

# PREPARING FOR COVID-19

## CASE STUDIES

## CASE STUDIES FROM MEMBERS MANAGING THROUGH COVID-19

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With many industries facing significant challenges caused by the COVID-19 outbreak, [Deloitte China](#) has been working closely with their clients to navigate through the crisis.

### HEAVILY IMPACTED INDUSTRIES

The financial impacts of COVID-19 are being increasingly felt across the globe. Businesses are affected in different ways: some suffering from a plunge in demand while some are experiencing supply shocks. Derek Lai, Vice Chairman of Deloitte China shares his observations on how COVID-19 has impacted a range of industries in China:

#### Automotive

- The automotive industry in Mainland China was experiencing a downturn before COVID-19.
- As Mainland China accounts for around 30 per cent of global vehicle manufacturing and more than half of global automotive parts manufacturing, including a large proportion of activity taking place in Hubei province, COVID-19 has significantly impacted the industry and has accelerated the pace of multinational automotive companies looking to move production from Mainland China.
- The COVID-19 outbreak has also led to customers delaying vehicle purchases in Mainland China.

#### Consumer products

- As the number of outbound tourists from China has declined, sales of luxury goods in overseas markets have fallen. With more travel restrictions introduced by different countries, it is expected that the luxury goods market will be further depressed.
- On the other hand, there has been a surge in demand for cleaning and hygiene products with supply barely being able to keep up with demand.

#### Retail and hospitality

- The retail and hospitality industries are facing liquidity issues because of huge reductions in consumer footfall in physical stores and branches.
- Hotels are not only experiencing large falls in occupancy rates but also increasing costs due to extra precautionary measures taken against COVID-19.

## Technology

- As Wuhan is a hub for manufacturing smartphone parts, the industry is experiencing supply shocks.
- However, as people are spending more time at home, there has been an increasing uptake in digital technology usage such as for online shopping and online education, thus some parts of the technology service industry has actually grown as a result of the crisis.

## Financial services and real estate

- COVID-19 has led to an increase in demand for professional advice for assessing the liquidity of businesses before they seek finance and negotiating with lenders for additional loans and waiver / amendment consents to loan covenants
- In Mainland China, fewer transactions are occurring in the real estate market.
- There has been an increase in the number of requests to landlords for reduced rent or delayed payment.
- Some property developers have also been delaying their investment plans.

## IMPACTS ON STAFF

Deloitte China has expanded its flexible working arrangements since the Chinese New Year holidays (25 January to 28 January). To better enable staff to work under this arrangement, Lai said Deloitte China has increased the usage of phone / video/ online conferences and enhanced the relevant facilities.

Although non-essential international travel is deferred, professionals from the Deloitte network around the globe are making greater use of online conferencing facilities to maintain frequent dialogue on activities on the ground in different countries or regions and sharing knowledge on how the firm could help clients to confront the challenges caused by COVID-19.

## RECOMMENDATIONS FOR BUSINESSES IN TOUGH TIMES

Lai offers the following tips for businesses that are struggling financially:

- Companies facing short-term yet acute liquidity crunch may consider ring-fencing their businesses to allow survival and future restructuring to restore financial viability. Business may make use of the moratorium offered by administration or provisional liquidation. How this could be done varies from jurisdiction to jurisdiction, so seek professional advice first.
- Enhance working capital management – review cash flow forecasts and stress-test assumptions, identify and implement mitigating actions, implement monitoring mechanism and stay vigilant for signs of distress. Improve cash flow by delaying non-urgent payments / investments, strengthening cash collections and disposing any non-core assets.
- Regularly communicate with lenders to maintain confidence and support.
- Show concern to your staff. Allow flexible working arrangement as far as practicable so that your staff can stay fit and healthy during the crisis.