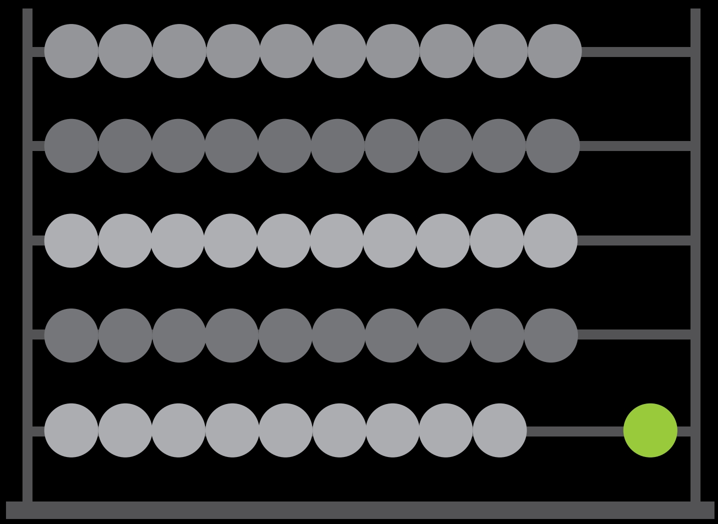
2013



The New Zealand CFO survey

Partly sunny, with a chance of showers

Deloitte.

Contents

Chief Financial Officers (CFOs) play an important role in the New Zealand business community. Understanding their views on their own business, the current state of the economy and where they see risks and opportunities provides important insights into New Zealand's economic direction. Since 2009, Deloitte Australia has been conducting a quarterly survey of Australian CFOs, which has become one of the preeminent Australian benchmarking surveys of corporate financial sentiment.

Using the methodology of our Australian colleagues we are pleased to present the inaugural Deloitte New Zealand CFO Survey, which we will conduct annually. This report outlines the views and sentiments of New Zealand CFOs, and we hope it will add value to your business as a general economic indicator.

To ensure we received accurate information, that truly reflects the New Zealand business environment, from March to May 2013 we surveyed close to 100 CFOs from a range of locations, industries and business sizes. We have pulled insights from the New Zealand CFO community, as well as comparing these to CFO peers in Australia, which provides an interesting benchmark against our largest trading partner.

The results of our survey clearly show that CFOs are upbeat about the future. While they are still concerned about issues in Europe and the slow-down in China, they are far less worried about the U.S. The on-going low interest rate environment is manifested in more positive attitudes towards risk, credit and funding.

As a result, CFOs are more confident than they have been for some time. This also suggests there has been a fundamental shift in perspective, most notably a growing acceptance that current uncertainty in the business environment is a new status quo.

While there is growing optimism, CFOs aren't enjoying the sun just yet. Caution still characterises many business strategies. The outlook for M&A remains overcast, with most CFOs focused on more pressing priorities or not actively seeking out opportunities.

The forecast may be somewhat brighter than it has been for some time, but it's clear that CFOs still think there's a chance of showers – and are dressing accordingly.

Peter Gulliver
Lead Partner, Audit

The Deloitte CFO Survey
Partly sunny, with a chance of showers

Key points from the CFO Survey

- Net optimism is high. However, many CFOs are cautious in their views on the economic outlook, suggesting entrenched uncertainty.
- Improved confidence levels are partly due to the improved global economic climate. CFOs were less worried about the U.S., but challenges in Europe remained a constant concern, closely followed by a patchy New Zealand economy and potential slowdown in China.
- CFOs are becoming more used to uncertainty. Thirty-four per cent of CFOs said that current market uncertainty was normal, more than half expected uncertainty to last one to two years, and 6% saw it lasting indefinitely.
- Low interest rates have had an impact on the financial picture, bank borrowing is cheap and therefore seen as the most attractive source of funding. CFOs are showing signs of being risk averse, as such internal funding closely follows as an attractive source of funding.
- Most CFOs thought New Zealand balance sheets were optimally geared. Twenty seven per cent thought that they were under-geared, but 23% still intended to deleverage.
- Almost half of CFOs had more pressing priorities than M&A. A further third were not actively seeking targets, but were open to exploring opportunities to buy or sell. However, 36% said their attitude to M&As is optimistic in the next 6 months.

Optimism amid uncertainty

The outlook is looking somewhat brighter and currently there is a sense of optimism among CFOs. New Zealand may be very close to emerging from the shadow of a stagnant economy coming out of the recession, but results from our survey indicate that CFOs are hesitant about making any big moves.

Although CFOs are more confident in their optimism, we've seen that there is still a heightened sense of uncertainty which is arguably becoming entrenched across a large section of the economy. Improving confidence is not restricted to Australasia. North American CFOs were significantly more confident this quarter, following three quarters of declining optimism. This could, however, simply be a symptom of 'New Year good cheer', as the U.S. version of this survey has reported a boost in optimism in Q1 for the last three years, only for confidence to decline as the year progresses.

The impact of some external economic factors appears to be lessening. U.S. economic uncertainty is causing significantly less anxiety than the slowdown in China. Even so, concerns over European debt are constant. Indeed, uncertainty is becoming the new status quo. One third of CFOs described the current level of financial and economic uncertainty as normal. In addition, more than half of CFOs expected the current level of uncertainty to last for one to two years, while 6% believed that it will continue indefinitely.

Investment in business

There is disconnect between CFOs feeling more confident in their business' financial prospects and the investment they are willing to put into their business. Although optimistic they are still cautious, with a net 64% of CFOs believing external financial and economic uncertainty is above a normal level.

Risk appetite may largely be in the negative (67% of CFOs said now wasn't a good time for greater risk on the balance sheet), but a healthy one-third of CFOs believe that it was a good time to take greater risk onto their balance sheets. In addition, a net 8% of CFOs expected to increase headcount levels.

Almost three quarters of CFOs expressed that they expect revenue to increase over the next 12 months. The largest expected increase in key metrics by far.

Additionally, there is awareness among CFOs that their businesses need to build their systems, processes and strategic capabilities. However, this awareness, combined with the expectation that revenue will grow, isn't reflected in their investment and spending intentions.

A net 23% of CFOs expect to reduce discretionary spending, including training and marketing. Discretionary spending is a potentially important area if a skills and capability gap is to be addressed. Rather than aggressive growth (such as via M&As) many New Zealand corporates preferred to focus on other growth strategies, such as organic expansion (75%).

Just a third of CFOs were optimistic about conducting M&A activities in the next six months, and more than half were neutral on the subject. Almost half of CFOs said there were more pressing priorities within their organisations, while 37% said they were not actively seeking but are open to exploring opportunities to buy or sell. Again, this suggests that companies are still in a holding pattern when it comes to growth strategies.

There are many signs that businesses are waiting for the environment to get better before they take action. Many CFOs recognise a need to invest but they are wary and still very cautious.

Opportunities and funding strategies

Now is the time to take advantage of growing optimism and an expected increase in revenues. These positive forecasts present an opportunity to proactively grow business. There are signs that many CFOs plan on doing this in the next 12 months as introducing new products/services or expanding into new markets is on the agenda for business strategies of 67% of CFOs.

An important consideration of this growth is how it will be funded. Bank borrowing has superseded internal funding as the most attractive funding source. This is not a surprise given the low interest rate environment. Corporate debt continues to be attractive to organisations, and equity is also being viewed somewhat favourably because of the buoyancy of New Zealand's equity markets and the high level of bank deposits looking for higher returns.

Just over one-third of CFOs felt that credit was cheap or very cheap and, three-quarters of respondents saw credit as somewhat or very available.

