MIDDLE EAST

Harnessing the Three Cs

A Strategic Blueprint for CFOs in the Middle East

Growth opportunities across the Middle East remain strong, but so does the need for financial discipline. Higher interest rates, inflation, and tighter liquidity are increasing pressure on capital allocation and operational performance.

For CFOs, the challenge is clear: support growth while preserving cash, protecting margins and maintaining financial resilience.

There are three financial levers that can address this challenge:

The Three Cs: Cash, Cost, and Cost of Goods Sold (COGS)

When optimised together, they can enhance liquidity and profitability and create the capability to invest in changing market conditions.

1. Cash

Operational Liquidity Over Static Reporting

In capital-intensive sectors like construction, infrastructure, and heavy industry, long working capital cycles and milestone billings can choke liquidity. The old, static balance sheet model is not prudent anymore. CFOs need to change to new, forward-looking cash management models and improve cash systems with rolling short-term cash flow forecasting models to see funding gaps before they happen:

Rolling Forecasts:

Implement rolling short-term cash flow forecasting models to identify funding gaps before they occur.

Working Capital Discipline:

Aggressively reduce cash conversion cycles by targeting operational bottlenecks: delayed billing, passive receivables escalation, and excess inventory buildup.

Contract & Vendor Alignment:

Enforce strict contract terms and formalise lender communication to optimise supply-chain liquidity.

Relevant Client Case	
	A&M provided interim CFO services for an FMCG business where excess inventory was held, terms with suppliers were non-standard and unfavourable, production forecasts were not properly integrated with sales plans. A&M standardised terms (extending payment terms), reduced excessive inventory build ups and stood up a weekly process which aligned sales forecasts, to production schedules, to procurement.

With better liquidity control, CFOs will be able to better align funding capacity with growth ambitions, control refinancing risk, and retain stakeholder confidence

2. Cost

Structural Efficiency over Short-Term Cuts

Middle East cost bases are facing structural pressure from localised inflation, labour mandates, required digital transformation spend, regulatory developments, and intensifying global competition. Reactive, short-term cost-cutting exercises are not sufficient in this scenario. CFOs at leading organisations must implement permanent structural improvements:

Operating Model Optimisation:

Redesign organisational structures to eliminate functional redundancy and establish clear business-unit accountability.

Procurement Overhaul:

Rationalise third-party spending, consolidate vendor bases, and renegotiate supplier and subcontractor frameworks, thereby making procurement strategy a key lever for improving margins and cash generation.

Automation:

Target high-friction back-office transactions for digital automation to permanently lower the cost of service.

CFOs can support long-term competitiveness and financial resilience by embedding cost discipline into the decision-making process

3. CoGS

Protecting Product and Project Margins

For industrial, manufacturing, construction, and consumer businesses, Cost of Goods Sold is still one of the most important determinants of profitability. The region's continued price volatility, dependence on imports from other countries, logistics challenges, labour shortages, and fixed-price contract risk have continued to hit margins.

COGS need to be better administered by finance, operations, procurement, and supply chain teams. Managing COGS requires the CFO and his/her financeteam to embed themselves in supply chain operations:

Profitability Granularity:

Establish unit-level and project-level cost tracking to understand exact margin contributors and leaks.

Supply Chain Resilience:

Diversify regional sourcing, capitalise on local content frameworks, and eliminate design customisation in favour of standard, modular delivery methods.

