Valuation in the time of Coronavirus

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#Socialdistancing!

What a year it has been! We were all prepared for March madness, but nobody could have guessed that less than three months into the year, #socialdistancing would be a trending buzzword and our collective reality. The current situation is a social experiment like no other, and we are facing a level of uncertainty that makes it hard to make any predictions about how this pandemic will play out. The impact on businesses and people’s incomes have been harsh, and the market volatility has whittled down the value added by the stocks over the 11-year long bull run.

This crisis came upon us on the backs of a strong economy that was close to working at full-employment. Several well-run businesses were probably recording revenues and income close to their historical highs. At the end of 2019, when the news of the Coronavirus spread in China’s Wuhan province was not well known, these companies may have expected 2020 to be an equally strong year.

How does this all impact the work for a valuation analyst like me? How should I make sense of how the social distancing mandated on us will impact the businesses that I am valuing? Maybe I should start by taking a look at how my overall life has been impacted to get some answers.

The Oxford dictionary defines valuation as “an estimation of something’s worth, especially one carried out by a professional appraiser.”

Even under normal circumstances, the job of a valuation analyst or appraiser is not aided by a magic crystal ball that perfectly foresees the future performance of the subject company. The process of valuing a privately-held business is considered both a science and an art. We use the following steps to aid the process of determining the value of the subject company as of the valuation date:

- We study the state of the economy and industry as of the valuation date.
- We map the trend of the financial performance of the subject company since inception or at least for five years for a company with a longer history of operations.
- We interview the management of the Company to identify the strengths, weaknesses of the subject company as well as the opportunities and risks facing the business to supplement our economic and industry research.
- We utilize information about long-term average market rates of return compiled over a long period of time to calculate the appropriate rates of return on equity for investing in the subject company. This helps factor in and average out significant highs and dips in the market.
- Instead of looking at the historical book value of assets and liabilities on the subject company’s balance sheet, we try to utilize current values of the assets and liabilities recorded in the balance of the firm.
• If applicable, we try to apply the pricing multiples derived from publicly-traded companies in the same industry as the subject company.
• We also consider the pricing multiples based on actual transactions of businesses in the same industry as the subject company.
• For a non-controlling interest in a privately-held business, we may need to apply a discount for lack of control and a discount for lack of marketability based on the purpose of the valuation. This is accomplished by (i) understanding the rights and restrictions associated with the ownership interest by looking at organizational documents including the operating agreement, shareholders agreement and company bylaws, partnership agreement, buy-sell agreement; and (ii) using information derived from public markets regarding control premiums, pre-IPO stocks and restricted stocks to derive an appropriate level of discounts for the subject company.

As can be seen above, while there is a subjective component to the valuation analysis, a large part of the work is based on collecting financial data about the subject company, industry, and the economy. I am going to explore how the impact of facing the COVID-19 pandemic will affect the different assumptions and steps in the valuation process.

Premise of value

Our work has always involved making reasonable assumptions in the face of uncertainty, but this part is going to be really challenging in the following months. One basic tenet of valuation is to take a long-term view. Using a going-concern premise, the assumption is that the subject company would be able to survive into perpetuity and grow at least at the rate of the overall economy and long-term inflation, which usually puts the long-term growth rate for the company in the range of 2.5 percent to 3.5 percent. This range is an important sanity check in the face of overly optimistic management projections, and it is assumed to consider both the up and down years over the lifetime of a business. The earlier years in the projection period can utilize higher growth rates. But after the period of rapid growth, the long-term growth of the company being valued is expected to revert to more sustainable growth in sync with the overall economy.

The impact of COVID-19 has been so severe on firms in certain industries, that we would have to rethink the application of the going concern premise to value them in the coming few months. Any industry with direct customer contact and human interaction has been affected – think restaurants, bars, fitness centers, spas, salons, movie theaters. The U.S. and Arizona economies were in a strong position prior to the Coronavirus outbreak. In the face of the emphasis on flattening the curve and ensuring the safety and preventing the spread, any discretionary spending on non-essential goods and services, and on events that require big gatherings have been restricted. This has thrown a wrench into a range of industries including travel, sports, conferences, weddings, live entertainment, and catering. Several retailers for non-essential items have closed temporarily, as consumers have curbed non-essential purchases, and several states have installed lockdown or shelter-in-place measures that prevent residents from venturing outside their homes for purposes other than everyday necessities.

