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Inside The
BUY-SIDE®

3Q19 Earnings Primer

Investor Sentiment Survey

October 10, 2019

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

ISSUE: 40
DATE: OCTOBER 10, 2019

For over a decade, 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 leading-edge research, *Inside The Buy-side®*, which captures real-time Voice of Investor™ sentiment and trends.

Leveraging our deep understanding of capital markets, proprietary research, cutting-edge technology and best practice knowledge, our research demonstrates the value we add by remaining at the forefront of global market trends, investor sentiment and effective communication strategies.

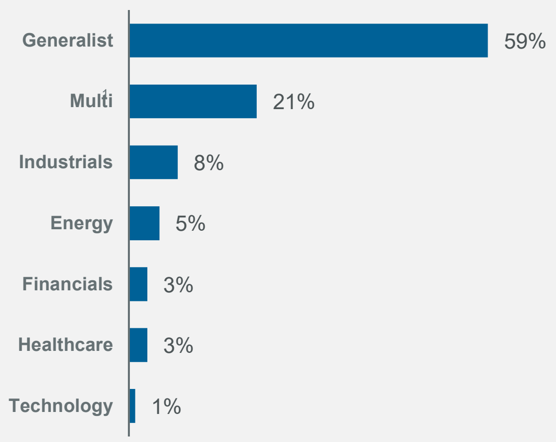
Survey Scope: 76 participants globally, comprising 67% buy side and 33% sell side; assets under management total ~$2.1 trillion

Survey Timeframe: Sep. 6 – Oct. 2, 2019

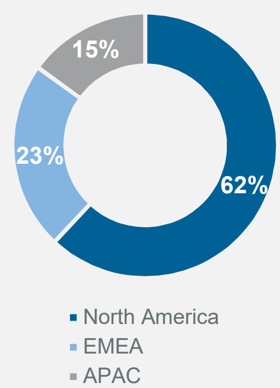
Market Performance	YTD[1]	3Q19
U.S.		
DJIA	11.8%	(2.9%)
NASDAQ	18.5%	(3.8%)
S&P 500	15.2%	(3.1%)
Russell 2000	9.8%	(5.5%)
Europe		
FTSE 100	10.1%	(0.2%)
Stoxx 600	16.4%	2.2%
Asia		
Hang Seng	1.0%	(8.6%)
Shanghai	16.5%	(2.5%)

[1] As of 9'30'19

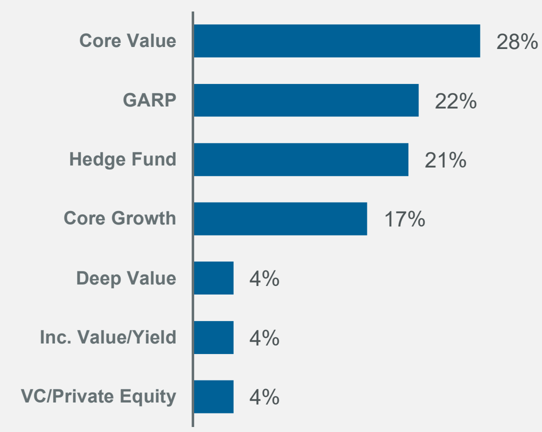
BY TYPE



BY REGION



BY INVESTMENT STYLE



[1] Multi includes Cons. Disc, Cons. Staples, Materials, REIT and Utilities

Word Cloud: Frequency of Occurrence

We developed a word cloud to visually demonstrate the investment community's focus areas, trends in frequency of word occurrence, as well as the underlying tone

Investor Feedback Indicates Concerns Continue to Mount, with Trade Wars at the Forefront Once Again

2Q 2019

3Q 2019

Top Mentions	2Q19	3Q19	
Trade War	44	62	↑ 18
U.S.	30	36	↑ 6
Growth	13	23	↑ 10
Economy	15	22	↑ 7
China	31	22	↓ 9
Interest Rates	14	20	↑ 6
Recession	8	12	↑ 4
Brexit	8	12	↑ 4

Key: Underlying Sentiment	
● (green)	Positive
● (grey)	Neutral
● (red)	Negative

Survey Findings Reveal Broad-based Expectations for Decelerating Earnings but Investors Describe Their Sentiment As More Upbeat than Last Quarter – Enter the New Normal

Inside The BUY-SIDE®

#1 Investors Are Largely Expecting Deteriorating Earnings amid Slowing Global Growth; Said Differently, With this "New Normal" Priced In, Investor Sentiment is Less Downbeat QoQ (Rightly or Wrongly)

- 47% expect earnings to *Decrease* sequentially and 39% believe earnings will be *Worse Than* consensus, registering near the highest level since Dec. 2015
- Nearly 50% anticipate EPS will *Worsen* QoQ, the highest level recorded since Mar. 2015, in which respondents had cited currency headwinds, falling crude prices and the tough winter experienced in the Northeast U.S.
- For companies that lowered 2019 guidance last quarter, 50% of investors expect companies to lower again
- 43% expect FCF to *Worsen* QoQ, the highest level registered in over six years; while slowing growth will negatively impact FCF, we do not think investors are taking into consideration significant cost actions taken this quarter, as companies seek to preserve capital

#2 While the Writing is on the Wall, We Have Not Yet Reached the Wall of Worry

- For the third consecutive quarter, investor concerns center on trade war impact and slowing global growth; amid a tough environment, new themes emerging are apprehension toward potential monetary and fiscal policy shifts as well as China debt
- 57% expect global capex to *Worsen* over the next six months
- 55% *Do Not Believe* a favorable resolution to the U.S./China tariff dispute will happen by year-end 2019, with several noting any resolution will likely be a political move by President Trump to support reelection
- Despite expectations for continued slowing growth, supporting macro data and media headlines:
  - Fewer than 20% of investors anticipate a recession in the next six months
  - 2019 U.S. GDP growth expectations improved QoQ, with 54% expecting 2.5% growth, up from 41% last quarter
  - Investor sentiment also rebounded slightly after a significant jump in bearish sentiment last quarter, with those classifying their sentiment as *Bearish or Neutral to Bearish* decreasing to 39% from 53% QoQ

#3 With Buying Activity Remaining Steady and Portfolio Cash Holdings Decreasing, Earnings Season Could See Deep Market Sell-off if Company Results are Worse-than-expected

- 57% report *Holding* or *Rotating* QoQ, in line with last quarter, while *Net Buyers* increased; 22% also report *Decreasing* cash holdings QoQ, a significant increase from 4% in 2Q
- 73% report increased emphasis on balance sheet strength to evaluate downside risk while nearly one-third is focused on sensitivity analyses issued by companies, a best practice in our view

Dichotomy in Investor Sentiment

Bullish Investors

(67% N. America, 19% EMEA, 14% APAC)

- ~50% expect 3Q earnings to be in line with the prior quarter and consensus
- 73% expect organic growth to *Remain the Same;* none expect it to worsen
- Only 12% expect a recession in the next 12 months
- Nearly 80% predict 2019 U.S. GDP will be between 2.5% and 3.0%
- 42% report being net buyers
- 81% are bullish on Technology and ~50% on Biotech and Healthcare

