

COVID-19 Crisis Response

The Africa CEO Checklist

Latest As Of: 06/04/2020

Please check our website and LinkedIn for updates to this document as the situation unfolds



At this time of health and economic crisis DPI wants to remind everyone that Africa remains a sound region, full of opportunity

The basis for the Africa growth story of the last two decades remains true

Excellent demographics

Large young and working age population; working age population to be world's largest by 2034 at 1.1bn
Fast growing population

Growing middle class

Africa's middle class has grown to 350 million people (34% of Africa's population) and is projected to grow and reach 1.1 billion (42% of the population by 2034)
Increasing consumption and demand for goods and services

Rapid urbanisation

The fastest urbanisation rate in the world; approx. 190 million people expected to move to urban regions by 2025
Expected increase in productivity due to rapid urbanisation

Technology leapfrogging

Technology penetration rate still the lowest at 31.2%, compared to 55.8% in the rest of the world
Multiplier effect of technology on the economy; telecoms, financial services, education, retail/wholesale, etc

Natural resource endowments

Substantial share of global resource reserves e.g. 10% of global oil exports
These reserves can competitively meet continued global demand for these resources

Great companies

African companies have resilience in their DNA with typically low leverage, strong balance sheets, and extremely strong execution abilities
DPI is proud to partner with companies in key sectors for the present situation, notably healthcare

Despite the continent's huge potential it is vulnerable to the pandemic

A number of underlying public health issues which could increase the harm done by the virus

- Above average levels of malnourishment and co-morbidities in some countries
- ~58% of people living in sub-Saharan Africa have access to safe water supplies

Lack of medical infrastructure and services¹

- 0.2 doctors for 1,000 inhabitants in sub-Saharan Africa, vs. 3.6 per 1,000 in the European Union
- 1.2 hospital beds for 1,000 inhabitants in sub-Saharan Africa, vs. 5.6 in the European Union

Limited government resources to fight the virus and boost local economies

- GDP per capita of US\$1,900 for the Africa continent vs. ~US\$18,380 global average
- 3% of the world's foreign exchange reserves
- Governments do not have the same access to cheap debt to re-inflate economies

¹DPI is investing in healthcare in Africa, and we urge entrepreneurs and investors to look at this area.

6 Actions CEOs Must Consider

1



Provide Leadership

2



Protect people and customers

3



Build “fortress” balance sheets

4



Protect supply chains and keep channels open

5



Adapt the Operating Model

6



Work with regulators and public authorities

1 Provide Leadership



Phase 1 Immediate and urgent steps

- Maintain core values
- Ensure clear leadership, and 2-way communication channels
- Engage the organization
- Lead with integrity and honesty

Phase 2 Week 2 onwards

- Put in place a clear action team to lead responses across the Company – make sure it includes company, financial, operational, medical and macro knowledge (appoint ‘leads’ for each)
- Fight fake news and rumours – and always refer to official WHO and local government advice
- Put in place key man contingencies
- Provide weekly updates on health guidance and business actions

2 Protect People and Customers



Phase 1 Immediate and urgent steps

- Cancel events
- Clean facilities hourly
- Rollout widespread protection (sanitizer, gloves)
- Ban all non-essential travel
- Social distancing (where possible move to no physical meetings, canteens closed, 1 person per lift)
- Implement homeworking – some
- Employee temperature monitoring
- Split shifts (to 'save' a shift if another must self-isolate)

Phase 2 Week 2 onwards

- Ensure security of people and assets – expect a rise in crime against people and property
- Working from home – everyone who can, including call centre and other support staff
- Dress rehearsal for when first case is detected (anticipated in coming 1-3 weeks for most companies)
- Be ready to support the infected
- For some companies, contract medical staff to be on hand at key facilities
- Communicate to all customers that points of sale are safe
- Remember customers will remember who “stood by them” in tough times
- Remember everyone is going through the same challenging experience. Keep teams connected and morale up

3 Build “Fortress” Balance Sheets



Phase 1

Immediate and urgent steps

- Assess cash availability and manage liquidity
- Assess credit lines available and secure headroom where possible
- For businesses in countries experiencing FX volatility, maximise USD coverage

Phase 2

Week 2 onwards

- **Manage cash and liquidity:**
 - **Put 13-week cashflows in place and ruthlessly stress test against “worst case” scenarios**
 - **Make a plan that takes account of potential 3, 6, 12 months lockdowns; under 0, -15% and -25% OPEX scenarios**
 - **Work and re-work base and worst-case scenarios and stress test 13 week and 12-month plan**
- Pull all the levers to optimize liquidity – deferrable tax payments, payables, CAPEX, lease & rental payments, dividends
- Activate facilities
- Line by line cost analysis

4 Protect supply chains and keep channels open



Phase 1 Immediate and urgent steps

- Assess **raw material and finished goods inventory**
- Set a conscious strategy to optimize the balance between **cash and inventory**

Phase 2 Week 2 onwards

Protect Supply Chain

- Create Supply Chain War Room to address vulnerabilities daily
- Assess force majeure provisions in key supply contracts
- Expect that disruptions from China could take until May / June to pass through supply chain
- Bring scheduled maintenance and or upgrades forward to capitalize on potential downtime

Keep Channels Open

- Shutdowns on physical spaces are highly likely – pro-actively **create remote options** (digital and phone-based delivery) – throw everything at fixing digital channels, even as “stop gap” measures – consumers driven online may not go back
- Make **delivery visibly safe**. Gloves, masks, hazmat.
- **Contact centers are highly vulnerable**. Protect them and make contingency



5 Adapt the Operating Model

Phase 1

Immediate and urgent steps

- Assess customer demand in terms of **products/ volumes and fixed vs. variable costs** for each production line to determine if partial shut-downs would be appropriate

Phase 2

Week 2 onwards

- Assess possibility to convert **production line and warehouse/ distribution capacity for other uses** (e.g. in demand products, supplies for health authorities)
- Where deemed feasible after vigorous stress testing, take advantage of this time to **bring forward scheduled maintenance work and upgrades** (especially ESG ones)
- Remember the crisis will one day be over:
 - What working capital will you need to ramp up?
 - Will the business model change – customers who have moved online probably won't move back
 - How will your key stakeholders remember how you acted?
 - How will your supply chain and product mix look different?

6 Work with Regulators



Phase 1 Immediate and urgent steps

- Regulators increasingly stepping in to mitigate negative economic effects for consumers
- Governments putting in place schemes to support individuals and companies

Phase 2 Week 2 onwards

- Likely pressure to soften collections and implement grace periods for many businesses
- A pro-active and co-operative approach could positively shape regulation to enable companies to meet government objectives
- Take advantage of all local and international support mechanisms