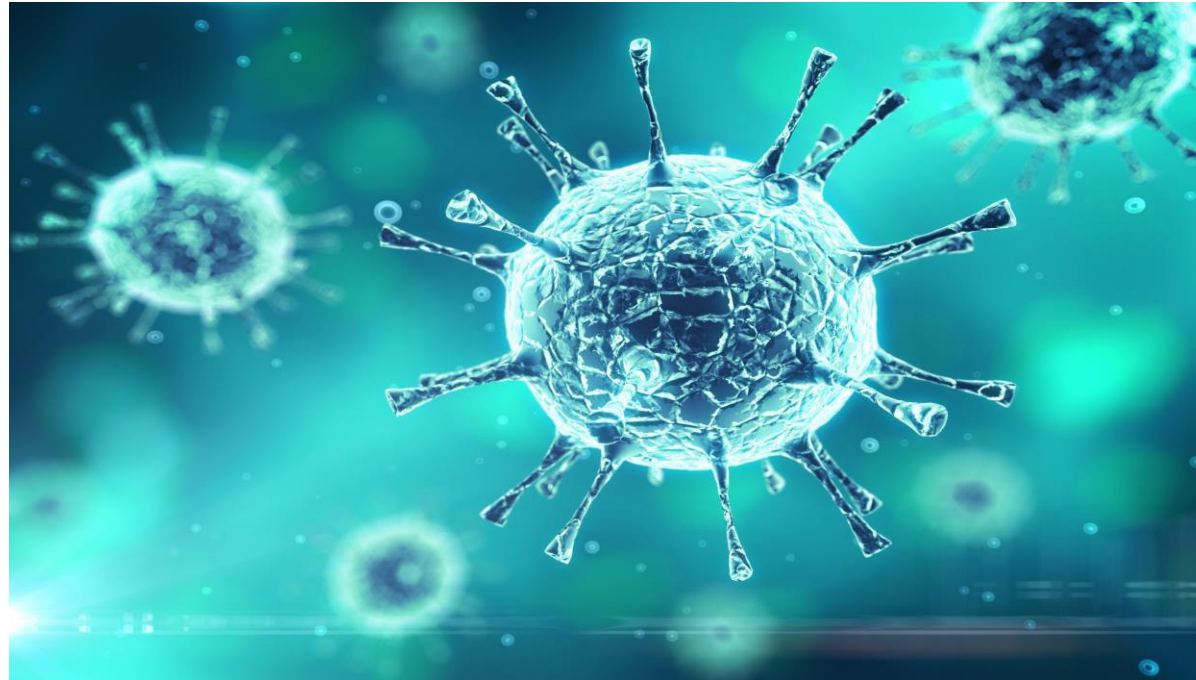




goetzpartners

STRATEGY | M&A | TRANSFORMATION



COVID-19 | goetzpartners' Action Roadmap

Call for Action | Roadmap

The goetzpartners COVID-19 action roadmap addresses the most pressing challenges along four action modules that should be driven by a dedicated war room team

EXECUTION ENGINE






VIRTUAL WAR ROOM

- Assign **dedicated teams** to manage critical modules
- Establish governance and guidelines for **quick decisions**
- Track **daily changes & progress**
- Ensure **continuous communication** with **internal employees**
- Enable **technical flexibility** (e.g. home office rules, video conferencing)
- Ensure full-fledged **risk management**



ACTION MODULES

MEASURES (EXEMPLARY)

1 BUSINESS IMPACT: P&L/ CASH STRESS TEST 	Create transparency on immediate business risks and liquidity	Derive a new business plan (P&L and cash flow) incl. scenario comparison
2a OPERATIONAL MEASURES 	Fix bottle-necks in the supply chain	Enforce capacity adjustments and short-time work
2b FINANCIAL MEASURES 	Adapt to changing customer needs and protect revenue sources	Implement cost-saving levers and track results
3 ACT NOW! 	Execute short-term liquidity measures	Renegotiate receivables/ payables policies
4 STRATEGIC MOVES BEYOND THE CRISIS 	Prepare applications for governmental support (local, federal, EU)	Negotiate equity and debt terms/ injections with existing partners
	Address staff and works council and align with shareholders	Communicate with customers, suppliers and creditors (banks/gov.)
	Adapt to changing customer needs and challenge future business model	Leverage crisis for strategic M&A moves and align the operating model

