



EXITING THE CRISIS SUCCESSFULLY: TIPS FROM THE EXPERTS

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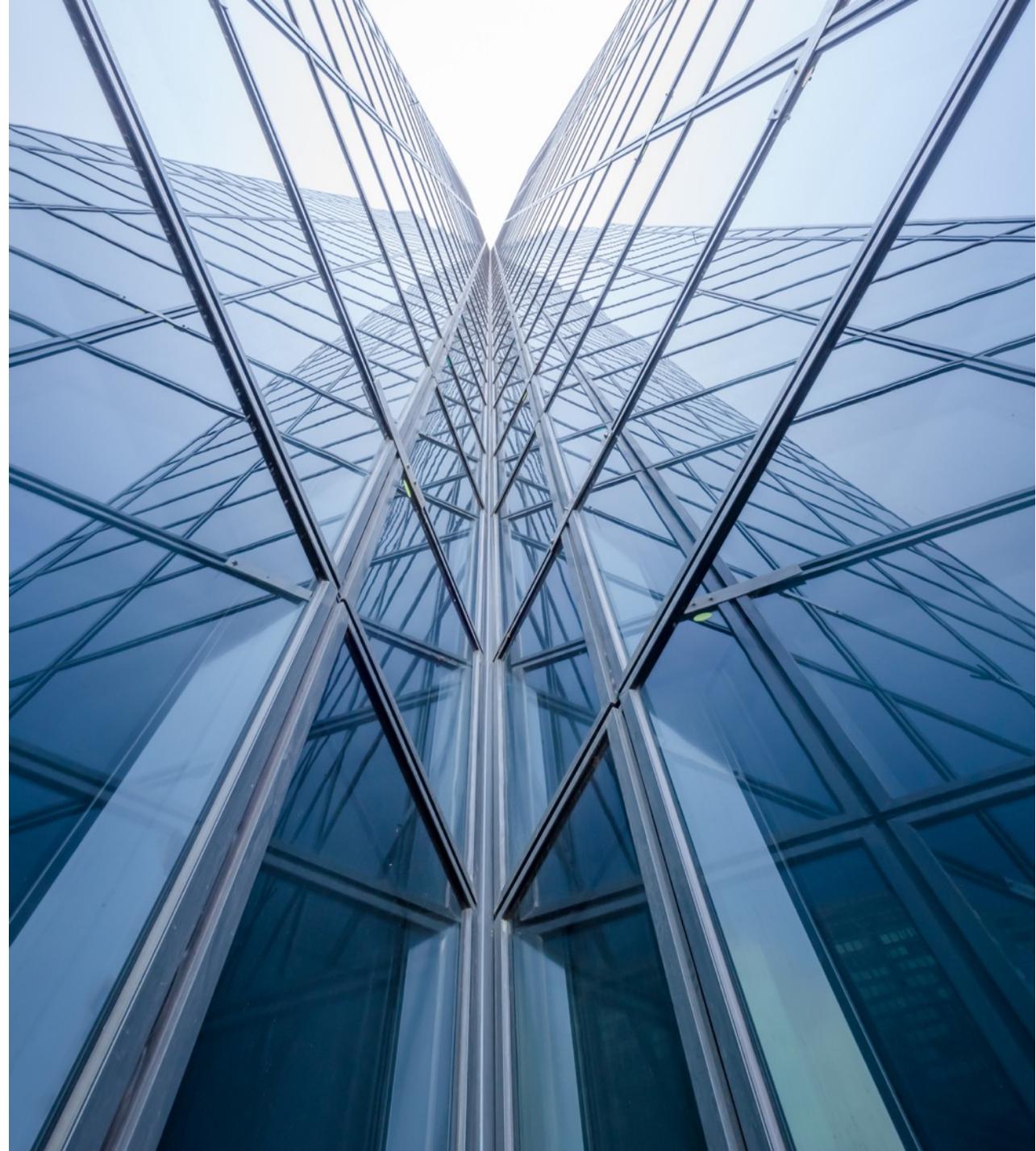
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1. THE FINANCING AND M&A ENVIRONMENT POST CRISIS
2. TAX OPPORTUNITIES
3. PROTECTION OF PERSONAL INFORMATION: WHAT ARE THE RIGHTS OF EMPLOYERS AND EMPLOYEES IN THE CONTEXT OF A PANDEMIC
4. PSYCHOLOGICAL MANAGEMENT: HOW TO PREPARE MANAGERS AND EMPLOYEES FOR AN OPTIMAL RETURN TO WORK
5. REDEFINING THE POST-COVID WORKPLACE



