



# A Bridge Past Covid-19

## Business planning for the post lockdown period

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# Speakers



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# Agenda

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Business planning in the new environment

02

Financing and equity options in the financial restructuring

03

Cyber security & Privacy Legal Considerations

04

Q&A



# Business planning in the new environment



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# Key questions for long-term planning

## 1. Approach

Should I forget about the 2020 budget?  
Is my incremental planning approach right?

## 2. Timeline

When will it all end?  
Is it cyclical?



## 3. Maximizing potential

Do I understand the new normal?  
Should I...revisit assumptions about customer relationships?  
...rethink strategic priorities?  
...review cost optimization plans?  
...monitor for signals of economic recovery?

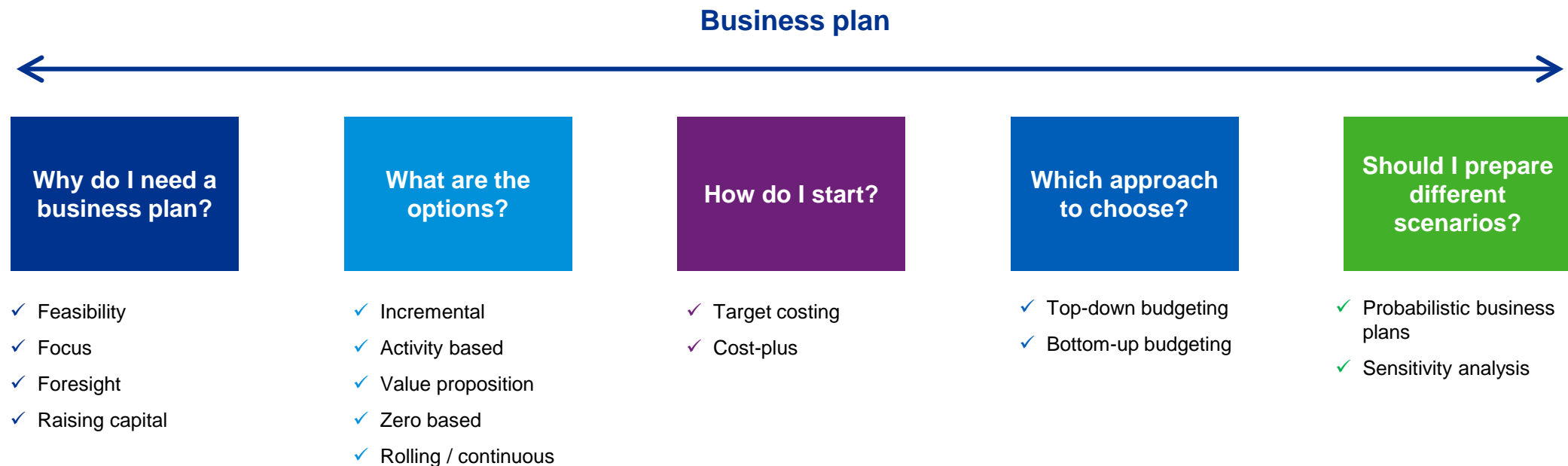
### What are the levers for new growth?

Are there any suitable strategic partners?  
Where can I find finance?

### What should I do about operations?

Invest in digital tools to increase productivity and reap potential cost efficiency benefits?  
Should I restructure supply chain?  
Are flexible contracts an option?

# Business plan preparation is an essential part for business continuity



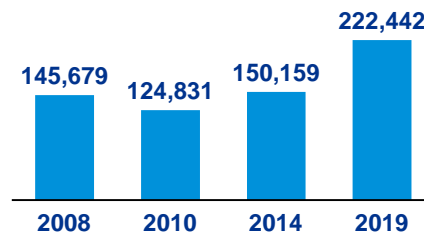
# History repeated?

Crises represent excellent opportunities for those well-positioned to navigate them all the way

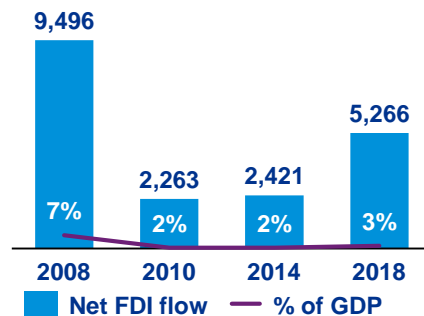
## Expect the best...

