Recession-Ready

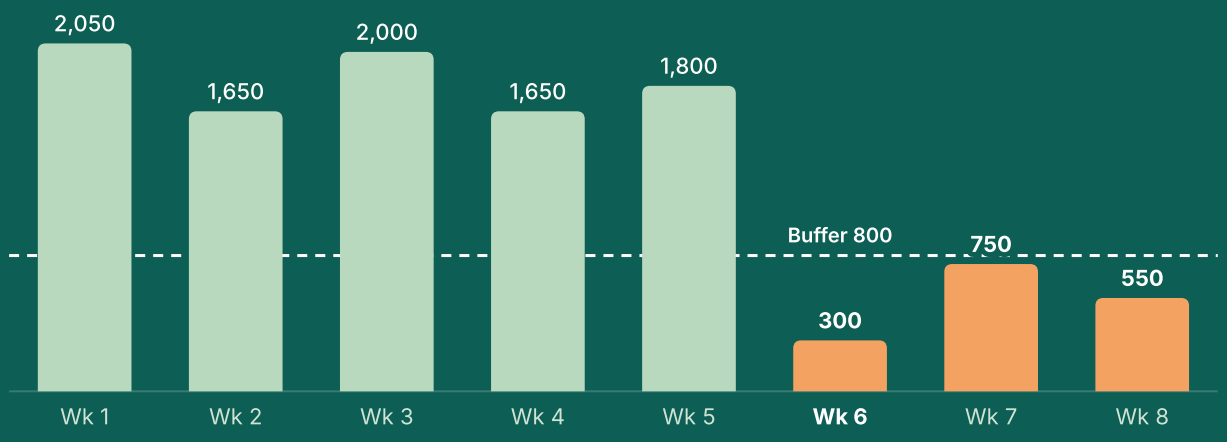
The Mid-Market Survival Playbook

In which week would your business run out of headroom?

Rates have risen five times in 2026, administrations are climbing and customers are paying more slowly. The businesses that come through a downturn are the ones that know their numbers early and act while lenders, suppliers and customers can still say yes.

For this business, the answer is week 6

Total headroom by week, A$'000. Hypothetical example.



A payroll run, the quarterly BAS and a large supplier payment fall in the same week, and headroom drops below the two-week payroll buffer. A monthly profit and loss can still show a profit in the month this happens.

WHAT WE SEE FIRST

Five things that matter when cash gets tight

01

Options shrink as cash tightens.

With headroom, you can renegotiate, refinance or restructure on your terms. Wait until cash is critical and the same moves happen under pressure, on worse terms, and sometimes not at all.

02

Working capital release buys time.

Released cash is largely a one-off, and if the business is losing money it will be consumed. A lender will want to know what you are using the time to fix.

03

An out-of-cycle information request is a signal.

When the bank asks for a cash flow forecast, aged debtors or the ATO position outside the annual review, someone in credit usually has a question they have not yet put to you. Answer it fully and quickly, and ask what prompted it.

04

Refinancing won't fix serviceability.

If operating cash flow can't service the current debt, a new lender at a higher price makes it worse. Fix the earnings or resize the debt first.

05

Know every personal guarantee you have signed.

Bank facilities, leases and trade credit applications often carry director guarantees, and many are backed by the family home. Most owners can't list them all. Find out while there is time to act.



FROM THE OTHER SIDE OF THE TABLE

I spent most of my career acting for secured lenders, including running a bank workout portfolio. I sat in the credit meetings where borrowers' files were discussed. The decisions in those rooms were rarely about whether a business was perfect. They were about whether we trusted the numbers, whether we trusted management, and whether there was a realistic path to getting repaid. Borrowers who understood that had far more room to move than those who did not.

Brendan Richards
Founder & Senior Advisor

YOUR FIRST PRACTICAL STOP

Start here: assess your exposure

Three red flags that override every score

If any of these applies, act this week and get independent financial and legal advice.

1. **Forecast funding shortfall.** Your 13-week forecast or 12-month projection shows a funding shortfall, or headroom below your agreed buffer, in the base case or the downside case.