While debt is more affordable and available, corporates are still taking a conservative approach to gearing. Forty-three percent of CFOs thought New Zealand balance sheets were optimally geared, with 30% believing balance sheets were over-geared. There are intentions to raise gearing among 29% of CFOs. Meanwhile, 23% expected to reduce gearing and 42% predicted no change. Again, this suggests that, while confidence might be improving, companies aren't prepared to take major steps just yet.

Finance function – time and talent

On average, CFOs allocated 61% of their time to controlling and operating their business (acting as a steward and operator) compared to 39% spent on implementing strategy and driving change (acting as a strategist and catalyst). More than half of the CFOs surveyed considered budgeting and financial planning skills as the top capability they would like to improve within their existing finance team. This was closely followed by strategic planning, and improved financial processes and controls.

Looking further into the future, the capabilities CFOs most wanted to develop or acquire for their teams were skills in translating information into insight and recommendations, closely followed by analytic skills.

Optimism amid uncertainty

Net optimism of New Zealand CFOs for the last three months is comparable to Australia with 37% of CFOs feeling positive when considering their company's financial prospects.

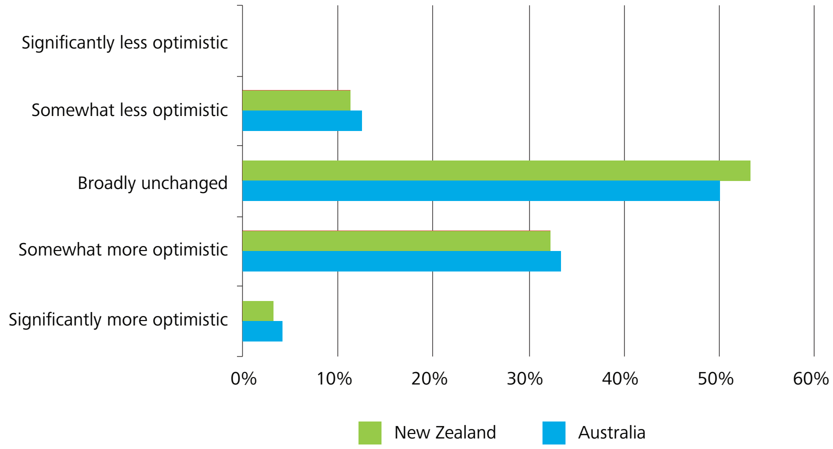
Although half of all New Zealand CFOs thought there was neither a negative or positive change to their financial prospects, over a third believes things are improving.

Improving confidence is not restricted to the Southern Hemisphere. The net confidence of North American CFOs leapt from –11% last quarter to 32% this quarter.[1] This result comes off the back of three quarters of declining optimism. However, this could be a symptom of 'New Year optimism', as the U.S. version of this survey have reported a boost in optimism in Q1 for the last three years, only to have confidence decline as the year progresses.[2]

Chart 1

Financial prospects

Percentage of CFOs who are more optimistic about the financial prospects of their company than they were three months ago



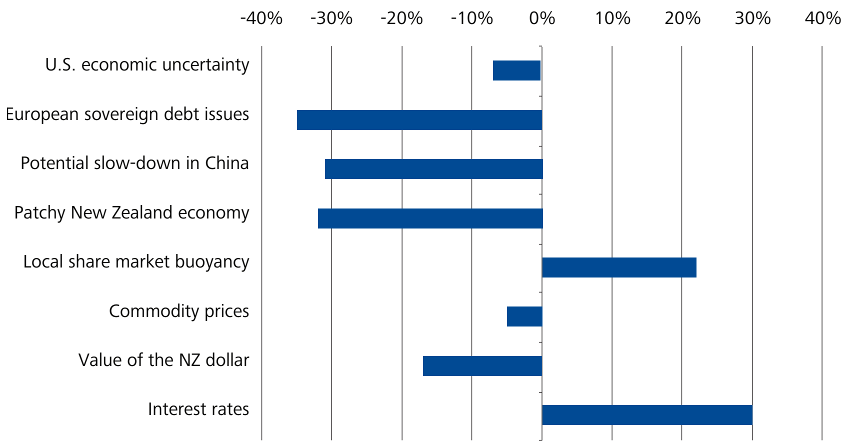
The impact of global economic factors on optimism levels appears slightly more of a worry than the domestic economy, reflecting the impact the state of our trading partners' economies have on our export-based companies, and the economy more generally.

While, only net 7% of CFOs were worried about U.S. economic uncertainty following easing concerns over the fiscal cliff, net 31% of CFOs cited the slowdown in China as a concern. Similarly, European sovereign debt is a significant concern over the previous quarter, possibly influenced by the banking crisis in Cyprus during the survey period.

Chart 2

Impact on levels of optimism

Extent to which CFOs net optimism levels have been affected by external economic factors



[1] *The Deloitte CFO Survey (UK): (Q1 2013), Deloitte.*

[2] *CFO Signals: what North America's top finance executivesare thinking – and doing (Q1 2013), Deloitte.*

Closer to home, the patchy New Zealand economy continues to be the highest-rated domestic negative impact on CFO optimism. With New Zealand's economy being largely export, the value of the New Zealand dollar was rated by a few CFOs as having an extremely 'significant negative impact' on optimism. Overall, net 17% of CFOs saw the high dollar as having a negative impact.

A boost in confidence created by low interest rates has improved optimism with 36% of CFOs saying this factor had a positive impact.

In Australia, recent political instability continued to drive concerns over Federal Government policy uncertainty. This continues to be the highest-rated 'significant impact' on CFO optimism, and is likely to dampen business sentiment until September's federal election.

An earlier boost in confidence in Q4 2012 created by falling interest rates in Australia also abated this quarter.

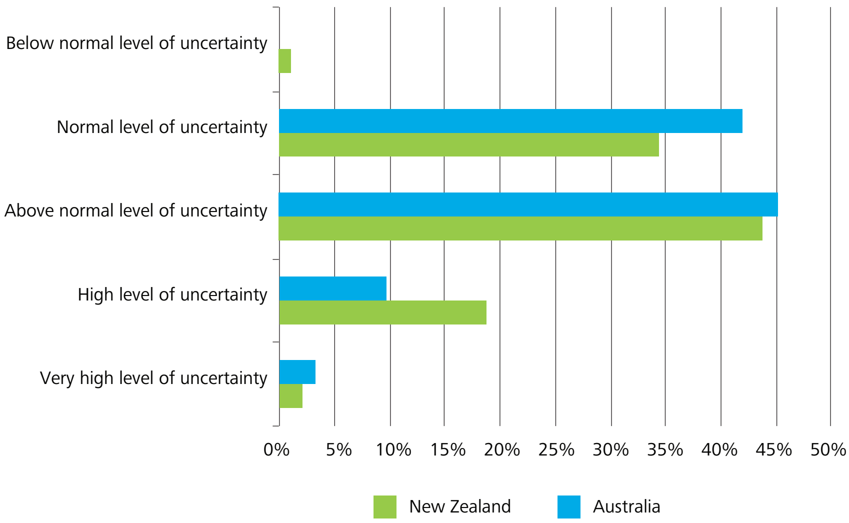
Uncertainty is widespread in New Zealand and becoming the new status quo in Australasia. In New Zealand 34% of CFOs describe the current general level of external financial and economic uncertainty facing businesses as normal. Australia is even higher with 42% of CFOs saying the same thing – the highest level in two years.

