



Crisis Management

A Playbook in the Wake of Coronavirus

Food Institute Webinar | April 20, 2020

SPEAKERS



Paul D. Schuldiner
Executive Vice President & Division Manager
Rosenthal & Rosenthal



David Mustin
Partner
Marcum LLP

THIS WEBINAR IS SPONSORED BY

Marcum LLP is one of the largest independent public accounting and advisory services firms in the nation, with offices in major business markets throughout the U.S., as well as Grand Cayman, China, and Ireland. Headquartered in New York

City, Marcum provides a full spectrum of traditional tax, accounting, and assurance services; advisory, valuation, and litigation support; managed accounting services; and an extensive portfolio of specialty and niche industry practices.

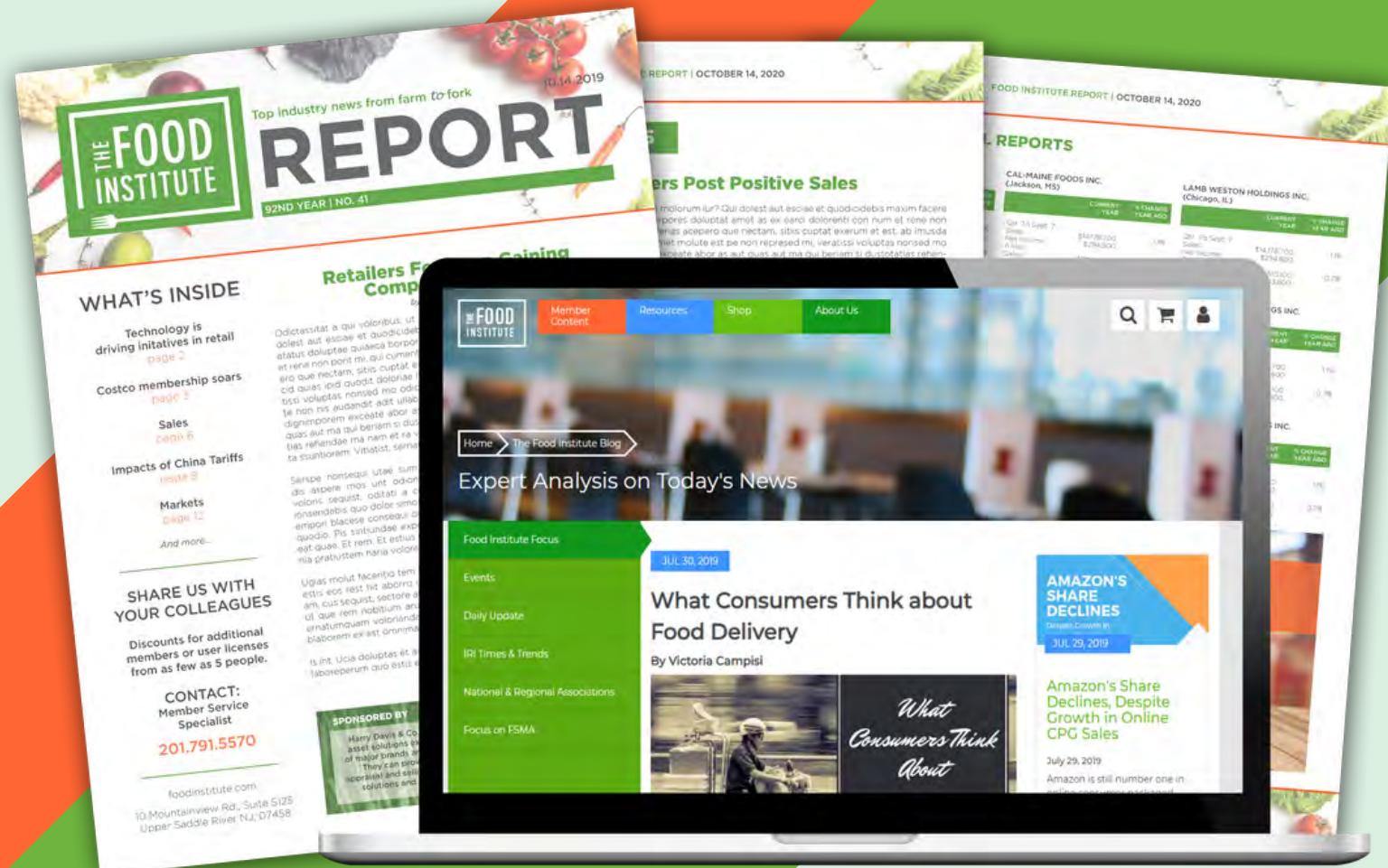
Visit <http://www.marcumllp.com/>





Who is the Food Institute?

We have been serving the food industry with relevant, timely and uninterrupted information for 90 years. We serve as a trusted source, providing balanced coverage of the issues through business newsletters and online research tools.



