

Managing Cash During Crisis by Thibaut Paillard POLARIS CFO ADVISORY

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Context

A business crisis is never isolated. It unfolds simultaneously across multiple fronts: staff safety and communication, client relationships, supplier chains, operational continuity, and financial exposure. This presentation focused specifically on the financial and cash dimension - the one that ultimately determines whether a company survives a crisis or does not.

The reason is simple: every other dimension of crisis management — staff, clients, suppliers, operations — eventually translates into a cash impact. Managing cash during a crisis is not a finance function. It is a leadership function.

The Balance Sheet - Where Cash Lives

Before acting on cash, a shared map is necessary. Cash does not disappear — it moves. It gets trapped in assets and can be freed from liabilities. Understanding this mechanism is the prerequisite for any meaningful cash management action.

On the asset side of the balance sheet, cash is absorbed by inventories, and receivables. These are the two pools where liquidity gets locked up during normal operations — and where it can be unlocked under pressure. On the liability and equity side, the structure of debt, supplier payables, and tax obligations determines how much breathing room a company has.

The accounting identity - $Assets = Liabilities + Equity$ - is not just a technical rule. It is a diagnostic tool. Every unit of cash that is missing from the bank account is sitting somewhere else on this balance sheet. The job of a CFO in a crisis is to find it and move it.

The Five Cash Management Levers

Cash management during a crisis operates through five levers. Each lever corresponds to a specific part of the balance sheet and requires a specific set of actions. The order matters: the first two levers - receivables and payables - are operational and can be activated immediately. The others require more preparation but can unlock significant liquidity.

Lever 1 - Receivables & Inventories

The most common misconception in SMEs is treating booked revenue as available cash. It is not. A sale is only cash once it is collected. Revenue recognized on the P&L and cash in the bank are two different things, and the gap between them - the outstanding receivables balance - is often the first place to look in a crisis.

The practical approach is disciplined and sequential. Communication comes first: clients expect to hear from their suppliers during a crisis, and silence is interpreted as instability. A structured follow-up process - at day one, day seven, and day fourteen after the due date - is more effective than

sporadic chasing. If necessary, offering a modest early payment discount of 3% to 5%+ accelerates collection without destroying the relationship. Bank factoring and private factoring exist as options but are less easy to put into practice if not experienced before with your bank.

The same logic applies to inventories. In a cash crisis, stock sitting in a warehouse is cash that is not liquid. Live tracking of valuation and rotation is not optional - it is a daily management tool. The CEO should know the ageing receivables balance and the inventory position by heart.

Ageing receivables and inventory listings must be available at any time and sometime dropping few % of margin is a necessary arbitration to get immediate payment.

Lever 2 - Suppliers & Payables

The mirror image of receivables is payable. When a company pays its suppliers on time or early while its own clients pay late, it creates what can be called a cash scissors effect: the company is financing both sides of its working capital simultaneously. Days Payable Outstanding - the average time taken to pay suppliers - is free financing that most SMEs leave entirely unused.

The action is the same as on the receivables side: communicate early. Contacting suppliers before they chase overdue invoices signals control rather than distress. Most suppliers, when approached directly and honestly, will agree to extended payment terms of thirty, sixty, or ninety days. Staggering payments - settling critical suppliers first and deferring more flexible ones - is a practical tool that requires active management of the ageing payables schedule. Reverse factoring and structured supplier finance programs exist for companies with the right banking relationships, but again, direct negotiation is almost always preferable, particularly for companies without prior experience of these instruments.

The relationship dimension matters more here than anywhere else. A supplier who trusts the company will accommodate a request for extended terms. One who has been ignored or paid erratically will not.

Ageing payable listing must be available at any time, extending payment terms is available to those who have maintained supplier relationships and sometime dropping few % of margin is a necessary arbitration to delay payment.

Lever 3 - P&L and Cost Control

When revenue slows or stops, fixed costs continue. That asymmetry is the core problem of any cash crisis. In Dubai specifically, the fixed cost structure of most businesses is particularly rigid: rent, visas, and payroll do not flex easily, and the regulatory framework around headcount decisions - notably MOHRE and WPS requirements - adds constraints that must be understood before any action is taken.

The right sequence is to cut discretionary costs first: travel, events, software subscriptions, agency retainers. These can be suspended quickly and reinstated without structural damage. Lease and service contract renegotiations come next - landlords consistently prefer a reduced rent to an empty

space, and the same logic applies to most service providers. The critical discipline is to avoid cutting costs that generate revenue: sales capacity, delivery capability, and customer success functions should be protected because removing them accelerates the revenue decline.

Two numbers must be known at all times during a crisis: break-even and runway. Break-even is the revenue level required to cover the new, reduced fixed cost base — and it must be translated into operational terms: how many units, clients, or contracts are needed. Runway is simpler: at the current rate of cash consumption, how many weeks remain? These two figures drive every other decision. Monthly reporting is too slow during a crisis; a weekly flash P&L is the minimum.

