

Federal Budget

NAVIGATING THE NEW NORMAL

2020



Supporting businesses through the recession



Expert panel



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Housekeeping



This is an interactive session so we encourage your participation



This session is being recorded and will be shared with all registrants and on our GTAL website and socials.

How to ask questions?

A screenshot of a webinar interface. At the top, it says 'Talking: Liz Davis'. Below that is a 'Questions' panel with a dropdown arrow and a list icon. The panel contains a text input field with the placeholder text '[Enter a question for staff]' and a 'Send' button. A red rectangular box highlights the 'Questions' panel area. Below the panel, the text 'Webinar Housekeeping' and 'Webinar ID: 608-865-371' is visible, along with the GoToWebinar logo.

Submit your questions via the Questions panel

Agenda

1. Business and consumer behaviour
2. Liquidity and cash considerations
3. Options available for Directors and businesses
4. What does a good business look like in a post-COVID environment?
5. Wrap up – key takeaways



Poll question

What is the most critical driver influencing your business over the next 6-12 months?

- a) Cash flow
- b) Innovation & agility
- c) Reacting to dynamic market conditions
- d) Robust planning & forecasting
- e) Relationships with key stakeholders (customer, suppliers etc.)



Consumer spending

Spending by consumers in Australia

Weekly index of consumption per person, 100 = normal weekly base excluding Xmas

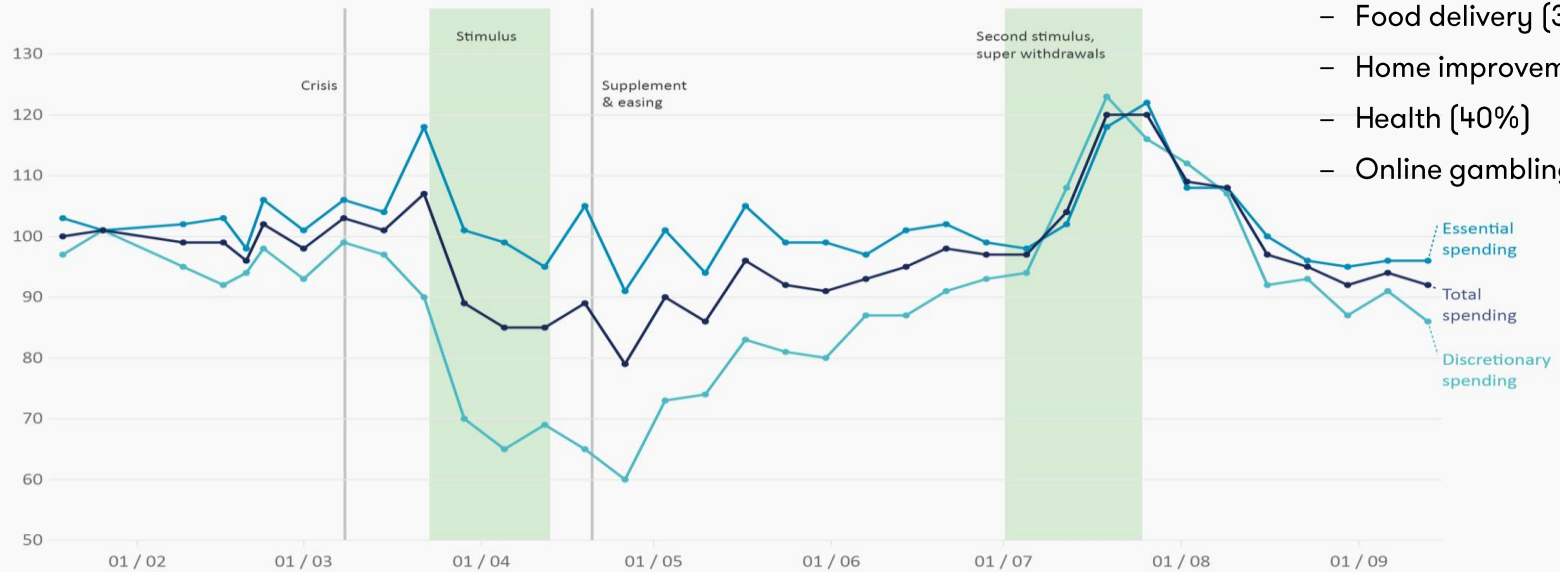


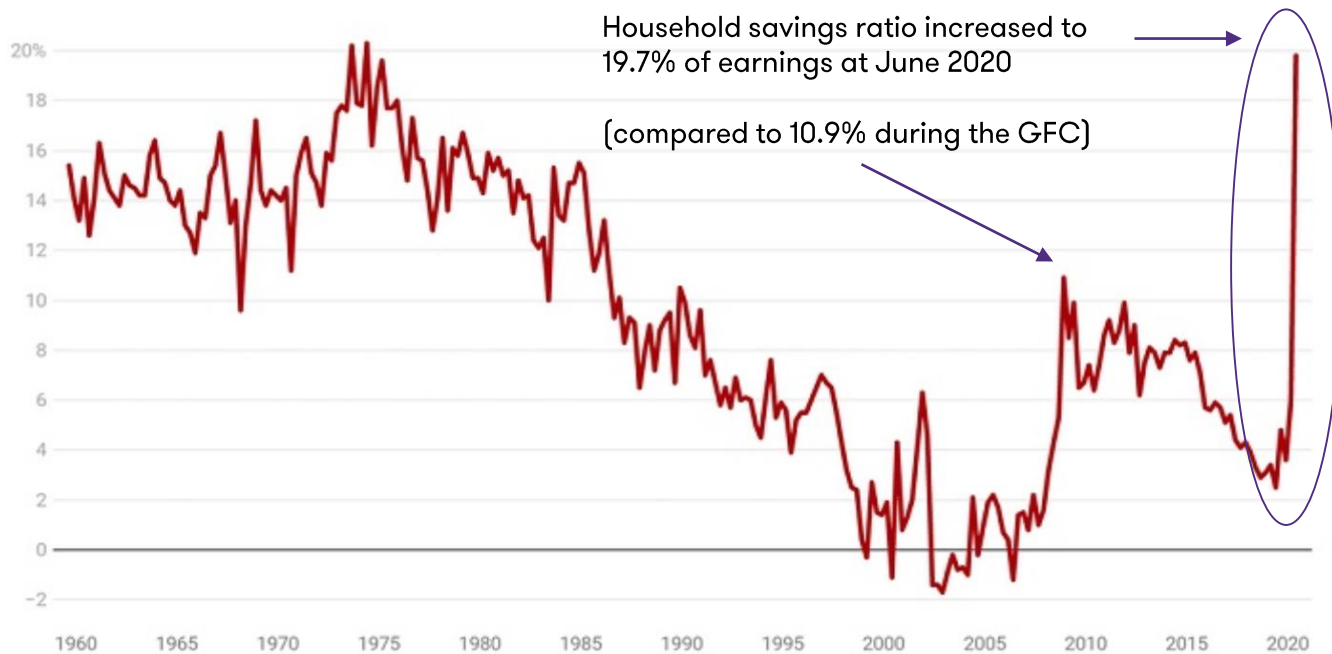
Chart: illion & AlphaBeta (part of Accenture) • [Get the data](#)

Note: Based on a weekly sample of the transactions of c.250,000 Australian consumers.

Increased spending in industries such as:

- Food delivery (330%)
- Home improvement (66%)
- Health (40%)
- Online gambling! (53%)

Consumer behaviour



Household saving ratio. (ABS Australian National Accounts)

Business behaviour



APRA

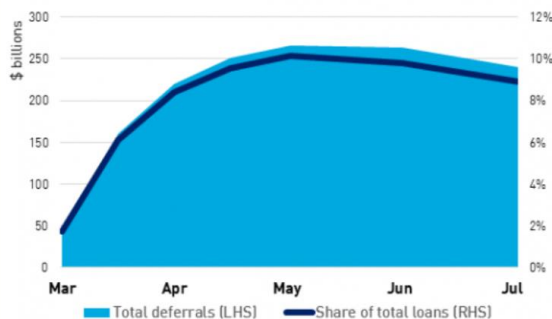
Temporary loan repayment deferrals due to COVID-19

