TECHNOLOGY & INNOVATION

Optimise your SaaS forecasting and budgeting to slash uncertainty

Ensure the future success of your business with SaaS forecasting. Get valuable budgeting and planning tips to stay ahead in the competitive market.

David Appel

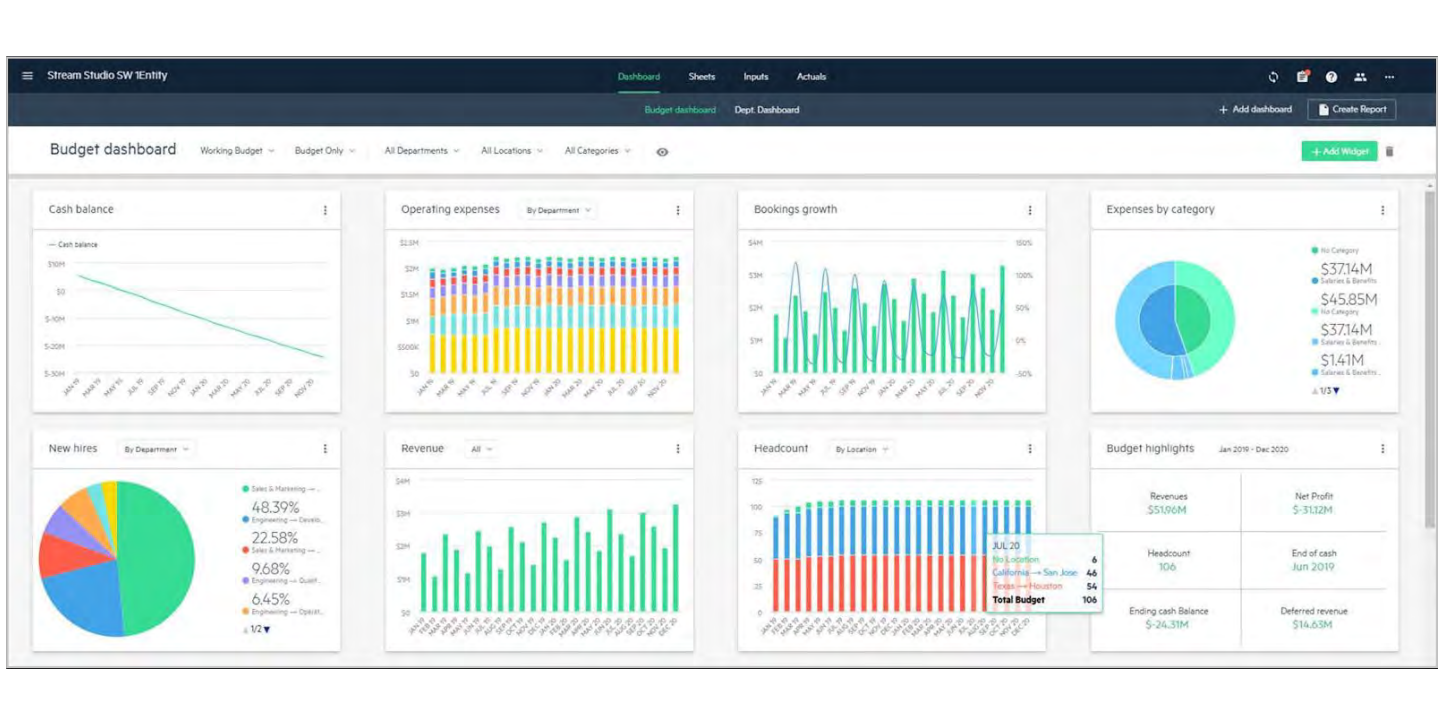
In the fast-paced world of Software as a Service (SaaS), smart money management is key to success. Unfortunately, SaaS budgeting and financial planning can be tricky. There are many moving parts that make it hard to predict finances accurately. These include user trends and sentiment, broader economic uncertainty, and unique regulatory stipulations, to name just a few.

In this article, we'll look at how integrated budgeting and forecasting can help SaaS CFOs deal with financial uncertainties. We'll also talk about planning for the unexpected, ups and downs in the economy, new rules and regulations, and other factors that can affect a company's financial health.

Let's start by considering one of the most important relationships in the world of SaaS finance.

