

Crisis Management During COVID-19

A discussion document for clients on navigating the disruption

May 12, 2020



[This Paper was submitted on Tuesday 19 Ramadhan 1441 / 12-05-2020
it you can visit the bankruptcy commission channel on youtube](#)

We are witnessing a unique situation, which is impacting markets and industries in severe and unpredictable ways

Unique crisis, with potential ripple effect

- **Different** from any recent crisis
- **Demand and supply both impacted** at the same time
- Scenario **changing by the minute**; difficult to forecast the evolution accurately

Uncertain recovery shape and timing

- Disruption could get resolved once the crisis is resolved, leading to a **V-shape recovery** if fundamentals remain solid
- A prolonged disruption could lead to a **recession** with **deeper impact on fundamentals**, and a **U-shape** or **L-shape pattern**

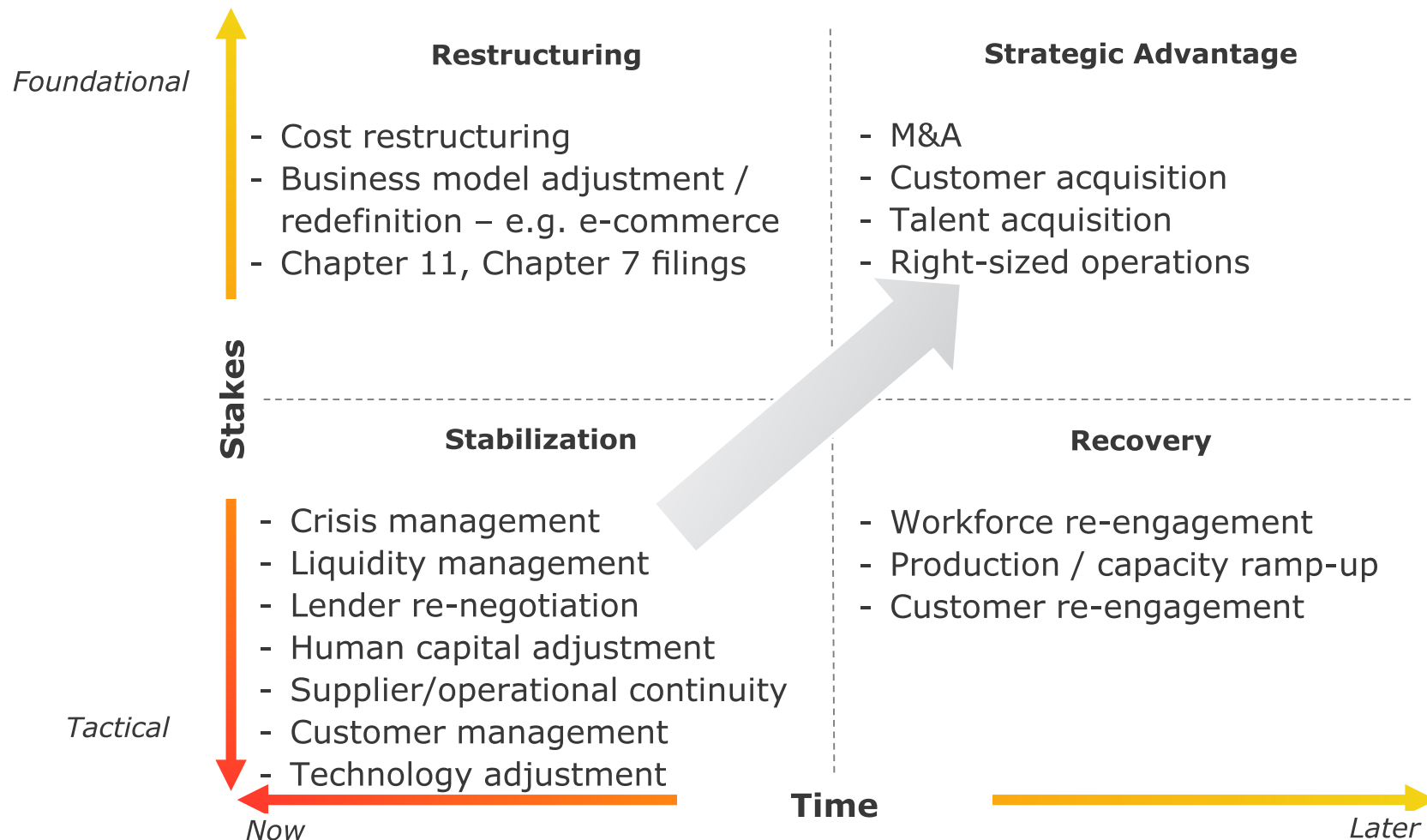
Inability to rely on business-as-usual models

- Demand and supply **forecasts become unreliable**
- Companies with tight / highly optimized supply chains and operating models have **less room to maneuver**
- People, supply chain and travel issues are **creating economic contagion**, as companies shut down offices/plants and address **financing / working capital**

Need for a fast, coordinated decision making process to adjust and monitor course as events develop and create optionality

Companies need to rapidly stabilize their operations, while simultaneously defining how to emerge from the current crisis

Disruption Management – Discussion Framework



To successfully navigate this disruption, AlixPartners has identified ten key pillars that must be addressed

Key Pillars to Address COVID-19 Disruption

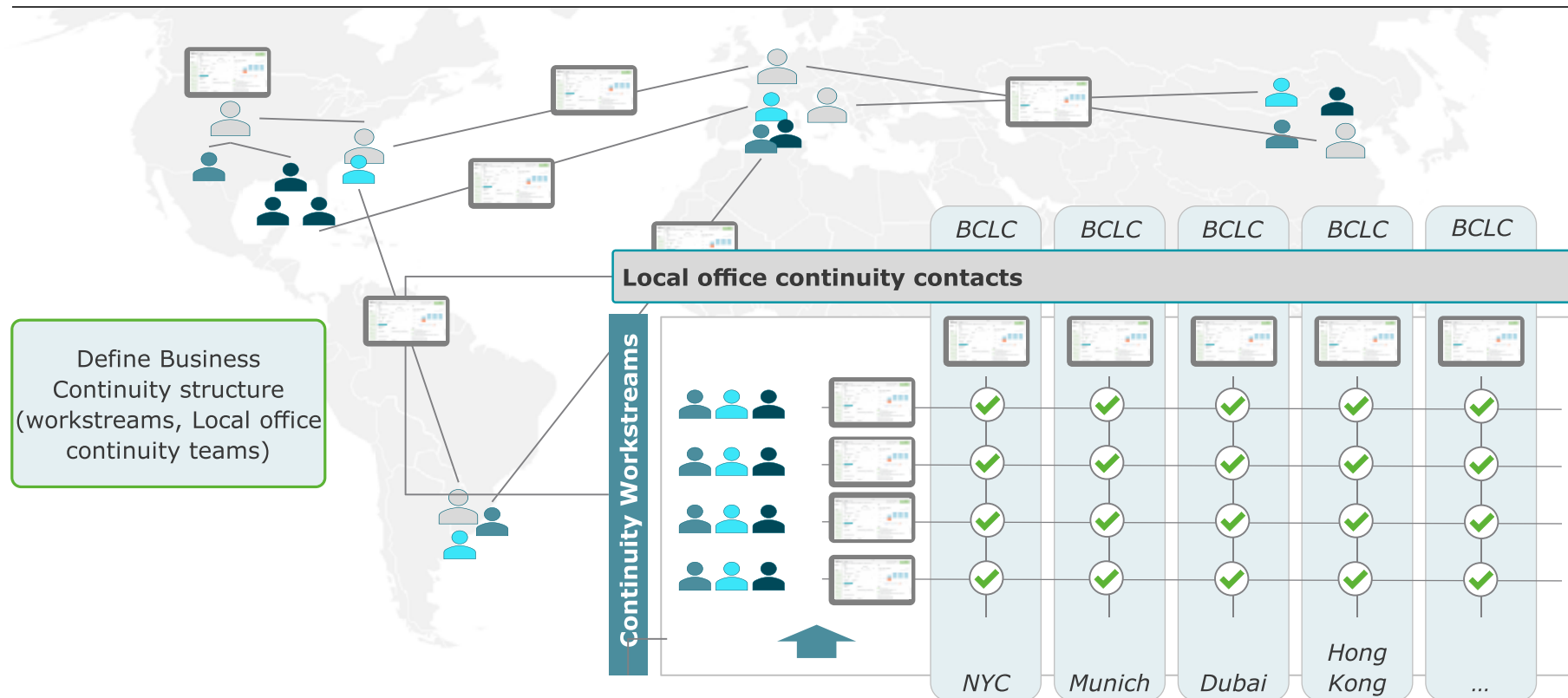


As an immediate step, a Business Continuity & Crisis Management team needs to be established to enable leaders take rapid actions



The global BCWR¹ must be supported by a virtual 24x7 platform to provide real-time information and timely visibility

BCWR equips cross-functional, de-centralized teams with structure to collaborate & coordinate

