



[BDC](#) – Business Development Bank of Canada

How to cope with the impacts of COVID-19 on your business

Webinar aired March 25, 2020

[Click here to list to full webinar](#) (takes 31 mins)

Too busy to listen? Here's a handy summary prepared by CKCA (working to help you!).

CKCA hosted BDC in 2019 for an excellent presentation on the labour shortage. We remain connected to this valuable agency as we now monitor the impact of our industry from COVID-19.

Here's our takeaways.

Part 1 - Economic Impact

Presented by: Pierre Cleroux, Vice President, Research & Chief Economist

"The current situation won't last forever, these types of epidemics have generally been contained in time. The fundamentals of the economy remain strong. BDC will share strategies that you can implement right away to help you through this to a better time so you can emerge from this period even stronger than before."

Global:

- World economy slowing, recession is happening, all showing negative growth this year
- Most commodity pricing is going down, most commodity pricing going down, demand for oil slowing down, oil price war, don't know how long it will last

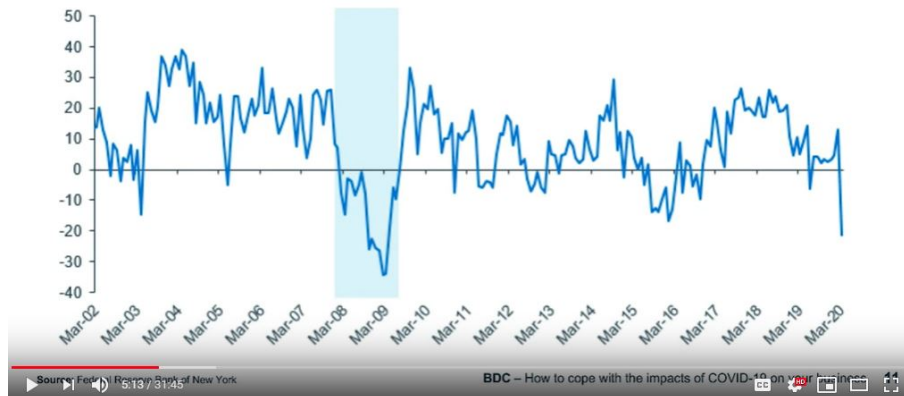
US Economy:

- US economy is #1 economy in the world
- 75% of exports from Canada go to the US
- US economy is plummeting, economy will contract 10% in 2nd quarter, but it will rebound further in the year
- Manufacturing hard hit
- US unemployment rises sharply

U.S. manufacturing is hit hard



Empire index of manufacturing activity (NY State)



- Federal Reserve/Central Bank have reduced interest rates to 0% helping the economy and supporting growth during recovery
- US Gov't announced \$3 Trillion to be invested in people and businesses, so investing in the economy
- \$200-\$300 Billion available for small business assistance

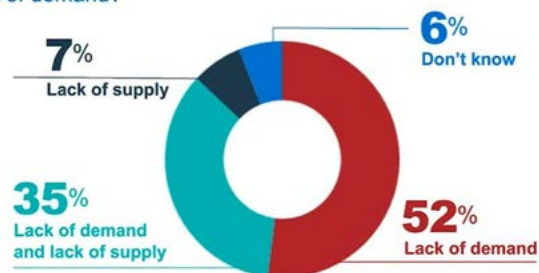
In Canada

- Going into a recession – contraction happening of 1%
- Recovery possible to start in third quarter this year, will take to end of year before we see a significant recovery
- Impact massive for small and medium sized firms
- Biggest impact is lack of demand, but also lack of supply
- Last week 500,000 filed claim for EI
- Bank of Canada has reduced interest to .75% to help economy recover, they will do even more if they have to, prepare to go lower!
- Gov't introduced programs to help small business

Lack of demand is the main concern for business owners



Is or will this disruption mainly be caused by a lack of supply, or a lack of demand?



Base: All qualified respondents (n=676). Due to rounding, total may not equal to 100%.

BDC – How to cope with the impacts of COVID-19

- \$27Billion invested in business to help ease the recession on Canadians and the recovery
- Canadian dollar gone down to .69cents US and will be lower for next few months


Government measures to support businesses

- Increased credit available to Canadian businesses
- Purchase insured mortgage pools to support banks' stability
- 10% wage subsidy for small businesses for the next 90 days
- Expansion of eligible collateral to support funding conditions for banks

Recovery! - So now for the good news –
 (Check out 10:43 (timelines) in webinar for more details)

2 potential future scenarios of recovery

<p>1. Short-term economic shock. Recovery starting in Q4 2020</p> <p>Severe, yet temporary shock on the economy. The economy will start to recover towards the end of the year.</p>	<p>2. Long-term recession</p> <p>Periods of slowdown will be felt at different times across the world. Global economic downturn will be longer and will have a sustained impact on Canada's economy.</p>
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 Hard to understand how long it going to happen but BDC has created 2 scenarios

