

INSIDE THE
Buy • Side[®]

EARNINGS PRIMER[®]

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celebrating **15** years

Q3'23

ISSUE: 56
October 12, 2023

INSIDE THE Buy-Side

EARNINGS PRIMER®

Survey Scope:

80 participants globally, comprising 83% buy side and 17% sell side; equity assets under management total ~\$7.0 trillion

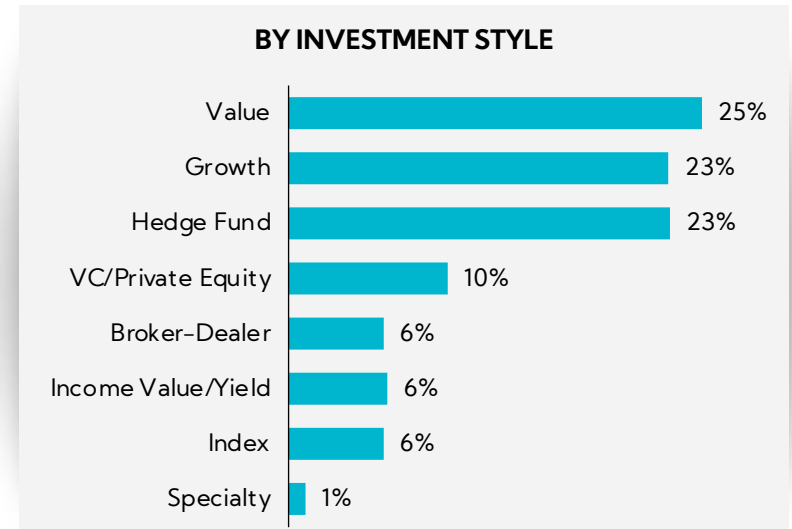
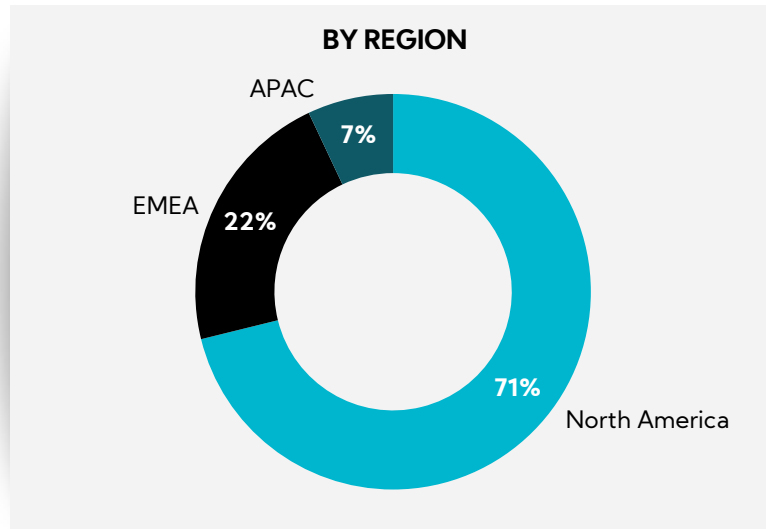
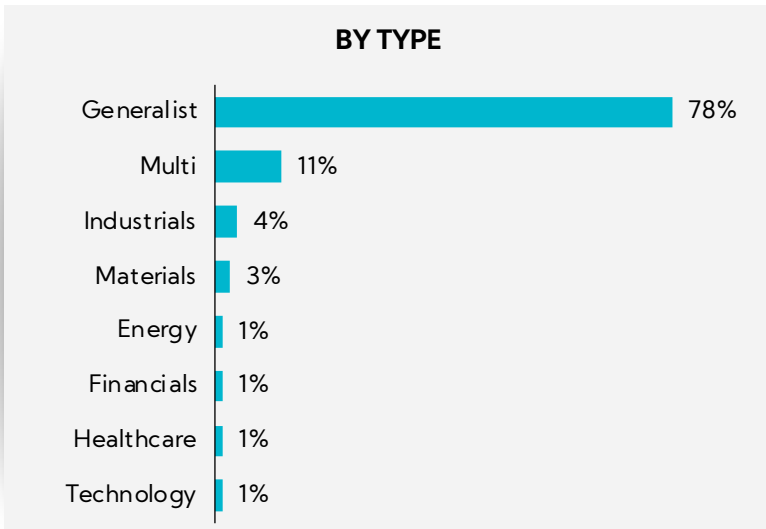
Survey Timeframe:

August 24 – October 3, 2023

Since 2007, we have surveyed global investors quarterly on the equity markets, world economies, and business climate. At the start of every earnings season, we publish our flagship *Inside The Buy-Side® Earnings Primer®*, which captures real-time *Voice of Investor®* sentiment and trends.

Leveraging our capital markets experience, deep understanding of investor relations, and best practice knowledge, our research and advice is at the nexus of global market trends, investor sentiment, and effective communication strategies.

Market Performance	Q3'23	YTD ¹
U.S.		
DJIA	(2.6%)	1.1%
NASDAQ	(4.1%)	27.3%
S&P 500	(3.6%)	12.1%
Russell 2000	(5.5%)	2.0%
Europe		
FTSE 100	1.0%	0.7%
Stoxx 600	(2.5%)	3.7%
Asia		
Hang Seng	(5.9%)	(11.6%)
Shanghai	(2.9%)	(0.2%)

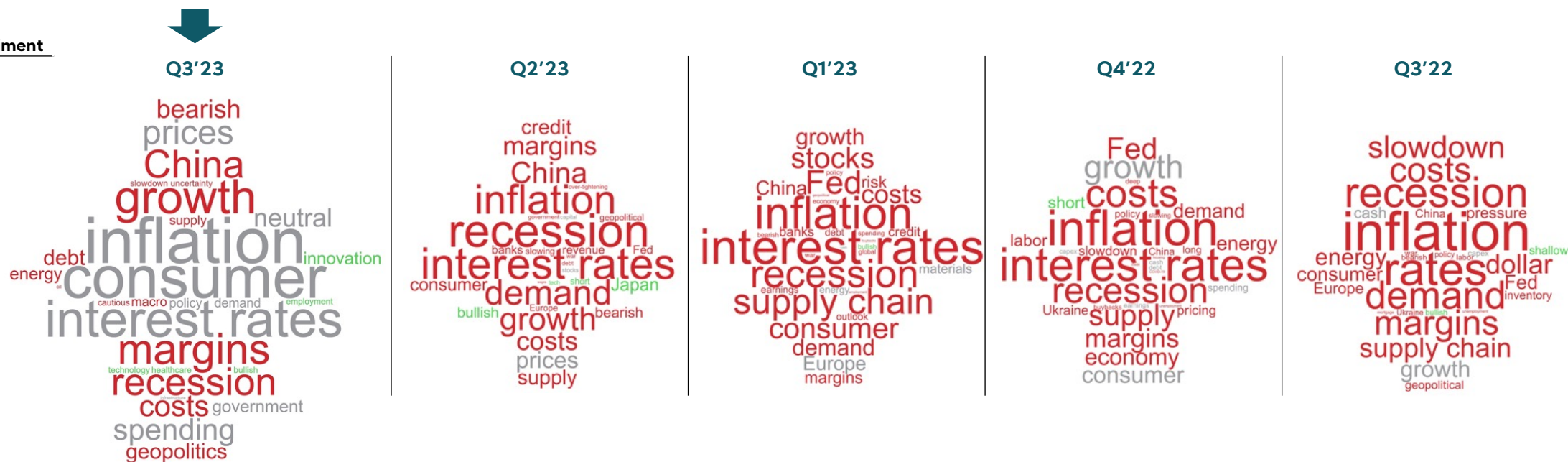


¹As of 9/30/23

Sentiment Overall is More Mixed on Inflation, Consumer, and Interest Rates than in Prior Quarters as the Market Exhibits Varied Perspectives Toward the Trajectory of the Economy

Key:
Underlying Sentiment

- Positive
- Neutral
- Negative



Quarterly Ranking (1-30)

Top Mentions	Q/Q	Q3'23	Q2'23	Q1'23	Q4'22	Q3'22
Inflation	↑ 2	1	3	2	1	1
Consumer	↑ 12	2	14	6	10	12
Interest Rates	↓ 1	3	2	1	2	2
Growth	↑ 1	4	5	10	6	11
Margins	↑ 3	5	8	14	8	5
China	UNCH	6	6	11	18	17

Investor Sentiment Reflects Increasing Caution Heading into Q3 Amid Continued Growth Concerns with Margins Prioritized; Geopolitical Risk — China Specifically — Dominates Mindshare

Investor Sentiment and Executive Tone Continue to Trend Neutral, but with Slightly More Caution QoQ; Decidedly Mixed Q3 Expectations Reflect Increasing Uncertain Footing while Guidance is Largely Anticipated to Be Maintained

- **37%** report current sentiment as *Neutral*, relatively unchanged QoQ, with fewer characterizing views as outright *Bullish*
- Executive tone continues to be perceived as less optimistic, from **46%** *Neutral to Bullish* or *Bullish* in Q1 to **32%** currently
- More, **49%**, expect results to come *in line* with consensus, with significantly fewer expecting beats QoQ
- Regarding Q3 KPIs, contributors generally expect *Improving* Revenue and *Worsening* Margins, and are decidedly split on EPS and FCF performance
- More expect 2023 guidance to be *Maintained* across all KPIs
 - Of those anticipating companies to *Raise* or *Lower*, more are in the latter camp, with one-quarter to one-third expecting deteriorating margins, EPS, and FCF outlooks
- Top areas to address on upcoming earnings calls include margins, inflation / costs and pricing power, and cash flow

With Expectations for Continued Economic Slowing, More Investors Prioritize Margins Over Growth, while Geopolitics Dominate Mindshare and Concerns Over China Set New Record; Still, Some Bright Spots Emerge

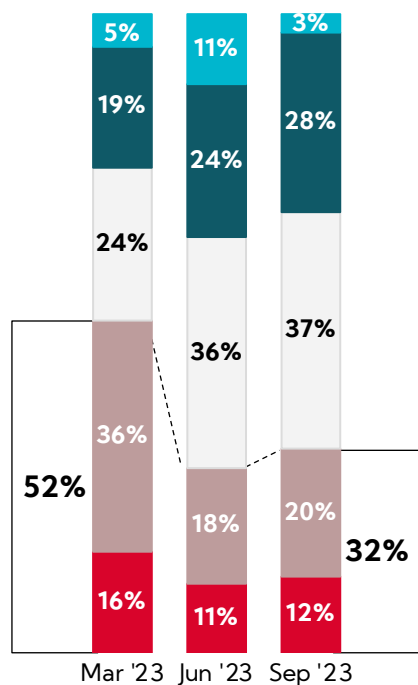
- All else equal, **71%** of investors are now prioritizing margins over growth
- A majority, **66%**, continue to expect a U.S. recession, below the record level of 93% in Q2'22
 - Landfall predictions are increasingly moving beyond year-end 2023, with **37%** now suggesting 2024, up from 29% last quarter and just 6% in Q1
- **50%+** expect consumer confidence and U.S. unemployment to *Worsen* over the next six months, as global credit card delinquency rates have reached an all-time high for consumers with poorer credit profiles
- More than **70%** point to Geopolitics as the leading concern, more than doubling from 34% last quarter, with 50% unaidedly citing caution toward China
 - Bearish views on China's economy over the next six months have reached the highest recorded level, and **77%** assign a *High* or *Very High* level of risk to companies with exposure, above the 1-year average of 74%
- Most Western economies are expected to *Worsen* over the next six months, led by the UK and Canada; notably, India and Mexico are expected to *Improve*
- Technological Advancement / AI is seen as a reason for optimism and the leading identified secular growth trend, followed by the Energy Transition

Preference for Debt Paydown Sets Another Survey Record as Investors Continue to Prioritize Conservative Balance Sheets While Support for Reinvestment Ebbs QoQ; Positive Sentiment Snuffed for Consumer-related Sectors

- Debt paydown remains the top preferred use of cash by **72%**, a new survey record, followed by reinvestment, which sees less support at 36% versus 43% QoQ
 - **36%** support *Maintaining* current levels of growth capex, down from 49% just two quarters ago, and 46% recommend *Moderating* or *Reducing* levels
- Despite somewhat tempered U.S. recessionary concerns QoQ, **7 in 10** investment professionals still prefer Net Debt-to-EBITDA at 2.0x or lower
- Dividends see increased interest, up 13% QoQ, as investors look for companies to compete with alternative investment vehicles; meanwhile, buybacks see a boost in support, increasing 15 pts to 27%
- **58%** report *Holding* or *Rotating* equities, and just under one-third report *Buying*
- Bulls abandon Consumer Discretionary while Bears pile into Building Products; Tech remains the bet on continued digitization / automation spend and AI

