EXAMINING THE IMPACT OF COVID-19 ON TECH

May 18, 2020
With You Today

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Agenda

- Technology Industry: COVID-19 Impact
- Four Stages of Weathering an Economic Crisis
- Supply Chain Excellence Redefined
- CARES Act Update
- Q&A
- Additional Resources
Technology Industry: COVID-19 Impact

AFTAB JAMIL
Assurance Partner & Global Technology Industry Leader
The Technology Industry, Pre-COVID-19
Tech CFOs Appear Confident: Sentiment in January 2020

- 84% of tech CFOs say their business is thriving
- 91% expect a revenue increase
- 89% forecast a profitability increase in 2020
- Even though 70% of tech CFOs forecast a recession in next 1-2 years
The Technology Industry, COVID-19 Impact: Early Stages
COVID-19 Adjusted IT Spending Growth Forecast for 2020 Compared to Previous Year

Note: Worldwide; 2020
Further information regarding this statistic can be found on page 73.
Source(s): IDC; ID 480086
Adjusted Information Technology (IT) Spending Growth Forecast for 2020, by Category

![Graph showing IT spending growth forecast for 2020, by category.](image)

Note: Worldwide; 2020
Further information regarding this statistic can be found on page 74.
Source(s): IDC; [ID 1106083](#)
Evolving Deal-Making Environment

COVID-19 has been a foundational disruption to deals in progress.

Uncertainty / Risk

Virus and the associated uncertainty have introduced unacceptable risk

Causing issues w/:
- Suppliers
- Customers
- Employees
- Investors

Challenging:
- Revenue
- Cashflow
- Projections

Implications for:
- Lenders
- Equity holders, and
- Transactions

- Valuation
IMPACT ON TECH SECTOR
Challenges & Opportunities

SHORT TERM/IMMEDIATE IMPACT
► Dramatic falls or surges in demand
► Supply shock
► Balancing production capacity and safety
► Human capital management

MEDIUM CONSIDERATIONS
► Acceleration of Remote Working
► Acceleration of Digital Transformation
► New normal still being written
► Consumer confidence implications
► Valuation impact - Exits
  o IPO activity
  o M&A - offensive vs defensive positioning
  o Impact on strategic transactions (M&A/Financing etc.)
► Instructive Nature of Recovery in Asia

LONGER TERM CONSIDERATIONS
► Supply chain to be redesigned/reimagined
► Just in time arrangements/working capital considerations
► Difference between the Great Recession and COVID Recession
► Business continuity planning
## Top Emerging Areas by Investments

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>INVESTMENT ($B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Artificial Intelligence</td>
<td>$4.5 (148)</td>
</tr>
<tr>
<td>FinTech</td>
<td>$4</td>
</tr>
<tr>
<td>Digital Health</td>
<td>$3</td>
</tr>
<tr>
<td>Med Devices</td>
<td>$1.5</td>
</tr>
<tr>
<td>Cyber Security</td>
<td>$1.5</td>
</tr>
<tr>
<td><strong>Supply Chain Tech</strong></td>
<td><strong>$1.0 (48)</strong></td>
</tr>
<tr>
<td>Payment Processing</td>
<td>$0.9</td>
</tr>
<tr>
<td>eCommerce</td>
<td>$0.9</td>
</tr>
</tbody>
</table>

*S&P Global Market Intelligence*
# Tech Investment Hotspots

ACCORDING TO PE CFOS

<table>
<thead>
<tr>
<th></th>
<th>Technology</th>
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<tbody>
<tr>
<td>1</td>
<td>5G Technology</td>
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<tr>
<td>1</td>
<td>Artificial Intelligence</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Internet of Things</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Robotics</td>
<td></td>
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<tr>
<td>4</td>
<td>Extended Reality</td>
<td></td>
</tr>
</tbody>
</table>
DETERIORATING ANALYST SENTIMENT - REVENUE GROWTH
Software & Services Sector

Comparable Company Group Forecast Trend Analysis

<table>
<thead>
<tr>
<th>CIQ Pull Date</th>
<th>Aggregate Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>01/31/20</td>
<td>26.2%</td>
</tr>
<tr>
<td>02/29/20</td>
<td>26.2%</td>
</tr>
<tr>
<td>03/31/20</td>
<td>26.2%</td>
</tr>
<tr>
<td>04/30/20</td>
<td>26.2%</td>
</tr>
</tbody>
</table>
ANALYST SENTIMENT

