

High Growth Companies Update

Operational Resilience in High Growth Companies

1 May 2020



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Welcome

Today's agenda

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Introducing our presenters



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**Deloitte Private High Growth, Client
Portfolio Manager**

Sector Update

Ryan Carey

Technology enabled businesses

What have we learnt so far?



The funding response:

- CBILS - British Chambers of Commerce's latest business impact tracker shows just 13% of those businesses that applied for the CBILS have succeeded
- State aid complexity is causing concern – in particular the “Undertakings in Difficulty” definition



Optimism in new measures:

- Innovate UK R&D grants & loans – a new £750m pot
- The Future Fund – a new £250m fund but quite complex and hard to qualify if you have a non UK parent company
- Banking Competition Remedies Grants – a new £100m pot worth exploring for FinTech and related technologies



People and the workforce:

- Some are starting to consider adjusting the structure of employee reward – looking at cash vs non cash and alignment of UK reward to global reward
- Many tax authorities have rules covering Optional Remuneration Arrangements impacting base pay and benefits – a note of caution

Resources available

A summary of useful information available to businesses



Deloitte resources:

- [Responding to COVID-19: Updates and practical steps](#) (a series of weekly webinars chaired by Ian Stewart, Deloitte's Chief Economist)
- [Government funding response to COVID-19](#) (a summary of UK and global funding programmes, updated daily. You can also register to receive automatic updates [here](#))
- [Tax Atlas COVID-19 Tax & Fiscal Measures](#) (sign-up to a one-stop summary of proposed and enacted tax and fiscal measures announced globally)
- [Combating COVID-19 with Resilience: How Tax departments can prepare now](#) (Tax specific webcast in response to COVID-19. Part of a wider series of tax webcasts available [here](#))



Other resources:

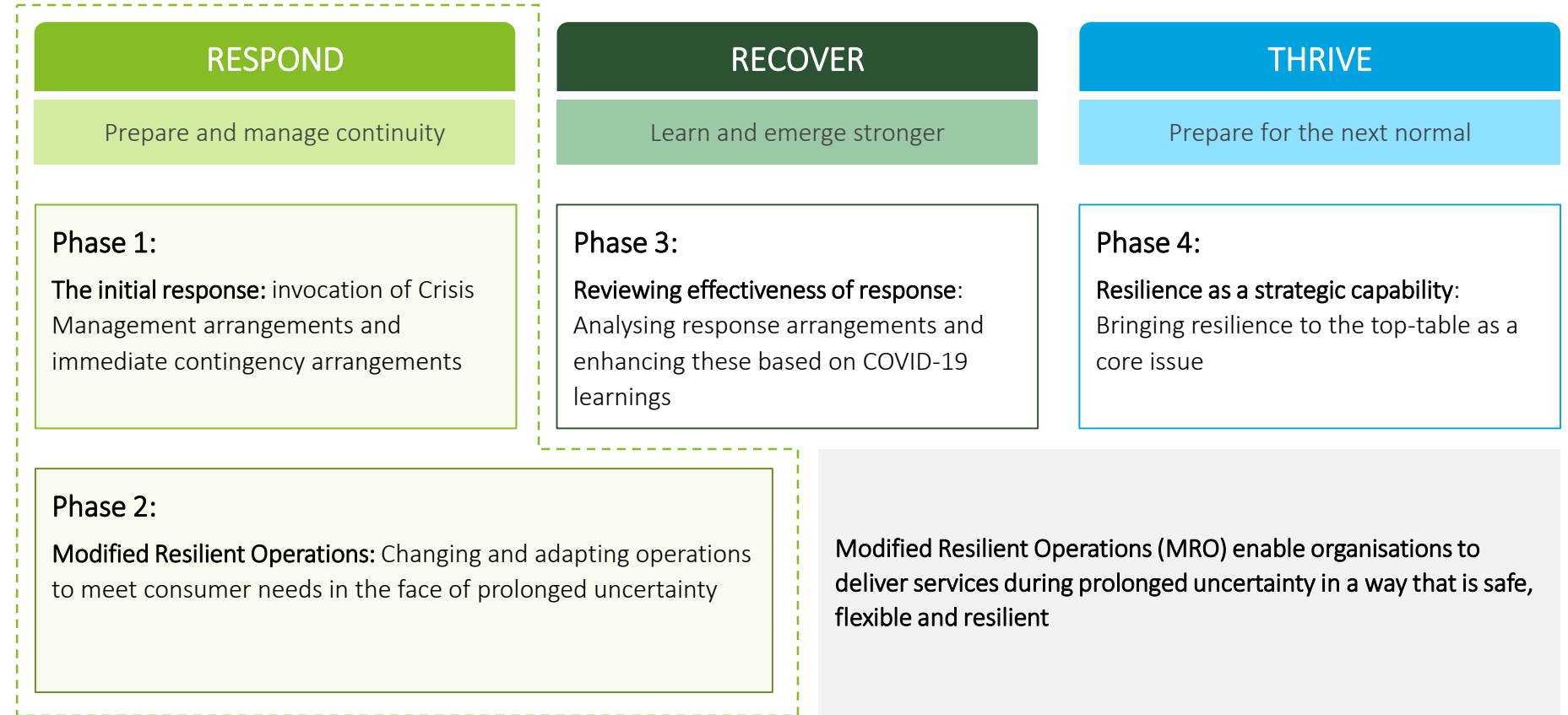
- [OECD country-response tracker](#)

