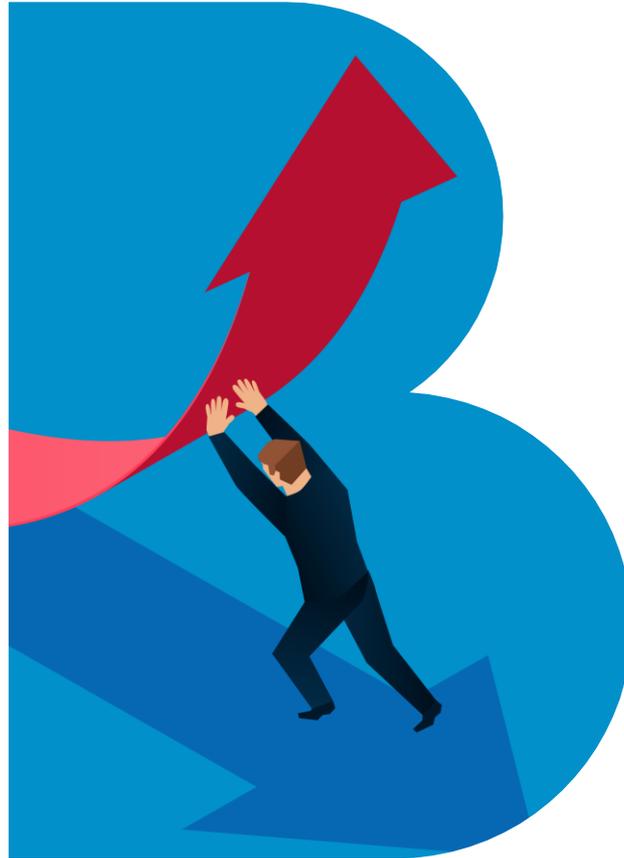


Post COVID-19 : Economic Relaunch: Preparing and Anticipating New Paradigms



fccq | Fédération des chambres
de commerce du Québec

Study objective: Identify actions to help companies around three main time horizons

1

Operate

in a confined world

Overview of best practices and private and governmental initiatives to manage the COVID-19 crisis



2

Prepare

for the reopening

Review of the conditions for success and major operational solutions for deconfinement



3

Anticipate

the new normal

Analysis of the changes needed within companies to anticipate the new normal



A methodology that relies on experiences of countries ahead in the curve

- **Desk research**
- **Interviews with business leaders and members of management committees** of Quebec companies
- **Analyses** carried out by Roland Berger and the FCCQ, including an **inventory by Roland Berger's network of best practices** observed internationally and applicable to the Quebec situation



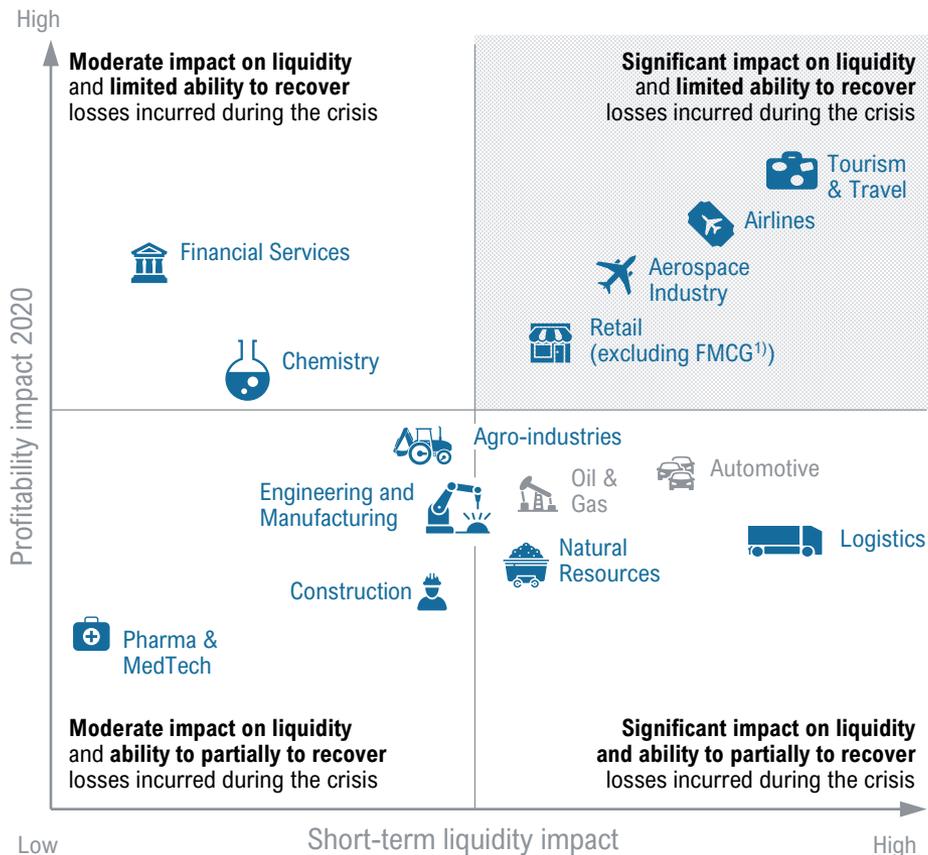
COVID-19 is an unprecedented health crisis in scale, duration and global nature paired with a drastic economic downturn

