



## PRIVATE EQUITY PERFORMANCE IMPROVEMENT

# The 13-Week Cash Flow: An Integral Part of the CFO's Decision-Making Arsenal

As global growth looks set to slow down in 2026 and business uncertainty persists<sup>1</sup>, one of the most fundamental predictive tools a Chief Financial Officer can deploy is the 13-week cash flow forecast.

The forecast is not only a very useful tool in distressed situations, it can also help manage a company more effectively, offering improved cash visibility, transparency and proactive liquidity control, and – most importantly in non-distressed situations – provide insight to operational efficiency within the business. While the 13-week cash flow is a necessity in circumstances that require tight cash oversight, it is often overlooked when cash is abundant.

### When to use the 13-week cash flow metric

It is essential to know when to rely on EBITDA and a profit-and-loss (P&L) framework for indirect cash flow forecasting versus a 13-week direct cash flow forecast.

Many private equity (PE)-backed businesses prioritise EBITDA to maximise exit value and de-prioritise cash. In our experience, a robust direct and indirect flow for cash and working capital management can surface operational excellence opportunities that may not be obvious in the P&L.

1. <https://unctad.org/news/10-trends-shaping-global-trade-2026>

Below are the main reasons we recommend assessment via a cash lens in both non-distressed and distressed situations:



### Non-distressed situations

Even when businesses are solvent, a robust 13-week cash flow forecast can help companies react to liquidity shocks faster than the market, and the indirect cash flow can help spot changes in working capital patterns before they become evident in liquidity needs. For example, one client's shipping timeframes doubled. The structural shift was not immediately evident to Finance as they did not track Days Inventory Outstanding (DIO) and Days Sales Outstanding (DSO) closely, but only became obvious as cash deteriorated significantly over the coming months. If the business had a robust direct and indirect cash flow, they would have spotted these shifts before the shareholder suddenly realised they needed to provide additional funding to finance working capital.

Other examples of robust cash and working capital management surfacing operational efficiency issues include ineffective Sales and Operational Planning, resulting in higher-than-expected inventory or increasing customer disputes resulting in higher-than-usual receivables.

The cash flow forecast can also become a competitive advantage in some circumstances. For example, rapid increase in interest rates in 2022 and 2023 made financing very expensive and PE-owned companies had to rethink their working capital strategy.

Manufacturers were reducing their inventory levels at the same time and the companies that reacted faster gained advantage, as adaptation to the new reality of expensive capital was required across the whole organisation, particularly in sales and purchasing to drive sell-off initiatives and more frequent buying.

The range of aspects that significantly impact the company's cash flow is very wide and some elements can be underestimated.

One of them is cash tax optimisation, which rarely gets challenged before scrutinising the balance sheet and indirect cash flow. This typically includes maximising the use of favourable tax attributes such as unutilised interest expenses, tax losses, and R&D or innovation-related cash tax incentives.

We would expect PE-owned businesses to maintain a robust 13-week direct cash flow forecast to ensure they stay on top of liquidity needs on a daily or weekly basis (sometimes beyond 13 weeks if cash cycles are longer) alongside a three-statement monthly financial model for mid- to long-term indirect cash visibility.



### Stressed or distressed situations

The cash flow forecast is particularly important for companies burdened by excessive debt and low liquidity levels. In debt restructuring or when facing potential insolvency, the first question creditors ask is, "How much cash do you have and how long can you survive?" In these circumstances, the 13-week cash flow and liquidity reporting becomes the central focus for both company management and for creditors.

