NICHE-SEARCH

WORKSHEET 5 OF 9

Debt-Structure Scenario Model — Restructuring Options

Use when existing credit facilities are under stress or a facility renewal is at risk. Map three restructuring scenarios before entering any bank negotiation.

Complementary worksheet for
Cash Flow Management Essentials
by Ibrahim Anwar

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SECTION 1

What This Is For

An operator entering a bank restructuring conversation without a pre-built scenario model is negotiating blind. The bank's credit officer has already run the numbers before the meeting starts. The operator who arrives with three pre-calculated scenarios — current structure, extend tenor, convert facility type — controls the conversation in a way that an operator arriving with a request and a general sense of difficulty cannot.

This worksheet builds those three scenarios in one sitting, before any bank meeting. Each scenario produces one critical figure: the monthly operating cash flow required to make it feasible. That figure is then compared to the actual 12-week average operating cash flow. The gap between what a scenario requires and what the business actually generates tells the operator which scenario is worth proposing — not which one sounds most favorable in a meeting room.

SECTION 2

Benefits

What you get when you actually run this worksheet on a real situation:

- Produces a concrete monthly OCF requirement for each scenario, removing the ambiguity from restructuring conversations.
- Quantifies the cost of refinancing risk — the interest difference between a rolling KMK and a term loan over the remaining need horizon.
- Identifies which scenario requires the smallest gap between required and actual operating cash flow — the one most likely to be accepted by both bank and business.
- Prevents the most common restructuring mistake: proposing a scenario that sounds manageable but requires operating cash flow the business has not consistently generated.
- Creates a documented negotiation position the operator can reference during the meeting, preventing concessions made under pressure from undocumented assumptions.

SECTION 3

Framework To Use

— Three-Scenario Feasibility Stack

Map each restructuring option against actual operating cash flow capacity — and identify the floor scenario before walking into the room.

Restructuring Scenario Comparison

Current Structure	**Scenario A — Extend Tenor**	**Scenario B — Convert to Term**	**Scenario C — Partial Settlement**	
Monthly installment	$ ____	$ ____	$ ____	$ ____
Tenor remaining (months)	$ ____	$ ____	$ ____	$ ____
Monthly OCF required	$ ____	$ ____	$ ____	$ ____
Gap vs actual 12-wk OCF	$ ____	$ ____	$ ____	$ ____
Feasible? (Y/N)	____	____	____	____

SECTION 4

How To Use

Follow these steps in order. Each one builds on the previous.

1. Calculate actual 12-week average operating cash flow from the bank account. This is the benchmark all scenarios are compared against. Write it at the top of the worksheet.
2. Fill in the Current Structure row: total outstanding debt, current monthly installment, remaining tenor in months, current interest rate, and implied monthly OCF required (installment plus payroll buffer plus minimum working capital reserve).
3. Fill in Scenario A — Extend Tenor: recalculate the monthly installment if the tenor were extended by 12 months. Many lenders will agree to this if the business's fundamentals remain sound. The installment drops; the total interest paid increases.
4. Fill in Scenario B — Convert KMK to Term Loan: if the business is carrying revolving working capital credit (KMK), calculate what a fixed-tenor term loan on the same principal would require monthly. This eliminates semi-annual refinancing risk at the cost of a slightly higher monthly payment and a defined end date.
5. Fill in Scenario C — Partial Settlement plus Restructure: if the business can deploy a portion of available resources to reduce the principal, calculate the new monthly installment on the reduced balance. This scenario may require drawing on a credit facility or negotiating an asset sale.
6. For each feasible scenario, calculate the gap between the required monthly OCF and the actual 12-week average. The scenario with the smallest positive gap is the one to propose first.
7. Calculate the interest cost difference between the current structure and Scenario B over the remaining need horizon. This is the price of eliminating refinancing risk. Decide whether it is worth paying before entering the meeting.

SECTION 5

Example Use

A contract cleaning services business with $72,000 in average monthly revenue is facing a KMK renewal at a time when the bank has flagged a request for additional documentation due to sector-wide credit tightening. The owner wants to prepare three scenarios before the renewal meeting next week.

