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CPE WEBINAR

Trade Shifts and CFO Strategy: Steering Through Tariff Volatility

November 13, 2025



Objectives for today's webinar



Provide clarity on the evolving tariff and trade landscape



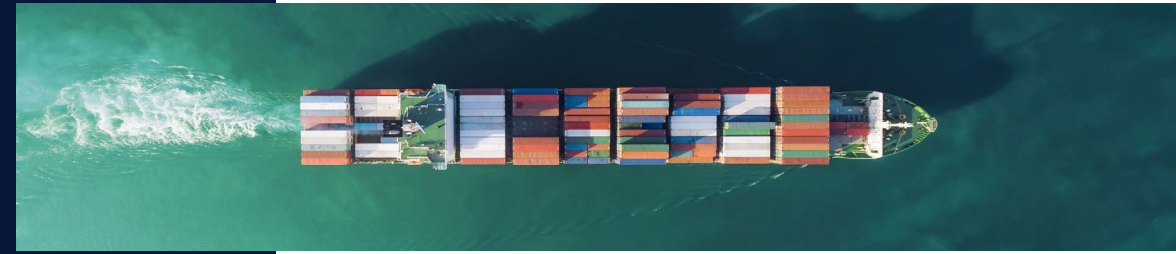
Address documentation, modeling, and accounting standards



Share best practices to strengthen financial and operational readiness



What to communicate to stakeholders about tariff impacts and other important year-end considerations



Webinar Reminders

- During this session, 4 polling questions must be answered to obtain CPE
- Feel free to ask questions using Zoom Q&A
- On-demand video is not eligible for CPE
- Access resources, biographies, and other info at the bottom of your Zoom screen

A follow-up email will include:

- CPE certificate & webinar evaluation form
- Access to today's recording and slides
- An opt-in to receive future webinar invites

Trade Shifts & CFO Strategy:
Steering Through Tariff Volatility

Moderator



Michelle Laitinen

Managing Director,
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On Today's Webinar

Panelists



Lara Long

Managing Director,
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Chad Fleeger

Director, Supply Chain and
Operations, Tariffs and
Trade



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Managing Director, Strategic
Communications Practice
Leader

POLLING QUESTION #1

Which area is most challenging for your organization in navigating tariff volatility?

- A. Financial planning
- B. Operational execution
- C. Reporting
- D. Managing customer or supplier relationships
- E. Stakeholder communications





CURRENT STATE | What's happening in the world related to the US initiated tariffs

Select Tariff and Trade Events



Select_Highlights of tariffs that have been imposed

Updated November 13, 2025 - subject to change...please refer to rules of origin and regulation details for specific commodity details

Canada	Mexico	China	India	Steel/Aluminum	Other
– US applies 25% on all products (plus an additional 10% due to a PR issue) except energy at 10% – Equal retaliatory tariffs – <u>Majority</u> of qualifying USMCA goods are exempt for all products, including automotive – November 1 - new tariffs on medium/heavy-duty trucks and parts (25%) and buses (10%)	– US applies 25% on all products – Mexico still has no official retaliatory tariffs	– US applies a vast / complex landscape – ranging from 7.5% - 100%, average ~60% – China retaliation, 84-125% – China using rare earth minerals as negotiating leverage – Negotiations / trade war truces have been on / off – October 2025 meeting had a positive tone, notable outcomes – reduction of the fentanyl and reciprocal tariffs to 10%	– August 2025 - US increased tariffs to 50% (from 25%) on majority of products – Increase linked to purchase of Russia oil – Varied retaliatory tariffs in play – average rate 20% – Bi-lateral negotiations in progress	Remained steady since June 2025 – Increased to 50% (from 25%), exclusions / exceptions removed – UK remains at 25% – Duty Drawback is no longer permitted – The exclusion petition process remains closed – Tariff stacking allowance is situational pending classification of the goods	– US / EU deal framework is in progress, not finalized – 25% (secondary tariff) on countries purchasing Venezuela oil – Considering similar secondary tariff related to Russia oil – 100% tariff on branded / patented drugs announced / not yet enforced

