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COVID-19: A Finance Response

April | 2020



Webinar Organization

Format:

- Presenting Covid-19 Finance
- Q&A
- Feedback
- Recording

Timing:

- 30 minute presentation
- 15 minute Q&A

Asking & Sharing:

- ECS team presentation
- Participants: submit questions via Zoom platform

About ECS

Business leaders turn to ECS to guide them to the right path for success.

Our seasoned functional experts work alongside your team to make lasting and meaningful advancements that align with your goals. We focus on *empowering people* to become part of the change that drives a business to the next level of success.

Each client engagement is customized as we find the unique path that will guide a client to business transformation and accelerated growth.

FRESH EYES

Our Fresh Eyes review uncovers the pain points within an organization across all functional areas ...and exposes the underlying cause.

FRACTIONAL SUPPORT

Add experienced talent to key functional areas of your organization - for any amount of time you need.

CXO

Fulfill a crucial strategic role, such as CFO, COO, or CEO for a defined period of time with a top-notch expert.

Rob Williamson, Finance Partner



Rob applies his extensive international, multi-industry, and entrepreneurial finance experience to finding practical and actionable solutions for clients. A resourceful finance leader with more than two decades of experience, Rob works collaboratively with clients towards the goal of promoting sustainable growth and profitability, all while improving the financial acumen within businesses. Like everyone on the ECS team, Rob actively seeks opportunities to drive revenue and accelerate growth.

Before joining ECS, Rob was the Corporate Controller for AAA. He was the right-hand person to the CFO and led a team of 50 that was responsible for all finance, accounting, AP, treasury, and FP&A activities. Rob has extensive background in Big 4 accounting at KPMG, in finance at multiple blue chip and mid-sized companies, as well as being a partner in an artisanal coffee roasting business here in Philadelphia.

Rob earned a degree in economics at The University of Bristol and is a UK chartered accountant.

Jason Fisher, Managing Partner



Jason utilizes years of leadership, operations and change management experience with Fortune 500 companies and brings his extensive cross-functional talents to his clients. A collaborative worker, Jason will not rest until his client companies look at themselves with a fresh eye and have a clear idea of key opportunities and risks in the industry, and what to do about both.

Prior to ECS, Jason was a VP at ConvaTec (formerly a Bristol-Myers Squibb Co.) responsible for \$180MM P&L and support services across both the US and Americas markets. Prior to ConvaTec, Jason held various management positions in professional services & hospitality industries leading operations, marketing, client relations and customer service for multinational companies including Four Seasons Hotels and ARAMARK.

Jason earned a business degree from Temple University and holds certificates in leadership/critical thinking from the Wharton School Continuing Education program. He holds a Kaizen Leader certificate from BMS



Navigating through COVID-19

How do we handle the finance implications to our business?

The challenge is to think in the now, midterm and long term.

You will leave this webinar knowing the following:

- What should I be doing right now?
 - (Mid March through end of May)
- What should I be doing over the medium term
 - (June – August)
- What should I be doing throughout the balance of 2020?
 - (July – December)
- What should I do to be best positioned for the future?
 - (2021)

