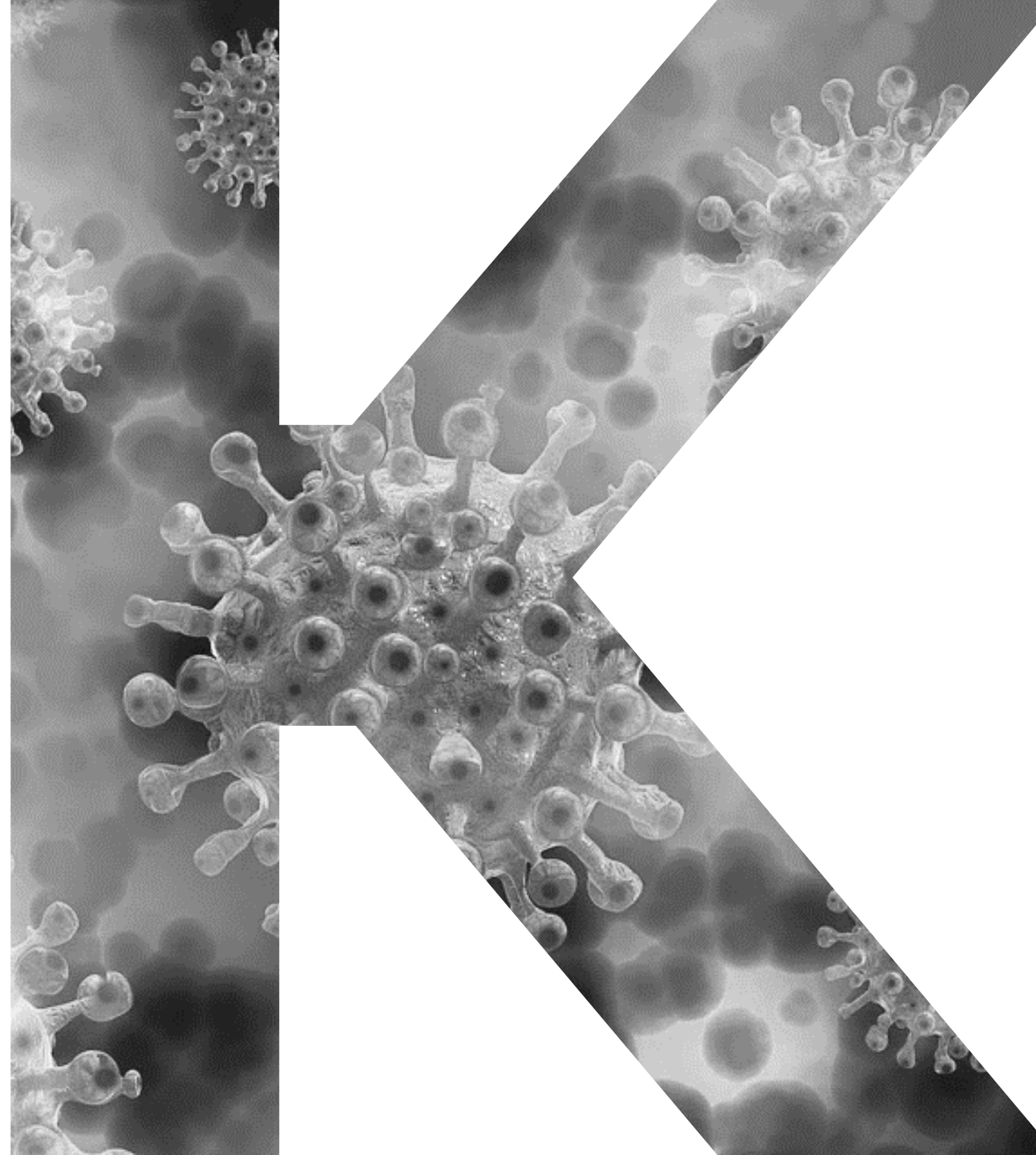


COVID-19 Business Impact Survey: Czech Republic

August 7th, 2020

In partnership with **AmCham** 
American Chamber of Commerce
in the Czech Republic

KEARNEY



AmCham & Kearney COVID-19 Business Impact Survey provides impact assessment of the crisis among key local and major international companies in the Czech Republic

Survey objectives

The objective of this survey is to gain understanding of the business impact of the COVID-19 crisis, based on development up to date.

The survey was run in June/July 2020 among 66 corporations registered as AmCham Czech Republic members or through Kearney direct contacts to major Czech corporations.

About AmCham Czech Republic



AmCham Czech Republic is a business community of opportunities and optimism. It is an ecosystem of human connections for the future and the synapse of progressive thinking.

AmCham Czech Republic is one of the most active international business communities in the Czech Republic, connecting around 1,500 top executives and company owners representing nearly 300 companies.

Source: Kearney

AmCham Kearney collaboration

This COVID-19 Business Impact Survey was developed jointly by the American Chamber of Commerce and Kearney.

It was run and executed in a standard manner on independent platform in the Czech Republic, Holland, Slovenia and Croatia.

About Kearney

KEARNEY

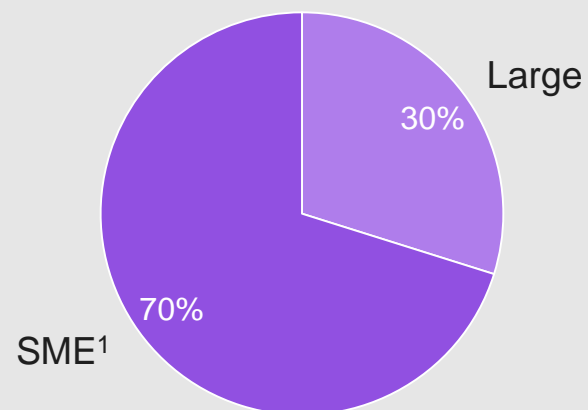
Kearney is a global management consulting firm with over 3,600 people working in 40 countries.

Kearney assists more than three-quarters of the Fortune Global 500, as well as to influential governmental and non-profit organizations, focusing on strategic and operational CEO-agenda issues.

The survey provides a broad representation of the opinions of the business community in the Czech Republic

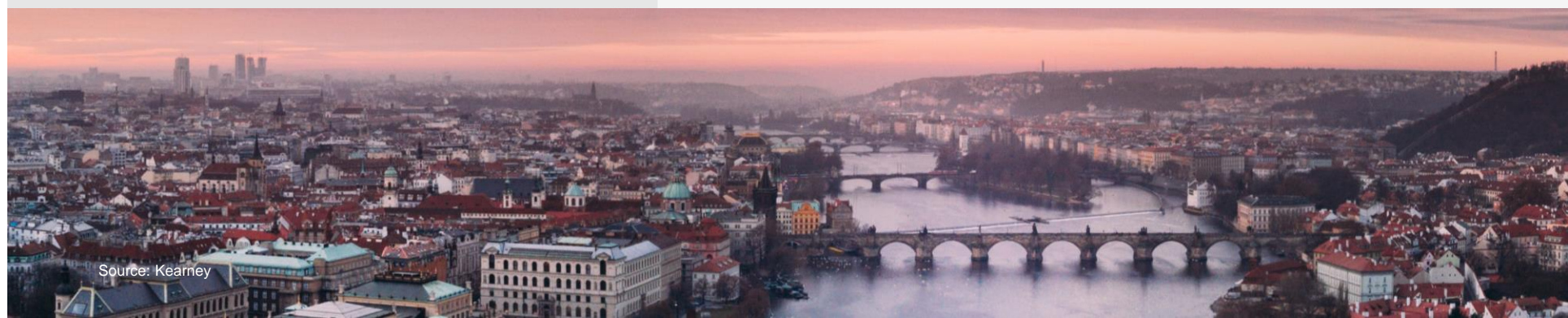
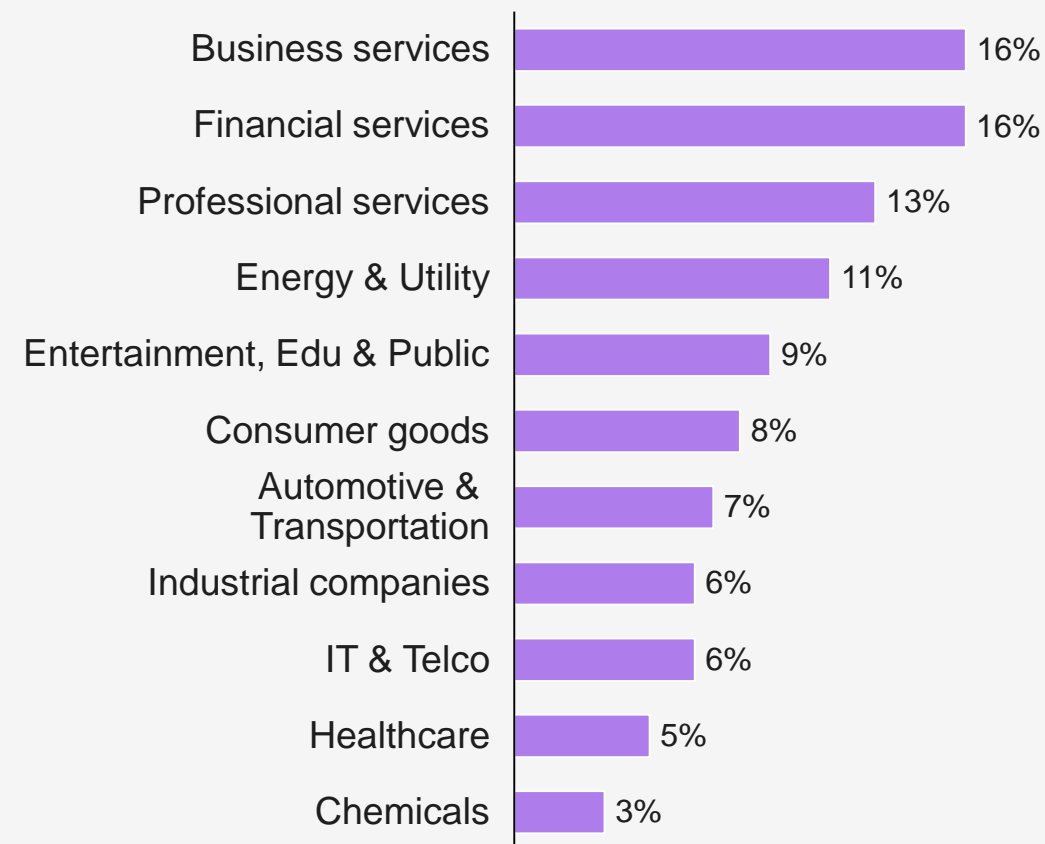
Participating companies

66 responses were collected, with 18 large corporations, which belong to Czech TOP 100







