



June 2020

Past Issues

May 2020

[Post Covid-19 Business Planning You Need To Develop Now](#)

April 2020

[How Business Leaders Can Reduce Uncertainty With Scenario Thinking](#)

March 2020

[Earnings Don't Deserve a Bad Reputation](#)

February 2020

[Our Bank Said No. Now, What?](#)

January 2020

[Is Your Business Focused on Business?](#)

Contact Us

www.robbinex.com

robbinex@robbinex.com

1-888-ROBBINEX (762-2463)

Not All CFOs Can Handle M&A

Numerous CFOs are excellent in their normal roles but may not have the necessary expertise to see a deal through to completion.

By Frank Williamson

Chief financial officers are an indispensable part of a company's corporate structure, working to strategically increase profitability while ensuring that accounts are managed, taxes are filed, cash flow remains strong, and company leaders and investors are kept in the loop.

Although the job of a CFO requires a broad range of abilities, one area that's frequently beyond the typical CFO's skill set is the mergers and acquisitions process. There are numerous CFOs who are excellent in their normal roles but may not have the necessary expertise to see a deal through to completion.

If you're a company board member and a merger or acquisition seems to be on the horizon, you may be assessing your finance chief's ability to contribute to that process — and wondering whether another person with M&A deal experience might be a better choice. As reasonable as this question might appear, hiring a new CFO can be costly and tumultuous for your company at a time when you don't need it.

In addition to being pricey, a CFO with deal experience is rarely needed — the company would end up paying handsomely for skills that are only relevant for a short amount of time before he or she goes back to other day-to-day responsibilities.

A better option might be to outsource the additional deal making skills only for the period that they're needed. This is appealing for three reasons: First, hiring is a long, attention-hogging process. If your company is already being approached about a transaction, your board doesn't have time to hire a new CFO. Second, there is no training required, as the current CFO already knows your business's functions, processes and other important details. Finally, you would be outsourcing to the experts in deal making, setting your company up for the most successful deal possible.

If you choose to outsource negotiating expertise, your existing CFO can still weigh in on any financial matters related to a potential deal. Additionally, your CFO will play a vital role by focusing on:

1. **Managing company accounts.** Even through the business-altering process of a merger or acquisition, company financial records still need to be kept, client payments need to be collected, and bills need to be paid. It's important to maintain an atmosphere of consistency and predictability so that there's no sense of uneasiness among employees or investors.
2. **Keeping the company on budget.** Beyond the day-to-day paperwork that needs to take place, the CFO should focus on the big picture by keeping the company on track financially — advising executives how current results align with the budget and helping investors feel confident that future earnings and expenditures will follow predictable trends.

The Robbinex Mission

To provide our clients with experience-based knowledge to maximize the value of their companies, to help them make:

...the **right** decision at
...the **right** time for
... the **right** reasons™

A member of



3. **Substantiating the story about how the company makes money.** The CFO is the company's financial expert, so he or she should act as a trustworthy information source during negotiations. The chief executive officer explains how the company makes money, while the CFO demonstrates financial results using historical financial statements, the budget development process, and a financial ratio analysis.

If your company is being courted by potential buyers or is eyeing another kind of big deal, there's a whole separate set of work to turn the opportunity into reality. While it might be possible for one CFO to take on these additional responsibilities, the company may be better served by outsourcing them to a business broker or investment banker and allowing the C-level executives to focus on running the company.

When looking for outside CFO help, there are three specific tasks that need to be handled by whomever you hire:

1. **Tell the company's story.** A third-party expert should be able to explain the company's history and future opportunities in a way that helps potential capital providers or acquirers understand the company in a broader context.
2. **Substantiate the company's future value.** Investors need a quantifiable look into the future financial state of a target company before they can feel comfortable paying upfront. This forward-looking financial model should be viewed as a supplement to the information the CFO provides about how the company has made money up until now.
3. **Be available to potential investors.** You may have several parties examining the company in detail to find out whether or not they're interested in investing, so you need a person available to quickly answer their questions, get them the information they need, and explain it in a way they understand.

The Bottom Line

Investment bankers and business brokers have two things many businesses don't: time and M&A expertise. Allow your CFO to focus on keeping the train on the tracks and add him or her into deal conversations when it's most valuable — to act as a trustworthy source of financial information. Otherwise, consider bringing in an independent consultant to provide deal experience and expertise and to devote the time your investors deserve.

About the Author

Frank Williamson, Founder of Oaklyn Consulting

Frank Williamson is the founder of Oaklyn Consulting, which helps private companies complete mergers, acquisitions, joint ventures and other strategic transactions; arrange financing; and manage investor relationships.

Our Execu-Brief® newsletter provides valuable insights for both Buyers and Sellers. To sign up to have our Execu-Brief® delivered to your inbox 10 times a year visit our website:

www.robbinex.com/resources/execu-brief/



Robbinex Inc.

8 Christie Street, Grimsby, ON L3M 4H4

1-888-ROBBINEX (762-2463)

www.robbinex.com