Companies with robust long-term strategic view will re-invent themselves and benefit from the current turmoil

**GDP**  
EUR mn

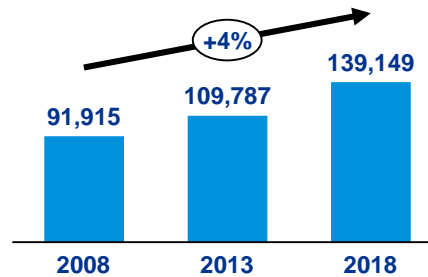


**Net FDI**  
EUR mn

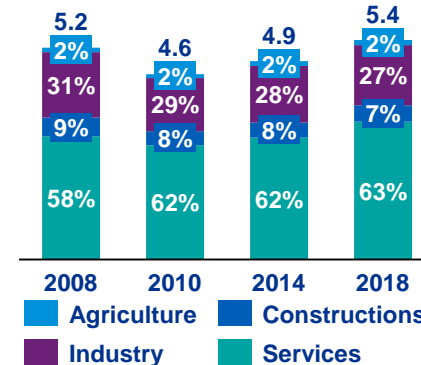


Source: INS, BNR

**Turnover of top 1000 companies**  
EUR mn



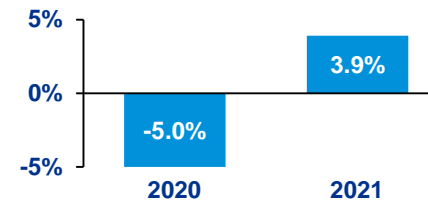
**Number of employees**  
mn - evolution by sector



## ... but prepare for the worse

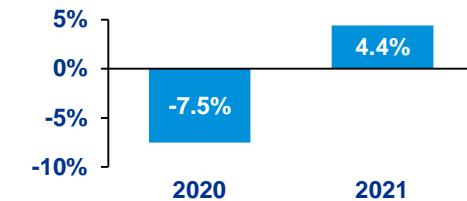
Crises have **long-term** direct or indirect impact on all industries