Status update (as of 24 April)

World 	Canada 	Quebec 
2 708 884 confirmed cases	43 000 proven cases	21 800 proven cases
190 857 deaths	2 200 deaths	1 200 deaths
One third of the world's population in quarantine	9% drop in GDP in March 2020	Potential 5% drop in GDP in 2020
	1 million job losses between February and March 2020	Nearly 600 000 job losses in early April
	1.5 million Canadian Emergency Respons Benefit claims in the second half of March	Potential budget deficit of 12 billion CAD for the Government of Québec

All economic sectors in Quebec will be affected to varying degrees

Estimated impact by sector (non-exhaustive)



	Impact on liquidity	Capability to adjust base costs	Ability to recover
Tourism & Travel	↓	●	●
Airlines	↓	●	●
Aerospace Industry	↓	●	●
Retail (excluding FMCG ¹)	↓	●	●
Logistics	→	●	●
Engineering and Manufacturing	→	●	●
Natural Resources	→	●	●
Construction	→	●	●
Chemistry	→	●	●
Agro-industries	→	●	●
Pharma & MedTech	→	●	●
Financial Services	→	●	●

1) FMCG : Fast-moving Consumer Goods

■ Key sectors in Quebec ● Low ability ● Average ability ● High ability

Good practices for short-term crisis management in companies can be categorized in five subject areas

