

PwC's COVID-19 CFO Pulse Survey

PwC Germany - Wave 2 in a bi-weekly series

pwc.de/covid19



Participants

32 German CFOs, the majority from:

DAX30 / SDAX / MDAX

... plus selected financial services and middle market companies.

Globally, the survey was conducted in 32 countries, with 824 participating CFOs.

Approach & Results

Online survey with 10 questions, second wave from April 6-8 (first run conducted from March 19-21).

Bi-weekly repetition to help identify the business and economic impact of COVID-19.



Not as bad as expected? CFOs in Germany and COVID-19

Executive Summary (1/2)



Our second wave ran partly in parallel to the launch of consolidated forecast by the 5 largest German economic institutes (“Frühjahresgutachten”), which expects a rebound of the German economy in spring, and a GDP growth of 8.5% in the 3rd quarter of 2020. Moreover, since our last survey in March, the German government has launched its coronavirus crisis package.



Our survey results suggest that the government measures were successful in strengthening trust in Germany’s abilities to cope with COVID-19, and show a slight relief sentiment among CFOs in Germany: While German companies were in crisis mode and severely concerned in March, they now express a **more differentiated view**, separating the impact of the COVID-19 pandemic on society and business operations - which currently seems largely under control - from the **implications of the measures to combat COVID-19 on the world economy, which now move into focus.**



Overall, German CFOs are sharing positive indicators, showing that they are starting to work on pragmatic moving forward strategies where possible.

- **Financing and liquidity concerns are not widespread.** Cost containment continues to rank high on agendas (63%), **yet investments are not as much under pressure** anymore (only 50% think about deferring them, down from 64%)
- Similarly, government support programs / actions to address the economic fallout are top of mind in selected industries only - overall, 59% of companies currently do not expect to take advantage of such measures.
- Generally, these indicators will vary strongly by industry, with liquidity concerns and potential demand for government measures still high in certain sectors that have been severely hit (e.g. automotive, transportation, etc.).

Not as bad as expected? CFOs in Germany and COVID-19

Executive Summary (2/2)



Not surprisingly, the **assessment and sentiment varies greatly across countries** and is dependent on their respective COVID-19 evolution stage. While some countries began to see a slowdown in new cases of the novel coronavirus, others are still nearing or reaching their peak. This is why some are already making moves towards resuming their businesses, whereas others are still clearly in the early stages of crisis response, not yet thinking about strategies for recovery.

- The optimistic tendencies of CFOs in Germany, Switzerland and Denmark are in stark contrast to the perceptions in other countries. The **level of concern of German CFOs has dropped by 23 percentage points** to 56% expressing that COVID-19 has the potential for severe impact on their business (US: 74%, +13 percentage points).
- The expected time to get back to “business as usual” is widely different, and German CFOs are most optimistic (31% expecting this to take less than one month, versus 20% worldwide). These expectations should be grounded in realism. **The response window for crisis is measured in months, while recovery is measured in years.**



Despite these positive indicators for Germany, it needs to be remembered that COVID-19 is a global crisis, and negative developments in other parts of the world and especially in the USA will inherently impact German businesses too, which are heavily reliant on EU and transatlantic export markets, and global supply chains.

- Consequently, **global recession** (69%, +12 percentage points) and **decrease in consumer confidence** (34%, +23 percentage points) are top concerns for CFOs, besides the financial impact of COVID-19 (72%, +18 percentage points).
- While CFOs are not as concerned about supply chain disruptions, **38% (up from 18%) are saying they are thinking about changing their supply chains** (vendors, facilities, markets) to account for new realities.

More food for thought, based on our survey results

Forward-looking thoughts



Surprisingly few CFOs named insufficient information to make good decisions as a concern. In the current situation, which continues to be characterised by high levels of uncertainty, we recommend putting risk monitoring and **(predictive) scenario planning on top of the priority list**, to be prepared for different scenarios besides and including the often assumed “v-scenario”.



