

A blue-tinted photograph of an ice cave. The cave's interior is illuminated with a strong blue light, highlighting the intricate, layered textures of the ice walls and ceiling. The floor is covered in dark, wet rocks. In the distance, a person wearing a red jacket and dark pants stands at the cave's entrance, silhouetted against the bright light coming from outside. The overall atmosphere is mysterious and cold.

corbin

Q1'20 Earnings Primer

Investor Sentiment Survey

April 14, 2020

COVID-19 Timeline: A Public Company and Investor Communication Perspective

DEC. 31, 2019

Chinese health officials inform WHO about patients with pneumonia

JAN. 7, 2020

Chinese authorities identify a new type of coronavirus

JAN. 20-21, 2020

First U.S. case is reported; first company globally (TAL Education) has topic arise on earnings call; Corbin Advisors facilitates active dialogue with clients to assess potential China impact and contingency plans

JAN. 31, 2020

Of the 213 S&P 500 earnings calls to date, only 8 (4%) have included a potential COVID-19 impact in guidance

Most with manufacturing facilities in China or meaningful exposure to Chinese consumer note "It is too uncertain to assess potential impact"

FEB. 9, 2020

Death toll in China passes that of SARS and corporate narrative has shifted from significant uncertainty to potentially meaningful global financial impact

Of the 310 S&P 500 earnings calls to date, 25 companies (8%) have included a potential COVID-19 impact in guidance, with 17% of companies reporting earnings after Jan. 31 doing so

FEB. 29, 2020

U.S. reports first death on American soil; coronavirus having an unparalleled impact on global trade, supply chains and financial markets in comparison to previous pandemics

More than 600 companies globally weekly saw coronavirus mentioned on earnings calls with 59 S&P 500 companies including an impact in guidance (13%), with 22% since Feb. 9 doing so

MAR. 31, 2020

~80% of U.S. under lockdown, with 922,000 confirmed cases globally; in total, only 13% of S&P 500 companies included an impact in original guidance

138 S&P 500 companies announced an off-cycle update to guidance, 51% of which withdrew outlooks

57 S&P 500 companies have drawn down on revolvers, with a median of \$825M; 44 suspended share buyback programs and 19 dividends

APR. 14, 2020

Nearly 2M cases reported globally, with ~125,000 deaths; U.S. passes Italy for most recorded deaths

158 S&P 500 companies announced an off-cycle update to guidance, 54% of which withdrew outlooks

75 S&P 500 companies have drawn down on revolvers, with a median of \$850M; 60 suspended share buyback programs and 19 dividends



We hope everyone is doing well and staying healthy. We are keeping all those impacted by COVID-19 in our thoughts, especially healthcare workers, first responders and pandemic volunteers globally.

A Note from Editor-in-Chief, Rebecca Corbin

We are at an unprecedented time in capital markets history. The current events that are paving the way for an economic downturn are fundamentally different from that of the Great Recession. Whereas the 2008 Financial Crisis has been linked to subprime mortgage-backed securities that first rattled the financial system and led to the highest rate of unemployment since the Great Depression, COVID-19 is an unparalleled, exogenous black swan event – resulting in entire cities, states and countries shutting down for an unknown duration of time. As a result, the financial world is keenly focused on key economic indicators and corporate data to measure the extent of the impact, which at this time, is unknown.

Leading up to the Great Recession, 7 out of 10 investors reported limited to no focus on economic indicators as a factor in their investment decisions, according to our proprietary research. Today, the global economy is inextricably linked and access to macroeconomic data is in overabundance and a hyper-focus. Our research finds Manufacturing ISM®, Consumer Confidence and Unemployment are the top indicators utilized by institutional investors, all of which are expected to see significant degradation over the coming months. The expected fallout has led to the Dow recording its worst start to a year in history, down 23% for the quarter, and the S&P 500 its worst quarter since Q4 2008, down 20%.

In early 2019, our research found that investors were prepared for a slow and steady period of deceleration after a decade-long expansion, with the cumulative effect of increased geopolitical volatility, sustained policy uncertainty and trade conflicts manifesting itself in extreme caution in capital spending and inventory levels. However, as we entered a new decade, the '20s, we identified a sea change in investor sentiment, as companies handily beat low expectations, buoyed by a strong consumer, low interest rate environment and stalwart corporate balance sheets and further supported by actual progress on the U.S.-China trade deal. Heading into the Q4 2019 earnings season, nearly three-quarters expected corporate outlooks for 2020 to be *In Line* or *Better Than* 2019 results. And then the corona epidemic turned COVID-19 Pandemic touched down.

While every recession and its commensurate recovery is different, what we have seen from several public companies to date is swift and aggressive measures to preserve capital, a much different approach than what we saw in the first several quarters and, in some cases, years, of the Great Recession, when shock and paralysis led to a slow recovery. These actions include substantial cost-cutting programs, temporary dividend and buyback suspensions, expanded revolvers and draws, notable management and board compensation reductions, and a healthy dose of compassion for society and the workforce – all in just weeks.

We believe the full societal and economic impacts of COVID-19 globally are more than what we currently understand today and will span many quarters and potentially years. While we hope that's not our reality, and record government stimulus and decisive corporate actions will surely lessen the near-term blow, we've learned that economic crises like these are always more destructive and longer than we initially expect.

Corbin Advisors was founded in November 2007, earning our stripes advising clients through the Great Recession. **Since early January, we have counseled our clients to prepare for a potential economic recession, or worst-case scenario,** guiding them through the Q4 2019 earnings season with eyes wide open.

COVID-19 will be a test of lessons learned from the 2008/2009 period. The upcoming earnings season will be one of the most complex communications environments many of us have seen since the Great Recession.

Leadership is born, rises and thrives in crises like these and every management team can build credibility through effective, agile execution and clear, transparent communication. By displaying calm, control and compassion during times of fear and turbulence, more than ever, companies can demonstrate their enduring long-term value to investors while instilling confidence in their ability to navigate the storm. For this too shall pass and, in its wake, there will be companies that fell and companies that triumphed. We hope you find our research, insights and communication strategies relevant and helpful as you chart your course.