1. SME: up to 250 FTE, Large: over 250 FTE

Distribution of participating companies N=66, % of total



Source: Kearney

Respondents in the survey were clustered into four major groups

	Energy, industrials and automotive (incl. 3 out of 5 major CZ energy companies)	Energy Industrials Automotive Transportation
	Professional and business services (incl. 4 out of 10 major CZ financial institutions)	Professional services Business services Financial services Public
	Chemicals and healthcare (incl. 1 out of 10 major CZ pharma companies)	Chemicals Healthcare
	Consumer, media, telco and education (CMTE) (incl. 2 out of 5 major CZ telco companies)	Consumer goods IT & Telecommunications Media Education & Entertainment

1

New status quo favoring work from home

~70% of companies had prepared emergency plans in CZ, which is about 10 pp higher than in other CEE countries (e.g. Slovenia, Croatia)

Share of employees on work-from-home (WFH): more than 75% of firms had above 50% share on WFH

Work-from-home: only 5% firms state major challenges, 19% praise higher efficiency

2

Severe short-term situation expected to improve slowly

Cash issues: 63% of firms expect cash issues within next 12 months

Drop in revenues: corporations expect drop of more than 20% in the next 3 months, in the longer term around 10-15%

Reduction of investments: vast majority of respondents expect CAPEX reduction between 5-10%

3

Long-term business impact: Digitization, Localization and M&A

Preparedness: 93% of companies already identified longer term actions

Digitization: >90% firms plan to engage more digitally with their customers

Localization: 25% firms consider reducing purchases from China; 28% agree to reduce purchases from outside CZ

M&A activities (acquisition or divestment) expected by 23% of respondents

Agenda

Context

Business impact today

Future outlook

Context

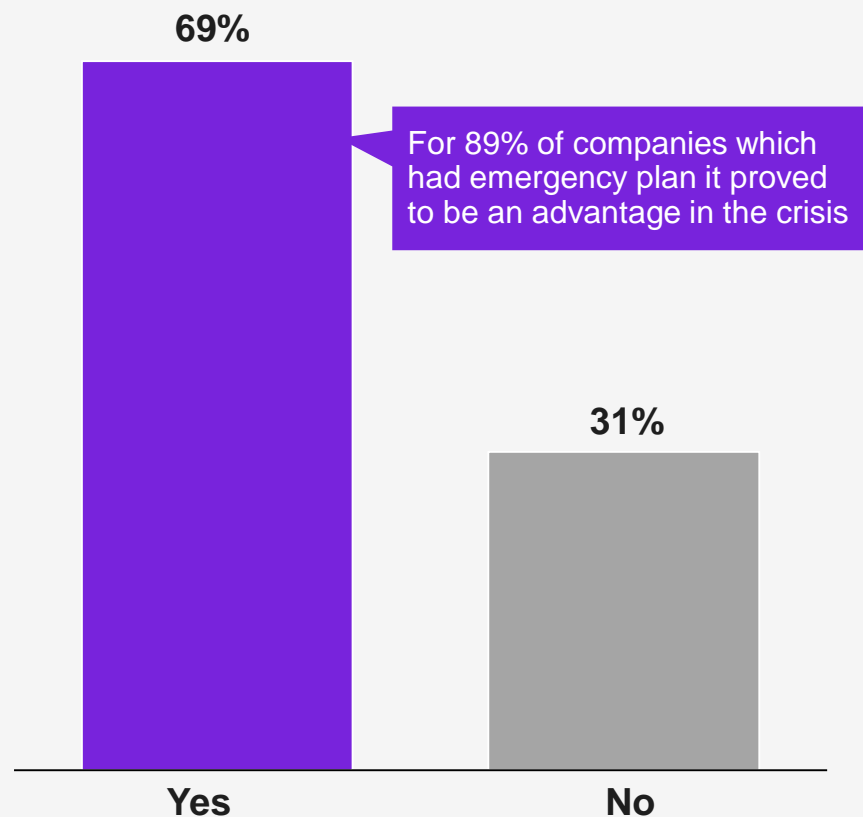


Overall 69% of CZ respondents were equipped with emergency plans, which is 10-13 pp higher share compared to Croatia or Slovenia

International comparison

- Yes 56% - Slovenia
- Yes 59% - Croatia

Prior to the emergence of COVID-19, did your company have in place a formal emergency plan to ensure that essential business functions would not be interrupted in case of an outbreak?

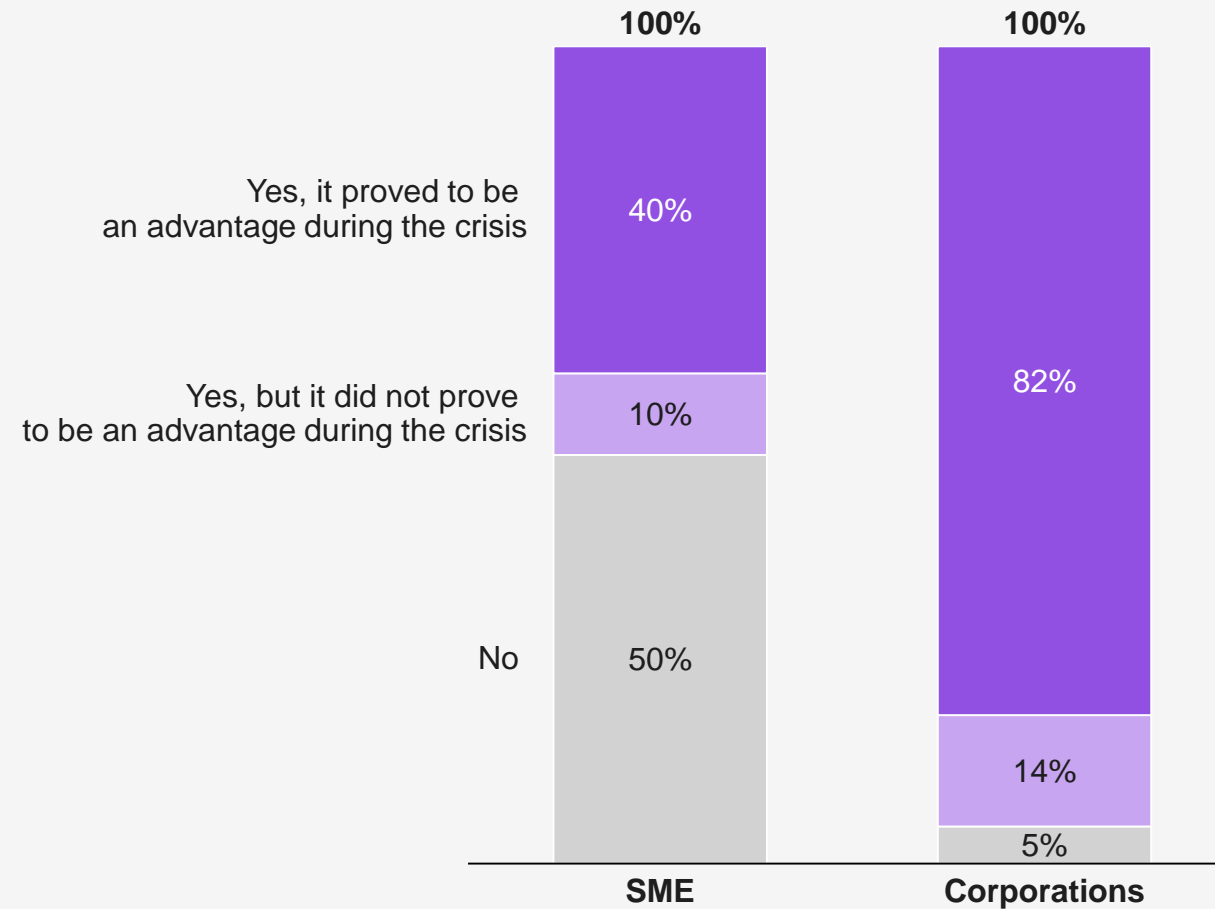


Source: AmCham Kearney COVID-19 Business Impact Survey 2020



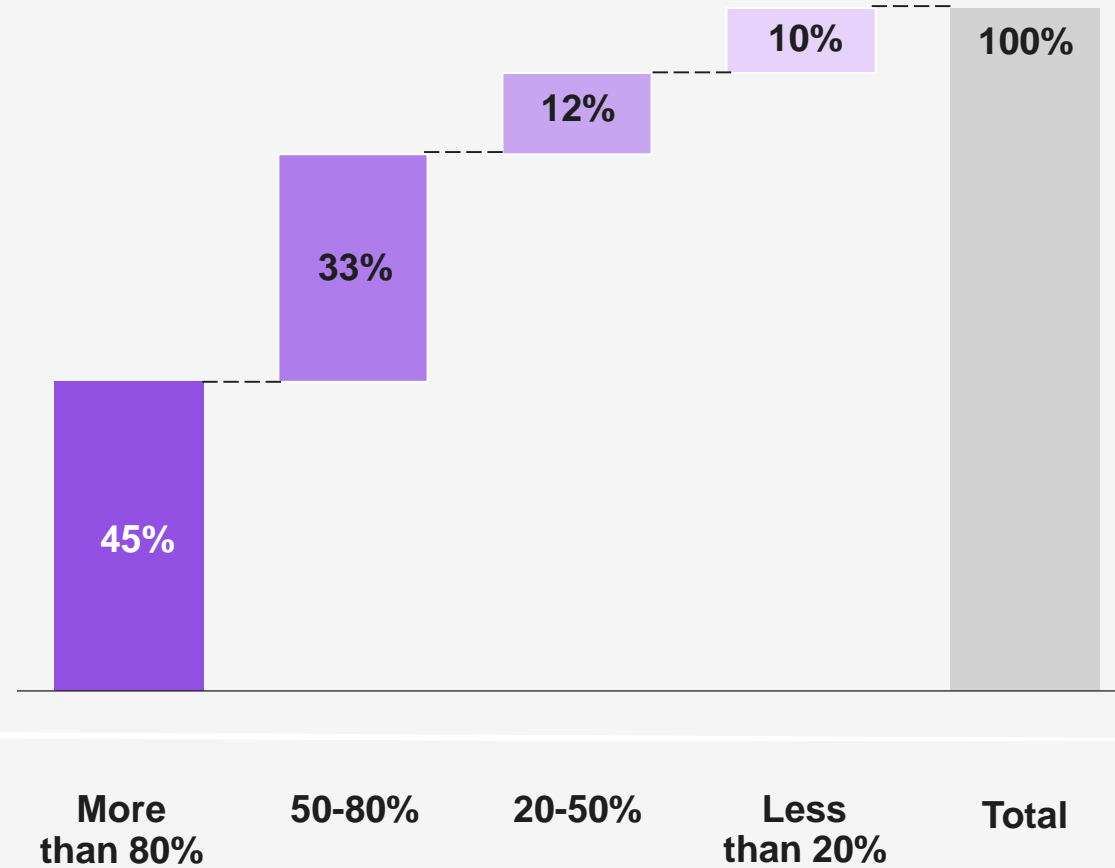
Large firms were significantly more prepared than SMEs

Prior to the emergence of COVID-19, did your company have in place a formal emergency plan to ensure that essential business functions would not be interrupted in case of an outbreak?



