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# Win the Downturn: The Best Defense is a Great Offense

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# Speakers



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# Learning objectives

**When:**

1

Report findings from Grant Thornton's C-suite survey on downturn preparedness

**What:**

2

Define smart strategies pre-, during and post-recession that can affect long-term performance

**How:**

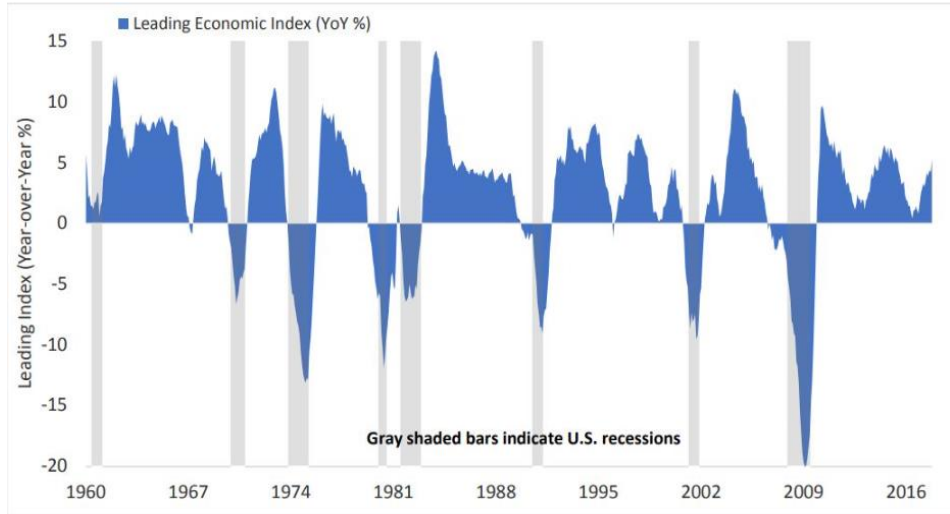
3

Identify steps that senior executives can take to build greater resilience to economic risk

# About the research

- The survey was conducted from June 21-27, 2019
- Polled a sample of 252 C-suite, board and senior executives from public and private companies
- Companies with annual revenues of \$250MM - \$3.5B
- Margin of error for the entire sample is plus or minus 5 to 6 percentage points
- Conducted online by an independent research company

# A recession isn't a threat; it's an opportunity

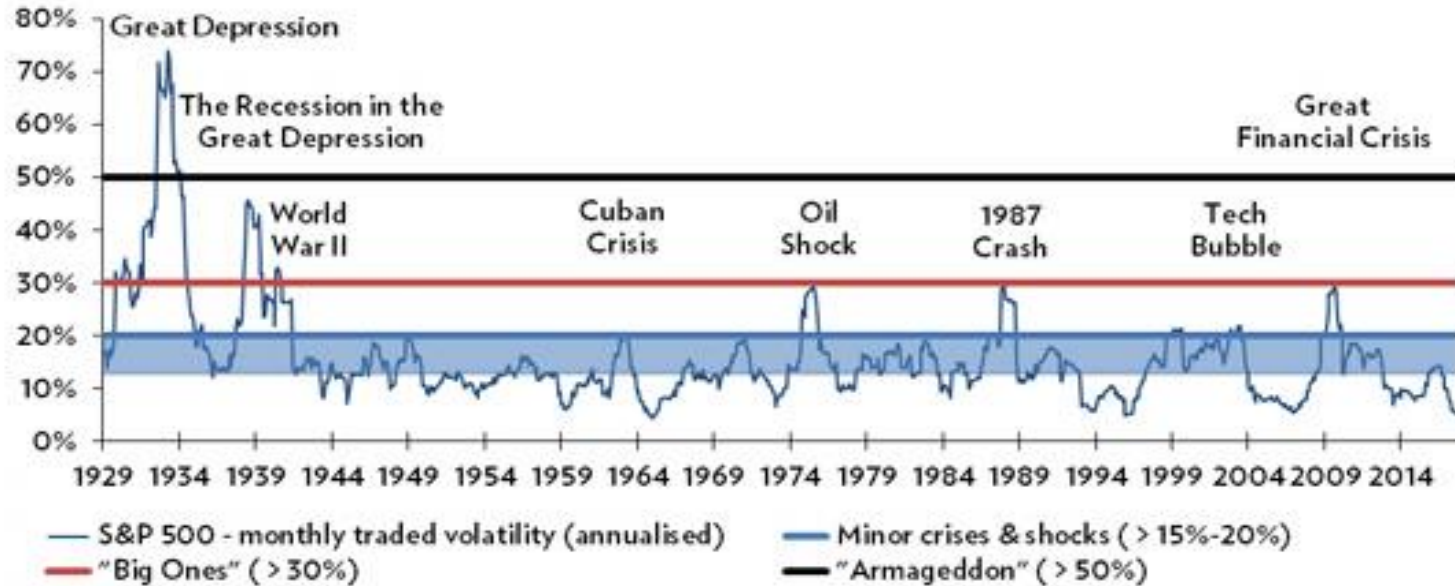


Sources: Bloomberg, The Conference Board, Federal Reserve Bank of St. Louis Economic Research (FRED), Wells Fargo Investment Institute. Monthly data: January 31, 1960 through October 31, 2017. **Past performance is no guarantee of future results.**

- The natural **economic cycle** is comprised of a period of prosperity followed by a period of **contraction**.
- Businesses have **preemptive options** to mitigate risk and position themselves to capitalize on a downturn.
- By **anticipating, planning** and **innovating** for economic challenges, companies can do more than weather the downturn; they can **leapfrog their competition** and emerge stronger on the other side.

