CFO Agenda for 2025: Your Roadmap to Growth

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Featured Presenter

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Background

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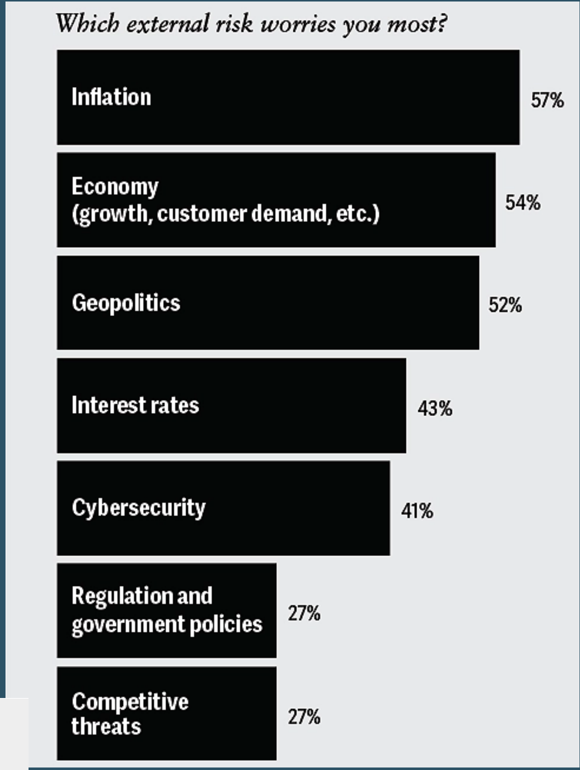
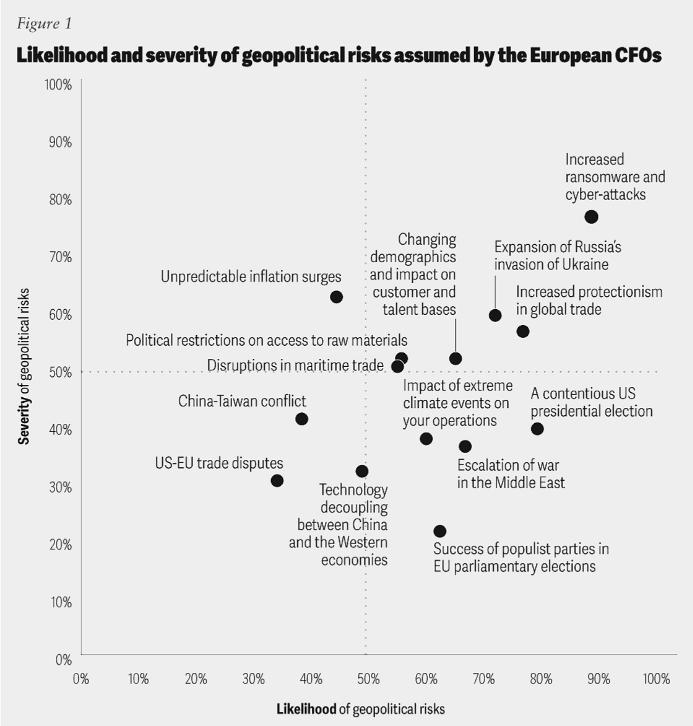
- Plan of action: measured risks for growth while building stability.
  - Hefty emphasis on technology initiatives.
  - Top three external risks for US CFOs:
    - Inflation
    - Economy
    - Geopolitics
  - Intense geopolitical fears from European CFOs.
  - Focus on what you can control.
    - Leading CFOs said CTOs are their most important relationship.
      - 72% identified them as highly important or critical.
    - 65% of CFOs said their organization's success is directly tied to the quality of collaboration between finance and technology.





Sources:
- *Deloitte 3Q 2024 North American CFO Signals*
- *Deloitte 3Q 2024 European CFO Signals*

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Poll Question #1

If you had to choose one, which of the following is your company's top *external* risk in 2025?

A). Inflation

B). Geopolitics

C). Cybersecurity

D). Economy

E). Interest rates

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Use Data Visibility to Push Financial Goals

Stay vigilant on cost management and reduction

Demand forecasting is a valuable tool

- Recent years' sudden spike and speedy drop in prices and shifts in customer demand have left companies with added cost and complexity.
    - The Producer Price Index rose just 1.8% for the 12 months ended in September 2024, the U.S. Bureau of Labor Statistics reports, down from as high as 11.7% in March 2022.
- In a survey by BCG, nearly two-thirds of 600 global executives said they're prioritizing supply chain and manufacturing costs over other historically popular cost-cutting targets such as labor overhead and marketing and sales.
- Demand forecasting is another way to manage costs.
    - There may be fixed costs that sales volumes no longer justify.

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“As a CFO, one of my top financial priorities in 2025 is around the consumer. The customer is changing in so many ways. One thing I’m looking at every Monday is what was last week’s results vs. the prior four weeks average results vs. the average 13-week results—at the category level, channel partner level, and then all the way down to the SKU level.”

