HBR's 10 Must Reads On Managing in a Downturn

Expanded Edition

By Harvard Business Review

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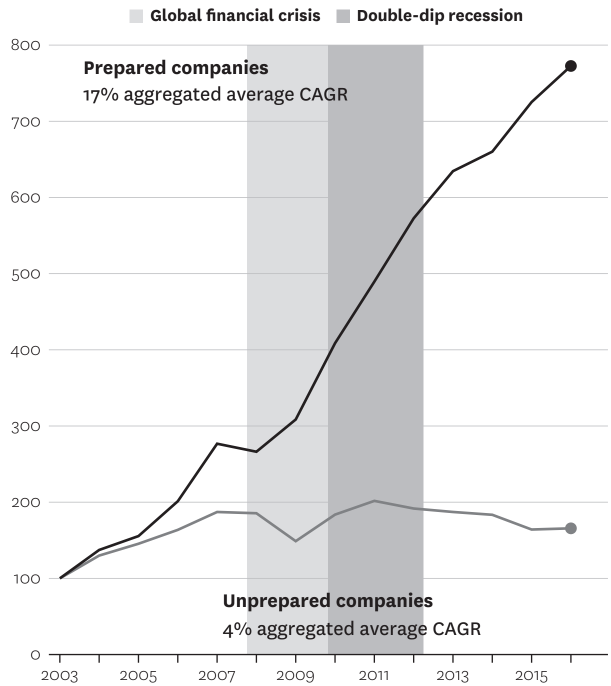
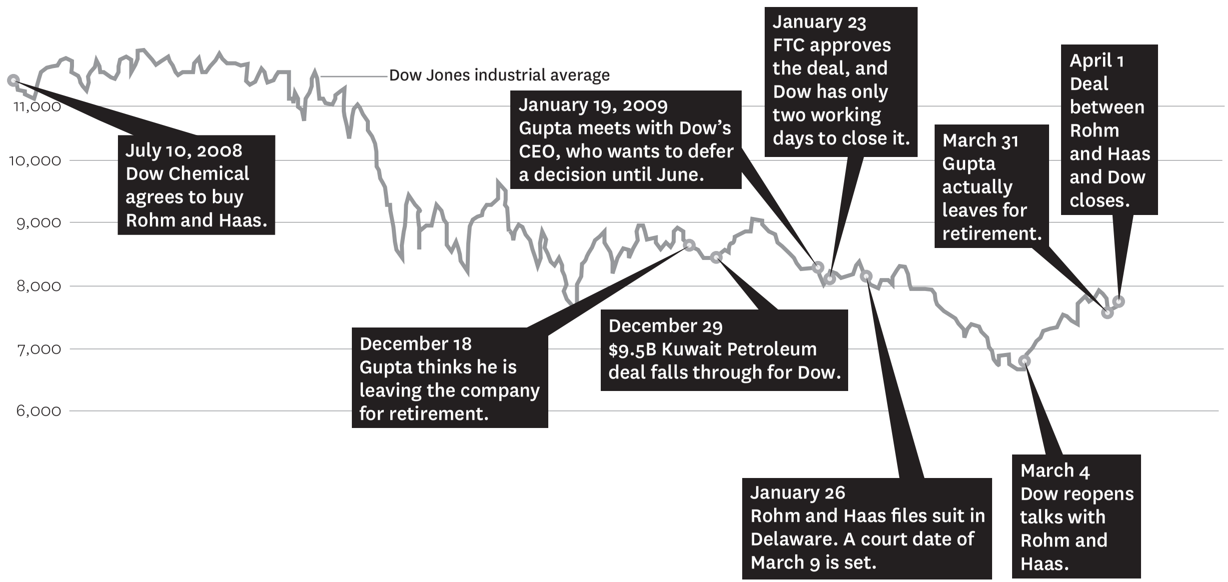
Companies that prepare for a recession pull ahead during and after it

