



Trusted Advisors for Growth

**Webinar
8.24.20**

With K.COE ISOM



How to Build a Post-Pandemic Plan for Financial Resilience

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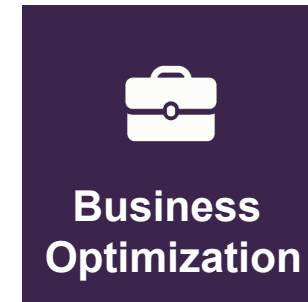
- **Everyone attending the webinar is muted. To ask a question, type your question in the Q/A text box using your GoToMeeting panel.**
- **We will ask questions at the end of the presentation.**
- **This webinar is being recorded. The link to the recording will be included in a follow-up email being distributed tomorrow.**
- **Please check our website www.wearekms.com frequently for new webinars and events. (or register to receive our KMS newsletter)**

Introduction

Kansas Manufacturing Solutions (KMS)

KMS' mission is to grow Kansas manufacturing by delivering solutions to small and medium sized manufacturers with value driven results.

5 Core Competencies





K·COE
ISOM

How to Build a Post-pandemic Plan for Financial Resilience

Presenters:

Lisa Baalman

Scott Brin

Megan Johnson

Our Roots Date Back to 1932

K·Coe Isom is a recognized, national business advisory and financial services firm.



360+
employees



Top 70
Accounting
Firm in USA



Industry
Expertise



\$70M
Revenues



Recognized
Leader



National
Scope &
Resources



Industries We Serve

We help organizations of all sizes to set, implement, and attain strategic goals.

Manufacturing

Equipment
Biofuels
Food & Beverage

Distribution

Beer, Wine, & Spirits
Specialty Transportation
Equipment Dealers

Production

Agriculture

Community-focused


Entrepreneurs
Privately-held & Family-owned
Businesses

Commercial

Architects & Engineers
Community Banks
Construction & Real Estate
Telecommunications



3 Ways We Help You Grow

- 
1. **Optimize** your financial and operational health
 2. **Expand** upon your capabilities and reach
 3. **Transition** seamlessly on your terms

The K•Coe way:

We understand your industry, solve complex problems in your business, and collaborate to provide innovative solutions.

Specialized, strategic business consultants to overcome obstacles and seize opportunities.



Solutions for Manufacturing Operations

Tap into expert resources with industry knowledge for more strategic business decisions.

- ✓ Operational analysis and benchmarking to boost productivity
- ✓ Long and short-term financial strategies to expand and grow business
- ✓ HR resources to manage employee recruitment, retention, and performance
- ✓ Interactive leadership development
- ✓ Succession and transition advisory and planning
- ✓ Financial and strategic support – bookkeeping, controller, or CFO level
- ✓ Risk management
- ✓ Managed accounting services
- ✓ Wealth management strategies
- ✓ Employer benefit and insurance plan guidance



Why is Financial Planning Important?

- ✓ Tighter lender restrictions
- ✓ Unknown long-term impact of recovery
- ✓ Uncertainty of Receivables
- ✓ Maximizing Payables
- ✓ Creating a Play Book

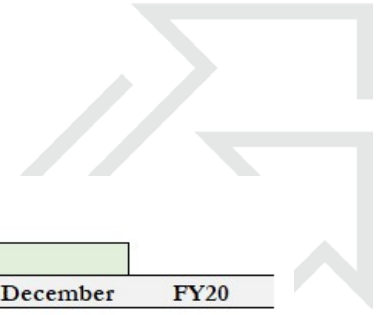


Importance of a Twelve-Month Cash Flow Projection

- ✓ Often Required by Lenders
- ✓ Planning Tool / Sensitivity Analysis
 - The Good, the Bad and the Ugly
- ✓ Months with Negative Cash Flow



Twelve Month Cash Flow Projection



3. Cash Flow

NewCo

Operating activities

	Actuals			Projected									
	January	February	March	April	May	June	July	August	September	October	November	December	FY20
Net Income	(\$32,567)	(\$18,167)	(\$14,368)	(\$3,243)	\$13,768	\$38,473	\$79,493	\$120,548	\$38,643	\$62,957	\$38,336	\$38,444	\$362,319
Plus: Depreciation	\$10,000	\$9,900	\$9,801	\$9,703	\$9,606	\$9,510	\$9,565	\$9,569	\$9,273	\$9,556	\$9,535	\$9,440	\$115,458
Plus: Change in working capital	(\$5,010)	\$8,375	\$2,531	\$5,549	(\$98,818)	\$1,773	\$2,955	\$2,955	(\$5,910)	\$11,773	(\$1,773)	\$10,000	\$55,580
Net cash from operating activities	(\$27,577)	\$108	(\$2,035)	\$12,008	(\$75,444)	\$49,756	\$92,012	\$133,073	\$42,007	\$84,286	\$46,099	\$57,884	\$533,357

