

MassTLC CMO Peer Group Covid-19 Scenario Planning



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April 15, 2020

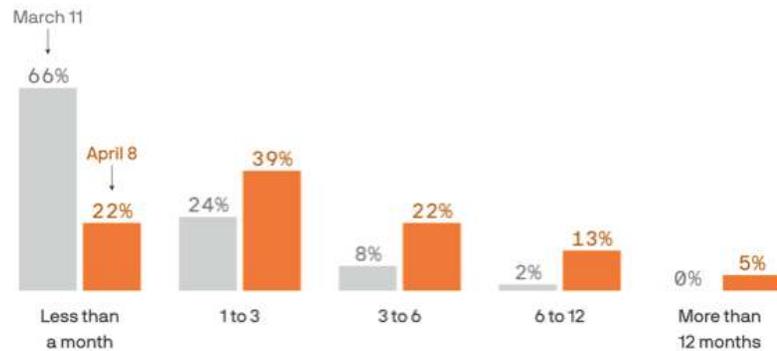
Determining the impact of Covid-19 on your 2020 Operating Plan

- Understand the impact of Covid-19 on the macroeconomy and your customer/installed base
- Model out various scenarios of impact
- Consider defensive and offensive tactics to minimize the impact to your company so you can weather the storm/survive and be well positioned post-crisis
- Update the longer-term company vision and ensure 2020 Operating Plan supports it
- Obtain Board support for the updated operating model

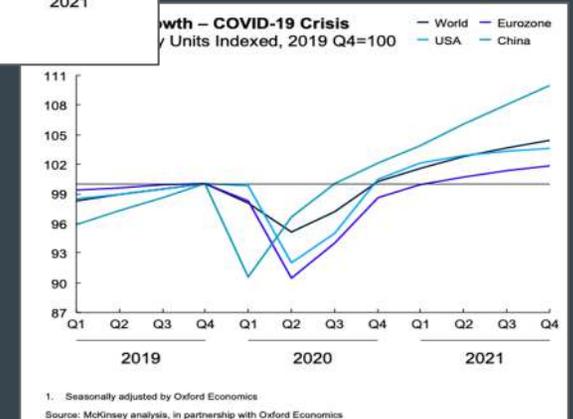
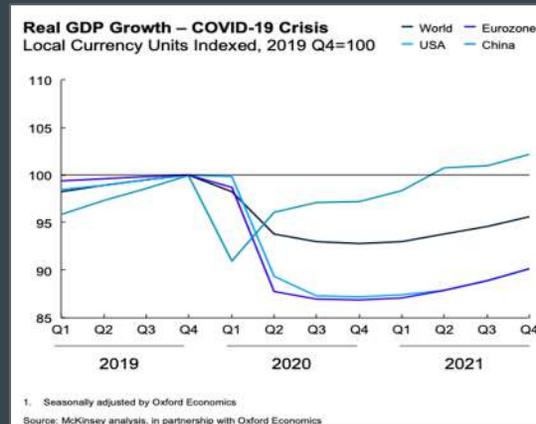
Corporate leaders see recovery moving further away

If COVID-19 were to end today, how long would it take for your company to get back to business as usual?

March 11 survey of 50 finance leaders from the U.S. and Mexico. April 8 survey of 313 U.S.-only leaders.



