

BPM

What's Next? Life Beyond COVID-19

Loan Forgiveness and Emergence: Recovering While Steering Your Business Back to Normal

April 22, 2020

2:00 p.m. – 3:00 p.m. PT

Notices

The information contained herein and topics discussed in this presentation are of a general nature and are based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your financial or legal professionals.

Opinions expressed in this webinar do not necessarily reflect the opinions of BPM LLP as a firm.

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Government Backed Borrowing Update

- Paycheck Protection Program – Expected to be approved by Congress on 4/23 with an additional \$250B; an additional \$60B has been allocated for small banks

- Economic Injury Disaster Loans – Expected to be approved by Congress on 4/23 with an additional \$50B

- Main Street Lending Program – Expected to be running by end of April
 - Maturity: four years
 - Minimum loan amount: \$1 million
 - Interest Rate: Adjustable rate of SOFR + 250-400 basis points. Stipulated interest is considerably lower than current market rates
 - Amortization: principal and interest deferred for one year. The required level of amortization has not been specified

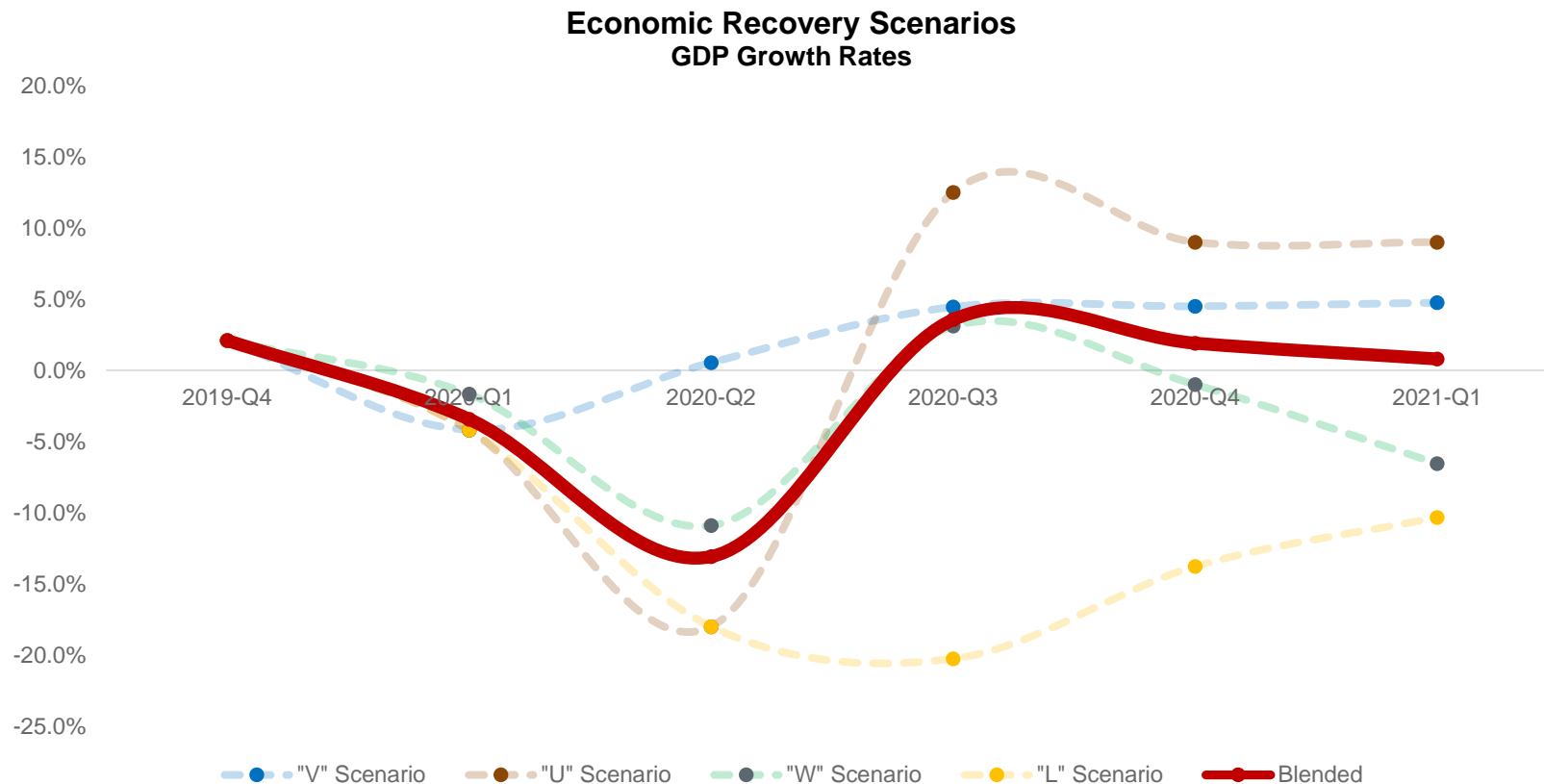
Loan Forgiveness

- Borrower is eligible for loan forgiveness for costs incurred and payments made for eligible expenses during the 8-week period following the loan funding date
- Fund uses eligible for forgiveness are payroll costs, mortgage interest payments, rent payments, and utility payments
