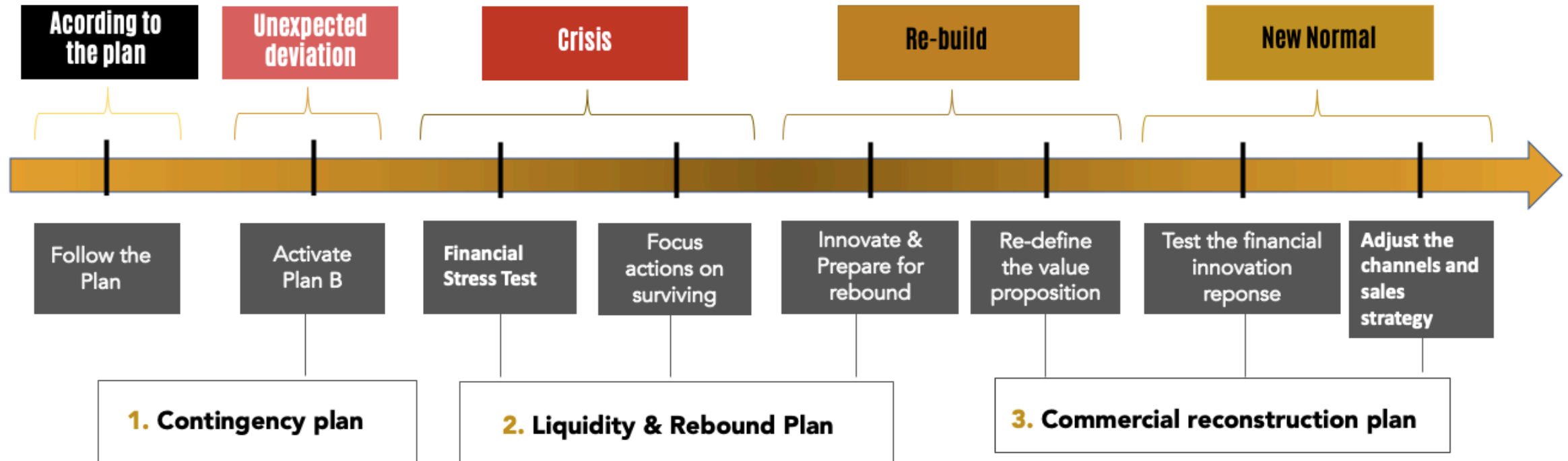


PLAN B
OPERATING IN SURVIVAL MODE
LOOKING FOR LIQUIDITY TO REBOUND



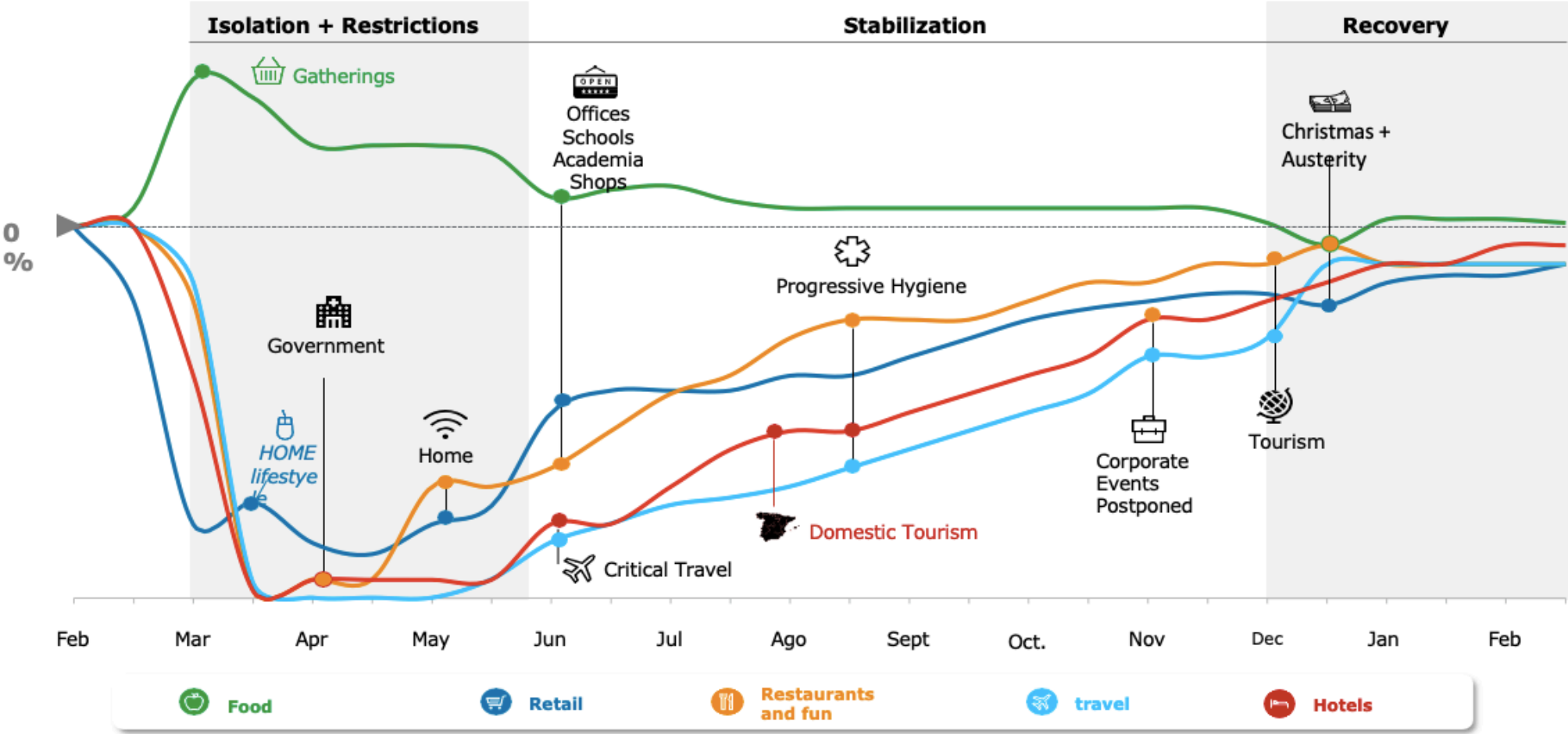
STAGES OF THE CONTINGENCY CRISIS.

ADJUSTING THE BUSINESS STRATEGY



RECOVERY

Sectorial Analysis (%Variation compared to the previous year)



SOURCE: Deloitte projections



PART 1: **OPERATING IN SURVIVAL MODE**

Covid 19 - INDUSTRY IMPACT ANALYSIS

If a characteristic is present in you or your clients' business, the impact is negative (unless you successfully pivot).



	Large gatherings are essential	Close human interaction is essential	Hygiene, or perception thereof, is critical	Dependant on travel (business and leisure)	Service or product is postponed or discretionary	Impact Analysis
Tourism and hospitality	Very high	Very high	High	Very high	High	Very high
Sports	Very high	Very high	Medium	Low	Medium	High
Music	High	High	Low	Medium	Medium	High
Automotive	Low	Low	Medium	Low	Very high	High
Beverages (Alcohol)	High	High	Medium	Medium	Low	Medium
Retail (non-food)	High	Medium	Medium	Medium	Medium	Medium
Pharmaceuticals	Low	Low	High	Low	Low	Low



SOURCE: LONDON IMPERIAL COLLEGE

PROJECTED WORLD GDP GROWTH

FACTS: LEVEL OF BUSINESS IMPACT

OPERATIONAL

LIQUIDITY

LEVEL 1: NO PLAN

3.3%

Sustained loss of revenue 0 - 15%
Q2 - 4, 2020

- Unexpected Environmental changes
- Habits & customer behaviour change
- Decline in revenue

