

Managing the business in a crisis

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The speakers



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Today's Agenda

Managing stakeholders

1

Getting a deal done

2

How to prioritise for survival

3

Q&A

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1

Managing Stakeholders



What do we mean by financial crisis

Lack of liquidity

Distressed trading levels and insufficient operating cash flow.

Inability to repay contractual debt obligations.

Capital structure no longer aligned with business objectives.

Weak working capital performance compared with peers.

Declining profitability

Declining demand for products.

Falling prices/margins.

Market pressure and competition.

Lack of unique selling point.

Sustained periods of losses.

Strategic

Changes in key personnel.

Complex/inappropriate financing structures.

Unclear position in market.

Complex group concealing underlying performance.

Stakeholder disputes and competing interests.

Crisis is complex because of the stakeholders and emotions



- Critical that your CFO has sufficient visibility on future debt servicing
- As a minimum a rolling 6 month forecast should be shared on monthly basis

May move to 'work out / special assets' team – very different approach to a RM

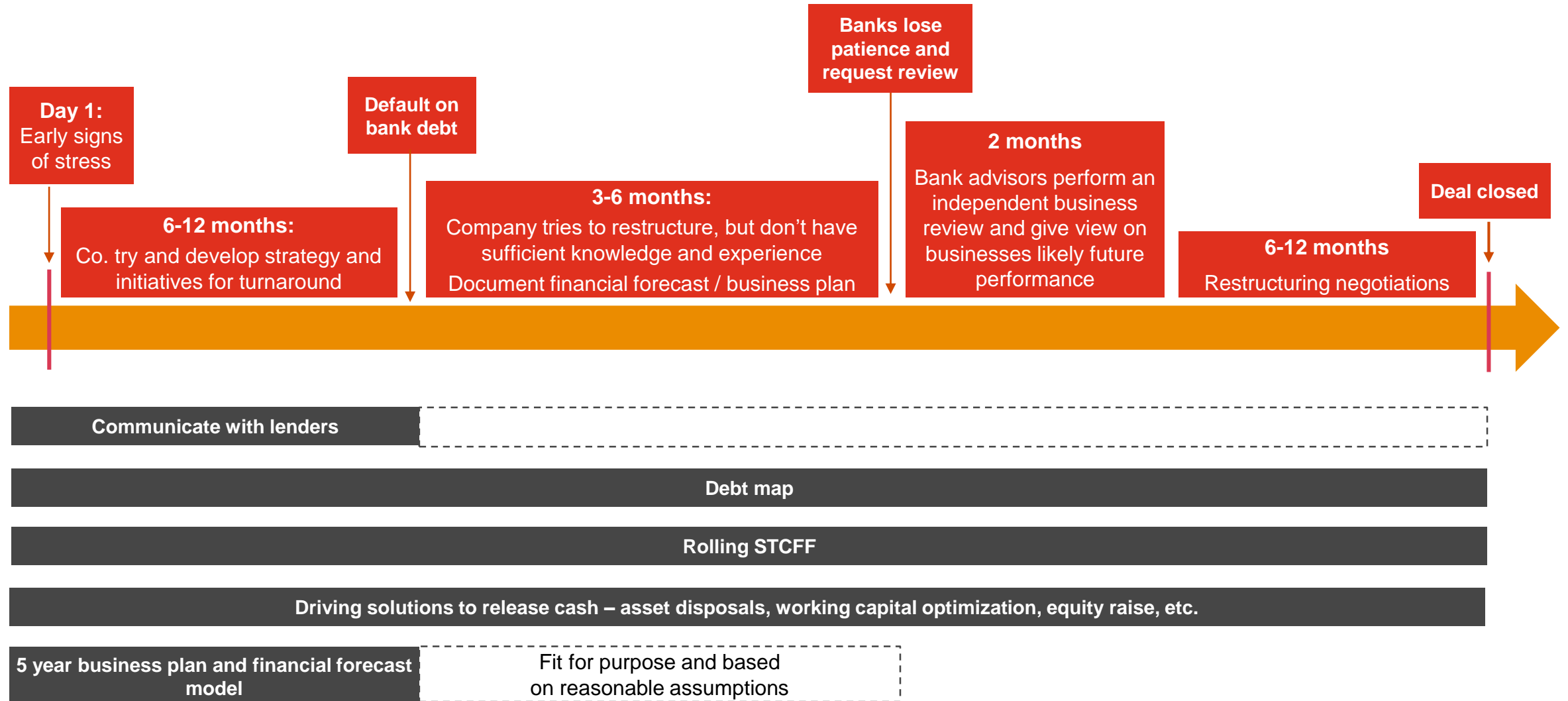
Lenders will want to know:

