

Cash Flow Forecasting- "Rubbish In" is "Rubbish Out"

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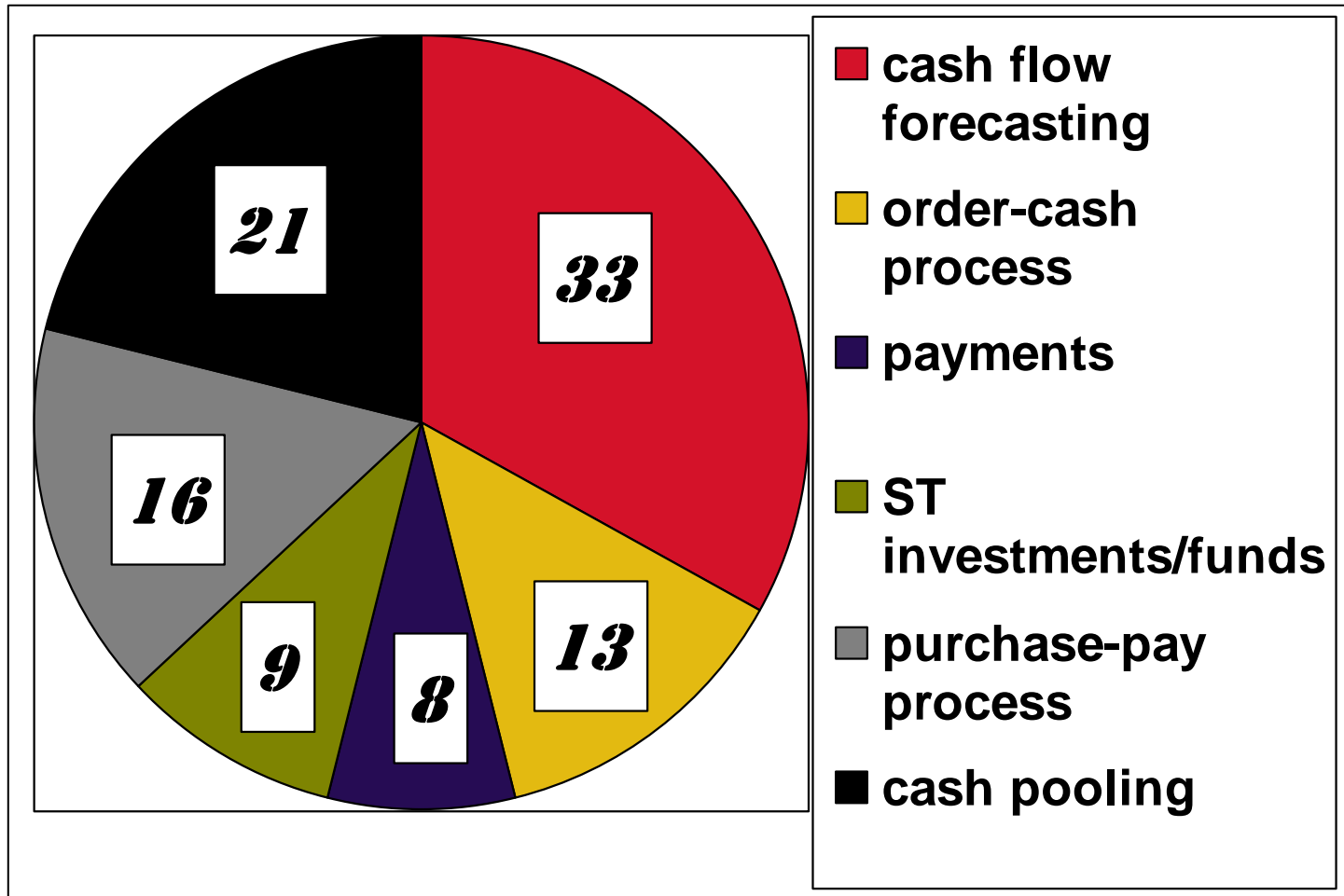
Cash Forecasting in the Forefront of the Treasury Agenda



FECG Survey 2005: Foremost Priorities

- 1. Improve Cash Forecasting Capability**
- 2. Reduce and more efficiently manage the company's WC position**
- 3. Act as internal consultants**

Which Processes Represent the Highest Potential for Improving Cash Management



Why Forecast Cash Flows ?

