



CFO Outlook Survey

March 2018

Nigeria

KPMG CFO FORUM

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Foreword

The KPMG Chief Financial Officers (CFO) Forum is a platform for discussing issues of common interest to CFOs as well as an avenue for CFOs to interact as a group with relevant government regulators and policy makers. The Annual CFO Outlook Survey continues to provide valuable insight into how CFOs and their organisations view the business environment.

The Nigerian economy came out of recession with a growth of 0.55% at the end of the second quarter (Q2) of 2017 and ended 2017 with an annual growth of 0.83%. The modest recovery in the economy can be linked to relatively higher oil prices, stability in domestic oil production and improvement in foreign exchange markets resulting in increased foreign capital inflows and reduced volatility of exchange rates.

We sought the views of CFOs on the outlook for their businesses in 2018, current strategies for cost and risk management and what they believe the Government should prioritize to create an enabling environment. In comparison to 2017, CFOs are more confident about the general business outlook for 2018. The optimism expressed by CFOs is partly attributable to the emergence of the country from recession and improving macroeconomic indicators.

Despite the optimistic outlook for 2018, our study shows that CFOs still have some critical 'stay awake' issues including:

- Tax, regulatory and government policy
- Margin enhancement, growth & cost optimization
- Foreign exchange and macroeconomic issues

While there has been a change between last year and this year in the relative impact of each 'stay awake' issue, it is instructive that the issues themselves have not changed, suggesting that while these issues are being partly addressed, they are yet to be fully resolved.

In the meantime, Government's increased focus on taxation has not gone unnoticed. There is general agreement that appropriate taxes must be paid. However, CFOs are apprehensive about tax multiplicity and administration. No doubt this is an area that requires careful thought to avoid counter-productive outcomes.

Adequate infrastructure is a key enabler of business and CFOs have a keen appreciation of how inadequate infrastructure raises the cost of business. Once again, inefficient power supply appears as the foremost infrastructural challenge identified by CFOs followed closely by issues of insecurity and logistics and distribution challenges.

Changes in the environment bring new areas of focus and risk. A global change in focus from product-centric markets to customer-centric markets has resulted in an increased emphasis and investment in improving customer experience. This continues to be a priority for many organisations as they evolve their strategies. Additionally, as the pace of digitization increases, cyber security management has become increasingly important. CFOs have identified this as an area requiring more proactive focus and attention within their organisations to avoid financial loss and reputational damage.

The role of government in creating an enabling environment for business cannot be over-emphasised. CFOs acknowledge the increased engagement with government in the drive to improve the ease of doing business in Nigeria. However, there is also general agreement that a lot more needs to be done to increase the attractiveness of the business environment.

This survey report offers many insights into CFOs' thinking on a variety of topical issues. On behalf of KPMG, I would like to thank every CFO who participated in the survey and who so willingly gave of their time to be interviewed.

We are excited to talk further about these insights and KPMG's partners and professionals remain committed to providing a platform for articulating issues of concern to CFOs for the improvement of the overall business environment.



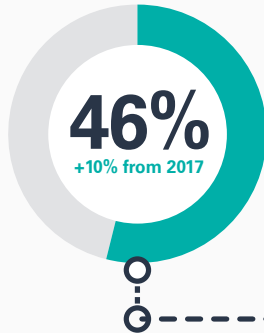
Tola Adeyemi
Partner & Head
Audit Services
KPMG in Nigeria

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Snapshot

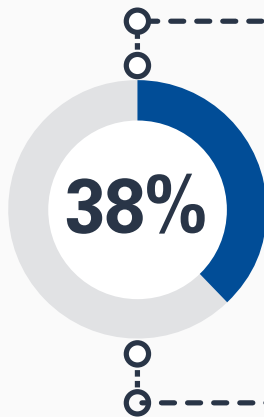
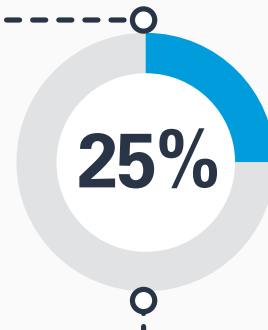


Prospects for Growth in 2018

CFOs are more confident about prospects for growth in 2018 compared with 2017. Our survey indicated a 10% increase in overall confidence sentiments among CFOs on the prospects for growth in the Nigerian economy. Critically, the recent exit from recession, stability of Forex markets and high outlook for crude oil prices were identified as the key drivers.

"Stay Awake" Issues

CFOs this year, identified **tax, regulatory & government policy** as the most important 'stay awake' issues for them. This is closely followed by internal challenges such as **margin enhancement, growth & cost optimization.**

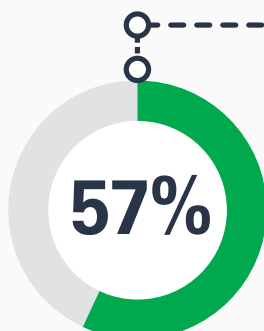
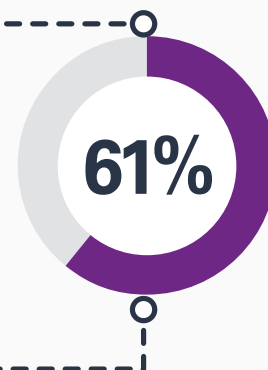


Impediments to Organisational Growth

Regulatory inefficiency, foreign exchange policy and **policy uncertainty** were identified by CFOs as part of the five top impediments to organisational growth. 38% of respondents consider regulatory inefficiency as the highest impediment to growth.

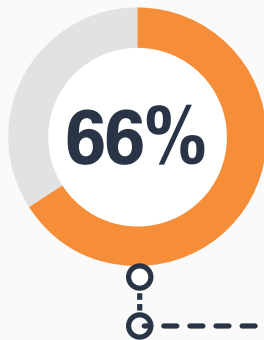
Areas of Spend for Future Growth

61% of CFOs believe that customer experience is a major influencer of growth for their organisation. This is consistent with the 2017 CFO survey as customers remain at the heart of the growth strategy of most companies.



Tax & Regulatory Concerns

Over half of CFOs surveyed expressed high concerns about the government's aggressive tax collection drive as well as concerns of tax duplicity and multiplicity.

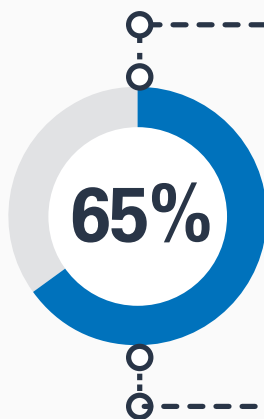
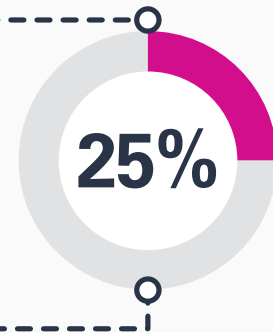


Cyber Strategies

CFOs believe they are not well prepared for a significant cyber security incident as 66% of respondents expressed dissatisfaction with the effectiveness of their company's cyber security strategies. The importance of cyber security management is growing and cannot be overstated.

Leveraging Data & Analytics (D&A)

The survey revealed a dearth in the application of advanced D&A capabilities including business intelligence solutions, data visualization tools and advanced analytics. Only a quarter of CFOs note the use of advanced data analytics capabilities to drive process and cost efficiency within their organisations.

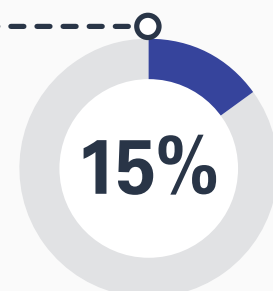


Infrastructural Challenges

65% of respondents consider lack of reliable electricity supply to be the major infrastructural challenge facing their business. Power, together with security and logistics/distribution challenges feature as the top 3 infrastructural challenges faced by businesses. CFOs are of the opinion that if basic infrastructure does not improve, this will continue to hamper business development in the country.

Ease of Doing Business

Our findings indicated a relatively low perception of effectiveness of government's efforts in this area. Critically, only 15% of respondents felt these efforts have impacted the business environment despite the World Bank's improved ranking to 145 from 169.



