

Privately Speaking

Insights on private company growth
from private company advisors

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The board's view of COVID-19

These are uncertain times. And, in uncertain times, private companies look to their boards to help them navigate safely. Board members must be prepared.

That is why, for this edition of Privately Speaking, we partnered with the KPMG Board Leadership Center to identify the five key areas where private company boards should be focusing over the coming months.

Boards step up

Never before have crisis response plans, business continuity and resilience, cash flow, scenario panning, and corporate leadership come under such intense pressure in such a short timeframe. And never before have private company boards been so important.

Navigating the current uncertainty will require boards to retain a sharp focus on people, liquidity, operational risks, and contingencies while keeping sight of the bigger picture—strategy, risk, and resilience.

Boards will need to remain agile. Information is changing daily (sometimes even hourly). And many private companies are finding they need to recalibrate their responses—and potentially reframe their thinking about how COVID-19 is impacting the business—as conditions change.

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Boards play a key role in helping private companies maintain resilience through a crisis. Particularly in this period of rapidly changing dynamics, boards must be able to see the bigger picture as they help management reframe and recalibrate their strategies and operations.

— **Conor Moore**,
National Leader,
KPMG Private Enterprise, KPMG LLP

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Five key areas of focus

Based on our conversations with directors, subject matter experts, and private company business leaders, we have identified five key areas where private market boards will want to focus as they guide their companies and management teams through this crisis.

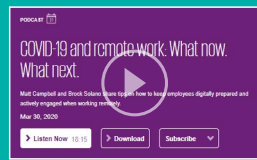
1 Employee safety

First and foremost, private companies must focus on the safety and well-being of their employees. The focus on employee well-being must be proactive, informed, and company-wide:

- Assess the policies in place to protect and support employees (such as hygiene programs, restrictions on work travel and congregation, flexible and remote work policies, healthcare, etc.)
- Ensure policies are being communicated clearly and frequently to employees, preferably by upper management
- Understand how other key stakeholders are being impacted by COVID-19.

Looking for ideas?

In **this podcast**, Matt Campbell and Brock Solano of KPMG share tips on how to keep employees digitally prepared and actively engaged when working remotely.



2 Financial risks

Focus on financial risks and ensure the company is conducting scenario planning against various duration, severity, and longer-term dislocation assumptions:

- Find out what scenario planning the company is doing and identify the second-order impacts that will influence financial risk going forward
- Understand the array of financial risks to the business and how management is addressing these risks under difference scenarios
- Focus on fair value and possible asset impairments that may pose significant risk for the company.

Find out more

Read **Navigating the pandemic: A board lens**, from the KPMG Board Leadership Center.



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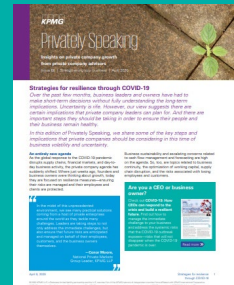
3 Operational risks

Understand key operational risks, particularly with regards to supply chain, labor, and technology capabilities. Leverage scenario planning insights to maintain operations:

- Assess the measures being taken to stabilize the company's supply chain, including the sourcing of alternate suppliers and any measures being taken to support the financial stability of suppliers
- Revisit the company's business continuity plan to understand how the health crisis continues to impact staffing and other key activities
- Review the company's technology capabilities to ensure they are able to support a significant increase in remote working and virtual operations.

Looking for strategies to improve private company resilience through COVID-19? Check out **this recent edition** of *Privately Speaking*.

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Financial reporting and disclosure

As private companies start to prepare their quarterly reports, boards should be assessing the financial reporting impacts of COVID-19 and the potential need for enhanced disclosures:

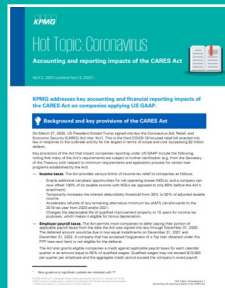
- Consider whether economic uncertainties and market volatility have or will affect accounting conclusions
- Assess what disclosures and reporting your investors will need with COVID-19, as well as the company's disclosure controls and procedures
- For those considering a future initial public offering, understand how recent operational changes and market conditions might impact investors' metrics.

Get the inside scoop on the CARES Act

The new Coronavirus Aid, Relief, and Economic Security (CARES) Act includes provisions that could affect the financial reporting of companies using U.S. GAAP.

Read **CARES Act "Hot Topic"** report from KPMG to find out more about the implications of the Act on income taxes, financial instruments, and more.

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Board communications

Particularly in times of crisis, it is critically important that the board and management are of the same mind as to what is being done. Frequent management updates to the board are key:

- Ensure the board fully understands the scope of the situation and how management is responding
- Understand the important benchmarks and metrics that are informing crisis management and mitigation efforts
- Consider the potential impact of COVID-19 on the board's operations and effectiveness.

Is your board crisis-ready?

Find out what other board and business leaders are doing to assess their crisis readiness and response plans in **Crisis prevention and readiness**, a recent report by the KPMG Board Leadership Center.

[Read more >>](#)



About the KPMG Board Leadership Center

The KPMG Board Leadership Center champions outstanding governance to help drive long-term corporate value and enhance investor confidence. Through an array of programs and perspectives—including KPMG Audit Committee Institute, the WomenCorporateDirectors Foundation, and more—the Center engages with directors and business leaders to help articulate their challenges and promote continuous improvement of public- and private-company governance. Drawing on insights from KPMG professionals and governance experts worldwide, the Center delivers practical thought leadership—on risk and strategy, talent and technology, globalization and compliance, financial reporting and audit quality, and more—all through a board lens. Learn more at kpmg.com/us/blc.

How KPMG Private Enterprise can help

Our professionals understand the potential consequences of the current global health situation for a business like yours. And we are drawing from our full set of capabilities across our network and around the world to give you the best possible advice and services in these uncertain times.

From our Business Resilience and Change Management practices through to our M&A and Restructuring groups, **KPMG Private Enterprise** delivers a full range of services to help private organizations build resilience and drive long-term business health.



Don't miss a thing

The environment for private companies is changing rapidly, and new opportunities are emerging every day.

Do not let an opportunity pass you by. Sign up to receive the KPMG **Privately Speaking** series and make sure you are making the best decisions possible for your private company.

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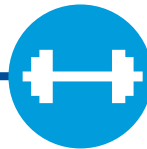
Starting your
business



Growing your
business



Strengthening
your business



Transitioning
your business



Privately Speaking focuses on the issues that matter most to privately held entities, including private equity- and venture capital-backed companies.

KPMG Private Enterprise understands what it takes to drive private company growth. In each edition of **Privately Speaking**, we share our insights—along with practical and actionable tips—to help boards, executives, and management grow, strengthen, and transition their privately held businesses.

For more information, click here to visit our **Privately Speaking** web page.



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