

COVID-19 and Cash Flow

Focusing on liquidity during pressing times

By Chris Beyer

The resulting economic environment from the COVID-19 outbreak will pose an immense strain on global markets for the next several quarters. Challenges will undoubtedly emerge in the middle and lower markets.

Executives and stakeholders, regardless of market size, will need to address their operating procedures to **maximize liquidity** and maintain their **optimal working capital figures**. Here are a few considerations:



Assess your current position: Analyze current and forecasted cash on hand, including re-baselining inputs within your 13-week cash flow model. Run stress tests on your cash flow and other financial models and rethink key revenue and inflow assumptions. Use this new understanding to build a short-term liquidity strategy.



Hold candid conversations: Communication is critical to managing expectations regarding short term issues. For customers, consider increasing cash discounts or proposing alternative collection methods to incentivize timely collection. For vendors, if feasible, provide them assurance on the date of payment to promote peace of mind. This will help with both cash flow forecasting and strengthening your customer/vendor relationships.



Identify and scale back: Companies should appoint both finance and department leaders to identify a handful of non-essential expenses to be trimmed or postponed in the upcoming weeks and quarters. Consensus among operational stakeholders is vital to ensure there's a unified front before implementing the cutbacks.



Be proactive on capital requests: Take steps now in planning for short-term access to capital or cash injections. Secure assurance from your lenders and investors, prepare the necessary supporting documents and financials ahead of time and keep the channel of communications open and active.

Markets will continue to face additional challenges as companies and governments impose greater restrictions on daily consumer's lives. Staying on top of free cash flow and managing working capital management will be **vital to ensuring liquidity and stabilizing the business** through the crisis.

