

Staying Afloat - Key actions for Businesses affected by COVID-19

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Bryan Gelman, Business Consultant and Strategist

CIRP, Licensed Insolvency Trustee

Tel: 416-504-1650 x 115

bgelman@albertgelman.com

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Agenda

1. Impact Analysis
2. Cash Conservation
3. Cash Flow Forecasting
4. Cash Flow Forecasting
5. Assistance from Lenders
6. When can a Licensed Insolvency Trustee help

Impact Analysis

Analyze and detail the current and anticipated future impact of COVID-19 on each of:

- Your Employees and Work Environment (effect of working from home and restrictions on travel)
- Your Industry (Demand for the company's products/services)
- Your competitors
- Your customers (Sales and marketing channels)
- Your suppliers
- Your business (effect on regulatory restrictions)

Cash Conser- vation

Companies should consider all available options to increase cash-flow in the short-term, including:

- a) Government assistance programs
- b) Sale of redundant assets
- c) Early payment discounts
- d) Negotiated extension of credit terms with suppliers
- e) Permanent and/or temporary layoff of non-essential employees
- f) Temporary decrease in management remuneration
- g) Equity injection
- h) Rent deferrals for commercial premises and/or equipment lease

Cash Flow Fore- casting

It doesn't matter if you have bank debt or if you owe money to your suppliers (or both) you must have a plan. Companies must forecast their cash flow needs. In the current environment, we recommend separate short-term, mid-term and long-term forecasts.

Short & mid-term forecast:

- a) Short term covers 12-16 week period and mid term covers 6-18 months
- b) Separate collection of Pre-Covid AR from collection of Post-Covid AR
- c) Can Incorporate a rolling Sales and Accounts Receivable Forecast and a rolling Purchase and Inventory forecast to allow forecasting of loan "Margin Positions"
- d) Can also incorporate a rolling Purchases and Accounts Payable forecast
- e) where uncertain hypothetical assumptions can result in widely varying forecasts, alternative forecasts can be prepared that consider both "best case" and "worst case" assumptions.

Assistance from Lenders

There is a wide range of assistance that business owners may consider requesting from their lenders:

- a) Forbearance of covenant breaches
- b) Extension of accounts receivable margin eligibility beyond 60 to 90 days
- c) Deferral of interest and/or principal payments
- d) Extension of loan amortization terms
- e) Adding previously ineligible assets into loan margin availability (e.g. raw materials or work in process)
- f) Temporary increase in lines of credit

Assistance from Lenders

Continued ...

Lenders and investors will react much more favourably to a concise, well thought out written presentation that includes some, if not all, of the following:

- a) A summary of how COVID-19 has immediately impacted the business, industry, customers and competitors;
- b) The business owner's best estimate of what future impacts are likely;
- c) Available options that the business owner has considered/implemented to increase cash flow;
- d) A current business plan that factors in the known impacts and the best estimates of the uncertain impacts of COVID-19; and
- e) A weekly short-term and monthly mid-term or long-term forecast.

Questions



Albert Gelman Inc.

Insolvency and Restructuring Professionals

Bryan Gelman, CIRP, LIT

Tel: 416 504 1650 ext. 115

Email: bgelman@albertgelman.com

Head Office:

100 Simcoe Street, Suite 125, Toronto, Ontario

www.albertgelman.com

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