# Greatest financial crises of past 90 years

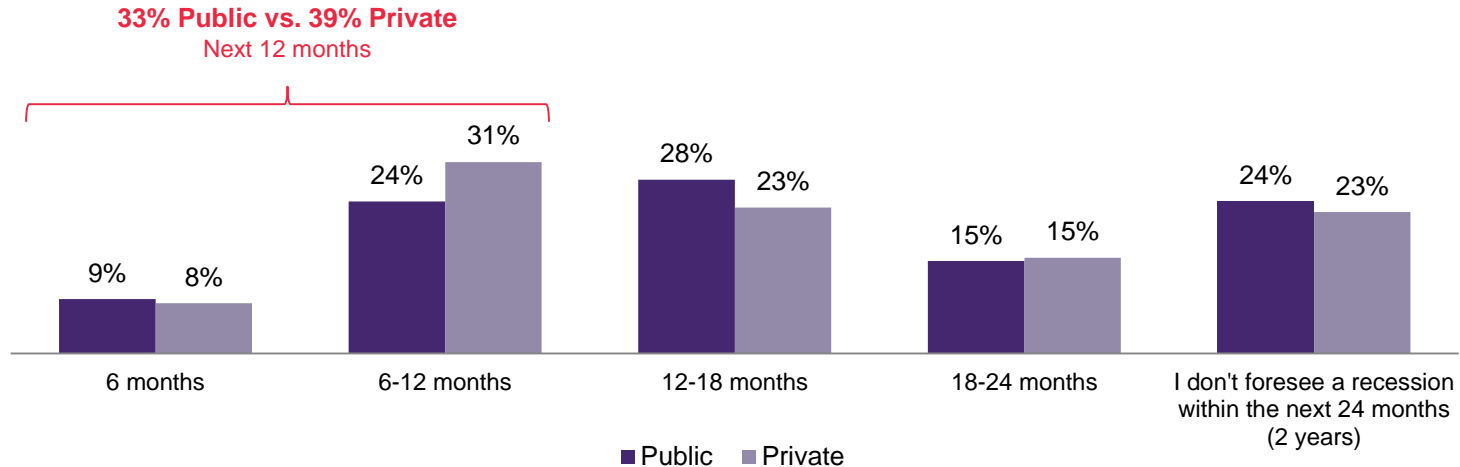
## How will this next one be different?



# When: Majority expect recession w/in 18 months

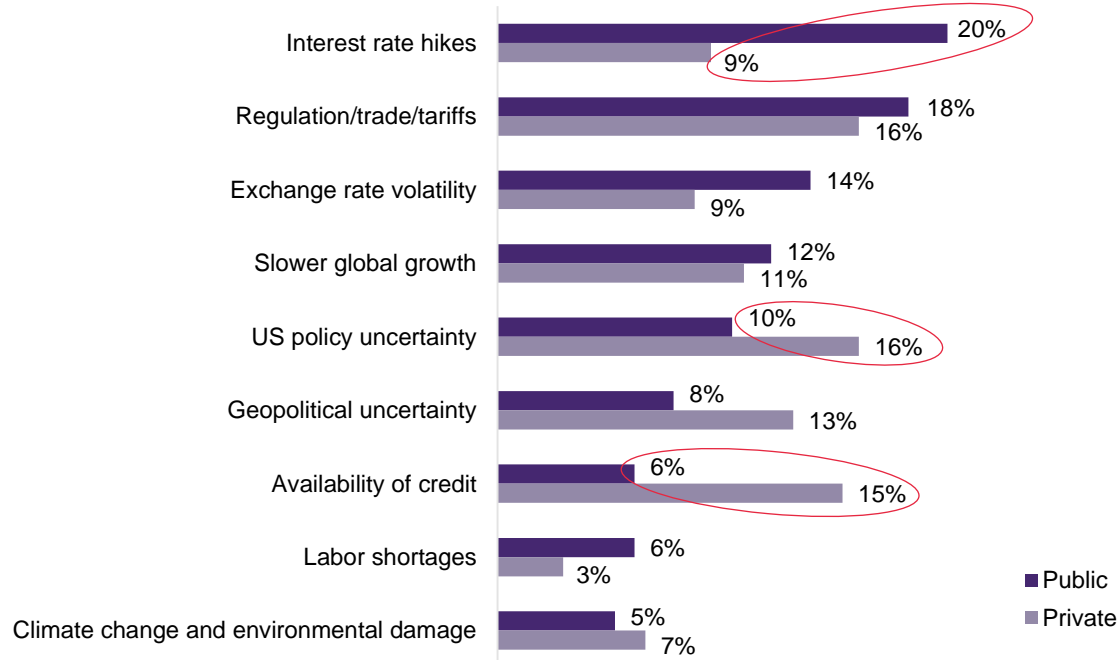
- Among all respondents, 6 in 10 (62%) believe a recession will happen within the next 18 months