Aggregate industry data on loans subject to repayment deferrals

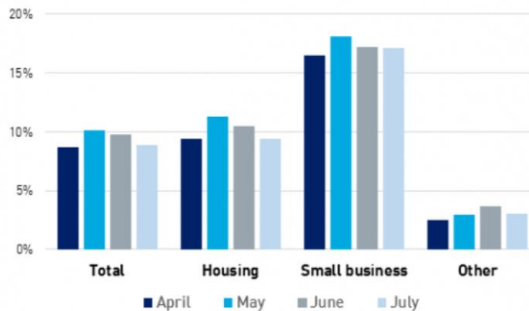
At 31 July:

- Loans subject to deferral:
 - 9% of total loans
 - 17% of small business
- Of \$240b subject to deferral
 - + \$20b approved
 - \$40b expired/exited
- Borrowers continuing to make repayments:
 - Partial repayments 9%
 - Full repayments 11%

Loans subject to repayment deferral



Share of total loans

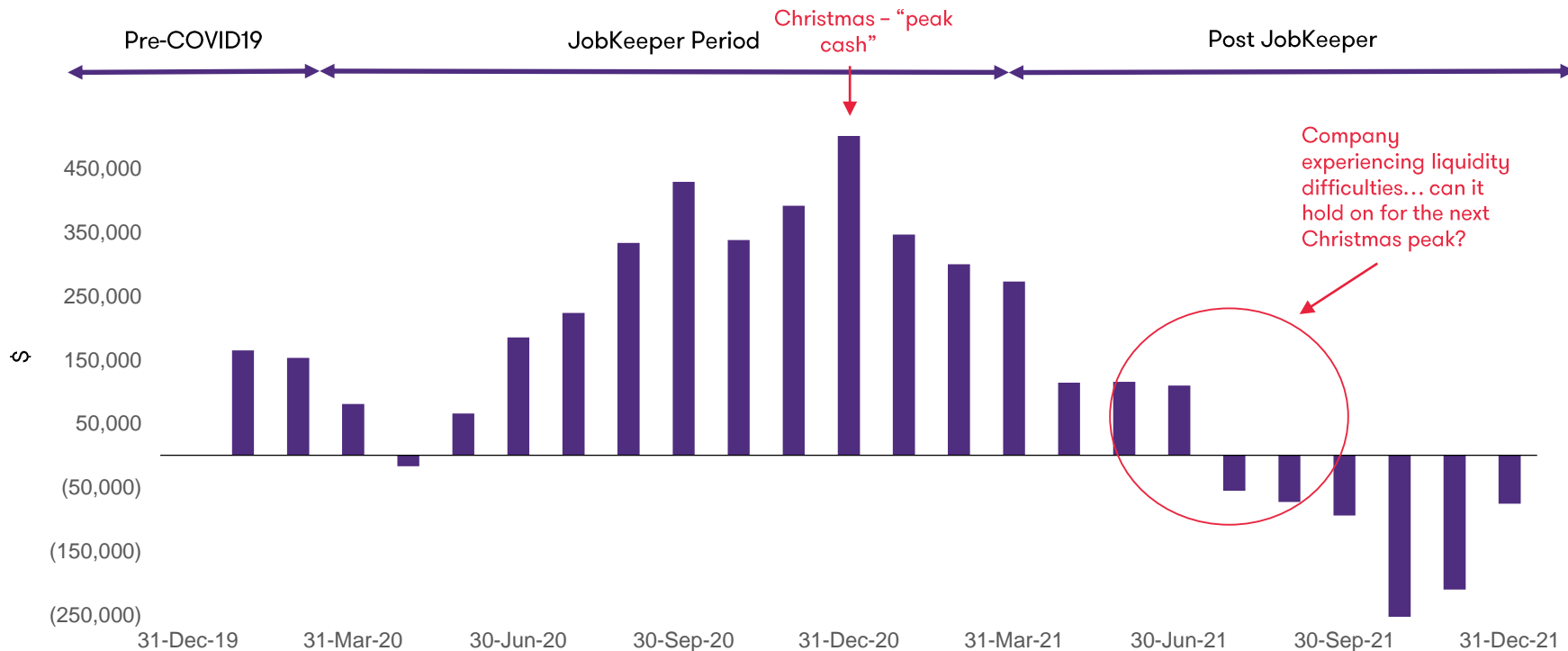


Liquidity & cash considerations

- ~~“Cash is Trash”~~ (*Ray Dalio*)
- “Cash is King” ...!
- The critical consideration for businesses
- Access to funding will separate the winners from the losers
- How much cash is enough..?