Bearish Investors

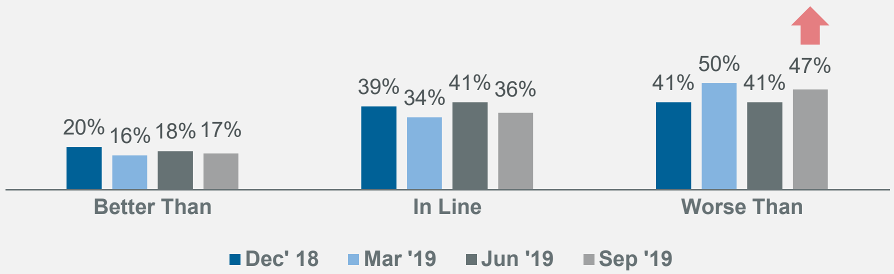
(50% N. America, 29% EMEA, 21% APAC)

- 75% expect 3Q earnings to be *Worse Than* the prior quarter and consensus
- 70% expect organic growth to *Worsen;* none expect it to *Improve*
- Nearly 40% expect a recession in the next 6 months
- Nearly half predict 2019 U.S. GDP will be below 2.0%
- ~40% report increasing portfolio cash holdings and being *Net Sellers*
- ~50% are most bearish on Consumer Discretionary and Technology

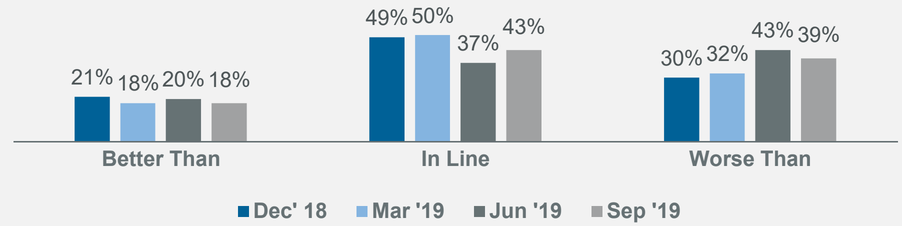
Expectations Heading into 3Q Earnings Season Are for "More of the Same"

Nearly 65% report 2Q earnings results were as expected – mixed to weakening – and many are anticipating companies to lower guidance; only 17% expect sequential growth

EXPECTATIONS REGARDING 3Q19 EARNINGS VS. PRIOR QUARTER

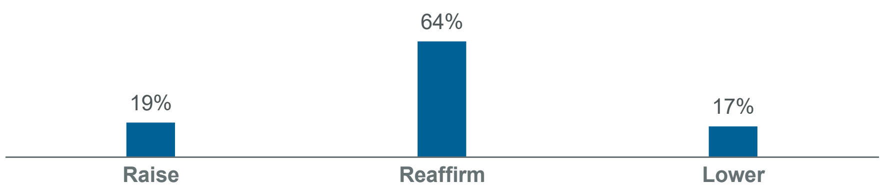


EXPECTATIONS REGARDING 3Q19 EARNINGS PERFORMANCE VS. CONSENSUS

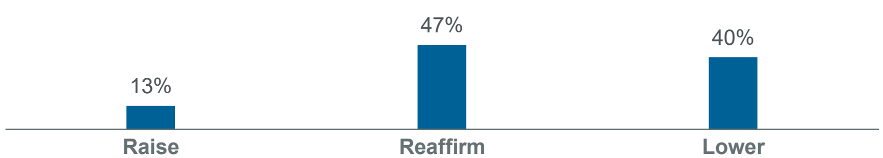


2019 Annual Guidance Expectations

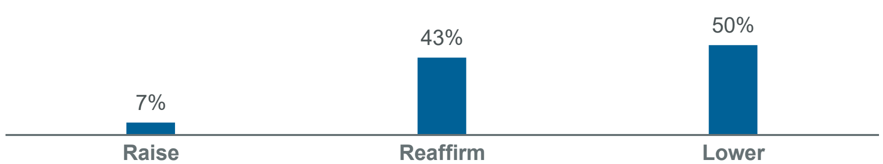
FOR COMPANIES THAT RAISED GUIDANCE IN 2Q, INVESTORS EXPECT COMPANIES TO…



COMPANIES THAT MAINTAINED GUIDANCE IN 2Q, INVESTORS EXPECT COMPANIES TO…



COMPANIES THAT LOWERED GUIDANCE IN 2Q, INVESTORS EXPECT COMPANIES TO…



Better Than

"Growth appears better than consensus and what companies have been guiding." **Buy Side, Generalist, N. America**

"Trade uncertainty, more media coverage of recession likely kept earnings in line with the prior quarter." **Buy Side, Generalist, N. America**

"Sentiment is being driven by trade concerns, though the Street has consistently underestimated the strength of U.S. companies. No reason to think that changes for Q3." **Buy Side, Generalist, N. America**

In Line

"Analyst revisions have guided to lower expectations. That said, recent economic reports indicate a lift in earnings relative to consensus and prior quarter may occur." **Buy Side, Generalist, N. America**

"A lot of our companies are impacted by tariffs and investors aren't properly appreciating our companies' abilities to avoid tariff impacts and maintain a strong bottom line." **Sell Side, Multi, N. America**

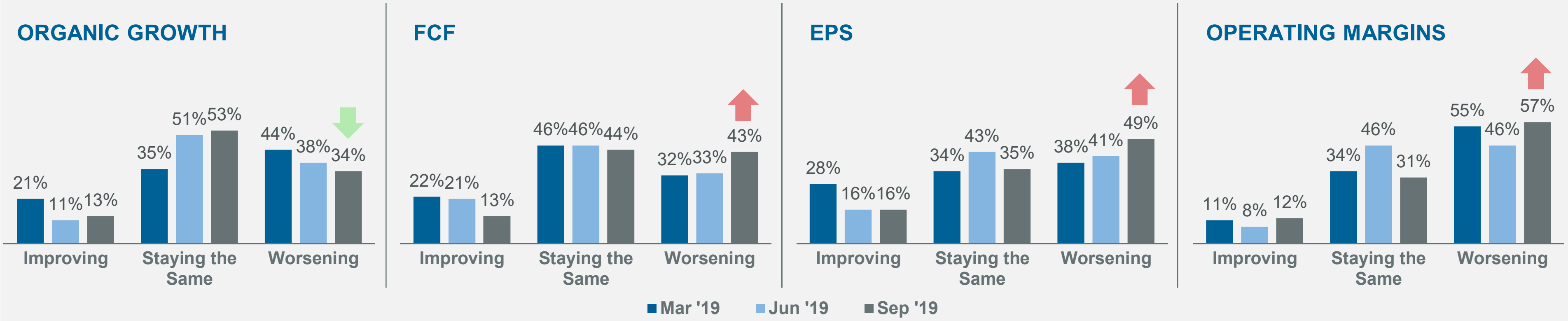
Worse Than

"The headwinds of trade, uncertain global outlook and large corporate cash positions used only for stock buybacks, not corporate growth." **Buy Side, Generalist, N. America**

"Higher costs, lower revenue, debt interest keeps growing faster than revenue due to rapid increase in large debt loads. Too much competition from too many zombie companies keeping pricing pressure on companies." **Buy Side, Energy, N. America**