How budgeting and forecasting help SaaS companies reduce uncertainty and boost recurring revenue

Budgeting and forecasting work together to help SaaS companies minimise uncertainty and improve their growth rate, but they do this in different ways. First, budgeting helps finance leaders plan how to use resources for a given period, making sure each department has enough capital for its projects. It also helps SaaS companies prepare for the ups and downs that often happen in subscription-based businesses.



Forecasting has strategic implications for the budgeting process and reducing overall uncertainty but has slightly different objectives. These include:

- **Projecting revenue growth:** Being able to estimate your likely monthly revenue and annual recurring revenue (ARR) is integral to both SaaS budgeting and broader financial planning and analysis (FP&A). Similarly, forecasting helps you anticipate new customers, revenue contraction, and other financial trends.
- **Optimising the billing process:** Selecting the best SaaS billing model for your company is essential in reducing long-term uncertainty. Seamless and strategic billing plays a large role in keeping churn to a minimum by providing a great customer experience. Forecasting also helps you predict new customer sign-ups, potential revenue drops, and other financial patterns.

Planning for surprises with accounting automation

Expecting the unexpected is crucial for SaaS companies. Looking at past market trends and historical data helps predict the future, which is one of the major ways forecasting reduces uncertainty. Automated forecasting makes this process much easier—you just enter your starting data and click a button.

Running "if-then" scenario tests is central to reducing doubt about your company's financial future. What if many customers suddenly cancel their subscriptions? Will your cash on hand cover your needs while your subscription revenue recovers? Asking questions like these help finance leaders plan more confidently.

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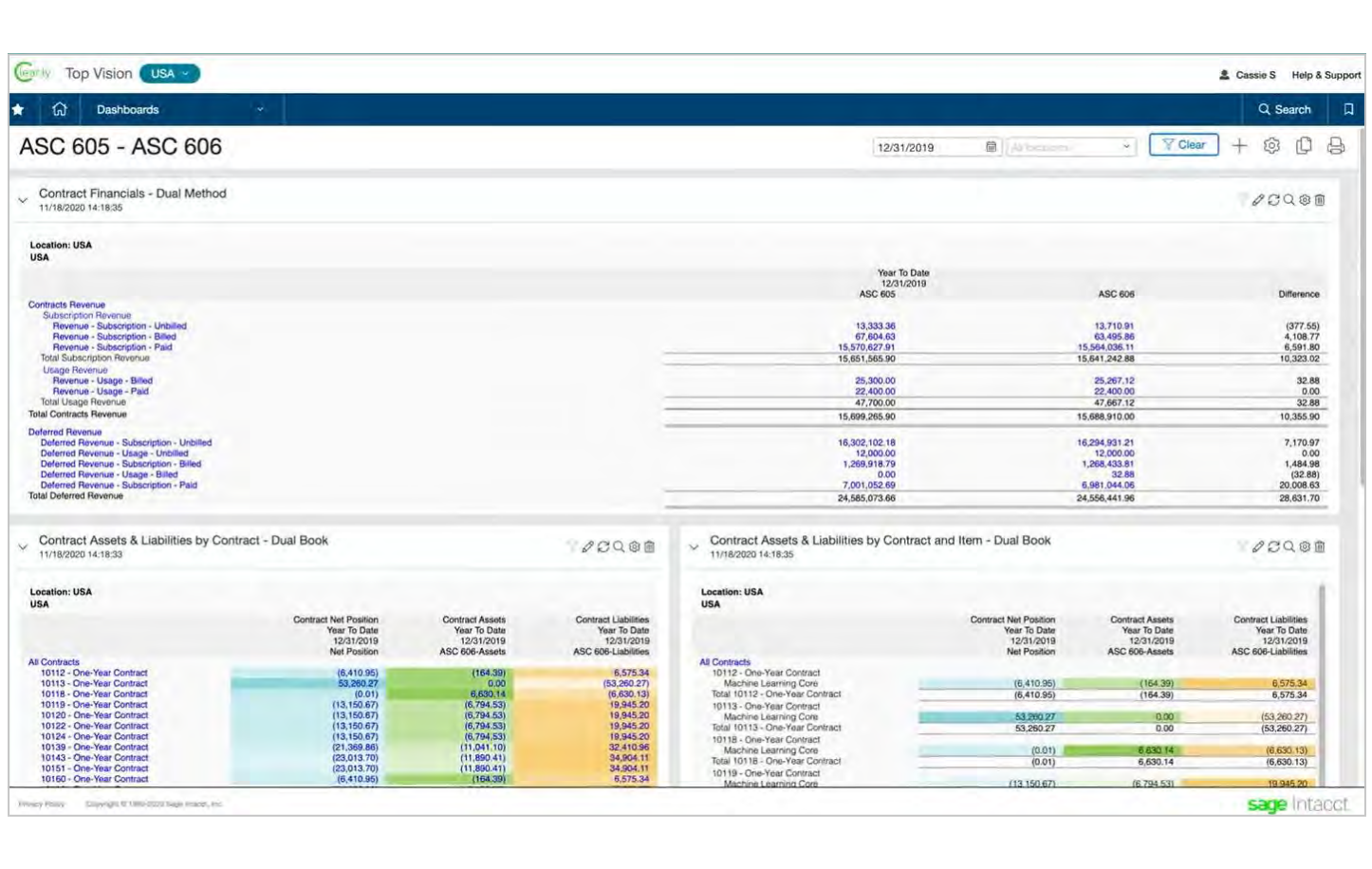
Accounting for deferred revenue through SaaS forecasting

