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This quarter's survey closed on Friday, February 21—when coronavirus was known to be a threat, but before news emerged about its rapid spread to several regions outside China (and before equity markets saw significant declines beginning the week of February 24).

CFO Signals™

What North America's top finance executives are thinking—and doing

1st quarter 2020

High-level report

This report is a subset of a full report containing analysis and trends specific to industries and geographies. Please contact nacfosurvey@deloitte.com for access to the full report.

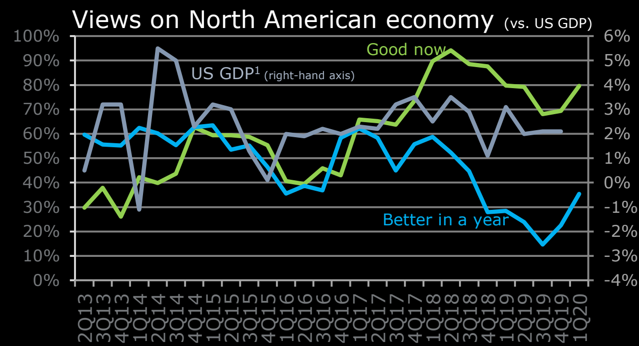
This quarter's survey closed on Friday, February 21—when coronavirus was known to be a threat, but before news emerged about its rapid spread to several regions outside China (and before equity markets saw significant declines beginning the week of February 24).

CFO Signals™

1st Quarter 2020: Capital spending pullback expected—even before coronavirus spread and markets fell

Longitudinal business outlook highlights (please see this quarter's report for one-off "special topics" findings)

ECONOMIC OUTLOOK



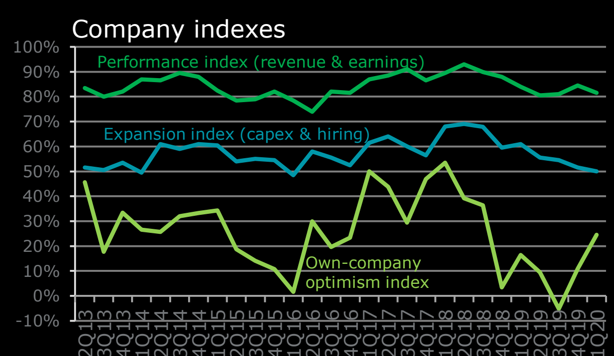
Economy optimism	Good now	Better in a year	Last quarter	2-yr. avg.
North America	80%	35%	69/23	81/31
Europe	10%	11%	7/6	19/12
China	10%	27%	18/11	26/18

[1] US GDP = percent change from preceding quarter in real US gross domestic product (source: Bureau of Economic Analysis table 1.1.1)

Well below two-year average — Well above two-year average
Well below last quarter — Well above last quarter

- Positive assessments of the current North American economy climbed from 69% to 80%; 35% expect better conditions in a year, up from 23%. CFOs last quarter indicated expectations of a slowdown over a recession, but that was before coronavirus.
- Views on Europe's economy improved slightly, but remain quite pessimistic; views on China's current economy remain very pessimistic, but optimism about a year from now improved considerably (this was before coronavirus spread beyond China).

COMPANY OUTLOOK



Company optimism and growth	This quarter	Last quarter	2-yr. avg.
Own-company optimism (net)	+24.5	+10.9	+16.9
Revenue growth (YOY)	3.9%	3.7%	4.8%
Earnings growth (YOY)	6.0%	6.0%	7.1%
Capital investment growth (YOY)	2.3%	3.7%	6.0%
Domestic personnel growth (YOY)	1.2%	1.1%	2.1%

Well below two-year average — Well above two-year average
Well below last quarter — Well above last quarter

- The **own-company optimism index rose** sharply from +10.9 to +24.5—a five-quarter high, but well below the 2017/18 highs. (Index = percent of CFOs citing rising optimism regarding their company's prospects minus the percent citing falling optimism.)
- The **performance index fell** from 84.5 to 81.5, restrained by one of the lowest revenue growth expectations in three years and the second-lowest for earnings growth in survey history. (Index = average of percentages of CFOs citing positive YOY revenue growth and earnings growth.)
- The **expansion index slid** from 51.5 to 50.0 (a four-year low), hurt by a the second-lowest hiring level in nearly four years and the second-lowest capex level in ten years. (Index = average of percentages of CFOs citing positive YOY capital spending growth and domestic hiring growth.)

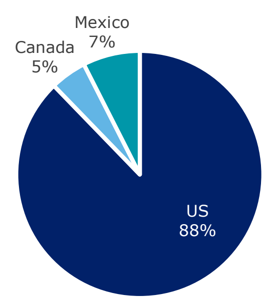
About the survey
Contents and background

About the CFO Signals survey

Each quarter (since 2Q10), *CFO Signals* has tracked the thinking and actions of CFOs representing many of North America's largest and most influential companies.

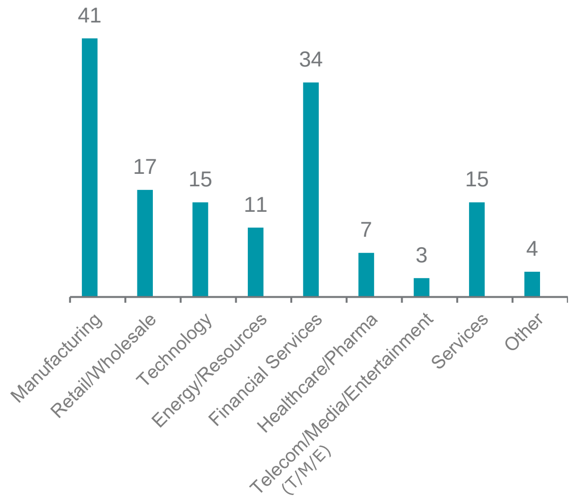
All respondents are CFOs from the US, Canada, and Mexico, and the vast majority are from companies with more than $1 billion in annual revenue. For a summary of this quarter's response demographics, please see the sidebars and charts on this page. For other information about participation and methodology, please contact nacfosurvey@deloitte.com.

Participation by country*



* Sample sizes for some charts may not sum to the total because some respondents did not answer all demographic questions.

Participation by industry*



Contents

Additional findings in full report
(please contact nacfosurvey@deloitte.com)

- Detailed findings (by industry)
- Industry-by-industry trends
- Country-by-country trends

Survey responses

Survey period:	2/10-2/21
Total responses:	147
• CFO proportion:	100%
• Revenue >$1B:	84%
• Public/private:	76%/24%

Survey leaders

Greg Dickinson
Managing Director, *CFO Signals*
Deloitte LLP

Lori Calabro
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Summary and context

Capital spending pullback expected—even before coronavirus spread and markets fell

This time last year, there was substantial optimism underlying CFOs' otherwise restrained sentiment. Although growth expectations for revenue, earnings, and hiring had weakened, and own-company optimism had fallen from its 2018 highs, only 15% said they saw a full-blown recession on the horizon, and about 80% expected any downturn to be mild. Accordingly, capital spending expectations continued to rise even as other metrics faltered.

Much of that positive sentiment waned later in the year, however, as major economies slowed and US-China trade tensions escalated. Several key metrics hit multi-year lows, with the own-company optimism index turning negative for the first time in nearly seven years. Capital spending expectations finally capitulated, falling sharply to a three-year low.

As they looked toward 2020 last quarter, CFOs expressed continuing concerns about trade policy and new concerns about consumer and business spending. Worries about US elections also began to emerge, with two-thirds of CFOs saying US performance beyond 2020 will depend substantially on the outcome. Expectations for revenue and earnings growth remained at or near multi-year lows, and those for capital spending and hiring were again depressed.

Still, own-company optimism seemed to be rising and only 3% of CFOs said they expected a true recession anytime soon. But that was before coronavirus (COVID-19) emerged as a major worldwide health and economic threat.

This quarter's survey closed on Friday, February 21—when coronavirus was known to be a threat, but before news emerged about its rapid spread to several regions outside China (and before equity markets experienced significant volatility starting the following Monday). Even before the this news, CFOs had already pushed the virus to the top of their list of most worrisome risks, supplanting long-standing leaders such as trade wars and political turmoil.

