Turnaround Management Association®

Romania

Guideline

on

The Necessity, Working Methodology, and Analysis Requested by an Independent Business Review

October 27, 2022

Contents

Preface

All businesses are faced today with serious company challenges and must concentrate on specific problem areas in order to quickly gain an understanding of priority issues while keeping all expenditure at a minimum.

TMA Romania with its team of experts, is highly familiar with the parameters crucial to achieving success, is adept at overseeing financing processes and possesses the neutrality to build stakeholder confidence in the analysis results and recommended steps and wants to contribute, including through this material, to the education of the business environment and the promotion of the Independent Business Review concept based on a working methodology and not "intuitively". **TMA Romania** experts involved in this project are:

Mr. Vlad Nastase
Coordinator

Mr. Eugen Lascu
Coordinator

Mrs. Adriana Sarbu

Mrs. Nicoleta Mihai

Mrs. Andreea Bocioaca

Mr. Catalin Nichifor

Mr. Dan Gheorghiu

Mrs. Gianina Lazanu

We hope this Guideline will provide - both for restructuring specialists (whether they are employees of banks or consulting companies) and for the management of companies and entrepreneurs - a point of reference regarding the necessity, working methodology and analysis requested by an Independent Business Review.

TMA
Turnaround Management Association®
Romania

Independent Business Review

What is it?

An **Independent Business Review (IBR)** is a third-party assessment of a company with its main goal to provide to the company's shareholders, management, lending banks, and other interested stakeholders with the validation of one or more of the following points:

Market changes and their impact on the value generation of existing activity	Main KPIs to be used by stakeholders to monitor the operations of the company	Significant problems with existing loans and other debts	Debt capacity of the company, including undertaking loan increases, extending or making other changes to the financing agreements
Necessary changes to the operations/group structure for cost optimization and/or profit increase and management capacity of implementing such changes	Assessment of the current development of the company, medium to long term prospects[1] of the company, including key business drivers and risks to be mitigated	Summary recommendation on the key actions necessary to support Company turnaround and allow debt to be serviced	

An **IBR** provides unbiased information about the company's financial situation and the circumstances that generated the company distress (if any) by delivering realistic, clear, and specific recommendations on the best course of action. It can be used as a powerful tool to either identify profit/cost optimization areas, or solutions to distressed companies and lender recovery strategy.

Nonetheless, an **IBR** alone should not be seen as a substitute for a remodeled business plan/model or a turnaround process, but as a precursor of these actions.

When is it Needed?

No matter the reason:

- validation of business plan and financial standing for new financing or for a potential M&A,
- changes in market situation and company positioning towards its customers and/or suppliers,
- restructuring of existing debts (either financial or commercial),
- performing a detailed diagnose of both financial and operational structures,

an **IBR** is the powerful tool to mitigate going concerns and facilitate business continuity.

[1] including liquidity position

Why is it Useful?

Any lender can use the **IBR** as an opportunity to reach common ground and have the cooperation of the borrower to initiate a restructuring or recovery strategy, keep existing loan ceilings, or even validate risk analysis for granting new loans.

For the business owner or any other stakeholder, the **IBR** should be the catalyst to test business robustness (for future new loans appraisals, cost/profit optimizations, business growth potential etc.) or to drive the change to a new business model that cures existing (hidden) issues within the current model and increases returns.