Riding the Wave

Cashflow – Where are the liquidity pain points?



Liquidity & cash considerations

Access to funding

Debt (External)

- Banks & traditional lenders
- Alternate lenders (Family Office, Credit/Debt funds)

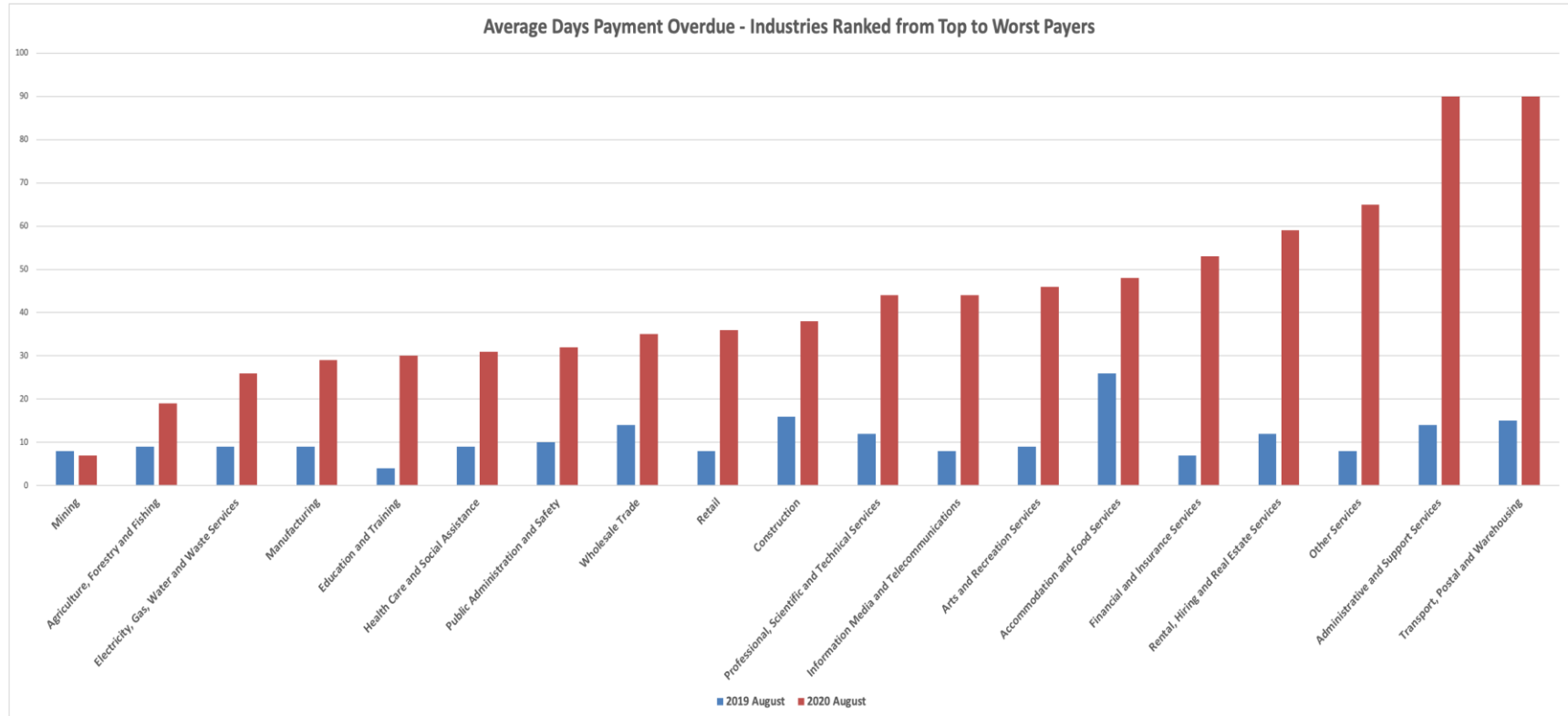
Equity (External)

