

Looking Beyond

Events are unfolding with astounding speed, unveiling the outbreak's repercussions on all sectors with some businesses suffering immediate and major distress.

The Restructuring Perspective

It seems that a major recession, or a long-term slow down at the least, is now inevitable.

The global spread of the outbreak means that most, if not all, industries will face significant turmoil, and that disruption is inevitable.

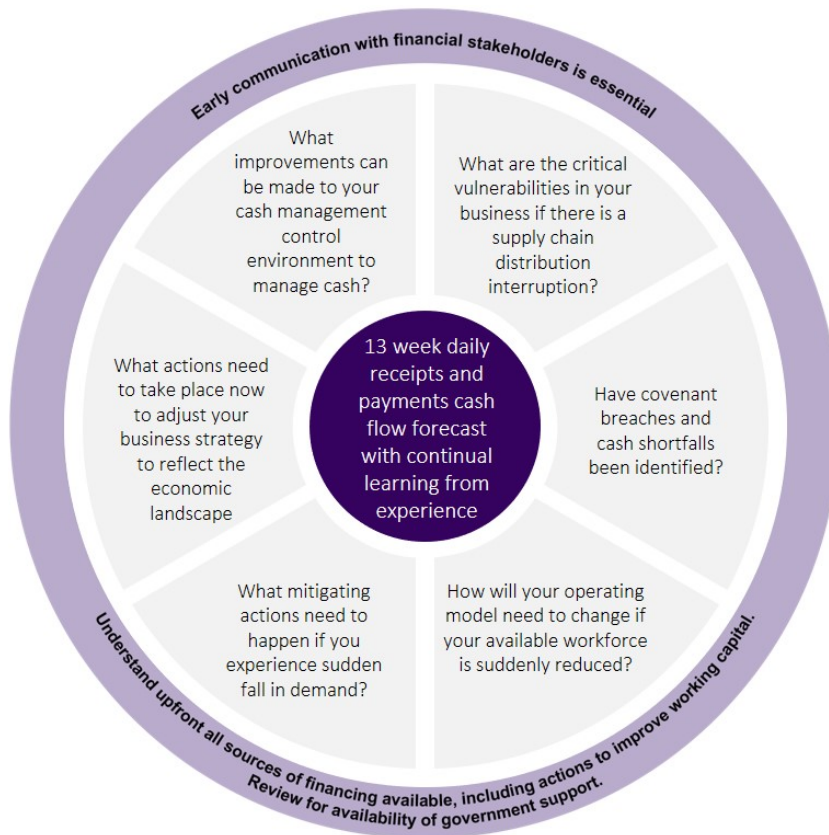
It is true that the level of impact will vary across various industries and organisations, however, we must remember that with any kind of change, planned or unplanned, growth doesn't happen overnight. Therefore, keeping sight beyond this crisis is vital for businesses to not only survive but to emerge stronger and with a renewed vision.

In times like these, decisions need to be made with agility, and mistakes are inevitable. With the progression of the current crisis, further uncertainties and complexities are yet to come, leading to an accumulation of issues that need to be addressed.

The right responses are dependent on the specific circumstances you and your business face. However, when experiencing significant stress or distress, we recommend you center the majority of your actions on the management of your financial position and liquidity.

We have developed a set of guidelines that all businesses can follow: The Resilience Wheel is designed to outline those critical areas in a business that need to be studied and addressed at times of crisis.

The Resilience Wheel is applicable to all sectors and is created to enable businesses to prioritise their actions, respond swiftly to the rapid developments, and to safeguard their resources in order to remain resilient, survive the current conditions, and continue to grow.



Cash management is placed at the heart of our Resilience Wheel as an effective response strategy: when experiencing significant stress or distress, we recommend our clients, in the GCC, to center their actions around the management of their liquidity.

Now more than ever, you need to create a robust cash forecast, and conduct short to medium term cash forecasting exercises. The minimum expectation for most businesses should be a 12-14 week daily (or even weekly) forecast, and then monthly afterwards, until the end of 2020. Profit and loss and cash flow should also be integrated, and cash balances reconciled.