**Real GDP Romania**  
Forecast

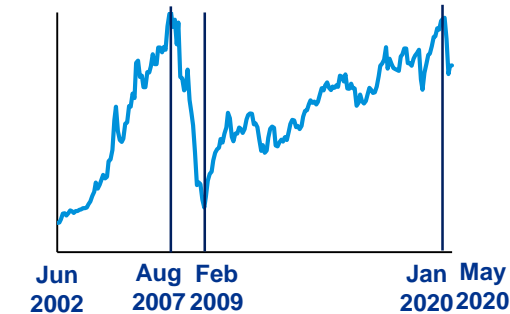


Source: IMF

**Real GDP EU**  
Forecast

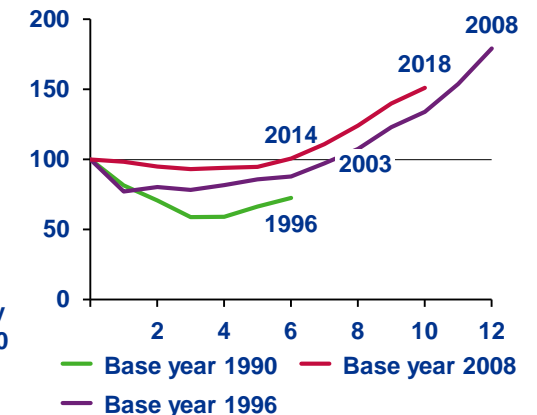


**BET**  
2000 - 2020



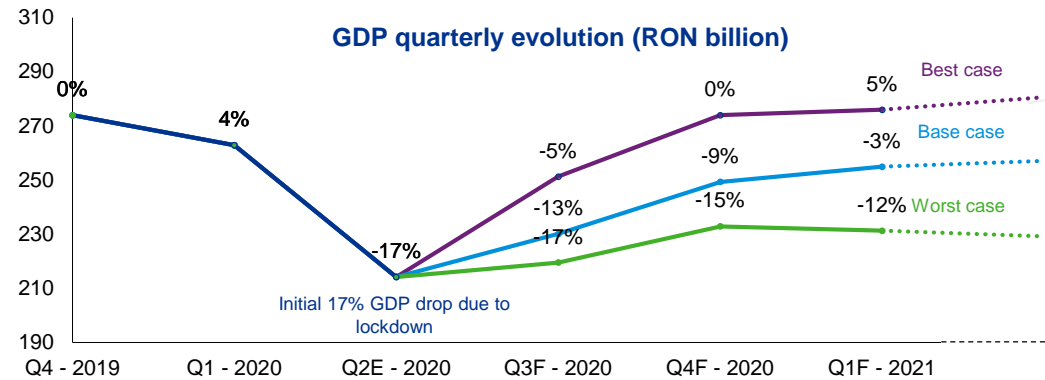
Source: INS, BVB

**Real salary development**



# Looking forward

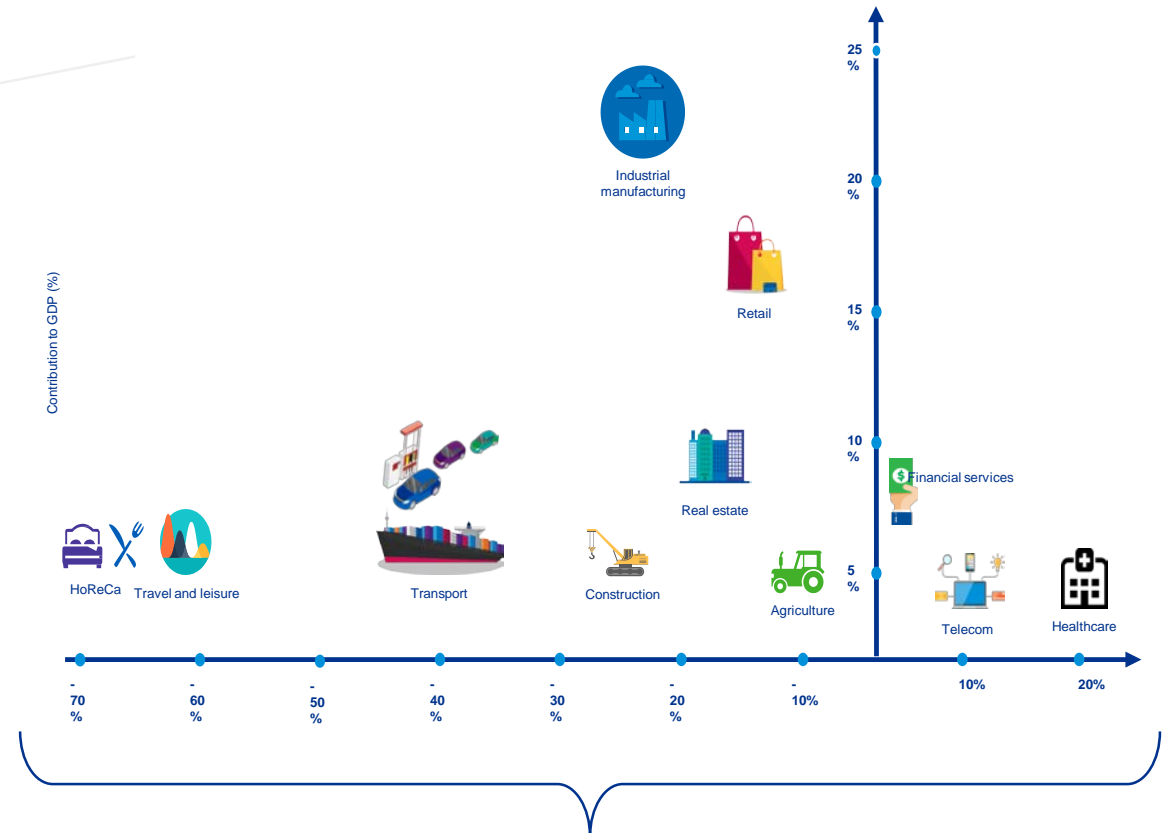
## Scenarios are of paramount importance



Values presented are for illustrative purposes only

	2020 vs 2019 GDP contraction	Current lockdown ends	Secondary lockdowns	Pandemic contained
Best case	-5%	End of May	none	September 2020
Base case	-9%	End of May	August and November 2020	January 2021
Worst case	-11%	End of May	August and November 2020 & February 2021	July 2021

## Disruption effect is different across industries



**Define key value drivers and analyze sensitivity**



# KPMG 9 Levers of Value

The 9 Levers of Value form an intuitive framework that can be used to deconstruct, analyze and re-orient a business by focusing on both its business model, as well as on its operating model

