

Forecasting in Fathom

Introduction

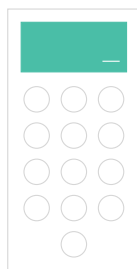
In 2019 our research found that on average, accountants took around nine hours to build out a full three-way cash flow forecast for a client. Not only is that incredibly time-consuming, but it will be sliding out of date just four or five-months later.

Add in modelling alternative options and scenarios, and the forecasting exercise can quickly become a complicated tangle of spreadsheets, conditional formulas and various data sets. It's easy to see how advisors and their clients can get overwhelmed.

This is why we've spent the last two years building a best-in-class forecasting functionality in Fathom. We've made it efficient to build and maintain, always adaptive to new events, auditable so you know the data is sound, and actionable so clients can use it to drive their business decisions.

So if you're preparing a forecast but are finding it's just taking too much of your time, or if you'd like to add forecasting as a new service line, read on.

Enjoy,
Fathom



Your 'always on' forecast

At Fathom, we decided to radically rethink what a forecast can be, as well as what it can do. Instead of a complicated static document of numbers, we've built a forecasting tool that is always up-to-date, and allows you to answer clients' questions at the click of a button or the drag of a mouse. Forecasting in Fathom takes into account not only movements in the P&L, but also how that impacts the balance sheet and cash flow.

Why is forecasting important?

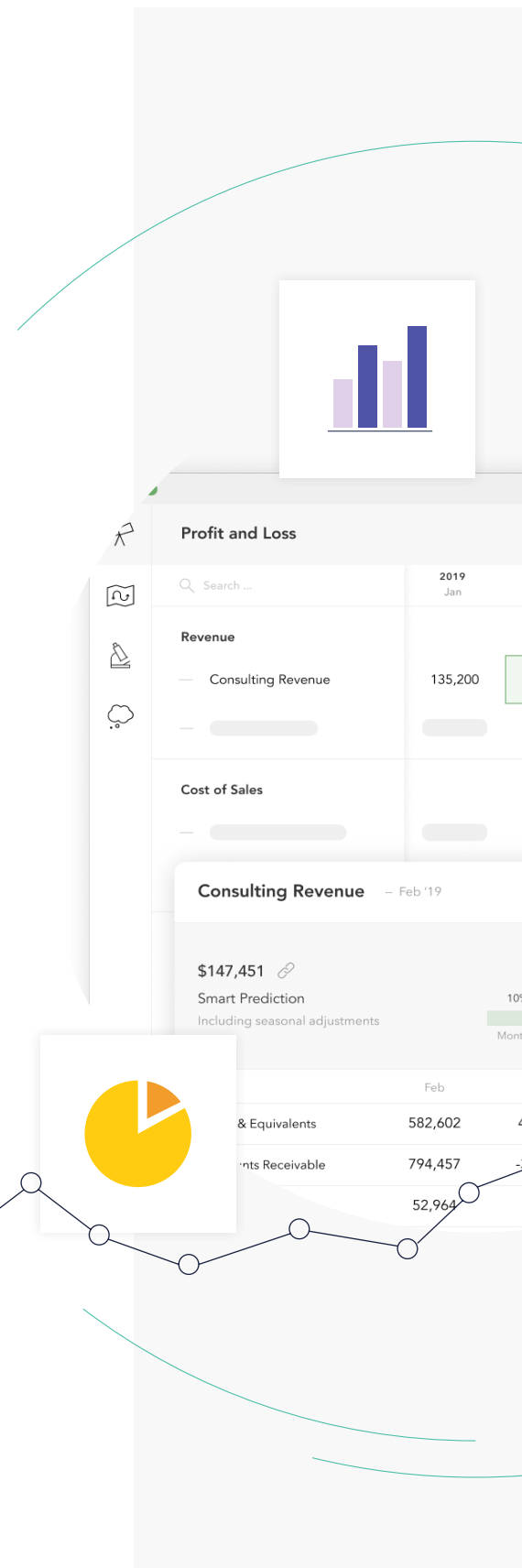
Every business wants to know what's around the corner, both in terms of growth planning and opportunities, as well as potential pitfalls and dangers. Forecasting out these options gives business owners not only a plan of how to move forward but contingency plans if circumstances change in the future. And as a trusted advisor to your clients, it's where you can continue to add value.

