

Using Data & Models to Support Business Strategy – COVID-19 Edition

FEI – Connecting Data & Analysis to Strategy
May 14th 2020

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor



Create Opportunities

Purpose of our session:

- Share how we used data in a strategic forward looking manner to support business strategy in the midst of a pandemic
- Share how we can bring greater financial insight and clarity to every business owner



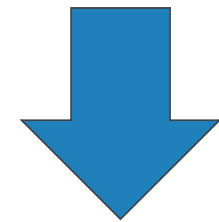
What is CLA Intuition™?

- **CLA Intuition™** is CLA's proprietary financial planning process which identifies and models the financial impacts of an organization's key business performance drivers.
- The CLA Intuition process delivers interactive modeling dashboards to view financial performance under a variety of scenarios

CLA Intuition™

Process

Identifying Key Financial Performance Drivers



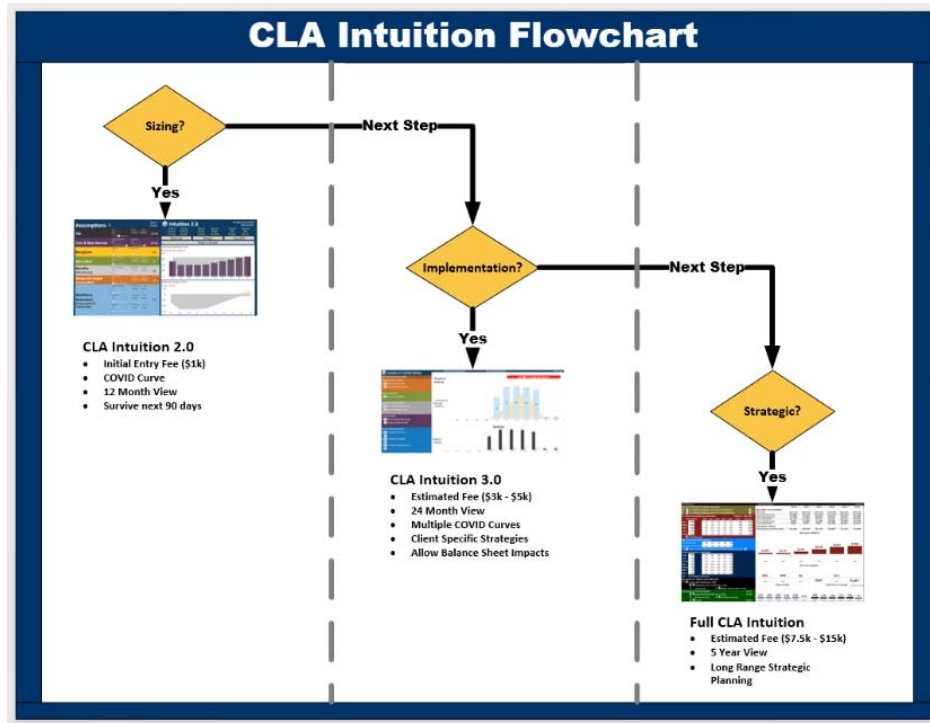
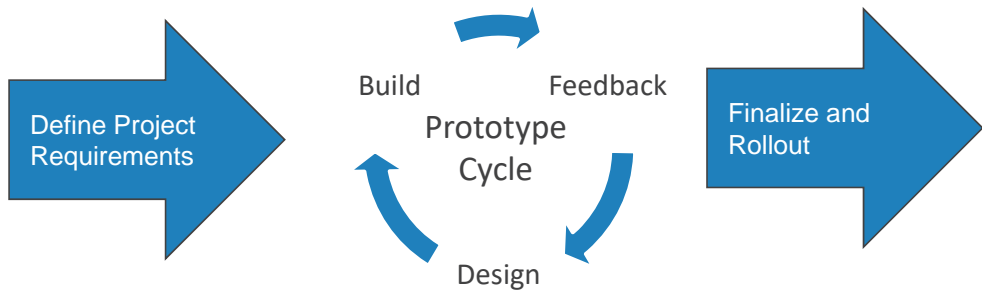
Interactive Tools

Interactive Modeling Dashboards and Tools to Assess Future State Performance of Key Business Performance Drivers



Continuous Product Improvement

- Utilize the Rapid Application Development (RAD) Process
 - Enhanced Flexibility
 - Quick Turnaround (Dog Years)
 - Fewer Surprises



