

## Foresight: The CPA Podcast

### Season 4 Episode 3: How Cirque du Soleil survived a \$1B revenue loss

**Neil Morrison:** Welcome to Foresight: The CPA Podcast. I'm Neil Morrison.

This season, we are exploring the challenges of navigating uncertainty, whether that's an uncertain economy, uncertain geopolitics or let's say a global pandemic. When COVID emerged onto the world stage in 2020, no business was more exposed than the Cirque du Soleil. The Cirque is a business that is built upon gathering people together hundreds of people at a time, in one venue, under one roof. In 2020, it was an entertainment giant with six shows in Las Vegas and 10 shows touring the world. Then the pandemic hit. The Cirque's CEO Stéphane Lefebvre remembers the exact moment everything changed. At the time, he was the Cirque's CFO.

**Stéphane Lefebvre:** This is when one of those events, but when people ask you, "Do you remember where you were when Lady Di passed away? Or where JFK got shot?" It's that kind of thing where I'll always remember where I was and what happened that week of March 9th, 2020.

**Neil Morrison:** It may be difficult to remember now, but by the first week of March, 2020, COVID had moved out of China and was now showing up in Europe. The first country affected was Italy. This was a problem for the Cirque because it was opening a show in Milan. March 9th, 2020 was a Monday.

**Stéphane Lefebvre:** On Monday on the night, the executive committee met with the leader of the touring show division. We had to decide "What do we do with our show that was supposed to travel to Milan? Where else can we send it?" We looked at different places in Europe. "Should we send it to Paris or Spain?" That was a conversation on the 9th. Then over the week, all the markets kept falling off and closing down, shutting down. On the Friday, it was actually Friday the 13th, March 13th, we then had to come to realize that all of our markets were shut down except Las Vegas. Las Vegas was still open. We've had six shows operating in Vegas. Before leaving the office on the Friday, my boss told me, "Well, at least we've got Vegas."

Again, then I got a text on a Sunday from Daniel, from my boss, that read, "Call me," or something like that. I called him and he had just received a call from the CEO of our partner in Las Vegas, CEO of MGM, Bill Hornbuckle told him, "Look, we're going to announce that we're shutting down Vegas. The city is being shut down." I called Daniel and told me "That's it." When you think about



that, we on the Monday the 9th, we were \$1 billion business, and six days later we had none. We went from a billion to zero in six days. That's how crazy it was.

**Neil Morrison:** A \$1 billion business that drops to \$0 in revenue in six days. If we're going to talk about navigating uncertainty, it doesn't get more extreme than this. The total collapse of a global business in less than a week. That's why on this episode, we're not looking ahead to the uncertainty that is over the horizon. Instead, we are looking back to see if any lessons can be drawn from the Cirque's experience. What's it like to face the worst-case scenario? In those first few days as the scope of what they were facing became clear, Stéphane Lefebvre's mind turned to logistics.

**Stéphane Lefebvre:** Well, the first thing that comes to mind is we're in the business of travelling around and presenting shows in so many markets in the world. Think about the nine or 10 shows that we had touring around the world. It means literally thousands of people scattered in different parts of the world that you need to bring back home, whatever home means for most of them. In a time when the whole air transportation was extremely difficult. We put a lot of resources into getting in touch with X, and Y, and Z in different parts of the world, trying to find a flight ticket to bring that person back either home or to another location. It's been a logistical nightmare, but I got to say we really put all of our efforts into it and at the end, after a few days, we had everybody back home. You know what the old say, "Leave no man behind." We actually brought back all of our employees, performers, technicians, back home.

**Neil Morrison:** Amazing. When you say going back home, these are countries all over the world. Europe, Mongolia, all through Asia, they're coming from everywhere.

**Stéphane Lefebvre:** Coming from everywhere. In quite a few cases actually, you've got some people that are going on tour for years. The definition of "home" is not as clear as it can be for other people. We've had a couple of Russians that had left Russia at the time, but that didn't mean that they wanted to go back to Russia. They didn't have a home back in Russia, actually. It wasn't easy for them. It was quite hard.

