



Smart decisions. Lasting value.™

# Liquidity Management & Cost Optimization

Pragmatic solutions for the challenges posed to our clients by COVID-19

April 9, 2020



# Today's Presenters

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# The New York Times

Tuesday, April 7, 2020

Today's Paper

World U.S. Politics N.Y. Business Opinion Tech Science Health Sports Arts Books Style Food Travel Magazine T Magazine Real Estate Video



**Your Tuesday Briefing**  
Here's what you need to know.



**Listen to 'The Daily'**  
Wisconsin's pandemic primary.



**'On Tech With Shira Ovide'**  
It's now Amazon's turn in the spotlight.

S&P 500	+2.77% ↑
Dow	+3.46% ↑
Nasdaq	+2.30% ↑

☀️ **65°F**  
77° 59°  
Marshall, IL

## Daily Toll Dips in Some Hot Spots, but New Challenges Emerge

A top White House official warned in January that a pandemic could imperil millions of Americans.

Stocks rose as investors around the world focused on scattered indications that the spread of the scourge might be slowing.

Prime Minister Boris Johnson, in intensive care with the virus, deputized his foreign secretary to take over, but questions remained about succession. Here's the latest.

Live 5m ago 146 comments



Brooklyn

Dave Sanders for The New York Times

- U.S. Cases
- Markets
- Photos
- Video

## Business Updates: Wall Street Rallies as Investors See Signs of Progress

U.S. stocks rose on Tuesday and global markets extended Wall Street's rally from the day before.

Live 8m ago

## New York Updates: Region Hopes for More Signs That Virus Is Slowing

After two days with fewer deaths, officials in New York, New Jersey and Connecticut say the apex of the coronavirus outbreak may be near.



## Spain's Crisis Accelerated as Warnings Went Unheeded

The Spanish epidemic is an example of the tendency of one government after another to ignore the experiences of other countries.

3h ago 62 comments



## To Fight Coronavirus, U.K. Asked for Volunteers. It Got an Army.

More than 750,000 people are pitching in to help older and more vulnerable Britons, helping dispel the discord of the Brexit era.

15m ago

**The Times is providing free access on the coronavirus crisis. Start here for a guide to all our coverage.**

12m ago

# COVID-19: Unprecedented Decline In Air Traffic

Number of flights tracked daily worldwide  
(01 Feb-30 Mar, 2020)



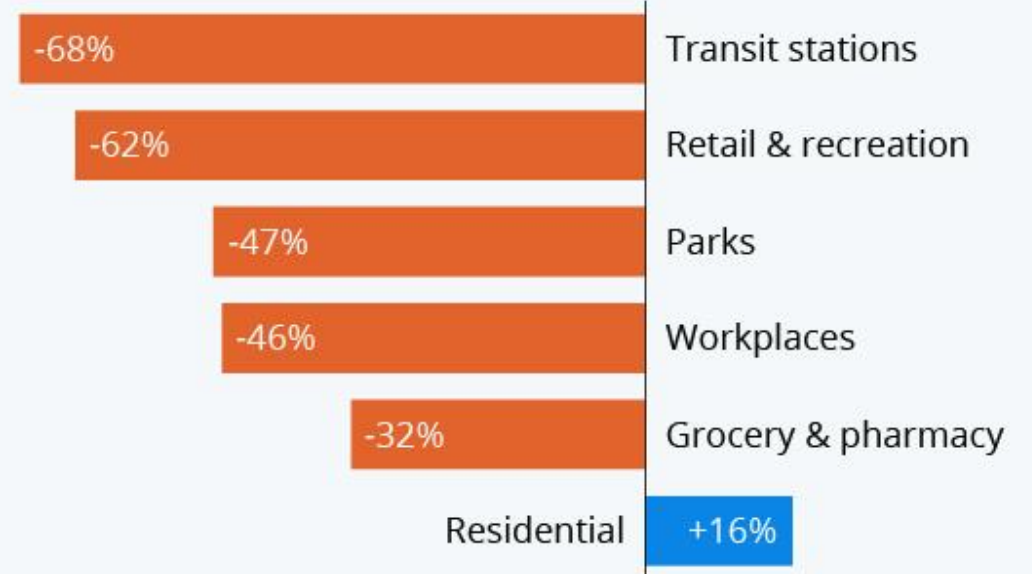
Source: Flightradar24



statista

# How New York's Lockdown Has Affected Movement

Change in movements in New York as recorded  
by Google location data, by category\*



\* as of Mar 29 (relative to baseline: median for same day of the week from Jan 3 to Feb 6, 2020).

Source: Google



statista

# COVID-19: Unprecedented Decline In Air Traffic

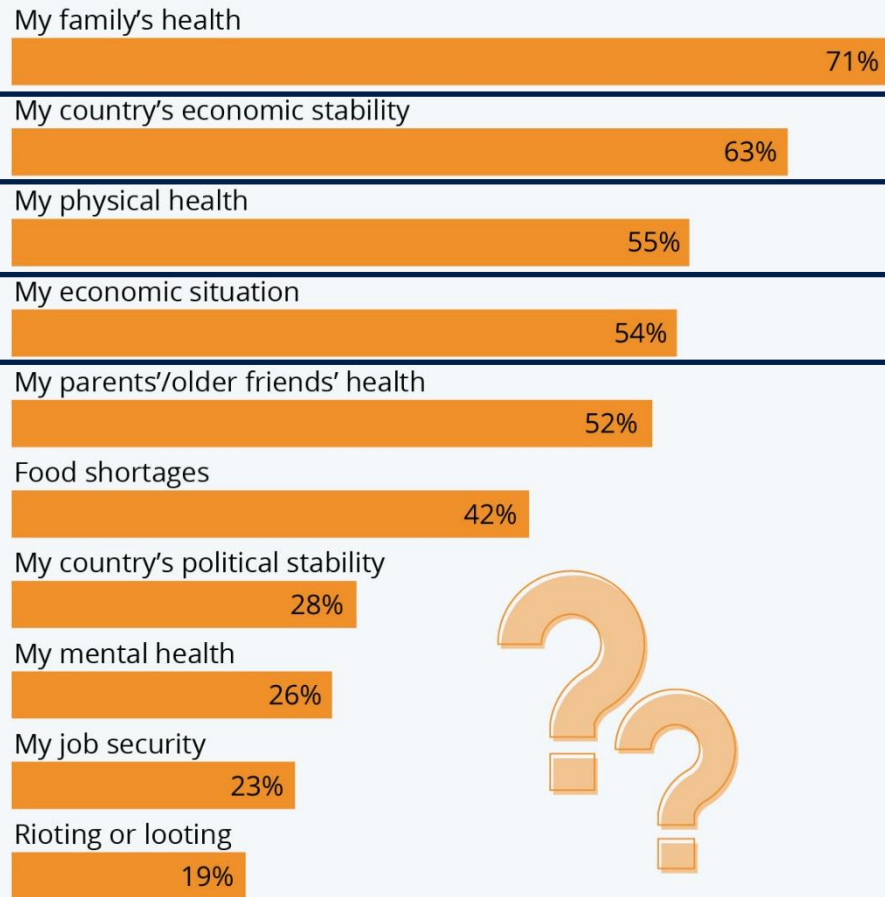
Number of flights tracked daily worldwide (01 Feb-30 Mar, 2020)