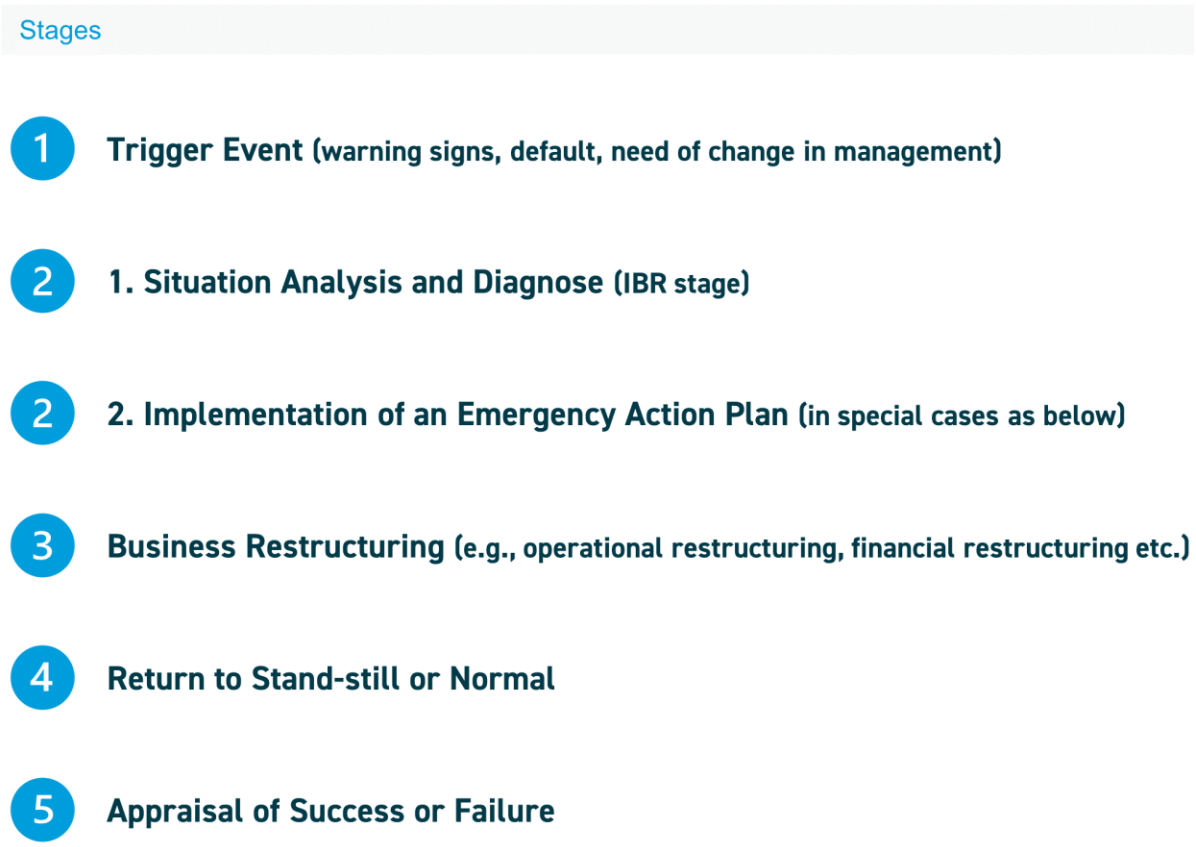
The advisor preparing the **IBR** acts also as facilitator and assists both businesses and lenders in addressing their key concerns, including but not limited to:

Short term liquidity position and distress risks of the business	An assessment of leadership/management and its ability to deal with any crisis and grant full support to a turnaround plan	Reasonableness of the borrower's business plan as a basis to make future lending decisions
The future market prospects and sustainability of the business, based on a detailed historical analysis, as well as a sensitivity and scenario analysis	Options available to both the business and lenders, including refinancing, restructuring and potential insolvency	

IBR and the Turnaround Process

An **IBR** is typically used when a business shows signs of distress, making the scope and structure of an IBR part of a larger turnaround context. Any businesses can experience rough times, but if a business shows declining, critical and/or non-sustainable financial results, it is a trigger sign of a much-needed professional turnaround process of its performance.

Poor performance of a business leads to scarcity in capital, shortened time frames and lack of dedicated and specialized resources to ensure a successful outcome of the turnaround. This is one of the most important reasons in why the **Turnaround Management Association** encourages use of **TMA professionals'** advice and **IBR** screening for delivery of the following stages of a turnaround process:



The **Independent Business Review** is prepared in Stage 2 and is the backbone of the main turnaround delivery: the business restructuring. In the special distressed situations, without sufficient time to deploy a full analysis, a financial advisor (the **TMA professional**) must determine the chances of the business survival and develop a preliminary emergency action plan (quick financial outlook with short, fast paced remedial plan). Despite **TMA** does not recommend skipping any of the process stages, the more critical the situation is, the more chances are that Stage 2.2 prevails over an in-depth review of the situation.

This means that the first days of an engagement are spent fact-finding and diagnosing the scope and severity of the company's ills. Is it in imminent danger of failure? Does it have substantial losses, but its survival is not yet threatened? Or is it merely in a declining business position? The first three requirements for viability are analyzed: one or more viable core businesses, adequate cash position, and sufficient organizational resources to implement the eventual turnaround plan.

Two-Phase Diagnostic of an IBR

Consequently, the preparation of an **Independent Business Review** can itself be structured as a two-phase diagnostic:

- Phase I – Pre-Assessment
  - Step 1: bird's eye view of the company's short-term cash position
  - Step 2: quick review of pending legal action and creditor pressure[2].
- Phase II – Assessment (the **Independent Business Review**)
  - An overview of the company's current financial position
  - Run full diagnose to root out causes of underperformance or financial distress
  - A detailed assessment of the company's business plan and viability
  - A critical review of forecast performance and funding requirements, based on sensitivity and scenario analyses, including the impact of key potential risks
  - An assessment of the lenders' options
  - Recommendations for necessary turnaround action plan.

Phase I – Pre-Assessment

Step 1: Short-Term Cash Position

At the conclusion of the **Independent Business Review** the external financial advisor may recommend the preparation of 13-week rolling cash flow forecasts depending on the specific situation of the company that is underperforming or is in financial distress.

