

A REVIEW OF COVID-19's IMPACT ON TREASURY

The First Four Weeks



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WHAT.

A review of findings from the first four weeks of the Global Crisis Monitor Survey



WHEN.

Tuesday, April 21, 2020
9:00 AM – 10:00 AM EDT
2:00 PM – 3:00 PM EDT



WHERE.

Live Online Presentation
Replays at StrategicTreasurer.com



FP&A

Certified Corporate
Financial Planning &
Analysis Professional



This presentation is provided by Strategic Treasurer & Treasury Coalition

TREASURY COALITION

COLLABORATIVE EFFORT FOR THE BENEFIT OF THE TREASURY INDUSTRY
FROM LEADING TREASURY SOLUTION PROVIDERS

When a global challenge or crisis confronts us or our profession, we want to push back and join forces. The Treasury Coalition is a group of treasury organizations who want to assist the industry in understanding what is going on and how others are viewing the situation.

We want to help find ways of gathering data and sharing insights that help our companies, our profession and the economic environment rebound effectively.

As the COVID-19 virus continued to spread and impact more countries with greater severity, Strategic Treasurer, a treasury consulting and research firm, decided to form the Treasury Coalition by inviting other treasury-focused organizations to join them.

Even in the midst of responding to rapidly changing events, two organizations joined within 24 hours of being invited. Others followed suit over the next few days. More have been added in subsequent weeks.



GLOBAL CRISIS MONITOR

IMMEDIATE AND ONGOING SURVEY OF THE IMPACT OF AND RESPONSE TO SIGNIFICANT GLOBALLY DISRUPTIVE EVENTS

Everyone loves dissecting an event after the fact: Seeing the start and then escalation of an event, watching awareness grow, seeing responses and reaching the inflection point. Then we note how the economy, company or global business environment recovers to a state of normalcy and then, perhaps, to accelerate out of the crisis or problem.

The finance profession generally and treasury specifically are a reasoning, pragmatic and unemotional bunch. They like to know facts, understand risks and communicate clearly. They are not distracted too easily by loud noises or major shifts. Nonetheless, from time to time there are events or disruptions that leave the profession wanting more information and seeing insights from a large number of their peers - and they want those insights and data quickly.

Hindsight is often closer to 20/20, but it arrives too late, like the response of 'watch your head' after you have bumped on the overhead bin. We think that it would be far more helpful to see what others are doing, learning and thinking more rapidly, to get closer to real-time when mid-course adjustments are in order, or simply to know that you are following what many leaders are doing for good reason.

The intent of this Treasury Coalition survey, the Global Crisis Monitor, is to provide rapid exploration and responsive reporting on major factors impacting the profession in collaboration with other leading treasury organizations. The coalition aspect is designed to find common points of concern, with multiple leading treasury organizations leveraging their networks to ensure the most rapid and comprehensive results for the good of the profession.

We believe that having information and insights sooner is better than later. As we gain insights over multiple events, we may as an industry gain better leading indicators that let us know when to expect the inflection point and a return to normalcy.

Our thanks to you, the reader and the respondent to these frequent mini-surveys, which allow us to monitor the situation together and respond in a more prepared manner. You help yourself, your company and the industry. We appreciate the teamwork.

Organizational survey response details remain strictly confidential and are not shared or used for any other purpose than the survey itself.