## RECESSION EXPECTATIONS BY PUBLIC / PRIVATE COMPANIES



# What: Recession triggers vary by company type

**Q. IF A RECESSION WERE TO OCCUR NEXT YEAR, WHAT DO YOU THINK WOULD BE ITS MOST LIKELY TRIGGERS?**

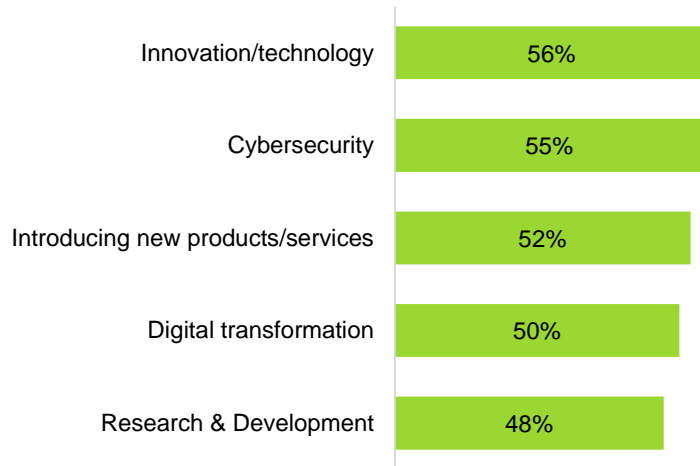




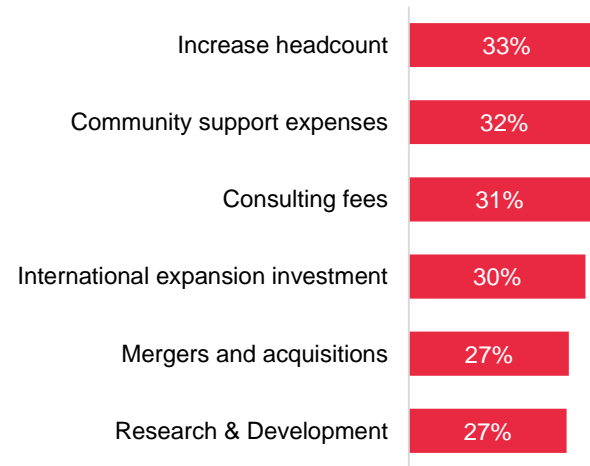
# Technology is top expected investment

**Q. SEVERAL DIFFERENT TYPES OF INVESTMENT DECISIONS THAT A RECESSION MAY AFFECT ARE SHOWN. FOR EACH, PLEASE INDICATE WHAT YOUR COMPANY WOULD DO IN THESE AREAS IF A RECESSION WAS IMMINENT.**

## TOP 5 RAMP UP



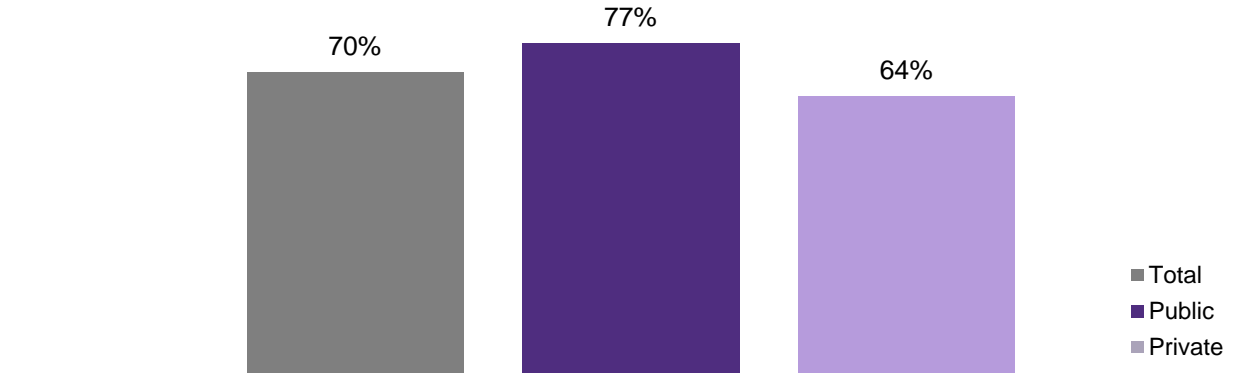
## TOP 5 RAMP DOWN



# Digital is likely to be a substantive investment among public / private companies

- 70% of respondents plan to increase their digital investments in innovation / technology, digital transformation or cyber security if there's growing signs of a slowdown