A DIGITAL RESOURCE

A SINGLE SOURCE FOR INDUSTRY NEWS, DATA, TRENDS

Visit us online at foodinstitute.com for upcoming webinars, publications and industry information.

WHO ARE OUR MEMBERS?



- Financial Analysts, Bankers, Investors
- Food Manufacturers
- Sales & Marketing Agencies
- Grocery Retailers
- Foodservice Distributors
- Foodservice Operators
- Schools, Colleges, Universities
- Ad Agencies, PR Consultants



MEMBERSHIP

THE FOOD INSTITUTE REPORT

A biweekly report of the most important industry info.

ONLINE PORTAL

A research library on your desktop – available anytime!

TODAY IN FOOD

An electronic newsletter delivered to your inbox daily.

EVENTS & REPORTS

Monthly and annual webinars, seminars and industry reports.

SIGN UP AT: foodinstitute.com/joinfi



Rosenthal & Rosenthal

SINCE 1938



MARCUM

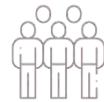
CRISIS MANAGEMENT:
A PLAYBOOK IN THE WAKE OF CORONAVIRUS
APRIL 20, 2020

ROSENTHALINC.COM

COMMITTED TO EXCELLENCE

WHO WE ARE

Rosenthal is the largest privately held factor and finance company in the United States. But that's not the only thing that makes us unique.



We are a Family

We began as a family business in 1938, and we're still a family business today. Our heritage is a part of everything we do.



We are all about Personal Attention

Providing a superior level of personal attention to each of our clients has always been the Rosenthal way.



We are Private

Our independence enables us to be the most nimble and entrepreneurial firm in the industry and allows us to evaluate individual business needs and respond quickly.



We are Your Partner

Rosenthal understands your industry.



We are In This Together

Our goal is to help our clients move their businesses forward.

WE KNOW THE FOOD & BEVERAGE WORLD



WE PARTNER WELL WITH OTHERS

Rosenthal is a friendly participant with banks, investment banks, hedge funds, private equity firms, law firms, accounting firms, BDC's, turnaround firms and other alternative lenders.



We're an attractive partner for a food & beverage brand because we offer a financial solution so equity holders and owners can maximize their investments. In other instances, we're an alternative to giving up equity or taking on investors as the business grows. Rosenthal focuses on addressing working capital needs, while venture capital and private equity firms prioritize initial capital and longer-term investments.

THE CURRENT LANDSCAPE

How COVID-19 is impacting the food & beverage industry:

- 97% of U.S. restaurants are now under some level of restriction, with most prohibiting dine-in service
- Prior to the pandemic, dine-in service represented 52% of industry dollars, while off-premise (i.e., carry-out, drive-thru and delivery) represented 48% of dollars
- Quick-service restaurants, which historically have more off-premise business, saw transaction declines of 40% for week ending March 29 vs same period last year
- Full-service restaurants declined 79% in that same week

Source: NPD Group, Crest Performance Alerts

WHAT DOES ALL THIS MEAN?

- Everyone is cooking at home right now
- Lockdown has turned grocery shopping into a life-or-death experience for some
- Securing a delivery window for online grocery services has turned into a scene right out of Hunger Games (no pun intended!)
- Creating a direct link to consumers has become mission critical for all food & beverage brands
- Pivoting your business to be IN SERVICE to all customers (B2B or B2C) has become a necessity

“Every brand right now is in the business of being a public service.”

--Nicholas Fereday, Rabobank Consumer Foods Senior Analyst

WHERE ARE THE OPPORTUNITIES NOW?

Get with the Grocery Retailers

- Both brick & mortar and e-commerce retailers are thriving right now, with demand for staples and groceries at an all-time high
- Credit remains intact
- Target/Wal-Mart/Costco (mass) vs. Thrive Market/Pepper (specialty)

Look for E-Commerce/No Contact Partners

- Huge demand as customers fear shopping in-store/in person
- E-commerce seeing tremendous new customer growth (especially 55+)

Create Direct Links to Consumer Now

- If you don't have an e-commerce site, consider setting it up NOW
- If you're currently B2B (e.g., a distributor), transform your business to B2C (e.g., Baldor; D'Artagnan)

Pivot Your Business for the Cause

- Look for ways you can help
- Can you package meals for first responders and healthcare workers right now? (e.g., Sweetgreen delivering to healthcare workers; Starbucks donating drinks every day to all healthcare workers/first responders)
- Can you shift production lines to produce supplies? (e.g., Eight Oak Farms, a PA veteran-owned distillery in Pennsylvania converted operations to make alcohol disinfectant; Bacardi shifted production to make hand sanitizer)

RISING TO THE CHALLENGE

Food & bev brands pivoting to meet demand through DTC...



