



Balancing optimism with risk aversion

Central Europe CFO Survey | Bulgaria

2018 | 9th edition

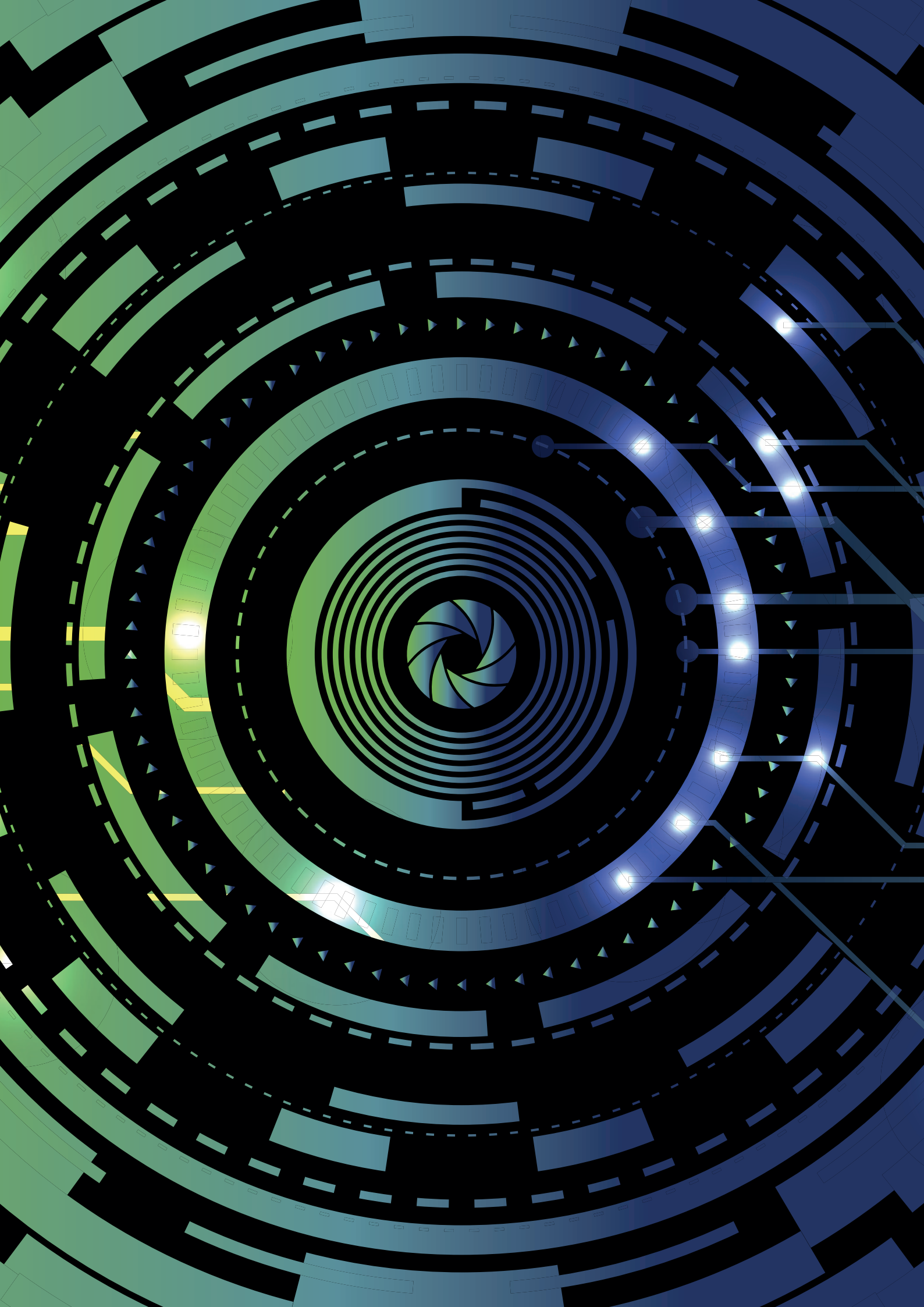
The **CFO** Program



We would like to thank all participating CFOs for their efforts in completing our survey. We hope the report makes an interesting read, clearly highlighting the challenges facing CFOs, and providing an important benchmark to understand how your organization rates among peers.

Contents

Foreword	4
Key findings	5
Methodology	8
CFO Confidence Index is up	10
Economic outlook	12
Business environment outlook	18
Company growth outlook	28
Automation	36
Contacts	44



Foreword



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Welcome to the Deloitte CFO Survey in Bulgaria.

This is the 9th edition of the Deloitte CE CFO Survey report, tracking the latest thinking and actions of CFOs representing largest and most influential companies in the region.

For Bulgaria the survey was held for the 7th time, following the Central-European questionnaire and methodology. CFOs were asked to share their expectations in three major areas: economic outlook, business environment outlook and companies' growth outlook. A new topic to explore in this edition of the survey was digitalization in the companies with respect to the finance function.

The broad picture arising from this year's survey shows a population of CFOs looking to 2018 and beyond with optimism – but an optimism that is touched with caution deriving from their awareness of possible obstacles, particularly relating to recruitment and cost increases. As a result, they will restrict the levels of risk that they are willing to take.

The findings in this report are positive overall, painting a region-wide picture of confident GDP expectations and the anticipation of company growth.

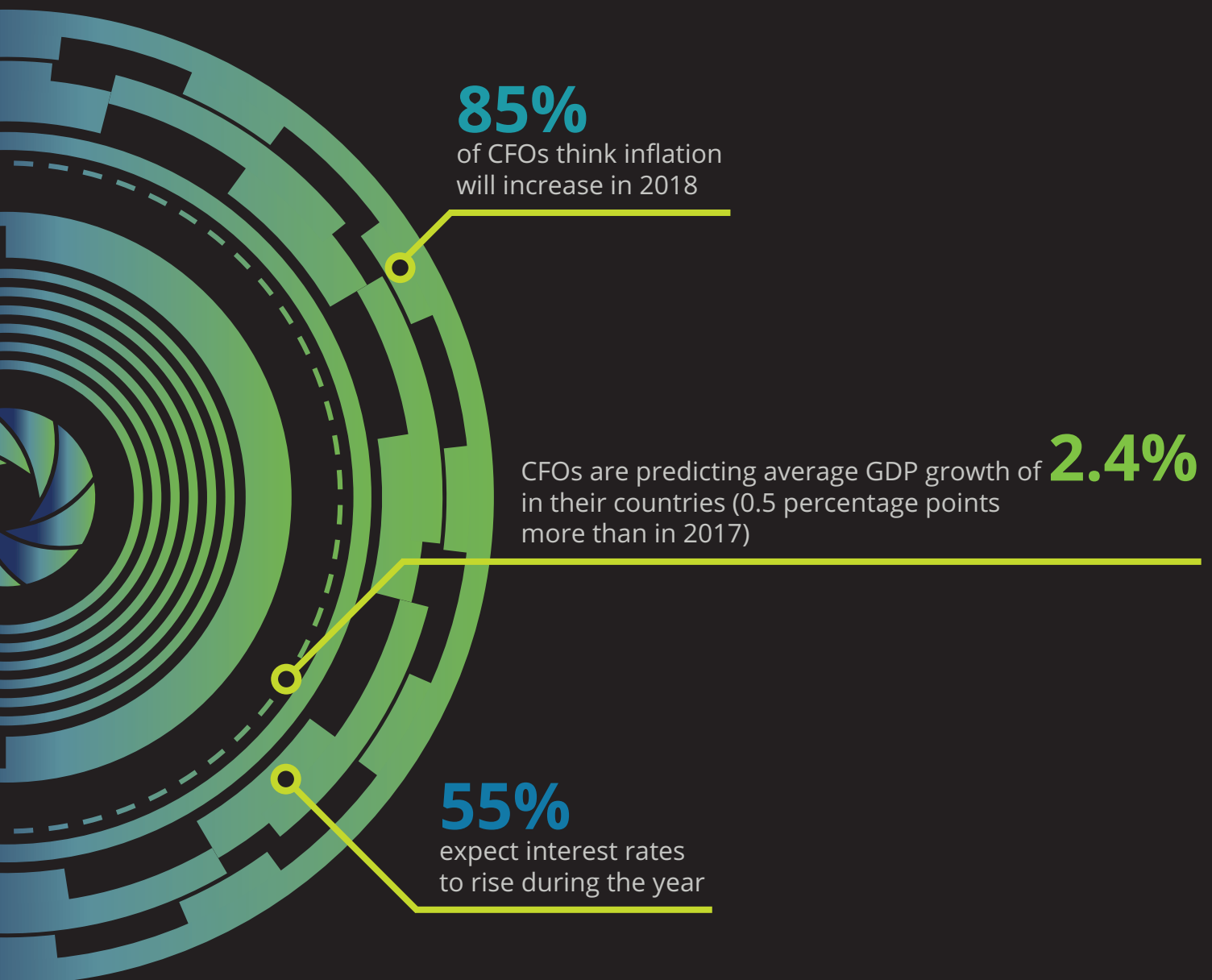
However, these views are not translating into an increase in the region's enterprising spirit. On the one hand, respondents continue to see the level of uncertainty as 'normal'. On the other, there is still a general tendency to be risk averse, which has dominated the CFO survey results ever since the global financial crisis that is now close to a decade ago.

Without some preparedness to take greater risk, companies are not going to achieve their full growth potential. The CFO Confidence Index reaches a three-year high in this edition of the survey, but economic and financial uncertainty still appears to be a significant factor in how participating CFOs perceive the economy.

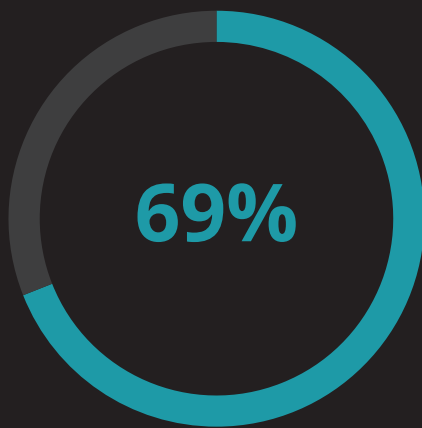
I take the opportunity to thank all CFOs from Bulgaria, who took time to participate in the survey and contributed to making these pages a useful readers' experience.

Key findings | Regional perspective

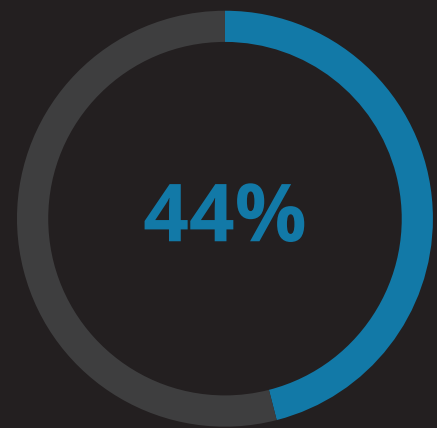
Economic outlook



Business environment outlook



A significant majority – **69%** of respondents – do not think 2018 will be a good time for companies to take on more risk



44% believe the impact of interest rates on their business is too small to influence company strategy

Company growth outlook



91% of CFOs expect workforce costs to increase in 2018



Only a small fraction of CFOs, **13%**, expects CAPEX* to fall in 2018



Nearly half (**46%**) of CFOs expect their workforce to expand in 2018, slightly more than in the 2017 survey

*capital expenditures

Methodology

About the data

The findings presented and discussed in this report represent the opinions of nearly six hundred CFOs based in twelve Central European countries: Bulgaria, Croatia, the Czech Republic, Hungary, Latvia, Lithuania, Poland, Romania, Serbia, Slovakia, Slovenia and the Ukraine.

The survey was conducted between September and November 2017.

When 'Eurozone' is used in the charts and infographics in this report, it refers to the Central European countries in the survey that have adopted the European currency. 'Non-Eurozone' refers to the other CE countries covered by the survey. When we use 'EU', this refers to those surveyed Central European countries that are full members of the European Union.

Some of the charts in the report show results as an index value (net balance). We calculate this by subtracting the percentage of respondents giving a negative response from the percentage giving a positive response. We deem responses that are neither positive nor negative to be neutral. Due to rounding, responses to the questions covered in this report may not aggregate to 100.

Some findings include a comparison with those presented in the previous edition of this survey, based on a sample of the eleven countries that appear in both editions. Please note that due to the limited number of answers from Slovakia and the Public Sector in the current survey, data concerning those two elements needs to be interpreted cautiously.

The Deloitte Central Europe CFO Confidence Index consists of three sub-indices that reflect CFOs' optimism (or lack of it) about three key issues:

- Economic processes (the Economy Confidence Index): this is based on questions about economic growth, unemployment and the Consumer Price Index (CPI);
- The business environment (the Business Environment Confidence Index): this is based on questions concerning uncertainty, risk, operational expenses, the attractiveness of different sources of funding and opinions about the M&A market;
- Prospects for the development of the CFOs' companies (the Company Perspective Index): this is based on questions concerning the company's future, its financial position (revenue, debt-servicing capabilities, capital expenditure and margins), its predicted level of gearing and employee numbers.

The sub-indices are a mean of the net balance index for selected questions. The main index is a mean of the sub-indices and assumes values between - 100 and 100: - 100 means that a given CFO provided only pessimistic answers, while 100 means only optimistic answers were given.

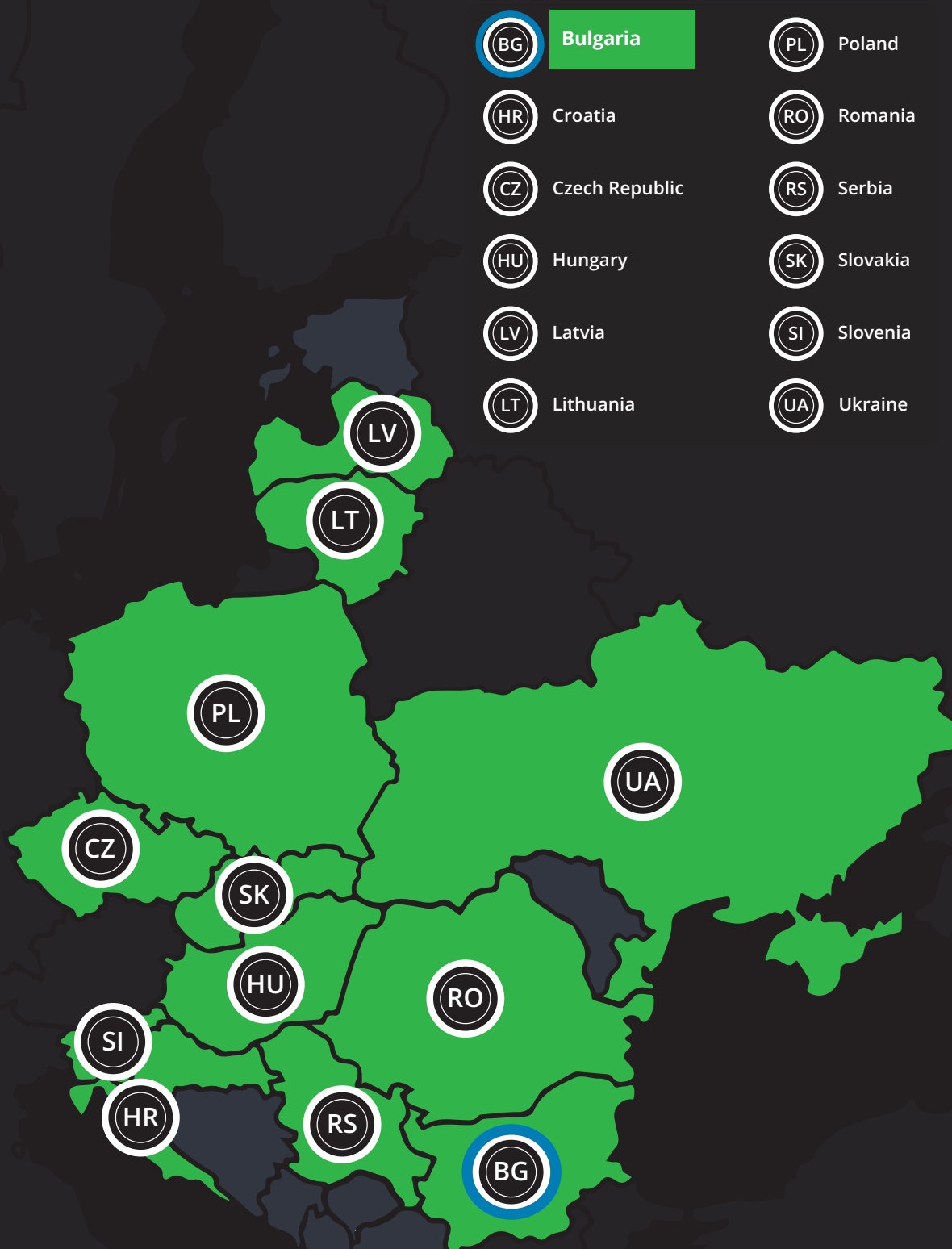
The findings discussed in this report represent the opinions of

