Pandemic Business Modelling and Survival Strategy

For all businesses operating in this harsh environment, The Sault Ste. Marie Innovation Centre believes that best practices in business offer the best chance at re-organizing finances to survive this crisis.

We recommend each business act immediately on the following:

2. Prepare a ‘harsh reality’ set of Financial Statements, Balance Sheet and Cash Flow Statement for 2020 with business interruption assumptions such as:
   a. 4-month reduction of revenues from March 1 to June 1 and a 50% revenue assumption for an additional 2 or 3 months before things return to normal.
   b. 6-month reduction of revenues from March 1 to Aug 1 and a 50% revenue growth for an additional 2-3 months before returning to normal.
   c. Or any other business interruption assumption you wish to model.
3. Make staffing assumptions based on projected revenues and needs, NOT on potential government programs or deferrals of any expenses.
4. Model all your costs in real time and do NOT factor in assumed deferrals of expenses like rent.
5. Take time to look at your overall business to see if an innovation or efficiency investment can be made that will help grow your business or expand markets after you restart. Cost any of these out and add them to your cash flow model. We recommend this because status quo coming out of this COVID19 recession will likely be different and lenders will want to see some potential upside in your business because their financing is going to cost you more to run your business. **This is an area the Innovation Centre can help you brainstorm and possibly get support for.**
6. If you are a small business, you need to prepare a Statement of Personal Net Worth if you believe you will pursue debt. Every lender will require that unless your business has sufficient assets.
7. The resulting Cash Flow Statement will show what your cash position will be any given month with the above assumptions. That is the amount you will need to get financed. Mitigating that amount will be Government Supports such as the Labour Subsidy which you can factor in SEPARATELY and after your underlying business model. Lenders will want to see the real business separated from the subsidy, as they will have to measure the impact once the subsidy runs out.
8. Write a descriptive business plan that talks about how you will work through this COVID19 period in real terms.
9. Press for a 3-year financing term or a minimum of 2 years as you need time to rebuild your balance sheet and cashflow to fund these new debt obligations.

Now you are ready to approach BDC, CFC or Traditional Banking. Once you are refinanced you gain an upper hand in other cost mitigation situations such as:

1. Having a stronger negotiation position when dealing with landlords about rent deferrals or reductions.
2. Solid position in dealing with your suppliers and better terms on your inventory purchases or work in process goods.
3. You can offer more comfort to your staff that you are positioned to survive this period of time creating loyalty.