

MAR 18-24
2020

Global Crisis Monitor

An Immediate & Ongoing Survey of **COVID-19** Impact & Response

Weekly Status Update

March 26, 2020

TreasuryCoalition.com



TREASURY
COALITION

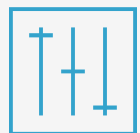


LEVERAGE THIS REPORT

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

Enjoy the first week's survey report from the Global Crisis Monitor (GCM). This is brought to you by the Treasury Coalition (TC) and the over 200 companies from around the world who participated in this iteration of the survey. Please 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.

I invite you to pay attention to a few elements of each week's content. You have a lot to do so we'll keep it brief.



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 so 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 (DST).
3. **Read the new reports** released Fridays to the public (Thursdays to survey participants).



Stay safe, steady, and thoughtful,

Craig Jeffery

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

treasurycoalition.com



TAKE SURVEYS » *Wednesdays*



LISTEN TO PODCASTS » *Thursdays*



READ REPORTS » *Fridays*

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, accelerates 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 wanting 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 that 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.

A smooth sea never made a skilled sailor.

- Franklin D. Roosevelt



TREASURY COALITION

COLLECTIVE EFFORT AIMED TO BENEFIT THE GREATER TREASURY INDUSTRY FROM LEADING 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, 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 follow suit over the next few days. More were added.

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.



HOW HAS COVID-19 IMPACTED TREASURY?

DEEPENING CONCERNS ABOUT LIQUIDITY WHILE IMPROVING VIEWS ON CORPORATE & CENTRAL BANK ACTIONS

Actions by central banks have improved liquidity views while concerns about Accounts Receivable have escalated dramatically. The expected timeframes show treasury/finance respondents expect a few quarters of financial hardship following the inflection point or trajectory of COVID-19 cases.

Changes to the concerns about deteriorating company strength and the physical impact on families/communities bears careful watching over the coming weeks.



VIRUS INFLECTION POINT SITS JUST OVER 1 MONTH

The majority believe the corner will turn <1 month & a large minority within 2-3 making the expected mean fall just beyond 1 month.



ORGANIZATIONAL LIQUIDITY OUTLOOK HYPER-NEGATIVE

Outlook on future liquidity shows those with negative view over positive in excess of **4X**. Awaiting passage of US relief legislation.



CENTRAL BANK ACTIONS VIEWED POSITIVELY

Fed actions, ostensibly shoring up MMF & pumping liquidity into the system are major contributors to improving views on liquidity.



TOP CONCERNS FOR LIQUIDITY CHANGES

A/R (**-5X+**) and Commercial Paper Issuance (**-2X**) led the 1-wk shifts downward. Central Bank liquidity provided sole upward (**+2.5X**).



200+ GLOBAL RESPONSES

With operations in Africa 17.5%, Mid-East 20%, LATAM 30%, APAC 40%, EU 50%, NAMER 75%.



CORP & GOV RESPONSE - POSITIVE

Organizational responses & central bank movements help with the liquidity outlook.



PAYMENT SECURITY - CAUTION

Only 1 in 5 had adapted payment security processes in business continuity plans.



MOST NEGATIVE – A/R ALARM

By a factor **5X+**, organizations reported a negative outlook for liquidity on receivables.

