



Preparing for the new reality

Session 1: The landscape ahead

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17 June 2020



Agenda

- Introduction
- Macro and Business signals framework
- Business as usual?
- Achieving the new reality
- Presentation by Treasury Minister, Alf Cannan MHK
- Q&A moderated by Russell Kelly
- Questions and wrap up



Simon Nicholas
Markets Partner



Russell Kelly
Managing Partner



Macro environment and key signals for each phase

	 Reaction Respond to crisis	 Resilience Manage through uncertainty	 Recovery Identify opportunities	 New Reality Adapt to a new world
Pandemic¹	<ul style="list-style-type: none"> – Viral outbreak has become a healthcare crisis that is overwhelming hospitals and response capacity. – A lack of ability to address and treat the outbreak is leading to radical lockdown measures. 	<ul style="list-style-type: none"> – Infections continue to rise but lockdown measures are proving effective at slowing the rate. – Healthcare capacity is catching up / getting ahead of the spread, enabling some lockdown measures to be loosened. 	<ul style="list-style-type: none"> – The virus spread decreases, healthcare capacity stabilizes and treatment / vaccine research looks promising. – Loosened lockdown measures are not resulting in further outbreaks, allowing domestic reopening to commence. 	<ul style="list-style-type: none"> – The virus is broadly contained and healthcare is in a state of preparedness – Lockdown has been fully lifted and borders are reopening as a result of effective treatment and/or a vaccine and/or herd immunity.
Economic	<ul style="list-style-type: none"> – Lockdown measures are effectively halting the economy and creating simultaneous supply and demand shocks that lagging indicators are not yet registering. 	<ul style="list-style-type: none"> – Economic impact is now evident in lagging indicators and the decline is continuing despite interventions. – Unemployment rates are rising dramatically and consumer confidence is bottoming out. 	<ul style="list-style-type: none"> – The economy has stopped declining and is beginning to stabilize, slow (re)growth in some sectors is starting to show. – Unemployment rates have stopped increasing and are beginning to stabilize. – Production / manufacturing stabilizes as lockdown measures are lifted. – Consumer confidence remains low. 	<ul style="list-style-type: none"> – Stabilization of the economy is confirmed, and slow-but-steady (re)growth is starting to show more widely. – Production / manufacturing is starting to increase as demand returns. – Consumer confidence is slowly beginning to increase.
Business	<ul style="list-style-type: none"> – The primary focus for companies is on crisis management and business continuity. – All decisions being made are framed in the 'here and now'. 	<ul style="list-style-type: none"> – Companies are taking stock of the crises (health and economic) and doing anything and everything possible to stay in business. 	<ul style="list-style-type: none"> – Businesses are starting to see the 'light at the end of the tunnel' and/or getting acclimated to the dark (i.e. finding ways to operate under lockdown restrictions). 	<ul style="list-style-type: none"> – Reopening in both social and economic terms is allowing businesses to fully re-emerge. – Companies are leveraging efforts from / identified in earlier phases to transform and be successful in the new reality.

*'Stage gate signal': **bolded** statements under each phase are considered primary indicators of alignment / progression to a given phase. Regression to previous phases is possible should a given signal cease to be accurate / current.*

