



*"It's complicated,
that's why we're
bringing in BDO."*

THE IMPACT OF COVID-19 ON YOUR COMPANY

A LIQUIDITY FORECAST ROADMAP

The COVID-19 outbreak poses a serious public health threat. It has interrupted the movement of people and goods throughout the world, and many levels of government are instituting restrictions on individuals and businesses.

The resulting financial and non-financial impact on businesses in Aruba will also be significant. The moment COVID-19 entered the island, the behavior of suppliers and customers (forcibly) changed, demanding local companies to adapt to a new reality where sales volumes and cash flows will decrease.

As the COVID-19 is already having impact on the tourism industry and businesses, it will only be a matter of time before you also experience this impact on your business. Showing leadership and timely taking the right decisions will more than ever be key for a swift recovery. As these decisions almost always come down to liquidity, these decisions can be difficult. To support you in this process we have created a liquidity forecast roadmap which can help you during the COVID-19 pandemic.

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Liquidity Forecast Roadmap

- The first step in the roadmap is to ensure that you have insight into the short-term liquidity expectations and compare this with the available credit limits for your company at your bank. It is important to make a conservative estimate of at least two to four months so that a possible shortfall can be identified timely and managed in advance based on the available direct cashflow;
- Based on the expected liquidity forecast, measures should be taken to manage possible shortfalls. The measures are then calculated in a second prognosis to determine whether the measures are adequate. Here again, be conservative and create multiple scenarios and ensure timely revision based on changing factors:
 1. Find out which variable and flexible costs can be immediately reduced or postponed. Do this by carefully reviewing your general ledger. Evaluate stopping or postponing investments and look carefully at the minimum necessary essential costs to maintain the core operations ongoing. Also, do not hesitate to approach suppliers for postponement of (partial) payments, given the dire times.
 2. Approach the bank regarding a possible deferral of loan repayments and/or obtaining an overdraft facility. Applying for an additional overdraft facility at the bank may have an added chance of success if you prepare a narrative and several scenarios forecasting the financial activities for 2020 including your assessment of the impact of COVID-19 thereon and slow recovery in 2021.



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3. Create a creditor payment plan. Obtain insight in which creditors must be paid in the coming weeks and period to maintain the core operations (f.e. minimum inventory level taken into account lead time delivery from international suppliers, essential services, and so forth). Once this has been worked out and the necessary stretch has been created, communicate the scheme to all creditors. These kinds of processes stand or fall with good communication. Experience has shown that multiple small payments are more accepted than weeks of non-payment.
4. Ensure timely (advance) billing and improve debtors collection by keeping a process of good communication with all debtors and making payment arrangements in advance.
5. Giving the opportunity to employees to use outstanding vacation days, postponing payments of vacation allowances until later in the year.
6. The necessary measures are also possible in the area of taxation. Refer to '[Stimulus package alleviating effects Covid-19 virus for entrepreneurs](#)' as released by BDO Aruba on March 30, 2020.

Communication

In these uncertain times it is important to keep communicating. Communicate with your employees, your customers, your financiers, and your suppliers. As these periods are uncertain for everybody, you can differentiate yourself through proper communication so that all stakeholders are sufficiently informed and know what they can expect from you. Even if you cannot assess the impact in detail, communicate that you cannot estimate the impact. This will keep your organization transparent and you may be able to remove some of the uncertainties on a stakeholder level.

What can we offer you?

BDO can support you at the time of the COVID-19 pandemic by providing insight into the liquidity development of your company and providing measures tailored to your business. From the historical financial administration we can create a model for your liquidity towards the future. The actuality and effects of the COVID-19 virus are added in, together with the above mentioned tax relief package introduced by the Government of Aruba. This will show you where liquidity can be saved, how you can optimally use the available liquidity, how banks could be approached, and how you can create comfort at your stakeholders about your organization's ability to adapt and bounce back.

Our team of financial, accounting and tax professionals are ready to assist you. You can reach our team via telephone (transferred to the mobiles of the team who will be working from home) or via e-mail:

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