

# COVID-19: BUSINESS DEFENCE APPROACH

– Privately Owned Businesses

Although the Covid-19 crisis is first and foremost a public health emergency, the economic impact of the virus is beginning to emerge and it is clear that all businesses will be affected, regardless of sector. For some businesses, the pandemic has already had a detrimental effect on cash flow which requires immediate attention; others are at a stage where it is essential to start serious contingency planning for a global economic downturn.

At Mazars, we are supporting businesses to act now to protect against the worst effects of the crisis.

Below we outline two approaches to manage your business through this crisis.

## IMMEDIATE BUSINESS SURVIVAL

Identify immediate steps to close a serious 'cash gap' arising under the following six areas:



### Quantify the impact

- Prepare weekly cashflows over the coming three months.



### Determine the 'cash gap'

- Assess all available cash resources and lines of credit/borrowing vs projected cashflows.



### Prepare the 'cash gap' plan

- Determine the extent to which national support will be available to assist the business.
- Prepare a cost reduction or expense deferral programme.
- Consider the temporary closure of certain operations.
- Release of finance from internal resources and key relationships.
- Prepare a revised cash flow statement based on the remedial action plan.
- Determine the amount of additional external funding required.



### Prepare an information pack to facilitate engagement with national crisis support programmes and external funding parties to include:

- Previous trading history and recent financial statements / monthly management accounts.
- Summary of the remedial action plan to close the 'cash gap'.
- Revised cash flow statements based on the remedial action plan.
- Defined amounts required from external funding sources.
- Crisis funding plan to sustain the business for a prolonged period (i.e. 12 – 18 months).



### Engage and negotiate with external parties to agree appropriate funding arrangements.



### Involve appropriate stakeholders to communicate the key elements of the plan.

# PREPARING FOR THE DOWNTURN

Assess the likely impact of the crisis on the business under these five key areas:



## Sales volume impact

- What is the impact on sales volumes and demand?
- What are the implications on cash collection?



## Frontline staff

- Are key people likely to become unable to work for an extended period of time?
- Is there reliance on a skilled workforce who are not easily replaced?



## Vital suppliers

- Is there reliance on key suppliers who are likely to be disrupted, resulting in significant delays to delivery?
- Will key customers receive sufficient supplies?



## Operations

- Are there restrictions on the use of facilities, and can your business model be adapted?
- Is it possible to carry out business functions remotely, such as payroll, finance or IT?



## Legal and regulatory obligations

- Is there a danger of not meeting major contractual agreements and / or regulatory requirements?
- Consider Chapter 6 business rescue proceedings or informal turnaround/restructuring as a means to account for financial and/or operational strains and, if necessary, engage professional advisors in this regard as soon as possible



## Other things to consider

- Have a look at your financiers covenants and ensure upfront communication with them where this is at risk
- Contractual obligations / guarantees / deliveries, ensure upfront and honest discussion with suppliers and clients
- Insurance requirement to notify them of any potential claims – ensure that this is done immediately
- IT risks: cyber-attacks due to increase offsite connections to business servers

## HOW CAN WE HELP?

At Mazars we have the practical experience and expertise to support businesses navigating turbulent times. Whether it's crisis cashflow management or economic downturn planning, we can help minimise the impact to your business.

Please get in touch with us to discuss how we can help you on 0861 MAZARS.