How can I use it with clients?

What makes Forecasting in Fathom different is that it's fluid, dynamic and lightning-fast. The slick visual nature of the Fathom interface has also been carried across to Forecasting, making it easy for clients to understand what's in front of them.

You can use Forecasting with clients in several different ways, depending on their situation, level of engagement and your relationship with them. You can of course build out a forecast for them and deliver that with comment and analysis, highlighting successes and pointing out potential issues. But you can also use Forecasting, and Fathom more generally, as a tool for business planning.

Sitting down with clients (either in person or virtually) and discussing their business aspirations will naturally reveal questions that Forecasting in Fathom can easily answer and explore on the fly. An example might be 'when's the best time for the directors to take a drawdown?', 'did that



marketing initiative deliver new sales?', or 'how much funding do I need to purchase that new asset if I want to grow my business?

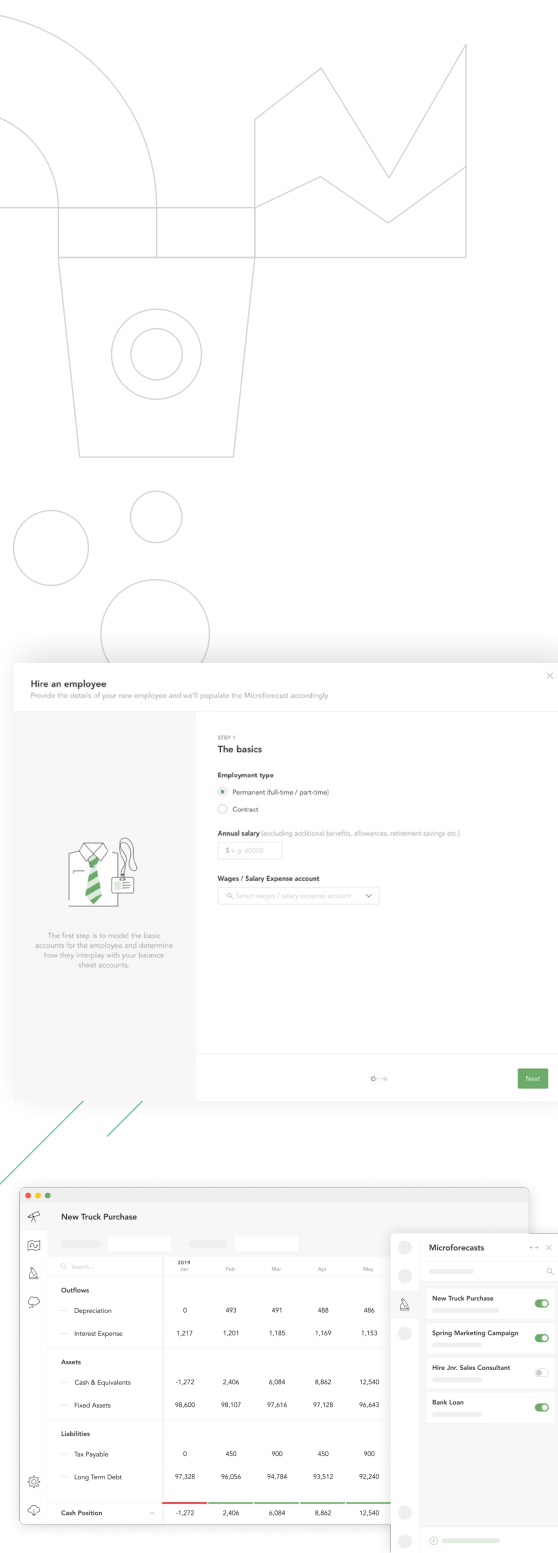
You can quickly model these events with clients in real-time, and see their impact on the financials. Working together, you can start to build out a plan of action and timeline for your client's business that they can then execute. Because finding the answer to the client's questions is where the real power of forecasting lies.