Reproduced from PwC CFO Pulse Survey; Chart: Axios Visuals



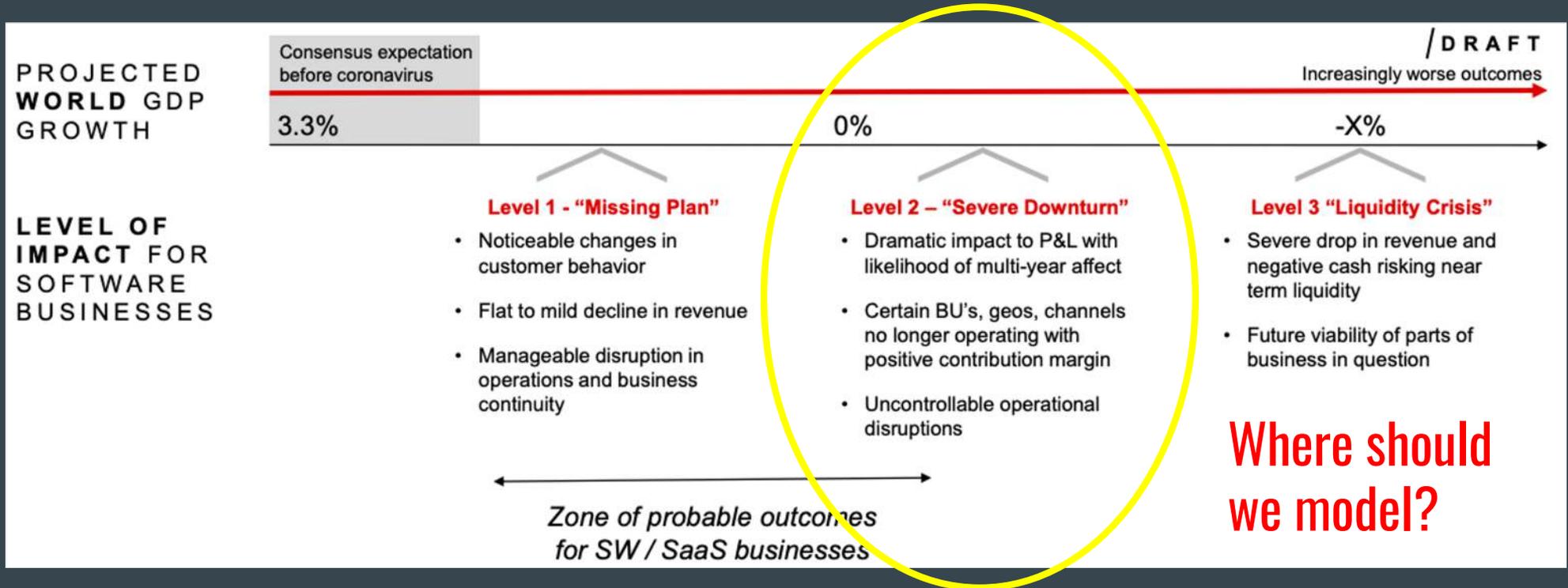
Revenue headwinds for software companies

- ~50% of enterprises have already made formal IT budget cuts for 2020
- ~25% of enterprises have asked their software vendors for payment relief with the majority requesting flexible or delayed payments



Source: Bain COVID-19 B2B IT Software Survey (N=98, March 26, 2020)

Software company's P&L exposure may be damped and lag market disruptions given high recurring revenue



Five attributes about a company's market and product influence the impact the macro environment will have on it

	Factors creating headwinds	Company assessment	Neutral/Positive Factors
Revenue model	<ul style="list-style-type: none"> Tied to consumption / volume (e.g., payments) Large CAPEX investment (e.g., license, hardware) 		<ul style="list-style-type: none"> Largely recurring revenue (i.e., SaaS subscription or maintenance)
End-market focus	<ul style="list-style-type: none"> Serves highly impacted end-markets (e.g., retail, CPG, hospitality) 		<ul style="list-style-type: none"> Serves insulated end-markets like healthcare, industrials
Customer size	<ul style="list-style-type: none"> More SMB focus with less secure financials 		<ul style="list-style-type: none"> Indexed to stable, large enterprises (e.g., F1k)
Product adoption / maturity	<ul style="list-style-type: none"> Relatively immature, penetration-driven growth Tied to a large scale transformation, at risk of delays 		<ul style="list-style-type: none"> Mature with large and predictable base Positioned as a critical existing "keep the lights on" solution
Complexity of sale and delivery	<ul style="list-style-type: none"> Long, complex sales cycles with heavy field component Large, on premise implementations that require PS to go live 		<ul style="list-style-type: none"> Relatively short and simple sale or renewal Deployed remotely and with no onsite implementation services
Examples	Gym or car dealer software		Remote collaboration tools or cybersecurity

The hardest hit sectors may not see restart until 2021



- While there may be a surge in healthcare spending, virtually all other vertical industries are forecast to decline from 15% for educational services to 85% in travel, hospitality, etc.
- In aggregate, US GDP is forecasted to decline 3.8% on an annual average basis
- A 24% decline in Q2 is two-and-a-half times greater than the next-largest quarterly GDP decline on record

*“COVID-19: Briefing materials, Global health and crisis response Updated: March 25, 2020”
McKinsey & Company*