Businesses in financial distress usually face a severe liquidity crisis and debt restructuring is frequently urgent. Therefore, financial projections with monthly breakdowns do not allow for an adequate cash flow management. The use of cash flow projections with a weekly breakdown (updated on a bi-monthly or weekly basis) allows the early identification of cash shortfalls and the timely implementation of corrective or preventive measures. A template 13-week cash flow statement is presented in Appendix A.

Consequently, as soon as possible after the commencement of the assignment, the financial advisor needs to know the short-term cash position, identify how much headroom the company has in the bank, then conduct an analysis of money that is likely to come in and what needs to be paid out.

This should be compiled in the form of a cash flow forecast on a daily basis for at least 4 weeks, which is a very good indicator of the emergency and the actual stage of the turnaround process (see section C). Should time allow it, the forecast could be extended up to 13 weeks on a weekly basis. To some degree such cash flow forecast will govern the next stages of the review and the potential restructuring process, as it will identify how much time the company has before cash flow shortfalls becomes severe.

There are four simple questions that need to be addressed:

[2] short financial diagnosis

How much cash does the company have / will it have going forward?

How much cash will it need?

When will it need it?

Where (and when) will it get it from?

Step 2: Pending Legal Action

The external financial advisor needs to quickly review creditor pressure and whether there are any legal actions, both threatened and real and their potential impact on the Company. Particularly concerning are legal actions from statutory authorities as often these are the least tolerant in terms of negotiation, offering limited time to pay back the debt.

Phase II – Assessment

An In-depth Analysis of the Company and the Viability of its Business Plan

Having carried out the initial checks to ensure there is sufficient time frame for an in-depth analysis the advisor should then determine whether the business has the potential for performance improvement. Turnaround viability depends on a number of factors. Essentially, these can be boiled down to a sound business model, a viable core of the business, acceptance of change (however drastic such change needs be), as well as adequate resources (time, money and people).

IBR Contents

Here are the key areas that the **IBR** must consider:

Review and presentation of the existing "as is" financial situation together with a critical appraisal of revenues, costs, assets, liabilities, contracts/orders backlog, cash flows and financing agreements	Assessment of the underlying industry, market trends and competition, benchmarking with peers and regulatory framework	Analysis of the company's operational structure, including its key strengths and weaknesses
Identification of the root causes of underperformance or financial distress	Evaluation of the company's strategy	Analysis of the company's financial forecasts about plausibility and performance of a risk assessment by means of scenarios and key sensitivities
Assessment of the lenders' options (restructuring, divestment, insolvency)	Improvement recommendations, and if requested, action and implementation plans	Change management readiness evaluation

When challenging the business plan the financial advisor must develop a clear understanding of the drivers of recent underperformance, the current strength of the business and the reliability of the management's expectations for improving performance, such as sales, cost of sales, gross margin forecasts, overhead costs, operational improvement initiatives, balance sheet forecasts, short-term and medium-term cash flow forecasts, as applicable. If the company does not already have a business plan, the advisor shall prepare a management case based on facts and assumptions he shall request from the management team.

The financial projections (see templates in Appendices B, C and D) shall include a baseline scenario, as well as best-case and worst-case scenarios, as applicable. The analysis shall be driven by the forecast income statement and forecast cash flow statement, which shall be based on the most recent financial statements and a clear set of business assumptions (e.g., trade contracts signed or under negotiation, sales volumes and prices, operating costs, days of inventory on hand, days of sales outstanding, days of payables outstanding, capex needs).

Suggested Checklist

Some of the issues that should be reviewed are presented below. This list is indicative and non-exhaustive, and the lender/stakeholder can provide further guidance if focus must be on particular points of view. In order to gain a thorough understanding and provide a comprehensive report, the external financial advisor must strive to identify in a timely manner the root causes of each deficiency.

Market and Business Environment

- ☑ What is the general business outlook and/or market outlook? What are the challenges?
- ☑ What are the current trends and market drivers in the company's business sector?
- ☑ Is the company's sales growth worse than the growth of its market?
- ☑ Who are the main competitors?
- ☑ Are there competitors who are stronger / larger than the company in its target markets?
- ☑ Are competitors outperforming the company in terms of sales growth?
- ☑ Are competitors more profitable?
- ☑ Do competitors have a healthier financial structure?
- ☑ What are the main areas where competitors outperform? (e.g., price, quality, services)
- ☑ What is the company's competitive strategy? How is its position?
- ☑ How is the company performing versus its customers key purchasing criteria? (e.g., price, product attributes, quality, breadth of offerings, service, speed of delivery, scalability)
- ☑ Which are the main regulatory requirements impacting company activity?

Operations

- ☑ Has the company recorded a steady decline of sales?
- ☑ Alternatively, has the company recorded a rapid increase in sales? If so, has such increase been attended by either (a) lower or negative profit margins, (b) an expansion and aging of receivables, or (c) an increase in the number of products returned?

