



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 are severely 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. ➡

“...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 receivables / payments
- 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 – nothing should be sacred

- Stop all discretionary spend
- Postpone all (expansionary) capex
- Make cost base more flexible
 - Reduce contractors to reflect activity levels
 - Consider unpaid leave for permanent staff
 - Hiring freeze
 - Lengthen payment terms on large leases (e.g. property)
 - Reduce activity in production / shutdown planning
- Seek support from larger/robust suppliers & customers
- Leverage government initiatives (e.g. tax deferrals)

Take TIGHT control of cash

- Only **one person** authorising payments (e.g. CFO)
- 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

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

Stakeholder management

Communicate regularly with all your key stakeholders

- Lenders, Shareholders, Employees, Suppliers (incl. landlords), Customers, Authorities (tax, government etc.)

Prepare for key questions raised:

- How do we tackle the situation and what is our contingency plan?
- Is our strategy still relevant?
- How are we managing our cash flows? Do we have sufficient liquidity in the short/medium term?
- How to prepare/position your company during downturn?
- What decisions should we make today versus later on?
- Is our leadership team fully aligned around what we need to do to survive?

Supply chain & cost reduction

- Assess ability of operations to continue production and supply. Make contingency plans for alternative supply
- Assess key trading terms and communicate regularly with critical suppliers to map their ability to maintain continuity of supply

- Cost reduction: Increase margin and operating profit to counteract impacts to revenue, via:
 - Cost Transformation and Margin Improvement
 - Supply Chain and Network Operations
 - Robotic and Intelligent Automation
 - Tax Toolkit for Uncertain Times
 - Workforce Transformation
 - Operational Excellence 10

Contingency & response planning

- Improve resilience with business continuity review including operational and commercial perspectives
- Map out your dependencies and evaluate where, how and when disruptions might impact your value chain
- Consider scenario planning and set realistic expectations
- Shift/prioritise your business to focus on more stable offerings (products &/or markets)
- Identify divisions that could be segregated to protect value

Deloitte contacts



Tom Pernodd

Partner
Financial Advisory
+46 733 971060
tpernodd@deloitte.se



Camilla Gezelius

Assistant Director
Cash flow & Funding Solutions
+46 700 802441
cagezelius@deloitte.se



Jonas Malmlund

Partner
Supply chain & cost reduction
+46 73 397 13 03
jmalmlund@deloitte.se



Houda Lemrini

Director
Strategy & contingency planning
+46 70 080 34 09
hlemrini@deloitte.se

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our global network of member firms and related entities in more than 150 countries and territories (collectively, the “Deloitte organization”) serves four out of five Fortune Global 500® companies. Learn how Deloitte’s approximately 312,000 people make an impact that matters at www.deloitte.com.

Our advice is prepared solely for the use of the client. You may not disclose it or its contents to any other person without our prior written consent. No other person may rely on the advice and we accept no responsibility to any other person.