



CFO Signals™

The Canadian Perspective

2nd Quarter 2015

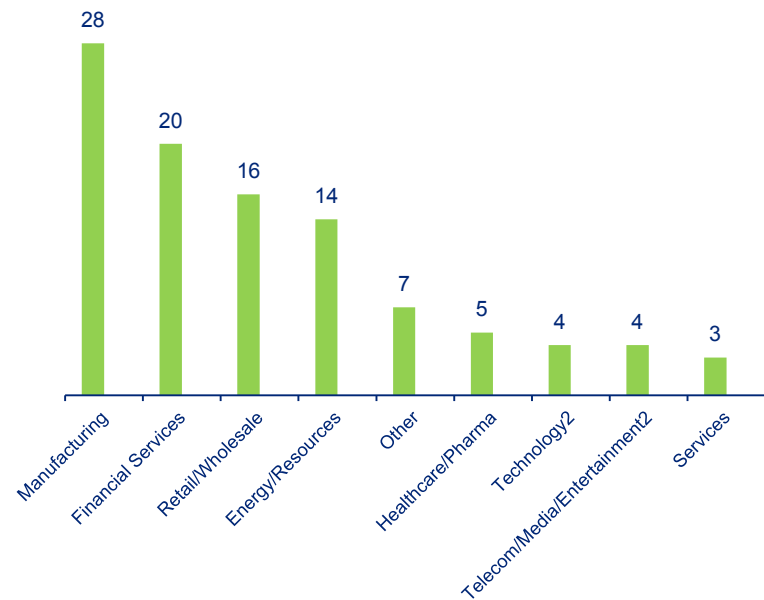


About the CFO Signals survey

Who participated this quarter?

- **101 CFOs responded** during the two-week period ending May 22
- **14 Canadian CFOs** took part, representing 14% of the total
- 71% of respondents across North America are from public companies
- 84% are from companies with more than \$1 billion in annual revenue

Participation by industry



Developments since Q1 2015 survey

- Canada's economy slowed on declining performance in the energy sector
- Rising debate about whether the U.S. economy is strong or weak
- **Value of U.S. dollar** fell significantly, value of euro rose
- Deflation scare in euro subsided, partly due to **rebound in oil prices**
- Greece and EU continued negotiations over terms for further loans
- China's economy continued to slow, quantitative easing escalated



Executive Summary

North America

Sales and earnings expectations fell to survey lows; hiring expectations down, too

2

1 Tenth straight quarter of positive sentiment, but losing momentum

3 North America good but stalling; Europe improved; China languishing

Equity markets very expensive; debt still very attractive

4

5 Strong, broad-based concerns about cyber attacks

Employees bearing more of health-care costs

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6 Compensation to rise modestly, with focus on highly skilled and managerial employees

8

Frequent CFO interactions with almost all key executives

Securing key finance talent a challenge

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9

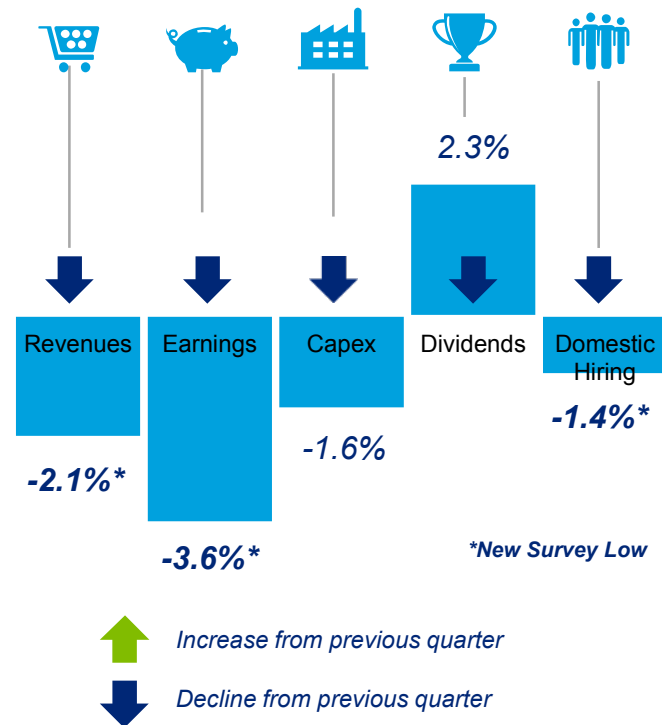
CFOs report less time spent in their 'strategist' role, more in their 'operator' role

Summary of Findings

Canada

- **All key indicators declined**, many to new survey lows
- Revenue growth expectations set another **new survey low**
- Earnings growth expectations also set a **new survey low**
- Capital expenditure growth expectations recovered slightly but **remain negative**
- Dividend growth expectations **declined**
- Domestic hiring growth expectations declined to a **new survey low**

Growth expectations for the next 12 months



Company Expectations and Priorities

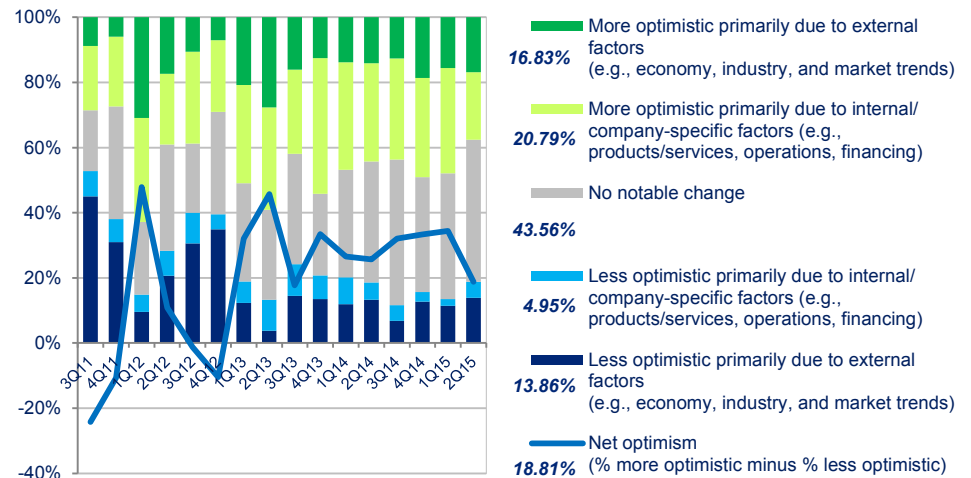
Summary of Canadian sentiment and expectations

(Optimism is measured relative to prior quarter; growth numbers are expectations for next 12 months)

Net optimism* – Canada	→
Net optimism – United States**	→
Net optimism – North America***	→
Revenue growth – Canada	↓
Earnings growth – Canada	↓
Capital investment growth – Canada	→
Domestic employment growth – Canada	→
Offshore employment growth – Canada	→

How does your optimism regarding your company's prospects compare to last quarter?

