

# Aclaimant Knowledge Network

in partnership with

## Advance Partners

**Our Webinar Will Begin Shortly**

*Questions can be submitted any time by clicking the Q&A button at the bottom of your webinar window.*

# Craig Cohen, Director of Sales & Marketing



- Built career in corporate and commercial banking over 20+ years
- Awarded Commercial Finance Association's *40 Under 40 Award*
- Board of Directors – Positive Education Program Cleveland
- Volunteer Coach and Board of Directors – The First Tee of Cleveland
- (216) 831-8900;  
C.Cohen@advancepartners.com

# WHAT WE'LL COVER



Volatility in 2021 (and beyond)



Smart Money Decisions



Understanding Debt Structure



Exploring New Revenue Opportunities



Focusing on Relationships



Being Smart About Taxes

# 2021 is abundant with economic uncertainty

## Fluctuating Interest Rates

- Prime: 1/2001 – 9%, 12/2008 – 3.25%, 12/2018 – 5.5%, 3/2020 – 3.25%

## New home starts

- 1.4M new starts in 2020 (up 7% from 2019)

## GDP rebound

- Real GDP increased at annual rate of 4% in Q4 2020 (33.4% Q3)

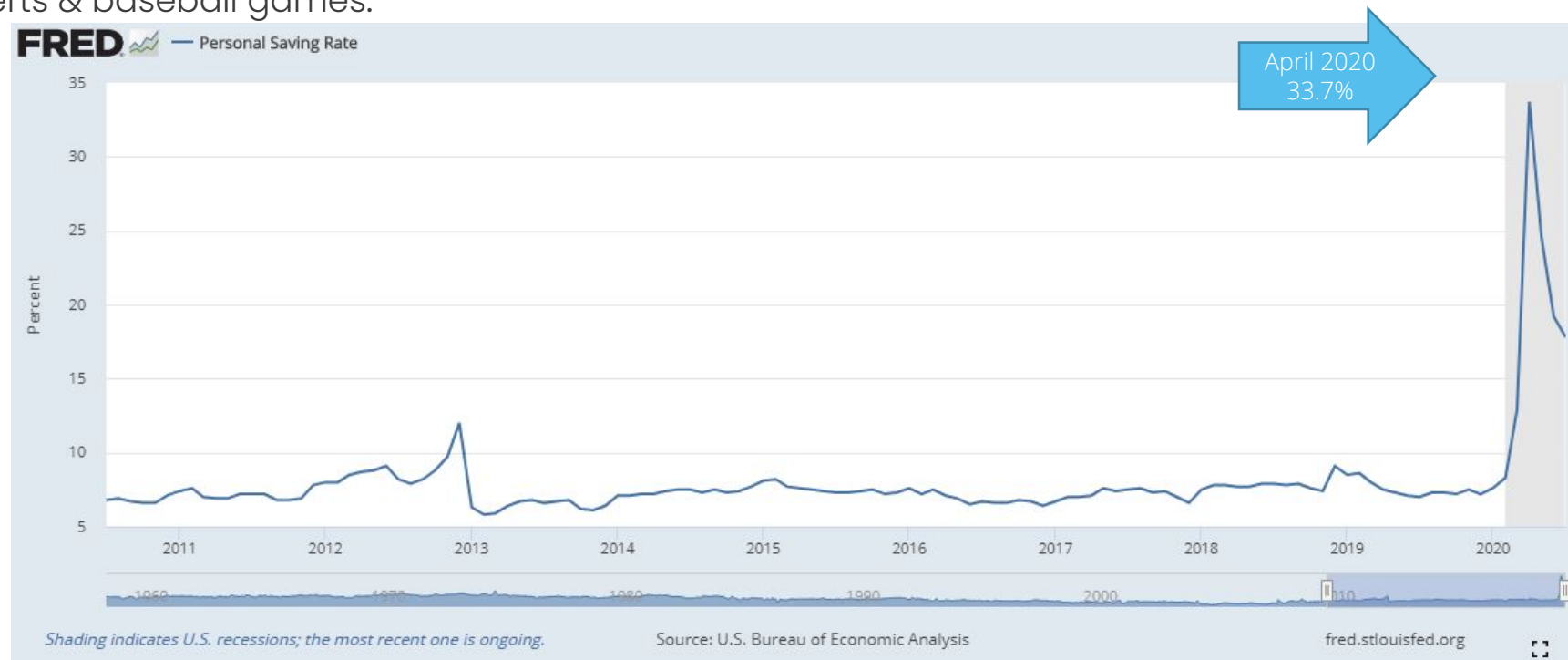
## Stimulus relief

- CARES Act , PPP, direct payments

## Global pandemic

# Economic uncertainty: Personal Savings

- In 2018, large chunks of average household spending went to: transportation (16%), healthcare (8%), dining out (6%), entertainment (5%), apparel (3%) and education (2%).
  - *Those categories accounted \$4 in every \$10 dollars spent and while they didn't vanish in lockdown, they likely shrunk by quite a bit. Virtually overnight, COVID put much of the world on a brutally efficient budget.*
- In April 2020, Americans were saving one in three of their disposable dollars (*down to 13.7% as of December 2020*)
- We are still paying our health premiums, but probably skipping the dentist. We are buying sweatpants instead of suits, on-demand films instead of theater tickets. We are delaying college, canceling daycare & saving on subway fare. A day at the amusement park is now a socially-distanced hang at the beach hang or a three day puzzle-bender. And forget about plane tickets, concerts & baseball games.