More Believe Organic Growth Will Stabilize QoQ, While Views on EPS and Margins Deteriorate Further

Those expecting EPS to *Worsen* registers at the highest level since Mar. 2015 and FCF sees the highest concern levels since Mar. 2013; margins are expected to *Worsen,* as an increasing number of companies address slowing growth and active cost takeout plans



Total Number of Mentions on Quarterly Earnings Calls by Companies Globally[1]

Top 5 Industries[1]	2Q19 (# of Companies)
Industrials	60
Consumer Discretionary	44
Financials	43
Information Technology	36
Healthcare	28

[1] Source: Sentieo

Topics of Interest for Upcoming Earnings Calls: Global Growth Outlooks, Trade War and Capex Levels

More than half, 55%, *Do Not Believe* a favorable resolution to the U.S./China tariff dispute will occur by year-end 2019; 57% expect global capex to *Worsen* over the next six months

Inside The BUY-SIDE®

1	Global growth outlooks	2	Trade war impact	3	Capex levels
4	Input costs	5	Debt levels	6	Customer behavior, trends

Views from N. America

"Positioning for a slowdown." **Buy Side, Generalist**

"What they are seeing/hearing from customers; any significant changes in customer behavior since Q2." **Buy Side, Generalist**

"Margins and global growth." **Buy Side, Generalist**

"Global growth and input costs." **Buy Side, Generalist**

"Trade." **Buy Side, Generalist**

"It varies from industry to industry. For instance, I would like to hear bank responses to a lower rate environment, margin compression and outlook for M&A activity." **Buy Side, Generalist**

"Trade, dollar strength." **Buy Side, Generalist**

"Future guidance." **Buy Side, Generalist**

"Trade/tariff impacts." **Buy Side, Generalist**

"Organic growth and profit margin improvement." **Buy Side, Generalist**

"How they plan on reducing debt." **Buy Side, Generalist**

"Trade impact, capex projections." **Buy Side, Multi**

"Amount of investment for future growth." **Buy Side, Multi**

"New products and sales." **Buy Side, Multi**

"Investment spending and top-line growth." **Sell Side, Multi**

Views from EMEA

"Stable cash flow generation." **Buy Side, Generalist**

"Deleveraging." **Buy Side, Generalist**

"If there are some implications on the business concerning trade war." **Buy Side, Generalist**

"Global outlook, investment." **Buy Side, Multi**

"Outlook for the rest of the year/visibility." **Sell Side, Generalist**

"Risk management strategies." **Sell Side, Generalist**

"Growth." **Sell Side, Industrials**

"Potential recession." **Sell Side, Industrials**

"Recession probability in the next 12 to 24 months." **Sell Side, Financials**

Views from APAC

"Global growth." **Sell Side, Generalist**

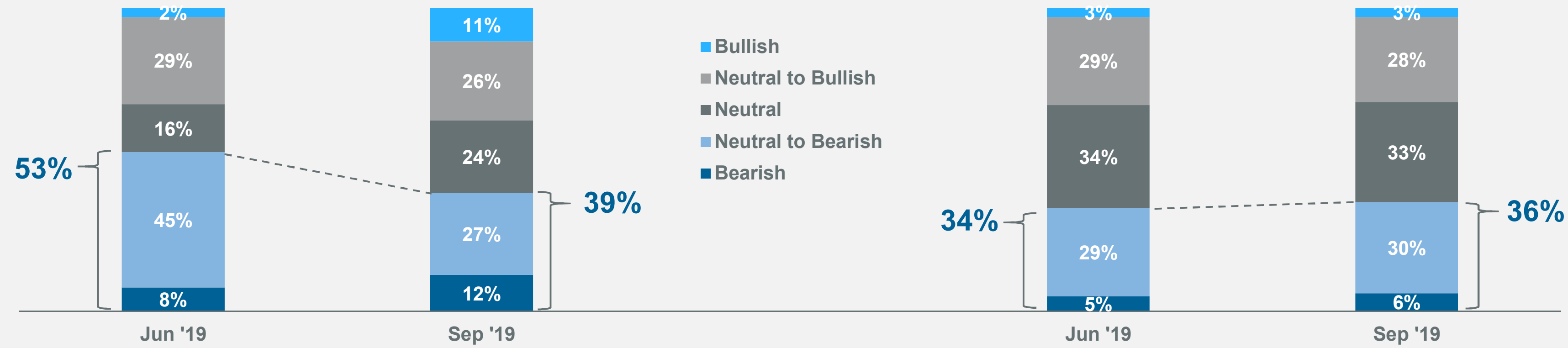
"Growth or lack of growth." **Sell Side, Generalist**

"U.S./China trade war and global politics." **Sell Side, Multi**

Investor Sentiment Remains Mixed But Notably Less Bearish

Strength in tech, consumer and the U.S. keeping bears at bay; perceived management tone described as cautious but confident as executives navigate the downturn, a new normal for some

INVESTOR SENTIMENT | **MANAGEMENT TONE**



Bullish	Neutral to Bullish	Neutral	Neutral to Bearish	Bearish
"U.S. interest rates going to zero, election cycle in full swing, huge fiscal stimulus." **Buy Side, Generalist, N. America** *"CEOs hesitate to be quoted and then be wrong."* **Buy Side, Multi, N. America** *"Contracting GDP and inflation remaining subdued."* **Sell Side, Multi, Asia**	*"Tech companies are largely well positioned with exciting products and longer-lived themes driving sales. 5G implementation is one theme."* **Buy Side, Generalist, N. America** *"Trade outlook and U.S. GDP/ISM growth."* **Buy Side, Generalist, N. America** *"Uncertainty around trade concerns, offset by continued strength in the U.S. economy, especially the U.S. consumer."* **Buy Side, Generalist, N. America** *"I believe the economy is more resilient than expected."* **Sell Side, Multi, N. America**	*"Neutral in the sense of not wanting to present a picture that is too hot or cold. Use of the words 'manageable' and 'sustain' depict a scenario that while management conveys the ability to succeed within this environment, success is redefined as maintaining market share, margins and the status quo."* **Buy Side, Generalist, N. America** *"Strong consumer offset by weak manufacturing."* **Buy Side, Generalist, N. America** *"With tariff headwinds and maturing U.S. growth and contraction in China and Europe, most are content to wait and see."* **Buy Side, Generalist, N. America** *"Contrarians."* **Sell Side, Multi, N. America**	*"What happens with some key drivers such as interest rates and trade."* **Buy Side, Generalist, N. America** *"Debt loads of corporations and excessive goodwill accumulation on too many Fortune 100 companies."* **Buy Side, Energy, N. America** *"Increasing global stability, trade war implications, Brexit, Trump."* **Buy Side, Multi, N. America** *"China slowdown (on top of any trade war impact)."* **Sell Side, Multi, Asia** *"Some slight downgrades to guidance."* **Sell Side, Industrials, Europe**	*"Realism."* **Buy Side, Generalist, Asia** *"Global growth deterioration."* **Sell Side Generalist, Asia**

Top Concerns from around the Globe *(unaided)*

For the third consecutive quarter, investor focus remains on trade war impact, the global economy and U.S. election; new themes emerging this quarter include apprehension toward monetary and fiscal policy shifts and China debt

