

INSIDE THE BUY-SIDE[®]

2Q16 EARNINGS PRIMER

JULY 15, 2016



CORBIN
PERCEPTION
Making Insight Actionable[®]

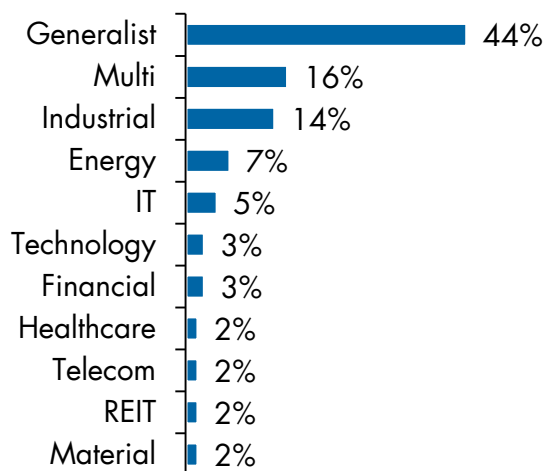
- We survey institutional investors quarterly on topics pertaining to the earnings season, global economy and market drivers
- We share our research broadly with executives, investor relations (IR) professionals and investors
- Survey scope: 68 investors globally managing over \$1.8 trillion in assets
- Survey timeframe: June 17 to July 8, 2016

Market Performance

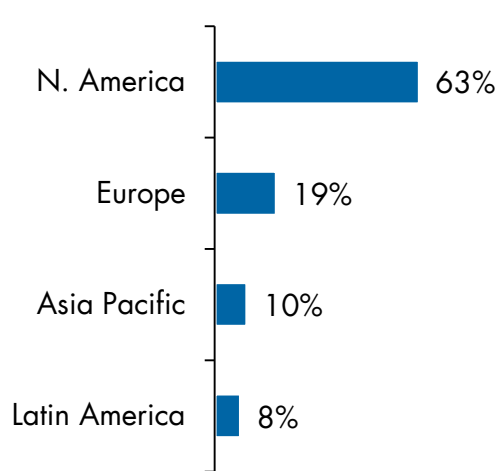
| | <u>2Q16</u> | <u>One-Year¹</u> |
|--------------|-------------|-----------------------------|
| DJIA | 1.4% | 1.9% |
| NASDAQ | (0.6%) | (2.3%) |
| S&P 500 | 2.0% | 1.9% |
| Russell 2000 | 3.4% | (7.6%) |

¹ As of 6/30/16

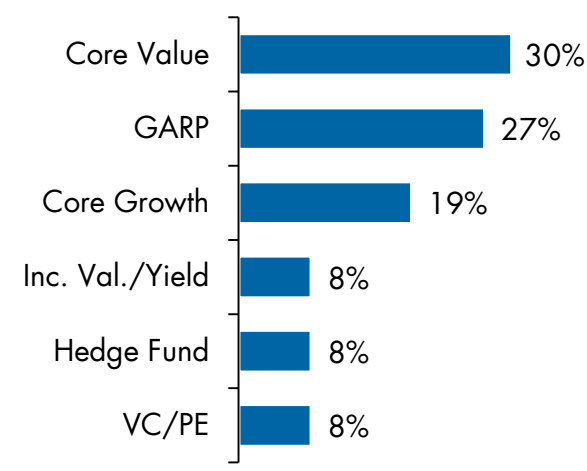
By Sector



By Region



By Style



KEY FINDINGS...THINGS THAT MAKE US GO HMMMM

#1: Draconian Fears Subsiding But Institutional Investor Sentiment Not As Ebullient As Market Rally Would Indicate

- 54% classified equity valuations as *overvalued* ahead of Brexit and 46% reported an increase in portfolio cash holdings from last quarter
- Concerns about global growth and equity valuations driving bearish sentiment higher
- Defensive sectors grow in relative bullishness

#2: North America Earnings Stability Expected Despite Perception Of Worsening Macro And Decelerating Organic Growth

- North America 2Q earnings predicted to be *in line* or *better than* consensus by 60%; “X factor” will be management outlooks amidst Brexit uncertainty
- Concerns regarding organic growth rise with 45% forecasting continued erosion versus 27% QoQ

#3: More Positive Executive Tone Is Diverging From Elevated Cautious Sentiment; Management Confidence In Operating In Low-growth Environment Increasing

