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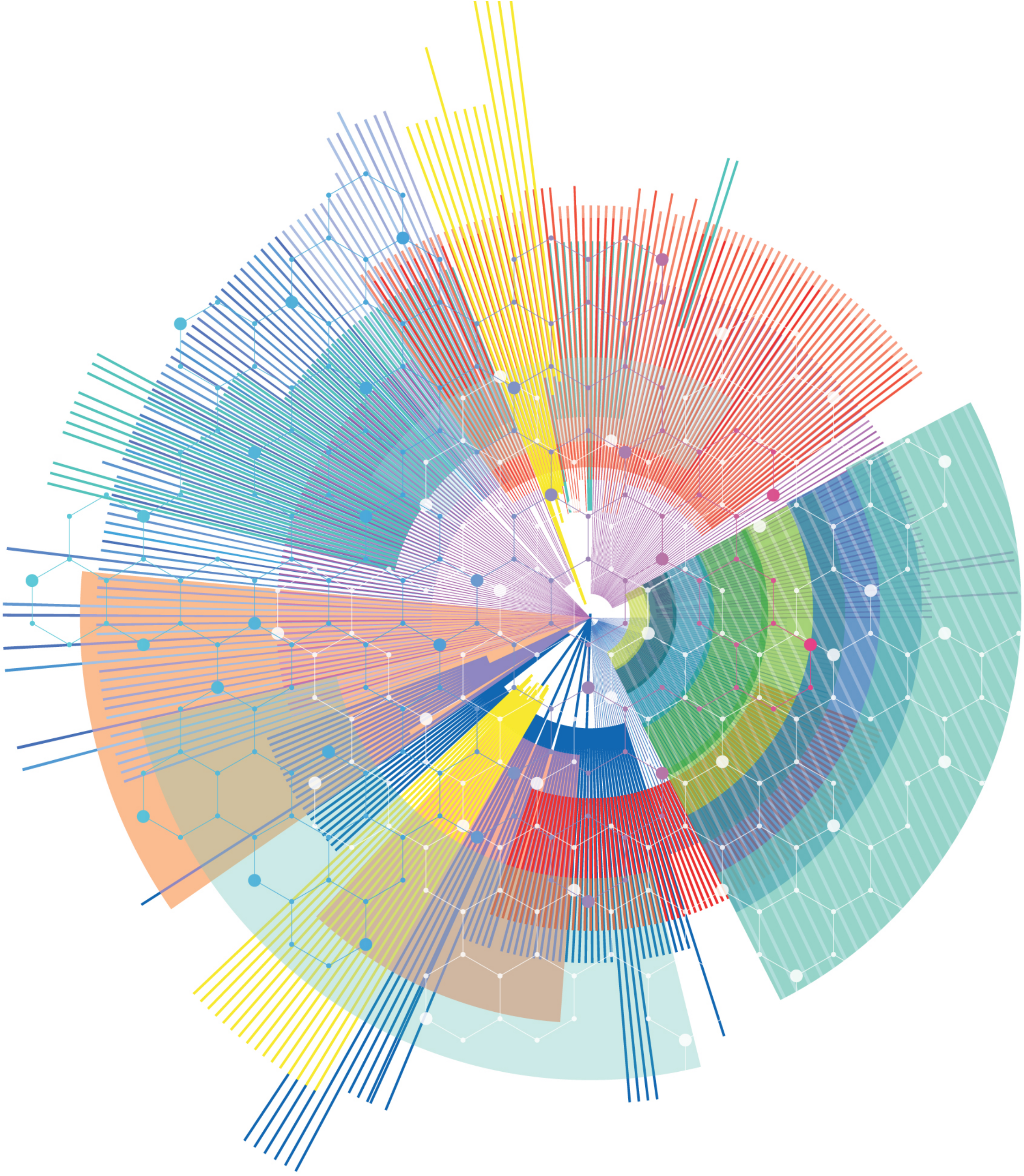

Deloitte CFO Survey
Spring 2020 | Denmark

Contents

Foreword

On 13 March 2020, Denmark entered lockdown mode as a result of the COVID-19 pandemic. Overnight, we found ourselves in unprecedented territory. Businesses were suddenly forced to put their plans aside and instead think on their feet to cushion the economic consequences. Simultaneously, CFOs had to forecast and make strategic choices on an unsteady basis about an unclear future. Complex and difficult times to say the least.

In the context of this, it is no surprise that our CFO Survey Spring 2020 shows that Danish CFOs are more worried about their companies' financial prospects today compared to last year. More specifically, 1 out of 3 CFOs believe that the overall level of external financial and economic uncertainty facing their business is either high or very high.

As the COVID-19 crisis emerged, so did the realisation that digital has become the new normal. Robots, digital technologies and automated processes have enabled digital mature businesses to continue their operation without being as affected by the crisis as companies yet to embark on their digital transformation journey.

More than half of the Danish CFOs considered their finance function to be mature when it comes to digital transformation in last year's survey. This year, the number of CFOs perceiving their maturity level to be high has decreased by 11 percentage points. In addition, our survey shows that Danish CFOs, compared to last year, have less confidence in their own level of knowledge and skills when it comes to driving digital transformations.

Digitally mature or not, the COVID-19 crisis has created challenges we need to deal with right away. But shortly, we also need to address the challenges we were facing before the virus. Climate change, as an example, is just as big a problem today as it was before COVID-19.

We have taken the temperature of the sustainability agenda - how well-known and applied the United Nations Sustainable Development Goals (SDGs) are in Danish companies. The good news is that 7 out of 10 CFOs are aware of the SDGs, which is an increase of 22 percentage points in just one year. It seems, however, that the SDGs have not yet become an integrated part of the core business of Danish companies.

Our special focus in this year's survey is on the outlook for investor relations (IR) and the dynamics between the CFO and the investor community.

This year's CFO Survey indicates that the usage and understanding of IR is limited in Danish companies despite the high value potential associated with having a professional IR function.

According to Jens H. Lund, CFO of DSV Panalpina, transparency is key in utilising the full potential of the IR function.

'Everything we do has to be transparent and has to be able to withstand being thoroughly scrutinised. If you cannot vouch for what you do, it's not sustainable'.

For CFOs more specifically, Jens underlines that it is crucial to understand the dynamics of the capital markets, the investors' criteria for success and the mentality of the analysts to articulate a business as an attractive investment.

We have also talked to Pernille Friis Andersen, regional CFO of FLSmidth, and she agrees that good IR has a high value potential:

'I have no doubt that good investor relations have an impact on share prices and valuation'.

In both interviews, Jens and Pernille share several key insights from their experiences as CFOs of some of Denmark's largest companies. Needless to say, we can all learn a lot from both – especially if we want to conduct best-practice IR.

Happy reading!

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Methodology

The Danish CFO Survey of May 2020 comprises data from 136 CFOs from Danish companies in the private sector (87 per cent) and in the financial sector (13 per cent). Most CFOs (61 per cent) come from larger Danish companies with 100 employees or more.

Among other things, we have asked the CFOs about their primary concerns, priorities and expectations for the economy during the next 12 months. Based on our previous biannual CFO surveys from 2019, 2018 and 2017, we can compare the answers and provide an overview of the main concerns on the CFO agenda.

The goal of this year's survey is to provide you with relevant insights divided into four areas: Prospects and challenges (1) in relation to financial prospects, (2) in relation to digitisation of the finance function, (3) in relation to the finance function's role in adopting the SDGs into the company and (4), finally, as this year's particular theme we have decided to evaluate the outlook for IR and the dynamics between the CFO and the investor community.

The CFO Survey is a quantitative questionnaire survey conducted by Epinion on behalf of Deloitte. Fieldwork was performed in March 2020 based on a set of questions provided by Deloitte. More specifically, the majority of the data have been collected before or just after 11 March 2020 – the day on which the Danish prime minister, Mette Frederiksen, decided to shut down the country.

As a result, the data possibly portray the outlook and reality we looked at before the scale of COVID-19 was fully understood and, to a lesser extent, is a reflection of the reality we are faced with today. We urge our readers to take this into consideration when interpreting the data and reading this report.

Deloitte Denmark carries out the CFO Survey as part of a biannual European CFO Survey.

CFOs are still retreating from optimism

In the 2019 Spring edition of our CFO Survey, we concluded that optimism among Danish CFOs was fading, as they found themselves in a landscape of great uncertainty due to Brexit, international political turmoil and China's economic slowdown. Fast forward to today, the uncertainty back then seems like a bed of roses compared to the ambiguity we are currently dealing with.