Jonathan Weiss

CFO of Raw Sugar Living

Ramp up strong FP&A practices, including predictive forecasting

- AI technologies that allow for better predictive forecasting and complex scenario modeling can help teams improve predictions around areas such as:
  - Revenue growth
  - Cost fluctuations
  - Customer demand
- Especially important given their concerns about near-term volatility and uncertainty.

58%

of CFOs said they’re dedicating more time to FP&A compared to a year ago

Source: PwC June 2024 Pulse Survey

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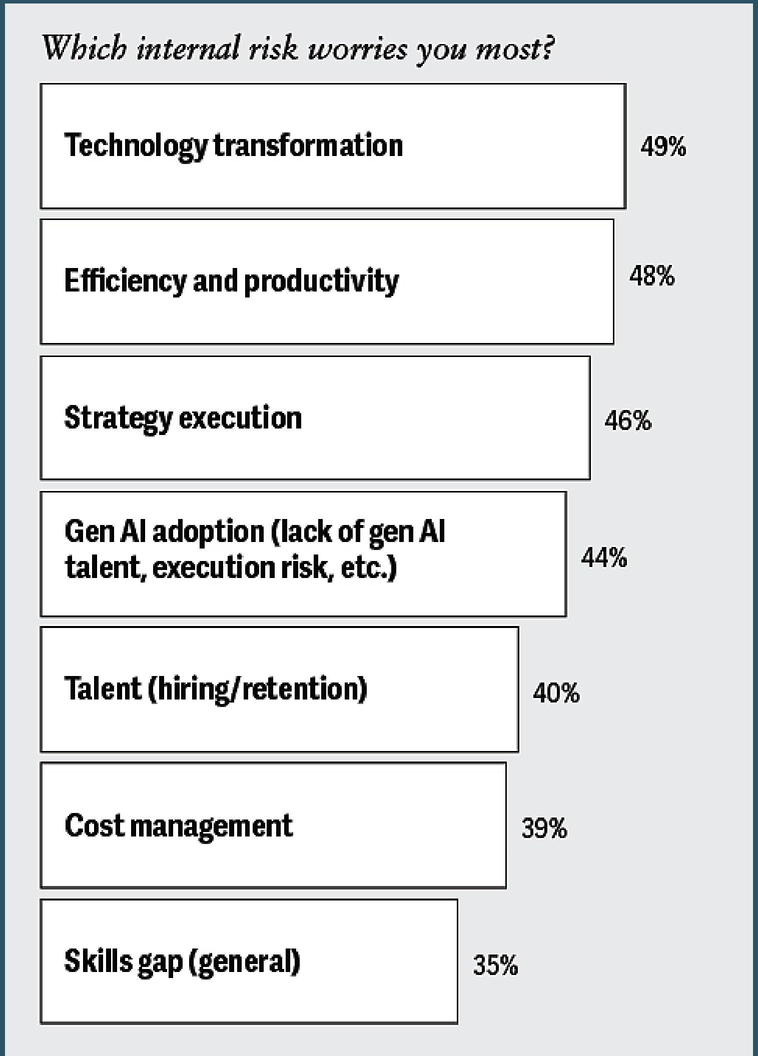
Zero in on business performance management

Productivity and efficiency take center stage

- 58% of CFOs say they're dedicating more time to business performance management compared to a year ago.
  - Tracking KPIs will be key.
- 48% of CFOs ranked efficiency and productivity as their top internal risk.
  - Surpassing strategy execution, generative AI adoption, and even hiring and retention.
  - Only fell behind technology transformation.
- Strong focus on standardizing processes in technology systems and eliminating the time-consuming, ad hoc tasks outside of established workflows in 2025.



Source: Deloitte 3Q 2024 North American CFO Signals

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RAW SUGAR

CLEAN FOR ALL

“We should be using the system as our highway, and we should be spending 85% of our time on that highway. And when we’re spending time on exceptions, we should be asking the question, ‘Why is this an exception? How do we get it back on the highway?’”

Jonathan Weiss

CFO of Raw Sugar Living

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Poll Question #2

If you had to choose one, which of the following is your company's top *internal* risk in 2025?

A). Technology transformation

B). Efficiency and productivity

C). Strategy execution

D). Talent attraction/retention

E). GenAI implementation

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Drive AI Initiatives Forward

Challenge your team to find a problem AI may help solve

- Start small, learn from mistakes quickly, and be specific about use cases.
- Think of good use cases that fit your organization's specific circumstances and then relate that back to the broad strategic goals of the organization.
- Stumped on where to apply AI? Consider asking your employees.

"My accounts payable manager came to me and said, 'It's a huge, error-prone headache of going into our bank account and making all these payments. NetSuite can do payments right out of the bank. Now, we make our payments right out of NetSuite and reconcile our bank daily. I was so impressed with her that I promoted her to accounts payable director."