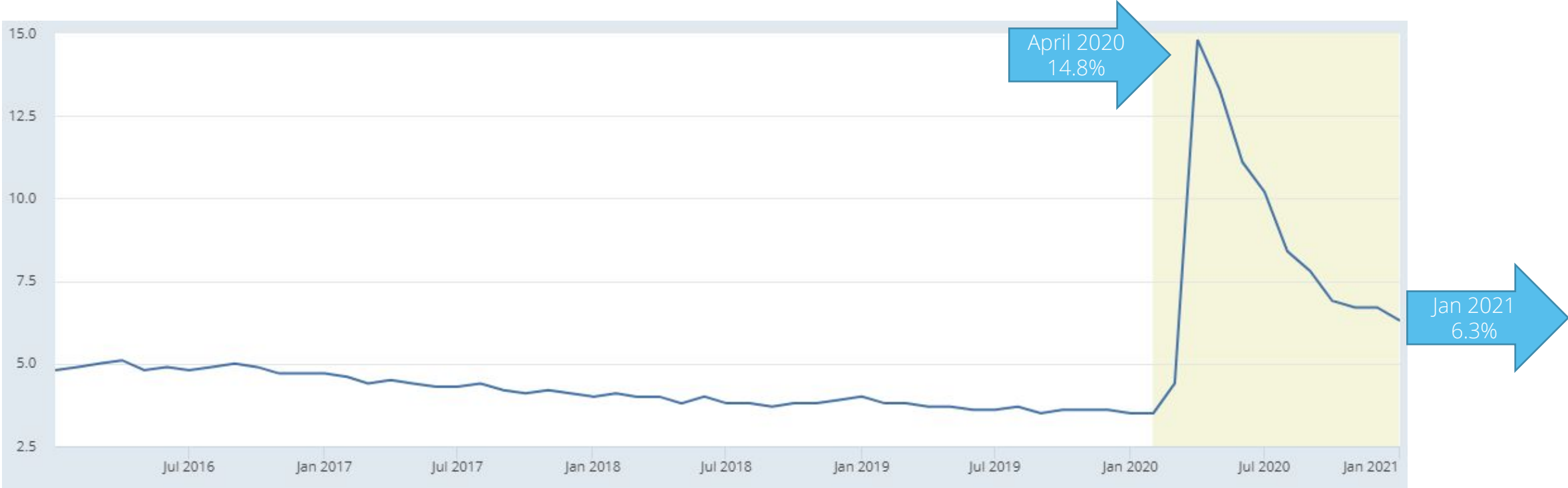


# Economic uncertainty: Unemployment

## Monthly Unemployment Rate From 2014 to 2020

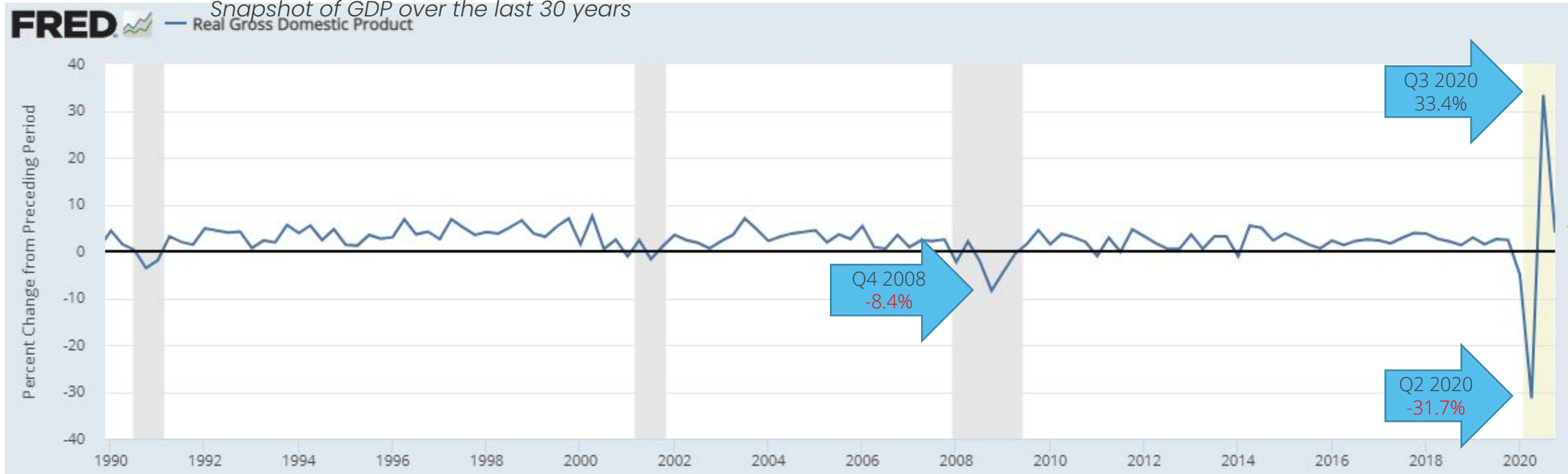
The unemployment rate skyrocketed in response to the COVID-19 pandemic. The grey bar in the chart shows the natural rate of unemployment of between 3.5% and 4.5%.

- Subprime (2008) 10.0%
- Dotcom (2000) 6.3%
- S&L (1990) 7.7%
- Recession (1981) 10.8%
- Great Depression (1933) 24.9%



# Economic uncertainty: GDP

US economy posts biggest contraction in 12 years