Percent of North American CFOs selecting each sentiment/reason combination



Well below five-year average Well above five-year average

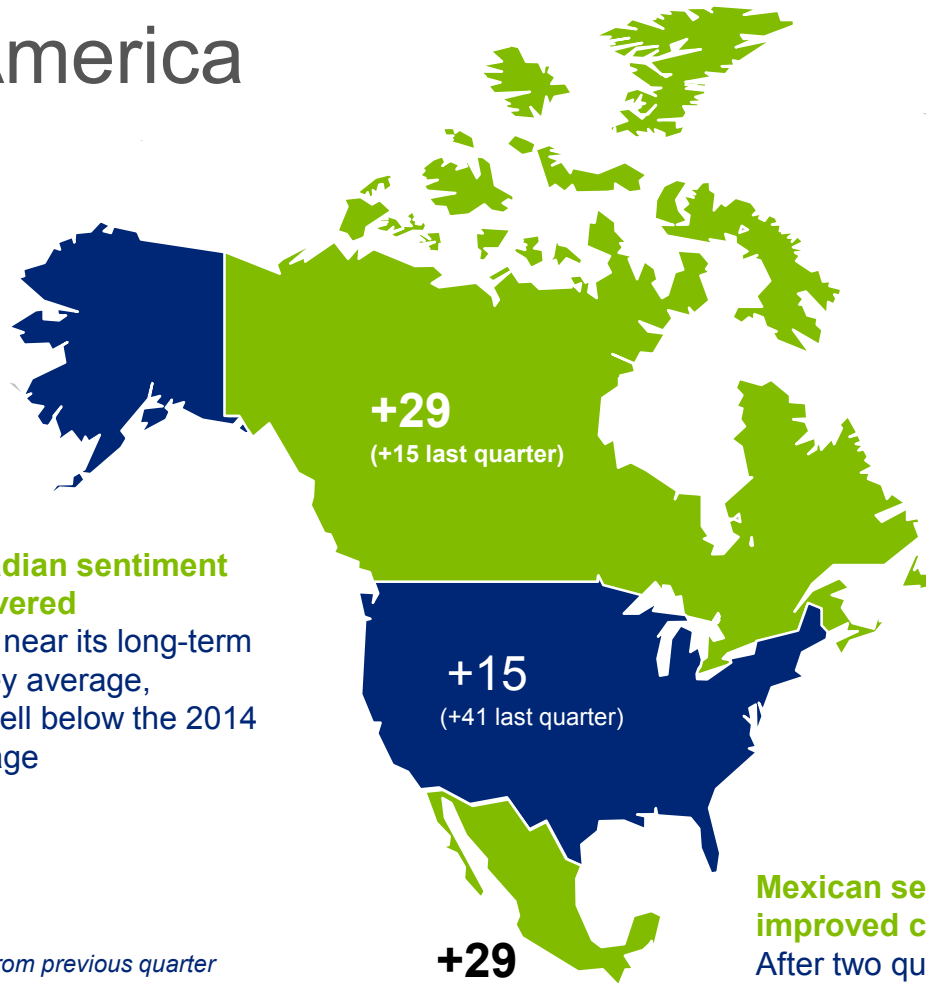
Well below last quarter Well above last quarter

* Net optimism is calculated as the difference between the proportions of those expressing rising and falling optimism. Accordingly, this metric does not explicitly account for the level of "no change" responses.

** Figure represents net optimism among U.S. CFOs.

*** Figure represents net optimism among Canadian, U.S. and Mexican CFOs.

Net Optimism North America



Canadian sentiment recovered

Back near its long-term survey average, but well below the 2014 average

U.S. sentiment declined significantly

After steady improvements over the past four quarters; net optimism slipped to just below its long-term average

Mexican sentiment improved considerably

After two quarters of zero net optimism, sentiment is now near its long-term survey average



Increase from previous quarter

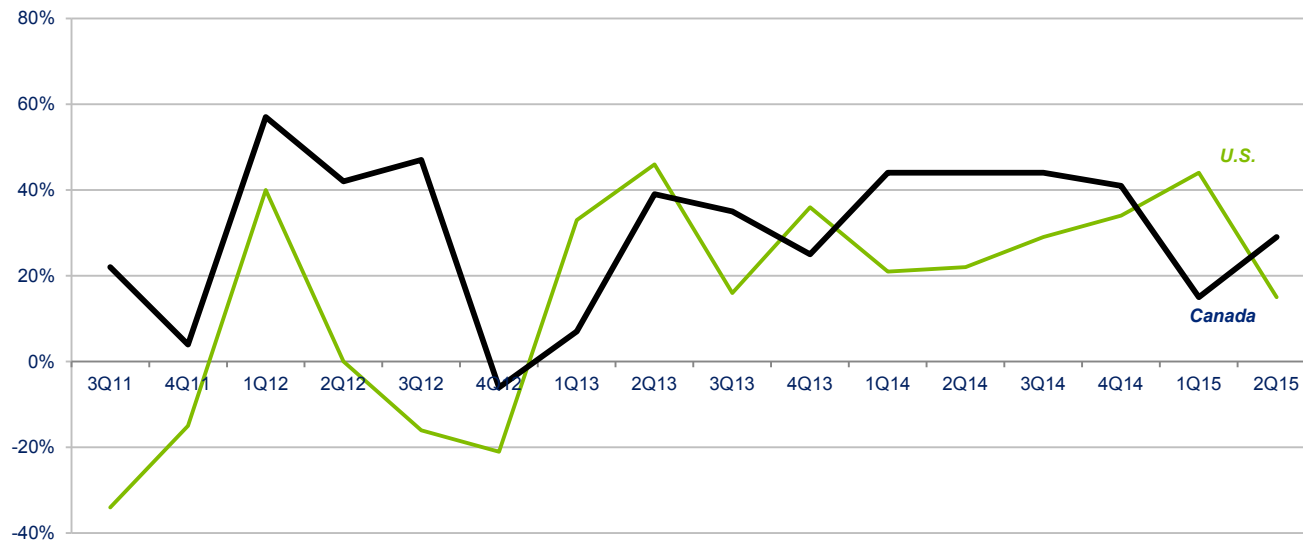


Decline from previous quarter

Net Optimism

Canada vs. U.S.A.