Inside The Buy-side® Q1'20 Earnings Primer

For 12+ years, 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.

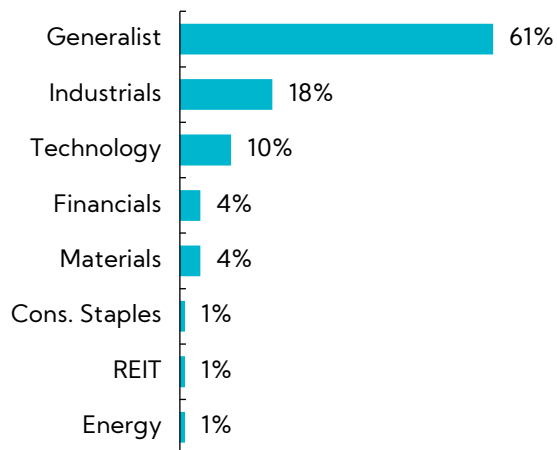
Survey Scope: 89 participants globally, comprising 73% buy side and 27% sell side; assets under management total ~\$1.1 trillion

Survey Timeframe: Mar. 4 – Apr. 7, 2020

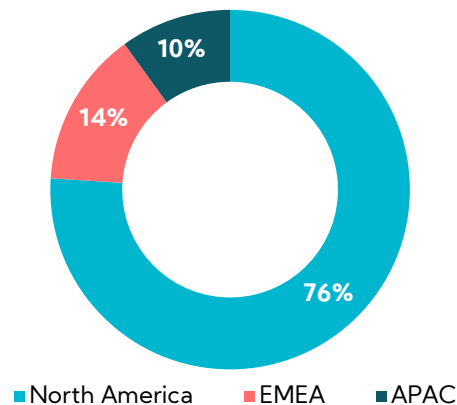
Market Performance	Q1'20	YTD ¹
U.S.		
DJIA	(23.2%)	(18.0%)
NASDAQ	(14.2%)	(8.7%)
S&P 500	(20.0%)	(14.5%)
Russell 2000	(30.9%)	(27.4%)
Europe		
FTSE 100	(24.8%)	(22.5%)
Stoxx 600	(23.0%)	(20.2%)
Asia		
Hang Seng	(16.3%)	(13.8%)
Shanghai	(9.8%)	(8.8%)

¹ As of Apr. 13, 2020

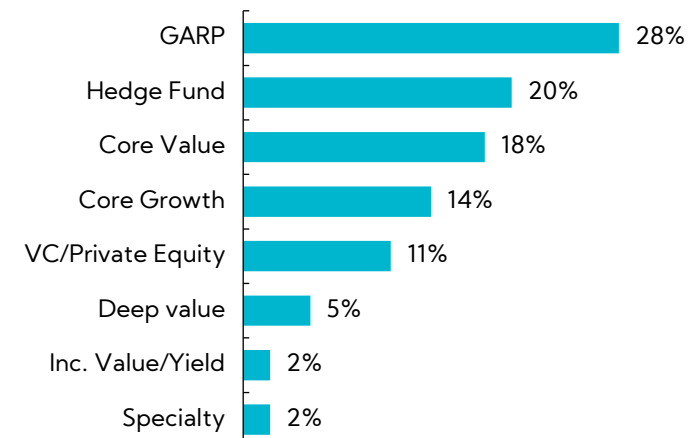
BY TYPE



BY REGION



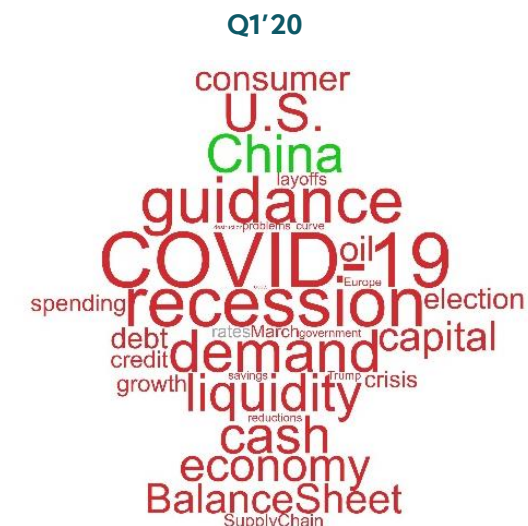
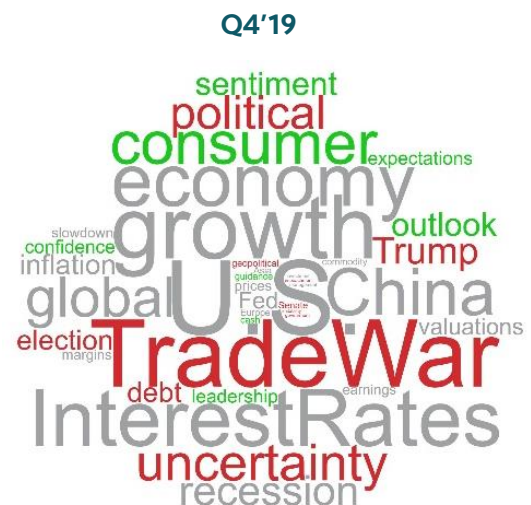
BY INVESTMENT STYLE



Word Cloud: Frequency of Occurrence

Visual representation of investment community focus areas, trends in frequency of word occurrence and underlying tone

COVID-19 IN A SEA OF RED, SAVE FOR CHINA



Top Mentions	Q2'19	Q3'19	Q4'19	Q1'20	Q/Q
COVID-19	0	0	0	98	↑ 98
Recession	8	12	15	22	↑ 7
Demand	8	5	5	12	↑ 7
China	31	22	20	12	↓ 8
Liquidity	0	0	0	11	↑ 11

Key: Underlying Sentiment

- Positive
- Neutral
- Negative

Survey Findings Reveal Record Downbeat Sentiment with Expectations Generally for a U-shaped Recovery – No Surprises but Quantifying the Reality

With the Most Significant Economic Impact Not Expected until Q2, Investors Look for Early Signs of COVID-19 Damage

