



**Deloitte CFO Survey
of the Leading Companies in Russia**

Autumn–Winter 2017
Deloitte CIS Research Center

#CISCFO

Overview

We are pleased to present the insights from the annual Deloitte CIS CFO Survey of the leading companies in Russia.

This is the sixth time we have conducted the survey in Russia as part of our global research efforts. The opinions provided by the respondents have enabled us to identify major concerns, key drivers, and development priorities for the Russian economy, and to perform a comparative analysis of the existing trends.

The survey was held in September 2017, with 80 experts providing their responses.

This report has been prepared by Deloitte CIS Research Centre, Moscow.

Survey goal

Perform a comprehensive analysis of trends in the Russian business environment

Survey objectives

- Describe business outlook for Russia in 2017
- Provide forecasts for key financial metrics in 2017
- Evaluate the level of uncertainty and key risks of doing business in Russia
- Assess the impact of the recent international events on the Russian business environment
- Identify key business strategies and areas for change
- Identify business development drivers and barriers faced by businesses in Russia
- Determine the levels of innovative activities of companies in Russia
- Analyze the current situation around internal audit in leading companies in Russia

Target audience

CFOs of the leading companies across key Russian industries.

Research methodology

Data was collected through an online questionnaire and personal interviews.

Our comprehensive analysis was based on the following approaches:

- Identification and examination of general market trends;
- Comparative analysis of data in meaningful subgroups (analysis of data differing significantly by subgroup and/or from the overall population);
- Multivariate data analysis (an in-depth analysis of the results to identify hidden differences and incorporate the findings).

Sampling

The survey was performed on a random sample of respondents from a closed highly specialized population. The final sample included 80 respondents who were segregated into several industry groups.

Key findings

Financial climate in 2017



Optimism about financial prospects is here to stay:

- **53 percent** of the respondents believe that their company's financial prospects are likely to change for the better.
- The highest levels of optimism (**79 percent**) are observed in companies with annual revenue of RUB 10 to 100 billion.
- Meanwhile, foreign companies are the most pessimistic (**33 percent**).

Positive expectations about capital expenditures (CAPEX) has grown by **23 percentage** points from spring 2016:

- **60 percent** of the respondents expect their company's operating revenue to increase in 2017, and **13 percent** anticipate a decrease.
- **60 percent** expect an increase in their real income.

Companies try to maintain both their headcount and payroll levels:

- Almost every third company (**29 percent**) plans to increase the number of staff.
- Most companies (**58 percent**) plan to increase average payroll.

Almost half of the companies surveyed (**49 percent**) plan to raise prices by **5 percent** on average, while **44 percent** expect prices to remain at the current levels.

Uncertainties, risks and development strategies in 2017



Uncertainty has increased for the first time since 2015 by **0.18 points**.

Risk appetite has decreased by **0.14 points**.

Ruble-based financing that has been gaining ground since 2015 was cited as number one risk management strategy this year (**49 percent**) as less respondents voted for retaining the foreign currency clause in contracts.

Risk factors that had the most negative impact on business in Russia in 2017:

- Stagnation in the Russian economy
- Increasing production costs abroad
- Rising barriers to entry into new markets
- Lower consumer interest in new products
- Lower transparency
- Social risks: impact of business process automation (staff cuts)
- Risks of implementing innovative projects
- Competition from innovative products

Priority business strategy to recover the market position in Russia in 2017:

- Business development through organic growth
- Ongoing cost control
- Digitalization of business functions

Almost half of the companies (**42 percent**) plan to expand their business relations into other localities:

- Priority markets include Asia and Latin America.

Business drivers and barriers



The long-term impact of the global crisis gradually fades away: In 1H2017, currency risks were not identified within the top 5 barriers.

Business drivers in Russia in 2H2017:

- Innovative products
- Digitalization
- Expansion into new markets
- Financial position
- Liquidity

Barriers for business development in Russia in 2H2017:

- Production costs
- Innovations
- Focus on core operations
- Production abroad
- Currency risks

Innovations



Roughly four out of every five companies (**78 percent**) have an internal audit function.

Overall, CFOs believe that internal audit function demonstrates average performance.

More than third of the companies that implemented structural innovations (**38 percent**) grew in value.