Source: Flightradar24

## What's Worrying Americans The Most About The Coronavirus?

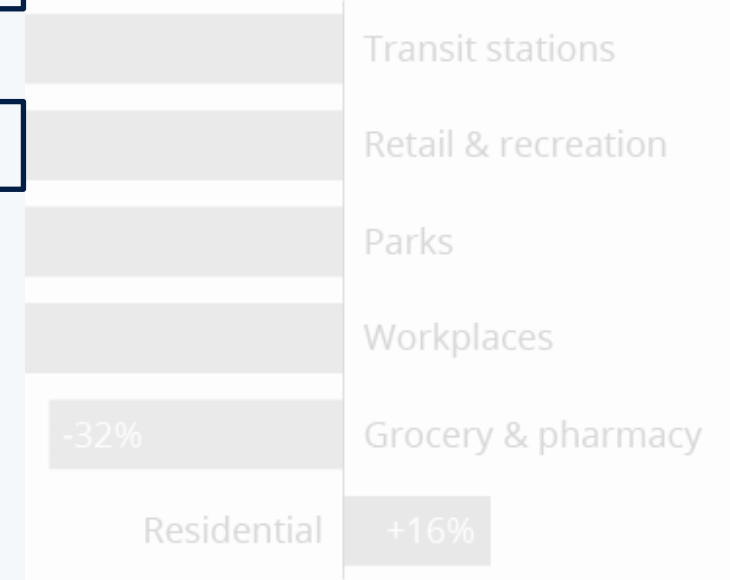
"What are your main worries or concerns about the COVID-19 pandemic?"



n=692 (23.03.2020 - 30.03.2020) – excluding other/don't know responses  
Source: Statista Covid-19 Barometer 2020