SaaS companies recognise revenue in a unique way, so accounting for deferred revenue through SaaS forecasting is vital. Managing the demands of IFRS 15 is a big piece of that and is a much smoother experience with the help of financial automation.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Contract Assets & Liabilities by Contract - Dual Book
Contract Assets & Liabilities by Contract and Item - Dual Book
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Financial automation uses AI software to handle repetitive tasks and complex calculations. This not only saves time but also reduces errors and provides real-time insights. By accurately forecasting deferred revenue, finance leaders can manage their cash flow effectively and avoid running short on funds.

Risks of spreadsheet-based budgeting and forecasting

For decades, finance teams relied on Excel sheets and adding machines for budgeting and forecasting. But here's why sticking to these pre-automation methods can be risky:

Manual budgeting and forecasting is time-consuming and prone to errors that need to be corrected, wasting a great deal of your time and cash. Using outdated processes can hurt your department's effectiveness and the health of your entire organisation.

Manual methods also don't allow for real-time updates or adjustments. Inaccurate budgeting and forecasting can lead to financial instability and missed growth opportunities—because when you're busy constantly crunching numbers, you lose focus on big-picture thinking that could move your company forward.

None of this is good news for SaaS companies. Let's check out financial automation for comparison. Is it better at slicing uncertainty down to size?

