

Managing in a downturn

Automotive suppliers: dealing with the loss or potential loss of a major customer



Recent events, and specifically General Motors' Chapter 11 filing, have focused the minds of those managing automotive supplier businesses on how to prepare for and deal with the loss or potential loss of a major customer.

Dealing with the risk of customer loss

Your situation?	How we are helping other automotive suppliers
I am concerned that some of my customers may be at risk of insolvency.	It is important to understand the risk profile of your customer base and take steps to mitigate trading risk accordingly. We can help identify and deal with early indications of customer risk.
I am concerned that my business might cease to exist if we have to stop supplying key customers, or that we will be exposed to loss if we continue trading.	We have worked widely with automotive suppliers helping them to develop a risk profile of their customers, and look at cash flow exposure/scenario planning in the event of customers failing. We also help suppliers look at ways they can protect their interests prior to a failure including supply contracts and Retention of Title clauses.
Our liquidity is being squeezed as suppliers become worried and tighten credit terms or demand payment up front.	We can help you to optimise cash and working capital to respond to short-term liquidity issues.
We are experiencing increased working capital demands.	We have worked alongside other auto supply businesses to understand their cash concerns and explore the cash levers across the entire P&L and balance sheet, both in the short term and on a sustainable basis.
Our lenders are becoming concerned about some of our key customers.	We have a strong track record of managing lenders and other stakeholder relationships, and significant expertise in crisis situations where there are financial, resource and time constraints.
They are worried that we will struggle to fulfill our debt obligations or breach banking covenants. We are worried we may have difficulty in obtaining finance in the future.	Working with auto suppliers we have helped to stabilise the financial position of their business and to support them in negotiations with stakeholders. In the longer term, we help to rebuild confidence and relationships whilst helping management regain control, keeping all parties informed every step of the way. Our Debt Advisory team has already helped a number of automotive businesses to improve the structure of their financing. They could help you consider and secure alternative financing.
My credit insurer has requested more information about my customers.	Credit insurers will request timely financial information if they feel there are risk issues that need satisfying for credit approval levels to be retained.
I think my cover may be reduced or withdrawn altogether.	Our experience dealing with credit insurers has shown that how you present to and engage with insurers makes a huge difference to the outcome. We help to facilitate a dialogue with your credit insurers, as well as key customers, to drive robust financial information and assist in the preparation and presentation of that material in order to maintain cover, maximise approval limits and achieve value for money.

Dealing with the loss of a major customer

Your situation?

One of our customers has entered insolvency proceedings.

We are owed a significant amount of money and/or our sales / income looks set to drop dramatically.

How we are helping other automotive suppliers

Loss of a key customer can be a body blow to any business. We have helped many businesses in this situation and we know that rapid action is required. Our experienced team has helped automotive suppliers to:

- deal with Insolvency Practitioners around Retention of Title and ongoing supply; for example negotiating new terms of trade with Administrators or a successor business;
- address lenders' concerns around banking covenants;
- identify, quantify and address short and longer term cashflow problems;
- implement cost reduction programmes whether they are enterprise wide or process/function specific;
- consider the structure of your financing and, where necessary, help you secure alternative funding.

Our goal is to ensure the survival of your business and support you going forward to build a strong platform for growth.

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When organisations are facing a crisis, PwC acts as a catalyst working alongside management and stakeholders and encouraging all parties to work together. In highly emotive environments, we deliver quick and effective results.

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We are experts in stabilising and creating platforms for recovery and growth. Our specialists work with management to stabilise the business, buying time to manage key stakeholders and build a strong platform for the future.

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Design by hamilton-brown: hb04744



Further reading

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