

TECHNOLOGY CFO OUTLOOK

PIVOTING FROM RECESSION TO RESILIENCE

FEBRUARY 28, 2023



2023 Technology CFO Outlook Survey

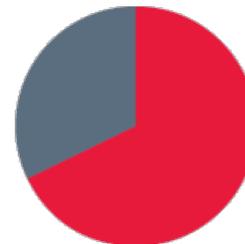
16th annual survey of technology industry CFOs, which is conducted by independent market research firm, Rabin.

Ownership



Public	50%
Private, independently owned	25%
Private, PE/VC-backed	25%

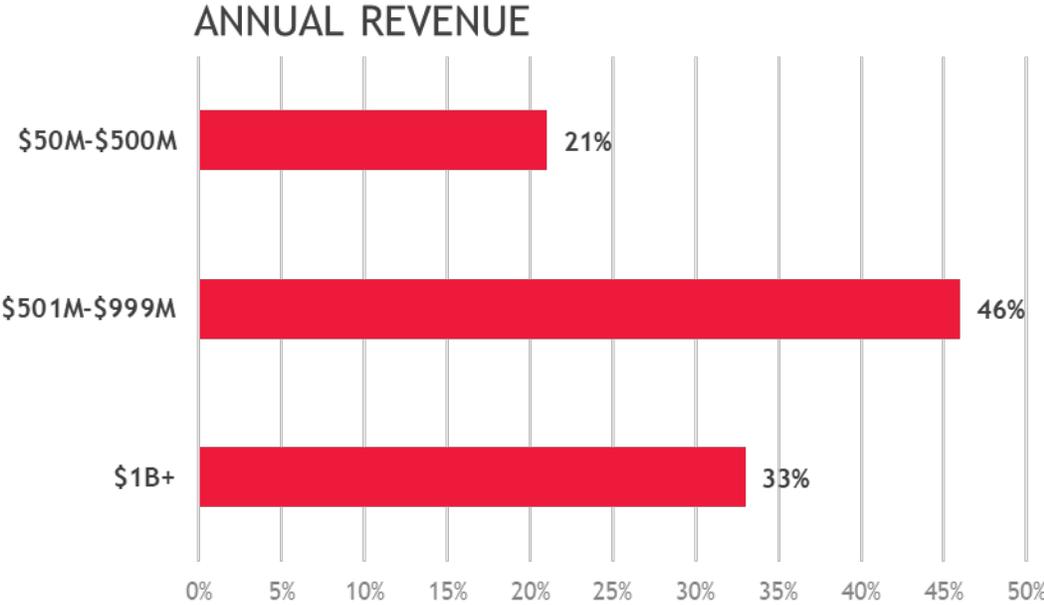
Area of Operations



U.S. only	68%
U.S. and other regions	32%

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Today's Presenters



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Overview of Discussion

Four Priorities Areas for Tech CFOs:

- > Building Trust
- > Navigating the Tax Landscape
- > Strategic Resilience
- > M&A and Exit Strategies



A complex network diagram with white nodes and lines on a dark blue background. A red horizontal bar is positioned across the middle of the image, containing the main title and subtitle. The BDO logo is located in the bottom right corner.

Meeting the Moment

How the Tech Industry is Prioritizing Trust in 2023

Tech Sector Responds to Increased Scrutiny



74% of tech CFOs are actively working to build customer & stakeholder trust in their company

