



## Seven business opportunities from COVID – 19

Prepared by **Hugh Latif**

[hugh@hughlatif.com](mailto:hugh@hughlatif.com)

Direct: (416) 229 0520

June 29, 2020

### COVID-19 UPDATE:

The doom and gloom scenario media coverage of COVID-19 has switched from **what has happened to what could happen** with focus on the second wave of COVID-19. We constantly receive mixed information, and most of it continues to feel negative.

Good news. It's not all doom and gloom. I have selected the following key points as examples of positivity and hopeful trends. Yes, behind that mask we are all wearing these days, there are some reasons to smile:

- ✓ **Fiscal policies** and assistance by the Canadian and US governments, have provided welcomed assistance to affected businesses and people that have lost their employment. Many programs have also been updated or improved to better serve their objective. **Monetary policy** has also helped ride the storm as best as possible.
- ✓ Positive progress has been made by many **pharmaceutical** companies for the development of **curative treatment** for COVID-19 and a broad **vaccine** availability by Q1-2021 clearing the way to more normalization of economic activity. Do not forget that pharmaceutical companies received government funding and assistance and have formed partnerships between them to accelerate their research & development.
- ✓ Recent US data show **no massive disruption to US manufacturing** due to COVID-19 and **retail sales coming back stronger** than expected in May 2020.
- ✓ **Oil price seems to have stabilized** around the \$40 mark. Some steadiness and constancy are welcomed as our currency in Canada is very much tied to oil price.
- ✓ The **financial markets** both south and north of the border have continued to behave erratically reacting to daily news up and down but all in all, the stock markets have made a strong comeback. S+P/TSX Composite is down 6% vs a year ago but **up 25%** in the last 3 months. The S+P 500 and NASDAQ are **up over 20%** vs. a year ago and **over 30%** in the last 3 months. Please check my numbers!

While the media is now highlighting the risk of a **second wave**, most countries have started to open their economies and have improved their health system readiness and overall capacity. Ventilators, masks, gloves, gowns, sanitizers, and toilet paper are now readily available, so if there is a second wave, we should be better ready the second time around.

**In addition to the above economic and vaccine-research news, there are Many WINNERS. Take a look!**

While small retailers, restaurants, camps, hairdressers, GYMS, mall operators, airlines, entertainment, sports have suffered immensely, many large businesses have benefited significantly from COVID-19. All the grocery and drug chains as in LOBLAWS, METRO, SOBEYS, SDM, and then the WALMART'S, COSTCO'S, AMAZON; all the consumer packaged goods and food manufacturers as in P&G, KRAFT, CLOROX, ROBINHOOD, NESTLE; all the pharmaceuticals, the on-line stores,

the TELECOM and WIFI providers, the software and technology as in Microsoft, SHOPIFY, and of course NETFLIX, the ubiquitous ZOOM, and many more. Then you have the social media and on-line advertising companies that have been firing on all cylinders; these include GOOGLE, FACEBOOK, YOUTUBE, MESSENGER, TWITTER, WHATSAPP, INSTAGRAM etc. with many showing double digit growth in revenues and most attractive bottom lines.

Even the banks should be winners. With the prime rate at 2.4%, the bank of Canada overnight rate at 0.25% and savings account paying less than 1%, while the interest on VISA is 19.9% how good of a spread is that? When you get the Government of Canada guaranteeing your loan... can it get better than that?

All the top Canadian banks had lower earnings for the second quarter, but only because they significantly boosted their PCL Provision for Credit Losses. While this may be prudent management, it would be a PR problem to show increased earnings while the economy is in shutdown mode and many Canadians are on the unemployment roll. Nevertheless, for the second quarter, RBC earned \$1.5B and put \$2.8B in PCL, TD made also \$1.5B with PCL at \$870M, SCOTIA earned \$1.3B after a PCL of \$1.8B and BMO earned \$689M with \$1.1B in PCL. The four banks combined earned \$5B for the quarter and made reserves of \$6.5B for a future rainy day! Not bad by any measure.

## Where are the business opportunities?

I have identified **7 positive business opportunities**. These opportunities have surfaced from the ashes of the CORONA Virus storm. Not all seven opportunities may have application for your business; hopefully, some are relevant. See the helpful action items after each one. There are opportunities out there! Here goes:

- 1) **Labour:** The unemployment rate during COVID – 19 shut-up in the US and Canada at levels not seen since the financial crisis or even the great depression. But, for businesses, if you are looking to hire people, selection and recruitment should be easier and most probably at lower or more reasonable wages as more people are looking for work. Simple supply and demand dynamics. **ACTION:** Best time to **attract Human Talent** to your organization and strengthen your team.
- 2) **Rent:** With greater acceptance about working from home, there should be less demand for office space and hence higher rate of vacancies resulting in greater supply of space in general. This should drive a decline in rental price per square foot. Landlords are bound to be more open to negotiating a rent adjustment. **ACTION:** If you rent or lease, it is time to have a breakfast and cappuccino with the **landlord**.
- 3) **Capital:** With interest rate at an all time low, the cost of borrowing has gone down significantly. The prime rate in Canada is 2.45% and 3.25% in the US. In addition, with both governments piling up debt to help the economy, the interest rates are bound to stay low for the foreseeable future. **ACTION:** This is an opportunity to dust off your list of **capital projects** that were on hold because of high interest rates and meet your **banker** for a second cappuccino.
- 4) **Energy:** West Texas Intermediate Crude price has stabilized around the \$40 mark. It was in the high \$100 in 2014 and over \$70 just two years ago. Energy cost in Canada contribute about 10% of GDP and about 6% in the US. Lower energy costs should be welcomed by manufacturers, transport, consumers, and commuters. **ACTION:** No action needed; just count the savings.
- 5) **Advertising and Promotions:** With **social media advertising** gaining increased market share vs. traditional channels like TV, Radio and Publications, advertising and promotions expenditures should offer better advertising costs while also delivering more value, as advertising campaigns can target consumers with greater accuracy. **ACTION:** Review the mix of your Marketing, Advertising and Promotion Budget. An **update to the mix** may show opportunities for lower costs and improved value.
- 6) **Technology and Digital Transformation:** **Digital transformation** is becoming a key ingredient for future business success. The rapid development in technology driven by **cloud migration** provides small and medium size businesses with a definite lower cost for technology. This is evident with expanded use of AI (Artificial Intelligence), Robots Mechanisation and Automation, CRM (Customer Relationship Management), Virtual Office Expansion and advanced cloud ERP (Enterprise Resource Planning) to site a few IT areas that can help businesses leapfrog their

