



CORBIN
ADVISORS
INSIGHTS • STRATEGY • RESULTS

| IF IT'S CORBIN, IT'S ACTIONABLE |

Inside^{The}
BUY-SIDE[®]

1Q19 Earnings Primer
Industrial Sentiment Survey

April 23, 2019

CORBINADVISORS.COM

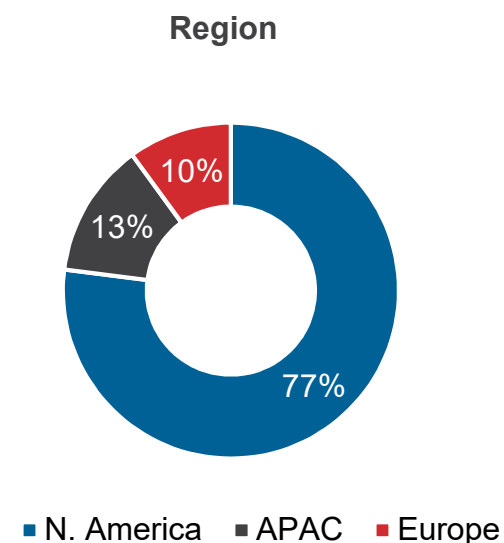
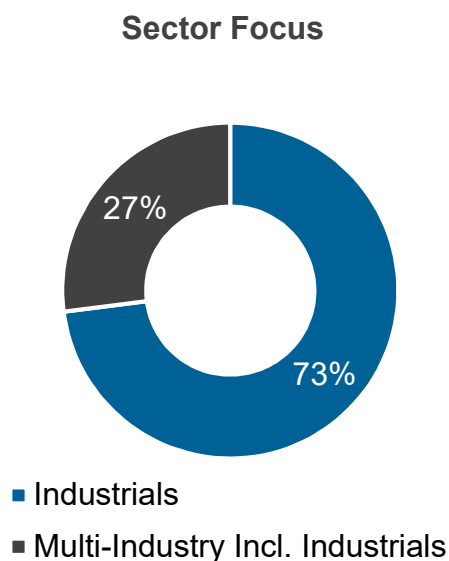
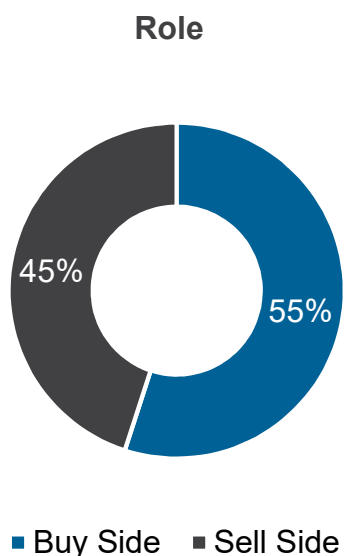
For over a decade, we have surveyed global investors and analysts on the equity markets, world economies and business climate. We share our research broadly with corporate executives, investor relations (IR) professionals and the financial community.¹

Scope: 31 sector-dedicated investors and analysts globally; buy-side firms manage \$357 billion in assets and have \$42 billion invested in Industrials

Timeframe: March 18 – April 10, 2019

Market Performance		
	<u>1Q19</u>	<u>YoY*</u>
DJIA	11.2%	7.6%
NASDAQ	16.5%	9.4%
S&P 500	13.1%	7.3%
S&P Industrial	13.9%	9.3%
Russell 2000	14.2%	0.7%

* As of 3'29'19



¹ The Industrial Sentiment Survey was first published in June 2015

Deferred Macro Pressures – Trade Conflict and Interest Rates – Serve to Mute Nervousness
Somewhat but Concerns Over Growth are Prevalent

4Q 2018

1Q 2019



Key: Underlying Sentiment

- Positive
- Neutral
- Negative

#1

Still More Gas in this Tank...While Recession Fears Push Out and Expectations for 3.5%+ Growth Expand, Shift to Cruising Speed is Notable

- Expectations are for earnings *In Line* with consensus, though 54% expect sequential deceleration
- Despite 2019 guides that largely delivered on downbeat investor expectations prevalent in 4Q18 and perceptions of more upbeat executive tone this quarter, fewer than 20% expect beats
- 43% anticipate Oil & Gas markets will *Improve* over the next six months; 60% express *No Concern* with rising interest rates
- While organic growth expectations ticked up this quarter, outlooks for 2019 remain below 2018's healthy levels; with growth softening and tariff concerns abating, a renewed confidence in operating margin expansion identified
- More than half, or 52%, believe the Industrial cycle won't peak until 2020 or later, a significant increase from 29% QoQ

#2

Concerns Over Europe and China Pervasive this Survey

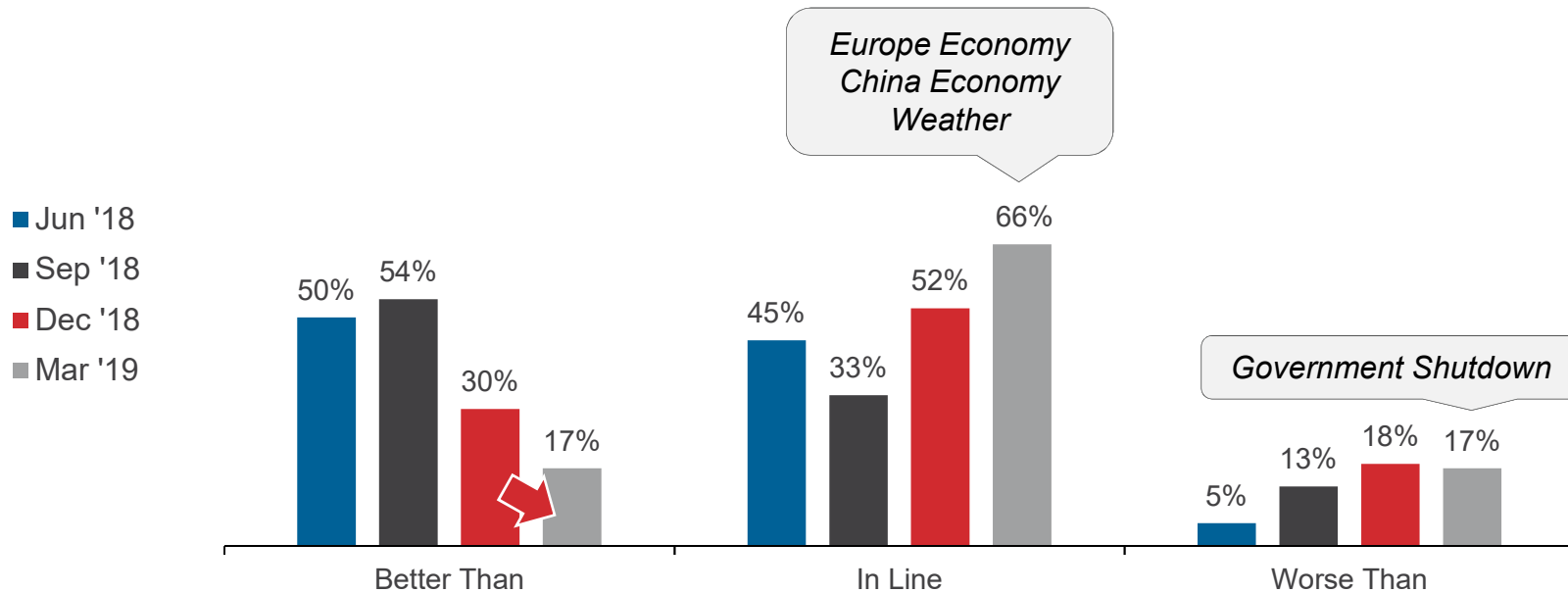
- Half expect the European economy to *Worsen* over the next six months, while 36% predict the same for China
- When asked where they are seeing economic weakness, 92% and 67% cite Europe and China, respectively
- Trade conflict is cited as the top unaided concern for the third consecutive quarter, although lower in absolute terms