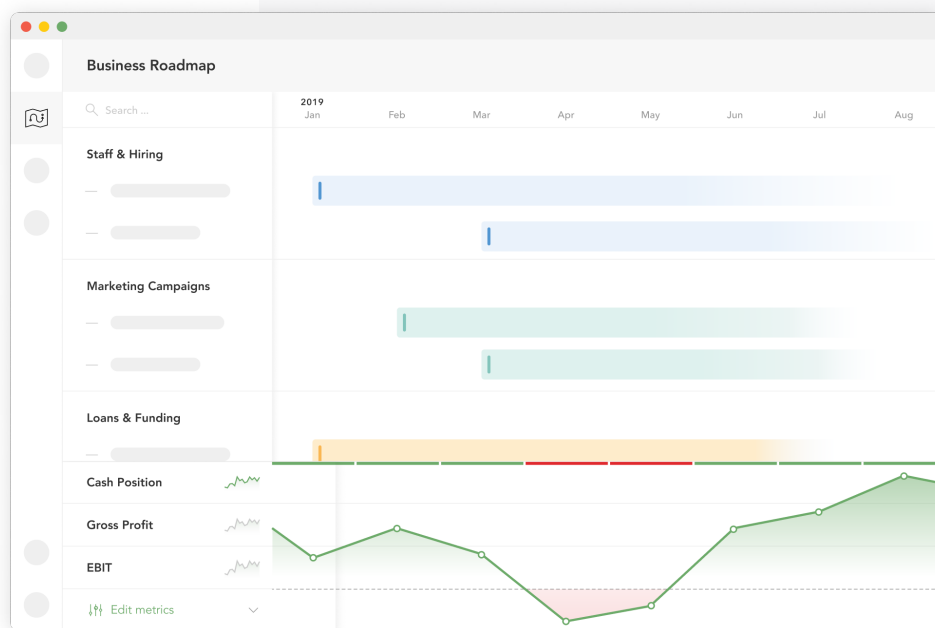
How long does it take to build a forecast in Fathom?

That depends on what you want to do and how much detail you want, but you can get started quickly and produce a forecast in a matter of minutes. We've made Forecasting scalable; so you can get quick answers in seconds, or spend time developing a highly detailed comprehensive forecast for clients.

For common questions around funding, hiring and asset purchasing, we've designed easy-to-use wizards that let you enter a few details and see the impact on the numbers instantly. Scenarios meanwhile, let you model several Microforecasts (see below) together as a whole for greater clarity. And if you want to get under the hood, you can add in Drivers alongside Microforecasts, Scenarios, and build out a full three-year business roadmap in exquisite detail.

A Fathom Forecast is a living forecast that updates when your financials do, daily pulling data directly from your source accounting system.





Say hello to the future of three-way forecasting

Forecasting in Fathom includes a number of features that work together to give you the detail and direction you need to guide your clients forward. Let's meet the team.

Main forecast and grid

The main grid is the foundation of your forecast and where all the action happens. From here you can adjust and add all the functionality of Forecasting in Fathom, and see it all update instantly.

Microforecasts

Microforecasts are the building blocks that form the foundation of your overall forecast. Each of them represents a distinct event that results in a set of P&L and Balance Sheet movements. Examining the financial impact of each event gives you better clarity in your decision making.

Drivers and formulas

Drivers are imported non-financial metrics or units that can be used to perform driver-based forecasting or operational forecasts. Business owners tend to think operationally in terms of units, so you can then use these custom drivers with line items from your Chart of Accounts to create powerful mathematical formulas.

