

# Lessons on navigating crisis



Insights from Michael Hobey

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Finance Executive and Former Investment Banker

## Key Lessons

During economic downturns, many things increase in importance:



Cashflow Visibility



Communication with Banks



Access to Business Detail



Industry Relationships



Health of Employees



Expert Advice

## **Cashflow Visibility**

Cash flow visibility is key. The 13-week cash flow forecasting process is most valuable if put in place well before needed, and liquidity becomes an issue. Further, with time and practice, forecasting efficiency and accuracy will improve. In addition to tracking and forecasting cash and liquidity, a 13-week cash flow model becomes necessary for forecasting compliance with relevant debt/bank covenants and making conversations with debt holders more efficient.

## Communications with Banks

Communications with banks and lenders need to be well designed. At the start of a general business decline, all banks and lenders will begin to reevaluate loan risks. Lenders will not be surprised to hear that a company's business has slowed. Knowing this, a company that understands its cash and liquidity needs, and has a coherent plan in place, can better control the conversation with its lender and turn a potentially non-productive adversarial relationship into more of a partnership.





## Access to Business Detail

Ready access to granular business detail increases in importance as business performance declines. What was “nice to know” during stable times can become a matter of success or failure during challenging times. Which supplier contracts can be terminated without penalty? Which leases?

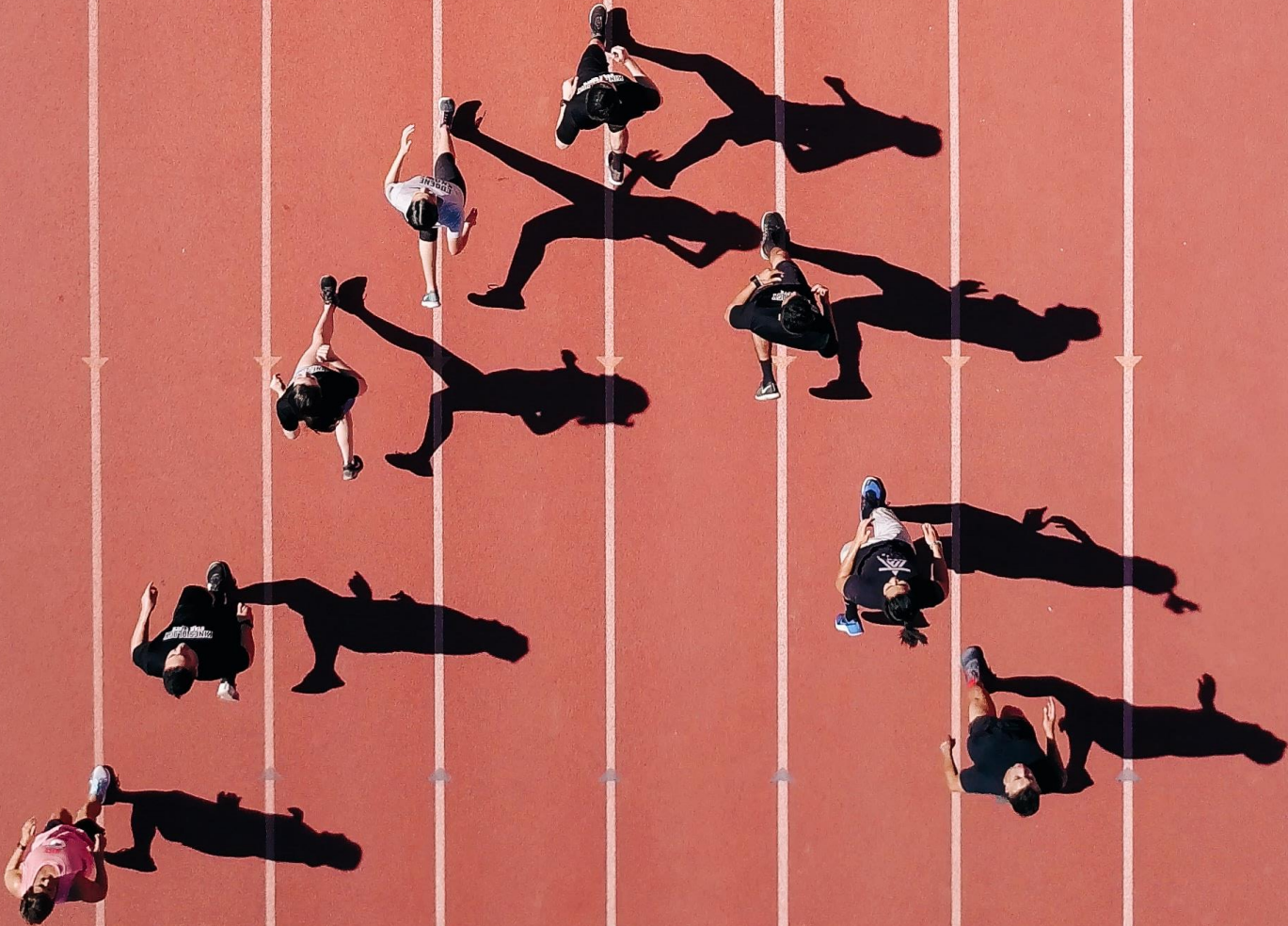


## **Industry Relationships**

Relationships and intimate knowledge of the industry landscape become even more valuable. Which customers can be relied upon to be “partners” and potentially provide relief via faster payments? Which suppliers are more lenient with delayed payments and which will make “noise”, potentially causing damage to the company’s reputation and a “run on the bank” situation?

## Health of Employees

Do not forget the importance of monitoring the overall health of employees. Teams will be required to do more with less in a difficult and uncertain environment. Characteristics that set employees apart in good times—intelligence, creativity, teamwork, leadership, grit—became even more important during volatile times.



## **Expert Advice**

Outside advice and expertise can be extremely valuable while managing through a downturn, and companies need to understand the roles of the various bankruptcy advisors and the correct time to engage them. Companies also need to understand what they want versus what they need. No company wants to file bankruptcy, but deliberate preparation is essential to avoid business disruptions if a filing is necessary. Balancing survival outside of bankruptcy with chapter 11 preparation is possible but requires careful planning and an understanding of the chapter 11 process, which generally requires the hiring of outside advisors.





## About Michael Hobey



**Michael Hobey**  
Senior Advisor

Michael has over 20 years of corporate finance, operating and restructuring experience. He is currently serving as a Senior Advisor at Keene Advisors where he leverages his deep experience managing companies through distressed situations to advise Keene's clients on corporate turnarounds and restructuring transactions. Michael brings a unique real-world perspective to client engagements.

Michael also currently serves as the Chief Financial Officer of Elah Holdings, Inc., and is an advisor to Baseform. He has served as Chief Financial Officer of Real Industry, Inc., Real Alloy and the Global Recycling & Specification Alloy business unit of Aleris.

Previously Michael also served as the Vice President, Corporate Development and Vice President, Treasurer of Aleris International.

Before joining Aleris, Michael was an investment banker at Citi.



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**m&a**

**capital raising**

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An aerial, top-down view of a rowing team in a scull on dark, rippling water. The team consists of six rowers, three on each side of the boat, all wearing athletic gear. The boat is long and narrow, with a pointed bow at the bottom of the frame. The water is dark and textured with small waves. The overall mood is one of intense focus and physical effort.

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