Planning through uncertainty

Rick Cudworth

Modified Resilient Operations

Building resilience through
COVID-19



Respond – Recover – Thrive

Response phase two



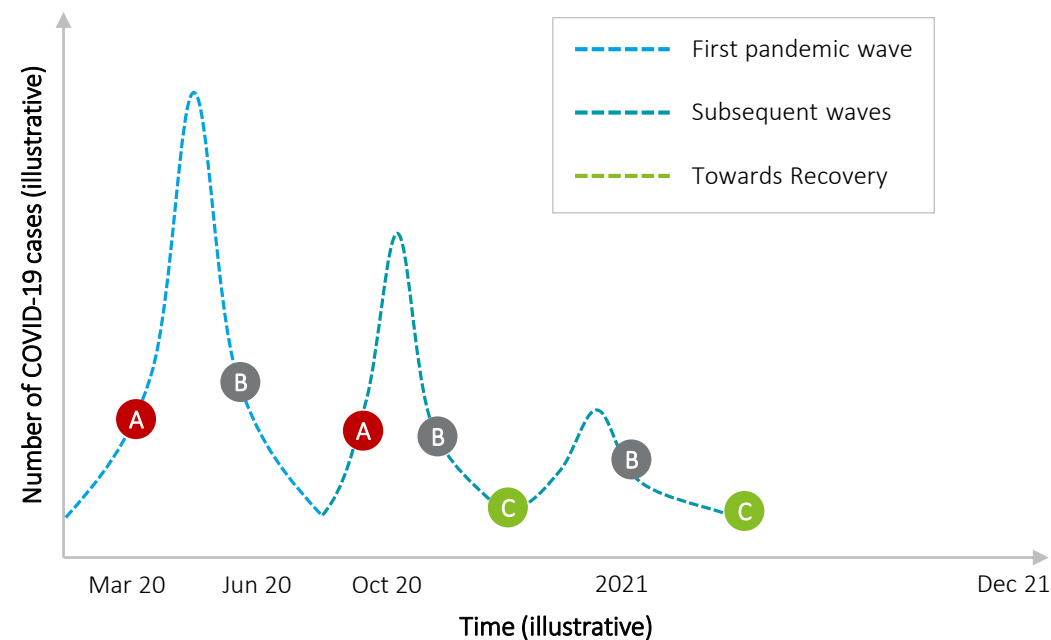
It is likely that governments will flex the level of restrictions in force at any one time as the pandemic progresses. Organisations should be ready to maintain safe, flexible and resilient operations as the response evolves

Planning principles



How this may play out* (illustrative only)

Strategies of 'suppression' are likely to be successful in reducing transmission of the virus over short periods (A). This will provide opportunities to relax certain restrictions (B). This could lead to another peak in the rate of transmission occurring, at which time some restrictions may be activated once more (A). As the pandemic is brought under control, more measures will be relaxed (C). We could move between Scenarios A and B or C and back again over the next 3-18 months.



