

TIAS

NEVER STOP ASKING

QUARTERLY
REPORT

July 2018

CFO Survey
Europe | 2018

Q2

Contents

3	Dashboard overview
4	CFO optimism & economic sentiment 2018
6	Finance & capital
8	Employment
11	Key results CFO Survey Europe, US, Latin America, Africa and Asia

Dashboard overview

68.5
/100

Economic sentiment maintains upward trend

The average optimism level among European CFO's during the second quarter of 2018 continued the upward trend of the last twelve months, climbing to 68.5 on a scale of 100.

38%

Growth in number of optimists levels off as positive economic sentiment soars

More than a third of the CFOs have a more positive economic outlook for the next twelve months. Another 40% maintains the same outlook as they did in the previous quarter, thereby underscoring the overall optimistic sentiment among European CFOs.

69
/100

Business confidence remains firm among European CFOs

CFOs' confidence about the financial outlook of the own company has strengthened further during the second quarter of 2018 and has reached 69 on a scale of 100.

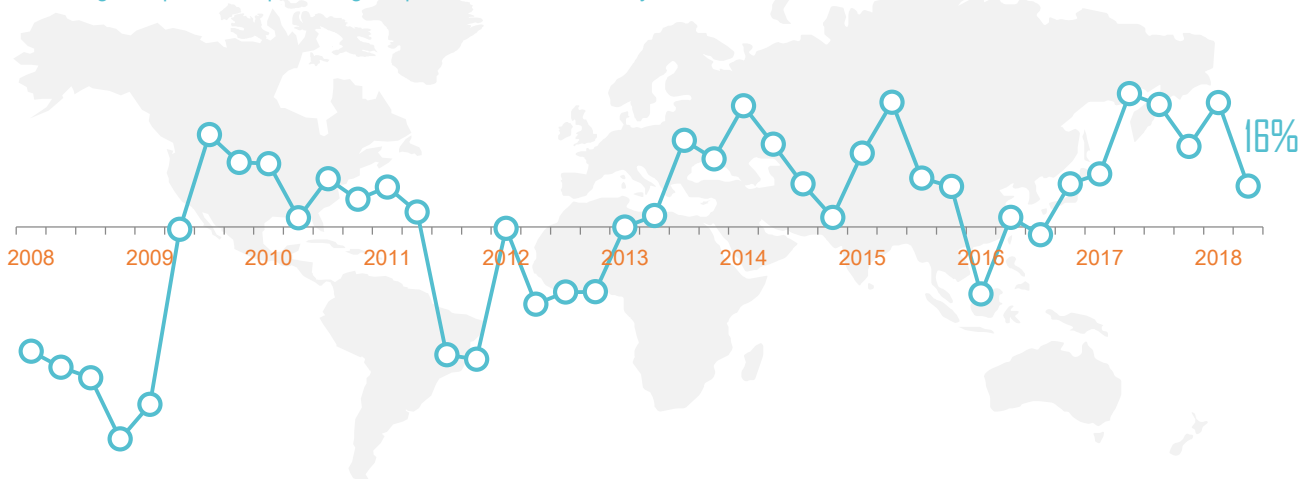
46%

CFOs with positive outlook on company financials

Almost half of the European CFOs keep an optimistic view on their company's financials for the next twelve months when compared to the previous quarter. Slightly less than a quarter of CFOs are more pessimistic about the next twelve months.

Chart 1. European CFO optimism index

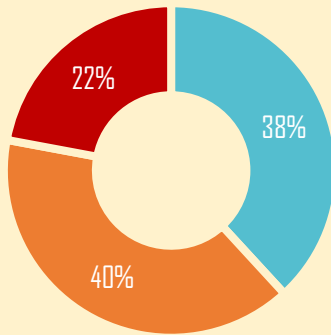
Percentage of optimists -/- percentage of pessimists w.r.t. economy



