

## Navigating Volatility & Distress: Cash and Liquidity Management

Responding to the challenges, 30 April 2020



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# Introductions

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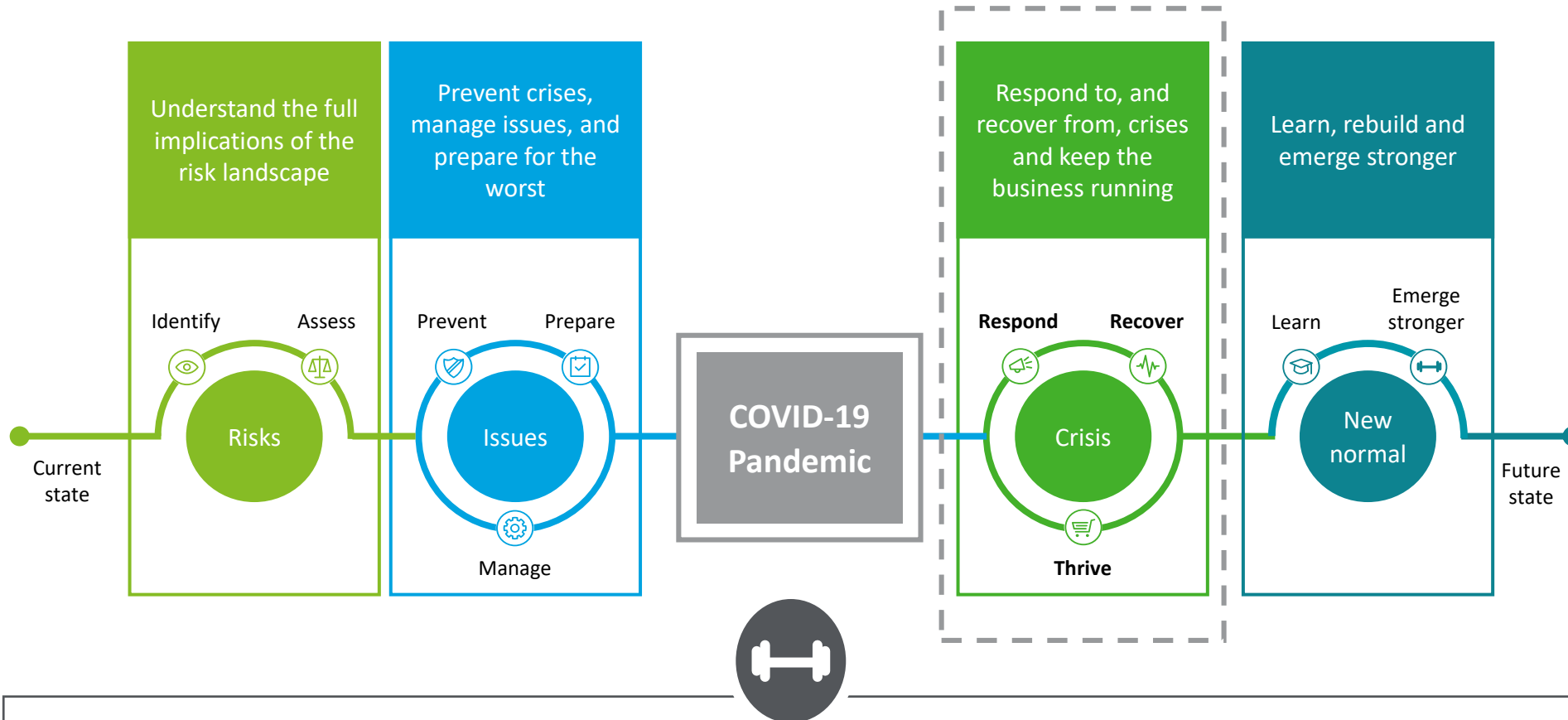
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## Crisis and resilience framework

# Crisis and resilience framework

A holistic approach enables a business to prepare, respond, recover and emerge stronger



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**Truly effective crisis management** goes beyond being reactive and simply protecting existing value. It also enables **resilience** and powers **future performance**, thereby **enabling an organisation to emerge stronger**.

