



# Overcome uncertainty amid COVID-19 with a strategic plan for the future



COVID-19 has disrupted business operations and we're seeing that even the most financially stable companies are taking a hard look at their balance sheets. While the current situation is putting pressure on your business today, there are opportunities for you to navigate any existing challenges you may be facing or get ahead of issues that may crop up in the future.

With a full understanding of your business's current state and a clear understanding of where there may be challenges in the future, you can begin to plan a path forward in this uncharted territory.

To start off, it's important to gain an understanding of where your business and your suppliers are at right now. This includes:

## 1 Understanding your current financial situation today so you can have a baseline for planning in the future.

- Develop an understanding of daily cash flows.
- Depending on your cash flow, you may need to create a strategy for prioritizing payments.
- Create a model that will tie into your weekly cash flow reports and monthly financial forecasts.

## 2 Assessing your suppliers' financial state to identify any risks they may pose to your business's operations.

- Build a scenario analysis and modify as needed for each plant. Reflect varying ramp-up and start-up dates for plants that have been closed.
- Assess their cash investments and cost structure for plants that are operating. To do so, look at conversions of receivables and cash to ensure you have insights on how to optimize your cash, production, and customer investments.

## 3 Evaluating your debt agreements to help you prioritize payment. Look at covenants and triggers in agreements for other potential scenario challenges.

- Assess your potential to free up cash in ineligible, cash tied up in foreign locations, alternative tax approaches from CARE stimulus to VAT, payroll, etc.
- Assess critical principal and interest payments and leases.

With a holistic view of your operations, suppliers, and capital, you can create a baseline for your business. This will assist the management team in assessing cash burn, capital requirements, and potential paths to approach lenders and

other capital solutions, and provide insights on required next operational and cost strategies. From there you can create 13-week models and monthly P&Ls to provide informed analysis of cash forecast and how to address potential needs.

As you assess your future state, begin to model how the current environment will impact your business by creating a variety of potential scenarios.

- Create alternative scenarios reflecting new volume assumptions based on lower customer demand or challenges at plants that may lengthen the time it takes to get you the products you may need.
- Assess the likelihood and timeliness of customers and receivable collections. This will inform prioritization of production and future needs.

Once you have taken these steps, you'll understand what you can expect to see in the future, and this will inform businesses decisions moving forward. Regularly reassessing your own financial state as well as your suppliers' and creating future models will be important to ensure you are continuing to accurately anticipate potential challenges or changes in demand.

While the future continues to remain unclear, being proactive will be beneficial for your business for both near-term viability as well as longer-term success.

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