# Economic uncertainty: Staffing

Estimates show US Staffing industry decreasing by more than 21%  
*US staffing industry market size (\$B):*



Source: Staffing Industry Analysts

- Travel Nursing has flourished, growing 37%
- Also seeing growth in IT – up 4%
- Declines seen in in finance (-6%), office, clerical and engineering all dropped -4%
- Difficulties in recruiting have decreased while sales difficulties have increased slightly



# Economic uncertainty: Stock Market

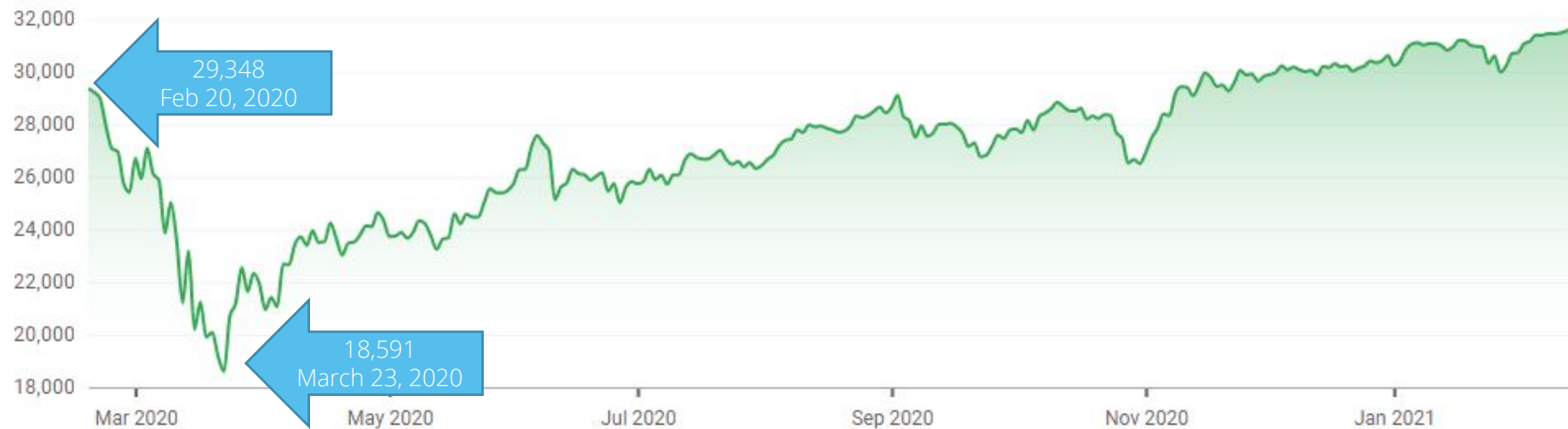
## Dow Jones Industrial Average (^DJI)

