

# Temporary co-pilots



4C GROUP – Covid-19: Liquidity management and liquidity protection

Munich, 21.04.2020

## Covid-19 Crisis Management – Development steps

The course of the crisis will roughly develop in 3 stages – a precise liquidity/ financial management is vital and closely linked to the implementation of scenarios.

	Crisis intervention and stabilization	Crisis scenarios and planning	Revitalization and reactivation
Organization	<ul style="list-style-type: none"> <li>_ establish crisis team, develop scenarios</li> <li>_ establish communication channels to employees/BR + customers/suppliers</li> <li>_ plan and adjust (personnel) capacities (vacation/time account reduction etc.)</li> <li>_ active search conversation with (house) banks</li> <li>_ ensure ability to act (emergency plan)</li> </ul>	<p>Develop organizational and financial planning with action plans:</p> <ul style="list-style-type: none"> <li>_ Continuation scenarios (V)</li> <li>_ Withdrawal scenario (U) "Hibernation" (minimum viable company)</li> <li>_ Protective shield procedure (L) comprehensive adaptation of the entire organization</li> </ul>	<ul style="list-style-type: none"> <li>_ communicate target scenario</li> <li>_ implement action plans</li> <li>_ expand Task Force (owners, lawyers ...)</li> <li>_ intensify communication with banks, BR, customers</li> <li>_ document measures and decisions in a legally compliant manner</li> </ul>
Liquidity	<ul style="list-style-type: none"> <li>_ daily liquidity management</li> <li>_ implementation of immediate liquidity measures (spending / ordering freeze)</li> <li>_ negotiation of payment and deferral modalities with suppliers and customers, activation of dunning</li> <li>_ secure lines at the bank</li> </ul>	<ul style="list-style-type: none"> <li>_ build up a 12-/18-month view in liquidity management + determine actual requirements</li> <li>_ review financing models and partners</li> <li>_ review equity capital measures</li> <li>_ detailed preparation of bank / financing meetings to secure existing and additional financing options</li> </ul>	<ul style="list-style-type: none"> <li>_ check the effectiveness of the agreed measures and secure them in terms of liquidity and KPI</li> <li>_ set up close coordination / reporting line with financing partners</li> <li>_ insolvency maturity (new regulation) daily check</li> </ul>
Support	<ul style="list-style-type: none"> <li>_ check tax deferrals/prepayments</li> <li>_ check and establish the requirements for all aid (grants, loans, KuG etc.)</li> <li>_ examine emergency aid and apply for it if there is a real need</li> </ul>	<ul style="list-style-type: none"> <li>_ ongoing reporting to banks</li> <li>_ apply for promotional loans KfW with your house bank</li> <li>_ apply for short-time allowance</li> <li>_ Check stability of financing partners</li> </ul>	<ul style="list-style-type: none"> <li>_ ongoing reporting to banks</li> <li>_ ensure compliance with existing aid guidelines</li> <li>_ ongoing examination of state aid offers</li> </ul>

## Covid-19 Crisis Management – Levers of action

Overview of possible levers for initiating liquidity-securing measures in day-to-day operations and for improving the financial situation



## Covid-19 Crisis Management – 4 core components of emergency aid

At present, the following immediate and promotional measures or legislative amendments are available or being implemented for various groups of companies (overview with further links / status: 30.03.2020)