- Jess Wijesekera, SVP of accounting at Vytalize Health

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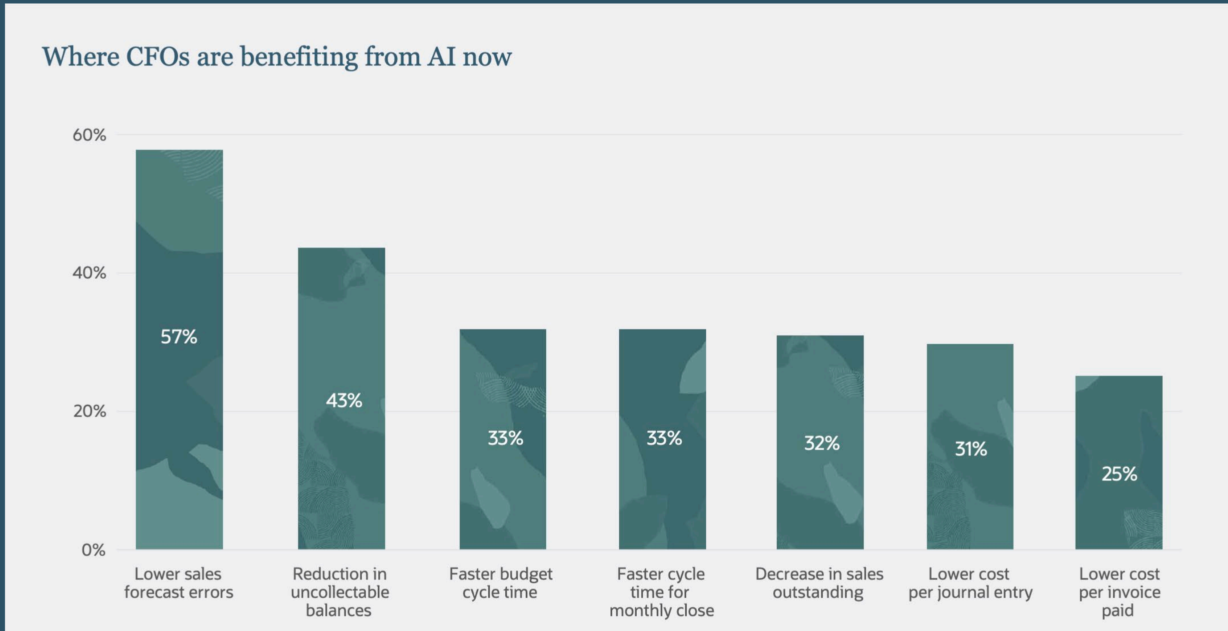
Look for AI already built into existing applications

- Look at whether AI capabilities are available within your existing software tools.
- The majority of companies don't have the resources to develop or train AI models on their own.
- Using AI-powered features embedded within their platform can provide an easy, low-cost point of entry.



Source: IBM Institute for Business Value

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“The deeper stuff we’re doing is on the machine learning prediction models. Once we started tapping into that, we had several ideas on where to go. We really just needed to get started, and once we got started, the possibilities became endless.”

Bill Feck

CTO at Packer Fastener

Upskill with an augmented workforce in mind

- Finance professionals don't need to know how to code or become a data scientist to have an AI coworker. I
- Strong data literacy skills, including data visualization, statistical analysis, and data modeling.
  - While AI can help identify patterns and trends within the data, finance employees need the analytical mindset and critical thinking skills to interpret and understand the implications of the data.

"I see analytical skills as becoming must-haves for people in finance and accounting. Many in the financial function have just been used to entering transactions, writing checks, and other manual tasks. Now, it's really about embracing an analytical mindset, intellectual curiosity, and approaching AI developments with curiosity instead of fear."

- Brian Hogeland, CFO of Packer Fastener.

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Give Finance Staff Normal Hours and Fewer Fire Drills

Make your finance department a sought-after place to work

Professional organizations and businesses taking action

- AICPA and NASBA proposed new pathway to CPA licensure in September 2024.
  - CPA Competency-Based Experience Pathway.
    - Option for CPA candidates to demonstrate professional and technical skills after earning bachelor's degree and meeting state requirements.
      - Avoids having to compete an extra year's worth of credits.
- Companies are using technology to bring higher value work earlier in the career path.

70%

of respondents say fewer accountants entering the profession will cause "moderate" or "significant" disadvantage in how well their functions perform in the next five years.

63%

say the retirement of senior tax and accounting executives will cause a "moderate" or "significant" disadvantage to the function.

Source: EY 2024 Tax and Finance Operations Survey

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“I think people really embracing change and getting automation and their tech stack up and running will bring more people into the profession. It will create higher-value work earlier in the process for people, when they’re launching their accounting careers.”

Jess Wijesekera

SVP of Global Accounting at Vytalize Health

Improve finance team hours

- While compensation plays a big role in talent attraction and retention, work-life balance, burnout, and low-value, repetitive work are also top-ranked reasons for finance professionals leaving.
  - Finance leaders will need to focus on initiatives that will improve their finance teams work-life balance and experience.