- 84% of surveyed investors and analysts expect *Worse Than* sequential earnings and 76% believe earnings will be *Below* consensus
- More than 80% expect all key metrics – EPS, Organic Growth, Margins and FCF – to register *Worse Than* expectations
- 79% anticipate global capex levels will *Worsen* over the next six months, as well as 76% for global PMI and 71% for consumer confidence
- Negative views on global economies are nearly ubiquitous, with 82% expecting the Eurozone to *Worsen*, 78% for the U.S. and 75% for Latin America; China is the only region expected to *Improve*, with 47% of investors maintaining that view

Unnerved Investors Seek Decisive Actions and Clarity from Executives, Particularly Around Cost Cuts, Liquidity and Capital Deployment Prioritization

- 77% of investors describe themselves as *Bearish* or *Neutral to Bearish*, nearly 30 pts above the previous highs in Jun. 2019, which saw concerns with trade wars and a slowing economy, and Dec. 2015, which saw sluggish economic growth, resulting in the China market crash and the beginning of oil's price plunge
- 48% of investors describe themselves as outright *Bearish*, up from 1% last quarter and nearly double the level of executives described as such
- Cash conservation ("dry powder") and debt reduction are overwhelmingly cited as the top capital deployment preferences; those favoring cash conservation increased six-fold, while fewer than 20% prefer dividend growth, M&A or buybacks at this point
 - 54% are in favor of companies drawing on their revolver at this time, while 29% note "it depends" on the company; few are against such measures
 - The same number, 54%, have a preferred Net Debt-to-EBITDA ratio threshold of below 2.0x, up from 37% last quarter
- Key actions and earnings call topics of interest cited by investors encompass business contingency plans and levers, including stringent expense management and cash preservation measures, liquidity and debt, supply chain management, demand trends, as well as assumptions based on the duration of sheltering and financial scenarios; 39% express *Very to Extremely High* confidence in executives taking actions to offset the negative impacts of COVID-19 in 2020

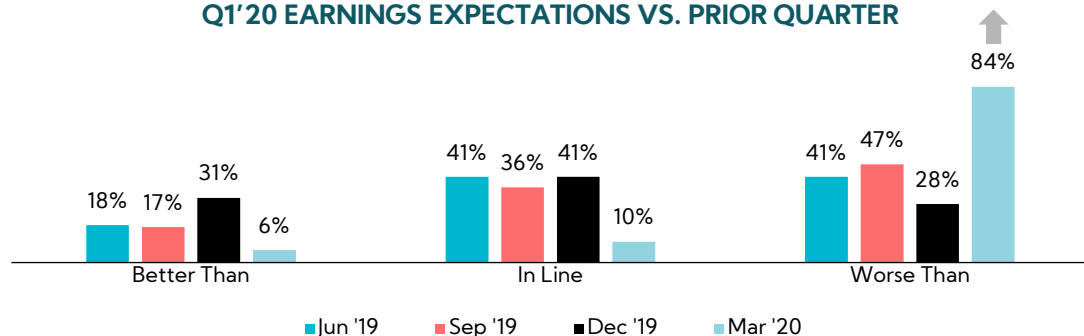
Views on Depth of Contraction Averaging 2.7% with Most Surveyed Investors Expecting a U-shaped Recovery

- While The Conference Board sees a 2020 U.S. GDP contraction of between 3.6% and 7.4% (as of Apr. 9), our survey reveals that following Mar. 25, investors are expecting 2.7% contraction on average
- 49% expect a U-shaped recovery, with the remainder evenly split between an L-, V- or W-shaped upturn
- Investors are largely split on U.S. and Asia equity valuations but 48% consider Europe stocks *Overvalued*
- 55% report *Increasing* their cash holdings QoQ; slightly more are self-described *Net Buyers* versus *Net Sellers*, with healthcare, biotech and consumer staples benefiting at the expense of consumer discretionary, building products and energy

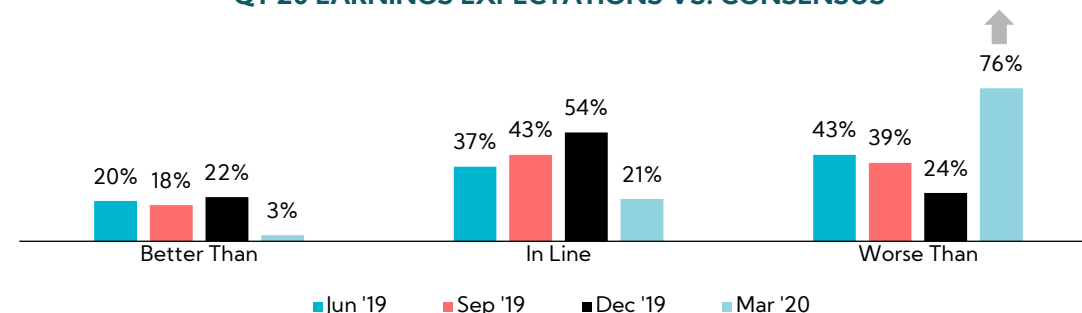
Investors Brace for Early COVID-19 Impact

Investors likely more downbeat on Q1 than reality but positive surprises will be overshadowed by Q2's reality

Q1'20 EARNINGS EXPECTATIONS VS. PRIOR QUARTER



Q1'20 EARNINGS EXPECTATIONS VS. CONSENSUS



In Line

"The coronavirus effects on spending – corporate and retail." **Buy Side, Generalist, N. America**

"COVID-19 impact." **Sell Side, Industrials, N. America**

"Two strong months, back half of March weak." **Sell Side, Generalist, N. America**

Worse Than

"The hit from COVID-19 is likely to be more baked into Q2 reports than Q1, as the economy was on solid footing through the end of February and outside of energy, hospitality, and airlines, businesses did not start to feel the full brunt of quarantine until late in March." **Buy Side, Generalist, N. America**

"A slowing economy even before the impact of COVID-19." **Buy Side, Generalist, N. America**

"The sky is falling. Coronavirus, trade war with China, election season uncertainty. I wish 2020 came with a reset button." **Buy Side, Generalist, N. America**