Lever	1. Financial outcomes	2. Markets	3. Propositions & Brands	4. Customers & channels	5. Core business processes	6. Technology & infrastructure	7. Governance, structure & risk	8. People & culture	9. Measures & incentives
Key components	<ul style="list-style-type: none"> <li>Financial Goals and Constraints</li> <li>Vision, Mission and Values</li> <li>Strategic Priorities</li> </ul>	<ul style="list-style-type: none"> <li>Industry Structure &amp; Dynamics</li> <li>Market Definition &amp; Segments</li> <li>Competitive Landscape</li> </ul>	<ul style="list-style-type: none"> <li>Products</li> <li>Brand, positioning &amp; promotion</li> <li>Pricing</li> </ul>	<ul style="list-style-type: none"> <li>Customer Segmentation &amp; Targeting</li> <li>Customer Experience &amp; Loyalty</li> <li>Customer Profitability</li> <li>Sales &amp; Channel Effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>Industry Structure &amp; Dynamics</li> <li>Supply Chain and Logistics</li> <li>Core Competencies &amp; Company Value Chain</li> </ul>	<ul style="list-style-type: none"> <li>Facilities and Infrastructure</li> <li>Information and Technology</li> <li>Non-core and Support Services</li> </ul>	<ul style="list-style-type: none"> <li>Governance</li> <li>Organization Structure</li> <li>Risk Controls</li> </ul>	<ul style="list-style-type: none"> <li>Leadership</li> <li>Skills and Capabilities</li> <li>Culture</li> </ul>	<ul style="list-style-type: none"> <li>Performance Measures</li> <li>Performance Targets</li> <li>Incentive System</li> </ul>
Business plan	<ul style="list-style-type: none"> <li>Finance</li> <li>P&amp;L</li> <li>CAPEX</li> </ul>	<ul style="list-style-type: none"> <li>P&amp;L topline</li> </ul>	<ul style="list-style-type: none"> <li>P&amp;L topline</li> <li>P&amp;L marketing</li> </ul>	<ul style="list-style-type: none"> <li>P&amp;L topline</li> <li>P&amp;L expenses</li> <li>Working capital</li> </ul>	<ul style="list-style-type: none"> <li>P&amp;L COGS</li> <li>P&amp;L logistics</li> </ul>	<ul style="list-style-type: none"> <li>CAPEX</li> </ul>	<ul style="list-style-type: none"> <li>Working capital</li> </ul>	<ul style="list-style-type: none"> <li>P&amp;L training</li> </ul>	<ul style="list-style-type: none"> <li>P&amp;L salaries</li> </ul>
Considerations	<ul style="list-style-type: none"> <li>Can I get more funding to finance working capital? (Food producer)</li> </ul>	<ul style="list-style-type: none"> <li>Should I reconsider my product portfolio? (FMCG producer)</li> </ul>	<ul style="list-style-type: none"> <li>What brand strategy is required to compete on-line? (Specialized off-line retailer)</li> </ul>	<ul style="list-style-type: none"> <li>Do I have a close understanding of customer economics and a clear segmentation to allow for laser focus?</li> </ul>	<ul style="list-style-type: none"> <li>Do I know which parts of my full supply chain are potentially affected and can I assess financial impact?</li> </ul>	<ul style="list-style-type: none"> <li>Do collaboration tools and remote working solutions have enough capacity to cope with exponential demand driven by remote working?</li> </ul>	<ul style="list-style-type: none"> <li>Does my response team have immediate access to the full organization and board level decision makers?</li> </ul>	<ul style="list-style-type: none"> <li>Has my leadership team the authority to take the required decisions to solve disruptions?</li> </ul>	<ul style="list-style-type: none"> <li>Do I have the right KPIs in place and can I measure performance accordingly?</li> </ul>



# Financing and equity options in the financial restructuring



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# Sources of financing - Overview

## Financial institutions

- Loans represent a simple, quick, accessible financing option with lower risk involving periodical repayments of equal or uneven installments.
- The basis for a loan is the expected cash flow and the loan may be secured by a borrower's assets and it may be converted into shares or be equity-linked.

- ❑ Asset based or cash flow based, depending on company size
- ❑ Typically with no equity dilution
- ❑ Interest rate exposure if not fixed
- ❑ Flexible principal amortization

## Mezzanine

- Mezzanine financing is a capital resource that sits between (lower risk) senior debt and (higher risk) equity that has both debt and equity features.
- Companies use mezzanine financing to achieve goals that require capital beyond what senior lenders will extend.

- ❑ Capital resource between senior debt and equity
- ❑ Maximizes total leverage with little to no equity dilution
- ❑ Fixed interest rate with no amortization

## Private Equity

- Private equity is risk capital provided in a wide variety of situations, ranging from finance provided to business start-ups to the purchase of large, matured companies.

