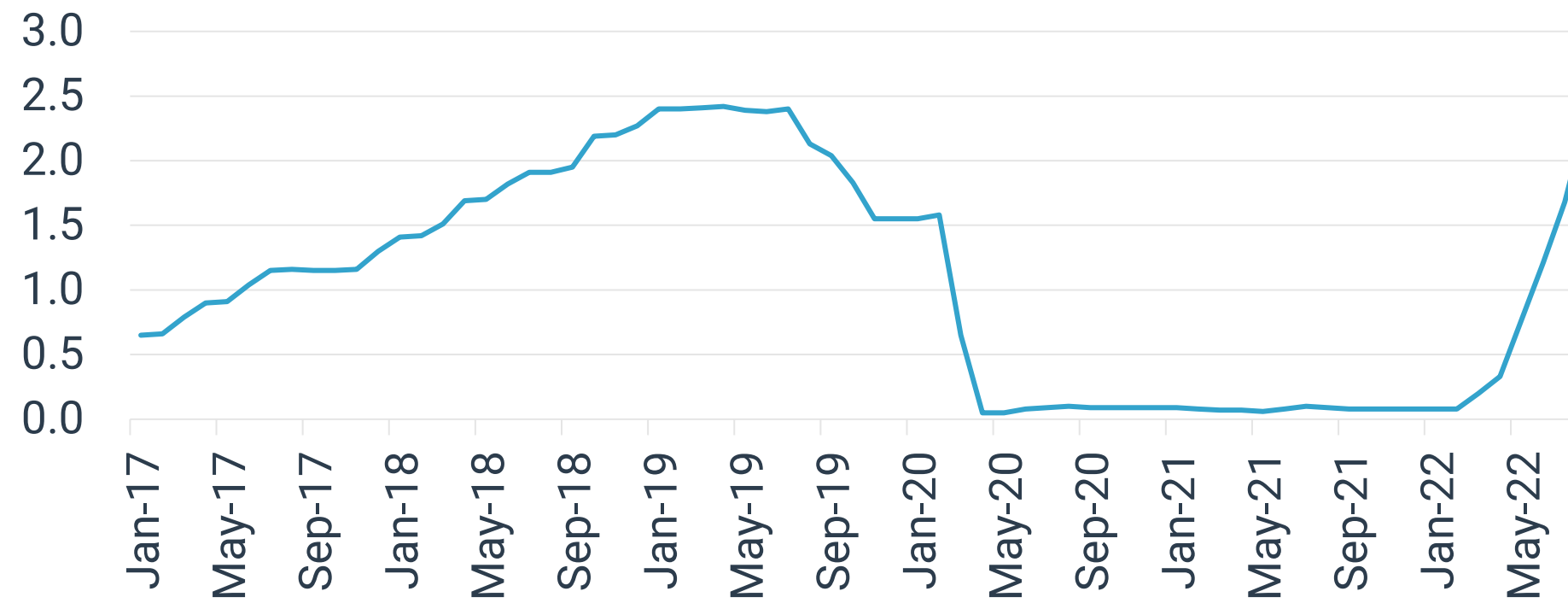
UK Inflation (percent change from year ago)