"10% of all jobs are travel-related in the U.S. and entertainment is 4% of the U.S. GDP. Both are collapsing. Thus, we are in a recession right now." **Buy Side, Generalist, N. America**

"Increase in coronavirus cases and major decline in earnings as businesses are forced to close for likely a longer period than expected." **Buy Side, Generalist, N. America**

"Confinement disruption." **Buy Side, Generalist, Europe**

"Consensus is so slow to adjust earnings estimates." **Buy Side, Generalist, Australia**

"Severe worldwide drop off in March." **Buy Side, Industrials, N. America**

"The Depression we entered this week." **Sell Side, Generalist, N. America**

"Post-guidance, virus impacts now pervasive but not considered broadly in guidance." **Sell Side, Generalist, N. America**

"World ended mid-March and many estimates have not been adjusted for it." **Sell Side, Industrials, N. America**

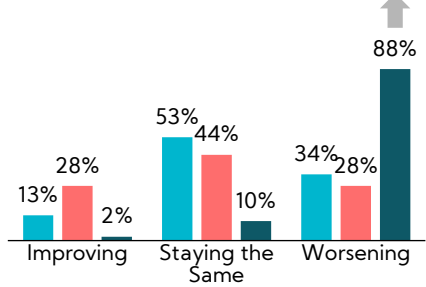
"The coronavirus crisis is going to hit the global economy with full force in Q1'20. Although economic activity in the U.S. will only be severely curtailed in Q2'20, the impact is already being felt today." **Sell Side, Generalist, Europe**

"Slowdown due to coronavirus." **Sell Side, Financials, Asia**

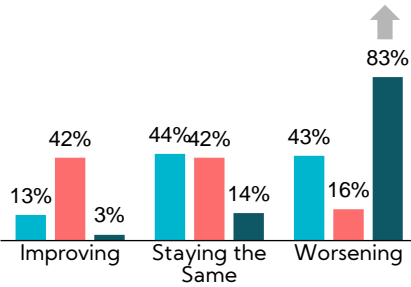
All KPIs See Record Low Expectations, More than 20pts Above Previous Highs

Having never fully embraced the great recession recovery, with recession fears always looming, COVID-19 may serve as a reset

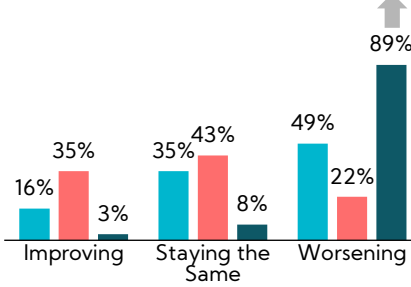
ORGANIC GROWTH



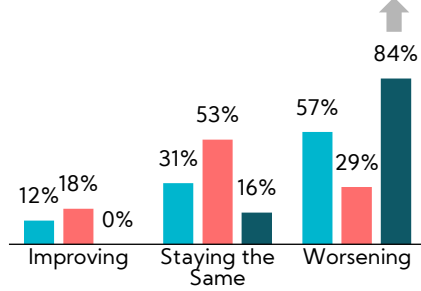
FCF



EPS

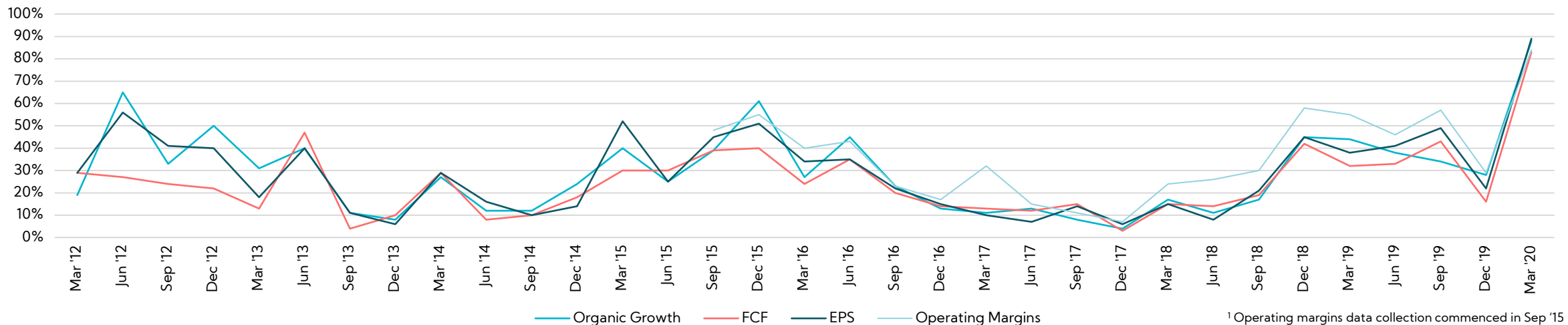


OPERATING MARGINS



■ Dec '19 ■ Mar '20 ■ Jun '20

PERCENTAGE OF RESPONDENTS EXPECTING WORSENING KPIS



¹ Operating margins data collection commenced in Sep '15



1. Contingency plans and levers
2. Balance sheet strengthening and liquidity preservation
3. Demand trends and outlook
4. Assumption for duration of confinement
5. Supply chain challenges
6. Recovery plan

Management Actions & Topics of Interest for Upcoming Earnings Calls

Contingency plans, balance sheet strength and liquidity, demand trends and transparency

Views from N. America

"How they will weather and come out of this in the short term." Buy Side, Generalist

"Growth in spite of COVID-19." Buy Side, Generalist

"How length and depth of pandemic might affect operations. Of course they will not 'know' but it is still possible to discuss contingencies." Buy Side, Generalist

"How they plan to recover from this COVID-19 mess." Buy Side, Generalist

"State of end demand and financial condition." Buy Side, Generalist

"How they plan on paying off debt." Buy Side, Generalist

"Most important is how they're thinking about this longer-term. What will they do if the virus comes back in 2021 or another pandemic erupts a few years later? Additionally, we're looking at how they're using cash flow to keep employees and bondholder's content. This will matter more after the world recovers." Buy Side, Generalist