*Based on: 'Impact of non-pharmaceutical interventions (NPIs) to reduce COVID-19 mortality and healthcare demand' (Imperial College COVID-19 Response Team, March 2020)

Response phase two scenarios

Illustrative planning
scenarios

Scenario A – ‘Rising Peak’

Scenario B – ‘Post-Peak’

Scenario C – ‘Towards Recovery’

SITUATION

Pandemic situation

- Rates of infection progression, transmission rate and recorded cases are rising
- Hospitals are predicted to exceed operating capacity
- There are concerns over shortages of medical equipment and staff

Business and public services

- Schools and universities have been closed
- The government has ordered the closure of non-essential businesses

Travel restrictions

- 'Suppression' strategies have been implemented, such as 'social distancing' and lockdowns, to limit the number of cases
- International travel is highly restricted and some land borders are closed

Public confidence

- Public, consumer and stakeholder confidence is low as restrictions are expected to be in place for some time

Economic

- Financial markets are under stress and major losses are incurred globally
- Confidence of investors and shareholders is very low and new investment, whilst available, is limited or 'at a cost'

Pandemic situation

- Levels of infection have dropped below peak levels, however, concerns remain over lack of immunity
- Hospitals operating at or near to full capacity with the number of cases reducing

Business and public services

- Schools have reopened in areas deemed to have surpassed the peak
- Businesses, venues and communal spaces able to open providing they adhere to operating restrictions

Travel restrictions

- There has been some relaxation of restrictions with non-essential workers or those confirmed as 'lower risk' allowed to return to work
- Many countries have relaxed entry restrictions, though restrictions remain in countries facing a 'rising peak' scenario

Public confidence

- Confidence has improved due to the reduction in new cases, although many are still wary of possible resurgence

Economic

- Financial markets begin to stabilise, however there is little prospect for growth in the short-medium term
- Investors remain wary of another peak

Pandemic situation

- In most regions, the pandemic is now within the range where epidemiological surveys of infected people are traceable, and have dropped to low levels.
- Hospitals are operating at a manageable capacity

Business and public services

- Most schools have reopened nationally, with isolation only remaining where there are infected individuals
- Most businesses and venues are allowed to resume operations providing strict isolation and containment measures are followed

Travel restrictions

- Restrictions on movement and mass gatherings in most areas have been lifted, and sporting events resumed
- International travel is no longer limited as air routes open and restrictions on flights are relaxed
- Most border restrictions relating to COVID-19 have been lifted

Public confidence

- Confidence has vastly improved due to the WHO status and medical advancements

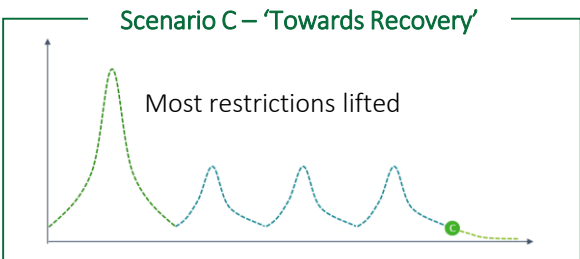
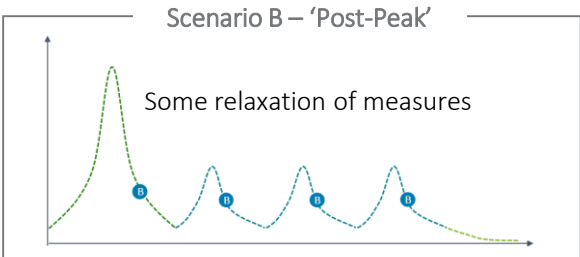
Economic

- Financial markets begin to recover and there is potential for growth in the near future
- Shareholder and investor confidence is on an upward trend with the potential for more positive investment decisions

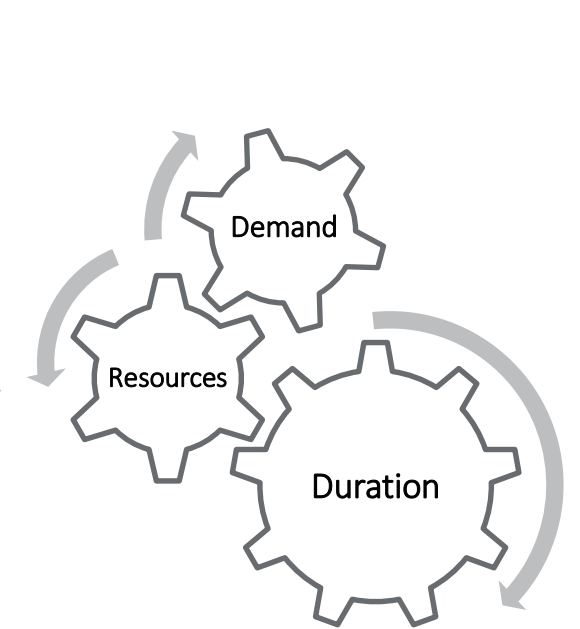
Using a scenario-based approach

Determining the changes to make, when to make them and how to put them into effect