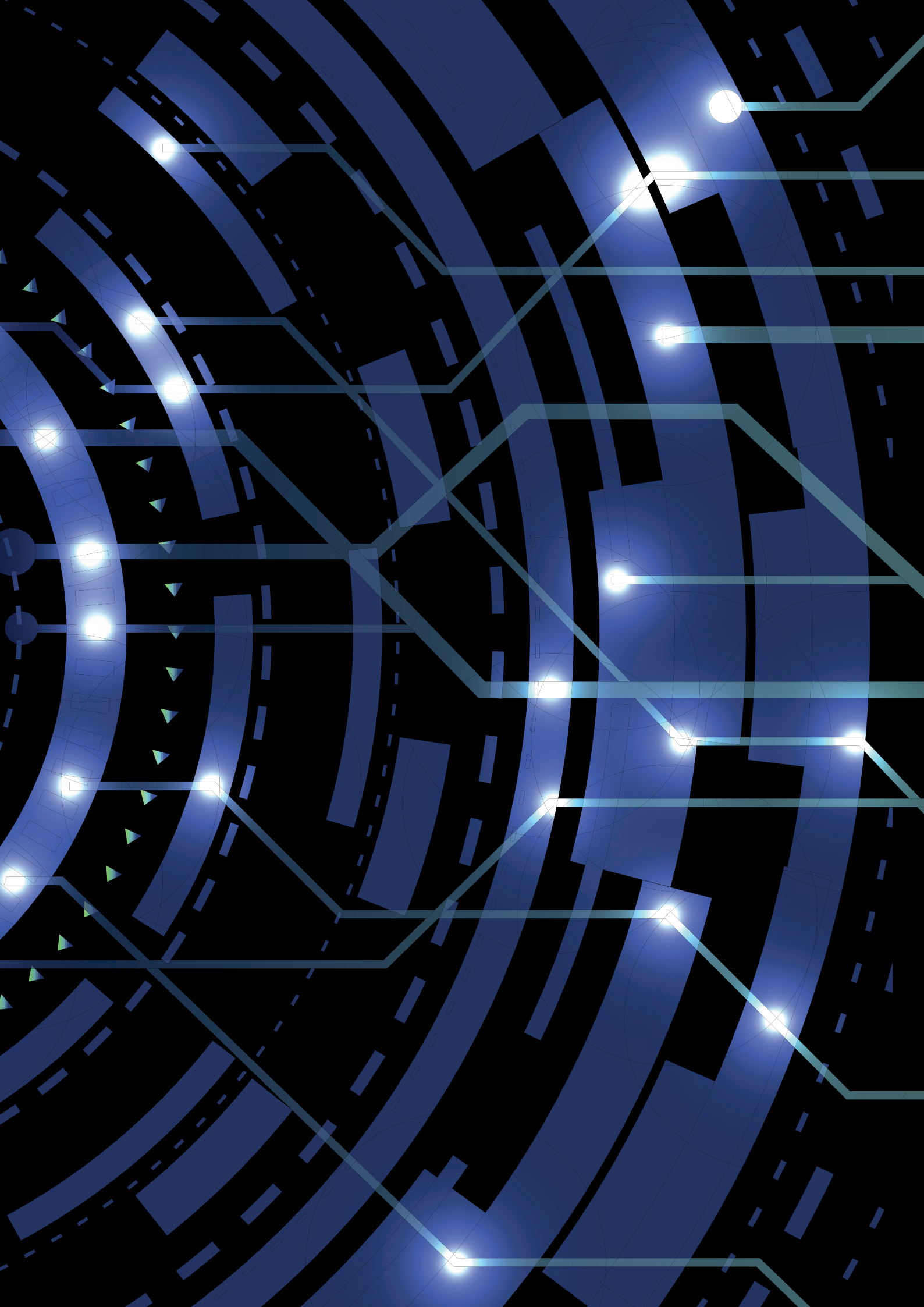
600 CFOs

based in

12 Central European countries:

Bulgaria (BG), Croatia (HR), the Czech Republic (CZ), Hungary (HU), Latvia (LV), Lithuania (LT), Poland (PL), Romania (RO), Serbia (RS), Slovakia (SK), Slovenia (SI) and the Ukraine (UA).





CFO Confidence Index is up across Central Europe

Overall, the participating CFOs display more confidence than in previous editions of the survey. The CFO Confidence Index has risen by 10 pp, from 13% last time to 23%. This rise is mainly driven by increased optimism among finance function leaders regarding future macro-economic conditions.

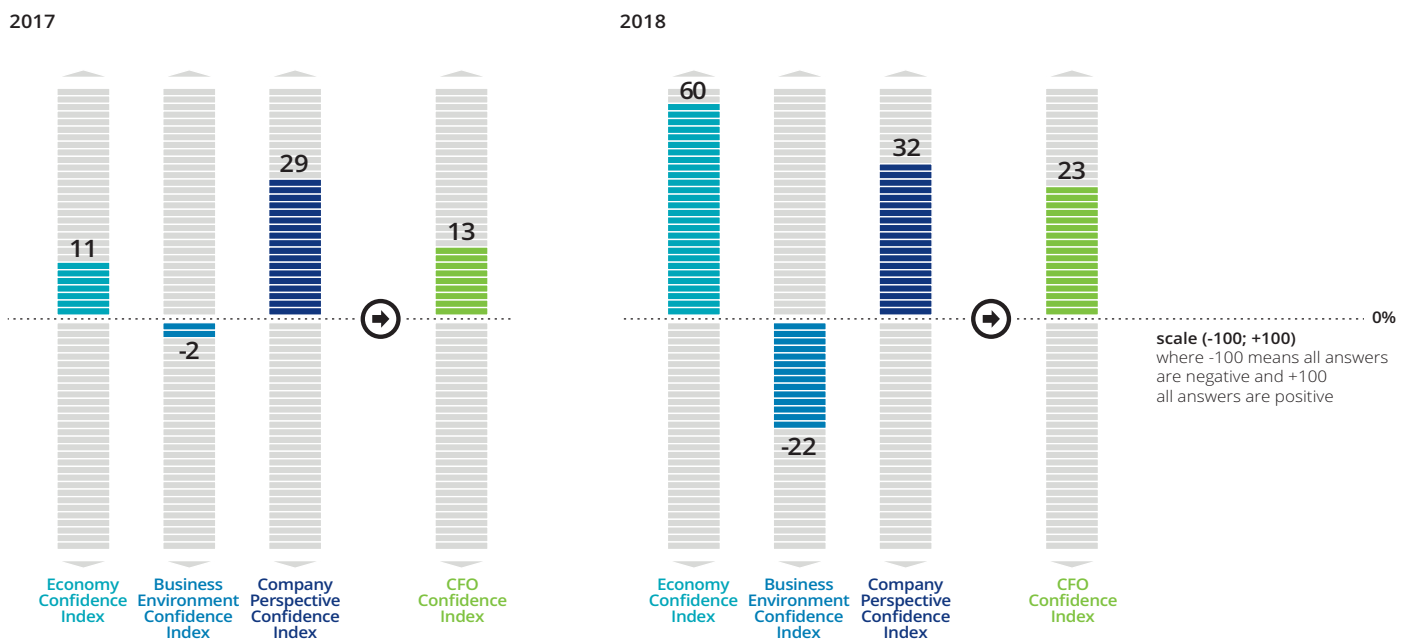
There is a significant increase in the Economy Confidence Index, rising by 49 pp to 60%. This may reflect the robust

performance of the European economy in 2017, leading to a highly optimistic outlook for 2018.

At the same time, the value of the Business Environment Confidence Index has shown a steep decline (from -2 to -22%). This may be linked to the fact that CFOs are predicting almost all cost categories to increase in 2018. Cost-related issues have a high impact on the value of this index.

At 32%, the value of the Company Perspective Confidence Index is little changed from that in last year's report (29%). This may reflect the fact that CFOs expect their companies to develop steadily in the year ahead, with a positive economic performance balancing out any cost pressures.

CFO Confidence Index by sub-indices





Economic outlook

GDP growth during 2017 was better than participating CFOs anticipated in the last report: five of the twelve countries in our sample achieved 3.5% growth or higher in the third quarter, with Romania leading the way. Such strong GDP growth rates may have influenced CFOs' predictions this time – when it comes to growth rates in 2018, there has been a significant rise in optimism.

The average prediction for GDP growth for each of the countries in our sample is positive, equalling 1.8% or above. The average prediction for all countries is 2.4%, a rise of 0.5 pp since the previous survey.

In addition, it is likely that rapid growth has contributed to the fact that the majority of CFOs expect interest rates to increase or remain the same in 2018; CFOs from Eurozone countries are more likely to expect interest-rate stability than their non-Eurozone counterparts.

For the second successive time, the proportion of CFOs expecting a fall in unemployment has risen, this time reaching 47%. Only in the Czech Republic did we see a negative net balance of answers, meaning that when it comes to the employment outlook for 2018 more Czech CFOs are pessimistic than optimistic.

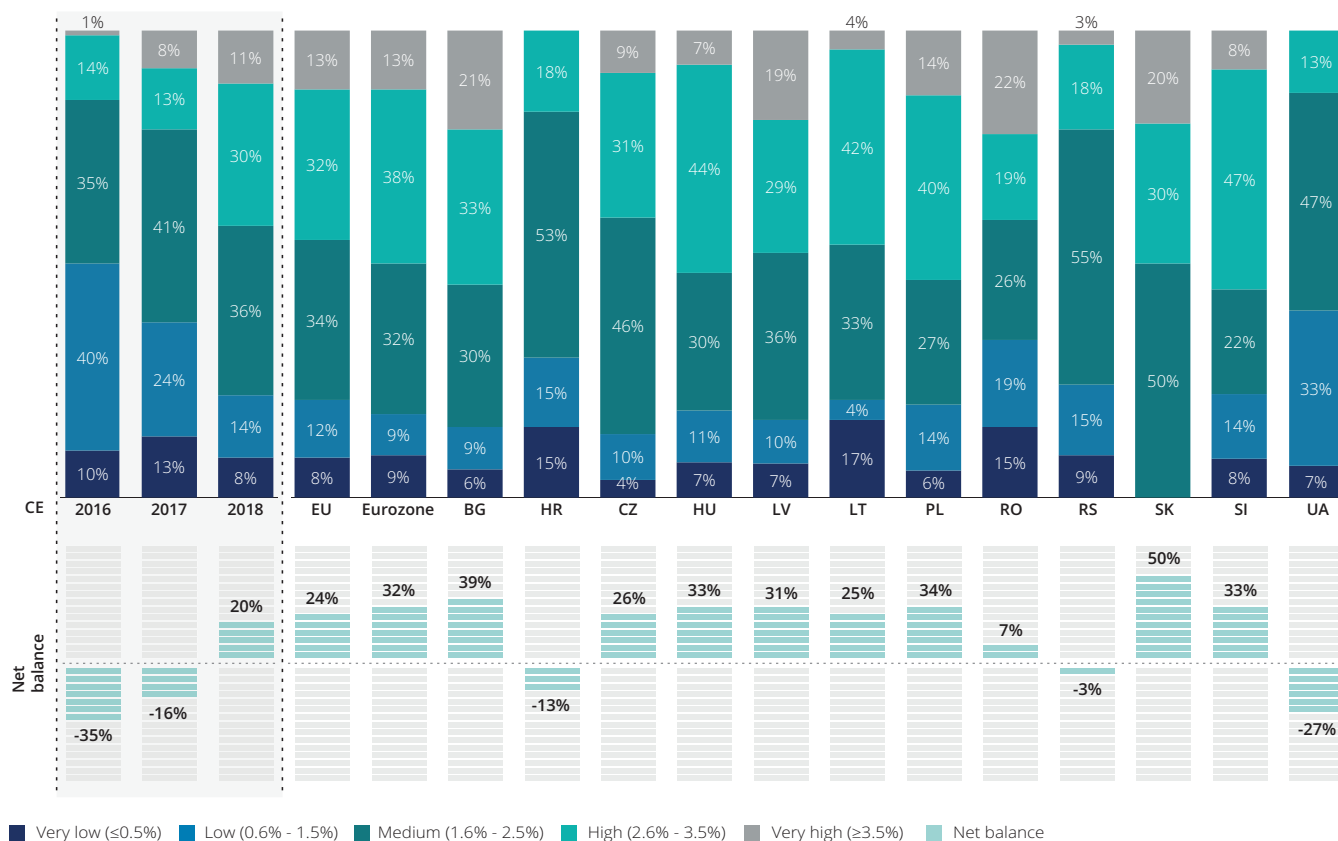
An overwhelming net balance of 85% of CFOs also believes that consumer prices will increase in 2018. This belief is particularly strong in the Czech Republic and Lithuania, with more than 90% of respondents expecting a positive inflation rate in 2018.

CFOs are again more optimistic on GDP growth

The proportion of CFOs expecting high or very high GDP growth in the next year has nearly doubled since the last survey (from 21% to 41%). Similarly, the mean of CFOs' predictions for GDP growth has risen from 1.9% to 2.4%. (The scale in question was from -5% to 5%.) The optimistic predictions for GDP are understandable: following the financial crisis and slow down, accelerating economic performance is currently giving a boost to all sectors.

CFOs in Bulgaria expressed the highest optimism about GDP growth in 2018, 54% of respondents expecting growth of at least 2.6%. Expectations for economic growth among the CFOs in Bulgaria improved for fifth consecutive year amid the accelerating nationwide and Eurozone economic recovery. All respondents expect GDP to grow with more than 84% of the CFOs projecting growth between 2-4%, a dramatic improvement compared to the 54% in 2017 and 48% in 2016.

What is your expectation for your country's economic GDP growth for the year 2018?



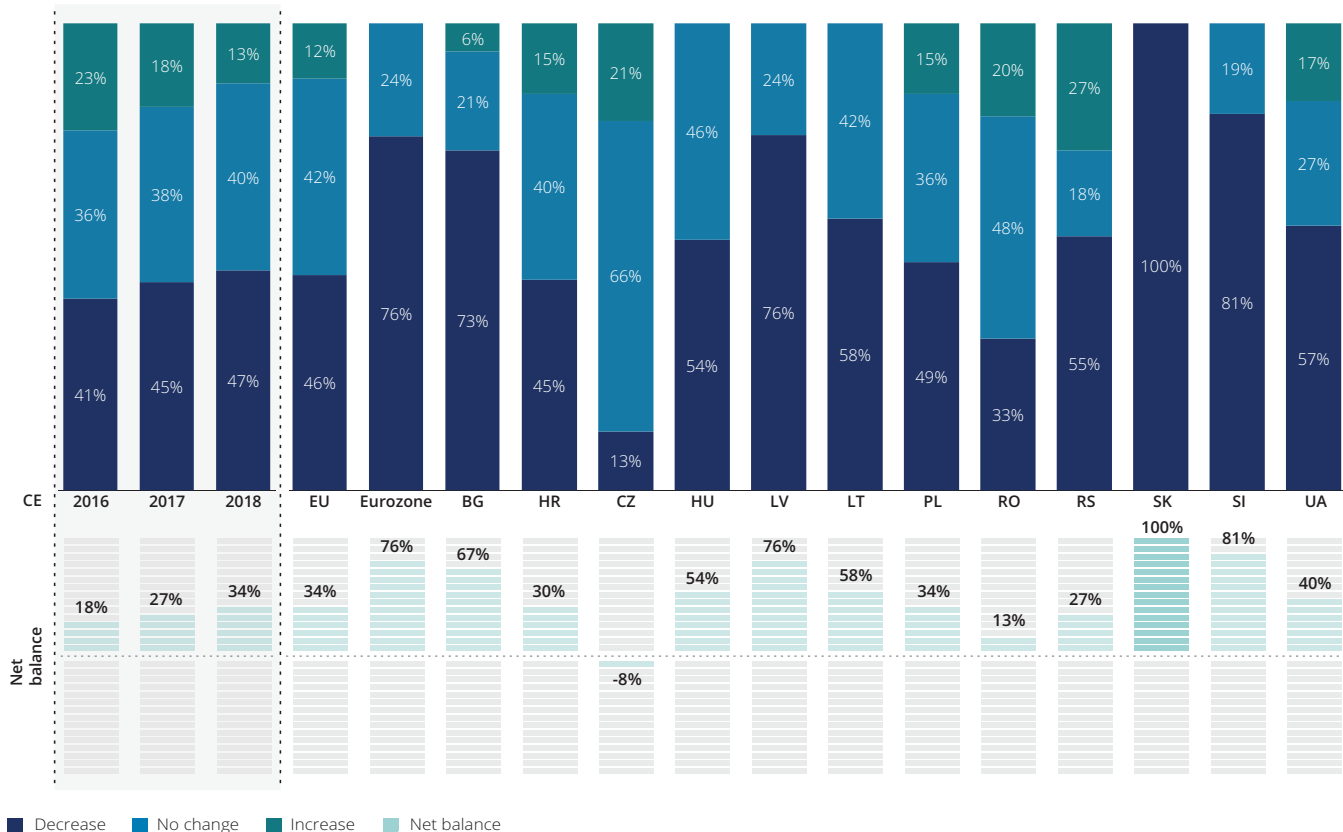
CFOs are positive about unemployment

There is a consensus among CFOs that unemployment rates in Central Europe countries will fall during 2018. The Czech Republic was the only country to deliver a negative net balance of answers. Interestingly, the sentiment is quite the opposite in neighbouring Slovakia, where 100% of respondents expect unemployment to fall.

