



# Liquidity planning and cash management in uncertain times

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Our Steering Committee

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# Deloitte PE backed CxO-Forum

## Steering Committee



Dr. Dominique Friedrich  
CEO & Managing Director  
Windstar Medical



Sabrina Flunkert  
Managing Director | CFO  
Ratepay GmbH



Jessica Nospers  
CFO  
Ferna Networks Holding



Kurt Skupin  
CEO  
WEKA Group



Wolfgang Pietzsch  
Bis 31.12.2022:  
Managing Director  
Ardian Buyout

# Liquidity planning and cash management in uncertain times

# Your speaker for today

## Isabelle Pernegger

### Wirtschaftsprüfer, Steuerberater

Partner | Financial Advisory | M&A Transaction Services  
Germany, Nuremberg



+20 years of practical experience in national and international transactions

- Leading interdisciplinary cross-border transaction teams including financial, legal and tax
- Buy- and sell-side financial due diligences for corporate clients and private equity clients
- Restructuring opinions
- Liquidity planning and going-concern opinions

## Jens von Loos

### Diplom-Betriebswirt

Managing Director | Financial Advisory | Debt & Capital Advisory  
Germany, Frankfurt am Main



+18 years of experience in Structured Finance

- Structuring of LBO financings for both private equity and family-owned companies
- Large and medium-sized financial restructurings as well as financing in "special situations" for a wide range of companies
- Acquisition financing for medium-sized and large cap companies in the German market

## Daniel Montanus

### LL.M. corp. restruc.

Director | Financial Advisory | Turnaround & Restructuring  
Germany, Frankfurt am Main

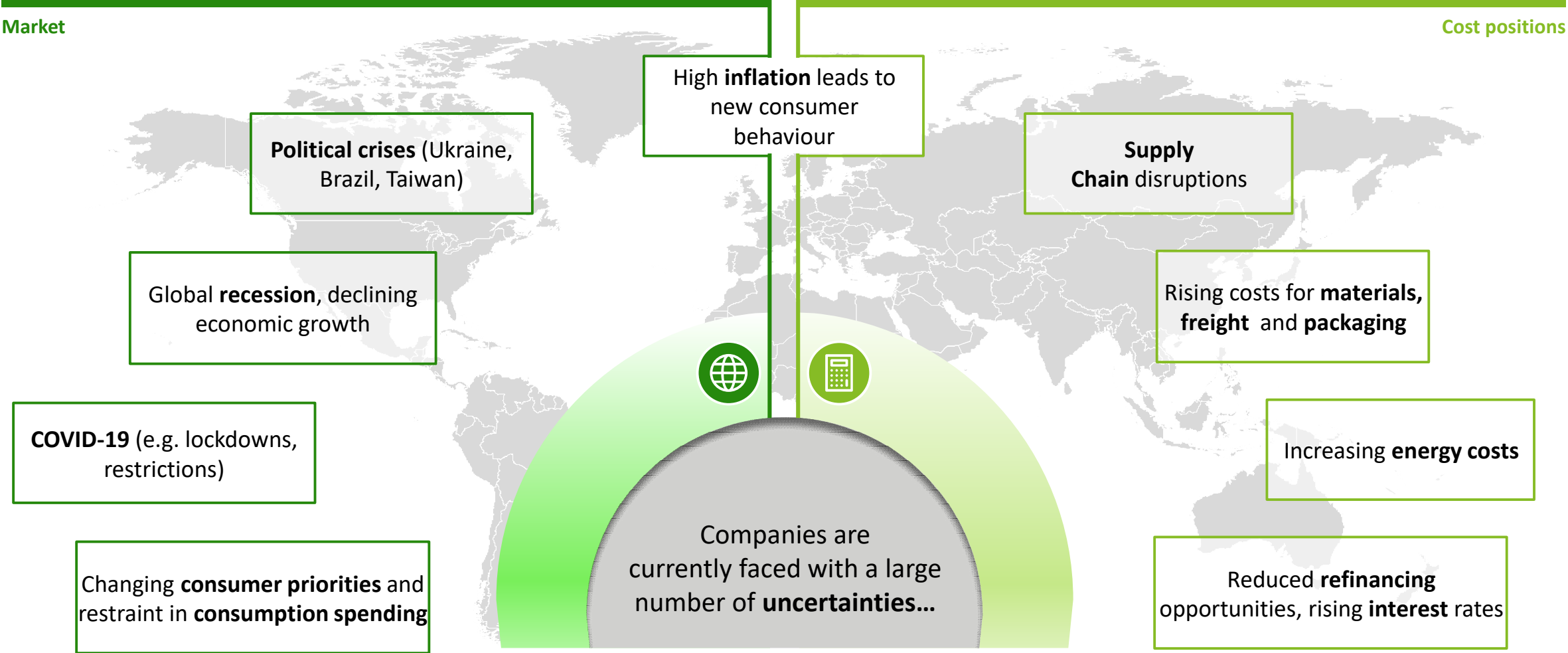


+16 years of experience in restructuring

- Development and implementation of restructuring concepts
- Liquidity management and financial planning
- Working capital optimizations
- Distressed M&A