- Existing shareholders
- Private Equity

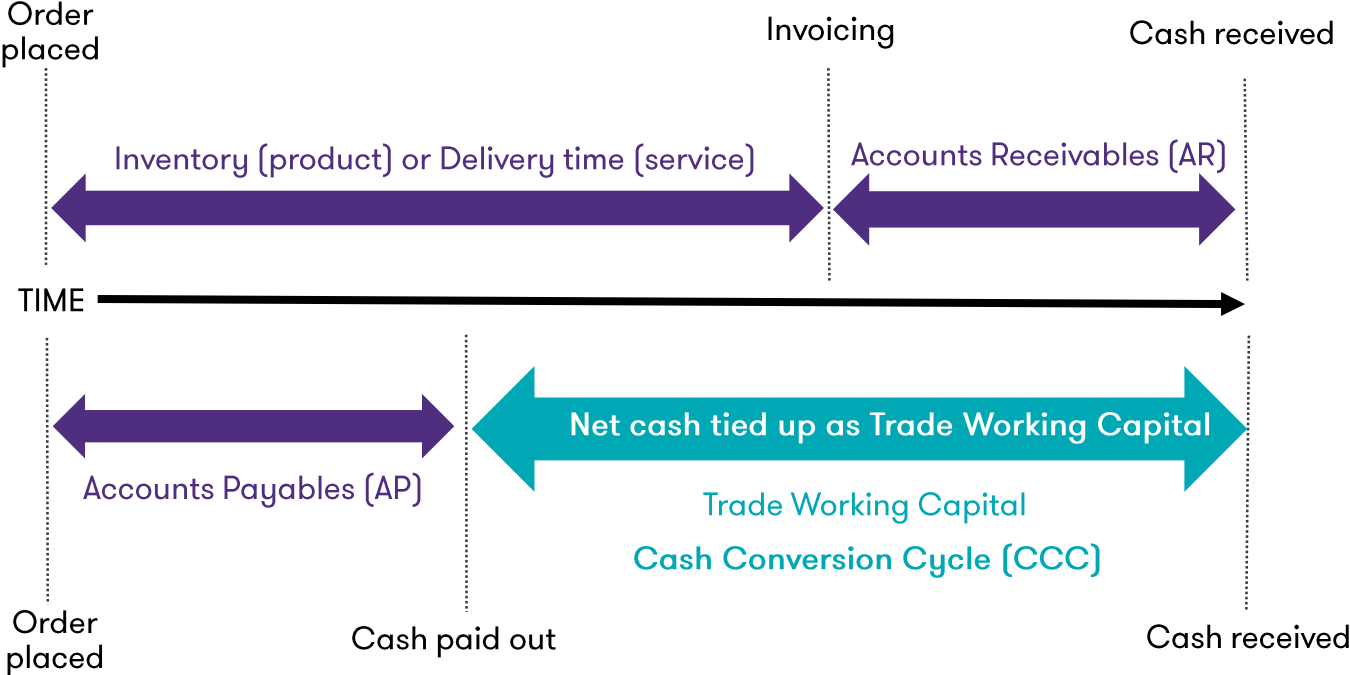
Balance Sheet (Internal)

