

# Managing the Corona Crisis and identifying opportunities for the day after

April 2020



# *Introduction - PwC / Strategy& Crisis Response*



## **strategy&**

PwC's Strategy& is a leading global strategy consulting firm (776 offices, 157 countries), serving market leaders across all sectors



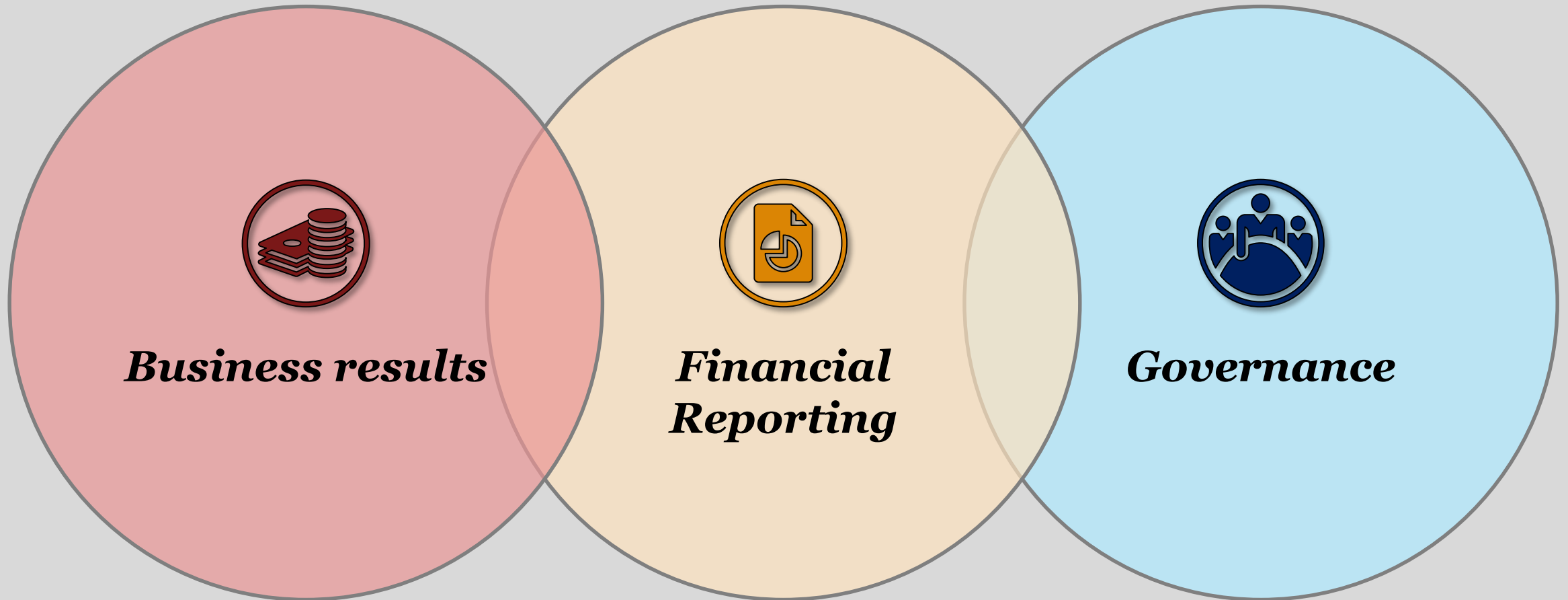
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**strategy&**  
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# *Besides the impact of the crisis on business results, directors are responsible for financial reporting and governance*

**Board responsibilities in the COVID-19 crisis**

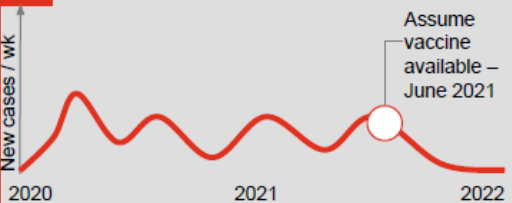


# Our economic projections are informed by 3 scenarios for the spread of COVID-19

## Potential COVID-19 and economic scenarios


COVID-19 spread scenarios

**1** **HOT SPOTS**  
Rapid rise in cases avoided. Ongoing disease hotspots emerge, but are contained by public health measures.