<b>1</b> Tax Office Tax deferrals	<b>Measures:</b> ( <a href="#">Link</a> ) <ul style="list-style-type: none"><li>✓ Temporary and <b>interest-free deferral of tax payments</b></li><li>✓ Uncomplicated and <b>quick reduction of advance payments</b></li></ul>	✓ <b>Waiver of enforcement measures</b> and late payment penalties until December 31st 2020	<b>Helpful links</b> <ul style="list-style-type: none"><li>▶ Press and Information Office of the Federal Government   (<a href="#">Link</a>)</li><li>▶ Federal Institute for Occupational Safety and Health   (<a href="#">Link</a>)</li><li>▶ Federal Ministry of Labour and Social Affairs   (<a href="#">Link</a>)</li><li>▶ Robert Koch Institute   (<a href="#">Link</a>)</li><li>▶ Luther Corona Support (legal)   (<a href="#">Link</a>)</li><li>▶ John's Hopkins University Live-Map   (<a href="#">Link</a>)</li></ul>
<b>2</b> Federal Employment Agency Short-time work compensation	<b>Measures:</b> ( <a href="#">Link</a> ) <ul style="list-style-type: none"><li>✓ Application already from <b>10% to 100%</b> of the affected employees</li><li>✓ <b>Partial waiver</b> creation of negative working time balances</li></ul>	✓ Entitlement also for temporary workers ✓ <b>100% refund</b> of SozVers contributions ✓ Extension of subscription period (max. 24 months) ✓ <b>Between 60% - 67%</b> of net salary	
<b>3</b> Federation / State Loans, guarantees and emergency aid	<b>Measures:</b> <ul style="list-style-type: none"><li>✓ Simplified application requirements for various programs, loans + guarantees <b>only</b> possible via your bank; for investments and operating resources (incl. ongoing operating costs)<ul style="list-style-type: none"><li>_ KfW (<a href="#">Link</a>)</li><li>_ LfA Bayern (<a href="#">Link</a>)</li><li>_ Bürgschaftsbank Bayern (<a href="#">Link</a>)</li><li>_ Länder (Direktbeantragung see below)</li></ul></li></ul>		
<b>4</b> InsO Partial suspension Obligation to file for insolvency	<b>Measures:</b> ( <a href="#">Link</a> ) <ul style="list-style-type: none"><li>✓ Application obligation temporarily suspended until 30.09.2020 (partially) <b>Attention:</b> Proof of reason for insolvency must be directly related to the effects of the corona crisis and, if necessary, check protective shield function</li></ul>		

## Covid-19 Crisis Management – KfW Entrepreneur Loan

The focus is on the KfW Entrepreneur Loan (as of 23.03.2020): only applicable to companies that were not already in "difficulty" as of 31.12.2019\*

### Conditions of eligibility

**Entrepreneur Loan** for companies that

- \_ min. 5 years on the market
- \_ **Majority** privately owned and **based in Germany**
- \_ **as a result of the corona crisis**, have experienced **financing difficulties** only from 01.01.2020 and temporarily, and
- \_ the funds only for investments and working capital (including running costs) and
- \_ not to be used for debt rescheduling / follow-on financing

**Company** was already in **difficulty** before that date if, on 31 December 2019

- \_ more than 50% of the **share capital** (GmbH) or **own funds** (partnerships) had already been used up by previous losses
- \_ the company was already insolvent or fulfilled the criteria for opening insolvency proceedings and
- \_ **additionally for non-SMEs**: gearing ratio > 7.5 and ratio of EBITDA to interest expenses < 1.0

### Premises and impact of the financing

From a financial point of view, the financial assistance must be effective in such a way that

- \_ **through-financing** is ensured for 12 or 18 months (SMEs\*\*) and
- \_ **a positive prognosis** for continuation on the basis of **a current + resilient planning** (scenarios) is proven ( sustainable post-Covid-19 business model)

The general planning premise is that the overall **economic situation** will normalise again in the course of 2020.

**The application** is made via the **house bank**, which forwards the funds to the companies.

**Lending decisions** are made by the **house bank and/or KfW** depending on the loan volume

**Indemnification of the house bank** through **risk assumption by KfW of 80% or 90%** (for SMEs\*\*)

### Scope and conditions

**Loans** of up to **EUR 1 billion** per company will be granted, **limited** by:

- \_ **max. 25% of sales** in 2019
- \_ max. 200% of wage costs
- \_ max. 12 months or max. 18 months (SMEs) Liquidity requirements
- \_ max. 50% of total debt (if credit volume > EUR 25 million)