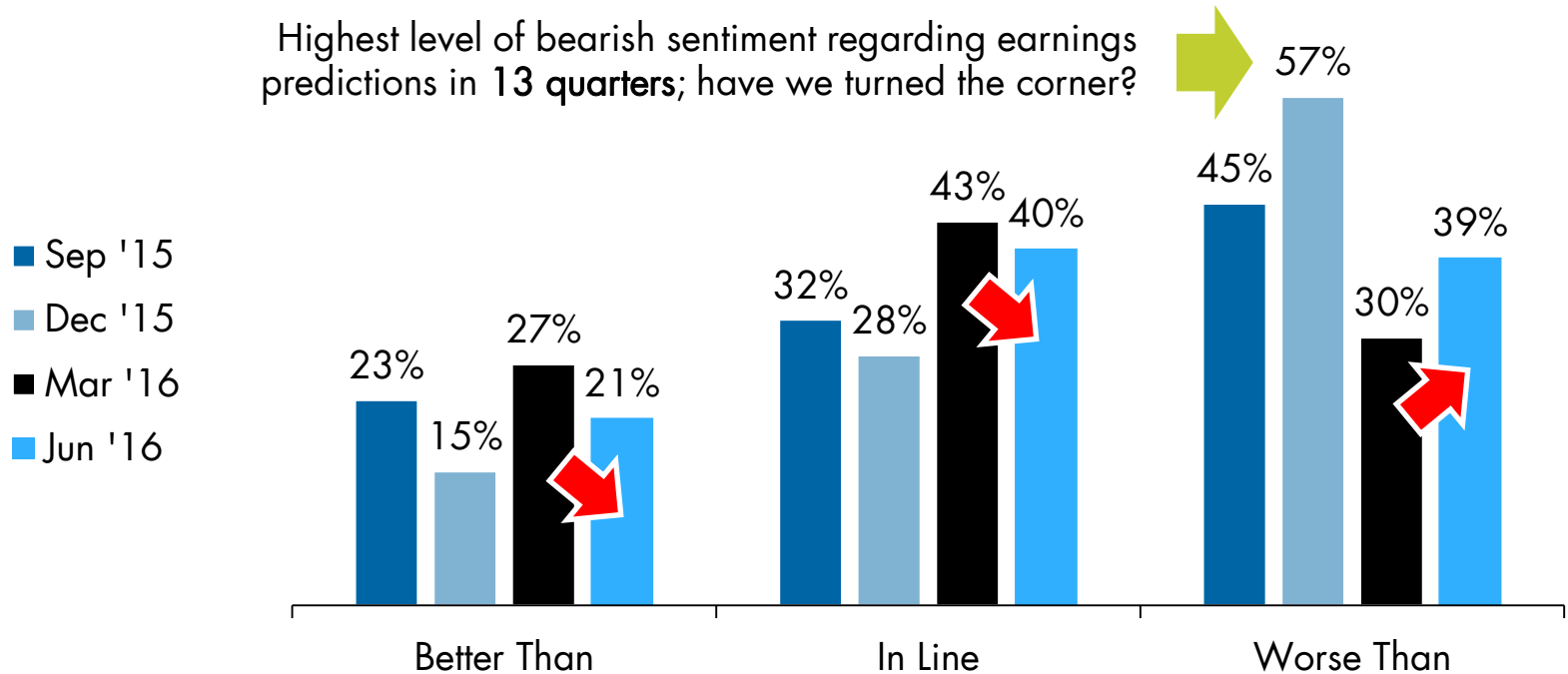
- Greater than half of the survey group classify management tone as neutral to upbeat and at the same time describe their sentiment as slightly more guarded

#4: With Brexit Vote Behind Us, Attention Turns To U.S. Presidential Election

- 57% consider the election impact on the market to be negative but only 20% say it's impacting their investment decisions, down slightly from last quarter
- 28% believe Clinton's election would have a *positive* impact on the markets vs. just 7% for Trump; conversely, a stunning 80% see Trump as having a *negative* or *very negative* impact if elected

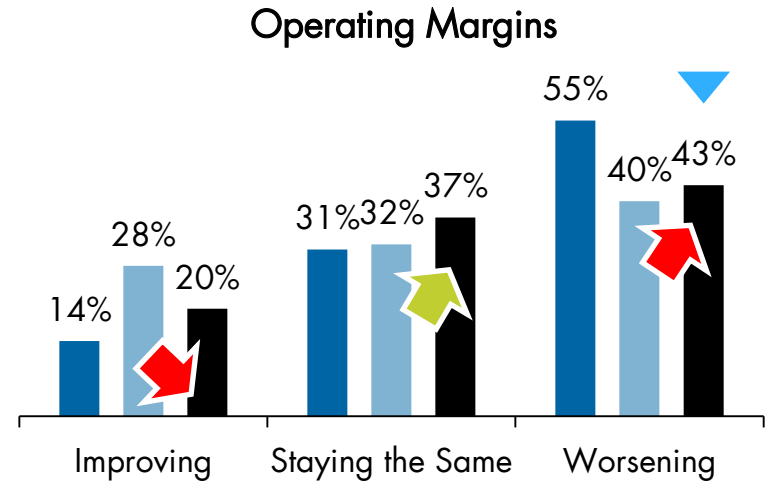
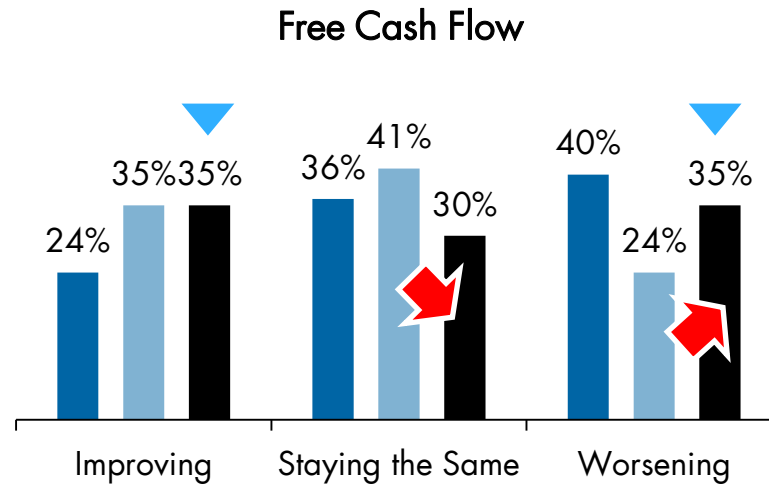
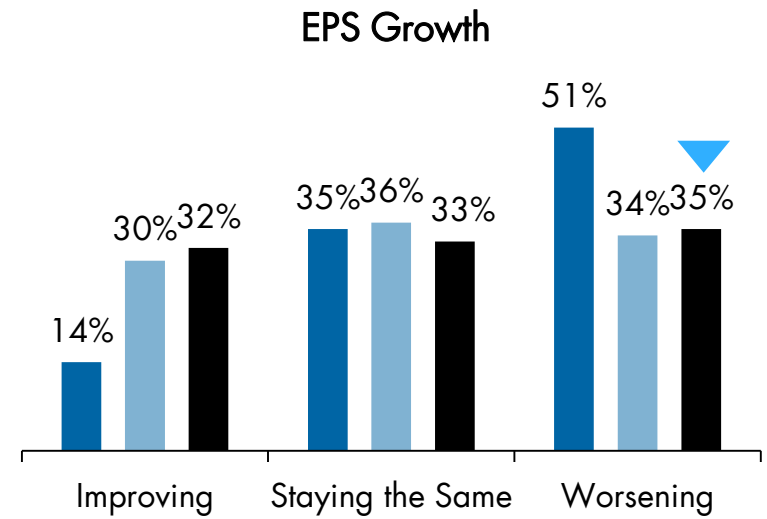
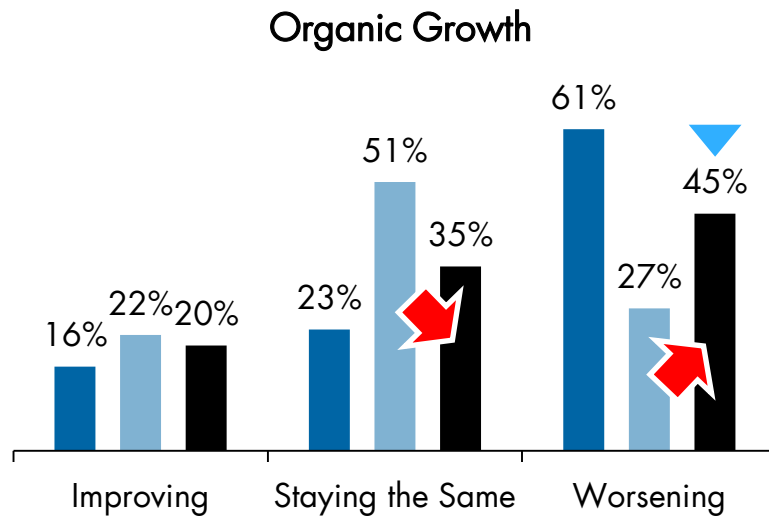
FOLLOWING EXPECTATIONS OF STABILIZING EARNINGS LAST QUARTER, VIEWS HAVE DETERIORATED SOMEWHAT