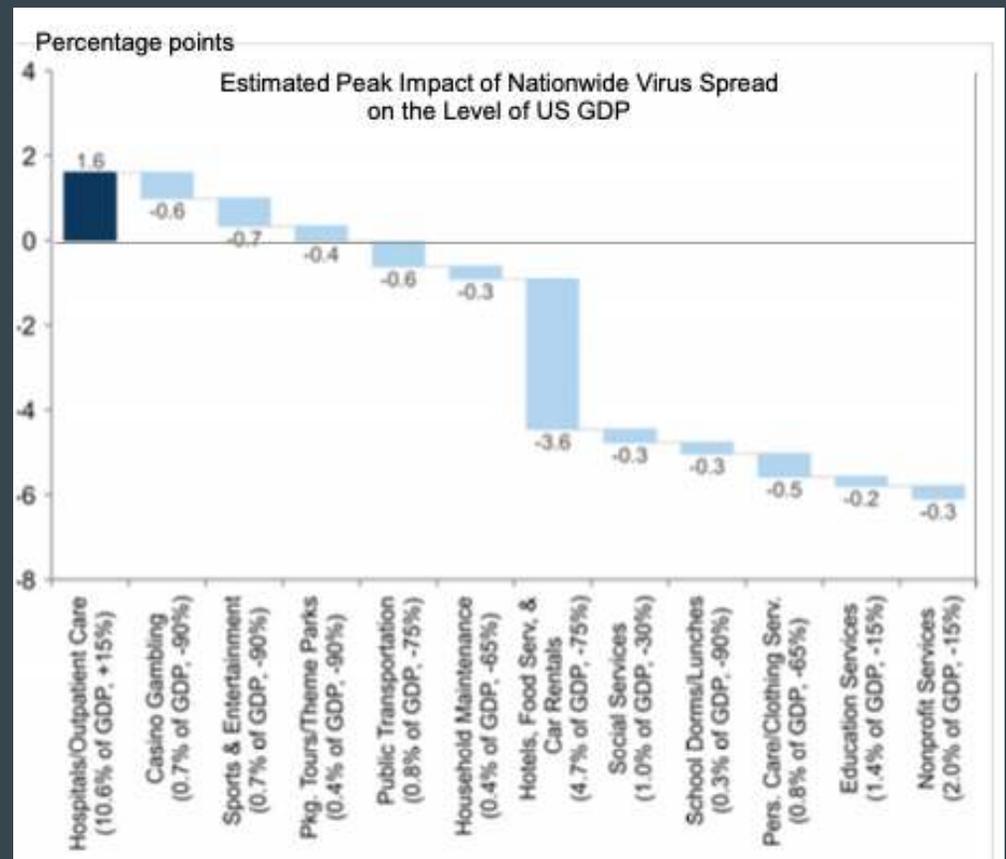
Market assumptions to help with remodeling

- Real GDP growth -9% in Q1, -34% in Q2 *
- Upgrade expectations of recovery in Q3 and Q4 *
- Real GDP falls 6.2% in 2020 *
- Worldwide IT spending is now expected to decline 2.7% in constant currency terms **

Exhibit 3: Estimated Peak Manufacturing Hit by Industry, Based on News Anecdotes

Industry	Estimated Peak Decline in Output in April Share of Manufacturing	Estimated Hit
Motor Vehicles and Parts	5.6%	-75%
Other Transportation Equipment	3.8%	-60%
Retail Goods Ex Food and Autos	8.3%	-30%
Food and Beverages	10.6%	+10%
Medical Equipment	1.6%	+10%
Total		-35%

Source: Goldman Sachs Global Investment Research



* Goldman Sachs: "The Sudden Drop: A Deeper Trough, A Bigger Rebound"

** IDC: "IDC Covid-19 Market Impact Estimate"

Market assumptions to help with remodeling

Rating	Optimistic	Probable	Pessimistic
1	Large positive impact	Small positive impact	Neutral impact
2	Small positive impact	Neutral impact	Small negative impact
3	Neutral impact	Small negative impact	Large negative impact
4	Small negative impact	Large negative impact	Prolonged negative impact
5	Large negative impact	Very large negative impact	Prolonged large negative impact