#3

While Largely Taking a Wait-and-See Approach to Investing, Large-caps In and Auto and Semi Out

- 37% report *Holding* investments, an increase from 22% QoQ; still, *Net Buyers* nearly doubled
- 44% report they prefer large-caps in the current environment, while nearly three-quarters affirm that operational excellence is an important investment factor in the current landscape
- Resi Construction and Metals & Mining see the most significant increases in bullish sentiment, while Transportation and Materials see an influx of bears

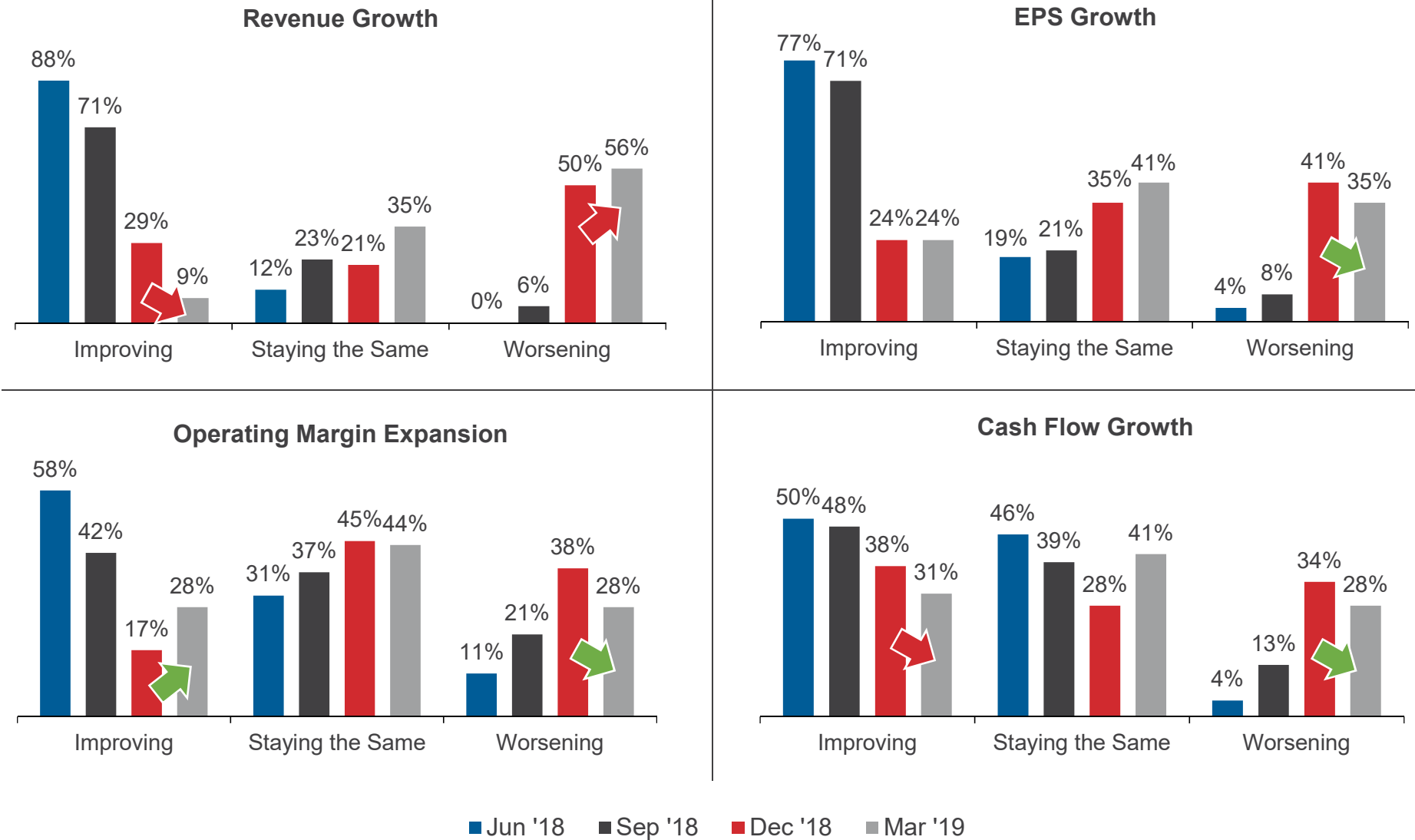
Expectations Regarding 1Q19 Earnings Performance vs. Consensus



50% Note 2019 Guidance Outlooks Were *In Line* with Expectations
57% Expected *More Conservative* 2019 Outlooks vs. 2018

54% Expect Earnings to *Decrease Sequentially* vs. 44% Last Quarter

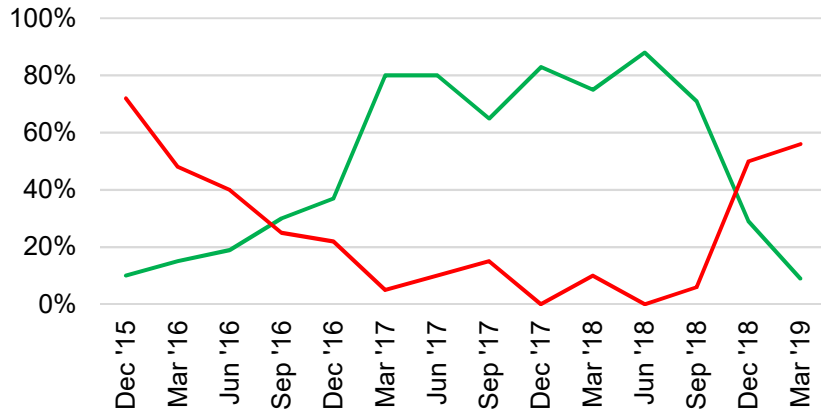
KPI Trends – Expectations



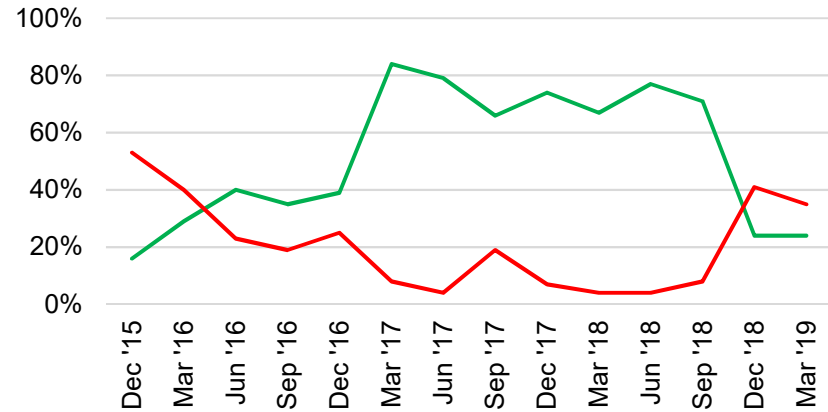
Longer-term Expectation Trends Generally In Line with Subsequent Performance
 Reality...Sales Growth is the Wildcard this Quarter

