



13-Week Cash Flow Modeling Scenarios

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What is a 13-Week Cash Flow Model?



Internal, weekly, cash-based analysis performed for a short period of time

13 weeks = 3 months = 1 quarter

Often updated on a rolling basis



Similar to the main cash flow statement, it unwinds accrual-based accounting

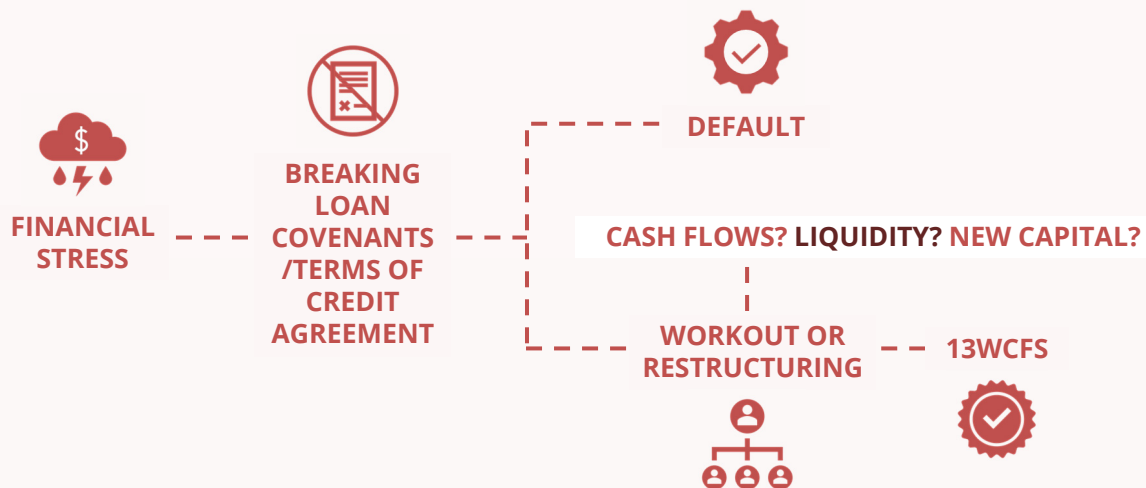


Whereas most cash flow statements are compiled using the indirect method, the 13-Week Cash Flow Statement uses the direct method

Distills all activities of firm down to cash receipts and disbursements

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Why Do We Need a 13-Week Cash Flow Statement?

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Possible Distress Causes



1

Crises like COVID-19 are a large factor but in many cases there are pre-existing conditions



2

Industry challenges

Retail, threat to bricks and mortar by online, failure to shift to **Direct To Consumer**

Energy – falling prices against massive investment costs to develop



3

Poorly executed turnarounds or ineffective turnarounds



4

Poor performing divisions or acquisitions



5

High leverage compounding all or any of above

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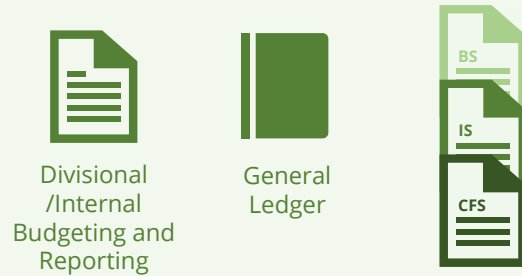
Internal Reporting Critical to This Analysis

EXTERNAL REPORTING



Quarterly and Annually

INTERNAL REPORTING



Weekly, Monthly, Quarterly and Annually

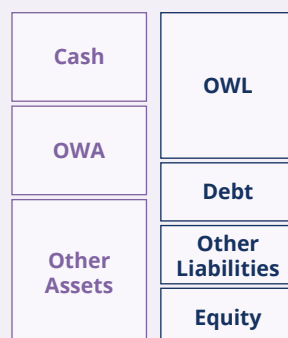
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Converting Accruals to Cash Flows

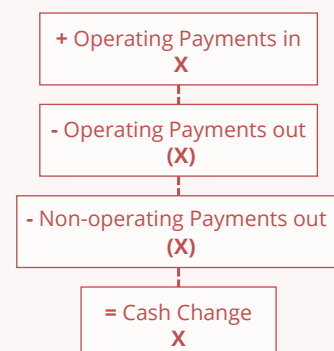
INCOME STATEMENT

Sales
Cost of Sales
 Gross Profit
SGA
 Op Profit
 Interest
Taxes
 Net Income

BALANCE SHEET



CASH FLOW STATEMENT



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Direct Cash Flow Statement Format Helps Us

INDIRECT

Cash Flows from Operating Activities

Net income
 +Depreciation/Amortization
 +/- Decrease/(Increase) AR
 +/- Decrease/(Increase) Inventory
 +/- Increase (Decrease) Acc Pay
 +/- Increase (Decrease) Acc Exp.
Net cash from operating activities

Cash Flows from Investing Activities

Purchase of PPE
Net cash from investing activities

Cash Flows from Financing Activities

+/- Increase (Decrease) Debt
Net cash from financing activities

DIRECT

Cash Flows from Operating Activities

Cash Received from Customers
 Cash paid for merchandise
 Cash paid to Employees
 Cash paid for interest
 Cash paid for taxes
Net cash from operating activities

Cash Flows from Investing Activities

Purchase of PPE
Net cash from investing activities

Cash Flows from Financing Activities

Increased borrowing
 Loan repayments
Net cash from financing activities

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The Thirteen Week Cash Flow Statement

OPERATING CASH FLOW



ADD - Cash collected from customers from sales and other activities (asset sales, royalties, etc.)



