

COVID-19 Cashflow & Funding Opportunities

What is cashflow?

Cashflow is the cash and cash-equivalents being transferred into and out of business.

Cash inflows are items such as customer payments, debtor receipts, proceeds from the disposals of assets or bank loan receipts.

Cash outflows are items such as staff wages and salaries, overhead payments, payments for new assets, Bank loan repayments or payments to the Revenue Commissioners.

The resulting **net effect** of all cash inflows and outflows is known as a company's free cash flow position.

The key to emerging from the current crisis is a company's ability to generate **positive free cash flows**.

Impact of COVID-19 On Cashflow

COVID-19 has **negatively impacted** virtually all businesses in Ireland, with some exceptions which may benefit, but the vast majority will see negative consequences.

Having a strong **balance sheet** will help companies position to weather this storm as they can divert the lack of cash inflows with greater access to capital and vast cash reserves.

The greatest challenge will be faced by small businesses who do not have the same access to capital or internal resources required to cover their cash outflows.

Except for frontline staff, COVID-19 ensures the population are confined to their homes. This lack of movement has resulted in a **significant decline** in consumption by both consumers and businesses alike.

With customers confined to their homes, most businesses have had to shut-up-shop or work remotely and therefore cutting access to most, if not all, of their sales and cash receipts. Cash-in-hand can **rapidly deteriorate**, with receipts reduced and expenses such as rent, utilities, employee costs, and suppliers still due for payment.

If a business **fails to navigate** the unwanted issue of negative free cash flow, then insolvency or permanent closure may soon be on the horizon.

Responding to the Crisis

Businesses need to manage Net Cashflow to respond to the current economic crisis. It is essential to take a sensible approach to maintain **stakeholder relationships** & keep the lines of **communications open**. Companies cannot merely avoid paying creditors or **goodwill** will quickly be eroded.

Businesses should first respond by adopting a structure which helps identify drivers of their cashflow and engages stakeholders.

Businesses can use the following 3P's Framework in managing their cashflow during COVID-19.

PLAN:

- Complete Cash Projections on a daily or weekly basis
- Undertake scenario, What-if analysis
- Analyse Working Capital Requirements, e.g. Stock, Receivables & Payables
- Delay any Cap-Ex Projects
- Review all Banking Facilities
- Identify payments which can be stalled, e.g. drawings, rent, rates
- Increase creditor days outstanding & reduce debtors days outstanding
- Assess external funding supports available

PEOPLE:

- Create a list of stakeholders, e.g. suppliers, landlord, banks and shareholders.
- Engage with stakeholders early and transparently.
- Use forecasted projections to outline current business condition.
- Engage with landlords on rent freeze or reduction.
- Engage with banks on loan moratoriums.

PERFORM:

- Deliver upon what has been negotiated between your business and the stakeholder.
- Check Bank & put stop or hold on unessential direct debits, eg. Rates.
- Create a business plan to outline the strength of the business case outside of COVID-19
- Furnish business plan and projections to banks.
- Minimise the cash outflows of the business.
- Complete regular variance analysis between actual financial results -V- forecasted.
- Regularly update projections
- Adjust your action plan according to current circumstances.

Available Cash & Funding Support

During these unprecedented times, businesses undergoing cashflow difficulties can avail of the support/capital schemes in place. These schemes can help inject much-needed liquidity into the business and help keep the core operations afloat.

As previously detailed, the COVID-19 wage subsidy scheme has come into effect and is available to qualifying employers.

The following additional support/capital schemes are also available to qualifying businesses:

1) Strategic Banking Corporate of Ireland (“SBCI”) COVID-19 Working Capital Loan Scheme

- To fund Working Capital requirements to support/enable innovation, change, or adaption of the business to mitigate the impact of COVID-19.
- COVID-19 impact relates to those enterprises whose turnover or profitability, is negatively impacted by a minimum of 15%.
- A business will need to be SBCI eligible
- Loans between €25k - €1.5M
- Repayable over 1 to 3 years
- A maximum interest rate of 4.00%
- Loans unsecured up to €500K
- Optional interest-only loans are available in certain circumstances.
- <https://sbci.gov.ie/schemes/covid-19-loan-application>

2) SBCI Future Growth Loan Scheme

- These loans are for long term investments, and there is a list of excluded expenditure.
- Loans are available to eligible SME and Small Mid-Cap businesses, and the primary agriculture (farmers) and seafood sectors.
- Loan amounts from €100K to €3M
- Loans above €250K require a supporting business plan.
- Initial maximum loan interest rate of 4.5% for loans < €250K and 3.5% for loans >= €250K.
- Loan terms from 8 to 10 years
- Unsecured loans up to €500K
- Optional interest-only loans available in certain circumstances
- <https://sbci.gov.ie/schemes/future-growth-loan-scheme>