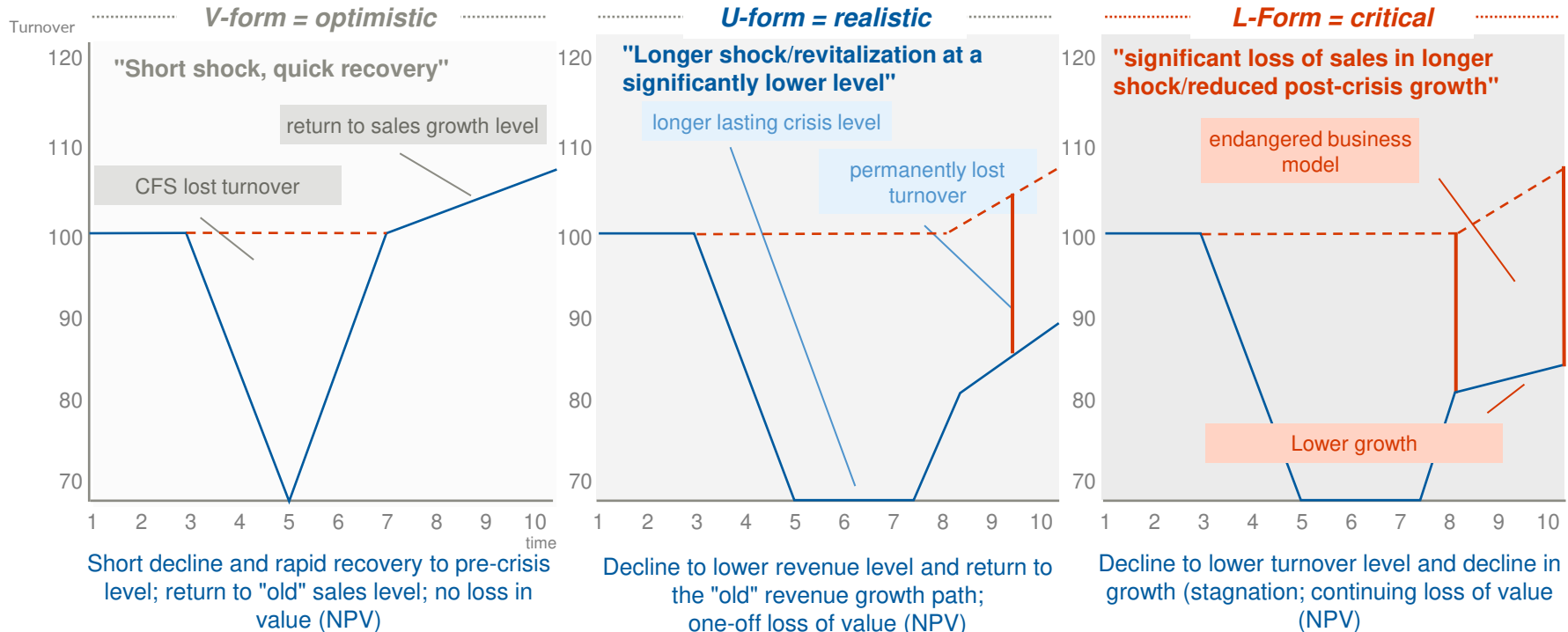
Conditions and **repayment**:

- \_ **Interest rate** depending on **risk class** (1.0% to 2.12% and daily)
- \_ **Term max. 5 years** (1 redemption-free year, quarterly redemption instalments) or final redemption after 2 years (high criterion of sustainability, i.e. repayability of the loans must be proven)

\* ) In addition, there is then the possibility of applying for Land or federal guarantees; \*\*) SMEs: up to 250 employees and about 50 million turnover

## Covid-19 Crisis Management – continuation scenarios

In their continuation prognosis, companies must prepare themselves for a U-shaped crisis course with a significantly reduced post-crisis turnover level





## Covid-19 Crisis Management – Continuation scenarios

To develop continuation scenarios, the following questions should be answered on the business model board ...

### Key Partners

Which suppliers are critical?  
Are there possibilities to reduce the dependency in the short term?  
Which suppliers can be bridged or replaced?  
How high is the dependency on one supplier from our company?  
What information do they need to make themselves crisis-proof?  
How can the coordination with suppliers be generally closer during the crisis?  
What do you know about the crisis readiness of your service providers, especially in outsourcing?

