



FROM CRISIS TO RECOVERY

Treasury's Response to COVID-19



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WHAT.

A review of findings from the latest Global Recovery Monitor survey



WHEN.

Thursday, October 8, 2020
11:00 AM – 12:00 PM EDT



WHERE.

Live Online Presentation
Replays at StrategicTreasurer.com



FP&A

Certified Corporate
Financial Planning &
Analysis Professional



Presented by Strategic Treasurer and members of the Treasury Coalition

MEET THE TREASURY COALITION MEMBERS

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 aid our companies, our profession and the economic environment in rebounding effectively.

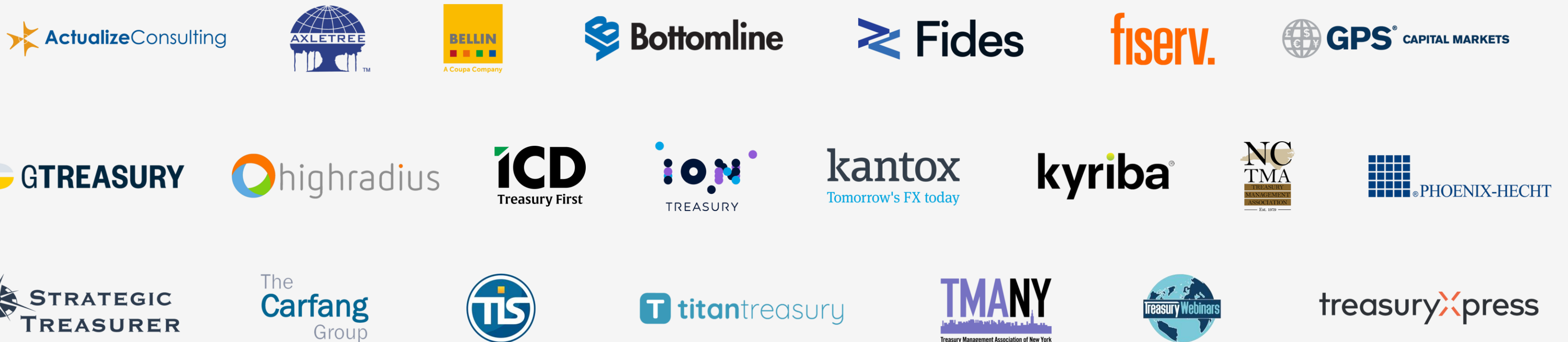
As the COVID-19 virus continued to spread and impact more countries with greater severity, Strategic Treasurer, a treasury consulting and research firm, decided to form the Treasury Coalition by inviting other treasury-focused organizations to join them.

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. If you are a solution provider and want to join forces, please let us know.

The intent is to share several things together, namely:

- Distribute the offer to take the survey broadly across all geographies by leveraging our client networks.
- Share the insights to the industry at large and to particular groups.

As always, we welcome your ideas.



GLOBAL RECOVERY 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 Recovery 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.

**“Loss is like a wind,
it either carries you
to a new destination or
it traps you in an ocean
of stagnation. You must
quickly learn how to
navigate the sail, for
stagnation is death.”**

- Val Uchendu





A GLOBAL RESPONSE

A UNIQUE PULSE ON THE PANDEMIC OVER THE 15 PERIODS OF RESPONSES

Without a doubt, this pandemic has touched all corners of the globe and spared no industry. GCM/GRM 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 respondents for taking the time to share your 1,750+ insights so the profession can take positive and knowledgeable steps forward.



1,750+

Responses



48%

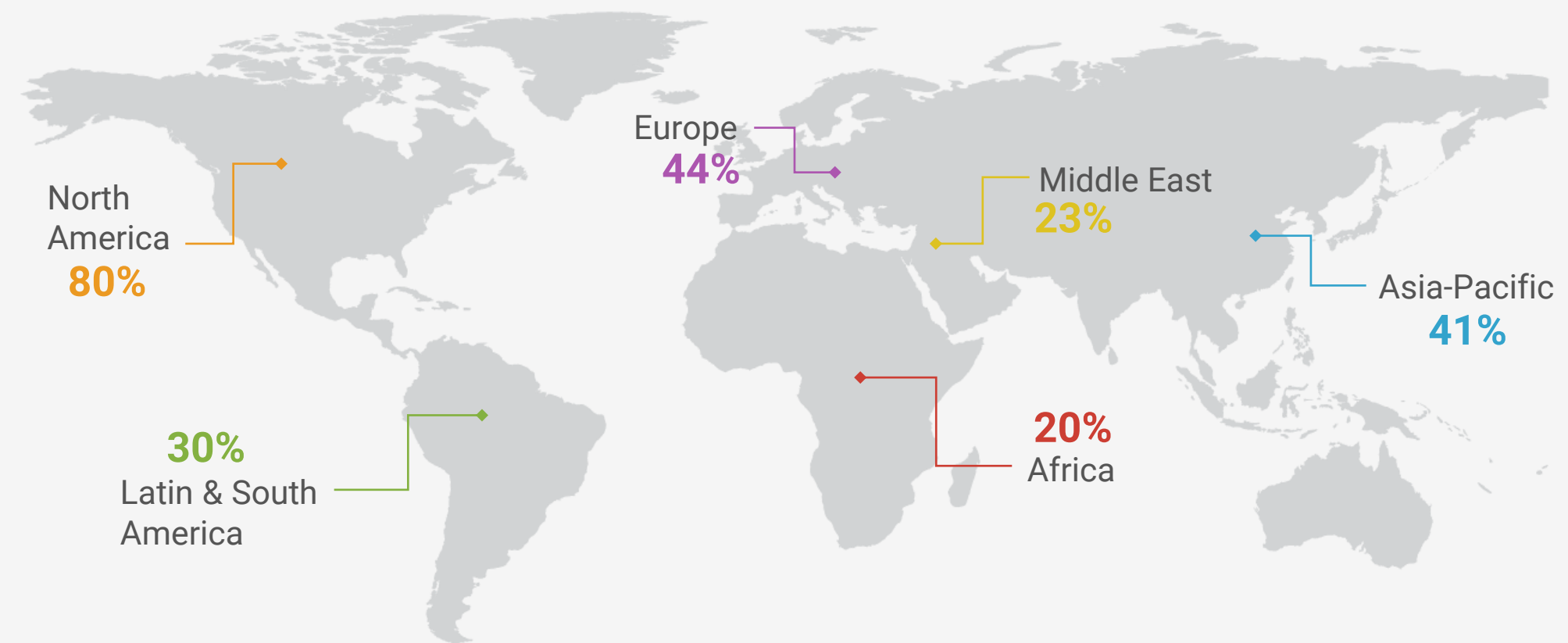
From Companies with Annual Revenue of \$1B or More



50+

Industries Represented

Regions of Operation



HOW HAS COVID-19 IMPACTED TREASURY?

BACK ON THE PATH TOWARDS POSITIVE

Company outlook on liquidity position continued a long and consistent positive march for most of the last 23 weeks. The four major sentiment factors remained positive this period. The company-specific financial return to normalcy remained at 11 months, while the broader economic outlook's equilibrium improved to 4 months. Monitored sentiment across multiple economic measurements indicate continued cross-currents, with most elements remaining positive. GDP expectations are negative on a period-over-period basis through the end of Q1 2021.



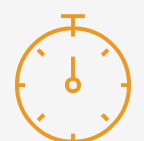
INFLECTION POINT STILL PESSIMISTIC

This period continued a pessimistic view of when we would reach the inflection point, improving marginally to 4+ months.



ORGANIZATIONAL LIQUIDITY ROLLING

Company-specific liquidity positivity completed 11 periods of improvement (except for period 13), with a net 20% of respondents indicating positive liquidity.



HEALTH SERIOUSNESS STABLE; PEAK DEATHS LENGTHENS (3+)

The timeframe where the 'median' respondent believes COVID-19 will stop being a *serious* health concern remained at 11 months. Peak death estimations began last period and expanded by a month to 3+.



GDP AND INDUSTRY REVENUE REMAIN BLEAK FOR 6 MONTHS

Expectations for contraction in HQ country economies and for 'industry' revenue levels are pessimistic. Both indicate contraction.



MONTHLY MONITOR SHOWS PROGRESS

The Monitor finished its third four-week cycle and 28 weeks of monitoring. The monitoring periods were weekly for 8 weeks, bi-weekly for 8 more weeks and now monthly (12 weeks so far). Please take it monthly.



FRAUD ATTACKS AMPLIFY: FROM 36% to 46%

Fraud attacks accelerated from +36% (net) in period 8 to +46% this period.