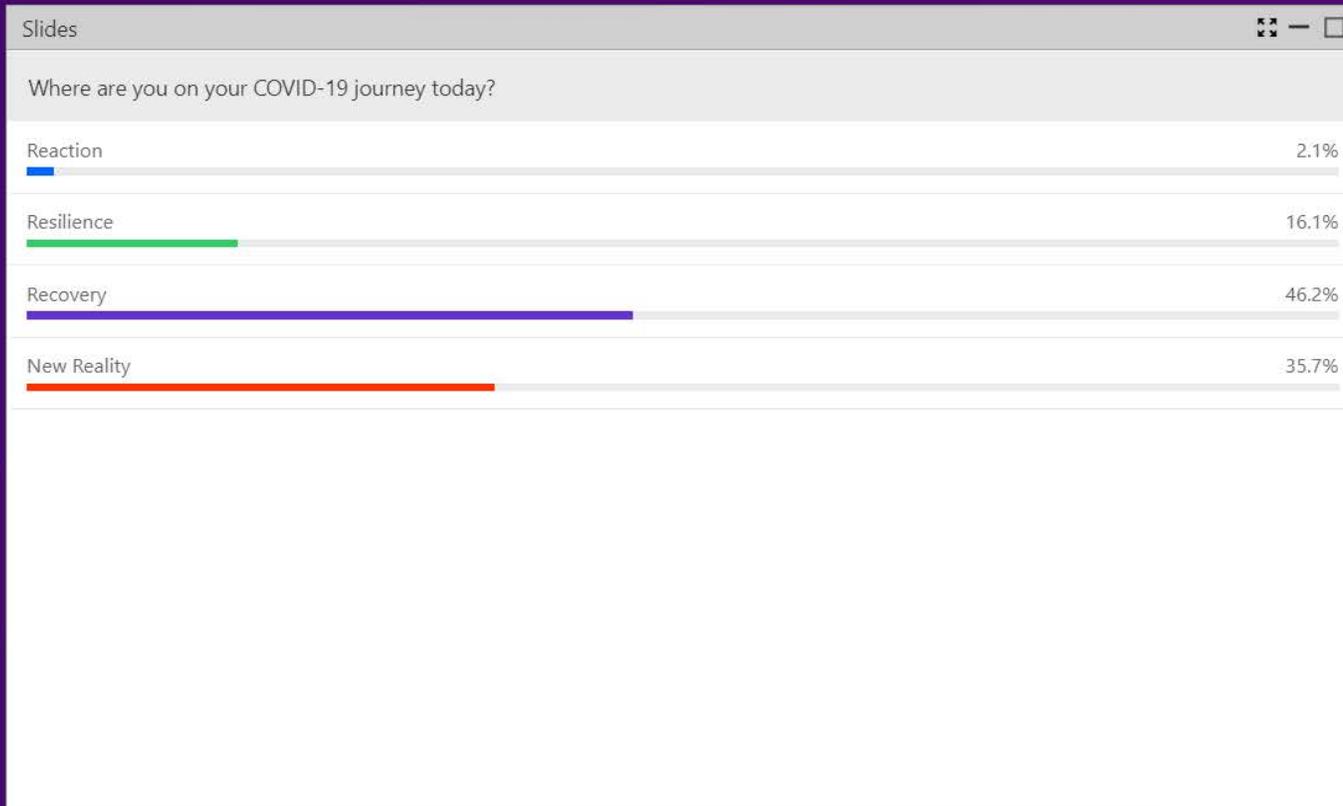
Business signals

	 Reaction Respond to crisis	 Resilience Manage through uncertainty	 Recovery Identify opportunities	 New Reality Adapt to a new world
Steady cash flow	 Immediate cash flow disruption	 Disruption normalizes and more consistent cash flow is forecasted	  Forecast remains steady; consistent cash flow returns	  Consistent cash flow continues to return; forecast remains steady
Reliable supply chain	 Immediate disruption to supply chain halts BAU operations	  Continued disruption; alternatives are tested though limited operations	  Limited operations continue; supply chain (re)optimization efforts begin	 (Re)optimization efforts continue to become new BAU
Manageable demand	 Unable to plan for, stimulate or influence demand due to crisis	 Constraints on demand management capabilities remain	 Demand management evaluated in response to consumer shifts	 Ability to plan for, stimulate and influence demand returns
Relevant business model	 Disruption impacts relevance of existing business model	 Business model evaluation begins and BCP tweaks implemented	  Post-pandemic business model (re)defined; execution begins	 Continued execution with (re)defined post-pandemic model
Effective operating model	 Disruption impacts effectiveness of existing operating model	  BCP measures embedded; operational (re)evaluation begins	  Post-pandemic operating model (re)defined; execution begins	 Continued execution with (re)defined post-pandemic model
Digitization journey	 Scramble to implement digital tools to maintain operations/work remote	 Rethinking and acceleration of digital strategy	  Digitization strategy implemented; automation replaces some jobs	 Digital tools widely adopted; use becomes BAU
Deals activity	  Near-final deals move to close quickly; abrupt halt to preserve cash	  M&A plans frozen; PEs begin to pursue 'lifecycle deals'	 Corporate development plans (re)evaluated; PEs ramp up deals	 Companies that emerge with cash on hand resume 'normal' M&A activity

Which phase are businesses in? (UK)



Responding to COVID-19



Anticipating the new reality

Leveraging the past and present
in pursuit of a brighter future.