Expectations Regarding 2Q Earnings Performance Relative To Consensus



Slowing Global Growth Continues To Weigh On Earnings Expectations;
Problem Areas Are Eurozone And China

CONCERNS ABOUT ORGANIC GROWTH SPIKE BUT SELF-HELP EFFORTS SHOULD CONTINUE TO DELIVER STABLE EPS RESULTS



■ Dec '15 ■ Mar '16 ■ Jun '16

STRAIGHT FROM THE BUY SIDE: ON EARNINGS EXPECTATIONS

Better Than

"Negative sentiment overdone in Q1." Multi | Europe

"We had an earnings recession late in 2015 and early 2016, particularly among manufacturing companies. Comparisons get easy from here." GARP, Generalist | North America

"Real economy better than markets' perception." Yield, Generalist | Europe

"The dollar and oil." Sell Side, Generalist | North America

"I would not be surprised if they come in a little shy of what people expect since it is a moving target and people are a bit more optimistic." Income Value, Telecom | North America

In Line

"Continued easy money." Yield, Generalist | North America

"Analysts are not overly positive, thus consensus should be in line with actual earnings." Core Value, Generalist | North America

"Better than expected figures during 1Q16." Sell Side, Generalist | Latin America

"International economic activity/ geopolitical instability/ uncertainty." VC/Private Equity, Energy | North America