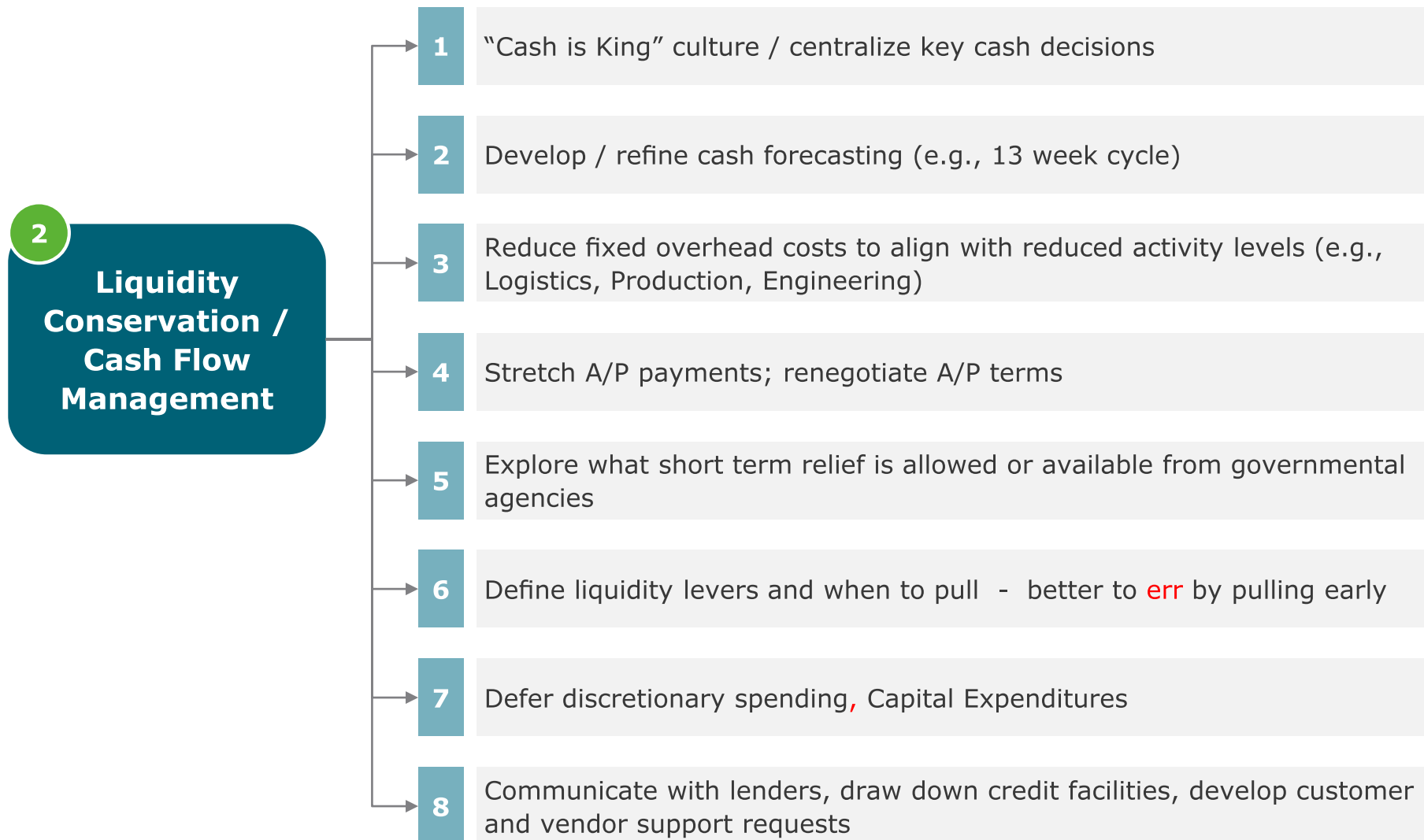


Critical tool enabled capabilities

- ✓ Real-time collaboration
- ✓ In-app communication
- ✓ Define activities, assign owners and dates
- ✓ Set-up views for Decision Board to quickly focus on key decisions / actions
- ✓ Understand progress, drill into details online

1. BCWR = Business Continuity War Room

Simultaneously, it is critical to run the business with a strong focus on near-term cash conservation



A 13-week cash flow model is a critical tool for tracking and curbing all cash outflows and inflows as the crisis deepens

AlixPartners approach – 13 week cash forecast

- A detailed cash flow forecast distills receipts and disbursements into weekly periods
- Provides clarity and ensures that outlays are aligned with the company's near- and medium-term needs
- Ties to operating plan with links to real time operational changes, allows for quick updates as return to normal process and COVID-19 impact subsides
- Development of scenarios and cash-focused plans with management: understanding of what the cash implications of different scenarios will be
- Variance reporting to identify and understand issues and opportunities
- **Focus on critical action items that drive cash flow to get through this crisis**

	27/6/20	27/7/20	12/7/20	12/8/20	25/7/20	1/8/20	8/8/20	15/8/20	22/8/20	29/8/20	5/9/20	12/9/20	19/9/20	26/9/20	3/10/20	Oct-20	Nov-20	Dec-20	Total
BEHAVING CASH	0	550	850	4,150	4,200	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	0
Trade Receipts	4,000	4,300	5,000	5,000	4,300	0	4,300	4,300	4,500	4,500	3,500	3,500	3,500	3,000	0	15,000	15,000	15,000	46,500
Other Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Special Disburse	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal 3rd party receipts	4,000	4,300	5,000	5,000	4,300	0	4,300	4,300	4,500	4,500	3,500	3,500	3,500	3,000	0	15,000	15,000	15,000	46,500
Interest Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest Loan Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Receipts	4,000	4,300	5,000	5,000	4,300	0	4,300	4,300	4,500	4,500	3,500	3,500	3,500	3,000	0	15,000	15,000	15,000	46,500
1/2 C Due to 200	0	0	0	0	3,200	0	0	0	0	0	0	0	0	0	0	0	0	0	3,200
1/2 C Due to 400	0	0	0	0	2,800	0	0	0	0	0	0	0	0	0	0	0	0	0	2,800
1/2 C Due to 150	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1/2 C Due to 005	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1/2 C Due to 300	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1/2 C Due to 200	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1/2 C Due to 015	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1/2 C Due to 200	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1/2 C Due to ...	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1/2 C Due to ...	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1/2 C Due to Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest Loans Due	0	0	0	0	5,905	0	0	0	0	0	0	0	0	0	0	0	0	0	5,905
Subtotal 1/2 C disbursements	0	0	0	0	5,905	0	0	0	0	0	0	0	0	0	0	0	0	0	5,905
Material Disbursements	750	1,000	1,000	750	1,000	750	1,000	1,000	1,000	750	750	1,000	1,000	750	0	3,200	3,200	3,200	22,750
Personnel Expenses	3,300	0	0	3,500	0	4,000	0	3,500	0	3,500	0	3,500	0	4,000	0	7,500	8,000	9,000	46,300
Facility Cost	0	1,000	0	0	1,000	0	0	0	0	1,000	0	0	0	0	0	1,000	1,000	1,000	6,000
Contractor Expenses	0	100	0	100	0	100	0	100	0	100	0	100	0	100	0	300	300	300	1,300
WGA, etc	0	200	200	2	200	500	0	300	0	1,250	0	0	0	1,250	0	1,250	1,000	1,250	7,800
Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Disbursements	500	500	500	500	500	0	500	500	500	500	500	500	500	500	0	2,000	2,000	2,000	13,500
Amortization/Lease	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Special Disburse	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal 3rd party disbursements	4,550	2,800	1,700	2,000	2,000	5,750	1,850	5,000	1,600	2,900	5,750	1,600	5,500	2,600	0	13,450	15,700	15,550	42,750
Total Disbursements	4,550	2,800	1,700	5,000	7,805	5,750	1,850	5,000	1,600	2,900	5,750	1,600	5,500	2,600	0	13,450	15,700	15,550	42,750
ENDING CASH	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Financing - Cash	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financing - Long Term Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financing Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
OTHER INFO																			
Net Cash Position without Interest Receipts	-550	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	2,250	0
Interest Disbursements (accumulated)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest Disbursements (current)	0	0	0	0	0	5,905	5,905	5,905	5,905	5,905	5,905	5,905	5,905	5,905	0	29,525	5,905	5,905	5,905
3rd Party Disbursements (accumulated)	4,550	7,250	9,050	14,050	16,100	21,850	28,700	28,700	30,900	32,800	38,550	40,150	43,650	45,650	0	48,225	63,700	79,400	96,350
3rd Party Receipts (accumulated)	4,000	8,200	13,200	18,200	22,500	22,500	26,800	31,100	35,600	40,100	43,600	47,100	50,600	54,100	0	57,600	66,600	83,600	99,600
Net Position Third Party Receipts (accumulated)	-550	850	4,150	4,150	6,000	4,300	3,100	2,400	5,000	7,000	5,050	6,950	4,950	5,500	0	13,975	4,900	4,200	2,250
Interest Disbursements	0	0	0	0	0	5,905	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest Disbursements	4,550	2,800	1,700	5,000	2,000	5,750	1,850	5,000	5,000	2,500	5,750	1,600	5,500	2,600	0	13,450	15,700	16,550	16,550
3rd Party Disbursements	4,550	4,200	5,000	5,000	4,100	0	4,500	4,500	4,500	4,500	3,500	3,500	3,500	3,000	0	15,000	15,000	15,000	15,000
3rd Party Receipts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	0
Net Cash Position	500	850	4,150	4,150	295	3,455	2,805	3,305	605	1,205	855	1,045	955	555	555	1,005	1,205	3,000	