A significant net 64% of New Zealand CFOs said general levels of economic uncertainty were above normal in some way. Compare this with 58% of respondents in Australia who said that the general levels of economic uncertainty were above normal. Australian CFOs sentiment around uncertainty is tracking down (from 76% last quarter). This increased confidence may well filter over to New Zealand in time.

Chart 3

Financial and economic uncertainty

CFOs views on the general level of external financial and economic uncertainty facing businesses



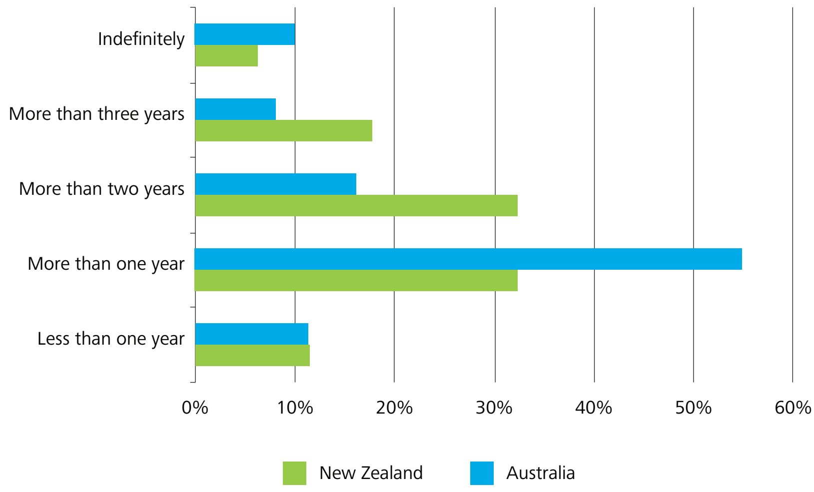
New Zealand CFOs are divided on the expected length of current levels of uncertainty. But it is clear that a majority see it stretching on well beyond one year. Almost a third of CFOs believe uncertainty will last between one to two years, that same number believe it will last two to three years and a further 18% see it lasting longer than three years. Compared to Australia, New Zealand CFOs are more wary of current levels of uncertainty lasting well into the future.

In Australia, more than half of CFOs expected the current level of uncertainty to last between one and two years. The number of CFOs who believed it would continue indefinitely rose to 10%, reflecting a growing acceptance of uncertain conditions.

Chart 4

Timeframe for uncertainty

CFOs expectations of how long the current levels of uncertainty will last

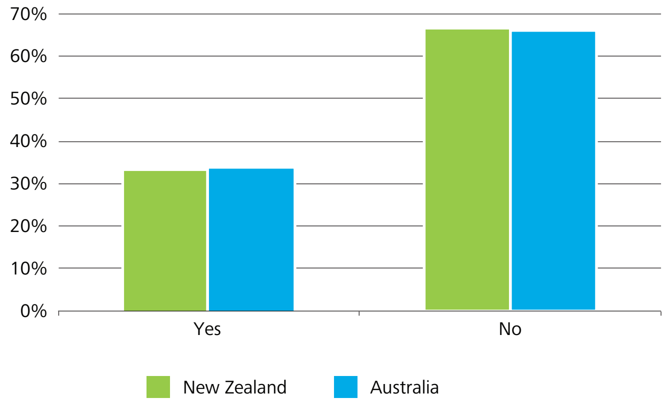


New Zealand is comparable to Australia in its appetite for risk, overall we are only fractionally more cautious. Risk appetite has continued to grow in Australia with more CFOs believing that it was a good time to take greater risk onto their balance sheets since Early 2011. This is the highest level of risk appetite in close to two years, and is more than double the low of 14% in Australia six months ago.

Chart 5

Attitudes towards risk

Percentage of CFOs who believe now is a good time to take risk onto corporate balance sheets

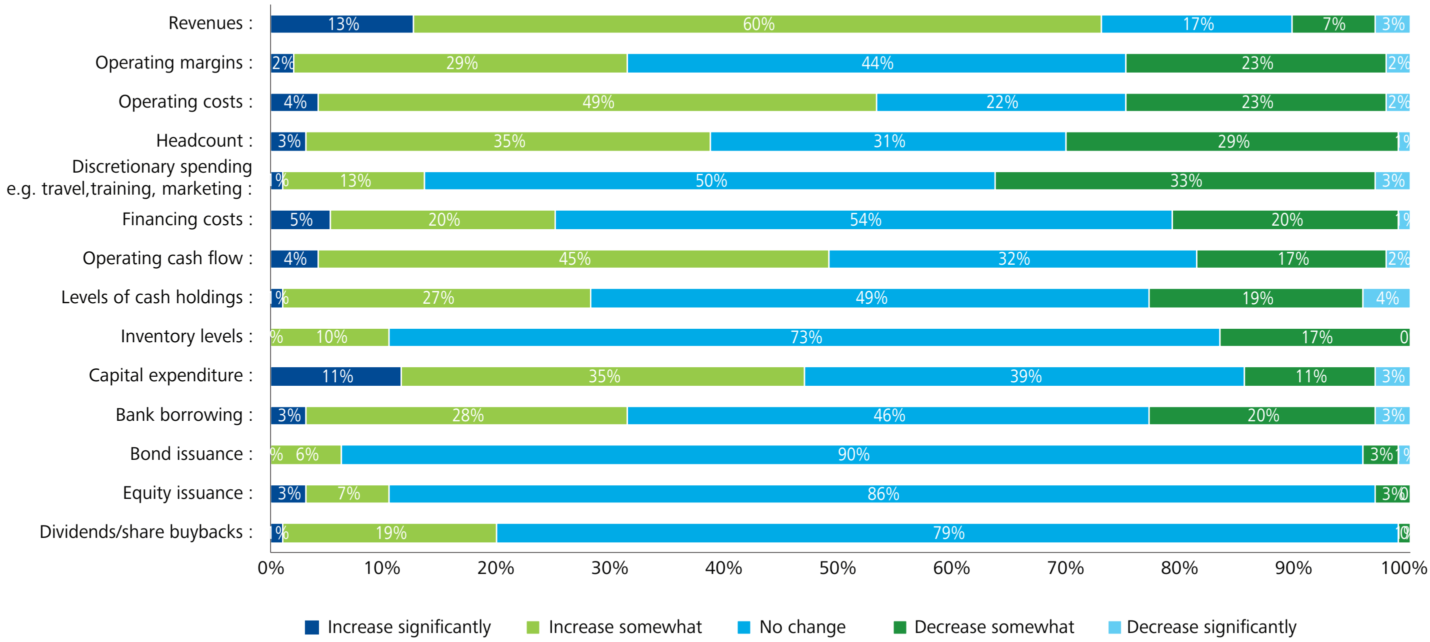


Investment in business

Chart 6

New Zealand business metrics

Percentage of CFOs who think the following business metrics will increase for New Zealand corporates in the next 12 months



There are positive views on projected revenues. Just under three-quarters of CFOs expected revenues to increase in the coming year with 49% expecting operating cash flow to grow as CFOs continue to look for ways to extract additional growth in this area.

There is also good news on the employment front, with 38% of CFOs expecting to increase headcount, compared to only 30% who are looking to cut staff numbers. Australian CFOs are looking to cut even fewer jobs with only 24% saying they will take this action. Most CFOs planned little or no changes in bond issuance, equity issuance, dividends, share buybacks and inventory levels over the next year.

NZIER Perspective

Profit growth in the next year will come from recovering sales. The operating environment will remain competitive and challenging. Operating margins will barely budge, as firms are unable to increase prices effectively.