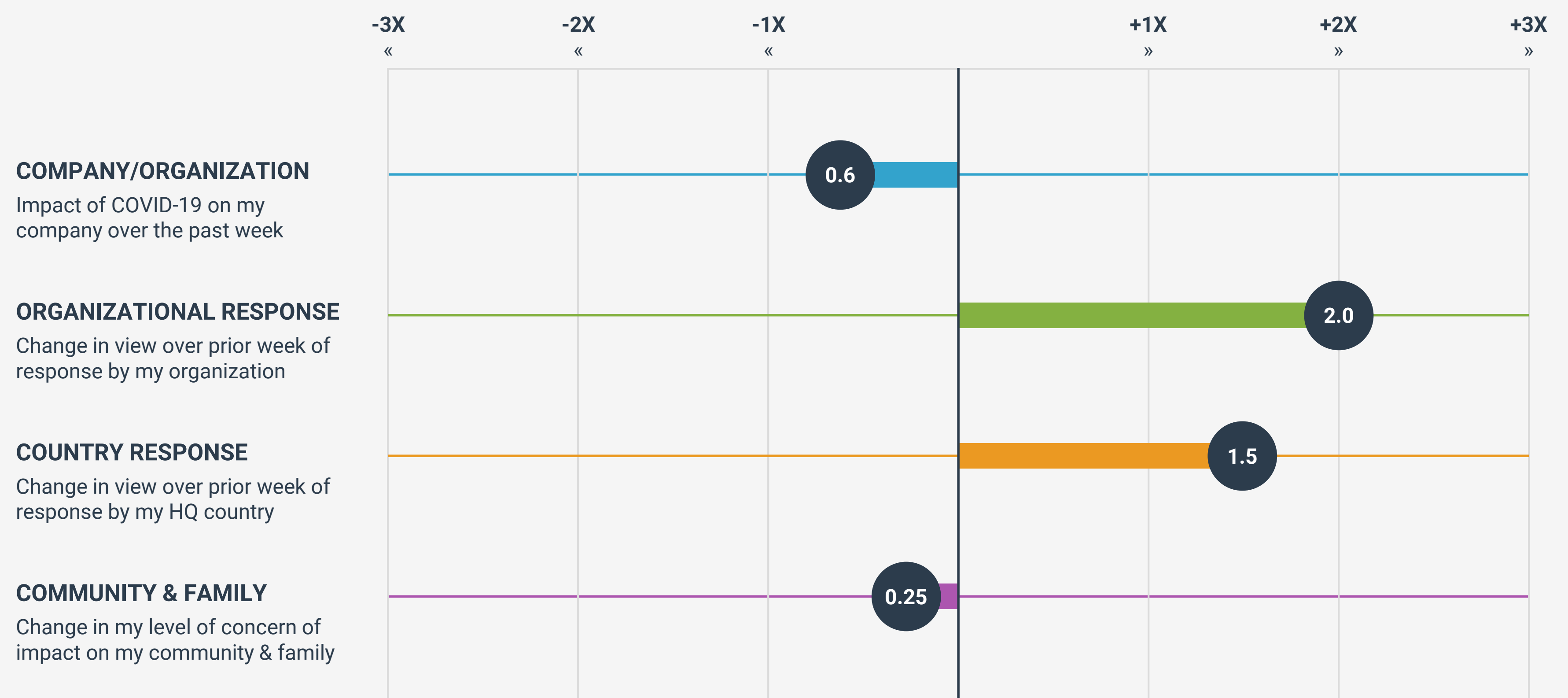
PERSPECTIVES

WHAT CHANGED IN SENTIMENT THIS WEEK?

Vital signs give us a quick indication of what is happening. This chart measures several vital signs in the form of changing perspectives. The responses of the respondent's company and HQ country indicate significant improvements in view.

The perceived impact on the respondent's company deteriorated noticeably over the past week, while the level of concern for the community and family moved slightly lower.

If the bar extends to the left side, it indicates a deterioration in the respondent's view over the past week of the various items identified on the y-axis. This uses the mean score. A -1X indicates a mean of 4, indicating a deterioration over the past week of a full point on the 1-9 scale. A +2 indicates a mean of 7 indicating a very significant improvement in the perspective.



DEBT & LIQUIDITY

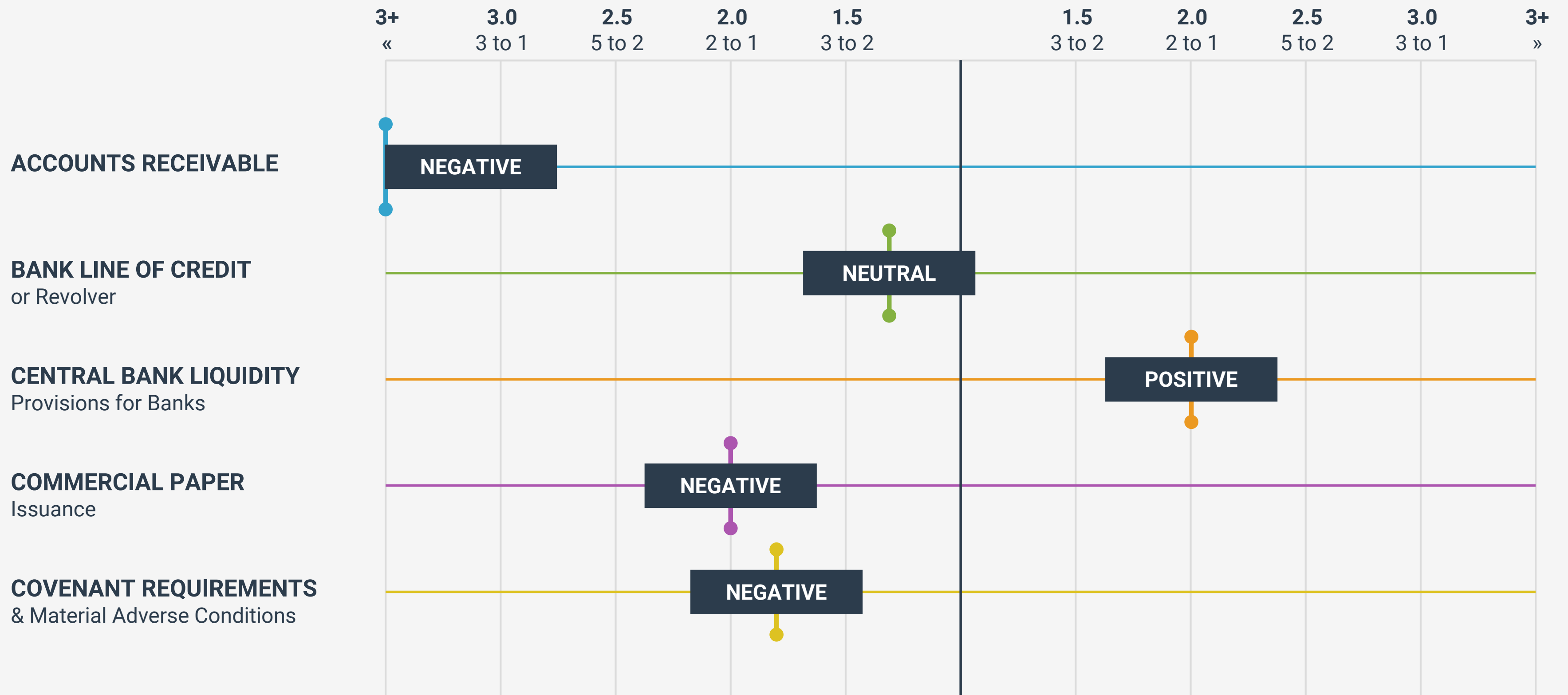
WHAT ACCESS DOES TREASURY HAVE?

