



Introduction

The **COVID-19 crisis has hit the world hard and unexpectedly**. What began as a (seemingly) regional issue in China has rapidly spread across the globe, causing not only invaluable loss of human life and health, but also tremendous economic impact. Austria, of course, is no exception: The breakdown of global trade, paired with massive government interventions to stop the virus from spreading, caused substantial disruption to our economy.

As a result, many **Austrian companies are struggling to cope with the new economic circumstances**, even as several governmental restrictions are lifted. Some firms are still in the midst of fighting for their immediate survival, while others are already restarting their operations and preparing themselves for restructuring in the face of the expected recession. The situation remains ambiguous and **projections of the future are very much uncertain**.

To best support our clients in these unusual times, **BCG and Wolf Theiss have decided to take an unconventional approach: We have teamed up to create a comprehensive practitioner's guide** for a successful corporate comeback in 2020, covering both economic and legal aspects. With our focused approach – survive, restart and thrive – we hope to provide **helpful advice for our clients, offering a single source of guidance** amidst a vast and at times confusing and contradictory sea of news articles, publications and presentations on the subject of COVID-19.

Knowing that we cannot possibly cover all aspects of corporate turnaround in depth in a single paper, we are of course **happy to answer any questions** regarding our material or organize a workshop to discuss our concepts in more detail – please do not hesitate to reach out.

Jochen Schönfelder | BCG



Dr. Ralf Moldenhauer | BCG



Alexander Winkler | BCG



Leopold Höher | Wolf Theiss



Walter Pöschl | Wolf Theiss



Mimo Hussein | Wolf Theiss



Three steps
towards a
successful
comeback

SURVIVE

Overcome acute
crisis with
rapid response

RESTART

Ramp-up operations
and restructure your
business, to lay the
foundation for a
successful restart

THRIVE

Get best positioned
in the world post
COVID-19

How to navigate this document

Agenda of the document

- » The **ten guiding imperatives** of our comeback approach
- » **Survive:** Concepts and tools for rapid crisis response
- » **Restart:** Comprehensive frameworks for a successful restart paired with operational and financial restructuring
- » **Thrive:** Thoughts on how to strategize in the world post COVID-19
- » Our respective offering and contact information

Where to find key topics

Concepts & frameworks

» Cash-Office	10-11
» Liquidity measures	13-17
» Director's obligations	18-21
» Supply chain restart	28-31
» Operational restructuring	32-39
» Refinancing	40-43
» New realities & consumer behavior	46-51
» M&A in crisis	52-53
» Bionic companies	56-57

Tools (selection)

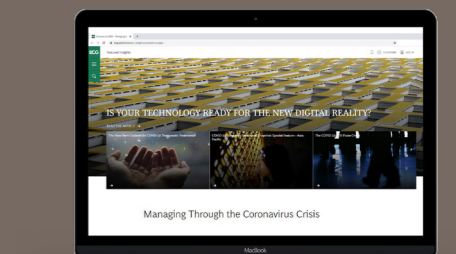
» Liquidity planning	12
» Scenario planning	26-27
» M&A targetting tool	54

Data & analysis (selection)

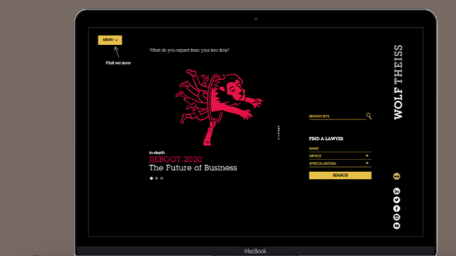
» State aid	15
» Economic developments	24
» Shifts in consumer behavior	48

Where else to look

BCG COVID-19 response site



Wolf Theiss REBOOT 2020 site



Further recent publications
(referenced throughout this document)

Our ten imperatives for successful comebacks

SURVIVE

- 01 Implement cash office to create transparent liquidity planning, validate measures and implement rigorous approval processes for cash release
- 02 Develop cash measures to free up internal funds (e.g., working capital) and access external levers (e.g., state aid)
- 03 Continuously monitor and mitigate legal risks, especially with regards to restructuring and insolvency issues

RESTART

- 04 Think and plan in scenarios to be able to respond to the ever changing circumstances of the COVID-19 crisis
- 05 Enhance supply chain flexibility to allow for ramp-up of operations with maximum speed and resilience
- 06 Conduct comprehensive operational restructuring program across all available P&L- and balance sheet levers
- 07 Consider refinancing / financial restructuring in order to have sufficient room for maneuver for what's to come

THRIVE

- 08 Conceptualize new realities to determine shifts in consumer behaviour and identify the attractive big bets of the future
- 09 Selectively deploy M&A in order to exploit the opportunities presented by the COVID-19 crisis
- 10 Double down on the shift to digital – companies of the future will be bionic



SURVIVE






Overcome acute crisis with rapid response

- 01 Implement cash office
- 02 Develop cash measures
- 03 Mitigate legal risks

Cash office as integral component for crisis survival

CASH OFFICE PURPOSE

-  Discussion, planning and monitoring of cash development
-  Validation of measure impact and deviation analyses
-  Rigorous governance of cash approval and release

CASH OFFICE SETUP



Five key steps to be addressed when setting up a cash office

01 Generate transparency

- Identify major cash in- and outflows, interfaces, risks and contingencies

02 Secure your financing

- Know your financing structure and available instruments, take immediate action

03 Define rules for ongoing spend

- Stop the bleeding with immediate actions improving the liquidity position

04 Introduce cash office group-wide

- Roll out cash office in all legal entities, with central control of implementation

05 Build liquidity scenarios

- Match top-down scenarios for next months with bottom-up liquidity planning



JOCHEN SCHÖNFELDER

BCG Partner and expert for liquidity management

Regardless of how the recovery from the COVID-19 crisis unfolds, many economists forecast more stressful times in the next 12 to 18 months. We believe that a cash management office is a priority not only for the coming weeks but for the coming months - and potentially years - as well.

For further reading, please refer to our recent cash management survival guide:



A Cash Management Survival Guide



Deep-dive liquidity planning: BCG Liquidity Planner creates holistic transparency

The output of the **BCG Liquidity Planner** is a rolling liquidity forecast on a daily/weekly basis - enabled by Anaplan, a **modern, cloud-based planning and modelling software**

Quick to set up and easy to adapt group-wide

Anaplan-based, links into SAP and other accounting software/automatic updates

»

Liquidity status reporting

Picture of group liquidity every day based on account balances and credit lines

»

Liquidity planning

Real-time planning of multiple entities incl. IC alignment, consolidation and cash pooling

»

Steering of cash collections and payments

Visibility and controlling of customer and supplier payment transactions

»

Collaboration across business functions

Involvement of all relevant business functions (e.g., procurement, sales, HR)

To develop cash measures, recommend to leverage full potential cash plan framework

Full potential cash plan levers

P&L				BALANCE SHEET			
A	B	C	D	E	F	G	H
Top line	Material	Personnel	Inventory	Receivables	Payables	Invest	Financing
Tactical pricing	Quick wins in sourcing	Hiring freeze	Cleanup/ fire sales	Invoicing/ dunning	Payment process	CAPEX management	Tax optimization
Sales push	Order freeze non-ops. supply	Overtime /work time reduction	Order freeze	Terms & conditions	Terms & conditions	Sales of non-core assets	Equity/ dividends
	Other OPEX program	Capacity adjustment	Disposition adjustment			Sale and lease back	Debt/ interest
		Wage decrease/ freeze	Process improvements				Guarantees

Strength of lever in COVID-19-crisis

Small lever; either booming (e.g. home delivery) or down	Rather small lever, dependent on production volume	Strong lever	Adequate lever	Impact dependent on customer groups	Dependent on supplier structure	Fast lever as it is a full stop option	Low impact except for public programs
--	--	--------------	----------------	-------------------------------------	---------------------------------	--	---------------------------------------

Liquidity overview

Liquidity status

We 12 Apr 20

	Holding	LE 2	LE 3	LE 4	LE 5	LE 6	LE 7
Liquidity status							
Cash & cash equivalents	6.5	17.0	-	-	-	-	-
(-) restricted cash	(0.1)	-	-	-	-	-	-
(-) trapped cash	-	-	-	-	-	-	-
Available cash & cash equivalents	6.4	17.0	-	-	-	-	-
Credit lines/loans - Committed amount	561.8	-	-	-	-	-	-
Credit lines/loans - Drawn amount	(468.4)	-	-	-	-	-	-
Available credit lines	93.4	-	-	-	-	-	-
Available liquidity	99.8	17.0	-	-	-	-	-
Due payables 1-15	-	-	-	-	-	-	-
Due payables 16-30	-	-	-	-	-	-	-
Due payables 31-60	(8.3)	-	-	-	-	-	-
Due payables 61-90	-	-	-	-	-	-	-
Due payables >90	-	-	-	-	-	-	-
Total due payables	(8.3)	-	-	-	-	-	-
Pro-forma liquidity	91.5	17.0	-	-	-	-	-