Profitable mode

- Action 1. Revise the goals
- Action 2. Ensure security of supply
- Action 3. Communicate with best clients & employees

- Action 1. Shift marketing spending such that it optimizes demand
- Action 2. Cut costs
- Action 2. Renegotiate debtor payments
- Action 3. Renegotiate accounts receivable

LEVEL 2: SEVERE DOWNTURN

Sustained loss of revenue
15% - 50% Q2 - 4, 2020

- Dramatic effect on revenue
- Some operational business units, geographies and channels are no longer positively contributing to the margin

Recovery mode

- Action 1. Temporarily close locations or suspend operations
- Action 2. Employ aggressive promotion strategies
- Action 3. Reduce staff that are not involved in the core business

- Action 1. Extreme cost reduction just on the core business
- Action 2. Take advantage of available credit
- Action 3. Stop Capex and future investments
- Action 4. Prioritize Debts to survive
- Action 5. Renegotiate contracts
- Action 6. Be flexible with accounts receivable. Accept other payment arrangements

LEVEL 3: LIQUIDITY CRISIS

Sustained loss of revenue +50%
Q2 - 4, 2020

- Severe drop in revenue and negative cash flow
- High liquidity risk
- Determine the maximum viable loss

Survival mode

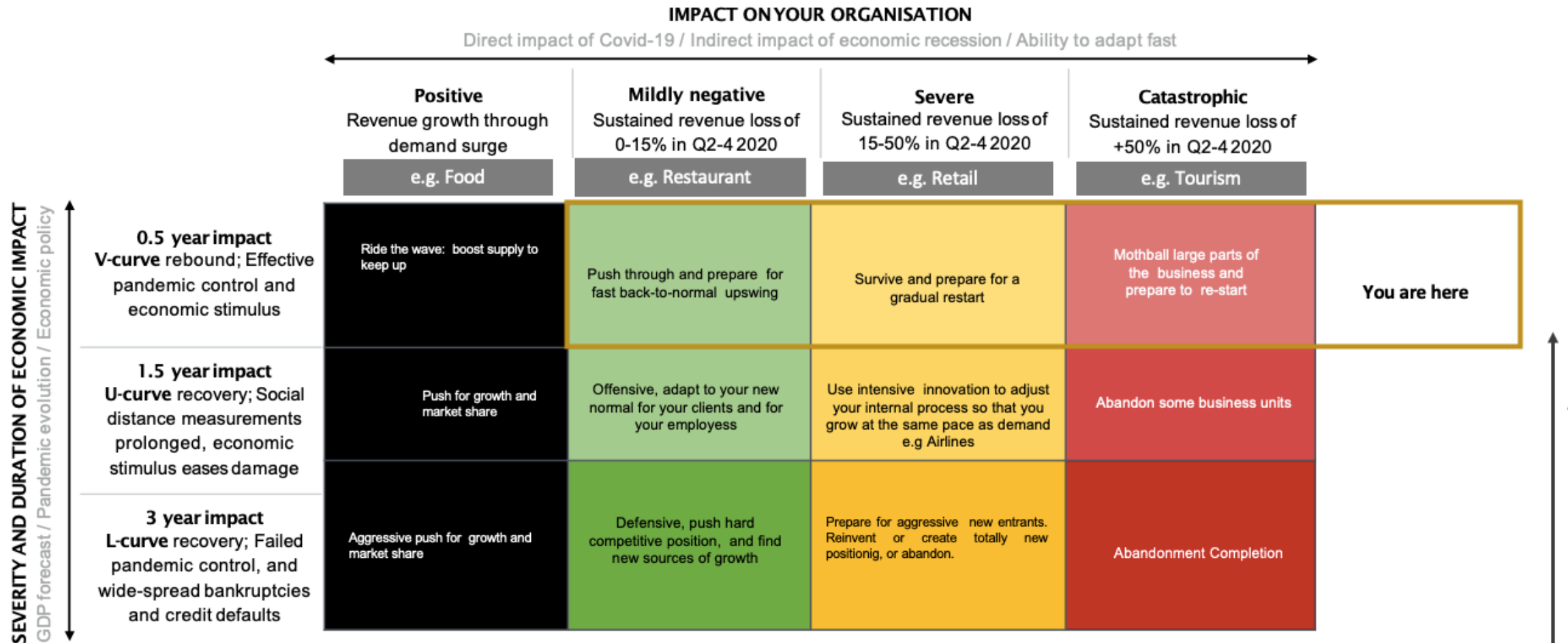
- Action 1: Get the Right – size operations to a smaller core
- Action 2. Consider permanently closing underperforming business units, geographies and sales channels
- Action 3. Don't worry to impact for profit, the goal is survive