53%

of CFOs say retaining and attracting talent is either an “extensive” or “significant” struggle.

89%

say talent-related barriers are preventing their finance functions from delivering on their purpose and vision.

Source: EY 2024 Tax and Finance Operations Survey

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“We’re using technology to get that work-life balance. I came from an organization previously where it was a 60-hour week and a 70-hour week during the month-end close. We just don’t have it in our organization now, particularly since we adopted NetSuite. People are getting out at a normal time and enjoying the work.”

Brian Hogeland

CFO at Packer Fastener

Explore Growth Opportunities

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Review the company's portfolio

- Review portfolios to prepare for strategic deals.
  - Evaluate current assets' financial performance, growth potential, risk profile, and alignment with the company's strategic objectives.
- Acquisition:
  - Build strong due diligence capabilities.
  - List of potential targets.
- Divestiture:
  - Ensure operations are due-diligence ready.
  - List of potential buyers.

70%

of surveyed senior executives and dealmaking advisors expect a stronger US M&A landscape in the next 12 months.

70%

believe private equity investors will drive M&A growth in 2025.

$2.5T

Available private equity capital.

Source: Dykema's 20th Annual M&A Outlook Survey

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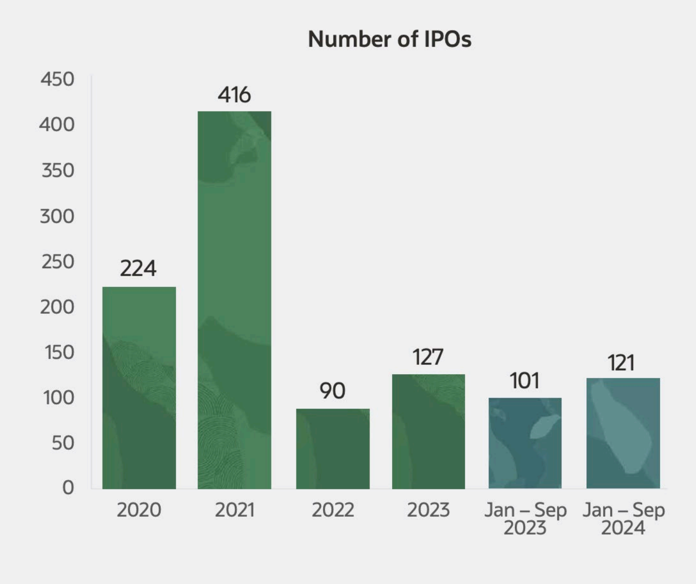
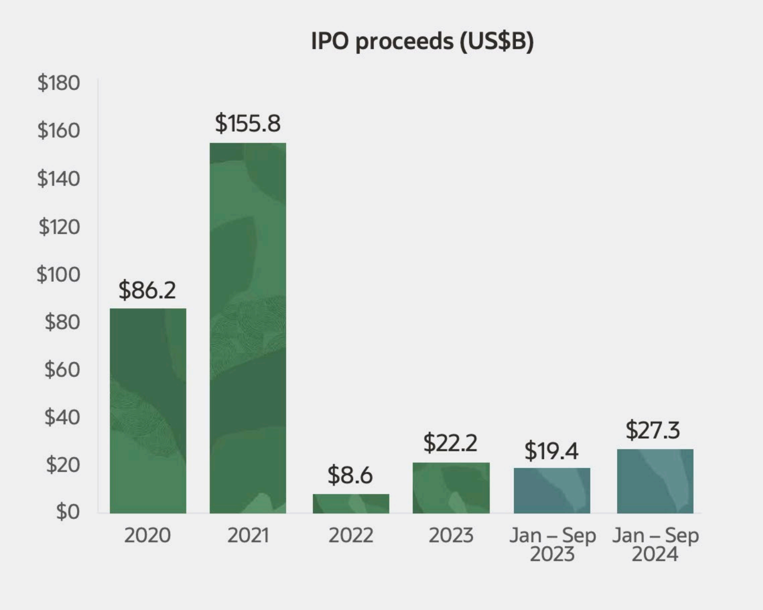
Prepare for an improved—yet discerning—IPO market

