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CFO Signals™
What North America's top finance executives are thinking – and doing

High-Level Report

1st Quarter 2015

CFO Signals™

About the CFO Signals survey

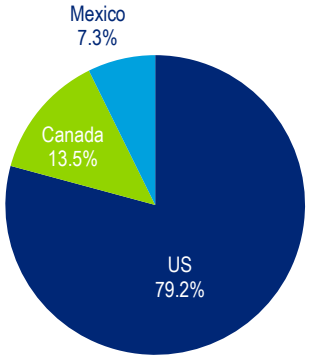
Each quarter, *CFO Signals*™ tracks the thinking and actions of CFOs representing many of North America's largest and most influential companies. This is the first quarter report for 2015.

For more information about the survey, please see the methodology section at the end of this document or contact nacfosurvey@deloitte.com.

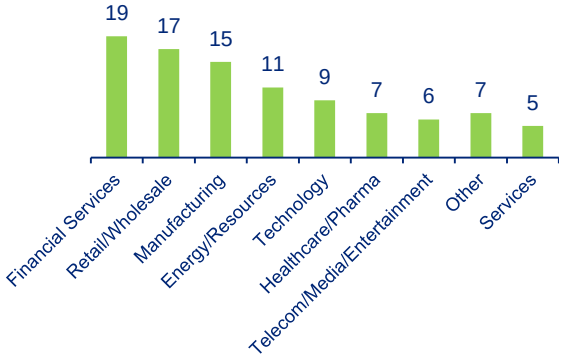
Who participated this quarter?

Ninety-six CFOs responded during the two-week period ending February 20. Sixty-eight percent of respondents are from public companies, and 82% are from companies with more than $1B in annual revenue. For more information, please see the "About the survey" section of this report.

Participation by country



Participation by industry



IMPORTANT NOTES ABOUT THIS SURVEY REPORT:

All participating CFOs have agreed to have their responses aggregated and presented.

Please note that this is a "pulse survey" intended to provide CFOs with quarterly 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. Except where noted, we do not comment on findings for segments with fewer than 5 respondents. Please see the Appendix for more information about survey methodology.

This publication contains general information only, and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, tax, legal, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decisions that may impact your business, you should consult a qualified professional advisor.

Additional findings available in full report

(please contact nacfosurvey@deloitte.com for full report)

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

Findings at a glance

Perceptions

How do you regard the current and future status of the North American, Chinese, and European economies? Fifty-nine percent of CFOs describe North American conditions as good (near last quarter's very high 63%), and 64% expect better conditions in a year (63% last quarter). Just 18% regard China's economy as good (down from 34% last quarter), and only 13% expect improvement (down from 25%). Just 2% describe Europe as good, and only 10% see it improving in a year. **Page 8.**

What is your perception of the capital markets? Forty-six percent of CFOs say US markets are overvalued (down from 61% last quarter). An overwhelming 93% say debt is currently an attractive financing option, and one-third of public company CFOs view equity financing favorably (down from 48%). **Page 9.**

Priorities

What is your company's business focus for the next year? CFOs indicate their highest-yet bias toward growing revenue and investing cash over lowering costs and returning cash. They are again biased toward growth in current geographies over new geographies, but less so than in previous quarters. **Page 10.**

Expectations

Compared to the past 12 months, how do you expect your key operating metrics to change over the next 12 months?* Revenue growth expectations fell to 5.4% from 6.0% last quarter, mostly due to declining expectations from CFOs in the oil and gas sector. Earnings expectations improved from 9.7% last quarter to 10.6% this quarter. Capital spending expectations declined slightly to 5.2% from last quarter's 5.5%, also influenced by lower expectations from the oil and gas sector. Domestic hiring expectations rose to 2.4%, matching their highest level in two years. **Pages 11-13.**

Sentiment

Compared to three months ago, how do you feel now about the financial prospects for your company? Continuing a string of eight straight prior quarters of positive sentiment, net optimism rose to a very strong +34.4. Forty-eight percent of CFOs express rising optimism (49% last quarter), and just 14% express declining optimism (improving on last quarter's 16%). Net optimism is again lowest for Manufacturing, Energy/Resources, and Services. **Page 14.**

Overall, what external and internal risks worry you the most? Economic worries escalated, as did concerns about oil prices and the strength of the US dollar. Internal concerns about execution and availability of qualified talent are also substantial. **Page 15.**

Special topic: Impact of economic and cost trends

How is your company adjusting to global economic trends? Nearly 85% of CFOs say they have made at least one significant geographic shift. Nearly 40% cite an increased focus on North American markets, while about 27% and 33% cite an increased focus on China and other emerging markets, respectively. Only 16% say they are increasing their focus on Europe. **Page 16.**

What macroeconomic indicators does your company most closely monitor? Across industries, the most-tracked indicators are GDP (a lagging indicator) and interest rates (a leading indicator). Other popular leading indicators involve exchange rates, industrial production trends, and a variety of commodity price trends. Other popular lagging indicators are related to employment and inflation. **Page 17.**

What are the most significant steps you are taking to manage currency risks? Geographically-distributed companies are generally employing the most extensive approaches, often centered on natural hedges that match income with expenses in local markets. Less-dispersed companies are more likely to employ synthetic hedges based on debt management and financial instruments. **Page 18.**

Special topic: Private company ownership and investor relations

What are your company's reasons for being privately held, and what have been the most important drawbacks over the past few years? Most CFOs say their companies are private largely because of their histories as family-owned companies and/or because being private helps them avoid reporting and compliance requirements. Many say they do not believe their company has experienced any drawbacks from being privately held over the last few years, but some do claim reduced access (or at least more difficult access) to capital. **Page 19.**

How often does your private company conduct its investor relations activities? Private company CFOs report extensive communication with owners, with more than 80% saying they present performance results and solicit owners' feedback at least quarterly. In general, these CFOs report narrower and less-frequent investor relations activity than their public counterparts. **Page 20.**

Special topic: Public company investor relations and activism

How often does your public company conduct its investor relations activities? Public company CFOs report very frequent interactions with key shareholders and analysts, with consideration of acquisitions, divestitures, dividends and buybacks also frequent. Less frequent are assessments of "outside-in" valuations of the company and its business units. **Page 21.**

Which forms of shareholder activism has your company experienced? About three-quarters of CFOs say their company has been approached in some way by activist investors, most often through direct communication (meetings or letters) or indirect communication (press or social media). **Page 22.**

What actions have you taken (or do you expect to take) in response to shareholder activism? About half of CFOs say their companies have made at least one major business decision specifically in response to activism. Share repurchases are most common, followed by board and management changes. **Page 23.**

How has your company changed its investor relations approaches in response to rising investor activism? About half of CFOs report altered approaches, mostly citing heightened monitoring of activist activity, more proactive addressing of activist concerns, and preemptive communication with major shareholders. **Page 24.**

*These averages are means that have been adjusted to eliminate the effects of stark outliers.

Summary

Continued optimism despite rising, broad-based volatility

Last quarter's survey suggested large-company CFOs believed the US economy was finally on a strong growth path. Despite voicing concerns about the durability of the global economic recovery and geopolitical disruptors, their tenor entering 2015 clearly reflected rising optimism and confidence.

The US economy has strengthened since then. But the struggles of Europe and China have intensified, with Europe entering deflation and China continuing to decelerate—which would seem to stoke concerns expressed in previous surveys about how long North America can improve while other major economies struggle.

Yet, this quarter's findings suggest CFOs' confidence has not really wavered. While expectations for important metrics, such as revenue and capital spending growth, did slide this quarter, most of the downward pressure came from CFOs of energy companies who are feeling the effects of plummeting oil prices. Across the other sectors, sentiment and expectations seem to be holding up fairly well.

Summary of sentiment and expectations

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

Own-company optimism (Net optimism)	↗
Economy optimism – North America*	↗
Economy optimism – Europe*	↘
Economy optimism – China*	↘
Revenue growth	→
Earnings growth	→
Capital investment growth	→
Domestic employment growth	↗

Developments since 4Q14 survey

- US consumer confidence hit highest level since August, 2007**.
- Value of US dollar rose substantially.
- US equities markets reached new highs following another major pullback.
- Eurozone entered deflationary period with nearly all member countries reporting price declines; value of euro continued to fall.
- Greek elections yielded anti-austerity government led by Syriza party.
- China economy slowed, growing at slowest rate in 24 years.
- Russia and Japan again in or near recession.
- Oil prices declined from $79.08 to $49.25 per barrel.

* Metrics assessed relative to two-year average
** Based on Conference Board index

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

Well below last quarter ↓ ↘ → ↗ ↑ Well above last quarter

Confident and growth-focused

In fact, this quarter's net optimism* index extends an eight-quarter positive streak, now sitting at +34.4—the second-highest level during that period. Just 14% of CFOs express declining optimism about their companies' prospects, even better than last quarter's 16% and one the lowest levels in five years.

Behind this sentiment are performance expectations that are a bit mixed—reflecting the tumultuous quarter in the Energy/Resources sector. Revenue growth expectations receded but are still better than they were a year ago. And despite a drag from Energy/Resources companies, earnings expectations rose and are now close to their six-quarter high.

CFOs now indicate this survey's highest-ever bias toward growing revenue over cutting costs and toward investing cash over returning it to shareholders. The good news is that this sentiment is also translating into domestic hiring growth expectations, which now stand at 2.4%, matching the highest expectations we have seen over the past four years.

But capital investment is still lagging—possibly due to cheaper growth strategies that rely on digital technologies and cloud-based services, but also possibly due to worries over what will happen as big economies continue to struggle and as the US faces a strong dollar and the prospect of rising interest rates. In any case, this quarter's 5.2% capital investment growth expectation is about 20% lower than it was a year ago—and the decline is evident across sectors.

Shifting strategies

CFOs' outlook for North America continued to improve this quarter, but their outlooks for Europe and China again declined. Accordingly, many continue to say their most worrisome external risks relate to the health of these and other major economic zones.

To understand what changes they are making in response to broader economic trends, we asked about CFOs' geographic focus and approaches to managing currency risks.

More than half of CFOs report significant changes. Shifts in geographic focus are relatively common, with CFOs indicating a higher focus on North America, China, and emerging markets, and a lower focus on Europe. Many also indicated a lower exposure to the euro, and there was an even split between companies increasing and decreasing their debt levels.

The strength of the US dollar suddenly became a top concern this quarter. And while a substantial proportion of CFOs say they do not have significant currency exposure, quite a few report becoming more deliberate about their hedging strategies. CFOs of geographically-dispersed companies tended to say they rely mostly on natural hedging, while localized companies are more likely to rely on synthetic hedging.

* 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.

Summary (cont.)

Heightened importance of investor relations

For several quarters now, many CFOs have been saying that their most fruitful cost-cutting efforts have already been exhausted. They have also been saying that, despite their strong desire to grow and healthy cash positions (through solid earnings and access to cheap debt), substantial revenue growth has been difficult to achieve. Indeed, despite improvement in North American economies, CFOs' growth expectations are about the same as they were back in 2011 and 2012.

Investors tend to expect improvement, however, and many are asking tough questions about companies' performance and plans. So this quarter we asked CFOs about their approaches to analyzing performance and communicating with owners, and our findings show that most companies do a lot more to analyze and communicate recent operational performance than they do to assess and communicate the value of their companies and business units.

This may help explain why activist investors have had a more visible and powerful presence over the last few years. In fact, just under three-quarters of public company CFOs say they have experienced some form of shareholder activism—most often in the form of communication with management or the board, and sometimes in the form of proposals directly to shareholders. Moreover, about half say they have made at least one major business change specifically because of shareholder activism (share repurchases, leadership changes, and divestures being the most common).

We also asked CFOs about how they are changing their investor relations approaches in response to activism, and about half said they have changed very little—mostly citing pre-existing programs that are already working well. The half who said they have made substantial changes tended to cite heightened monitoring of activist activity, more proactive planning around activists' concerns, and more (and more preemptive) communication with current and potential investors.

A good time to be privately held

About one-fifth of our surveyed CFOs are from large privately held companies (many of whom are from insurance and other financial services companies), and we asked them about their approaches to investor/owner relations, their rationale for being (and staying) private, and any drawbacks that come from being privately held.

Conventional wisdom holds that privately held companies benefit from avoiding a short-term focus and from fewer compliance requirements, and our findings largely support this view. Private company CFOs not only report performing a narrower range of reporting and communication activities, but also report performing these activities less often than their public counterparts.