While firms will look to ride the economic recovery and sales, they would like to see it fill up their coffers and run down inventories. Firms are more willing to invest in capital than labour and are still being cautious about discretionary spending.

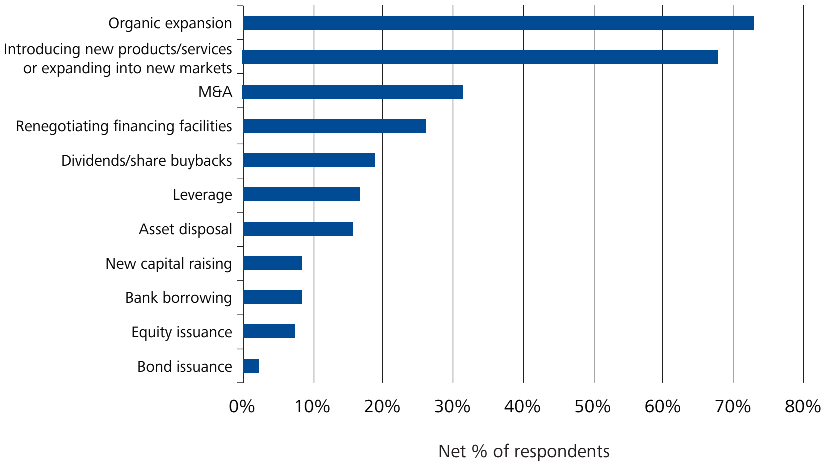
Shamubeel Eaqub, Principal Economist, NZIER

Firms are looking to grow mainly through organic expansion (net 73%) and through new product or markets (net 68%). There is still limited appetite for additional leverage, a different capital structure or M&A. However, firms are warming towards M&A and net 31% of CFOs expect to be more active over the next 6 months, perhaps as the economy and sales recover further, providing the confidence to take on additional risk. Even more of our Australian peers (40%) believe M&A activity will increase.

Chart 7

Business strategies

Net percentage of CFOs who have identified the following business strategies as a priority over the next 12 months



Over one-third (36%) of New Zealand CFOs were optimistic about M&A activity over the next six months. While only 4% were pessimistic, 59% were neutral about pursuing opportunities. These stats are marginally more optimistic than the outlook of CFOs in Australia.

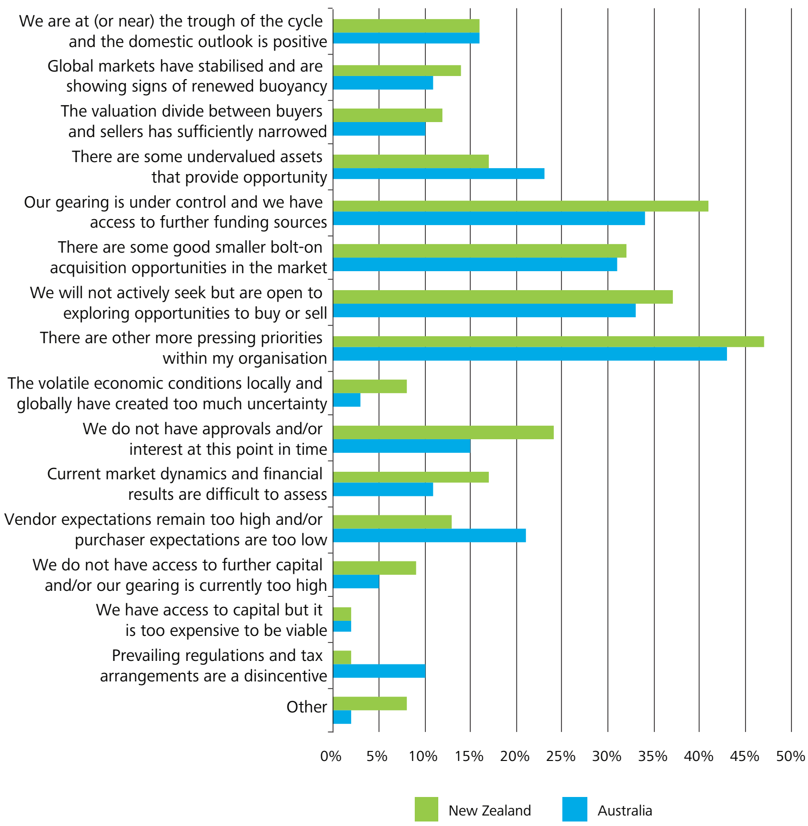
Forty Seven percent of New Zealand CFOs said there were other more pressing priorities within their organisations, while 37% said they were not actively seeking but are open to explore opportunities to buy or sell. This indicates that companies are still in a holding pattern when it comes to acquisitive growth strategies.

Forty One percent of CFOs commented that their gearing was under control and access to further funding sources was available, while a third admitted that good bolt-on acquisition opportunities existed in the market.

Chart 8

Attitudes towards M&A

Statements that best summarise CFO's attitude towards M&A in the next six months



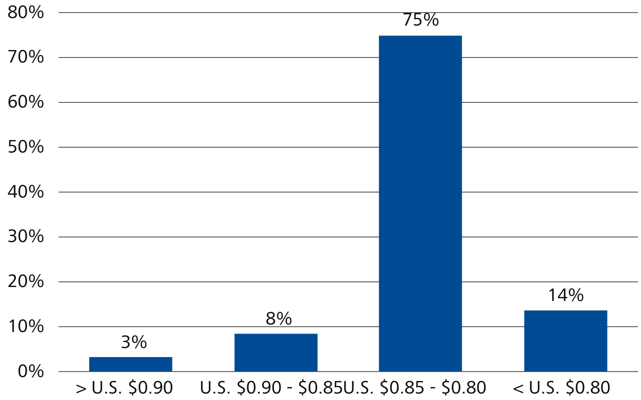
Opportunities and funding strategies

Despite some movement in the New Zealand dollar in Q1, overwhelmingly New Zealand CFOs (73%) expected its value to remain between US $0.80 - $0.85 over the next year. Fourteen percent of CFOs expected the New Zealand dollar to be below US $0.80 and a smaller group (8%) expect it to rise to between US$0.85 and - $0.90. However, exporters should not get excited. Weak offshore data means foreign money printing will continue for longer and that could continue to push the New Zealand Dollar higher as observed recently.

Chart 9

Value of the New Zealand dollar

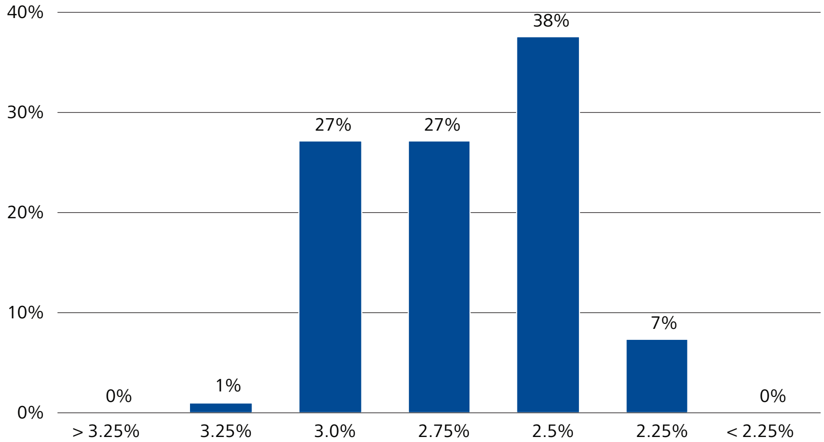
Percentage of CFOs who think the following business metrics will increase for New Zealand corporates in the next 12 months



One-third of CFOs expected the Reserve Bank New Zealand's official cash rate to stay at 2.5% over the next year. This is understandable given it has been consistent since March 2011. However, 27% of CFOs see it rising to 2.75% and a further 27% see it rising to 3%. This suggests increased confidence that the economy is picking up and that there is less need for the Reserve Bank to drop rates further. There is a similar trend in Australia too.