Hardware & Equipment

Comparable Company Group Forecast Trend Analysis

<table>
<thead>
<tr>
<th>CIQ Pull Date</th>
<th>Aggregate Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/31/20</td>
<td>1.4% 4.3% 6.3% 7.7%</td>
</tr>
<tr>
<td>02/29/20</td>
<td>1.4% 4.1% 6.4% 6.6%</td>
</tr>
<tr>
<td>03/31/20</td>
<td>1.4% -0.6% 7.3% 6.6%</td>
</tr>
<tr>
<td>04/30/20</td>
<td>1.4% -4.2% 9.9% 6.6%</td>
</tr>
</tbody>
</table>
ANALYST SENTIMENT
Semiconductor & Equipment

Comparable Company Group Forecast Trend Analysis

<table>
<thead>
<tr>
<th>CIQ Pull Date</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>01/31/20</td>
<td>-0.3%</td>
<td>14.7%</td>
<td>8.0%</td>
<td>6.7%</td>
</tr>
<tr>
<td>02/29/20</td>
<td>-0.3%</td>
<td>14.7%</td>
<td>8.1%</td>
<td>6.8%</td>
</tr>
<tr>
<td>03/31/20</td>
<td>-0.3%</td>
<td>9.8%</td>
<td>13.5%</td>
<td>6.1%</td>
</tr>
<tr>
<td>04/30/20</td>
<td>-0.3%</td>
<td>14.0%</td>
<td>11.4%</td>
<td>10.6%</td>
</tr>
</tbody>
</table>
The Resilience of (Certain) Tech Companies

YTD, as of EOD April 21

DJIA -18.69%
S&P 500 -14.65%

AMZN 25.99%
NFLX 34.08%
SHOP 47.14%
TDOC 105.19%
Despite worsening macroeconomic outlook, fundraising was strong in 2019.

In private equity, fundraising surged to its highest since the financial crisis.

Fundraising totals for the year reached $537.2 billion, more than double 2009’s $237.5 billion and nearly $75 billion more than in 2018.

Source: Private Equity International
Tech Private Equity

Tech fundraising continues on...

- There has been a huge increase in capital raised for funds focused exclusively on TMT in Q1 2019 compared with previous Q1s.

- The largest TMT-focused funds closed were Vista Equity Fund VII - $16 Billion, Thoma Bravo Fund XIII, which raised $12.6 billion, Siris Partners IV ($3.45 billion) and TCV X ($3 billion).
Four Stages of Weathering an Economic Crisis

ESKANDER YAVAR
National Manufacturing Practice Leader
Four Stages of Weathering an Economic Crisis

- Persevere
- Maintain
- Recover
- Thrive
The expected progression of a pandemic wave, from initiation of community spread through acceleration in the number of cases to deceleration and eventual subsidence. The height of the wave crest and wavelength depends on the success of containment measures. Additional waves may occur.

**STAGE 1 - PERSEVERE**

Beginning of the downturn. Immediate actions are required to ensure employees are safe and healthy. Capital is adequate and suppliers and customers are closely connected with the business. Scenario planning is beginning using economic and customer data.

**STAGE 2 - MAINTAIN**

Running the business in a “new normal”. Business is under control. Employees are safe. Capital structure is solid. Operations are maintained at the proper levels to meet demand.

**STAGE 3 - RECOVER**

Order rates begin to increase. Manufacturing operations and supplier needs are adjusted based on increasing customer demand.

**STAGE 4 - THRIVE**

Business is meeting or exceeding market growth rates. Order rates continue to grow and the new norm of growth is established in the business.

