Bringing PA Back webinar series:
Part V: Recovery process for key areas of your business

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May 29, 2020
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Today’s agenda

Introductions

Recovery framework and assessment process for key areas of your business

Final thoughts
REEVALUATE YOUR STRATEGY AND OPERATIONS AS YOU PLAN FOR RECOVERY

Who is Baker Tilly?

Top talent
More than 3,900 specialized professionals nationally and more than 36,000 professionals globally guide clients through an ever-changing business world

Industry leader
Ranked as the 12th largest accounting and advisory firm in the U.S., with 13 offices across PA, and offices in 23 states and eight international locations

Global reach
Largest member of Baker Tilly International, one of the world’s top 10 professional service networks globally with offices in 146 countries
Baker Tilly view on path to recovery

<table>
<thead>
<tr>
<th>Impact</th>
<th>Recovery process</th>
<th>Resources</th>
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<tbody>
<tr>
<td>The impact of the COVID-19 pandemic has been far-reaching, both in the United States and worldwide. As federal, state and local governments contemplate the best ways to gradually lift lockdowns, many organizations are beginning to shift their strategic focus to the restart and ramp-up of their operations.</td>
<td>While there is still great uncertainty about what a recovery phase from COVID-19 will look like, it is essential for your organization to understand the scenarios you may face and map your recovery path back to growth. Baker Tilly’s Value Architect™ approach to delivering value protection and value enhancement solutions enables our team members to be prepared to work with your organization to chart a way forward that will enhance and maximize value, minimize further disruption and keep your workforce safe.</td>
<td>Baker Tilly’s Coronavirus Resource Center provides you with information, insights and tools as you plan your recovery scenarios. We are continually monitoring external factors in what is an evolving environment in both the U.S. and across the globe. We are prepared to provide you with the most up-to-date information and assistance. <strong>VISIT:</strong> bakertilly.com/specialties/coronavirus-preparedness-resource-center</td>
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Framework for path to recovery and assessment process

Six key recovery categories

Business model rationalization/growth
- M&A or organic growth
- Growth going forward

Financial resilience
- Cash flow modeling
- Capital structure

Customer demand planning and generation
- Customer experience
- Sales strategies

Supply chain and operations stabilization
- End to end supply chain
- Sourcing locations

Employee health, safety and retention
- Communications and change management
- Workforce planning

Information technology and cybersecurity
- Data analytics
- IT systems performance
Examine different growth strategies that you can use as we enter the “next normal”
Our new reality
What could the “next normal” look like?

**Business model rationalization/growth**
- Contact-free economy
- Ecommerce
- Telemedicine
- Online education
- Automation
- New delivery models
- Brick & mortar reset

**Financial resilience**
- Industry-specific government assistance
- Dynamic cash forecasting

**Customer demand planning and generation**
- Digital retail
- Virtual sales force
- Remote customer service
- Cashless transactions
- New value propositions
What could the “next normal” look like?

Supply chain and operations stabilization
- “Local for local”
- Redundancy of supply
- Reshoring
- De-risking
- Shift from JIT to higher inventory
- Ongoing monitoring of supplier financial health

Employee health, safety and retention
- Remote teams
- Workforce distancing
- PPE in every work place
- Remote work policies
- Mandatory testing
- Demand for reskilling

Information technology and cybersecurity
- Digital transformation to support remote teamwork
- Digital twins
- Multi-cloud deployments
- Enhanced cybersecurity
Planning for the next normal – strategic scenario planning

– The “next normal” is evolving as we speak

– Getting back to a stable normal state depends on the timing of the “recovery”

– Organizations need to plan for:
  – Best case
  – Worst case
  – Most likely case

– Real-time indicators should be identified and monitored to define the scenarios

– Action plans for each scenario should be developed in anticipation of changing environmental dynamics

– Finally, a process needs to be defined to monitor and respond to those changes
COVID-19 – STRATEGIC PLANNING

Next normal positioning - strategic scenario planning

**STEP 1**
Define and model scenarios

**STEP 2**
Develop strategic actions

**STEP 3**
Monitor and refine strategic responses
COVID-19 – STRATEGIC PLANNING FACTORS

Scenario factors for strategic planning

1. **Health factors** – the number, growth rate and timing of the spread of cases
2. **Economic factors** – supply chain disruptions, demand declines, unemployment rates
3. **Social factors** – government or quarantine orders
COVID-19 – STRATEGIC PLANNING FACTOR EXAMPLES

Health

– Number of cases
– Rate of spread/curve flattening
– Mortality rate
– Geographic spread
– Availability/timing of treatment options
– Time to market for vaccine
COVID-19 – STRATEGIC PLANNING FACTOR EXAMPLES

Economic

– Customer demand shifts
– Unemployment numbers
– Late payment/default by customers
– Continued supply disruptions
– Durable goods spending
– Forced behavior changes by workers and consumers
– Competitor displacement
COVID-19 – STRATEGIC PLANNING FACTOR EXAMPLES

Social

- Opening of non-essential business
- Stay-at-home orders lifted
- Opening of schools, cultural institutions and recreation facilities
- Lifting of government-ordered travel bans
## Examples of scenarios and leading indicators*

