

Covid-19 CFO Response

Helping CFOs navigate the impact of
COVID-19 - stabilize, assess and optimize

Client discussion deck
March 2020



**Building a better
working world**

Business disruption

Enterprise Resiliency model – **Now. Next. Beyond.**



How companies are responding to business disruption over **three horizons**

Now.

Responding to the crisis as companies focus on business continuity and crisis planning.

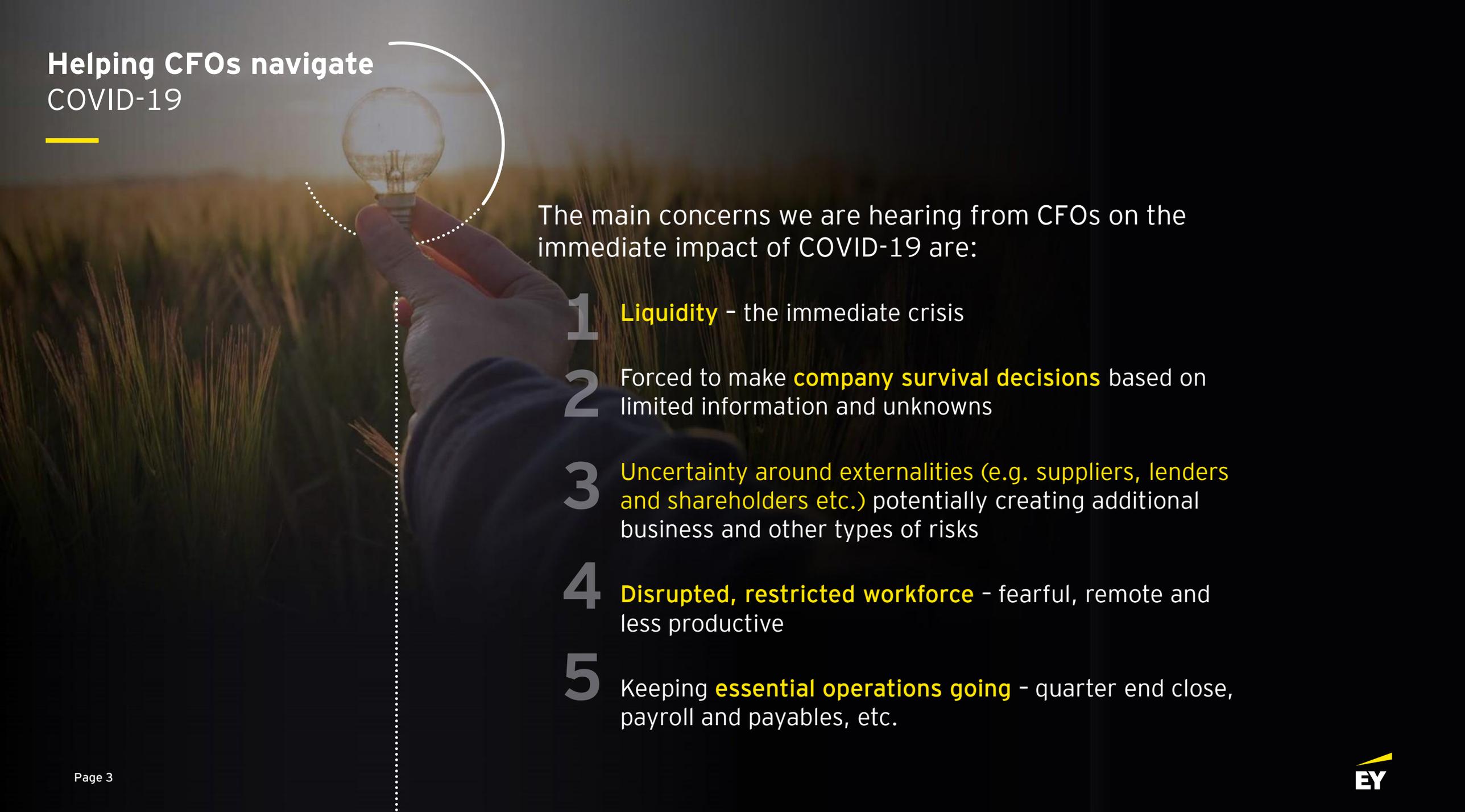
Next.

Managing a restricted business, leading through ongoing business disruption.

Beyond.

Bouncing back from the challenges, building a resilient enterprise, reframing the future and transforming to succeed.

Helping CFOs navigate COVID-19



The main concerns we are hearing from CFOs on the immediate impact of COVID-19 are:

- 1** **Liquidity** - the immediate crisis
- 2** Forced to make **company survival decisions** based on limited information and unknowns
- 3** **Uncertainty around externalities (e.g. suppliers, lenders and shareholders etc.)** potentially creating additional business and other types of risks
- 4** **Disrupted, restricted workforce** - fearful, remote and less productive
- 5** Keeping **essential operations going** - quarter end close, payroll and payables, etc.

