
COVID-19 Business Toolkit

Managing your business in uncertain times

18 March 2020

Managing your business through COVID-19

A guide to steps that your business might consider taking in the days and weeks ahead.

This is a challenging time for everyone and we are beginning to feel the impact on every aspect of our daily lives.

Covid-19 is a significant threat to many and we have to play our part in helping to reduce the spread of the virus. Just like you, the wellbeing and safety of our people is our priority and therefore we have taken steps to protect our people and follow public health advice. Remote working is now our default, however, our availability and ability to help you should be unaffected and all our teams will continue to work normally to support you and your business through this very difficult time.

The business challenges that we are facing are unprecedented and managing the months ahead will be very difficult. However, there are steps that you can take to protect your business at this difficult time. My colleagues and I in BDO are here to help you through these challenges and we will use our knowledge and experience to support you.

Please feel free to contact me, or any of my colleagues, if we can support you and your business.



Finally, I sincerely hope that you, your families and friends stay safe and well over the coming weeks. We will get through it together.

Best wishes

A handwritten signature in black ink, appearing to read 'Michael Costello'.

Michael Costello
Managing Partner

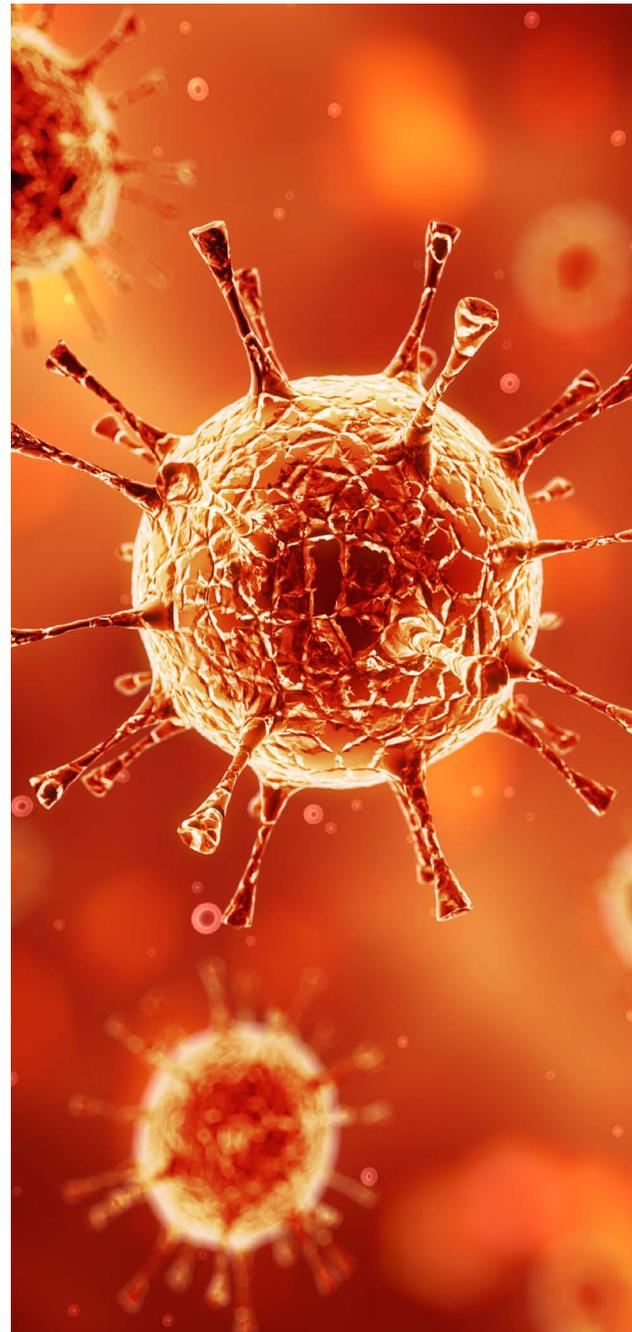
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Sudden developments left no time to prepare

Businesses need to assess their position very quickly

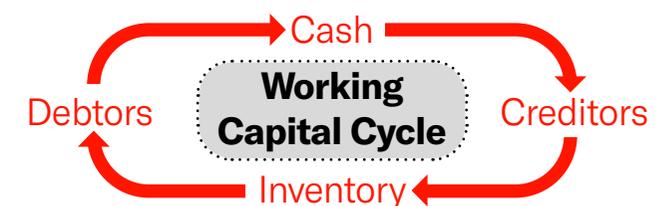
- The business interruption from COVID-19 is unprecedented
- Unlike previous business interruptions – we didn't see this coming
- Its impact to health and business strength is severe
- Business had little time to prepare e.g. cash flow management
- So the first step is to accurately assess the key metrics in your business today – where do you stand
- The most important metric is cash and liquidity in your business.