78% of firms had a share of employees on work-from-home (WFH) above 50%

What is the share of employees working from home, excluding any technical unemployment¹? (for support activities, back-office, call centers, etc.)



International comparison:

Companies with more than 80% of employees on WFH

- Slovenia = 60%
- Croatia = 58%

Business situation as of June 2020



19% of CZ companies reporting higher effectiveness in work-from-home regime

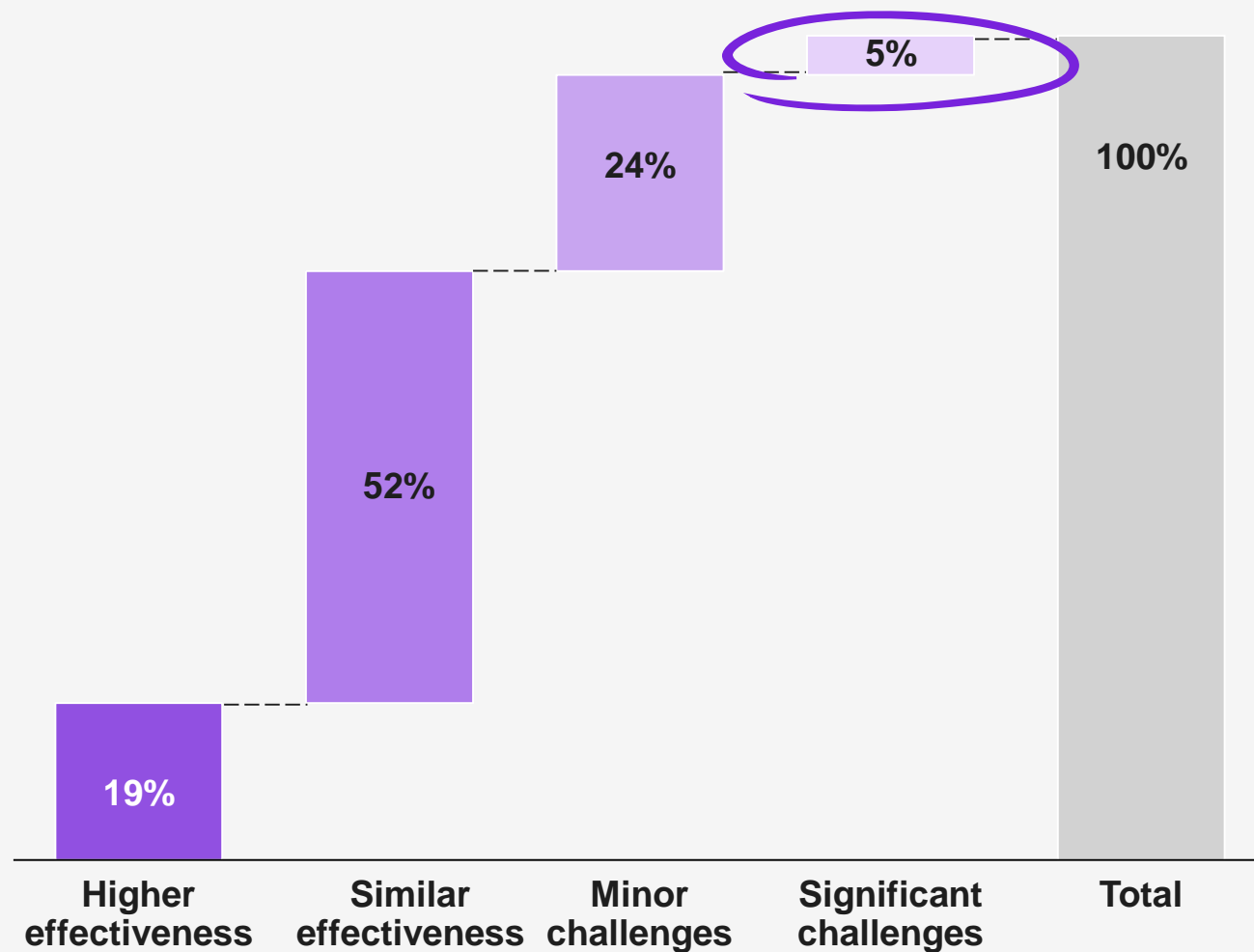
International comparison:

Firms report slightly higher WFH challenges:

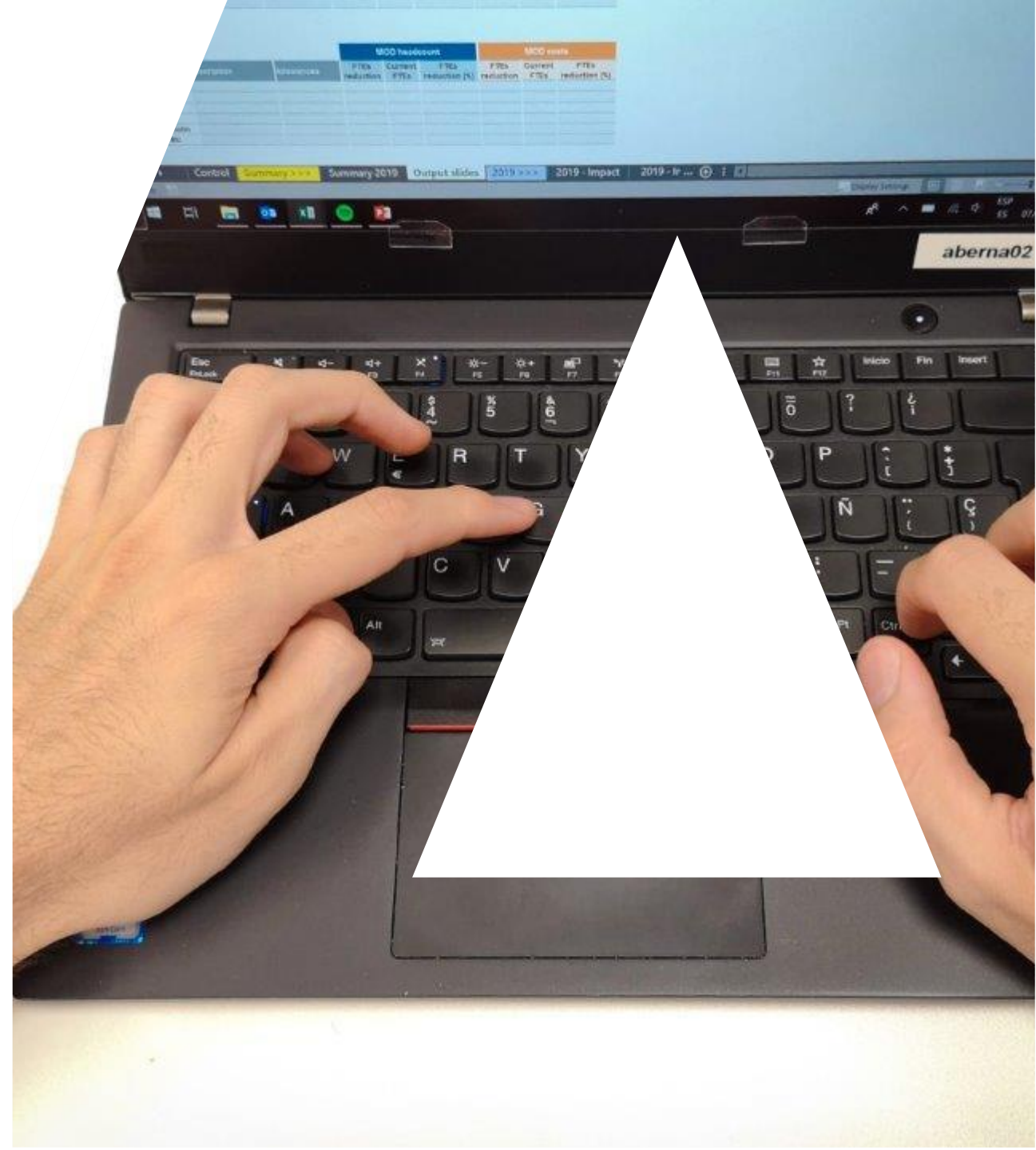
- Slovenia = 7%
- Croatia = 8%

Business situation as of June 2020

What is your experience with work-from-home (WFH) in your company (for non-field work)?



Business impact today



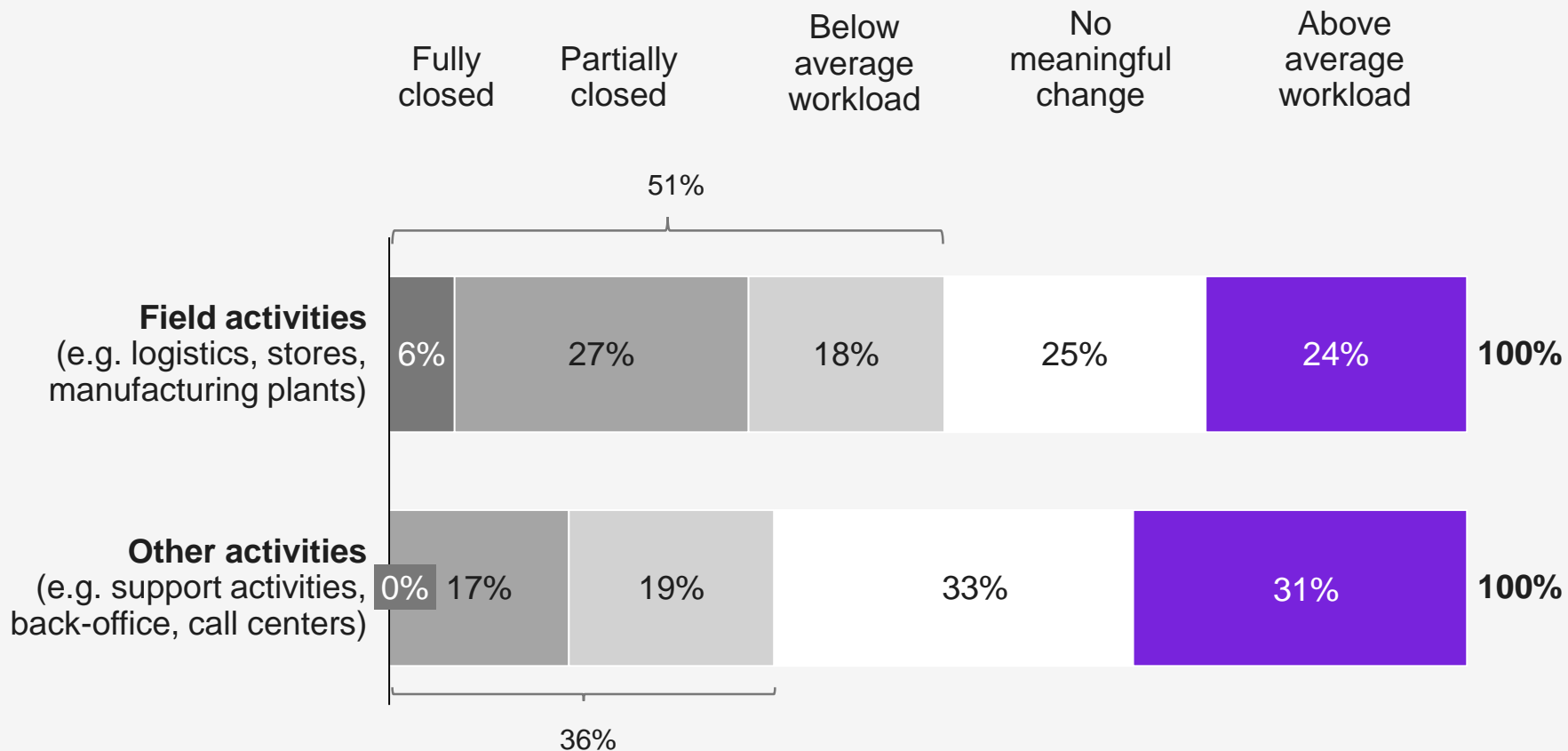
Both field as well as other supporting activities were significantly impacted by 67-75%

To what extent are your Czech field and other activities impacted?