Sources and uses of cash

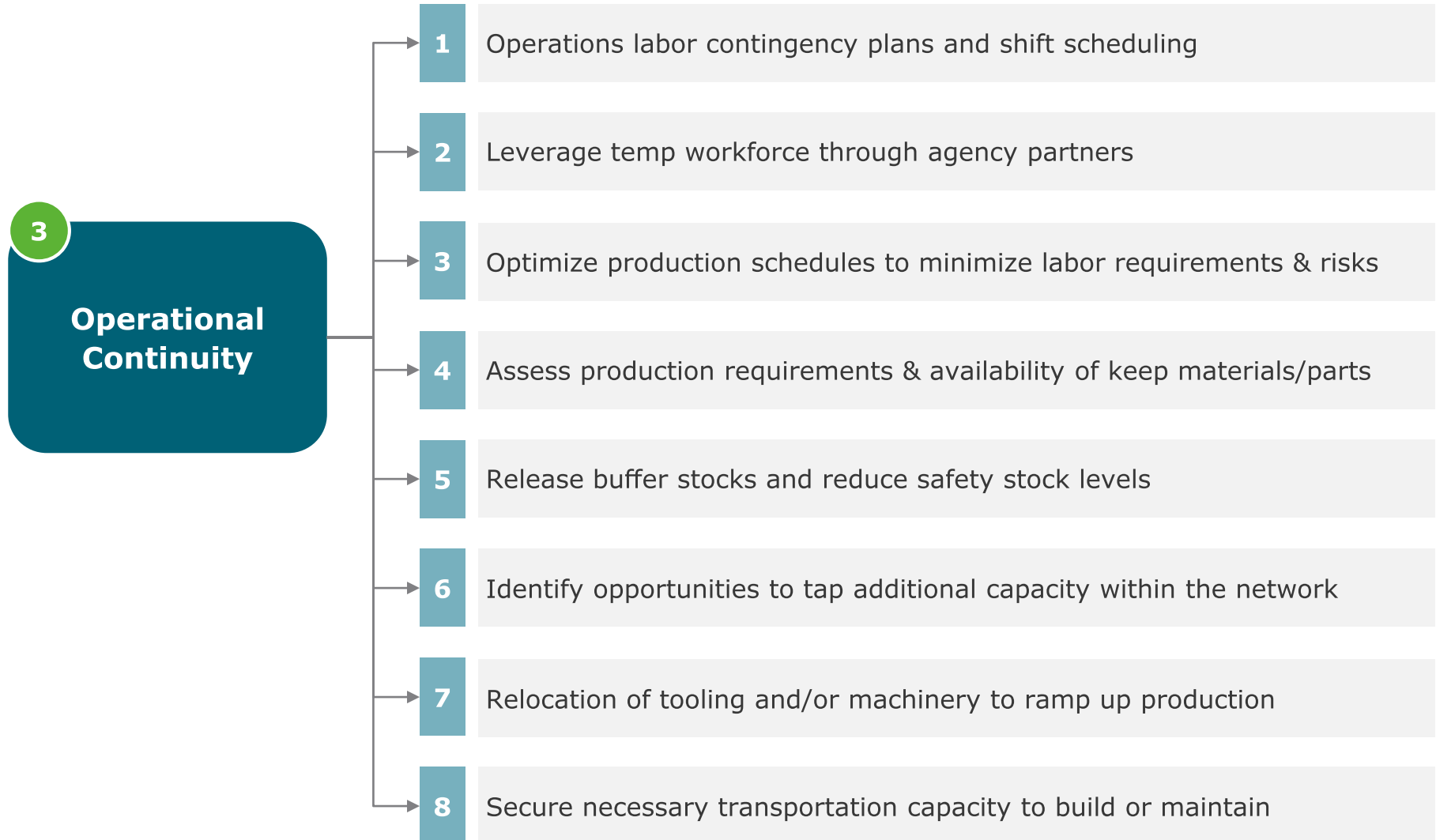
Weekly
cash
balance

Data files for details

Covers
13 week
rolling
forecast

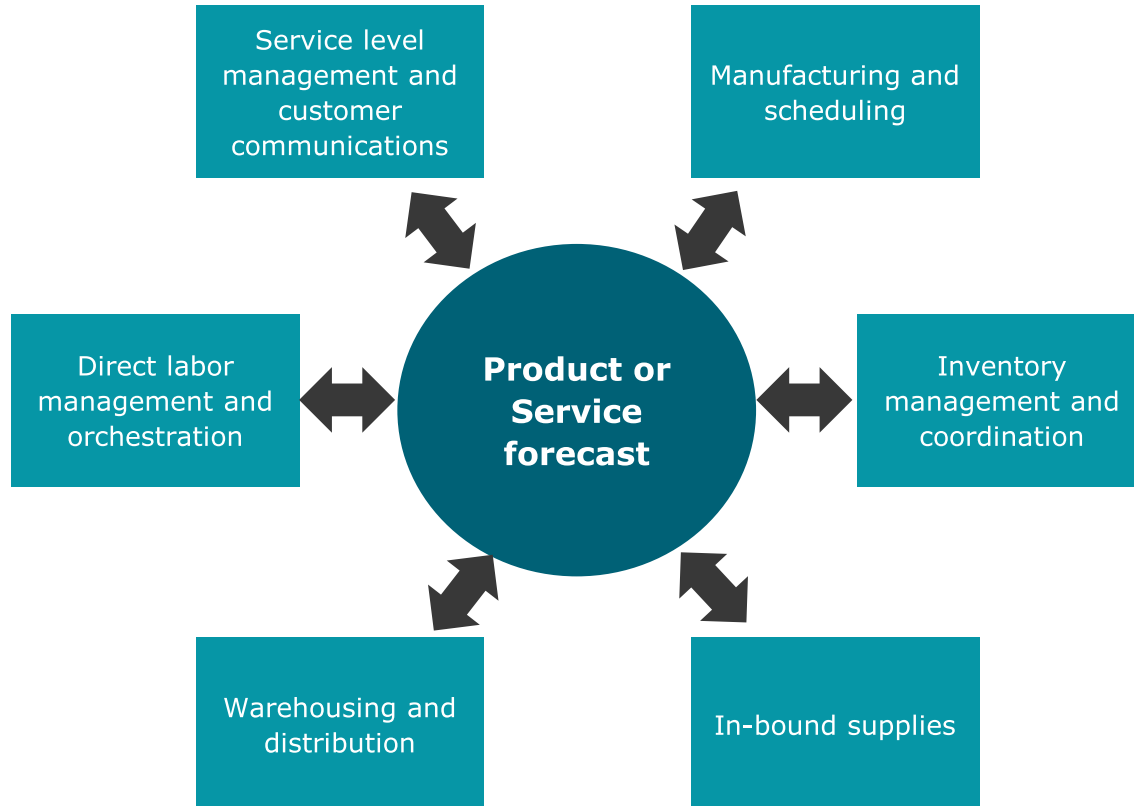
Total
13 weeks
forecast

In the present situation, operational decisions need to be made using a scenario-based forecast of product/service demand



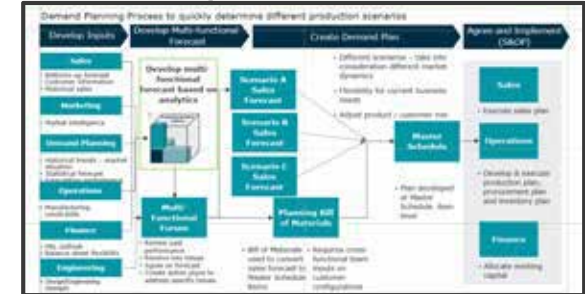
Companies could potentially flex six (6) key levers to manage operational continuity during highly variable demand forecasts

