



O'CONNOR MARTIN & CO.
CHARTERED CERTIFIED ACCOUNTANTS AND REGISTERED AUDITORS

COVID – 19 Cashflow Management Bulletin

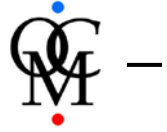
15th April 2020



1. Introduction



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The COVID-19 pandemic is currently placing unprecedented stress on all sectors of the Irish Business Community. We know business owners are facing tough challenges and we at O'Connor Martin & Co. are here to help you and your business manage the impact and plan for the future.

One of the impacts of COVID-19 is the strain on short term liquidity of a lot of Businesses. Many Businesses may find themselves requiring appropriate funding to sustain themselves through the next few months of uncertainty.

In this Bulletin we outline the support and options available to Businesses in the Irish Community and insights into the Management of Cashflow to help manage the impact of this crisis and plan for the future.

If you have any questions or queries or would like to discuss any of the points outlined, please do not hesitate to contact us.

Contact Us:

Contact us at any time to talk about how we can advise you:

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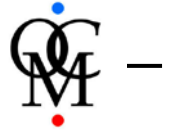
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2. Cashflow Management



2. Cash Flow Management



Everyone knows that Cash is king and the management of cashflow is vital to support a Business in achieving its strategic goals and navigate through difficult times, like the current COVID-19 pandemic.

Benefits of Cashflow Management

- Key to understanding what will drive the Business's cash position over the coming weeks/months – impacting receivables and net working capital.
- Allows the Business to prepare for if/when a potential cash crunch may occur.
- Manage inventory levels to meet demand.
- Assist with Bank lending requirements and improve communication and relationships with financiers and stakeholders.
- Helps you understand the key cashflow drivers and the cash conversion cycle of your business.
- Enables you to predict and plan for large cash outflows.
- Provides peace of mind that your cashflow needs are known and funded.
- Improves business processes that maximize cashflow, profit and business value.
- Drives your business to achieve your goals in a controlled and managed way.

Tips to Improve Cashflow

1. Invoice early and often – Have invoices ready and prepared to send as soon as the work is done, or product shipped.
2. Control Spending:
 - Stop money leaving the business.
 - Focus on essentials.
 - Spread costs – lease instead of paying in one go.
 - Hold your cash.
3. Forecasting – accurate financial forecasting will give you time to act.

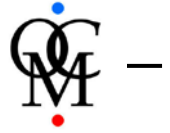
Three Step Process to Cashflow Management –

1. Assessment
2. Engage - Business Plan/Action Plan
3. Action/Implement



**each step outlined in detail in pages 6 to 9.*

2. Cash Flow Management



Step 1: Assessments –

Cashflow projections with the current uncertainty may be difficult to prepare. However planning is key and reasonable assumptions should be made regarding revenue and costs and set out a basis for these assumptions. We set out below several points to consider throughout the assessment process:

- Complete 3 month/ 12-week cashflow forecasts/projections realistically assessing Business's performance.
- The cashflow projections should be stress tested for best case and worse case scenarios – **Green**, **Amber** & **Red**. For example lower revenues, a delay in securing the revenues or various cost assumptions.
- Consider working capital requirements.
- Review of contractual commitments, requirement of certain services, freezing/voiding contracts.
- Identifying what payments can be stalled:
 - Dividends, bonus, drawings, pensions.
 - Staff outlay.
 - Pension direct debits stalled – top up later in the year.
 - Deferred PAYE per Revenue SME COVID-19 guidance.
 - Cancel standing orders, cheque payments (please note importance of tax clearance for some work – please see revenue guidance/announcements).
 - Freeze/delay Capital Expenditure projects.
 - Freeze/delay payments to landlord.
 - Squeeze creditor days.
 - Council commercial rates – Commercial Rates - The Minister for Housing, Planning and Local Government issued a direction to local authorities for the deferment of commercial rates payments.

- Review existing banking facilities:
 - All Banks have outlined that they may be able to provide moratoriums or emergency working capital facilities.
 - Review banking terms and covenants – to avoid breaches and/or agree early forbearance measures.
- Non-bank lenders have also confirmed their intention to support impacted businesses.
- Review Insurance policy for cover for an interruption to the business or temporary closer as a result of COVID-19.
- Assess/consider other Business supports:

- **Local Enterprise offices - Microfinance Business loans**

- i. Loans from €5k to €50k
- ii. Business impacted by more than 15% in actual/projected turnover
- iii. Loan term up to 3 years
- iv. First 6 months – interest and repayment free
- v. Any business with less than 10 full time employees and actual turnover of €2m.

