Microsoft Dynamics 365

M&A Outlook: CFOs Plan for What's Next

This information is for you if:

- You're a CFO and want to stay on the leading edge of the M&A conversation.
- Your remit includes bringing fresh thinking and strategic vision to M&A initiatives.
- You'd like learn more about how to use M&As to accelerate your organization's digital transformation.

Estimated reading time: five minutes

Contents

Introduction:

Deals are more complex, and the landscape is shifting

Even before COVID-19 altered businesses everywhere, merger and acquisition (M&A) deals were changing. Successful technology companies create an undeniable attraction for traditional businesses. At the same time, technology companies recognize that brick and mortar holdings help them diversify in an uncertain economy, and provide the in-person, hands-on experiences that remain relevant. There is no "M&A as usual" in a landscape that features companies jostling for position in industries outside their field of expertise.

The role of the chief financial officer (CFO) in M&A must evolve to meet the need for a nimble, proactive and strategic approach to consolidating financial management.

The CFO needs to be able to respond to M&A scenarios that include:

- **Unique payment and subscription models.**
- **International governance and compliance regulations.**
- **Connecting businesses, subsidiaries, and products seamlessly.**
- **Unifying and automating financial processes.**
- **Working from anywhere.**

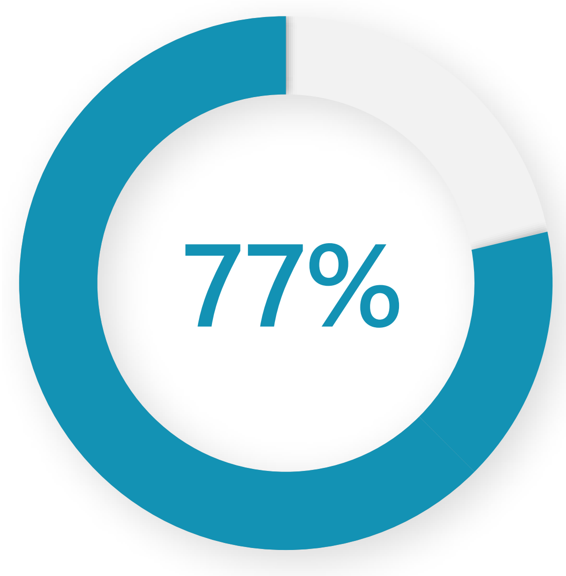
In this e-book we identify three trends in mergers and acquisitions that are shifting the landscape, and discuss how the CFO role is impacted by each trend.

1 | Disruptive M&A demands more from the CFO

Disruptive M&A is a term that describes taking advantage of the rapid growth and innovation inherent in tech companies, which can allow a non-tech company to get massive inorganic growth in an area where it wouldn't naturally grow. Disruptive M&A also blurs traditional sector boundaries.

In addition to financial benefits, these deals offer access to new technologies, talent, and operating models. This makes disruptive M&A inherently more complex than traditional M&A, particularly for the CFO. With traditional M&A, companies acquire others that are similar or that offer obvious synergies. For instance, think of an auto manufacturer acquiring a tool-and-die company that allows them to innovate in car design more quickly. Financial management across these two companies will have a lot of similarities.

In a disruptive M&A deal, that same auto manufacturer might acquire a company that's developing tech to enable voice commands. Now the CFO needs to learn about a completely different operating model and figure out how to integrate it with an existing model. This is the nature of disruptive M&A, and these sorts of transactions are only going to become more common.



77% of businesses expect to compete in a new sector within three years.[1]

[1] Deloitte, "Disruptive M&A: Are you ready to define your future?," 2019.

How the CFO can innovate and adapt quickly for disruptive M&A

Move financial management systems to the cloud to make it easier to integrate different operating models

- Get automatic and effortless updates to software.
- Enable access to the financial data from anywhere.

Unify and automate business processes across companies, regardless of their operational differences

- Talent can focus on more valuable work.
- Errors are significantly reduced.

Adopt a system powered by AI to remove guesswork from financial analysis

- Monitor global financial operations in real time.
- Make data-drive decisions and predict outcomes.

