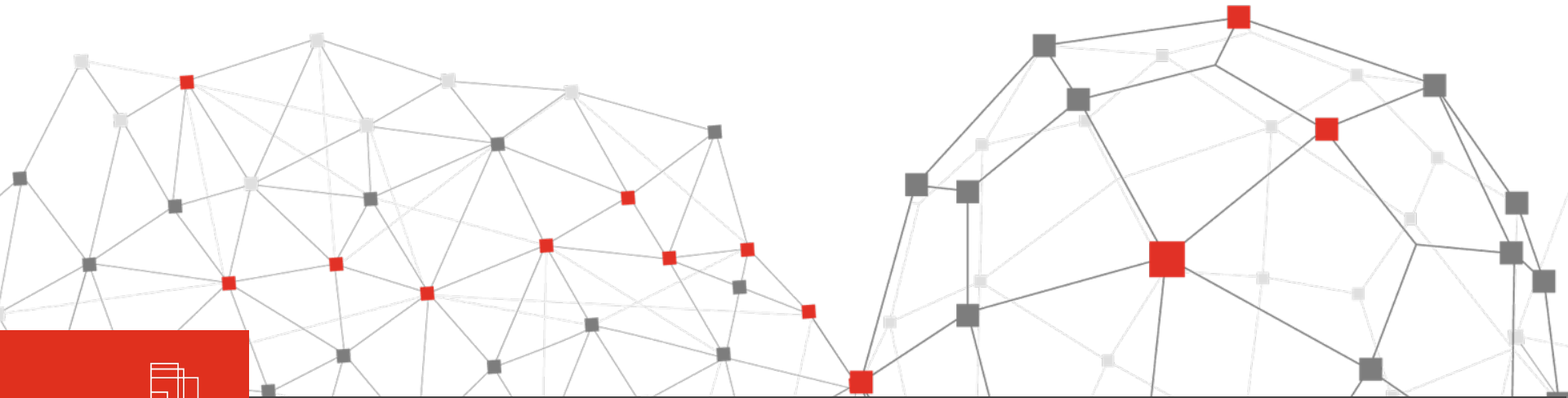


COVID-19

Crisis cash flow management during COVID-19 outbreak

Stay in control



The COVID-19 outbreak has been declared a pandemic by the World Health Organization, causing huge impact on people's lives, families and communities.

In addition, the snowballing financial fall out of the COVID-19 crisis will impact businesses, lenders and investors. The apparent uncertainty is putting immediate stress on short-term liquidity.

As the international response continues to develop, we know that organisations are facing potentially significant challenges to which they need to respond rapidly.

We support businesses to weather the storm by bridging liquidity gaps through comprehensive cash flow management in preparation for a post COVID-19 world.

Managing your cash pressures is critical during COVID-19 outbreak

As the COVID-19 global response evolves, organisations are experiencing significant operational, financial and liquidity challenges.

In order to ensure these challenges can be addressed, the number one concern aired by our clients has been how they can **manage their cash pressures** to ride out the crisis.

PwC's Advisory practice provides support to clients in time sensitive and critical scenarios, consistent with the challenges that COVID-19 impacted businesses are now experiencing.

The following **three key steps** should be considered by management teams as they seek to stabilise their cash position:

Rapidly understand the current financial position

1

Take action to protect the position

2

Manage internal and external stakeholders

3

As part of this assessment, issues may be identified which highlight risks to going concern. Companies must keep **directors duties** front of mind to ensure wrongful trading risks are avoided during this period of uncertainty and appropriate advice is sought.

Our key considerations and experience at each of these stages have been detailed on the following pages.

There are four key principles to consider in managing the impact of COVID-19 on your company

Protect people and talent

Invest in protecting wellbeing and welfare, especially for those living in affected territories. Track recent movements, enable remote working.



Clear vision on future direction

Opportunity for crisis response in line with your principles and values. Scenario planning is key, informed by reliable data. Adjust your financial plan. Seize M&A opportunities, bold moves and unforeseen partnerships.



