



Tips for Developing Effective Financial Forecasts

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Poll: Why do you forecast?

- Compare against plan
- Make course corrections
- Predictable performance
- All of the above



Poll: How often do you forecast?

- Once a week
- Once a month
- Once a quarter
- Every 6 months to once a year



1 in 5

companies currently produce a forecast that is reliable

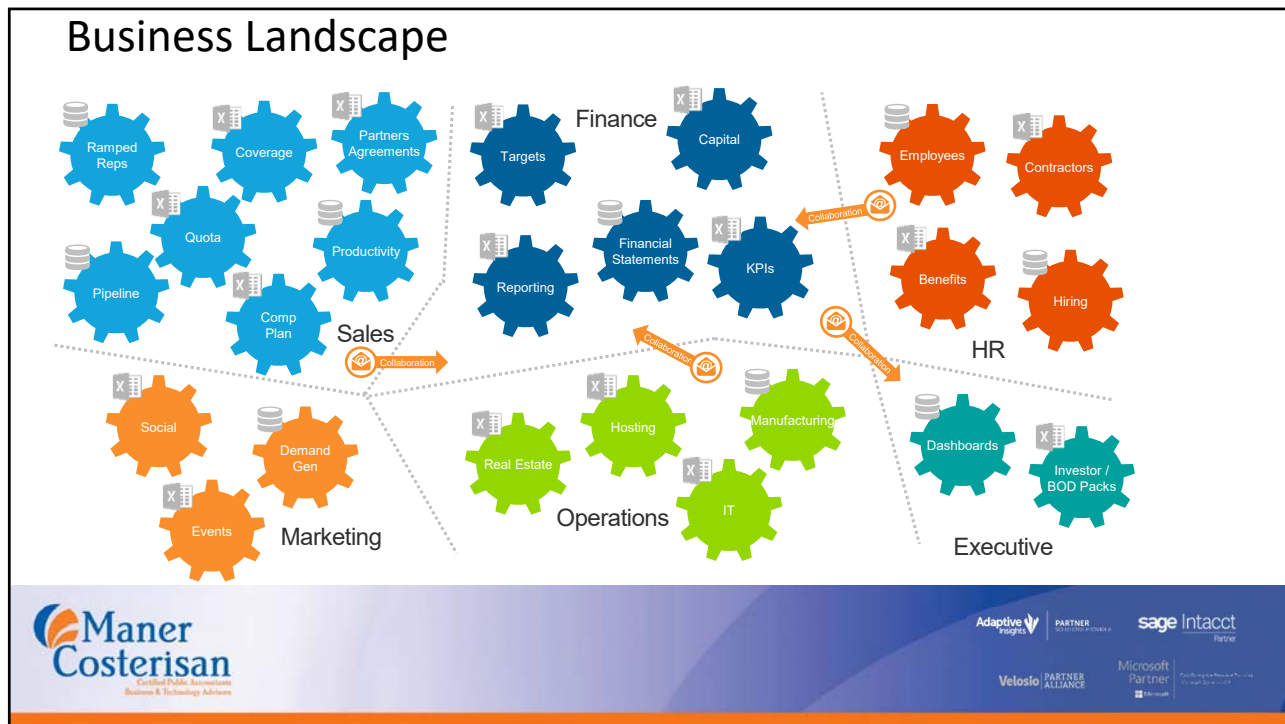
22%

of forecasts come in within 5% of actuals

Companies with forecasts that came within **5%** of actuals saw a **46%** increase in share price over a **3-year** period

Source: KPMG





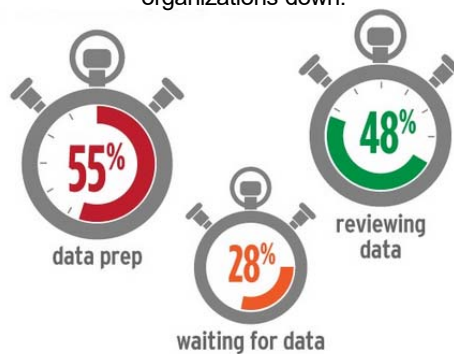
- ### 4 Tips to Improve Forecasting
- 1 Integrated Data**
 - 2 Comprehensive Models**
 - 3 Rolling Forecasts**
 - 4 Good, Better, Best Scenarios**
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- The Maner Costerisan logo is in the bottom left, and logos for Adaptive Insights, Sage Intacct, Velosio, and Microsoft are in the bottom right.