DECREASE OF ACTIVITY



- Decrease of activity by 50% in the US.
- Private Equity funds invest in their existing business.
- Abandon of deals that were started, Xeros cancelled its offer for HP of \$34 MM.
- SoftBank has abandoned its 3 billion offer for WeWork shares.
- As of the 1st Quarter deals in Canada had decreased by 57% compared to a year ago. The lowest level since 2015.

DELAY IN M&A DEALS



- For practical reason it will be harder to gather people in a room.
- Due Diligence will also be delayed thus delaying M&A process.
- Third-party consent will be longer to obtain.
- More hesitation on the valuation of deals will delay process, comparable may not hold anymore.
- Buyers requiring external financing will take longer to obtain them.
- Countries have implemented regulatory requirements or antitrust regulation to limit acquisition.

COVID-19 IMPACT BASED ON DIFFERENT M&A STAGES

Letter of intent stage

At this stage, some deals may be on indefinite hold. If buyers and sellers decide to pursue, here are the issues they may face:

- Buyers may require longer exclusivity period;
- Sellers will look for certainty of closing;
- Due Diligence may be delayed or partially conducted;
- Buyers may consider extending the due diligence time;
- External Financing may be scarcer in the short run;
- Buyers are very likely to include earn out clauses

Interim Period Stage

Several Issues must be looked at in terms of:

- Material Adverse Change;
- A greater attention from the buyer related to transaction documentation and procedure
- Regulatory measures set up by countries;
- Seller be aware of GAAP override;
- Buyers will look closely at working capital components.

Post Closing Stage

Buyers and sellers should be concerned with some post-closing duties:

- Performance of companies may hinder earn out clauses;
- Transition service agreement may cause a problem, if there is an inability to perform them due to COVID-19;
- Indemnification claims may be sought by buyers in case of a strong impact on the business due to COVID-19.

FINANCING YOUR PROJECTS IN A COVID-19 WORLD

BANK LOANS

The Canadian Government has implemented several programs to finance companies' immediate needs.

- Business Credit Availability Program (BCAP): This program is providing funding through two federal Agencies EDC and BDC.
 - BCAP with BDC

BDC LOAN			
Annual Revenue	Up to \$1MM	\$1MM to 50MM	More than \$50MM
Max Loan Amount	\$312.5K	\$3.125MM	12.5MM
Max BDC Participation	\$250K	\$2.5MM	\$10MM
BDC LOAN TERMS			
Repayment	Up to 12 months interest only and repayment thereafter		
Amortization Period	Up to 20 years		
Maturity	Up to 10 years		

- EDC will provide 80% loan guarantee up to \$6.25MM to finance operations and needs of the business. Interests are floating and maturity is 5 years.
- BDC will also offer a Mid Market Financing Program. (More details are to come):
 - Junior loans;
 - Between \$12.5MM and \$60MM.
- BDC also offers the Canada Emergency Business Account. BDC offers a loan up to \$40K for Small Business and Non-Profits. Conditions are:
 - It is interest-free;
 - forgiveness of 10K on loan if it is repaid by December 31, 2022;
 - Usage is for cash flow urgent needs;
 - Companies must be profitable as of March 1, 2020.