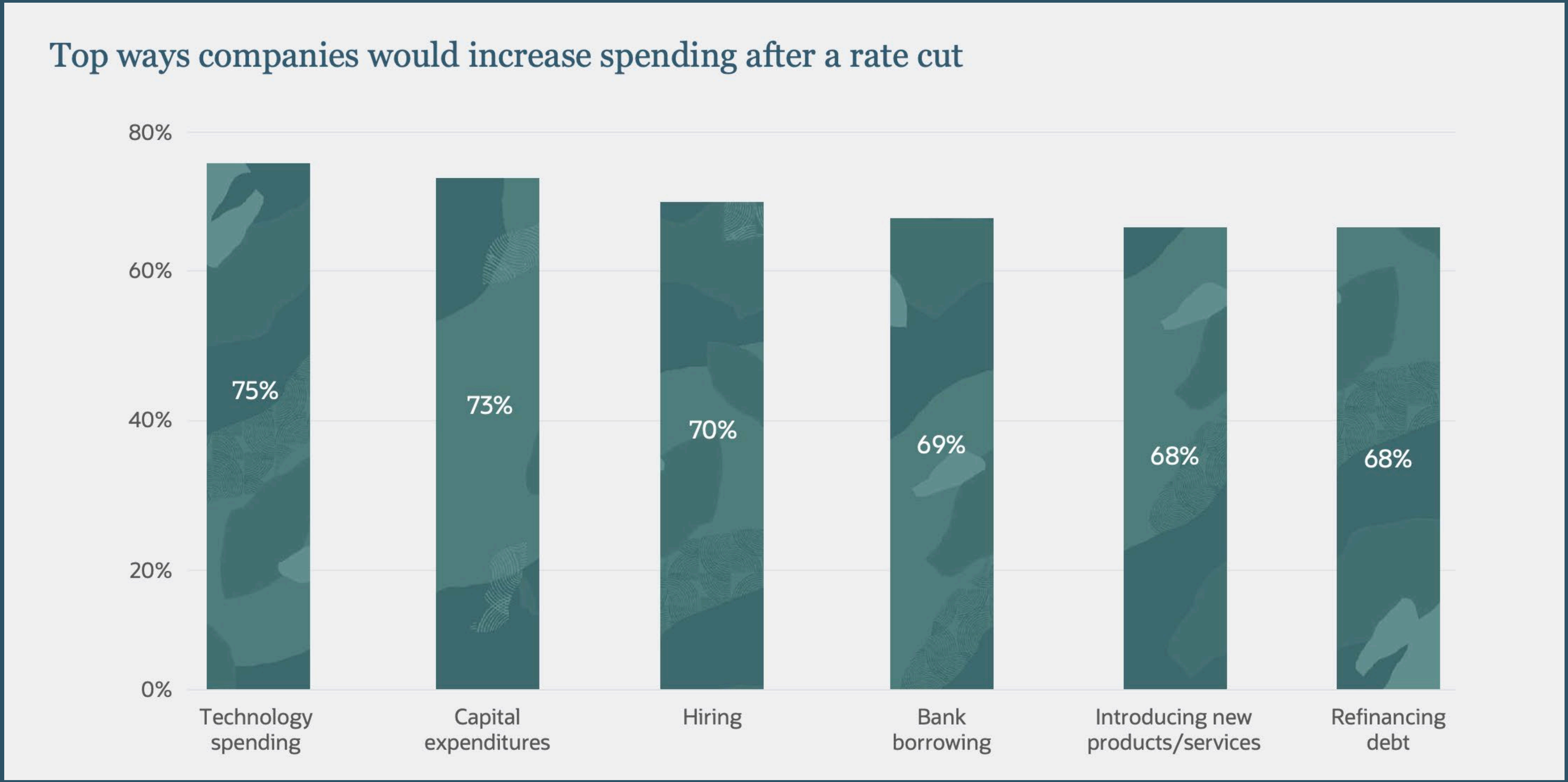




Source: EY analysis of Dealogic data.

- IPO proceeds in the first three quarters of 2024 outpaced 2023's full-year levels with 121 IPOs on US exchanges raising $27.3B.
  - Sense of cautious optimism.
  - End of 2024 showed how capricious markets can be.
- The window for going public can open or close without much warning.
- Emphasizing sustainable growth, strategic positioning, and effective liquidity management will be crucial for navigating this dynamic market.

