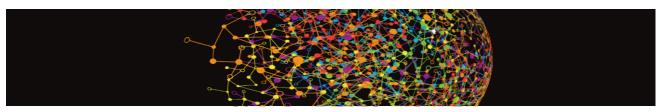
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How can I generate liquidity to help mitigate the impact of Covid-19?

Working capital solutions for companies with urgent cash needs

Implementing a Liquidity Management and Mitigation program will be critical to providing short term cash needs in the face of declining sales prospects. Many companies 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 of our clients have taken the company's management team by surprise, emphasizing the need to act decisively.

What's the issue?

Working Capital Levers

How can we track?

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

- Receivables
- · Raise invoices in a timely manner
- Consider offering shorter payment terms in return for discounted payment
- Review receivable terms, identify arbitrage opportunities across customers
- · Monitor cash collections daily by prioritizing customers with largest debt first
- Engage with customers; be proactive to minimize dispute and late collection risk
- Monitor dispute resolution cycle time and address root causes
- Consider financing solutions such as debtor factoring

∄Inventory

- · Minimize order quantities, 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
- $\bullet\,$ 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 constraints at bottlenecks and streamline production to minimize WIP
- Dispose slow moving/obsolete stock via discounts or leveraging e-auctions

(Payables

- · Ensure terms are in line with the company's policy and industry standards
- Implement a robust payment run policy to avoid early payments
- $\bullet\,$ Map your business critical suppliers to determine priority of payment
- $\bullet\,$ Make sure that payment is performed through the agreed payment method
- · Calculate payment terms from invoice receipt date rather than from invoice date
- Enable visibility to identify terms arbitrage opportunities across supply base
- Explore Supply Chain Finance and Dynamic Discounting

- It starts with disciplined working capital forecasting, which enhances liquidity visibility across the business.
- Daily (if possible) or weekly monitoring of working capital balances is critical
- Use these as inputs into the rigorous implementation of a 13 week cash flow forecast process, supported by adequate tools
- Optimize internal cash transfers, including cross border flows notwithstanding tax implications
- Drive a cash centric culture across the working capital team, focusing on cash, not P&L metrics

Even for companies that have not yet been adversely affected, we recommend that 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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