

Novel Coronavirus (2019-nCoV)

Feb 2020

ALVAREZ & MARSAL

Proposed response to mitigate impact of Coronavirus outbreak



Short-term Actions for Employee Protection

Minimize risk of infection and keep morale

Function	Action
General HR	<ul style="list-style-type: none">• Engage immediately with local government related bureaus to collaborate and leverage existing support system• Initiate emergency management procedures and closely monitor movements of employees; establish measures such as hotlines to ensure prompt response to employees' health concerns; prepare contingency plans for potential infection cases• Set up short term people arrangement to reduce risk of infection - effective work-from-home arrangement for selected employees, reduction of travelling, minimize external guest visit• Clearly define the HR policy such as self-quarantine, that be reasonable for business and employee• Maintain open communication with employees, inspire employee dedication and positive attitude while protecting their rights and interests
Field Operation	<ul style="list-style-type: none">• Establish health screening procedures at the workplace, control traffic and visitors in the workplace• Review cleaning, disinfection and management of common area including employee dormitory, canteen etc., to minimize contamination concerns• Include cleaning and disinfection into workstation, process SOP and maintenance procedure, supervise and provide training to employees• Manage and ensure right protective equipment (PPE) to employees• Review and adjust usual workflow practice, such as shift and working schedule to minimize contamination exposure

Short-term Actions for Business Protection (1/2)

Immediately assess the state of business continuity and supply chain. Proactively organize resources to prioritize and to manage bottlenecks

Function	Action
Management Team	<ul style="list-style-type: none"> Dedicate a core team for emergency management. Develop contingency plan and closely monitor its implementation. Develop the right prioritization
HR	<ul style="list-style-type: none"> Take immediate measures to manage labor cost
Planning	<ul style="list-style-type: none"> Immediately assess and monitor inventory position and orders. Address future-order and inventory risks Review S&OP with up-to-date assumptions/baseline in view of disruption Review order allocation mechanism, such as allocation to China or foreign factories Form daily taskforce to review and manage system bottleneck
Sourcing	<ul style="list-style-type: none"> Form taskforce to manage supply chain risks, including raw material, custom, logistic providers, outsourced process; keep up-to-date on supplier status and adopt corresponding measures Identify bottleneck area, classify suppliers based on risk level and develop countermeasures accordingly Leverage supply chain resources globally to manage short term supply disruption
4 Wall Operation	<ul style="list-style-type: none"> Timely examine and resolve operational bottlenecks caused by the absence of employees Implement demand-management internally, especially for key material, MRO, and any emerging key supplies Review workgroup / cell level monitoring and support system to ensure concerns are escalated and addressed effectively

Short-term Actions for Business Protection (2/2)

Immediately assess the state of business continuity and supply chain. Proactively organize resources to prioritize and to manage bottlenecks

Function	Action
Sales	<ul style="list-style-type: none">• Assess customer orders and forecast; develop prioritization list to help drive focus• Be proactive and keep communication with customers• Prioritize cash collection for sales team
Finance	<ul style="list-style-type: none">• Compile cash flow forecast with sensitivity of stress levels and reserve buffers for potential downside; formulate measures to minimize losses and accelerate cash inflow• Extend the efforts on cash collection, offer discount to encourage and urge customers to make early payments• CFO to control all levels of payments, prioritize payments that are critical to operational continuity and delay any non-urgent items• For high-priority payments, team should negotiate with suppliers for a payment reduction to share the losses. For example, negotiate rental reduction with landlord and payment discount with suppliers• Reassess CAPEX and investment projects, reduce and delay as appropriate• Provide clear guideline and target on inventory realization / liquidation to facilitate implementation• Collaborate closely with banks to negotiate interest reduction, loan extension or other new financing channels• Promptly apply for government subsidy (if applicable)

Mid to Long-term Actions to Improve Business Resilience

Business should continue to identify changes in market dynamic, and be proactive to adapt to new environment as opportunities against competition

- Run a flash forecast to determine the “floor” of business volume for the next 12 months to re-envision a new operating paradigm affecting cash, working capital, production, staffing etc. Identify inflection points to incorporate countermeasures that would add flexibility to operating structure
- Renew the mid to longer term forecast (basis for S&OP) and budget, accounting for anticipated supply-demand disruptions
- Set up end-to-end product flow tracking and review daily, weekly. Strive to obtain “glass-pipe” view of inventory
- Continuously work to improve speed to market (reduce lead time) in the entire chain
- Push out major investments and right-size initiatives (e.g., closure of operations or factories) until the situation stabilizes
- Re-evaluate personnel demand and take corresponding actions
- Identify key market dynamics changes in the industry, and make strategic including operational (end to end system) transformation or adjustment to adapt to the new industry dynamic
- Initiate supplier-continuity strategic review and identify commodity categories or suppliers that are at high-risk. Strategize to diversify risks. Improve planning and supply chain resilience

A&M Team of Advisors

Professionals with operational and crisis management experience are here to

- Provide advices to deal with the current crisis
- Facilitate planning meetings with management team to identify immediate actions
- Help business to improve planning and supply chain resilience, to be better prepared for unexpected risks in the future



Alan Huang
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- Supply chain and manufacturing
- Strategy, business transformation, operational turnaround



How Jit Lim
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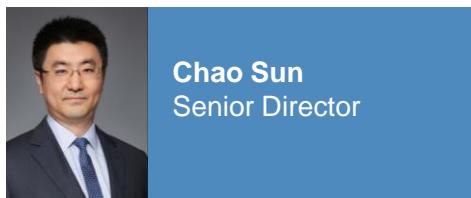
- Corporate background in manufacturing and supply chain, incl. 12-year China & Asia Pacific P&L experience
- Interim management, turnaround and performance improvement



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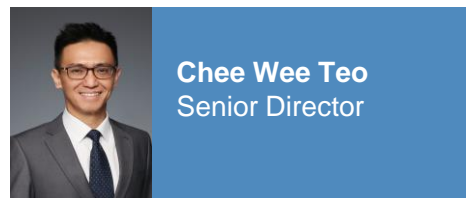
- Consumer & retail
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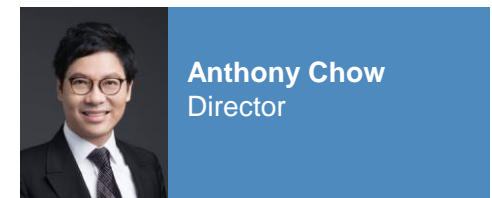
- Consumer & retail, manufacturing, IT
- Interim management, performance improvement, restructuring, turnaround



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- Manufacturing and healthcare
- CFO background, FCPA Australia, Six Sigma Black Belt



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