- Action 1. Sell non essential assets
- Action 2. Take advantage of available credit even with high interest rates.
- Action 3. Conserve the cash flow
- Action 4. Pay Debts as late as possible
- Action 5. Sell 'past due' portfolio & apply unpaid accounts
- Action 6. To prepare for the rebound, conserve cash to restart

- ? %

DETERMINE THE MAXIMUM VIABLE LOSS

ADAPT YOUR STRATEGIC RESPONSE



USE THE SIMULATOR FOR YOUR SPECIFIC BUSINESS SITUATION

Catastrophic Scenario (6 months of COVID-19)

Concept/Amount		Financial plan		
Sales	Monthly	Green	Yellow	Red
Sales	143,100,000	1,717,200,000	10,303,200,000	143,100,000

Adjustments				
Annual projected cash flow (may-dec)	Reduction	Liquidity strategy	New monthly amount	Additional months
1,144,800,000	65%	744,120,000	50,085,000	14.86

Concept/Amount		Financial plan		
Costs	Monthly	Green	Yellow	Red
Fixed costs	169,600,000	2,035,200,000	12,211,200,000	169,600,000
Variable expends	5,300,000	63,600,000	381,600,000	5,300,000

Adjustments				
Annual projected cash flow (may-dic)	Reduction	Liquidity strategy	New monthly amount	Additional months
1,356,800,000	30%	407,040,000	118,720,000	3.43
42,400,000	90%	38,160,000	530,000	72.00

Concept/Ammount		Financial plan		
Human Resources	Month ammount	Green	Yellow	Red
Payroll	33,800,000	405,600,000	2,433,600,000	33,800,000
Law (Roll 35)	169,000	2,028,000	12,168,000	169,000
Training	650,000	7,800,000	46,800,000	650,000

Ajustments	Adjustments			
Annual projected cash flow (may-dec)	Annual projected cash flow (may-dec)	Reduction	Liquidity strategy	New monthly amount
270,400,000	45%	121,680,000	18,590,000	6.55
1,352,000	50%	676,000	84,500	8.00
5,200,000	90%	4,680,000	4,680,000	1.00

Example based on Toño case study. Fuente página WEB

ONCE YOU HAVE IDENTIFIED THE PROCESSES THAT ARE IN RED AND YELLOW, ESTABLISH THE ACTIONS THAT YOU MUST TAKE TO SURVIVE THE CRISIS, INDICATING THE CRITICAL DEADLINE DATES

