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Equation Angels Peer to Peer Information Session

Deloitte Corporate Finance Inc.

Today's Agenda

COVID Impact on TMT



01

Capital Markets | TMT Trends & Observations

02

Impact on Mid-Market M&A

03

Cashflow Management

Capital Markets

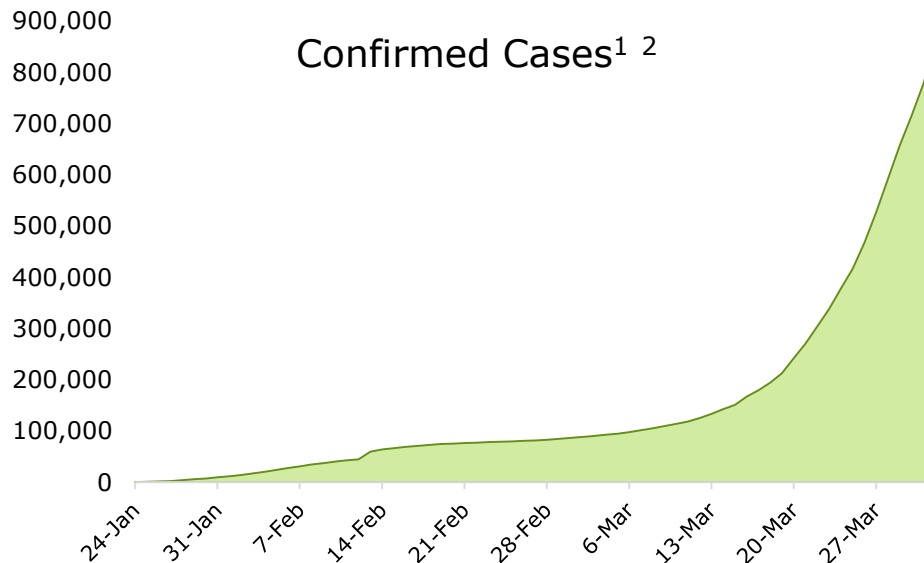


TMT Trends & Observations

COVID-19

Background

- The ongoing spread of the COVID-19 has become one of the biggest threats to the global economy and financial markets since the Great Recession
- First detected in Wuhan, China, the virus has rapidly spread worldwide with more than 850,000 cases and over 40,000 deaths as of April 1, 2020
- The majority of cases are in United States, with more than 180,000 confirmed cases. The disease is spreading rapidly with countries like Italy, Spain, Germany, France, Iran, and UK.
- As of April 1, 2020, Canada reported over 9,000. The virus is expected to continue spreading rapidly.

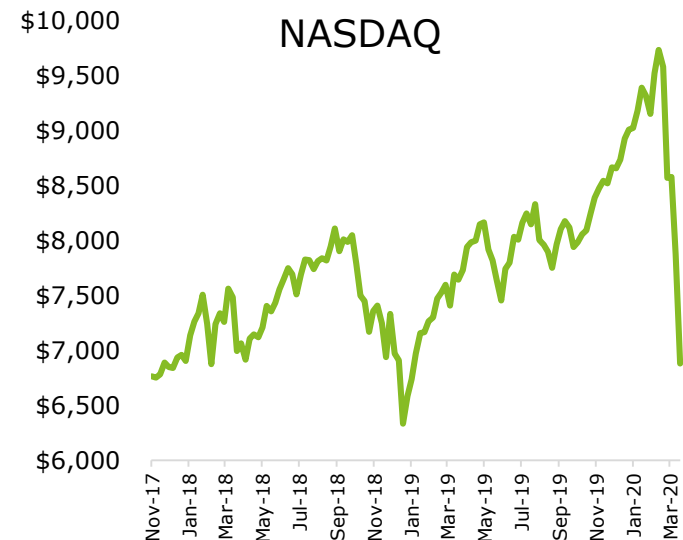


¹As of April 1, 2020

²Source: <https://data.europa.eu/euodp/en/data/dataset/covid-19-coronavirus-data/resource/55e8f966-d5c8-438e-85bc-c7a5a26f4863>

Market Reaction

- Nasdaq dropped ~40%¹ from all time heights as a result of the outbreak
- The Nasdaq Composite tracks more than 3,300 stocks, most of which are technology and internet-related, but there are financial, consumer, biotech, and industrial companies as well.



