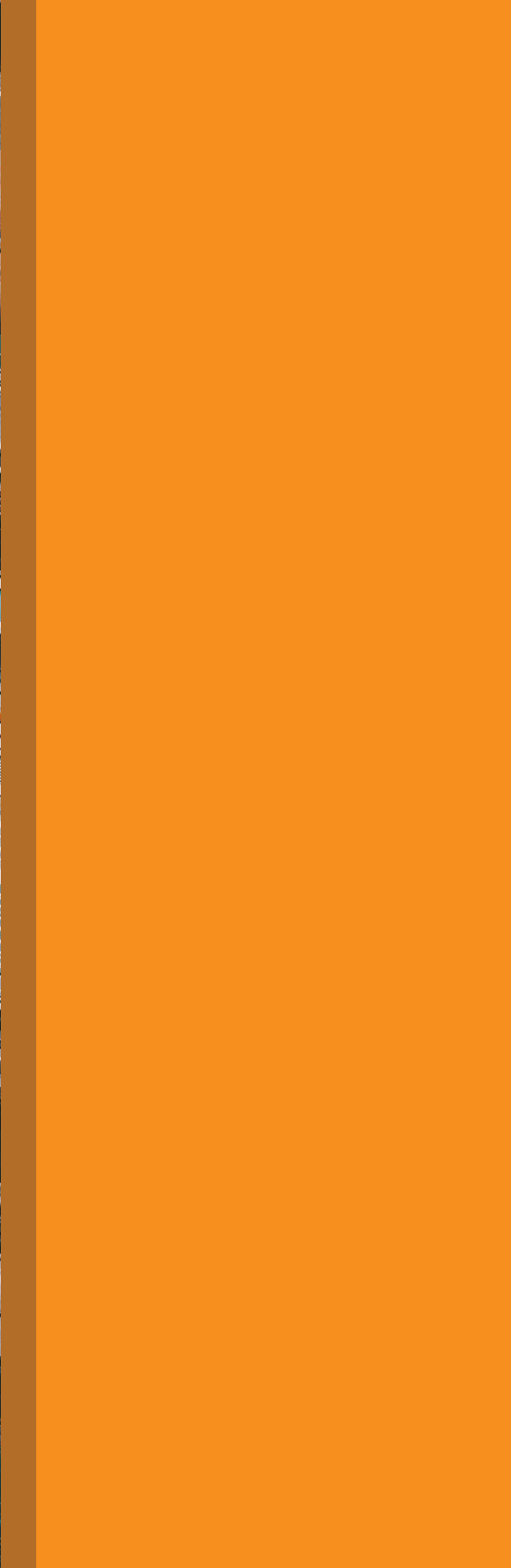


The PwC CFO Survey Series

Survey 3: A Catalyst for Change

September 2020





INTRODUCTION

The PwC CFO Survey Series

The current economic crisis due to the COVID-19 pandemic is rippling throughout businesses across the globe. To gauge its impact on Belgian companies, PwC Belgium has launched the CFO Survey Series, consisting of periodic surveys on the effects of the crisis on finance, operations, workforce, supply chains and much more.

Survey 3: A Catalyst for Change

PwC asked 23 CFOs of large corporates in Belgium across a variety of sectors to weigh in on the effects of the crisis on their financial and operational strategies, and their plans and predictions for a post-COVID-19 world.

70% of CFOs in Belgium are **maintaining investment plans**; just 4% are cancelling them

39% of CFOs are **focusing on rebuilding revenues** by adapting their products and services

Highlights

The biggest perceived risks for 2021 are **an economic downturn (26%)**, continued disruption due to COVID-19 (22%) and regulatory changes (13%)

