

 **FERGUSON**



# Cash Forecasting Panel

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# Why Do CFO's Think Cash Forecasting is Important?



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Confidence in liquidity to cover short term debt

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Reinvest excess cash back into the business

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Better oversight into performance

# Example



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Cash on Hand: \$50

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Amount due this month: \$1,000

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Amount due to them this month: \$1,200

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Average Collection Percentage: 80%

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Average Miscellaneous Cash Expenses: \$100

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Average Miscellaneous Cash Sales: \$150

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Will this company be able to pay their bills?

# Example

- Cash on Hand \$50
- Amount due this month: \$1,000
- Amount due to them this month: \$1,200
- Average Collection Percentage: 80%
- Average Miscellaneous Cash Expenses: \$100
- Average Miscellaneous Cash Sales: \$150
- Will this company be able to pay their bills?
  - Starting Cash \$50 + Cash Collected (\$960) + Cash Sales (\$150) = \$1160
  - Amount Due: (\$1,000) + Misc Cash Expenses (\$100) = \$1100
  - Remaining Cash at EOM \$60

# Example

- Cash on Hand \$50
- Amount due this month: \$1,000
- Amount due to them this month: \$1,200
- Average Collection Percentage: 80%
- Average Miscellaneous Cash Expenses: \$100
- Average Miscellaneous Cash Sales: \$150
- Will this company be able to pay their bills?
  - Starting Cash \$50 + Cash Collected (\$960) + Cash Sales (\$150) = \$1160
  - Amount Due: (\$1,000) + Misc Cash Expenses (\$100) = \$1100
  - Remaining Cash at EOM \$60
- What happens if collections go down?

# What Variables Can Impact Cash Flow?



# DSO/AR Days Forecasting

- Why?
  - Interest Expense
- $DSO = ((EOM\ AR - Current\ Month\ Sales) / Prior\ Month\ Sales) + 30$
- Challenges:
  - Sales forecast
  - AR Forecast
  - Cash Business Deposits
- Solution:
  - Used Historical Data
  - Adjusted as Business Conditions Changed

# Cash Forecasting By:

- Invoice Due Dates and Recent Customer Pay Trends

T/C	Cust#	Name	Past Due	Week 1 08/01/2024	Week 2 08/05/2024	Week 3 08/12/2024	Week 4 08/19/2024	Week 5 08/26/2024	Future Due Paid	Cumulative	Credits
TL1	12536	ZANDERS SPORTING GOO	Due->	53,651.42	73,648.90	28,835.90	139,729.60			295,865.82	
TL1	12536	ZANDERS SPORTING GOO	Act->	323.06	53,651.42	71,529.30	25,963.90	144,721.20	1,479.50	297,668.38	
TL1	12536	ZANDERS SPORTING GOO	Var->		2,119.60	2,872.00	4,991.60-			1,802.56-	
TL1	12536	ZANDERS SPORTING GOO	PCT->	100.00	97.12	90.04	103.57			100.61	
TL1	12786	DAVIDSONS INC	Due->	6,668.40	50,528.36	5,853.00	43,112.50	69,835.04		175,997.30	
TL1	12786	DAVIDSONS INC	Act->	153.80-	46,579.46	16,470.30	43,112.50			106,008.46	
TL1	12786	DAVIDSONS INC	Var->	6,668.40	3,948.90	10,617.30-		69,835.04		69,988.84	
TL1	12786	DAVIDSONS INC	PCT->		92.18	281.40	100.00			60.23	
TL1	12799	SPRINGFIELD INC	Due->		10,955.10	18,603.00	42,949.60			72,507.70	
TL1	12799	SPRINGFIELD INC	Act->			29,558.10	42,949.60			72,507.70	
TL1	12799	SPRINGFIELD INC	Var->		10,955.10	10,955.10-					
TL1	12799	SPRINGFIELD INC	PCT->			158.89	100.00			100.00	
TL1			Due->	60,319.82	135,132.36	53,291.90	225,791.70	69,835.04		544,370.82	
			Act->	169.26	53,651.42	118,108.76	71,992.30	230,783.30	1,479.50	476,184.54	
			Var->		6,668.40	17,023.60	18,700.40-	4,991.60-	69,835.04	68,186.28	
			PCT->		88.94	87.40	135.09	102.21		87.47	

- Tracks Performance to Collections Goal; Visibility and Accountability of Results; Variance Analysis for Cash Forecast.

