

# STAGES OF CASH FORECASTING: IMPROVING THE PROCESS, TIGHTENING YOUR ACCURACY



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## WHAT

Considering the stages of cash forecasting and the foundational elements required to reach and surpass each stage.



## WHEN

Tuesday, November 8, 2022  
11:00 AM – 12:00 PM EST



## WHERE

Live online presentation  
Replays at [StrategicTreasurer.com](https://StrategicTreasurer.com)



**FP&A**

Certified Corporate  
Financial Planning &  
Analysis Professional



This presentation is provided by Strategic Treasurer and TIS.

# ABOUT THE SPEAKERS

GET TO KNOW TODAY'S SUBJECT MATTER EXPERTS



## JONATHAN PAQUETTE

Jon Paquette is Vice President of Solutions with TIS. In his role, he assists clients and prospective clients in finding the best use of the technology that TIS offers to solve their organizational challenges. Prior to joining TIS, Jon held various Finance and Treasury positions in U.S.-based organizations. Most recently, Jon held the role of Senior Director, Treasury for a large health care organization. Jon holds a BA in Economics from Merrimack College and an MBA from the Carroll School of Management at Boston College.



## 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.

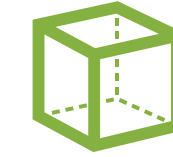
# TOPICS OF DISCUSSION

KEY AREAS OF FOCUS &  
ANALYSIS



## FORECASTING SITUATION

SENTIMENTS AND  
CHALLENGES



## DOMAINS AND COMPLEXITIES

MULTIFACETED



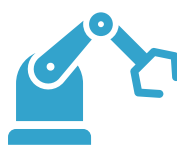
## ACCURACY

CONCEPTS AND QUESTIONS  
TO CONSIDER



## STAGES OF FORECASTING

IMPROVING ACCURACY



## DATA AND TOOLS

GAINING INTELLIGENCE AND  
UNDERSTANDING



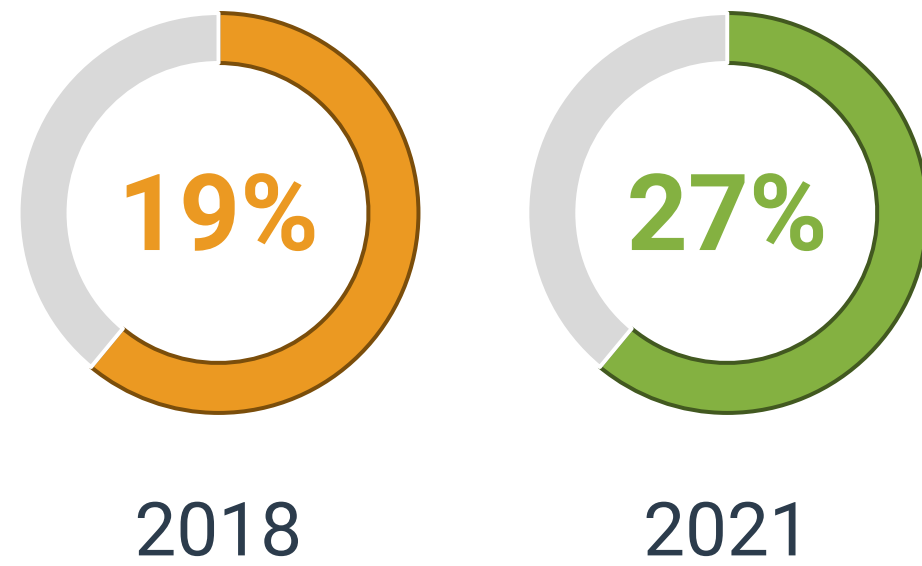
## KEY TAKEAWAYS

AND FINAL THOUGHTS

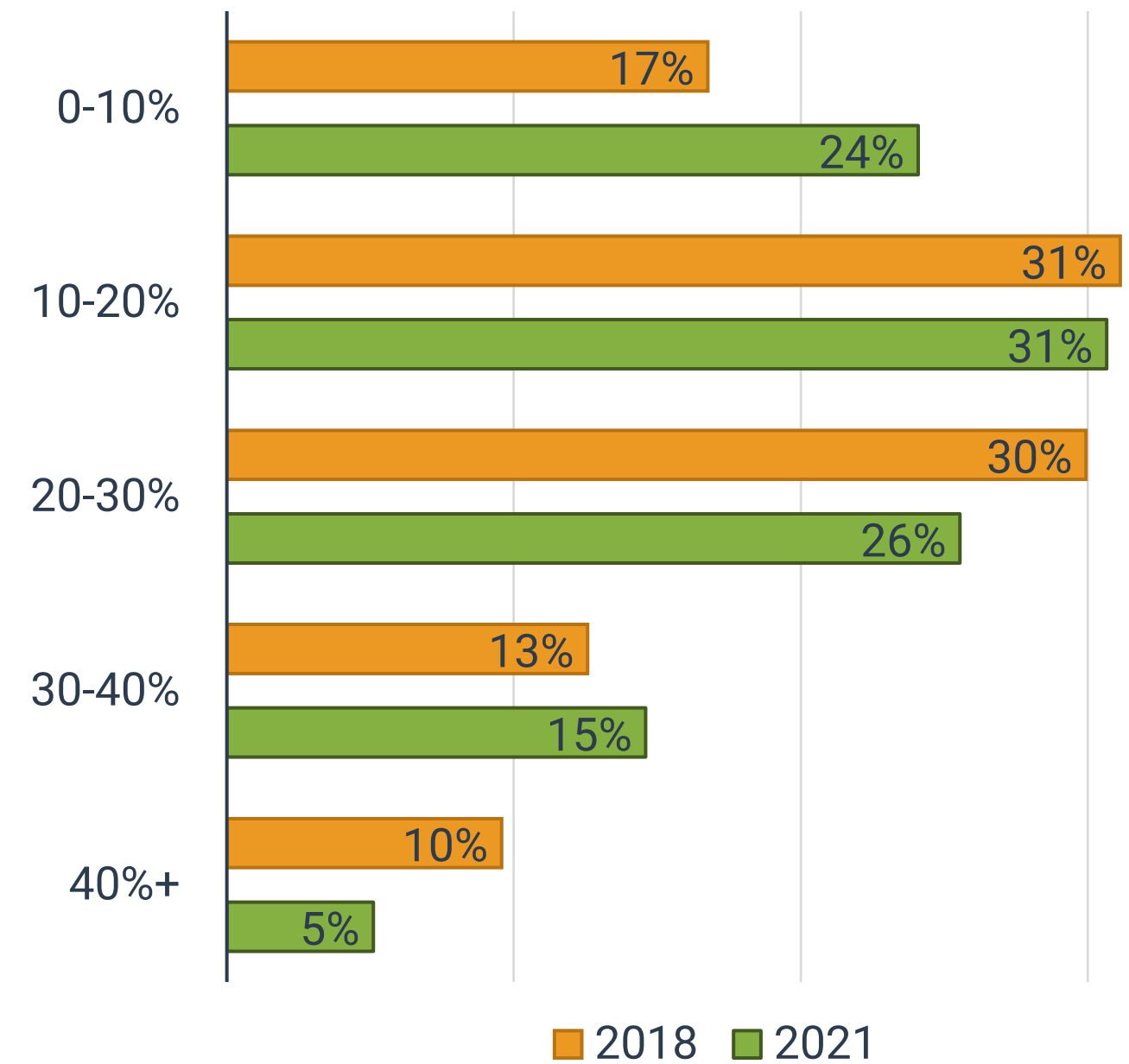
# FORECASTING SITUATION I

## IMPORTANCE AND TIME SPENT

Next year, cash forecasting will be:



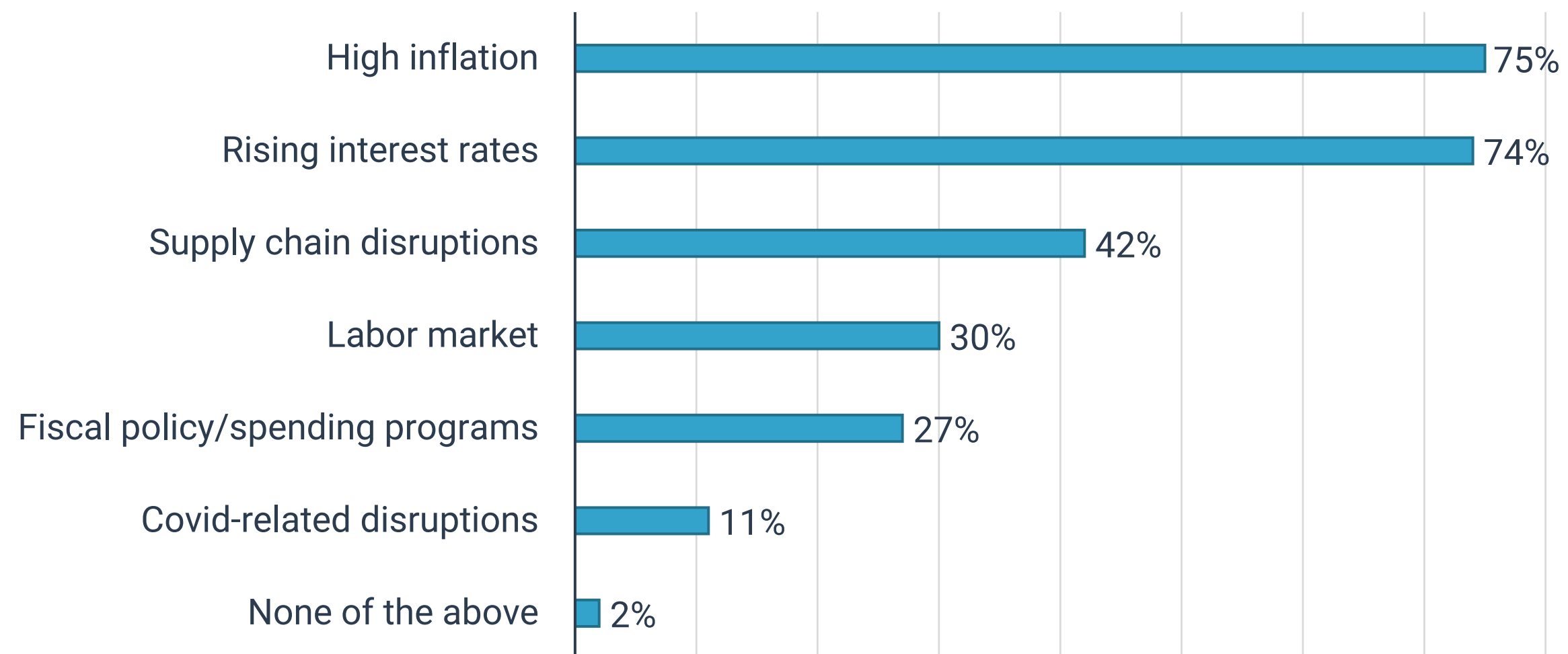
Percentage of time spent on cash reporting/positioning and forecasting operations