"Slow growth." GARP, Materials | North America

Worse Than

"Uncertainty due to Brexit." Buy Side, Generalist | Europe

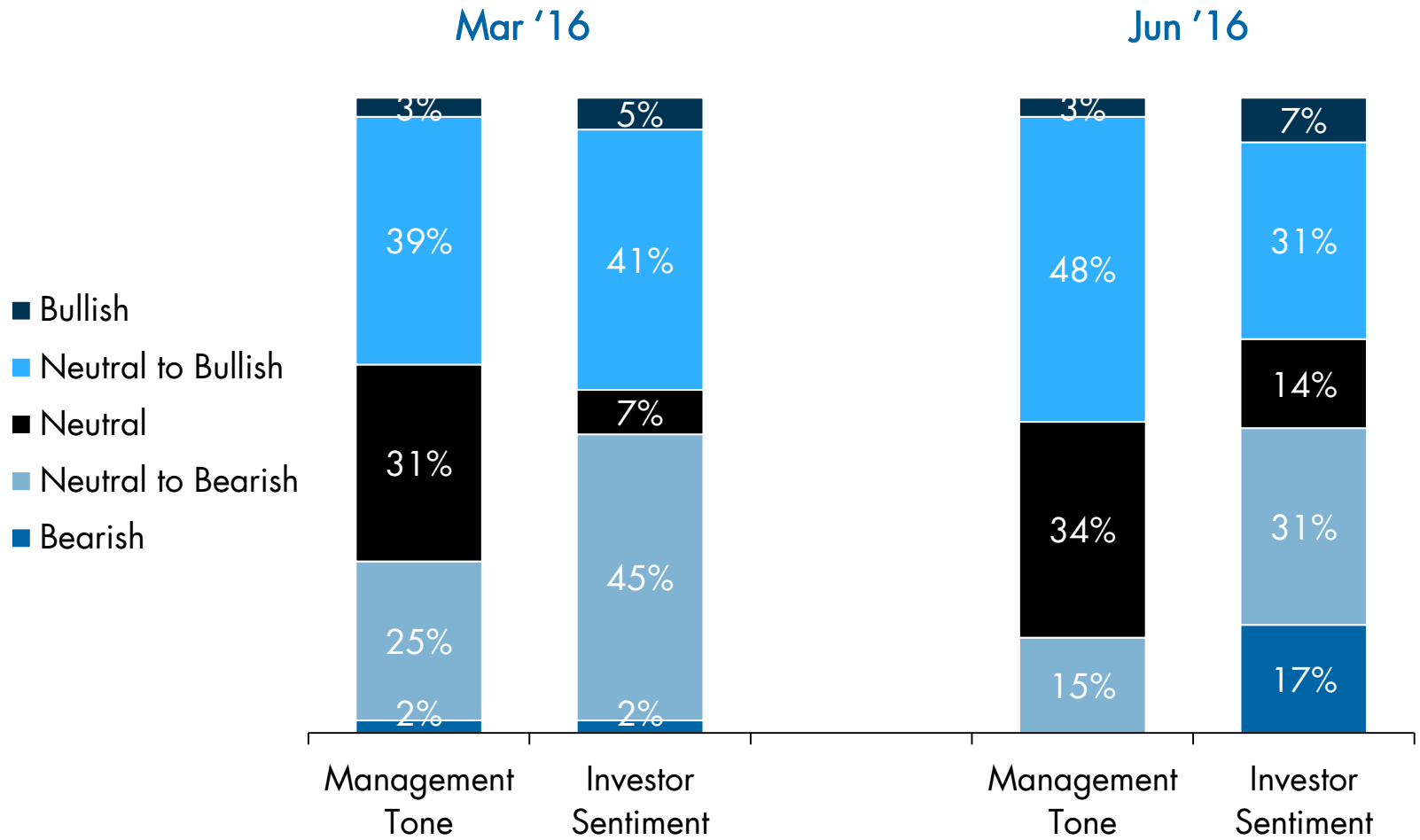
"The market is still not factoring in the embedded strength of the weighted USD average into earnings correctly." Sell Side, Generalist | Europe

"Mixed interim data points since Q1 earnings." Core Growth, Multi | North America

"Poor sentiment and uncertainty in market." Buy Side, Multi | Asia

"Continued weak industrial data." GARP, Industrial | North America

EXECUTIVE TONE DESCRIBED AS MORE UPBEAT WHILE INVESTOR SENTIMENT REGISTERING MORE CAUTIOUS



STRAIGHT FROM THE BUY SIDE: ON SENTIMENT

Bullish

"This is the most hated bull market in my career. Markets don't go down when sentiment is like this." GARP, Generalist | North America

"Contrarianism. Selective value in a bearish market." Core Value, Generalist | North America

"Media infected by overly negative sentiment." Multi | Europe

Neutral to Bullish

"Expect a slight acceleration in growth." Yield, Generalist | Europe

"Lower budgets, supply loss and no exploration spend." Sell Side, Energy | North America

"Consumer sentiment." Core Growth, Generalist | Latin America

"Capital deployment." Core Value, Generalist | North America

Bearish

"Political uncertainty both here and around the globe." Buy Side, Multi | Asia

"Low oil prices and poor macro outlook." Sell Side, Energy | Europe

"Valuation; it's the point in the cycle." Hedge Fund, Multi | North America

Neutral to Bearish

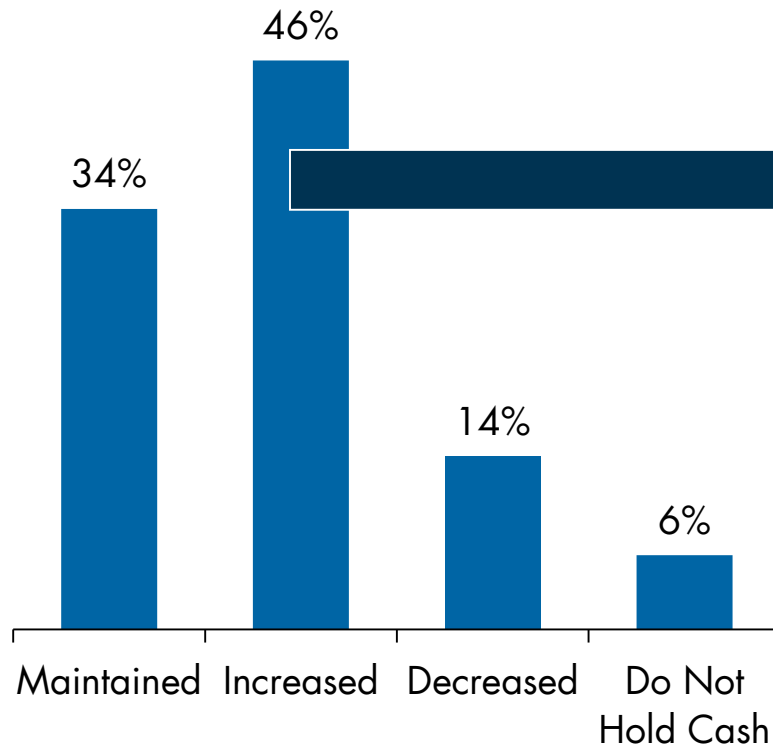
"Valuations aren't low, margins are still high in a lot of industries and interest rates are very low. Any of those could reverse and it would be troublesome." GARP, Generalist | North America

"Limited top-line growth and growing cost pressures." Core Growth, REIT | North America