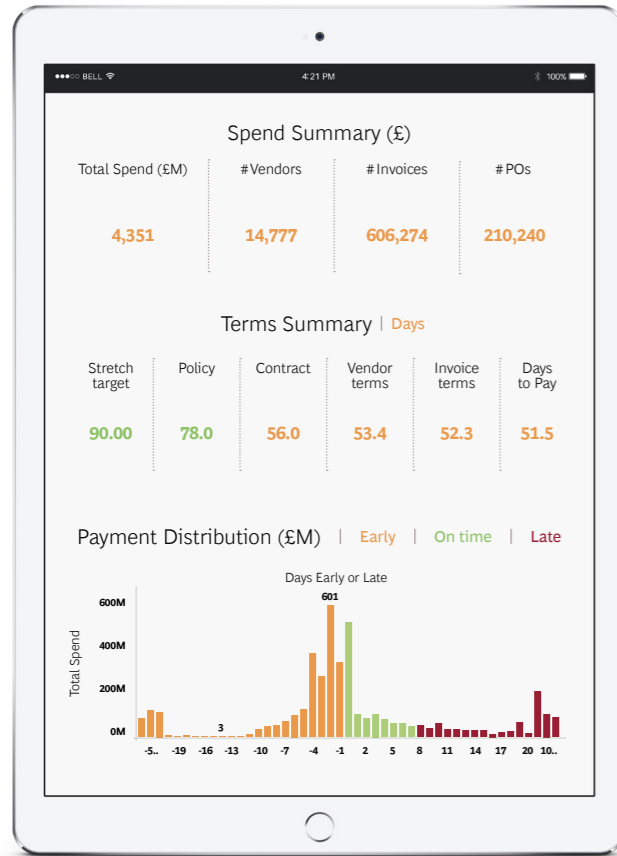
Liquidity planning

Total Group

	We 19 Apr 20	We 26 Apr 20	We 3 May 20	We 10 May 20	We 17 May 20	We 24 May 20	We 31 May 20	We 7 Jun 20	We 14 Jun 20	We 21 Jun 20	We 28 Jun 20	We 5 Jul 20
Inflows - Trade receivables [OP list]	-	7.7	51.2	13.6	0.8	8.9	95.0	-	-	8.6	0.8	-
Inflows - Revenues [BP]	5.0	15.0	-	-	20.0	20.0	40.0	30.0	50.0	60.0	40.0	-
Tax inflows	8.8	-	-	7.5	17.5	-	-	-	-	-	-	-
Other inflows	-	-	-	-	-	8.8	-	-	-	-	-	-
Intercompany inflows - operating	-	-	-	-	-	-	-	-	-	-	-	-
Operating cash inflows	13.8	22.7	51.2	21.1	18.3	28.9	123.8	40.0	30.0	58.6	60.8	40.0
Outflows - Trade payables [OP list]	-	(7.9)	(14.8)	(12.1)	(2.5)	(5.9)	-	(19.9)	(23.6)	(4.3)	(1.7)	-
Material costs [BP]	-	-	(10.0)	(10.5)	(12.3)	(55.3)	(18.0)	(15.8)	(17.5)	(26.3)	(26.3)	-
Personnel: Wages & salaries	-	(15.8)	-	-	(4.0)	-	-	-	-	(16.5)	-	-
Personnel: Social security	-	(4.5)	-	-	(4.3)	-	-	-	-	(6.3)	-	-
Personnel: Tax on wages	-	(3.5)	-	-	(2.8)	-	-	-	-	(1.8)	-	-
OPEX	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)
Consulting spend	(1.0)	(6.8)	(4.3)	(7.3)	(3.8)	(3.0)	(3.3)	(1.0)	(2.5)	(5.0)	(3.3)	(4.3)
Transaction costs	-	-	-	-	-	-	(25.0)	-	-	-	-	-
VAT	-	-	-	(1.8)	-	-	-	(1.8)	-	-	-	-
Other tax payments	(1.0)	(5.3)	(4.8)	(2.0)	(7.8)	(4.0)	(3.3)	(5.8)	(5.8)	(6.3)	(5.3)	(5.0)
Intercompany outflows - operating	-	-	-	-	-	-	-	-	-	-	-	-
Operating cash outflows	(3.8)	(45.4)	(25.6)	(34.9)	(26.2)	(36.9)	(63.5)	(53.3)	(45.7)	(54.1)	(65.3)	(38.9)
Operating cash flows	10.0	(22.7)	25.6	(13.7)	(7.9)	(8.0)	60.3	(13.3)	(15.7)	4.5	(4.5)	1.1
Investments	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)
Divestments	(0.5)	-	-	-	-	-	-	-	-	-	-	-
Lease payments (IFRS 16)	-	-	-	-	-	-	-	-	-	-	-	-
Investing cash flow	(2.3)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)
Free cash flow	7.8	(24.5)	23.9	(15.5)	(9.7)	(9.7)	58.5	(15.0)	(17.4)	2.7	(6.2)	(0.7)
Interest inflows	-	-	-	-	-	-	-	-	-	-	-	-
Interest payments	-	-	-	-	-	-	-	-	-	-	-	-
Other financing fees	-	-	-	-	-	-	-	-	-	-	-	-
Equity raise/payouts (+/-)	-	-	-	-	-	-	-	-	-	-	-	-
Loan drawdown/repayment (+/-)	-	-	-	-	-	-	-	-	-	-	-	-
IC-Loan drawdown/repayment (+/-)	-	-	-	-	-	-	-	-	-	-	-	-
Financing cash flow	-	-	-	-	-	-	-	-	-	-	-	-
Total cash flow (before CP & Group RCF)	7.8	(24.5)	23.9	(15.5)	(9.7)	(9.7)	58.5	(15.0)	(17.4)	2.7	(6.2)	(0.7)

Deep-dive working capital: BCG proprietary NWC-tool provides rapid diagnostics to kick-start an optimization program

BCG NWC Optimizer



Reveals opportunities within receivables and payables



Leverages up to ~100GB of ERP transactional data



Converts data into ready-to-use leadership dashboards



Ability to drill down and take action on specific vendors and customers



Refreshable daily to provide real-time view and track impact

Key NWC levers covered

- » Term alignment within the IT system
- » Optimizing payment runs and invoicing cycles
- » Avoiding early payments, accelerating collections
- » Simplifying payment terms
- » Re-negotiation to market policies/benchmarks
- » Managing overdues

Key elements of Austrian stimulus package



CRISIS FUNDS

"Krisenfonds",
€15B volume



TAX & SOCIAL INSURANCE BREAKS

"Steuerstundungen",
€10B volume



SHORT TIME WORK

"Kurzarbeit",
€12B volume



FEDERAL GUARANTEES

"Garantien & Haftungen",
€9B volume



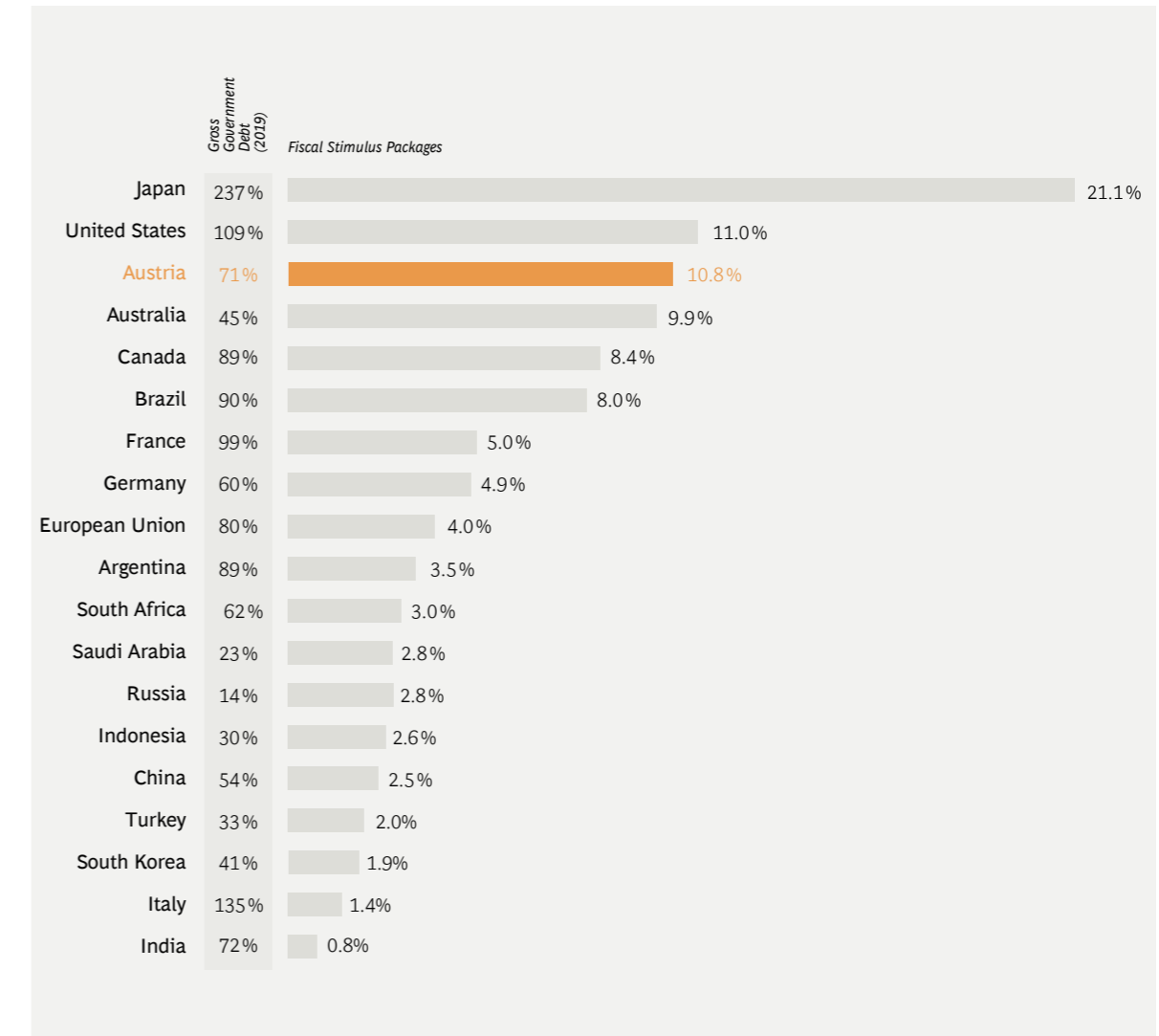
HARDSHIP-FUNDS

"Härtefallfonds",
€2B volume

Detailed compendium on current state aid programs (for Austria and beyond) available

Deep-dive state aid: Austria with notable fiscal stimulus package that businesses can leverage in their crisis response

Value of COVID-19 fiscal stimulus packages and gross government debt in selected countries as a share of GDP



As of May 15th, 2020; stimulus packages being announced progressively by countries, overall picture likely to change rapidly



State aid comes with several caveats that need to be considered

DIVIDEND PAYOUT RESTRICTIONS

Companies leveraging the crisis funds are not allowed to pay out any dividends between March 16th, 2020 and March 16th, 2021; this also applies to intra-group payouts between different legal entities and needs to be considered especially if a company is undertaking cashpooling

.....

LAYOFF CONSTRAINTS REGARDING SHORT TIME WORK

Terminations based on grounds of restructuring measures are prohibited during and until one month after short time work has ended¹

.....

USAGE RESTRICTIONS

State aid provided by the Austrian government may not be used for investments or to refinance existing credit facilities

BONUS PAYMENT RESTRICTIONS

Payment of bonuses to board members exceeding 50% of last year's bonus is prohibited if a company leverages the crisis funds

.....