## New York's Lockdown Reduced Movement

Changes in New York as recorded by data, by category\*



\*Baseline: median for same day of the week

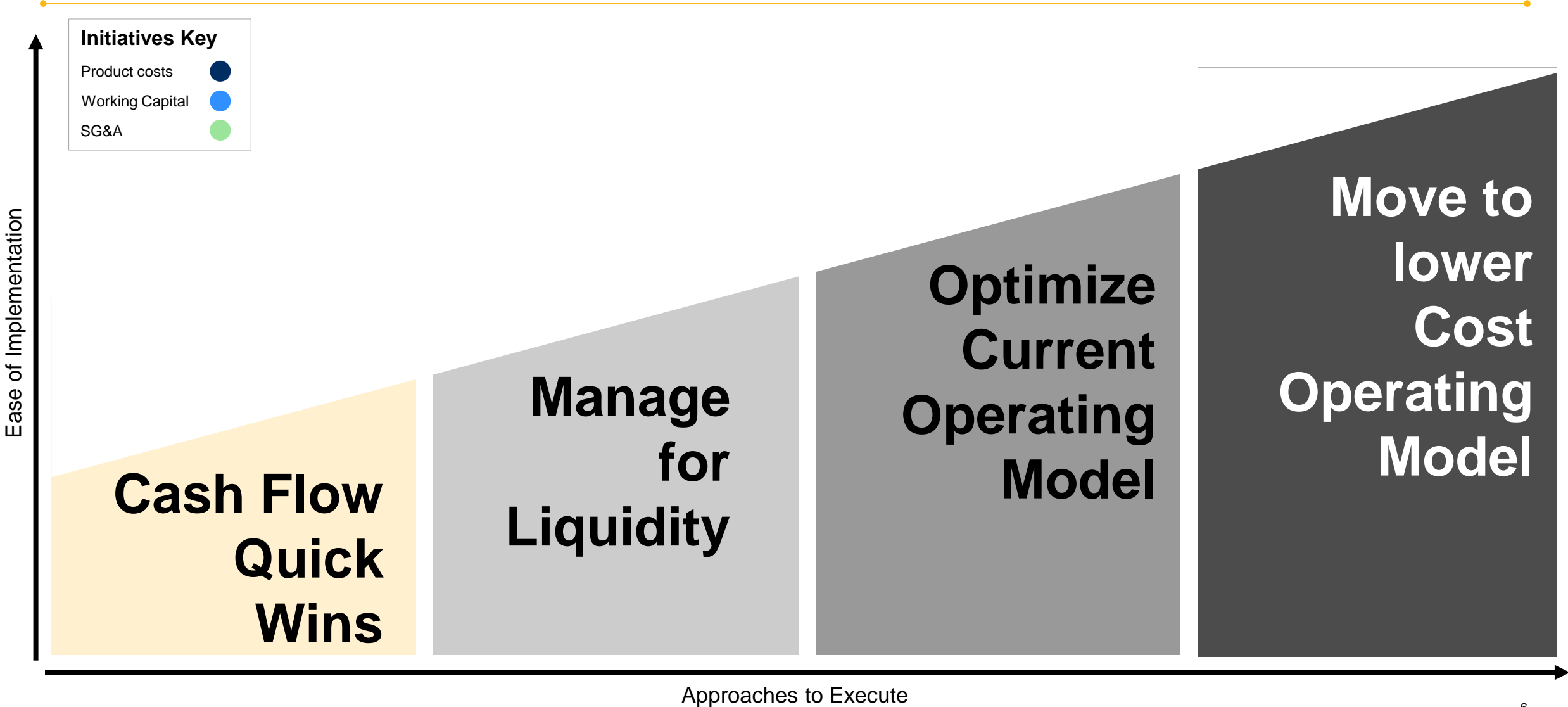
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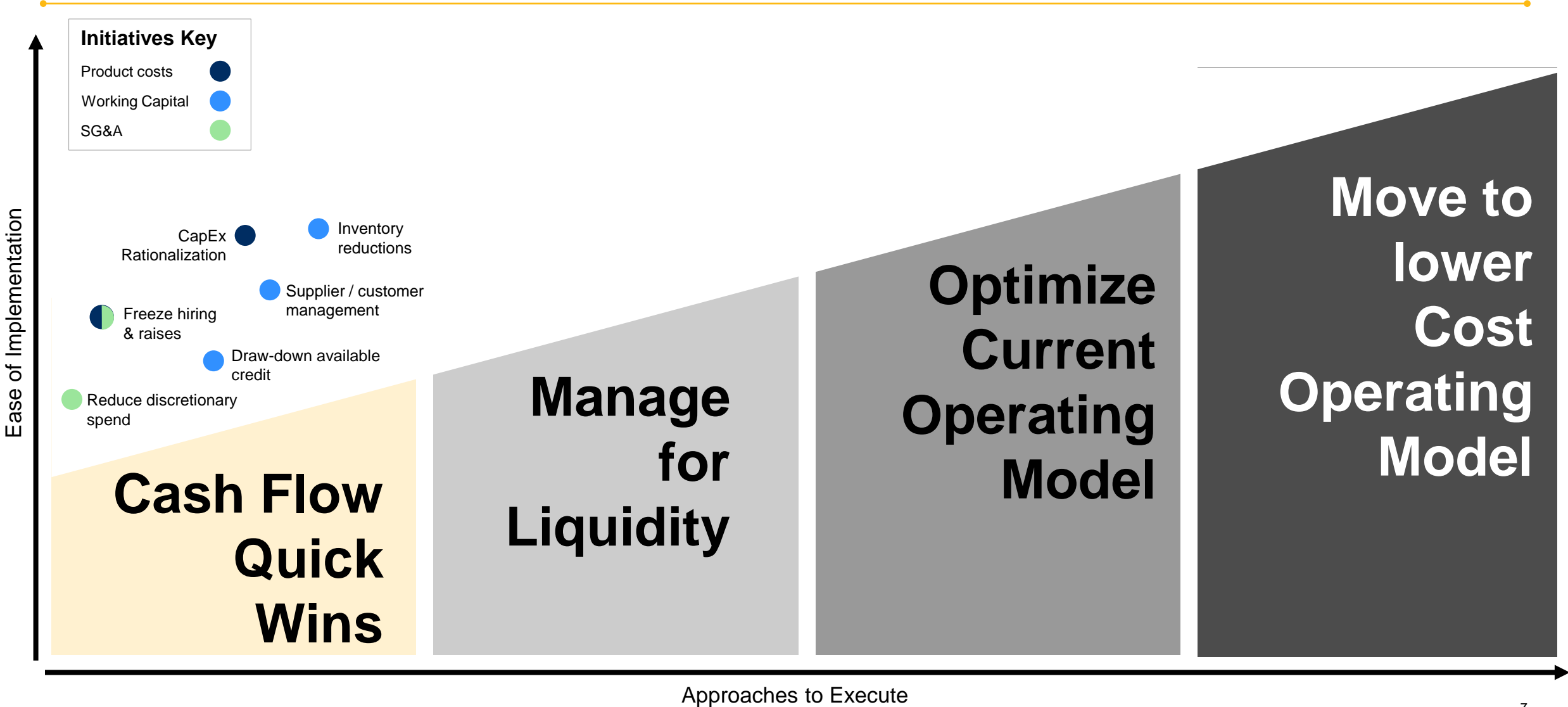
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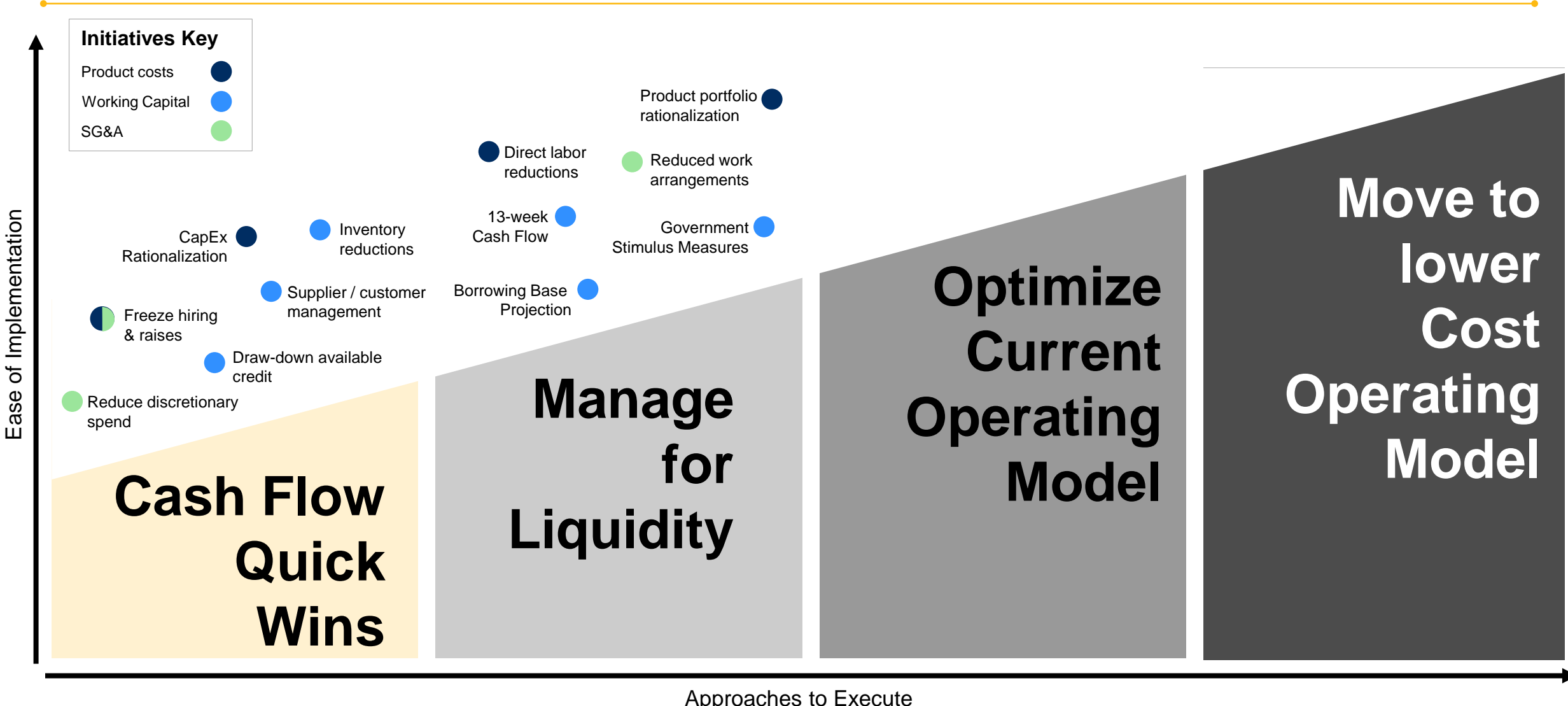
# Crowe's Liquidity Management Roadmap



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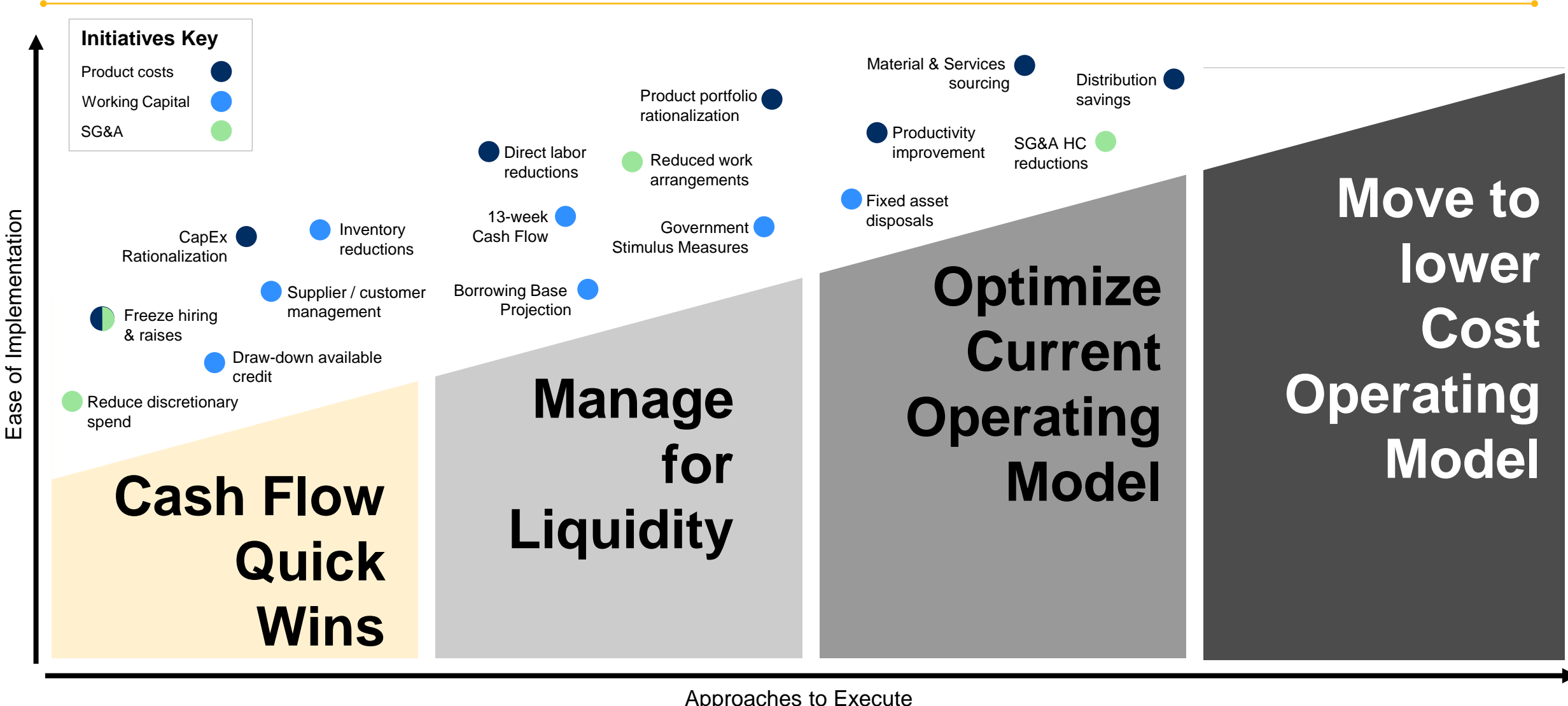


