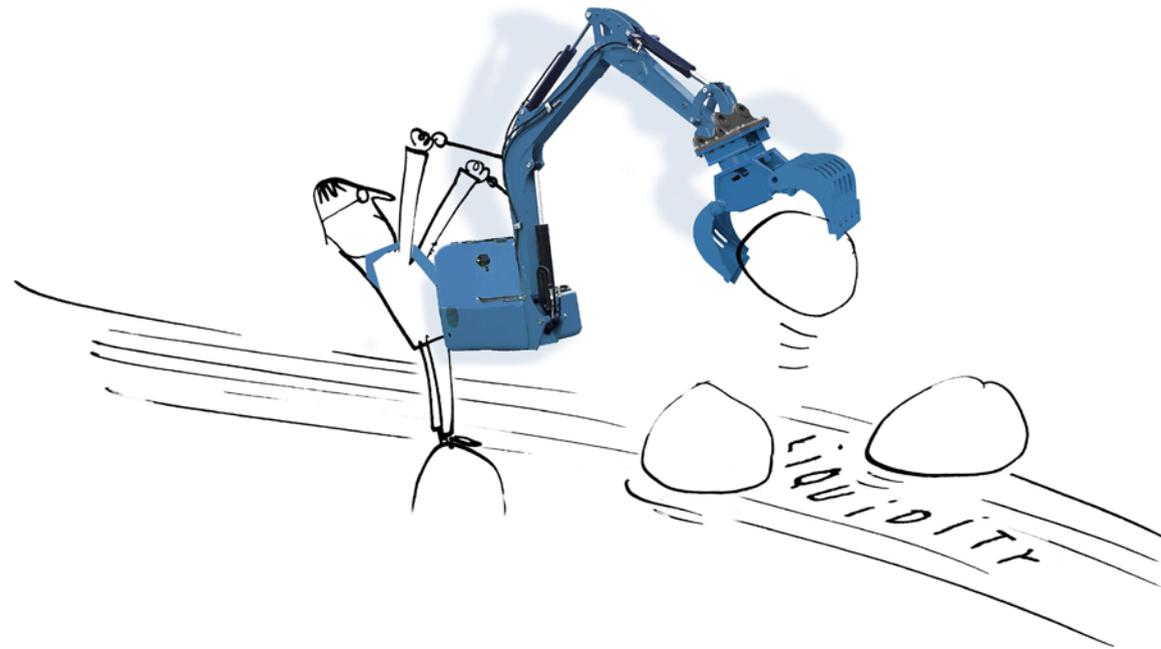




goetzpartners

STRATEGY | M&A | TRANSFORMATION

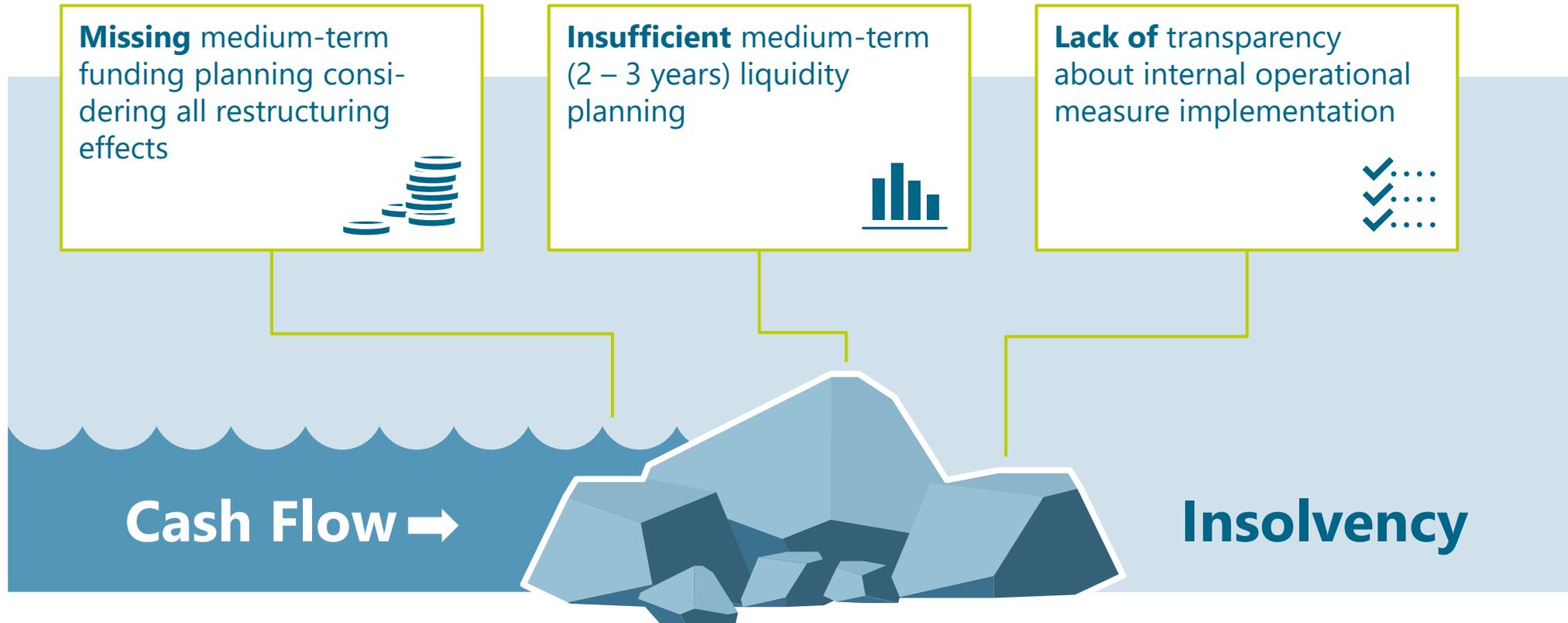


HOW TO ENSURE CASH FLOW IN RESTRUCTURING SITUATIONS

The goetzpartners liquidity prediction approach

Most restructuring programs face tremendous challenges due to insufficient cash management

Professional cash management in restructuring situations depends on a detailed cash curve prediction



Predictive cash management is paramount for a successful restructuring program

EXECUTIVE SUMMARY

- 1 Cash mismanagement**
 Most restructuring programs lack a detailed cash curve prediction. Time lags and balance sheet impacts are inadequately reflected due to high complexity and a lack of capabilities.
- 2 Cash myths**
 Companies often misjudge key cash matters when executing their transformations, leading to substantial implementation risks. It is vital that a clean and reliable integrated business case anticipates these cash myths in a timely manner.

- 3 Challenges of CFO organizations**
 Restructuring typically massively increases the pressure on CFO organizations. CFOs need to be aware of, and actively address, this overload on their existing capacities and capabilities.
- 4 goetzpartners liquidity prediction**
 goetzpartners' combined approach ensures the correct modeling of future business scenarios, and the transparency thus gained sets the foundation for effective initiatives.

If you cannot check all five boxes without reservation, please contact our experienced professionals

QUICK CHECK

DO YOU ...

- ... have an **integrated 3-year liquidity model** simulating precisely your **cash curve** in case of restructuring?
- ... know the **P&L- and cash-effectiveness** for **various time lags** in an upcoming restructuring, as well as the one-off costs?
- ... have the **right capabilities** and **tools to predict** the cash curve and **all its restructuring impacts**?
- ... have the **right capabilities** and **tools to track and report cash effective savings**?
- ... have **sustainable financing measures**, and do they consider potential **additional funding needs** for the post-restructuring phase?