KPI Trends – Expectations

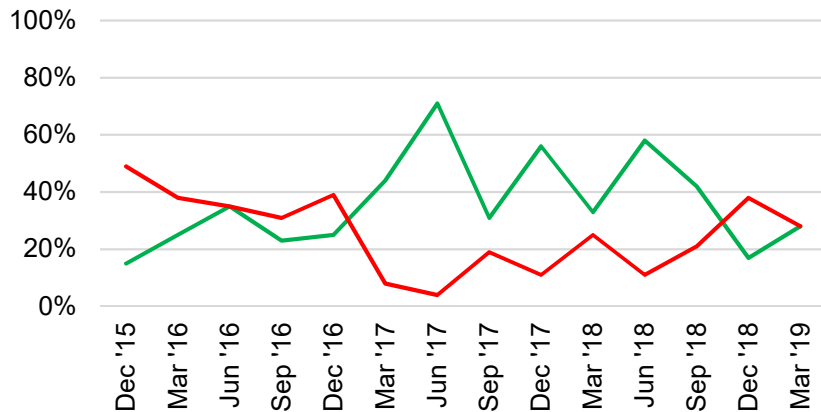
Revenue Growth



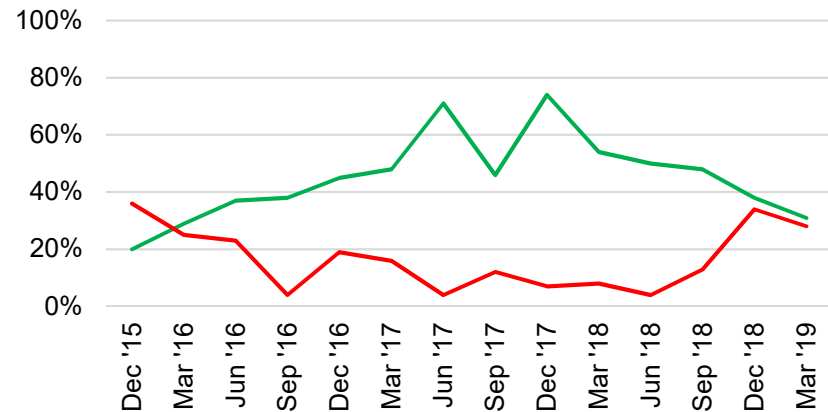
EPS Growth



Operating Margin Expansion



Cash Flow Growth



— Improving — Worsening

On 1Q19 Earnings Expectations¹

In Line – 66%

“4Q was better than feared, 1Q is starting out weaker and there are some concerns that inventory builds from 4Q could create a headwind to 1H19 results. Weather is also not helping.” **Buy Side, Generalist, N. America**

“Sequentially weaker manufacturing environment in Europe/China vs. 4Q.” **Buy Side, Generalist, N. America**

“Deceleration in Europe and China.” **Buy Side, Generalist, N. America**

“Economy slowing, weather issues.” **Sell Side, Industrials, N. America**

“Weaker Europe, China, N. America weather.” **Sell Side, Industrials, N. America**

“Impact of slowing trade with Asia, weaker Europe, moderating U.S. GDP growth.” **Sell Side, Industrials, N. America**

“Good growth in the U.S. but weak in Europe.” **Sell Side, Industrials, Europe**

“The Fed indicated they will not increase rates this year, softening trade war tension and stable Asian countries.” **Sell Side, Generalist, Asia**

Worse Than – 17%

“Tariffs, government shutdown.” **Buy Side, Generalist, N. America**

Topics of Interest for Upcoming Earnings Calls

Buy Side

“Primary issues are related to trade and that can be disruptive. Once we get beyond that, management teams are bulled up on the underlying demand and trends. It is just getting through these trade issues.” **Industrials, N. America**

“China economy.” **Industrials, N. America**

“That is going to almost entirely be about the cycle and where we are from a macroeconomic standpoint. That is what has been weighing on the entire sector for the last several months. There is uncertainty around the cycle and how companies should perform if we are going into a downturn.” **Industrials, N. America**

“Trade issues are important and becoming more so.” **Industrials, N. America**

Sell Side

“Expected effect of [Boeing] MAX issue through supply chains.” **Industrials, N. America**

“Weather impact on full year outlook.” **Industrials, N. America**

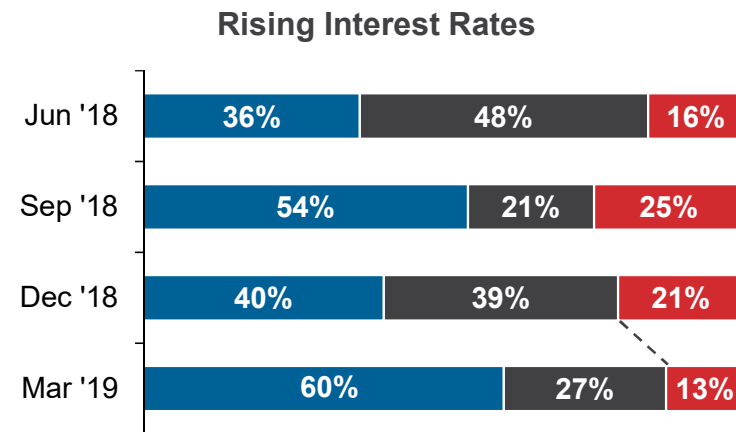
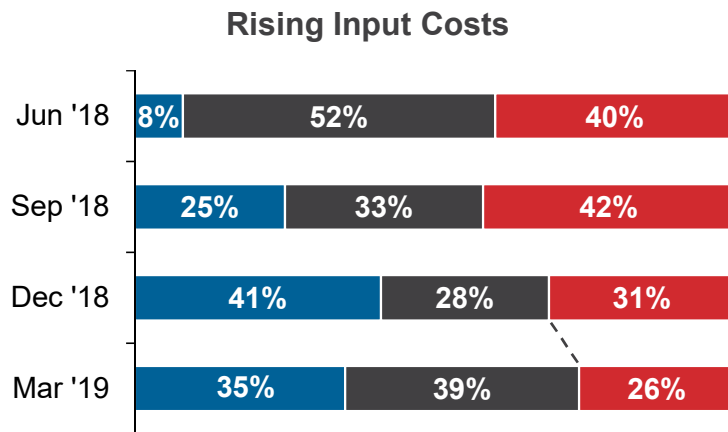
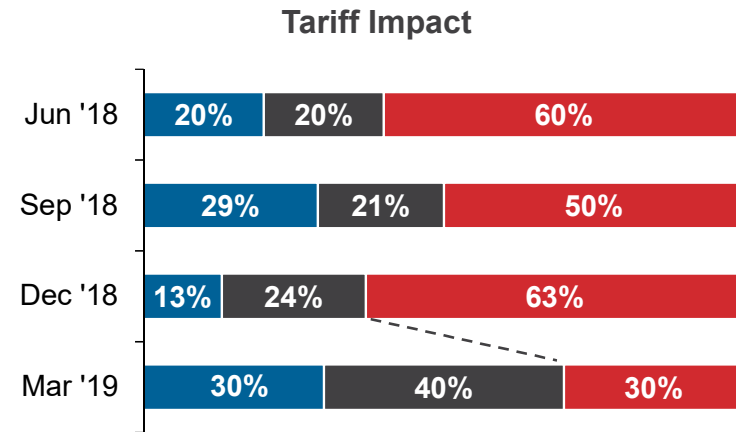
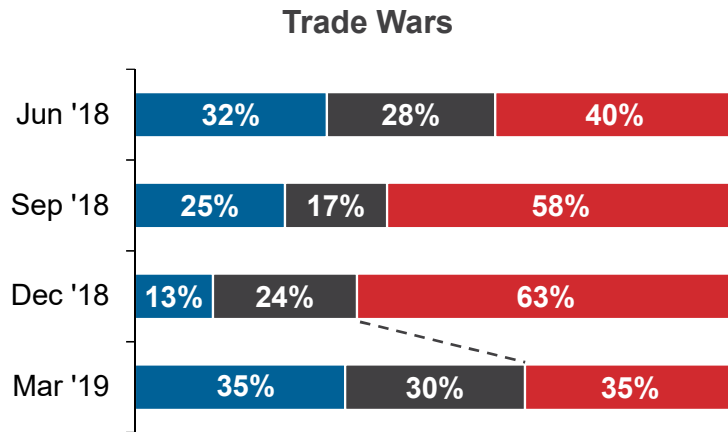
“Organic vs. inorganic growth; accretive capital redeployment; accretive divestitures.” **Industrials, N. America**