COVID-19

Impact on TMT

Work-from-home technologies see a boost from the COVID-19 pandemic

Boom in work from home Tech

- Technologies that enable employees to work from home are seeing an **unexpected boom** to business from the COVID-19 pandemic.
 - Zoom Video, a video conference company, is up 110%+ YTD¹

Increased demand in other technologies

- As companies and local authorities tell employees to work from home to contain the spread of COVID-19, **other technologies are seeing an increase in demand** including companies providing:
 - Wifi Connectivity
 - Output tracking of remote employees
 - VR technology for work collaboration
 - Cyber attack protection

Pandemic may accelerate M&A and investor interest

- Owners of work-from-home technologies are anticipating higher valuation and investor appetite for their businesses
- As the pandemic spread, companies have received takeover interest:
 - New York based TransparentBusiness, a remote work monitoring platform, received a preliminary M&A inquiry from payroll technology provider Automatic Data Processing over the last few weeks as the coronavirus outbreak accelerated in the US

Catalyst for change

- The question remains whether such technologies that enable remote working practices will continue to see interest once the pandemic subsides
 - Blair Silverberg, CEO at Capital, believe the interest is sustainable. "Working from home works for many companies — conferencing solutions could see long-term gains."

Source: MergerMarket "Work-from-home technologies see business boost amid COVID-19 pandemic"

¹as of March 23, 2020

Deal Landscape

Recent Canadian Venture Capital and Private Equity Activity

February 29 – March 6

39

New Funding Deals

\$2.5B+

PE Funding

21

Company Exits

March 7 – March 13

19

New Funding Deals

\$83M+

VC Funding

8

Company Exits

March 14 – March 20

20

New Funding Deals

\$150M+

VC Funding

8

Company Exits

March 21 – March 27

14

New Funding Deals

\$150M+

PE Funding

6

Company Exits

M&A and fundraising activity is expected to slow down significantly over the coming months. Recent activity Recent VC/PE activity is a lagging indicator as recent deals would have commenced 6 to 9 months prior.

COVID Impact



Mid-Market M&A

Covid-19 Impact on the Middle Market M&A & Financings

Business strategies to promote continuity

01	Focus on Employees	»	Lead with open communication, demonstrate proactive thinking through the impacts that the current environment may have on the business demand, supplier fulfillment and working arrangements.
02	Supply Chains	»	Ensure visibility into fulfillment, production, and potential scheduling delays of suppliers. Consider options to pivot to other suppliers as necessary and as the crisis evolves.
03	Customers	»	Communicate, Communicate, Communicate.
04	Cash Flow Management	»	Evaluate variable expenses, capital expenditures, impact of lower revenue (scenario plan), workforce management strategies.
05	Lender & Financing Relationships	»	Stay close to your partners – shareholders & creditors Complete cash flow forecasts - Demonstrate your understanding of the cash needs of the business to partners.
06	Re-Forecast	»	Reflect the changed landscape – scenario analysis is insightful. Update for actuals and compare against forecast.

Covid-19 Impact on the Middle Market M&A & Financings

Implications on Middle Market M&A and Debt Financings

Timing Considerations

Companies in market today are victims of circumstance – unfortunate timing. Parties are still closing in this environment.

• Deals in Market:

- **Uncertainty will introduce risk resulting in higher level of DD in the process.**
- **Strong potential for repricing**
- **Lack of New Deals coming to market for the next few months.**

