



Cash Flow Forecasting

Sports Media and Publishing Company

Developed a monthly and weekly Cash Flow Forecasting model that estimates cash balance using the regional level revenue forecast, supplier level cost forecast, balance sheet actuals, and assumptions of DSO, DPO and VAT at regional/supplier level

Sports media and publishing company needs automated cash flow model

Picture this...

You're looking for developing an automated direct and indirect cash flow model to provide enhanced visibility into the future cash inflows/outflows. Currently, you prepare cash flow projections four times a year to assess its business viability. However, the process is manual and time consuming that does not allow any comparison with the previous forecast.

You turn to Accordion.

We partner with your team to develop a monthly and weekly cash flow forecasting model that estimates cash balance using the regional level revenue forecast, supplier level cost forecast, balance sheet actuals, and assumptions of DSO, DPO and VAT at regional/supplier level, including:

- 1) Developing an automated model that calculates the forecasted cash flows based on the regional level revenue forecast, supplier level cost forecast, balance sheet actuals, and assumptions for DSO, DPO and VAT at region/supplier level
- 2) Analyzing the VAT data and including VAT purchases in its cash flow estimates, that is not being considered in the earlier manual cash flow forecast process
- 3) Building an indirect cash flow, net working capital projections, and balance sheet budget, that can be directly leveraged by the executive team to make strategic decisions
- 4) The model is providing the flexibility for any manual adjustments, allowed users to add new business regions/suppliers, and presenting the variance of actuals with respect to 'current' forecast and 'Previous' forecast, to evaluate the efficiency of the forecasting process

Your value is enhanced.

You have a detailed forecast that helped the team to take decisions such as pulling forward collections/delaying vendor payments, securing debt/investment to better manage the business and arrive at a favorable cash position. You have automated the model that reduced the turn-around time to create the cash flow forecast from ~ 2 days to less than an hour. Also, now you have detailed analysis of DSO/DPO assumptions enabled to understand their impact on the cash position as well as laid the ground for payment term negotiations.

CASH FLOW FORECASTING

KEY RESULT

- ~ 2 days to less than an hour reduced to create the cash flow forecast

VALUE LEVERS PULLED

- Cash projections
- Net working capital projections
- Balance sheet budget
- Comparative analysis

Cash Flow Forecasting Model for a Sports Media and Publishing Company

Situation

- Client prepares cash flow projections four times a year to assess its business viability. However, the process was manual and time consuming, and did not allow any comparison with the previous forecast
- Partnered with the client to develop an automated direct and indirect cash flow model to provide enhanced visibility into the future cash inflows/outflows

