



Valuation & business modeling services

Prospective Financial Information (PFI) Consulting



Organizations rely on forecasting to drive future performance, assess opportunities, identify risks, and refine business strategies. Although organizations invest significant time and effort in developing forecasts, the desired accuracy is often not achieved. Shareholders, C-Suite executives, and regulators are demanding robust and reliable forecasting procedures to aid in the investment process, drive business value and investor confidence, and ultimately ensure the integrity of the capital markets.

Key issues companies face with forecasting

- Unreliable forecasts costing organizations time and money
- Lack of understanding of how the forecasts impact valuations
- Increasing demand of well-supported and reliable forecasting
- Poor collaboration between finance and the rest of the business
- Continued focus on internal data and failure to consider external market data and industry and macroeconomic trends
- Challenges of distinguishing between aspirational goals and unbiased forecasting
- Lack of specialized forecasting tools and expertise in-house
- Shortage of resources due to transitions or turnover in the finance organization or spikes in activity arising from corporate transactions such as acquisitions or divestitures.

What regulators have to say

“Failed to sufficiently evaluate the reasonableness of certain significant assumptions underlying the cash-flow forecasts”

— PCAOB Comment Letter

“Similar to non-GAAP financial reporting, key operating metrics and forecasts may also be distorted via bias—for example, painting a potentially misleading picture—error or fraud, all of which undermine the credibility of the reporting. Therefore, it is important that companies proactively and thoughtfully address risks to their reporting”

— SEC Chief Accountant Wes Bricker speech in May 2017.

How KPMG can help

KPMG employs a multifaceted approach that provides organizations with the requisite projection detail to satisfy the demands of investors, regulators, and auditors.

- Increase management's and other stakeholders' confidence in the reasonableness of the overall forecast
- Provide an independent, unbiased assessment of management's forecasts
- Highlight historical and projected trends as well as anomalies in forecasts
- Assess historical forecasting accuracy and identify opportunities for improvement
- Leverage company's internal data along with industry and macroeconomic information to improve accuracy
- Test the reasonableness of management's forecasts by comparing the value implied by the forecasts to benchmarks and market indicators
- Perform scenario and sensitivity analyses to evaluate the impact of changes to PFI assumptions
- Assess and evaluate the forecast risk embedded in the projections and its impact on discount rates
- Assist companies in meeting the demands of regulators and auditors by testing and documenting key forecast assumptions

When KPMG can help

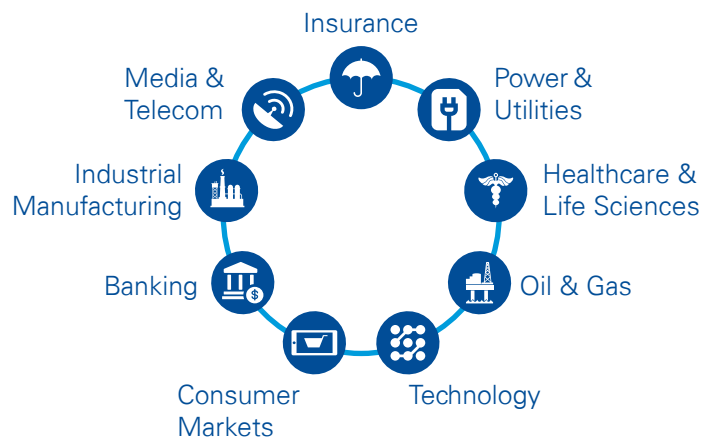
- Acquisitions, divestitures, spin-offs, and joint ventures
- Internal planning and budgeting
- Financial reporting (purchase accounting and impairment testing)
- Tax compliance, restructuring, and planning (legal entity forecasts)

Why KPMG?

The Valuation and Business Modeling Services practice leverages its deep financial analysis, modeling, and industry experience to assist clients with improving, building, and documenting robust, well-supported PFI. We can provide complementary and scalable support to financial planning and analysis (FP&A), finance, and tax teams by drawing on the skills and experience our diverse team of CFAs, MBAs, FP&As, CPAs, CMAs, and PhDs.

Industry specialization

We understand the issues, valuation drivers, leading practices, and trends that shape the future of a particular industry. Our practice's professionals have a good line of sight into a large number of transactions in their sector which can bring additional perspective and insight to the development of PFI.



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