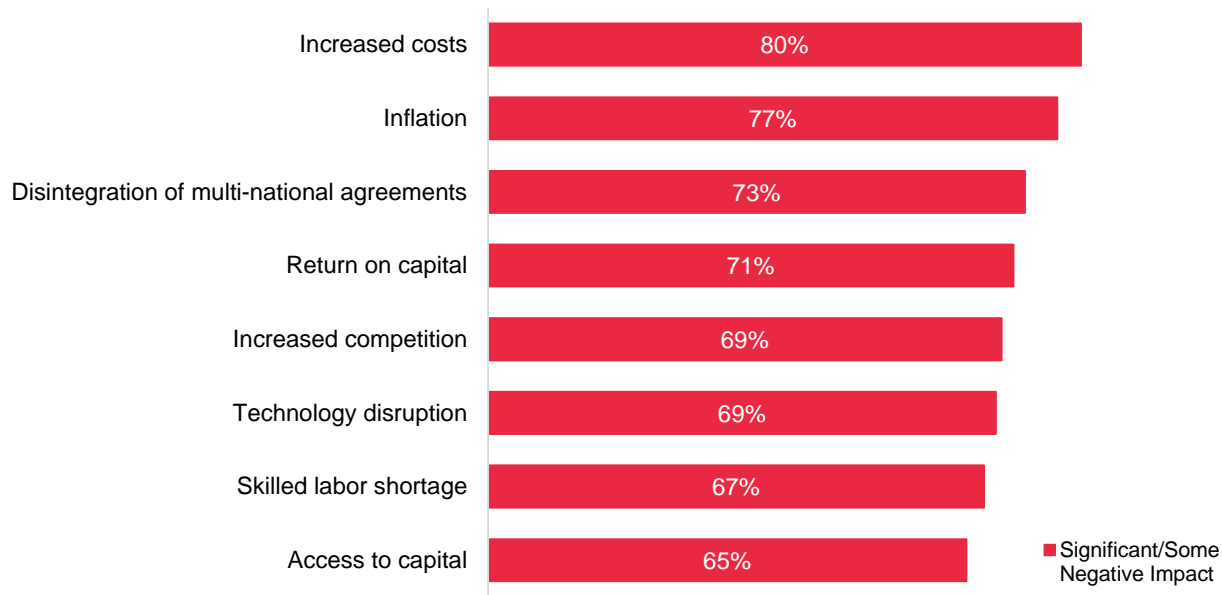
## % OF RESPONDENTS WHO WILL INCREASE INVESTMENT IF A RECESSION IS IMMINENT



NET : Innovation/technology OR Digital transformation OR Cyber security

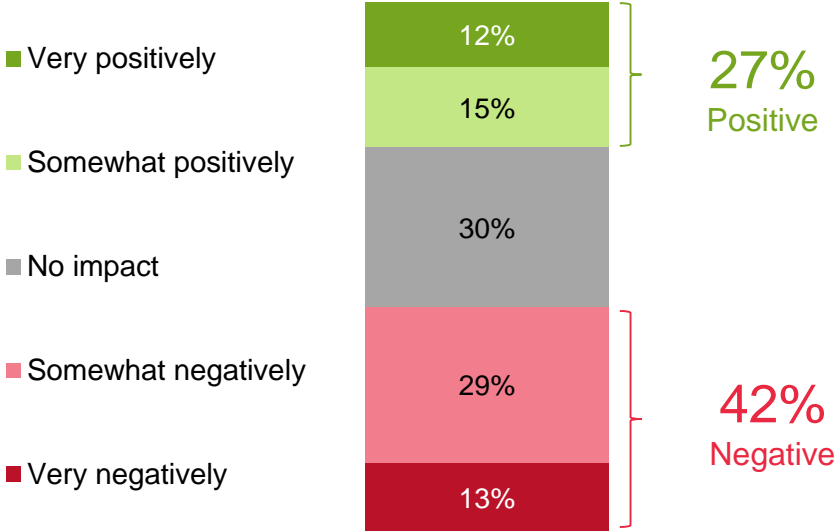
# Priority risks to short-term performance

**Q. HOW MUCH NEGATIVE IMPACT, IF ANY, DO YOU FORESEE EACH OF THE FOLLOWING WOULD HAVE ON YOUR COMPANY'S NEAR-TERM GROWTH PLANS IF A RECESSION OCCURRED?**



# Tariffs and trade concerns

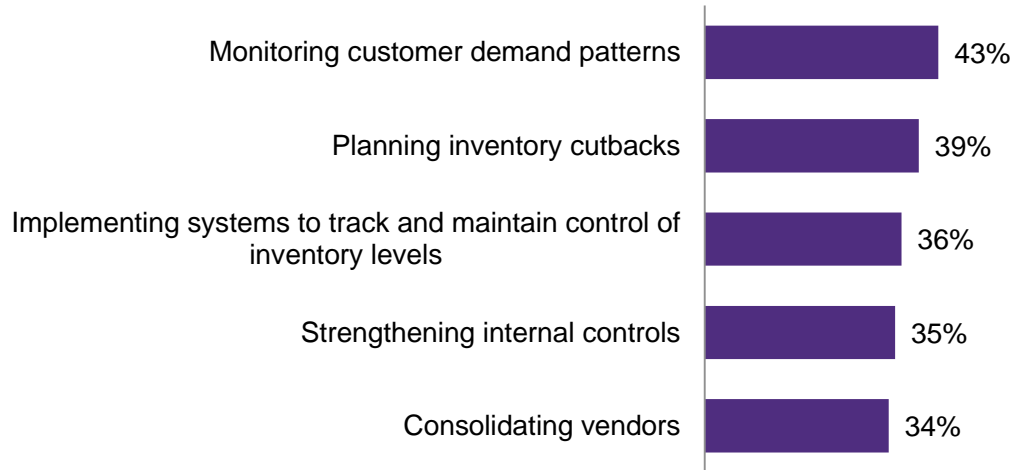
Q. HOW HAVE TARIFFS OR THE THREAT OF TARIFFS AFFECTED YOUR COMPANY'S BUSINESS, IF AT ALL?