55%	40%	38%	24%	20%	16%
Trade wars	Global economy	Monetary/fiscal policy	Geopolitics	Trump/U.S. election	China debt

Views from N. America

"Trade, business confidence, business investment." **Buy Side, Generalist**

"Trade situation, geopolitical/political events, interest rate path in developed economies." **Buy Side, Generalist**

"Trade, yield curve, global growth ex-U.S." **Buy Side, Generalist**

"Trade, inventories, capex spending." **Buy Side, Generalist**

"Trade war, earnings recession." **Buy Side, Generalist**

"Trade, Eurozone weakness, employment." **Buy Side, Generalist**

"Trade wars, Brexit, interest rates don't plunge fast enough." **Buy Side, Generalist**

"Clarity as to fiscal policy in U.S. and abroad, monetary versus fiscal responses to economic and/or structural challenges, geopolitical scenarios within Middle East." **Buy Side, Generalist**

"Global slowdown, presidential election, geopolitical." **Buy Side, Generalist**

"Tariffs and resulting foggy economic outlook, slowing global momentum, radical democratic party presidential platform." **Buy Side, Generalist**

"Unemployment, inflation, consumer confidence." **Buy Side, Generalist**

"Global populist and nationalistic movement transition of global manufacturing." **Buy Side, Generalist**

Views from EMEA

"Recession, China-U.S. trade, profits." **Buy Side, Generalist**

"Industrial sector, China debt, political issues." **Buy Side, Generalist**

"Cycle ending, IG bubble, trade war, Brexit, populism, polarism." **Buy Side, Generalist**

"Leverage, debt, central bank expectations." **Buy Side, Generalist**

"Self-fulfilling prophecy (everyone speaks and writes about recession), trade war (incl. U.S.-election), Middle East." **Buy Side, Generalist**

"Black swans, Trump, populism." **Buy Side, Generalist**

"Global recession, trade war, Brexit." **Buy Side, Multi**

"Hong Kong, Brexit, monetary easing." **Sell Side, Generalist**

"Trade war, dollar, economy." **Sell Side, Generalist**

"Negative interest rates, Brexit, 2020 U.S. election." **Sell Side, Generalist**

"Trade, slowing growth, credit." **Sell Side, Industrials**

"Trade, recession, FX." **Sell Side, Financials**

Views from APAC

"China debt." **Buy Side, Generalist**

"China hard landing, U.S. recession, EU breakup." **Sell Side Generalist**

"Lingering of U.S./China trade war, geopolitical tensions in Middle East, no deal Brexit." **Sell Side, Multi**

"Deflation, capital controls, bank stress." **Sell Side, Multi**

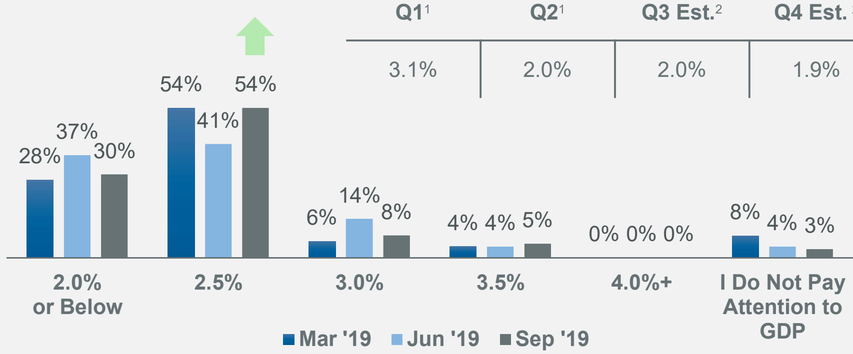
"Interest rates, currency depreciation, inflation." **Sell Side, Multi**

2019 U.S. GDP Predictions Improve to 2.5%, with a Recession Not Expected in Next Six Months

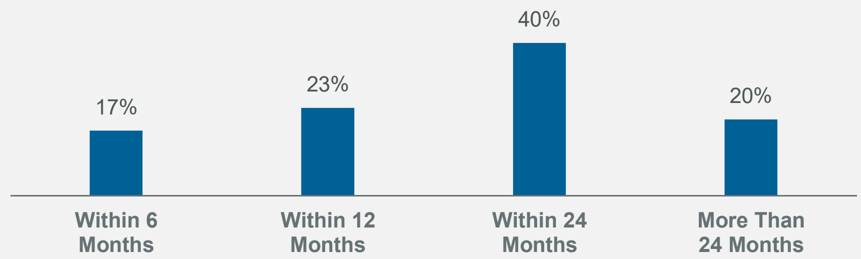
Investors most-oft cite Manufacturing ISM, Consumer Confidence and the Unemployment Rate as the top economic indicators they are keenly watching; record-low unemployment is the lone positive in last two months among these top measures

2019 U.S. GDP PREDICTION

Q1[1]	Q2[1]	Q3 Est.[2]	Q4 Est.[2]
3.1%	2.0%	2.0%	1.9%



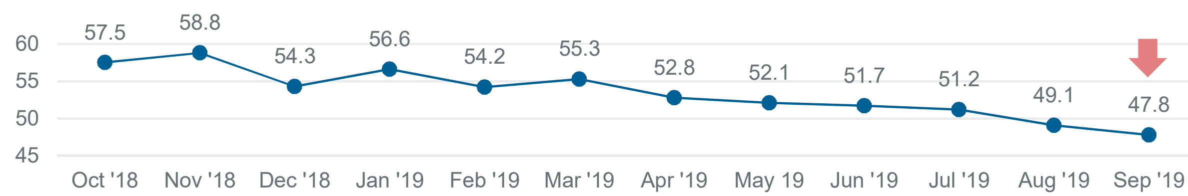
U.S. RECESSION PREDICTION



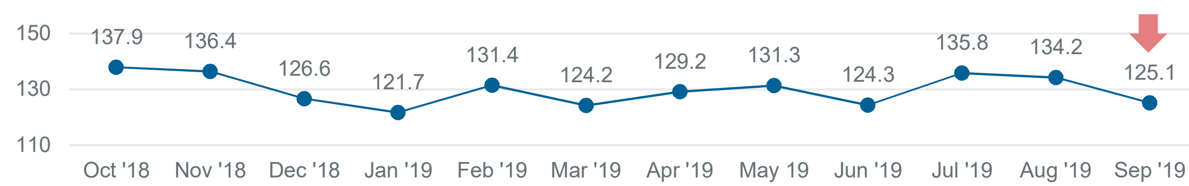
Proprietary Research: According to our survey, investors most focused on the following economic indicators

1	Manufacturing ISM®	56%
2	Consumer Confidence	44%
3	Unemployment	37%
4	Yield Curve	21%
5	GDP	15%
6	Interest Rates	15%
7	Housing Starts	10%
8	Inflation	6%
9	Auto Sector Trends	6%
10	China Economy	6%