We owe this uncertainty to COVID-19 and the unknown aftermath of the pandemic. No one fully understands the long-term impact of the pandemic, but we do know that it will hit us hard. To say the least, we find ourselves in a very different reality compared to last year, but it is still greatly affected by uncertainty.

Therefore, it does not come as a surprise that an increasing number of CFOs are less optimistic about the financial prospects of their companies compared to last year's findings (figure 1).[1] In addition, 30 per cent of the CFOs perceive the external level of financial and economic uncertainty as being 'high' compared to 26 per cent in the spring of 2019 and 16 per cent in the fall of 2019 (figure 2).

It is slightly surprising that 19 per cent of the CFOs are more optimistic about the financial prospects of their companies (figure 1).[1] An explanation could be that the Danish economy as well as the labour market, before the COVID-19 crisis hit us, were in great shape with historically high employment rates, historically low interest rates and solid growth. The Danish OMXC25 index reached all-time high levels in late February and optimism seemed to conquer nervousness about the virus spreading in the East.

Figure 1. Financial prospects

Question: Compared to three months ago, how do you feel about the financial prospects for your company?

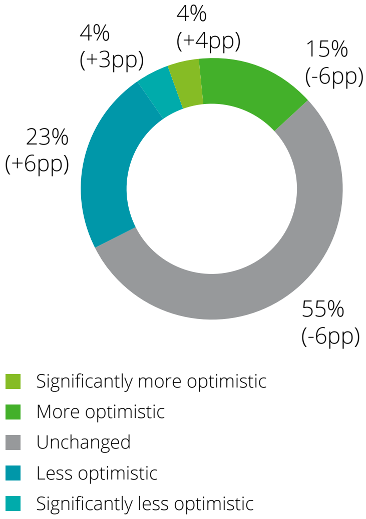


Figure 1. Financial prospects

Question: Compared to three months ago, how do you feel about the financial prospects for your company?

	2017 Spring	2017 Fall	2018 Spring	2018 Fall	2019 Spring	2019 Fall	2020 Spring
Significantly more optimistic	7%	15%	7%	4%	1%	0%	4%
More optimistic	28%	12%	31%	22%	23%	21%	15%
Unchanged	58%	65%	56%	59%	67%	61%	55%
Less optimistic	6%	5%	7%	15%	9%	17%	23%
Significantly less optimistic	1%	3%	0%	1%	0%	1%	4%

1. As stated in our methodology section, fieldwork for the CFO Survey 2020 has been conducted in March. Hence, the data possibly portray the outlook and reality we looked at before the scale of COVID-19 was fully understood. An assumption would be that data collected later in March and April would indicate a more significant negative change in optimism and uncertainty. We urge our readers to take this into consideration when interpreting the data and reading the report.

Economic outlook is the biggest risk in the year to come

In 2020, fewer CFOs expect an increase in revenue over the next 12 months compared to 2019 (figure 3). As expected, data collected after 11 March 2020 suggest that the CFOs have become even more pessimistic when it comes to revenue and operating margins, indicating that the impact of the COVID-19 crisis has slowly started to influence the CFOs' outlook at this point in time. 21 per cent of the CFOs interviewed after 11 March 2020 expect an increase in CAPEX over the next 12 months compared to only 2 per cent of the CFOs asked before 11 March 2020.

According to the CFOs, the uncertain economic growth outlook is considered to pose the biggest risk to their business over the next 12 months (figure 4). CFOs also seem to fear a reduction in demand. Interestingly, COVID-19 is found further down the list. A possible explanation for this could be that risk 1 and 2 are perceived as covering for or being interlinked with COVID-19. A similar explanation could be that the full impact of COVID-19 was not fully understood at the time data were collected, which is why COVID-19 would potentially rank higher if data were collected later in March and April. CFOs also perceive lack of competencies and increasing regulations as significant risks to their business over the next 12 months.

Figure 2. External financial and economic uncertainty

Question: How would you rate the overall level of external financial and economic uncertainty facing your business?

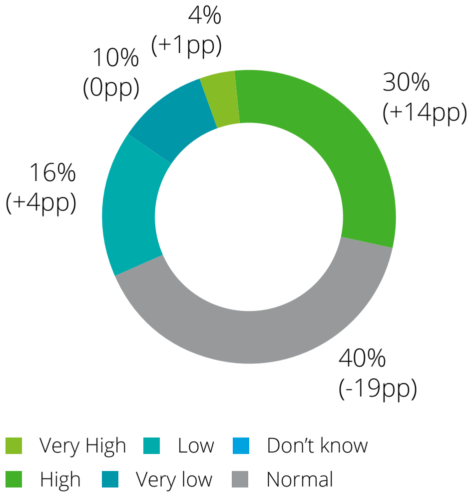


Figure 2. External financial and economic uncertainty

Question: How would you rate the overall level of external financial and economic uncertainty facing your business?

	2017 Spring	2017 Fall	2018 Spring	2018 Fall	2019 Spring	2019 Fall	2020 Spring
Very high	4%	5%	2%	7%	2%	3%	4%
High	26%	14%	7%	14%	26%	16%	30%
Normal	59%	59%	78%	64%	47%	59%	40%
Low	6%	17%	11%	14%	14%	12%	16%
Very low	4%	6%	2%	1%	12%	10%	10%
Don't know	1%	0%	0%	0%	0%	0%	0%

Figure 3. Growth expectations of key metrics

Question: In your view, how are the following key metrics likely to change for your company over the next 12 months?

	Spring 2019		Spring 2020	
	Increase	Decrease	Increase	Decrease
Revenue	63%	12%	48%	18%
Operating margins	49%	16%	45%	25%
CAPEX	40%	9%	22%	16%
Employees	37%	10%	36%	18%

	Before 11.03.2020 *(117 CFOs)*		After 11.03.2020 *(19 CFOs)*	
	Increase	Decrease	Increase	Decrease
Revenue	50%	18%	37%	21%
Operating margins	46%	24%	37%	31%
CAPEX	2%	13%	21%	32%
Employees	37%	17%	32%	21%

Businesses will prioritise organic growth and cost reductions

In 2020, most CFOs will prioritise organic growth and cost reductions when strategising for the next 12 months (figure 5). An assumption could be that focus on cost reductions will increase as the full impact of COVID-19 is understood. An increase in CAPEX has gained slightly more focus compared to last year, while CFOs seem slightly less focused on expanding into new markets.

Figure 4. Top risks in the year to come

Question: Which of the following factors are likely to pose a significant risk to your business over the next 12 months?

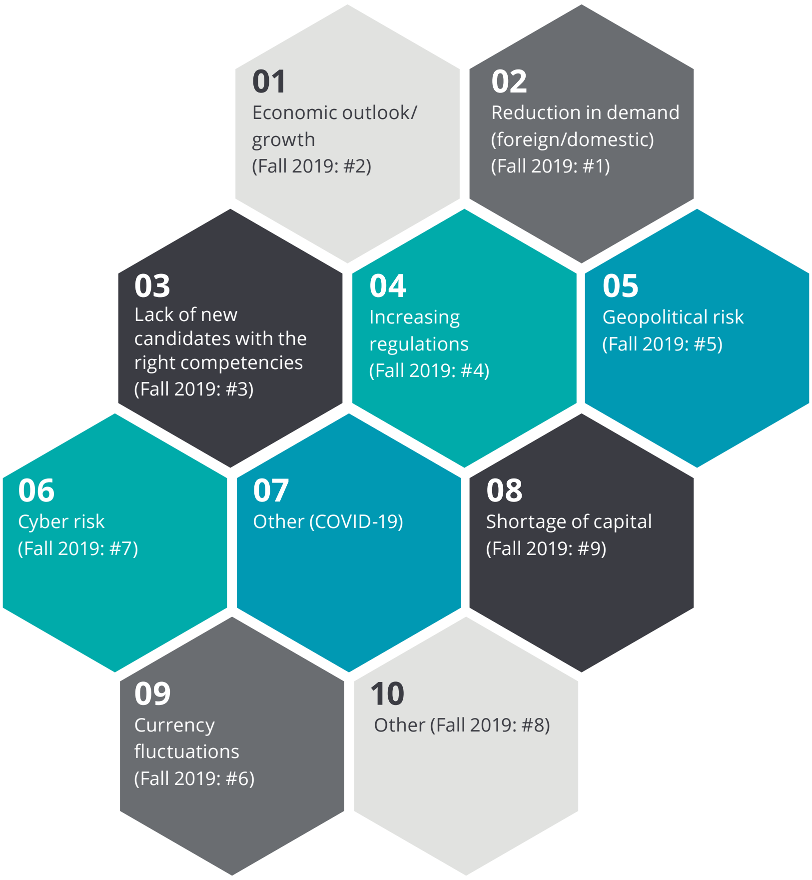
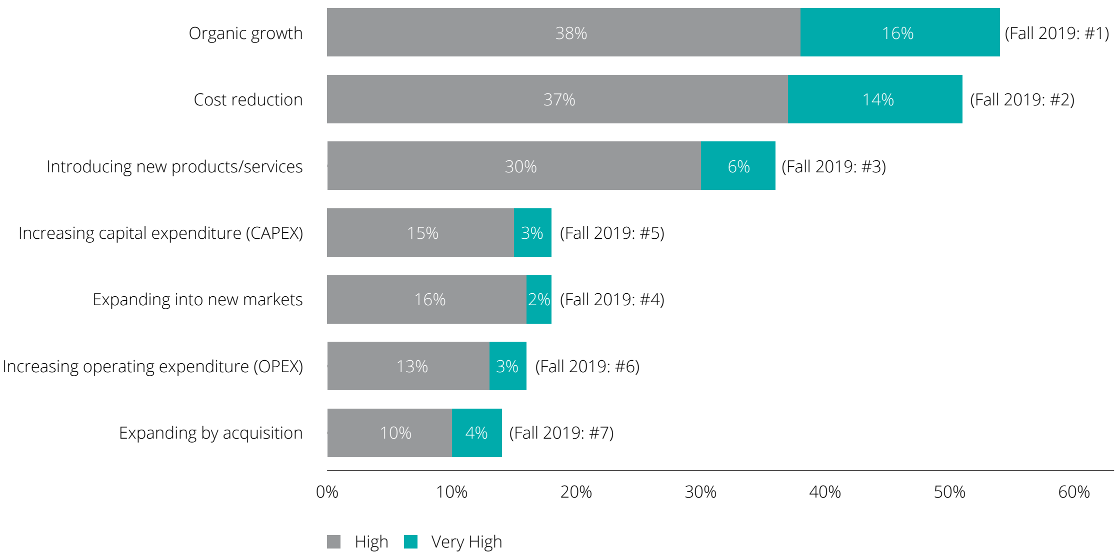