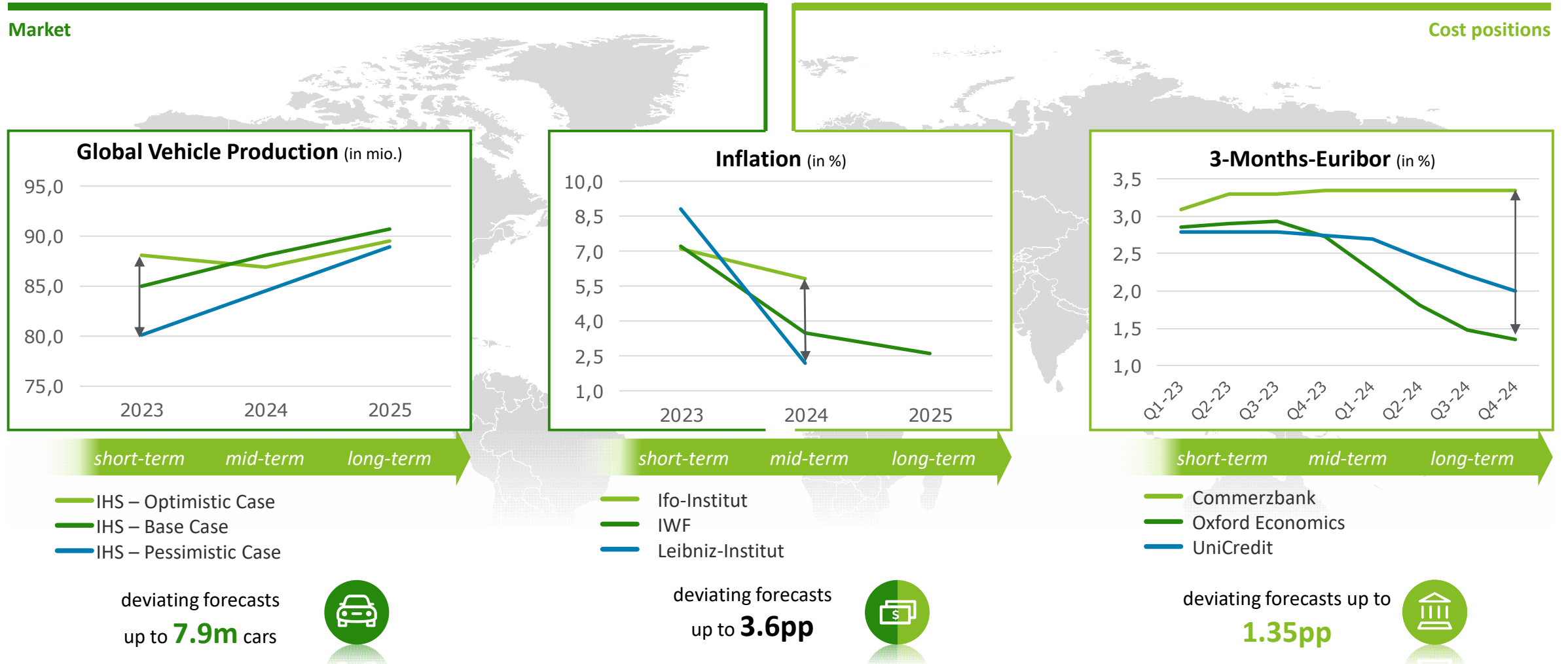
# Signs of an crisis at all-time high

At the moment, we are observing an absolute novelty: signs of a crisis regarding market and cost developments are at a peak.



# Uncertainty at all-time high

Experts and publisher of databases do not agree on their forecasts.



## Requirements for cash management that still need to be fulfilled

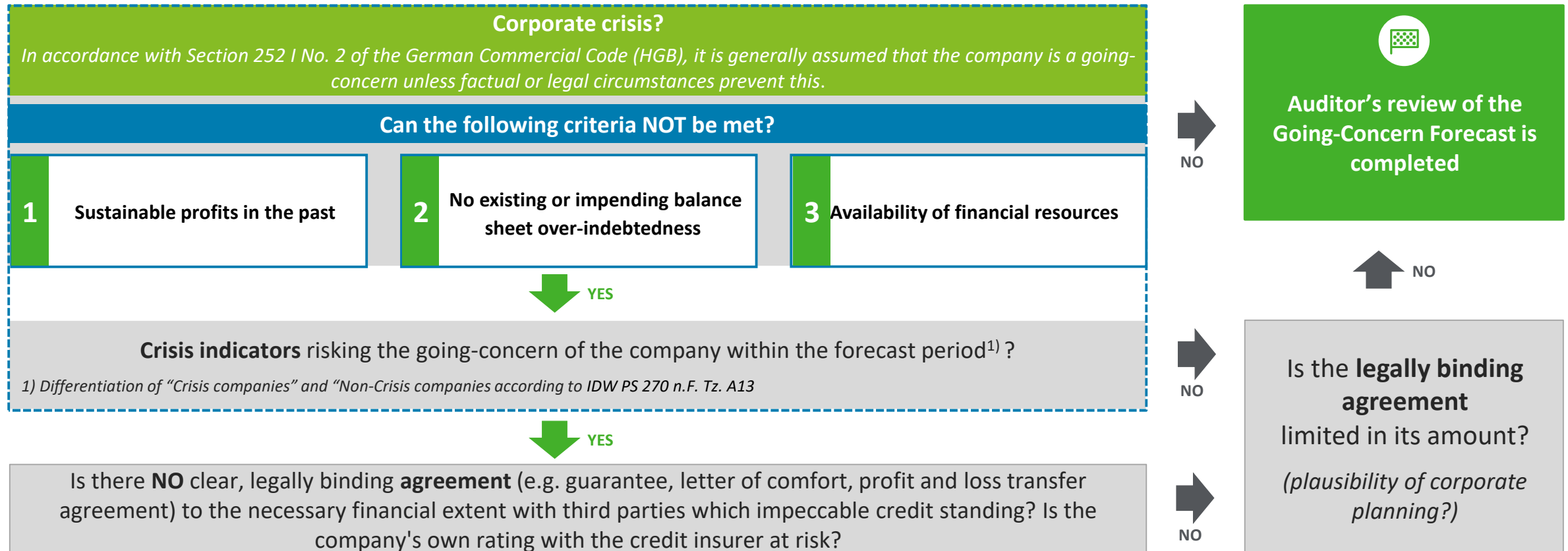
Cash management professionals are faced with a wide range of responsibilities: on the one hand they need to comply with certain legal requirements on the other hand liquidity needs to be managed efficiently.





# Deep dive – Going-Concern

Among other criteria, a forecast, covering at least the next twelve months, is the core of the going-concern assessment.