1. Integrated Data



Accessing data is a top obstacle for accurate forecasts and predictive analytics in 35% of organizations.

Data prep, waiting for data and assisting with data reviews are other areas that slow organizations down.



Just Not Enough Time



A Centralized System to Deliver a Single Source of Truth

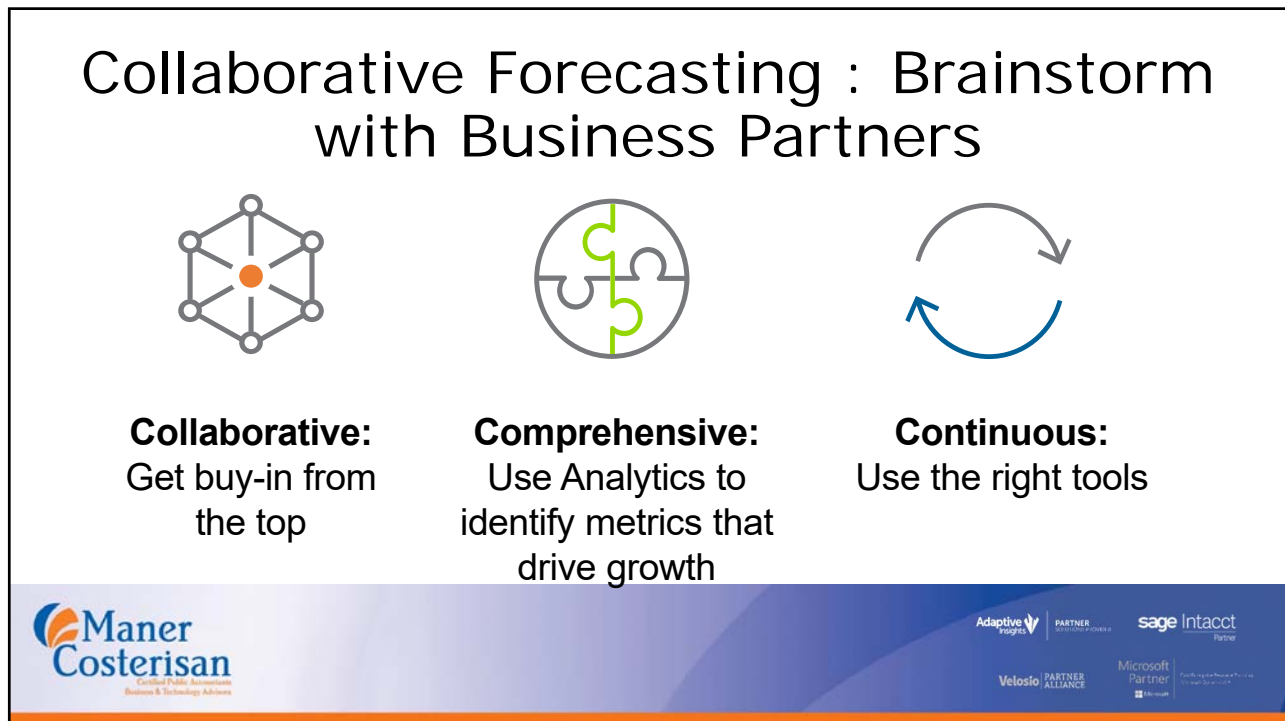
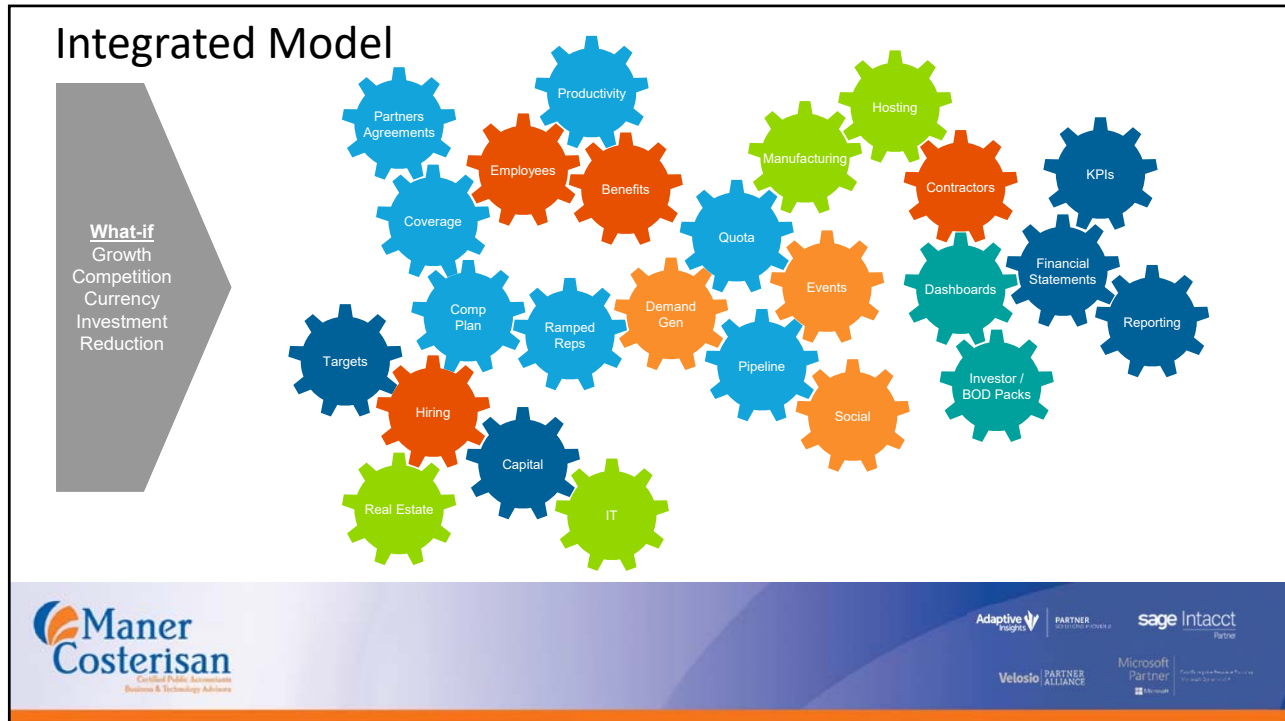
Eliminates confusion among competing data sets