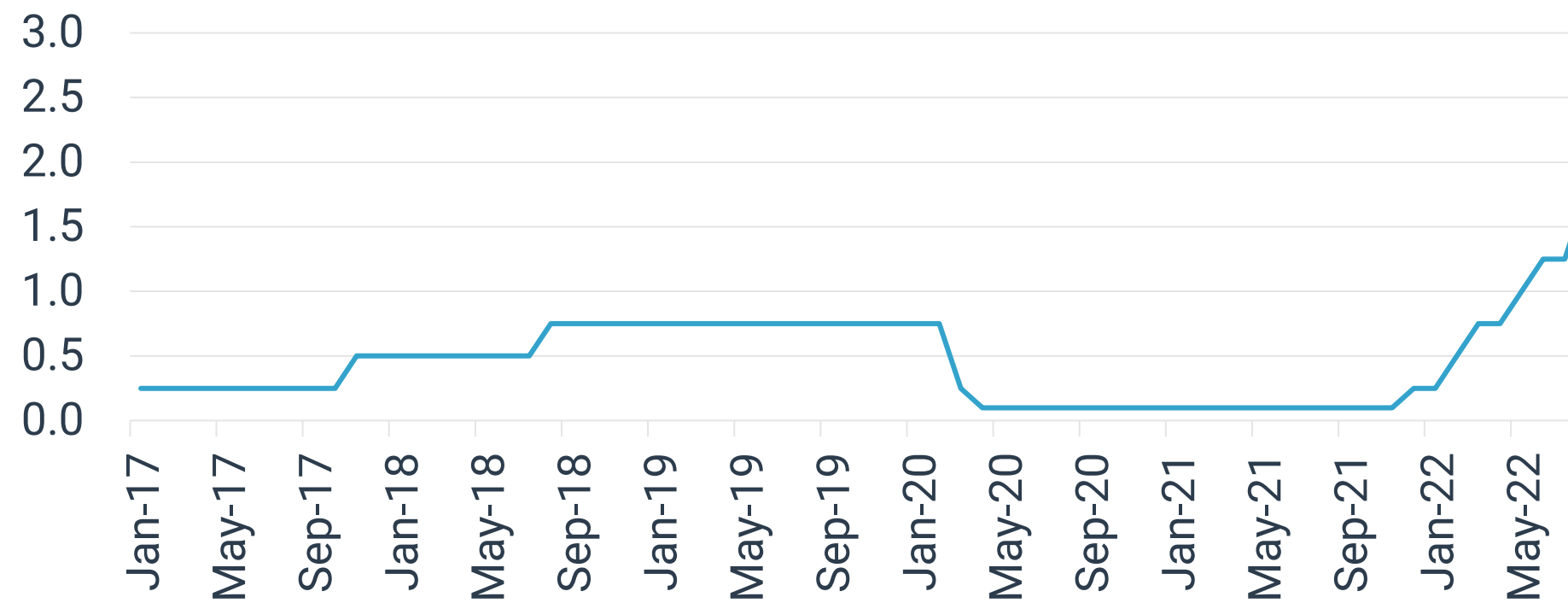
HEADWINDS III

INTEREST RATES

US (Fed Funds rate - percent)



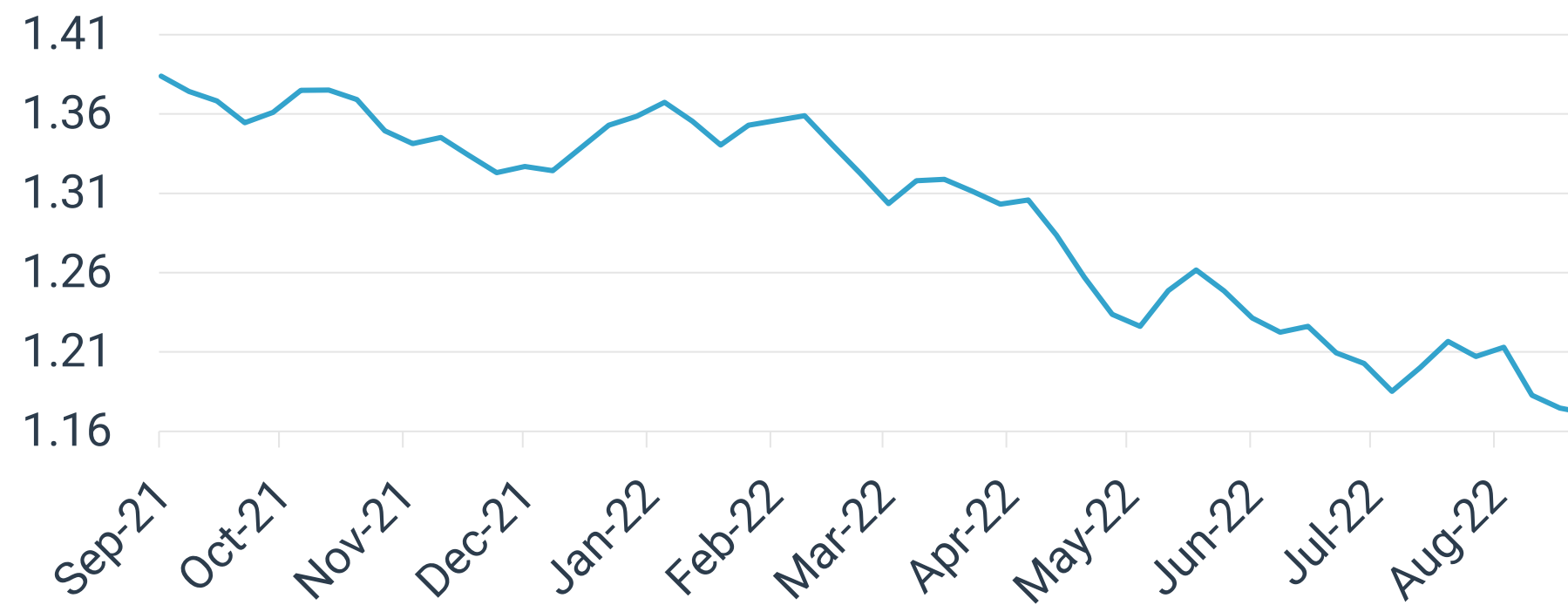
UK (Bank of England rate - percent)



