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ADDRESSING FINANCIAL IMPACT OF COVID-19

1 April 2020



Navigating challenges from the Global pandemic

Public policy measures put in place to contain the spread of Covid-19 are resulting in significant operational and financial disruption for companies. Staff quarantine, supply chain failures and sudden declining demand from customers are causing multiple issues for companies in all sectors. Therefore, it is important that companies are proactive in assessing their capability to withstand the disruption following Covid-19 and that companies act decisively to mitigate actual or potential issues. RSM is here to assist!

Reasons why companies may be having issues

The impact of Covid-19 is felt throughout all segments in the market, both operationally as well as financially:

Operational

Sales: Declining demand, cancelled/ postponed orders and sales meetings.

Supply chain: Stagnating supply from impacted areas (e.g. China, South Korea, Italy, France), decreasing stock positions, longer lead times.

Workforce: Illness, impact from prevention measures (e.g. working from home and quarantined) decline in production.

Financial

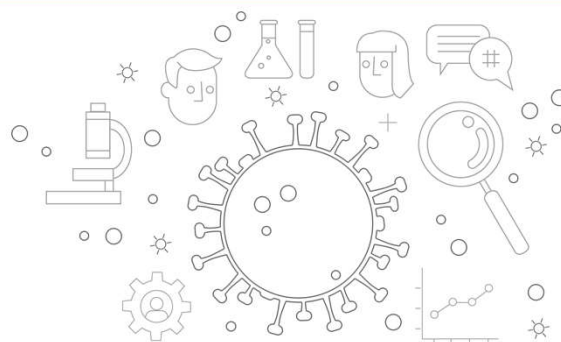
Declining revenue: Declining demand, cancelled/ postponed orders. One-off versus permanent losses going forward.

Limited headroom: Falling demand and limitations to cut employee costs resulting in declining liquidity positions and headroom.

Financiers: Unpredictable behaviour from financiers (e.g. changes in policy, credit approval and draw-stops).

RSM can help you with relevant questions

1. What is the liquidity need and for how long?
2. How to deal with supply chain disruptions and working capital impact?
3. Operational continuity and strategic challenges (planning).
4. Are there debt and capital solutions available?



Be prepared by assessing the impact on the following focus areas, where RSM can support you:



Cash flow

Worst case: RSM can support companies to gain insight in the impact of Covid-19 on their business by testing and challenging assumptions.

Liquidity: Part of the worst case is a detailed trading and cash flow forecast to determine headroom and NWC capacity.

Model: We can model different scenarios.



Working capital

Working capital: Is highly impacted by disrupted demand and supply and changing/ flexible payment terms. Effective inventory management and analysis of DPO/DSO development is key. If the liquidity position is at risk, RSM can assist.

Suppliers / customers: How to retain healthy NWC-levels while financial supply gets stretched by suppliers/ customers and be able to maintain continuity of critical suppliers and customers.



Continuity planning

Availability of staff: Protect staff and take measures to ensure business can continue (e.g. working from home and office shifts). Usage and impact of the NOW legislations.

Supplies: Draft alternative supply contingency plans to keep production in place.

Customers: Frequently discuss and engage with customers is key to manage expectations.



Debt/ Capital adjustments

Corporate finance: Strategic planning in relation to market volatility and value retention. RSM will advise on (re-)structuring capital and debt financing.

Acting as your contact with financiers and advising on credit facilities (e.g. NOW facility).

In addition, we will help you with negotiations with the Dutch Tax Authorities, if needed.

RSM helpt u bij deze aandachtsgebieden

What could you do?

1. Please contact RSM after which we will schedule a physical (or by phone) meeting to discuss the challenges you are facing in more detail.
2. We will analyse your specific problems in detail, of course in close collaboration with your internal financial officer.
3. Discuss possible solutions and provide insight in different (desired) possible financial scenarios for the near future.
4. Need to draft and organise structural solutions for company's liquidity need / funding to secure business continuity (i.e. going concern).
5. Discuss other wishes and measures to be taken.

Please note that you can contact your known RSM contact directly, if desired. He / she will contact our central Covid-19 crisis team and together we will support you where needed.

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