Major differences among firms and sectors:

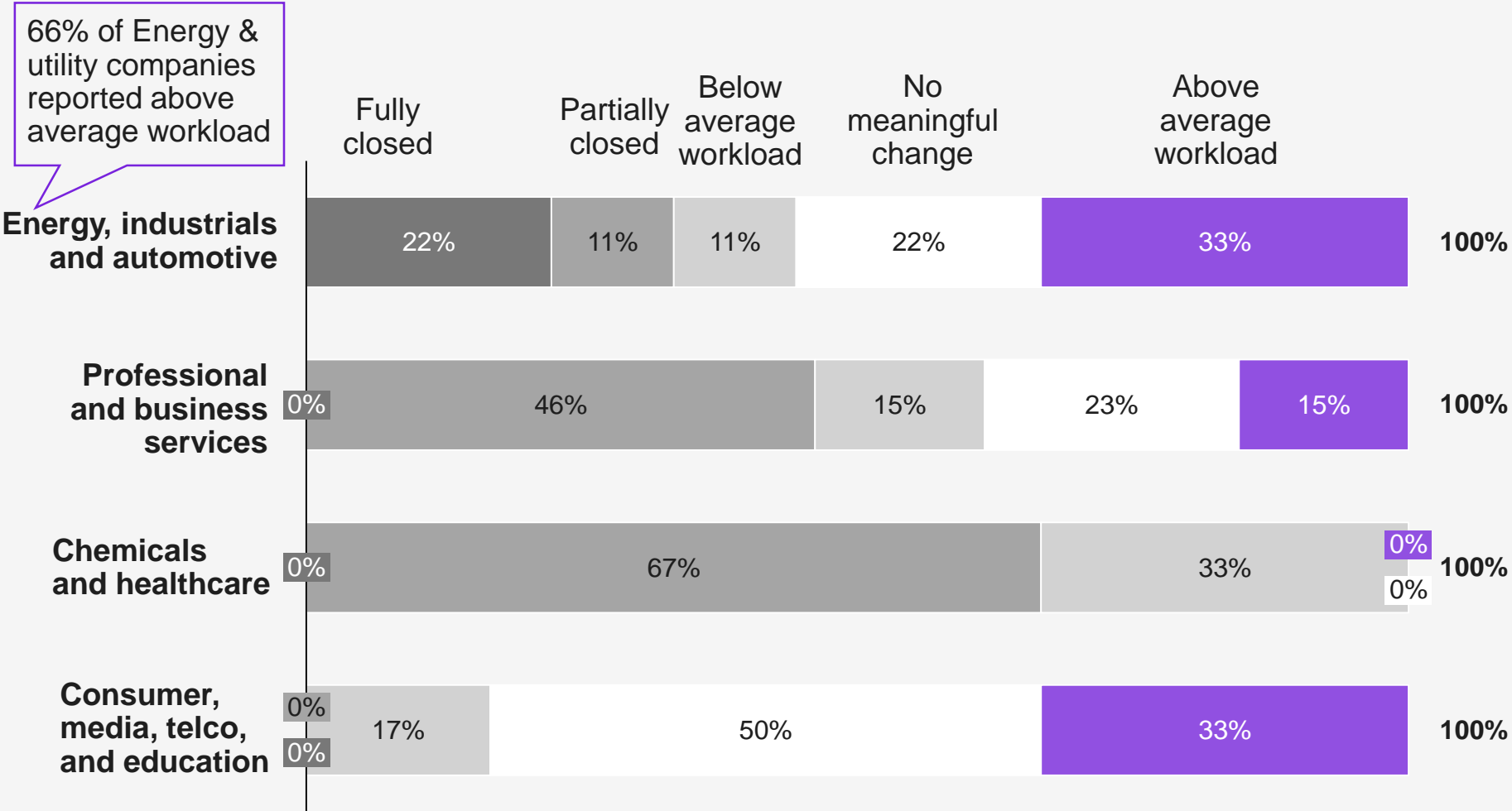
- More than 50% of respondents report below-average workload
- More than 30% of respondents report above-average workload

Business situation as of June 2020



CMTE cluster and specifically energy companies report higher workload than before crises

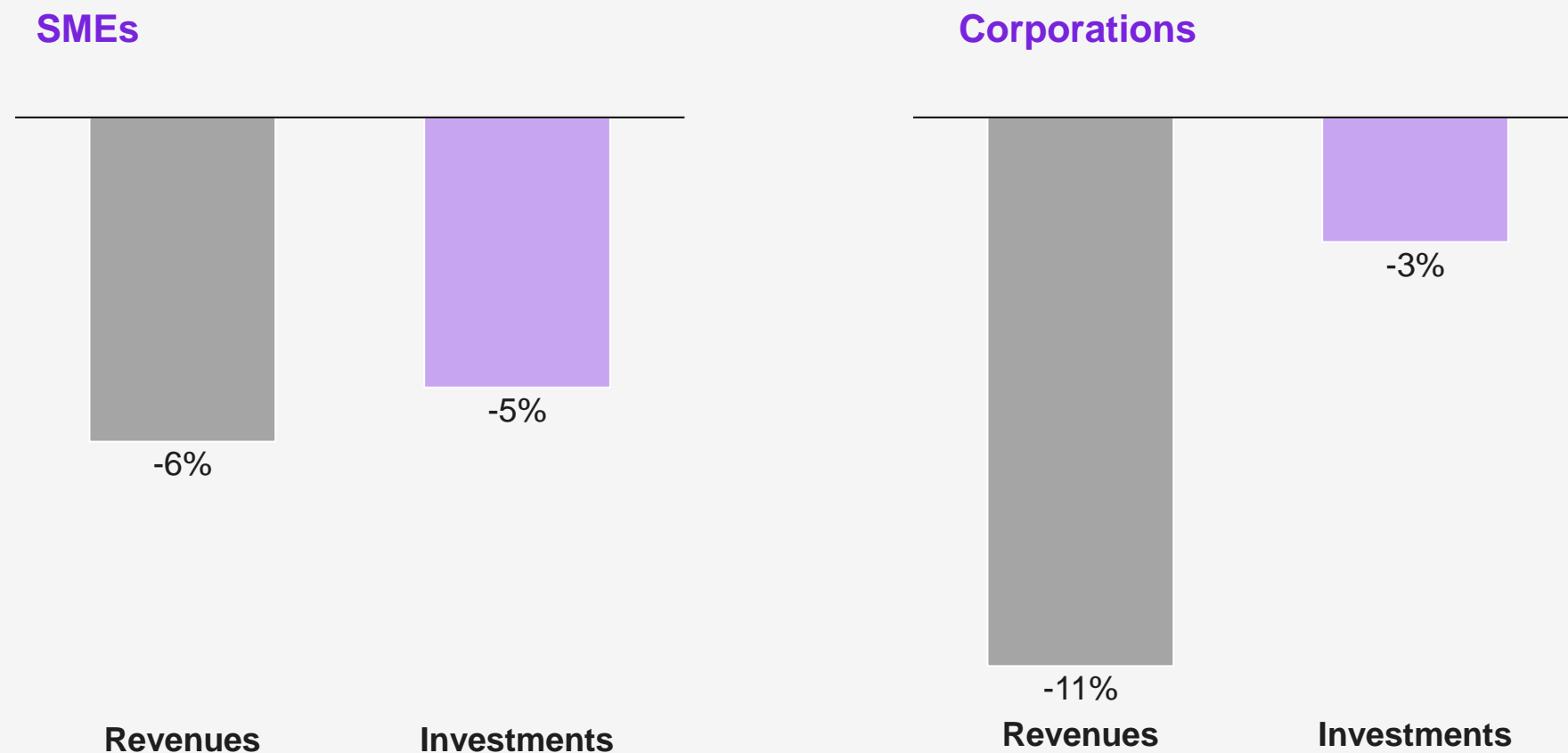
To what extent are your Czech field activities impacted (e.g. logistics, stores, manufacturing plants)?



Fully closed were only industrial and automotive companies

On average, corporations expect stronger negative impact on revenues, but lower drop in investments

How do you see the revenue generated in your Czech activities evolving this year as a result of the crisis? How do you foresee your company's **plans to invest** in the Czech Republic this year to change as result of the crisis?



