

STRATEGIES FOR DEALING WITH UNCERTAIN TIMES

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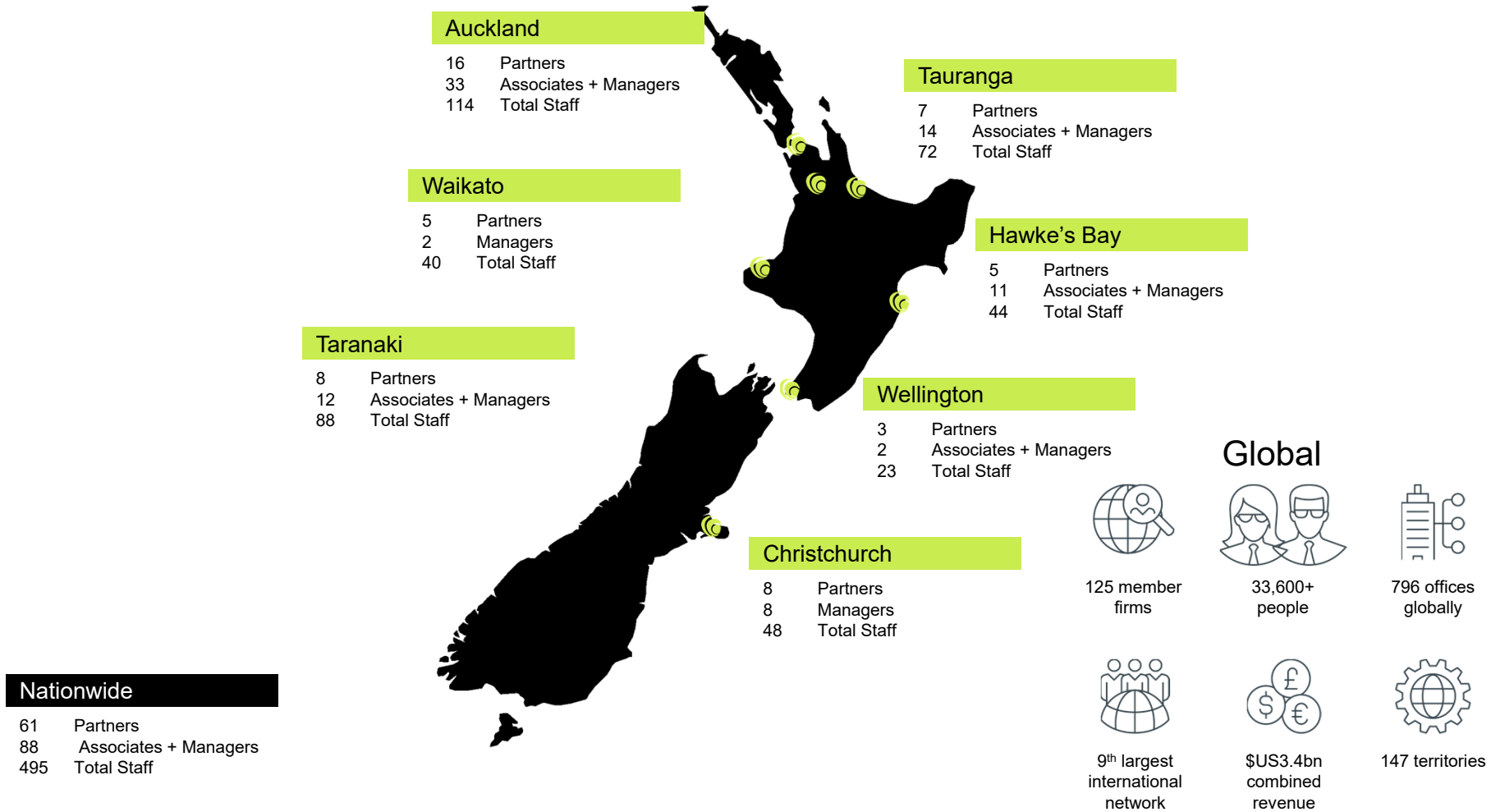
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About us

Our international and national networks



About me

- Background in a commercial environment
- Corporate Advisory role
- Dedicated financial modelling team



Disclaimer

This presentation provides general advice/ updates and should not be relied on to substantiate a position in any circumstance.

