



There is **ONE REASON** to create and maintain a reliable financial forecast

Help you drive growth, profitability, and cash flow higher



- How much money are we going to make this year?
- How much cash can we distribute to the owners?
- Will we need to borrow money to achieve our growth plans?
- How much debt can we pay down this year?
- How much cash should I set aside to pay income taxes?
- What are the numbers I should be paying close attention to?
- What does the financial future of my company look like?
- What will the financial statements look like next month?



A Reliable Financial Forecast

- ✓ **Reliable** – Unbiased, reality-based expectation of financial results that is designed for decision-making (not precision).
- ✓ **Financial Forecast** - A full set of forward-looking financial statements that includes a 2-minute summary.

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“Some would call ‘on course to hit a rock’ a bad forecast. Assuming it is true, it is a *good* forecast, even though it contains bad news.”

“I would much rather have good forecasts with bad news than a bad forecast with good news.”

- Bjarte Bogsnes, *Implementing Beyond Budgeting*





Types of Forecast and Different Uses

- What could happen?
- What would we like to see happen?

Our Focus Will Be On:

- **What's About to Happen?**

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The Power of Forecasting

- Create Insight – Aha moments**
- Stimulate Action – Change the future**
- Drive Improvement – Financial and professional**

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Principles Based on My New Book



- Hardcover available at Amazon (begins shipping July 12th)
- Complimentary eBook version available after the webinar

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10 Rules for Creating a Forecast You Can Trust

1. It's all about decision making, not precision
2. Think top-down, not bottom-up
3. Model a full set of financial statements
4. First look back, then look forward
5. Understand the high-level company strategy and expectations
6. Simplify, simplify, simplify
7. Create a repeatable process
8. Be conservative
9. Condense the results to a 2-minute summary
10. Start for your eyes only

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Question: How many people will you have to rely on to provide you with accurate estimates for your forecast?

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First Look Back, Then Look Forward

No Blank Slates!

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Create a Repeatable Process

Month 1 Month 2 Month 3...

Adjust Target Adjust Target Adjust Target

Monitor Monitor Monitor

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“If you can’t explain it simply, you don’t understand it well enough.”

- Albert Einstein

Condense the results to a 2-minute summary

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TOP SECRET

TOP SECRET

FOR YOUR EYES ONLY

CONFIDENTIAL

CLASSIFIED

FOR YOUR EYES ONLY

The Secret is to Simplify

The 3-2-1 Quick Start to Forecasting

- 3** List **three questions** the forecast will answer.
- 2** **Two numbers** is the limit for each assumption.
- 1** Only **one person** creates the forecast.

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What two numbers can you multiply together to get revenues?

- Number of customers × average ticket
- Hours incurred × average billing rate
- Gallons × average selling price

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The Quick Start Essentials

- Disconnect the forecast from any other process
- Dramatically shorten the forecast period
- First get it wrong... then get it close
- Remember, precision is your enemy... and the trend is your friend

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Chuy's Summary (Last Year)

- Founded in Austin, TX in 1982
- Went public in July 2012
- 80 restaurants in 16 States
- Opening 11 – 14 restaurants each year
- Company owned restaurants (not franchised)

Chuy's Summary (Last Year)

- Revenues - \$331 million
- Average revenue per location - \$4.6 million
- Average ticket - \$14.48
- Square footage from 5,300 to 12,200
- Seating for 225 to 400 customers
- Open for lunch and dinner 7 days a week
- Serve 316,000 customers per location per year

Exercise #1

- Forecast the income statement for next quarter

Exercise #2

- Forecast the balance sheet and cash flow for next quarter

3 questions the forecast will answer

- How much money will they make?
- Will they need to borrow money to achieve their growth plans?
- What will the 3 largest drivers of cash be?

2 numbers is the limit per assumption

For Exercise #1

- **Revenue** – No. of locations X avg revenue per location
- **Cost of sales** - % of revenues X revenues
- **Operating expenses** - % of revenues X revenues
- **Impairment and closure** – 1 number estimate
- **Depreciation** – No. of locations X avg depr per location
- **Income taxes** - % of pretax income X pretax income

Your Next Step

1. List three benefits for YOU
2. Take a baby step with revenue
3. Start for your eyes only

Available at Amazon And Other Retailers

Downloads and Contact Information

The email that follows this webinar will have the link to your complimentary copy of my new book and the webinar recording. Enjoy!

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