Stakeholders who are contemplating on providing financial assistance will not be able to support everyone to the same level. Having a robust plan underpinned by strong financial forecast will give comfort and clarity to the stakeholders themselves, thereby maximising opportunities to access the necessary funding.

Take steps to retain cash in the business

This may include actions to:

- Stretch creditor payments.
- Negotiate payment deferrals with landlords and banks where possible.
- Sweep idle cash from other facilities into your working capital account or draw down on availability in your banking facilities.
- Negotiate with customers for them to pay early, by offering them a discount or other concessions.
- Investigate available government grants and other support.

Restructuring: A Closer Look

Never before in history have the global businesses and sectors faced a crisis resulting from a simultaneous decline of supply and demand. The resulting liquidity crisis is creating pervasive insecurity amongst business leaders and stakeholders.

The government measures will temporarily ease the strain by providing access to credit, however, these measures may not be sufficient to cushion the blow for the long haul. So, what are the sustainable measures businesses can take to revive liquidity and ensure business continuity?

Based on the level of impact the current crisis has enforced on businesses, below we have outlined the possible options for them to choose from. We start by laying down detailed and valuable measures, that if taken correctly, in the right order and at the right time, will result in safeguarding liquidity, debt position and operations.

For those businesses in distress, we can help with assessing their position and developing a practical insolvency plan. We work with their advisors and stakeholders to identify the right path to maximize the available value.

1 The Macro Environment

- The outbreak has significantly impacted economies at a global scale, shrinking the available liquidity in the markets.
- Organisations are facing various difficulties depending on their corresponding sectors, however, liquidity remains an issue identical amongst all business types.
- A major shift has started towards domestic production which will affect trade patterns accordingly.
- Despite the challenges, businesses that are able to innovate and offset short-term losses through longer term gains will be the ones to take advantage of the circumstances, transform, and grow.

3 Financial Restructuring

Debt and Liquidity Management:

- Stretching & restructuring debt payments
- Payment deferral negotiations
- Cash rotation strategies (sweeping idle cash from idle facilities to WC)
- Cash retention strategies
- Emergency asset disposal planning
- Improving cash management control environment
- Cash flow forecasts and projections
- Government grants & cash injections

2 The Micro Environment

- Companies are either currently experiencing or anticipating significant constraints on cash and working capital, including potential liquidity challenges.
- Depending on the industry, many companies will see lower revenue levels resulting in less cash flow, along with delayed receivables collection.
- Staff under quarantine, failing supply chain, orphaned/unavailable inventories, and sudden reductions in demand from customers are creating serious issues for companies across a far wider range of sectors than initially anticipated.

4 Distressed Cases

Key Recovery Scenarios:

- **Distressed corporates:** understanding the extent of the problem and determining an executable plan that allows the organisation to weather the storm and provide the best chance of success
- **Insolvency planning:** identifying options for the organisation in the event the business may be unable to successfully navigate this period, and determining if the use of protective composition solutions are available for the organisation and their implementation
- **Commencing insolvency:** understanding what happens in a formal protection process and what happens in an insolvency event
- **Implementation:** finding ways to maximise value and reduce risk through the implementation of executable recovery plans
- **Exiting a formal process:** plotting a path back to 'normality' and how that will look in the future

Reach out:

The team at Grant Thornton is available to support you in your journey to mitigate the current crisis and to build resilience in your business.



Guy Wall

Partner,
Restructuring Advisory

guy.wall@ae.gt.com

© 2020 Grant Thornton UAE.
All rights reserved.

Grant Thornton refers to the brand under which the Grant Thornton member firms provide assistance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Dubai

Rolex Tower, 23 Floor
Sheikh Zayed Road
PO Box 1620
Dubai, UAE

T +971 4 388 9925
F +971 4 388 9915

Abu Dhabi

Al Kamala Tower
Office 1101, 11 Floor
Zayed the 1st Street
Abu Dhabi, UAE

T +971 2 666 9750
F +971 2 666 9816

Sharjah

Al Bakr Tower
Office 305
7/9 Al Khan Street
Sharjah, UAE

T +971 6 525 9691
F +971 6 525 9690