1

Protection of **employee health**

2

Cash conservation

3

Maintenance of **operations** and the **ecosystem**

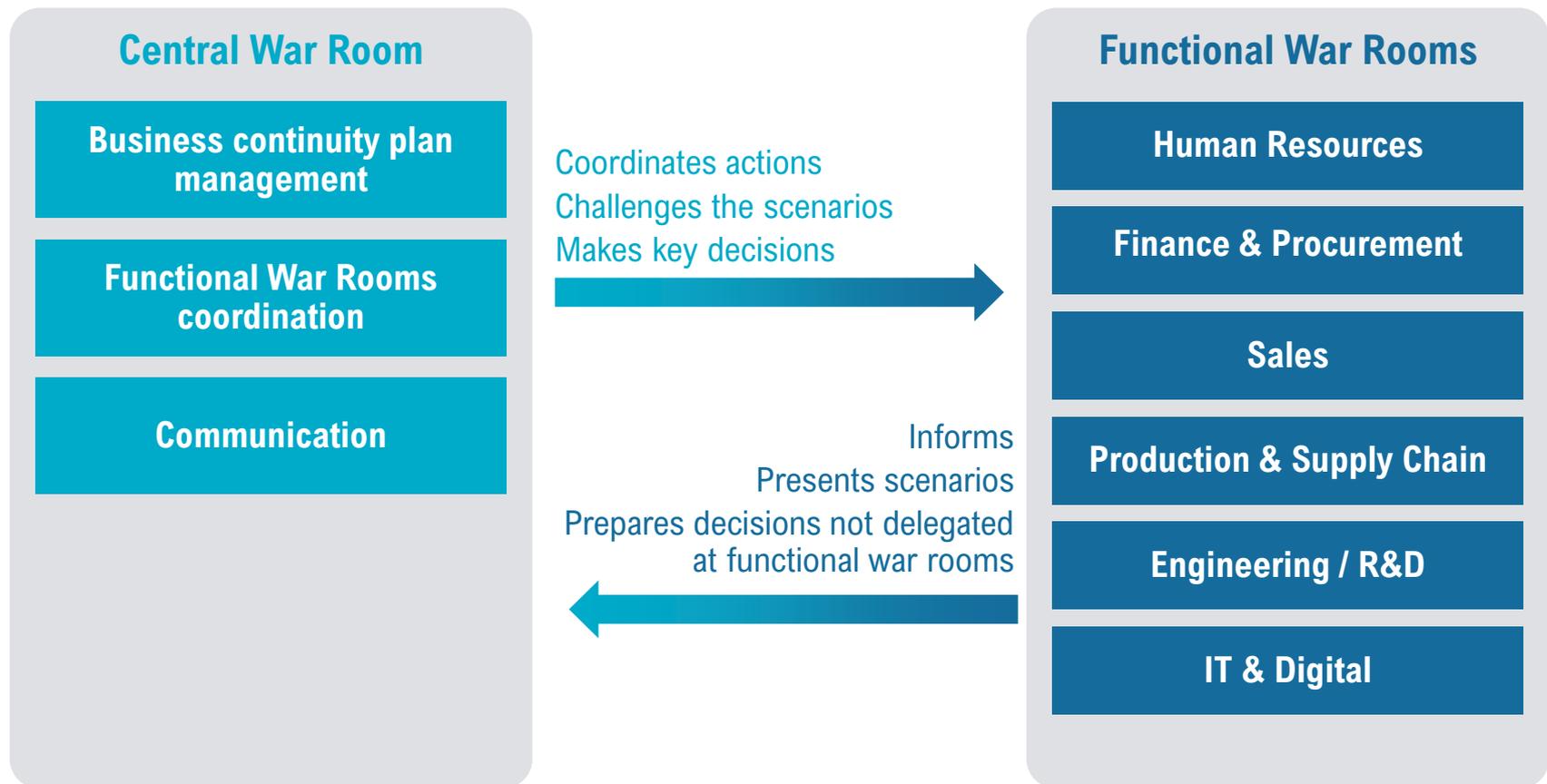
4

Strengthening of **administrative activities** and **information technology**

5

Adjustment of **governance** and **communication**

The implementation of these good practices requires the creation of war rooms at all levels of the company



The government measures announced to date primarily address the short-term liquidity crisis

Challenges	Quebec 	Canada 	Desired impact
 Businesses in distress Liquidity Significant loss of revenue	Concerted temporary action program for businesses (PACTE) Less stringent lending rules via the Local Investment Fund 4 billion envelope from the CDPQ to support Quebec companies	65 billion Business Credit Availability Program (via BDC and EDC) Doubling of EDC's budget Canada Emergency Wage Subsidy (CEWS)	Limiting bankruptcies / restructurings
 Protection of vulnerable households Poor households Households with high indebtedness / fixed costs Household with no social protection	Temporary Aid for Workers Program (PATT COVID-19) Additional time to file tax returns Funding for organizations supporting vulnerable people (shelters, DYP, etc.)	New Canadian Emergency Response Benefit (CERB) Additional time to file a tax return Increase in Canada Child Benefit (CBB) payments New fund to support Aboriginal communities	Avoiding the vicious circle of recession / poverty
 Businesses critical to continuity Maintenance of skills Health safety Inadequate regulations	Remuneration bonuses for certain lines of employment (i.e. healthcare) Multiple measures and health instructions	Continuation of the Seasonal Agricultural Worker Program Multiple measures and health instructions	Ensuring essential supplies
 Anticipation of recovery Bankruptcies / loss of control (e.g. size, techno/patents, rare skills) Disruption of local value chains Demand simulation	4 billion envelope from the CDPQ to support Quebec companies Under development	Under development	Maximize the speed / extent of recovery

Companies need to identify the conditions for success and the major operational solutions for deconfinement

Cross-functional solutions

- 1 Actively **manage** human resources
- 2 **Prioritize** all activities
- 3 **Maintain** relationships with key customers and partners
- 4 **Launch** a program to adapt and reprioritize expenses
- 5 **Implement** a drastic management of liquidity and working capital
- 6 **Plan** and **detail** different scenarios for the resumption of operations

Companies need to identify the conditions for success and the major operational solutions for deconfinement

Specific solutions along the value chain (1/6)



Companies need to identify the conditions for success and the major operational solutions for deconfinement

Specific solutions along the value chain (2/6)