Preserving flexibility and liquidity is crucial and even if participating in government measures might not be needed at this stage, knowing which **tax, legal and economic measures** might be relevant - also in markets other than Germany - will be critical to be prepared should alternative scenarios come into play or should other markets with operations be confronted with a worsening situation.



In view of the heterogeneous situation in several key markets across the globe, **companies should invest in supply chain reviews and identification of weak links, as well as mitigating actions.**



For Chinese companies, **COVID-19 has been a catalyst to re-think business models - and German companies should leverage a more stabilised situation equally to review business models**, invest in innovation and prepare for “business as usual”, which won’t be the same as pre-COVID-19.

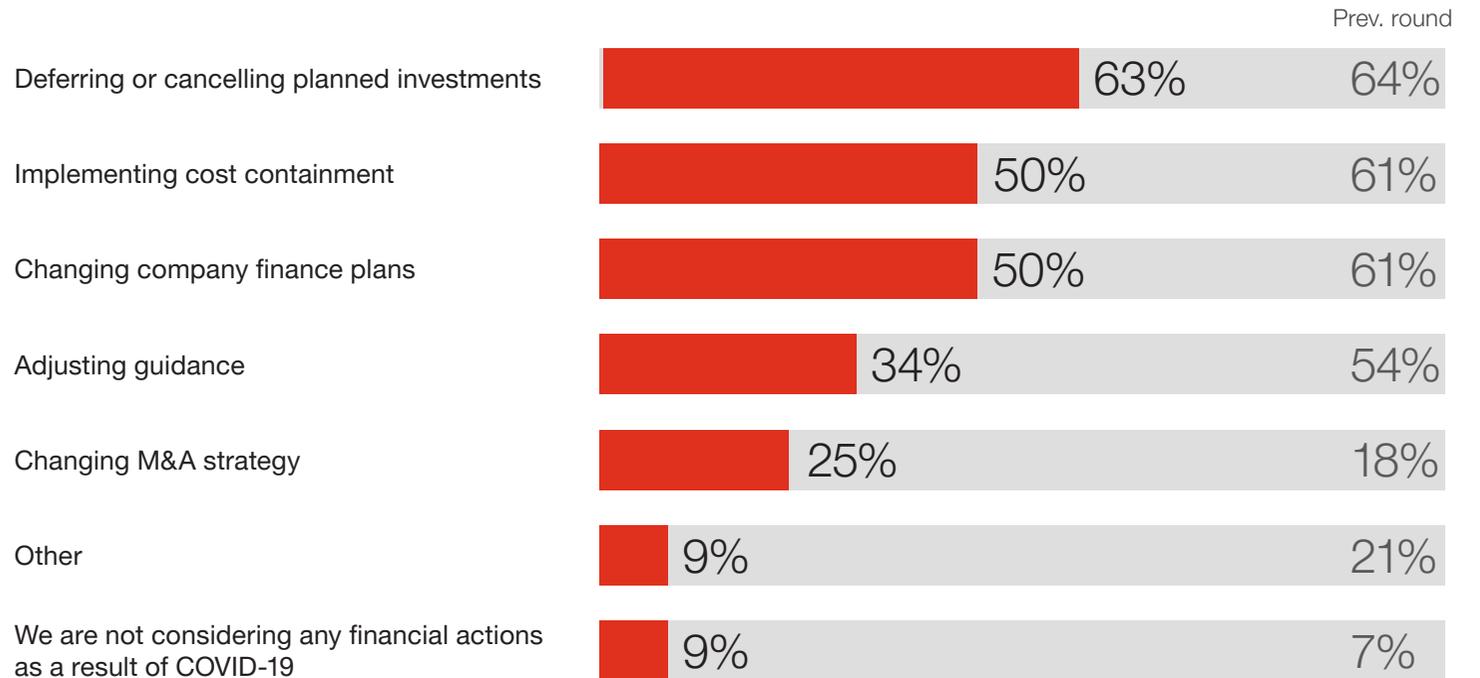
Companies are taking action to manage financial impacts

Companies are most likely to be deferring or cancelling planned investments to manage the expected impacts.