2. **Obligations not being met as they fall due.** The business cannot pay, or is not paying, its debts as and when they fall due (for example wages, tax, super, rent or key suppliers), or is paying some creditors late in order to pay others. Whether a company is insolvent is a legal and financial question: get legal advice immediately.

3. **Serious lender action.** A notice of default or event of default, a reservation of rights letter following a breach, a demand for repayment, a request to refinance elsewhere within a set period, or any step towards enforcement.

Early warning checklist: 5 of 19

Tick what applies now or in the last three months. One critical tick means act this month.

- [ ] Overdraft or working capital facility regularly near its limit CRITICAL
- [ ] Payment runs being delayed or split to manage cash CRITICAL
- [ ] Cash position known only from the bank balance, not a forecast
- [ ] Debtor days rising for two or more months in a row
- [ ] Any single customer above 20% of revenue

Continued in the full guide: the other 14 signals, the reading bands and the complete Recession-Readiness Assessment (15 statements, scored out of 30).

Monday morning decision guide

IF	THEN
You have no weekly forecast, or downside headroom is unknown	Build or refresh the base and downside 13-week forecast.
Debtors are slowing, stock is building or supplier terms are tightening	Review working capital levers.
Tax or super is late, an ATO arrangement is in place or an ATO letter arrives	Involve your registered tax agent and read the ATO and directors chapters in the full guide.
Covenant headroom is thin, the lender is asking questions or a facility is maturing	Prepare for the lender conversation.

CASH AND WORKING CAPITAL

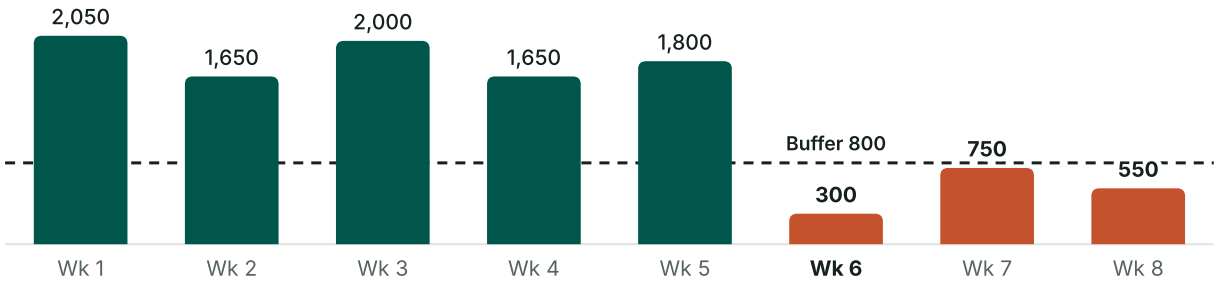
The 13-week cash flow forecast

If your board or lender asks for one document that shows whether you can trade through the next quarter, make it a 13-week cash flow forecast. Lenders, the ATO and boards trust it because it is built on cash.

Thirteen weeks is long enough to see a quarter of BAS, payroll and rent cycles, and short enough to forecast with real accuracy. Flag any week where headroom falls below an agreed buffer (for example two weeks of payroll). Then run a downside: collections two weeks slower, sales down 10 to 15%.

Headroom falls through the buffer in week 6

Total headroom by week, A$'000. Hypothetical example; buffer is two weeks of payroll.



A$'000	Wk 1	Wk 2	Wk 3	Wk 4	Wk 5	Wk 6	Wk 7	Wk 8
Opening cash	900	1,050	650	1,000	650	800	(700)	(250)
Net cash flow	150	(400)	350	(350)	150	(1,500)	450	(200)
Closing cash	1,050	650	1,000	650	800	(700)	(250)	(450)
Total headroom	**2,050**	**1,650**	**2,000**	**1,650**	**1,800**	**300**	**750**	**550**
Headroom above buffer	**1,250**	**850**	**1,200**	**850**	**1,000**	**(500)**	**(50)**	**(250)**

In week 6 a payroll run, the quarterly BAS and a large supplier payment fall together. A monthly profit and loss can still show a profit in the month this shortfall appears. Illustrative only: figures are rounded and hypothetical. The full receipts and payments detail and a fillable 13-week template are in the complete playbook.

