

新常态

水 = 生意命脉

现金流 ‘保命’

坐吃山空 开源节流

守得云开见月明

Adrian Yeo

Audit & Tax practitioner

AdrianYeo PLT

Petaling Jaya

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现金 保命 月明

坐吃山空

检讨

水

开源 节流

现金流 - 保命

危机 商机

守得云开见月明

经济衰退最严重

LOCKED DOWN – WORST RECESSION

Global decline, worst since Great Depression since 1930s

GDP	2020 Original %	2020 Revised %	Lockdown Impact %	2021 Forecast %
• World	+ 3.3	- 3.7	↓7.0	+ 5.8
• China	+ 6.0	+ 1.2	↓5.8	+ 8.8
• US	+ 2.5	- 5.9	↓8.4	+ 4.7
• UK	+ 1.4	- 6.5	↓7.9	+ 4.0

IMF said: Many countries face multi-layered crisis

Health shock, domestic economics disruptions, plummeting external demand, capital flow reversal, collapse in commodity prices.

半个世界封闭

WORLD LOCK DOWN

United States partial lockdown - Impact April to June

Expects 30%  unemployment rate,

50%  drop in GDP by summer

(Professor of Economic, INSEAD 2.4.2020)


UK Lockdown – Impact April to June


Finance Minister - Economy to shrink up to 30%.

(Lock down extended to 7th May, started on 23rd March = 1.5 months)

India 21-day (Mar 25 to 14 April) lockdown - Impact

21-day shutdown cost 4% GDP (April to June) ( 4%)

GDP 2020 revised from 4.5% to 2.5% ( 2%)

GDP 2021 revised 5.2% to 3.5% ( 1.7%)

(Lock down extended to 3rd May, started on 24th March = 6 weeks)

半个世界封闭 - 坐吃山空

WORLD LOCKDOWN

United States – Additional unemployed

3 weeks (15th March to 11th April) >22 million jobless




Global Partial & Full Lockdown

- Affect 4/5 of 2.7 billion workers worldwide
- 60% of global workforce needs income support, stay alive if jobs disappear
- Global unemployment 190 million @ 31.3.2020

(Source: US Labour Department)

MSIA ECONOMY 经济

Malaysia Institute of Economic Research (Forecast with 1st & 2nd lockdowns)

- Job losses  2.4 million (2/3 unskilled worker)
- GDP 2020 Forecast
Revised from +4%  to -2.9%  (b4 3rd lockdown)

Impact of 28 days lockdown

GDP drops -7% 

Additional Impact

- 14 days 3rd lockdown to 28.4.2020 ?
- How about 4th lockdown, another 14 days in May?

MALAYSIA GDP 经济增长率

2 additional weeks of LOCKDOWN (15/4 to 28/4)

Revision to Malaysia GDP

- Hong Leong Bank - 2% to - 4.0 % (↓ 2.0%)
- CIMB Bank - 2% to - 4.3% (↓ 2.3%)

Malaysia GDP

	2018	2019	2020	2021
GDP	4.7%	4.3%	- 4%	
GDP, Forecast Bank Negara				+5.4%
WTO (Report 15.4.2020)				+ 9%

Economy: Brighter tomorrow 明天会更好

Expect +9% GDP in 2021 (3rd highest in the world)

政府 補助

GOV'T ASSISTANCE

DEFERRED Payments

Bank Loans & HP for Biz & Personal (6 months)

Tax Instalments (3 months)

= 5 to 10% of expenses

SALARY SUBSIDIES (SME)

RM1,200 for local staff (3 months)

= 5 to 10% of expenses

Ease cashflow (April to Sep) = 10% to 20%

Developed world more generous subsidies.

Ours is SME Welfare Package, not SME Stimulus Package

SME has to be self reliance, more resilient!