Chart 10

Reserve bank of New Zealand's official cash interest rate in 12 months' time

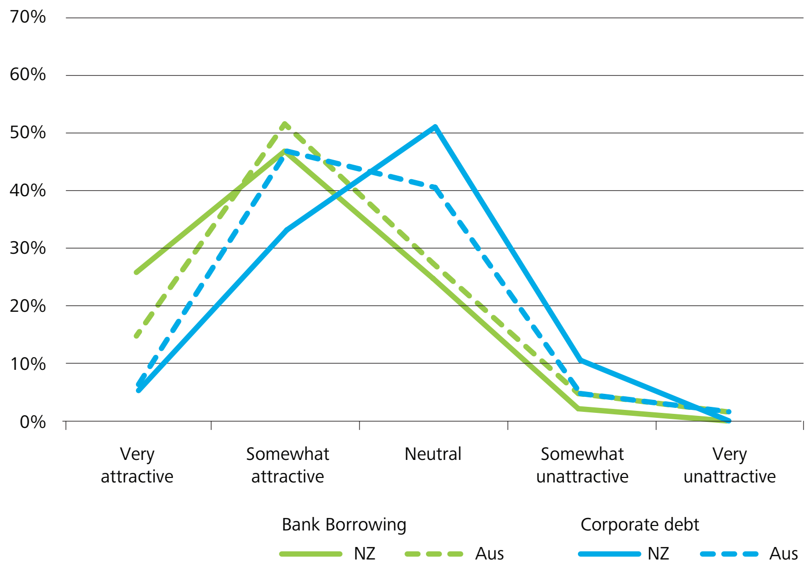


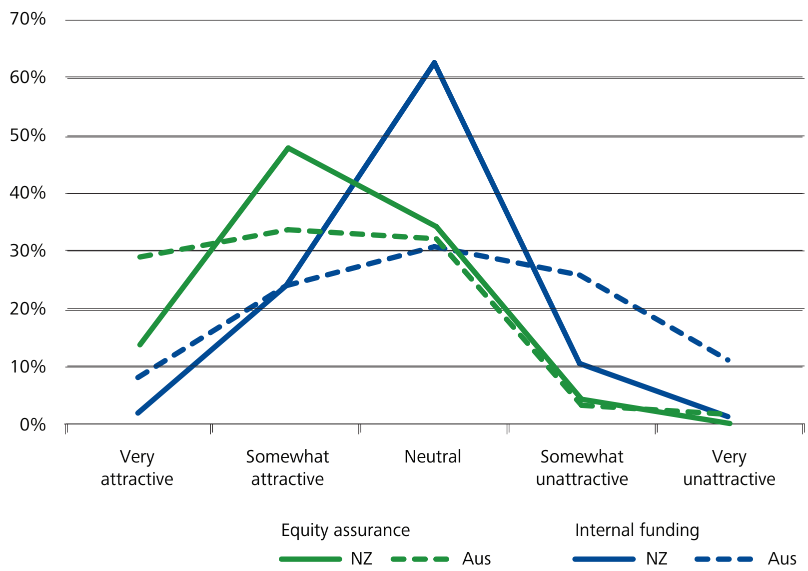
Bank borrowing supersedes internal funding as the most attractive source of funding, this is likely to be due to low interest rates. Australia has seen a similar trend following a steady increase in attractiveness of bank borrowing over the past 12 months due to corresponding cuts to interest rates. CFOs also view a corporate debt issuance somewhat favourably with a net 28% of CFOs seeing it as attractive, while equity is a little less attractive with net 15% seeing this as a favourable funding source. Equity in both countries is becoming more attractive following sustained strengthening in the respective stock markets over recent months.

Chart 11

Favoured sources of corporate funding

Percentage of CFOs reporting the attractiveness of the following funding sources



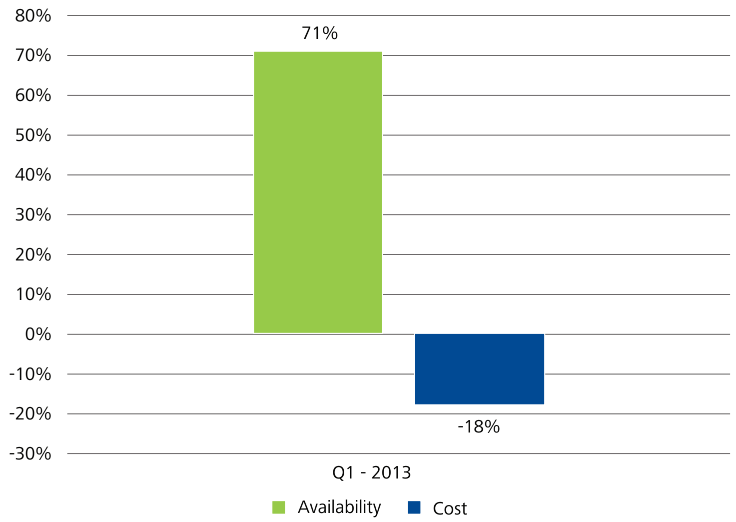


Thirty-eight percent of CFOs felt that credit was cheap or very cheap, as a result of the Reserve Banks's policy of keeping interest rates low, while only 20% felt that it was costly, resulting in net 18%. Three quarters of respondents saw the availability of credit as somewhat or very available, while only four percent found it hard to get.

Chart 12

Cost and availability of credit

Net percentage of CFOs reporting that credit is available and the net percentage of CFOs reporting that credit is expensive



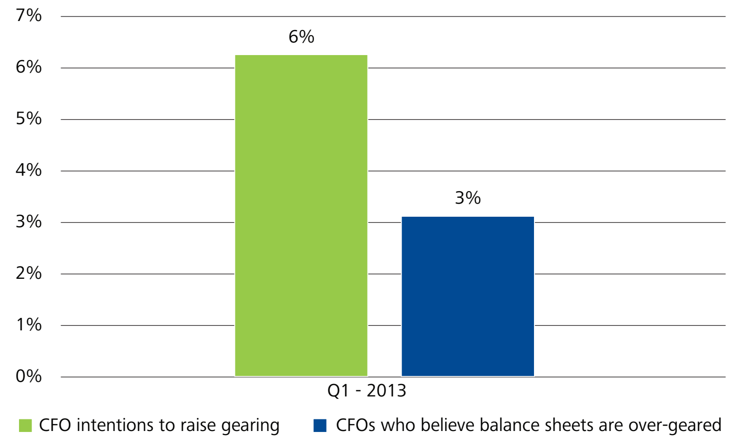
Just under half of CFOs (43%) thought New Zealand balance sheets were optimally geared. Thirty percent of CFOs say their balance sheets were over-geared but 27% believe they are under-geared resulting in only net three percent with over geared balance sheets. In addition, 29% of CFOs expected to raise gearing levels. A further 23% of CFOs expected to reduce gearing, and 42% predicted no change.

This suggests that corporates are still taking a safe approach to their levels of gearing, even though debt is more affordable and available. While confidence levels are rising, companies aren't prepared to take on significant additional debt to fund investment just yet.