Seven Stages of Grief



Shock and Denial



Pain & Guilt



Anger & Bargaining



Depression, Reflection

CLA and ALL of our Clients are dealing with unprecedented trauma



Upward Turn



Reconstruction



Acceptance & Hope



Key Features and Benefits of CLA COVID Financial Modeling Approach and Tools

Features

1. Structured Approach to Assess the Possible Revenue, Expense and Cash Flow Impacts of COVID over a 12 Month Period
2. Quick and Cost Effective Tool to Get to Actionable Financial Intelligence in Uncertain Times
3. Easily incorporate CLA Tools and Approach to ANY level of the organization
4. Ability to Interactively Evaluate COVID Financial Impacts in a “Sizing and Timing” Environment

Benefits

1. Creates the basis for more consistent organizational understanding of the economic impacts of many potential COVID possibilities over an 8 to 12 month time horizon
2. Supports an Interactive, Team Based approach to COVID Financial Planning
3. Provides a structured way to scenario plan, communicate and monitor COVID financial impacts
4. Allows for easy evaluation of the size and dimensions of multiple contingency plans



What our clients are telling us:

- Made the invisible, visible for all of our leaders
- Fun to play with – powerful
- Very helpful in helping us to determine our next steps



PreCOVID Status Quo

Assumptions

Impact (\$000s)

Intuition 2.0

No Assurance Provided

Original Revenue	Adjusted Revenue	Original Margin	Adjusted Margin	Original Days Cash	Adjusted Days Cash
\$7,079	\$7,079	\$1,725	\$1,725	143	143

Revenue

Margin

Liquidity

Keep it Simple

Revenue Planning Curve

● Adjusted Revenue ● Original Plan

Revenue Impact Curve

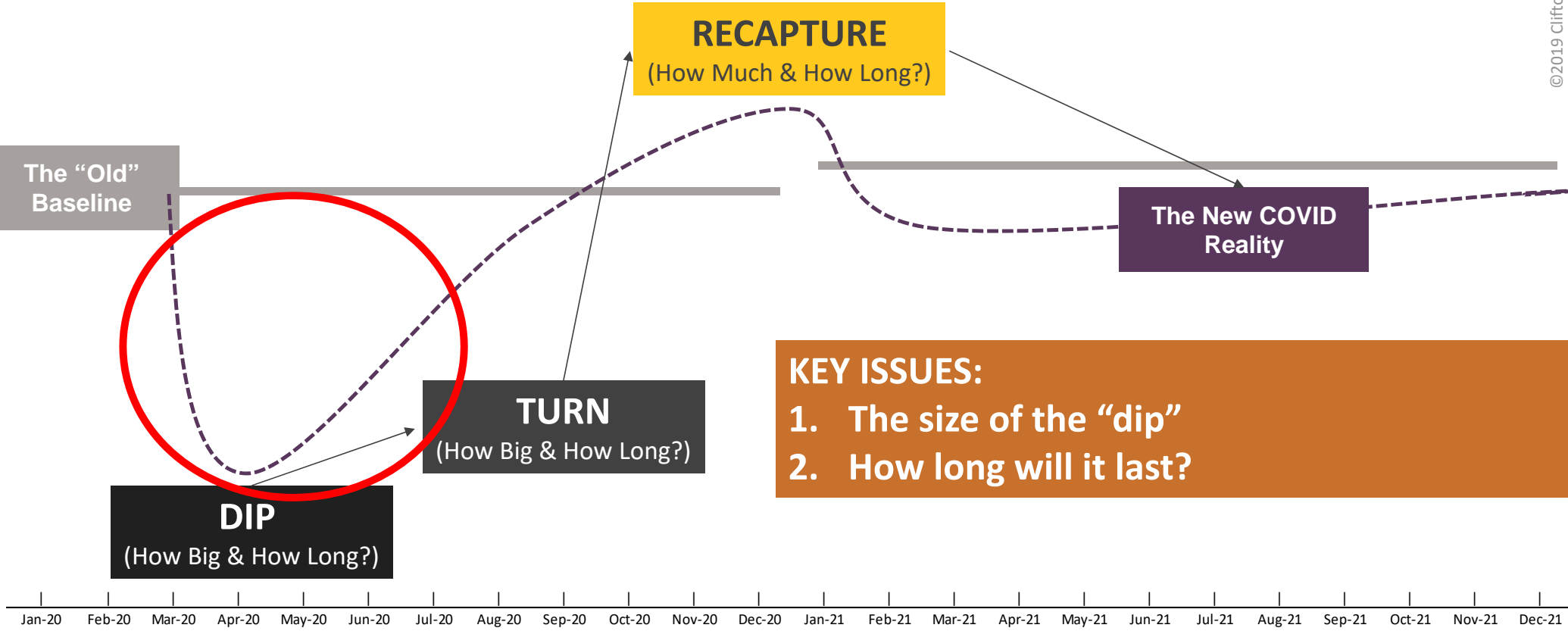
● Losses ● Recapture

The original and adjusted values all agree

Adjustable Assumptions



CLA COVID Revenue Modeling Approach



Sizing the Dip

Sized up a 70% "Dip"

