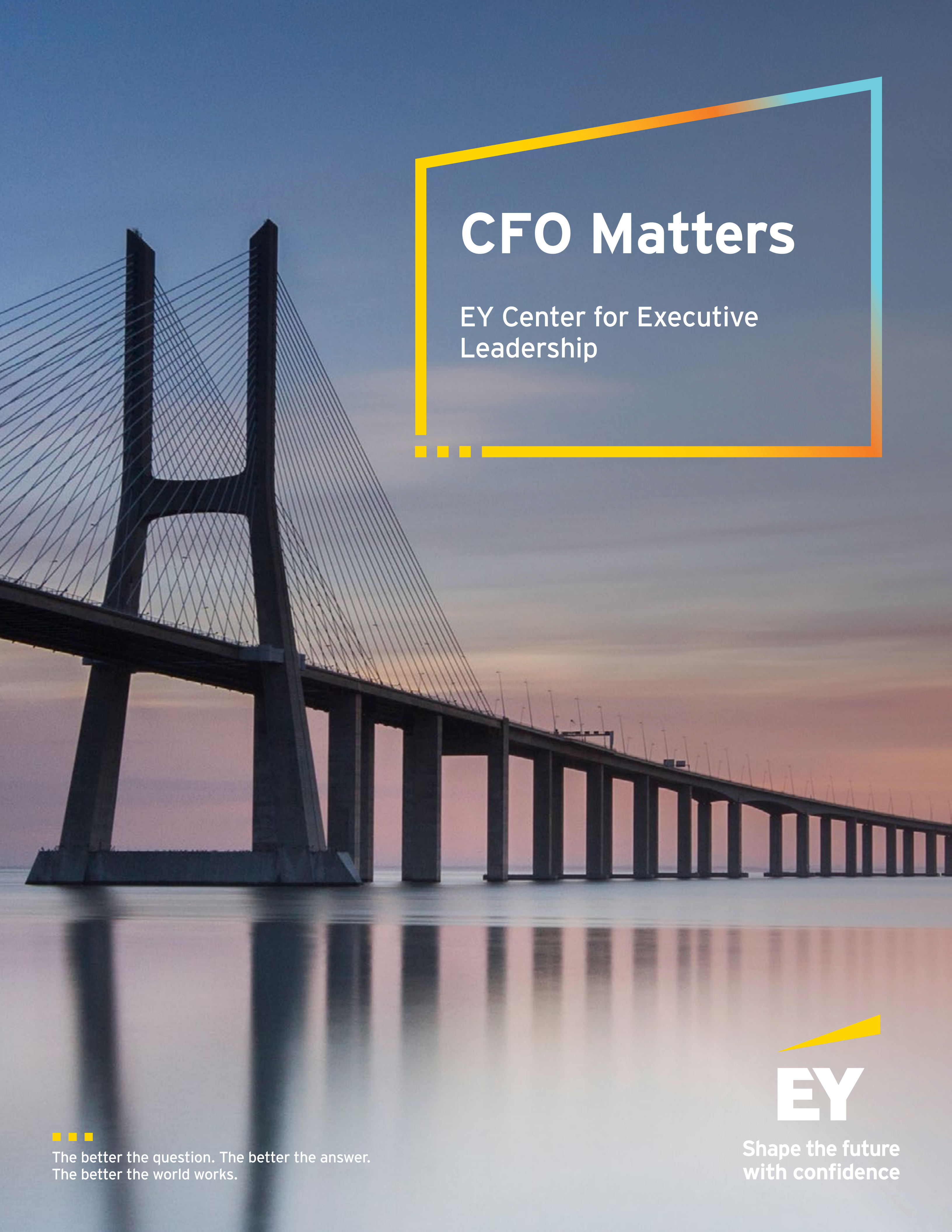

CFO Matters

EY Center for Executive Leadership

The better the question. The better the answer.
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We are pleased to share the inaugural issue of *CFO Matters*. This publication was thoughtfully curated with a singular mission: to deliver research-backed, high-quality insights that speak directly to the CFO agenda. We aim to focus on what matters most to you and provide you with market relevant insights, research and perspectives from EY teams that will help you understand strategic topics and trends through articles specifically written for CFOs.

Each issue of *CFO Matters* will be designed to help you with your decision-making, elevate your professional standing and spark meaningful conversations with your stakeholders. This initiative is driven by the EY Center for Executive Leadership, which is dedicated to helping top leaders accelerate their journey through actionable insights and unique networking opportunities.

We hope you find the content engaging and enriching. Please feel free to reach out with any feedback or future topics you would like to see us cover. Your input is invaluable to us.

Contents

2026 CFO focus: accelerating AI adoption for growth and productivity

As CFOs look toward 2026, accelerating AI across finance and the broader enterprise to drive growth and productivity will remain a key priority.

In our December CFO roundtable hosted by the EY Center for Executive Leadership, CFOs from Fortune 250 companies gathered to discuss priorities for 2026, which centered on AI and its implications on technology platforms, data architecture, process reinvention and workforce transformation.

The stage of AI adoption in finance

Most CFOs feel they are in the early stages of AI adoption, with experimentation focused on targeted use cases rather than broad transformation. There is a shared sentiment of being behind, yet most organizations are progressing at a similar pace. "We're really far behind the curve in our core finance function. We say that we'll be a fast follower," one CFO said. "I'd be surprised if anyone in finance is mature in AI. We're a cautious group. We're aspirational on forecasting … it's a painful process," another CFO shared.

Nevertheless, one CFO shared strong proof-of-concept projects in travel expense analysis, forecasting and shared services. "We've built a proof of concept in finance, a language-model-based trained database on our travel expenses," one CFO said. "That was to show the function that if you've done that, you can ask questions of the data without writing technical templates and queries. We're excited about the concept, but it's still ahead of us." Another CFO shared early success in shared services: "We have an agentic use case with collection, like past due for some companies. Coming up with an AI tool that can generate emails and follow-up."

Based on other experiments with agentic AI that they shared, these CFOs are likely further along than they may realize — using AI in shared services centers, accounts payable, contract validation and internal chatbots while making tentative inroads into forecasting. "We say it takes a quarter to forecast a quarter," a CFO said. "It's a painful process. We're in the early stages of coming up with a machine learning tool that won't be perfect but will save hours over time. We're excited about it and are talking about it at a leadership level. It's an organizational initiative, not just finance."

Technology: deciding what to bolt on or what to build up

Several CFOs mentioned recent enterprise resource planning (ERP) transformations that have positioned them for success with AI, but the build-vs.-buy paradigm for new capabilities remains prominent. "I'm trying to weigh how much we build a solution or use the usual major platform vendors and just leverage something we can bolt on from them," one participant said.