Chart 13

Level of gearing on New Zealand corporate balance sheets

Net percentage of CFOs who think New Zealand balance sheets are over-geared and net percentage of CFOs who expect to increase gearing in the next 12 months



NZIER Perspective

"The level of gearing among New Zealand corporates is about right and will remain about the same over the next year. Internal financing and bank credit are both abundantly available. Bank finance is available and cheap, but few firms are looking for debt.

Bank lending terms have generally become easier with larger credit lines, lower documentation requirements and easier loan terms and costs have fallen due to lower margins, fewer covenant requirements and lower fees."

Shamubeel Eaqub, Principal Economist, NZIER

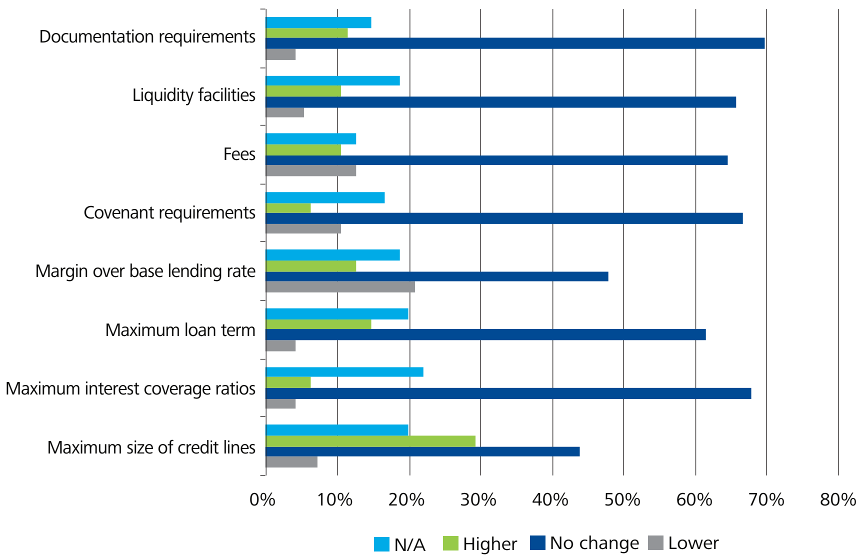
Twenty-nine percent CFOs reported increases in the maximum size of credit lines, while 21% of CFOs reported decreases to margins over base lending rates and 13% decreasing fees. These are signs of a more competitive lending market as banks find it harder to find growth, but also suggest prudent rather than irresponsible lending.

Two-thirds or more of CFOs reported no change to fees, documentation requirements, covenant requirements, liquidity requirements and minimum interest coverage ratios.

Chart 15

Bank lending standards and credit terms

CFO's views on how bank lending standards and credit terms have changed



Finance function – time and talent

The four faces of the CFO – catalyst, strategist, operator and steward – is Deloitte's model for illustrating the range of roles that a CFO undertakes in today's rapidly changing business environment.

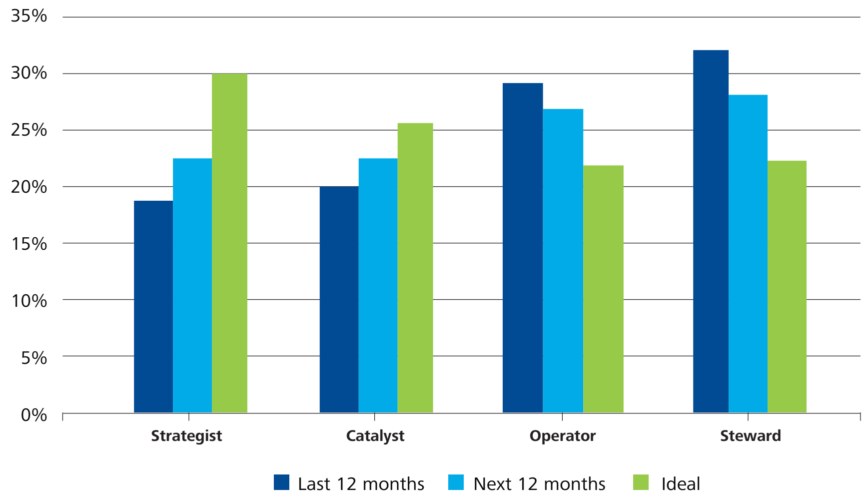
As a catalyst, the CFO spearheads execution across the organisation to achieve strategic business objectives. As a strategist, the CFO provides the leadership team with the right business acumen to set strategic direction and create the business performance management framework to monitor progress. As an operator, the CFO is responsible for the efficient processing of financial transactions. Finally, as a steward, the CFO provides accurate information and appropriate controls to manage risk throughout the business.

On average, CFOs allocated 61% of their time to controlling and operating their business (acting as steward and operator), in Australia the figure was similar at 56% of time. This is opposed to 39% on implementing strategy and driving change (acting as strategist and catalyst). Again we see comparable stats for Australian CFOs with 44% focusing on the same tasks.

Over the next 12 months, CFOs expect their time allocations to be more evenly split, with still slightly more weighting on the controlling and operating areas of their role. Ideally, they would like to flip their current status to spend 56% of their time as a strategist or catalyst and 44% as a steward or operator. This ideal situation is almost identical to Australian CFOs wishes.

Chart 16

Average percentage of time spent by CFOs across the roles of steward, operator, catalyst and strategist



Deloitte Perspectives

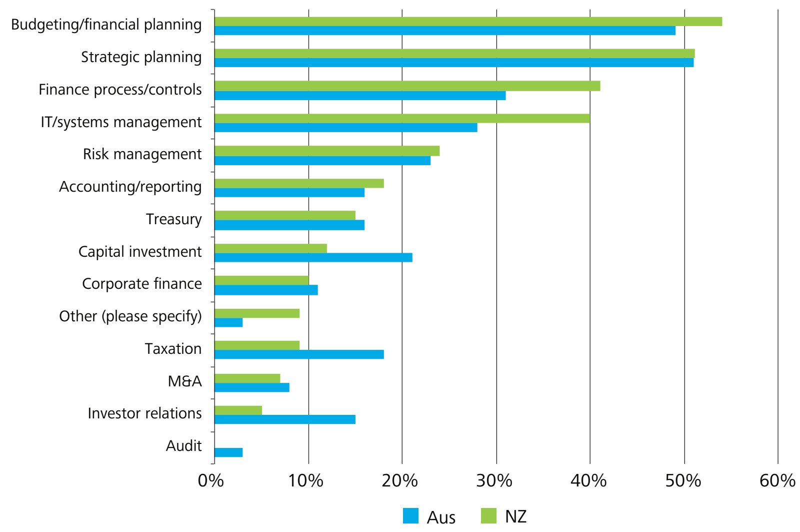
These results highlight that today's planning, budgeting and forecasting processes may not be sufficient for many companies to reliably plan, drive and anticipate business performance within volatile market environments. Often, a high level of detail and lack of agility within planning, budgeting and forecasting processes has left many organisations reconsidering these core performance management processes.

Peter Gulliver, Partner, Audit, Deloitte

CFOs are in a mood for self-improvement. The key areas of improvement are planning (strategic 51%, finance and budgeting 54%) and processes (financial 41%, IT and systems 40%). Australian CFOs have the similar priorities for their own improvement.