But conventional wisdom also holds that private companies can suffer from more limited financing options, which in turn might limit pursuit of growth opportunities. Relatively few CFOs complained of this drawback, but one has to wonder if answers might have been different if cash levels and debt markets were not as favorable as they currently are.

What's next?

When we ask CFOs about their most worrisome risks, we often hear "the one I didn't see coming." We seem to be getting a lot of these responses lately.

Unanticipated geopolitical conflicts have been a concern for many quarters now, as have cyber attacks. This quarter we added currency shifts (with the US dollar and euro moving rapidly in opposite directions) and oil prices (which fell nearly 40% between surveys).

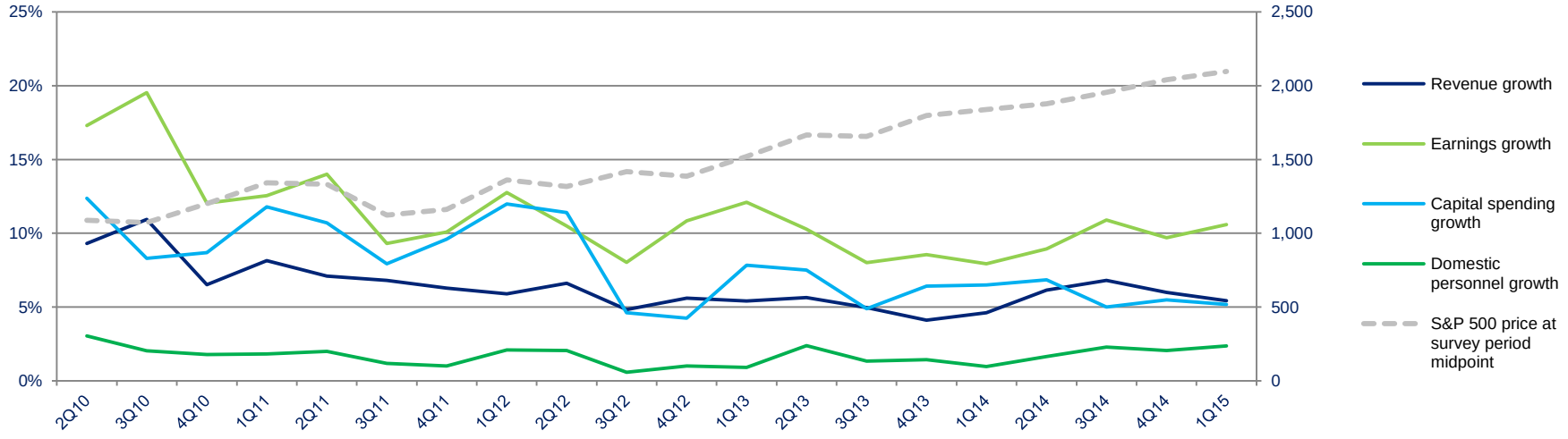
Nevertheless, CFOs logged their ninth straight quarter of positive sentiment, again underpinned by the performance of North American economies. Next quarter's sentiment, however, will likely be influenced by the progress of massive monetary and fiscal programs undertaken in China and the Eurozone…and by more events we do not see coming.

Key Charts: Expectations

CFOs' expected year-over-year increases in key metrics

Consolidated expectations

CFOs' expected year-over-year growth in key metrics (compared to the value of the S&P 500 index at the survey midpoint)



Breakdown by country and industry

	Total (n=96*)	U.S. (n=76)	Canada (n=13)	Mexico (n=7)	Manufacturing (n=15)	Retail / Wholesale (n=17)	Technology (n=9)	Energy / Resources (n=11)	Financial Services (n=19)	Healthcare / Pharma (n=7)	T/M/E (n=6)	Services (n=5)
Revenue growth	**5.4%**	6.1%	2.1%	3.1%	3.0%	6.4%	7.4%	-0.2%	6.5%	8.8%	6.5%	4.5%
Earnings growth	**10.6%**	12.3%	3.1%	2.8%	17.7%	9.0%	9.4%	-1.1%	5.5%	17.7%	20.8%	21.0%
Capital spending growth	**5.2%**	5.6%	-3.3%	14.7%	2.7%	4.9%	5.3%	0.4%	7.7%	4.6%	5.0%	8.0%
Domestic personnel growth	**2.4%**	2.3%	1.4%	4.7%	0.5%	2.4%	2.8%	4.0%	1.7%	3.1%	3.5%	3.0%

* Sample sizes may not sum to total due to responses from "other" categories.

Highest two industry expectations
Lowest two industry expectations

Key Charts: Sentiment

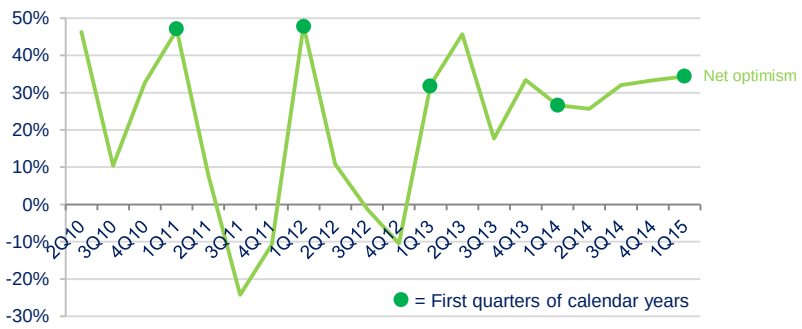
Sentiment regarding the health of major economic zones, industries, and capital markets

Economic optimism

Average rating based on five-point scales for current state ("very bad" to "very good") and expected state one year from now ("much worse" to "much better")

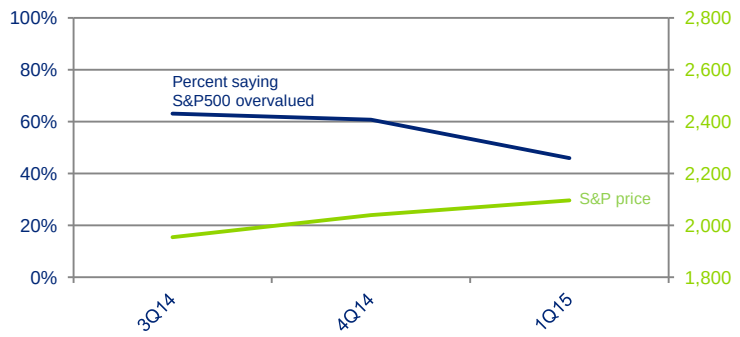
Own-company optimism

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



Equity market sentiment

Percent of CFOs saying US equity markets are "overvalued" or "very overvalued"; S&P500 price at survey midpoint



Perceptions

Assessment of economies

How do CFOs regard the current and future health of some of the world's major economic zones?

North America strong and holding; Europe and China still falling:

North America

Current assessments and future expectations at or near survey highs.

- Fifty-nine percent of CFOs describe the North American economy as good or very good (down slightly from a very high 63% last quarter), and just 1% describe it as bad—the lowest level since we began measuring economic sentiment in 2Q13.
- Sixty-four percent believe conditions will be better a year from now (up slightly from 63% last quarter and about even with levels we saw in early 2014). Just 5% expect conditions to be worse in a year (up from 3% last quarter).

Europe

Perceptions of Europe's condition and trajectory declined again.

- Just 2% of CFOs describe Europe's economy as good or very good (same as last quarter). Last quarter, the percentage of CFOs describing Europe's economy as bad jumped from 47% to 73%—a sharp reversal of sentiment that had been improving. This quarter the number rose again, reaching 78%.
- Just 10% of CFOs expect the economy to be better a year from now (far below the mid-20s rates we saw in early 2014), and 37% again expect it to be worse.

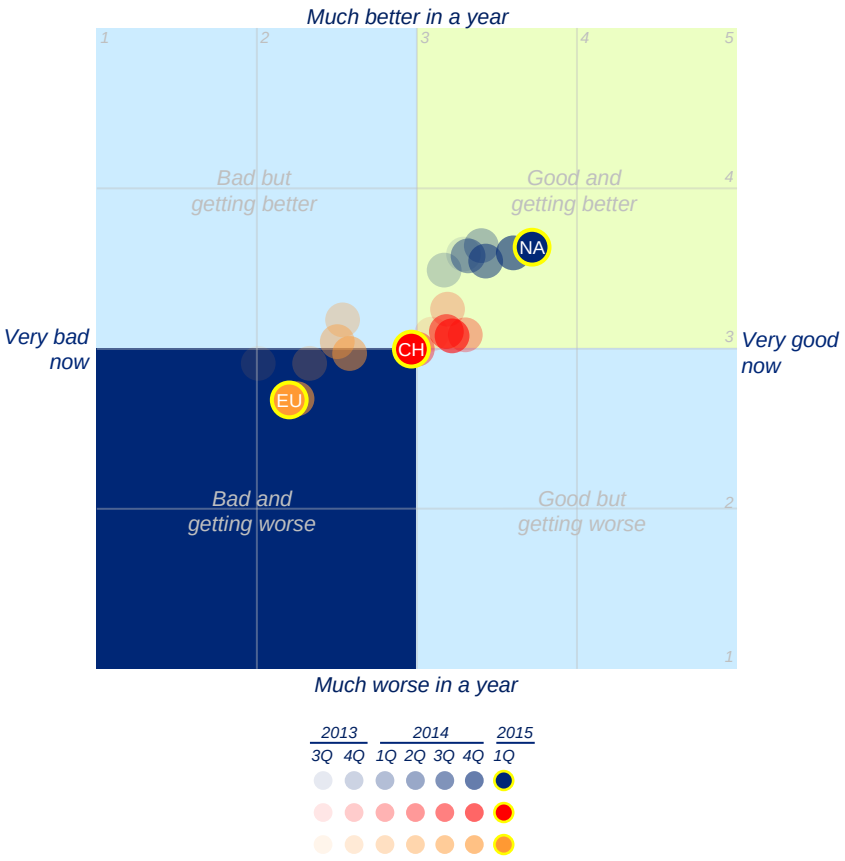
China

Perceptions of China's economy reached new lows.

- Eighteen percent of CFOs say China's economy is good, down from 34% last quarter. Sixteen percent regard the economy as bad, down from 20% last quarter.
- Just 13% percent of CFOs believe the economy will be better in a year (down from 25%), and 17% believe it will be worse (same as last quarter).
- The indices for both current and future status are at their lowest points in the survey's history.

How do you regard the current and future status of the North American, Chinese, and European economies?

CFOs' assessment based on five-point Likert scales: "very bad" to "very good" and "much worse" to "much better" (n=96)



Perceptions

Assessment of markets

How do CFOs perceive valuations and pricing within the financial markets?

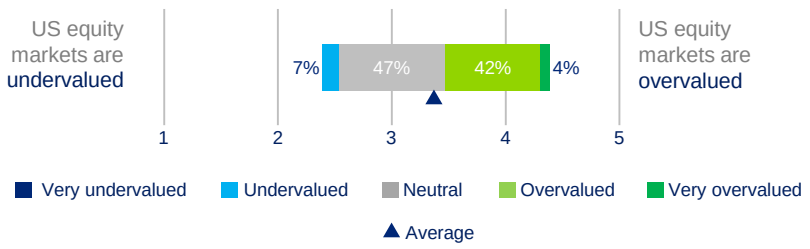
Equity markets remain expensive and overvalued; debt is still extremely attractive:

- **US markets still overvalued, but less so:** Only 7% say US equity markets are undervalued (5% last quarter), and 46% say they are overvalued—significantly down from 61% last quarter. Technology and Energy/Resources CFOs are most likely to say they are overvalued at 67% and 55%, respectively.
- **Debt financing *very* attractive:** An overwhelming 93% say debt is currently an attractive financing option (up from an already-high 88% last quarter), and nearly two-thirds of all CFOs say it is a *very* attractive option (same as last quarter). All industries are 80% or higher; Mexico is lowest on a country basis at 57%.
- **Equity financing's attractiveness mixed and less pronounced:** One-third of public company CFOs say equity is attractive (down significantly from 48% last quarter), and 23% say it isn't (22% last quarter). About 40% of private company CFOs say it is attractive (same as last quarter), and 27% say it isn't. Healthcare/Pharma and T/M/E CFOs are most likely to say equity is attractive (both at or above 50%). Canada is the highest among the countries by a wide margin at 46% (US and Mexico are at 34% and 29%, respectively).

