CRYSTAL BALL GAZING:
WHAT EVERY CFO NEEDS TO KNOW

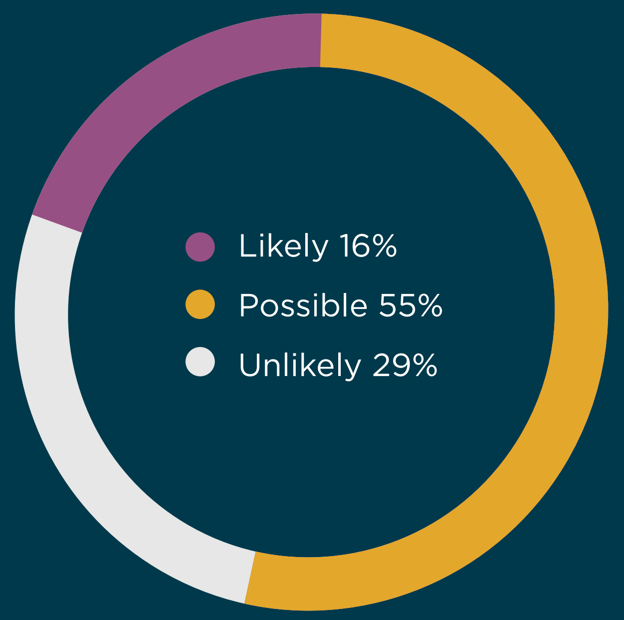
Key considerations and audience reaction from our 5 November event

LIQUIDITY:

What should you consider if your business is facing liquidity challenges?

- For cashflow forecasts, bear in mind the timing of the audit and the need for auditors to complete their required assessments.
- If your liquidity shortfall is material be ready to reduce leverage by raising equity and/or disposing of assets.
- Consider CLBILS which is now extended to 31 January 2021 with CCFF applications to close 30 November 2020.
- Maintain a constant and honest dialogue with your banks.

How likely is your business to require additional liquidity in the next 12 months?

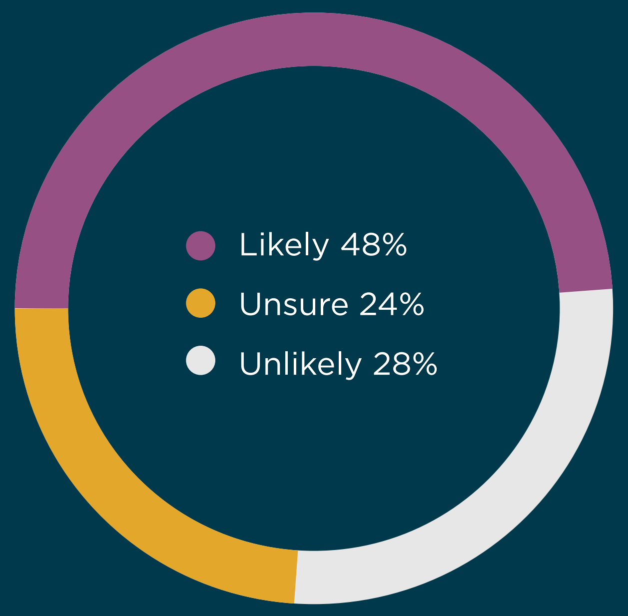


FUNDING STRATEGIC ACQUISITIONS:

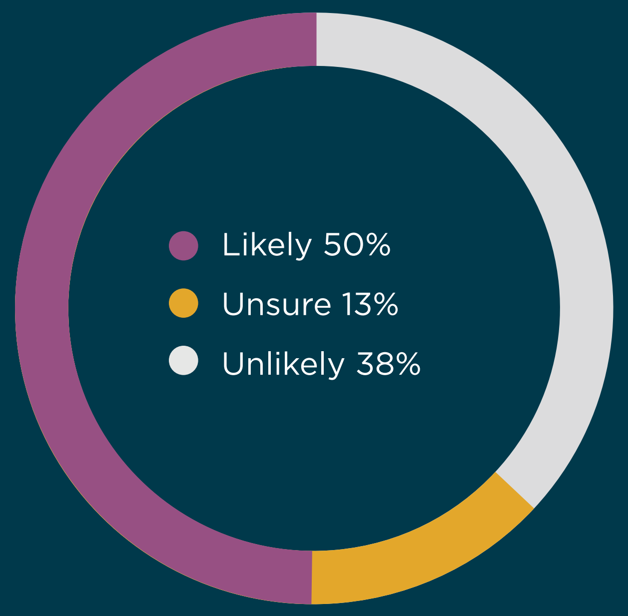
If you're coming through the pandemic strongly and have growth in mind, what should you be thinking about?

