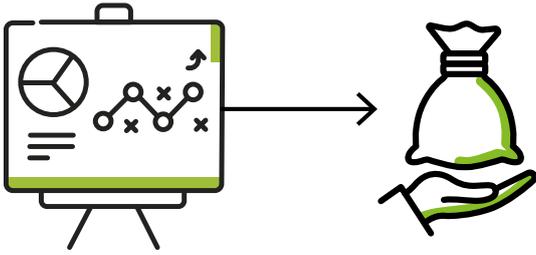


## **Valuation, Economics & Modeling**

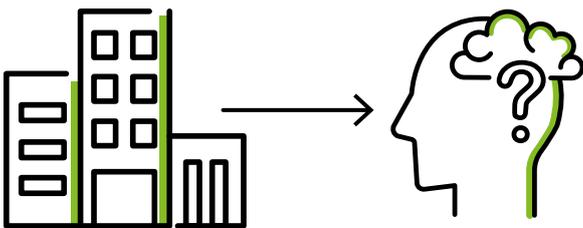
Working Capital Solutions for  
Businesses with Urgent Cash Needs





## Working capital solutions for businesses with urgent cash needs

- Public policy measures put in place to contain the spread of COVID-19 are resulting in significant operational disruption for many businesses. Staff quarantine, supply chain failures, inventory shortages, and sudden reductions in demand from customers are creating serious issues for businesses across a far wider range of sectors than initially anticipated.
- A number of businesses now face weeks, if not months, of exceptionally poor trading conditions. For most, the revenue lost in this period represents a permanent loss rather than a timing difference, and is putting sudden, unanticipated pressure on liquidity.
- Many businesses across a multitude of sectors are finding that they need to approach their suppliers, customers and financiers to arrange short-term solutions to support their cash flows. In certain cases, the scale and urgency of the short-term working capital requirements have taken management teams by surprise, emphasizing the need to act decisively.



## Why companies may be having issues?

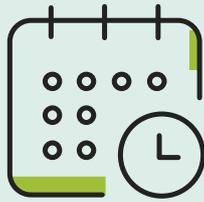
### **Collapsing demand and supply chain shutdowns are straining businesses' cash and working capital.**

- Suppliers unable to deliver critical components to manufacturers, delaying or halting the manufacturing process, resulting in mounting WIP balances;
- Challenges in collecting receivables in a timely fashion from cash strapped customers;
- A downturn in consumer demand leading to increased inventories that are more and more difficult to clear;
- Difficulties in paying suppliers due to short term cash-flow restrictions.

# Cash flow forecasting



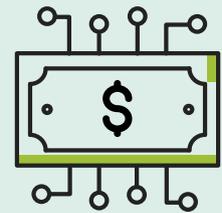
**Daily monitoring of cash balances**



**Implement a strict 13 week cash flow forecasting process, supported by adequate tools;**



**Optimize internal cash transfers;**



**Implement a cash centric culture across the business, focusing on cash, not P&L metrics.**

# Levers to release pressure from working capital

## Receivables

- Raise invoices ASAP and in a timely manner;
- Consider offering shorter payment terms in return for discounted payment;
- Review customer payment terms and identify arbitrage opportunities across customers;
- Monitor cash collections daily by prioritizing customers with large debtor balances first;
- Engage with customers, and be proactive to minimize the risk of disputes and late collections;
- Monitor dispute resolution cycle times and address root causes;
- Consider financing solutions such as debtor factoring.

## Inventory

- Minimize order quantities and batch sizes, increase order and production frequency;
- Challenge existing safety stock parameters driven by elements such as forecast accuracy, lead time, variability in supply and service level;
- Review distribution/shipping and balance between full truckloads and inventory;
- Explore opportunities in consignment stock;
- Monitor compliance to inbound deliveries to ensure no early deliveries;
- Keep material master data up-to-date;
- Review your constraints at bottlenecks and streamline production to minimize WIP;
- Dispose of slow moving and obsolete stock by offering discounts or leveraging e-auctions.

## Payables

- Ensure supplier payment terms are in line with both the businesses' policy and industry standards;
- Implement a robust payment run policy to avoid early payments;
- Map your business critical suppliers to determine priority of payment;
- Make sure that payment is performed through the agreed payment method (e.g., CHAPS v BACS);
- Calculate payment terms from invoice receipt date rather than from invoice date;
- Enable visibility to identify payment term arbitrage opportunities across your supply base;
- Explore supply chain finance and dynamic discounting.

**Even for businesses which have not yet been adversely affected, we recommend they seek to improve cash flow by optimizing working capital and identifying "quick win" self-help measures to deliver rapid, tangible cash flow benefits.**



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