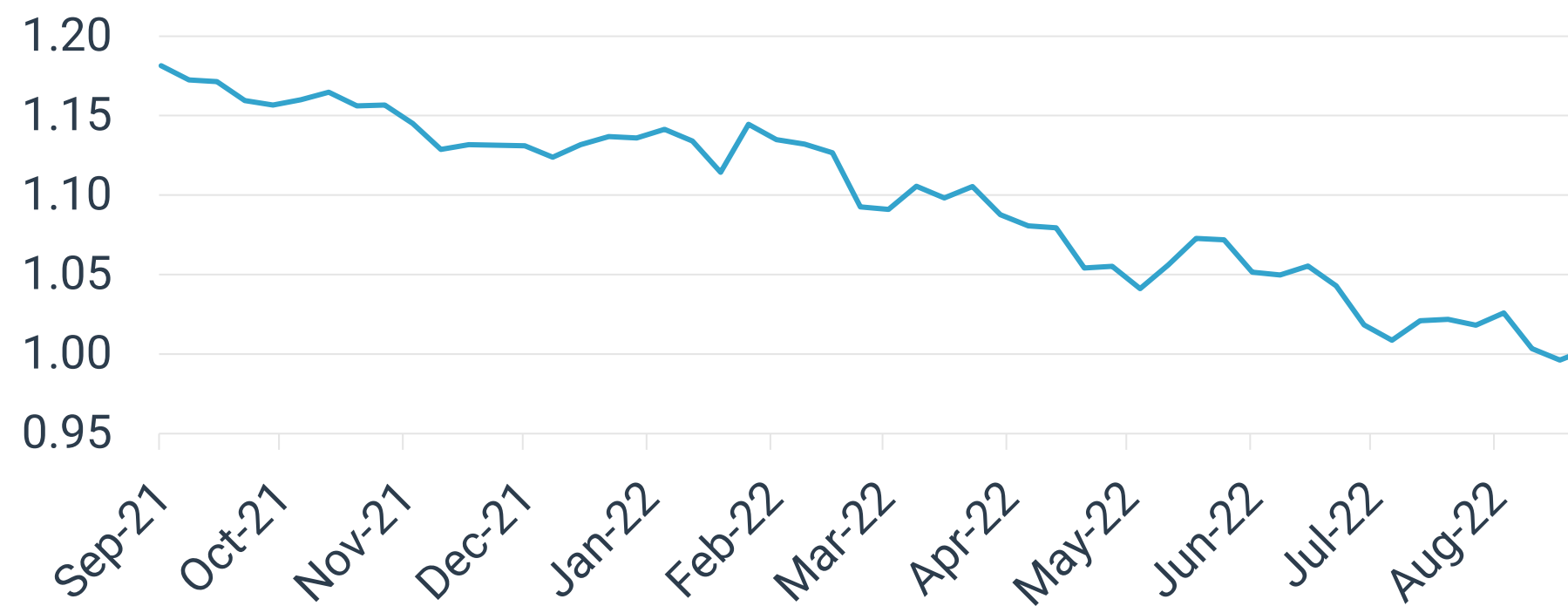
HEADWINDS IV

FOREIGN EXCHANGE

GBP/USD

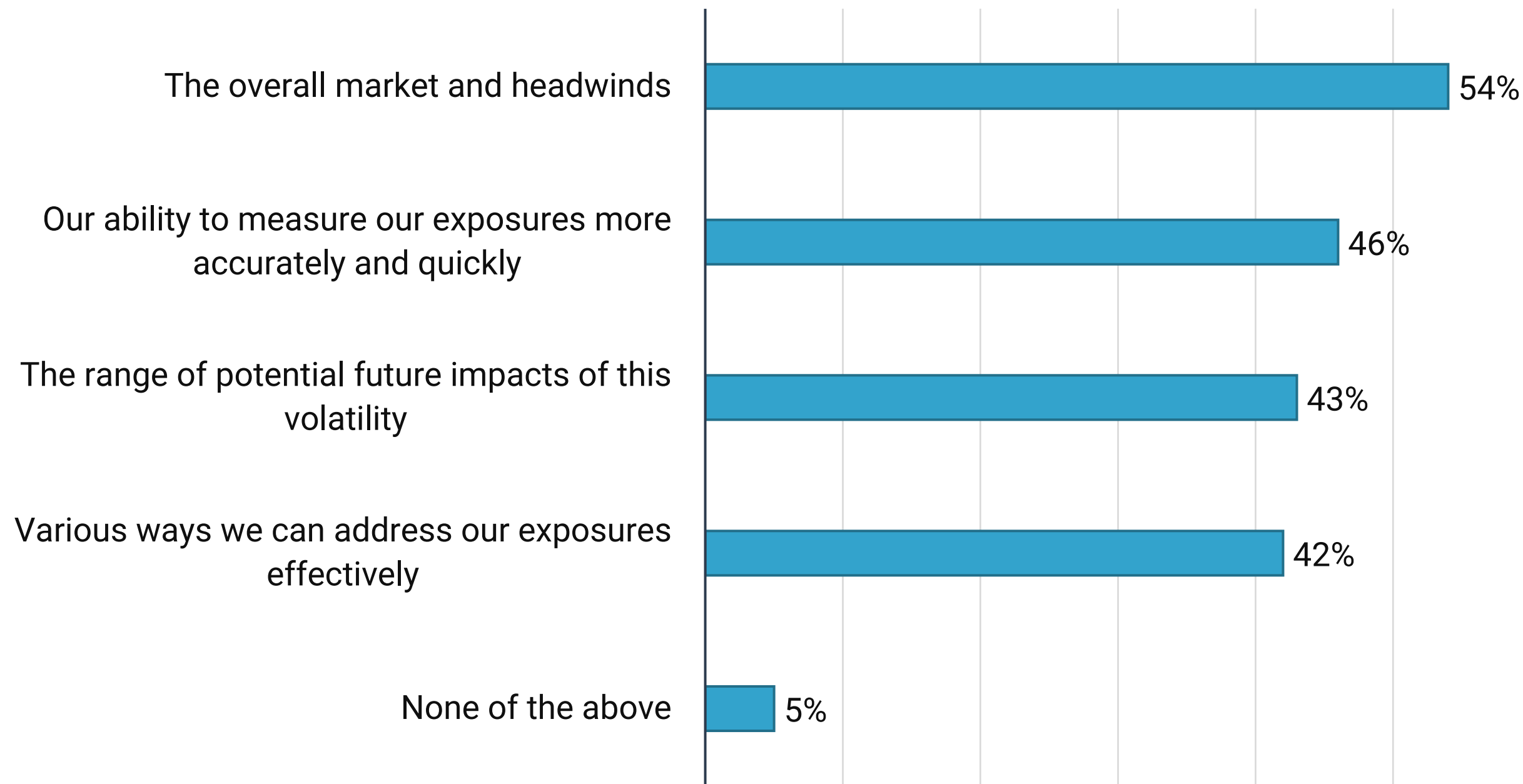


EUR/USD



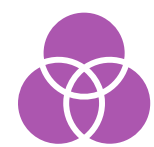
POLL QUESTION

In which areas do you seek improvement in your understanding?

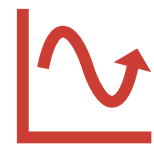
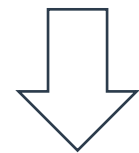


IMPLICATIONS OF UNCERTAINTY

HOW SHOULD WE RESPOND?