This quarter's assessments of the current Chinese economy understandably declined. But expectations for performance a year from now actually improved, possibly reflecting optimism about the new US-China trade deal and initial expectations that the virus's impacts might not be long-lived or widely spread. Similarly, sentiment regarding the North American and European economies also showed improvement.

This quarter's expectations for revenue and earnings remained muted, with one of the lowest revenue growth expectations in three years and the second-lowest for earnings growth in survey history. Capital spending growth slid sharply to a four-year low (the second-lowest level in a decade), with particular weakness in the US and within the Manufacturing and Service sectors.

In any event, it seems likely that, had the survey been conducted a week or two later, these numbers would have been even more somber. And it seems unlikely that own-company optimism, which continued to improve this quarter, would have climbed at this quarter's rate (if at all).

Nevertheless, this quarter's survey also aims to provide helpful insights into business transformation—specifically, around the types and drivers of transformation, and the implications for CFOs and finance. In short, CFOs' most reported transformations involved changes to business strategies/models and upgrades to core business processes. The top drivers were changing customer demands and disruptive technologies, and CFOs' roles were mostly as co-leaders and enablers. The top implications for finance were around new and/or expanded decision support (better decision speed and quality, and stronger data and analytics expertise) and stronger operational support (especially around the establishment and management of key metrics).

Finally, we took a fresh look at how CFOs allocate their time between their roles of strategist, catalyst, steward, and operator. This quarter's findings showed a skew toward the first two roles—but only slightly, and not nearly to the extent CFOs say they prefer. In the changed business environment, however, it may be the latter two roles that will matter most.

Key developments since the 4Q19 survey

- Coronavirus (COVID-19) emerged in China; substantial spreading to other regions was reported over the Feb. 22-23 weekend (right after this survey closed).
- US equity markets hit new highs, rising 8% between surveys—before experiencing significant declines upon the announcement of the coronavirus's spread.
- US GDP grew 2.1% in the fourth quarter as business investment continued to fall; for all of 2019, real GDP grew 2.3%, down from 2.9% in 2018.
- The US Fed signaled that 2020 rate policy would remain unchanged unless impacted by coronavirus (and subsequently lowered rates by 50 basis points on March 3 after sharp equity market declines).
- The US and China agreed on a phase one trade deal.
- Chinese exports accelerated sharply in December, but were weak for 2019 on the whole.
- Canadian job growth was strong in December, reversing November's sharp decline.
- Mexican economic activity continued to decline.
- Industrial production in the eurozone's largest economies continued to decline; real GDP growth was feeble in the fourth quarter.
- The UK formally left the EU; the British economy stalled in the fourth quarter with declining investment, consumer spending, and manufacturing.

Findings at a glance

Perceptions

How do you regard the status of the North American, European, and Chinese economies? Perceptions of North America improved substantially, with 80% of CFOs rating current conditions as good (69% last quarter), and 35% expecting better conditions in a year (up from 23%, and the highest level since 3Q18). Perceptions of Europe rose slightly to 10% and 11%, perhaps influenced by Britain's exit from the EU. Perceptions of China's current conditions fell sharply to 10%, but expectations for a year from now rose sharply to 27% (perhaps influenced by the US-China trade deal and early hopes for short/limited coronavirus impacts). **Page 7.**

What is your perception of the capital markets? Ninety percent of CFOs say debt financing is attractive (up from 86%). Equity financing is considered attractive by 46% (up from 43%) of public company CFOs and 37% (up from 26%) of private company CFOs. Eighty-three percent say US equity markets are overvalued, up from 77%, but this was before markets saw significant declines following news about substantial coronavirus spreading beyond China. **Page 8.**

Sentiment

What external/internal risks worry you the most? CFOs expressed new concerns about the economic and social impacts of coronavirus—even though the survey closed before news emerged about spreading to regions outside China and before equity markets fell sharply the week of February 24 (right after the survey closed). These worries supplanted those prevalent in previous quarters around trade policy, political turmoil, and upcoming US elections. Internally, talent concerns continued, while concerns around execution and prioritization rose. **Page 9.**

Compared to three months ago, how do you feel about the financial prospects for your company? The net optimism index continued to improve, rising from last quarter's +11 to +24 (better, but still below the levels from 2017 and 2018). Thirty-eight percent of CFOs expressed rising optimism (30% last quarter), and 14% expressed declining optimism (19% last quarter). Note that this sentiment, too, was expressed before news about substantial coronavirus spreading beyond China. **Page 10.**

Expectations

What is your company's business focus for the next year? Companies continue to focus more on growth and investment than on cost reduction and returning cash, but by a narrower margin than the historical survey average. **Page 11.**

How will your key operating metrics change over the next 12 months? YOY revenue growth expectations rose slightly from 3.7% (last quarter's three-year low) to 3.9%. Earnings growth held at 6.0% (still second-lowest in nine years); capital spending slid sharply from 3.7% to 2.3% (a four-year low and the second-lowest level in 10 years). Hiring rose slightly from 1.1% to 1.2% (third-lowest in six years). Dividend growth slid from 4.3% to 3.7%. **Page 12.**

1Q20 Survey Highlights

The survey closed after coronavirus emerged, but before it spread substantially beyond China (before equities fell sharply 2/24).

- CFOs' perceptions of the North American and European economies (current and future) improved; views on China's current state fell, but those for its future rose sharply (possibly influenced by the new US-China trade deal).
- Coronavirus emerged as CFOs' most worrisome external risk, displacing trade worries and political turmoil.
- Own-company optimism continued to climb.
- Revenue, earnings, and hiring growth expectations remain at or near multi-year lows; capital spending slid sharply to a four-year low (and the second-lowest level in 10 years).
- CFOs' most-reported enterprise transformations involved major business strategy shifts and operational changes; the top drivers were changing customer demands and disruptive technologies.
- CFOs' primary transformation roles were as co-leaders and enablers.
- CFOs said their finance teams will need to provide new and/or expanded decision support and stronger operational support.
- CFOs' time allocation skews toward catalyst and strategist roles (over steward and operator)—but not to the extent they prefer.

Special topic: Business transformation and the role of CFOs/finance

What is the most important enterprise transformation your company is undertaking? CFOs' most reported transformations involved fundamental business shifts (strategies, models, and offerings) and also major changes to operations (process effectiveness and efficiency). **Page 13.**

What are the primary drivers of the transformations? CFOs say the top drivers are changing customer demands and disruptive technologies. **Page 14.**

What is your primary role as CFO in the transformation? CFOs' most common roles were as co-leaders and enablers. **Page 15.**

What new/expanded services and capabilities will finance have to provide going forward? CFOs were most likely to cite the need for stronger and faster decision support and deeper operational support. **Page 16.**

What is your division of time between your CFO roles? CFOs' allocation of time skews toward their catalyst and strategist roles over their steward and operator roles—but only slightly, and not nearly to the extent they prefer. **Page 17.**

Topical findings

Perceptions

Assessments of regional economies

Confidence in the trajectory of the North American, European, and Chinese economies improved this quarter (possibly aided by the completion of Brexit and the US-China trade deal), but that was before coronavirus had spread substantially outside of China.

