

# A CFO Response to the Economic Impact of COVID-19

## How to Quickly Stabilize the Business & Rebound for Long Term Resilience

Thirty years of crisis management experience has shown FTI that many underestimate the severity of economic downturns and end up doing “too little, too late.”

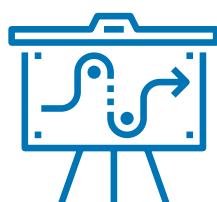
### COMPANIES SHOULD FOCUS ON THE **FOUR CORE ELEMENTS** OF ANY EFFECTIVE **CRISIS MANAGEMENT**



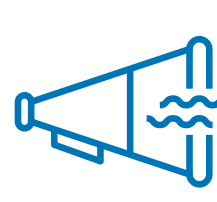
Assess underlying people and business risks



Evaluate contingency options

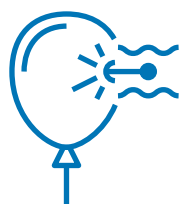


Develop scenario analyses and select option

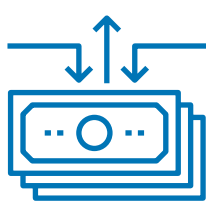


Define communications and execution plans

### THE IMMEDIATE RESPONSE TO **STABILIZE THE BUSINESS DURING DOWNTURN** NEEDS TO INCLUDE THE FOLLOWING ACTIONS



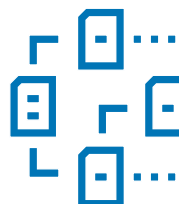
“Stress Test” the business plan under various scenarios



Update cash flow forecasts and ensure adequate liquidity



Reduce addressable costs and deploy zero-based budgeting



Ensure supply chain and operational resilience



Communicate to your employees and external constituents

Challenging times are also opportunities to **recover and improve** your finance & operating model. Companies should utilize talent and technology to build **long-term resilience** and execute on **strategic alternatives** based upon market strength.

**A successful response will stabilize the business and build for a strong recovery.**

## RAPID FINANCIAL CONTINGENCY PLANNING

As the humanitarian and economic cost of COVID-19 rises, CFOs must develop a framework to identify, anticipate and mitigate the profound issues that companies will face.

#### People

- Review disaster recovery plans and ensure capabilities for remote work support
- Assess health insurance coverage and, if applicable, the ability to self-fund insurance
- Perform capabilities evaluation for alternate staff to cover key roles
- Assess need for interim resourcing and expertise

#### Supply Chain

- Monitor key Tier 1 supplier risk and map geographic impact
- Develop plan for dual-sourcing or alternate supply
- Review and assess impact of potential supply delays
- Evaluate reduced operations, closure and disposal options and rationalize supply base in alignment with supply chain strategy

#### Scenario & Contingency Planning

- Update business plan and forecast
- Determine key business risks and assess operational readiness
- Run sensitivity analysis for downside scenarios
- Generate options planning
- Stress test key business drivers
- Monitor and determine “one-time” and long-term impact of COVID-19

#### Strategic Communications

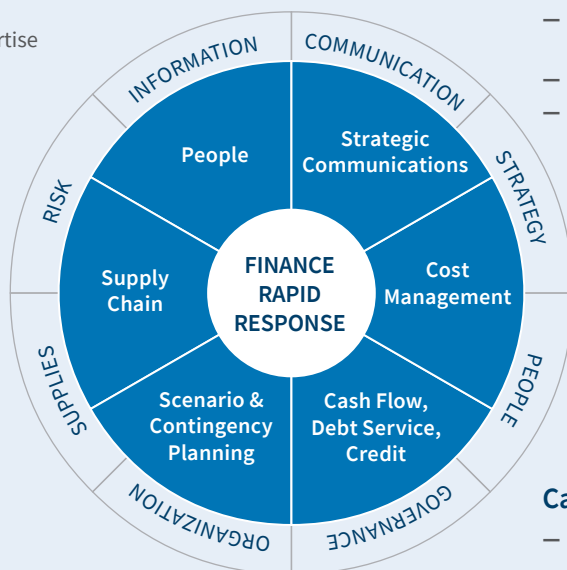
- Maintain ongoing dialogue with all key stakeholders
- Put health and safety first
- Build a reputation for transparency
- Vet decisions before communicating
- Be specific about company actions and communicate in present tense
- Defer health facts and guidance to experts
- Articulate ongoing commitment