"What will you do differently if the virus and economy get worse/better? I would like to know both answers." Buy Side, Industrials

"What are your triggers (appetite) for cost reductions/ headcount reductions following a period of very tight labor conditions." Sell Side, Generalist

Views from EMEA

"Pandemic." Buy Side, Generalist

"Length of the confinement." Buy Side, Generalist

"Many areas are affected. Liquidity, human resources and IT are important fields. This should be stressed by management." Buy Side, Generalist

"Virus impact and outlook." Buy Side, Industrials

"What about oil prices? Is there a danger that the problems in the fracking industry could hurt bigger U.S. regional banks and could this be the origin of a new banking crisis in 2021?" Sell Side, Generalist

"Cut expenses." Sell Side, Generalist

"Model flexibility indications." Sell Side, Industrials

"Cut costs and capital spending." Sell Side, Industrials

"Sales and orders." Sell Side, Industrials

Views from APAC

"Supply chain viability." Buy Side, Industrials

"Layoff temps, temporary manufacturing closures/stops, beg for government bailout packages." Buy Side, Generalist

"Keep investors and the market continually up to date." Buy Side, REIT

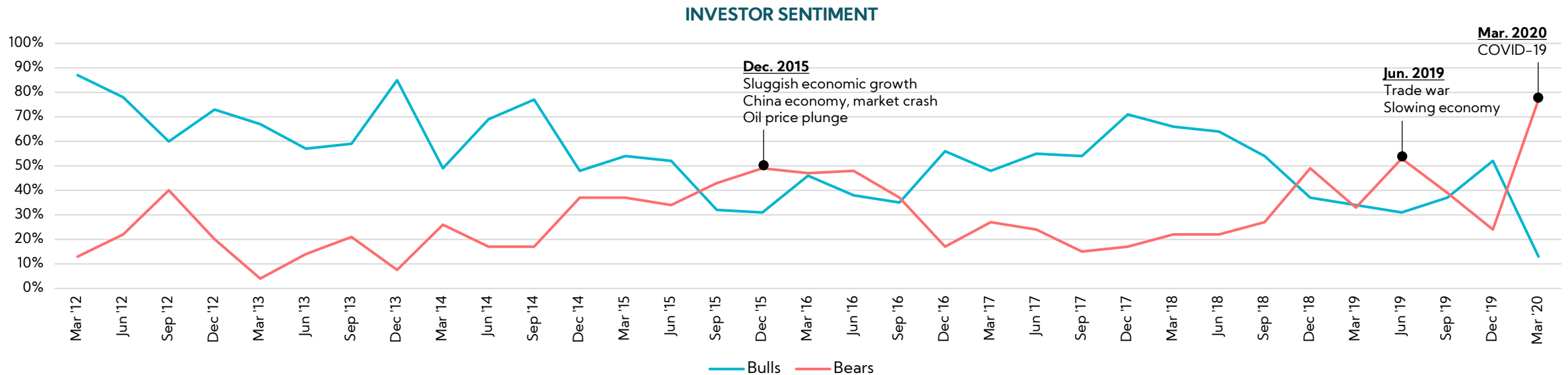
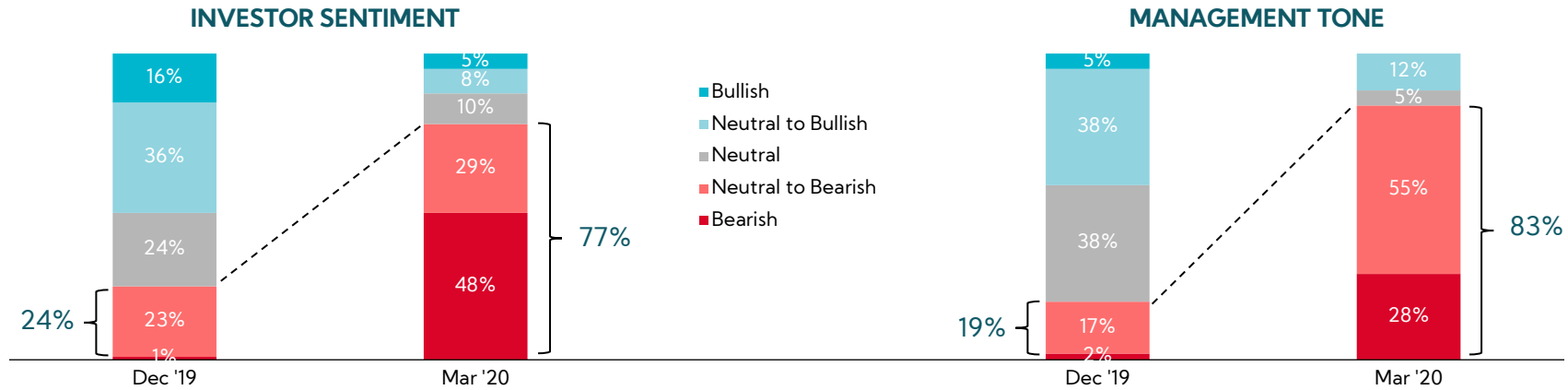
"Coronavirus." Sell Side, Technology