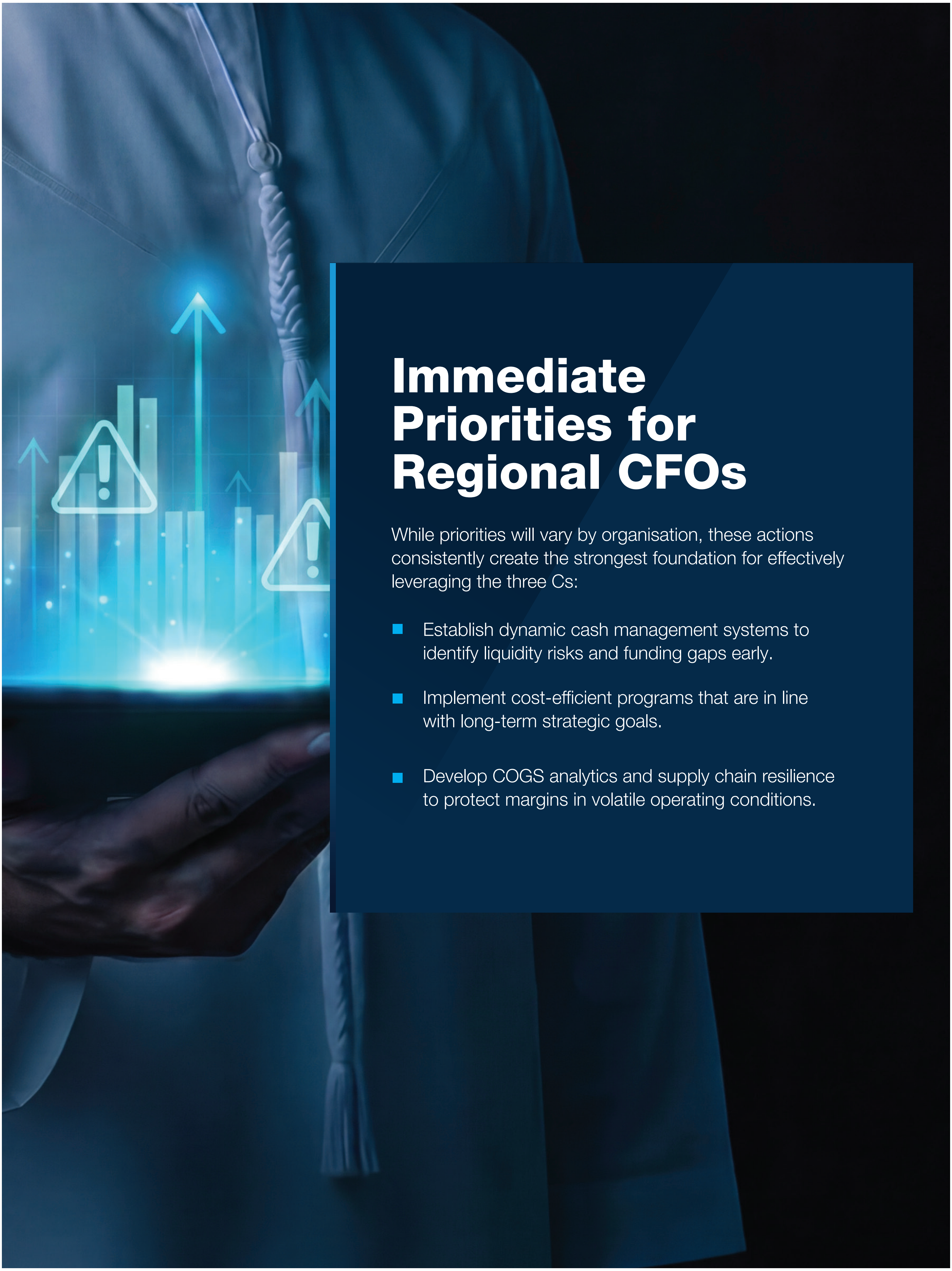
Cost-to-Complete Discipline:

Rigorously monitor real-time cost-to-complete metrics on active projects to prevent margin slippage.

Relevant Client Case

A&M were engaged by an aerospace MRO business. Previous inaccuracies in pricing and long-standing cash flow issues jeopardised their ability to fulfil multiple contracts. A&M established a granular view on pricing issues in underperforming contracts to underpin contract re-negotiations with customers. We subsequently supported the assessment of progress vs. cost to complete schedules which enabled the business to prioritise resource allocation towards the most cash generative contracts to improve overall liquidity.

Improving the COGS improves profit margins, provides greater flexibility in pricing, and boosts competitiveness in progressively advanced regional markets.



Immediate Priorities for Regional CFOs

While priorities will vary by organisation, these actions consistently create the strongest foundation for effectively leveraging the three Cs:

- Establish dynamic cash management systems to identify liquidity risks and funding gaps early.
- Implement cost-efficient programs that are in line with long-term strategic goals.
- Develop COGS analytics and supply chain resilience to protect margins in volatile operating conditions.

The Evolving Role of the CFO:

Bringing the Three Cs Together

Cash, Cost, and COGS are all interconnected levers and improvements in one of them strengthen the performance in the others. Better working capital increases liquidity, structural cost improvement improves cash generation, and better COGS performance protects margins and drives future investment.

For CFOs in the Middle East, there is merit in integrating these levers as part of a single performance agenda rather than as standalone initiatives.

In today's operating environment, organisations that consistently outperform are those that combine disciplined cash management, structural cost efficiency, and sustained margin improvement with rigorous execution.

The Three Cs provide a practical framework for CFOs in achieving exactly that.

How can A&M help

Our A&M Turnaround & Restructuring practice in the Middle East comprises hands-on operators with deep local knowledge and global restructuring expertise to deliver practical, results-oriented solutions for businesses facing financial and operational challenges. Our suite of services to address the challenges discussed above include:

Debt Advisory

- Advise performing and stressed businesses on capital structure strategy, balance-sheet optimization, and funding alternatives
- Capital advisory
- Special situations financing
- Debt capacity analysis and covenant advisory
- Distressed debt and special situations support
- Public and private debt financings and equity raises

Financial Advisory

- Independent business reviews
- Business plan assessment, development, and stress-testing
- Covenant compliance analysis and lender reporting
- Strategic alternatives and options analysis
- Performance improvement identification
- 13-week cash flow forecasting

Operational Turnaround

- Operational restructuring and transformation
- Cost reduction and efficiency improvement
- Supply chain and procurement optimization
- Revenue enhancement strategies
- Organizational design and workforce planning
- Process improvement and operational excellence

Interim Management

- Chief Restructuring Officer (CRO) services
- Interim C-suite and senior management
- Board advisory and governance support
- Crisis management and stabilization
- Transition management and change leadership
- Hands-on implementation and execution

Cash

- Cash flow forecasting and monitoring
- Short-term liquidity management
- Cash conservation and generation strategies
- Working capital optimization
- Cash culture implementation
- Treasury and cash management advisory

Insolvency

- Formal insolvency appointments and administration
- Insolvency planning and advisory
- Creditor advisory and committee support
- Cross-border insolvency coordination
- Asset recovery and realization
- Liquidation and wind-down management

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