1 Business Impact | P&L/ Cash and Stress Test

The analysis of external and internal dynamics caused by COVID-19 allows a detailed evaluation of the financial and strategic implications. Based on these analyses, a P&L forecast and a financial stress test can be conducted

ANALYZE THE IMPACT

EXTERNAL IMPACT

- Changes in customer **purchasing behavior**
- **Competitive dynamics** such as market exits
- Value and **supply chain disruptions**
- **Regulatory** changes

INTERNAL IMPACT

- **Key personnel** risks
- **Sick leaves** of employees
- Internal **logistics disruptions**
- **Operational disruptions**
- **Sales force** limitations

FINANCIAL FORECAST AND STRESS TEST

FORECAST OF FINANCIAL STATEMENTS

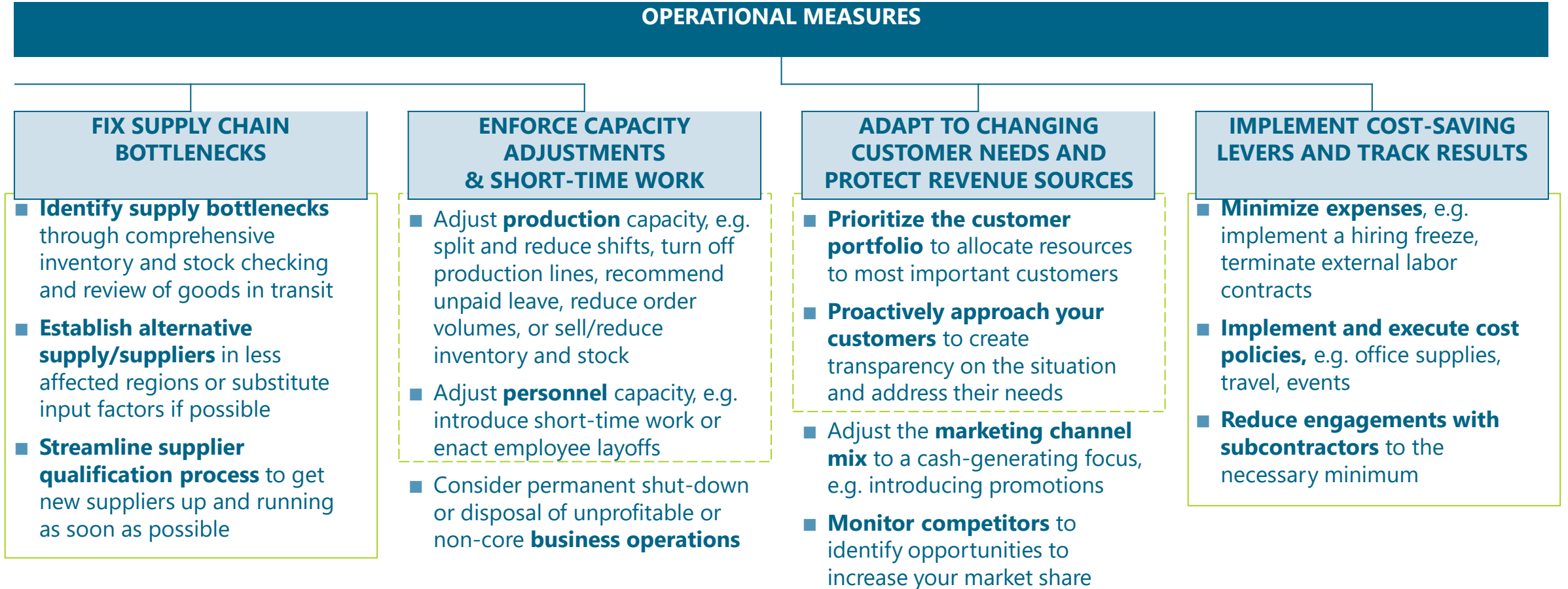
- **Forecast** the **financial statements** (P&L, balance sheet, cash flow) based on the findings of the external and internal analysis
- Develop a weekly **liquidity planning** for at least 13 weeks in order to have a comprehensive overview of the **financial health and resilience** given the changing circumstances

