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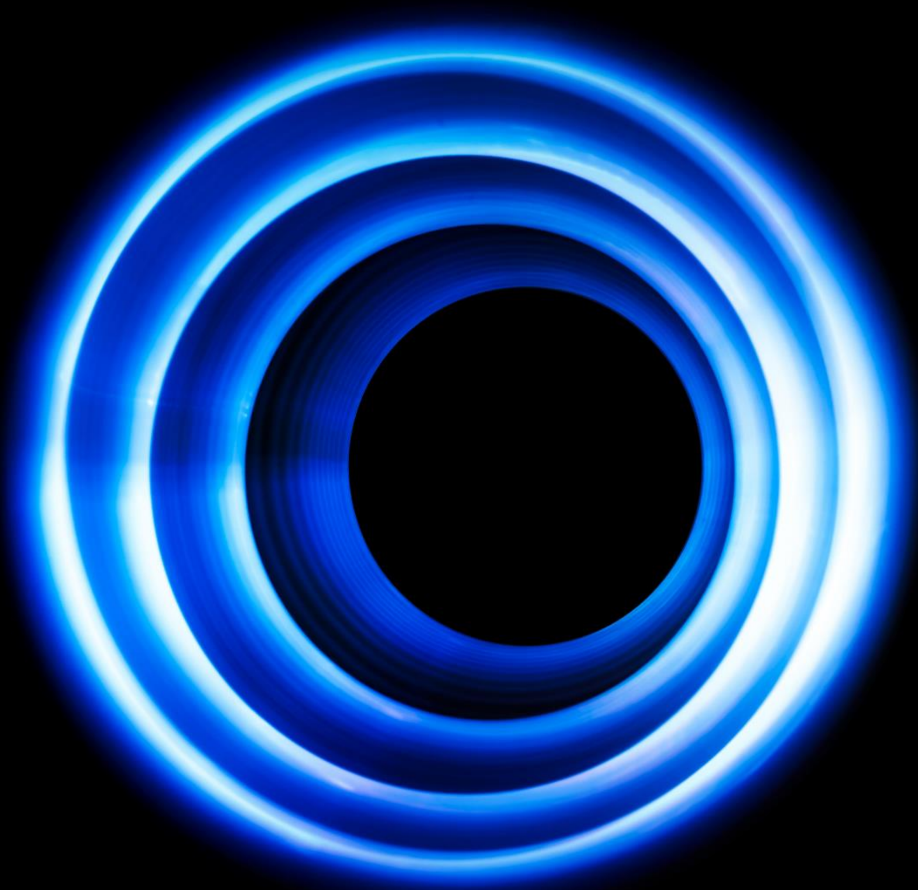


CFO Signals™

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

1st quarter 2019

High-level report

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

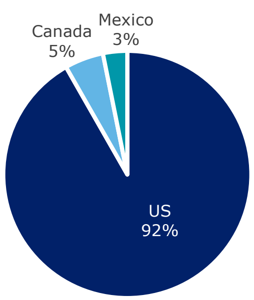
About the survey
Contents and background

About the CFO Signals survey

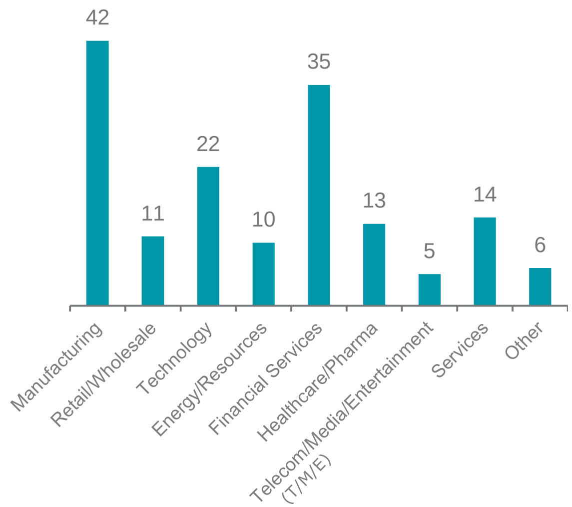
Each quarter (since 2Q10), *CFO Signals* has tracked the thinking and actions of CFOs representing many of North America's largest and most influential companies.

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

Participation by country*



Participation by industry*



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

Contents

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

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

Survey responses

Survey period: 2/11-2/22
Total responses: 158
- CFO proportion: 100%
- Revenue >$1B: 84%
- Public/private: 69%/31%

Survey leaders

Greg Dickinson
Managing Director, *CFO Signals*
Deloitte LLP

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Findings at a glance

Perceptions

How do you regard the status of the North American, European, and Chinese economies? Perceptions of North America declined, with 80% of CFOs rating current conditions as good (down from 88% last quarter), and 28% expecting better conditions in a year (even with last quarter). Perceptions of Europe declined to just 16% and 8%; China slid to 20% and 16%. **Page 6.**

What is your perception of the capital markets? Seventy percent of CFOs say debt financing is attractive (up from 62%). Equity financing attractiveness fell for both public (from 35% to 25%) and private (37% to 27%) company CFOs. Just 46% now say US equities are overvalued—a three-year low. **Page 7.**

Sentiment

Overall, what external/internal risks worry you the most? CFOs express even stronger concerns about trade policies/tariffs, economic risks/slowdowns, and US political turmoil. Talent is again the dominant internal concern. **Page 8.**

Compared to three months ago, how do you feel about the financial prospects for your company? The net optimism index rebounded from last quarter's dismal +3 to +16 this quarter—better, but still the third-lowest reading in three years. Thirty-two percent of CFOs express rising optimism (26% last quarter), and 16% express declining optimism (23% last quarter). **Page 9.**

Expectations

What is your company's business focus for the next year? CFOs indicate a bias toward revenue growth over cost reduction (51% vs. 25%); investing cash over returning it (46% vs. 19%); current offerings over new ones (40% vs. 36%); and current geographies over new ones (64% vs. 12%). **Page 10.**

How do you expect your key operating metrics to change over the next 12 months? YOY revenue growth expectations fell from 5.5% to 4.8%, earnings growth slid from 7.3% to 7.1%, capital spending rose from 5.0% to 5.9%, and hiring fell from 3.2% to 2.1% (all sit below their two-year averages). Dividend growth declined from 4.5% to 3.9%, the lowest level since 4Q17. **Page 11.**

Special topic: Downturn planning and Washington policy focus

Where does your company stand with respect to downturn planning? Nearly 85% of CFOs say they expect a US downturn by the end of 2020, and they overwhelmingly expect a slowdown rather than a recession. A minority say they have detailed defensive or opportunistic plans. **Pages 12-13.**

If you believe a downturn will occur, what is driving your belief? CFOs were most likely to cite US trade policy, business and credit cycles, and the impacts of slowing growth in China and Europe on the US economy. **Page 12.**

What defensive actions will your company take? The most common actions involve reducing spending and limiting or reducing headcount. **Page 14.**

In which policy areas would your company like to see Washington provide clarity/change first? CFOs overwhelmingly rate trade policy the most important policy area, with infrastructure investment a distant second. **Page 15.**

1Q19 Survey Highlights

- CFOs' assessments of the current North American, European, and Chinese economies declined.
- Own-company optimism rebounded but remains at the third-lowest level in the last three years.
- Expectations for revenue, earnings, hiring, and wages declined (only capex rose); all metrics sit below their two-year averages.
- CFOs overwhelmingly expect a US downturn by the end of 2020, with a slowdown seen as much more likely than a recession.
- A minority of CFOs say they have detailed plans for a downturn; expected actions focus on discretionary spending and headcount.
- CFOs rate trade policy the most important federal policy area, with infrastructure investment a distant second.
- Most CFOs cite a formal D&I strategy; roughly half say it is known throughout their company and embedded in their talent brand.
- Companies are using a variety of programs to promote D&I; flexible work arrangements are the most common.
- To promote equitable advancement, CFOs cite diverse candidate slates, merit-based decisions, and hiring diverse senior leaders.
- The average number of CFO direct reports is 7.60, with an average diversity of about 40% (women and/or minority)

Special topic: Diversity and Inclusion (D&I)

How would you characterize your company's approach to D&I? The vast majority of CFOs cite a formal D&I strategy, and roughly half say the strategy is known throughout their company and embedded in their talent brand. **Page 16.**

What actions is your company taking to promote D&I? Eight of the nine D&I tactics presented were selected by at least 40% of CFOs. Implementation of flexible work arrangements was the most-selected tactic. **Page 17.**

What has your company done to provide equitable opportunities for advancement? CFOs cite consideration of diverse slates of candidates, ensuring merit-based decisions, and hiring diverse leaders into senior roles. **Page 18.**

How many people report directly to you? The average number is 7.60, with an average diversity of about 40% (women and/or minority). **Page 19.**

What have you have done to promote D&I within finance? Tactics for inclusion of women focus largely on helping them advance in their careers; those for inclusion of minorities focus largely on bringing more into the company. **Page 20.**

Summary and context
Anticipating a slowdown (but not a recession)

Going into 2018, our 4Q17 survey showed that CFO sentiment was riding high, buoyed by strong economic performance and prospects for lower taxes, lower health care costs, and less regulation. Since then, taxes and regulations have been reduced, and the US has seen two years of strong economic growth, record-low unemployment, and strong stock markets (notwithstanding a tough December 2018).

But something changed starting in early 2018, and by our 4Q18 survey (following the US midterm elections), CFOs' sentiment and expectations were becoming less optimistic. Citing worries about geopolitics, US political turmoil, and trade policy, the proportion of CFOs expecting the North American economy to be better in a year fell to just 28%—half the level going into 2018.

