

Managing a business in financial difficulty



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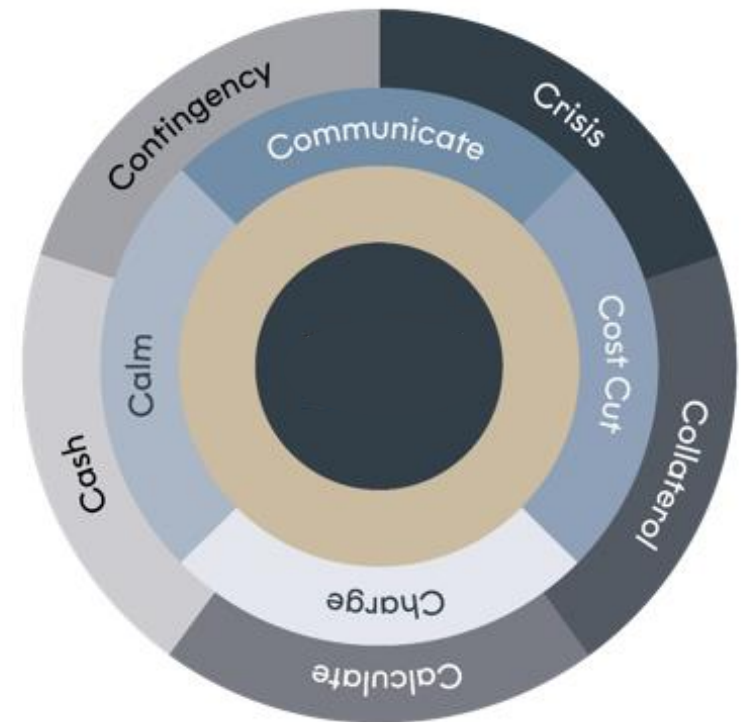
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Build a forward view

- > **Review working capital requirements** and ensure that you have a detailed understanding of any working capital required in the short, medium and long term
- > **Cash is key** – with cash you can buy time, and with time, options. It is essential that business leaders build a detailed and accurate understanding of their cash position, and how it could change in the weeks and months to come.
- > **Develop a 13-week cashflow forecasting model**, including as much detail as possible, and update on a regular basis. This information can assist with understanding or anticipating pressure points, and in turn solutions can be identified in advance.
- > **Build longer-term, integrated financial models** that bring together profit and loss, balance sheet and cashflow information. These longer-term models can then be used to consider scenario planning and stress testing to determine how cashflow and working capital requirements could be affected by different trading conditions. If you are unsure how to do this, please seek advice and support from your accountant.

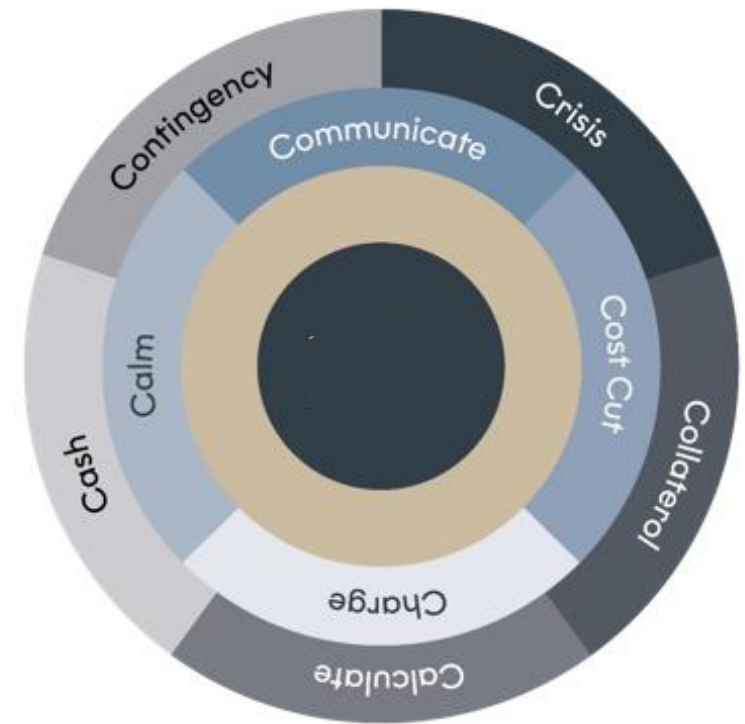
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- > **Crisis** - businesses should take a proactive approach to dealing with their challenges, but focus on controlling the controllable
- > **Cash** - conservation and conversion are the key focus. Prioritise cash rather than profit and consider cash management strategies. Who to pay and when to pay? Prioritise & consider your credit terms. Have you considered all options?
- > **Communication** - engage with all stakeholders. Be proactive with lenders, provide definitive plans with proposals based on quality analysis. Work together with customers and suppliers, allowing flexibility. Discuss rent fee periods or deferral with landlords. Employees remain your most valuable tool.