Overall company



74%

Cybersecurity



69%

Environmental sustainability



69%

Reliability of service



65%

Commitment to diversity, equity and inclusion



63%

Supply chain



61%

Financial transparency



60%

Data protection



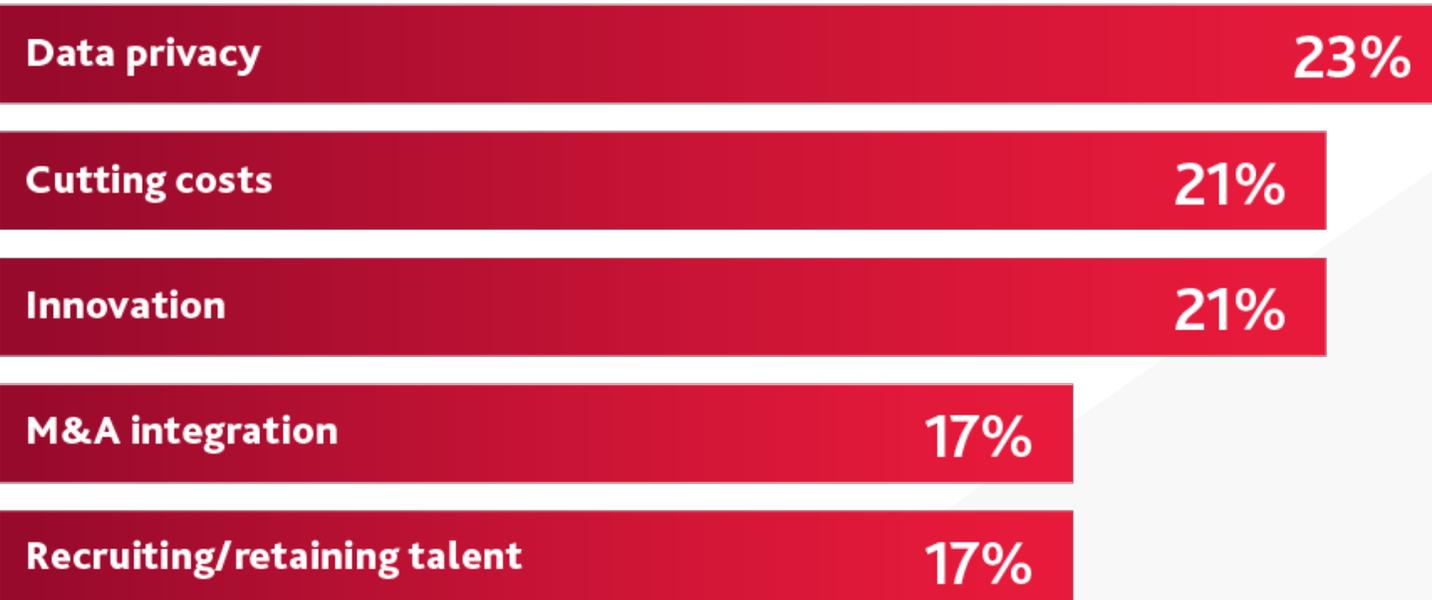
54%

Spotlight: Data Privacy



23% of tech CFOs ranked data privacy as their top business priority for 2023

Top 2023 Business Priorities



1% reported none of the above

How Tech is Handling Data

Data Collection and Handling

Employees clearly understand practices 83%

Transparent with customers about policies and practices 80%

Customer data users fully adhere to data privacy policies 72%

Only collecting needed customer data 71%

Where are best practices lacking?

More than a quarter of CFOs were unable to say their company:

- ▶ Only uses data in ways that adhere to privacy policies
- ▶ Only collects data needed

Spotlight: ESG



ESG strategies on the rise

41% of tech CFOs plan to pursue an ESG strategy in 2023, up from 27% in 2022



More reactive than proactive

48% of companies say their approach is centered on compliance



Room for growth remains

Only 34% say ESG is currently an imperative or an ingrained part of their business