Figure 5. Prioritized strategies

Question: To which degree are the following strategies likely to be a priority for your business over the next 12 months?



An investor favourite reveals the formula for success

CFOs need to understand the dynamics of the capital market, investors' criteria for success and analysts' way of thinking. That is crucial in order to be able to portray a company as an attractive investment, says CFO of DSV Panalpina Jens H. Lund.

In the Danish OMXC25 stock index, no one came close to the performance of the worldwide transportation enterprise DSV Panalpina in 2019. The company's share yielded a notable 79.6 per cent overall return, thereby securing the position as the fastest growing OMXC25 index stock of the year.

According to the company's CFO, Jens H. Lund, the great development should be seen as an endorsement of the company's business model as well as a sign of the shareholders' high confidence that DSV, after the acquisition of Panalpina, can integrate the company, benefit from synergies and maintain the high volume it has had so far.

'If we cut to the chase, it's about our operators being unmatched. After all, our earnings depend on how many consignments our operators can transport per day and the gross profit of the given consignments', says Jens H. Lund, and explains further:

'Our IT infrastructure enables our operators to process shipments faster than any of our competitors. We have a high degree of automation as well as efficient and scalable systems that have been refined over the course of many years. That gives our operators the support they need to excel'.

In addition, the CFO attributes part of the reason for the impressive development to good IR.

'We keep our commitments to investors. We talk to them, keep them updated and do not mince our words. They give us money, and we send money back. It's as simple as that, and it's been like that for years', he says.

It is all about transparency

Jens H. Lund has broad management responsibilities at DSV Panalpina, including finance, IT, mergers and acquisitions (M&A) and project management office (PMO). One of his key tasks is to create transparency within the business in order to ensure that operators are given the best basis for decision-making.

'We are known for having a decentralised business model. That is only possible with a high degree of transparency of performance. Our view is that we will all do the same, if we have the same information available. We have, therefore, put a lot of focus on creating that transparency. We see that our operators make the right decisions with the assistance of that transparency. We can keep an eye on whether this is the case ongoingly and so can the individual operator', he says.

Anyone who has talked to Jens H. Lund about DSV Panalpina's way of doing business will have heard him emphasise the importance of transparency. It is an absolute key concept for the group – the foundation of factual discussions, honesty and decency.

'Transparency is the be-all and end-all, and I explode if it's not there. But that's because it's so crucial to our success', he says.

The same goes for the company's IR. The company takes pride in answering every question from analysts. And slipping anything under the radar is out of the question.

'Everything we do has to be transparent and has to be able to withstand being thoroughly scrutinised. If you cannot vouch for what you do, it's not sustainable'.

On terms with the investors

As a trained accountant and experienced corporate finance adviser, Jens H. Lund has a good understanding of the capital market and its dynamics. And that has been pivotal for DSV Panalpina's approach to IR.

'For us, it's essential to boil things down to something investors can relate to and understand. And we're completely honest. If our plan was to save DKK 100 somewhere and we reached DKK 90, we will let you know the reasons why and what we've learned from them. Investors understand that. They make investments on a daily basis and know that results may end up slightly above or below expectations', he says, and adds:

'We understand the investors' criteria for success and the analysts' way of thinking, and we are very capital market oriented'.

The company's IR is considered among the best in the industry by many investors and analysts. Jens H. Lund points out that IR does play a part in the financial success of the global freight forwarder.

'We've been able to accomplish our equity story, complete acquisitions and increase productivity. Combined with professional investor relations, this has made our share an attractive investment', he says.

DSV Panalpina's IR function handles crucial stakeholder management and relieves the pressure on the group's senior management, CEO Jens Bjørn Andersen and CFO Jens H. Lund.

'Our IR department does an indispensable job, but, ultimately, it's management's responsibility to make it all work. So, if there are any problems, look at yourself in the mirror and don't point your finger at others'.

Take the bull by the horns

Management must be prepared to get down to work, get into the thick of things and without hesitation put itself at the forefront of complex projects.

'That Panalpina and UTi failed to consolidate their IT infrastructure, and thereby ended up with lower productivity than DSV, was, in our opinion, a result of the fact that responsibility was handed to a single IT guy who had to solve the problems by himself. And that doesn't add up', he says.

Unlike at many other companies, the DSV Panalpina management defines the scope of a given IT project, allocates the necessary resources and sets a date for the rollout. The senior management keeps the full overview of the group's needs and also identifies the three-four goals a given project must focus on achieving.

'When you do IT, it will often fail if too many people in the organisation have to co-decide and define goals and functionalities. That's why you have to roll up your sleeves yourself', he says.

However, DSV's approach does not come without a cost.

'Dissatisfaction can arise, and when we roll out a project, I spend half of my time attending meetings with the sole purpose of cementing and clarifying our decisions. That doesn't come without a cost, and many company managements don't bother to do the hard follow-up every time', he says.

But Jens H. Lund has learned from his mistakes, and if you want to succeed and be the best, you can only afford to make the same mistake once:

'When I first started at DSV and didn't have that much IT knowledge, I thought they'd probably figure that part out themselves. Otherwise, I would have had to get into a lot of stuff, and that seemed like a big hassle. But that was definitely one of the stupidest things I've done, because the mess I've had to clean up afterwards hasn't exactly been small'.

Four concrete IR advices from Jens H. Lund

Get into the substance of things
Nothing beats hard work, humility and the willingness to understand. Take the time to delve into the dynamics of the market, run it through with your advisers, and prepare thoroughly.

Communicate the potential
Your company is on a journey from one point to another, and it's up to you as the CFO to understand what it takes to succeed and identify the potential that lies ahead. It's within this communication and narrative that value is created.

Keep learning along the way
When working transparently, you'll be criticised if your plan doesn't hold up. You'll have to accept that! Learn from it, and adjust accordingly. Relying on absolute power will get you nowhere.

Prioritise your time
Professional IR takes time. I spend 10 per cent of my week doing that even though we have many integrated concepts and several years of experience with that kind of work. So, set aside the necessary time.

DSV Panalpina IR
DSV Panalpina holds around 400-500 meetings with the capital market per year, and the company serves approximately 25 analysts. The IR function contributes to the company's equity story, provides information to the market, plans road shows, coordinates, ensures consistency and follows up and also contributes to the annual financial report as well as various presentations and concepts that underpin the equity story. The function handles crucial stakeholder management and frees up time for the CEO and the CFO.

The usage of IR is limited despite high value potential

As a result of the globalisation of financial markets and increased access to information, legislation and requirements for companies, analysts and investors are increasing.