Many will also implement **cost containment** measures or change their company's **financing plans**.

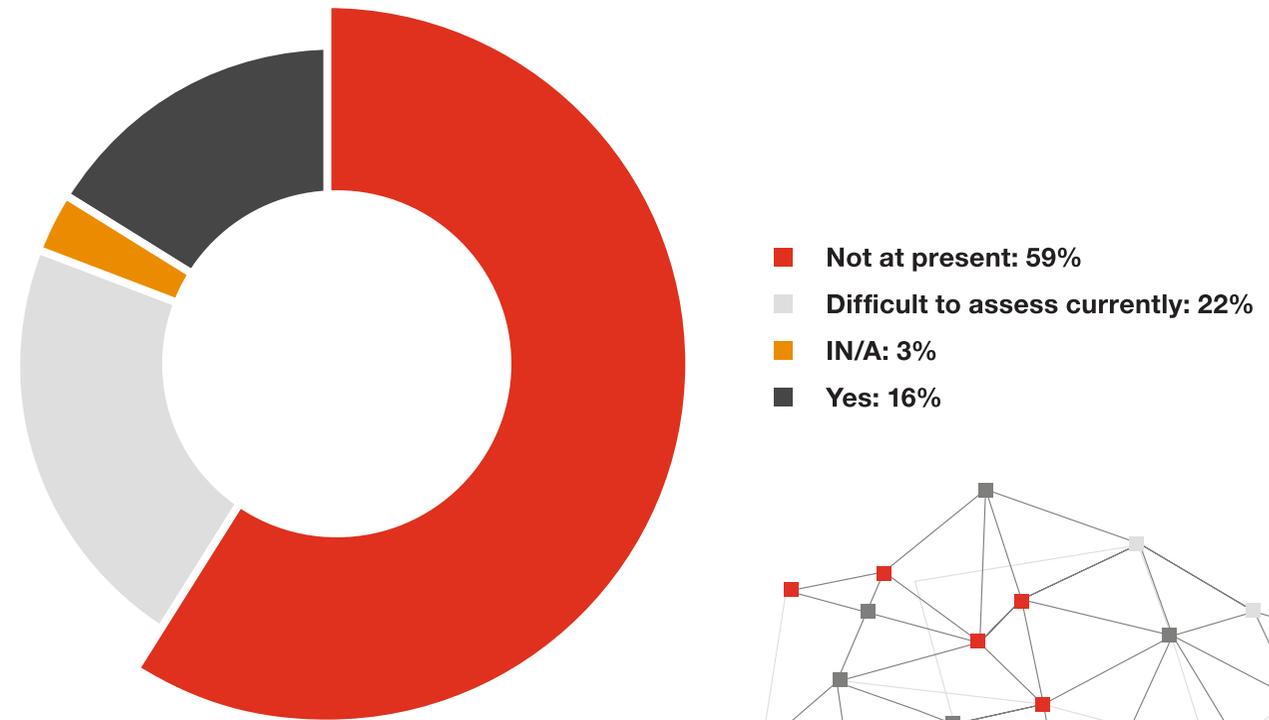
And more than half are planning to adjust their guidance to investors.

Q: Which of the following financial actions is your company considering as a result of COVID-19?



Low level of support through government programs required

Q: Is your company planning on or considering taking advantage of any government program/action designed to address the economic fallout from COVID-19?