Key levers to manage Operational Continuity

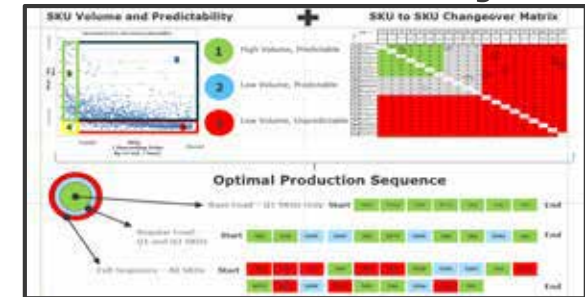


Examples

Fixed but Adjustable Demand Planning



Modified Production Scheduling



Dynamic Labor Scheduling

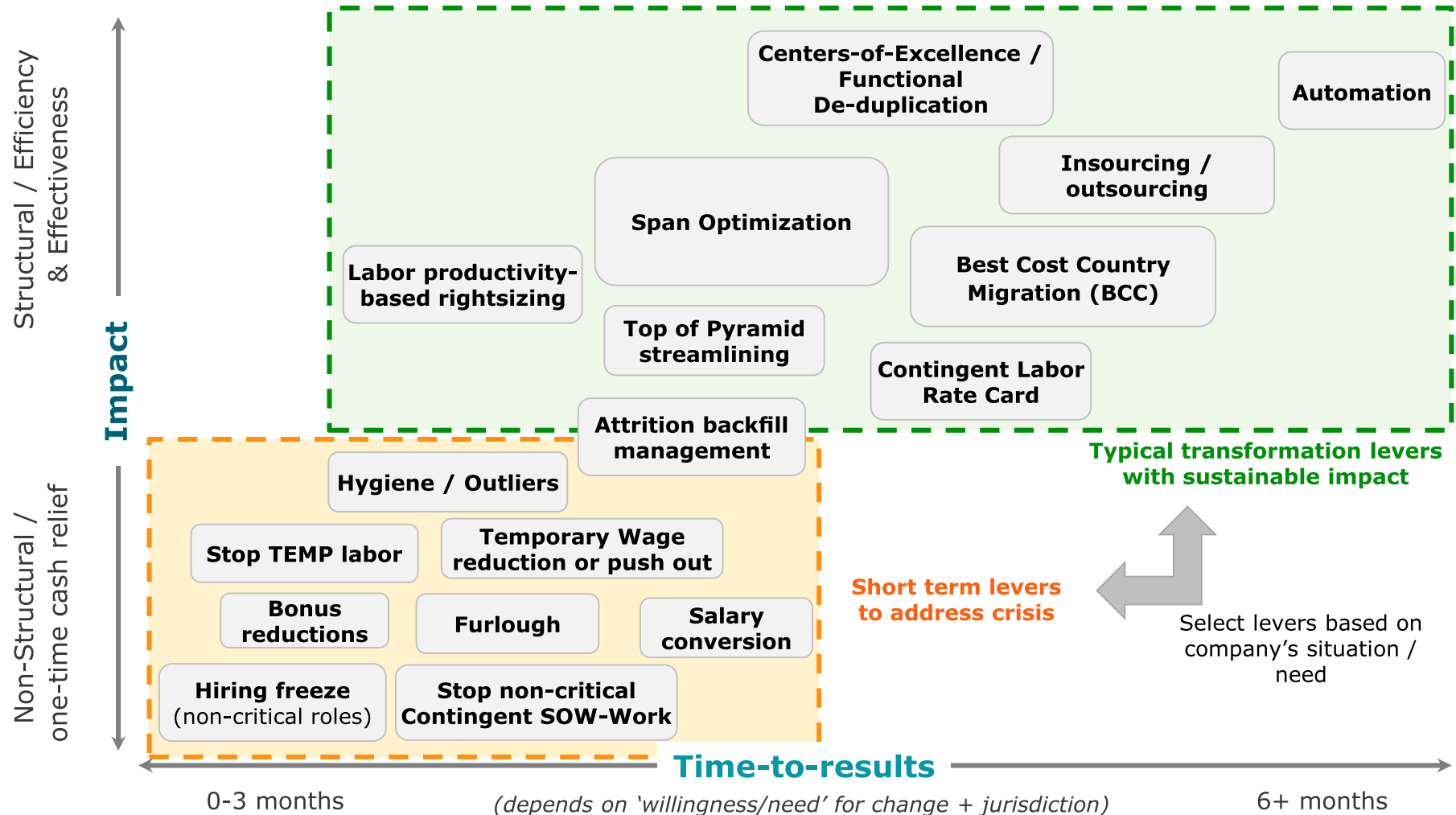


The crisis will impact human capital and companies need to take compassionate but rapid and deliberate steps to survive

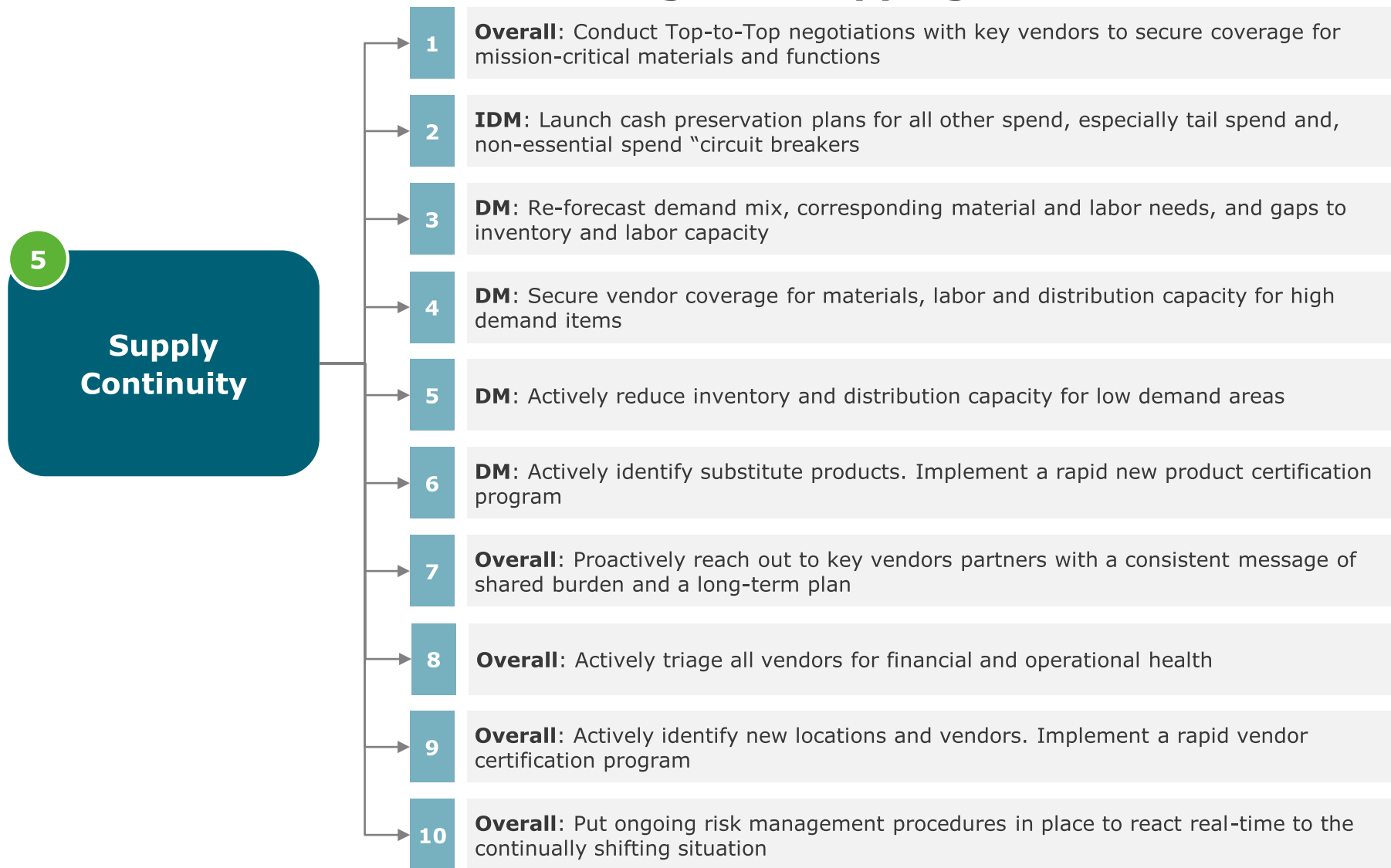


There are multiple strategies that companies can leverage in the short- to near-term considering long-term implications