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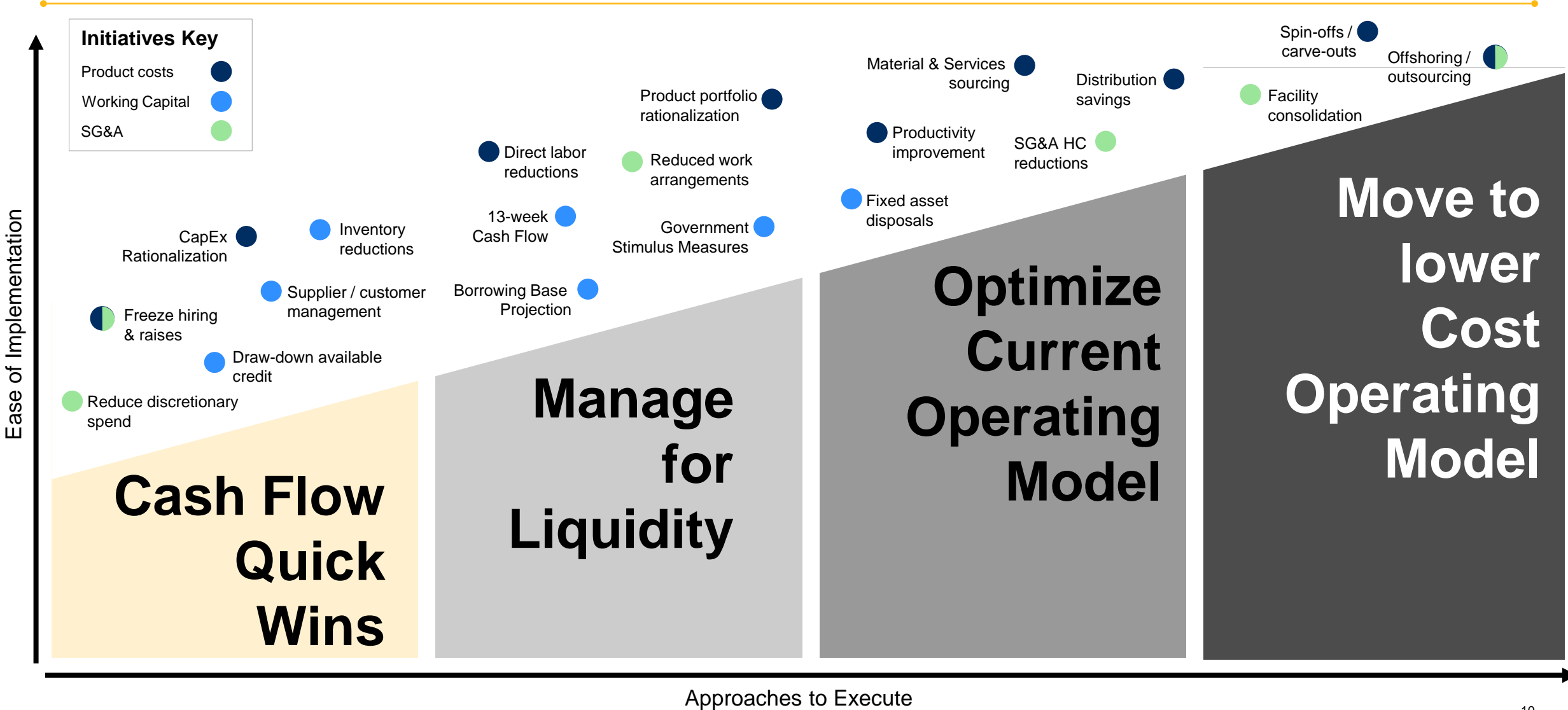




