

# Navigating Through Uncertainty



**A FOUR-PART WEBINAR SERIES ON COVID-19**



**WEBINAR #1**

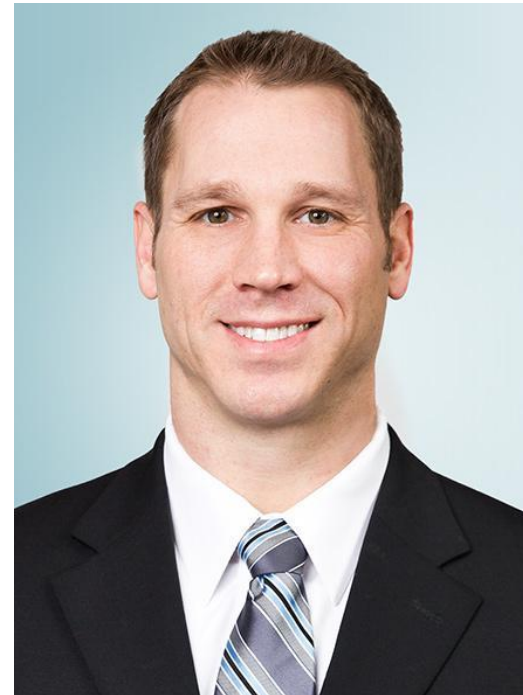
*April 1, 2020*

# Introduction

**Harvey Johnson, CPA, CGMA, CISA**

*Partner*

**Consulting & Advisory**



# CARES Act

**Sean R. O'Connell, CPA/PFS, CGMA**  
*Partner*

**Tax Line Leader**



# CARES Act – *\$2.2 trillion stimulus package*

## Questions from our Clients:

- *How much are we talking?*
- *When might these funds be available?*
- *Why?*

# CARES Act – *\$2.2 trillion stimulus package*

- **2008 TARP Bailout**

*Wall Street – Too Big to Fail*

- **2020 CARES Act**

*Main Street – Too Important to Fail*

# Economic Recovery – *small businesses are the heart*



# Financing & Lending

**Rob Klingensmith**  
*Partner*

**Consulting Line Leader**



# Pulling the “Three (3) Levers”



**#1**

**NEGOTIATE  
WITH YOUR  
LENDER(S)**



**#2**

**PAYROLL  
PROTECTION  
PROGRAM (PPP)**



**#3**

**SBA ECONOMIC  
INJURY DISASTER  
LOAN (EIDL)**



## Lever # 1 – *Negotiate with your lender(s)*



- Deferral of loan payments
- “Principal & Interest” – to – “Interest Only”
- Restructure credit facilities
- Other proactive measure

## Lever # 2 – Paycheck Protection Program (PPP)

- **Call Your Banker Now!!**

*A line is forming... where are you in the queue?*

- *Keep in mind they must be an approved SBA lender (SBA will consider approving other banks for the PPP program only)*

- **Who qualifies?**

- *Small businesses with less than 500 employees (including sole proprietorships, independent contractors and self-employed persons)*
- *Private non-profit organization*
- *501(c)(19) veterans organizations*



## Lever # 2 – Paycheck Protection Program (PPP)



- What Do You Need?

- *Most recent 941 (quarterly Federal income tax return)*
- *2019 Financials (P&L + Balance Sheet)*
- *The business and each 20% or greater owner must certify in good faith that the loan is necessary*

- How Do You Calculate Loan Amount?

- *Last 12 months of payroll, take the average amount and multiple by 2.5*

## Lever # 2 – Paycheck Protection Program (PPP)



- What happens after you receive the funds?
  - *Once you receive the funds, the clock starts – you have eight (8) weeks to deploy those funds*
- What happens if you don't use all the funds for “qualified” expenses and/or don't use the funds in eight (8) weeks?
- One Final Thought... PPP

## Lever # 3 – SBA Economic Injury Disaster Loan (EIDL)



- Who Qualifies?

- *Small businesses, small agriculture and aquaculture businesses, and private non-profit organizations*
- *The business has already suffered working capital losses*

- What Do You Need?

- How Does the SBA Calculate Loan Amount?