Difference between the percentage of CFOs citing higher and lower optimism regarding their company's prospects compared to the previous quarter



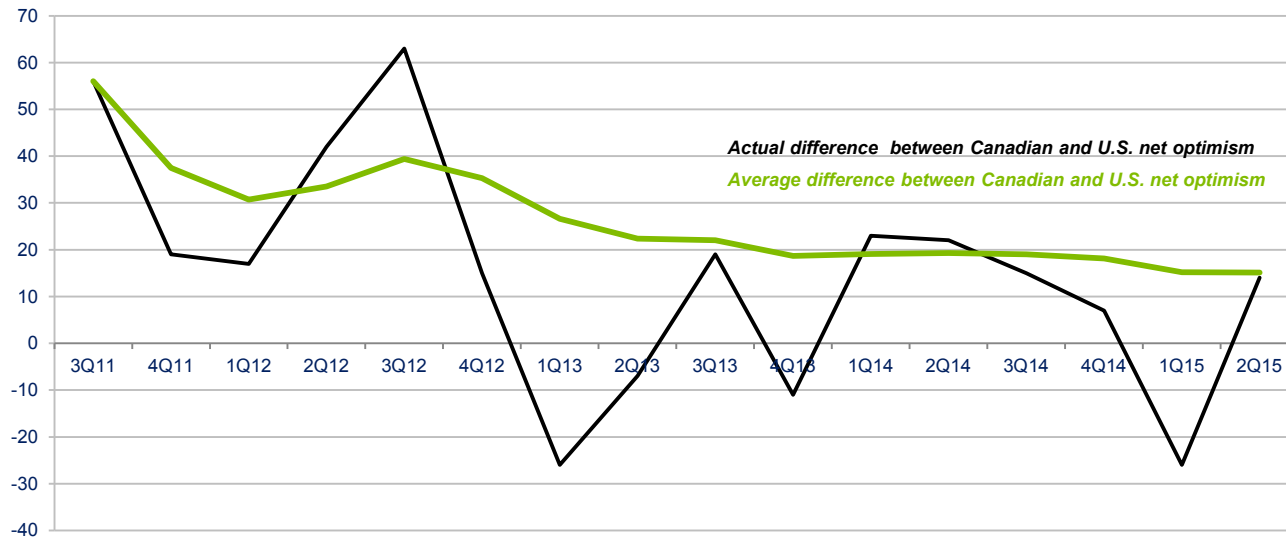
Canadian CFOs are once again more optimistic than their U.S. counterparts

Historically, Canadian CFOs have expressed much higher net optimism than U.S. CFOs, but that was not the case in the first quarter of 2015.

Net Optimism

Canada vs. U.S.A.

Difference between the net optimism of Canadian CFOs and U.S. CFOs regarding their company's prospects compared to the previous quarter



The gap between Canadian and U.S. CFOs has been steadily narrowing
The average difference between net optimism of Canadian CFOs and U.S. CFOs has declined over the past four years and is now at its smallest gap (+15.1).

Revenue & Earnings Expectations

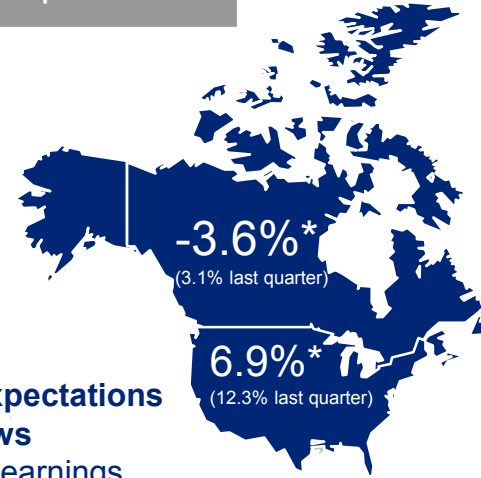
Canada vs. U.S.A.

Revenue Growth Expectations

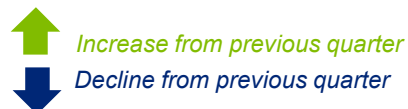


Canadian CFOs report lowest-ever expectations
Revenue and earnings growth expectations turned negative for the first time in survey history

Earnings Growth Expectations



U.S. CFOs expectations at all-time lows
Revenue and earnings growth expectations are about half of what they were last quarter

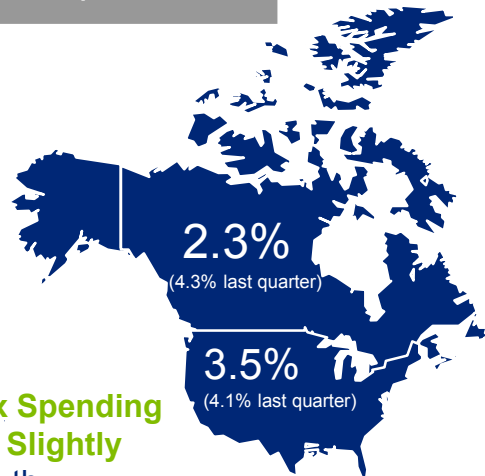


*Represents new survey low

Dividends & Capex Expectations

Canada vs. U.S.A.