SECTION ONE

Business Outlook



Beyond Recovery: Seven Key Trends That Will Shape 2018 Economic Outlook

The year 2017 was a year of recovery for the Nigerian economy. The Nigerian economy returned to growth in the second quarter of 2017 with 0.55% growth, ending a 4-Quarter long recession. The economy achieved an overall GDP growth of 0.83% in 2017, a significant progress from -1.58% in 2016. The economy's exit from the recession was driven by a steady rise in oil prices, recovery of domestic oil productions and CBN's introduction of Importers and Exporters (I&E) FX window which stabilized the volatility and scarcity in the FX market. However, the progress made to date was overall positive.

From a sectorial perspective, the 2017 economic growth was largely driven by growth in Agriculture and Oil and Gas Sectors while Non-oil, Non-agriculture Sector remain in the negative growth territory.

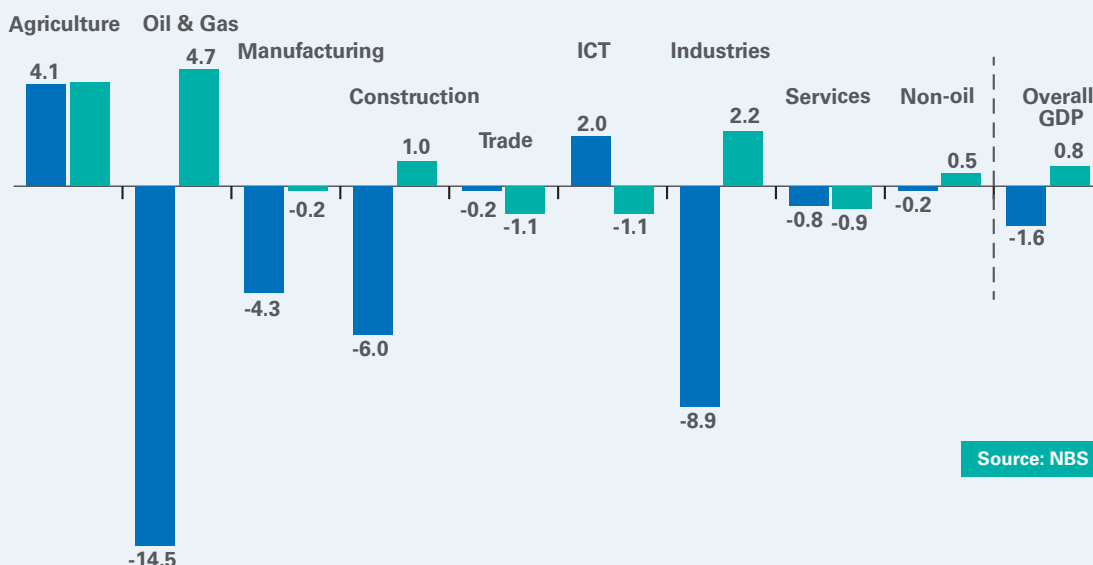
In 2018, we expect a broadly positive outlook, as the economy consolidates on its recovery. We expect seven key economic trends to shape 2018 but at the core of these trends is the 2019 election cycle which is expected to impact most economic policies and private sector business decisions in 2018.

The seven key trends that will shape the Nigerian economic dynamics in 2018.

- Government Spending:** The FG's ambitious expenditure budget of ₦8.6 trillion as well as State Governments' significant increase in expenditure budget will result in higher overall government spending in 2018. However, ability to source funding for the budget, delayed passage of the budget and other implementation challenges may limit its impact in 2018.
- Oil Price & Production:** Oil prices are forecasted to hover around \$60 per barrel in 2018. The government is also expected to target achievement of 2018 production targets of 2.3 million barrel per day. The key downside risk is election-related disruption of oil production.
- Monetary Policy Direction:** The monetary policy is expected to address the challenge of political pressure to ease the interest rate environment. This is against the background of potential liquidity glut arising from expected fiscal expansion and pre-election activities expected in the run-up to the 2019 elections.
- Capital Flows:** The trends in capital flows into Nigeria in 2018 will be driven by the interest rate development in advanced economies especially the United States monetary policy evolution.
- Government Debt Philosophy:** The debt diversification strategy of the Federal Government with a focus on shifting its debt portfolio to 40% foreign debts and 60% domestic debts is expected to continue to drive down the financial market interest rates.
- Inflation Expectations:** The headline inflation is expected to broadly continue on its downward trend in 2018. Headline inflation recently slowed to 14.33% (February 2018) from 15.13% (January 2018). In 2018, some key developments, including potential minimum wage increase and realignment of electricity tariff to become cost reflective, present a downside risk for the inflation outlook.
- Job Creation & Employment:** With unemployment rate and underemployment at 18.8% and 21.2% respectively in third quarter 2017, this remains a point of concern as the labour force continues to expand. Total unemployed population stands at 17.7 million in the third quarter of 2017 growing by 4.1 million between second and third quarter of 2017. It has been estimated that over 3 million jobs are needed annually to maintain the current unemployment rate.

Overall, the short term outlook for the economy in 2018 remains cautious despite the consecutive quarters of positive growth. IMF projected growth in GDP at the end of 2018 is 2.1%, compared to the 3.5% projected by the Federal Government.

Sectorial GDP Growth 2016 vs 2017



Source: NBS



“ We are optimistic about the Nigerian economy, we are in a situation that is better than 2017, the question is how quickly can we consolidate ... it is still a fragile recovery ”

Adekunle Awobodu
CFO
MTN Nigeria

Q1 & Q2

How confident are you about the prospects for growth in the following areas for 2018?

This year’s CFO survey reveals that, in contrast with 2017, more CFOs are optimistic about the prospects for growth of the Nigerian economy in 2018. 46% of surveyed CFOs reflected an increase in overall optimism in terms of economic outlook.

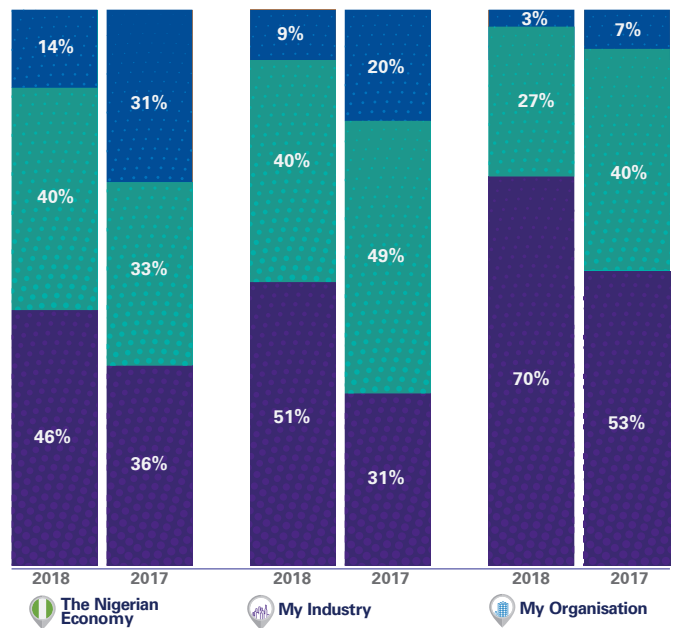
The key drivers for increased confidence include:

- The country exiting recession;
- Stability of foreign exchange; and
- Increase in oil prices.

Notwithstanding the increased optimism, most CFOs see the recent growth in the economy as “fragile” and are uncertain that current government policies will spur growth in 2018.

However, a significant proportion of CFOs still remain pessimistic about the prospects for growth in the Nigerian economy – 54% of respondents are either less confident about the country’s economic outlook or are of the opinion that things will remain the same.

Approximately 50% of the CFOs that were less confident about the prospects for growth in the Nigerian economy were from the Energy and Natural Resources (ENR) industry. **Austin Menegbo, Chief Financial Officer of Segilola Resources Operating Limited** says that “having the right policy framework is the key to growth”. Conversely, the highest level of optimism about the prospects for growth were from the Financial Services Industry (i.e. 27%).