Pepper

Non-food & bev brands getting creative and doing the same...

NORDSTROM

dyson

AGOLDE

MINISTRY
OF SUPPLY

CHRISTIAN SIRIANO

WHAT WE OFFER



Factoring

For businesses that sell products on terms and need credit protection, collection and management of their receivables, and/or advances on A/R and inventory.

- Start-ups to mature businesses with more than \$1B in sales
- Loan size up to \$20MM+
- Collateral, including commercial A/R and inventory, intellectual property and real estate
- International factoring



Asset Based Lending

For businesses that sell a product or service and require a credit facility secured by the company's assets.

- Revolving lines of credit from \$1MM-\$20MM+
- Collateral, including commercial A/R and inventory, in addition to intellectual property, real estate and machinery & equipment
- Covenant-lite facilities working for businesses with both positive and negative EBITDA
- Metal leasing: gold, silver, palladium and platinum
- E-commerce inventory financing



Purchase Order Financing

An alternative inventory financing solution for cash-constrained businesses that need incremental working capital.

- Transactional funding from \$250K-\$20MM+
- Advances up to 100% of the cost of required inventory purchases
- Funding for both finished goods and WIP transactions
- Supports international and domestic inventory purchases

BENEFITS OF FACTORING

Factoring is an old solution to address new problems. A popular but often misunderstood tool, factoring offers credit protection, collections and working capital. Rosenthal's factoring facilities can include:

- Early access to your money for products and services you've already delivered
- Loans against inventory and other types of collateral
- Overadvances to support seasonal needs, finance growth or purchase more inventory

For a food & beverage brand, factoring offers increased cash flow, protection against bad debt and reduced overhead for collections support and related costs. Outsourcing these functions to a seasoned shop like Rosenthal also enables founders to dedicate their limited time to sales and production.



While many brands benefit from using all of our services, Rosenthal also works in tandem with traditional lenders to provide credit and collections services only. Relying on Rosenthal to professionally manage collateral, helps the brand and the existing lender.

FACTORING VS. CREDIT INSURANCE

BENEFITS	FACTORING WITH ROSENTHAL	INSURANCE
Protection from high-risk customers	✓	✗
Recovery rates 90-100%	✓	✗
Competitive Pricing/Fees	✓	✗
New customer vetting (credit dept.)	✓	
Real-time customer reviews/updates	✓	
Collections support	✓	
Dedicated full-service team	✓	
Access to decisionmakers	✓	
Funding	✓	



Factoring is much more than just credit protection. With Rosenthal, our clients have a dedicated team collecting payment on their behalf and helping to protect them from bad debt. With our experience and expertise, our clients have the information they need ahead of time that will save them the trouble of selling to a risky customer.



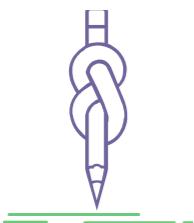
ASSET BASED LENDING

Rosenthal's working capital facilities are an ideal solution for brands unwinding from restrictive banking relationships or self-financed companies looking to capitalize on growth opportunities.



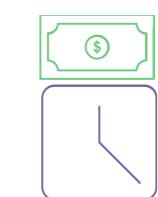
We are an alternative to a bank

Whether a business is facing restrictions on borrowing capacity or has simply hit a rough patch, Rosenthal supports companies that either cannot secure traditional bank debt or want to avoid regulations and other red tape.



We offer unrivaled flexibility

Rosenthal is not restricted by traditional banking regulations, so we have the flexibility to evaluate the underlying value of collateral, look at the entire balance sheet and respond promptly to a company's specific financing needs.



We provide cash when you need it

Quick access to cash so you can pay bills faster, take advantage of early payment discounts or grow your business.



PURCHASE ORDER FINANCING

A short-term alternative inventory financing solution, Purchase Order Financing can help cash-constrained companies that have purchase orders or contracts issued by creditworthy end customers.

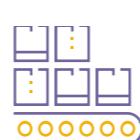
Who can benefit from Purchase Order Financing?

- Distributors, manufacturers, wholesalers, assemblers, importers, exporters and government contractors that face cash flow challenges
- Fast-growing or seasonal businesses
- Companies in a turnaround situation, often requiring incremental liquidity to rehabilitate trade terms with suppliers
- Companies with a gross margin of at least 20% or quick turnover of transactions
- Companies with pre-sold goods or finite sales opportunities with credit-worthy buyers

What can Rosenthal offer



Purchase Order Financing for international and domestic pre-sold inventory purchases



Production financing for light manufacturing and assembly businesses



Cash funding, credit enhancement and letters of credit to clients' suppliers



Rosenthal & Rosenthal

SINCE 1938

We're open. We're here for you.