FORCED RANK CONCERNS – FIRST "SOLE FIRST"

'Staff Safety Protocols' took sole possession of the top concern (frequency of #1 selection). 'Financial Impact to the Business' and 'Country Preparedness' shared 2nd place.

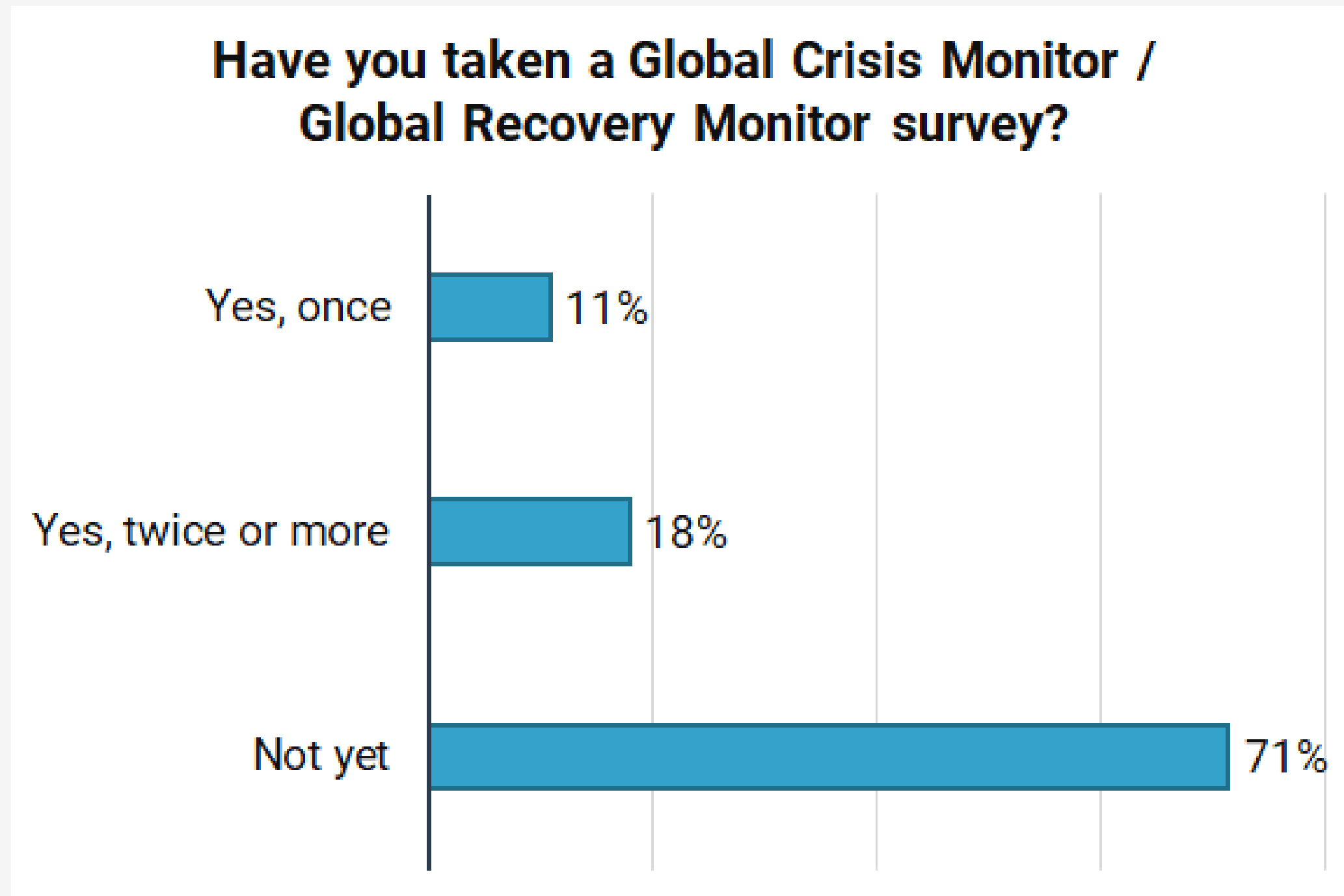


AR AND FISCAL POLICY ARE NEGATIVE

Accounts Receivable and Fiscal Policy are the two negative liquidity measures this period. The other four remain positive.



POLL QUESTIONS



TOP CONCERNS

FORCE RANKING SEVEN AREAS

Most periods we have asked 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 chart shows the most frequent #1 choice. Survey questions are cycled in and out in order to keep the total questions of the Monitor low enough to be completed in 5 minutes.

Areas of Inquiry	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Period 9	Period 10	Period 11	Period 12	Period 13	Period 14	Period 15	
Business Continuity Plan Completeness	1st	2nd (tie)	Not Asked	3rd	4th	4th	4th (tie)	5th	6th	6th	6th	6th	6th	7th	6th	
Staff Safety Protocols	3rd	4th		6th	6th	5th (tie)	6th	7th	2nd	4th	4th	3rd	1st (tie)	2nd	1st	
Staff Awareness of Plans	6th (tie)	5th		7th	7th	7th	7th	6th	7th	7th	7th	7th	7th	7th	6th	7th
Country Preparedness	6th (tie)	6th		5th	5th	5th (tie)	4th (tie)	4th	5th	5th	5th	5th	5th	5th	4th	2nd (tie)
Direct Financial Impact to the Business	2nd	1st		1st (tie)	1st	1st	1st	1st	1st	1st	1st	2nd	1st	1st (tie)	1st	2nd (tie)
Access to Adequate Liquidity	4th	2nd (tie)		1st (tie)	2nd	2nd	2nd	3rd	3rd (tie)	2nd	1st	4th	3rd	3rd	4th	
Recession in the Regions We Operate In	5th	7th		4th	3rd	3rd	3rd	2nd	3rd (tie)	3rd	3rd	2nd	4th	5th	5th	

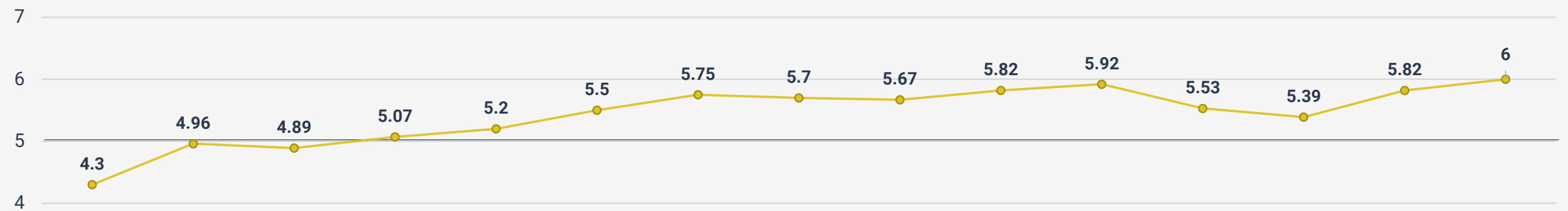
PERSPECTIVES

WHAT CHANGED IN SENTIMENT OVER THE PERIODS?

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 have an unblemished track record of consistent improvements over the prior week/period. The line at 5 represents an unchanged view from the prior 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.