This quarter's findings continue the downward trend. Assessments of the North American, European, and Chinese economies all declined. Own-company optimism rebounded from last quarter's very low reading, but still sits at its third-lowest level in three years. Expectations for revenue, earnings, domestic hiring, and wages declined (only capex rose), and all metrics sit below their two-year averages.

To get a better handle on CFOs' concerns, this quarter we asked about their expectations for a possible US downturn. Nearly three-fourths said they expect a deceleration of economic activity by the end of 2020, but only 15% expect an extended decline. Those expecting a downturn cited three main factors: US trade policy, the length of business and credit cycles, and slowing growth in China and Europe.

Although 15% of CFOs said they already see signs of a downturn in their company's operations, less than 40% said their company has a detailed defensive plan. The most common downturn responses focused on reducing discretionary spending and controlling headcount, but less than 30% say they have already started taking defensive steps.

Wrapping up our macroeconomic questioning, we asked CFOs about their policy priorities for Washington. Given that they have named trade policy their most worrisome external risk for several quarters, it was not a surprise that their top policy area for change and/or clarity was US-China trade. Infrastructure was a distant second, with immigration third.

Changing gears, Deloitte's CFO survey findings, onboarding labs, and forums have indicated that companies face substantial challenges around sourcing and retaining key talent. This quarter we asked about the role diversity and inclusion (D&I) plays in companies' talent strategies and practices, and CFOs' answers appear to indicate substantial efforts to use D&I to strengthen their talent base.

Two-thirds of CFOs said their company has a formal strategy for D&I, and just under half said their D&I practices are a substantial component of their company's overall talent brand/strategy. Just over half said the company's D&I strategy is known throughout their company.

At a tactical level, the most-cited action for fostering D&I was implementing flexible work arrangements. The next tier consisted of including diversity metrics in internal reporting, providing training around unconscious bias, and assigning D&I responsibility to a senior leader. To promote equitable advancement opportunities, CFOs cited diverse candidate slates, merit-based decisions, and hiring diverse leaders into senior roles.

Finally, we asked CFOs about the quantity and CFO-readiness of their direct reports, and also about their efforts to promote D&I within their teams. The average number of direct reports was 7.6, with an average "diversity" of about 40% (i.e., female, minority, or both). The average number of CFO-ready direct reports was about 1.5.

CFOs' D&I tactics varied considerably, but fell within four broad categories: leadership, programs, measurement, and education. Please see the full-detail report and appendix for specifics about efforts focused on both women and minorities.

Key developments since the 4Q18 survey

- The US endured a 35-day government shutdown.
- Having risen from early 2016 until early 2018, US exports appear to have stagnated since March 2018.
- The US job market continued to be historically tight.
- The US Fed decided to halt rate increases in light of lower inflation and signs of economic weakness.
- US Fed data showed banks have tightened lending standards and that credit demand has weakened.
- The IMF said trade wars and financial market volatility are slowing the global economy faster than expected.
- The S&P 500 rose 2% since last quarter's survey.
- The price of oil rebounded in early 2019.
- The eurozone economy continued to decelerate.
- Prime Minister May survived a no confidence vote; the UK economy slowed markedly in the fourth quarter.
- China's GDP grew at the slowest pace since 1990.
- Canada had moderate job growth and low unemployment.
- Mexico's new populist president (Andres Manuel Lopez Obrador, or AMLO) began making major changes.

Summary of CFO sentiment and expectations

	This quarter	Last quarter	2 yr. avg.
Economy optimism—North America (Index)	**25.9**	26.7	41.4
Economy optimism—Europe (Index)	**5.7**	4.8	16.9
Economy optimism—China (Index)	**7.7**	6.9	20.0
Own-company optimism (Net)	**+16.5**	+3.4	+33.7
Revenue growth (YOY)	**4.8%**	5.5%	5.6%
Earnings growth (YOY)	**7.1%**	7.3%	8.5%
Capital investment growth (YOY)	**5.9%**	5.0%	8.1%
Domestic personnel growth (YOY)	**2.1%**	3.2%	2.6%
Percent of CFOs saying US equity markets overvalued	**45.6%**	65.3%	70.7%

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

Well below last quarter — Well above last quarter

Topical findings

Perceptions
Assessments of regional economies

Despite strong assessments of the current North American economy, CFOs' expectations for the North American, European, and Chinese economies remain among their lowest levels in the last two years.

CFOs' assessments of North America peaked in 2Q18 with 94% of CFOs rating the economy as good. Despite three straight quarterly declines, this quarter's assessment remains relatively strong at 80%. Meanwhile, since early 2018, perceptions of the economy's trajectory have declined substantially. Just 28% of CFOs (same as last quarter) now expect better conditions in a year—well off the 59% from 1Q18. The region's optimism index[1] declined slightly to +26, the lowest level since 1Q16.

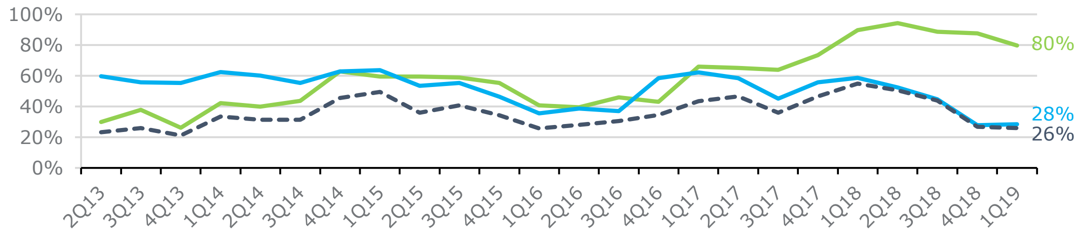
Perceptions of Europe's economy have receded over the last four quarters after peaking in 1Q18. Only 16% of CFOs say current conditions are good (23% last quarter), and only 8% expect better conditions in a year (up from last quarter's survey low of 7%). The optimism index[1] increased slightly to +6 from last quarter's +5.

Perceptions of China's economy fell for the third straight quarter, well down from recent survey highs. Only 20% of CFOs say current conditions are good (down from 24%), and 16% expect better conditions in a year (up from 12%). The optimism index[1] increased slightly from last quarter's +7 to +8.

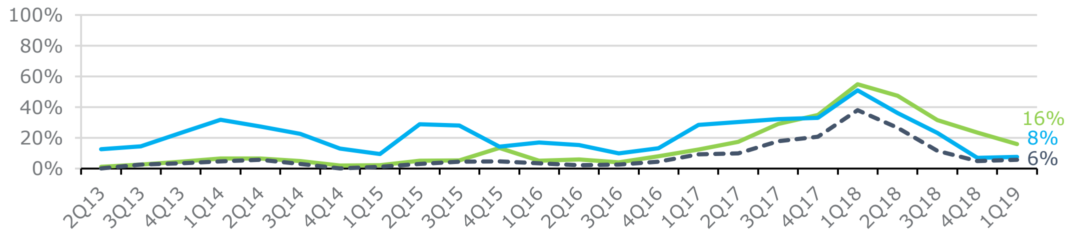
Economic optimism

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

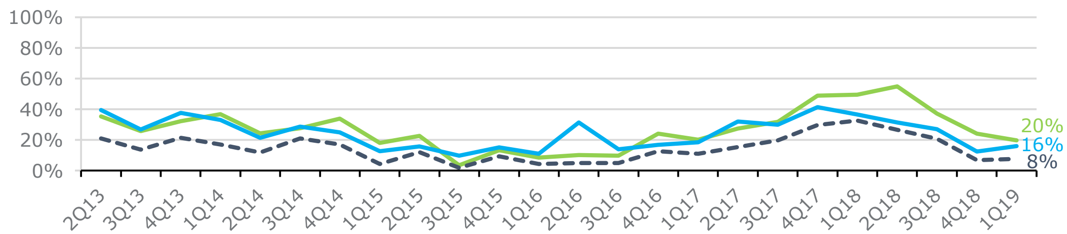
North America



Europe



China



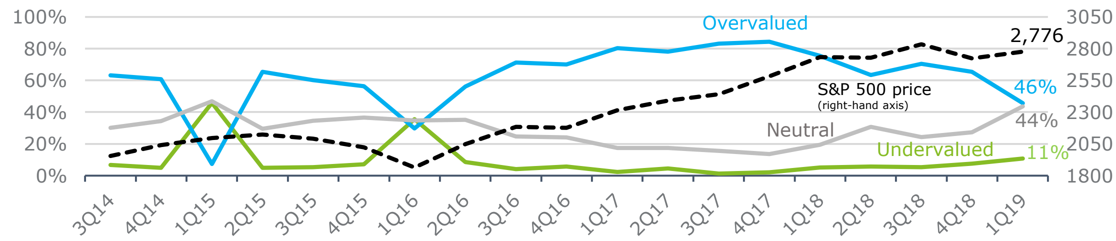
Good now — Better in a year — Economic optimism index[1]

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

Perceptions
Assessments of markets and risk

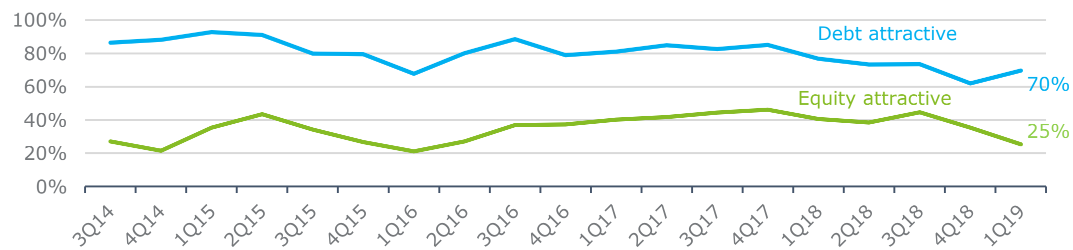
Equities still considered overvalued, but less so
Equity market volatility rose and the S&P 500 index experienced a 2% increase between surveys. Forty-six percent of CFOs now say US equity markets are overvalued—the lowest level since 1Q16. Meanwhile, the proportion saying equities are undervalued rose to 11%—the highest level since 1Q16.