V'S

COVID-19: Business as usual

Business is not facing a 'new
reality'; COVID-19 is speeding
up what was already coming.



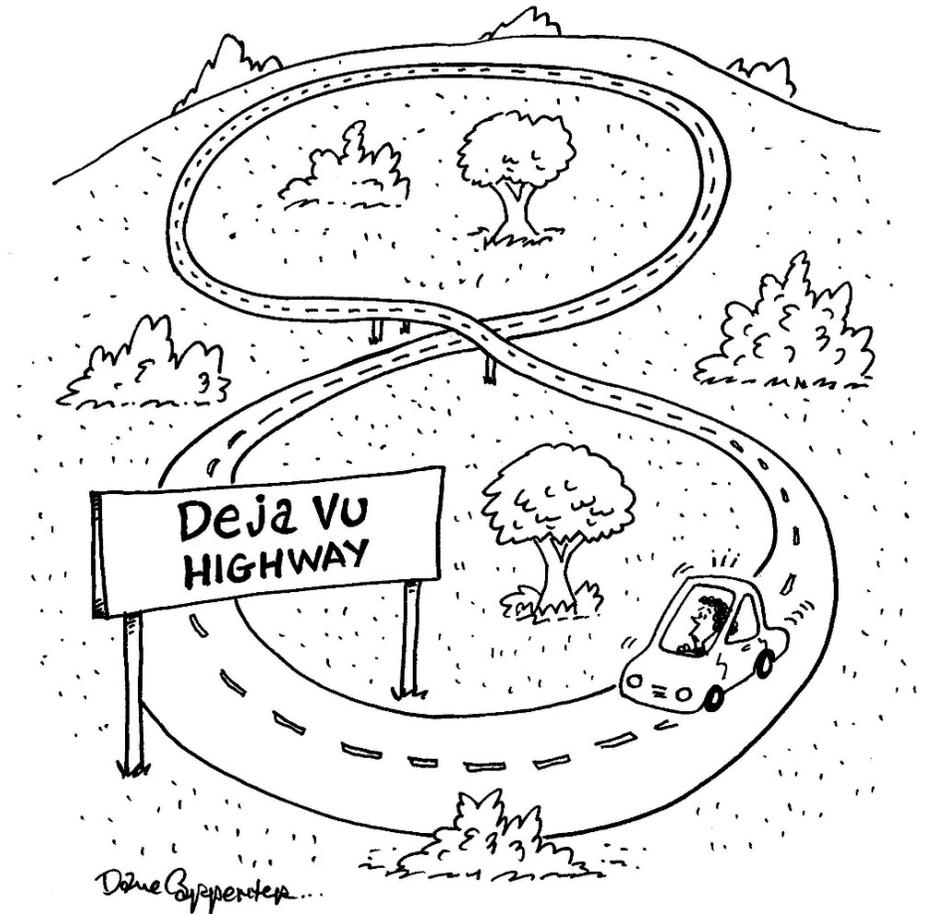
Business as usual?

Today (same as last year?)

- Major world economies are diverging
- Overstretched fiscal and monetary policies
- Social discontent (climate, cyber, human rights)

Macro trends have accelerated

- Productivity redefined
 - automation, technological displacement accelerates
 - labour moves down priority list
- Market economics redefined
 - protect your own, nationalization,
 - supply chain location (resilient more than efficient)
- The purpose of a company is refined – as governments focus on local issues - employees and the public expect companies to address key topics themselves, such sustainability (ESG), reskill labour force as subsidies may not be forthcoming



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Anticipating the new reality

Financial resilience

The ability to withstand the financial impact on liquidity, income and assets.



> Find out more

Operational resilience

The ability to withstand operational shocks and continue to deliver your core business.



