



Addressing the financial impact of COVID-19 Surviving the next four weeks ... and then the next three months

Events are moving very fast. COVID-19 is the only topic in the news. Already we are hearing news of profitable and well-managed companies needing to take drastic action to maintain headroom. The ability to simply trade in the short term in sectors such as airlines, retail, and leisure and hospitality is being compromised as a result of lockdowns globally. Many other sectors are also experiencing quite dramatic and serious challenges. While businesses need to continue to focus on retaining the core business fundamentals that have made them successful, in the immediate term survival is of the essence.

There are many actions companies can take—all of which focus on improving the immediate cash position and identifying and addressing existential risk.

Cash flow

Real time cash flow forecasting

- 13 week cash flow—daily view for next 2-4 weeks
- Visibility over key receipts/payments on an 80/20 basis
- Assumptions flex with latest information
- Model downside scenarios for the next 3-6 months
- Mitigating actions and when may need to be executed
- Remain agile as situation is highly dynamic

If survival is at stake—no sacred cows

- Stop all discretionary spend
- Postpone all (expansionary) capex
- Make cost base more flexible
- Reduce contractors to reflect activity
- Consider unpaid leave for permanent staff
- Freeze hiring
- Lengthen payment terms on large leases (e.g., property)
- Plan go slow/shutdown planning
- Seek support from larger/robust suppliers & customers
- Leverage government initiatives (e.g., HMRC Time to pay)
- Defer pension deficit contributions

Take TIGHT control of cash

- Only one person authorizing payments—CFO/Cash Czar
- Daily meetings on what payments to make
- Prioritize business critical expenses
- Match payments to receipts
- Consider reducing frequency of payment runs
- Offer early payment discounts—focus on cash, not profit

Stakeholder management

- Communicate regularly with all your key stakeholders
- Lenders, shareholders, employees, suppliers (incl. landlords), customers, authorities (tax, government, etc.)

Funding solutions

- Draw down all funding lines (many companies already have)
- Utilize whatever government support is available
- Seek support from existing funders
 - Lenders
 - Shareholders
- Seek new funders who can act quickly
 - Asset based lenders
 - Alternative lenders: many ready to lend in COVID-19 world
- Accelerate M&A: delivered outside of “normal” timescales

Contingency planning

- Review your legal entity structure to identify pockets of value
- Understand your balance sheet and where risks and strengths lie; understand critical assets, contracts, customers, and suppliers
- Identify divisions that could be segregated to protect value
- Consider insolvency processes to protect business or complete a sale if future is at risk

Contracts

- COVID-19 will lead to a lot of legal/insurance claims
- Keep track of the financial impact of:
 - Breaches of contract
 - Additional costs incurred
- Ensure you are:
 - Meeting contractual requirements where possible
 - Taking mitigating actions to any material breaches

Contact:

For more information on how to respond, recover and thrive:

- Connect to Deloitte leaders www.deloitte.com/COVID-19-leaders
- Visit www.deloitte.com/COVID-19

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