



2Q20 Highlights: Reopening for business, but near-normal operating levels not expected until next year

- Assessments of the North American and European economies fell to historic lows; many CFOs believe conditions will be better in a year.
- Own-company optimism reversed its recent gains, falling drastically to a new survey low.
- Reflecting historic lows for expected year-over-year revenue and earnings growth, domestic hiring growth expectations fell sharply to -6.0%—indicating substantial staff cuts.
- Executive teams appear more focused on ensuring viability and adapting for near-term performance than on evolving for post-crisis success; many cite substantial focus on all three at the same time, and there are sharp industry differences.
- Optimism about a return to near-normal operations has faded, with 60% saying this milestone will not be reached until 2021 or later.
- Three-fourths of CFOs say they can sufficiently manage the risks of on-site work, and most do not expect to provide hazard pay; 71% say those who can continue to work remotely will have the option.
- Just under half of CFOs say they will resume on-site work as soon as governments allow it; 43% say their efforts will be limited by expectations of a fall resurgence; just over half say effective on-site testing is necessary, with treatments and vaccines both coming in at 35%.
- In a year, CFOs expect major increases in remote work, automation, and cloud computing, and many expect a smaller real estate footprint; they are less likely to expect changes to cross-border sourcing, and there is disagreement around credit/currency markets and distressed asset purchases.

How do you regard the status of the North American, European, and Chinese economies? Perceptions of North America fell drastically, with just 1% of CFOs rating current conditions as good (80% last quarter), but 58% expecting better conditions in a year (up from 35%). Europe's numbers were also down sharply, coming in at 1% and 33%. Perceptions of China's current conditions held at 9%, and expectations for a year from now rose sharply to 51%.

What is your perception of the capital markets? Sixty-three percent of CFOs say debt financing is attractive (down from 90%) following major drawdowns on credit facilities. Equity financing is considered attractive by 25% (down from 46%) of public company CFOs and 13% (down from 37%) of private company CFOs. Fifty-five percent still say US equity markets are overvalued (down from 83%) despite very sharp market declines.

Compared to three months ago, how do you feel about the financial prospects for your company? The net optimism index fell drastically from last quarter's +24 to an historic survey low of -54. Just 11% of CFOs expressed rising optimism (38% last quarter), and 65% (a historic survey high) expressed declining optimism (14% last quarter).

What is your company's business focus for the next year? Companies shifted toward their first collective cost reduction (over revenue growth) focus in survey history, and they doubled down on current geographies (over new ones).

How do you expect your key operating metrics to change over the next 12 months?* YOY growth expectations fell drastically, with each metric hitting a new low and turning negative for the first time in survey history. Revenue growth slid from 3.9% to -8.6%; earnings growth fell from 6.0% to -18.7%. Capital spending slid sharply from an already-low 2.3% to -12.3%. Domestic hiring fell from 1.2% to -6.0%, and dividend growth slid from 3.7% to -4.8%.

Which modes best describe your management team's current focus? CFOs say their management teams are focused more on ensuring viability and adapting for near-term performance than on evolving their company for success post-crisis; industry differences are dramatic, with many Retail/Wholesale and Services companies largely in survival mode.

What is your best guess for when your company will return to a near-normal operating level? CFOs' initial optimism about near-normal operations has faded, with 60% now saying this milestone will not be reached until 2021 or later. Retail/Wholesale and Services CFOs are the most pessimistic.

How are you approaching your company's transition back to on-site work? Three-fourths of CFOs say they can sufficiently manage the risks of on-site work, and 48% say they will resume on-site work as soon as governments allow it; 43% say their efforts will be limited by expectations of a fall resurgence; 71% say those who can continue to work remotely will have the option; 52% say effective on-site testing is necessary, while treatments and vaccines came in at 35%.

A year from now, how do you expect your operations to compare to pre-crisis? CFOs expect major increases in remote work, automation, and cloud computing, and many expect a smaller real estate footprint; they are less likely to expect changes to cross-border sourcing. Nearly 30% expect changing FX rates or currency values to impact their business, and 25% expect the US to experience a credit crisis. About one third do not expect the US dollar to decline, and 31% expect to purchase distressed assets.

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

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. Please see the full survey report for details about the survey methodology.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (DTTL), its network of member firms, and their related entities. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.

Copyright © 2020 Deloitte Development LLC. All rights reserved. Member of Deloitte Touche Tohmatsu Limited.