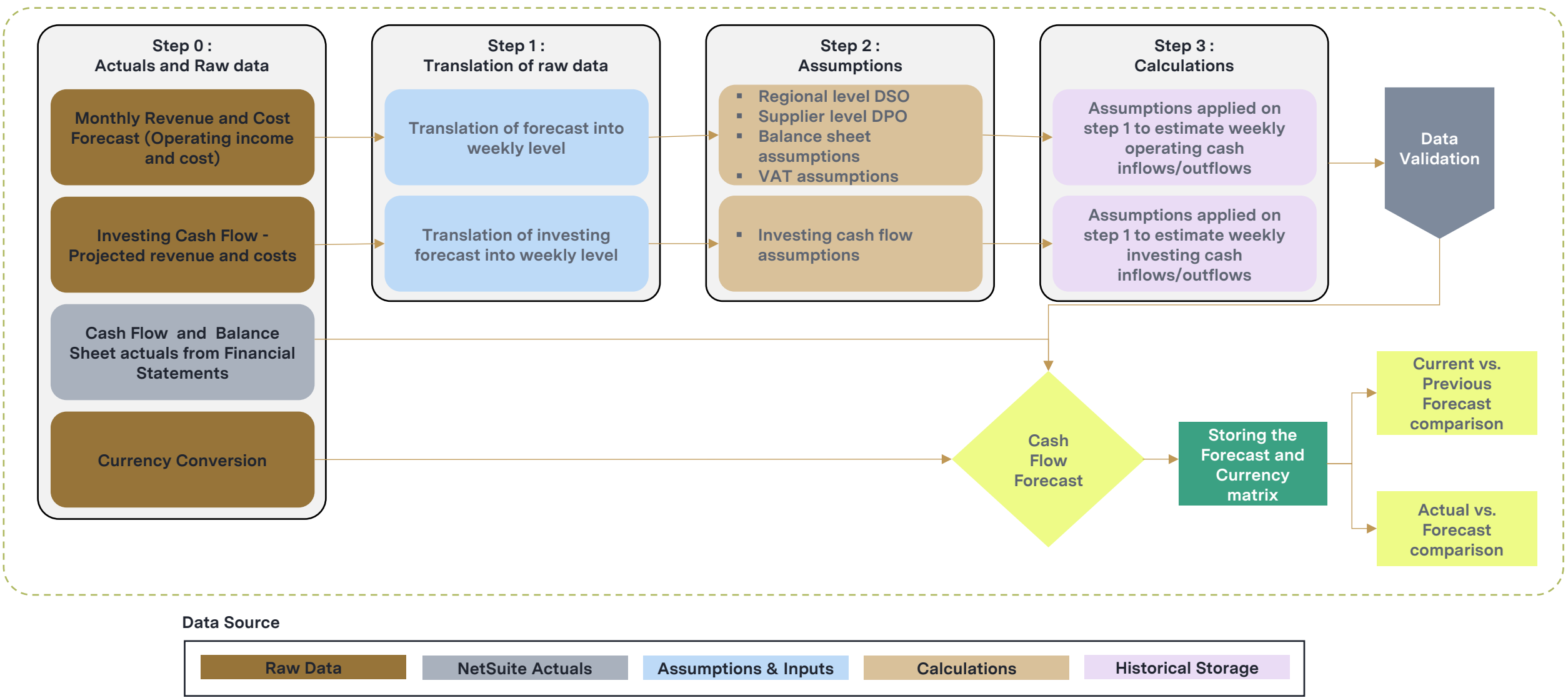
Accordion Value Add

- Developed an automated model that calculates the forecasted cash flows based on the regional level revenue forecast, supplier level cost forecast, balance sheet actuals, and assumptions for DSO, DPO and VAT at region/supplier level
- Analyzed the client's VAT data and included VAT purchases in its cash flow estimates, that was not being considered in the earlier manual cash flow forecast process
- Built an indirect cash flow, Net Working Capital projections, and balance sheet budget, that can be directly leveraged by the executive team to make strategic decisions
- The model provided the flexibility for any manual adjustments, allowed users to add new business regions/suppliers, and also presented the variance of Actuals with respect to 'Current' forecast and 'Previous' forecast, to evaluate the efficiency of the forecasting process

Impact

- Detailed forecast helped the team to take decisions such as pulling forward collections/delaying vendor payments, securing debt/investment to better manage the business and arrive at a favorable cash position
- Automation of the model reduced the turn-around time for creating the cash flow forecast from ~ 2 days to less than an hour
- Detailed analysis of DSO/DPO assumptions enabled the client to understand their impact on the cash position as well as laid the ground for Payment Term negotiations

Methodology/ Approach



Monthly cashflow forecast [direct method]