**To reach a port we must set sail –
Sail, not tie at anchor.
Sail, not drift.**

- Franklin D. Roosevelt



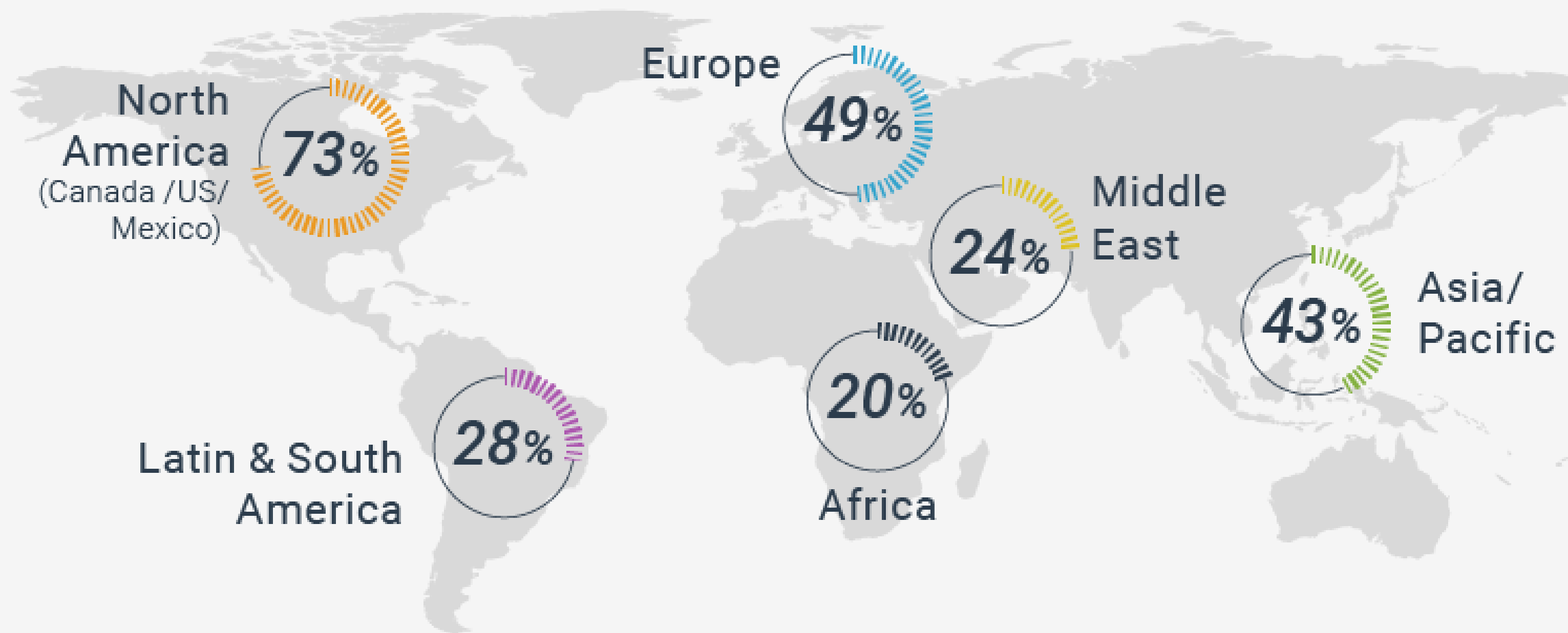


A GLOBAL RESPONSE

OVER 500 UNIQUE RESPONDENTS DURING THE FIRST FOUR WEEKS OF THIS IMMEDIATE AND ONGOING SURVEY

Without a doubt this pandemic has touched all corners of the globe and spared no industry. GCM respondents are a diverse group of corporate and financial industry professionals from medium to large firms in every category of business. On behalf of Treasury Coalition

members and all who have benefited from the data of this survey, thank you to the 500+ respondents for taking the time to share your insights so the profession can take positive and knowledgeable steps forward.