FINANCIAL STRESS TEST

- Based on the updated financial planning, market **scenarios** are developed to assess the **impact** of various **crisis developments**
- A **stress test** indicates existential weaknesses and enables the goal-oriented definition of necessary **preparations and counter measures**

2a Operational Measures

The operational measures ensure that the company maintains its capacity to act and adapt the operations to a level that meets the requirements of the crisis



 Immediate action points ("act today")

Source: goetzpartners

2b

Financial Measures

All types of financial measures should be triggered to ensure liquidity throughout the state of crisis and enable a stable restart to the original mode of operation beyond the crisis

MEASURE

EXECUTE SHORT-TERM LIQUIDITY MEASURES

DESCRIPTION

- **Reduce OPEX** spending, postpone **CAPEX** and **R&D** investments
- **Divest non-core equipment** wherever feasible
- **Safeguard liquidity**, e.g. establish a liquidity taskforce for continuous monitoring

APPLY FOR GOVERNMENTAL SUPPORT (LOCAL, FEDERAL, EU)

- Apply for **KfW loans**, which are provided extensively in order to ensure business survival
- Use **tax relaxation** as a cash buffer as authorities are instructed to accept delayed tax payments, creating a liquidity buffer for companies
- Take advantage of **additional funds** provided on **EU level** by the **ECB** or on a **local/federal level**

RENEGOTIATE RECEIVABLES/PAYABLES POLICIES

- **Enhance value chain management**, e.g. renegotiate customer and supplier contracts
- Bargain for **extended payment terms** with suppliers
- **Optimize receivables** by ensuring upfront payments from customers wherever feasible or factoring

NEGOTIATE EQUITY AND DEBT TERMS/ INJECTIONS WITH EXISTING PARTNERS

- Approach **existing shareholders** for an injection of additional equity
- Utilize existing **financing banks** for loans and credit lines and address new ones
- Engage with **debt funds** for short-term liquidity, especially given more streamlined decision processes compared to traditional banks

3 Act Now | Stakeholder Management

More than ever, the COVID-19 crisis requires the close collaboration with all important stakeholders. Addressing employees, shareholders, banks and public institutions as soon and as clear as possible is vital for a successful crisis management

SUPPLIERS & CUSTOMERS

- Establish **communication channels** with suppliers and customers
- **Communicate** with suppliers and schedule regular calls to **monitor supply chain**
- Engage with **clients** to identify their most **urgent needs** and **forecast demand**

EMPLOYEES & WORKS COUNCIL

- Encourage **unpaid leaves** and use of **vacation days**
- **Reduce** production **shifts/** enable **home office**
- **Announce short-time work** and inform works council regarding implementation details

SHAREHOLDERS

- Align with **shareholders** on **financial situation** and initiated action plan
- Issue **profit warning** (if required)
- Present short- and mid-term **contingency plans** and **milestones for corrective measures** to shareholders

BANKS & EXISTING CREDITORS

- Forecast **financing needs** and potential **covenant breaches** with existing creditors
- Negotiate **waivers, credit limits and suspension of interest payments**
- Address public institutions to **access funding**

ACT NOW!

4 Strategic Moves Beyond the Crisis

The direct actions should not only be used to tackle the immediate challenges but also to prepare strategic moves and business model adaptations beyond the crisis

CUSTOMER NEEDS & BEHAVIOR CHANGES



- Analyze **customer needs** and **behavioral changes** beyond the crisis
- Built **multiple scenarios** to react to changing needs
- Prepare for an increasing share of **customer interaction on digital channels**
- Design an **agile setup** to enable continuous flexibility to adapt to **changing customer needs**
- Align **new strategic direction**

PORTFOLIO & BUSINESS MODEL REVIEW

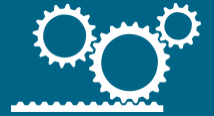


- Critical **review of product portfolio/ service offering** (e.g. which products/ services are strongly impacted by the crisis and should be focused on after the crisis)
- Use situation to **eliminate/ substitute products/ services** which have been underperforming before the crisis and are not likely to recover
- Adapt business model to **“new normal”**