Mismanagement of cash can have disastrous consequences

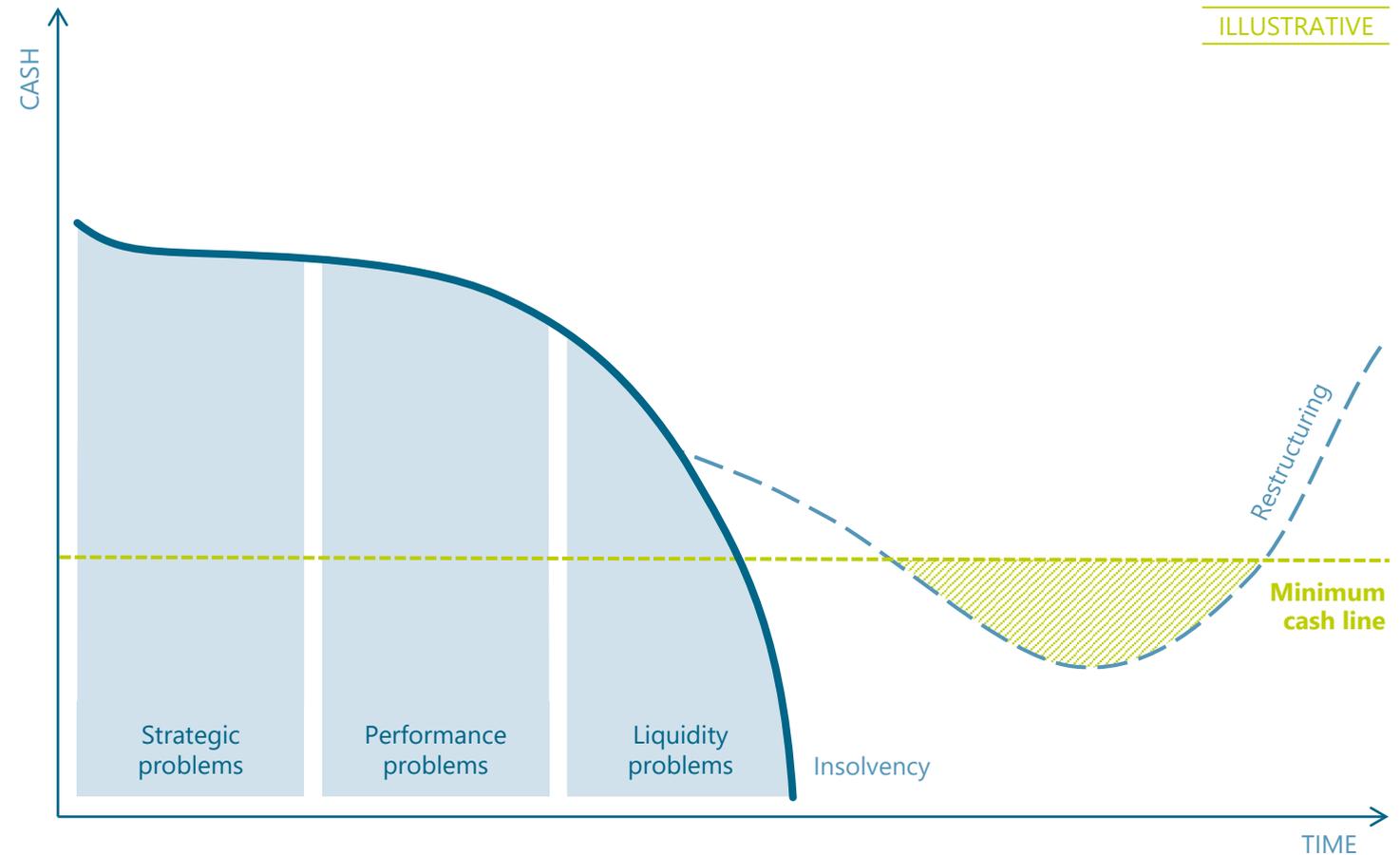
AT A GLANCE

A comprehensive business case must consider **all** restructuring and one-off **expenses** in detailed **cash flow planning** in order to predict the volume and timing of **funding needs**

Especially in later stages of performance problems, detailed **predictive cash management** is key to avoiding an unexpected financing gap

Unfortunately, most restructuring programs **lack** a detailed **cash curve prediction**: Related **time lags** and **balance sheet impacts** are **inadequately reflected** due to high complexity and a lack of capabilities

TYPICAL CASH CURVE SCENARIOS DURING TIMES OF RESTRUCTURING



Widespread cash myths are an additional trigger for mismanagement in times of restructuring

THREE CASH MYTHS

1 RESTRUCTURING SUCCESS equals COMPANY SUCCESS

- ▶ **Wrong**, since the top-line might drop faster than costs can be saved

2 COSTS AND SAVINGS SHOW IMMEDIATELY in financial reports

- ▶ **Wrong**, since profit and loss effects do not automatically lead to immediate changes in the cash balance

3 OPERATIONAL MEASURES ARE SUFFICIENT to ensure success

- ▶ **Wrong**, since financial restructuring might be needed to counter the time lag of operational measures

AT A GLANCE

Three essential cash myths lead to substantial risks in the implementation of **restructuring programs**

It is therefore vital that a clean and reliable **integrated business case** anticipates these cash myths in a timely manner

This increased complexity requires **specific restructuring tools and capabilities** so that implemented measures can achieve the planned cash results

In reality, **finance organizations** are confronted overnight with this extra burden and therefore **lack the appropriate fundamentals** to manage the new cash challenge

In addition, further challenges lead to an overload on finance organizations

AT A GLANCE

Typically, the **pressure** on CFO organizations **increases massively** in times of restructuring, leading to an **overload** on their existing **capacities** and **capabilities**

On the one hand, they need to master their **new restructuring role: Manage** and **control** the progress of the **restructuring program** for their own organizations as well as for the whole company

On the other hand, they need to cope with their **extended reporting roles** on top of their existing tasks as **stakeholder management** intensifies, **additional reporting content** is required, and **new processes** need to be handled

ADDITIONAL KEY CHALLENGES FOR CFO ORGANIZATIONS DUE TO ...