TIMING

Standard periods between application for state aid and payout allow for at least 1 month of delay, and may be extended significantly if authorities continue to struggle with the amount of applications they receive

Directors are urged to consider their obligations in crisis:

Taking informed action and mitigating legal risks is critical

KEY DIRECTOR OBLIGATIONS

Obligation to inform shareholders and supervisory board

Obligation for information procurement / management

Obligation to undertake business reorganization proceedings

Obligation to evaluate insolvency risk and implications

IMPLICATIONS OF CRISIS

- » **Intensified in times of crisis**
 - › Supervisory board to be notified of any material occasions / actions
 - › General / shareholder meeting to be convened immediately if more than 50% of subscribed capital is lost

- » **Heavily intensified in times of crisis,** in particular regarding status of available liquidity (e.g., requirement of 13 weeks rolling liquidity planning) - given uncertainty surrounding COVID-19 developments, scenario planning is advisable

- » **Heavily intensified in times of crisis**
 - › Critical to restructure, especially if equity ratio deteriorates
 - › Obligation¹ to restructure if equity ratio < 8% and notional debt repayment period > 15 years

- » **Heavily intensified in times of crisis**
 - › Grace period to file for bankruptcy in case of illiquidity currently extended to 120 days (vs. 60 days pre-COVID-19); in case of over-indebtedness after March 1st, 2020, requirement to file suspended until June 30th, 2020²
 - › Directors risk personal and criminal liability in case they fail to file

1. While there is no obligation to undertake business reorganisation proceedings, the directors might be held personally liable in case of receipt of a report by the auditor within 2 years prior to the opening of insolvency proceedings, outlining a situation where the preconditions for the opening of reorganisation proceedings are met
 2. If a debtor is over-indebted on June 30th, 2020, he has to apply for the opening of insolvency proceedings within either 60 days after June 30th or 120 days after the occurrence of over-indebtedness, whatever the later date



MIMO HUSSEIN

Wolf Theiss expert in regulatory affairs

During and after the current COVID-19 situation, Directors may face an increasing number of challenges - any decisions taken to overcome these challenges have to be benchmarked against the business judgement rule so to avoid personal liability. Thus, we advise consultation of appropriate specialists and experts in the relevant field and proper documentation of any steps performed, since the assessment whether a decision made by a Director was appropriate is not based on the outcome of that decision but rather on whether the business judgement rule was complied with.



BUSINESS JUDGMENT RULE

It is critical that Directors make business decisions based on appropriate information, act in good faith and, at the time relevant action is taken, firmly believe that such action is in the best interests of the company

Deep-dive insolvency risk:

Monitoring risk especially relevant in times of crisis - however, insolvency may also provide an opportunity for a successful restart

FORMAL INSOLVENCY CRITERIA NEED TO BE MONITORED

.....
Illiquidity: Debtor is unable to pay all its debts in due time (or acquire funds to do so within a reasonable period of time)

- » Examination of illiquidity refers solely to matured liabilities (95% quota typically sufficient)
- » Liabilities maturing in the future can be disregarded

Over-indebtedness: A company's liabilities exceed its assets and the company has a negative prospect ("negative Fortbestehensprognose")

- » To test over-indebtedness, balance sheet based on liquidation values of asset needs to be drawn
- » If over-indebtedness applies, forecast on the company's continued existence required, to examine whether the company will be solvent and thus viable in the future
- » Given the significant uncertainty surrounding the COVID-19 crisis, it is recommended that any forecast includes scenario analysis which are weighted with probabilities

RESTRUCTURING PROCEEDINGS OFFER RESTART OPPORTUNITY

.....
Austrian insolvency law provides for two main types of insolvency proceedings: Restructuring proceedings ("Sanierungsverfahren") and bankruptcy proceedings ("Konkursverfahren")

If a restructuring plan can be presented with the application for opening of insolvency proceedings, restructuring proceedings are possible, either with or without self-administration

Restructuring proceedings with self administration

- » Debtor retains ability to carry on transactions with respect to its assets
- » Court appointed restructuring administrator can veto over ordinary transactions and must explicitly agree to transactions beyond ordinary cause of business
- » At least 30 percent of pre-insolvency debts must be repaid to the company's original lenders within two years



RESTART

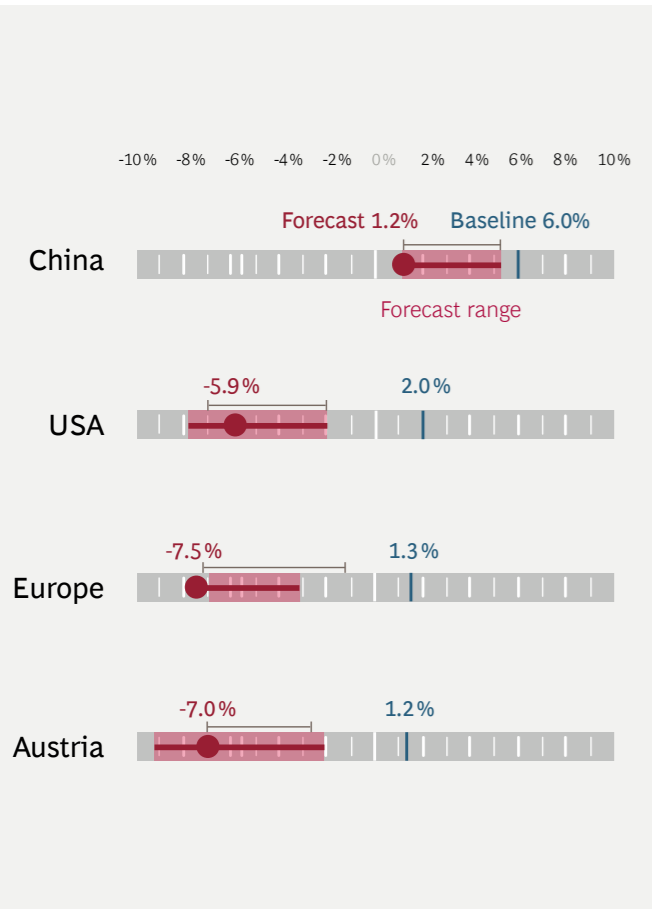
Restructure your business for a successful restart

- 04 Think and plan in scenarios
- 05 Enhance supply chain flexibility
- 06 Conduct comprehensive restructuring program
- 07 Consider refinancing

Business leaders need to navigate various country- and sector-specific economic outlooks

Global recession on the horizon

GDP growth forecasts vs. baseline



- Forecast (IMF Apr 2020)
- Forecast range (IMF & banks)
- Last week's forecast range
- | Baseline (IMF Jan 2020)

Impact will vary across sectors

Share of global companies in distress based on CDS¹

		Companies in distress (%) ²	
		Feb 21st, 2020	Apr 22nd, 2020
Healthier sectors	Food /staples retail	0%	0%
	Pharma	0%	11%
	Household products	0%	0%
	Telecom	0%	15%
	Semiconductors	0%	0%
Pressured sectors	Food and beverage	0%	0%
	Utilities	0%	0%
	Health equipment	0%	0%
	Software	0%	0%
	Tech hardware	0%	0%
	Prof. services	0%	0%
	Materials	4%	19%
	Retailing	0%	47%
	Capital goods	2%	10%
	Financials	0%	0%
Vulnerable sectors	Transport	0%	32%
	Media	0%	14%
	Insurance	0%	0%
	Hospitality	7%	43%
	Banks	0%	8%
	Real estate	0%	20%
	Auto	0%	33%
	Durable goods	0%	5%
	Energy	0%	41%

1. Median 5-year Credit Default Swap implied probability of default; performance is tracked on February 21st, 2020 (before int. acceleration of outbreak), and April 22nd, 2020
 2. Distressed comprises over 15% implied probability of default



BCG HENDERSON INSTITUTE FOR ECONOMIC RESEARCH

Magnitude and duration of the upcoming recession are still unclear, but 60% of companies we have surveyed have started preparing for a recession. Scenario planning will be critical to navigate the next 6-12 months.

For further readings, please refer to our recent articles:

- LINK >> Advantage Beyond the Crisis
- LINK >> The COVID-19 CFO Pulse Check
- LINK >> Generating the Right Returns from Stimulus Packages



Scenario planning will be critical to steer through next 6 to 12 months - dynamic cockpit can help business leaders navigate

External data sources

MACRO INDICATORS

Public health situation

- » Virus spread scenarios
- » Medical demand/supply assessment

Macroeconomic developments

- » GDP estimated development
- » Government policies
- » Labor impact

Governmental measures

- » Government response timelines
- » Lockdown status and est. end date

CATEGORY DEMAND EVOLUTION

Category economic scenarios

- » COVID-19 econ. impacts on categories
- » Scenario-based future sales
- » Short-term demand by product/location

Customer behavior shifts

- » Online user behaviors
- » Sentiment surveys

Internal data sources

Demand data

Segments/categories, channels, company vs. competition

Orders

Stock levels, purchase materials and location

Production data

Production planning for coming weeks

Stock data

Sell-in/sell out scenarios and actuals

Product and customer master data

Product and customer attributes and hierarchies

Commercial data

Promo calendar



INPUT FOR

Dynamic Cockpit

BCG proprietary tool

Exemplary for the fashion and luxury industry

As of April 12th, 2020; US

	Pre-crisis to bottom		Pre-crisis to current		7 days momentum		
	Fashion	Luxury	Fashion	Luxury	Fashion	Luxury	
Demand	Payment patterns	-45%	-63%	-45%	-63%	-42%	-2%
	Web traffic	-4%	-14%	-4%	-4%	-4%	+6%
	Online search trends	-42%	-23%	-22%	-5%	+3%	+11%
	Open retail space	-100%	-	-100%	-	-	-
	Unemployment rate	+146%	-	+146%	-	+5%	-
	Average	-67%	-69%	-63%	-63%	-9%	+4%
Supply	Job listings	-80%	-	-48%	-	+156%	-
	Discount penetration	~7%	~198%	~7%	+198%	-14%	+4%
	Average discount rate	~3%	~9%	~3%	~9%	+2%	+1%
	Cotton Futures	-17%	-	-13%	-	-1%	-
	Average	-23%	-71%	-14%	-62%	+42%	+38%

Note: Bottom is defined as the lowest point during the (partial) lockdown period, for Fashion & Luxury in the US this would be March 15th, 2020; pre-crisis refers to April 21st, 2019