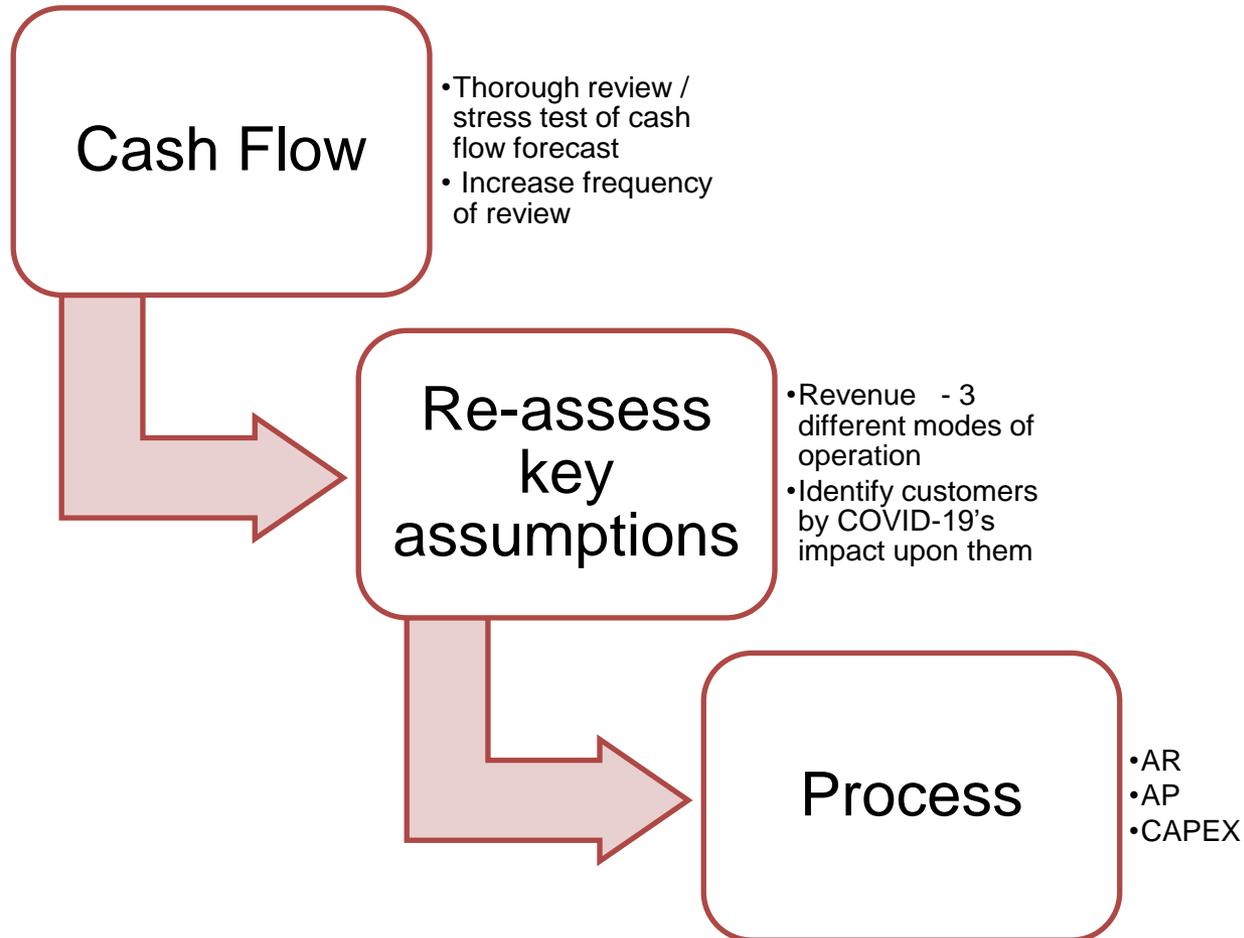
COVID-19 Impact – We are not alone



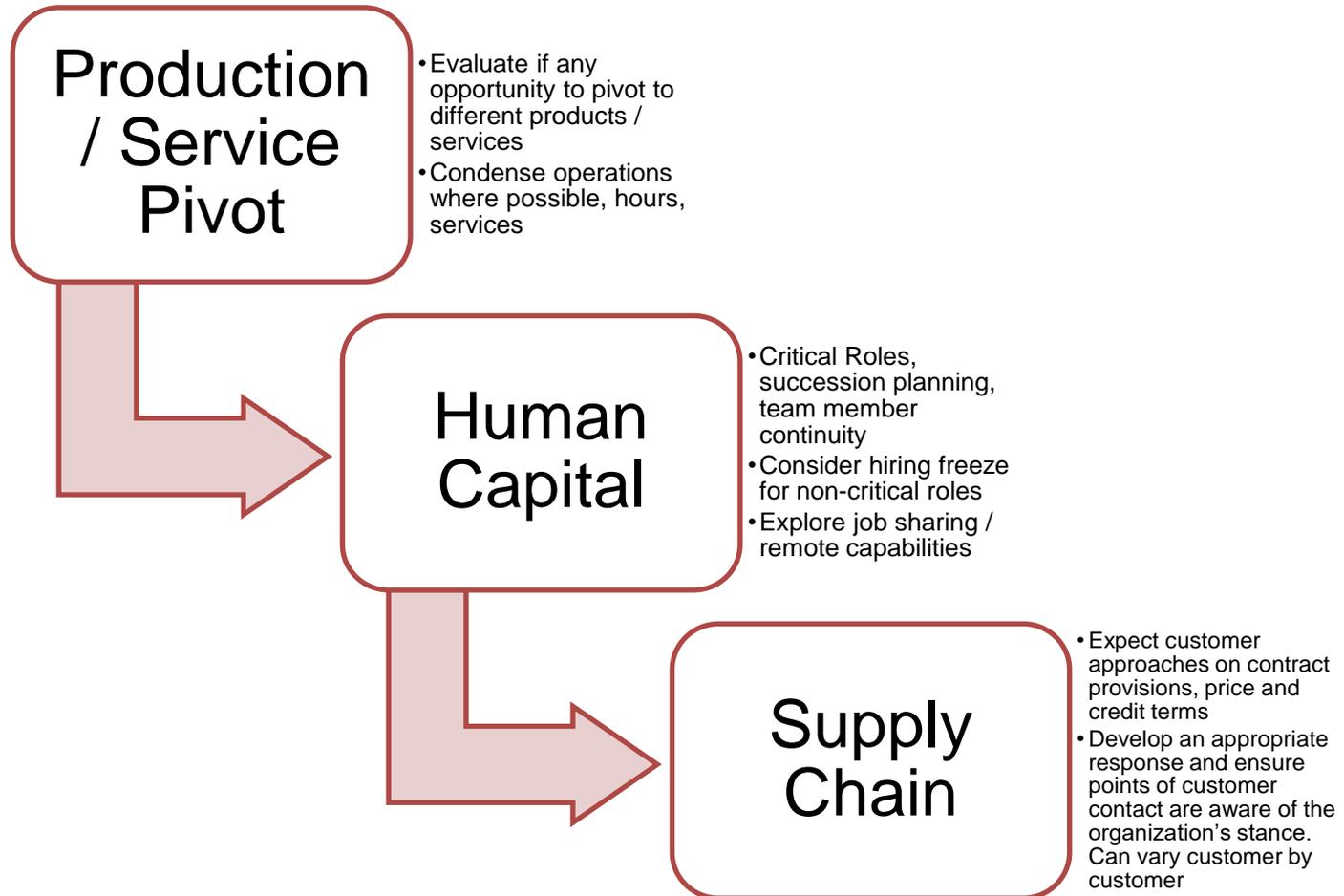
Social distancing and mandated closures are causing largest demand shock since WWII (larger than 9/11)

- All sectors being adversely impacted by pandemic.
 - Significant variability within sectors
 - Some sectors have found opportunities
- Economists have different rebound models, but too early to tell with real confidence how this plays out
- Smaller organizations expected to be more severely impacted than larger ones
- Restart costs will be too large for some businesses

What should I be doing right now?



What should I be doing right now?