In the face of the above situation, we should be questioning the application of the going concern premise for each company that we value this year. This is a stress test for all businesses. We will be looking at whether the company has the financial and management resources to withstand the effect of the COVID-19 pandemic to its bottom line, and whether it will be able to survive this year so that we can justify using the going-concern assumption for the valuation. The significant question is – how long will this situation last? Will the subject company be able to withstand a hit to its revenues for two months? What if this situation persists for four months? Or six months? We need to be able to process the information as it
keeps coming in as to how long the social distancing measures will be in place. At the same time, we deal with this public health crisis and what is the capacity of the business being valued to withstand this situation.

As a trusted adviser to the business owners that we work with, we should also be providing them with credible information about making use of the programs and resources included in the Coronavirus Aid, Relief, and Economic Security (CARES) Act passed by the U.S. Congress to survive this phase. The CARES Act includes the SBA loans that we discuss in a little more detail later in the article, the Paycheck Protection Program (PPP), and the Small Business Debt Relief Program.¹

Per information provided by the U.S. Senate Committee on Small Business & Entrepreneurship, PPP loans would provide cash-flow assistance through 100 percent federally guaranteed loans to employers who maintain their payroll during this emergency, and as of today these loans are available through June 30, 2020. The Small Business Debt Relief Program will provide non-disaster SBA loans to small businesses. Under this program, SBA will cover all loan payments on these SBA loans, including principal, interest, and fees, for six months. SBA is also providing Economic Injury Disaster Loans (loans up to $2 million) and Emergency Economic Injury Grants (an emergency advance of $10,000 that does not have to be repaid within three days of applying for Economic Injury Disaster Loan).²

**Valuation Date**

In this period of extreme volatility, which is evident when we track the performance of the share prices of publicly-traded companies, the valuation analysis for privately-held businesses would also be very sensitive to the valuation date chosen. As part of the valuation analysis, we utilize the information that is known or knowable as of the valuation date in our analysis. But, a key question that we would be pondering upon in the next few weeks would be how to deal with valuations as of December 31, 2019, when the news about the Novel Coronavirus and its potential impact to the world economy was as yet unknown or at least, not fully known.

Per my research on news streams, Chinese health officials informed the World Health Organization on December 31, 2019, about a cluster of 41 patients with a mysterious pneumonia, which was later named the Novel Coronavirus.³ The following table is from data compiled by the Johns Hopkins University & Medicine’s Coronavirus Resource Center during the writing of this article over a period of a week.

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¹ U.S. Senate Committee on Small Business & Entrepreneurship: [https://www.sbc.senate.gov/public/_cache/files/9/7/97ac840c-28b7-4e49-b872-d30a995d8dae/F2CF1DD78E6D6C8C3BF58C6D1DDB2B.small-business-owner-s-guide-to-the-cares-act-final-.pdf](https://www.sbc.senate.gov/public/_cache/files/9/7/97ac840c-28b7-4e49-b872-d30a995d8dae/F2CF1DD78E6D6C8C3BF58C6D1DDB2B.small-business-owner-s-guide-to-the-cares-act-final-.pdf)

² Ibid.

³ Source: Business Insider: “A comprehensive timeline of the new coronavirus pandemic, from China’s first COVID-19 case to the present”. 
We can see the progression in the number of COVID-19 confirmed cases in less than a week, and without a treatment or vaccine addressed specifically towards the disease, the importance of social distancing as a public health measure is paramount. Considering the concerns about the lack of adequate testing in the U.S. as well as other countries around the globe, the number of confirmed Coronavirus cases is possibly understated. At the same time, the approximate global population is 7.8 billion, and the population of the United States of America is about 330 million. World leaders have the unenviable task of trying to stem the spread of COVID-19 to a larger portion of the population, treat the affected people which will put a tremendous strain on their healthcare systems, while they are also trying to keep the larger part of their population meet their sustenance needs amidst a lockdown of a major part of the economy.

