



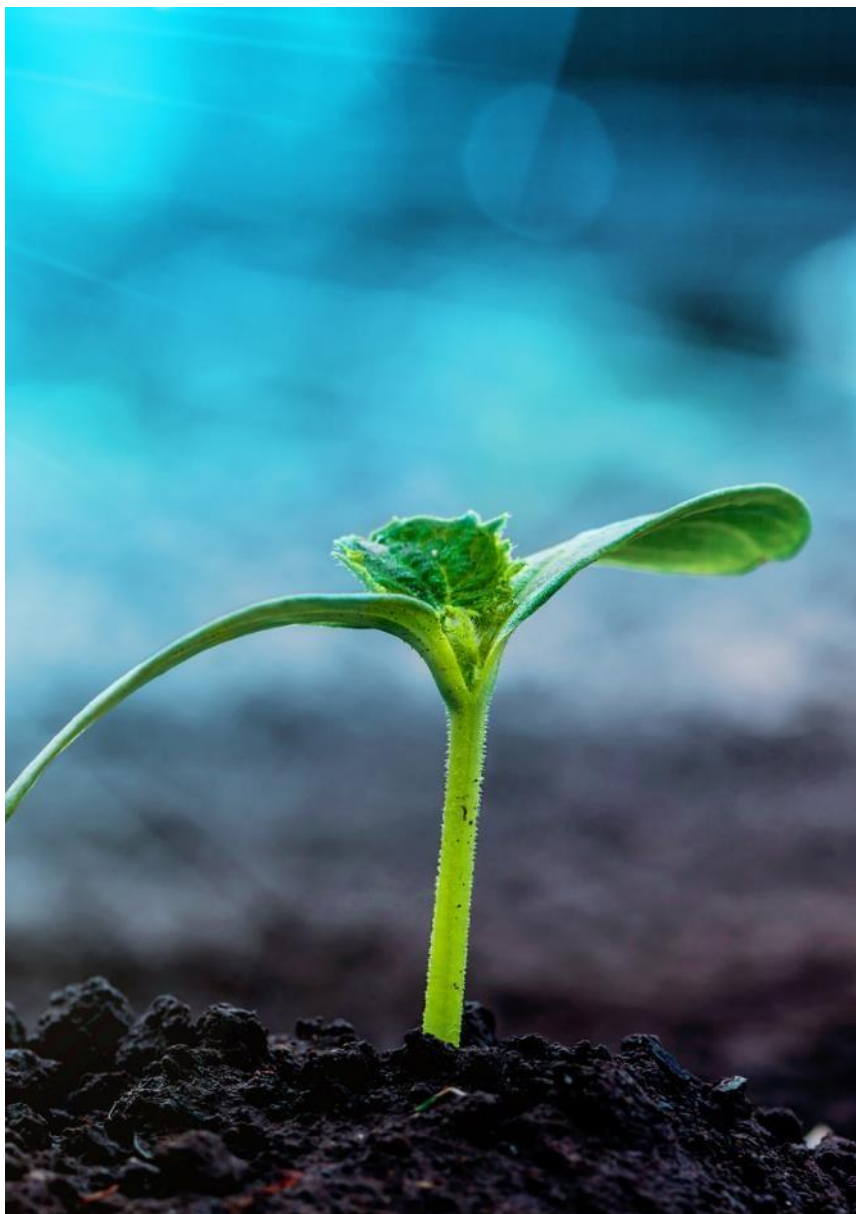
**SAPLING**  
FINANCIAL CONSULTANTS

# POST-CORONAVIRUS RETOOLING

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PRESENTED BY: Rob Hong (Sapling), Leonard Waverman (DeGroote School of Business), Stephany Lapierre (Tealbook), Ziad Akkaoui (BDO)





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OVERVIEW



# WEBINAR OVERVIEW

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- 01 Overview
- 02 Panel Discussion
- 03 Re-tooling Framework
- 04 Q&A



Rob Hong  
Founder at Sapling  
Financial Consultants Inc.



Leonard Waverman  
Dean of DeGroote School  
of Business at McMaster  
University