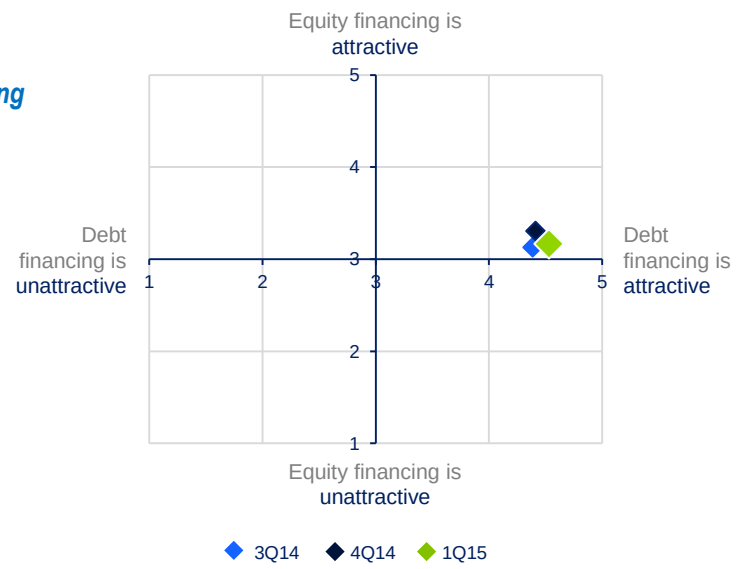
What is your perception of the capital markets?

CFOs' assessments based on five-point semantic differential scale with opposing choices as noted (n=96)

Market valuation



Financing



Please see appendix of full report for industry-specific findings.

Priorities

Business focus

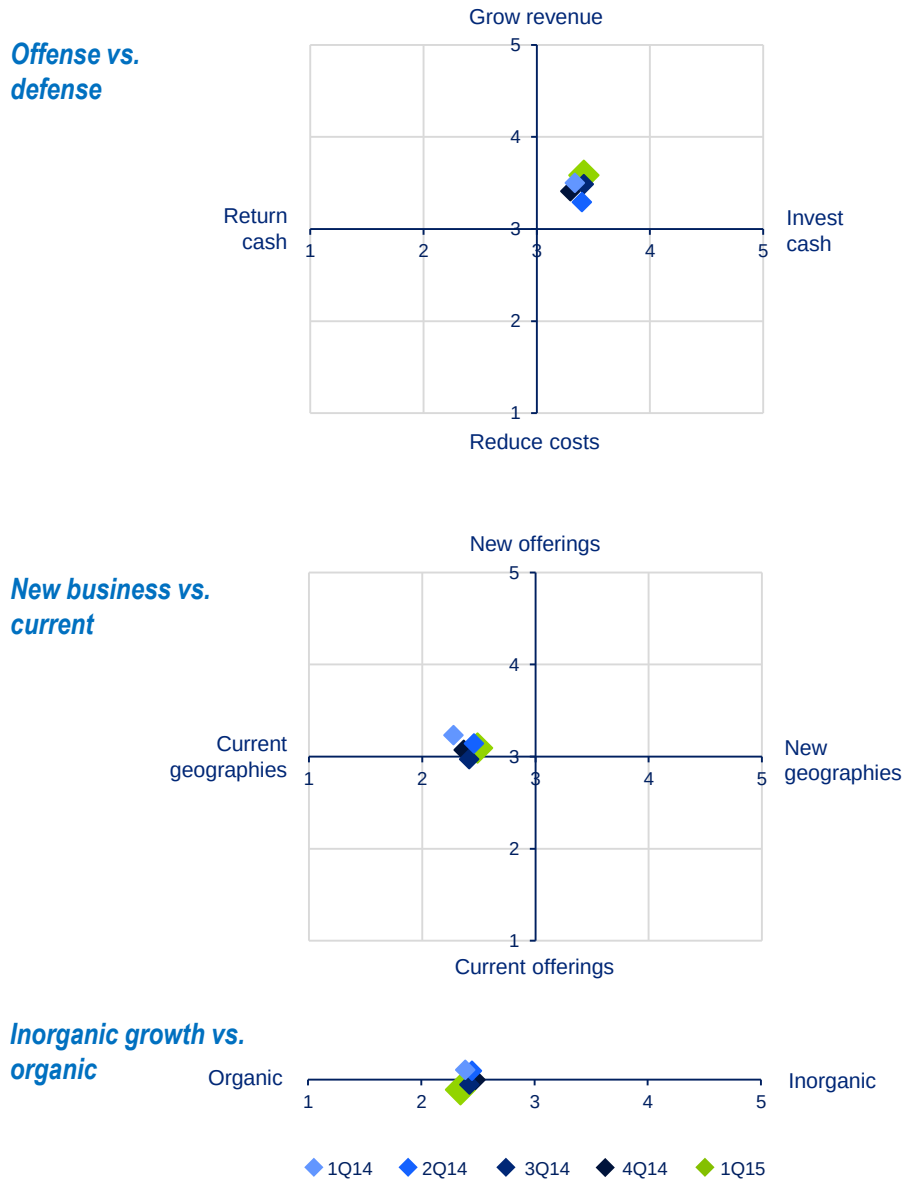
Where do CFOs say their companies are focusing their efforts?

Growth again the focus, but some shifts in the specific approaches:

- **Revenue over cost—to the highest degree yet:** About 63% of CFOs say they are biased toward revenue growth, while 20% claim a focus on cost reduction. Technology and T/M/E are the most growth-oriented (both above 80%), and Energy/Resources is the most cost-reduction oriented at 55%. The US is the most focused on growing revenues at 68% (compared with 39% and 43% for Canada and Mexico, respectively).
- **Investing cash over returning it—also to the highest degree yet:** There is again a bias toward investing cash over returning it to shareholders (47% versus 21%). Healthcare/Pharma and Services are the most biased toward investing cash (both above 70%), while more than half of Technology CFOs say they are biased toward giving cash back. On a country basis, Mexico is the most focused on investing cash at 72%.
- **A mix of new and old products:** Overall, 40% of CFOs say their companies are focused on new offerings over old ones, and 34% claim the reverse. Retail/Wholesale, T/M/E, and Services CFOs are focused predominantly on current offerings, while the rest are focused on new offerings (Technology and Healthcare/Pharma are highest at 67% and 57%, respectively). Canadian and Mexican CFOs are the most biased toward new offerings (62% and 57%, respectively), with the US trailing at 34%.
- **Current geographies over new ones—but less so:** Overall, 52% of CFOs say their companies are predominantly focused on current geographies compared with 22% who cite a focus on new geographies. Energy/Resources and T/M/E CFOs claim the highest focus on new geographies, both over 30%.
- **Organic growth over inorganic growth—to the highest degree yet:** The bias is again firmly toward organic growth over inorganic (60% versus 20%), with Healthcare/Pharma the most biased toward inorganic growth at 57%.

What is your company's business focus for the next year?

CFOs' assessments based on five-point semantic differential scale with opposing choices as noted (n=96)



Please see appendix of full report for industry-specific findings.

Expectations

Revenue and earnings

What are CFOs' expectations for their companies' year-over-year revenue and earnings?

Revenue*

Revenue growth expectations declined—largely due to lower Energy/Resources expectations:

- Revenue growth expectations fell to 5.4% from 6.0% last quarter, and the median is again 5.0%. Eighty-six percent of CFOs expect year-over-year gains (lowest in more than a year), and variability of responses is very high relative to previous quarters. This trend is mostly the result of lower expectations in Energy/Resources.
- Country-specific expectations are 6.1% for the US (up from 5.9%), 2.1% for Canada (down from 5.0%), and 3.1% for Mexico (down from 9.8%). Canada's decline is mostly the result of lower expectations from Energy/Resources.
- Healthcare/Pharma and Technology CFOs have the highest expectations at 8.8% and 7.4%, respectively, while Energy/Resources and Manufacturing CFOs have lowest expectations at -0.2% and 3.0%, respectively.

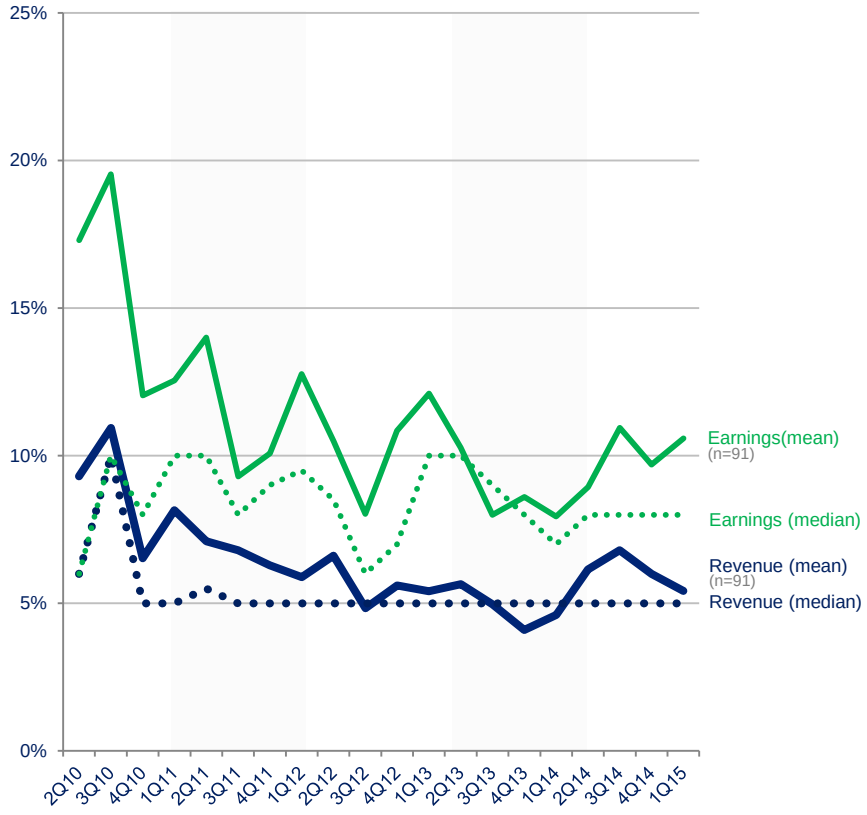
Earnings*

Earnings growth expectations improved—despite declining expectations from the Energy/Resources sector:

- Earnings expectations improved to 10.6% from 9.7% last quarter. The median remained at 8.0%, and 79% of CFOs expect year-over-year gains (lowest in more than two years). Variability of responses is the highest it has been in three years (skewed to the high side despite low expectations for Energy/Resources).
- Country-specific expectations are 12.3% for the US (up from 10.8% last quarter), 3.1% for Canada (down from 4.5% last quarter), and 2.8% Mexico (down from 10.5% last quarter).
- Services and T/M/E CFOs have the highest expectations at 21.0% and 20.8%, respectively; Energy/Resources and Financial Services are lowest at -1.1% and 5.5%, respectively.

Compared to the past 12 months, how do you expect your revenue and earnings to change over the next 12 months?

CFOs' expected change year-over-year*



**All averages have been adjusted to eliminate the effects of stark outliers.*

Please see appendix of full report for industry-specific findings.

Expectations

Dividends and investment

What are CFOs' expectations for their companies' year-over-year dividends and capital investment?

Dividends*

Dividend growth expectations rebounded—driven by stronger expectations in all three countries:

- Dividend growth expectations rose to 4.3%, up from last quarter's 3.0%. The median is again 0.0%, and 47% expect year-over-year gains.
- Country-specific expectations are 4.1% for the US (up from 3.1% last quarter), 4.3% for Canada (up from 3.1% last quarter), and 6.6% for Mexico (up from 1.8% last quarter).
- Energy/Resources reported the highest expectations at 6.7%, while Services and Healthcare/Pharma reported the lowest expectations at 0.0% and 0.8%, respectively.