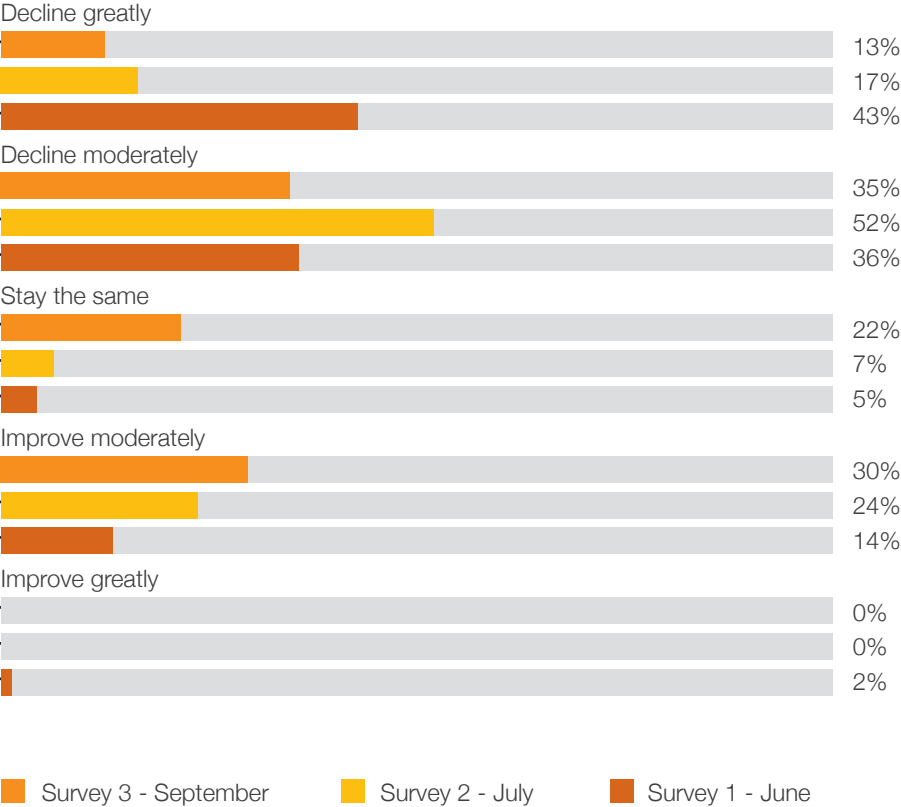
22% find the **banks' willingness to provide credit** "deteriorating"

CONFIDENCE BAROMETER 1: THE BELGIAN ECONOMY

Among respondents in PwC’s CFO Survey 3: A Catalyst for Change, 48% expect Belgian economic growth to decline over the next 12 months, with 13% believing that the economy will contract greatly. This suggests growing optimism compared to the two previous CFO surveys conducted the weeks of 8 June and 6 July 2020. The forecasted downward trend is in line with the National Bank of Belgium’s recently predicted fall in GDP of 9.0% for 2020, a number that’s been rising steadily since the onset of the pandemic.

01

Do you believe Belgian economic growth will improve, stay the same, or decline over the next 12 months?



