



# Think Restructuring and win in challenging times

AmCham – 12 February 2009

**KPMG**

# Romanian economic environment – news

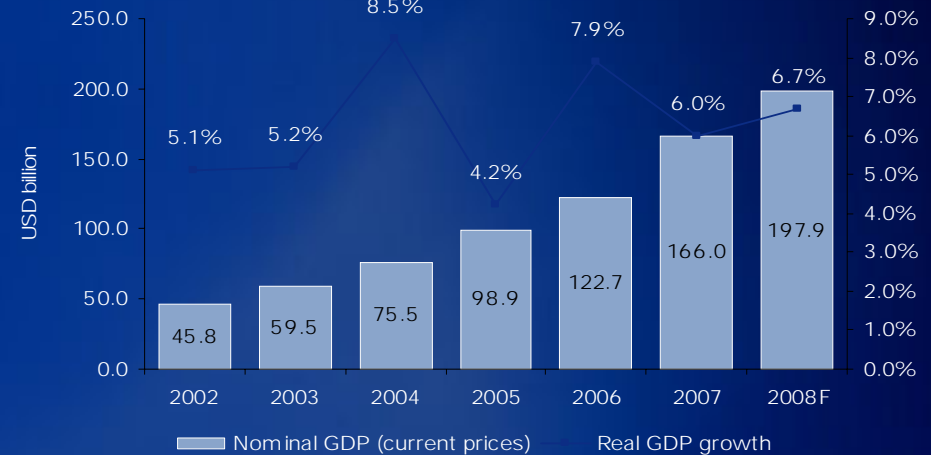
EC:

“ European Commission predicted growth of only 1.75% in 2009 and 2.5% in 2010 compared to 7.8% in 2008 ”

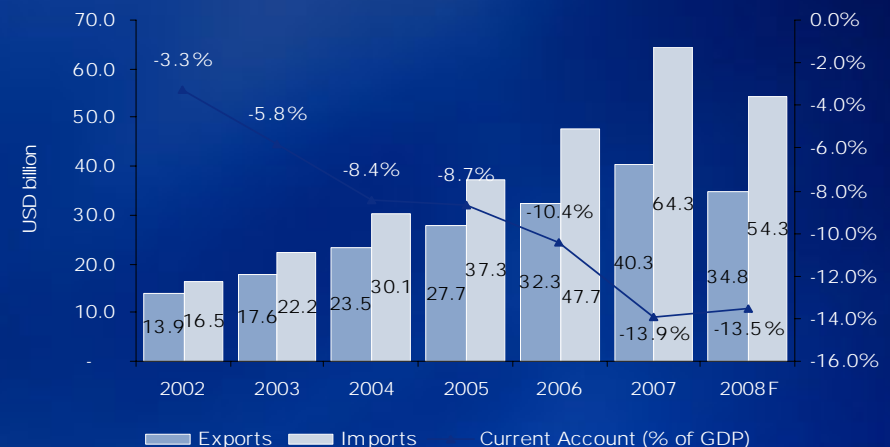
“ Budget deficit – 7.5% in 2009 ”

<http://www.seeurope.net/?q=nod e/16849>

Gross Domestic Product 2002 - 2008



Balance of Payments



# Romanian economic environment – news

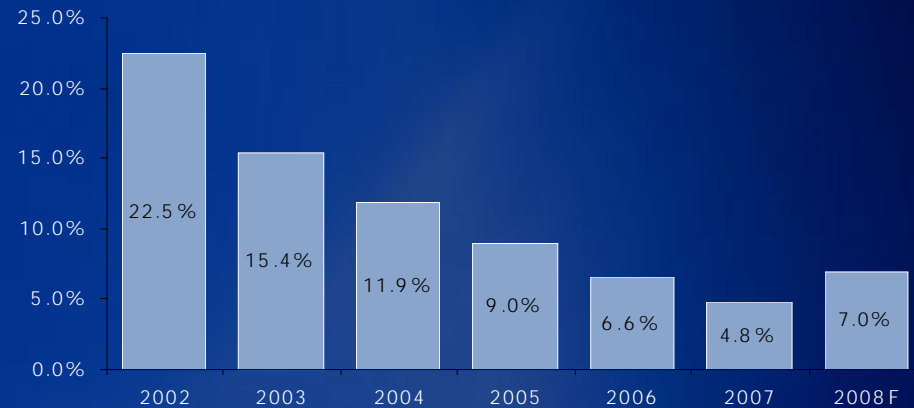
EC:

“ Inflation is expected to stay at around 5.7% in 2009 and 4% in 2010”