International comparison:

Revenues

- Slovenia = -15%
- Croatia = -11%

Investments

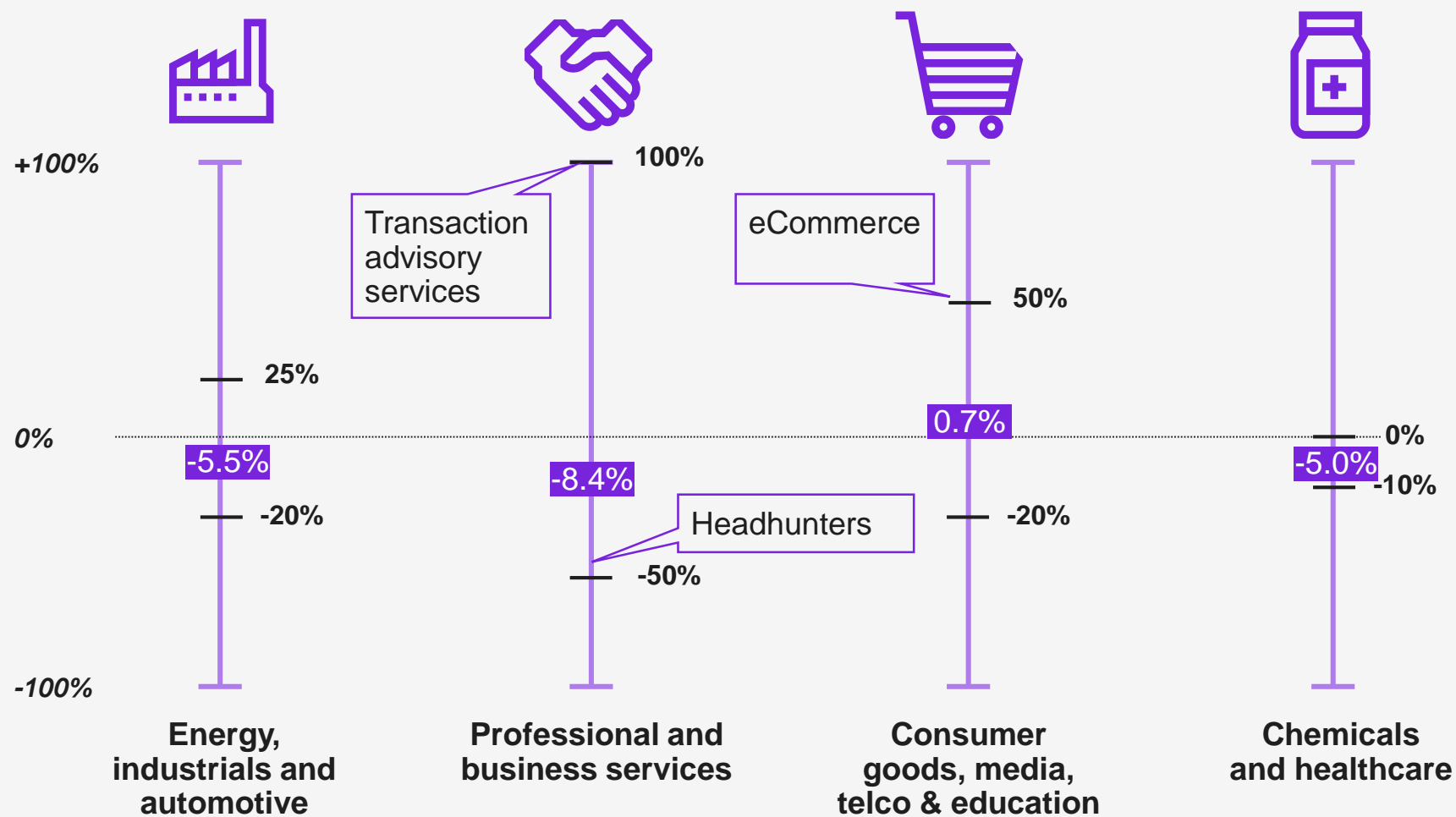
- Slovenia = -13%
- Croatia = -5%

Business situation as of June 2020

Official GDP decline expected between -8% (CNB) to -11% (OECD)

Consumer goods, media, telco & education are expecting slight revenue increase; all other industries expect significant drop in revenues 5-50%

How will the revenue generated by your Czech operations be impacted this year as a result of the crisis, in your view?

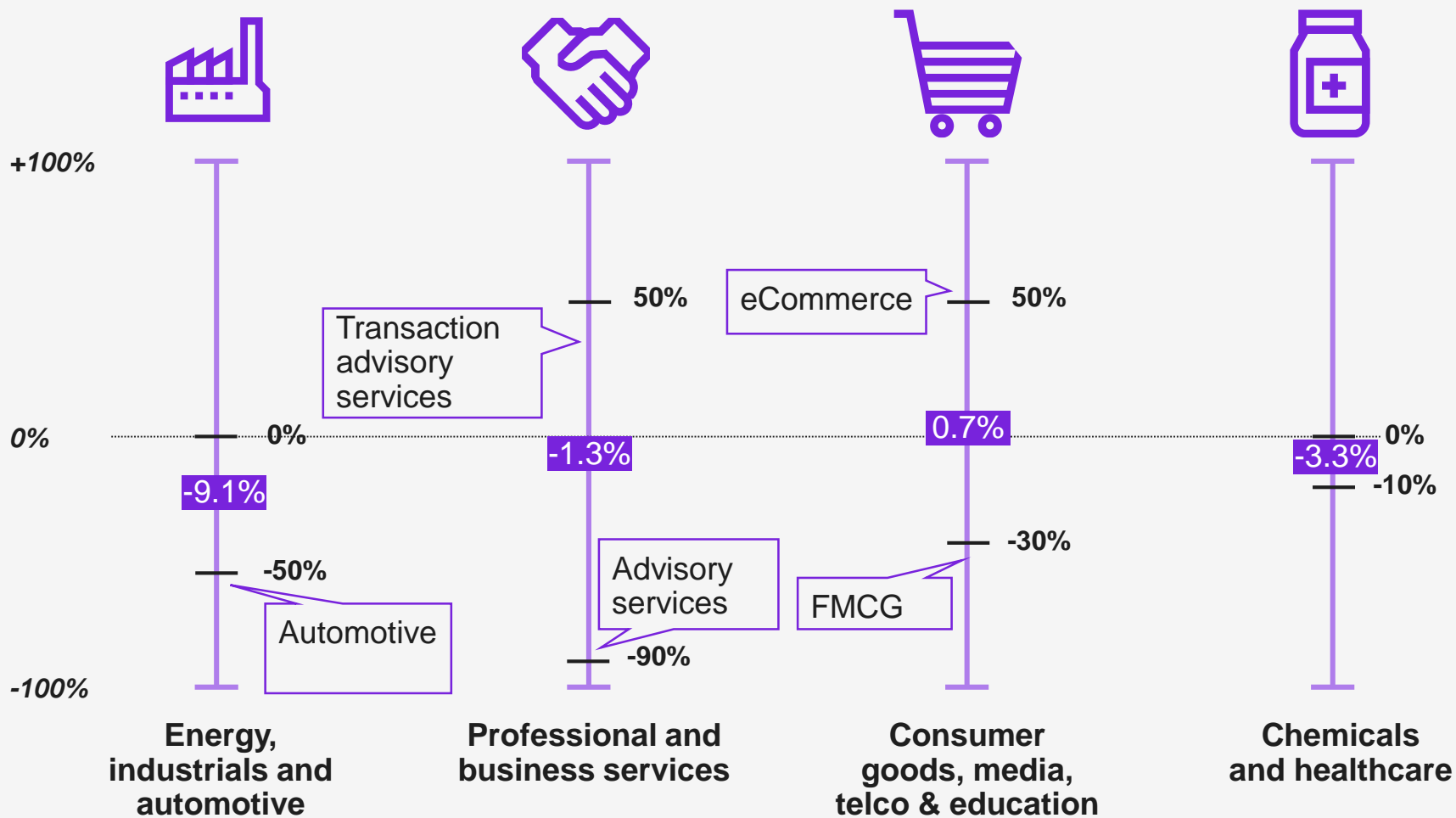


x.x% Average result

— Results range

Companies are significantly reducing investment plans especially in energy, industrials, automotive, chemicals and healthcare

How do you expect your company's plans to invest in Czech this year to change as result of the crisis?



x.x% Average result

— Results range

FMCG: Fast moving consumer goods
Source: AmCham Kearney COVID-19 Business Impact Survey 2020

63% of respondents foresee potential cash issue within next twelve months

Do you foresee potential cash issues for your Czech business operations?



17%



29%



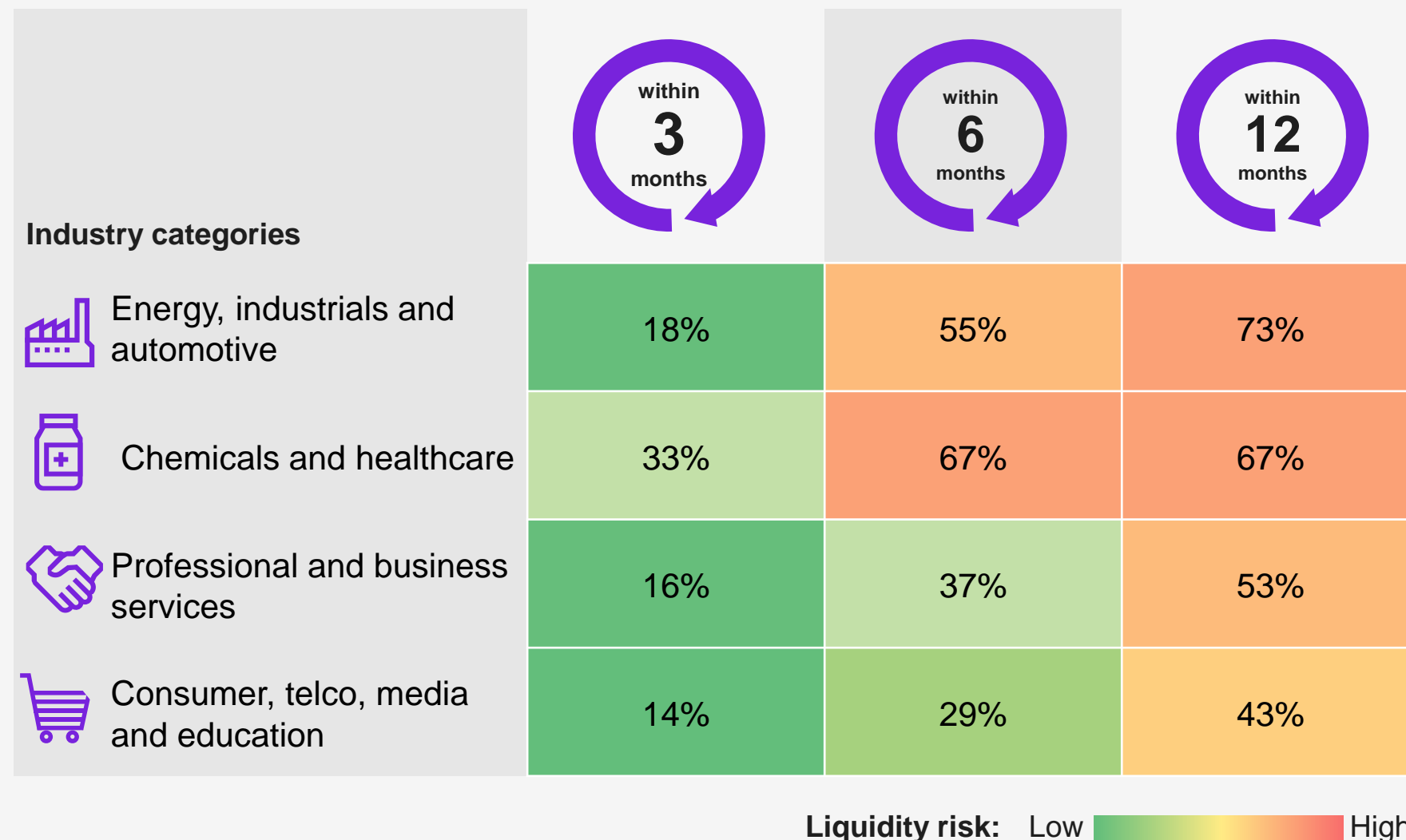
17%

Business situation as of June 2020

All industries anticipate liquidity risk in the upcoming period; the most endangered are energy, industrials & automotive and chemicals / healthcare clusters

Business situation as of June 2020

Do you foresee potential cash issues for your Czech business operations?