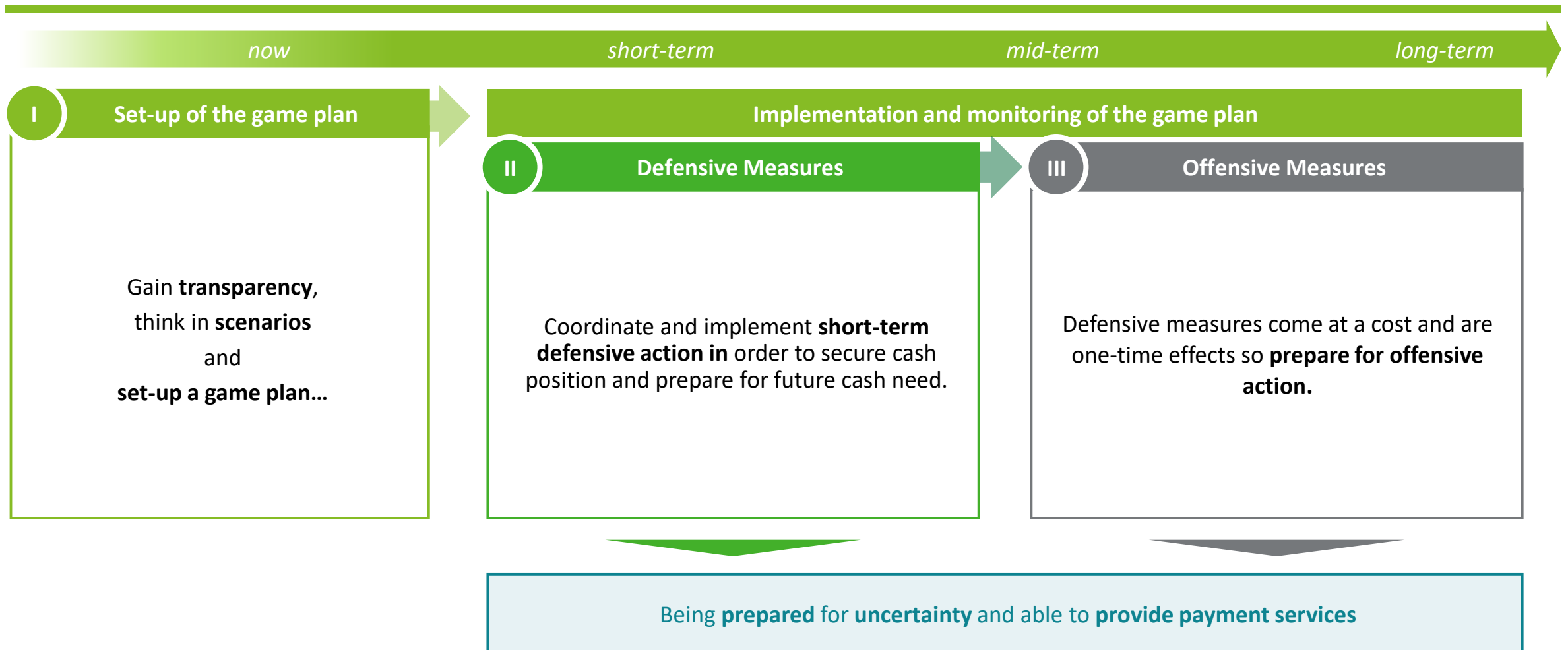
»» Is it still possible to make medium- or long-term forecasts in such an uncertain environment? ««

»» Can the requirements for cash management still be met in times of uncertainty? ««



# How to deal with uncertainty? The Deloitte approach

Three-staged approach adapted to the current situation and with one superior goal: Secure in the short-term and prepare for the long-term.



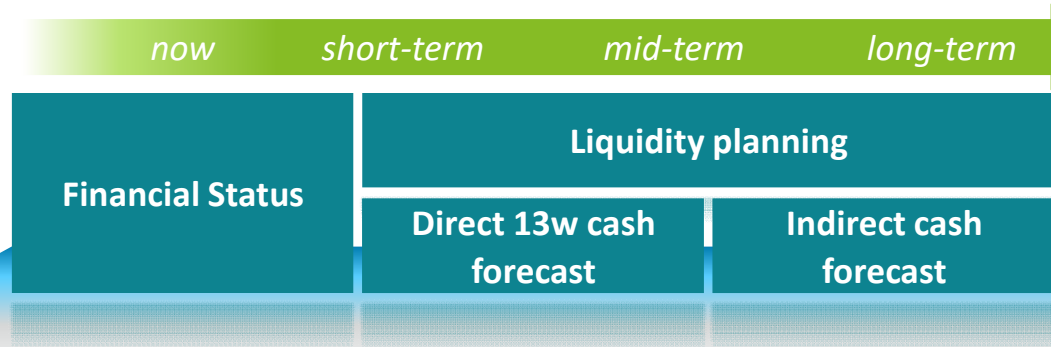
# Game plan – Gain transparency

Gaining transparency is split in a fixed day assessment and prognostic estimate.

				<i>now</i> <i>short-term</i> <i>mid-term</i> <i>long-term</i>		
What?	Financial status (asses current available liquidity)		Liquidity planning			
			Direct 13w cash forecast	Indirect cash forecast		
How?	<ul style="list-style-type: none"> <li>Based on facts</li> <li>Comparison available cash and <b>due liabilities</b></li> </ul>	$  \begin{array}{l}  \text{Bank deposit/cash} \\  + \text{ Available credit line} \\  \hline  = \text{ Available liquid funds } \\  - \text{ Due liabilities} \\  \hline  = \text{ Excess funding/funding gap }  \end{array}  $	<ul style="list-style-type: none"> <li>Mostly based on facts</li> <li>Granular level details, e.g. single-purchase orders or billings</li> </ul>	<ul style="list-style-type: none"> <li>Mostly based on assumptions</li> <li>Applying scenarios to address uncertainty</li> </ul>		
When?	<ul style="list-style-type: none"> <li>Monthly</li> <li>Weekly, depending on the current situation</li> </ul>		<ul style="list-style-type: none"> <li>Monthly</li> <li>Weekly, depending on the current situation</li> </ul>	<ul style="list-style-type: none"> <li>At least 1x per year</li> <li>Event-related, indicators for a significant change in planning assumptions</li> </ul>		
Who?	<b>Cash Management Office</b> to constantly monitor, steer and improve liquidity position					

# Game plan – Set-up an effective Cash Management Office

In times of great uncertainty, the establishment of an efficient cash management office is essential to adequately react to changing economic conditions.