Numerous variables



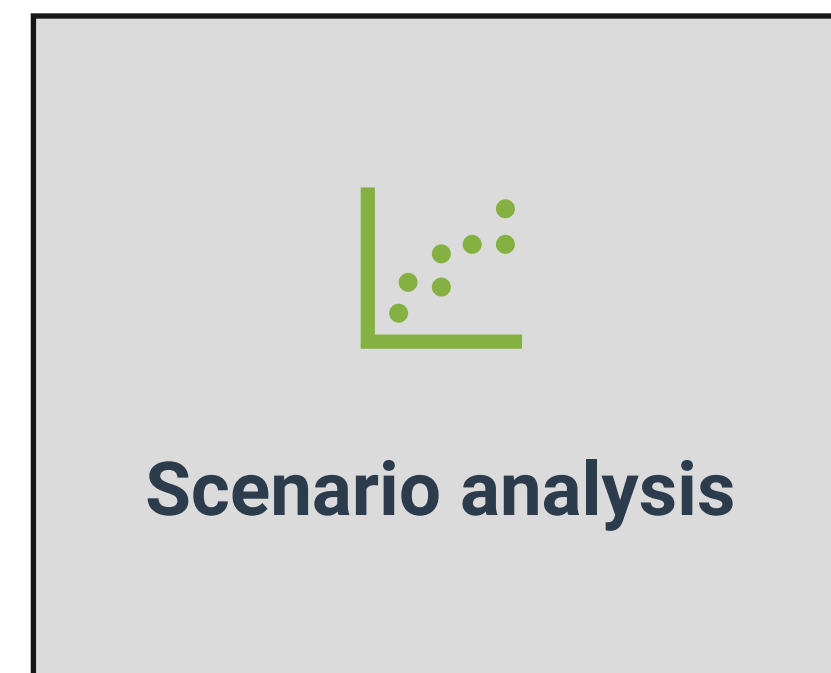
Volatility



Uncertainty is real



Need to navigate the risk

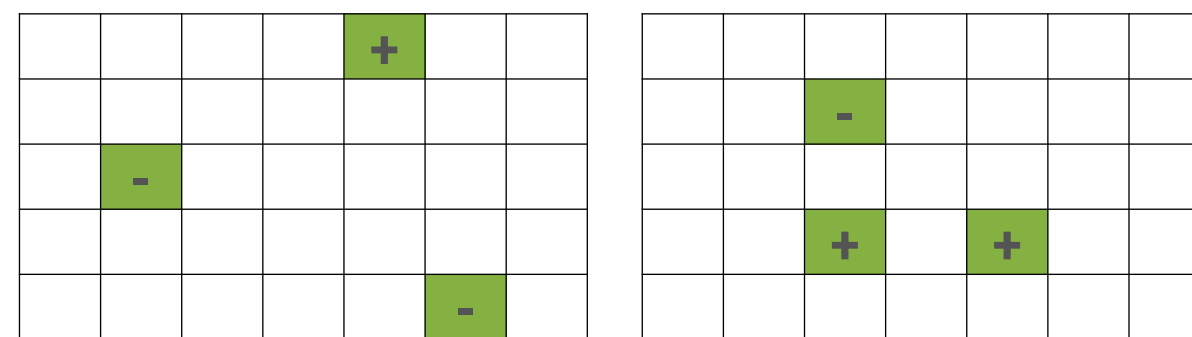


FORECASTING

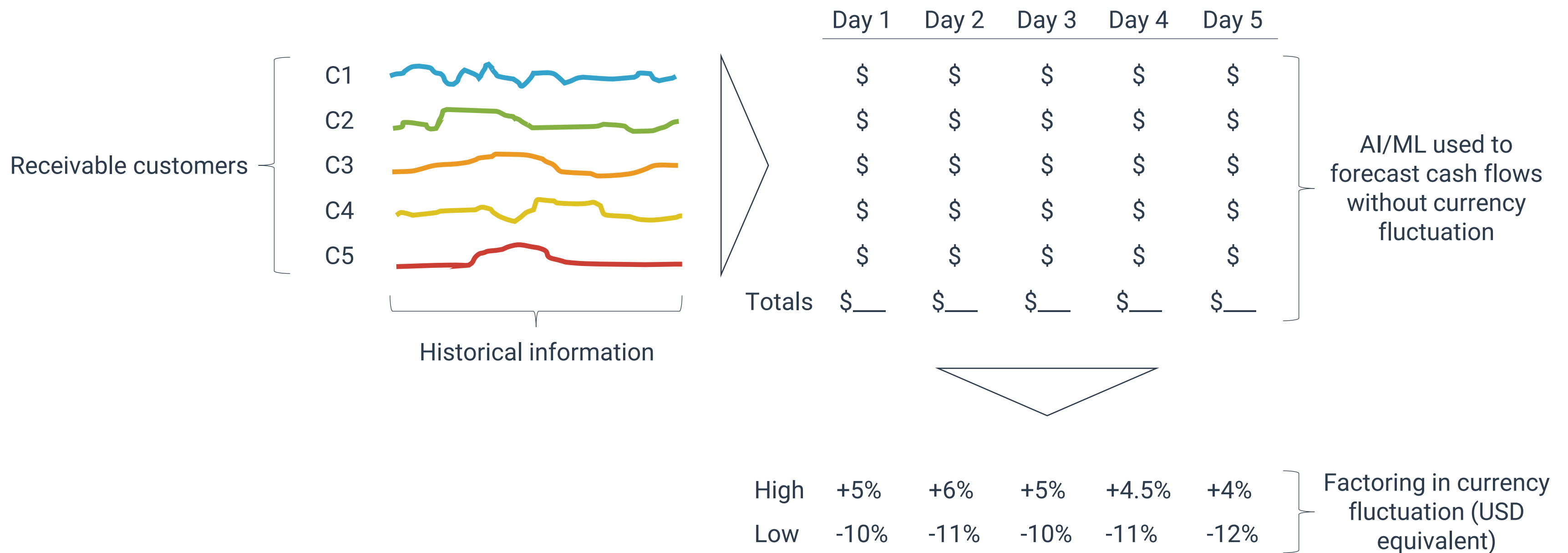
USING THE PAST AND PRESENT TO PREDICT THE FUTURE

Specific knowledge of major events

Positive and negative events in time



