

Covid-19
A Marier Business Advisory
by DM-Your Own CFO

We are living through a rather historic event called Covid-19....the Corona Virus originated in China and was exported to the world. This is one price for the speed of modern travel. Covid-19 is still well below the effects the yearly flu season brings but is still an emotional roller coaster. The Markets which are fueled greatly at times by these emotions are displaying fear. Is that rational or not? When a herd panics, you either run with or get trampled or if lucky find a way to get out of the rush and stay safely on the sidelines. This applies to more than the Markets.

Legendary investor Warren Buffet will eventually see good deals and thinking forward to better times again will buy. That makes sense based upon both current data about the virus and historical data that shows the old adage of "buy low, sell high" ...this still has value and demonstrable work-ability.

For businesses that are highly leveraged (lots of debt) any economic downturn can be a tough go. For some that depend on their stock price remaining properly valued we could even see not only fire sale prices but remember, stocks can and do go to zero. A stock is only worth what the last buyer will pay for it and zero is closer for some than others that are well capitalized with good reserves...that means cash on hand. But what about the small businesses that don't trade on big stock exchanges? Those with high debt will also be challenged. Those who have reserves or lots of variable expenses will do better.

I traded the US Bond as a professional and saw my share of upset and even some panic when the Asian Currency crisis hit. But financial troubles are secondary to health crises. This virus has some unknowns yet to be worked out and disseminated. Unknowns let imaginations run wild and the news worsens this focusing on bad news. Assuming good progress on isolating the spread which I believe will be done effectively (see CDC website for more data), this will run a course even if less predictable than the annual Flu. Unless the entirety of mankind is infected and economic activity completely ceases, this too will pass. So we pick up from there and do what mankind has always done, make things better!

I am not in any way lessening the severity of a new virus with no current vaccine, but humans have survived catastrophes before and I expect this one will be survived too. With that, most concern should be on health of self and family and then employees and our neighbors etc. Your business helps you and others by providing livings. That can continue and you can again thrive once the dust settles.

My top recommendation for your business is to remain calm, keep debt low, take on no new obligations unless immediate production results are present, buy only those items needed to produce revenue and as interest levels reach historic lows, refinance debt to lower cash flow needs. Businesses that depend on a public flow like restaurants, salons, clubs, vacation resorts, air and other travel will see less business. How much less depends in part on the risk perceived by customers to use these services. Expect a downward trajectory but also trim expenses as needed to better match the new lowered levels. This is pragmatic management and could even maintain profitability. The survival of your business is a simple equation of more coming in than going out. Watch that closely and use any reserves you should have been setting aside to bridge the moments when you have shortfalls. If you have a lot of salaried or hourly employees, you can trim hours etc. but if you mostly have commissioned workers like some business models use, your worker expenses will fluctuate with your gross revenues which is great. Pay fixed expenses from oldest first to newest and try to approach

current status as best you can. Remember, owing a vendor is like a loan. They'll all want their money now, but you cannot permit an outsider to tell you when and how much to pay. **YOU'RE IN CHARGE** so keep the reigns in your own hands. If you run late so be it. You can pay down invoices, rent and others as your business proceeds to improve.

This virus situation will peak at some future point and then things will begin to normalize. As I always recommend, when routine normalizes, set aside some reserve money. The bumper sticker is right, S--- Happens! If you want specific help in any area or for any decisions to be made call me. I am here in good and bad times and fortunately, we will see good days again. Of that I am sure.

Best,

Donn Marier
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