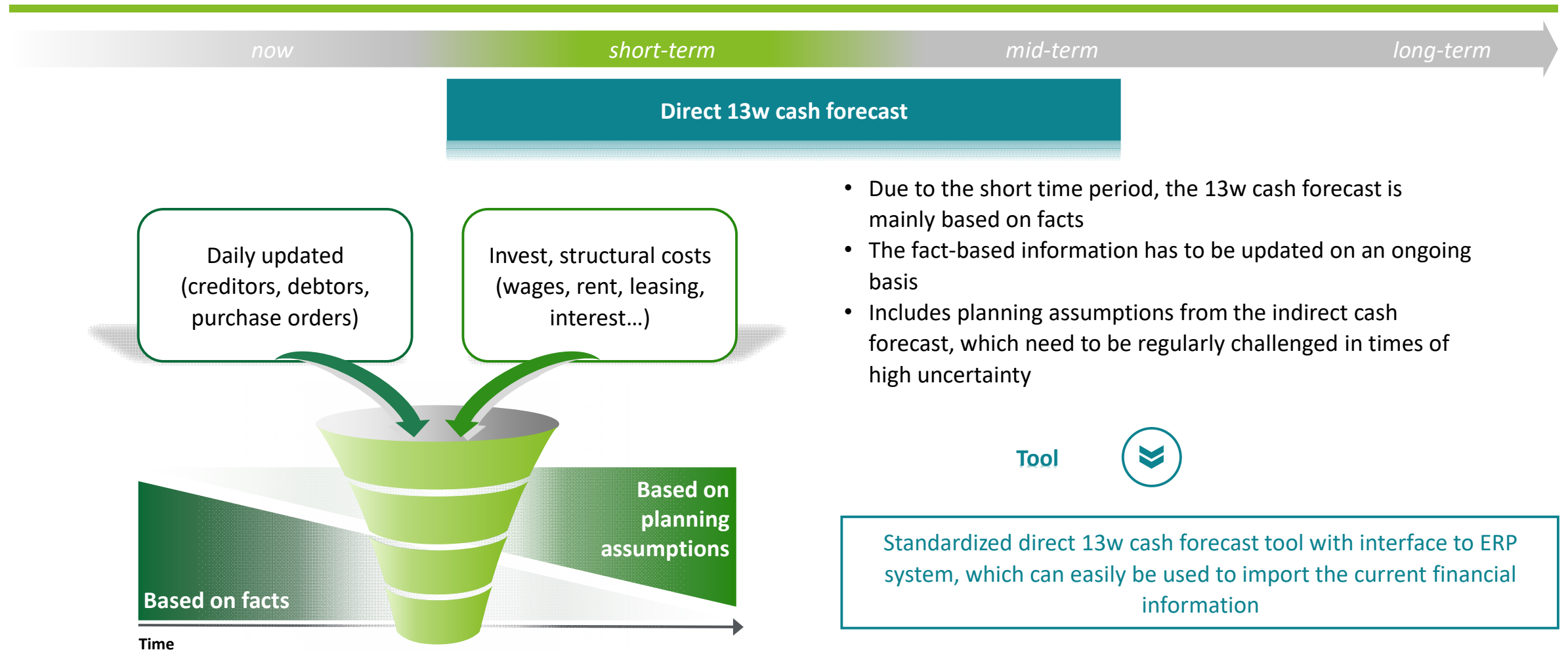


## Objectives

	Setting up project structure	Quality and transparency	Measure implementation
	<ul style="list-style-type: none"> <li>• Clear responsibilities</li> <li>• Incorporating all functions (controlling, sales, procurement, logistic, production)</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring of liquidity</li> <li>• Ongoing evaluation of planning assumptions</li> <li>• Plan vs. actuals</li> <li>• Approval of plannings</li> </ul>	<ul style="list-style-type: none"> <li>• Definition of actions (defensive, offensive)</li> <li>• Consequent realization of liquidity potentials</li> </ul>
<b>Frequency</b>	• At <b>project start</b>	• Regular meetings at the <b>beginning of each week</b>	• Regular meetings at the <b>end of each week</b>

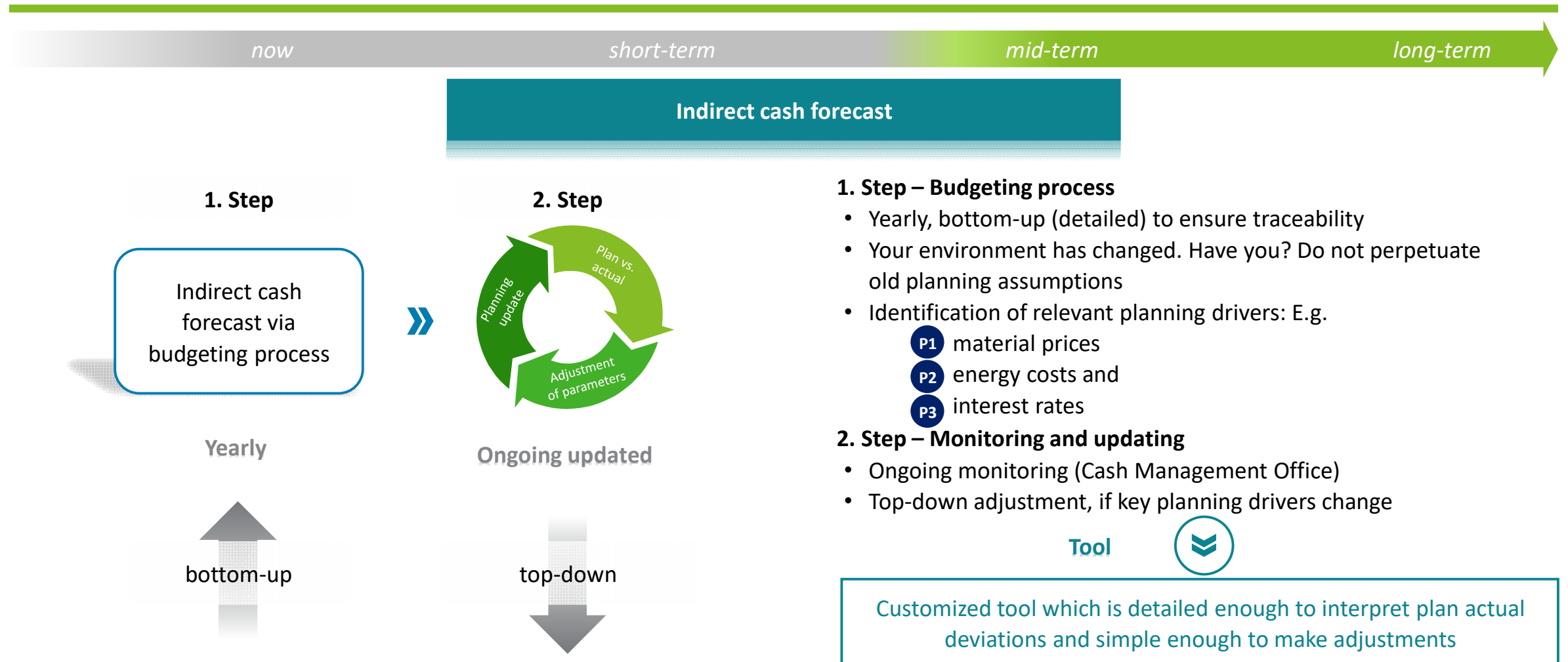
# Game plan – Liquidity planning process

The uncertainty in the business environment has also changed the requirements for the planning process.