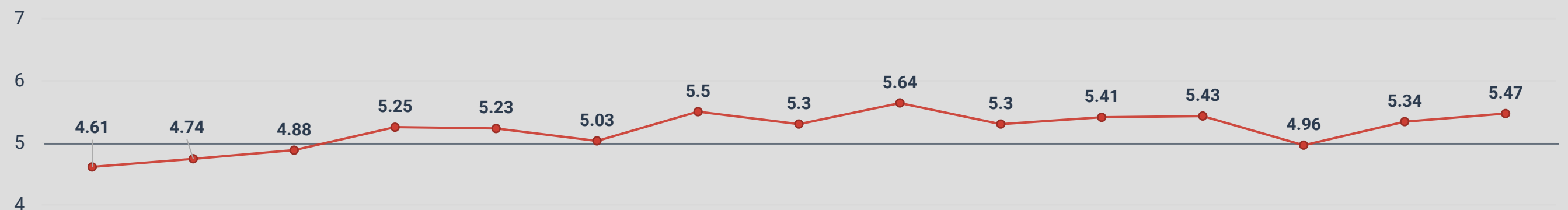
COMPANY/ORGANIZATION

Impact of COVID-19 on my company over the past week



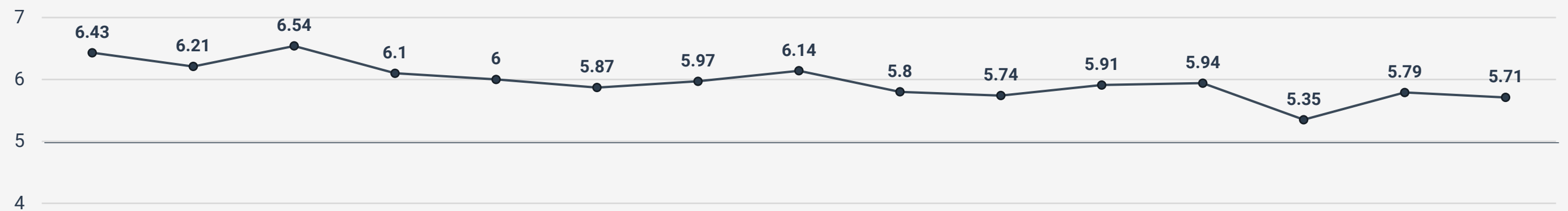
COMMUNITY & FAMILY

Change in my level of concern over impact on my community & family



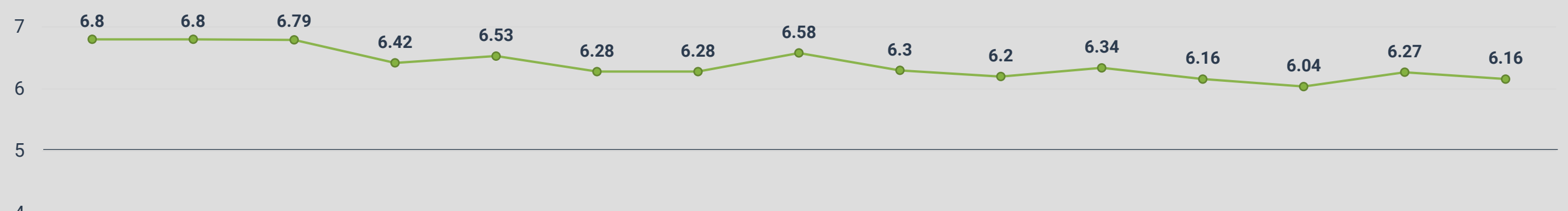
COUNTRY RESPONSE

Change in view over prior week of response by my HQ country



COMPANY RESPONSE

Change in view over prior week of response by my company



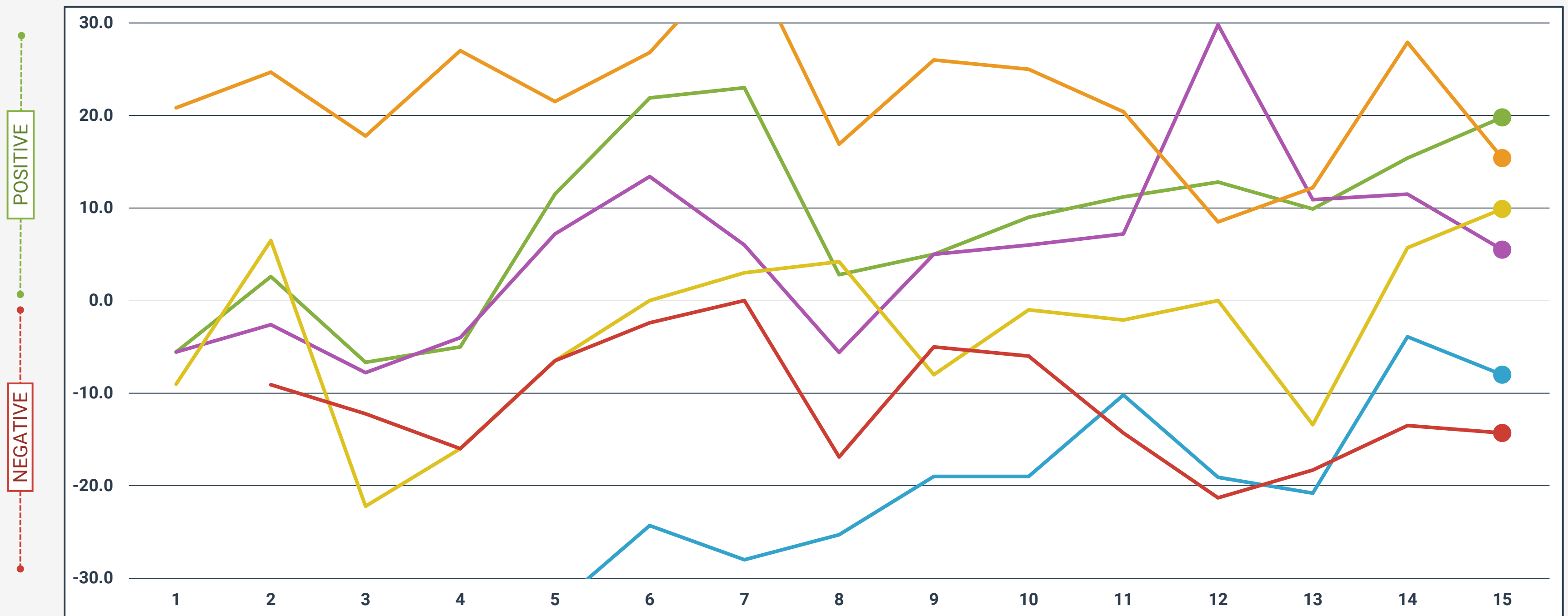


DEBT & LIQUIDITY

WHAT ACCESS DOES TREASURY HAVE?

Liquidity is vital and cash is the king. In times of disruption and crisis, much attention is paid to the royals. This graphic measures a select handful of elements that add to or detract from an organization's liquidity. We monitor this on a period-over-period basis.

Given an increasing number of stable responses over the life of the Monitor, we needed to shift to a different style of chart. This new chart shows the NET positive or negative, which will eliminate the trough between +/- 1 and enable us to see the relative volatility shifts too.