Chart 17

Capabilities identified for improvement within CFOs existing/current finance team

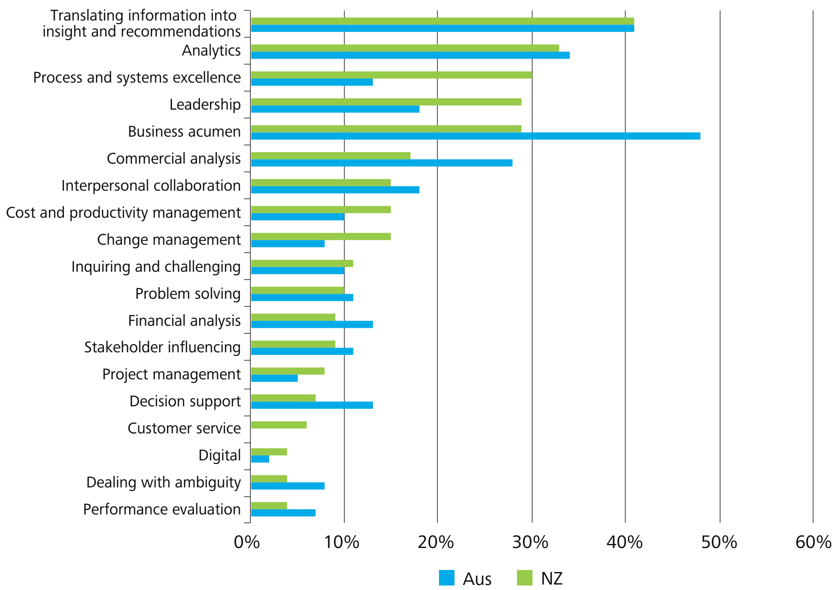


Looking further into the future, the skill CFOs most wanted to develop or acquire for their teams was the ability to translate information into insight and recommendations (41%). Business acumen and leadership (29% respectively) were also seen as a top priority. Australian CFOs prioritised business acumen and leadership as well, but the weighting of their importance was reversed.

Top priorities also included a desire to build analytic skills and for process and systems excellence. Surprisingly, considering the possibility of digital disruption in the future, only 4% of CFOs considered that digital skills needed developing.

Chart 18

Skills most sought after by CFOs to develop or acquire in the finance function of the future



Deloitte Perspectives

"The key focus of the finance function continues to swing from transactional to strategic function as demonstrated in the most sought after skills responses. We have seen a trend over time toward analytics, insight and advice. CFO's are continuing to focus on the areas where they make the biggest difference to business outcomes. These include advising and challenging business planning assumptions and strategic choices, more regular scenario planning and stress testing of outcomes, and more dynamic forecasting based on key drivers.

The pressure from boards who expect better anticipation and quicker responses to changes in underlying business conditions continue to affect the staffing and skills of the finance function. The need for greater insight will also be paired with a driver for better and more innovative communications. With the huge increase in tablet computing the finance function will need to package up their insights in new and innovative ways that makes good use of the capabilities of these devices. Accordingly, we would expect to see a rise in the need for digital skills in future surveys as the outputs of the finance function are packaged for 'iPad' ready boards and executive teams."

Grant Frear, Partner, Consulting and Innovation , Deloitte

Appendix

A note on methodology

Many of the charts in the Deloitte CFO Survey show the results in the form of a net balance. For example, this net balance could represent the percentage of respondents reporting that bank credit is attractive, less the percentage saying bank credit is unattractive. This is a standard way of presenting survey data. To aid interpretation of the results, this table contains a full breakdown of responses to some of the questions covered in this report which have historical significance. Due to rounding, responses to the questions covered in this report may not sum to 100.

Chart 1 Compared to three months ago how do you feel about the financial prospects for your company?

Significantly more optimistic	Somewhat more optimistic	Broadly unchanged	Somewhat less optimistic	Significantly less optimistic	Net %
4%	33%	50%	13%	0%	25%

Chart 2 How has your level of optimism been impacted by the following factors?

	Significantly positive impact	Somewhat positive impact	Not at all	Somewhat negative impact	Significantly negative impact	Net %
U.S. economic uncertainty:	1%	20%	51%	28%	0%	-7%
European sovereign debt issues:	0%	8%	48%	39%	5%	-35%
Potential slow-down in China:	0%	5%	59%	33%	3%	-31%
Patchy New Zealand economy:	2%	19%	26%	51%	2%	-32%
Local share market buoyancy:	1%	25%	70%	3%	1%	22%
Commodity prices:	3%	23%	43%	30%	1%	-5%
Value of the New Zealand dollar:	2%	19%	42%	30%	7%	-17%
Interest rates:	5%	36%	47%	9%	2%	30%

Chart 3 How would you rate the general level of external financial and economic uncertainty facing your company?

Very high level of uncertainty	High level of uncertainty	Above normal level of uncertainty	Normal level of uncertainty	Below normal level of uncertainty	Net %
2%	19%	44%	34%	1%	64%

Chart 4 How long do you expect the current levels of uncertainty to last?

Less than one year	More than one year	More than two years	More than three years	Indefinitely
11%	32%	32%	18%	6%

Chart 5 Is this a good time to be taking greater risk onto your balance sheet?

Yes	No	N/A	Net %
33%	67%	0%	-33%

Chart 6 How are the following key metrics likely to change for your company over the next 12 months?	Increase significantly	Increase somewhat	No change	Decrease somewhat	Decrease significantly	Net %
Revenues:	13%	60%	17%	7%	3%	63%
Operating margins:	2%	29%	44%	23%	2%	6%
Operating costs:	4%	49%	22%	23%	2%	28%
Headcount:	3%	35%	31%	29%	1%	8%
'Discretionary spending e.g. travel, training, marketing':	1%	13%	50%	33%	3%	-23%
Financing costs:	5%	20%	54%	20%	1%	4%
Operating cash flow:	4%	45%	32%	17%	2%	30%
Levels of cash holdings:	1%	27%	49%	19%	4%	5%
Inventory levels:	0%	10%	73%	17%	0%	-6%
Capital expenditure:	11%	35%	39%	11%	3%	32%
Bank borrowing:	3%	28%	46%	20%	3%	8%
Bond issuance:	0%	6%	90%	3%	1%	2%
Equity issuance:	3%	7%	86%	3%	0%	7%
Dividends/share buybacks:	1%	19%	79%	1%	0%	19%
Chart 7 Which of the following business strategies is your company likely to pursue over the next 12 months?						
M&A:	2%	30%	67%	1%	0%	31%
Organic expansion:	9%	66%	23%	2%	0%	73%
Introducing new products/services or expanding into new markets:	8%	59%	32%	0%	0%	68%
Leverage:	2%	22%	69%	7%	0%	17%
Asset disposal:	0%	17%	82%	1%	0%	16%
New capital raising:	2%	7%	90%	1%	0%	8%
Renegotiating financing facilities:	5%	22%	72%	1%	0%	26%

Chart 8 Where do you see the value of New Zealand dollar in 12 months' time?

> U.S. $0.90	U.S. $0.90 - $0.85	U.S. $0.85 - $0.80	< U.S. $0.80
3%	8%	75%	14%

Chart 9 Where do you see the Reserve Bank of New Zealand's official cash interest rate in 12 months' time?

