

Cash Flow Challenges During A Global Pandemic

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As an advisory firm exclusively focused on high-end Professional Services clients, we have been getting numerous inquiries about the current state of the market and how firms are weathering this uncertain environment. As a result, we wanted to share insights from our network regarding some of the challenges being faced and strategic actions being taken to overcome them.

MARKET OBSERVATIONS

One of the key benefits that our industry has during these “social distancing” mandates is the ability to have our employees work remotely. Our people are knowledge workers and typically leverage data and insights to synthesize information and provide our clients with actionable intelligence, much of which is done virtually by nature. This can, for the most part, be accomplished by teams working remotely and collaborating virtually to deliver high-quality solutions and work product for our clients.

That said, many firms have a fully or partially on-site client model whereby employees are typically working, at least some of the time, at the client location. Given the need and desire to limit physical interaction during this crisis, many Consulting firms that have relied largely on onsite work are particularly hard hit. As a result, many firms unable to perform billable work for clients onsite are experiencing severe cash flow issues. Exacerbating the situation is that new client mandates are effectively frozen. Finally, in a desire to take care of their people, retain good talent and prepare for the post crisis market, many firms are reluctant to begin layoffs immediately, exacerbating the massive cash crunch challenge.

During the past few weeks we have continued to engage in active dialogues with lenders, private equity sponsors and large strategic professional services firms. To varying degrees, we have been pleasantly surprised with the somewhat consistent message of, “we are still open for business.” This is clearly a signal that either by sheer will or optimism, many investors and business leaders are focused on tomorrow and making sure they are optimally positioned to remain an active market participant and thriving enterprise. The deals that we were in mid-process with when the current pandemic really took hold are still continuing, albeit at a slower pace. In fact, we are scheduled to close a transaction in the next week.

OUTLOOK

In conversations with industry leaders, we have learned about many creative strategies, both financial and operational, to weather this storm. Several firms have drawn down their lines of credit to bolster their cash position. This has created a new liquidity issue for lenders to navigate, but the markets are much more stable than where we were in 2008. Clearsight continues to help clients look at securing capital to persevere during the cash crunch as well as enable our clients to seek creative solutions, both strategic financial solutions and innovative operating solutions to not only survive, but to hopefully come out of this crisis in a better relative position than when this all started.

Our team at Clearsight stands ready to help answer your questions, brainstorm what we are seeing that is working in the market and/or identify capital and strategic solutions to help win the day. Stay safe and healthy and together we will find our footing and thrive once again for our employees and clients.

How We Can Help

Clearsight has worked with every kind of partner group and understands the growth and liquidity challenges of professional services businesses better than any traditional financial advisor. We help our clients seek out capital that is non-dilutive to assist liquidity, M&A, and organic growth.

When it comes to advising professional services companies on strategic alternatives, Clearsight's deep industry knowledge is unparalleled. Our team's experience allows us to meet the most complex situation with creative solutions to both optimize shareholder value, and identify the right partner and transaction.

Our industry expertise enables us to offer a detailed assessment of your business and a concrete set of recommendations on changes that could be made to maximize the likelihood of achieving your strategic objectives. The professional services diagnostic is invaluable during these uncertain times.

We have worked with many of the largest companies in our industry, helping them define and execute their long-term buy vs. build strategies. The present market provides an opening for businesses to invest in strategic acquisitions and to add scale and capabilities in key priority areas. Our ability to help introduce you to the right firm, where culture fits, and structure a successful transaction is unparalleled.

Industry focus and experience working with both public and private companies allows us to understand the valuation dynamics of the markets we serve. We combine deep analytical tools and relevant transaction experience to objectively determine both fairness of pending transactions and enterprise value.

Our Capabilities

Capital Solutions



Strategic Alternatives



Diagnostic



Buy-Side M&A Services



Valuation