- ❑ Achieves maximum liquidity but with higher dilution
- ❑ Backed by pension funds, family offices, sovereign wealth funds, fund of funds, high net worth individuals
- ❑ Common equity often requires control position, preferred equity does not
- ❑ Higher cost of capital and investor growth expectation

# Financial institutions

## Profile of target company

- The longer the track-record the better
- Solid financials (P&L and BS) and business plan showing how the company plans to grow revenues and profits in the next three to five years
- Good collateral mix
- Good business credit score with clean history of payments
- Headed by strong management teams
- Set for long-term growth and profitability
- A good level of maturity in terms of operating systems and processes

## Pros & Cons

- ✓ Long-term strategic approach
- ✓ Dedicated financing programs for existing clients
- ✓ Quickest to access of the three types of financing
- ✓ Typically no dilution involved
- ✓ Diversified range of credit products
- ✗ Strict covenants
- ✗ Amortization of the principal is required
- ✗ Might be interested in taking equity positions

***"Our goal is to absorb our full IMM Invest allocation and to help as many companies as possible"***

***"We are focused on our current portfolio of clients, rather than new opportunities"***

## Providers of this type of financing



# Mezzanine funds

## Profile of target company

- Mid-market businesses, well established and with growing opportunities
- Proven competitive advantage
- Proven management with solid track-record
- Competitive products and services in the marketplace
- High quality, cash generative and stable businesses and/or assets with safe capital structures
- Operating in low-volatility sectors and environment

## Pros & Cons

- ✓ Allows existing owner to retain majority control of the company
- ✓ Provides more flexibility than bank loans, through looser financial covenants, reduced to no amortization and fewer restrictions
- ✓ Acquire capital beyond senior debt availability
- ✓ Less costly and less dilutive than a direct equity issuance
- ✓ Higher maturities, of up to 7-8 years
- ✗ More costly than debt, due to equity features
- ✗ May involve some equity dilution, typically small

***“Our mezzanine product will be ready to deploy soon, as it is adapted to market conditions”***

***“We are cautious, but expecting to analyse leads to finance when things settle”***

## Providers of this type of financing





# Private equity

## Profile of target company

- Ability to grow value over the investment period
- Established market position or domestic champion
- Stable and growing market demand
- Ability to maintain and grow business in existing or new markets
- Good and effective corporate governance and proven management team
- Small and mid-cap company
- Diversified customers, markets and suppliers
- Sustainable free cash flow
- Care for social, environmental and economic development
- Potential to be a strategic add-on acquisition to current portfolio of companies
- Interested in “platform” companies in fragmented industries where proven business models can be expanded through strategic acquisitions or add-ons to current portfolio of companies

## Pros & Cons

- ✓ Active participation with long term view
- ✓ Flexibility in the stake size, often with bespoke investment structure
- ✓ Dedicated regional/global experts deployed towards accelerated revenue growth
- ✓ M&A capabilities to source, execute and integrate strategic opportunities to consolidate or grow market share
- ✗ Strong preference for control positions
- ✗ Most dilutive and most expensive of the three types of financing

***“We are open to new opportunities in the current context”***

***“We still have firepower in our funds and are ready to invest in new businesses”***

## Providers of this type of financing



# Investment process timeline

## Preparation

- **Understand and prepare your business case**
  - **Business Plan** with a Financial Model
  - **Teaser** - anonymous 2-3 pages document about the company
  - **Information Package** – a more detailed presentation of the company, market and financials
- **Prepare a list of potential investors**
  - Mix of **financial** (private equities, mezzanine funds, financial institutions etc.) and **strategic** investors
  - Prepare **contact matrix**

## Marketing

- **Approach potential investor**
  - Provide information about company, market, investment goal and business plan
- **Receive an indicative offer**

## Due diligence

- **Provide additional information**
  - Management meeting
  - Site visits
  - Information on operations, employees, suppliers, customers, legal, financial and others

## Confirmation DD/Negotiations

- **Receive the final offer**
- **Negotiations on financial and commercial terms**
- **Sign agreement**

# Basic requirements for a financial restructuring process



## LIQUIDITY

Our approach is determined by whether there is a liquidity, or an underperformance issue. If a liquidity issue exists, immediate cash controls should be implemented over collections, payments and purchases.



## VIABLE CORE BUSINESS

Having assessed the ability to navigate short-term liquidity pressures, the next step is assess business viability. At a high level we look at the market in which the business operates, its products/services, and competitors.



## CREDIBLE MANAGEMENT

Incumbents will be associated with the business' problems. Changes might be required but knowledge retained. The turnaround team will need to win confidence and rebuild trust with external stakeholders.