Stops the debate over whose numbers are correct

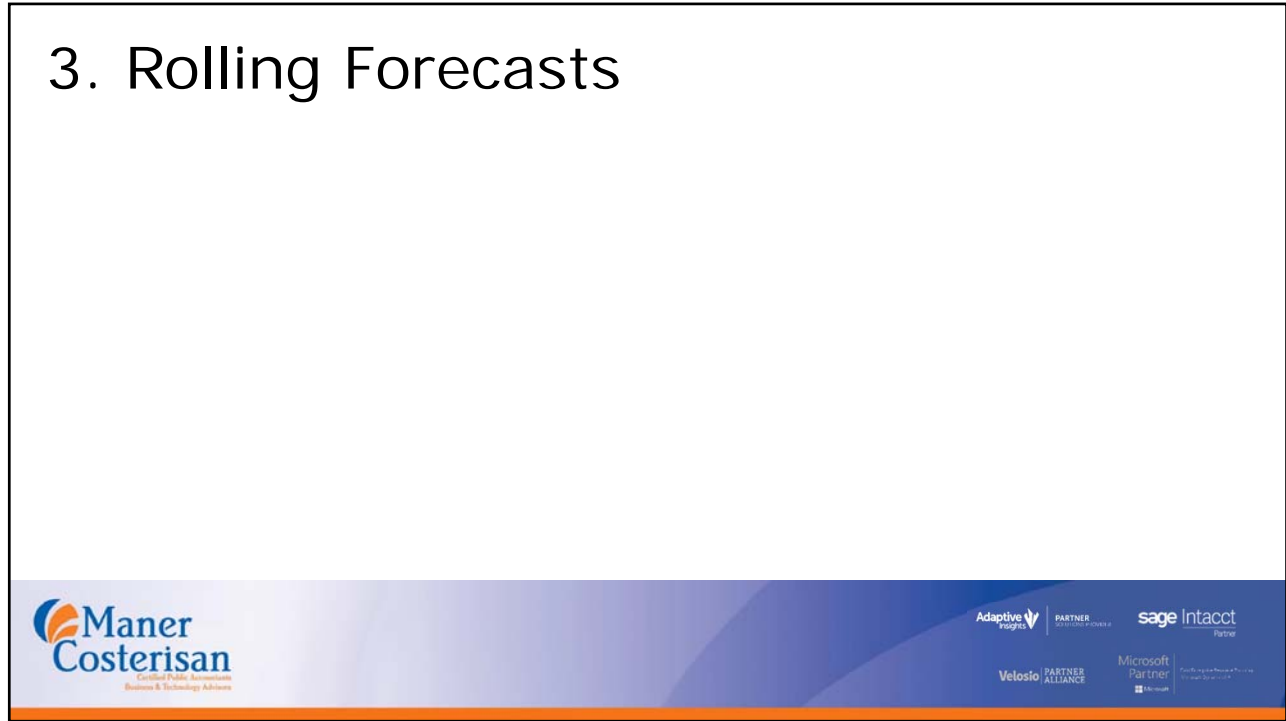
Refocuses the leadership discussion towards insight and action