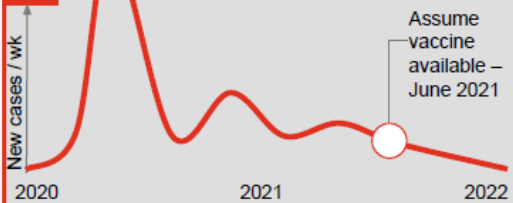
Assume vaccine available – June 2021

**Peak:**  
Height: Low  
Timing: Uncertain




- **Successful** testing, contact tracing and quarantine of cases
- **Localized** lockdown measures
- **Internationally coordinated** public health measures

**2** **EARLY PEAK**  
Rapid rise in cases, peaking in Q2 2020.



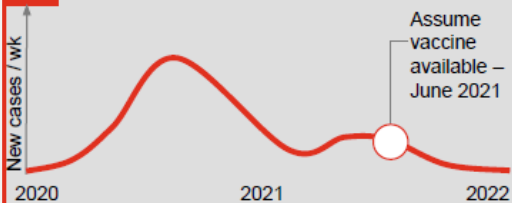
Assume vaccine available – June 2021

**Peak:**  
Height: High  
Timing: Q2




- **Unsuccessful** contact tracing and quarantine of cases
- **Mild** social distancing measures
- **Severe cases overwhelm** health system capacity

**3** **DELAYED PEAK**  
Public health measures spread the peak over a longer period of time.



Assume vaccine available – June 2021

**Peak:**  
Height: Medium  
Timing: Q3-4



- **Successful flattening** of cases curve and suppression of peak
- **Stringent and widespread lockdown** and social distancing measures
- **Health system capacity stretched** but not broken

Economic scenarios

**Mild, short recession**

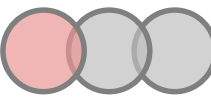
- **Heavy economic impact** limited to affected localities
- **Quick resumption of consumption** outside hotspots
- **Rapid return to production levels** despite some supply chain issues

**Extreme, short recession**

- **Slow revival of production** following initial adaptation
- **Constrained consumption** until cases peak
- **Potential significant** social and political disruptions to economy due to high death toll

**Severe, prolonged recession**

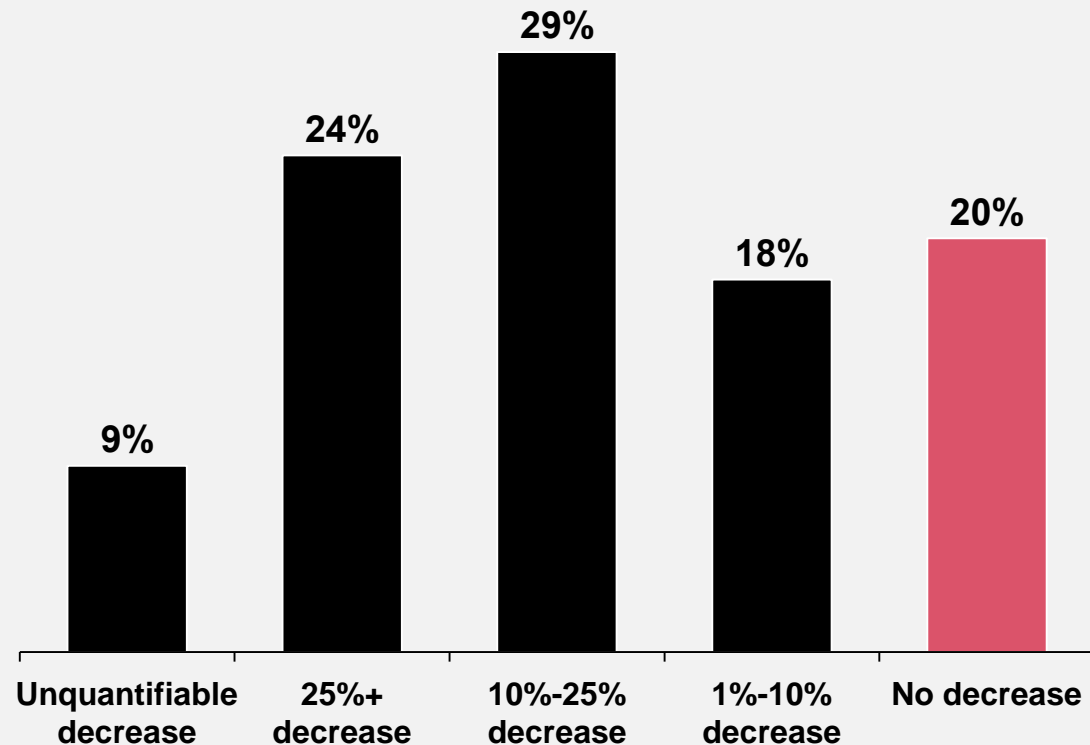
- **Depressed consumption** due to stringent and lengthy lockdowns
- **Shutdown of most economic activities** for substantial fraction of 2020
- **Health system capacity stretched** but not broken



