

COVID-19 BUSINESS CONSIDERATIONS

CONFIDENTIAL

29 March 2020

COVID-19 INFORMATION (indications of length of lockdown)
<p>Lockdown to: 22 April (at this stage) Turning point in new cases expected: 5 April (10 days from lockdown) World: Spreading exponentially in US, Europe, UK, Australia NZ: xxx cases, xx new, 2 community transmissions unknown origin, 5 clusters Some flouting lockdown in NZ Languaging by officials using 'several' weeks for closedown In China it took eight weeks of lockdown before there were zero new cases Director-General of Health Dr Ashley Bloomfield, said even if we drop to a lower level alert, we may go back to level 4 in the future. Research suggests the lockdown may have to last far longer than a month to keep the strain on the healthcare system manageable. (Source Stuff News 29.03.20) ANALYSIS (OPINION): The lockdown will extend beyond the 4 weeks, and more likely to be 6-8 weeks.</p>
ECONOMIC INFORMATION/PREDICTIONS
<p>Westpac: 200,000 unemployed (7%), severe economic crunch, GDP 3 months to June to drop 10% BNZ: 10% unemployment to peak at end of 2021, then recover sharply, 10% GDP reduction. ANZ: Consumer confidence has plunged Anecdotal evidence from other business advisors, most SMEs do not have the cash reserves necessary to continue through this crisis. ANALYSIS (OPINION): A significant number of businesses will go out of business.</p>
CASHFLOW UPDATE
<p>With the wage subsidy, reduction in staff salary/wages to 80% and other costs that can be immediately cut removed, monthly operational costs are approximately \$?????? (minimum). Some months are greater when one off costs are paid e.g. insurance, essential services such as computer repairs.</p> <p>I consider the following revenue projections optimistic and are based on the lockdown finishing on 22 April: April \$??k May \$??k June \$??k</p> <p>ANALYSIS (OPINION): In the 3 month period to end June we will make a loss of a minimum of \$??k, subject to the lockdown finishing on 22 April. As a business we will need to change how we operate to align with the reduced revenue. Noting however, information will change, the lockdown may be for longer, the revenue projections may be wrong, and economic forecasts may change. We will be reviewing our position on a daily basis.</p> <p>ACTIONS FOR YOU:</p>
DEBTORS

List of debtor as at <date> (attached). Total of \$???? Categorized in terms of likelihood of payment:
This form part of our considerations.

REQUIRED RESERVES ANALYSIS

Cost to cease business: \$??k (estimated minimum)

Annual leave liability: \$??k (If remain operating for 12 weeks add \$??? for 1 additional week of leave accrual)

Notice period pay-out (1 month) : \$??k

GST: \$???

Current creditors: \$???

Long term contracts:

Phone & Internet \$?? per month. Contract ends ?????. Total \$??

Other \$?? per month. Contract ends ?????. Total \$???

Online Accounting system \$?? per month. Required until business deregistered Total \$???

Other \$???? per month. Contract remaining \$????

Other close down costs:

Accounting: \$???? estimated

Legal and professional services: \$???? estimated

ANALYSIS (OPINION): Once we reach the point of only having this in reserves, closing the business becomes more probable

OTHER CONSIDERATIONS

MARKETING / SALES ACTIONS THAT CAN BE DONE NOW

MARKETING / SALES ACTIONS FOR RETURN

BACK OF HOUSE PROJECTS IMPROVEMENTS

PERSONAL CONSIDERATIONS THAT AFFECT CER BUSINESS DECISIONS