

Helping Clients Navigate through Business Downturns

Five Steps for Survival and Regrowth

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About this Session

1. The framework is intended to be immediately useful
2. It's a simplified crash course in a turnaround process
3. The concepts apply to any company to varying degrees



Five Steps for Survival and Regrowth

1. Situational Assessment (triage)
2. Stabilize Cash Flow (stop the bleeding)
3. Analyze All Business Segments
4. Refocus on Core Competency
5. Develop New Strategic Plan for growth



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Situational Assessment

1. Review current and recent financials, cash flow, projections, etc.
 - Is company losing money? What's the burn rate?
 - How much are the average weekly operating costs?
 - How much cash on-hand and how long will it last?
2. Create / maintain a rolling 13-week cash flow forecast
 - Start w/ high-level to establish/confirm overall burn rate
 - Identify / manage points of cash shortfall
 - Determine runway for overall cash depletion
3. Interview management to get full perspectives on state of business
 - Ask about segments, customers, suppliers, people
 - Probe for underlying factors, concerns, trends, ideas, pipeline
 - Flush out and eliminate any unhelpful creativity
4. Identify / understand major compliance issues
 - Bank covenants
 - Customer / Supplier / Employee-related contracts

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Stabilize Cash Flow

- Develop / execute plan to reduce burn / extend runway
 - Eliminate discretionary expenditures
 - Monetize idle and excess assets
 - Delay / defer payments where possible
 - Manage customer contracts
 - Manage supply chain
 - Initial rationalization of employees (do not implement yet)
- Key Considerations
 - Follow the cash
 - Lender communications
 - Creditor fairness
 - Bold and steadfast “asks”
 - Deliver on promises



Poll Question

What are your expectations for the economy in 2022?

1 = high flying

2 = some growth

3 = no growth but stable

4 = some decline

5 = steep decline



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Analyze all Business Segments

Where does company make and lose “cash flow”?

- Include Customers, Product Lines, Facilities, Regions, etc.
- Utilize cash flow break-even analysis
 - Only include incremental / variable costs
 - Categorize fixed costs into discreet pools
- Consider pricing specials if available capacity
- Consider collaborations with supply chain

Key Considerations:

- Beware of “sacred cows”
- Beware of biases and self-preservation motives
- Don’t believe it’s “just around the corner”
- Ask employees and management for input



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Refocus on Core Competency

- Carefully assess and establish actual core competency
 - Big potential payoffs here for digging deep
- Draft a plan to shrink the rest of the business
 - Impact on revenue and cost structure
 - Overlay the employee rationalization previously drafted
 - Decide a course of action with timelines, etc.
- Execute the plans carefully but swiftly and diligently
- Key Considerations
 - Core competency is not always clear
 - Many companies have scope/SKU/customer creep
 - Communicate carefully prior to any big actions
 - Make sure lenders and investors are onboard
 - Avoid piecemeal cuts, especially with employees
 - Communicate carefully after actions are taken