Macros
to save the
forecast
and
currency
matrix

Flexibility to
select
forecast start
month and
currency

Monthly Cashflow Forecast												
	<div>Save the Forecast</div> <div>Save Currency matrix</div>	Forecast Start Month										
		Month 1										
		Display Currency										
		USD										
		Month	Forecast Month 1	Forecast Month 2	Forecast Month 3	Forecast Month 4	Forecast Month 5	Forecast Month 6	Forecast Month 7	Forecast Month 8	Forecast Month 9	Forecast Month 10
Beginning Cash	Beginning Cash	\$	3,000,000	\$ 1,612,493	\$ 1,548,031	\$ 1,129,077	\$ (381,689)	\$ (884,716)	\$ (566,708)	\$ (381,431)	\$ (218,126)	\$ 288,975
Inflows	Collections	Collections										
		Accounts Receivable Runoff	\$ 2,000,000	\$ 700,000	\$ 1,650,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		Accrued Income Runoff	\$ 850,355	\$ 930,783	\$ 919,167	\$ 861,554	\$ 942,625	\$ 862,429	\$ 964,421	\$ 817,331	\$ 826,553	\$ 809,509
		Revenue Head 1	\$ 49,634	\$ 42,776	\$ 48,018	\$ 48,368	\$ 44,368	\$ 40,780	\$ 45,575	\$ 37,773	\$ 53,938	\$ 44,870
		Revenue Head 2	\$ 351,026	\$ 588,033	\$ 636,204	\$ 473,972	\$ 490,239	\$ 392,711	\$ 358,722	\$ 421,842	\$ 498,168	\$ 393,048
		Revenue Head 3	\$ 59,315	\$ 59,368	\$ 72,988	\$ 76,984	\$ 72,499	\$ 71,329	\$ 77,665	\$ 62,898	\$ 77,101	\$ 80,227
		Total Inflows	\$ 3,310,330	\$ 2,320,960	\$ 3,326,377	\$ 1,460,878	\$ 1,549,731	\$ 1,367,249	\$ 1,446,383	\$ 1,339,844	\$ 1,455,760	\$ 1,327,654
Outflows	Operating Outflows	Operating Outflows										
		Accounts Payable Runoff	\$ (3,500,000)	\$ (850,000)	\$ (1,500,000)	\$ (850,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		Accruals Runoff	\$ -	\$ (646,159)	\$ (1,054,259)	\$ (1,054,259)	\$ (1,020,251)	\$ (34,008)	\$ -	\$ -	\$ -	\$ -
		Cost Head 1	\$ (117,031)	\$ (112,198)	\$ (137,615)	\$ (120,778)	\$ (135,161)	\$ (138,416)	\$ (129,156)	\$ (112,685)	\$ (146,713)	\$ (140,603)
		Cost Head 2	\$ (101,877)	\$ (132,034)	\$ (118,286)	\$ (127,554)	\$ (129,689)	\$ (122,128)	\$ (118,930)	\$ (135,101)	\$ (104,675)	\$ (125,399)
		Cost Head 3	\$ (410,313)	\$ (60,197)	\$ (350,357)	\$ (242,177)	\$ (195,821)	\$ (174,685)	\$ (438,555)	\$ (349,151)	\$ (118,320)	\$ (69,886)
		Total Operating Outflows	\$ (4,129,221)	\$ (1,800,588)	\$ (3,160,517)	\$ (2,394,768)	\$ (1,480,922)	\$ (469,237)	\$ (686,641)	\$ (596,937)	\$ (369,708)	\$ (335,888)
	Total Outflows	Total Outflows	\$ (818,891)	\$ 520,372	\$ 165,860	\$ (933,890)	\$ 68,809	\$ 898,012	\$ 759,742	\$ 742,907	\$ 1,086,052	\$ 991,766
Cash from Investing Activities	Change in Cash Investing	Line Item 1	\$ (4,463)	\$ (4,201)	\$ (4,451)	\$ (4,262)	\$ (4,294)	\$ (4,269)	\$ (4,328)	\$ (4,405)	\$ (4,345)	\$ (4,464)
		Line Item 2	\$ (554,153)	\$ (570,633)	\$ (570,363)	\$ (562,614)	\$ (557,542)	\$ (565,734)	\$ (560,137)	\$ (565,197)	\$ (564,606)	\$ (563,204)
		Line Item 3	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)
		Total Change in Investing Activity	\$ (568,616)	\$ (584,834)	\$ (584,814)	\$ (576,876)	\$ (571,836)	\$ (580,003)	\$ (574,465)	\$ (579,602)	\$ (578,951)	\$ (577,668)
Cash from Financing Activities	Change in Cash Financing	Line Item 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		Line Item 2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		Total Change in Financing Activity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Change in Cash	Net Change in Cash	\$	(1,387,507)	\$ (64,462)	\$ (418,954)	\$ (1,510,766)	\$ (503,027)	\$ 318,009	\$ 185,277	\$ 163,305	\$ 507,101	\$ 414,098
Ending Cash Balance	Ending Cash	\$	1,612,493	\$ 1,548,031	\$ 1,129,077	\$ (381,689)	\$ (884,716)	\$ (566,708)	\$ (381,431)	\$ (218,126)	\$ 288,975	\$ 703,073
Total Cash Balance	Total Cash Balance	\$	1,612,493	\$ 1,548,031	\$ 1,129,077	\$ (381,689)	\$ (884,716)	\$ (566,708)	\$ (381,431)	\$ (218,126)	\$ 288,975	\$ 703,073

Cashflow
forecast
from
operating,
Investing
and
Financing
activities

Weekly cashflow forecast [Indirect method]