ESG shows ROI

45% of tech CFOs say their ESG initiatives have generated new sources of revenue

Tech's Top 5 ESG Objectives

40%

Managing ESG risks and compliance

39%

Improving ESG rating

32%

Improve access to capital

32%

Embed sustainability into business strategy

25%

Improve brand reputation

Recommendations for Meeting the Moment

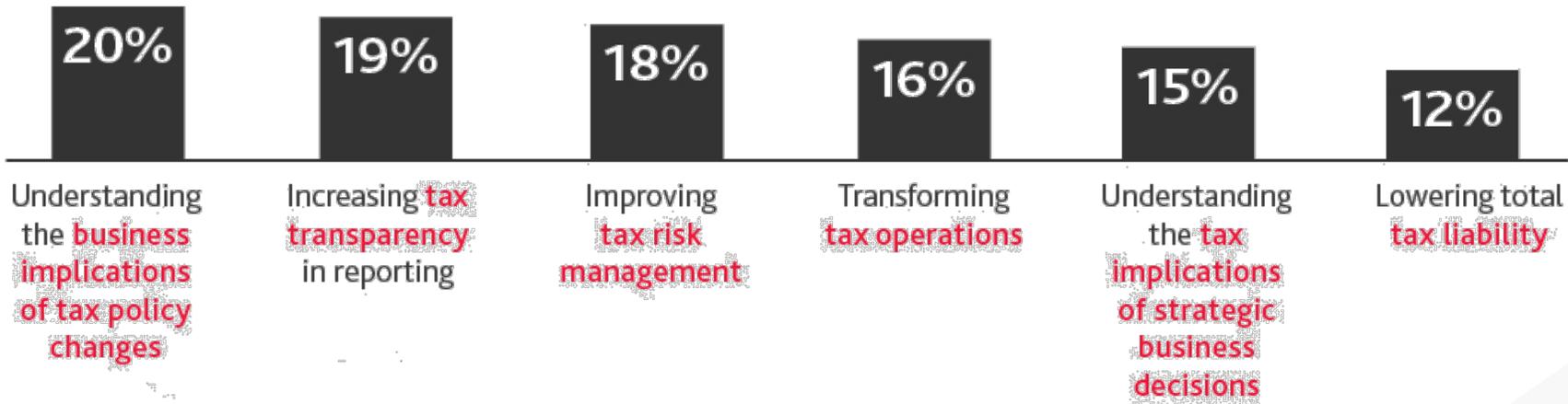


A close-up photograph of a hand in a light blue shirt holding a stack of gold coins. Below the hand are five other stacks of gold coins of varying heights. The background is a blurred light blue shirt. A red banner is overlaid on the left side of the image.

Navigating the Tax Landscape

Why Tax is the Tech Industry Boogeyman

Tax Priorities in 2023



Spotlight: Inflation Reduction Act



Tech is wasting no time

41% of tech CFOs have already assessed how the IRA will impact their tax liability



ESG carries over to tax

89% of companies plan to/have already taken advantage of expanded clean energy incentives and funding



Reexamining existing plans

80% plan to or have already revisited their decarbonization plans in response to the IRA

Keeping an eye on Congress

- 66% of CFOs believe additional tax reform is a somewhat or significant risk in 2023
- This is down from 81% who believed the same in 2022
- One possible reason - higher expectations of legislative gridlock under a divided U.S. Congress