Realistically, could we have predicted that the COVID-19 pandemic would reach this proportion on December 31, 2019, when China announced its cluster of 41 cases of COVID-19 patients? It is a question worth deliberating upon, and I expect a lot of discussion on the same in the valuation community in the coming months. Some initial opinions have included from discussing with clients about using a valuation date later than December 31, 2019, so that the impact of the COVID-19 pandemic on their business could be assumed to be known or knowable as of the valuation date, or if the date cannot be changes including an appendix to the valuation report discussing the impact of COVID-19 pandemic as a subsequent event.

Application of the Income Approach

Cash Flow Projections

Following our discussion about the importance of the valuation date for the analysis, for the valuation cases that we receive with a valuation date during 2020, the income and cash flow projections under the income approach should consider the impact on the business of Coronavirus on the business landscape during the year and be responsive to the possible long-term ramifications. It would make sense to consider multi-period projection models and scenario analysis to project the future cash flows for firms that we are valuing during this period of uncertainty. Economists are predicting a recession to follow in the wake of the Coronavirus pandemic, and even after the world gets control of the disease by coming up with medicine and/or vaccine to treat the disease and by practicing social distancing, it may not be business as usual for several months for business owners in a variety of sectors and industries.

Cost of Capital Calculation

We would also need to look at the way the cost of capital is computed. I looked at the Duff & Phelps Cost of Capital Navigator Toolkit to see if any changes have been made to certain parts of the calculation of
the cost of equity capital. As of the date of this article, several parts of the data used for this calculation have not been updated.

To illustrate the concepts related to the calculation of the cost of equity capital, I will present examples of computing the cost of equity capital for three businesses operating in the industries grocery stores (SIC Code: 5411), eating places (SIC Code: 5812) and hotels and motels (SIC Code: 7011) using the build-up method. I have calculated the cost of equity capital for these three fictional privately-held businesses as of three dates – December 31, 2018, December 31, 2019 (assuming the effect of Coronavirus pandemic on the economy was not known or knowable), and as of March 24, 2020.

<table>
<thead>
<tr>
<th>Grocery Stores (SIC 5411)</th>
<th>December 31, 2018</th>
<th>December 31, 2019</th>
<th>March 24, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-free Rate (20-Year U.S. Treasury Bond Yield)</td>
<td>2.87%</td>
<td>2.25%</td>
<td>1.12%</td>
</tr>
<tr>
<td>Equity Risk Premium (Supply-Side Long-Term 1926 - Present)</td>
<td>6.14%</td>
<td>6.17%</td>
<td>6.17%</td>
</tr>
<tr>
<td>Size Premium (Decile 10)</td>
<td>5.22%</td>
<td>4.99%</td>
<td>4.99%</td>
</tr>
<tr>
<td>Industry Risk Premium</td>
<td>-1.96%</td>
<td>-2.96%</td>
<td>-2.96%</td>
</tr>
<tr>
<td>Company Specific Risk Premium</td>
<td>5.00%</td>
<td>5.00%</td>
<td>?</td>
</tr>
<tr>
<td>Cost of Equity Capital</td>
<td>17.27%</td>
<td>15.45%</td>
<td>?</td>
</tr>
</tbody>
</table>

