



Treasury and credit resiliency: mitigating the COVID-19 disruption to cash and liquidity

Resiliency and the current situation

The World Health Organization has declared COVID-19 a pandemic. COVID-19 has become a black swan event, a human tragedy that is impacting governments and businesses alike with unprecedented disruptions and risks. From the complete or partial shutdown of factories, to supply chain disruptions, labor shortages and cash flow stress, companies are feeling the business and financial shock of the COVID-19 outbreak. There are a number of key impact areas and challenges that CFOs and treasurers should address to overcome short-term risks and sustain business.

High level impact to treasury and credit

	Potential impacts	Challenges
Operations	<ul style="list-style-type: none"> Limited physical interaction between teams and individuals Restricted access to buildings and infrastructure Increased absences of key staff members and decision-makers 	<ul style="list-style-type: none"> Do you have virtual collaboration tools in place? Can you access treasury technology (e.g., payment stations, treasury management system) remotely and activate your business continuity plan? Can you comply with controls (e.g., four-eyes principle, physical signature)?
Funding	<ul style="list-style-type: none"> Limited access to capital markets and funding Increased funding requirements and costs Increased risk of breaching debt covenants 	<ul style="list-style-type: none"> Have you arranged supplemental funding sources? Have you assessed changes to funding requirements in various geographies? Can you monitor and forecast covenant ratios?
Liquidity, cash and banking	<ul style="list-style-type: none"> Cash shortages resulting from business impacts Difficulty mobilizing liquidity Lack of visibility into local cash balances Inability to centralize cash efficiently 	<ul style="list-style-type: none"> Can you adequately forecast cash under various scenarios to identify potential shortfalls? Can you efficiently get liquidity to where it is needed, especially in highly regulated countries? Do you know how much cash you have and where it is located? Can you mobilize idle and trapped cash? Can you accelerate cash inflows and delay cash outflows?
Financial risks	<ul style="list-style-type: none"> Disruption and increased volatility in the foreign exchange and commodity markets Sudden changes in value of liquid assets Increased counterparty credit risk to banks and customers Trade finance products unable to be sustained (e.g., timing) 	<ul style="list-style-type: none"> Are you adequately identifying and measuring financial risks? Should the hedging strategy be revised? Are you sufficiently monitoring your credit exposures toward your main financial counterparties?

Key questions for your organization to consider:

- ▶ How are your operating cash needs impacted? What short-term liquidity and contingency funding measures do you have in place?
- ▶ How long do you expect cash to be impacted? Over the next year? Longer?
- ▶ Has a decrease in operating cash impacted your ability to meet near-term obligations (e.g., payroll, interest expense)?
- ▶ Does your cash forecast include shock events that may challenge your liquid assets?

Steps you can take to address the crisis

1) Rapid funding response and monitoring

- ▶ Identify liquidity impact areas and short-term funding requirements across the enterprise
- ▶ Perform risk assessment with high-level quantification of sources/uses of funds and their impact on liquidity
- ▶ Define an action plan, including responsibilities and timeline



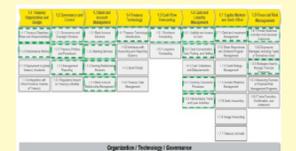
2) Short-term crisis management

- ▶ Implement crisis measures, such as acceleration of receivables and implementation/enhancement of liquidity forecasting
- ▶ Enhance reporting and monitoring tools (e.g., digital dashboard)
- ▶ Support communication to stakeholders
- ▶ Staff augmentation capabilities to reinforce support



3) Longer-term measures

- ▶ Reshape funding strategy and balance sheet targets
- ▶ Adapt governance if and where required
- ▶ Update business continuity plan
- ▶ Adjust ongoing operating model



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