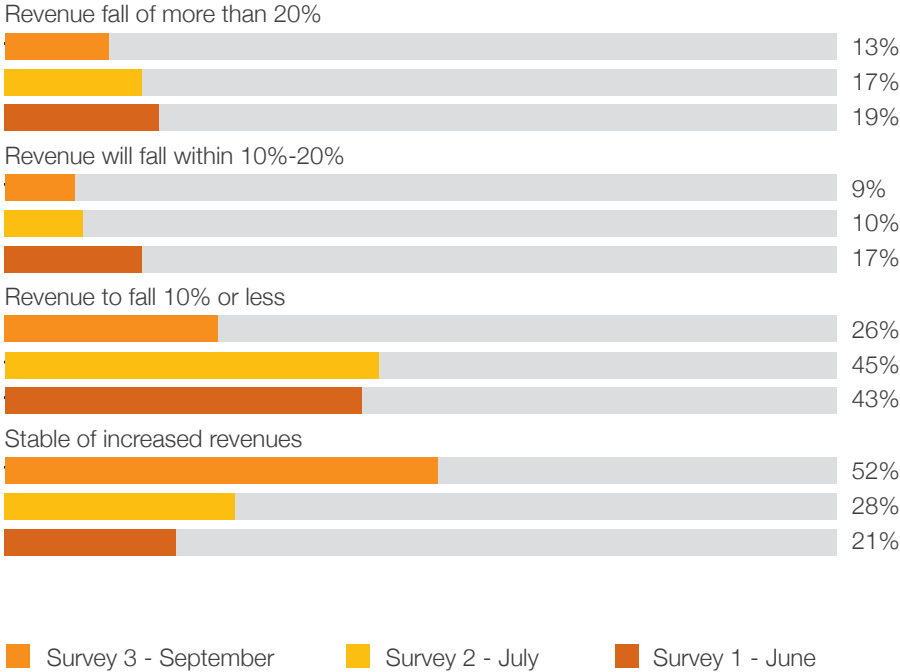
CONFIDENCE BAROMETER 2: REVENUES

When asked about the short-term outlook on company revenues, over half of CFOs surveyed (52%) indicated they expect revenues to remain stable or even increase in the coming six months, while just over a quarter (26%) predict revenues will fall by 10% or less.

This relatively optimistic outlook is likely an indication that company size and/or sector plays a significant role, with larger organisations and those in non-cyclical sectors being better positioned to survive the crisis than small- and medium-sized companies in affected sectors. The latest survey results on revenues, from the week of 24 August 2020, are more optimistic than CFOs' predictions in the previous surveys.

02

What are your organisation's predictions in terms of revenue in the coming 6 months?



THERE WILL BE NO GOING “BACK TO NORMAL”

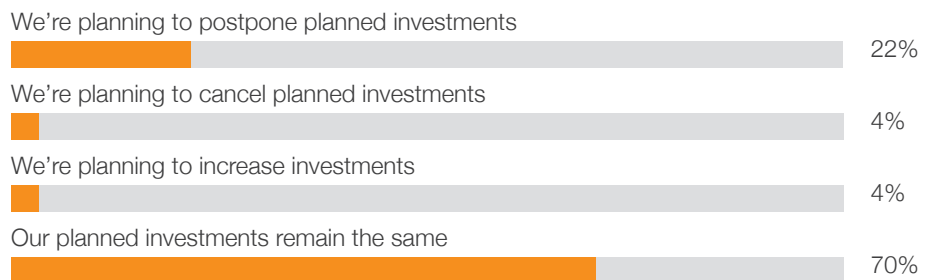
The business climate has sustained irreversible changes. The crippling hit to the economy has sent shock waves rippling across the globe. These extraordinary circumstances have forced companies in Belgium and around the world to face tremendous new challenges. This survey delves into those challenges through the perspectives of CFOs in Belgium. They provided insights on changes to operational and growth strategies, and speculation on the threats - and opportunities - that lie ahead.

MONEY MATTERS: THEN VS. NOW

While the hardest-hit companies are currently in survival mode and killing costs, many organisations have weathered the storm and are back to shaping their investment horizons. Compared to last year’s investment strategy, a vast majority - 70% - of CFOs surveyed say theirs has “remained the same.” Those on each end of the investment spectrum were a small minority, in line with the overall trend to maintain the status quo.

03

How has your investment strategy changed compared to last year?



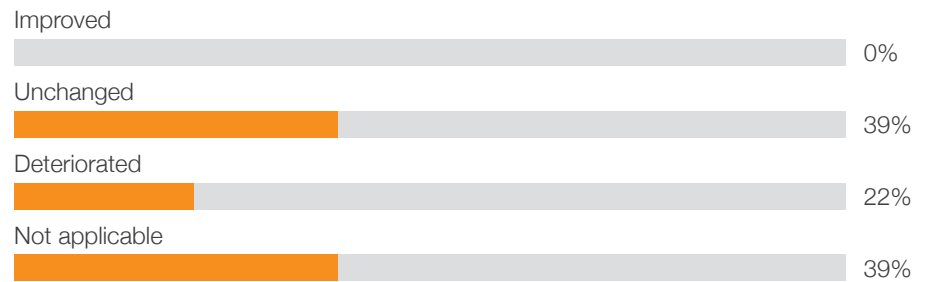
Of survey respondents, 39% feel that the willingness of banks to provide credit has remained “unchanged” since the pandemic hit, yet 22% claim it has “deteriorated.” Among those that took advantage of the Belgian government’s aid initiatives to help companies through the COVID-19 crisis, the majority - 56% - agree that the financial aspects such as credit terms are “effective.” When asked about the outlook for next year’s budget, the top two replies are evenly split at 35% apiece between developing different budget scenarios in relation to how the pandemic evolves, and not changing budget plans at all.