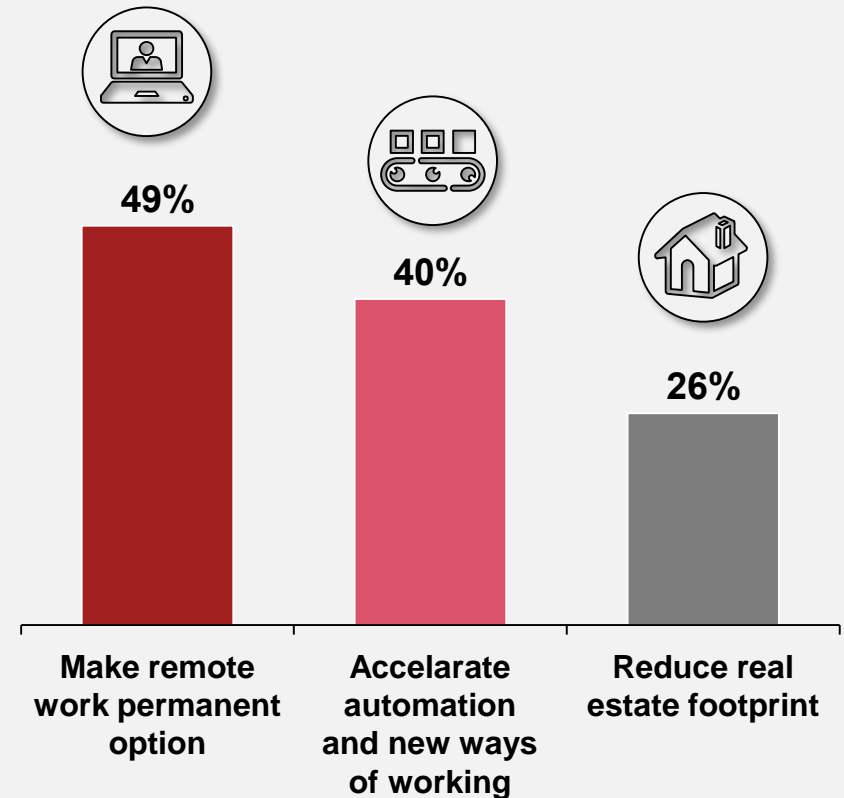
# *CFOs are experiencing a major hit to their results due to the pandemic but are also identifying new ways of working*

## PwC COVID-19 CFO Pulse Survey results

COVID-19 impact on 2020 company revenues and/or profits - **Over half of CFOs see a major hit (10%+) to their business as the result of the pandemic**



