

Private Equity checklist to COVID-19 outbreak Response plan

April 2020

PE checklist to COVID-19 outbreak

Weathering the storm requires prioritisation and key actions to navigate the volatility.

Protect your core business

Portfolio companies

Surviving the next 4 weeks

Do you have cash to continue operations and have you taken actions to improve your cash position?

Has business slowed down to the extent that short term layoffs should be considered? Do you have a plan to apply?

Are you eligible to seek the R&D contribution on social security charges available retroactively since 2014 (maximum SEK 16.5m)?

Do you have real time cash flow forecasting with a daily view over the next 4 weeks?

Have you stopped all discretionary spend and postponed capex? Have you sought support from your suppliers and/or customers?

And then the next 3–6 months

Are your operations, finances, and strategy robust enough to perform in a COVID-19 affected economy?

Have you depleted all sources of additional funding or credit solutions available?

Do you have a plan to mitigate further disruptive milestones linked to the current crisis?

Is further optimisation of working capital possible?

Is rightsizing needed and do you need to fix, sell or close underperforming business units?

How vulnerable are your systems to cyber attacks? How to reduce your exposure?

Do you need to shift/prioritise your business to more stable offerings in order to address demand downsize?

Engage with key stakeholders

GP fund strategy & operations

Structure response and engage

Have you defined a structured response in your portfolio to support proactive engagement with LP's, sponsors and lenders?

Do you have a consistent and structured approach for crisis reporting across your portfolio?

Have you explored broadening investment mandates to pursue accelerated strategic growth opportunities?

Are you proactively and efficiently engaging with key stakeholders to inform them of the latest developments?

Protect your core business

Selected quick wins for portfolio companies to survive the next four weeks.

Emergency state support

Your portfolio's challenge

Short term lay-offs (korttidspemittering)

Our initial guidance

- Applications open 7 April 2020 and are submitted electronically to Tillväxtverket
- In advance, prepare agreements and information required for the application and negotiate with unions
- If there's no collective agreement, 70% of personnel need to approve and participate in reduction of salary/time
- Salary / working hours reduction apply across all employees in business unit
- The employer must have depleted other means for reducing personnel costs
- Refrain from deciding on or executing dividends

R&D contribution (forskningsavdraget)

- Companies have potential to receive up to SEK 16.5m through unclaimed R&D social security discounts since 2014
- Companies can be eligible if research undertaken in a systematic or qualified way to develop new goods, services or production processes
- There is subjectivity in terms of tax authority assessment and approval and as such there is value in developing a strong case
- More information available here [Forskningsavdraget-forstarks.html](https://www.forskning.se/forskningsavdraget-forstarks.html)

Financial actions

Real time cash flow forecasting

- Produce 13 week cash flow and daily view for next 2-4 weeks
- Gain visibility over key receivables / payments
- Flex assumptions with latest information
- Identify mitigating actions and when they need to be executed
- Define one person to authorise payments
- Daily meetings on what payments to make
- Prioritise business critical expenses
- Consider reducing frequency of payment runs
- Offer early payment discounts – focus on cash, not profit

Cost reduction (in survival mode)

- Stop all discretionary spend
- Postpone all capex
- Make cost base more flexible
- Reduce contractors to reflect activity levels
- Consider unpaid leave for permanent staff
- Freeze hiring
- Lengthen payment terms on large leases (e.g. property)
- Reduce activity in production / shutdown planning
- Seek support from larger/robust suppliers & customers

Protect your core business

Key levers to consider in the following 3-6 months.

Finance



Additional funding and credit solutions

- **Engage early.** Engage lenders early to prevent any surprises and re-forecast to define the gap/ask
- **Identify un-pledged collateral.** This could be capable of supporting new funding requests
- **Alternative lenders as an option.** Start with existing lenders though alternative lenders and special situations funds may provide options



Working capital optimisation

- **Accounts receivable levers.** Engage earlier with customers, shorter payment terms and debtor finance
- **Inventory levers.** Reduce safety stock levels, discount obsolescent stock and reduce WIP
- **Accounts payable levers.** Eliminate early payments, prioritise critical suppliers and consider supply chain financing

Operations & commercial



Prepare for potential disruption milestones

- **Identify further disruption milestones linked to the crisis.** Determine situations requiring significant corrective actions (e.g. prolonged lockdown, broken supply chain, etc)
- **Plan corrective actions.** Align decision makers and design corrective actions based on scenario testing



