

BUSINESS RESILIENCY & RECESSION RESPONSE STRATEGY

A Framework

April 2020

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INTRODUCTION

Presenters



VAL LAUFENBERG
Partner,
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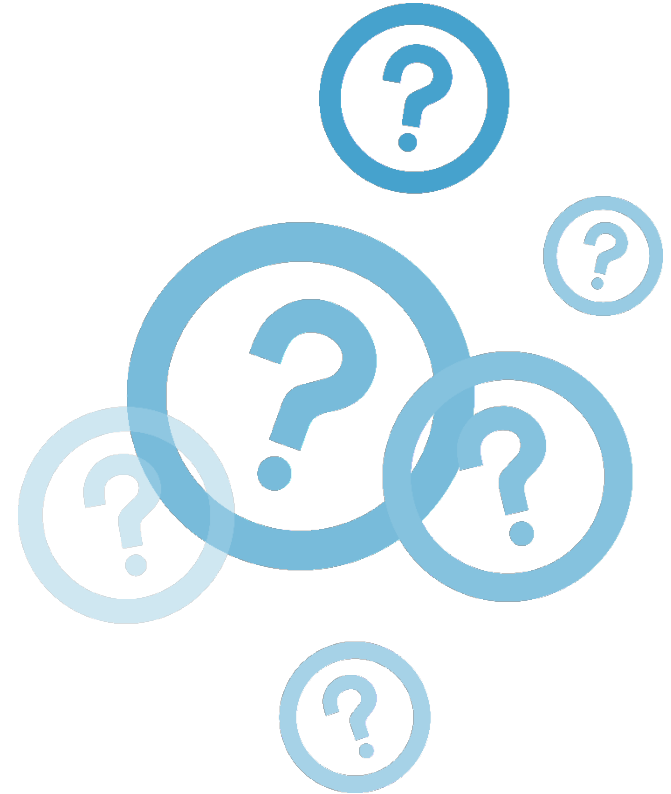
JOHN KRUPAR
Managing Director
Operational Value
Creation Services



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Managing Director,
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QUESTIONS WE WILL ANSWER TODAY

- ▶ What can we learn from COVID-19?
- ▶ What are the stages of dealing with this economic crisis?
- ▶ What should my first steps be?
- ▶ What tools are available to me as I take action?
- ▶ How can I position my business to not only survive, but thrive?



Discussion Topic - Chat Box

What revenue impact do you expect in Q2 (April - June, 2020)?

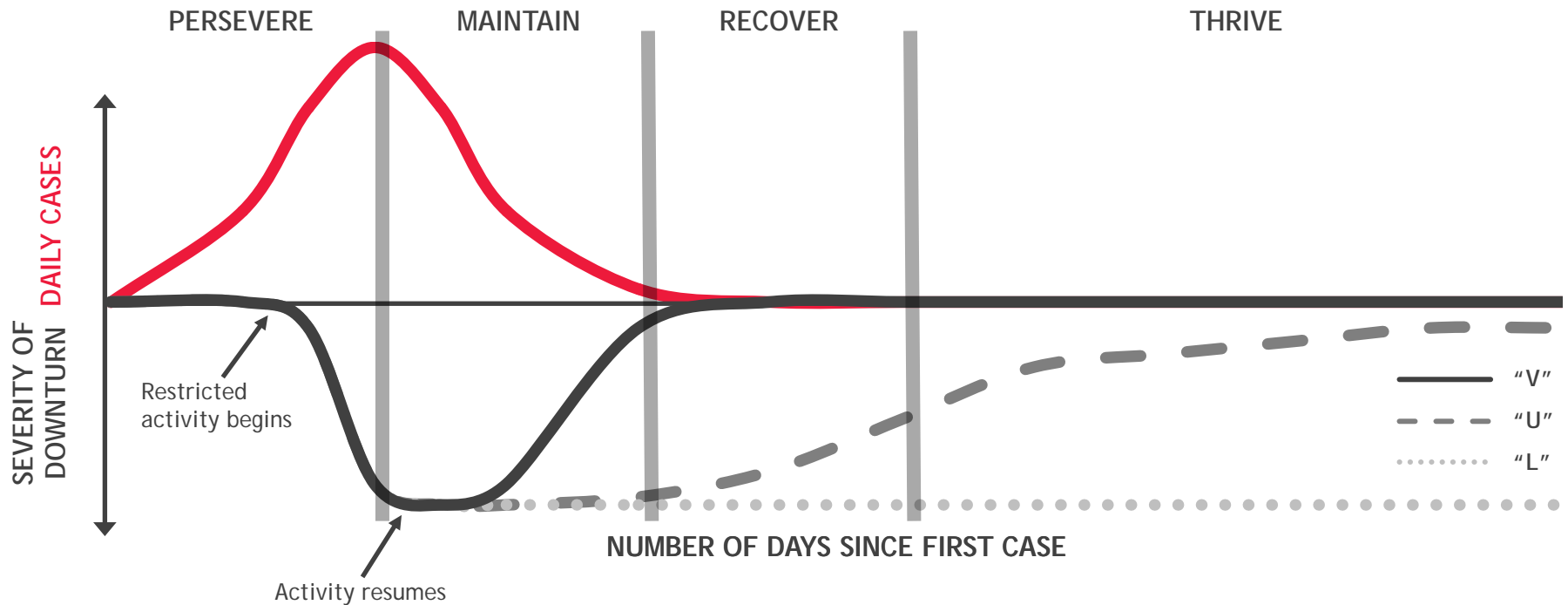
1. No change/increase
2. Decrease < 25%
3. Decrease 25-75%
4. Decrease > 75%
5. Too early to tell