# Game plan – Liquidity planning process

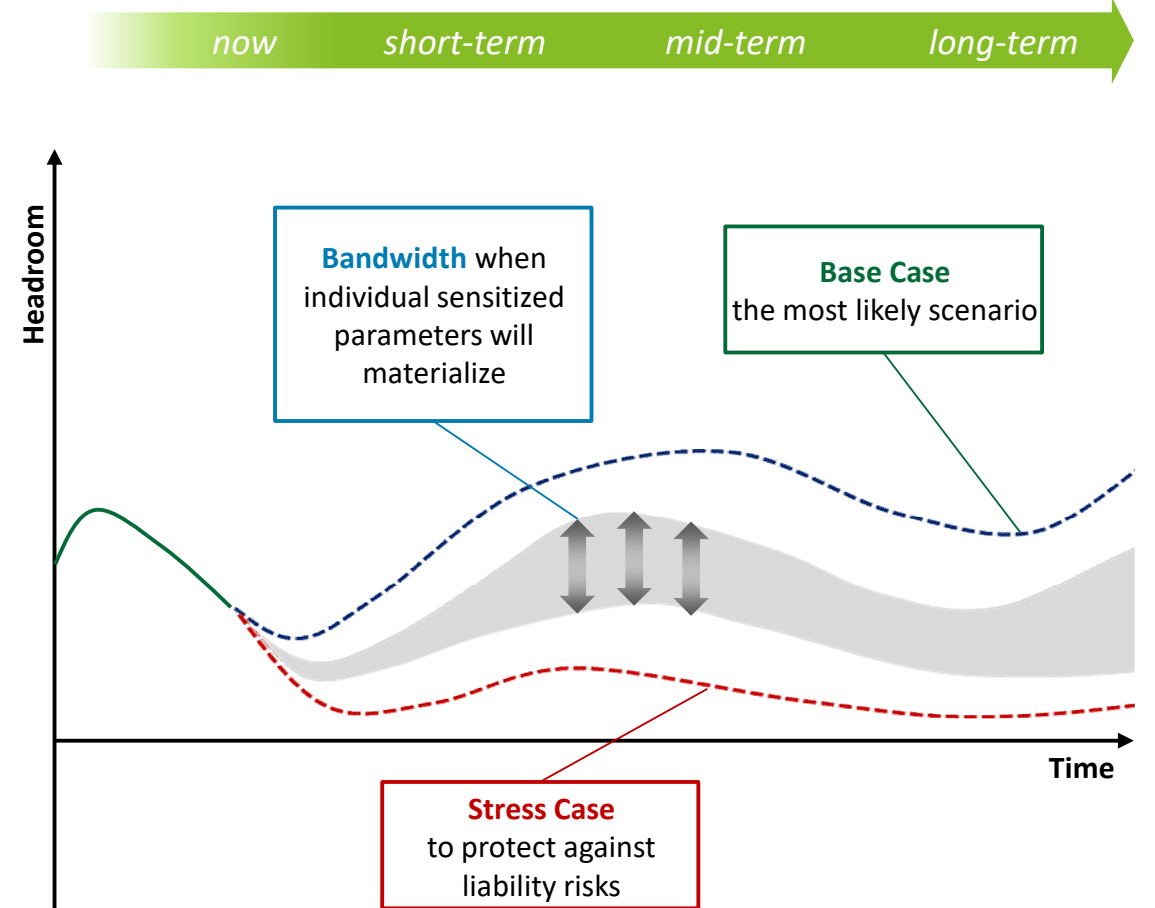
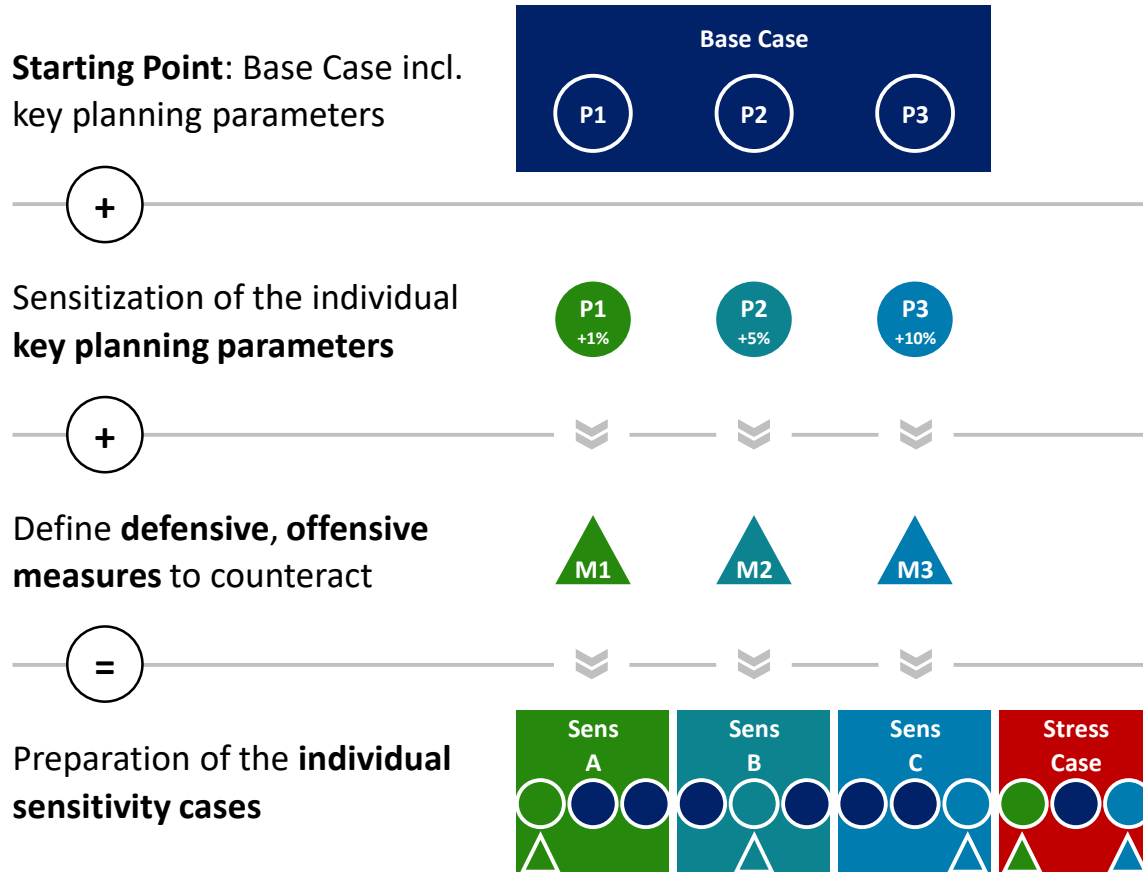
The uncertainty in the business environment has also changed the requirements for the planning process.