PwC Strategy & Operations Partner Peter Vermeire elaborates: “Since the onset of the pandemic, many companies have struggled to stay afloat. Others, however, have held steady throughout, namely those with adequate financial buffers heading into the crisis. These companies are in a position to maintain their pre-COVID-19 investment strategies, as are organisations that actually performed well during the crisis. On a larger scale, the more companies that maintain their investment strategies, the better it is for overall economic recovery.”

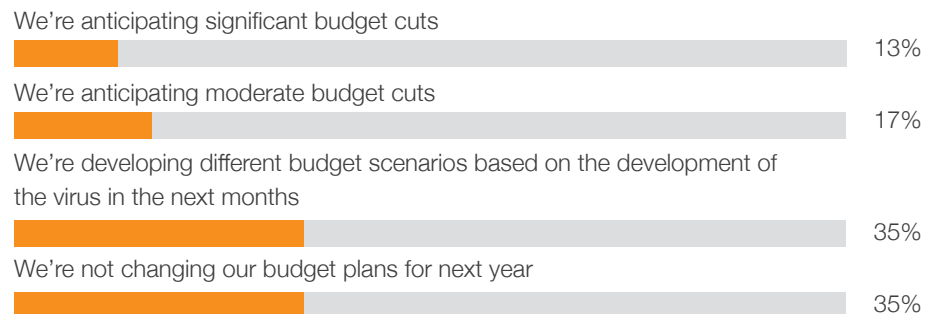
04

In terms of the willingness of banks to provide credit to your enterprise, how was your experience since the outbreak of COVID-19?



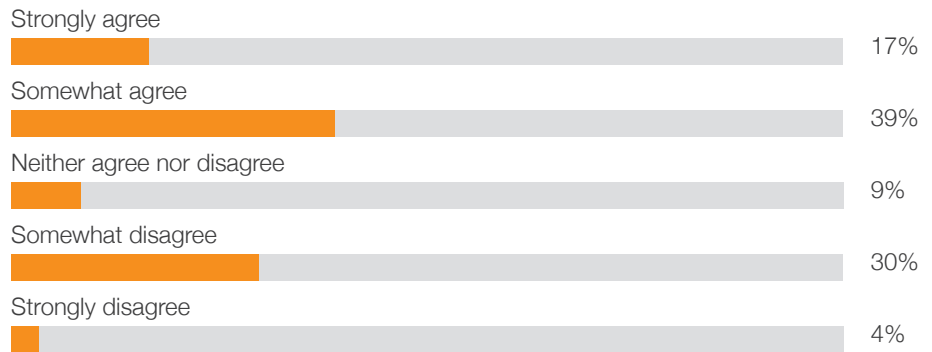
05

How are you currently planning for next year's budget?



06

To what extent do you agree that the government has taken effective measures to support businesses?