- ☑ Is the company dependent on fewer customers?
- ☑ Has the company lost key customers lately? Is there a high customer churn?
- ☑ Are key customers' purchases in decline? If so, do they face financial problems or are they shifting to competition?
- ☑ Is the level of repeat business low?
- ☑ Have account receivables deteriorated in terms of aging and collection rate?
- ☑ How is the company's relationship with its suppliers?
- ☑ Is the company dependent on fewer suppliers?
- ☑ Does the company have the most reliable and/or competitive suppliers?
- ☑ Are suppliers struggling to supply on time and with the expected quality?
- ☑ Are the company's key suppliers financially strong?
- ☑ Has the company frequently changed its key suppliers?
- ☑ Has the company requested longer terms to pay its suppliers?
- ☑ Have suppliers imposed tighter terms of payment?
- ☑ Does the company have adequate stock on hand? Does it show an inventory buildup?
- ☑ Does the company have adequate plant and equipment?
- ☑ What is capacity utilization? Can the company handle additional growth?
- ☑ Does the company have non-core assets it could dispose of?
- ☑ How is employee morale? Is staff turnover low or is it high?
- ☑ Have key staff been recently leaving?

Management

- ☑ Does the management team/leadership have a clear strategy and business vision?
- ☑ Has management/leader made unexpected changes in its strategy or business model?
- ☑ Are the experience and skills of the management team adequate to continue running the business?
- ☑ Are managers willing and able to understand the stress the company is undergoing and if so, have they been able to articulate the root causes of the distress properly and reasonably?
- ☑ Are shareholders and/or the management team willing to cooperate, or are they resistant to change?

Cash and Financing

- ☑ Is there a trend of declining cash balances or frequent cash shortages?
- ☑ Has the company had a negative operational cash flow while it reported net income in more than one year in the period under analysis?
- ☑ Does management have the ability to manage cash to prevent forecast breaches of facilities

or covenants?

- ☑ Will a covenant breach impact the availability of credit limits?
- ☑ Has the company had any covenant default due to operating underperformance? What were the root causes of this?
- ☑ Is there sufficient headroom under the current credit facilities given risks that might materialize?
- ☑ Can a refinancing take place if needed?

Financial forecasts

- ☑ Have historic forecasts been consistent and reliable?
- ☑ Has the company shown frequent revenue or earnings shortfalls?
- ☑ What are the revenue, expense and operating assumptions for the forthcoming years? Are they plausible with regard to past performance and market outlook?
- ☑ Are working capital assumptions realistic?
- ☑ What are the capital expenditure needs of the company?
- ☑ What is the company's sustainable free cash flow from operations, after taking into account its working capital needs, as well as any necessary investments in machinery and equipment?
- ☑ How much financing does the company need? When is it needed?
- ☑ What is the level of sustainable debt?

IBR Recommendations

At the end of the review, the external financial advisor could advise the borrower company to do one of several things. Again, while it contains some of the main courses of action, the list below is not exhaustive.

1. Take short-term working capital optimization measures (make a stronger effort in the collection of receivables, delay those payments that can be delayed without adverse circumstances, reduce inventory days) or rather a medium-to long term view (change contractual terms, reduce time to invoice, optimize supply chain processes etc.)
2. Look for ways of reducing operating costs
3. Eliminate non-profitable product lines or units or even sales channels/units (e.g. unprofitable shops), if such product lines/units/sales channels elimination does not have significant repercussions over the overall business performance (due to synergies etc.)
4. Reduce dependency from a key supplier or customer
5. Sell non-essential or non-core assets
6. Sell and lease back larger core assets
7. Look at various lease vs own opportunities as well as ways to transform fixed costs into variable costs depending on capacity utilization of the facility/business

8. Optimize the number of employees
9. Embark on a larger turnaround plan and appoint a CRO
10. Raise equity or junior debt

Depending on the assessment of the borrower's viability, the external financial advisor shall recommend to the lender the strategy for loan resolution:

11. Pursue going-concern solutions (rescheduling, restructuring, enhancement of the security package)
12. Divest

Appendix A – 13- Week Cash Flow Statement (Template)