Source: IDC's Customer Insights and Analysis, 2020

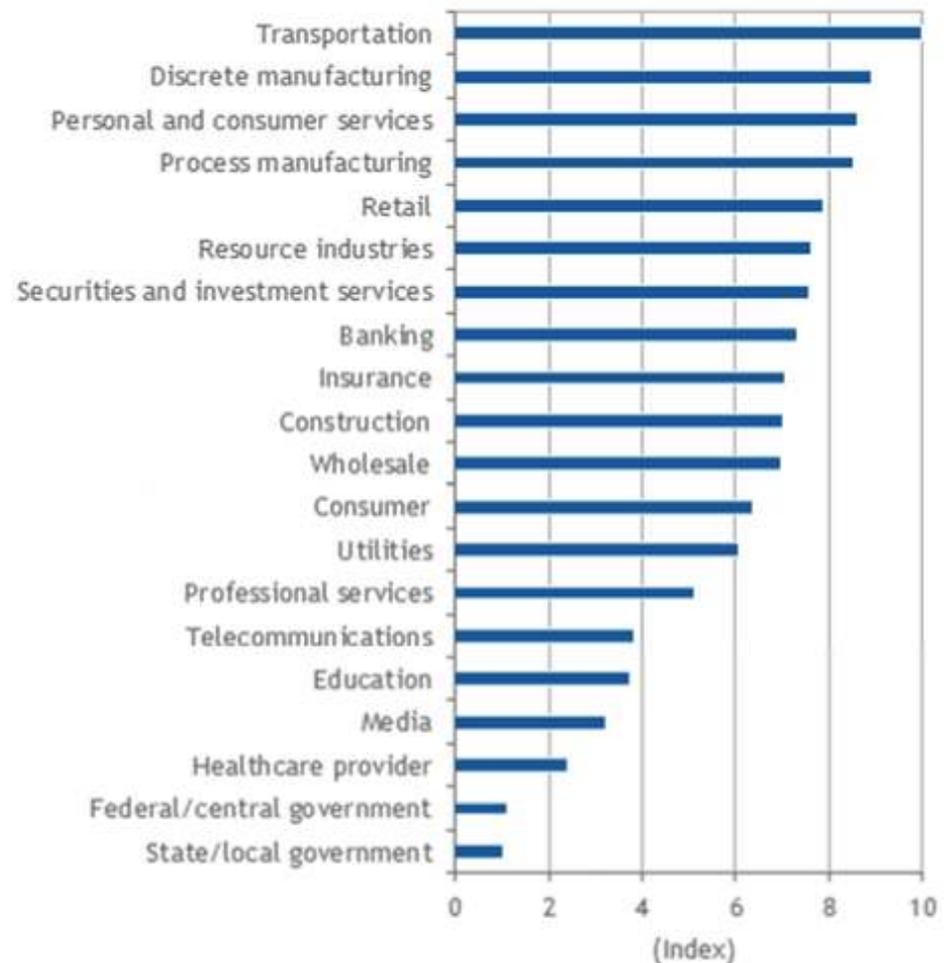
Impact Analysis of COVID-19 by Region and by Industry

Industry	APEJC	Canada	Central and Eastern Europe	Japan	Latin America	Middle East and Africa	PRC	United States	Western Europe
Banking	4	4	4	4	2	4	4	4	4
Insurance	3	4	5	4	2	4	4	4	4
Securities and investment services	4	4	4	4	2	5	4	4	4
Discrete manufacturing	5	5	5	5	4	4	5	4	5
Process manufacturing	5	4	2	4	3	5	5	4	5
Retail	4	4	4	4	4	5	5	4	4
Wholesale	4	4	5	5	3	5	4	3	4
Professional services	3	2	3	3	3	3	4	3	3
Personal and consumer services	4	4	5	5	5	4	5	4	5
Healthcare provider	2	4	4	3	2	2	2	2	1
Transportation	5	5	5	5	3	5	5	5	5
Telecommunications	3	2	2	3	2	2	4	2	2
Media	2	2	3	3	2	2	2	2	3
Utilities	4	3	4	3	2	3	4	3	4
Construction	4	4	4	4	1	4	4	4	4
Resource industries	4	5	5	3	1	5	5	4	4
Federal/central government	2	3	2	3	3	2	2	1	1
State/local government	2	3	2	3	3	2	2	1	1
Education	2	2	4	3	3	2	5	2	2
Consumer	3	4	4	3	4	3	5	3	3

* IDC: "COVID-19: Factoring in the Impact on Industry"

Market assumptions to help with remodeling

COVID-19 Impact Index by Industry



Note: Impact 1-10, where 1 = least impacted to 10 = most impacted.