A CATALYST FOR CHANGE



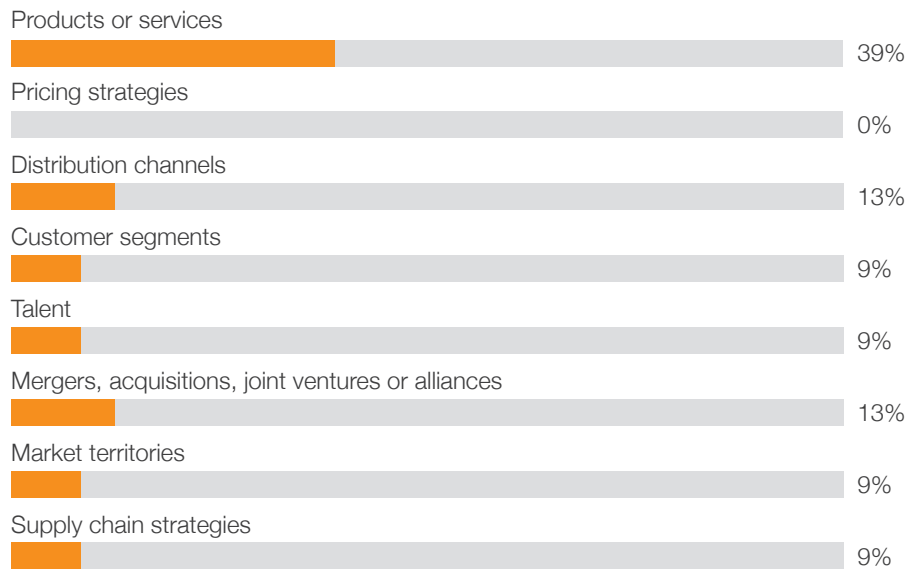
For many organisations, COVID-19 served as a catalyst within what was already a streamlined operation. Peter Vermeire explains: “For certain omnichannel retailers, for example, the potential for further improvement was brought to light by the crisis as the altered business climate pushed new considerations to the forefront: How do we consolidate the flow of products from certain territories? How do we implement a more efficient distribution strategy? In what ways can we streamline our inbound supply chain? Many organisations were already relatively lean and agile pre-COVID-19. The least agile companies are the most adversely affected, often having to implement drastic and potentially costly changes in a hurry.”



CFOs in Belgium agree that there are important changes to be made to enhance and rebuild revenue streams. When asked to identify these, 39% cited offering products and services that are better adapted to new market conditions as their top priority, followed by improvement of distribution channels and mergers and acquisitions opportunities, at 13% respectively.

07

Which changes will be most important to rebuilding or enhancing your revenue streams?



When looking at other territories, most CFOs from other global companies (63%) also specified new or enhanced products or services as most important to boosting revenue* — highlighting the fact that agility and adaptability will be major drivers on the road to recovery.

AND THE MOST CRUCIAL COMPONENT OF A FUTURE-PROOF COMPANY IS...



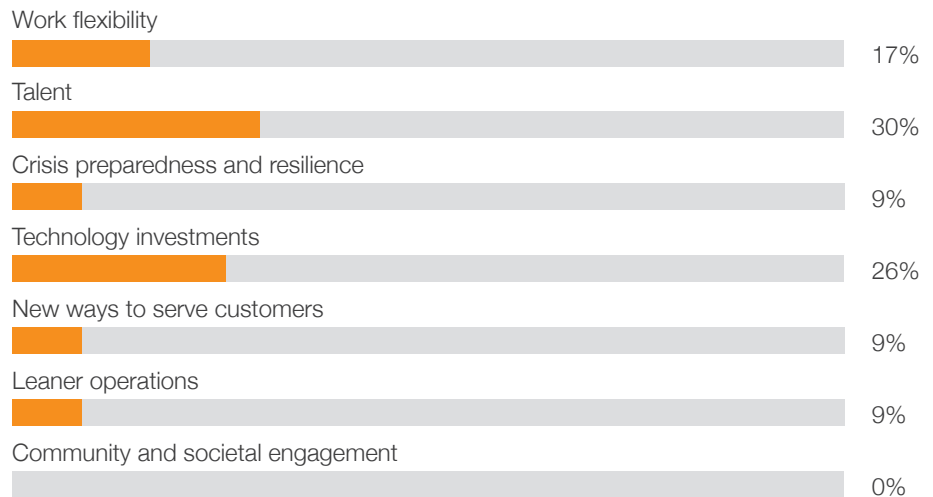
CFOs in Belgium pointed to their workforce as the most significant asset that will help drive continued success in the long run. “If you have the best talent,” says Vermeire, “your company will be structurally better over time. Having the right people on board enables all the other components companies need for success. But even for organisations with a top talent pool, attracting and retaining the right profiles remains a major consideration,” explains Vermeire. “A post-COVID-19 employment market may see an increase in available talent, as people seek to change employers once things stabilise. Time will tell.”



* PwC's 2020 EMEA Private Business Survey

08

What about the current situation will make your company better in the long run?



The focus on talent is echoed by [PwC's 2020 European Private Business Survey](#), which found that for Belgian entrepreneurial companies, the biggest threat to business development in the coming period is a lack of skilled employees (72%), which is significantly higher than the EU-31 average of 55%.