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**PANDEMIC/ECONOMIC DOWNTURN OVERLAY**

**Effects of the Curve**

**STAGE 4 - THRIVE**

Business is meeting or exceeding market growth rates. Order rates continue to grow and the new norm of growth is established in the business.
# Evolution of a Manufacturer by Stage

<table>
<thead>
<tr>
<th>Stage</th>
<th>PEOPLE</th>
<th>STRATEGY &amp; OPERATIONS</th>
<th>RISK</th>
<th>FINANCIALS</th>
<th>REGULATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Persevere</td>
<td>Employee Health &amp; Safety</td>
<td>Crisis Management &amp; Customer Retention</td>
<td>Supply Chain Continuity</td>
<td>Liquidity &amp; Cash Flow</td>
<td>Regulatory Response &amp; Policy Development</td>
</tr>
<tr>
<td>Maintain</td>
<td>Workforce Planning &amp; Productivity</td>
<td>Recession Proofing</td>
<td>Supply Chain Optimization</td>
<td>Cost Optimization</td>
<td>Regulatory Compliance</td>
</tr>
<tr>
<td>Recover</td>
<td>Strategic Hiring</td>
<td>Customer Acquisition</td>
<td>Supply Chain Capacity</td>
<td>Financial Hardening</td>
<td>Compliance Effectiveness</td>
</tr>
<tr>
<td>Thrive</td>
<td>Talent Acquisition &amp; Retention</td>
<td>Performance Improvement &amp; Innovation</td>
<td>Resiliency Engineering</td>
<td>Growth Financing</td>
<td>Intelligent Compliance</td>
</tr>
</tbody>
</table>

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**People**
- Employee Health & Safety
- Workforce Planning & Productivity
- Strategic Hiring
- Talent Acquisition & Retention

**Strategy & Operations**
- Crisis Management & Customer Retention
- Recession Proofing
- Customer Acquisition
- Performance Improvement & Innovation

**Risk**
- Supply Chain Continuity
- Supply Chain Optimization
- Supply Chain Capacity
- Resiliency Engineering

**Financials**
- Liquidity & Cash Flow
- Cost Optimization
- Financial Hardening
- Growth Financing

**Regulation**
- Regulatory Response & Policy Development
- Regulatory Compliance
- Compliance Effectiveness
- Intelligent Compliance
PERSEVERE

Pain Points

PEOPLE
- Workplace safety, spread prevention
- Remote working options, staff augmentation
- Layoffs, furloughs, plant closures
- Employee morale
- Workforce shortages
- Increased cyber risk due to WFH

STRATEGY & OPERATIONS
- Crisis response
- Stakeholder management and communication
- Reputational impact and opportunity
- Retrofitting supply chains to produce medical supplies
- Customer communication
- Customer financial distress
- Ensuring customer health and safety
- Strategies to mitigate revenue loss

RISK
- Preventing supply chain disruptions
- Supplier defaults
- Delivery delays and shortages
- Mandated shutdowns
- Navigating insurance claims
- Increased cyber attacks and cyber risk
- Minimizing legal liabilities

FINANCIALS
- Demand slowdown
- Liquidity issues
- Access to capital
- Pricing considerations
- Cost reduction, budget cuts

REGULATION
- CARES Act impacts, opportunities for financial relief
- Responding to changing global tax legislation
- Financial reporting deadlines
- Tax filing and payment deadlines
- OSHA compliance
PERSEVERE

Considerations

**PEOPLE**

**EMPLOYEE HEALTH & SAFETY**
- Readjust non-essential hours and evaluate work-from-home options for employees
- Confirm tiered workforce plans to ensure essential workers are protected
- Provide workers with personal protective equipment and temperature checks
- Ensure employees’ workspaces are at least six feet apart, minimize crossing of paths and put cleaning and disinfection protocols in place

**STRATEGY & OPERATIONS**

**CRISIS MANAGEMENT & CUSTOMER RETENTION**
- Identify and activate a crisis response task force
- (Over)communicate with clarity, composure, and compassion
- Invest in working capital to avoid loss of critical customers and minimize reputational risk
- Reach out to key customers to understand their situations

**RISK**

**SUPPLY CHAIN CONTINUITY**
- Conduct a business continuity risk assessment to identify operational, financial and market risks
- Adapt your enterprise risk management plan
- Communicate with suppliers to ensure their ability to serve your business
- Triage demand changes and supply needs
- Adjust demand and collection plans accordingly
- Identify alternative suppliers and transportation modes