Week Start day End day	Week 1 06-Jul 12-Jul	Week 2 13-Jul 19-Jul	Week3 20-Jul 26-Jul	Week 4 27-Jul 02-Aug	Week 5 03-Aug 09-Aug	Week 6 10-Aug 16-Aug	Week 7 17-Aug 23-Aug	Week 8 24-Aug 30-Aug	Week 9 31-Aug 06-Sep	Week 10 07-Sep 13-Sep	Week 11 14-Sep 20-Sep	Week 12 21-Sep 27-Sep	Week 13 28-Sep 04-Oct	Total
CASH BALANCE AT THE BEGINNING OF THE PERIOD	250,000	315,835	553,288	457,319	452,331	532,836	664,850	787,964	738,785	720,469	884,537	1,035,900	1,005,602	250,000
Of which: restricted cash balance (unusable)	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Cash flows from operating activities	123,120	112,453	(78,382)	(4,989)	137,791	132,014	141,455	(49,179)	24,469	164,068	169,804	(30,298)	57,040	899,368
Receipts from operations	394,835	397,908	417,803	445,444	467,716	479,467	505,590	530,870	555,043	585,145	611,935	642,907	675,052	6,709,715
Receipts from customers, of which	375,675	394,459	414,182	434,891	456,635	479,467	503,440	528,612	555,043	582,795	611,935	642,532	674,658	6,654,325
Existing contracts	375,675	394,459	414,182	414,891	406,635	404,467	403,440	403,612	405,043	407,795	386,935	392,532	399,658	5,209,325
New contracts	-	-	-	20,000	50,000	75,000	100,000	125,000	150,000	175,000	225,000	250,000	275,000	1,445,000
Receipts from various debtors	3,285	3,449	3,622	3,803	3,993	-	2,150	2,258	-	-	-	375	394	23,328
Other receipts	15,875	-	-	6,750	7,088	-	-	-	-	2,350	-	-	-	32,063
Payments from operations														
Payments to providers of services and materials	(271,715)	(285,455)	(496,185)	(450,432)	(329,925)	(347,453)	(364,136)	(580,049)	(530,574)	(421,077)	(442,131)	(673,204)	(618,012)	(5,810,348)
Advance payments paid to suppliers	(235,650)	(247,433)	(259,804)	(272,794)	(286,434)	(300,756)	(315,794)	(331,583)	(348,162)	(365,570)	(383,849)	(403,041)	(423,194)	(4,174,064)
Advance payments repaid to customers	(35,780)	(37,569)	(39,447)	(41,420)	(43,491)	(45,665)	(47,949)	(50,346)	(52,863)	(55,507)	(58,282)	(61,196)	(64,256)	(633,771)
Salary payments and related contributions	(285)	(299)	-	-	-	(375)	(394)	(413)	-	-	-	(625)	-	(2,391)
Payments of income tax	-	-	(57,240)	(135,650)	-	-	-	(54,425)	(128,980)	-	-	(54,801)	(129,870)	(560,965)
Payments of other taxes and duties	-	-	(26,450)	-	-	-	-	(24,375)	-	-	-	(28,690)	-	(79,515)
VAT payments	-	-	-	(568)	-	-	-	-	(568)	-	-	-	(568)	(1,704)
Other payments	-	-	(113,244)	-	-	-	-	(118,906)	-	-	-	(124,851)	-	(357,001)
Alte plati	-	(154)	-	-	-	(657)	-	-	-	-	-	-	(125)	(936)
Cash flow from investing activities	-	125,000	-	-	-	-	-	-	14,500	-	-	-	-	139,500
Payments for the acquisition of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from the sale of fixed assets	-	125,000	-	-	-	-	-	-	14,500	-	-	-	-	139,500
Cash flow from financing activities	(57,285)	-	(17,588)	-	(57,285)	-	(18,341)	-	(57,285)	-	(18,442)	-	-	(226,226)
Proceeds of loans from shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from long-term loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimbursements of long-term loans	(57,000)	-	-	-	(57,000)	-	-	-	(57,000)	-	-	-	-	(171,000)
Lease reimbursements	-	-	(17,500)	-	-	-	(18,250)	-	-	-	(18,350)	-	-	(54,100)
Interest paid	(285)	-	(88)	-	(285)	-	(91)	-	(285)	-	(92)	-	-	(1,126)
Interest received	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL CASH FLOW	65,835	237,453	(95,969)	(4,989)	80,506	132,014	123,113	(49,179)	(18,316)	164,068	151,362	(30,298)	57,040	812,642
CASH BALANCE AT THE END OF THE PERIOD	315,835	553,288	457,319	452,331	532,836	664,850	787,964	738,785	720,469	884,537	1,035,900	1,005,602	1,062,642	1,062,642
Of which: restricted cash balance (unusable)	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000

Appendix B – Forecast Income Statement (Template)