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



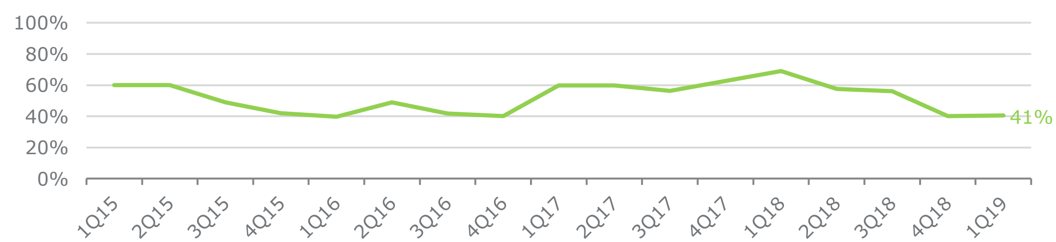
Debt attractiveness rebounded from a survey low; equity attractiveness continued its rapid decline
Debt attractiveness increased to 70%, but still sits at its second lowest level since 1Q16. The attractiveness of equity financing fell to its lowest level since 1Q16, falling for both public company CFOs (from 35% to 25%) and for private company CFOs (from 37% to 27%).

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



Low appetite for risk-taking
This quarter's findings show stabilization of risk appetite after three consecutive quarters of declines. Consistent with last quarter, just 41% of CFOs say this is a good time to be taking greater risk (matching the lowest levels from the past four years).

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



Sentiment
Most worrisome risks

Underlying with their widespread expectations of a slowdown and/or recession (see page 12), CFOs express strong concerns about trade policy, global economic growth, and US politics.

Prior to 2017, CFOs' top external risks focused heavily on slow economic growth. As global economic performance improved, CFOs' top worries shifted toward threats to continued growth—especially trade policy/tariffs and political turmoil.

This quarter, CFOs voiced even stronger concerns about trade policy (especially US-China policy) and continuing concerns about gridlock and regulation. Rising sharply this quarter were concerns about slowing economic growth in the US, China, and Europe, with rapidly rising concerns about the impact of Brexit.

When it comes to internal risks, CFOs again expressed strong concerns related to talent and strategy execution. Concerns about achieving growth and managing costs continued to increase, as did worries related to adaptation, change, prioritization, and overload.

Last quarter's findings indicated a shift back toward external factors being the dominant constraint on companies' performance. The trend continues this quarter.

Please see the full report for industry-specific charts. *Note that industry sample sizes vary markedly and that the means are most volatile for the least-represented. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.*

Most worrisome risks

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

External risks (N=151)

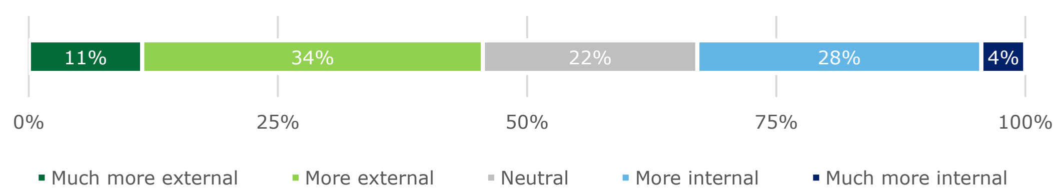
- Trade policy/tariffs (58)
- Economic risk/slowdown (31)
- US political turmoil (24)
- Detrimental policy/regulation (16)
- Geopolitical risks (16)
- Brexit (11)
- Equity markets (8)
- Consumer demand/behavior/sentiment (8)
- Interest rates (7)
- China economy (6)
- Input/commodity prices (6)
- US budget/deficit (5)
- Competition/disruption (4)
- Pricing (4)
- Wages (4)
- Debt markets (3)
- Nationalism (2)
- Inflation (2)
- Socialist Democrats (2)

Internal risks (N=147)

- Talent levels/quality (50)
- Achieving growth/sales (20)
- Strategic/execution risk (18)
- Cost control/efficiency (14)
- Speed/adaptation/innovation (11)
- Driving change/initiatives (8)
- Prioritization/focus/overload (8)
- IT/technical change (7)
- Maintaining data security (5)
- Complacency (4)
- Organization culture/alignment (3)
- Bandwidth/capacity (2)
- Supply chain issues (2)

Growth constraints

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



Sentiment
Optimism regarding own-company prospects

Own-company optimism rebounded from last quarter's 10-quarter low, but it remains at one of its lowest levels in three years. The proportion citing "no change" reached a new survey high—likely a negative sign given last quarter's strong pessimism.

Last quarter's net optimism declined sharply to just +3—the lowest reading since 1Q16. This quarter it rose to +16, but it still represents the third-lowest reading in three years. Thirty-two percent of CFOs expressed rising optimism (up from 26%), and 16% cited declining optimism (down from 23%).

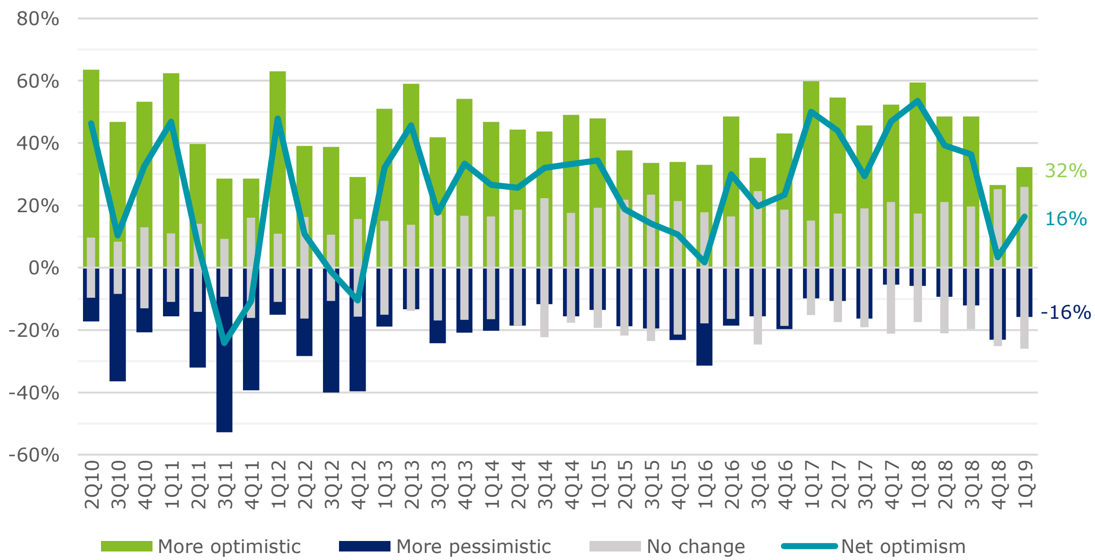
Net optimism for the US improved from last quarter's +9 to +19—still its second-lowest level in more than two years. Canada rebounded from last quarter's dismal -36 to +25. Mexico fell again and is at its lowest point since 1Q17 at -60.

Manufacturing, Retail/Wholesale, and Healthcare/Pharma were comparatively pessimistic (all at zero). Financial Services and Services were much stronger, with both above +30.

Please see the full report for industry-specific charts. *Note that industry sample sizes vary markedly and that the means are most volatile for the least-represented. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.*

Own-company optimism

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



Net optimism by country and industry (1Q19)

Total	US	Mexico	Canada	Manufacturing	Retail/ Wholesale	Technology	Energy/ Resources	Financial Services	Healthcare/ Pharma	T/M/E	Services
+16	+19	-60	+25	0	0	+23	+10	+34	0	+20	+36

Red = relative lows
Green = relative highs

Expectations
Business focus for next year

CFOs indicate a growing focus on reducing costs, returning cash, current geographies, and organic growth.

Just over half (51%) of CFOs say they are biased toward revenue growth, and 25% claim a bias toward cost reduction for a net value of +26% (the highest cost reduction focus in two years). The bias toward investing cash over returning it to shareholders (46% versus 19%) declined to +27%, its lowest level in nearly three years. Technology is highest for growing revenue; Energy/Resources is lowest.

CFOs' bias toward new versus current product/service offerings shifted back toward current offerings this quarter (36% versus 40%, for a net of -4%). The bias toward current geographies over new ones increased slightly (64% versus 12%, for a net of -52%). Energy/Resources is highest for current offerings and current geographies.

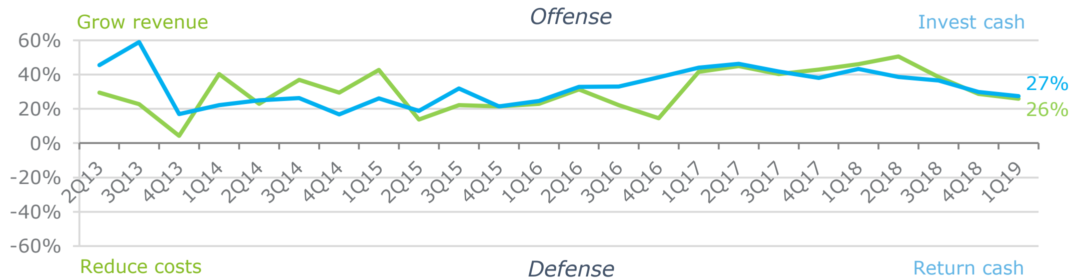
The strong bias toward organic growth over inorganic growth increased slightly this quarter (68% versus 11%, for a net of -57%), reaching a new survey high. Energy/Resources is highest for organic growth.