ILLUSTRATIVE

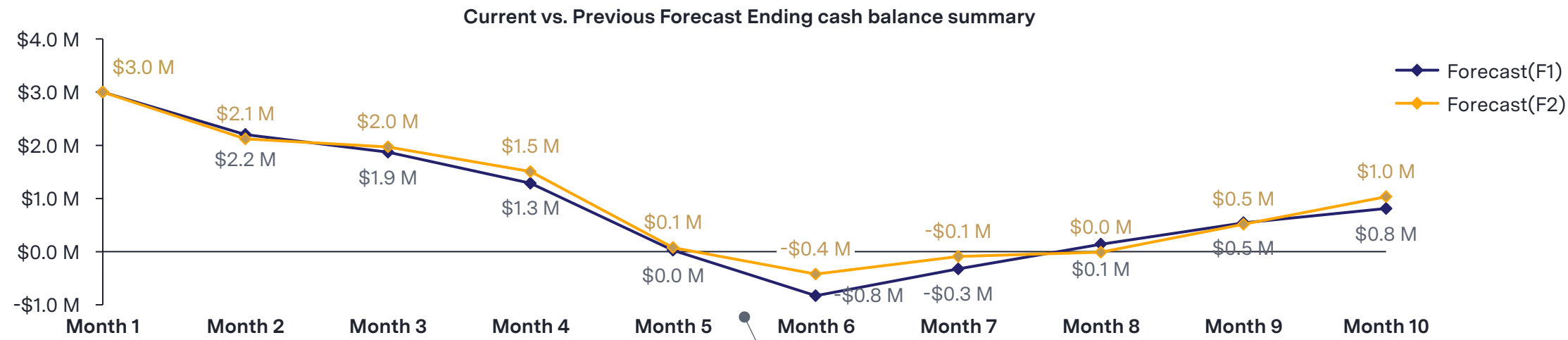
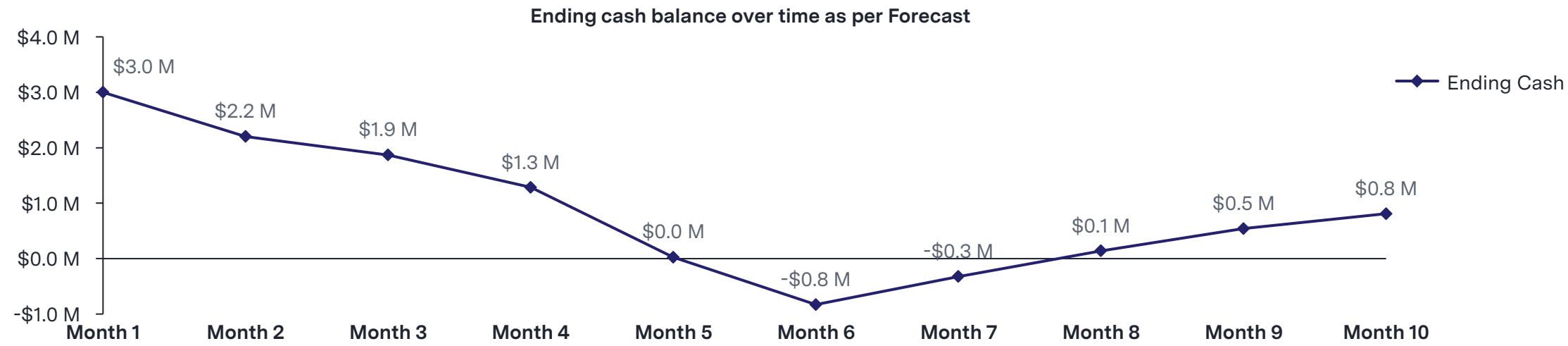
EBITDA to Cashflow													
		Forecast Start Week											
		Week 1											
		Display Currency											
		USD											
			Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
Month			Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	
Beginning Cash	Beginning Cash	\$	3,000,000	\$ 2,473,771	\$ 2,308,080	\$ 3,377,436	\$ 3,039,032	\$ 3,927,935	\$ 4,838,192	\$ 5,582,106	\$ 6,570,606	\$ 7,198,873	
Net Income													
	Revenue	\$	5,995,902	\$ 5,703,782	\$ 6,333,572	\$ 4,287,850	\$ 6,198,594	\$ 5,972,573	\$ 5,705,025	\$ 5,105,046	\$ 4,586,925	\$ 5,666,592	
	COGS	\$	(5,104,948)	\$ (5,102,210)	\$ (5,046,354)	\$ (4,738,055)	\$ (5,085,869)	\$ (4,918,719)	\$ (4,803,591)	\$ (5,034,731)	\$ (4,960,776)	\$ (5,109,861)	
	EBIDTA	\$	890,954	\$ 601,572	\$ 1,287,218	\$ (450,205)	\$ 1,112,725	\$ 1,053,854	\$ 901,434	\$ 70,315	\$ (373,851)	\$ 556,731	
	Depreciation and Amortization	\$	12,663	\$ 12,071	\$ 13,010	\$ 10,450	\$ 11,426	\$ 12,811	\$ 10,885	\$ 13,311	\$ 10,701	\$ 13,127	
	Interest and Taxes	\$	(139,632)	\$ (248,235)	\$ (128,693)	\$ (214,625)	\$ (1,434)	\$ (179,598)	\$ (246,020)	\$ (205,240)	\$ (238,209)	\$ (53,684)	
	Net Income	\$	763,985	\$ 365,408	\$ 1,171,535	\$ (654,380)	\$ 1,122,717	\$ 887,067	\$ 666,299	\$ (121,614)	\$ (601,359)	\$ 516,174	
Cash from Operations	Adjustments to Net Income	Net Income adjusted for											
		Depreciation and Amortization	\$	(12,663)	\$ (12,071)	\$ (13,010)	\$ (10,450)	\$ (11,426)	\$ (12,811)	\$ (10,885)	\$ (13,311)	\$ (10,701)	\$ (13,127)
		Change in Current Assets											
		Line Item 1	\$	1,229,651	\$ 54,147	\$ 1,011,933	\$ 381,505	\$ (519,519)	\$ (20,617)	\$ 1,019,172	\$ (443,021)	\$ (453,064)	\$ 213,908
		Line Item 2	\$	(794,099)	\$ (819,961)	\$ (775,398)	\$ (774,811)	\$ (768,860)	\$ (844,948)	\$ (895,289)	\$ (915,267)	\$ (724,052)	\$ (853,236)
		Line Item 3	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		Total change in Current Assets	\$	435,552	\$ (765,814)	\$ 236,535	\$ (393,306)	\$ (1,288,379)	\$ (865,565)	\$ 123,883	\$ (1,358,288)	\$ (1,177,116)	\$ (639,328)