59%

are not planning to take advantage of government programs / actions to address the economic fallout at present

Increasing optimism of German CFOs is in stark contrast to developments worldwide, and especially in the US

Level of concern related to COVID-19
– % saying **“significant impact on business operations”**

Δ change to last wave

Expected impact on company revenue and / or profits – % saying **“decrease”**

Δ change to last wave

Expected time to get back to “business as usual” – % stating **“more than 1 month”**

Δ change to last wave

Germany



-23PP



-15PP



+5PP

US



+13PP



+7PP



+14PP

Worldwide



+9PP



n/a



+16PP

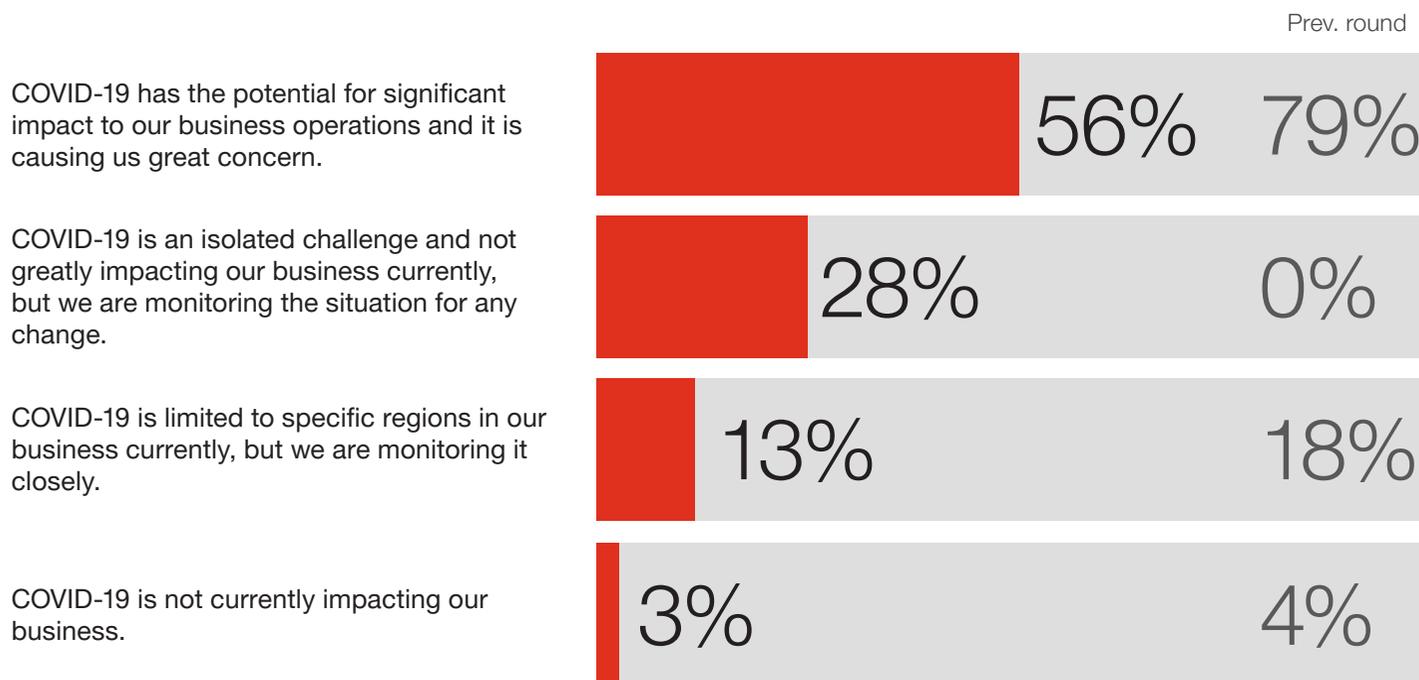
German companies are less concerned about COVID-19

German companies are less concerned about COVID-19:

56%

say that COVID-19 has the potential for significant impact to their business operations (compared to 79% two weeks before).

Q: What is your company's current level of concern related to COVID-19?