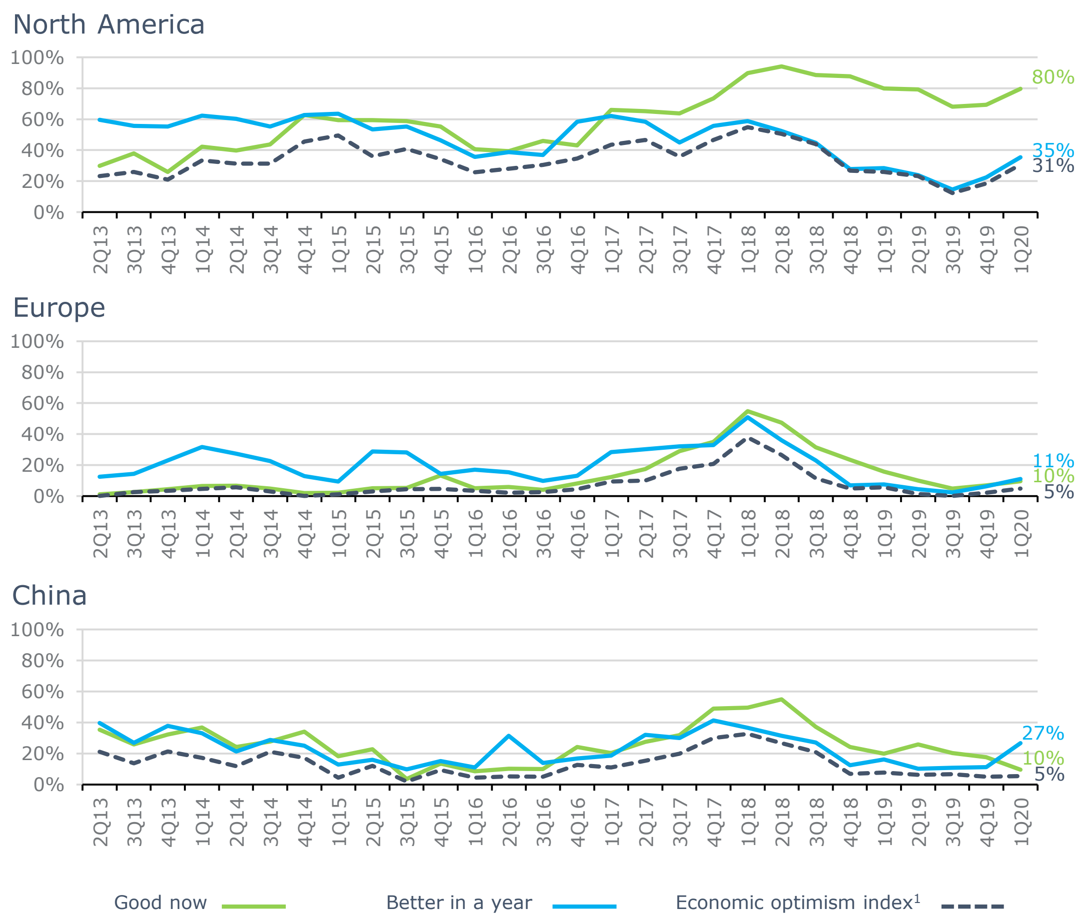
Assessments of North America's economy peaked in 2Q18, with 94% of CFOs rating current conditions as good. After five quarters of declines, last quarter's reading leveled off at 69%. This quarter, it rose sharply to 80%. Similarly, assessments of the economy's future were trending downward until last quarter's rebound—when 23% of CFOs expected better conditions in a year. This quarter came in at 35%, the highest reading since 3Q18. The region's optimism index[1] rose from +18 to +31.

Perceptions of Europe's economy have receded sharply since peaking in 1Q18. Only 10% of CFOs say current conditions are good (7% last quarter), and only 11% expect better conditions in a year (up from last quarter's 6%). The optimism index[1] rose to +5 from last quarter's survey-low +2.

Perceptions of China's current performance continued to decline this quarter, but future assessments rose strongly. The proportion of CFOs saying current conditions are good fell from 18% to just 10% (perhaps on near-term coronavirus fears), but 27% now expect better conditions in a year (perhaps buoyed by the US-China trade deal and initial expectations of short-lived coronavirus impacts.)

Economic optimism

How do you regard the North American, European, and Chinese economies? Percent of CFOs saying current conditions are good or very good, percent saying conditions next year will be better or much better, and percent saying both (dotted line)



[1] Indexes reflect the percentage of respondents who rate current economic conditions as "good" or "very good" and who also expect "better" or "much better" conditions in a year. Please note that the calculation of this index changed in 1Q18 and all values from prior quarters have been recalculated based on the new methodology.

Perceptions

Assessments of markets and risk

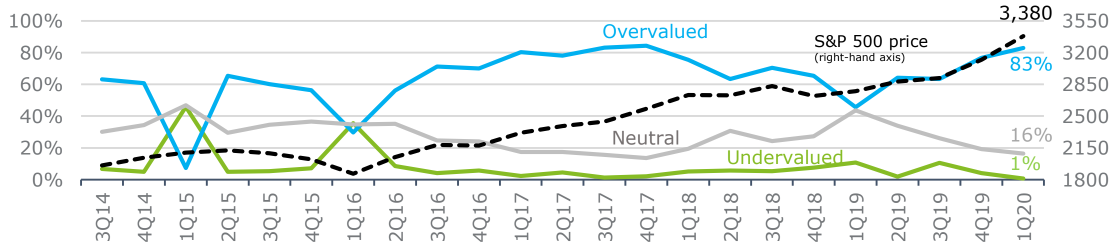
Equities regarded as overvalued *(prior to steep declines starting the week of 2/24).* Between the 4Q19 and 1Q20 surveys, equities hit new highs and rose 8%—before experiencing sharp declines on the announcement of coronavirus's spread the weekend after this quarter's survey closed. Prior to this (during the survey open period), 83% of CFOs said US equity markets were overvalued (the highest level in more than two years), and only 1% said they were undervalued.

Debt financing attractiveness remains high; equity attractiveness rose. With interest rates declining for the past two quarters, debt attractiveness rose to 90% this quarter—the highest level in almost five years (this was before the US Fed dropped rates a half point in early March). Equity attractiveness rose for the second straight quarter, rising for both public company CFOs (from 43% to 46%) and private company CFOs (from 26% to 37%).

Higher appetite for risk-taking. The proportion of CFOs saying it is a good time to be taking greater risk flatlined around 40% through 2019. This quarter, it rose to 46%—just above the two-year average, but still below the five-year average.

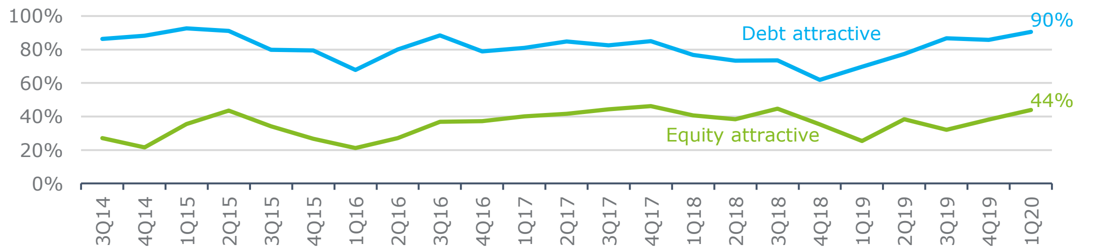
Equity market valuations

How do you regard US equity market valuations? Percent of CFOs saying markets are overvalued, undervalued, or neither (compared to S&P 500 price at survey midpoint)



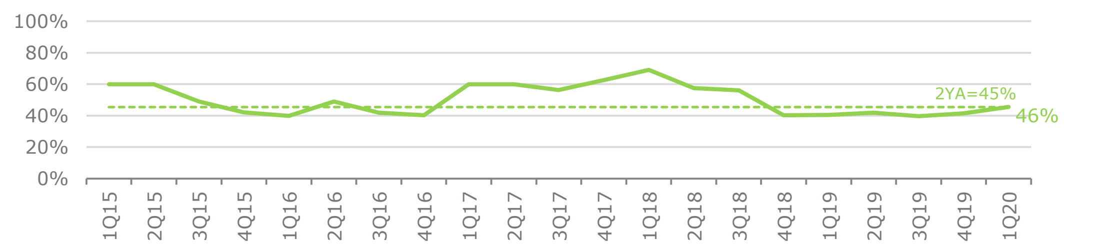
Debt/equity attractiveness

How do you regard debt/equity financing attractiveness? Percent of CFOs citing debt and equity attractiveness (both public and private companies)



Risk appetite

Is this a good time to be taking greater risk? Percent of CFOs saying it is a good time to be taking greater risk



2YA = Two-year average

Sentiment
Most worrisome risks

Concerns about coronavirus (and its impact on China's economy, global supply chains, and the broader global economy) emerged, overtaking recent concerns around trade policy and political turmoil—and this was *before* equities declined sharply (the survey closed 2/21; markets began falling 2/24).

Throughout 2019, CFOs expressed growing concern about the economic impact of US trade policy and tariffs, and also about global political turmoil and instability (especially in the US). A lot has changed recently, and both areas of concern have receded this quarter—or at least taken a back seat.