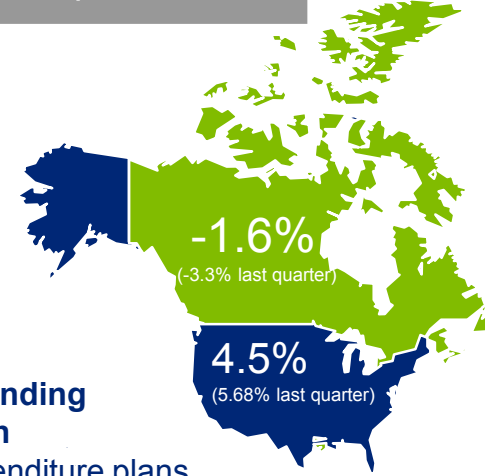
Dividend Growth Expectations



Canadian Capex Spending Plans Improved Slightly

But dividend growth expectations are at their lowest level in two years

Capital Investment Expectations



U.S. Capex Spending Plans Fell Again

U.S. capital expenditure plans are now at their second-lowest level since 2012



Increase from previous quarter



Decline from previous quarter

Domestic & Offshore Hiring Expectations Canada vs. U.S.A.

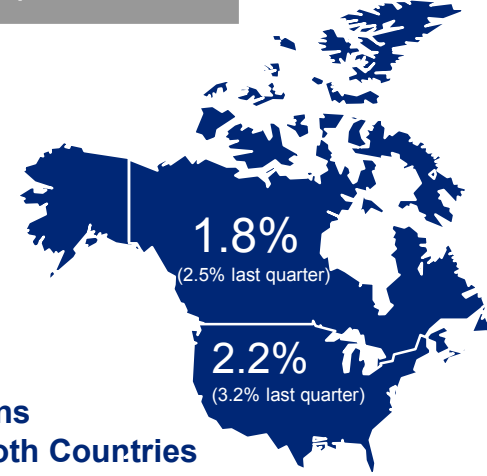
Domestic Hiring Expectations



Negative Canadian Hiring Plans, U.S. Plans Now at Two-Year Low

Canadian expectations fell for the third straight quarter, while U.S. ended reversed four quarters of growth

Offshore Hiring Expectations



Offshore Hiring Plans Eased Slightly in Both Countries

But CFOs still report higher expectations for growth in offshore hiring than at home



Increase from previous quarter

Decline from previous quarter

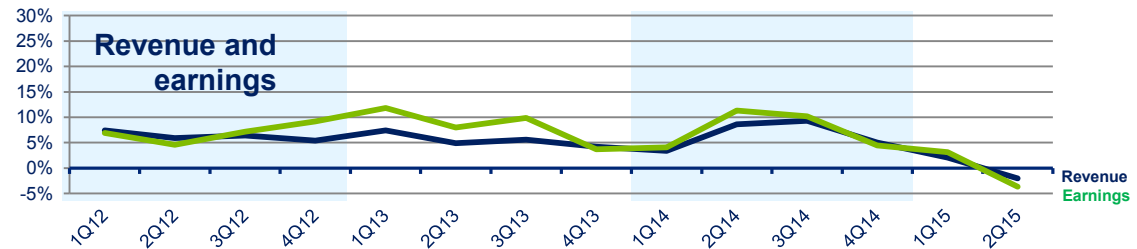
*Represents new survey low

Operational Metrics

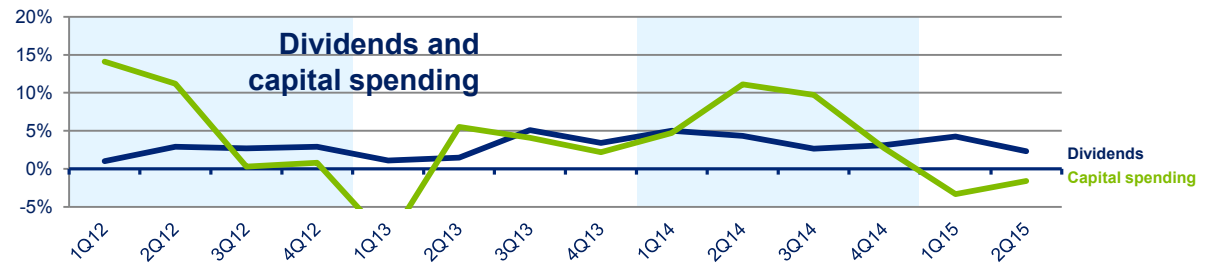
Canada

CFOs' expected change year-over-year (mean)

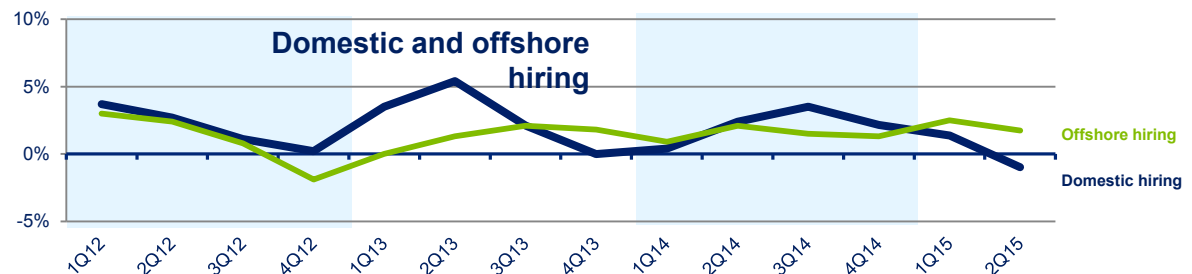
Revenue and earnings growth expectations are both **negative**, the first time that has happened in survey history



Capital expenditure growth expectations recovered slightly but are still negative, and below those of the United States



Domestic hiring growth expectations are **negative** for the first time in survey history and **well below the long-term survey average**