HEADING TOWARD EQUITY FUNDING ?

Short Term Loans and Federal programs are not sufficient on the long run.

- PE Funds are piling up cash 'Dry Powder', globally PE have an uncommitted excess of \$1.5 trillion, its highest level in 20 years if not ever.
 - Potential massive inflow of capital in a market with lower valuation.
 - PE funds will look at the following:
 - Assessing decrease in revenue or profitability with no comparable, with previous years;
 - Conjunctural decrease in activity will be good for minority investments;
 - Structural decrease in activity will trigger restructuring and majority ownership strategy;
 - Evergreen funds will be eager to look at long-term investments.
- Governments are looking for a way to offer companies equity investment or quasi-equity to offer LT perspective.
 - Canadian Federal Government will soon propose:
 - A loan of minimum \$60MM companies earning at least \$300MM;
 - With an option to purchase shares up to 15% of the loan.
 - BPI France offers convertible bonds up to \$5MM.
 - The European Union in its \$1000B COVID-19 package is likely offer equity or quasi-equity mechanism.

THERE IS A HOPEFUL FUTURE FOR M&A ACTIVITIES AND TRANSACTIONS

THERE IS CASH



- PE funds have an unprecedented 'dry powder' \$1.5 trillion.
- PE funds rising in 2020 is likely to be in line with 2019.
- Cut off interest rate will increase available liquidity. Bank of Canada decreased rates to 0.25% liberating an extra \$300B in additional lending.
- Unprecedented stimulus package:
 - \$1000B spent by the UE
 - \$107B spent by the Canadian Federal Government
 - \$2000B spent by the US Federal Government.



THERE WILL BE OPPORTUNITIES



- Many companies will need rescue and will be attractive prospect:
 - In retail, energy, industry, leisure and other distressed sectors.
- Kearney, the consulting firm, estimates in one its studies that:
 - 2020 will provide unprecedented opportunities;
 - 70% of executives believe that it is time to invest;
 - Opportunities will be among the small and medium business.
- Opportunistic divestiture from some business owners.
- Restructuring companies will sell some of their assets.

CANADA EMERGENCY WAGE SUBSIDY

- This wage subsidy aims to prevent further job losses, encourage employers to rehire workers previously laid off and help the Canadian companies and other employers to easily resume normal operations following the crisis:
 - 75% of the salary;
 - From March 13 to August 29, 2020.

UTILIZATION OF LOSSES

- Companies that have generated operating losses may want to use them as quickly as possible to reduce their taxes:
 - Deemed year-end;
 - Management fees;
 - Increasing the tax cost of certain corporate assets.



ESTATE FREEZE AND RE-FREEZE

- The purpose of an estate freeze is to transfer to other persons (children, grandchildren, key employees) the future increase in value of the shares of a private corporation that the transferor owns. The transferor retains the current value of his/her shares and defers income taxes on the capital gain to the time of their actual or deemed disposition.

TAX PLANNING

- Before making certain transactions, it is necessary to review the tax impacts:
 - Maximize the capital dividend account before realizing capital losses;
 - Liquidate companies with low fair market value.