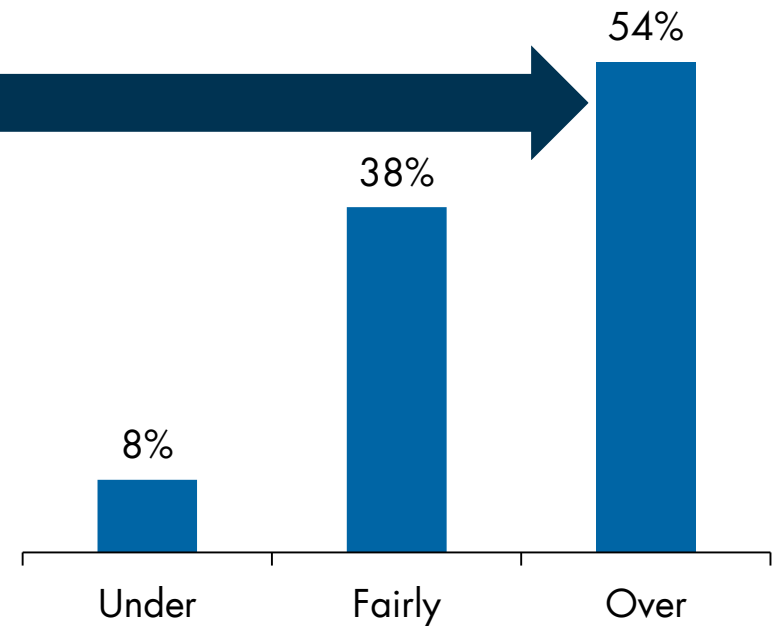
"The political risk that has been the driver of economic decisions." Sell Side, Financials | Europe

AMID UNCERTAINTY, INVESTORS REPORT BUILDING CASH...AND THEN A SURPRISE SELL-OFF OCCURS – BINGO!

Quarter-Over-Quarter, How Would You Characterize Your Cash Position?



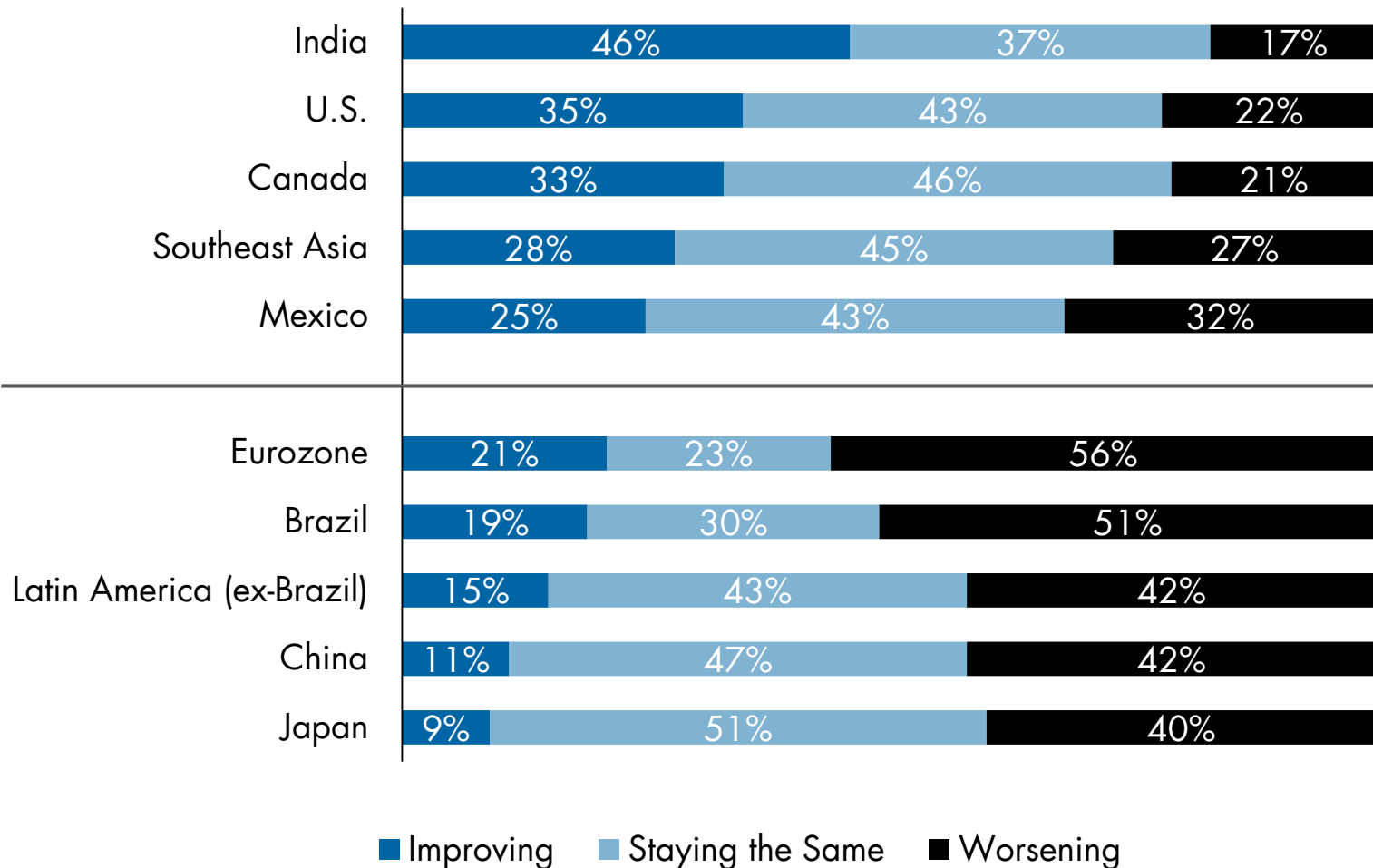
Given Slower Global Growth And A Relatively Weak Earnings Outlook, How Would You Classify Equity Valuations?