# Respondents' plans to manage inventory

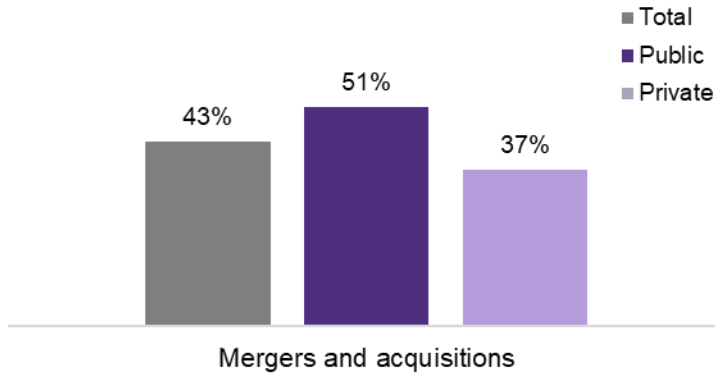
**Q. WHICH OF THE FOLLOWING STEPS, IF ANY, DO YOU FORESEE YOUR COMPANY TAKING TO AVOID EXCESS AND OBSOLETE INVENTORY IN THE EVENT OF AN ECONOMIC DOWNTURN?**

## **TOP 5 STEPS TO AVOID INVENTORY ISSUES**



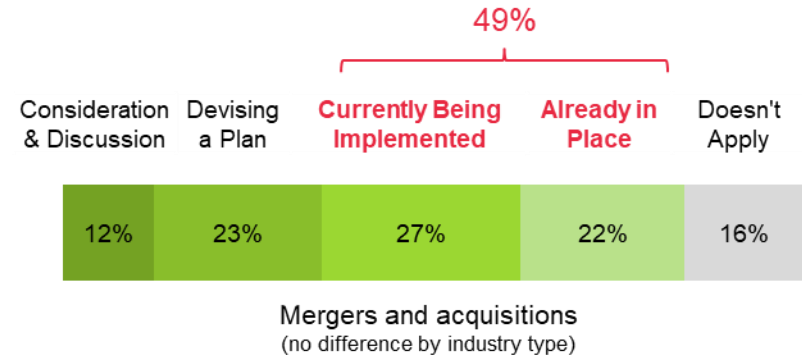
# M&A is expected to play an important role

## % OF RESPONDENTS WHO WILL INCREASE M&A INVESTMENT IF A DOWNTURN TAKES HOLD



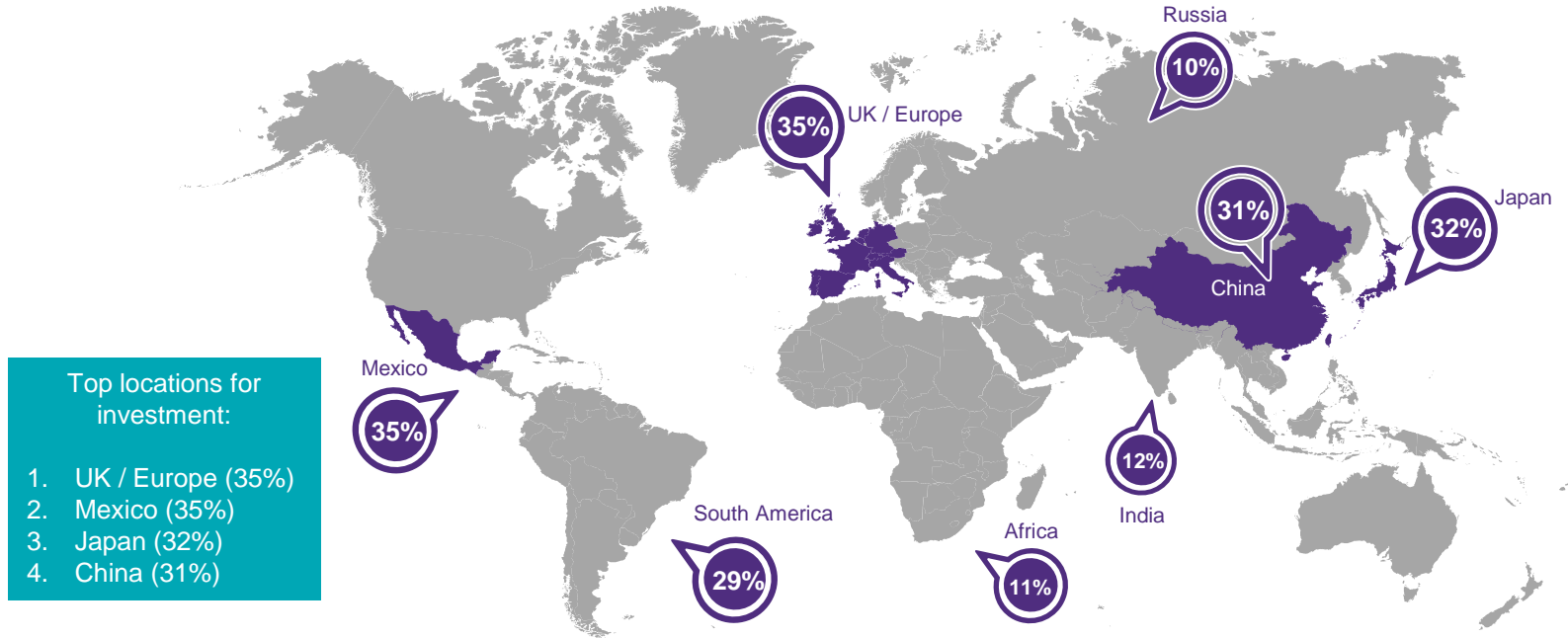
Half of those ramping up mergers & acquisitions are Hard industries (like construction) and the other half are Soft (services)

