



Strategies for Managing Through Financial Distress Caused by COVID-19

EDSI's Consulting Team has worked with hundreds of financially distressed companies across the country. During this time of crisis and uncertainty, we recommend taking action on the following strategies.

1. Manage Cash Flows closely. Cash is King!
2. Create a 13-week cash forecast to provide visibility in cash needs.
3. Use the cash forecast to determine the extent of cash needs and cost cuts required.
4. Take advantage of the numerous local, state and federal programs. Unprecedented programs and funding exist to help your business at this time.
5. Solicit feedback from your employees and ask for their help and creativity.
6. Meet with the lenders (banks, investors, etc.) immediately to discuss waivers or modifications for formulas, covenants and payments. Try to gain a payment cessation or interest only payments for a limited period of time.
7. If possible, retain key talent within the organization. However, make difficult calls on staff reductions quickly. Right size the organization for the projected revenue, not the dream revenues. (Again, see new federal programs to help with payroll costs!)
8. If possible, contact customers to discuss the issue, delivery performance and limitations. They can help, so ask for their understanding and assistance. They want you to succeed too.
9. Speak openly and honestly to your suppliers as they can help mitigate the stress. Silence is not golden in this situation. Do not be afraid to negotiate temporary price and terms structures.
10. Negotiate temporary rental or lease payment cessations or reductions.
11. Stop ALL non-critical spending.
12. Get creative! Look for alternative ways to generate revenues, cut costs and accelerate cash flows.
13. Generate a plan to implement the turnaround objectives including an aggressive plan for execution. Rely on your key staff to help create the plan that gets costs in-line with revenues. You want key staff to be bought-in to the plan so they "own it."
14. Change the plan as internal and external factors require. Flexibility is key, but don't lose sight of the goal. Don't change the plan in a vacuum. Talk though it with key staff and plan implementors.