1. Identify scenarios which will impact customer and stakeholder demands and the operations to meet those



2. 'Stress test' delivery capabilities against planning assumptions for each scenario



'Crunch points' identified

3. Identify modifications needed to maintain safety, flexibility and improve resilience

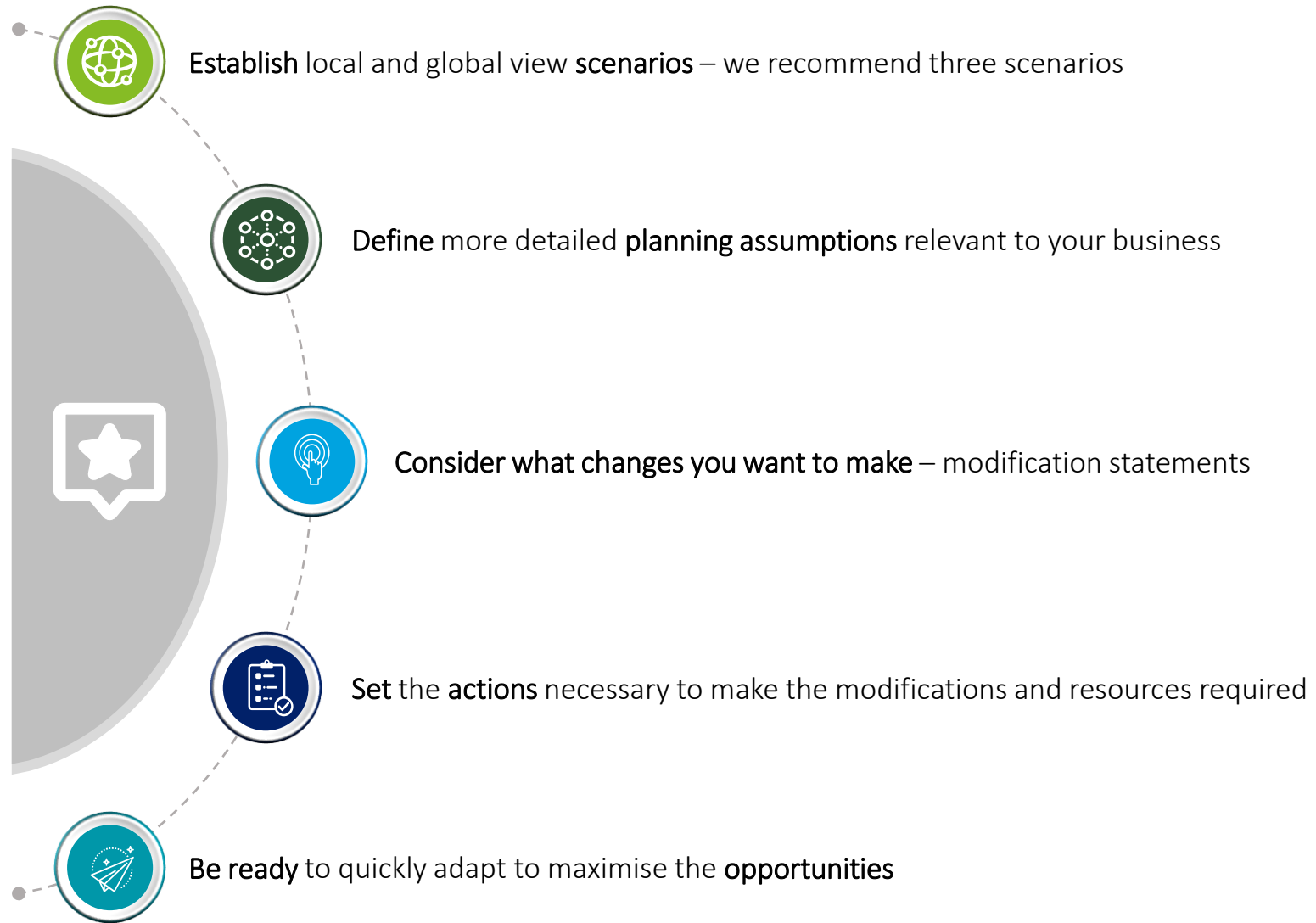


4. Identify actions needed to make modifications happen, and the resources, timeframes and costs to implement



Modified Resilient Operations: top tips and recommendations

Ensuring safety, flexibility and resilience through the next phase of response



Establishing a robust framework

Atif Yusuf

Establishing a robust framework

The world is likely to be a different place post Covid-19 pandemic, and a number of implications for the global economy and businesses are possible...

We are modelling a range of scenarios for the future...

Passing Storm – recovery late 2020

Good Company – recovering late 2021

Sunrise in the East – recovering late 2021

Lone Wolves – recovery mid 2022

Financial view

- Globalisation
- Geopolitics
- Resilience: Government
- Resilience: Corporates
- Resilience: Financials
- Resilience: Households