> Find out more

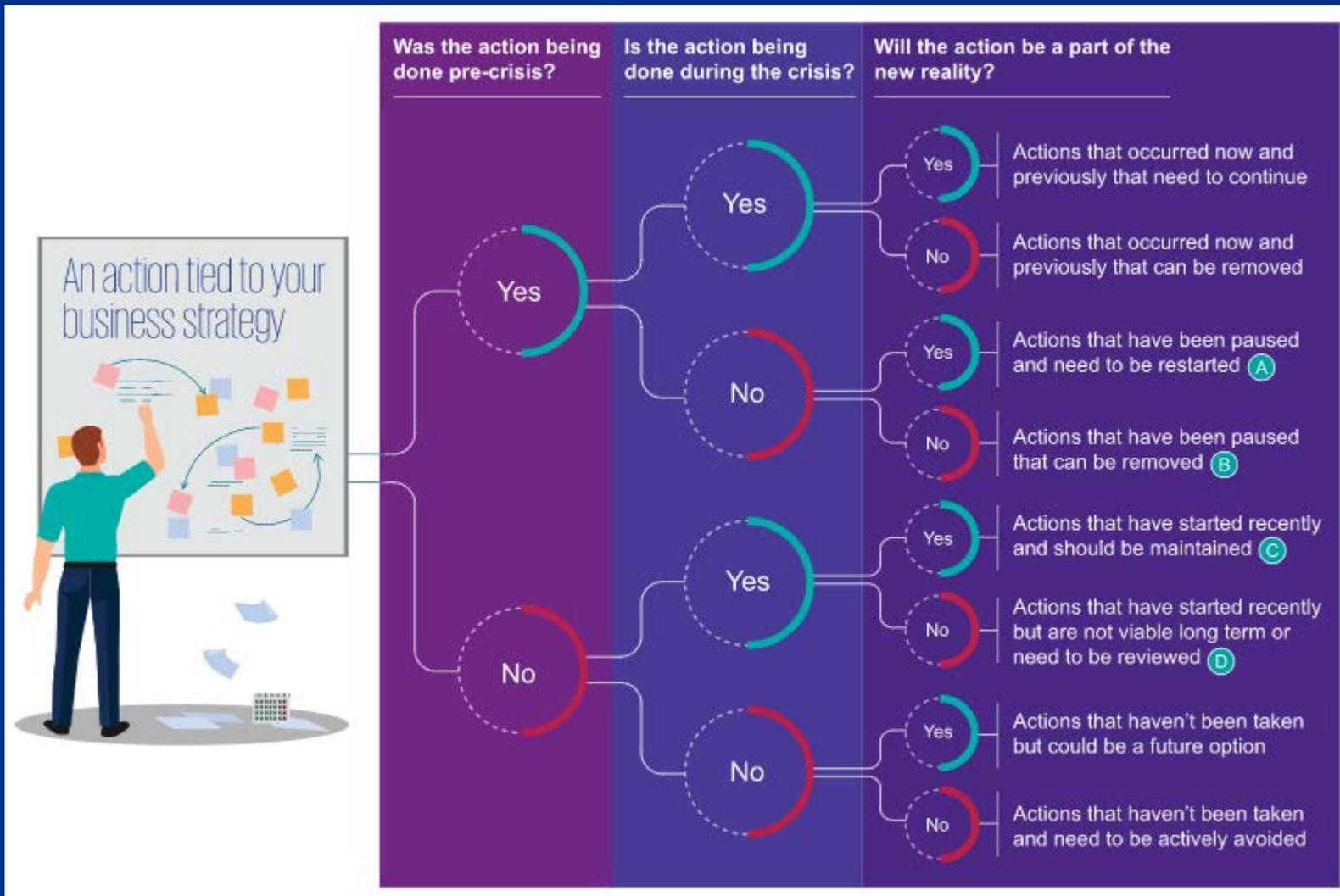
Commercial resilience

The ability to respond to changing market and consumer pressures.



> Find out more

Anticipating the new reality



- A** How do we bring this back in a way that greater utilizes technology?
- B** Clear out the deadwood – did it add value? Was it non-core? Legacy processes?
- C** How do you encompass the new way (born out of necessity) into ‘the way forward’?
- D** Done now but not done previously – sustainable?



Alf Cannan MHK
Treasury Minister



Wrap up and questions

Simon Nicholas - Markets Partner





Thank you



Simon Nicholas
Markets Partner
KPMG Isle of Man
T: +44 (0) 1624 681002
E: snicholas@kpmg.co.im



Russell Kelly
Senior Partner
KPMG in the Isle of Man
T: +44 (0) 1624 681013
E: russellkelly@kpmg.co.im





kpmg.co.im



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