**FINANCIALS**

**LIQUIDITY & CASH FLOW**
- Revise cashflow projections and financial forecast
- Evaluate customer strength, risk profiles, and AR exposure
- Control variable costs and revenue/receivable risk
- Negotiate longer payment terms with suppliers
- Negotiate a debt service holiday or covenant relief
- Revisit your pricing model to provide more flexible and affordable options

**REGULATION**

**REGULATORY RESPONSE & POLICY DEVELOPMENT**
- Determine if your business qualifies as essential and leverage the state-run appeal process if necessary
- Consider applying for a low-interest government loan
- Take advantage of U.S. and international tax relief provisions
INNOVATING IN CRISIS: Stories of Manufacturing Ingenuity

COVID-19 is causing unprecedented disruption to our nation’s health and economy. Successfully flattening the infection curve requires everyone to do their part. Across the country, American manufacturers are taking action to help frontline health workers in the fight against COVID-19—and getting creative to save thousands of American jobs.

These are their stories.

Interested in submitting your story? Click here!

THE PROBLEM
Health workers across the country are reporting critical shortages of personal protective equipment (PPE) amid an influx of COVID-19 patients. PPE includes protective masks, suits and other equipment that are critical to ensuring the health and safety of frontline health workers. In some cases, health workers are forced to make a difficult choice - stop going to work or perform duties without adequate protection, risking their own health. On April 6, the Department of Health and Human Services inspector general released a report that it found severe shortages of PPE in hospitals across the country.

HOW MILLIKEN IS HELPING
Milliken & Company is a global textile manufacturer that announced it will increase domestic production of anti-microbial fabric for medical products such as scrubs, lab coats and privacy curtains. They are scaling up their manufacturing and distribution channels to ensure there is a ready supply of these much-needed products available to frontline medical workers.
INNOVATING IN CRISIS: Stories of Manufacturing Ingenuity

COVID-19 is causing unprecedented disruption to our nation’s health and economy. Successfully flattening the infection curve requires everyone to do their part. Across the country, American manufacturers are taking action to help frontline health workers in the fight against COVID-19—and getting creative to save thousands of American jobs.

These are their stories.

Interested in submitting your story? Click here!
SUPPLY CHAIN EXCELLENCE REDEFINED

JEFF PRATT
National Supply Chain Leader
Supply Chain Objectives

**SERVICE**
- In Stock Rate
- Volume Fill Rate
- Breadth of Offerings
- Fulfillment Lead Time
- Percent perfect order fill rates increase by 5-30%
- Increased focus on most profitable customers

**COST**
- Procurement/Manufacturing
- Logistics/Storage
- Fulfillment
- Expediting
- Sourcing savings of 5-15% of total supplier spend
- Transportation cost savings of 5-10%

**CAPITAL**
- Inventory
- Manufacturing Capacity
- Logistics Capacity
- Storage Capacity
- Inventory savings of 10-20%
- Warehouse capacity increase of 10-20%
What Clients are Saying:

SALES & MARKETING
- “Customer demand has changed dramatically”

SOURCING & SUPPLIER MANAGEMENT
- “We have experienced supply disruption in the last 12 months”
- “We aren’t sure what level of supplier risk we have”

PLANNING & PROCUREMENT
- “We’re haven’t ordered the right amount”

INBOUND LOGISTICS
- “Unpredictability of transportation is driving inventory spikes”

OPERATIONS/FULFILLMENT
- “Our operations need to be more efficient”
- “Some inventory is not moving”

OUTBOUND LOGISTICS
- “We struggle to keep up with stocking and picking”
- “We need to safely add more warehouse capacity”

CUSTOMER SUPPORT/FIELD SERVICE
- “We can’t clearly differentiate how we serve our best customers”
## SUPPLY CHAIN RESILIENCE