Cross-functional crisis team

Core crisis response team with direct involvement and sponsorship from the top, initially running 24h / day to build trust in the organisation. Dedicate resources to internal and external communication.

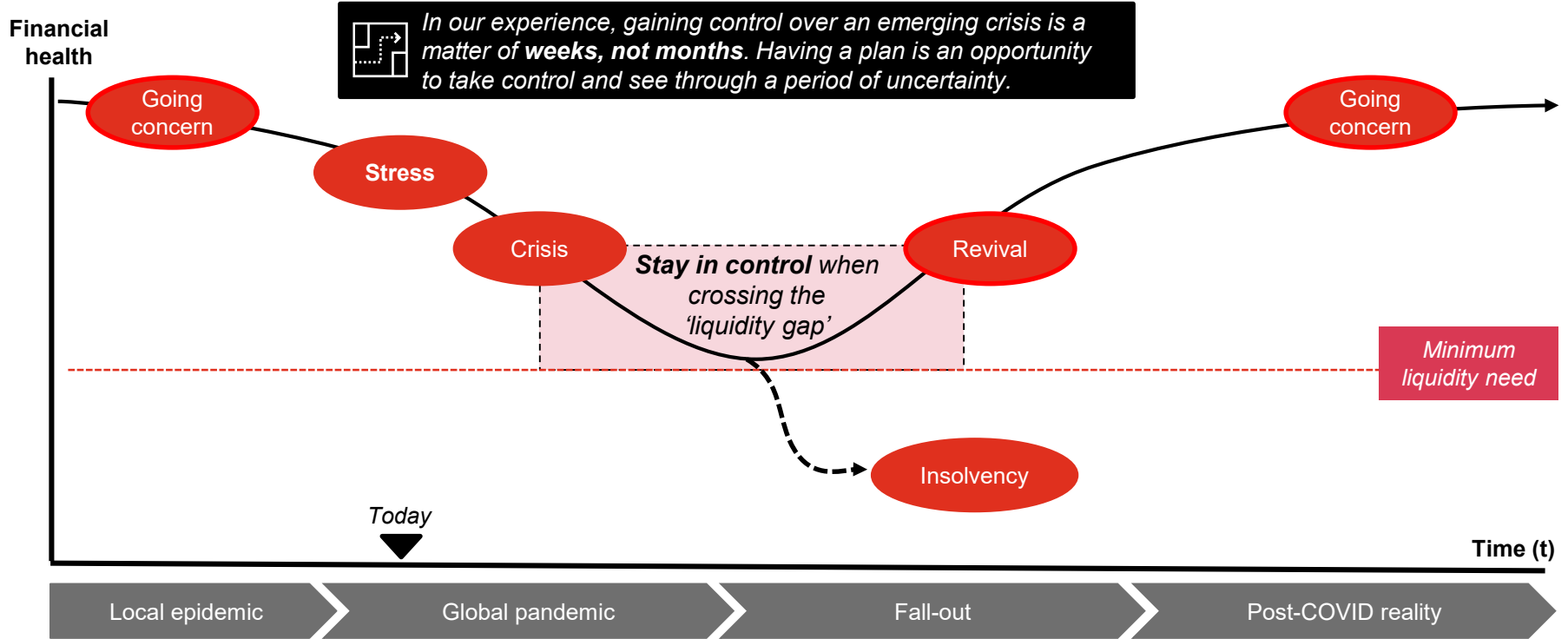


Cash is King

Focus on short-term liquidity developments, taking into account supply chain disruptions and depressed sales volumes. Establish communication lines with lenders and other financial stakeholders to comply with their reporting requirements and information needs. No surprises as these erode trust.