“Liberation Day” – Reciprocal Tariffs

- | | |
|---|---|
| Regulate US imports with a reciprocal tariff to rectify large and persistent trade deficits | <ul style="list-style-type: none">– April 5, 2025 - baseline tariff rate of 10% on all imports into the US went into effect– April 9, 2025 – implemented higher, tariff rate up to as high as 50% for dozens of countries based on trade deficits– Goods already subject to other tariffs regimes were treated separately therefore not stacked, some exceptions were allowed– Multiple lawsuits filed challenging legality of Liberation Day tariffs, arguing that the IEEPA does not authorize the use of tariffs in this way |
|---|---|

High-Level View of the Supreme Court Case and Impact

The International Emergency Economic Powers Act (IEEPA)

IEEPA is a US federal law that grants the President authority to regulate economic transactions which include imports / exports when the President declares a national emergency due to an “unusual and extraordinary threat” to the U.S. which originates (in whole or in part) outside the United States.

The Situation

Under IEEPA the President can declare a national emergency, then regulate or prohibit “any transactions” involving a foreign country or national when that is necessary to deal with the threat.

The BIG Question –

Does IEEPA authorize the US President to impose broad tariffs or duties on imports on the basis of trade deficits or “reciprocity” arrangements?

The Challenge

1. May 2025, the Court of International Trade (CIT) ruled that the President exceeded his authority under IEEPA when applying the “Liberation Day” tariffs
 - US government filed a same day appeal which has allowed the tariffs to stay in effect
 2. August 2025 - The appeal was escalated to the Supreme Court for final ruling
 3. November 2025 – Supreme Court has heard initial arguments with a continuation in progress
 - Decision timing is unknown – potentially Q1 2026
- If Liberation Day tariffs are deemed unlawful then importers will likely have the ability claim refunds for past tariffs paid.

*Note – tariffs have remained in effect since April 2025

How Companies have been impacted and taken action

Kimberly-Clark disclosed 2025 cost of goods sold is expected to be about US\$500 million higher than 2024, with approximately US\$300 million attributed to U.S. tariffs.

Ford announced it expects a \$1.5 billion hit to 2025 operating profit due to U.S. tariffs and withdrew full-year guidance then increased the estimate to \$3 billion 2 months later.

Hermes implemented a 10% price increase to cover the April announced reciprocal tariffs on all goods in the U.S. market only, fully shifting the burden to US consumers.

P&G announced a planned ~5% price increase on ~25% of U.S. product portfolio to offset ~\$1 billion in U.S. tariff cost impact.

Nucor Steel announced plans for multiple U.S. mill expansions and strong domestic shipments, taking advantage Section 232 import tariffs on foreign steel.

Abbott Labs will invest \$500M in U.S. manufacturing and R&D in Illinois and Texas amid tariff uncertainties planned for the pharmaceutical industry.

Micron Technology plans to spend approximately \$200 billion in the U.S., ~\$150 billion for manufacturing capacity and \$50 R&D efforts.

J&J is committing >\$55 billion to U.S. investments, manufacturing and R&D. The investment will support three new advanced manufacturing facilities and expand several existing sites.

Successful companies take decisive action to manage risk and optimize operating models in collaboration with other functional areas