The "Dip" ends 6/30

\$1,441 of lost revenue

Assumptions

Impact (\$000s) **\$1,441**

Dip %: 70% | Dip Period: 3/15/2020 - 6/30/2020 (108 days)

Recovery %: 100% | Recovery Weeks: 0

Recapture %: 0% | Recovery Weeks: 5

Non Labor Reductions %: 0% | Non Labor Period: 4/22/2020 - 12/31/2020 (254 days)

Discretionary Benefits %: 0% | Benefits Period: 4/1/2020 - 12/31/2020 (275 days)

ATB Reductions %: 0% | ATB Period: 4/22/2020 - 12/31/2020 (254 days)

Workforce Reductions %: 0% | Workforce Period 1: 4/22/2020 - 12/31/2020 (254 days)

Workforce % 2: 0% | Workforce Period 2: 6/15/2020 - 12/31/2020 (200 days)

Workforce % 3: 0% | Workforce Period 3: 5/31/2020 - 12/31/2020 (215 days)

Intuition 2.0

No Assurance Provided

Original Revenue	Adjusted Revenue	Original Margin	Adjusted Margin	Original Days Cash	Adjusted Days Cash
\$7,079	\$5,638	\$1,725	\$889	143	68

Revenue | Margin | Liquidity

Keep it Simple

Revenue Planning Curve

Adjusted Revenue (black bars) | Original Plan (gray background)

Revenue Impact Curve

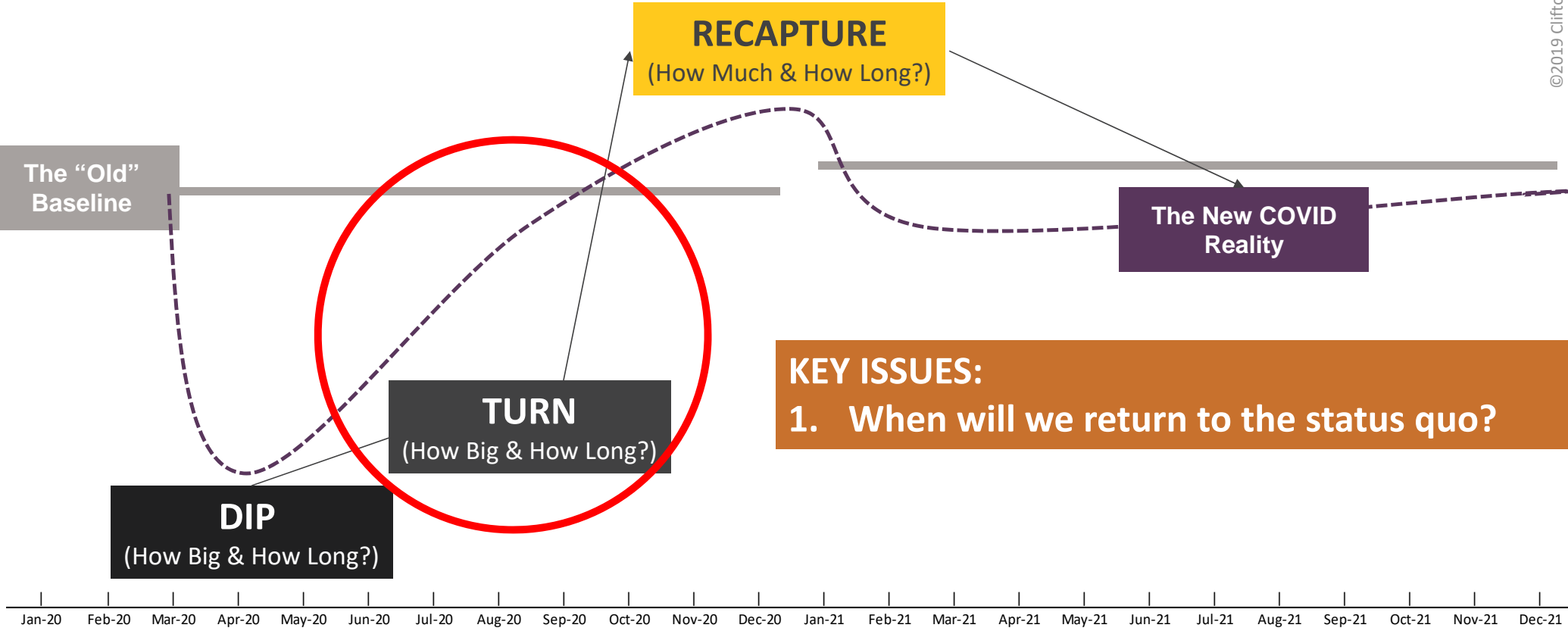
Losses (black line) | Recapture (gray area)