Stress on businesses increasing rapidly – crucial to develop plan to weather COVID-19 pandemic and fall out



Preparation of 13-week direct cash flow forecast is a crucial step towards establishing transparency

Understand your current financial position immediately

1



Prepare a 13-week direct cashflow forecast



During times of uncertainty it is critical that businesses have a robust cash forecast in place. Finding a weekly operating rhythm linked to a detailed cash flow forecast will create a basis for decision making:

- Assumptions under existing circumstances
- Enabling dynamic and regular updates
- Possibility to have various scenarios
- Sensitivity analysis (FX, interest)

Take action to protect the position and identify measures to improve it

2



Income measures

- A/R collection process becomes key priority
- Extraordinary sources – government aid, tax reliefs etc.
- Other – savings, new equity, trapped cash in WC or non-core assets, decrease in prices
- Regular sources of extra financing – e.g. new credit lines



Expense measures

- Extraordinary sources – government aid
- Workforce measures
- Cost cutting, investment cuts

Manage internal and external stakeholders

3



Organisational units (Sales, Purchasing, Production, HR, etc.)



Customers



Owners / Finance providers



Employees / workforce

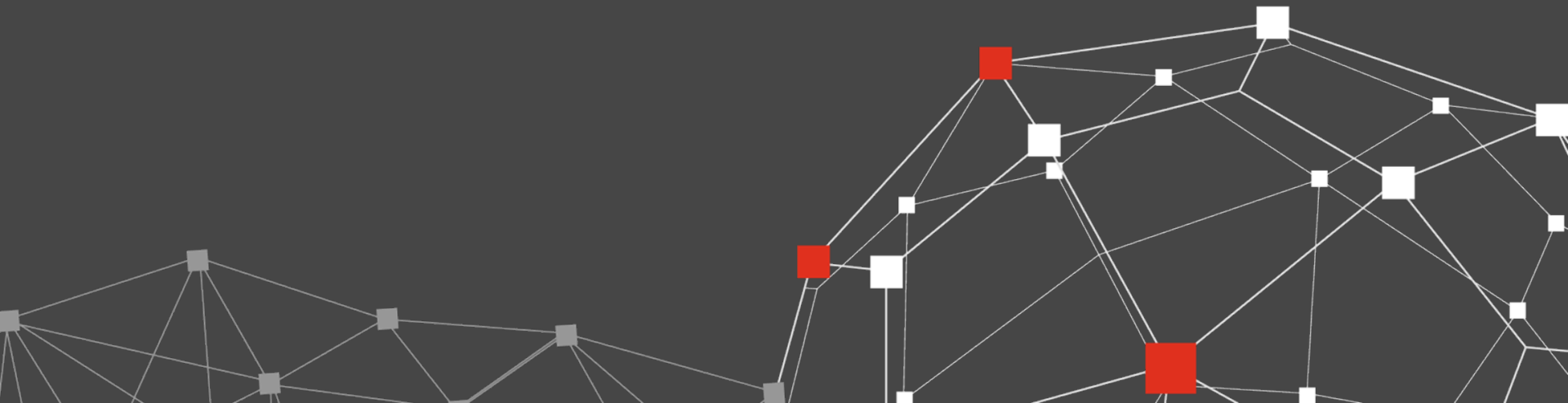


Suppliers

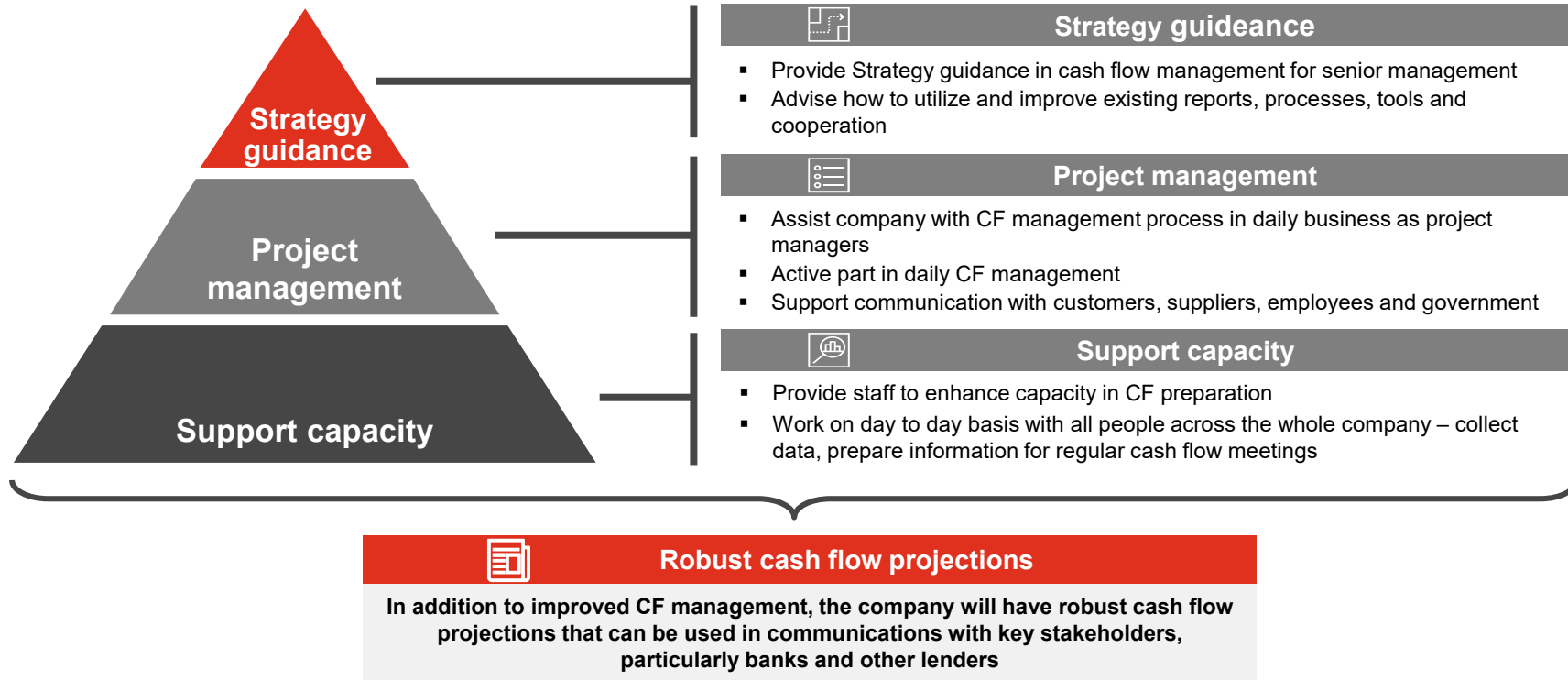


Government institutions

Our approach

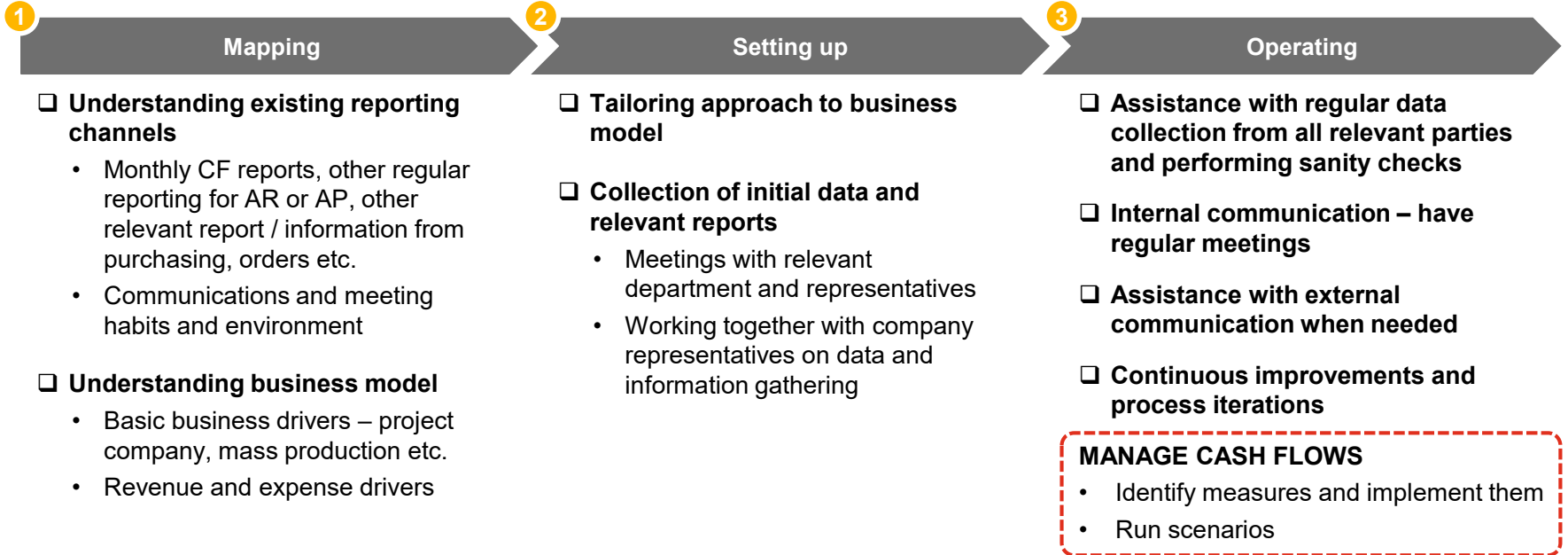


Level of our involvement depends on severity of problem, experience and capacity of the company's management



Crisis cash flow management can be implemented in approx. two weeks, in 3 consecutive steps

Stages of cash flow management implementation



Cash flow structure is tailored to specific business needs, on weekly or even daily level, with possibility to compare actual results to forecasts

Example of cash flow management tool

Cash flow (000 EUR)		1.1	2.1	3.1	4.1	5.1	WEEK1	...	WEEK13
		MO	TU	WE	TH	FR			
INCOME	Income / Inflows								
	Receivables - due	100	130	150	150	150	680	...	20
	Receivables - overdue	15	15	15	15	15	75	...	50
	New sales - division 1	0	0	0	0	0	0	...	300