政府未来 政策措施

GOV'T POLICIES – RESTRICT BIZ

未来 3 - 6个月禁集会 (3-6 months restrictive biz)

- **影响行业** (Businesses affected)
餐饮业, 商场店面, 娱乐, 酒吧, KTV, 宴会厅,
婚礼策划, 旅游, 运客长巴士
- **认真算生命** (Project your biz & cash reserves)
能顶多久, 未行军 先行粮
企业没百日紅, 風水轮流转
- **选择** (Options)
保命, 裁员, 清盘
养精蓄锐, 捲土重来, 重现江湖

未雨綢繆 CASH TRAPPED

Eg. SERVICE BIZ - 9 months Cash Flow Forecast

Period	Jan & Feb	½ Mar	April	May to June	Jul - Sep	Oct - Dec	
Monthly	-----			Monthly	-----		
	RM	RM	RM	RM	RM	RM	
Collection	100	0	0	30	60	70	
Expenses							
-Salaries	- 60	-30	-50	-50	-60	-60	
-Tax & Bank	- 10	-5	0	0	0	-10	
-Others	- 20	- 5	-10	-20	-20	-20	
	-----	-----	-----	-----	-----	-----	
Short (monthly)	+ 10	- 40	- 60	- 40	- 20	- 20	
Total Shortfall		-40	-60	-80	-60	-60	Total
							-300



坐吃山空 - 未行军 先行糧

COUNT YOUR CASH

Biz of RM100/month (b4 MCO)

Cash surplus *RM10/month* (after salary of RM60)

CASH SHORT FALL (MCO & AFTER)

Month(s)	½ of 3	4,5,6	7,8,9	10,11,12	Total
	RM	RM	RM	RM	RM
Total	- 40	- 140	- 60	- 60	-300

Business Insolvent

9 Months cash deficit RM300, **average shortfall of RM33/month**

Options: STAFF

- Fringe staff

Retrench (reskilled, multitask) cash flow ↓ 10%

- Key staff

Pay cut (change reward scheme) cash flow ↓ 25%

(If Payroll cost cut 1/3, from RM60 to RM40/month, 10/11/12 breakeven)

老板: 笑话/讽刺

JOKES ON BUSINESS OWNERS

RETIREEES (regardless of income level)

Retirement Age 60

Expected Lifespan Age 80

Holidays (no income) 20 years Staying Alive

BUSINESSES

2 months income holiday > 50% died

6 months income holiday > 95% died

Reality struck

Businesses are vulnerable & fragile,
can't afford 2 months income holiday

Changing fongsui

Blessed to be employees than bosses

生意 偏头疼

COVID = BUSINESS MIGRAINE

COVID strikes SME = Migraine

Gov't assistance = Panadol

SME health condition = Migraine with lesser pain

MAGIC PILL = DIY

生意大缺水

Business Bank accounts balances @ 1.4.2020 - NOTHING much

<p>SME Cashflow</p>	<p>BIZ COVID Test</p>	<p>Bank Loans + Shareholder Advances</p>
<p>1/3 OK till March 1/3 OK till April 1/3 OK beyond Apr</p> <ul style="list-style-type: none"> → 18% OK till June → 8% OK till Sep → 4% OK till Dec → 3% OK beyond Dec 	<p>Ventilator taken off With ventilator</p> <p>Muscle pain Mild fever Dry cough Tested -ve</p>	<p>0.5 month 1.5 months</p> <p>3 months 4 months 5 months 6 months</p>

BIZ SURVIVAL: Urgent bank loans + Shareholders Advances
SME Wealth, substantially wiped off

MALAYSIANS DEBTS 负高债

Household debts to GDP @ 30.6.2019

Malaysia	83% (Among highest in ASEAN)
US	75%
Japan	58%

Residential property loans way key to debt growth

Corporate debts @ 31.12.2018

High -144% to GDP

Household income

↓ 12% resulted by forecasting 2.4 million jobs loss
(Malaysia Institute of Economic Research)

**Acid test : Ability to service all loans & HP from October 2020,
both company & director personally?**

HIGH DIRECTOR PERSONAL DEBTS

Attitude

*Time to conserve, not impress,
be practical, delay gratification,
substance over form, adjust lifestyle*

•Credit card Debts (Interest 20%)

Outstanding sum, convertible to loan, easier payment

•Car Loans (Interest 7%)

Higher interest, wasting asset, defer changing cars

•Properties Loans (Interest 4%)

Deferred payment (Mar to Sep), extend tenure of loan

OPTION DIRECTOR PERSONAL DEBTS

Education is lifelong learning (hard knocks),
way way beyond classrooms (schooling).