Total Labor Adjustment Levers

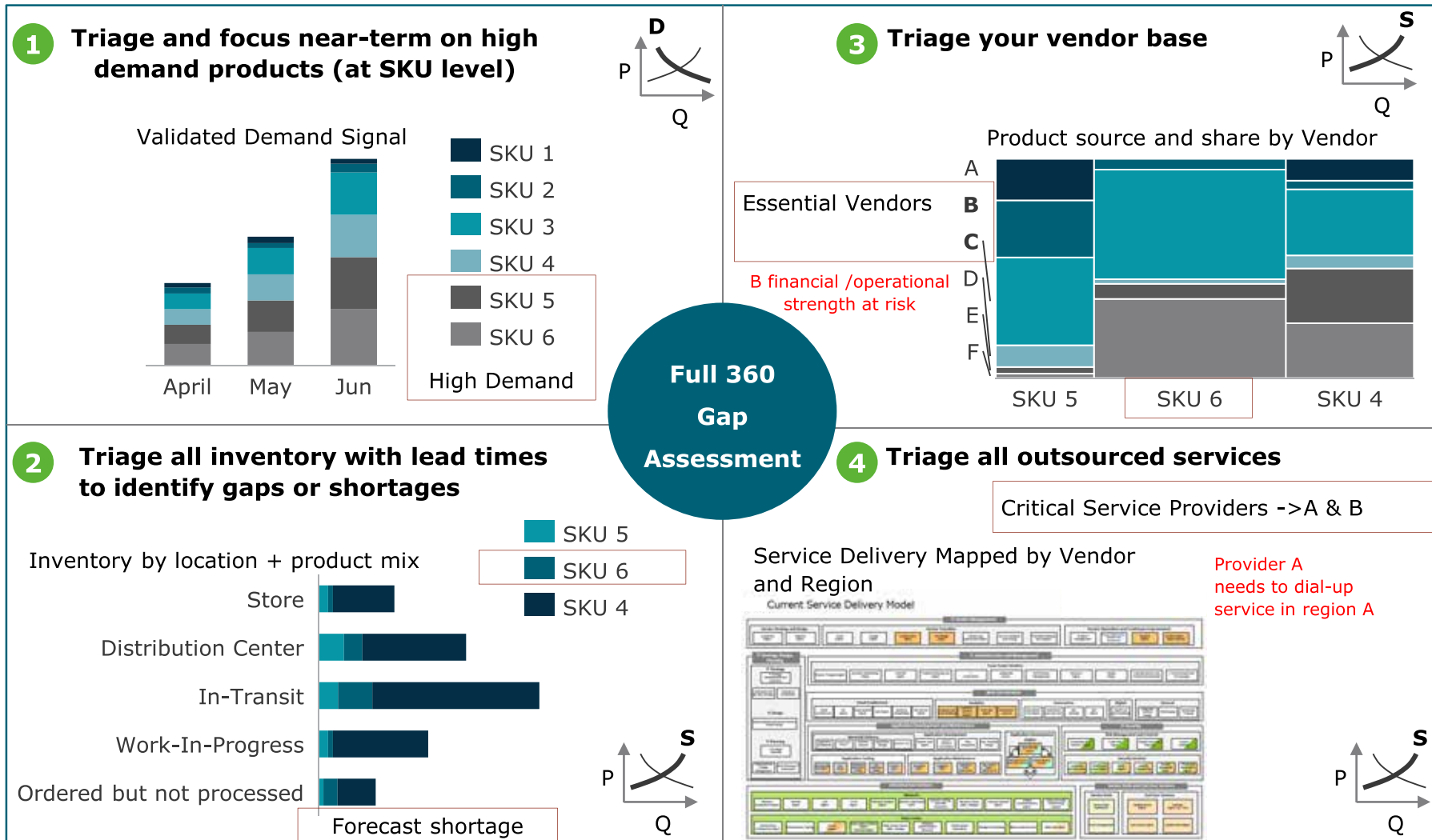


The crisis is anticipated to drive stock shortages as plants shut down to enable *social distancing* and shipping lead times increase



*DM = Direct Material; IDM = Indirect Material

As an immediate first step, CPOs must do a gap assessment for high demand products and implement risk mitigation strategies



To manage revenue, customer communications and pricing, companies need to establish a revenue war room nerve center ...

6a

Customer Care and Retention

(for business-centric businesses)

- 1 Build confidence with regular customer communications
- 2 Increase proactive sales contact under remote working environment
- 3 Assure customers of ordering/delivery/service steadiness
- 4 Keep reps and sales support teams motivated
- 5 Prioritize targeted customer relationships (offense and defense)
- 6 Offer but Tightly Manage Pricing and Terms Flexibility
- 7 Set up Revenue War Room to develop revenue scenarios and deliver overall response

... that can balance external customer focus and internal data based decision making, with frequent updates (ideally 2x/day)

Focus Area	Sample Actions
1 Build confidence with customer communications	<ul style="list-style-type: none"> Set consistent communication cadence with customers (C-level, purchasing, engg., etc.) Reassure customers on your Operational health /supply steadiness, financial health/solvency Deliver proactive and relevant messaging on how you are handling COVID 19
2 Increase proactive sales contact under remote working environment	<ul style="list-style-type: none"> Implement contact pattern for outside sales - keeping in touch, response within hours, digitally enabled Implement Inside Sales proactive calling plan, with a defined talk track focused on retention / growth
3 Assure customers of ordering/ delivery/ service steadiness	<ul style="list-style-type: none"> Increase options for ordering (if not electronic) – make it easier for customers to do business in unusual environment Pre-plan delivery schedules with customer operations
4 Keep reps and sales support motivated	<ul style="list-style-type: none"> Downsize (if needed) immediately, clear message of support to retained reps Increase fixed comp component temporarily (change Fix/Var split) for retained reps Temporarily set compensation based on overall performance, temporary relief on individual components for retained reps
5 Prioritize targeted customer relationships	<ul style="list-style-type: none"> Refresh Customer Priority List / Segment / Key Accounts - prioritize within segment when/if supply disruptions occur Proactively pursue retention of critical customers - utilize full set of levers to hold current position
6 Offer but Tightly Manage Pricing and Terms Flexibility	<ul style="list-style-type: none"> Carefully monitor competitive price moves – do not over-react to “one off” actions Segment customers for price actions – strategically use discounting where necessary to build loyalty
7 Set up Revenue War Room	<ul style="list-style-type: none"> Setup Revenue War Room/Pricing Desk to strategically manage pricing/margins Continually update revenue forecast to reflect changing conditions and new information Use RWR cockpit capabilities to both track execution on customer care actions, and swiftly adjust (and communicate) to new information

During this crisis, it is essential to maintain a focus on all aspects of consumer lifecycle ...

6b

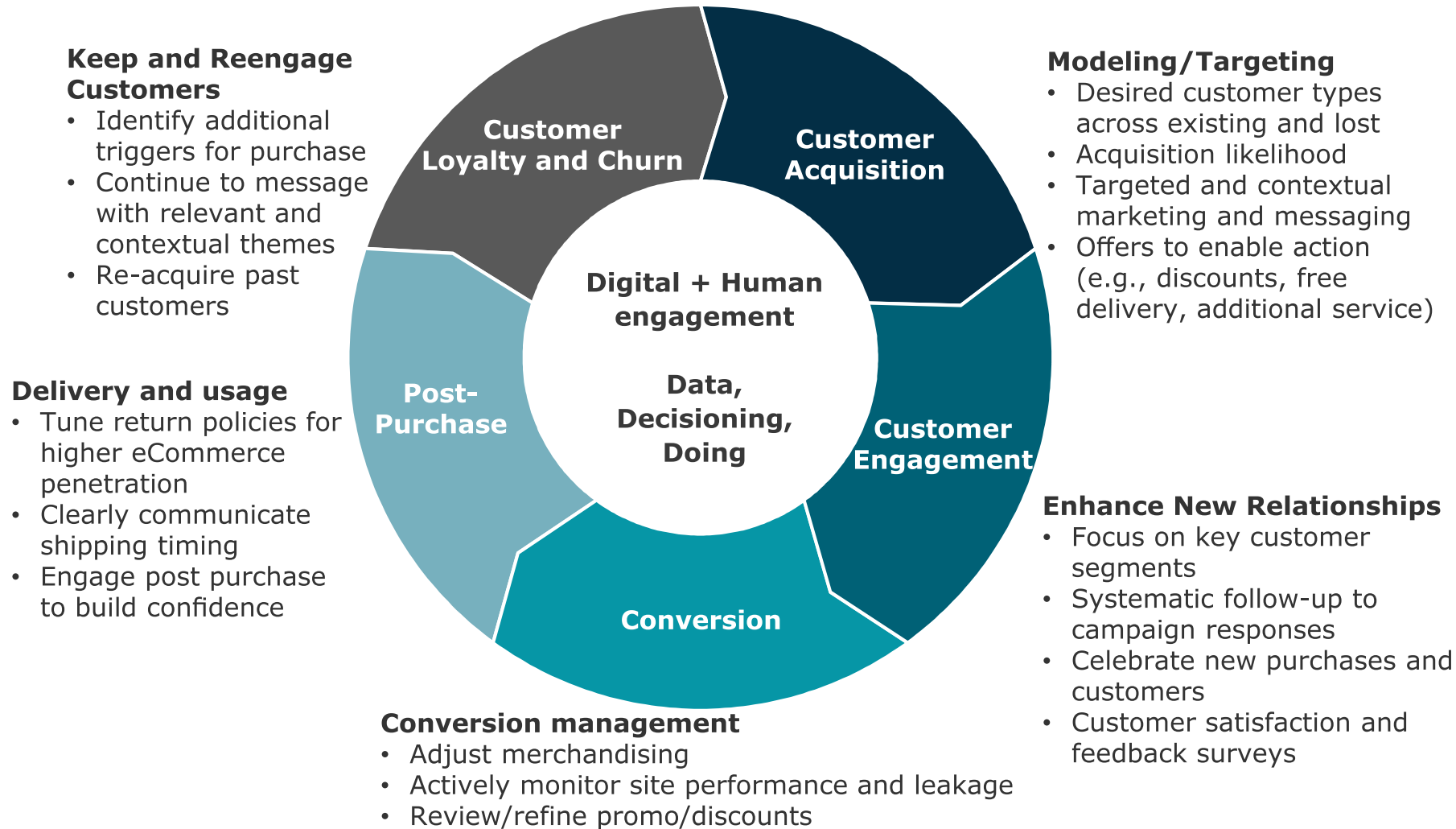
Customer Care and Retention

(for consumer-centric businesses)