SUBTRACT - Cash paid for merchandise, wages, insurance, rent, taxes, misc. opex, capex

NON-OPERATING CASH FLOW



SUBTRACT : Interest, loan repayments, fees to advisors

= Net Cash Inflows (Outflows)

Beginning Cash Balance +/- Net Cash Inflow (Outflow) =
Ending Cash (Debt) Balance

Is financing needed (and is it available)?

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What Can the 13WCFS Tell Us?



OPERATIONS

Are there concerns about the revenue forecast?

Are expenses tracking or too high?

Can wages or other variable costs be cut?

Can capex be modified?



WORKING CAPITAL/ BALANCE SHEET

Are collections longer than usual?

Is there room to extend payment times?

Can inventory be liquidated or will it require investment?

Can assets be sold?



FINANCE

What financing is needed?

What room is currently available under the facilities?

Can a workout or restructuring be negotiated?

Will the company need to seek protection? (**Chapter 11**)

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Possible Pathways



WORKOUT/ RESTRUCTURING

Relax
covenants/terms

Add leverage



CHAPTER 11

Debtor in Possession

Restructuring

363 Sale

Credit bidding



CHAPTER 7

Liquidation of assets

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Case-In-Point: True Religion Apparel, Inc.



Case-In-Point: True Religion 13WCFS

	Week 1 4/18	Week 2 4/25	Week 3 5/2	Week 4 5/9	Week 5 5/16	Week 6 5/23	Week 7 5/30	Week 8 6/6	Week 9 6/13	Week 10 6/20	Week 11 6/27	Week 12 7/4	Week 13 7/11
Cash receipts	812	882	882	882	882	822	662	962	990	1,187	1,253	1,160	1,110
Operating disbursements	(3,205)	(619)	(1,373)	(831)	(847)	(452)	(1,479)	(2,475)	(2,147)	(1,400)	(2,671)	(2,158)	(1,687)
Operating cash flow	(2,393)	263	(491)	51	35	370	(817)	(1,513)	(1,157)	(213)	(1,418)	(998)	(577)
Non-operating disbursements	(403)	0	(170)	(1)	(300)	0	0	(158)	(1)	(2,138)	0	(201)	0
Net cash flow	(2,796)	263	(661)	50	(265)	370	(817)	(1,671)	(1,158)	(2,351)	(1,418)	(1,199)	(577)
Surplus cash/(necessary to finance)	(2,796)	(2,533)	(3,194)	(3,144)	(3,409)	(3,039)	(3,856)	(5,527)	(6,685)	(9,036)	(10,454)	(11,653)	(12,230)

Liquidity Crunch
Due to poor sales resulting cash flows

Solutions
Cut costs? Grow sales? Raise financing?

Can TRA make it without seeking protection from courts?

True Religion: Actions Taken (Pre- and Post-Covid)

- 1 Lowered CoGS through aggressive negotiating and changing providers
- 2 Significantly reducing overhead costs and clearing non-selling inventory
- 3 Redirecting resources in support of digital commerce, wholesale commerce, and customer intelligence
- 4 Reduced wages of all non-furloughed employees earning more than \$70k by 20%
- 5 Furloughed 92% of workforce due to pandemic shutdown
 - All 583 part-time retail store employees
 - All 232 full-time retail employees and 119 full time corporate staff
 - Reduced wages of all non-furloughed employees earning more than \$70k by 20%
- 6 Sought third party financing with new lenders to relieve liquidity crunch

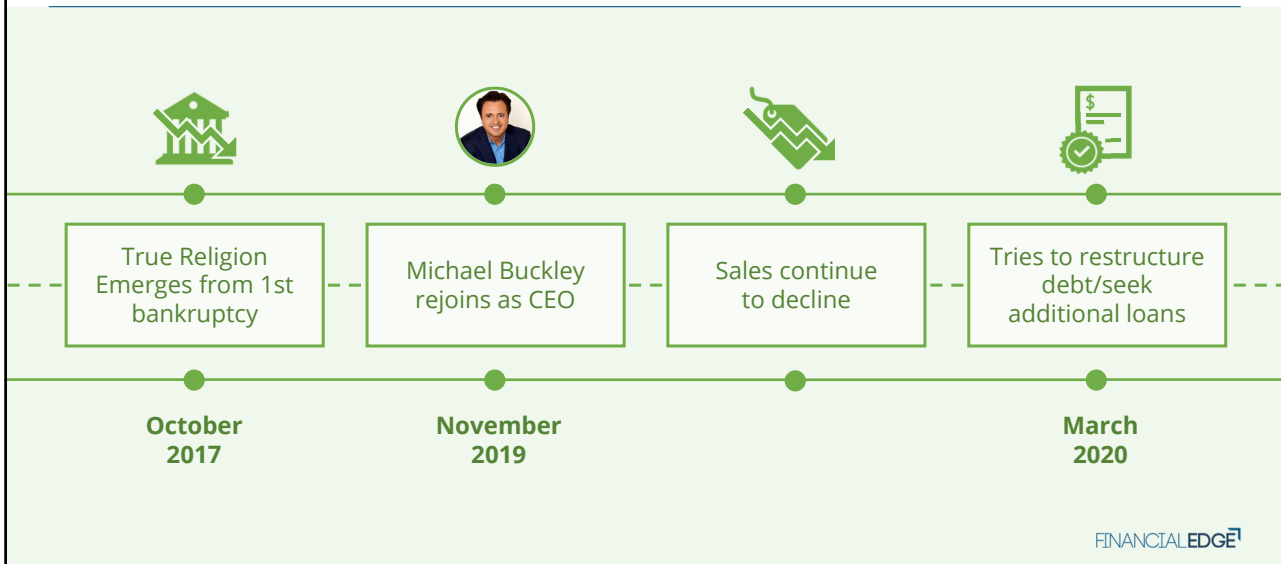
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Case-In-Point: True Religion 13WCFS