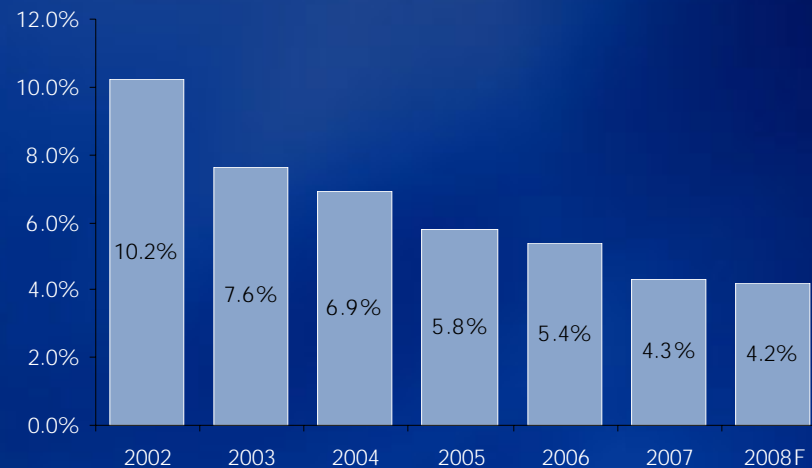
“ Unemployment will grow to a rate of 7% in 2009 compared to 6.2% in 2008”

<http://www.seeurope.net/?q=no de/16849>

Inflation rate



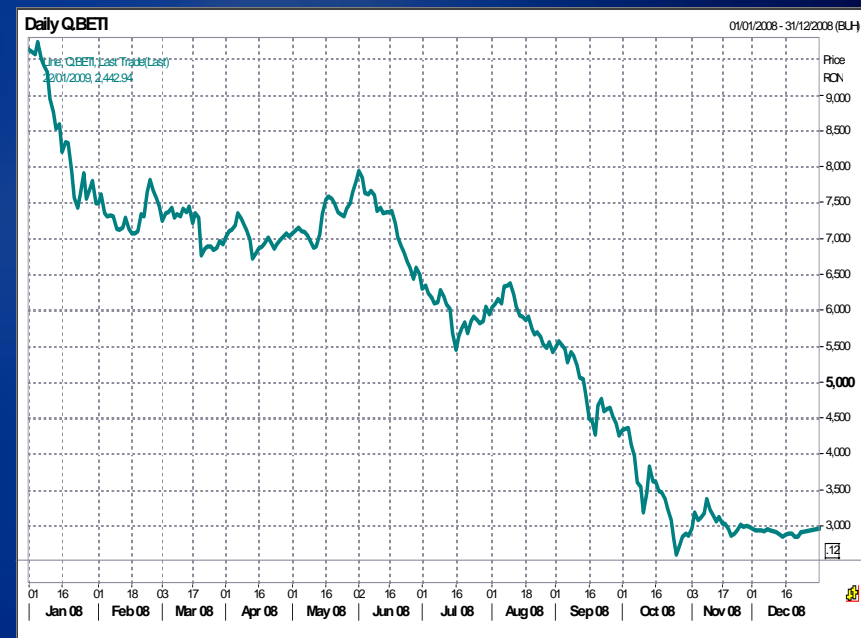
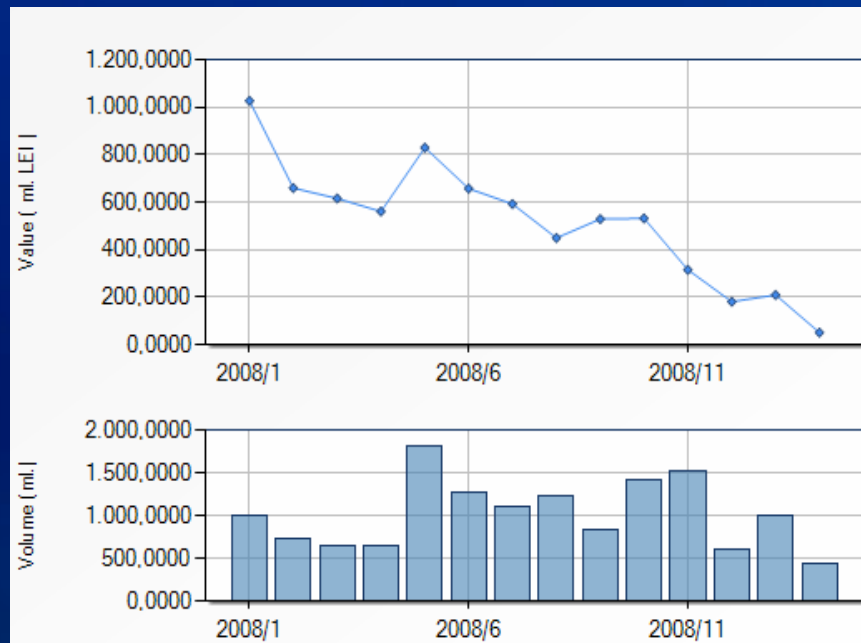
Unemployment rate