	Prepare – Short Term Do not Delay	Act – Intermediate Term Take Decisive Action	Manage – Long Term Assess and Course Correct
Global Trade and Supply Chain	– Understand tariff/regulation changes and translate into business impacts – Evaluate “quick-win” mitigation levers – Engage with suppliers, customers, logistics partners – Build a Digital Twin Model for scenario analysis	– Diversify sourcing; identify / use new suppliers or alternative locations – Modify supplier agreements to absorb tariff related costs – Coordinate with brokers/forwarders to stay compliant – Implement duty deferral, recovery, and avoidance strategies	– Advocate for policy changes – Monitor geopolitical shifts and tariff changes; communicate updates – Refresh to digital twin model for revised analysis of scenarios – Partner with business units to develop mitigation strategies through 2026
Finance and Commercial	– Assess customer and product profitability – Assess at-risk customers/review reserves – Review AR/AP strategies for cash flow	– Implement cost reduction initiatives – Implement CPM/Scenario Analysis tool – Update customer agreements to pass through tariff related costs – Develop / enhance financial focus through an advanced S&OP process	– Stay close to your customers – Continuously monitor competitor actions – Consider impact of tariffs while calculating adjusted EBITDA for lenders, Investors, or in a transaction scenario
Tax and Accounting	– Update global cash tax forecast and models with most recent tax data – Evaluate existing transfer pricing arrangements and update as needed – Identify accounting reporting and disclosure potential impacts	– Evaluate cash repatriation costs and transfer pricing adjustments – Evaluate potential balance sheet adjustments – Evaluate potential income statement adjustments	– Model global income and other taxes – Review transfer pricing and optimize income/loss positioning – Reassess global structure as impacts stabilize – Prepare and update disclosures and reporting

POLLING QUESTION # 2



Which primary measure has your company implemented to mitigate the financial and operational impact of tariffs?

- A. Reevaluated supply chain and sourcing strategies
- B. Incorporated tariff scenarios into financial planning and forecasting models
- C. Enhanced accounting and reporting processes
- D. Adjusted pricing strategies or customer communications
- E. No formal measures implemented yet, but will assess impacts in 2026

ACCOUNTING STANDARDS

| Key Financial Reporting and
Disclosure Impacts



Balance Sheet Impacts



Long-lived Assets

- Recoverability (declining cash flows)
- Assumptions regarding recoverability
- Impairment indicators/triggers and interim impairment testing
- Other assets to be considered for recoverability, including deferred tax assets and lease assets

Inventory

Net Realizable Value (NRV of Inventory)

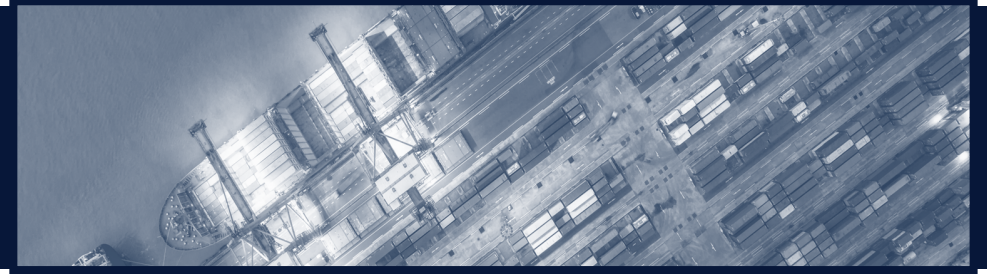
- Increase in acquisition costs
- Re-evaluate standard costs and timing
- Ability to implement price changes for customers
- Tariffs, or the increase in tariffs, are not considered “abnormal costs”
- Post balance sheet tariffs and their indirect affect to “NRV”
- Disclosure of pending “write-down” in the future

Accounts Receivable and Contract Assets

- Do they need to be reviewed for possible “write-down/write-off”?
- Reassess CECL risk bucketing

Balance Sheet Impacts

- *Continued*



Liabilities and Obligations

- Incurred liability versus contingent liability
- Transfer pricing arrangements may be impacted or used to mitigate the impact of tariffs, and therefore, this could give rise to uncertain tax positions under ASC 740
- Restructuring provisions should be assessed if undertaking restructuring activities or discontinued operations
- Debt covenants could be impacted which may change the classification of current versus noncurrent debt
- Loss contracts could arise with suppliers/vendors
- Assess any impacts to benefit plans including impact to defined benefit obligations and actuarial valuations
- and assumptions
- Review estimates for stock-based compensation expenses and obligations

**Potential impact both to
balance sheet and income
statements**

Hedge Accounting

Increased uncertainty could impact hedge effectiveness and the probability of forecasted transactions