CFO optimism & economic sentiment 2018

Chart 2. Optimism CFOs about economy of own country

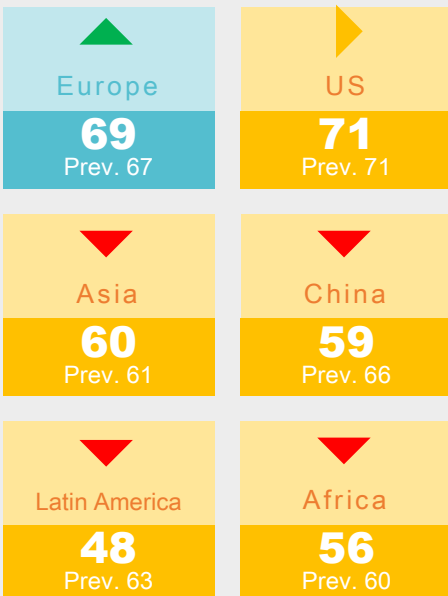
% optimists vs pessimists among European CFOs



- More optimistic
- No change
- Less optimistic

Chart 3. Average level of optimism

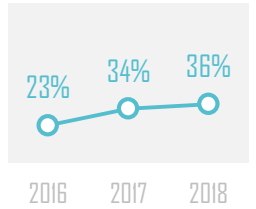
Europe compared to major economic regions (on a scale of 1- 100)



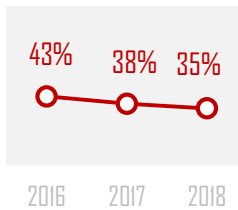
Top 10 concerns European CFOs

Percentage of CFO's, Q2 2018 compared to Q2'17 and Q2'16

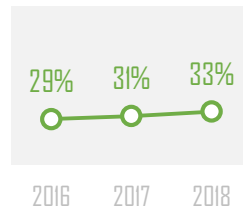
1 Attracting / retaining qualified employees



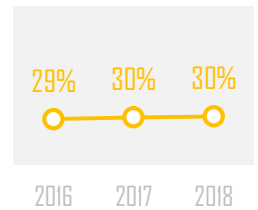
2 Economic uncertainty



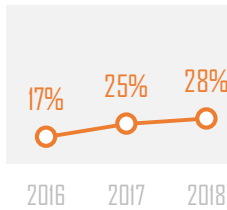
3 Regulatory requirements



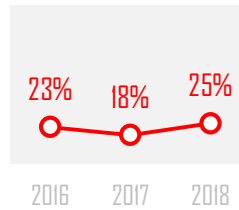
4 Government policies



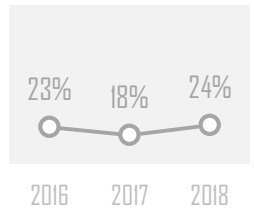
5 Data security



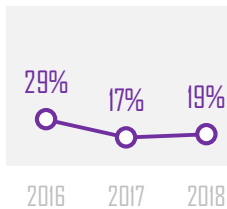
6 Currency risk



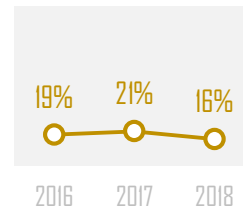
7 Employee morale



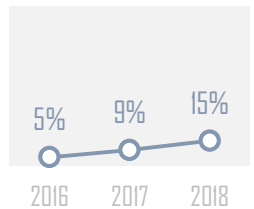
8 Weak demand products/services



9 Employee productivity



10 Rising input / commodity costs



In general, how would you describe the current funding environment for your company?