- Air travel
- Ways of working:
- Physical vs online space
- Public vs Private sector
- Interest rates/role of central banks
- Equality and taxation
- Immigration

... but there are common implications we can assume now...

- Long term low interest rate environment
- Increased cost of rise / impairment
- Short term credit spike but long term deleveraging
- Volatile customer, government and regulatory position

- Reduced NIMs
- Reduced profitability

... These have macro implications that will start to play out now...

Winners

Will focus on:

- Acquisitions
- Customer / growth
- Products / innovation
- Cost

Strugglers

Will focus on:

- Cost
- Op model and supply chain
- Transformation of business model

Losers

Will focus on:

- Distress / financial restructuring
- Resilience
- Sales / divestiture
- Government help
- Cost

... with key focus areas driving the Recover and Thrive phases...

Customers

- Spike rather than slump in demand
- New product economics
- Enhanced innovation for policy, pricing and delivery

Operations

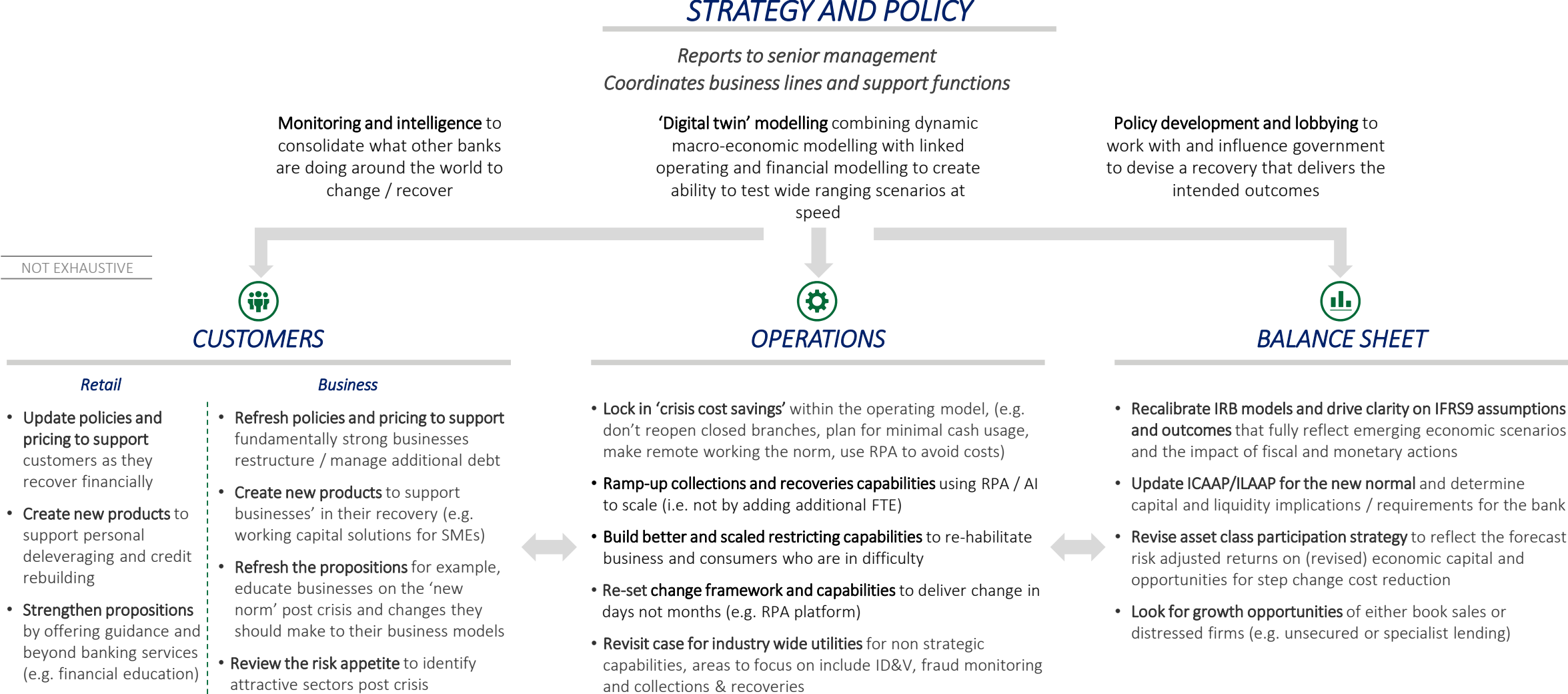
- Lower cost op model
- Accelerate adoption of new tech
- Embed rapid decision making
- Reset change portfolio

