



VISTANCE
CAPITAL ADVISORY



Canadian Manufacturers & Exporters
CME Member Briefing Call

March 31, 2020

Federal COVID Relief Programs

- Business Credit Availability Program (BCAP) – Collaboration between BDC and EDC to provide \$65 billion to businesses experiencing cash flow issues due to COVID
- 75% wage subsidy
- Canada Emergency Business Account – \$25 billion program to provide up to \$40,000 in interest-free loans to cover operating costs
 - Repayment before December 31, 2022 will result in \$10K loan forgiveness
 - Apply through financial institutions
- Loan Guarantees from EDC of up to \$6.25 million to support lines of credit from financial institutions
- Co-Lending Program from BDC up to \$5 million in collaboration with financial institutions
- Annual corporate income tax payment deferred until after August 31, 2020
- Work-Sharing Program maximum duration extended from 38 to 76 weeks
- Deferral of GST / HST remittances for Feb / Mar / April to June 30, 2020

New BDC Loan Facility

- Maximum loan increased from \$1 million to \$2 million depending on strength of the application
- 3 year term loan
 - First 12 months - interest only
 - Months 13-36 pay back 40% monthly - principal and interest
 - 60% balloon payment at month 36
 - Balloon payment can be refinanced at commercial terms at that time
- Interest Rate: Base rate – 1.75%
 - Base rate is 5.05% - effective interest rate is 3.3%
- Personal Guarantee may be required to accompany GSA
- Intent of loan: cover operating costs for slow interim period
 - Cannot be used for growth / expansion
- Certain industries do not qualify – cannabis, fund companies, finance companies that originate subprime loans, bars, night clubs
- No details released yet on prepayment details, but standard term is 3 months prepayment penalty

New BDC Loan Facility (cont'd)

Documentation required:

- Application for Financing
- Statement of Personal Affairs
- Business Plan
- 12 months projections – cash flow and P&L
 - Projections should contain revisions considering 4-5 months slowdown
- 2-3 years financial statements
- Corporate structure and cap table
- 4 questions related to COVID
 - At what level of activity do you anticipate to operate at over the next 6 months?
 - What are the key carryings costs for the next 6 months?
 - With a working capital loan and/or postponement does this cover your cash needs for the next six months?
 - What are your agreements with key suppliers (and customers) on payment terms / support for the next six months?

EDC Facilities

Supports companies that export globally or are looking to set up subsidiaries or invest in assets abroad

- **Canadian Direct Investments Abroad (CDIA)** – Term loan to finance expansion / acquisitions outside of Canada
 - Apply directly through EDC
- **Export Guarantee Program (EGP)** - EDC can provide a Company with additional financing by guaranteeing a portion of the new LOC / term loan from a financial institution of up to 75% or USD \$10MM
 - Apply through financial institution

Documentation Required:

- Breakdown of sales by countries outside of Canada
- Business Plan
- 3 years of financial statements
- 12 months financial projections – cash flow and P&L
- Corporate Structure and Cap Table

Wage Subsidy

- Available for businesses of all sizes
- Companies that have suffered at least 30% decline in revenue due to coronavirus pandemic are eligible
- 75% of employees' wages up to maximum salary of \$58,700
 - Program to fund 3 months of wages backdated to March 15
 - Maximum subsidy of \$847 per week, which works out to approximately \$10K per employee over 3 months
- Due to the increased amount, it is likely businesses will need to apply for the subsidy and wait for a cheque from the government; can no longer be withheld from payroll remittance
- The qualification for a 30% decline in revenue will need more clarity:
 - Seasonality
 - Month to month or year over year?
 - What happens with companies who receive lumpy purchase orders from retailers?
 - Do new customer engagements that were cancelled count?

Questions

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