Pricing and Structure

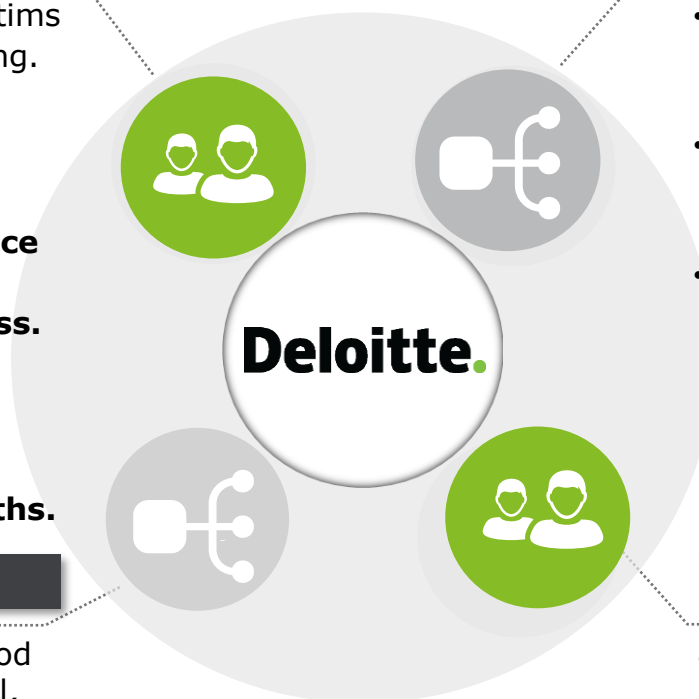
- Price is dictated by supply of good businesses, availability of capital, growth prospects.
- Contingent considerations (i.e. Earnouts) may become more prevalent
- Extended exclusivity periods.

Availability of Debt Capital

- Capital remains available in the market for the moment...evolving daily
- Likely to see conservative lending behavior as it relates to total leverage capacity
- Government Programs are being made available to small and medium sized businesses

Diligence

- Expected to be focused on customers and supply chain.
- Customers – Buyers/investors should consider the impact of change in buying behavior due to crisis.
- Supply Chain stability will be key



Cashflow Management



Practical Observations

Cashflow Management

Practical Observations

01

Ensure you have a robust framework for managing supply chain risk



Ensuring you understand the financial risks of your key trading partners, customers, and suppliers is a critical consideration in times like these.

02

Ensure your own financing remains viable



Use this opportunity to actively engage with your financing partners to ensure your available lines of credit remain available, and to explore new or additional options should you require them.

03

Focus on the cash-to-cash conversion cycle.



In order to minimize working capital requirements during challenging times, it's important to apply a coordinated approach that addresses all three of working capital: payables, receivables, and inventory.

04

Think like a CFO, across the organization



Operate each area of the organization with a particular angle on finance and treasury issues. It is easy in crisis mode to focus on customer service requirements and operational capabilities, not financial constraints.

05

Revisit your variable costs



Reducing your variable costs is often a quicker way to immediately reduce your cash outflows than focusing on your fixed costs.

Cashflow Management

Practical Observations

06

Revisit capital investment plans



With cash flow forecasts in mind, consider what's really necessary for the near term. What capital investments can be postponed until the situation improves?

07

Focus on inventory management



Companies are at risk of experiencing supply chain disruptions due to shortages in raw material and component parts. Keeping a balance of adequate inventory on hand while minimizing strain on working capital is key.

08

Extend payables, intelligently



Work with suppliers to establish an agreement that both of you can live with but there might even be situations where you need to accelerate payables for a critical supplier to preserve the integrity of your supply chain.

09

Manage and expedite receivables



Focus on customer-specific payment performance and identify companies that may be changing their payment practices. Definitely make sure to get the basics right, such as timely and accurate invoicing.

10

Consider alternate supply chain financing options



There are also a number of other supply chain financing possibilities that can be implemented in the short to medium term, such as collaborating with your key trading partners to optimize cash flow across the extended supply chain.

Cashflow Management

Practical Observations

11

Audit payables and receivables transactions



Make sure you're paying the right amount for the goods and services you procure and collecting the right amount for goods and services you sell.

12

Understand your business interruption insurance



Business interruption insurance generally covers losses arising from disruptions to a business's customers or suppliers but the breadth of coverage can vary by insurance policy.

13

Consider alternate or non-traditional revenue streams



If your scenario planning is showing pressure on your continued revenue streams, consider ways you could temporarily or maybe even permanently replace that revenue.

14

Convert fixed to variable costs, where possible



In times of uncertainty, consider swapping fixed costs for variable costs wherever you can: preserving your core business while increasing your flexibility (i.e. selling assets and leasing them back is one way to raise emergency cash).

15

Think beyond your four walls



To maximize working capital, you can't only focus on your own operations and inventory levels: you need to think about your entire ecosystem and supply chain.