Exploring the 'Now.'

Overview

1 Scenario planning

Pandemic, economy, industry, enterprise

2 Stabilize

- ▶ Cash generation
- ▶ Working capital
- ▶ Liquidity/Credit
- ▶ Critical operations

Assess

- ▶ Tax strategies
- ▶ Cost reduction
- ▶ Supplier management
- ▶ Contract renegotiation
- ▶ Workforce cost strategies

Optimize

- ▶ People
- ▶ Creditors
- ▶ Shareholders
- ▶ Customers
- ▶ Regulators

Risk Management

3 Adapt and succeed through current business disruption

People, talent and resources

Design / Roadmap

Co-sourcing / Outsourcing



Where are you on this journey?

Where are you making progress and finding challenges?

Do you need insights or assistance?

1 Scenario planning

Critical analysis - operating scenario model for the future

- ▶ **If you have such a model**, EY teams can help to validate, expand, and keep current with events.
- ▶ **If not**, we can provide a core framework.



This model will drive recovery strategy, liquidity planning, creditor negotiation, shareholder briefings, regulatory filings and other CFO-focused initiatives.

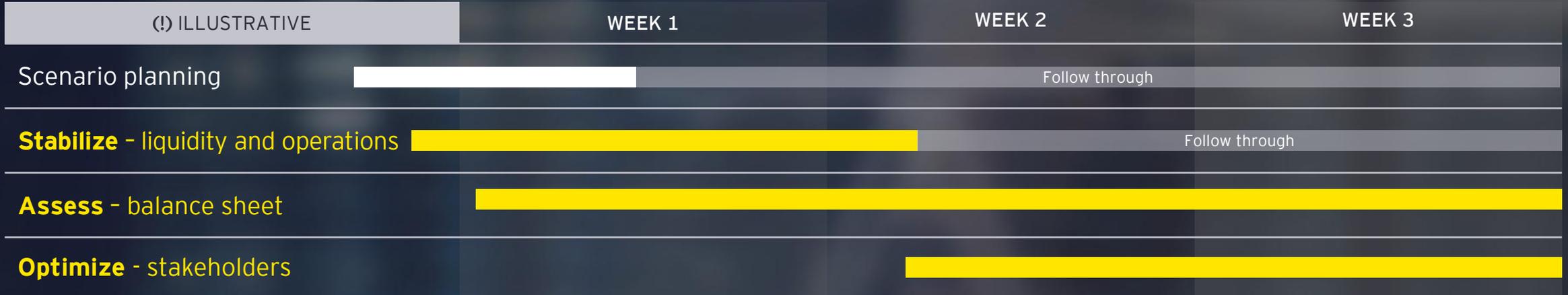
Systematically stress-tested and adjusted for changing conditions.

Scenario planning, which is often overlooked in a crisis, is a **critical step that should take priority**.

2

Stabilize. Assess. Optimize.

Short-term program to scope the problem and calm the storm



Stabilize

Urgent program to ensure liquidity and stabilize operations

- ▶ Source cash and credit (subsidiaries, bank accounts),
- ▶ Accelerate receivables, delay payables
- ▶ Activate government assistance, tax deferral, refunds and Net operating loss carry backs etc.
- ▶ Stabilize and assess critical operations - business continuity

Assess

Rapid cost reduction and shoring up balance sheet

- ▶ Credit terms renegotiation
- ▶ Supplier contract renegotiation
- ▶ Tax cash-generating and cost recovery strategies
- ▶ FTE co-sourcing
- ▶ Delay payables
- ▶ Contract review
- ▶ Asset sales

Optimize

Communications to gain stakeholder confidence and support credit and contract renegotiation

- ▶ Employees
- ▶ Board
- ▶ Creditors
- ▶ Shareholders
- ▶ Suppliers
- ▶ Customers
- ▶ Regulators
- ▶ Analysts

3 Adapt and succeed through current business disruption

EY clients are asking for three different types of support to assist them to manage through the disruption

1

People, talent, and resources

The crisis has increased the load on an already stretched finance professionals. The EY organization has rapidly mobilized highly experienced teams to supplement client resources

EXAMPLE

Supply chain professionals to renegotiate terms with suppliers.

2

Design/ Roadmap

From scenario planning to the development of roadmaps using leading practices to architect the program for supporting implementation

EXAMPLE

Cash flow plan for next 30 days.

3

Co-sourcing/ Outsourcing

Leverage EY managed services capability to take responsibility for execution.