While break-even point and runway must be carefully revisited, cutting costs must be done in line with local regulations and shouldn't hamper the rebound. Well targeted extra marketing expense may have better ROI than basic cost cutting.

Lever 4 - Equity & Debt

Access to external financing in a crisis is determined almost entirely by what was done before the crisis. Companies that have established credit lines, maintained a functioning banking relationship, and prepared a financing package in advance will have options. Those that approach their bank for the first time in a moment of distress will not.

During a crisis, the most important document a company can produce is a clean, professionally presented thirteen-week cash flow forecast. This is the language banks speak. It demonstrates control, anticipation, and a clear view of the financing need. A CFO's role at this stage is to prepare that document, package it correctly, and present it proactively - not to wait until the bank asks.

On the institutional side, the Central Bank of the UAE has a resilience package backed by assets of the order of AED one trillion, covering monetary policy support, liquidity relief, and capital buffer flexibility. The structural relationship between UAE banks and SMEs is limited, the macro support package could change the equation, to be followed. Fresh cash injection usually comes from Shareholder loans for SMEs in UAE. The Emirates Development Bank facilities must be investigated as an alternative. A reference to government emergency funding circulated through unofficial channel but was not confirmed by authorities and should not be relied upon.

BPI France can support companies having French capital (doesn't need to be fully French owned) or importing large investments from France. Documentation shared by BPI available upon request.

While shareholder investment seems to still be the preferred financing path for SMEs, the resilience package granted from Central Bank could ease the banking relationship (to be followed), a robust cash forecast is needed to approach a bank. BPI France can be in support if criteria are met.

Lever 5 - Tax & VAT

Tax is the lever most frequently underestimated in a cash crisis. VAT collected from clients sits in the company's bank account, but it is not the company's money. It belongs to the Federal Tax Authority.

In a tight cash situation, this balance looks available — it is not. FTA penalties are immediate, non-negotiable, and compound the crisis rather than defer it.

The immediate action is to ring-fence VAT balances and treat payment dates as fixed outflows in the thirteen-week forecast. Checking the VAT input credit balance is also worth doing immediately: many companies have unclaimed credits that represent real recoverable cash. Free zone companies should verify their qualifying activity status with a tax expert, as this directly affects both VAT treatment and the applicable corporate tax rate.

Since June 2023, corporate tax at nine percent is a permanent feature of the UAE cost structure. Companies that are not provisioning for its monthly will face a significant year-end cash outflow on top of whatever operational pressure they are managing. That combination is avoidable with basic financial discipline.

Monitor closely the VAT and CT timing, claim immediately (dedicated form) any VAT credit and never assume that Free Zone = Tax exemption.

About Thibaut Paillard & Polaris Advisory

Polaris Advisory FZ-LLC is a Dubai-based fractional CFO firm. The model is straightforward: senior CFO expertise, available on demand, without the cost or constraints of a full-time job. It is structured for companies — SMEs and MNCs alike — that need high-level financial leadership at a specific moment, whether that is a period of growth, stress, transaction, or restructuring.

Thibaut Paillard's career spans four distinct environments. At PwC, he built his technical foundation in audit and M&A advisory. At CGG, a group listed on both Euronext Paris and NYSE, he operated in senior finance roles across complex international structures, including M&A and Chapter 11 restructuring experience. Discretion on information disclosed is in his D&A. At NEOM, he served as Finance Director for NEOM Tech & Digital. Polaris Advisory was founded after five years in Dubai, with the explicit aim of making that level of expertise accessible to companies that would not typically have it in-house.

How Polaris CFO Advisory Can Help

Polaris engagements can be structured around five concrete deliverables. The starting point is a forty-eight-hour cash diagnostic: a rapid assessment of the current cash position, early warning signals, and immediate risks. This is not an audit — it is a practitioner's read of the situation, delivered fast enough to be actionable.

From there, a thirteen-week rolling cash flow forecast is built and maintained weekly without exception. This becomes the operational instrument for managing the crisis and the primary document for any bank or investor conversation. Alongside it, Polaris actively manages working capital — receivables, payables, and inventory — not as a reporting exercise but as a hands-on optimisation process. A fixed cost review and break-even assessment provides the analytical foundation for any cost reduction decisions. Finally, Polaris represents the company in its

interactions with banks and investors, speaking their language directly so the founder or CEO does not have to navigate those conversations alone.

How to Work Together

The engagement process is deliberately simple. It begins with a thirty-minute conversation — no questionnaire, no pitch, no discovery form. A direct discussion about the company's actual situation. Within forty-eight hours, Polaris provides a clear read on the cash challenges and an honest recommendation — including, if relevant, the assessment that no engagement is needed.

If there is a fit, the engagement is structured around the specific needs of the company: short-term or long-term, fractional or full-time, narrow or broad in scope. There is no pre-set catalogue. The structure follows the problem, not the other way around.

“Cash doesn't lie. Let's talk about yours.”

Thibaut Paillard

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