ACCOUNTS RECEIVABLE

CENTRAL BANK LIQUIDITY

COMMERCIAL PAPER

BANK LINE OF CREDIT or Revolver

Provisions for Banks

Issuance

COVENANT REQUIREMENTS & Material Adverse Conditions

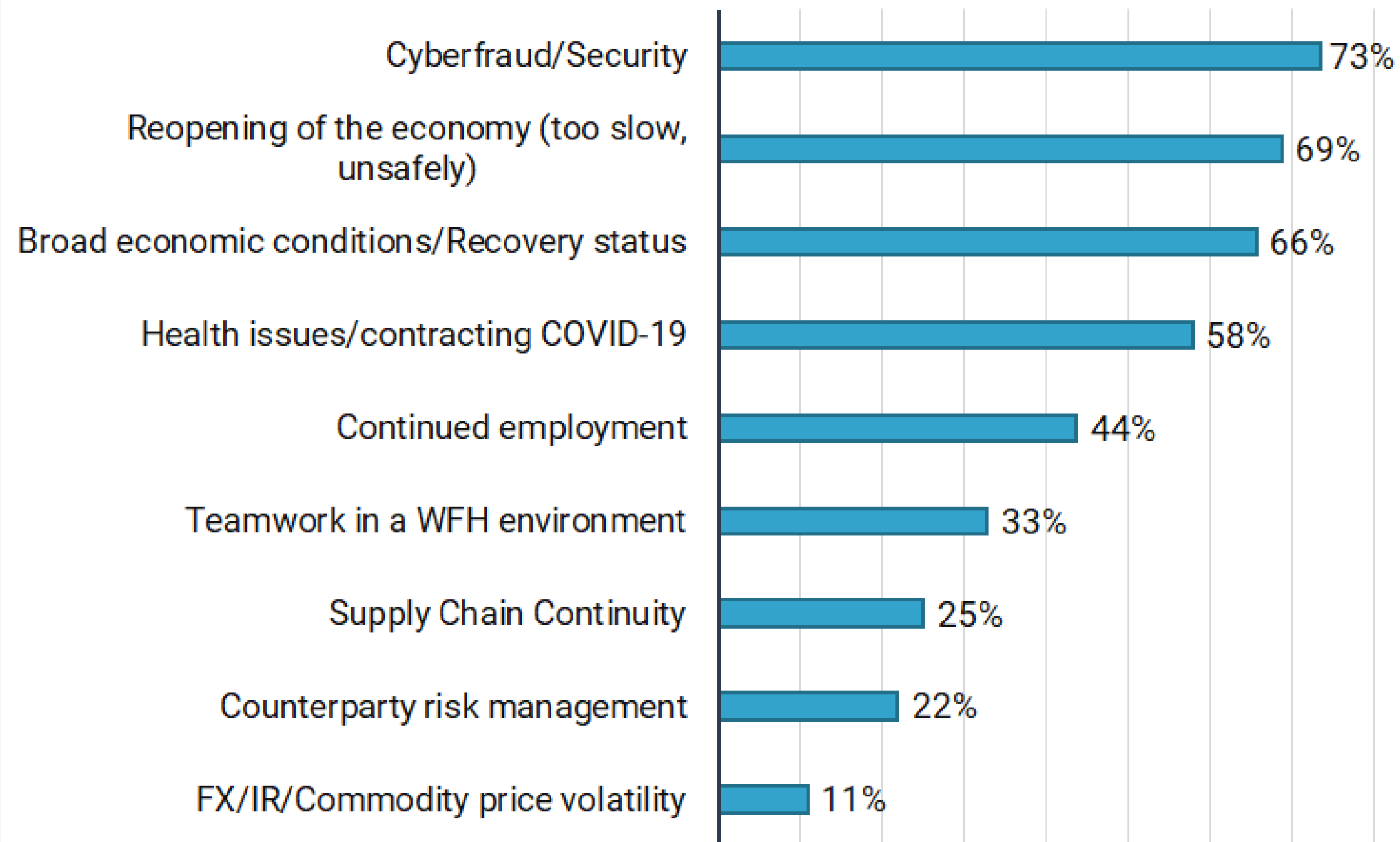
FISCAL POLICY

Government fiscal activities



POLL QUESTION

Which of the following are moderate to significant concerns you have today?
(Select all that apply)



TIMING ESTIMATES

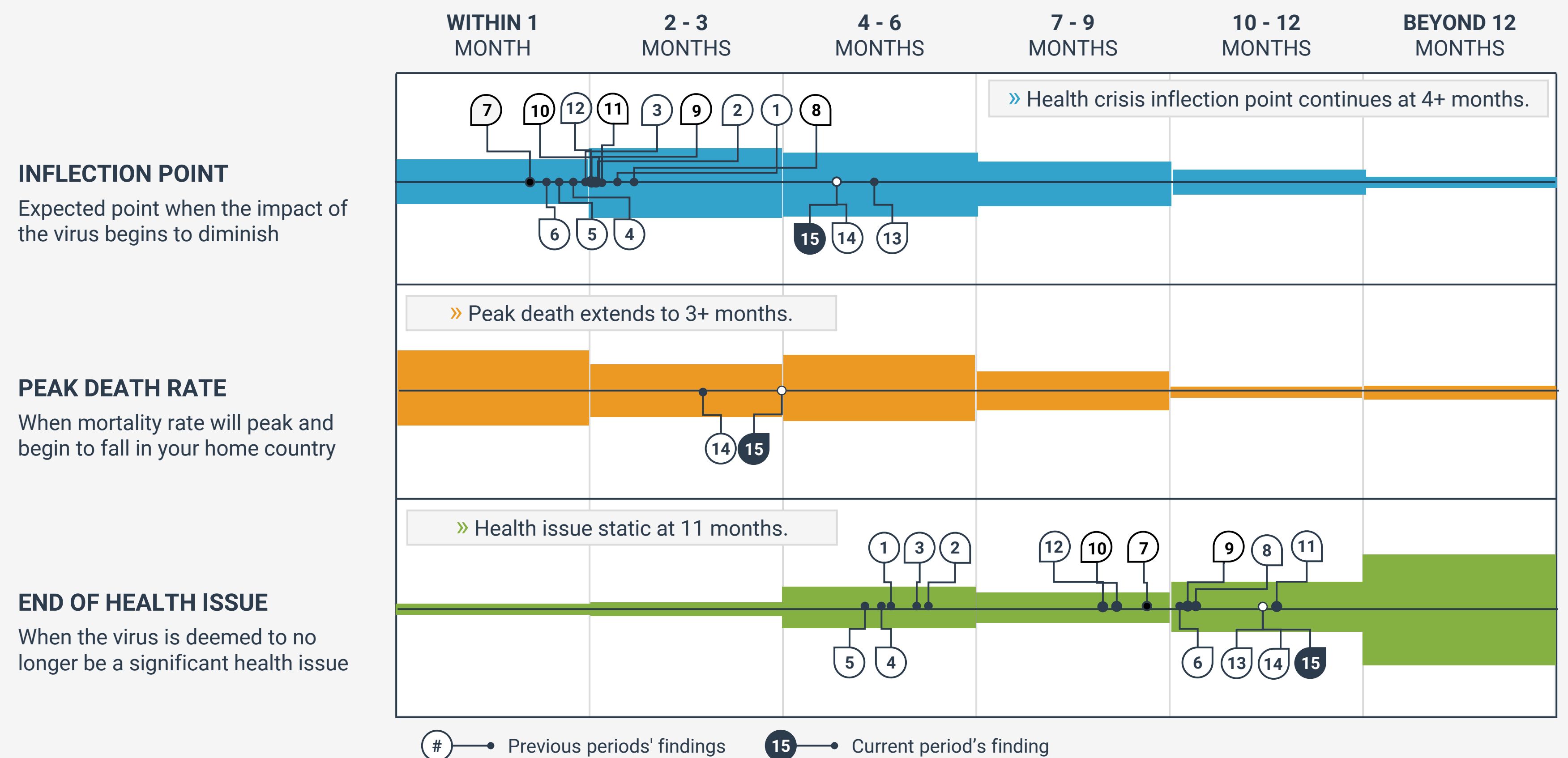
MEDICAL AND MORTALITY MATTERS

These three graphics represent key milestones in the recovery and return to normal times medically. 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 inflection point remained at 4+ months this period. The peak death rate was new last period and has now moved from 2 to 3+ months. COVID-19 remaining as a significant health issue is holding steady at 11 months.

The rectangles below represent the proportionate amount of responses in each time domain. The tear drops represent the median response from all respondents. The numbers indicate the period of the Monitor.



ECONOMIC VIEWS

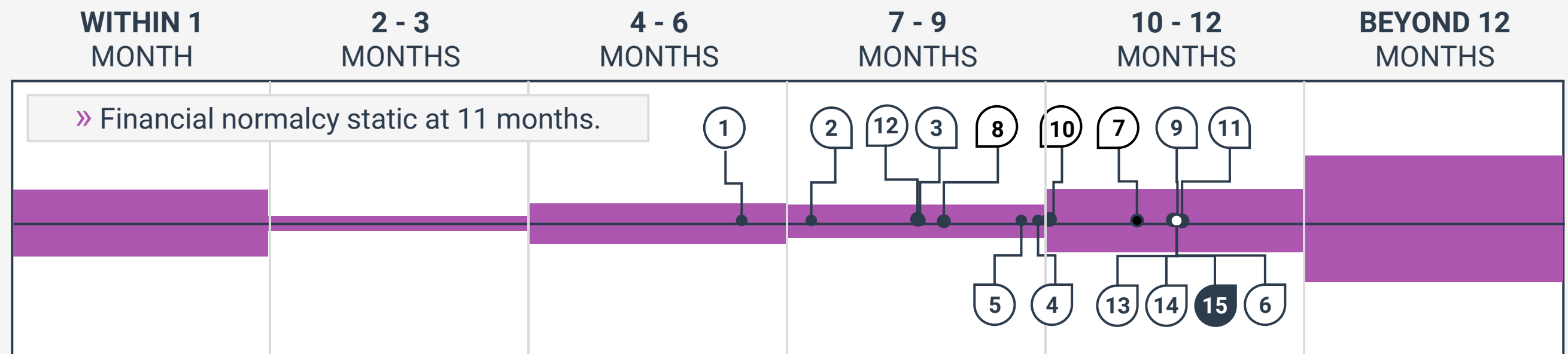
ECONOMIC EQUILIBRIUM: 6 & 11 MONTHS

The top graphic shows the perspectives on the individual respondent's organization (where normalcy sits at 11 months). The bottom graphic shows the overall economy across two time domains: 3 and 12 months. A '5' represents a neutral view. Below 5 is pessimistic.

The blue in the bottom graphic indicates the 12-month outlook, while the green shows the view out 3 months.