"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 was -6X during this period, so it is pinned against the left border. Moves by central banks to provide liquidity were very well received as shown by the sole (and quite) positive entry in this week's numbers.

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

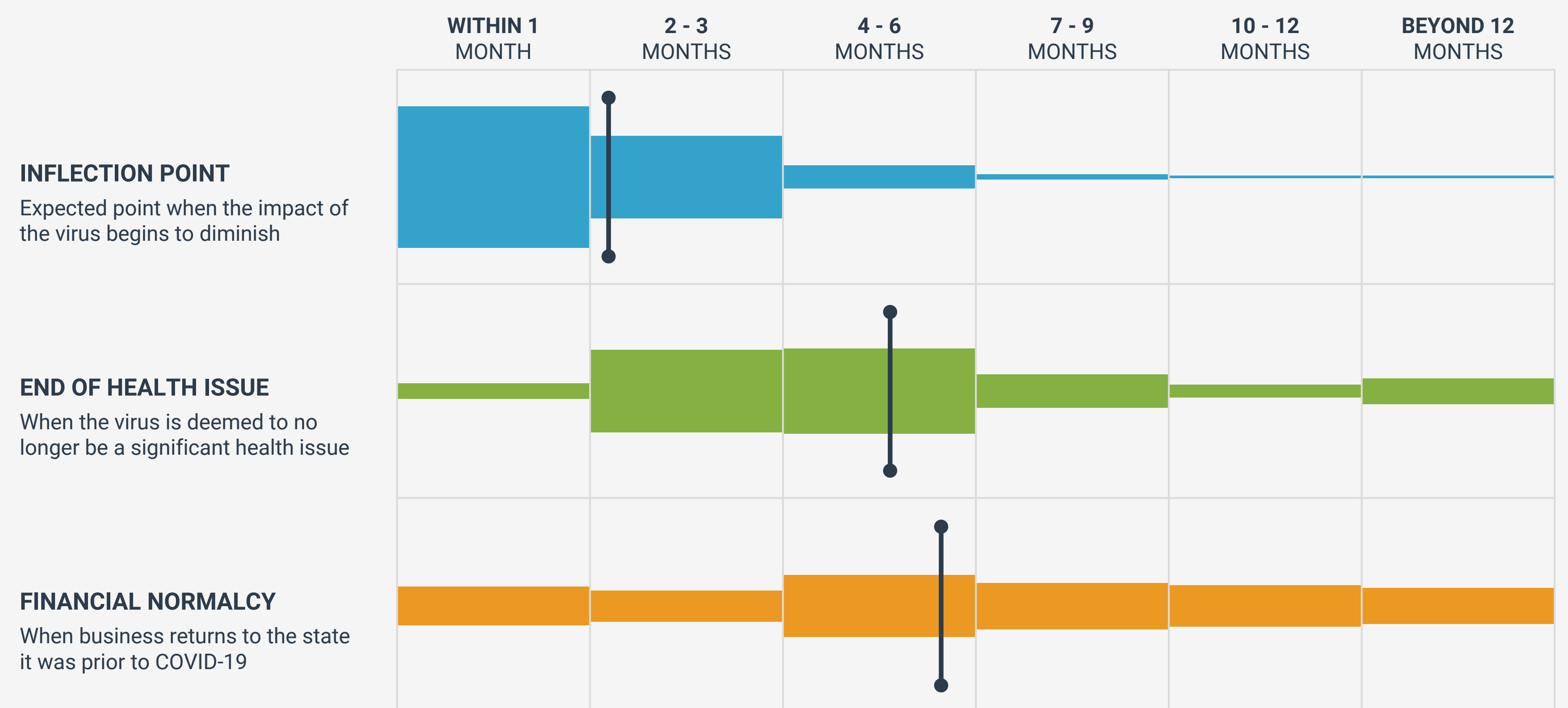
WHEN DOES TREASURY EXPECT A CHANGE?