Please contact your usual advisor or Baker Tilly Staples Rodway for advice tailored to your specific circumstances.

Strategies to survive

Current position?

- How tight is cash?
- What sales are confirmed & likely?
- What expenses are coming up?
- How are you and your staff coping?

Make plans

- Cashflow forecast for best/base/worst
- Steps to address:
 - Sales strategy
 - Funding plan
 - Staffing plan

Cash position: Short term

- Short term cash flow forecast
- Funding limits
- Creditors growing
- Inland Revenue and wages
- Detailed daily/weekly forecast
- 6-12 week period

Cash position: Short term

- Negotiation tips
 - Prepare forecast data to show the situation is going to improve
 - Propose an achievable payment schedule
 - Keep communicating

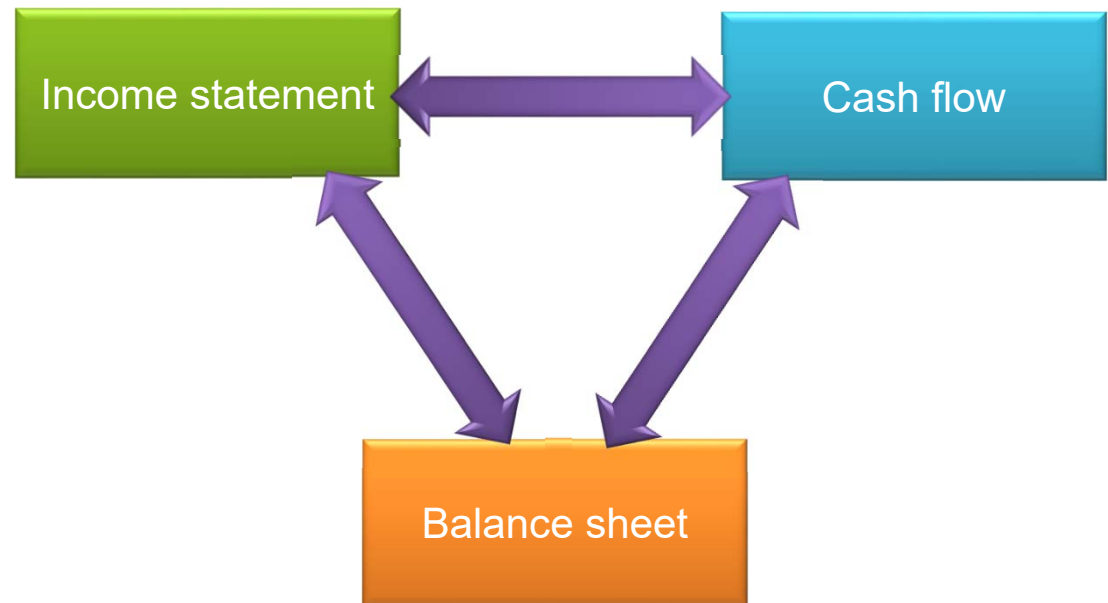
Short term cash flow forecast example

CASH FLOW ACTUAL MARCH 2015							
Forecast		W/e 06	W/e 13	W/e 20	W/e 27	30-31	TOTAL
CASH IN							
140,000	Div 1		44,287	41,141	8,935	3,881	98,244
80,000	Div 2		7,481	20,608	5,391	12,938	46,417
5,000	Div 3						0
10,000	- Other Inputs	5,000			3	8,219	13,222
	- Other Inputs	7,700		5,000		5,100	17,800
\$235,000	TOTAL CASH IN	\$5,000	\$51,768	\$61,749	\$14,329	\$25,037	\$157,883
CASH OUT							
112,000	Contractor Fees		38,493		27,714	5,456	71,664
2,500	Div 3 Cost						0
10,000	Commissions Div 1		1,700	2,132	3,900	930	8,661
4,300	Commissions Div 4					2,000	2,000
25,000	Salaries Div 1	390	420		16,420	3,703	20,933
4,200	Rent Office	4,196					4,196
1,800	Rent Office Equipment	1,800					1,800
220	Electricity						0
2,116	Insurance Costs	1,401		519			1,921
2,530	Advertising			2,535			2,535
1,500	Vehicles/Parking	1,080	545				1,625
1,600	Telephones & Mobiles				1,199		1,199
500	IT Costs						0
2,900	Bank Fees & Interest	36	296			2,630	2,961
3,400	Interest Payments Loan		3,412				3,412
7,000	Other		497	274	5,964	116	6,852
5,000	GST Payment			4,240			4,240
1,337	RWT Payment			1,327			1,327
10,000	Catchup GST	0					0
8,333	Loan Repayments						0
10,000	Loan Repayments - Other		1,000			300	1,300
5,000	- Bonus Comms					4,403	4,403
0	- Legal/Lease Costs						0
5,000	- Premises Commission						0
9,600	- Premises Repayment						0
	-Other	7,700			10,000	100	17,800
\$235,836	TOTAL CASH OUT	\$8,904	\$46,364	\$11,027	\$55,197	\$19,537	\$141,028
-\$836	NET CASH MOVEMENT	-\$3,904	\$5,404	\$50,723	-\$40,868	\$5,500	\$16,855
-\$171,256	Bank Account Opening Balance	-\$171,256	-\$175,160	-\$169,756	-\$119,033	-\$159,901	-\$171,256
-\$172,092	Bank Account Closing Balance	-\$175,160	-\$169,756	-\$119,033	-\$159,901	-\$154,401	-\$154,401
						check	\$0

Cash position: Medium term

- Medium term cash flow forecast