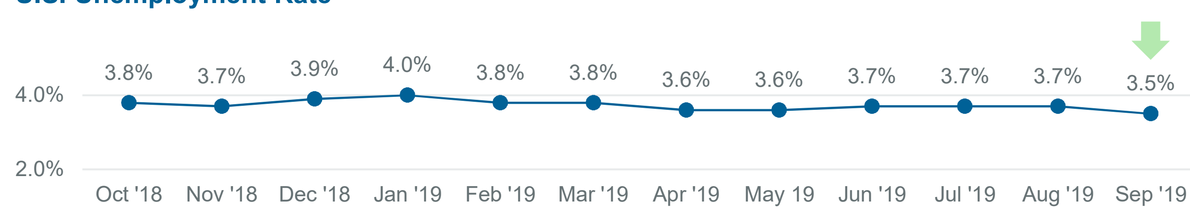
Manufacturing ISM® Report on Business[3]



Consumer Confidence[2]



U.S. Unemployment Rate[4]

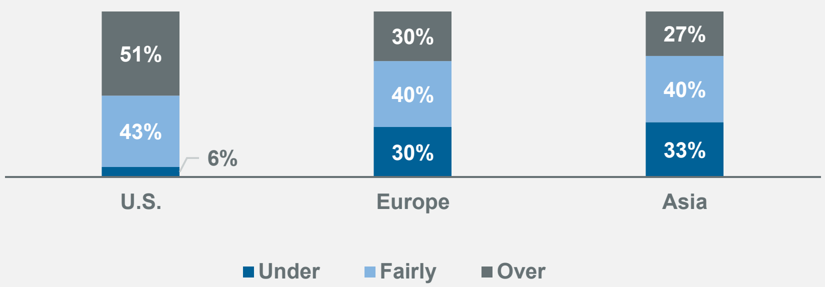


[1] Source: U.S. Bureau of Economic Analysis
[2] Source: The Conference Board
[3] Source: Institute for Supply Management
[4] Source: U.S. Bureau of Labor Statistics

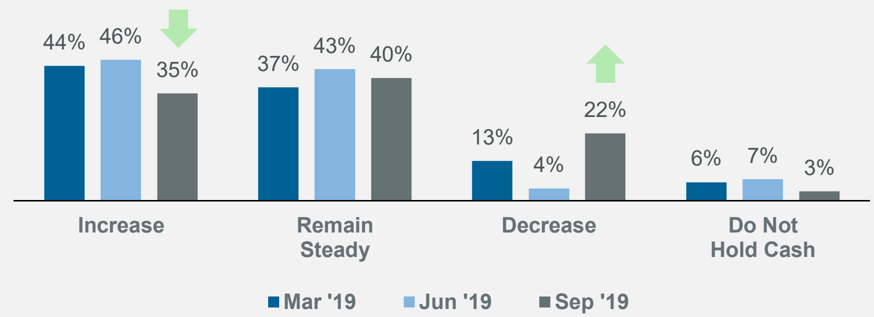
Amid the Turbulence, Investors Remain Committed to Equities and Reduce Cash Holdings QoQ

Last quarter, we noted companies with conservative balance sheets and cycle-tested management teams would have a competitive advantage; indeed, investors report capitalizing on valuation gaps, focusing on balance sheet strength as a key risk measure

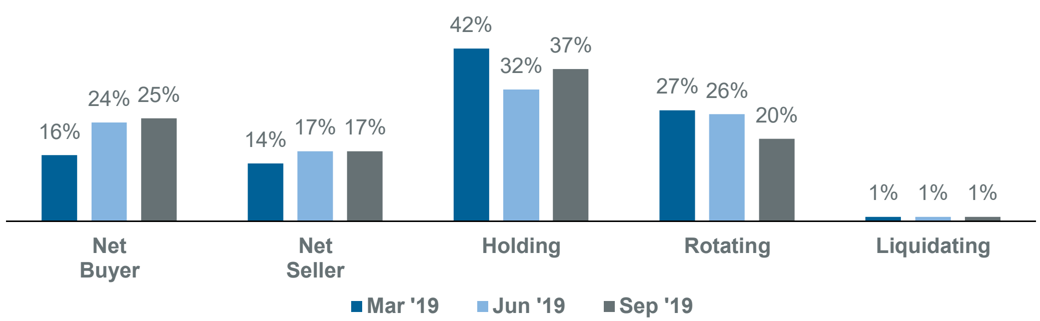
GLOBAL EQUITY VALUATION CLASSIFICATION



QoQ PORTFOLIO CASH HOLDING



QoQ INVESTMENT TRENDS



69% Are *Not* Concerned or Only *Somewhat* Concerned about Brexit
vs. 70% last quarter

63% Expect the Fed Funds Rate Will be Between 1.75% and 2.00% at 2019 Year-end; Current Rate is 2.00%
vs. 52% last quarter

Top Measures to Evaluate Downside Risk

1	Balance Sheet Strength	73%
2	Multiple Compression	37%
3	Sensitivity Analyses	31%
4	Recurring Revenue	27%
5	Cash Flow Generation	19%

Sensitivity around Debt Increases; Greater Number Favoring <2.0x

Reinvestment and debt paydown remain preferred capital uses; while dependent on company and scenario, according to our proprietary research, investors report that if debt is used to fund M&A, they are comfortable with levering up to 2.5x - 3.0x in the current environment