Enables a consistent view of data across the organization in real-time

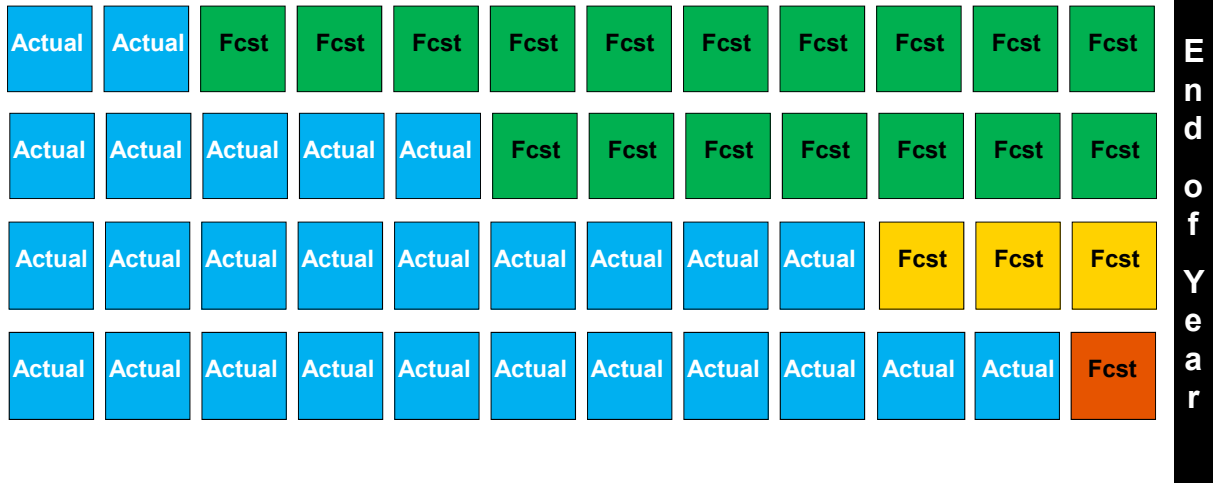
2. Comprehensive Models



3. Rolling Forecasts



"The Wall"



The Problems:

90% of companies don't change their resource allocation to reflect changes to their strategy or the environment.