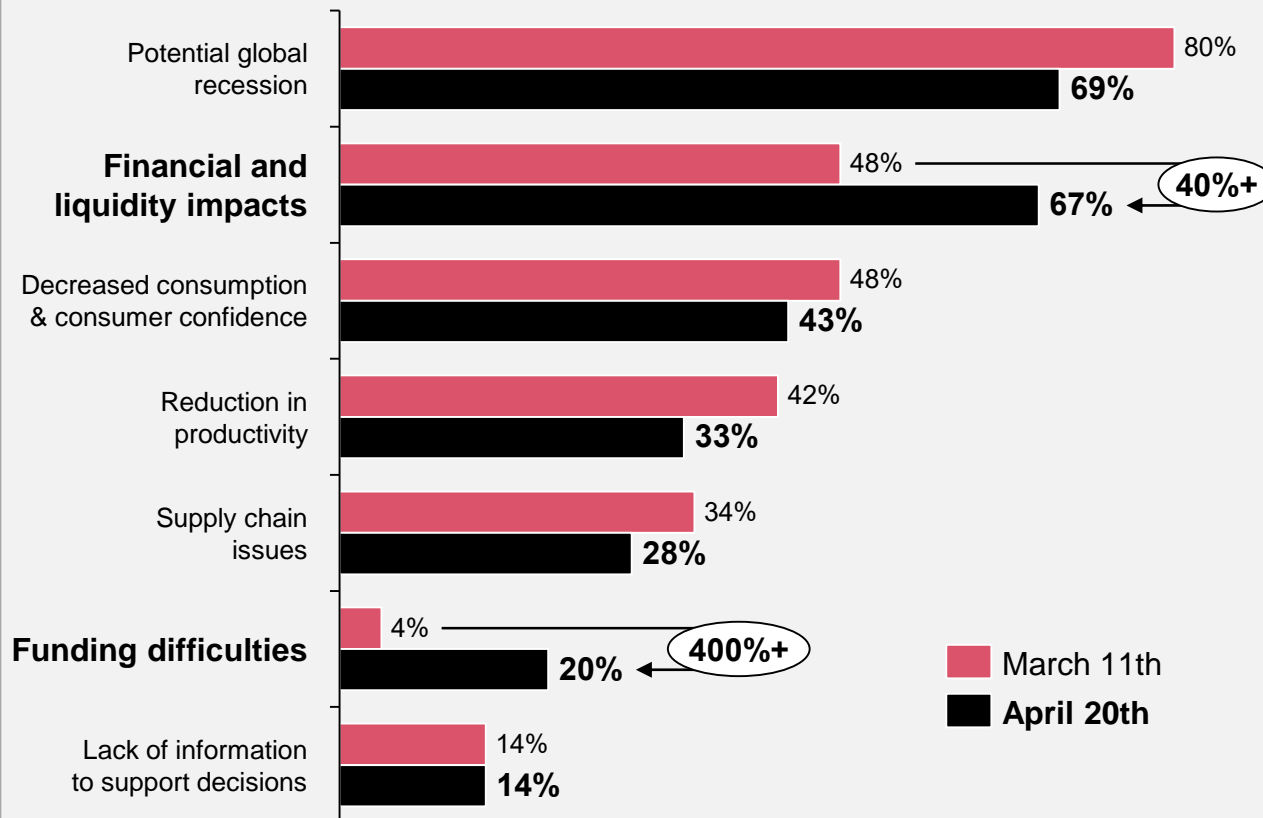
Planned post-transition changes to work methods - **Companies are eyeing remote work and automation as permanent changes to the way they operate**



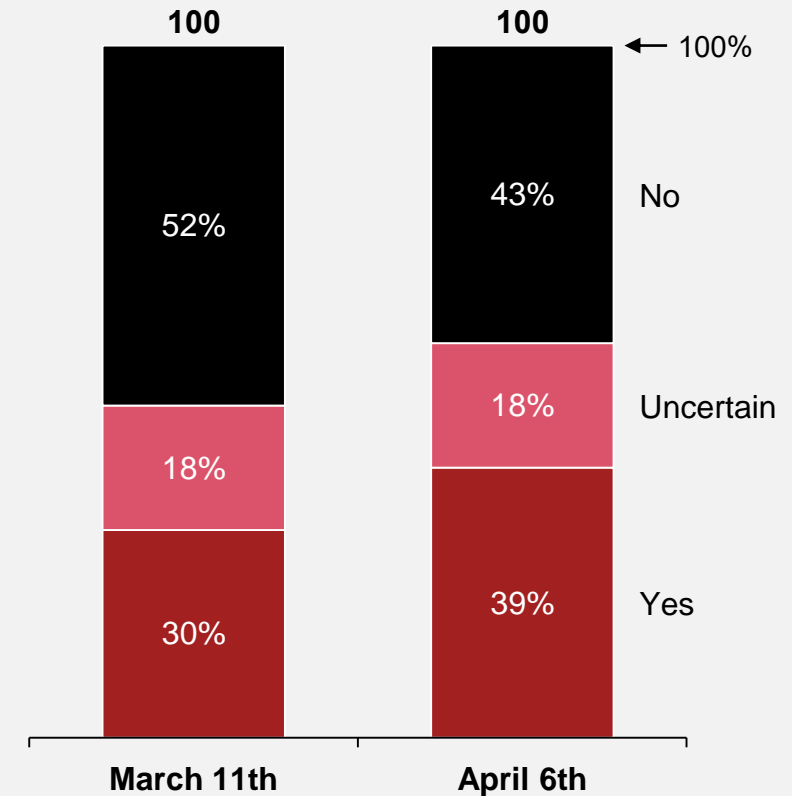
# As the pandemic progresses leading CFOs are growing more concerned about liquidity and reevaluating supply chains