Cumulative % of respondents
Source: AmCham Kearney COVID-19 Business Impact Survey 2020

Companies which foresee cashflow issues within three months expect on average revenue drop of 22%

How will the revenue generated by your Czech operations be impacted this year as a result of the crisis, in your view?

Firms who foresee cash issues...



Business situation as of June 2020

Expected 2020 revenue drop by

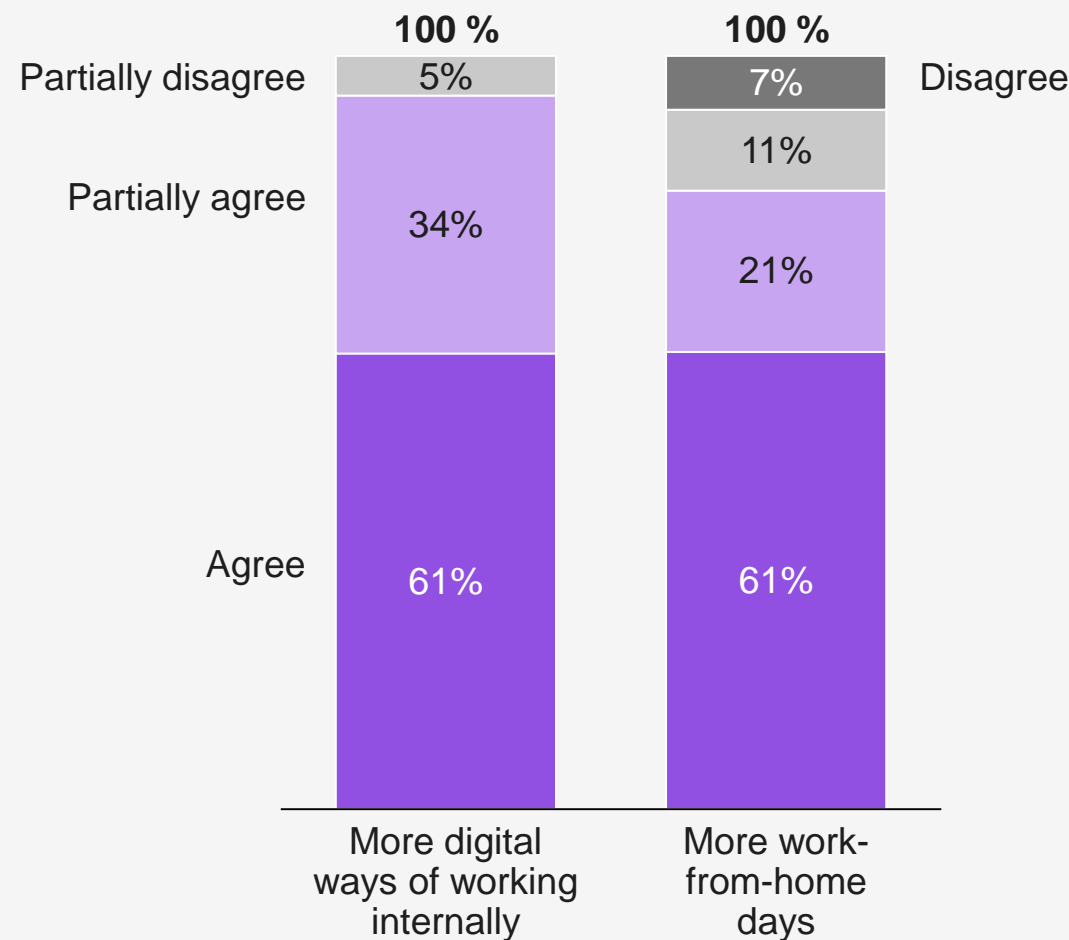


Future outlook



95% of respondents expect accelerated adoption of digital tools and 82% increased share of work from home

What long-term impact do you think the crisis will have on your company?



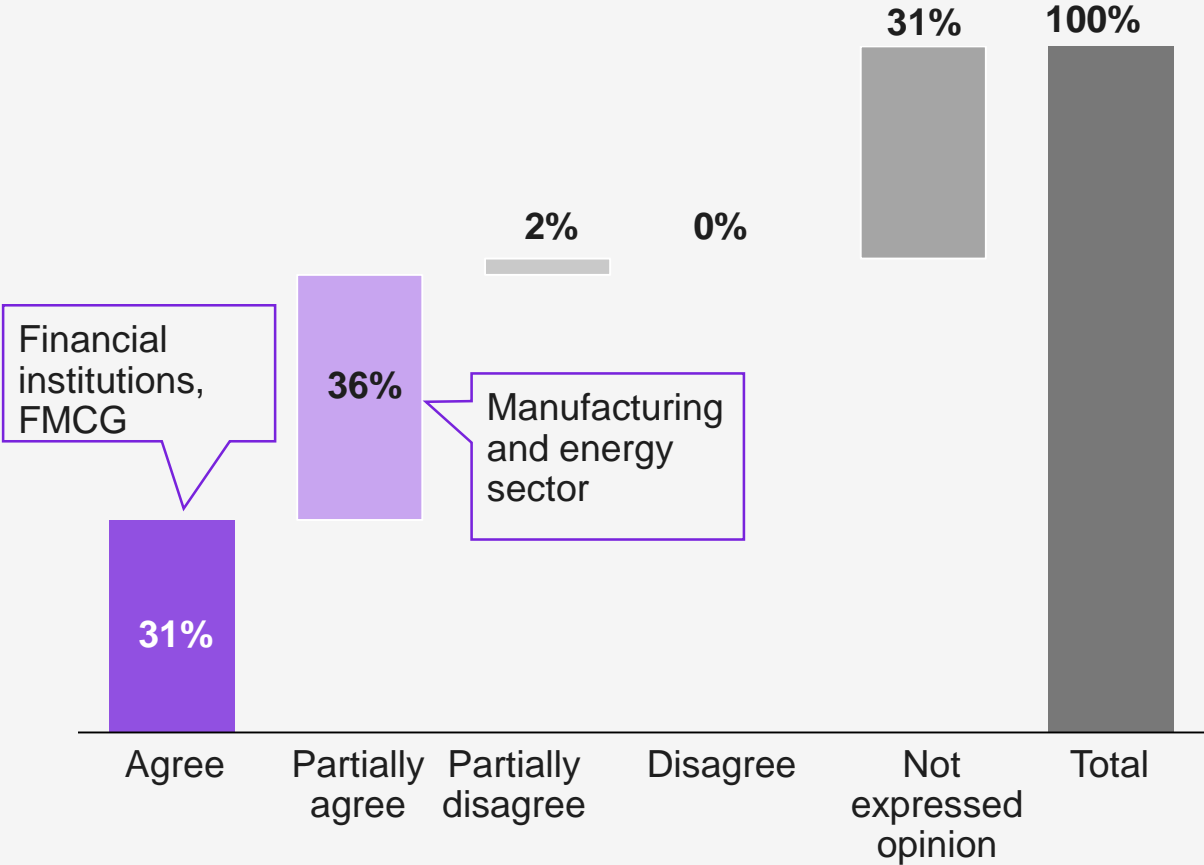
Source: AmCham Kearney COVID-19 Business Impact Survey 2020



More than 67% of respondents expect increased focus on robotics and automation

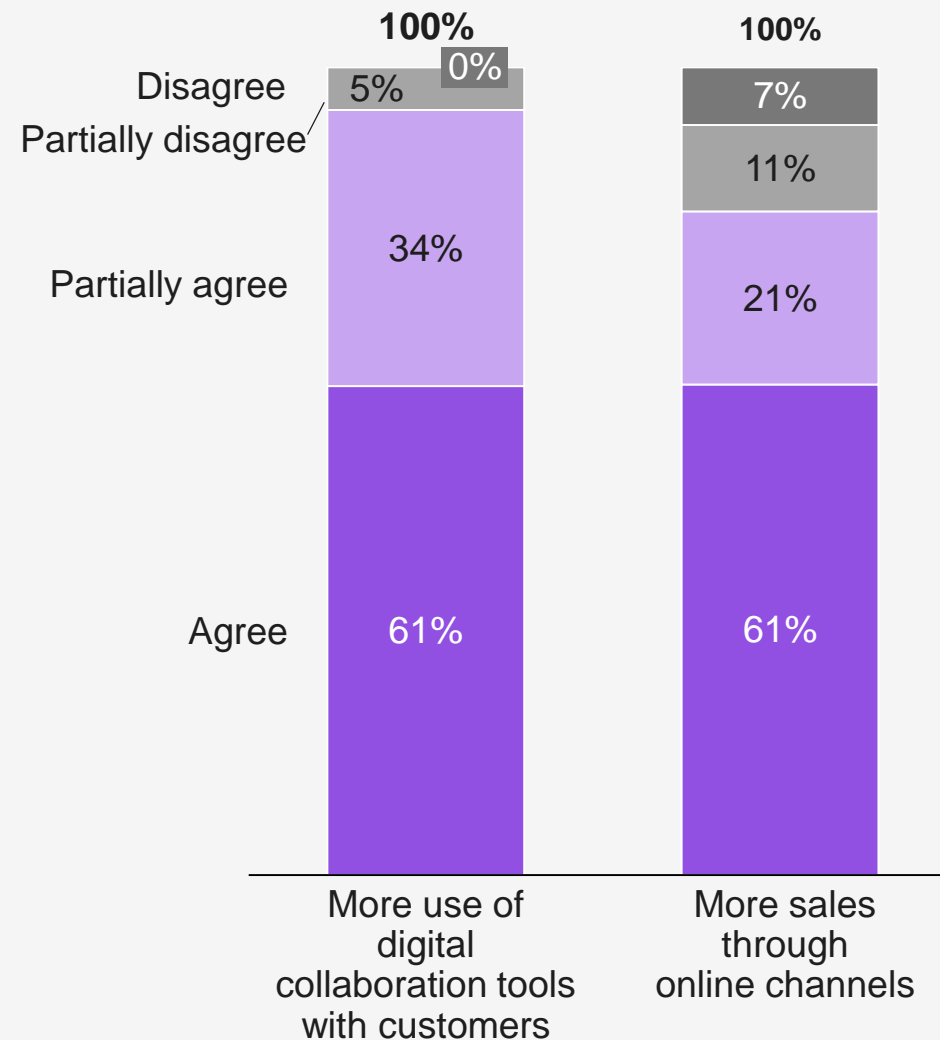
What long-term impact do you think the crisis will have on your company?

Increased robotics and automation



95% of respondents leverage digital tools for collaboration and more than 80% will utilize more digital sales channels

What long-term impact do you think the crisis will have on your company?