**Neil Morrison:** As the scope of what you were facing became clear, what ran through your mind?

**Stéphane Lefebvre:** Survive. We go to a survival mode, right?

**Neil Morrison:** Right.

**Stéphane Lefebvre:** We, being myself and a bunch of people from the management team, we knew that the Cirque du Soleil brand hadn't died. We knew that this was going to be a tough patch, and we would go through this and come back in business in weeks or months. We never thought it



was going to be months and years, but we never lost faith that we could actually bring back the business and operation. The first thing that goes through your mind is you got to put yourself under survival mode. I was the chief financial officer at the time, so it meant finding some arrangements with our lenders. We reached out to advisors that know the complexity of these kind of large restructuring far better than I did at the time, advised us on what the next steps would be, and we sought protection from bankruptcy, both in Canada and the US. It bought some time to come up with a good business plan and seek for investors to reinvest in the business to relaunch Cirque du Soleil's business.

**Neil Morrison:** Was there a moment when you realized bankruptcy protection was the only option for you?

**Stéphane Lefebvre:** I guess everybody was learning about what COVID meant every day and every week. I know it's hard to think this through right now, but when you go back to the spring of 2020, there were rumours of vaccine, but there was no vaccine ready yet. People were dying everywhere. I live in Montreal and the city was completely under lockdown, so it was a catastrophic scenario, really. But we thought, "This company doesn't have to go bankrupt if we... We need to buy time." We sought bankruptcy protection from the courts, but we knew that although the business wasn't operating anymore, we knew that there was still a lot of value in the brand. It was just a matter of time until we could actually come back in operation and create some value again. A bunch of people that went through this process never lost faith that we would come back.

**Neil Morrison:** I wonder if that's one of the keys as we explore how to make your way through uncertainty. I wonder if one of the keys is it optimism? Or just having faith or trying to stay positive? I don't know what it is, but it sounds like there's a bit of a key there for getting through that kind of unbelievable uncertainty.

**Stéphane Lefebvre:** Probably was keeping the faith is one thing, but in our case, I always believed in this brand and it wasn't just being optimistic and keeping the faith that something magical would happen. We knew that we had an asset that was very valuable. There was something. We were on solid ground with our brand. I guess that supported us to be optimistic about the future.

**Neil Morrison:** How were you sleeping during all of that, while it was going on?

**Stéphane Lefebvre:** It was hard. Wasn't so much about not sleeping because of the level of stress. But literally, I don't think I've ever, you're a CPA, you'll... A lot of CPA's put in the hours. We've always done that. But I think that probably has been the worst part of my career. This was nonstop early morning, late night, seven days a week for months. It's been hard.



**Neil Morrison:** Without a clear endpoint to it, either.

**Stéphane Lefebvre:** Without a clear endpoint. That's right. Without a clear endpoint. But once everything was done there was, I think amongst the team that amazing sense of pride of having done it. We were able to convince people to reinvest in the company, to reinvest behind a brand. We were able to convince people to believe in the business plan that we proposed. We were extremely proud. As much as the few calls that we had to make in March, 2020 of unfortunately laying off some people, letting some people go, people that you know very well that needed that job, and suddenly you don't have a job anymore. This was the hardest thing. Calling back people when we were able to relaunch the business in 2021 was quite a good feeling.

**Neil Morrison:** As a CFO, and you're a CFO with a CPA, what is your key take away from going through that period when the very survival of the company was uncertain? This isn't just about going through a rocky period. There were many periods where you must have thought, "Are we actually going to be able to emerge from this?" Now that it's a bit in the rear-view mirror, is there a key takeaway for you?

**Stéphane Lefebvre:** I had the benefit of having worked in this company for almost five years when it happened, as the CFO. Just by personality, I guess I was the type of CFO who would love to and to be involved in understand the operations, understand the strategy. When COVID hit, we had to literally redo a business plan for the company. I had some thoughts on the few things that I thought we needed to change. We encompassed all that into a comprehensive business plan. We made tons of presentations to investors and very pleased that it worked.

We put together a business plan that was executable, realistic, on the conservative side, and we told people so. I think if I were to do it again, I'd do exactly the same thing. We went and secured \$375 million of fresh capital in the company. Turned out that once we started relaunching the business, it actually went pretty well, and we didn't need to use the whole \$375M. But I'm glad we went on the market with a conservative approach and convinced people to give us the financial flexibility or relaunch the business, even if we ended up not having to need it all.