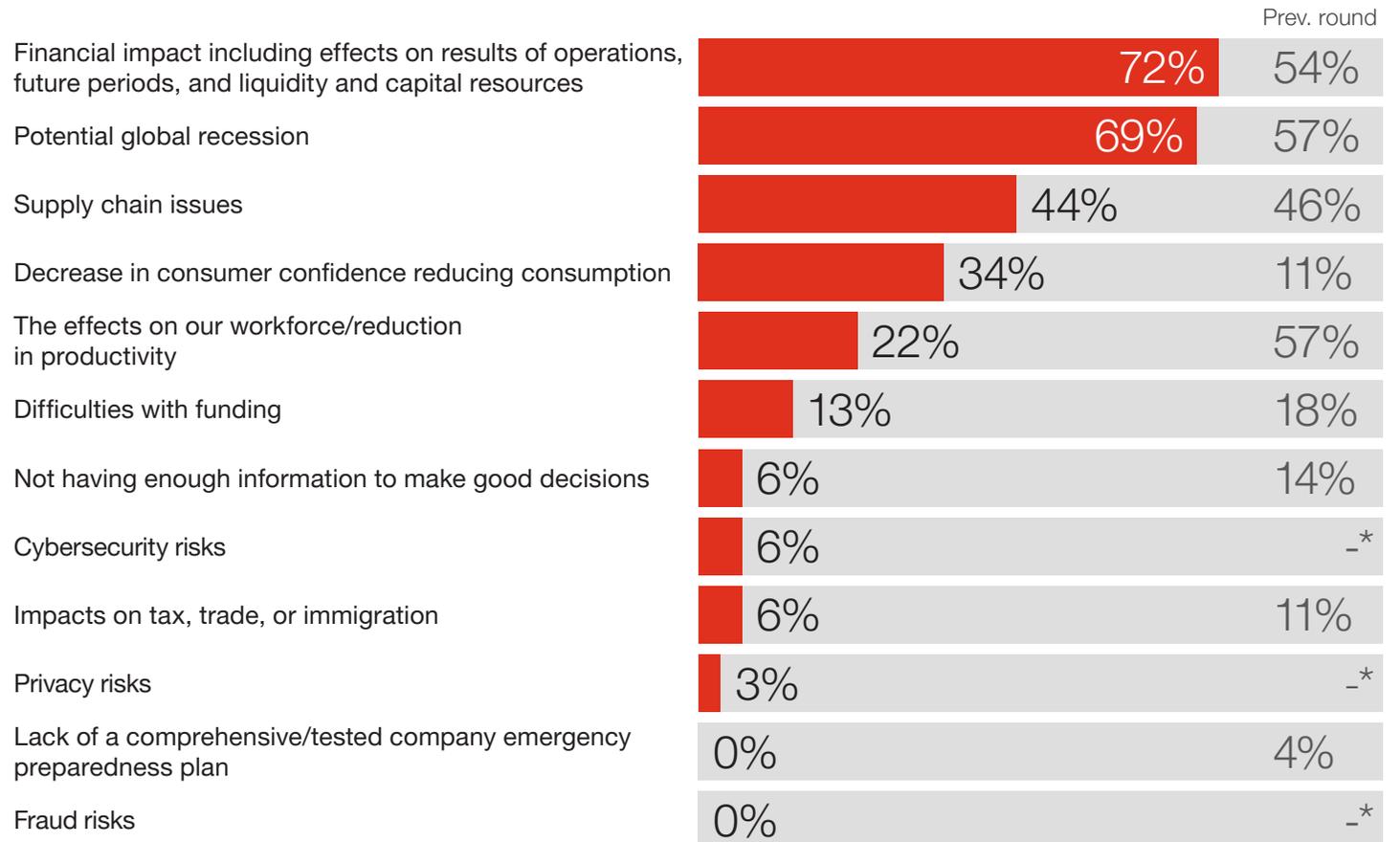


Top concerns should be actively addressed now

CFOs are concerned about a **global recession**, as well as the **financial impact** of COVID-19 on their **operations, liquidity and capital resources** in future periods.

Decrease in consumer confidence is becoming a greater concern with CFOs.

Q: What are your top 3 concerns with respect to COVID-19?



* New answer opportunity in this survey round.

Supply chain impacts are moving into focus

Q: As a result of COVID-19, are you considering changing the breadth of your supply chain (e.g., vendors, facilities, markets)?