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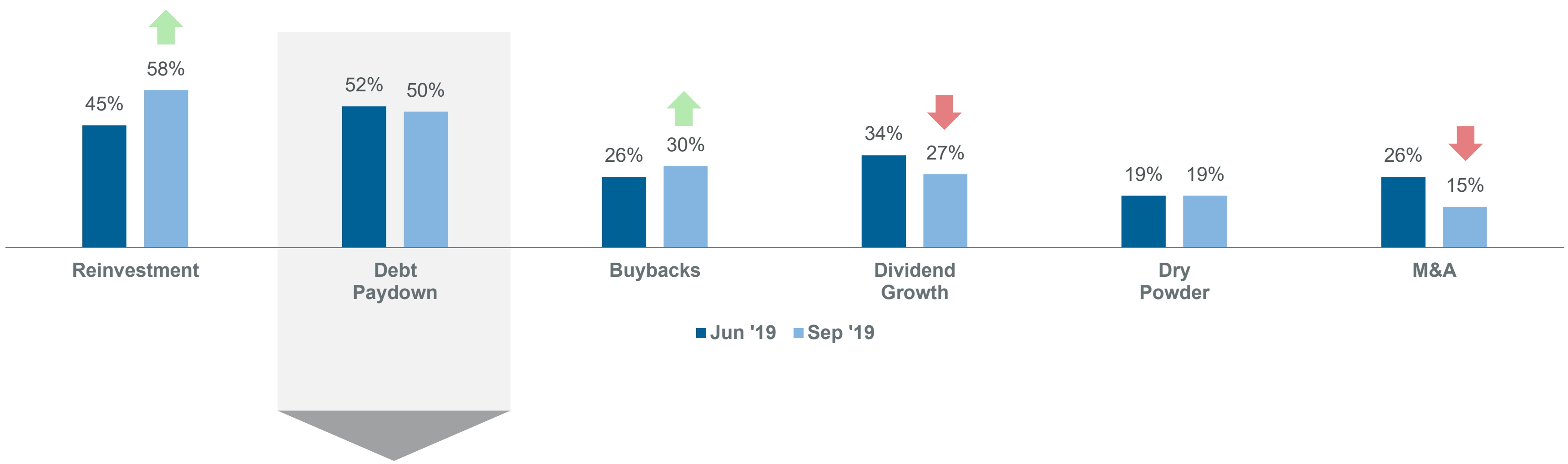
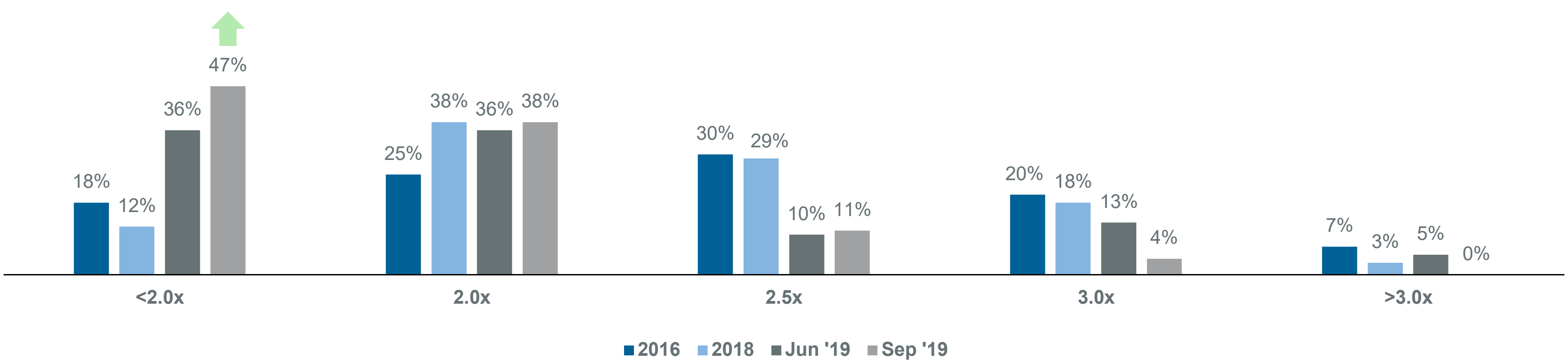
PREFERRED USES OF CASH

In Descending Order of Top Two Preferences



PREFERRED NET DEBT-TO-EBITDA LEVELS



Global Economies Largely Expected to Stall or Worsen Over the Next Six Months

For the fifth consecutive quarter, China and Europe see the most downbeat outlooks

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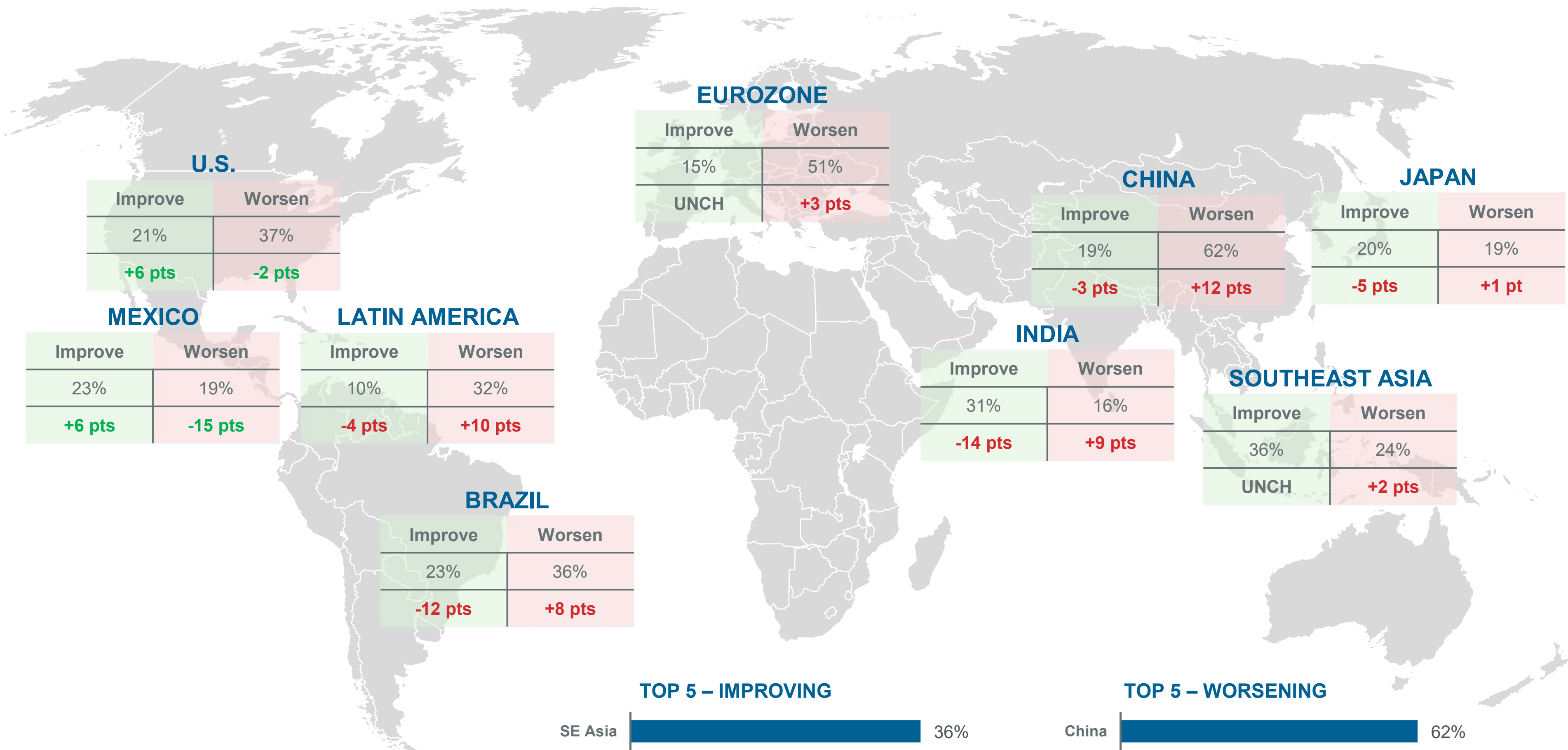
GLOBAL ECONOMY EXPECTATIONS OVER THE NEXT SIX MONTHS



U.S.

