

MID-YEAR CFO CHECKPOINT REPORT

IN PARTNERSHIP WITH:



2023



ABOUT THE MID-YEAR CHECKPOINT SURVEY

In July 2023, The CFO Alliance, the leading finance peer community comprising thousands of emerging and mid-market CFOs and finance leaders, captured insights on how economic conditions and internal business factors have impacted first-half financial results, the outlook for the rest of the year, and the state of finance teams.

At the beginning of 2023, The CFO Alliance issued the [2023 Global Mid-Market CFO Sentiment Study](#) report. Despite continued uncertainty and pressure on expenses and investments, most CFOs were bullish (80% confidence level) that their enterprises would meet their annual revenue and EBITDA targets.

HEADLINE FINDING

Tougher sledding on targets, as only half (50%) of respondents are now confident in meeting top and bottom line goals for the year. Finance is rising to the task in cost and margin management, but is being taxed in the process (perhaps too much so).

HIGHLIGHTS

Our interpretation of survey results is built from the CFO's perspective. Specifically, how do results provide context for the decisions finance leaders make, the challenges they face in their roles, and the impact they have on their organizations?

- **Inflation is baked into CFO estimates.** 66% report the year to date impact of inflation as expected or better, with 80% anticipating the full year impact in line with estimates. While inflation continues to be a challenge, CFOs have gained more visibility and confidence on its effects.
- **Margins are getting scrubbed.** While revenue and EBITDA confidence has declined, gross margin percentage is more resilient. Pricing increases appear to be keeping pace with cost inflation, and labor has been the lever to bridge bottom line softness. 64% of respondents stated that personnel expenses are expected to be inside of 2023 budgets.
- **Finance continues to do more with less.** For both manpower and capabilities, Finance is running short. Teams are operating with open seats with workloads under pressure. Meanwhile, only 13% of CFOs rate their data/reporting or forecasting capabilities as excellent. With a continued tight market for top talent, CFOs are looking inward via upskilling and outward to tap the capabilities they need to succeed.
- **AI remains more interest than implementation.** While half of companies are researching or considering AI applications, far less have taken the leap into day-to-day utilization. This is more pronounced within the Finance function, as only 8% of respondents are actively using AI in some capacity, compared to 20% in other functions. This backs the hypothesis that AI will impact business models and certain functions more than others, with Finance already running lean and serving as a socialization connector within organizations. Dialogue isn't yet a target for automation!

SURVEY FINDINGS

CONFIDENCE IS SPLIT, AS IS GROWTH

50%

CONFIDENCE RATING ON ACHIEVING
REVENUE TARGETS IN 2023

52%

CONFIDENCE RATING ON ACHIEVING
EBITDA TARGETS FOR 2023

61%

CONFIDENCE RATING ON ACHIEVING
GROSS MARGIN % TARGETS

Confidence in meeting full year targets has declined from the beginning of the year, with roughly half of respondents believing they will hit their full year EBITDA targets, vs. 80% heading into the year.

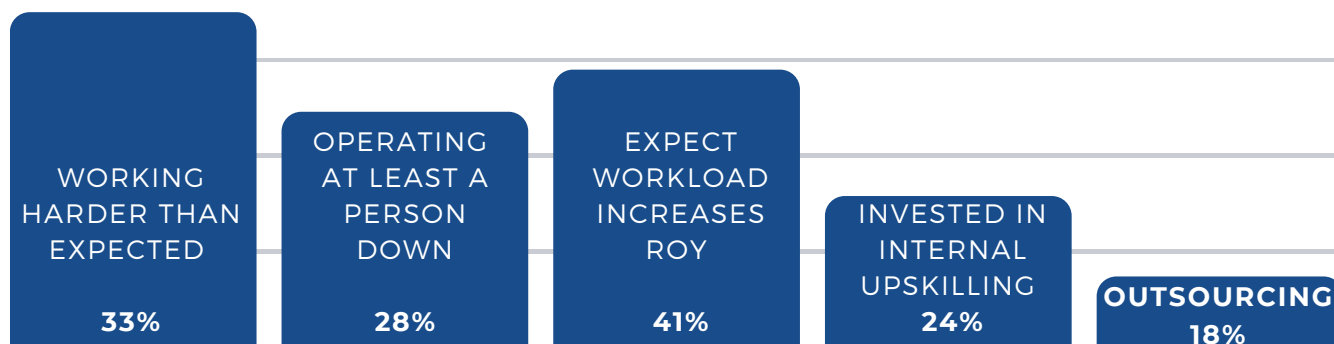
Coincidentally, growth is also equally split, with **49% anticipating year over year EBITDA increases**, whereas the balance expect to be flat or down versus 2022.

What is likely less of a coincidence is that confidence follows growth. **Among those expecting EBITDA growth, 71% of respondents were confident in hitting full year plan, whereas only 15% of CFOs in companies facing EBITDA declines feel the same.** The implication is one of two economies spanning across sectors, with businesses with revenue visibility and macroeconomic resiliency being able to flex their strengths, and those with less recurring models and/or facing cyclicalities more exposed to downside surprises (and likely realizing them).