The [2019 EMEA Private Business Survey](#) reported a 28% rise in unrealised revenues due to skills shortages in 2018-19, resulting in losses of 414 billion euros among private businesses alone. The survey illustrated that skills shortages are holding companies back from realising their full potential, a problem that's costing revenue and significantly impacting the European economy. At the time the survey was published last year, losses due to skills shortages had increased dramatically across Europe compared to previous years.

Coming in behind talent are investments in technology and work flexibility, also cited by CFOs in Belgium as elements companies currently possess that will be instrumental to improving their organisations in the long term.

LOOKING AHEAD: THREATS AND OPPORTUNITIES

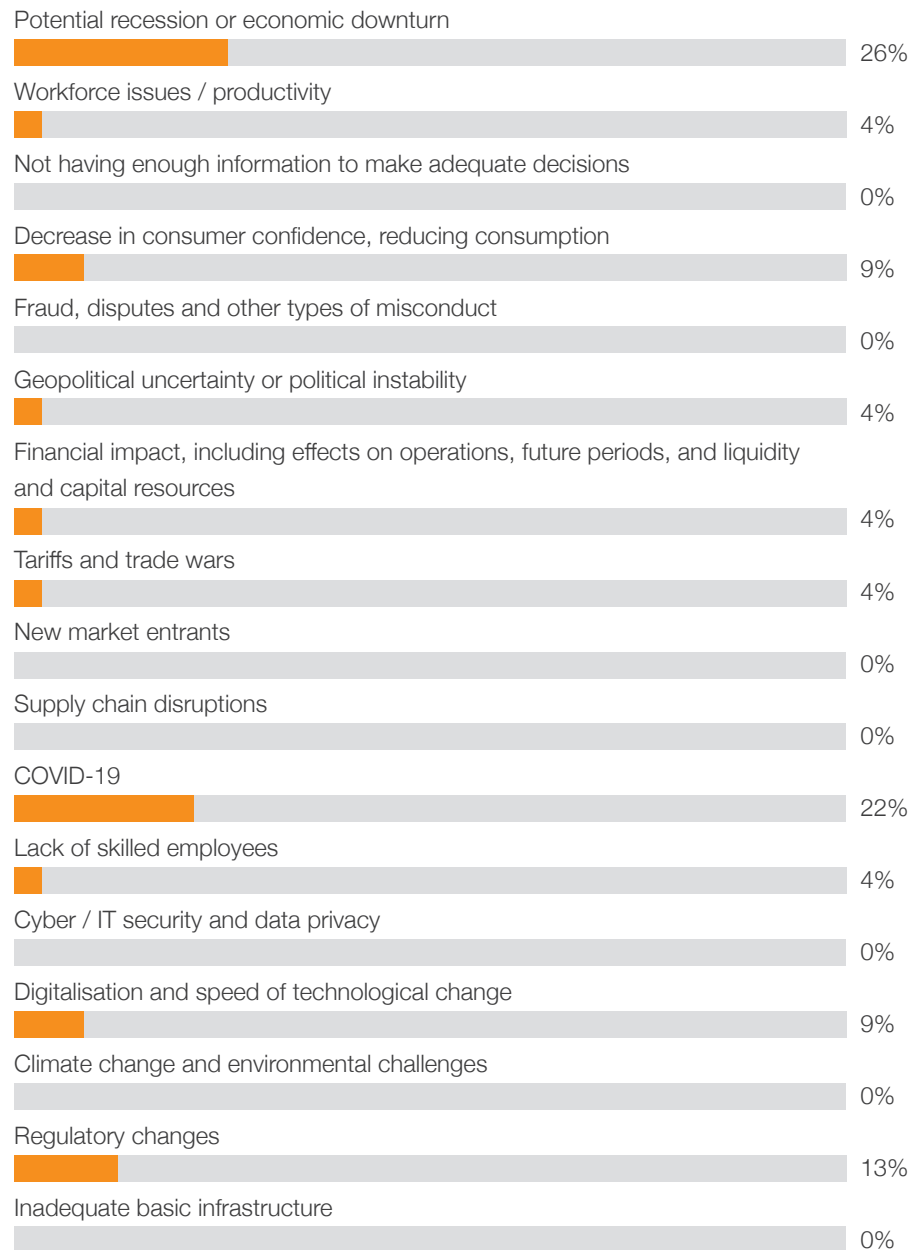
Participants (26%) named a potential recession or economic downturn as the main threat to their organisation in the first half of 2021, followed by disruptions due to COVID-19. Regulatory changes rounded out the top three main concerns in the near future.