SCENARIOS FOR THE ECONOMY DURING A PANDEMIC

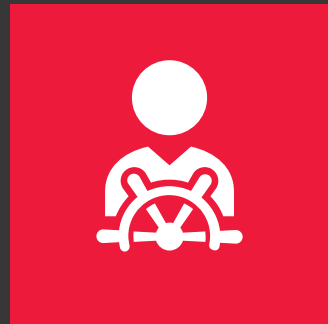
PANDEMIC/ECONOMIC DOWNTURN OVERLAY

Effects of the curve



A Solution

Four Stages of Weathering an Economic Crisis



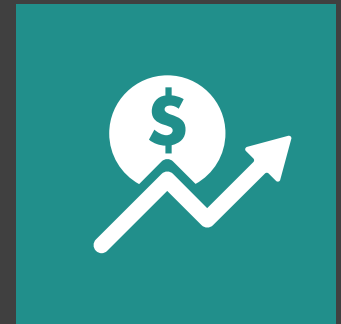
Persevere



Maintain












Recover



Thrive

A SOLUTION

A prioritized framework

	 STRATEGY	 FINANCIALS	 SUPPLY CHAIN	 EMPLOYEE	 CUSTOMER
 Thrive	Strategy Execution	Growth Financing	Resiliency Engineering	Acquisition & Retention	Customer Value
 Recover	Strategy Refresh	Financial Hardening	Supply Chain Scale-up	Strategic Hiring	Customer Acquisition
 Maintain	Recession Proofing	Cost Optimization	Simplification	Productivity & Workforce Sizing	Customer Segmentation & Retention
 Persevere	Crisis Management	Liquidity & Cash Flow	Supply Chain Continuity Planning	Employee Health & Safety	Customer Health

Discussion Topic - Chat box

What phase do you consider yourself (primarily) in?

1. Persevere
2. Maintain
3. Recover
4. Thrive

PERSEVERE

Beginning of the downturn. Immediate actions are required to ensure employees are safe and healthy, capital is adequate and suppliers and customers are closely connected with the business. Scenario planning begins by using economic and customer data.

PERSEVERE

Considerations

Managing Your Business in a Crisis

The COVID-19 crisis has upended global supply chains, dramatically reduced demand in some sectors while increasing demand beyond capacity in others, and plunged the economy into a likely recession. Businesses must take action now to weather the storm and scenario plan for the post-COVID-19 future.



Keep Employees Safe



Improve Cash Flow & Liquidity



Streamline Operations



Stabilize Business



Retain Customers



Mitigate Supply Chain Disruption



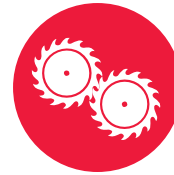
Optimize Inventories



Minimize Liabilities



Bolster Cybersecurity



Pivot Production



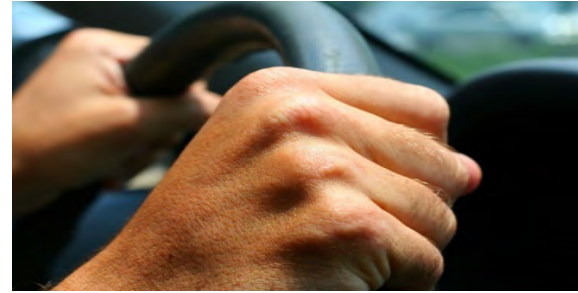
25% of businesses report a revenue decline of 1-25%

27% of businesses report a revenue decline of 26% or more.