The gray background is the budgeted performance

The lost revenue shows up in black (the straight up line in June shows an instant turn)



CLA COVID Revenue Modeling Approach



Sizing the Turn

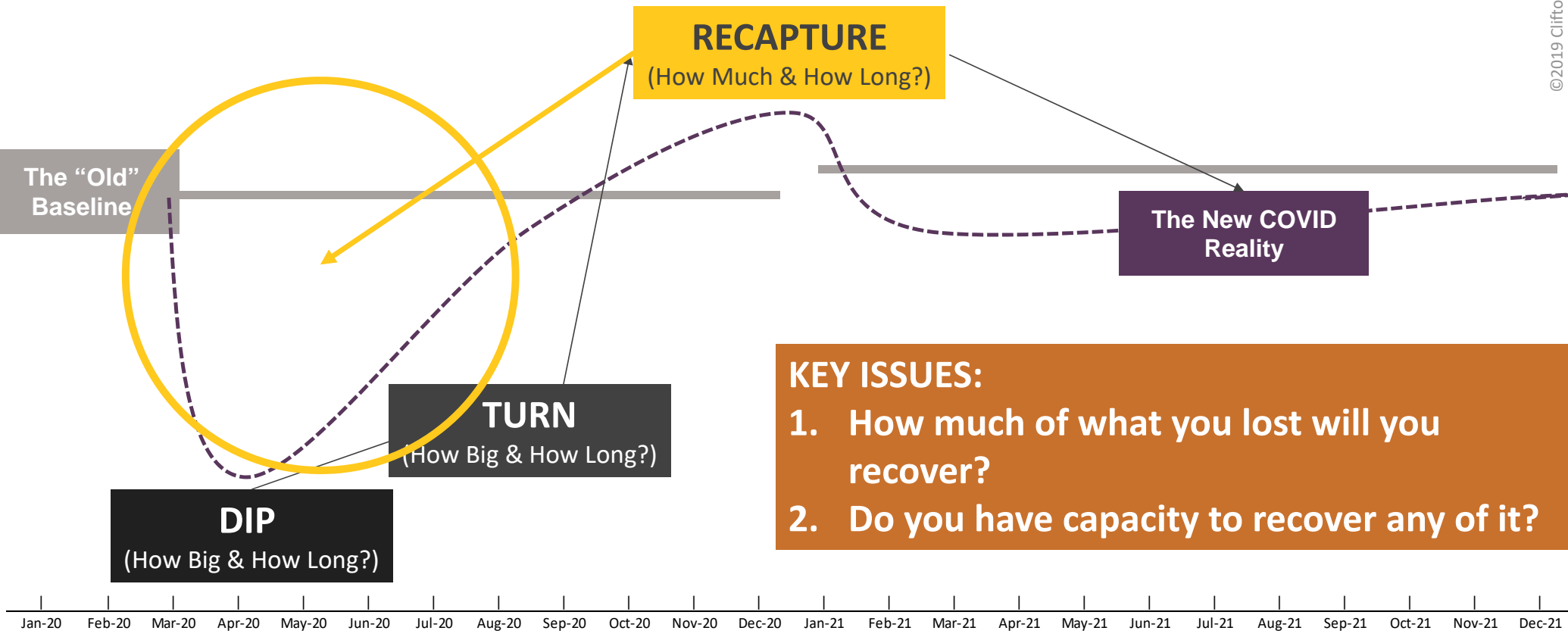
It will take 8 weeks to ramp up to the “New Reality” from the end of the “Dip”