Balance Sheet

- Business lending
- New growth
- Refreshed regulatory agenda
- M&A

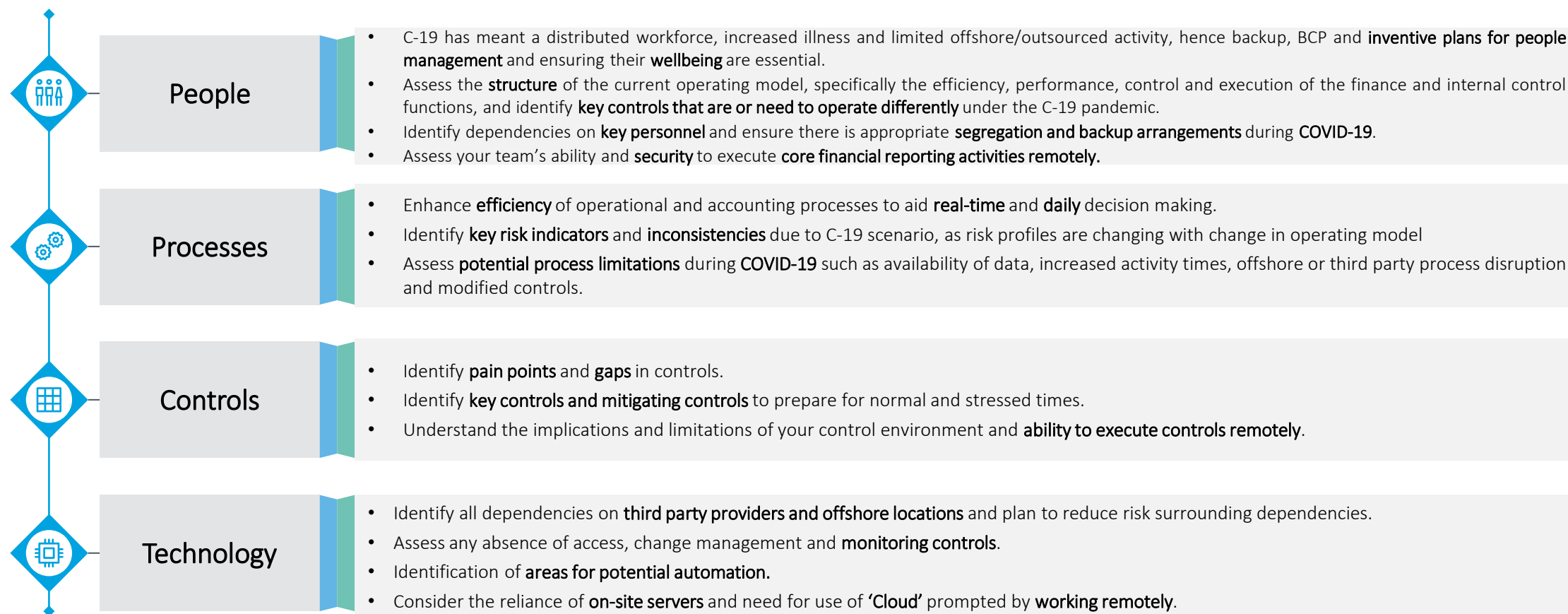
Establishing a robust framework

FinTechs’ *strategies will need to adapt* to the potential profound systemic changes that may characterise the next normal as they emerge



Establishing a robust framework

Operational excellence, particularly during **COVID-19**, remains at the heart of firms therefore it is imperative to ensure **reliable and timely financial and operational reporting**, upon which key business decisions can be made.