79% of businesses have placed hiring on hold, laid-off employees or plan lay-offs.

PERSEVERE

Develop an Action Plan



Be proactive in assessing your current financial health, and develop an understanding of your future capital requirements to help ensure business continuity throughout these challenging times. Use these crucial steps now to provide the framework required to make informed decisions that create a meaningful action plan

1. Take stock of the immediate impacts

What initial impact has COVID-19 had on business revenue so far? What interruptions to the supply chain and workforce have hindered the ability to generate revenue? Is the business able to negotiate to defer the payment of rent during the crisis? Has the business needed to make emergency expenditures to continue operations? Are there any credit facilities, SBA loans or other government funds available to draw from?

2. Project the near-term cash flow needed to sustain through the downturn

Put together a realistic and detailed cash flow forecast for the next three to six months to get a full picture of what liquidity needs are likely going to be during this period. This will give leadership the necessary perspective on where to cut costs in the short term to try to minimize losses. Consider: What is the expected trajectory of COVID-19 within the business footprint? Does the business anticipate continued revenue reductions due to reduced demand or an inability to manufacture products, procure inventory or render services? How will the business respond if members of the workforce get sick?

3. Evaluate your options to ensure business continuity

Consider actions to mitigate risk in this difficult climate. Options may include:

- X Pivoting the business model to ensure revenue generation during this time (e.g., restaurants offering new delivery and take-out services, or retail stores moving to direct-to-consumer e-commerce models)
- X Reducing outflows by delaying rent payments, deferring state and federal taxes, and reducing headcount or furloughing workers
- X Reallocating resources to focus on highest margins and returns
- X Applying for loans made available through the CARES Act stimulus package
- X Reaching out to lenders to tap into revolving credit, ask for leniency or additional loans
- X Seeking applicable refunds (i.e., tax refunds, or refunds on prepaid workers comp policies)



MAINTAIN

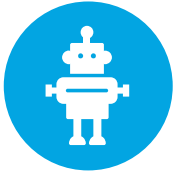
Running the business in a “new normal.” Business is under control. Employees are safe; capital structure is solid. Operations are maintained at the proper levels to meet demand.

MAINTAIN

Considerations

Running a business in the “new normal.”

The COVID-19 crisis has abated, businesses can start reopening and resume close to normal operations. Until a vaccine is ready, companies will need to keep policies in place to protect their employees’ health. Companies will also need to navigate an economy that is likely in recession, adjusting their operations accordingly to survive.