Scenarios

With Scenarios, you can group different Microforecasts to your baseline forecast – and see their results – without impacting the integrity of the data. This lets you see different outcomes and the impact they may have on specific metrics and is a powerful tool for decision making.

Quick Metrics

Small but powerful, this handy little widget lets you see the impact that changes have on your baseline Forecast, Scenarios, or Business Roadmap. As you model events and scenarios, Quick Metrics gives you instant insight into the change and movement in your most high impact KPIs so you're always up to date.



Business Roadmap

Any forecast is at its most effective when you can see the impact on the rest of the business. The Business Roadmap is an interactive and adjustable timeline view of your Microforecasts. Sliding each Microforecast ribbon around instantly updates the Quick Metrics bar, so you can see the implications of your decisions and optimise them accordingly.

Auditability

At Fathom, we believe in a single source of truth, and so every single number in Forecasting is traceable right back to the General Ledger from where it came, giving you complete confidence in your data's accuracy.

Live forecasting

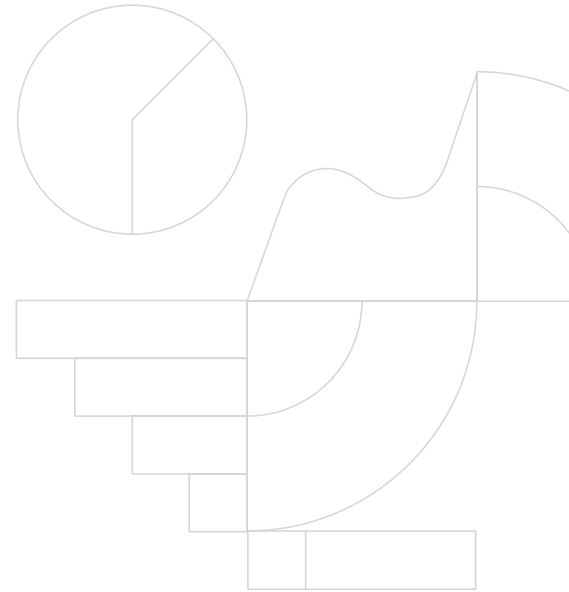
Because Forecasting in Fathom is permanently linked to your source accounting system such as QuickBooks, Xero, MYOB, any changes are automatically pulled through, meaning your forecast is always accurate and based on the very latest financial information.

Reporting a forecast

Once you've made your forecast, you need to tell people about it, so we made adding your forecasts (and scenarios) into the heart of your reports easy.

Instant results

Forecasting in Fathom is lightning fast, and any changes you make update instantly. This efficiency means you're free to play around with the numbers and try out several creative ideas, without wasting time waiting for an answer.



A typical example of how to use Forecasting with clients

A business is nothing without its employees. As Elon Musk once said ‘a company is a group organised to create a product or service, and it is only as good as its people’. So knowing what roles to hire, when to hire them, and what goals to set them is a critical business decision. Forecasting in Fathom can help you answer all three of these questions with its powerful Microforecast feature.