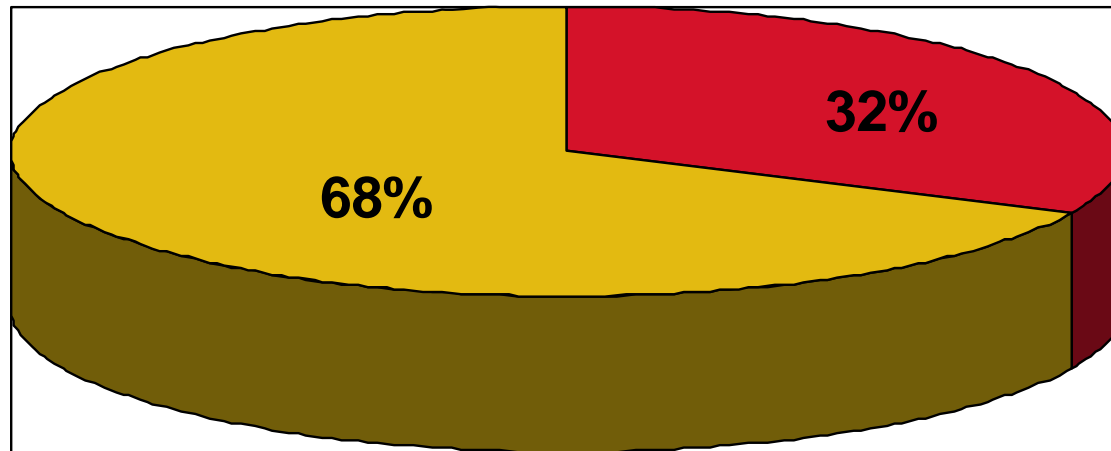


- Liquidity Management
- Financial Control
- Meeting Strategic Objectives
- Managing Costs
- Managing Currency Exposure

Range of Cash Forecasting Benefits



Cash Flow Forecasting Accuracy-Survey



- Source: REL Consultancy Group: Treasury Leadership Roundtable Research

Frustration turning to Apathy?



Dangerous Trends in Corporate Treasury's Behavior?

Why spend so much time on forecasting if we can never achieve reasonable accuracy?

Types of Cash Flow Forecast:



Liquidity Forecasts

Operational Forecasts

Strategic Forecasts

Liquidity Forecasts



- **Horizon:** *Short Term*
- **Users:** *Treasury at Subs and Group Level*
- **Objective:** *To ensure there are no idle cash*

Horizon: 12 months

- Overall Funding & Investment Patterns
- Monitor Liquidity and Financial Covenants
- Plan actions related to redemptions
or new credit lines

□ Strategic Forecasts



Horizon : 3-5 years

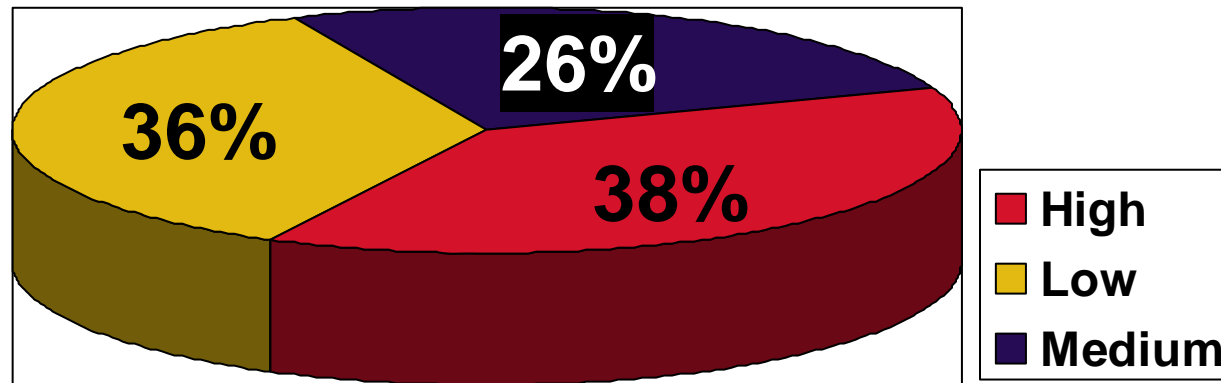
**□ To understand and validate
long-term debt to equity requirements
based on strategic plans.**