**Significantly more important to us**

# POLL QUESTION

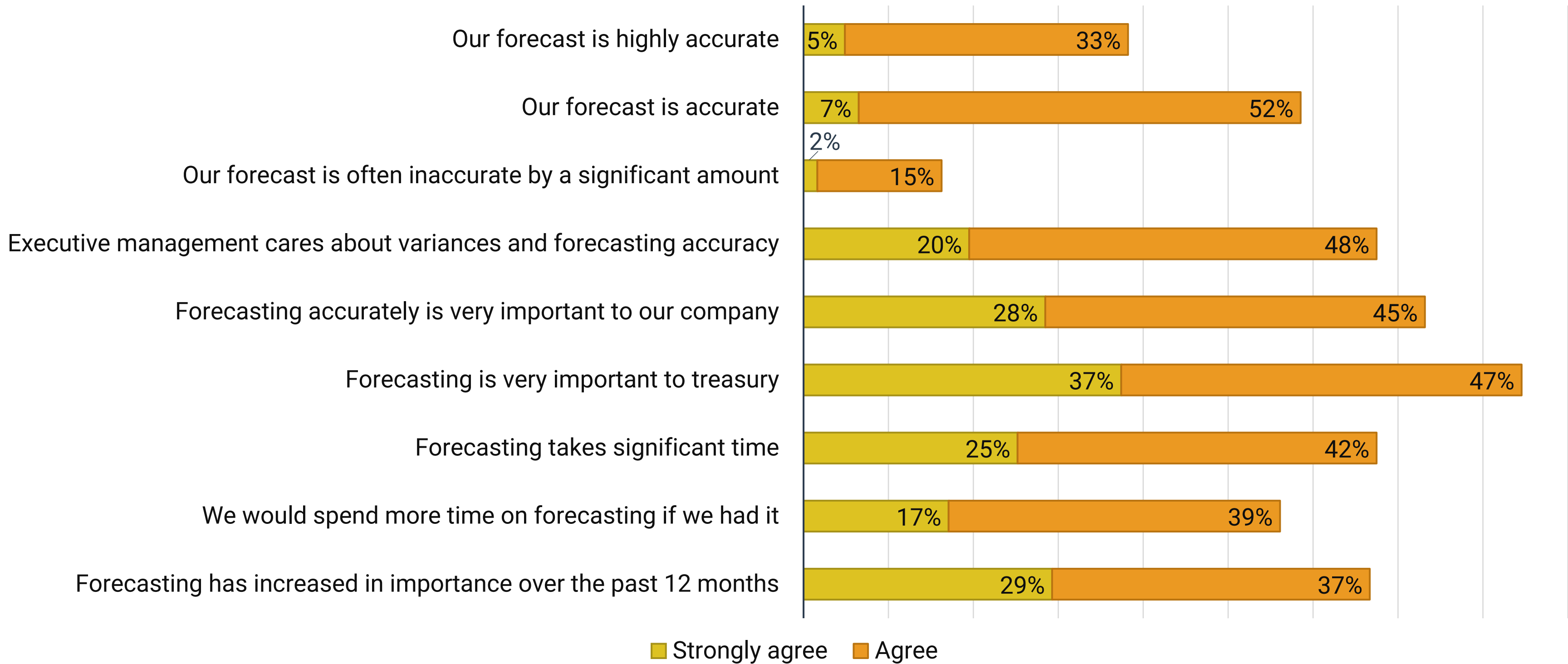
## Poll 1 - Which of the following situations cause you moderate to great concerns?



# FORECASTING SITUATION II

## ACCURACY AND PRIORITY

Please indicate your level of agreement with the following statements on forecasting accuracy and priority:

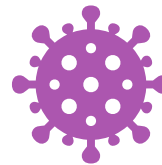


# EMPHASIS ON FORECASTING

GROWS DURING TOUGH TIMES



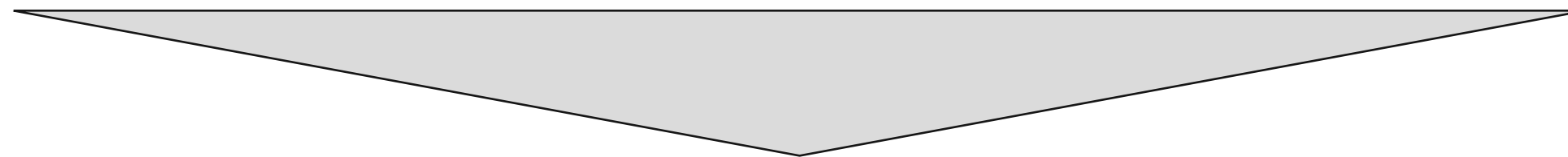
2008/2009 – Financial crisis



2020 – COVID and the “Lost Quarter”



2022 – Exploding inflation and rising interest rates



Increasing expectations

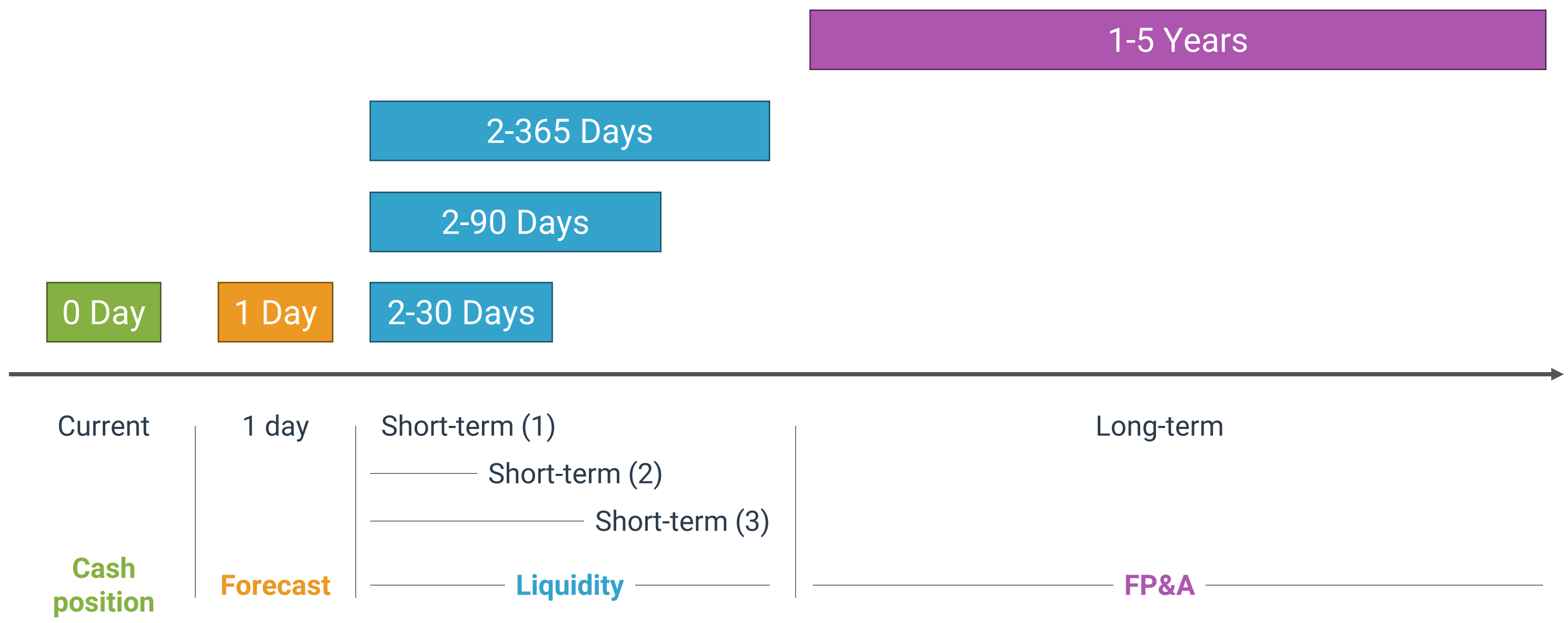
Increasing number of required models or scenarios