Source: IDC's Customer Insights and Analysis, 2020

* IDC: "COVID-19: Factoring in the Impact on Industry"

Worldwide 2020 IT spending growth will be negative 5.0%

2020 Annual Growth (Constant US\$)	Grand Total	North America	Western Europe	Greater China	Japan (Region)	Emerging Asia/Pacific	Latin America	Mature Asia/Pacific	Middle East and North Africa	Sub-Saharan Africa	Eastern Europe	Eurasia
Business												
Devices												
Mobile Phones	••	••	•••	•	•	•	•••	••	••	•	•••	•••
PCs and Tablets	••	•	•••	••	•••	••	••	••	•••	•	•	••
Printers	•	•	••	•	•	•	•	•	••	•	•	•
All Devices	••	•	•••	•	••	•	••	••	••	•	••	••
Data Center Systems												
Enterprise Network Equipment	•	•	••	•	•••	•	•••	••	•	••	•	•
External Controller-Based Storage	•••	•••	•••	•	•••	•	•	••	•••	••	••	•
Servers	•	•	•	•	•	•	•	•	•	•	•	•
Unified Communications	•	•	•	•	••	•	••	••	•	•	•	•
All Data Center Systems	•	•	•	•	••	•	••	••	•	•	•	•
Software												
Enterprise Application Software	•	•	•	•	•	•	••	•	•	•	•	•
Infrastructure Software	••	••	••	•	••	•	••	••	•	•	•	•
All Software	•	•	•	•	••	•	••	•	•	•	•	•
IT Services												
Business Process Outsourcing	••	••	••	•	••	•	••	•	•	••	•	•
Consulting	••	••	••	•	••	•	••	•	•	••	•	•
Implementation	••	••	••	•	•	•	••	•	•	••	•	•
Managed Services and Cloud Infrastru	•	•	•	•	•	•	••	•	•	•	•	•
All IT Services	•	•	•	•	•	•	••	•	•	•	•	•
Communication Services												
Enterprise Fixed Services	•	••	••	•	•	•	••	•	•	••	••	••
Enterprise Mobile Services	•	•	•	•	•	•	•	•	•	•	•	•
All Communication Services	•	•	•	•	•	•	•	•	•	•	•	•
All Business	•	••	••	•	•	•	••	•	••	•	•	•
Consumer												
Devices												
Mobile Phones	••	••	•••	•	••	••	••	••	••	••	••	••
PCs and Tablets	••	••	•••	••	•••	••	••	••	••	••	••	••
Printers	••	•	••	•	•	•	•	•	••	••	••	••
All Devices	••	••	•••	•	••	••	••	••	••	••	••	••
Communication Services												
Consumer Fixed Services	•	•	•	•	•	•	•	•	•	•	•	•
Consumer Mobile Services	•	•	•	•	•	•	•	•	•	•	•	•
All Communication Services	•	•	•	•	•	•	•	•	•	•	•	•
All Consumer	•	•	•	•	•	•	•	•	•	•	•	•

Negative
•
Neutral
•
Positive
•

Gartner Global
Recession Scenario,
April 2, 2020

High-level approach

- Preserve cash (in fact, many companies drawing on revolvers now)
- Slow down/eliminate all non-essential spend
- Protect investments that drive demand, sales, and customer retention
- Reconsider any investment that will not bring benefit in 2020

Rethinking: Sales & Channels

- Pipeline refactor
 - Defocus on industries hit hardest by downturn (travel, hospitality, etc.)
 - Protect value in industries that are more resilient (financial, healthcare/med device, telco)
 - Which of our products will be more resilient? Which will recover first?
 - Which geos do we expect to recover first and we can focus selling there sooner?
- Selling motion
 - How do we qualify opportunities so we focus our sales cycles on the most likely to close?
 - Need to rethink how we execute our enterprise selling methodology in an environment that was previously a high-touch, onsite model?
 - Virtual Sales calls, POC's, online training, online services, virtual workshops
 - How do we adapt to enterprise procurement changes (new processes? remote approval cycles?)
- How do we keep the sales morale positive and motivated? (goaling, comp plan)
- Protect margins by not slashing prices and optimizing rep coverage

Rethinking: Demand Generation

- Switch messaging and activities (e.g. heavy outbound prospecting) that may be perceived as out of touch and offer ways to be a resource for customers and prospects (maybe a professional services offer?)
- Immediately shut off any spend that is likely wasteful and redirect from face-to-face to virtual/digital channels
- Are there NEW industries that we haven't yet targeted that might be growing right now (delivery services, games, ecommerce, automated fulfillment and supply chain management)?
- Are there new programs to help society out? (e.g., goodwill product licenses towards industries or NGO's / 501c(3) that are helping the fight against the disease, security research into the safety of tracking and tracing)

Thank you