		Change in Current Liabilities											
		Line Item 1	\$	208,955	\$ (598,286)	\$ 837,787	\$ 688,590	\$ (569,596)	\$ 44,179	\$ 972,473	\$ 647,124	\$ 754,051	\$ 541,153
		Line Item 2	\$	(487,042)	\$ (100,167)	\$ (108,485)	\$ (183,932)	\$ (351,519)	\$ (302,701)	\$ (175,180)	\$ (315,456)	\$ (108,992)	\$ (77,158)
		Line Item 3	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Total change in Current Liabilities	\$	(278,087)	\$ (698,453)	\$ 729,302	\$ 504,658	\$ (921,115)	\$ (258,522)	\$ 797,293	\$ 331,668	\$ 645,059	\$ 463,995	
	Total change in Working Capital	\$	713,639	\$ (67,361)	\$ (492,767)	\$ (897,964)	\$ (367,264)	\$ (607,043)	\$ (673,410)	\$ (1,689,956)	\$ (1,822,175)	\$ (1,103,323)	
	Total	Total cash from Operations	\$	37,683	\$ 420,698	\$ 1,651,292	\$ 233,134	\$ 1,478,555	\$ 1,481,299	\$ 1,328,824	\$ 1,555,031	\$ 1,210,115	\$ 1,606,370
Cash from Investing Activities	Change in Cash Investing												
	Line Item 1	\$	(4,414)	\$ (4,261)	\$ (4,293)	\$ (4,368)	\$ (4,260)	\$ (4,388)	\$ (4,331)	\$ (4,349)	\$ (4,351)	\$ (4,337)	
	Line Item 2	\$	(549,498)	\$ (572,128)	\$ (567,643)	\$ (557,170)	\$ (575,392)	\$ (556,654)	\$ (570,579)	\$ (552,182)	\$ (567,497)	\$ (546,555)	
	Line Item 3	\$	(10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	\$ (10,000)	
	Total Change in Investing Activity	\$	(563,912)	\$ (586,389)	\$ (581,936)	\$ (571,538)	\$ (589,652)	\$ (571,042)	\$ (584,910)	\$ (566,531)	\$ (581,848)	\$ (560,892)	
Cash from Financing Activities	Change in Cash Financing												
	Line Item 1	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	Line Item 2	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	Total Change in Financing Activity	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Net Cash Flow	Net Cash Flow	\$	(526,229)	\$ (165,691)	\$ 1,069,356	\$ (338,404)	\$ 888,903	\$ 910,257	\$ 743,914	\$ 988,500	\$ 628,267	\$ 1,045,478	
Ending Cash Balance	Ending Cash	\$	2,473,771	\$ 2,308,080	\$ 3,377,436	\$ 3,039,032	\$ 3,927,935	\$ 4,838,192	\$ 5,582,106	\$ 6,570,606	\$ 7,198,873	\$ 8,244,351	