# Crowe's Liquidity Management Roadmap



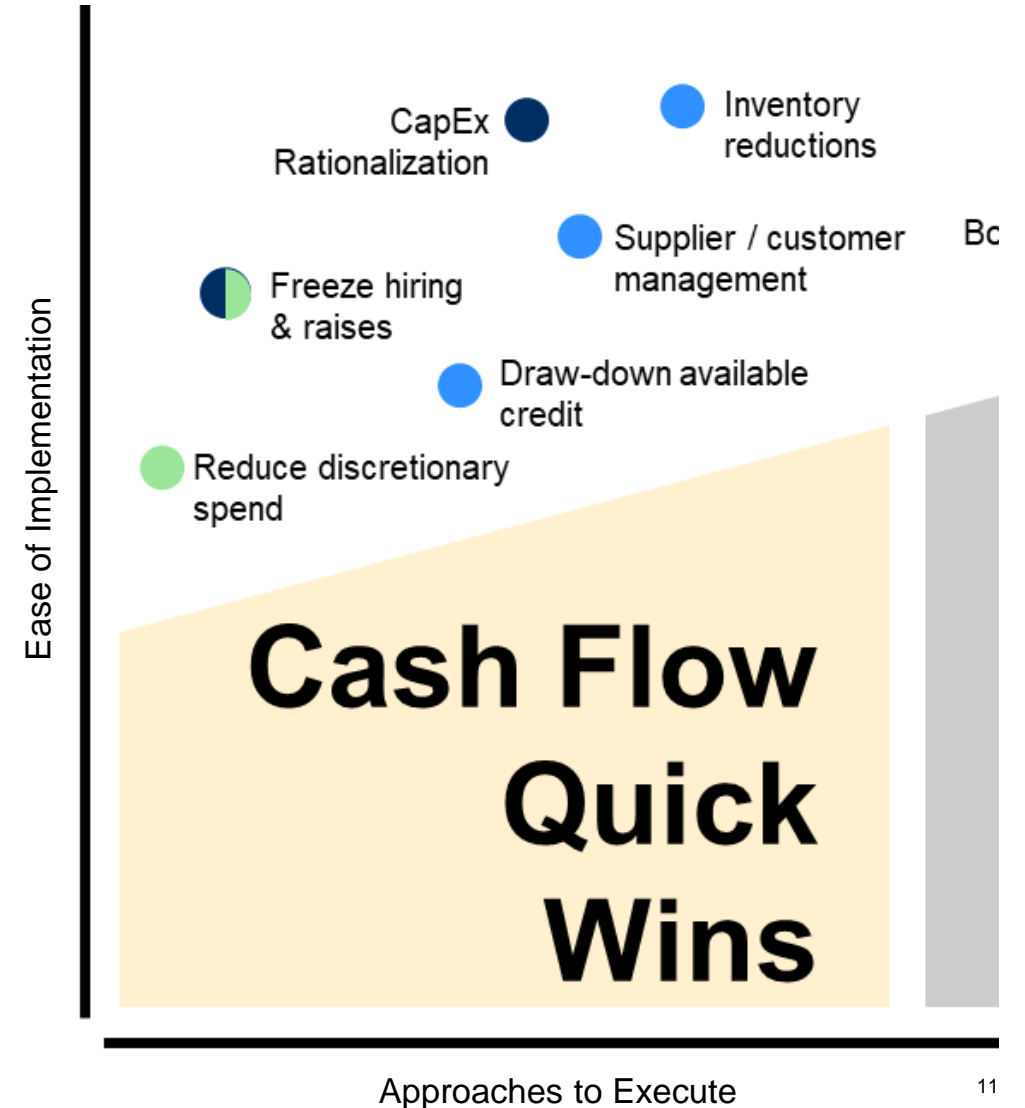
# Crowe's Liquidity Management Roadmap



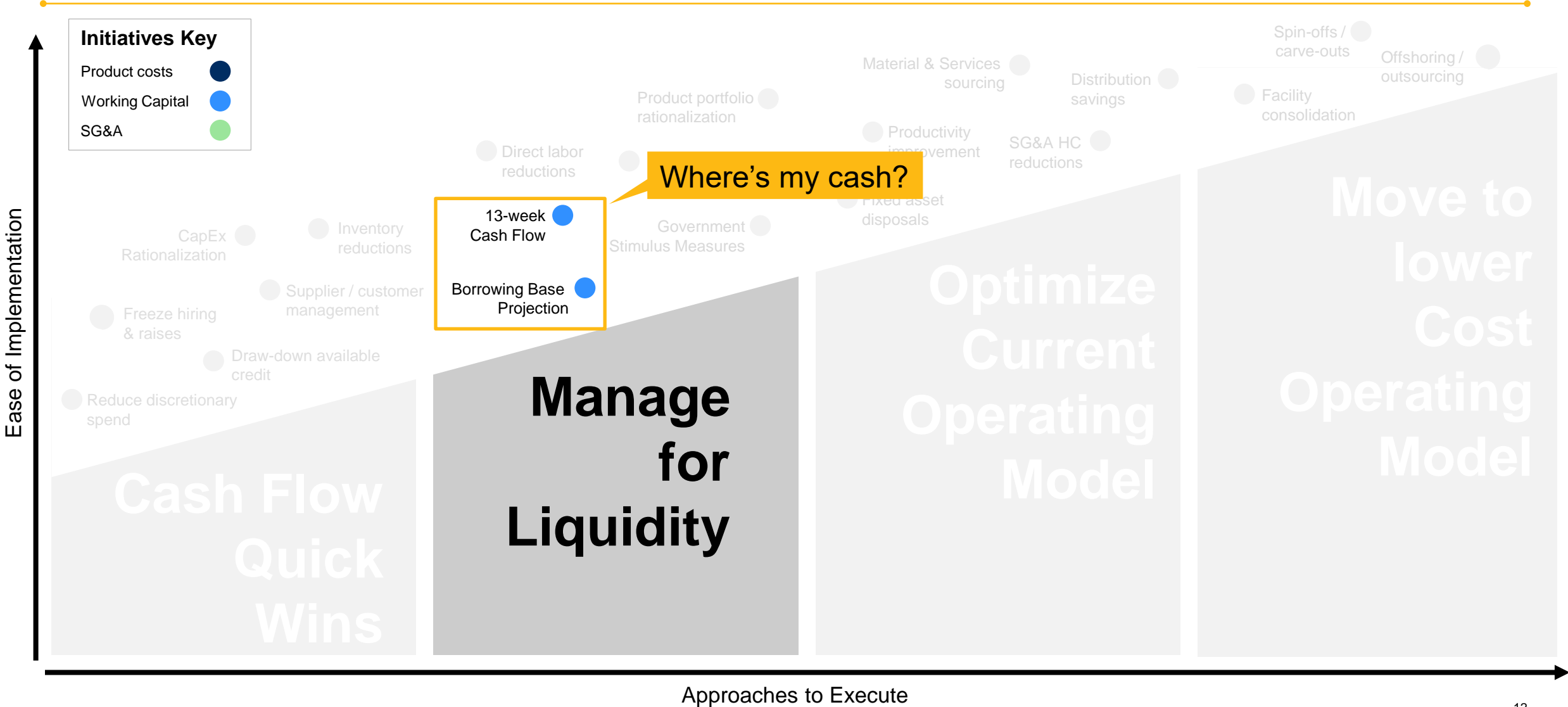
# Polling Question #1

Which of these 'Cash Flow Quick Wins' was, or do you anticipate being, most impactful to generating liquidity within your organization?

- Reducing discretionary spend
- Drawing down available credit
- Freezing hiring & raises (or discretionary bonuses)
- Managing supplier and customer terms
- CapEx rationalization
- Inventory reductions



# Crowe's Liquidity Management Roadmap





# 13-Week Cash Flow Model

A 13-Week Cash Flow is a detailed model of cash inflows and outflows used to forecast the cash needs of a business experiencing liquidity or solvency issues such as:

## Depleted liquid resources

- Low cash balance
- Limited / No Loan Availability
- Working capital deficiencies

## Solvency limits reached

- Overleveraged Capital Structure
- Inability to meet debt obligations
- Violating Debt Covenants

A 13-Week Cash Flow Model provides important benefits in supporting liquidity management.

### Cash-focus

- Maintains focus on cash vs. financial statement outcomes
- Helps assess and track short-term viability by adding 'timing' to cash needs
- Becomes the 'vital sign' - frequently recast to reflect actual activity

### Visibility & Accountability

- Drives decision-making based on liquid returns
- Demonstrates Management is 'working on it'; illustrates time and constraints to improve
- Best assessment of the effectiveness of the plan to generate liquidity

# 13-Week Cash Flow Model

A 13-Week Cash Flow Model surfaces critical questions about principal aspects of the business

## Customers

- Who / what is / are the core business base?
- Is the core customer / product base a source or use of cash?
- Are customer churn or discounts causing revenue deterioration?

## Operations

- Which orders or product lines are most critical?
- Which activity best utilizes resources available to generate cash?
- Does our inventory composition represent our most cost efficient strategies?

