

Media Release

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Business confidence is up but a gap is emerging between the 'Haves' and the 'Have nots'

New Chief Financial Officer (CFO) survey launched by Deloitte

16 November 2009 - A new quarterly survey of 75 ASX 300 CFOs by professional services firm Deloitte has reinforced the view that business confidence is growing with 88% of the CFOs agreeing that the worst of the credit crunch had passed. However, the findings point to a growing chasm between those companies who are ready and able to exploit the improving market and those who are not.

According to Keith Skinner, Deloitte chief operating officer, "Despite the vast majority (72%) of CFOs being more optimistic about their company's future than they were three months ago, their varying abilities to access credit is leaving a significant number on the sidelines as the economy picks up."

When asked about the availability of new credit the respondents were split. It was somewhat or very hard to get for nearly half (48%) of the CFOs interviewed, whereas a similar number (43%) had indicated that credit was somewhat available.

"Those companies unable to access funding on competitive terms will struggle to protect market share, leaving them vulnerable to stronger competitors."

"50% of the CFOs put growth at the top of their agenda, those best placed to deliver on this will be those that have cleaned up their balance sheets, have the confidence of lenders and are in a relatively stronger financial position than their competition," said Mr Skinner.

When asked about the economic recovery, 61% of CFOs cautiously predicted that it would be the latter half of 2010 before conditions improved.

Gearing and sources of capital

Market conditions continue to dictate the relative attractiveness of different sources of funding. Amongst the ASX 300 CFOs interviewed there was a diversity of views on the most attractive way to fund growth.

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The survey results indicated that although banks are now more willing to lend, they are charging more with 84% of CFOs of the opinion that new credit is currently somewhat or very costly. This has contributed to the fact that 60% of CFOs agree that equity was currently the most attractive source of funding for Australian companies.

Also commenting on the findings, Stephen Gustafson, Deloitte Audit & Assurance partner said: “The diversity of views on funding options reflect the varying financial position of the respondents and the resulting impact on the availability and pricing of credit. This is reinforced by the fact that 50% of CFOs confirmed they are likely to issue equity in the next 12 months.”

When looking at current levels, 76% of the CFOs believe gearing levels of corporate Australia are normal with only 14% stating that they were still too high. When asked about their own levels of gearing CFO responses again reflected the polarisation of opinion with 24% of CFOs aiming to reduce gearing levels and 34% stating that they are ready to increase gearing levels.

Opportunities for growth

The key growth opportunity for the remainder of the financial year according to two thirds (67%) of CFOs will be outmanoeuvring their competition to take advantage of improving market conditions. This focus on agility was closely followed by taking advantage of weaker competition to expand market share, which was identified by 66% of CFOs.

The third most popular opportunity for growth identified by 61% of CFOs was to acquire companies or their assets for a discount. In fact, merger and acquisition activity is predicted to soar with 94% of CFOs expecting an increase over the next 12 months.

Mr Gustafson said: “As a whole, Australia may emerge from the GFC quicker and less bruised than other developed economies but the outlook amongst ASX CFOs is cautious.”

“However, this does not mean that corporate Australia is not being aggressive when the opportunity presents itself. CFOs have their sights fully trained on weaker competitors who may find themselves acquisition targets for the best performing companies,” concluded Mr Gustafson.

About the Deloitte CFO Survey

This is the first quarterly Deloitte Survey of Chief Financial Officers of major Australian companies. The Deloitte CFO Survey surveys major corporate users of capital gauging attitudes to economic conditions, risk and financing. The 2009 third quarter survey took place between September and October with 75 CFOs from the ASX 300 participating in the research.

NB: See our media releases and research at www.deloitte.com.au



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