Therefore, it has become more important than ever to communicate in a timely and comprehensive manner to and with the capital markets – to stay compliant but also to avoid or affect stock fluctuations. In this year's CFO Survey, we get a rare glimpse into the world of the IR function. The conclusion is that there is room for improvement among Danish CFOs.

It is all about information, but size seems to matter

Our data indicate that most CFOs agree that the primary role of the IR function is to provide relevant and timely disclosure and information to buy – and sell-side investors (figure 6). However, taking a closer look at the data, it becomes evident that there are nuances to be found and that the company size seems to be decisive for the CFO's perception of the IR role.

1 out of 5 CFOs in companies with more than DKK 1 billion in revenue say they do not know what the primary role of the IR function is. 13 per cent of the CFOs in companies of this size state that the IR function's primary role is to ensure that rules and regulations regarding companies dealing with investors are met (figure 6). Meanwhile, 14 per cent of the CFOs in companies with more than DKK 10 billion in revenue state that the IR function's primary role is to reduce stock volatility. No CFOs in companies of this size have mentioned rules and regulations.

This could indicate that the company size affects the knowledge of IR and also whether the CFO has a more defensive and regulatory-oriented perception of IR (above DKK 1 billion in revenue) or a slightly more offensive and value-oriented perception (above DKK 10 billion in revenue).

Time spent on IR is low and so is the perceived value

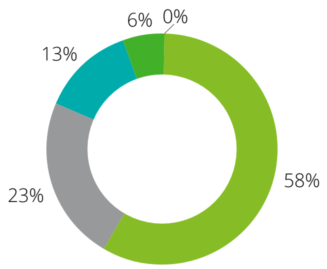
An old saying goes: The input you give is the output you will receive. This saying seems to fairly describe Danish CFOs' approach to IR. Our CFO Survey indicates that the amount of time Danish CFOs spend on IR is low and so is the perceived value.

6 out of 10 CFOs in companies above 1 billion have stated that their company do not have an IR function at all. 3 out of 4 CFOs in companies above DKK 1 billion spend 0-10 per cent of their time on IR (figure 7). Only 3 per cent spend more than half their time on nurturing relations with investors. In companies above DKK 10 billion, 7 out of 10 CFOs spend 10 per cent of their time on IR.

Figure 6. Primary role of the investor relations function

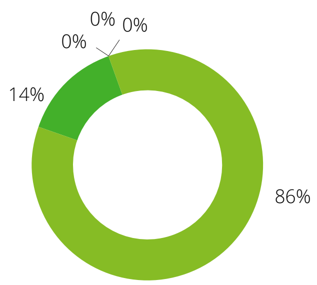
Question: What is the primary role of the investor relations function in your opinion?

Above 1 billion (31 CFOs)



- To provide relevant and timely disclosure and information to both buy - and sell-side investors
- Don't know
- To ensure that rules and regulations regarding companies dealing with investors are met
- To reduce stock volatility
- To increase the stock price

Above 10 billion (7 CFOs)

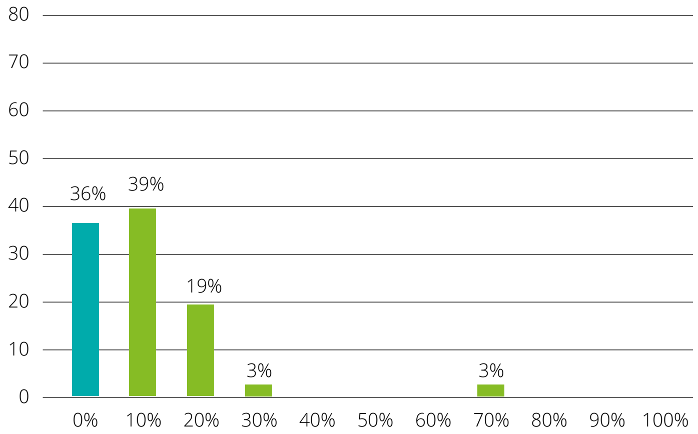


- To provide relevant and timely disclosure and information to both buy - and sell-side investors
- To reduce stock volatility
- Don't know
- To increase the stock price
- To ensure that rules and regulations regarding companies dealing with investors are met

Figure 7. Time spend on investor relations

Question: How much of your time as a CFO do you spend on investor relations today?

Above 1 billion (31 CFOs)



Above 10 billion (7 CFOs)

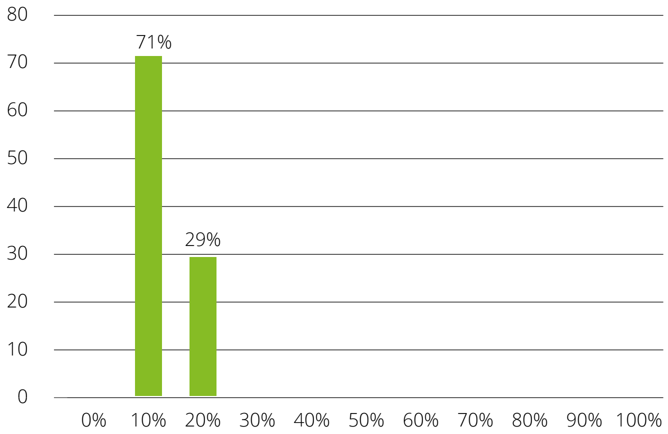
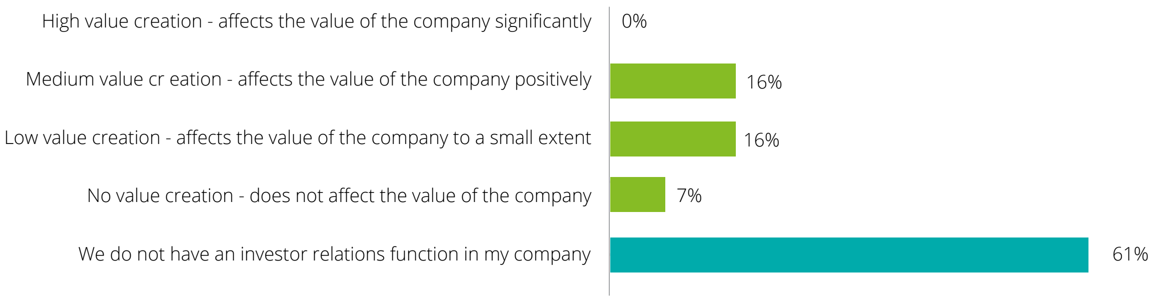


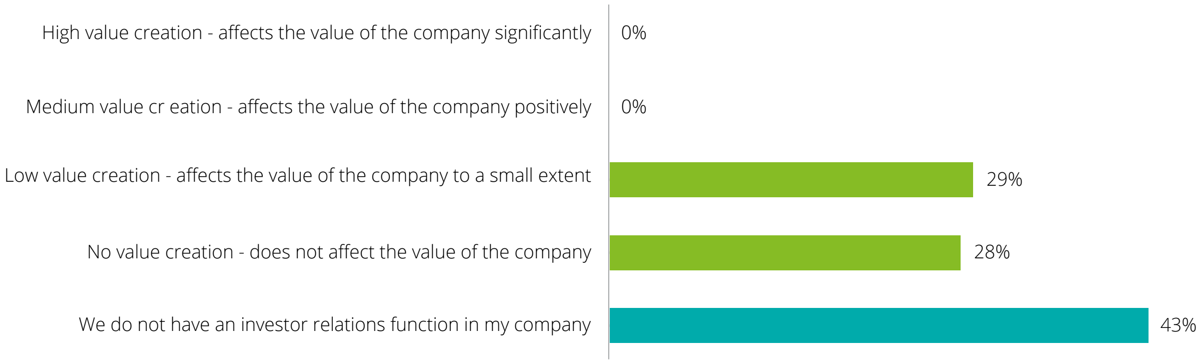
Figure 8. The performance of the investor relations function

Question: How would you rate the performance of the investor relations function in your company?

Above 1 billion (31 CFOs)



Above 10 billion (7 CFOs)



No CFOs have indicated that their IR function can be linked to high value creation or has affected the value of the company significantly (figure 8).

39 per cent of the CFOs have stated that the ability to provide the right level of transparency regarding the company's historic and future performance is the quality that rank highest among buy – and sell-side investors (figure 9). Less than 10 per cent of the CFOs believe that the ability to deliver on commitments made to investors as well as willingness to prioritise investors by spending time on them and being readily available are qualities that collectively rank high among buy – and sell-side investors.

