Tech CFO survey

Growth, real estate and restructuring

Feb. 2022

Our recent survey of tech company CFOs showed that leaders are optimistic about growth and planning more real estate, while also watching risks and restructuring for digital tax changes.

More than 150 senior finance leaders in technology and telecommunications companies with over $101 million in annual revenue participated. They indicated more optimism than the leaders in our recent cross-industry CFO survey, possibly because this industry's products, services and people are leading our economic recovery.

Still, technology and telecommunications leaders are shifting priorities in reaction to a mix of factors.

"The results reflect continuing economic uncertainty, where public health concerns are closely paced by other concerns including inflation, monetary policy, supply chain challenges, looming regulations, evolving international tax schemes, and persistent cybersecurity risks," said Grant Thornton Technology and Telecommunications Industry National Leader Steven Perkins. "Companies are planning for ongoing disruption."

In response, the industry's finance leaders are targeting new acquisitions, more real estate, and more advanced automation, while also monitoring risks and restructuring for digital tax changes.

Growth and revenue

Acquisitions factor prominently into the future plans of many survey respondents, with 58% planning acquisitions while only 25% plan divestitures.

Which is your company most likely to implement in the next 2 years?

- Acquisitions **58%**
- Divestitures **25%**
- Non-traditional M&A (like SPACs, alliances, joint venutres) **15%**
- None of these **2%**

New acquisitions lead to new customers. Respondents said that they think new customers, acquired directly, will be a bigger source of revenue growth than any other customer base.

Which customers do you expect to drive the most revenue growth?

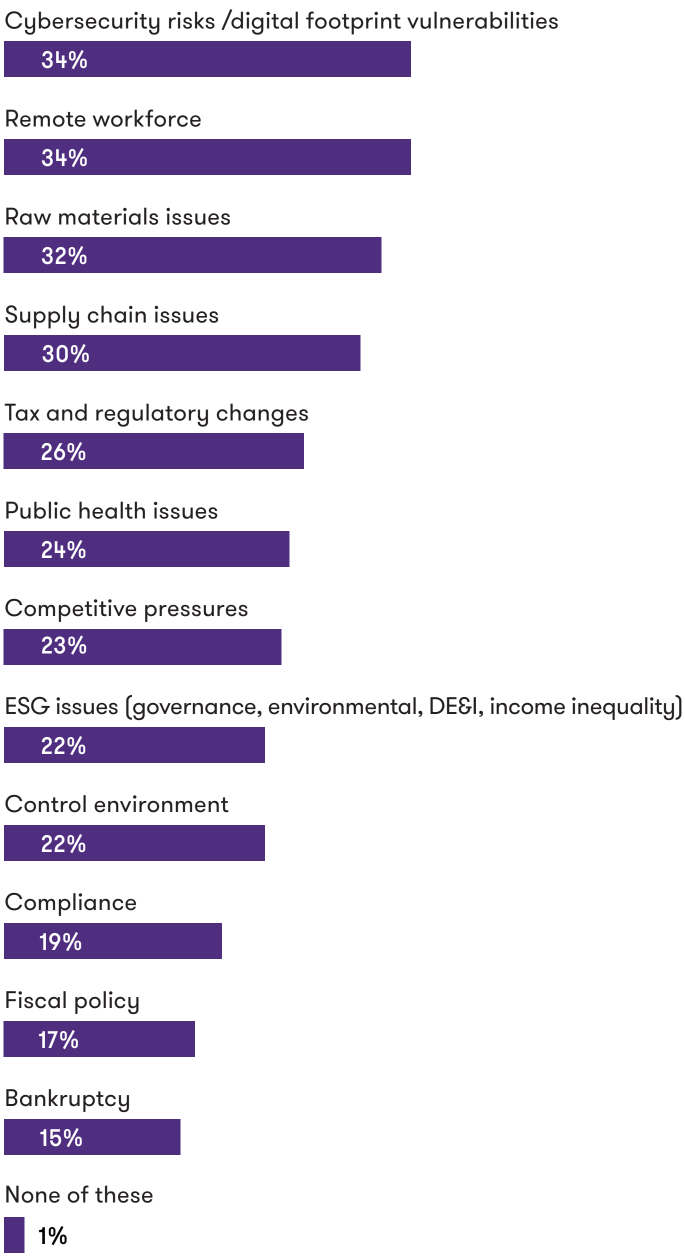
- New customers acquired directly **58%**
- New customers acquired through third parties **25%**
- Existing customers **15%**
- Lapsed or prior customers **2%**

Survey responses show that many of the industry's finance leaders have a vision for growth, and they are taking actions to prepare.

Real estate and where your workforce works

The industry's cybersecurity, raw material and supply chain risks remain, but remote workforces are also staying at the top of the risk list. While public health risks to the business remain significant, companies are considering some returns to the office.

Which of the following are the 3 biggest risks to your industry in the coming year?

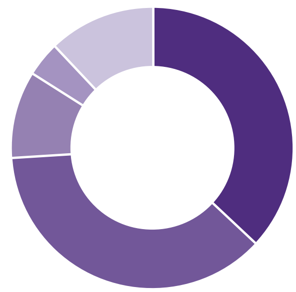


The pandemic forced a quick shift to remote work, with some tech companies promising to never again require employees in the office every day. At the same time, many tech companies continued to invest in their distinctive campus locations.