Analytical rigor from AI/ML



FORECASTING OUTCOMES

DYNAMIC RESULTS



Expected Value
(single number)

\$5,000k \$5,100k \$5,200k \$4,800k \$4,700k

T1

Tn



Range of Value

High | \$6,500k \$6,700k \$7,000k \$6,800k \$6,700k

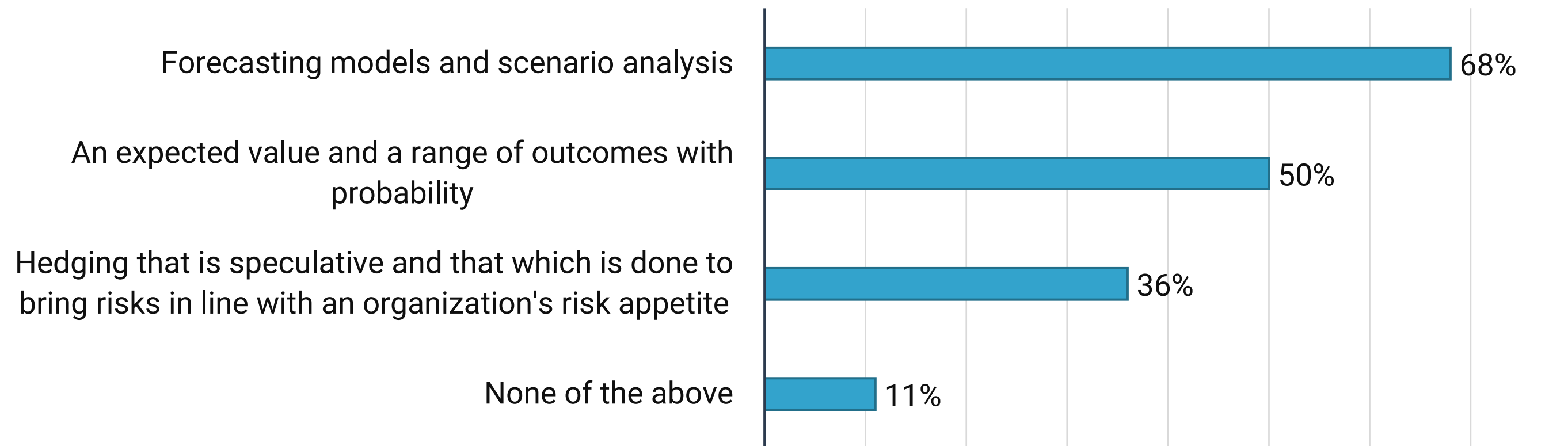
Low | \$4,300k \$4,400k \$4,600k \$4,300k \$4,300k

