Downturn Preparedness Diagnostic

There is one certainty in business and that is cycles happen. Therefore we know that a downturn is on the horizon and many companies will be ill-prepared for it because they've been lulled into a false sense of security. Now is the time to do a thorough risk assessment.

The **Downturn Preparedness Diagnostic** is designed to provide a deep independent evaluation of how well the company is positioned for a potential industry and market downturn. We seek to determine what types of "shocks" the company can withstand and what strategies and tactics should be implemented today to prepare for the next downturn.

The **Downturn Preparedness Diagnostic** culminates in a detailed report and presentation of findings on financial policies, capital structure, and potential risks and opportunities, as well as a "checklist" of ways to strengthen the company's foundation in the short, medium and long term.

Strategic Questions Fortuna Advisors Will Answer

- How well positioned is the company for a potential downturn?
- Given the operating business model, what risks are likely to be faced in different types of potential downturns?
- Are there ways to increase operational flexibility by using overlapping leases instead of owning assets, and pursuing other forms of flexible outsourcing of activities and asset ownership?
- How did the strong and weak companies in the industry prepare for and deal with the last downturn?
- What types of "shocks" to the business can the company withstand based on its current financial policies?
- Should the company seek a less levered capital structure in advance of the next downturn?
- Should the company increase liquidity by either conserving cash resources or securing additional revolver capacity?
- Should the company adjust its capital deployment or capital structure strategies to prepare for a downturn?
- What are the implications for capital expenditures and acquisitions? Should the company be increasing or decreasing the reinvestment in the business?
- What are the implications for cash management, dividends and buybacks?

What Fortuna Advisors Will Do

Fortuna Advisors will evaluate the company and industry through the last downturn to understand the range of operating and financial risks that were faced as well as the strategies and financial policies that worked best.

Fortuna Advisors will provide benchmarking of performance (past and embedded future) against near peers as a more holistic view of the company's performance relative to peers. Performance improvement recommendations will be summarized and prioritized.

Fortuna Advisors will evaluate the company's current financial position and polices for leverage, cash, buybacks, dividends, etc., and compare that to an "optimal" level under most normal scenarios.

Fortuna Advisors will evaluate the company's operations to identify opportunities for performance improvements (costs, capital expenditures, non-core or idle assets, operational flexibility) as areas that can organically improve the company's financial position if addressed

Fortuna Advisors will conduct detailed stress testing of the company's business plan to identify what types of "shocks" the company can withstand before putting itself into financial distress or violating internal or external limits for leverage, coverage and liquidity.

Fortuna Advisors will conduct bespoke capital market research on capital deployment effectiveness over a long-term period to understand at different points in the cycle what are the best uses of capital and how should a company's capital structure and financial policies adapt.

Fortuna Advisors will analyze financial policies in the context of the company's business model and will provide quantitative Buyback ROI and Buyback Effectiveness analyses over various time periods. We will suggest an optimal dividend policy, if appropriate.

Fortuna Advisors will conduct an extensive analysis of the company's cost of capital both today and over-time, and will relate this to the pros and cons of issuing (or buying back) equity at different points in the cycle.

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