Process	Control Board					
	Actions Profitable mode	Date to be done	Actions Recovery mode	Date to be done	Actions Survival mode	Date to be done
Cash flow	<ul style="list-style-type: none"> Shift marketing spending so as to optimize demand Cut cost reductions 		<ul style="list-style-type: none"> Extreme cost reduction just on the core business Take advantage of available credit even though you don't need it Stop CAPEX and future investment 		<ul style="list-style-type: none"> Sell assets that are not part of the core business Take advantage of available credits even if the interest rate is high Conserve cash flow in the loop Prepare for the rebound and conserve cash to restart 	
Debts to pay	<ul style="list-style-type: none"> Renegotiate debts 		<ul style="list-style-type: none"> Prioritize for survival Renegotiate contracts 		<ul style="list-style-type: none"> Extend to maximum Be honest with your stakeholders 	
Accounts receivable	<ul style="list-style-type: none"> Renegotiate accounts 		<ul style="list-style-type: none"> Be flexible with accounts Accept other payment arrangements 		<ul style="list-style-type: none"> Sell 'past due' portfolio Apply unpaid accounts 	
Operations	<ul style="list-style-type: none"> Reorientate goals Ensure security of supply 		<ul style="list-style-type: none"> Temporarily close locations or suspend operations 		<ul style="list-style-type: none"> Adjust the size of the operation accordingly Be creative and focussed in the "new normal" Don't worry about profit, the goal is to survive 	
Human Resources	<ul style="list-style-type: none"> Keep contact with stakeholders 		<ul style="list-style-type: none"> Reduce staff that are not involved in the core business 		<ul style="list-style-type: none"> Be honest with the staff Maintain a minimum workforce 	
Marketing	<ul style="list-style-type: none"> Keep in touch with the best clients 		<ul style="list-style-type: none"> Renegotiate contracts Reduce expenses 		<ul style="list-style-type: none"> Stop expenses 	
Sales	<ul style="list-style-type: none"> Measure sales Adjust targets 		<ul style="list-style-type: none"> Employ aggressive promotional strategies 		<ul style="list-style-type: none"> Consider permanently closing underperforming business units, geographies and sales channels 	



PART 2:
NEW NORMAL, INNOVATION
& REBOUND

WHAT TO DO NOW?

IF WE EXPECT THE ESTIMATED LEVEL OF THE DEMAND TO REMAIN UNTIL 2022

DEFENSE

Already on-going Defend

- Align senior leadership & set up a PMO
Protect health & safety for employees and customers
- Run macro-economic and micro-economic scenarios on your P/L
Keep your operations afloat

What to do: Short term mitigation

- Understand mid to long-term impact
Protect your revenues.
- Define re-budgeting, and implement cash preservation measurements. Stabilize your operations.

What to do forward: Mid term growth

- Monitor actuals vs. scenarios, and adjust accordingly
- Roll-out re-budgeting and divestments
- Bring your operations to a new normal for the coming 18 months