Our survey's respondents indicated that 74% do plan to increase their real estate investment this year — and more than a third of respondents overall expect a "significant increase." Only 16% plan to decrease their footprints.

What do you expect for your real estate investment this year?

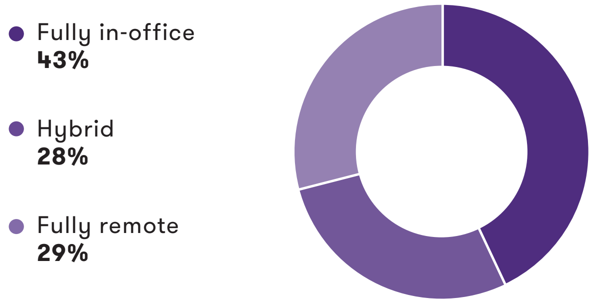
- A signicant increase **37%**
- Some increase **37%**
- No change **10%**
- Some decrease **4%**
- A significant decrease **12%**



This differs from our cross-industry CFO survey respondents, who ranked facilities and real estate as the lowest priority among 12 areas to increase investment this year.

The industry's increase in real estate is also notable since only 43% of respondents indicated that they want employees to return to the office full-time. In fact, 29% said that their employees will be fully remote.

How will your company use remote work going forward?



The Harvard Business Review recently noted that many businesses are not cutting back on office space because workers want less density in office "spaces." Also, hybrid-location workers tend to work at home on Mondays and Fridays, which means that businesses still need capacity for everyone at the same time on the mid-week "in-office days."

"The survey responses are consistent with our International Business Report data that shows the industry's investment in new buildings is up — and it was the only investment component to increase in H2 2021," Perkins said. He added that many companies, especially tech and telecom manufacturers, continue to see their hub locations as strategic for access to customers and suppliers — and supply chains are still a top concern.

It's also worth noting that many software companies and others aligned with fully remote work simply have no real estate to cut — they are already mostly or completely remote. The respondents who indicated they will be "fully remote" (29%) map well to the respondents who indicated no change or a decrease in real estate investment (26%).

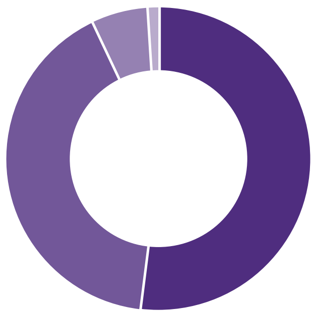
In terms of upcoming workforce goals, 71% of leaders said that they plan to increase investment in diversity, equity and inclusion, and 65% in environment, social and governance. But 77% said it will be easy to attract talent in line with these goals, and 75% said it will be easy to attract talent in general.

Automation and reporting needs

More than 90% of our survey respondents plan to invest as much or more in automation over the coming year, compared to last year.

How much do you plan to invest in new automation over the next year?

- More than last year **52%**
- Same as last year **41%**
- Less than last year **6%**
- No investment **1%**



Respondents also put automation at the top of the needs for non-financial reporting:

What are your top 3 needs regarding non-financial reporting?

More process automation
50%

More analysis that is forward-thinking rather than just historical
48%

More efficient data collection
47%

More performance analysis, at a macro and micro level
46%

Internal alignment around priority measures
40%

More frequent communications
39%

Benchmarking similar companies
29%

None of these
0%

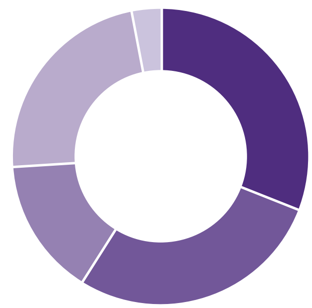
While leaders plan to invest in automation, more than half of them are also planning on restructuring as it relates to digital taxes.

Restructuring for digital tax changes

Most tech leaders anticipate a significant impact from digital tax changes. In fact, 59% indicated they expect digital tax changes to require restructuring in their companies.

What impact do you expect from digital tax changes, as pertains to restructuring your company?

- Significant impact that requires restructuring **31%**
- Some impact that requires restructuring **28%**
- Some impact but no restructuring **15%**
- Significant impact but no restructuring **23%**
- No impact **3%**



Last year, the G7 published a high-level political agreement that proposed adapting the global tax system to the digital economy. The G7 adaptations would essentially be built on two pillars:

- Allocate taxable profits to the markets where customers are based
- Set a global minimum tax rate of 15%, higher in some jurisdictions

Given these changes, mid-market firms that are considering global markets might now be concerned about the new requirements. Global markets are an important factor, as Perkins said the International Business Report data across industries indicated that 57% of companies expect to grow the number of countries where they have customers, and 58% plan to increase the ratio of employees focused on international markets.

Digital tax changes could especially affect U.S. technology companies that are considering growth through international expansion or M&A.

Finding opportunities

The technology and telecommunications industry has led the way in helping companies across sectors respond to pandemic challenges.

To continue that leadership, companies must plan for new products and services, new domestic and international customers, and an engaged, diverse and inclusive workforce that balances remote and on-site work — all the while managing a panoply of risk factors.

With a focus on growth, a proactive approach and clear vision about the changes that need to be made, the finance function can help this industry lead the way.

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