Stephany Lapierre  
CEO at Tealbook



Ziad Akkaoui  
Partner, National Lead-  
Risk Advisory at BDO  
Canada



# COVID-19 CRISIS HEALTH IMPACT

6,985,274  
Total Confirmed Cases

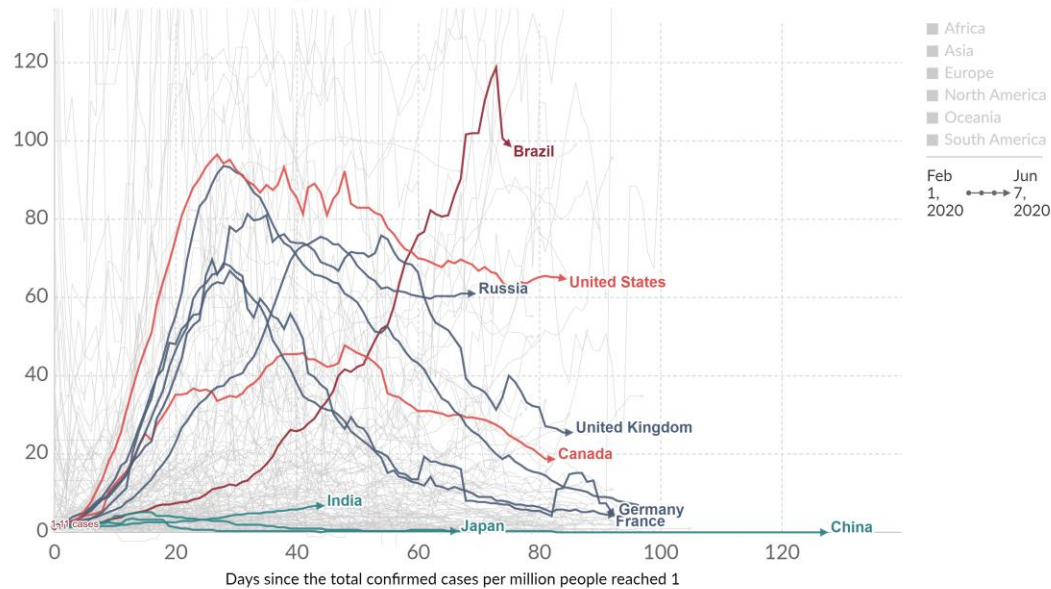
3,140,718  
Global Recovered (44.96%)

402,120  
Global Deaths

Source: Hopkins University, Coronavirus Resource Center, <https://coronavirus.jhu.edu>, Data last updated 06-Jun-2020, 8:33P

## Daily new confirmed COVID-19 cases per million people

Shown is the rolling 7-day average. The number of confirmed cases is lower than the number of actual cases; the main reason for that is limited testing.



## Additional Unquantified Impacts

- Limiting the provision of non-essential in-person care
- Reduced emergency room visits and possible preventable deaths
- Worsening of mental health in the general population due to COVID-19 and lockdown: depression, grief, fear, panic, and anxiety
- Increased domestic abuse

1. Hopkins University, Coronavirus Resource Center, <https://coronavirus.jhu.edu>, Data last updated 07-Jun-2020, 8:33PM  
2. European CDC – Situation Update Worldwide, Data last updated 07-Jun-2020, 09:32 PM



# ECONOMIC CONTRACTION

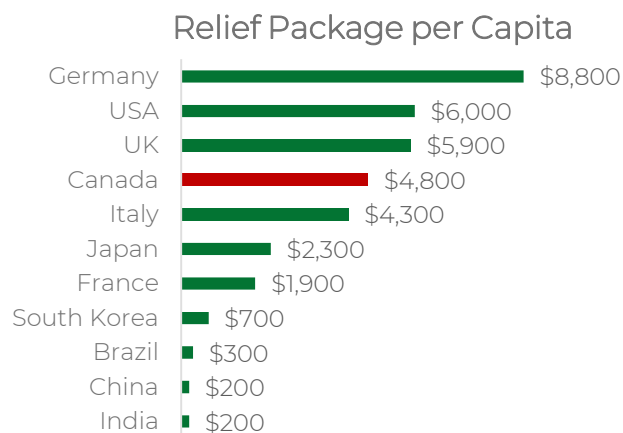
The COVID-19 crisis is having an unprecedented impact on the economics and finances of companies across all industries. Government and others have responded with support where possible

**↓ 3.2%** Global Economic Contraction  
UN forecast as of May 13, 2020

- US Real GDP decreased 5.0 % in the first quarter of 2020
- EU GDP expected to decline 7.75% in 2020
- Canadian real GDP fell 8.2% in the first quarter

**↓ 10.7%** Decline in Working Hours Globally  
ILO Monitor, as of May 27, 2020

- Unemployment rate in the US increased to 13.3% in May 2020
- Euro Area unemployment rate in the euro area is forecast to rise from 7.5% in 2019 to 9.5% in 2020
- The unemployment rate in Canada was 13.7% in May (highest rate recorded since 1976). In February, prior to the COVID-19 economic shutdown, the unemployment rate was 5.6%



United Nations, World Economic Situation and Prospects as of mid-2020, <https://www.un.org/development/desa/dpad/publication/world-economic-situation-and-prospects-as-of-mid-2020/>, released 13-May-2020

Bureau of Economic Analysis, Gross Domestic Product, 1st Quarter 2020 (Second Estimate), <https://www.bea.gov/data/gdp/gross-domestic-product>, released 28-May-2020