Offensive moves:

- Closely monitor competitor behavior throughout and beyond the crisis and **prepare for strategic moves (M&A)**
- Leverage crisis-situation for **take-over scenarios** of **competitors** or for **vertical integration**

OPERATING MODEL SHIFT

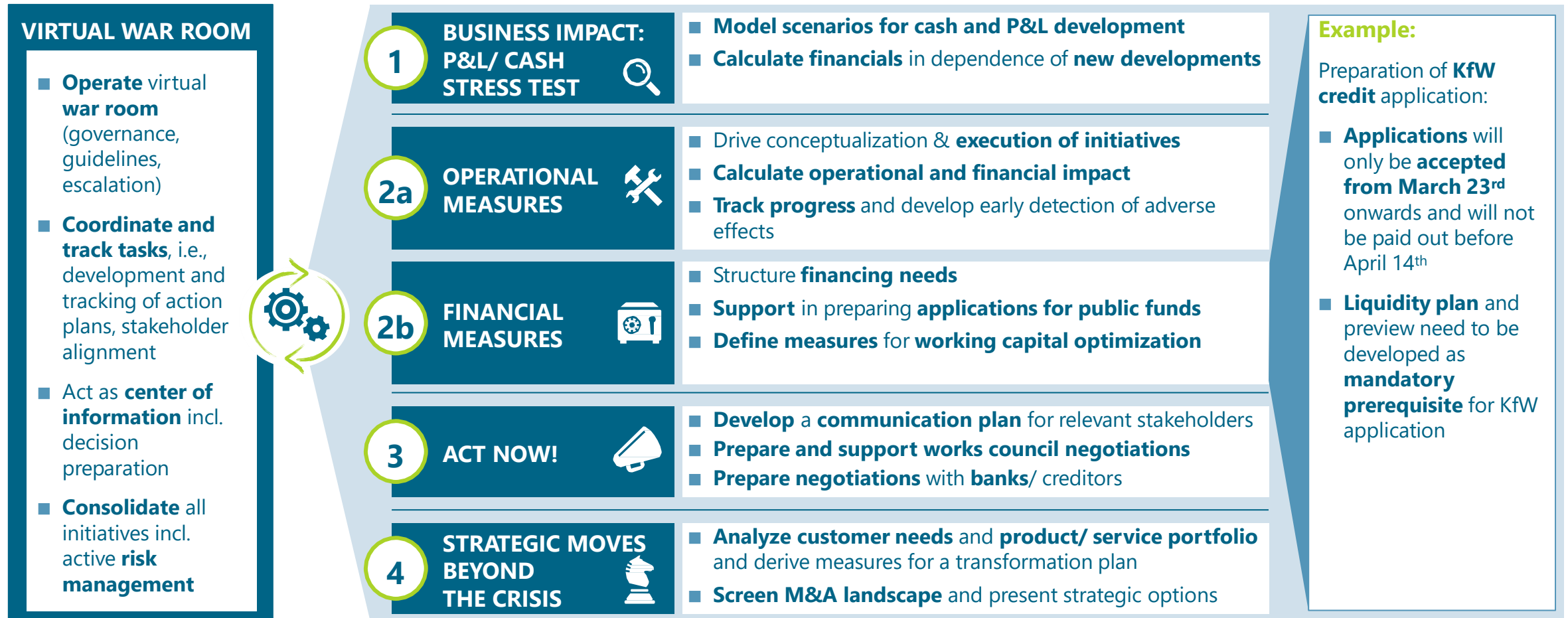


- **Challenge the status quo** of the current mode of operation
- Prepare and **adapt the operating model** to resemble expected customer needs
 - Adapt the **value chain**
 - Review the **footprint**
 - Verify **options of insourcing** selected functions

▶ **Key consideration: Balance defensive and offensive moves**

How goetzpartners can help

We can support you in all modules of the roadmap and leverage our restructuring and transformation expertise to help you overcome the crisis



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