More Confident Same Less Confident

The less confident CFOs have identified structural problems and lack of new investments in the industry as the basis for their lack of optimism with respect to industry growth. Consistent with our survey findings, over half (51%) of CFOs are more confident about prospects for growth in their industry and organisation. **Brian Egan, Group Chief Financial Officer, Dangote Cement Plc.** believes that “there will be double digit growth in our industry in 2018”.

Finally, we noted a 20% upward bias by CFOs in terms of their views of growth in their industry compared to their organisations in 2018 – this was consistent with our 2017 survey.

Q3 As the CFO of your organisation, what are your top three ‘stay-awake’ (most important) issues?

The top stay-awake issues for CFOs highlighted in our survey report for 2018 are:

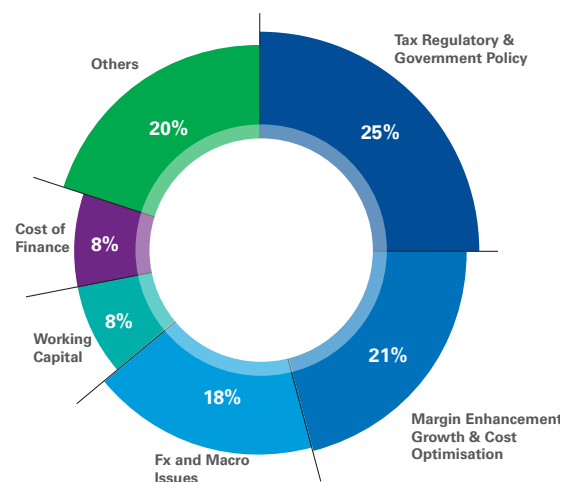
1. Tax, Regulatory and Government Policy;
2. Margin Enhancement, Growth & Cost Optimization;
3. Foreign Exchange and Macroeconomic Issues;
4. Working Capital Management; and
5. Cost of Finance.

In our 2017 survey report, government policy ranked 3rd amongst the critical ‘stay-awake’ issues. This year it constitutes the biggest concern for CFOs as they are more worried about how to effectively negotiate government and regulatory headwinds/ developments. **According to Banji Adeniyi, Chief Financial Officer, GTBank Plc.** “to overcome the different challenges, companies must be innovative, constantly being ahead of the curve”.

These results are corroborated by the general sentiments expressed by CFOs who are constantly seeking effective engagement strategies with regulators amidst concerns with navigating the business environment given the high uncertainty in policy direction.

A possible testament to the effectiveness of the CBN’s forex policies was the shift in the priority level of forex availability from top of the list of stay-awake issues (in our 2017 survey) to 3rd in 2018.

Other traditional issues also featured in the responses received; cost optimisation/ margin enhancement, working capital and cost of finance.



It is crucial that the Government supports growth and development of the economy by enabling business friendly legislation and policies



Banji Adeniyi
CFO
GTBank Plc





We need regulator education – to make the regulators understand that they are partners with businesses. We need to work together with them to create a thriving industry



Baji Nyam
CFO
Marine Platforms Limited



Q4

To what extent are the following factors a likely impediment to your organisation’s growth and profitability in the next year?

Three factors in direct control of the government - regulatory inefficiency, foreign exchange policy and policy uncertainty - were identified as part of the top five highest impediments to growth and profitability. This indicates weak/ absence of positive signalling from government which are needed to drive investments and restore confidence.

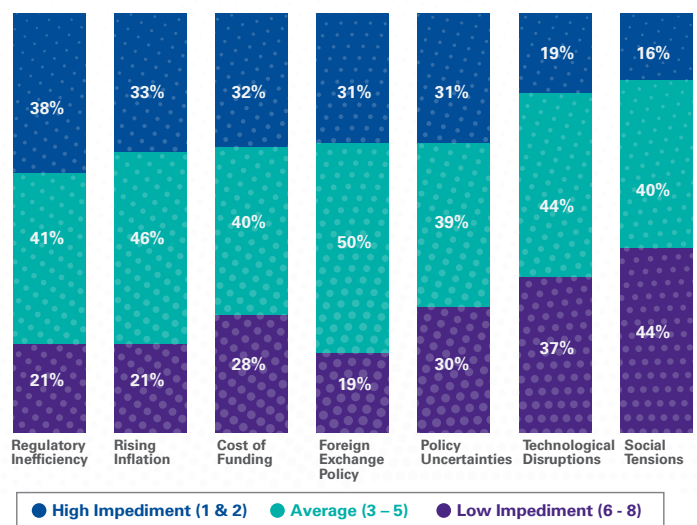
Regulatory inefficiency was identified as the biggest restriction to company growth and profitability with about 38% of survey respondents identifying this as a major impediment. An overwhelming majority of CFOs (over 95%) in the Consumer and Industrial Markets (CIM) sector identified regulatory inefficiency as an impediment factor, followed by 80% of CFOs in the Telecoms, Media and Technology (TMT) sector.

Adekunle Awobodu, Chief Financial Officer, MTN Nigeria says “we should move towards light touch regulation. The regulatory agencies are setup with a clear mandate which they should focus on, and where there are overlaps between sector specific regulators, international best practice suggests MoUs should guide collaboration”.

Other factors prioritised by CFOs include rising inflation, cost of funding and foreign exchange policy.

Interestingly, technological disruptions, although an important driver of growth in more developed markets, was not thought to be a critical factor for the CFOs surveyed.

Social tensions were also considered by majority of CFOs to be a low barrier to growth and profitability. This may be likely underpinned by the geographical location of the respondents as companies are more likely to site their offices where social tension is low or nonexistent.



SECTION TWO

Corporate and Operational Strategies



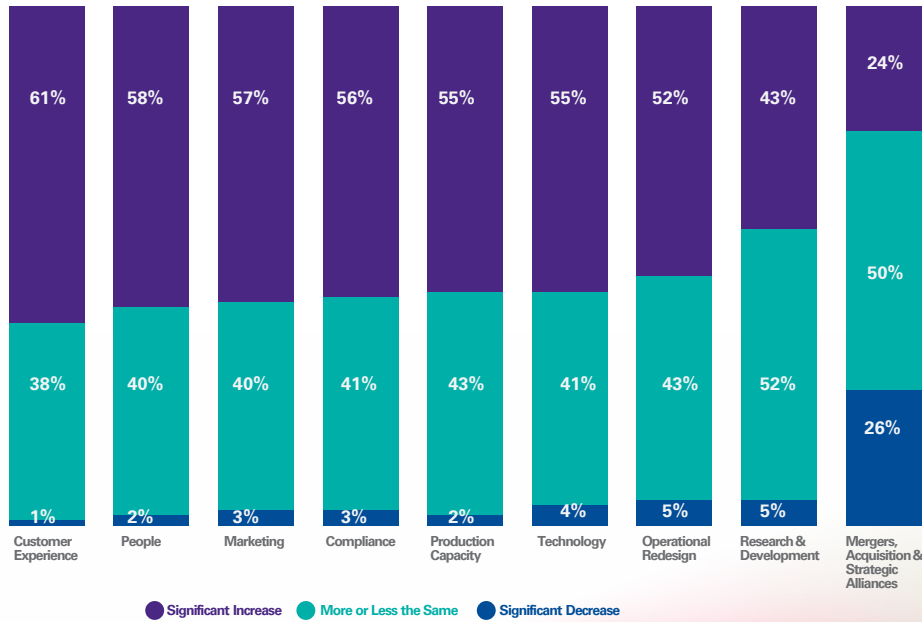
Q5 How will your spending in these areas change over the next years?

We are living in the age of the ‘customer’, with customer centricity and customer experience increasingly becoming a source of competitive advantage. At no prior time has the customer had such an influence on how companies do business. Many organisations are therefore shifting their mind set from product to customer centricity. Our survey reinforces this point, with more than 6 out of 10 respondents envisaging a significant increase in spending to improve customer experience over the coming years.

Consistent with our 2017 CFO Survey, Customer Experience and Marketing still remain among the top 3 areas of increased spend for CFOs over the next 3 years.

Adekunle Awobodu, Chief Financial Officer, MTN Nigeria noted that “there is no limit to the investment you need to make on Data and Analytics – this will help improve the customer experience”

58% of CFOs expect significant increase in spending on talent management. They recognize that the effort to change the role of finance from being a producer of numbers into a more strategic contributor to the organization has a profound impact on the people and requires significant investment.