"2020 outlook." Sell Side, Financials

"Be more transparent." Sell Side, Financials

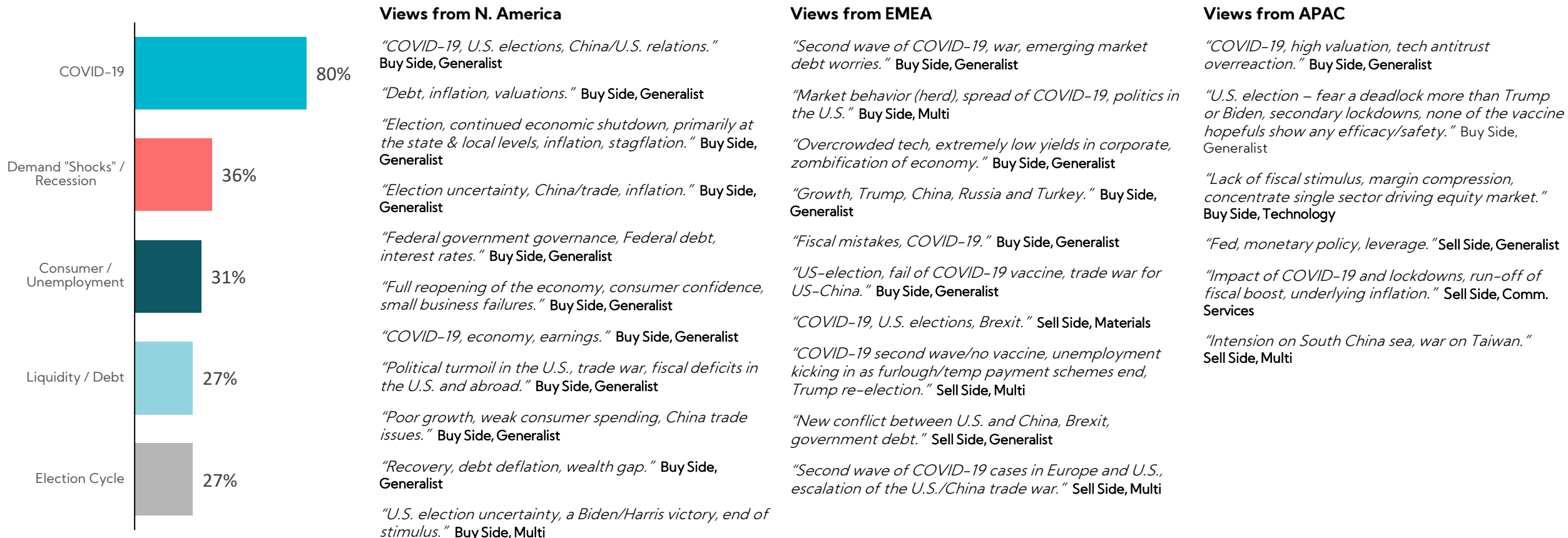
Record Bearish Investor Sentiment Recorded, Nearly 30 pts Above the Previous High in Jun. 2019

Investors are much more downbeat while neutral to bearish executive tone more than triples



Top Concerns from around the Globe

COVID-19 drives investor concerns, while the U.S. Presidential election cycle remains top of mind as we approach November

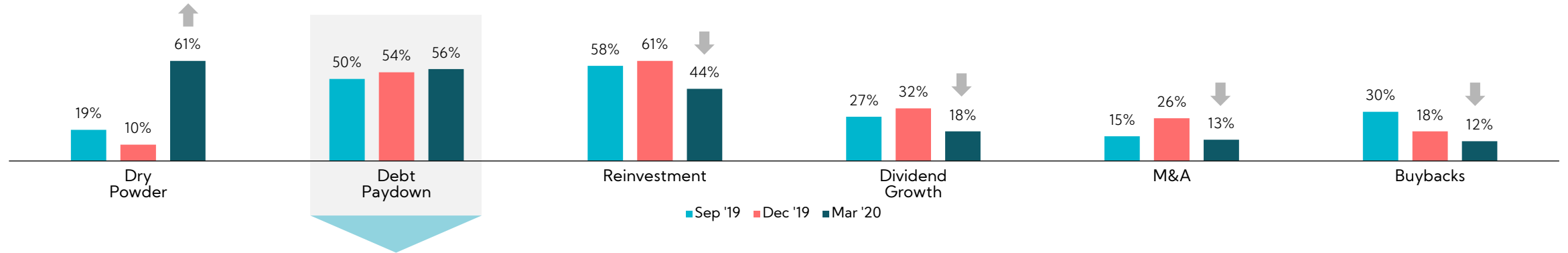


Cash Preservation and Debt Reduction Overwhelmingly cited as the Top Capital Deployment Preferences

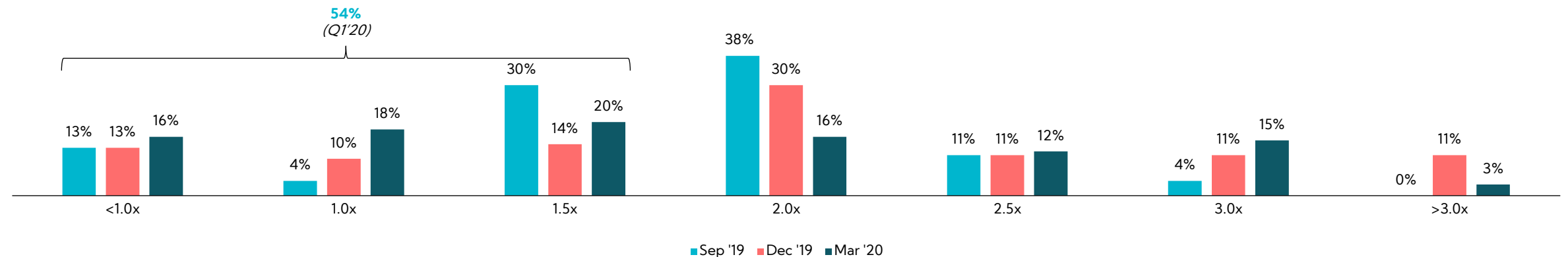
Those favoring cash conservation (“dry powder”) increased six-fold, while few prefer dividend growth, M&A or buybacks at this point; more than half, or 54%, favor a Net Debt-to-EBITDA level below 2.0x, up from 37% last quarter

PREFERRED USES OF CASH

In Descending Order of Top Two Preferences



IDEAL NET DEBT-TO-EBITDA LEVELS



57% Are in Favor of Companies Drawing on their Revolver

2020 U.S. GDP Predictions Averaging 2.7% Contraction post-Mar. 25

92% expect a U.S. recession in 2020, with expectations for a U-shaped recovery as economic indicators in April expected to dive