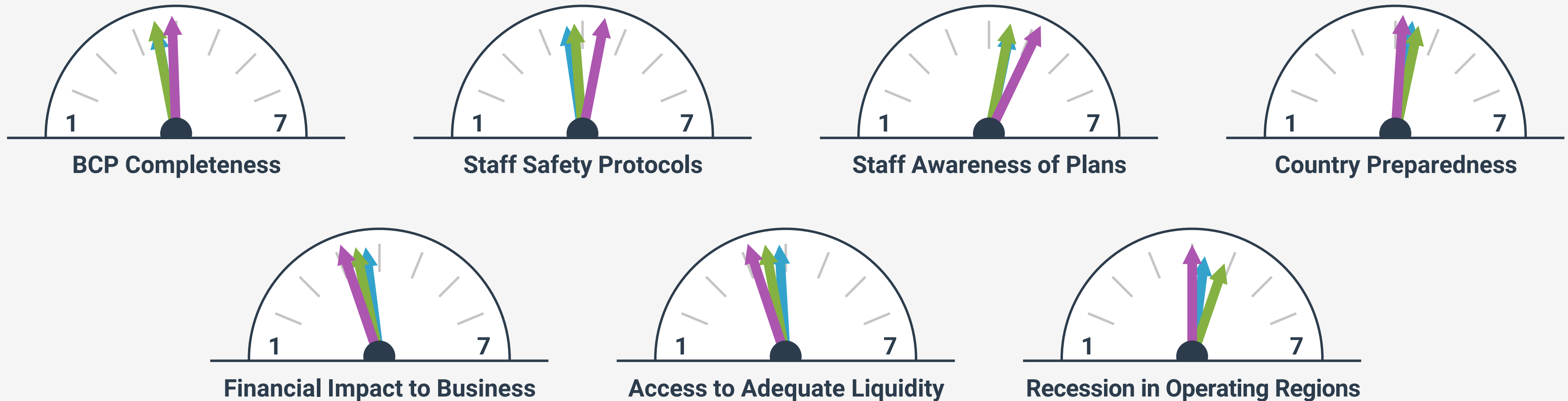
Regions of Operation

TOP CONCERNS

FORCE RANKING SEVEN AREAS

Most weeks we ask GCM respondents to rank seven areas. Since we measure this over time the gauges below show how the industry as a whole is adapting to changes on the ground and how that is alleviating or increasing their concerns relative to the other

categories. This survey question is cycled in and out in order to keep the total questions of the monitor low enough to be completed in 5-minutes. The lower the number the higher the priority. If the order is blue, green purple the trend is unbroken.



Areas of Inquiry	Week 1	Week 2	Week 3	Week 4
Business Continuity Plan Completeness	3.5	3.5	Not Asked	3.9
Staff Safety Protocols	3.7	3.8		4.5
Staff Awareness of Plans	4.5	4.5		5.1
Country Preparedness	4.5	4.6		4.1
Direct Financial Impact to the Business	3.6	3.4		3.1
Access to Adequate Liquidity	3.9	3.5		3.1
Recession in the Regions We Operate In	4.3	4.8		4.0



KEY TAKEAWAY #1



MONITOR

- Track Cash, Accounts Receivables, & Sales
- Watch Industry Actions & Thinking
- Invest 5 Minutes/Week by Taking the Global Crisis Monitor



STAFF & WFH

- Reach Out to Staff On a Systematic Basis
- Cross-Train
- Productive & Active



SECURITY

- Payment Processes Are Different
- OOB Validation
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COMMUNICATION & SYSTEMS

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LIQUIDITY OUTLOOK

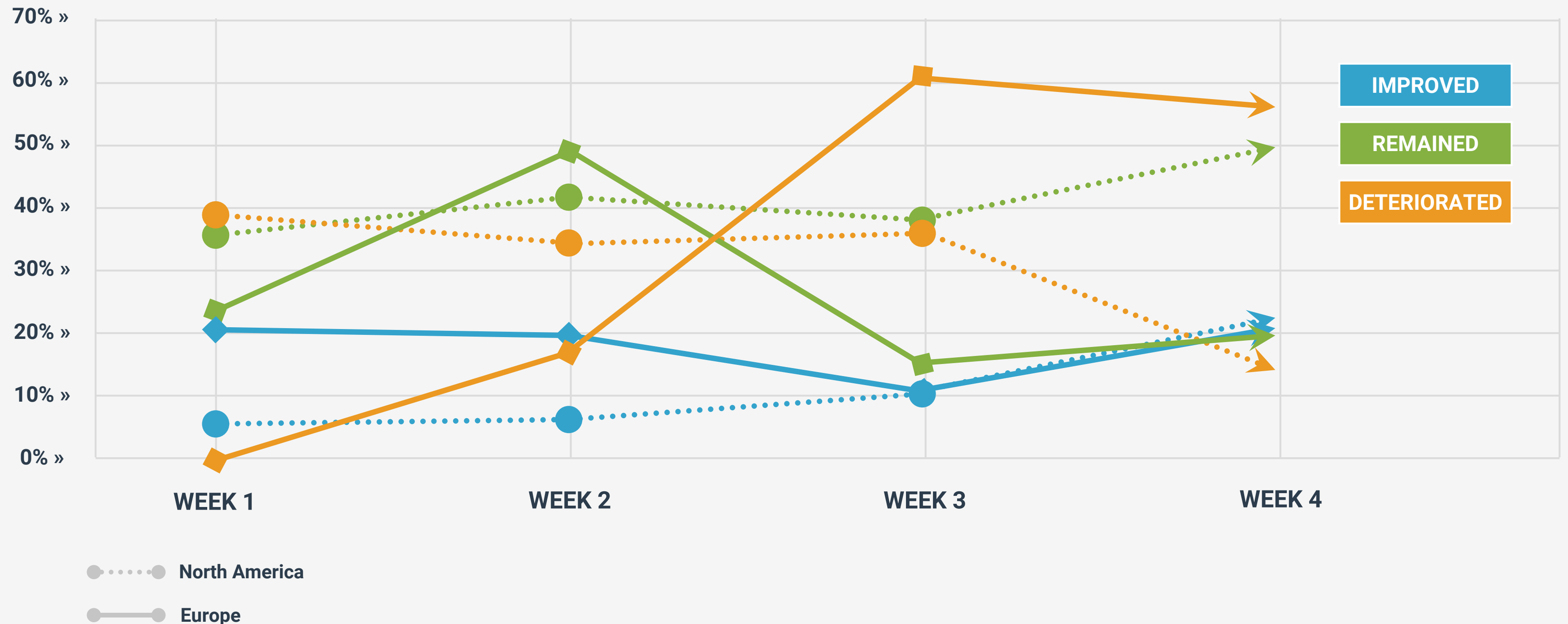
WEEK OVER WEEK CHANGES.