OFFENSE

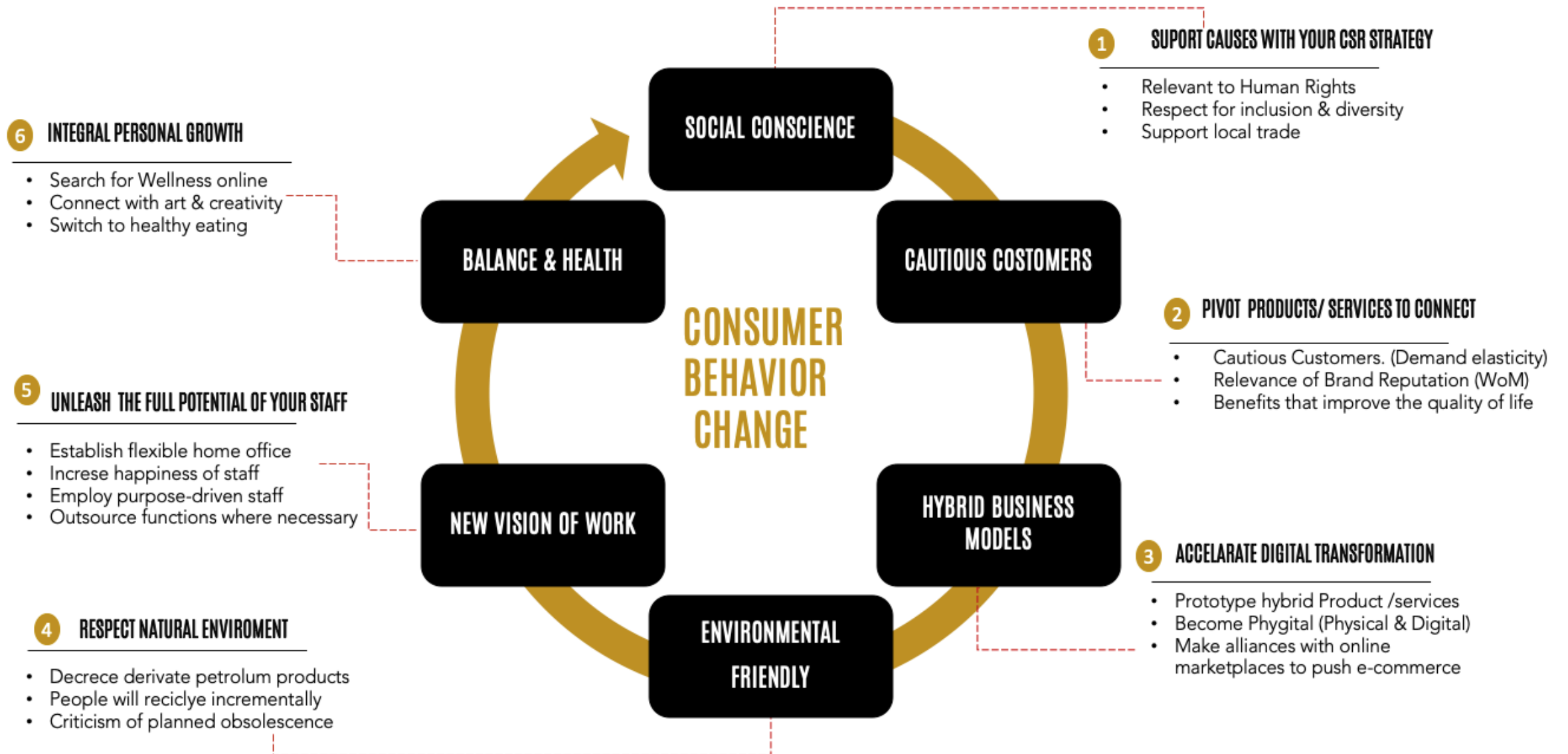
1. Contingency plan

2. Liquidity & Rebound Plan

3. Commercial reconstruction plan

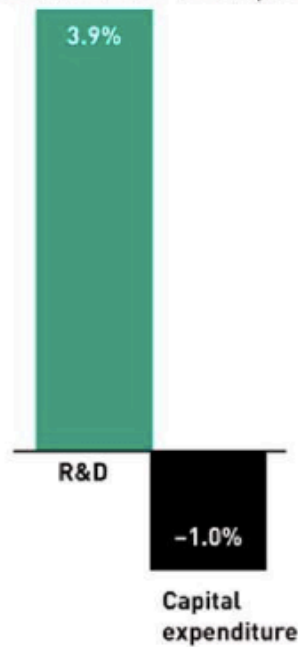
HOW HORIZONES CONSULTING CAN HELP?

PLAN TO PIVOT OR DEVELOP PRODUCTS/SERVICES/MARKETS/BUSINESS MODELS



NOW IS THE TIME TO INVEST IN INNOVATION & R&D

Change in spending 2007-08
Global Innovation 1000 Top 100



Source: Booz & Company

The 100 most innovative companies **spend even more on R&D** during a recession, while others were stalling. In the long run, these investments are **paying off in profitability & growth**.