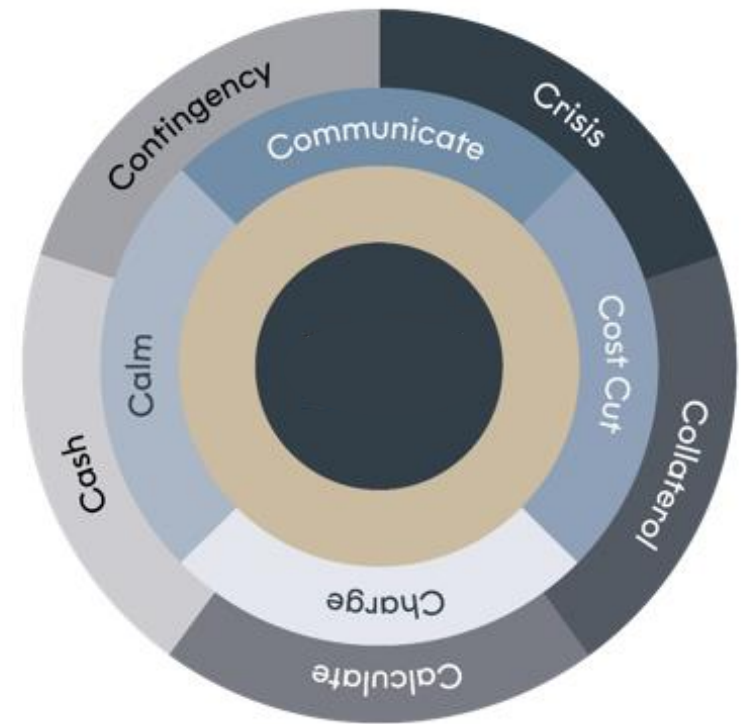
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- > **Calculate** - Reforecast for multiple scenarios and reassess daily/weekly as the situation changes. Challenge assumptions and be realistic and conservative. Your plan needs to have flexibility, with tangible plans in place to change direction if needed. A thoughtful approach will expedite credit applications with lenders.
- > **Cost cut** - difficult as it is, you may need to consider redundancies, reduced working hours or deferring/suspending non-critical costs or investments.
- > **Collateral** - Assess and protect your assets. Value is likely to have changed dramatically – what is their current value? Is there any unsecured collateral?



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- > **Change** - be decisive and don't be afraid of changing direction or being creative – extreme times may call for extreme measures
- > **Calm** - don't make rash decisions. Take a considered approach and take on board professional advice from trusted advisors (such as your accountant, bank manager, solicitor or insolvency practitioner)
- > **Contingency plan** - Stress test all business continuity plans and consider what measures can be taken to limit potential disruption. Assess other liquidity options: a) can equity holders contribute cash; b) consider alternative lenders beyond your current bank facilities



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Strategies to deal with late payers and avoid bad debts

Updated credit report consider withdrawal or reduction of client's credit if report indicates high risk

Bond or personal guarantee discuss credit arrangements with key clients and consider options to secure liabilities

Repayment plan agree structured repayments – but consider charging late payment interest

Consider importance of supply if you are essential to a customer's business, use as leverage

Retention of Title Claim make sure your T&C's allow you to recover goods not paid for.

Equitable lien take legal advice as to whether you can hold onto assets in your possession until associated debts are paid.

Market intelligence to gain an up-to-date position and view of challenges in your sector, speak to other suppliers. What do they know?

Going legal take advice and consider County Court Claim or Statutory Demand to recover unpaid debts

Our Team

Please feel free to reach out to any of the advisory team in our Teesside office who will be happy to provide you with free of charge initial advice



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