If you have questions or if you just want to talk, reach out.

pschuldiner@rosenthalinc.com

Thank you



CRISIS MANAGEMENT – A PLAYBOOK IN THE WAKE OF CORONA:

FOOD SUPPLY CHAIN RISKS

MARCUM

ACCOUNTANTS ▲ ADVISORS

Presented by:

David Mustin, Partner

Dave.Mustin@marcumllp.com

April 20, 2020

marcumllp.com

INTRODUCTIONS



David Mustin, MBA

**Partner, Advisory
Marcum LLP**

- 25+ years of management consulting
- Business growth and transformation

WE LIVE IN INTERESTING TIMES



The New York Times

March 18, 2020

'There Is Plenty of Food in the Country'

“There is food being produced. There is food in warehouses,”

- Julie Anna Potts, chief executive of the North American Meat Institute

“Our stores are getting stocked every day,”

- Ron Vachris, chief operating officer of Costco

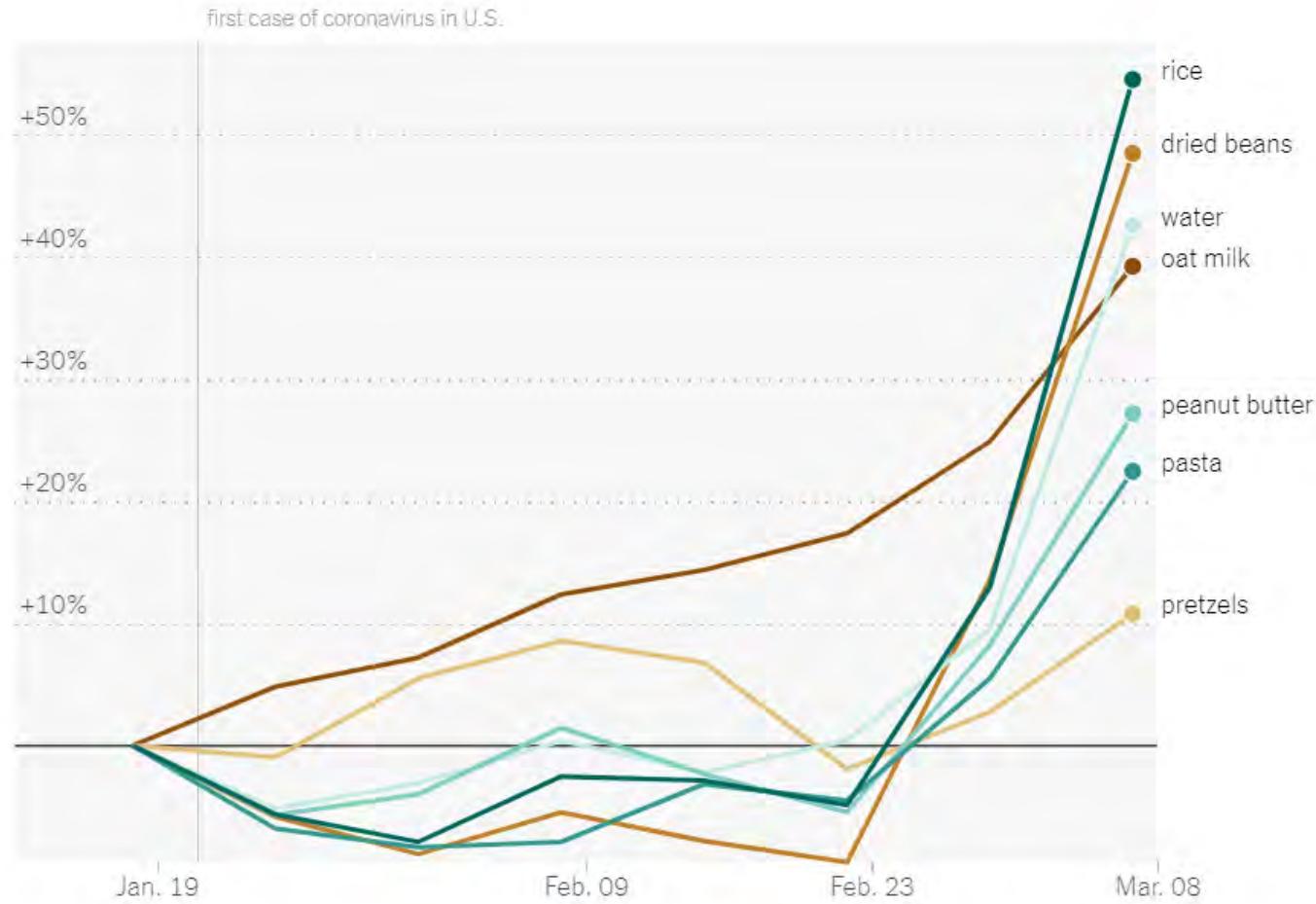
“there were ample surplus supplies of chicken in cold storage”

- The National Chicken Council
- “totaling more than 950 million pounds”, according to government data