... THE NEW RESTRUCTURING ROLE

ACT AS A COST CUTTER

Eliminate costs and develop a new mode of operations for the CFO organization



BE A RESTRUCTURING AGENT

Track the success of overall restructuring program for the whole company



BE A SUSTAINABLE CHANGE DRIVER

Mitigate risks and communicate with employees



... THE EXTENDED REPORTING ROLE

JUGGLE AN INTENSIFIED STAKEHOLDER MANAGEMENT

Handle increased pressure by banks, equity owners, suppliers and clients



PROVIDE A NEW LEVEL OF CONTENT

Provide more content in response to close monitoring of covenants and additional requests by stakeholders



MANAGE ADDITIONAL PROCESSES

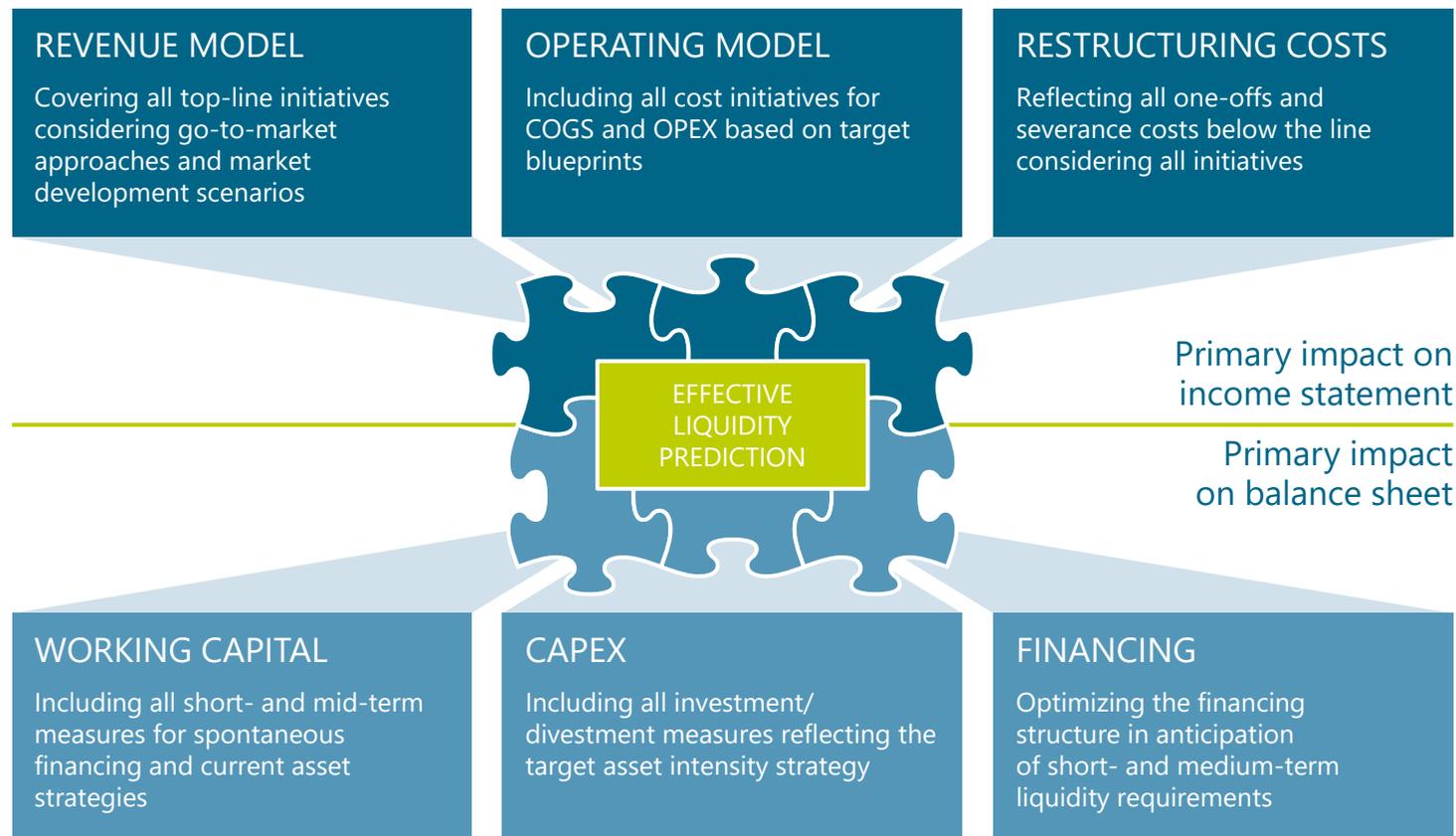
Develop a restructuring business case, optimize cash management processes and establish flexible and ad-hoc reporting processes