# Crisis and resilience framework

Respond, Recover, Thrive

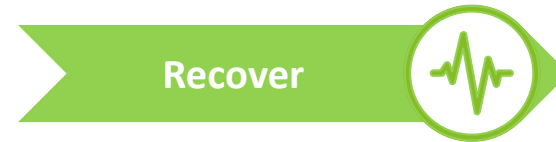
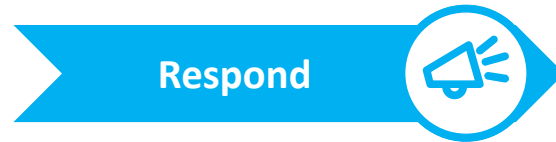


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## Crisis Management

- Crisis response teams
- Formalise accountabilities
- Executive dashboarding and communication

## Business Resilience

- Assess stakeholder vulnerabilities
- Develop contingency plans

## Workforce disruption

- Workforce planning
- Remote work planning

## Impact assessment

- Evaluate demand/supply shocks
- Be proactive w/ stakeholders

## Cash management and liquidity planning

- Develop CM strategies
- Evaluate CAPEX strategies

## Scenario and financial planning

- Develop scenarios
- Model impact on P&L, cash flow, liquidity and capital

## Stakeholder engagement and communication

- Collaborate w/ stakeholders
- Continue to coordinate with government response

## M&A / Dispositions / Impairments

- Sale or contraction of non-core / underperforming assets

## Situational awareness

- Analytics to stay apprised of changing conditions

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Respond | **RECOVER** | Thrive

# Respond | **RECOVER** | Thrive: Impact assessment

Thinking through Demand, Supply and Operations



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## Assess impact on sales

- Will customers disappear, defer or cancel?
- Will companies leave the region?
- Will there be goods for them to buy?
- What is the medium term outlook on GDP?



## Assess impact on production

- End-to-end supply chain assessment
  - Assess inventory levels and financing
  - Cost to expedite deliveries (air vs sea)?
- Identify alternative suppliers (global perspective)



## Operations in affected areas

- How many operating locations are still active?
- If not, when might they resume service ?
- What is the capacity impact and timing of recovery?

Immediate cash flow actions

Update Business plan



# Respond | **RECOVER** | Thrive: Cash management and liquidity planning

## Thinking through the Financial Implications



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### Understand and monitor liquidity impact

- Prepare 13 week cash flow forecast
- Track and assess virus impact daily
- Flag upcoming issues and develop mitigation plans



### Understand impact on Working Capital and Profitability

- Trading and cash flow forecast for the next 3 - 6 months:
  - Be realistic: Base case and downside scenarios
- Focus on collecting trade debtors
- Manage inventory and supplier payments
- Minimise all discretionary opex and capex



### Seek additional funding early if required

- Seek new committed facilities (even if not drawn):
  - Review existing facility / Identify potential collateral
  - Evaluate business interruption cover/claims
  - Take advantage of external support (Government, suppliers, etc)



# Respond | **RECOVER** | Thrive: Cash management and liquidity planning

Actions that seemed aggressive just months ago may now be a fundamental part of the cash management toolkit

## 13 week cash flow forecast

- Weekly outlook on rolling basis
- Daily reconciliation to bank account
- Rapid allocation of cash receipts is key

## Real-time updating of forecast

- Daily update required to keep forecast relevant
- Incorporate impact of government updates
- Reflect latest discussion with customers/suppliers
- May require re-directed resources (e.g. Finance / IT)
- Ransom suppliers payments / likelihood of receipts

## Real-time scenario planning

- Requires flexibility (supply chain losses, Lockdown extension etc.)
- Consider solvency scenarios and risk mitigation plan
- Build and refresh Base, Upside and Downside scenarios with mitigating strategies