The net balance of answers is nearly twice as optimistic as in 2016, rising from 18% to 34%. The fall in the unemployment rate is a factor in CFOs' optimism about overall market conditions.

In line with the expected economic growth 73% of the CFOs in Bulgaria expect a decrease of unemployment in the next 12 months. The improving expectations coincide with the positive labour market dynamics since 2013 and follow the lowest unemployment rate since 2009. Although the labour costs remain below EU average practically all CFOs expect that workforce expense will increase. Almost 27% of the respondents expect significant growth in the labour costs.

How do you expect unemployment levels in your country to change over the next twelve months?



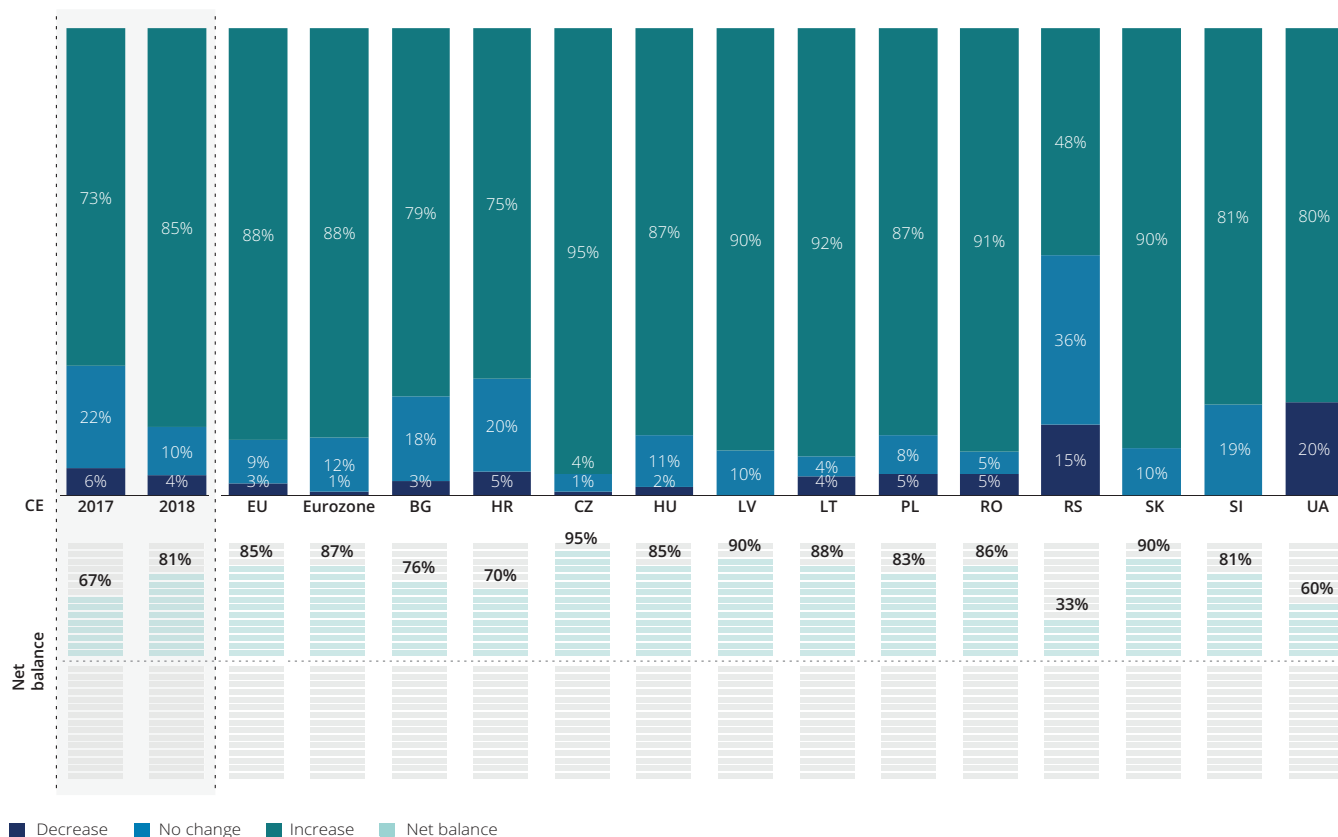
Most CFOs expect inflation to rise

CFOs' conviction that the next year will bring consumer price increases has risen since the previous survey (by 12 pp to 85%). This belief is most common in the Czech Republic and Lithuania, where more than 90% of respondents anticipate an inflation rate of higher than zero in 2018.

The overall net balance for all surveyed countries is 81%, significantly higher than in the last survey. After several years of very low inflation, or even deflation in some countries, price rises are anticipated whenever there is significant boost to GDP.

Bulgarian CFOs strongly agree that consumer price will rise somewhat in 2018.

How do you expect CPI (Consumer Price Index) levels to change in your country over the next twelve months?



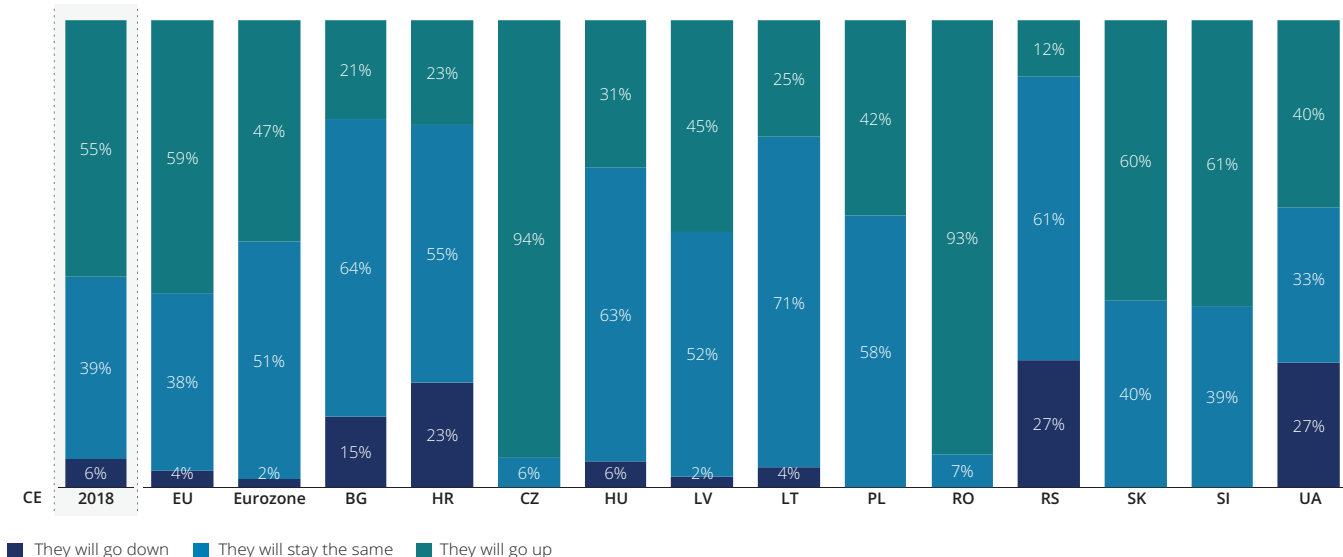
CFOs expect interest rates to rise or stay the same

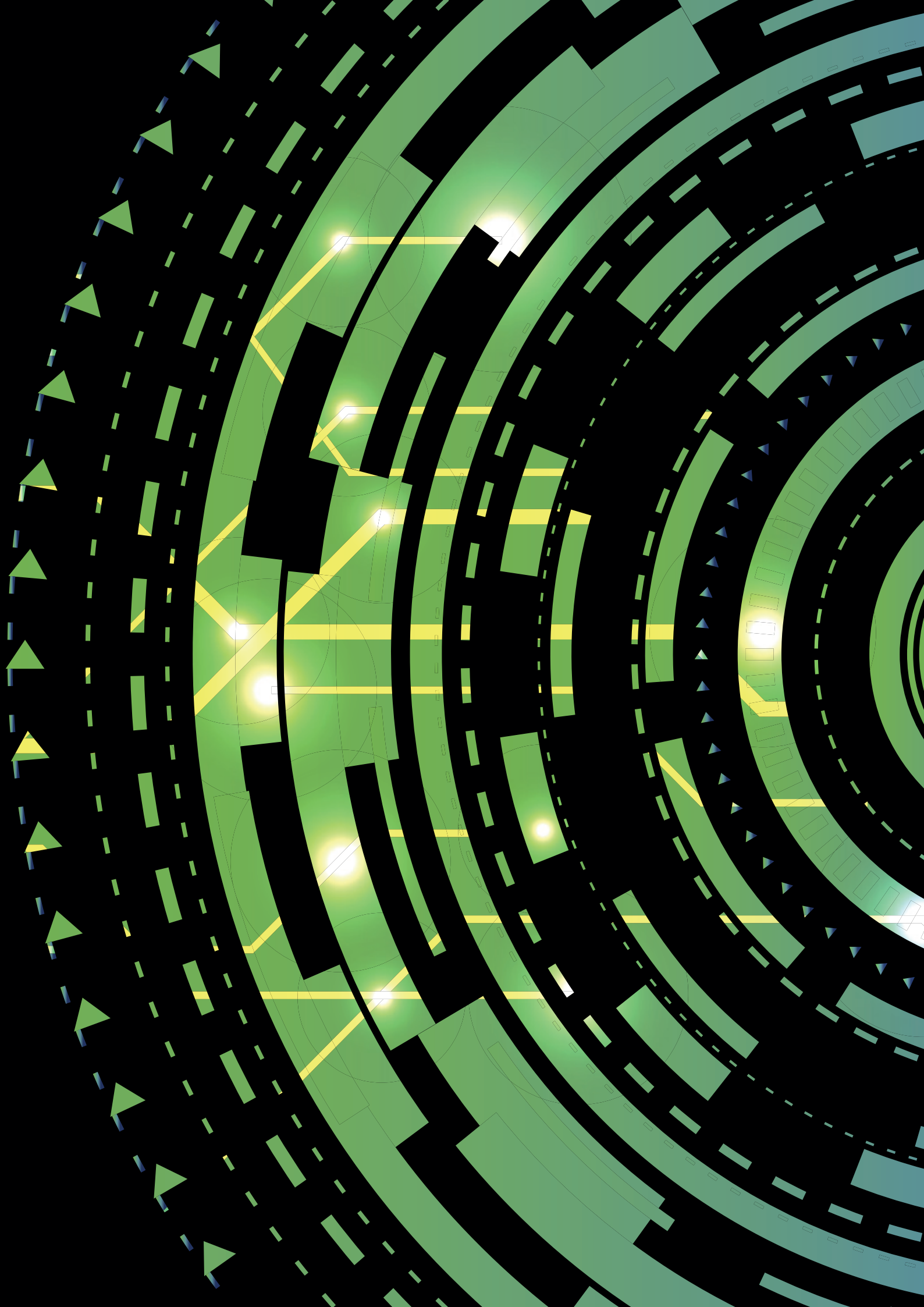
CFO opinions on the future direction of interest rate are mixed, with notable differences between countries. The two most common answers are that rates will remain unchanged or increase. It is important to note that countries in the Eurozone have their interest rates set by the ECB (European Central Bank).

This may explain why in those countries 51% of CFOs do not expect interest rates to change, compared to just 39% in the sample as a whole.

64 % of CFOs in Bulgaria share the opinion that interest rates will stay the same. One in five believes they will go up.

What do you expect to happen to interest rates in your country over the next twelve months?





Business environment outlook

CFOs expect costs in the majority of categories to increase during 2018, making it challenging for them to keep costs down to reasonable levels. Nearly all respondents believe that the costs of hiring skilled professionals will increase in the year to come.

Many CFOs still perceive country-level economic uncertainty as high, which may explain why a majority are reluctant to take more risk onto their balance sheets. Given such circumstances, it is understandable that CFOs find the idea of internal financing attractive.

This year, we asked about the possible impact of interest rate rises on company strategies. CFOs generally believe that interest rates have only a limited role to play in the operation of their companies. They mostly therefore have no plans to adjust strategy in the event of a rise.

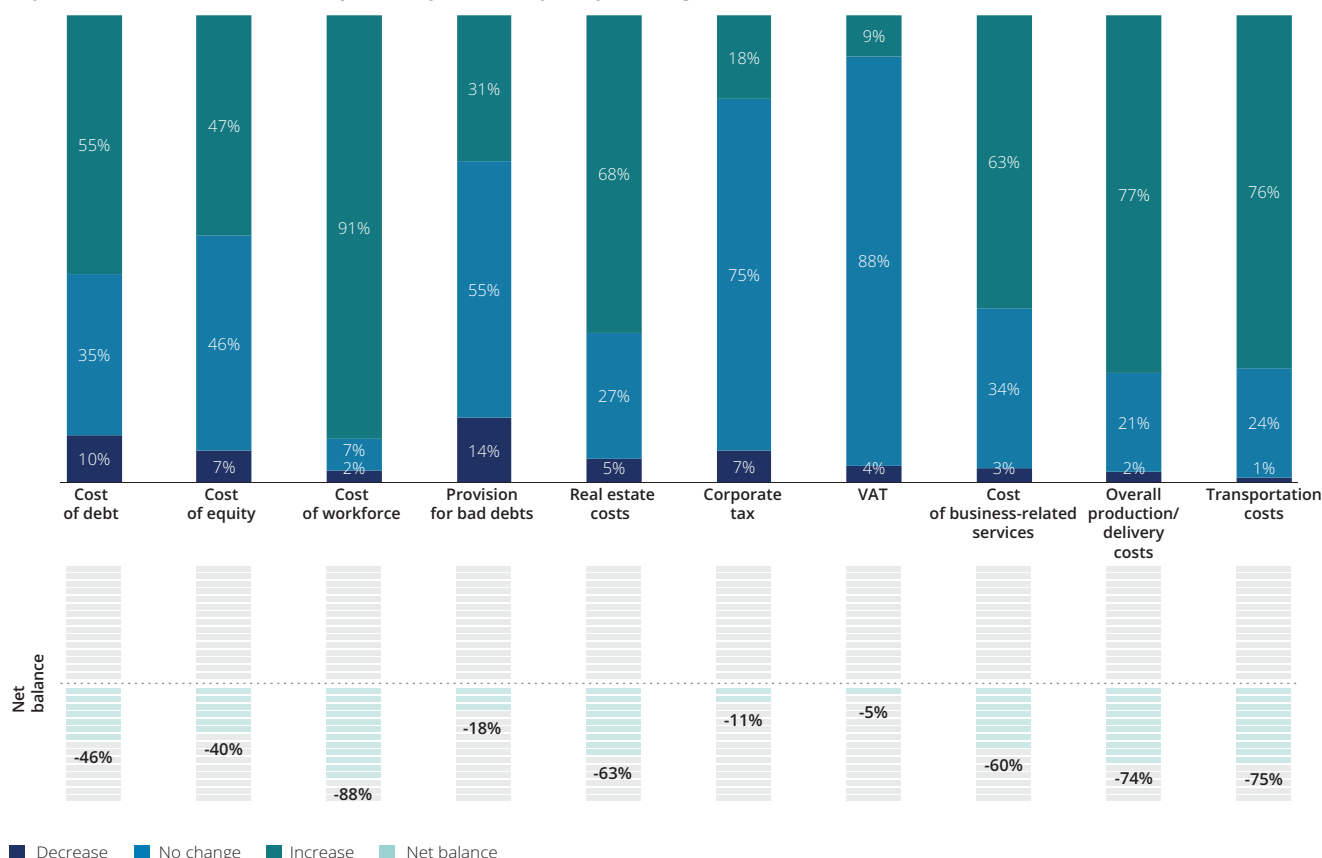
2018 will bring higher costs for companies

CFOs expect most costs to increase in 2018. The main exceptions are tax-related costs and provisions for bad debt, which are predicted to remain stable. A stand-out observation is that 91% of respondents think workforce costs will be higher in 2018 than now. In addition, more than three-quarters of CFOs expect overall production/delivery and transportation costs to increase next year.