Establishing a robust framework

Processes and controls

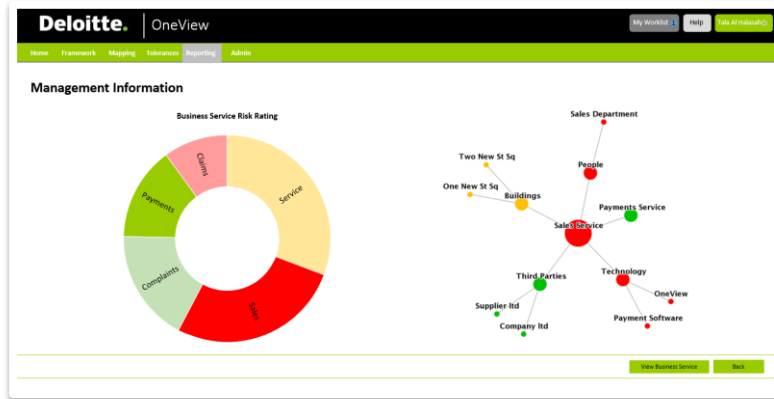
Poorly, although few would admit to it...

	Few undertake a detailed financial risk assessment		Documentation is poor
	Little evaluation of entity level controls		Lack of accountability – process/control owners
	Limited identification of material/key controls		Lack of focus on GITC
	Limited analysis of risk and control within central functions		Little evidence that controls are operating as designed

...few UK companies address ICFR unless there is a burning platform

The technology solution to implement your Operational Resilience framework

OneView is Deloitte's cloud-hosted solution for clients to undertake and manage their Operational Resilience framework, as required by the FCA and PRA Consultation Paper. OneView enables clients to access analytics on the vulnerabilities of their resources and the impact this has on their important business services.



Identify important business services

OneView provides a central location to manage your lists of services, with a consistent framework to identify those that are most important to your business.

Map important business services against resources

OneView guides you to identify the combination of resources that the delivery of each of your important business services relies upon. This highlights which critical resources may pose a risk to the delivery of your business services.

Run self-assessments

OneView allows you to run regular self-assessment reports on your operational resilience, and delivers this in a format that is regulator ready, so that you can quickly and easily demonstrate that you're operating in line with regulatory expectations.

Scenario testing

OneView helps you to create scenario testing plans by generating possible scenarios that involve the loss or disruption of your most critical resources. You can also use the 'sandbox environment' in OneView to make hypothetical changes to your business services and resources to fully understand the impact of scenarios and upcoming strategic decisions to your organisation.

Set impact tolerances and regular reviews

OneView provides a consistent framework through which you can set impact tolerances for your important business services. You're able to access regular MI indicating how your business is performing in relation to the impact tolerances you set.

Operational Resilience and Cloud: AWS

Richard Caven

- Operational resilience- not solely a cloud or even a technology specific issue
 - “Ability of firms and the (financial) sector as a whole to prevent, adapt, respond to, recover and learn from operational disruptions” - Bank of England, CP19/32 Building Operational Resilience, 5 Dec 2019
- Operational resilience relies on People, Processes, Technology, Facilities, and Information. Cloud offers a potential solution to SOME of the challenges organisations face in improving operational resilience
- Cloud is a powerful tool that helps our customers improve operational resilience:
 - Meet specific resilience characteristics/operational risk appetite
 - Reduce complexity inherent in legacy technology stacks
 - Design processes to increase transparency and granularity of controls
 - Build agile and innovative infrastructure that is able adapt and scale to meet the challenge of unexpected change
- Proportionality- managing resources through lens of cost and risk can be facilitated by the cloud
- Improving operational resilience requires not only decisions relating to systems architecture however, but also the organisational capabilities of risk management, process governance and control

Questions

Key Contacts

For advice on responding to COVID-19, please get in touch with your usual Deloitte Private contact or the High Growth Central Team:

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