

# COVID-19 RISKS AND DISPUTES: PROTECTING YOUR BUSINESS

In Asia the business and reputation risks are mutating fast as the pandemic establishes itself as a global phenomenon triggering countries to lock down and sending stock markets plunging.

Where the region's businesses had initially mobilised emergency processes to protect staff and manage supply chains across borders, particularly China, the focus is shifting towards managing business through national lock downs, and tumbling demand for products and services in Europe and the Americas as entire national populations stay home and businesses close.

## COVID-19 – BUSINESS RISKS



### BUSINESS TRANSFORMATION

- Reorganisation
- Liquidity management (refinancing)
- Change management
- Business continuity
- Supply chain diversification
- Valuation & financial advisory
- Private equity advisory

### RESTRUCTURING

- Turnaround services
- External debt restructuring
- Creditor relations
- Forensic accounting
- Bankruptcy support
- Interim management
- Receivership

### DISPUTES ADVISORY

- Contract renegotiation – termination, curtailment
- Litigation support
- Damage quantification
- Delay analysis
- Investigations
- International arbitration

### REPUTATION

- Cybersecurity
- Crisis management
- Issues/risk monitoring & preparedness
- Creative stakeholder engagement
- Financial communications
- Media relations
- Change communications
- Public and government affairs

Though WHO declares the epicentre is now Europe, complexities are growing in Asia. Some countries are stepping up prevention action with Malaysia and Indonesia the first to institute lockdowns while others have already passed peak infection and into a recovery cycle, led by China where new infections are now coming from overseas.

With the pandemic continuing to spread and uncertainty over its likely trajectory, many businesses are now preparing for longer term impacts.

Throughout this uncertainty, scrutiny on businesses is relentless. Rumours and misleading information is getting unprecedented airtime turning this pandemic into a major risk for companies. There is no hiding place even where everybody is affected.

As a global business advisory firm dedicated to helping organisations manage change, mitigate risk and resolve disputes, FTI Consulting can offer broad support across the varied challenges a company can face managing the impact of the crisis, drawing on experience of other major global epidemics such as SARS and working seamlessly across all geographies as the virus spreads.

## HOW FTI CONSULTING CAN SUPPORT



### BUSINESS TRANSFORMATION

The outbreak has already caused tremendous global disruption in supply chain that will last for many months. Wherever the location is, the ability and agility for companies to shift all or part of a supply chain is needed more than ever to ensure business continuity by mobilising people, materials, manufacturing lines, suppliers and even physical processing.

In this challenging time, FTI helps companies re-establish supply chain resilience by developing a risk mitigation playbook with clear action triggers, sourcing alternate suppliers, relocating warehouses and identifying logistics solutions so that the companies can face the challenges with confidence.

The pandemic has changed customer purchasing behaviour in the increasing number of countries imposing

strict quarantine measures. To deal with impacts on profitability and cash flow, our Business Transformation team helps companies retain profitable customers, activate cold customers, optimise the cost structure, adjust cash flow planning and liquidity management.

Companies benefit from our hands-on and result-driven approach, which proactively manages the challenges rather than reacts to the disturbance.



### RESTRUCTURING

Corporate borrowing has been steadily increasing for nearly a decade in both absolute and relative terms, as low interest rates and borrower-friendly terms combined with a steady economy have been too tempting to pass up. Consequently, credit quality has been deteriorating for several years as companies choose to live with more leverage. For speculative-grade borrowers, these decisions bring added risk, as higher leverage leaves less financial flexibility for unforeseen circumstances—such as the pandemic.

The restructuring and turnaround experts at FTI Consulting help management stabilise finances and operations to reassure all parties-in-interest that proactive steps are being taken to enhance value. Our deep expertise across many industries allows us to quickly ascertain the key issues and to react immediately on behalf of our clients. For clients in crisis, the team develops liquidity forecasts, improves cash flow management, obtains additional financing, negotiates loan covenant waivers and guides complex debt restructuring

In some instances, the best way to maximise asset value is to initiate formal insolvency proceedings. Through our extensive experience providing formal solutions to our clients, FTI Consulting is well-positioned to provide critically needed advice and assistance to directors, companies, creditors and other stakeholders to achieve optimal results. Our skilled team of professionals manage all types of formal administrations from large to small, corporate to individual. We recognise that the needs of stakeholders are paramount when dealing with distressed companies and aim to use our experience, skills and contacts to maximise financial outcomes.