## Procurement

- Which vendors are most essential?
- How are scarce cash resources best applied to purchasing activity?
- Do we have a strategy to manage material or supplier cost increases?

## Cash Management

- What costs are higher than expected?
- Which outflows can be negotiated, deferred, or converted?

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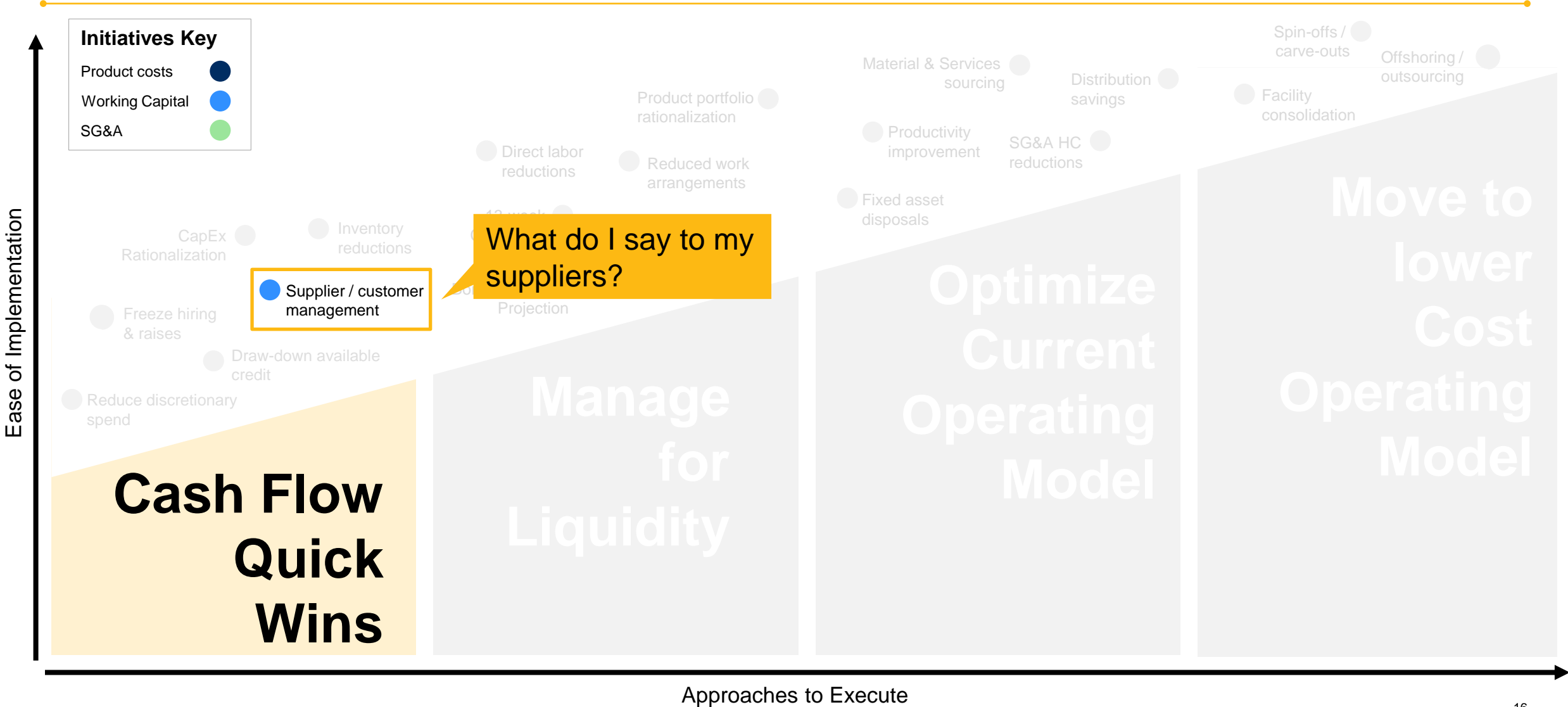
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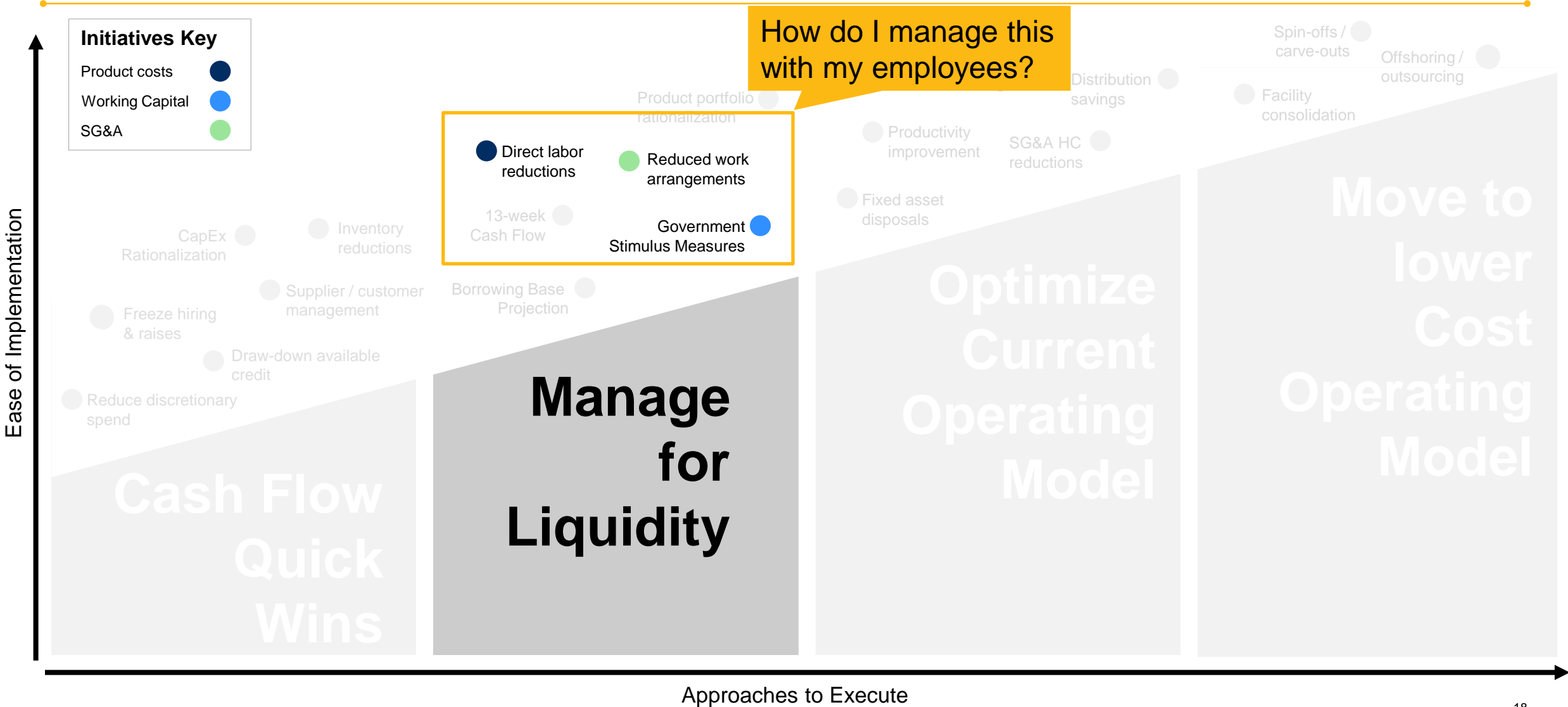


# Supplier Management

Near-term priorities for supplier management may vary based on the impact of this crisis on your business.

