

Cash conservation and management

**Managing cash flows and liquidity
in uncertain times**

September 2021



With the surge in COVID delta variant cases around the world, we are in the midst of our toughest challenge yet in dealing with the pandemic.

For businesses, there has never been a more critical time to focus on cash management and business sustainability.

With better visibility of your cash position, cash needs estimation and funding options, you can achieve the following three **key outcomes**:



Gain a **better understanding** of major cash flow drivers and a **better control** of key **cash flow levers**



Improve cash flow **forecast quality**, **awareness**, **planning** and reach



Evaluate and structure for **alternate funding** options like movable asset finance



Drive out all non essential spends to **reduce cash leakage**



Change mindset from “revenue & cost” to a “**Cash**” **centric one**

Outcome

1

Clear **visibility on cash** position and management

2

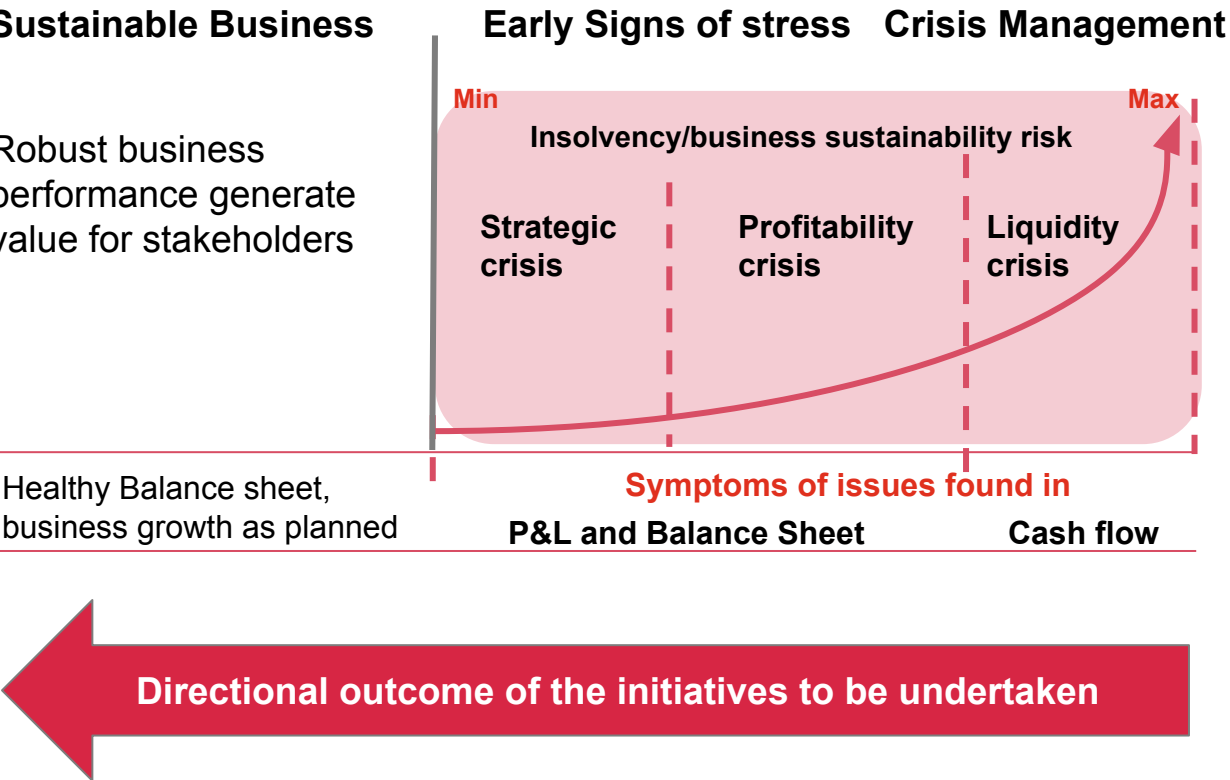
Cut out any non-essential costs to **minimise cash outflow**

3

Roll out alternate financing / refinancing avenues

Signs and symptoms of possible cash management stress that every organisation needs to be aware of

Crisis does not strike immediately but builds over a period of time. The key is to take action before it is too late.

