

nexa3D[®]

Thriving Through the Coronavirus Chaos



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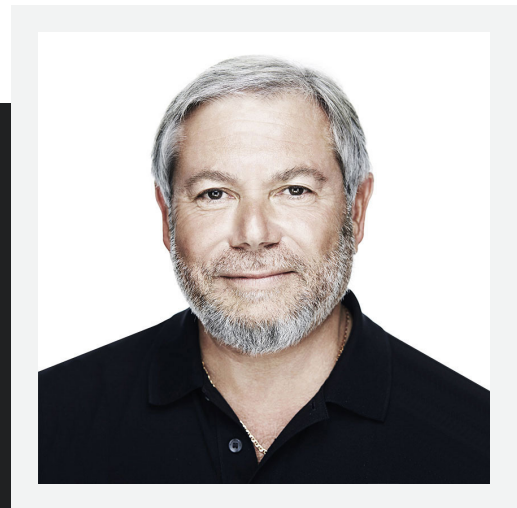
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**COVID-19: NAVIGATING THE CRISIS AS A
COMMUNITY**

01 WE ARE FACING UNPRECEDENTED CHALLENGES

Dear all,

The world continues to change dramatically and at lightning speed, hour by hour. We are in a situation where it's unclear what the future holds, and at this time it is essential that we become much more agile and responsive.



It's a sensation I'm familiar with. I have been through several recessions with companies, and in each case, I have come out stronger. To safely navigate a business through, most leaders should seriously consider throwing out their previous plans, reassess their cost structure, revisit their revenue generation plans and think through all other risks and opportunities. One of the most powerful learnings from previous events is that courage is contagious but so is fear. Yet we are better than our fears and must never waste a good crisis. Times like this require the clarity of mind and courage required to make the bold decisions that will define our long-term relevance and impact.

May your business go from strength to strength and may you be a source of strength to others. Above all, take care of your loved ones, stay healthy and safe.

Avi Reichental

CEO and Co-Founder, Nexa3D

02

LESSON FROM PAST EXPERIENCES

Having weathered many business downturn for nearly fifty years, companies learned an important lesson – nobody ever regrets making fast and decisive adjustments to changing circumstances. In downturns, revenue and cash levels always fall faster than expenses. In some ways, business mirrors biology. As Darwin surmised, those who survive “are not the strongest or the most intelligent, but the most adaptable to change.”

While for many companies this may not be the ideal time to sell, for all companies this is a great time to listen, a time to care and to offer help in meaningful ways that link companies to what the global community needs. It is a time to connect in relatable ways with all of your constituents, stakeholders, fellow employees, customers and prospects and exemplify your brand essence.

REACTING TO A CHANGING REALITY

At the onset of the Covid-19 pandemic, the world needed PPE, nasal swabs, and ventilator parts and many companies responded individually and as a community instantly in ways that were unprecedented and powerful. As the global traditional manufacturing supply chain begins to recover and Covid-19 infection rates begin to decline, how does the industry retains and multiplies the gains made being of service during this pandemic and how do industry players use this incredible catalyst to move our companies and industry forward decisively?

Now is the time to plan for a resumption of vibrant commercial activities and that comes down to relatability, flexibility and adaptability.

03 KEY QUESTIONS TO GUIDE STRATEGY

Seeing the world from the customer's perspective is a good starting point. If companies have a product to launch that is relevant and useful as part of the post Covid-19 design agility, pandemic preparedness, de-densification of factories and warehouses, onshoring and supply chain resiliency, it's probably a good idea to launch it now! CEO agendas are dominated by demands for such solutions so adapting and rolling out new products and services that meet current and future demands is mission critical. Simply put; ; this is a good time to evaluate entry into new markets the moment companies are able to provide relevant solutions.

Given travel and distancing restrictions for the foreseeable future, product launches have to be reimaged to be effective and successful. More than just a pivot to a virtual arena, these launches need to be made in tune with the current environment and mood and not automatically delayed. How companies operate, the kind of actions companies take and how tone sensitive businesses are now, will speak volumes on how companies are perceived in a post Covid-19 period. That said, be careful not be tone deaf. Companies should ask themselves:

- Are we helping? Do we have something relevant to offer?
- Is it more appropriate to stay quiet for the time being?
- What do our customers want right now?
 - » Do they really want to be pitched?
 - » Do they have the spend power to buy?
 - » Can they physically receive a new product?

What will industry players do to survive and thrive? Will we see price wars? Disintermediation? Business model disruption? Will we witness and have to deal with customers and partners bankruptcies? And how well prepared are we to deal with seismic shifts in our respective industry?

ACTIONS TO CONTINUE TAKING

1. Stay healthy

Staying healthy is the foundation upon which all else rests. Minimize commuting and increase handwashing, sleep, exercise, nutrition and staying home when sick, are all good practices regardless of the progress against Covid-19.