Cashflow Management

Practical Observations

Macro Scenarios (Outside Our Control)

Potential Strategies
(In Our Control)

	Scenario A 3 months lockdown X% Revenue Loss	Scenario B 6 months lockdown Y% Revenue Loss	Scenario C 12 months lockdown Z% Revenue Loss
Plan A No change to plan	12 months runway \$XM cash EO2020	9 months runway \$XM cash EO2020	6 months runway \$XM cash EO2020
Plan B -15% Opex	18 months runway \$XM cash EO2020	12 months runway \$XM cash EO2020	9 months runway \$XM cash EO2020
Plan C -25% Opex	24 months runway \$XM cash EO2020	18 months runway \$XM cash EO2020	12 months runway \$XM cash EO2020

*Key: Columns represent drops in operational expenditures, rows revenue losses.

*Source: A Sequoia-backed company

Join Us

Insights for the TMT Industry: Accessing Capital Webinar

Deloitte.

WEBCAST

Responding to COVID-19:

**Insights for the TMT industry:
Accessing Capital**

Friday, April 3 | 11:00 a.m. ET | 45 minutes

[Register Here >](#)

Deloitte. **Hockeystick** **RBC**
Startup Network

The graphic features a dark blue background with a white laptop icon on the right side. The laptop screen displays a white icon of a person with concentric circles around their head, symbolizing a signal or broadcast. The text is arranged in a clean, modern layout with a mix of white and light blue colors.