Please see the full report for industry-specific charts. *Note that industry sample sizes vary markedly and that the means are most volatile for the least-represented. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.*

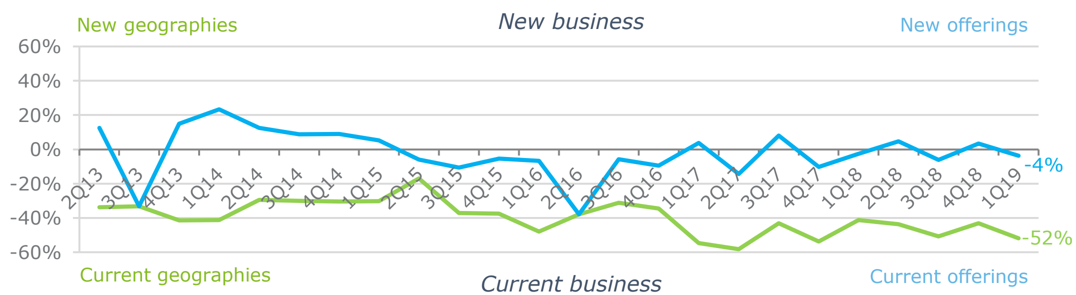
Business focus

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

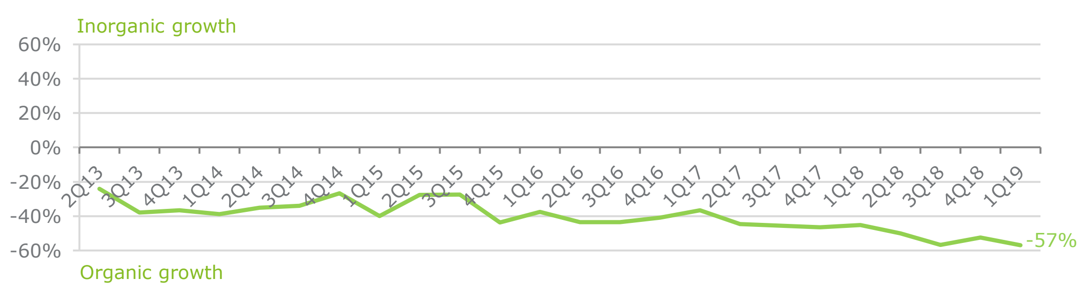
Offense vs. defense



New business vs. current business



Inorganic growth vs. organic growth



Expectations
Growth in key metrics, year-over-year

Expectations for revenue, earnings, dividends, hiring, and wages all declined (only capital spending rose), and all metrics sit below their two-year averages.

Revenue growth declined from 5.5% to 4.8%, one of its lowest levels in two years. The US fell to a two-year low. Canada rose, but is below its two-year average. Mexico declined and is below its two-year average. Technology and Energy/Resources lead; Manufacturing and Retail/Wholesale trail.

Earnings growth declined from 7.3% to 7.1%, a two-year low. The US fell to a two-year low. Canada improved, but sits at its second-lowest level in three years. Mexico remained near its two-year average. Retail/Wholesale and Healthcare/Pharma are highest; Manufacturing is lowest.

Capital spending growth rose from 5.0% to 5.9%, but is still the second lowest level in two years. The US rose, but sits at its second-lowest level in two years. Mexico rose sharply but remains below its two-year average. Canada rose above its two-year average. Healthcare/Pharma and Retail/Wholesale are highest; Manufacturing is lowest.

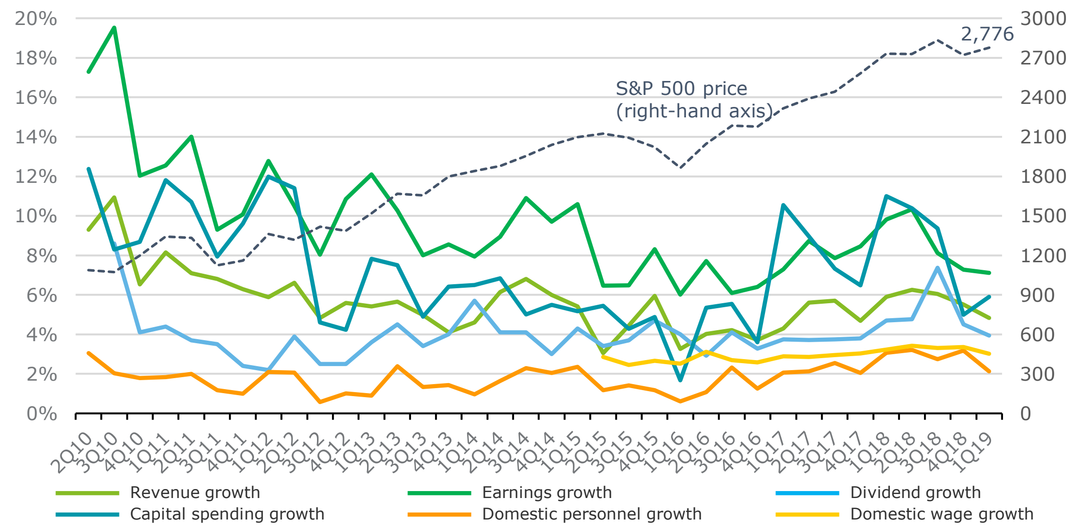
Domestic personnel growth fell from 3.2% to 2.1%, the second-lowest level in two years. The US fell to its lowest level in more than a year. Canada declined to near its two-year average; Mexico fell to a five-year low. Services and Technology lead; Energy/Resources trails.

Dividend growth declined from 4.5% to 3.9%, the lowest level since 4Q17.

Please see the full report for industry-specific charts. *Note that industry sample sizes vary markedly and that the means are most volatile for the least-represented. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.*

Growth expectations

Compared to the past 12 months, how do you expect the following metrics to change over the next 12 months? CFOs' expected year-over-year company growth in key metrics (compared to the value of the S&P 500 index at the survey midpoint)



YOY growth expectations by country and industry (4Q18)

	Total	US	Mexico	Canada	Manufacturing	Retail/ Wholesale	Technology	Energy/ Resources	Financial Services	Healthcare/ Pharma	T/M/E	Services
Revenue	**4.8%**	4.7%	7.4%	5.4%	4.1%	3.9%	5.8%	6.2%	4.9%	5.2%	0.2%	5.2%
Earnings	**7.1%**	7.2%	8.2%	3.6%	5.3%	9.4%	6.2%	7.9%	8.1%	9.7%	3.6%	7.1%
Capital spending	**5.9%**	5.5%	11.8%	10.7%	5.3%	9.0%	6.6%	6.0%	6.3%	7.5%	0.4%	5.7%
Domestic personnel	**2.1%**	2.2%	-0.1%	3.0%	1.6%	2.1%	4.1%	0.9%	1.6%	2.2%	-2.8%	3.6%
Dividends	**3.9%**	3.7%	8.1%	5.7%	4.9%	3.8%	0.8%	6.7%	4.5%	2.2%	1.0%	3.8%
Domestic wages	**3.0%**	3.0%	2.6%	2.9%	2.9%	3.3%	3.5%	2.9%	3.1%	2.8%	1.8%	2.8%

Red = relative lows
Green = relative highs

Special topic: Downturn planning
Perceptions and expectations

Eighty-four percent of CFOs say they expect some form of US downturn by the end of 2020, with drastically higher expectations of a slowdown than of an actual recession.

Nearly three-fourths of CFOs say they expect a US slowdown by the end of 2020, and 15% expect an outright recession (with 84% expecting either or both). Retail/Wholesale CFOs were the most likely to expect a slowdown at 91%, and Technology CFOs were highest for a recession at 36%.

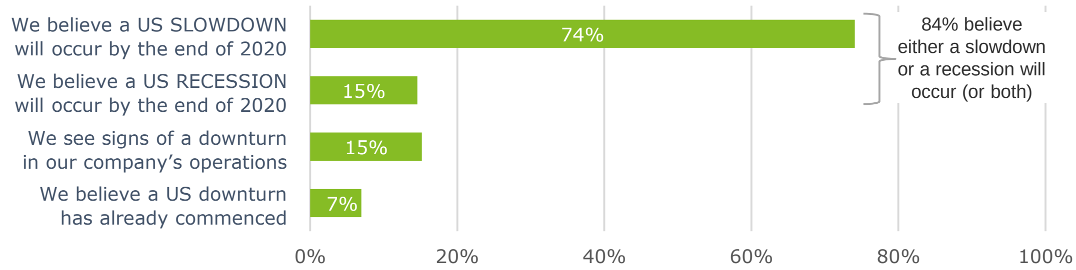
Those CFOs expecting a downturn were most likely to cite factors in three broad areas: the effects of US trade policy and tariffs, the nature and length of current business and credit cycles, and the impacts of slowing growth in China and Europe on the US economy. Rising interest rates, declining consumer confidence, and political concerns were also among the factors most frequently mentioned.

Fifteen percent of CFOs say they already see signs of a downturn in their company's operations—led by Technology and Services, both at about 30%.