First, the US and China reached a phase one trade deal, which may help explain why trade-related concerns have lessened somewhat. Second, the coronavirus outbreak has taken center stage, elevating worries about an already-stagnating global economy. Worries about the Chinese economy rose sharply.

While concerns related to political turmoil declined a bit, worries about the impact of the 2020 US elections continued to rise. Concerns about cyber security and equity markets also rose.

When it comes to internal risks, CFOs again expressed strong concerns around talent and strategy execution, and also growing challenges related to prioritization, regulatory compliance, and acquisition integration.

Please see the full report for industry-specific charts. *Note that industry sample sizes vary and that results are volatile for the smallest. Due to a small sample size, T/M/E was not used as a comparison point.*

Most worrisome risks

What external and internal risk worries you the most? Paraphrasing and normalization of CFOs' most common free-form comments (numbers in parentheses indicate counts of CFOs who mentioned each type of risk; arrows indicate substantial movements since last quarter)

External risks (N=141)*

- ↑ Economic risks/slowdown (34)
- ↑↑↑↑ Coronavirus impacts (32)
- ↓↓ Trade policy/tariffs (25)
- ↓↓ Political turmoil/instability (19)
- Geopolitical risks (17)
- Detrimental policy/regulation (16)
- ↑ Impact of 2020 elections (15)
- ↑↑ China economy (10)
- ↑↑ Cyber security (8)
- ↑ Equity markets (7)
- Technology advances/disruption (5)
- Interest rates (5)
- Business spending (4)
- Consumer demand/sentiment (4)
- Debt markets (4)
- ↓ Competition/disruption/pricing (3)
- Brexit (1)
- Wages (1)

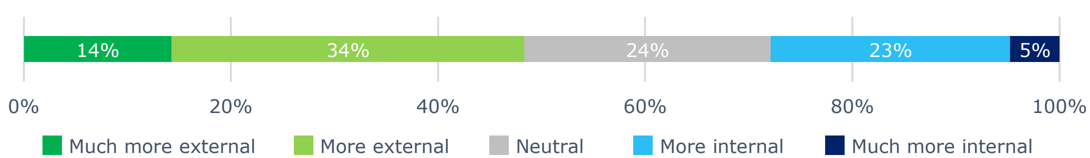
Internal risks (N=136)*

- Talent level/quality (45)
- ↑ Strategic/execution risk (27)
- Driving change/initiatives (15)
- Achieving growth/sales (12)
- IT/technical change (10)
- ↑ Prioritization/focus/overload (10)
- Cost control/efficiency (9)
- Speed/adaptation/innovation (8)
- Complacency (6)
- ↑ Acquisition integration (4)
- ↑ Regulatory compliance (4)
- Bandwidth/capacity (3)
- Operations risk/failure (1)

* Numbers in parentheses within each section sum to more than N because some respondents named more than risk.

Growth constraints

Which factors (external or internal) are most constraining your company's performance?



Sentiment

Optimism regarding own-company prospects

Own-company optimism continued to rise, hitting its highest level since 2018. All countries improved, and all industries except Healthcare/Pharma and Technology rose.

Net optimism peaked in 1Q18 at +54, then declined sharply through the rest of the year. Although it rebounded somewhat in the first part of 2019, in 3Q19 it fell below zero for the first time in nearly seven years.

Net optimism rebounded to +11 last quarter as CFOs looked toward 2020. It rose to +24 this quarter—better, but still well below the 2017/2018 highs. Thirty eight percent of CFOs expressed rising optimism (up from 30%), while 14% cited declining optimism (down from 19%).

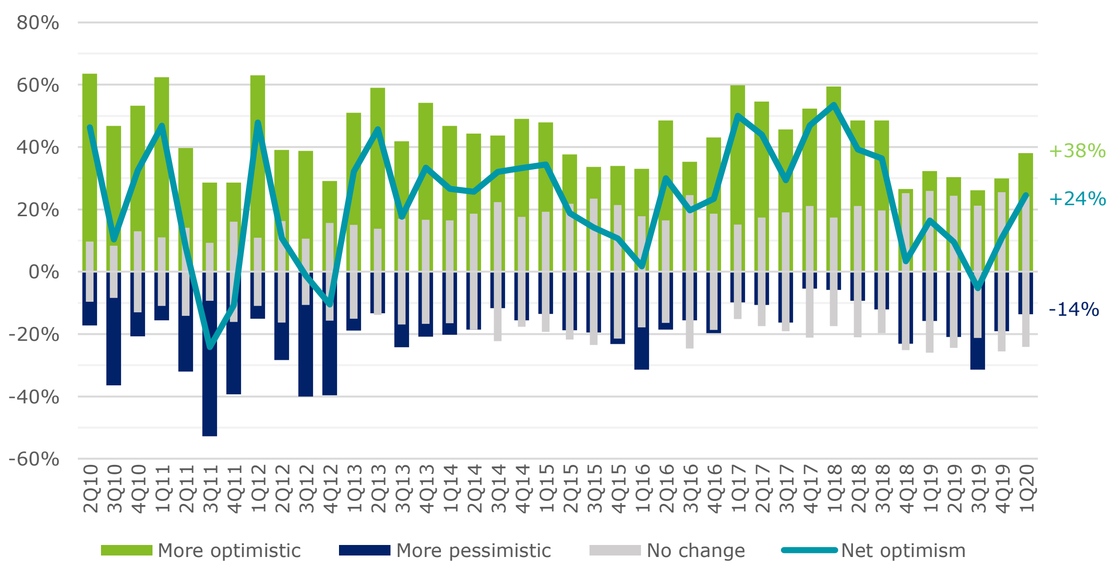
Net optimism for the US rose from last quarter's +11 to +23 this quarter. Canada rose sharply from last quarter's +27 to a very strong +57. Mexico rose from last quarter's dismal -33 to +18.

Services led at +47; Energy/Resources and Financial Services both rose again (to +45 and +35, respectively). Manufacturing rebounded strongly from last quarter's -6 to +20. Healthcare/Pharma and Technology were lowest at -29 and zero.

Please see the full report for industry-specific charts. *Note that industry sample sizes vary and that results are volatile for the smallest. Due to a small sample size, T/M/E was not used as a comparison point.*

Own-company optimism

Compared to three months ago, how do you feel now about the financial prospects for your company? Percent of CFOs citing higher optimism (green bars), lower optimism (blue bars), and no change (gray bars); net optimism (line) is difference between the green and blue bars



Net optimism by country and industry (1Q20)

Total	US	Mexico	Canada	Manufacturing	Retail/ Wholesale	Technology	Energy/ Resources	Financial Services	Healthcare/ Pharma	T/M/E	Services
+24	+23	+18	+57	+20	+12	0	+45	+35	-29	+33	+47

Red = relative lows
Green = relative highs

Expectations

Business focus for next year

Companies continue to focus on growth and investment (over cost reduction and returning cash); their bias toward current geographies over new ones reached a new survey high.

Companies remain focused on revenue growth over cost reduction (52% vs. 25%, for a net of +27%), with a slightly higher cost reduction focus than the survey average. The bias toward investing cash over returning it continued (48% vs. 20%, for a net of +28%), with a slightly higher focus on returning cash than the survey average. Technology is highest for growing revenue; Services and Healthcare/Pharma are highest for investing cash.

The focus on current offerings over new ones matched last quarter's (44% vs. 34%, for a net of -10%), again with a higher current offering bias than the survey average. The heavy focus on current geographies over new ones continued (72% vs. 12%, for a net of -60%), with the highest focus on current geographies in nearly seven years. Healthcare/Pharma and Technology are again highest for new offerings; Healthcare/Pharma is also highest for new geographies.