□ Transaction Based

□ Funds Flow Approach

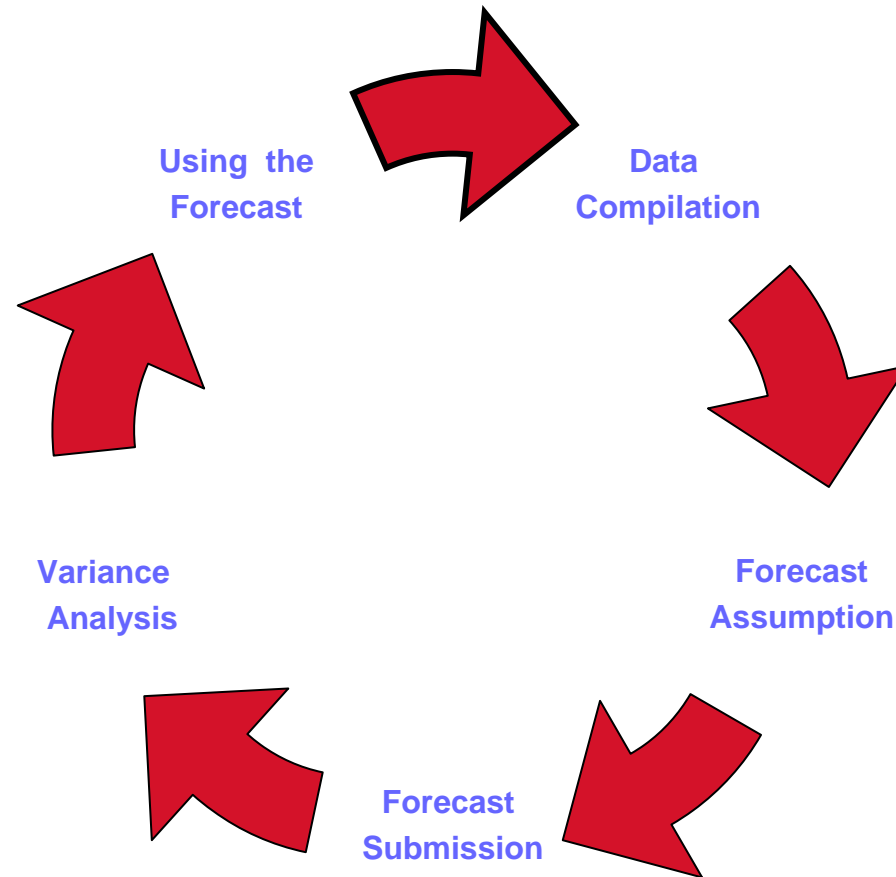
FCF=EBITDA+/- ▲WC-IP-TP-CPX

Levels of Treasury Influence on Cash Forecasting Process 2003



Source: REL Consultancy Group, Treasury Leadership Roundtable Research

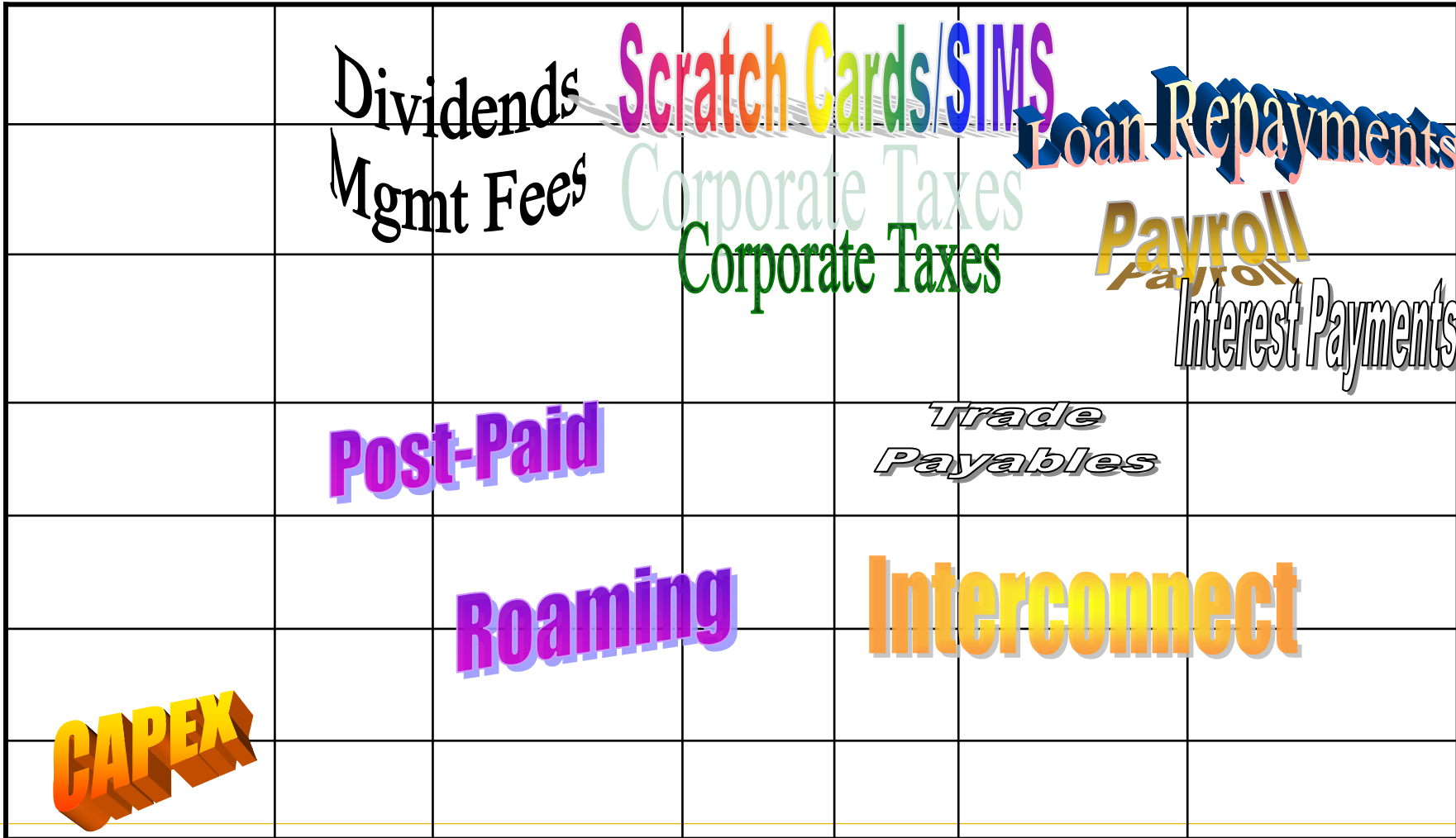
What Can be Improved at Each Step of the Forecasting process



Measuring Forecast Reliability by Transaction Groups: Celtel



H
 Certainty of timing
 L



L Certainty of Amount H

Integrity- Cash Report Input



Business Unit
 Report

Currency - XOF	Week Ending 28 Jun 2006	Week Ending 05 Jul 2006	Week Ending 12 Jul 2006	Week Ending 19 Jul 2006	Week Ending 26 Jul 2006	Week Ending 02 Aug 2006	Week Ending 09 Aug 2006	Week Ending 16 Aug 2006
Scratch and Sim cards	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Handsets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
collections Post paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Collections interconnect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Collections Roaming	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sale of fixed asset	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sale of investment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
External Loans rec	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Intercompany loan received Holding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Intercompany loans other opcos	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest receip IC loan Holding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest receipt money mark.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend received	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Management fee	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Share capital increase	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VAT receipt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other cash inflows	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Receipts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Trade creditors Opex	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sim cards and scratch cards	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interconnect creditors	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Roaming creditors	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Excise duty	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Royalty fee	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VAT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Salaries and related payments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capex Payments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interco loans repaid to the holding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Management fees paid to the Holding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend paid to the holding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Ic payments non-holding	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank loan repayment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank loan / overdraft interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Licens fee payments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other cash outflows	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Advantages of Cash Forecasting Modules



- Statistical Forecasting Options
- Accommodation of user defined rules
- Modeling of historical trends
- Creation of abundant Cash flow Categories
- Applying Linear Growth with or without Random Variations

