Tackling Touch Decisions: Logical Approaches to Cost-Cutting

April 2020
Hard Truths for Hard Times

- Many NSCA member companies have seen revenue streams dry up
- Reduced access to job sites means employees can’t be fully utilized
- Many integration companies have laid off employees, cut back on hours, reduced benefits … or are considering these cost-cutting options
- NSCA wants to help you make logical business decisions

*It’s not a fun webinar topic … but it’s a vital topic nonetheless*
Todays Guests

Chuck Wilson – Executive Director – NSCA

Josh Shanahan – CEO and President – SVT

Tom LeBlanc – Director of Industry Outreach – NSCA (moderator)
Agenda

• Quick recap of government assistant options
• How to conduct a financial stress test
• Decision Points: Analysis of cost-cutting options
• Maintaining company culture
• Audience Q&A
Put Cost-Cutting into Perspective

What is cost cutting?

It’s about matching your current and projected expenses with your current and projected revenue streams.
Leveraging Government Assistance: Round 1

• First round of U.S. federal government aid included $349 billion in loan commitments under the SBA's 7(a) program. Designed to keep people working and off unemployment.
• Apply for loan through local lending institution (easy for some, not others)
  o Upon receiving funds, for 8 weeks businesses must spend at least 75% on keeping or rehiring workers.
  o If so, the loan is forgiven.
  o If not, it carries no more than 1% interest rate and must be paid back within 2 years.
  o Loans limited to $10 million (or 2.5 times average monthly payroll, whichever is less) for businesses with 500 employees or less

We have been recommending this for the majority of NSCA member companies that qualify. Many have received funding already!
Leveraging Government Assistance: Round 2

- Next round of Payroll Protection Program is underway
- It’s one thing to obtain funds from the government – companies MUST have the discipline to spend it appropriately over 8 weeks

Once you get the money, priority should be not to give it back!
How to Conduct a Financial Stress Test

- 30/60/90 day cash position based on projected revenue streams (adjusted daily)
- Matching fixed and variable costs to those revenue estimates
- Determine impact of any/all alternative revenue sources
- Accurate backlog/WIP reports with earned revenue recognition periods by division or branch office (anticipate backlog burn rate)
- Evaluate sources of liquidity, use of debt, availability and usage of PPP funding and sustain payroll levels accordingly
- Compliance to loan covenants and determine any potential ineligible assets pledged
How to Conduct a Financial Stress Test

- Weekly meetings on A/R aging by customer/project to determine collection status of all active accounts
- Daily reviews of cash balance and upcoming A/P obligations
- Daily monitoring of PPP balance and line of credit utilization
- CEO/CFO approval on all prior approved capital expenditures and limit to revenue generation activities, or cost saving measures.
- Monitor the daily LOC position, DSO projections on A/R aging balance, and account for large A/P payments outside of the normal daily volume
- Absolutely know what cash balances will look like in a 30-60 day window
- And this is only the start…

Cash Is King!
Decision Points: Analysis of cost-cutting options

- Datapoints from NSCA’s chief economist and research firm gives insight to the period for stabilization and then recovery
- Access to client facilities based upon employee safety and essential status
- Cashflow improvement methods
- Matching the workforce to both short- and long-term forecasts
Decision Points: Analysis of cost-cutting options

What are the real options here?

- How to know when you need to lay off employees, how many … and when to do it
- How and when to choose between layoffs and furloughs
- Considering reduced hours, cutting contractors, reducing benefits
Maintaining Company Culture

Is it possible to take dramatic, life-altering steps while keeping company pride and culture intact?

Goal is to come back stronger than ever.
Finding Your Silver Linings

• You can come out of this a stronger company
• You can learn how to be leaner and more efficient
• You can collaborate better as a team
• You can become a tighter-nit group
Let’s Discuss
Audience Q&A
Submit your questions
Find more “Business Continuity” guidance at: nsca.org/tag/business-continuity/

During uncertain times like these, the No. 1 rule of business is:

**Stay in business!**

Get guidance from your trusted advisor on navigating tough choices and responding to the COVID-19 pandemic

NSCA is here to help integration companies.
Reach out at [nsca.org/contact/](http://nsca.org/contact/) or call (800) 446-6722
Connect

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THANK YOU!