The ESG agenda will be decisive during the next two years

According to more than half of the CFOs in companies above DKK 1 billion, IR functions will, during the next 1-2 years, need to increase their focus on the environmental, social and governance (ESG) agenda as this will be of increasing importance to investors (figure 10). The increased investor awareness on the ESG agenda confirms the shift we have seen in recent years, where it has become increasingly important to do business while doing good at the same time.

Figure 10. Greatest impact on investor relations during the next 1-2 years

Question: What do you believe will have the greatest impact on investor relations during the next 1-2 years?

Above 1 billion (31 CFOs)

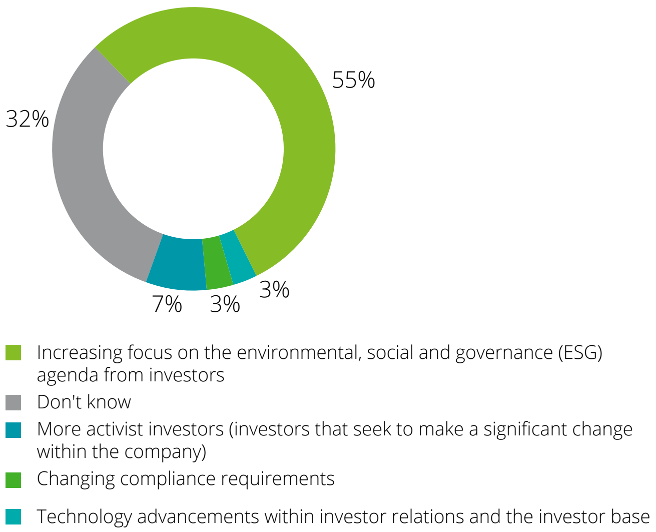
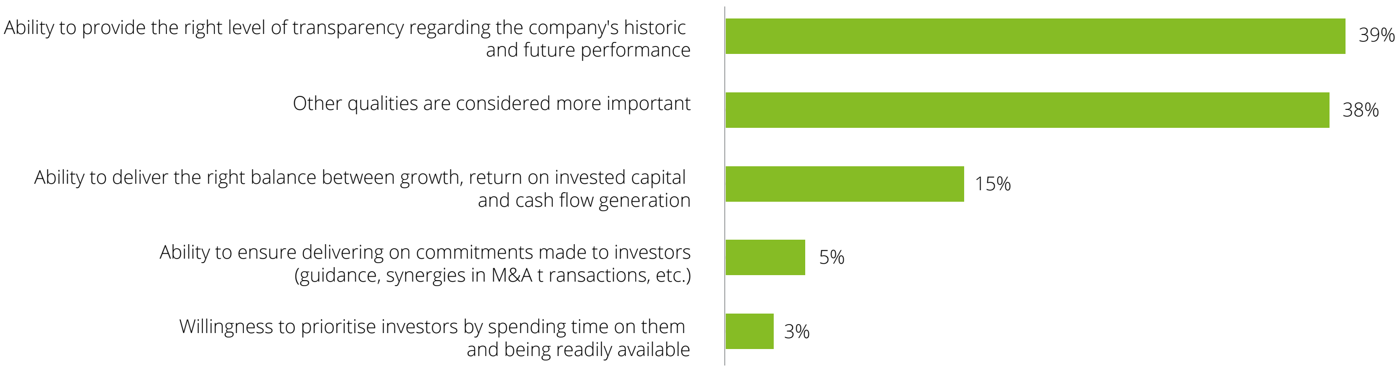


Figure 9. CFO qualities that rank highest among buy- and sell-side investors

Question: Which qualities do you think buy- and sell-side investors collectively rank highest among CFOs?



'Good investor relations increase your share price'

The value of professional handling of IR should not be underestimated, according to regional CFO and former IR chief at FLSmidth Pernille Friis Andersen. The key concepts of good IR are credibility, continuity, and accessibility.

Among analysts, investors and corporate Denmark, there are widely differing opinions on whether active IR can affect the valuation of a company. Some simply reject the notion, but Pernille Friis Andersen, who has 15 years of experience with IR, has no doubt about its verity.

'The value of a share is determined by the company's expected financial performance in the future. IR is of major importance when creating a credible equity story that includes future growth potential and the company's value creation', says Pernille Friis Andersen.

The story that the IR functions convey to the market is of course not worth much unless the company is able to continually live up to it and deliver on its promises, she stresses before she states:

'I have no doubt that good IR has an impact on share prices and valuation'.

The value of IR depends on the specific situation of a company. According to Pernille Friis Andersen, companies that are new on the stock exchange or companies that do not have clear-cut comparable competitors and peers benefit more from IR. This is logically because such companies have a greater need to articulate some potential that is not already clear to the market.

The vast majority of smaller companies do not have an independent IR function or a dedicated IR executive. However, management should prioritise this, says Pernille Friis Andersen.

'Smaller companies in particular have quite some groundwork to do to make themselves attractive to the market. Without IR executives, the management either doesn't have the time and energy to do it, or they spend valuable time on IR, which should be spent managing the company'.

From IR chief to CFO

Pernille Friis Andersen has presented 60 quarterly financial results, has been on countless investor roadshows and has acted as a liaison between investors and the management of FLSmidth for 15 years.

However, a year and a half ago, she was ready for new challenges, and she therefore accepted the position as regional CFO. Her IR experience provides a number of benefits and strengths she can draw on as CFO.

'I know how the investors and analysts think and what's important for the executive committee and the board of directors. My approach is to focus on performance, growth and returns in addition to getting the numbers right and ensuring internal compliance', she says and adds:

'It's important to remember that, to investors and analysts, it is all about cash flow, working capital and profit margins. So, when my accounting team comes up and says: "The numbers are correct. It's perfect", my answer will be: "Excellent! Let's look at how we can improve profit margins"'.

However, her IR experience also means that she has to surround herself with a team that complements her strengths:

'You cannot be a specialist in all areas. For example, I cannot speak in detail about IFRS or internal compliance, as I haven't dealt with these areas in depth before. That's why I've surrounded myself with a strong team that covers my weaker spots'.

Use the investors as sparring partners

IR and stock market contact require a special mindset and deep business understanding. If a CFO masters this discipline, it can represent a valuable exchange of opinion. Investors and analysts have access to a wealth of information and people; they have a global outreach and a huge network, and they often deal with input from many different industries. This makes them great sparring partners, says Pernille Friis Andersen:

'Investors are not asking questions to criticise but rather to understand. What they say can often be used as constructive feedback. So, by interacting with them, an executive board can both acquire new knowledge and gain strategic sparring', she says.

However, meeting with investors and analysts and answering critical questions can be yet another stress factor on top of the already intense workload related to the compulsory financial reports. Nevertheless, meeting and connecting with the market should be highly prioritised and thorough preparations should be made.

'The more preparation, the less pressure. If the CFO masters the numbers, the equity story and is prepared to answer whatever critical questions that may arise, meetings will feel constructive, and you will appear more confident', she says.

The equity story is crucial

Pernille Friis Andersen emphasises the importance of the equity story, which essentially serves as a company's value proposition to the market. It is a way to convince potential investors that investing retirement savings or wealth in the company is an interesting opportunity.

'You have to understand what's interesting to investors because you are competing for their money. So, what makes the company an attractive investment? How are returns, growth and dividends created, and how will the company distinguish itself from peers? If you can't answer that, you won't be able to put the company forward as a good investment case', she says.

Specifically, she points out that companies need to know which megatrends and new markets support the company's growth potential and how this can be leveraged via, for example, increased digitisation, restructuring or M&A.

'The equity story must reflect the company's structure, strategy and long-term growth targets. It has to fit together, and through the dialogue with investors and analysts, views from the market are conveyed to the management and back. In this way, you can address whatever concerns and pain points there may be and find a proper solution', she says.

Good IR

Pernille Friis Andersen believes there are three key concepts behind good IR: credibility, continuity and accessibility.

'What's communicated must be precise and correct, just as the company's narrative must be consistent from quarter to quarter without any major differences. In addition, you need to be available, pick up the phone and be responsive, whether you come away with a positive message or a profit warning', she says.

Furthermore, it is crucial to provide some relatively accurate short-term guidance supplemented by a more long-term view that visualises the journey the company is on, with targets that can be achieved within a three-five-year period.

'It's always better to be positively surprised. There is absolutely no point in disappointing, so you should live up to your promises. Be realistic in both your short – and long-term guidance, and explain the assumptions behind the long-term goals', she says.

Three concrete pieces of advice from Pernille Friis Andersen

Crisis management
Share information sooner rather than later. When the future is uncertain, it's better to put forward relevant scenarios and assumptions and inform about how management thinks, prioritises and plans to deal with the crisis. Openness, honesty and accessibility are crucial.