**Reduce surprises | Plan ahead | Understand the possibilities**

# FORECASTING DOMAINS I

TIME

TIME





# FORECASTING DOMAINS II

## CASH POSITION

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### CASH POSITION (SUMMARY)

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Historical bank data

- Prior/Current



Historical financial status data

- Prior/Current

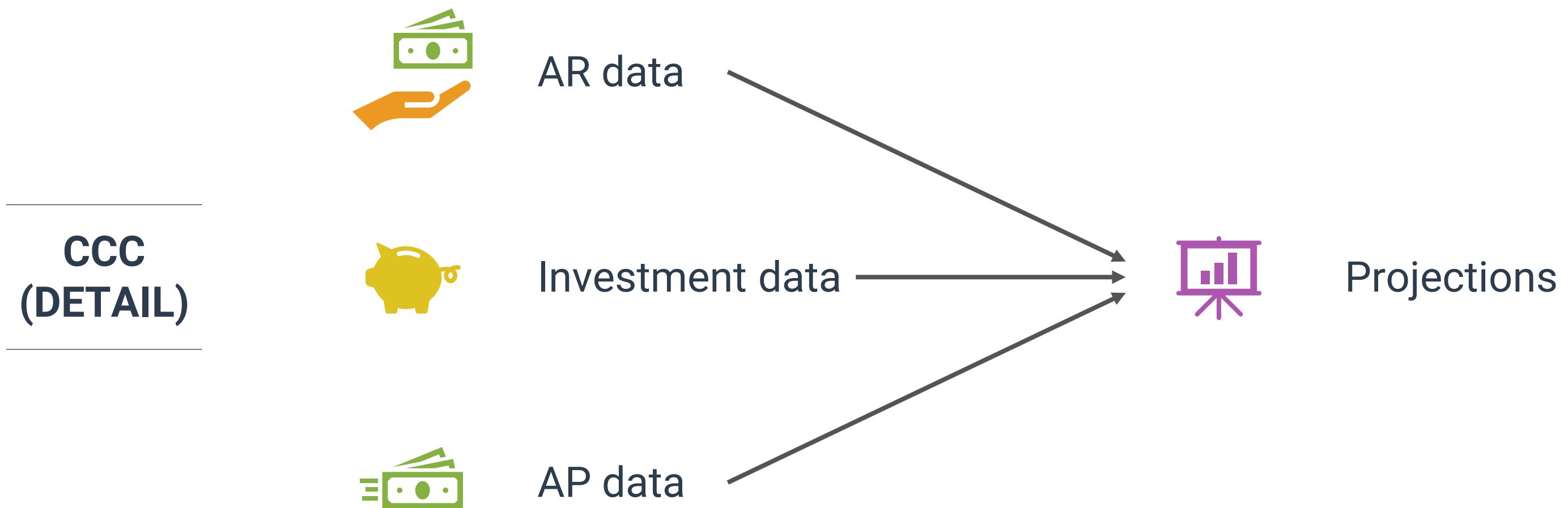


FP&A/Planning

- Future

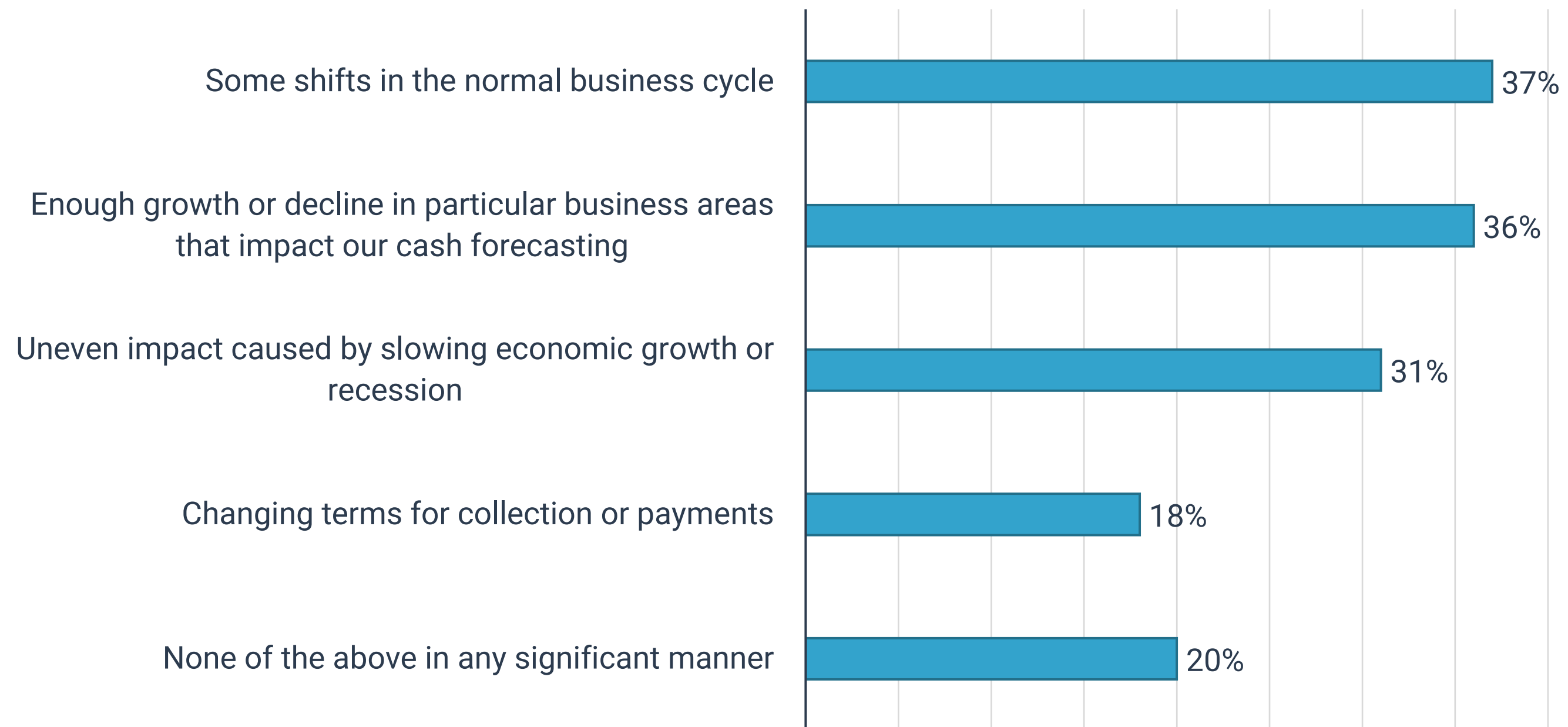
# FORECASTING DOMAINS III

## CASH CONVERSION CYCLE



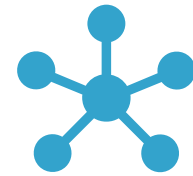