Children Education (Biggest expense)

Paying TOP school fee

? Best outcome ? Best son/daughter

Evaluate Options

University: Schooling (Value for money vs Brand name)

Courses: Vocational & Professional vs Academic

Specific skill set vs Broader view

Gap Year: Take 1 year off b4 going to university

- Find out ideals from the real world

Defer 1 year: Intern b4 re-joining university

- Appreciate what you have studied

危机 商机

CRISIS & OPPORTUNITIES

企业没百日紅, 風水轮流转

BUSINESS & OPERATOR **BAD TIME**

BUSINESS

Shopping Mall
Hotel
Restaurant
Accounting
Car making

Who COME & GO?

Operator
Operator
Operator
Provider
Manufacturer

WHAT STAY ?

Shopping Mall
Hotel
Restaurant
Accounting
Cars

Business operators come & go, businesses will stay
The constant is business, variable is operator!

钱是皇者 CASH IS KING

SME

War chest = CASH

Avoid being RICH Begger

Asset rich but No Cash

不要 临时抱佛脚 **Urgent Raise Cash**

Up to 6 months operating cashflow

钱是皇者 **CASH IS KING**

开源 節流 RAISE CASH

RAISED CASH – Buy Time. Buy Space . Raised Hope

开源 CASH ↑

Raise cash

- ✓ Collections
- ✓ Covit Bank loans
- ✓ Business Loans
- ✓ Personal property loans
- ✓ Salary Subsidies
- ✓ Disposal of assets
- ✓ Disposal of business

↓ 節流 REDUCED EXP

Deferred payment

- ✓ Bank loans & HP
- ✓ Taxes

Cut Cost & Expenses

- ✓ Not urgent overheads
- ✓ Not essential overheads

Payment in kind (Barter Trade)

- ✓ Equity for salary

大检讨 REVIEW BUSINESS

BUSINESS

Boss still have fire?
Right business?
Critical success factors?
Right business model?
Right people?
Right customers?
Right systems?
Right location?
Effectiveness?
Continue or close?

REWARD STRUCTURE

Take all risk

- High salary with bonus

Sharing risk & rewards

- Lower basic with performance linked incentive

1 or more shareholders

- Pros & cons

生意構造 BUSINESS STRUCTURE

单公司 SINGLE Co.

Everything in 1 co.

All Assets

- Intangible
- Properties
- Other Assets

All liabilities

- Director loans
- Bank loans & guarantors

Shareholder Fund

Share Capital – high
Retained Profit - High

Eg. Hotel operator

Has 3 hotels, now monthly operating expenses RM1.5m. Options?

不同公司 MULTIPLE Co.

1. **Investment company**
Properties with bank loans
2. **Separate company**
Patent & trade mark only
3. **Operating company**
Businesses only
No big assets
like land & buildings
Balance sheet – Asset light
Shareholders fund – Low
Bank facilities (3rd party charge)

开源 RAISED CASH

BANK LOANS & INTEREST

SPEED

COVIT 5 years @3.5% interest



Fast, limited fund

Business Loans @ 7% interest



Slow

Land Loans @ 7.5% interest



Slow

Property Loans @ 4% interest

Business & Personal

- **Refinancing** (new bank)



Slow

- **Top up** (existing bank)



Fast

(Last approved loan – Owing now = \$ Top up)

CIMB predicts by May, interest rate  0.5% and 2nd half of the year  0.25%

節流 OVERHEADS

BIG ITEMS

Staff Salaries

- Pay cut, unpaid leave, annual leave, shorter hours, multitask, retrain, freeze recruitment, retrenchment

Rental

- Renegotiate

Bank Loans

- Deferred then restructure

NOT URGENT/NOT CRITICAL

Renovation

Entertaining

Welfare

Training

ATTITUDE

Less wasteful

Defer gratification

Be resourceful

Stay lean

節流 SALARIES

Option 1 - Do nothing

SOLID Company

Option 2 - PAYCUT NOW

Consider Pay cut

Salary >RM4K

Claim RM1,200 subsidies

salary <RM4K

MCO period

- Annual leave staff <4K,
- Part unpaid leave staff >RM4K

Oct – Review salary <RM4K

Option 3 – DEFER till MAY

Claim RM1,200 subsidies

salary <RM4K

MCO period

- Annual leave staff <4K,
- Part unpaid leave staff >RM4K

May (after MCO)

- Consider Pay cut Salary >RM4K

Oct – Review salary <RM4K

重组/清盘 COMPANY IN DISTRESS

OPTIONS

CONTINUE

Condition?