Distribution of roles
The strategic vision and narrative belong to the CEO, while the CFO must know the numbers and the nuances in the accounts like the back of her hand. However, the CFO must also know the strategic narrative, even if it belongs to the CEO. IR must relieve both parties with respect to interaction with the market and create the natural link to investors and analysts.

From IR to CFO
If you want to become a CFO, you should be open about your ambition. This kind of transition doesn't happen by itself. You have to put yourself out there and dare to express your desire. I participated in an executive management programme to acquire new skills and thus used education as a stepping-stone in my career.

More CFOs should realise the value of IR

Professionalised investor relations represent an untapped potential for many Danish CFOs, who ought to drive this topic higher up the agenda, according to partner and leader of Deloitte's CFO programme Kim Hendil Tegner.

Deloitte's CFO Survey Spring 2020 shows that investor relations is not at the top of the agenda of all CFOs. Less than half of the CFOs working for a publicly listed company responded that they spend time on IR, while only half have an IR function.

These results are surprising to partner and leader of Deloitte's CFO programme Kim Hendil Tegner, who expected IR to be of higher priority.

'More CFOs should consider whether they put enough focus on this area. Thorough and professionalised investor relations directly affects the valuation of a company, and our survey indicates that there is a significant potential for improvement, which should be realised', he says.

From advising CFOs of Danish companies, Kim Hendil Tegner has seen evidence of that there are great differences in terms of how the individual CFOs engage in investor relations and how well they each manage to establish constructive relations and dialogues with their investor base and the equity analyst community covering their company. Kim Hendil Tegner continues:

'From our dialogues with leading institutional investors, equity analysts and CFOs, such as Jens H. Lund and Pernille Friis Andersen, with a strong IR track record, we can tell how important professionalised IR and a strong CFO focus on IR are to the valuation of a company and easy access to capital markets. Therefore, we have examined what is good IR practice and how can CFOs better learn to master this discipline'. he says.

Three crucial points

Fundamentally, our research indicates that there are three areas essential to professionalised investor relations, explains Kim Hendil Tegner.

Firstly, it is important that CFOs make time to thoroughly study market dynamics and the needs of investors and equity analysts. For instance, CFOs must understand equity analysts need for relevant and timely information to make correct recommendations for their customers.

'When competent CFOs announce financial results, not only are they familiar with every little detail of their company's performance and know all financial numbers like the back of their hand. They are also extremely good at bridging the gap between complex financial numbers and the underlying performance that equity analysts need for their projections and financial modelling,' he says and continues:

'On the other hand, if analysts do not receive the right information – or receive it too late – they will have to advise investors with reservations. The result is that the share price will be negatively affected.'

Next, the equity story must be well researched and a completely integral part of the company. The equity story must render visible how a company differentiates itself and creates increased growth and profitability. It needs to support the company's purpose, the exact targets for future performance and achieved results. Basically, the equity story is crucial to the investors.

'In our opinion, the CFO should be the company's equity story's advocate externally and internally in the company. In this way, the CFO can ensure that the organisation keeps its promises to the market while being able to drive the necessary internal processes enabling this,' says Kim Hendil Tegner.

Lastly, but most importantly, transparency is key. A company must ensure the necessary, consistent and honest communication to the market. This includes the continuous quarterly disclosure where the CFO manages to bridge the raw financial data and the information that the investors and equity analysts can actually use and understand.

This also includes continuous contact to investors and equity analysts who need the senior management's perspective on various things and who want to know all the facts and information.

'This is also valid in times of crisis, like the one we are currently going through. It is obviously not possible to make accurate predictions about the future when there is great uncertainty, but the market needs to know about management's perspective and focus. Which are considered the most likely scenarios, and how is management preparing for them? During a crisis, indications of positive results for the beginning of the upcoming quarter and anecdotal evidence of any positive impact that the company has already made can provide very relevant and useful indications for investors and analysts,' he says and stresses that it creates a sense of security in the market when the senior management is accessible, open and honest.

Significant potential for improvement

According to Kim Hendil Tegner, it is primarily only fairly large companies that work with investor relations in a structured and professionalised manner and where the CFO sets aside time for this. As an example, he also stresses that there are great differences in how good Danish companies are at developing, communicating and executing an equity story.

“

'After having gone through the investor communication of a large number of publicly listed companies, the conclusion is that there is a clear potential for improvement at least in terms of how companies explicitly communicate their equity story and probably also how well integrated the equity story is in the company's strategy and operations' he says.

Kim Hendil Tegner stresses that even though a number of CFOs and companies in the Danish market excel at investor relations on all parameters, there seems to be room for improvement in many companies.

'The investors and equity analysts we have spoken to have given us several examples of publicly listed companies that could be better at timely adjustment of guidance, ensuring better transparency and being more accessible when required. Also, our CFO Survey confirms that there here are substantial differences in how Danish CFOs approach investor relations. In conclusion, there is no doubt that many Danish CFOs will be able to create more value in their positions if they give IR higher priority'.

Four concrete pieces of advice from Kim Hendil Tegner

Understand investors’ and analysts’ needs
It is key for the CFO to understand investors’ and analysts’ needs, their view on the company and their performance perspective compared to the competition. Talk to them and meet them in person. It is the only way to develop the insights you need to fill your role effectively.

Use your equity story as benchmark
Your equity story needs to be complete and fully integrated with the company. The CFO must ensure that the company complies with its equity story, that it navigates accordingly and that internal processes support execution.

Professionalise your investor care
Regardless of a company’s size, it should prioritise at least having a dedicated head of investor relations. Small companies can combine this role with other roles. Dedicated support is key to relieve the top management, ensure market contact and maintain sufficient professional investor care.

Ensure transparency
The CFO has to ensure consistent and honest communication in the market, for example via the quarterly disclosure during which the CFO translates raw financial numbers to information that investors and equity analysts are able to understand and use. Moreover, it is up to the CFO to ensure ongoing contact with the market and to openly discuss ideas and perspectives, not least during times of crisis, like the one we are currently going through.

The SDGs are well-known but not actively used

7 out of 10 CFOs are familiar with the SDGs

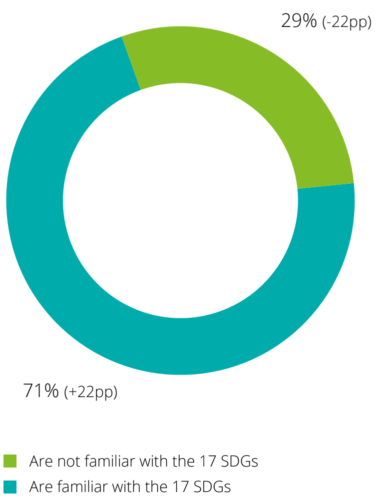
Sustainability is a megatrend affecting everything from elections, consumer behaviour and business operations. The SDGs have become an increasingly important part of this agenda. The reason is that the goals represent the first global strategy that addresses the world's most pressing social, environmental and economic barriers to sustainable growth. More importantly, the goals represent emerging business opportunities that could be worth close to DKK 400 billion for Danish businesses.[2]

In realising these untapped business opportunities, the CFO plays a crucial role. The good news is that our survey indicates that the vast majority of Danish CFOs have now become familiar with the SDGs (figure 11). 7 out of 10 CFOs are familiar with the 17 SDGs, which is an increase of 22 percentage points from last year's survey.

But one thing is being aware of the existence of the SDGs. Another thing is actively using the goals and integrating them as a central part of the business model.

Only 14 per cent of the CFOs that are familiar with the SDGs are actively using them to reach strategic goals, while only 17 per cent are actively using the SDGs as a framework for innovation and business development (figure 12). In fact, more than 50 per cent of the CFOs familiar with the goals are not using the SDGs at all.

Figure 11. Sustainable Development Goals (SDG)
Question: To what degree do you know about the 17 Sustainable Development Goals?



2. Ministry of Foreign Affairs of Denmark: The Sustainable Development Goals – A World of Opportunities for Danish Businesses (https://um.dk/da/danida/danida-business/verdensmaal-og-forretningsmuligheder/).

The ESG issues will influence cost of capital in the future

While businesses are struggling with actively using the SDGs as part of their business operations today, there seems to be a consensus among the CFOs that ESG issues will have a high impact on cost of capital in the future. Of the CFOs familiar with the SDGs, 43 per cent believe that the ESG issues will have a high impact on the cost of capital in the future (figure 13). Only 12 per cent of the CFOs believe that the ESG issues will have a low impact three years from now (figure 13).