# POLL QUESTION

## Poll 2 - Our business is undergoing the following:



# COMPLEXITIES

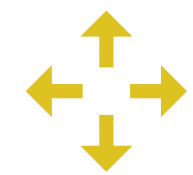
CONTEXT TO FACTOR IN



Entities / Lines of business



Countries / Geographic distribution



Business mix and shifts over time

# ACCURACY

## CONSIDERATIONS



What level of accuracy is needed?



What do you measure your variance analysis on?

- **Cash balance: 28%**
- **Cash flow: 24%**
- **Both: 47%**



Access to capital



- Revolver
- Commercial paper



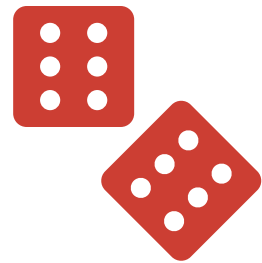
Expectations of management



- Models
- Scenarios

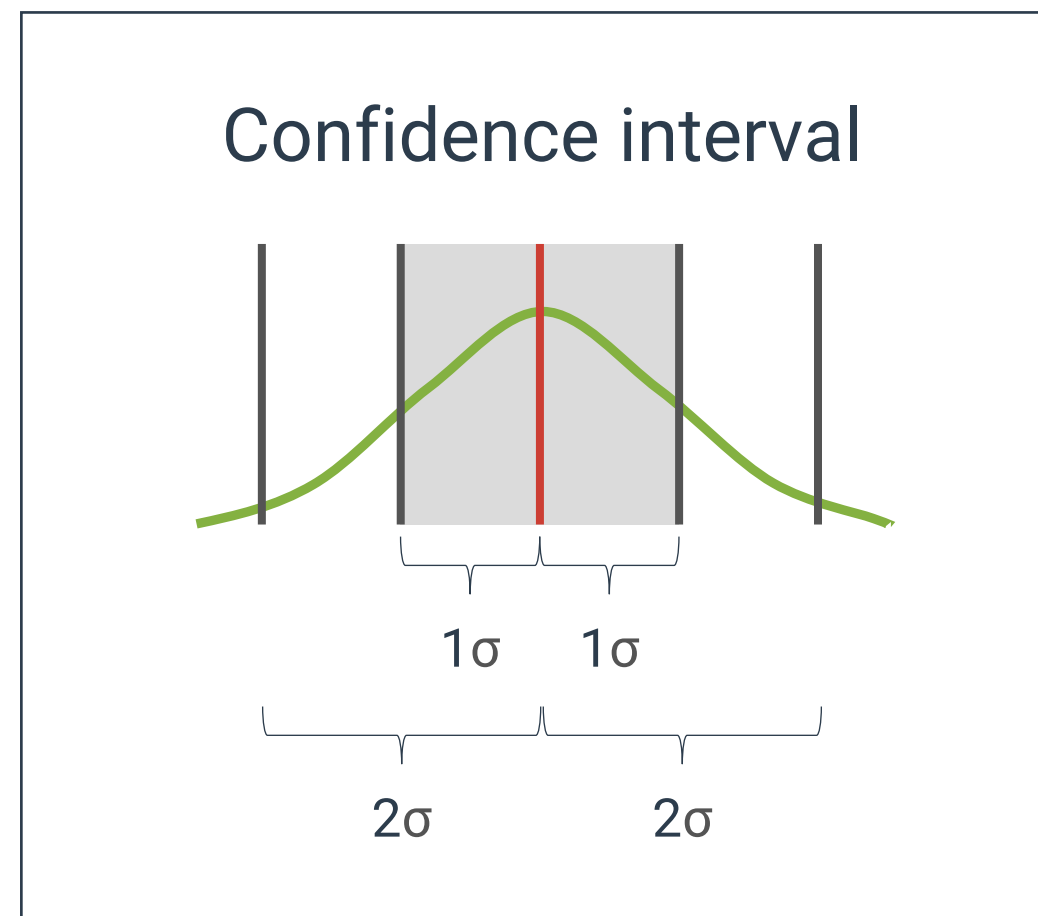
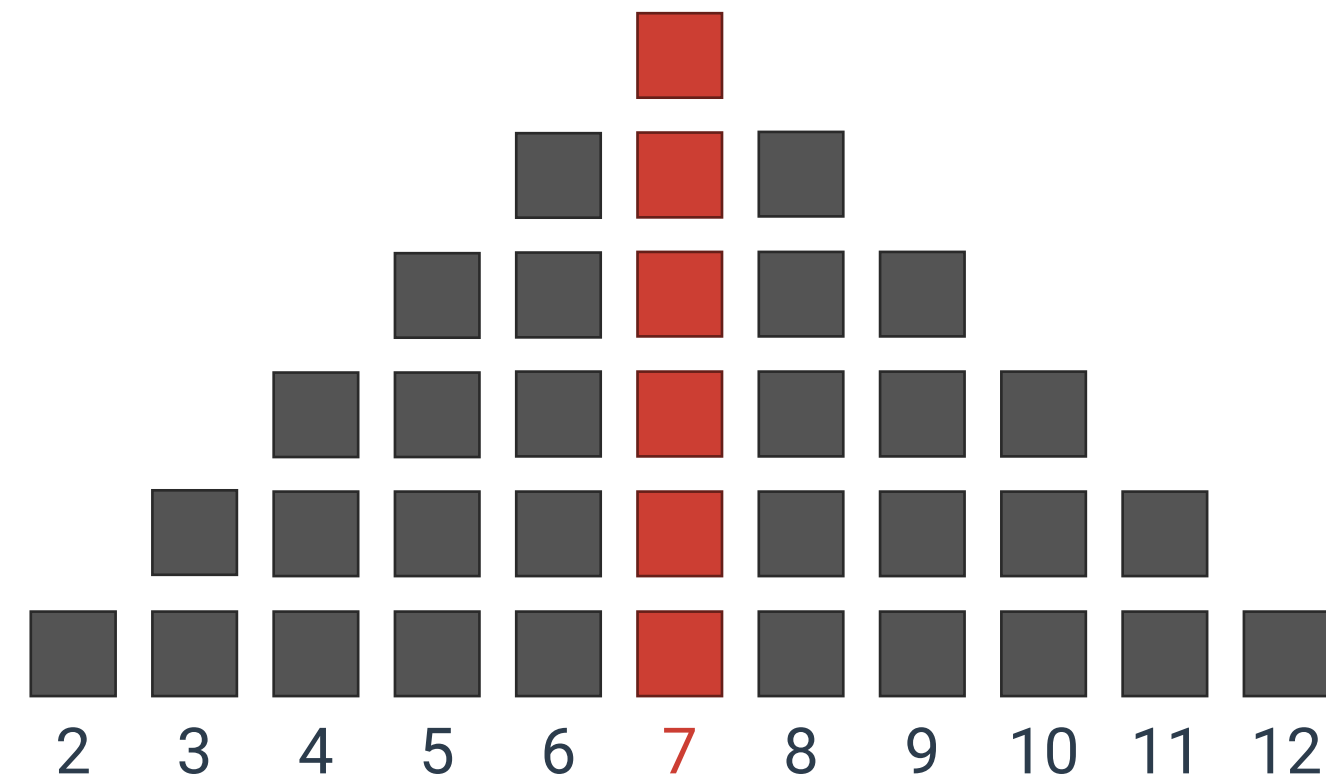
# FORECASTING CONCEPTS

