

# Predictive Cash Forecasting



In times of volatility, the ability to manage cash and predict liquidity become ever more critical. With automated cash management and real-time forecasting, finance and treasury teams can collaborate and continuously predict future cash liquidity to make profitable moves and course correct faster.

As economic uncertainty continues to linger, cash has once again become king. The recent liquidity crisis in the banking sector brought this back into front-page news. But the need for proper risk management, stress testing, and accurate cash forecasts are not unique to financial institutions.

As central banks across the globe continue to tighten credit conditions and drain excess liquidity from the money supply, cash flow management in the short- and medium-term basis has perhaps become the single most important indicator for financial health.

Yet, in a [recent Deloitte survey](#), 42% of corporate treasurers said their three to six month cash flow forecasts were inaccurate. According to that same survey, poor data quality is the largest inhibitor to accurate forecasts, followed by ineffective tools.

### Top 5 challenges faced by organizations

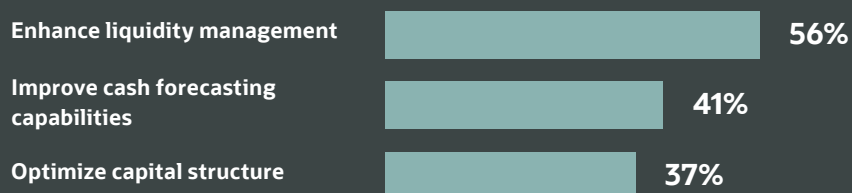


Among other challenges cited in the survey, we can highlight some mention on talent retention and personnel capacity.

Respondents have also mentioned ESG as a new topic in treasury in some of their upcoming projects.

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### Top 3 priorities for the next twelve months



20% of respondents have indicated that they are planning to implement new technologies, taking more of a 'wait and see' approach until some new technologies reach maturity.

*Deloitte Global Treasury Survey*

Clearly, many finance leaders lack confidence in their projections and struggle to manage cash. In an effort to improve forecasting, companies are seeking cutting-edge cash and liquidity management solutions. They want a holistic, real-time view of their cash data and tools to help them accurately predict their cash liquidity. With accurate predictions, companies can take timely and data-driven actions with customers, suppliers, investments, or internal transfers to optimize their working capital.

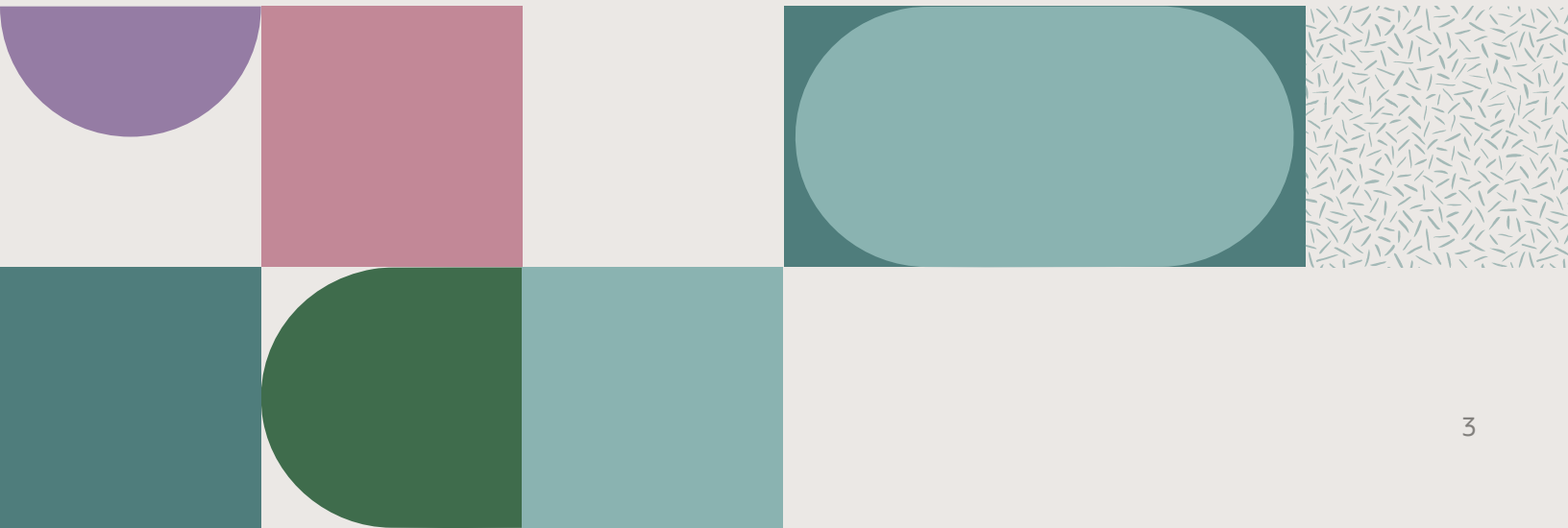
# The benefits of predictive cash forecasting

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Continuously predicting future cash liquidity allows companies to make profitable moves or course correct more quickly. For example, when there is excess cash, they can take advantage of early payment discounts with suppliers. Or on the other hand, when cash is tight, reassess loan positions or trigger foreign exchange transfers between subsidiaries to help maintain healthy liquidity.