The ramp up of the turn shows up in the slanted black graph



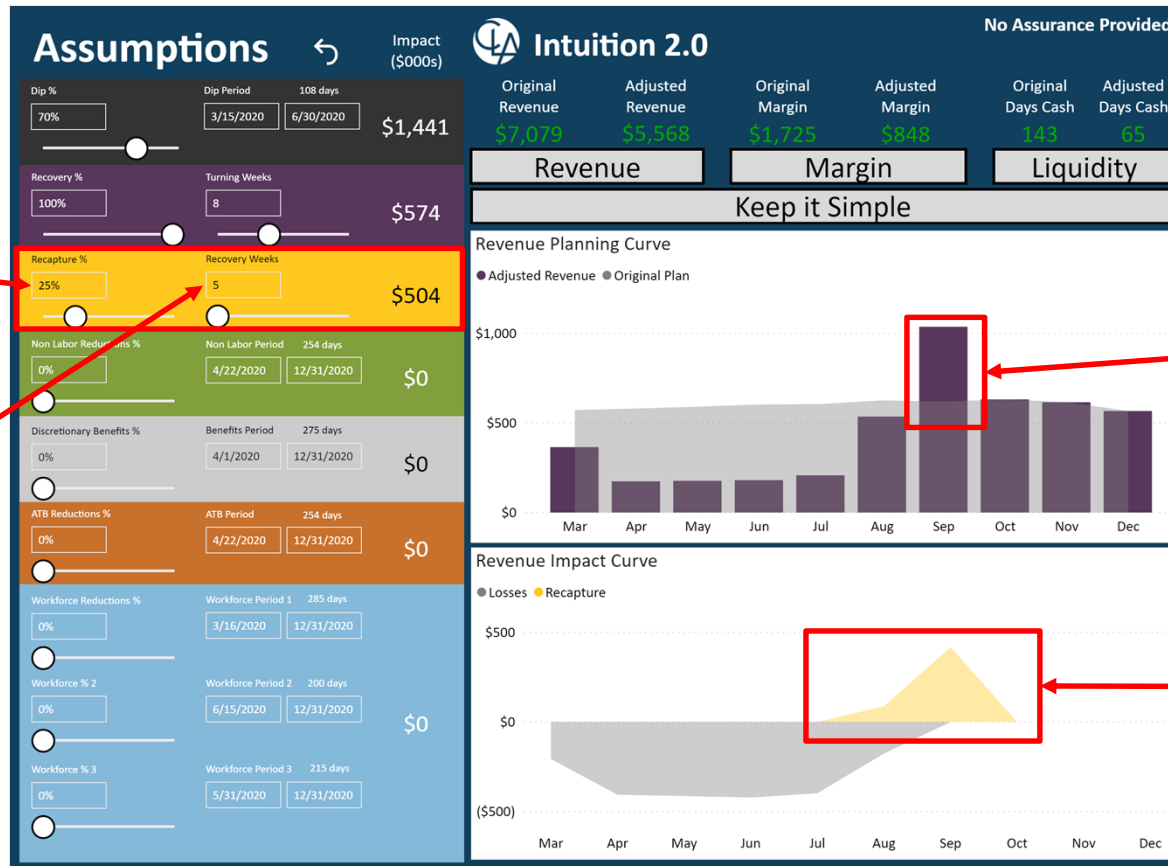
CLA COVID Revenue Modeling Approach



KEY ISSUES:

1. How much of what you lost will you recover?
2. Do you have capacity to recover any of it?

Recapture



Recapture 25% of the lost revenue during the "Dip" and the "Turn"

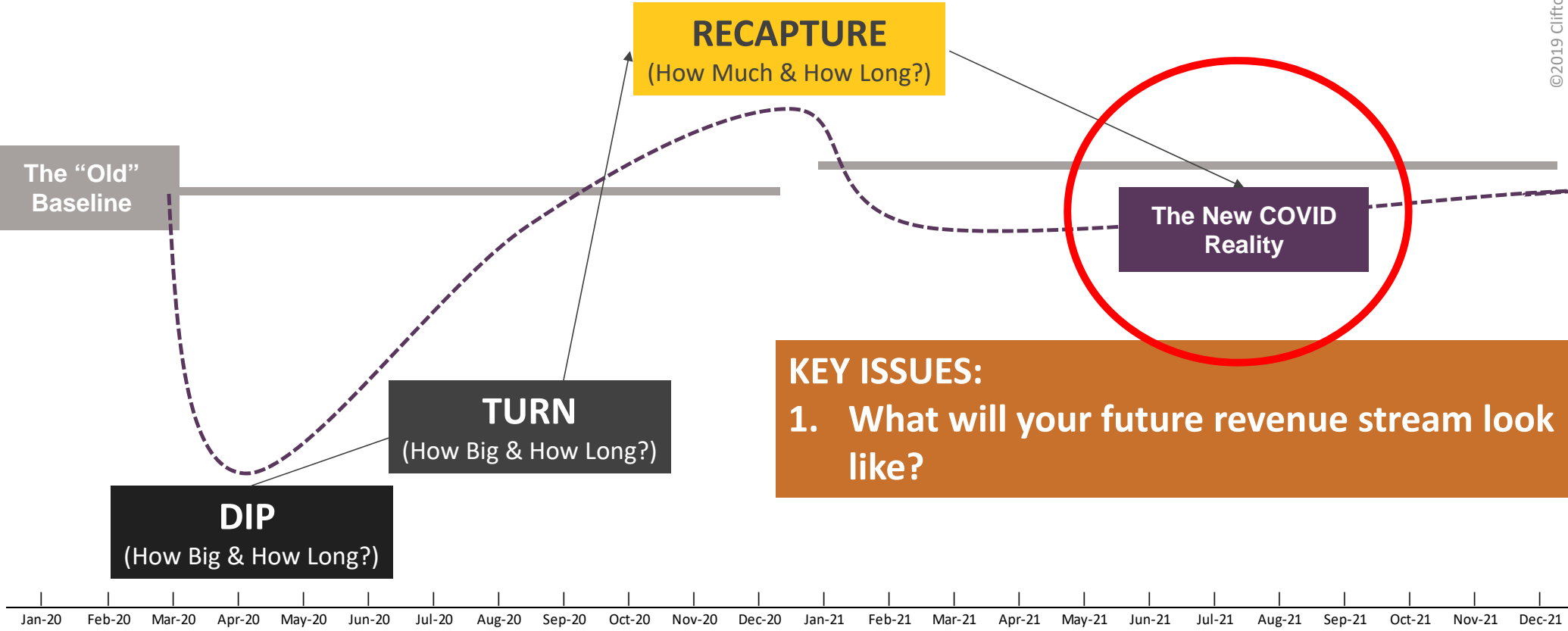
The Recapture takes 5 weeks to occur from the end of the "Turn"