Customer Centricity and the Evolving Role of the CFO

What does Customer Centricity look like?

Finance has three key priorities – efficiency, effectiveness and control – that all need to be balanced appropriately. Another way of looking at this is that CFOs must deliver on their obligations to the business by making sure Finance maintains the right balance between managing cost, value and risk. For example, a Finance function could potentially do a lot more for the business (i.e. provide additional support) but not at the expense of a ballooning cost base. Similarly, Finance could become more cost effective – but not at the expense of introducing excessive levels of risk into its processes.

We believe a customer centric approach is key to increasing the effectiveness of Finance. As a starting point, an effective Finance function is one that:

- Understands the business
- Provides relevant and trusted analysis and insights
- Supports strategic decisions

However, these capabilities are becoming ‘table stakes’ and a basic expectation of finance – so, on their own, these capabilities do not create a customer centric culture. Customer centricity requires the ability to provide this analysis and insight – but also the ability to challenge the business, be credible and be recognised as a valued partner.

Key principles for developing customer-centric finance functions

1. Growing the relationship

It takes time to build an effective customer centric relationship underpinned by strong business partnering. There is typically a lot of ‘framework’ type activity to get right – but that does not provide an excuse to do nothing until the processes, technology and data issues have been addressed. Finance can still work with the business, provide value through improving the quality of commentary, support with analysis of business performance and build the necessary relationships with the business. It may be sensible to start small, be successful – to build credibility – and then grow the relationship.

2. Co-location

It is critical that the business feels that the business partners ‘belong’ to them and are part of their team. What does this mean? Normally that the business partners are co-located with the business and that there is continuity of service delivery.

3. Objectives and performance assessment

The business should be involved in defining the role of the business partners, their objectives and responsibilities, what they focus on and how they engage with the business. The business must also be involved in assessing the performance, in conjunction with Finance, of their business partners. The role of Finance is then to set the overall strategy for business partnering, determine the areas of focus, and to manage the recruitment, development, training of the business partners – and their overall success. Finance is ultimately responsible for the success of the model.

4. Finance needs to be ‘easy to do business with’

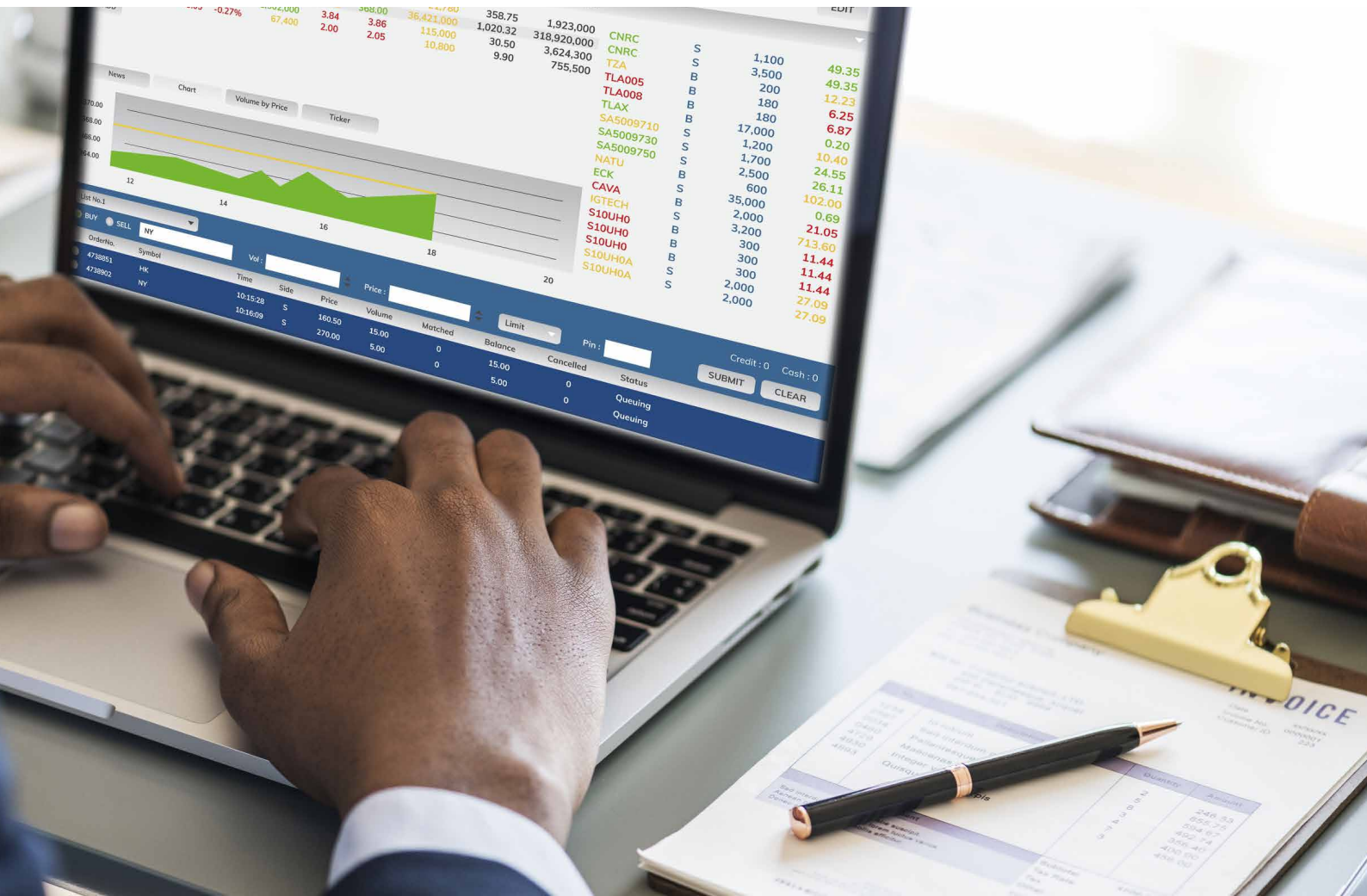
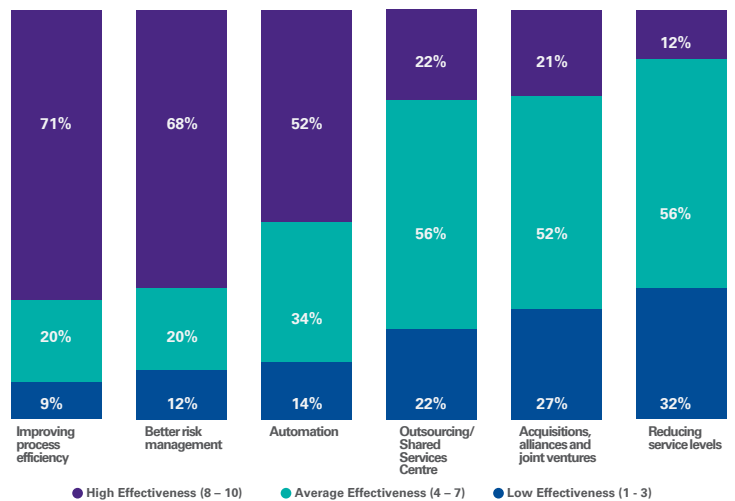
This means having effective processes and relationship managers with empathy and good customer skills. But it also means Finance being clear on what it will do and when it will do it – and also what it WILL NOT be doing. Consistency of service and delivery standards is critical. Finance needs to be able to say ‘No’ – in a way that the business respects – and to agree with the business how best to handle ad-hoc requests.

Q6 How would you rate the effectiveness of the following strategies in optimizing your cost over the next 3 years?

The underlying strategic options a company possesses to outperform competitors are focused on its ability to secure high margins by differentiating its product offerings or becoming the lowest cost producer or a strategic mix of both options. Increasingly, having a robust cost management strategy is vital to developing significant competitive advantage and driving enterprise value.