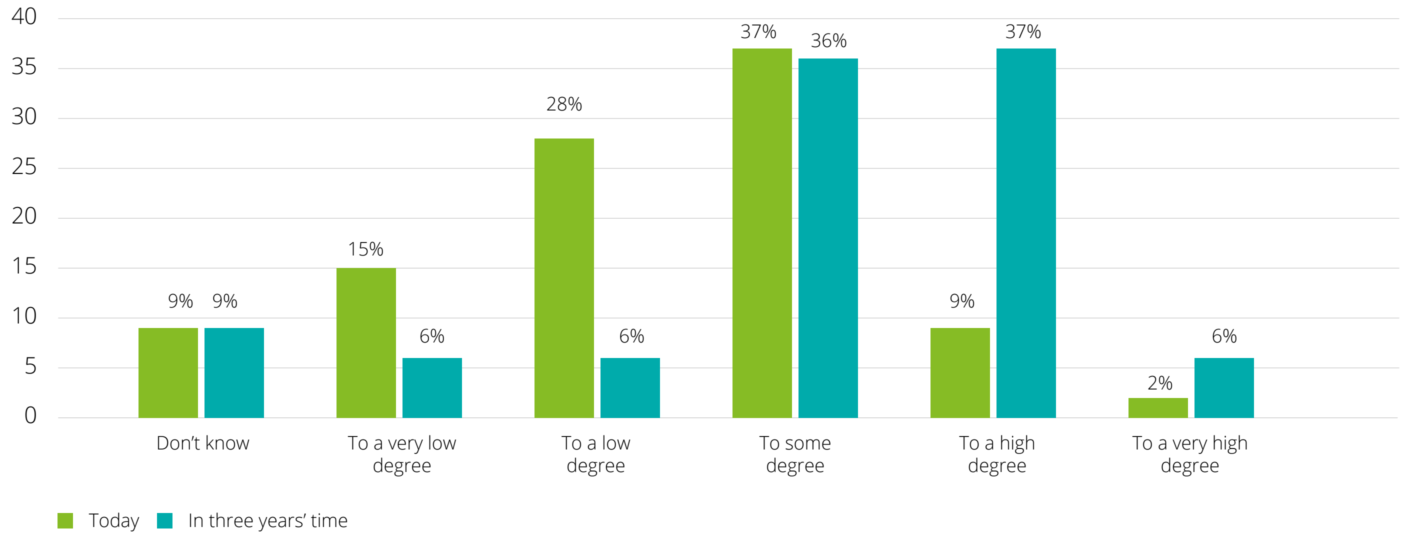
Figure 12. Sustainable Development Goals (SDG)

Question: To what degree do you use it ...

	Do not use SDGs	Use SDGs to some degree	Actively using SDGs	Don't know
1. ... to measure and report social and environmental impact	55% (Spring 2019: 56%)	23% (Spring 2019: 13%)	20% (Spring 2019: 29%)	2% (Spring 2019: 3%)
2. ... to brand the company to stakeholders	55% (Spring 2019: 56%)	28% (Spring 2019: 17%)	17% (Spring 2019: 25%)	0% (Spring 2019: 2%)
3. ... to reach strategic goals	52% (Spring 2019: 60%)	34% (Spring 2019: 21%)	14% (Spring 2019: 17%)	0% (Spring 2019: 2%)
4. ... as a strategic management tool	56% (Spring 2019: 65%)	28% (Spring 2019: 17%)	15% (Spring 2019: 16%)	1% (Spring 2019: 2%)
5. ... as a framework for innovation and business development	52% (Spring 2019: 67%)	30% (Spring 2019: 16%)	17% (Spring 2019: 14%)	1% (Spring 2019: 3%)

Figure 13. The impact of Environmental, Social and Governance (ESG) issues on cost of capital

Question: To what degree do you believe the overall performance of your company on Environmental, Social and Governance (ESG) issues has an impact on the cost of capital it faces...



Increased digital self-understanding – decreased digital self-confidence

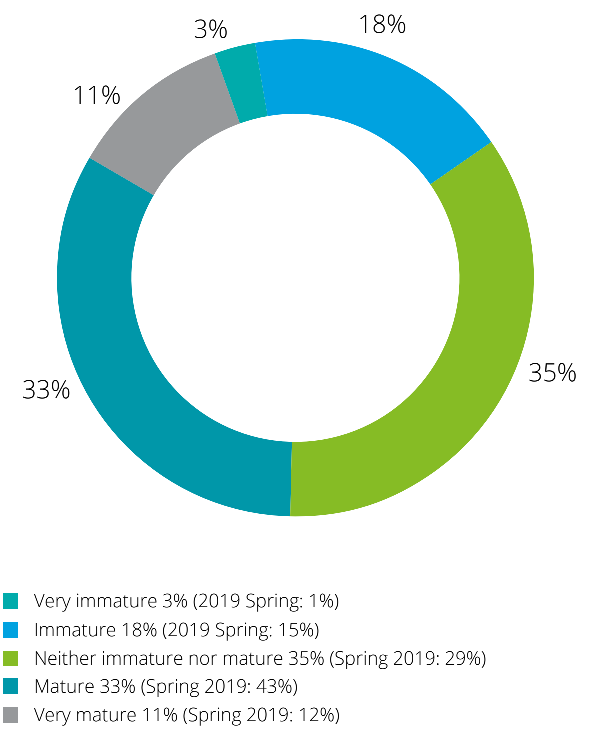
Fewer CFOs believe that they are digitally mature

Digital has become the new normal. If there were any doubts about this before the COVID-19 crisis, there definitely will not be afterwards. Several Danish companies have managed to keep the wheels spinning by utilising the strengths of digital technologies, tools and processes, allowing them to perform necessary tasks faster and better – unrestricted by time and physical distances. But, how far on the maturity journey do Danish CFOs perceive their finance functions to be when it comes to the digital transformation?

The CFO Survey Spring 2020 indicates that 44 per cent of the CFOs consider their finance functions to be 'mature' or 'very mature' when it comes to digital transformation (figure 14). This is a decrease of 11 percentage points from last year's survey. Simultaneously, more CFOs perceive themselves and their finance functions as digitally immature.

Figure 14. Maturity of financial departments regarding digital transformation

Question: How do you rate the preparation of your company's finance team in terms of digital transformation?



Less confidence, more competencies

A possible explanation for the decreasing maturity level might be that Danish CFOs have increased their digital self-understanding, thereby gaining a more realistic understanding of what it means to be a digitally mature company and of how far their company is on the digital maturity journey.

In agreement with this argument, we see that fewer CFOs, compared to last year's survey, have high confidence in their level of knowledge and skills to drive digital transformations (figure 15). Instead, more CFOs believe that they only have some degree of the required skills to drive the digital transformation.

The survey also shows that 3 out of 4 CFOs lack confidence when it comes to bringing new digital tools into play in the finance function. The biggest challenge for the CFOs seems to be to contribute to the work of implementing new technologies.

The CFO's primary goal of digitisation is cost optimisation

The reason for using new digital tools has not changed since last year, and CFOs still have cost optimisation as their primary goal. In fact, the prioritised list of primary goals has not changed at all compared to last year's ranking. As such, the second-most important goal for the CFOs is to use digital tools such as predictive analytics to support decision-making (figure 16). Using digital tools to improve employee satisfaction is, again, ranked lowest (figure 16).

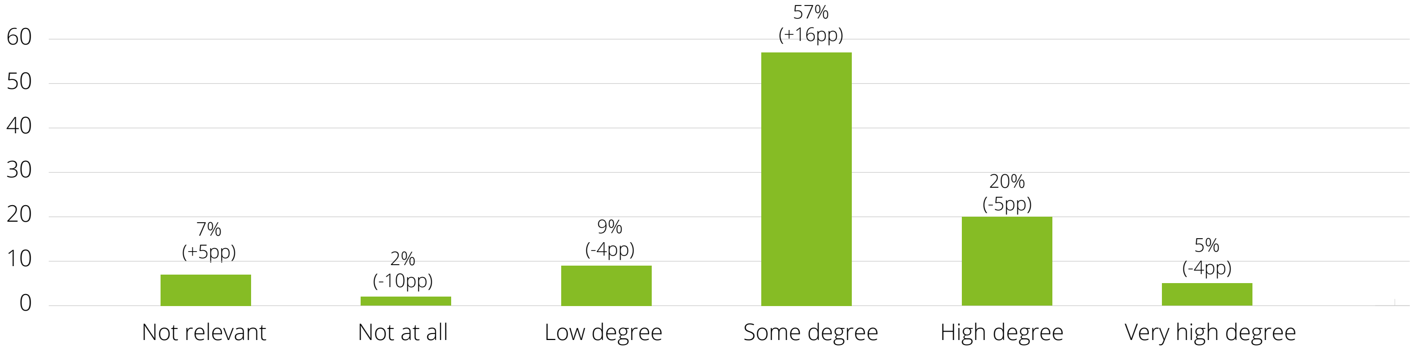
During the last couple of years, we have seen a rapid increase in the supply of new technologies, allowing CFOs to pursue opportunities we never thought possible before. We have only started to scratch the surface of what is possible with new technologies like RPA, blockchain and cognitive computing. The question is whether the CFOs and the finance functions are applying these digital technologies or if the lack of knowledge and skills described earlier has become an obstacle for the companies to realise their true digital potential.

