

BPM

Managing Financial Anxiety – Understanding the SBA Loan Programs and Preserving Business Value

April 3, 2020

10:00 am – 11:00 am 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.

Our Panelists

Moderator



Edward Webb
Corporate Finance Group Leader
EWebb@bpmcpa.com

Speakers



Terry Hill
Partner, Advisory
THill@bpmcpa.com



Kemp Moyer
Director, Advisory
KMoyer@bpmcpa.com



Brett Hazlett
Director, Advisory
BHazlett@bpmcpa.com

SBA Loans – Update

CARES Act Loan Programs

- Paycheck Protection Program
 - Eligible businesses @ 500 employees or less
 - Max loan amount is lesser of \$10M or 2.5x average monthly payroll costs
 - Interest rate of 1% with a maturity of 2 years
 - Collateral and personal guarantee requirements are waived
 - Full loan forgiveness if proceeds used for defined purposes and employee and compensation levels are maintained
 - Defined uses are payroll costs, mortgage interest, rent payments, and utility payments.
 - Forgiveness is based on expenditures made over the 8-week period following the date of the loan; no more than 25 percent of the forgiveness may be attributable to non-payroll costs

- Assistance for Mid-Sized Businesses
 - Eligible businesses are those with between 500 and 10,000 employees
 - Loans available with interest rates of no higher than 2.00% with no payments due for at least the first six months after the loan is issued.

Where Do We Stand Today?

- Final SBA guidelines for PPP program released to banks late Thursday – banks may take applications beginning today, Friday, April 3rd
- Banks may be taking applications today
- Banks are indicating intention to apply prioritization standards to applications
- Expect further guidance regarding affiliation/venture-backed considerations

Critical Near-Term Activities

Where to Focus Now

- Work with a lender that has SBA experience and is committed to process
- Be expedient. Loans will be processed on first come basis.
- Understand current lender's SBA standing – ability to move swiftly
- Get ready with the right materials now:
 - SBA application
 - Calculation of the loan amount (details matter)
 - Tax returns – 2019 payroll at least; some banks asking for corp.
 - Stub period payroll (Jan, Feb, March)
 - Articles / bylaws (more important if new lender)
- Keep everything in one place. Bank account and/or ERP/GL
- Understand real runway. 2.5 months isn't 2.5 months
- Try and think beyond the SBA

Valuation - Immediate
Steps Support the
Longer View

Business Valuation – A Simple Summary

$$\text{Enterprise Value} = \frac{\text{Perceptions of Future Cash Flow}}{\text{Perceptions of Risk}}$$

How do we minimize COVID-19 impact?

Value Drivers and Immediate Considerations

- Short term funding to bridge the acute period is paramount
 - Have your paperwork, documents and processes in order to take advantage of funding sources (quick evidence)
- Establish/update a rolling weekly/monthly/quarterly cash projection, which will provide a pulse on the business in the short term and become a tactical and strategic driver
- Assess short term opportunities – are certain delivery models capable of ramping while others may be slow?
- Non-cash compensation

Longer Term – Beyond the SBA

- SBA isn't a strategy. What was the strategy before; how changed?
- Business relationships critical for restoring normalcy and long-term growth
 - Customer relationships
 - Your people
 - Key third party business relationships
- Continue to focus on your core
- Use short-term modeling and assessment tools to develop longer-term functionality
- Understand other financing options. Additional senior, mezzanine, ABL

Q&A

Stay up-to-date with the BPM
COVID-19 Resource Center at
bpmcpa.com/COVID-19