<https://bit.ly/33ZYJ2u>

Q&A

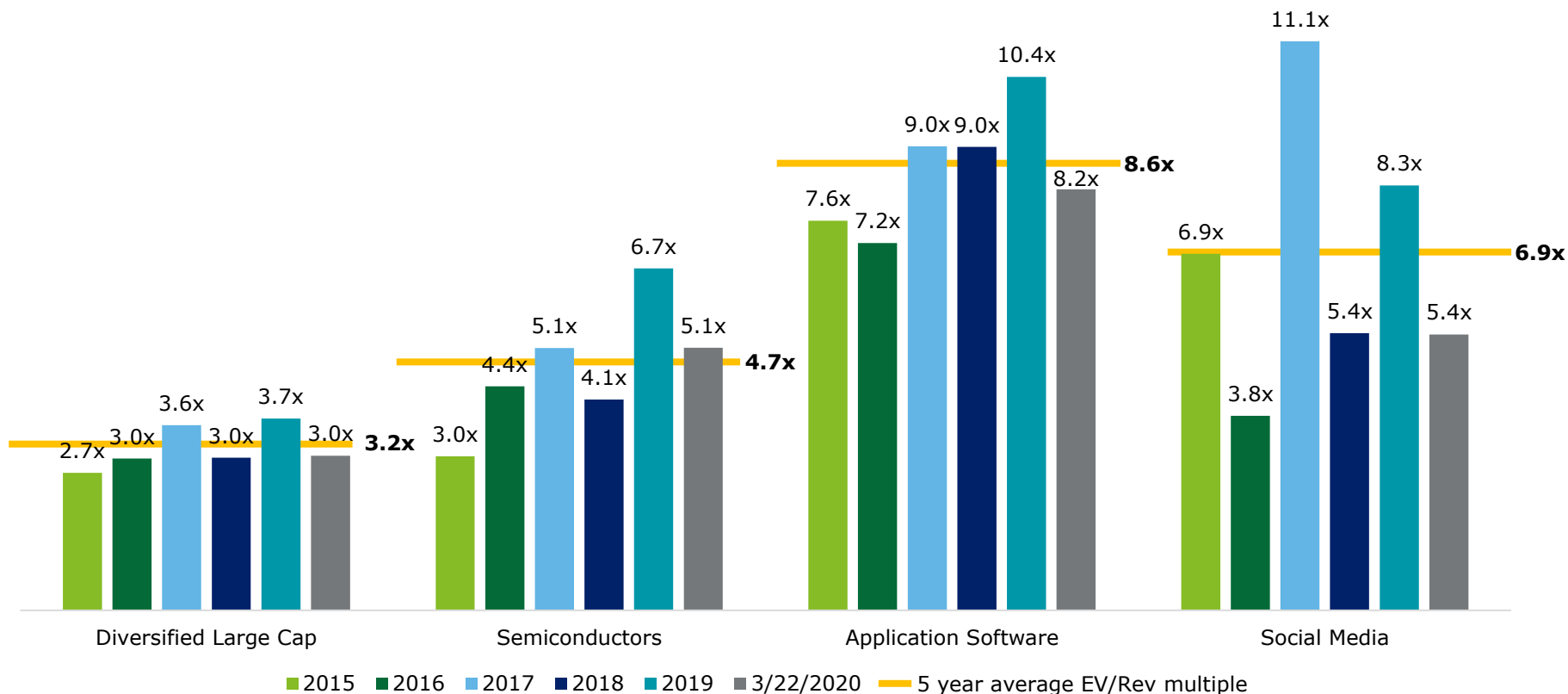


Appendix

Global Capital Markets

Valuation observations in TMT

EV/Revenue Valuation Trends



Apple, Alphabet, Microsoft, Amazon, IBM, Ebay, HP Inc., HP Enterprise

Intel, NVIDIA, Texas Instruments, Qualcomm, Micron Technology, Maxim, Xilinx, AMD, Cypress Semi

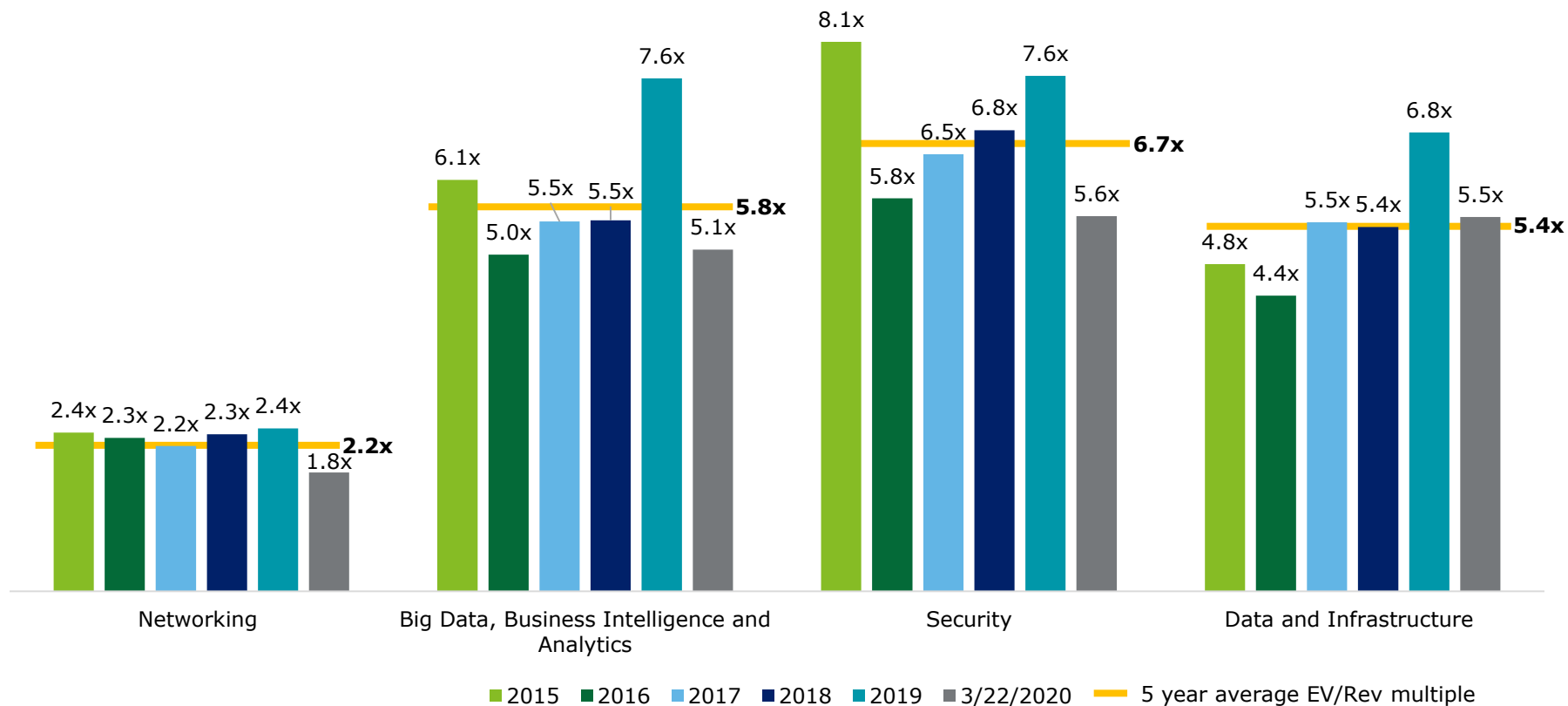
Adobe, Salesforce, Intuit, Autodesk, Workday, ANSYS, Open Text, Kinaxis