Statement of income and expenditure	31-Jul-20	31-Aug-20	30-Sep-20	31-Oct-20	30-Nov-20	31-Dec-20	31-Jan-21	28-Feb-21	>>>
Sales growth rate	6.0%	2.7%	3.3%	3.7%	3.2%	3.2%	3.2%	3.2%	...
Production income	182,960	187,423	193,608	200,772	207,196	213,827	220,669	227,731	...
% Turnover	69.1%	68.9%	68.9%	68.9%	68.9%	68.9%	68.9%	68.9%	...
Income from sales of goods	81,245	83,167	85,911	89,090	91,941	94,883	97,919	101,053	...
% Turnover	30.7%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	30.6%	...
Other operating income	512	1,275	1,317	1,366	1,410	1,455	1,501	1,549	...
% Turnover	0.2%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	...
(Net) turnover	264,718	271,865	280,837	291,228	300,547	310,164	320,090	330,332	...
Other income	0	0	0	0	0	0	0	0	...
Production in progress	4,265	(1,952)	483	560	237	510	526	(624)	...
Expenses on raw materials	(115,499)	(115,899)	(119,724)	(124,154)	(128,127)	(132,227)	(136,458)	(140,825)	...
Fuel expenses	(14,644)	(15,040)	(15,536)	(16,111)	(16,627)	(17,159)	(17,708)	(18,274)	...
Expenses on inventory items and consumables	(58,086)	(58,094)	(61,622)	(63,902)	(65,947)	(68,058)	(70,236)	(72,483)	...
Utility expenses	(7,378)	(7,578)	(7,828)	(8,117)	(8,377)	(8,645)	(8,922)	(9,207)	...
Maintenance expenses	(374)	(384)	(396)	(411)	(424)	(438)	(452)	(466)	...
Rent expenses	(3,257)	(3,345)	(3,455)	(3,583)	(3,698)	(3,816)	(3,938)	(4,064)	...
Insurance expenses	(1,069)	(1,098)	(1,134)	(1,176)	(1,214)	(1,253)	(1,293)	(1,334)	...
Collaboration expenses	(8)	(8)	(9)	(9)	(9)	(9)	(10)	(10)	...
Business entertainment and advertising expenses	(550)	(564)	(583)	(605)	(624)	(644)	(664)	(686)	...
External expenses	(4,516)	(4,638)	(4,791)	(4,968)	(5,127)	(5,291)	(5,460)	(5,635)	...
Transport and travel expenses	(973)	(999)	(1,032)	(1,070)	(1,104)	(1,140)	(1,176)	(1,214)	...
Postage expenses	(291)	(299)	(309)	(321)	(331)	(341)	(352)	(364)	...
Bank charges	(617)	(633)	(654)	(678)	(700)	(723)	(746)	(770)	...
Local tax expenses	(2,878)	(2,878)	(2,878)	(2,878)	(2,878)	(2,878)	(2,878)	(2,878)	...
Expenses on salaries and related contributions	(35,207)	(38,276)	(40,159)	(41,645)	(42,977)	(44,352)	(45,772)	(47,236)	...
Other operating expenses	(5,695)	(5,848)	(6,041)	(6,265)	(6,465)	(6,672)	(6,886)	(7,106)	...
Total operating expenses	(246,776)	(257,533)	(265,668)	(275,333)	(284,392)	(293,135)	(302,424)	(313,176)	...
EBITDA	17,942	14,332	15,169	15,895	16,155	17,029	17,666	17,157	...
% EBITDA	6.8%	5.3%	5.4%	5.5%	5.4%	5.5%	5.5%	5.2%	...
Equipment depreciation expenses	(8,543)	(8,774)	(9,063)	(9,398)	(9,699)	(10,010)	(10,330)	(10,660)	...
Revenues from subsidies	461	473	489	507	523	540	557	575	...
Bad debts written off	-	-	-	-	-	-	-	-	...
Losses / Revenues / non-recurring	-	-	-	-	-	-	-	(55,707)	...
Result from the sale of assets	109	-	-	-	-	-	-	-	...
Operating result	9,969	6,031	6,594	7,003	6,978	7,559	7,893	(48,636)	...
Exchange rate difference	154	158	163	170	175	181	186	192	...
Interests	(4,422)	(5,297)	(4,919)	(4,541)	(4,163)	(3,845)	(3,528)	(3,528)	...
Result from financial activity	(4,268)	(5,139)	(4,756)	(4,372)	(3,988)	(3,665)	(3,341)	(3,335)	...
Gross profit	5,701	892	1,838	2,631	2,990	3,894	4,552	(51,971)	...
Corporate tax	(737)	(143)	(294)	(421)	(478)	(623)	(728)	-	-
Net Profit	4,964	749	1,544	2,210	2,511	3,271	3,823	(51,971)	...
% Net profit	1.9%	0.3%	0.5%	0.8%	0.8%	1.1%	1.2%	-15.7%	...
balance	(0)	-	-	-	-	-	-	-	...
Turnover [thousand RON]	264,718	271,865	280,837	291,228	300,547	310,164	320,090	330,332	...
Expenses on raw materials and consumables [thousand RON]	173,585	173,993	181,346	188,056	194,074	200,284	206,693	213,308	...
Gross margin [thousand RON]	91,133	97,872	99,490	103,171	106,473	109,880	113,396	117,025	...
	34.4%	36.0%	35.4%	35.4%	35.4%	35.4%	35.4%	35.4%	...
Main expenses	31-Jul-20	31-Aug-20	30-Sep-20	31-Oct-20	30-Nov-20	31-Dec-20	31-Jan-21	28-Feb-21	>>>
% Raw materials in total operating costs	46.8%	45.0%	45.1%	45.1%	45.1%	45.1%	45.1%	45.0%	...
% Inventory items and consumables in total operating costs	23.5%	22.6%	23.2%	23.2%	23.2%	23.2%	23.2%	23.1%	...
% Salaries and related contributions in total operating costs	14.3%	14.9%	15.1%	15.1%	15.1%	15.1%	15.1%	15.1%	...
% Main expenses in total operating costs	84.6%	82.4%	83.4%	83.4%	83.4%	83.5%	83.5%	83.2%	...