Top Tax Liability Factors



37%

State taxation of
digital services



35%

Tax obligations for
out-of-state
remote workers



30%

Inflation Reduction
Act of 2022

Tax Actions

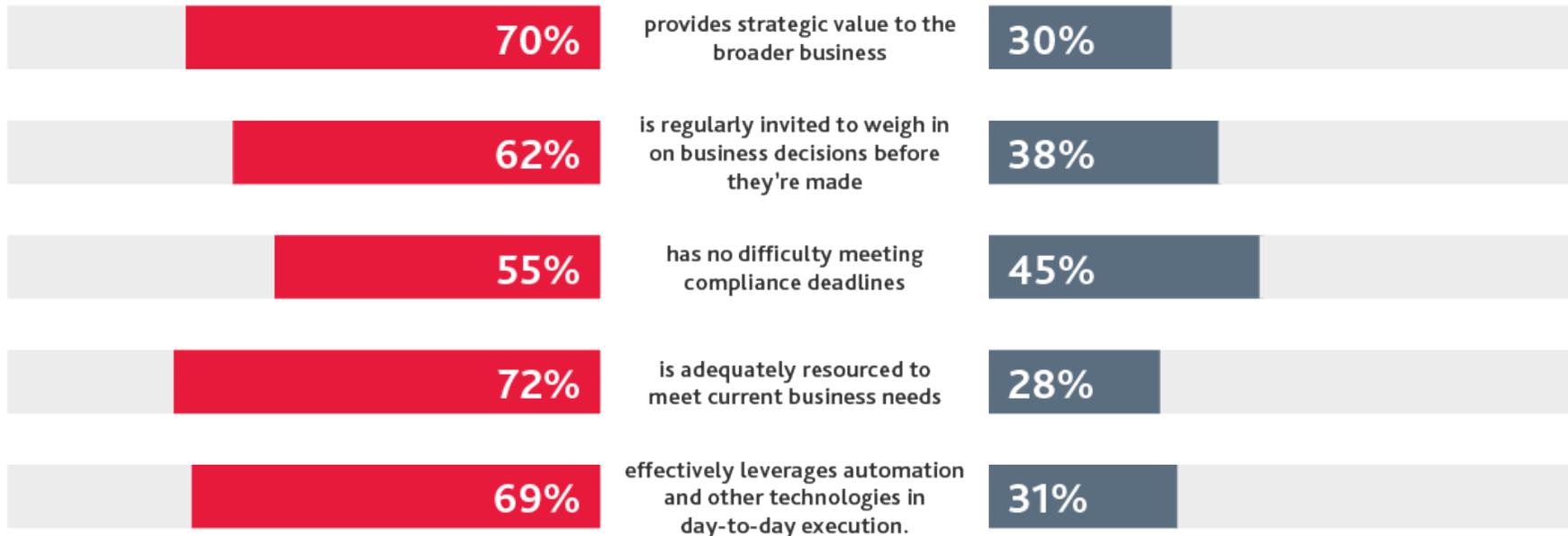
How tech CFOs are responding to state sales and use tax changes

	Planned for next 12 months (2022 CFO Survey)	Taken in past 12 months (2023 CFO Survey)	Planned for next 12 months (2023 CFO Survey)
Upgrading technology for state and local tax processes (rate monitoring, exemptions, filing, automated compliance etc.)	47%	55%	33%
Considering legal structure changes	38%	45%	42%
Hiring employees or outsourcing resources to comply with additional sales tax compliance requirements	39%	33%	57%
Reevaluating state and local sales and use tax compliance	41%	39%	56%
Registering with additional state tax authorities (including voluntary disclosure agreements)	30%	37%	54%

An Expanding Role for the Tax Team

True or False

My company's tax function...



Recommendations for Navigating the Tax Landscape



Growth Strategies for Resilience

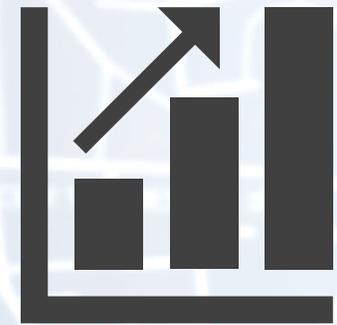
How Tech CFOs See Opportunity in 2023

Tech has a Bullish Outlook

Despite headlines and economic headwinds, middle-market tech had a good year on paper

	Revenue		Profitability	
	▲ Increase	▼ Decrease	▲ Increase	▼ Decrease
2022 Prediction	77%	12%	80%	9%
2022 Actual	79%	11%	80%	5%
2023 Prediction	80%	4%	76%	11%