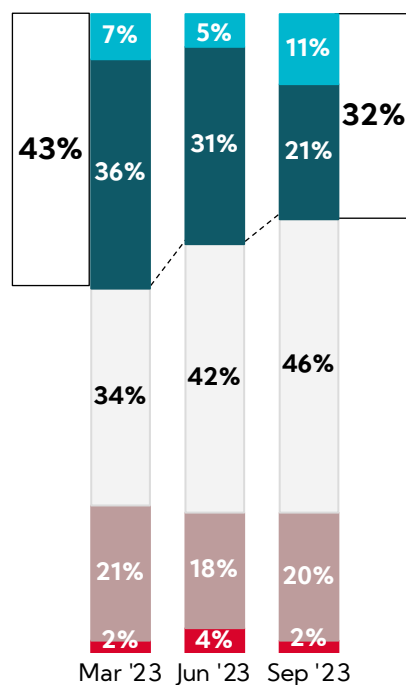
Investor Sentiment and Executive Tone Largely Characterized as Neutral and Slightly Less Optimistic Around the Edges

INVESTOR SENTIMENT



- Bullish
- Neutral to Bullish
- Neutral
- Neutral to Bearish
- Bearish

EXECUTIVE TONE



Neutral to Bullish

"The U.S. economy will avoid a recession." **Buy Side, Generalist, N. America**

"The days of the 'business cycle' are dead. Only crisis causes recessions. Companies rely on their CRM to tell them what the pipeline is, and it allows them to control supply. We saw the slowdown work during the prior U.S. presidential administration during the start of the trade war with China. The forecast recession never came because companies dialed back supply." **Buy Side, Generalist, N. America**

"The economy remains robust, consumers keep spending, and consumers keep making money." **Buy Side, Generalist, N. America**

"Market sentiment has turned from very negative to very positive. So, you have to be a little cautious. Management is becoming more positive. Given I cover a gamut of industries, our technology guy says one thing, our healthcare says something else; in general, I think there's more positive than negative." **Buy Side, Generalist, Asia**

Neutral

"I'm neutral because of cross currents, mostly around seemingly healthy consumer trends but deterioration at the margin, and then cost of capital and the lagged implications of what that means for anything that needs to be financed. Management are bullish about what they're seeing but are communicating more neutral." **Buy Side, Generalist, N. America**

"Executives have been measured in validating guidance ranges related to revenues and margins." **Buy Side, Generalist, N. America**

"If the team is American, the tone is confident but not complacent. If the team is European, the tone is slightly more realistic." **Buy Side, Generalist, Europe**

"Markets seem to be gyrating in all directions. There's no clear trend. I can't tell if value is doing well or if growth is doing well; there's a lot of uncertainty going around. Are we at peak interest rates, are we heading into a recession, or is there an economic slowdown coming?" **Buy Side, Generalist, Europe**

"I always have a bearish tendency but in reality, it is more neutral. Management is more bullish than what I would have expected but whenever you enter into a big downturn, history has told me management are the last people to know." **Buy Side, Generalist, Australia**

Neutral to Bearish / Bearish

"I am a little more bearish on weakening consumer datapoints as a response to inflation and starting to finally see that in the consumer spending data. The resumption of student debt coming up in the very near term has me worried as well. The management tone is neutral. They do not know. There is a lot of uncertainty. It is very hard to understand what 2024 will do when no one knows if GDP is going to grow." **Buy Side, Generalist, N. America**

"I am a hedge fund, so I am very short-term oriented. I am concerned about the next four weeks, not the next four years. In that context, I am bearish short term. Management is incrementally cautious." **Buy Side, Generalist, N. America**

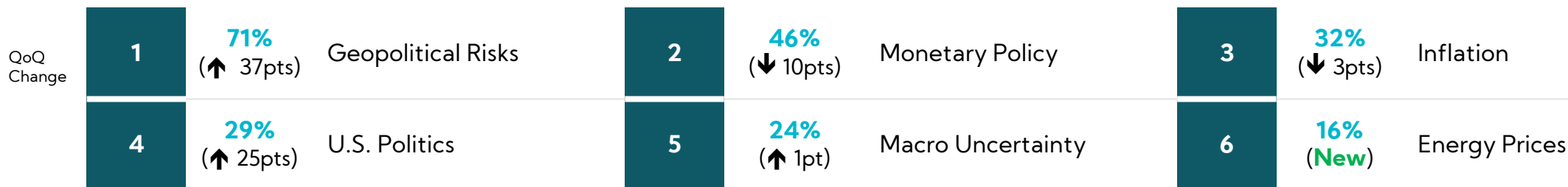
"Things are beginning to slow. Inflation and rates are dragging on and tugging at consumers who are beginning to crack around the edges. Discretionary spending is slowing." **Buy Side, Generalist, N. America**

"Caution related to the macro environment. Geopolitical issues related to the war in Ukraine and tensions with China." **Buy Side, Multi, N. America**

"Bearish given the slowdown in economic growth and data, which is starting to become more apparent in the U.S. The management tone is neutral, but they are cautious." **Buy Side, Generalist, Europe**

Top Concerns from Around the Globe

Geopolitical risks more than double as a concern QoQ, with 50% highlighting China risks (unprompted); meanwhile, U.S. politics register on the board this quarter as election season approaches, with 53% citing the upcoming U.S. presidential race as a factor in their investment strategies



Views from N. America

"Consumer health, energy prices, interest rates." **Buy Side, Generalist**

"We are seeing much higher interest rates for a lot longer, China and its impact on the global economy." **Buy Side, Generalist**

"Inflation, missing workforce, unknown crisis bubbling up." **Buy Side, Generalist**

"Consumer-led slowdown, potential weakness in housing market, geopolitical shock." **Buy Side, Generalist**

"The cumulative impact of interest rates, geopolitical tension globally, we are concerned of what a second Trump presidency implies." **Buy Side, Generalist**

"Margins, inflation, unemployment." **Buy Side, Generalist**

"U.S.-China relations." **Buy Side, Generalist**

"Geopolitics, oil prices, election." **Buy Side, Generalist**

"Lack of political leadership, inflation, the course of deglobalization." **Buy Side, Generalist**

"Interest rates finally break the consumer resulting in a real estate collapse, China slowing economy and desperate actions by Xi, Ukraine-Russia conflict." **Buy Side, Generalist**

"Fiscal Policy, Fed policy, black swan event." **Buy Side, Multi**

"U.S. consumer, U.S.-China relations, lack of meaningful AI monetization." **Buy Side, Multi**

"Interest rates, inflation, Taiwan invasion." **Buy Side, Multi**

"Geopolitical tensions, interest rates, uncertainty related to U.S. politics." **Buy Side, Multi**

"Consumer spending, real estate, political changes." **Buy Side, Healthcare**

"U.S. government fiscal deficits, over regulation, especially within the financial services and banking sectors, anti-growth climate policy." **Buy Side, Financials**

"Sluggish growth, stubborn inflation, low productivity." **Buy Side, Tech**

"U.S. budget deficits, cumulative U.S. debt, inflation." **Sell Side, Generalist**

"Economic activity, recession, geopolitical risks, in particular the U.S.-China trade tensions, ongoing banking industry issues given what transpired back in March." **Buy Side, Generalist**

"Industrial production, labor costs, normalization from COVID." **Sell Side, Generalist**

Views from Europe

"Inflationary cost pressures, seeing an end to the destocking cycle and demand not going down much further." **Buy Side, Generalist**

"Interest rates, macro." **Buy Side, Generalist**

"Inflation, interest rates." **Buy Side, Generalist**

"Ukraine war and crisis deepening, recession risk, Trump re-election." **Buy Side, Generalist**

"China, inflation." **Buy Side, Industrials**

"How equity market responds to inverted yield curve flattening." **Sell Side, Generalist**

"Consumer weakness, macro." **Buy Side, Generalist**

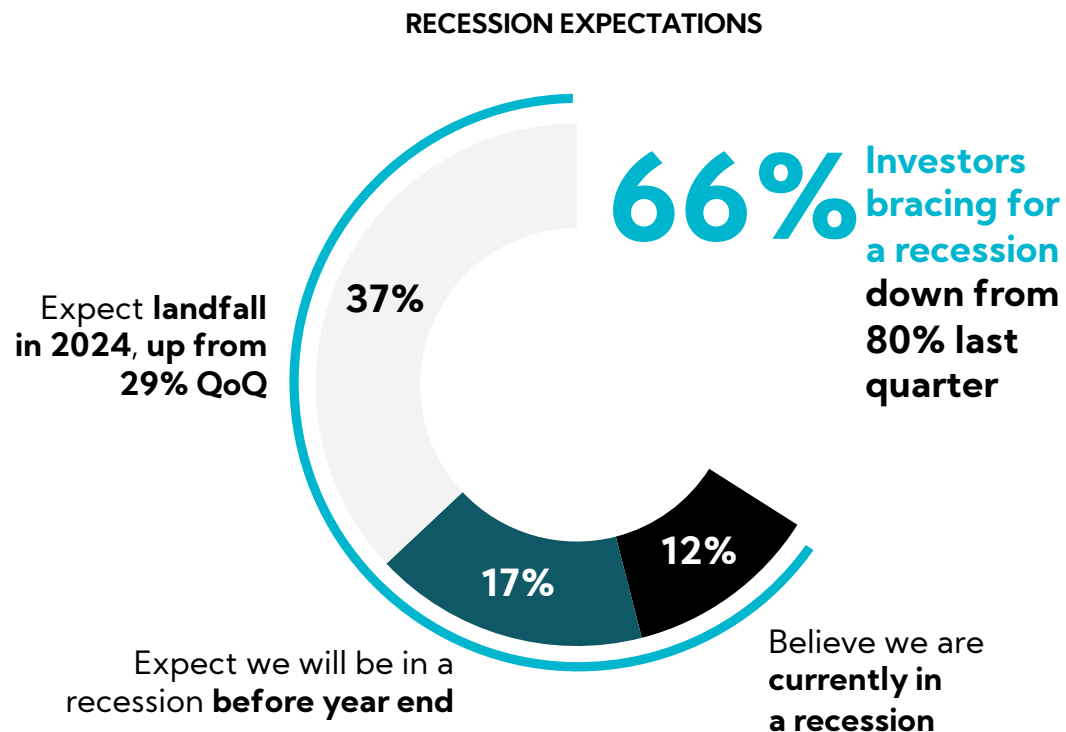
Views from APAC

"China slowing, oil prices rising, high government debt." **Buy Side, Generalist**

"Inflation management, geopolitical misstep, U.S. a failing state?" **Sell Side, Multi**

"The key concern is more around the path of how to get where we have to get to; inflation has to come down and employment needs to rise. Does the consumer actually put the handbrake on itself, or does it get forced on it by increased rate hikes?" **Buy Side, Generalist**

Most Continue to Expect a Recession, Albeit Down Notably QoQ, with the Majority Anticipating Landfall in 2024



"I find it somewhat irrelevant whether we are technically in a recession or heading for a recession. The reality is we are in some form of a slowdown. Whether that tips into recession, the much more interesting question is how bad, how long, and what brings us out of it. The fact we are heading into some sort of slowdown is well expected and the market keeps looking over the valley and saying, 'Yes, but things are going to get better before too long.' If that ends up not being the case, then we have a potential problem. My expectations are reasonably in line with the market that there is a slowdown ahead but that it is not anything dramatically bad or long term in nature."
Buy Side, Generalist, N. America

"Expect a moderate and brief recession."
Buy Side, Multi, N. America

"I wish I knew. There will be one but later in '24."
Buy Side, Generalist, N. America

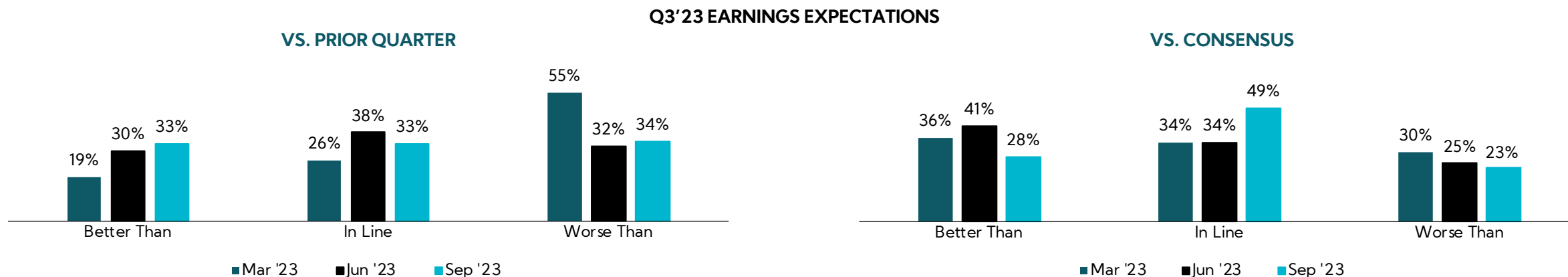
"I think it's going to be softer and pushed out further."
Buy Side, Generalist, Europe

"Appears we have had a rolling recession within certain sub-industries which may continue, abate or roll into another area."
Buy Side, Generalist, N. America

"If you exclude travel and elevated government spending, we're in a recession."
Buy Side, IT, N. America