Rudy Hoskens, Risk Consulting and Forensics Partner with PwC Belgium, explained that while COVID-19 is a unique situation, disruption is not: “A crisis like COVID-19 is showing its potential to spin off additional risks, each of which can create its own feedback loop of consequences. Other risks are hiding in plain sight. The cumulative “chain reaction” of this crisis is revealing stress fractures and gaps, but it’s also a good starting point for strengthened defences and interesting opportunities.”

09

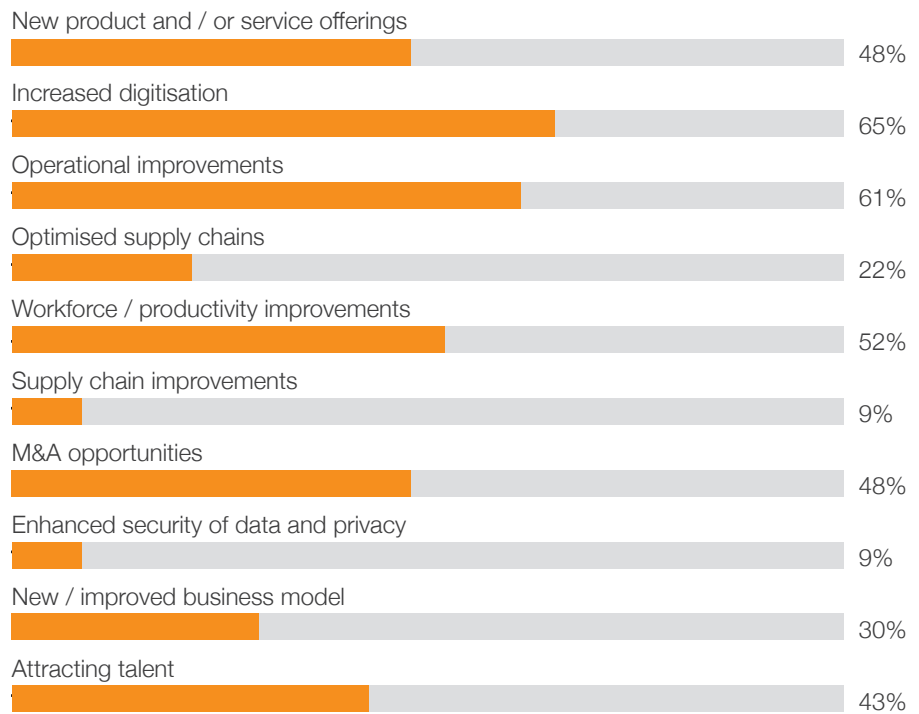
Which of the following threats specific to your organisation do you anticipate in the first half of 2021?



There's a silver lining in the black cloud of COVID-19. While CFOs in Belgium are wary of potential threats in the first six months of 2021, they also see opportunities: the majority, 65%, cite the increased pace of digitisation as an ongoing opportunity, followed by improvements in operations and workforce productivity.

10

What kind of opportunities do you see in the first half of 2021?



PROCEED WITH CAUTION



Nancy De Beule, Mergers and Acquisitions Partner with PwC Belgium, weighs in on the business climate ahead: "Although many companies have been able to overcome the initial shocks of the crisis, we will not be able to fully assess the economic picture until a good year from now. In fact, in the medium term, companies will also have to deal with indirect effects of this crisis, such as a reduction in consumer spending and the snowball effect of some of their customers being unable to pay outstanding debts."