Trading and working capital

Are you continuing to trade and what are the impacts on your working capital?

- A key question is whether your product or service is in demand in the short term?
- If it is, can you get paid on normal credit terms?
- If it is not, or if public health guidelines dictate closure it is important to consider ceasing to trade temporarily
- This might allow you cut cost when income is heavily impacted
- This is particularly the case in the hospitality sector.



<https://www.bdo.ie/en-gb/services/advisory/corporate-finance>

3 month (13 week) cash flow

The essential business tool to make decisions

- We recommend immediate completion of a 13 week cash flow
- It should be prepared on a **base case** and **pessimistic case** basis
- Liquidity is tightening and anticipated cash inflows might not come in (pessimistic case)
- If your liquidity is strong even in a pessimistic case with normal outgoings – you have balance sheet strength and time to react to further unexpected events.



Brian McEnery, Head of Advisory
01 4700 460 | bmccenery@bdo.ie

Cash flow analysis and management

Where opening cash is low and liquidity looks tight

- Where liquidity looks tight over the initial 13 week period
- You need to activate business techniques to ensure your business remains in existence
- Examine where costs can be cut
- Examine opportunities to engage with key creditors and examine forbearance opportunities
- The objective is to cut cost and extend cash reserves.



<https://www.bdo.ie/en-gb/services/advisory/corporate-finance>



<https://www.bdo.ie/en-gb/services/advisory/corporate-finance/restructuring>

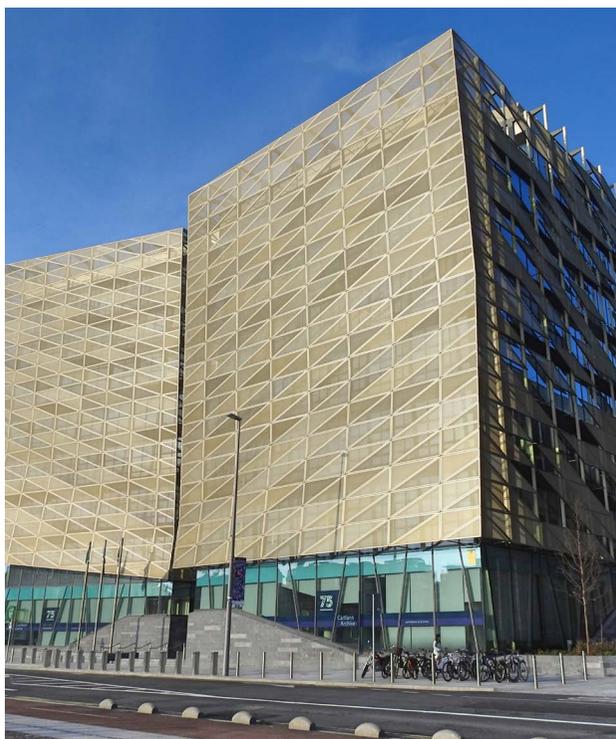
Banks and funding

Pro-active relationship management is critical

- Banks have strong liquidity and need to lend money
- They can assist through moratoria on current loans and/or cash flow lending
- Review current loan documentation to understand terms & covenants
- Proactively engage with funders to negotiate revised terms
- Identify alternative sources of capital and Governmental supports

<https://dbei.gov.ie/en/What-We-Do/Supports-for-SMEs/COVID-19-supports/Government-supports-to-COVID-19-impacted-businesses.html>

- Well presented analysis with financing or restructuring requests will be met favourably.



Katharine Byrne, Corporate Finance Partner
01 4700 524 | kbyrne@bdo.ie

Managing debtors & creditors sensibly

A sensitive action, but may be necessary for businesses to remain viable

- Creditors are likely to show some forbearance on balances owed
- Both debt collection (your debtors) and debt enforcement (by creditors) through the Courts will be slow
- Therefore it's better to engage with debtors and creditors after you have completed your cash flow analysis
- Treat both fairly and don't over extend credit inward or outwards as suppliers may discontinue supply or you may lose a customer
- Taking extended credit is not unusual in downturns but maintain your reputation
- Act according to your detailed cash flow analysis and credit facilities available.