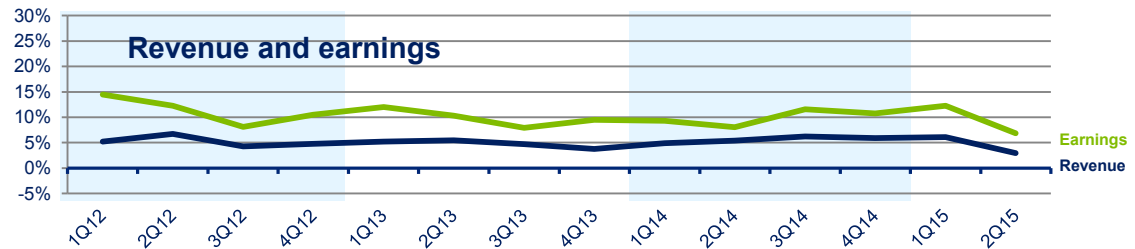


Operational Metrics

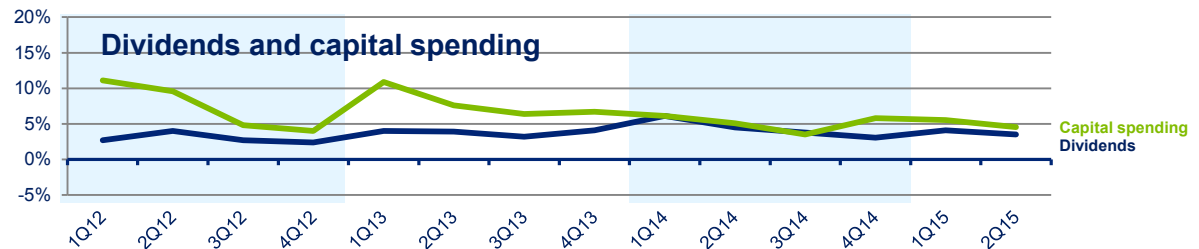
United States

CFOs' expected change year-over-year (mean)

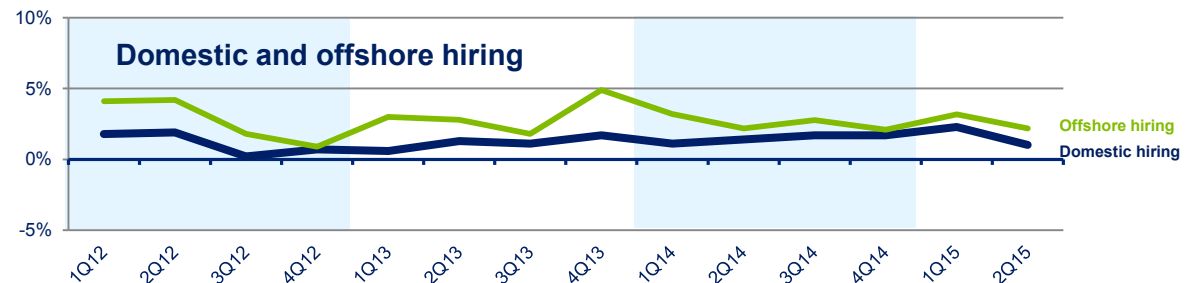
Revenue and Earnings growth expectations both declined significantly, reaching **new survey lows** in each area



Capital expenditure growth expectations, which have been mostly declining for more than two years, reached their **second-lowest level since 2013**



Domestic hiring growth expectations reached their **lowest level in two years**, while **offshore hiring** expectations **also declined**

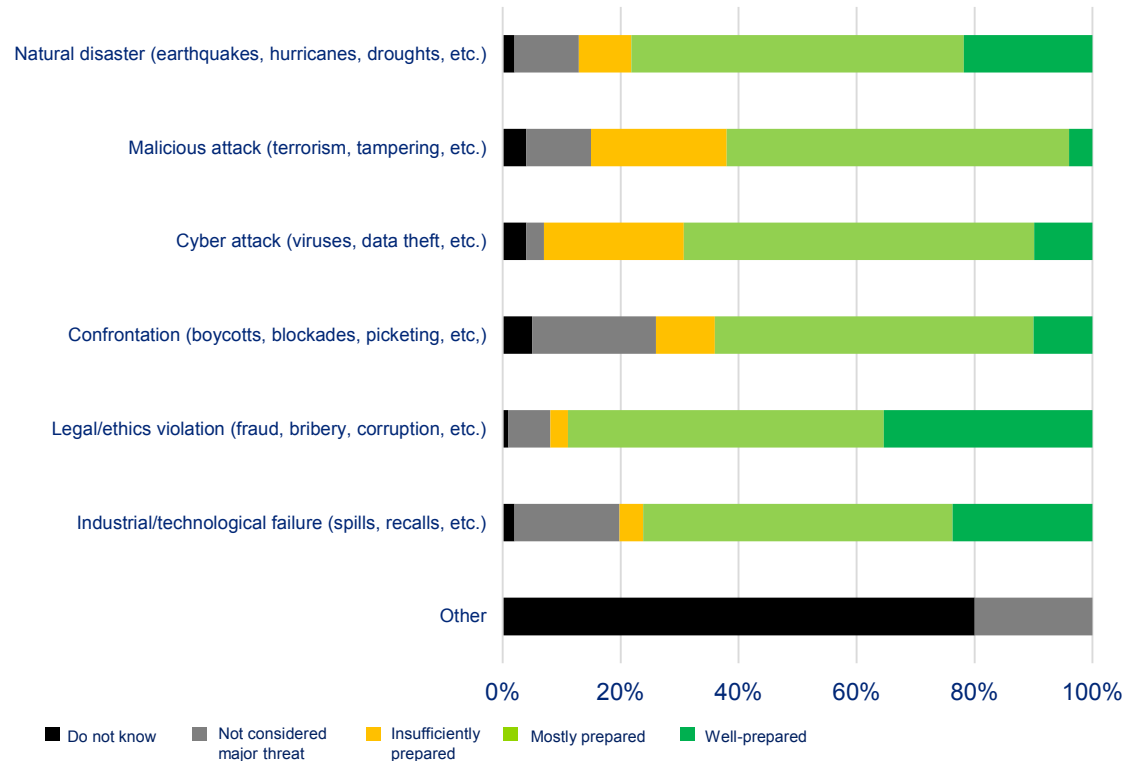


Special Topic

Crisis Preparedness

How prepared do you believe your company is for these potential crises?*

Broad concern about cyber and malicious risks, but...
 ...nearly one-quarter report being insufficiently prepared
 90% say they are prepared for legal/ethics violations
 Most say they are prepared for natural disasters