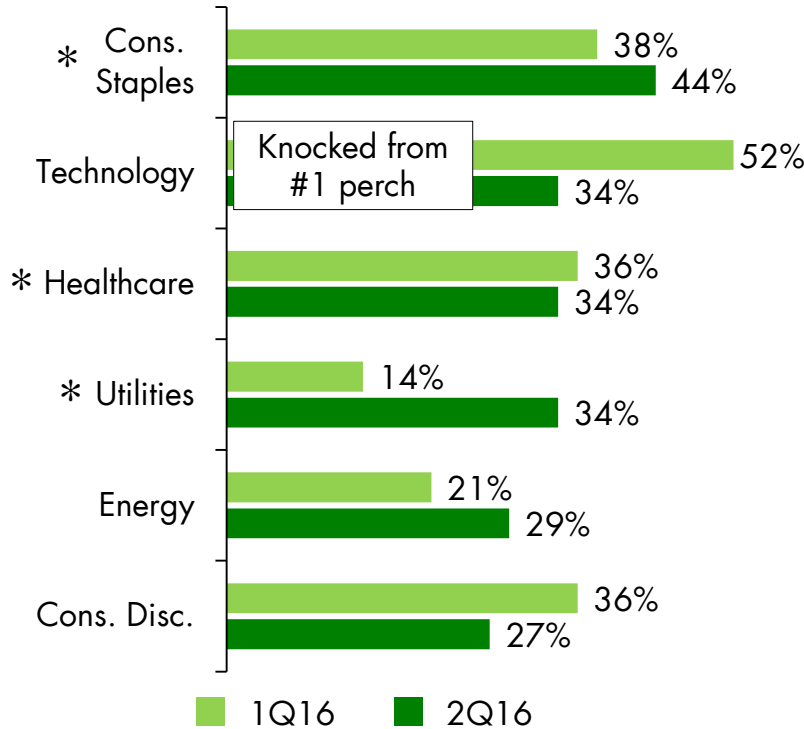
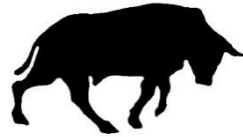
"Large discrepancy between overvalued and undervalued stocks, which results in a blended, 'fairly valued' market." Core Value, Generalist | North America

BRIGHT SPOTS REMAIN IN INDIA AND U.S. WHILE EUROZONE IS SLOW-GO FOR NOW

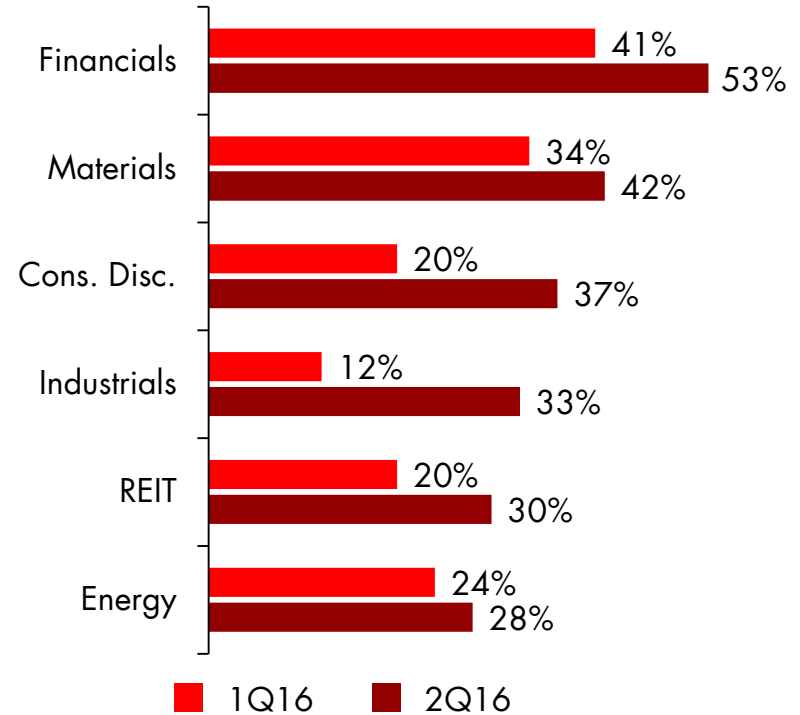
View On Global Economies Over The Next Six Months



DE-FENSE! DE-FENSE! ONLY SECTOR TO WITNESS AN INCREASE IN BULLISH AND A DECREASE IN BEARISH SENTIMENT? YUP, *UTILITIES*



Technology Sees Biggest Decrease In Bullish Sentiment While Defensive Sectors Gain Ground



Industrials Whipsaw From Bullish Last Survey To Bearish And Register Biggest Increase In Negative Views

STRAIGHT FROM THE BUY SIDE: ON SECTORS

BULLS

"Consumer Discretionary, Industrials, Technology – We are a value shop. These are the most out-of-favor areas. We buy with a minimum holding time of 3 to 5 years." Core Value, Generalist | North America

"Energy, Financials, Health Care – All have upcoming catalysts that drive stock prices higher without company improvement itself." Sell Side, Energy | North America

"Building Products/Homebuilding, Consumer Discretionary, Consumer Staples, Financials, Utilities – Housing reflation → more building → consumer confidence → more spending. It will take a while to filter down to the others that are further up the chain. Rising rates positive for banks and utilities." GARP, Materials | North America