<https://microfinanceireland.ie/loan-packages/covid19/>

- **Enterprise Ireland**

Enterprise Ireland are providing a range of grants and supports – such as the Business Financial Planning Grant, please find link outlining future detail on each product offering

<https://enterprise-ireland.com/en/About-Us/Services/Covid-19/Supports/#step1>

Step 1: Assessments (Continued) – Funding & Business Supports

- **Strategic Banking Corporation of Ireland (“SBCI”) COVID-19 Working Capital Loan Scheme:**

Loans are available through AIB, Bank of Ireland and Ulster Bank for future working capital requirements and the funding of innovation, change or adaptation for businesses to mitigate the impact of Covid-19. The features of the scheme are as follows:

- Loans between €25k - €1.5m.
- Repayable over 1 to 3 years.
- Maximum interest rate of 4%.
- Loans unsecured up to €500k.
- Optional interest only loans available.

<https://sbci.gov.ie/schemes/covid-19-loan-application>

- **SBCI SME Credit Guarantee Scheme:**

Loans are available through AIB, Bank of Ireland and Ulster Bank for Businesses that are unable to borrow under normal lending criteria. The scheme operates giving 80% guarantee to the participating bank. Key features:

- Loans between €10k - €1m.
- Term up to 7 years.
- Term loans, demand loans and performance bonds.

<https://sbci.gov.ie/schemes/sme-credit-guarantee-scheme-cgs>

- **Temporary COVID-19 Wage Subsidy Scheme – Brief Summary:**

- The scheme allows employers to pay their employees during the current pandemic. Employers will be refunded up to 70% of an employee's wages up to a level of €10.
- Available to Employers who keep employees on payroll throughout the COVID-19 pandemic.
- To qualify, the business must be experiencing significant economic disruption and be able to demonstrate a minimum of 25% reduction in turnover.

<https://revenue.ie/en/corporate/communications/covid19/temporary-covid-19-wage-subsidy-scheme.aspx>

- **COVID-19 Illness benefit:**

When an employee is instructed by a Doctor or the HSE to self isolate as a result of COVID-19, they can apply for an enhanced Illness Benefit payment of €350 per week.

<https://www.gov.ie/en/service/df55ae-how-to-apply-for-illness-benefit-for-covid-19-absences/>

Step 1: Assessments (Continued) – Funding & Business Supports

○ **SBCI Future Growth Scheme**

The Government announced an allocation of €200m on the 8th of April 2020 to the Future Loan Growth Scheme operated by the SBCI.

The features of the scheme are as follows:

- i. Loans for long term investments.
- ii. Loans are available to eligible SME and small Mid-Cap businesses and the primary agriculture (farmers) and seafood sector.
- iii. Loan amounts from €100k to €3m. Loans in excess of €250k require a supporting business plan.
- iv. Initial maximum loan interest rate of 4.5% for loans < €250,000 and 3.5% for loans >= €250,000. Variable interest rates are subject to change.
- v. Repayable over 8 to 10 years.
- vi. Loans unsecured up to €500k.
- vii. Optional interest-only repayments available in certain circumstances.

<https://sbc.gov.ie/schemes/future-growth-loan-scheme>

○ **Enterprise Ireland – Sustaining Enterprise Fund**

The Government announced on the 8th of April a new €180m sustaining enterprise fund. This fund will be made available to manufacturing and international traded service companies. Features of the scheme are as follows:

- i. Companies must have suffered or expect to suffer 15% or more reduction in turnover and/or profits. Qualifying companies may also apply if they have incurred costs due to COVID-19.

- ii. Up to €800k available, funded by way of repayable advances or equity funding.
- iii. Funding repayment – 3 years grace period with repayment by the end of year 5, on successful achievement of the project objective.
- iv. Annual administration fee of 4%.

<https://www.enterprise-ireland.com/en/funding-supports/Company/Establish-SME-Funding/Sustaining-Enterprise-Fund.html>

○ **Other supports**

- i. Micro enterprises Online Trading Scheme: Microenterprises (i.e. < 10 employees) can apply for the trading online voucher scheme. Up to €2.5K for first voucher and can apply for a second €2.5K voucher once the first voucher has been successfully utilised. The scheme has now been updated to allow subscriptions to low-cost online retail platform solution providers.
- ii. Businesses with > 10 Employees – Lean Business Improvement grant of €2.5K also to be made available for assistance with operational reviews.
- iii. Start-Ups – There is a new €750K competitive start fund available through Enterprise Ireland.