Please see the full report for industry-specific charts.
Note that industry sample sizes vary markedly and that the means are most volatile for the least-represented. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.

Downturn perceptions

Where does your company stand with respect to downturn planning? Percent of CFOs selecting each belief about the US economy



Note: "Slowdown" refers to a period where economic activity decelerates, but does not decline; "recession" refers to a period where there is a sustained decline in economic activity.

Rationale for downturn expectations

If you believe a slowdown or recession will occur by the end of 2020, what are the top factors driving your belief? Paraphrasing and normalization of CFOs' most common free-form comments (numbers in parentheses indicate counts of CFOs who mentioned each factor)

Politics/Washington (N=52)
Trade policy/tariffs (30)
Political issues/gridlock (13)
Risk of higher business regulation (4)
Geopolitical events (3)
Deficits (2)

Economies (N=80)
Business/credit cycle (23)
Slower growth in China (15)
Slowing US growth (14)
Slower growth in Europe (11)
Signs of slowing growth in sectors (7)
Brexit (6)
Weaker earnings (4)

Capital markets (N=38)
Rising rates / central bank tightening (14)
Rising credit/lending risk (8)
Equity market trends (8)
Spreads in yields / yield curve inversions (4)
Declining capital markets activity (3)

Demand (N=35)
Declining consumer confidence/spending (13)
Decline of tax cut benefits (8)
Lower corporate capital investment (6)
Government spending (4)
Housing market/construction (4)

Inputs / labor markets (N=14)
Tight labor markets (11)
Rising input costs (3)

Special topic: Downturn planning
Plans and execution

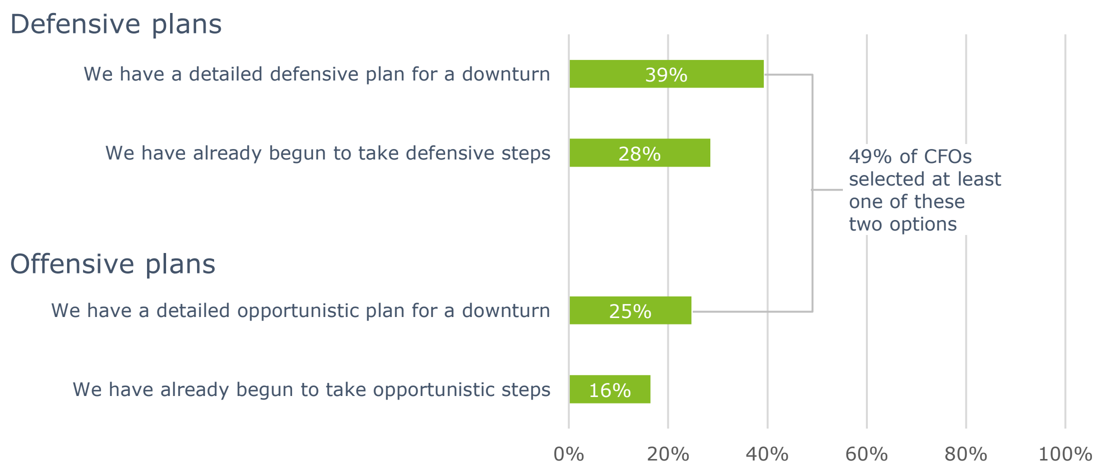
Just under half of CFOs say they have defensive and/or opportunistic plans for a downturn, and just under 40% say they have already taken action.

Thirty-nine percent of CFOs say their company has a detailed defensive plan for a downturn, and 28% say they have already begun to take defensive steps. Industry differences were substantial, with Services highest for having a defensive plan at 79% (but lowest for having already taken steps at just 14%), and Healthcare/Pharma relatively low for having a plan at just 15% (but relatively high for taking steps at 31%).

As for offensive/opportunistic planning, just one-quarter of CFOs cite a detailed plan, and just 16% say they have already taken opportunistic steps. Services is again highest for having a plan (at 36%) and Healthcare/ Pharma is again lowest (at 15%). Healthcare/ Pharma is highest for already taking action, with 31% citing opportunistic steps.

Please see the full report for industry-specific charts.
Note that industry sample sizes vary markedly and that the means are most volatile for the least-represented. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.

Downturn plans and execution
Where does your company stand with respect to downturn planning?
Percent of CFOs agreeing with each statement about their downturn planning



Special topic: Downturn planning
Defensive actions

The most common defensive actions cited by CFOs revolve around reducing discretionary spending and limiting or reducing headcount.

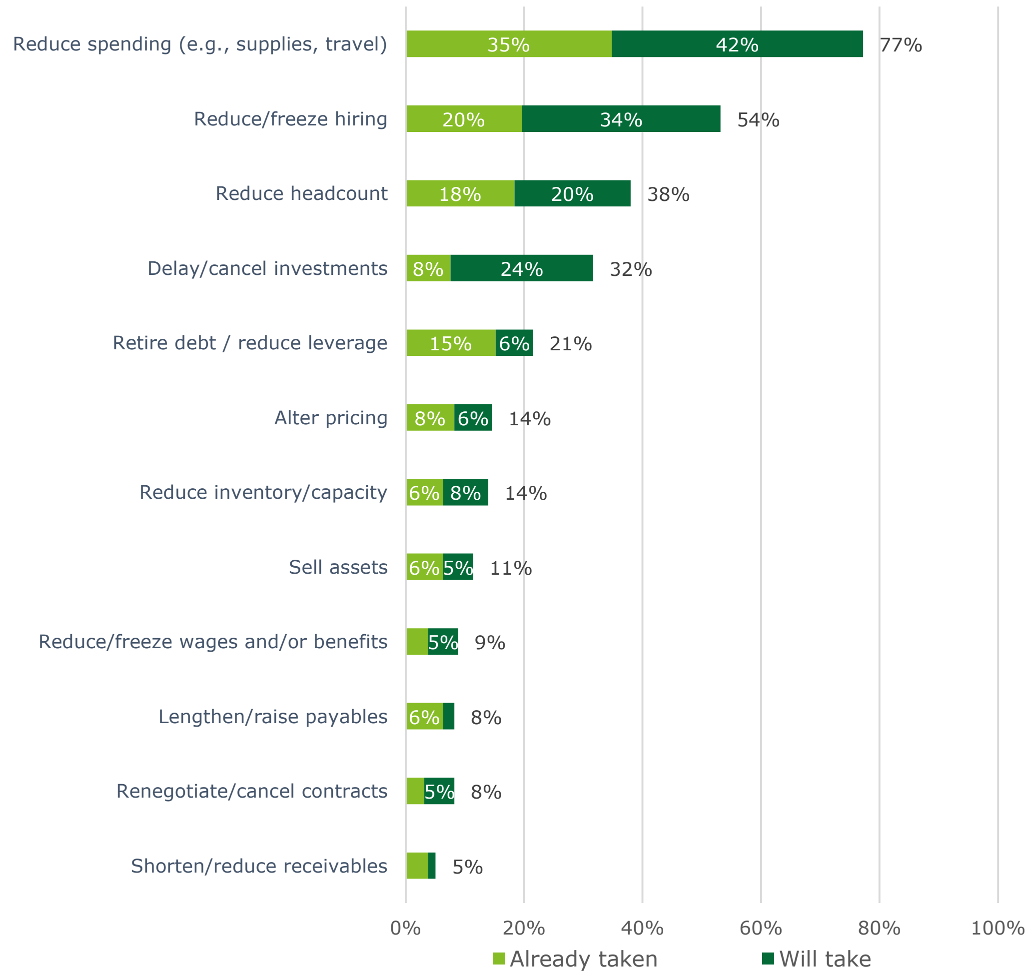
More than three-fourths of CFOs say reducing discretionary spending (for supplies, travel, meetings, etc.) is one of their top responses to a downturn. More than one-third say they have already begun to take this action. Retail/ Wholesale and Healthcare/Pharma are particularly high for this tactic, and Financial Services is relatively low.

The next most common defensive actions involve limiting or reducing headcount, with 54% citing hiring freezes/reductions and 38% claiming headcount reductions. Twenty percent and 18% of CFOs say they have already begun to take these actions, respectively. Energy/Resources is comparatively high for both; Financial Services is relatively low.

Rounding out the top tier are delaying or canceling investments and retiring debt (or reducing leverage). Nearly one-third say altering their investments is a top tactic, but only 8% say that have already taken this step (Retail/Wholesale and Energy/Resources are highest). By contrast, 21% say debt changes are a top tactic, and 15% say they have already taken this step (Retail/Wholesale is highest, and Healthcare/Pharma is lowest).

Please see the full report for industry-specific charts.
Note that industry sample sizes vary markedly and that the means are most volatile for the least-represented. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.

Defensive actions planned or taken for downturn
What are the first defensive actions your company will take (or has already taken)?
Percent of CFOs selecting each action in their top three



Special topic: Washington policy focus
Priorities for policy clarity and/or change

Consistent with their most worrisome external risks from earlier in this report, CFOs overwhelmingly rate trade policy the most important area for clarity and/or change from Washington.