EXAMPLE

Co-source select tax and finance functions - savings and higher levels of experience.

Ready for the "Beyond"

With a **vision** and **strategic advanced planning**, companies can emerge stronger after a crisis.



1

Long-term value
new communities,
relationships and
societal impact

2

Asset prices and
acquisition valuations
at a low

3

Suppliers
need your business

4

Scarce talent
now available

This window of opportunity
will be short, and will favor
the prepared.

When this passes, there can
be a **brighter future**
for you and your company.

Thank you.



Appendix

Detail on EY services for the CFO

EY teams have segmented this program into 11 discrete, rapidly executed solutions.

| | | EY Solution | Generate cash | Reduce cost | Manage stakeholders |
|--------------------------------------|----|------------------------------------|---------------|-------------|---------------------|
| Stabilize | | Forecasting and scenarios | ● | ● | ● |
| | 1 | Protecting liquidity | ● | ● | ● |
| | 2 | Preserving working capital | ● | ● | ● |
| | 3 | Creditors | ● | ● | ● |
| Assess | 4 | Critical operations | ● | ● | ● |
| | 5 | Cost reduction | ● | ● | ● |
| | 6 | Supplier management | ● | ● | ● |
| | 7 | Tax strategies | ● | ● | ● |
| | 8 | Stimulus and insurance | ● | ○ | ○ |
| Optimize | 9 | People | ○ | ● | ● |
| | 10 | Investor relations | ○ | ○ | ● |
| | 11 | Accounting and financial reporting | ○ | ○ | ● |
| Comprehensive risk management | | | | | |

All are designed to **begin immediately**,
 Rigorous forecast - either yours or developed by EY teams - is essential to the execution of this program
 These can be engaged in a **broad program**
 Or **selected as needed** by your organization

- Direct contribution
- Supporting contribution
- Not applicable



1. Generate cash, protect liquidity

Short-term program to generate cash and protect liquidity



Potential actions

Identify, convert, and collect available cash

- ▶ Cash reserves in subsidiaries, business units etc.
- ▶ Untapped loan facilities
- ▶ Lines of credit
- ▶ Other
- ▶ Operational cash flow
- ▶ Short term securities
- ▶ Cash from asset sales
- ▶ Past due payments
- ▶ Tax refunds and Net operating loss carry back
- ▶ Government stimulus funds
- ▶ Insurance claims

Global program to **convert each source to cash**

Identify and sequence longer term cash sources

Daily **cash tracker, cash flow plan** and **liquidity strategy.**

2. Preserving working capital

Short-term program to stabilize and increase working capital



Potential actions

Suppliers - reduce costs

- ▶ Delay payments
- ▶ Contract renegotiation
- ▶ Assure key suppliers of financial health

Customers - increase cash

- ▶ Support receivables
- ▶ Pricing and contract review
- ▶ Assure key customers of delivery

Inventory - support turns and liquidate excess.

90 day **working capital strategy**.

3. Creditors and debt management

Short-term plan to manage imminent debt issues and restore lender confidence



Potential actions

Debt portfolio dashboard – prioritized by

- ▶ Size, seniority, maturity
- ▶ Covenants and trigger points
- ▶ Variance from terms and covenants
- ▶ Negotiating leverage

Create a lender strategy

- ▶ Communication with lenders, bondholders, and rating agencies
- ▶ Negotiating stance with each lender
- ▶ Path forward for each creditor

Align to core forecasts, create debt management plan

Support negotiation – analysis, briefings and participate as necessary.

Simultaneously, EY teams will look for **new sources of credit**, and help you obtain best possible pricing.

4. Critical operations



Potential actions

Keeping critical finance functions operating in a **challenging work environment**

- ▶ Inability to travel or meet
- ▶ Remote and isolated staff
- ▶ Personal concerns of employees
- ▶ Strained communications infrastructure.

Assisting in keeping critical operation going

- ▶ Payroll
- ▶ Processing and realizing receivables
- ▶ Internal controls
- ▶ Critical supplier payments - utilities, telecom, etc.
- ▶ Tax accruals, reporting, compliance.

5. Cost Reduction

A program of systematic cost reduction without harming the capabilities of the firm



Potential actions

Reductions within the finance domain

- ▶ Supplier renegotiation
- ▶ Managed services for finance functions
- ▶ Managed services for legal function
- ▶ Renegotiation of interest and loan agreements
- ▶ Reduced tax liability

Cross-enterprise cost reduction

EY teams can assist the CFO by mobilizing a team of supply chain professionals, operations analysts, and professionals in workforce resizing. This team can provide an effective and rapidly executed reduction program that can return the firm to financial balance.