It is worth emphasising that those categories that depend on manpower are the ones mostly felt to be at risk of cost increases in the year ahead. This is due to the very low unemployment rate across the region, which is forecast to decrease further and so increase the pressure to reward employees more highly.

CFOs in Bulgaria expect increases in most cost categories in 2018 with cost of workforce being major concern for 97% of our respondents, followed by real estate cost (64%).

In your view, how are costs for companies in your country likely to change over the next twelve months?



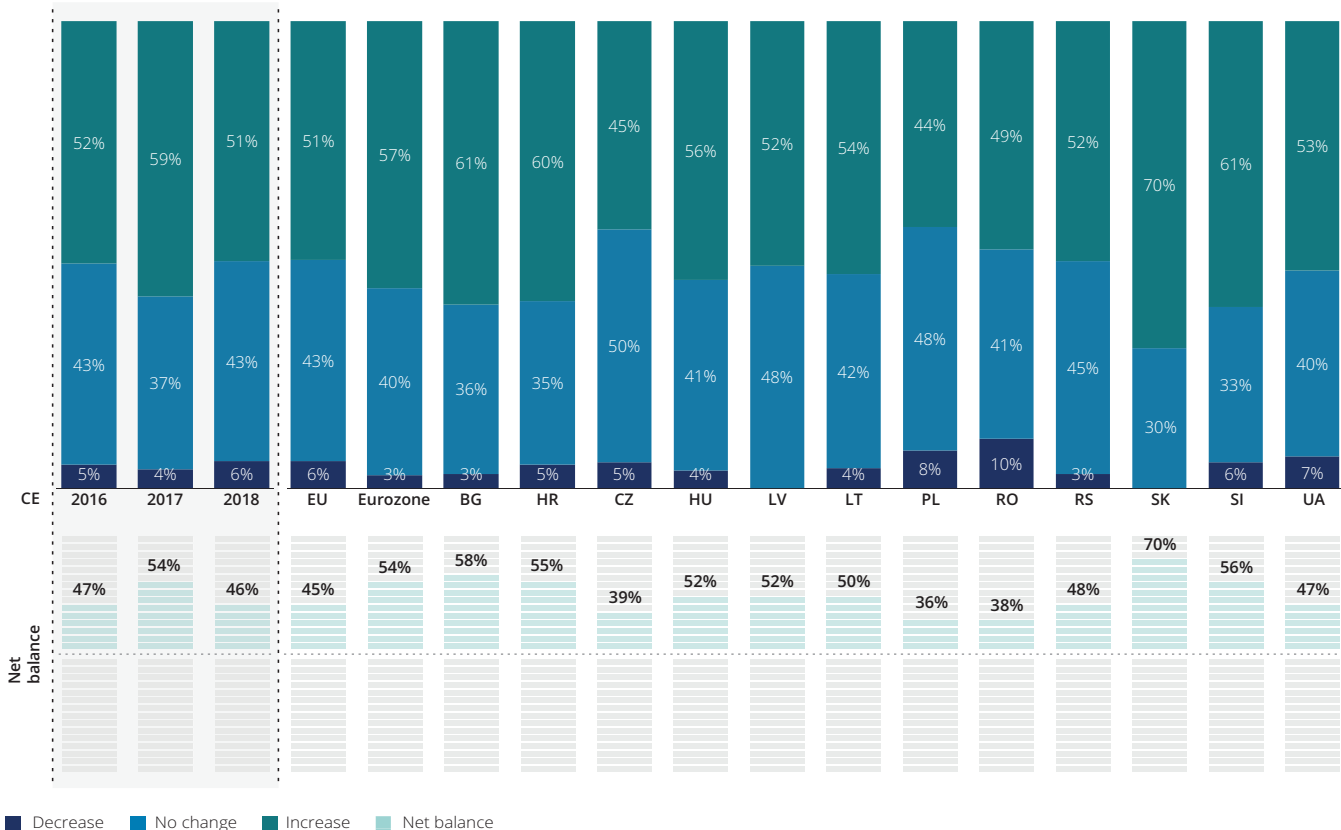
CFOs expect at least the same level of M&A activity in 2018

The vast majority of CFOs, regardless of country, think the level of M&A transactions in 2018 will be similar to or higher than that of 2017. Overall, CFOs' expectations regarding M&A in 2018 are nearly the same as their predictions were for 2016.

There are some notable differences from country to country. The most optimistic CFOs are from Slovakia, where 70% of respondents expect M&A transaction levels to increase. The net balance is lowest in Poland, the Czech Republic and Romania, not exceeding 40% in any of these countries.

Bulgarian CFOs remain bullish in predicting increase in the M&A activity with 61% share in the sample, stable from last year's survey. This might be driven by 85% of the surveyed considering revenues to increase and 55% confidence in attractive bank financing over the next 12 months.

How do you expect M&A levels to change in your country over the next twelve months?



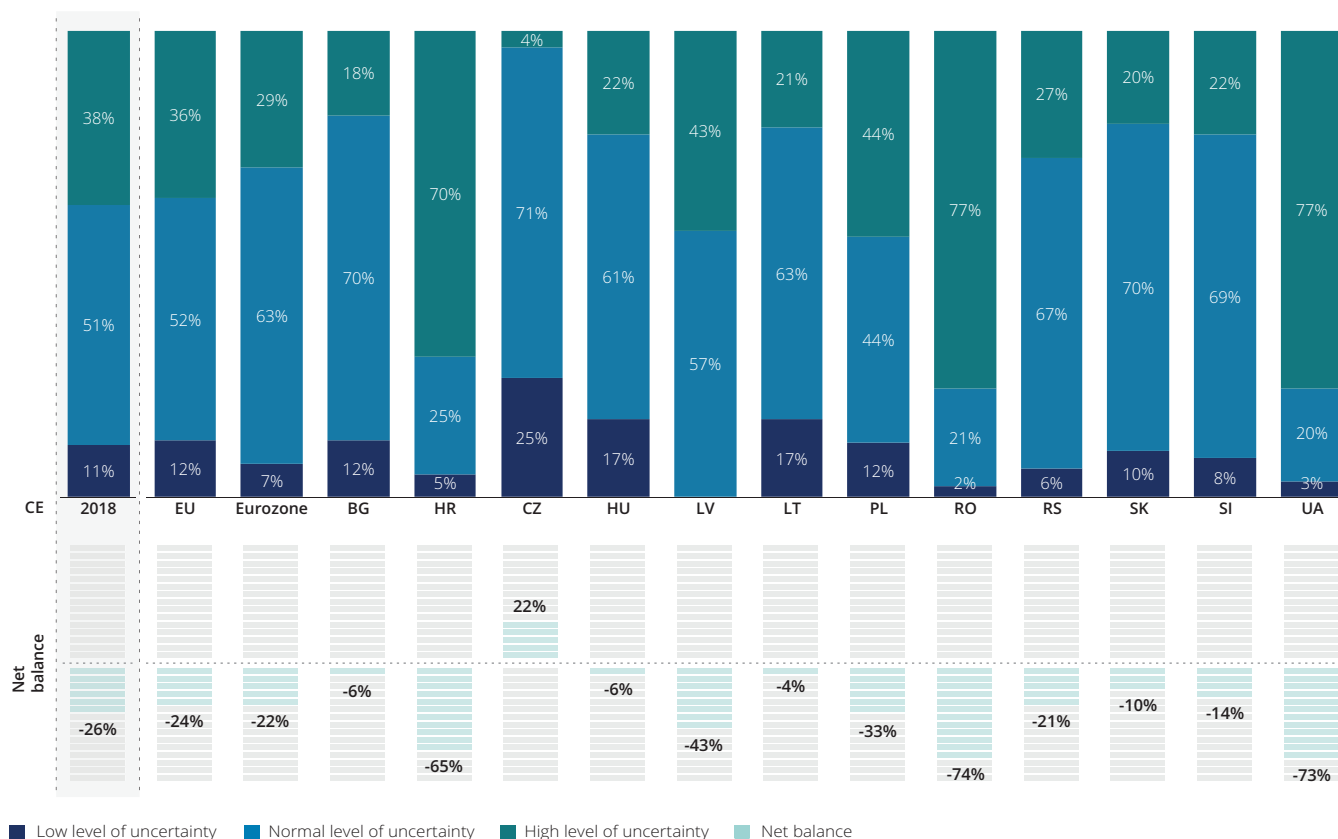
CFOs expect normal or higher country-level uncertainty

CFOs' expectations for future levels of external financial uncertainty differ substantially between countries, but there is a negative net balance in nearly all countries. Most CFOs see the uncertainty level as normal or high, but expectations of low uncertainty were most common among those from the Czech Republic, Hungary and Lithuania (ranging from 17% to 25%).

The most negative views are held by CFOs from the Ukraine and Romania. In the Ukraine's case, this is probably linked to poor political stability and the country's conflict with Russia.

The level of external financial and economic uncertainty in Bulgaria is normal for 70% of the CFOs. This is 12 percentage points improvement from 2017, reconfirmed by 11% decrease in the perception for a high uncertainty. Despite the groundswell of confidence, economic and financial uncertainty still appears to be a significant factor in how participating CFOs see the immediate future.

How would you rate the overall level of external financial and economic uncertainty in your country?



Interest rate increases will not impact strategies

In most countries, CFOs have no plans to change their strategies in the event of interest rate rises. The two reasons given were the low impact of interest rates on their business and their belief that the rates will remain the same. Among the strategies for change that CFOs did mention, the one chosen most often was debt reduction; this appears to be a conservative move.

Serbia, where CFOs also often mentioned other strategies, is something of an exception to this rule.

Over 21% of CFOs in Bulgaria believe that the low bank borrowing cost might start to change upward over the next 12 months, which makes a lot of them reluctant to overreact. Surprisingly enough CFOs does not plan yet to change their financial strategy with 55% of them not believing that the interest rates potential rise will affect their short term budgets.

If interest rates were to rise in the next twelve months, which one of the following strategies do you think would be most appropriate for your business?

	Adapt production plans to cope with changes in demand	Increase debt	Other	Reduce debt	Reduce leverage ratio	Refinance debt	Revaluate investment plans	Shift marketing approach (e.g. less emphasis on pricing and more on other aspects)	Strategy remains unchanged – a rise in interest rate will have little impact on my business	Strategy remains unchanged – we do not believe interest rates will rise
2018	4%	1%	2%	12%	5%	7%	8%	3%	44%	13%
EU	4%	1%	2%	12%	5%	7%	8%	3%	46%	12%
Eurozone	4%	0%	4%	13%	4%	5%	4%	4%	46%	16%
BG	6%	3%	0%	9%	6%	6%	12%	3%	27%	27%
HR	0%	0%	3%	20%	8%	15%	13%	0%	30%	13%
CZ	5%	2%	1%	8%	6%	5%	4%	0%	66%	3%
HU	2%	0%	2%	2%	2%	4%	7%	2%	52%	28%
LV	7%	0%	5%	7%	2%	12%	10%	0%	52%	5%
LT	4%	0%	0%	17%	0%	4%	4%	13%	42%	17%
PL	2%	1%	5%	15%	2%	2%	8%	3%	45%	15%
RO	8%	1%	1%	15%	8%	13%	17%	6%	30%	0%
SR	12%	3%	0%	9%	9%	15%	12%	0%	18%	21%
SK	0%	0%	0%	10%	10%	0%	0%	0%	50%	30%
SI	3%	0%	6%	17%	8%	0%	0%	3%	39%	25%
UA	0%	0%	0%	23%	0%	3%	3%	3%	50%	17%

CFOs will not take more risk in 2018

The majority of CFOs do not think 2018 will be a good time for companies to take on more risk; this was the view of 69% of respondents (up by 4 pp from last year).

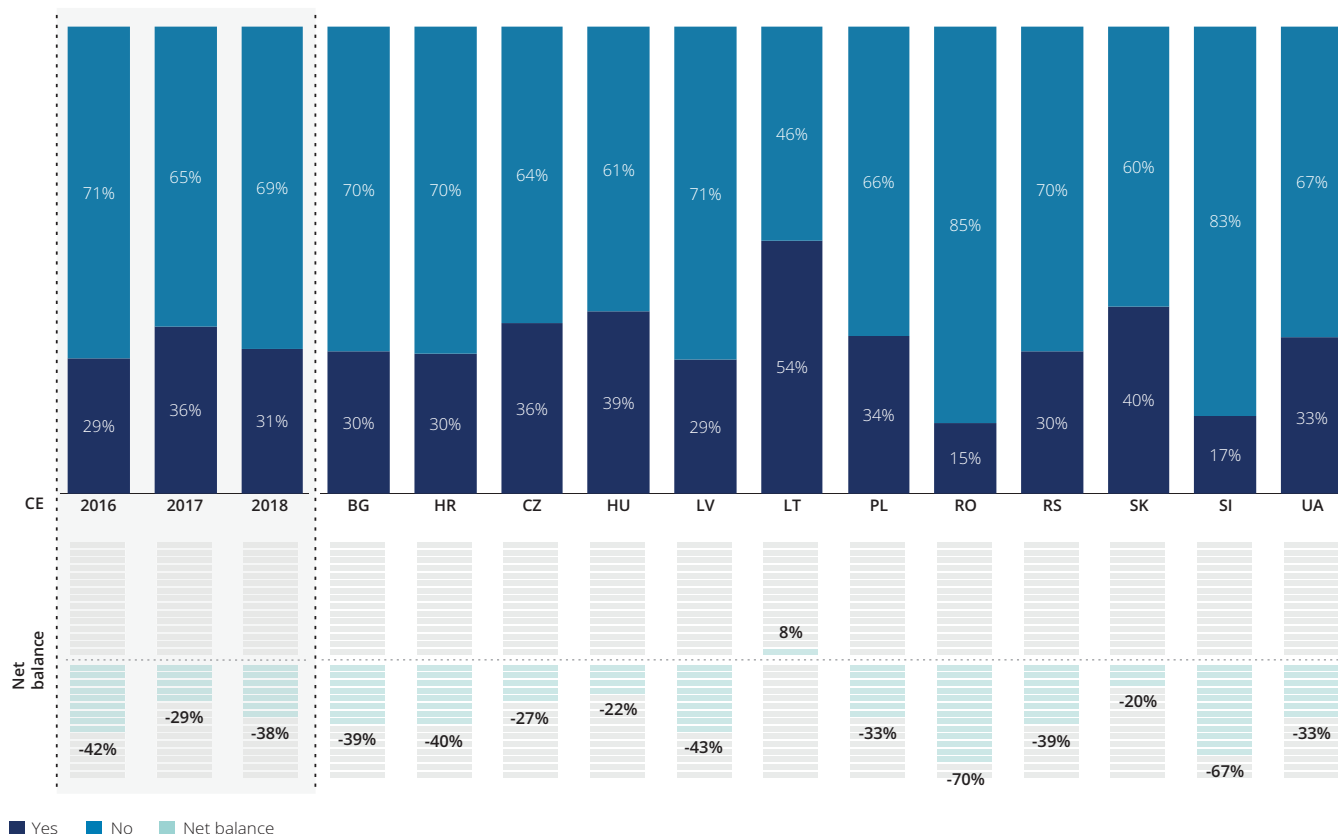
Lithuania is the only country surveyed where the majority of CFOs believe the conditions will be favourable for taking riskier financial decisions in 2018. This may be linked to Lithuanian CFOs' optimism

regarding macro-economic conditions over the next year – for example, none of them expects unemployment to rise.