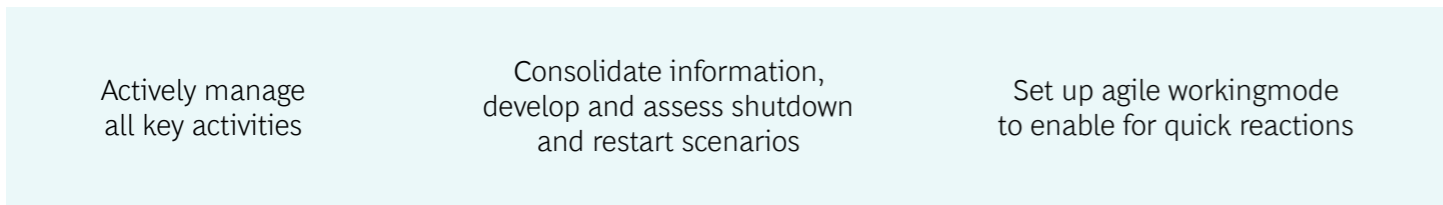
Example for the machinery industry (including automation)

	Pre-crisis to bottom		Pre-crisis to current		7 days momentum	
	Machinery	Automation	Machinery	Automation	Machinery	Automation
Demand	Energy consumption	~21%	~21%	~21%	~1%	~1%
	Carbon certificate price	-	-	-	-	-
	Automotive	~33%	~21%	~21%	~21%	~16%
	Construction	~11%	~9%	~9%	~9%	~1%
	Oil and gas	~5%	~9%	~9%	~9%	~1%
	Food and beverage	~11%	~1%	~1%	~1%	~4%
	Chemicals	~9%	~2%	~2%	~2%	~7%
	Insolvency filing	+6%	-	-	-	0
	Automotive prod. volume loss	~15%	~15%	~15%	~15%	~5%
	Chemical commodities' price develop	~9%	~9%	~9%	~9%	~4%
Average	~13%	~6%	~6%	~6%	~2%	
Supply	Job listings	~76%	~76%	~76%	~76%	~1%
	Traffic load	~50%	~38%	~38%	~38%	~0%
	Cargo volume	~45%	-	-	-	~42%
	Average	~27%	~57%	~57%	~57%	~20%
Price levels	~10%	~9%	~9%	~9%	~2%	

Note: Bottom is defined as the lowest point during the (partial) lockdown period, for MIA in the US this would be April 5th, 2020; pre-crisis refers to January 1st, 2020

To prepare the supply chain for restart, suggest implementing an integrated start-up taskforce in 5 dimensions

RAPID INTEGRATED START-UP TASKFORCE



01

People / workforce readiness mngmt.

- » Definition of measures for workforce protection (e.g., social distancing)
- » Transparency on workforce availability
- » Detailing of organization and shift models according to restart scenarios

02

Materials / supply chain management

- » Securing availability of materials at supplier in stock to avoid missing parts
- » Ensuring material availability on time at right place
- » Ensuring in/outbound transportation and warehousing

03

Site / asset management

- » Ensuring site readiness according to restart scenario
- » Ensuring technical availability of critical assets and back-up lines
- » Alignment of asset need/ utilization; start-up volumes and shift models

04

Compliance management

- » Continuous adherence to regulatory requirements
- » Continuous alignment with social partners

05

Communication management

- » Open / direct communication to all production employees
- » Communication at entry gate incl. hygienic rules and social distancing
- » Clear guidelines for handling new COVID-19 case(s)

BCG tools available for each dimension

01 » Global workforce protection best practices

» Analytical and simulation tools

02 » Inventory management toolkit

» Supplier recovery toolkit

03 » Asset management checklist

04 » Compliance best practice library

» COVID-19 state aid database

05 » BCG communication framework



Learning from the competition:

Many companies are already adapting their supply chain operations to the new environment

01 WORKFORCE READINESS EXAMPLES

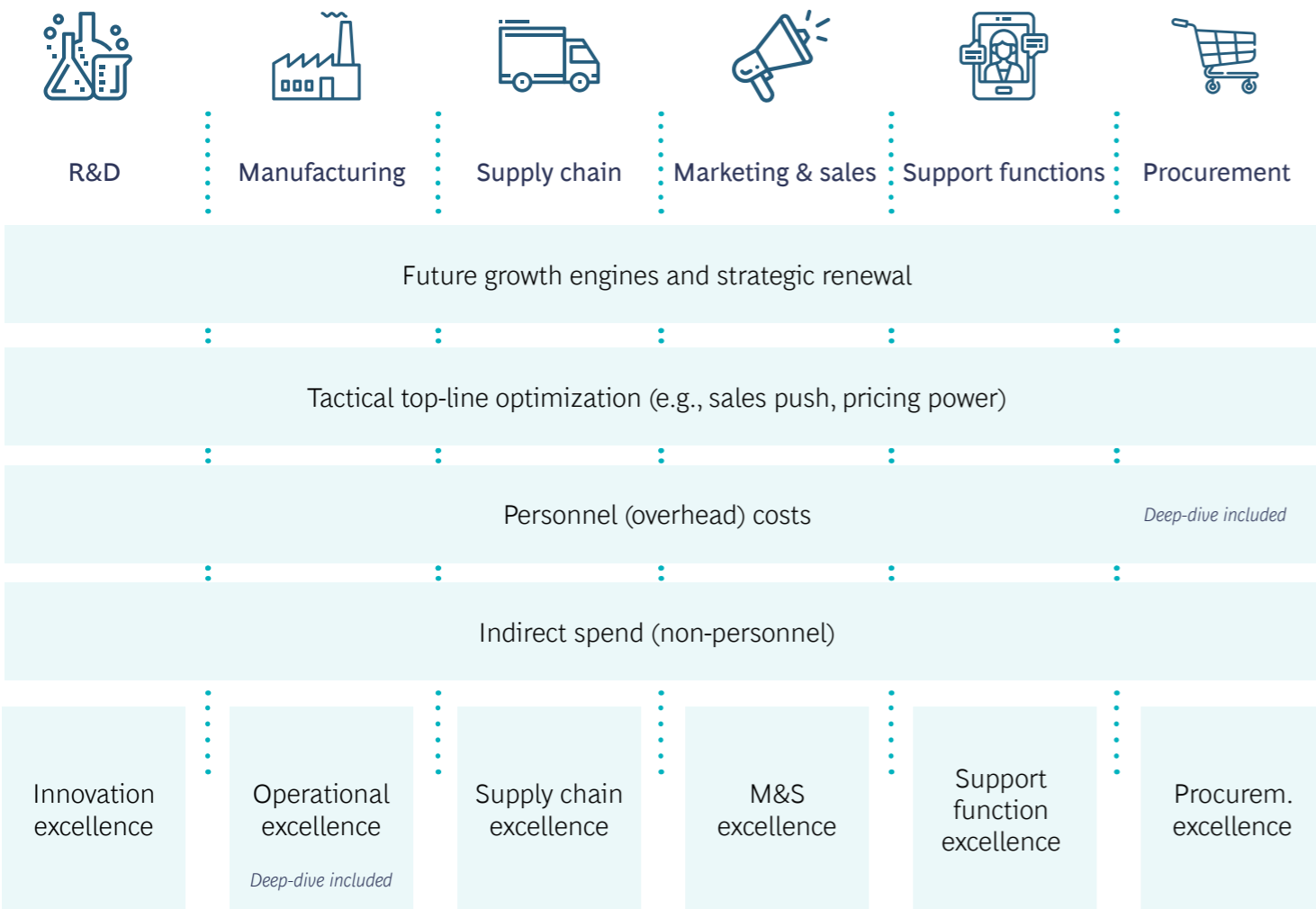
EXAMPLE	RESPONSE TO COVID-19	IMPACT
Global auto manufacturer – PPE policy	<ul style="list-style-type: none"> » Announcement of strict PPE regulations » Face mask obligation supported by handing out of face masks » Precise PPE demand calculations to ensure availability at all required workplaces » Internal production of face shields and masks under hygienic conditions 	<ul style="list-style-type: none"> Reduced infection risk Repurposed production capacity
Auto manufacturer – shift staggering	<ul style="list-style-type: none"> » Implementation of staggered shift starts to minimize overlapping » Prevention of physical shift hand-overs » Establishing of 10 minutes workplace cleaning time at shift start » Avoidance of shift rotation as much as possible, additional workplace and tool cleaning where rotation is necessary 	<ul style="list-style-type: none"> Increased distance between workers to decrease risk of infection
Auto manufacturer – cleaning protocols	<ul style="list-style-type: none"> » Development of COVID-19 pandemic response plan (cleaning standards) » Set-up of strict cleaning protocol with frequency and cleaning scope detailed in work instructions » Implementation of decision flow map (incl. plant manager) for regular & emergency cleaning 	<ul style="list-style-type: none"> Well defined standards and work orders for cleaning Increased hygiene in all plant areas

02 MATERIALS / SUPPLY CHAIN MANAGEMENT EXAMPLES

EXAMPLE	RESPONSE TO COVID-19	IMPACT
Global auto OEM – supplier interaction	<ul style="list-style-type: none"> » Definition of supplier rating to increase transparency on supplier availability » Set-up of communication plan to update suppliers about return to work plans and continuous alignment on delivery program » Expansion of supply chain response teams to audit supplier health and identify backup sources 	<ul style="list-style-type: none"> Increased transparency on supplier availability Reduced reaction time to supply disturbances
Medical supplier – production rerouting	<ul style="list-style-type: none"> » Adaption of supply chain to reroute 100% of production to local Chinese market (vs. only 10% previously) » Close collaboration with Chinese authorities to receive “priority facility” status to remain open » Shift of all production in China towards medical gear instead of typical product portfolio 	<ul style="list-style-type: none"> Stabilized revenues through shift to medical products
Specialty paper company – forecast models	<ul style="list-style-type: none"> » Analysis of top line and product mix shift impact on business » Assessment of associated demand recovery shape & supply constraints » Determination of key business decisions based on forecast model (e.g., CAPEX, S&OP) » Increase of frequency and cadence of S&OP reviews 	<ul style="list-style-type: none"> Increased alignment through S&OP reviews Accelerated decision making

Successful comeback requires holistic restructuring approach across all value chain elements

Restructuring lever matrix



Three pillars critical to convert conceptual levers into tangible, sustainable results

- 01** Establish required **program governance**
 - » Activist-PMO
 - » Chief Transformation Officer (CTO)
 - » Meeting cascades
- 02** **Energize** workforce and **equip** organization
 - » (Individual) incentive schemes
 - » Capability development
- 03** Implement **tools** to ensure delivery
 - » Gated process
 - » Impact centers
 - » Tracking tool
Example: Key by BCG



RALF MOLDENHAUER

BCG Senior Partner and restructuring expert

There are three core principles for successful restructuring:

1. Holistic program mindset

Be bold and aim for full cost-level “reset” through structural changes (no sacred cows!)

