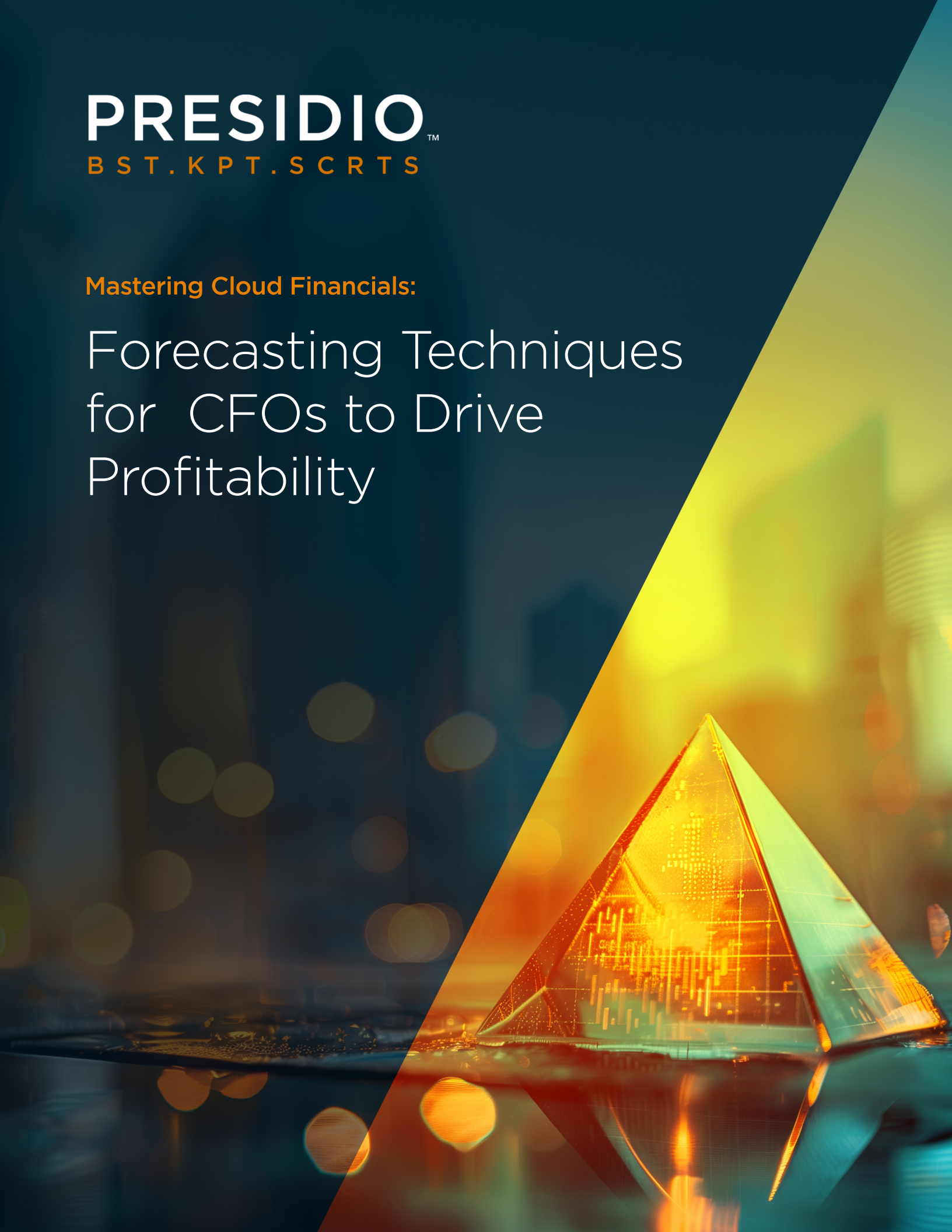


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Mastering Cloud Financials:

Forecasting Techniques for CFOs to Drive Profitability



In 2024, for the first time in 13 years of conducting the State of the Cloud Report, managing cloud spend is #1 cloud related concern, surpassing security as top challenge related to cloud.

– FinOps Foundation

Without robust forecasting methods — and without FinOps framework in place — navigating the cloud becomes a gamble. Hidden costs can quickly spiral out of control, hindering your ability to budget effectively and maximize your ROI. Furthermore, you may miss out on valuable opportunities to leverage AWS discounts, which require upfront commitment based on anticipated cloud usage.

By accurately forecasting your cloud spend, you gain the power to make informed decisions, streamline operations, optimize costs, and ensure your cloud investment delivers maximum value.

WHY FINOPS?

FinOps (Financial Operations) is a proven approach to optimize cloud financial management. FinOps is not only about saving money, but it is also about making money. When FinOps is done right, it reduces an organization's operating expenses and increases its profitability. This is especially true when an organization is delivering revenue-generating applications from the public cloud.

In short, FinOps helps you get the most value from your cloud environment.

Use this guide to unlock the transformative power of FinOps forecasting for your cloud environment.