**Actions Vary by Company and Stage of Recovery**

<table>
<thead>
<tr>
<th>PERSEVERE</th>
<th>MAINTAIN</th>
<th>RECOVER</th>
<th>THRIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Supply Chain Continuity Planning</strong></td>
<td><strong>Simplification</strong></td>
<td><strong>Supply Chain Scale-Up</strong></td>
<td><strong>Resiliency Engineering</strong></td>
</tr>
<tr>
<td>Communicate with suppliers to ensure their ability to serve your business</td>
<td>Update plans based on shifts in customer demand</td>
<td>Improve the Sales and Operations Planning process to ensure changes in demand are met</td>
<td>Ensure customer demand is met</td>
</tr>
<tr>
<td>Triage demand changes and supply needs</td>
<td>Reconfigure supply chains to find cost reductions</td>
<td>Re-evaluate the global supply chain footprint</td>
<td>Look for opportunities to increase inventory turns</td>
</tr>
<tr>
<td>Identify alternative suppliers and transportation modes as needed</td>
<td>Evaluate alternate supply sources to mitigate risks and lower long-term costs</td>
<td>Renegotiate supply chain agreements, levering volume increases</td>
<td>Evaluate digital technologies and Industry 4.0 to increase scalability and visibility of the Supply Chain</td>
</tr>
<tr>
<td></td>
<td>Consider diversifying your supplier base</td>
<td></td>
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<tr>
<td></td>
<td>Assess the cost-benefit of maintaining duplicate facilities</td>
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</tbody>
</table>
GLOBAL SUPPLY CHAIN FOOTPRINT

Chinese Exports to North America Have Declined

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**Chinese exports to the rest of the world**

Change in bilateral exports at current prices (%)

- Feb 2018
- Aug 2018
- Feb 2019
- Aug 2019
- Feb 2020

Note: Bilateral exports at current prices. Year-on-year changes of two-month data from January/February 2018 to January/February 2020.

Source: General Administration of Customs, China; Thomson Reuters Datastream.
Specific Technology Products and Components Have Been Affected

![Graph showing changes in US imports of selected products]

- Textile mill products
- Apparel and accessories
- Industrial machinery
- Computer equipment
- Telephone apparatus
- Household appliances and misc machines
- Motor vehicle bodies and trailers

Note: Year-on-year change from February 2019 to February 2020. Source: U.S. Census Bureau
**SUPPLY CHAIN GLOBAL FOOTPRINT**

Optimization Requires Several Areas of Consideration

<table>
<thead>
<tr>
<th>SALES &amp; OPERATIONS PLANNING</th>
<th>SOURCING AND SUPPLIER MGT</th>
<th>NETWORK OPTIMIZATION</th>
<th>SITE RELOCATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Demand &amp; Capacity Planning</td>
<td>• Supply Chain Risk Assessment</td>
<td>• Customer Service Optimization</td>
<td>• Site Selection</td>
</tr>
<tr>
<td>• Process Design &amp; Reengineering</td>
<td>• Strategic Sourcing</td>
<td>• Logistics Cost Optimization</td>
<td>• Incentive Negotiation &amp; Compliance</td>
</tr>
<tr>
<td>• Customer Service</td>
<td>• Supplier Management</td>
<td></td>
<td>• Facility Management</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COST OPTIMIZATION</th>
<th>TAX EFFICIENCY</th>
<th>TRADE COMPLIANCE</th>
<th>WORKFORCE RELOCATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Cost Analysis &amp; Modeling</td>
<td>• Credits &amp; Incentives</td>
<td>• Customs Valuation</td>
<td>• Performance Mgmt.</td>
</tr>
<tr>
<td>• Product &amp; Service Profitability</td>
<td>• Value Chain Tax Analysis</td>
<td>• IP Protection</td>
<td>• Talent Acquisition</td>
</tr>
<tr>
<td>• Cost Reduction Strategies</td>
<td>• Tax Structuring</td>
<td>• Import/Export Audits</td>
<td>• Labor Analysis</td>
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<tr>
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</tbody>
</table>
Agenda

PPP - SBA Loans & Forgiveness (5 minutes)

Title IV ($500 billion) (5 minutes)

Payroll Tax Benefits (5 minutes)
Paycheck Protection Program Loans

Small Business Association
Small Business Administration - PPP Loans

Paycheck Protection Program:

- SBA Loans for small business with less than 500 employees
- $659 billion in funds allocated to date (2 rounds)
- Loans up to a maximum of $10,000,000, or 2.5x average monthly payroll costs including wages paid to employees (limited to $100,000 annually), healthcare, and benefits.
- Loan is forgivable to the extent employees remain employed and compensation is not reduced below a certain threshold.
Expected Forgiveness Amount

