# Financial, Operational & Cash Forecasting

**CBIZ**
PRIVATE EQUITY
ADVISORY

**Forecasting creates a critical bridge between planned and actual business performance. Our focus on frequently, efficiently, and systematically creating visibility into future events allows management teams to optimize their return on attention and resources.**

## Integrated Financial Forecasts

Companies should supplement their monthly financial reporting process with a regular re-forecast of future period results.

- **3-Statement Forecasts:** An integrated model that equally considers balance sheet forecasts highlights longer-term capital constraints that may not be apparent from a P&L forecast alone.

- **Key Assumptions:** Building the P&L model off of select variable / fixed activity assumptions and a balance sheet model that relies on critical working capital drivers creates an efficient re-forecasting process for resource-constrained finance teams.

## Weekly Cash Flow Forecasts

We deliver models that combine real-time data with dynamic business assumptions for greater confidence in future cash position.

- **Data Driven:** A great process uses detailed collections, disbursements, purchasing, payroll, etc. data to build the most informed liquidity forecast.

- **Integrated with Business Performance:** Our teams provide analysis and bridges that use short-to-medium term cash outlooks to ultimately validate or challenge broader performance assumptions.

## Sales, Inventory, and Operations Forecasts

Our approach to operations forecasting makes efficient use of data to most effectively coordinate activities to elevate performance.

- **Targeted**: Whether implementing a robust sales forecast to coordinate downstream inventory management or labor forecasts to guide staffing in field operations, our team keeps models and processes focused on financial impact.

- **Variance Analysis:** Operations forecasting must feed a variance analysis process at the appropriate granularity to improve forecasting accuracy and business performance.

### FINANCIAL, OPERATIONAL & CASH FORECASTING *BY THE NUMBERS*

**50+** Our team has leveraged industry-specific expertise with data-driven models to unlock forecasting capabilities at over 50 middle-market PE-backed companies each year.

## A Rigorous Process

### DELIVERING VALUE & CONFIDENCE

While detailed project activities are extremely tailored to the specific needs, the below methodology is applied across all forecasting engagements:

1. Gain an **understanding** of conceptual business model, key drivers and critical processes.

2. Inventory **data sources** with a specific focus on timeliness relative to target process.

3. Recommend which assumptions are rooted in data analysis vs. input from process participants.

4. Build **initial forecasting models** and workflow for updates.

5. **Stress-test** initial model against actuals; refine model assumptions and mechanics.

6. **Document** models and process; **train** internal team to manage ongoing capability.

This methodology focuses on implementing forecasting capabilities that are efficient, accurate and sustainable.

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## Sample Financial, Operational & Cash Forecasting Clients

### REAL | CHEMISTRY

**Private Equity Fund:**
New Mountain Capital

### KETTLE CUISINE

**Private Equity Fund:**
Kainos Capital

### MSA SECURITY

**Private Equity Fund:**
PWP Growth Equity

### PORTLAND FORGE
PREMIER FORGE GROUP

**Private Equity Fund:**
Wynnchurch Capital

### FORTIS SOLUTIONS GROUP

**Private Equity Fund:**
Harvest Partners

### FoodScience®

**Private Equity Fund:**
Wind Point Partners

### CBIZ
PRIVATE EQUITY ADVISORY

## Case Study

### POSITIONED FOR SUCCESS

**INDUSTRY:** Industrial Manufacturing

**SERVICE:** Integrated Financial Forecast

**REVENUE:** $200MM

**ISSUE:** Company had minimal capabilities to generate a holistic near-term outlook on financial performance. The Company had a reliable backlog, therefore sales were relatively predictable. However, Company is highly leveraged with an evolving cash conversion cycle and strict covenants. Understanding the total financial impacts of business changes from cash availability to upcoming leverage ratios would be critical to optimizing their growth strategy.

**SOLUTION:** CBIZ Private Equity Advisory designed a flexible, assumption-driven financial forecasting model to efficiently re-cast future financial position each month with specific focus on:

- Including an integrated 3-statement forecast with clearly defined user toggles to change forecasting assumptions on a line item level as needed.
- Establishing automated feeds to the Company source ERP to enable 'press-button' refresh of actual results upon close of the accounting period.
- Allowing for a rolling 12 month forecast period with the ability to generate an updated current year outlook with efficient comparisons to budget and prior year.
- Summarizing results to forecast upcoming covenant ratios and debt service payments.

**OUTCOME:** Through the creation of the monthly integrated financial forecast, the Company is now able to:

- Quickly and accurately forecast financial performance across the entire Company by leveraging a set of defined user inputs and assumptions.
- Efficiently test scenarios and understand how business decisions will impact the financials and overall performance of the Company.
- Understand the cash requirements needed to grow sales and know what levers need to be manipulated to increase the liquidity.