2. Focus on impact delivery

Generate fast and sustainable results through clear targets and responsibilities as well as short tracking cycles

3. Rapid decision making

Quick and clear decision making empowered by leadership is critical for success

Deep-dive personnel cost: Requirement for social plan depends on share of workforce affected by measures

PERSONNEL COST REDUCTION LEVERS

» Headcount reduction

- » Short time work
(Note: No terminations are possible for the time short time work is applied or one month thereafter¹)
- » Agreement / order² to consummate unused annual leave/ banked time-off
- » Agreement on salary reduction or reduction of working time³
- » Cancellation of bonus payments (if respective agreements permit)
- » Agreement on unpaid leave
- » Agreement on mutual termination of employment combined with the undertaking to re-hire employee after crisis
- » Not customary in Austria: Collective Bargaining Agreements where social partners agree on lower minimum salaries during an economic crisis

- » Mass dismissals⁴ require firms to inform the Austrian Labor Market Service (AMS) – only after 30 days notice can be delivered to the affected employees
- » Works council has to be informed, but can typically not object to headcount reductions for business reasons
- » However, works council may work towards social criteria determination ("Sozialvergleich") to protect older employees
- » Further, the works council can request a social plan if a significant part of the workforce is affected by termination
 - » "Significant part" is not legally defined; according to precedence 8% of the workforce is not enough, but it is fair to assume that more than 25% would be
 - » The law does not foresee any guidelines on the content of a social plan, in particular no figures of any severance packages

1. The latter applies only for employees directly affected by short time work 2. If the business is closed or infringed by statutory anti-COVID-19 measures, the employer may unilaterally order employees to consummate a certain part of unused annual leave/banked time-off, i.e. furlough the employees 3. Minimum salary according to the applicable collective bargaining agreement must be paid in any case 4. For business units >600 employees, termination of 30 employees or more or termination of five employees older than 50 would constitute a mass dismissal



WALTER PÖSCHL

Wolf Theiss Counsel and expert in labor law

In practice existing social plans agreed in jurisdictions with a more employee friendly employment law and stronger participation rights of employee representatives often set expectations within the work force in Austria. In this case it is crucial to explain to the works council (or the arbitration board) the different legal situation in Austria. Normally social plans stipulate severance packages between 3 and 24 monthly salaries, depending on age, seniority, social situation of the employee and economic situation and branch of the employer.

Deep-dive operational excellence:
BCG project example at steel pipe manufacturing company

CLIENT SITUATION

LIQUIDITY ISSUES AND LOW OPERATIONS MATURITY

Manufacturer of steel pipes with production sites in Europe and Asia

- » €1B annual revenue and ~2,000 FTE
- » Products are large (~10 m) and heavy (3-12t)
- » Persistent profitability/liquidity issues

Fast operations turnaround needed to support refinancing case

- » Largest cost base is in production
- » Varying operational maturity in manufacturing network with limited previous exposure to lean management, etc.
- » Broken sales & operations planning process

WHAT WE DID

DESIGN OF TURNAROUND / FINANCING PLAN; FULL FLEDGED LEAN IMPLEMENTATION

Set up of liquidity plan for refinancing business for upcoming years

- » Entire client organization analyzed for improvements
- » Turnaround plan designed
- » Liquidity ensured

Implementation of LEAN in two main sites in Europe and Asia

- » Setup of new site performance management
- » Reorganization of production org., embedding lean capabilities and an end-to-end focus
- » Implementation of continuous improvement process
- » Revamping of end-to-end supply chain management from sales & operations planning to production scheduling
- » Sustainability ensured through client enablement

IMPACT

LEAN IMPLEMENTED ACROSS VAST PART OF ORGANIZATION

30%
 personnel reduction

50%
 defect reduction

40%
 inventory reduction

25%
 lead time reduction

100+
 key employees trained in LEAN

10x
 return on consultant spend

<4
 months until project cash neutral





75% of restructuring programs fail – companies need to address core risks

LEADERSHIP

Too weak, too divided, too little perseverance

.....

ENGAGEMENT

Only few of the top 100–150 people truly support the effort

.....

EXPERTISE

Not enough in-house restructuring expertise, limited talent

.....

PRIORITIES

Too little focus on financing the restructuring

.....

STRATEGY

Measures not in line with strategy, blind cost-out at expense of critical capabilities

Risk mitigation

- ✓ Ensure top-down leadership and decision-making
- ✓ Engage key stakeholders early, bring along entire organization
- ✓ Acquire experienced outside support
- ✓ Prioritize initiatives with short-term impact
- ✓ Ensure initiatives are in line with existing strategic priorities

Three main refinancing mechanisms available to provide critical room for maneuver in turnaround situations

- 01

.....

Adapting existing financing agreements with current lenders
- 02

.....

Refinancing existing debt through new debt from new and / or current lenders
- 03

.....

Conducting debt for equity swaps



SUCCESSFUL REFINANCING DRASTICALLY IMPROVES A COMPANY'S ABILITY TO MANEUVER IN TIMES OF CRISIS:

- ✓

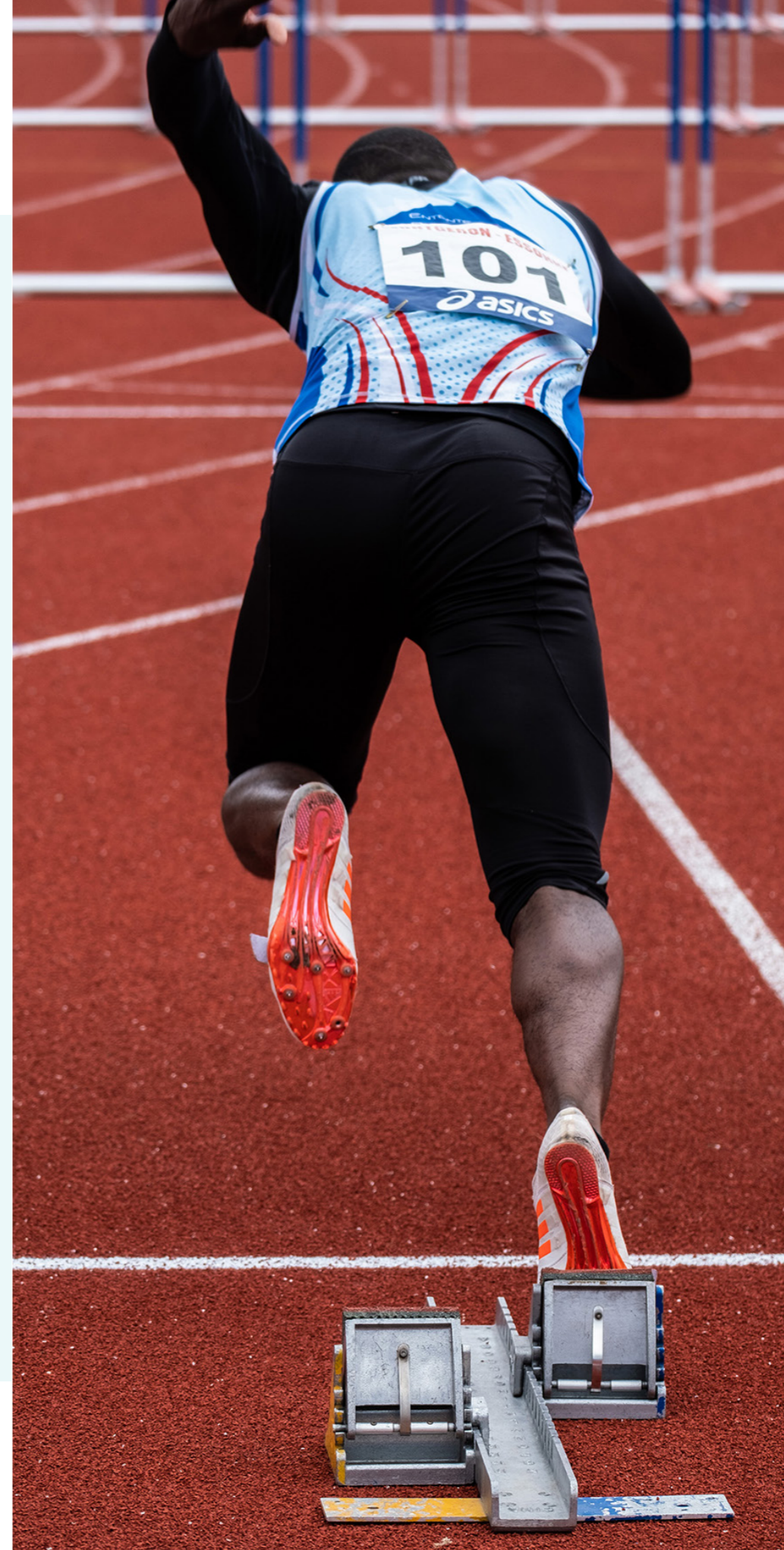
Relieve (potential) pressure from existing creditors
- ✓

Improve / restore liquidity
- ✓

Lift / relax financial covenants
- ✓

Avoid insolvency proceedings
- ✓

Support funding for general operations, investments or restructuring measures



LEOPOLD HÖHER

Wolf Theiss Partner and expert in financing and debt restructuring

Debt restructuring may help to overcome cash flow problems and financial distress, thereby enabling a company to pursue its operations and avoiding (potential) insolvency proceedings. Provisions of financing agreements determining the required lender majorities needed for amendments and waivers as well as non-consenting lender concepts are often considered being "boiler plate language" in plain vanilla times, but are of utmost importance in crisis situations.

Critical aspects of successful refinancing



MAKE SURE ALL PREREQUISITES ARE IN PLACE

- » Bring all/the majority of your lenders on board:

Provisions in existing financing arrangements designating certain matters to all lenders/majority lenders decisions¹

- » Have a viable concept ready to support your effort:

Lenders will demand a clear view on required liquidity, comprehensive financial planning and restructuring measures

- » Run a structured process with the right people on board:

Refinancing will take time and most likely require external support for legal and commercial matters



LEVERAGE ALL THE TOOLS YOU HAVE AT HAND

- » Extending maturities for interest and/or principal
- » Changing interest payments to Payment-in-kind (PIK) interest or Pay-as-you-can (PAYC) interest
- » Re-scheduling of debt and amendment of terms and conditions
- » Waiver agreements, e.g. regarding termination rights or financial covenants
- » Standstill arrangements among lenders, e.g. regarding termination rights



KNOW HOW TO TACKLE POTENTIAL ROADBLOCKS

- » Bilateral lender contracts vs. syndicated financings:

Higher amount of stand-alone financing arrangements multiples complexity

- » Different layers of debt:

Super senior, senior, junior, mezzanine, etc.