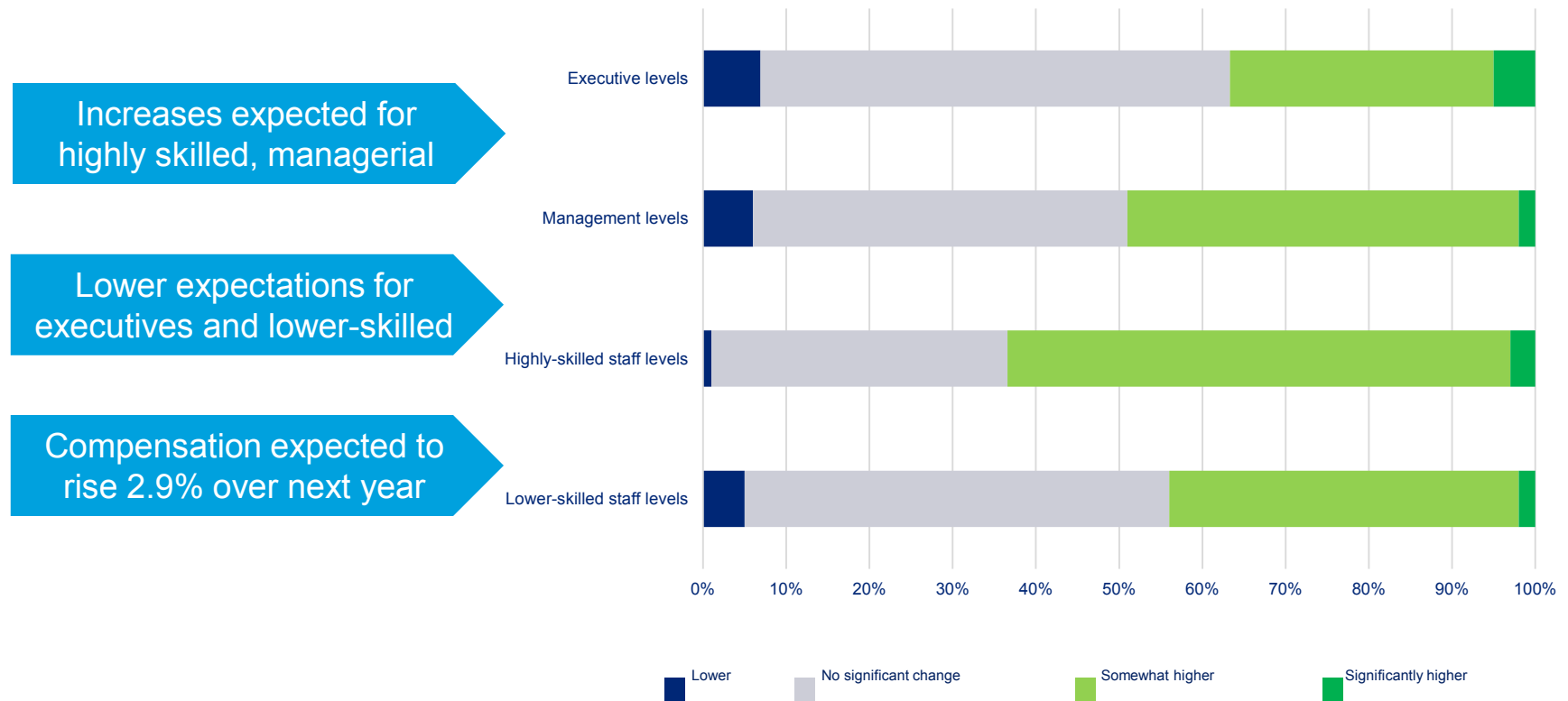


*North American responses

Special Topic

Compensation and Wages

How is your company's compensation trending over the next year?*

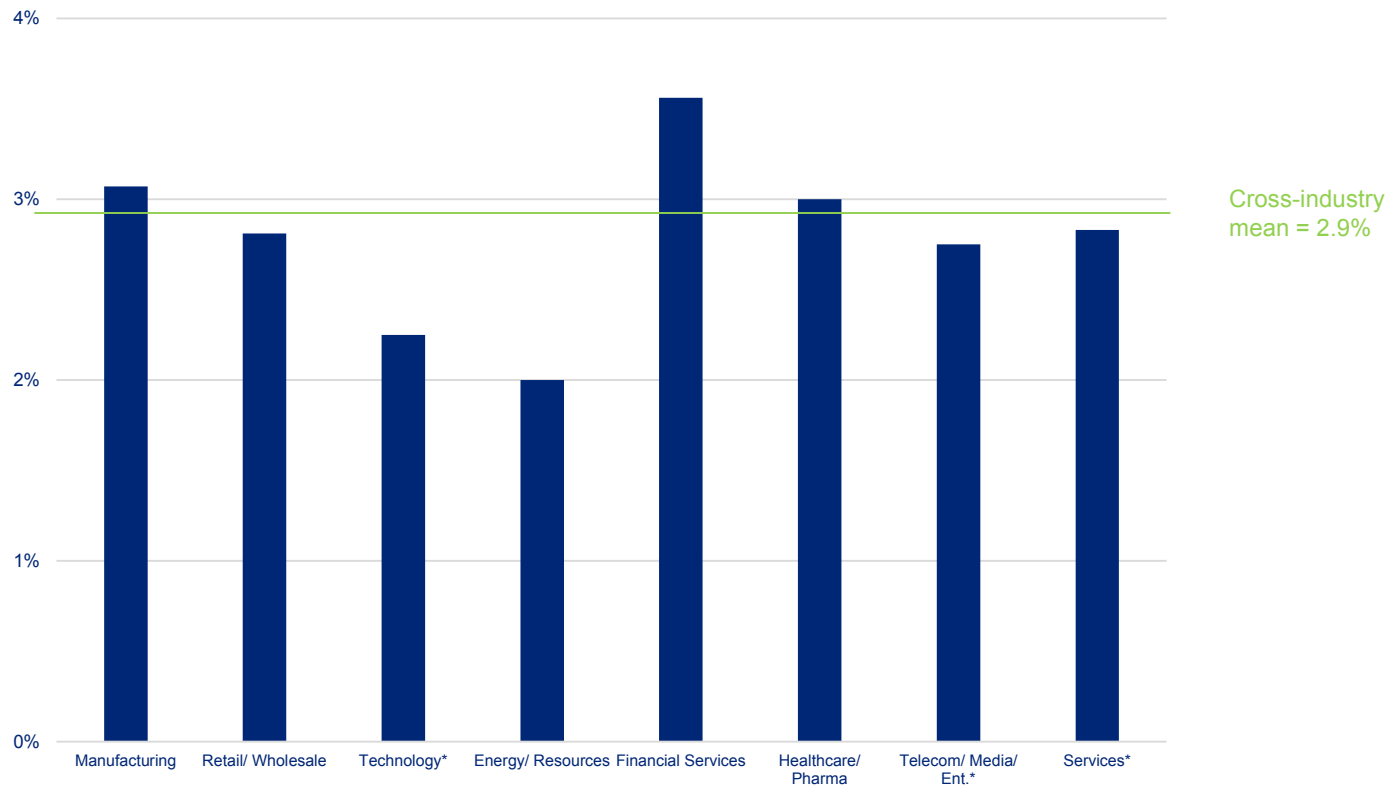


*North American responses

Special Topic

Compensation and Wages