# Game plan – Scenario-based planning

In order to address the uncertainty in the planning process, a bundle of scenarios is required to reflect and assess a certain range of future developments.

## Example: Scenario-based planning





# Defensive Measures – “Short-Term” toolkit

Original restructuring approaches do not work because the downturn came too quickly. Defensive measures are the only way out.

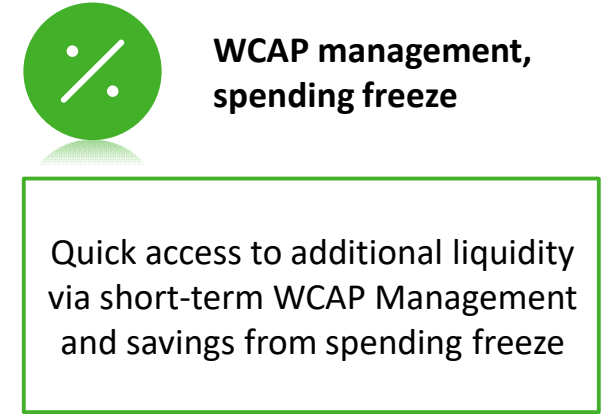
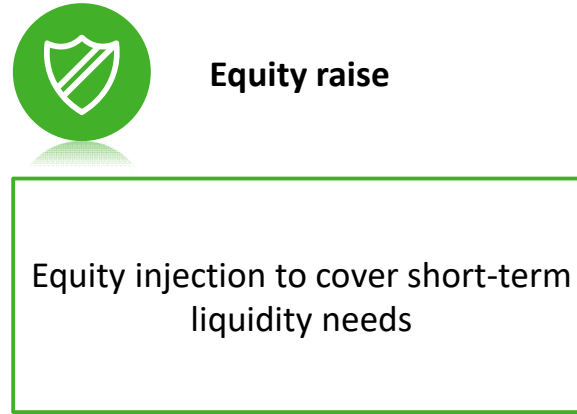
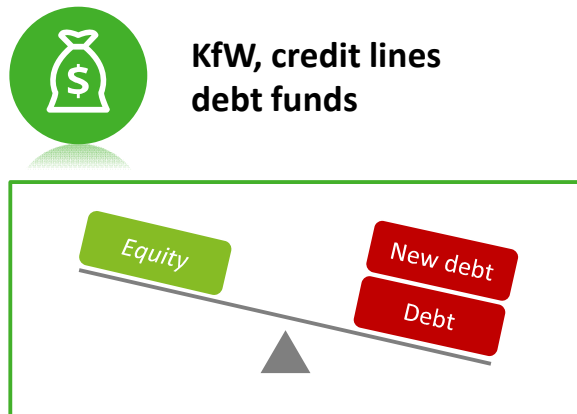


## II Defensive Measures (short-term) ...no time to adapt

Why?

- The current economic downturn exacerbated by the crises (COVID, Ukraine war), is forcing companies to **act quickly in the short-term**
- Thus, **regular (offensive) measures** cannot be implemented
- Regular **Quick wins** are often not sufficient to cover the liquidity gap

How?



## Defensive Measures – Stakeholdermanagement

There are 5 crucial rules in stakeholder communication that need to be considered for a successful business track.



Stakeholder

Golden rules

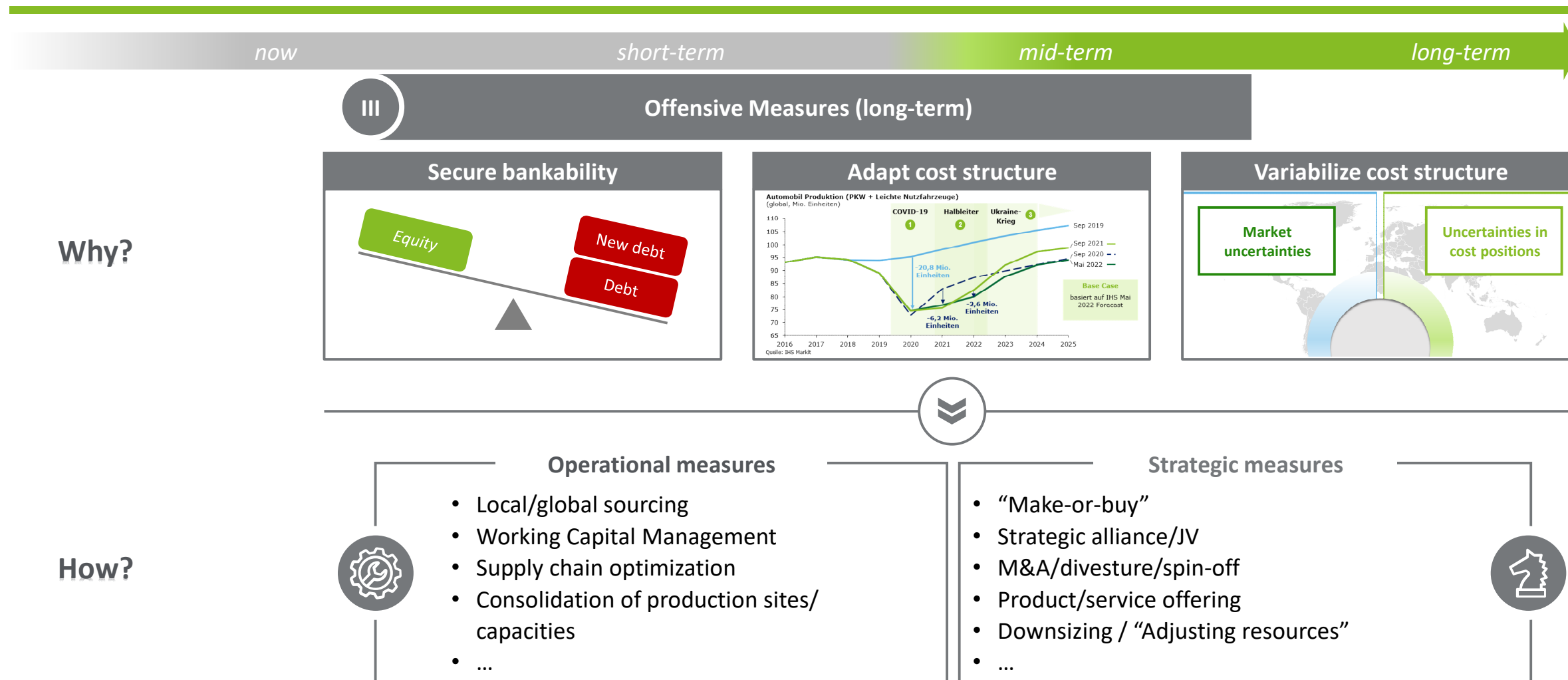
- 01** The key task is to counteract the increasing uncertainty & **regain lost trust**
- 02** **Clear and transparent** presentation of the game plan
- 03** Increase **credibility** by pointing out opportunities for a better future in a realistic and open manner
- 04** Addressing **all stakeholders** in a target-group-specific manner is crucial for future success
- 05** Communication in challenging and uncertain times is a **management task**



