

# The McQuillan Group, LLC

CPAs and Business Advisors

Business Planning for 18 -24 Months in a Post COVID Environment

Navigating the 80% Economy:  
Working Capital and Liquidity in the Pandemic Age

A planning program being offered to our existing clients.

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Simplifying Strategy Development



## The McQuillan Group, LLC

- Working Capital Minimization
- Liquidity
- Growing Market Share
- Strategic & Operational Planning
- Scenario Planning
- Flexibility & Resilience

*Working Capital* is the amount of money available for use in operating the business. Working Capital is the difference between a firm's current assets and current liabilities.

*Liquidity* is the cash used by a business during its normal business operations.

*Current Assets* (CA) is the total of cash and other assets that are readily converted to cash within one year, helping to satisfy the liquidity needs of the daily operations of the business.

*Current Liabilities* (CL) are the funds owed by the Business that are to be paid within one year.

$$\text{Working Capital} = \text{CA} - \text{CL}$$

Many of our clients have applied for the Paycheck Protection Program stimulus program, while fewer have applied for the Economic Injury Disaster Loans. In either case, the stimulus provides some relief against the economic damage your business may be experiencing as a result of the Coronavirus pandemic. While helpful, these programs will provide a limited amount of liquidity during the 3rd and 4th quarters of 2020.

The issue that The McQuillan Group is concerned about is the remainder of 2020. We do not envision a “V” shaped recovery for most of our clients. We are expecting a recovery that resembles a longer sloped line. Economic recovery is going to take some time and we want to help your business in preparing for the challenges the recovery will present.

We believe that additional economic stimulus funds will diminish as the year evolves. How well your business survives this crisis is directly dependent on how well you plan today. Success is not an accident and planning makes a difference. We should talk!

Working with The McQuillan Group, a detailed analysis of your company's current condition will be developed, with the final product being a series of strategies and action plans, that provide a roadmap for navigating through the challenges ahead.

## Flexible Solutions for Your Individual Company's Liquidity Needs.

In order to prepare for the unanticipated future we are proposing an intense, formal planning process be started.

- We want to ensure your business has sufficient credit tools to meet its working capital requirements for the balance of 2020.
- We want to ensure that your business' costs are proportionately maintained with your revenue.
- We want you to have multiple choices and strategies to consider moving into the second half of 2020.

## CUSTOM SOLUTIONS

In times of uncertainty, solutions must be customized and designed to meet our client's specific requirements.

### Questions

How deep is your bench of talent?

What are your company's strategic competitive advantage(s)?

Does your company have a customer concentration risk?

Do you collect your Accounts Receivable in an efficient and effective manner?

What is your company's pricing strategy?

The first line of the cash flow statement.

Given that the first line of the cash flow statement is net profit, we want to discuss important issues related to profitability. This involves an examination of the company's working capital.

Working capital involves efficient and effective processes so our conversation goes beyond just pushing payables out.

## Managing the Process

- Plot 2018, 2019, and year to date 2020 (the period).
- Calculate common measures for the period.
- Calculate liquidity benchmarks for the period.
- Project monthly revenue, cost of goods sold, and expenses for the period April 2020 through December 2020. If by the end of 2020, stabilization to 2019 values are not achieved, project performance into 2021. Determine the damage value and the damage duration.
- Create a best case, high probability, and worst case scenario and project before tax cash flows.
- Analyze fixed costs.
- Determine the business' liquidity requirements for the damage period.
- Determine where working capital requirements can be minimized.
- Calculate the working capital and liquidity deficits given the projection models and develop strategic options.
- Decide on a strategy and plan for a successful implementation of the chosen strategic direction. Communicate the decision to the management team and stakeholders.

## Project & Application Management

When all the scenarios are reviewed and you determine the direction that is best for your business, The McQuillan Group will establish action plans with well defined work breakdown schedules. These work breakdown schedules are then designed into projects, which you the client would manage with our monitoring.

The way we do things has changed. In a brief 15 years we have experienced two of the most drastic occurrences in finance. Is there a new normal? How should a business owner view these events and how are these events going to change how a business is sustainable in the future?

Its time for a conversation. We are waiting for your call and Thank You for your business!

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