Average scores - % of CFOs

United States

EQUITY FINANCE

41% Attractive
28% Tight - unattractive

CORPORATE BONDS

38% Attractive
22% Tight - unattractive

BANK BORROWING

55% Attractive
18% Tight - unattractive

Europe

EQUITY FINANCE

37% Attractive
27% Tight - unattractive

CORPORATE BONDS

46% Attractive
23% Tight - unattractive

BANK BORROWING

50% Attractive
26% Tight - unattractive

Asia

EQUITY FINANCE

32% Attractive
24% Tight - unattractive

CORPORATE BONDS

50% Attractive
30% Tight - unattractive

BANK BORROWING

51% Attractive
26% Tight - unattractive

Latin America

EQUITY FINANCE

31% Attractive
34% Tight - unattractive

CORPORATE BONDS

24% Attractive
32% Tight - unattractive

BANK BORROWING

36% Attractive
30% Tight - unattractive

Africa

EQUITY FINANCE

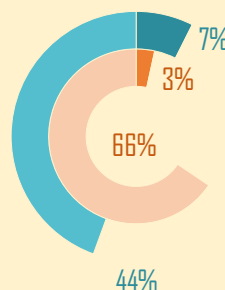
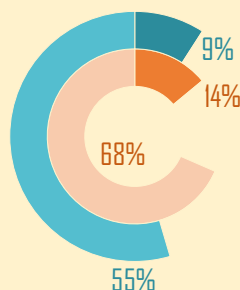
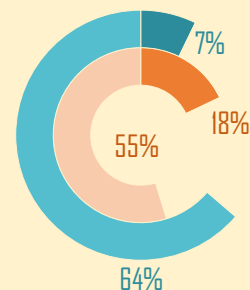
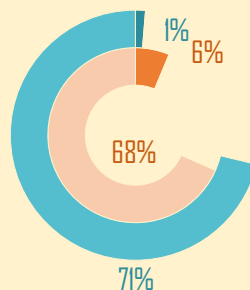
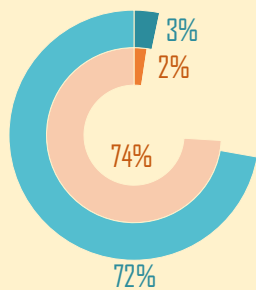
44% Attractive
44% Tight - unattractive

CORPORATE BONDS

56% Attractive
28% Tight - unattractive

BANK BORROWING

31% Attractive
46% Tight - unattractive



CFOs expectations regarding M&A activity

- Increase in own country
- Decrease in own country
- Increase in own industry
- Decrease in own industry

Finance & capital

67%

Capital spending

Two thirds of European companies expect to increase capital investments during the next twelve months.

59%

Research & Development

Almost two thirds of the European companies intend to increase R&D spending over the next twelve months.

70%

Technology spending

7 out of every 10 CFOs expects that technology spending will increase in the next 12 months.

71%

Marketing & Advertising

Marketing and advertising activity is likely to see an uptick, with more than 70% of the CFOs signaling increased spending.

Chart 4. CFOs' expected growth in business spending for next 12 months

Average growth rates in percentages, compared to the previous quarter and one year ago.

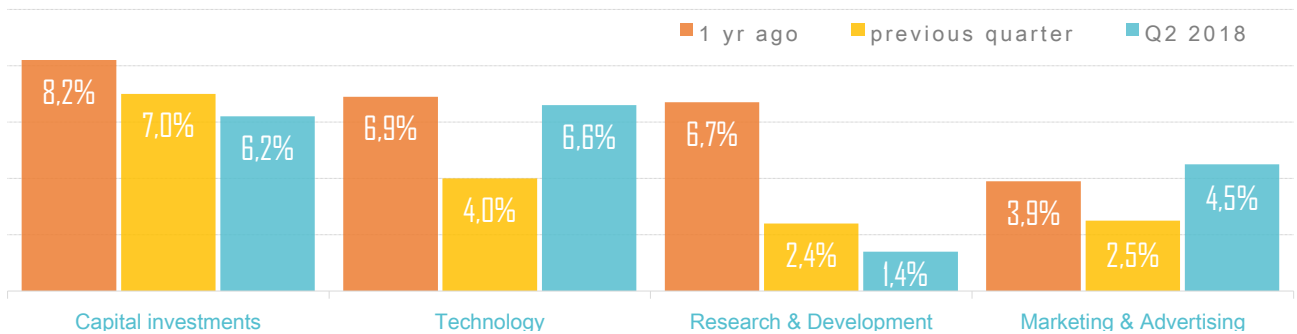


Chart 5. European CFO optimism about financial prospects of company

Percentage optimists vs pessimists

Average level of optimism Europe, compared to major economic regions (on a scale of 1 – 100)