Make smart investments amid lower interest rates



Source: Inside the Minds of CFOs survey, PNC

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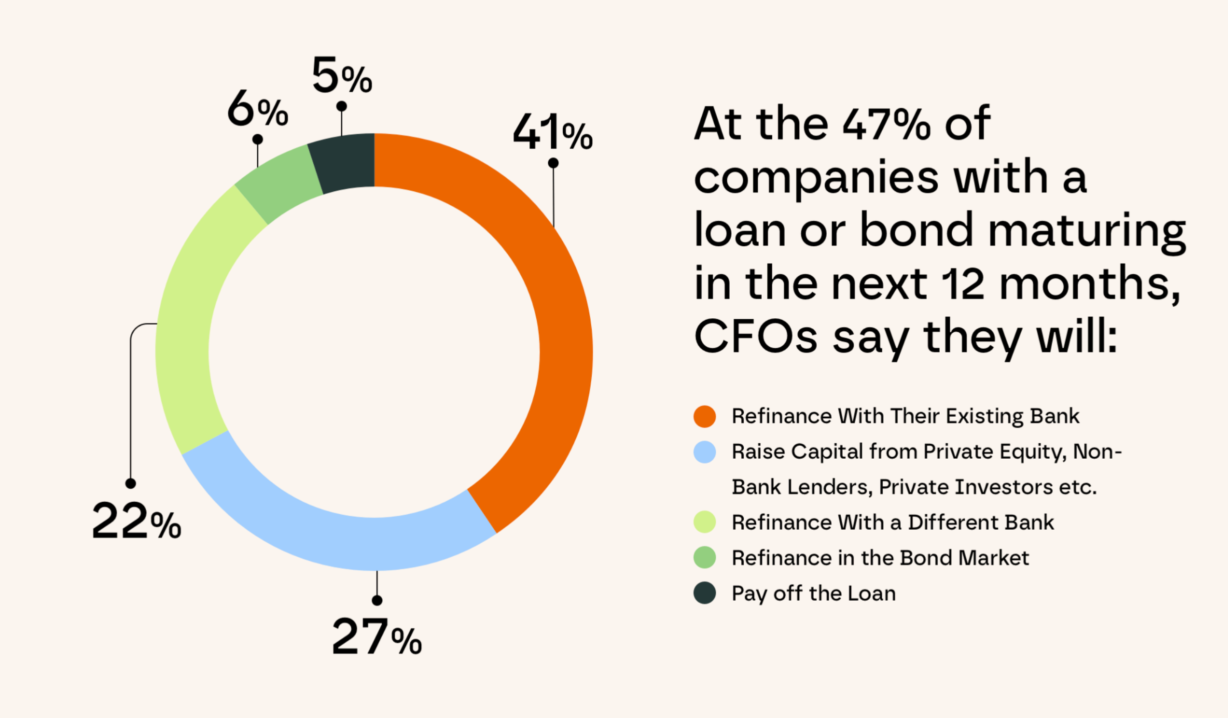
Evaluate capital structure—and keep maturing debt in mind

- Evaluate optimal capital structure:
  - Key leverage ratios.
    - Debt ratio.
    - Debt-to-equity.
    - Debt-to-EBITDA.
    - Total debt to capitalization.
    - Fixed charge coverage ratio.
  - Ability to finance a potential acquisition.
  - Best refinancing loan length.



Source: Inside the Minds of CFOs survey, PNC.

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Bolster Cybersecurity Amid Increasing Stakes

Deal with expanding cybersecurity threats

$4.88M

Average cost of a data breach in 2024.

24%

of surveyed C-suite executives said their current GenAI initiatives have a component to secure the initiatives.

$82%

said secure and trustworthy AI is essential to the success of their business.

70%

said innovation takes precedence over security.

Sources:

- *IBM and the Poneman Institute.*
- *IBM Institute for Business Value.*

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Understand cybersecurity reporting obligations

- 2023 cyber disclosure rules issued by the SEC.
  - Requires public companies to:
    - Disclose material cybersecurity incidents.
    - Provide details about their cybersecurity risk management, strategy, and governance.
- Other cybersecurity requirements include:
  - Amended New York State Department of Financial Services Part 500 cybersecurity regulation.
  - The European Union's General Data Protection Regulation.
  - California Consumer Privacy Act.

SEC element	Necessary capabilities			
Cyber risk management & strategy	**Cybersecurity risk management program**	**Enterprise cyber risk assessment**	**Cybersecurity policies and standards**	**Monitoring & reporting of cyber resilience and posture**
Cyber incident reporting	Security event **monitoring & detection** (team, process, tools)	**Incident & crisis response** (team process, tooling)	Process to determine **incident materiality**	**Incident register** & practiced process to drive **4-day & periodic reporting obligation**
Cyber governance	**Board cybersecurity oversight**	Incorporating cyber risk into **business strategy, financial planning, and capital allocation**	Cybersecurity board and management **governance** disclosed in regulatory filings (10-K)	

Source: PwC

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Recheck that cyber insurance policy

- Cyber insurance can be a valuable protection against the financial impact of a cyber incident.
- Because security breaches are becoming more common and costly, many insurers are raising premiums, limiting coverage, and adding security requirements for companies.
- Common exclusions include:
  - Losses caused by insider threats.
  - Attacks that exploit a vulnerability known to the business.
  - Breaches of third-party vendors or other partners.

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Stay Ahead of Regulations and Policy Changes

Address potential tariffs

- President-elect Donald Trump said he would impose 10%-20% tariffs across the board on imports.
  - 60% on imports from China.
    - Also stated an extra 10% tariff on top of any existing tariffs.
  - 25% on imports from Mexico and Canada.
  - Preparing could mean changing or adding suppliers, stocking up on inventory, or raising prices.

75%

of surveyed executives said that a universal 10% minimum tariff on imports would significantly hinder their company's growth.

Source: PwC October 2024 Pulse Survey

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Poll Question #3

If enacted, what impact would tariffs have on your business?