53%

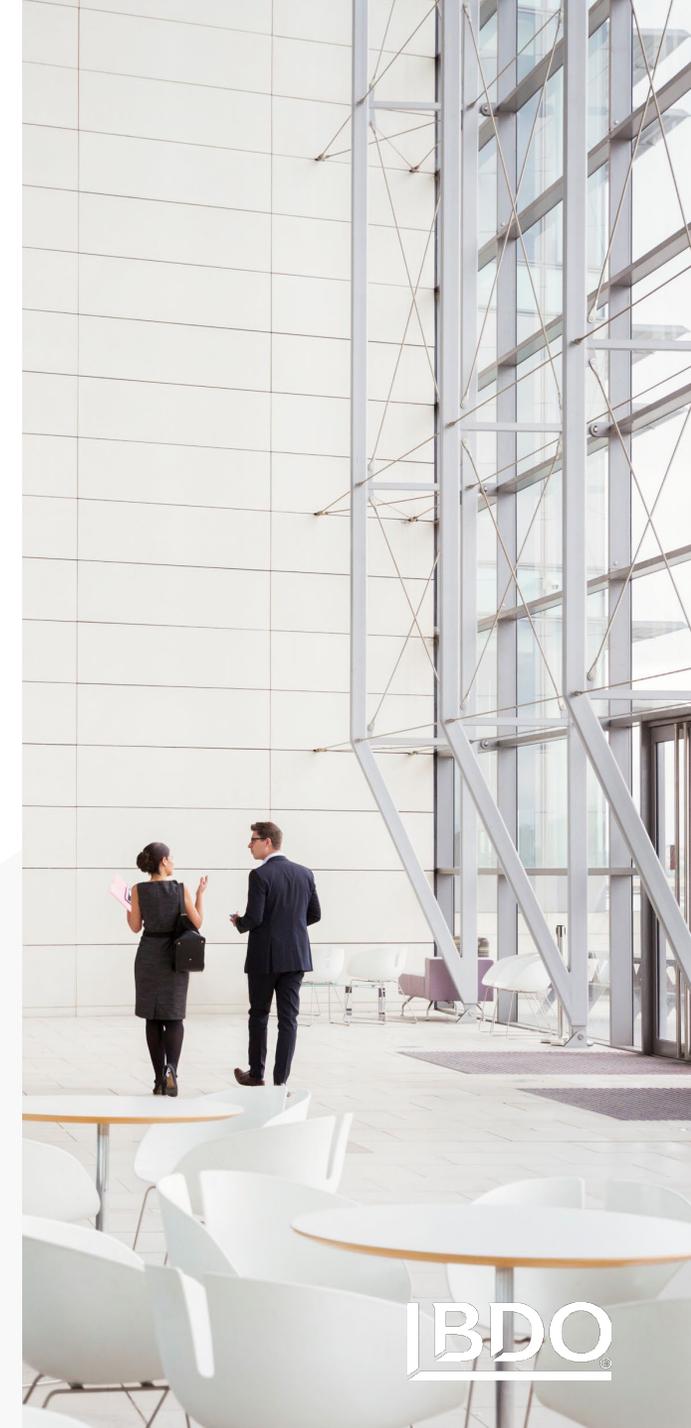


of tech CFOs anticipate double-digit revenue growth in 2023

Public vs. Private Divergence on Opportunities

	Public	Private	
2023 Top Growth Drivers	Increased operational efficiency	32%	42%
	Product/service upgrades	34%	20%
	Customer experience improvements	20%	20%
	New product/service offerings	10%	12%
	M&A	4%	4%

	Public	Private	
2023 Organic Growth Strategies	ESG	40%	42%
	Cost optimization	44%	36%
	Product or service expansion	48%	30%
	Restructuring or reorganization	36%	32%
	Digital transformation	34%	32%
	Geographic expansion	34%	32%