Source: Duff & Phelps Cost of Capital Navigator

<table>
<thead>
<tr>
<th>Eating Places (SIC 5812)</th>
<th>December 31, 2018</th>
<th>December 31, 2019</th>
<th>March 24, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-free Rate (20-Year U.S. Treasury Bond Yield)</td>
<td>2.87%</td>
<td>2.25%</td>
<td>1.12%</td>
</tr>
<tr>
<td>Equity Risk Premium (Supply-Side Long-Term 1926 - Present)</td>
<td>6.14%</td>
<td>6.17%</td>
<td>6.17%</td>
</tr>
<tr>
<td>Size Premium (Decile 10)</td>
<td>5.22%</td>
<td>4.99%</td>
<td>4.99%</td>
</tr>
<tr>
<td>Industry Risk Premium</td>
<td>-2.64%</td>
<td>-3.08%</td>
<td>-3.08%</td>
</tr>
<tr>
<td>Company Specific Risk Premium</td>
<td>5.00%</td>
<td>5.00%</td>
<td>?</td>
</tr>
<tr>
<td>Cost of Equity Capital</td>
<td>16.59%</td>
<td>15.33%</td>
<td>?</td>
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</tbody>
</table>

Source: Duff & Phelps Cost of Capital Navigator

<table>
<thead>
<tr>
<th>Hotels &amp; Motels (SIC 7011)</th>
<th>December 31, 2018</th>
<th>December 31, 2019</th>
<th>March 24, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk-free Rate (20-Year U.S. Treasury Bond Yield)</td>
<td>2.87%</td>
<td>2.25%</td>
<td>1.12%</td>
</tr>
<tr>
<td>Equity Risk Premium (Supply-Side Long-Term 1926 - Present)</td>
<td>6.14%</td>
<td>6.17%</td>
<td>6.17%</td>
</tr>
<tr>
<td>Size Premium (Decile 10)</td>
<td>5.22%</td>
<td>4.99%</td>
<td>4.99%</td>
</tr>
<tr>
<td>Industry Risk Premium</td>
<td>1.41%</td>
<td>1.24%</td>
<td>1.24%</td>
</tr>
<tr>
<td>Company Specific Risk Premium</td>
<td>5.00%</td>
<td>5.00%</td>
<td>?</td>
</tr>
<tr>
<td>Cost of Equity Capital</td>
<td>20.64%</td>
<td>19.65%</td>
<td>?</td>
</tr>
</tbody>
</table>

Source: Duff & Phelps Cost of Capital Navigator

The starting point for the above calculation of the cost of equity capital is the risk-free rate, for which I have used the 20-year treasury bond nominal yield rate, which is highlighted in green in the tables above. This rate has fallen due to the measures taken by the Federal Reserve Banking System to aid the economy. During the Great Recession, valuation analysts faced a similar situation where the indicator for the risk-free rate fell much below the 20-year U.S. Treasury bond yield rates that we were used to utilizing in our
analysis. While some of my colleagues continued to use the prevalent rates without adjustment, others utilized a normalized risk-free rate that has ranged between 3.5 percent to 5 percent, per guidance provided Duff & Phelps. I expect to see a similar diversion of opinion this year among the valuation professionals.

Without getting too technical, the equity risk premium, the size premium, and the industry risk premium (highlighted in orange) are computed based on data regarding publicly-traded stocks over a long period starting in 1926. These items are added to the risk-free rate as part of the computation of the cost of equity capital under the build-up method. As of the date of the article, the impact of the current crisis, especially on specific industry sectors, has not been factored in the data compiled by Duff & Phelps that we use for the calculation of the cost of equity capital.

The Company-specific risk premium is determined by conducting a SWOT analysis for the subject company as is meant to capture the risk factors not captured by the other components of the cost of equity capital calculation. The determination of the company-specific risk premium in the times of Coronavirus should be both strategic (focused on long-term factors) and tactical (taking into account the loss of revenues and earnings at this time). While we would expect the company-specific risk premium to be higher than what we would have used at the end of 2018 or 2019 for nearly all sectors, the specifics of the company's circumstances would determine how much higher it would be. For example, the company specific risk premium for the grocery store from my examples above would likely be lower than that for the sample eating place or hotel.

The strength of the balance of the subject company would be particularly important in determining which firm will be able to survive this crisis and should be studied carefully in the overall risk analysis for the Company and the computation of the company-specific risk premium. Companies with no or low leverage would be expected to be better able to handle a hit to their revenues when they do not have the cash flow to service their existing debt repayments.