2. Run best, worst and new case scenarios using good numbers

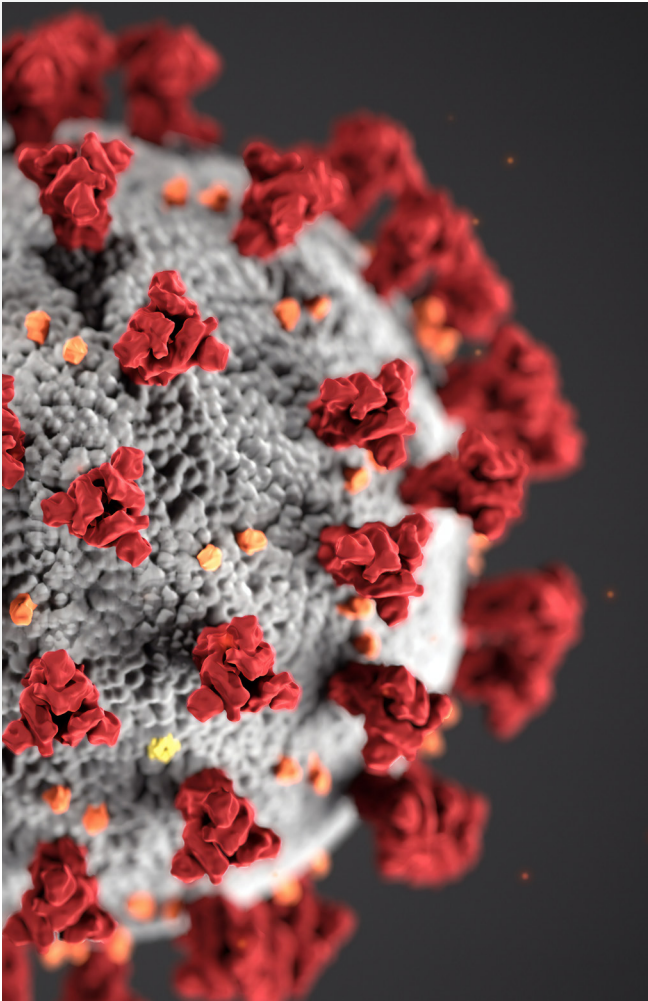
As we saw a few months earlier, knee jerk decisions driven by fear tend to dominate many companies' agendas. Instead of these counterproductive practices, companies can adapt a rolling forecast capability and then run-through "what-if" scenarios for a range of possibilities. This way companies can ensure that they have the cash needed to fuel their businesses through the extending downturn.

3. Realign investment in sales towards digital marketing and sales operations

Many companies will cut their costs or investments. When the market develops into the next norm those companies might then be at a competitive disadvantage; they will have to restart sales in order to win new customers. Some companies may even be gone as this recession extends since they do not have the financial capacity or creativity to adjust to a new digital paradigm.

4. Now maybe the right time to consider M&A as part of your strategy

There is a good chance that it will be a buyers' market soon for companies acquiring other companies. Mergers and acquisitions may be a good and effective strategy to fill strategic gaps or scale.



05 PIVOT TO RELATABLE MESSAGING

Take a step back and examine the purpose of your company. What is its massive transformative purpose that can inspire your entire ecosystem? For us at Nexa3D, it is rallying our entire team behind a singular purpose; **Democratizing sustainable digital fabrication by driving design agility and supply chain resiliency to its full potential.**

Just as we have been able to link our core purpose to actions during Covid-19, we can find ways to do the same while showing we care and can help.

It is also a time for leadership to provide a steady hand at the helm while connecting it with gracious empathy and humility. Leadership has to be relatable because it's about connecting with people, understanding customers and harnessing the passion and purpose of the company.

This is a once in a century opportunity to connect and educate, to take a step back and be of service offering help, not sales pitches. It's a time to replace many actual events with virtual events, and importantly, it's time to reach deeper inside your organization and deliver meaningful and relatable content that helps your customers learn how to use your experience and technology.

06 GUIDANCE FOR EARLY STAGE BUSINESSES

- **Communicate more than ever.**
- **Don't fight the wave – ride it.**
 - » Figure out how our business is relevant in this new world setting: go-to-market, business model, demand generation, service and training.
- **Watch revenue closely.**
 - » Now more than ever is the time to stay more in touch with key customers. They need to hear from you all the times.
- **Develop contingencies for the worst scenario you can envision.**
- **Collect your receivables faster and extend your payment terms.**
- **You may need to furlough some of your people for a few weeks.**
- **Cut cash burn to extend your runway.**
 - » Do not assume that money you were planning to raise, at a prior valuations is still available.
- **Shaving \$200,000 off your monthly burn rate is equivalent to raising \$2,400,000 of new capital and that is nothing to sneeze at.**
- **Re-evaluate marketing and new customer acquisition costs.**
 - » Watch for increased customer acquisition costs and decline in lifetime value.
- **Headcount reduction.**
 - » Now may be the time to reduce your spend on ineffective manpower and let go of “projects”.