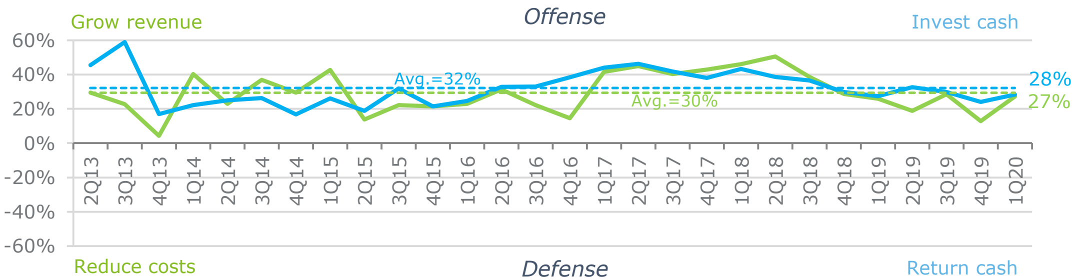
The bias toward organic over inorganic growth continued (68% vs. 14%, for a net of -54%). Energy/Resources and Retail/Wholesale are highest for organic growth; Healthcare/Pharma is highest for inorganic growth.

Please see the full report for industry-specific charts. *Note that industry sample sizes vary and that results are volatile for the smallest. Due to a small sample size, T/M/E was not used as a comparison point.*

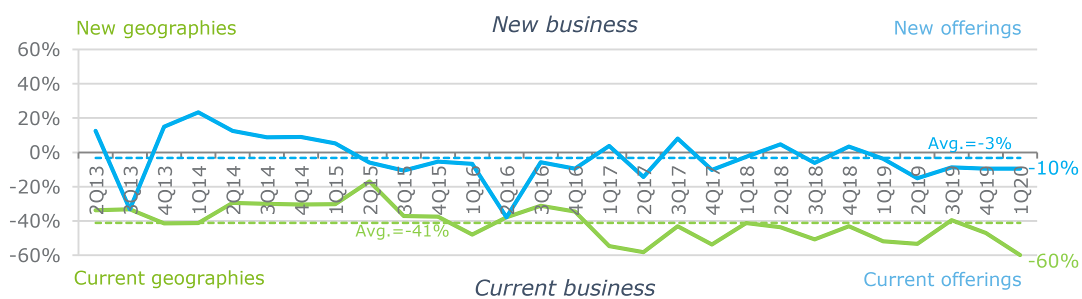
Business focus

What is your company's business focus for the next year? Net percent of CFOs citing a stronger focus on the top choice than on the bottom choice (e.g., grow revenue vs. reduce costs)

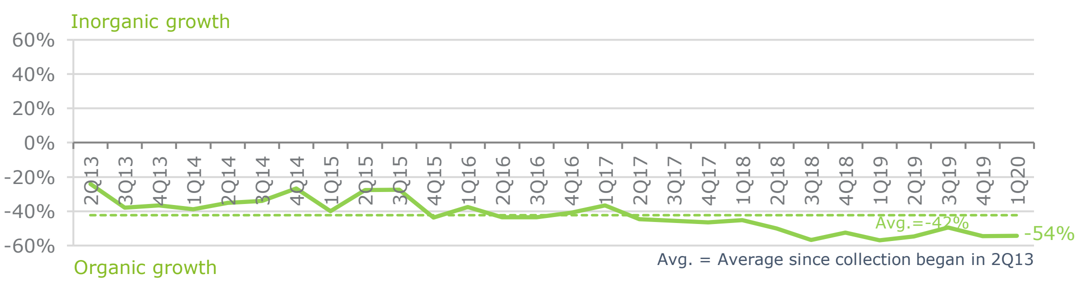
Offense vs. defense



New business vs. current business



Inorganic growth vs. organic growth



Expectations

Growth in key metrics, year-over-year

All growth expectations remain at or near multi-year lows, with the US again showing considerable weakness. Retail/Wholesale, Technology, and Financial Services were relative bright spots; Manufacturing and Energy/Resources again trailed.

Revenue growth rose from 3.7% to 3.9%, up from last quarter's three-year low. The US and Canada both rose, but sit below their two-year averages. Mexico fell to another low. Technology, Healthcare/Pharma and Financial Services lead; Energy/Resources and Manufacturing again trail.

Earnings growth held at 6.0%, its second-lowest level in a decade. The US fell slightly to its second-lowest level in 10 years. Canada rose to a two-year high. Mexico rose, but sits below its two-year average. Technology and Retail/Wholesale lead; Energy/Resources and Manufacturing again trail.

Capital spending growth slid sharply from 3.7% to 2.3%, a four-year low and the second-lowest level in 10 years. The US, Canada, and Mexico fell to their second-lowest levels in 10, four, and six years, respectively. Financial Services and Technology lead; Services and Manufacturing trail.

Domestic hiring growth rose slightly from 1.1% to 1.2%, the third-lowest level in six years. The US remained at a four-year low. Canada fell to its second-lowest level in two years. Mexico is below its two-year average. Technology leads; Energy/Resources and Manufacturing again trail.

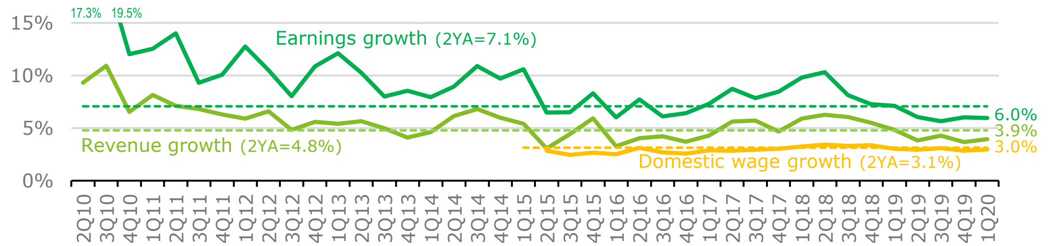
Dividend growth slid from 4.3% to 3.7%, matching the lowest level in three years.

Please see the full report for industry-specific charts. *Note that industry sample sizes vary and that results are volatile for the smallest. Due to a small sample size, T/M/E was not used as a comparison point.*

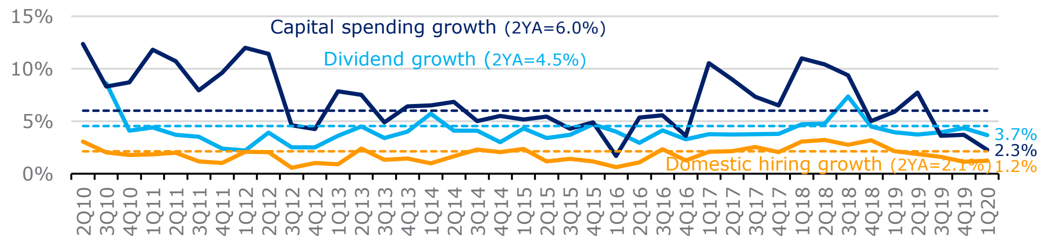
Performance and investment expectations

Compared to the past 12 months, how do you expect key metrics to change over the next 12 months? CFOs' expected year-over-year company growth

Performance



Investment



2YA = Two-year average

Expectations by country and industry

	Total	US	Mexico	Canada	Manufacturing	Retail/Wholesale	Technology	Energy/ Resources	Financial Services	Healthcare/ Pharma	T/M/E	Services
Revenue	**3.9%**	4.1%	1.4%	4.3%	2.2%	4.0%	6.9%	0.0%	5.4%	5.6%	2.3%	4.9%
Earnings	**6.0%**	5.8%	4.4%	10.3%	1.9%	9.8%	12.8%	1.4%	6.7%	2.9%	5.3%	8.7%
Capital spending	**2.3%**	2.2%	3.1%	2.3%	0.9%	1.5%	5.5%	3.6%	4.1%	2.6%	-4.0%	-0.5%
Domestic hiring	**1.2%**	1.2%	2.0%	1.3%	0.0%	2.3%	3.2%	-0.4%	2.0%	1.4%	-1.7%	1.4%
Dividends	**3.7%**	3.9%	1.9%	2.1%	3.3%	6.1%	1.2%	2.4%	4.2%	4.6%	2.5%	3.5%
Domestic wages	**3.0%**	2.9%	3.6%	2.7%	2.8%	3.6%	3.4%	2.6%	2.7%	3.4%	2.3%	2.9%

Red = relative lows
Green = relative highs

Special topic: Business transformation and role of finance

Types of business transformation

CFOs' most reported enterprise transformations involved fundamental business shifts (strategies, models, and offerings) and also major changes to operations (process effectiveness and efficiency).