Aggregated average EBIT indexed to 2003



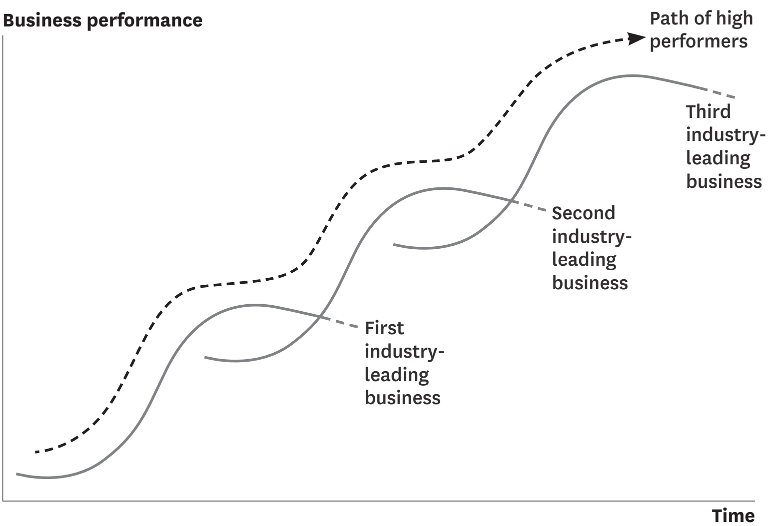
Source: Bain analysis of Capital IQ data. Includes 388 prepared companies and 3,113 unprepared companies worldwide.
Note: A double-dip recession is when GDP becomes negative after at least a quarter of positive growth. EBIT and CAGR are not adjusted for inflation.

Timeline of the deal: July 10, 2008, to April 1, 2009



Jumping the S curve

High performers are well on their way to new-business success by the time their existing businesses start to stall.



The hidden S curves of high performance

Three aspects of a business mature—and start to decline—much faster than financial performance does. They need to be reinvented before you can grow a new business.

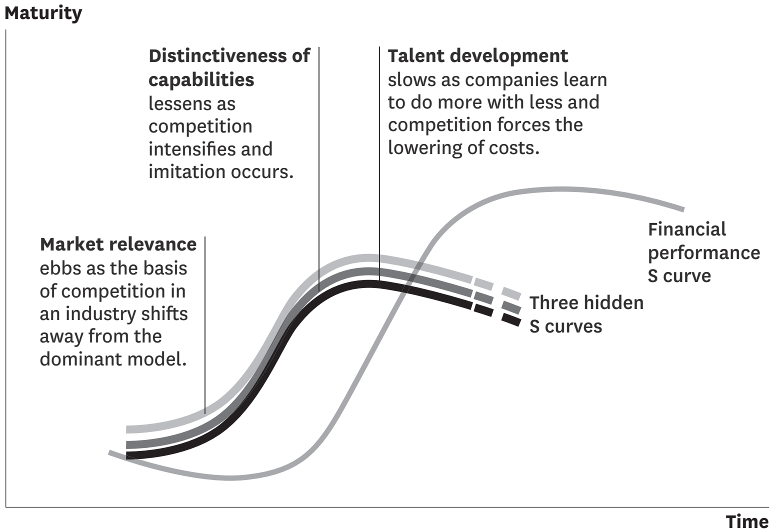
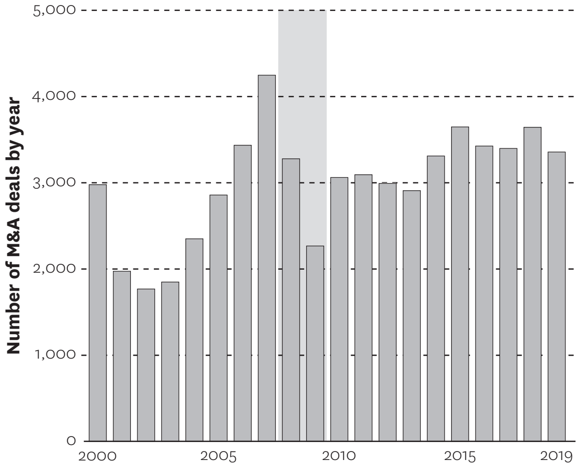