Strategy	Supply Chain Triage	Working Capital Preservation
Tactics	<ol style="list-style-type: none"><li>1. Mobilize &amp; set a plan:<ul style="list-style-type: none"><li>▪ Mobilize an executive led team</li><li>▪ Assess supply base current state to identify and prioritize issues, and build out a direct intervention plan (<i>actual and predictive risk rated</i>)</li></ul></li><li>2. Execute the plan:<ul style="list-style-type: none"><li>▪ Establish KPI's &amp; daily pitch track meetings</li><li>▪ Establish SPA for supply chains</li><li>▪ Drive continuous monitoring and engagement</li></ul></li></ol>	<ol style="list-style-type: none"><li>1. Payment Terms:<ul style="list-style-type: none"><li>▪ Segment supply base and analyze payment terms strategies</li></ul></li><li>2. Purchased Inventory:<ul style="list-style-type: none"><li>▪ Evaluate and revise volume forecast and demand plans</li><li>▪ Updated organizational 'Plans For Every Part'</li></ul></li><li>3. Engage suppliers directly to negotiate and implement the needed identified adjustments</li></ol>
Outcome	Continuity of Supply	Healthy Balance Sheet

# Crowe's Liquidity Management Roadmap

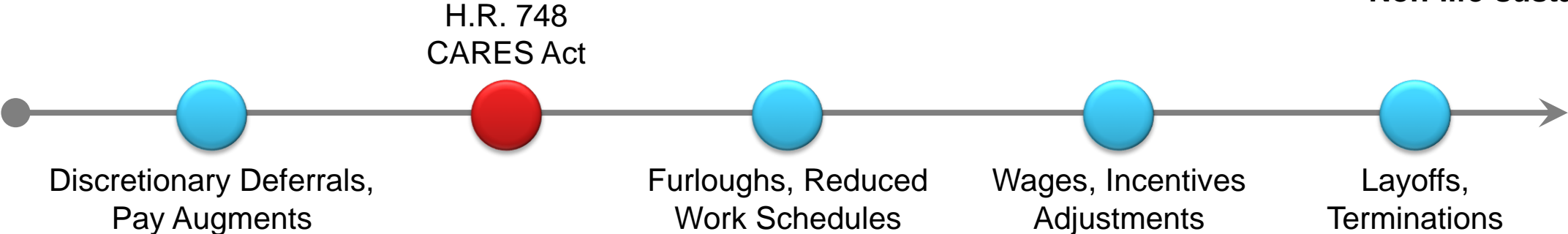


# Employee actions and communications

There is a range of actions that may be necessary to balance the needs of your company and employees; a robust communication plan is crucial for engaging – and listening to – nervous and stressed people.

## Essential Businesses

## Non-essential, Non-life-sustaining



Absent robust communications, you can expect non-productive behaviors such as speculation and negative self-interpretation of outcomes

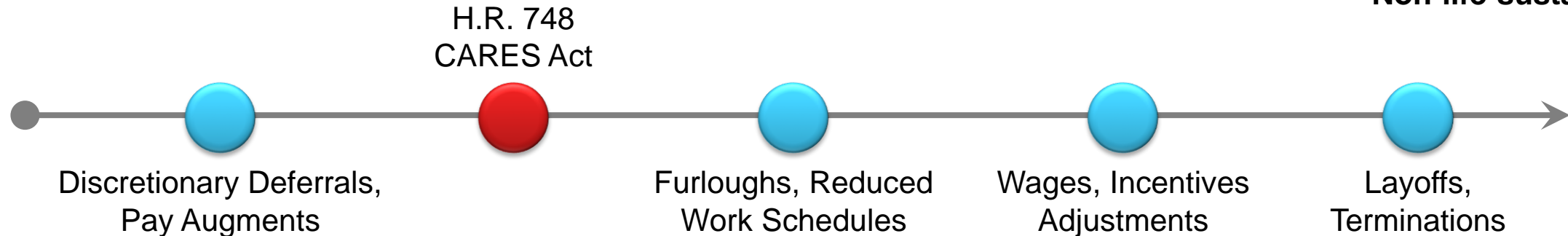
- Set guiding principles, policies for emergency closing and reduced operations
- Provide core resources for staying safe and effective
- Deliver empathetic, direct communication
- Deliver information through multiple channels
- Engage and listen to feedback and concerns

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# Polling Question #2

Which of these employee-focused strategies has your Organization put into place?

- Discretionary deferrals
- Applied for governmental programs
- Furloughed employee groups
- Reduced work schedules
- Adjusted wages or incentives
- Permanent layoffs / terminations
- None

**Essential Businesses**

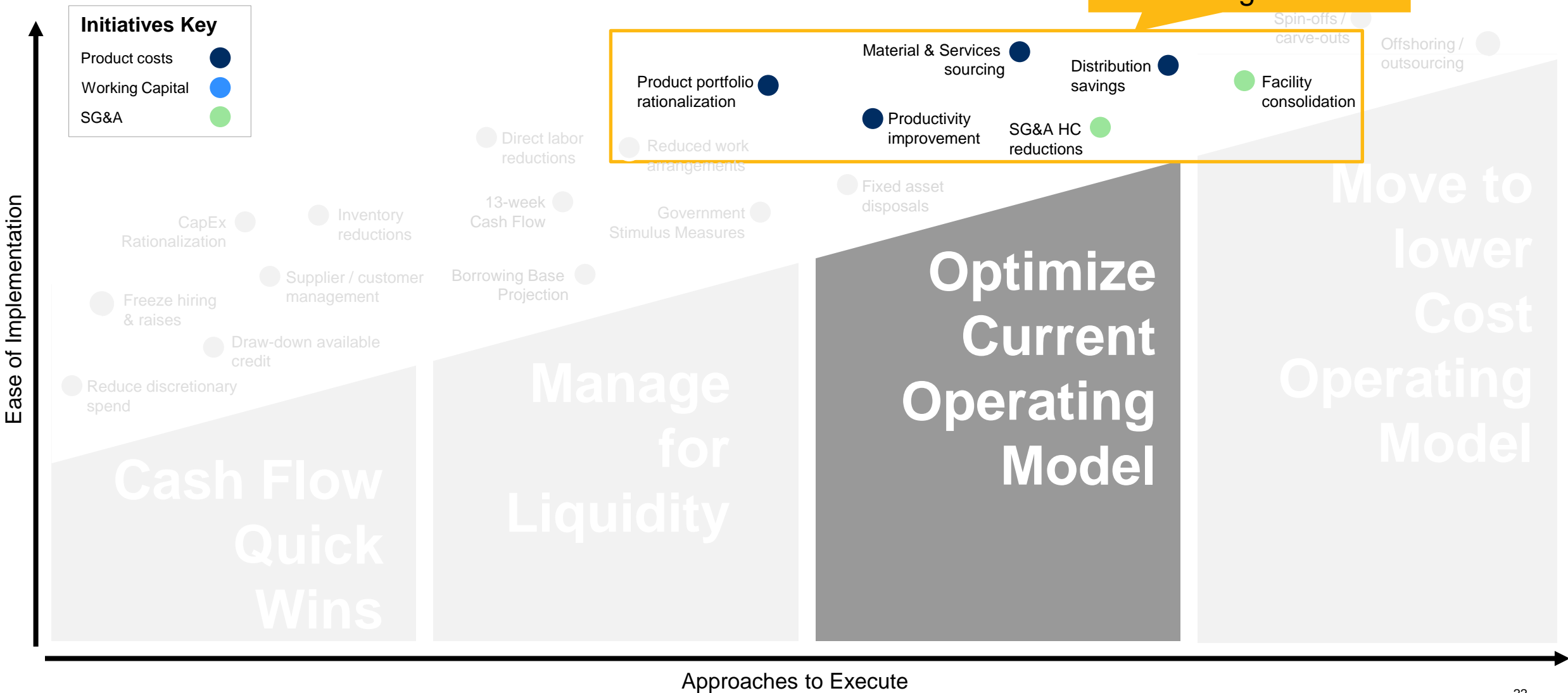
**Non-essential,  
Non-life-sustaining**