Operate More Efficiently



Optimize Costs



Identify Profitability Quick Wins



Develop Customer Segmentation Strategy



Improve Customer Value



Improve Working Capital Efficiency



Reconfigure the Supply Chain



Navigate the Return to Work



Increase Workforce Productivity & Flexibility

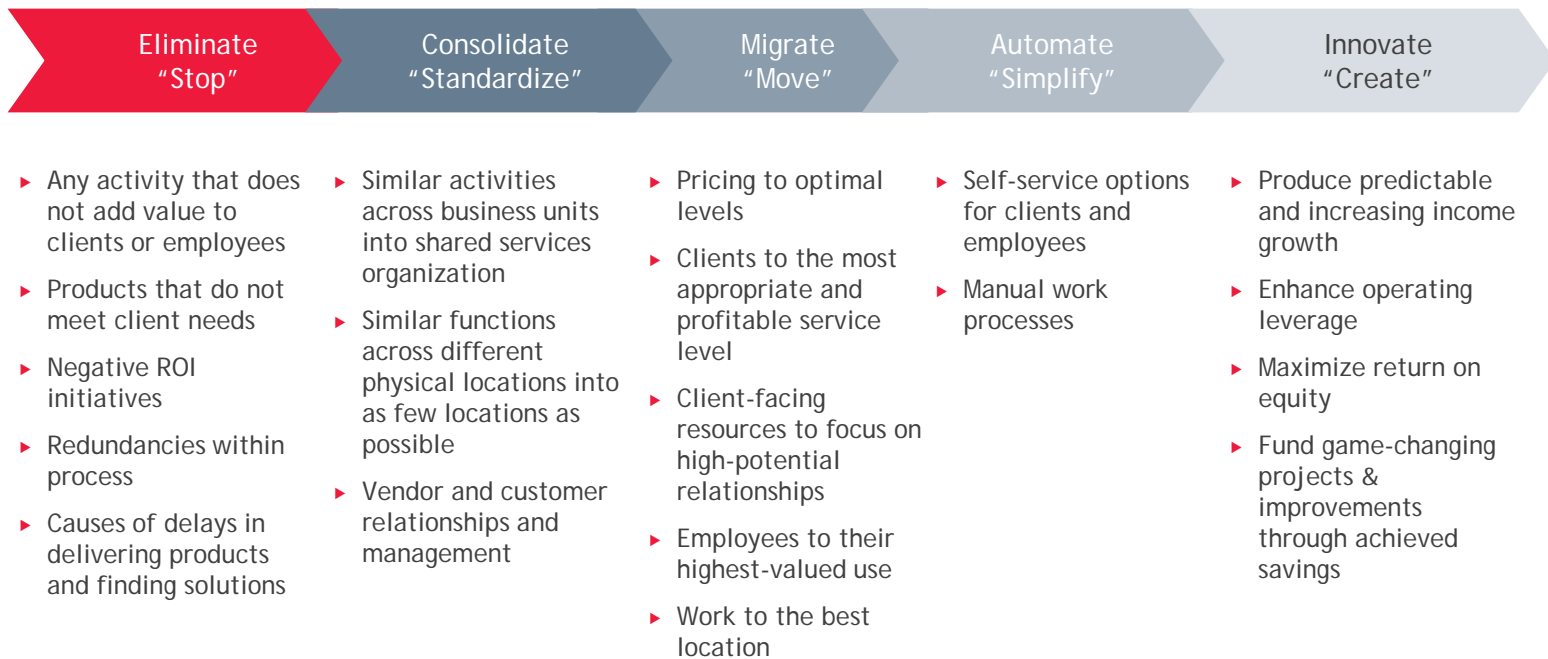


Comply with Stimulus Program Provisions



Achieving Future State Targets

After benchmarks, zero-based costing and spans and layers analysis have located available opportunities, the identified savings are best realized utilizing a sequential approach.



RECOVER

Order rates begin to increase. Operations and suppliers needs are adjusted based on increasing customer demand.

RECOVER

Considerations

Reentering growth mode

The economy starts to rebound, customer demand increases and order rates begin to rise. Companies need to adjust their operations based on increasing customer demand and can start planning for the upturn.