	New sales - division 2	0	0	0	0	0	0	...	300
	Total income	115	145	165	165	165	755	...	670
EXPENSE	Expenses / Outflows								
	Purchase of RM								
	- division 1	20	20	20	20	20	100	...	150
	- division 2	50	0	4	0	0	54	...	30
	Overheads								
	- Transport	0	5	0	0	2	7	...	15
	- Others	0	0	50	0	0	50	...	50
	Personal costs								
	- Salaries	0	0	200	0	0	200	...	200
	- Social insurance	0	0	0	100	0	100	...	100
	- Health insurance	0	0	0	100	0	100	...	100
	- Salari income tax	0	0	0	100	0	100	...	100
	VAT	0	0	0	0	0	0	...	0
Restructuring	0	0	0	0	100	100	...	20	
	Total expenses	70	25	274	320	122	811	...	765
	Net cash flow	45	120	-109	-155	43	-56	...	-95
	Opening balance	100	145	265	156	1	100	...	390
RESULT	Closing balance	145	265	156	1	44	44	...	295

Assumptions

- Cash flow tool contains separate spreadsheet with assumptions of the model, so they can be easily adjusted
- Such assumptions may contain:
 - Exchange rates
 - Expected revenue growth
 - Share of raw material costs compared to revenues
 - Payments terms
 - Factoring terms
 - Other important assumptions