Nearly 40% of CFOs cited strategy/model/offering shifts, led by digital transformations and business strategy/model shifts (product/service shifts were substantial as well). Retail/Wholesale CFOs were highest, with 50% of these CFOs reporting this transformation type.

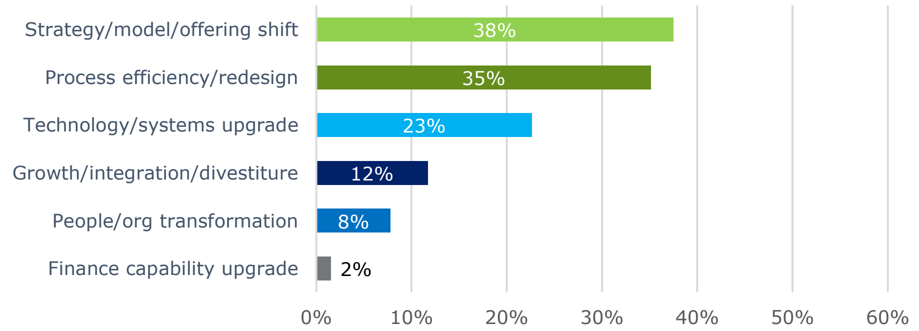
Thirty-five percent reported business process transformation efforts, overwhelmingly for the purpose of improving efficiency and reducing costs (including cost restructuring/outsourcing, and also shared service transformation). Healthcare/Pharma was highest at 80%, with Energy/Resources and Technology next at 63% and 55%, respectively.

About one quarter of CFOs cited technology/systems transformations, especially focused on ERP and other core system updates and upgrades. Retail/Wholesale and Manufacturing led, both at 31%.

Please see the full report for industry-specific charts. *Note that industry sample sizes vary and that results are volatile for the smallest. Due to a small sample size, T/M/E was not used as a comparison point.*

Types of business transformation

What is the most important enterprise transformation your company is undertaking (or has recently undertaken)? Percent of CFOs selecting each transformation type; numbers in parentheses indicate counts of CFOs who mentioned each type of transformation (N=128)*



Strategy/model/offering shift (48)

Digital strategy/transformation (18)
Business strategy/model shift (18)
Product/service shift (12)

Process efficiency/redesign (45)

Process efficiency (24)
Cost restructuring/outsourcing (8)
Manufacturing/ops transformation (5)
Shared services transformation (5)
Automation (3)

Finance capability upgrade (2)

Finance modernization (2)

Technology/systems upgrade (29)

ERP/systems upgrade (27)
Data/analytics upgrade (2)

Growth/integration/divestiture (15)

Post-acquisition integration (5)
Growth initiative (5)
Divestiture/discontinuation (3)
Growth (2)

People/org transformation (10)

Organization/management models (5)
Talent/culture shift (5)

* Numbers in parentheses sum to more than N because some respondents named more than one transformation type.

Special topic: Business transformation and role of finance

Drivers of business transformation

CFOs say the top drivers of their enterprise transformation efforts are changing customer demands and disruptive technologies.

Nearly 60% of CFOs overall reported changing customer demands as a top-two transformation driver. This driver was common for most types of transformation—especially business strategy/model shifts (60% prevalence), growth/integration efforts (40%), process improvement, and technology/systems transformations (both at 38%). Changing customer demands were a particularly strong driver for Healthcare/Pharma (100%), Retail/Wholesale (94%), and Technology (91%).

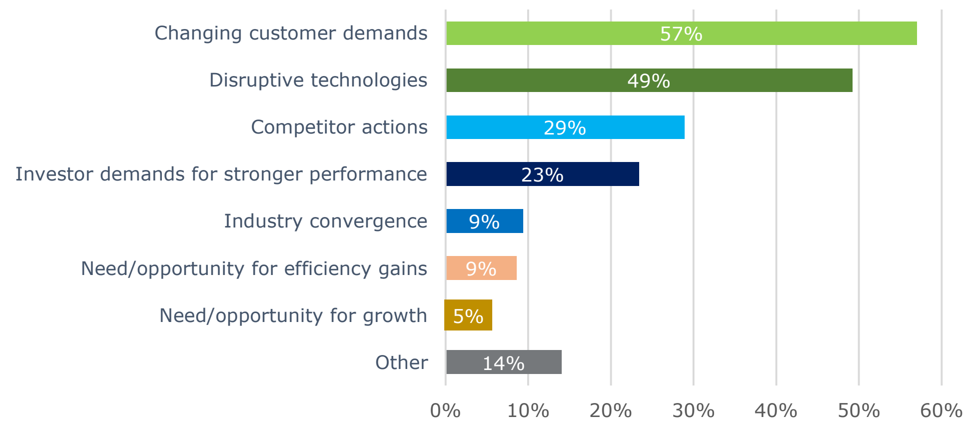
Disruptive technologies were also a common factor, named by 49% of CFOs as a top transformation driver. Half of those citing people/organization transformations and finance capability upgrades named disruptive technologies as a top driver; the same was true for 48% of business strategy/model shifts and 45% of technology/systems upgrades. Technology CFOs were highest at 82%.

Competitor actions were named a top driver by 29% of CFOs overall—40% for those citing people/organization transformations. Investor demands for stronger performance were cited by 23% of CFOs overall and were a top driver for both growth/integration efforts and people/organization transformations (40% for both).

Please see the full report for industry-specific charts. *Note that industry sample sizes vary and that results are volatile for the smallest. Due to a small sample size, T/M/E was not used as a comparison point.*

Drivers of business transformation

What are the primary drivers of the transformation? Percent of CFOs selecting each driver in their top two (N=128)



Crosstab: Drivers behind each transformation type

For each type of business transformation (row), the percent of CFOs selecting each driver (column) in their top two

	Changing customer demands	Disruptive technologies	Competitor actions	Investor demands for stronger performance	Industry convergence	Need/ opportunity for efficiency gains	Need/ opportunity for growth	Other	*Number of CFOs who mentioned transformation type*
Business Strategy/Model/Offering Shift	60%	48%	21%	15%	6%	8%	4%	8%	*48*
Process Efficiency/Redesign/Automation	38%	22%	29%	20%	4%	7%	4%	16%	*45*
Technology/Systems Upgrade	38%	45%	7%	3%	10%	10%	10%	14%	*29*
Growth/Integration/Divestiture	40%	27%	33%	40%	7%	0%	0%	13%	*15*
People/Org Transformation	20%	50%	40%	40%	10%	0%	0%	10%	*10*
Finance Capability Upgrade	0%	50%	0%	0%	50%	50%	0%	0%	*2*
Number of CFOs who selected driver in top 2	*65*	*56*	*34*	*27*	*11*	*11*	*7*	*18*	

Special topic: Business transformation and role of finance

CFO role in business transformation

CFOs' roles around their companies' most important transformation efforts were co-leader and enabler.

Just under half of CFOs cited serving as a transformation co-leader, with half or more reporting this role for growth/integration efforts (80%), technology/systems upgrades (55%), process transformation (51%), and finance transformation (50%).

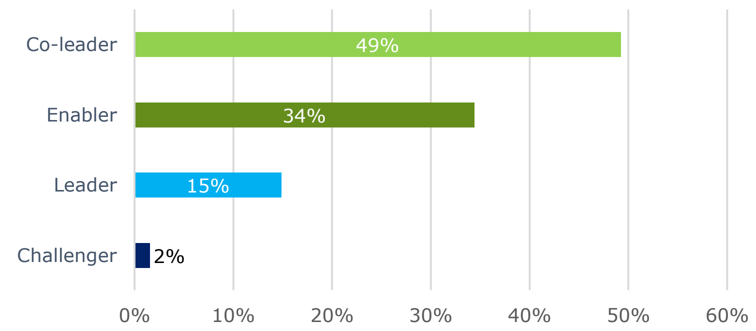
CFOs were also relatively likely to report an enabler role (34%), especially for strategy/model shifts (46%), and technology/systems upgrades (38%).

Fifteen percent of CFOs reported a leader role. This role was especially common for those reporting finance capability upgrades and people/organization transformation efforts. Energy/Resources CFOs were the most likely to cite leadership roles (38%), mostly around process efficiency/redesign transformation efforts.