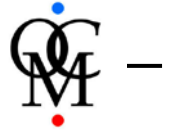
Step 2: Engage

- Engagement with Stakeholders – early engagement with the business stakeholders is key to limiting ambiguity between parties.
- Produce a list of all stakeholders impacted and engage with them:
 - Shareholders.
 - Financiers.
 - Customers.
 - Suppliers.
 - Employees.
- Use the findings of the assessment (step 1) and liquidity products to address the forecasted deficiencies.
- Seek favorable terms from stakeholders.
- Set out an action plan / business plan – road map for achieving sustained improvement in operational and financial performance.
- In negotiations or seeking funding from Banks a natural starting point is to begin with a Business plan. This should demonstrate to the bank/lender the viability of the Business in the long term. It is important to outline the future capacity to meet the repayments on the loan you are seeking.

Key requirements of a Business Plan:

- Provide an overview of the Business.
- Illustrate the impact that the COVID-19 crisis is having on your business.
- Quantify the funding requirement and the expected use of funds.
- Outline the measures you are taking to minimise the impact of COVID-19 on the long-term viability of your business.
- Prepare robust financial projections that support your capacity to meet future loan repayments.
- Outline the strength and depth of the management team..

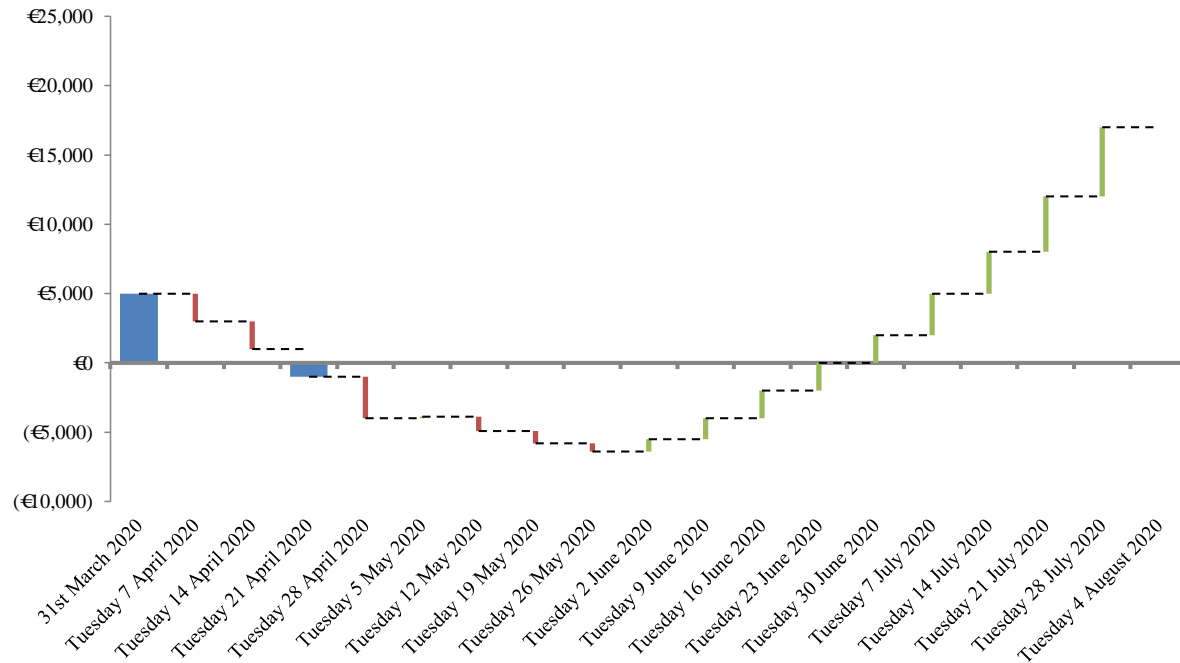
2. Cash Flow Management & Conclusion



Step 3: Act/Implement

- Deliver upon what has been agreed with stakeholders.
- Complete regular variance analysis of actual v forecasted.
- The action plan should be adjusted regularly to meet the moving parts of the crisis.

Sample Weekly Cash/Bank Balance Forecast



In conclusion we note the following points:

- Lenders are open for new business – AIB, Bank of Ireland, Ulster Bank and KBC.
- Forbearance measures e.g. 3-month payment moratoriums available. Under certain circumstances the banks are willing to provide moratoriums for businesses affected by COVID-19.
- Emergency credit approvals available – auto approvals subject to cap.
- National and European discussion ongoing regarding loans affected by COVID-19 v typical non-performing loans.
- Focus is currently on the funding market to work with the Minister for Finance and the Central Bank on capital solutions rather than insolvency measures.
- Regardless of the cash position, businesses should engage with their banks to understand their available credit options for use alongside cash reserves – as opportunities could arise out of the current pandemic for many businesses and availability of credit could be key to maximizing such opportunities.
- Don't neglect the Company's vision and long-term targets – look beyond the immediate and consider what medium term landscape looks like.