Working capital levers

When revenue softens, many mid-market businesses still have cash sitting in debtors, stock and supplier terms. You can release it this month without raising new debt, if you act deliberately. Review the debtor ledger weekly, chase the top ten personally, invoice on time, and watch concentration.

The ATO is an expensive lender

General interest charge continues to accrue on unpaid tax. GIC and shortfall interest charge are no longer tax deductible for income years starting on or after 1 July 2025. Build that cost into any payment plan, and compare it honestly with other sources of funding.

THE TWO CONVERSATIONS THAT MATTER MOST

Your lender

Your bank wants to be repaid. A business that keeps trading is usually the cheapest way for that to happen, which is why most lenders would rather work with you than enforce. What changes a lender's attitude fastest is surprise: finding out about a problem from someone other than you, or later than they should have.

> **The bank should never learn about your problem from anyone but you.**

When headroom is shrinking, go before the test date with three things: what has happened, what you are doing, and exactly what you need. "Some flexibility" gets a cautious answer. "A covenant reset to 1.5 times for the next two test dates, while we release A$1.2 million from working capital" gets a decision.

Continued in the full guide: how a file moves inside a bank; what credit reads into behaviour; what a workout team wants; the independent business review; an interest-cover covenant worked example; refinancing notes.

Your own position

For most owners of mid-market businesses, the company's debt is also personal. Directors commonly guarantee the company's bank facilities, equipment finance and leases, and the guarantee is often supported by a mortgage over the family home.

A lender holds a guarantee first for recovery. Many guarantees allow a demand as soon as the company defaults, without first enforcing against the company. Don't assume you will have time after that. Decisions made while the company is still trading, about cash, timing and who gets paid, affect the eventual exposure directly. Guarantees can also be negotiated: releases, caps and settlements can form part of a restructure.

Put every guarantee and security in a single schedule with amounts and counterparties, including leases and supplier credit applications. Your lawyer will need it, and so will any adviser negotiating with your lenders.

Continued in the full guide: what not to do; looking after yourself; the board question on guarantees and independent advice.

Next step

Message me on LinkedIn, or email brendan@reboundadvisory.com.au, and I'll send you the full *Recession-Ready* playbook and the 13-week Excel template.

You don't need to finish the checklist first. If you want the forecast and options paper built from your numbers, ask about a **Cash Pressure Review**.



Brendan Richards

Founder & Senior Advisor

Chartered Accountant with 30+ years in restructuring, including leading a bank workout portfolio.



Claire Gaffney

Senior Advisor

Strategic advisory and lender negotiations for businesses under financial pressure. Agriculture and agribusiness are a particular strength.

Rebound Advisory is a turnaround and restructuring advisory firm. You deal directly with the senior advisers who do the work.

In the full playbook

1. Why preparing now matters
The cost of waiting; the board question

2. Early warning signs
19-point checklist, six critical

3. The 13-week cash flow forecast
Build steps and a fillable template

4. Working capital levers
Debtors, stock, creditors; levers table

5. ATO obligations
Lodgement, personal risk, arrangements

6. Your lender
How a file moves inside a bank

7. Cost and pricing
Margin first; price and volume arithmetic

8. Protecting directors
Duties, penalty notices, safe harbour

9. Your own position
Guarantees, family, what not to do

10. Scenario planning
Three scenarios; 30-point assessment

11. AI for cash and lender reporting
Faster forecasts and reporting

12. When and how to get help
Signs it is time; Cash Pressure Review

Disclaimer. This preview contains general information only. It is not legal, tax, financial or insolvency advice and does not take into account your circumstances. Laws, ATO practices and lender policies change. Before acting, get advice from appropriately qualified professionals, including a lawyer on directors' duties, safe harbour or personal liability, and a registered tax agent on ATO matters. The early warning checklist and readiness assessment are self-assessment tools. They do not assess solvency or financial viability. Worked examples are illustrative only: they use hypothetical figures and are not case studies or forecasts.