competitors and use the same resources that were once exclusive to large corporations. **ACTION:** Do not get stuck in the past; uncover what the **digital transformation** can do for your business.

- 7) **Exporting to the US:** The US is our largest customer buying +/- **80%** of our total exports. US importers should have increased demand for our products and services. The uncertainty of the relationship with China, should favour Canadian exporters who are closer, friendlier and with a weak currency. **ACTION:** If you already operate in the US or had ambitions to enter this attractive market, today's timing appears favourable.

Finally, if a picture is worth a thousand words, then a graph is even more informative. Here is my selection of graphs from ACUS CONSULTING vast database of statistics.

### Drop in Inflation Rates

**CANADA: INFLATION (CONSUMERS PRICE INDEX)**  
Rate last 12 months from June 2019 to May 2020  
Alberto Calva // Acus Consulting // June 17, 2020



Chart 2 of 3

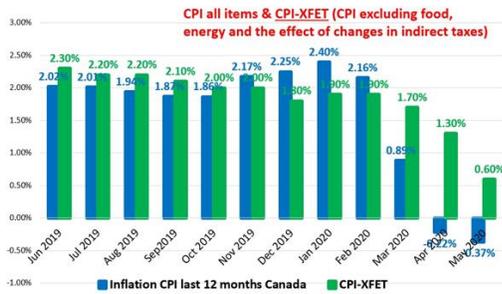


Chart and analysis by Alberto Calva & Acus Consulting with data from Statistics Canada

### E-Commerce growth

**CANADA: RETAIL E-COMMERCE GROWTH RATE**  
Not Everybody Is In Recession  
Alberto Calva // Acus Consulting // June 22, 2020



Table 1 of 2

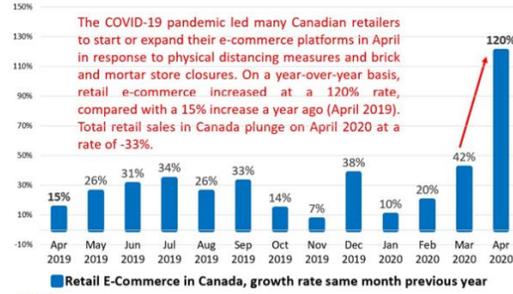
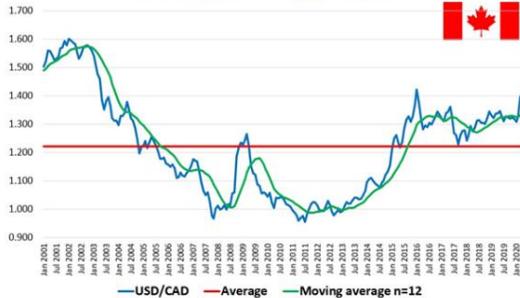


Chart and analysis by Alberto Calva & Acus Consulting with data from Statistics Canada

### Canadian Dollar vs. US Dollar

**MONTHLY EXCHANGE RATE - USD/CAD - JAN 2001 TO MAY 2020**  
Alberto Calva // Acus Consulting // June 9, 2020

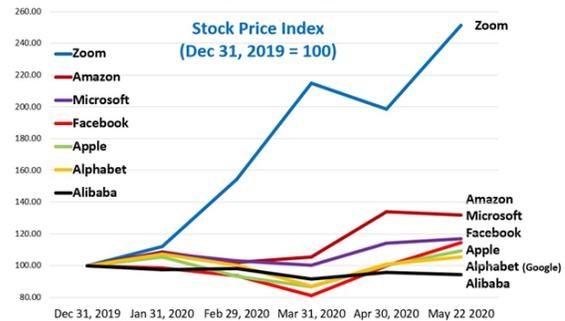


acur

Neither Alberto Calva nor Acus Consulting are responsible for the accuracy of the figures here presented, neither for the decisions taken based on this information or based on our comments.

### Technology Stocks Market Value Growth

**TECHNOLOGY COMPANIES: STOCKS PRICE COMPARISON**  
Alberto Calva // Acus Consulting // May 25, 2020



acur

Neither Alberto Calva nor Acus Consulting are responsible for the accuracy of the figures here presented, neither for the decisions taken based on this information or based on our comments.

SOURCE: By permission from Alberto Calvas and ACUS Consulting.

### About these reports

In my **First Report** on COVID – 19 of **April 15, 2020** I shared my research, assumptions and provided a month-by-month forecast to December 2020, of expected key actions and development that affect COVID – 19. Thus far my forecast has **proven correct**. My **Second Report of May 10<sup>th</sup>, 2020** provided business suggestions for the short, medium, and long term. In this **Third Report** I provide a short update of the progress made with COVID – 19 and share with you **7 business opportunities** that have surfaced from the ashes of the CORONA Virus storm.

Let me know if some or all my seven opportunities have application for your business. I always appreciate and welcome your feedback.