Supply chain impacts are moving into focus, with

38% (previous round: 18%)

currently considering changing the breadth of their supply chain (e.g. vendors, facilities, markets).



- Yes: 38% (prev. round: 18%)
- No: 38% (prev. round: 64%)
- Not sure: 25% (prev. round: 18%)

PwC COVID-19 CFO Pulse Wave II

Key Findings

1

Slight optimism

The level of concern of German CFOs has dropped by 23 percentage points to 56% expecting that COVID-19 has the potential for severe impact on their business. However, the situation varies strongly across industries

2

Trust in government

Government measures seem to have been successful in strengthening trust in Germany's abilities to cope with COVID-19. Financing and liquidity concerns are not widespread

3

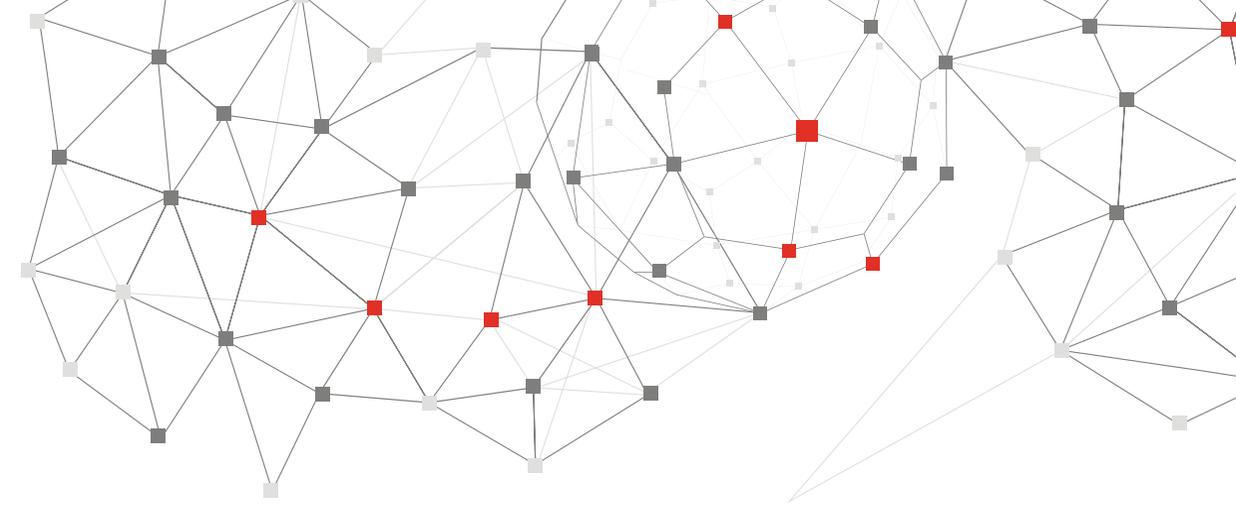
World economy moves into focus

69% of respondents mention a potential global recession as their top concern, reflecting the fact that COVID-19 is a global crisis and many important export markets and trade partners are at different stages in their COVID-19 evolution

4

Pragmatic moving forward strategies

As CFOs get more optimistic, investments are not as much under pressure anymore - the share of those considering to defer them drops to 50%, down from 64%