A critical consideration in technology architecture is how to marry internal and external data to drive the value from AI. Traci Gusher, EY Americas AI and Data Leader, shared: "One of the things we know about financial forecasting and machine learning is that your internal data is valuable, but external data supercharges accuracy in a forecast. In the architecture and AI models, you can get into a costly situation when you're bringing all that external data into your ERP environment. There are new alliances that give you the opportunity to mirror your data into solutions without cloud egress charges."

Action item: Explore new solutions that make it easier to house data, especially from external sources, for forecasting.

Data: what makes or breaks AI for the entire organization

Scenario planning and other enterprise-wide efforts rely on data that's housed in finance. "You need to drive cost efficiency, but don't throw transactions over the fence," urged Deirdre Ryan, EY Global Finance Transformation Leader. "They are where we capture data, and that's where we can drive consistency and drive value and compliance." Gusher tells clients that, for every dollar spent on AI, plan to spend 20 on data: "Without it, you'll end up in your never-ending cycle of trying to figure out why your AI isn't delivering value."

Although CFOs are understandably wary about "owning" responsibility for data, they are in the best position to drive value and help enable data as a function. One participant said that IT reported to the CFO at his company: "The data lead is organizing our thinking in terms of data products, and staffing with people who know how to do this is critical."

Action items: Strive to enable data as an enterprise-wide function and encourage close collaboration between IT and finance in your organizational chart.

Process: It's time for reimagination, not just optimization

How would you work if you started from a clean sheet of paper? Use case-specific approaches are yielding building blocks but not transformative value across the enterprise yet, CFOs say, because AI is being shoehorned into old ways of working. And tech leaders often have better insights into reimagining processes than those who are closest to them.

"We've taken our old processes from the old ERP and put them in a new system," one CFO admitted. "We didn't want to throw everything in the air at the same time. But we're going back to redesign from the ground up. We're going back to basics: what we need to do, not what the software can do. … We hear people say, 'But two individuals aren't checking it like before.' Convincing people that AI is a better control than a human has gone a long way."

Action item: Take the time to reimagine how you work and what you can achieve with AI, uniting subject-matter leaders with tech specialists rather than sprinkling in technology.

People: The talent equation has changed — or is being broken

CFOs will be keen to channel productivity gains into either investments for functions or headcount reductions. "We're trying to stay flat on the workforce year over year," one attendee said. "And as we grow as a company, we don't want to add resources in finance or shared services. But it's definitely a big question for us, particularly because of the amount of investment of what IT wants to make." Another executive noted that AI was helping them improve work-life balance and make time for more employee training.

Within finance, AI-driven transformation is reshaping finance talent models, with a shift toward hiring for analytics, business acumen and digital skills. Because needed skills are changing, many junior roles where young talent should grow could be axed, even though they're the most suited for the AI age. "During our layoffs, we didn't change our new university hiring, but what we need out of university is very different," a CFO said. Ryan urged CFOs to "borrow" talent through gig marketplaces and alumni networks.

Action items: Leverage rotational programs and rethink roles from across the hierarchy. Assess how to gain a balance of tech skills and technical skills and how to spread them.

Seven things CFOs need to know about AI

1 AI is a strategic capability — not just a tech investment

Global artificial intelligence (AI) spending is projected to reach **$307 billion in 2025,**[1] growing to **$632 billion by 2028 (29% CAGR).**[1] EY Tech Pulse data shows **43% of executives now allocate over half their AI budgets to agentic AI.**[2] With so much investment at stake, CFOs should see AI as a key capability for value creation, productivity and transformation, not just a technology project.

2 End-to-end process transformation will drive greater productivity

AI copilots reduce manual work by **20% to 30%,**[2] while autopilot systems automate workflows like the order-to-cash process with **up to 90% efficiency.**[2] Yet, l**ess than a third of companies follow AI adoption leading practices.**[3] To maximize the benefits, instead of allowing stakeholders to work in silos, CFOs must encourage an AI-first approach to reimagining processes from end to end. A focus on building data platforms is key, as is robust governance at all stages of the redesign process — from evaluating and prioritizing ideas, to setting up or leveraging the right data and architecture to executing the project and monitoring progress. Throughout, it's important to manage risk by maintaining proper controls and protecting confidential information.

3 Regulatory complexity is rising

Regulators are increasingly adding more oversight and penalties. For example, the **EU AI Act** and **US laws** (CPRA, VCDPA and new 2025 rules) create compliance burdens across jurisdictions. **India's Digital Personal Data Protection Act** (DPDPA) and China's labeling mandates add further complexity. To meet compliance requirements and manage increasing risks, CFOs must take the lead on AI governance, data privacy and risk management. It's also important to use advanced risk management processes and tools that enable end-to-end governance for AI systems, including policy management and risk tiering. AI-enabled tools that manage financial regulations, data privacy laws and sector-specific compliance requirements are also useful.

4 AI is transforming M&A — with measurable impact

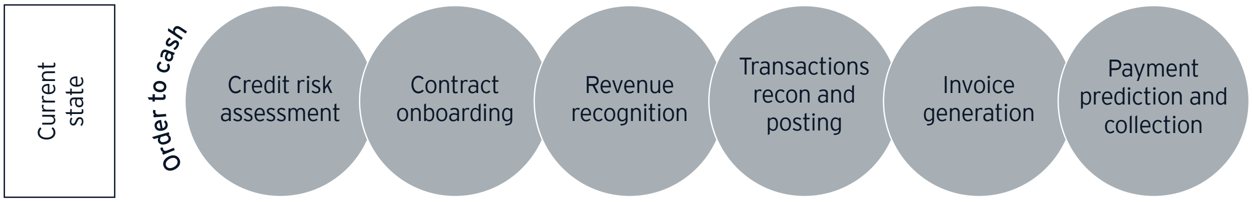
Generative AI (GenAI) use in M&A is projected to grow from **16% in 2024 to 80% by 2028,**[4] with early adopters reporting up to **50% faster deal cycles.**[5] CFOs should integrate AI into screening, diligence and post-merger integration to accelerate execution and unlock synergies.

Sources: [1] IDC.com; [2] EY Insights; [3] BCG.com; [4] Bain.com; [5] Axios.com.

