



News release

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Investors put cybersecurity top of the business threat list

*New research by PwC compares investor and CEO outlooks
Concerns about technology disruption contribute to widening gap between investor confidence in
revenue growth and that of business leaders*

Cyber attacks are now the biggest threat to business in the eyes of investors, mirroring growing global concern from business leaders, according to a new study by PwC.

In the *PwC 2018 Global Investor Survey* the views of investors and analysts are compared with those of business leaders.

41% of investors and analysts are now extremely concerned about cyber threats, seeing it as the largest threat to business, rising to first from fifth place in 2017. A similar amount (40%) of business leaders see it as a top three threat, but business leaders rank over-regulation and terrorism higher in the global study.

To improve trust with consumers, investors believe businesses should prioritise investment in cyber security protection (64% investors; 47% CEOs).

Investors rank geopolitical uncertainty (39% extremely concerned), speed of technological change (37%), populism (33%) and protectionism (32%) in the top five threats to growth.

Hilary Eastman, head of global investor engagement at PwC, said:

“The top concerns of investors and CEOs emphasise the different internal and external perspectives on, and day to day experiences of, businesses. While on-the-ground challenges such as finding the right skills are high on business leaders’ agendas, investors are preoccupied with the impact that wider societal trends, such as geopolitical uncertainty, populism and protectionism, have on businesses generally.”

Overall, PwC finds that both investors and CEOs are more confident about the global growth outlook than they were last year. 54% of investors (+9%) believe global economic growth will improve and 57% of CEOs (+19%).

Closer to home, in both the short and long term, PwC finds that investors are more pessimistic about their investments’ revenue growth outlook than business leaders are in their own prospects.

Less than a quarter (23% (2017: 23%)) are very confident about 12 month growth, compared with 42% of CEOs. Over the next three years, only one in five (20%) of investors are very confident about revenue growth, compared with 45% of business leaders.

Underlining their concerns about the outlook for growth, investors report higher expected levels of disruption from technology (85% vs 64%), customer behaviour (81% vs 68%) and distribution channels (76% vs 60%) than business leaders do. Over a quarter of investors (26%) believe artificial intelligence will have a larger impact on planned headcount reduction than last year (up 13%).



Hilary Eastman added:

“Investors expect disruption to have a bigger impact on business than CEOs, which might be affecting investor confidence in growth over the longer term. Effective communication between businesses and investors is key to addressing caution. If businesses can clearly demonstrate the actions they’re taking to combat investors’ concerns, they’re more likely to be able to attract long term investment.”

The top five countries investors and CEOs consider important for growth (USA, China, Germany, UK and India) remain the same this year. The gap is closing however in investors’ eyes between the US and China, in contrast to the US reinforcing its lead for business leaders.

In 2018, the US leads China by 13% (78% USA vs 65% China) while in 2017, it led by 23%. By contrast, the gap between Germany and the UK has widened with Brexit uncertainty likely to be impacting investors’ outlook. Last year the UK and Germany were preferred by 32% of investors equally; this year Germany remains a favourite for 32% of investors, in comparison with 21% for the UK. Both Germany (3) and the UK (4) retain their positions year on year, in the top five countries for growth.

A significant gap has also emerged between investors’ level of concern about declining trust in business, and the scale of the challenge seen by business leaders themselves. Over a third (36%) of investors are concerned about declining levels of trust between customers and organisations vs 18% of business leaders.

To build trust in the workforce, the majority of investors (60%) believe transparency on pay and benefits (60% investors; 51% CEOs), while the majority of CEOs feel the organisation’s values are most important (73% CEOs; 56% investors).

Hilary Eastman comments:

“Taking the investor perspective into account can give CEOs valuable external insights into where they need to focus to build confidence in their business. The survey findings suggest investors are more concerned about the risks associated with rapidly evolving technology than CEOs. Investing in cyber security, digital skills and training will be crucial for business leaders if they want investors to have confidence in their companies.”

Ends.

Notes

1. PwC surveyed 663 investment professionals globally in relation to the companies they invest in or follow, and 1,293 CEOs in the context of their own organisations. Investment professionals in the survey include fund managers, equity analysts, fixed income analysts, rating agencies and private equity investors.
2. Concern about activist investors or other campaigners is very low amongst investors (4% extremely concerned). While it is three times higher amongst business leaders (13% extremely concerned), both still rank it bottom of the list of threats to their business.

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