



Building a 13 Week Cash Flow Model

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Case-in-Point Model: Smithy Glass and Ceramic, Inc.

200-year-old manufacturer and seller of glass and ceramics based in US, with operations in Europe, Mexico and China

The company owns manufacturing facilities in several countries and also sources manufactured products to compliment its own lines

**SGC,
Inc.**

Largest glass tableware manufacturing, distribution and service network in the Western Hemisphere and among largest in the world with retail and wholesale customers in over 100 countries

Sells under its own branded line as well as other brand names primarily in the foodservice, retail, e-commerce and business-to-business channels

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Problems at SGC, Inc.

- 1 Small, asset intensive company with **limited diversity in product offerings**
- 2 **Limited growth** opportunities in cyclical and mature industry
- 3 US operations **highly unionized making cost cutting difficult**
- 4 Limited cash and weak cash flow create **reliance on capital markets**
- 5 High leverage going into 2020 (4.5x) with **significant refinance risk**
- 6 Covid-19 caused shut down of travel and restaurant business diminishing liquidity – **closures during holiday 2020 season might put SGC under water**

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Liquidity Under Current Borrowings



Asset-backed Revolver

\$100mm limit including \$15mm letters of credit (currently \$10mm LoC outstanding). **Current availability about \$80mm. Due December 2022.**

Based on 75% of eligible accounts receivable and 75% of eligible inventory

Minimum cash balance of **\$20mm required**

Current interest rate Interest is **LIBOR plus 300** (commitment fee of 25 bps), around 3%



Term Loan

\$440mm term loan, **current balance as of 6-Nov is \$394mm. Due April 2024**

No amortization, no pre-payment penalty, **several covenants including cash sweep**

Current interest rate is **LIBOR plus 375 bps** (currently around 3.75%)

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The Task at Hand



SGC, Inc., which has experienced a massive slowdown in orders due to Covid-19 and previously existing trends in business

- Management is preparing for a liquidity crisis around the end of the year, when sales are typically robust but due to further lockdowns and limited travel and entertaining are now looking bleak. Workforce data for payroll
- Sales on account have grown as customers have been late to pay. Inventories have grown due to backlogs and lower sales. Payments to suppliers are coming due.
- Despite cutbacks in payroll, end of year commissions will be do and management must honor commitments to its salesforce.



Survived downturn during the typically slower summer months but can SGC survive a slow holiday season?

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Build a 13 Week Cash Flow Statement

We need to create a new weekly forecast from management projections


Divisional
/Internal
Budgeting and
Reporting



Monthly Forecast



Weekly Forecast



13WCFS

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Data and Output

DATA PROVIDED

Historical Income Statement, Balance Sheet
(monthly)

Forecasted Income Statement (monthly)

Accounts receivable aging

Inventory detail

Borrowings detail

OUTPUT NEEDED

Weekly projected Income Statement

OWC BASE analysis (rollforwards)

Revolver Base Calculation

13 Week Cash Flow Statement

EBITDA reconciliation

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Let's Build the Model!

1



Download the Excel
template which has all
the **supplemental
data included**

2



Step by step videos will
take us **from start
to finish**

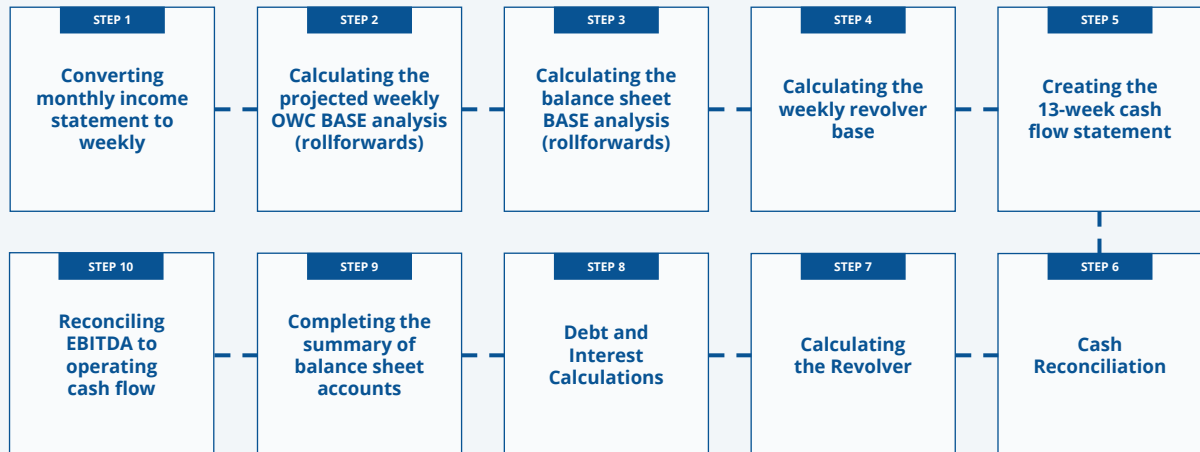
3



Downloadable manual
with screenshots will
**summarize all the
steps as displayed
in the videos**

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Steps to Complete the Model

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Case Summary (Conclusion)

SGC, Inc. will have a liquidity crisis beginning in Nov 2020 that deepens until the end of the year

Under the current terms of the loans, the company will require at least an additional \$11mm in funding; however, with a cash cushion of \$20mm, it will not run out of cash

**SGC,
Inc.**

Without an upturn in business in early 2021, Libby will undoubtedly have more troubles

There is currently little hope it can generate the cash flow needed to refinance the term loan in April 2021

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