### Key Activities

Which core processes are particularly critical (supply chain)?  
Which subsequent processes are indispensable for service DL/customer relations?  
Which effects can occur due to a crisis and are there safe alternatives?

### Key Resources

Which key know how carriers are critical for which core processes?  
What is the preparation for a possible failure?  
How capable is the management of acting at all times? What emergency solutions are available?

### Value Proposition

How can you mitigate the problems of your customers during the crisis?  
How can you support your customers beyond the existing range of services?  
How can you use the crisis situation to strengthen your relationship with your customers?  
How can you work on solutions for + with your customers across value chains?  
How can you positively surprise your customers during the crisis?  
How can you use your online channels for third-party products?

### Customer Relationship

How open and resilient is the information flow with customers?  
How can you increase the exchange of information on measures/assessments of your customers?  
How can you personalize the contact to your customers even more?

### Channels

Which sales channels are affected by the crisis and how?  
How can they be bridged or replaced if necessary?  
What preparatory measures are to be taken for the resumption?

### Customer Segments

How high is the dependency on one customer segments?  
How high do you estimate the probability of a decline in sales > 25% /50%/75% per segment?  
In which segments are there opportunities for catch-up effects?  
Which contractual relationships with customers are at risk?  
Which new / former customers could buy their products now due to the crisis?

### Costs/Expenses/Liquidity

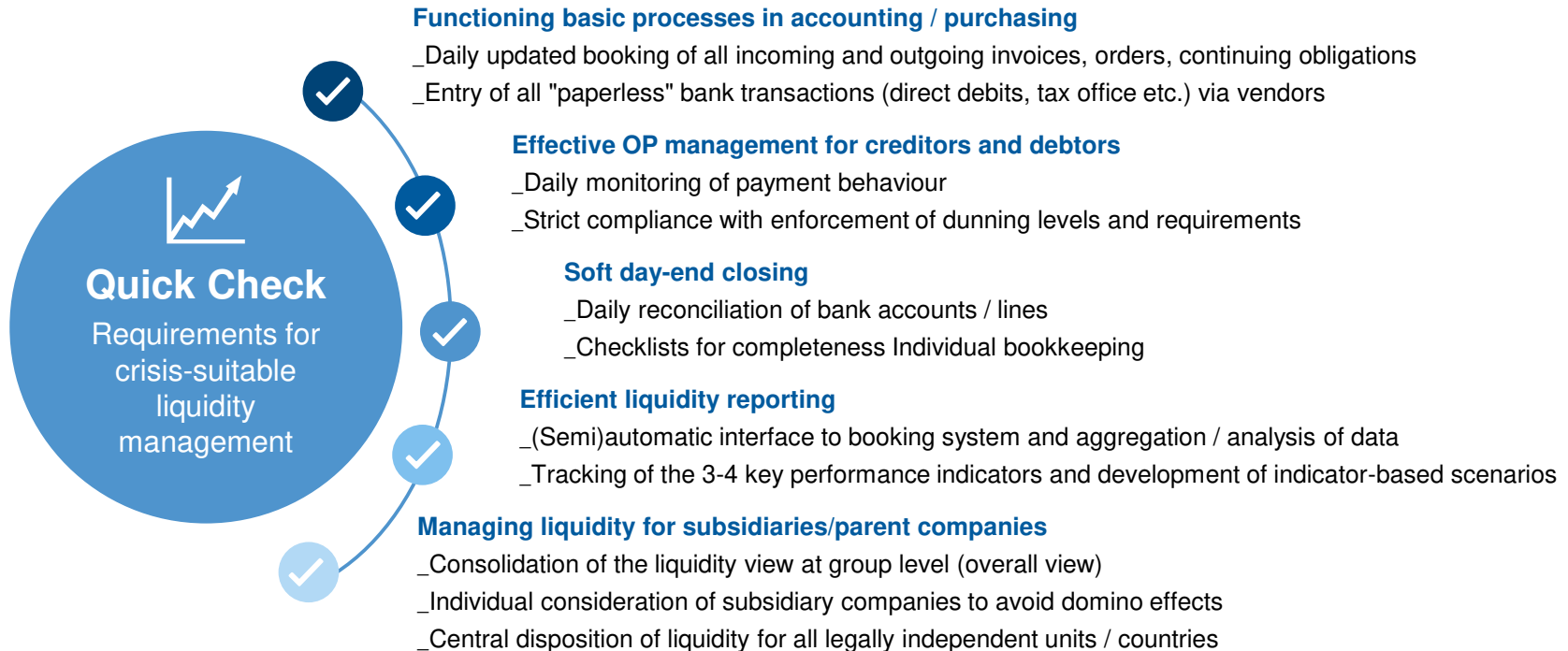
How do reduced sales volumes affect our capacity utilization?  
Where are the risks of cost increases within the supply chain?  
What costs are associated with increased stock-keeping / reduction of inventory production? How do these changes affect liquidity?  
How crisis-proof are our financing instruments (e.g. lines, factoring etc.)?