More than half of the companies surveyed (**60 percent**) plan to spend up to **1 percent** of their annual revenue on R&D.

According to **51 percent** of the respondents, most innovations come from dedicated divisions inside their companies.

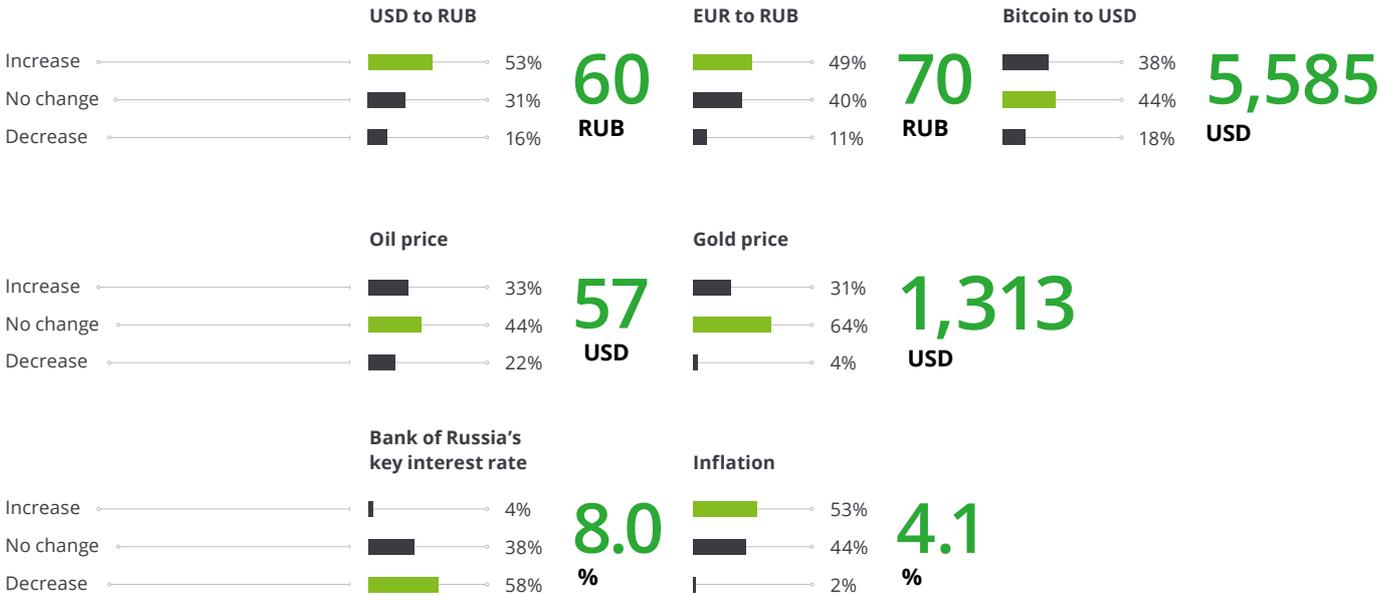
Financing is seen as the key barrier for implementing innovations in companies.

The key drivers for implementing innovations are the **market and competition**.

Relevant topics suggested by CFOs

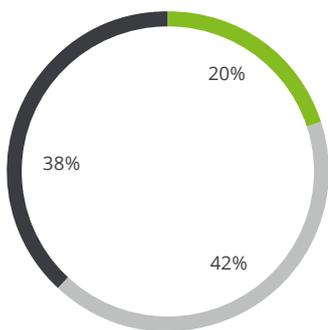
Anticipated market dynamics

We asked our respondents about their expectations regarding changes in prices/rates of currencies and goods in a year (by fall of 2018)

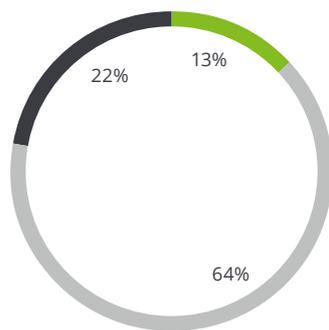


Personal experience with innovations

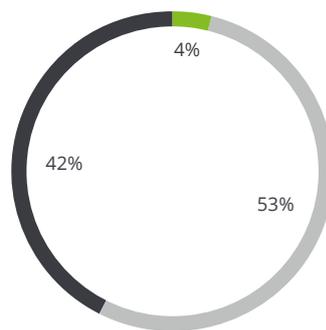
Virtual reality



Use of smart home technology



Experience in the cryptocurrency market



■ I have some experience
 ■ I do not have experience but I would be interested in trying it
 ■ I do not have experience and I am not interested in trying it