- Support strategic plan for short term issues
- Determine funding requirements
- Identify cash available to pay dividends
- Determine funding strategy for capital expenditure or acquisitions
- Detailed 12-24 month forecast

Three way forecast



Forecast prework

- Understand trends from recent actual data:
- Days receivable, payable, inventory
- Bank balance
- Level of drawings

Forecast prework

- Understand upcoming changes in the business and environment:
- Sales growth/decline
- Timing of new contracts
- What's happening to costs/expenses/staffing?
- Loans maturing
- Capex required

Incorporate flexibility

- Clear assumptions

Sales Revenue	Probability	Sales Forecast 2019		Sales Forecast 2019	
Existing contracts	100%	\$	2,300,000	\$	2,300,000
Contract A	40%	\$	100,000	\$	-
Contract B	80%	\$	150,000	\$	150,000
Contract C	25%	\$	50,000	\$	-
Total		\$	2,600,000	\$	2,450,000
			All sales		All sales > probability
Threshold					60%

- Create separate input & output sheets
- Enable easy identification and change for key variables
- Automate incorporating actual data

Uncertainty

- Uncertainty
- Prudent and conservative
- Sensitivity analysis
- Scenarios: best/base/worst

Debt hibernation

- Helps companies manage debt
- Not for sole traders
- Arrangement for existing debts

Tax

- IRD payment plans for income tax & GST
- Loss carry back
- Employing staff assistance
- Building depreciation
- Continuity rules

Directors duties

- Temporary Companies Act changes
 - Safe Harbour from some Directors duties
 - Section 135 (reckless trading)
 - Section 136 (duty in relation to obligations)

Restructuring

- 59% of the NZ labour force is being supported by the government wage subsidy
- Unemployment in waves
- Legal obligations
- Follow the process
- Fairness and good faith
- Plan, prepare & communicate to mitigate risk

Strategies to thrive

Responses to uncertainty

- Defend
- Use as an opportunity
- Do both
- Avoid

Broad strategic moves

- Confront the uncertainty
- Drive your market
- Redesign your business

Specific Opportunities

- Sales: Respond, Reflect, Reimagine, Rebound
- Staffing & training
- Supply chain

Summary

Summary

Strategies to survive:

- Work out your current position
- Forecast cashflow & staffing requirements
- Organise funding & restructure

Strategies to thrive:

- How do you deal with uncertainty
- Broad strategic moves
- Specific opportunities

Next steps

Next steps

- Contact me if you have any questions, either now via the online questions or on a one-to-one basis
 - Tracy Hickman
 - Call on 021 924 864
 - Or email tracy.hickman@bakertillysr.nz

Any Questions?



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