## HALF OF RESPONDENTS (49%) ALREADY HAVE A PLAN IN PLACE OR ARE IMPLEMENTING A M&A STRATEGY IN ADVANCE OF THE POSSIBLE DOWNTURN



# Middle market global investment plans

**Q. IN WHICH REGIONS, IF ANY, DOES YOUR COMPANY PLAN TO INVEST IN THE NEXT 12-24 MONTHS?**



Top locations for investment:

1. UK / Europe (35%)
2. Mexico (35%)
3. Japan (32%)
4. China (31%)

# Public and private companies likely to invest in different locations

## PLANS TO INVEST IN NEXT 12-24 MONTHS

Country	Public	Private
Mexico	30%	39%
UK / Europe	36%	34%
Japan	32%	31%
China	36%	28%
South America	30%	27%
India	17%	9%
Africa	15%	8%
Russia	11%	9%



# Respondents lack complete preparedness

**Q. THERE ARE SEVERAL APPROACHES THAT COMPANIES CAN IMPLEMENT IN ADVANCE OF A RECESSION. PLEASE INDICATE AT WHAT STAGE, IF ANY, YOUR COMPANY IS CURRENTLY IN FOR EACH.**

## CRISIS MANAGEMENT PLAN FOR UNEXPECTED EVENTS

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Consideration and discussion	12%
Devising a plan	25%
Currently being implemented	24%
<b>Already have in place</b>	<b>34%</b>
Doesn't apply/no interest	4%

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## STRESS TEST OF PERFORMANCE EXPECTATIONS

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Consideration and discussion	14%
Devising a plan	23%
Currently being implemented	29%
<b>Already have in place</b>	<b>29%</b>
Doesn't apply/no interest	5%

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## SUPPLY CHAIN RESILIENCE STRATEGY

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Consideration and discussion	19%
Devising a plan	22%
Currently being implemented	27%
<b>Already have in place</b>	<b>29%</b>
Doesn't apply/no interest	4%

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## CASH FLOW MODEL TO CHALLENGE RECESSION SCENARIOS

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Consideration and discussion	15%
Devising a plan	20%
Currently being implemented	33%
<b>Already have in place</b>	<b>28%</b>
Doesn't apply/no interest	4%