When you have up-to-the-minute cash balances and an informed view into the future, you can:

- ✓ **Sustain your business** and withstand financial challenges from environmental, market, regulatory, social, and financial forces.
- ✓ **Reinvest in the business** by trying new marketing methods, updating equipment, or developing new products.
- ✓ **Meet cash requirements**, like payroll, distributions, and dividends, or debt and obligation payments.
- ✓ **Attract investors** to fund future business activities and growth.
- ✓ **Meet your fiduciary responsibilities** to suppliers, creditors/lenders, shareholders, and employees by paying on time.

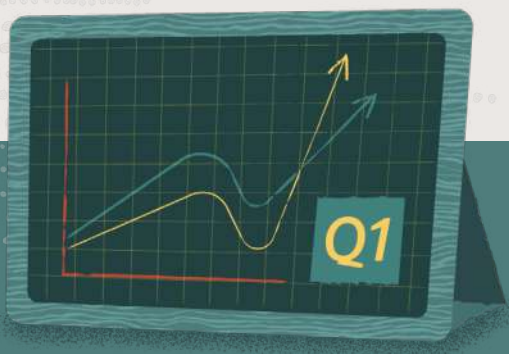


# Best practices for predictive cash forecasting

Predictive cash forecasting is often hindered by disconnected business processes and siloed data, within and outside an organization. Netting cash flows and creating cash balance predictions is a time-consuming, manual process that's prone to error. Having your employees compile and pour over data isn't the most inspiring of jobs. It also keeps them from performing more value-added tasks, such as developing new strategies or taking actions to improve business performance.

Wouldn't it be great if your company could gain new competitive advantages by:

- 1 Automatically compiling cash flows and external data, such as bank balances, in real time?
- 2 Continuously predicting future liquidity using patterns identified through machine learning, complementing human judgement to mitigate shortfall and optimize cash?
- 3 Anticipating and taking coordinated action to adjust operational, financing, and investment decisions?








# The challenges to accurately predicting cash flows

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Timing and intelligence are everything in this context. Access to real-time cash data helps drive faster responses. When cash data is hard to get, compromised, or too voluminous to handle, your ability to accurately predict cash flows suffers. Once you have the data, you need machine intelligence to identify patterns that are not easily visible to humans and are not affected by our biases.

Does your company face these challenges with accurate cash forecasting?

-  Disconnected cash management processes and siloed data that produces inconsistent data and delays forecasting.
-  Spreadsheet-based forecasts compiled monthly that are static and labor-intensive.
-  Increasing banking fees due to the lack of real-time access to critical bank data.
-  Outdated tools that impact your ability to mitigate shortfalls or optimize your cash position, such as changing your collections strategy or taking supplier discounts to maximize negotiated savings.
-  Undue dependence on a few individuals with institutional knowledge related to cash management.



# How Oracle can help

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Predictive cash forecasting is a solution within Oracle Cloud Applications that allows finance and treasury to automate cash management and forecasting in real time, while continuously predicting future liquidity using machine learning. The solution automates all relevant data streams to reduce manual effort and empowers all stakeholders to collaborate toward the optimization of cash. The solution includes automated insights and dashboards to keep stakeholders up to date and aligned on the most recent developments in cash. Machine learning on transactional details improves accuracy and speed while also uncovering hidden patterns and key drivers of working capital. Users to go from insight to action with the ability to effectively manage cash surplus, mitigate cash shortfalls, and better manage banking relationships.

Predictive cash forecasting includes the following key capabilities:



## 1. Automated cash management

Predictive cash forecasting automates the collection of all relevant data streams in one place, such as cash, accounts receivable, accounts payable, and external bank data. Accurately forecasting cash is often hindered by disconnected business processes and siloed data.

Predictive cash forecasting gives you a comprehensive view into your cash position at all times, with data you can trust and the ability to drill down into any specific transaction.





## 2. Advanced cash forecasting

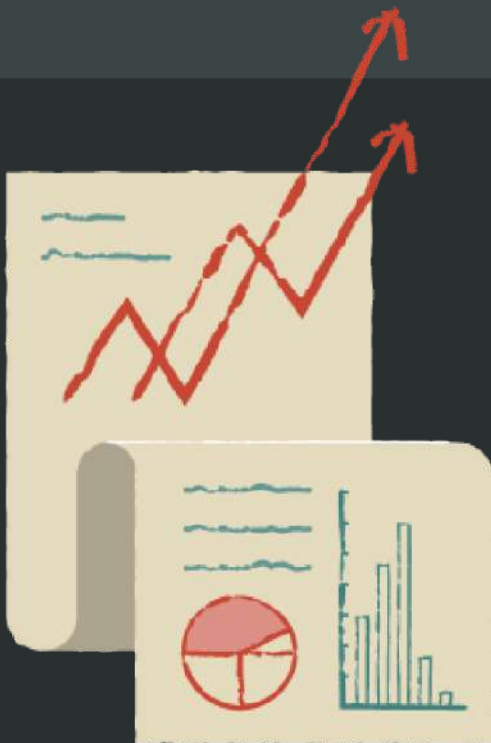
The solution leverages predictive algorithms to automatically generate a daily cash forecast, improving the speed and accuracy of your cash forecasts. Today, many companies use Excel spreadsheets and are only able to forecast once a month. Now, armed with data-driven insights and the faster discovery of trends and problems, treasury and finance can collaborate more effectively with the business for better decisions on how to optimize cash.



## 3. Collaborative action

With predictive cash forecasting, leaders from across the company can use cash projections in their operational and strategic activities.

The cash forecast data can flow directly to production planning systems. For example, a company could choose to run additional shifts to use available cash to support additional customer demand. Teams spend more time collaboratively executing a strategy instead of just finding, gathering, and manually analyzing data.



# Getting started

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