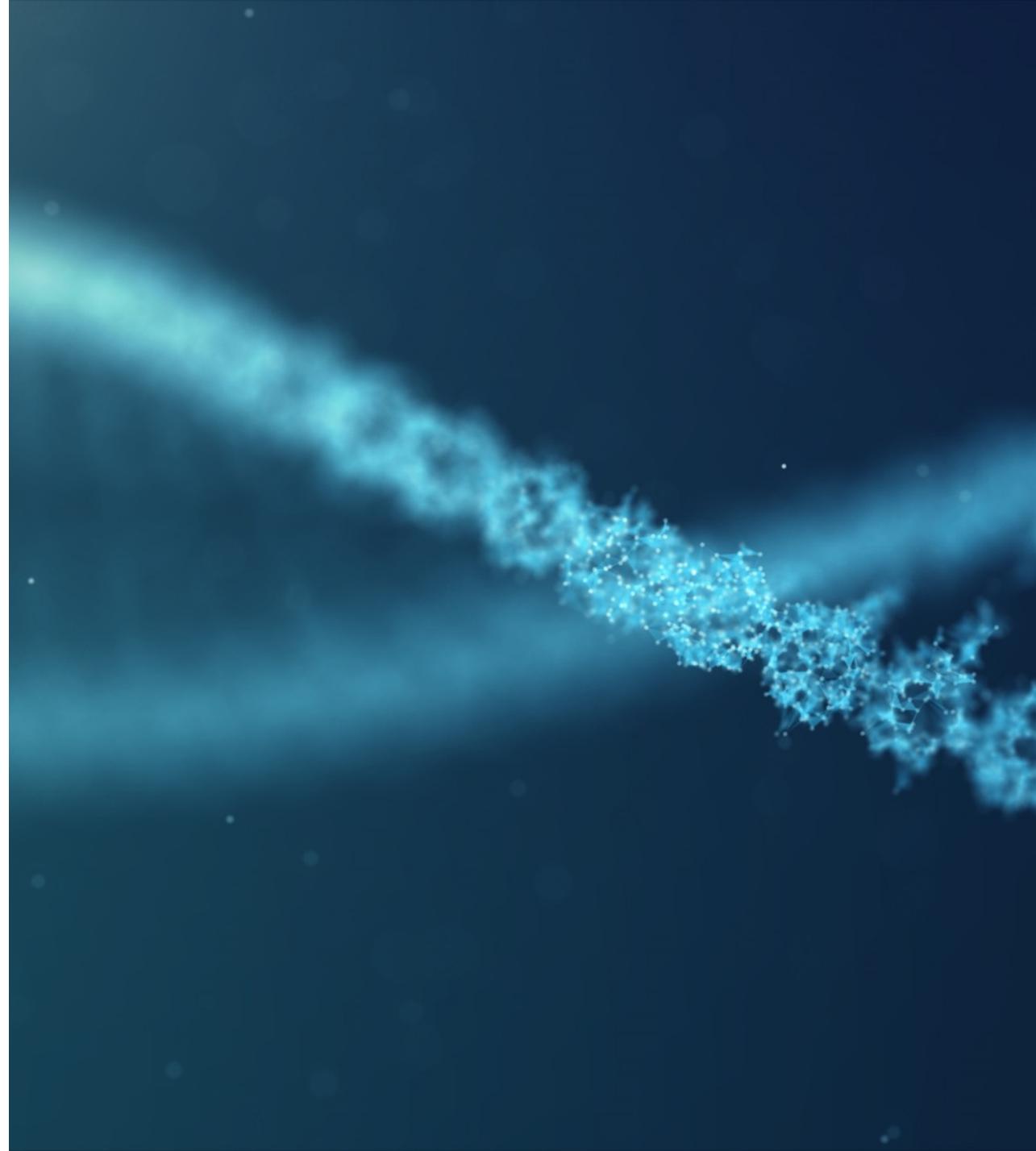
GST RECOVERY ON BAD DEBTS

- For debts that are recognized as bad and that recovery efforts have failed, it is possible to recover the GST that was remitted.



What are the rights of employers and employees in the context of a pandemic regarding:

- Thermal testing;
- Transmission of information for an employee who shows COVID-19 symptoms.



HOW TO PREPARE MANAGERS AND EMPLOYEES FOR AN OPTIMAL RETURN TO WORK

WORKPLACE HEALTH & SAFETY

Physical distancing measures

Hand hygiene and sanitation

Personal Protective Equipment in the workplace

Training

Government reporting

MENTAL HEALTH ISSUES IN THE WORKPLACE

- 26% of Canadians currently experience post-traumatic symptoms.
- The Good news: 40% of people want to be asked about their mental health. Who do they want to talk to?
 1. Their colleagues;
 2. Their manager;
 3. Human Resources.
- For further information, the Government of Canada [COVID-19 and Mental Health @ Work](#) is a good resource and offers a free online toolkit.