<table>
<thead>
<tr>
<th>Leading indicators</th>
<th>Best scenario: Recover by 3Q20</th>
<th>Most likely scenario: Recover by 1Q21</th>
<th>Worst scenario: Recover by 2Q21</th>
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<tbody>
<tr>
<td><strong>Health</strong></td>
<td></td>
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<tr>
<td>Number of cases in U.S.</td>
<td>1.5 million</td>
<td>1.7 million</td>
<td>3 million</td>
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<tr>
<td>Rate of spread</td>
<td>Curve flattens</td>
<td>Sustained local transmission</td>
<td>Accelerated spread/second wave</td>
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<tr>
<td>Geographic spread</td>
<td>U.S., China, Italy only hot spots</td>
<td>Northern hemisphere hot spots</td>
<td>Northern and southern hemisphere hot spots</td>
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<tr>
<td>Availability of treatment</td>
<td>Immediate Treatment available</td>
<td>Treatment available and effective in U.S.</td>
<td>No viable treatment options</td>
</tr>
<tr>
<td>Time to market for vaccine</td>
<td>1Q21</td>
<td>3Q21</td>
<td>2022</td>
</tr>
<tr>
<td><strong>Economic</strong></td>
<td></td>
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<tr>
<td>US unemployment rates</td>
<td>15% unemployed</td>
<td>20% unemployed</td>
<td>25% unemployed</td>
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<tr>
<td>Chinese supply chain status</td>
<td>Shipments - 15% disruption</td>
<td>Shipments - 30% disruption</td>
<td>Return of virus - 50% disruption</td>
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<tr>
<td>Durable goods spending</td>
<td>Return to normal</td>
<td>Gradual increase</td>
<td>Slowed return</td>
</tr>
<tr>
<td>Customer demand/consumption</td>
<td>Return to normal</td>
<td>Gradual increase</td>
<td>Slowed return</td>
</tr>
<tr>
<td><strong>Social</strong></td>
<td></td>
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<tr>
<td>Government mandated social distancing</td>
<td>Ends June 2020</td>
<td>Ends September 2020</td>
<td>Ends January 2021</td>
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<tr>
<td>Government ordered local and global travel bans</td>
<td>Lifted September 2020</td>
<td>Lifted January 2021</td>
<td>Lifted January 2022</td>
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<tr>
<td>Opening of schools and institutions</td>
<td>Open September 2020</td>
<td>Open January 2021</td>
<td>Open September 2021</td>
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</table>

* This chart is for illustrative purposes only, created early April
STEP 2: Develop strategic actions for each scenario across these categories:

- Business model rationalization/growth
- Supply chain and operations stabilization
- Financial resilience
- Employee health, safety and retention
- Customer demand planning and generation
- Information technology and cybersecurity
COVID-19 – STRATEGIC PLANNING

STEP 3: Monitor the recovery and refine strategic responses

**Act**
Execute the strategic actions to ensure recovery.

**Observe**
Define the baseline for the current state.

**Decide**
Based upon changing environmental factors, refine the course of action.

**Orient**
Monitor the leading indicators for changes to the environment.
COVID-19 recovery preparedness assessment
Overview

The Baker Tilly COVID-19 Recovery Assessment is a process that can help you and your management team prepare for recovery.

The assessment helps you to:

– Define the current impact of the crisis on your organization
– Uncover potential risks at your organization that may need to be mitigated
– Understand your level of preparedness for recovery in a potentially permanently altered business environment
– Provide actions to consider for your recovery planning
Current impact of COVID-19 on your organization

To date, COVID-19 has had a negative impact on many aspects of your organization. Specifically, the impact has been extremely negative on your customer demand generation and revenue. Lower customer demand will also impact the profitability, growth, and valuation of your business.
Recovery preparedness of your organization

RAPID RECOVERY ASSESSMENT
Supply chain and operations stabilization

Organizations that rely upon a supply chain to provide products for their operations will need to understand how their supply base has been impacted by the crisis. You have reported that your supply chain relies on a single source of supply for many critical products, many items are sourced offshore and that you do not have a robust supply chain continuity plan to deal with pandemics.

Actions to consider:

- Conduct supply chain risk assessment to identify critical, shut-down sensitive materials
- Identify alternative sources of supply
- Conduct cost analysis on alternatives sources of supply
- Conduct a trade/tariff impact analysis
- Evaluate your inventory levels in light of the new normal
- Consider shifting some operations to the US or other less risky locations
Additional sample action items

**Business model rationalization/growth**
- Review and rationalize your sales & distribution network
- Refine your go-to-market strategy and identify additional target markets

**Financial resilience**
- Begin a bottoms up budget process based on next normal assumptions
- Develop financial models to understand potential future recovery scenarios

**Customer demand planning and generation**
- Conduct customer outreach to understand their current state and future state
- Begin to identify alternative revenue streams
Additional sample action items

**Employee health, safety and retention**
- Conduct workforce planning based on possible recovery and return-to-work scenarios being considered
- Develop a recruiting plan to identify potential new employees through the recovery

**Information technology and cybersecurity**
- Reevaluate and accelerate your efforts to migrate to cloud-based applications across the entire enterprise
- Continue to step up your cybersecurity monitoring efforts both internally and externally for a remote workforce
Final thoughts

Communicate.
Collaborate.
Execute.

Now, for tomorrow!
Key links to thought leadership

Center for the Return of Manufacturing:
https://www.bakertilly.com/specialties/center-for-the-return-of-manufacturing

A “now, next, later” approach will guide supply chain shifts related to pandemic challenges:
https://www.bakertilly.com/insights/a-now-next-later-approach-will-guide-supply-chain

Building resilience today for a stronger tomorrow:
https://www.bakertilly.com/insights/building-resilience-today-for-a-stronger-tomorrow

Paycheck Protection Program (PPP) FAQ:

Coronavirus Resource Center:
Questions?
Contact us!

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