During the last couple of years, we have seen a rapid increase in supply of new technologies, allowing CFOs to pursue opportunities we never thought possible before. We have only started to scratch the surface of what is possible with new technologies like RPA, blockchain and cognitive computing. The question is whether the CFOs and the finance departments are applying these digital technologies, or if the lack of knowledge and skills described earlier have become an obstacle for the companies to realise their true digital potential?

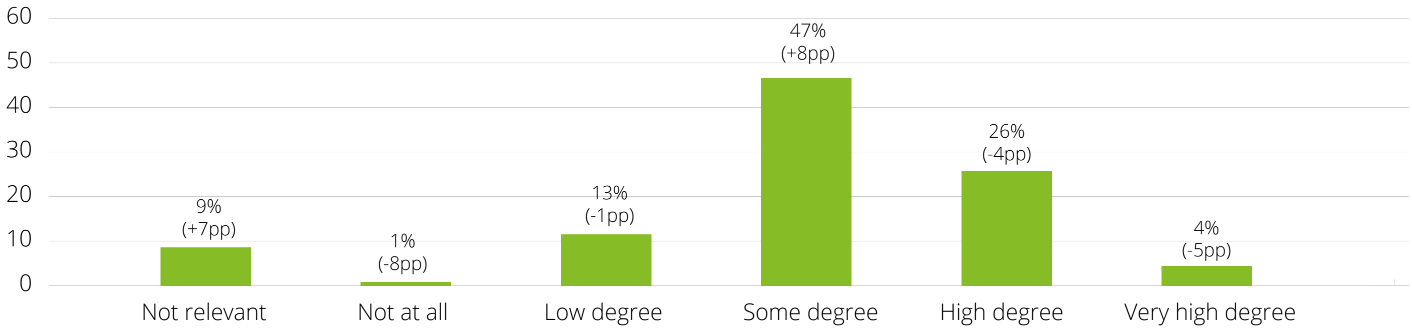
Figure 15. Level of knowledge and skills

Question: Based on the technologies mentioned on page 26, to which degree do you believe that you have the necessary level of knowledge and skills to…

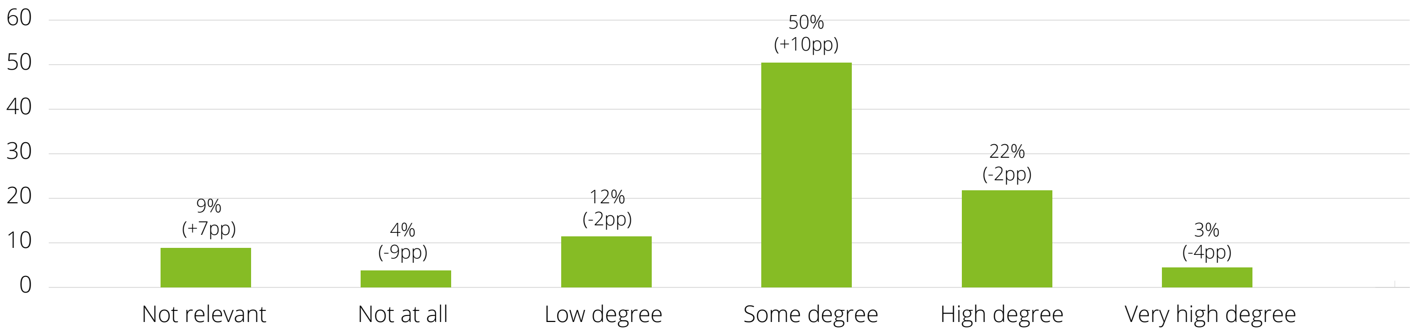
…bring new digital tools into play in your finance function?



… assess which digital competencies are required to support the use of digital tools in your finance function?



… contribute to the design and implementation of new digital tools in your finance function?



… utilize digital tools in your finance function to create value for your company?

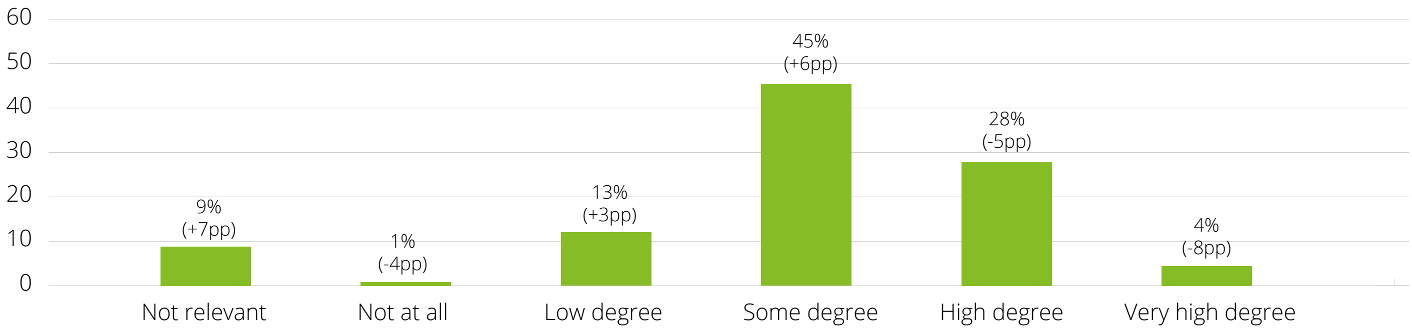


Figure 16. Primary goals of financial digitalisation strategies

Question: What are the primary goals of the financial department's digitalization strategy? (Max 3 answers)

New technologies to keep an AI on

After years of advancements in applying digital technologies in finance functions, we see a momentary slowdown in applying technologies such as RPA, analytics and cognitive computing. From the list below, you can learn more about the different technologies and get a better understanding of the degree to which the technologies have been applied in Danish finance functions since 2017.

Cloud Computing

Cloud computing is a kind of computing that uses scalable, elastic technology to deliver services over the internet. Instead of making large investments up front, finance functions can get the full stack of finance functionality 'as a service', delivered through public, private, or hybrid clouds.

Robotic process automation (RPA)

Process robots automate transaction processing and communication across multiple technology systems.
Robots perform recurring processes just like humans but with less risk of errors and fatigue.

Visualisation

Visualisation refers to the innovative use of images and interactive technology to explore large, high-density data sets. Visualisation suites complement business intelligence and analytics platforms, offering rich graphics, interactivity and usability on par with leading consumer experiences.

Advanced analytics

Analytics has long been part of the finance arsenal, but new techniques are helping business people tackle the crunchy questions with insightful answers. Often that means combining big data to see patterns that suggest future opportunities.

Cognitive computing

Cognitive computing and artificial intelligence (AI) simulate human thinking. This technology includes machine learning, natural language processing, speech recognition and computer vision.

In-memory computing

In-memory computing refers to storing data in the main memory to get faster response times. Because the data are compressed, the storage requirements are reduced. The result is speed and access to quantities of data that were previously unimaginable.

Blockchain

Blockchain is a digital distributed ledger, where transactions are verified and securely stored on a network of distributed and connected nodes, without a governing central authority.

	May 2017	May 2018	May 2019	May 2020
Cloud Computing	30%	42%	56%	65%
Robotic Process Automation	14%	30%	39%	37%
Visualization	5%	42%	53%	65%
Advanced analytics	21%	27%	35%	32%
Cognitive computing	3%	9%	13%	11%
In-memory computing	4%	7%	11%	8%
Blockchain	0%	2%	2%	4%

The Deloitte European CFO Survey

Since 2015 Deloitte has conducted the European CFO survey, giving voice twice a year to senior financial executives from across Europe. The data for the Spring 2020 edition were collected in March 2020 and about 1,000 CFOs in 18 countries participated (see map below). If you wish to gain insight into the perceptions of the European CFOs and compare these to those of the Danish CFOs, you can download the European CFO Survey here.

CFO Survey

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