

THE 4-STEP GUIDE TO YOUR FINANCIAL CRISIS ACTION PLAN

How to navigate pandemic-caused economic challenges



RESOLUTE CRISIS ACTION PLAN

Resolute provides a lifeline to assist in diagnosing and resolving the critical fiduciary, financial, business, and real estate challenges impacting middle market companies.

The pandemic of 2020 will make it necessary for some companies to take months, if not years, to restore economic well-being.

Many business owners use the following four general guidelines to create a 90-to-180-day action plan to help with reorganizing in the wake of COVID-19.

Part I

Cash & Liquidity
Management

Part II

Cost
Management

Part III

Communication

Part IV

Business Continuity
Planning

With collective experience of diagnosing and addressing more than 300 business issues across a wide spectrum of industries, our solutions team understands that many business owners and operators are feeling overwhelmed and are unsure the of the best path forward.

These steps are designed to give business owners the most control possible in an ever-changing environment. They are listed in the order we recommend they are addressed.

Part I: Cash & Liquidity Management

Cash is the lifeblood that runs through the veins of every company. It is vital to survival. Consider the following:

EXTEND PAYABLES

Discuss deferring or extending payments with your vendors now. Getting ahead of competitors and other market changes is key and talking to these parties sooner may mean they are more willing to extend terms. Persistence is key – so don't stop just because you are told "No." Keep in mind, your creditors might ask you to defer or extend their payments. Prepare by deciding in advance how you will handle these requests.

DRAW FULL CASH AMOUNT FROM LINES OF CREDIT

Maximize your cash position by withdrawing your full lines of credit. Consider asking for an extension of your line of credit. Flexibility is key in crisis situations and having cash on hand will increase your flexibility.



TALK TO LENDERS ABOUT DEFERRALS AND EXTENSIONS

Ask your lenders to defer principal payments, wave covenant tests for Q4 and Q1 and wave excess cash sweeps, especially the ones that are coming because of year-

end audits. Communicating all or some of your deferments to the bank will help in the interim. Give yourself a cushion, even if you don't need it. Remember, banks do not want to take over your business. Your chances for success are best with you in control, rather than someone else.

REVISIT SELLER NOTES

If this is applicable, we suggest you review terms, identify issues, and establish a communication plan.

ACCELERATE RECEIVABLES

This will be tough because many businesses will be trying to extend their payables with vendors, but it is worth the effort. Having cash flow up front will alleviate some stress. Ask new customers for an upfront partial payment or deposit. Increase the frequency of invoicing or send invoices out sooner. Get a handle on past due payments. Make it as easy and convenient as possible for clients to make payments.

BUILD DAILY & WEEKLY REPORTS OF REVENUE & CASH

Implementing daily bank reconciliations and daily cash checks between CEO and finance team is important during the normal course of business. In an uncertain state, it becomes vital. This energizes cash activity, reduces the risk of fraudulent/ unauthorized transactions and mitigates surprising cash balances.



REVISE FORECASTS & IMPLEMENT STRESS TESTS ON CASH FLOW

We recommend healthy businesses have a 13-week cash flow on hand. In an uncertain environment, having that cash flow is critical. Model a detailed 13-week and 26-week cash flow forecast so you know what is on hand. Update this forecast frequently so you can accurately assess the health of your business. Focusing on cash management, covenants, and knowing exactly what levels of performance will trigger a default or liquidity crisis will be crucial during this period.

UNDERSTAND THE NEED FOR A POTENTIAL CASH INFUSION

Recognize that you might need to raise capital through an additional line of credit, government programs, or equity. Being prepared for this scenario allows you to act quickly. Having lender connections or an adviser on hand can help reduce the amount of time it takes to solve critical issues.

Part II: Cost Management

The goal, especially when facing a crisis, is to stabilize or increase revenue and decrease overall costs. The immediate place that any one business has control is on overall spending. Have a plan for halting spending completely or at a minimum reducing it with the expectation market activity will remain low over the course of several months.

CREATE A PERSONNEL PLAN

Create a plan for which part of your team you will lay off, which part of your team will be offered a furlough or unpaid leave of absence, and who is essential. We classify these groups of staff members as freshman, JV and varsity team members. Hard decisions will be coming fast, and preparation is needed to make the decisions as smooth as possible. In hindsight, you may realize that you can never cut fast enough.

IMMEDIATELY HALT NON-ESSENTIAL SPENDING

Prioritize expenses that keep you operational. Ask yourself: What is mission critical and what must take place to generate revenue? Tip: A retailer that is online and in-store will want to keep its website up and running to keep online revenue flowing. Therefore, it is critical to keep the staff that monitors, maintains and fixes the website for continuation of the revenue that comes from online operations.

REVIEW YOUR LEASE(S)

Understand the Force Majeure section of your lease and see if it offers you any relief. This is the “Act of God” section that landlords will also be reviewing to understand their options. Explore options like asking for rent deferral or simple payment of common area maintenance (CAM) expenses for at least one quarter or more depending on your cash flow budget.



RENEGOTIATE COSTS/PRICES

Reassess your costs and attempt to renegotiate prices with your vendors. In the current state of the market, EVERYTHING should be negotiable. If you hear “No” – keep asking!

UNDERSTAND AID

Continue to research and learn about the options federal, state, and local governments are providing. These programs and regulations include, but are not limited to, laws regarding sick

leave, family and medical leave, and more. Even a Small Business Administration Disaster Loan can provide relief.