Amounts of the PPP loan that were used during the eight weeks following (covered period) receipt of the proceeds for:

- Payroll costs, and to pay the following obligations in effect on Feb. 15, 2020 for mortgage interest, rent, and utilities

Data necessary to calculate the expected forgiveness amount for the covered period:

- Gross payroll, that includes wages, tips, PTO or other paid leave, severance
- Health care costs for employees
- Contributions to qualified retirement plans
- Payments of state/local taxes based on compensation
- Self-employment income of partners or owners
- Amount paid on leases, mortgages and utility contracts that predate Feb. 15, 2020
Title IV Loans

Main Street Lending
CARES Act: Title IV - Coronavirus Economic Stabilization Act of 2020 (CESA)

**PURPOSE:** To provide liquidity to eligible businesses, states, and municipalities related to losses incurred due to the coronavirus. This is a $500 billion stabilization loan program and gives broad discretion to the Secretary of the Treasury.

- $46 billion in direct Treasury loans to severely distressed economic sectors
  - $25 billion for passenger air carriers and their contractors
  - $4 billion for cargo air carriers
  - $17 billion for businesses critical to national security

- $454 billion to provide liquidity to businesses, governments, and nonprofit organizations not otherwise receiving sufficient relief
  - To be administrated through various Fed Reserve facilities
Title IV Loans
MAIN STREET LENDING EVALUATION

INITIAL MAIN STREET LENDING EVALUATION FLOWCHART

Prepare an Assessment of Financial Needs
→ Is there a Covered Loss?
  - Yes → Client under $5B in revenues or 15,000 employees?
    - Yes → Client created or organized in the U.S.?
      - Yes → Client in a bankruptcy proceeding?
        - Yes → Not Eligible for Main Street Loan
        - No → Eligible for Main Street Loan
      - No → Not Eligible
        - Information Required
    - No → Not Eligible
      - Information Required
  - No → Not Eligible
    - Information Required

COVERED LOSS
- Reduced Demand
- Unbudgeted Medical Expenses
- Lack of Available Credit

SIZE LIMITATION
- December 31, 2019 levels
- Not to exceed $5B in gross revenue

ORGANIZATION
- Created or organized in the United States
- Not more than 49% off-shore ownership
- Business created prior to March 13, 2020
- Majority of employees based in the U.S.

BANKRUPTCY AND OTHER
- Not in a bankruptcy proceeding
- Not participating in the Corporate Credit Facility
- Measurement date March 13, 2020
- Evaluated as “Pass” in the Federal Financial Institution Examiner’s Council’s supervisory rating system
### TITLE IV LOANS

#### Main Street Loan Facilities

<table>
<thead>
<tr>
<th></th>
<th>Main Street New Loan Facility</th>
<th>Main Street Priority Loan Facility</th>
<th>Main Street Expanded Loan Facility</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Term</strong></td>
<td>4 years</td>
<td>4 Years</td>
<td>4 years</td>
</tr>
<tr>
<td><strong>Principal &amp; Interest Payments</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Y1 - No P&amp;I</td>
<td></td>
<td>Y1 - No P&amp;I</td>
<td>Y1 - No P&amp;I</td>
</tr>
<tr>
<td>Y2-4 - 33.33%/Year</td>
<td></td>
<td>Y2 &amp; 3 - 15%/Year</td>
<td>Y2 &amp; 3 - 15%/Year</td>
</tr>
<tr>
<td>Y4 - 70%</td>
<td></td>
<td>Y4 - 70%</td>
<td>Y4 - 70%</td>
</tr>
<tr>
<td><strong>Rate</strong></td>
<td>LIBOR + 300bps</td>
<td>LIBOR + 300bps</td>
<td>LIBOR + 300bps</td>
</tr>
<tr>
<td><strong>Minimum Loan Size</strong></td>
<td>$500,000</td>
<td>$500,000</td>
<td>$10.0 Million</td>
</tr>
<tr>
<td><strong>Maximum Loan Size</strong></td>
<td>Lesser of (a) $25 Million; or (b) the amount that does exceed borrower’s leverage by 4x Adjusted EBITDA (including undrawn available debt)</td>
<td>Lesser of (a) $25 Million; or (b) the amount that does exceed borrower’s leverage by 6x Adjusted EBITDA (including undrawn available debt)</td>
<td>Lesser of (a) $200 million; (b) 35% of outstanding &amp; undrawn bank debt; or (c) the amount that does exceed borrower’s leverage by 6x Adjusted EBITDA (including undrawn available debt)</td>
</tr>
<tr>
<td><strong>Loan Participation</strong></td>
<td>(a) SPV - 95%; Lender - 5%; (b) Seniority - pari passu basis</td>
<td>(a) SPV - 85%; Lender - 15%; (b) Seniority - Senior to or pari passu basis</td>
<td>(a) SPV - 95%; Lender - 5%; (b) Seniority - pari passu basis; (c) Collateral - pro rata basis</td>
</tr>
</tbody>
</table>
Payroll Related Benefits