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 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.

Understanding the rectangles and the bars: The rectangles represent the proportionate amount of respondents in each time domain. The bars represent the median response from all respondents.

After this week you will see progressively lighter bars representing earlier weeks. The lighter the bar, the earlier the measurement. Over time the bars should move to the left as we move forward in time.



TOP LEVELS OF CONCERN

WHAT ISSUES ARE MOST TROUBLING
DURING THIS STAGE OF THE CRISIS?

Results from this week's monitor showed that the trifecta of top level concerns center on the human, BCP and financial aspects. The two in the position of lowest level of concern were: Staff awareness of BCP Plans and Country Level Preparedness.

- 1. Staff Safety Protocols.** Ensuring that their staff were safe and following safety protocols topped the list of concerns.
- 2. BCP Completeness.** Given that many of the respondent companies were one or two weeks into working remotely, some of the cracks in the plan were starting to show. Many models for BCP don't extend beyond one or two weeks, which could indicate that more unexpected situations could emerge that were not contemplated.
- 3. Access to Liquidity.** The rest of the monitor contains multiple methods of probing changing views of liquidity across different dimensions (AR, Bank Lines). In the straight-up ranking, access to liquidity sits at the third highest concern.

We'll pay attention to movements in these rankings through the crisis. Will BCP completeness be resolved, and will staff safety protocols become sufficiently routine that these are unseated from the top position? Will central bank monetary actions be followed with extensive bank liquidity to their client, alleviating the liquidity concerns in a significant manner, or will other issues such as concerns about the volume of business or AR credit issues escalate?

BUSINESS CONTINUITY PLANS

HOW PREPARED ARE ORGANIZATIONS
IN DISRUPTIVE SCENARIOS LIKE THIS?

The lows and the highs of the business continuity plans are instructive. No one really wants to use their BCP or insurance, but if you must use it, you want it to work as planned. Part of the 'as planned' is that in reality it covers what needs to be covered.

- **TOO LOW – Payment Security (<20%).** Very few organizations indicated that their BCP included adaptations to their payment processes. Since process changes and approvals may vary from onsite to remote processing, this indicates a gap in the BCP and a current exposure that needs to be evaluated and closed. This may include additional out of band validation of instructions given.
- **HIGH – Remote Working (>60%).** Nearly two-thirds of organizations had significant coverage for remote working. Despite social distancing recommendations and mandates, businesses still require equipment and services to function. How will computer failures be addressed in a remote world? Many sent home an additional monitor to keep efficiency high.

ONE THING TO SHARE

COMPILED SAMPLINGS FROM HUNDREDS OF RESPONDENTS
THROUGH OPEN-ENDED QUESTIONS



MODELING & FINANCIAL COMMUNICATION

- Modeling of various scenarios and the impact to our credit metrics
- Scenario models of possible impacts on collections
- Increased communication to leadership on topics relevant to the organization's financial health



REMOTE, BUT COMMUNICATING

- Frequent communication
- Check-in calls
- Working from home (many)
- Allowing employees to take multiple screens home to work from home to help create a "like" work environment



PREPARATION MATTERED

- Having a back up plan in place for Treasury even though the overall company did not have a continuity plan.
- Past business continuity exercises; completed twice a year, working remote from home without access to office for the day. Lessons learned provide valuable experience in this situation. No interruption to our day to day processes.



FAST FINANCIAL ACTION

- Treasury is drawing down uncommitted bank line to maintain extra 1 month of liquidity over and above our normal risk management policy requirement
- Moved from Prime to Government MMF

IMPORTANT WEEKLY ACTIONS



TAKE THE SURVEYS



LISTEN TO PODCASTS



READ THE REPORTS

THANKS TO OUR PARTNERS



bellin.com



bottomline.com



fides.ch



gpsfx.com



gtreasury.com



highradius.com



iongroup.com



kyriba.com



strategictreasurer.com



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