Appendix C – Forecast Balance Sheet (Template)

Statement of Assets, Liabilities and Equity	31-Jul-20	31-Aug-20	30-Sep-20	31-Oct-20	30-Nov-20	31-Dec-20	31-Jan-21	28-Feb-21	>>>
Concessions, patents, licenses	463	252	260	270	279	288	297	306	...
Intangible non-current assets in progress	3,061	3,367	3,478	3,607	3,722	3,841	3,964	4,091	...
INTANGIBLE NON-CURRENT ASSETS (TOTAL)	3,524	3,619	3,739	3,877	4,001	4,129	4,261	4,397	...
Land	610	610	610	610	610	610	610	610	...
Constructions	39,329	51,772	49,413	46,954	44,404	41,761	39,022	36,184	...
Technical plant and machinery	106,156	108,752	103,797	98,630	93,274	87,723	81,969	76,007	...
Furniture, office automation, other	14,546	12,080	11,530	10,956	10,361	9,744	9,105	8,443	...
Tangible non-current assets in progress	19,505	-	-	-	-	-	-	-	...
TANGIBLE NON-CURRENT ASSETS (TOTAL)	180,147	173,215	165,350	157,150	148,649	139,838	130,707	121,245	...
Guarantees	262	269	278	288	297	307	317	327	...
FINANCIAL NON-CURRENT ASSETS (TOTAL)	262	269	278	288	297	307	317	327	...
FIXED ASSETS (TOTAL)	183,933	177,103	169,366	161,315	152,948	144,274	135,284	125,969	...
Investories	43,652	45,435	46,934	48,671	49,405	50,986	52,617	50,681	...
Inventory turnover period (days)	92	86	80	79	76	75	73	69	...
Raw materials	21,875	23,381	24,153	25,047	25,424	26,238	27,077	26,081	...
Consumables	3,750	5,740	5,930	6,149	6,242	6,442	6,648	6,403	...
Packaging	1,432	1,670	1,725	1,788	1,815	1,873	1,933	1,862	...
Production in progress	8,214	8,215	8,486	8,800	8,933	9,218	9,513	9,163	...
Finished products	8,383	6,429	6,641	6,887	6,991	7,214	7,445	7,171	...
Customers	66,313	64,056	61,553	63,033	62,580	63,732	64,018	62,446	...
Receivables collection period (days)	92	86	80	79	76	75	73	69	...
Advance payments and other assets	1,857	1,907	1,970	2,043	2,109	2,176	2,246	2,318	...
Banks, petty cash and cash equivalents	944	872	884	788	768	414	791	200	...
CURRENT ASSETS (TOTAL)	112,767	112,271	111,342	114,535	114,861	117,308	119,672	115,646	...
PREPAID EXPENSES	-	-	-	-	-	-	-	-	...
TOTAL ASSETS	296,700	289,373	280,709	275,851	267,809	261,583	254,956	241,614	...
Suppliers	104,492	102,315	101,256	101,166	97,911	93,701	88,527	72,737	...
Debt payment period (days)	144	137	132	127	119	110	101	80	...
Suppliers of non-current assets	4,357	4,474	4,622	4,793	4,946	5,105	5,268	5,436	...
Debts to personnel	2,171	2,230	2,303	2,388	2,465	2,544	2,625	2,709	...
Debts to the budget	60,823	60,823	60,823	60,823	60,823	60,823	60,823	-	...
Debts to the budget [UG6]	17,196	12,037	8,598	6,878	5,159	3,439	1,720	-	...
Debts to the budget [current]	14,988	1,313	1,378	1,429	1,475	1,522	1,571	1,621	...
Amounts pending clarification	(116,530)	(116,530)	(116,530)	(116,530)	(116,530)	(116,530)	(116,530)	-	...
Advance payments received	2,082	2,138	2,209	2,291	2,364	2,440	2,518	2,598	...
Other debts	1,250	1,284	1,326	1,375	1,419	1,465	1,512	1,560	...
Deferred revenues	-	-	-	-	-	-	-	-	...
Bank debts	47,548	46,348	45,597	44,845	44,094	44,094	44,094	44,094	...
Bank loan (current liabilities)	-	19,870	15,896	11,922	7,948	3,974	-	-	...
Subsidies for investments	2,291	1,818	1,330	823	-	-	-	-	...
Debts to affiliates	4,538	4,538	4,538	4,538	4,538	4,538	4,538	4,538	...
SHORT-TERM LIABILITIES (TOTAL)	145,206	142,659	133,346	126,743	116,612	107,114	96,665	135,294	...
Financial leasing	7,048	1,783	888	422	-	-	-	-	...
LONG-TERM LIABILITIES (TOTAL)	7,048	1,783	888	422	-	-	-	-	...
Risk provisions	263	-	-	-	-	-	-	-	...
Subscribed and paid-up capital	20,400	20,400	20,400	20,400	20,400	20,400	20,400	20,400	...
Revaluation reserves	95,861	95,861	95,861	95,861	95,861	95,861	95,861	95,861	...
Other reserves	22,288	22,288	22,288	22,288	22,288	22,288	22,288	22,288	...
Retained earnings	670	5,634	6,383	7,927	10,137	12,649	15,920	19,743	...
Current result	4,964	749	1,544	2,210	2,511	3,271	3,823	(51,971)	...
EQUITY (TOTAL)	144,183	144,932	146,476	148,686	151,197	154,468	158,292	106,321	...
TOTAL LIABILITIES	296,700	289,373	280,709	275,851	267,809	261,583	254,957	241,615	...
balance	0	0	0	0	0	0	0	0	...