DJI - DJI Real Time Price. Currency in USD

31,493.34 ↑ 7.31% +2,145.31 1Y

Feb 19, 9:28:30 AM UTC-5 · INDEXDJX · Disclaimer

1D 5D 1M 6M YTD 1Y 5Y MAX



Volatile stock market:  
DJIA declined 35% from  
mid-Feb through  
March

Wiped out \$11.5T

# Economic uncertainty: Recession



## Looming Recession

- During mid 2019, more than 75% of economists expect the U.S. to enter a recession by end of 2021 (Source: Bloomberg)
- Relationship with inflation
- 2020 – 2021: are we already muddling through a recession?
- Global pandemic
  - Unstable employment outlook – *49,000 new jobs added in January 2021 however the US is still down nearly 10 million jobs since before the pandemic demonstrating a slow recovery (employers cut 22 million jobs in March and April last year)*
  - Business closure/furlough – *according to Fed week of March 27, 2020 loans surged at highest rate in 73 years with a spike of more than \$200 billion in loans*
  - Supply chain disruption
    - Food – hoarding, potential for shortages
    - PPE – front line workers not properly equipped
    - Hospitals/Healthcare – potential to overwhelm hospital capacity

# RETAIL BANKRUPTCIES RAGE ON IN 2020



## Economic uncertainty: Bankruptcy

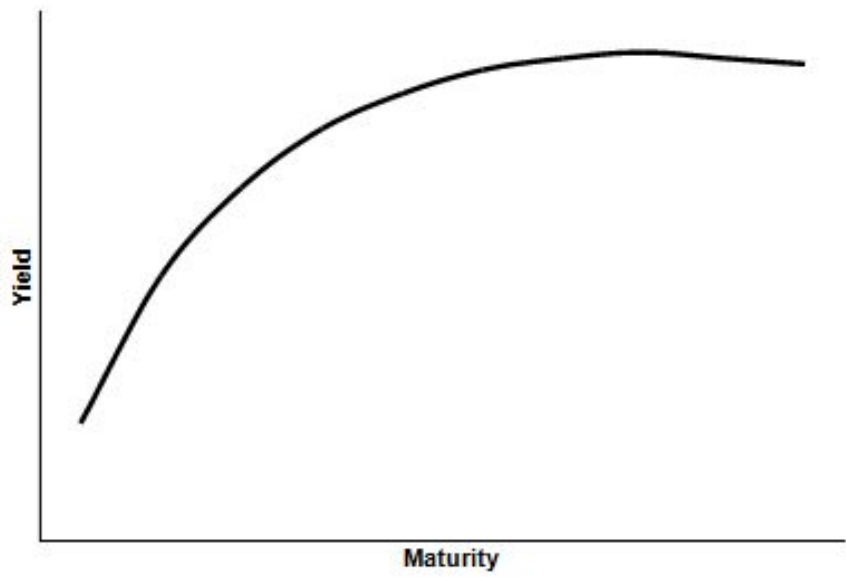
- By any measure, 2020 was a brutal year in business, ending up with a record number of more than 160 consumer-facing businesses filing for bankruptcy
- Including this list of retailers and 12,200 store closings
- Falling consumer demand, reduced entertainment spending, and stay-at-home orders mandating certain businesses stay closed continue to take their toll on a retail industry that has been struggling for the past several years as consumers pivot to online shopping