Income Statement Impacts



- Confirm customer contracts remain enforceable
- Tariff-related price changes follow variable consideration if contractually defined; otherwise, treat as a modification or apply to future contracts
- Account for price changes prospectively if remaining goods/services are distinct; otherwise, use cumulative catch-up
- Tariff on imported goods are not subject to the practical expedient of ASC 606-10-32-2A where a company can elect to exclude taxes from revenue showing revenue net of taxes.
- If recognizing revenue over time using a “cost to cost” measure of progress or the “input method,” companies must assess whether they will be able to pass on the cost of rising tariffs to customers. If tariffs have not been assessed, but are included in total estimated costs to complete, this could result in a decrease in revenue recorded in interim periods.
- Identify loss contracts if costs exceed expected revenue

Fair Value Considerations

- Discount rate assumptions in fair value models (e.g., cash flow forecasts) should reflect company-specific risk premiums, including tariff risks
- Consider using expected cash flow models with probability-weighted outcomes, factoring in tariff duration, customer behavior, and market conditions
- Disclose key assumptions and inputs used in valuation models
- Tariff impacts may alter market participant assumptions regarding asset sales or liability transfers

Disclosures



Financial Statement disclosures related to balance sheet and income statement impacts

Interim Reporting Disclosures

Going Concern Assessment

ICOFR

- Impact to key controls in internal control environment due to additional reviews needed for impairment, contingencies
- Frequency and level of precision
- New DOA process due to re-sourcing suppliers?

Risks and Uncertainties

Commitments and Contingencies

MD&A

- Geopolitical conditions
- Commodity price volatility
- Credit/capital market disruptions
- U.S. dollar appreciation/impact
- Increase in interest rates
- Supply chain disruptions/shortages/production impacts