Its key uses include:

- Evaluation of liquidity gap and its timing
- Identification cash improvement levers, particularly within working capital
- Cash flow risk management, e.g. potential supplier payment terms reductions, trade-off between locking in additional margin or leveraging extended payments terms options and prioritisation of cost-saving measures based on their cash profile
- Assessing value of the liquidation estate

## A robust cash management framework

### Direct cash flow

Example: 13-week, weekly frequency, invoice driven

Primary use: Granular short-term liquidity forecast surfaces customer and supplier issues more quickly and is used for operational management by Treasury and CFO

### Indirect cash flow

Example: Multi-year, monthly frequency, P&L- and balance sheet driven

Primary use: Aggregated mid- to long-term liquidity view linked to EBITDA used by CFO, PE and corporate development

## Harnessing the power of the short-term forecast

Based on our extensive experience providing clients with actionable insights into their short-term financials, here are our top recommendations for reaping maximum benefits from the 13-week cash flow forecast:



### Build conservative forecasts

- Avoid being over-optimistic in projections
- Establish a secure and realistic baseline for decision-making



### Integrate drivers across functions

- Include procurement, manufacturing (if applicable), HR, tax, capex timing, supplier terms, and product profitability in the cash planning process



### Educate stakeholders on appropriate use of cash flow lens vs EBITDA perspective

- While EBITDA gives a view of the accounting performance, 13-week cash flow offers insights into actual cash performance
- Highlight recurring adjustments, one-offs and cyclicity of working capital
- Ensure that the short-term view is the basis for the long-term view (with reasonable reconciliation of direct and indirect cash flow)
- Review significant changes in key cash flow metrics (e.g. DSO, DIO, cash from operations) regularly, with assessment of any fundamental business issues



### Use 13-week cash flow as a strategic management tool

- Integrate capex approvals, M&A planning, S&OP and long-term planning
- Push to bring forward cash flow initiatives that benefit shareholders while not jeopardizing the EBITDA benefits



### Be proactive, not just reactive

- Viewing cash flow forecasts as an administrative task during stable periods does not yield much benefit, but by taking a proactive approach, these levers can be used before cash starts deteriorating, giving CFOs an edge in the market
- Rather than waiting until there are liquidity issues, we recommend that CFOs simulate scenarios, stress test assumptions and prepare for probable adverse events and shocks.
- Ensure accountability for cash-related key performance indicators (KPIs). It is crucial that businesses and their Boards understand the cash implications of any operational decisions made, and the right people are held accountable. For instance, making sales function responsible for achieving target payments terms or having a part of their commissions linked to cash collections.

## Case study

Working with a private equity client, our team built a 13-week cash flow forecast for a global consumer goods business that was spun off from its parent.

The newly carved out business had not previously undergone separate cash flow or business planning, and now, after leveraging the Company after takeover, required tight cash management that called for accurate forecasts.

The client also wanted to identify opportunities where the business could squeeze out more cash and improve working capital.

Our 13-week cash flow forecast captured:

-  Several currencies and currency-hedging impacts
-  TSA settlements modelling with the parent company
-  New ERP implementation costs
-  HC restructuring
-  Other improvement initiatives
-  Consultant costs
-  Sales & operations planning reflecting most up-to-date delivery plans, and
-  Implied receivables and working capital based on the cash flow forecast

A&M's implementation of the cash forecast tool achieved the following favourable outcomes for the client:

-  Provided clear cash visibility to the PE client for the next 13 weeks and also for rolling 12 months
-  Shed transparency into cash management in a highly leveraged balance sheet
-  Pinpointed cash implications of operational decisions
-  Helped improve working capital



## How A&M can help

Our team of experienced consultants excels in:

- Diagnosis and implementation of the 13-week cash flow forecast, whether the scenario is pre-deal, post-deal or no deal
- Working capital and spend quick wins initiatives and transparency
- Implementation support with cash benefits tracking of:
  - Commercial initiatives
  - Operational measures
  - Procurement savings
  - Headcount restructuring
  - Cash tax optimisation
  - Automation-enabled cash flow and working capital transparency



## Conclusion

In conclusion, CFOs must shift from compliance-led forecasting to a proactive, hands-on approach. Focus on the P&L must go hand-in-hand with attention to cash generation, to ensure sufficient liquidity and to detect business issues proactively.

Whether optimising performance in a PE-backed firm or navigating a distressed restructuring, the 13-week cash flow forecast can assist CFOs in strategic decision-making, providing a robust financial lens through which company health and opportunities can be assessed.



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