# Cash Forecasting By:

- Trade Channel, Collection Percentage of AR Balance & DSO

2024 ESTIMATE/ACTUALS													
	From 2023 Act	ACT JAN	ACT FEB	ACT MAR	ACT APR	ACT MAY	ACT JUN	ACT JUL	EST AUG	EST SEP	EST OCT	EST NOV	EST DEC
PRIOR YR DSO		35	36	31	33	35	32	32	31	33	36	33	32
12 MO AVERAGE		34	34	34	35	34	35	37	37	38	38	38	39
NET SALES TRADE B		10,966	9,394	9,542	8,742	10,068	10,690	7,434	12,216	12,847	11,817	10,601	10,893
GROSS SALES TRADE B	84.00%	13,183	11,236	11,003	10,187	12,487	12,488	8,532	14,543	15,294	14,068	12,620	12,968
COLLECTIONS		9,725	12,083	11,023	10,802	10,409	6,514	17,054	8,904	12,809	14,457	13,778	12,476
ADJUSTMENTS	450	2,557	238	(294)	(155)	1,422	419	(1,112)	450	450	450	450	450
% COLLECTED	90.75%	79.71%	92.22%	91.73%	87.89%	87.98%	52.17%	94.52%	83.74%	80.96%	80.96%	80.96%	80.96%
RECEIVABLES	12,201	13,102	12,017	12,291	11,831	12,487	18,042	10,632	15,821	17,856	17,018	15,410	15,452
EXTENDED TERMS	856	600	1,948	2,388	2,314	1,419	1,675	1,534	1,107	1,250	1,191	1,079	1,082
% EXTENDED	7.00%	5%	16%	19%	20%	11%	9%	14%	7%	7%	7%	7%	7%
DSO		31	30	35	35	31	43	39	34	35	38	37	37
12 MO AVERAGE	33	36	36	35	34	33	34	35	35	36	36	36	35

# Collection Team Metrics:

- Collection Metrics help drive accountability for results and energize team members to achieve top rankings.

T/C Name	Past			Avg DPD	Acct Bal	Disputed	Due 7 Days	Future Due	1-30 DPD	31-60 DPD	61-90 DPD	91-120 DPD	>120 DPD	Past		
	Accts	Due	Dspstd											Credits	Due %	Disputes %
TB1 Dealer Direct	100	8	6	26.6	8,996,869	46,970	668,694	8,313,455	107,988	66,007	27,952			234,197-	2.245%	0.522%
TL1 Distributor/AA	2	1		2.0	206,202		48,703	176,774	3,045					22,320-	1.477%	
TL2 Retail	6	3	5	2.2	30,924,058	318,824	7,565,249	18,589,403	4,790,830					340,249-	15.492%	1.031%
TL3 Mass Merchant	2	1	2	2.0	244,011	4,928	100,273	126,620	12,435					244-	5.096%	2.020%
TL4 Canada	31	4	4	4.2	1,933,214	102,705	228,101	1,675,846	24,901					98,339-	1.288%	5.313%
TR1 Range	4		1		118,252	937		117,727						413-		0.792%
TT1 LE / Governmen	15		3		5,831,897	6,131	19,469	6,449,538						643,240-		0.105%
TT2 Industrial	34	6	3	7.4	1,070,082	10,619	45,634	1,011,255	111,765					109,192-	10.445%	0.992%
TZZ Australia Tran	1				1,040,011			1,040,011								
<b>Total</b>	<b>195</b>	<b>23</b>	<b>24</b>	<b>5.0</b>	<b>50,364,596</b>	<b>491,114</b>	<b>8,676,122</b>	<b>37,500,630</b>	<b>5,050,964</b>	<b>66,007</b>	<b>27,952</b>			<b>1,448,193-</b>	<b>10.215%</b>	<b>0.975%</b>

# Month By Month DSO Forecast

Month 1	Historical AR	Historical Sales	AR % Sales	Growth Rate	Expected AR	Expected Sales
Water	\$ 575.00	\$ 375.00	150%	110%	\$ 618.75	\$ 412.50
Fire	\$ 750.00	\$ 550.00	135%	102%	\$ 757.35	\$ 561.00
Blended	\$ 1,000.00	\$ 800.00	130%	104%	\$ 1,081.60	\$ 832.00
Total	\$ 2,325.00	\$ 1,725.00			\$ 2,457.70	\$ 1,805.50
Month 2	Historical AR	Historical Sales	AR % Sales	Growth Rate	Expected AR	Expected Sales
Water	\$ 700.00	\$ 450.00	150%	110%	\$ 742.50	\$ 495.00
Fire	\$ 700.00	\$ 600.00	135%	102%	\$ 826.20	\$ 612.00
Blended	\$ 1,200.00	\$ 900.00	130%	104%	\$ 1,216.80	\$ 936.00
Total	\$ 2,600.00	\$ 1,950.00			\$ 2,785.50	\$ 2,043.00
Month 1	DSO LY	DSO TY				
Water	30.67	30.6				
Fire	30.18	30.4				
Blended	30.38	30.3				
Total	30.38	30.4				

- Line of business
  - Growth Goal For Fiscal Year
    - Historical Monthly Breakdown
  - AR as a % of Sales
- Calculate Total Sales/AR
  - 3 Year Average
- Calculate DSO

## Daily DSO Prediction



Reviewed Monthly Sales Prediction

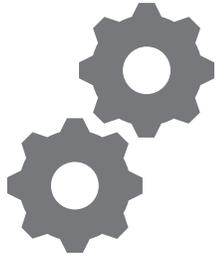


Reviewed AR Daily

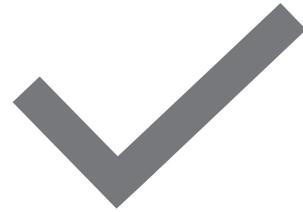


Helped Understand Trends in AR

# Lessons Learned



Automation Is Needed



Need For Flexibility



Access to Data

# OPEN DIALOGUE