At the same time, business owners may be eligible to take advantage of the Economic Injury Disaster Loans offered by the U.S. Small Business Administration (SBA) to small businesses and private, non-profit organizations in all the states. These loans offered by the SBA offer up to $2 million in assistance to small businesses and may be used to pay fixed debts, payroll, accounts payable, and other bills that cannot be paid because of COVID-19 pandemic’s impact on their business. These SBA loans carry an interest rate of 3.75% for small businesses and 2.75% for non-profits, and the repayment term could be a maximum of 30 years, to be determined on a case by case basis.4

This discussion provides a segue to the calculation of the cost of debt capital, which is another important component of the calculation of the overall weighted average cost of capital (WACC) for the subject company. The usual starting point for this analysis is the actual interest rates paid by the company being valued on their interest-bearing debt or a proxy that starts with the prime rate offered to banks by the Fed plus an appropriate spread based on the credit quality of the company, or the yield on corporate bonds based on the credit quality of the subject company plus an additional spread for the subject company. The cost of debt capital in these uncertain times should take into consideration factors relevant to the company being valued, including existing leverage, deterioration in credit quality, and access and terms provided by programs such as the SBA loan under the CARES Act.

4 U.S. Small Business Administration Website (https://www.sba.gov/disaster-assistance/coronavirus-covid-19#section-header-1)
**Purpose of Valuation**

Valuation engagements are done for a variety of purposes, including sale transactions, partner disputes, marital dissolution, estate and gift tax planning and reporting, and financial reporting. The timing of significant life events like birth and death cannot be determined with certainty, and the valuation date for estate tax purposes would be out of the realm of control for the purpose of this discussion. Valuations for financial reporting purposes would also have to be completed during these uncertain times.

However, for transactions of businesses as part of exit planning on the part of business owners, unless they already have a good offer on hand from previous negotiations, it may be better for the business owners to put those efforts on hold for the time being and focus on weathering this crisis and bringing the business to the other side in the most feasible way possible. There is a lot of uncertainty about the course of the economy this year, and how it will impact various industries and the upstream and downstream players that feed into the affected industries. We expect a lower number of transactions related to exit planning this year compared with 2019, because buyers favor stable and predictable cash flows which would be hard to come by across a breadth of industries, and sellers who cannot realize prices at the higher end of the spectrum of multiples during this period of volatility may hold back from transaction planning. At the same, we expect the number of distressed or liquidation sales to go up, as many businesses may not be able to handle an extended period without revenues but still having to keep up with fixed expenses like rent and payroll.

For ongoing divorce cases, the calculation process would become more complicated as the question of relevant valuation date to use would be brought up by the spouse actively involved in the business, even if the date of separation was prior to the end of 2019. How these cases would be resolved would depend on how both parties approach these difficult times. Some cases may seek a resolution based on an older valuation date, but with more lenient and/or deferred payment terms, whereas in some other cases the parties may decide to wait for a while before resolving the financial issues related to business valuation, and handle other parts of the divorce at this time.

**How this has affected the world around me**

As I try to make sense of how the economy is shaping up around me, I am looking at my family’s experiences during this time, which I admit are not a reflection of what a lot of people are going through at this time, but still provides me a lens to view the changing business landscape with. Both my husband and I are fortunate to be working in roles that allow for remote working during this period of recommended social distancing. My children’s schools are also closed at this time, but the schools have moved to an online instruction model using Microsoft Teams. As I write this article, news came in that Arizona’s Governor Doug Ducey has announced that all Arizona schools would remain closed through the end of the current school year (close to Memorial Day). It is now a distinct possibility that my family may continue to be house-bound through the start of my kids’ next academic year in August. My two kids are also enrolled in other activities, including singing, piano, dance, swimming, and martial arts. Some of those instructors have also temporarily moved to an online model using tools like Zoom and Cisco Webex, but others cannot due to the constraints that they are facing. The common factor that allows the four of us to be productive is technology.