PANIC BUYING – NOT LIMITED SUPPLIES – IS CAUSING *INITIAL* SUPPLY CHAIN PROBLEMS



CHANGE IN PANTRY ITEMS SALES JAN 18th TO MARCH 7th

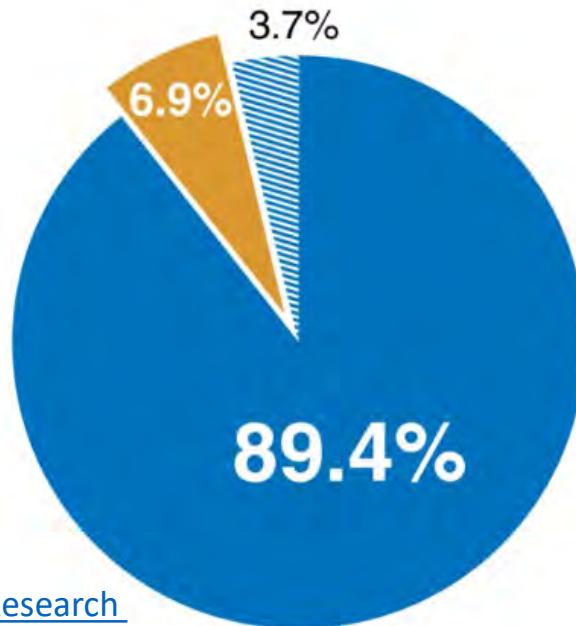


Source: Nielsen

WE CONSUME PREDOMINANTLY US PRODUCED FOOD

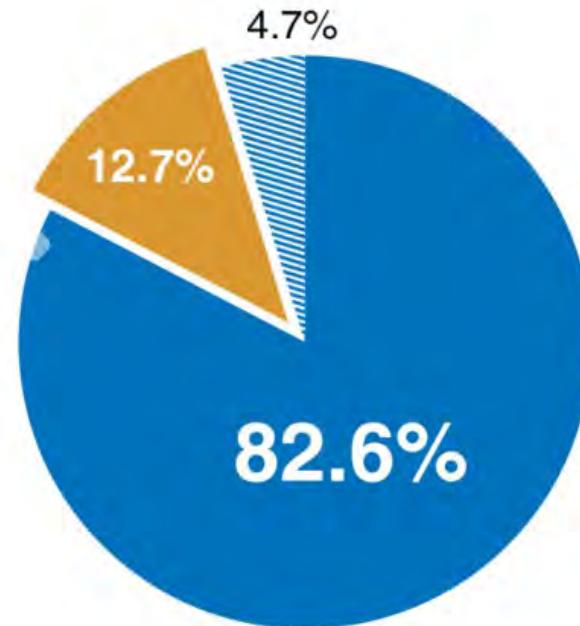
U.S.-produced food and beverages