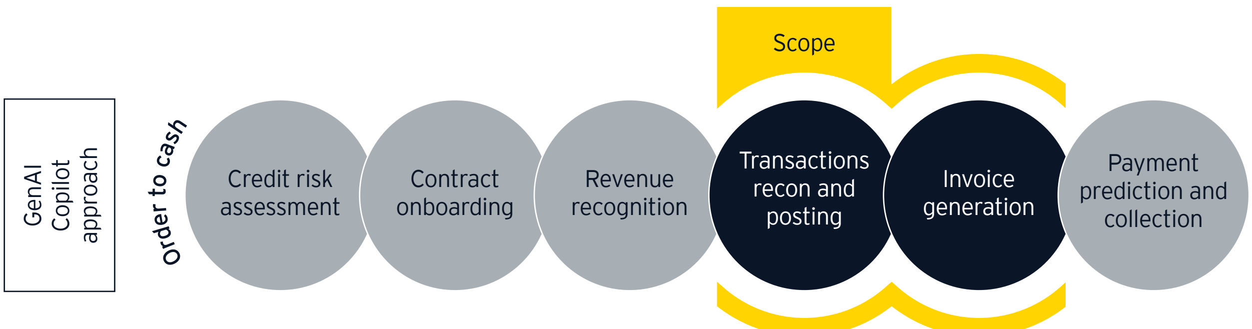
Agentic AI: next and beyond for high-performing finance functions

AI agents automate end-to-end value chains, unlocking as much as 90% in process efficiency gains.

A look at an illustrative finance example using the order-to-cash process

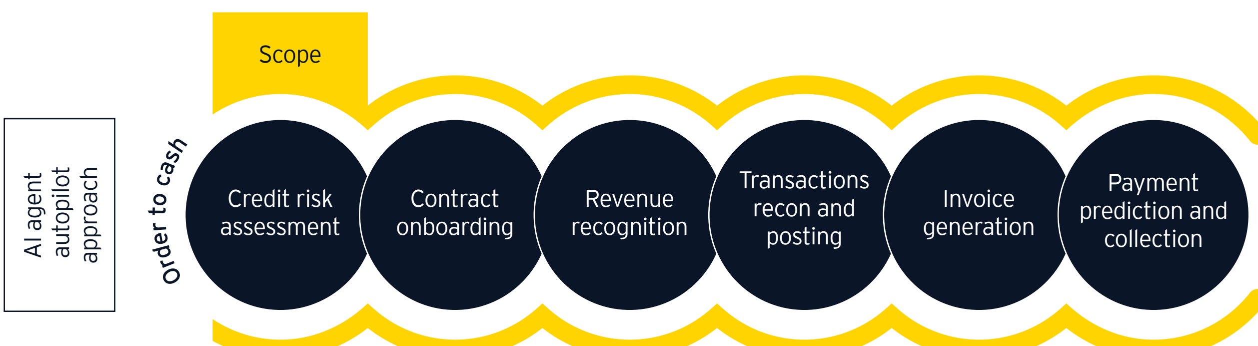


- Manual completion of tasks
- Prone to process inefficiencies
- Lengthy end-to-end process times
- Labor required to complete can be expensive



- Parts of end-to-end value chain automated
- Copilots accelerate productivity and drive efficiency and consistency
- Humans remain in the loop, but fewer required
- Overall process cost and time decreased

20%–30%
efficiency gain



- End-to-end value chain automation
- Autonomous decision-making and execution unlock productivity
- Output quality and consistency greatly improved
- Human oversight only required for edge cases and reviews
- Process cost largely eliminated
- Transaction time reduced to near zero

90%
efficiency gain

Source: *EY Insight* publication.

5 AI enhances reporting and analytics, including environmental, social and governance (ESG) reporting, but a clear data strategy is critical

AI is redefining how organizations collect and report information to stakeholders, including sustainability reporting. AI tools are also automating internal and external reporting, freeing up resources to apply insights rather than prepare reports. Fifty-seven percent of investors[1] say AI enhances ESG credibility; however, harnessing AI will require a clear data strategy and a platform that supports multiple functions across the enterprise.

6 ROI must be redefined beyond financial metrics

Only **45% of executives can quantify AI ROI,**[2] and many fail to achieve **ROI targets.**[2] Though this should not discourage AI investment, CFOs can better measure its impact using a holistic ROI framework that includes:

- Hard factors: cost savings, productivity, revenue growth
- Soft factors: retention, agility, brand value
- Strategic impact: innovation, transformation, stakeholder trust

Real-world examples like the financial services multi-agent collaboration and conversational bots demonstrate strong ROI from AI adoption, underscoring its potential to drive efficiency and growth.[3]

7 Talent gaps are slowing transformation

Talent strategy is now central to AI success. However, **53% of CFOs cite retention as a top challenge,**[1] and **71% say the workforce is underprepared for AI demands.**[4] CFOs must invest in AI-focused training, leverage HR analytics and collaborate with HR to build digitally capable finance teams.

Summary: AI is reshaping enterprises and the finance organizations within them. With global GenAI spending growing rapidly, leading companies are accelerating their AI investments. Many AI use cases such as the financial services multi-agent collaboration and conversational bots demonstrate strong ROI. To unlock this value, CFOs must take a proactive role, embedding AI into transformation efforts, leading governance across functions and addressing talent gaps through targeted training. Success will depend on CFOs' ability to enable an enterprise-wide AI strategy, underpinned by a common data platform and effective risk management that aligns AI investments with business goals.

Examples of AI-driven use cases for the finance function[1]

No.	Services	Description
1	Smart report	Automates financial narratives for reporting and disclosures
2	AI-powered reconciliation	Resolves data discrepancies across systems
3	Finance chatbot (Quest)	Retrieves finance knowledge across structured and unstructured data
4	Data modeling	Auto-generates reports with charts and narratives
5	Variance analysis	Detects trends and anomalies in financial data
6	Invoice processing	Automates invoice data extraction and enterprise resource planning (ERP) integration
7	ALFA – forecasting model	AI- and machine learning (ML)-based FP&A model selection and scenario analysis
8	ESG data disalignments	Detects inconsistencies in ESG reporting

Sources: CFO Matters - 7 things CFOs need to know about AI30Oct20205.pptx.
[1] *EY Insights*; [2] BCG.com; [3] Microsoft; [4] Kyndryl.

How CFOs can turn corporate separation into a growth strategy

By proactively identifying corporate separation opportunities, CFOs can unlock shareholder value.