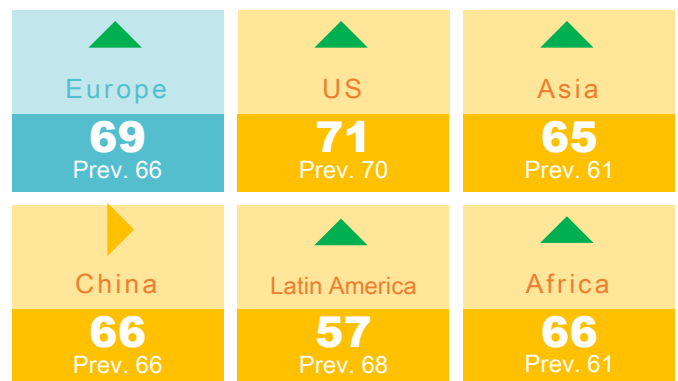
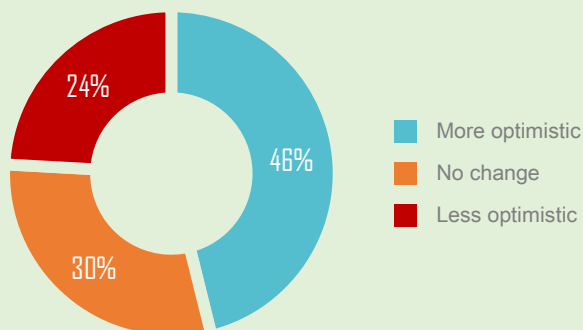
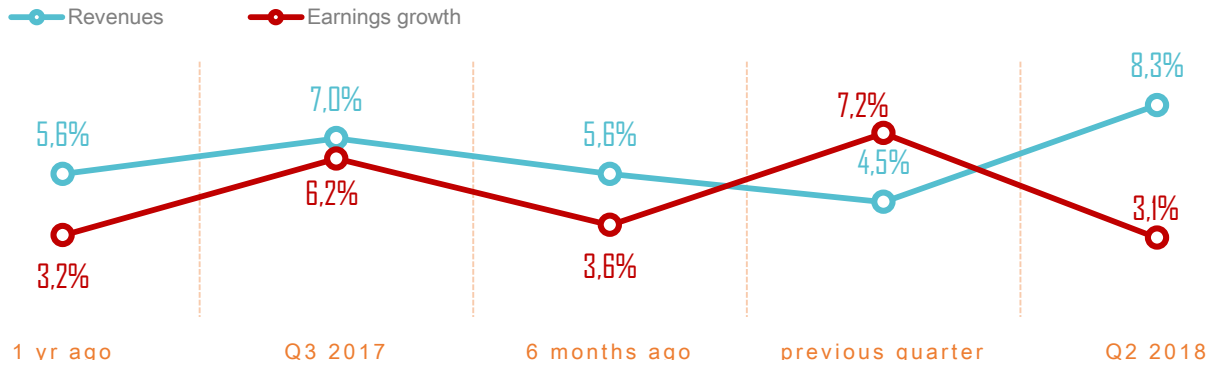


Chart 6. CFOs' anticipated growth in revenues and earnings

Twelve month historic trend in average growth rates in percentages (public firms only)



What is your current debt-to-assets ratio, and what is your long-term borrowing interest rate?

Averages from respondents from major economic regions

United States

30.5% Debt-to-assets ratio
5.19% Long-term borrowing rate

Europe

32.4% Debt-to-assets ratio
2.95% Long-term borrowing rate

Asia

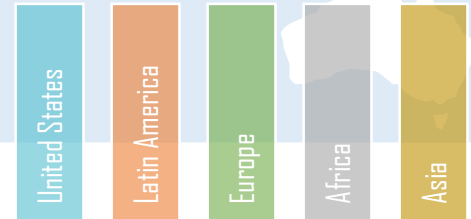
27.4% Debt-to-assets ratio
6.71% Long-term borrowing rate