POLLING QUESTION # 3

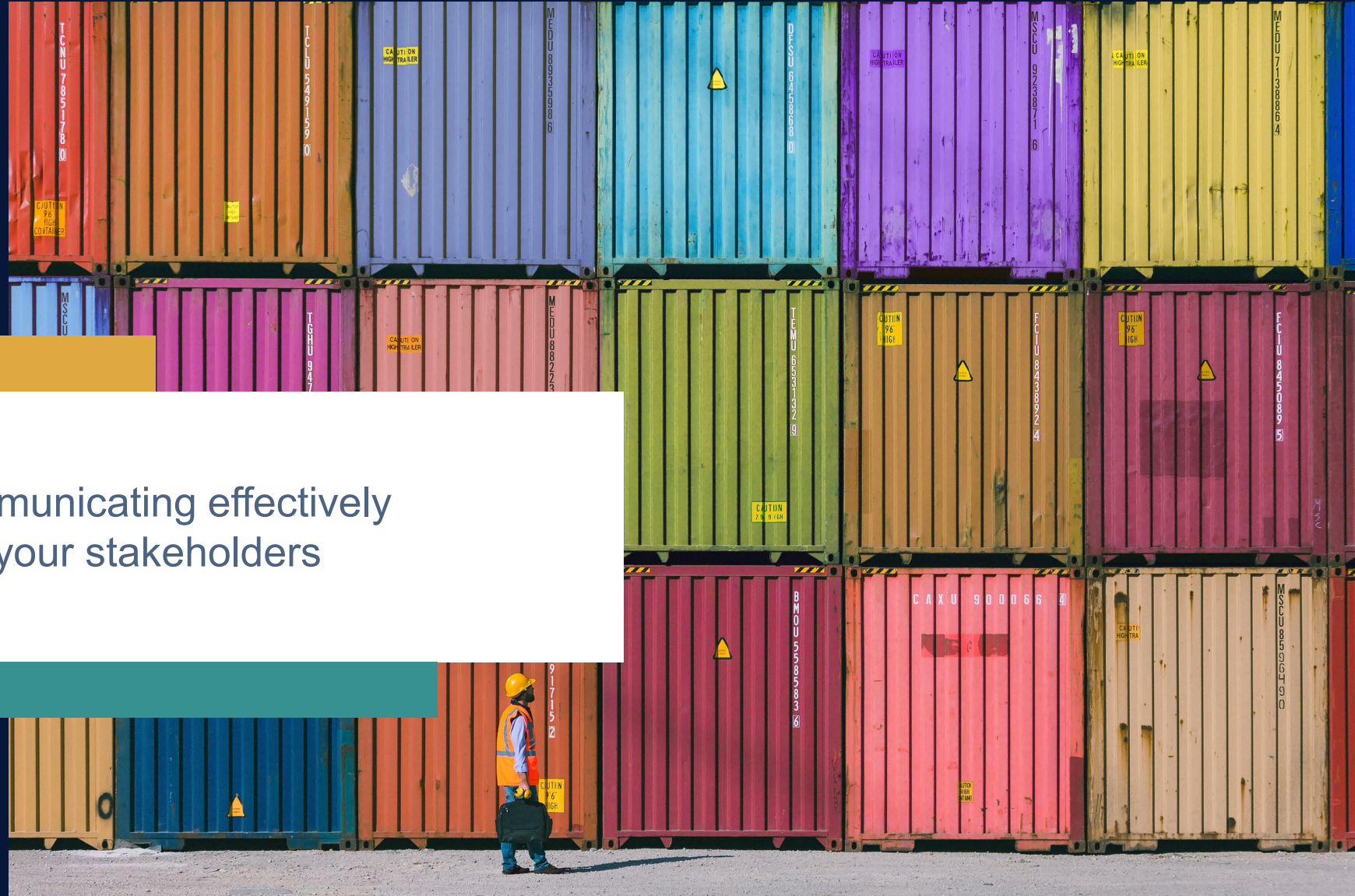


To what degree has your company formalized tariff-related reporting across your financial disclosures, investor communications, and management reports?

- A. Fully integrated – Consistently reflected in disclosures, presentations, and internal reports
- B. Partially implemented – Not yet standardized
- C. Informal or Ad-hoc – discussions occur internally, but not yet documented in official reporting
- D. Not yet addressed – no formal inclusion of tariff-related disclosures or reporting to date

Strategic Communications

Communicating effectively
with your stakeholders



POLLING QUESTION # 4

How effectively do you believe your company is communicating tariff-related updates to key stakeholders (investors, customers, employees, and partners)?

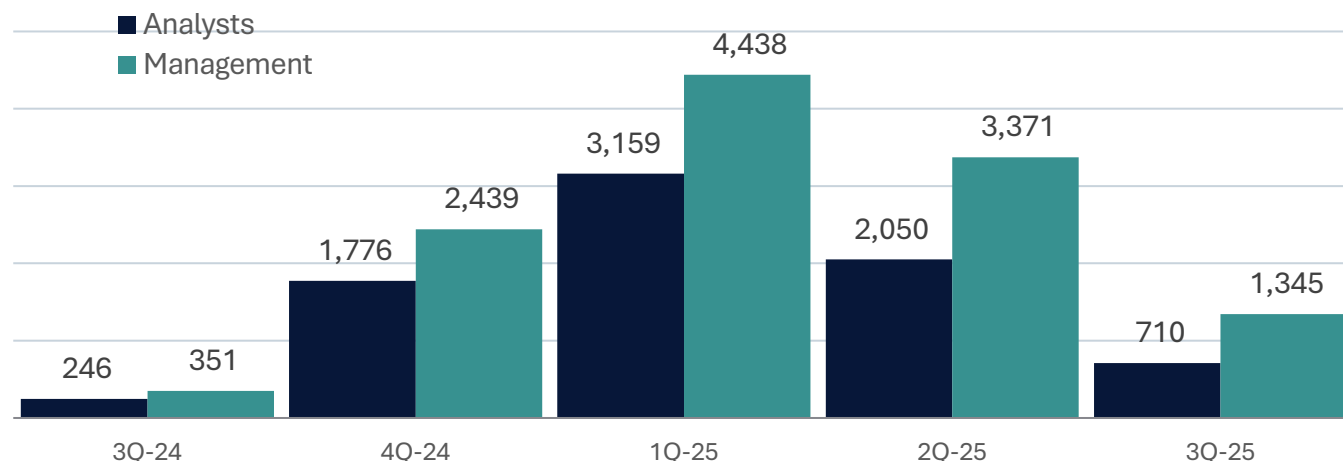
- A. Very effectively – we have a clear, proactive communication strategy
- B. Somewhat effectively – communications occur as needed, but not consistently
- C. Ineffectively – messaging is reactive or lacks alignment
- D. Unsure – tariff-related impacts have not been communicated



