



INSTITUTE OF DIRECTORS  
IN IRELAND



# Keeping Finance in Focus in an Uncertain Environment

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Deconstructing Finance

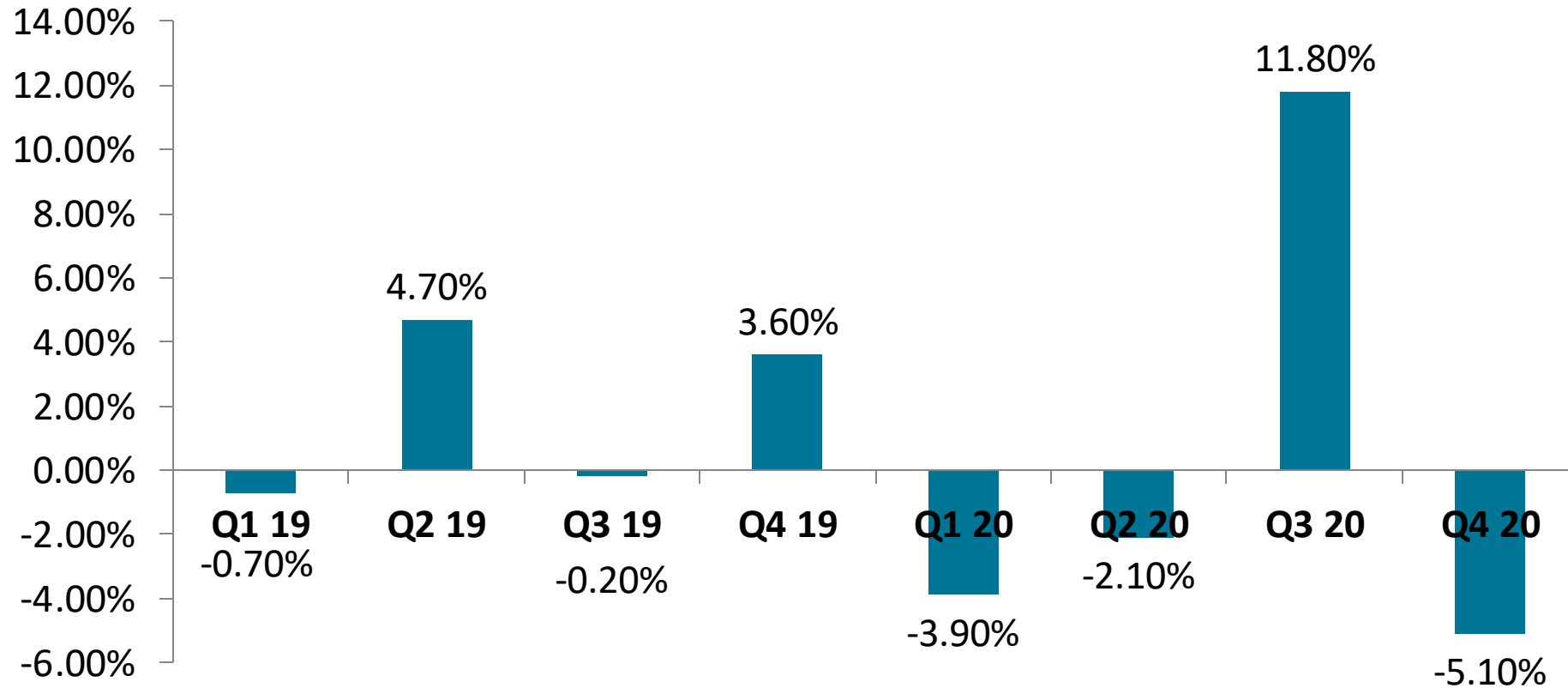
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# IMPACT ON ECONOMY

## Irish Quarterly GDP % change



**Source: Central Statistics Office**



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# IMPACT ON SECTORS

	Amount €m	Annual % change
Industry (excl. Construction)	133,724	15.2
Information and Communication	52,556	14.3
Public Admin, Education and Health	33,570	-1.1
Distribution, Transport, Hotels and Restaurants	30,932	-16.7
Professional, Admin and Support Services	29,626	-15.5
Real Estate Activities	19,898	-1.7
Financial and Insurance Activities	19,456	-1.2
Construction	7,502	-12.7
Agriculture, Forestry and Fishing	3,672	-1.6
Arts, Entertainment and Other Services	1,942	-54.4
<b>Gross Domestic Product</b>	<b>356,981</b>	<b>3.4</b>

<sup>1</sup>Series not additive, Taxes less Subsidies on Products not shown in table (see Table 2.4 for full detail).

<sup>2</sup>Constant Market Prices, chain linked annually and referenced to year 2018.

**Source: Central Statistics Office**



# IMPACT ON BUSINESS

	COVID-19 mentions in most recent annual report (or earnings release)	Net profit change y-o-y	Cash balance change y-o-y
Ryanair*	34	-239%	-8%
CRH	136	-33%	-22%
Amazon	24	84%	17%
Carnival Cruises	57	-130%	1736%
Moderna	61	-45%	1012%
Pfizer	91	-41%	56%
Kerry Group	23	1%	1%
Zoom Video	50	2987%	691%
Berkshire Hathaway	1	-47%	8%

\*Ryanair's 2021 profit is management guidance



# COVID-19 - Crisis as Normal

## HOW “COVIDSHOCK” IS THE SAME

- Demand for certain products/services decimated
- Effects of the recession not felt equally across all sectors = > amplified – “COVIDcyclical”
  - Affected sectors need to be ready for return to “normal” trading
- Higher risk businesses will suffer most – thin margins, high fixed costs, high leverage



# COVID-19 - VUCA

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## HOW “COVIDSHOCK” IS DIFFERENT

- Supply side disruption rather than aggregate demand collapse
- Traditional split of cyclical vs defensive no longer providing insights
- Recovery path is not clear but more likely to be a rapid snapback
  - Clear difference in effect on products and services firms



# MANAGING CASH

## Cash Conversion Cycle

- Inventory
- Receivables
- Payables
- **TIMING + SIZE**

## WC Financing Options

- Borrow vs stock
- Overdrafts
- Revolving loans on credit card receipts
- Debt factoring/invoice discounting



**Cost + Reliance**

## Cost Control

- Review and control all costs
- Variable often easier to cut than fixed
- Consider transforming fixed into variable: sale and leaseback, fleet lease, outsourcing



**Operational gearing**



# Income Statement – Top Line

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**Good  
vs Bad Revenue**

**Revenue and  
Customer  
Drivers**

**Ideal Customer  
Profile**





# Income Statement – Bottom Line

Cost Structure

Margins

Control and  
Innovation

## REMEMBER:

- Creating value for your customers will drive sales but capturing that value drives profits
- Top line is vanity, bottom line is sanity but **cash** is reality



# BALANCE SHEET FOCUS

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**Capital Structure**  
- Sustainability of debt

**Investment Decisions**  
- Working Capital vs Capex



**Asset Efficiency**  
- Financing / Alternative Revenues



# THE ROAD TO RECOVERY

Swift and  
Sharp

Overtrading



Compete





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# THANK YOU Questions?

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