- » Different security arrangements:

Secured vs. unsecured vs. new debt lenders

- ✓ Convene steering committee out of the group of lenders, taking the lead in the debt restructuring negotiations

- ✓ Apply super senior lender concept² for those providing fresh money

- ✓ Implement security pooling arrangements - lenders to agree to share security and waterfall on enforcement proceeds

1. Majority (typically 662/3)/super majority/all lenders matters

2. Contractual arrangements ensuring super senior lenders ranking ahead of senior, mezzanine, junior, etc.

THRIVE



Get best positioned in the world post COVID-19

- 08 Conceptualize new realities
- 09 Deploy M&A
- 10 Shift to digital, be bionic

Key uncertainties will define the world post COVID-19

TECHNOLOGICAL CHANGE

Will confinement produce a step-change in virtual interactions and other innovations, or will pre-crisis norms return?

.....

ROLE OF GOVERNMENT

Will there be a shift in tolerance for larger public sectors and authority of local vs. national governments?

.....

ECONOMIC STRUCTURE

Will the emerging economy be driven more by returns on capital investment, or a more broad-based growth?

.....

SUPPLY CHAIN

Will supply chains compress to a more regional focus, or will they be global?

CORPORATE LANDSCAPE

Will market dynamics be driven by consolidated digital empires, or by a surge in entrepreneurship?

.....

CONSUMER BEHAVIOR

Will consumer confidence - or lack thereof - drive discretionary spending or a focus on saving and 'the essentials'?

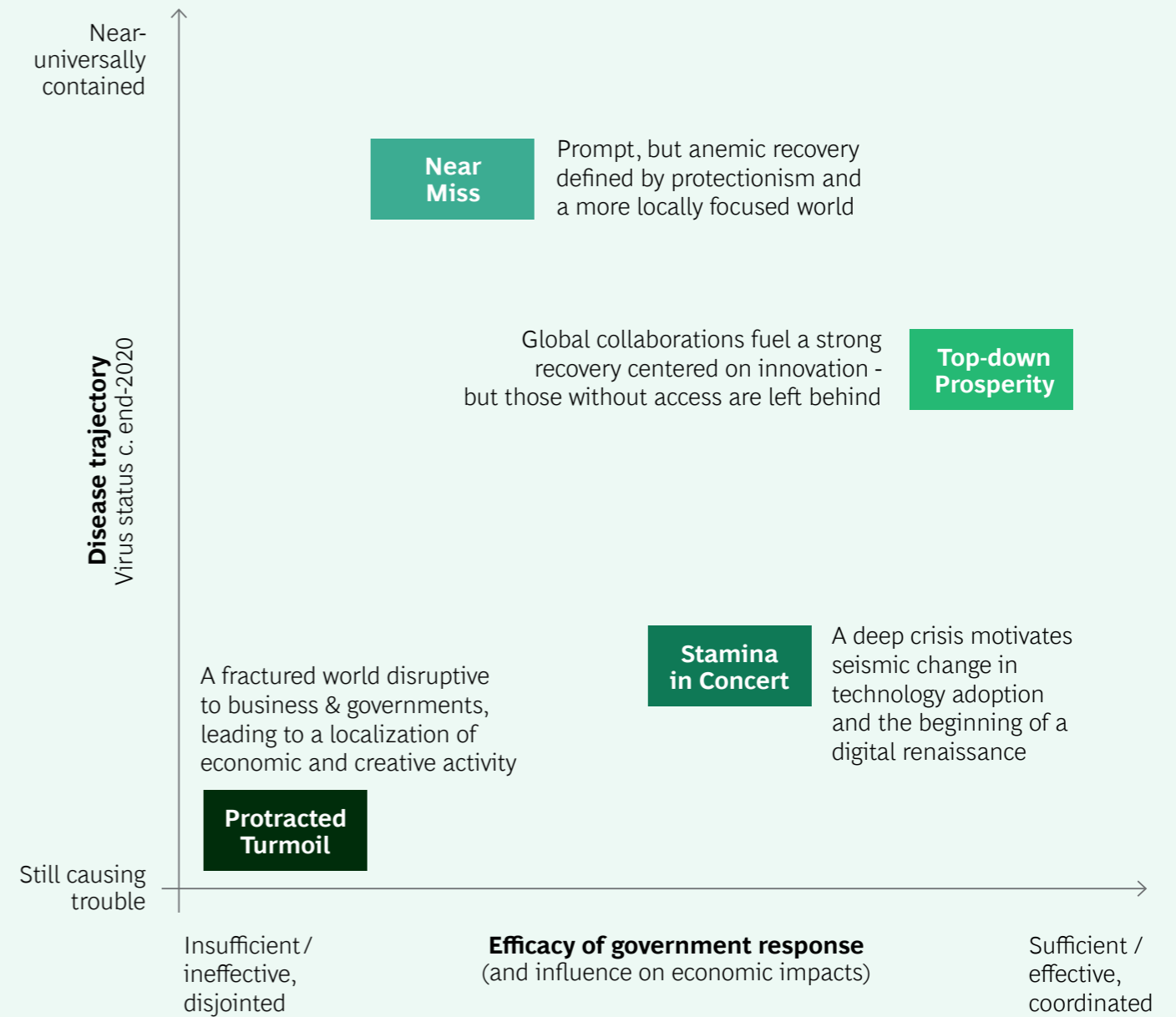
.....

ATTITUDES TOWARD SOCIAL GOOD

Will the crisis energize attitudes toward social good, or will tough economic times lead to focus on (household and corporate) bottom lines?

Respective government responses will shape the emerging 'New Realities'

EXEMPLARY BCG SCENARIOS - PLOTTING IS INDICATIVE



Deep-dive consumer behavior:

Behavioral change will vary across sectors

■ Healthier categories (e.g., food, personal care)¹
More than 20% of respondents plan to spend more

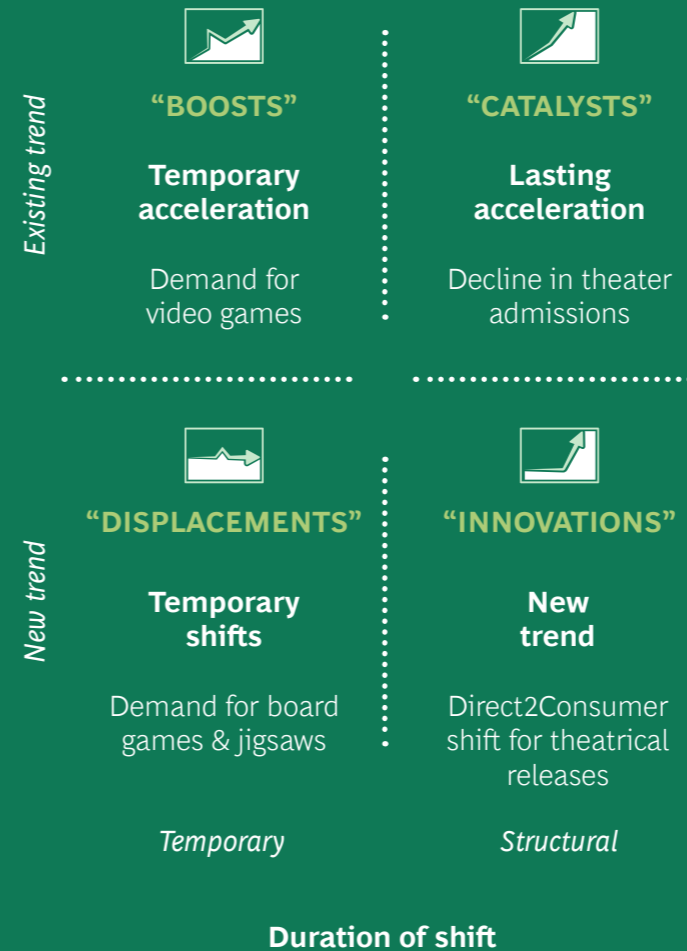
■ Pressured categories (e.g. cars, travel)¹
More than 20% of respondents plan to spend less

As of March 30th, 2020 (extract)

	UK	Germany	US	Canada	Italy	France
In-home entertainment	■	■	■	■	■ ■	■ ■
Fresh and organic foods		■	■	■	■	■
Packaged food and beverages	■	■	■	■	■	
Preventive health care	■	■	■	■		■
Household care products	■		■	■	■	
Savings	■	■	■	■ ■	■ ■	■
Medical procedures	■	■	■	■	■	
Vitamins/supplements		■			■ ■	
Out-of-home entertainment	■	■	■	■	■ ■	■ ■
Utilities	■	■			■	
Restaurant pickup/delivery	■	■	■ ■	■ ■	■	■
Education	■		■	■	■	
Travel	■	■	■	■	■	■
Luxury/fashion	■	■	■	■	■	■
Public transportation	■	■	■	■	■	■
Home décor	■	■	■	■	■	■
Men's & women's clothing	■	■	■	■	■	■
Outerwear, athletic equipment & clothing	■	■	■	■	■	■
Home electronics & appliances	■	■	■	■	■	■
Shoes/footwear	■	■	■	■	■	■
Toys and games	■	■	■	■	■	■
Mobile electronics	■	■	■	■	■	■
Restaurants	■	■	■	■	■	■
Gambling	■	■	■	■	■	■
Cars/automobiles	■	■	■	■	■	■
Tobacco/smoking	■	■	■	■	■	■
Cosmetics/perfume			■	■		■
Alcohol	■		■	■	■	■
Hair and body care	■				■	
Insurance					■	

1. Countries can have categories in both columns - signaling volatility /shift in consumer preferences

Some shifts are temporary, others could stick



8. CONCEPTUALIZE NEW REALITIES

Deep-dive consumer behavior:
**Examples Retail and MedTech – how shifts
 in consumer behavior may affect business models**