The uptick in revenue during the recapture

The recaptured revenue shows up in gold

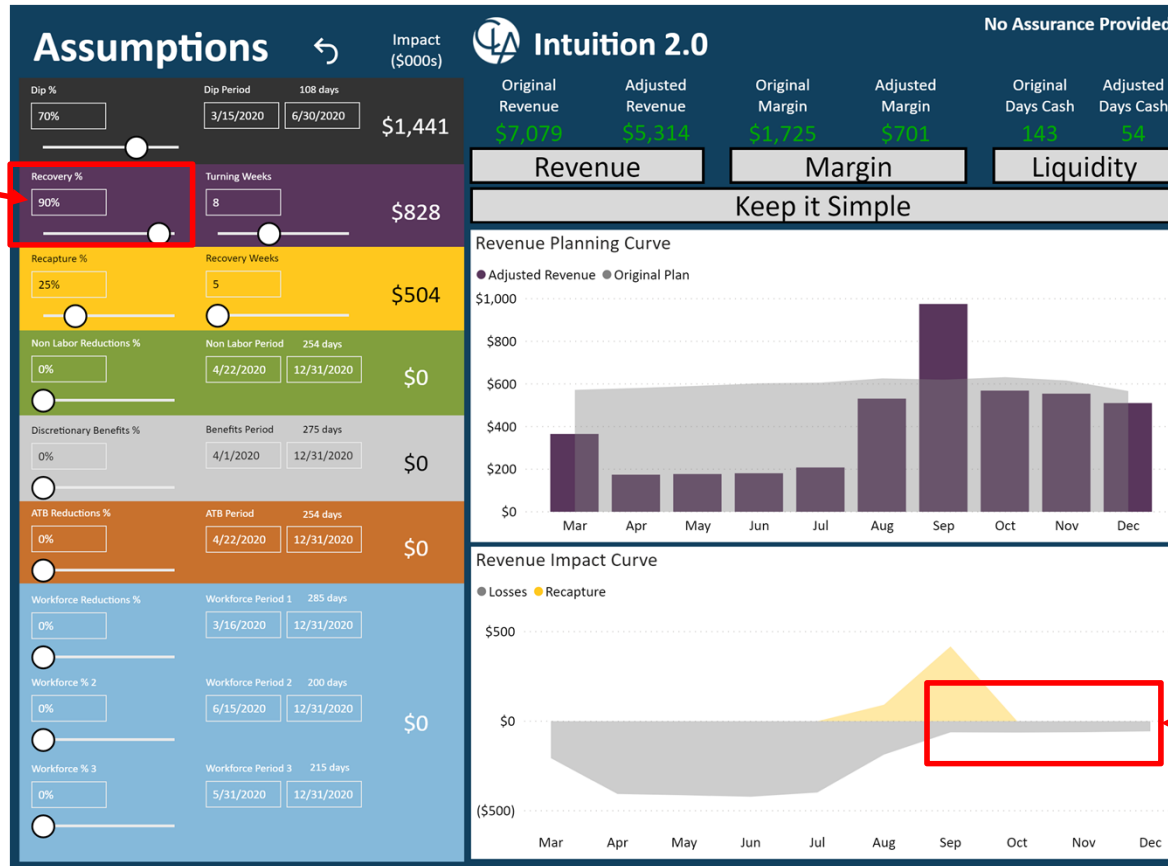


CLA COVID Revenue Modeling Approach



New COVID Reality

The new COVID reality will have 90% of the revenue we budgeted for



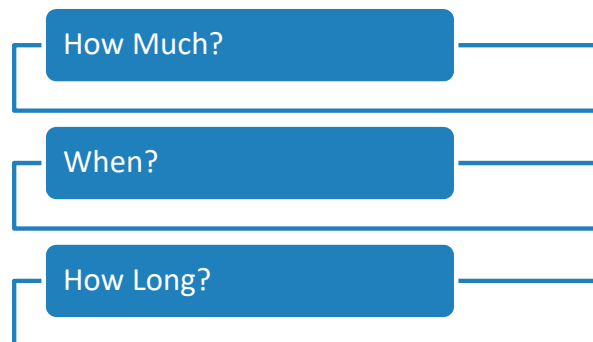
You can notice the lost revenue every month