	Week 1 4/18	Week 2 4/25	Week 3 5/2	Week 4 5/9	Week 5 5/16	Week 6 5/23	Week 7 5/30	Week 8 6/6	Week 9 6/13	Week 10 6/20	Week 11 6/27	Week 12 7/4	Week 13 7/11
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Non-operating disbursements	(403)	0	(170)	(1)	(300)	0	0	(158)	(1)	(2,138)	0	(201)	0
Net cash flow	(2,796)	263	(661)	50	(265)	370	(817)	(1,671)	(1,158)	(2,351)	(1,418)	(1,199)	(577)
Draw (paydown of ABL - asset backed loan)	1,096	(263)	661	(466)	(309)	(596)	78	355	84	582	832	1,199	577
Advance of Term Loan	1,700	0	0	1,700	0	0	5,000	0	0	0	0	0	0
Ending cash balance	0	0	0	1,284	710	484	4,745	3,429	2,355	586	0	0	0
Plus: ABL Excess Availability	1,417	1,248	937	1,926	1,667	2,196	1,539	654	959	984	3,001	1,918	39
Total liquidity	1,417	1,248	937	3,210	2,377	2,680	6,284	4,083	3,314	1,570	3,001	1,918	39

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Timeline of Events



"Insider" Model



Need access to weekly or at least monthly data (more common)

- Sales by division if possible
- Payroll/benefits broken out of CoGS and SGA
- Workforce data for payroll
- Accounts Receivable (with aging schedule – for the revolver calculation)
- Inventory detail (raw material, WIP, and finished goods for the revolver calculation)



For most companies, info only becomes publicly available once in bankruptcy



Assumptions will have to be made on a weekly basis (often converted from monthly to weekly)

13 Week Cash Flow Statement Detail

	Week 1 4/18	Week 2 4/25	Week 3 5/2	Week 4 5/9	Week 5 5/16	Week 6 5/23	Week 7 5/30	Week 8 6/6	Week 9 6/13	Week 10 6/20	Week 11 6/27	Week 12 7/4	Week 13 7/11	Total
Cash receipts:														
Retail	0	0	0	0	0	1	1	144	248	415	564	580	611	2,563
Ecommerce	609	662	662	794	794	740	596	722	644	653	564	429	333	8,199
Wholesale	162	176	176	62	62	58	46	67	69	83	88	104	111	1,265
Other	41	44	44	26	26	24	19	29	30	36	38	46	55	458
Total cash receipts	812	882	882	882	882	822	662	962	990	1,187	1,253	1,160	1,110	12,486
Operating disbursements:														
Merchandise vendors	0	0	0	0	0	0	0	(43)	(74)	(125)	(169)	(174)	(183)	(768)
Payroll	(842)	(271)	(671)	(222)	(518)	(128)	(1,139)	(1,472)	(1,341)	(587)	(1,807)	(1,168)	(919)	(11,085)
D&O and other insurance	(2,020)	0	0	(15)	(15)	(15)	(15)	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)	(2,170)
Sales and other taxes	(61)	(66)	(66)	(79)	(79)	(74)	(60)	(86.6)	(89.1)	(106.8)	(112.8)	(100.9)	(94.4)	(1,076)
Rent and utilities	0	0	0	0	0	0	0	(317)	(317)	(317)	(317)	(450)	(225)	(1,943)
Other Misc	(250)	(250)	(596)	(475)	(195)	(195)	(225)	(456)	(256)	(195)	(195)	(195)	(195)	(3,678)
Intercompany	(32)	(32)	(40)	(40)	(40)	(40)	(40)	(85)	(55)	(55)	(55)	(55)	(55)	(624)
Total operating disbursements	(3,205)	(619)	(1,373)	(831)	(847)	(452)	(1,479)	(2,475)	(2,147)	(1,400)	(2,671)	(2,158)	(1,687)	(21,344)
Operating cash flow	(2,393)	263	(491)	51	35	370	(817)	(1,513)	(1,157)	(213)	(1,418)	(998)	(577)	(8,858)

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Steps to get from Accrual to Operating Cash Flow



CASH RECEIPTS

1

Convert sales to cash using accounts receivable (Note: if we are using sales by division, we would need to determine AR by division as well).