> 3.25%	3.30%	3.00%	2.80%	2.50%	2.30%	< 2.25%
0%	1%	27%	27%	38%	7%	0%

Chart 10.1 How do you currently rate the following sources of funding for New Zealand corporates? - Bank Borrowing

Very attractive	Somewhat attractive	Neutral	Somewhat unattractive	Very unattractive	Net %
26%	47%	25%	2%	0%	71%
Chart 10.2 How do you currently rate the following sources of funding for New Zealand corporates? - Corporate Debt					
5%	33%	51%	10%	0%	28%
Chart 10.3 How do you currently rate the following sources of funding for New Zealand corporates? - Equity Issuance					
2%	24%	63%	10%	1%	15%

Chart 10.4 How do you currently rate the following sources of funding for New Zealand corporates? - Internal funding (from profits)					
Very attractive	Somewhat attractive	Neutral	Somewhat unattractive	Very unattractive	Net %
14%	48%	34%	4%	0%	57%
Chart 11 How would you rate the overall cost of new credit for New Zealand corporates?					
2%	18%	43%	33%	4%	-18%
Chart 12 How would you rate the overall availability of new credit for New Zealand corporates?					
17%	58%	21%	4%	0%	71%

Chart 13 What do you think of the level of gearing on New Zealand corporate balance sheets?			
Over-geared	Optimally geared	Under-geared	Net %
30%	43%	27%	3%

Chart 14 What is the aim for your company's level of gearing over the next 12 months?						
Raise significantly	Raise somewhat	No change	Reduce somewhat	Reduce significantly	N/A	Net %
5%	24%	42%	19%	4%	6%	6%

Chart 15 Over the past 12 months, how have banks' lending standards and credit terms changed for your company in the following areas?				
	Lower	No change	Higher	N/A
Maximum size of credit lines:	7%	44%	29%	20%
Minimum interest coverage ratios:	4%	68%	6%	22%
Maximum loan term:	4%	61%	15%	20%
Margin over base lending rate:	21%	48%	13%	19%
Covenant requirements:	10%	67%	6%	17%
Fees:	13%	65%	10%	13%
Liquidity facilities:	5%	66%	10%	19%
Documentation requirements:	4%	70%	11%	15%

Chart 16 Which three statements below best summarise your attitude towards M&A in the next 6 months?			
	1	2	3
We are at (or near) the trough of the cycle and the domestic outlook is positive	16%	0%	0%
Global markets have stabilised and are showing signs of renewed buoyancy	7%	7%	0%
The valuation divide between buyers and sellers has sufficiently narrowed	10%	2%	0%
There are some undervalued assets that provide opportunity	13%	4%	0%
Our gearing is under control and we have access to further funding sources	10%	24%	7%
There are some good smaller bolt on acquisition opportunities in the market	9%	8%	15%
We will not actively seek but are open to explore opportunities to buy or sell	15%	13%	9%
There are other more pressing priorities within my organisation	14%	23%	10%
The volatile economic conditions locally and globally have created too much uncertainty	0%	7%	1%
We do not have approvals and/or interest at this point in time	1%	7%	16%
Current market dynamics and financial results are difficult to assess	0%	2%	15%
Vendor expectations remain too high / purchaser expectations are too low	2%	2%	9%
We do not have access to further capital / our gearing is currently too high	0%	0%	9%
We have access to capital but it is too expensive to be viable	0%	0%	2%
Prevailing regulations and tax arrangements provide a disincentive	0%	0%	2%
Other (please specify)	3%	0%	5%

Chart 17 Overall, would you say your attitude to M&A in the next 6 months is:		
Optimistic	Pessimistic	Neutral
36%	4%	59%

Chart 18 What proportion of your time do you spend in the following roles?			
	Last 12 months	Next 12 months	Ideal
Strategist (provides the leadership team with the right business insight to set strategic direction and create the business performance management framework to monitor progress)	19%	23%	30%
Catalyst (acts as an agent for change - alignment with strategies and partner to business units)	20%	23%	26%
Operator (manages cost, efficiency and service levels of delivering the organisations financial responsibilities)	29%	27%	22%
Steward (protects and preserves the assets of the organisation through accounting, control, risk management and asset preservation)	32%	28%	22%

Chart 19 Which three capabilities would you most like to improve within your existing/current finance team?			
	1	2	3
Strategic planning	51%	0%	0%
Corporate finance	6%	4%	0%
Treasury	10%	4%	3%
Audit	0%	0%	0%
Capital investment	3%	8%	1%
Budgeting / financial planning	19%	34%	1%
M&A	0%	5%	2%
Accounting / reporting	3%	11%	4%
Financial process / controls	4%	17%	20%
Taxation	0%	5%	4%
Risk management	1%	9%	14%
Investor relations	1%	1%	3%
IT / systems management	1%	1%	38%
Other (please specify)	0%	0%	9%

Chart 20 Thinking about the finance function of the future, which three skills will you most want to develop or acquire in your team?			
Leadership	29%	0%	0%
Business acumen	20%	9%	0%
Analytics	18%	13%	2%
Digital	3%	0%	1%
Customer service	2%	4%	0%
Dealing with ambiguity	2%	2%	0%
Interpersonal collaboration	5%	9%	1%
Process and systems excellence	11%	14%	5%
Financial analysis	3%	4%	2%
Commercial analysis	2%	7%	8%
Translating information into insight and recommendations	3%	21%	17%
Performance evaluation	0%	3%	1%
Problem solving	0%	3%	7%
Cost and productivity management	0%	3%	12%
Inquiring and challenging	0%	4%	7%
Stakeholder influencing	1%	2%	6%
Change management	0%	1%	14%
Project management	0%	0%	8%
Decision support	0%	0%	7%

Contact us

National/Auckland
Peter Gulliver
Partner
Tel: +64 (0) 9 303 0891
email: pegulliver@deloitte.co.nz

Auckland
Andrew Dick
Partner
Tel: +64 (0) 9 306 4358
email: andick@deloitte.co.nz

Hamilton
Bruno Dente
Partner
Tel: +64 (0) 7 834 7842
email: bdente@deloitte.co.nz

Wellington
Trevor Deed
Partner
Tel: +64 (0) 4 470 3527
email: tdeed@deloitte.co.nz

Christchurch
Paul Bryden
Partner
Tel: +64 (0) 3 363 3862
email: pbryden@deloitte.co.nz

Dunedin
Mike Hawken
Partner
Tel: +64 (0) 3 474 8684
email: mhawken@deloitte.co.nz

Contributors

Shamubeel Eaqub
Shamubeel is an experienced economist who makes economics easy. He is a thought leader unafraid to take a contrarian view. He is Principal Economist at NZIER. Shamubeel holds a BCOM with Honours in Economics from Lincoln University.

Grant Frear
As leader of Deloitte's innovation practice, Grant is responsible for embedding innovation within our own business as well as supporting our clients as they tackle challenges around innovation.

Auckland
Deloitte Centre
80 Queen Street, Auckland 1010
Private Bag 115033
Shortland Street, Auckland 1140
New Zealand
Tel: +64 (0) 9 303 0700
Fax: +64 (0) 9 303 0701

Hamilton
Deloitte House
24 Bridge Street, Hamilton East
Hamilton, 3216
PO Box 17, Hamilton, 3240
New Zealand
Tel +64 (0) 7 838 4800
Fax +64 (0) 7 838 4810

Rotorua
Level 2, Pukeroa Oruawhata House
2/1176 Amohau Street, Rotorua
PO Box 12003
New Zealand
Tel +64 (0) 7 343 1050
Fax +64 (0) 7 343 1051

Wellington
Deloitte House
Levels 11-16, 10 Brandon Street
Wellington, 6011
PO Box 1990, Wellington, 6140
New Zealand
Tel +64 (0) 4 472 1677
Fax +64 (0) 4 472 8023

Christchurch
50 Hazeldean Road
Christchurch, 8024
PO Box 248
Christchurch, 8140
New Zealand
Tel +64 (0) 3 379 7010
Fax +64 (0) 3 366 6539

Dunedin
Otago House
481 Moray Place
Dunedin, 9016
PO Box 1245, Dunedin, 9054
New Zealand
Tel +64 (0) 3 474 8630
Fax +64 (0) 3 474 8650