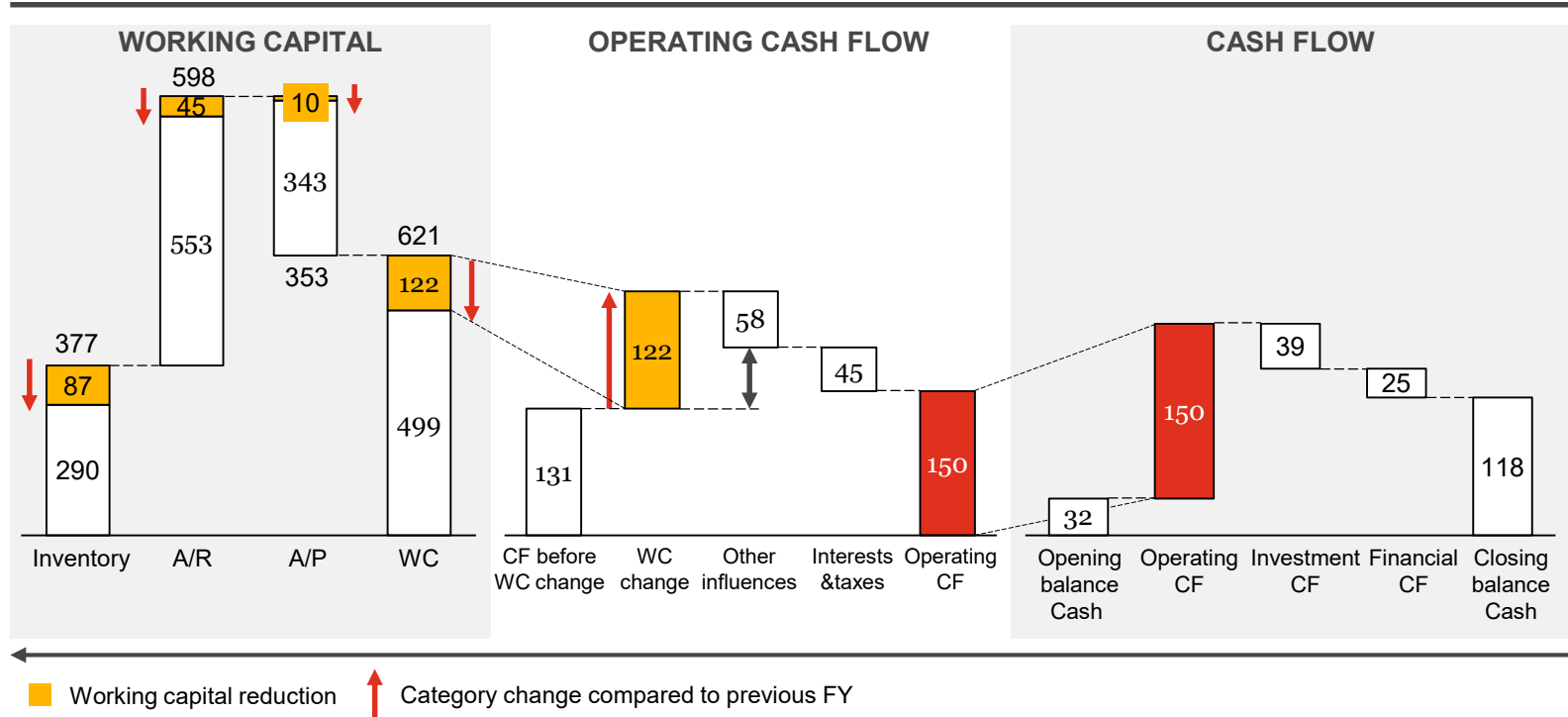
Secondary sources

- Each line of incomes and expenses can be linked to secondary spreadsheets with breakdown of payments
- Secondary spreadsheets can be controlled by various people or departments

Company	Payment info	Invoice #	Currency	WEEK1 (EUR)	...	WEEK13 (EUR)
Company 1	Raw material 1	28493	EUR	0	...	0
Company 2	Raw material 2	ZF202000020	EUR	900,000	...	0
Company 3	Raw material 3	829382	EUR	0	...	0
Company 4	Raw material 4	20200005	EUR	0	...	0
Company 5	Raw material 5	912000940	EUR	157,300	...	0
Company 6	Raw material 6	102000676	EUR	0	...	0
Company 7	Raw material 7	92032	EUR	0	...	0
Company 8	Raw material 8	2020006	EUR	0	...	0

To understand fully company's cash flow, a detailed analysis of changes in working capital is a must

WORKING CAPITAL & CASH FLOW BRIDGE [EUR m]



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