CASH DISBURSEMENTS

2

Use CoGS (materials) and Inventory to determine cash used to purchase new inventory or materials

3

Use accounts payable and purchases of new inventory to determine cash paid to suppliers

4

Use Labor/payroll and accrued wages to determine cash used for payroll and benefits

5

Use other CoGS and SGA expenses along with accrued expenses, prepaid expenses to determine cash used for other operating disbursements

6

Determine other operating cash needs such as capex, other expenses

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Step 1: Cash Receipts



HISTORIC ANALYSIS

B

Beginning accounts receivable

A

New sales recorded

S

Cash received from previous sales

E

Ending accounts receivable

With historical data, we can solve for the cash receipts from sales



PROJECTED RESULTS

B

Beginning accounts receivable

A

New sales assumed

S

Cash received from previous sales

E

Ending accounts receivable

In our projections, we will have the beginning balance of AR from the most recent BS, but we need a sales forecast and we need the ending AR to solve for cash receipts

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Finding the Data

PROJECTIONS

SOURCE OF DATA

B

Beginning AR

Previous BS end

A

New Sales

Sales forecast (from management, often monthly and converted to weekly)

S

Cash Receipts

Can be assumed, but usually calculated

E

Ending Accounts Receivable

Can be calculated if we know the receipts, but easier to make an assumption based on Receivable Days

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Using Receivable Days to Forecast Accounts Receivable

$$\text{Receivable Days} = \frac{\text{Ending receivables}}{\text{Sales}} \times \text{Number of days of sales}$$



Remember for number of days in formula that we are most likely working with monthly and weekly data

	Hist. 3/13	Hist. 3/20	Hist. 3/27	Hist. 4/04	Hist. 4/11	Week 1 4/18	Week 2 4/25	Week 3 5/2	Week 4 5/9	
AR days	24	24	24	26	30	30	34	38	42	★
Beginning Balance						7,788	9,099	10,347	11,602	
(+) Sales						2,123	2,130	2,137	2,144	★
(-) Cash received										
Ending Balance					7,788	9,099	10,347	11,602	12,864	★

★ Assumptions

★ $2,123 \times 30 / 7 \text{ days} = 9,099$

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Solving for Cash Receipts

	Hist. 3/13	Hist. 3/20	Hist. 3/27	Hist. 4/04	Hist. 4/11	Week 1 4/18	Week 2 4/25	Week 3 5/2	Week 4 5/9	
AR days	24	24	24	26	30	30	34	38	42	
Beginning Balance						7,788	9,099	10,347	11,602	
(+) Sales						2,123	2,130	2,137	2,144	
(-) Cash received						(812)	(882)	(882)	(882)	★
Ending Balance					7,788	9,099	10,347	11,602	12,864	
						Week 1 4/18	Week 2 4/25	Week 3 5/2	Week 4 5/9	
Cash receipts						812	882	882	882	★
Operating disbursements						(3,205)	(619)	(1,373)	(831)	
Operating cash flow						(2,393)	263	(491)	51	
Non-operating disbursements						(403)	0	(170)	(1)	
Net cash flow						(2,796)	263	(661)	50	



Like most projection models, we do not need the historical cash flows. However, if the model is ongoing, we would show them here.

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Step 2: Using CoGS and Inventory to Calculate Purchases



HISTORIC ANALYSIS

- B** Beginning Inventory (materials)
- A** Additions to inventory (purchases)
- S** Inventory sold
- E** Ending inventory (materials)

With historical data, we can solve for the purchases BUT, these are still on an accrual basis, so this is just a first step to get to cash



PROJECTED RESULTS

- B** Beginning Inventory (materials)
- A** Additions to inventory (purchases)
- S** Projected COGS (materials)
- E** Ending inventory (materials)

In our projections, we will have the beginning balance of Inventory from most recent BS, but we need a CoGS forecast and we need the ending Inventory to solve for cash receipts

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Finding the Data

PROJECTIONS

SOURCE OF DATA

B	Beginning Inventory	Previous BS end
A	New Purchases	Can be assumed, but usually calculated
S	Inventory sold (CoGS - materials)	CoGS forecast (from management, often monthly and converted to weekly)
E	Ending Inventory	Can be calculated if we know the purchases, but easier to make an assumption based on Inventory Days as that is more reliable

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Using Inventory Days to Calculate Projected Inventory

$$\text{Inventory Days} = \frac{\text{Ending inventory}}{\text{CoGS (materials)}} \times \text{Number of days of CoGS}$$



Remember for number of days in formula that we are most likely working with monthly and weekly data

	Hist. Week - 4	Hist. Week -3	Hist. Week - 2	Hist. Week -1	Hist. Week 0	Week 1 4/18	Week 2 4/25	Week 3 5/2	Week 4 5/9	
Inventory days	135	145	150	150	150	170	165	160	155	★
Beginning Balance						15,225	14,799	14,364	13,928	★
(+) Purchases of inventory										
(-) CoGS (materials)						(609)	(609)	(609)	(666)	
Ending Balance					15,225	14,799	14,364	13,928	14,754	★



Assumptions



Solve using BASE



609 x 170 / 7 days = 14,799

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Step 3: Solve for Cash Payments to Vendors



HISTORIC ANALYSIS



Beginning Accounts Payable



Additions to inventory (purchases)



Cash Payments to Vendors



Ending Accounts Payable

With historical data, we can solve for the payments assuming we have already calculated inventory purchases



PROJECTED RESULTS



Beginning Accounts Payable



Additions to inventory (purchases)



Projected cash payment to vendors



Ending Accounts Payable

In our projections, we will have the beginning balance of AP from most recent BS, and we will have the purchases from the Inventory BASE analysis. We can calculate the ending AP using a Payable Days assumption.