In brief

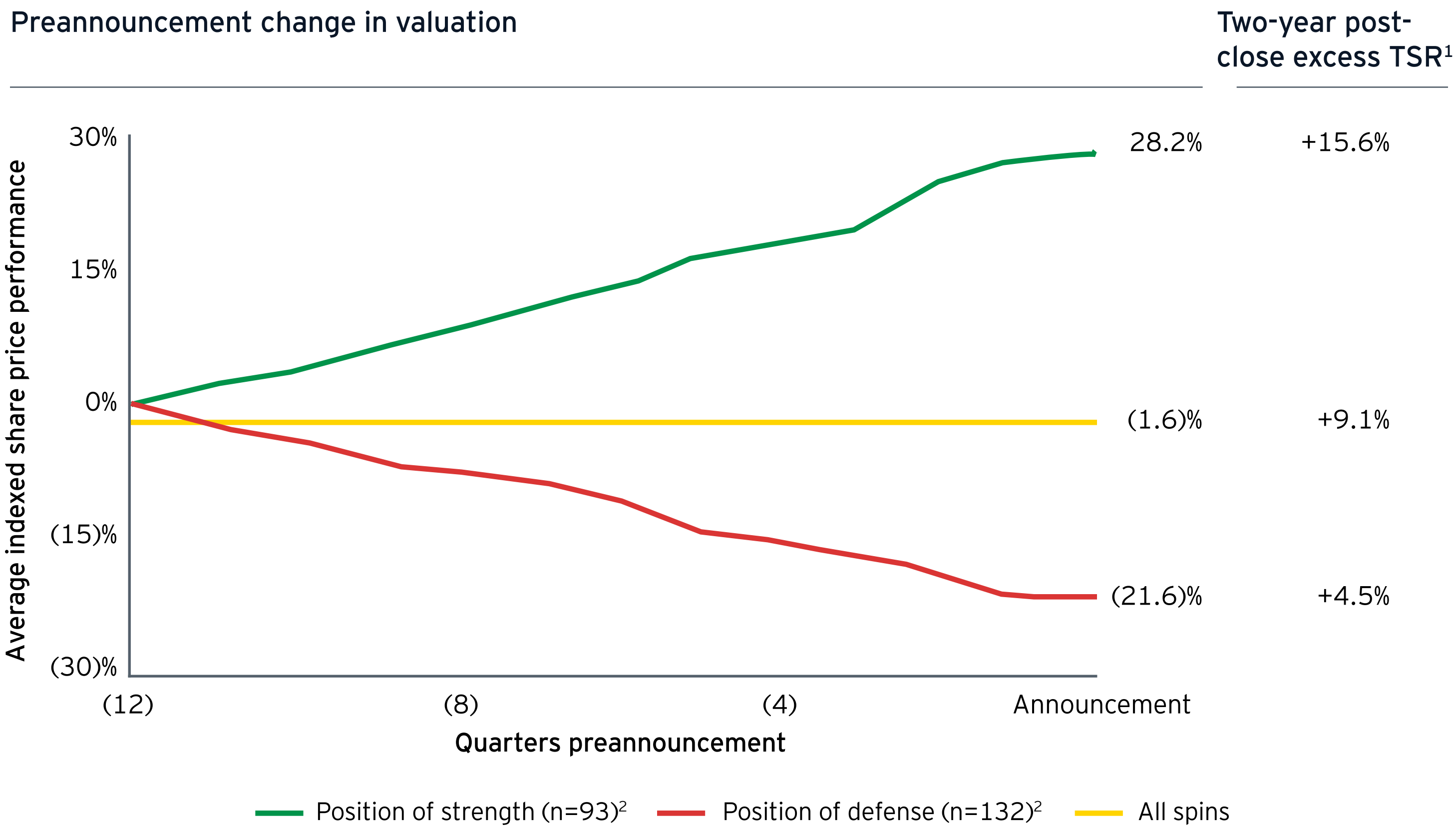
- Corporate separations can generate substantial value even when a company is performing well, challenging the usual view of separations as a defensive move.
- CFOs can help organizations seize these opportunities by establishing metrics to identify separation opportunities in regular portfolio reviews.
- Managing onetime operational costs, reducing organizational entanglement and utilizing careful planning can help facilitate a smooth transition for the new entity.

Corporate separation has long been a powerful tool for unlocking shareholder value. Over the past decade, spin-offs, carve-outs and divestitures have generated more than $1.2 trillion in value, with 70% of these announcements resulting in day one market outperformance. Notably, post-2020 deals have delivered an average excess total shareholder return (TSR) of 12%. Yet, separations are often framed as reactive responses to external pressures or underperformance.

A 2025 EY and Goldman Sachs study robustly challenges this view. According to an analysis of more than 200 transactions since 2012, companies initiating separation from a position of strength, with positive sector-indexed share price performance in the three years preannouncement, achieved 15.6% excess TSR two years post-close. This compares with just 4.5% for those acting defensively.

CFOs are in a unique position to help companies embrace separations as a value driver by advocating for separation as a proactive, repeatable strategy focused on growth and multiple expansion. By identifying opportunities, building compelling business cases and integrating separation strategies into the corporate playbook, CFOs can leverage separations not only in times of crisis but also as a consistent engine for growth and transformation.

Companies separating from a position of strength generate greater excess TSR



Source: FactSet; public company filings.

Database includes ~200 separation transactions that have closed since 2012 with a market cap of more than $1 billion. Note: Past performance is not indicative of future results.

[1] Excess total shareholder return is defined as the change in the company's equity value plus dividends paid out over the same period, starting with the day before the announcement for ParentCo and the two years following the close for RemainCo and NewCo. On a blended basis, companies are indexed against specific S&P 500 sector benchmarks. For separations with less than two years of data, performance is cut at March 1, 2025.

[2] Position of strength is defined as companies with positive sector-indexed share price performance in the three years leading up to the announcement. Position of defense is defined as companies with negative sector-indexed share price performance in the three years leading up to the announcement.

Identifying corporate separation opportunities

Traditional metrics to identify separation opportunities have focused on operating margins, TSR, the return on invested capital (ROIC), and earnings per share accretion and dilution.

To support proactive separation, CFOs should instead use forward-looking metrics that reveal valuation gaps; selling, general and administrative (SG&A) inefficiencies; and transformation potential. The following metrics can assist CFOs in diagnosing and creating a business case for separation.

Metric	Relevance	How to measure	Example/case study
Capital velocity gap How fast a business unit (BU) converts incremental invested capital into incremental free cash flows compared with the parent company and peers	Persistent low velocity suggests capital trapped in slow loops. A spin-off can free capital to higher-velocity cores.	(A) Divide the change in free cash flow (FCF) by the change in invested capital for each BU over a 12-to-24-month period and compare these results with the corporate average and sector median. (B) Assess the time to market for new products, the percentage of product releases delivered on schedule and procurement cycle times against peer benchmarks.	**Western Digital, SanDisk (2025)** The hard disk drive (HDD) business had slower, more stable cash cycles than the higher-velocity, higher-investment flash business (SanDisk). Separation allowed SanDisk to invest aggressively in flash R&D while Western Digital could focus on the stable, high-capacity HDD business, particularly serving the hyperscale cloud and AI markets.
Strategic focus and alignment Whether a BU is aligned to the company's future growth vectors and adequately funded to realize its innovation potential	Misaligned BUs can distract from core strategies, trigger investor skepticism about the fit and reduce valuation multiples.	(A) Determine the percentage of each BU's revenue or earnings before interest and taxes (EBIT) that is aligned with strategic pillars (e.g., artificial intelligence (AI), sustainability, platforms). (B) Evaluate R&D and capex funding in relation to each BU's revenue or EBIT share.	**IBM, Kyndryl (2021)** The legacy, low-growth managed infrastructure business (Kyndryl) was misaligned with IBM's strategic focus on hybrid cloud and AI. The spin-off allowed IBM to shed noncore assets and invest capital more heavily in its innovation-centric businesses, such as software and consulting, while Kyndryl gained the autonomy to pursue its own growth strategy in infrastructure services.