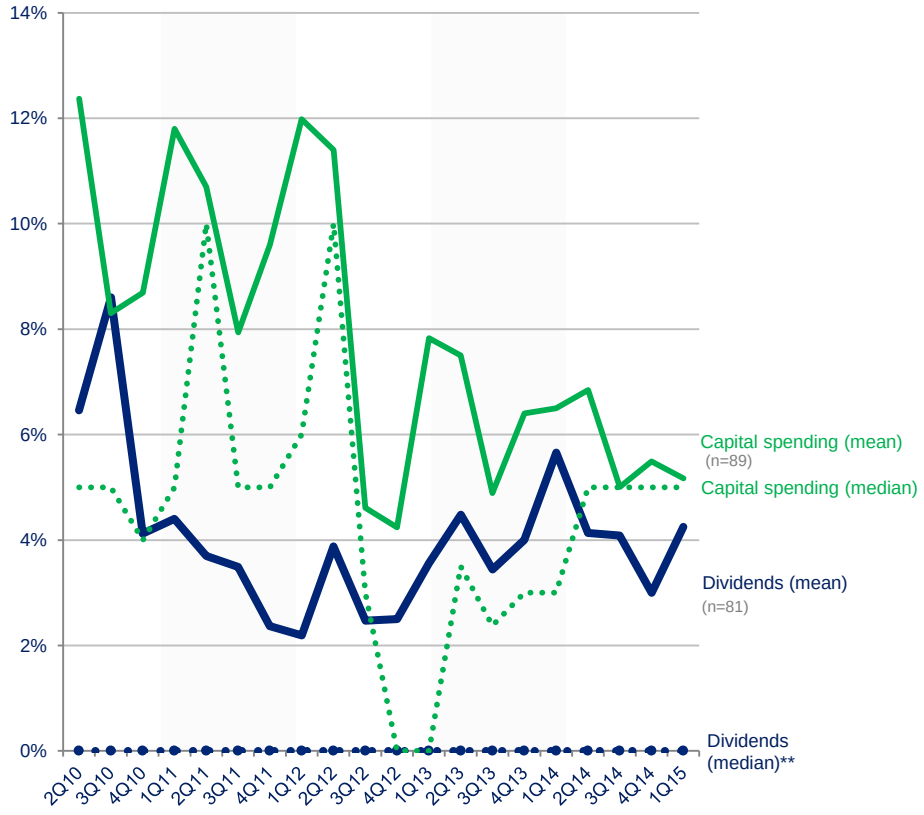
Capital Investment*

Capital spending expectations declined slightly:

- Capital spending expectations declined slightly to 5.2% from last quarter's 5.5%. The median remained the same at 5.0%, and just under 63% of CFOs expect year-over-year gains (the survey average for this metric). Variability of expectations is among the highest in the last two years (skewed more toward the low side than is typical), partially but not entirely driven by lower Energy/Resources expectations.
- Country-specific expectations are 5.6% for the US (down from last quarter's 5.8%), -3.3% for Canada (down from last quarter's 2.7%), and 14.7% for Mexico (up from last quarter's 8.3%).
- Services and Financial Services reported the highest expectations at 8.0% and 7.7%, respectively. Energy/Resources reported the lowest expectations at 0.4%.

Compared to the past 12 months, how do you expect your dividends and capital spending to change over the next 12 months?

CFOs' expected change year-over-year*



* *All averages have been adjusted to eliminate the effects of stark outliers.*
** *The median for dividends has been zero for all quarters.*

Please see appendix of full report for industry-specific findings.

Expectations

Employment

What are CFOs' expectations for their companies' year-over-year hiring?

Domestic hiring*

Hiring expectations improved and are again near their four-year high:

- Domestic hiring expectations rose to 2.4%, up from last quarter's 2.1% and matching their highest level in two years. The median remained at 1.0%, and 58% of CFOs expect year-over-year gains, just under last quarter's 60%. Variability of responses is about average for this survey.
- Country-specific expectations are 2.3% for the US (up from 1.7% last quarter), 1.4% for Canada (down from 2.2% last quarter), and 4.7% for Mexico (down from 6.1% last quarter).
- Energy/Resources CFOs have the highest average expectation at 4.0% (driven by strong expectations for a few power and utilities companies), while Manufacturing CFOs have the lowest expectations at 0.5%.

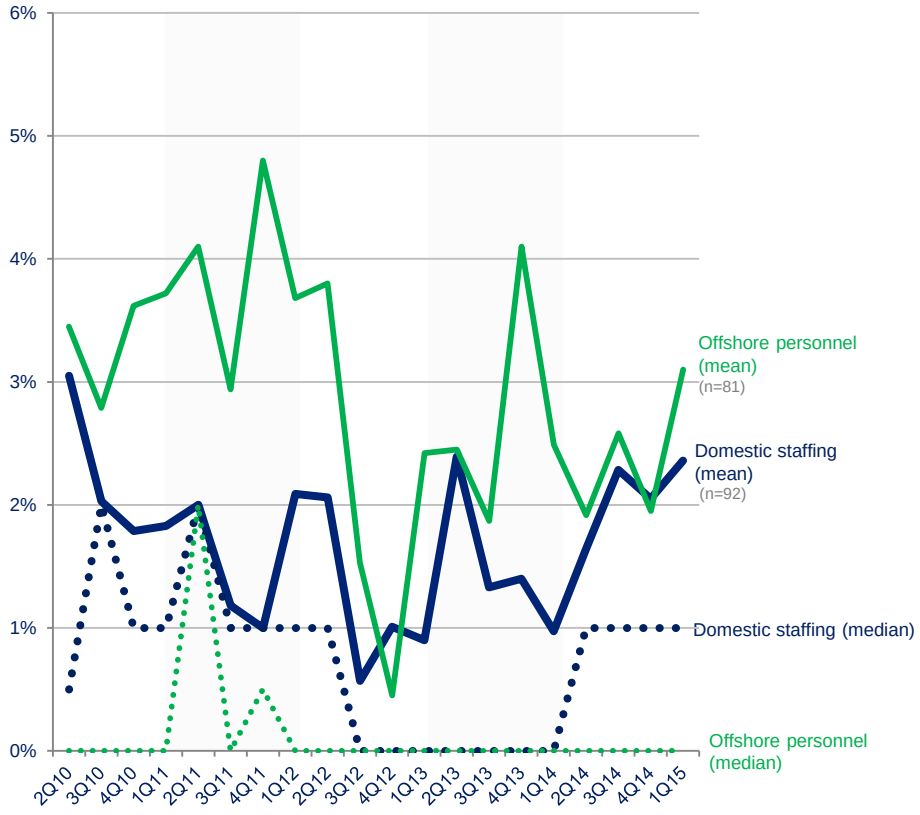
Offshore hiring*

Offshore hiring expectations rebounded sharply:

- Offshore hiring rose to 3.1% from last quarter's 2.0%. The median remained at 0.0%, and 48% of CFOs expect year-over-year gains.
- Country-specific expectations are 3.2% for the US (up from 2.1% last quarter), 2.5% for Canada (up from 1.3% last quarter), and 3.0% for Mexico (up from 2.0% last quarter).
- T/M/E CFOs have the highest expectations at 7.0%. Manufacturing and Services CFOs have the lowest expectations at 0.5% and 1.2%, respectively.
- Increased offshore hiring expectations are consistent with results later in this report that indicate substantial offshoring of operations in response to broader economic trends.

Compared to the past 12 months, how do you expect your domestic and offshore hiring to change over the next 12 months?

CFOs' expected change year-over-year*



**All averages have been adjusted to eliminate the effects of stark outliers.*

Please see appendix of full report for industry-specific findings.

Sentiment

Own-company optimism

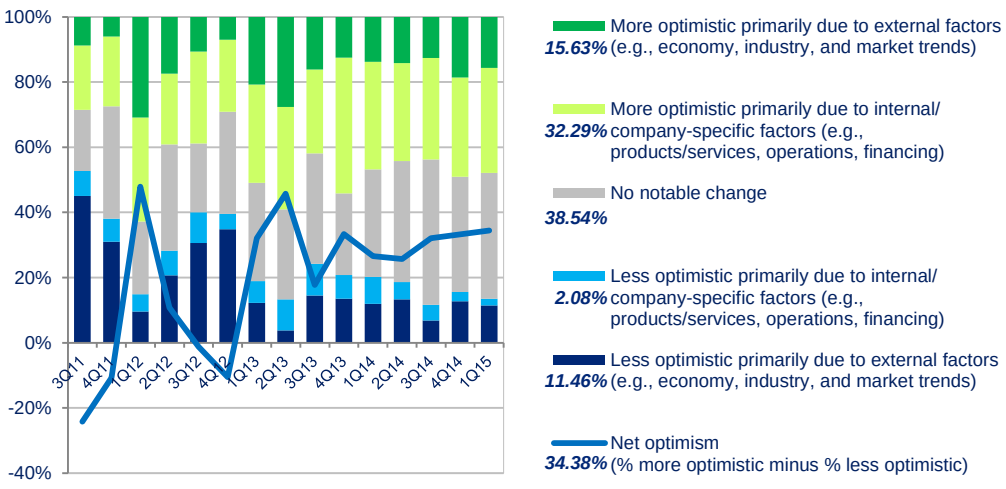
How do CFOs feel about their company's prospects compared to last quarter?

Sentiment very positive on the whole, but significant industry and country differences:

- **Nine straight quarters of optimism:** Continuing a string of eight straight prior quarters of positive sentiment, net optimism rose to a very strong +34.4. Forty-eight percent of CFOs express rising optimism (just under last quarter's 49%), and only 14% express declining optimism (improving upon last quarter's 16%).
- **US increasingly upbeat; Canada slumping:** Net optimism for the US is highest at +41, up significantly from last quarter's +34. Canada's net optimism declined sharply from +41 last quarter to only +15 this quarter—likely influenced by the impact of falling oil prices on the broader Canadian economy. Mexico's net optimism remained at zero.
- **Services, Energy/Resources, and Manufacturing again significantly pessimistic:** Forty percent of Services CFOs report declining optimism, yielding net optimism of zero for this sector. Nearly 20% of Energy/Resources CFOs and nearly 15% of Manufacturing CFOs also report declining optimism.
- **Healthcare/Pharma, T/M/E, and Technology again overwhelmingly optimistic:** All three sectors indicate net optimism at or above +55.

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

Percent of CFOs selecting each sentiment/reason combination (n=96)



Please see appendix of full report for industry-specific findings.

Sentiment

Most worrisome risks

Which external and internal risks do CFOs regard as most worrisome?

Economic worries escalated again, as did concerns about oil prices and the strength of the US dollar:

- **Rising economic worries:** Worries about the global economy rose across all industries again this quarter, fueled by escalating concerns about both Europe and potential equity market corrections.
- **Rising FX worries:** Worries about exchange rates escalated rapidly this quarter, fueled mostly by concerns about the impact of a strong US dollar on exports and on the value of overseas earnings. Concerns were voiced across all industries except Healthcare/Pharma and Energy/Resources.
- **Rising commodity price worries:** Worries about commodities, especially around falling oil prices and surplus commodity supplies, rose significantly this quarter. Effects were strongest within Energy/Resources and Financial Services.
- **Heightened concerns around talent:** Underlying execution concerns (which are high again this quarter) are often concerns about talent, and this quarter is a case in point. A very high proportion of CFOs cited worries about their ability to find and keep talent with the right skillsets and experience.
- **Lower interest rate worries:** Worries about interest rate movements and shocks—although still notable within Financial Services—declined on the whole.
- **Lower policy and regulation concerns:** Concerns about burdensome regulation remain, but worries about lack of regulatory clarity and the ability of governments to spur reforms and growth subsided a bit.

What external and internal risk worries you the most?

Consolidation and paraphrasing of CFOs' free-form comments* (n=83)

External

Economy

- Frailty of global economic recovery (13)
- ↑ European economy (13)
- ↓ China economy (3)
- US economy (2)
- Conditions in Latin America
- Consumer confidence/spending
- Unemployment
- Housing recovery

Capital / Currency

- ↑↑ Impact of strong US dollar (10)
- ↓ Interest rate increases/decreases (6)
- ↑ Market bubbles/corrections (3)
- Exchange rates/volatility (2)
- Inflation (2)

Geopolitics

- Geopolitical risk (8)
- Wars in Ukraine (2)
- Wars in Middle East
- Latin American conflict

Government / Regulation

- Federal regulation – new/burdensome (17)
- ↓ Government spending/fiscal policy (3)
- Emerging and uncertain accounting/capital rules (2)
- Tax policy/reform (2)
- Mexican energy reform
- Environmental regulation
- Government regulation of health care/ ACA
- Complexity and lack of clarity around regulations
- Government ability to spur growth / pass reforms

Industry

- Competitive practices/pricing (4)
- Industry changes/consolidation (3)
- Demand for current/new products (3)

Internal

Growth

- Changing preferences / markets (3)
- Consolidation (2)
- Lower sales
- Developing new revenue sources

Margins

- ↑ Oil/gas prices (11)
- Cost control (5)
- Ability to hold pricing (3)
- Competitive forces (3)
- Balance cost controls with growth (2)
- Irrational competitor behavior
- Input prices

Execution

- Execution against plans (10)
- Project execution (9)
- Execution risks (7)
- Cyber security (5)
- Managing operations (2)
- Acquisition execution / integration risk (2)
- Lack of focus/prioritization (2)
- Too much internal focus (2)

Talent

- ↑↑ Hiring qualified talent (14)
- Retaining key employees (4)
- Succession planning (4)
- Leadership succession (2)
- Change management / morale (2)
- Aging workforce / transition

** Arrows indicate notable movements since last quarter's survey. Category movements are indicated by block arrows. Strong movements are indicated by multiple arrows. Gray text indicates topics that have fallen off the list this quarter.*

This chart presents a summary of CFOs' free-form responses. CFO comments have been consolidated and paraphrased, and parentheses denote counts for particular response themes. The number of responses does not match the number of respondents because some CFOs provided more than one response. For a more detailed summary of comments by industry, please see the appendix of the full report.