First Things First

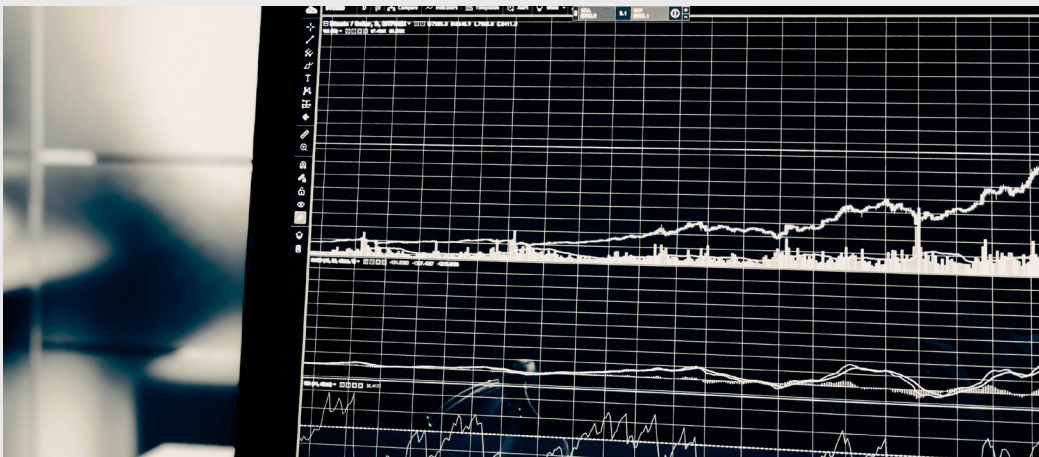
- Self-preservation
- Cash conservation plan
- Team realignment
- Customer emotional share

Next: New Innovative Ways to Proceed

- Business continuity actions
- Business growth strategy
- Adaptability as normalcy

07 SITUATION ANALYSIS

- **Key markets are frozen for the next few months.**
 - » For how long nobody knows...
- **Many teams are forced to work remotely.**
 - » Install all necessary collaboration tools. This may become the future state of work.
 - » For hardware businesses, it's harder to work remotely at the same productivity, so strive to innovate how you work.
- **Channels are in the same boat.**
 - » Use this time for sales and service training.
 - » Launch remote selling and customer success capabilities.
 - » Leverage telepresence tools for customer acquisition and success.
- **Supply-chain is disrupted.**
 - » Have line of sight to full mitigation.
 - » Extended supply chains could put your recovery dates in jeopardy.
 - » Watch for swelling inventory levels and extended cash conversion cycles.
- **Customers, suppliers & partners are in 'panic mode'**
 - » Dealers and customers likely to pay late if at all.
 - » All at risk of running into their own cash and continuity crisis.
 - » Most customers have likely frozen their spend for now.
- **Extend cash runway up to 24 months.**
 - » Resize and realign team and operating expenses.
 - » Use time to enhance and advance marketplace competitiveness.
 - » Reinvent go to market, leveraging rapid acceptance of remote tools.



08

ATTRACTING NEW INVESTMENTS

- Don't assume there are no investments until the crisis is over. Keep trying!
- Many investors will focus on their current portfolio first, BUT ...
- The smart investors will be out there... on the offense.
- They know that some of the best deals surface at these times.
- If you have a Coronavirus related thesis – these may be very good times for you – stress that.
- A Corona thesis is not only medical – improving remote access, distributed manufacturing, supply chain resiliency and design agility will get us noticed.
- Adapt, be flexible, challenge our situation every day.
- Plan for the worst and hope for the best.
- Start the raise with our internals first and attract more strategic investors.
- Be optimistic – the best companies are forged during times of crises.



COVID-19: NAVIGATING THE CRISIS AS A COMMUNITY

Communication:

- OVER communicate with all stakeholders. Frequently. Don't sugar coat.

Continuity:

- Ensure team safety and business continuity contingencies are in place.

Cash:

- Is King!
- Cash preservation, cash investment and cash generation.
- Adjust your burn runway. Know your break-even. Tighten credit. Understand the harsher venture environment.

Change:

- Bin your 2020 plans. It's time for a bolder plan.
- Prepare your companies for the best - worst - and new case scenarios.
- Reinvent your businesses model - the most adaptable will survive.
 - » Reposition around mission critical solutions and resources.
 - » Redefine how we think about cost per part.
 - » There has never been a better time to collaborate - seek uncommon partnerships for access to everything.
 - » Scan for opportunistic mergers and acquisitions that can create great value.

Courage:

- To lead, to be in reality and not in denial with your employees, customers and investors.
- For the preservation of your businesses.
- To ask for help, to lean on your boards and community. No one expects you to have all the answers.
- To act with agility and boldness and make the right decisions.
- To practice honesty and transparency, even when inconvenient

Community:

We're in this together. This crisis will pass but its lessons, and our combined efforts to get through this together as a community, will remain with us for the rest of our lives.