Sequential Earnings Performance Expectations are Split; Majority Anticipate Results To Be In Line with Consensus

Differing views on inflation, macro uncertainty, and the trajectory of the consumer muddy sentiment



Better Than

"Economy doing better than expected." **Buy Side, Generalist, N. America**

"Was expecting a recession, not happening yet." **Buy Side, Generalist, N. America**

"Tradition, mostly." **Buy Side, Generalist, N. America**

"Falling inflation, strong consumer." **Buy Side, Generalist, N. America**

"History of beats, easy comps." **Buy Side, Generalist, Europe**

"Margins up, costs down." **Buy Side, Generalist, Europe**

"Positive economic backdrop." **Sell Side, Generalist, Europe**

In Line

"Q2'23 exceeded expectations, raising the bar for a sequential comparison. Recent upward revisions by analysts set the stage for in-line [with] consensus." **Buy Side, Generalist, N. America**

"During Q2, most 2H numbers were adjusted downward with not much left to drag us down." **Buy Side, Generalist, N. America**

"The third quarter is always the trickiest. Vacations create timing nightmares for deal closers in companies. This creates uncertainty in companies' earnings." **Buy Side, Generalist, N. America**

"Easy targets to meet." **Buy Side, Generalist, N. America**

"U.S. economy will avoid a recession." **Buy Side, Generalist, N. America**

"Consensus is too bearish." **Buy Side, Generalist, Europe**

"Interest rate impacts." **Buy Side, Multi, N. America**

"Estimates are a bit high." **Buy Side, Tech, N. America**

Worse Than

"Consumer savings down and credit running out." **Buy Side, Generalist, N. America**

"Inflation." **Buy Side, Generalist, N. America**

"Declining earnings." **Buy Side, Generalist, N. America**

"Poor consumer sentiment." **Buy Side, Generalist, Australia**

"Expect to vary by sector. Macro economy concerns will reduce industrial spending and weakening net interest margins will hurt financials." **Buy Side, Multi, N. America**

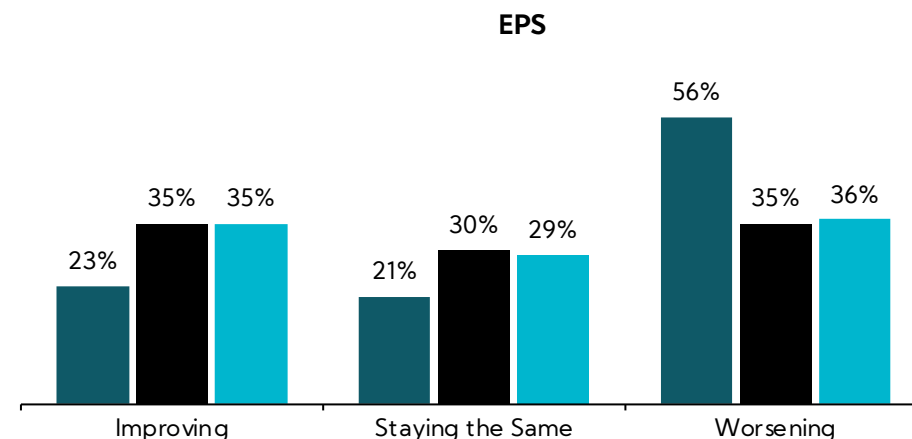
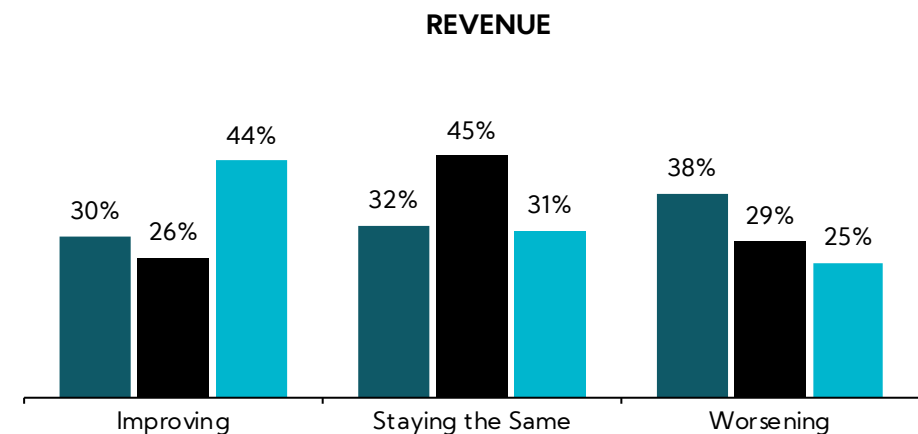
"Consumer slightly weakening." **Buy Side, Multi, N. America**

"Macro." **Sell Side, Generalist, N. America**

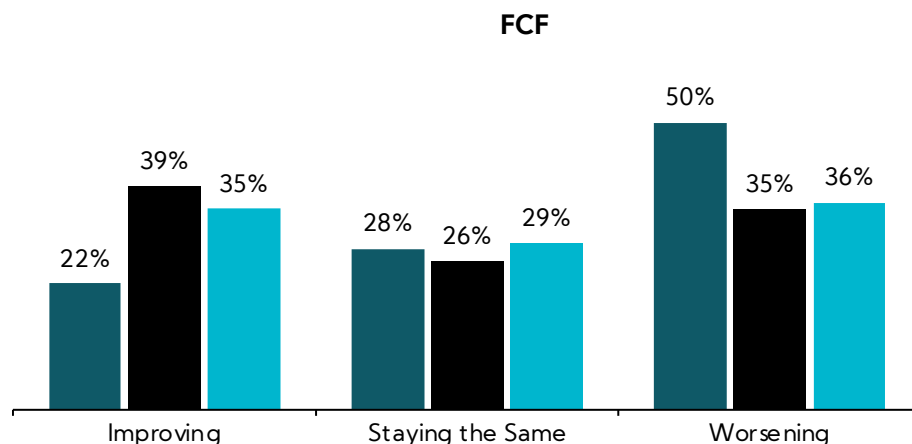
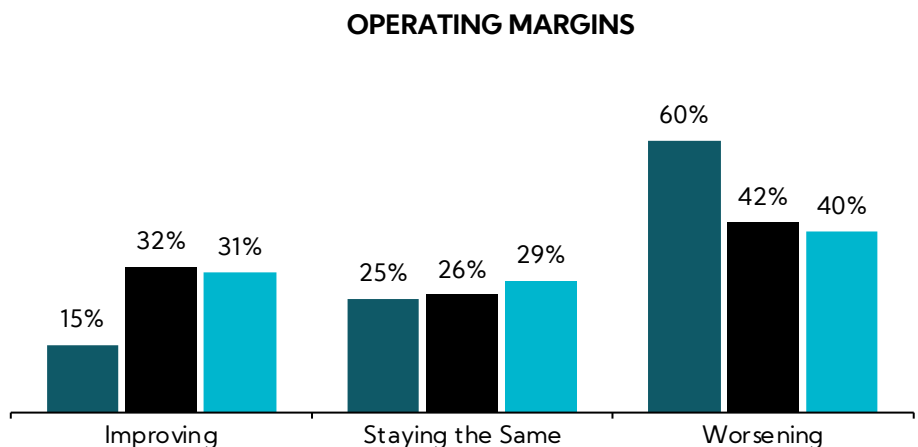
"Interest rates at higher levels start to take their toll in corporate and actual market by now." **Sell Side, Generalist, Europe**

Challenging Macro Resulting In Mixed Expectations – Views Upbeat on Sales, Downbeat on Margins, and Decidedly Split on EPS and FCF

Survey findings represent the first time in seven consecutive quarters that a greater proportion of investors expect sales to improve sequentially



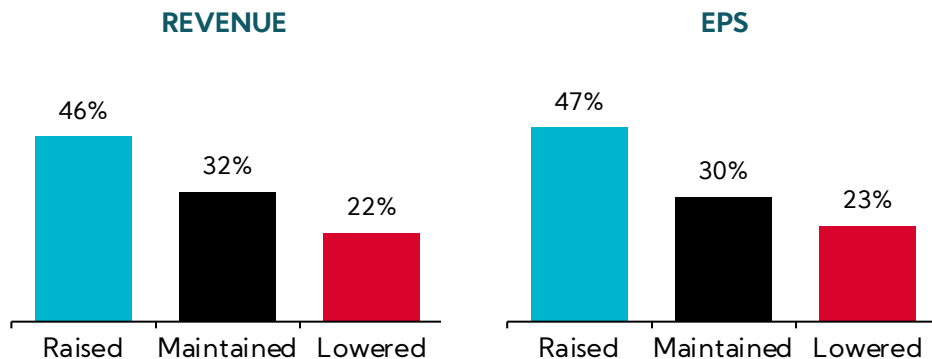
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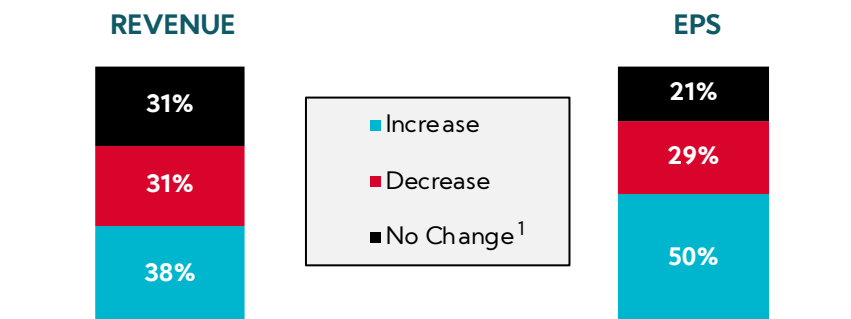
With Increased Confidence, Investors Largely Expect Companies to Maintain Outlooks Across All KPIs in Q3'23

