

# COVID-19: When the Fog Lifts

## APRIL 2020



There has been a great deal of focus placed on the immediate, harmful impact of COVID-19 on Canadian businesses. While it is essential that business owners tackle the direct consequences, it is equally important to understand the longer-term implications of today's decisions on your business. Assessing both the immediate and longer-term implications of your choices will better prepare your business for when this crisis passes.

### Today's plan

The first step is to develop a plan to stabilize and protect your business in the wake of massive

changes including maintaining the ability to operate, adjusting to supply and demand fluctuations, and managing your business' liquidity.

---

### Create a Crisis Team

- Empower the team to manage all aspects of the crisis
- Interact regularly and implement feedback mechanisms

---

### Communicate

- Openly, honestly, and consistently
- Regularly share your plans with your employees, customers and other constituents and clearly outline how they are impacted

---

### Manage Your Risk

- Review your business' infrastructure, supply chain and cyber security plans to ensure business continuity and to boost external confidence

---

*<continued on next page>*



## ASSESSING BOTH THE IMMEDIATE AND LONGER-TERM IMPLICATIONS OF YOUR CHOICES WILL BETTER PREPARE YOUR BUSINESS FOR WHEN THIS CRISIS PASSES.

---

### Manage Liquidity and Stress Test

- Continually reforecast. Manage, preserve, or enhance cash and liquidity, particularly with declining revenues. Consider:
  - deferring existing supplier, landlord and government obligations
  - assessing short term commitments and whether they make sense given demand conditions and seasonality
  - reviewing employee headcount and costs
  - evaluating the necessity of CAPEX programs
  - exploring the availability of capital from shareholders
  - arranging for possible deferrals of bank principal and interest payments or a short-term bulge (extra credit) to an existing loan facility
  - investigating available [government programs](#) such as the Canada Emergency Wage Subsidy Program, the Business Credit Availability Program (BCAP), Canada Emergency Business Account (CEBA), and co-loan and guarantee programs from the Business Development Bank (BDC) and Export Development Canada (EDC)

---

**Remember though, leveraging the business to solve short-term liquidity challenges may not be the best solution. Ultimately, these debt obligations will require repayment.**

---

### Manage Stakeholders

- Consider existing obligations under contracts including borrowing agreements
- Determine the impact of asset aging and valuation, profitability, and liquidity on borrowing covenants and financial reporting timelines
- Communicate anticipated changes to your secured lenders

---

### Develop or Revise Your Strategic Plan

- Prepare a plan with both a short and medium term outlook
- Ensure there is flexibility, considering the evolving situation across Canada and globally

---

### The Longer Term

As important as the short-term stabilization plan is, it is just as imperative to look beyond the current crisis to assess the implications of today's plan on your business, both temporary and permanent.

Perhaps most importantly, determining demand implications (revenue) will be challenging. What are

the lasting effects of COVID-19? Will revenue declines in the immediate future be offset by pent up demand as business activity returns to "normal"? Or, will those declines be permanent in the current fiscal year, and perhaps beyond as consumer habits shift? At some point, deferred or new obligations will have to be addressed considering prevailing



## COVID-19 WILL NO DOUBT LEAVE A LONG-LASTING MARK ON BOTH THE CANADIAN AND GLOBAL ECONOMY.

market conditions. Robust cash and operating models should be created for different demand scenarios and short-and long-term plans. Longer term financial arrangements, either through an informal out-of-court process or a formal court-assisted process using restructuring statutes may need to be implemented.

### Lessons Learned and Silver Linings Found?

COVID-19 will no doubt leave a long-lasting mark on both the Canadian and global economy. What lessons can be learned from this unparalleled situation and will there be new opportunities to enhance future profitability? Questions to ask:

- Does your business have an agile, robust business continuity plan?
- How developed is your cyber security environment? Do you have adequate insurance and contingency plans in the event of a cyberattack?
- Can remote working arrangements become a more permanent part of your business plan, thereby reducing fixed overhead costs?
- Have new customers or markets opened as a result of changing demand for your existing products or changes to the competitive landscape?
- Can you produce new products using existing equipment to improve asset efficiencies?
- Can technology replace current workflow processes and methods, creating new efficiencies?
- Can e-commerce play a more significant role to add to your business' overall profitability?

Private businesses are the engine of the Canadian economy. While the immediate challenges presented by COVID-19 are immense, entrepreneurs by their nature are courageous and resilient. We encourage you to plan for and think ahead to the future. The fog will lift, and brighter days will follow.

Your Fuller Landau advisor is available to help.

### COVID-19 RESOURCES HUB

Visit our [COVID-19 Resources](#) hub for the latest information on Canadian and US government programs as well as helpful resources for business owners, including free webinars.

[fullerllp.com/covid-19-resources/](https://fullerllp.com/covid-19-resources/)



#### ABOUT THE AUTHOR

**Gary Abrahamson**, CPA, CA, CIRP, LIT, is a Partner and leader of our Corporate Restructuring and Insolvency group. Gary can be reached at 416-645-6524 or [gabrahamson@fullerllp.com](mailto:gabrahamson@fullerllp.com).