- Not more than 25 percent of the loan forgiveness amount may be attributable to non-payroll costs
- Subject to maintaining employment and compensation levels
- Subject to providing required reporting and meeting defined qualifications

Documentation Requirements

- Support to verify the number of full-time equivalent employees and their pay rates for the required periods.
- Evidence of costs incurred including payroll registers, health insurance bills, retirement contribution documents, mortgage statements, rent/lease invoices, utility bills, and other documentation.
- Substantiation for payments made including cancelled checks, payment receipts, transcripts of accounts, and other documentation.
- A certification from an authorized representative of the Borrower that the documentation presented is true and correct, and the amount for which forgiveness is requested was used to retain employees, make interest payments on a covered mortgage obligation, make payments on a covered rent obligation or make covered utility payments.

The Paths to Economic Recovery



Important economic factors impacting the each recovery path:

- COVID-19 peak and containment
- Economic stimulus package
- Countercyclical economic policies (second stimulus, fiscal or monetary expansionary policies)
- Control of COVID 19 from foreign economic partners
- Ease of restrictions
- Economic fundamentals

The Paths to Economic Recovery

Please go to the following excel file to open Command Terminal and see dynamic GDP recovery scenarios:

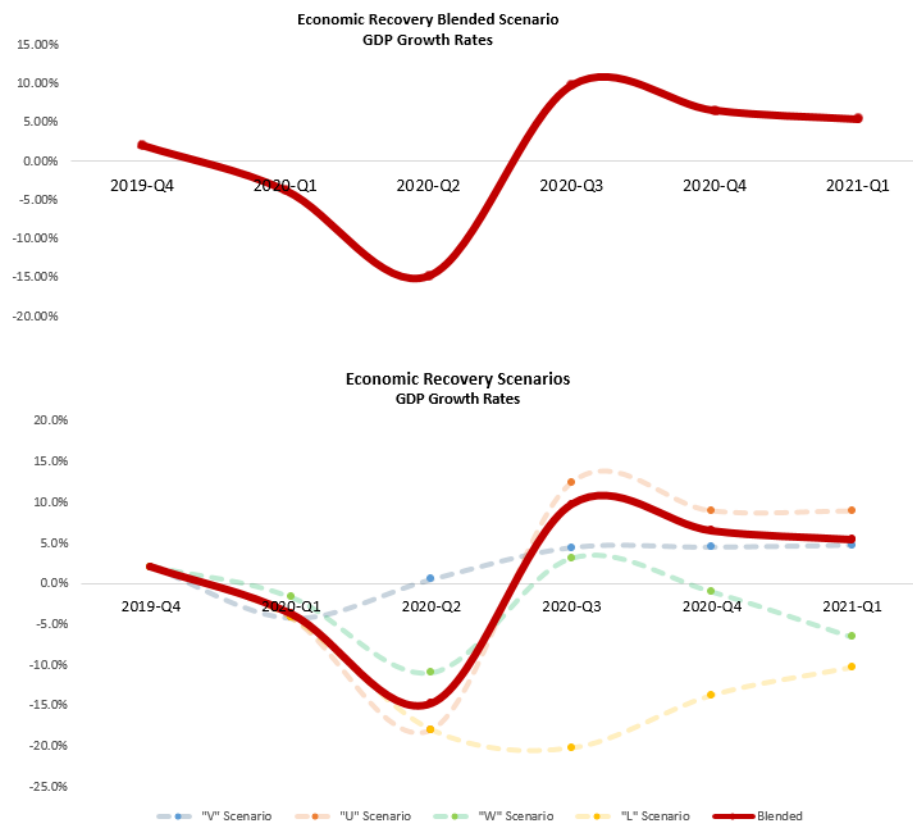
Command Terminal for Dynamic GDP Recovery Scenarios