COVID-19 CFO Pulse

Contacts



Dr. Ulrich Störk

Chairman of the
Management Board
PwC Germany



Mark Smith

Member of the
Management Board
PwC Germany



Clemens Koch

Member of the
Management Board
PwC Germany



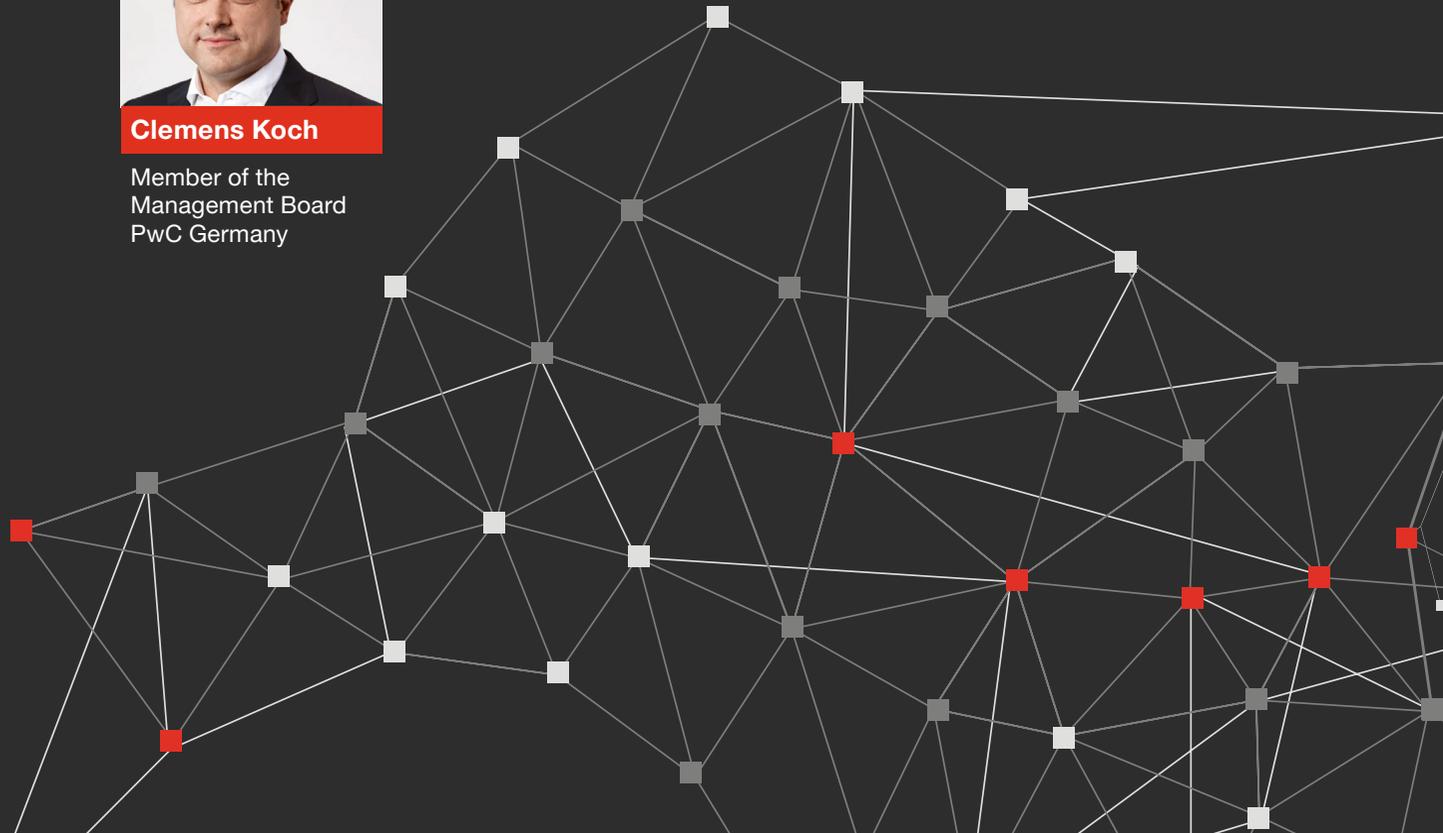
Alexandra Firnges

Marketing
PwC Germany



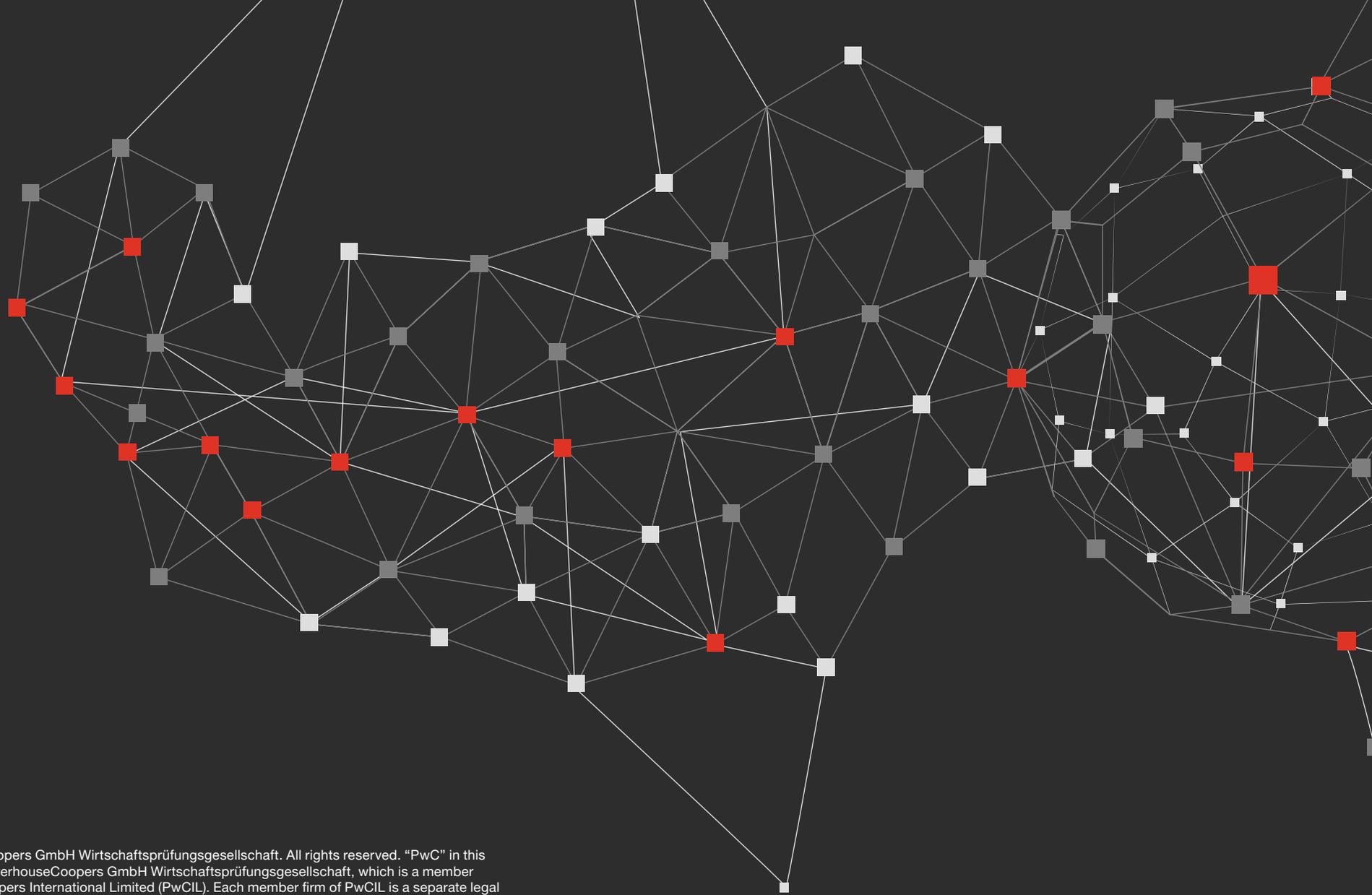
Santo Pane

Communications
PwC Germany



About the survey

To help identify the business and economic impact of COVID-19, PwC is conducting a periodic survey of finance leaders in Germany.



© 2020 PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft. All rights reserved. "PwC" in this document refers to PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, which is a member firm of PricewaterhouseCoopers International Limited (PwCIL). Each member firm of PwCIL is a separate legal entity. Please see www.pwc.com/structure for further details.

This content is for general information purposes only and should not be used as a substitute for consultation with professional advisors.

pwc.de/covid19