#### Cost Management

- Determine cost structure that supports updated business plan
- Define economic affordability across labor, property, equipment, suppliers, SG&A
- Move cost structure to variable
- Reduce discretionary expenses to maximize cash position as the situation stabilizes

#### Cash Flow, Debt Service, Credit

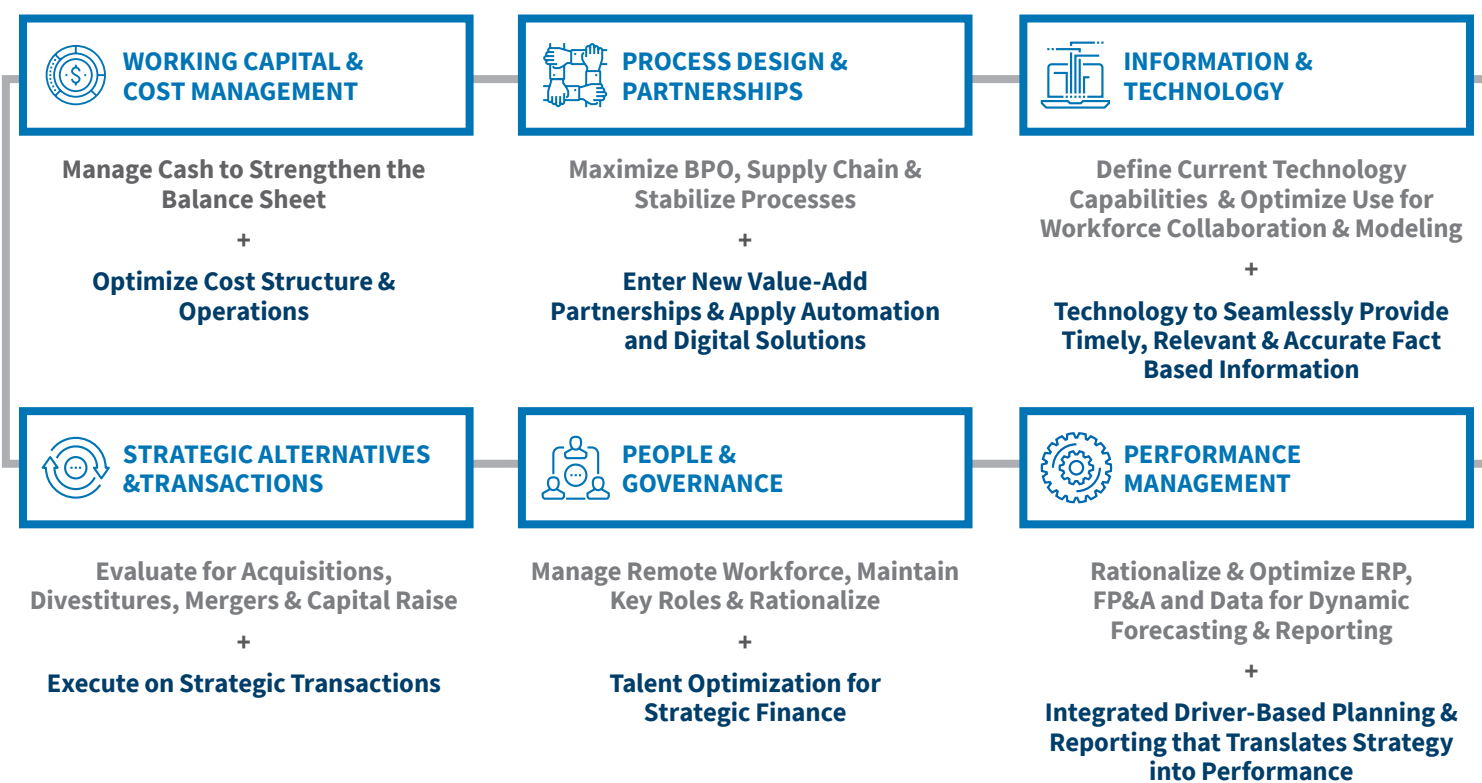
- Prepare rolling cash flow forecast to actively manage liquidity forecast and actuals
- Ensure liquidity for debt service, capital expenditures, operations
- Stress test covenant thresholds and proactively communicate with lender
- Manage working capital through liquidity cycle



## Challenging Times are also Opportunities to Improve Your Operating Model

Periods of disruption highlight existing challenges for companies. Management should safeguard the business while anticipating business trends, quickly addressing volatility and proactively establishing long term financial and operational resilience across the business.

### STABILIZE > REBOUND



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