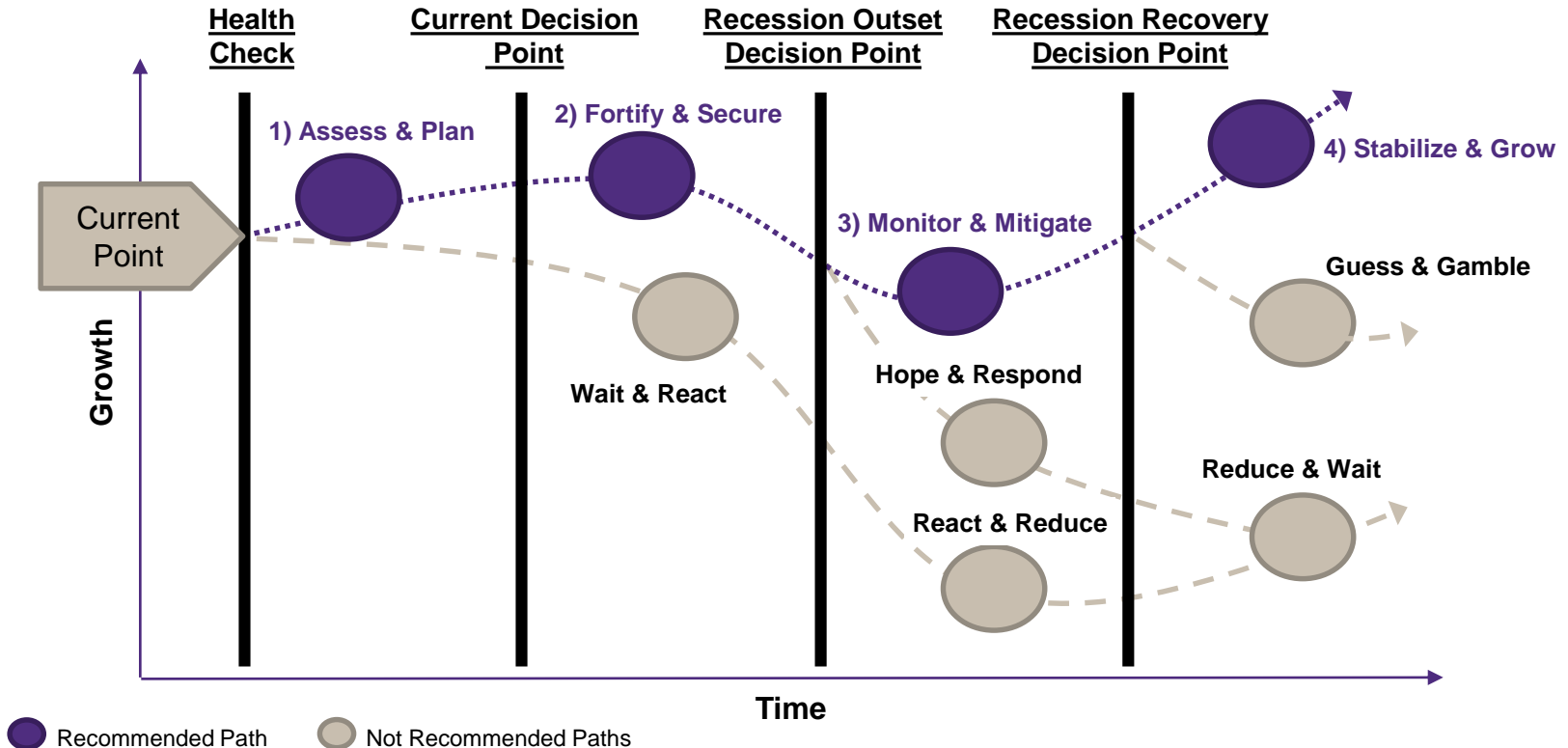
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# Smaller companies are less prepared

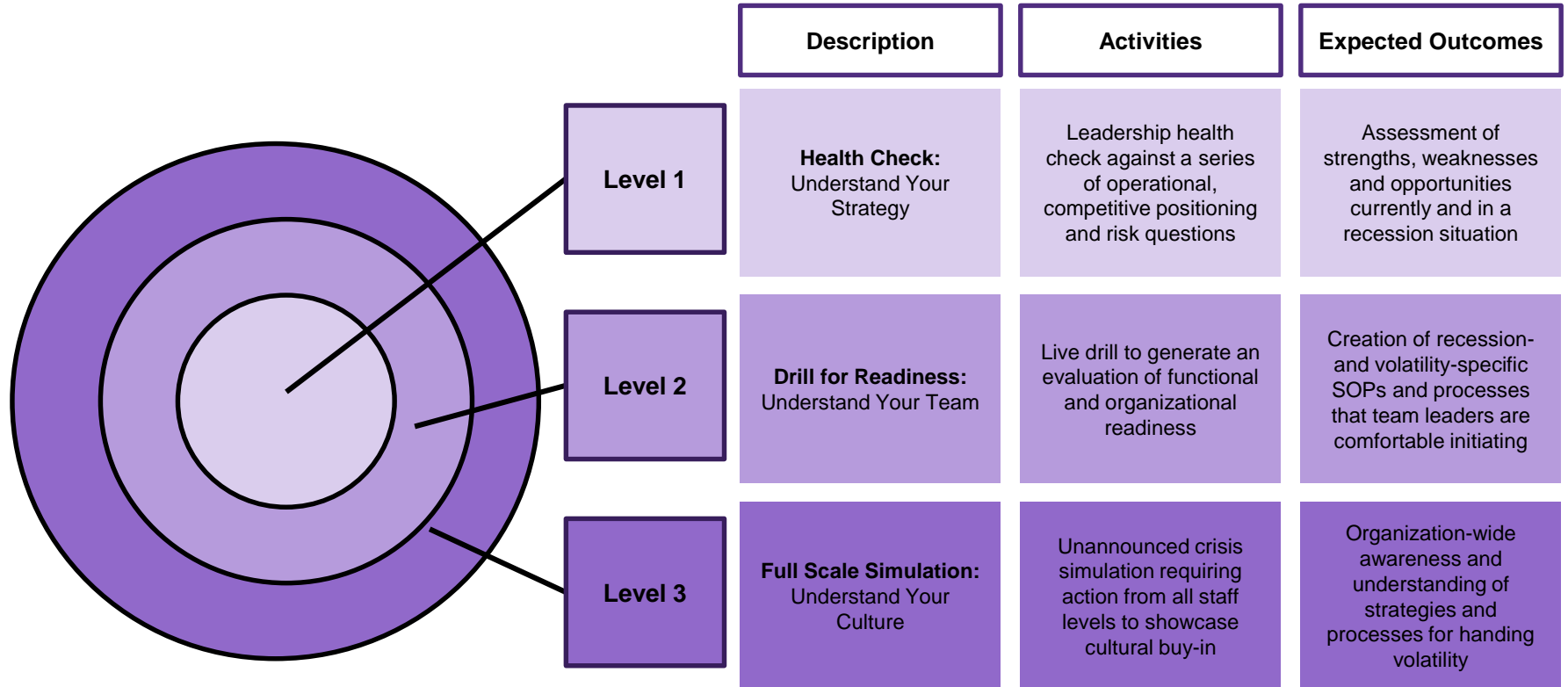
Already Have A Plan in Place	\$250M to \$500M	\$501M to \$1B	\$1.1B to \$3.5B
Supply chain resiliency strategy	23%	30%	31%
Recession-proof financial dashboard	23%	30%	30%
Cash flow model to challenge assumptions to apply to recession scenarios	21%	32%	26%
Crisis management plan for unexpected events	24%	37%	39%
Plan to handle sharp drop in sales	24%	31%	33%
Plan to handle sharp increase in expenses	21%	32%	33%
Introduction of new products/services that will increase the likelihood your business will be recession proof	24%	26%	26%
Stress testing of business strategies	24%	34%	33%
Stress testing performance expectations	26%	31%	30%
Stress testing financials	21%	32%	30%
Manage credit and debt and take steps to ensure access to capital	27%	30%	31%
Mergers and acquisitions	24%	21%	23%