COMPANY GUIDANCE TRENDS COMING OUT OF Q2'23

U.S. Companies, >\$500M Market Cap, n=987

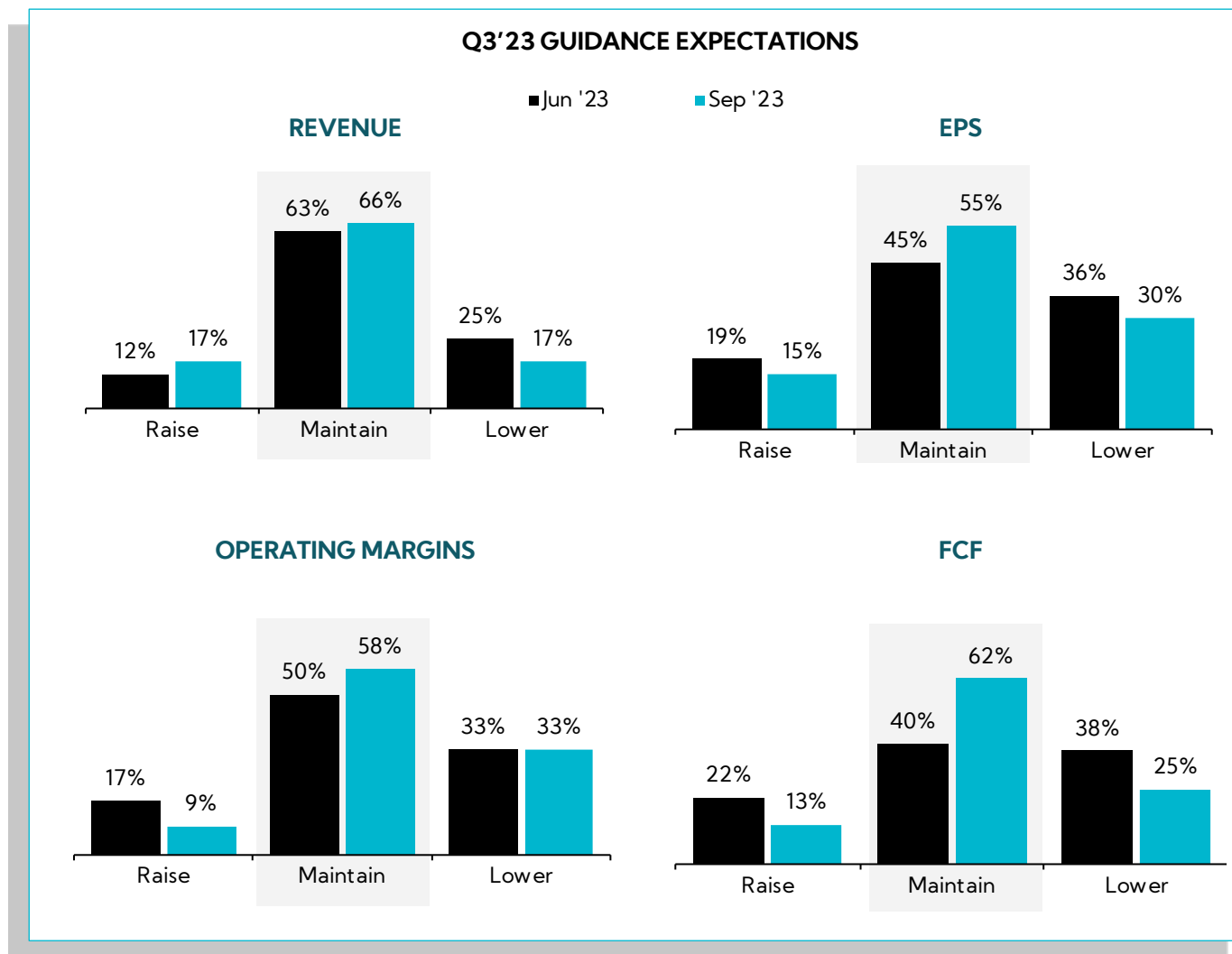


S&P 500 CONSENSUS REVISIONS COMING OUT OF Q2'23



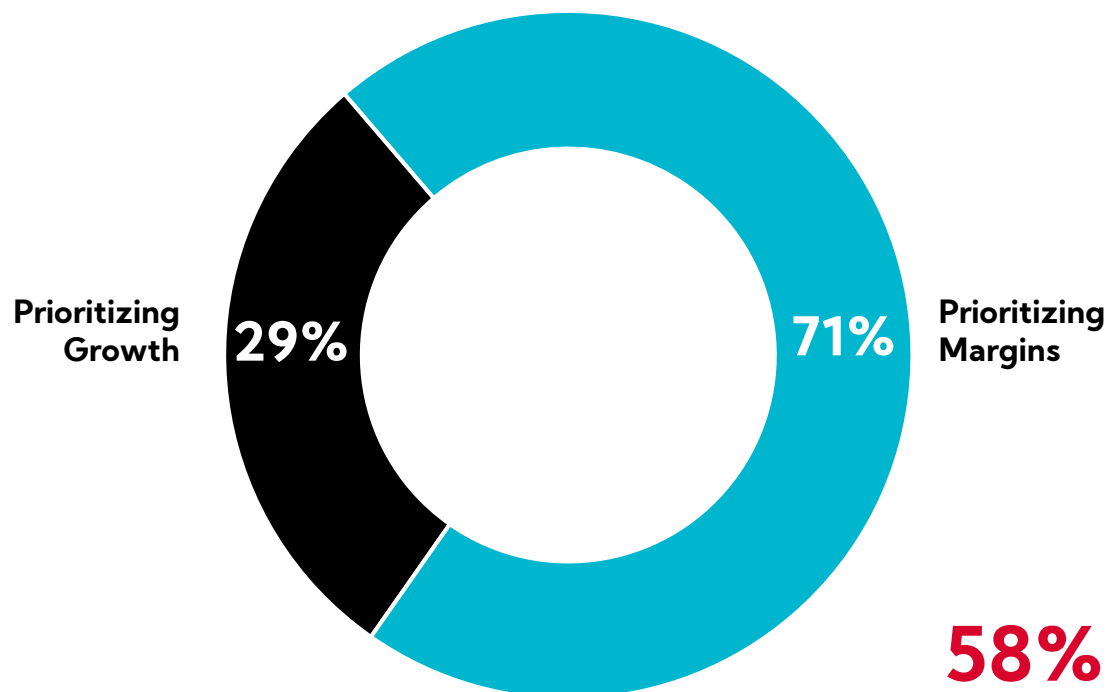
¹Revisions $\leq \pm 0.5\%$

Q3'23 GUIDANCE EXPECTATIONS



In a Slowing Growth Environment, Growing Emphasis on the Bottom Line

KPI PRIORITIZATION AT THIS POINT IN THE CYCLE



58%

Exhibit **More Concern** or a **Continued Level of High Concern** over **Ability to Pass on Cost QoQ**

Margins

"I am focusing on companies that can sustain margins within various economic environments." **Buy Side, Generalist, N. America**

"I prioritize margins but on a sustainable basis – not temporary." **Buy Side, Generalist, N. America**

"Pricing power has peaked, and unit growth is tough. It's about cost control." **Buy Side, Generalist, N. America**

"Make money and don't worry about growth for growth's sake." **Sell Side, Generalist, N. America**

"A company's ability to maintain margins in this environment is greatly important." **Buy Side, Generalist, N. America**

Growth

"Stocks go up when companies grow." **Buy Side, Generalist, N. America**

"We typically look for growth that is sustainable. Therefore, growth is obviously foremost, but you could say given the market sentiment, you have to be cognizant of the importance of margins. But, if there are companies which have a clear path to margins and which may not be profitable today, and if we have faith that those targets will be met, you'll be fine with it." **Buy Side, Generalist, Asia**

Topics of Interest for Upcoming Earnings Calls

Margins and expense management remain the leading focus area for the fourth consecutive quarter

Views from N. America

"Calendar 2024 expectations." **Buy Side, Generalist**

"Susceptibility to a fluid or changing economic environment, impact of a stronger dollar, outlook and expectations., front-of-mind concerns impacting execution." **Buy Side, Generalist**

"2024 outlook, inventories, supply chains and channel inventories, employee retention." **Buy Side, Generalist**

"Pipeline changes, inflation, workforce. Are people showing up for work and are they able to get the employees they need?" **Buy Side, Generalist**

"Pension and debt, margins." **Buy Side, Generalist**

"Margins, inflation, customer spending." **Buy Side, Generalist**

"Margins, spending and cost pressures, top line." **Buy Side, Generalist**

"Business in China, inflation, competition." **Buy Side, Generalist**

"What macro events (black swan) are you most concerned with?" **Buy Side, Generalist**

"Consumer demand, margins, capex." **Buy Side, Generalist**

"Growth outlook, cost pressures, free cash flow, M&A deployment." **Buy Side, Generalist**

"AI allowing for cost savings, state of the consumer, AI monetization." **Buy Side, Multi**

"Company's ability to manage through near-term risks, medium- and long-term plans." **Buy Side, Multi**

"Growth boom, Fed easing, avoiding deflation." **Buy Side, Multi**

"Capital management, margin management, liquidity." **Buy Side, Multi**

"Inflation, debt servicing/refinancing, hiring." **Buy Side, Multi**

"Cash runway, M&A interest, catalysts over the next 12 months." **Buy Side, Healthcare**

"Organic growth, operating margin leverage." **Sell Side, Generalist**

"Production/utilization, share gains, pricing." **Sell Side, Generalist**

"Inflation impact on their business, ability to obtain adequate workforce size, what their key customers are doing." **Sell Side, Generalist**

"EPS, cash flow, margins." **Sell Side, Generalist**

"Price/cost issues heading into 2024, any benefit from infrastructure bill, supply chain." **Sell Side, Industrials**

Views from Europe / APAC

"Financing costs, margin operations, environment of the business." **Buy Side, Generalist**

"Price/cost, inflation, working capital." **Buy Side, Generalist**

"Inventories, sales channel demand, margins and pricing." **Buy Side, Generalist**

"Cash flow, profitability with sales/revenue forecast for next 12 months, management view on their respective sales sentiment (clients/internal)." **Sell Side, Generalist**

"Visibility on Q4." **Sell Side, Generalist**

"Cost pressures such as labor, CPI, and raw materials, competitive positioning." **Sell Side, Multi**

63% Margins, Expense Management
(↑ 21pts)

39% Macro Outlook
(↑ 13pts)

38% Inflation / Cost, Pricing Power
(↓ 1pt)

24% Growth
(↓ 7pts)

20% Demand
(↓ 16pts)

19% **NEW** Cash Flow
(↑ 19pts)

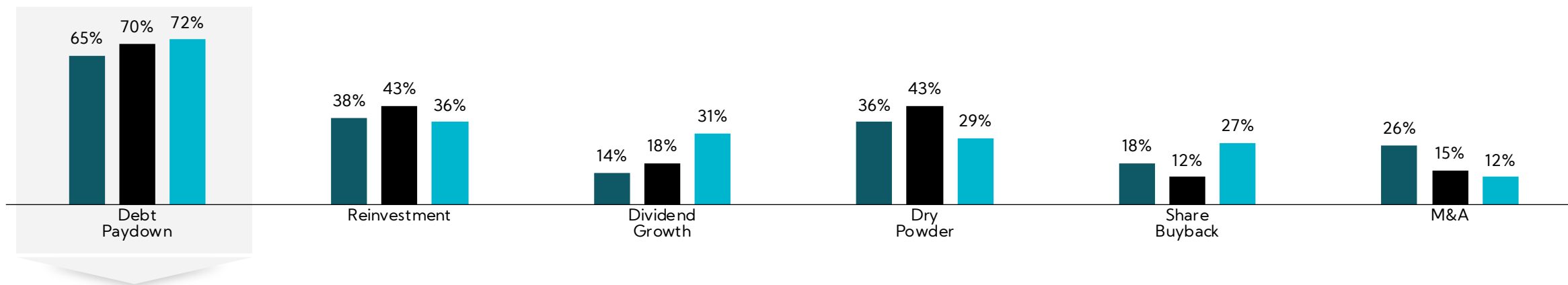
Preference for Debt Paydown Sets New Survey Record as Investors Continue to Prioritize Conservative Balance Sheets

Preference for M&A falls to a decade low while dividends see their highest level of interest since Q1'22; share buybacks garner renewed attention

PREFERRED USES OF CASH

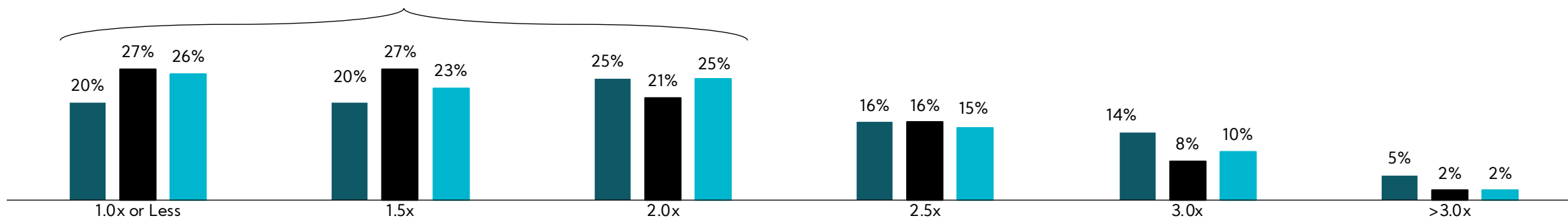
In Descending Order of Top Two Preferences

■ Mar '23 ■ Jun '23 ■ Sep '23



THRESHOLDS FOR IDEAL NET DEBT-TO-EBITDA

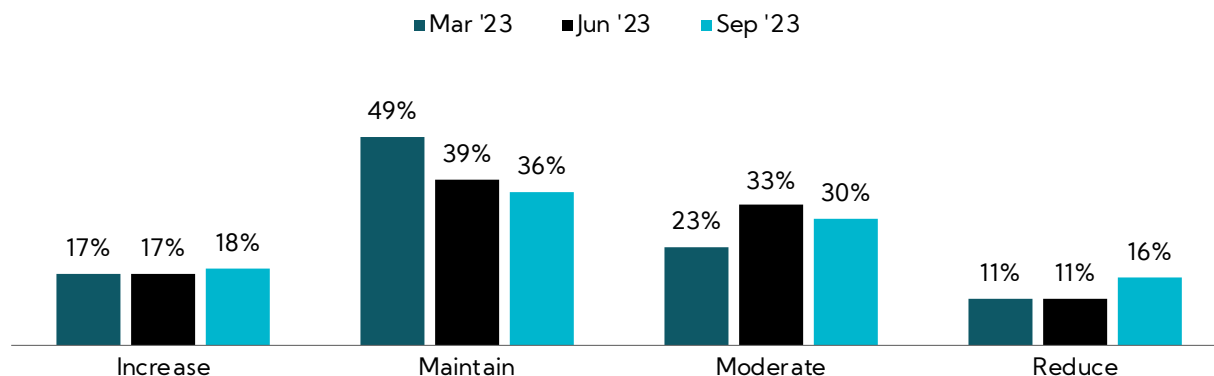
74% prefer 2.0x or less, in line with last survey



Support for Reinvestment — While Still the #2 Preferred Use of Cash — Ebbs QoQ

36% support maintaining current levels of reinvestment, down from 49% just two quarters ago, while 46% recommend moderating or reducing levels

GROWTH CAPEX PREFERENCES



"Companies need to explore how to use technology to become more productive. It's been a while since a productivity boom has happened." **Buy Side, Generalist, N. America**

"Prepare for recession so you can go on offensive during recession." **Buy Side, Generalist, N. America**