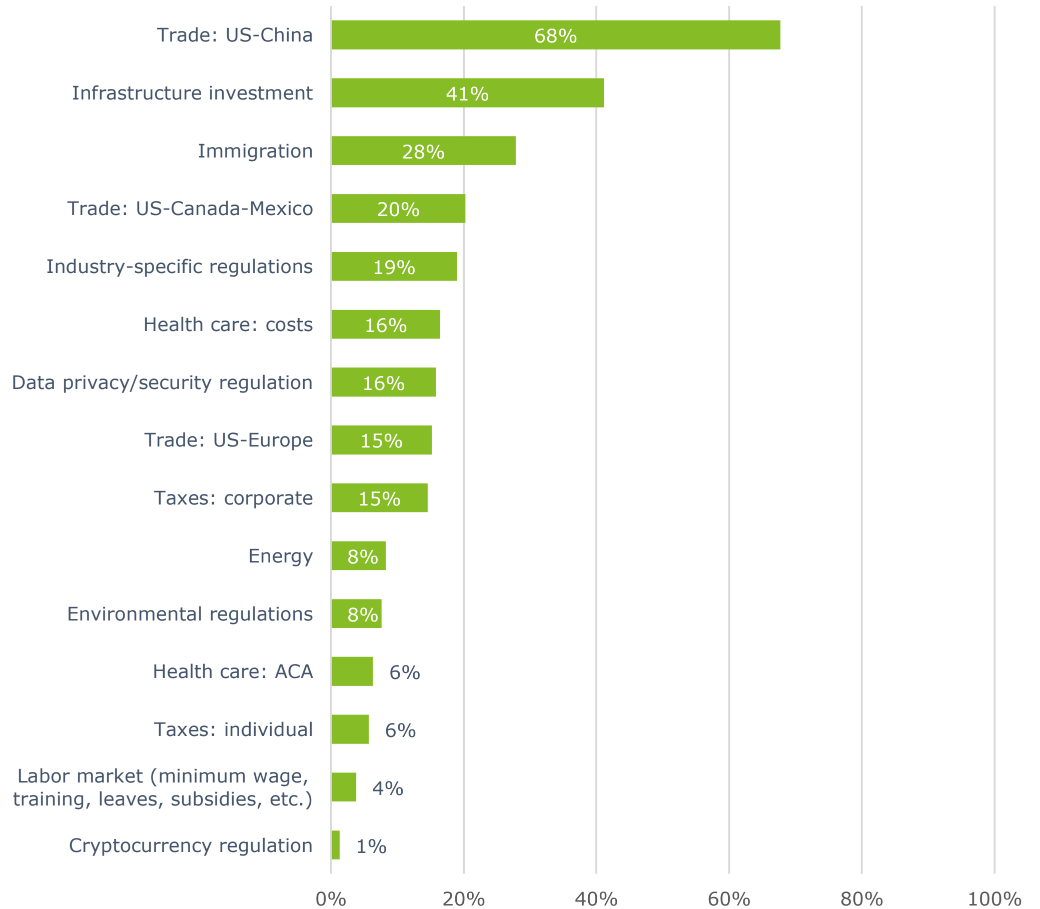
Three-fourths of CFOs say trade policy is the area where they would like to see Washington provide clarity and/or change first, with 68% specifically selecting US-China trade (only Energy/Resources and Healthcare/Pharma were below 60%). Twenty percent selected US-Canada-Mexico trade, and 15% selected US-Europe trade.

Infrastructure investment came in second at 41%, with Retail/Wholesale and Services highest at roughly 55%. Immigration rounded out the top tier at 28%.

Please see the full report for industry-specific charts.
Note that industry sample sizes vary markedly and that the means are most volatile for the least-represented. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.

Priorities for policy clarity and/or change

In which policy areas would your company like to see Washington provide clarity/change first? Percent of CFOs selecting each policy area in their top three



Special topic: Diversity and inclusion (D&I)
Organizations’ approaches to D&I

Most CFOs say their company has a formal D&I strategy; roughly half say that the strategy is known throughout their company and that their D&I practices are embedded in their talent brand.

Two-thirds of CFOs say their company has a formal strategy for D&I, and just over half say the company’s vision/strategy is known throughout their company.

While almost half of CFOs indicate that their D&I practices significantly affect their talent brand/strategy, only 31% say that their practices affect their customer brand.

Industry differences are significant, with some sectors well above and below the averages. Services and Financial Services firms lie near the top for having a formal D&I strategy and for communicating it broadly within the organization. They are also high for embedding D&I practices in their talent and customer brands.

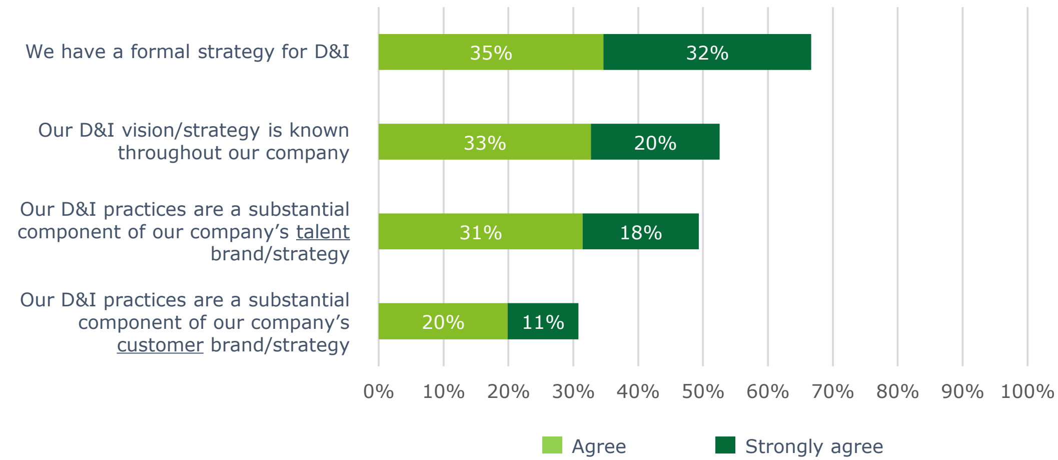
On the other hand, Energy/Resources and Retail/Wholesale firms were considerably lower for all of these dimensions (the exception is that Retail/Wholesale is high for making D&I a substantial part of their customer brand/strategy).

Please see the full report for industry-specific charts. *Note that industry sample sizes vary markedly and that the means are most volatile for the least-represented. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.*

Organizations’ approaches to D&I

How would you characterize your company’s approach to diversity and inclusion (D&I)?

Percent of CFOs selecting each level of agreement for each statement



Special topic: Diversity and inclusion (D&I)
Actions taken to promote D&I

Eight of the nine D&I actions presented are reported as taken by at least 40% of CFOs; implementation of flexible work arrangements is the most common.

The most-cited action for promoting D&I is implementing flexible work arrangements, with 60% of CFOs reporting this tactic.

The next tier consists of including diversity metrics in internal reporting, providing training around unconscious bias, assigning D&I responsibility to a senior leader, and issuing company-wide principles for D&I—with half or more of CFOs citing these tactics. Roughly 45% of CFOs report sponsorship/mentorship programs and paid family leave.

The lowest two tactics are developing specific aspirational goals for diversity/representation (42%) and including diversity metrics in external reporting (20%).

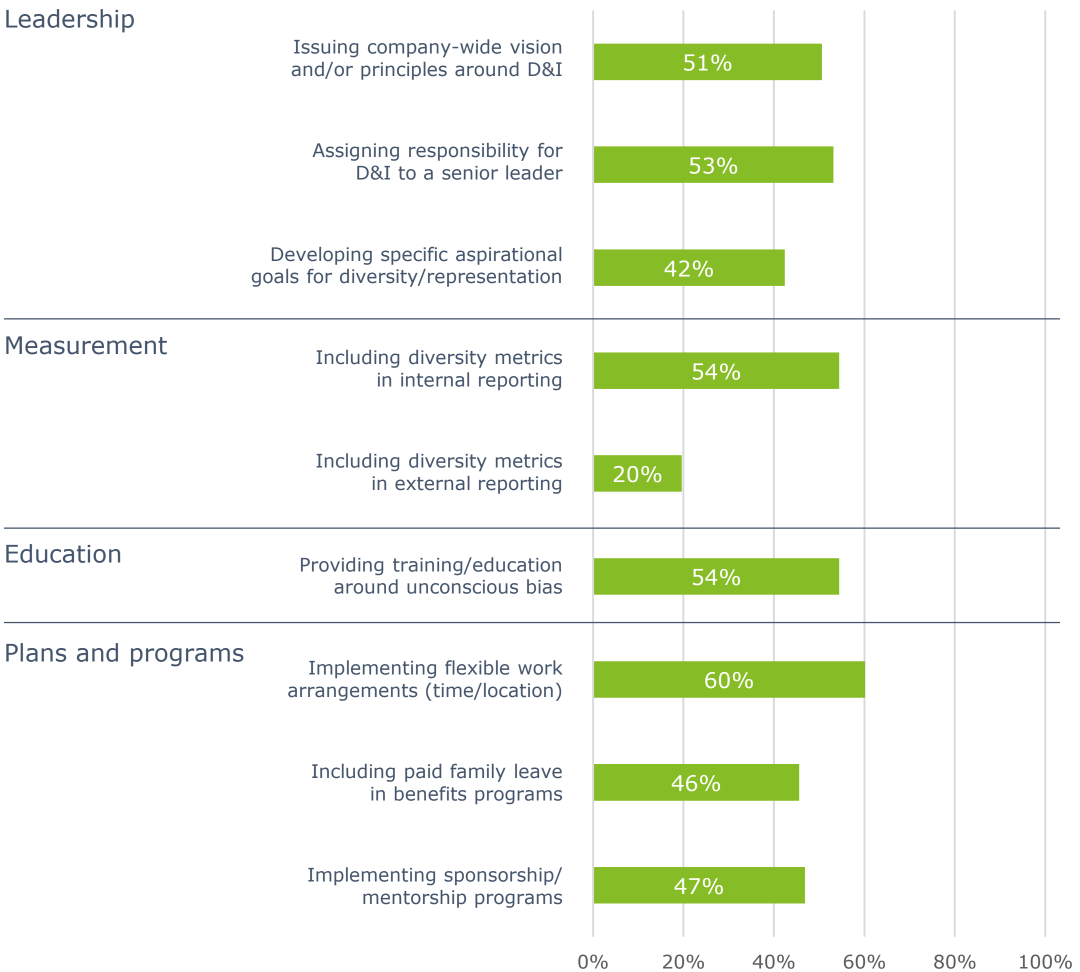
Similar to the findings about companies' broader approaches to D&I, there are significant industry differences. Financial Services is again comparatively high for all tactics, while Retail/Wholesale and Energy/Resources are again relatively low.