# Economic uncertainty: Recession

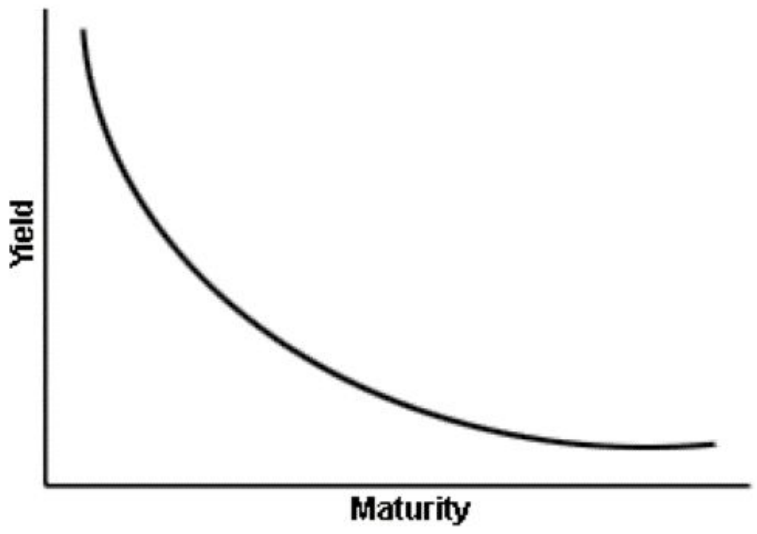


Looming Recession

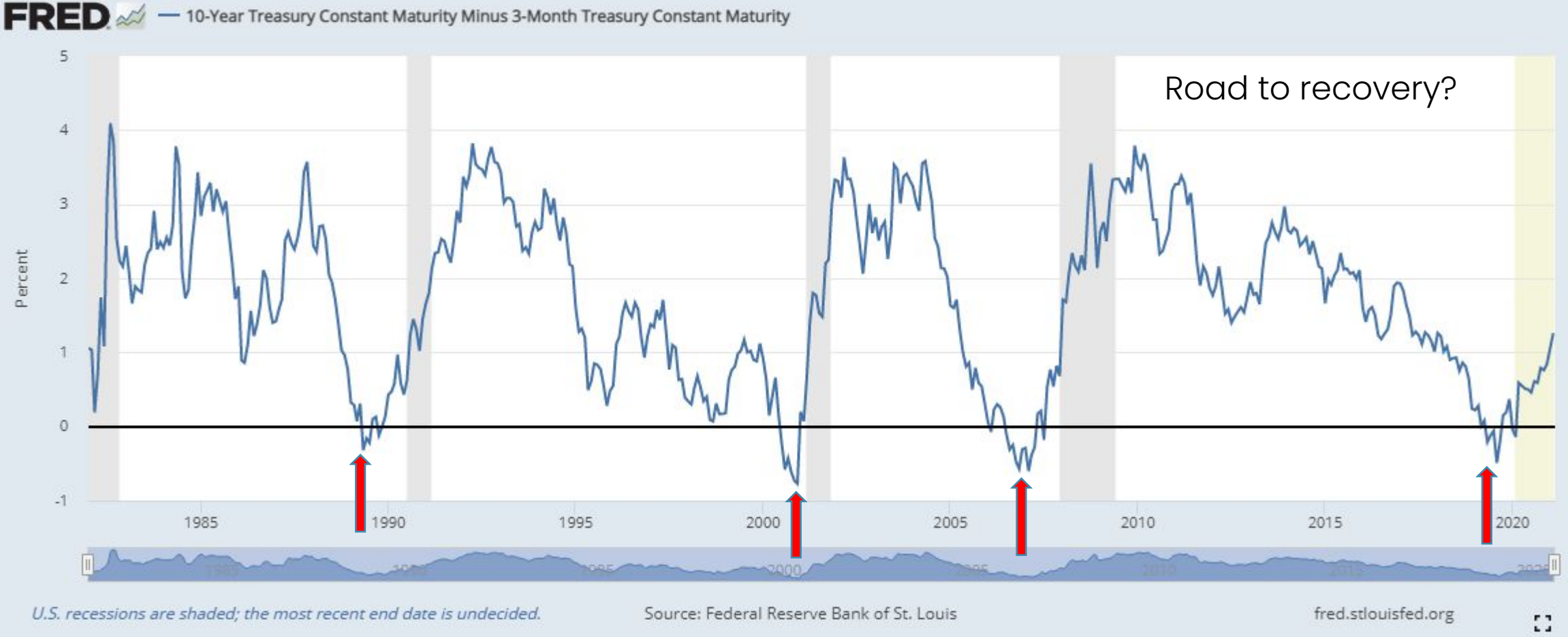
Typical yield curve



Inverted yield curve



# Economic uncertainty: Recession





## Positioning to Survive

- Be smart with your money
- Risk management practices
- Understand your debt
- Explore new/other revenue opportunities
- Be smart AND agile!
- Be prepared for the other side