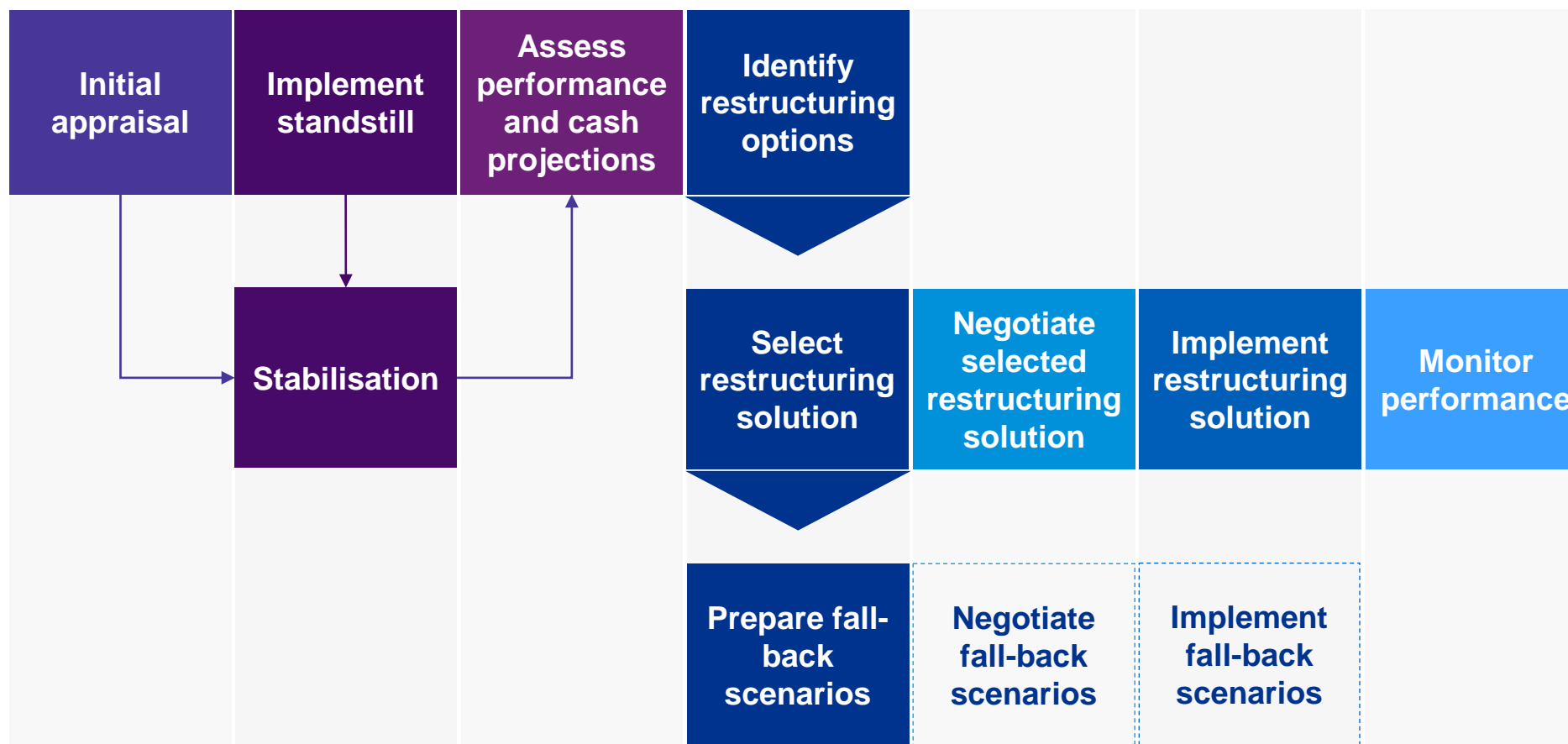


## FUNDABLE BUSINESS PLAN

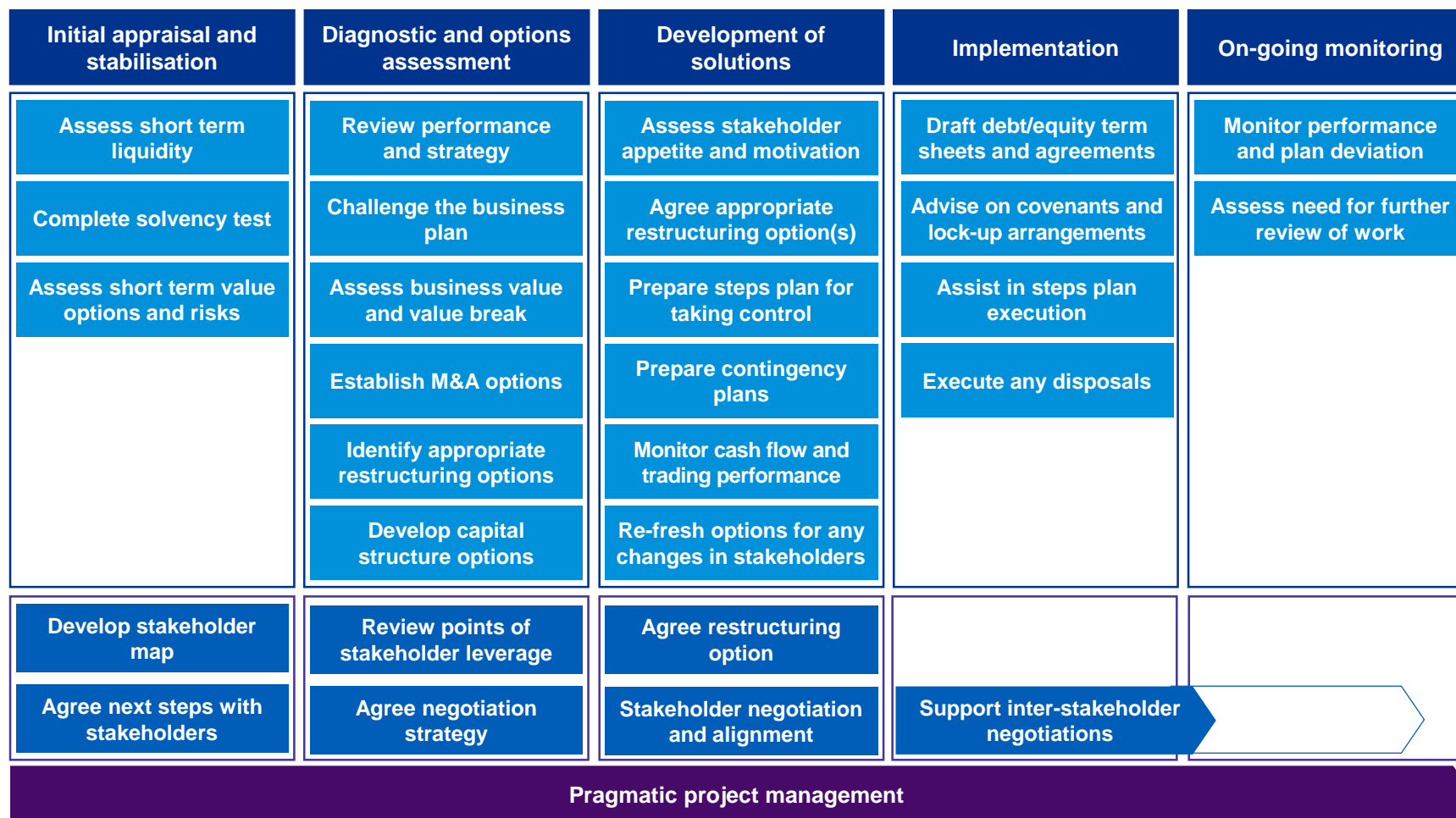
With consideration to the above a credible business plan is key to stakeholder support and attracting funding which can be serviced by realistic operating profits and cash flows.