SURVEY FINDINGS

FINANCE CONTINUES TO DO MORE WITH LESS

FINANCE FUNCTION WORKLOAD



While Finance teams look to get creative with the resources available to them, internally and externally, even fully staffed teams have capability gaps. 87% of respondents stated that FP&A capabilities (reporting and forecasting) represented an improvement opportunity for the organization.

Excellent, firing on all cylinders	13%
Solid, but too slow or insufficient attention	40%
Getting by, but a missed opportunity	33%
Insufficient, weak, or non-existent	14%

Answers were near identical for separate data/reporting and budget/forecast questions, implying a generalized capability opportunity vs. specialized skillsets. This is likely due to multiple factors, including other company priorities and Finance fire drills, fewer to no dedicated FP&A resources (particularly in smaller organizations), and/or fragmented data and system environments.

PLANNING FOR 2024

BUDGETING THEMES EMERGE

2023 has proven to be a challenge for Finance teams. While uncertainty remains, the range of outcomes for certain themes, such as inflation and interest rates, has at least compressed. As a result, two key themes have emerged for 2024 planning processes.

1. Revenue gets a good scrub

More accuracy will be expected on the revenue line following a tough 2023, particularly those who had declines in revenue and/or EBITDA versus 2022. With cost containment largely realized, there will be fewer levers to pull throughout 2024 to offset sales/bookings variances versus plan.

2. Constraints become a prominent swing factor

Even as uncertainty declines, businesses face more constraints heading into 2024. Higher cost of capital and tighter financing availability, continued tight labor markets, and/or limited incremental price increases will impact plan builds. Building budgets around these constraints will be a core theme for 2024 with an eye toward characterizing performance attribution around them.

CFO VIEW ON COMPANY BUDGETING VS. ACHIEVABILITY

17%

CONSERVATIVE

44%

BALANCED

39%

AGGRESSIVE

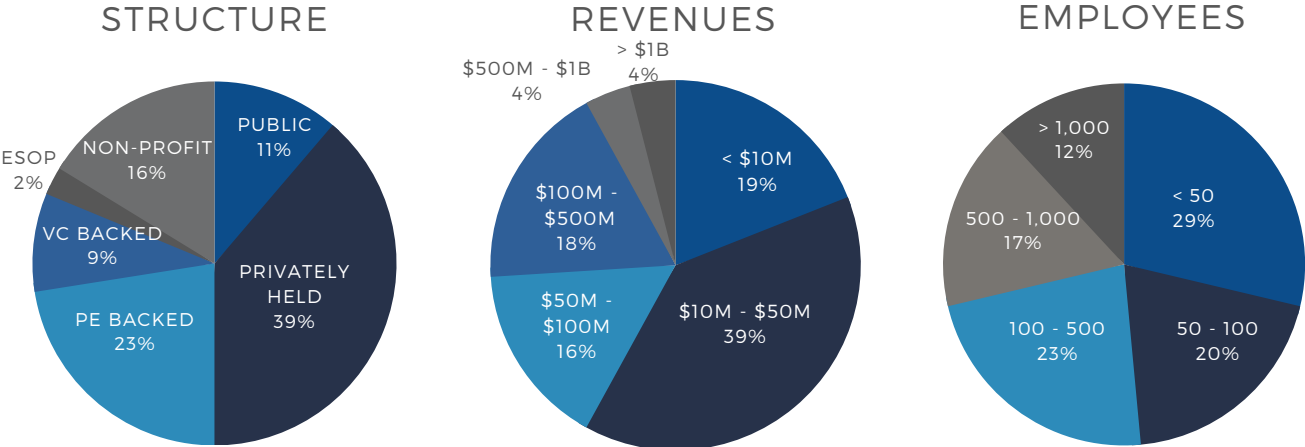
CONCLUSION

Confidence is lower in achieving full year targets than it was at the beginning of the year, though this is more pronounced in companies facing year over year EBITDA declines compared to those forecasting growth.

Finance remains lean and agile in the current environment, focused on margin management and cost containment. That said, the Finance function remains undercapitalized and CFOs should be on watch for team burnout.

The 2024 planning cycle is expected to be rigorous, and impacted by individual company constraints. The easy cuts and leaning out are already done, leaving fewer levers to pull if the top line falters in 2024. Given this reality, other areas of investment interest, such as AI, may end up on the back burner.

PARTICIPANT PROFILE



ABOUT THE CFO ALLIANCE

The CFO Alliance is the largest professional peer group community solely dedicated to advancing the business and personal development objectives of emerging and mid-market finance executives. Now in our 12th year with over 500 peer roundtables conducted and thousands of interactions among 9,000 Members representing virtually all industries, we uniquely understand the challenges and needs of the finance function.

Learn More: www.thecfoalliance.com

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First Water Finance is the finance advancement platform, serving finance leaders, business owners, and capital partners through FP&A, Corporate Finance, and Community. First Water contributes content and thought leadership to The CFO Alliance, leveraging perspective obtained at the intersection of finance dialogue between critical stakeholders.

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