European Commission, Spring 2020 Economic Forecast, [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_799](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_799), released 03-May-2020

Statistics Canada, Gross domestic product, income and expenditure, first quarter 2020, <https://www150.statcan.gc.ca/n1/daily-quotidien/200529/dq200529a-eng.htm>, released 29-May-2020

Bureau of Labour Statistics, The Unemployment Situation – May 2020, <https://www.bls.gov/news.release/pdf/empsit.pdf>, released 05-Jun-2020

Statistics Canada, Labour Force Survey, May 2020, <https://www150.statcan.gc.ca/n1/daily-quotidien/200605/dq200605a-eng.htm>, released 05-Jun-2020

International Labour Organization, ILO Monitor: COVID-19 and the world of work, [https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms\\_745963.pdf](https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_745963.pdf), released 27-May-2020



# HISTORICAL COMPARISON

How COVID-19 compares to the Impact from the Great Depression and the Great WWII Re-Tooling

## The Great Depression

- The Great Depression started with the Wall Street crash of October 1929, and continued throughout the 1930s
- GDP fell dramatically from 1929 through 1932 and leveled off in 1933. From peak to trough, real GDP fell by 18.4%
- For the rest of the decade, GDP rose, except for a recession in 1937
- During the recession of 1937-38, GDP fell by 3.3%



## WWII Retooling

- In 1939 the jobless rate was still 17%. It was the war, not the New Deal, that restored full employment in America
  - General Motors shifted almost 90% of its divisions to produce war equipment.
  - Hershey shifted from candy to D rations, ramping up production from 700,000 bars to 24 million bars per week.
  - Ford reduced the number of hours of labour required to build a plane from 200,000 to 18,000 hours
  - Coca-Cola opened 64 bottling plants, serving 5 billion bottles of Coke to GIs



**"FIGHTING"... Every Working Minute!**



02

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PANEL  
DISCUSSION



# ECONOMIST DISCUSSION

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Leonard Waverman  
Dean of the DeGroote  
School of Business at  
McMaster University  
World-renowned expert in  
international  
telecommunications and global  
resources management





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# Announcing the DeGroot Business Strategy Internship Program with Mitacs:

- DeGroot business students supporting SMEs and non-profits
- Strategic projects for post-COVID-19 recovery
- We cover 75% of \$10,000 internship cost
- Projects last up to 4 months
- Supervised by DeGroot faculty members



Contact [cynthia.bishop@mcmaster.ca](mailto:cynthia.bishop@mcmaster.ca) for details or to apply



# ENTREPRENEUR DISCUSSION

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Stephany Lapierre  
CEO at Tealbook  
Top 100 most influential women  
in Supply Chain



# PROCUREMENT | One Big False assumption that software fixes supplier data



**93%**

of Procurement and Supply Chain leaders have experienced adverse effects of misinformation about their suppliers on a regular basis including (67%) financial loss.

\* WAKEFIELD RESEARCH APRIL 2020



## Severe Business Consequences Stem from Poor Supplier Data



93%

of procurement and supply chain leaders have experienced negative effects of misinformation or confusing data about their suppliers.



81%

are not completely confident in their supplier data.



67%

citing financial losses experienced within the last six months resulting from poor supplier data.



58%

of respondents who use a supplier portal say that they don't trust their supplier to always keep their information updated in the portal.



51%

outdated information can cause negative consequences, including missed deadlines (51%), unhappy clients (42%) or financial loss (40%).



21 days

Companies spend an average of 21 days to validate and onboard suppliers.



# Supply chain agility has never been more critical



Business continuity  
and recovery



Localization of  
supply chain



Contingency  
planning and risk  
mitigation



# RISK ADVISORY DISCUSSION

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Ziad Akkaoui  
Partner, National Lead at  
Risk Advisory at BDO  
Canada  
Over 14 years of experience in  
advisory services

Resources available at:  
<https://www.bdo.ca/en-ca/covid-19/home/>





03

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RE-TOOLING  
FRAMEWORK



# RETOOLING MODEL CONSIDERATIONS

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Key factors of the retooling financial model that you should consider taking a look at

## Incrementality

- Retooling makes use of existing infrastructure, so the focus of a retooling model should be on the incremental efforts and costs needed to retool
  - **Capex and infrastructure:** what parts of the current infrastructure could be used, and what are the minimal changes needed to retool?
  - **Redeploying staff:** what currently underutilized employees could be quickly re-trained and used in the retooling effort?
  - **R&D efforts:** companies will typically start their retooling efforts from familiar ground, so it is important to consider the R&D as a sunk cost

## Mission

- Post-coronavirus retooling will involve challenges, so it is important to have a clear definition of what your company is trying to achieve by re-tooling
  - **Changing customer demands** could lead to large variation in volumes sold and prices
  - Shifts in global policy could lead to constant **changes in the supply chain**
  - **Labour shortage or labour surplus** on the market depending on the industry, which might require a new strategy for training staff or attracting talent