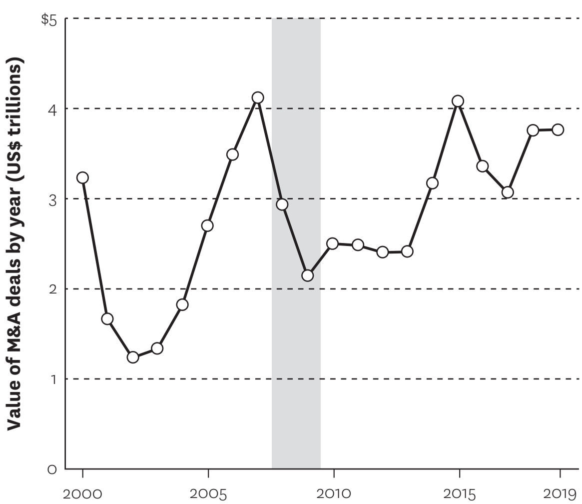
FIGURE 13-1

Global M&A deals, 2000–2019

*During the 2008 financial crisis, the **number of M&A deals** dipped by almost 31% year-over-year . . .*



*. . . and the **value of those deals** fell by about 27% in the same time period. Similar drops are possible due to Covid-19.*

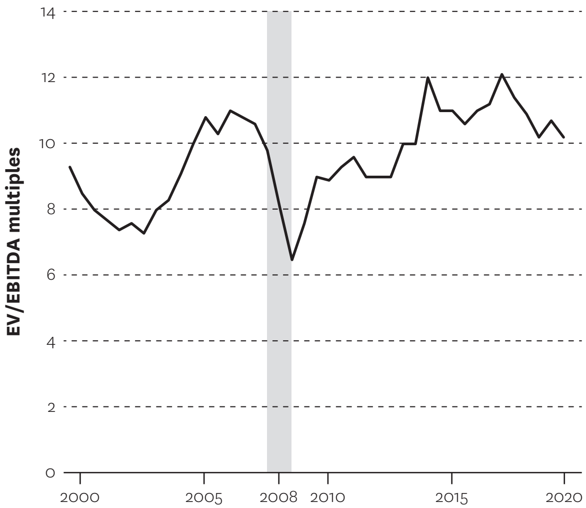


Source: EY analysis and Dealogic.
Note: Excludes real estate acquisitions. Volume based on deals of US$100 million or more.

FIGURE 13-2

Deal multiples, 2000–2020

An examination of deal multiples—the ratio of enterprise value divided by EBITDA that is used to determine a company's value—during the 2008 financial crisis suggests that valuations that have or will decline during the current downturn are likely to bounce back somewhat quickly.

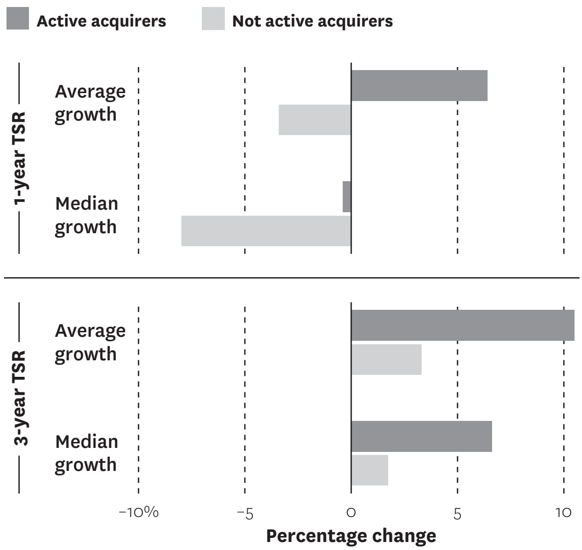


Source: EY analysis and Dealogic.
Note: EBITDA—short for "earnings before interest, taxes, depreciation, and amortization"—is a measure of a company's financial performance.

FIGURE 13-3

Total shareholder return (TSR) growth by acquirer type, 2007–2010

Firms that made significant acquisitions during the 2008 financial crisis outperformed those that did not.



Source: EY analysis, Capital IQ, *Fortune*.
Note: Analysis of companies on the 2008 *Fortune* 1,000 list; excludes financial services, real estate, and companies where the share price was unavailable on January 1, 2007, and January 1, 2012.