Contingency Plan Considerations

Reductions or Delays in Spending	Hiring Delays
Reduce or Eliminate Discretionary Benefits	Across the Board (atb) Compensation Reductions
Workforce Reductions	Capital Spending
Working capital considerations	Investment Market Downturn implications

CLAs Models and Approach Can Help Inform



Case Study #1

Situation:

- A Company that helps people navigate workers compensation
- In a high tourism market that was decimated by COVID 19

Value Provided:

- The need to right size the organization during the downturn
- The potential implications if their future post covid reality was worse then pre COVID



Case Study #1



Case Study #2

Situation:

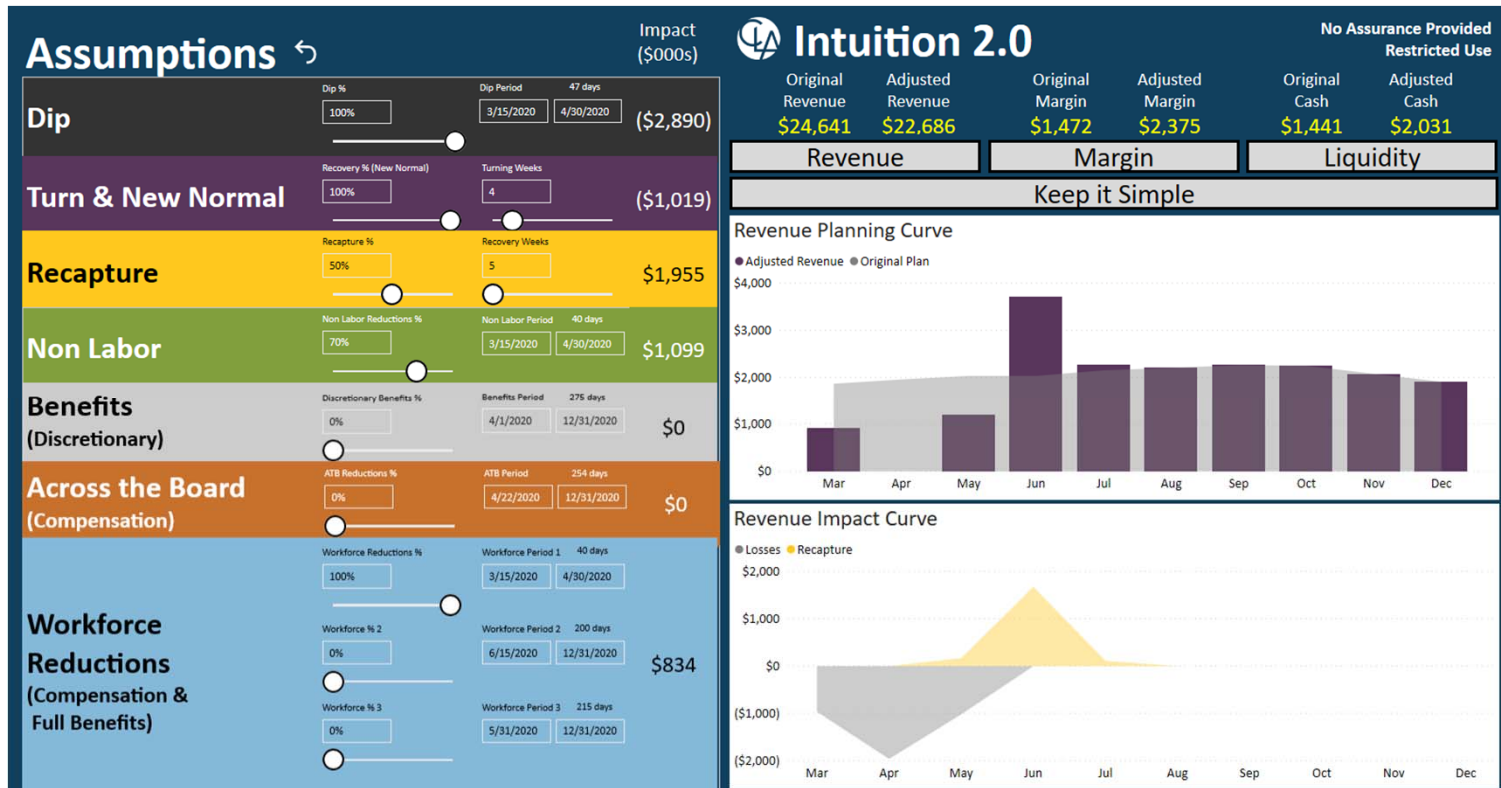
- A construction company on the East Coast
- Was deemed non essential and had to close