Employee Retention Credits and Payroll Tax Deferral
PAYROLL RELATED BENEFITS

Cash Flow Help through Payroll

Employee Retention Credit:

- Is a refundable payroll tax credit for employers who are harmed by COVID-19, but retain their employees. Equal to 50% of qualified wages (capped at $10,000) paid to employees between March 12, 2020 and December 31, 2020. Maximum available credit is $5,000 per employee (50% of $10,000).

- Employers qualify for the credit if:
  - Their operations were fully or partially suspended due to a COVID-19 related shutdown order, or
  - Their gross receipts for the quarter were less than 50% of the gross receipts for the same quarter in the prior year.

- Employers with more than 100 full-time employees (on average in 2019) would only receive the credit for wages paid to employees who are not working. Employers with 100 or fewer employees would receive the credit for all wages paid to employees.

- Any employer who receives a PPP loan is ineligible to receive this credit.
EMPLOYEE RETENTION CREDIT

FAQ

▶ What type of ‘back-up’ data is needed to claim the Employee Retention Credit?

▶ If we furlough employees, but continue to pay their health care costs, can the health care costs paid during the furlough (which would include both the employee and employer portion of the health care costs) be eligible for the Employee Retention Credit?

▶ How should we document the number of hours paid but not worked for salaried employees?

▶ We are an essential business, can we still qualify?
Questions & Answers
Additional Resources
PERSEVERE

Solutions

Managing Your Business in a Crisis
The COVID-19 crisis has upended global supply chains, dramatically reduced demand in some sectors while increasing demand beyond capacity in others, and plunged the economy into a likely recession. Manufacturers must take action now to weather the storm and scenario plan for the post-COVID-19 future.

BDO CAN HELP:

- Keep Employees Safe
- Improve Cash Flow & Liquidity
- Streamline Operations
- Stabilize Business
- Retain Customers
- Mitigate Supply Chain Disruption
- Optimize Inventories
- Minimize Liabilities
- Bolster Cybersecurity
- Pivot Production

95% of businesses report supply chain disruptions due to COVID-19.

78% of manufacturers anticipate a financial impact from COVID-19.

53% of manufacturers anticipate a change in operations.

Sources: NAM, ISM
PRESENTER:
Aftab Jamil

AFTAB JAMIL
Assurance Partner & Global Technology Industry Leader
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BIOGRAPHY:
Aftab Jamil has more than 28 years of experience in public accounting. He has substantial experience in serving VC and PE backed medical device, life sciences and technology companies. Aftab has served public and private companies ranging from start-up, development stage enterprises to established multinational companies.

Aftab has experience with SEC reporting, mergers and acquisitions, international operations and strategic partnerships. He has participated in the preparation of numerous IPOs and secondary public equity and debt registration statement filings as well as on-going Securities and Exchange Commission reporting.

Aftab has also spent substantial time assisting publicly and privately held clients and their audit committees in understanding, evaluating, and implementing new accounting and regulatory requirements. In addition, Aftab has been a key contributor in multiple publications and “Thought Leadership” projects on related topics.
BIOGRAPHY:

Eskander Yavar has over 20 years of professional services experience and serves as the national leader for BDO’s Manufacturing & Distribution industry practice as well as the Management and Technology Advisory Services practice. Eskander also leads the Industry 4.0 initiative driving automation, connectivity, and workforce transformation across our clients and their entire value chain.