Source: Deloitte



Rolling Forecasts: The Basics

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | | | |
|-----------------------------|-----|-----|-----|---------------|---------------|---------------|-------------|-----|-----|-------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|--|--|--|
| Traditional Forecast | | | | Q1 Forecast | | | | | | | | | | | | | | | | | | |
| | | | | | | | Q2 Forecast | | | | | | | | | | | | | | | |
| | | | | | | | | | | Q3 Forecast | | | | | | | | | | | | |
| Rolling Forecast | | | | 12-month view | | | | | | | | | | | | | | | | | | |
| | | | | | 12-month view | | | | | | | | | | | | | | | | | |
| | | | | | | 12-month view | | | | | | | | | | | | | | | | |



There Is No Universal, Standardized “Right” Horizon



Best Practices:

1. Align to Business Cycles, rather than the Fiscal Year
2. Look at least four to eight quarters past current quarters actuals

Six Questions to Ask to Help Determine The Right Horizon for Your Industry

1) What is the speed of change in my industry or business?

2) How intensive are the capital requirements?

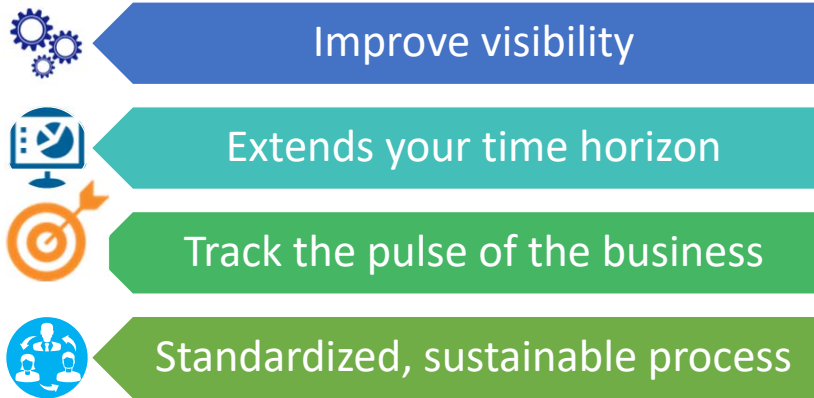
3) How long does it take to bring facilities online? Months or Years?

4) What are the lead times for our products?

5) How long does it take to change supply contracts?

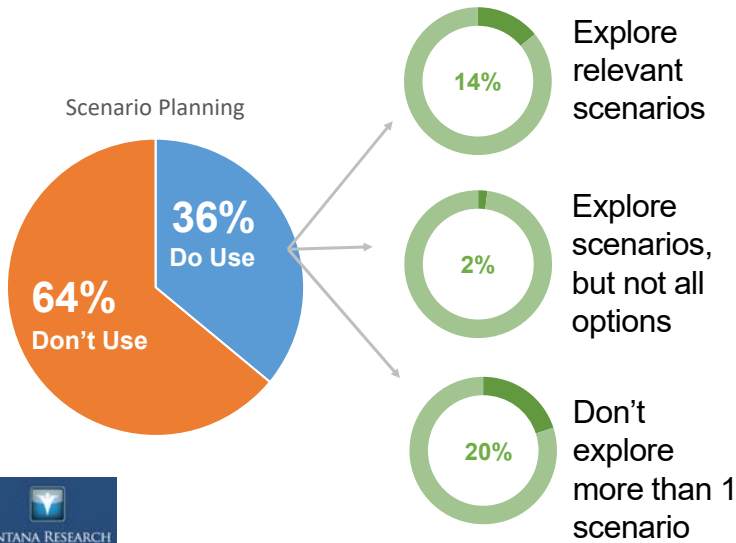
6) What is involved in adjusting marketing programs (or other drivers of demand)?

Rolling Forecasts: The Benefits



4. Good, Better, Best Scenarios

Despite the Benefits, Still a Minority Practice



Typical FP&A attempts at Scenario Analysis do not result in actionable to-do's because of:

- Lack of Process
- Systems and Technology
- Collaboration Challenges
- Practicality

Flex Drivers to Analyze Scenarios



- | | | | | |
|---------------|----------------|----------------|---------------|-------------|
| • Lead Volume | • Price | • Productivity | • Heads | • Tickets |
| • Conversion | • Unit Volume | • Utilization | • Attrition | • Customers |
| • Cost/Lead | • Productivity | | • Acquisition | • Backlog |

4 Tips to Improve Forecasting

- 1 Integrated Data
- 2 Comprehensive Models
- 3 Rolling Forecasts
- 4 Good, Better, Best Scenarios



Questions?