Improve	Worsen
21%	37%
+6 pts	-2 pts

MEXICO

Improve	Worsen
23%	19%
+6 pts	-15 pts

LATIN AMERICA

Improve	Worsen
10%	32%
-4 pts	+10 pts

BRAZIL

Improve	Worsen
23%	36%
-12 pts	+8 pts

EUROZONE

Improve	Worsen
15%	51%
UNCH	+3 pts

CHINA

Improve	Worsen
19%	62%
-3 pts	+12 pts

JAPAN

Improve	Worsen
20%	19%
-5 pts	+1 pt

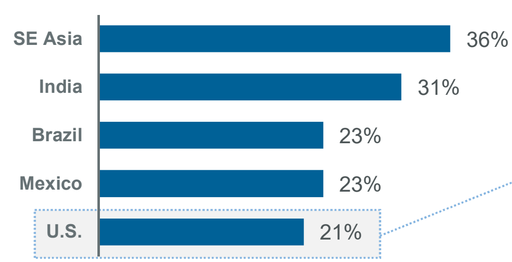
INDIA

Improve	Worsen
31%	16%
-14 pts	+9 pts

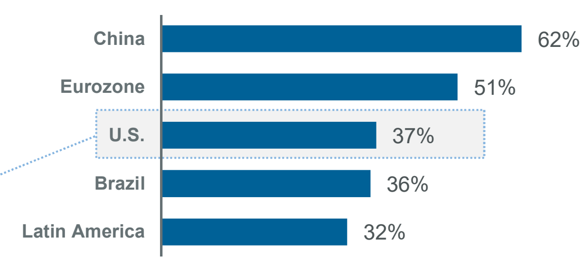
SOUTHEAST ASIA

Improve	Worsen
36%	24%
UNCH	+2 pts

TOP 5 – IMPROVING



TOP 5 – WORSENING



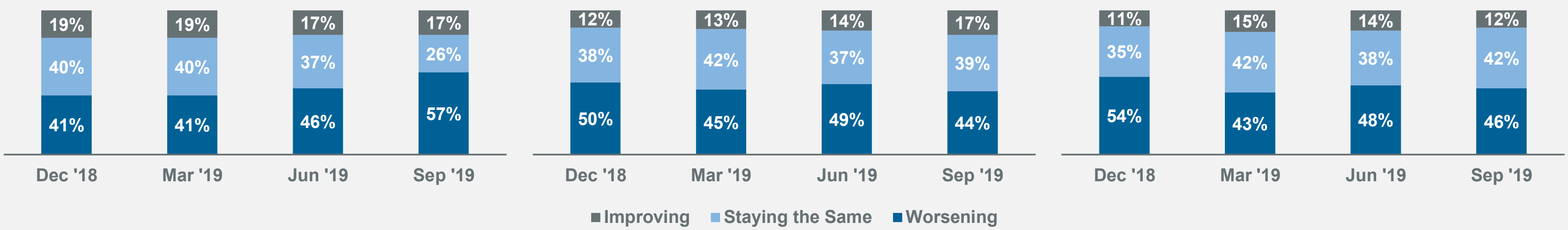
Expectations Over the Next Six Months

Continued expected pullback in global capex and manufacturing and services purchases while the consumer is perceived to be a factor of strength…for now

GLOBAL CAPEX

GLOBAL PMI

CONSUMER CONFIDENCE



"Staying the Same: Chugging along with trade disruptions." **Buy Side, Generalist, N. America**

"Worsening: Too much uncertainty for business to invest." **Buy Side, Generalist, N. America**

"Worsening: Brexit will hold Europe down and tariffs will hurt China." **Buy Side, Multi, N. America**

"Staying the Same: Similar to capex." **Buy Side, Generalist, N. America**

"Worsening: The U.S. is the bright spot." **Buy Side, Generalist, N. America**

"Worsening: Mainly trade but possibly consumer as well." **Buy Side, Generalist, N. America**

"Staying the Same: Jobs situation keeps them spending." **Buy Side, Generalist, N. America**

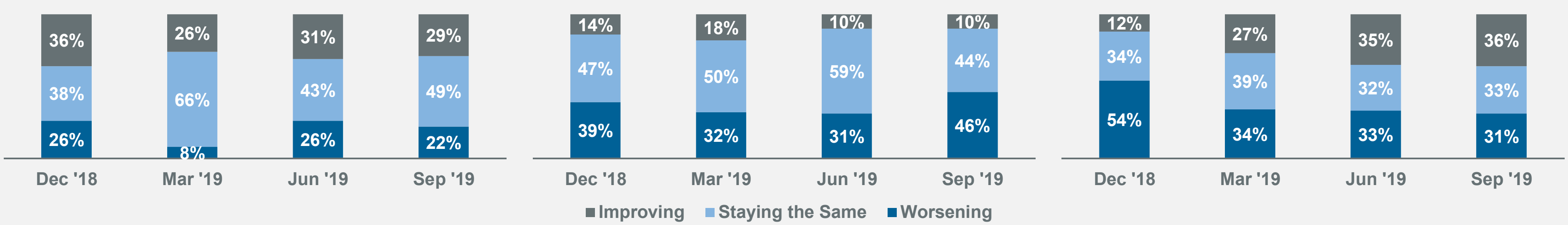
"Staying the Same: So far, so good. If no resolution to tariffs by early 2019, the consumer may get tired of paying the tab of tariffs." **Buy Side, Generalist, N. America**

"Worsening: We risk talking ourselves into a recession if we are not careful." **Buy Side, Multi, N. America**

OIL & GAS MARKETS

NON-RESI. CONSTRUCTION

RESI. CONSTRUCTION



"Staying the Same: Recent surge in oil may be sustained into 2020 given the geopolitical conflicts that exist in the Middle East coupled with the upcoming winter in the northern hemisphere." **Buy Side, Generalist, N. America**

"Staying the Same: Already at lows and possible oil disruption on geopolitical events." **Buy Side, Generalist, N. America**

"Staying the Same: Benefits from low rates and need for housing for first time buyers. Strong refi activity." **Buy Side, Generalist, N. America**

"Staying the Same: We will struggle in 2021, after the election, because we will talk ourselves into a minor recession." **Buy Side, Multi, N. America**

"Worsening: Seeing signs of overcapacity within key markets." **Buy Side, Generalist, N. America**

"Improving: Low interest rates." **Buy Side, Generalist, N. America**

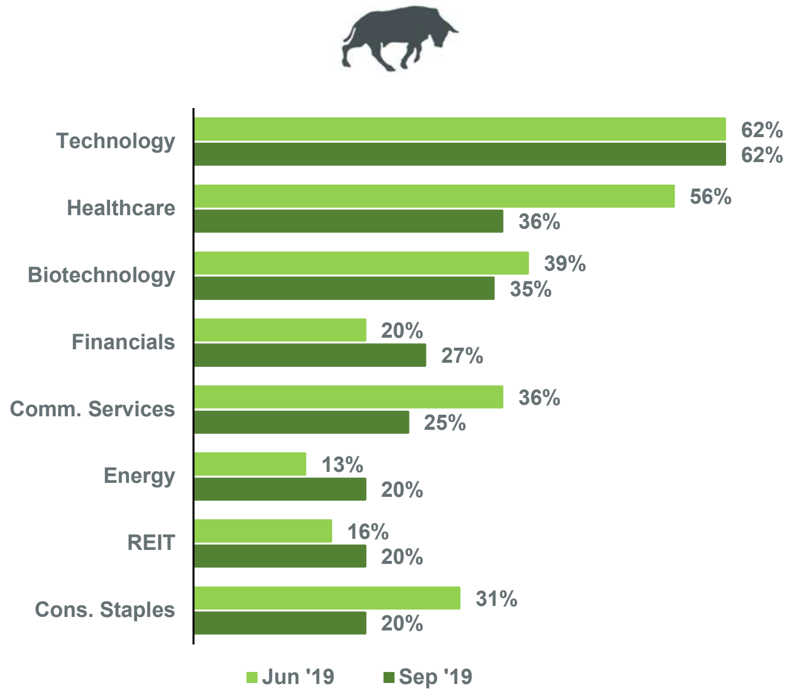
"Improving: Low mortgage rates keep this afloat." **Buy Side, Generalist, N. America**