- Expect fierce competition for targets from PE. Be prepared – get your funding in place ahead of time, and get the right balance of debt and equity.
- Be clear about restrictions on or conditions in your finance documents and remember DD and seller warranties may not be available for distressed targets – consider likely timescales for all required lender approvals.
- Bear in mind the tightening bank credit environment – stronger appetite where it is shorter term, eg refinanced into capital markets, repaid quickly through cash flow or bridging an equity raise.
- Bank debt isn't the only option: capital markets have been very strong since April with opportunistic issuances taking advantage of good pricing.

Is your business is likely to consider making an acquisition in the next 12-18 months?

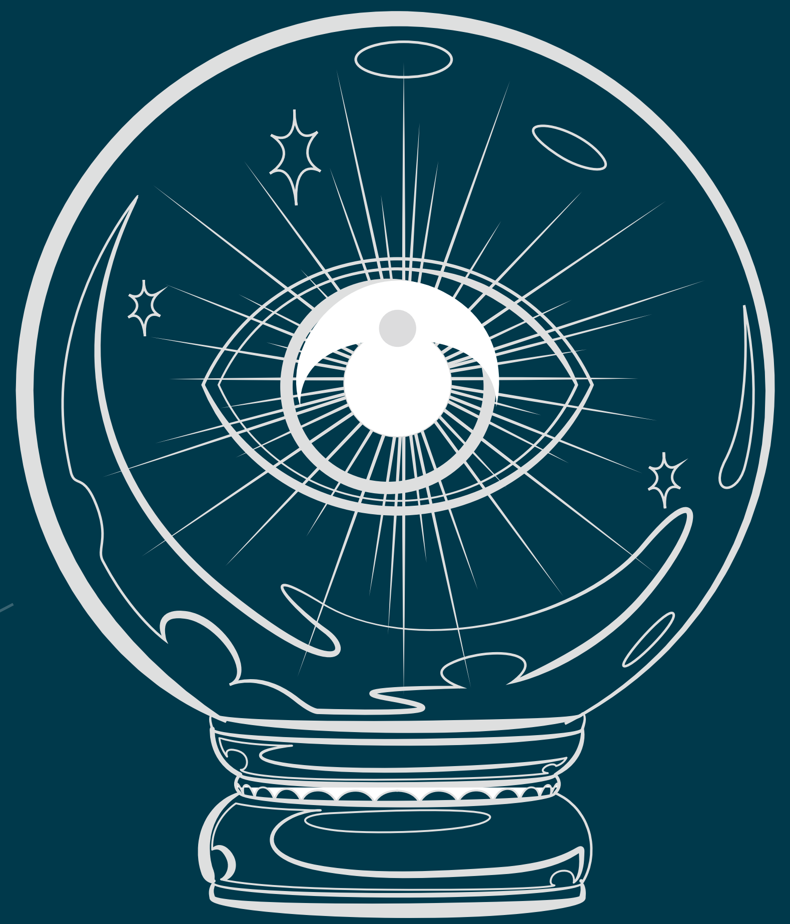


If your business makes an acquisition in the next 18 months, is it likely to seek additional funding for the acquisition?



REFINANCING:

- Consider an extension to existing facilities until you can demonstrate stable forecasts. Pre-Covid pricing increases have continued through the pandemic.
- Think about timing – both expiry of your facilities and your auditor's going concern assessment. Start your conversations with lenders early!
- Don't focus solely on margin – focus on getting the right fit of lenders and facilities. Consider what you can offer to your banks to help their return e.g ancillary facilities offered to core lenders.
- New lenders will need to ensure the lend fits latest strategy and meets their return thresholds so start earlier.
- Consider getting a credit rating and going down the bond route for further funding flexibility even if likely to be sub investment grade and having an elevated coupon.



