

Thinking ahead in a time of crisis – you won't get this chance back

March 27, 2020

Dear friends,


First and foremost, we hope this finds you and those you love healthy. This is an unprecedented time for all of us, and it is during times like this that it can be very difficult to think ahead into the future. Although we do not know how long this will last and how long it will take us to recover, we do know that **one-day things will return to a new "normal"**. When that time comes, we don't want anyone to look back and say, **"if only."**

As investment bankers, one of the things that we help our prospects and clients do is to develop a **"normalized" presentation of the historical earnings of the business**. This entails quantifying and adjusting the company's historical earnings for any anomalies and non-recurring items so that buyers have a clear perspective of the Company's ability to generate profitability in the future. We anticipate that, for at least the next several years, we will be working with prospects and clients to **quantify the financial impact of the COVID-19 pandemic** in order to isolate the impact on their recast historical earnings. **The more detailed the data** that quantifies that impact, **the more credible** that adjustment will be to future buyers of the business.

We are **strongly encouraging business owners to capture now, in real time, as many of the details as possible about the impact of COVID-19 on the financial performance of their business**. Talk to your CPA to see if it makes sense to set up distinct accounts to keep track of expenses and capital expenditures associated with the pandemic. Many of those items would include:

- **Incremental Expenses** - Any expenses that your incurring as a business today that you would not have otherwise incurred were it not for COVID-19. This might include video conference services, legal fees to receive counsel re: HR issues, technology, sanitation costs, etc.
- **Capital Expenditures** - Have you had to make any investments in assets that you would not have made if it were not for COVID-19 such as laptops for remote workers, video conference equipment, etc.?



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- **Loss of productivity** – Try to capture any costs that you are incurring that are not generating any sort of return for the company such as paying employees with no work, loss of deposits for travel, conferences, vendor and supplier issues that impact company productivity, etc.
 - **Loss of Revenue** – While this may be more difficult to quantify for some, try to document cancelled orders/projects or any other data that can help you to later quantify lost revenue such as stalled pipeline or prospects who no longer have budget to buy your products or services.

It's hard to predict how valuable having this information will prove, but you can be certain that **trying to recreate all of it in the future will be difficult or near impossible.** Beyond "normalizing" your company's historical financial performance for buyers, this data may also be needed to **support future insurance claims, apply for government assistance programs, to support tax deductions, etc.** And, collecting data for analysis and decision-making is a proactive step you can take in this uncertain time.

Again, we know that during times of crisis it can be difficult to think too far ahead. So, **we encourage you to focus on real time activity that you can do now, to help your business in the future.** You do not want to say, in the future "if only..."

If you have any questions, please don't hesitate to reach out. **We are here to be a resource to you,** to help you now and in the months ahead.

Please stay safe and healthy,

Your friends at SEA

STRATEGIC



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