

COVID-19 Construction support

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COVID-19 has created unprecedented complexity, challenges and uncertainty for construction companies in Singapore, and the landscape is shifting daily.

The first priority for construction companies is the safety and well-being of their people, workers and customers.

At a business level, construction companies are moving quickly to respond to the COVID-19 crisis by considering:

1. Liquidity
2. Crisis operating model
3. Stakeholder management
4. Contingency planning
5. Planning for the future

The construction landscape is changing daily and placing a significant financial and emotional toll on the sector. Economists anticipate that as the COVID-19 pandemic continues to unfold, the construction sector will be deeply impacted in Q2 2020. Contractors will adopt prudent cost control measures to focus on conserving cash flow.

Once policies and procedures are in place to keep your people safe, the focus turns to weathering the COVID-19 crisis.

This document sets out the following:

- ▶ Key considerations for construction companies to address the challenges head on including managing liquidity, financial commitments, understanding your options and managing your critical stakeholders.

COVID-19 checklist: a practical strategic and operational framework for construction companies to access business continuity.

Q KPMG has dedicated an Insights website highlighting key matters to be considered in the short, medium and long term. This website will be updated with resources and thoughts leaderships from KPMG Global and Singapore leadership. You may access the link [here](#).

Q If you have operations across the globe, the following website provides an overview of government and institution measures around the world in response to the COVID-19. You may access the link [here](#).



COVID-19: Key considerations for businesses

Liquidity

“Do I have enough liquidity to keep operating?”

In troubled times, even the most profitable business can swiftly become unsustainable if cash controls are weak and visibility over cash is limited.

In time of crisis, construction companies are rapidly assessing their short-term liquidity requirements and financial commitments and considering actions to preserve value and address potential risks to trading stability.

Acting quickly and decisively to any funding requirement is critical.

Crisis operating model

“What is the best model to preserve enterprise value during this crisis?”

Construction companies are adopting a pragmatic approach and commercially assessing cash inflow to operating outflows with a focus on:

- Suppliers
- Landlords
- Financiers
- Employees
- Service providers
- Customers

A clear and precise plan should be developed supported by cash flow modeling to verify the sustainable operating model.

Stakeholder management

“Who are my stakeholders and how do I encourage them to buy into my plan?”

Surviving COVID-19 is going to require a practical approach to stakeholder management.

All stakeholders will be required to play their part. The key objective is that everyone comes to the table, recognizes the urgency of the situation and agrees on next steps to protect value. We are all in this together.

Contingency planning

“What is my Plan B & C, and what are my trigger points?”

The COVID-19 situation is changing daily. Any plan may need to be pivoted to reflect changing circumstances.

Construction companies are developing more than one plan to address possible contingencies. These include restructuring options both inside and outside insolvency processes.

Directors are also considering their personal positions, including duties to creditors and other stakeholders.

Planning for the future

Beyond COVID-19, the world will likely enter a new normal where online and digital engagement are subject to a structural upward shift.

Construction companies need to adapt their business model for an increasingly digitally led world including ensuring online and physical channels connect seamlessly across the entire supply chain and leverage data effectively throughout the operation to engage their target customers and suppliers, and optimize the workforce.

Companies should also strategically consider how they should steer the business model after this Global Reset, as quite surely, it will no longer be the same business as usual.

One should consider how the government support grants (e.g. the Enterprise Development Grant) can financial support the company in preparing for the brave new world.



COVID-19: The checklist we would go through

COVID-19 checklist

Stage	Comment
1. Identify issues	<ul style="list-style-type: none"> • Stakeholders; consider approach to employees, suppliers, customers, financiers, shareholders, the community and regulators. • Impacts; consider supply chain, insurance, banking covenants, contractual, legal and public relations.
2. Quantify financial impacts and know your options	<ul style="list-style-type: none"> • Short term liquidity, cash flow and eligibility for the Government’s response package; critically assess funds or banking facilities available to absorb the downturn. Understand what options you have and your eligibility to access to the Government’s response package. • Update forecasts; assess short / long term operational and financial implications. Ensure forecasts can stand up under external scrutiny. • Contingency planning; “what if” scenario analysis and cash flow consequences.
3. Action plan	<ul style="list-style-type: none"> • Health and safety; ensure policies and plans in place that protect employees, suppliers and customers. • Workforce management; understand your options and right-size. • Clear work streams; responsibilities, actions and timeframes. Determine need for external advisers.
4. Stakeholder engagement	<ul style="list-style-type: none"> • Manage key stakeholder; proactive, regular communication and reporting. • Implement triggers; have pre-determined triggers in place if issues are not progressing.
5. Track and check in	<ul style="list-style-type: none"> • Monitoring; report on performance, key drivers, KPIs and cash flow. • Updates; establish reliable source for ongoing updates on COVID-19.
6. Focus on working digitally	<ul style="list-style-type: none"> • Focus on online and data; consider ordering materials online, negotiating with suppliers to lock in orders / price, and engaging with other stakeholders via digital has never been more important.
7. Temporary Government reliefs	<ul style="list-style-type: none"> • Understand your options; assess the Government’s portal at www.gov.sg for further information on the temporary Government relief to support employers and workers, particularly those in sectors affected by the COVID-19 situation, or BCA’s website at link for further information on support measures for construction companies.



Contact us

Bob Yap

Partner

Head of Restructuring

Head of Deal Advisory, Asia Pacific

T: +65 6213 2677

E: byap@kpmg.com.sg

Martin Wong

Partner

Restructuring

Deal Advisory

T: +65 6213 2467

E: martinwong@kpmg.com.sg

Toh Ai Ling

Partner

Restructuring

Deal Advisory

T: +65 6213 2991

E: atoh@kpmg.com.sg

KPMG

16 Raffles Quay

#22-00 Hong Leong Building

Singapore 048581

T: +65 6213 3388

F: +65 6227 1297

kpmg.com.sg



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