- *The SBA will consider your ability to repay the loan, your credit worthiness, and the financial impact the business has already experienced*



## Lever # 3 – SBA Economic Injury Disaster Loan (EIDL)



- **What happens after you receive the funds?**
- **What is the rate and the term**
- **EIDL and the PPP**
  - *An existing EIDL loan can be refinanced into the PPP*
  - *You can apply for both an EIDL and a PPP*
    - *\*Proceeds cannot be used for the same purpose*

# Scenarios / Examples

- **Company who hasn't yet experienced distress**
  - *Question – should I take the money if I don't need it?*
  
- **Company who has experienced distress**
  - *Talk to your banker about making adjustments*
  - *Apply for the PPP as soon as possible*
  - *Consider applying for the EIDL loan*

# Liquidity Management

**Enrique C. Brito, CFA, CVA,  
CM&AA**

*Managing Director*  
**Transaction Advisory Services**





# Liquidity Management

- Expect significant disruption to business operations
- Business leaders: Assess your internal operations and develop plans to **minimize liquidity risk** – the inability to meet short term obligations
- The goal is twofold:
  - *Maintain the business afloat by conserving cash.*
  - *Avoid selling illiquid assets quickly for less than fair market value.*

# Effective Liquidity Planning

## 1. Cash flow forecasting to predict cash inflows and outflows

- a) *Rolling 13-week forecast of projected income and expenses*
- b) *Scenario analysis with underlying assumptions*
- c) *Liquidity threshold bands*

## 2. Monitoring key liquidity metrics:

- a) *Liquidity ratio: (current assets / current liabilities)*
- b) *Days Sales Outstanding: (accounts receivable / sales) x 365*
- c) *Days Payable Outstanding: [Accounts Payable / (COGS/365)]*
- d) *Interest coverage ratio: EBITDA / Interest expense*

# Effective Liquidity Planning (cont.)

- 3. Accounts receivable management plan**
- 4. Accounts payable management plan**
- 5. Funding options**
- 6. Liquidity contingency plan**
  - a) Minimum cash balances*
  - b) Permitted funding sources and mix*
  - c) Capital expenditures permissions*
  - d) Working capital and operating expenses reduction plans*

# Key Takeaways

- *Centralize financial controls and increase communication with employees, customers and suppliers by a factor of 10x.*
- *Stabilize the cash situation by developing a liquidity plan and then closely monitor the progress weekly*
- *Use liquidity planning to keep the business afloat and emerge from this situation in a stronger position.*
- *Operating metrics provide feedback to predict cash flow pressures and intervene in a timely manner.*

# In Closing

- PBMares Webinar Series on COVID-19
  - *Wednesday, April 8<sup>th</sup> – Noon to 1PM*
  - *Wednesday, April 15<sup>th</sup> – Noon to 1PM*
  - *Wednesday, April 22<sup>nd</sup> – Noon to 1PM*



**Harvey Johnson, CPA, CGMA, CISA**

*Partner*

**Consulting & Advisory**

# Visit our COVID-19 Resource Center

www.pbmaries.com/covid-19-resource-center

## Coronavirus (COVID-19) Resource Center

Home / Coronavirus (COVID-19) Resource Center

### Helping You to Navigate Information

Given the rapidly changing news ranging from the federal, state and local government agencies, we have created this resource center to make it easy to find the information most relevant to your family and business. The information is from a variety of sources including insights from our trusted team of tax and business professionals. We understand this is a difficult time and we're here to help navigate these uncertain times.

Please visit this section often for regular updates on news and information.

### PBMares COVID-19 Insights



**CARES Act Webinar – Insights for Your Business**

March 30, 2020



**How the CARES Act Helps Non-Profits**

March 28, 2020



**How the CARES Act Directly Helps Individuals**

March 27, 2020



**Business Benefits Available, Courtesy of the CARES Act**

March 27, 2020



**Forgivable Small Business Loans – How the \$2 Trillion Stimulus Bill Can Help You**

March 27, 2020



**Plan Options for COVID-19 Impacted Businesses**

March 26, 2020

### CORONAVIRUS (COVID-19) RESOURCE LINKS

- > [PBMARES COVID-19 INSIGHTS](#)
- > [PBMARES COVID-19 NEWS](#)
- > [WORKING WITH US](#)
- > [FEDERAL & STATE UPDATES](#)
- > [RESOURCES FOR BUSINESSES](#)
- > [SUBSCRIBE TO OUR NEWSLETTER](#)

### GET IN TOUCH: \*Required

First Name\* Last Name\*

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