The owner's 12-week average operating cash flow is $9,400 per month. The current KMK balance is $85,000, renewed semi-annually at 11% annual interest, implying approximately $940 per month in interest-only payments during the revolving period, with principal renewable at the bank's discretion.

Scenario A — extend tenor 12 months: converting the $85,000 to a 12-month term loan at 11% annual rate produces monthly payments of approximately $7,500 per month (principal plus interest). Monthly OCF required: $7,500 installment plus $8,200 payroll plus $1,800 minimum working capital = $17,500. Gap vs actual OCF: $17,500 − $9,400 = $8,100. Not feasible at current revenue level.

Scenario B — extend tenor 24 months: monthly installment drops to approximately $3,950. Monthly OCF required: $3,950 plus $8,200 plus $1,800 = $13,950. Gap: $13,950 − $9,400 = $4,550. Still a gap, but half the size of Scenario A.

Scenario C — partial settlement of $25,000 (drawn from a personal loan), balance $60,000 on 18-month term loan: monthly installment approximately $3,650. Monthly OCF required: $3,650 plus $8,200 plus $1,800 = $13,650. Gap: $4,250. Narrower than B, but requires the personal loan.

The owner enters the bank meeting with Scenario B as the opening position and Scenario C available as the counter-proposal. The key number is the gap figure — not an abstract request for relief, but a specific calculation showing what OCF level each scenario requires and where the business currently sits. The credit officer has a concrete basis to evaluate, rather than a subjective description of difficulty.

SECTION 6

The Worksheet

Tear this out, copy it onto a fresh sheet, or fill it in directly.

Debt-Structure Scenario Model — Restructuring Options

Use when existing credit facilities are under stress or a facility renewal is at risk. Map three restructuring scenarios before entering any bank negotiation.

SCENARIO	TOTAL DEBT ($)	MONTHLY INSTALLMENT ($)	TENOR (MONTHS)	MONTHLY RATE	OCF REQUIRED TO COVER	FEASIBLE? (Y/N)
Current structure						
Scenario A — extend tenor 12 months						
Scenario B — convert KMK to term loan						
Scenario C — partial settlement + restructure balance						

Reflection Prompts

After filling in the worksheet on the previous page, work through these.

1. For each feasible scenario: what is the monthly operating cash flow required to cover debt service, leave a payroll buffer, and sustain minimum working capital? Compare this to your actual 12-week average. The scenario requiring the smallest positive gap is the one to propose first — not the one with the lowest total interest, not the one with the longest runway.

2. Calculate the interest difference between Scenario B (term loan, defined end date) and the current rolling KMK over the remaining need horizon. That number is the price of eliminating semi-annual refinancing risk. Decide before the meeting whether it is worth paying — and if it is, say so explicitly to the bank.

SECTION 7

Tips and Traps

TIPS

- Bring the printed worksheet to the bank meeting. A credit officer who sees a pre-calculated three-scenario comparison reads it as evidence of financial management discipline — which directly affects how the conversation goes.
- State the 12-week average OCF as the anchor figure early in the meeting. Everything else is compared against it. This keeps the conversation grounded in actual performance rather than projections.
- If the feasibility gap in Scenario B is less than 20% of average OCF, it may be bridgeable through a combination of accelerated collection and reduced variable expenditure. Calculate that separately before ruling out the scenario.
- Prepare the interest difference calculation for KMK-to-term-loan conversion before the meeting. Banks do not always volunteer this calculation. Having it ready shows you understand refinancing cost.
- If none of the three scenarios is feasible against actual OCF, that is the real finding — and it needs to be stated to the bank before they discover it themselves. A business that walks into a restructuring conversation with a clear-eyed 'none of these scenarios work at current revenue, here is the minimum revenue recovery needed' negotiates better than one that discovers unfeasibility during the meeting.