"Energy, Financials, Materials and Utilities – Too lowly valued relative to the rest of the market and the best yield places to hide." Sell Side, Generalist | Europe

BEARS

"Financials – Low revenues and regulatory risks." Sell Side, Financials | Europe

"Financials – Low interest rates and disruptors." Core Value, Generalist | Asia

"REITs – The big box retailers are overstored. There may be an overabundance of commercial real estate, too." Core Value, Generalist | North America

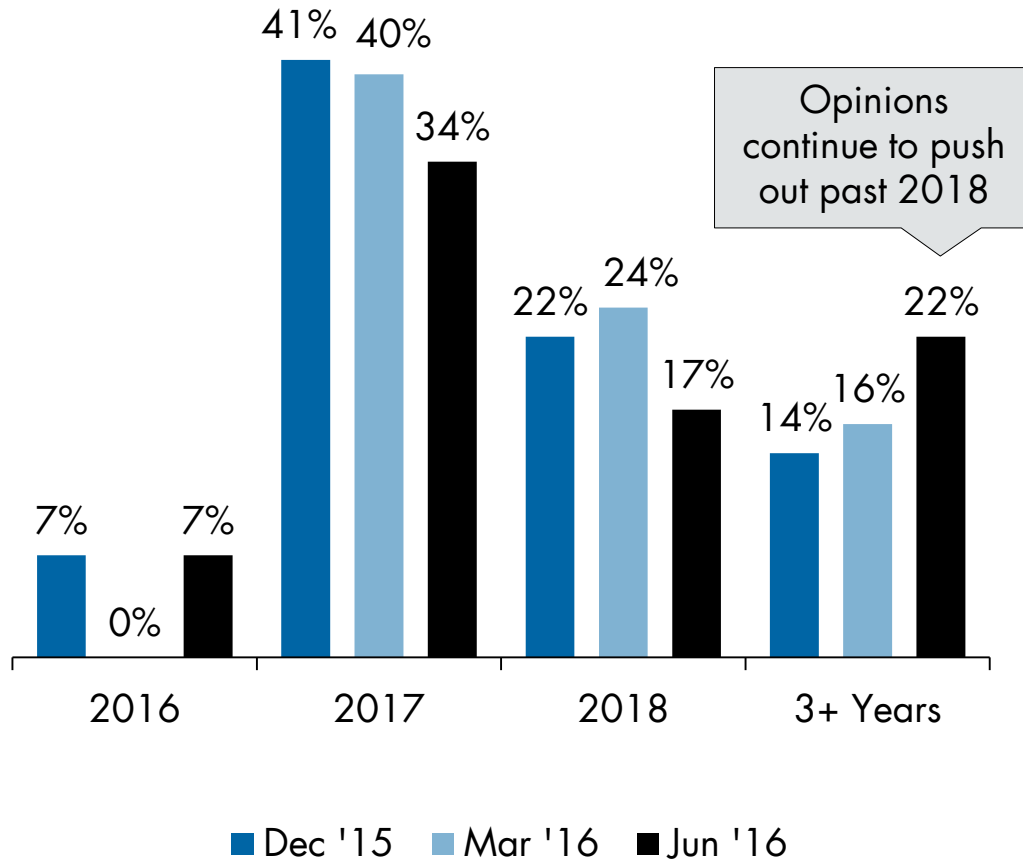
"Industrials – Already overvalued or suffering from rising commodity prices." Sell Side, Energy | North America

"Biotechnology, Building Products/Homebuilding, Technology, Telecommunication Services, Utilities – Valuation and business cycle risk." Hedge Fund, Multi | North America

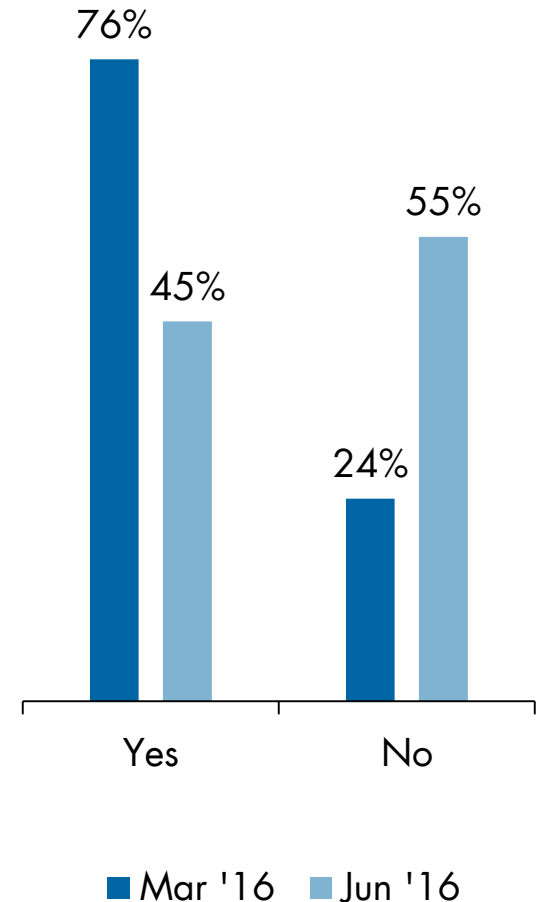
"Energy and Technology – Energy still working out structural changes, while Tech will be impacted heavily by Apple slowing." GARP, Multi | North America

FEELING LIKE WE MAY HAVE TURNED THE CORNER...WHAT'S THAT LIGHT DOWN THERE?

When Do You Think The U.S. Will Have Its Next Recession?

