



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

Events are moving very fast and we already see news of profitable and well managed companies needing to take drastic action to survive. In the short term, the ability to simply trade in sectors such as airlines, retail, leisure and hospitality is being compromised as a result of lockdowns locally and globally. Many other sectors are also experiencing dramatic and serious challenges. Whilst businesses need to continue focusing on retaining the fundamentals that have made them successful, survival is of the essence. There are many actions companies can take – we have highlighted some that focus on **improving the immediate cash position**, **ensuring sufficient liquidity** and **addressing existential risk**.

Cash flow

- **Real-time cash flow forecasting**
 - 13 week cash flow with a 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 they may require executing
 - Remain agile as the situation is highly dynamic
- **If survival is at stake, nothing is sacred**
 - Stop all discretionary spend
 - Postpone all (expansive) capex
 - Make cost base more flexible
 - Reduce contractors to reflect activity
 - Consider unpaid leave or temporary lay-offs for permanent staff (based on local rules)
 - Hiring freeze
 - Lengthen payment terms on large leases
 - Plant go slow / shutdown planning
 - Seek support from larger/robust suppliers and customers
 - Leverage Government initiatives where you operate
 - Defer pension deficit contributions
- **Take TIGHT control of cash**
 - Only one person authorising payments (e.g. CFO)
 - Regular (virtual) 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 where you have operating entities
- Seek support from **existing funders** (lenders, shareholders)
- **New funders** who can act quickly, e.g.:
 - Asset based lenders
 - Alternative lenders: many ready to lend in a Covid-19 world
- **Accelerated M&A:** delivered outside of “normal” timescales

Contingency Planning

- Review your legal entity structure to identify value pockets
- Understand the risks and strengths of your balance sheet
- 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

- Ensure you are:
 - Meeting contractual requirements where possible
 - Planning for and taking mitigating actions to any material breaches

Your local contacts

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