FINANCIAL NORMALCY

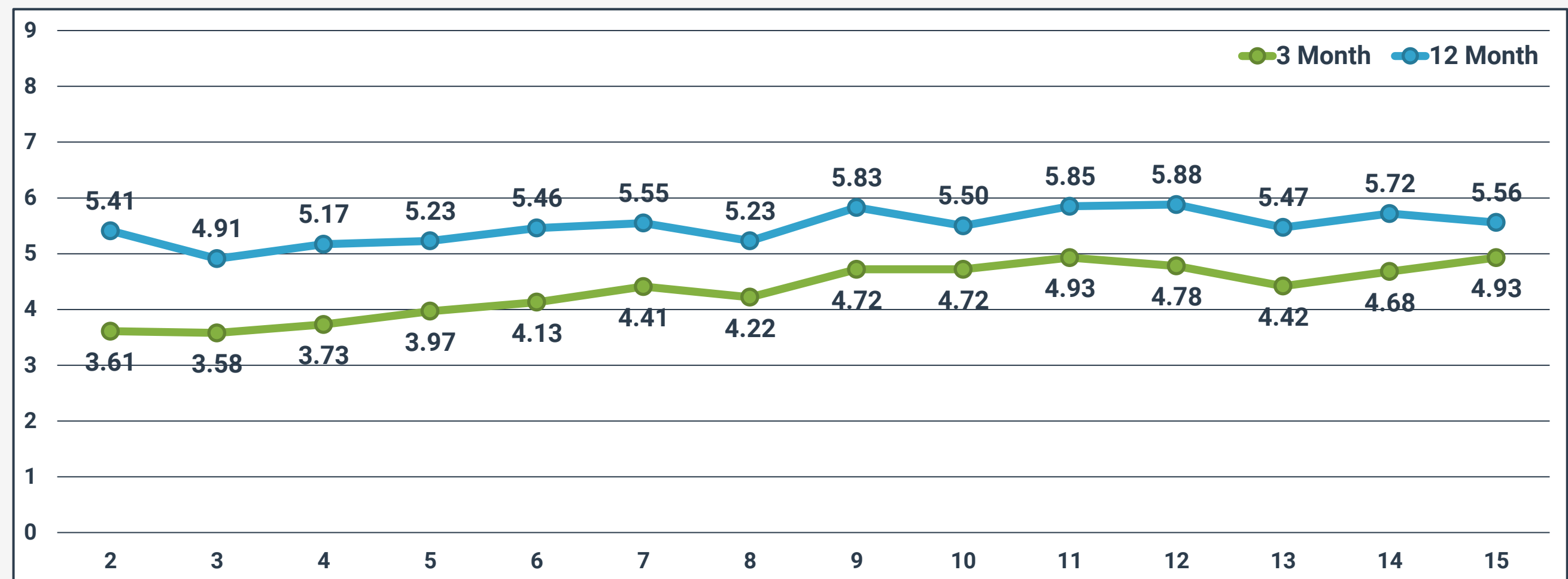
When business returns to the state it was prior to COVID-19.



ECONOMIC TURNING POINT PUSHED BACK

The outlooks for economic status in the 3-month and 12-month time domains continued in a positive direction this period.

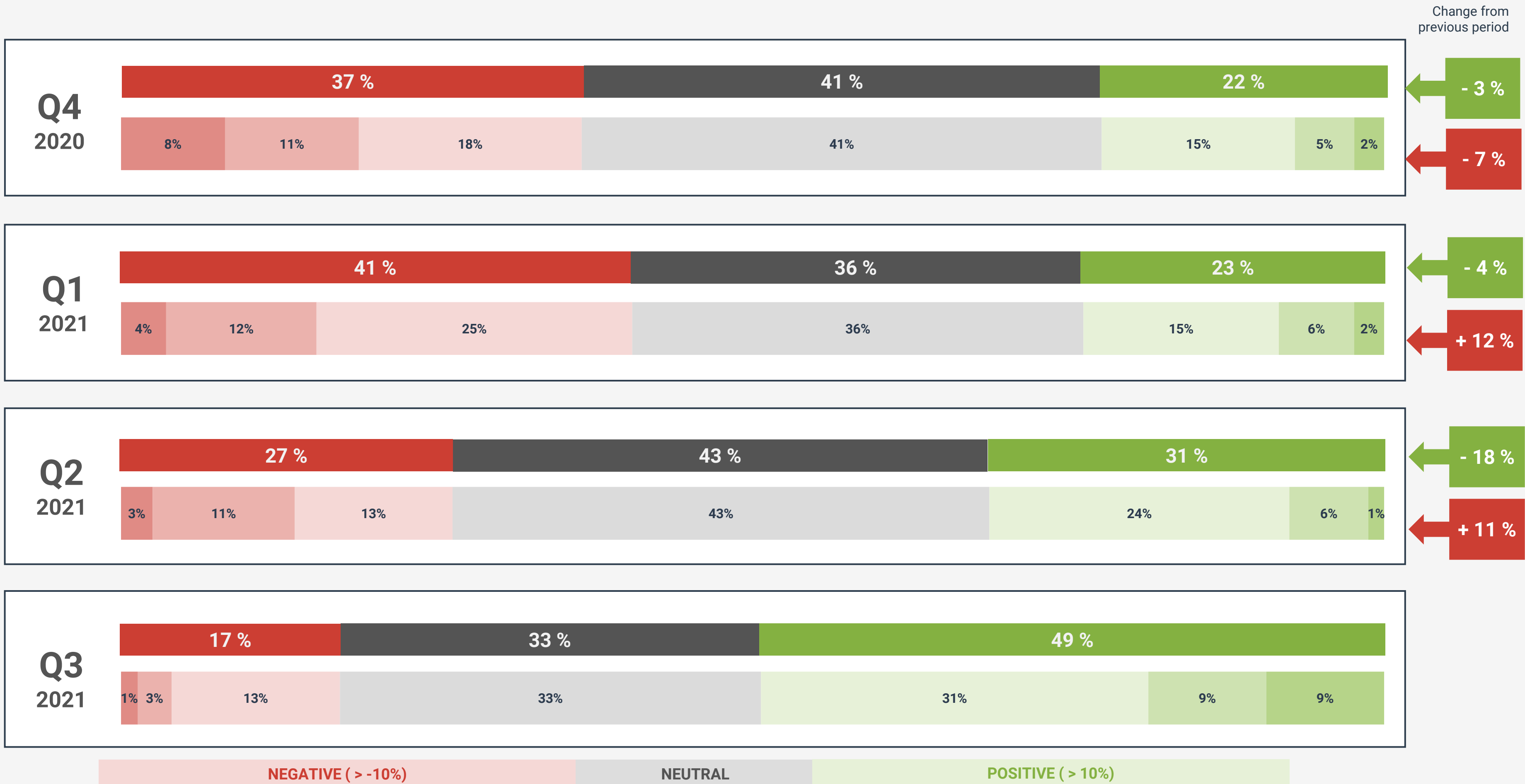
Extrapolating from these numbers, the expectation is that the economy achieves 'normal' status in about four months. This indicates an expectation of equilibrium late January 2021.



REVENUE LEVEL DIP

ESTIMATED LEVELS IN "YOUR INDUSTRY"

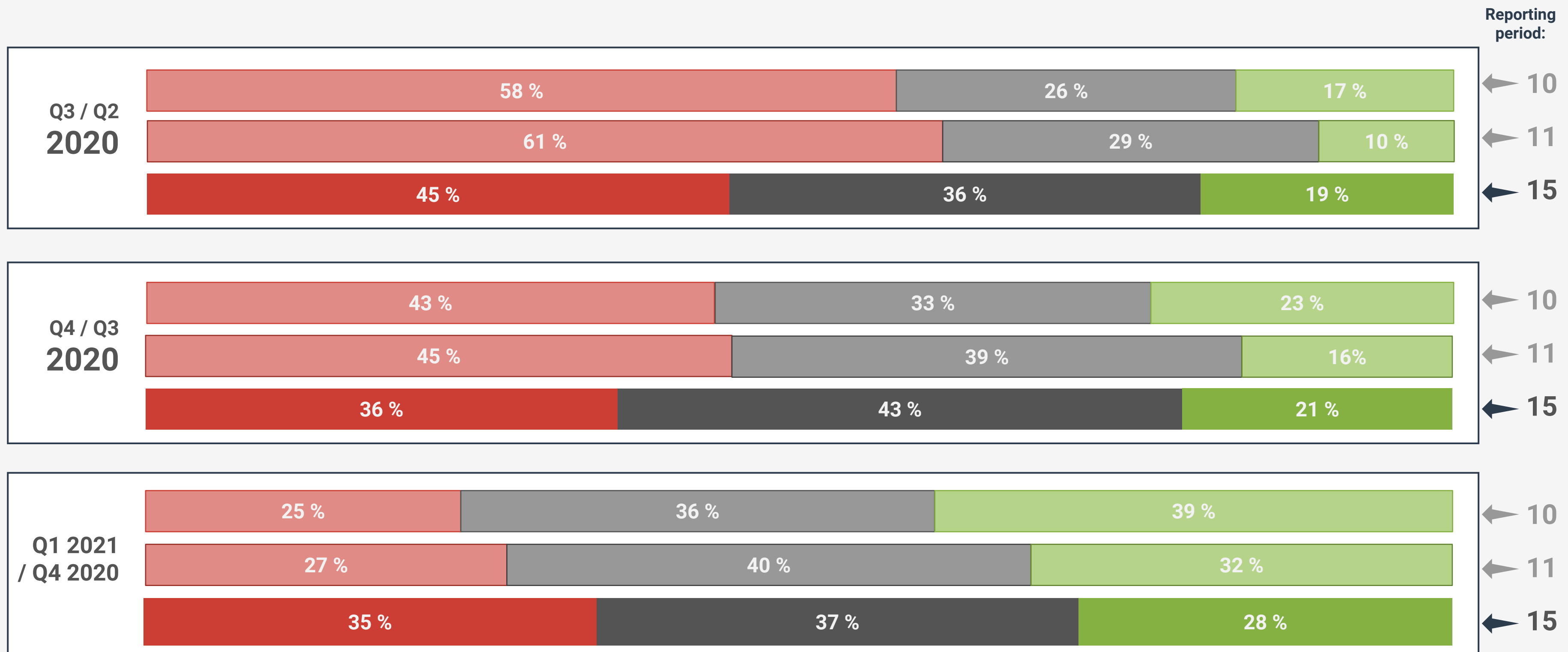
The industry-level outlook for revenue has moved steadily more pessimistic for Q4 2020. The outlook for the second quarter of 2021 is marginally positive, with optimism for Q3 2021 in 'breakout' mode. This represents a significant lengthening of the time expected for full recovery from an industry perspective.