As with the 2017 CFO survey, approximately 7 out of 10 CFOs have identified process efficiency and better risk management as the most effective strategies for optimizing costs over the next 3 years. In addition, CFOs identified automation – indicative of a move towards straight-through-processing and simplicity – as being critical to cost optimization over the next three years. **Oyinkan Adewale, Chief Financial Officer, Union Bank of Nigeria, Plc.** says “our bank has actually introduced robotics into some areas as a means of driving down processing costs and we continue to look for areas where introducing other initiatives like this can help us deliver our products and services cheaper and more efficiently”

Interestingly, conventional areas for cost optimisation such as outsourcing, reducing service levels and economies of scale through Mergers and Acquisitions (M&A) have become less attractive to CFOs. This is consistent with our respondents’ claim to reduce spend over the next 3 years on mergers, acquisitions and strategic alliances (please refer to Q5 above)



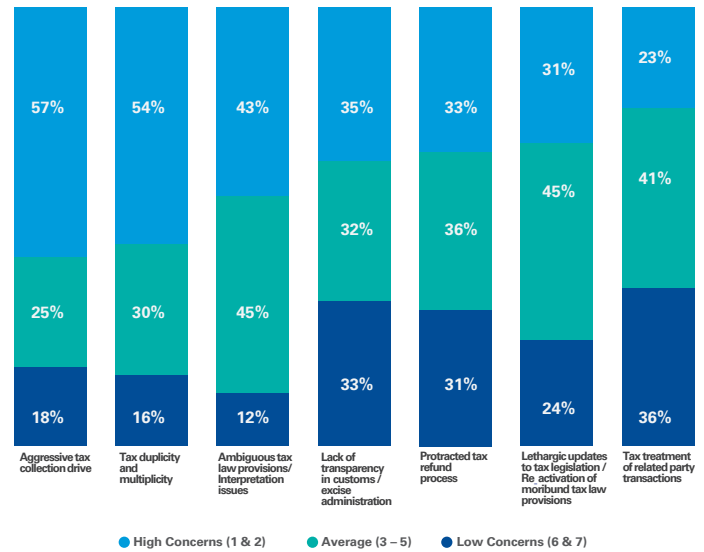
Q7 With respect to the government’s thrust on tax policies, how do the following issues rank on your list of concerns?

Our survey reveals that government’s aggressive tax collection drive as well as concerns of tax duplicity and multiplicity are the key areas of apprehension for CFOs with respect to the government’s thrust on tax policies. Over 50% of CFOs in our survey have expressed high concerns in these areas. In addition, 43% of our survey respondents are wary of ambiguous tax law provisions.

Baji Nyam, Chief Financial Officer, Marine Platforms Limited believes tax reforms are more focused on deepening rather than broadening the base.

Going forward, we expect organizations and CFOs to pay particular attention to increasing enterprise value through proactive management of tax issues particularly engagement with the tax authorities. This is pertinent in light of new legislations and regulatory policies of the government. Quite a number of the CFOs believe that there are grey areas on interpretation of the tax laws. In addition, with increasing sophistication and transformation of business value chains, there are several areas for which there are currently no provisions in the tax laws. Consequently, there is a need for the government to

review the tax laws and consider the applicability and implementation of these laws viz-a-viz business changes and developments.



Tax assessments should be based on factual information. Government should explore the use of technological tools in determining assessments



Brian Egan
CFO
Dangote Cement Plc



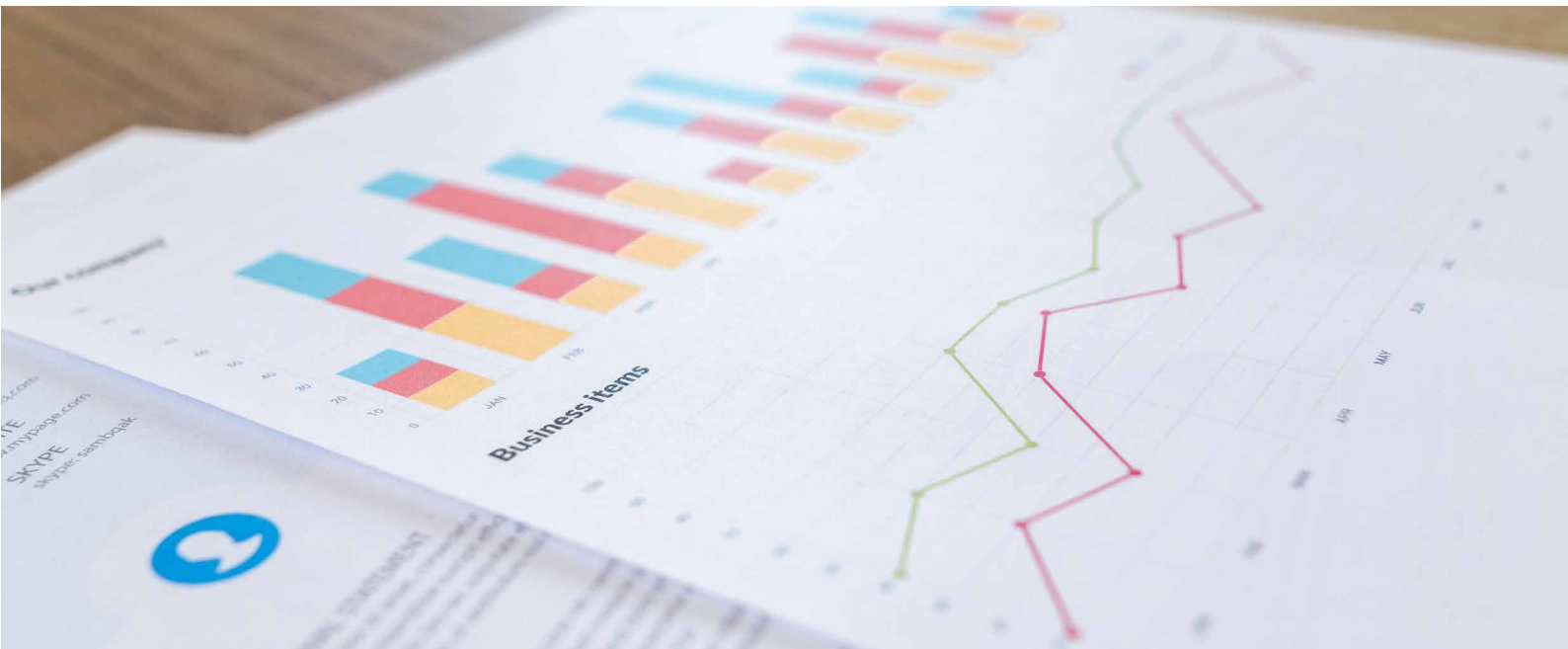
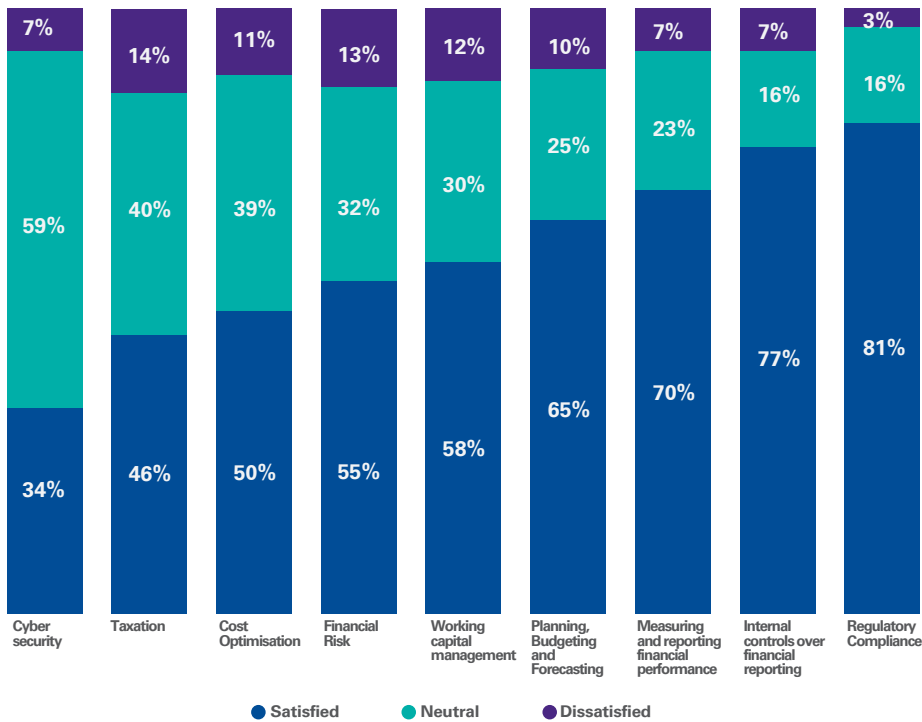
Q8 How satisfied are you with the effectiveness of your strategies in the following areas?