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Finding the Data

PROJECTIONS

SOURCE OF DATA

B	Beginning Accounts Payable	Previous BS end
A	New purchases of inventory	This has been calculated already in Inventory BASE analysis
S	Payments to vendors	Can be assumed, but usually calculated
E	Ending Accounts Payable	Can be calculated if we know the payments, but easier to make an assumption based on Payable Days as that is more reliable

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Using Payable Days to Forecast Accounts Payable

	Hist. 3/13	Hist. 3/20	Hist. 3/27	Hist. 4/04	Hist. 4/11	Week 1 4/18	Week 2 4/25	Week 3 5/2	Week 4 5/9
Inventory days	135	145	150	150	150	170	165	160	155
Beginning Balance						15,225	14,799	14,364	13,928
(+) Purchases of inventory						183	174	174	1,492
(-) CoGS (materials)						(609)	(609)	(609)	(666)
Ending Balance					15,225	14,799	14,364	13,928	14,754

★ Purchases of inventory calculated above using BASE, will be used below to calculate cash payments to suppliers

	Hist. 3/13	Hist. 3/20	Hist. 3/27	Hist. 4/04	Hist. 4/11	Week 1 4/18	Week 2 4/25	Week 3 5/2	Week 4 5/9
Payable days	35	30	24	20	16	16	18	20	34
Beginning Balance						1,197	1,380	1,554	1,729
(+) Purchases of inventory						183	174	174	1,492
(-) Cash payments to vendors						0	0	0	0
Ending Balance					1,197	1,380	1,554	1,729	3,220

★ Solve using BASE

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13 Week Cash Flow Statement Detail

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Cash receipts:														
Total cash receipts	812	882	882	882	882	822	662	962	990	1,187	1,253	1,160	1,110	12,486
Operating disbursements:														
Merchandise vendors	0	0	0	0	0	0	0	(43)	(74)	(125)	(169)	(174)	(183)	(768)
Payroll	(842)	(271)	(671)	(222)	(518)	(128)	(1,139)	(1,472)	(1,341)	(587)	(1,807)	(1,168)	(919)	(11,085)
D&O and other insurance	(2,020)	0	0	(15)	(15)	(15)	(15)	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)	(2,170)
Sales and other taxes	(61)	(66)	(66)	(79)	(79)	(74)	(60)	(86.6)	(89.1)	(106.8)	(112.8)	(100.9)	(94.4)	(1,076)
Rent and utilities	0	0	0	0	0	0	0	(317)	(317)	(317)	(317)	(450)	(225)	(1,943)
Other Misc	(250)	(250)	(596)	(475)	(195)	(195)	(225)	(456)	(256)	(195)	(195)	(195)	(195)	(3,678)
Intercompany	(32)	(32)	(40)	(40)	(40)	(40)	(40)	(85)	(55)	(55)	(55)	(55)	(55)	(624)
Total operating disbursements	(3,205)	(619)	(1,373)	(831)	(847)	(452)	(1,479)	(2,475)	(2,147)	(1,400)	(2,671)	(2,158)	(1,687)	(21,344)
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Understanding Cash Wages

Wages is one of the areas that will be focused on intensely during cutbacks

Generally included as part of CoGS/Inventory cost in accrual accounting. Ideally we need to separate this out and separate from SGA wages if possible.

On a weekly cash flow basis, there may or may not be a great difference between accrued wages and cash wages

Will depend on fixed vs hourly wages, frequency of pay periods

Often see swings in wages from week to week depending on these factors

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Step 4: Solve for Cash Wages



HISTORIC ANALYSIS

B

Beginning Wages Payable

A

Wages expense (wages accrued)

S

Wages Paid in Cash

E

Ending Wages Payable

With historical data, we can solve for the wages paid in cash and look at the ratio of cash wages paid as % of beginning balance.



PROJECTED RESULTS

B

Beginning Wages Payable

A

Projected payroll expense

S

Wages Paid in Cash

E

Ending Wages Payable

In our projections, we will have the beginning balance of wages payable from most recent BS, and we will have the wages accrued from the IS. We can use the wages paid in cash assumption to calculate projected cash wages.