Latin America

23.9% Debt-to-assets ratio
8.56% Long-term borrowing rate

Africa

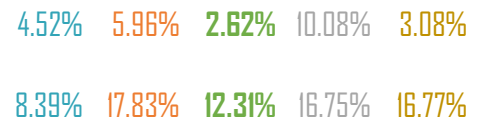
23.7% Debt-to-assets ratio
13.17% Long-term borrowing rate



Low interest rate environment

CFOs believe there is a 1-in-10 chance that the long-term borrowing rate will be (on average)

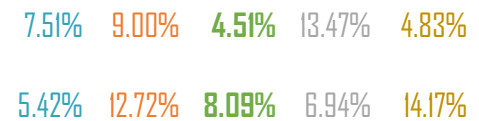
In such low interest rate environment, CFOs expect the planned growth in capital spending for June 2019 to June 2020 will be (on average)



High interest rate environment

CFOs believe there is a 1-in-10 chance that the long-term borrowing rate will be (on average)

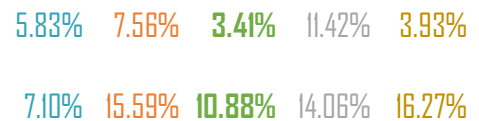
In such high interest rate environment, CFOs expect the planned growth in capital spending for June 2019 to June 2020 will be (on average)



CFOs' best guess

CFOs expect that in one year the long-term borrowing interest rate will be (on average):

At such rate, CFOs expect the planned growth in capital spending for June 2019 to June 2020 will be (on average)



Employment & organization

60%

Domestic full time hiring

Almost two thirds of European companies plans to boost full time hiring during the next twelve months.

24%

Employee morale

Roughly a quarter of European CFOs is concerned about employee morale at their company.

36%

Retaining qualified workforce

Roughly 4 out of 10 CFOs are concerned about attracting and retaining competent personnel over the next year.

91%

Wages & salaries

During 2018, 9 out of 10 companies are expected to increase wage and salary levels.

Chart 7. Expected growth in full-time employment

Quarterly expected growth for next twelve months (2010 – to date)

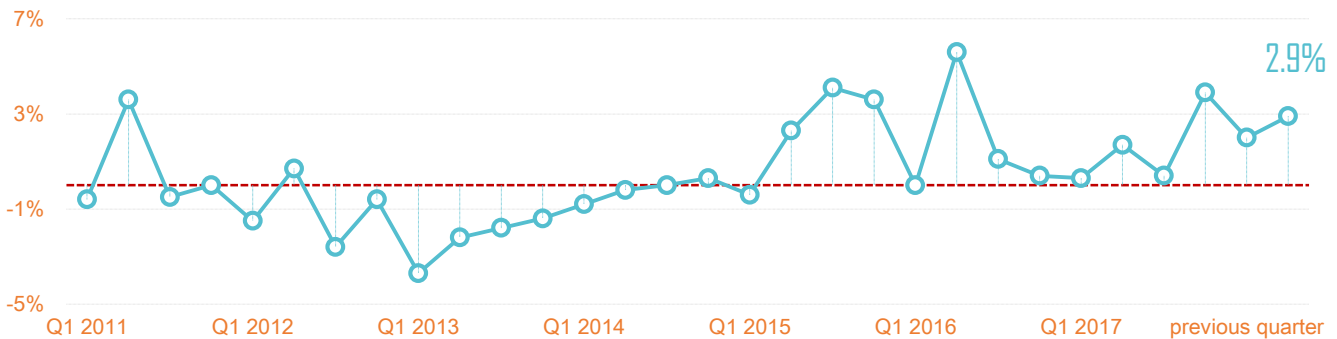
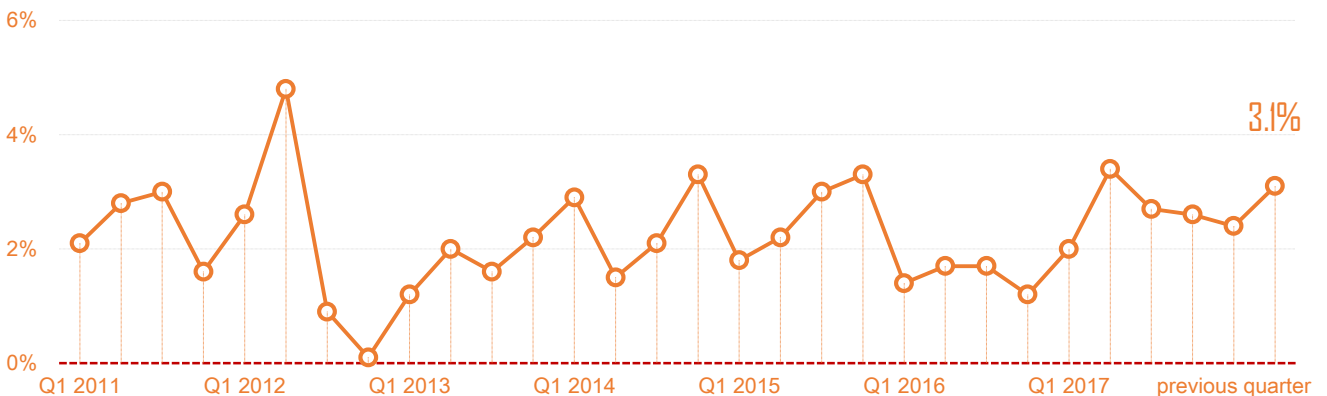


