

Forecast Assumptions and Methodology Document

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Prepared by: Forecasting Team

1. Purpose

This document outlines the key assumptions and methodology used in preparing the forecast for FY 2025. The objective is to ensure transparency and support the integrity of the forecast results.

2. Scope

The forecast covers the period from January 2025 to December 2025 and includes revenue, operating expenses, and key financial metrics for all business units.

3. Key Assumptions

- Macroeconomic Environment:** GDP growth is assumed at 2.5%. Inflation is expected to average 3% throughout 2025.
- Market Demand:** Customer demand is projected to increase by 5% based on historical patterns and external market analysis.
- Pricing:** Prices are assumed to remain stable with minor seasonal adjustments.
- Operating Costs:** Labor costs are assumed to rise by 3% reflecting the anticipated wage inflation. Utilities expenses are expected to remain stable.
- Exchange Rates:** Forecasts are based on the current exchange rate of 1 USD = 0.92 EUR, with no significant volatility predicted.
- Regulatory:** No major regulatory changes anticipated affecting operations in the forecast period.

4. Methodology

- Data Collection:** Compiled historical data from FY 2022 to FY 2024, external market reports, and internal sales trends.
- Model Selection:** Used time series analysis (ARIMA) for revenue and regression analysis for expense drivers.
- Scenario Analysis:** Developed base, optimistic, and conservative scenarios to account for market volatility.
- Review and Validation:** Forecasts were validated by comparing model outputs against recent actuals and expert input.
- Sign-off:** Final assumptions and figures have been reviewed and approved by management.

5. Limitations

- Unexpected macroeconomic shifts may impact forecast accuracy.
- Assumptions regarding stable input prices may not hold if supply chain disruptions occur.
- Significant regulatory or policy shifts are not included in this model.

Important Notes:

- All assumptions should be reviewed regularly and updated as needed.
- This document is to be used as a reference for understanding the basis of forecasts and is not a guarantee of future results.
- Material deviations from assumptions should be reported promptly and reflected in future forecast updates.
- Stakeholders are encouraged to provide feedback to improve forecast accuracy and transparency.