Special topic: Impact of economic and cost trends

Business changes

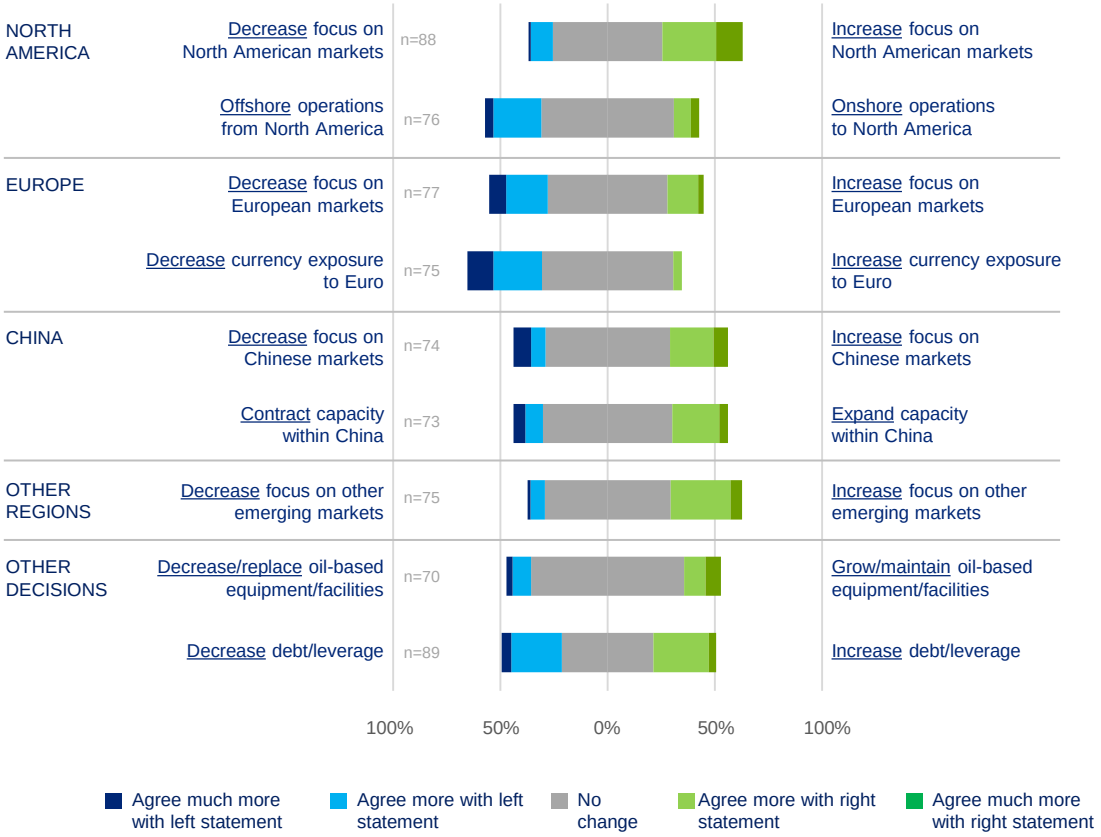
How are companies adjusting their business strategies in response to global economic trends?

Companies shifting focus toward North American, Chinese, and other emerging markets over European markets:

- **Substantial shifts in geographic focus:** Nearly 85% of CFOs say they have made at least one shift toward or away from North America, China, or Europe.
- **Even higher focus on North America:** Nearly 40% of CFOs say they have increased or will increase their focus on North American markets, with only 11% citing a decrease. Technology is highest at more than 55%.
- **More offshore operations:** More than 26% of CFOs say they are increasing their offshore operations, while only 12% are bringing operations to (or back to) North America. Technology and T/M/E are most focused on offshoring operations at 62% and 50% of CFOs, respectively.
- **Mostly declining focus on European markets:** Nearly 28% of CFOs say they are decreasing their focus on European markets, and only 16% are increasing it. A very high 60% of Healthcare/Pharma CFOs say they are decreasing their focus on European markets.
- **Reducing euro exposure:** Nearly 35% of CFOs are decreasing their currency exposure to the euro, with Services CFOs highest at 80%.
- **Chinese markets attractive:** More than 27% of CFOs cite increased focus on Chinese markets compared with 15% who cite a lower focus. More than 25% are increasing their operational capacity in China, especially within the Services and Manufacturing sectors.
- **Other emerging markets attractive:** One-third of CFOs say they are increasing their focus on other emerging markets. T/M/E is highest at more than 83%.
- **Low oil prices possibly slowing transition away from oil-based equipment/facilities:** More than 70% of CFOs say they are not making any changes, but 17% are growing their base of oil-based equipment/facilities compared with just 12% who are decreasing their base.
- **Significant and varied plans for debt:** Just over 29% of CFOs are increasing their debt/leverage, and just over 28% are decreasing their debt level.

How is your company adjusting to global economic trends?

CFOs' selections based on five-point semantic differential scale with opposing choices as noted (n=70-89)



Please see appendix of full report for industry-specific findings.

Special topic: Impact of economic and cost trends

Economic indicators

Which macroeconomic indicators do companies most closely monitor?

Across industries, the most-tracked indicators are GDP (a lagging indicator) and interest rates (a leading indicator):

- **Heavy focus on leading indicators around production and consumption:** Interest rates are the most consistently tracked leading indicator, but there is also a high focus on exchange rates, industrial production trends, and a variety of commodity price trends.
- **Broad range of lagging indicators:** Changes in leading indicators drive a variety of outcomes that are heavily tracked. GDP is the most commonly tracked lagging indicator (at domestic and global levels) and so are employment and inflation. These factors in turn drive other important indicators related to retail and housing markets.
- **Industry differences:** While there is considerable overlap of tracked indicators across industries, there are significant differences in specific metrics and the degree to which common indices are tracked within each. In general, indicators tracked by Financial Services CFOs are the most broad-based. Please see the appendix of the full report for a breakdown by industry.

Which macroeconomic indicators does your company most closely monitor?

Consolidation and paraphrasing of CFOs' free-form comments* (n=75)

	LEADING	LAGGING
Production and income	• Exchange / FX rates (11) • Industrial production / growth / PMI (9) • Oil/energy costs (4) • Commodity trends (3) • Global capital flows • Fiscal policy	• Domestic GDP/growth (25) • Global GDP • Emerging market GDP • Inflation/CPI (13) • China GNP • Trade/imports (2)
Employment, unemployment, and hours		• Employment / Unemployment (14)
Personal consumption and housing	• Interest rates (20) • Consumer confidence (3) • Population growth (2) • Disposable income (2) • Equity markets (3) • US income levels	• Housing starts (5) • Home sales (2) • Mortgage originations • Construction activity (3) • Auto sales (3) • Consumer spending (4) • Retail sales (2) • Discretionary income spending (2) • Consumer lending growth • Healthcare spending
Sales, orders, and inventories		• Oil production/supply (3) • FAH (food at home) and FAFH (food away from home) inflation • Capital expenditure • Semiconductor industry growth • New business formation • Sector growth statistics • Industry pricing levels • Equity valuations of peer and target companies • Airline capacity and enplanements

** This chart presents a summary of CFOs' free-form responses. CFO comments have been consolidated and paraphrased, and parentheses denote counts for particular response themes. For a more detailed summary of comments by industry, please see the appendix of the full report.*

Indicator categorizations based on Chicago Fed National Activity Index (CFNAI).

Special topic: Impact of economic and cost trends

Currency risks

What are companies doing to manage currency risks?

The most geographically distributed companies are generally employing the most extensive approaches:

- **About one-third of companies not actively managing currency risks:** Most of these inactive companies cite little foreign currency exposure. A few do claim exposure, but say they have not yet taken steps to manage risks.
- **Rising strength of US dollar causing action for some:** CFOs of several companies that have not previously managed currency risks said they are now looking into their options for doing so.
- **Dispersed companies mostly relying on natural hedges:** CFOs from the most geographically-diversified companies tended to cite reliance on natural operating hedges—especially on using their revenue/expense mix—to limit exposure to currency fluctuations. These companies also tended to cite active management of transactional exposure, and also some use of synthetic approaches for managing operational exposure.
- **Less-dispersed companies more likely to employ synthetic hedges:** CFOs from these companies tended to cite use of debt management and financial instruments for managing currency exposure.

What are the most significant steps you are taking to manage currency risks?

Consolidation and paraphrasing of CFOs' free-form comments* (n=71)

Real / operating hedging

GEOGRAPHIC EXPOSURE
- Geographic diversification
- Keep assets in local markets
- Making strategic acquisition in our sector

REVENUE / EXPENSE LOCATION
- Natural hedge (3)
- Natural hedge with cost structure
- Natural hedge at w/ revenue/expense mix
- Hedging via strategic sourcing (2)
- Earnings / cash flow hedges (2)
- Keep revenues in our reporting currency
- Locating revenue and costs in best places

PRICING
- Set prices in US dollars
- Reviewing pricing practices

Synthetic / financial hedging

CURRENCY HEDGING
- Continuation of existing currency hedging approaches (4)
- Hedging through forward contracts (2)
- Exploring currency hedging – have avoided previously
- Hedging of foreign currency purchases
- Moving bank balances into different currencies or locations

DEBT MANAGEMENT
- Balance sheet hedges
- In 2013/2014, issued euro-denominated debt (very beneficial)
- Switching US fixed income investments to Canadian ones
- Developing refinancing strategy for debts
- Hedging through debt financing
- Locating debt in right countries
- Hedge dollar-denominated borrowing
- Borrow in local markets

CURRENCY SWAPS / CONVERSIONS
- Repatriating cash to US
- Swap USD for euros

Transaction hedging

GENERAL
- Rolling hedges on transactional exposure (2)
- Hedge spending on rolling four-quarter basis
- Hedging through contracts
- Applying better discipline in capex and working capital
- Hedging foreign currency risk when we transact in other than USD

TIMING
- Pay suppliers when rates favorable
- More just-in-time purchases
- Buy ahead if the currency is weak

CURRENCY / DENOMINATION
- Conduct transactions only in USD
- Contracts mostly in USD
- Perform operations transactions in matched currencies
- Fewer purchases in foreign currencies
- Converting procurement contracts to domestic currency
- Negotiating with suppliers with portion of payments in domestic currency

No actions specifically to reduce currency risk

- Not applicable and/or little currency exposure (19)
- Applicable, but no actions taken (7)

** This chart presents a summary of CFOs' free-form responses. CFO comments have been consolidated and paraphrased, and parentheses denote counts for particular response themes.*

Special topic: Private company ownership and investor relations

Private company rationale and benefits

Why are companies choosing to stay private, and what are the drawbacks?