Scenario 1 – short term economic shock – temporary impact to recover by end of year

Scenario 2 – long term recession – if some countries around the world are not able to fight the virus, the impact on the world will be long-term

- BDC is working on strategy for Scenario 1 – looking at China after 2 months 95% of large businesses are back up and running, 60% of small and medium sized are running now
- Some positive economic activities from China
- Confidence from consumers is coming back so it's a sign of a rebound
- Gov't's around world are investing massive amounts of money to help with rebound of economy
- Attack on economy is severe
- Major retraction in 2nd quarter, but signs of recovery in 3rd quarter

Part 2 – How to cope with impacts of COVID-19 on your business

Presented by Alka Sood, Senior Business Advisor, BDC Advisory Services

- BDC gives practical advice with concrete tactics to work on and start today in your business!
- Continuity plan will give you clarity you need to anticipate and respond day to day and control cashflow and establish operational resilience

Continuity planning: What steps do I need to take?



- Human response needed to this human issue, COVID-19
- Protect employees, keep them safe, do what is necessary
- Help employees the are under street, do what you can to help and build employee loyalty
- Develop a communication plan, be clear, concise to communicate with employees, customers, suppliers


Protect employees and increase communication



People 	Communications 
<ul style="list-style-type: none">→ Have you implemented best practices to keep employees safe?→ Can your people work remotely?→ Do you have a contingency plan for quarantined employees?→ Is paperwork being expedited to reduce financial distress of laid-off employees?	<ul style="list-style-type: none">→ Have you contacted stakeholders to express concern for their wellbeing?→ Did you communicate your new health and safety practices?→ Have you explained how you will continue to serve clients?→ Do you have a plan to continue communications with stakeholders?

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- Optimize technology to communicate and communicate regularly
- Make changes in your business, plan and understand the financial implications, develop a cash flow plan
- Look at what working capital you need to continue in these current conditions
- Customers are your daily source of cash
- Be proactive on receivables, keep an eye on this, follow up, may need to loosen payment terms
- You may see an increase or decrease in cash flow, you may see delays
- Start calling customers who owe you money, be pro-active, get clarity around when money will come in
- May see increase/decrease in cashflow
- Call suppliers to see if your shipment is delayed to manage your customer's expectations
- Payables – try to negotiate deferred payment terms, extend the courtesy as you to those who owe you money and those you owe money too
- As you change health and safety practices, you may need to source more items (i.e. masks etc.), be prepared to spend money on this, plan for replenishment like all other materials
- Change health and safety practices, will have a cost impact on your business, estimate it and factor it into your plan



Monitor and update continuously

Customers	Human resources	Operations	Cash management
<ul style="list-style-type: none"> → Update sales forecast continuously → Actively pursue collections → Maintain open communications → Manage expectations on shipments, services 	<ul style="list-style-type: none"> → Review personnel needs weekly → Refine health and safety standards continuously → Maintain open communications and engagement 	<ul style="list-style-type: none"> → Revise weekly sales forecast and adjust operations plan → Monitor key performance indicators (KPI) → Maintain open communications with your suppliers 	<ul style="list-style-type: none"> → Update cash flow weekly, or daily if necessary → Scrutinize disbursements meticulously → Maintain open communications with your lender

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- Look to find recurring operation expenses that can be deferred
- Review your expenses and see where you can save
- Defer discretionary expenses
- Compile a weekly rolling cash flow chart, how will the money lead your business?
- See how much working capital you need this will help your working capital loan request should you determine you need it
- If you have an Accountant, talk to them
- Time is of the essence
- Light at the end of the tunnel – we will recover!
- Plan your cash flow for the recovery phase and when things start to turn around
- When things turn around, you will need to spend money to earn money

- Stay ahead of the game, update your financial plan
- It would be a shame to ride the dip and then not have the optimal resources to bring your business back to normal
- All your plans should include a 4 week recover period
- Build working capital
- Monitor and update continuously
- Important to monitor and communicate with your customers, suppliers and employees and your lender
- Maintain composure, be disciplined when executive your operation and cash flow plan
- Keep up communications and stay healthy
- If you need additional working capital and not a BDC client, first contact your main bank to assess your situation
- Additional lending and easier business loans
- Your bank will refer you to EDC or BDC if your needs extend beyond what they can offer you
- Qualified business will have access to working capital loans with flexible terms and principle postponements up to 6 mos, access to \$2million
- Only companies that were financially viable will be eligible
- BDC will adjust the requirements based on directives from the Gov't.
- BDC wants to help you get through this and emerge even stronger than before

**The economic impact of
COVID-19 will be severe,
but the Canadian economy
should start to recover
by the end of the year.**

This and much more valuable information from BDC can be found by visiting their website.

www.bdc.ca