Trends:

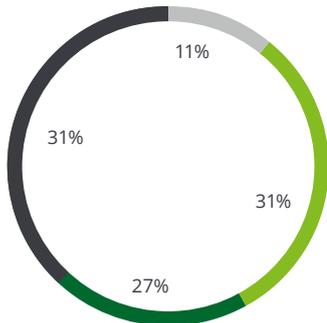
- One out of five CFOs (**20 percent**) has experience in using virtual reality (VR) technologies.
- More than one out of ten respondents (**13 percent**) is aware of IoT smart home technologies.
- **4 percent** have experience in buying cryptocurrencies (bitcoins).

Our respondents

27% Representatives of **foreign companies** with production facilities in Russia.

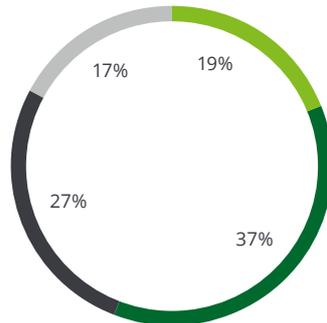
73% Representatives **of Russian companies**

Revenue in 2016



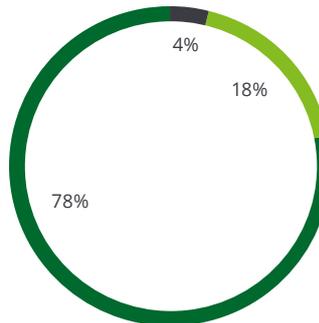
- Less than 2 RUB billion
- 2-10 RUB billion
- 10-100 RUB billion
- More than 100 RUB billion

Headcount



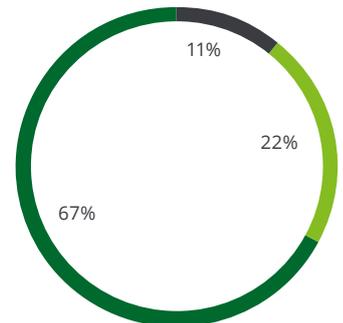
- Less than 100 people
- 100-1,000 people
- 1,000-5,000 people
- More than 5,000 people

Form of ownership



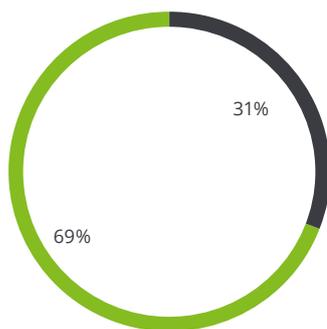
- Public company
- Private company
- State-owned company

Planning horizon



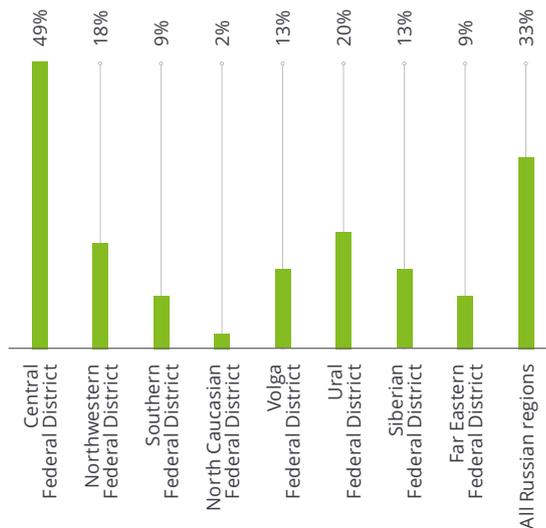
- 1-2 years
- 3-5 years
- More than 5 years

Industry



- Consumer business
- Manufacturing

Geographical span



Contacts

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If you have any questions regarding the survey, please do not hesitate to contact us.



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