What can I do in the mid-term

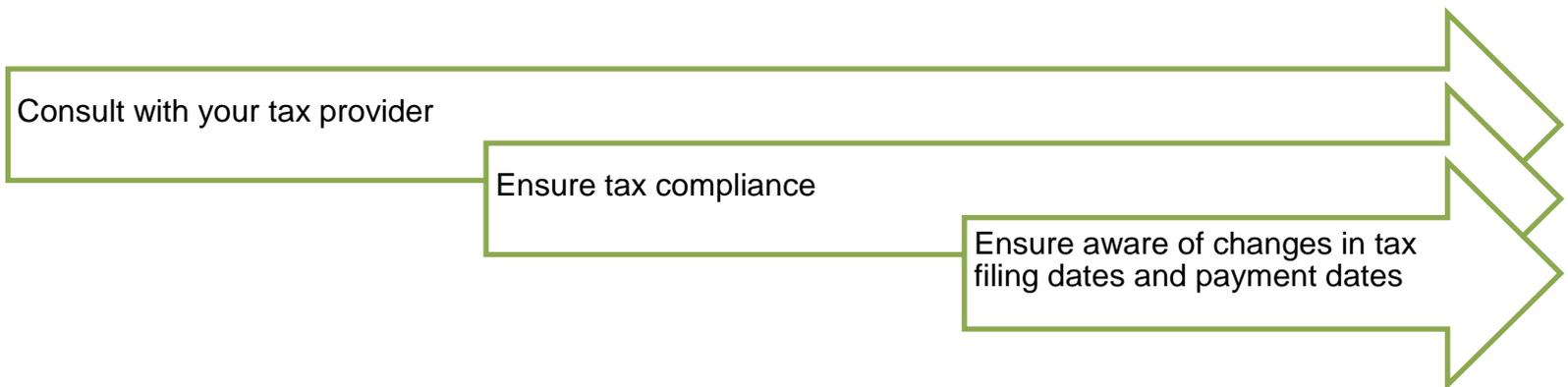
Improve transparency of cash flow in organization. Ensure key players are aware of main triggers and risk points

Consider wider distribution of cash flow reporting. Often cash flow report distribution is non-existent or limited

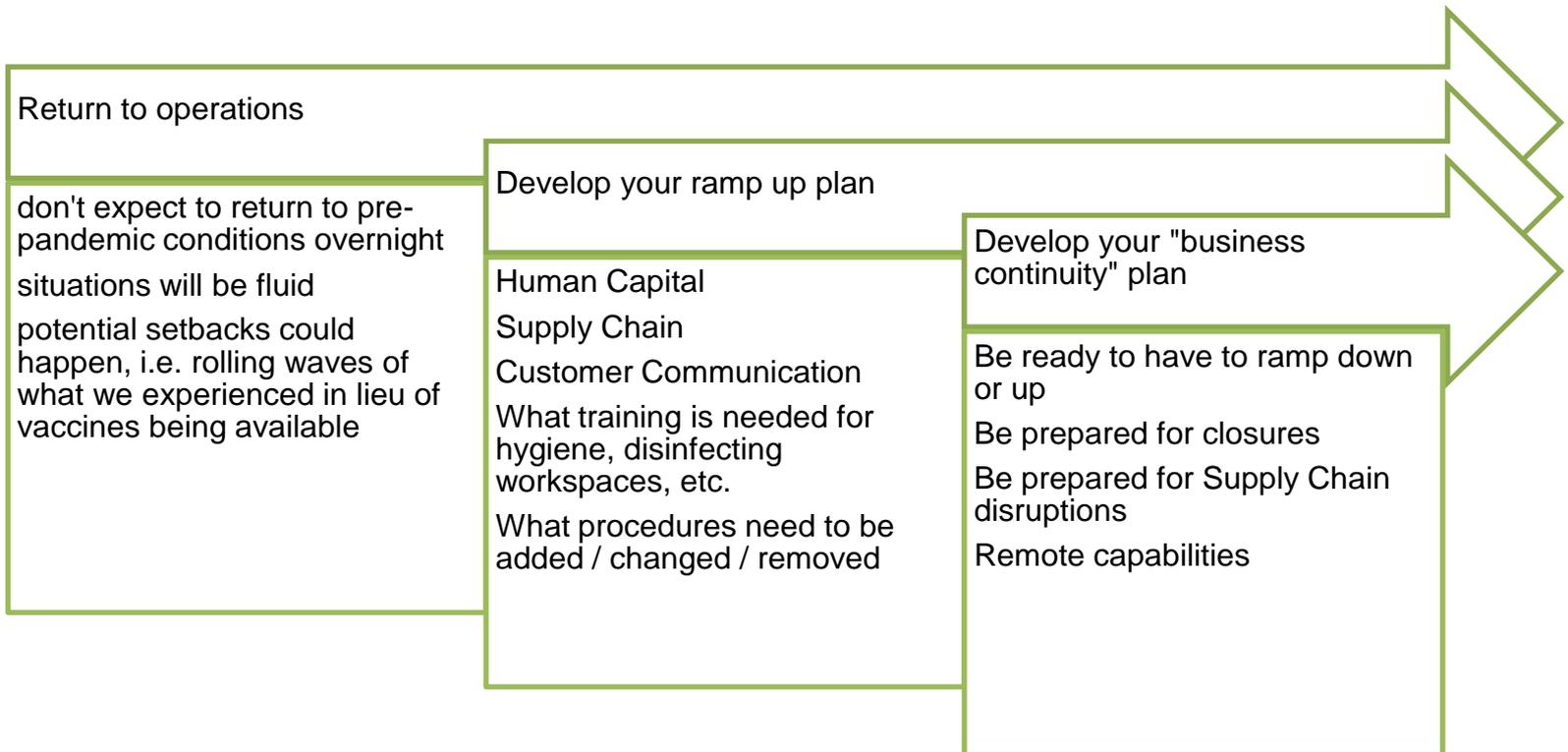
Ensure organizational culture does not see CAPEX as “free money”