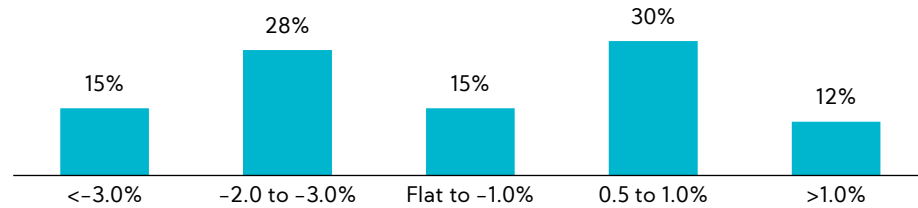
2020 U.S. GDP PREDICTION

Average

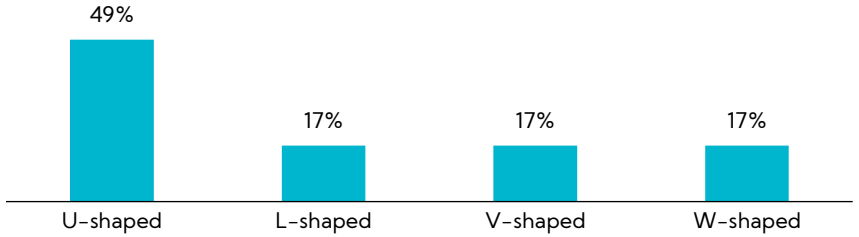
Prior to Mar. 25: -0.8%
Post-Mar. 25: -2.7%

The Conference Board Forecast¹

-3.6% to -7.4%



TYPE OF RECOVERY EXPECTED IF U.S. GOES INTO TECHNICAL RECESSION



PROPRIETARY RESEARCH

Investors most focused on the following Economic indicators

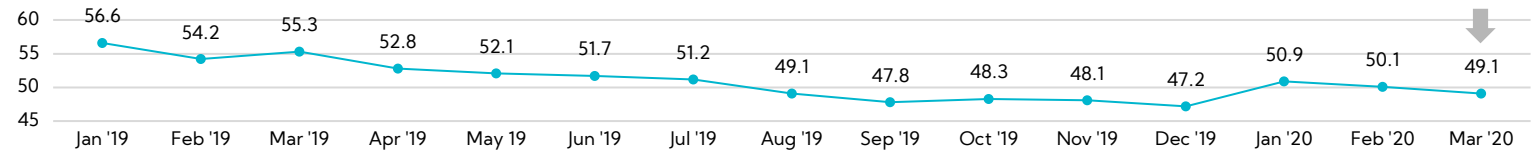
1	Manufacturing ISM [®]	51%
2	Consumer Confidence	43%
3	Unemployment	40%
4	Yield Curve	26%
5	Interest Rates	18%
6	GDP	14%
7	Capex Level	8%
8	Inflation	7%
9	Stock Market	4%
10	Housing Starts	6%

¹ Source: The Conference Board; U.S. GDP forecast as of 3/25/20

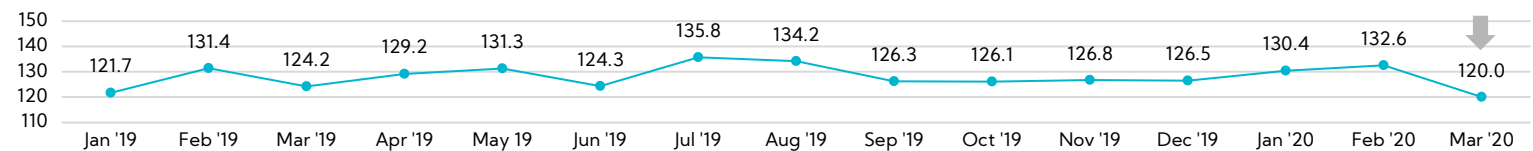
² Source: Institute for Supply Management

³ Source: U.S. Bureau of Labor Statistics

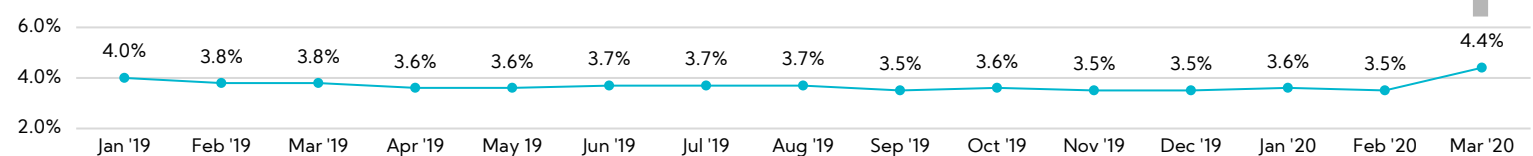
MANUFACTURING ISM[®] REPORT ON BUSINESS¹