PwC COVID-19 CFO Pulse Survey results

Top 3 concerns over COVID-19 crisis - CFOs are becoming relatively more worried concerned about liquidity and funding



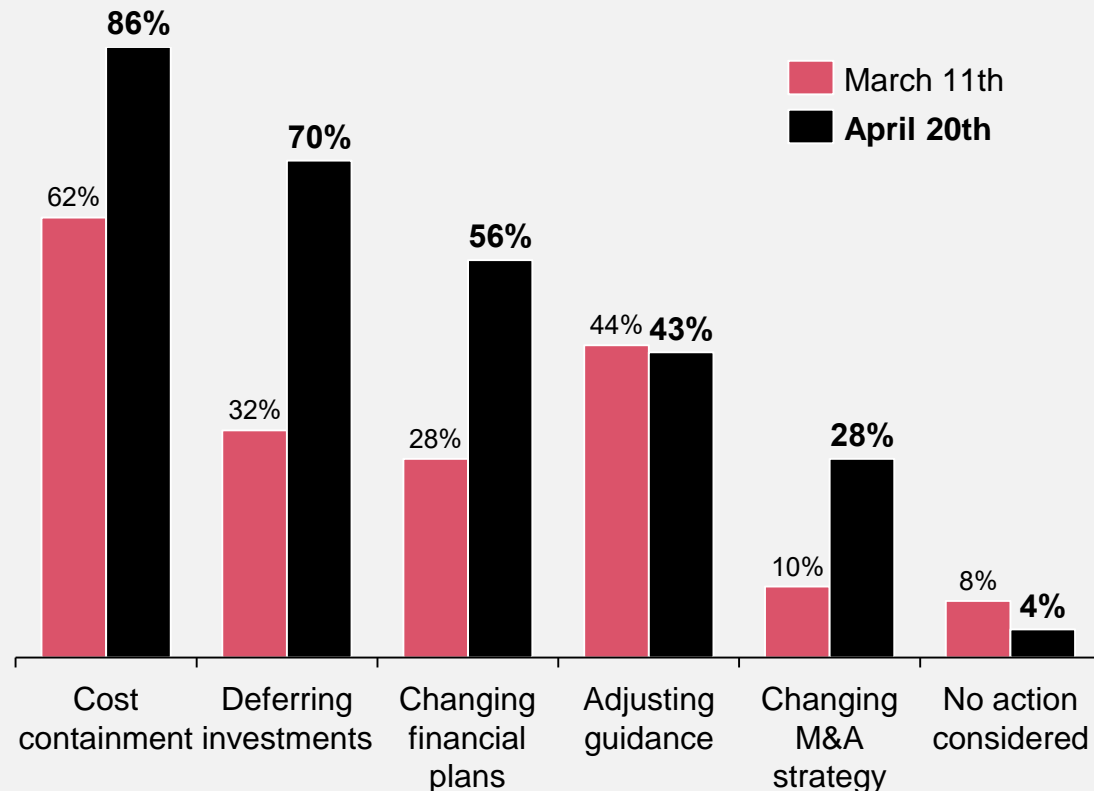
Companies are open to the idea of narrowing their supply chains