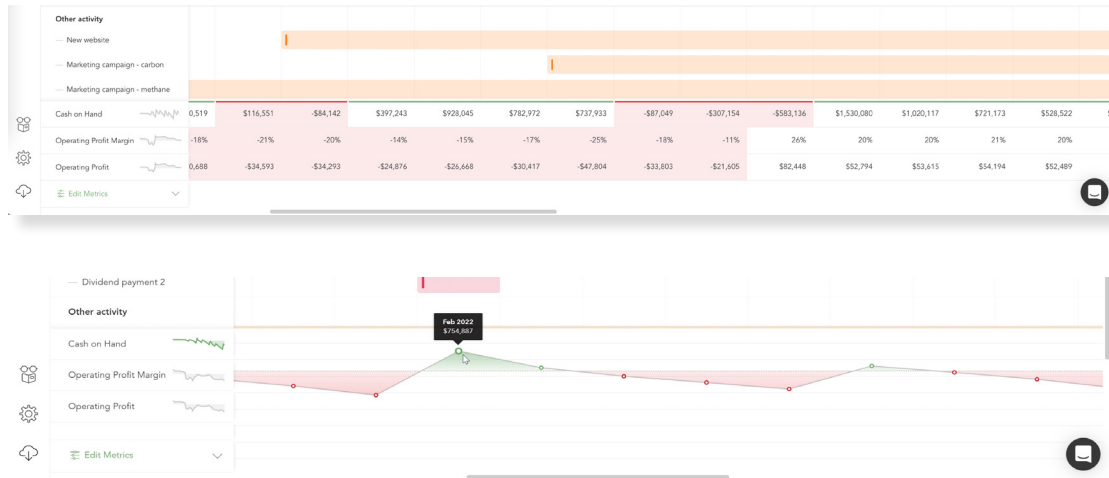
In this example we’re going to play the role of a business advisor working with a client. The client is a SaaS company and looking to hire someone in sales, but it could easily be a barista for a coffee chain, or driver for a logistics company. We’ll explore when’s the best time to hire them.

Bruxner is a SaaS company which sells carbon and methane emissions tracking software on a yearly subscription basis. From that, Bruxner base their revenue forecasts on expected leads, which they’ve built into Fathom as Drivers. They’ve also added an expected lead conversion rate for each month. In January 2022, there’s a high number of leads because there’s a trade show taking place which gives them access to a lot more potential customers.

Using Forecasting in Fathom to hire staff

As their advisor, we’re going to use Forecasting to have a look at a couple of options open to Bruxner. From the Quick Metrics bar at the bottom of the screen (see below) we can see they’re tracking cash, operating margin, and operating profit. And we can see they’ve also set up some thresholds, which they’re currently not meeting.

Switching to chart view for cash, we can also see Bruxner have a got pretty volatile cash flow. That’s because they collect the cash for each of their subscriptions twice a year – in February



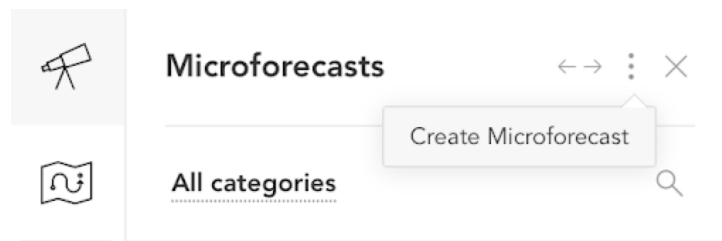
and July. So there's a bump-up of cash in those two months, and then Bruxner run it down and use an overdraft facility for the rest of the year. But we can also see as we go further into the future, they're actually running into a deficit. Understandably this has the company's senior team nervous.

Meet the problem

Bruxner's leadership team believes their sales team is too small to sell their software effectively and that the conversion rate for leads could be higher. They've got fantastic software, but not enough sales reps selling it. So they've asked us, as their business advisor, to help look at the impact of hiring a new sales rep.