How do you expect domestic wages and salaries to change over the next 12 months?*

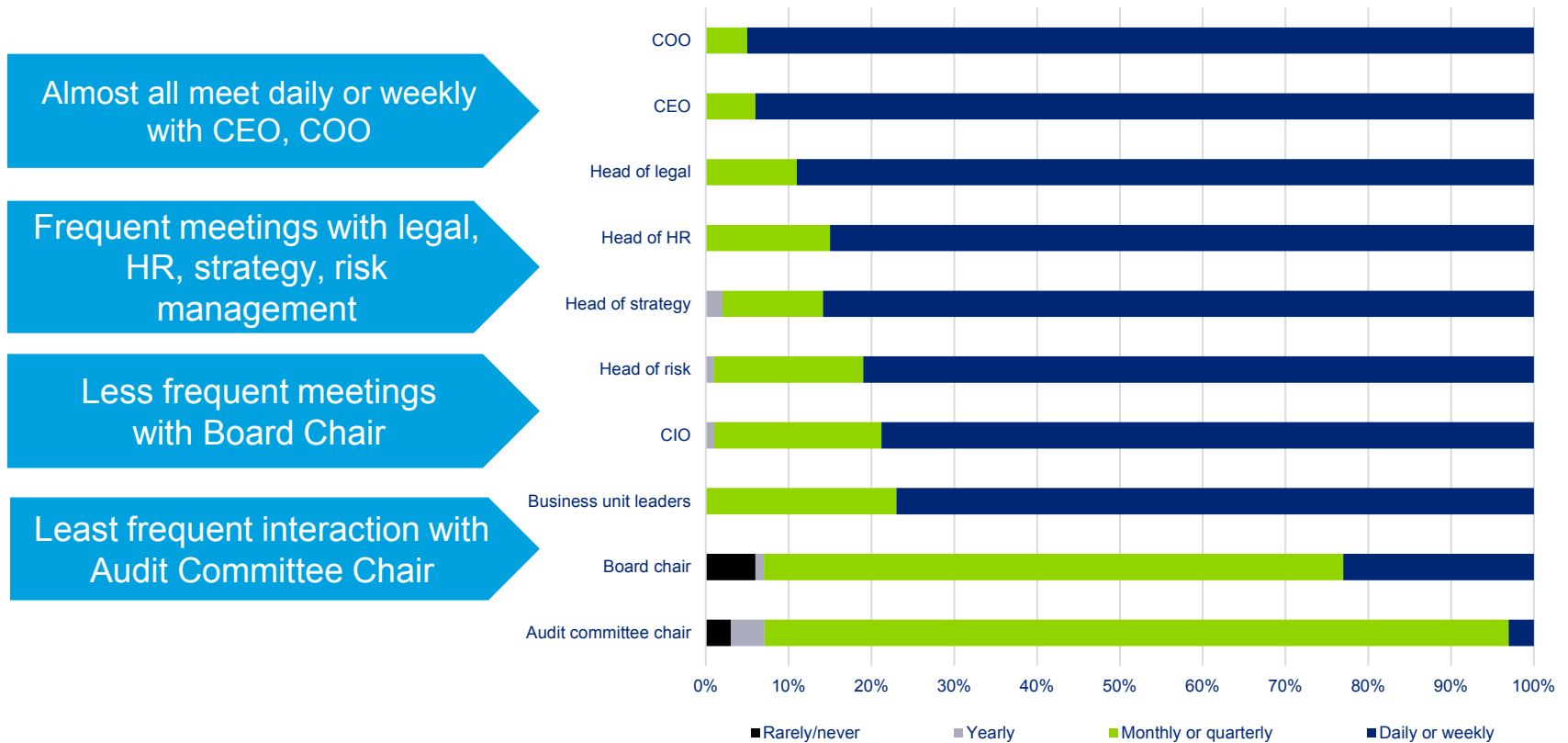


*Compared to the past 12 months. North American responses

Special Topic

CFO Role and Focus

How frequently do you have substantive interactions with your company's executives?*