This chart measures respondents views of their organizations outlook for future liquidity. The higher the circle sits on the chart the more the change towards that sentiment. A higher circle for 'Deteriorated' means more respondents felt their liquidity outlook deteriorated over the past week. A higher circle for 'Improved' would also mean that more respondents felt their liquidity position deteriorated in the past week.

Improved Outlook. Both Europe and North America had a minority of firms with an improved week over week outlook through all 4 weeks with Europe more positive than North America.

Stable Outlook. North America respondents were far more stable in their 'Remained' position from a week to week basis.

Deteriorated Outlook. The first two weeks show far more North American firms indicating a deteriorating liquidity position on a week over week basis. In week 3 Europe turned sharply negative and in week 4 very few North American firm's liquidity outlook deteriorated.



HOW HAS COVID-19 IMPACTED TREASURY?

LOCKDOWN LENGTH AND ECONOMIC PESSIMISM DOMINATE

Concern about how long the lockdown/shelter-in-place/quarantine was going to drag out topped the open-ended list of issues people were having. At this point in dealing with the COVID-19 pandemic we continue to see week over week perceptions of organizational liquidity deteriorate.

Pessimism about the economic situation is most notably evident in the ongoing extension of time to return to financial normalcy. While the health projections are gradually shortening each week, respondents continue to extend out the recovery time frame 3-4 weeks during each successive weekly Monitor. The Treasury Coalition looks forward to the first sign of financial normalcy pulling in.



FINANCIAL NORMALCY GROWS TO 9 MONTHS

Each week the timeframe to reach financial normalcy has grown, and the median estimate now sits at 9 months adding a month in the past week alone.



COMPANY LIQUIDITY: IN & OUT

21.7% of organizations indicated their liquidity outlook improved over the past week, while 32.1% indicated that their liquidity view deteriorated.



HEALTH AND ECONOMIC RECOVERY: IMPROVING VIEW

The inflection point for the virus and timing for COVID-19 to reach a minimal health impact improved over the prior week's averages.



CENTRAL BANK LIQUIDITY WINS BY A LANDSLIDE

By a 3 to 1 ratio, more organizations indicated an improved position relative to the amount of liquidity provided by central banks.



500+ GLOBAL RESPONDENTS

Respondents from more than 500 companies from around the globe have been sharing their outlook, actions and concerns through the weekly survey.



ACCOUNTS PAYABLE DELAYS EXTEND

More than 10% more firms are now extending their AP timeframes over last week. This brings the total to over 42% of firms. Nearly 4% of firms sped up payments to support key and other suppliers.



ARE WE THERE YET – QUARANTINE END

The concerns about the length of time quarantines are running and a concern about taking too long to get back to work lead the top concerns list.



WORSENING: A/R CONCERNS

The most negative liquidity concern for all 4 weeks has turned remarkably more negative - by more than a **10X+** factor, organizations reported a dramatically worsening outlook on receivables.



KEY TAKEAWAY #2



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PERSPECTIVES

HOW IT CHANGED BY WEEKS.

Vital signs give us a quick indication of what is happening. This chart measures several vital signs in the form of changing perspectives. The perception of responses by organizations and HQ Country remain positive and were both improved over the prior week (above 5) but by a lesser margin from the prior period.