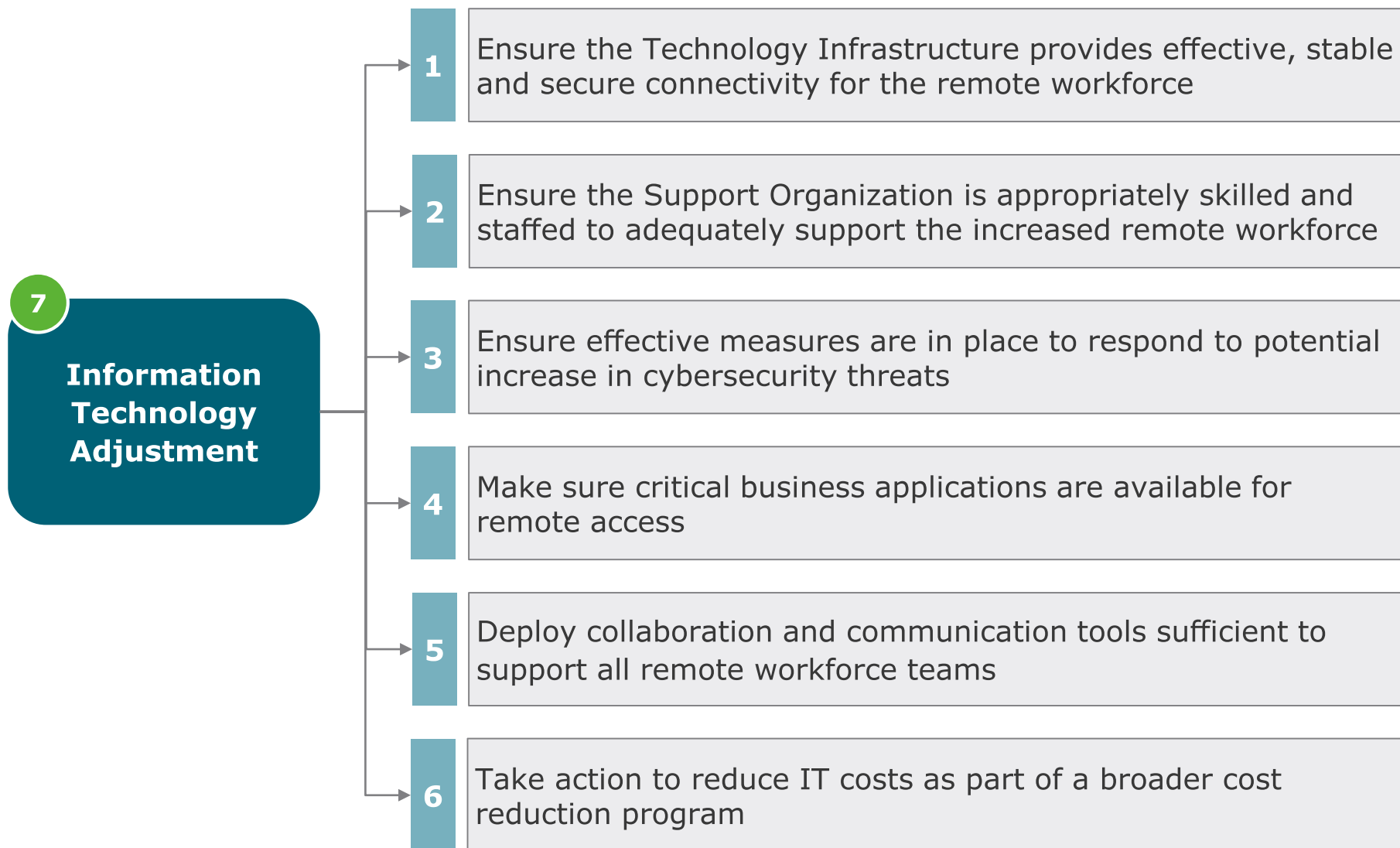
- 1 Plan for significant financial changes to demand volume and channel (e.g. labor models, delivery, remote support, digital channels, etc.)
- 2 Stabilize and expand eCommerce capability, including understanding on net sales (e.g., traffic, conversion, AOV, BOPIS/C&C, and returns)
- 3 Segment customer base and conduct active outreach and engagement for retained and lost customers (e.g., personalized messages/offers)
- 4 Refresh value proposition levers (e.g., services levels, pricing/promo, delivery, return policies, other offers)
- 5 Maintain and communicate service assurance, continuity of delivery for both goods and services (e.g., delivery impact, product availability)
- 6 Shift marketing spend & content to align with interaction channels (e.g., search marketing, social platforms, local) and evaluate future impact
- 7 Enhance the brand through demonstrated values, actions and communications (e.g., local/global community outreach)
- 8 Actively monitor and manage channel performance and tune accordingly (e.g., dashboards, test-and-learns, site/app performance)

... by leveraging Digital tools and a targeted approach to enhance customer interactions

Digitally-enabled consumer interactions and retention



Social Distancing along with significant business continuity issues is creating a strain on the IT infrastructure of all companies



Companies need to ensure their IT infrastructure will provide effective connectivity & support for the remote workforce

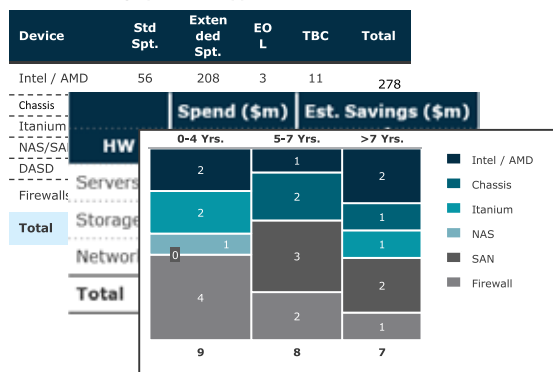
Actions to take / Must Do's

1. Ensure / provide connectivity to corporate network for remote workforce
 - Ensure remote access, laptop/desktop / mobile devices to use
 - Identify any remediation needed to address remote access; VPN, Citrix (VDI), other specialized remoting hardware/software needs; hardware/software scalability / licensing
2. Ensure appropriate network bandwidth, security and monitoring are in place to support increase in remote access.
 - Review current network across office locations and data centers to address: network bandwidth; network segmentation (DMZ etc.), secure remote access solutions
 - Augment/increase and monitoring and capacity to support anticipated growth
3. Identify key areas of IT Ops that must be in place to maintain critical business functions during the emergency, including: support resources, critical activities, 3rd party support
4. Review of Infrastructure organization (internal / external) for remote access technology skills and supports. Identify any gaps and build an actionable plan

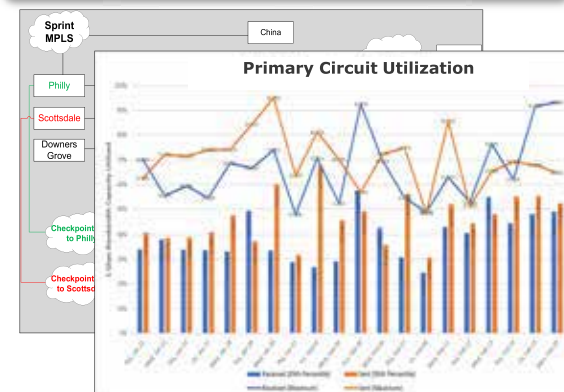
Client Analysis Examples

Hardware Assessment

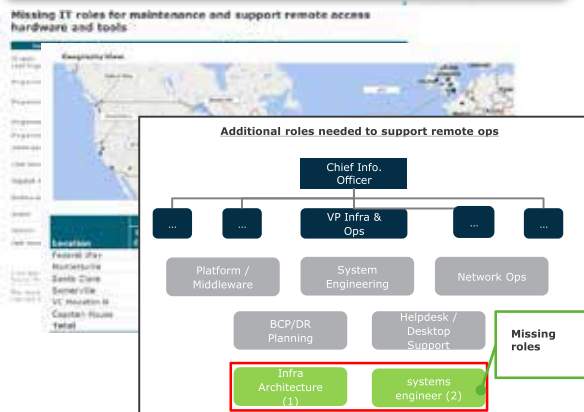
Devices needing update to support remote access