Most companies are private because of their histories as family-owned companies and/or because they believe being private helps them avoid reporting and compliance requirements:

- **Strong ties to ownership history:** Many CFOs indicate that their private status is a legacy of their company's formation, philosophy, and tradition. (Many of these CFOs also indicate that their companies do not even consider going public as part of their periodic decision-making.)
- **Strong bias against public-company pitfalls:** Many CFOs cite private companies' ability to avoid two factors they believe burden public companies: a short-term focus and public company reporting/compliance requirements.
- **Less access to capital:** The vast majority of CFOs say they do not believe their company has experienced any drawbacks from being privately held over the past few years. Those who do cite drawbacks say they have had comparatively less access (or at least more difficult access) to capital.
- **Private companies more prevalent in some sectors:** Most surveyed private companies are from the Financial Services industry due to strong representation from mutual insurance companies. Services firms also indicate a high proportion of private ownership, largely due to partnership ownership structures. Manufacturing and Retail/Wholesale also have substantial private company bases.
- **Business focus not substantially different from public companies':** Despite their differences, private and public company CFOs do not indicate significant differences around their relative focus on revenue growth versus cost containment. They indicate only small differences in their focus on new versus existing products and on new versus existing geographies. Private companies are less likely, however, to pursue inorganic growth—possibly due to less access to capital (as indicated in the chart).
- **Sentiment not substantially different from public companies':** This quarter, CFOs indicate rising optimism regarding their companies' prospects much more often than they indicate falling optimism, and the difference between private and public companies is not significant.

What are your company's most important reasons for being privately held?

What have been the most important drawbacks of being privately held over the past few years?

Consolidation and paraphrasing of private company CFOs' free-form comments* (n=27)

Rationale

FAMILY-OWNED / FAMILY PREFERENCE
- Family control
- Family founded and same family owns, 67 years later
- Family ownership
- Family preference
- Long-term family owned
- Market in which we compete is a family-owned environment

AVOID SHORT-TERM FOCUS
- Focus on long-term results vs. short-term results
- Long-term perspective
- Focus on making the best decisions based on the long-term economic impact vs. earnings for the next 90 days
- Keeping a long-term view on growing the company
- Long-term focus

AVOID PUBLIC COMPANY REQUIREMENTS
- Limited public disclosure of information
- Minimize the impact of regulations and public reporting requirements
- Avoid distraction of being public
- Avoid compliance costs

COMPANY TYPE
- Mutual insurer
- Commitment to mutuality / mutual insurance (2)
- Part of a larger public entity (2)
- Statutory requirement
- Structural (chief among other terrific benefits!)
- Not for profit (2)

OTHER
- Private equity returns
- Size, control, compliance costs
- Better (more involved) board members
- Becoming efficient to later be public again

Drawbacks

NO DRAWBACKS
- None (17)
- No major drawbacks - have access to debt markets so can access capital but don't have to deal with investment analysts

ACCESS TO CAPITAL
- Capital limitations (3)
- Restriction in financing options
- Lack of access to capital markets
- Lack of access to equity markets
- Limited financial resources compared to competitors

** This chart presents a summary of CFOs' free-form responses. CFO comments have been consolidated and paraphrased, and parentheses denote counts for particular response themes.*

Special topic: Private company ownership and investor relations

Private company investor relations practices

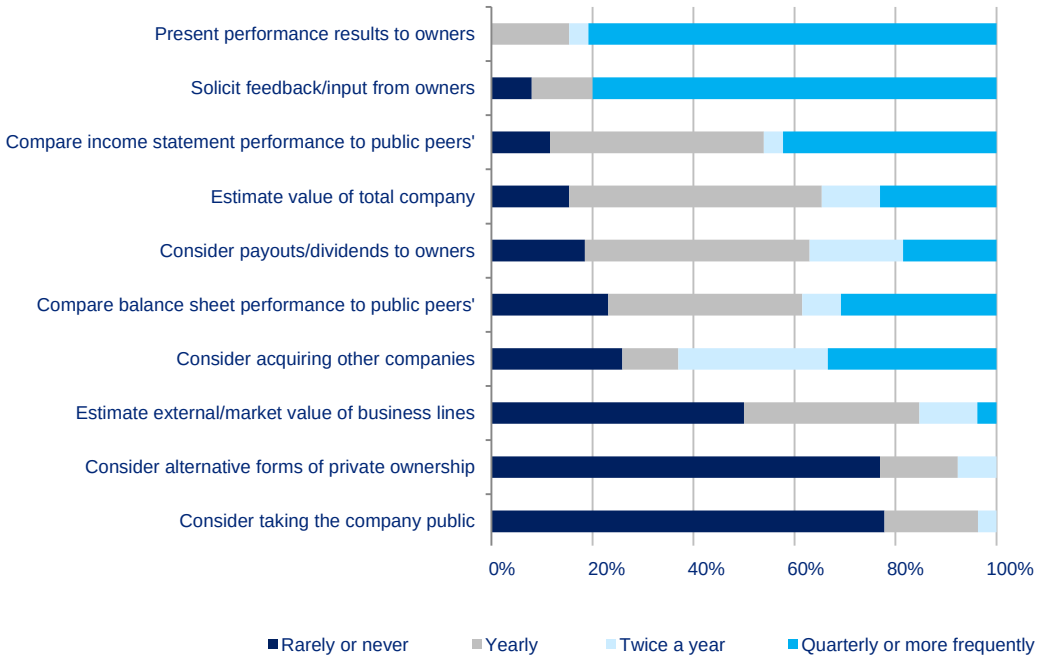
How often do private companies analyze, make decisions, and communicate?

Narrower and less-frequent IR activity than their public counterparts:

- **Extensive communication with owners:** All CFOs surveyed say they present performance results to owners at least yearly, with more than 80% saying they present it at least quarterly. Soliciting owners' feedback is done at least yearly by more than 92% of CFOs, with 80% doing it at least quarterly. Interesting to note is that these interactions are not as frequent as they are for the public companies—where companies overwhelmingly subscribe to quarterly cadences (see the next page).
- **Income statement comparisons more likely than balance sheet comparisons:** Forty-two percent of CFOs say they compare their income statement performance to their peers' on at least a quarterly basis, while just 31% do so for balance sheet performance. Moreover, they are about twice as likely to say they rarely or never perform balance sheet performance comparisons as they are to say the same for income statement performance comparisons. Public company CFOs, by comparison, are much more likely to say they do both types of comparisons and do them quarterly.
- **Infrequent payouts:** About 45% of CFOs say they consider payouts/dividends on a yearly basis, with 19% saying they rarely or never do. Just 19% consider payouts quarterly, in comparison to the two-thirds of public company CFOs who say they do.
- **Varied consideration of acquisitions:** Three-quarters of CFOs say they consider the acquisition of another company at least yearly, with about 33% doing so at least quarterly. More than one-quarter of CFOs say they rarely or never consider acquisitions, as opposed to 9% of public company CFOs.
- **Company valuation over business line valuation:** Nearly 85% of CFOs say they estimate the value of their company on at least a yearly basis, but only 50% do so for individual business lines (72% for the public companies).
- **Very high commitment to ownership structure:** Nearly 80% of CFOs say they rarely or never consider alternative forms of private ownership, and about the same proportion say the same for taking the company public.

How often does your company conduct the following activities?

Private company CFOs' selections based choices as noted (n=27)



Special topic: Public company investor relations and activism

Public company investor relations activities

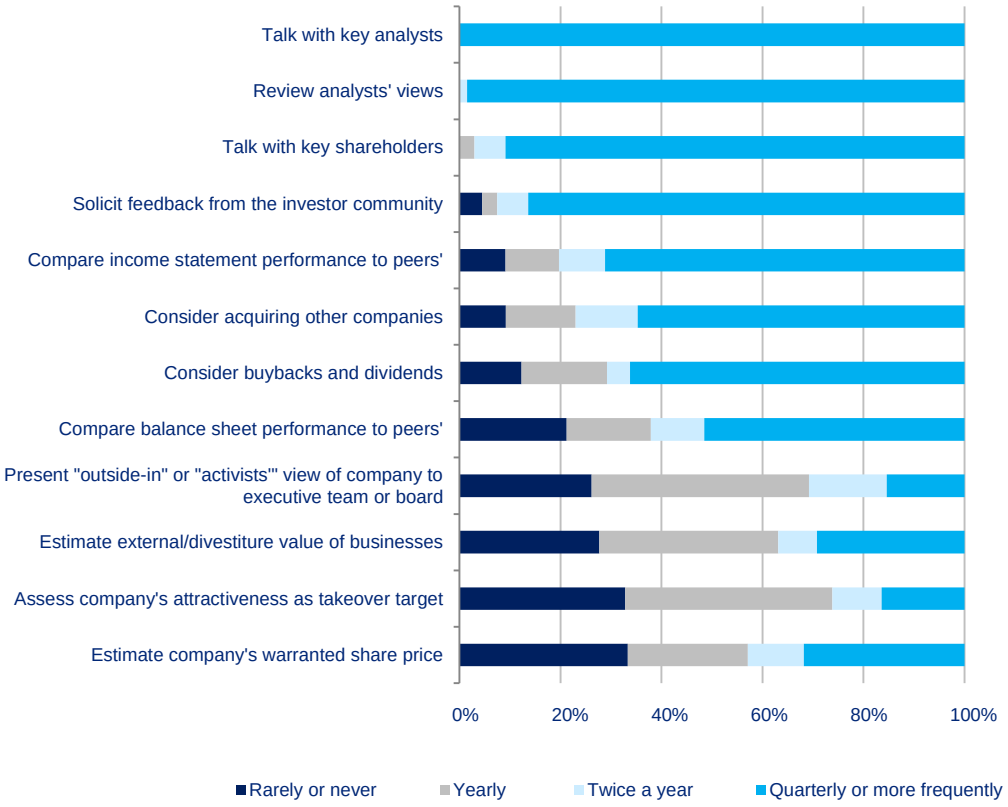
How often do public companies analyze, make decisions, and communicate?

Very high activity around communication of performance; lower focus on "outside-in" assessments of value:

- **Heavy quarterly communication with current and potential shareholders:** All public company CFOs surveyed say they talk with key analysts on at least a quarterly basis, and nearly all of them also review analysts' views with the same frequency. Over 90% talk with key shareholders quarterly, and more than 85% solicit investor feedback quarterly.
- **Frequent consideration of buybacks and dividends**: Nearly 90% of CFOs say they consider buybacks and dividends on at least a yearly basis, with two-thirds saying they do so quarterly. To support these decisions, about two-thirds of CFOs say they assess their warranted share price on at least an annual basis, and nearly one-third say they do so quarterly.
- **Income statement comparisons over balance sheet comparisons:** Just over 90% of CFOs say they compare their income statement performance to that of their peers at least yearly, with about 70% saying they do so quarterly. By comparison, about 80% compare their balance sheet performance to their peers at least yearly, and 52% do so quarterly. CFOs are about twice as likely to say they rarely or never compare balance sheet performance as they are to say the same for income statement performance.
- **Acquisitions considered more frequently than divestitures:** About 90% of CFOs say they consider acquisitions at least yearly, with 65% doing so at least quarterly. By contrast, 72% say they consider divestiture values of business lines at least yearly, with 29% doing so quarterly.
- **"Outside-in" analysis comparatively uncommon:** About two-thirds of CFOs assess their company's value as a takeover target at least yearly, and about three-quarters say they present an outside-in or activists' view of their company to their leadership at least yearly.
- **Some industry patterns:** Technology CFOs are the most likely to claim high frequency around several activities—particularly around evaluating acquisitions, assessing their value as a takeover target, and assessing their warranted share price.

How often does your company conduct the following activities?

Public company CFOs' selections based choices as noted (n=61-66)



Special topic: Public company investor relations activism

Exposure to shareholder activism

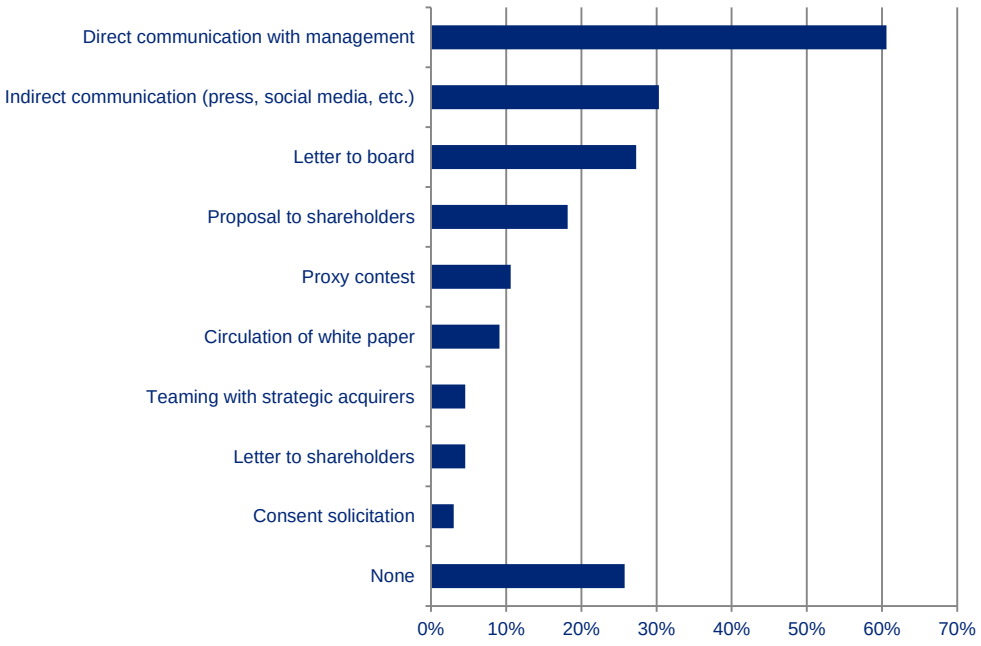
What activist investor actions have companies experienced?