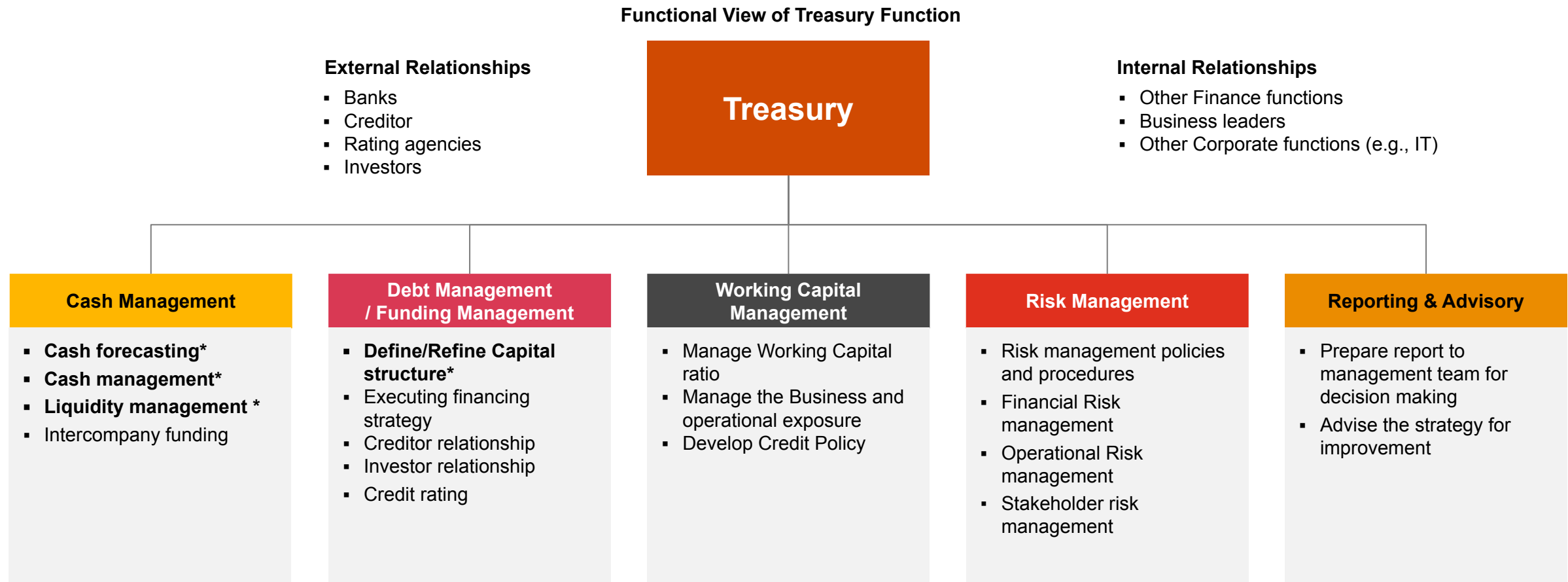


Key symptoms to watch out for early stress signs

Internal within organisation	Externally with your suppliers, customers, lenders etc
<ul style="list-style-type: none">• Business is short of cash• Visibility of Working Capital performance poor• Inaccurate cash flow forecasts and limited or no ownership of cash flows• Business continuity / stabilization is a daily routine• Cost reduction and postponing strategic spends is very frequent	<ul style="list-style-type: none">• Change in financial position of customers/suppliers• Debt burden becoming high, risk of covenant breach• Financial institutions becoming more conservative in new lending• Market you operate in is showing signs of stress• Frequent credit rating downgrades for companies in your sector• Late payments / Tax defaults have occurred• High inventory levels for factors beyond control

Is your organisation's treasury function acting as the gatekeeper for all cash in / cash out transactions?

Below is an illustrative overview of treasury management function in an organisation.



* Critical areas for business sustainability

Setting up/empowering Treasury immediately is critical to prepare for, respond to, and ultimately emerge stronger from this disruption

Cash Management tasks in a business downturn

1

Develop a **dynamic, rolling 13-week Short-Term Cash flow Forecast (“STCF”)** and ongoing process.

2

Conduct Scenario analysis **and mitigating actions** including the impact on cash position and covenants.
Identify **any net funding shortfalls** from the STCF

3

Review **current cash and reporting processes and controls** (e.g. authorisation limits, payment approval processes, hedging strategies).

4

Conduct **detailed spend analysis** to identify any spends which could be **postponed / removed**.

5

Review **all current assets** (receivables, inventory, tax receivables etc.) to analyse if any of the current assets can be **converted into cash**

6

Establish / Empower Treasury to come up with **KPIs for cash conservation and management** of specific short term goals

7

Ensure timely and **“first-time-right” billing** and collection follow ups. Limit sales and business with late/bad paying customers

8

Review the **funding options** and **supply chain / movable property** finance providers to fulfill **funding gap**

Here are some areas to identify and deliver effective cash management



Budgeting and Cash Flow Forecasting

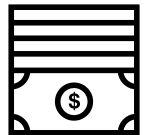
Questions to ask:

Do you have a budgeting model and cash flow report to help your business gain a better view of your cash position in the future?

Examples of how we help our clients:

How we supported: Conducted business review to develop group specific and project specific budgeting framework to help with cash forecasting for client in manufacturing sector.

Outcome: Reduce 50% of working capital and improved net margins by 4%.

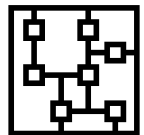


Converting Working Capital into Cash

Can you unlock your business's cash in order to optimise inventory, reduce account receivable while improve account payables to release and preserve cash?

How we supported: Reviewed critical business operations areas (eg. working capital, sales, cost structure etc) for a manufacturer & distributor experiencing cash flow challenges.

Outcome: Identified >25 opportunities of operating cash flow improvement totalling ~10% of annual sales.

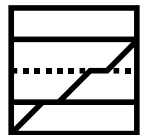


Set up / Optimise Treasury Function

Does your treasury strategy have the necessary processes, policies and SOPs to help minimise risks and enhance the quality cash management and visibility?

How we supported: Developed Treasury and funding policy framework for a leading F&B group in Vietnam to enhance visibility and controls over cash

Outcome: Improved cash visibility at group level and set up policies and procedures



Securing Alternate Financing using movable assets

Have you identified your cash gap?
Can you leverage on your moveable assets to secure short term financing?

How we supported: Mapped cash needs with suitable financial products, formulated offshore financing structure for tools manufacturer with heavy inventory and long collection cycle

Outcome: Access to alternative funding source that provided 20% of sale invoices which helped the business to turn around.



Drive Out costs/non prioritised spends

Have you identified and implemented initiatives to improve cost control and reduce / eliminate non-essential spends that are not in line with your business strategy?

How we supported: Designed the Activity Based Costing (ABC) model and assisted in fitting the model to the current ERP for a manufacturer that lack cost visibility.

Outcome: Product cost report for all SKUs which enabled client to reduce non-prioritised spendings.

We are here to help



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