RANGE OF VALUE VS. EXPECTED VALUE



Range of value: 2 – 12

Expected value: 7



# FORECASTING MODELING

## METHODOLOGY



### Frequency

- Day of week
- Day of month
- Week of month



### Orientation

- Historical with trend
- Future oriented
- Hybrid



### Receipts & Disbursements

- Actual data



### Averaging

- Running averages
- Weighted averages



### Regression

- Large numbers

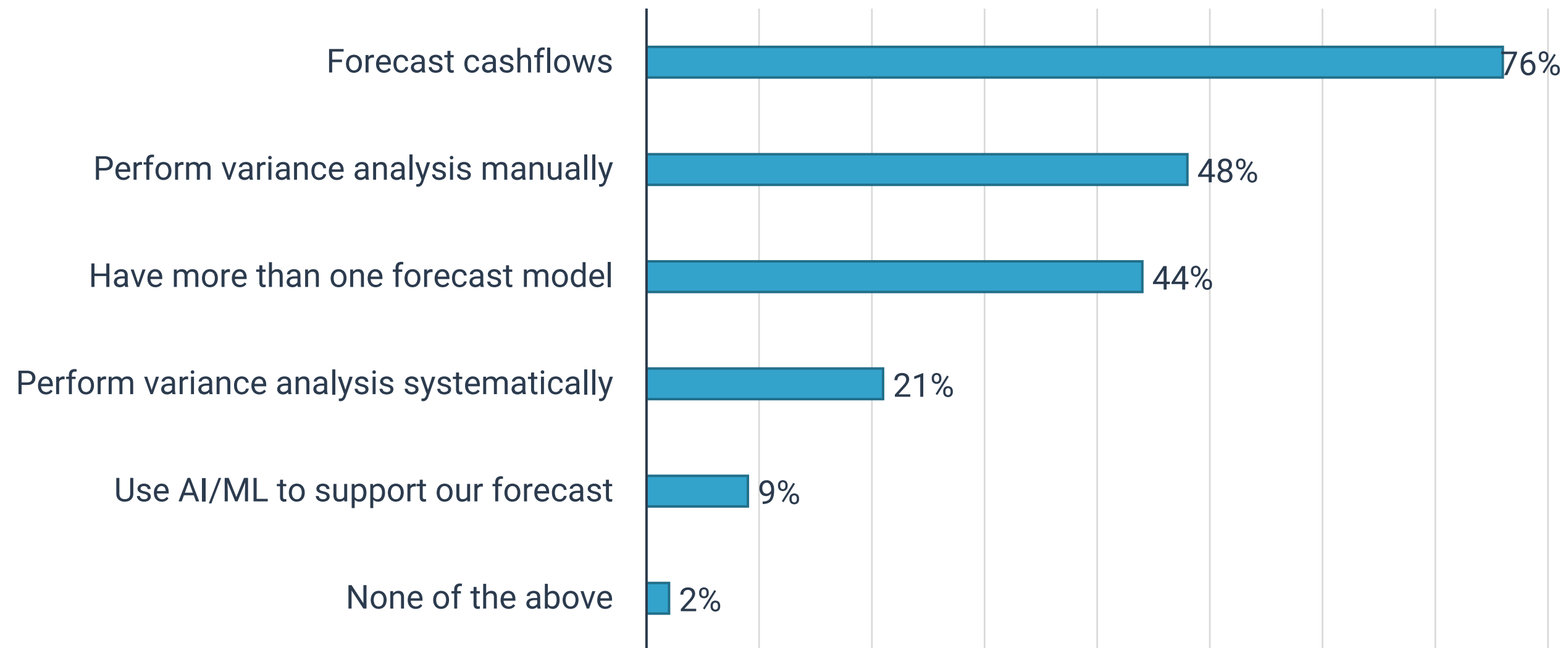


### Machine Learning

- Data and tech help

# POLL QUESTION

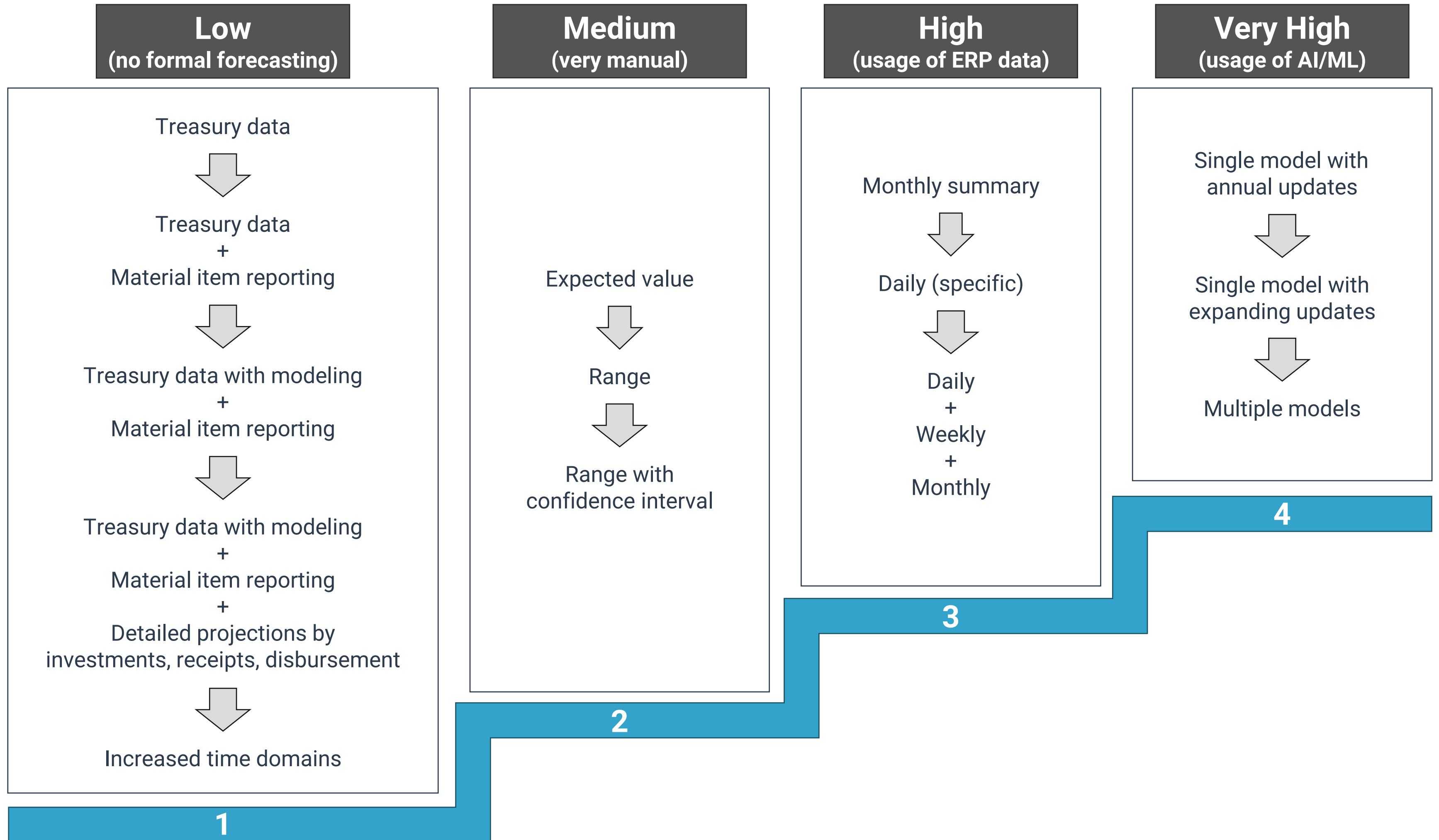
**Poll 3 - The following is true or mostly true of our organization's forecasting. We . . .**





# MATURITY OF CASH FORECASTING

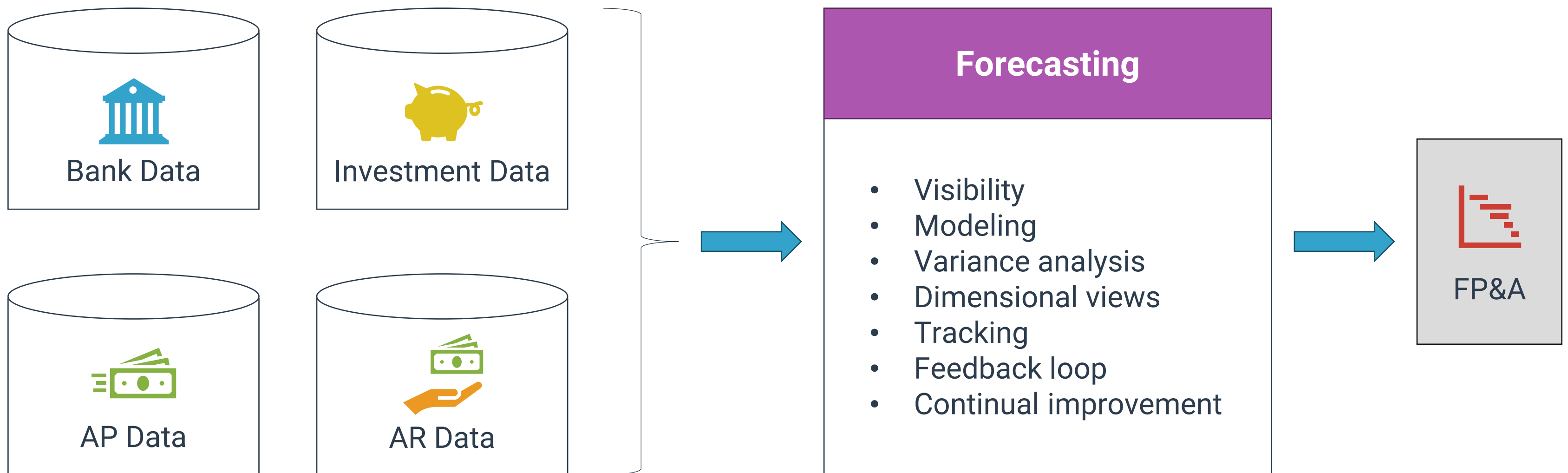
IMPROVING THE PROCESS TO INCREASE ACCURACY