Retail (non-essential) example

Market

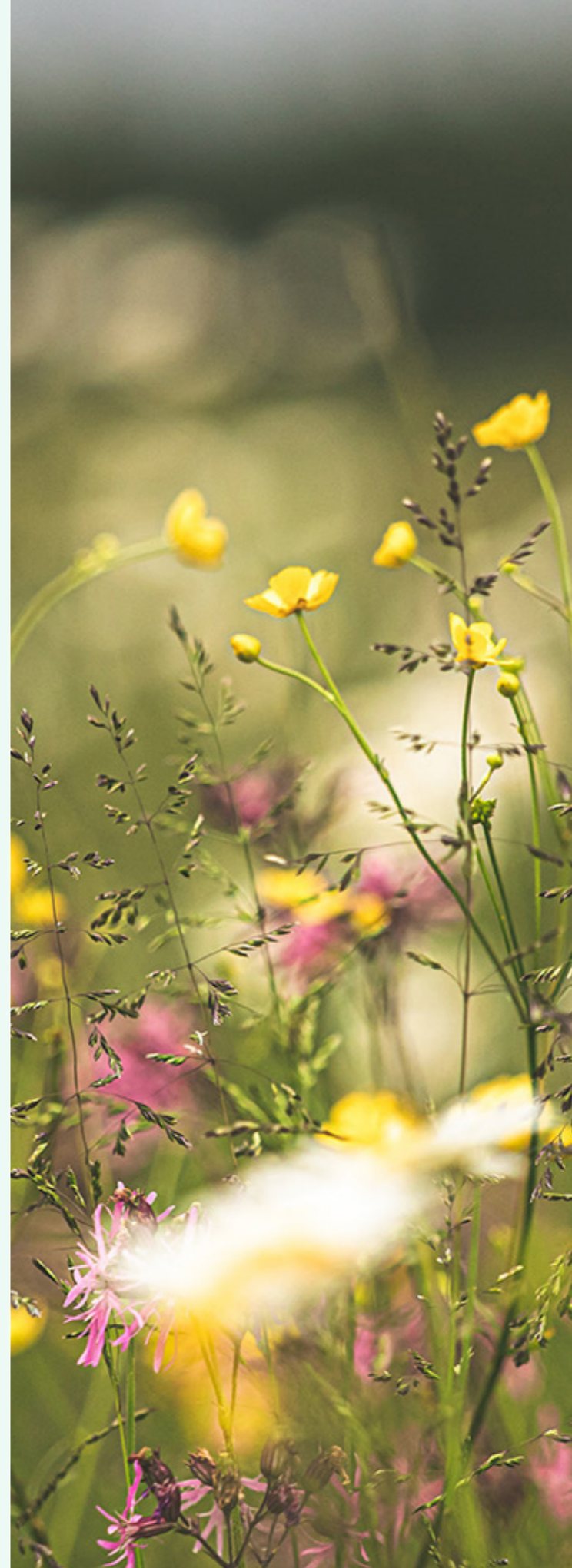
- » Many sub-sectors will consolidate into a triumvirate of one or two traditional players, at-scale marketplaces, and niche players (including pureplays, direct to consumer)
- » Marketplaces and essential retailers will disruptively steal share in nonessential categories (less so where barriers to entry are high or supply chains are different e.g., DIY)

.....
Channels

- » Large share of physical retail may permanently close as lower spending, and decline in relevance of malls, brings less foot traffic (less so where stores provide experience)
- » Omnichannel growth will challenge retailer economics, and require business model and customer experience innovation, as consumers push toward e-commerce as the norm
- » Customer communication will largely move to digital marketing as retailers lose ability to use stores to drive traffic

.....
Operating model

- » Cost base will be restructured for most companies, potentially through bankruptcy or insolvency proceedings
- » Supply chains will become diversified with pressure to shift inventory to vendors as retailers seek to reduce inventory costs, cash-outs, and the risk of product not selling



MedTech example

COVID-19 likely accelerating existing / anticipated trends

- » **Telemedicine:** Increasing patient adoption of virtual interactions with physicians for a wider range of maladies/treatments
- » **Point of care:** Disruption in industry will see rise of new care models; may spark move away from hospitals for some less invasive/complicated surgeries (e.g. hip replacements)
- » **Provider consolidation:** Potential liquidity crisis could put smaller players out of business and advantage larger networks of provider services going forward
- » **Digital engagement:** New investments in digital marketing and novel sales tactics could yield long-term structural changes to how manufacturers engage with physicians

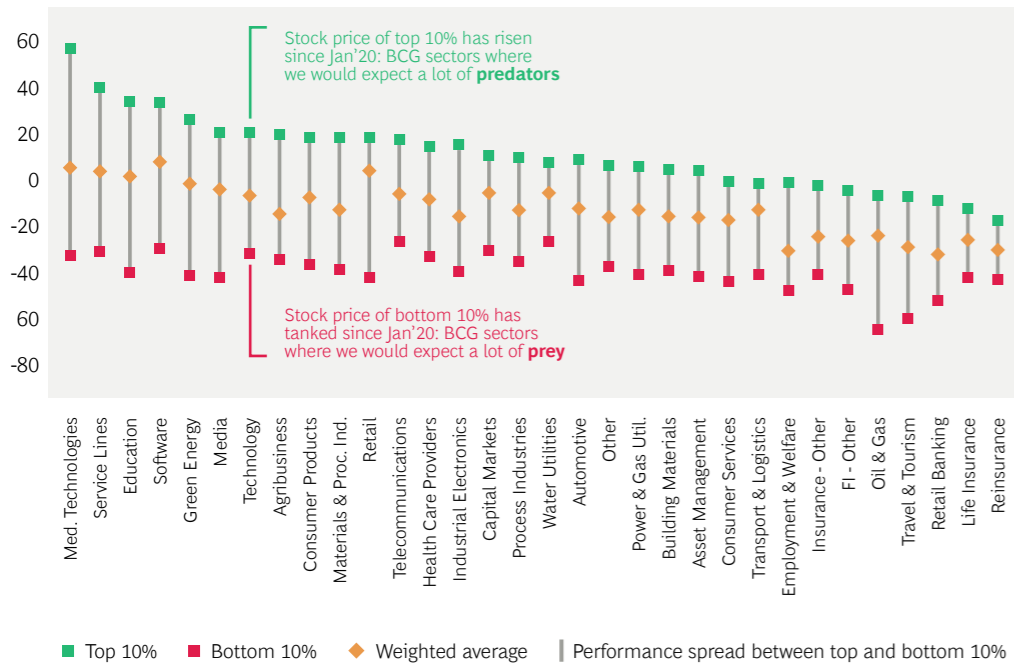
COVID-19 may introduce new long-term trends/impacts

- » **Protectionism:** More restrictive flow of goods, innovation, and people could result in balkanized markets and the need to focus on different set of markets for future growth
- » **Economic downturn:** Global recession will lower overall demand for elective health care services; rise in unemployed and uninsured will dampen demand

The current crisis may provide a great opportunity to secure attractive M&A-deals

The downturn affects all industries - but not all companies alike...

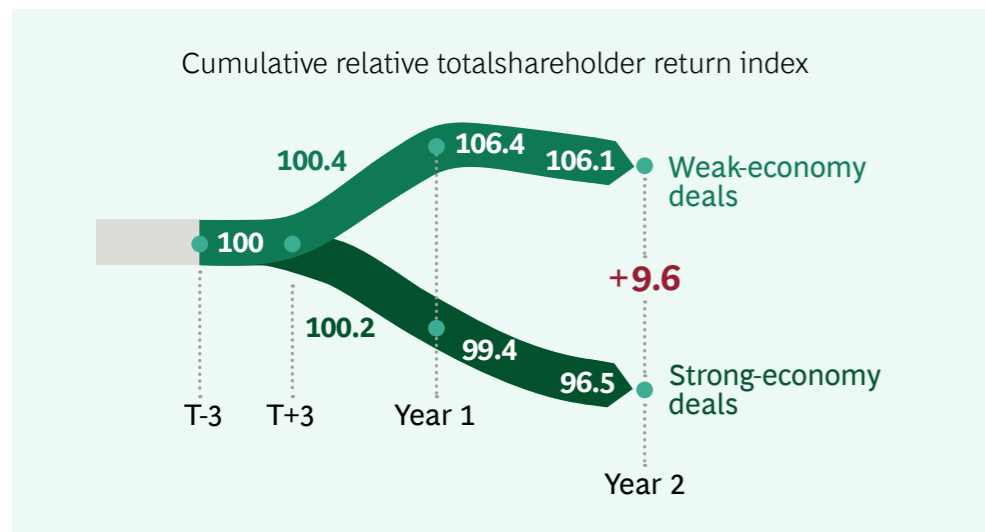
YTD change in company's stock prices (%)



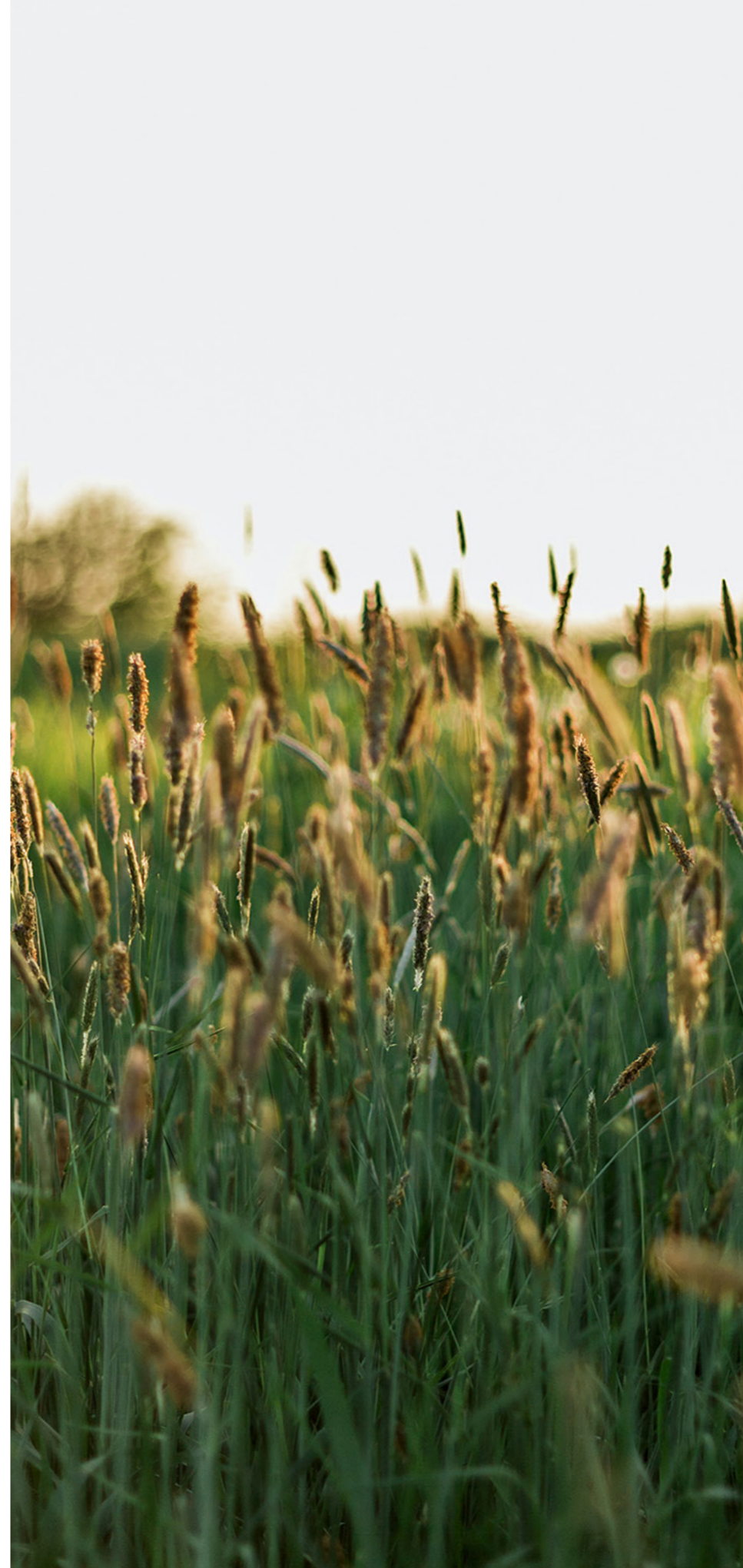
- » A high performance spread suggests that companies within the same industry have not been hit equally hard by the downturn
- » The higher the spread, the higher the potential to find both well and poorly performing companies
- » This imbalance may lead to attractive M&A opportunities