Review credit terms with both suppliers and customers.

What can I do in the mid-term



What can I do in the mid-term



2020

Critical Areas



Critical Areas for the balance of 2020?



2020 Targets – Adjusting to the new

- 3 quarters to go: How to keep teams motivated?
- Need a 2020 full year forecast, under different scenarios
- May be opportunity to renegotiate 2020 targets
- Communicate early and often with ownership / leadership.
- Share projections as well as practical steps you are taking to address the situation



Banking relationships

- Credit will be tighter for some time
- Re-evaluate covenant compliance situation and projections
- Re-evaluate interest cover projections



Contracts

- Re-assess your stance on contractual terms and conditions
- Re-assess credit terms with vendors and customers, especially for new partners
- Higher value customers should ordinarily have more favorable terms, but if risk of default is high then maybe not such a high value customer

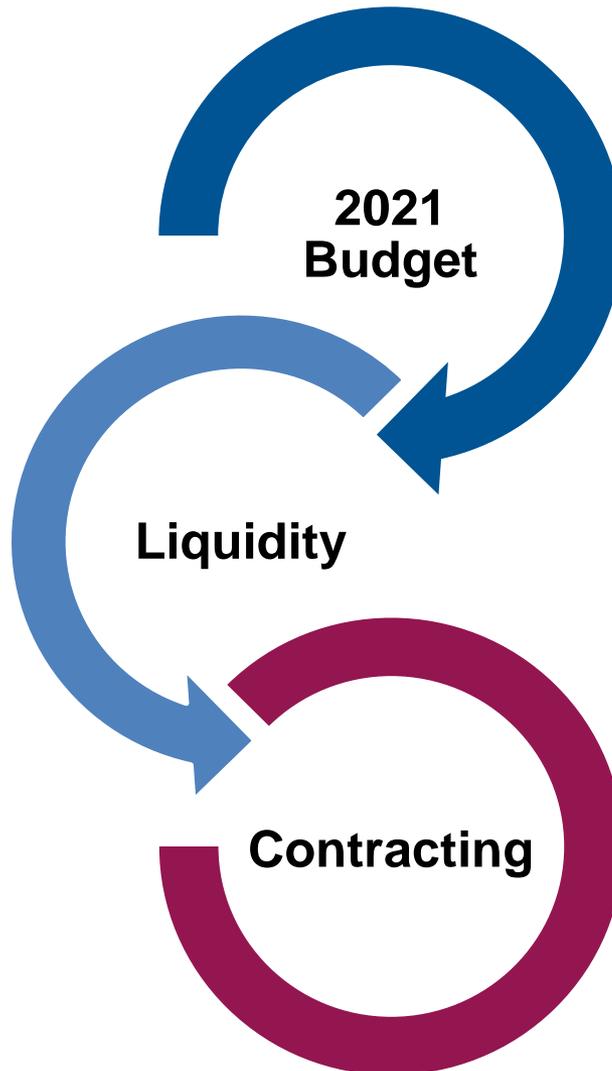
2021 and beyond

Working towards the future



What should I do to be positioned best for the future?