Appendix D – Forecast Cash Flow Statement (Template)

Cash Flow Statement	31-Jul-20	31-Aug-20	30-Sep-20	31-Oct-20	30-Nov-20	31-Dec-20	31-Jan-21	28-Feb-21	>>>
Net result	4,964	749	1,544	2,210	2,511	3,271	3,823	(51,971)	...
Depreciation expenses	8,543	8,774	9,063	9,398	9,699	10,010	10,330	10,660	...
Adjustments									
Revenues from subsidies	(461)	(473)	(489)	(507)	(523)	(540)	(557)	(575)	...
Gain on the sale of assets	(109)	-	-	-	-	-	-	-	...
Exchange rate expenses	(154)	(158)	(163)	(170)	(175)	(181)	(186)	(192)	...
Interest expenses	4,422	5,297	4,919	4,541	4,163	3,845	3,528	3,528	...
Non-recurring income / expenses	-	-	-	-	-	-	-	55,707	...
Corporate tax	737	143	294	421	478	623	728	-	...
Losses from receivables	-	-	-	-	-	-	-	-	...
Cash flow before working capital variation	17,942	14,332	15,169	15,895	16,155	17,029	17,666	17,157	...
Changes in inventory	(15,382)	(1,783)	(1,499)	(1,737)	(734)	(1,581)	(1,632)	1,936	...
Changes in trade receivables	(13,459)	2,416	2,666	(1,310)	628	(972)	(99)	1,764	...
Changes in other receivables	(793)	(50)	(63)	(73)	(65)	(67)	(70)	(72)	...
Changes in trade payables	38,034	(2,176)	(1,059)	(89)	(3,256)	(4,209)	(5,174)	(15,790)	...
Changes in other debts	5,444	3	334	387	47	898	927	956	...
Changes in debts to the state budget	(7,123)	(13,675)	65	51	46	47	49	50	...
DGAMC Payments - OG6	-	(5,159)	(3,439)	(1,720)	(1,720)	(1,720)	(1,720)	(1,720)	...
Net cash flow after working capital variation	24,663	(6,092)	12,173	11,404	11,100	9,424	9,947	4,282	...
Interest paid	(4,422)	(5,297)	(4,919)	(4,541)	(4,163)	(3,845)	(3,528)	(3,528)	...
Corporate tax paid	(737)	(143)	(294)	(421)	(478)	(623)	(728)	-	...
Cash flow from operating activities	19,503	(11,532)	6,959	6,442	6,459	4,956	5,691	754	...
Purchase of fixed assets	(46,118)	(1,943)	(1,327)	(1,347)	(1,332)	(1,336)	(1,340)	(1,345)	...
Revaluation impact	15,977	-	-	-	-	-	-	-	...
Gain on the sale of assets	109	-	-	-	-	-	-	-	...
Cash flow from investing activities	(30,032)	(1,943)	(1,327)	(1,347)	(1,332)	(1,336)	(1,340)	(1,345)	...
Loans drawn & repaid	7,944	18,669	(4,725)	(4,725)	(4,725)	(3,974)	(3,974)	-	...
Leases drawn & repaid	4,270	(5,266)	(895)	(466)	(422)	-	-	-	...
Dividends	(3,700)	-	-	-	-	-	-	-	...
Loan from shareholders	1,633	-	-	-	-	-	-	-	...
Cash flow from financing activities	10,148	13,404	(5,620)	(5,191)	(5,147)	(3,974)	(3,974)	-	...
Cash at the beginning of the period	1,325	944	872	884	788	768	414	791	...
Net cash flow during the period	(381)	(71)	12	(96)	(20)	(354)	377	(590)	...
Cash at the end of the period	943	872	884	788	768	414	791	200	...
balance	(0)	(0)	0	0	0	(0)	0	(0)	...

office@tma-ro.org

TMA

Turnaround Management Association®

Romania