



COVID-19 PLAYBOOK

In light of the disruption caused by the global COVID-19 pandemic, we are encouraging Beyond Capital portfolio companies to focus on strategies to ensure the survival of their business in the short term and to be ready for a new reality and opportunities over the medium term. The immediate priority for businesses facing revenue disruption will be preserving and maximizing cash and liquidity whether through cost savings or the attraction of new investment, or other sources of financing.

We are here for you. Please feel free to reach out to us to discuss any thoughts or concerns:

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A useful checklist to evaluate your vulnerabilities is included at the bottom of this document. Each business owner should think through the following strategies:

- i. Team:** More than ever, how you treat your employees will have a massive effect on their safety and wellbeing, and consequently on their loyalty and productivity.
 - **Employee Safety:** The first priority should be the safety of your employees. Healthcare and regulatory authorities including the WHO have published the best strategies for keeping safe. Each business will have to adapt those recommendations to their own operational reality as cost-effectively as possible.
 - **Remote Work:** Make changes to work arrangements and performance targets. Plan for remote work, and implement relevant technology (Skype, Zoom, Slack, etc). Think about developing new processes, meeting cadence, and information sharing to offset loss of in-office engagement. Recognize that not everyone will have the same familiarity with working remotely, and may need guidance and training on how to use tools to maximize productivity while working from home.
 - **Tech Capacity:** Consider additional risks that arise from remote work, including fraud and data breaches. Review your data and financial security protocols. Be on alert for additional fraud attempts.
 - **Sick Leave:** Reiterate the importance of staying home when feeling sick, and amend your sick leave policies accordingly.
 - **Scenario Planning:** Conduct business and financial scenario planning for a quick recovery, a global slowdown, and a possible recession. Incorporate new indicators into decision-making activities. Build an emergency succession/continuity plan or redundancy in top management.

2. **Cash and liquidity:** With revenues likely falling and new investment slowing, how can your business reduce its cash burn and extend its runway? Assess available capital and liquidity, and assess their resilience. Examine your stakeholder relationships and seek opportunities to defer payments.
- **Suppliers:** Negotiate longer payment terms with suppliers.
 - **Landlords:** Negotiate rent deferrals with landlords.
 - **Lenders:** Negotiate new lines of credit and / or payment or interest deferrals with lenders, and reset any obligations and covenants under loan documents which may cause a default under the current trading conditions. Draw full cash amounts from lines of credit to maximize cash cushions. Consider asking for an extension of your line of credit and for interest holidays on loans.
 - **Build Dashboard:** Cash is key to survival in a crisis. Build a daily and weekly dashboard of revenue and cash. Institute daily cash checks between CEO and finance team, and frequent discussions with bank.
 - **Accelerate Receivables:** likely challenging, but still try. Consider asking customers for a deposit or partial payment upfront; send invoices early and more frequently; focus on collecting past due accounts; and make it as convenient as possible for clients to pay.
 - **Capital expenditure:** any non-essential cap-ex which can be delayed, should be.
 - **Discretionary costs:** Cut back or delay non-essentials like travel, entertainment, and if possible, marketing. Marketing may be crucial to rally your customers, and dispel fears and misinformation – so be careful.
 - **Employee Costs:** The human side of layoffs is incredibly difficult. But the long-term survival of the business gives everyone a chance of regaining their jobs, and is just as important. Can employee costs be controlled by reductions in staffing or reduction of roles from full time to 60-80%?
 - Consider implementing an "A" and "B" team approach, whereby your staff are split into 2 teams, with each team working day, multi-day, or week-long shifts, before swapping out with the other team. This could reduce wages expense by half, whilst allowing employees the opportunity to remain employed, but also get time to be with their families during this period. An additional benefit is the safeguard that exists in ensuring only half of your workforce is exposed to others at any time - in case someone on the team does come down with virus.
 - Consider practices that allow you to **recognize laid off individuals' prior service** for the purposes of seniority, benefits, time off, etc. if they become active employees with the company in the future.
 - In all situations, you can **maintain contact with separated employees** with the hope of bringing them back.

- Depending on your daily operating needs, **consider a 'short-week' policy**. As sales decrease, so should expenses. Keeping team members employed, but reducing the number of days they come to work each week, coupled with a proportionate wage decrease, could be an option.