Notably, both the perception of the impact to the company and community & family improved over the prior week for the first time in the survey. The improvement wasn't massive and remains at a near equilibrium from the prior week. We'll want to carefully watch to see if this is the primary inflection point.

The line at 5 represents an unchanged view from the prior week. If the arrowhead is placed above the line the perception has improved since the last period. Below the mid-point indicates a deterioration since the prior period. These scores are the average of all respondents on a 1-9 scale.



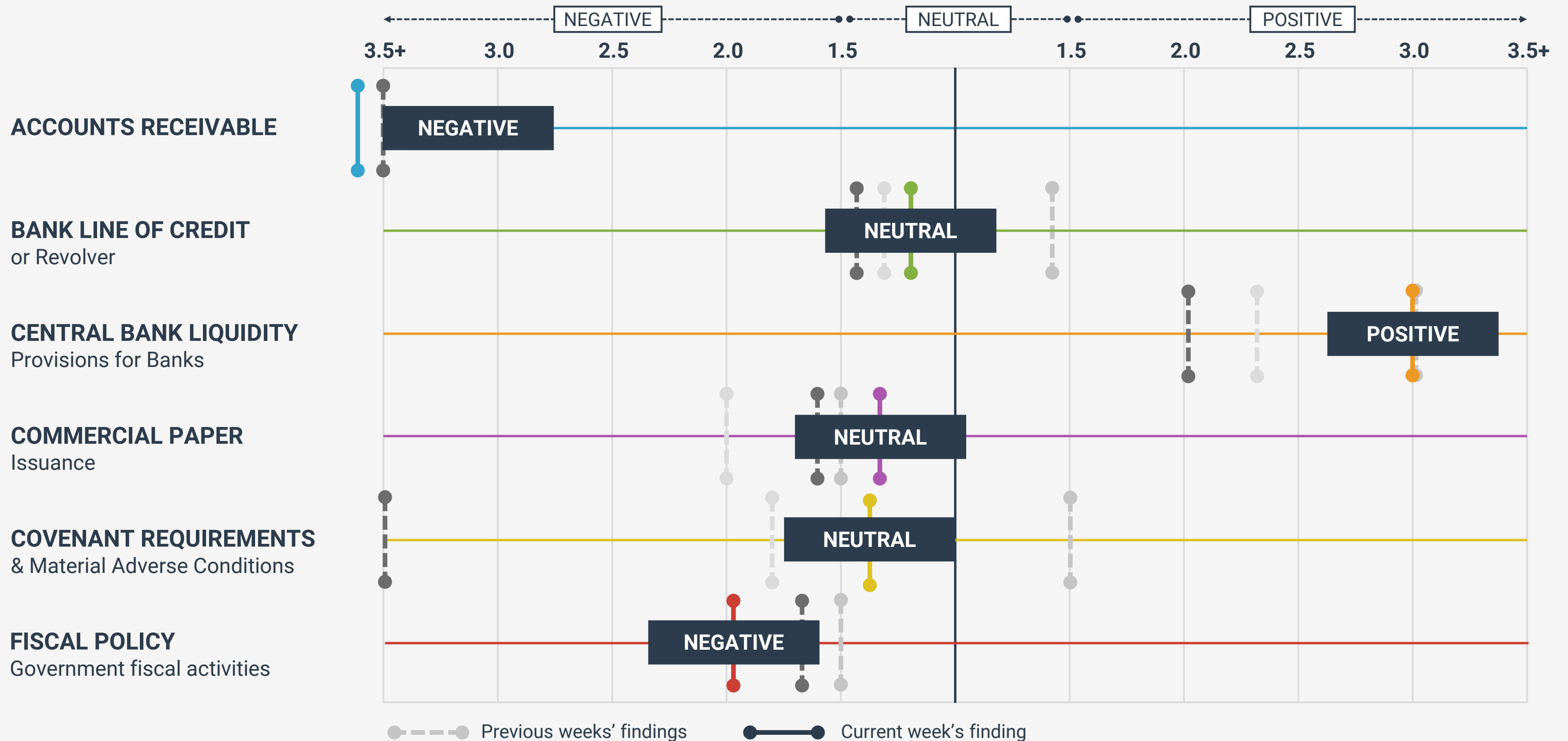
DEBT & LIQUIDITY

WHAT ACCESS DOES TREASURY HAVE?