**Neil Morrison:** Is that for you, the takeaway is approaching the problem or the uncertainty with the conservative approach, trying to keep things a little bit tighter?

**Stéphane Lefebvre:** Conservatism and I would say even more important, transparency. In my view, in uncertain times I'd rather be more transparent than not with different stakeholders. We don't know what we don't know, but we certainly can voice that there's some uncertainty. Of course, you make certain assumptions, but if you're clear on the assumptions you're making, if you're clear on some of the scenarios that may or may not happen and get people to understand



the sensitivity of a few events that could happen, it makes the whole thing easier in my view. That's how we approached it at the time.

**Neil Morrison:** The narrator in your show CRYSTAL says, "It's easy to fall, harder to get back up," I want to explore that. What were the first signs that you were emerging from the crisis?

**Stéphane Lefebvre:** I remember in the beginning of July 2021, I went to Las Vegas. We decided to relaunch our shows in Vegas first, because it seemed much easier. All the assets, the people, they were all physically in the market. I remember walking between the Bellagio and Caesar's Palace, it was hard to walk through people. There were so many... There were like, huge crowd of people. It was like New Year's Eve at the beginning of July, and our show was sold out. We could see the advance sales coming through. Our show called "O" was relaunched, one of the first and it was sold out for the first few weeks. Then we thought, "Wow, if we hadn't made the assumption that people would come back and see Cirque du Soleil shows, we didn't know whether this was going to happen or not." But at the moment I thought, "I think this is going to work."

**Neil Morrison:** This is almost a pent-up demand for it. It's exactly the sort of thing people were looking forward to when they were stuck in COVID lockdown.

**Stéphane Lefebvre:** I think you're right, Neil. I think people felt the need to meet friends, get out of the house, gather in venues, see live entertainment, being touched by emotions, as well, because that's what our people do on stage. Yeah, to a certain extent, I think there's been a pent-up demand, but we see some stickiness in it though. This would've been over what, 18, almost 20 months now? We've beaten a lot of records in many markets. The attendance in Las Vegas, even after a year and a half, is still very strong. Despite risk of recession, our advanced sales are still really good. I think there's this deepness to that demand, at least that's what we see right now.

**Neil Morrison:** Have your touring shows started up as well?

**Stéphane Lefebvre:** All of our shows have started up.

**Neil Morrison:** Are you back to where you were pre-pandemic, in sales?

**Stéphane Lefebvre:** Pretty much, now. Pretty much in size, pretty much, yeah. We're a couple of shows short. There's a couple of shows that we decided not to bring back because we thought they... Quite frankly, we've got a portfolio of products. You bring back the good ones and there's some that were less interesting, and we decided not to bring them back. But we're almost back to where we were in 2019.



**Neil Morrison:** I skipped over a part here in the chronology because it's December 2021, when you become the CEO, and you are given at this stage, something that's showing some signs of life. It's re-emerging, but you're hardly walking into the most stable situation. Things are still pretty uncertain. December 2021, Omicron was taking off, and we had no idea what was going to happen there. What did you think when you walked into this? I think some other people, I'm going to put myself in this situation, I would've thought, "I think I'll let someone else take that. That sounds like it's going to be very difficult."

**Stéphane Lefebvre:** Or you think, "Well, we've probably gone through the worst when everything was shut down. Yeah, we can deal with Omicron." I remember during the 2021 Christmas period a year ago, the whole executive team, we would have our morning call. Every freaking day, except December 25th, but 24, 26, every day we'd have a call. We would review some stats on the number of COVID cases we had to deal with internally with our performers and our technicians. We would review our internal protocols, masks on, masks off, on stage, backstage. How many days out when you've tested positive? How many times a week? How many times a day do we test our people? A lot of very, not even technical, very operational decisions that we had to make literally daily. But you know what? At the end, we only had to close down, not even a handful number of shows, very few, compared to unfortunately other people in the industry. I think we owe it to that communication flow. We owe it to the nimbleness and the flexibility that we had in changing our protocols.

**Neil Morrison:** Yeah. For a moment there you became the CEO and suddenly you're almost a public health officer on top of it.