TRAPS

- Using sales projections rather than actual 12-week average OCF as the benchmark. Projections make every scenario look more feasible than it is.
- Treating Scenario C (partial settlement) as the first offer rather than the last resort. Deploying cash reserves to reduce principal narrows the runway. Propose it only after A and B are both ruled out.
- Ignoring the refinancing risk calculation because 'KMK has always renewed.' It renews until it does not, and when it does not, the timeline for finding alternatives collapses to weeks.
- Agreeing to Scenario A in the meeting without having run the feasibility calculation beforehand. A monthly installment that looks manageable in a meeting room may be infeasible against actual OCF figures that were not part of the conversation.
- Confusing the interest cost difference between scenarios with the affordability difference. The right comparison is monthly OCF required, not total interest paid over the life of the facility.

SECTION 8

Appendixes

Appendix A — Monthly OCF Requirement Formula

```
Monthly OCF required for any given scenario:

  Monthly debt installment          : $ __________
  Payroll (monthly)                 : $ __________
  Minimum working capital reserve   : $ __________
    (= 2 weeks of fixed operating costs)
  Total monthly OCF required        : $ __________

Gap calculation:
  Total required                   : $ __________
  Actual 12-week average OCF        : $ __________
  Gap (positive = shortfall)        : $ __________

A gap under 15% of actual OCF is potentially bridgeable through
collection acceleration and variable cost reduction.
A gap over 30% requires a revenue recovery plan as part of the
restructuring proposal.
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Appendix B — KMK vs Term Loan Interest Comparison

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Outstanding principal               : $ __________
Annual interest rate (KMK)          : _____%
Semi-annual renewal periods remaining: ______

KMK total interest (semi-annual rolls):
  Monthly interest = principal × (rate ÷ 12)
  = $ __________ per month
  × remaining months = $ __________ total interest

Term loan alternative:
  Tenor (months)                   : ______
  Monthly payment (principal + int) : $ __________
  Total interest component          : $ __________

Interest cost difference
(KMK total interest vs term loan total): $ __________

If the term loan costs MORE total interest: that difference is
the price of eliminating semi-annual refinancing risk.
Decide whether it is worth paying before the meeting.
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WHERE THIS WORKSHEET COMES FROM

Cash Flow Management Essentials

Why Profitable Businesses Still Run Out of Money

by Ibrahim Anwar

This worksheet is one of nine in the *Cash Flow Management Essentials* companion worksheet pack. The full pack is grouped into three categories: high-volume worksheets you can run weekly, niche-search worksheets for rare but high-value situations, and specific-case worksheets that walk you through a single concrete scenario.

Every framework, decision filter, and figure used in these worksheets is drawn from the chapters of the source book. The book sets the diagnosis, the worksheets give you the form to act on it.

Read the source book on Google Play Books:

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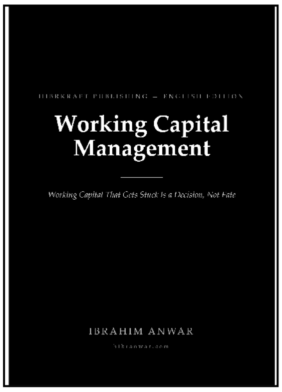

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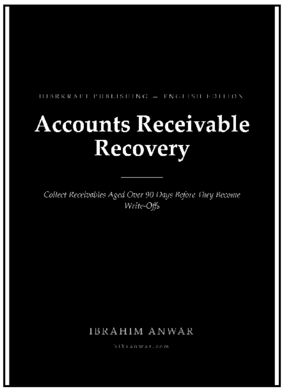

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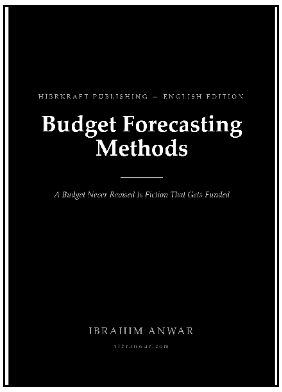

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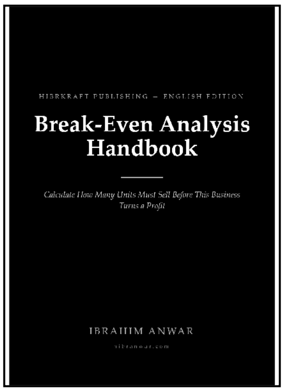

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