- **Realign** research and development activities to new post-crisis priorities
- **Reduce** risks on strategic sourcing by assessing procurement opportunities with other suppliers, including local suppliers

Companies need to identify the conditions for success and the major operational solutions for deconfinement

Specific solutions along the value chain (3/6)



- **Prepare** the restart of upstream logistics flows and production synchronization
- **Identify bottlenecks** in the supply chain
- **Assist** suppliers in difficulty
- **Manage** working capital requirements and anticipate changes in demand to adapt stock levels

Companies need to identify the conditions for success and the major operational solutions for deconfinement

Specific solutions along the value chain (4/6)



Production

- **Adapt** the master production schedule
- **Implement** necessary sanitary measures
- **Prepare** the ramp-up of industrial assets
- **Plan** the necessary staffing adjustments
- **Control** the evolutions of costs

Asset Management

- **Optimize** the use of each asset, then review the activity plan and the workload schedule
- **Assess** the level of risk of the whole portfolio of assets
- **Review** investment plans/programs

Companies need to identify the conditions for success and the major operational solutions for deconfinement

Specific solutions along the value chain (5/6)



- **Build** different scenarios of forecasted sales
- **Secure** customer relationships
- **Increase** knowledge of customer needs
- **Assess** the opportunity to review the segmentation of the client portfolio
- **Plan and implement** targeted marketing strategies
- **Assess** the need for further diversification of distribution channels
- **Gradually readjust** the level of the labor force to evolving needs

Companies need to identify the conditions for success and the major operational solutions for deconfinement

Specific solutions along the value chain (6/6)



- **Adapt** interventions to make them compatible with social distancing measures
- **Anticipate** the evolution of demand

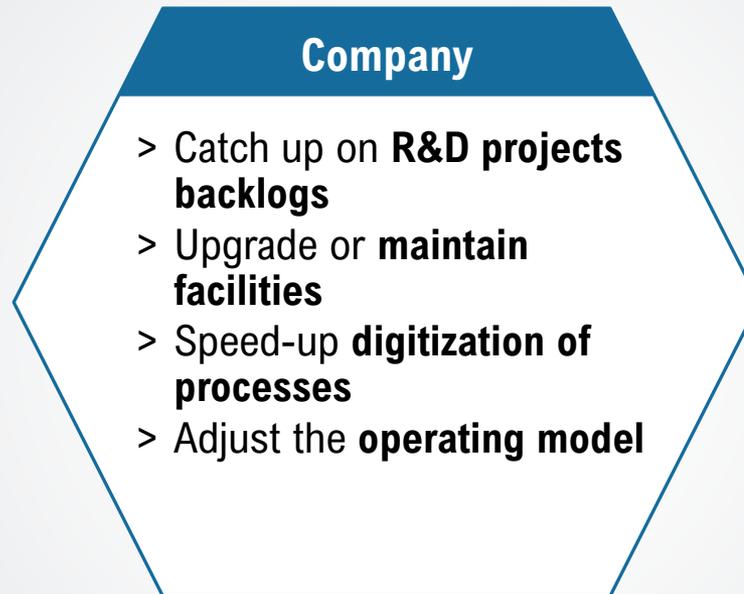
COVID-19 also creates opportunities for businesses

Suppliers

- > Negotiate **favorable long-term conditions with suppliers** in exchange for secured volumes

Regulation

- > Negotiate **more favorable regulations** with government authorities



Ecosystem

- > Secure **aggressive M&A opportunities** with distressed / undervalued companies

Clients

- > Negotiate **specific terms with best customers**

To anticipate the new normal, certain changes are needed within organizations and processes

Increasing **digital transformation** in company processes

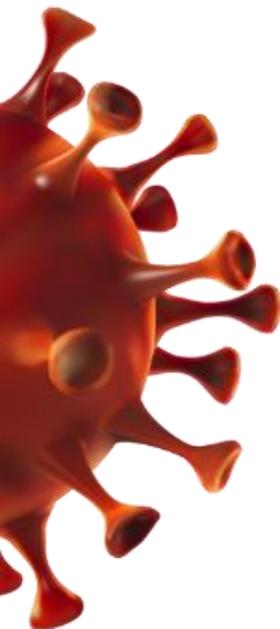


Relocating production and shortening supply chains



Strengthening **environmental, social and governance (ESG)** requirements

Strengthening **risk management capabilities**



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