CFOs in Romania and Slovenia are the most risk-averse, with over 80% thinking that 2018 will not be a good time to take more risk.

The risk appetite of the CFOs is slightly deteriorating compared with very strong 2017 with only 30% of them being positive on the issue. A majority of CFOs in Bulgaria are not willing to take more risk onto the balance sheet, which is also reflected in the decreasing appetite for gearing.

Is this a good time to be taking greater risk onto your company's balance sheets?



CFOs are concerned about a shortage of skilled workers

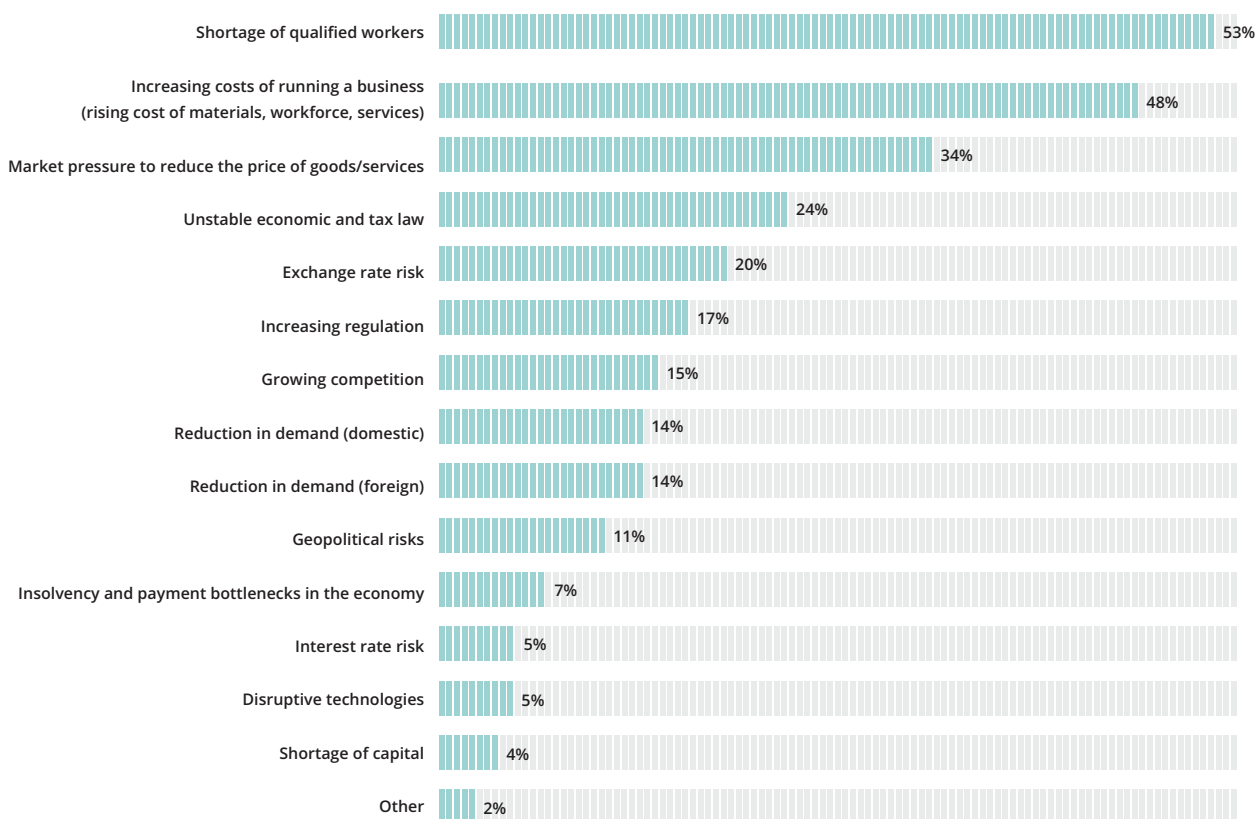
A shortage of qualified workers appears to be the greatest concern of CFOs over the next twelve months, closely followed by cost increases. These factors are perceived as significant risks by 53% and 48% of respondents respectively. The shortage of skilled professionals may be linked to the rapidly increasing volumes of collected data (Big Data), which require programming skills for efficient analysis.

Three other factors (market pressure to reduce pricing, unstable law and exchange rate risk) were each indicated by at least 20% of respondents.

The least risk-laden issues according to our respondents are capital shortage, interest rate, disruptive technologies and 'other' risks.

The single major challenge pointed out by the CFOs in Bulgaria is the shortage of qualified workforce with 73% of the surveyed wary about it. Increasing costs and the market pressure for price decrease are the next on the list but not that clearly shown. Technology is not seen to be a major threat for the business yet.

Which of the following factors are likely to pose a significant risk to your business over the next twelve months?



CFOs prefer internal and bank financing

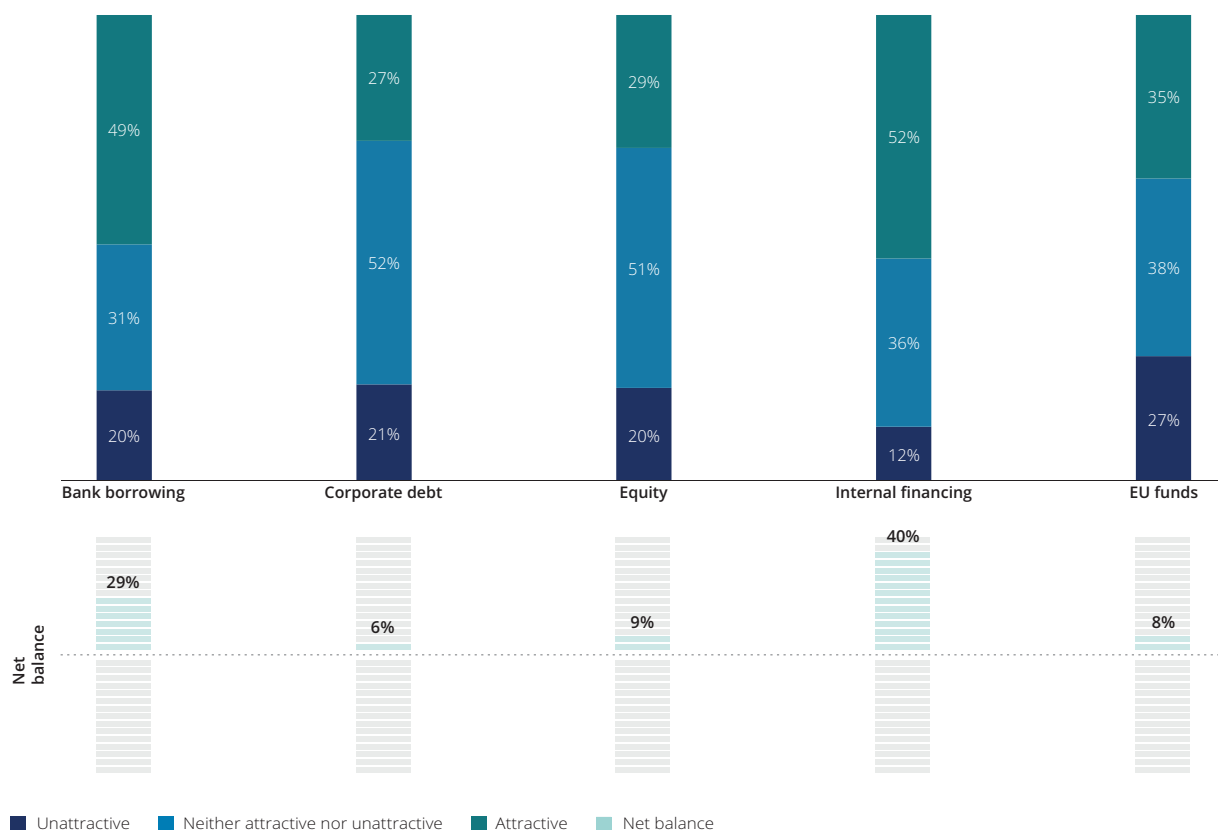
CFOs currently see internal financing and bank borrowing as the most attractive sources of funding for their companies, selected by 52% and 49% respectively.

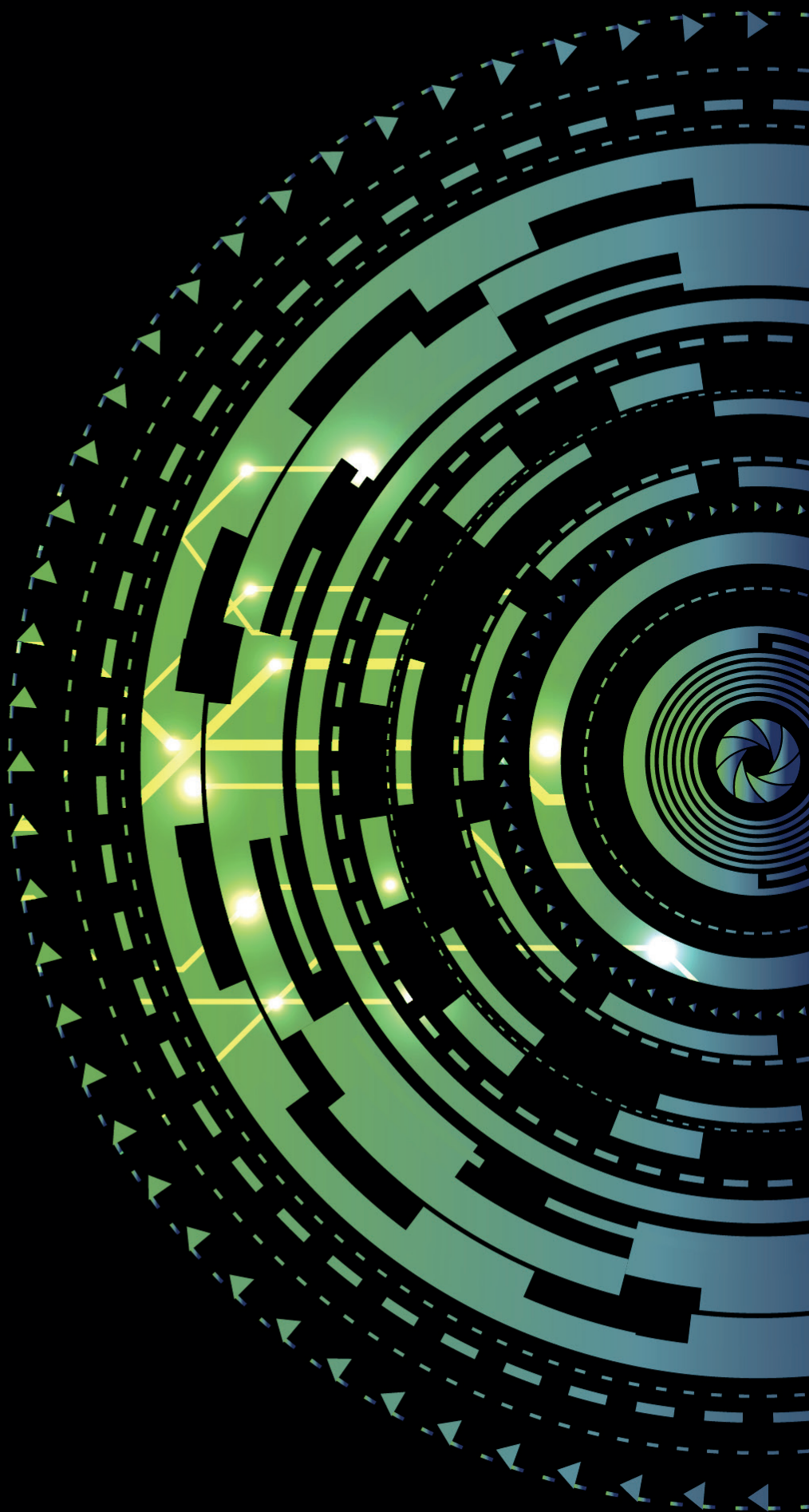
EU funds appear to be least attractive to CFOs, with 27% of respondents rating these negatively. One possible explanation for this is that EU funding often imposes limitations on the way companies operate, making them less flexible.

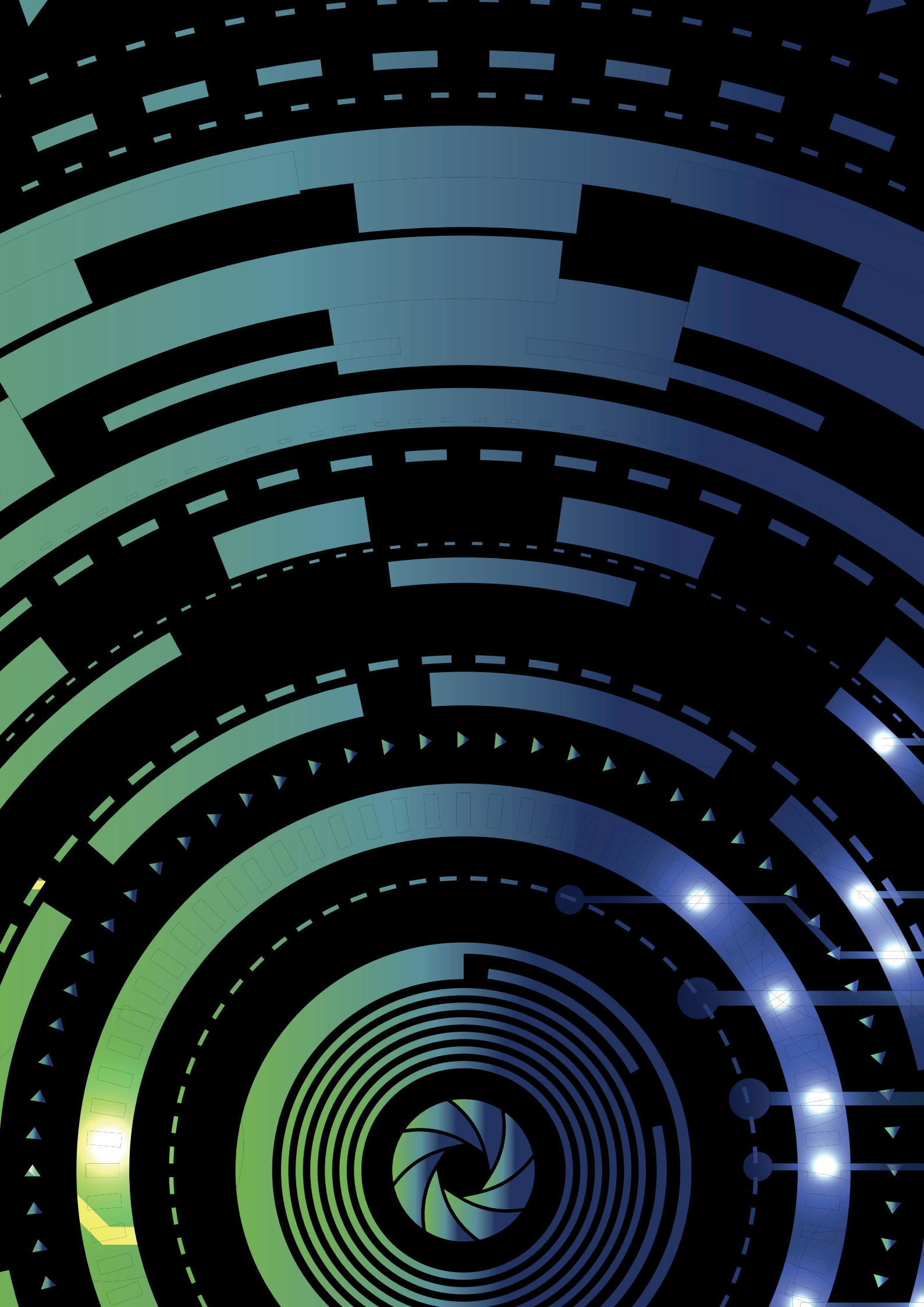
Corporate debt and equity are moderately attractive as sources of funding, with over half of CFOs assessing them as 'neither attractive nor unattractive'.

