



Are your finances ready for Brexit (and the long delay)?

Working Capital, Debt Advisory and Treasury

**What have we learned from preparing for the now delayed Brexit?
Be aware of the possible strain to your cash position and access to finance.**

Bigger inbound inventory

Stockpiling has been encouraged and has become common. Border delays and disruption after Brexit could require firms to continue to hold more stock to avoid production stoppages and late deliveries. However you look at it, that means more cash in inventory. How is that funded?

Bigger outbound inventory

Exporters will need more finished goods on hand to be sure of hitting their SLAs. Again, more stock equals more cash tied up in working capital. Inbound and outbound, you may see a big increase of inventory in transit. Have you worked out the extra stock you may need and how that affects working capital?

Delayed payments

Even ignoring Brexit, 2019 looks likely to be a challenging year with slowing global growth and increased protectionism and domestic focus. Have you factored in additional funding for the increased likelihood of delayed payments? If other firms have a more strained cash position their first reaction is likely to be to extend the time they take to pay you.

Revenue shock

Have you scenario-tested demand for your goods in a hard or no deal situation? Supply chains are already shifting and the UK may not automatically feature in firms' future plans.

Forecasts predict a sharp slowing in activity as we adapt to new scenarios. Over the first few weeks the impact on your cashflow could be profound.

Currency volatility

Predicting the pound's value has been one of the greatest challenges for importers in particular. Getting your hedging strategy wrong and mistiming your purchase of stock from overseas will place even greater strain on your cash position.

Sterling has been less volatile than expected, but will that change?

Liquidity squeeze? – We know that lenders are becoming more cautious now and we expect that trend to continue the closer we get to Brexit. Borrowers should prepare for lending decisions to take longer and bank credit committees to do a lot more probing around companies' working capital and supply chain contingency plans.

How we can help



A rapid working capital diagnostic

Our accelerated examination of your working capital across inventories, receivables and payables will identify your any weaknesses.

For example, your working capital needs might spike with a ramp up in inventory, you could have more inventory in transit, be forced to write down more spoilt products or incur contract penalties for late deliveries.

Assessments include a comparison of working capital with the available cash.



An action plan to release cash

With Brexit still just a few months away, you don't have the time for the usual 12-18 month inventory program, but many of the 150+ hypotheses we run through can make a big short-term difference in freeing trapped cash.

A full working capital review will often reveal inefficiencies that – once fixed – mean you don't have to increase stock levels at all.

Our approach emphasizes practical steps and combines data-intensive analytics with targeted discussions to identify and validate opportunities.



A cash forecasting review

You've identified your potential pinch points. Now understand how close you could be running to borrowing limits.

Our team will look at your short-term 13-week cashflow, to ensure it provides sufficient forward visibility of potential impacts now and after Brexit.

Is your forecasting transparent enough to ensure you always have the right things, in the right place, at the right time?

How we can help



Securing extra financing – Debt Advisory

Projections of tighter cashflow up to and through Brexit might mean you seek greater financial headroom. However, Brexit could also make access to that debt financing more difficult just when you need it most if continuing uncertainty and macro deterioration starts to weigh on lenders' risk appetite. Re-financing could become increasingly difficult.

Thorough preparation, an early start and strong lender relationships are vital.

Our experienced and independent Debt Advisory team has a long track record of advising companies on everything from refinancing existing debt, to negotiating the restructuring of financial covenants for clients. We have around 30 UK experts working across markets including:

- Bank facilities – club, syndicated and bilateral.
- Debt capital markets.
- Alternative lenders.
- Leveraged finance.
- Asset-based lending.
- Real estate finance and
- Structured finance.



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Nick is Head of Debt Advisory in the UK and has significant experience of advising clients around financing requirements – including options analysis, refinancing, finance raisings, debt restructuring and renegotiations for underperforming companies and debt for equity swaps.



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Joe is KPMG's Brexit Banking & Capital Markets Lead and oversees our broader Brexit engagement with clients. With more than 25 years in financial services and key relationships with a number of systemically-important banks around the world, Joe has rare insight into the finance industry's Brexit challenges and the effect that could have on the broader British and EU economies.



FX hedging – Corporate Treasury Services

We can help you take a fresh look at your currency hedging strategy, analysing how currency volatility is changing your input costs and then using quantitative models to test whether your company has sufficiently flexible liquidity to see you through a Brexit shock or a significant downturn.

Our Europe-wide team will run your business through the potential mitigations such as using derivatives or seeking extra liquidity, so you have the right balance to make it through a period of instability.



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Mark leads our turnaround and working capital capability in the UK and globally working with a wide range of clients across multiple sectors but with particular depth of experience in retail and industrial value chains.

He also leads our relationship with a number of FTSE 100 or equivalent clients. He joined KPMG in 1999 and has been part of our Advisory practice since 2000.

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