# In simplicity

## RESTRUCTURING PROCESS OVERVIEW



# Financial restructuring framework







# Cyber security & Privacy Legal Considerations



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Partner, KPMG Legal  
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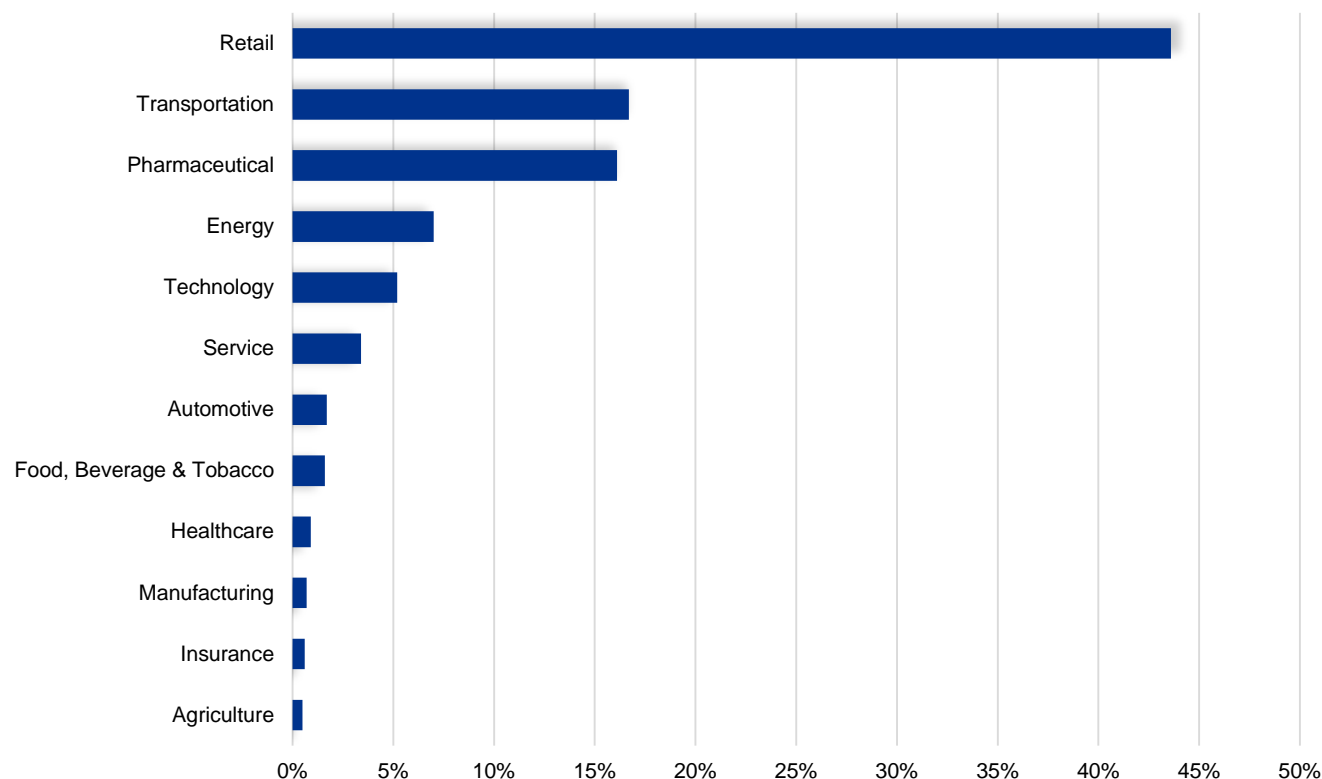
**Gabriel Tanase**  
Partner, Technology & Cyber  
Security  
KPMG Romania

# Work from home - privacy and cyber legal considerations

530,918

Total security incidents reported in the last 7 days in Romania

Threatened industries in Romania



Source: Orange Romania Report on internet security incidents: <https://bis-threatmap.orange.ro/insights>

# Legal and cybersecurity risks

## Data protection

- Infringement of employees' right for privacy
- Data breach affecting data stored on employees' devices

## Cybersecurity

- Vulnerability of devices used by employees
- Use of personal devices that are not enrolled in the IT system of the company



## Intellectual property

- Disclosure of trade secrets
- Disclosure of source code
- Disclosure of drug and chemical formulas (know-how)
- Disclosure of unregistered designs

# Main challenges for companies



Ensuring data  
security

Preventing  
cyber attacks

Identifying  
methods of  
concluding  
distance  
contracts

Regulating the  
use of  
personal  
devices

Cloud  
migration

# Main recommendations for companies

## Corporate governance

- IT policy
- Data breach policy
- BYOD policy
- Telecommuting policy
- Business continuity plan

## HR

- Confidentiality clause
- Training for employees
- Ensuring personal data protection of employees
- Legal monitoring of the work activity

## Legal and IT

- Collaboration of Legal and IT teams
- Data/Business flow organization
- Assessment of the Cloud provider
- Assessment of the video conference solutions



# The next steps





# Working from Home Cyber Secure

# Emerging threats



# Tactical actions to remain safe

## Aspects to consider:



Remote access  
infrastructure



Secure adoption  
of BYOD



End point  
security



Identity & Access  
Management



Collaboration  
platforms



Shadow IT & Cloud SaaS  
services proliferate



Cloud brings capacity  
but security challenges



Testing  
security controls

# Thinking more strategically the new normal

## **Within the CISO function**

- Key personnel
- Virtual war rooms
- Dependence on key suppliers
- Augmentation
- Disruption of security operations

## **Beyond the CISO function**

- Securing the digital footprint
- Security for a new normal
- Working in regulated industries

# End Point Security

1

**Home network (WiFi)**



2

**Phishing emails**



3

**BYOD**



**Users awareness and responsibilities**



Q&A



# Contact:



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