As maturity increases, so do data requirements

# FORECASTING DATA AND TOOLS

HELPING PROVIDE INTELLIGENCE AND UNDERSTANDING



Management: “Why is the FP&A forecast for cash different from the cash forecast?”

Data | Tools | Intelligence | Understanding

# GETTING STARTED WITH FORECASTING

CRAWL, WALK, RUN, FLY



## Fly

- Optimized algorithms
- Machine-learning
- Logic-based routines (P&L to cash)
- Daily reforecasting



## Run

- Easy workflow
- Connecting to various data sources
- Multiple models
- Ranges
- Regular reforecasting



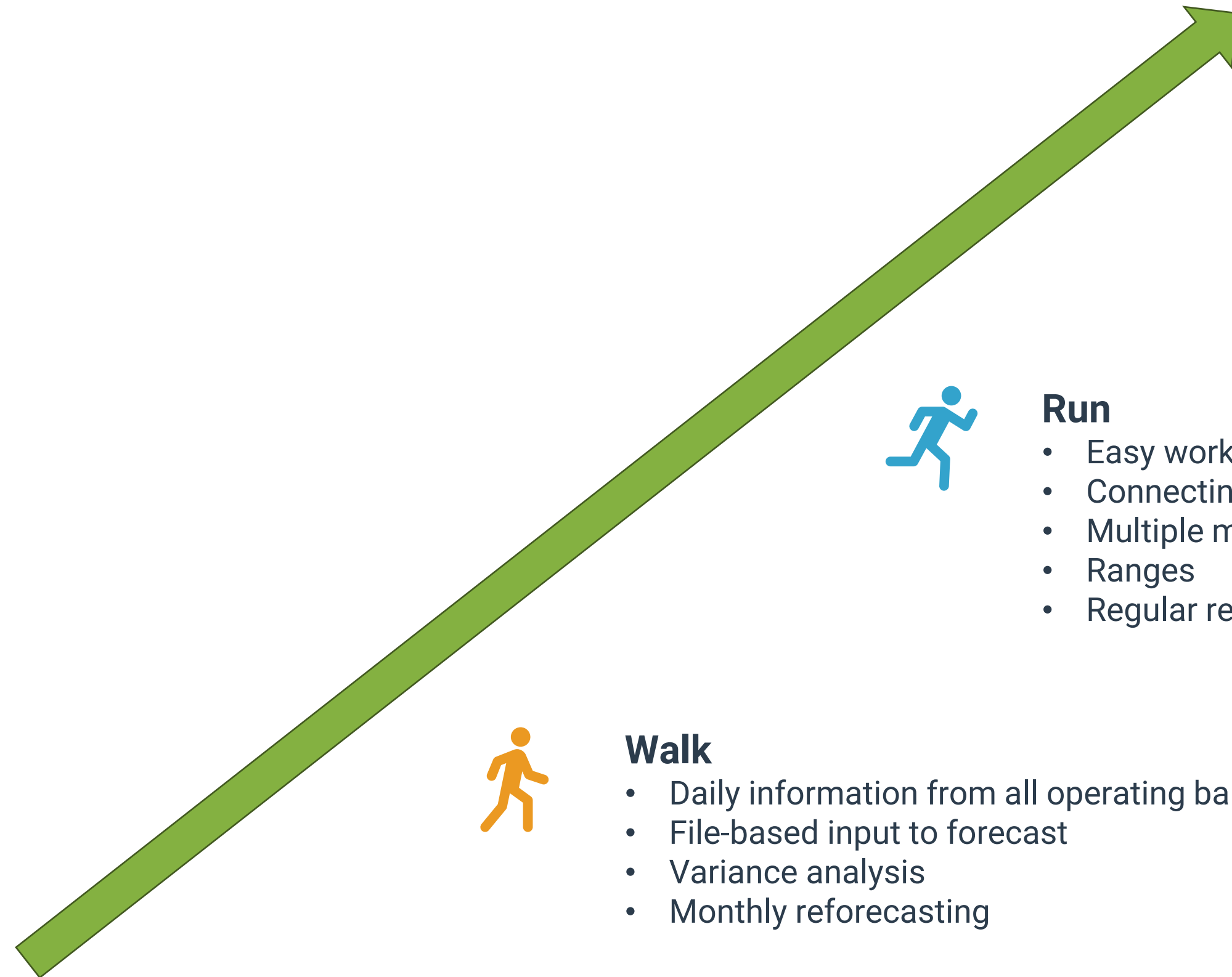
## Walk

- Daily information from all operating banks
- File-based input to forecast
- Variance analysis
- Monthly reforecasting



## Crawl

- Historical trends from bank statements
- Model from history
- Daily information from primary operating banks
- Annual or quarterly reforecasting



# KEY TAKEAWAYS

IDEAS AND POINTS TO BRING BACK TO THE OFFICE



## VISIBILITY

- Bank data needed
- Understand other key data points



## ACCURACY

- Materiality level
- Variance analysis



## POSITION

- Expectations
- Where are you?
- What is the target?



## NEEDS

- Technology
- Mindset
- Plan

# 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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