AND DON'T LOSE SIGHT OF THE PRE-COVID CHALLENGES STILL HIGH ON THE AGENDA:

ADDLESHAW GODDARD

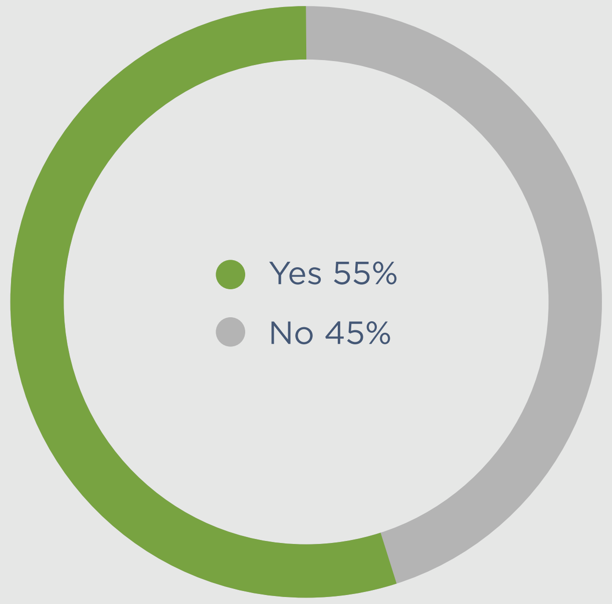
SUSTAINABILITY:

Consider your strategy and your impact on the planet and on people. At the moment there's arguably more liquidity to fund a green purpose or sustainability targets but this needs to be transparent, not 'green wash'.

Reporting

Make sure sustainability KPIs are driven from the top of the organisation, clearly aligned to corporate strategy and widely communicated to ensure all internal stakeholders are fully onboard.

Does your business have specific targets in relation to improving its impact on the environment and/or society?



LIBOR TRANSITION:

From 1st April 2021 issuance of new LIBOR loans must cease. And from now they must include agreed terms for transition away from LIBOR. LIBOR will cease to exist as at 31 Dec 2021 at the latest.

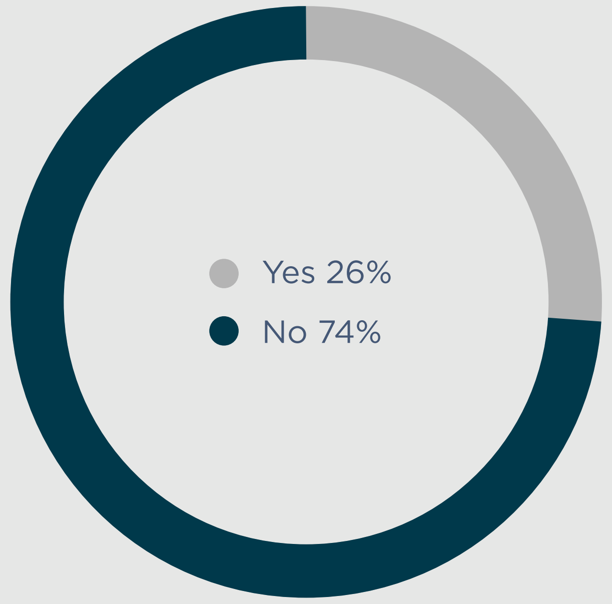
Speak to each of your lenders and understand their proposed approach and timetable.

CFOs do need to be able to talk through the impact of the change with the board.

Once you understand the position of each bank, you can decide whether to implement SONIA (or some other rate) from the outset of any new or revised funding or whether to include a clear mechanic and timetable for transition.

Lots of support is available to CFOs to help them understand and articulate the movement to Risk Free Rates to their boards – speak to your banks and advisers if you haven't already.

Do your facilities include transition wording or already use SONIA (or something else other than an IBOR) as the reference rate?



IF YOU'D LIKE TO DISCUSS ANY OF THE CONSIDERATIONS FURTHER, PLEASE CONTACT:

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