### Income/Prices/Sensitivities

How well are you prepared for a default of your most important customer?  
What happens if your customers generally pay late?  
What are the effects on prices? Sales quantities / increased stock levels?  
How can we create financial leeway together with our customers?

## Covid-19 Crisis Management – Focus on liquidity management

Precise liquidity management not only needs an efficient tool in times of crisis that can map all relevant views and questions.





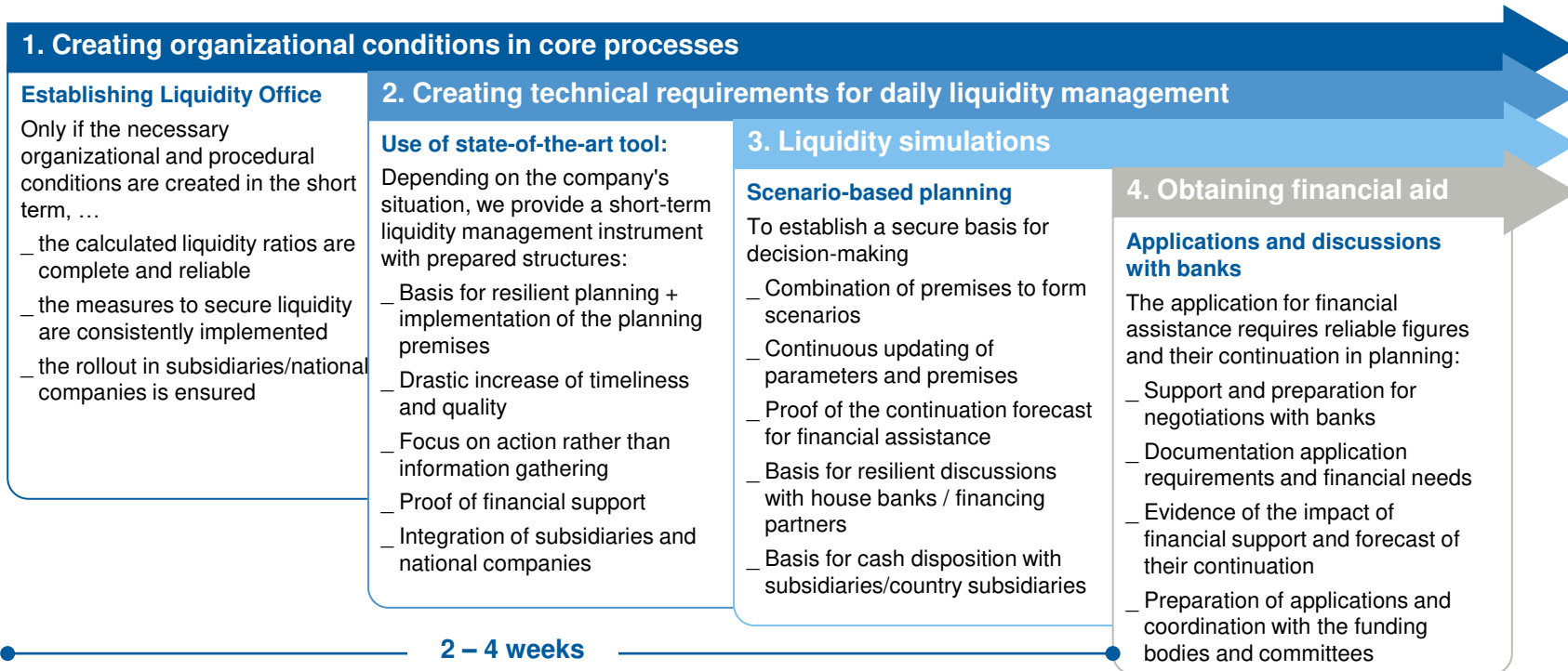
## Covid-19 Crisis Management – 4C tools for liquidity management