“U.S./China trade war tension.” **Generalist, Asia**

“Outlook.” **Generalist, Australia**

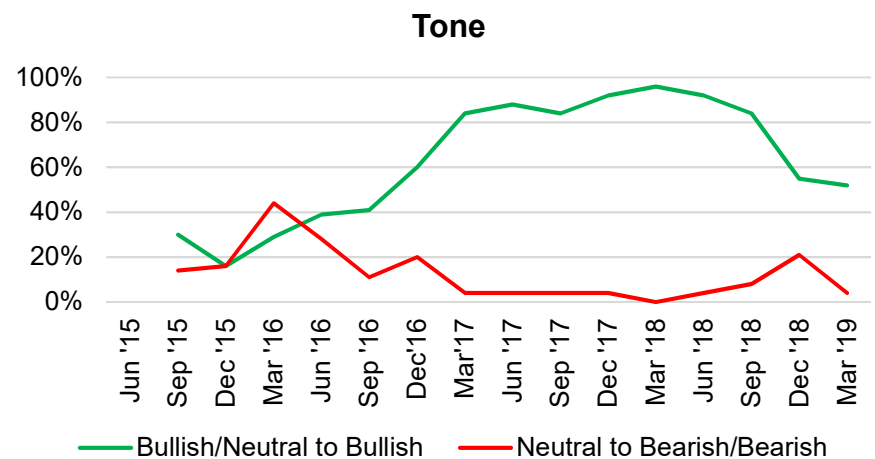
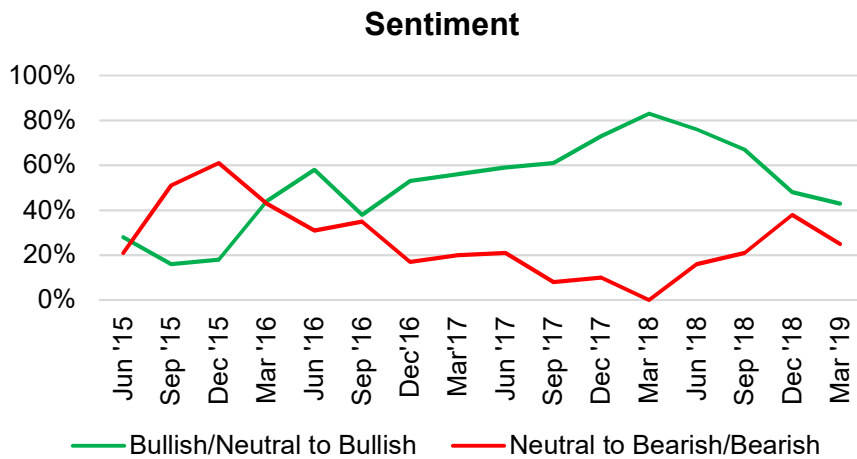
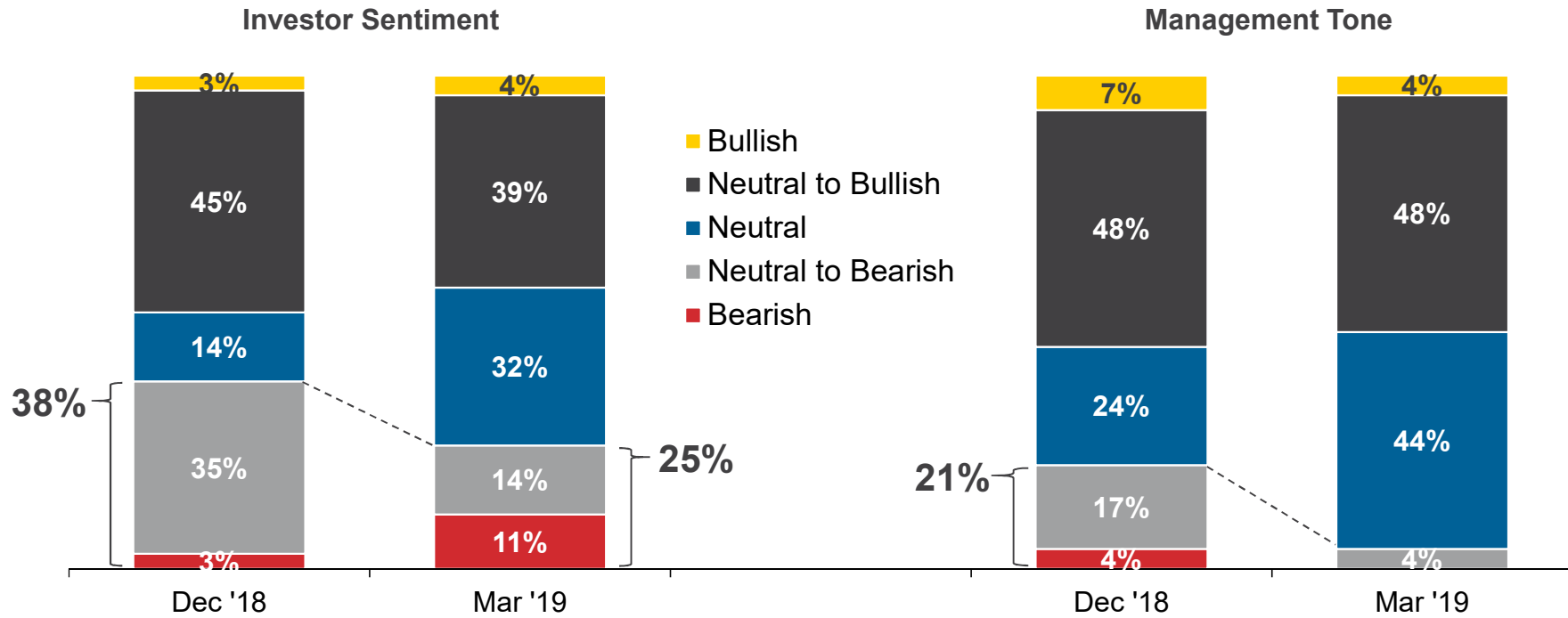
¹ Better Than – 17%; no comments provided

Concern Levels



■ No Concern ■ Moderate ■ High

Perceived Management Tone More Upbeat Relative to Last Quarter; Investors More Skeptical Though



Top Concerns

- 1 Trade Conflict
- 2 Slowing Economy
- 3 China

Out of N. America

“Slowing global GDP.” Buy Side, Industrials

“10 years of economic expansion, weak demand for investment capital, geopolitics.” Buy Side, Generalist

“Trade wars, input costs, inflation.” Buy Side, Generalist

“China, Brexit, rising labor costs.” Buy Side, Generalist

“Trade deal, housing market, Trump is incompetent.” Sell Side, Industrials

Out of Europe

“Peak orders, peak sales, peak margin.” Buy Side, Industrials

“The Fed rate, U.S./China trade war, China slowdown.” Sell Side, Generalist

Leading Reasons for Optimism

- 1 Dovish Fed
- 2 U.S. Still Strong
- 3 Oil

Out of N. America

“Tech rebound in 2H.” Buy Side, Industrials

“Fed has turned dovish, U.S. still looks solid.” Sell Side, Industrials

“Sentiment is low.” Sell Side, Industrials

“Prospects for lower rates; China trade resolution.” Sell Side, Industrials

“Ability of smaller industrial companies to complete highly-accretive M&A.” Sell Side, Industrials