T1

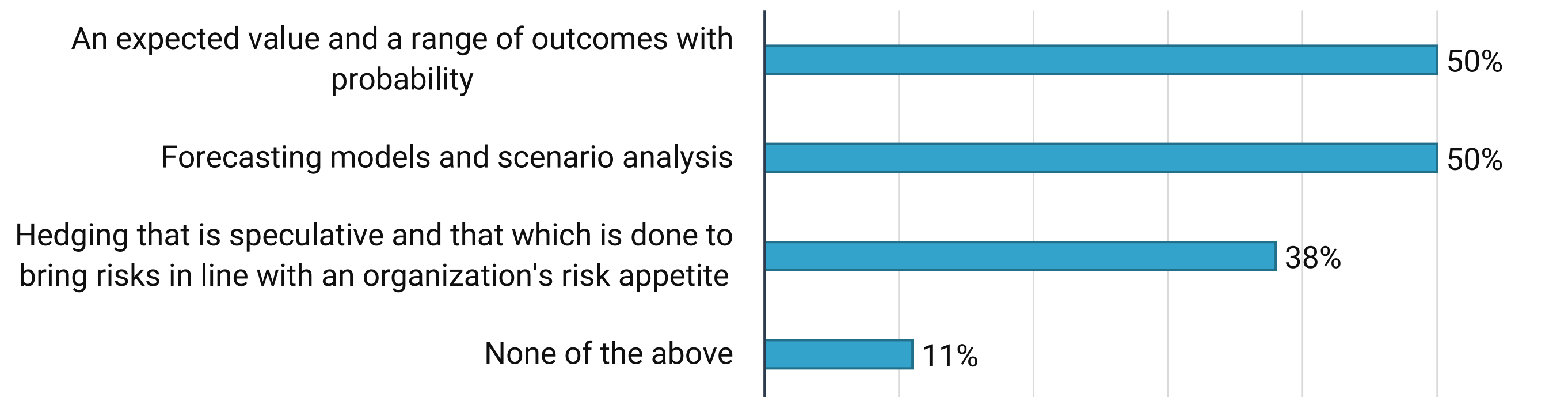
Tn

POLL QUESTION

Our treasury group consistently understands the difference between:



Our executive management consistently understands the difference between:



SCENARIO ANALYSIS

MORE ROBUST FORECASTING BY CONSIDERING A RANGE OF POSSIBILITIES



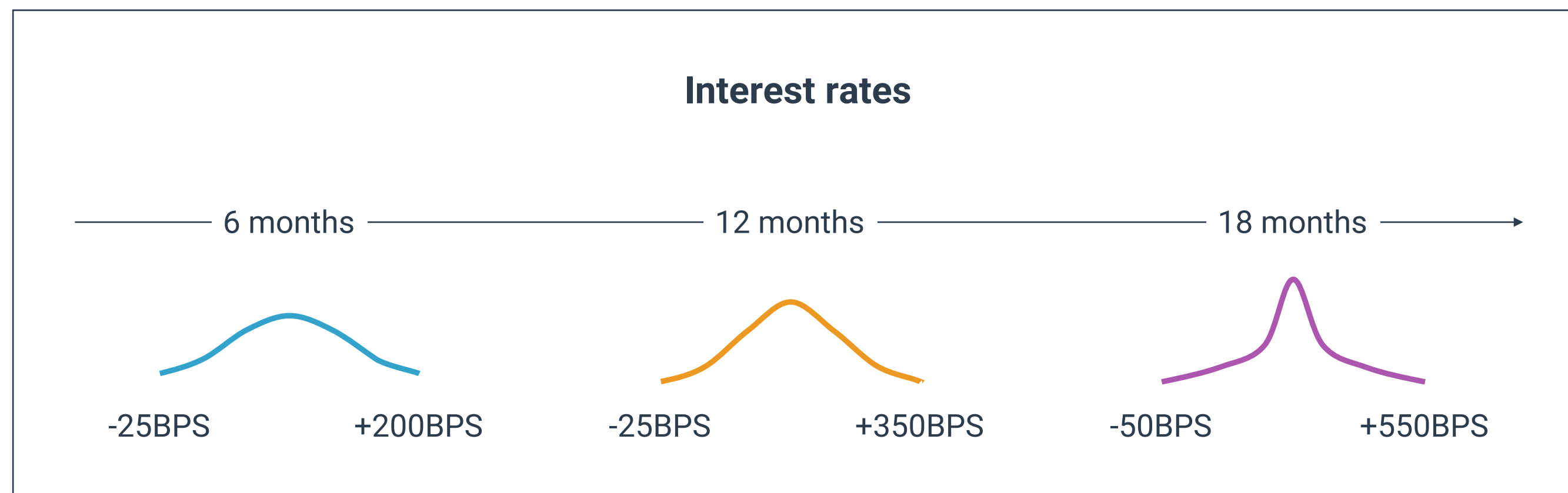
What if:

- Interest rates move up 50, 100, 200, 300 BPS?
- Foreign exchange (EUR/USD) rates shift another 20%?