Probability Matrix Scenarios

Scenarios	"V" Scenario	"U" Scenario	"W" Scenario	"L" Scenario
Probabilities Inputs:	10%	70%	20%	0%
COVID-19 containment situation:	COVID-19 NOT contained in April	COVID-19 is partially contained in June	Efforts to keep COVID-19 second outbreak under control in the Fall are successful	
Economic policy impact:	No effect from economic stimulus	Limited effect of countercyclical economic policies applied in June	Countercyclical economic policies have an impact	
Business activity:	Businesses don't open in May	Only some business sectors open in June	Ease of restrictions start in June. No restrictions back in October	
Cash flow expectations:	Shortage of cash flow to all sectors	Moderate inflows of cash	Stable and slow cash inflows	
Sum =				100%

When will the economy recovered?

Quarters	GDP Amount	Difference	Outcome
2019-Q4	21,730		
2020-Q1	20,928	(802)	Not Recovered
2020-Q2	17,846	(3,884)	Not Recovered
2020-Q3	19,598	(2,132)	Not Recovered
2020-Q4	20,881	(849)	Not Recovered
2021-Q1	22,023	293	Recovered



Beyond SBA - Cash Flow

- Time to think beyond the SBA; think cash and liquidity.
- What was your strategy before? How do you get back to normal?
- Current condition strengthened resolve or changed your plans?
- Leverage your ability to tell your story – internally and externally
- Reporting package with MD&A for leadership and external
- Achieve visibility, confidence, and decision-support.

Beyond SBA - Cash Flow (cont'd)

- Plan now for June – September.
- Basic cash flow / forecasting / 13-week.
- Cash Flow from Operations and Working Capital Demands.
- Quick hits: Invoicing, Collections, Inventory, People costs. Negotiate, be smart.
- Finally, take business knowledge and blend with economic inputs