Evolve Enterprise Strategy



Grow Profitable Market Share



Minimize Total Tax Liability



Improve Customer Experience



Harness Customer Insight



Scale Up Production Capacity



Increase Supply Chain Agility



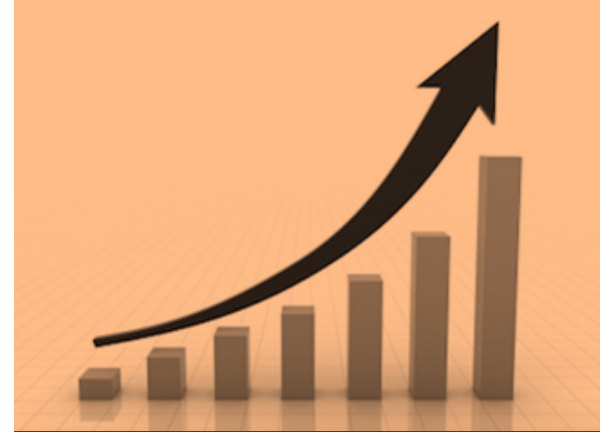
Unlock New Operational Efficiencies



Upgrade the Workforce

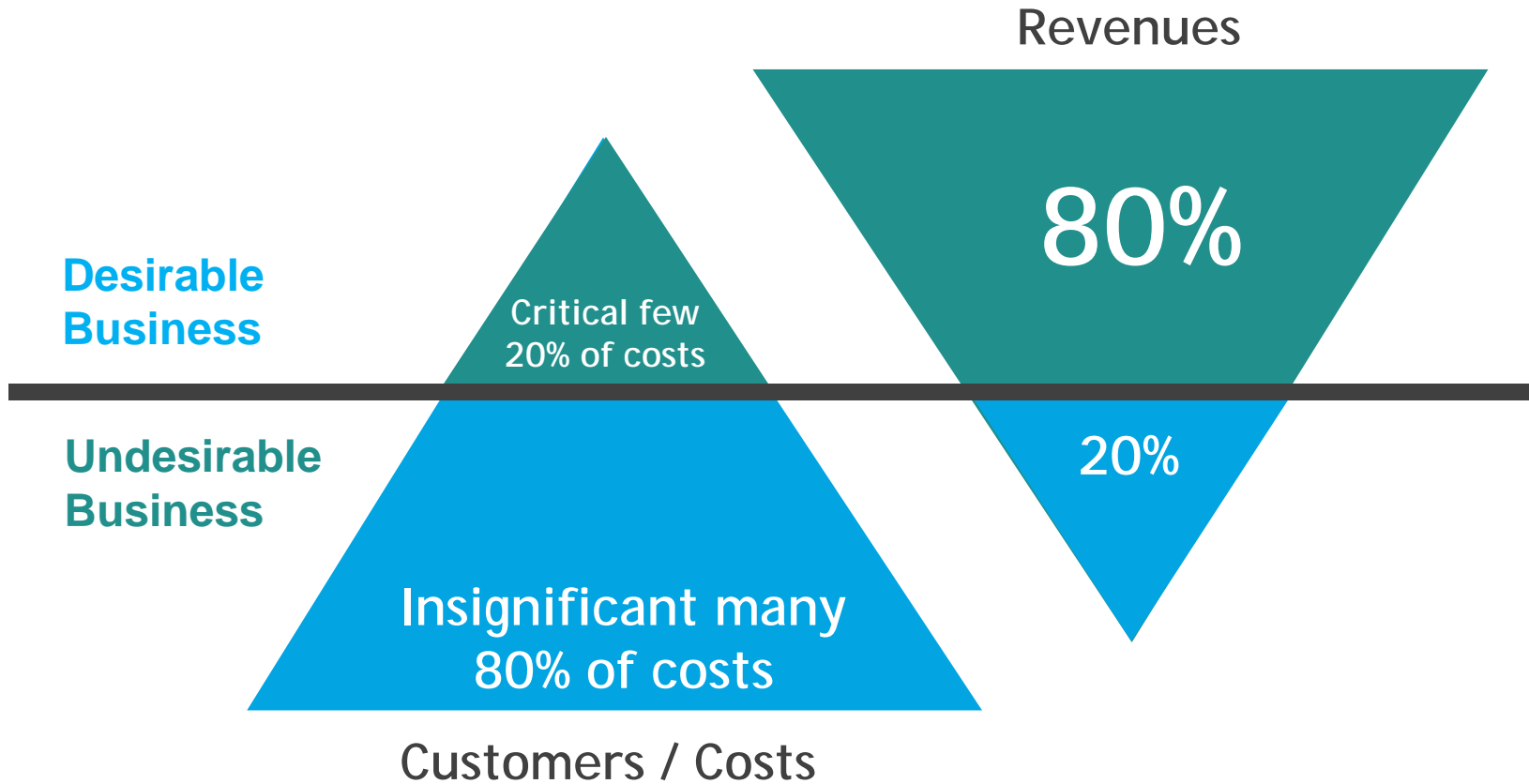


Source & Structure M&A Deals



80/20 IN BUSINESS

The 80/20 principle illustrates that a few critical things generate most the of profit for an organization.