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Finding the Data

PROJECTIONS

SOURCE OF DATA

B

Beginning Wages Payable

Previous BS end

A

Wages expense

Forecasted on IS

S

Payroll Payments

Calculated based on assumption of previous wages paid as % of beginning accruals

E

Ending Wages Payable

Calculated using BASE

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Finding the Data

	Hist. 3/13	Hist. 3/20	Hist. 3/27	Hist. 4/04	Hist. 4/11	Week 1 4/18	Week 2 4/25	Week 3 5/2	Week 4 5/9
Wages paid as a % of beginning balance	30%	75%	30%	75%	30%	75%	30%	75%	30%
Beginning balance						1,121	892	908	739
Plus: Accrued wages and salaries						612	287	512	499
Less: Wages and salaries paid						(841)	(271)	(681)	(222)
Ending wages payable					1,121	892	908	739	1,016

★ $75\% \times 1,121 = 841$

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Operating disbursements:														
Merchandise vendors	0	0	0	0	0	0	0	(43)	(74)	(125)	(169)	(174)	(183)	(768)
Payroll	(841)	(271)	(681)	(222)	(518)	(128)	(1,139)	(1,472)	(1,341)	(587)	(1,807)	(1,168)	(919)	(11,085)
D&O and other insurance	(2,020)	0	0	(15)	(15)	(15)	(15)	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)	(2,170)
Sales and other taxes	(61)	(66)	(66)	(79)	(79)	(74)	(60)	(86.6)	(89.1)	(106.8)	(112.8)	(100.9)	(94.4)	(1,076)
Rent and utilities	0	0	0	0	0	0	0	(317)	(317)	(317)	(317)	(450)	(225)	(1,943)
Other Misc	(250)	(250)	(596)	(475)	(195)	(195)	(225)	(456)	(256)	(195)	(195)	(195)	(195)	(3,678)
Intercompany	(32)	(32)	(40)	(40)	(40)	(40)	(40)	(85)	(55)	(55)	(55)	(55)	(55)	(624)
Total operating disbursements	(3,205)	(619)	(1,373)	(831)	(847)	(452)	(1,479)	(2,475)	(2,147)	(1,400)	(2,671)	(2,158)	(1,687)	(21,344)
Operating cash flow	(2,393)	263	(491)	51	35	370	(817)	(1,513)	(1,157)	(213)	(1,418)	(998)	(577)	(8,858)

Step 5: Other Operational Disbursements



Insurance (D&O)

Addressed very early in bankruptcy to ensure that lapses will not create liability. Typically paid once/twice a year and accrues in a prepaid expense account.



Rent

For a retailer, a huge expense. Will get negotiated quickly in a downturn.



Taxes

Very challenging to predict or forecast particularly if company is incurring losses. Need to be careful to consider sales taxes and property taxes which are easier to forecast.



Other operational expenses

These typically pair with prepaid expenses and other accrued expenses. Very difficult to separate without precise information. If no information, assume the forecasted amounts on IS are cash.

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Step 6: Capex



Capex (Operational)

Typically, only for maintenance or scheduled large expenditures. There may be a forecasted regularly occurring amount or it might be in lumps. These amounts are cash and there are no accrual adjustments needed.

We do not need to deal with depreciation in this model as it is non-cash.

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Non-operational disbursements



Interest and Fees (Non-operational)

Important not to ignore non-operational expense. Interest is accrued on the IS but only paid in cash once per quarter or semi-annually depending on instrument. Fees relate to advisory and legal fees and will most likely be estimated and paid once per month or quarter. In a bankruptcy, these fees are carved out and given priority.

Need to determine if additional financing is needed and what the interest and fees will be on that as well

Understanding the Financing Implications


		Wk 1 4/18	Wk 2 4/25	Wk 3 5/2	Wk 4 5/9	Wk 5 5/16	Wk 6 5/23	Wk 7 5/30	Wk 8 6/6	Wk 9 6/13	Wk 10 6/20	Wk11 6/27	Wk12 7/4	Wk13 7/11
Cash receipts		812	882	882	882	882	822	662	962	990	1,187	1,253	1,160	1,110
Operating disbursements		(3,205)	(619)	(1,373)	(831)	(847)	(452)	(1,479)	(2,475)	(2,147)	(1,400)	(2,671)	(2,158)	(1,687)
Operating cash flow		(2,393)	263	(491)	51	35	370	(817)	(1,513)	(1,157)	(213)	(1,418)	(998)	(577)
Non-operating disbursements		(403)	0	(170)	(1)	(300)	0	0	(158)	(1)	(2,138)	0	(201)	0
Net cash flow		(2,796)	263	(661)	50	(265)	370	(817)	(1,671)	(1,158)	(2,351)	(1,418)	(1,199)	(577)
Surplus cash / (necessary to finance)	0	(2,796)	(2,533)	(3,194)	(3,144)	(3,409)	(3,039)	(3,856)	(5,527)	(6,685)	(9,036)	(10,454)	(11,653)	(12,230)
Revolver drawn	25,700													
Availability (est.)		2,500												
Overdrawn		(276)												

Financing Considerations

- 1** How much room is under the current revolver?
- 2** Has the borrowing base (typically calculated on the AR and inventory) been affected by their recent performance?
- 3** Can the company get additional loans to tide them over and how would those impact the intercreditor agreements?
- 4** Can the existing loans be restructured to allow some time or more favorable conditions for repaying?