Cash is king is true and easy to repeat. In times of disruption and crisis, much attention is paid to the king. This graphic measures a handful of elements that add to or detract from an organization's liquidity.

Accounts Receivable remains pinned on the negative border again (now at more than 10x). All of the negatives stayed on the negative side of the line, with bank lines of credit and CP moving into the neutral zone. The one positive from last week, central bank provided liquidity, moved slightly more positive versus last week. Fiscal policy is trending more negative.

Understanding the chart: The vertical barbells represent the ratio of more-concerned vs less-concerned. Lighter bars indicate historical positioning. Please note that the chart is bounded at <3 and >3.



TIMING ESTIMATES

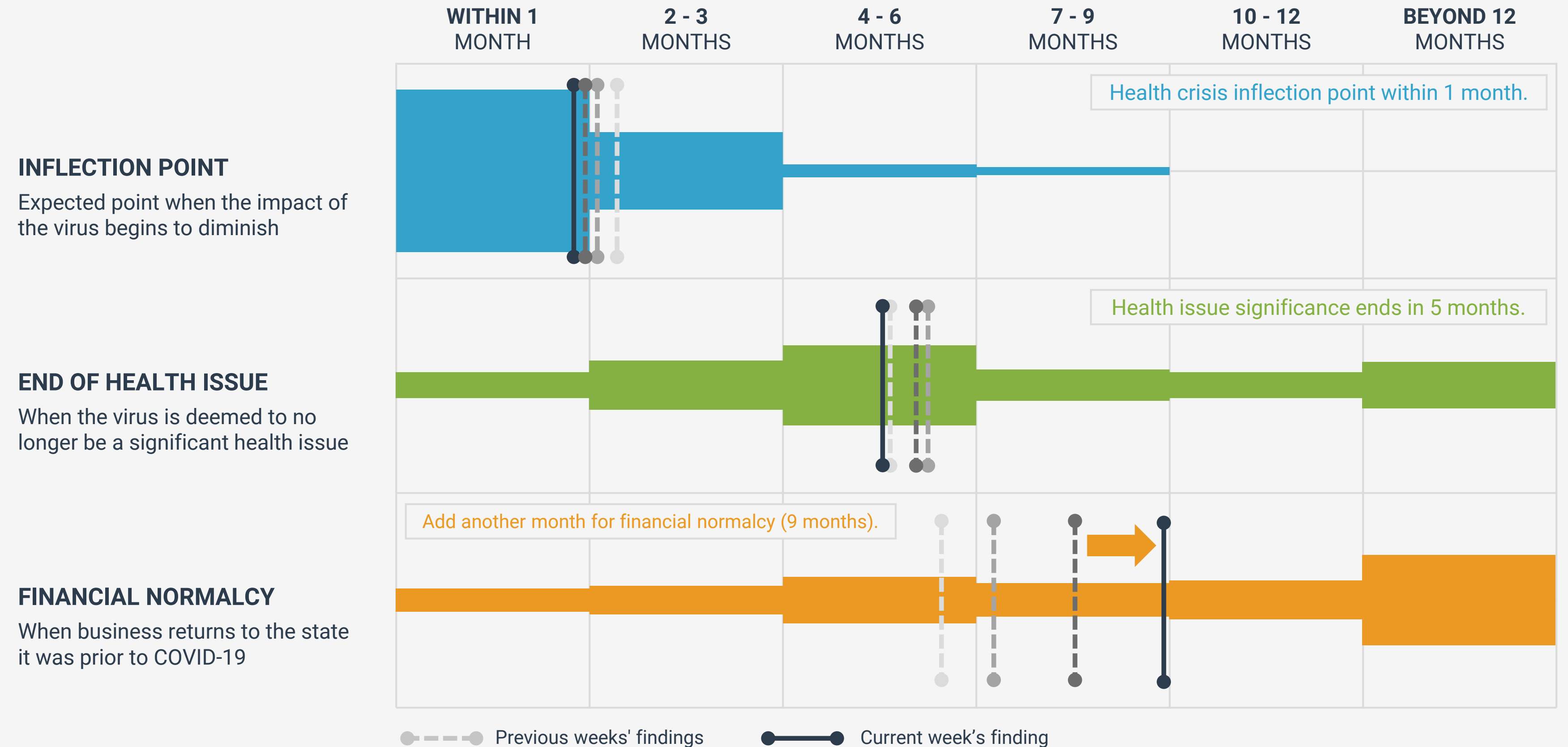
ADD ANOTHER MONTH FOR FINANCES

These three graphics represent key milestones in the recovery and return to normal times medically and financially. We believe it useful to see others' expectations on the timing of these milestone events for the current disruption. We also expect this may help gauge the level of

pessimism or optimism of treasury/finance professionals and assist us even more with future events as we understand any collective bias.