Consistently with previous years the bulk of the Bulgarian survey is attracted to bank financing with 55% claiming that it is an attractive or very attractive source of financing which however is a slight drop in confidence. Equity is still an unlikely source of funding at 27% approval rate while internal financing is the most attractive option with 57% positive results. EU funds are not a popular alternative anymore with lukewarm response across the board of respondents.

How do you currently rate the attractiveness of different sources of funding for your company?







Company growth outlook

CFOs expect their companies to achieve higher revenues in 2018, and have set increasing revenues high among their priorities for the year. However, it is worth noting that there are only small differences in how they rate various priorities – we listed ten possible priorities, and on a 1-10 scale the difference between the most and the least important of these was just 0.7.

The level of optimism about company prospects is lower than last year. It remains satisfactory, however, with the most positive answers coming from Bulgaria, where 79% of CFOs expect a better outlook for their companies than they did six months ago. Maybe CFOs feel that the economy cannot perform at such a high level for much longer and that a cyclical slowdown is approaching.

Slightly less positive, but financial prospects for companies remain good

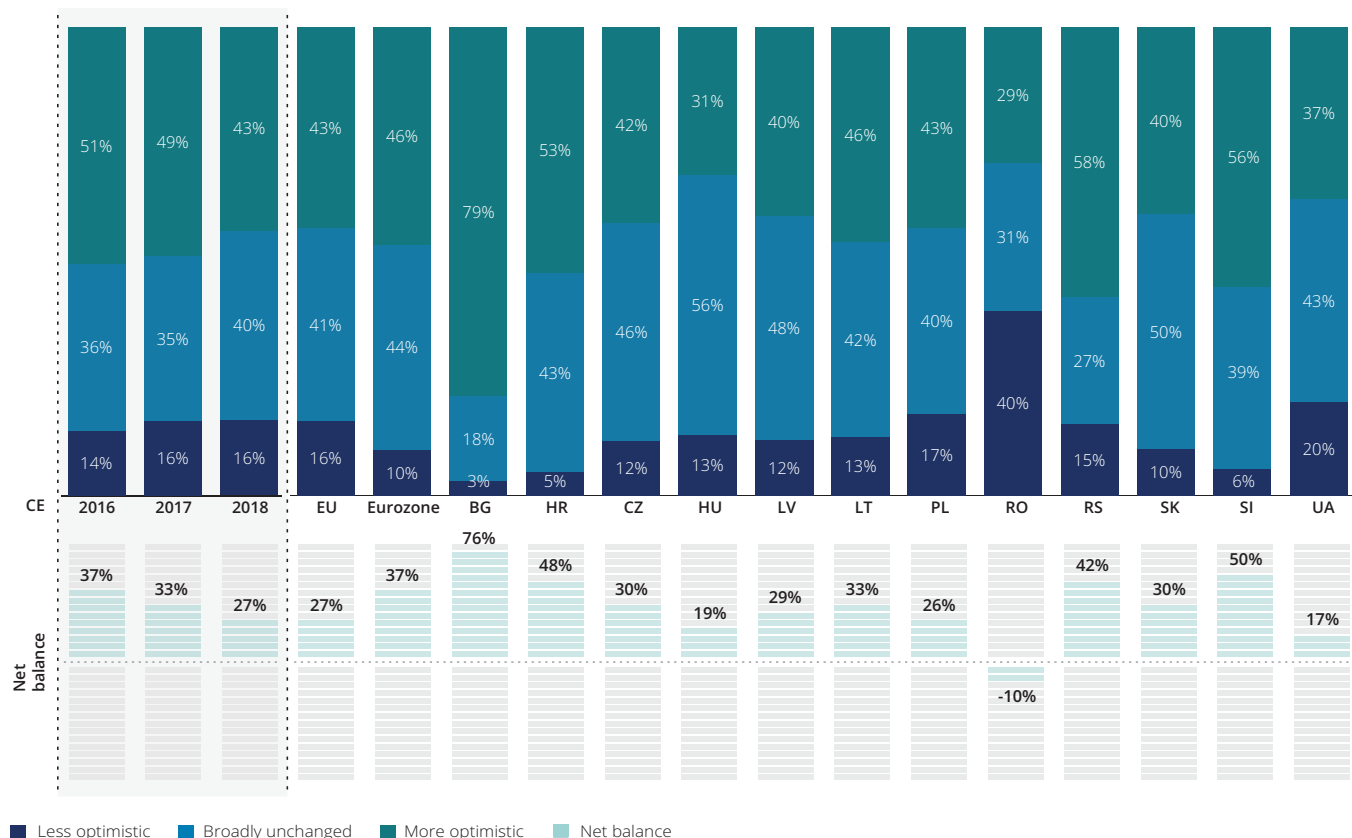
When it comes to their companies' financial prospects, CFOs are slightly more pessimistic compared with six months ago than they were in the previous survey. The net balance of answers fell by 6 pp, from 33% to 27%.

There are considerable differences between countries. While 79% of CFOs in Bulgaria expect things to get better

for their companies, in neighbouring Romania 40% of CFOs are less optimistic about the future than they were six months ago. It is also worth noting that in Croatia and Slovenia, just 5% and 6% of CFOs respectively are negative about their companies' financial prospects.

CFOs in Bulgaria are confident their companies' financial prospects for the next twelve months are good, with a high likelihood of revenues increasing.

Compared with six months ago, how do you feel about the financial prospects for your company?



CFOs anticipate higher revenues

For the second consecutive year, CFOs' optimism about revenues has risen. The 63% net balance of answers is up by 12 pp over their expectations for 2016. The majority of CFOs in all industries expect revenues to rise.

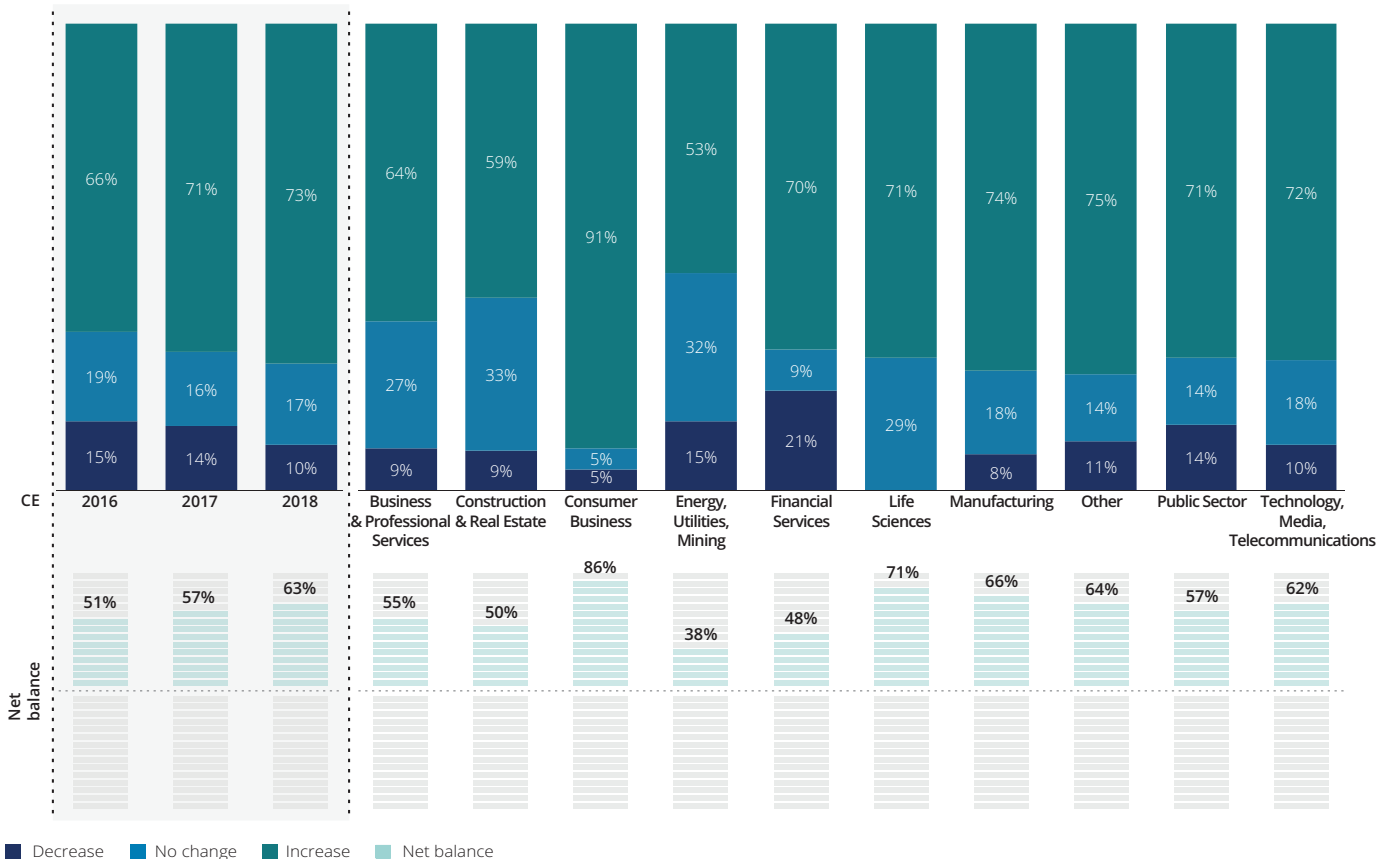
The most optimistic are Consumer Business CFOs, with 91% expecting increases in revenue. This again proves consumer spending is often the factor that does most to boost economic performance.

The most pessimistic are Financial Services CFOs. Even here, however, only 21% of respondents anticipate lower revenue figures for their companies in 2018.

Close to 85% of Bulgarian CFOs were optimistic that revenues will increase, with 15% out of these betting on a significant growth, which is reflected also in the expectations for growing operating margins (70%).

This optimism is understandable, having in mind the expected economy growth increase and CPI.

In your view, how are revenues for your company likely to change over the next twelve months?



CAPEX is set to be at least the same as last year

The proportion of CFOs expecting their companies to increase their capital expenditure in the next year has decreased by 5 pp, from 49% to 44%. Again, only a small fraction of respondents (13%) expects CAPEX to fall in 2018.

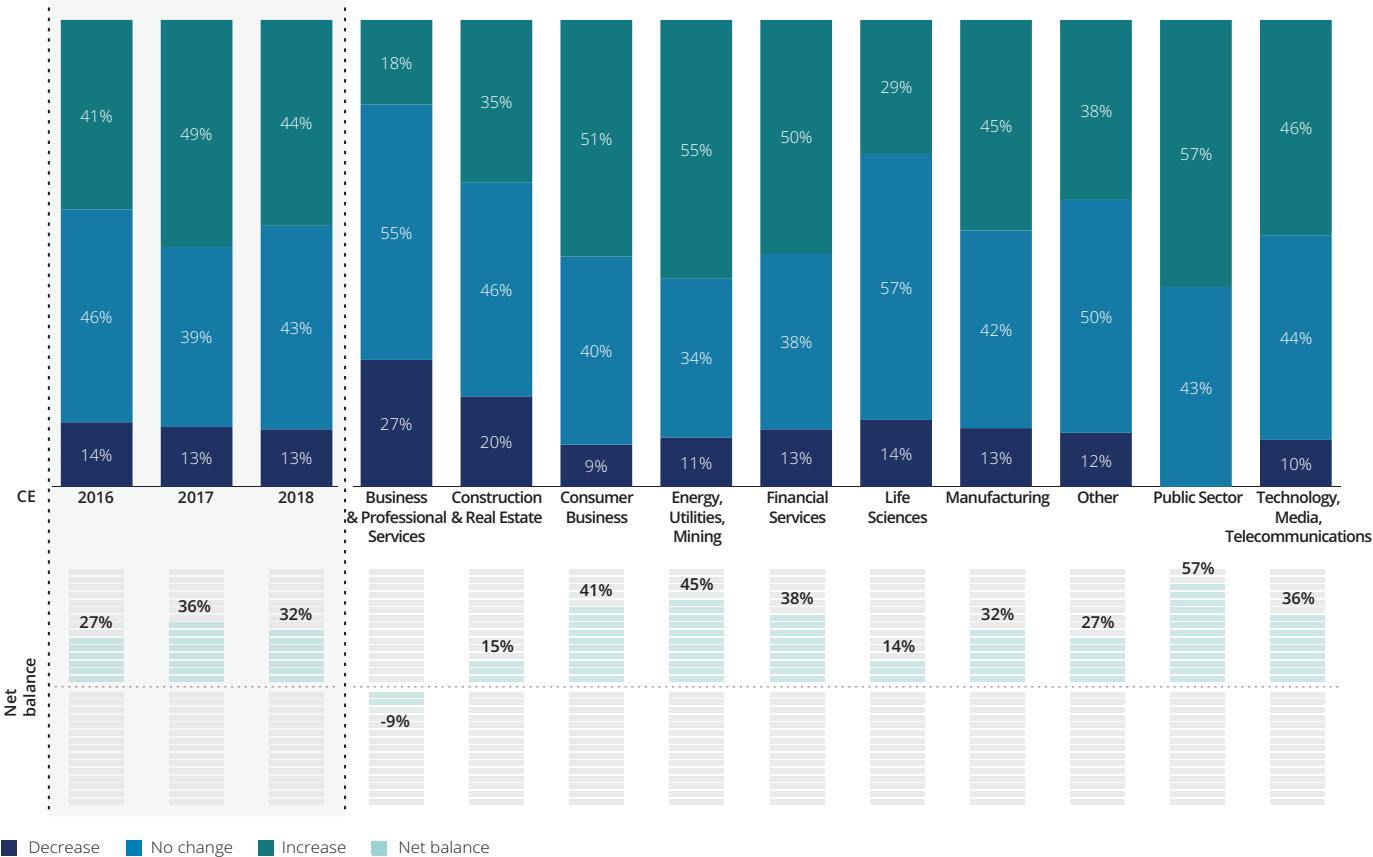
Attitudes are most optimistic among CFOs from the Financial Services, Consumer Business and Energy, Utilities, Mining

industries, where between 50% and 55% expect capital expenditure to rise.

The most negative views are expressed by CFOs from Business & Professional Services companies, where 27% of respondents expect their companies' CAPEX to decrease in the next year.

There is a notable increase in confidence among the CFOs in Bulgaria with just some 3% of the respondents expecting capital expenditure levels to decrease in the course of the next 12 months and more than 60% expecting it to increase. This is clearly related to the expected revenue increase, for which higher capacities will be needed and also the increased CPI and GDP growth.

In your view, how are capital expenditures (CAPEX) for your company likely to change over the next twelve months?



