

# Navigating the Storm

COVID-19: Choosing the right short to mid-term strategy

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## The COVID-19 challenge











- The COVID-19 pandemic and associated restrictions on economic activity creates an unprecedented challenge and an existential threat for companies
- Many sectors of the economy have seen their revenue decline sharply – or even totally eradicated – for a yet unknown period of time. They need to figure out how to best bridge that period in order to survive and maintain their capacity to respond to market conditions post-crisis. The government has put a number of measures in place to help companies in this effort.
- At the same time, other sectors experience a massive increase in demand which their supply chains strive to meet. They need to figure out how to best respond to this surge in demand and how to leverage this excess cash flow to improve their outlook.
- All the while, these events have profound and long lasting effects on consumer behavior – which are expected to outlast the crisis period and create a new market post-crisis.



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### Estimate profile of expected impact on demand for sector

			Demand Profile Characteristics	Indicative sectors
Revenue loss during crisis		Post-crisis peak	<ul> <li>Revenue drop due to postponement of activity</li> <li>Shift of demand expected – leading to a peak post-crisis exceeding pre-crisis demand levels for the mid-term</li> </ul>	<ul> <li>Professional Services</li> <li>Wellness services</li> <li>Construction</li> </ul>
		Recover to pre- crisis level	<ul> <li>Revenue drop due to interruption of activity – expected to continue post crisis at around the same level when normal economic activity is resumed</li> </ul>	— Retail — Transportation — Energy
		Remain below pre- crisis level	<ul> <li>Revenue drop due to significant disruption - resulting in loss of revenue that is not expected to return for a significant amount of time (1 year or more)</li> </ul>	<ul> <li>Tourism / Hospitality &amp; its suppliers (food, equipment, rent a car etc.)</li> <li>Commercial office space / real estate</li> </ul>
e surge during crisis	<b></b>	Post-crisis dip	<ul> <li>Revenue increase due to increase and / or shift in demand from other sectors as a result of restrictions</li> <li>Post crisis demand expected lower due to changes in customer behavior (shift in new / digital channels) or due to stock effect</li> </ul>	<ul> <li>Physical grocery stores</li> <li>Electronic equipment</li> </ul>
		Revert to pre-crisis level	<ul> <li>Revenue increase due to increase and / or shift in demand from other sectors as a result of restrictions</li> <li>Post crisis demand expected to return to pre-crisis levels</li> </ul>	<ul> <li>Medical products &amp; services</li> <li>Consumer products</li> </ul>
Revenu	<b>L</b> .	Remain above pre- crisis level	<ul> <li>Revenue increase during crisis period due to a shift to customer behavior changes (e.g. shift to digital channels)</li> <li>Latent demand increase expected - resulting to higher revenue post- crisis compared to pre-crisis levels</li> </ul>	<ul> <li>— Online grocery stores</li> <li>— Delivery services</li> <li>— Digital banking services</li> </ul>



### Choose the right short to medium term strategy

#### ▲ KPING COVID-19 Short to Mid-term Strategy Map

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Weak Company Financial Position Strong	Invest in new activities to redeploy resources & leverage Govt. Measures to restructure debt to match asset utilization post crisis	<ul> <li>Consider investing to gain competitive advantage / share post-crisis – utilize Govt. Measures to fund &amp; smooth cash flow</li> </ul>	<ul> <li>Invest in acquiring new capacity to gain share postcrisis</li> <li>Leverage Govt. Measures to help finance investment needs where appropriate</li> <li>Leverage Govt. Measures to weather the storm – preparing to increase capacity where possible</li> </ul>	<ul> <li>Invest excess cash in developing new business model to adapt</li> </ul>	<ul> <li>Invest excess cash in gaining competitive advantage &amp; share post-crisis through enhanced customer retention, CSR actions etc.</li> </ul>	<ul> <li>Invest heavily in expanding capacity</li> <li>CSR actions to share excess income with society</li> </ul>	Strong			
	<ul> <li>Capital Intensive Businesses: Leverage Govt. Measures to restructure debt – temporary labor cost relief</li> <li>Labor intensive Businesses: Keep flexibility to rationalize labor cost outside Govt. Measures</li> <li>Rapid downsizing of asset</li> </ul>	• Maintain capacity by leveraging Govt. Measures with a focus on Cost reduction over Cash flow where there's a choice		<ul> <li>Improve financial position and restructure assets and operations to prepare for post-crisis demand levels</li> <li>Investigate new business models</li> <li>Use excess cash flow to</li> </ul>	<ul> <li>Improve financial position by repaying loans</li> <li>Invest excess cash in gaining competitive advantage &amp; share post-crisis through improved operations &amp; efficiency</li> </ul>	<ul> <li>Use excess cash to repay loans and invest in new</li> </ul>	(mostly net debt & liquidity)			
	base and labor cost outside Govt. Measures to keep flexibility	<ul> <li>Maintain capacity by leveraging Govt. Measures with a focus on smoothing Cash Flow</li> </ul>		repay loans Investigate asset disposal opportunities post-crisis and / or debt restructuring to match post-crisis asset utilization	<ul> <li>Use excess cash to repay loans and improve financial position</li> </ul>	capacity where possible	Weak			
	Remain below pre- crisis level	Recover to pre- crisis level	Post-crisis peak	Post-crisis dip	Revert to pre-crisis level	Remain above pre- crisis level				
	<b>←</b>	Revenue loss during crisis		Revenue surge during crisis						
	Crisis impact on revenue									
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## Ensure key functional activities are in place to bridge the crisis period and pursue your strategy

#### Set up a dedicated crisis management Task Force – A Central Cortex Team

- Set up a dedicated team of strategy, financial, operational, legal, tax & risk resources
- Forecast cashflow to identify funding gap scenario to bridge, select appropriate response strategy, actively manage cashflow and update as needed
- Manage unexpected issues government actions & regulations, legal, operational & health matters, etc.







- Rethink & find ways to maintain contact with customer and overall customer experience
- Enhanced customer communication & expectation management
- Focus on maintaining customer loyalty to your brand through targeted promotions



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