

BREXIT Webinar

Managing the Working Capital Challenge

By John Power | March 2019



Webinar Agenda

- Overview
 - What are companies saying?
- What is working capital and how will this be impacted by Brexit?
- Working capital financing options
- Helpful Tips and Tactics



Considerations for Companies

Working Capital



Getting Paid



Currency Exposure



Tax / Customs



Word on the Street

“How will we fund the potential additional costs?”

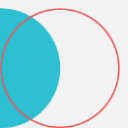
“We would need/require additional capital”

“We have good credit terms with our suppliers”

“What additional costs could there be?”

“Credit is expensive”

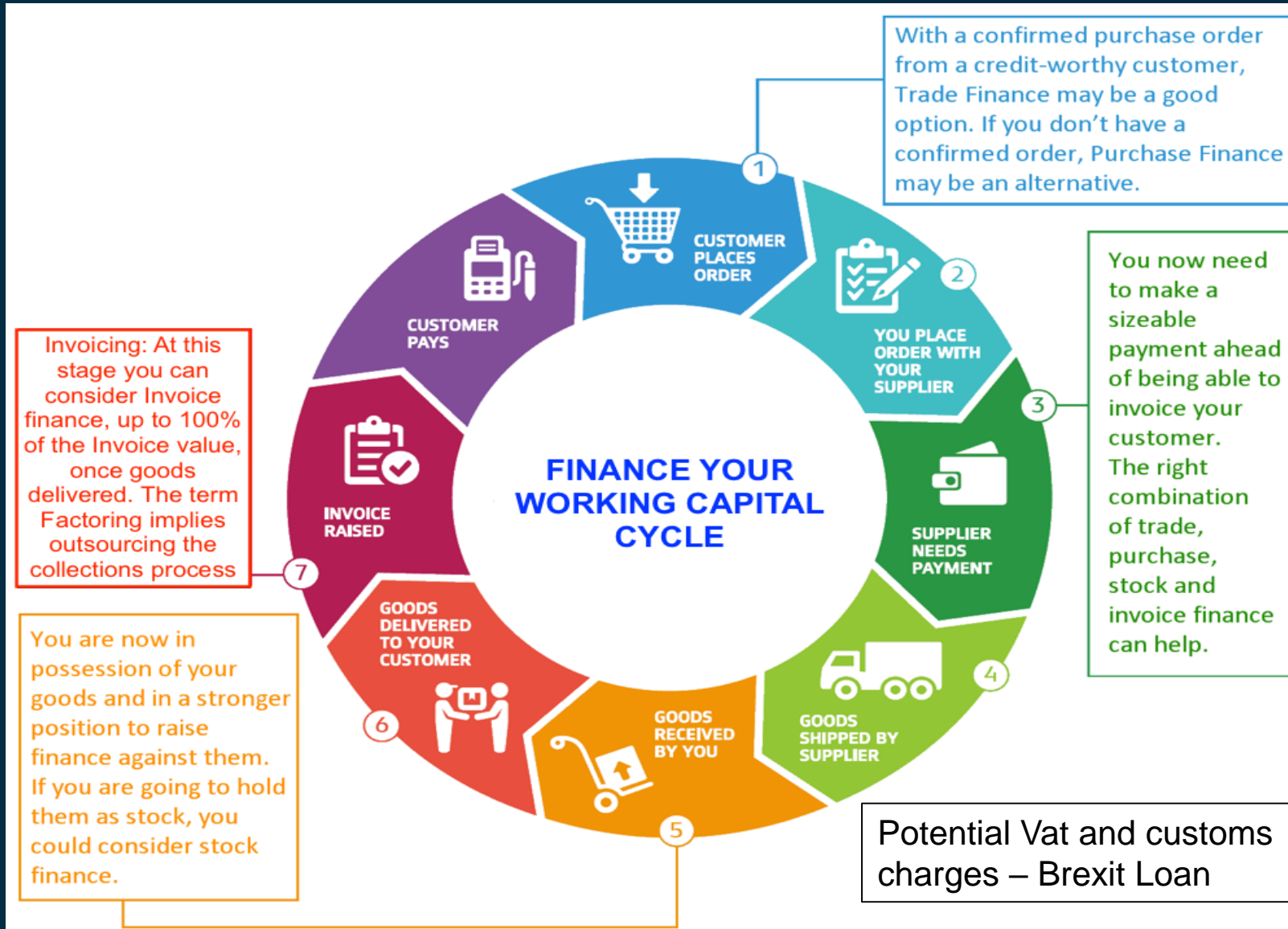
“Don't know what we require”



Case Study

- Engineering company – 30% sales into the UK
- 70% of material sourced from the UK
- Stable cash flows
- Contractual and creditor terms in place
 - 60 days credit given to customers
 - 90 days credit received from suppliers
- 40% Gross margin
- 12% net margin
- Assumptions

Working Capital Cycle (Cash Cycle)



Managing your Working Capital - Internal

- Maximise your credit terms from your suppliers
- Efficient credit control (manage aged debtors)
- Familiarise new/existing arrangements
- Revenue mechanisms
 - Deferred payment authorization
 - VAT deferral
- Manage customer and supplier terms into the future
- Cash is king, retain sufficient amount



Working Capital Financing Options - External

Post Shipment Finance

- Invoice Finance
- Factoring
- Full ledger, Single debtor, Single invoice

SBCI

- Brexit Loan Scheme
- Credit guarantee scheme
- New Scheme – Future Growth loan fund

Bank

- Overdraft
- Term loan
- Stocking loans
- Letter of Credit

Pre-Shipment Finance

- Trade Finance
- Stock Finance
- Purchase Order Finance

Brexit Loan Scheme

- Operated by the Strategic Banking Corporation of Ireland (SBCI)
- Designed to assist Companies with working capital challenges as a result of Brexit
- 3 year loan – repaid over the term
- Maximum loan rate – 4%
- Loans between €25k and €1.5m
- First 500k unsecured (state guarantee), over €500k 20% security required.
- 2 Step application process – qualification is via SBCI, credit assessment undertaken by the bank (lender)
- No Personal Guarantees

Tips & Tactics

- Ensure internally the cash cycle is as efficient as possible
- Review contracts with both suppliers and customers to ensure longest possible credit received from suppliers while reducing customers credit periods
- Engage with UK customers and suppliers in particular – Credit from UK Suppliers?
- Credit insurance – your credit standing!!!
- Hope for the best but plan for the worst
- Understand which type of finance best suits your business and needs
- Ask your customers/suppliers what their Brexit plan is (could things change for them)
- Research the options available – never been more choice and diversity available



Summary

- 1. Cash cycle may lengthen**
- 2. Brexit will disrupt – Ensure sufficient capital is available**
- 3. Maximise internal cash resources**
- 4. Ensure finance is appropriate to the requirements of the business**
- 5. Credit process takes time, don't delay**

Thank You

John Power
SGL



Q&A



State Supports

Enterprise Ireland

- Act On Initiative
- Be Prepared Grant
- Brexit Advisory Clinics
- Customs Insights Course

InterTradeIreland

- Tariff Tracker
- Brexit: Start to Plan Vouchers
- Research Reports

Local Enterprise Office

- Brexit Mentoring
- Lean for Micro & Agile Innovation Programmes
- Management Development Programmes

