

COVID-19 IMPACT WEBINAR QUESTION & ANSWER SESSION



Coronavirus is impacting businesses at an unprecedented level and speed, catapulting companies to adjust to ever changing circumstances and uncertainty. Most have lowered revenue projections, accelerated layoffs and cut other expenses.

During the session, our live attendees were able to ask questions. Experts from Emory University, Aon, Nelson Mullins, Grant Thornton and Savills have provided their answers below.

Q: Are companies deferring their Company 401(K) match to employees until December 2020 as a lever to conserve cash during this COVID-19 pandemic?

A: I have heard of several companies doing this (primarily medium sized companies). Companies are looking at this as a way to conserve liquidity. You should check with employee benefits counsel on the mechanics of same. Companies should be mindful of how they deal with their employees in this regard and balance that against liquidity concerns. – Paul Melville, Grant Thornton

Q: Are there estimates of how long hospitals can stay open without the elective procedure revenues?

A: There are short-term and long-term effects of the crisis. Short-term - no elective surgeries has resulted in a 20%-40% drop in revenue. Long-term - there will be less commercial health insurance and more public health insurance due to unemployment which results in a lower margin or loss for most hospitals. Costs are likely to increase as well. Some studies found elective procedures accounting for 75% of hospital profits. Fortunately, more bailouts are on the way. I don't think the government will let hospitals go bankrupt during this crisis. In the short-term, bailouts seem to be the only solution for hospitals. – TI Kim, Emory University

Q: What estimates have you seen on rent abatement requests from tenants? I would imagine many might ask for 90 -180-day deferrals. Is that possible with landlord funding?

A: Some landlords are giving rent abatement proactively or after requests by tenants (2-3 months but adding on to the end of the lease). They will likely extend that initial period if things do not improve. It's important to be communicative with your landlord and work through the channels they've put in place for these types of requests. – Chris White, Savills

Q: How do you see healthcare rolling out back-to-work procedures? This includes elective surgery, dermatology and dentists?

A: Based on my knowledge, I speculate that there will be a roll-out based on urgency such as cancer-related procedures vs hip and knee replacement. Hospitals may consider profitability of procedures as they roll out more services. – TI Kim, Emory University

Q: Do any of the panelists have any insights of the potential for a Round II of the PPP Loan Program?

A: This is a very complex issue but there is talk of additional bills around infrastructure and bringing products back on shore. – Paul Melville, Grant Thornton

Q: How does trade AR insurance compare with factoring AR?

A: In very simple terms, factoring does not protect against nonpayment. It is more appropriate for short term liquidity concerns but only if you are confident your customers will be able to pay. Trade credit insurance is appropriate where you have concerns about your customers/client's ability to pay. – Kristin Adams, Aon

Q: What are the transaction minimum sizes for surety bonds and the costs to obtain them?

A: Bond programs are looked at in terms of the totality of capacity needed, not necessarily an individual bond. Pricing will be driven by the type of bond (license & permit, securing a future obligation, required by a court) as well as the financial strength of the corporation. Ranges can be from 25 bps to 75 bps on a total portfolio or a single bond. - Kristin Adams, Aon

Q: There is a lot of discussion about the obligation to pay rent. What is your firm's view for itself and what you have heard other firms are doing?

A: Our firm (and a lot of clients) are proactively reaching out to landlords to engage in discussions about rent abatement. While they are still largely paying rent in the interim, landlords are being flexible on payment terms for some businesses (especially ones that have been inordinately affected by the crisis). – Michael Hollingsworth, Nelson Mullins

Q: What are your thoughts on return-to-work strategies?

A: These poll results show a great deal of internal discussion has already taken place on return to work strategies. It's critical to understand the relationship between home to office and how that's facilitated via commutation, what type, and what risk is associated with that. Decisions will have to be made on two bases, one is dealing with facts and analytics and the other is being able to communicate that to a workforce that accepts that and buys in to it. – Doane Kelly, Savills

Q: You noted that banks have been helpful with Liquidity to date. Do you expect banks will continue to be able and willing to provide liquidity in the short term and, over a bit longer period, do you think they will be a helpful source of debt capital as this event stresses balance sheets for longer periods, or will they become risk averse and start trying to protect their own balance sheets?

A: At the moment, banks are very focused on SBA loans. I think the issue will be if this drags on, liquidity in the banking system will be questioned. Unlike 2008/2009, banks have cash available and good balance sheets, but over time we will see a movement to more of a normal risk assessment pattern. – Paul Melville, Grant Thornton

Q: What are examples of those resources or practices that will be critical to maintain throughout the crisis? And, are employees at the top of the list?

A: We have seen a war for talent over the last few years, so focusing on retaining your highest performing people is critically important. I also believe that keeping the areas of your business that focus on managing and collecting cash is critical. In terms of areas that we look to reduce, we would tend to focus on areas of the business that have underperformed or your employees whose performance is in the "does not meet" category. – Paul Melville, Grant Thornton

Q: Is there any insight as to when FASB will publish guidance to clear up any accounting uncertainties with the CARES act?

A: I have not heard yet, but some of the programs are still being worked out particularly the Stimulus Package. – Paul Melville, Grant Thornton