## Governance

- Centralise cash flow management in particular payments
- Priority payment sign off and DoA reduction - Cash Czar /CFO to authorise payments
- Tighten update and version control – one owner
- Log changes with brief narrative

## Communication

- Increased focus on funder and external stakeholder communications, linking into Central Command Centre
- Clear internal understanding of new cash management controls

## Establish effective new ways of working

- Where teams split or virtual working environment key team members to look to create as close to 'normal' work environment as possible
- Ensure updates and decisions can be made quickly and effectively



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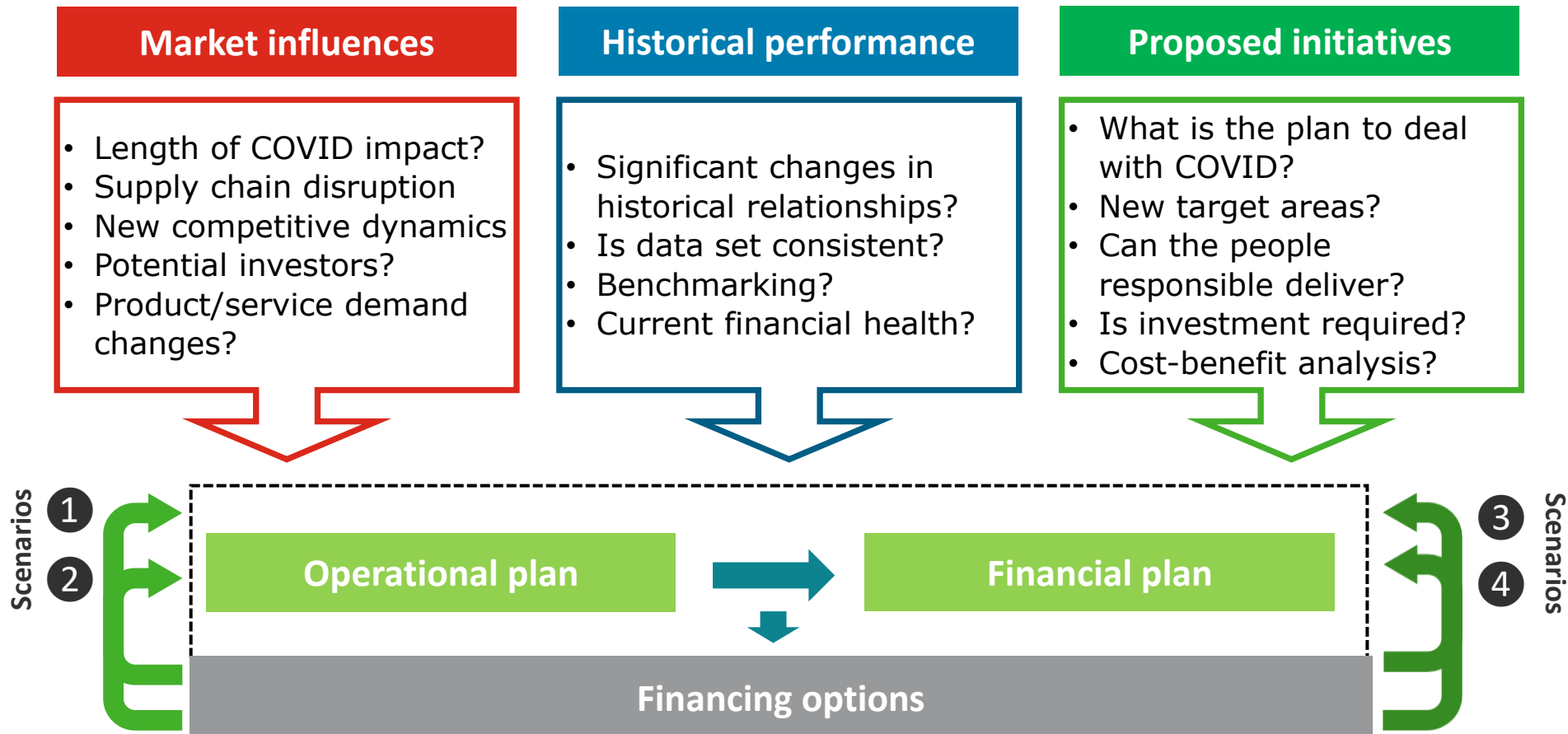
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# Respond | **RECOVER** | Thrive: Scenario and financial planning