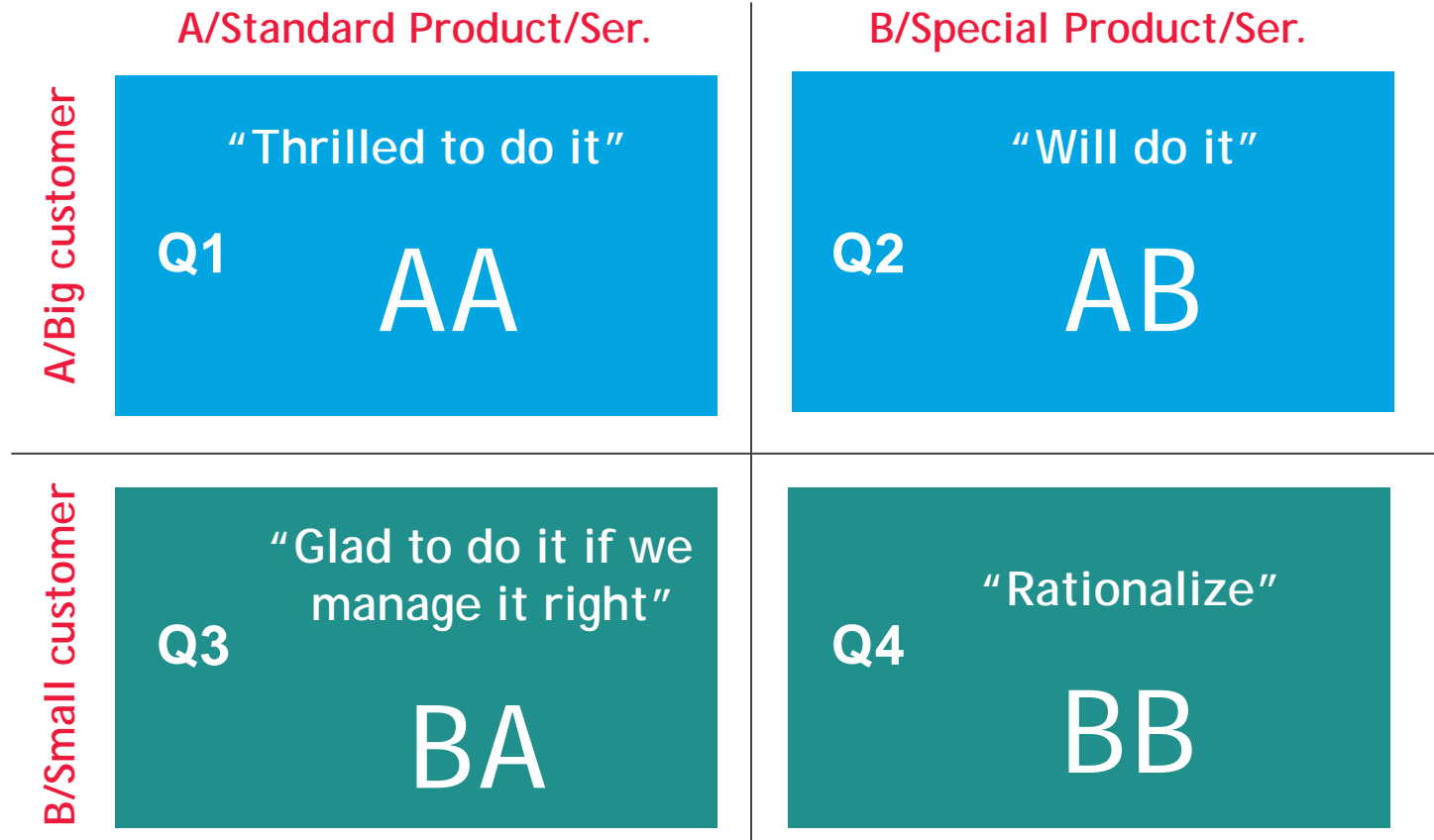


Quartile report

	Number of customers products, or jobs	Sales	Effort	Profit
Q1	250	89%	25%	+++
Q2	250	7%	25%	+
Q3	250	3%	25%	-
Q4	250	1%	25%	---

Is Quartile 1 subsidizing Quartile 4?

QUADRANT ANALYSIS





THRIVE

Business is exceeding market growth rates. Order rates continue to grow and the new norm of growth is established in the business.

THRIVE

Considerations

Thriving in the new normal

You have already set in motion the enablers that will position you to achieve long-term market advantage: greater liquidity through fiscal discipline, higher productivity and workforce flexibility to quickly scale up, and quick-win market opportunities for a competitive edge. Now, the goal is to translate these early wins into a sustainable lead over the competition and continue down the path of profitable growth.



Develop an
Industry 4.0
Strategy



Imagine
New
Products / Services



Build the
Connected
Factory



Connect the
Intelligent
Supply Chain



Create
Customer
Intimacy



Upskill
Employees



Foster a
Culture of
Innovation



Improve
Performance
Management



Monitor
Threats in
Real-Time



Secure Capital



SUMMARY OF KEY POINTS



Persevere



Maintain












Recover



Thrive

- ▶ Act swiftly - your organization is looking to you now more than ever.
- ▶ Use 4 stage framework to prioritize - cover and move.
- ▶ Take care of your "80's": family, employees and customers.
- ▶ Engage your ecosystem.

A SELF-ASSESSMENT

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 Persevere	Crisis Management	Liquidity & Cash Flow	Supply Chain Continuity Planning	Employee Health & Safety	Customer Health

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RESOURCES AVAILABLE TO YOU

BDO Crisis Response Resource Center

<https://www.bdo.com/resource-centers/crisis-response-resource-center>

BDO Insights: CARES Act Main Street Lending

<https://www.bdo.com/insights/business-financial-advisory/forensics-and-investigations/exhausted-your-cares-act-paycheck-protection-progr>

BDO 80/20 Rapid Assessment

<https://www.bdo.com/email-landing-pages/80-20-rapid-assessment>