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The Financing Scenario

-  **\$110.5mm Senior Secured Term Loan issued on emergence from first bankruptcy, October 2017**
-  **\$60.0mm first priority, senior secured, asset-backed revolving loan (ABL) issued November 2019**
-  **TLA was offered \$10mm of new debt by largest term loan lender**
 - First-priority ABL revolver lenders balked at this
-  **Filed for Chapter and 11 and received DIP (Debtor in Possession) financing**
 - Up to \$29mm in senior secured, super-priority revolving loans
 - \$1.7mm immediate new money loans and \$6.7 of additional new money loans

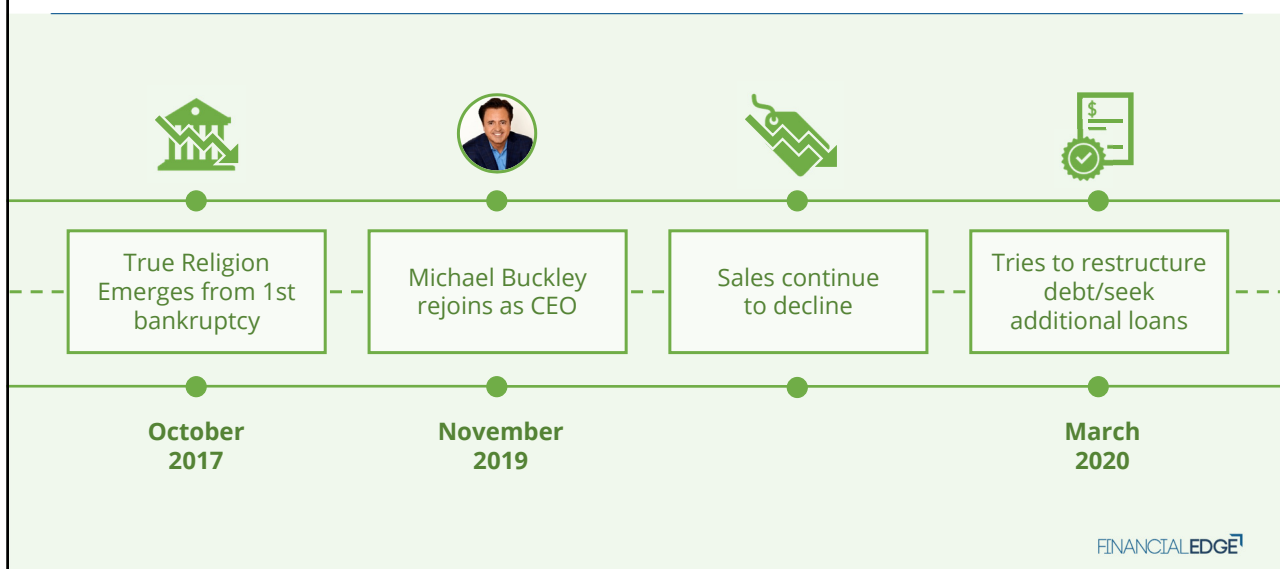
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Case-In-Point: True Religion 13WCFS

	Week 1 4/18	Week 2 4/25	Week 3 5/2	Week 4 5/9	Week 5 5/16	Week 6 5/23	Week 7 5/30	Week 8 6/6	Week 9 6/13	Week 10 6/20	Week 11 6/27	Week 12 7/4	Week 13 7/11	13 Weeks
Cash receipts	812	882	882	882	882	822	662	962	990	1,187	1,253	1,160	1,110	12,486
Operating disbursements	(3,205)	(619)	(1,373)	(831)	(847)	(452)	(1,479)	(2,475)	(2,147)	(1,400)	(2,671)	(2,158)	(1,687)	(21,344)
Operating cash flow	(2,393)	263	(491)	51	35	370	(817)	(1,513)	(1,157)	(213)	(1,418)	(998)	(577)	(8,858)
Non-operating disbursements	(403)	0	(170)	(1)	(300)	0	0	(158)	(1)	(2,138)	0	(201)	0	(3,372)
Net cash flow	(2,796)	263	(661)	50	(265)	370	(817)	(1,671)	(1,158)	(2,351)	(1,418)	(1,199)	(577)	(12,230)
Draw (paydown of ABL - asset backed loan)	1,096	(263)	661	(466)	(309)	(596)	78	355	84	582	832	1,199	577	3,830
Advance of Term Loan	1,700	0	0	1,700	0	0	5,000	0	0	0	0	0	0	8,400
Ending cash balance	0	0	0	1,284	710	484	4,745	3,429	2,355	586	0	0	0	0
Plus: ABL Excess Availability	1,417	1,248	937	1,926	1,667	2,196	1,539	654	959	984	3,001	1,918	39	39
Total liquidity	1,417	1,248	937	3,210	2,377	2,680	6,284	4,083	3,314	1,570	3,001	1,918	39	39