Investing activities

Fixed Asset Investments/Sales	\$0	\$0	\$0	\$0	\$0	(\$15,000)	(\$10,000)	\$20,000	(\$37,500)	(\$7,500)	\$0	(\$10,000)	(\$60,000)
Cash Invested into business	\$0	\$0	\$0	\$30,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$30,000
Draws from business	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$10,000)	\$0	\$0	\$0	\$0	(\$10,000)
Net cash from investing activities	\$0	\$0	\$0	\$30,000	\$0	(\$15,000)	(\$10,000)	\$10,000	(\$37,500)	(\$7,500)	\$0	(\$10,000)	(\$40,000)

New loans received	\$0	\$0	\$0	\$100,000	\$0	\$0	\$0	\$0	\$37,500	\$0	\$0	\$0	\$137,500
Principal repayments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$10,000)	\$0	(\$10,000)	\$0	(\$20,000)
Net cash from financing activities	\$0	\$0	\$0	\$100,000	\$0	\$0	\$0	\$0	\$27,500	\$0	(\$10,000)	\$0	\$117,500

Beginning cash balance	\$30,000	\$2,423	\$2,532	\$496	\$142,505	\$67,061	\$101,817	\$183,829	\$326,902	\$358,908	\$435,694	\$471,793	
Net cash flow	(\$27,577)	\$108	(\$2,035)	\$142,008	(\$75,444)	\$34,756	\$82,012	\$143,073	\$32,007	\$76,786	\$36,099	\$47,884	
Ending cash balance	\$2,423	\$2,532	\$496	\$142,505	\$67,061	\$101,817	\$183,829	\$326,902	\$358,908	\$435,694	\$471,793	\$519,676	\$519,676

Minimum Cash	Month
\$496	March

Options for Cash Flow Shortfall



- ✓ Talk to your Lender as soon as you identify a potential concern
 - Increased LOC
 - Term out existing debt – (LT, ST, frozen LOC)
- ✓ Delay of capital expenditures
- ✓ Review Expenses
 - Payroll, Overtime, Travel, Family Living, Change Fixed to Variable if Possible
- ✓ Selling Land, Real Estate or Assets
- ✓ Non-Traditional Sources of Capital
 - Friends and Family, Receivables Factoring, Interest only payments, Purchase order finance

Repayment Capacity



Debt Service Coverage Ratio:

(Net Income + Interest + Taxes + Depreciation +
Amortization + Other Non-Cash Items +/- Non-
Recurring Inc./Exp. +/-Distributions/Contributions)

(Principal + Interest Payments)

Repayment Capacity

Lender

Net Income	\$ 272,049
Depreciation	\$ 273,361
Interest Expense	\$ 99,833
Cash Available to Service Debt	\$ -
Interest Expense	\$ -
Less: Distributions	\$ (1,644,675)
Cash Available for Debt Service	\$ (999,432)
Principal	\$ 482,999
Interest	\$ 99,833
Annual Debt Service	\$ -
Interest	\$ -
Combined Total Debt Service	\$ 582,832
Debt Service Coverage Ratio	-1.71

Owner

Net Income	\$ 272,049
Depreciation	\$ 273,361
Interest Expense	\$ 99,833
Other non-cash add-backs	\$ 120,328
Other non-cash add-backs	\$ 89,395
Cash Available to Service Debt	\$ 1,704,051
Interest Expense	\$ -
Less: Distributions	\$ (604,212)
Cash Available for Debt Service	\$ 1,954,805
Principal	\$ 482,999
Interest	\$ 99,833
Annual Debt Service	\$ 399,927
Interest	\$ -
Combined Total Debt Service	\$ 982,759
Debt Service Coverage Ratio	1.99
argin (Shortage)	\$ 972,046

Cash Conversion Cycle



Days Inventory Outstanding (DIO)

Days to turn resource inputs into sales

$$\text{DIO} = (\text{Cost of Average Inventory} / \text{Cost of Goods Sold}) * \text{Number of Days}$$

Days Sales Outstanding (DSO)

Days to turn sales into cash

$$\text{DSO} = (\text{Average Accounts Receivable} / \text{Total Credit Sales}) * \text{Number of Days}$$

Days Payables Outstanding (DPO)