6. Supplier management to increase cash, delay payment, and assure supply

Three-part plan to assure key suppliers and source supply chain savings



Potential actions

- ▶ **Provide assurance to suppliers.**
Present restructured financials. Propose payment plans. Keep the supply of business-critical products coming in.
- ▶ **Renegotiate supplier agreements:** take advantage of current environment to gain better pricing and terms.
- ▶ **Stretch payables:** based on leverage with supplier.

EY teams can participate in **supplier negotiations** as required.

7. Tax strategies for the crisis

Strategies to generate cash and help manage tax costs.



Potential actions

Strategies to generate cash and manage tax costs.

- ▶ **Tax payments** - Delaying tax payments and seeking accelerated refunds.
- ▶ **Stimulus funds** - Benefit from vast array of government tax incentives, loans and credits.
- ▶ Manage cost through **tax and finance co-sourcing** arrangement.
- ▶ Drive **cash tax savings** - Supply chain, transfer pricing, transaction planning, and other cash tax strategies.

8. Financial stimulus and insurance claims

Potential actions



GOVERNMENT STIMULUS

Globally, over \$3 trillion in government stimulus has now been proposed – credits, grants, refunds and extensions.

- ▶ Complex, multiple jurisdictions, proof of harm, political factors
- ▶ Mobilize a team of local experts to navigate the process
- ▶ Help maximize stimulus funding to your firm.

INSURANCE CLAIMS

Disasters and government responses can trigger insurance claims

- ▶ Business interruption, ingress/egress, supplier default, etc.
- ▶ Mobilize a team of insurance professionals to prepare, navigate and represent your case.

9. People

Supporting and supplementing your people in difficult times



Potential actions

- ▶ **Planning for labor cost challenges while supporting employees** – payroll, compensation, rewards and severance management.
- ▶ **Seasoned advisors on people and culture** including what executives need to know, leading through crisis and communications.
- ▶ **Maintaining engagement and workforce productivity** through remote working culture and leading virtual teams.
- ▶ **Financial and risk modelling of optimal workforce** capability and actions.
- ▶ **People supplementation** – readily available, qualified professionals.

10. Investor Relations

Comprehensive program to assist the CFO in communications with shareholders, regulators, and analysts.



Potential actions

Scenario planning and modelling

Investors want to know about the present and the future of the firm. EY teams can assist by providing alternative financial scenarios based on health, growth and stock market assumptions.

Investor filings and communications

We can assist in providing investor filings in multiple jurisdictions across the world. EY teams can support earnings calls, investor presentations, and individual responses. EY presence can provide assurance to the investor community.

Supplementing your investor relations team

In these times your investor relations team may be overstretched. EY teams can provide assistance and backup in this time of critical communication to investors.

11. Accounting and financial reporting

A sharp disruption of the markets triggers incremental and specialized reporting requirements - EY teams can help to keep you compliant and accurate.



Potential actions

EY teams can **supplement your staff** with experienced professionals - accountants, auditors, technical and management accountants, former CFOs, etc.

EY professionals can assist in drafting **required disclosures** and provide assistance in evaluating asset impairment, debt modification, loss contingencies, and other adjustments.

The presence of the EY organization can foster greater confidence of boards, regulators and others that **effective controls** are in place.

In summary, EY teams can provide well-trained resources when current staff is overstretched and challenges are escalating.

Contacts



Tony Klimas
EY Global Advisory Finance Leader
+19046333103
tony.klimas@ey.com



Libby Hacker, EY People Advisory
Services Finance Leader
+16175853464
libby.hacker@ey.com



Mike Brorman
EY Global Solutions BD Leader
+12149698506
mike.brorman@ey.com



Dave Helmer, EY Global Tax
Managed Services and
TFO Leader
+12023278355
david.helmer@eyg.ey.com



Jim Knauss
EY People Advisory Services
Markets Leader
+14048175724
james.knauss@eyg.ey.com



Tony Sirianni
EY Global Markets: Business
Development and wavespace
+16464681274
tony.sirianni@ey.com



Ben Taylor
EY UKI Partner - Financial
Accounting Advisory Services
+44 7771 834283
btaylor2@uk.ey.com



Jay Camillo
EY Americas Operating Model
Effectiveness (OME) Leader (Tax)
+1404 817 5035
jay.camillo@ey.com



Don Charles
EY Global Corp Finance Leader
+14048175013
don.charles@ey.com



Neri Bukspan
EY Americas Accounting, Reporting
and Governance Leader
+1212 773 3115
neri.bukspan@ey.com

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation is available via ey.com/privacy. For more information about our organization, please visit ey.com.

© 2020 Ernst & Young LLP.
All Rights Reserved.

EYG no. 001609-20Gb1

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

ey.com