Network Assessment



Infrastructure Footprint and Org

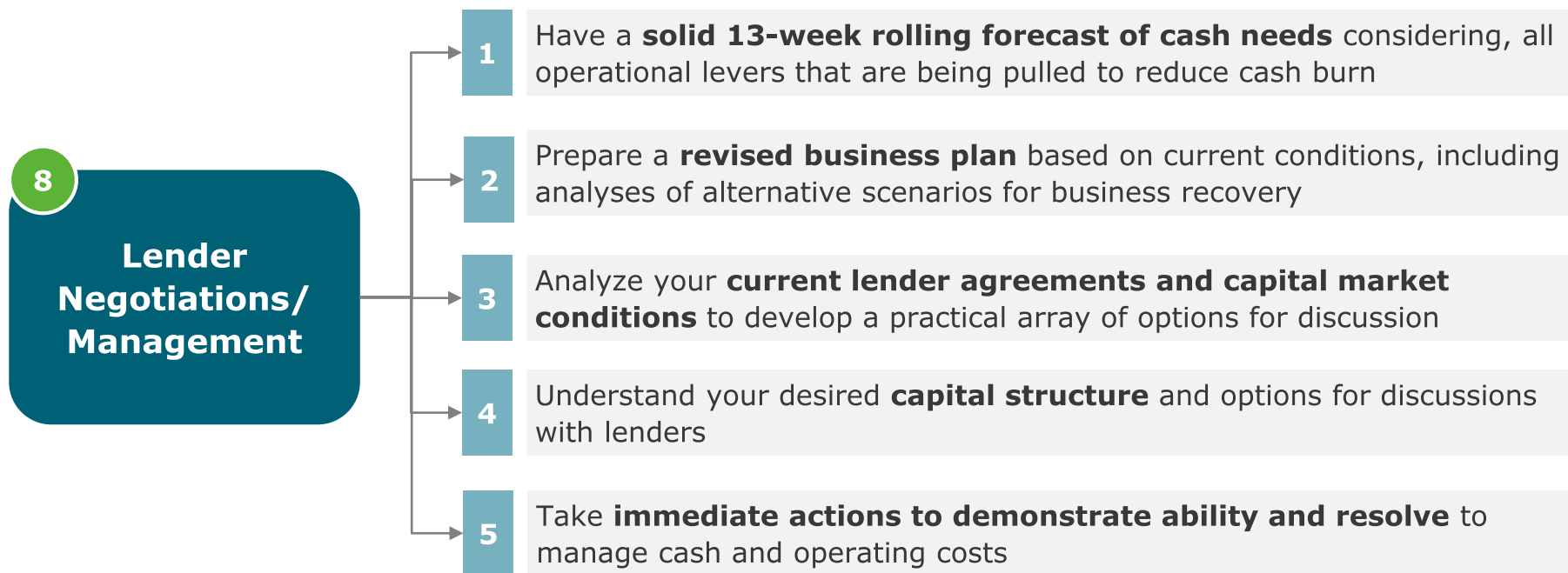


Remediation Plan

Remediation plan centered around Infra improvement, support org, and bandwidth optimization will require \$0.x-xM in investment

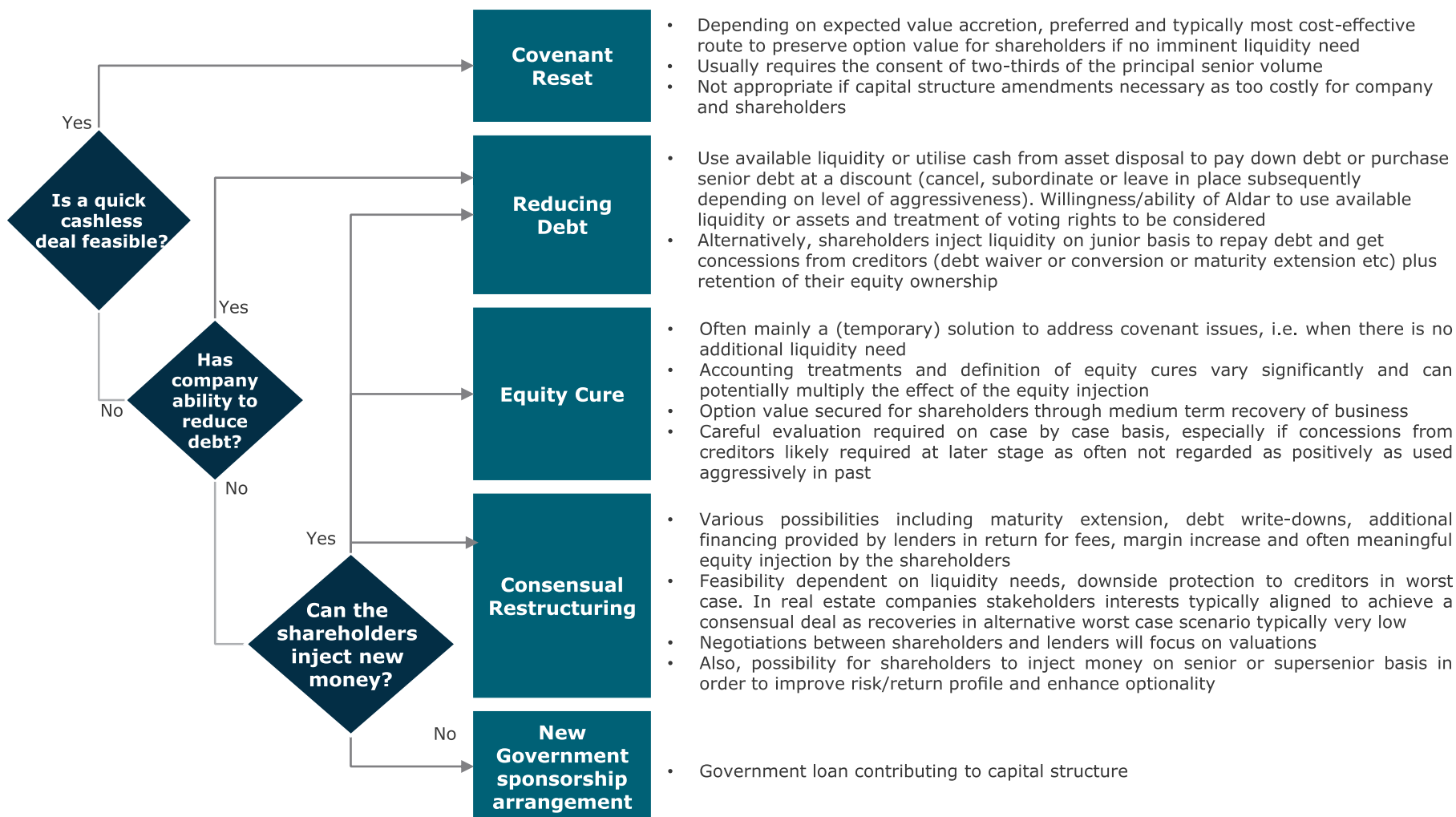
Initiative	Initiative Type	Applicability of Opportunity	Revised Type	Revised Size (\$M)	Revised Range (\$M)	Complete %	Support Org
1. Network optimization	Network	Align with existing network architecture	Network	0.8	0.8	100%	1.0
2. Hardware refresh	Hardware	Refresh hardware for remote access and support	Hardware	2.0	2.0	100%	1.0
3. Software refresh	Software	Refresh software for remote access and support	Software	0.5	0.5	100%	1.0
4. Support org refresh	Support Org	Refresh support org for remote access and support	Support Org	0.5	0.5	100%	1.0
Total (Infrastructure)				3.8	3.8		
Total IT				6.8	6.8		

The crisis could (will) require deployment of a rapid approach for managing debt restructuring activities and lender negotiations



Negotiations plans must be developed to comprehend the range of options available for achieving a consensual debt restructuring deal

Strategic alternatives



During times of severe disruption, leaders need to demonstrate empathy, speed-to-action, decisiveness, and agility

9

Leadership & Culture Reinforcement

- 1 Be empathetic
- 2 Ensure crisis interventions align with organization's culture & core values
- 3 Drive employee engagement through high impact communication
- 4 Set crisis governance protocol, decision rights, and interim role clarity
- 5 Ensure that compensation is reinforcing key roles and behaviors
- 6 Cascade guidance & leadership throughout all layers of the organization
- 7 Promote collaboration through optimized working agreements
- 8 Model open leadership, e.g., visibility, decisiveness and transparency
- 9 Quickly identify next generation leaders to elevate

Companies also need to put in place a Crisis Role Accountability Matrix (cRAM) to define behaviors, deliverables and decision rights

Overview

- The Crisis Role Accountability Matrix (cRAM) shapes **crisis governance, directs action, delineates decision rights and aligns compensation** in value creating roles when the business is in crisis
- The cRAM drives alignment on specific and urgent priorities and defines crisis accountabilities

1 • Direction

- “Does the strategy need to change in response to the crisis?”
- “What are the highest priority actions, tactics and behaviors to execute on?”