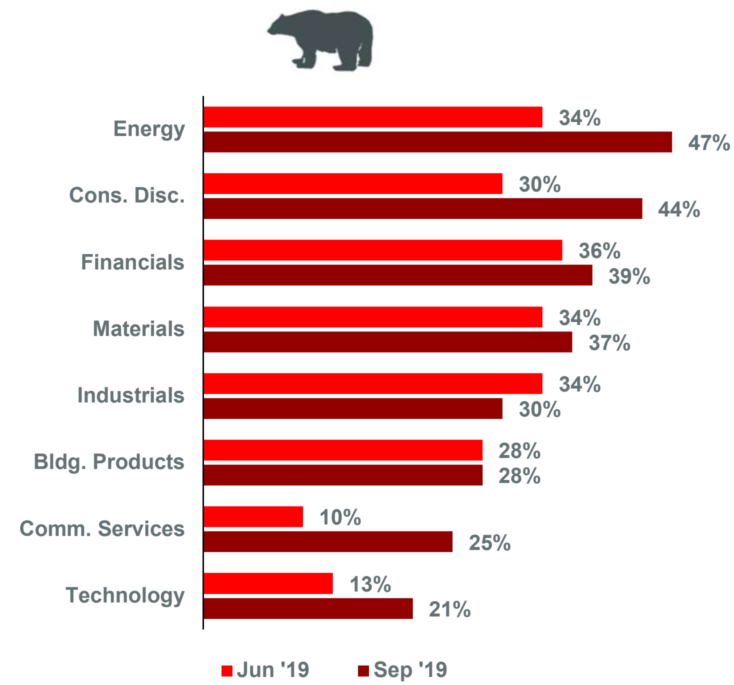
"Staying the Same: Continuation of the current trend, supported by an attractive rate environment." **Buy Side, Generalist, N. America**

Technology Remains Strong While Nearly All Sectors See an Increase in Bears QoQ

Technology and Healthcare remain top choices for the fifth consecutive quarter, though Healthcare bulls recede substantially; REIT bears recede for the sixth quarter in a row, while Comm. Services, Cons. Discretionary and Energy see the largest increase in negative sentiment

Inside The BUY-SIDE®

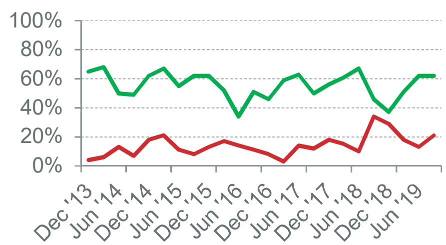




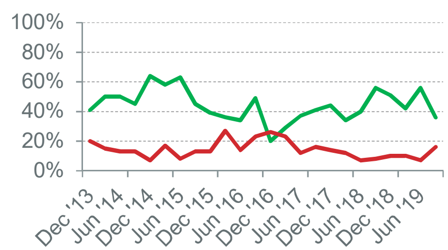
Top Bulls

Top Bears

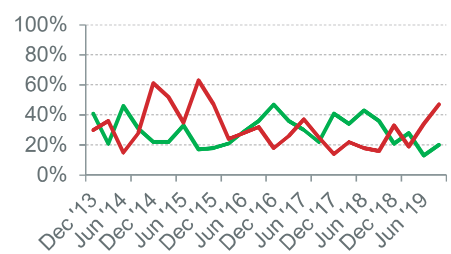
TECHNOLOGY



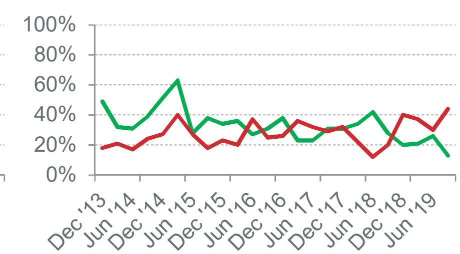
HEALTHCARE



ENERGY



CONS. DISCRETIONARY



Recommended Communication Strategies

Inside The BUY-SIDE®

Key to more effectively communicating your story is understanding the perceptions and expectations of the financial community globally, as well as maintaining a strong pulse on executive commentary during and following earnings season to help ensure your tone and messaging is appropriate for your company's performance within the context of broad-based market trends and sentiment.

Companies must be aware of increasingly bearish views amid slowing growth and heightened sensitivity around the cycle. Effectively communicating the initiatives you are taking to position your company amid slowing growth, including capex reprioritization, cost controls and capital allocation changes, is critical to minimizing downside risk.

When faced with uncertainty and cycle-driven concerns, investors fear the worst and look for investments with defensive, stable characteristics, including portfolio and geographic diversity, high recurring revenue, and balance sheet strength. Management teams with experience navigating downcycles can lead to increased investor conviction. To ensure you are effectively positioning your company this earnings season and beyond, a few recommendations to consider:

Leverage the earnings call to tell your story

The earnings call is one of the most powerful tools within a company's control to broadly and clearly disseminate essential information. Four times a year, management has the ability to leverage this platform to reinforce strategy, address knowledge gaps and misperceptions, educate the financial community on fundamentals and control the narrative. We recommend linking quarterly performance to long-term strategy and near-team initiatives, incorporating rich content on execution against plan.

Provide scenario/sensitivity analyses to better frame your story

According to proprietary research, investors are most focused on the impact decelerating growth will have on profitability, EPS and free cash flow. Communicating sensitivity cases based on a bull, base and bear case scenario is best practice. We recommend companies analyze historical revenue sensitivity to GDP to construct and communicate an analysis that explores the resulting impacts on margins, free cash flow generation, net income and leverage, as well as potential actions your company would take under various scenarios; by providing guardrails, investors can better align with company performance.

Recognize the importance investors place on strong FCF generation

Across over 11,000 interviews, free cash flow is ***the*** leading metric investors use to evaluate companies irrespective of industry. Notably, in our ongoing analysis of investor communication materials, this is an oft under-highlighted theme. Should your company generate strong, consistent and/or recurring FCF, we recommend developing a narrative around this capability, highlighting balance sheet strength, working capital effectiveness and strong cash conversion, as appropriate, while also emphasizing the link to impactful capital deployment.

Be aware of cautious investor sentiment toward elevated debt levels

Notably, investors sensitivity to debt levels has grown commensurate with views that we are late cycle. According to our research, investors were comfortable with 3.0x Net Debt-to-EBITDA levels in 2016 but are now reporting that sub-2.0x is ideal. Valuation discounts are more pronounced for companies with elevated debt levels. At this point in the cycle, we recommend companies prioritize debt paydown, as appropriate, and communicate a long-term target range. As well, communicating debt maturity schedules is also a recommended best practice.

If It's Actionable, It's Corbin Advisors

Insights-driven Advice Resulting in Real Value Creation

Our proprietary approach combines stakeholder research, investor engagement and communication strategies to unlock embedded value.

Leveraging deep experience across sectors, market-caps and various company situations, we engage with public companies on both high-level strategy and tactical execution.

Our candid advice and actionable recommendations consistently result in value creation.