The importance of cyber security management is growing and cannot be overstated. In the survey, over a third of CFOs (34%) are satisfied with the effectiveness of their company’s cyber security strategies. This implies that most CFOs believe they are not well prepared for a significant cyber security incident. **Oyinkan Adewale, Chief Financial Officer, Union Bank of Nigeria, Plc.** says “cybercrime is a big issue”

CFOs are however generally satisfied with the effectiveness of their regulatory compliance, financial reporting and internal control strategies.

It is therefore imperative that CFOs lead the charge to ensure targeted investment which will strengthen/upgrade these strategies around the areas of cyber security, tax management and cost optimization amongst others.

Our survey also indicates significant room for improvement/ fine-tuning of strategies related to taxation and cost optimization.







The Digital Business & Cyber Risk

In this year's CFO survey, only about a third of CFOs (34 %) are satisfied with the effectiveness of their company's cyber security strategies.

It is no longer news that we are in the digital age; advancement in digital technology is enabling business innovations and agility across the world. The business ecosystem is rapidly evolving in response to the convergence of digital technologies.

New digital companies are disrupting the market with unconventional but innovative products, while the incumbents are also transforming their products and services to stay relevant.

Across Banking, Insurance, Telecommunications, Manufacturing, Retail and Government sectors, digitization is being leveraged to improve service delivery, enhance customer experience and drive operational efficiency.

Banks in Nigeria and other businesses are developing strategies for harnessing nimble digital technologies, unrestricted mobile access and vibrant social media to attract and retain customers.

However, the digital evolution brings a new dimension into the enterprise risk - the cyber risk. Unfortunately, cyber risk is not conventional, neither are the threat actors.

With the exponential growth of digital touch points, the new reality is this: *Cyber Security now directly affects the resilience of organizations, our economy and our individual safety.*

As digitization opens up innovative products & services with cost effective processes and enhanced customer experience, the 'incumbents' and the digital 'disruptors'

must understand that the business risks will no longer be 'conventional'

The Center for Strategic and International Studies estimated that cybercrime alone cost the global economy US\$ 445 billion in 2015.

According to World Economic Forum Global Risk Report, "The Internet has opened a new frontier in warfare: everything is networked and anything networked can be hacked..."

More than ever, an effective cyber security programme is a critical success factor for the digital business

Organizations in Nigeria have also continued to face some of the cyber security challenges. There have been instances of fraudulent transactions on different online banking platforms, ransom-ware attacks, successful Distributed Denial of Service (DDoS) attacks on some banks, attacks on websites of some government agencies, and identity theft. Therefore, it is obvious that the Nigeria business ecosystem is not insulated from the challenges being faced by businesses across the globe.

While the Nigerian Government has taken some key steps (such as the implementation of the Bank Verification Number and the passage of Nigeria Cyber Crime Act of 2015) to stem the tide, there is still much more to be done by

“Every organization should have a framework for assessing and analyzing cyber risks, and that framework should ideally be integrated into an organizations existing enterprise risk framework” says Malcom Marshal – Immediate past KPMG Global Cyber Security Leader

organizations to ensure the resilience of their businesses.

In this year’s CFO survey, only about a third of CFOs (34 %) are satisfied with the effectiveness of their company’s cyber security strategies. This implies that these Companies may not be well prepared for a significant cyber security incident.

There is a need for organizations to have a well defined cyber security strategy that is aligned with the Company’s digital transformation plans as well as the overall business directions.

The strategy must provide clear direction for Cyber Security Governance, Operations and Architecture.

Who is in Charge of Cyber Risk?

Cyber risk, if not properly managed, can cause financial loss as well as reputation damage to business brands. It should not be seen as an operational technological issue, rather organisations should see it as a board-level strategic business risk. In a recent survey conducted by KPMG, nearly a third of the CEOs

identified cyber security as the issue that has biggest impact on their organisation today. Operational and Compliance risks were listed as part of the top risks. However, it is obvious that cyber security if not properly managed becomes an operational issue and/ or reputational concern very fast.

Hence, there is a need for the Board and top management to have a proper view of the cyber risks and their responsibility. Top management must also have a clear strategy for managing cyber risks.

cyber risk is not a tactical technological problem but a strategic business risk

The other question that begs for answer is – Do those charged with cyber security possess the capability to effectively manage this risk?

With the spate of cyber attacks on some of the biggest brands, it is obvious that Boards that choose to ignore, or downgrade the importance of cybersecurity oversight responsibility, may be doing so at their own peril.

When you analyze the available statistics on the known risks posed by cyber attacks, one would expect that corporate boards and senior management would be proactively taking steps to confront these cyber risks. However, surveys suggest that there may be a gap that exists between the magnitude of the exposure presented by cyber-risks and

the steps, or lack thereof, that many corporate boards have taken to address these risks.

There is a clear need for corporate boards to pay more attention and commit more resources to addressing cybersecurity risk.

There is a clear need for corporate boards to pay more attention and commit more resources to addressing cybersecurity risk

Although many CEOs worry about rising cyber risks, the ownership of and responsibility for the cyber risk is less clear. Who in the organization is the actual owner of the risk? While there are many “C” level owners (CISO, CFO, CEO, CRO), each of these owners has differing but related interests and unfortunately does not integrate risk or effectively collaborate on its management. Defining clear roles and responsibilities for cyber risk is crucial.

Cyber risk and the approach for managing it need not be a stumbling block to business innovations and digital transformation.

While organizations must view all major digital transformation initiatives through the cyber security lens, Cyber risk should not be an impediment to digital innovations but an advantage; if adequately managed.



Q9

To what extent are data & analytics capabilities leveraged for decision-making in your organization?

In today's business environment defined by constant disruption, organisations need to leverage data and analytics to take advantage of evolving market opportunities, drive strategy and support decision making in order to achieve profitable growth.

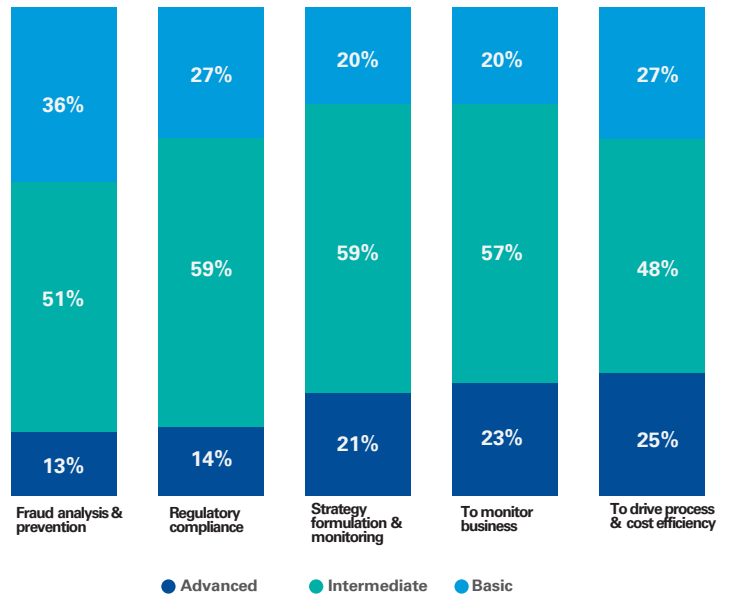
Our survey reveals that organisations are exploring D&A capabilities to support business decision making. The three top areas of applications by CFOs are:

- To drive process & cost efficiency;
- To monitor business performance; and
- Strategy formulation & monitoring

Unlike in more advanced jurisdictions, less than 15% of CFOs currently use advanced data analytics capabilities such as data algorithms, predictive and prescriptive modelling to drive fraud analysis and prevent as well as regulatory compliance within their organisations.