(Continued)

Metric	Relevance	How to measure	Example/case study
Customer synergy and fit friction How much real cross-selling exists between BUs vs. assumed synergies	If customers do not buy across BUs and channel conflicts exist, separation may be warranted.	(A) Calculate the overlap ratio, which is the percentage of customers from one BU who also purchase from a separate BU. (B) Measure the incremental margin generated from cross-selling between BUs. (C) Analyze the net promoter score (NPS) difference between the parent brand and the BU brand.	**GE, GE Aerospace, GE HealthCare, GE Vernova (2023–24)** GE's various businesses served distinct customer universes with little crossover, from commercial airlines (Aerospace) to hospital systems (HealthCare) and utilities (Vernova). The split allowed each independent company to focus on its specific customer needs and market dynamics.
Valuation multiple compression Whether the market applies a group discount because BUs with different profiles are bundled together	A persistent gap indicates that the corporate narrative is muddled; separation can trigger a rerating. EY and Goldman Sachs data shows that more than 75% of separations show a 2.0x+ multiple disparity between the new company and the company that remains after separation, indicating the investor appetite for pure play exposure.	(A) Use a sum-of-the-parts (SOTP) approach by applying a peer enterprise value; earnings before interest, taxes, depreciation and amortization (EBITDA); or price-to-earnings ratios to each BU and comparing these to the overall group trading multiple. (B) Track any discrepancies.	**eBay, PayPal (2015)** PayPal, a rapidly growing FinTech business, was constrained within eBay's marketplace structure, potentially limiting its valuation multiple. The spin-off allowed PayPal to operate independently and be valued as a pure play payments company, leading to a substantial increase in its market capitalization.

Instituting regular corporate separation reviews

To embed separation as a proactive, repeatable lever, CFOs should champion regular separation reviews as part of their portfolio strategy and capital planning.

CFOs can start by integrating forward-looking metrics, such as the capital velocity gap and innovation funding gap, into strategy sessions and portfolio reviews. Initially, ad hoc alerts or one-off analyses can help build confidence and demonstrate value.

The following four areas represent essential steps in a structured process for proactively identifying and evaluating potential corporate separations:

1. **Cadence:** Introduce a "separation watch list" segment in quarterly portfolio reviews and hold monthly CFO-led working sessions with strategy, financial planning and analysis (FP&A), corporate development and investor relations to update metrics and judgments.
2. **Metrics:** Apply a minimal set of forward-looking indicators, such as the capital velocity gap, SOTP vs. group multiple, innovation funding gap, and the customer fit and entanglement readiness, to flag outliers without overwhelming the reporting processes.
3. **Triggers:** Monitor for persistent multiple gaps, unfavorable velocity or funding, low customer overlap or strategic misalignment as signals to escalate.
4. **Decision gates:** Transition through several stages, starting with screening (creating a watch list), then moving to scoping (developing a two-page overview), followed by shaping (evaluating options and estimating costs and entanglements) and finally reaching the sponsorship stage (seeking approval from the executive leadership team or board).

As these reviews gain traction, CFOs can advocate for making them a standard part of the corporate playbook so separation opportunities are routinely identified and evaluated.

Addressing key challenges in the corporate separation process

Effectively managing the separation process is crucial for a smooth transition and expanding value. One of the primary considerations for CFOs is the management of onetime operational costs.

These costs typically range from 2% to 6% of the new company's equity value, with a median of 3% across all separations. For new companies valued at more than $10 billion, this figure tends to be around 2%. Notably, IT carve-outs can account for 30% to 50% of total operational expenses. To mitigate these costs and risks, CFOs should prioritize strategic architecture choices, such as adopting a cloud-first infrastructure and establishing robust IT governance frameworks. Implementing AI-driven reporting and clearly defined transition service agreement (TSA) scopes can further enhance efficiency during the separation process.

Another critical aspect is addressing organizational entanglement, as the structural complexity of the separation often dictates its ultimate success and growth trajectory. For highly entangled businesses, the EY and Goldman Sachs data indicates that the average onetime cost can reach 6.2%, with modest revenue growth of only 2.2% over two years. In contrast, independent businesses with fit-for-purpose strategies tend to achieve significantly better outcomes, with average costs of 3.0% and revenue growth of 12.9%. Leaders must carefully assess the degree of business entanglement and the overall organizational readiness before initiating the separation process. CFOs should quantify the entanglement by baselining shared applications, data domains, plants and personnel, assigning costs and lead times to each component. This helps prepare the new company to operate independently from day one with limited reliance on TSAs.

Finally, prioritizing design over speed is essential for a successful separation. The EY and Goldman Sachs study shows a low correlation between the execution timeline and outperformance, emphasizing that thoughtful, well-structured execution is more important than raw speed. Leaders should focus on meticulous planning of the separation, clearly defining the specific components being separated, such as products, teams and systems. Establishing an interim operating model for the new company and planning the sequence in which IT systems and data will be separated will be vital to avoid disrupting critical functions. The CFO can support this process by creating scenarios for duration economics; developing three duration scenarios (base, slow and fast); and illustrating value sensitivity in terms of TSR, cash flow and the SG&A run rate.

With a clear understanding of capital allocation, investor sentiment and operational dynamics, the narrative around corporate separation can be transformed from a defensive maneuver into a proactive growth strategy. By conducting regular separation assessments grounded in well-defined metrics and supporting separations through careful execution, CFOs can drive sustainable growth and unlock shareholder value regardless of the company's current position.

Summary

Corporate separation serves as an effective means to enhance shareholder value, having generated more than $1.2 trillion over the past decade through various strategies such as spin-offs and divestitures. A 2025 EY and Goldman Sachs study found that the key to achieving the full potential lies in adopting a proactive stance, as companies that initiate separation from a position of strength tend to realize significantly greater TSRs. CFOs can improve the results by leveraging forward-looking metrics to identify separation opportunities, conducting regular assessments and prioritizing thoughtful execution over speed.

