

Steering through Volatility: CFO Priorities in the Current GCC Market Environment

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Introduction

The combination of current regional geopolitical tension and evolving investment dynamics has introduced a renewed layer of uncertainty for GCC executive management teams. This is especially relevant for Chief Financial Officers (CFOs) facing critical issues such as increased volatility in demand, supply chain disruption, decreased access to or increased cost of liquidity and rising operating costs.

Navigating these challenges requires a careful assessment of the impact on supply chains, cash and cost management in real time. In this context, CFOs are required to take a more dynamic and disciplined approach to safeguard existing value and maintain stakeholder confidence.

In particular, recent regional turmoil is expected to significantly disrupt crucial foreign direct investment (FDI), which is essential for strengthening non-oil sectors, boosting productivity and improving the GCC's integration into global value chains. A potential drop in FDI, combined with the likely slowdown of tourism inflows, at least in the short term, may meaningfully impact the economic growth plans of GCC countries. For context, GCC international tourism revenues surged by almost 40% over the past five years, reaching over US\$120bn in 2024, lifting the region's share of global tourism inflows to a record 7.5%.¹ This performance has been a direct reflection of GCC leaders' strategic positioning of tourism as a key non-oil economic growth driver in recent years, supported by large-scale investment and

coordinated regional growth plans to 2030, driven in large part by FDI and annual tourism revenues. The GCC also now plays a vital role in global connectivity, accounting for 5% of global international arrivals and 14% of global international transit traffic, as per the World Travel & Tourism Council (WTTC).

Closed airspace and severe disruptions to aviation and cruises in the Middle East have resulted in a decline in travel sentiment and confidence and international connectivity has slowed considerably. According to WTTC estimates, the current conflict may be impacting international visitor spending across the region by c. \$600mn per day, highlighting how vital the sector is to global movement.

Simultaneously, GCC leaders and governments are recalibrating and prioritising previous investment and growth plans, particularly with regard to project ambitions. Such spending adjustments are indicative of a more cautious and prioritised investment approach, in line with current regional uncertainty and tempered availability of and access to pools of liquidity.



¹ Statistical Centre for the Cooperation Council for the Arab States of the Gulf GCC: Gulf Cooperation Council

Key Operational Challenges in the Current Environment

Revenue Volatility and Softness of Demand

Geopolitical uncertainty is impacting regional business confidence, leading to delays in capital projects, slower consumer spending and reduced visibility on the expected quantum and timing of inflows. Certain sectors that face seasonality in demand patterns and/or that are tourism-reliant are facing even more difficult forecasting and planning scenarios.

Input Cost Pressures

As regional turmoil continues, businesses are likely to see significant further increases in input costs. Energy price fluctuations, logistics disruptions and supplier pricing dynamics will impact margins, with limited ability to fully pass on increases in cost to end customers.

Supply Chain Disruption

Regional tensions and shifting trade routes are increasing lead times and logistics complexity. In addition to the input cost impact, challenges in sourcing either the product or safe logistical passage to the region also add operational complexity and risk. Longer delivery lead times also adversely impact working capital requirements, increasing the cash conversion cycle for businesses when liquidity is of paramount importance.

Working Capital Pressures

The effects of the current crisis are expected to be most pronounced across working capital cycles. Payment behaviours are expected to become defensive, as purchasers seek to extend payment terms and preserve liquidity, while suppliers, facing their own constraints,



will seek to accelerate collections or further tighten credit terms.

These pressures typically emerge with a lag, often becoming visible only once receivables collections slow and liquidity tightens. As such, early identification and active management of working capital levers are critical to maintaining cash flow stability and operational resilience.

Financing and Liquidity Pressures

Lenders and credit insurers are becoming increasingly selective as they reassess sector exposures and further tighten underwriting standards, resulting in reduced liquidity headroom, more restrictive covenants and much greater scrutiny of borrowers and their underlying credit quality. Refinancing risk will also become more pronounced as debt maturities approach and come due amidst a more cautious funding environment. The current inflationary environment may potentially result in a deferral of any base rate reductions beyond 2026, which will further impact debt service costs and refinancing considerations. Regulators are taking steps, such as the five-pillar Resilience Package by the Central Bank of the UAE, to maintain liquidity and credit flow and reinforce market stability through proactive measures to secure confidence and ensure continuity.