Overall, it appears that there is generally limited application of advanced D&A capabilities including business intelligence solutions, data visualization tools and advanced analytics. This presents a significant opportunity for CFOs to enhance enterprise value through ability to "weaponise" Big Data.

"Timely and relevant data is important. The quality of your decision making is what will make you succeed as a CFO. If you do not have access to relevant data when you need it, then you are completely in the dark" says **Adekunle Awobodu, Chief Financial Officer, MTN Nigeria.**



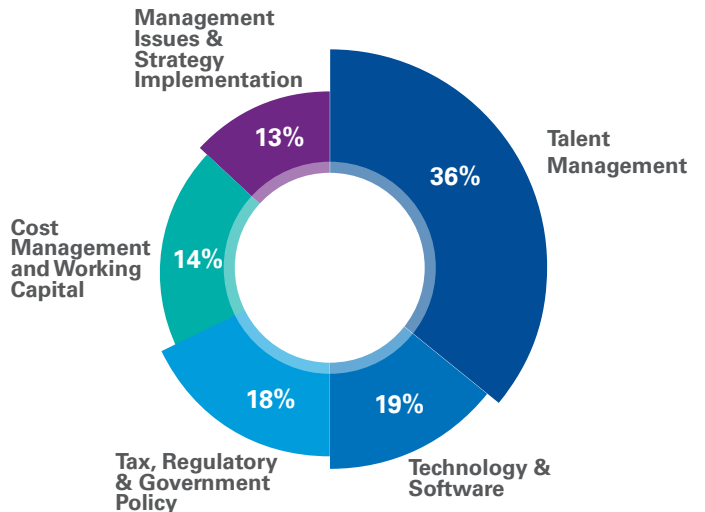
Q10

What are the top three challenges your finance function faces in supporting the growth strategies of your organisation?

CFOs identified talent management issues as the top challenge that the finance function faces in supporting the organisation's growth strategies. This refers to gaps in resourcing and management of talent across organisations.

Technology & software and regulatory policies were also identified as a distant second and third respectively.

This indicates that on the average CFOs are of the opinion that the finance function needs to be properly resourced, better leverage technology and seek innovative ways to navigate the regulatory environment in order to take advantage of evolving market opportunities and support growth strategies.



The Cloud and the finance organization of the future

- Complexities CFOs are Facing

Companies often only seek financial facts from their finance teams, but the finance department is the best equipped to provide a big-picture view of the organisation's health.

In our experience, CFOs find success when they boil down the complexities of the technology. Taking a simple approach can help advance the business imperative, saving everyone time and effort.

In general, finance organizations have come under pressure to play more strategic roles in their businesses, shifting from a traditional role of merely providing transactional support to instead providing more valuable information and decision making to the organizations they serve. As companies cut costs (people, tools and methods), efficiency is a target to improve the top and bottom lines.

As they develop a plan to transition financials to the cloud, CFOs must consider the complexities their organizations face as a whole: Companies are seeing increasing competition, regulatory complexity and an immediate demand for profitable growth, among others.

Finance is the only functional group with visibility into all organizational data, and it has the ability to identify correlations of data, operational drivers and financial outcomes. With such a big picture

view, the CFO is effectively positioned to step up to weigh in on enterprise-wide strategic decisions.

In this new environment, CFOs are expected to widen their capabilities and play a more direct role in planning, forecasting, reporting, managing risk and driving competitive advantage in the marketplace. Better analytics can help equip the CFO to affect enterprise-level decisions, both from financial and operational efficiency perspectives.

Through Software as a Service (SaaS)-enabled Finance Transformation (SeFT), the finance function can help drive business-enabled technology transformation across the wider enterprise. Yet, the decision to move finance to the cloud is often bigger than the finance – or IT – organization. Leading organizations strive to orchestrate HR, finance and technology transformation capabilities to accelerate the value of cloud applications.

This enables companies to focus on both the system implementation and the business implementation – accelerating time to value across the enterprise.



Q11

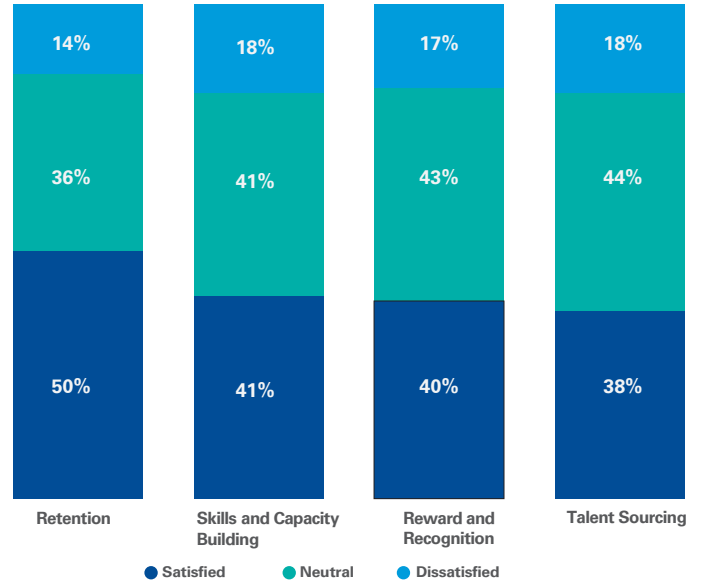
How satisfied are you with your people strategies in the finance function? Rate your satisfaction in the following areas?

Attracting, managing and retaining top-notch finance talent is very key to positioning the finance function as strategic partner to the business. Our survey reveals that CFOs are relatively unsatisfied with the overall talent management strategies within the finance function.

This is reflected in the respondents' view on their company's reward & recognition and skills & capacity building strategies where approximately three in five CFOs are not satisfied. Half of the survey respondents are however satisfied with their function's talent retention strategies.

This indicates significant room for improvement in recruitment and sourcing, performance management and training practices across organisation to ensure the human resources can be positioned as a source of competitive advantage.

Banji Adeniyi, Chief Financial Officer, GTBank Plc. says "creating an enabling work environment together with strong people strategies will encourage employee personal and professional development and improve quality of people"

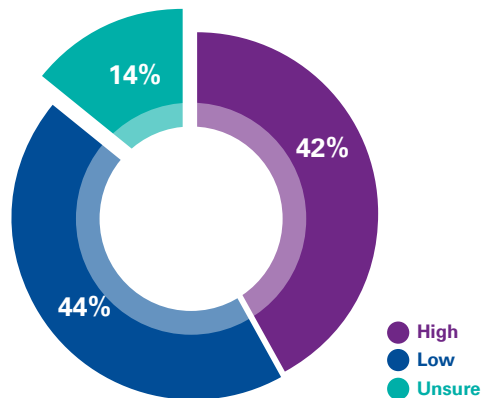


Q12

How would you rate your level of readiness with respect to the new accounting standards (IFRS 9, 15 and 16)?

About 6 out of 10 CFOs surveyed indicated the need to significantly improve their level of readiness for the new accounting standards. Energy & Natural Resources, Consumer & Industrial Markets and Infrastructure Government & Healthcare are the top 3 sectors which have identified significant gaps on their preparation to adopt/ implement these new standards.

The Financial Services Industry and Telecoms, Media & Technology industries have higher levels of readiness with over 50% of CFOs within these industries indicating high level of readiness.



SECTION THREE

Enabling Environment



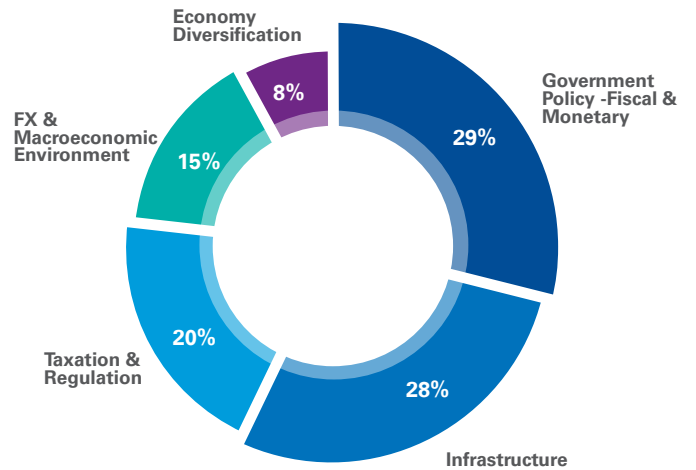
Q13

What are the top three areas that need to be addressed by Government to spur economic growth?

