

Your Corporate Financial Health and the COVID-19 Crisis

Gauge where you stand now and practical steps to immediately improve your resilience

The COVID-19 pandemic and catastrophic collapse in oil prices have devastated organizations across the country and around the world. Businesses that have never experienced financial difficulties before are suddenly facing all sorts of new and frightening questions.

- “ *How do we stay in business?*
- “ *How will I pay my creditors?*
- “ *Will my bank still work with me?*
- “ *Will I still have customers and suppliers when this crisis is over?*
- “ *Will my key employees return?*

The social, economic, political and personal hardships resulting from COVID-19 are unprecedented in our lifetime. But what can you do about it?

Face each problem head on

The global situation is dire, but there likely isn't a lot you can do to change it. Instead, look to the immediate challenges your business is facing and solutions you can implement right now to address them.

Anticipate your cashflow

Cash flow forecasting is always important, but it's paramount when times are tough. Three-way budgets that tie in income statement forecasts with cash flow and balance sheet forecasts are the best, as this allows for scenario (what if) analysis.

Forecasting is always difficult — especially with question marks around when the pandemic will end and when oil prices will rebound. You simply need to use the best available and supportable information.

Open the lines of communication

Your secured creditors, major customers and major suppliers need to know how the company is responding to the current situation. Be proactive and advise them of any issues and your plans to address them.

Everyone will not always agree with your strategies and actions. But they will appreciate learning about them up front much more than they will as an unpleasant surprise later on.

Put all your cards on the table

You need to know what your options are to deal with any financial difficulties your company is experiencing. The earlier you can bring these options forward the more potential solutions may be available.

How's Your Corporate Financial Health?

The following checklist can help you understand where your business currently stands — and what you can do to improve your resilience during this difficult time:



Warning signs

- Business is shut down
- Customers are shut down
- Suppliers are shut down
- Employee source deduction and GST remittances have not been paid, are outstanding and in arrears
- Insurance coverage has lapsed
- Cash is depleted
- Lines of credit are maxed out
- Broken borrowing covenants
- Lenders have sent demand letters
- Insufficient cash available to satisfy loan repayments which are coming due
- Nonpayment of rent causing landlords to commence action
- Going concern notes in financial statements



What to do

- Prepare a detailed and supportable three-way cash flow forecast
- Prepare various contingency plans
- Discuss your options and forecast with your bank
- Discuss your options with a Licensed Insolvency Trustee
- Discuss your options with an insolvency lawyer
- Take security for any advances made to a company



What to avoid

- Inaction
- Waiting for creditor action before considering your options
- Putting in more money into the business without a detailed and supportable plan that reveals an opportunity to recover such advances
- Foregoing sound business decisions

MNP is here to help

MNP LTD has Licenced Insolvency Trustees across the country who specialise in corporate recovery and restructuring. They are available to consult with companies about the available options to address financial difficulties and to assist in preparing forecasts. For more information, a full list of regional contacts is available below.

Based out of Calgary, Victor Kroeger is a Licensed Insolvency Trustee and Director of Western Canada Corporate Insolvency at MNP LTD. To learn more about how MNP LTD can help, contact your local Corporate Recovery and Restructuring below.

Contact your local Corporate Recovery and Restructuring practitioner below:

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