We provide professional tools for liquidity management that are ready for use at short notice and suitable for your company

	4C-Excel-LiquiPlan	4C Planning system	4C Liqui-Templates Tagetik / Cognos
Result	<ul style="list-style-type: none"> <li>_ Financial plan on Excel basis with daily control (next 30 days)</li> <li>_ Condensation of premises to scenarios</li> <li>_ Quality increases with current/complete Data</li> <li>_ Exchange of information with bank etc.</li> </ul>	<ul style="list-style-type: none"> <li>_ Integrated corporate planning with financial planning (up to daily basis)</li> <li>_ High quality over existing Data structures and direct use of ERP information</li> <li>_ Reporting via finished 4C-Tool</li> <li>_ Aggregable for group/group view</li> </ul>	<ul style="list-style-type: none"> <li>_ Consolidated Group view Liquidity</li> <li>_ Liquidity forecast (weekly basis)</li> <li>_ Easy distribution and immediate use</li> <li>_ Successive increase in quality</li> <li>_ Relief for treasurer / financial controlling</li> </ul>
Methodology	<ul style="list-style-type: none"> <li>_ Defined structures for liquidity planning</li> <li>_ Semi-automated import of data</li> <li>_ Addition of liquidity parameters</li> <li>_ Use of ready-to-use reports and simple planning structures</li> <li>_ Scenarios pragmatically via Excel functions</li> </ul>	<ul style="list-style-type: none"> <li>_ Automat. Filling of a defined database for liquidity management (Cloud if necessary)</li> <li>_ Use of performance management tools (e.g. Jedox, TM1, Tagetik, PowerBI) with predefined liquidity reports</li> <li>_ Scalable/expandable reports &amp; data structure</li> </ul>	<ul style="list-style-type: none"> <li>_ Importing predefined structures/templates</li> <li>_ Supplement liquidity parameters or information</li> <li>_ Detailed checklist for reporting units</li> <li>_ Extension of the existing reports</li> <li>_ Uniform liquidity planning Group companies at weekly level</li> </ul>
Situation	<ul style="list-style-type: none"> <li>_ Basis of consideration BWA or similar</li> <li>_ 1 Company (no consolidation)</li> <li>_ Focus monthly evaluations</li> <li>_ Excel as a reporting tool</li> </ul>	<ul style="list-style-type: none"> <li>_ Standard ERP system (in-house)</li> <li>_ Management reporting already established (monthly views)</li> <li>_ Several companies (incl. consolidation)</li> <li>_ Liquidity management so far on a monthly basis</li> </ul>	<ul style="list-style-type: none"> <li>_ Consolidation is already performed via Tagetik or Cognos/TM1</li> <li>_ Use existing Settings and master data for consolidation</li> <li>_ Focus on integrated overall view Group/subsidiary</li> </ul>

## Covid-19 Crisis Management – 4C Offer ensuring liquidity

Start your liquidity protection program with us now: Establishment of an adequate liquidity management as a basis for applying for financial aid



## Your contact at 4C GROUP AG

Start your crisis management program now and prepare the revitalization of your "Post Covid-19 business model" with us:



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A co-pilot's ultimate goal:  
the driver's success