TIPS TO TAKE CARE OF YOUR MENTAL HEALTH

Get information from reliable sources, such as Canada.ca/coronavirus.

Stay informed but follow news coverage about COVID-19 in moderation.

Take care of your body.

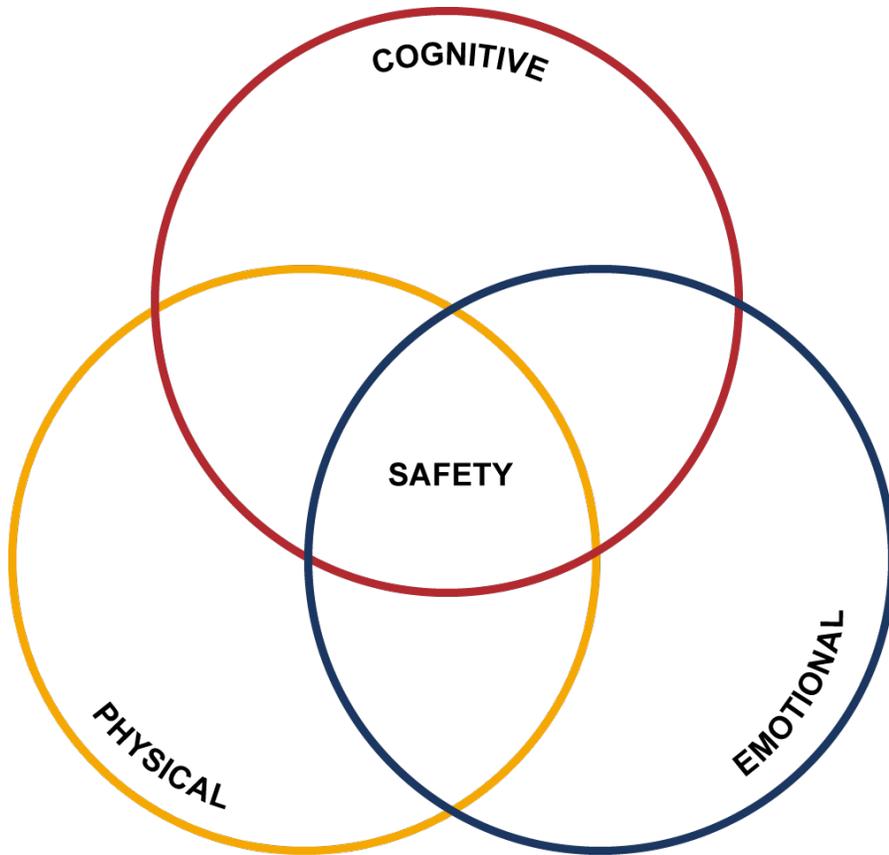
Make time to step back.

Stay connected with friends or family.

Maintain healthy relationships.