How will this impact:

- Cash flow?
- Profit?
- Asset values?
- Ability to borrow?
- Etc.?

What are all the scenarios and key elements that can move?

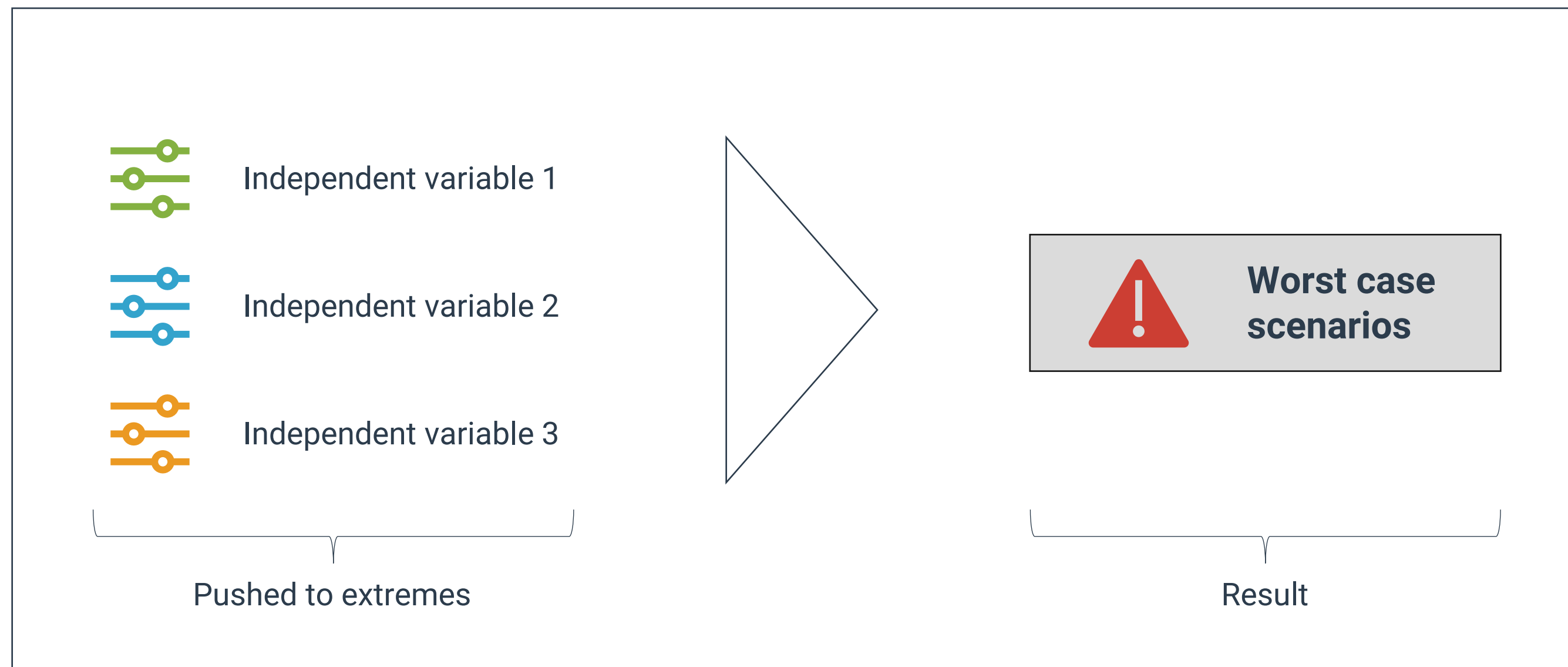


STRESS TESTING

WORST LIKELY CASE

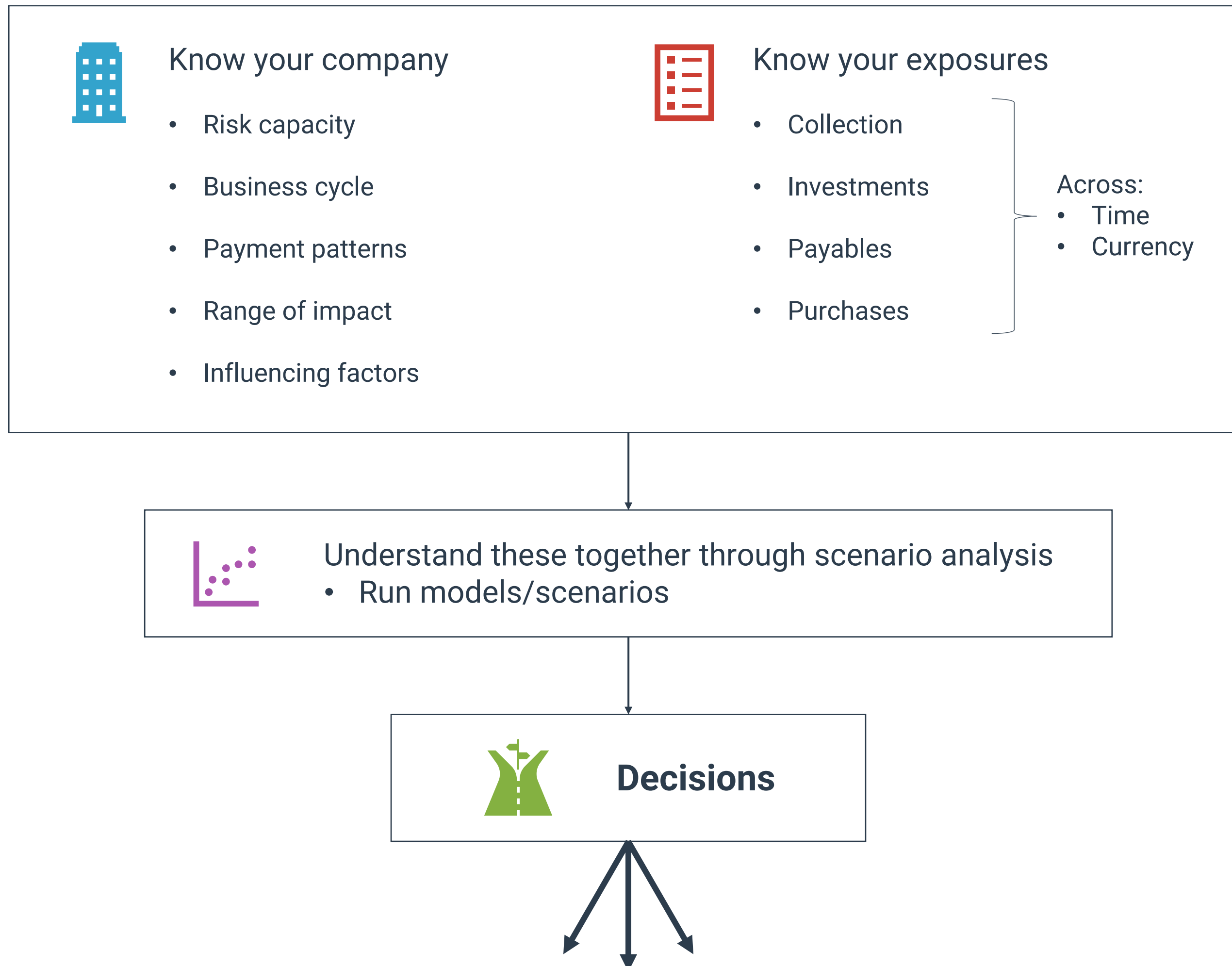


What if we pressure test certain variables and push them to new extremes?



UNDERSTANDING THE PROCESS

GETTING FROM VARIABLES TO DECISIONS



EXAMPLE OF FORECASTING

USING SCENARIO ANALYSIS

The screenshot displays the HighRadius Cash Forecasting workspace. The main table shows cash flow data for various categories and companies across four weeks. The 'Optimistic Scenario' panel on the right allows for configuring shocks and variables.

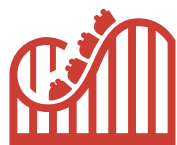
Cashflow Category	Company	W1 • 04/11/2022	W2 • 04/18/2022	W3 • 04/25/2022	W4 • 05/02/2022
Opening			-164,238.36	-517,108.85	-377,956.67
	Apollo US		399,580.65	569,883.84	1,578,160.98
	Apollo CAN		-563,819.01	-1,086,992.69	-1,956,117.65
Inflows		1,102,603.00	1,123,026.21	1,446,577.24	1,502,761.08
	Apollo US	538,783.99	599,852.53	577,452.28	606,441.58
	Apollo CAN	563,819.01	523,173.68	869,124.96	896,319.50
AR		311,791.58	401,982.74	776,483.92	645,704.30