- Domestic inputs
- Imported inputs



1993

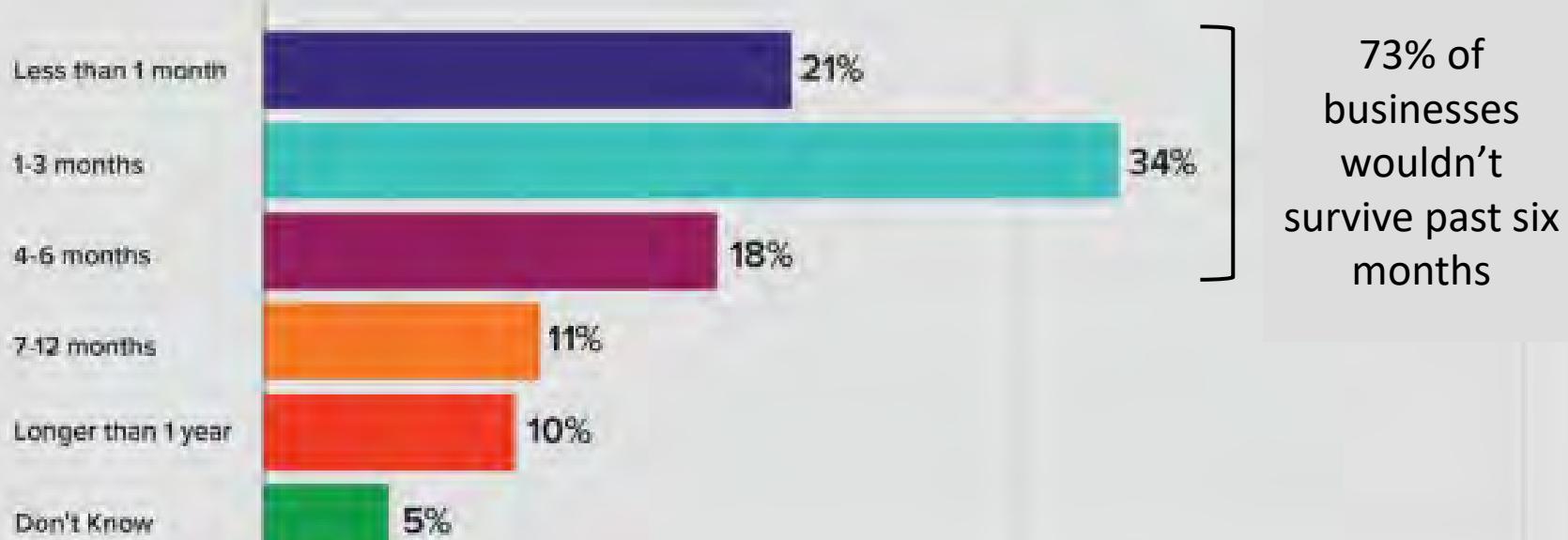
Imported food and beverages



2016

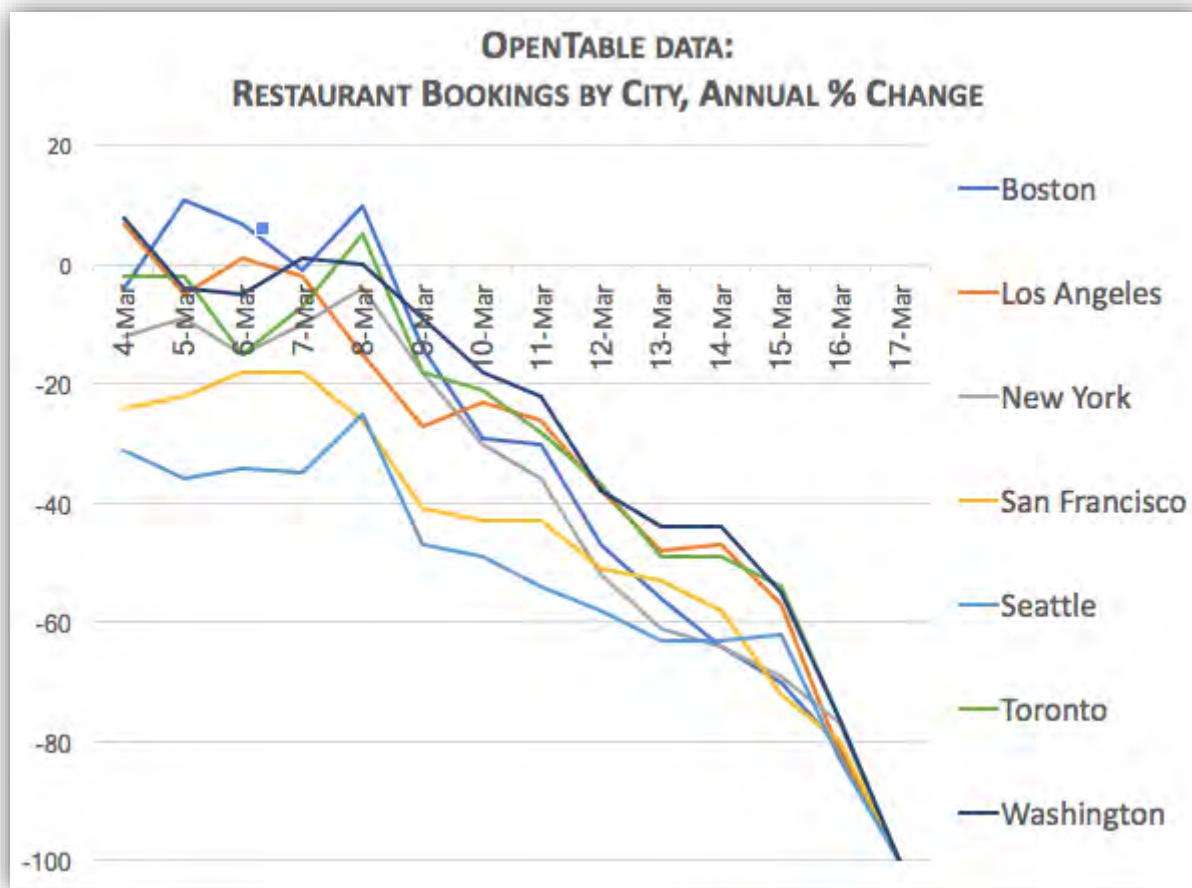
By USDA Economic Research Service, Food Dollar Series

HOW LONG WOULD YOUR BUSINESS SURVIVE IF SALES STOPPED COMPLETELY?