Please see the full report for industry-specific charts. *Note that industry sample sizes vary and that results are volatile for the smallest. Due to a small sample size, T/M/E was not used as a comparison point.*

CFO role in business transformation

What is your primary role as CFO in the transformation? Percent of CFOs selecting each role (N=128)



Crosstab: CFO roles for each transformation type

For each type of business transformation (row), the percent of CFOs selecting each role (column)

	Co-leader	Enabler	Leader	Challenger	*Number of CFOs who mentioned transformation type*
Business Strategy/Model/Offering Shift	42%	46%	10%	2%	*48*
Process Efficiency/Redesign/Automation	51%	31%	16%	2%	*45*
Technology/Systems Upgrade	55%	38%	7%	0%	*29*
Growth/Integration/Divestiture	80%	0%	20%	0%	*15*
People/Org Transformation	30%	30%	40%	0%	*10*
Finance Capability Upgrade	50%	0%	50%	0%	*2*
Number of CFOs who selected each role	*75*	*50*	*22*	*2*	

Special topic: Business transformation and role of finance

Implications for finance of business transformation

In light of their companies' most important enterprise transformations, CFOs were most likely to say their finance teams would need to provide new and/or expanded decision support and stronger operational support.

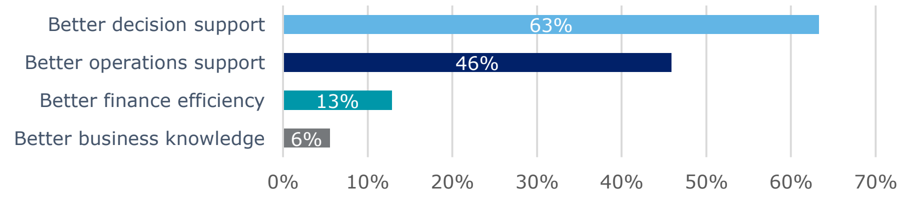
Sixty-three percent of CFOs said their finance teams need to provide new/expanded decision support services, specifically calling out better decision speed and quality, stronger data science/analytics expertise, and more predictive/forecasting assistance. The need for stronger decision support showed high prevalence for technology/systems upgrades (64%), process transformation (59%), growth/integration efforts (50%) and business strategy/model shifts (41%).

Forty-six percent said their finance teams need to provide new/expanded operational support, with particularly high mentions of assistance with establishing and monitoring key metrics. CFOs also specifically called out the need for more ROI analysis and management, automation/robotics expertise, and digital business understanding. These finance implications were particularly strong for people/organization transformation efforts (67%) and business strategy/model shifts (50%).

Please see the full report for a tabular summary (by industry) of all transformation types, drivers, CFO roles, and finance implications.

Implications for finance

As a result of the transformation, what new/expanded services and capabilities will finance have to provide going forward? Numbers in parentheses indicate counts of CFOs who mentioned each type of transformation (N=109)*



Better decision support (69)

Better decision speed/quality (34)
Data science/analytics expertise (25)
More predictive/forecasting assistance (10)

Better finance efficiency (14)

Better cost/efficiency (8)
More services across larger enterprise (6)

Better operations support (50)

Metrics/performance management (25)
More ROI analysis/management (9)
Automation/robotics expertise (8)
Digital business understanding (5)
Stronger controls (3)

Better business knowledge (6)

Business understanding/insight (6)

Crosstab: Finance implications for each transformation type

For each type of transformation (row), the percent of CFOs selecting each implication (column).

	Better Decision Support	Better Ops Support	Better Finance Efficiency	Better Business Knowledge	*Number of CFOs who mentioned transformation type*
Business Strategy/Model/Offering Shift	41%	50%	3%	6%	*48*
Process Efficiency/Redesign/Automation	59%	26%	9%	6%	*45*
Technology/Systems Upgrade	64%	18%	14%	5%	*29*
Growth/Integration/Divestiture	50%	25%	17%	8%	*15*
People/Org Transformation	33%	67%	0%	0%	*10*
Finance Capability Upgrade	0%	0%	100%	0%	*2*
Number of CFOs who selected each implication	*69*	*50*	*14*	*6*	

*Numbers in parentheses do not sum to N because some CFOs chose more than one finance implication.

Special topic: CFO role and focus

Allocation of time between four CFO roles

CFOs' time allocation skews toward their catalyst and strategist roles—but only slightly, and not nearly to the extent they would prefer.

When we have asked about CFOs' time allocation in the past (most recently in 2015), they have consistently expressed a desire to shift more of their time toward "above the line" (i.e., catalyst and strategist) roles.

The good news is that CFOs appear to have, at least to some extent, made their desired shift. This quarter, the average CFOs reported just over half (51%) of their time being spent on their catalyst and strategies roles. Compared to 2015, most of this shift appears due to an increase in their time spent as catalysts and less time spent as operators.

Still, CFOs say they would like to spend more time above the line (33% strategist and 31% catalyst). The highest differential between their current and preferred time allocations were around the strategist (26% vs. 33%) and steward (25% vs. 17%) roles.

Current allocations were largely consistent across industries, especially for the strategist and operator roles (both within two points of the average). There were notable differences, however: Retail/Wholesale was high for the catalyst role at 31%, and Financial Services was high for the steward role at 29%.

Please see the full report for industry-specific charts. *Note that industry sample sizes vary and that results are volatile for the smallest. Due to a small sample size, T/M/E was not used as a comparison point.*

CFO time allocation

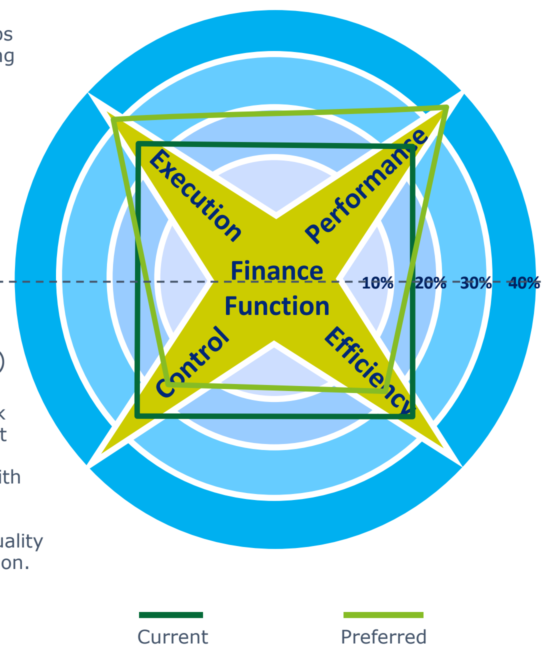
What is your division of time between CFO roles? Average percent of time CFOs report spending in each role

Catalyst (25.6%)

Time spent working as an agent for change: establishing a value mindset; aligning groups around strategies; aiding other decision-makers; establishing accountability.

Strategist (25.6%)

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.



Steward (24.7%)

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.

Operator (24.1%)

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.

	Catalyst	Strategist	Steward	Operator
Current	25.6%	25.6%	24.7%	24.1%
Preferred	30.6%	33.2%	17.4%	18.8%

Appendix

Longitudinal data and survey background

Longitudinal trends

Cross-industry expectations and sentiment (last 24 quarters)

CFOs' year-over-year expectations[1]

(Mean growth rate, median growth rate, percent of CFOs who expect gains, and standard deviation of responses[2])