**Proactive communication enables you to actively design the game plan**

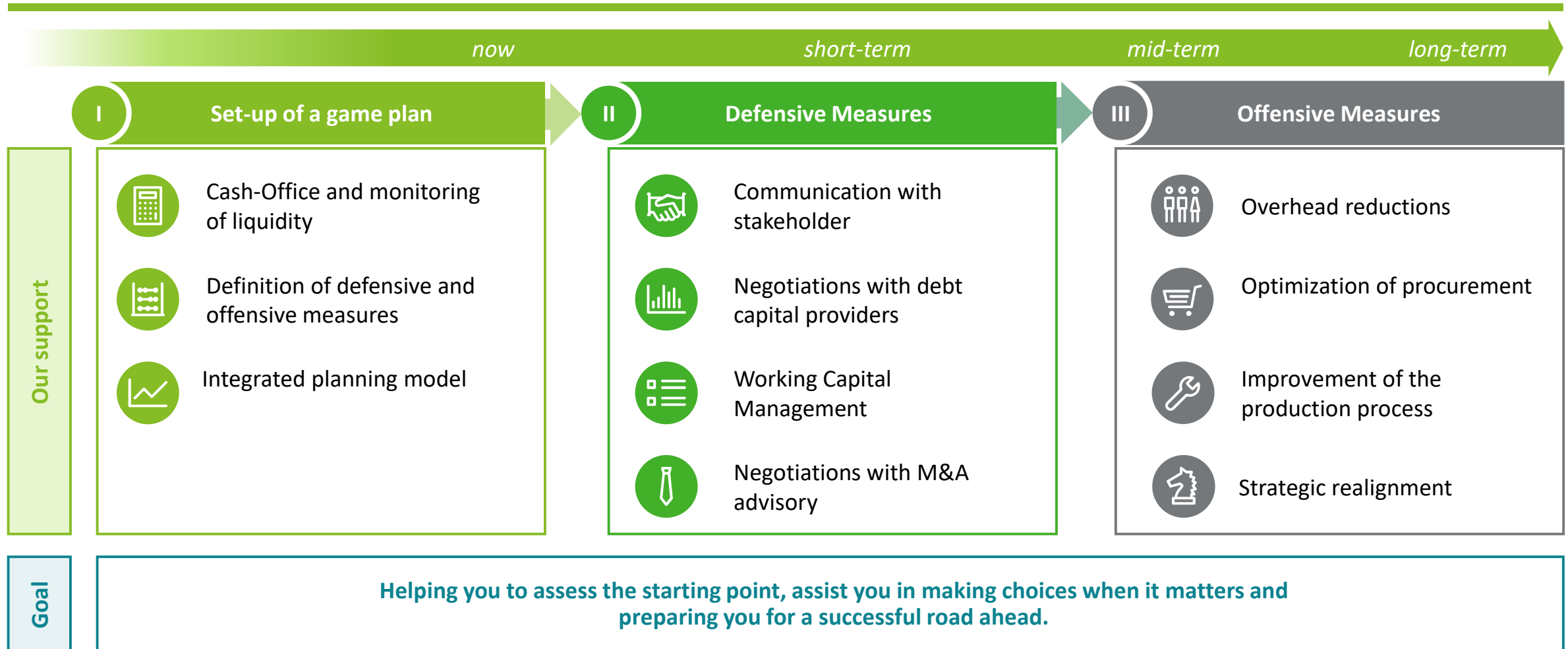
# Offensive Measures – “Long-Term” toolkit

The world will have changed. Prepare a Game Plan, adapt and emerge stronger out of the crisis.