Provide a single source of truth for business intelligence, consolidating data from all companies

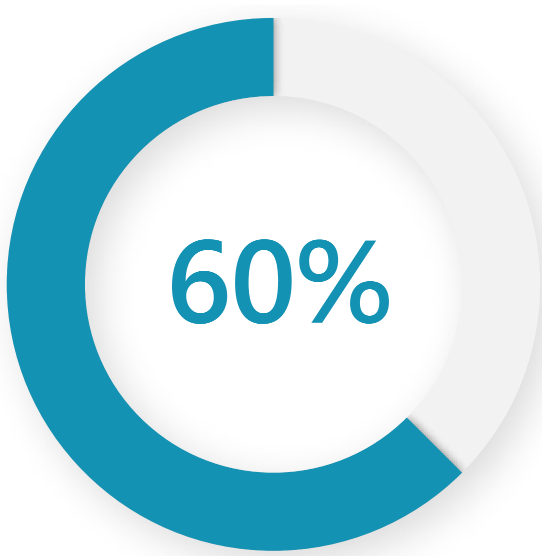
- Give decision-makers the visibility they need.
- Simplify financial management.

2 | COVID-19 will continue to redefine M&A

From a business perspective, everything about the early months of the pandemic was unsettling. Between the shutdown of everything from the local grocery store to entire economies, it was hard to get a handle on what the future would hold. As the dust has settled, strengths and weaknesses across industries have been revealed.

Companies have turned to a combination of offensive and defensive M&A strategies to defend their existing markets or try to accelerate recovery and position themselves to thrive. For example, companies that may have struggled to stay on solid financial ground may be looking for opportunities to shore up resources for recovery, or they could be ready for a buyout. Companies that saw unexpected growth during the pandemic may now have the resources to make strategic acquisitions that strengthen their position further, or they are in a stronger negotiating position for a merger.

In all of these scenarios, CFOs are under pressure to increase visibility across businesses and streamline data to uncover insights that can drive better decisions.



60% of respondents have more appetite for M&A activity since the pandemic was declared in March 2020.[2]

[2] Deloitte, "M&A Trends Survey: The future of M&A," 2020.

How the CFO can deliver flexibility and resilience in finance

Adopt a cloud-based financial management system that connects businesses seamlessly for a unified view

- A connected system delivers quick, clear visibility even as the financial picture shifts
- Making it easy to unify systems saves time and effort that can be better spent elsewhere.

Streamline data and integrate with AI to get a more nuanced picture

- Uncover insights that can show what's really going on in the business.
- Use data to inform decisions that impact business strategy.

Deploy new financial management systems at the speed of M&A to stay nimble regardless of what's happening in the acquired companies

- Set up subsidiaries or product lines quickly.
- Copy an existing legal entity's setup to a new entity, with quick, cost-effective, consistent onboarding.

3 | If you can navigate international M&A, you'll have an advantage

Changes in the regulatory landscape in different countries make it harder to keep up. This increases the risk of errors. Governments around the world continue to expand their scrutiny of M&A in terms of familiar criteria, such as discouraging monopolies from forming, as well as parameters like protecting national interests, as when the US government mandated that Tik Tok's US operations be sold to a US buyer.

Staying informed about these changing regulations takes a lot of time and attention, which can cause companies to avoid international M&A. This simultaneously broadens the opportunities for those able to keep up with these evolving regulations. A CFO equipped with the right tools can quickly adapt to changing regulatory requirements, meet local and global business needs, and comply with tax regulations. Companies that embrace digital transformation in the M&A process can develop new competitive advantages that help drive growth.

As the M&A regulatory landscape continues to evolve, M&A practitioners need to keep up with the latest regulations, both locally and in addressable markets.[3]

—Bain & Company

[3] Bain & Company, "2020 Year in Review: The surprising resilience of M&A," 2021.

How the CFO can provide dependability and compliance

Use a cloud-based financial management system that automatically updates with the latest regulations

- Quickly adapt based on the most recent information.
- Ensure accuracy with a trusted system.

Confidently comply with local tax regulations across all legal entities

- Use a flexible tax determination matrix that’s integrated with your daily financial management for comprehensive and accurate calculations.
- Configure a tax calculation designer that’s responsive to your needs as circumstances, regulations, and business requirements evolve.

Decrease global financial complexity and risk with a system that alerts you to changes in compliance

- Meet local and global business requirements that are built into the financial management system for effortless compliance.
- Avoid expensive, time consuming code changes with templates that adapt to changing business requirements.

Microsoft Dynamics 365 Finance

The role of the CFO in M&A has changed over time and can even change during the transaction process itself. First, the CFO is responsible for critical due diligence assessments and strategic vision prior to a merger or acquisition. But then the role often shifts to integrating financial management across companies in the most seamless way. A CFO equipped with the right tools is a key player during and after an M&A, helping create real-time visibility that can influence decision-making.

Microsoft Dynamics 365 Finance helps you move beyond transactional financial management to proactive operations that enhance decision-making, protect revenue, mitigate risks, and reduce costs. Dynamics 365 Finance in the cloud gives the CFO a strategic advantage whether they're initiating an M&A or integrating with another business.

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