System Integration Can Add Value to the Cash Forecasting Process



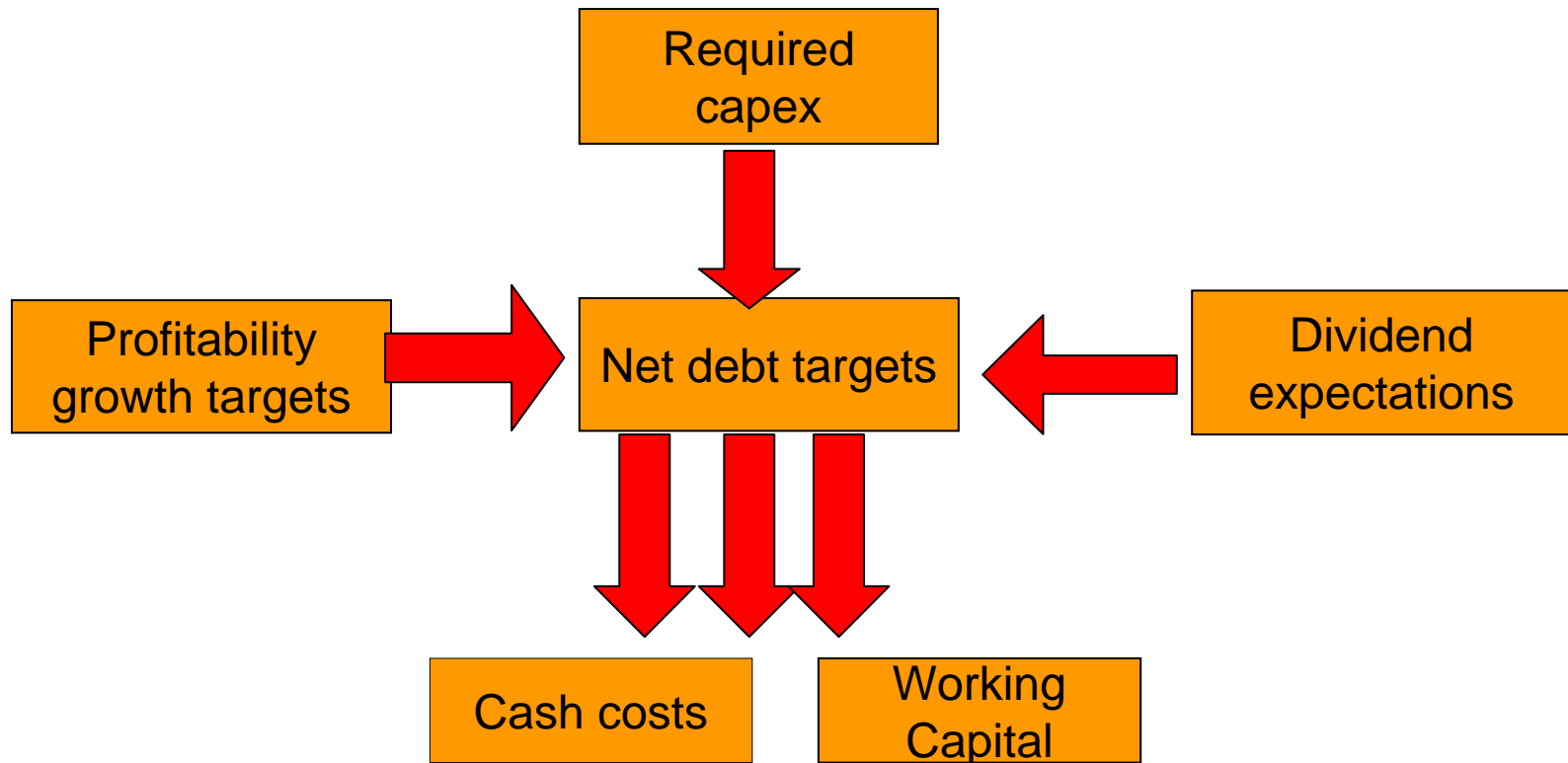
Creating the Right Behavior



- **Increase degree of organizational focus and alignment behind CASH as key performance indicator.**
- Not only Gross but Net Debt Focus
- Net debt should be the reference for Capex planning
- Look at the sensitivity of key rating ratios such as :
 - ✓ Cash from Operation vs. Net debt
- Include cash-related performance measures in MRP (such as basic working capital ratios)
- Increase the weighting given to cash performance targets

Success Factor

Establish Targets for Net debt



To create the focus on cash and working capital

- Optimize forecast process methodology ,data access and compilation and related systems architecture.
- Develop effective variance analysis methodologies
- Identify and monitor key business drivers and incorporate them into an early warning system that allows management to identify forecast shortfalls and take corrective actions .
- Develop communication channels between Finance and the “owners” of individual cash flows
- Strive for continuous improvement

Thank You