- Working capital management
- *Example:* payment days

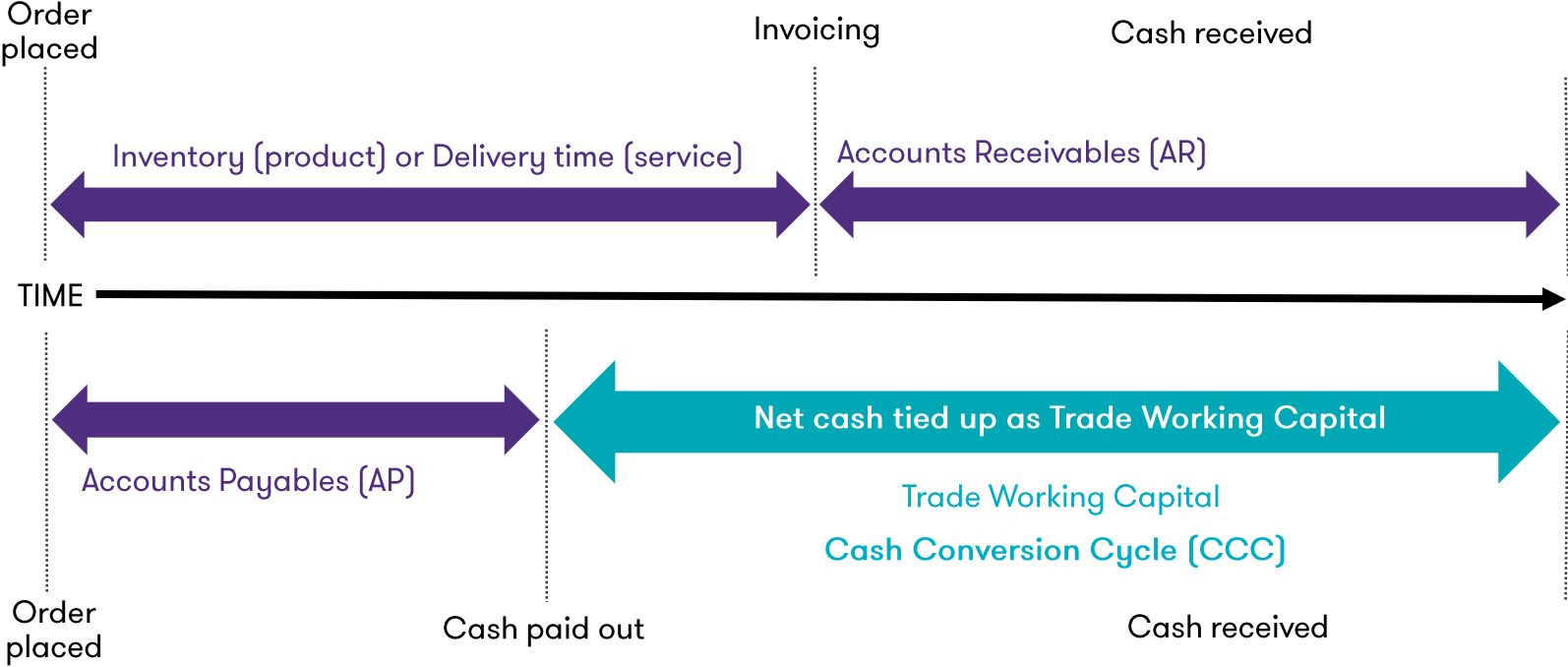
Risk..payment days



Working Capital – impact of extended payment days



Working Capital – impact of extended payment days



Temporary measures to support business

Statutory relief

- From a director's personal liability for **insolvent trading** (ends 31 Dec)
But be careful... not blanket relief!
- Amendments to thresholds and timeframes for **creditor statutory demands** (ends 31 Dec)
 - Debt amount increased to \$20,000
 - Timeframe to respond now 6 months

Will there be any permanent changes from this?

Government assistance

For Business

- JobKeeper
- Government guaranteed loans
- Cashflow boost through ATO
- APRA “assistance” to allow loan holidays
- Relief for commercial tenants

Through cash in the hands of the consumer:

- JobSeeker
- JobKeeper
- Early access to superannuation

COVID Restructuring

Will the COVID cash lead to a COVID crash?

- Fall in consumer confidence & spending over the long term
- JobKeeper 2.0 ending 31 March
- Lenders denying further repayment holiday
- Landlords requiring repayment of accrued rent
- ATO requiring repayment of accrued GST & PAYG
- Business forced to tackle inherent “PreCovid19” issues

What are the options available?

Restructuring options - available now

Informal restructuring

Voluntary Administration &
Deed of Company Arrangement

Safe Harbour – a plan that is
*‘reasonably likely to lead to a
better outcome’*

New reform for small business - from 1 Jan 2021

‘Director in Possession’ restructuring model
Permanent change!

Key facts:

Debts <\$1m

Employees paid

50% + creditors agree

What should businesses be doing now?

1 Have a Plan and document it

2 Financial reporting function & Forecasting capability

Not a budget...!

Ideally 3-way, integrated model (Profit & Loss + Balance Sheet + Cash Flow)...can be Excel or another platform

Scenario planning – consider key assumptions. What if?