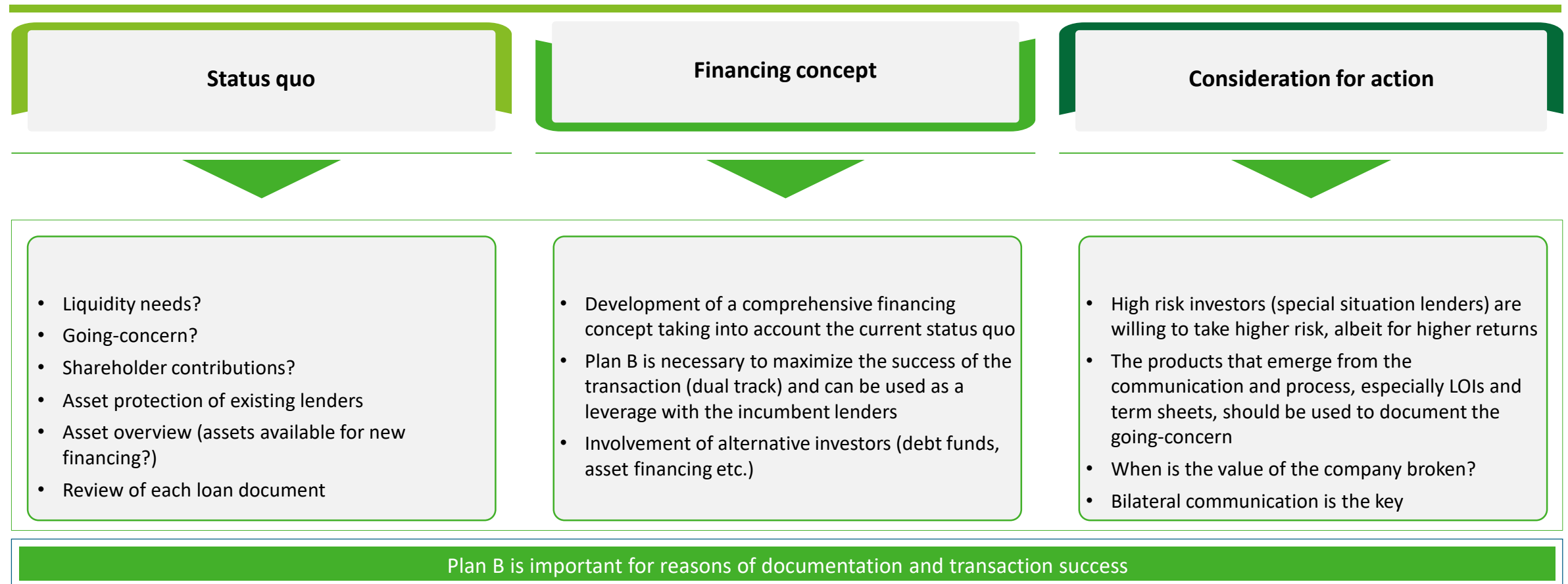
# Our instruments for stabilizing the company's liquidity situation

Having stabilized the company's situation through defensive measures, a sustainable road to success can be established with offensive measures.



## Deep dive – Debt & Capital Advisory

Analysis of the status quo is the key to raising liquidity or stabilizing of current financing.

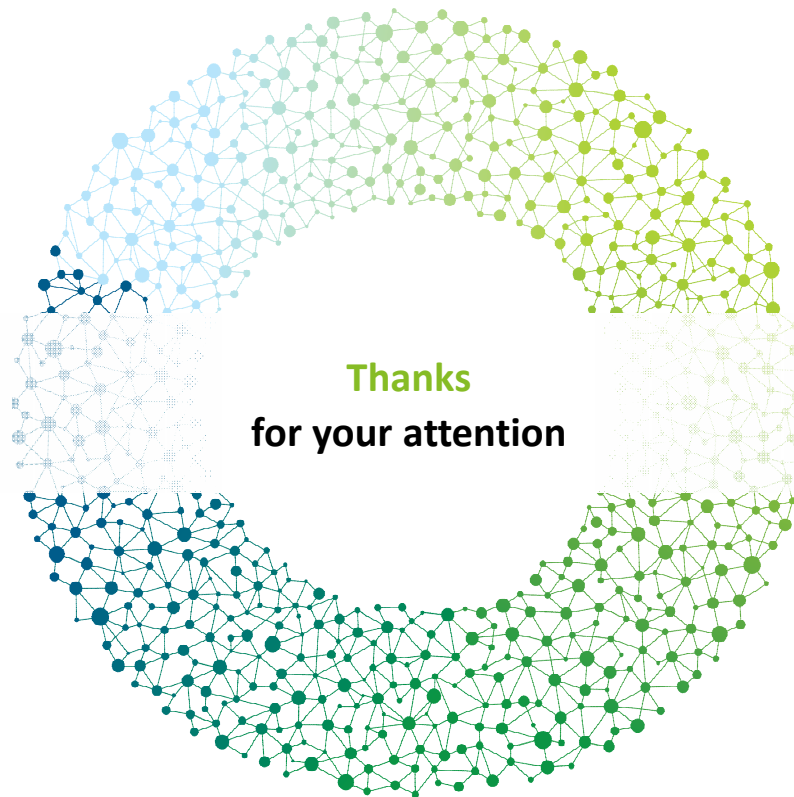


# Deep dive – Debt & Capital Advisory

## Case studies.

Situation	Problem	Solution
<p><b>Automotive supplier €250m sales</b></p> <ul style="list-style-type: none"> <li>Massive business plan deviation due to overall economic downturn</li> </ul>	<ul style="list-style-type: none"> <li>Running out of liquidity</li> <li>Potential event of default</li> <li>Repeated representations not possible</li> <li>Rollover and additional drawings not possible despite available commitments</li> <li>Usage of RCF instead of available tooling line for tooling capex</li> <li>Cross default</li> </ul>	<ul style="list-style-type: none"> <li>Standstill and waiver for (potential) Event of Defaults</li> <li>S6 report to enable financing partners to provide bridge financing</li> <li>Value break analysis</li> <li>Analysis of loan protection</li> <li>Plan B scenario as leverage: debt fund vs. existing lenders to finance the liquidity gap</li> </ul>
<p><b>Construction company €500m sales</b></p> <ul style="list-style-type: none"> <li>Business plan deviation due to the economic crisis</li> <li>Problems with large projects leading to substantial liquidity shortages</li> </ul>	<ul style="list-style-type: none"> <li>Condition to source mezzanine capital (SFA).</li> <li>Factoring provider cancelled its commitments</li> <li>Potential event of default</li> <li>Cross default</li> <li>No adequate project controlling and liquidity reporting available</li> <li>Complex financing structure with syndicated loan, several bilateral loans worldwide</li> </ul>	<ul style="list-style-type: none"> <li>Standstill and waiver for (potential) Event of Defaults</li> <li>S6 report to enable financing partners to provide bridge financing</li> <li>Special situation lenders as Plan B</li> <li>Term sheets and LOIs to support going-concern assumption</li> <li>Implementation of new factoring provider</li> <li>Bridge financing by banks</li> <li>CRO team established by banks</li> </ul>

Recommendation to set-up and manage the process to avoid a bank-led restructuring process



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## Q&A

Sie haben nun die Möglichkeit, Ihre Fragen zu stellen.



Freuen Sie sich auf das nächste  
CxO-Forum im Mai 2023  
in Präsenz!





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