ICU, +ve or flu

Why?

Cashflow or biz?

Biz viable

Continue

Consider

Restructure

重组 RESTRUCTURE

Cut debts

Negotiation

Choices

* Mgmt participation

* Cash Injection

new & old SHH

STAYING ALIVE

Nurse it till healthy

Decide again later

清盘 CLOSE DOWN

Creditors Winding up

No viable

to hang on

Members Winding up

Not worth

hanging on

重组 DISTRESSED & FED UP

DISTRESSED CO.

Problem: Cashflow

- Eg. Hotel & restaurant

AIM: STAYING ALIVE

- Dispose some shares to key mgmt as payment of salaries
- Invite new shareholders to inject cash (biz associates, family, friends, Private Equity)
- Negotiate for debt reduction & easy payment for debts

EARLIER RETIREMENT

Problem: Owner Fed Up

- Eg. Legal & Engineering

AIM: STAYING ALIVE

- Offer to senior management
- Arrange for scheme of payment for gradual sell out
- Restructure salary for top management, reduce big overhead.

清 盘 DISTRESSED WINDING UP

LAST RESORT - *Not viable to hang on; or
Not worth to hang on (save some cash)*

CREDITORS WINDING UP

- **INSOLVENT, unable to pay debts**
- Abandon the body, no proper funeral
 - Directors black listed in CTOS, bad financial standing

MEMBERS/SHAREHOLDERS WINDING UP

- **SOLVENT** Settle all debts
 - compensation for retrenchment
 - Negotiate for haircut, if unable to pay
 - Directors/shareholders inject cash to settle all debts
- Proper funeral
 - Directors staying alive, can live to fight another day

清盘代价

IMPACT OF WINDING UP

Business

Value b4 MCO

Fixed Assets	1m
Current Assets	3m
Current liabilities	- <u>2m</u>
Net Book Value	<u>2m</u>

Issue

Cashflow

Require to sustain	5 months
Available (Co & dir)	2 months

Wind up Proceeds = 0

Director Personal

Value b4 MCO

Investment Ppty	10m
Loan	- <u>5m</u>
Net worth	<u>5m</u>

Disposed now

Property sales	7m
Loan	- <u>5m</u>
Proceeds	<u>2m</u>

Net worth b4 MCO worth 7m, quit now realise RM2m

保命 STAY SOLVENT

SURVIVAL TEST

CASH RESERVES = Company + Shareholders

Business Migraine

Keep our biz healthy, gov't can only give panadol
Gov't Welfare Assistance, **SME focus on Self help, DIY!**

AVOID

- * Assets Rich but Cash Poor, being Rich Begger
- * Personal **Bankruptcy** & Company **insolvent**

STAYING ALIVE


STANDBY BUCKETFUL OF CASH

Live to fight another day

捲土重来, 守得云开见月明

CONCLUSION

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	2020	2021	Effect
GDP	Revised	Forecast	
	%	%	%
• World	- 3.7	+ 5.8	
• China	+ 1.2	+ 8.8	
• US	- 5.9	+ 4.7	
• Malaysia	- 4.0	+ 9.0 ?	 13.4 (Hope)

Effect of Giving UP

Devastating impact, business value = 0

Liquidated assets, very low realisable value

Hang on, staying alive for 1 year

Business is expected to recover in 2021, turn around by 13%

Assets will be back to pre-lockdown value

Staying alive, dawn is ahead in 2021.

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THANK YOU

AdrianYeo PLT

63B Jalan SS25/2 Taman Bukit Emas,
47301 Petaling Jaya, Selangor
Tel: 603 7802 3333
info@adrianyeo.com
www.adrianyeo.com