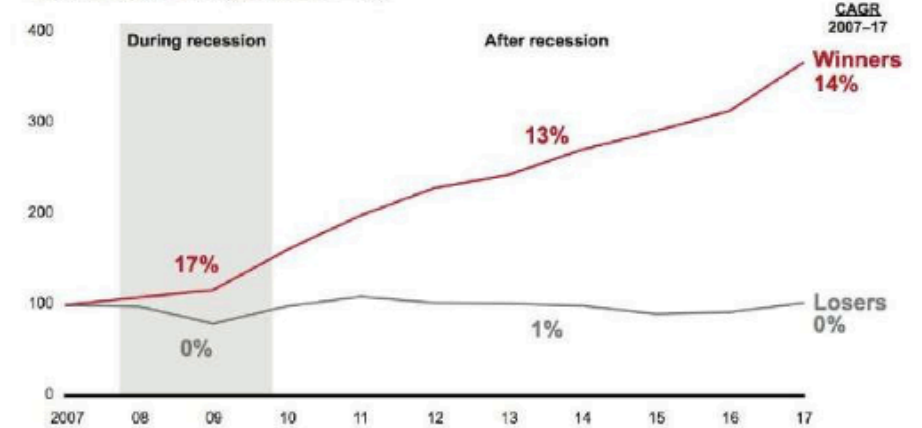
Gartner looked at 30 F1000 companies that accelerated during the crisis of 2008. All of them **invested in new growth options instead of just cutting costs**.

Growing outside of the core business was named as one of the winning strategies.

GROWTH OF INNOVATION

Winning companies accelerated profitability during and after the recession, while losers stalled

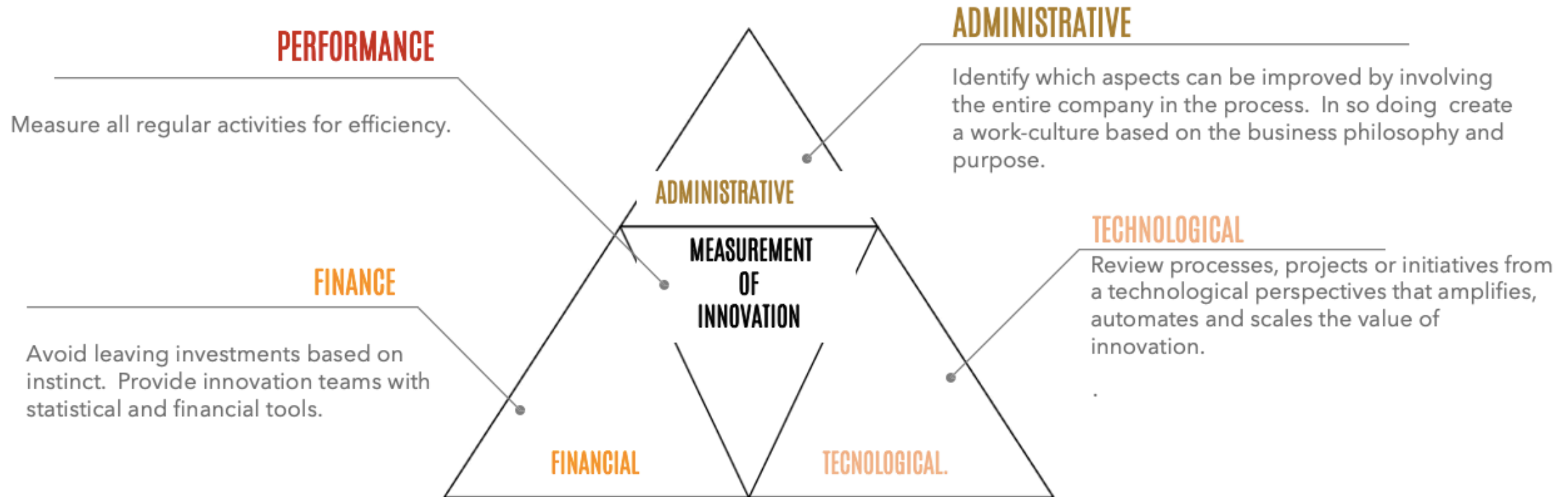
Growth in nominal EBIT (indexed 2007=100)