<https://www.bdo.ie/en-gb/services/advisory/corporate-finance>

Employee costs and options

Business will be reluctant to consider staff short-time and temporary lay-offs but they need a briefing on the practical steps that can be taken

SHORT-TIME

- Pay or hours are less than half the normal level
- Intended to be temporary
- There is a Governmental support for short-time pay (Jobseeker's Support)
- Reasonable notice should be given to employees of short-time so check contracts of employment and communicate with employees daily.

LAY-OFF

- This arises where there is no available work
- Intended to be temporary
- There is Governmental support for Unemployment and Jobseeker's Support
- Lay-off is not redundancy and so there is an expectation of the right to return to work
- Where lay-off or short-time runs for more than 4 weeks or 6 weeks out of last 13 the employee is entitled to serve notice claiming redundancy.

Short-time Work Support

Jobseekers Benefit

- This is payable as income support if one is on a temporarily short working week
- If you remain working at least 3 days this payment can be made for the other 2
- Employees and self employed must have a history of PRSI contributions
- Payment for a full week is €203 and for example for 2 days it amounts to €81.20
- One may get an enhanced payment for a qualifying adult and qualifying children.

 <https://www.bdo.ie/en-gb/services/advisory/corporate-recovery>

 <https://www.gov.ie/en/service/c20e1b-short-time-work-support/>

Illness Benefit

COVID-19 Provisions

- The 6 day waiting period for illness benefit will not apply
- The personal rate of illness benefit will increase from €203 per week to €305 per week for a maximum of 2 weeks
- This will apply to persons who are advised to self isolate even if they do not have COVID-19.

Coronavirus COVID-19

Coronavirus COVID-19 Public Health Advice

If you have fever and/or cough you should stay at home regardless of your travel or contact history.

All people are advised to:

- > **Reduce** social interactions
- > **Keep a distance** of 2m between you and other people
- > **Do not** shake hands or make close contact where possible

If you have symptoms visit hse.ie OR phone HSE Live 1850 24 1850

How to Prevent

- Stop**
shaking hands or hugging when saying hello or greeting other people
- Distance**
yourself at least 2 metres (6 feet) away from other people, especially those who might be unwell
- Wash**
your hands well and often to avoid contamination
- Cover**
your mouth and nose with a tissue or sleeve when coughing or sneezing and discard used tissue
- Avoid**
touching eyes, nose, or mouth with unwashed hands
- Clean**
and disinfect frequently touched objects and surfaces

Symptoms

- > Fever (High Temperature)
- > A Cough
- > Shortness of Breath
- > Breathing Difficulties

For Daily Updates Visit
www.gov.ie/health-covid-19
www.hse.ie

Ireland is operating a delay strategy in line with WHO and ECDC advice

HSE | Rialtas na hÉireann Government of Ireland

Unemployment Benefit

Simplified Unemployment Payment Procedures – COVID-19

- Where employers have ceased trading because of social distancing measures but continue to pay employees they will be eligible to secure a refund of €203 per worker per week in due course
- When cash flow is under pressure, banks have been asked to assist businesses with enabling this payment.



<https://www.gov.ie/en/publication/99104a-covid-19-coronavirus/>



<https://www.gov.ie/en/news/965011-covid-19-introduction-of-simplified-unemployment-payments-for-employ/>

Acting swiftly on costs

- Supplier, wages and rent are likely to be the largest creditors
- If there is no work for employees, businesses will need to consider lay-off and short-time initiatives
- Use Governmental supports in relation to employees
- Try and extend payment terms to suppliers and landlords
- It's too early to know where the property market will go rents etc for the longer term
- **It's about costs control and cash management.**