**RISK AND DISPUTES ADVISORY**

The effect of the epidemic on demand and on supply chains is being unevenly felt. Demand in the travel and tourism industry is already badly hit, deliveries of essential inputs from raw materials to vital components to finished product are being prevented by problems with suppliers and disrupted workforces, leaving many manufacturing businesses reeling. Many businesses will look to offset their losses by bringing legal actions against their suppliers or customers, where the appropriate contractual frameworks exist, and legal arguments of force majeure may fail.

Our valuation-oriented disputes team work from five major disputes centres in Asia and many more around the world to bring expertise on advising on loss quantification and acting as expert witnesses on loss quantification before courts and international arbitration tribunals in many countries and organised by many institutions. The breadth of our team allows us to bring specific expertise to bear, on types of dispute and industry expertise, and we are able to communicate clearly to judges and arbitrators both in writing and at hearings.



**CONSTRUCTION**

FTI Consulting Construction Solutions offers a range of multi-disciplinary services to the global construction community. With a unique breadth of experience and skills, we provide construction expertise and advice to contractors, subcontractors, lenders, developers, funders and lawyers.

Effective and swift resolution of disputes is essential to help construction projects stay on track and minimise costs in these difficult times. FTI Consulting has a world-class reputation in construction dispute resolution and offers an award-winning panel of construction experts.

We help resolve construction disputes by establishing a clear, commercially driven strategy, promoting early resolution. Where litigation or arbitration is unavoidable, our construction experts work as an integrated part of our clients' legal teams or with external legal counsel, providing support across the entire construction dispute life cycle, from research and analysis to arbitration, mediation or trial.

Our Construction Solutions team has in-depth experience of preparing and evaluating claims, analysing delays and costs, and giving evidence in court and arbitral panels on contractual, delay and quantum matters in construction disputes. We also prepare and evaluate claim submissions to the client, engineer, adjudicators, dispute boards, courts and arbitral panels in both common and civil law jurisdictions. As a leading provider of courtroom technology, we provide skilled trial communication and graphics consulting, that presents complex information in a cogent, easy-to-understand format.



**MANAGING DATA**

In the face of global travel restrictions our Technology practice is able to support litigation and disputes through in-country collection, processing and review of data in mainland China, Hong Kong, Singapore and Tokyo. Our professionals help organisations collect data from a variety of sources, including e-mail, voicemail, backup tapes, social media, the cloud, shared server files and databases to help companies and their legal advisors understand technology-dependent issues.



**CYBERSECURITY**

With many organisations implementing business continuity plans, split teams and work from home arrangements, risks of cyberattacks increase as hackers typically prey on individuals working outside secure environments. Our Cybersecurity experts can help organisations assess and understand their environment and cybersecurity risks, defend assets and infrastructure, identify threats, respond to incidents and recover operations quickly and sustainably where necessary.



**REPUTATION, CRISIS AND BUSINESS CONTINUITY**

In Asia many companies which have established crisis and business continuity plans designed to keep staff safe and manage business risks now have to recalibrate their responses as countries lockdown, measures become more

stringent and populations stay home. At the same time China, the initial focus of crisis planning, moves towards recovery. They also need to respond to fast moving events all over the world which impact markets and sales.

As the virus footprint grows these measures have to be joined up and global, providing consistent company response with local differences to manage the changing threat. Asia business units have an important role to support Europe, Middle East and North America colleagues as they follow suit.

FTI Consulting has deep experience helping who need to step up crisis management, ensuring they have identified the mid to longer term business risks and scenarios which will evolve and change as the situation moves. They need to understand impacts on employees, customers, partners, governments, suppliers, neighbours, competitors, assets, operations, cash flow, contracts, litigation, and reputation. Business continuity plans need dusting off again to test under these scenarios and plans put in place to navigate the business through the uncertainty.

 **COMMUNICATION AND ENGAGEMENT**

Even the best plans will not be effective unless you have established the confidence and trust of your key stakeholders that your company is well prepared with plans to ride out the virus pandemic and emerge stronger. This means proactive and relentless engagement with employees on whom the company depends absolutely, customers, shareholders, suppliers, media, financial

media, social media aggregators, partners, and governments choosing channels carefully.

In the past during global events affecting society and business broadly, for most companies staying below the radar was the best thing to do. Today, it may be the worst thing to do.

 **CHANGE MANAGEMENT AND EMPLOYEE COMMUNICATIONS**

Managing employee morale and building support for possible radical change in the business model will be perhaps the most critical part of any major transformation. Only by retaining the key talent and motivating them to be part of the solution will you deliver the changes on budget and schedule with confidence. We have a dedicated people and change team that has global experience working with major companies.

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