	Apollo US	119,425.96	169,719.78	122,013.42	218,930.28
	Apollo CAN	192,365.62	232,262.96	654,470.50	426,774.02
Retail Business		59,712.98	84,859.89	61,006.71	109,465.14
	Apollo US	59,712.98	84,859.89	61,006.71	109,465.14
	Apollo CAN				
Trade AR		731,098.44	636,183.58	609,086.61	747,591.64
	Apollo US	359,645.05	345,272.86	394,432.15	278,046.16
	Apollo CAN	371,453.39	290,910.72	214,654.46	469,545.48

Optimistic Scenario Configuration:

- Shocks: Retail Business.Apollo US, Trade A...
- Amount: 25.000
- % amount by: Enter days days
- Time shift: Enter value
- Buttons: Add Shock, Add Variable, Cancel, Save & Apply

TAKEAWAYS

IDEAS AND POINTS TO BRING BACK TO THE OFFICE



UNDERSTAND UNCERTAINTY

- Volatility is a real concern
- The situation can change rapidly



RANGES AND NOT POINTS

- People may want a specific point for a forecast
- Communicate a range even when giving a point



STACKING UP VOLATILITY

- One variable is easier than managing multiple variables



KNOW COMPANY AND CASHFLOWS

- Company cycles and business drivers are forecasting fundamentals
- Know them
- Recognize they can change

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.



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