Government Policy, Infrastructure, Tax and Regulation are seen as the most critical areas requiring government attention this year. CFOs expressed the need for urgency on the part of government to act on the areas in order to stimulate economic growth identified.

Some of the specific areas of concern noted by CFOs include the overall uncertainty in policy direction, slow pace of government action, need for improvement in electricity and transport infrastructure, as well as multiple taxation.

Banji Adeniyi, Chief Financial Officer, GTBank Plc. says “plethora of taxes that are levied from time to time and engagement of consultants by different Government agencies especially States Inland Revenue Services and RMFAC makes the business environment very unfriendly and reduces the ease of doing business in Nigeria”



“Taxation should continue to be a focus for revenue generation but should not be the only focus”

Austin Menegbo
CFO
Segilola Resources Operating Limited



“There is a need for an enhanced and stable policy environment as frequent changes make it difficult for organizations to plan effectively”

Balaji Chandrasekaran
Regional Finance Controller
Olam Group Nigeria

Q14 What are the top infrastructural challenges currently affecting your business?

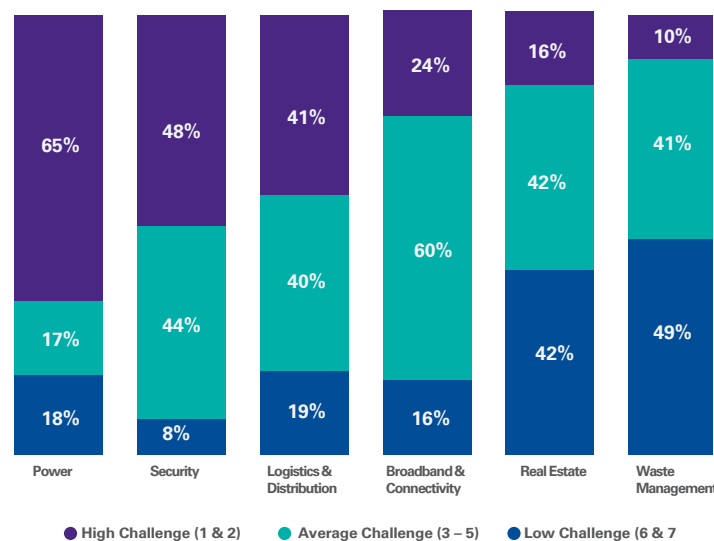
CFOs identified power, security and logistics/distribution challenges as the top 3 infrastructural challenges faced by businesses. They believe if infrastructure does not improve this will continue to hamper business development in the country.

Specifically, 65% of our survey respondents identified inefficient power supply as a major impediment to their business. They maintain that the cost of internally generated power or other power alternatives continues to adversely impact their bottom line. About 4 in 10 respondents also identified insecurity and logistics & distribution as top business challenges

Brian Egan, Group Chief Financial Officer, Dangote Cement Plc. confirms that “unavailability of good roads and road networks hamper logistics and distribution of cement to our customers. In addition, the useful life of vehicles is shortened and maintenance costs increased”

It is recognised that these challenges constitute major cost drivers to business, and the ability to manage them will likely confer a competitive advantage to players in the industry.

“In principle, in any country, the citizens should pay their taxes, and they should embrace it as a civic duty. However, this works better when the government fulfills its basic obligations and provides necessary basic infrastructure” says **Oyinkan Adewale, Chief Financial Officer, Union Bank of Nigeria, Plc.**



Q15 How would you rate the effectiveness of Government's efforts at improving Ease of Doing Business?

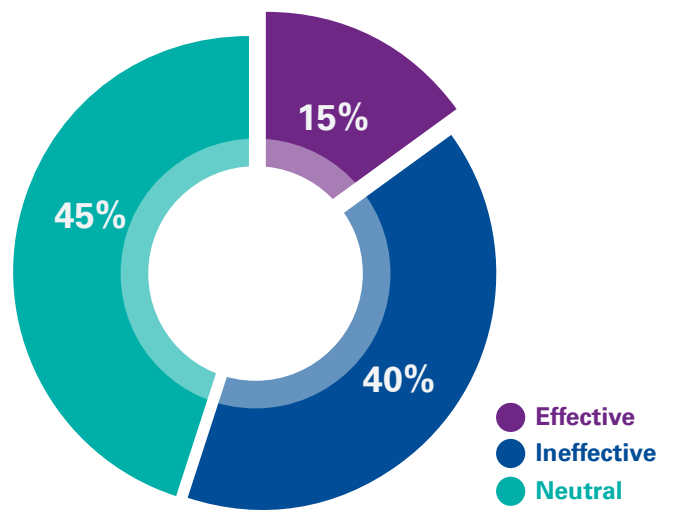
Given the backdrop of Nigeria's significant improvement in the Ease of Doing business (moved upward by 24 places to 145 from 169), our survey sought to measure CFOs' perception of effectiveness of government's efforts in this area. **Balaji Chandrasekaran, Regional Finance Controller, Olam Group Nigeria** believes that "engagement levels have increased with respect to Government and the organized private sector, this has reflected positively on the Ease of Doing Business. Investors are now spurred into coming to Nigeria to discuss potential opportunities"

Austin Menegbo, Chief Financial Officer of Segilola Resources Operating Limited says "access to funding is tough. We will like to see local investors support the growth in our industry"

Our findings indicated a relatively low perception of effectiveness of government's efforts. Critically only 15% of respondents felt these efforts have impacted the business environment. **Baji Nyam, Chief Financial Officer, Marine Platforms Limited** says "the purposes and intents of government are fantastic – most of them are. The implementation however, is something that we need to remove arbitrariness and subjectivity out of; and how you can do that is to digitalise a lot of these processes"

These perceptions are consistent with feedback from other questions in the survey indicating factors attributable to government (including infrastructure, regulatory efficiency

and uncertainty of government policy) as being significantly below expectations. Hence a need for government to address critical pain points for businesses. **Brian Egan, Group Chief Financial Officer, Dangote Cement Plc.** says "relaxation of currency control will help us to progress our international expansion"



“Investors are not attracted to countries based on sentiments, they will only invest in countries with favourable infrastructure and an enabling regulatory environment”

Oyinkan Adewale
CFO
Union Bank of Nigeria, Plc

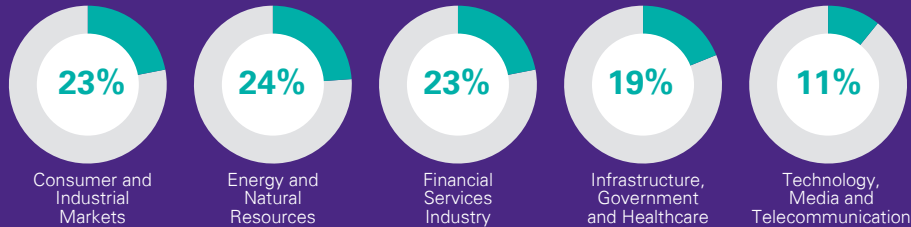


About the Survey

KPMG International's global survey of CFOs and other senior finance executives of organizations worldwide is one of the most comprehensive and long-running survey series of its kind. Iterations of our global CFO surveys and research papers have been conducted regularly since 2006, charting the evolution of finance departments and identifying leading financial management practices of high-performing companies.

This report presents our findings from the 2018 CFO Outlook Survey conducted by KPMG in Nigeria which consists of fifteen (15) questions. CFOs and Heads of Finance in leading organisations across all major sectors in Nigeria shared their opinions on the outlook for their businesses, their strategies for cost and risk management and the priorities for an enabling environment.

The distribution of our respondents across the sectors is illustrated below:



This report is based mainly on the findings from the survey. In addition to this, we incorporated feedback from organised interviews with selected CFOs across the key sectors of the economy. We have also leveraged other KPMG International survey reports and financial management thought leaderships to ensure that the report provides necessary insights into some of the critical themes identified in the survey.

Easy Pie Charts

25%

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