ANALYZE COMPENSATION

Think about reducing compensation across the board. It may be as simple a deferral of salary to be repaid after economic recovery.

Part III: Communication

During this time of uncertainty, the way you communicate with employees, clients, and lenders is critical. We recommend the following:

COMMUNICATE DAILY WITH YOUR EMPLOYEES

Employees are looking for compassionate and honest leadership and guidance during this highly uncertain time. Remember that it is a scary time for them and their families. Being proactive in setting up communication channels will ease your mind and theirs. Schedule regular, ongoing updates to your key personnel and leadership teams, followed closely by communication to all your employees.

HAVE THE RIGHT TONE

Be conscious of your tone during any crisis, especially one dealing with public health. Strike a balance of calm with a sense of urgency. You will have to make and communicate decisions with limited information on extremely short notice. Doing so while remaining visible, calm, caring, and engaged is critical to preserving the confidence of your employees, customers, vendors, lenders, and other stakeholders. Confidence is key – just look at the public markets.

BE TRANSPARENT AND EFFICIENT

Be transparent and timely when communicating any information about employee exposure to illness and provide a clear plan of action to deal with the issue. These steps are vital to maintain your employees' trust.

MAINTAIN COMMUNICATION WITH CURRENT LENDERS

Pick up the phone and speak with your lenders this week. Then maintain close contact with them. Consider asking for an interest only loan for the rest of the year. Continue to stay abreast of government programs and regulations that will help your lender help you. Research opportunities like Small Business Administration assistance programs.

TOUCH BASE WITH YOUR SUPPLIERS

Stay abreast of and plan for likely delays. Extend payables when possible. Consider ordering additional supplies that are critical to your company's operations.

COMMUNICATE WITH YOUR CUSTOMERS

Prioritize customer communication based on the size of the customer and/or potential opportunities to expand relationships during this time. Take an in-depth look at the projections built into your 13-week Cash Flow for guidance.

PLAN OUTWARD FACING MESSAGING

Prepare to communicate with current and potential customers that your company is open for business. Determine which channels your customers use most frequently and craft your communication for those channels.



Part IV: Business Continuity Planning

It's important to prepare for potential acute issues, especially during a crisis. Consider the following when developing a business continuity plan:



PREPARE FOR EXTENDED REMOTE WORK

In the event working remotely is necessary for some or all your team, you may need to implement new or upgraded technology. Consider how you will screen share, video conference, and communicate on a daily and weekly basis. Programs like Skype, Microsoft Teams, Zoom or Slack can help. Working remotely will require new processes, meeting cadence, and information sharing to offset the loss of in-office collaboration. Understand that not everyone will have the same familiarity with working remotely and some employees will need guidance or training on how to use the tools available to maximize productivity while working remotely.

EXPECT DIFFICULTIES WORKING REMOTELY

Not all of employees will be comfortable with remote working situations. Determine how you'll proceed if extended remote work is difficult or impossible for certain employees. Identify who will be unable to come to work and who will be able to work from home, this is especially important for employees with increased risk of severe illness or who have young children at home. Prepare backup plans for employees who will need special accommodations.

CONSIDER TECHNOLOGY RISKS

Additional risks may arise from working remotely, including fraud and data breaches. Review your data and financial

security protocols. Consider requiring virtual private networks (VPNs), if your employees will be connecting from unknown networks. Some larger companies have had difficulties with their VPNs. Ensure virtual security is under control before a loss of efficiency becomes critical. Two factor validation may be a good way to guard against password fraud. Be sure to get input from third party advisors and to be on the alert for fraud attempts.

IDENTIFY SECONDARY IT SUPPORT

Identify a vendor for back up IT support. This may be necessary in the event your internal team is impacted or current vendors are experiencing high volume. You want to ensure rapid response to phishing scams and hacks, so your company is not compromised.

CREATE A CONTINGENCY PLAN

Who will take over the responsibilities of your most mission critical personnel and other key team members? Think about building a back-up leadership team for key positions. Develop teams of varsity and junior varsity mission critical people in the office. Think through the contingency plan for yourself in the event you become sick or disabled. What team members in your organization can cover your responsibilities individually or collectively in the most efficient manner?

Continued on next page

Part IV: Business Continuity Planning (Cont.)



INITIATE REMOTE BANKING

Confirm or even set-up remote banking capabilities. Ensure the authorized members of your financial team are carrying their tokens, fobs or other devices are required to authenticate the user. Contact customers who pay with physical checks and provide them with banking information to facilitate electronic remittances. These systems will provide long-term benefits in the collection cycle, even after the crisis. Figure out how to collect physical mail with checks for deposits, if necessary. If you have electronic banking, review banking permissions and consider reducing authorities and/or adding additional approval requirements. These adjustments can usually be made online easily.

IDENTIFY ADDITIONAL VENDORS

Current vendors/ suppliers may become unavailable during and/or after shutdown. Identify back-up options, ideally in different states, or geographical regions. Be mindful of any travel bans or local shutdowns and the impact they could have on supply.

REVIEW ALL INSURANCE POLICIES

Revisit the terms of your policies. Keep communication channels open with your broker and ask what their other clients are doing. Consider policies you don't have but could use. Become knowledgeable on the terms of your business interruption insurance, specifically when can you make a claim and what documentation will be required.

Interested in learning more?
Reach out to us for more information.