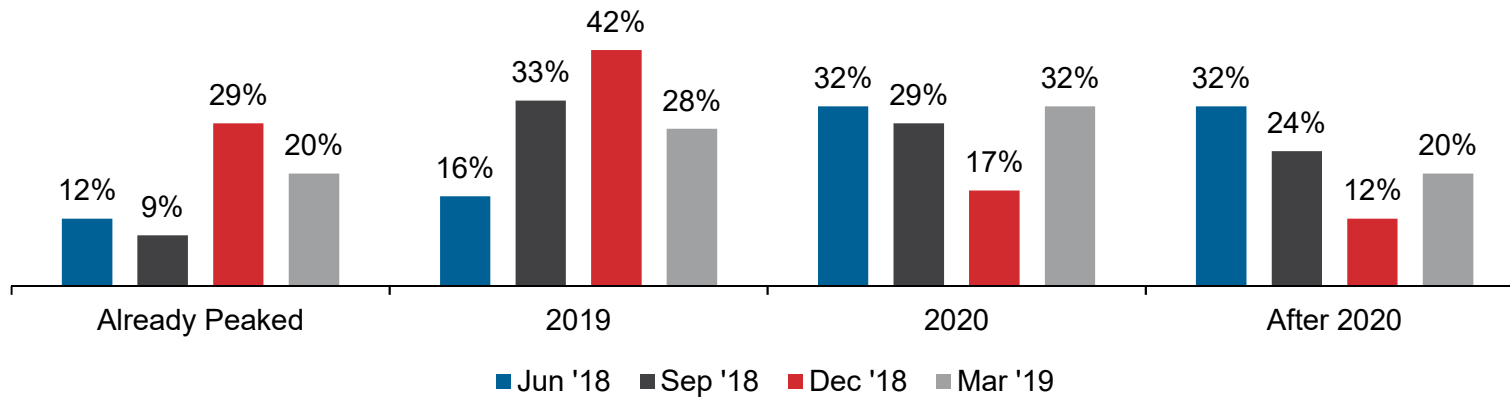
Out of Europe

“Low interest rates.” Sell Side, Industrials

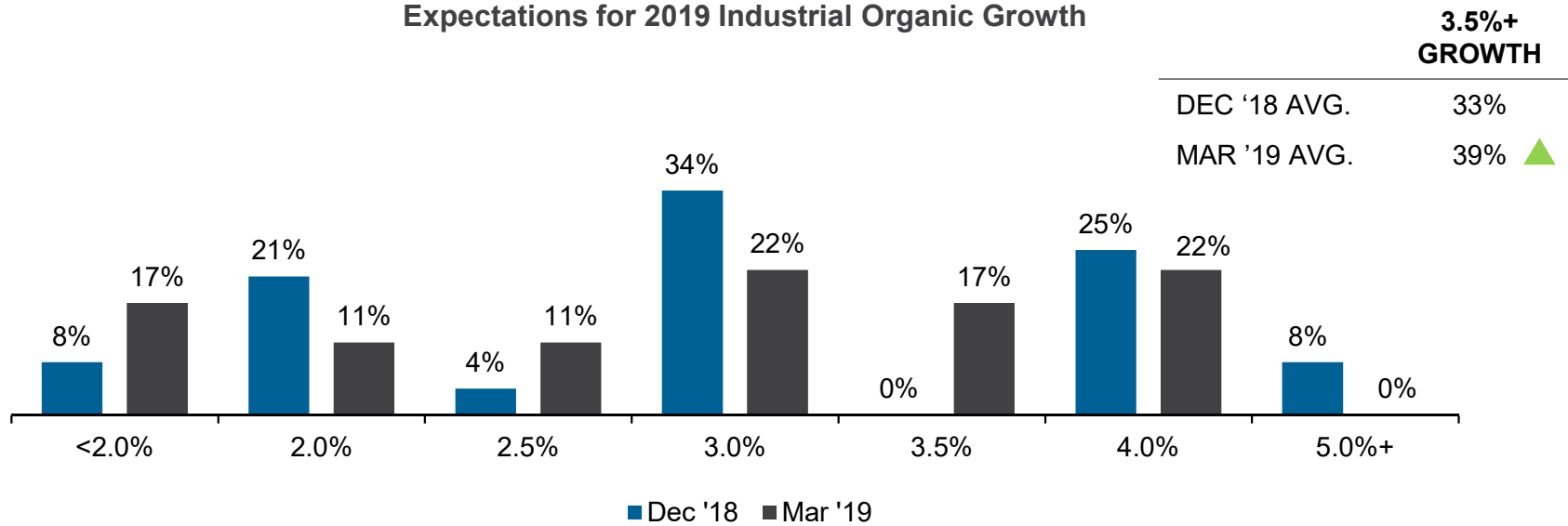
“Oil field services.” Buy Side, Industrials

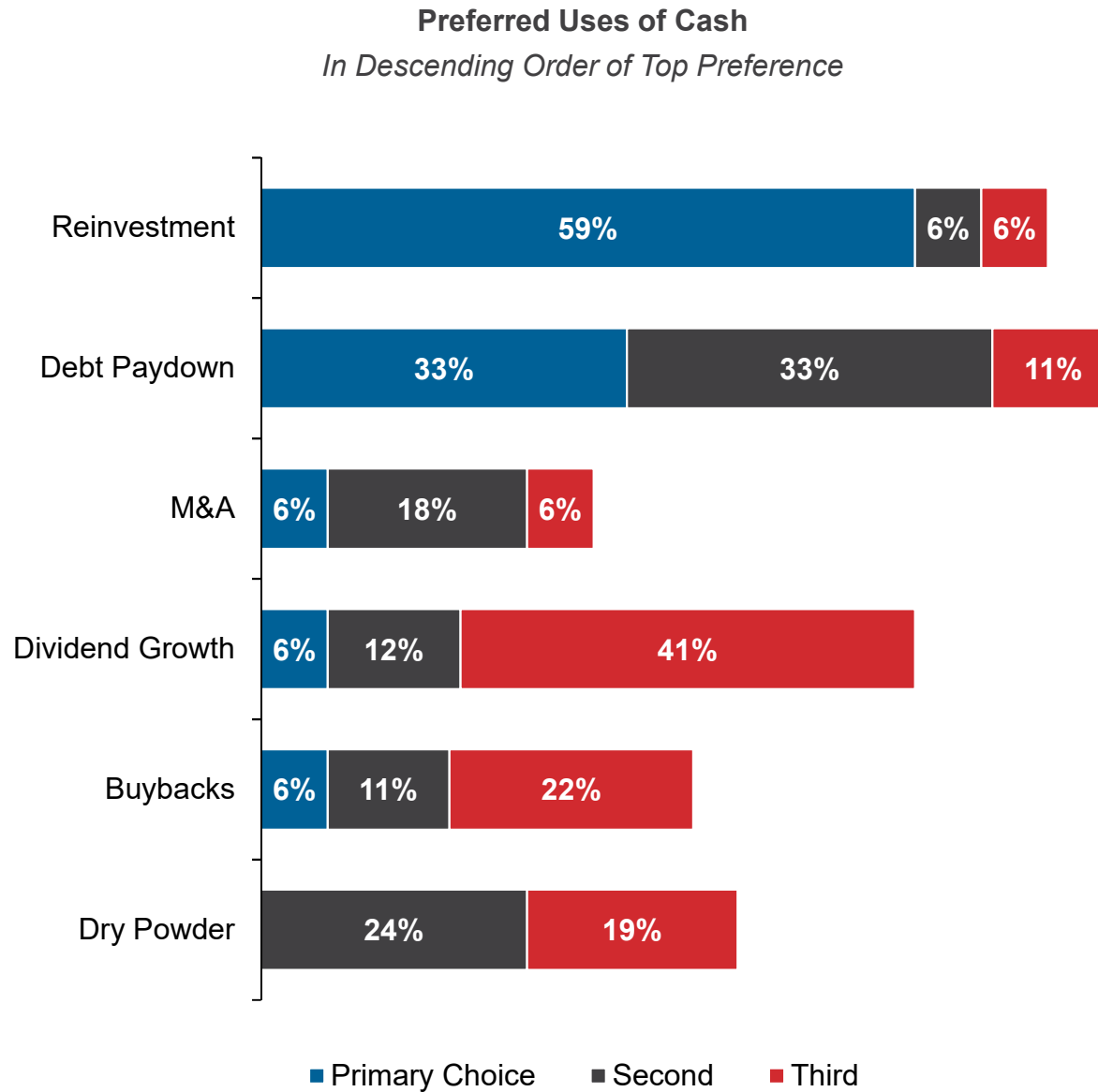
GAS STILL IN THE TANK –
EXPECTATIONS PUSH
OUT to 2020+