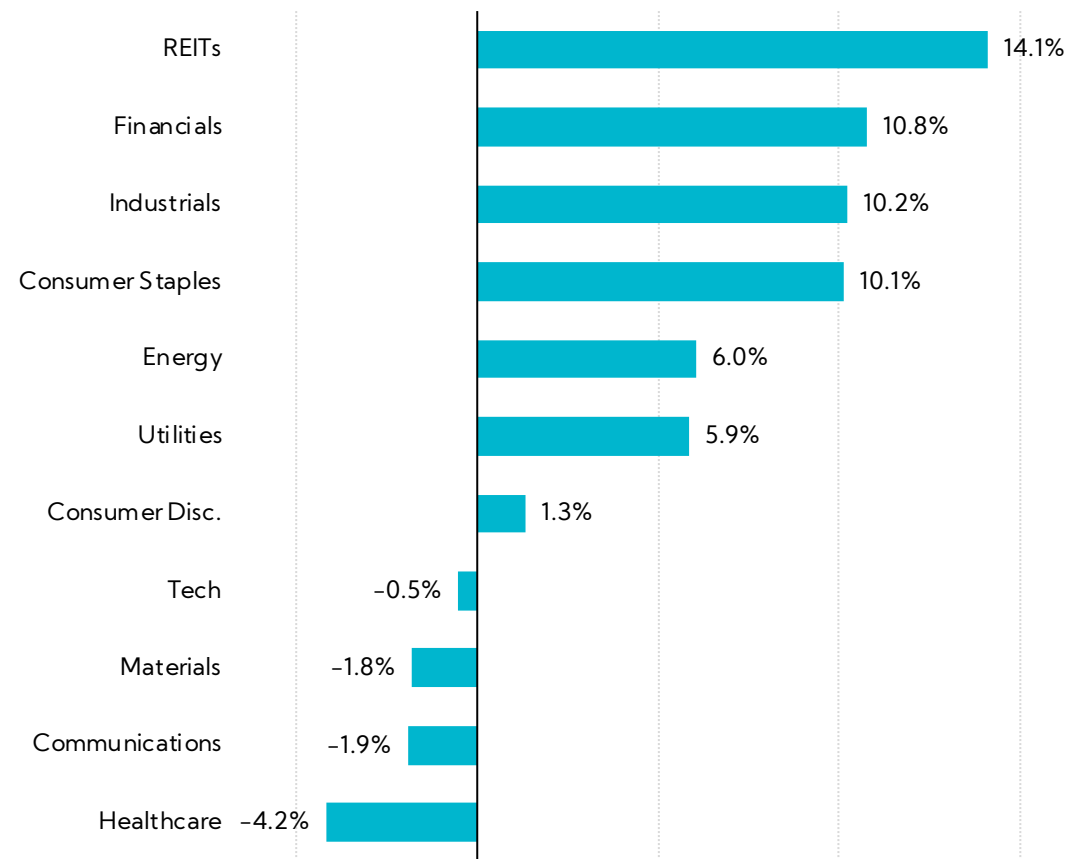
"My preference is to moderate but it depends on the company, what the balance sheet looks like and the drivers of growth for the business." **Buy Side, Generalist, N. America**

"Margins will come down as pricing power wanes but labor costs don't. They will need to lower capex and working capital to keep up FCF levels." **Buy Side, Tech, N. America**

"What they will do is probably cut. Where things could be different is in the U.S. due to the IRA program that President Biden has implemented. There might be a capex spree there, induced by policy." **Buy Side, Generalist, Europe**

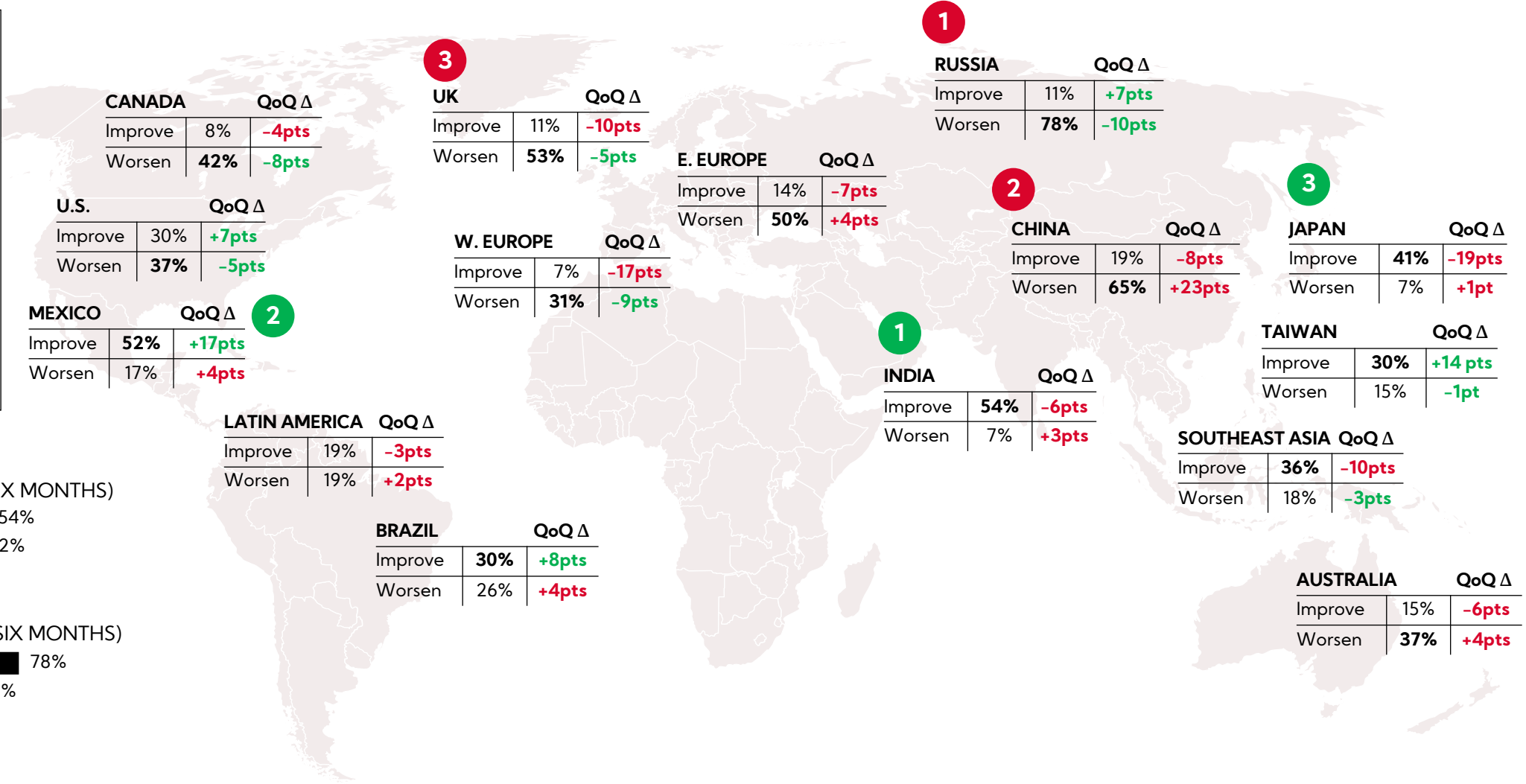
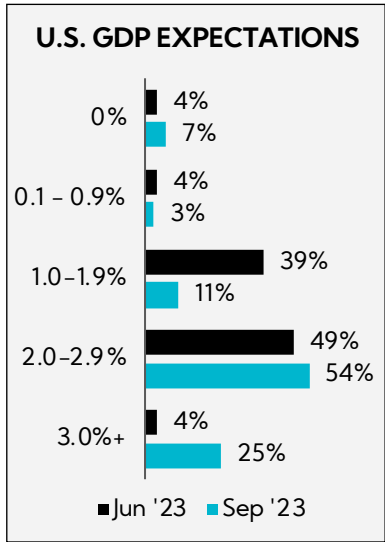
"As we are heading into a period where it is likely that central banks will lean on the side of keeping interest rates higher for longer, it means once you avoid replenishing your working capital you start to cut into your capex and into the company's income statement." **Buy Side, Generalist, Europe**

S&P 500 Q2'23 MEDIAN CAPEX BY SECTOR, QoQ



From a Global Perspective, India and Mexico Garner the Most Optimism while China Continues to See Red; Western Economies Largely Anticipated to Worsen, Led by the UK and Canada

2023 U.S. GDP print expected to be +2.1% on average, up 40 bps QoQ; notably, 65% indicate they are concerned about U.S. fiscal health when aided



TOP 3 – IMPROVING (NEXT SIX MONTHS)



TOP 3 – WORSENING (NEXT SIX MONTHS)

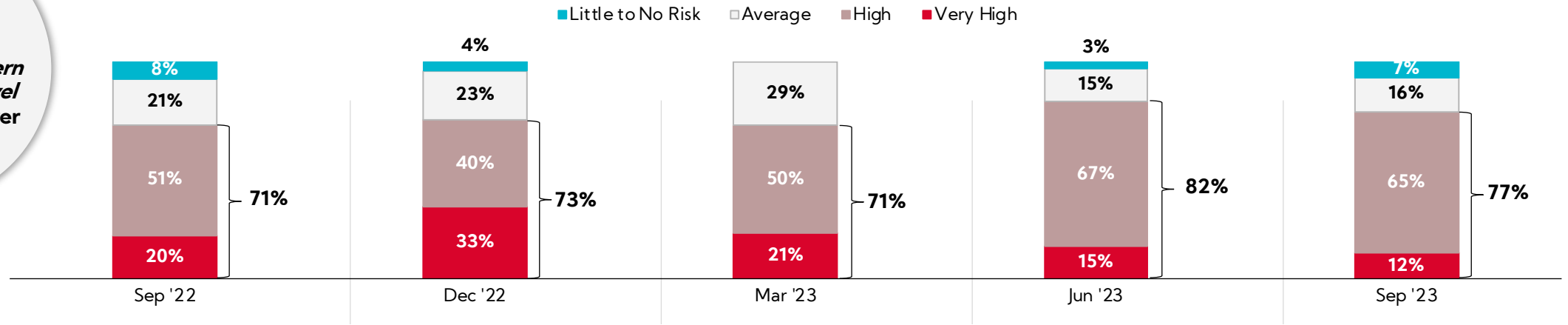


Investors Continue to Assign a High Level of Risk to Companies with Exposure to China

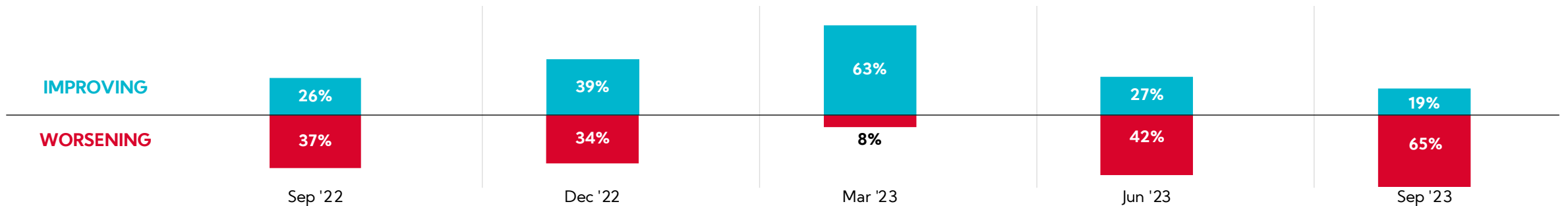
Perceived risk profile remains high at 77% after hovering ~70% over the past year; views of the Chinese economy see highest bearish level ever recorded

73%
Exhibit *More Concern* or a *Continued Level of High Concern* over U.S.-China relations

LEVEL OF RISK ASSIGNED TO COMPANIES WITH BUSINESS / OPERATIONAL EXPOSURE TO CHINA



INVESTOR VIEWS ON THE CHINESE ECONOMY OVER THE NEXT 6 MONTHS

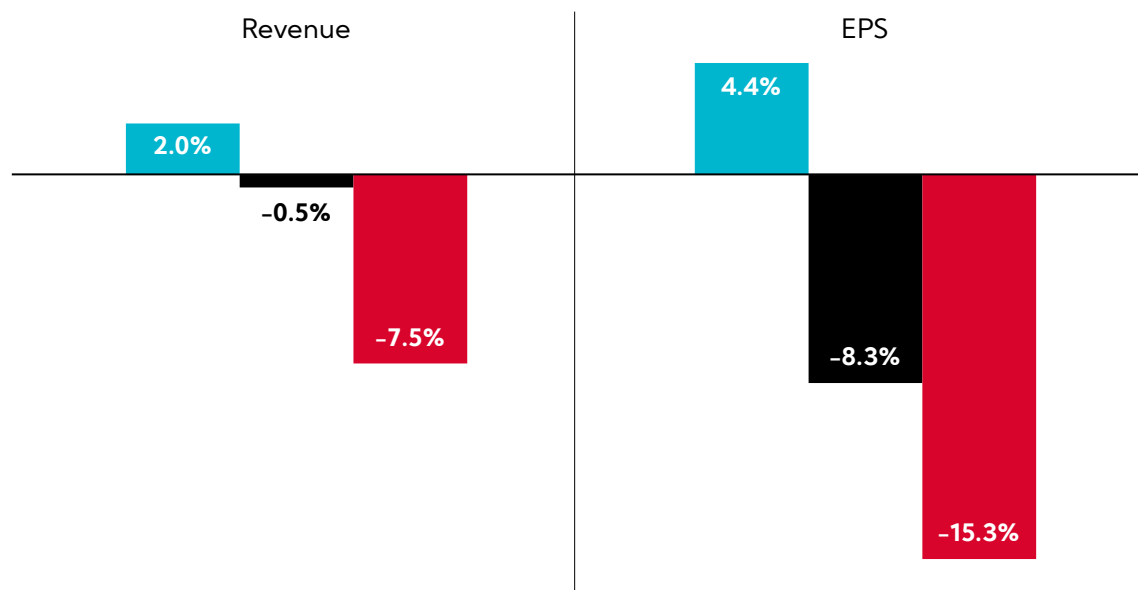


Companies with Exposure to China Remain Under Pressure

In Q2, S&P 500 companies with revenues tied to Chinese economy performed worse on a YoY basis; following earnings, the markets have followed suit

