

MANAGING THE ROAD TO RECOVERY

ARE YOU SUFFERING FROM
RESTART ANXIETY?



MENZIES
BRIGHTER THINKING



THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

FOREWORD



Unprecedented financial stimulus during the pandemic has helped UK businesses to weather exceptionally tough trading conditions and keep cash flowing. However, the time is nearing for business owners to stand on their own two feet.

Anxiety about whether their business will be able to survive when Government support is withdrawn is causing many owner managers sleepless nights. Some are avoiding taking difficult decisions, which could end up making things worse.

By recognising the signs of financial stress and scenario planning for a range of possibilities, owner managers can start to take control of their situation, reduce costs and improve their chances of rebuilding a successful business.

Simon Underwood and John Cullen, business recovery partners at Menzies LLP.



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Partner











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SPOTTING THE SIGNS OF TROUBLE

The end of coronavirus business support measures is on the horizon. In order to avoid a cliff-edge scenario and be ready to take advantage of increased demand when confidence returns, owner managers must be able to identify and react to financial red flags. But spotting the signs of trouble may not be so easy for businesses that have benefited from Government-backed loans and grants.

Answering **'yes'** to any of the questions below could indicate that some action is needed to prepare the business for a successful restart:

-  Are you spending less time running the business and more time worrying about it?
-  Have revenues fallen away dramatically?
-  Have you paid dividends without sufficient reserves to cover them?
-  Have you been avoiding communication with creditors?
-  Have you been forced to use Government-backed loans or grant money to pay for overheads or fixed costs?
-  Do you think the business is in significantly worse shape than it was at the start of the pandemic?
-  Are you struggling to pay debts as and when they fall due?
-  When the pandemic support measures are withdrawn, will your business struggle to survive?

PREPARE NOW, BUT HOW?

Effective scenario planning, based on a number of potential outcomes can help owner managers to take control of their financial futures and put a recovery plan in place.

Cashflow forecasting doesn't have to be complicated, particularly if your business is simple in structure and is trading in a specific market, with a handful of reliable customers and suppliers.

Combining profit and loss accounts, balance sheets and cashflow, three-way cashflow modelling can prove a valuable decision-making tool, increasing the visibility of costs across the business. The predictive powers of this type of cashflow forecasting make it particularly useful, given the uncertainty surrounding the ongoing pandemic and its impact on the economy.

This approach to cashflow management can also help owner managers to secure breathing space during their negotiations with creditors, giving them greater confidence about the future cash position of the business and when payments can be expected.

Cashflow forecasts can also help businesses to strike a balance between the need to protect stakeholder and creditor interests and the risk of continuing to trade.



BUSINESS VIABILITY TEST

To future-proof their business model and ensure that they are ready to scale up rapidly when the time comes, owner managers need to know if they can operate sustainably once the grants, Government-backed loans and the furlough scheme have been withdrawn.

Considering the questions below, with the support of a trusted adviser, can help them to assess their long-term viability:



CASH

- Do you have sufficient cash in the bank to pay your bills?
- Is there scope to flex creditor payments?
- Are there any outstanding debts that could be called in?
- Are revenue targets realistic?
- Have you applied for a restart grant?



INNOVATE

- Could the business be doing more to adapt to take advantage of areas of demand, particularly online channels?
- Do you have an e-commerce platform?
- Would the business benefit from moving to another location?
- Have you considered partnering with a complementary business or services provider?



COMMUNICATE

- Are you staying in touch regularly with key customers and suppliers?
- Do you know if they are experiencing cashflow difficulties?
- If your business is experiencing cashflow difficulties, have you spoken to lenders?
- Have you tried renegotiating payment terms with creditors?
- Have you got access to a trusted adviser?



PROTECT

- Do you have the right insurance cover including unrestricted business interruption insurance?
- Could you mothball the business until restrictions allow you to trade normally?
- If the business is in cashflow difficulties, do you understand your options?
- Are you running full credit checks on new customers?

TRUST IN THE NUMBERS

Without access to accurate profit and loss balance sheets and other key management data, businesses may not be seeing the true picture. It's just as important to be data-ready as it is to be cash-ready for recovery. Having access to accurate and meaningful data will empower business owners to make informed decisions about the future of their organisations.

By thoroughly reviewing their financial position, making effective use of scenario planning and questioning their commercial viability, business owners can overcome restart anxiety and get cash-ready for a post-pandemic bounce.

COME AND TALK TO US

Depending on the outcome of the business viability test, business owners may need to take action in order to improve their financial performance. If adapting in line with areas of demand isn't an option, it could be time to discuss the problems the business is facing with an insolvency practitioner to consider options on the road to recovery.



Menzies were very professional and knowledgeable. Their advice, including potential financial options and a recovery road map, was presented in a very calm and measured way that we could easily digest. From the beginning of the process, we had a great rapport, which helped us through a stressful period. I would certainly recommend Menzies LLP to any company or individuals seeking assistance in recovering from the financial fallout caused by the pandemic.



Alistair Bingle, COO, Bishops Move



Menzies' team was excellent at providing pragmatic, reassuring and swift support in very uncertain circumstances. Their advice also addressed complex cross-border and cross-cultural issues.



Jason Daniel, Partner, Simmons & Simmons LLP



MEET THE BUSINESS RECOVERY TEAM

During this difficult period all businesses are likely to feel the impact of Coronavirus. Our Business Recovery team are on hand to offer practical support and advice to help you proactively manage your situation. Remember, early engagement is key so if you are at all in doubt about the future of your business, please do get in touch.



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