Eskander’s experience includes both the technical knowledge associated with complex technology, supply chain, financial, and operational performance improvements and the “high touch” interaction style that improves the flow and timeliness of complex, transformational engagements. He has led numerous transformational projects within the chemicals, food manufacturing, and petrochemicals subsegments.
PRESENTER:
Jeff Pratt

JEFF PRATT
Supply Chain Practice Lead
Managing Director
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BIOGRAPHY:

Jeff has over 28 years of experience in Supply Chain Management, and brings sourcing, process, technology enablement, change, organizational, financial, and performance measurement experience to help clients maximize the success, user experience, and long-term business impact of Supply Chain transformation programs. Jeff is known for his hands-on style and serves as a coach and trusted advisor to current and former colleagues and clients.

As BDO’s Supply Chain Practice lead, Jeff works to drive executable solutions by drawing on industry knowledge, multidisciplinary backgrounds in process, technology enablement, and strategy, and practical use of leading practices. Specifically his focus is on delivering solutions through the following services:

Jeff has extensive experience in the consumer products, high tech, insurance, manufacturing, media and entertainment, construction, hospitality, professional services, and financial services industries and has driven supply chain efficiency programs as large as $1Billion annually. He has worked on domestic and international projects. In addition to his consulting experience, Jeff has also held “C-level” and global leadership roles with oversight of over 180 professionals, and $50M in budgetary responsibility.
PRESENTER:
David Wong

DAVID WONG
STS R&D Tax Principal
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dwong@bdo.com

BIOGRAPHY:

David is a partner with BDO USA’s Specialized Tax Services practice and leads both the West Region and Southwest Region R&D and FDII tax services practices. He has extensive knowledge in R&D tax credits and the Foreign Derived Intangible Income (“FDII”) Deduction.

David has over 16 years of professional experience, including many years in the R&D Tax Credit Practice at a Big Four firm. He has experience helping both large and small companies identify and document their R&D credits as well as assisting them in defending those credits upon IRS and/or state taxing authority exams. He has experience with California, Arizona, New Mexico, Oregon, Washington, Utah, Idaho, and Texas, having worked with companies ranging from the development stage to those with over $20 billion in revenues. During his career, David has identified and defended over $2 billion of R&D tax credit claims.

David has served companies in a broad range of industries, including:

- Computer Animation
- Consumer Products
- Financial Services
- Food & Beverage
- Healthcare & Telemedicine
- Insurance & General Agencies
- Manufacturing
- Oil & Gas
- Online Retailing
- Pharmaceuticals
- Professional Services
- Semiconductor
- Software
- Video Gaming

His extensive experience has enabled him to achieve, on average, a 95% allowance on R&D claims for many of his clients on exam or at appeals.

David has also published various articles in technical journals such as The Tax Advisor (May 2010), Gamasutra.com (October 2012), ShaleMag.com (July 2018), and BizJournals.com (December 2018).
PRESENTER:
David Duski

David Duski is a Director in BDO’s Forensic Investigation and Litigation Services group and leads its intellectual property consulting practice. Throughout his career, David has provided dispute resolution services for cases involving patent infringement, trademark infringement, trade secret misappropriation, false advertising, breach of contract, business interruption, legal malpractice, and product liability, among others. He has also provided financial and economic consulting for attorneys and corporate clients.

David has conducted complex financial analyses involving lost sales, lost profits, incremental profits, manufacturing and marketing capacity, fixed and variable costs, product line profitability, price erosion, reasonable royalties, unjust enrichment, commercial success, and prejudgment and post-verdict interest for both plaintiffs and defendants. He has also served as an expert witness in matters filed in U.S. District Court, state court, and before the American Arbitration Association. Additionally, David has lectured on the topic of intellectual property damages at The John Marshall Law School, Loyola University Chicago School of Law, and the Chicago Bar Association.

His case experience encompasses a broad array of industries including automotive, aviation, biotechnology, cellular, chemicals, consumer products, energy, financial securities, healthcare, HVAC, information technology, internet, medical products, military, network security, online learning, optical, pharmaceuticals, semiconductors, sporting goods, supercomputers, and telecommunications.

David graduated from DePaul University earning a bachelors degree in Accounting and Finance.

BIOGRAPHY:

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