# RETOOLING MODEL FEATURES

Key features that are essential to a re-tooling model

CapEx

Estimate additional capital needed to re-tool

NPV, IRR,  
Payback  
Period

Generate go/no-go scenarios based on your investment goals

Personnel

Hire or re-purpose adequate human capital for new functionalities

Revenues

Reflect fluctuations in volumes and pricing dictated by changing customer demands

Cost  
Structure

Reflect dynamic changes in cost structure generated by changing supply chains

Financing  
Capital

Determine your investment needs and the right mix of debt and equity to optimize your cost of capital

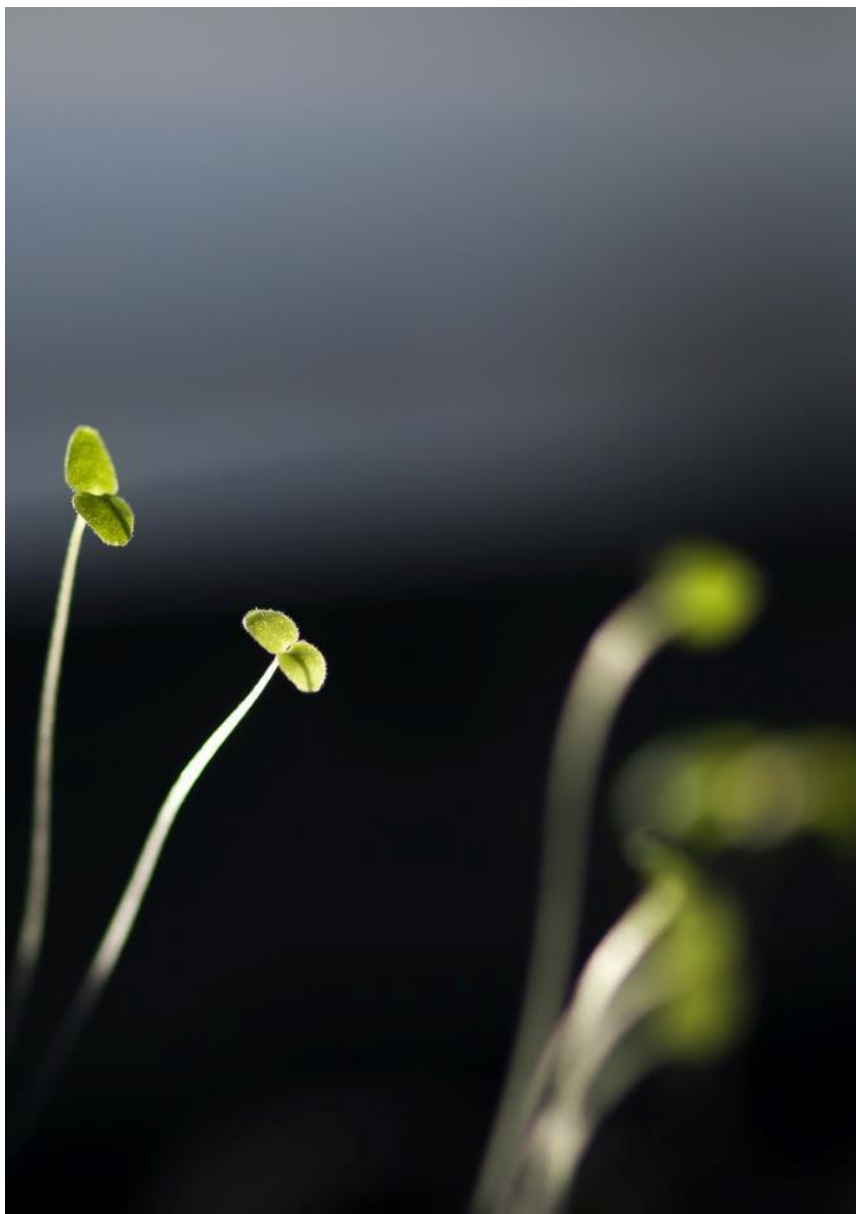


# RETOOLING MODEL CONTEST

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Sapling Financial Consultants is excited to announce The Post-Coronavirus Retooling Contest.

- The Company presenting the best re-tooling idea will receive:
  - Sapling's assistance in building a robust financial model that is based on the submitted re-tooling idea
  - Guidance on how to utilize the model: customize the metrics to track the performance and identify any possible drawbacks coming from new operations or financing needs
  - Preparation for financing: we will help you to prepare for meetings with investors and lenders to secure the required financing if necessary
  
- For more information and to register for the contest, please go to:  
<https://saplingfinancial.com/blog/retooling-contest>



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Q&A



# CONTACT

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