Flexibility to select forecast start week and currency

Net Income

Cashflow forecast from operating, Investing and Financing activities

Monthly Cashflow Charts



Comparison of monthly ending cash balance as per the current forecast compared with any previous forecast

Variance Analysis

Flexibility to select forecast month and currency

Actual vs Forecast comparison									
Forecast Starting Month (F1)		May		Comparison Month					
Display Currency [Forecast Monthly sheet]		USD		May					

Balance Sheet Budget

Actual figures from Balance Sheet

Balance sheet projections for forecasted periods

Balance Sheet Budget

	Actuals	Actuals	Actuals	Actuals	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11
Line Item 1	\$ 7,992,118	\$ 7,509,288	\$ 7,071,452	\$ 7,494,323	\$ 7,427,265	\$ 8,462,011	\$ 8,465,938	\$ 7,580,507	\$ 7,629,085	\$ 7,868,042	\$ 7,154,862
Line Item 2	\$ 9,016,939	\$ 9,036,166	\$ 9,027,292	\$ 9,025,117	\$ 6,016,745	\$ 3,008,372	\$ -	\$ -	\$ -	\$ -	\$ -
Line Item 3	\$ 2,424,916	\$ 2,436,439	\$ 2,443,194	\$ 2,442,617	\$ 1,831,963	\$ 1,221,309	\$ 610,654	\$ -	\$ -	\$ -	\$ -
Line Item 4	\$ 421,783	\$ 321,430	\$ 338,888	\$ 381,377	\$ 435,603	\$ 362,439	\$ 319,863	\$ 448,260	\$ 420,783	\$ 305,339	\$ 348,234
Current Assets	\$ 19,855,756	\$ 19,303,323	\$ 18,880,826	\$ 19,343,434	\$ 15,711,575	\$ 13,054,131	\$ 9,396,455	\$ 8,028,767	\$ 8,049,868	\$ 8,173,381	\$ 7,503,096
Line Item 1	\$ 8,353,890	\$ 7,961,054	\$ 7,463,320	\$ 8,349,113	\$ 7,872,863	\$ 7,242,792	\$ 7,564,652	\$ 7,430,186	\$ 8,150,629	\$ 7,761,915	\$ 8,273,916
Line Item 2	\$ 7,496,976	\$ 7,497,134	\$ 7,511,751	\$ 7,504,446	\$ 5,002,964	\$ 2,501,482	\$ -	\$ -	\$ -	\$ -	\$ -
Line Item 3	\$ 2,354,254	\$ 2,345,762	\$ 2,364,818	\$ 2,370,274	\$ 1,777,706	\$ 1,185,137	\$ 592,569	\$ -	\$ -	\$ -	\$ -
Line Item 4	\$ 398,230	\$ 328,154	\$ 407,362	\$ 376,293	\$ 312,241	\$ 435,834	\$ 314,754	\$ 330,659	\$ 305,995	\$ 412,196	\$ 378,539
Current Liabilities	\$ 18,603,350	\$ 18,132,104	\$ 17,747,251	\$ 18,600,126	\$ 14,965,774	\$ 11,365,245	\$ 8,471,975	\$ 7,760,845	\$ 8,456,624	\$ 8,174,111	\$ 8,652,455

Learnings

- The team got an opportunity to explore macros and use the same to make the model more robust.
- The project requirement led us develop a template for indirect cash flow and net working capital projections and utilize the same in the model.