Pro Tip: *If you're just getting started on your financial operations and cloud cost optimization journey, join [The FinOps Foundation](#) to stay updated on the evolving field, understand standardized principles, engage with the community, and gain access to valuable resources.*

Key Takeaways

- ◆ Managing cloud spend is a top concern for executives across industries.
- ◆ Accurate forecasting is a cornerstone of Financial Operations (FinOps) and key to cloud cost optimization.
- ◆ Start by establishing a budget through cross-team collaboration and analyzing past usage.
- ◆ Build in flexibility and find ways to reduce your risk when it comes to committed cloud spend.
- ◆ Find the right tools and partners to help you navigate the cloud environment. Look for powerful data models and AI analysis to simply projections, increase efficiency, save money, and manage changing needs.

Improve Forecasting and De-Risk Your Cloud Framework in 3 Steps

STEP 1: BREAK DOWN SILOS TO BREAK DOWN COSTS

You can't optimize costs if you don't know where they're coming from and understand how engineering teams are operating within the cloud environment. You'll need to create a budget, a thorough budget that includes all cloud costs and activities.

Unlike traditional budgeting, which typically focuses on fixed costs and variable costs with predictable billing cycles, budgeting for cloud requires a more dynamic budgeting approach due to the pay-as-you-go models, where costs fluctuate based on resource usage.

How to get started with cloud budgeting

- ◆ Build a collaborative team: If you rely only on the finance team to create a budget, you'll likely end up with inaccurate cost estimates and unexpected overages. A siloed approach can create a disconnect between budget planning and actual cloud usage. Collaboration between engineering and finance teams is key. Make sure to involve all necessary team members across departments so that everyone has ownership over achieving cost efficiency.
- ◆ Take inventory, analyze past usage: Work together to understand where cloud costs are coming from. Dig in. Assess spending, analyze historical costs and past cloud consumption. Identify cloud resource utilization patterns and potential areas for optimization, such as right-sizing instances or leveraging more cost-effective options.
- ◆ Look ahead: History and usage data are the foundation of a budget, but understanding what's coming next will ensure that you're able to accurately forecast cloud costs for your organization. Speak with your engineering teams about any new migrations, monetizations, or workloads happening in the next year, and any AI initiatives that may influence cloud usage. Knowing what the IT needs and expectations are can help you build a cloud budget that supports their growth goals.

There's no "easy button" when it comes to budgeting and forecasting for cloud environments. Getting it right takes thoughtful collaboration and cost visibility. However, billing and cost management tools can help simplify the process.



STEP 2: FIND YOUR CRYSTAL BALL: ANALYZE YOUR PAST TO PREDICT YOUR FUTURE

While steady-state workloads offer a predictable baseline for forecasting, the cloud introduces a new challenge: accurately predicting costs for dynamic, just-in-time resources.

Cloud budgeting is not as simple as looking at historical data and assessing departmental needs, though those are important pieces of the puzzle. It requires forecasting resource usage (compute, storage, network) to predict future costs. Additionally, impactful cloud budgeting calls for flexibility, real-time cost visibility, and close monitoring of usage.

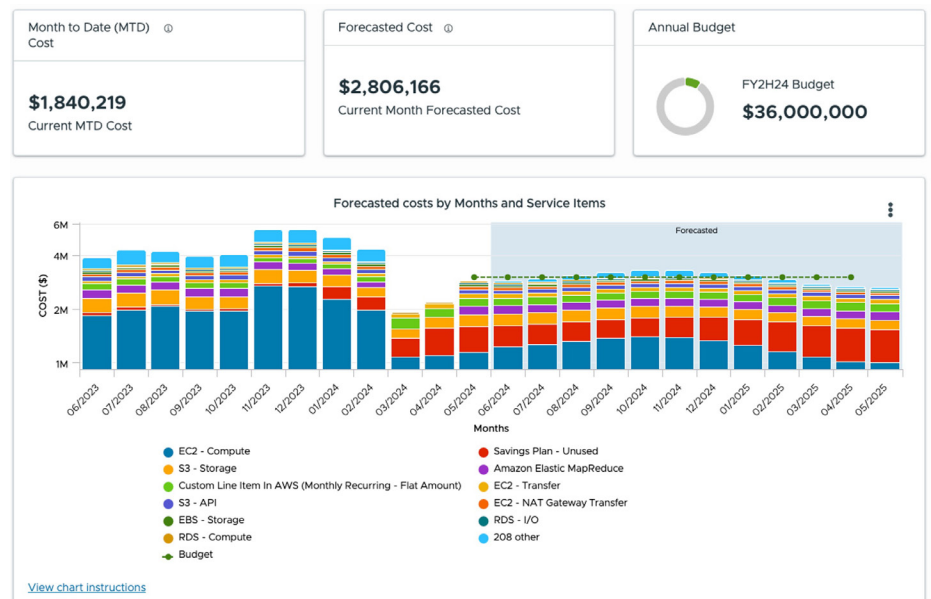
In this environment, FinOps practices and cloud-specific forecasting become crucial.