Regularly revisit the forecast, i.e. re-forecast monthly



Why?

What should businesses be doing now?

Why...?

Informs management about the business

Prepares for contingencies, including downside scenarios

Provides visibility on funding requirements – timing, quantum

Allows time for management to implement changes if necessary

Provides comfort to key stakeholders – i.e. Bank, Landlord, ATO, investors, counterparties

What should businesses be doing now?

3 Get your house in order - make changes now..!

Easy to overlook fundamental issues that existed before (Covid blind)

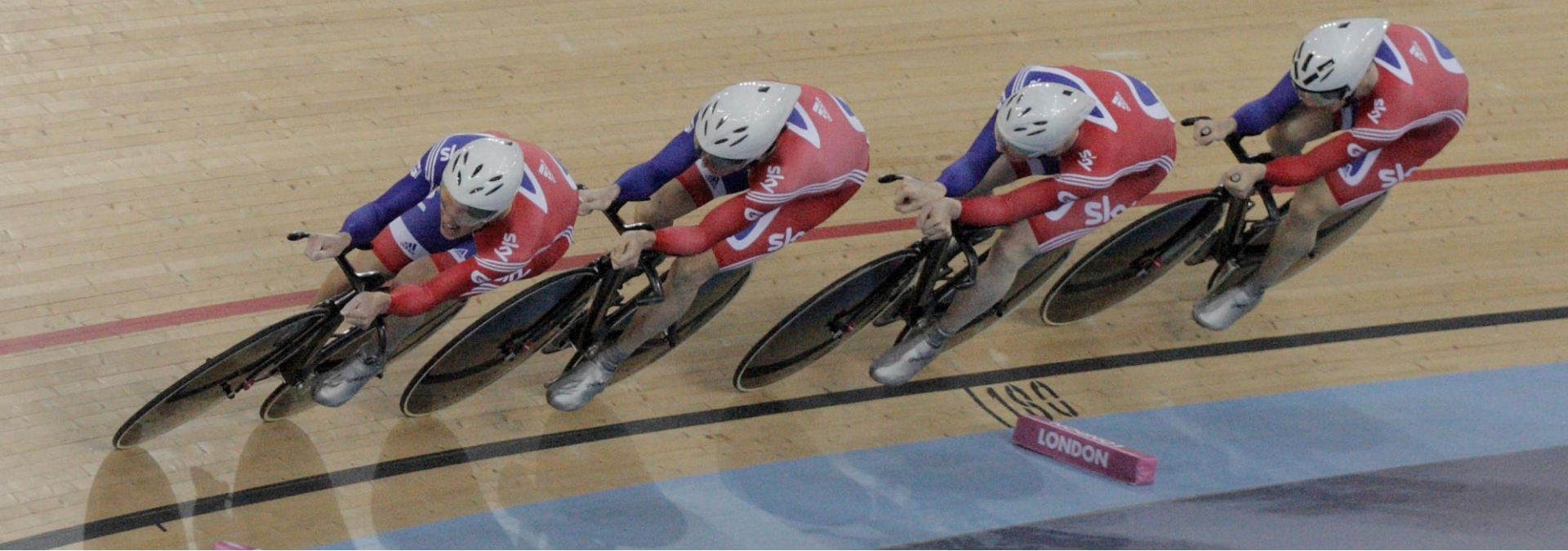
Right-size the workforce, try to remove emotion

Review **leases** – consolidate, exit

Review terms with Customers & Suppliers – are they sustainable? Not the time to do favors

Consider key products and services – do they make money?

Engage **proactively** with your Bank



"If you break down everything you can think of that goes into riding a bike, and then improve it by 1%, you'll get a significant increase when you put them all together."

Imagine if you improved **every** aspect of a business by 1%

Marginal gains – 1% improvement in Revenue & Costs

	5% Profit	Do both!
Revenue	\$20,000	\$20,200
Costs	\$19,000	\$18,810
Profit	\$1,000	\$1,390
Impact on Profit		39%

Wrap up



Proactive engagement
with key stakeholders



Take a critical look
at your business



Prepare forecasts &
develop a plan



Get (the right!)
advice



Act early,
be bold!