GDP OUTLOOK

EXPECTED CHANGE IN "YOUR COUNTRY"

Country level GDP changes are expected to be negative throughout 2020. Quarter-over-quarter expected GDP changes indicate ongoing expectations of recessionary expectations in the home country of respondents.



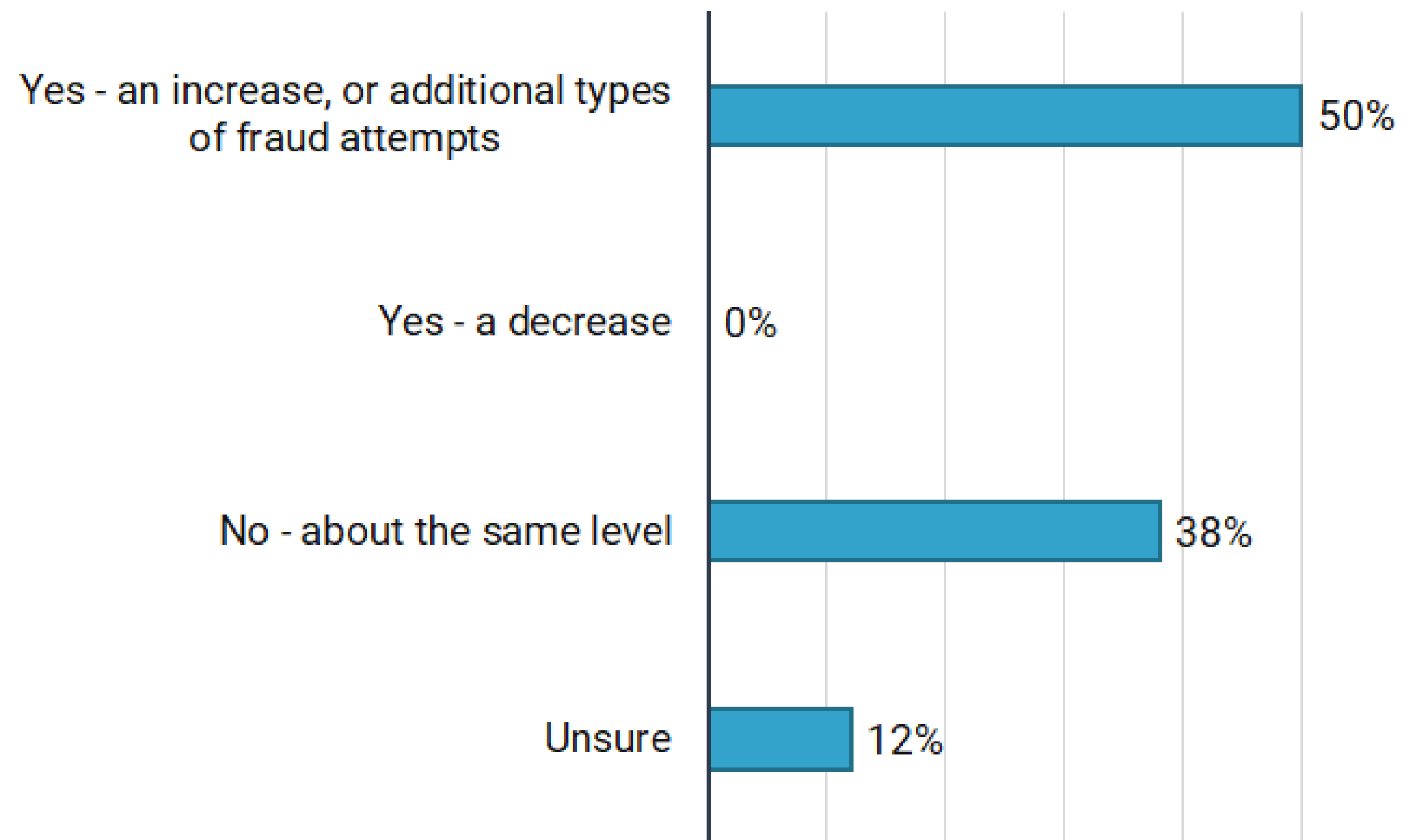
■ NEGATIVE (<-12% - -2%)
 ■ NEUTRAL
 ■ POSITIVE (2% - >12%)

— Previous period's finding
 — Current period's finding



POLL QUESTION

Has your organization seen a change in attempts of fraud or cyberfraud this year?



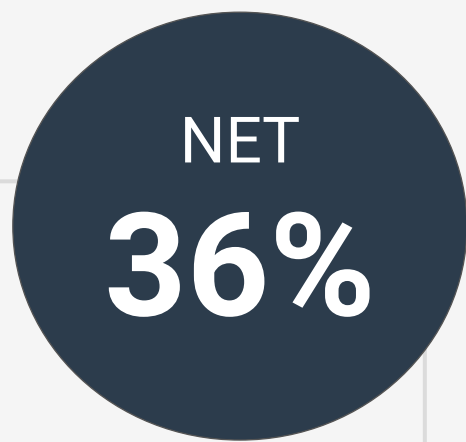
WFH FRAUD INCREASE

ARE FRAUD ATTEMPTS REALLY INCREASING?

During period eight, we saw that five out of nine companies increased their communication about fraud/attempted fraud since moving to the Work from Home (WFH) posture.

Was this an overreaction? When we looked at the fraud issues then, the concern seemed well-founded. Of those who knew, more than one-third of respondents indicated that there had been an increase. Cycling this question back into the Monitor during period 15, we saw that fraud attempts had gone from very bad to worse with the net 10% escalation.

Ongoing communication, compensating controls and enhanced training are clearly in order in the new environment.