3. Investors

- **Be in proactive and frequent contact** with your investors to start negotiating lifelines of new equity or debt to ensure operations continue in the medium-term. Share your plans, and get their opinion on any strategies you may be missing or which their other portfolio companies may be using.
- It may be hard to attract new money from existing investors. **Engage a holistic and wide group** so that a meaningful sum can be raised.
- Short-term bridge loans can help otherwise solid social enterprises through unexpected crises. Consider various financial instruments in your fundraising.

4. Sales

- Ensure the sales team has **everything they need** to continue to generate income.
- **Watch customer's financial health** and each customer's ability to pay. Be wary of accumulating outstanding amounts from any one customer.
- **Pricing Strategy:** Develop a strategy to maximize revenue for the short and long term, e.g. segmented value-based pricing, discounts and dynamic pricing.
- **Demand:** Be aware of market reality. Does your product offering match what the market needs or is able to afford at the moment? Assess realistic demand by using market insights, and direct-to-consumer channels of communication. This will help maintain a lean inventory and reduce pressure on working capital.

5. Supply Chain

- **Vulnerability Analysis:** risk assess and map key vulnerabilities in operations, supply chain, demand, finances, etc. Assess third party dependencies on information security, business continuity and other risk domains.
- **Supply chain recovery:** McKinsey has put together a useful guide to help you plan during the COVID-19 crisis, which you can view [here](#).
- **Upstream Suppliers:** Who are they, and how are they affected by the crisis? This will be critical especially for B2B revenue streams.
- **Decreasing Reliance:** If you rely on a single supplier for a critical business input, think about building relationships with other suppliers, so that you have several options if your main supplier does not survive the crisis.
- Be ready for suppliers to tighten credit terms and even demand cash on delivery.

6. Communication

- Communicate as much as you can. Ensure that all your staff, customers, suppliers, and investors have **as much information as possible** so that they remain calm, engaged, and aligned with the direction of your business. You will win their support by showing them you are ahead of the curve and transparent.
- Proactively share how you are ensuring continuity and safety of service delivery.
- **Be conscious of tone:** Balance calm with urgency – you will have to make and communicate decisions with limited information on short notice. Doing so while remaining visible, calm, caring, and engaged is critical to preserving confidence.
- **Take care of your staff.** Reassure them with facts. Practice empathy and understand that they may be suffering a high level of anxiety.

7. Government Support

- Keep an eye on the potential **government relief programs**, like tax breaks, and other state help that can benefit your business.
- **Documentation:** Ensure you are tracking all information relating to potential losses during this period. Any intent to pursue government support programs will require documentation and support of all claims and losses. Gathering the necessary information at a later time can be far more difficult than doing it now.

8. Legal and Insurance

- Ensure you or your lawyer fully understand your rights and obligations under all your material contractual relationships and the consequences of breach thereof, so that you can make informed decisions and be aware of the various issues which will be coming towards your business over the next weeks and months.
- **Review your policies:** review all your insurance policies and revisit terms. Consider what policies you don't have but could use. Examine any insurance policies you have for references to infectious disease or business interruption.
- **Follow Insurance Industry Response:** Pay attention to how the insurance companies will deal with COVID-19. For example, does the presence of the virus on the surface of your equipment constitute "property damage"?

9. Stay Relevant and Look for Opportunity:

People are looking for ideas. They want help from brand authorities (or at least ones that sound like it). Think about how you can contribute to the solution and be a good citizen.

- **Find a way to be the answer** to search queries is key, even if the search terms aren't your brand's core competency. "Answers" can come in the form of tips, How-Tos, Top 10's, editorial content from websites, ad content, or blog posts on

products or NEW use cases for products. Integrate consumer trends into your marketing strategy.

- **Think outside verticals.** For example:
 - Workout gear company giving immunity recipes, supplement advice, and things for kids to do around the home.
 - Supplement companies giving meditation recommendations, what can calm your nerves (and your kids') while living at home.
 - Makeup companies giving tips for organizing drawers and cabinets, etc.

10. Acts of Kindness: In times of difficulty, acts of kindness have even more meaning. Help your stakeholders, whether it is employees, suppliers or customers. Their loyalty and reciprocated support will last a disproportionately long time. We understand that our tips on conserving liquidity may on first glance go against this view, but it is all a balancing act.

11. The Leapfrog Effect

- One of the few certain things about this pandemic, is that it will pass. When it does, there is going to be a growth of consumer spend, traffic and activity as people come out of quarantine.
- Think about how to best position your company to capture as much of this spend as possible. You cannot afford to be leapfrogged during this reaction. Have the right product and the right cost base to be competitive in the new market reality.