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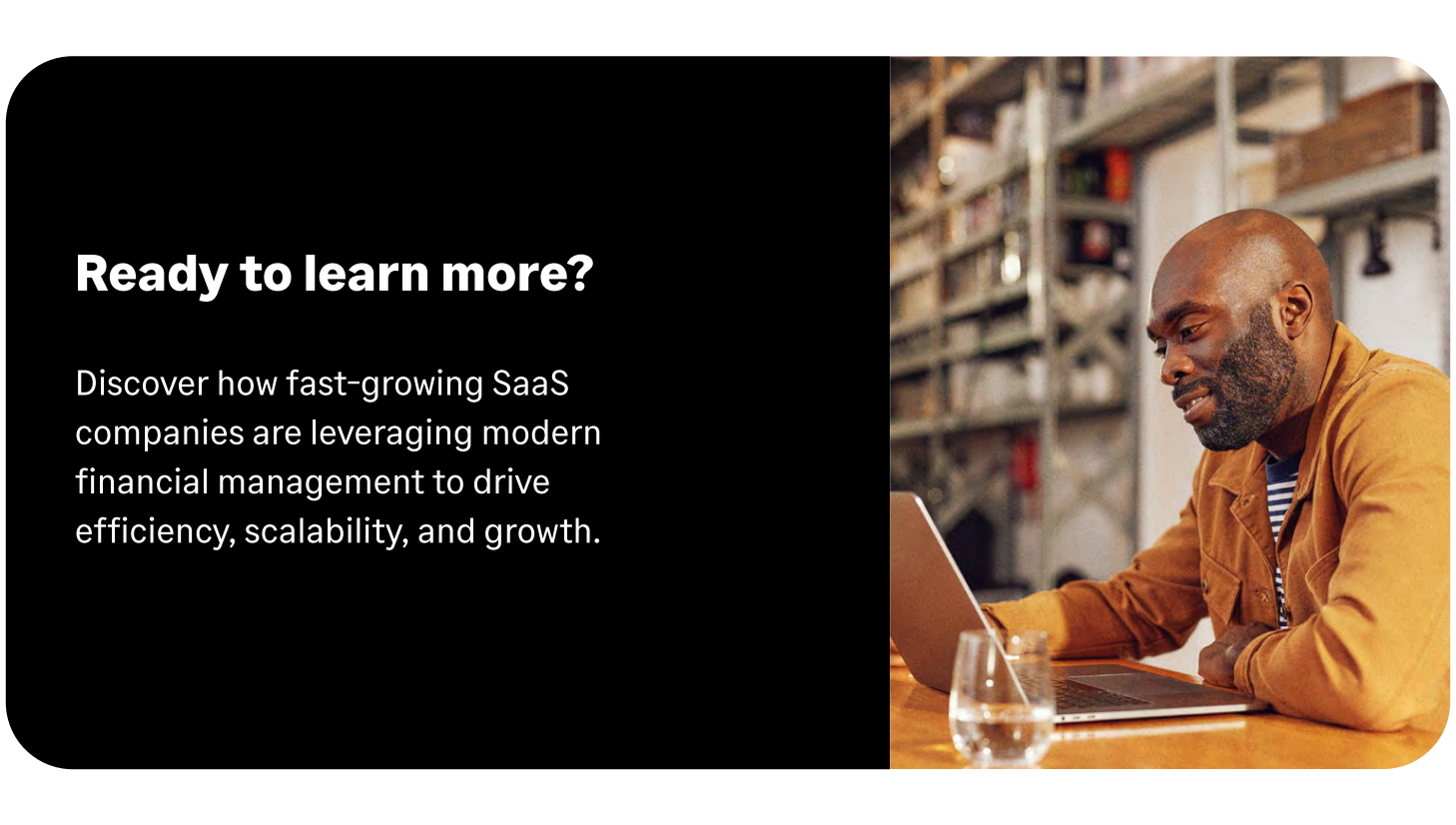
Benefits of automating your SaaS budgeting and planning

Automating your SaaS budgeting and FP&A benefits your business in several important ways:

1. **Slashing manual financial processes:** Automation cuts out manual data entry and calculations, making your entire process more accurate and reliable.
2. **Centralising your data and streamlining workflows:** Integrating all your CRM, ERP, and billing data into a centralised system ensures seamless SaaS forecasts and eliminates the risk of errors.
3. **Unlocking real-time insights and more robust forecasts:** Lag-free financial reporting combined with automated budgeting and planning provide real-time visibility into your SaaS revenue and financial performance, helping you make smarter, data-driven decisions. Automated forecasting models can generate lower-variance revenue projections by effortlessly incorporating historical data, market trends, and a wider variety of SaaS metrics.
4. **Freeing up time for strategy:** With automation and AI handling the routine tasks, your team can focus on big-picture thinking, finding new efficiencies, and working on initiatives that can really drive your business forward.

Investing in automated software solutions for SaaS forecasting and budgeting can greatly improve your department's financial planning and growth prospects. But not all accounting suites are created equal.



Ready to learn more?

Discover how fast-growing SaaS companies are leveraging modern financial management to drive efficiency, scalability, and growth.

Six actionable tactics to slash uncertainty for your SaaS business

Now that we've explored the benefits of automating your SaaS budgeting and financial planning, let's look at six actionable tactics you can use to slash uncertainty for your SaaS business through forecasting and budgeting.

1. Plan accurately for revenue recognition on multi-year contracts

Accurately planning for revenue recognition on multi-year contracts is essential for SaaS companies. These contracts can be complex, as revenue recognition may occur over a long period with multiple layers of service obligations to consider. Automation makes it easy to keep track of deferred revenue waterfalls and their impact on your budget.

CN_21-3 Def Rev Burn Down by Contract
Entity 1
Entity 1 Total

CFOs need to carefully review the terms of these contracts and determine the appropriate timing and method of recognising revenue. Be mindful of potential changes or risks that could impact the revenue recognition process, including contract amendments, changes in market conditions, or similar factors.