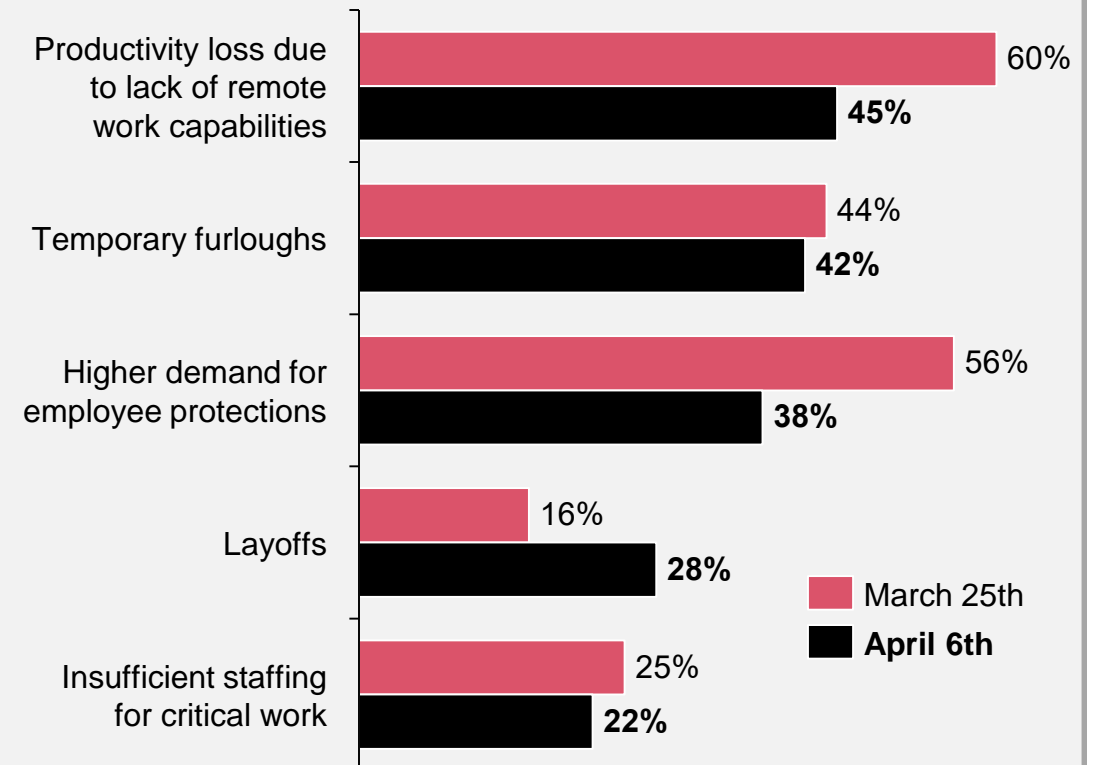
# Companies are reconsidering costs, deferring investments while predicting productivity and workforce reductions

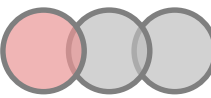
PwC COVID-19 CFO Pulse Survey results

Financial actions considered - Most companies are looking at cost containment measures and deferring investments



Expected developments in coming month - CFOs fear of productivity loss due to remote work capabilities is decreasing but expectations for layoffs are rising





# The emerging New-Normal will bring new trends along with new opportunities to alert players

## Potential trends for emerging New-Normal business environment



**Investor priorities** - Prioritization of resilience alongside profit at expense of rapid growth



**Workforce** - Increased implementation of remote/flexible work practices (e.g., work-from-home, 4 Day Week)



**Cost structure** - Focus on reduction of fixed costs to limit vulnerabilities and improve flexibility



**Supply chains** - Restructuring of supply chain to provide more flexibility in dealing with disruptions



**Risk management** - Decreasing risk appetite with emphasis on liquidity and working capital availability

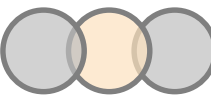


**Government** - Increased involvement in private sector economic activities (e.g., direct support, investment subsidies)



*Companies that will be quick to realize opportunities afforded by New-Normal conditions will emerge stronger from the crisis*





# Financial reporting in times of crisis requires alert guidance and oversight from boards

## Central issues in financial reporting for COVID-19 crisis





# *Current conditions have crucial repercussions on governance issues*

## Key governance concerns for directors

### *Board and committee meetings*

- Ensure **good quality conference facilities** for virtual board meetings to allow thorough discussion
- Prepare and circulate** for signature **minutes** summarizing key aspects of board discussion

### *Emergency board & management succession*

- Clarify potential replacement procedures** for key board and management leaders
- Prepare to implement **emergency plans** for health-related and other disruptions

### *Annual general meetings*

- Consider means to **meet restrictions and legal requirements** on general meetings **while ensuring a quorum** of participants
- Experiment with **electronic voting** techniques or encourage **voting by proxy**

### *'Tone at the top' and business conduct*

- Focus on **corporate culture and** meticulousness with **company values**
- Ensure **integrity of internal reporting structures** especially where operational changes are made

# *As the COVID-19 pandemic batters the economy businesses must consider the crisis' implications across several spaces*

Key actions for businesses following from the medical and economic situation



## **Crisis Impact & Response**

- **Assess** the potential **impact of the crisis** for your business
- **Form a continuity plan** to meet upcoming challenges and uncertainties