David O'Connor, Corporate Recovery Partner
01 4700 432 | doconnor@bdo.ie

Landlord & Tenant

Proactively engage with your landlord – it's sensible for both parties

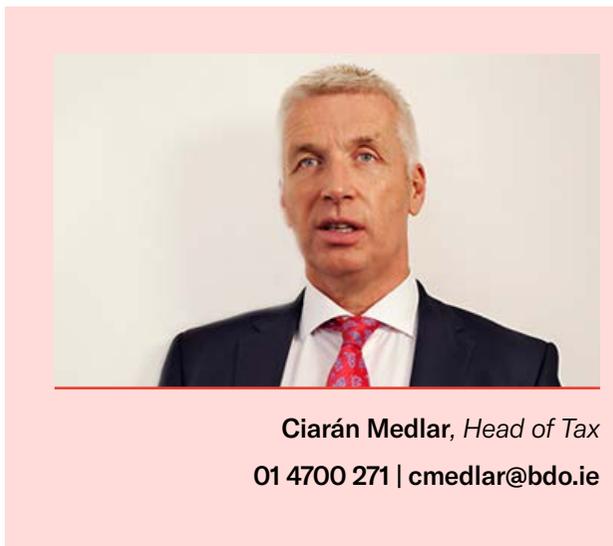
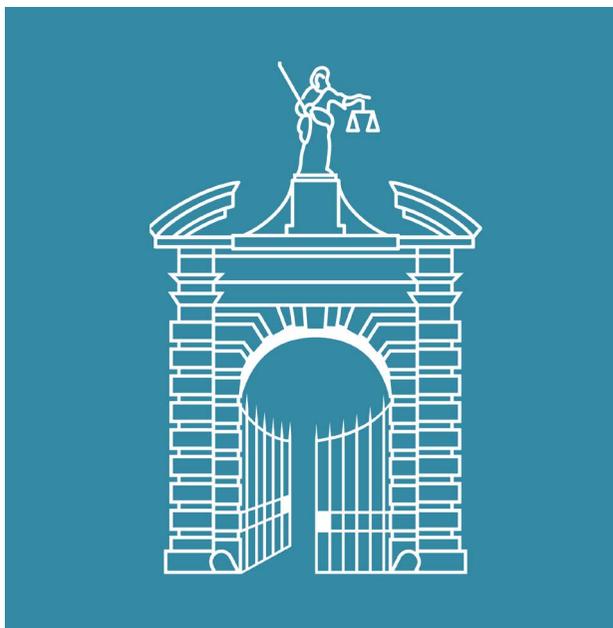
- Landlords of SME's will want their tenants to endure through this time
- Transparent discussions with your landlord is sensible
- Rent postponement or reduction during this crisis is going to occur
- Being flexible during this crisis period may be enough to save the business
- Having your advisor validate your cash flow and overall financial position to your landlord helps.

<https://www.bdo.ie/en-gb/services/advisory/corporate-finance/restructuring>

Revenue – approach for SME's

Property Tax, VAT & PAYE – Guidance from Revenue (March 2020)

- All businesses should continue to process relevant returns to Revenue
- Application of late interest to the Jan/ Feb VAT payment is suspended
- Application of late interest for Feb/ March PAYE (Employers) liability is suspended
- All Revenue's debt enforcement activity is suspended
- Current tax clearance status will remain for the coming months
- Property tax payment deferred to May 21st from March 21st.



Ciarán Medlar, *Head of Tax*
01 4700 271 | cmedlar@bdo.ie



<https://www.bdo.ie/en-gb/services/tax>

What is an SME

Small and Medium Business Definition – Tax Law definition is narrow

- For tax purposes, an SME is a business with turnover of less than €3 million which is not dealt with by either Revenue's Large Cases Division or Medium Enterprises Division. SME's are managed from both a service and compliance standpoint by Revenue's Business Division.
- This is significantly different from the definition under company law and is much more restrictive under Tax Law.

More fundamental problems

Turnaround – formal & informal

- Where there is a viable business which is paralysed by debt & creditors then more intensive action is required
- If you are in an onerous contract which you can't amend then you might need to use the powers of the Companies Acts
- A formal (Examinership – High Court or Circuit Court) may be needed, or
- An informal restructuring may be a better approach
- Talk to us about business rescue & restructuring.



<https://www.bdo.ie/en-gb/services/advisory/corporate-recovery>



Brian McEnergy, *Head of Advisory*
01 4700 460 | bmccenery@bdo.ie



Speak to us now and get the advice you need

Some of our partners at your disposal

Michael Costello

Managing Partner
mcostello@bdo.ie
+353 1 470 0223

Brian McEnery

Head of Advisory
bmcenery@bdo.ie
+353 61 464 826

Denis Herlihy

Managing Partner Limerick
dherlihy@bdo.ie
+353 61 414 455

Ciarán Medlar

Head of Tax
cmedlar@bdo.ie
+353 1 470 0271

Teresa Morahan

Head of Audit
tmorahan@bdo.ie
+353 1 470 0186

David O'Connor

Head of Consulting
david.oconnor@bdoeatonsquare.ie
+353 1 470 0000

Katharine Byrne

Partner, Corporate Finance
kbyrne@bdo.ie
+353 1 470 0524

David O'Connor

Partner, Corporate Recovery
doconnor@bdo.ie
+353 1 470 0432

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