Advanced financial management solutions (like Sage Intacct's revenue recognition software) can help automate this process, ensuring compliance with current accounting standards while providing real-time visibility into your revenue streams. Accurately forecasting and budgeting for revenue recognition helps CFOs reduce uncertainty and ensure their businesses remain financially stable.

2. Centralise and automate to eliminate shadow IT

One of the most important reasons to integrate and automate your financial data is boosting your cash flow by cutting shadow IT. Any application that your company unintentionally continues to pay for but no longer uses is considered shadow IT.

Enterprise subscriptions can get quite pricey, and neglecting even a few recurring subscriptions can produce a sizable hit to your cash flow. Centralising your data in the cloud puts everything in front of you, allowing you to see what you need and what you don't.

Modern cloud-based financial management platforms offer centralised data storage and automation capabilities, helping you identify and eliminate unnecessary expenses.

3. Get granular about your pipeline performance and your various sale cycles

Analysing and breaking down your sales cycles into smaller segments allows you to identify trends, patterns, and key metrics that impact your sales performance. This enables you to make data-driven decisions based on the specific dynamics of each sales cycle, including seasonality, customer behaviour, and market trends.

Also, give your pipeline a closer look. Are parts of it converting particularly well, or any spots that could benefit from a change? Here's what to do:

- Map your buyer's journey and customer expansion paths.
- Define and regularly review your success metrics.
- Use a single, real-time financial data source across teams.
- Align RevOps and FP&A priorities for better collaboration.
- Balance short-term goals with long-term strategic objectives.

Sage Intacct's reporting and analytics tools can provide detailed insights into your sales pipeline and cycles, helping you visualise trends, automate reporting, and make data-driven decisions to continually improve your sales performance.

4. Aim for a slow burn

Your SaaS company's burn rate is one of the most essential metrics for ensuring positive cash flow. Essentially, your burn rate covers your total expenses: how much money are you spending each month, and how long can you keep that up with the cash you have available?

It might be time for comprehensive financial planning and analysis tools that allow you to closely monitor your burn rate and make informed decisions to extend your runway.

5. Think ahead and prioritise seamless scaling

When scaling your SaaS business, thinking proactively and planning ahead for seamless growth is essential. By selecting SaaS solutions built to accommodate future growth and increased demand, you can avoid the constant need to switch and upgrade software.

Try this: look for scalable solutions designed to grow with your business, eliminating the need for frequent software changes as your company expands.

6. Build efficiencies for peace of mind

Streamlining and automating your financial processes not only saves time and reduces errors but also provides greater peace of mind. By identifying and implementing efficiencies in your financial operations, you can free up valuable resources to focus on strategic initiatives and innovation. The right automation tools and best practices—combined with AI—can help you build these efficiencies, giving you more confidence in your financial data and processes.

Six actionable tactics to slash uncertainty:

- ✓ Plan accurately for revenue recognition on multi-year contracts.
- ✓ Centralise and automate to eliminate shadow IT.
- ✓ Get granular about your pipeline performance and various sale cycles.
- ✓ Aim for a slow burn.
- ✓ Think ahead and prioritise seamless scaling.
- ✓ Build efficiencies to forge more peace of mind.

Empowering SaaS CFOs to navigate uncertainty

Optimising your revenue forecast activity, sales pipeline projections, and budgeting processes are all essential to cutting uncertainty to the absolute minimum. For SaaS CFOs, automation is the easiest pathway to get there because it integrates your data, fine-tunes your forecasting, and equips you with robust financial analytics—all in one fell swoop.

By leveraging the power of budgeting and forecasting, embracing automation, and implementing the actionable tactics we've outlined, you can navigate the complex SaaS financial landscape with greater confidence and precision. Remember, in the world of SaaS, adaptability and foresight are your greatest allies in slashing uncertainty and driving sustainable growth.

As you continue to optimise your SaaS forecasting and budgeting process, keep in mind that it's an ongoing process. Stay curious and leverage the wealth of resources and tools available to SaaS financial leaders.

Ask yourself (and your team) these critical questions:

- ✓ How can you best leverage your financial tools in the first 90 days post-deployment and beyond?
- ✓ What strategies can you implement to scale sustainably at each growth stage?
- ✓ How can you build and forecast different billing models with confidence?