Industrial Earnings Peak Outlooks

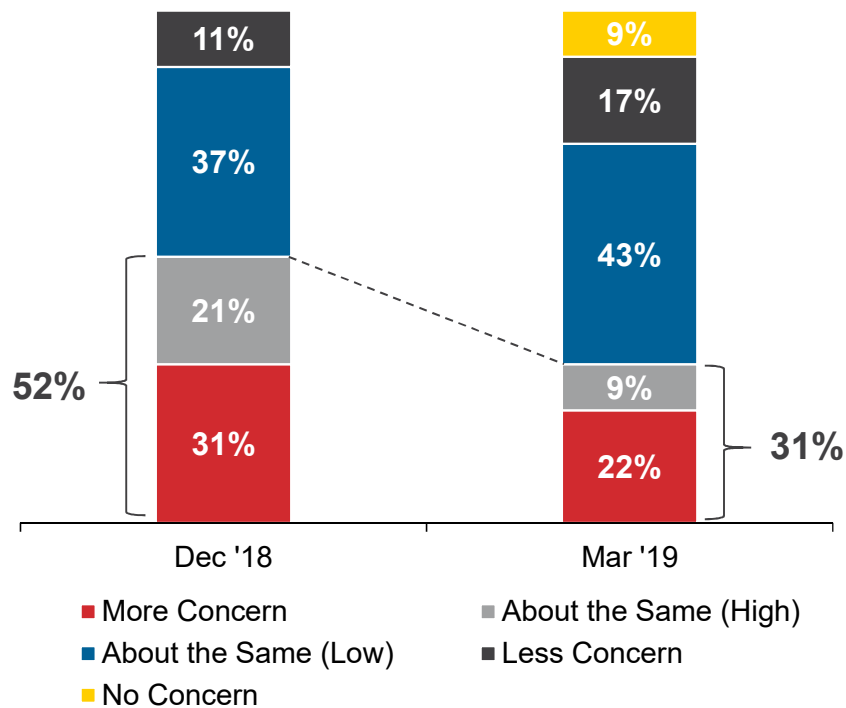


Expectations for 2019 Industrial Organic Growth

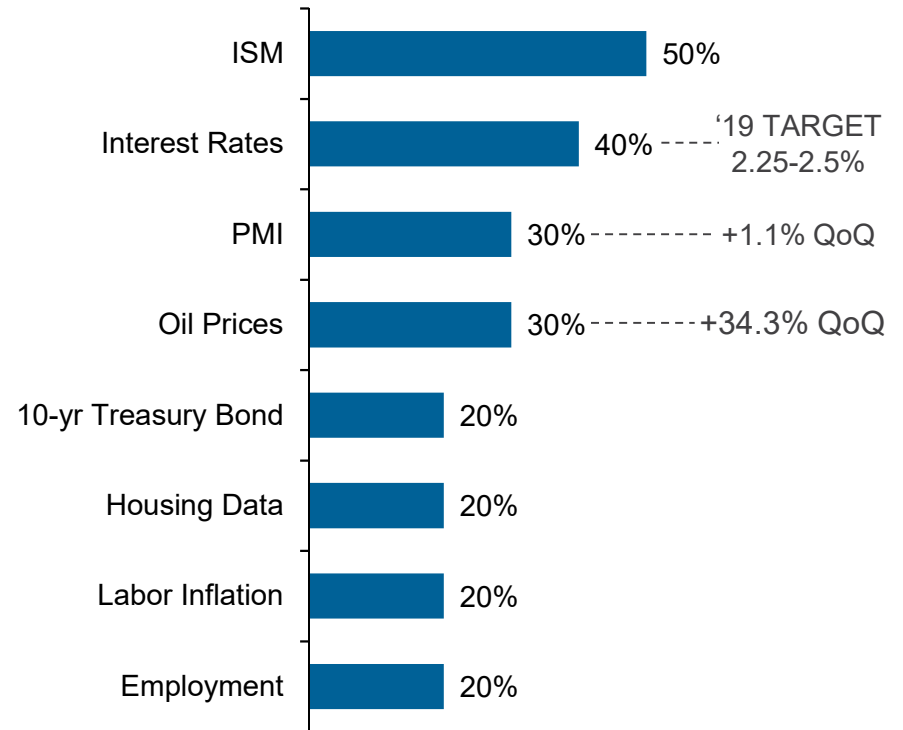




Recession Concern Levels vs. Last Quarter



Most Widely-Watched Economic Indicators



Areas of Economic Slowdown, According to Respondents

Unaided

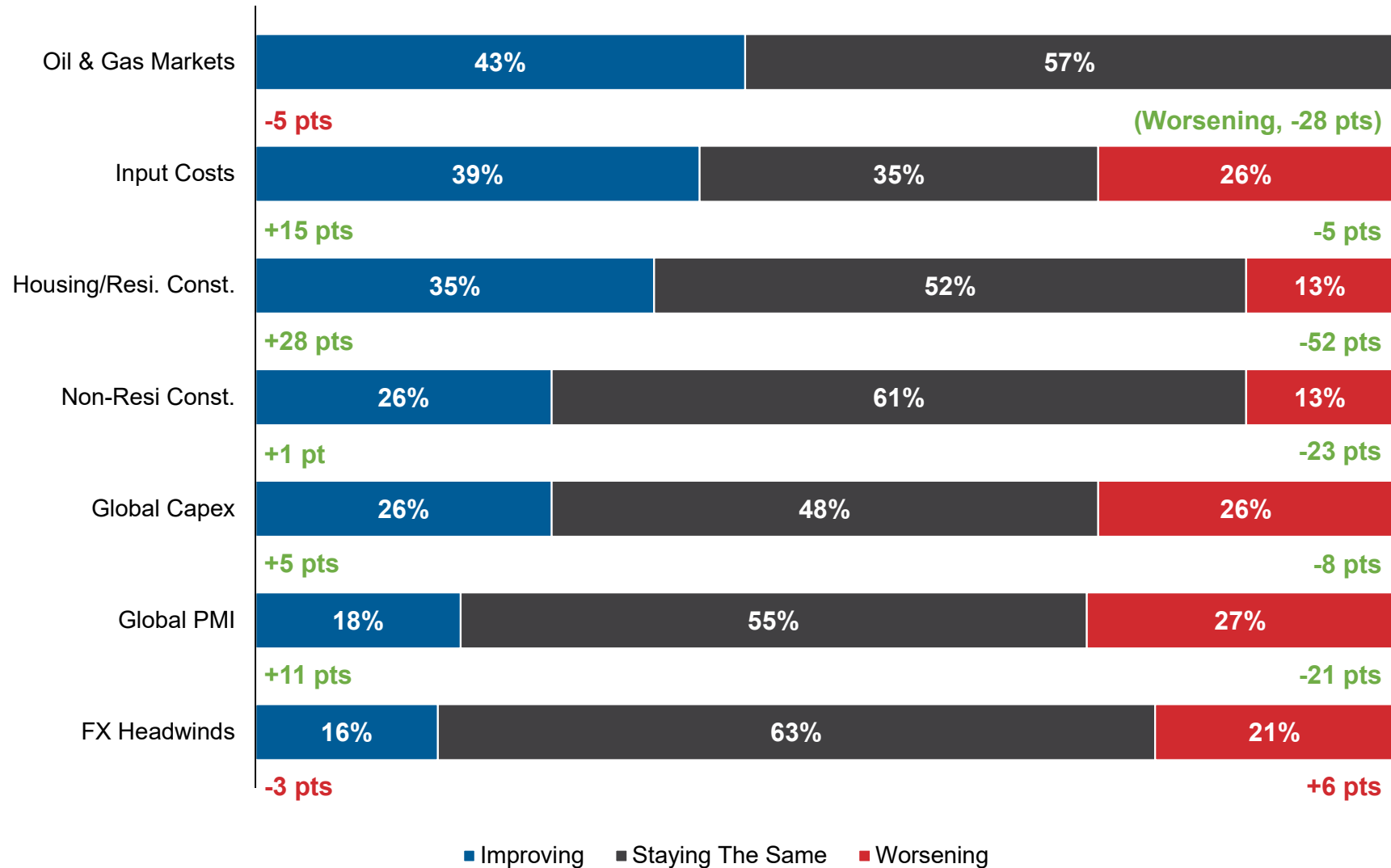
Regions

- 92% | Europe
- 67% | China
- 17% | Australia
- 8% | U.S.