3) Enterprise Ireland – COVID-19 Response

- <https://globalambition.ie/covid-19/>

4) Local Enterprise offices - Microfinance Business loans:

- Loans up to €50K for companies with < 10 employees and turnover < €2M
- Business must be impacted by more than 15% in actual/projected turnover and cannot access traditional finance.
- Interest at 4.50% for LEO applicants or 5.5% for Direct applicants
- Loan terms of up to 3 years
- First 6 months interest and repayment free
- <https://microfinanceireland.ie/loan-packages/covid19/>

5) Enterprise Ireland - Sustaining Enterprise Fund:

- The government announced on the 8th of April 2020 that a new €180M is sustaining enterprise fund.
- This fund will be made available to manufacturing and internationally traded services companies.
- Companies must have suffered or expect to experience a 15% or more reduction in turnover or profits. Qualifying companies may also apply if they have increased costs due to COVID-19.
- Up to €800K available per enterprise, funded by way of repayable advances or equity funding
- Funding repayment – 3year grace period with repayment by the end of year 5, on the achievement of the project objective
- An annual administration fee of 4%
- Available to companies who cannot access traditional funding from the market, financial institutions or the SBCI
- <https://www.enterprise-ireland.com/en/funding-supports/Company/Eestablish-SME-Funding/Sustaining-Enterprise-Fund.html>

6) Enterprise Ireland – Business Financial Planning Grant

- Strategic intervention for companies to work with third-party consultants. Preparation of a detailed financial and business plan with forecasts and assumptions.
- Grant up to €5,000 (ex. VAT) to cover related consultant expenses (max. €900 per day).
- This grant is available to all Enterprise Ireland, IDA clients and Non-Enterprise Ireland clients that operate in manufacturing or internationally traded services that employ 10 or more full-time employees.
- <https://www.enterprise-ireland.com/en/about-us/services/covid-19/supports/supports.html>

7) Revenue Initiatives:

- **Tax Returns**
Businesses should continue to file VAT & PAYE returns on time, but payments deferred if the business is experiencing cashflow difficulties. For Non-SME Businesses, individual requests for deferral of payments made through ROS.
- **Interest**
Late payment of interest charges suspended for Jan-April (VAT) and March-April (PAYE)
- **Debt Enforcement**
All debt enforcement activities suspended until further notice.
- **Tax Clearance**
Current tax clearance status will remain in place for all businesses over the coming months.
- **R&D Tax Credits**
<https://www.revenue.ie/en/tax-professionals/tdm/income-tax-capital-gains-tax-corporation-tax/part-29/29-02-03.pdf>

8) Other Government Support Initiatives & Weblinks:

- **Government Supports & Information**

<https://www.gov.ie/en/publication/fe8f00-government-outlines-further-measures-to-support-businesses-impacted-/>

Those measures are:

- a €10,000 Restart Grant for micro and small businesses based on a rates/waiver rebate from 2019
- a three month commercial rates waiver for impacted businesses
- a €2 billion Pandemic Stabilisation and Recovery Fund within the Ireland Strategic Investment Fund (ISIF), which will make capital available to medium and large enterprises
- a €2 billion COVID-19 Credit Guarantee Scheme to support lending to SMEs for terms ranging from 3 months to 6 years, which will be below market interest rates
- the 'warehousing' of tax liabilities for a period of twelve months after recommencement of trading during which time there will be no debt enforcement action taken by Revenue
- a commitment to local authorities to make up the rates shortfall, so that local authorities can continue provide full services to the public

- **Commercial Rates**

The Minister for Housing, Planning and Local Government issued a direction to local authorities for the deferment of commercial rates payments from businesses, for at least three months, in the hardest-hit sectors, e.g. Retail, Hospitality, Leisure and Childcare.

- **Local Enterprise Office – COVID-19 Response**

<https://www.localenterprise.ie/response/>

- **Micro enterprises Online Trading Scheme**

Microenterprises (i.e. < 10 employees) can apply for the trading online voucher scheme. The First Voucher is to a maximum of €2.5K. Once the first voucher is complete, a Second Voucher is available up to a maximum of €2.5K. The scheme is updated to allow subscriptions to low-cost online retail platform solution providers.

<https://www.localenterprise.ie/DublinCity/Financial-Supports/Types-of-Grants/Trading-Online-Voucher/>

- **Enterprise Ireland LEAN Business Offer:**

LEANStart, LEANPlus, LEAN Transform

<https://www.enterprise-ireland.com/en/Productivity/Lean-Business-Offer/>