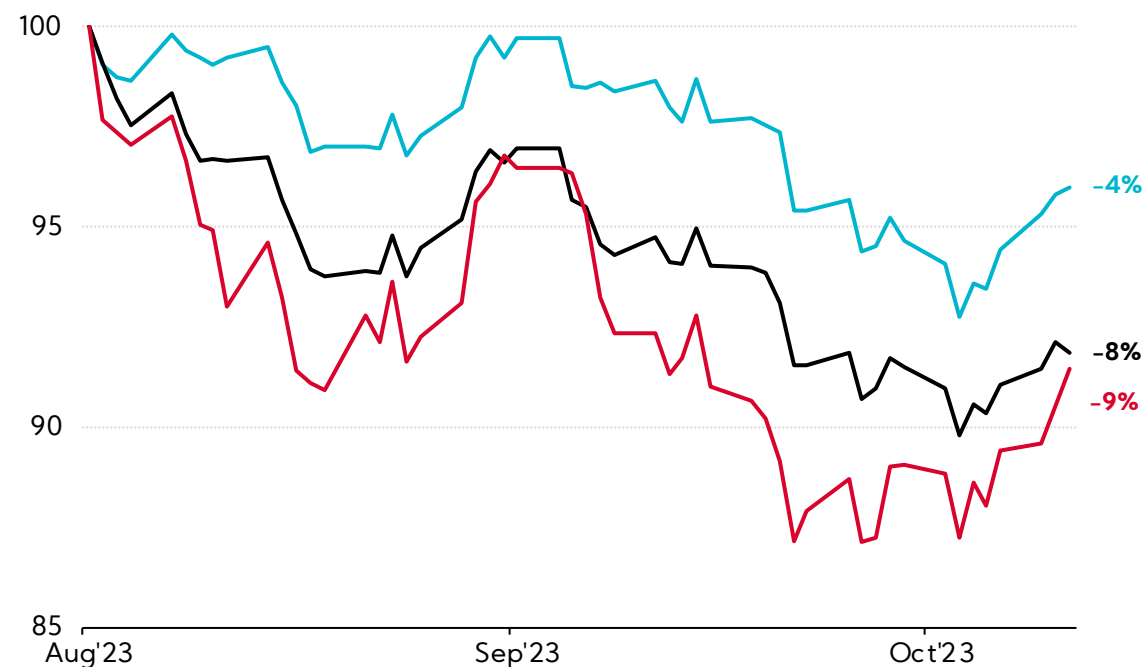
S&P 500 Q2'23 AGGREGATE REVENUE AND EPS GROWTH FOR COMPANIES WITH CHINA EXPOSURE

- <5% Revenue in China (n=376)
- 5% to 20% Revenue in China (n=94)
- >20% Revenue in China (n=31)



S&P 500 INDEXED SHARE PRICE PERFORMANCE SINCE AUGUST 2023¹

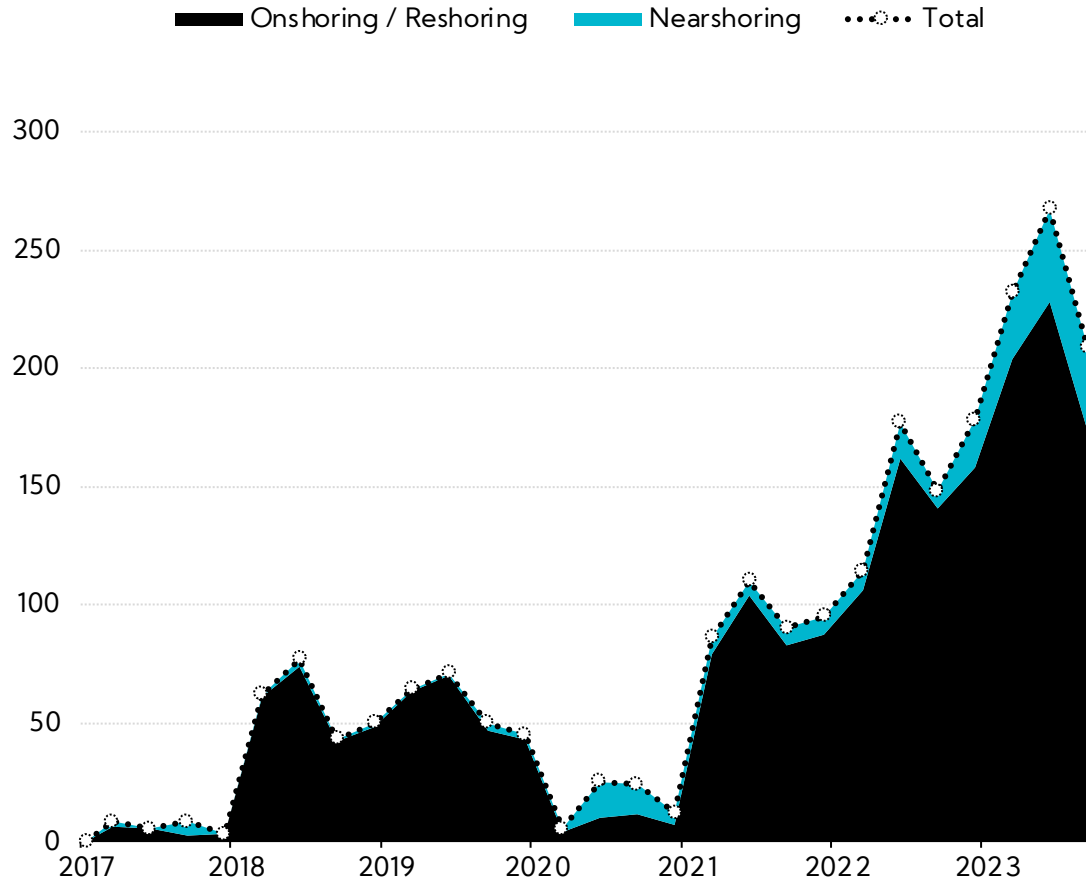
- <5% Revenue in China (n=376)
- 5% to 20% Revenue in China (n=94)
- >20% Revenue in China (n=31)



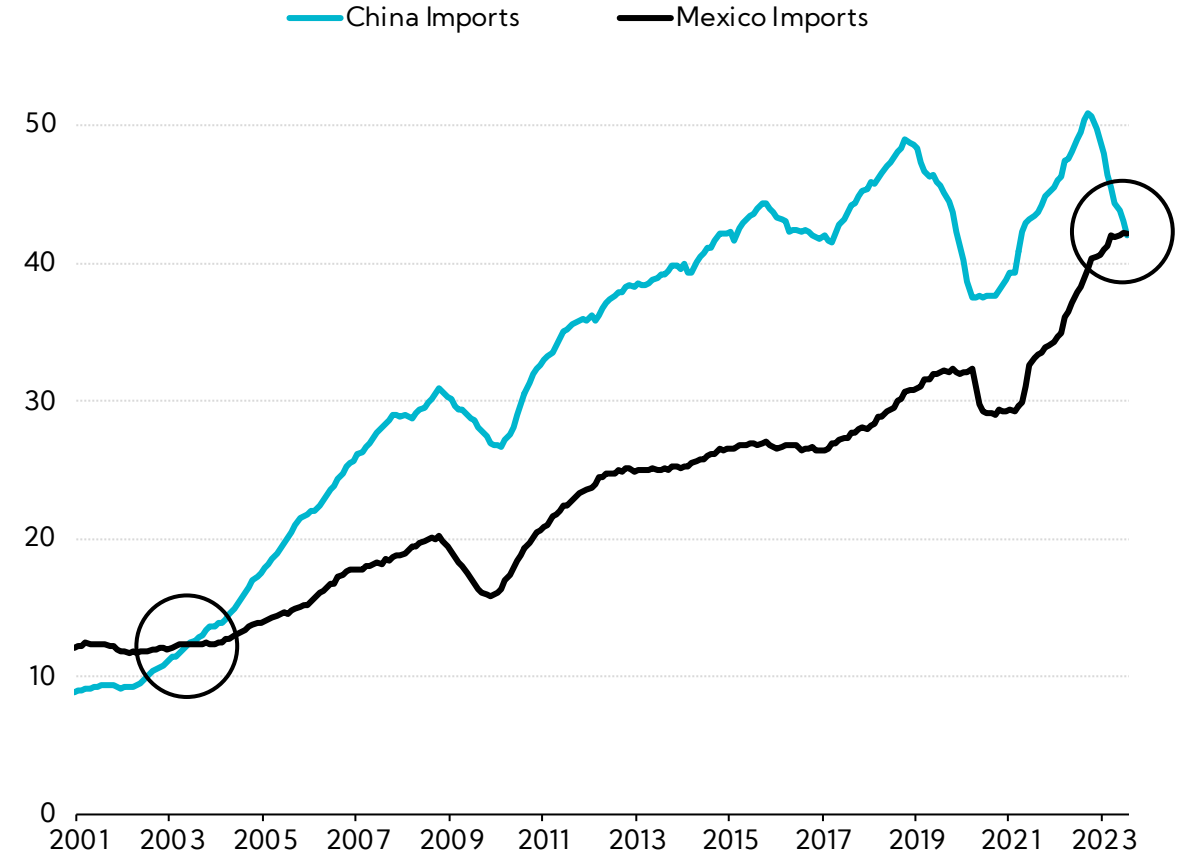
¹As of 10/10/23

As Mentions of “Onshoring” and “Nearshoring” Proliferate, Mexico Surpasses China in Average U.S. Imports for the First Time Since 2003

DERIVATIVES OF DOMESTIC ‘SHORING MENTIONS
U.S. Companies, >\$500M Market Cap, Transcripts, n=587



TOTAL U.S. IMPORTS FROM CHINA AND MEXICO
12-Month Rolling Average (\$B)¹

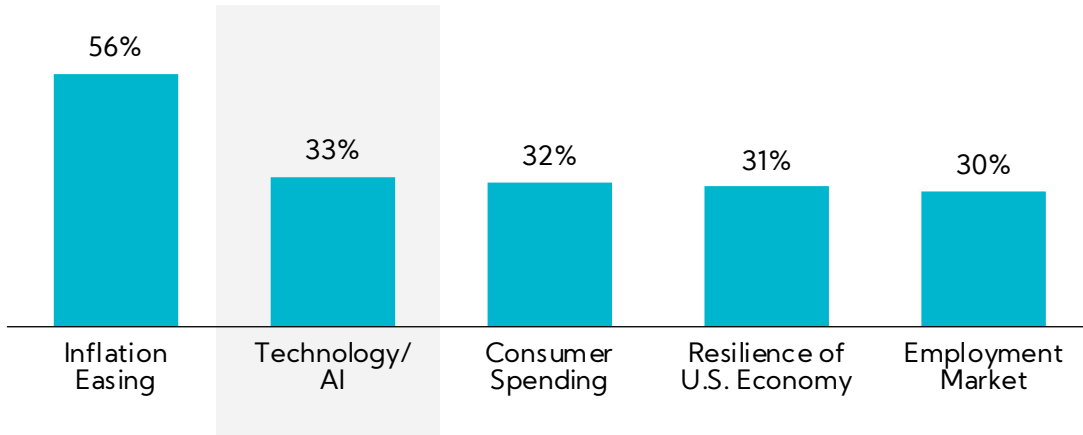


¹Source: U.S. Census; nominal values; not constant currency

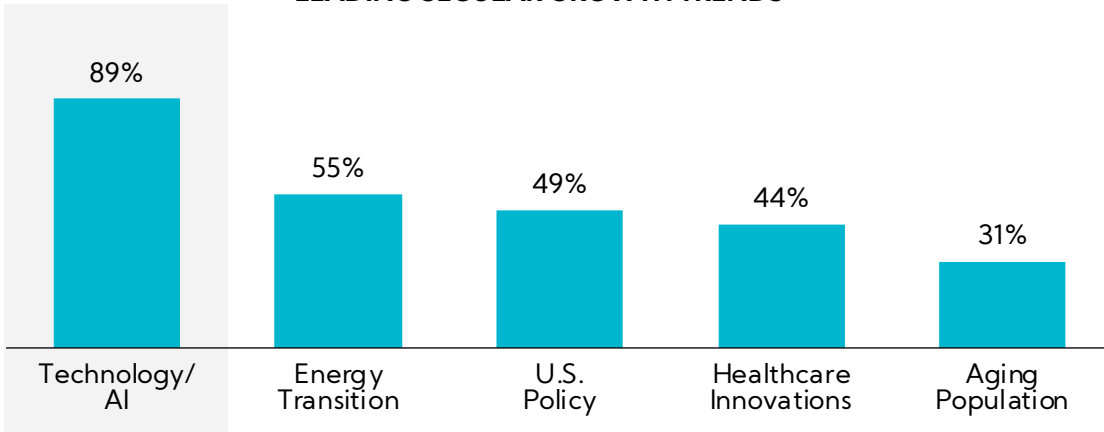
Identified Reasons to Be Optimistic and Secular Growth Trends