Most companies' leaders have been directly or indirectly approached by activist investors:

- **Contact with activists very common:** About three-fourths of CFOs say their companies have experienced at least one of the presented activist actions, and 44% say they have experienced two or more.
- **Direct over indirect communication with company leadership:** More than 60% of public company CFOs say activist shareholders have communicated directly with their management—about double the rate who say activists have communicated indirectly (through the press, social media, etc.). More than one-quarter say activists have communicated with them through a letter to their board, and 9% say activists have communicated through white papers.
- **Significant communication with shareholders:** Only 5% of CFOs say activists have communicated directly to shareholders via a letter, but 18% say activists have circulated a shareholder proposal. Financial Services is an outlier with half of CFOs saying activists had sent their shareholders a proposal.
- **Some proxy contests:** Roughly 10% of public company CFOs say their company has faced a proxy contest.
- **Consent solicitations and teaming with strategic acquirers not common:** Each of these activist activities was reported by less than 5% of CFOs.

Which forms of shareholder activism has your company experienced?

Percent of public company CFOs who indicated having experienced the following activities (n=66)



Special topic: Public company investor relations and activism

Responses to shareholder activism

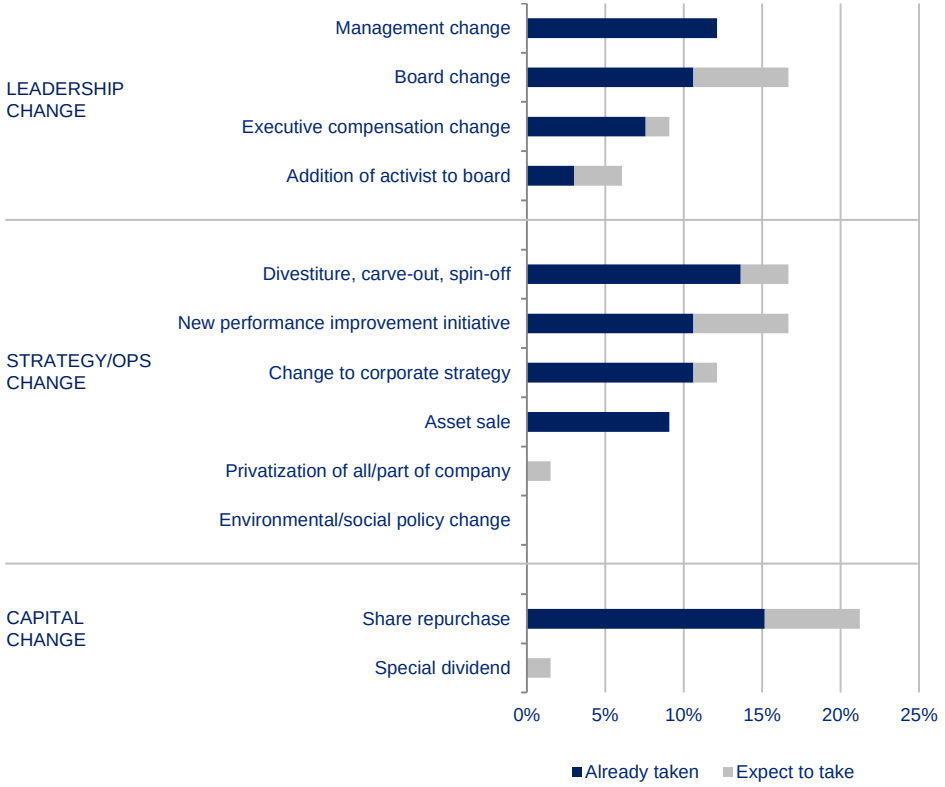
What steps are companies taking in response to shareholder activism?

Shareholder activism is influencing the business decisions of many publicly-traded companies:

- **About half have made at least one major business decision specifically in response to shareholder activism:** More than one-third have made two or more business decisions in response to activism, and about 20% have made three or more.
- **Share repurchases most common:** About 15% of CFOs say they have already repurchased shares in response to activism, and another 6% expect to do so in the future.
- **Board and management changes significant:** About one-quarter of CFOs say they have already taken one or both actions. Another 6% expect to make a board change in the future.
- **Strategic and operational changes fairly common:** Nearly 15% of CFOs say they have pursued a divestiture, carve-out, or spin-off in response to activism. About 10% say they have changed their corporate strategy, and the same proportion say they have introduced a new performance improvement initiative (another 6% expect to do so in the future). Nearly 10% have pursued an asset sale.
- **Some industry differences:** Among the industries with significant sample sizes, Technology companies appear among the most likely to have taken an action—most likely around share repurchases, a change in corporate strategy, or a divestiture. Energy/Resources companies appear comparatively unlikely to have taken any of the polled actions.

What actions have you taken (or do you expect to take) specifically in response to shareholder activism?

Percent of public company CFOs indicating their company has taken or is likely to take each action (n=66)



Special topic: Public company investor relations and activism

Changes to investor relations approaches

How have companies adapted to rising shareholder activism?

Companies are taking activist investors very seriously:

- **About half of CFOs say they have made substantial changes:** Those citing little or no change tend to reference pre-existing programs and practices that have been successful and are being continued.
- **Significant changes to monitoring and management:** Of the CFOs who say they have changed their approaches, about one-fifth cite heightened monitoring of activist activity. Roughly one-quarter say they have changed their internal management practices, citing increases in board-level discussions and more proactive planning around activist concerns.
- **More (and more preemptive) communication:** About one-quarter of CFOs citing significant changes say they have increased the depth, breadth, and/or volume of their communication. Another quarter say they have become more proactive in engaging with large shareholders and activist investors.

How has your company changed its investor relations approaches in response to rising shareholder activism?

Consolidation and paraphrasing of public company CFOs' free-form comments* (n=66)

Internal monitoring and management

MONITORING

- Increased the extent to which we analyze our shareholder base
- Active monitoring of shareholder base (weekly)
- Scorecard in place to monitor the key indicators activists watch
- Constant monitoring
- Stock ownership screening/monitoring
- Hired service provider to track investor holdings
- Monitoring "noise" more carefully

MANAGEMENT APPROACHES

- Active discussion with the Board
- Annual report to board committee
- Complete review with all company officers and other key personnel to revamp presentation
- Outside-in reviews
- Created a "watch item" for enterprise risk
- More focus on vulnerability and action plan to address being prepared
- Increased focus on vetting compensation practices
- Actively considered what we say in the context of activists' perceptions
- Poison pill development

PEOPLE

- One extra staff member
- Enhanced expertise of underlying team
- Added to the team earlier than planned

** This chart presents a categorized summary of CFOs' free-form responses. Most responses are completely or nearly verbatim, but some have been paraphrased or edited for clarity. Parentheses denote counts for a particular response theme. The number of responses does not match the number of respondents because some CFOs provided more than one response.*

External communication

COMMUNICATION / DISCLOSURE

- More communication (3)
- Active shareholder outreach (2)
- More disclosure
- Increased outreach to investors
- Increased engagement broadly

DIRECT OUTREACH TO KEY INVESTORS

- More proactive outreach to key stakeholders
- Additional members of management meet with key investors
- Direct outreach by the board with proxy desks of major shareholders
- More discussions with governance staff at large institutional long-term owners
- Proactive discussions with large shareholders
- Targeted, frequent and documented meetings with key markets/shareholders
- Increased interactions with hedge funds
- More proactive communication between senior management and investor base, including activist firms
- Speaking directly with activists and treating as large shareholder

No/Minimal change

- No/minimal change (27)
- Have already monitored the shareholder activism environment for long time
- Relatively consistent program which has been successful to-date
- Have always had an active investor engagement program; will continue
- Have already been very active
- Shareholder activism has not been even a slight issue

Longitudinal trends

Expectations and sentiment

CFOs' Year-Over-Year Expectations*

(Mean growth rate, median growth rate, and percent of CFOs who expect gains)

		2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15
Operating Results	Revenue	9.3%	10.9%	6.5%	8.2%	7.1%	6.8%	6.3%	5.9%	6.6%	4.8%	5.6%	5.4%	5.7%	5.0%	4.1%	4.6%	6.1%	6.8%	6.0%	5.4%
		6.0%	10.0%	5.0%	5.0%	5.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
		84%	93%	81%	89%	80%	83%	87%	79%	85%	82%	83%	81%	84%	78%	82%	90%	90%	89%	90%	86%
	Earnings	17.3%	19.5%	12.0%	12.6%	14.0%	9.3%	10.1%	12.8%	10.5%	8.0%	10.9%	12.1%	10.3%	8.0%	8.6%	7.9%	8.9%	10.9%	9.7%	10.6%
		6.0%	10.0%	8.0%	10.0%	10.0%	8.0%	9.0%	9.5%	8.5%	6.0%	7.0%	10.0%	10.0%	9.0%	8.0%	7.0%	8.0%	8.0%	8.0%	8.0%
		89%	93%	80%	83%	83%	82%	84%	79%	81%	84%	76%	84%	83%	82%	82%	84%	83%	90%	86%	79%
Investment	Dividends	6.5%	8.6%	4.1%	4.4%	3.7%	3.5%	2.4%	2.2%	3.9%	2.5%	2.5%	3.6%	4.5%	3.4%	4.0%	5.7%	4.1%	4.1%	3.0%	4.3%
		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%	0.0%	0.0%	0.0%
		38%	39%	28%	36%	35%	41%	27%	31%	33%	30%	29%	38%	40%	39%	37%	47%	45%	45%	44%	47%
	Capital spending	12.4%	8.3%	8.7%	11.8%	10.7%	7.9%	9.6%	12.0%	11.4%	4.6%	4.2%	7.8%	7.5%	4.9%	6.4%	6.5%	6.8%	5.0%	5.5%	5.2%
		5.0%	5.0%	4.0%	5.0%	10.0%	5.0%	5.0%	6.0%	10.0%	3.0%	0.0%	0.0%	3.5%	2.4%	3.0%	3.0%	5.0%	5.0%	5.0%	5.0%
		62%	58%	57%	61%	69%	59%	61%	68%	70%	53%	43%	57%	57%	54%	59%	57%	64%	60%	62%	63%
Employment	Number of domestic personnel	3.1%	2.0%	1.8%	1.8%	2.0%	1.2%	1.0%	2.1%	2.1%	0.6%	1.0%	0.9%	2.4%	1.3%	1.4%	1.0%	1.6%	2.3%	2.1%	2.4%
		0.5%	2.0%	1.0%	1.0%	2.0%	1.0%	1.0%	1.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	1.0%	1.0%	1.0%
		50%	60%	48%	61%	64%	52%	51%	51%	52%	40%	40%	43%	46%	47%	48%	42%	58%	58%	60%	58%
	Number of offshore personnel	3.5%	2.8%	3.6%	3.7%	4.1%	2.9%	4.8%	3.7%	3.8%	1.5%	0.5%	2.4%	2.5%	1.9%	4.1%	2.5%	1.9%	2.6%	1.9%	3.1%
		0.0%	0.0%	0.0%	0.0%	2.0%	0.0%	0.5%	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%
		41%	49%	47%	41%	57%	37%	50%	43%	41%	30%	32%	39%	36%	33%	42%	34%	42%	45%	44%	48%