Navigating through uncertainty and disruption will require an iterative process of scenario-based forecasting to assess different alternatives



**Multiple** scenarios will reveal **multiple** financing requirements and the consideration of **multiple** alternatives



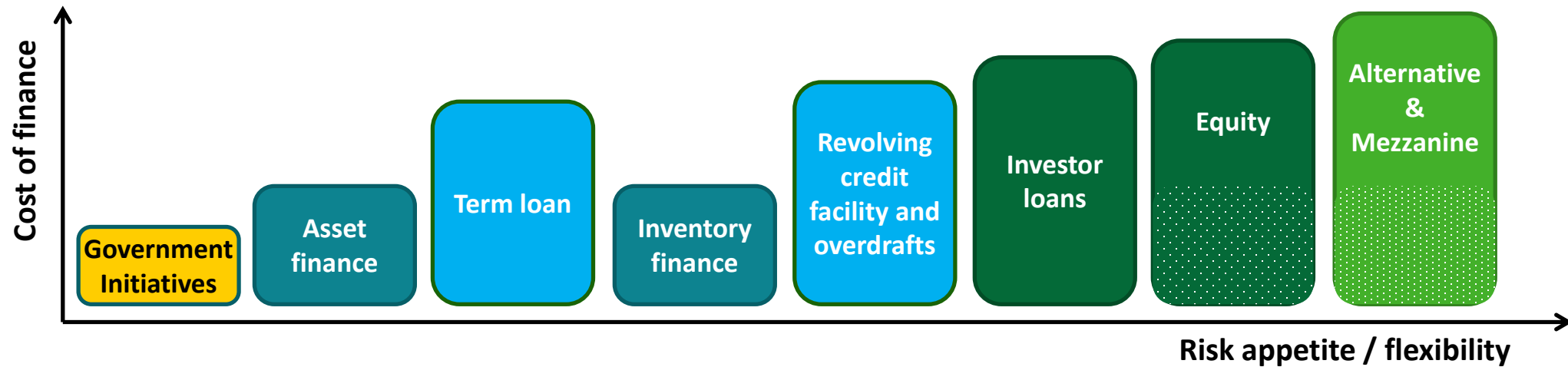
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Factors influencing financing options		
Optimal debt to equity mix – based on financial plan	Capability to deliver business plan	Adaptability to changing business environments
Robustness of balance sheet	Risk profile and ability to mitigate risk impacts	Affordability (sufficient headroom built into plan)
Working capital / cash cycles	Availability and pricing of financing options	Urgency and timeframe of finance requirement





**Robustness of financial assumptions**

Have the assumptions supporting forecasts been challenged and do they reflect the current market conditions?



**Cash to support investment**

Is there sufficient cash available to support proposed capex and opex investment?



**In-house capability to deliver**

Does management have the experience, time and resources to deliver?



**Process ownership**

Is the whole organisation fully bought into delivering the plan?



**Operational and performance monitoring**

Is performance measurable against medium and long – term performance objectives?



**Optimal balance sheet**

What is the debt carrying capacity, and optimal debt equity mix



**Flexibility to adapt – Plan B**

What if assumptions don't materialize and how do we respond to preserve value?



**Stakeholder management**

Does the financial business plan consider and include the information requirements of various stakeholders?



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## Questions & Answers



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