

# COVID-19: KPMG debt advisory support to businesses

The uncertainty and disruption caused by COVID-19 will undoubtedly have **severe financial implications** on local businesses and will probably put a strain on their cash positions. Cash is key to the survival and growth of any business, hence **effective cash and liquidity management** is an increasingly critical practice to maintain a steady stream of working capital. Going forward, all businesses must **critically re-examine their debt capacity and debt servicing ability** and proceed with **financial restructuring** of their obligations.



## Greek Ministry of Finance measures

As of today, the Greek Ministry of Finance ("MOF") has already announced a number of measures, subject to eligibility criteria, the key provisions of which are as follows:

- Extension to 31.08.2020 for the payment of VAT amounts and installments of other assessed tax liabilities payable from 11.3.2020 to 30.4.2020
- 25% deduction on installments of assessed tax liabilities (excluding withholding taxes and VAT), payable from 30.3.2020 to 30.4.2020, on condition that these payments are timely settle
- Coverage of interest payments of performing loans for medium and small enterprises for the months of April, May and June, as well as possibility of extension of the said timeline for two more months if necessary.
- The date of payment of companies' securities (cheques, bills of exchange and promissory notes), which were payable in the time period from 30.3.2020 to 31.5.2020, is suspended for 75 days.
- Affected enterprises are exempted from paying 40% of the rent for their commercial premises or payment for financial leases for the month of April 2020 (for enterprises locked down by State order this measure applies also to their rent for the month of March).
- Extension of the deadline for the payment of social security contributions (both employer's and employee's) for February and March 2020 employment, due on 31.3.2020 and 30.4.2020, until 30.9.2020 and 31.10.2020 respectively.



**The resilience of your business, however small or large, requires immediate action and thorough planning**



## What does this mean for businesses?

Businesses are required to:

- Take proactive steps to gain control over the situation.
- Gain visibility over their liquidity situation and their immediate and future cash flows.
- Proactively manage their working capital needs.
- Ensure that their business model fully considers and reflects their critical cash requirements.
- Take both immediate and medium to longer term actions in order to secure their business continuity and resilience.
- Businesses must act fast to take advantage of the Greek Government measures announced.
- Businesses must critically examine their debt structure, repayment programs and covenants and proceed with comprehensive debt restructuring, if needed.
- Businesses must immediately interact with their financing banks.



## What you must do?

Businesses must immediately:

- Critically evaluate their cash and liquidity situations, now and during the next few weeks and months, and take immediate action, as part of a rolling plan, to ensure adequate availability of cash liquidity.
- Examine if a loan instalments postponement scheme is needed and submit an application to the relevant financial institutions.
- On the basis of their evaluation of their cash and liquidity situations and projections, submit an application to their financing banks for extra or stand-by liquidity facilities, if needed.
- Take a critical view and assessment of the business' maximum debt capacity, its existing debt structuring, its sustainable debt servicing ability, and its existing loan covenants and submit to the relevant financial institutions a comprehensive and adequately substantiated restructuring proposal.



## How can we help?

KPMG's Restructuring practice has many years of experience of working with management, lenders and other stakeholders, to address critical liquidity, cash flow and / or debt structure and debt servicing challenges:

- Immediate actions to preserve short-term business continuity.
- Examine liquidity and cash availability positions, identify and implement short-term income, expenditure, cash generation and cash preservation initiatives, cash controls and KPIs and advise on liquidity strategies and develop robust short-term cash flow forecasts.
- Assist the business in submitting their substantiated applications to financial institutions (e.g. loan installments postponement, additional liquidity facilities, interest rate reduction).
- Subsequent actions to safeguard business medium and longer term viability.
- Thoroughly review existing capital structures and debt facility agreements, repayment programs and covenants.
- Develop restructuring plans (including alternative / contingency scenarios) to align with the business' inherent operating cash generating ability and maximum debt capacity.
- Assist businesses in submitting their debt restructuring applications to banks and support them in managing communications, interactions and negotiations with relevant stakeholders.
- Explore alternative financing options with investors / financiers.

The above are subject to revision on the basis of legislative amendments and new government measures to be introduced and can be customized according to the exact needs of the business.

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