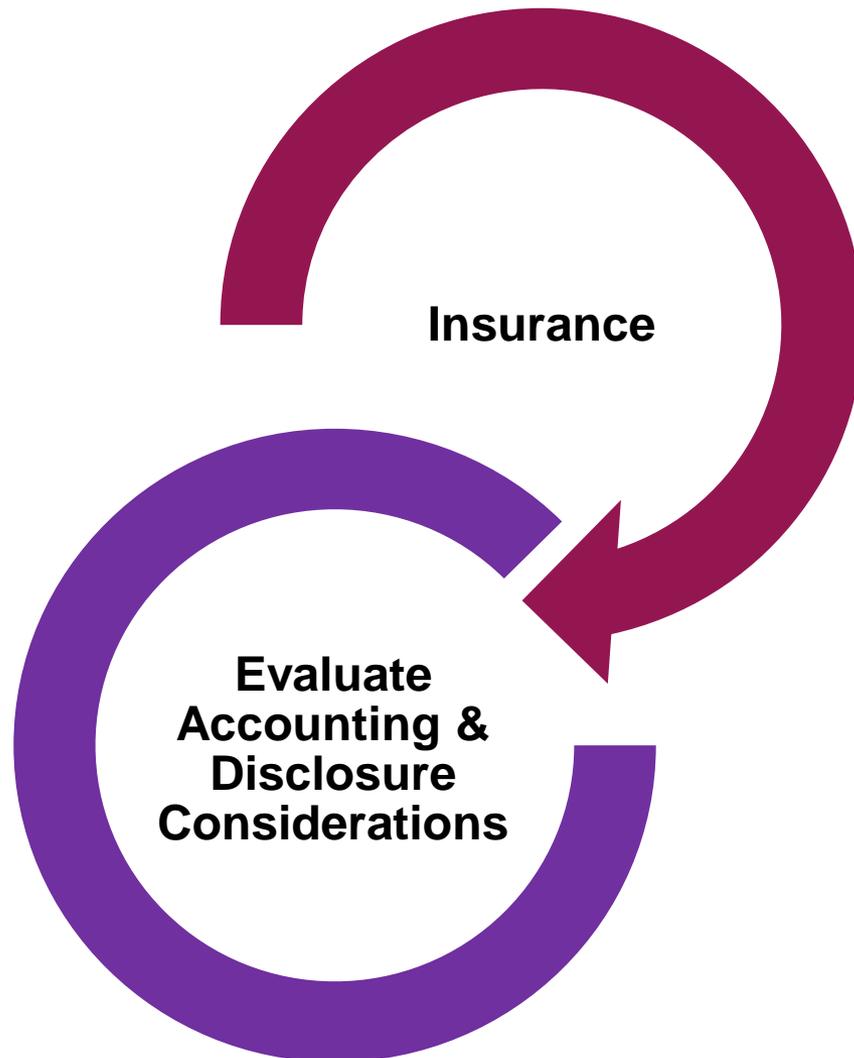
- Ensure budget more explicitly addresses cash flow.



- Leaders need to supply direction regarding critical parameters before diving into tactics
- Budgets are often constructed with prior year actuals as a base, e.g. “8&4”
- 2020 will likely be a flawed starting point for 2021 budgeting
- Consider customer diversification goals

- Evaluate stance on COVID-like situations regarding future contracts, including leases
- Existing contracts: *Force Majeure* provisions? Ensure you get appropriate legal advice.

What should I do to be positioned best for the future?



- Consider COVID implications for insurance policies
 - Insurance companies excluded communicable diseases from business interruption coverage following SARS in 2003
 - 2020's experience will generate market pressure for insurance sector to respond with coverages. Legislatures are moving to mandate coverage.
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- Asset realizability and impairment
 - Fair value measurements
 - Evaluation of going concern
 - Loss contingencies
 - Compliance with financial covenants
 - Income taxes

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Q&A Session



Contact Information

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