Rethinking Tariff Communications

Tariffs no longer dominate the dialogue. Investors have moved past ‘what’s the cost?’ to ‘how did you diversify and mitigate?’ Next step: “real” guidance.

Tariff Mentions (Fortune 100 Companies)



Source: AlphaSense Trend Analysis

Sector Snapshot

- **Industrials:** focused again on execution and pricing discipline
- **Consumer/Retail:** leaning on supplier concessions and cost recovery
- **Autos:** offset mechanics now drive the narrative
- **Tech Hardware:** the outlier, still citing real tariff dollars.

What’s Changed

- Tariff questions have fallen sharply because risk is better understood
- Investors care more about how companies are managing tariffs than the size of the hit
- Companies are spending more time explaining how they adjusted sourcing, pricing, operations
- The tone of earnings calls has shifted from problem-identification to proof of control

What Investors Want to Hear

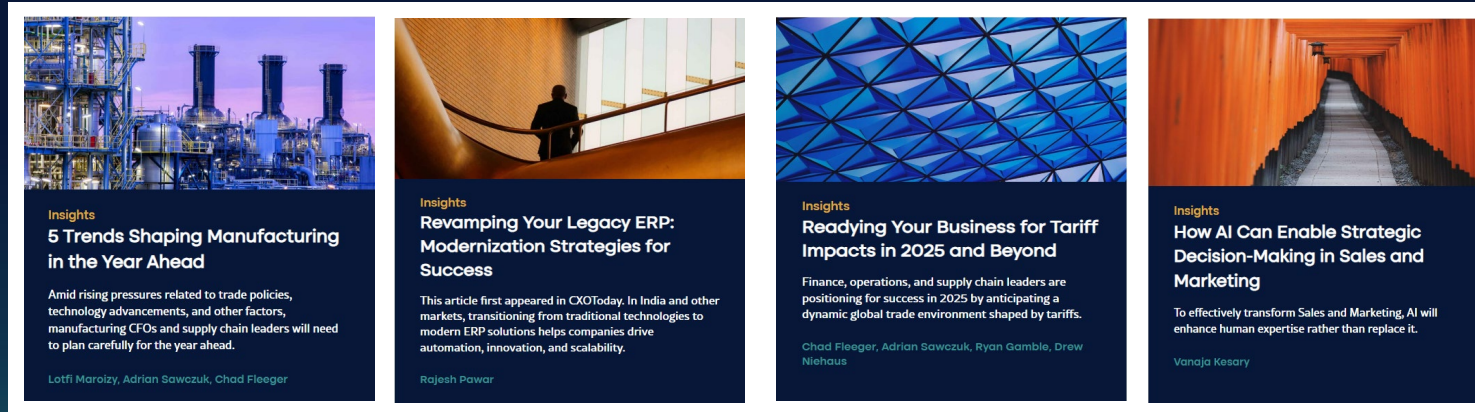
- Explain clearly how exposure has changed / why
- Show how mitigation actions support margins and cash flow
- Give a simple view of timing and potential risk scenarios
- Provide “real” guidance, as soon as you can
- Offer enough visibility on the path forward to maintain investor confidence

Thank you!

Q&A and Related Resources

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