Please see the full report for industry-specific charts. *Note that industry sample sizes vary markedly and that the means are most volatile for the least-represented. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.*

Actions taken to promote diversity and inclusion (D&I)

What actions is your company taking to promote diversity and inclusion?

Percent of CFOs selecting each action



Special topic: Diversity and inclusion (D&I)

Actions to promote equitable advancement opportunity

CFOs' say some of their best actions for ensuring equitable advancement opportunities involve considering diverse slates of candidates, ensuring merit-based decisions, and hiring diverse leaders into senior roles.

When asked about the most impactful steps their companies have taken to provide equitable opportunities for advancement, CFOs were most likely to cite approaches that ensure consideration of diverse slates of candidates (for both recruiting and promotions) and also ensure decisions are based on merit.

They also cite providing training around D&I and unconscious bias, implementing sponsorship and mentorship programs, strengthening development opportunities for all staff (especially for diverse staff), and establishing resource groups.

Finally, CFOs cite a variety of practices related to leadership, including hiring diverse leaders into senior roles, developing a company vision for D&I, creating a culture of inclusion, and establishing regular reporting on diversity metrics.

Please see the full report for industry-specific charts. *Note that industry sample sizes vary markedly and that the means are most volatile for the least-represented. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.*

Actions to promote equitable advancement opportunity

What is one of the most impactful actions your company has taken to provide equitable opportunities for advancement? Paraphrasing and normalization of CFOs' most common free-form comments (numbers indicate approximate count of CFOs mentioning each tactic)

Plans and programs (N=49)

Implementing processes to ensure merit-based filling of vacancies and promotions (14)
Ensuring diverse slates for recruiting, promotion, etc. (12)
Implementing sponsorship/mentorship programs (8)
Strengthening development practices for all/diverse staff (7)
Establishing resource groups (5)
Broadening recruitment channels (2)
Including paid family leave in benefits program (2)
Funding early education for women and minorities for STEM (1)
Using cohort-consistent promotion pools (1)
Implementing flexible work arrangements (time/location) (1)
Ensuring pay parity (1)

Leadership (N=33)

Hiring diverse leaders into senior roles (10)
Issuing company-wide vision and/or principles around D&I (8)
Creating a culture of inclusion (7)
Assigning responsibility for D&I to a senior leader (3)
Board-level focus on D&I (3)
Creating a D&I position/officer (2)

Measurement (N=15)

Establishing metrics (9)
Including diversity metrics in internal reporting (5)
Including diversity metrics in external reporting (1)

Education (N=12)

Broad company training around D&I and bias (9)
Educating senior leaders on D&I issues (3)

Special topic: Diversity and inclusion (D&I)
Direct reports and their CFO-readiness

CFOs report an average of 7.60 direct reports; about 40% are female, minority, or both. The average number who will be CFO-ready within a year is 1.46.

Compared to 3Q17, this quarter’s survey shows a broader distribution of direct reports and a higher concentration above 10 direct reports. Accordingly, the mean increased from 6.75 to 7.60. Energy/Resources was lowest at 6.5; Technology was highest at 8.3.

From a gender standpoint, the average is 5.22 men and 2.38 women (or about 31% women). This is an increase from 3Q17, when the average number of female direct reports was 1.9 out of 6.75 (or about 28%).

Racial/ethnic representation, by comparison, is considerably lower. The averages sit at 6.55 non-minority and 1.05 minority, or about 14% minority (note that we did not ask about racial/ethnic representation in 3Q17).

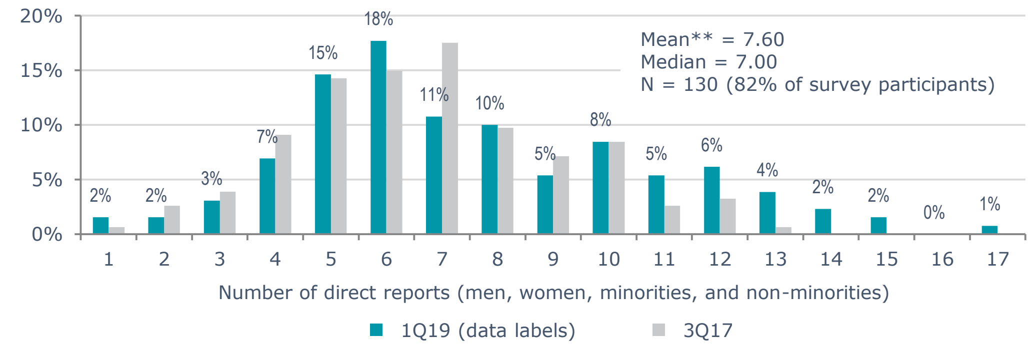
From a “diversity” perspective (i.e., combining women and minorities), the average is 4.55 non-diverse and 3.05 diverse (or about 40% diverse). All industries were between 39% and 44%, except for Healthcare/Pharma at 29%.

Roughly 20% of direct reports were deemed CFO-ready with a mean of 1.46 (minority women were lowest at 14%). Industry averages ranged from 1.0 to 1.9.

***130 (82%) of 158 respondents answered; please see the full report for industry-specific charts.** Note that industry sample sizes vary markedly and that the means are most volatile for the least-represented. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.*

Number of direct reports

How many people report directly to you? Percent of CFOs reporting each number of direct reports*



Composition and CFO-readiness of direct reports

How many of your direct reports will be CFO-ready within three years?
Breakdown of direct reports by D&I group, and number/percent of CFOs considered CFO-ready*

Number of direct reports
by D&I group

	Men *Total:* 5.22	**Women** *Total:* 2.38
Non-minority *Total:* 6.55	4.55	2.00
Minority** *Total:* 1.05	0.67	0.38

Total = 7.60

Number of CFO-ready direct reports
(and percentage regarded as CFO -ready within three years)***

	Men *Total:* 1.06	**Women** *Total:* 0.40
Non-minority *Total:* 1.26	0.91 (20%)	0.35 (18%)
Minority** *Total:* 0.20	0.15 (23%)	0.05 (14%)

Total = 1.46

* Stark outliers to the high side have not been included in these charts; each chart accounts for about 95% of responses.
** For survey purposes, “minority” includes Black or African American, Asian, Hispanic/Latino(a), American Indian and Alaska Native, Native Hawaiian and Other Pacific Islander, and two or more races.
*** Percentages are calculated only for responses that included both the total number of direct reports and the number of CFO-ready reports.

Special topic: Diversity and inclusion (D&I)
D&I within finance

Respondents' tactics for promoting gender inclusion focus largely on helping women advance in their careers; those promoting minority inclusion focus largely on bringing more minorities into the company at all levels.

Considerably more CFOs provided examples of things they have done to promote inclusion of women than of minorities—possibly the result of a higher and longer-standing presence of women within their broader organizations (note the higher representation of women among CFOs' direct reports on the previous page). Several CFOs specifically noted that their company's location has made securing minority talent relatively difficult.

Tactics focused on minorities appear substantially concentrated on increasing minority hires—especially through more diverse interview slates and new/broader recruiting channels.

By contrast, tactics focused on women were more likely to focus on developing and advancing women already within the organization—implementing sponsorship/mentorship programs, providing opportunities for development and exposure, and hiring or promoting women into senior roles.

Please see the full report for industry-specific charts. *Note that industry sample sizes vary markedly and that the means are most volatile for the least-represented. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.*

Actions to promote D&I within finance

What is the most impactful thing you have done to promote D&I within your finance team? Paraphrasing and normalization of CFOs' most common free-form comments (numbers indicate approximate counts of CFOs mentioning each tactic)

Women (N=87)

Plans and programs (N=72)

Strengthening development/exposure practices (21)
Implementing sponsorship/mentorship programs (17)
Ensuring diverse slates for recruiting and promotion (12)
Implementing processes to ensure merit-based hiring and promotions (10)
Implementing flexible work arrangements (6)
Establishing resource groups (3)

Leadership (N=34)

Hiring women leaders into senior roles (27)
Issuing company-wide vision and/or principles around D&I (4)

Measurement (N=4)

Including diversity metrics in internal reporting (3)
Establishing company D&I metrics (1)

Education (N=4)

Broad company training around D&I and bias (3)
Educating senior leaders on D&I issues (1)

Minorities (N=73)

Plans and programs (N=63)

Ensuring diverse slates for recruiting and promotion (20)
Implementing sponsorship/mentorship programs (12)
Strengthening development/exposure practices (11)
Broadening recruitment channels (7)
Implementing processes to ensure merit-based hiring and promotions (6)
Establishing resource groups (5)

Leadership (N=17)

Hiring minority leaders into senior roles (9)
Issuing company-wide vision and/or principles around D&I (5)

Measurement (N=5)

Including diversity metrics in internal reporting (5)

Education (N=5)

Broad company training around D&I and bias (5)

Appendix

Longitudinal data and survey background

Longitudinal trends

Cross-industry expectations and sentiment (last 24 quarters)