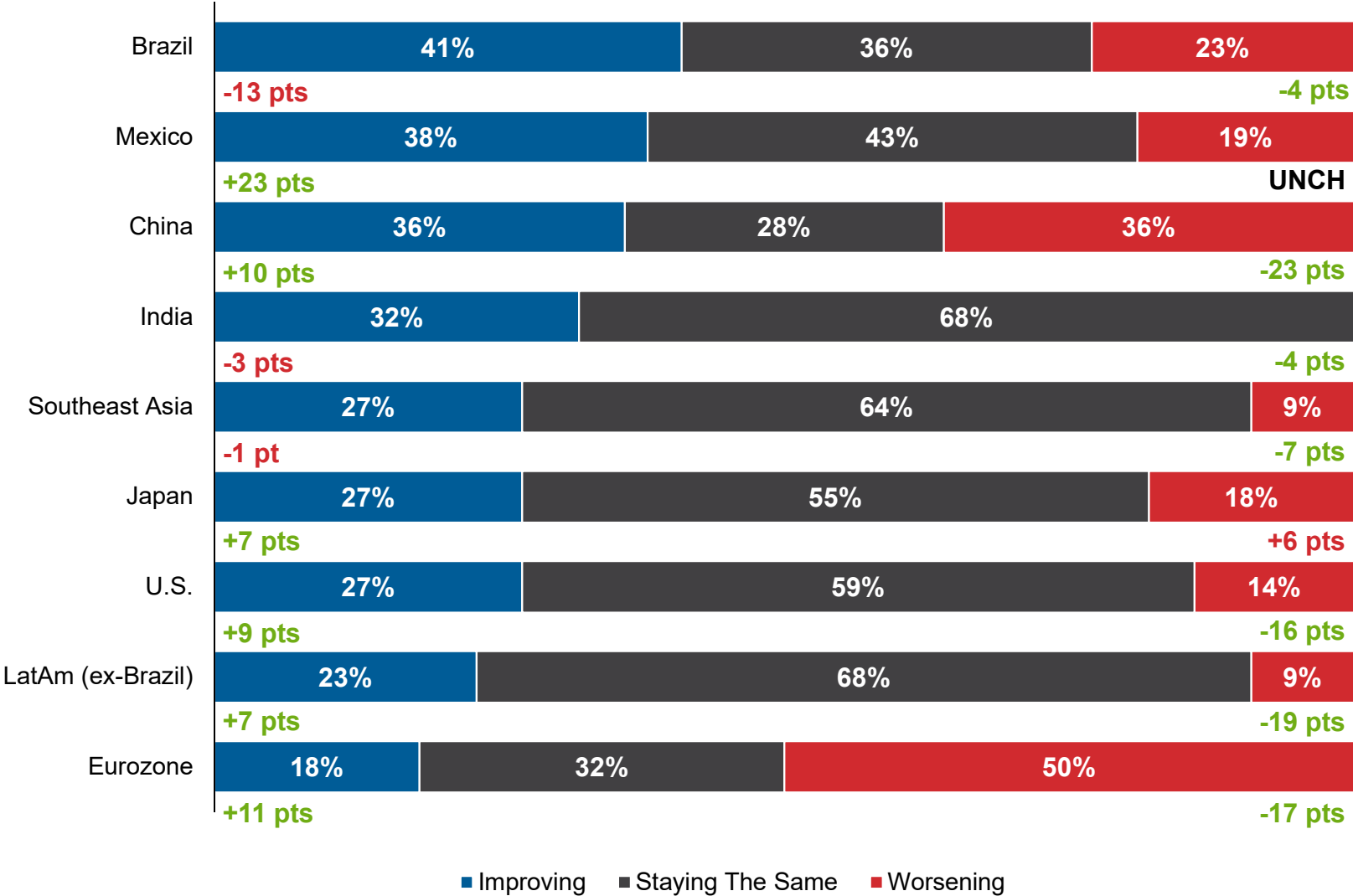
End Markets

- 60% | Auto
- 30% | Semis
- 20% | Resi Const.
- 20% | General Industrial

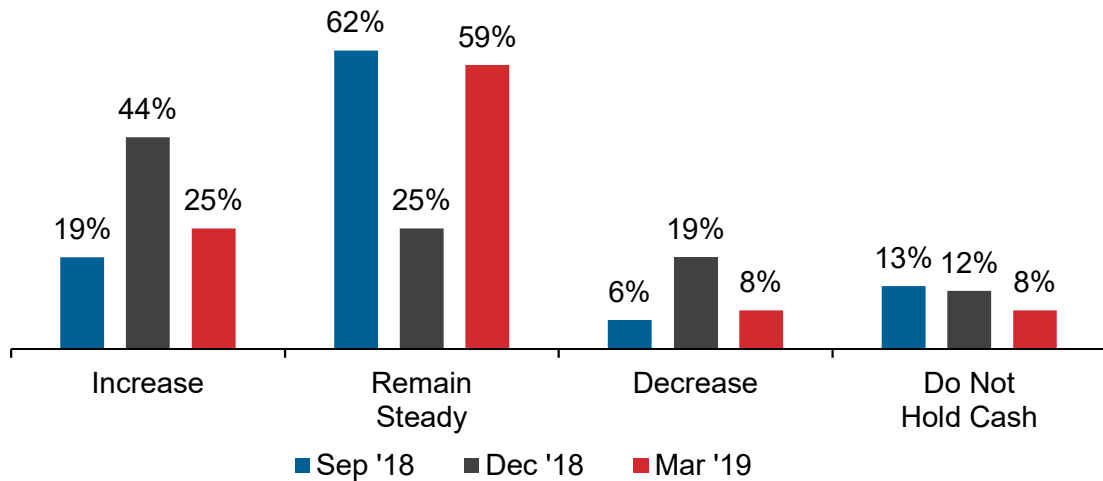
Expectations over the Next Six Months



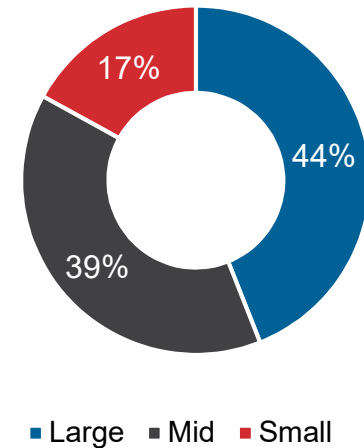
Global Economy Expectations over the Next Six Months