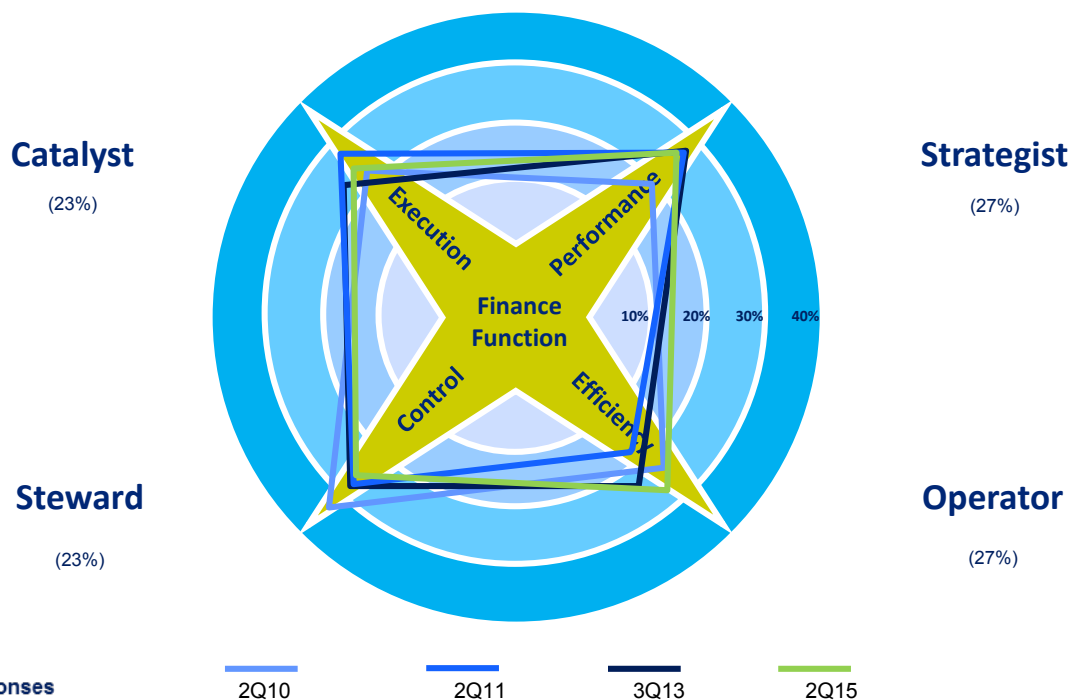


*North American responses

Special Topic

CFO Role and Focus

What is your division of time between CFO roles?*



*North American responses

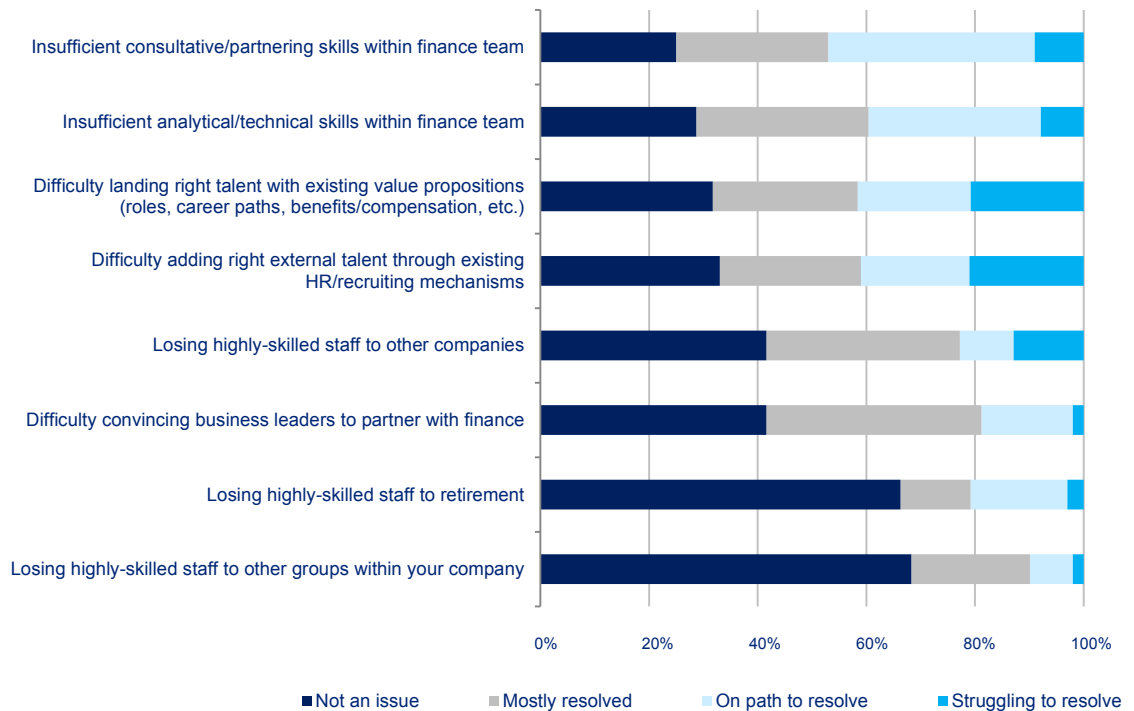
- **Operator**—Time spent focused on finance organization efficiency and service levels/effectiveness: balancing cost and service levels in delivering services; defining and evolving finance's operating model; managing issues of talent and resources offshoring, shared services, etc.
- **Steward**—Time spent overseeing accounting, control, risk management and asset preservation: ensuring company compliance with financial reporting and control requirements; ensuring information quality, and control rationalization.
- **Strategist**—Time spent working as a driver of strategy: defining the company's future; providing a financial perspective on innovation and growth; improving risk-awareness, decision-making, and performance management; translating expectations of capital markets into business imperatives.
- **Catalyst**—Time spent working as an agent for change: establishing a value mindset; aligning groups around strategies; aiding other decision-makers; establishing accountability.

Special Topic

Finance Talent

What challenges is your finance team facing in meeting the needs of the business?*

- Acquiring, developing staff is a continuing challenge
- Strong demand for people who can use data to influence business decisions
- Emphasis on business acumen over technical financial skills
- High value placed on leadership and influence



*North American responses

Methodology

Background

The Deloitte North American CFO Survey is a quarterly survey of CFOs from large, influential companies across North America. The purpose of the survey is to provide these CFOs with quarterly information regarding the perspectives and actions of their CFO peers across four areas: business environment, company priorities and expectations, finance priorities and CFOs' personal priorities.

Participation

This survey seeks responses from client CFOs across the United States, Canada, and Mexico. The sample includes CFOs from public and private companies that are predominantly over \$3B in annual revenue. Respondents are nearly exclusively CFOs. Participation is open to all sectors except for government.

Survey Execution

At the opening of each survey period, CFOs receive an email containing a link to an online survey hosted by a third-party service provider. The response period is typically two weeks, and CFOs receive a summary report approximately two weeks after the survey closes. Only CFOs who respond to the survey receive the summary report for the first two weeks after the report is released.

Nature of Results

This survey is a “pulse survey” intended to provide CFOs with information regarding their CFO peers' thinking across a variety of topics; it is not, nor is it intended to be, scientific in any way, including in its number of respondents, selection of respondents, or response rate – especially within individual industries. Accordingly, this report summarizes findings for the surveyed population but does not necessarily indicate economy- or industry-wide perceptions or trends.

Deloitte.