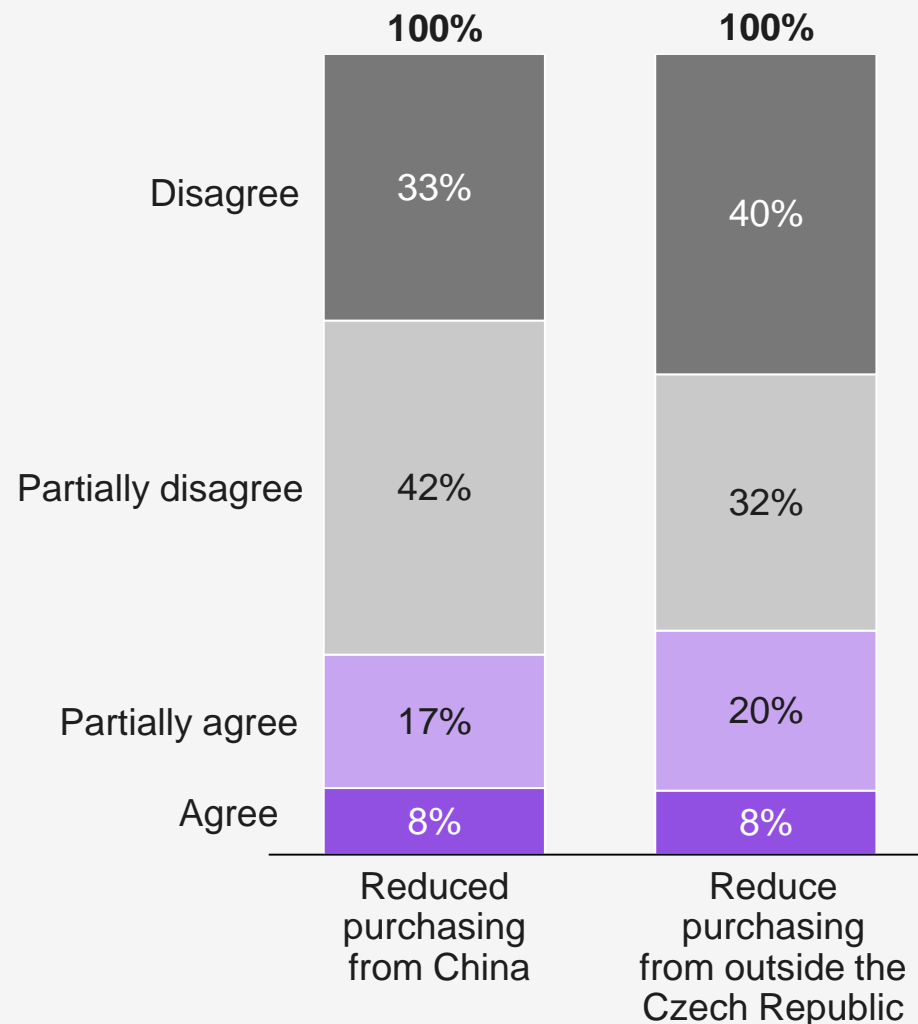


Source: AmCham Kearney COVID-19 Business Impact Survey 2020



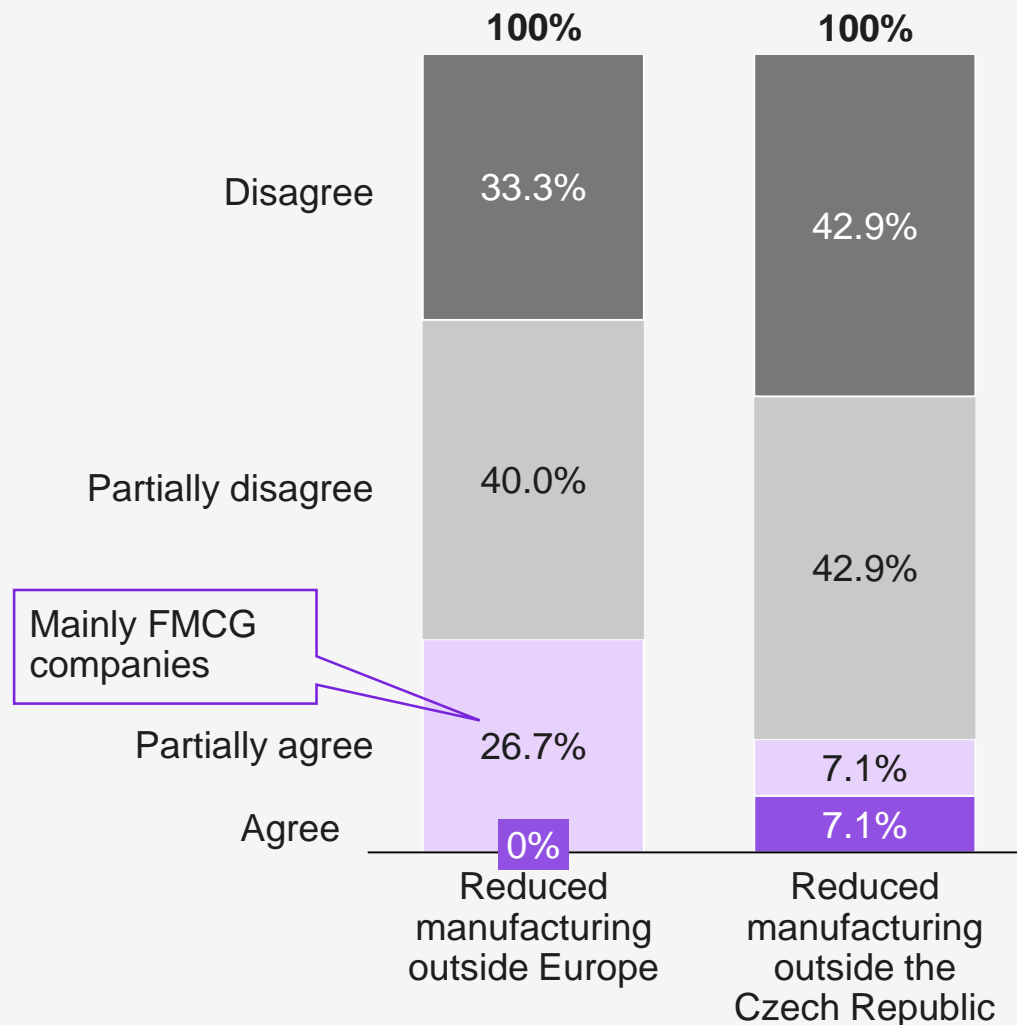
25% of companies consider reducing purchases from China and 28% of companies agree to reduce purchases from outside the Czech Republic

What long-term impact do you think the crisis will have on your company?



27% of companies expect reduction of manufacturing outside Europe

What long-term impact do you think the crisis will have on your company?



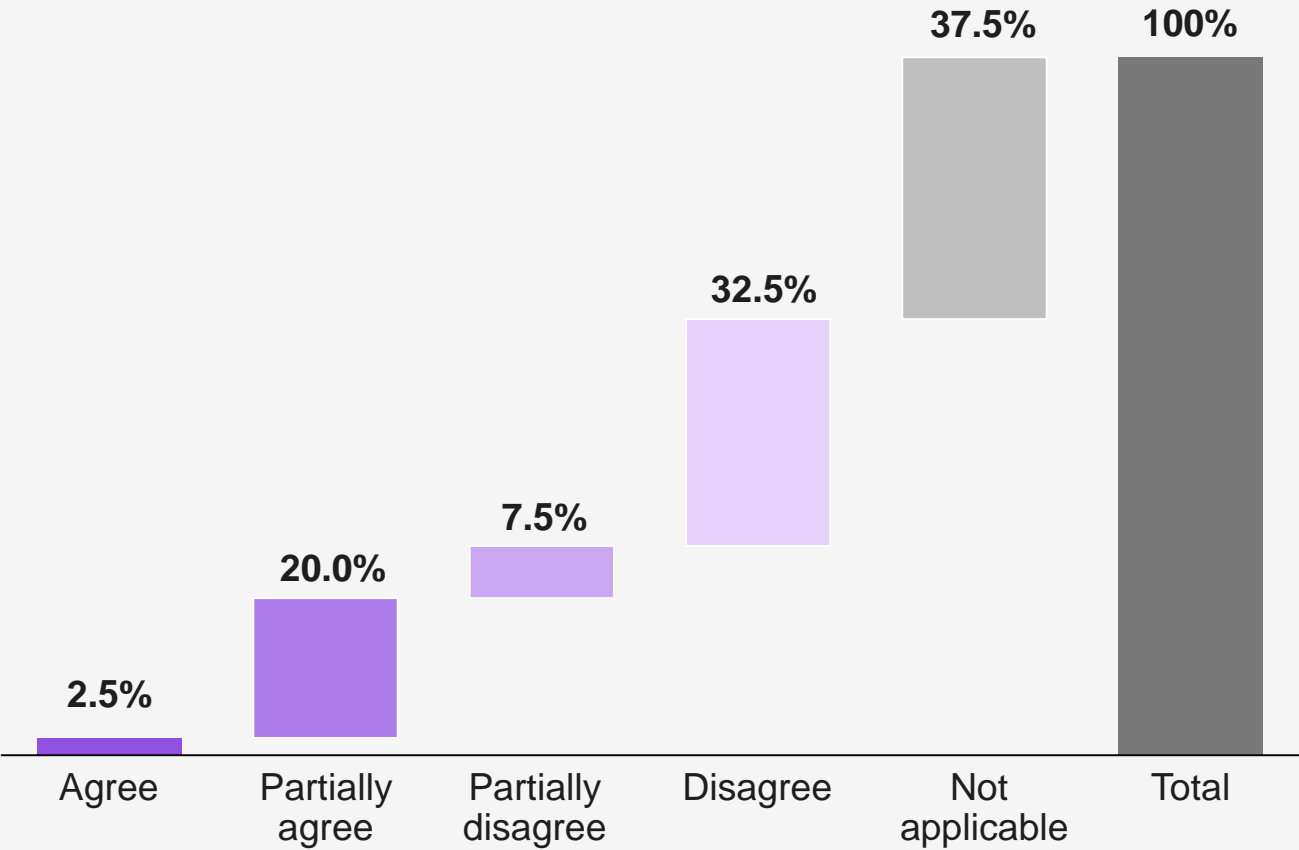
FMCG: Fast moving consumer goods
Source: AmCham Kearney COVID-19 Business Impact Survey 2020

23% of respondents are expecting M&A activity related to their company

Strongest M&A expected in automotive, industrials, chemicals, healthcare and professional services

What long-term impact do you think the crisis will have on your company?