Chart 8. Expected growth in wages and salaries

Quarterly expected growth for next twelve months (2010 – to date)



Finance function over next 5 years

Calling for more tech-savvy professionals?

Over the next 5 years, which issues will have the most impact on the role played by the Finance Function in your company, as well as on the role of the CFO?

% of CFOs

Issues traditionally impacting the finance function

35%

expect changes in corporate governance will have the most impact on the finance function and role of CFO.

34%

of CFOs in Europe believe that both regulatory changes and M&A activity will have the most impact on the role of the CFO and the finance function within their company,

29%

of respondents feel that both the risk management mandate as well as changes in the tax, legal and political context will significantly impact the finance function.

26%

of the CFOs consider the cost-control mandate as a significant impact factor to the finance function and CFO's role.

22%

of European CFOs expect that changes in capital structure and accounting standards will likely have the most impact on the CFO's role.

Technology-driven issues increasingly impacting the finance function

30%

expect that the analytics (as business support function) mandate will have a significant impact on the finance function and role of CFO.

29%

of European CFOs anticipate that data security threats one of the most significant factors impacting the finance function and role of the CFO.

20%

of the CFOs consider the evolution in Fintech (and management of Fintech) as a key issue that will have one of the most substantial impacts on the finance function.

17%

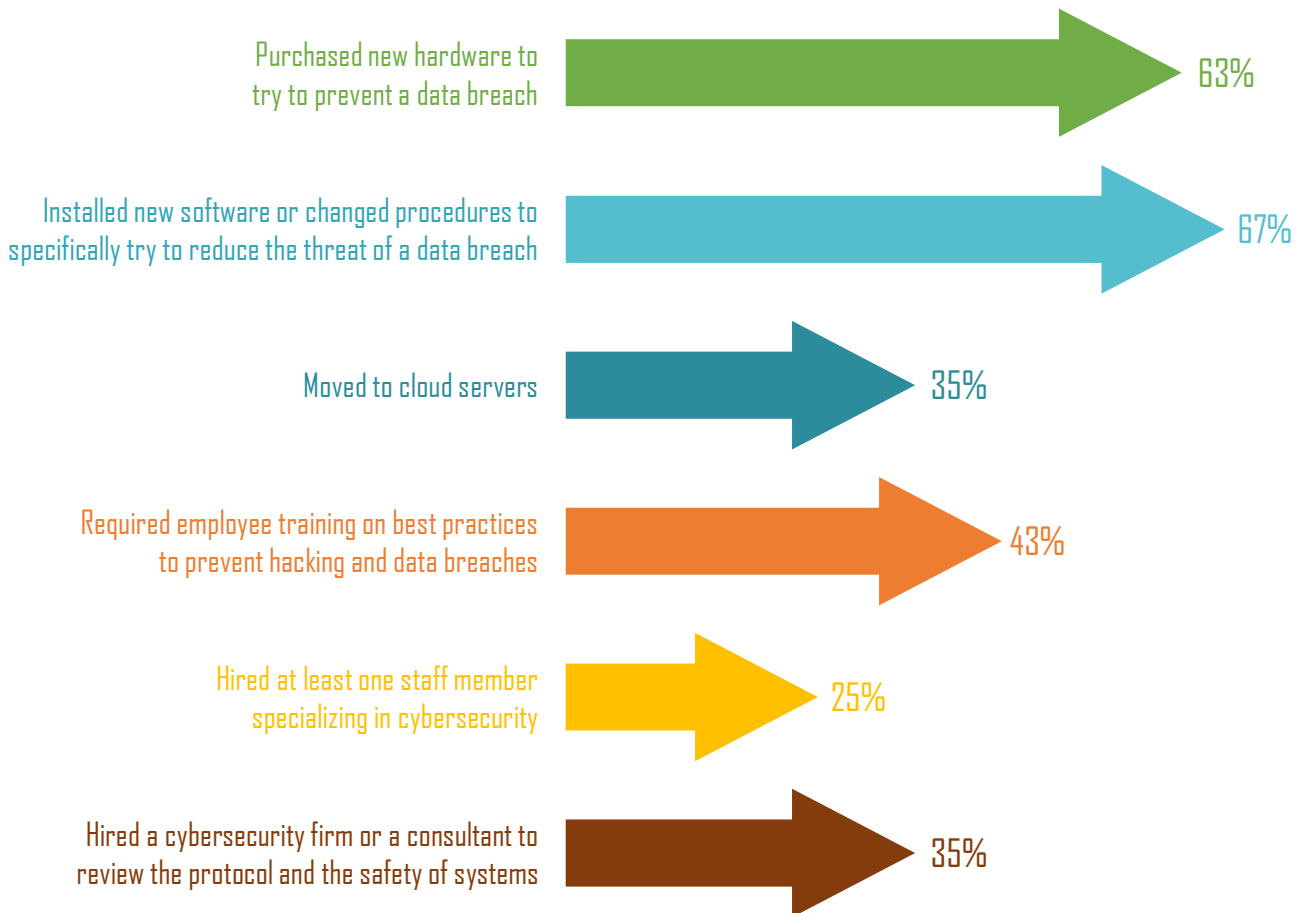
of European CFOs indicate that **hackers have been successful in penetrating their company's systems** in an attempt to steal, change or make public important data. **11% of the CFO's does not know** if hackers have ever been successful

7%

of European companies have **not taken any significant measures** to address information security or cybersecurity, of which **2% admits** that the company should have taken steps.

During the past year, indicate which of the following (if any) steps your firm has taken as a result of concerns about hacking and data security?

% of CFOs indicating to have taken specific measures



Key results CFO Survey

Europe, US, Latin America, Africa and Asia

Key Indicator	Europe	US	Latin America	Africa	Asia
ECONOMIC SENTIMENT					
CFOs More optimistic	38.4%	47.1%	35.3%	59.4%	36.5%
CFOs Less optimistic	22.2%	21.3%	24.0%	31.3%	36.6%
No change	39.4%	31.6%	40.7%	9.4%	26.9%
Own country optimism level	68.5	71.1	47.7	55.9	60.3
Employment – full-time	2.9%	4.5%	2.2%	6.3%	3.6%
Inflation (own-firm products)	1.1%	3.8%	4.1%	4.2%	4.3%
FINANCIAL OUTLOOK OWN COMPANY					
CFOs More optimistic	45.9%	54.0%	41.9%	59.4%	38.0%
CFOs Less optimistic	24.5%	17.3%	16.2%	18.8%	25.4%
No change	29.6%	28.8%	41.9%	21.9%	36.5%
Own company optimism level	69.1	71.1	56.5	66.0	64.8
Revenue growth	8.3%	6.9%	5.0%	6.6%	4.8%
Earnings growth	3.1%	9.5%	8.3%	7.1%	5.7%
BUSINESS SPENDING					
Capital spending	6.2%	8.3%	2.5%	-/-2.2%	7.0%
Technology spending	6.6%	7.2%	3.2%	1.9%	6.0%
R&D spending	1.4%	3.1%	2.1%	-/-2.0%	4.7%
Advertising and marketing spending	4.5%	1.9%	4.2%	9.5%	3.9%
Wages and Salaries	3.1%	4.1%	4.0%	5.9%	4.1%
Health Care Costs	2.1%	7.6%	4.3%	5.4%	2.0%