Address underperforming business units

- **Assess performance.** Undertake a rapid, honest assessment of BUs
- **Decide preferred option.** For underperforming business units decide whether you should fix, sell or close
- **Analyse impact.** Determine the cost to implement and impact on the core business



Protection against cyber threats

- **Educate.** Educate users how to protect themselves
- **Address vulnerability.** Patch and harden infrastructure to reduce attack surface
- **Detect activity.** Monitor remote working and cloud applications involved, informed by threat intelligence
- **Respond to breach.** If breached, be ready and able to respond and recover remotely in a timely fashion

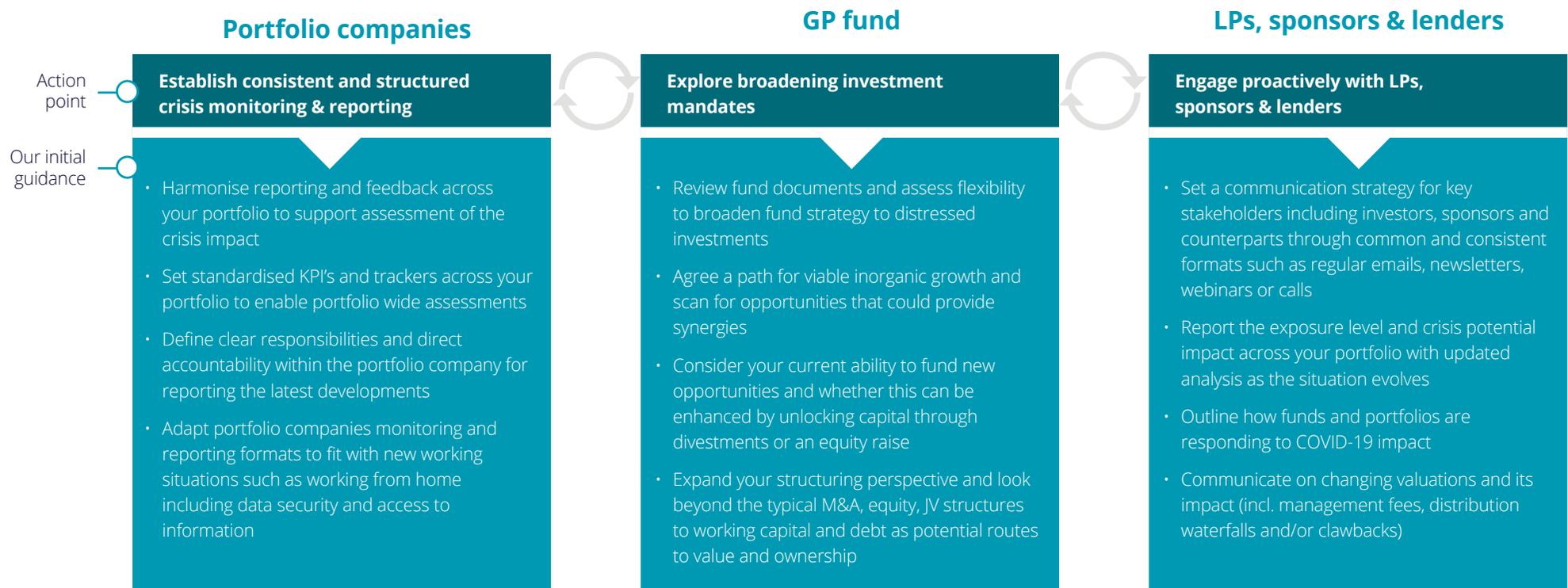


Address downsizing demand

- **Engage with customers.** Reach out to customers to gain loyalty and trust when situation improves
- **Refocus offerings.** Shift business focus to less impacted products/services, geographies and channels
- **Address changing needs.** Plan contingencies to adapt to new customer behaviours adjusting sourcing volumes to new demand

Engage with key stakeholders

Be proactive in information sharing and adapt your strategy.



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Key contacts and additional
resources.



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Additional resources

[Overall guidance in handling COVID-19](#)

[Coronavirus impact](#)

[COVID-19 support webinars \(incl. tax, VAT, labour law and capital shortage\)](#)

[Government funding response to COVID-19 \(by country\)](#)

[R&D contribution \(forskningsavdraget\)](#)

[Credit solutions for companies with urgent cash needs](#)

[Surviving the next 4 weeks... and then the next 3 months](#)

[Cyber considerations amid a global pandemic](#)

[Three issues of bankruptcy and personal liability due to Corona](#)