Q. SEVERAL APPROACHES THAT COMPANIES COULD IMPLEMENT IN ADVANCE OF A RECESSION ARE SHOWN BELOW. PLEASE INDICATE AT WHAT STAGE, IF ANY, YOUR COMPANY IS CURRENTLY IN FOR EACH.

# How: Making the most of a recession



# Devise a 'health check' exercise



# A health check helps to answer these questions

- Where are blind spots?
- How resilient is your company?
- Do you have the right tools and early warning system?
- Do you have the right intelligence and data?
- Are you more prepared than your competitors?
- What assets are available to take advantage of?
- Is your team ready from a talent and culture perspective?
- Is there something else you need to do / what is distracting your business?
- How much strength exists to buy and build?

# Possible strategies a health check can root out



Develop a cost management plan for the downturn



Incorporate a recession scenario into your strategic planning process



Modernize your collection with technological innovation

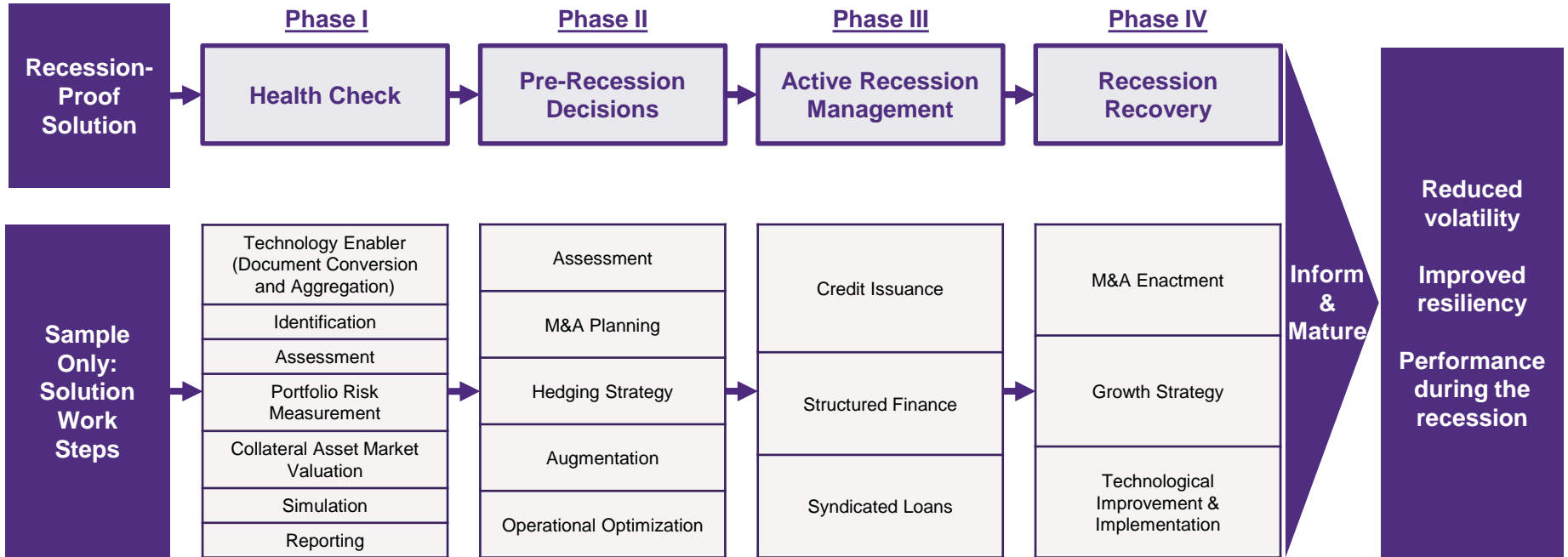


Consider likely mergers and acquisitions

Short-Term Opportunities

Long-Term Opportunities

# A detailed approach – four steps, many answers



# Any final questions?





# Speakers



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