Is finance ready to be disrupted

How the finance industry can seize the upside of AI disruption

As humans, we have a neurological bias to think in straight lines, struggling to grasp the fundamental shifts brought on by exponential change. Take the Transmission Control Protocol/ Internet Protocol (TCP/IP), introduced in the 1980s. Who could have predicted that by 2025, there would be over 19 billion connected devices, with technology so embedded in our lives that even our toasters are online?

Today, we are watching a similar change in finance. A wave of AI innovation is transforming every aspect of our lives, including how we account for and create value within our organizations. The implications for finance's ways of working, data, talent and purpose are profound, and those who fail to adapt risk being left behind.

Insight inversion and the disintermediation of legacy finance

Finance teams engage in a routine "core" activity each month: closing the books, comparing numbers, explaining discrepancies, providing insights and reporting to business leadership. However, this traditional model is already facing disruption. Agentic AI technology can autonomously forecast with remarkable speed and accuracy; generate real-time scenario analyses; produce closing financial reports; and determine which insights to deliver, when and to whom. As finance becomes increasingly touchless, the demand for new skills and radically different organizational models that integrate human-machine collaboration will surge.

Focus on both sides of finance

When we consider the future of finance, it is often helpful to consider it through two distinct lenses: operational finance and strategic finance.

On the left, operational finance acts as the "machine," handling tasks like closing the books, processing journal entries, managing cash applications and producing month-end analyses. On the right, strategic finance focuses on driving and enhancing business performance, leveraging insights to shape the organization's future. The left side focuses on efficiency and control, the right on strategy and value creation.

Left-side disruption: Agentic AI is making rapid inroads into operational finance. Accounts receivable and accounts payable agentic solutions offer efficiency improvements far beyond traditional labor arbitrage. Agentic AI can now "touchlessly" produce a month-end analysis, create reports and narratives, and automatically reflect changing economics into new and accurate forecasts and scenarios. Work that took weeks can be performed in minutes with little to no human effort. This rapid digitalization of accounting work enables a pivot in the purpose toward smaller data-enabled and value-focused organizations.

Right-side value: This is where we see the most significant opportunity, driven by functional reimagination that allows finance to switch its focus to growing and delivering enterprise value. As we consider analytics maturity, most CFOs would assess their organizations to be somewhere between descriptive and diagnostic. Predictive analytics (forecasting) leveraging AI fused with existing data has become

AI-powered finance should focus on both the left and right sides of finance

Optimize

Strategic finance

Task level
20%–30% efficiency uplift

Augment

Integrate AI across existing activities to:

- Make your smart people smarter and faster.
- Incorporate reactive assistive and copilot models.

Business process
60%–80% efficiency uplift

Transform

Optimize your core finance processes:

- Embrace next-gen business process redesign.
- Refactor with proactive copilots and autonomous agent models.

Profit and loss level
% incremental revenue

Total shareholder return (TSR) engine

Drive TSR as an AI-powered business to:

- Identify new value opportunities.
- Realign people, focus and investment toward new opportunities.
- Offset margin pressure.
- Leverage technology platform models fueling new ecosystems.

Operational finance

Value creation

a mature capability, and the technology is now enabling both prescriptive and autonomous analytics offering radically improved capabilities, insights and value.

Consider a forward-thinking Fortune 100 company that successfully implemented broad AI and ML forecasting in 2018. The CFO also led a significant shift in resource allocation to focus the business on growing TSR. Over 10 years, this company's relative TSR has improved from the third quartile to the top quartile, and on the same sales and revenues, its market cap is over $160 billion higher as a consequence of this finance-created and -led program. This program depended on finance to provide new market and competitive insights that were executed through incentive systems, strategic planning processes and annual operating plans. At first, the insights were primarily manual and required a heavy lift to support the changes. Today, this work can largely be digitalized with significant improvements in quality and agility.

The "aha" moment: This example illustrates the conundrum: Should CFOs focus on driving efficiency on the left or value on the right? The reality is that most finance functions typically cost 1% of sales, and the benefits from a cost reduction program in a Fortune 100 company would likely be measured in tens of millions of dollars. However, improving TSR could easily yield tens of billions of dollars.

Our view is that CFOs should create balanced transformations, including both left and right. The costs of building new strategic finance capabilities can be offset by cost reduction delivered by the reimagination of operational finance. CFOs should have solid expectations that their organizations drive significant enterprise value far beyond the constraints of their functional costs, including improved price realization, increased product and service competitiveness, and – importantly – smarter resource allocation.

Starting the journey

Reimagination is a challenge for finance employees and leaders. We have been training our teams to repeat the same process every month without deviation. It's not surprising that when we ask our teams to go "crazy" and reimagine finance, the result is blank stares. Reimagination requires a thoughtful and focused approach.

Successful transformations require a believable vision of the future with a granular roadmap to get there and, most importantly, the genuine engagement and support of the organization. EY data shows that almost half of finance employees directly link transformation to job risk, creating inertia that demands robust change management.* This is further amplified by the competing initiatives facing cross-functional and business unit leaders, along with the real risk of "transformation fatigue."

In the next edition of *CFO Matters*, we will explore the practical steps a CFO can take to navigate this maze of work reimagination, new operating models, new talent needs and the necessary change management needed to build a strategic finance function that is a true competitive advantage.

*Lacey, Ross and Geelen, Frank, et al., "Six ways CFOs can increase the likelihood of transformation success," *EY website,* April 18, 2023.

Feature CFO profile

Lowe's CFO Brandon Sink shares how he takes on challenges with optimism and strategic vision

On summer Saturdays, he's outside grilling, power washing the deck and maintaining his yard at his home on Lake Norman in North Carolina. During the week, Lowe's Chief Financial Officer Brandon Sink focuses on strategy and finance to guide growth for one of the world's largest home improvement companies.

Balancing these demands means getting hands-on, not just with power tools but also digital tools that optimize demand planning and inventory management.

His journey to CFO didn't follow a blueprint. It is a story of establishing credibility and trust. Brandon holds degrees in Business Administration and Accounting from the University of North Carolina at Chapel Hill and worked for another Big Four firm as an auditor early in his career. In 15 years at Lowe's, he's held roles across accounting, business transformation, corporate strategy and operations finance before becoming CFO.

In 2018, as a vice president, Brandon served as a liaison to new Lowe's board members, answering tough questions and providing context on financial performance and strategy in preparation for what was to become one of the more significant transformations in the company's history. When Marvin Ellison, Lowe's Chairman and CEO, joined the company shortly thereafter, Brandon's counsel was again beneficial, giving him the connections and experiences that ultimately prepared him for the CFO role, which he assumed in 2022 following the COVID-19 pandemic.