A). A very positive impact

B). A somewhat positive impact

C). No impact/don’t know

D). A somewhat negative impact

E). A very negative impact

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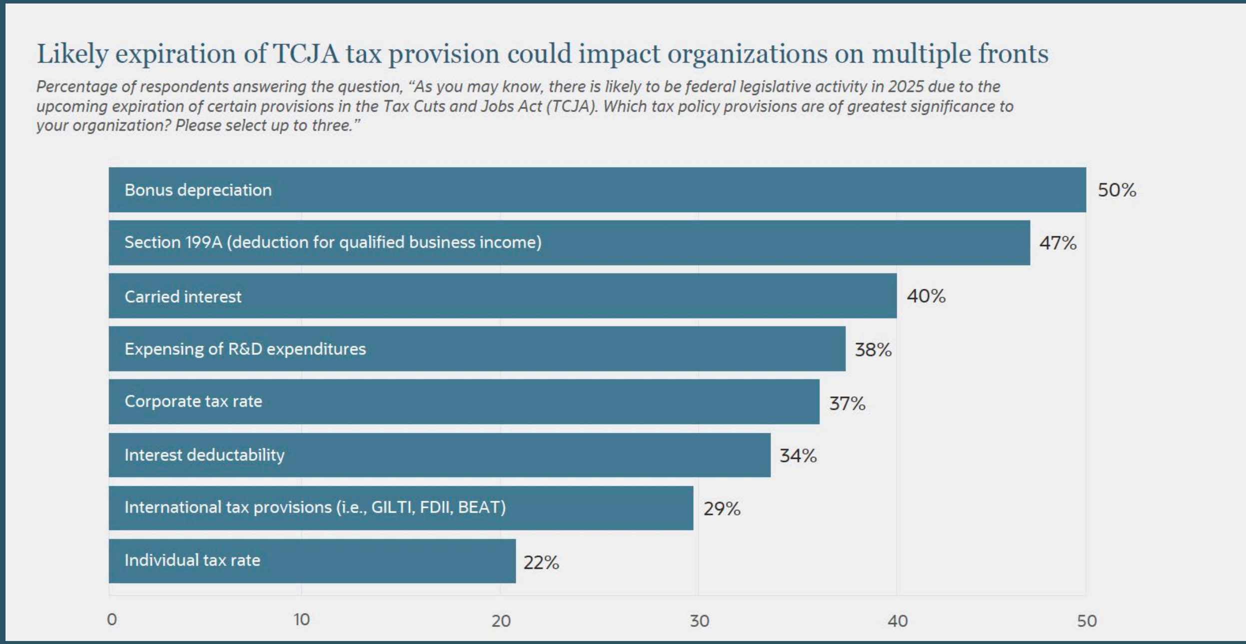
Prepare for potential corporate tax changes

Expiration of TCJA; "Taxmaggedon"

- In his tax plans, President-elect Donald Trump proposed:
  - Extending section 199A of the Tax Cuts and Jobs Act (TCJA) of 2017.
  - Restoring the TCJA business tax provisions (effective January 1, 2026).
  - Lowering the corporate income tax rate from 21% to 20%.
    - 15% for companies that make their products in the US.
  - Repealing tax credits enacted as a part of the Inflation Reduction Act.
- Both parties have indicated wanting to use 2025 as a broader opportunity to reshape tax policy.



Source: Deloitte 3Q 2024 North American CFO Signals.

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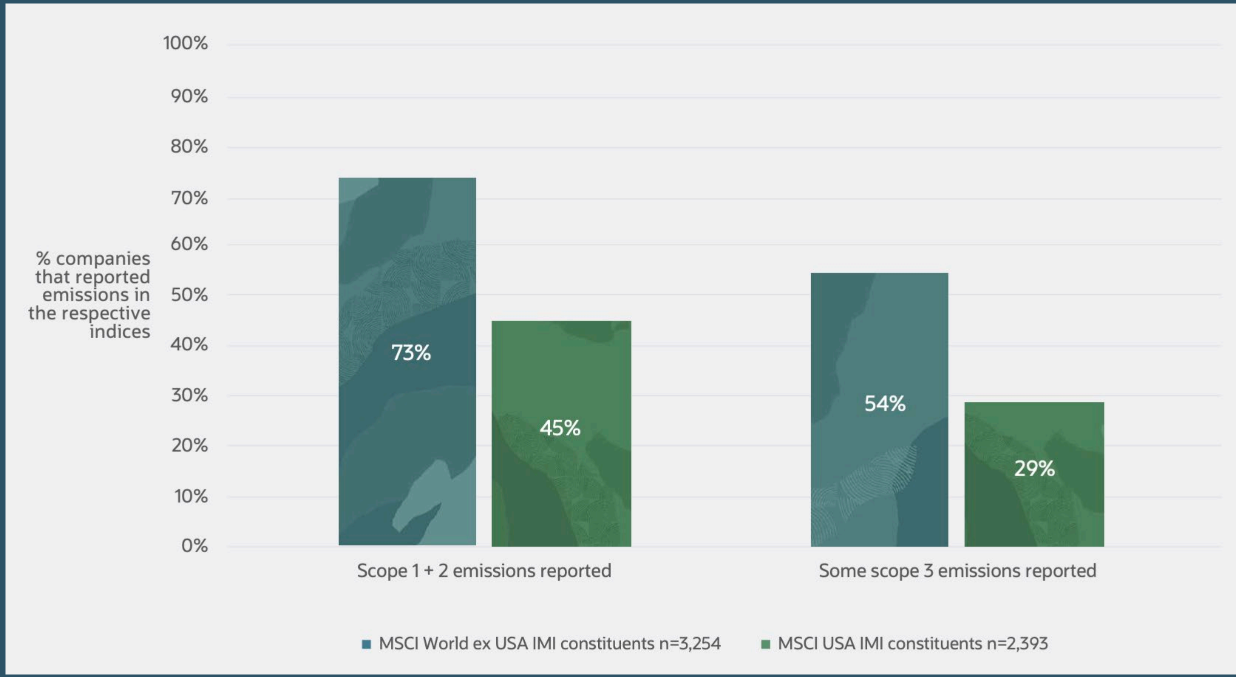
Keep track of carbon accounting proposals