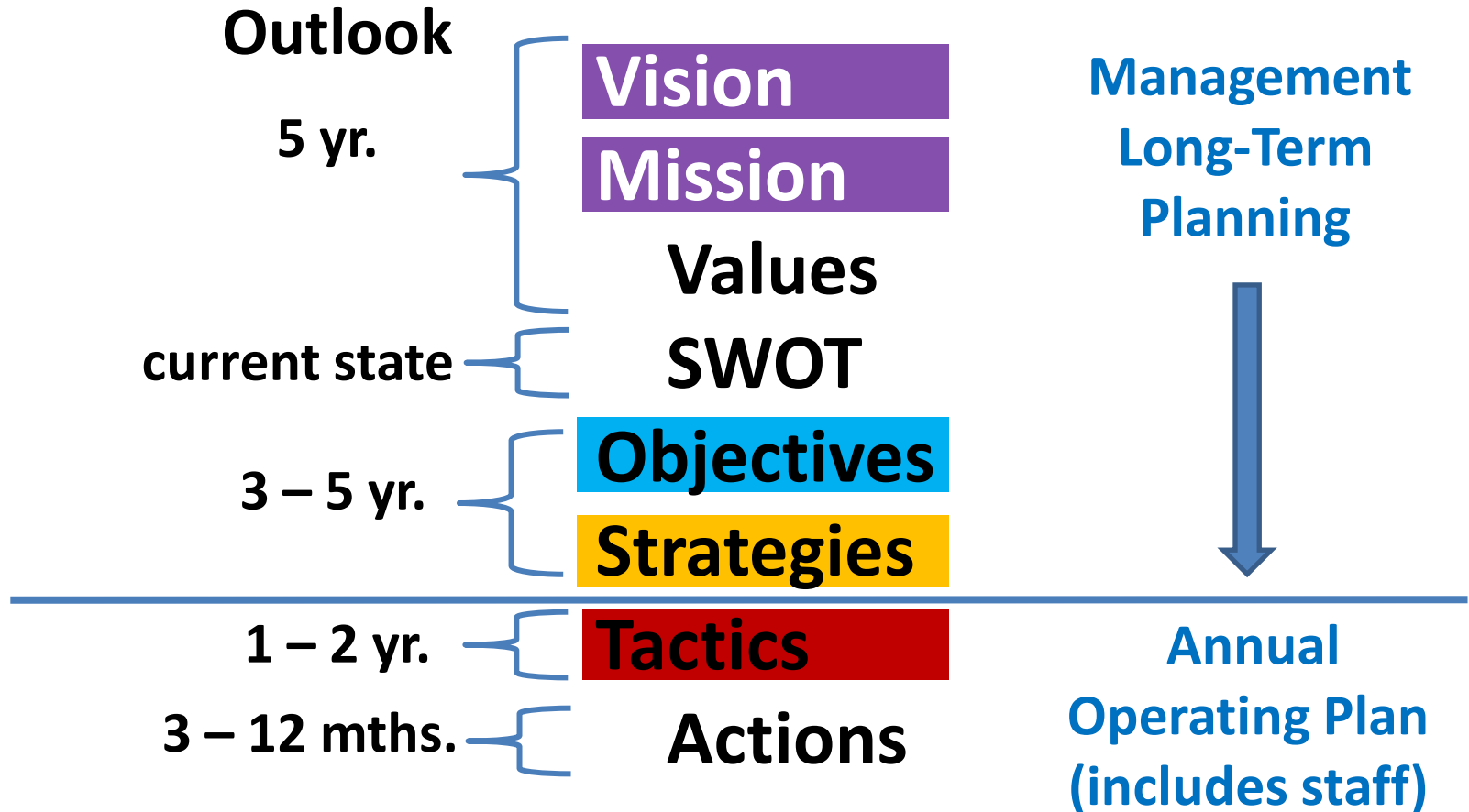


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Strategic Planning Framework



Develop New Strategic Plan

- Start strategic plan from scratch using VMOSTA framework
- Key Considerations
 - Build for the expected future, not for today
 - Reconstitute all functions based on needs of new plan
 - Determine cash flow and any capital needs
 - Recapitalize, if necessary
 - Engage the A-team to execute
- Return to financial health and regrow



Poll Question

Based on your expectations for the 2022 economy, how prepared do you think your clients are to meet their challenges?

1 = fully prepared

2 = somewhat prepared

3 = don't know or unclear

4 = somewhat unprepared

5 = significantly unprepared



Ten Keys for Overall Success

1. Cash trumps Profitability
2. Establish Realistic Objectives
3. Consult Legal Counsel
4. Put Everything on the Table
5. Make Lots of Decisions
6. Deliver on Promises
7. Find the Creative Path
8. Ensure Legal Fairness
9. Communicate Factually / Respectfully
10. Instill Calmness and Steadfastness



Questions ?





- **June 6th – 10th, 2022**
- **Boston, MA**
- **www.corporatevalue.net**
- **Refer to code: CPALI**

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Thank You

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