"Looking back at 2018 and 2019, that was a period of significant transition for Lowe's," Brandon recalls. "The company benefited from key leadership changes and made significant shifts in its strategy. I was fortunate to have the opportunity to prove my value and chart a path professionally that was very different from my early years at Lowe's. I made the transition to a strategic planning role and then became a key finance business partner, which proved to be critically important experiences for me. Those types of moves weren't typical for someone with my background … it takes a different skill set."

Maximize every opportunity

"I've always had the mindset that you have to make the most and best of the opportunity you have been given," Brandon says. "You have to put yourself in a position to ensure that you can make an impact."

His rise through Lowe's executive ranks is a testament to how great that impact has been. When presented with new opportunities, Brandon didn't hesitate, even when those opportunities were outside of his comfort zone and he was willing to step up for the new challenges.

"Now that I'm here," he adds, "I have a great appreciation for the many opportunities that I have been given."

Brandon's role as CFO has expanded to require an array of capabilities, from shareholder communication, strategic vision and technical expertise to leading teams across multiple functions. Whether negotiating deals, developing company strategies or nurturing relationships with shareholders, Brandon steps in and gets the job done.

He finds a hands-on leadership approach invigorating: "I get a lot of energy from operating in the trenches with the finance and business teams," he says. This allows us to iterate on solutions together, challenge each other and ultimately build consensus on the path forward."

Authenticity drives leadership

For him, success in both his personal and professional life starts with being authentic. "It's just my style," he says. "How I approach problems. How I manage. How I lead. What you see is what you get with me."

At home with his wife of nearly 25 years and their two teenage daughters, in the C-suite and boardroom, in stores, or in the trenches with his finance and business teams, Brandon embodies a hardworking mentality and leads by example. Being authentic means showing up, doing his job and being the best he can be. This perspective has led him to develop the confidence and conviction to know that he's making sound leadership decisions to help the company remain competitive and resilient.

Stay flexible

As every home DIYer knows, things don't always go as planned.

"The environment and the world in which we are operating is so complex and dynamic. You may think you have a viewpoint, a financial plan and a strategy, but often once you get in the middle of it, it's not what it seems," Brandon shares. "Don't shy away," he advises. "Recognize that you have to pivot and you have to adjust. Appreciate that you're able to understand these changing conditions and come up with solutions that can put the company in a better place."

"I've always gravitated toward the big, complex problems. The things that were really hard for the organization to solve," he says. "These are high-risk, high-reward opportunities but ultimately give you the best chance to prove your worth and create value for the company."

Today's "big, complex problems" include pressures from tariffs and trade policies and inflation and housing affordability, which directly impact home improvement spending. In response, Lowe's has become leaner and more agile and has expanded its toolbox to increase its Pro penetration strategy, grow online sales and develop best-in-class loyalty programs within its Total Home strategy.

The organization also recently acquired Foundation Building Materials, a leading building materials distributor, to serve larger professional customers in both the commercial and residential markets. This was the largest acquisition in the company's history, as Lowe's is placing a big bet on an eventual housing recovery.

Lowe's is positioning itself as a tech-forward retailer, with a comprehensive AI framework to improve "how we sell, how we shop and how we work." This includes Mylow, an AI-powered virtual home improvement advisor that is available both on Lowes.com and in the Lowe's app — as well as in the hands of associates on their mobile devices through the Mylow Companion app. This technology helps customers rapidly solve their home improvement challenges and empowers associates to answer complex customer questions across the many product categories within Lowe's stores.

With the recent deployment of this technology nationwide, the company is already seeing improvements in customer satisfaction. Lowe's is also deploying AI solutions to enhance its online user experience, demand planning and inventory management. With these new tools, Lowe's is improving the speed to market and helping ensure that customers can find the products they need when they need them.

And if your search for the products you need happens to take you to the Denver, North Carolina, Lowe's store, keep an eye out for Brandon. You're likely to run into him filling his cart for his family's next home improvement project. He's always happy to help.

The pulse of CFO transitions

By understanding CFO transition patterns, organizations can strengthen leadership continuity, investor confidence and long-term value.

In brief

- CFO transitions are accelerating, with 64% of Fortune 250 CFOs exiting within five years.
- About 59% of new CFOs are first-timers, underscoring the need for mentoring and development.
- Proactive transition planning reinforces enterprise resilience and future leadership pipelines.

CFO dashboard

CFO turnover rate

~64%

of all CFOs exit within five years. Median tenure is 4.3 years.

Internal vs. external hires

~61%

are internal, 39% are external. Internal promotions remain dominant.

First-time CFOs

~59%

of new CFOs are first-timers. Pathways are broadening.

Gender diversity

~28%

of new appointments (2021-current) are female. Highest ever. Sector splits show TMT and CPR leading.

Board membership

~52%

Board exposure is a key career step.

CFOs moving to CEO roles

~8%

38% move to other C-suite roles.

CFOs with full- and part-time roles post-tenure

~64%

Most remain active in business.

Activist campaign exposure

~66%

faced an activist shareholder campaign since 2016.

Digital initiatives

~48%

of CFOs were involved in all major digital initiatives since 2021. Digital is now a core part of the CFO mandate.

Source: "Why investing in the current CFO — and their successor — could yield big returns," *EY website*, July 2024.

Career pathways and succession insights

- Tenure and turnover: The era of long-tenured CFOs is fading. Almost two-thirds (approximately 64%) of Fortune 250 CFOs who were appointed to the role between 2016 and 2020 had exited by year five, compared with only 47% of CFOs who were appointed between 2001 and 2015.
- Internal mobility and first-time CFOs: Internal promotions remain the most common path to the CFO role; however, the share of first-time CFOs is rising, reflecting a broader talent pool and a willingness to support new leadership. The pipeline now includes more executives with backgrounds in BU finance, investor relations and strategy, not just controllers and treasurers, indicating a strategic shift toward more diverse leadership profiles.
- Gender and diversity: Female representation in CFO roles has grown significantly over the past decade, with the technology, media and consumer sectors taking the lead. However, the overall share of women among Fortune 250 CFOs still lags, highlighting both progress and ongoing opportunity.
- Career outcomes: At the end of their CFO tenure, nearly 40% of CFOs move into other C-suite roles, with 8% becoming CEOs. Board memberships during and after the CFO role are increasingly common, positioning CFOs as influential voices in governance and strategy.
- Succession and development: As attrition rises and the CFO mandate expands (digital, ESG, activism), organizations must invest in both current CFOs and their successors. This means broadening the CFO remit, building a healthy pipeline of future leaders, and providing exposure to board and cross-functional experiences.

Source: "Why investing in the current CFO — and their successor — could yield big returns," *EY website*, https://www.ey.com/content/dam/ey-unified-site/ey-com/en-us/campaigns/ey-center-for-executive-leadership/documents/ey-investing-in-the-cfo.pdf, July 2024.