- Required carbon disclosures by companies that have revenue of at least €150M ($168M) in the EU.
- Pending rule by the SEC would require companies traded on US stock exchanges to disclose climate-related risks that may materially affect their business.
- Proposed regulations in California would require public and privately held entities with over $1 billion in revenue to:
  - Annually report their Scope 1 and Scope 2 greenhouse gas emissions beginning in 2026 (for reporting year 2025).
  - Annually report their Scope 3 emissions, which are indirect emissions produced by customers or suppliers, starting in 2027.
- Numerous other location-specific reporting requirements, including in Australia, Japan, and South Africa.



Source: MSCI Sustainability Institute research.

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Reshape Your Finance Team's Future

Work across the business

- CFOs establish themselves as a strategic partner to the rest of the organization by sharing their understanding of financial data and showing how the related analytics and forecasts can help business unit leaders execute.
- Consider building reports tailored to each department to help frame financial information in terms of business impact. Ideally, this would provide a dashboard for ongoing monitoring and discussion.

“We started meeting one-on-one with some of the members of leadership on a regular basis to just go over some of the data and financials. It’s been really good for us to have those connections. It gives us the opportunity to not only go over what the numbers are at today but have a good dialogue to set a plan, monitor against it, and take action.”

- Brian Hogeland, CFO of Packer Fastener

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Balance short-term gains with long-term vision in ROI measurement

- Common risk: increasing technical debt by sacrificing long-term maintainability for short-term functionality.
- Leading CFOs are much more likely to balance investments focused on efficiency with those focused on growth opportunities.
- CFOs should select a mix of KPIs that bridge both the long and the short term, as well as both the tangible and intangible benefits.

2/3

of CFOs said they were feeling pressure to accelerate ROI across the company's technology portfolio.

57%

of surveyed finance leaders said that they were prioritizing short-term targets over long-term investments when building their tech stacks.

Source: IBM 2024 CFO Survey

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Make the switch to enterprise risk management

- Businesses now face a wide range of interconnected risks.
  - Traditional approach to risk management won't cut it anymore.
- ERM is an approach to risk management takes a comprehensive view of company risks and how they may interact, instead of addressing risks in silos.
- When looking for a risk management solution, prioritize features such as:
  - User roles and permissions
  - Automated controls
  - Customized workflows to process and enforce approvals
  - Continuous security and vulnerability scans.

"Typically, large global companies have 15 to 20 main enterprise risks, and those are the things you spend a lot of time on and drill down on. We would then build a who, what, and when action plan for each of those areas. That kind of ownership and clarity is very helpful in developing an enterprise-wide risk program."

-Former Pfizer CFO Frank D'Amelio

Source: The Wall Street Journal

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Keep up with the pace of transformation

- As transformation efforts accelerate, there are two best practices to keep in mind:

1. Collaboration between the finance and technology departments is crucial as technology strategy and financial outcomes become increasingly connected.
2. Barriers in the transformation are often centered around people.

43%

of surveyed CFOs said they'll increase the tempo of their organization's transformational change over the next 12 months.

64%

of surveyed CFOs said succeeding with AI will depend more on people's adoption than the technology itself.

Source: IBM 2024 CEO Survey

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“I think transformation takes its tone from the top and having the board, the C-suite, and your investors excited and ready to embrace change is where it starts from. Because it will all trickle down and help everyone else get on board.”

Jess Wijesekera

SVP of Global Accounting at Vytalize Health

Poll Question #4

How would you rate the level of collaboration between the finance and technology functions at your company?

A). Very strong

B). Somewhat strong

C). Somewhat weak

D). Very weak

E). Don’t know

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Concluding Thoughts

Questions and Answers

Megan O’Brien

Business & Finance Editor

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Thank you!

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