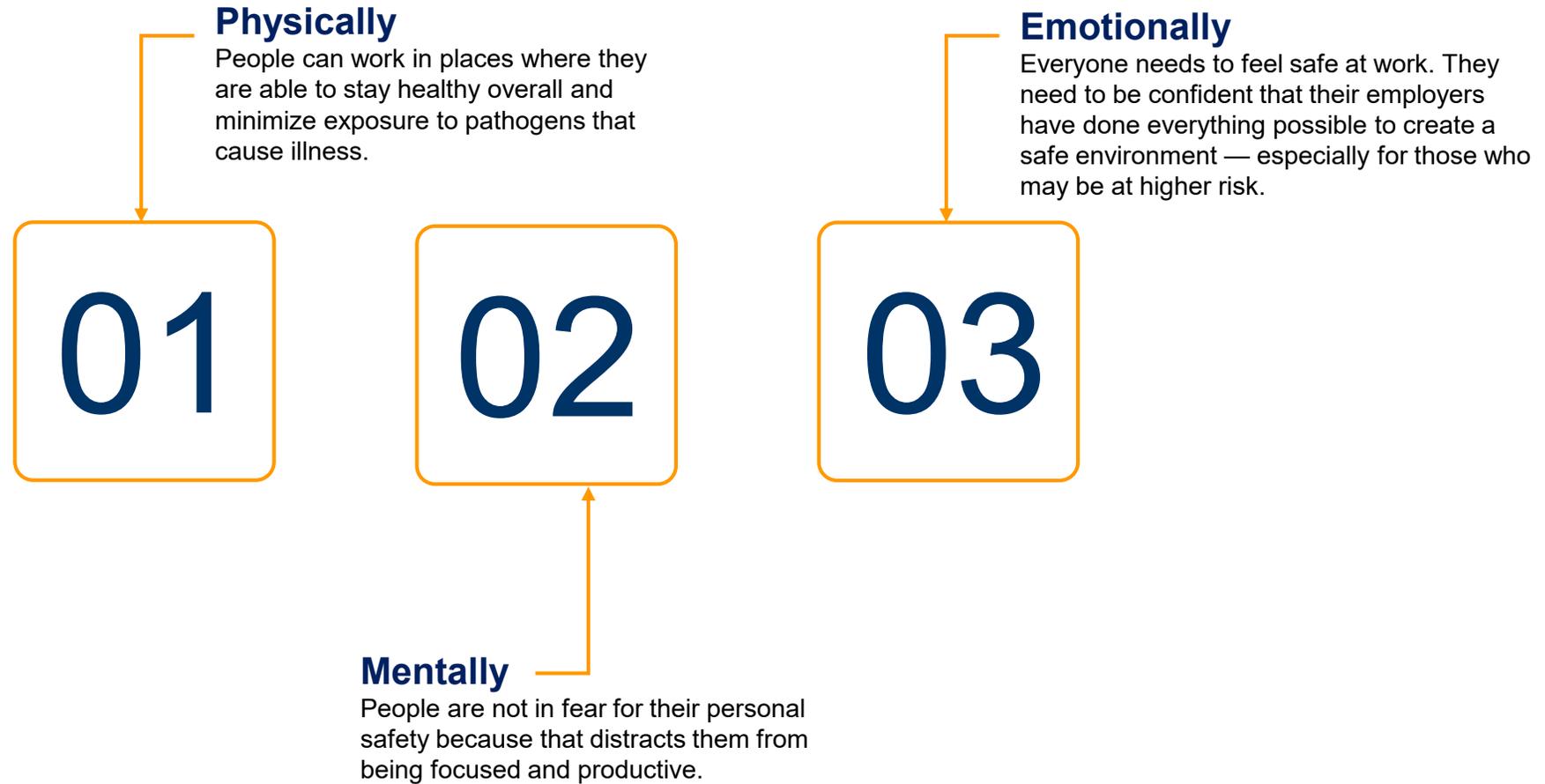
Show support and empathy.

Identify what is within your control and try to direct your energy towards that.



- Planning for the unknown: Safety first. Employees will not return to an office that doesn't feel safe.
- Wellbeing happens when there is an intersection between our **physical, cognitive** and **emotional** health — safety is foundational to all three.

Organizations need to take action to ensure that:



REDEFINING THE POST-COVID WORKPLACE

Leading organizations and experts recognize the importance of looking at the return to work across the time horizons of now, near and far.



MEANWHILE... PLAN AND PREPARE BEFORE BRINGING PEOPLE BACK

- Set-up a Pandemic Response Team (PRT).
- Develop new employee protocols and communication plans.
- Create and reinforce sanitization and disinfection protocols.
- Determine personal protective equipment (PPE) guidelines.



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