Summary

CFO transitions are reshaping corporate leadership at an unprecedented pace. With 64% of CFOs stepping away within five years and digital and investor pressures rising, organizations must treat transitions as strategic events. By broadening the remit exposure, strengthening internal pipelines and planning handovers deliberately, CFO transitions can evolve from a potential risk into a long-term value driver and a foundation for effective CFO succession.

What's on audit committee minds for 2026 — a guide for CFOs

In their strategic relationship with audit committees, it's vital for CFOs to stay abreast of audit committee concerns and consider how to address them. Based on an EY analysis of market trends, here's a brief guide to what's likely to be top of mind for audit committees heading into 2026.

- The increased complexity of the business and risk environment continues to be top of mind. Geopolitical, macroeconomic and trade uncertainties are raising concerns about the risk of economic headwinds. Contributing factors include tariff-related cost increases, persistent policy uncertainty and curtailed immigration. Mixed signals regarding the economic outlook may also stress the organization's ability to generate capital for critical investments. CFOs should be prepared for questions about the impact of these factors on the company's financial health, as well as their implications for financial reporting and related controls and disclosures.
- Audit committees are also evaluating finance and internal audit talent. Talent-related risks continue to persist — in particular, hiring and upskilling talent in areas such as AI, tech, cybersecurity and data-related fields. Audit committees may inquire about the appropriateness of the resource allocation to finance and internal audit functions so that appropriate investments can be made in long-term system and process improvements.
- Audit committees continue to scrutinize challenges around technology adoption and cybersecurity-related risks. Some may have been tasked with AI oversight, implying that they will keep a close eye on the ROI from AI investments, as well as risks and opportunities associated with AI. CFOs should be prepared to discuss the company's progress in driving value from AI, as well as their thinking around budget allocations to data governance, cybersecurity, and regulatory- and compliance-related matters.

Specific questions the audit committee could ask include:

- Does the organization perform stress tests to confirm that its financial reserves can absorb distress in the economy?
- Does the organization have confidence in the financial strength of its counterparties?
- What steps is the organization taking to adapt its supply chain footprint and operating model in response to possible geopolitical disruptions?
- How is enacted policy and related policy uncertainty expected to impact the financial statements for the current and upcoming reporting periods?

- Have there been any material changes to internal controls over financial reporting or disclosure controls and procedures to address the changing operating environment?
- Has management fully assessed, and accounted for, the implications of the One Big Beautiful Bill Act, including the extensions of many of the provisions of the Tax Cuts and Jobs Act?
- How is the organization leveraging the extended provisions to optimize its tax position? Are there any specific provisions that are particularly beneficial or worrisome to our business?
- How is management thinking about AI-related risks and opportunities, and what role do you see for the board in overseeing these areas? Are there any gaps in expertise or committee structures that could impact effective oversight?
- What opportunities do the current market changes and discontinuities offer for our business? What is our plan to capitalize on those?

Visit our Quarterly update for audit committees for more on audit committee focus areas.

US economic outlook

Signal lost? Decoding a K-shaped, tariff-tinged expansion

- **K-shaped economy:** The 43-day government shutdown — the longest on record — will leave a modest but permanent dent in real GDP (0.1% to 0.2%). Yet, its most significant effects are intangible. The lack of timely statistics on the economy has amplified uncertainty already stoked by a patchwork of mixed indicators and policy volatility. On the margin, labor demand continued to soften into November, though layoffs remained subdued. Inflation appears to have firmed, but the pass-through from tariffs is unfolding gradually and unevenly. At the same time, a growing cohort of consumers is increasingly hesitant to spend ahead of the holidays. Business investment remains concentrated in AI-linked segments, while broader capex reflects a more cautious tone. The recent surge in stock market valuations — particularly among AI-adjacent firms — has also prompted renewed concerns about a potential asset bubble, contributing to investment hesitancy in other sectors. We expect US GDP to grow by around 2.0% in 2025, moderating slightly to 1.9% in 2026 — constrained by tariffs and tighter immigration but supported by ongoing AI investment, a modest fiscal impulse in early 2026 and some deregulatory momentum.
- **Slower labor demand:** At first glance, the long-delayed September payrolls report appeared reassuring. But beneath the surface, job growth remained fragile and narrowly concentrated as the economy approached the shutdown. The US added 119,000 jobs — above expectations — but the unemployment rate edged up to 4.4%, its highest level since late 2021. Looking ahead, tighter immigration will limit the labor supply, reducing the breakeven pace of job growth to just 0 to 50,000 per month. Businesses are expected to pare back hiring and undertake targeted layoffs to manage rising input costs, especially those linked to tariffs.
- **Polarized consumers:** Consumer spending remains resilient, but the divergence is stark. High-income households, buoyed by strong income and wealth gains, continue to spend freely. Meanwhile, lower-income households face intensifying pressure from elevated prices and interest rates. We expect consumption growth to ease modestly in 2026 amid slower job creation and stickier inflation.
- **All about AI investment:** Investment dynamics reflect the broader K-shaped pattern. AI-led capital expenditures in software, R&D and information processing equipment drove one-third of the GDP growth in the first half of 2025. In contrast, non-tech investment has stagnated — held back by elevated tariff-related costs, heightened uncertainty and high financing costs.

- **Tariff-induced inflation filtering through:** Headline consumer price index (CPI) rose to 3.0% year over year (y/y) in September, with core CPI steady at 3.0% y/y. Tariffs are putting upward pressure on prices, though the inflation process remains relatively orderly — partially mitigated by easing shelter costs. The pass-through from tariffs remains uneven across categories — apparel, groceries, autos, furniture, electronics and alcohol. Many firms have absorbed cost shocks through inventory, margins and supply chain shifts, but these buffers are thinning. We estimate the cumulative inflation boost from tariffs is around 0.6 percentage point (ppt) to 0.7ppt and will eventually reach 1.0ppt, with CPI inflation peaking near 3.2% in early 2026.
- **Federal Reserve (Fed) on hold till 2026:** The Fed cut the federal funds rate by 25 basis points (bps) to 3.75% to 4.00% in October, with Chair Jerome Powell emphasizing policy optionality. A two-sided Federal Open Market Committee (FOMC) dissent underscored growing divergence between those calling for more easing and those wary of tariff-driven inflation or unconvinced of the labor market softening. Following two consecutive rate cuts, we expect the Fed to pause in December — especially given that the combined October–November jobs report will be released after the meeting. We forecast a rate cut in January 2026 and 50bps of total easing over the year. We also expect the Fed to end quantitative tightening (QT) and begin modest balance sheet expansion in the coming weeks.

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