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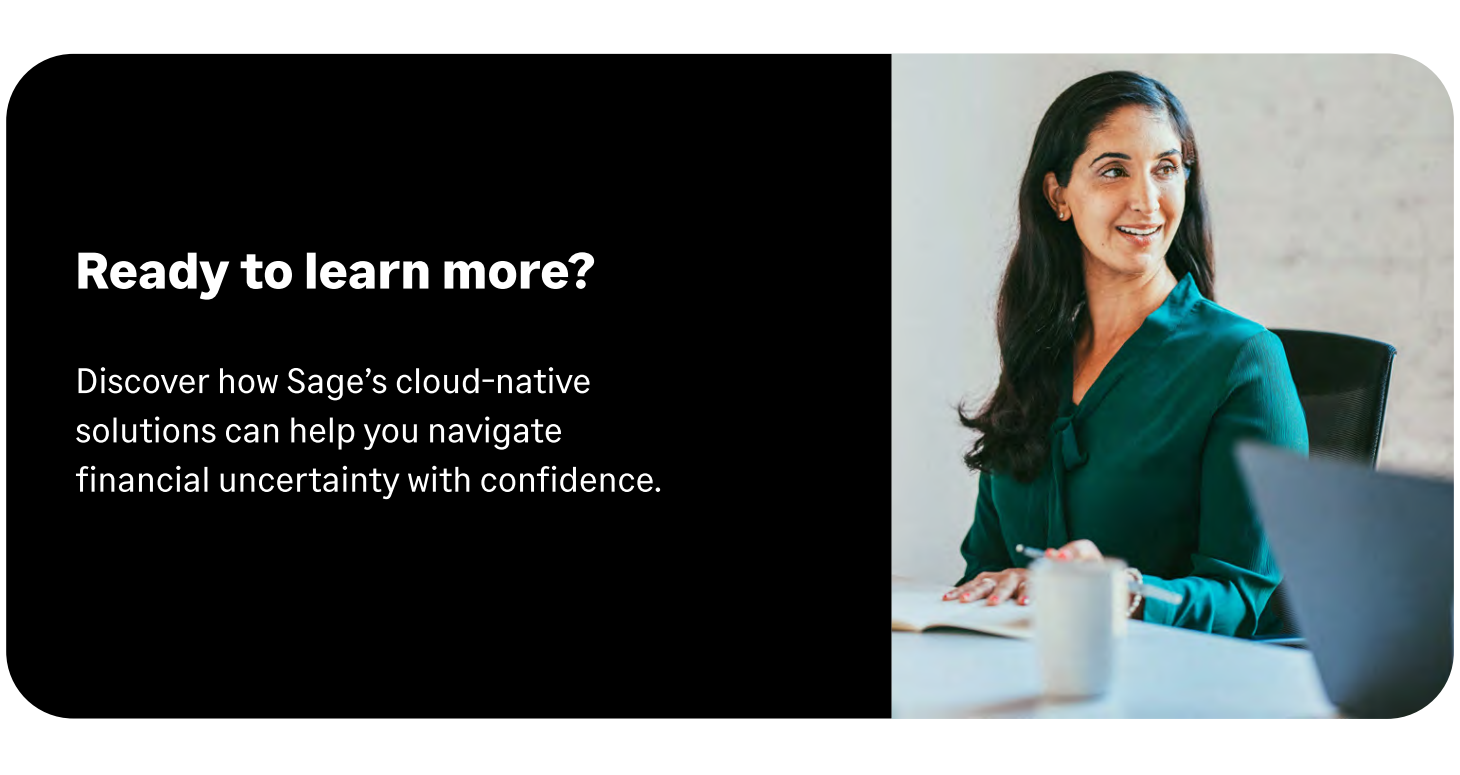

Ready to learn more?

Discover how Sage's cloud-native solutions can help you navigate financial uncertainty with confidence.

- **Managing cash correctly by growth stage:** As a SaaS CFO, you'll have different priorities and goals depending on what stage of the business lifecycle you're in. Are you pre-seed or seed and trying to establish a product-market fit? Or are you more mature and fine-tuning your revenue model or even expanding internationally? Forecasting helps finance leaders navigate each growth stage optimally.

By combining SaaS budgeting and forecasting, CFOs can make informed decisions, adapt quickly to changes, and stay competitive. Let's peel back a few more layers. How else can this symbiotic pair of financial processes improve your company's financial performance by reducing uncertainty?

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