The views for financial normalcy added another month to the expected length of the COVID-19 winter since the last week. Current views extend the time to reach financial normalcy about a month every week of the survey.

The rectangles below represent the proportionate amount of respondents in each time domain. The bars represent the median response from all respondents. Over time the bars should move to the left as we move forward in time.





KEY TAKEAWAY #3



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ECONOMIC VIEWS

ECONOMIC RECOVERY TIMING? 10 MONTHS

This graphic shows the perspectives on the overall economy across two time domains: 3 and 12 months. There are three separate rectangles from top to bottom showing positive, neutral and negative economic outlook.

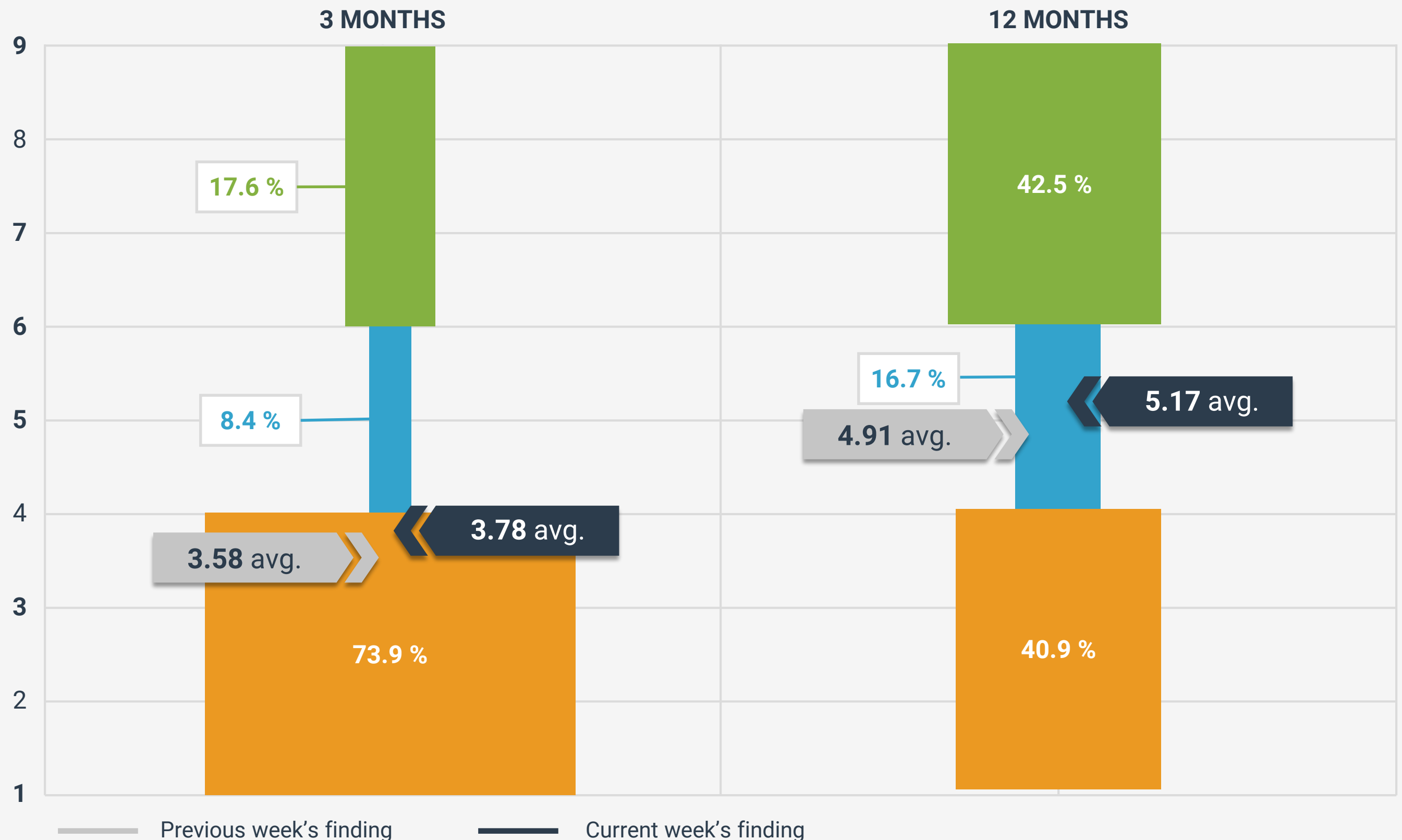
The numbers in the middle of the chart show the average selection. A 5 represents neutral view. Below 5 is pessimistic, and numbers above 5 show optimism.

