



Forecasting in the face of uncertainty

A three step approach to scenario planning

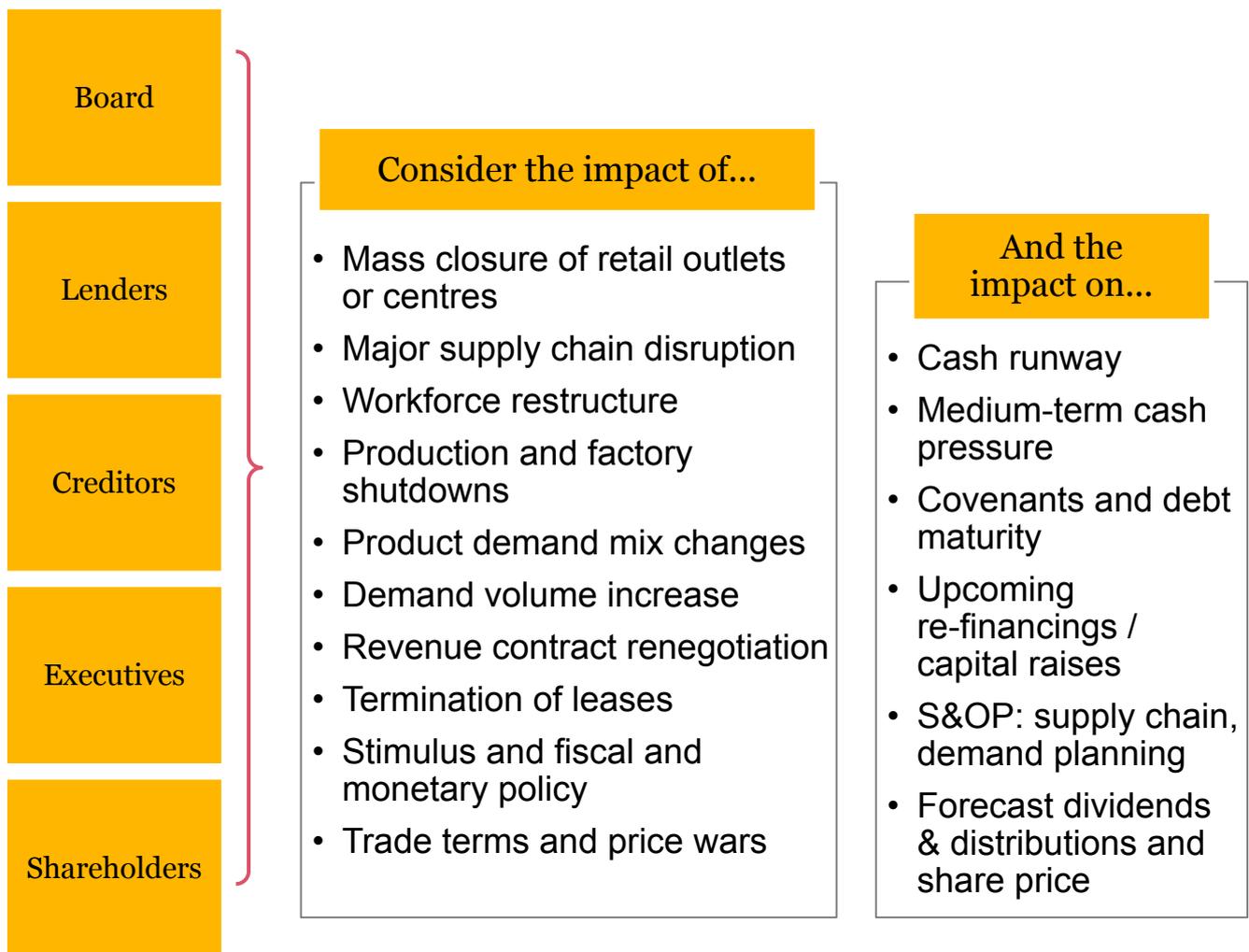
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Management teams are under unprecedented pressure to urgently answer complex questions



Finance teams are facing increased pressure to reforecast cash flows and perform scenario analysis from internal and external stakeholders

Forecasting in the face of uncertainty

A three step approach

1. Can my forecasting tool suite answer the questions being asked?

- Many scenarios are whole-of-business and phased over time
- Forecast tools must have the **flexibility** to consider upside and downside scenarios, including impacts of fixed, variable and step-variable costs as well as sales and operational planning issues (e.g. supply chain)
- New lenses applied to budgets and forecasts: such as **discretionary vs non-discretionary vs contracted** spend
- Ensuring the model **tells the story at the right level**, e.g. forecasting weekly cash vs monthly; forecasting below EBITDA for true cash position
- Analysis delivered under pressure is reliable and revised models are **robust and designed to cope with future changes**

2. Do my base case assumptions reflect new realities and possibilities?

- You must have robust, defensible and up to date forecast assumptions/drivers to allow you to confidently communicate the expected impact on your business, supported by a description of the base case environmental assumptions and “what you have to believe”
- Communicate base case broad assumptions to ensure all teams forecasting off of “one source of truth” and not inconsistent assumptions
- Reconcile to most recent budgets or re-forecasts
- Identify your up-to-date external data sources (eg WHO, Governments) and link to your business drivers
- Obtain data of the impact of **comparable incidents and shocks**
- What have been the impacts / reactions for similar businesses globally

3. What happens if I pull the levers I have at my disposal?

- Product prioritisation and demand substitution
- Raise short-term capital aligning capital mix decisions to expected impact
- Ramping down / up production
- Re-rank all investment/expansion business cases vs ROC and priorities
- Postponing or rapid elimination of non-critical spend / expansion activity
- Re-negotiating lease, supplier and capital contracts

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Suggested next steps: Rapid Scenario Planning and Business Intelligence

Rapid assessment of your current state forecasting and scenario planning capabilities

- Can your forecast tools be updated rapidly?
- Do they have the right level of granularity to answer questions being posed?
- Are your sales and operational planning tools agile enough?

Rapid development of tactical models to deliver the analysis you need

- Strategic business forecast models to pull the major business levers
- Strategic cash flow models based on value drivers that are under threat and assess impact on covenants, cash etc.
- 13 week cash flow models that assess short-term cash demand and quantify the cash run, introduce a cash culture and communicate confidence to stakeholders.
- Data models to create a single source of truth
- Tactical targeted BI solutions to quickly extract and publish reporting dashboards

Validate your assumptions

- Leverage your existing data to provide better business intelligence supporting your forecast assumptions (e.g. extracting data on demand and supply chain trends by SKU/region)
- Deliver fast targeted tactical data analysis exercises to validate the key hypotheses.
- Embed reporting to allow ongoing analysis and assessment as the situation evolves.
- Validate your assumptions using external data sources, global trend data and lead indicators.

We are here to help

- Driver based **strategic planning models** that forecast cash flows under various scenarios.
- **13 week cash flow models** to assess short-term cash demands and cash runway.
- Tactical **Data and analytics** provide business intelligence for forecast assumptions.
- **Predictive forecasting** provide insights into demand forecasting and risk assessment.
- **Financial model review** to enhance confidence in the integrity of your tools.
- **Commercial Due Diligence** to challenge and diligence your hypotheses
- **Board paper development** to provide an outside in perspective



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