CFO and Equity Market Sentiment**

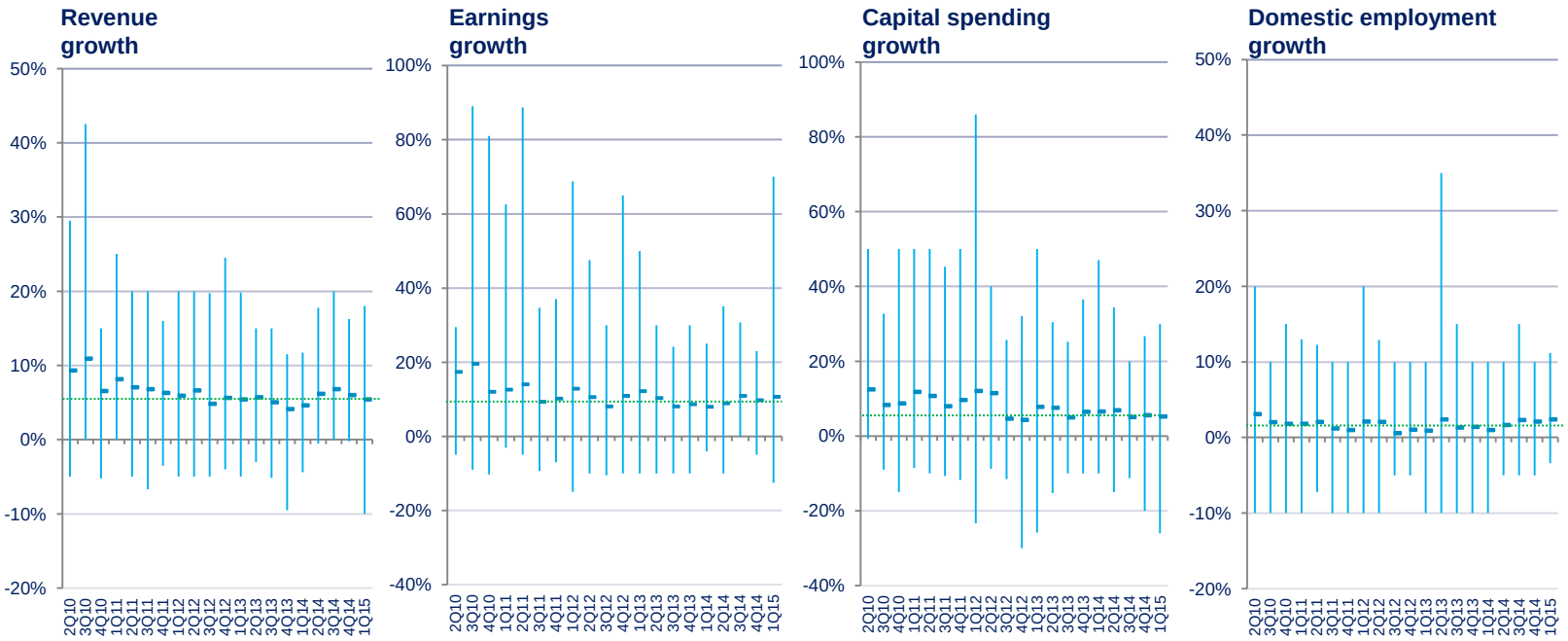
		2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15
Optimism	Optimism (% more optimistic)	63.5%	46.8%	53.3%	62.4%	39.7%	28.6%	28.6%	63.0%	39.1%	38.8%	29.1%	51.0%	59.0%	41.9%	54.2%	46.8%	44.3%	43.7%	49.0%	47.9%
	Neutrality (% no change)	19.3%	16.8%	26.0%	22.0%	28.3%	18.6%	32.1%	21.9%	32.6%	21.2%	31.3%	30.1%	27.7%	33.9%	33.4%	33.0%	37.2%	44.6%	35.3%	38.5%
	Pessimism (% less optimistic)	17.2%	36.4%	20.7%	15.6%	32.0%	52.8%	39.3%	15.1%	28.3%	40.0%	39.6%	18.9%	13.3%	24.2%	20.8%	20.2%	18.6%	11.7%	15.6%	13.5%
	Net optimism (% more optimistic less % less optimistic)	46.3%	10.4%	32.6%	46.8%	7.7%	-24.2%	-10.7%	47.9%	10.8%	-1.2%	-10.5%	32.1%	45.7%	17.7%	33.4%	26.6%	25.7%	32.0%	33.3%	34.4%
S&P	S&P 500 price at survey period midpoint	1,088	1,072	1,200	1,343	1,333	1,123	1,161	1,361	1,317	1,418	1,387	1,520	1,667	1,656	1,798	1,839	1,878	1,955	2,040	2,097
	S&P gain/loss QoQ		-1.5%	11.9%	11.9%	-0.7%	-15.8%	3.4%	17.2%	-3.2%	7.7%	-2.2%	9.6%	9.7%	-0.7%	8.6%	2.3%	2.1%	4.1%	4.3%	2.8%

* All means have been adjusted to eliminate the effects of stark outliers. The "Survey Mean" column contains arithmetic means since 2Q10.

** Averages for optimism numbers may not add to 100% due to rounding.

Longitudinal trends

Means and distributions for key metrics



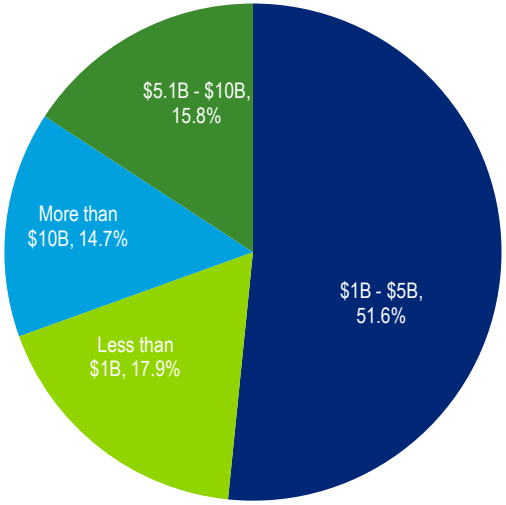
Vertical lines indicate range for responses between 5th and 95th percentiles.

Horizontal marks indicate outlier-adjusted means.

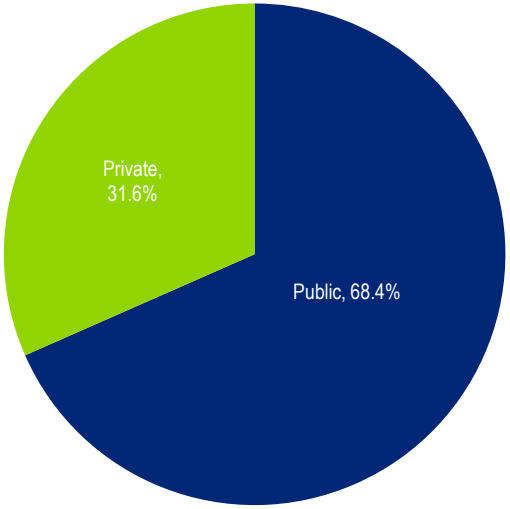
Dotted lines indicate 3-year average (mean).

Demographics

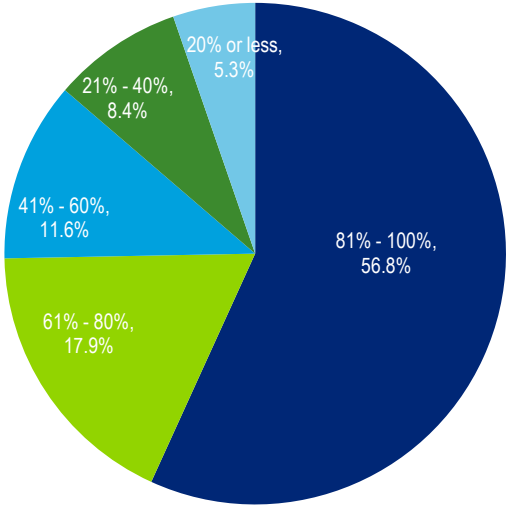
Annual Revenue ($US)
(n=95)



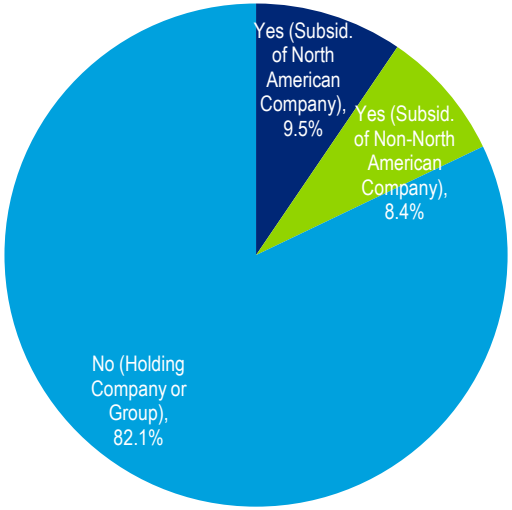
Ownership
(n=95)



Revenue from North America
(n=95)

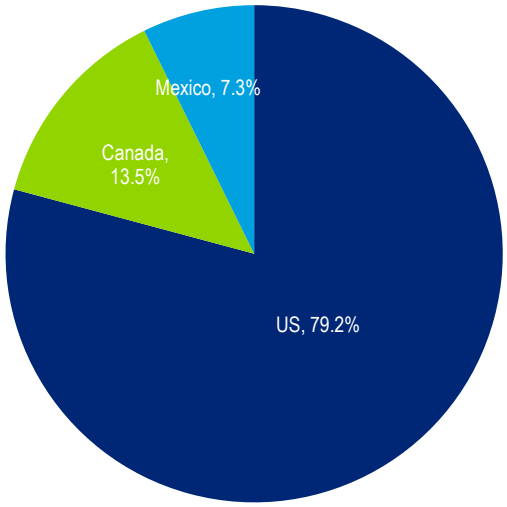


Subsidiary Company
(n=95)

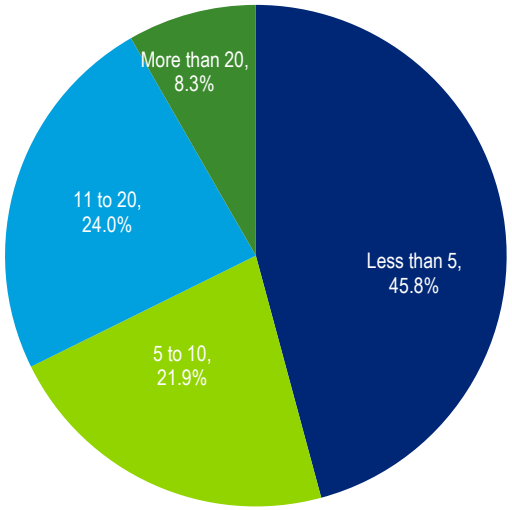


Demographics (cont.)

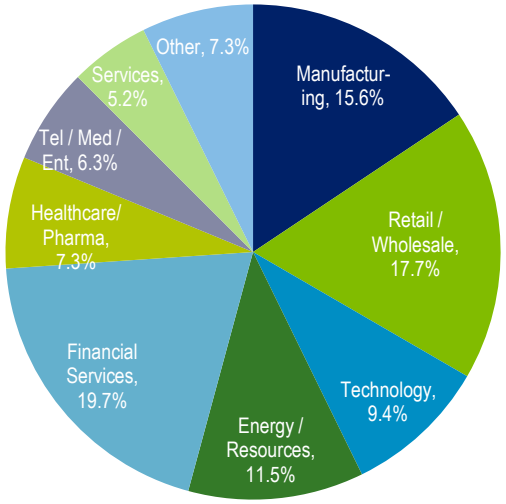
Country
(n=96)



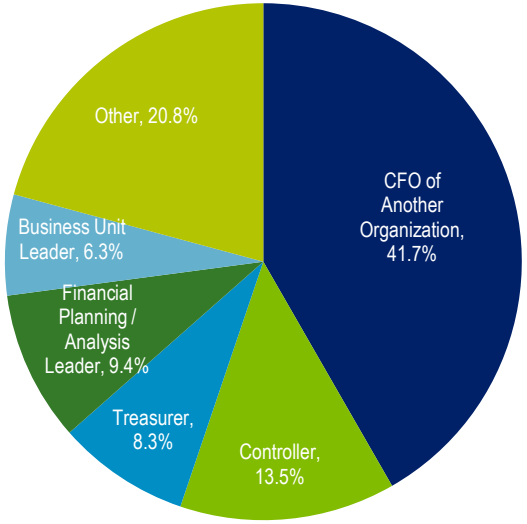
CFO Experience (Years)
(n=96)



Industry
(n=96)



Previous CFO Role
(n=96)



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.

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