

The purpose of this quick guide is to help organisations focus on key issues that impact viability and sustainability in a dynamic COVID-19-dominated landscape.

It is unlikely that things will return to normal for some time, but in terms of adapting to the new normal and getting back to "business as usual," each business will firstly have to assess what shape the business is in now, what it will look like in the future and adapt, change or restructure the business model to fit the "new normal." In addition to the "new normal" businesses must also consider what long-term impact COVID-19 may have on their sector. Many issues highlighted in this guide will also be relevant to that.



Cash Flow and Financing

Directors should prepare new cash flow forecasts for best and worst case scenarios (i.e. a second wave or localised lockdown), considering any expected changes to supply and demand, any changes to operational costs and factoring in any deferrals of historic liabilities, and any new debt which has been taken on. Forecasts and projections should be continually reviewed and updated to reflect changes in the market, lessons learnt and expected government changes.

Repayment of borrowing

- Use of government schemes (e.g. JobKeeper, asset write-offs, grants, etc?)
- Other additional borrowing from existing lenders
- When and how will payments be met? (and negotiating deferrals)
- Is there a need to restructure debt?

Deferred payments

- Paying deferred VAT payments/rent/suppliers
- Meeting tax payments under time to pay agreements

Forbearance

- Repaying existing lenders – forbearance may end and payments need to resume
- Impact of protective measures lifting, after 30 September 2020 i.e. restrictions on forfeiture and winding up petitions
- Availability of government support

Employees

- Impact of second wave, localised shutdowns, re-opening risks
- Phased return to work and "unfurloughing" – impact of required employer contributions for stood-down staff debt issues?
- Point at which payroll will need to be funded as usual (i.e. JobKeeper scheme or changes in eligibility rules) and end to contractual credit insurance variations for paycuts
- Is a redundancy programme going to be necessary? If so, when does any consultation need to start?

Rent

- Relief under Commercial Code, rent holiday/reduction agreed?
- Ability to meet future (and missed) rent payments
- Restructure future rent turnover or similar arrangements
- Aggressive action from landlords when restrictions are lifted (stat demands, forfeiture, winding-up petitions)

Government restrictions

- Impact of localised lock-down on supply chain and demand changes

Suppliers

- Catching up on payments to suppliers, antecedent transactional risks
- Agreeing and abiding by new terms
- Ability to meet future obligations – increased costs?

Debtors

- Have debtor days slipped during COVID-19?
- What action can / should be taken to address any potential bad debt?
- Employer contributions for stood-down staff debt issues?
- Reduced credit terms/payment on delivery/increased prices/ credit insurance

Cash Flow Pressures

Supply and Demand

Operational

- Identify key suppliers: business critical and projected spend
- Staggered approach to resuming supply
- Able to meet expected demand
- Changes to delivery timescales
- Alternative sourcing? Costs consequences?

Pricing and payment

- Changes to payment terms/cost (e.g. cash on delivery)
- Financial health of suppliers
- Ability to obtain credit

Stock

- What existing stock is available?
- Goods stranded in distribution network
- Future import/export tariffs and taxes

Termination of existing contracts

- *Force majeure*
- Material adverse change
- Termination rights, *ipso facto* laws

Government restrictions

- Impact of future localised restrictions on supply chain

De-risking the supply chain for the future

- Review of whole supply chain
- Look to achieve greater diversity in supply chain
- Potential investments in technology



Shape of demand

- What demand is there now restrictions have lifted?
- Timing of return to (new) normal

End-user/customer

- Decrease in consumer confidence
- Cash-strapped customers

Changes to product and offering

- Changes to consumer habits (e.g. e-commerce and importance of home delivery)
- Increase in appetite for online suppliers and delivery services

Pricing and payment terms

- Review pricing structure, are pre-COVID-19 margins still achievable?
- Consider credit terms and customer insolvency risk
- Is credit insurance still available?
- Is invoice discounting an option to improve working capital?

Government/Other Restrictions

- Impact of potential local lockdown, e.g. reduced/no interstate travel
- Impact of future restrictions e.g. self-isolation following travel
- Impact of social distancing measures e.g. reduced operating capacity

Employee Considerations

Business requirement/need

- Does the business need the same number of employees in light of any changes to supply/demand/business model? Are redundancies necessary?
- Cost implications
- Strategy for “unfurloughing” – assess skill set and business need (a staggered approach may be necessary)
- Re-allocation of resource according to business plan

Availability/Costs

- Impact of employees refusing to return to work (fear of infection, childcare responsibilities, self-isolation, or shielding etc.)
- Will there be any permanent changes to working patterns/habits that impact operational costs? i.e. increase in homeworking and decrease in office space
- Psychological support – assisting employees to adapt, support with bereavement – costs?