# Romanian economic environment – news

“Bucharest StockExchange (BSE) suspended trading, at 11:08, after the market fell sharply, registering quote decreases of over 10%, even 14.64 % for the financial investment companies (SIF) “

Curierul National, October 9<sup>th</sup> 2008



<http://www.bvb.ro/TradingAndStatistics/Evolution>



# Romanian economic environment – news

**IMF** : “Romania is now being increasingly affected by the global recession.

While growth remained high in the first three quarters of 2008, output indicators deteriorated rapidly in the last months of the year.

Exports began to tumble, credit availability tightened for firms and households, and domestic consumption and investment are poised to fall.

Industrial output is dropping, and business and consumer confidence have deteriorated.

Thus economic activity will be weak, and GDP growth may well turn negative in 2009, with a moderate recovery only toward the end of the year or early-2010.

While it is true that uncertainties surrounding the forecast are high, we believe that the balance of risks is on the downside.”

<http://www.imf.org/external/np/sec/pr/2009/pr0924.htm>



# Business concerns

- Is my company's business model dependent on sectors under significant stress?
- What changes do I have to make to my strategy, in light of the forthcoming recession?
- Am I looking for M&A targets, strategic alliances or disposals?
- Does my company have sufficient liquidity to manage with its existing debt for the next 12 months under base case and sensitised scenarios?
- My operational cash flow is still positive?
- Is the company in breach of any of its banking covenants or likely to be at the next test date?
- Are any major customers, suppliers or financial stakeholders known to be in financial distress?

# Business concerns (continued)

- How is my current strategy reflected in the forecast?
- Am I satisfied that my cost base reflects forecast market conditions?
- What cost saving initiatives have I identified that will allow my business to be price competitive during recession?
- Have I identified short, medium and longer term opportunities to optimise my cost base?
- What steps have I taken to ensure that I have robust business processes and controls in place to address increased organisational risk and exposure in the turbulent economic environment?
- Are the company's managers real "crisis managers" that can get along the company to better days?

# “When you have a real lemon on your hands, you should think lemonade”

*Financial Times - Managing in a downturn*

- Adapt the mindset from the constant growth to a sudden downturn
- Learn to find innovative solutions to create long term value
- Reconsider strategies and plans for the current economic environment
- Need for a flexible organization
- Re-examine business lines, processes and structures
- Risk management
- Cash and working capital management

# Situation assessment

Category	Robust	At Risk	Stressed	Distressed
Key indicators	<ul style="list-style-type: none"> <li>Profitable currently and in foreseeable future</li> <li>Strong and stable competitive position</li> <li>Cycle defensive industry</li> <li>No cash flow or working capital concerns</li> <li>Substantial cash resources therefore able act as predator in rapid acquisitions</li> <li>Long term financing in place</li> <li>No concerns over breaching of covenants in the future</li> </ul>	<ul style="list-style-type: none"> <li>Currently profitable but deterioration of performance has started or is expected</li> <li>Competitive position weak but previously masked by robust economic environment</li> <li>Long term financing in place but have some concerns over ability to meet covenants if performance deteriorates</li> <li>Refinancing due in next 6-18 months</li> <li>Leveraged deals done in last three years</li> </ul>	<ul style="list-style-type: none"> <li>Industry is significantly impacted by the financial crisis (house building, retail, leisure, automotive etc.)</li> <li>Growing cash flow and operating performance concerns</li> <li>Concerns over the ability to meet banking covenants</li> <li>Refinancing is due in the next 6 months</li> <li>Unlikely be able to shore up balance sheet with equity injection</li> <li>Concerns over solvency of customers and suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Liquidity is currently tight</li> <li>Credit Insurance cover has been withdrawn</li> <li>Sudden management changes</li> <li>Refinancing is overdue /stalled</li> <li>No other obvious sources of financing</li> <li>In breach of or about to breach banking facilities and covenants</li> <li>Making unexpected requests for additional funding</li> </ul>
	<p><b>Seeking to maximise competitive advantage to exploit opportunity</b></p>	<p><b>Preparing to respond to a recessionary environment</b></p>	<p><b>Maintaining or retaining control of destiny</b></p>	<p><b>Stabilisation and survival</b></p>

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# Contact

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