REBOUND IN THE 2008 CRISIS



MEASURING THE FINANCIAL IMPACT OF INNOVATION FROM A SYSTEMIC PERSPECTIVE



MEASURING THE DIMENSIONS OF INNOVATION

INNOVATION IS A CULTURE ASSET WITHIN COMPANIES IT WILL BE SUPPORTED BY A MONITORING SYSTEM

99% of companies DO NOT have an innovation management system

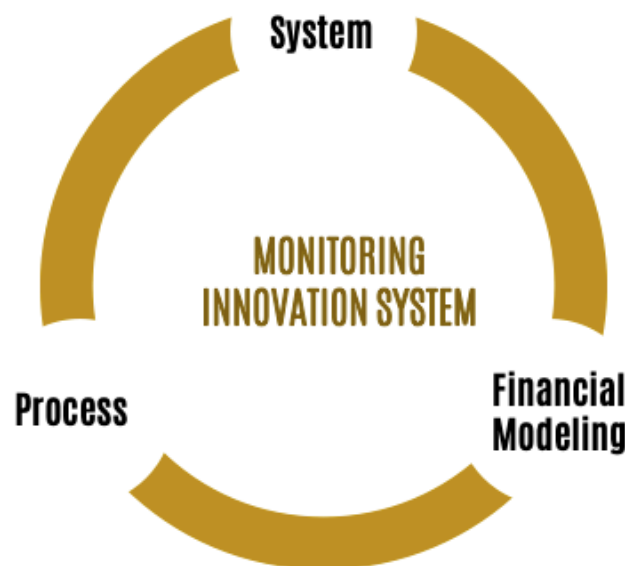
Transversal innovation

- RR. HH.
- Operation
- IT
- Marketing
- Etc...

Company Philosophy

- Continuous improvement
- Organizational development amplification
- Productivity increase

- Investigation
- Opportunities
- Validation
- Adjustment
- Launching



FINANCIAL INNOVATION BUSINESS IMPACT

	Investment	Performance Q1	Increase revenue goal
Product Development	£ 40,000	-4,0%	4%
Gain market share.	£ 210,000	-8,0%	1%
Cost reduction by volume	N.A.	6,0%	6%

DESIRED GROWTH FOR COMPETITIVENESS

**TO ACHIEVE COMPETITIVE ADVANTAGE
AUDIT THE EFFICIENCY OF YOUR INNOVATION INITIATIVES VERSUS THE BALANCE SCORECARD**

CONSULTANTS WITHOUT BORDERS FOUNDATION

NAVIGATING IN UNCERTAIN TIMES:

ADJUST YOUR OFFER IN ORDER TO RE-INFORCE THE RELEVANCE FOR CONSUMERS

P&L

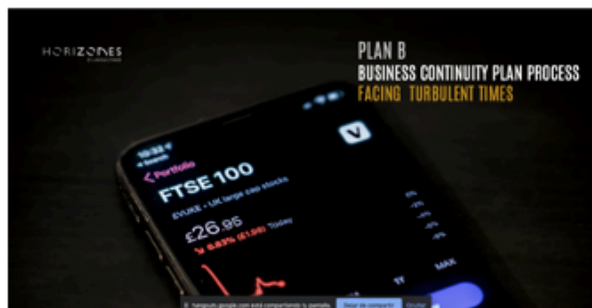
REVENUE

OPERATION

COSTS

OFFENSE

- Set the urgent priorities considering forecast
- Confer with employees to communicate the strategy
- Implement the best - known available practices for the employees and customers; over-invest



1. Contingency plan

- Financial stress-test and get liquidity
- Synchronize Sales & Marketing
- Strengthen e-commerce and marketing
- Prepare to rebound and test innovation with close customers and let them know that you are adapting to their new needs.



2. Liquidity & Rebound Plan

- Synchronize Sales & Marketing
- Ramp up e-commerce and marketing efforts
- Measure the ROI of your main commercial initiatives
- Don't forget to provide an authentic brand experience



3. Commercial reconstruction plan

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