About the survey

About the survey

The CFO Survey Europe is conducted jointly by TIAS School for Business and Society (Tilburg, Netherlands), Duke University (Durham, North Carolina), and CFO Magazine. Previous editions of the CFO Survey Europe can be found at [FinanceLab](#) under the CFO Survey tab. For further information, please contact Mrs. Judith Slikker, TIAS School for Business and Society, tel.+31-(0)-134668622 or e-mail j.slikker@tias.edu



Netherlands-based TIAS School for Business and Society is the business school of Tilburg University and Eindhoven University of Technology. At TIAS we believe that business and society are interdependent and that today's insights are not tomorrow's solutions. Our mission is to have a positive and lasting impact on organizations, business and society by developing critical and inquisitive managers who are able to demonstrate responsible leadership and exceptional decision-making abilities. For more information, visit www.tias.edu.



North Carolina, US-based Duke's Fuqua School of Business was founded in 1970. Fuqua's mission is to educate business leaders worldwide and to promote the advancement of business management through research. For more information, visit www.fuqua.duke.edu.



UK-based CFO Publishing LLC, a portfolio company of Seguin Partners, is a business-to-business media brand focused on the information needs of senior finance executives. The business consists of CFO magazine, CFO.com, CFO Research, and CFO Conferences. CFO has long-standing relationships with more than a half-million financial executives. For more information, visit www.cfo.com.

Methodology & CFO Survey Europe team

Note on methodology

The figures quoted in this report are taken from the Global CFO Survey for the second quarter of 2018. The survey concluded June 7, 2018. Every quarter, CFOs in Europe, the US, Latin America, Asia (and China), and Africa are polled about their economic expectations. Current quarterly records go back more than 20 years. The survey generated responses from nearly 600 CFOs, including 247 from North America, 62 from Asia, 100 from Europe, 150 from Latin America and 32 from Africa.

The CFO Global Business Outlook survey covers a wide range of companies (public and private, small and large, many industries, etc.). The responses are representative of the population of CFOs that are surveyed. Among the industries represented in the survey are retail/wholesale, mining/construction, manufacturing, transportation/energy, communications/media, technology, service/consulting and banking/finance/insurance.

The average growth rates reported are weighted by revenues or number of employees. For example, one \$5 billion company affects on average as much as 10 \$500-million firms would. Revenue-weighted mean growth rates are provided for earnings, revenues, capital spending, technology spending and prices of products. Employee-weighted mean growth rates are used for health care costs, productivity, number of employees and outsourced employment. The earnings, dividends, share repurchases and cash on balance sheet are for public companies only. Unless noted, all other numbers are for all companies, including private companies.

CFO Survey Europe team



Kees Koedijk

Dean & Director TIAS School for Business & Society
Professor Financial Management



Christian Staupe

Senior Advisor Strategy & Policy | Dean's Office
Coordinator CFO Survey Europe



Judith Slikker (contact person)

Brand Manager | Corporate Marketing & External Relations
j.slikker@tias.edu | +31-(0)-13 466 8622



WHAT IF BUSINESSES CAN PUT PASSION ON THE BALANCE SHEET?

Want to become a financial heavyweight?

Want to acquire the analytical tools and skills needed to make sound financial judgments?

Want to gain insight into valuation methods and techniques and enhance your ability to identify key value drivers?

Want to become strategically adept at plotting a sustainable path for a healthy and prosperous company future?

Check out our broad range of fulltime and part time Finance programs at www.tias.edu

TIAS

CFO
Survey
Europe