Long-term changes to contracts and remuneration

- Flexible remuneration plans
- Agree reductions in salary and bonuses
- Lead from the top!



Operational Costs

Licences

- Renewals/periodic fees payable to ensure licence continuation
- Inability and capacity of named individuals/licence holders/trained individuals to carry out role (e.g. stand-down, redundancy, long-term absences or JobKeeper reductions)
- Licence amendments to reflect changed trading arrangements (e.g. changes to hours or activities)

Increased health and safety costs and compliance with social distancing

- Strategies for effective social distancing – screens, changing shift patterns, use of different parts of premises, monitoring symptoms, government reporting, contact tracing, etc
- Travel to work and transport
- Sanitation and cleaning programmes

Changes in operational practices and procedure

- Changes to real estate footprint to accommodate changes to employee and working practices (e.g. reduced office space or larger warehouses)
- Investment in technological capabilities to accommodate changes
- Greater automation of processes (or parts of processes)

Directors' Duties

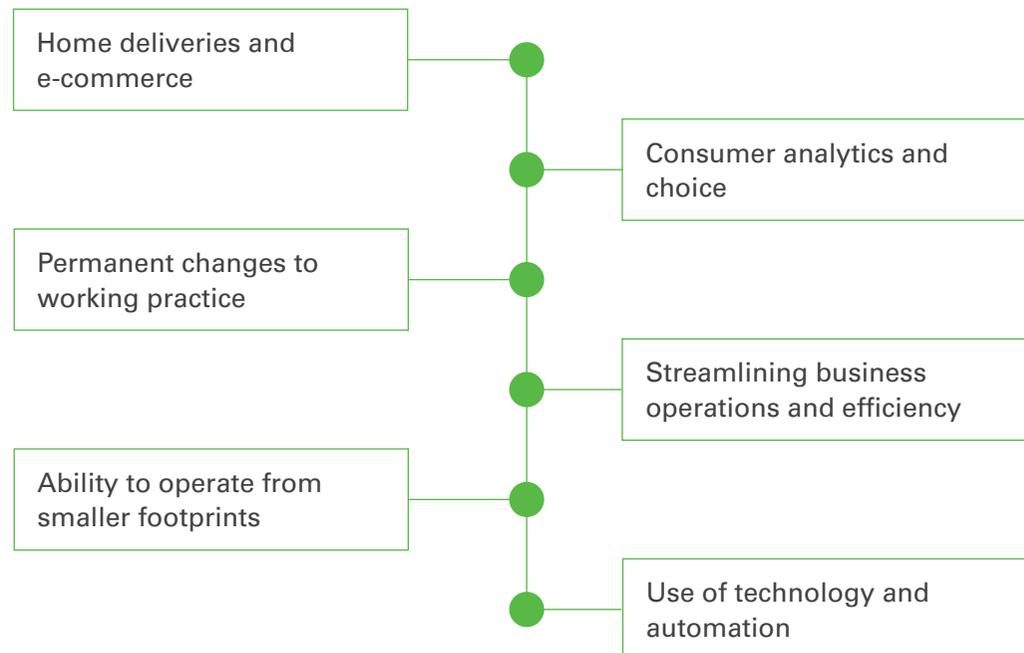
Directors should be mindful that they ensure that they comply with their directors' duties. An essential part of complying is ensuring that they understand the financial health of the business now and moving forward and take appropriate professional advice. Key financial and other stakeholders should be kept updated and their buy-in sought at each stage and as any changes to future plans become necessary. Our quick guide to directors' duties can be accessed [here](#).

For the latest updates on legal issues and business risk during COVID-19, subscribe to [Restructuring GlobalView](#) and our [COVID-19 Resource Hub](#).

Opportunities and Lessons Learnt from COVID-19

Reports suggest many consumers do not want a hasty return to "normal" and the associated risk – we can, therefore, expect significant behavioural changes.

Many businesses have already made changes to their day-to-day operations. Many changes will be permanent or will require further adaption to meet new government guidelines, but all will impact on future cash requirements.



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