Facebook, Twitter, Snap, Zynga

Global Capital Markets

Valuation observations in TMT

EV/Revenue Valuation Trends



Cisco, F5 Networks, Juniper Networks, Ciena, Infinera

Splunk, Fair Isaac Corp., MicroStrategy Inc.

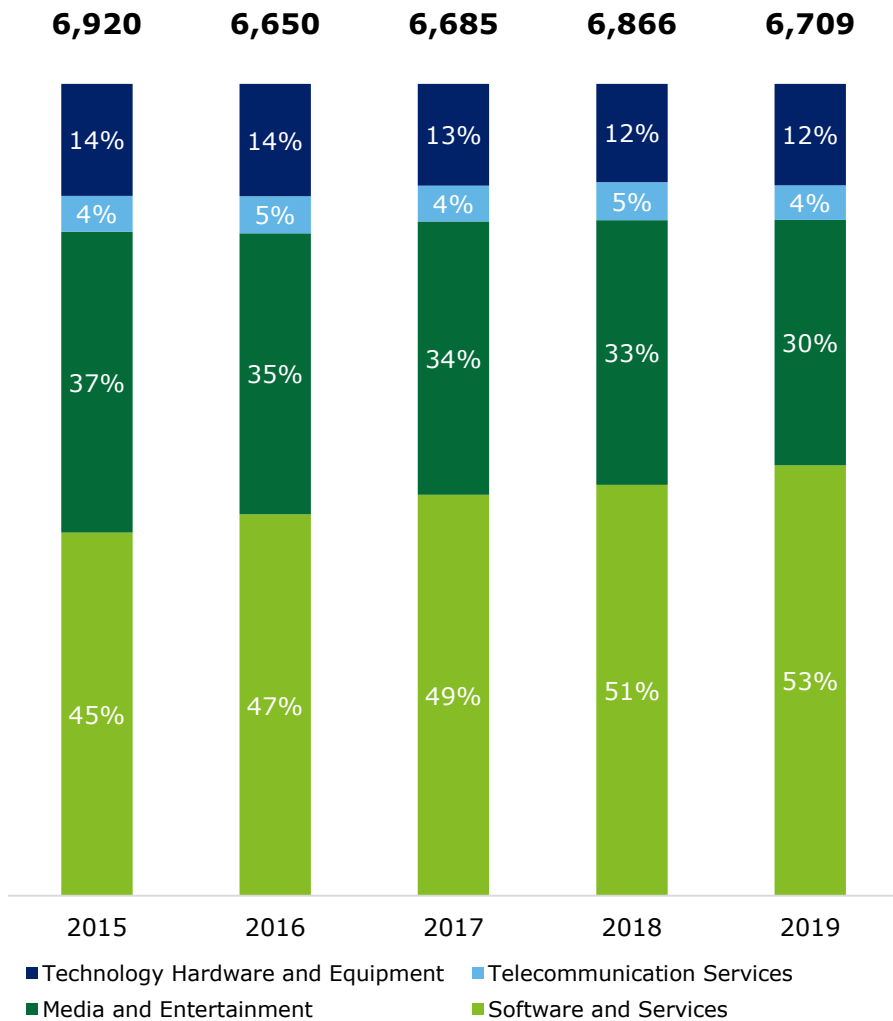
Palo Alto Networks, Check Point Software, Fortinet, Proofpoint, FireEye, Qualys, CyberArk

