



## Addressing the financial impact of Covid-19 Surviving the next 4 weeks...and then the next 3 months

Events are moving very fast. Covid-19 is the only topic on 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, leisure and hospitality is being compromised as a result of lockdowns globally. Many other sectors are also experiencing quite dramatic and serious challenges. Whilst 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 the cost base more flexible:
    - Reduce contractors to reflect activity
    - Consider unpaid leave for permanent staff
    - Hiring freeze
    - Lengthen payment terms on large leases (eg. property)
    - Plant go slow / shutdown planning
  - Seek support from larger/robust suppliers & customers
  - Leverage government initiatives (e.g. TERS)
  - Defer pension deficit contributions
- **Take TIGHT control of cash**
  - Only one person authorising payments – CFO/Cash Czar
  - Daily meetings on what payments to make
  - Prioritise 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
- Utilise whatever Government support is available
- Seek support from existing funders
  - Lenders
  - Shareholders
- New funders who can act quickly
  - Asset based lenders
  - Alternative lenders: many ready to lend in Covid19 world
- Accelerated 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 risk 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

- The coronavirus 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

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