H.R. 748  
CARES Act



# Crowe's Liquidity Management Roadmap

What else should I be considering now?



# Other good ideas

There are many potential value-creation opportunities across the enterprise to drive additional liquidity.

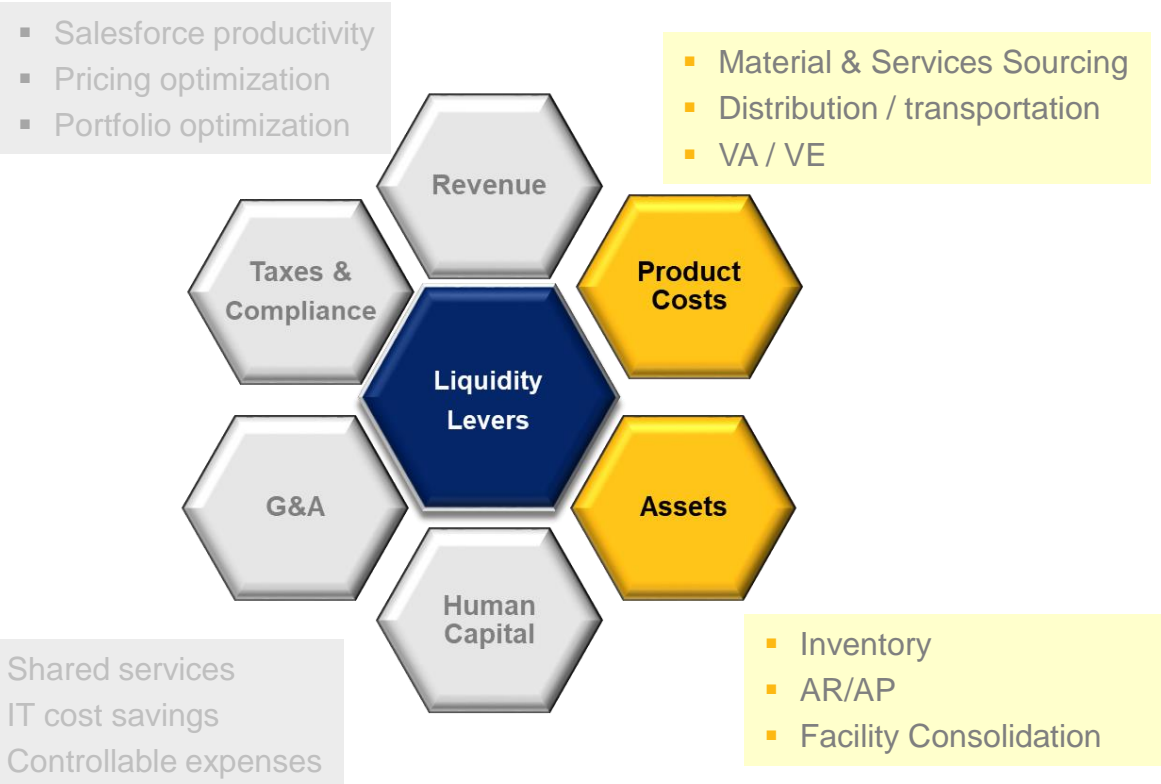
## Crowe's Value Gemstone



# Other good ideas

There are many potential value-creation opportunities across the enterprise to drive additional liquidity.

## Crowe’s Value Gemstone



### Pragmatic Solutions

- Great time to be a buyer of many goods and services!
- Any products that cost more than target production cost, or with features that aren’t important to customers?
- Do you have optimal inventory investment?
- Robust framework for investment priority decisions / deferrals?

Liquidity Management Office can “run the play” for portfolio of actions – and position you to emerge stronger

# Other good ideas

There are many potential value-creation opportunities across the enterprise to drive additional liquidity.

## Crowe’s Value Gemstone



### Pragmatic Solutions

- Invested in ERP and still running business on spreadsheets?
- Previous deferral of back office consolidation decisions?
- Right incentives in place for a sales team built by acquisition?
- Impact of small price increases on select items or customers?

Liquidity Management Office can “run the play” for portfolio of actions – and position you to emerge stronger

# Polling Question #3

Which areas of 'other opportunity' do you anticipate will be most meaningful in supporting liquidity and reducing costs?

- Product Costs
- Assets
- General & administrative
- Revenue

- Salesforce productivity
- Pricing optimization
- Portfolio optimization

- Material & Services Sourcing
- Distribution / transportation
- VA / VE



- Shared services
- IT cost savings
- Controllable expenses

- Inventory
- AR/AP
- Facility Consolidation

# Concluding Remarks

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- First, determine your cash position (and where its coming from and headed to...)
- Don't waste time in securing the cash flow quick wins
- Prepare policies and procedures immediately for emergency closing and reduced operations, even if you have not yet been highly impacted
- Consider your business model in the 'post-crisis' world when making employee-related decisions
- Set rigorous structure, accountability and oversight to 'run this play'



# Liquidity Diagnostics: Crowe's Support Options

Initiatives
<b>Liquidity Management</b>
13-week Cash Flow Projection
Borrowing Base Projection
Debt Schedule & Rollforward
Covenant Calculation
<b>Operational Improvements</b>
Level II Liquidity Improvement Recommendations <ul style="list-style-type: none"> <li>• Revenue: Sales force cost savings, pricing &amp; portfolio 80/20</li> <li>• Product: Sourcing, manufacturing productivity, distribution</li> <li>• Assets: Facility consolidation, AR management, inventory reduction</li> <li>• Human Capital: Furloughs, separations, short-term adjustments</li> <li>• G&amp;A: IT savings, controllable expenses, shared services reduction</li> </ul>
Prioritized short-term execution plan: 12-week recommended execution plan
Proforma Opportunities: Opportunities layered into liquidity management
<b>Execution Support</b>
Web-Based PMO Tools: Project Plan + Governance Structure
PMO Support: Driving execution through structured process
Dedicated functional execution support
Timeline



Manage for Liquidity
●
●
<b>1-3 weeks</b>



Optimize the cost base
●
●
●
●
●
●
●
<b>2-4 weeks</b>



Get to a low-cost model
●
●
●
●
●
●
●
<i>TBD</i>
<b>4-6 weeks</b>

# Q&A