... creating opportunities for bold M&A dealmakers

TSR-index weak vs. strong-economy deals



- » Weak-economy deals outperform strong-economy deals by more than 9 percentage points
- » The benefits are even higher for non-core acquisitions (outside the buyer's industry)
- » Experienced M&A dealmakers extract significantly more value, but also occasional acquirers create value from downturn deals



JENS KENGELBACH

BCG Senior Partner and global head of M&A

Crises and downturns have always been important, often game-changing periods for mergers and acquisitions. The current remarkable drops in equity valuations provide a window of opportunity for courageous acquirers.

For further reading, please refer to our recent publication and our microsite:

[LINK](#) M&A and COVID-19 | A Rare Moment for Consolidators

[LINK](#) BCG's M&A and Divestitures microsite

BCG's Predator and Prey tool can help identify attractive targets in the downturn

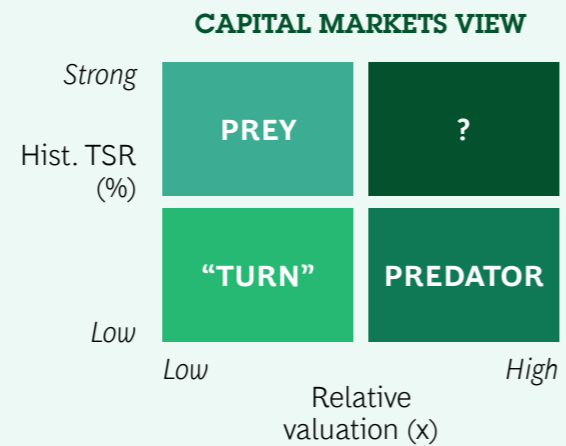
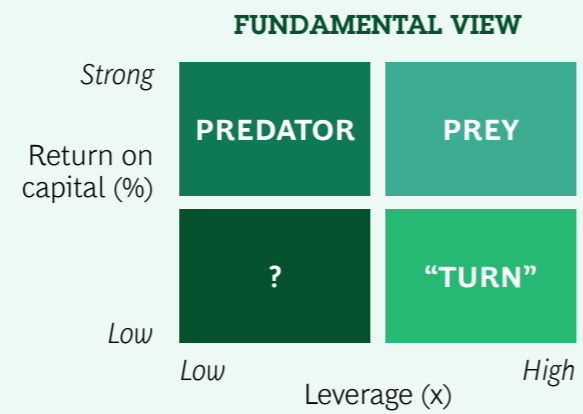
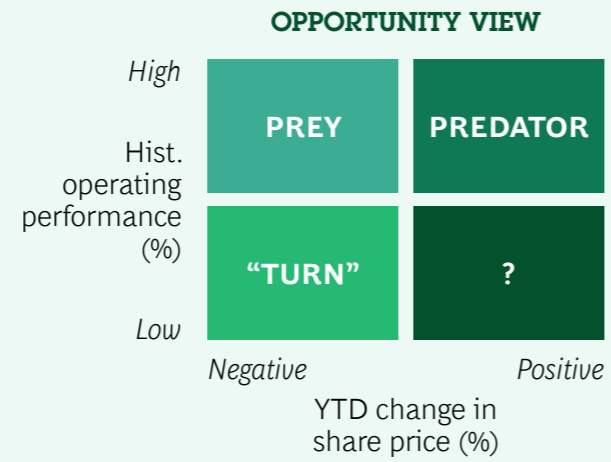


Identify attractive M&A opportunities during a downturn...



... by taking advantage of BCG's Predator & Prey method, using data on >20,000 public companies

- » Across all geographies
- » Retrieved from S&P Capital IQ
- » At the latest available date



The company of the future is bionic...



LINK

... and this future is already within reach

Three shifts make new organization models possible

Opportunity to bridge the gap between flexible and scalable

Humans and technology together

Replicable, scalable execution with real-time human flexibility



Humans

Flexible, but not scalable



Technology

Replicable / scalable, but not flexible

Opportunity for true open-source collaboration

Standardized APIs driving down transaction costs and enabling flexible, scalable innovation and collaboration



Opportunity to unlock rapid expertise through "bionic learning"

Rapidly improved processes create better outcomes and data



Machine learning detects patterns in big data



Humans sense-check outputs and manage data and inputs

BCG TURN: Our offering



Comprehensive approach

- » All levers in scope
- » Holistic business view
- » Agile organization



Rapid results

- » Fast cash office set-up
- » Scenario planning
- » Prioritized execution



More doing, less consulting

- » Execution bias
- » Pragmatic
- » Less slides



Work as one team

- » TURN Practitioners and BCG industry experts, and your team side-by-side



Shared outcomes

- » Pay only for results
- » Aligned incentives
- » You win, we win

In case of questions or comments, please do not hesitate to reach out



JOCHEN SCHÖNFELDER

Managing Director
& Partner, Cologne

Lead TURN & Restructuring
Germany & Austria

+49 170 334 5230
schoenfelder.jochen@bcg.com



DR. RALF MOLDENHAUER

Managing Director
& Senior Partner, Frankfurt

TURN & Restructuring

+49 170 334 2423
moldenhauer.ralf@bcg.com



ALEXANDER WINKLER

Principal, Vienna

TURN & Restructuring

+43 676 579 7403
winkler.alexander@bcg.com

Wolf Theiss: Our offering



Client in focus

- » Service-oriented approach
- » Integrated teams
- » Comprehensive legal advice



Business-oriented thinking

- » Sectoral expertise
- » Industry contacts
- » Legal solutions with business mindset



Quick turnaround and flexibility

- » Transactions evolve, so do we
- » Fast and flexible
- » Coordinated case management



Clear communication

- » We speak your language
- » Digital collaboration platforms
- » Responsive and accessible



Efficient billing

- » Cost optimization
- » Full transparency
- » Clear and fast processes

In case of questions or comments, please do not hesitate to reach out



LEOPOLD HÖHER

Partner, Vienna

Banking & Finance

+43 1 51510 5431
leopold.hoeher@wolftheiss.com



WALTER PÖSCHL

Counsel, Vienna

Employment

+43 1 51510 5890
walter.poeschl@wolftheiss.com



MIMO HUSSEIN

Senior Associate, Vienna

Banking & Finance,
Regulatory Affairs

+43 1 51510 5063
mimo.hussein@wolftheiss.com



.....

The contents of this brochure have been created partly by **BCG Boston Consulting Group** (Austria) GmbH (“BCG”) and partly by Wolf Theiss independently. The contents of this brochure that are provided by BCG, services and materials provided by BCG are subject to BCG`s Standard Terms (a copy of which is available upon request) or such other agreement as may have been previously executed by BCG. They are meant solely for general information purposes and are not construed to provide any kind of legal or other kind of advise for any purpose to specific recipients or to constitute an agreement of any kind between BCG and the recipient for any purpose. No warranty is given and no responsibility is accepted for the completeness or accuracy of the content or for the content of third parties. Further, BCG has made no undertaking to update these materials, notwithstanding that such information may become outdated or inaccurate. BCG, its partners, officers, employees or affiliates shall not have any liability for the content itself or any decisions made in connection with the content.

In particular, BCG does not provide any legal advice, tax advice or accounting advice. BCG does not provide fairness opinions or valuations of market transactions, and the contents of this brochure should not be relied on or construed as such. Further, evaluations, market and financial information and any kind of conclusions contained in this brochure are not definitive and are not guaranteed by BCG. The recipient is responsible for obtaining independent advise concerning these matters. Further, third parties may not, and it is unreasonable for any third party to, rely on these contents for any purpose whatsoever.

Any reproduction, distribution, editing and exploitation of the BCG contents published in this brochure requires the prior consent of BCG. BCG is not obliged to update the contents or to make any corrections.

WOLF THEISS

.....

The materials published by **Wolf Theiss** and contained in this presentation are provided for general information purposes only and are not intended to provide legal or any other form of advice for any purpose.

Neither the receipt of information contained in this presentation nor any communication between Wolf Theiss or its lawyers and the recipient of this presentation will create an attorney-client relationship. No recipient of this presentation should act or refrain from acting on the basis of information provided in the presentation without seeking legal advice from a lawyer in the relevant jurisdiction. Recipients may not rely on these materials for any purpose whatsoever. Neither Wolf Theiss nor any of its subsidiaries, affiliates, shareholders, managing directors, agents or employees shall have any liability whatsoever (including for incidental or consequential damages arising from errors

or omissions) to any recipient, including the accuracy or completeness thereof. Receipt and review of this presentation shall be deemed agreement with and consideration for the foregoing.

While reasonable effort has been made to ensure the accuracy of all information published by Wolf Theiss in this presentation, this cannot be guaranteed. Wolf Theiss does not accept any responsibility and expressly disclaims liability with respect to reliance on information or opinions published in this presentation and from actions taken or not taken on the basis of its contents.

This presentation may link to external websites and external websites may reference this presentation. Wolf Theiss is not responsible for the content of any such external websites and disclaims any liability associated therewith.