Oracle, SAP, VMware, Citrix Systems, Teradata Corp, Pegasystems

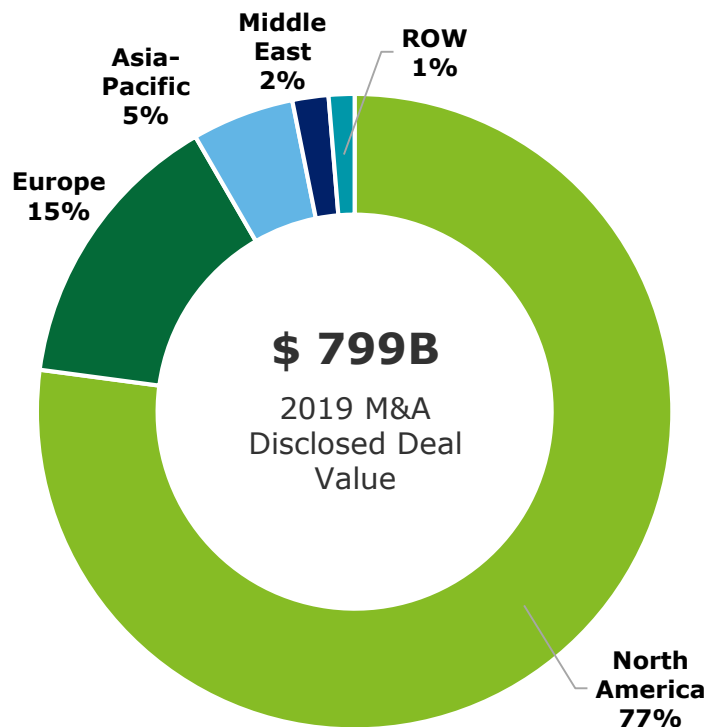
Global Capital Markets

Observations in TMT

Historical TMT M&A Activity by TMT Subsector (Number of deals)



2019 M&A Activity by Geography



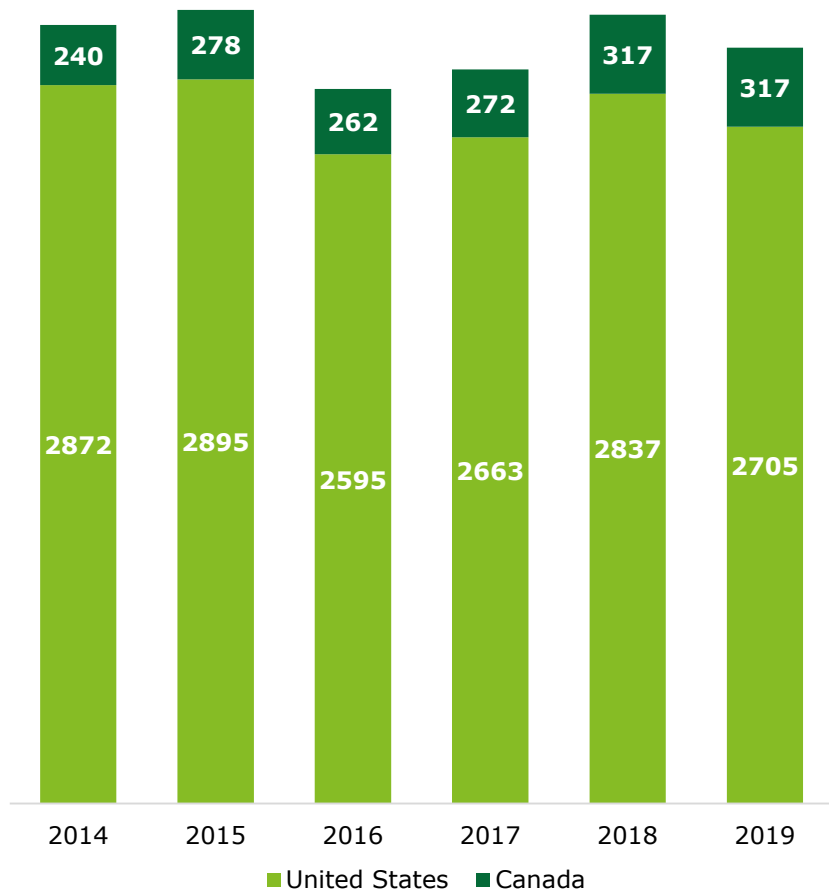
Source: S&P CapitalIQ

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US and Canada Capital Markets

Observations in TMT

US vs Canadian TMT Deal Activity



Canadian TMT Deal Activity by Quarter