# Be Smart with Your Money



## Keep an eye on costs

- Reduce expenses to offset drop in revenue



## Refinance existing debt

- Rates ↓
- Savings ↑



## Revise (or start!) your budget



## Work your AR

- Get better/shorter terms
- Better collections → cash

# Risk Management



- Assess your workplace culture. Is safety truly a core shared value?
- Empower your people to identify and remedy hazards before they cause claims.
- Review workflows. Slow, inefficient or inconsistent claim processes waste resources and cause unfavorable outcomes.
- Get on the same page with your carrier regarding medical management, return to work and light duty.
- Analyze your loss experience. Where are accidents happening, what is causing them, what can you do?



# Know your debt structure

Understand your terms  
Amortization, years, rate



Facility structure  
Term loan, line of credit,  
ABL or factoring



Interest rate  
Variable vs. fixed



Cash flow  
Can you afford it?



# Know your debt structure

## Times interest earned

$$\frac{\text{Earnings before interest and taxes (EBIT)}}{\text{Interest expense}} = \text{Times interest earned}$$

## Fixed charge coverage

$$\frac{\text{EBIT} + \text{Fixed charges before tax}}{\text{Interest} + \text{Fixed charges before tax}} = \text{Fixed charge coverage}$$

## Operating cash flow to total debt

$$\frac{\text{Operating cash flows}}{\text{Total debt}} = \text{Operating cash flows to total debt}$$

# Know your debt structure

## Debt Ratio

$$\frac{\text{Total liabilities}}{\text{Total assets}} = \text{Debt ratio}$$

## Debt to equity ratio

$$\frac{\text{Total liabilities}}{\text{Stockholders' equity}} = \text{Debt to equity ratio}$$

## Debt to tangible net worth

$$\frac{\text{Total liabilities}}{\text{Stockholders' equity} - \text{Intangible assets}} = \text{Debt to tangible net worth}$$

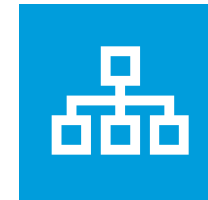
# Explore new revenue opportunities



“This guy knows how to find revenue streams.”



New Verticals



Outplacement



Upskilling

# Focus on relationships



Staff



Clients



Suppliers



Strategic Partners

- Aclaimant
- Advance Partners



# Be smart about your taxes

Reinvest in your business



Technology | People | Equipment | Locations

Deduct up to 20% of your QBI, plus dividends



Qualified Business Income

WOTC



Tax credit for hiring people from targeted groups

- Qualified IV-A recipient
- Qualified Veteran
- Qualified Ex-Felon
- Designated Community Resident
- Vocational Rehabilitation Referral
- Summer Youth Employee
- Supplemental Nutrition Assistance Program recipient (SNAP "food stamps")
- Supplemental Security Income (SSI) recipient
- Long-term Family Assistance recipient
- Qualified Long-term Unemployment recipient



## THE STAFFING FIRM SURVIVAL PLAYBOOK

Whether it's a global pandemic, a natural disaster, or an economic downturn (or all three!), chances are good that your staffing firm will experience unexpected upheavals while you are in business. With that in mind, it is good practice to have a "playbook" to reference in difficult times. Read the Staffing Firm Survival Playbook which features tips on how to survive a crisis as well as real life examples of how some firms are succeeding during this time.

<https://www.advancepartners.com/resources/ebook-whitepapers>



## BEING PREPARED

### BEING PREPARED FOR FINANCIAL UNCERTAINTY: A STAFFING OWNER'S GUIDE

For staffing firm owners, volatility and uncertainty is part of the challenge you face every day in running your business. To that end, we have compiled a guide draw upon when the economic future is hazy. In it we discuss the major economic factors at play, how to manage your finances, possible new revenue streams, how to leverage your taxes and more. Download today!

# Questions?

Craig Cohen, Director of Sales &  
Marketing  
c.cohen@advancepartners.com  
(216) 831-8900