An increase in employment levels is more likely than last year

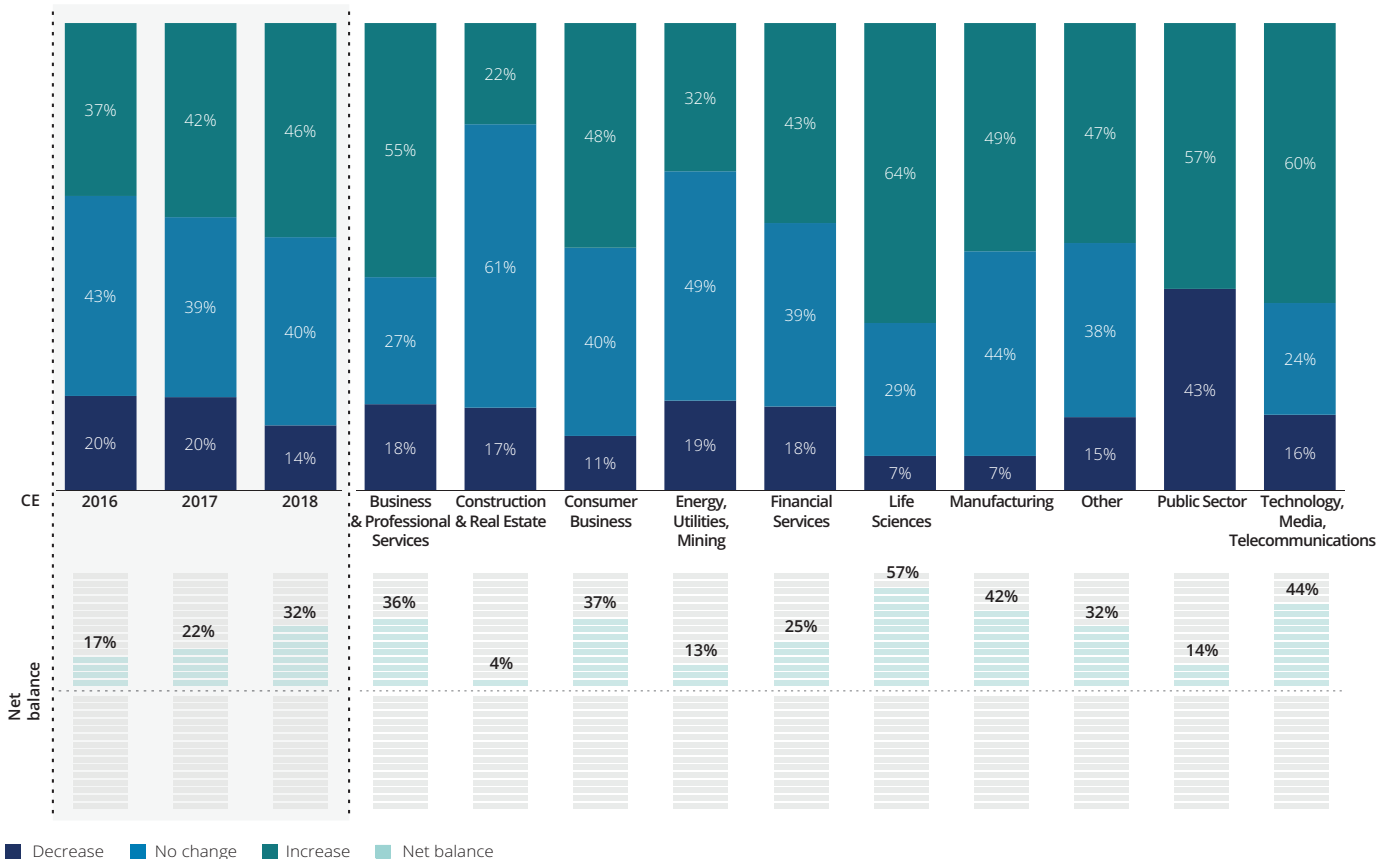
Nearly half (46%) of CFOs expect their workforce to expand in 2018, slightly more than in the 2017 survey. Only 14% of respondents have negative expectations. This reflects the overall positive opinion that is shared across the market, stimulating a growth perspective that includes new hiring.

CFOs from the Life Sciences industry are the most optimistic about hiring new people, with 64% expecting employee numbers in their companies to rise in 2018.

The most pessimistic approach is that of the Public Sector CFOs, of whom 43% think their organisations may reduce workforce numbers over the next year.

There are expectations for increase of the headcount but the rising cost of labor and increasing shortage of qualified workforce are reflected in significantly lower investment in workforce than in CAPEX.

In your view, how is the number of employees in your company likely to change over the next twelve months?



The ability to service debt will not decrease

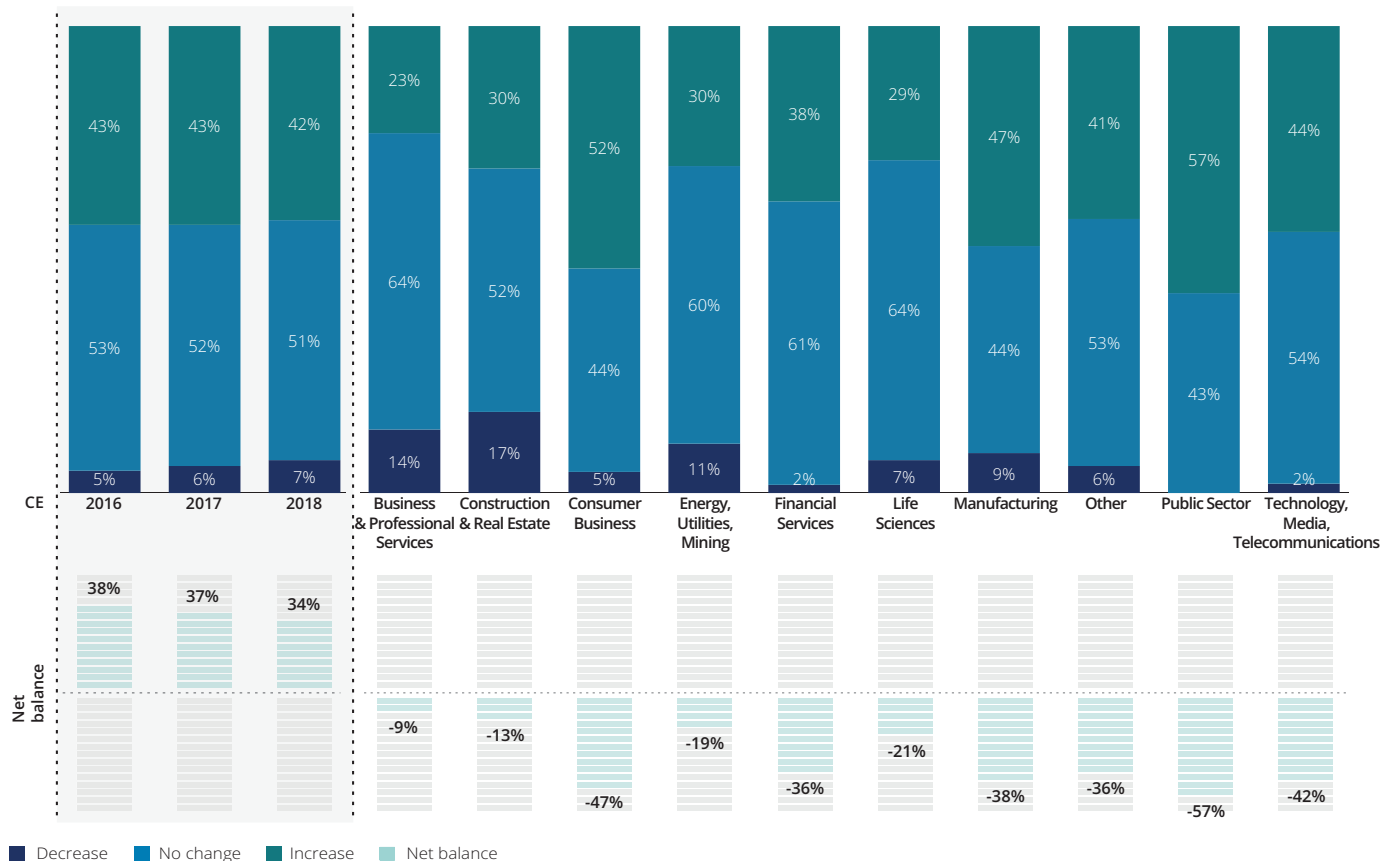
CFOs' views on their companies' ability to service debt over the next three years remain stable, with over 90% expecting at least the same level of ability as now.

CFOs from the Public Sector are the most optimistic, with 57% of them expecting their organisations to improve their debt-servicing abilities.

Although CFOs from the Construction & Real Estate industry are the most pessimistic, only 17% of them anticipate a decrease in their companies' ability to pay their debts.

In line with the reluctance of Bulgarian CFOs to get external sources of funding only some 33% of them expect to raise the ability to service debt over the next 36 months. Nevertheless, only 6% of the CFOs expect that their ability to service debt will somewhat decrease. This corresponds with the positive outlook regarding the increased revenues and operating margin trends.

Over the next three years, you expect your ability to service your debt to:



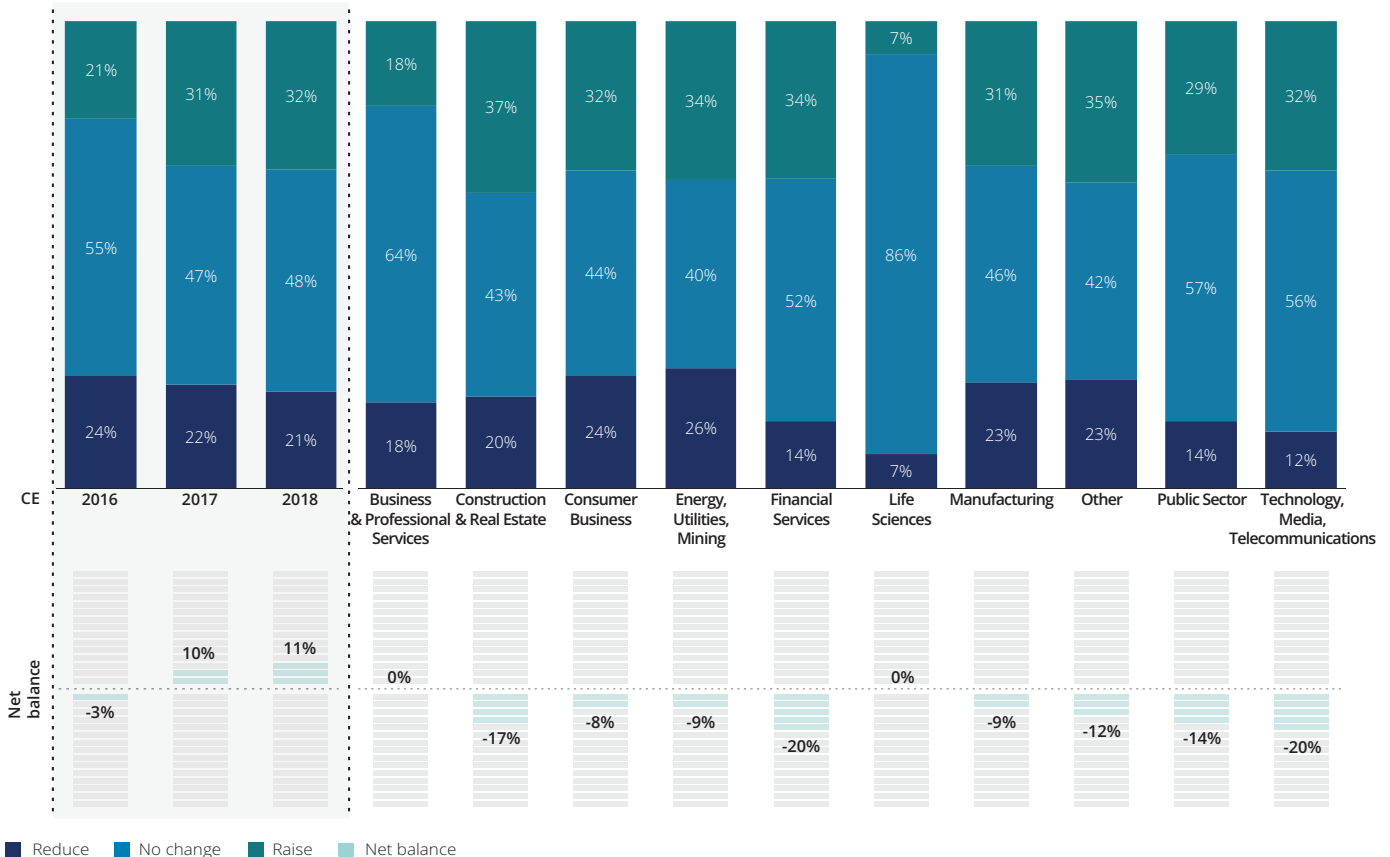
Gearing levels remain stable

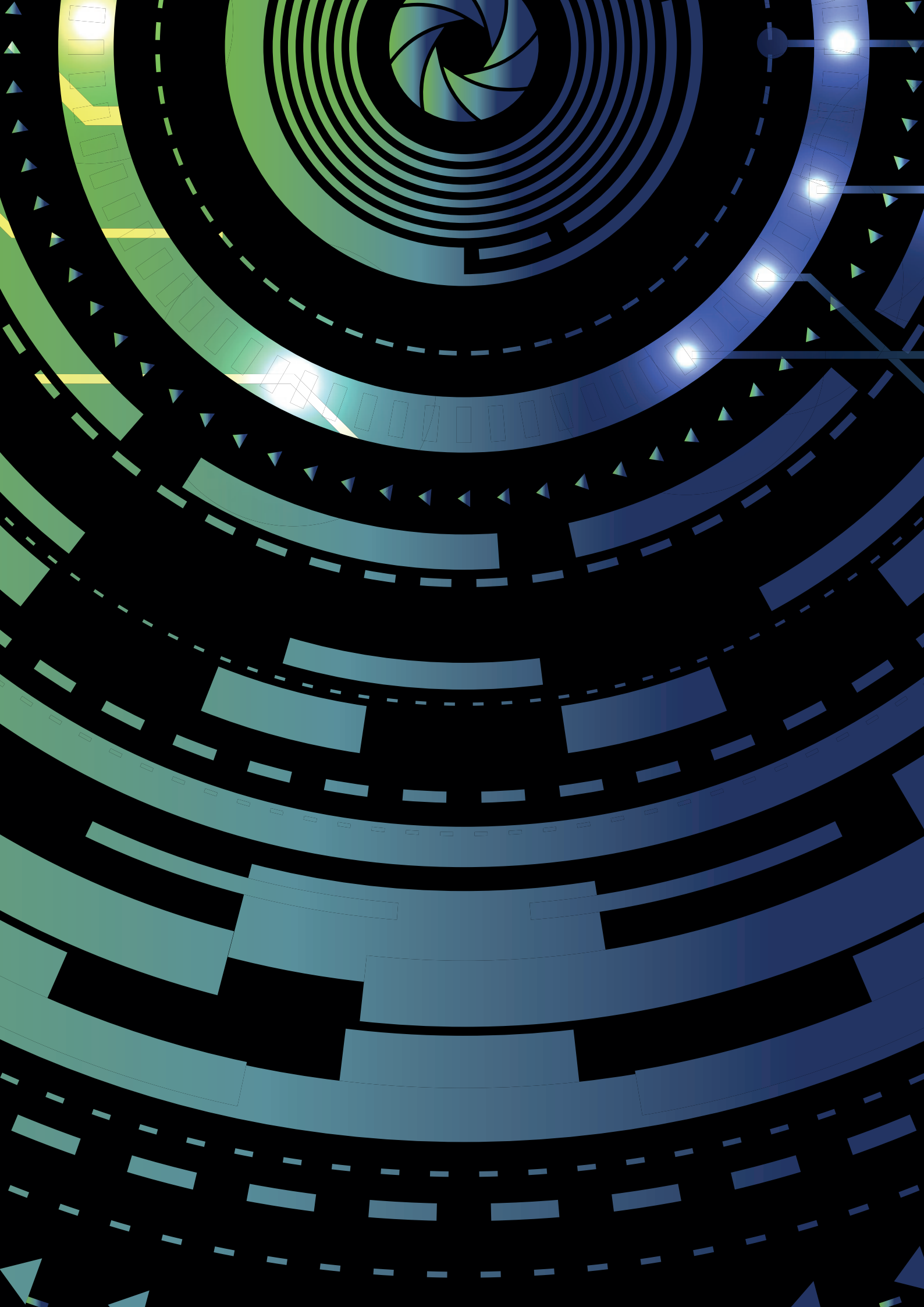
The next twelve months will probably not bring significant changes to companies' gearing levels: 48% of CFOs expect no change in this area of their companies' activities. This attitude is most widespread among Life Sciences CFOs, 86% of who anticipate the same gearing level in 2018.

Just 40% of CFOs from the Energy, Utilities and Mining industry plan not to change their gearing level in 2018, while more than a third are aiming to increase gearing.

None of the CFOs in Bulgaria is aiming to increase significantly the gearing of their companies, which is a sharp deterioration to 2017 survey. Despite this, similar to previous years one in four expects increase in the next 12 months. More than half of the CFOs expect to keep the same level of leverage, but there is an increase of risk averse CFOs that are planning for decrease of debt levels (15%).

What is your aim for your level of gearing over the next twelve months?





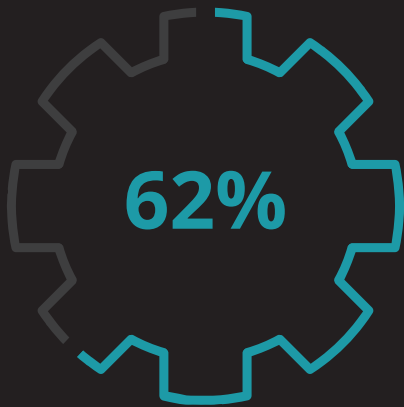
Automation

The past few years have brought impressive advancements in the field of automation and digitalisation. For example, data collection is much cheaper than before and companies are therefore more-data driven. On the other hand, even automatically collected data is not of much value until it is processed. This is why many CFOs hope to take advantage of automated and customised management reporting.