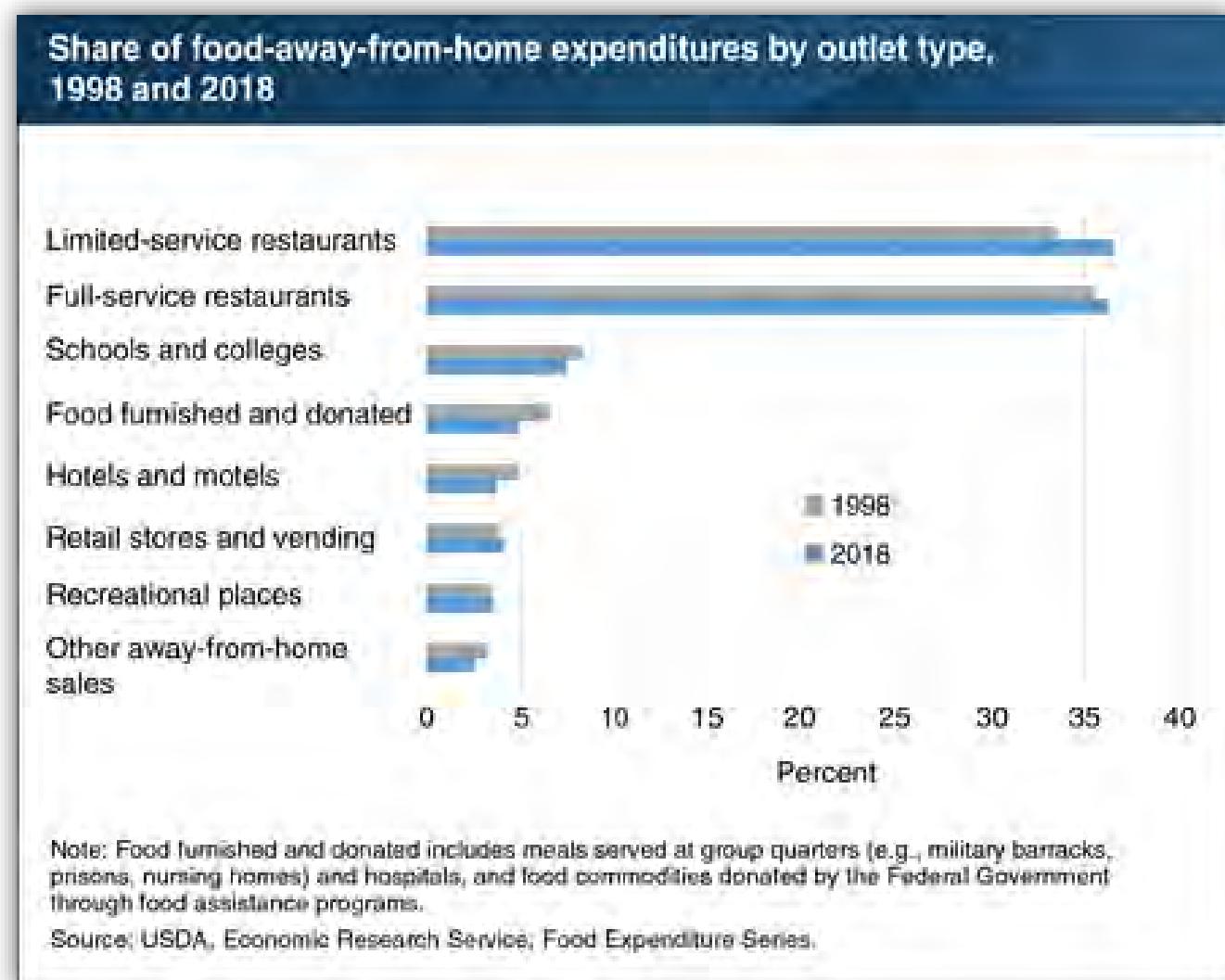
<https://www.womply.com/blog/long-business-survive-sales-dropped/>