For cloud cost forecasting, look for partner and cloud services organizations that:

- ◆ Analyze a huge amount of data, including historical costs and past usage
- ◆ Have Machine Learning capabilities to baseline, analyze trends, and changes in spend behavior
- ◆ Include data models to simplify projections for unpredictable workloads
- ◆ Integrate with the cloud provider's billing data and other financial systems (ERP, CRM)
- ◆ Compare your expectations with past use trends
- ◆ Support multiple time outlooks
- ◆ Look at patterns and overlay those on future usage predictions
- ◆ Offer automation benefits, including analysis and alerts on cost anomalies
- ◆ Can allocate cloud costs on a granular level for better cost visibility and chargeback capabilities
- ◆ Offer fully customizable and scalable support as your cloud usage grows
- ◆ Proactively identify potential cost inefficiencies and take corrective actions before they impact your budget
- ◆ Eliminate the manual work of scouring through pricing tables, commitments to cloud providers, and marketplace rates

Once armed with the power of accurate forecasting and a cloud partner you trust, you are ready to optimize cloud costs and make a significant impact on the bottom line. As you innovate, take advantage of new cloud technologies, or resize, you will realize savings in real-time. See *figure 1* that shows a typical savings progression for Presidio clients.

Figure 1



STEP 3: UNCOVER OPTIMIZATION OPPORTUNITIES AND MITIGATE RISK

Forecasting empowers informed decisions. **By accurately predicting cloud usage, you can optimize resource allocation and spending, potentially saving your organization millions.**

Optimizing cloud costs and increasing cloud efficiency allow you to leverage cost-saving strategies like discounts, reserved instances (RIs), and savings plans offered by cloud providers. If you're very confident in your forecasting you can commit to cloud spending in return for higher discounts. That confidence comes from a rock-solid foundation of data-backed forecasting.

Accurate forecasting and cloud cost optimization can help mitigate the following challenges:

- ◆ Cloud waste
- ◆ Overspending
- ◆ Overcommitting
- ◆ Inefficient resource allocation
- ◆ Reactive cost management
- ◆ Lack of cost visibility
- ◆ Under-provisioning

Work with your engineering teams to implement cloud cost optimization opportunities identified through tools and usage analysis. These opportunities may include right-sizing resources, terminating idle resources, leveraging savings plans, and more.



How to remove financial risk from your cloud strategy:

In addition to smart cost optimization, the right partner can also help you avoid financial risk in the cloud by taking it on themselves.

What does this mean?

When you are working with cloud providers, your business will need to commit to their services. If you change from consuming one service to consuming another service, you'll be penalized either through direct charges or forfeiting discounts.

Innovative cloud partners (like Presidio) allow you flexibility. Through them, you can move between cloud services with no risk and no wasted discounts or commitments. You'd never have to be stuck paying for something you're no longer using.



BE READY FOR ANYTHING ON YOUR CLOUD JOURNEY

In today's dynamic, fast-moving tech environment, cloud needs can shift quickly. Mastering cloud cost forecasting and optimization empowers you to adapt your strategy, ensuring cost-efficiency and maximizing ROI. When you're equipped with the knowledge to navigate this ever-changing landscape, you're set up for success.

Presidio is here to support your cloud journey, removing risk and saving you money no matter how your needs evolve.

WANT TO LEARN MORE ABOUT MANAGING THE RISK OF COMMITTED CLOUD SPEND? MEET PRESIDIO.

Presidio is a digital services and solutions provider. Presidio's [Cloud Financial Managed Service program, PRISM](#), is a uniquely powerful FinOps and cloud cost optimization solution.

PRISM has helped save companies over 100 million dollars a year on cloud costs.

PRISM provides actionable insights on cloud spending, core tagging, and anomaly detection alerting. Our proprietary AI/ML engine leads the industry in forecasting and reporting capabilities, producing user-friendly planning and cost savings dashboards for real-time analysis by IT departments or boardrooms.

We're here for you. Presidio offers a team of cloud cost management specialists who can provide guidance and support throughout your cloud optimization journey.

Customer story, DraftKings: Presidio helped DraftKings reduce cloud costs by 25% through PRISM. PRISM, in conjunction with Presidio-recommended hyper-scaler programs, has enabled DraftKings to optimize consumption to peaks in its business while also lowering overall cloud waste.

We take on financial risk...and it costs you nothing. Beyond cost optimization, one of the most important things we do is take on financial risk when you need it. And, our entire PRISM program — the analysis, the program itself — costs customers nothing. Unlike consultants or software companies, we don't charge a percentage of savings found. We apply guaranteed discounts to do all of your consumption on a monthly basis; we make all the investments on the back end; we become your biller; we de-risk *everything*.

At Presidio, speed and quality meet technology and innovation. With a decades-long history of building traditional IT foundations and deep expertise in automation, security, networking, digital transformation, and cloud computing, Presidio is a trusted ally for organizations across industries. Presidio fills in gaps, removes hurdles, optimizes costs, and reduces risk. Presidio's renowned technical team develops custom applications, provides managed services, enables actionable data insights, and builds forward-thinking solutions that drive extraordinary outcomes for clients globally.

Interested? Schedule your free cloud cost analysis today. Contact Us.