Acquire or be acquired by another company

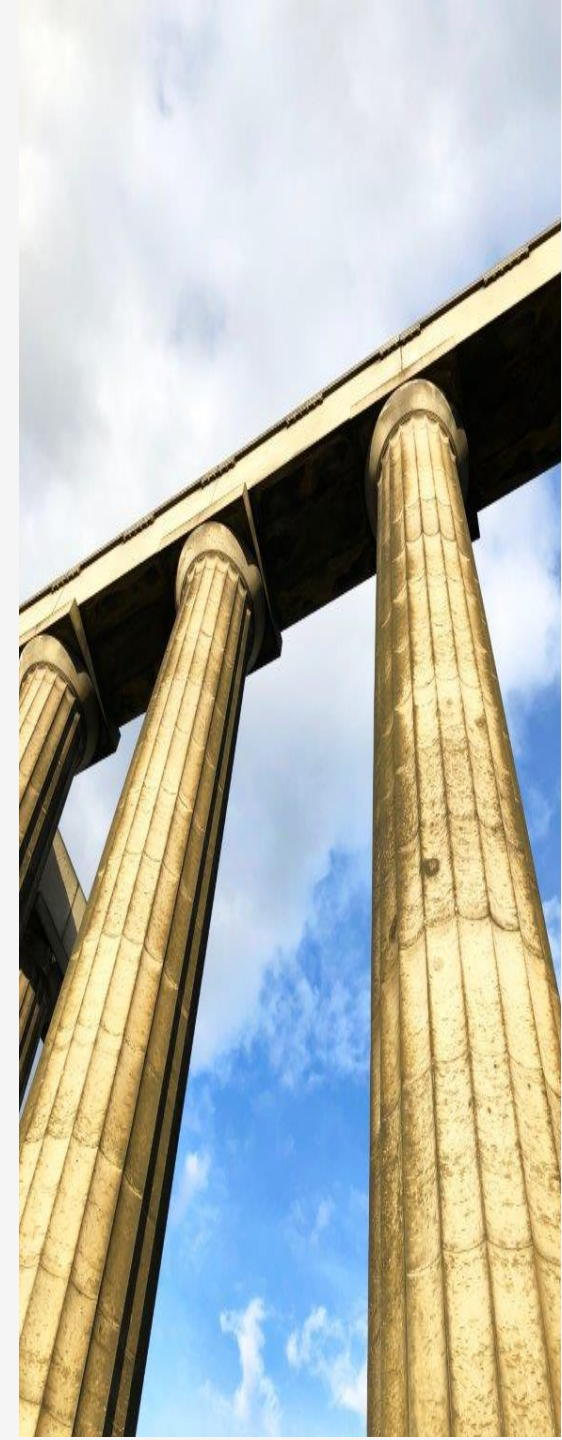
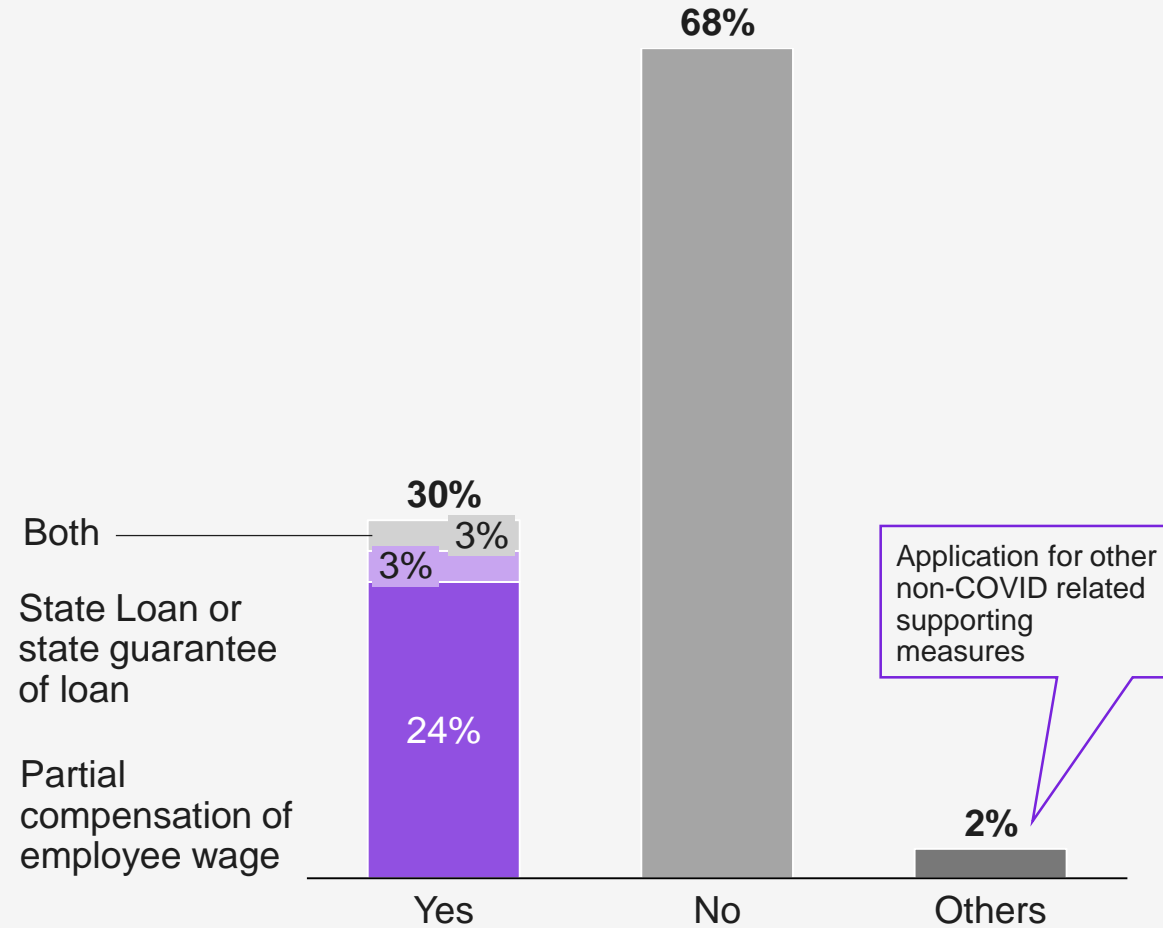


30% of respondents applied for government economic support measures

International comparison with Croatia:

State Loan or guarantee of loan: 3%
Partial compensation of employee wage: 38%

Did your company apply for any support measures provided by government?



Two thirds of firms which use governmental support are satisfied with the way it has been administered

International comparison with Croatia:

Already provided?

Yes 97%

No 3%

Provided sufficient support in your area of business

Yes 72%

No 28%

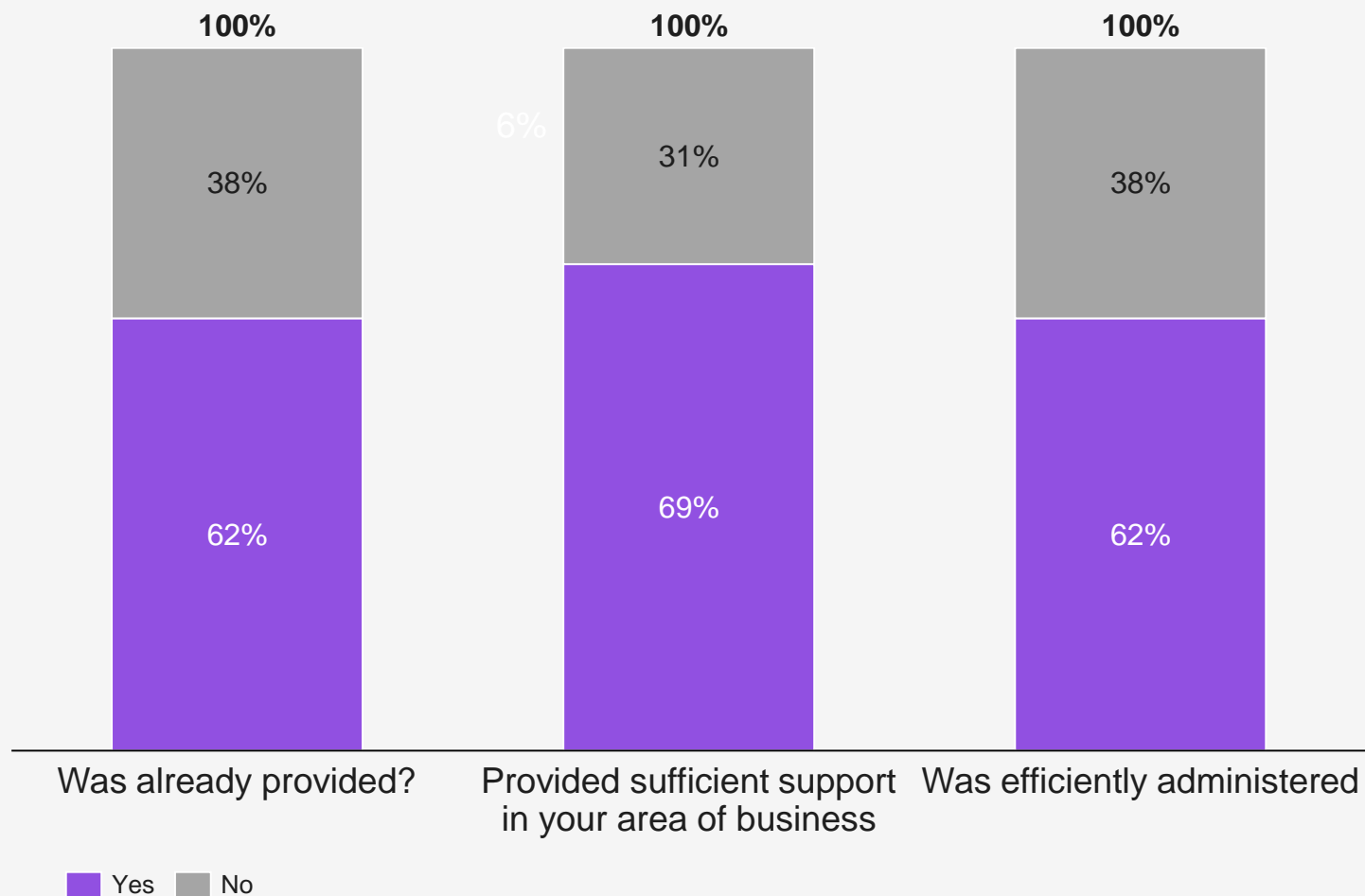
Was efficiently administered

Yes 75%

No 25%

Situation as of June 2020

What is the status of government support measures in your country?



Contacts

Martin Kuca

Partner
+420 724 804 326
Martin.Kuca@kearney.com
Prague

Gustav Jiricek

Principal
+420 606 626 566
Gustav.Jiricek@kearney.com
Prague

Dan Vasko

Manager
+420 601 576 328
Dan.Vasko@kearney.com
Prague

Peter Kovacik

Principal
+420 725 461 618
Peter.Kovacik@kearney.com
Prague

Petr Materna

Principal
+420 602 273 661
Petr.Materna@kearney.com
Prague

Zdenek Vanis

Manager
+420 724 717 359
Zdenek.Vanis@kearney.com
Prague



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