RESTAURANT BOOKINGS – MAR 4TH – 17TH

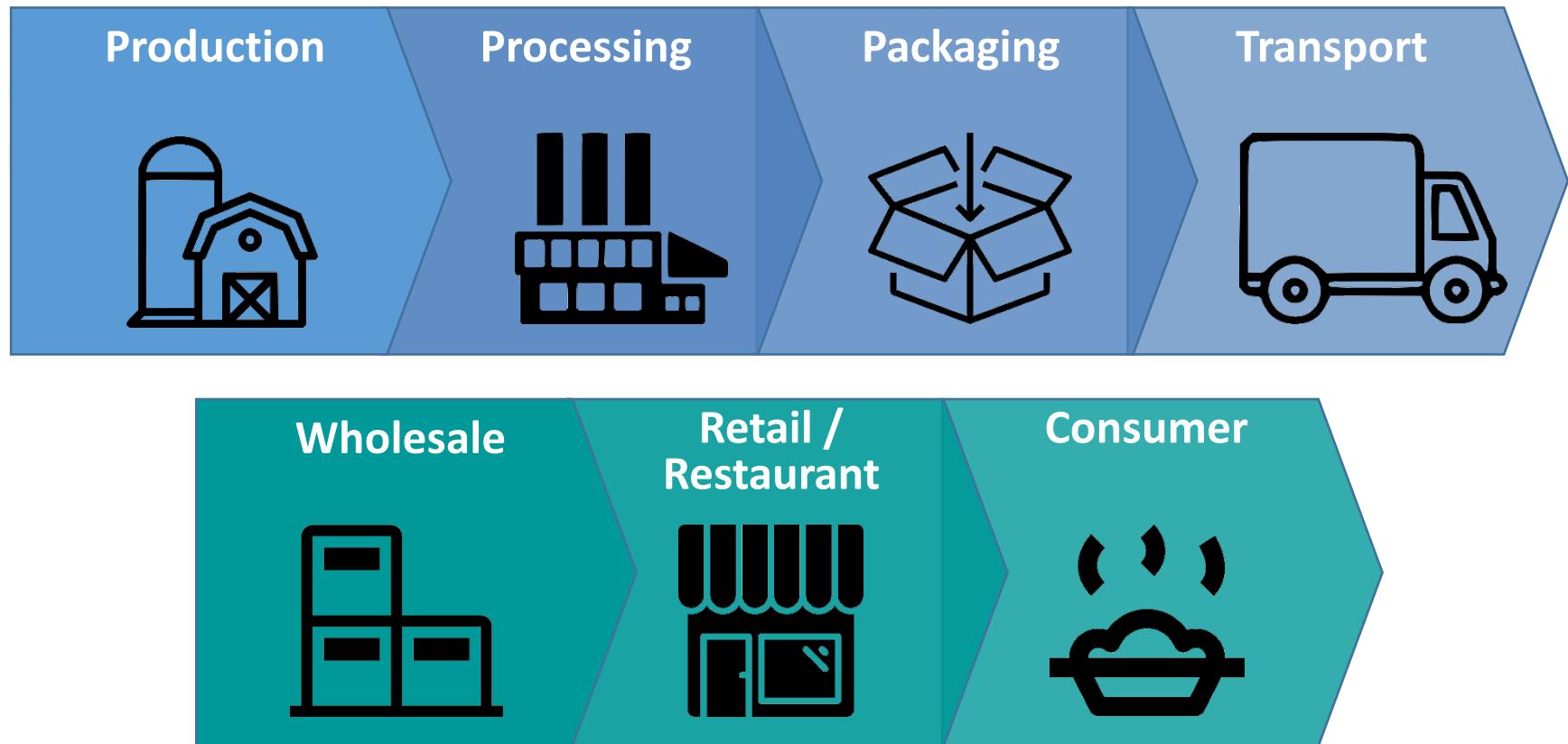


Source: OpenTable

SHARE OF FOOD AWAY FROM HOME EXPENDITURES BY OUTLET TYPE



FOOD SUPPLY CHAIN



Food Supply Chain PRODUCTION / PROCESSING

Production Processing



Risks

- Availability of migrant workers
- Covid-19 susceptibility
 - Production processing plants
 - Plant cross contamination
- Decreasing / shifting demand
 - Dairy, butter
 - International
 - Wholesale (e.g., schools, hotels, high end restaurants)



Milwaukee Journal Sentinel
April 1, 2020

Food Supply Chain PACKAGING / TRANSPORT

Packaging



Transport



Risks

- Availability of workers
- Covid-19 susceptibility
- Retail vs wholesale packaging
- Lot size
- Distribution channels
- Warehouse access

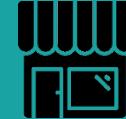


Food Supply Chain WHOLESALE / RETAIL

Wholesale



Retail /
Restaurant



Risks

- Panic buying
- Availability of workers
- Covid-19 susceptibility
- Shutdowns / slowdowns of outlets
 - Restaurants
 - Schools / universities
 - Hotels
 - Bars / nightclubs



Food Supply Chain CONSUMER

Consumer



Risks

- Panic buying
- Access to outlets
- Stay at home orders
- Changing preferences
 - Restaurants to grocery stores
 - Perishables to non-perishables
 - Eating out to eating in
 - Lower cost



CONCLUSIONS

- While the food supply chain is robust and resilient, major disruptions are testing that resilience
- Disruptions are occurring in waves that continue to stress the supply chain
- As the country seeks to re-open for “normal” operations, we don’t know what the new “normal” will be or how long it will take to settle
- It is critical that patrons return to supporting distressed businesses as soon as feasible
- Out of every disruptive period, new opportunities present themselves --- ***how will you capitalize?***

QUESTIONS?



David Mustin, MBA
Marcum LLP
Partner, Advisory

440.459.5755
dave.mustin@marcumllp.com