2 • Key Decision Rights & Outcomes

- “What are the decision rights for each role?”
- “What are the key metrics to track?”

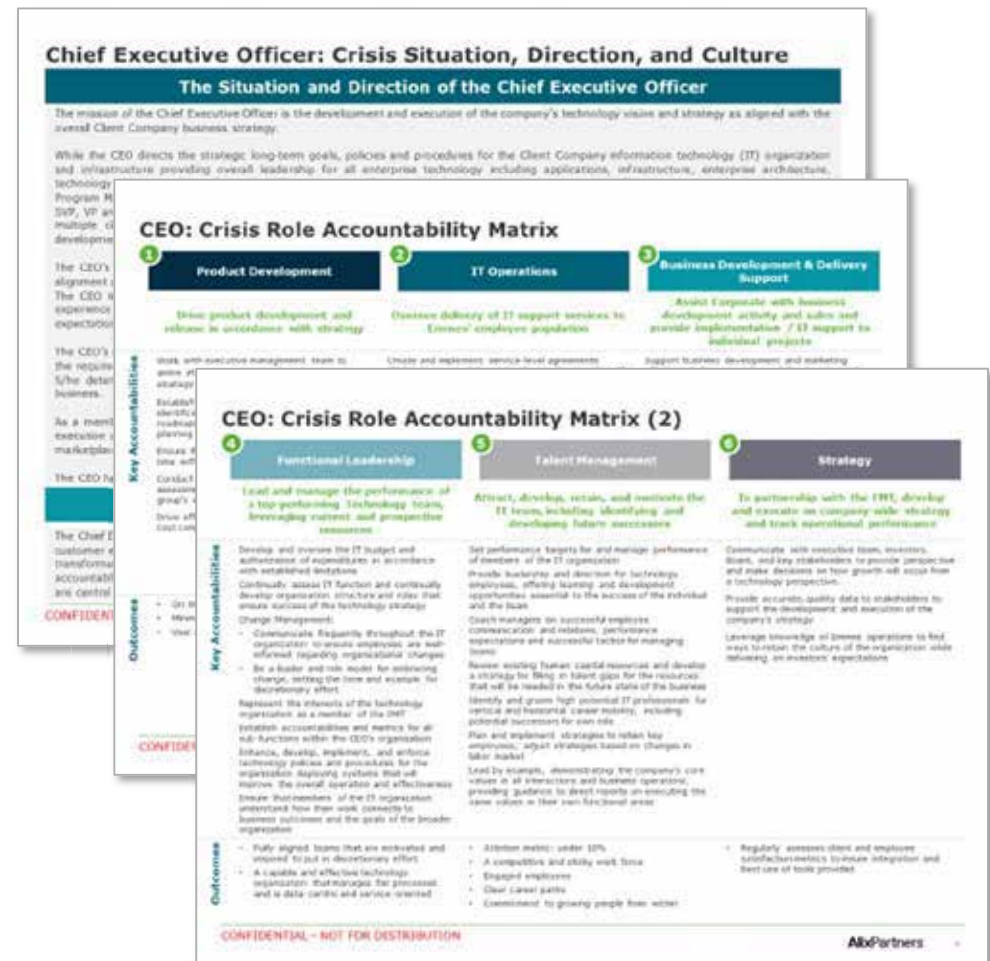
3 • Leadership Execution

- “What are the priority behaviors leadership must demonstrate?”
- “Are the compensation practices aligned with and reinforcing the right roles & behaviors?”
- “Who are the key influencers and next generation leaders to be elevated?”

4 • Cultural Adaptation

- “Who are the culture carriers that can be best leveraged to quickly engage, motivate and align the workforce?”

Crisis Role Accountability Matrix Example



A unique approach to Mergers and Acquisitions is necessary in this turbulent environment

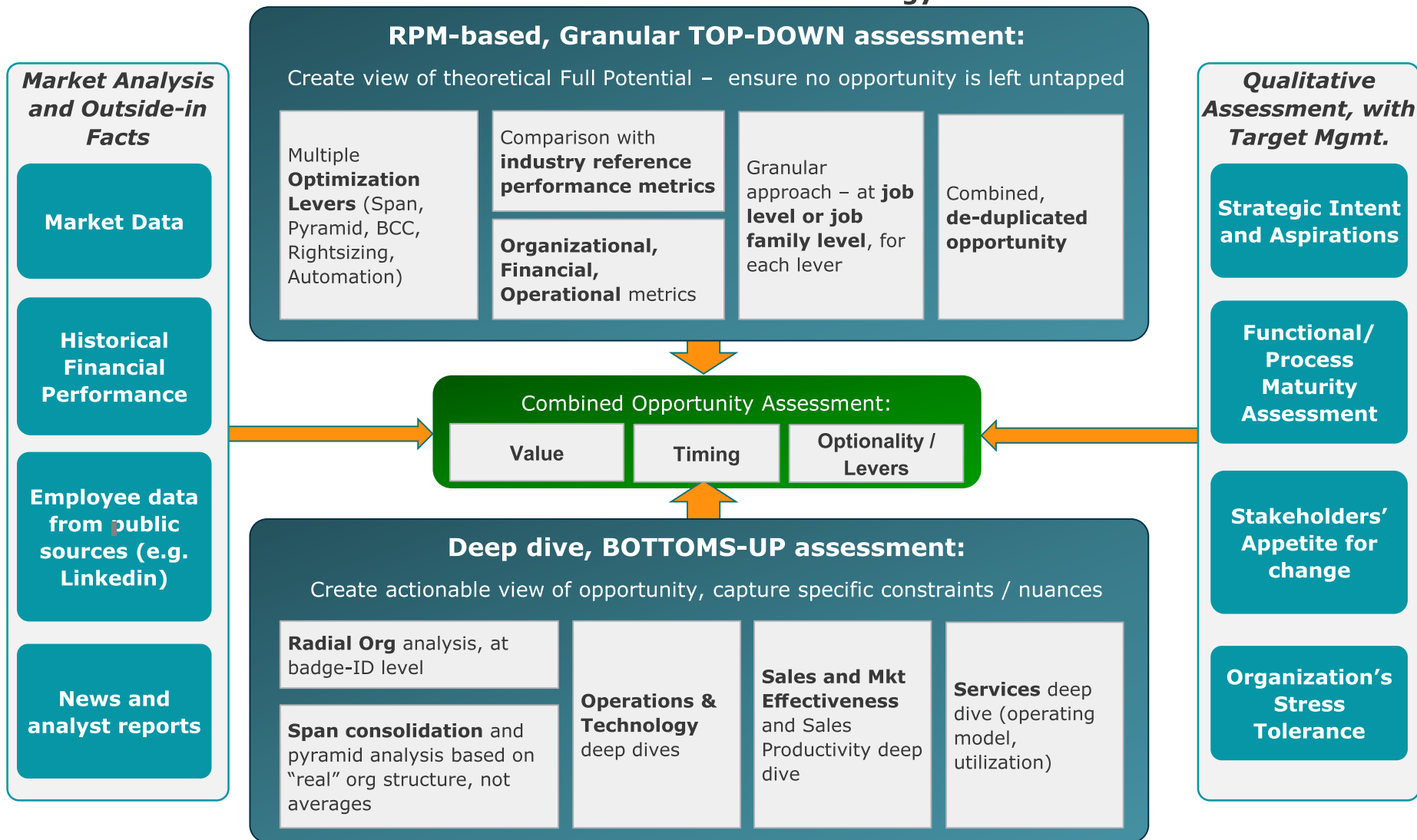
10

Mergers and Acquisitions

- 1 Strategic assessment of core / non-core areas of the business that could be divested or that could benefit from targeted acquisitions
- 2 Quantitative market analysis to identify potential targets/suitors based on selected business and financial indicators
- 3 Rapid evaluation of potential targets, focused on value triggers (signs of distress), applying our outside-in opportunity assessment framework
- 4 Detailed pre-DD opportunity analysis, including rapid cost-out scenarios and bottom up integration simulation (carve out or acquisition)
- 5 Cash-based assessment of potential integration/divestiture scenarios, to understand how to maximize cash conservation during integration phase
- 6 "Aggressive" cost reduction methodology, for distressed M&A activities, with 50%+ of the cost eliminated during the first 100 days from close
- 7 Integration Management Office, leveraging a collaborative value tracker
- 8 Divestiture assessment and methodology to identify and eliminate stranded costs

M&A activity must emphasize increased value-creation, level of confidence and underwrite-ability of the integration opportunities

AlixPartners' M&A Methodology



Reference Contacts



Alessandro Missaglia
Managing Director
amissaglia@alixpartners.com
+971 56 179 1008
Dubai Office



Gabriel Chahine
Managing Director
gchahine@alixpartners.com
+971 50 617 5432
Dubai Office



Elie Fakhouri
Director
efakhoury@alixpartners.com
+971 56 179 1007



Mauro Trabatti
Director
mtrabatti@alixpartners.com
+39 348 236 0192
Milan Office



Bankruptcy Commission