

REOPENING AFTER COVID19: BACK TO BASICS



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The UK economy has been at a standstill since the middle of March 2020, when the UK government implemented a nationwide lockdown on all non-essential businesses. During this period, many businesses have been unable to generate any revenue to meet their ongoing fixed cost obligations. Much needed relief was provided a few weeks ago, when the government announced plans to allow businesses to gradually reopen. As business owners across the UK look to restart their businesses over the coming weeks, we share our thoughts on what the key considerations might be for a business owner, some quick wins to manage the risks and alternatives to consider when thinking about the longer term success of your business.

What should I consider prior to reopening?

- **Revenue expectations:** do I expect sufficient demand when I reopen? Will this translate to immediate cash inflows or should I reconsider the credit terms being offered?
- **Overhang of liabilities:** how best do I manage my cashflows whilst trying to settle bills and liabilities that have been outstanding for months? How do I prioritise who I pay and when? Am I able to meet my next rent payment?
- **Health & safety:** how can I fund procurement of PPE? How do I manage my risk against potential lawsuits down the road?
- **Longer-term concerns:** do I believe my business is still viable and will recover? If so, do I need a cash injection? If not, what are my responsibilities and what should I be doing?

Some quick wins might include:

- **Cashflow forecasting:** will allow you to see how much you can afford to spend and when. Pinch points are likely to come around quarter end as your cash balance may be eroded and larger rent, VAT payments may become due.
- **Communicate:** upfront with your key stakeholders (landlord, suppliers, HMRC, etc.) and agree payment plans where possible. Winding up petitions cannot be introduced until 30 June 2020, which provides business owners with some negotiating leverage.
- **Review insurance policies:** and make sure you are covered for the risks you may encounter (e.g. lawsuit due to infectious diseases).

What alternatives could I be thinking off?

Our team can help you navigate through this period of uncertainty. We recommend you consider the following alternatives when thinking about the medium to long term success of your business:

1. **Re-finance:** where you believe you have a viable business in need of some cash injection, a well thought through business proposal to potential investors or lenders could do the trick. Invoice discounting could be another source of cash inflow that we can help manage and arrange.
2. **Restructure:** speak to our insolvency experts and see if you can restructure your business to better safeguard its future.
3. **Arrange for a sale:** selling some (or all) of the equity may guarantee the survival of your business and your legacy. There are several investors, waiting on the sidelines, who may wish to invest in your business. Getting upfront help from experienced professionals at Cooper Young will be key to ensuring you can manage the process and get the right price.
4. **Voluntary wind down:** where continued operation is not feasible a managed wind down of the operations might be the only option. Under certain circumstances, this may even provide you with a fresh start. At Cooper Young, we have extensive experience of helping small and medium sized businesses through distress. Speak to us for a free initial consultation and see how we can help you and your business.

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