AI dominates mindshare throughout participant responses and company transcripts; outside of Tech, the most oft-likely sectors to mention AI include Healthcare, Industrials, Consumer Discretionary and Financials

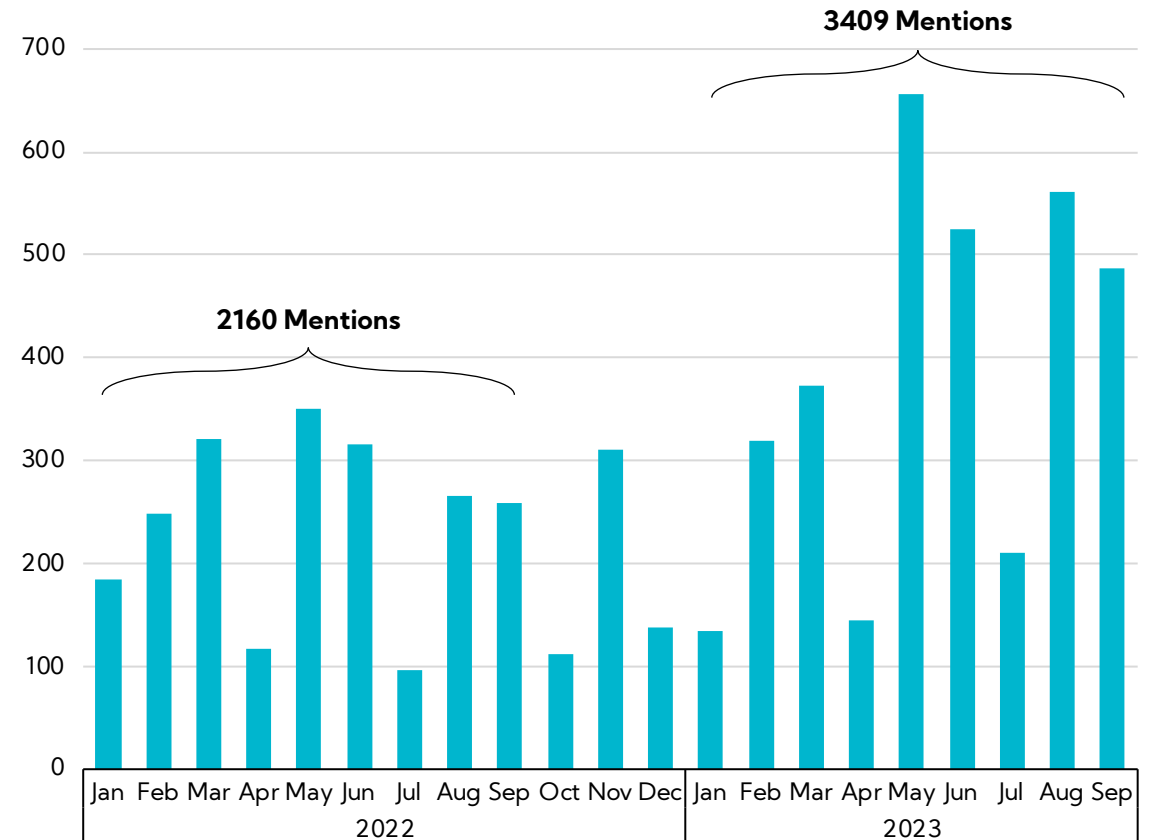
LEADING REASONS FOR OPTIMISM



LEADING SECULAR GROWTH TRENDS

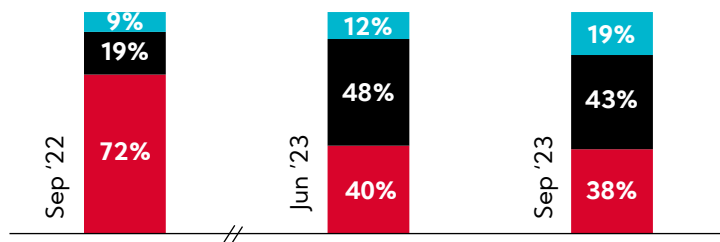


"ARTIFICIAL INTELLIGENCE" TRANSCRIPT MENTIONS, 12 MONTH
U.S. Companies, >\$0.5B Market Cap, All Transcripts, n=1218



Views on Key Economic Indicators Over the Next Six Months: Sentiment Mixed Sequentially, with Non-Resi Construction Continuing to Lead Concerns

GLOBAL CAPEX

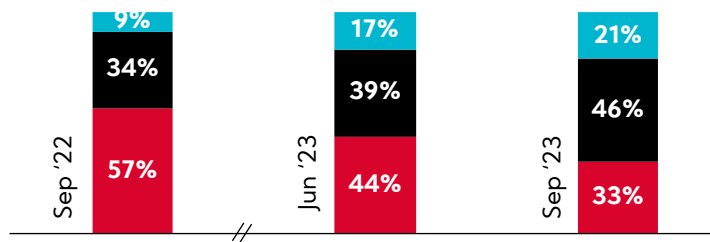


Improving: "Factories will spend more." **Buy Side, Generalist, Europe**

Staying the Same: "AI is a driver." **Buy Side, Generalist, N. America**

Worsening: "This will be the lever to keep FCF high." **Buy Side, IT, N. America**

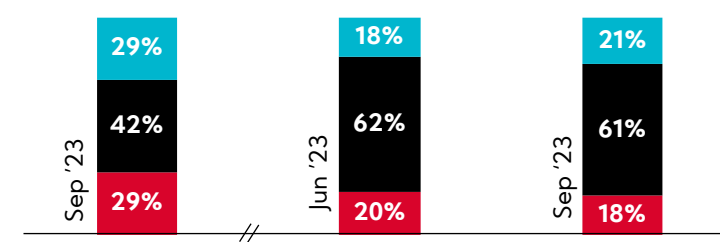
GLOBAL PMI



Improving: "It's been weak, so its going to get better." **Buy Side, Generalist, N. America**

Worsening: "Continuation of current downturn." **Buy Side, Generalist, N. America**

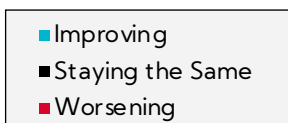
FX HEADWINDS



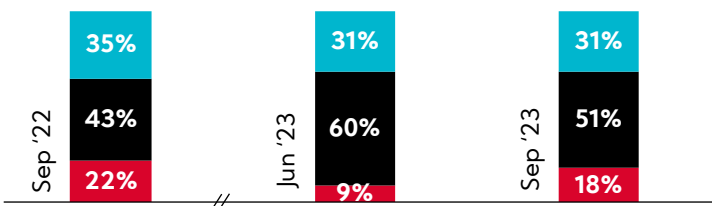
Improving: "Policies and financial actions for stability." **Buy Side, Generalist, Europe**

Staying the Same: "Stronger dollar for longer." **Buy Side, Generalist, N. America**

Worsening: "Our interest rate environment drives dollars into the U.S., strengthening the dollar. It's a concern for us." **Buy Side, Generalist, N. America**



OIL & GAS MARKET HEADWINDS

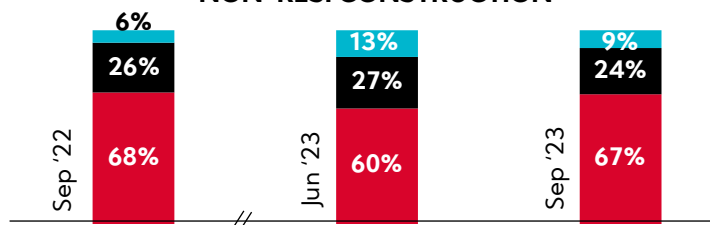


Improving: "Consumption of oil is rising." **Buy Side, Generalist, Europe**

Staying the same: "Anticipated that current demand coupled with constraints on U.S. production and OPEC maintenance of output will continue." **Buy Side, Generalist, N. America**

Worsening: "Seasonality." **Sell Side, Generalist, Europe**

NON-RESI CONSTRUCTION

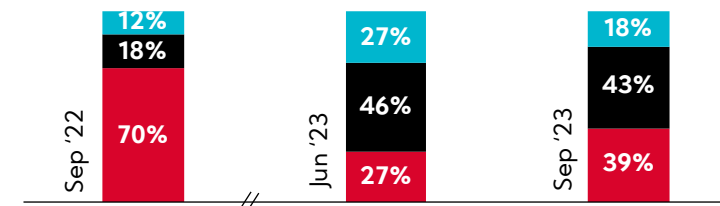


Staying the Same: "Office building weakness vs. manufacturing expansion strength." **Buy Side, Generalist, N. America**

Worsening: "At the margin, given interest rates and a fluid business environment and current inventory, it will induce a modest hesitation." **Buy Side, Generalist, N. America**

Worsening: "Fiscal stimulus slows." **Buy Side, Multi, N. America**

U.S. RESI CONSTRUCTION



Improving: "Young people household formation and demand for homes." **Buy Side, Generalist, N. America**

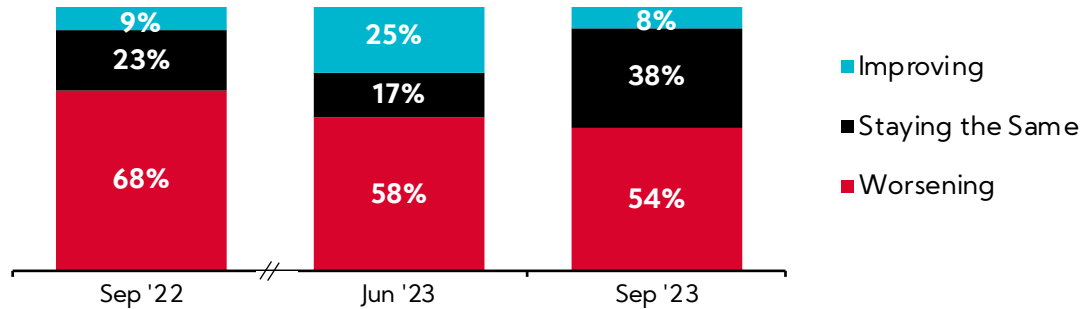
Staying the Same: "Housing inventory anticipated to expand, especially at the lower end and due to continuing weakness in existing homes sales." **Buy Side, Generalist, N. America**

Worsening: "Higher interest rates, inflation, and lowering consumer confidence." **Buy Side, Multi, N. America**

Stretched Consumer in the Spotlight as Gap Between Credit and Savings Grows QoQ

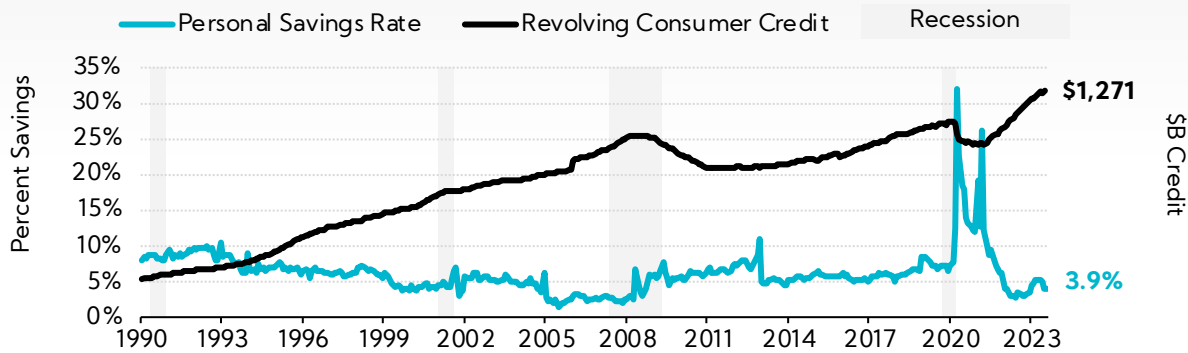
Outside of the Top 100 largest banks by assets, consumer credit card delinquencies at all-time highs