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Timeline of Events



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Timeline of Events



Case-In-Point: True Religion 13WCFS

	Week 1 4/18	Week 2 4/25	Week 3 5/2	Week 4 5/9	Week 5 5/16	Week 6 5/23	Week 7 5/30	Week 8 6/6	Week 9 6/13	Week 10 6/20	Week 11 6/27	Week 12 7/4	Week 13 7/11	13 Weeks
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Operating disbursements	(3,205)	(619)	(1,373)	(831)	(847)	(452)	(1,479)	(2,475)	(2,147)	(1,400)	(2,671)	(2,158)	(1,687)	(21,344)
Operating cash flow	(2,393)	263	(491)	51	35	370	(817)	(1,513)	(1,157)	(213)	(1,418)	(998)	(577)	(8,858)
Non-operating disbursements	(403)	0	(170)	(1)	(300)	0	0	(158)	(1)	(2,138)	0	(201)	0	(3,372)
Net cash flow	(2,796)	263	(661)	50	(265)	370	(817)	(1,671)	(1,158)	(2,351)	(1,418)	(1,199)	(577)	(12,230)
Draw (paydown of ABL - asset backed loan)	1,096	(263)	661	(466)	(309)	(596)	78	355	84	582	832	1,199	577	3,830
Advance of Term Loan	1,700	0	0	1,700	0	0	5,000	0	0	0	0	0	0	8,400
Ending cash balance	0	0	0	1,284	710	484	4,745	3,429	2,355	586	0	0	0	0
Plus: ABL Excess Availability	1,417	1,248	937	1,926	1,667	2,196	1,539	654	959	984	3,001	1,918	39	39
Total liquidity	1,417	1,248	937	3,210	2,377	2,680	6,284	4,083	3,314	1,570	3,001	1,918	39	39

How did True Religion Emerge from Bankruptcy?

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

(in \$USD)	TRLG Intermediate Holdings, LLC 5/31/20 to 7/4/20	True Religion Apparel, Inc. 5/31/20 to 7/4/20	True Religion Sales, LLC 5/31/20 to 7/4/20	TRLGCC Services, LLC 5/31/20 to 7/4/20	Guru Design LLC 5/31/20 to 7/4/20	Total 5/31/20 to 7/4/20	Cumulative Total Since Filing 4/13/20 to 7/4/20
Receipts							
Retail Sales	\$0	\$0	\$0	\$0	\$3,932,368	\$3,932,368	\$3,939,261
Ecommerce Receipts	-	-	-	-	6,263,578	6,263,578	16,217,605
Wholesale / Other Receipts	-	-	-	-	1,296,419	1,296,419	3,066,669
Utilities Deposits (transfer from DIP account)	-	-	-	-	-	-	77,738
Other cash receipts - Guru GBP account	-	-	-	-	190,668	190,668	444,512
Other cash receipts	-	-	-	-	-	-	253,416
Total Cash Receipts	-	-	-	-	11,683,034	11,683,034	24,659,172
Operating Disbursements							
Merchandise Vendors	-	-	-	-	(1,907,702)	(1,907,702)	(1,907,702)
Payroll	-	-	-	-	(1,066,006)	(1,066,006)	(2,782,114)
DAO and Other Insurance	-	-	-	-	(160,206)	(160,206)	(2,274,324)
Rent and Utilities	-	-	-	-	(1,268,338)	(1,268,338)	(1,268,338)
Sales Taxes & Other Taxes	-	-	-	-	(339,272)	(339,272)	(1,061,263)
Other/Other	-	(1,838,000)	-	-	(2,175,455)	(3,813,455)	(7,260,311)
Intercompany ⁽¹⁾	-	-	-	-	(159,714)	(159,714)	(341,540)
Total Operating Disbursements	-	(1,838,000)	-	-	(7,146,691)	(8,784,691)	(16,925,621)
Operating Cash Flow	-	(1,838,000)	-	-	4,536,342	2,898,342	7,103,551
Non-Operating Disbursements							
DIP Fees / Interest	-	-	-	-	(256,602)	(256,602)	(371,820)
Utilities Deposits (transfer to DIP account)	-	-	-	-	(120)	(120)	(77,828)
Professional Fees ⁽²⁾	-	-	-	-	(668,409)	(668,409)	(1,264,305)
Total Non-Oper. Disbursements	-	-	-	-	(925,131)	(925,131)	(1,713,942)
Total Disbursements	-	(1,838,000)	-	-	(8,071,823)	(9,709,823)	(18,639,563)
Net Cash Flow	\$0	-\$1,838,000	\$0	\$0	\$3,611,211	\$1,973,211	\$5,389,590
Cash Balance⁽³⁾							
Beginning Cash ⁽⁴⁾	-	3,835,500	117,636	-	1,533,722	5,286,861	7,446,776
Net Cash Flow	-	(1,838,000)	-	-	3,611,211	1,973,211	5,389,590
DIP ABL (Paydown)	-	-	-	-	(6,117,367)	(6,117,367)	(15,136,683)
DIP Term Loan (Paydown)	-	-	-	-	5,000,000	5,000,000	8,400,000
Recurring Items	-	-	(620)	-	17,343	16,723	60,005
Ending Cash Balance	\$0	\$1,997,500	\$117,019	\$0	\$4,044,919	\$6,159,437	\$ 6,159,437



Projected cumulative cash receipts through 7/4 on the 13WCFS were **\$11,376 vs actual of \$24,029!**



Two biggest factors were strength of brand and Simon Property Group renegotiating leases



Projected cumulative operating cash flows through 7/4 were **(\$8,281) vs actual of \$7,103!**

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