12. Leadership Tips

- **Take a breath:** Imagine yourself above the fray, observing the landscape from above. This is what leadership expert Ronald Heifetz calls a “balcony” perspective. Despite the “fog of war” that might obscure much of the current state of play, do your best to take a broader view. Consider the post-crisis world. What micro or macroeconomic or legacy will Covid-19 have?
- **Don't become too dependent on projections.** Financial markets are currently reacting great uncertainty. A wide range of scenarios remain plausible and should be explored by companies.
- **Involve more people:** Clarify the decisions to be made, identify the decision makers. Be clear that everyone has a voice but not a vote.
- **Make critical small choices:** Engage others to help identify which small decisions or actions you should address now, in case they become the difference makers down the road. Which of these should you spend time on today? Which should you monitor and reconsider later?
- **Go big or go home:** Unprecedented crises demand unprecedented actions. Lessons from past crises suggest that leaders are more likely to underreact. Take the bold and rapid actions that would feel too risky in normal times.

Please consider implementing these measures as we navigate this situation. Let us know how we can help. Stay safe and healthy!

Here is a useful checklist from KPMG (*Source: KPMG, Understanding the implications of Covid-19*)

Checklist

Suppliers	<ul style="list-style-type: none"> Do you know where your key suppliers are located? Do they have contingency plans in place to ensure the continuation of supply?
Physical logistics	<ul style="list-style-type: none"> Do you know your supply routes? Have you spoken with your logistics providers to understand any potential impacts and how they propose to mitigate against them? What are your contingency plans if routes are cancelled?
Contracts	<ul style="list-style-type: none"> Have you reviewed your contracts with key customers and suppliers to understand your potential liability in the event of supply shortages, and how best to manage your legal risks? How will you respond if suppliers invoke force majeure clauses?
Inventory	<ul style="list-style-type: none"> Have you assessed your inventory cover? Do you need to ring-fence inventory for particular customers in the case of shortages? Do you have the ability to track shipments in real time and therefore manage customer expectations?
Customer loyalty & demand	<ul style="list-style-type: none"> How will you set expectations with customers? How can you recover the experience in the future? How well do you know your customers? Are you likely to lose customers to competitors/alternatives? How will a drop in consumer demand impact your long-term growth plans?
Awareness & Communications	<ul style="list-style-type: none"> Do you have a communications plan? Have you communicated with the relevant customers, employees and suppliers?
Workforce availability	<ul style="list-style-type: none"> How will you deal with the impact on your workforce? How can you ensure the safety of your employees while trying to maintain business as usual activities? Have you assessed the cyber security and health and safety risks associated with employees working from home?
Technology & system resilience	<ul style="list-style-type: none"> Have your 3rd party IT suppliers been impacted? Will this impact your SLAs and system support? Does your workplace/communications technology allow you to reduce travel and enable remote working?
Commercial plans	<ul style="list-style-type: none"> How will your change plans and programs be impacted? Will project deadlines and investments need to be delayed? What impact does this have on your strategy?
Board governance	<ul style="list-style-type: none"> Adhering with travel bans, how will this impact your board governance, meetings and the way you run your business? Do you have the technology in place to support remote working? For legal coverage, have you identified how to document the additional requirements to meet commitments?
Cash flow	<ul style="list-style-type: none"> Have you reviewed and revised cash flow, working capital management and inventory forecasts alongside supply and demand predictions?
Financial stability	<ul style="list-style-type: none"> How will your financial stability be impacted from further stock market declines and restricted funding? Will the completion of your financial statements be delayed? Is this likely to cause a delay to your audit opinions and therefore market communications?
Global trade & protectionism	<ul style="list-style-type: none"> Are you aware of government mitigation plans which could impact your supply chain? Do you have any domestic alternatives for suppliers?
Gov't & Public health requirements	<ul style="list-style-type: none"> Do you have dedicated resource(s) reviewing public health requirements and other related Government announcements and ensuring that you stay informed? Have you assessed your obligations as an employer for the health and safety of employees?
Sector disruption	<ul style="list-style-type: none"> How will you maintain trust with your customers and assure them that your product/ service is still safe? How will a drop in demand impact your cost base and profitability? Are you aware of the phasing of impacts within your sector?

This document does not constitute or attempt to provide legal, business or strategic advice and is not a substitute for such advice.