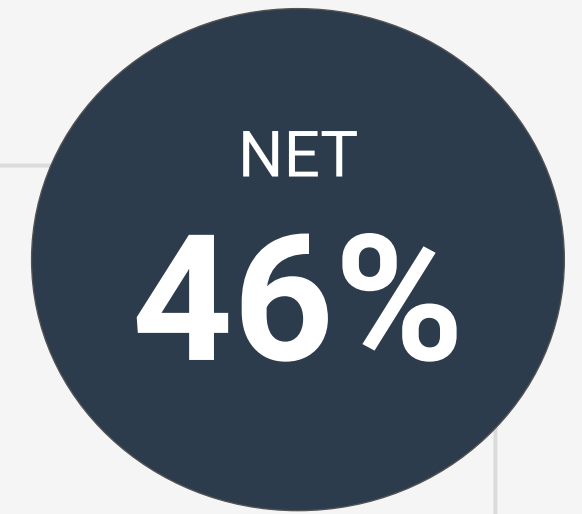


Period 8 – May 14
(Not including “I Don’t Know”)



Yes.
An Increase of **36%**

No.
About the same **64%**



Period 15 – October 1
(Not including “I Don’t Know”)



Yes.
An Increase of **51%**



Yes.
A Decrease of **5%**

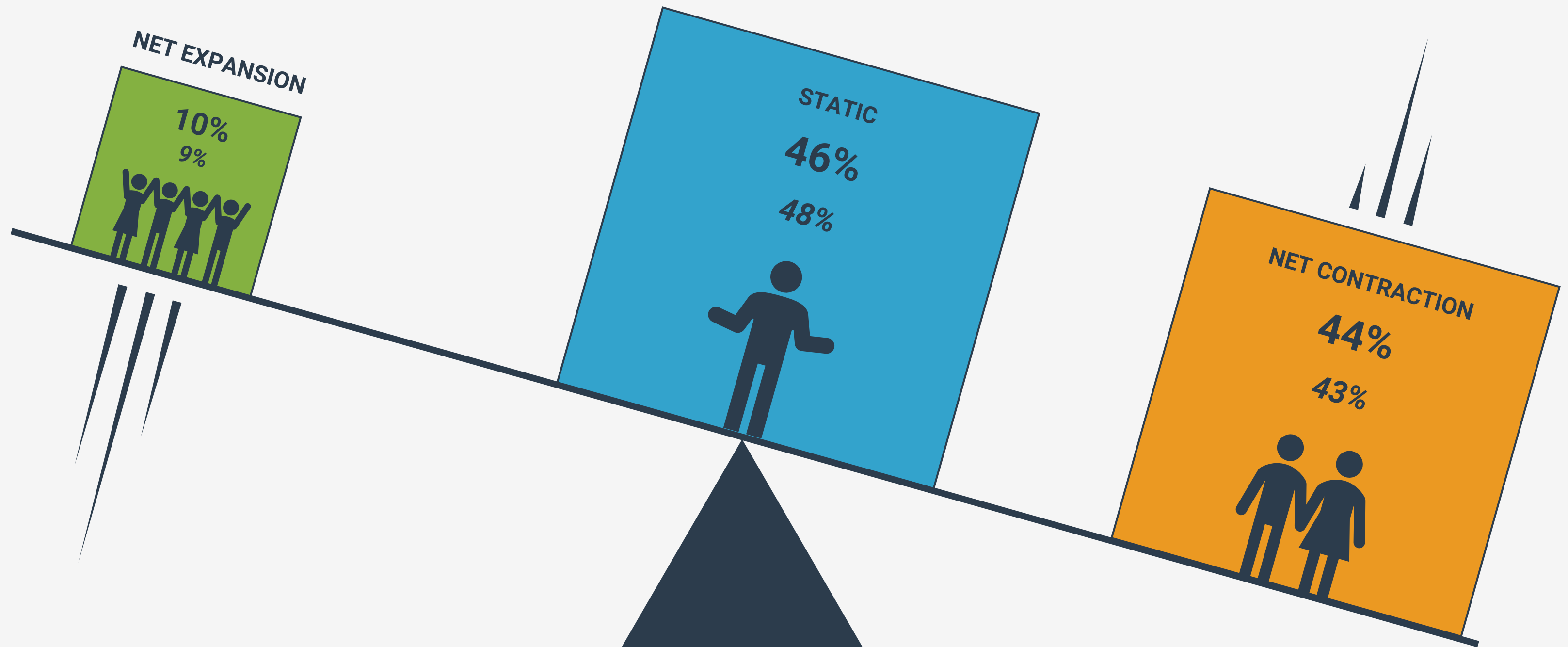
No.
About the same **36%**

STAFFING DROP IN 2020

ESTIMATED CHANGES IN "YOUR INDUSTRY"

Do you anticipate net expansion/contraction of staffing in your industry by the end of this year?

The 'industry' expectation on staffing expansion or contraction is clearly on the contraction side of the equation. The net of expansion and contraction responses is one-third of respondents and has been remarkably consistent over the past eight weeks.



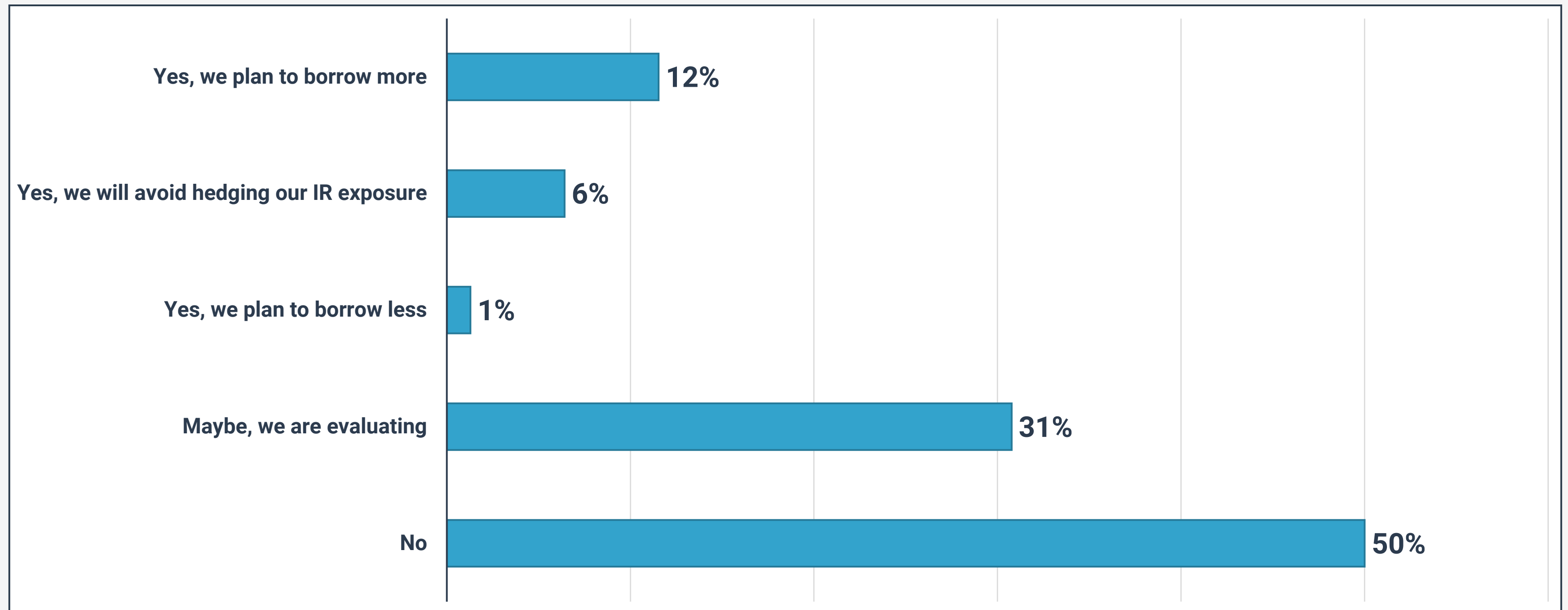
RATES AND BORROWING

DO THE LOW RATES AFFECT BORROWING

Lower rates aren't enticing many firms to increase their borrowing (only 1 in 8) though more are still considering this (1 in 3). Six percent will avoid hedging interest rate (IR) exposure ostensibly due to central bank assurances of ongoing plans to keep rates low longer.



Has the Fed's guidance of keeping interest rates low influenced your plans to borrow funds?