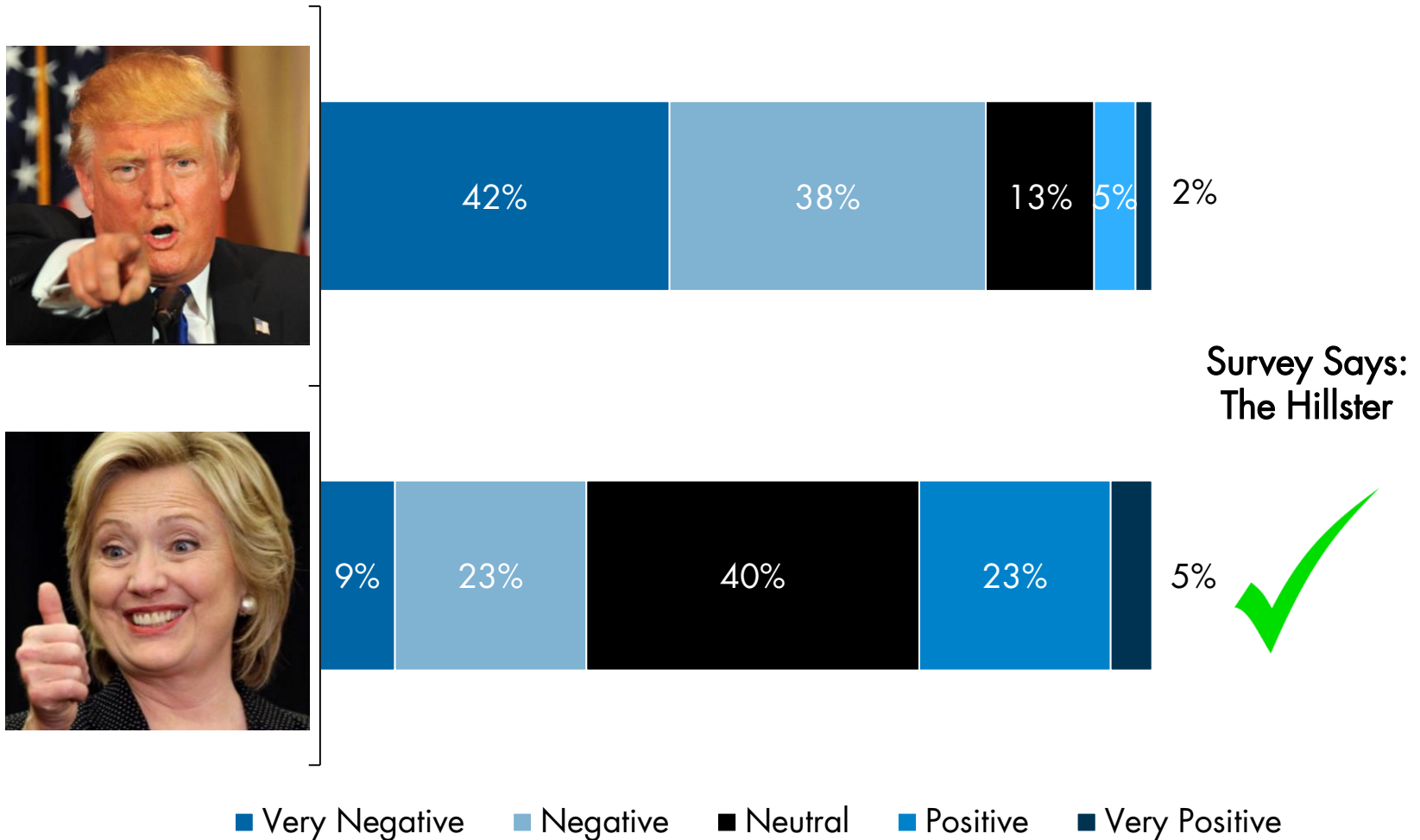


Will The Fed Continue To Raise Interest Rates In 2016?



NEARLY 60% REPORT U.S. ELECTION UNCERTAINTY IS HAVING A NEGATIVE IMPACT ON MARKETS

Who Will Have The Most Favorable Impact On Markets?



IR BEST PRACTICE: SUSTAINABLE COMPETITIVE ADVANTAGES, PART 1

Many companies that have outperformed the market despite decelerating global growth point to executing “what is within our control.” Amid elevated communication of differentiated execution, we are drilling down into operational excellence as a competitive advantage.

Our ongoing proprietary research reveals that *Operational Excellence* is recognized by the buy side as a **Top 3 sustainable competitive advantage** (ergo Part 1).

An analysis of companies that effectively position operational excellence reveals:

- **Business system** is well defined and tangible objectives are provided
- Positioned as a sustainable competitive differentiator and core competency; it often **defines the culture**
- And probably most importantly, **real financial impact** is evident and tied to business system

While proof points communicated include:

- ✓ Market share gains
- ✓ Better-than-market organic growth
- ✓ Margin outperformance
- ✓ Strong FCF generation, conversion
- ✓ Improved working capital turns
- ✓ Ability to pass on cost to customers
- ✓ Superior M&A integration
- ✓ Unique customer experience
- ✓ Leadership/employee engagement
- ✓ Shareholder value delivery, leading TSR

CORBIN PERCEPTION

We are Corbin Perception, a leading investor research and investor relations advisory firm that specializes in shareholder value creation.

We leverage our broad company and industry experience, knowledge of best practices and benchmarking capabilities to provide research-driven counsel that enables our clients, publicly-traded companies across diverse industries, to positively differentiate their company in the market. We bring a unique perspective to our engagements, one that is based on a proven methodology and customized approach.

Our industry-leading research, Inside The Buy-side[®], is covered by news affiliates globally and regularly featured on CNBC.

To learn more about us and our impact, visit CorbinPerception.com