Value Provided:

- Created clarity related to the implications of faster and slower ramp ups
- Importance of having capacity to recapture lost revenue



Case Study #2



Case Study #3

Situation:

- A Manufacturing company that was having significant declines in volumes
- They did have cash but not where they wanted to be

Value Provided:

- Helped understand the importance of a PPP loan to maintain staffing levels



Case Study #3

Assumptions ↶

Impact (\$000s)

Dip	Dip %: 40%	Dip Period: 4/1/2020 - 6/30/2020 (91 days)	Impact: (\$2,979)
Turn & New Normal	Recovery % (New Normal): 100%	Turning Weeks: 4	Impact: (\$481)
Recapture	Recapture %: 50%	Recovery Weeks: 5	Impact: \$1,730
Non Labor	Non Labor Reductions %: 0%	Non Labor Period: 4/22/2020 - 12/31/2020 (254 days)	Impact: \$0
Benefits (Discretionary)	Discretionary Benefits %: 0%	Benefits Period: 4/1/2020 - 12/31/2020 (275 days)	Impact: \$0
Across the Board (Compensation)	ATB Reductions %: 0%	ATB Period: 4/22/2020 - 12/31/2020 (254 days)	Impact: \$0
Workforce Reductions (Compensation & Full Benefits)	Workforce Reductions %: 100%	Workforce Period 1: 4/22/2020 - 6/22/2020 (62 days)	Impact: \$2,171
	Workforce % 2: 0%	Workforce Period 2: 6/15/2020 - 12/31/2020 (200 days)	
	Workforce % 3: 0%	Workforce Period 3: 5/31/2020 - 12/31/2020 (215 days)	

Intuition 2.0

No Assurance Provided
Restricted Use

Original Revenue	Adjusted Revenue	Original Margin	Adjusted Margin	Original Cash	Adjusted Cash
\$28,854	\$27,124	\$4,393	\$5,294	\$3,823	\$3,700

Revenue

Margin

Liquidity

Keep it Simple

Revenue Planning Curve

● Adjusted Revenue ● Original Plan

Revenue Impact Curve

● Losses ● Recapture



Case Study #4

Situation:

- A Manufacturing company that was having significant declines in volumes
- They were just notified their major customer was in danger of going bankrupt

Value Provided:

- Helped create the size and scope of the contingency plan that was needed if the major customer would end up bankrupt



Case Study #4

Assumptions ↶

Impact (\$000s)

Dip	Dip %: 30%	Dip Period: 78 days (3/15/2020 - 5/31/2020)	(\$976)
Turn & New Normal	Recovery % (New Normal): 80%	Turning Weeks: 4	(\$1,763)
Recapture	Recapture %: 0%	Recovery Weeks: 5	\$0
Non Labor	Non Labor Reductions %: 10%	Non Labor Period: 254 days (4/22/2020 - 12/31/2020)	\$280
Benefits (Discretionary)	Discretionary Benefits %: 0%	Benefits Period: 275 days (4/1/2020 - 12/31/2020)	\$0
Across the Board (Compensation)	ATB Reductions %: 0%	ATB Period: 254 days (4/22/2020 - 12/31/2020)	\$0
Workforce Reductions (Compensation & Full Benefits)	Workforce Reductions %: 30%	Workforce Period 1: 71 days (3/22/2020 - 5/31/2020)	\$1,949
	Workforce % 2: 20%	Workforce Period 2: 214 days (6/1/2020 - 12/31/2020)	
	Workforce % 3: 0%	Workforce Period 3: 215 days (5/31/2020 - 12/31/2020)	

Intuition 2.0

No Assurance Provided
Restricted Use

Original Revenue	Adjusted Revenue	Original Margin	Adjusted Margin	Original Cash	Adjusted Cash
\$15,697	\$12,958	\$121	(\$251)	\$2,227	\$1,838

Revenue
Margin
Liquidity

Keep it Simple

Revenue Planning Curve

● Adjusted Revenue ● Original Plan

Revenue Impact Curve

● Losses ● Recapture



Key Lessons Learned

- Keep it simple
- Needed to focus on the first 90 days
- Brought structure to the chaos (COVID Curve)
- Focus on understanding possibilities, not predicting the future
- Being athletic and finding creative solutions
- Get the Management Team on the same page
- Create a scalable solution





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