## **Liquidity & Cash Management**

- **Analyse liquidity sensitivities**
- **Review** and model Short-term **Cash Flows**
- **Improve cash collection** and working capital capabilities



## **Risk, Regulation & Forensic**

- **Review** operational, financial, compliance & fraud **risks**
- **Conduct stress tests**
- **Assess** implications of **new regulations** and gov. measures



## **Reorientation Strategy**

- **Identify** crisis implications for **strategy** and objectives
- **Revise strategy to New Normal** conditions, challenges and opportunities



## **Data & Technology**

- **Ensure remote working** capabilities
- **Accelerate digital transformations** and upgrades
- **Bring forward** systems, apps & infrastructure **adoption**



## **Cost Optimization**

- **Initiate** rapid **cost optimization** initiatives
- **Review potential for cutting costs** while retaining core capabilities for future growth



## **Supply Chain & Operations**

- **Shore up supply chain** by assuring providers' resilience
- **Secure core** operational **capabilities**
- **Form contingency plans** for further disruptions

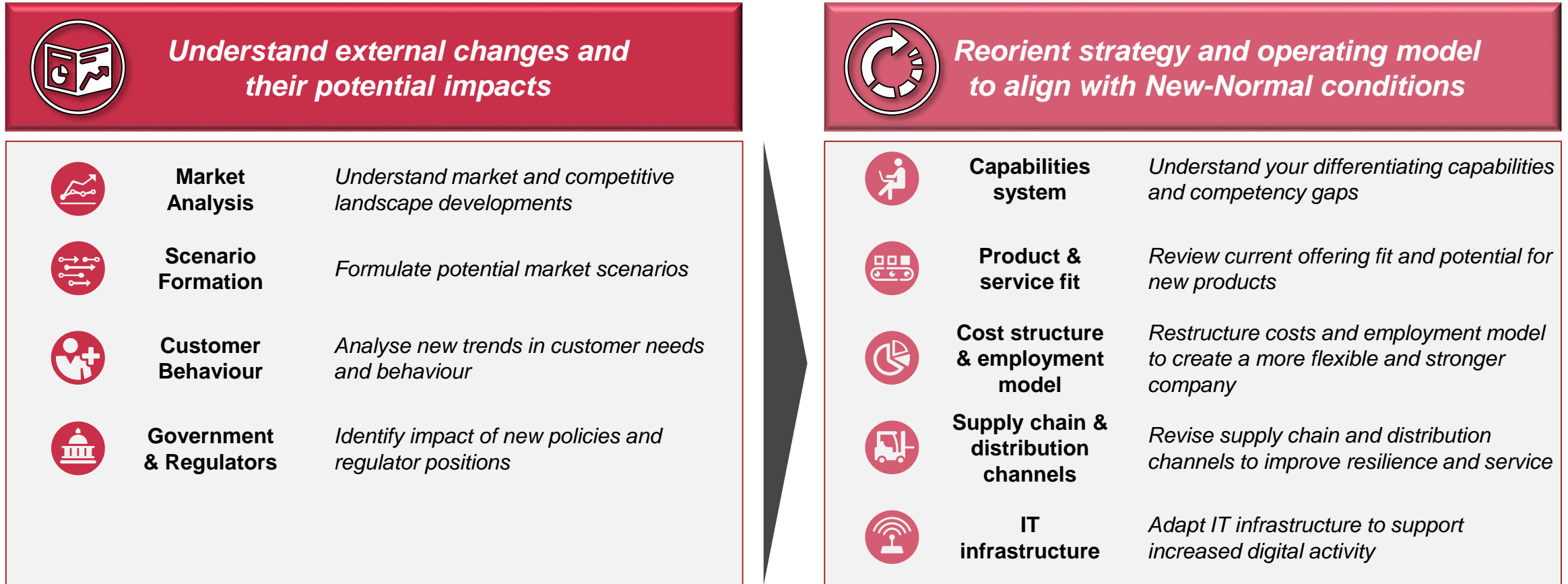


## **Workforce**

- **Protect your workforce** by securing safe workspaces
- **Ensure capacity** to continue or resume activities
- **Communicate** to workers **new situation and expectations**

# To prepare for the New Normal and capitalize on it's opportunities, companies must adopt a pro-active approach

## Focus areas and key steps to prepare for New Normal



**Companies that will move now to adapt their strategy to the New Normal and take advantage of it's opportunities, will be the ones to emerge stronger from the crisis**