Our normal routines have naturally been impacted. We do not drive for work, school, or other classes while we practice self-isolation. Our work meetings are held over the phone and not face to face. Instead
of participating in industry conferences and training events, I will be listening to webcasts. We had family members planning to visit us from India, U.K., and California in March, May, and July this year. The March trip had to be cancelled, and most likely, the May trip would have to be cancelled too. We were working the logistics of a family reunion in July but have stopped any planning on that front. My children had two big events that they were supposed to participate in April, but they have now been pushed out to August.

We live in Arizona, which still has not enforced a lockdown or shelter-in-place procedures like some other states, so we go out for a walk or a run outdoors in the evening, instead of going to the gym. I have to pass through a collection of shops next to my residential community as I make my way to a nearby park, and the only three shops open for business currently are an office stationery and equipment shop, a dollar store and a store selling baby equipment and essentials like formula, wipes, and diapers. The stores that are closed include a Greek eatery, a shoe store, a salon, several department stores, a jewelry store, a cosmetics store, a store specializing in tennis equipment, and a usually super-busy bagel shop. The usually bustling pizzeria is deserted, but still offering take-outs, but that may not last for too many days. My husband and son seem like they need a haircut, but we have decided against visiting any salon at this time, even if they are open. We are preparing and eating three meals a day together. The only shops we visit are Costco and some other shops where we can buy groceries. We have stocked up on cleaning supplies. The landscaper is still able to work on our yard, but the cleaning lady who comes in once a month is staying away.

It’s anybody’s guess how long we have to continue this way. But there are clear sectors that can and have adapted to these circumstances, and there are others that require people to interact face-to-face, and for the time being, people are staying away unless they are shopping for necessities or health-related reasons.

Medium to long-term impact

Scientists and researchers are working around the world to come up with an effective treatment as well as a vaccine to deal with the Coronavirus. Even as the number of people affected is soaring at the moment, eventually, I expect that we will move past this. However, I also expect business and consumer confidence to be adversely affected even after we resolve this public health crisis. When the economy is doing well, people are willing to indulge in discretionary spending like vacations, live entertainment and sporting events but this may be constrained in the next few months, even after we find a way out of this. People may postpone important decisions like purchasing a home, getting married, moving to a new place, starting a new business or selling their business as part of exit planning as they grapple with the uncertainty around them.

This crisis also underlines how globally connected the U.S. economy is. The medium-term impact on the manufacturing sector for non-essential goods could be multi-fold. Manufacturing companies would be affected by the inability to run their plants, lack of demand for their products during the current crisis, and supply disruptions of inputs that may be sourced from other countries, including China. There may be pent-up demand for some products, which may provide a temporary bump in sales when this situation resolves, but for some other product categories, the loss of sales may not be recoverable.

It would also be interesting to track how this would affect sectors like retail and real estate in the long-term. Brick-and-mortar retail locations have already seen several closures and challenges to their strategy by online retailers. Perhaps this period will hasten the closure of the chronically unprofitable players, and lead to more retailers moving to an online-only model, which would also affect the retail part of the real-estate sector. The workforce may start migrating to essential sectors like produce companies, grocers,
online retailers, and health care from other non-essential sectors that have been forced to suspend operations in the current circumstances.

The office retail sector may also see some changes as more workplaces get to test out their remote working model during these unprecedented times. The technology to enable remote work has been available for several years, but office cultures and human behaviors can be sticky, and we are being forced to check the effectiveness of this model under duress. Even in the health care sector, telemedicine has been around as a viable alternative for some of the routine health checkups. As we emerge out from this, maybe we would be more willing to embrace this trend, and management and board of directors around the country may start discussing if they can cut down on the office lease expense and have a part of their workforce work remotely full-time. This will impact several aspects of the economy, including the number of vehicles on the road, the quantity of office equipment that people require to work efficiently remotely, and the amount of office space that needs to be leased.

**Conclusion**

Human civilizations have always been faced with trying circumstances like war, famine, drought, and pandemics. While several regions of the world continue to live in the face of war, poverty and regional strife, we are probably faced with a situation that has crippled everyday life for almost all the countries in the world for the first time since World War II. Most of us have never faced a situation in our lives till now, where we’ve been asked to stay hunkered down in our homes and not go about our everyday lives. However, the silver lining from our collective human experience is that we did make it through all those previous crises, and life did get back to a semblance of normalcy when that happened.

