



COVID-19

CHECKLIST FOR COVID-19 ADDBACK/RECONCILIATION CONSIDERATIONS

REVENUE

- Loss of revenue from customers specific to the “Safer at Home” restrictions and resulting effect on business
- Loss of revenues related to proactive production modifications and split shifts to manage social distancing and other health protection matters
- Surges in revenue not considered normal demand or seasonal cycles related to all aspects of COVID-19 relief efforts

Costs of Goods Sold (COGS)

- Surges or irregular ordering patterns in COGS due to scarcity of supply or price increases related to supply
- Surges in transportation costs as a result of expedited freight to support abnormal demand
- Inventory write-offs in relation to changes in customer ordering patterns
- Run rate changes on part-time or temporary workers to support demand or displaced “at home” or “COVID-19 infected” employees
- An unusual spending rate on subcontract production or transportation services if current internal capacity is overloaded or “out of service” due to COVID-19 impacts

Selling, General and Administrative (SG&A)

- A more significant spend on legal or accounting and IT/IS services to help navigate the various COVID-19 workplace and CARES Act transactions...over and above normal run rates for professional services
- A lesser spend on salaries as leadership reduces their wages during the term of the COVID-19 impact
- Costs related to providing IT software and hardware to accelerate a “work at home” capability
- Maintenance, repair and operations (MRO) cost increases in the areas of employee wellbeing and workplace cleanliness, such as sanitizers
- Overtime for production workers in the event ramping up to support order increases relative to the unusual supply chain demands
- Retraining and physical plant tooling expenses to reconfigure areas to support personal protective equipment (PPE) supply chain partnerships
- A general category of “loss of productivity” due to the fragmented work schedules to accommodate the availability of the workforce and the need to social distance
- Losses from unused travel, sponsorship, tradeshow, meetings, etc.
- Rebates from insurance carriers on the cost related to auto and truck policies
- Income derived from forgiveness of PPP Loans
- Any increased bad debt expenses related to customers’ payment or lack thereof

For a more robust list, please contact any of our experienced M&A professionals here. Our team is ready to discuss how COVID-19 may impact your M&A strategy.