goetzpartners offers a full set of capabilities for a detailed cash curve

MODULES OF GOETZPARTNERS LIQUIDITY PREDICTION

FULLY INTEGRATED 3-YEAR BUSINESS CASE AND FINANCIAL IMPACT MONITORING



AT A GLANCE

goetzpartners offers **profound experience** in restructuring programs and adds valuable know-how in the **modeling of business cases**

The **combined approach** ensures the correct modeling of **future business scenarios** and the **transparency** thus gained sets the foundation for effective initiatives

By implementing initiatives addressing **all levers** of the **income statement** and the **balance sheet**, goetzpartners supports the optimization of **cash management** and the achievement of sustainable **liquidity** in the future

Operationalization of goetzpartners liquidity prediction model – Five steps to success

AT A GLANCE

Target-setting – Determine a target profit and loss and target balance sheet structure

Restructuring business case – Design a comprehensive financial feasibility model including profit and loss, balance sheet and cash flow statement. Derive scenarios including required restructuring measures

Funding need – Derive the financing gap based on the comprehensive business case

Fill the gap – Assess operational measures, financing instruments and close the gap

Tracking – Continuously validate savings within the P&L and monitor actual cash effects in a delta analysis

CLIENT EXAMPLE AND APPROACH

Global provider of enterprise communication solutions
Revenue: >€ 1.6bn; **Employees:** >9,000; **Countries:** 40+

ILLUSTRATIVE

PROJECT BACKGROUND	Client CFO responsible for developing a comprehensive global turnaround program, needed to secure financing to fund upcoming efforts ... track the restructuring process from a liquidity perspective ... validate various liquidity situations for banks and shareholders
APPROACH	<ul style="list-style-type: none"> Define target P&L and target costs for point of arrival Assess restructuring need based on financial analysis Develop fully integrated three year business case Evaluate financial scenarios to support negotiations
ACHIEVEMENTS	<ul style="list-style-type: none"> >400m€ funding for restructuring effort ensured <input checked="" type="checkbox"/> 280m€ overall cost savings p.a. achieved <input checked="" type="checkbox"/> EBIT margin increased from 4% to 15% <input checked="" type="checkbox"/>

THE GOETZPARTNERS APPROACH



Practice Group Special Situations | Your benefits

LEADING German CONSULTING COMPANY

in the fields of corporate restructuring, workforce restructuring, financial turnaround and carve-out/PMI

Links to all the RELEVANT MARKET PLAYERS,

including trade unions, labor law experts, politicians and associations

FOCUS on the customer's core challenges

taking into account effects on the P&L as well as time and budget constraints

EXPERIENCED EMPLOYEES in all aspects of restructuring

especially in the areas of liquidity crises and workforce related measures

Proven NATIONAL and INTERNATIONAL SUCCESSES

Recipient of awards in the restructuring category from brand eins (2017 & 2018) and WirtschaftsWoche (2014 & 2016)

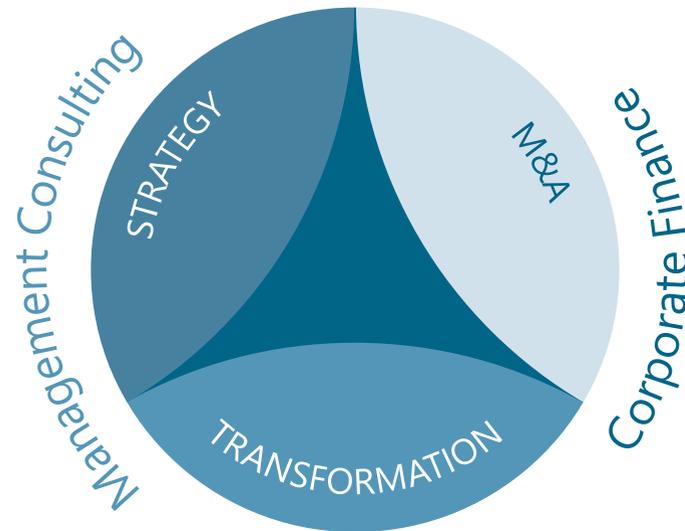


15 YEARS OF EXPERIENCE
in the implementation of
restructuring programs

Numerous international corporations and German SMEs have already benefited from our expertise in special situations, e.g.:

- **Largest European restructuring** in recent years with a network provider
- **Net reduction** of 50% of the **workforce** (with simultaneous **qualification**) and **closing** of 70% of the **sites** with a global provider of corporate communications
- **Net reduction** of 40% of the **workforce** (with simultaneous **qualification**) and **reorganization** at a European airline
- Oversight of **merger control** and **carve-out process** at a leading industrial company (preparation of 7 carve-out options in the EU and USA)

About goetzpartners



ADVISERS FOR STRATEGY, M&A AND TRANSFORMATION

goetzpartners is an independent advisory firm for all key issues of entrepreneurial activity: strategy, M&A and transformation. This unique approach makes clients measurably more successful. The combination of corporate finance and management consulting creates sustainable added value when determining valid courses of action, reaching decisions and implementing them. Boasting a vast wealth of business experience, goetzpartners advises clients in all key industries world-wide: Business Services, Energy, Infrastructure & Mobility, Financial Institutions, Healthcare, Industrials & Automotive, Retail & FMCG and TMT.

CHALLENGERS WITH PERSONALITY

For the key business issues of strategy, M&A and transformation, standard solutions are rarely the right answer. On every project, goetzpartners ensures that there is always sufficient scope for proven methods to be combined with individual and client-specific approaches. Our consultants lay the foundations for excellent results by trusting their own opinions and experience and taking a strong stance on the entrepreneurial challenges to be resolved.

NETWORKERS AT THE HIGHEST LEVEL

Our far-reaching network of contacts, grown over decades, involves top decision makers in business and politics, and produces extraordinary advisory outcomes. Our close working relationship with prominent members of society opens up wide-ranging new perspectives. goetzpartners thinks beyond borders and connects the right people with the right ideas. That way, goetzpartners creates valuable synergies for all involved.

EXPERTS ON COURSE FOR SUCCESS

Founded in 1991 by Dr Stephan Goetz and Stefan Sanktjohanser, goetzpartners today ranks among the 10 best-performing advisory firms in Germany (Lünendonk®). goetzpartners has received awards five years in a row as part of the "Best of Consulting" contest by the renowned German magazine "WirtschaftsWoche". Internationally, the company operates in 11 countries out of 13 offices with 300 professionals.

Disclaimer

June 2019

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CONTACT



PUBLISHER
Dr. Florian Mes
Partner

florian.mes@goetzpartners.com
T +49-89-290725-516



AUTHOR
Dr. Gunnar Binnewies
Partner

gunnar.binnewies@goetzpartners.com
T +49-89-290725-809

DUBAI

Central Park Towers OT 37 Floor 37, DIFC
PO BOX 507270 Dubai,
Vereinigte Arabische Emirate

DÜSSELDORF

Königsallee 60 b
40212 Düsseldorf, Deutschland

FRANKFURT

TanusTurm, Taunustor 1
60310 Frankfurt am Main, Deutschland

LONDON

goetzpartners securities Limited
The Stanley Building
7 Pancras Square
London N1C 4AG, UK

MADRID

Calle Marqués de Urquijo n 30°, piso 1°
28008 Madrid, Spanien

MAILAND

Piazza Fontana, 6
20122 Mailand, Italien

MOSKAU

Gagarinsky Per. 25
119034 Moskau, Russland

MÜNCHEN

Prinzregentenstr. 56
80538 München, Deutschland

NEW YORK

250 Greenwich Street, Suite 4620
New York, NY 10007, USA

PARIS

19, Avenue George V
75008 Paris, Frankreich

PEKING

Unit 1601
237 Chao Yang North Road
100020 Peking, P. R. China

PRAG

Melantrichova 17
110 00 Prag 1, Tschechien

SHANGHAI

Unit 2104-05
1045 Middle Huai Hai Road
200031 Shanghai, P. R. China

ZÜRICH

Kantonsstraße 1
8807 Freienbach/Zürich, Schweiz