- Why are we here
- How did we get here
- Where you want to head
- And you plan to get there

Considerations:

- When should you communicate
- Who to communicate to
- What's the message and information you can provide
- Quality of information
- Do you have a business plan / financial forecast

Stakeholders need to be carried through the journey

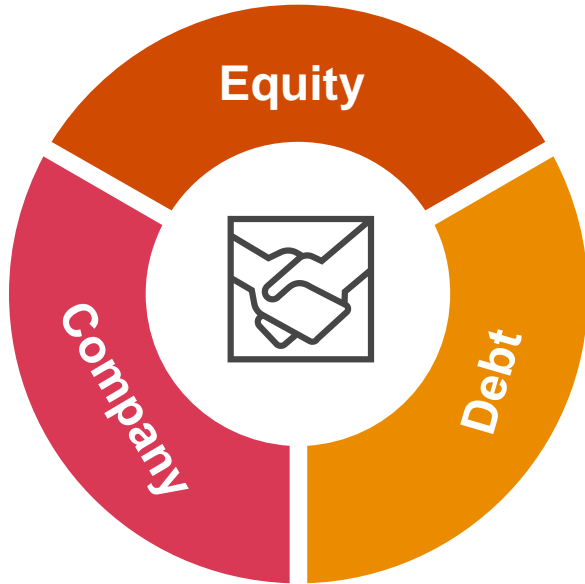


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Getting a deal done



Finding the overlap – doing a deal



Equity

- Ability to provide further funding
- Reputation
- Any equity value
- Strategic investors
- Sector attractiveness
- Believe in management team and business

Debt

- Interest servicing
- Keeping account current
- Assessment of debtors ability to repay
- Minimise the need to provision
- Personal performance

Company

- Need for cash / headroom
- Sustainable debt stack
- Keep the lights on / survival / continue operations
- Pay employee salaries
- Share price (if listed)
- Regulatory sanctions
- Public perception

Case study – Financial advisors to a UAE contracting business

Situation

- Appointed in November 2016.
- Company was facing severe distress amidst the financial difficulties faced in the construction sector.
- \$2bn worth of debt across 40+ lenders - defaulted on a number of facilities.
- 250+ ongoing contracts / projects.
- Relatively new C-Suite.
- Minimal cash/liquidity at group level.
- Salary arrears.

Key issues

- 1 The importance of C-Suite buy in – in reality need an Executive SteerCo to implement turnaround
- 2 Importance of treasury function maintaining a detailed debt map and visibility of debt amortisation – Treasurer was under severe pressure to build this from scratch
- 3 Time it takes to put in place the basics:
 - STCFF took over 6-8 weeks to implement
 - Project reviews took over 2 months
 - Business plan preparation to 3-4 months
- 4 Negotiations with lenders are not straight forward – especially when cross-guarantees are in place and how they significantly reduce options available
- 5 Realising what is core vs. non-core assets – and in reality what can be sold

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How to prioritise for survival



Survival and some key takeaways

- 1 Unlikely there will be a quick fix – set realistic timelines
- 2 Banks remain adverse to taking haircuts – need for holistic solution
- 3 Provision of quality information
- 4 Gain alignment between Board, Management and shareholders
- 5 Remember timely and regular communication is key
- 6 Do not overpromise and under deliver

13 week rolling cash flow forecast

Options to extract liquidity and cash pool

Data analytics to understand real time performance

Debt map

Survival and some key takeaways

Timeframe: Short

Source:

- Existing headroom in banking facilities.
- Equity injection (for privately held companies).
- Liquidating assets (e.g. fast moving inventory).
- Early payment discounts to accelerate collections from 'friendly' customers.
- Immediate stop of on all payments – implement authorisation requirements.
- Cash pooling (in large groups).

Timeframe: Medium

Source:

- New debt
- Strategic investors / new equity
- Cost reduction
- Realizing working capital reduction
- Sale of assets / non-core
- Cancel capex
- Hiring freeze and no bonuses

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Q&A



Thank you

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