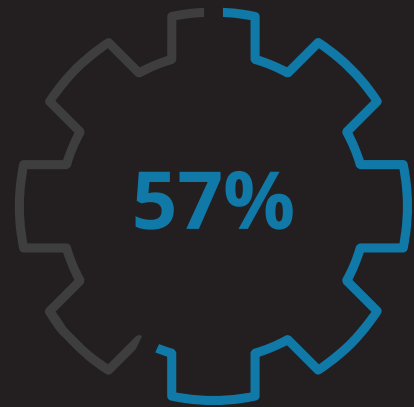
Few CFOs are confident in saying that their companies are advanced in the field of robotic process automation (RPA). We predict that this will change dynamically in the years to come, as the benefits of newly implemented systems become more evident. For now, a significant proportion of CFOs are still uncertain about the cost efficiencies that could be generated by the automation and digitalisation of their companies.

Key findings | Regional perspective

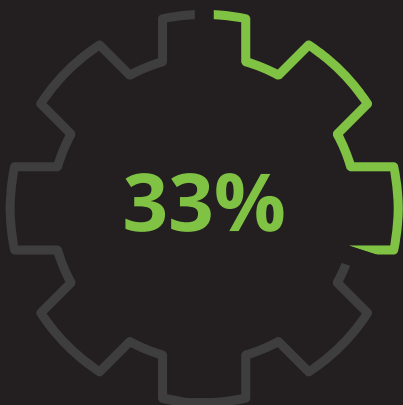
Automation



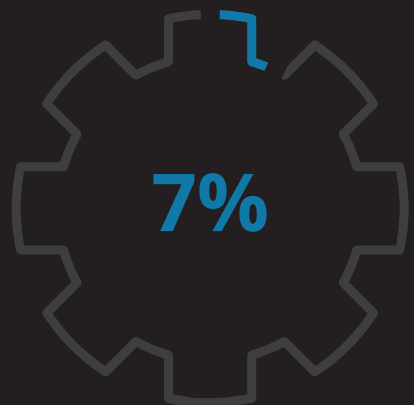
62% of CFOs believe that the greatest beneficiaries of process automation will be their company operations



57% of CFOs expect their companies to face 'normal' levels of uncertainty in 2018



33% are unsure about the size of automation gains, whether already achieved or yet to come



Only **7%** think their companies are advanced in robotic process automation (RPA)

CFOs set automating document processing as a priority for digitalisation

CFOs place the automation of tedious tasks related to document entry and processing as the top technical priority in digitalising the finance function – 68% of respondents selected this option. Their second automation priority relates to management reporting and individualisation (60%) followed by control systems (46%).

Expanding the network organisation and strengthening business partnerships through better analytics are perceived as the lowest priorities, each being selected by 11% of respondents.

Automation of document entry and processing is seen as highest technical priority for 76 % on Bulgarian CFOs. Similar to their colleagues across Central Europe they rank automation and individualization of management reporting second, and care less about expansion of network organization.

What technical priorities are you setting within the framework of your digitalisation strategy for the finance function?

	Automating document entry and processing	Establishing a 'finance factory' to manage automated processes	Establishing real-time scenario-planning, forecasting and analytics capabilities	Automating and individualising management reporting	Automating the control system	Expanding the network organisation through increased deployment of digital collaboration tools	Using improved analytics to strengthen business partner capabilities	Implementing end-to-end process management to monitor and improve process performance
2018	68%	18%	32%	60%	46%	11%	16%	33%
Business & Professional Services	64%	27%	27%	55%	50%	5%	18%	18%
Construction & Real Estate	61%	22%	30%	46%	37%	20%	11%	30%
Consumer Business	70%	14%	28%	62%	56%	14%	21%	32%
Energy, Utilities, Mining	70%	32%	38%	60%	38%	15%	17%	32%
Financial Services	64%	14%	27%	64%	48%	13%	11%	50%
Life Sciences	71%	14%	36%	50%	36%	7%	29%	43%
Manufacturing	65%	20%	36%	60%	43%	8%	15%	34%
Other	75%	14%	27%	63%	44%	11%	17%	24%
Public Sector	57%	29%	57%	71%	71%	14%	14%	43%
Technology, Media, Telecommunications	72%	14%	30%	68%	50%	12%	20%	38%

Few CFOs think their companies are advanced in robotic process automation

CFOs most frequently tell us their companies have not thought about RPA (23%), but only slightly fewer are looking for automation potential (20%). Only 7% of CFOs say their companies are advanced in RPA, with CFOs from Technology, Media, Telecommunications (12%) and Manufacturing (11%) leading the way.

The new trend in implementation of robotic process automation has not yet come strongly to Bulgaria. Only 18% of the CFOs share that their companies are advanced in the area despite additionally 9% having made steps toward integration. However, 42% of the CFOs confess that they are looking for to potential or intend to introduce it in their companies.

How advanced is your company in its work on robotic process automation?

	We do not know what the RPA process is	We have not thought about it so far	We know what the RPA process is but we do not know what we can use it for	We do not expect to automate our processes over the next 2 years	We intend to begin working on robotic process automation	We are looking for the automation potential	We have started the implementation process	We are advanced in robotic process automation
2018	4%	23%	6%	15%	11%	20%	13%	7%
Business & Professional Services	5%	32%	0%	14%	9%	18%	18%	5%
Construction & Real Estate	2%	24%	11%	33%	4%	13%	9%	4%
Consumer Business	3%	22%	10%	9%	15%	20%	11%	9%
Energy, Utilities, Mining	4%	34%	0%	6%	19%	32%	2%	2%
Financial Services	7%	21%	11%	7%	7%	21%	20%	5%
Life Sciences	0%	29%	0%	36%	7%	29%	0%	0%
Manufacturing	3%	17%	2%	21%	11%	21%	15%	11%
Other	6%	27%	7%	11%	11%	15%	19%	5%
Public Sector	14%	43%	0%	0%	0%	29%	14%	0%
Technology, Media, Telecommunications	4%	20%	8%	18%	12%	18%	8%	12%

Automation will bring most benefits to company operations

CFOs from across all industries expect to derive most benefits from RPA in the area of operations (with answers ranging from 50% among Life Sciences CFOs to 80% in Financial Services).

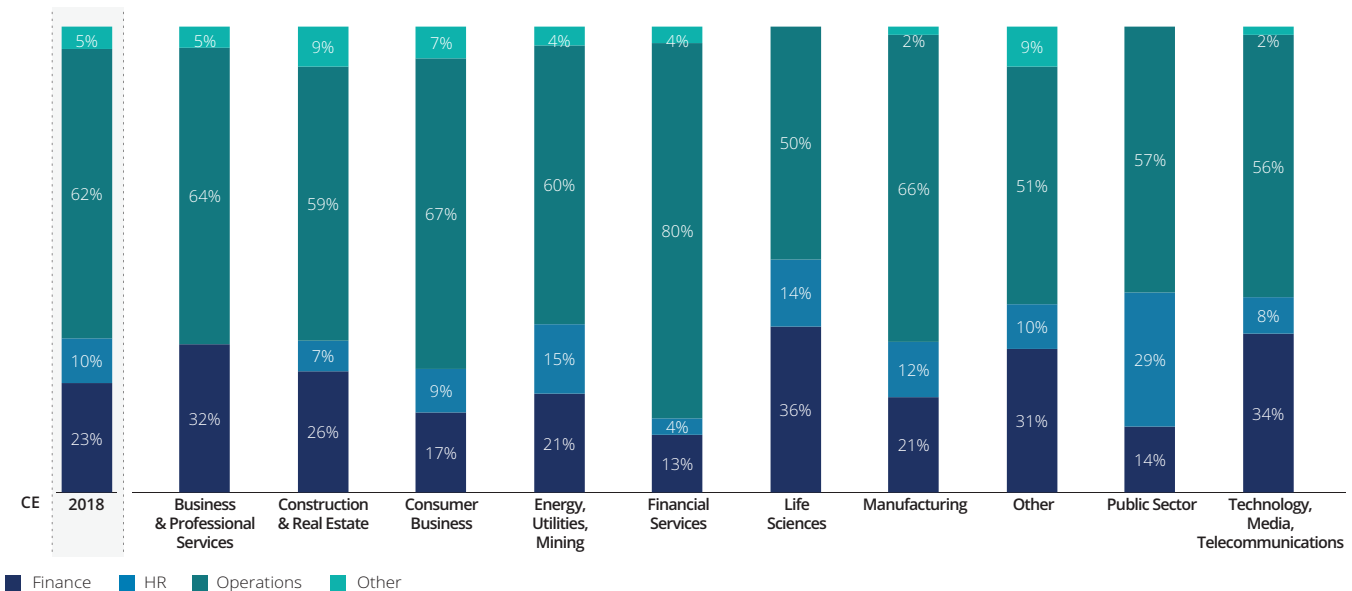
A significant proportion of CFOs think RPA will bring the greatest benefit to their companies' finance function. Over 30%

of CFOs from the Business & Professional Services, Life Sciences and Technology, Media and Telecommunications industries share this view.

CFOs across most industries do not expect RPA to deliver significant benefits in Human Resources and 'other' functions.

The majority of the CFOs in Bulgaria still see robotic process automation as main advantage in the operational or manufacturing side of the business. The potential effect of it is not clear with 24% of the CFOs unsure of it while the rest being spread between 5-40% efficiency change if integrated.

In what areas do you expect to derive most benefits from robotic process automation?



CFOs play an active role in their companies' digitalisation strategies

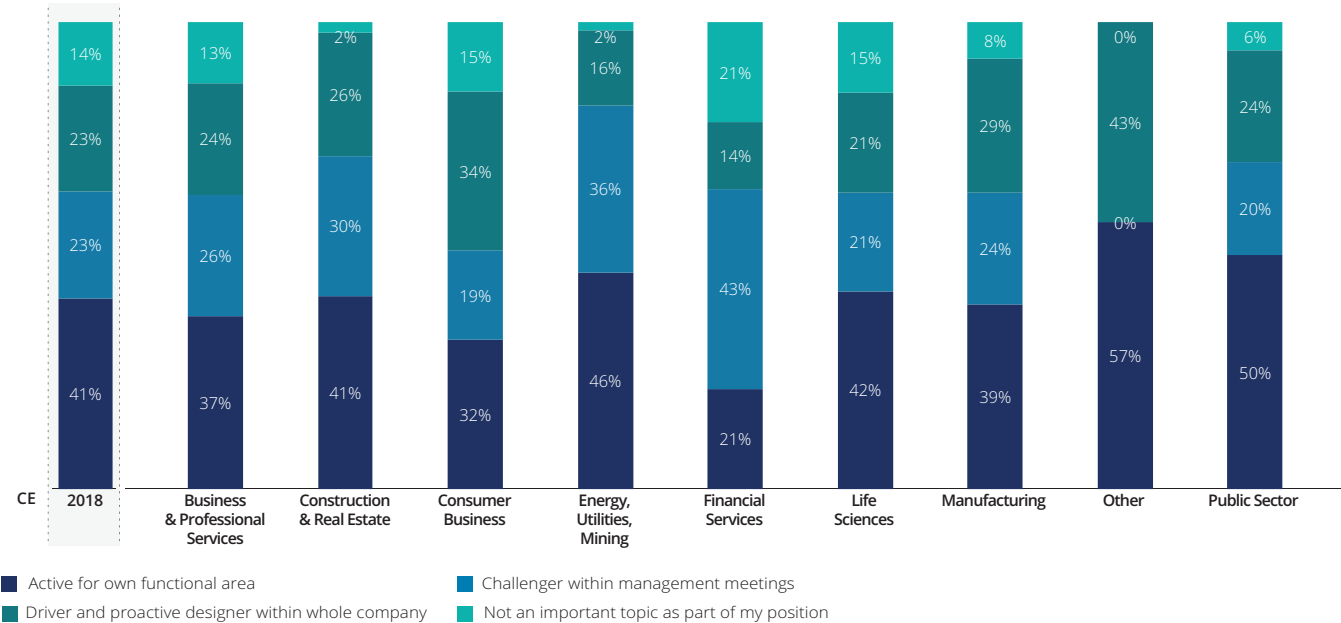
Only a small fraction (14%) of CFOs think company digitalisation strategies are not an important aspect of their roles. The largest proportion (41%) play an active role in their companies' digitalisation strategy, mainly focused on their own functional area (41% of respondents).

Digitalisation is already deeply integrated into the corporate strategy of the Bulgarian companies and no CFOs see it as a topic that is not important for his/her position.

However, it is not only a personal motivation for the CFO and the financial function, 30% of the respondents see it as a driver and proactive designer within the

whole company which is a major challenge during the management meetings (39%).

To what extent are you, as the CFO, integrated into your company's digitalisation strategy?



The three key enablers for digitalising the finance function

According to our respondents, the three key capabilities needed to prepare the finance function for digitalisation are:

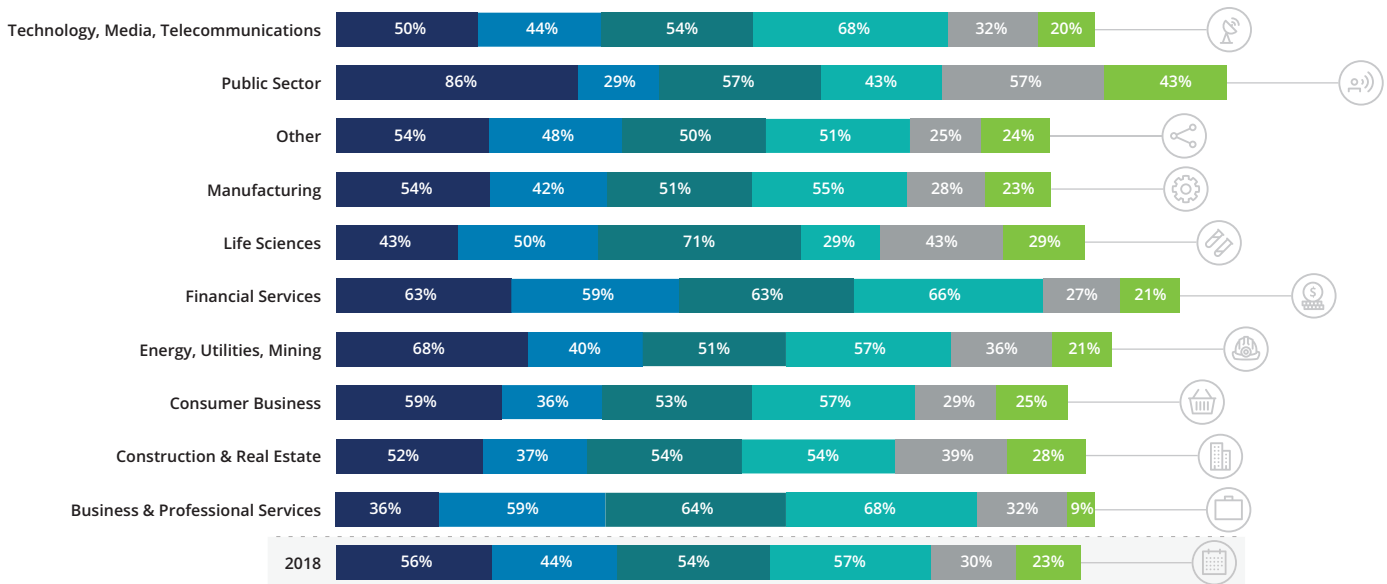
- The integration of transactional and reporting systems (selected by 57%).
- Improving employees' understanding of digital business models (56%).
- Gaining process automation knowledge (54%).

CFOs see other capabilities, such as improving employees' statistical and project-management skills, as being less important.

Some differences between industries are apparent. For example, CFOs' knowledge of process automation is selected as an important capability by 71% of respondents from Life Sciences, significantly more than in other industries.

Being ingrained in the financial function in Bulgaria already, digitalization is seen as a major driver for the employees reporting skills (75%), understanding of digital business models (60%), process automation knowledge (67%) and analytical and statistical skills (42%).

What capabilities should the finance function develop so that it can meet the demands of digitalisation?



- Employees' understanding of digital business models
- Analytical and statistical skills of employees
- Process automation knowledge
- Integration of transactional and reporting systems (IT perspective)
- Project management skills
- Influential and communication skills

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