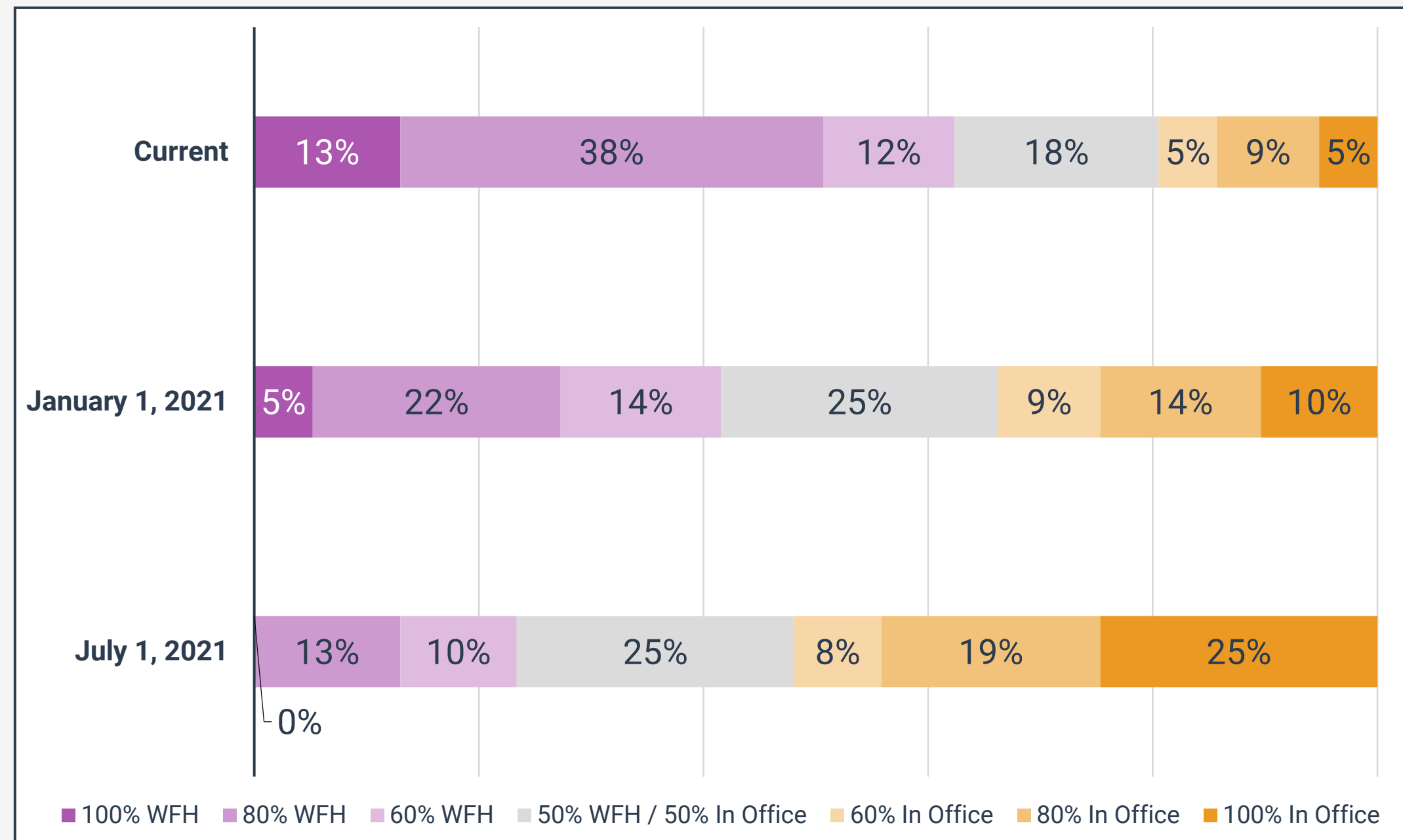
WFH INTO 2021

STAFF WORK LOCATIONS MAY REMAIN CHANGED

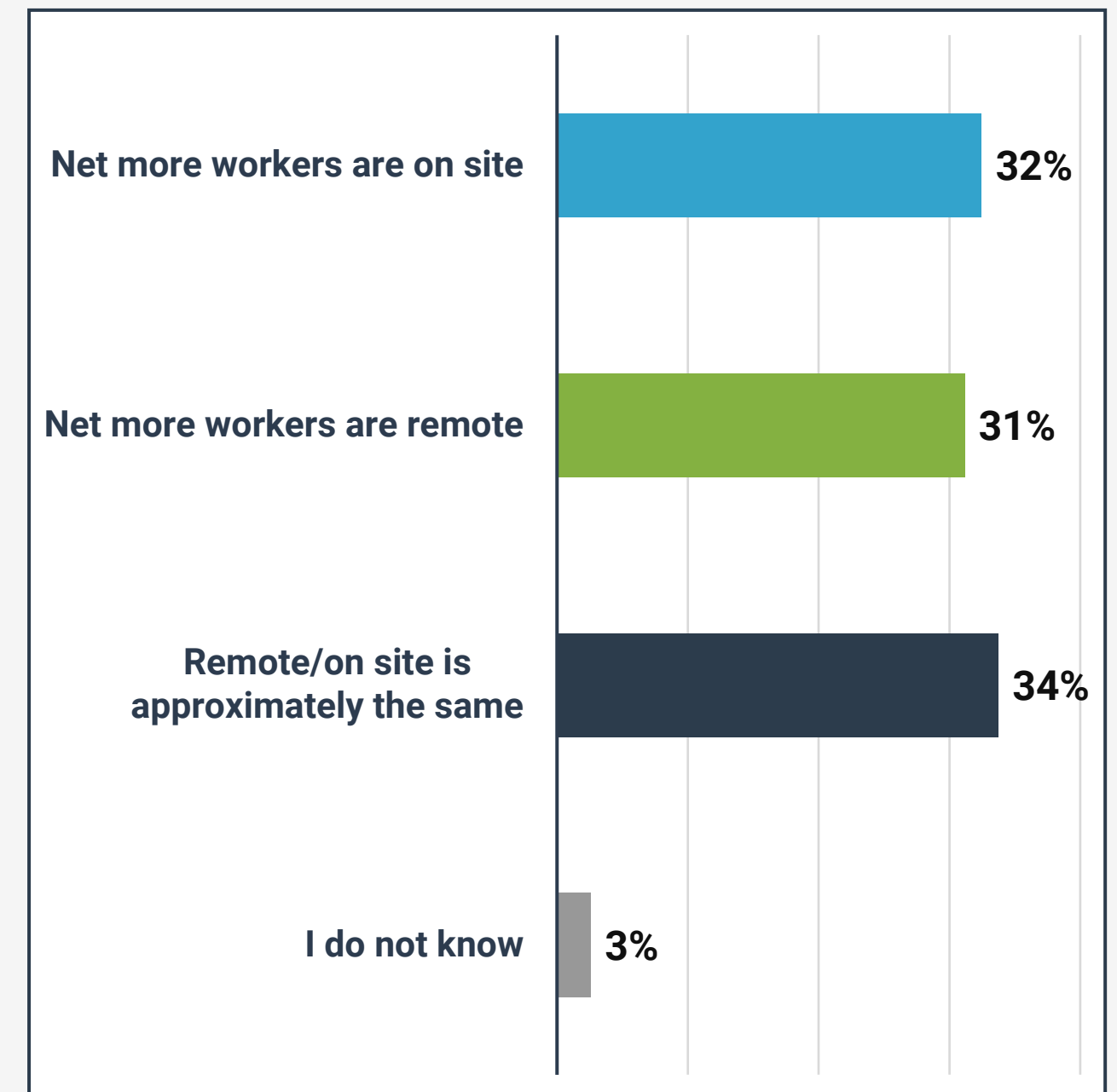
The current situation shows the majority of organizations are majority work from home (WFH) companies. By January, the expectation is roughly balanced between in-office (33%) and WFH (39%). The expectation of a shift back to the office by Q3 is notable primarily for indicating only 25% expect to be back to the historic mix. Is COVID-19 moving us to permanent acceptance of WFH?

The net movement between remote working or WFH largely appears to have produced a minimal change over the past period. Given that over three-fifths of organizations were in motion, this bears close monitoring over the next few months.

Please indicate the approximate current and anticipated staffing locations for your organization:



In the past month, the location of our working staff has:





KEY TAKEAWAYS



**LIQUIDITY
MANAGEMENT
FOCUS**

- Diversification across different dimensions
- Are you adapting to the shift in liquidity access and monitoring?



SECURITY

- What is your biggest security issue?
- Do you know where your security is weak? Adequate? Strong?
- Benchmark your security practices



ANALYTICS

- Establish counterparty risk reporting
- Review and update cashflow models



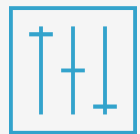
**NETWORK &
LEARN**

- Take responsibility for your knowledge development
- What are your learning goals for each month?

LEVERAGE THIS RESEARCH

KEEP A PULSE ON THE DISRUPTION CAUSED BY COVID-19 WITH THE MOST UP-TO-DATE INFORMATION AVAILABLE TO THE INDUSTRY.

Read more about the GCM/GRM and the Treasury Coalition 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

We monitor the key 'vitals' (measurements) of attitudes, situation and responses of organizations, banks and government across multiple dimensions, including liquidity, employee care and 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 the techniques and actions of others so that you may be able to benefit from a larger pool of experience.



Three Important Actions

We ask that you give 5 minutes once a month and get twice as much as you give:

1. **Take the new surveys** launched every four weeks.
2. **Listen to the new podcasts** released Thursdays after survey closing.
3. **Read the new reports** released Fridays to the public (Thursdays to survey participants).



Give 5 minutes once a month and help your company and fellow treasury professionals. To download past reports, please visit: treasurycoalition.com



TAKE SURVEYS



LISTEN TO PODCASTS



READ REPORTS

IMPORTANT MONTHLY ACTIONS



TAKE THE SURVEYS



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