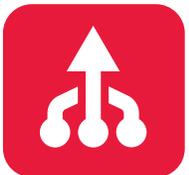
M&A Has Small Role To Play



19% of organizations plan to pursue an acquisition, down from 34% in 2022



21% of organizations plan to pursue a joint venture, down from 25% in 2022



58% plan to slow or completely pause integration plans for existing acquisitions

M&A Integration Challenges

40%

Technology

39%

Product/service roadmaps

32%

People

32%

Overall deal governance

25%

Processes

Exit Strategies in 2023

Enterprise sale to a strategic
buyer/competitor

33%

PE/VC investment

33%

Carve-out
or divestiture

21%

IPO/SPAC*

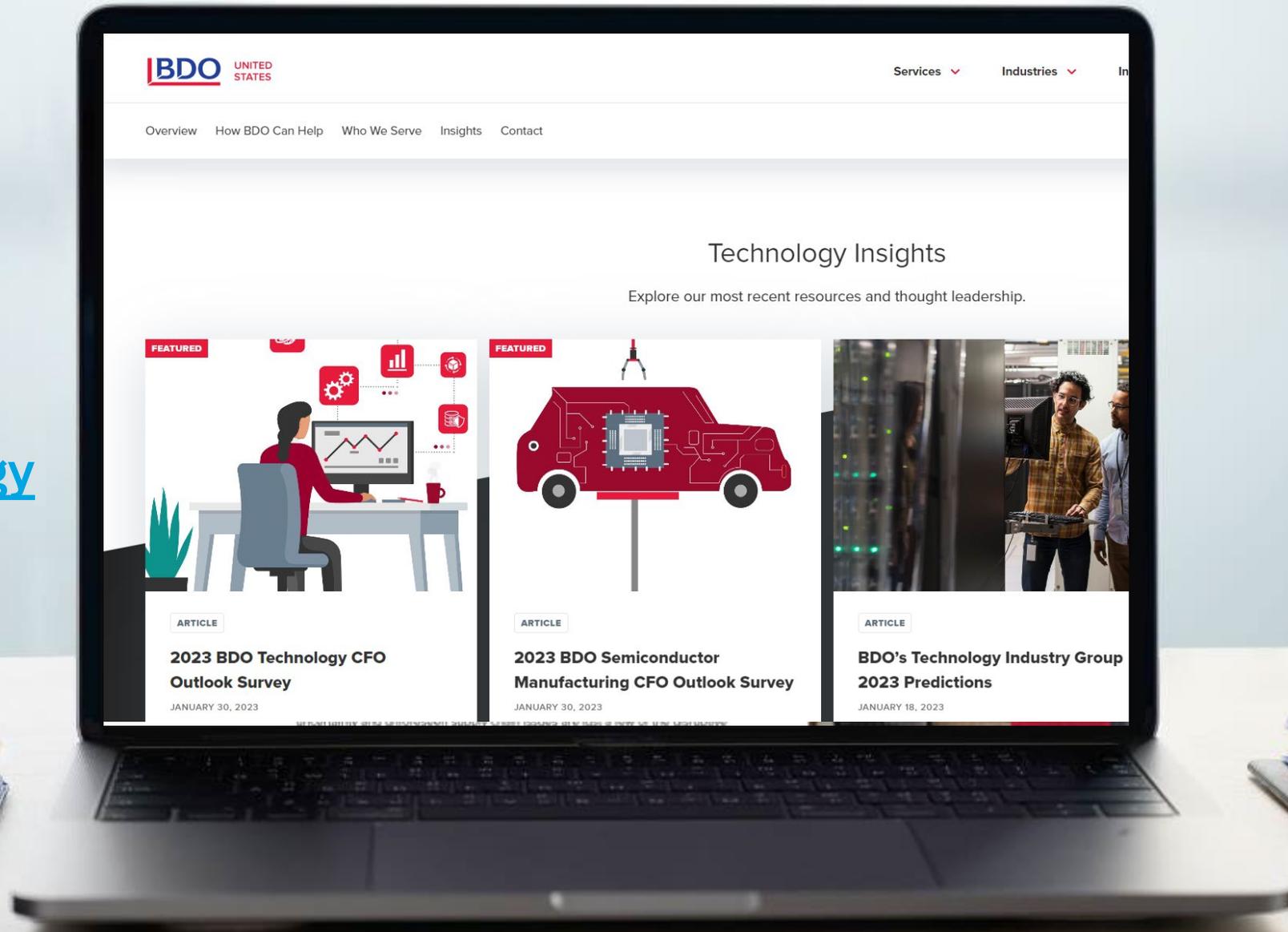
24%

*Private companies only

**Recommendations:
Growth Strategies for Resilience**



Download the
full report at:
bdo.com/technology



A blurred background image showing a person in a grey shirt standing at the front of a room, presenting to an audience. Several audience members in the foreground have their hands raised, indicating an interactive session. The scene is set in a bright room with large windows in the background. A red banner is overlaid across the middle of the image.

QUESTIONS & ANSWERS

A photograph of a middle-aged man with a grey beard and mustache, wearing a dark blue suit, white shirt, and a red and black striped tie. He is smiling broadly and shaking hands with another man whose back is to the camera. The background is a blurred office environment with glass partitions and lights. A red banner is overlaid on the left side of the image.

Thank You!

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