The rectangles represent the outlook on the economy, and their size and number reflect the proportion of the views for each time domain. The green is the optimistic viewpoint (6-9 from the survey). Orange are pessimistic viewpoints (options 1-4) and the blue show the neutral. The dark arrow blocks show the median response from all respondents.

ECONOMIC TURNING POINT

The inflection point from negative to positive for the combined set of responses now sits about 10 months in the future or February 2021. This represents a three-month improvement over last week.

The three-month outlook remains substantially negative while the one-year view shows the economic outlook moving into positive territory.



EVOLVING ISSUES

SURPASSING LIQUIDITY AND HEALTH CONCERNS DURING WEEK 4

Each week we ask about a range of issues that are occupying the mind of the survey respondent. We ask these questions in various forms: free form, forced ranking or select all that apply formats.

Getting back to work dominated the free-form responses of top concerns followed by liquidity and economic concerns, with health elements sitting at number 3.

- *Week #4 (April 16): **Quarantine End Date.*** The top concerns were the ending of the quarantine (getting back to work, ending the lockdown, length of shutdown). In group two were concerns such as: recession, job loss, unemployment, liquidity, bankruptcies. Health concerns took 3rd in the contest of top concerns this week.
- *Week #3 (April 9): **WFH Issues.*** This week the managing staff responsibilities in the WFH environment and accessing all necessary IT applications from home were the two largest challenges to maintaining normal treasury operations. These were identified by fully half of the respondents.
- *Week #2 (April 2): **Cross-Training.*** More organizations had another week under their belt at home and the top concern became cross-training. We suspected it moved up in concern and emphasis as teams considered the impact if multiple team members were out sick or out caring for other family members. Deepening the bench strength is a rational move given those potentialities.
- *Week #1 (March 26): **Business Continuity Plans.*** Our first week's survey reflected an emphasis and concern about the completeness of the BCP programs in place given the move to WFH and new processes.





KEY TAKEAWAY #4



MONITOR

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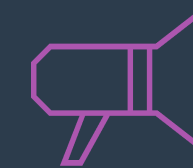
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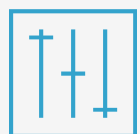
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LEVERAGE THIS RESEARCH

THROUGHOUT THE DISRUPTION CAUSED BY COVID-19
A WEEKLY SURVEY AND REPORT WILL BE RELEASED

Read more about the GCM and the TC below and join your treasury colleagues in adding your voice and insights into the broader community to help each of us succeed.



Treasury Vitals Measurements

You'll want to monitor the key 'vitals' (measurements) of attitudes, situation and responses of organizations, banks and government across multiple dimensions including: liquidity, employee care, customer status. As we move through successive time blocks we'll be able to track positive and negative movements in both results and attitudes.



Relevant and Timely Advice

Instead of waiting until the end of the disruptive situation (health and economic impact in this case) we want to capture and share techniques and actions of others that you may be able to benefit from a larger pool of experience.



Three Important Actions

We ask that you give 5 minutes each week and get twice as much as you give:

1. **Take the new surveys** launched Wednesday mornings.
2. **Listen to the new podcasts** released Thursdays at noon (EDT).
3. **Read the new reports** released Fridays to the public (Thursdays to survey participants).



Craig Jeffery

Managing Partner of Strategic Treasurer for the Treasury Coalition and the Treasury Profession

Give 5 minutes and help your company and fellow treasury professionals.

treasurycoalition.com



TAKE SURVEYS » *Wednesdays*



LISTEN TO PODCASTS » *Thursdays*



READ REPORTS » *Fridays*

IMPORTANT WEEKLY ACTIONS



TAKE THE SURVEYS



LISTEN TO PODCASTS



READ THE REPORTS

THANKS TO OUR PARTNERS



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