CONSUMER CONFIDENCE
Investor Expectation Next Six Months

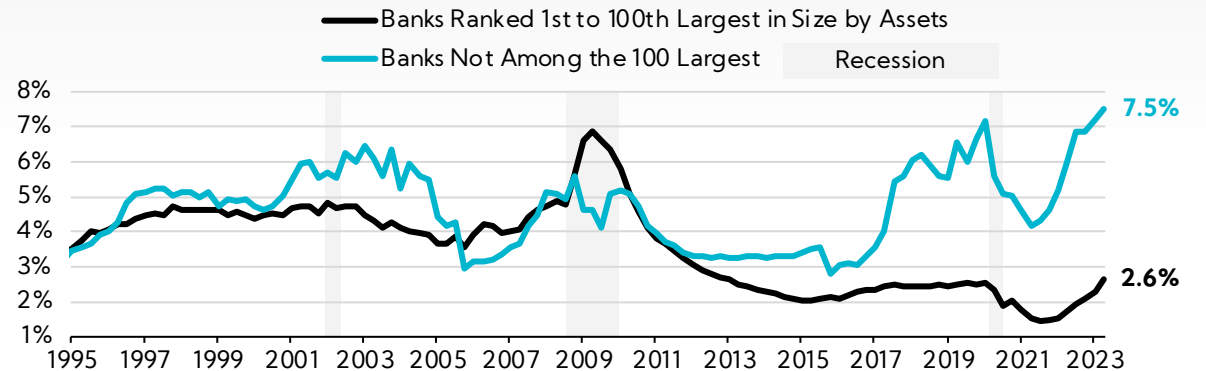


45% Federal Student Loan Borrowers Expect To Go Delinquent On Their Payments Once Forbearance Ends¹

U.S. CONSUMER SAVINGS VS. CREDIT GAP²
Both Figures Seasonally Adjusted



GLOBAL CONSUMER DELINQUENCY RATES ON CREDIT CARD LOANS²
Seasonally Adjusted

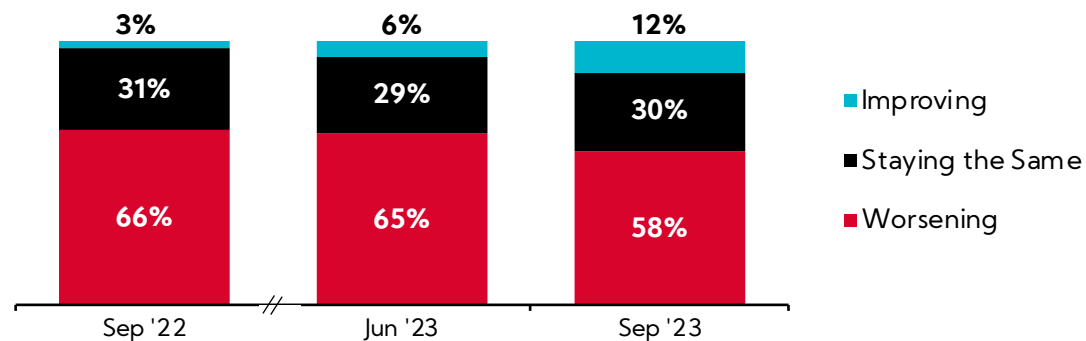


¹Source: Intuit Credit Karma survey of 2,059 U.S. adults ages 18+, published August 10, 2023; ²Source: St. Louis Fed

Latest Metrics Show Signs of Labor Mania Cooling as “Quits” Decelerate to 2019 Levels and Wage Growth Begins to Moderate from 20-Year Highs Set Earlier This Year

Majority continue to anticipate U.S. unemployment to worsen over the next six months as company “layoff” mentions hover above the pre-pandemic average; still, nearly half remain concerned (aided) over talent/labor availability, albeit down from the peak 80% observed in Q1’22

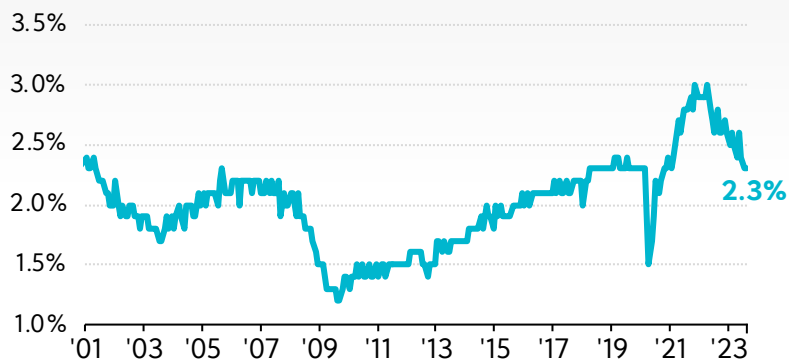
U.S. UNEMPLOYMENT
Investor Expectation Next Six Months



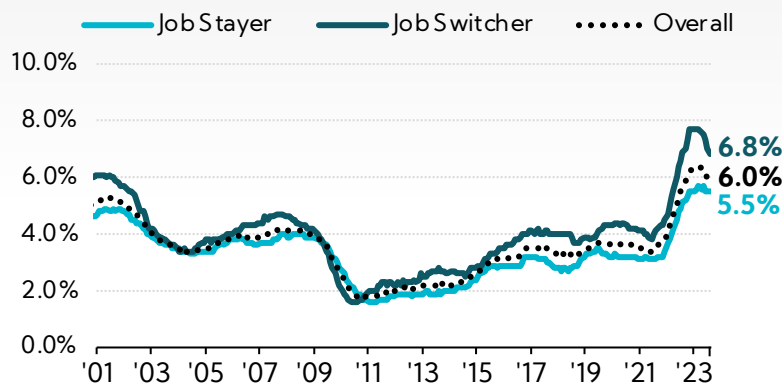
47%

Exhibit *More Concern* or a *Continued Level of High Concern* over Talent/Labor Availability QoQ

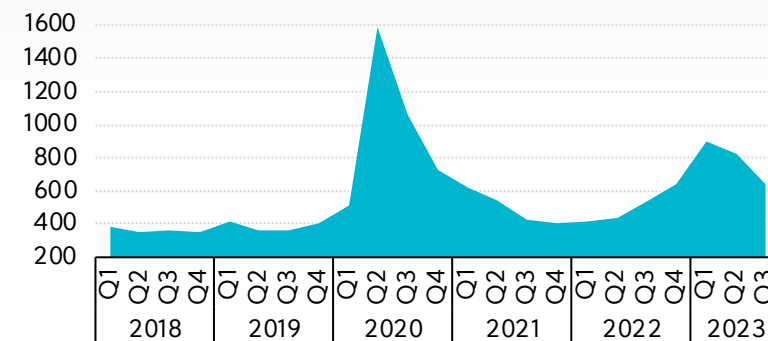
U.S. QUILTS RATE¹
% of Total Nonfarm Employment



MONTHLY MEDIAN WAGE GROWTH²



“LAYOFF” COMPANY MENTIONS
U.S. Companies, >\$500M Market Cap, Transcripts & Releases, n=2,234



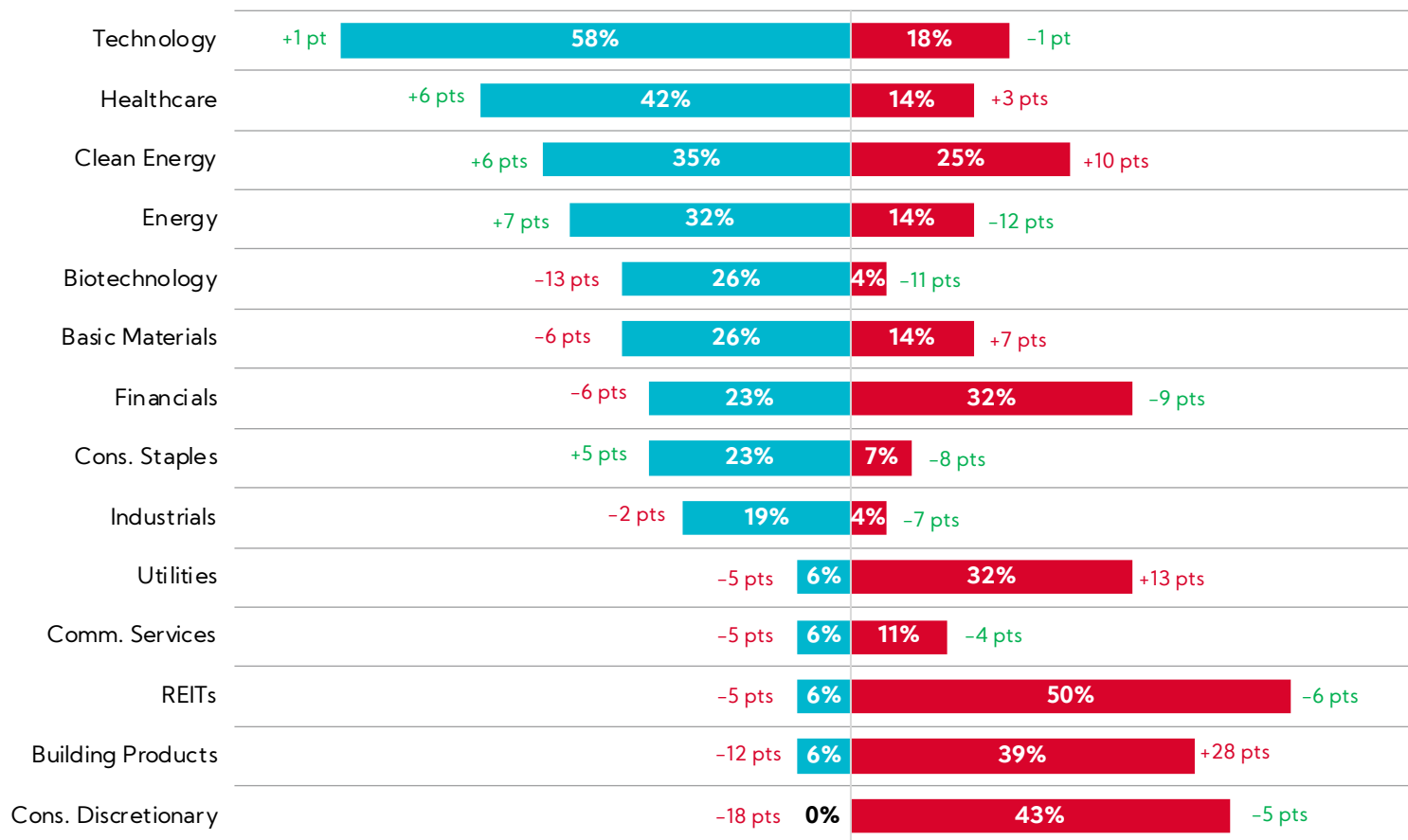
¹Source: St. Louis Fed; ²Source: Federal Reserve Bank of Atlanta, Note: Figures represent 12-month moving average of median hourly wage growth

Tech Continues to See Growing Support While Bulls Abandon Consumer Discretionary and Building Products Sees a Resurgence of Bears

REITs and Utilities challenged amid 'high for longer' rates backdrop and Energy sees biggest relative improvement

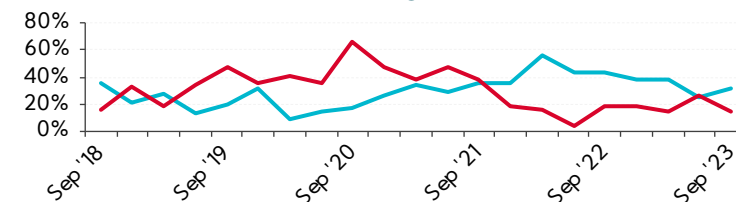
BULLS VS BEARS

■ Bulls ■ Bears

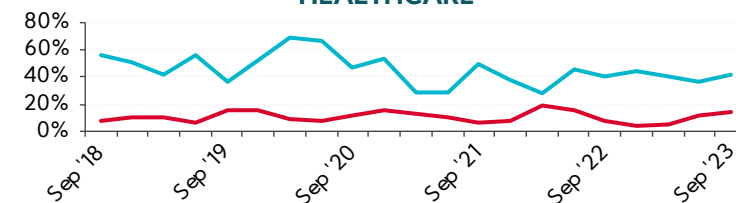


LARGEST BULL AND BEAR SENTIMENT GAINERS

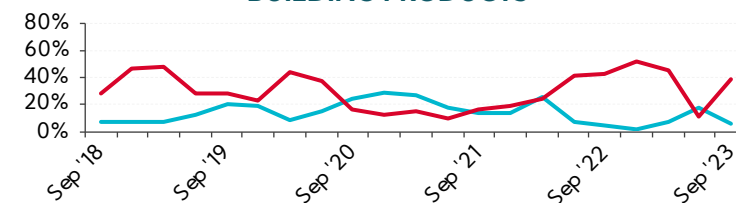
ENERGY



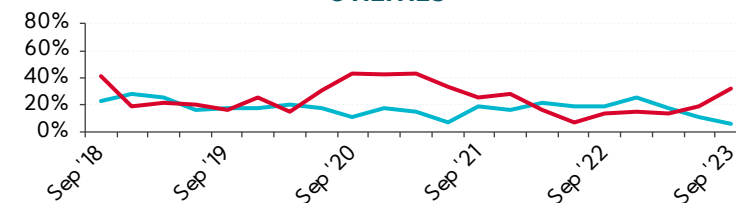
HEALTHCARE



BUILDING PRODUCTS



UTILITIES



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