			2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	*Survey mean*	*2-year mean*
Operating results	Revenue	*mean*	6.1%	6.8%	6.0%	5.4%	3.1%	4.4%	5.9%	3.3%	4.0%	4.2%	3.7%	4.3%	5.6%	5.7%	4.7%	5.9%	6.3%	6.1%	5.5%	4.8%	3.8%	4.3%	3.7%	3.9%	*5.5%*	*4.8%*
		median	5.0%	5.0%	5.0%	5.0%	5.0%	4.5%	5.0%	3.0%	4.0%	4.0%	4.0%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	4.0%	4.0%	4.0%	4.0%	*4.9%*	*4.5%*
		%>0	90%	89%	90%	86%	78%	79%	82%	78%	72%	83%	82%	85%	89%	92%	87%	91%	92%	91%	91%	86%	81%	82%	86%	81%	*85%*	*86%*
		standard deviation	4.5%	5.9%	4.0%	6.4%	6.3%	5.4%	6.8%	5.1%	6.7%	4.8%	3.9%	3.7%	4.4%	3.9%	4.0%	4.1%	4.6%	5.0%	4.3%	4.4%	5.1%	4.9%	3.9%	4.7%	*5.4%*	*4.6%*
	Earnings		8.9%	10.9%	9.7%	10.6%	6.5%	6.5%	8.3%	6.0%	7.7%	6.1%	6.4%	7.3%	8.7%	7.9%	8.4%	9.8%	10.3%	8.1%	7.3%	7.1%	6.1%	5.6%	6.0%	6.0%	*9.3%*	*7.1%*
			8.0%	8.0%	8.0%	8.0%	5.0%	8.0%	7.0%	5.0%	7.0%	5.0%	6.0%	8.0%	8.0%	7.5%	8.0%	8.0%	10.0%	8.0%	8.0%	7.0%	6.0%	5.0%	5.0%	5.0%	*7.6%*	*6.8%*
			83%	90%	86%	79%	79%	79%	82%	79%	76%	81%	81%	89%	88%	90%	86%	88%	94%	89%	85%	82%	80%	80%	83%	82%	*83%*	*84%*
			9.8%	8.6%	6.9%	17.1%	11.6%	11.0%	10.5%	9.1%	13.5%	7.0%	7.1%	5.6%	8.6%	5.7%	7.5%	7.7%	7.0%	5.8%	6.2%	4.4%	7.4%	7.0%	6.6%	6.9%	*10.7%*	*6.4%*
Investment	Dividends		4.1%	4.1%	3.0%	4.3%	3.4%	3.7%	4.7%	4.0%	2.9%	4.1%	3.3%	3.8%	3.7%	3.8%	3.8%	4.7%	4.8%	7.4%	4.5%	3.9%	3.7%	3.9%	4.3%	3.7%	*4.1%*	*4.5%*
			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	0.0%	0.0%	0.5%	0.0%	2.0%	1.0%	*0.1%*	*0.7%*
			45%	45%	44%	47%	43%	45%	45%	46%	42%	43%	43%	43%	46%	43%	45%	49%	47%	51%	43%	44%	50%	48%	55%	54%	*42%*	*49%*
			6.1%	4.8%	3.8%	5.9%	5.3%	4.7%	7.0%	6.0%	4.7%	7.6%	3.9%	4.7%	5.5%	6.0%	5.8%	6.6%	6.3%	12.8%	4.7%	6.6%	4.6%	4.6%	5.5%	4.3%	*6%*	*6.2%*
	Capital spending		6.8%	5.0%	5.5%	5.2%	5.4%	4.3%	4.9%	1.7%	5.4%	5.6%	3.6%	10.5%	9.0%	7.3%	6.5%	11.0%	10.4%	9.4%	5.0%	5.9%	7.7%	3.6%	3.7%	2.3%	*7.0%*	*6.0%*
			5.0%	5.0%	5.0%	5.0%	5.0%	2.0%	5.0%	0.0%	4.0%	2.0%	3.0%	5.0%	5.0%	4.5%	3.0%	5.0%	5.0%	5.0%	2.0%	3.0%	2.0%	2.0%	0.0%	2.0%	*3.9%*	*2.6%*
			64%	60%	62%	63%	59%	53%	59%	50%	61%	58%	57%	66%	66%	61%	59%	70%	73%	70%	58%	58%	57%	53%	49%	56%	*60%*	*59%*
			12.1%	8.9%	10.9%	12.7%	16.5%	11.5%	12.4%	11.2%	16.0%	10.7%	11.4%	20.9%	17.8%	14.2%	12.2%	14.9%	12.2%	14.3%	10.6%	9.7%	14.0%	9.1%	14.0%	9.4%	*14%*	*11.7%*
Talent	Number of domestic personnel		1.6%	2.3%	2.1%	2.4%	1.2%	1.4%	1.2%	0.6%	1.1%	2.3%	1.3%	2.1%	2.1%	2.6%	2.0%	3.1%	3.2%	2.7%	3.2%	2.1%	1.9%	1.6%	1.1%	1.2%	*1.8%*	*2.1%*
			1.0%	1.0%	1.0%	1.0%	0.0%	1.5%	0.0%	0.0%	1.0%	1.0%	0.0%	1.0%	2.0%	2.0%	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	1.0%	1.0%	1.0%	0.0%	*0.9%*	*1.4%*
			58%	58%	60%	58%	49%	57%	50%	47%	55%	53%	48%	57%	62%	59%	54%	66%	65%	66%	61%	64%	54%	56%	54%	44%	*54%*	*58%*
			3.9%	4.5%	3.6%	3.1%	4.5%	4.8%	3.6%	3.0%	3.8%	3.1%	2.3%	1.9%	2.7%	3.8%	3.3%	4.4%	4.4%	3.7%	4.5%	3.3%	3.5%	3.5%	3.5%	3.7%	*4.5%*	*3.8%*

CFOs' own-company optimism[3] and equity market performance

		2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	*Survey mean*	*2-year mean*
Optimism	Optimism (% more optimistic)	44.3%	43.7%	49.0%	47.9%	37.6%	33.6%	33.9%	33.1%	48.6%	35.2%	43.1%	59.9%	54.6%	45.6%	52.4%	59.4%	48.5%	48.5%	26.5%	32.3%	30.4%	26.2%	29.9%	38.1%	*43.7%*	*35.1%*
	Neutrality (% no change)	37.2%	44.6%	35.3%	38.5%	43.6%	46.9%	42.9%	35.6%	32.9%	49.2%	37.2%	30.3%	34.8%	38.1%	42.2%	34.8%	42.1%	39.4%	50.4%	51.9%	48.7%	42.4%	51.0%	48.3%	*34.9%*	*46.8%*
	Pessimism (% less optimistic)	18.6%	11.7%	15.6%	13.5%	18.8%	19.5%	23.2%	31.4%	18.6%	15.6%	19.7%	9.9%	10.6%	16.3%	5.4%	5.8%	9.4%	12.1%	23.1%	15.8%	20.9%	31.4%	19.1%	13.6%	*20.8%*	*18.2%*
	Net optimism (% more minus % less optimistic)	25.7%	32.0%	33.3%	34.4%	18.8%	14.2%	10.7%	1.7%	30.0%	19.7%	23.4%	50.0%	43.9%	29.4%	46.9%	53.5%	39.2%	36.4%	3.4%	16.5%	9.5%	-5.2%	10.9%	24.5%	*22.9%*	*16.9%*
Equities	S&P 500 price at survey period midpoint	1,878	1,955	2,040	2,097	2,123	2,092	2,023	1,865	2,047	2,184	2,177	2,316	2,391	2,441	2,582	2,732	2,728	2,833	2,722	2,776	2,881	2,919	3,120	3,380	*2,015*	*2,920*
	S&P gain/loss QoQ	2.1%	4.1%	4.3%	2.8%	1.2%	-1.5%	-3.3%	-7.8%	9.8%	6.7%	-0.3%	6.4%	3.2%	2.1%	5.8%	5.8%	-0.1%	3.8%	-3.9%	2.0%	3.8%	1.3%	7.0%	8.3%	*2.9%*	*2.8%*
	US equity valuations (% who say overvalued)					65.4%	60.2%	56.3%	29.7%	56.1%	71.3%	70.1%	80.3%	78.0%	83.1%	84.4%	75.5%	63.4%	70.5%	65.3%	45.6%	64.2%	63.4%	76.7%	83.0%	*67.1%*	*66.5%*

1 All means have been adjusted to eliminate the effects of stark outliers. The "Survey mean" column contains arithmetic means since 2Q10.
2 Standard deviation of data winsorized to 5th/95th percentiles.
3 Averages for optimism numbers may not add to 100% due to rounding.

Please contact nacfosurvey@deloitte.com for data as far back as 2Q10.

About the survey

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 industries except for public sector entities.

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 current and frequent responders 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.

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IMPORTANT NOTES ABOUT THIS SURVEY REPORT:

Participating CFOs have agreed to have their responses aggregated and presented.

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