Cash Flow Analysis

Cash Flow Analysis		(In '000 USD)												
13 Week Forecast														
Week Number		1	2	3	4	5	6	7	8	9	10	11	12	13
Month		2	2	2	2	3	3	3	3	3	4	4	4	4
Week Beginning	13 Wk Sum	02/03/14	02/10/14	02/17/14	02/24/14	03/03/14	03/10/14	03/17/14	03/24/14	03/31/14	04/07/14	04/14/14	04/21/14	04/28/14
1. Collections														
Billings														
Division 1	2,054.0	274.5	146.3	42.8	128.9	93.1	113.6	122.7	176.8	268.4	358.2	165.0	37.2	126.5
Division 2	261.0	8.7	22.2	5.6	30.0	8.2	5.0	29.4	8.2	27.2	4.1	-	18.6	93.7
	2,315.0	283.3	168.6	48.4	159.0	101.3	118.6	152.1	185.0	295.6	362.3	165.0	55.8	220.2
Collections														
Division 1	960.2	26.3	95.2	35.2	127.2	34.1	63.0	73.4	102.9	78.9	112.3	59.2	54.5	98.0
Division 2	347.7	82.4	50.4	7.2	9.2	43.7	31.0	22.4	12.8	27.8	28.7	-	28.7	3.4
Total Collections	1,308.0	108.6	145.6	42.4	136.4	77.8	94.0	95.8	115.7	106.7	141.0	59.2	83.3	101.5
Accounts Receivable														
Division 1														
Beginning Balance		932.8	1,228.2	1,191.1	1,183.7	1,177.8	1,233.4	1,275.2	1,298.5	1,337.5	1,445.8	1,676.1	1,769.0	1,743.4
+ Additions														
- Collections														
Ending Balance	-	1,100.3	1,175.9	1,182.3	1,080.1	1,238.3	1,250.1	1,271.4	1,266.8	1,283.9	1,391.4	1,666.0	1,753.6	1,704.5
Collections / Beg. A/R		3%	8%	3%	11%	3%	5%	0%	8%	0%	8%	4%	3%	0%
Division 2														
Beginning Balance		350.7	307.9	283.2	276.0	266.8	251.9	229.1	213.2	207.5	205.9	199.7	199.7	186.0
+ Additions														
- Collections														
Ending Balance	-	307.9	302.3	282.7	276.0	266.8	229.1	223.9	213.2	206.7	199.7	199.7	191.1	186.0
Collections / Beg. A/R		23%	16%	3%	3%	16%	12%	10%	6%	13%	14%	0%	14%	2%
Total A/R Balance	-	1,478.2	1,465.0	1,356.1	1,505.1	1,479.3	1,495.3	1,480.0	1,490.6	1,591.1	1,865.7	1,944.8	1,890.5	
2. Total Disbursements	41.6	0.0	24.0	4.3	3.2	0.0	2.9	-	1.1	0.0	5.7	0.2	-	-
3. Cash Generation														
Operating Cash Generation														
Collection	1,308.0	108.6	145.6	42.4	136.4	77.8	94.0	95.8	115.7	106.7	141.0	59.2	83.3	101.5
- Disbursements	(41.6)	(0.0)	(24.0)	(4.3)	(3.2)	(0.0)	(2.9)	-	(1.1)	(0.0)	(5.7)	(0.2)	-	-
Oper. Cash Generation	1,266.3	108.6	121.6	38.0	133.2	77.8	91.1	95.8	114.5	106.7	135.3	59.0	83.3	101.5
Scheduled Debt Repayment														
Interest	13.0			4.7				4.0					4.3	-
Principal	67.3			26.4				27.0					1.4	12.6
	80.4			31.0				31.0					5.8	12.6
Payment Month				1.0				2.0					3.0	
Cash Used for Financing														
Operating Cash Flow	1,266.3	108.6	121.6	38.0	133.2	77.8	91.1	95.8	114.5	106.7	135.3	59.0	83.3	101.5
- LOC Paydown	(685.7)	(5.2)	(3.3)	-	-	-	(302.9)	-	(274.3)	(100.0)	-	-	-	-
- Interest Payment	(13.0)			(4.7)				(4.0)					(4.3)	-
- Principal Payment	(67.3)			(26.4)				(27.0)					(1.4)	(12.6)
CF af. Fixed Financing	500.2	103.4	118.3	7.0	133.2	77.8	(211.8)	64.8	(159.7)	6.7	135.3	59.0	77.5	88.9
Cash Position af. Financing														
Beginning Cash	223.9	223.9	327.3	445.6	452.6	585.8	663.6	451.8	516.6	356.9	363.5	498.8	557.8	635.3
+ Change in cash	500.2	103.4	118.3	7.0	133.2	77.8	(211.8)	64.8	(159.7)	6.7	135.3	59.0	77.5	88.9
Ending Cash	724.1	327.3	445.6	452.6	585.8	663.6	451.8	516.6	356.9	363.5	498.8	557.8	635.3	724.2

Q&A

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Thank You!