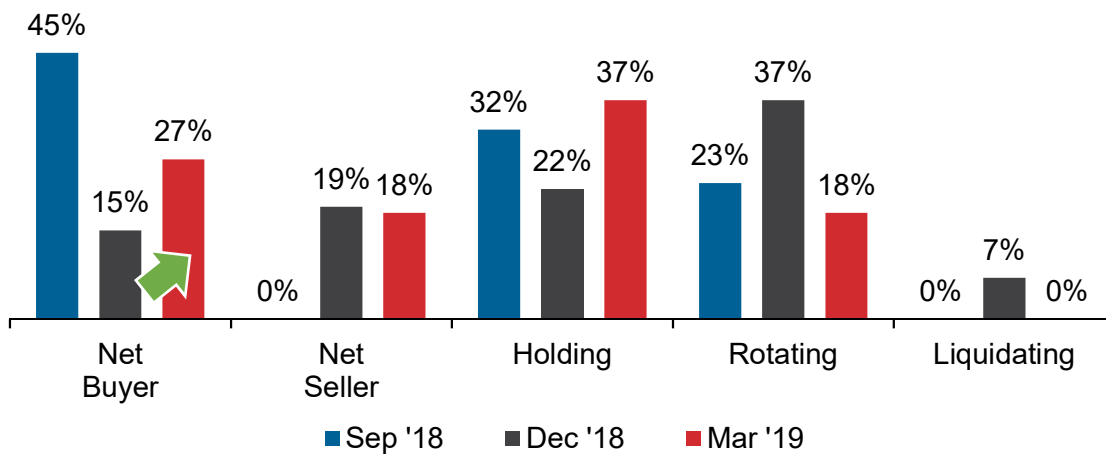
QoQ Portfolio Cash Holding



Preferred Market-cap Investment in the Current Environment



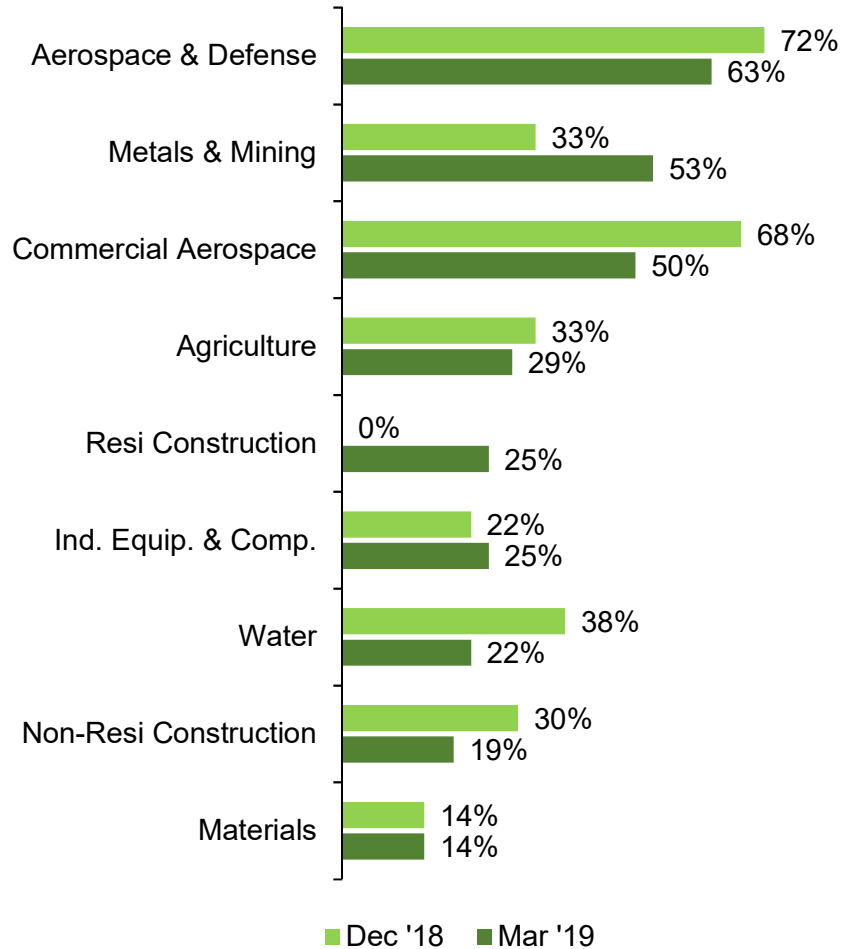
QoQ Investment Trends



Significant Shifts in Sentiment Identified; Investors More Bullish on Resi Construction This Quarter, While Auto Continues to Stall



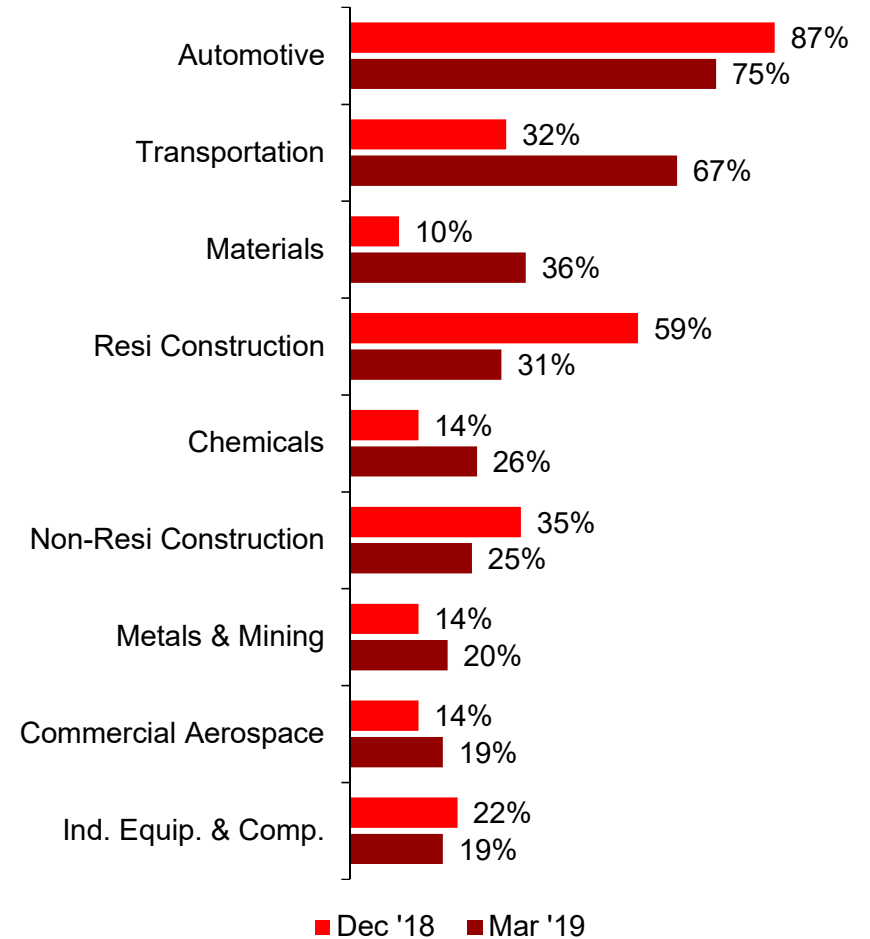
Predicted to *Grow Faster* than GDP



Resi Construction and Metals & Mining See the Biggest Spikes in Bullish Sentiment



Predicted to *Grow Slower* than GDP



Transportation Crashes to its Lowest Level Since Dec. 2015, as Trucking Weighs on Sentiment

A rowing team in a boat on water, with the text "ABOUT US" overlaid in the center. The image shows several rowers in blue and red uniforms, each holding a black oar with a yellow handle. The oars are positioned in a row, extending from the boat towards the water. The background is a blurred view of the water and sky.

ABOUT US

CORBIN ADVISORS

Deep Experience. Deeply Committed.

Founded

2007 by Rebecca Corbin

Sr. Team Experience

175+ Years Combined in
Capital Markets

Location

Proudly from Hartford, CT (US)

Client Size

\$250M to \$360B+

- Leading investor relations research and advisory firm
- Track record of value creation and committed to the highest quality standards and client satisfaction
- Extensive C-suite and board-level advisory experience
- Thought leaders: Leading-edge research on investor sentiment and best practices; quarterly surveys regularly featured on CNBC