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“Businesses which have had recourse to deferral of payments (as part of the COVID-19 government measures) as well as to the full extension of their credit lines will also have to meet their payment obligations at some point, which may be complicated if the period of uncertainty continues. We also see that banks are somewhat more risk-averse in granting additional credit, especially for the financing of acquisitions. The economic impact is therefore expected to be felt for a longer period of time. However, the survey results show that the situation also gives rise to opportunities for companies, both in terms of acquisitions and in improving their product offering, their way of working and even adapting their entire business model to the new reality in which we find ourselves.”

AGILITY IS THE WAY FORWARD

“

That the COVID-19 crisis is a major catalyst for change underscores the fact that innovation will be a driving factor during the recovery period. PwC Partner Peter Vermeire comments: “The disruptions brought on by the pandemic are accelerating existing trends and have been a strong catalyst for change. It’s no longer a standalone issue, but instead it’s forcing companies to rethink the way they operated in the past. Organisations are now having to look for ways to rebuild the top line in an uncertain environment. Driving revenue growth and being agile enough to confront a second wave of COVID-19 will require a multifaceted approach. Companies that adapt their business models, listen to their customers, adjust their offerings and innovate to drive a strong top line will be the ones that succeed.”



For questions about the survey or additional information on building financial resilience don't hesitate to get in touch.

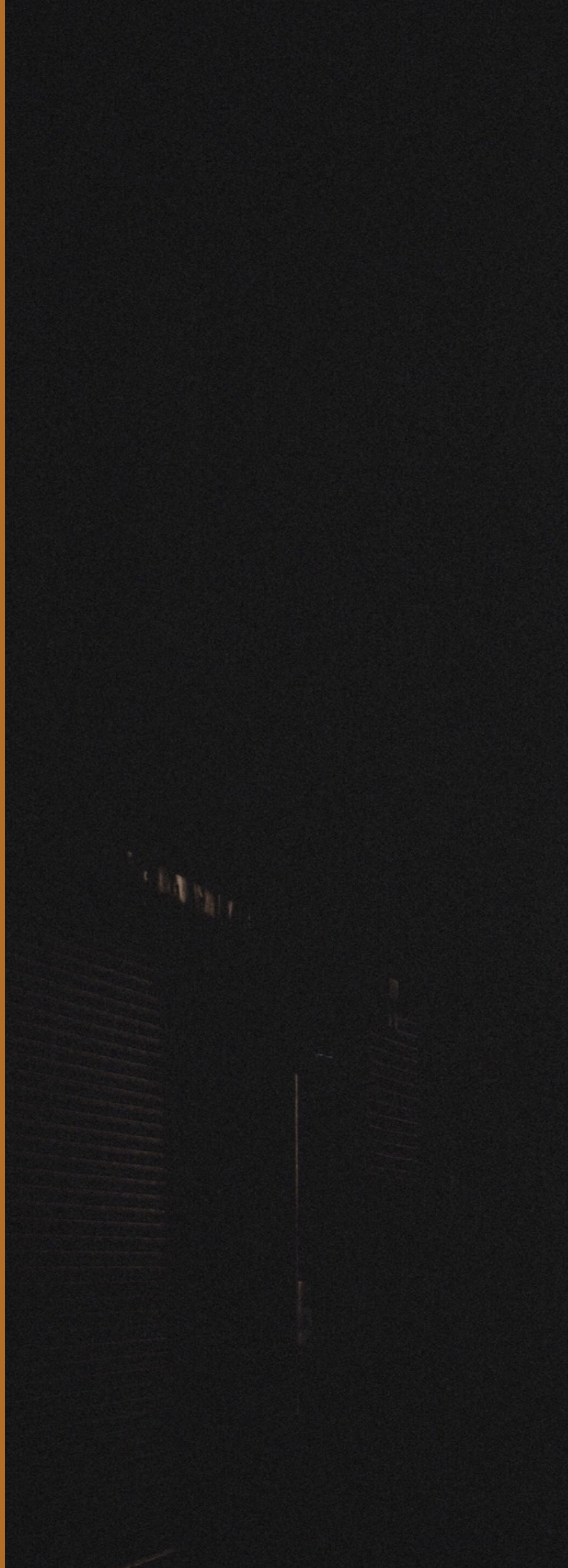
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LOCAL TRAFFIC AREA

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