Fathom's hiring wizard

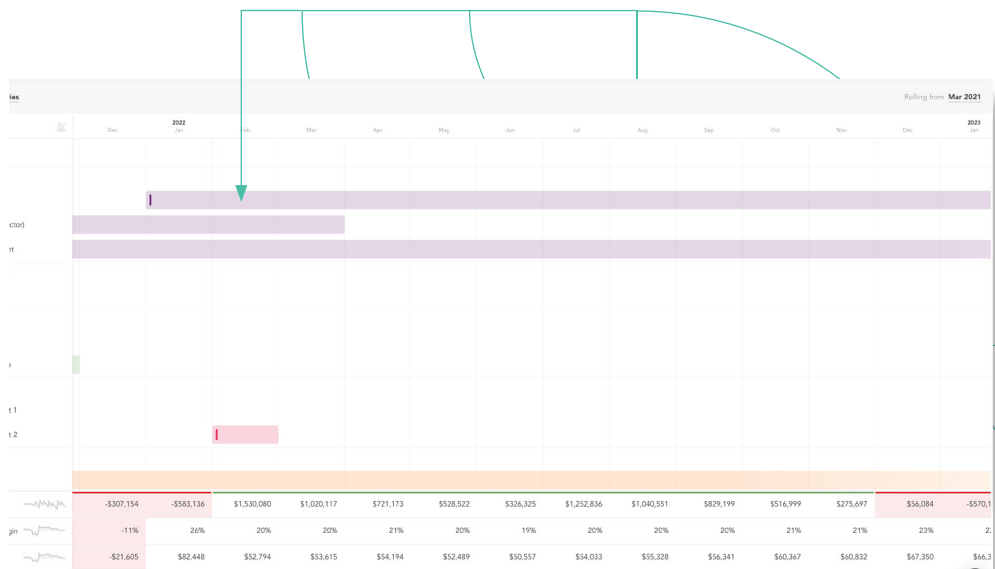
Hiring staff, purchasing an asset or seeking a loan are three of the most common business events, so Fathom Forecasting comes with a built in Microforecast wizard that makes adding each of these options to any forecast easy. Simply add salary and costs, and Fathom shows you the P&L and Balance Sheet impact.



When to hire a sales rep?

Having added our new hire as a Microforecast, we now need to look at the best time to hire them. We can see that in February and March, the company has positive cash flow because of new subscriptions. Switching on the Microforecast for the sales rep moves those numbers from red to green. But as we look further into the future, we can see they still have a few months of below acceptable cash. So can we do even better?

Bruxner have already told us that in January they're attending a trade show that's likely to result in a greater volume of qualified leads. So what would happen if we hired the sales rep to take advantage of that? We'd originally planned to hire them in February, because that's when Bruxner has positive cash flow. But actually, if we were to start them in January, the first month that this person is going to get paid is still in February and we've got plenty of cash in February.



Hiring the sales rep in January will not have a negative effect on cash in January. So let's start the new hire a bit earlier.

And we can now see that we've improved our cash flow here. We've obviously got another month of positive margins because we're taking advantage of those extra leads. And as we go into the future, we actually have fewer negative red cashflow blocks. So we've managed to find an even better scenario by using our Business Roadmap and sliding our hire to a different month.

Set targets for new employees

Let's review what we've done. By looking at the sales leads and conversions as drivers in Forecasting, it was clear that the client needed a new sales rep to improve sales. We modelled their costs and hiring, and deployed that as a Microforecast.

We then used the Business Roadmap to find the optimum time for them to start. Throughout all of this exploration and decision making the numbers in the Quick Metrics bar have automatically updated, showing the impact on cash and profit, all so the business can move from red to green.

Furthermore, because we've gained an understanding of how the cost of hiring a new sales rep impacts the cash position, we can also help the client set some realistic deliverables in order to grow the business and justify the hiring costs. This can give that new hire some achievable targets and objectives to move those numbers into the green. The upshot is that the new sales rep hits the ground running.

Forecasting in Fathom removes uncertainty

All this insight in under 10 minutes. We hope this has given you a taste of some of the things you can spin up quickly in Fathom to help take the uncertainty out of critical business decisions. If you're an FD or CFO, these insights are invaluable to your business planning, and if you're an accountant, you can easily add these activities into your regular advisory offering with clients.

Over to you

As you can see, Forecasting can be a powerful tool for giving businesses clear, coherent, actionable advice to guide their future business decisions. For advisors, adding Forecasting to your existing service or as a stand alone offering gives you and your practice the flexibility to help clients grow.

If you want to find out more about the features, functionality and benefits of [Forecasting](#) in Fathom there's more information on our support pages. Meanwhile, the Fathom blog has a host of tutorial webinars and testimonials to explore.

Start a **free** 14 day trial
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