CFOs' year-over-year expectations[1]

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

			2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	*Survey mean*	*2-year mean*
Operating results	Revenue	*mean*	5.7%	5.0%	4.1%	4.6%	6.1%	6.8%	6.0%	5.4%	3.1%	4.4%	5.9%	3.3%	4.0%	4.2%	3.7%	4.3%	5.6%	5.7%	4.7%	5.9%	6.3%	6.1%	5.5%	4.8%	*5.7%*	*5.6%*
		median	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	4.5%	5.0%	3.0%	4.0%	4.0%	4.0%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	*5.0%*	*5.0%*
		%>0	84%	78%	82%	90%	90%	89%	90%	86%	78%	79%	82%	78%	72%	83%	82%	85%	89%	92%	87%	91%	92%	91%	91%	86%	*85%*	*90%*
		standard deviation	4.5%	5.1%	4.9%	3.9%	4.5%	5.9%	4.0%	6.4%	6.3%	5.4%	6.8%	5.1%	6.7%	4.8%	3.9%	3.7%	4.4%	3.9%	4.0%	4.1%	4.6%	5.0%	4.3%	4.4%	*5.5%*	*4.3%*
	Earnings		10.3%	8.0%	8.6%	7.9%	8.9%	10.9%	9.7%	10.6%	6.5%	6.5%	8.3%	6.0%	7.7%	6.1%	6.4%	7.3%	8.7%	7.9%	8.4%	9.8%	10.3%	8.1%	7.3%	7.1%	*9.6%*	*8.5%*
			10.0%	9.0%	8.0%	7.0%	8.0%	8.0%	8.0%	8.0%	5.0%	8.0%	7.0%	5.0%	7.0%	5.0%	6.0%	8.0%	8.0%	7.5%	8.0%	8.0%	10.0%	8.0%	8.0%	7.0%	*7.9%*	*8.1%*
			83%	82%	82%	84%	83%	90%	86%	79%	79%	79%	82%	79%	76%	81%	81%	89%	88%	90%	86%	88%	94%	89%	85%	82%	*84%*	*88%*
			9.6%	8.1%	9.3%	7.5%	9.8%	8.6%	6.9%	17.1%	11.6%	11.0%	10.5%	9.1%	13.5%	7.0%	7.1%	5.6%	8.6%	5.7%	7.5%	7.7%	7.0%	5.8%	6.2%	4.4%	*11.1%*	*6.6%*
Investment	Dividends		4.5%	3.4%	4.0%	5.7%	4.1%	4.1%	3.0%	4.3%	3.4%	3.7%	4.7%	4.0%	2.9%	4.1%	3.3%	3.8%	3.7%	3.8%	3.8%	4.7%	4.8%	7.4%	4.5%	3.9%	*4.1%*	*4.6%*
			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%	0.0%	2.0%	0.0%	0.0%	*0.1%*	*0.3%*
			40%	39%	37%	47%	45%	45%	44%	47%	43%	45%	45%	46%	42%	43%	43%	43%	46%	43%	45%	49%	47%	51%	43%	44%	*41%*	*46%*
			5.8%	4.7%	6.7%	7.3%	6.1%	4.8%	3.8%	5.9%	5.3%	4.7%	7.0%	6.0%	4.7%	7.6%	3.9%	4.7%	5.5%	6.0%	5.8%	6.6%	6.3%	12.8%	4.7%	6.6%	*6%*	*6.8%*
	Capital spending		7.5%	4.9%	6.4%	6.5%	6.8%	5.0%	5.5%	5.2%	5.4%	4.3%	4.9%	1.7%	5.4%	5.6%	3.6%	10.5%	9.0%	7.3%	6.5%	11.0%	10.4%	9.4%	5.0%	5.9%	*7.3%*	*8.1%*
			3.5%	2.4%	3.0%	3.0%	5.0%	5.0%	5.0%	5.0%	5.0%	2.0%	5.0%	0.0%	4.0%	2.0%	3.0%	5.0%	5.0%	4.5%	3.0%	5.0%	5.0%	5.0%	2.0%	3.0%	*4.1%*	*4.1%*
			57%	54%	59%	57%	64%	60%	62%	63%	59%	53%	59%	50%	61%	58%	57%	66%	66%	61%	59%	70%	73%	70%	58%	58%	*60%*	*64%*
			11.7%	9.0%	11.2%	13.2%	12.1%	8.9%	10.9%	12.7%	16.5%	11.5%	12.4%	11.2%	16.0%	10.7%	11.4%	20.9%	17.8%	14.2%	12.2%	14.9%	12.2%	14.3%	10.6%	9.7%	*14%*	*13.2%*
Talent	Number of domestic personnel		2.4%	1.3%	1.4%	1.0%	1.6%	2.3%	2.1%	2.4%	1.2%	1.4%	1.2%	0.6%	1.1%	2.3%	1.3%	2.1%	2.1%	2.6%	2.0%	3.1%	3.2%	2.7%	3.2%	2.1%	*1.8%*	*2.6%*
			0.0%	0.0%	0.0%	0.0%	1.0%	1.0%	1.0%	1.0%	0.0%	1.5%	0.0%	0.0%	1.0%	1.0%	0.0%	1.0%	2.0%	2.0%	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	*0.9%*	*1.9%*
			46%	47%	48%	42%	58%	58%	60%	58%	49%	57%	50%	47%	55%	53%	48%	57%	62%	59%	54%	66%	65%	66%	61%	64%	*54%*	*62%*
			9.6%	5.6%	4.4%	4.9%	3.9%	4.5%	3.6%	3.1%	4.5%	4.8%	3.6%	3.0%	3.8%	3.1%	2.3%	1.9%	2.7%	3.8%	3.3%	4.4%	4.4%	3.7%	4.5%	3.3%	*4.6%*	*3.8%*

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

		2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	*Survey mean*	*2-year mean*
Optimism	Optimism (% more optimistic)	59.0%	41.9%	54.2%	46.8%	44.3%	43.7%	49.0%	47.9%	37.6%	33.6%	33.9%	33.1%	48.6%	35.2%	43.1%	59.9%	54.6%	45.6%	52.4%	59.4%	48.5%	48.5%	26.5%	32.3%	*45.1%*	*46.0%*
	Neutrality (% no change)	27.7%	33.9%	33.4%	33.0%	37.2%	44.6%	35.3%	38.5%	43.6%	46.9%	42.9%	35.6%	32.9%	49.2%	37.2%	30.3%	34.8%	38.1%	42.2%	34.8%	42.1%	39.4%	50.4%	51.9%	*34.3%*	*41.7%*
	Pessimism (% less optimistic)	13.3%	24.2%	20.8%	20.2%	18.6%	11.7%	15.6%	13.5%	18.8%	19.5%	23.2%	31.4%	18.6%	15.6%	19.7%	9.9%	10.6%	16.3%	5.4%	5.8%	9.4%	12.1%	23.1%	15.8%	*20.8%*	*12.3%*
	Net optimism (% more minus % less optimistic)	45.7%	17.7%	33.4%	26.6%	25.7%	32.0%	33.3%	34.4%	18.8%	14.2%	10.7%	1.7%	30.0%	19.7%	23.4%	50.0%	43.9%	29.4%	46.9%	53.5%	39.2%	36.4%	3.4%	16.5%	*24.3%*	*33.7%*
Equities	S&P 500 price at survey period midpoint	1,667	1,656	1,798	1,839	1,878	1,955	2,040	2,097	2,123	2,092	2,023	1,865	2,047	2,184	2,177	2,316	2,391	2,441	2,582	2,732	2,728	2,833	2,722	2,776	*1,897*	*2,651*
	S&P gain/loss QoQ	9.7%	-0.7%	8.6%	2.3%	2.1%	4.1%	4.3%	2.8%	1.2%	-1.5%	-3.3%	-7.8%	9.8%	6.7%	-0.3%	6.4%	3.2%	2.1%	5.8%	5.8%	-0.1%	3.8%	-3.9%	2.0%	*2.9%*	*2.3%*
	US equity valuations (% who say overvalued)									65.4%	60.2%	56.3%	29.7%	56.1%	71.3%	70.1%	80.3%	78.0%	83.1%	84.4%	75.5%	63.4%	70.5%	65.3%	45.6%	*65.9%*	*70.7%*

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

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

About the survey

Background

The Deloitte North American CFO Survey is a quarterly survey of CFOs from large, influential companies across North America. The purpose of the survey is to provide these CFOs with quarterly information regarding the perspectives and actions of their CFO peers across four areas: business environment, company priorities and expectations, finance priorities, and CFOs' personal priorities.

Participation

This survey seeks responses from client CFOs across the United States, Canada, and Mexico. The sample includes CFOs from public and private companies that are predominantly over $3B in annual revenue. Respondents are nearly exclusively CFOs. Participation is open to all industries except for public sector entities.

Survey execution

At the opening of each survey period, CFOs receive an email containing a link to an online survey hosted by a third-party service provider. The response period is typically two weeks, and CFOs receive a summary report approximately two weeks after the survey closes. Only current and frequent responders receive the summary report for the first two weeks after the report is released.

Nature of results

This survey is a "pulse survey" intended to provide CFOs with information regarding their CFO peers' thinking across a variety of topics; it is not, nor is it intended to be, scientific in any way, including in its number of respondents, selection of respondents, or response rate, especially within individual industries. Accordingly, this report summarizes findings for the surveyed population, but does not necessarily indicate economy- or industry-wide perceptions or trends.

IMPORTANT NOTES ABOUT THIS SURVEY REPORT:

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

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