Medical advances in the twentieth century and beyond have increased life expectancy, reduced the overall mortality rate, and created cures for many diseases that used to be life-threatening in earlier times. The 1918 Spanish Flu pandemic was the deadliest in recent history, affecting 500 million people or one-third of the population worldwide. The death toll from the 1918 influenza pandemic was 50 million worldwide and 675,000 in the U.S. alone.\(^5\) What we are facing is a human tragedy, and I do not wish to diminish the importance of the affected people or their families by comparing numbers. However, I believe in terms of medical technology, we are in a much better place to understand and develop a cure for the current COVID-19 pandemic than when we were faced with the Spanish Flu pandemic over 100 years ago. We also need to learn from history, which has shown that social distancing and quarantine have been effective means of stopping the transmission of contagious diseases in the past.

The two major take-ways for the valuation process for me are – (i) think long-term and (ii) reassess the business landscape as the situation unfolds and when this situation is resolved. Thinking long-term involves having the faith that we will move beyond this crisis, although some companies will survive, and others will not. The current social distancing mandates are a severe stress test for firms that are unable to conduct any business without the customer contact that is necessary to run their operations. During these stressful times, we are hopeful that several small business owners would be able to take advantage of the programs and initiatives included in the Coronavirus Aid, Relief, and Economic Security (CARES) Act passed by the U.S. Congress to survive this phase.

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\(^5\) U.S. Centers for Disease Control and Prevention: [https://www.cdc.gov/flu/pandemic-resources/1918-pandemic-h1n1.html](https://www.cdc.gov/flu/pandemic-resources/1918-pandemic-h1n1.html)
When we emerge from this, the business landscape would be different from what it was at the end of 2019. How it impacts each industry and business would be up for individual scrutiny as we work on our valuations. Some industries, like airlines and public transportation, may be impacted for a longer time where people may be fearful of reverting back to flying or taking public transport even after a cure is found. Maybe a beneficial side-effect would be more seat and leg space for passengers in the economy section of an airplane as airplanes are redesigned, keeping the health of the passengers in mind (no harm indulging in wishful thinking).

There may be greater emphasis on developing a greater capacity for healthcare systems to deal with similar emergencies in the future. Hopefully, this would spur more people to enter the medical profession, greater allocation of funds for medical research, create stockpiles of critical medical supplies, medical equipment, and personal protective equipment and a contingency plan to protect our healthcare systems from getting overwhelmed during these emergency situations.

The landscape for retailers of non-essential goods is also likely to be very different, with the crisis rooting out the weaker players and possibly with more emphasis on both online sales and specialized customer services for a smaller number of brick-and-mortar stores. The adoption of technology may change the work-setup as many of us know it, now that workplaces have been forced to confront a situation where their employees are not congregated in a physical space. Some people may wish to continue this way, whereas others may be waiting to head back and make water cooler conversations with their colleagues on a daily basis again.

Human beings are social animals, and this period has shown us the value of even mundane experiences like picking up a cup of your favorite coffee or breakfast on your way to work. Eventually, we will be heading back to movies, restaurants, bars, salons, music concerts, and find a place and occasion to socialize and spend time with our family and friends. Our kids will head back to schools and colleges as they prepare for a future where they will be in charge of collectively handling any crisis that life throws at them. And we will be getting back to being as efficient and as productive as we wish to be under the current circumstances, showing the resilience and hopefulness that has always characterized human spirit.

Until then how about some inspiring hashtags - #Resilience #beadaptable #staystrong

Disclaimer: While all efforts have been made to perform credible research, the author assumes no liability or responsibility for any errors and omissions. Future events are uncertain, and any predictions regarding the course of future events should not be construed as investment advice. Please feel free to contact Srividya Subramanyam at ssubramanyam@beachfleischman.com with any comments or questions.