Days to pay expenses with cash

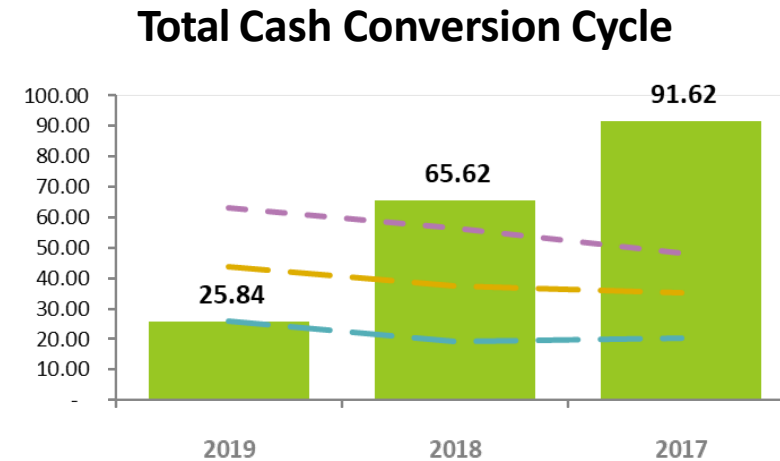
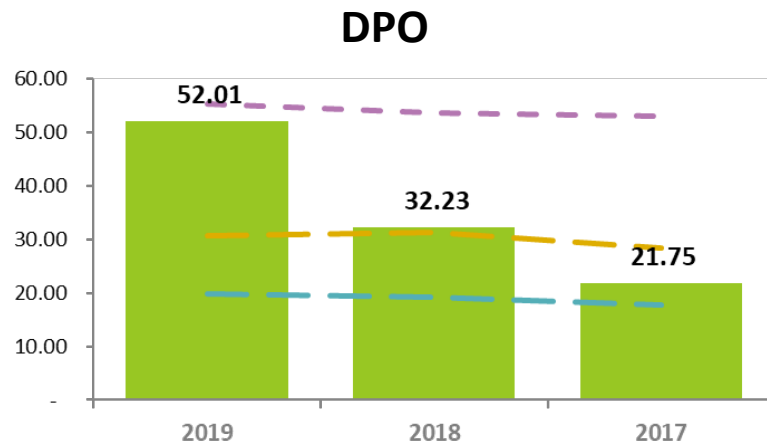
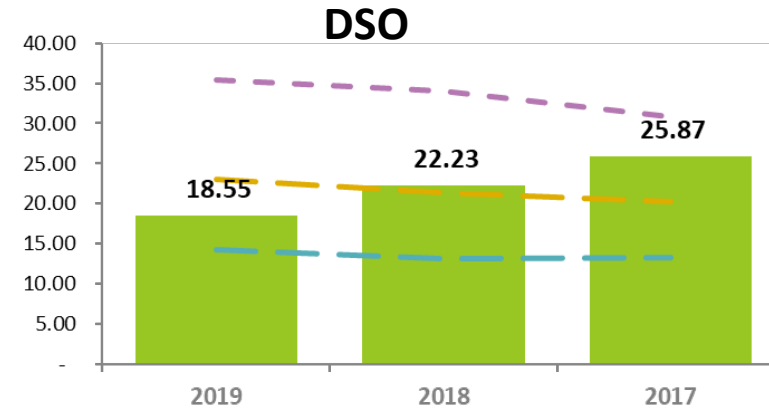
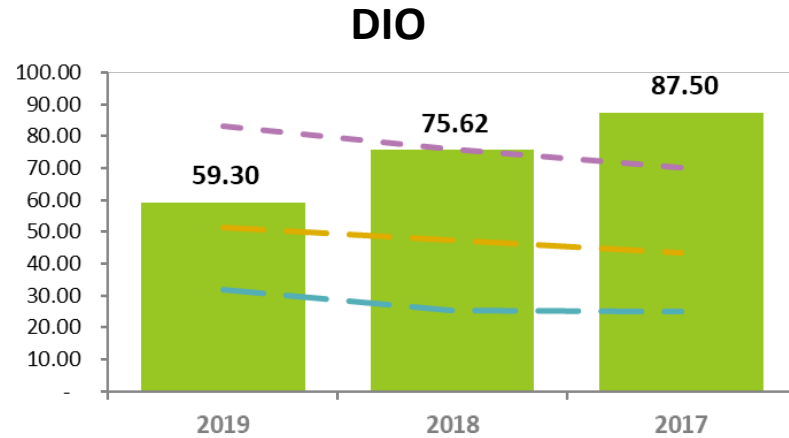
$$\text{DPO} = (\text{Average Accounts Payable} / \text{Cost of Goods Sold}) * \text{Number of Days}$$

Total Cash Conversion Cycle

Time to convert resources into cash

$$\text{Total Cash Conversion Cycle} = \text{DIO} + \text{DSO} - \text{DPO}$$

Cash Conversion Cycle - Example



Managing through a Pandemic

- ✓ Communication is critical
- ✓ Create Play Book
 - Past, present, future
 - Sensitivity analysis
 - The good, the bad, the ugly
- ✓ Cash Management



Thank You



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Final Notes

- **Additional content on financial resilience will be posted to the WEAREKMS.com website blog and the KMS newsletter over the next few weeks.**
- **Webinar Replay information**
 - **Webinar replay information will be distributed to you tomorrow via email**
- **Thank you for joining the webinar**