Where Should CFOs Focus During This Time?

In this environment, liquidity and operational discipline are central to resilience. CFOs should focus on the following priority areas:

1. Protect Revenue and Optimise Revenue Quality

- Assess profitability at a granular level across products, customers and geographies
- Review underperforming or non-core segments and evaluate turnaround options based on complexity, cost, risk and ability to implement
- Prioritise high-margin and cash-generative revenue streams
- Establish forward-looking KPIs to detect early signs of margins erosion

2. Securing the Supply Chain

- Map existing entire supply chain, identifying critical suppliers and their risk profiles (geopolitical, financial, operational)
- Proactively identify current and potential supply chain weaknesses
- Explore alternative supply chain sources and develop contingency plans for existing critical suppliers
- Assess trade-offs between supply chain cost savings and securing supply

3. Cash Flow Management & Preservation

- Separate liquidity management from profitability by building a rolling 13-week cash flow that is reviewed, updated and maintained at least bi-weekly
- Overlay scenario and sensitivity analysis to stress test liquidity assumptions
- Actively monitor cash or liquidity runway and funding requirements

- Stress test existing business plans, including covenants testing and their potential impact on cashflows
- Implement disciplined cash governance across the organisation

4. Working Capital Management

- Understand cash conversion cycles to identify opportunities for improvement
- Accelerate receivables through focused collection strategies and dedicated teams, while carefully balancing commercial relationships given current market pressures
- Review payment terms and supplier arrangements
- Review and assess optimal inventory requirements, with consideration of pricing volatility and delivery lead time risk or disruption
- Identify and unlock any trapped cash within the business

5. Stakeholder Management

- Maintain proactive dialogue with lenders, investors and key stakeholders
- Explore refinancing, restructuring or alternative funding options where appropriate
- Develop “what-if” scenario analysis to assess stakeholder impacts
- Consider contingency plans, options analysis and restructuring readiness to respond to potential downside scenarios
- Explore refinancing, restructuring or alternative funding options where appropriate in order to preserve existing stakeholder value

How Teneo Can Help



Turnaround and Financial Advisory

- Identify and illustrate the impact of key risks and sensitivities on cash/funding requirements.
- Review financial forecasts, assess deliverability and develop upside/downside scenarios.
- Perform holistic business/divisional reviews, including buy/sell/fix/hold analyses.
- Set up monitoring dashboards to track KPIs and identify key portfolio risks.



Value +

- Develop performance improvement plans to drive EBITDA growth through both top-line revenue enhancement and strategic cost reduction initiatives.
- Identify P&L improvement initiatives on business plans and change projects.
- Identify opportunities to optimize the working capital cycle.
- Implement rapid transformation programs through active project management offices.



Service Offerings Optimization

- Develop a detailed understanding of business segment performance, cost attribution and margins
- Identify turnaround or exit options for loss-making and non-core product

lines/business in the suite of service offerings.

- Identify and prioritize profitable business segments that will underpin future short- and long-term strategic growth plans.
- Advise on the relative benefits of organic and inorganic growth alternatives such as joint ventures, M&A, etc.



Scenario and Options Analysis

- Identify scenarios and developing contingency plans for each potential scenario, considering upsides/downsides.
- Review the options available to creditors and assessing the likely outcome in each scenario.
- Prepare Estimated Outcome Statements to show the likely outcome in the event of insolvency.



Short-Term Cash Flow Reviews and Liquidity Management

- Review governance and cash controls, with a focus on transparency.
- Set up short-term cash flow review processes and cash management offices and quantify short- and long-term funding requirements.
- Identify potential liquidity release levers such as assets that could be used as security or sold, etc.
- Use data analytics tools to identify quick wins and unlock trapped cash.

Conclusion

Periods of uncertainty require executive management teams, particularly CFOs, to follow a proactive and disciplined approach to ensure that measured actions are taken. Early intervention, transparent stakeholder engagement and rigorous cash management can significantly help stabilise businesses, particularly in volatile environments.

The locally based Teneo senior leadership team would be pleased to discuss how we can assist you in effectively navigating this period of uncertainty.

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