**Stéphane Lefebvre:** Almost. But there was a sense for the entire team of "You know what? We've gone through the worst. We can go through that." Had a board meeting to sort of close off the year 2022. I remember the board when we finalized our 2022 budget, that was in January-February 2022. I was sitting in Montreal and in the office with my CFO and the city of Montreal was under a lockdown. We had to leave the office before 8 p.m. or else we could go to jail. But it's such a different perspective when you as a CEO, as a CFO, you prepare a budget for a company. We were supposed to open shows in Toronto and Montreal in a few weeks and we didn't even know if we could. That budget was prepared in times of high uncertainty. Fast forward, we're very happy with... Things panned out, and we were able to reopen our shows, including in Canada and all of our markets in our touring show division. But it's been nerve-racking in the beginning of the year.

**Neil Morrison:** No doubt. That brings me to one of my last questions. A *Report On Business* article quoted Professor Patrick Leroux from Concordia University. He said that you are the right person to weather the next few waves of uncertainty because you are very much, and I'm quoting here, "An



administrator and an accountant.” I’m wondering why do you think an accountant is what the Cirque needs right now as it continues its rebuilding process?

**Stéphane Lefebvre:** I think as a CPA by trade, and that’s what I believe that it’s an amazing academic profile for anyone who wants to perform in business. There’s a certain language that we master, and it’s all about connecting the dots between the operations and value creation. That’s what I like the most. How do we create value and how do you... How do we decompose value creation into a strategy and different concrete actions? That’s what I love to do. That’s what I do day in, day out. I guess the type of profile, when you are a CFO of a company, you have to understand the business, you got to understand the strategy of the company, and you inevitably come up with a more conservative profile than someone who would be only entrepreneur. I guess coming out of COVID it, so far it served me well

**Neil Morrison:** Yeah. Well, now that you have things back to, essentially, where they were pre-pandemic, is there anything keeping you up at night now?

**Stéphane Lefebvre:** That’s a good question. There’s a few things that you read in the paper. Well, are we getting into a recession? How will the economy pan out next year? Quite frankly, none of that keeps me awake at night. What excites me though is how can we grow this business? It’s not keeping me awake at night, it’s finding ways to bring more people to connect with our brand on stage. There’s tons of markets out there that we haven’t really tapped into, so we got to find the right product, the right show for the right market. That excites me a lot. Other means to connect with people, mainly digital, social media, metaverse. We have got quite a few projects in the pipeline for us to get our brand connected with a broader audience, younger audience on stage, but not only on stage, but get to experience what Cirque du Soleil is all about through different means. That’s what excites me the most.

**Neil Morrison:** Nothing’s keeping you up. You’re a cool customer.

**Stéphane Lefebvre:** Yes, I am.

**Neil Morrison:** Stéphane Lefebvre, I’ve really enjoyed this. Thank you so much for taking the time to talk to me.

**Stéphane Lefebvre:** Thank you. Thanks for having me, Neil.

**Neil Morrison:** Stéphane Lefebvre is the CEO of Cirque du Soleil. He was in Montreal. That’s it for this episode of Foresight: The CPA Podcast. On our next episode, we’ll be speaking with Priyanka Lloyd. She is the Executive Director of Green Economy Canada, and she talks to us about the challenge of convincing businesses to invest in sustainability in uncertain times. Economic



uncertainty has a way of making business owners nervous about implementing new processes. But Priyanka gives this great example of an Ontario company that is more efficient and more resilient after implementing a whole suite of energy-saving changes.

**Priyanka Lloyd:** They found 37 projects that they could do that paid themselves back in six months. And these weren't rocket science projects. These were things like installing a disconnect on the bay door of his plant. What he observed was that four hours out of every day, the bay doors would be left open. So trucks would be backing in and heat would be pouring out because the doors would just be left open. And so, he put a switch on the bay door that just turned off the heating, when the doors were open, and encouraged his staff to, you know, be thinking about how to kind of shut the doors and not leave them open for so long. He saved \$5,500 off his utility bill in the first month after installing the disconnect.

**Neil Morrison:** That's Priyanka Lloyd, the Executive Director of Green Economy Canada. Priyanka is our guest on our next episode.

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