Focus on Finance:

Transition from Liquidity Crisis to Optimization

The recent banking crisis, spurred by the collapse of Silicon Valley Bank (SVB) and followed by Signature Bank and possibly other regional banks, has caused turmoil and increased uncertainty in an already volatile environment marked by rising interest rates, inflation, and geopolitical unrest. Although the government has established a program to guarantee customer deposits, the crisis has heightened the awareness of companies of the importance of their banking, lending, and liquidity situations.

Companies can take action to mitigate their risk while maximizing flexibility and optionality. In doing so, it is critical to evaluate not only their own exposure, but also that of their customers and suppliers. Following any immediate triage activities, there are opportunities to strengthen the company and build resilience for the longer term.

KEY QUESTIONS	IMMEDIATE ACTIONS	OPTIMIZATION OPPORTUNITIES
Banking and Treasury		
• How resilient are my overall banking relationships and account structure? • Am I maximizing yield, reducing risk, and reducing costs by optimizing my asset structure? • How accessible is my cash? Where are there areas of trapped cash or restrictions on funds?	• Review and document bank account structure • Understand bank assets and positions • Evaluate risk and exposure across asset classes, as well as borrowing capacity • Identify opportunities to diversify assets • Assess adequacy of capital • Communicate with lenders, sponsors, and other stakeholders • Review letters of credit and other liquidity/credit tools • If directly impacted, begin process to establish new accounts and move funds	• Identify opportunities to streamline structure, harmonize processes, and centralize activities • Reconcile bank accounts on a monthly basis • Define standard operating protocols between Accounting, AP, SSC, and business partners • Review Fx and hedging strategies • Ensure proper governance is in place to manage lender relationships
Liquidity Optimization		
• Do I have sufficient cash for operations, including payroll? • What is our cushion? How long can it last if we cannot access other funds? • How do we get more cash? • Where are my low points of liquidity? • How do we better manage the cash we have?	• Prepare / update and pressure-test 13-week cash flow forecast • Understand liquidity impact of customers or vendors that utilize SVB, Signature Bank, or other at-risk banks (check FDIC and ABA sites for additional guidance) • Determine minimum cash requirements • Appoint a "cash czar" • Manage availability; review covenants • Develop an action plan including key levers to pull should situation deteriorate	• Resize cash reserves • Institute a cash culture • Improve forecasting accuracy • Create and automate daily cash actuals reporting • Develop covenant compliance checklists and dashboards to monitor • Build and maintain working 3-statement model linked to 13-week cash flow

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KEY QUESTIONS	IMMEDIATE ACTIONS	OPTIMIZATION OPPORTUNITIES

Accounts Receivable

Key Questions

- What is my exposure to clients that bank at SVB, Signature Bank, or other at-risk banks?
- What are the liquidity implications of potential collection delays? What actions can I take to mitigate them?

Immediate Actions

- Identify customers impacted
  - Analyze historical incoming wire and ACH data to determine if any major clients utilize an at-risk bank as their primary treasury bank
  - Communicate with customers
- Identify potential collection delays
- Analyze and segment customers; prioritize collections from customers with highest profit and least aged receivables
- Tighten credit limits and/or request early payments

Optimization Opportunities

- Conduct customer profitability analysis
- Evaluate and improve order-to-cash process
- Consider adding resources to billing and collections team
- Monitor overall credit quality of customers
- Review terms and conditions of customer invoicing agreements, including credit limits

Accounts Payable

Key Questions

- Do we remit payments to any large suppliers via SVB, Signature Bank, or other at-risk banks?
- Are any of our suppliers at risk given significant relationships with affected banks?
- Are suppliers concerned about the risks of doing business with our company?

Immediate Actions

- Identify suppliers impacted
  - Analyze historical outgoing wire and ACH data to determine if any major suppliers utilize an at-risk bank as their primary treasury bank
  - Communicate with key suppliers to reassure them of company position and payment
- Stratify critical vs. non-critical vendors
- Negotiate for extended terms; consider deferrals, payment plans, or exchanging payment timing

Optimization Opportunities

- Evaluate and improve procure-to-pay process
- Assess purchasing
  - Restrict purchasing to critical supplies / goods in demand
  - Consider cancellation of select POs
  - Eliminate non-essential spending

FP&A

Key Questions

- Do I have good visibility into our cash position and the company's performance ?
- Do I understand the implications on the business?
- Am I able to quickly spot red flags and changes in trends?

Immediate Actions

- Establish real-time dashboards with metrics
- Understand P&L implications and focus on the balance sheet
- Model scenarios, including worst case; stress test for amount and timing of impact
- Provide financial data to support payment deferrals

Optimization Opportunities

- Conduct Ankura Quality of Finance™ assessment to identify gaps in people, process, technology
- Reduce costs
- Pressure test the business model
- Consider assets to be monetized
- Build short-term liquidity sensitivity model

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