CONSUMER CONFIDENCE²



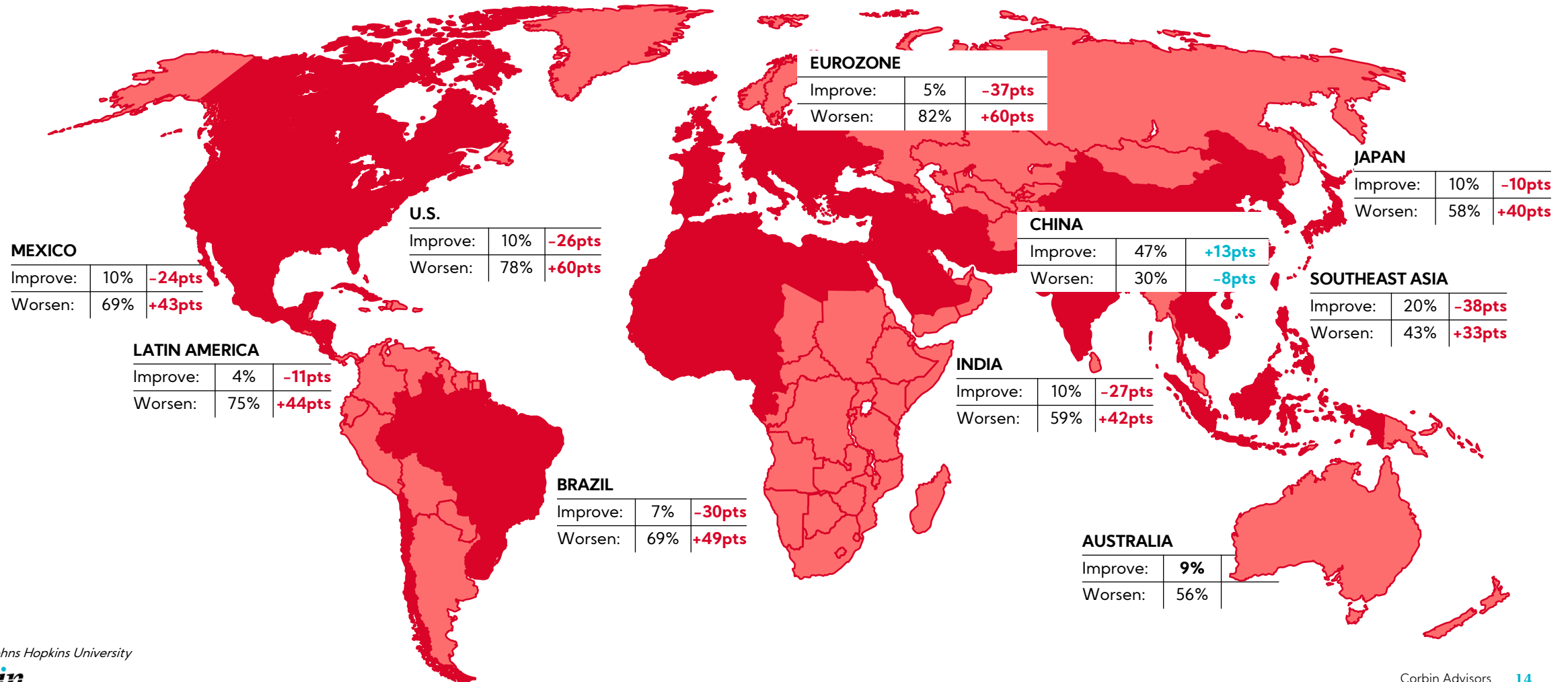
U.S. UNEMPLOYMENT RATE³



Broad-based Concerns Reverberate across the Global Economy, with the Exception of China

Eurozone, U.S. and Latin America see the most draconian outlooks over the next six months, while nearly half expect China to Improve as the country lifts its lockdown

GLOBAL ECONOMY EXPECTATIONS OVER THE NEXT SIX MONTHS



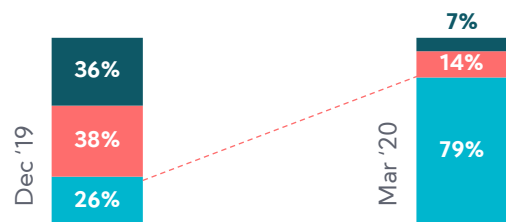
Source: Johns Hopkins University

Views on Key Economic Indicators Over the Next Six Months

Outlooks for nearly all indicators darken, with global capex seeing the highest percentage of investors expecting Worsening results; Oil & Gas markets more mixed though some hope remains, buoyed by low interest rates

■ Improving
■ Staying the Same
■ Worsening

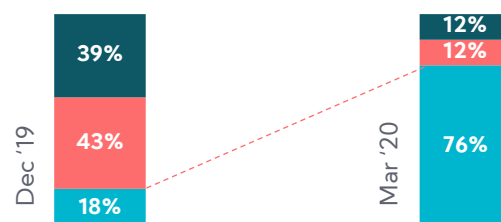
GLOBAL CAPEX



"Staying the Same: Maybe lower interest rates will spark some interest; that is if anyone has a job or savings left." Buy Side, Generalist, N. America

"Worsening: Capex will begin coming back in the back half but too many executives will be shell shocked to move quickly." Buy Side, Generalist, N. America

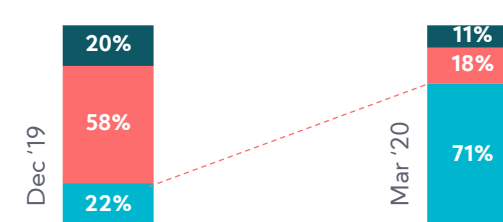
GLOBAL PMI



"Worsening: Credit market problems." Buy Side, Generalist, N. America

"Worsening: Worst in years." Buy Side, Materials, N. America

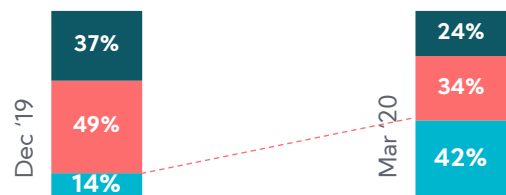
CONSUMER CONFIDENCE



"Staying the Same: Sharp drop followed by rebound, but risk is to the downside." Buy Side, Generalist, N. America

"Worsening: Lingering affects of extreme social distancing and loss of income." Buy Side, Generalist, N. America

OIL & GAS MARKETS

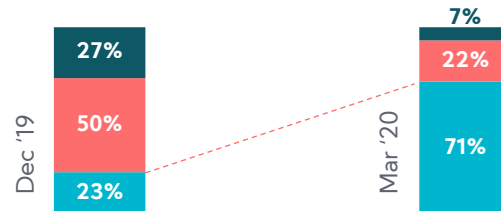


"Staying the Same: Hard to imagine they get worse. WTI was \$19." Sell Side, Generalist, N. America

"Worsening: Sub \$30/barrel oil." Buy Side, Generalist, N. America

"Worsening: Price wars last longer than a few days." Buy Side, Generalist, N. America

NON-RESI CONSTRUCTION

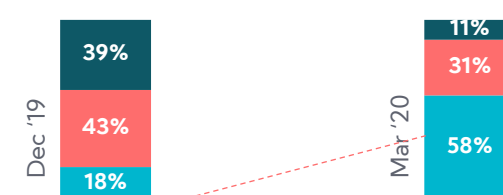


"Worsening: Work from home may mean less office space and certainly less retail." Buy Side, Generalist, N. America

"Worsening: Debt markets impediment." Buy Side, Generalist, N. America

"Worsening: Too many potential buyers will have too many problems." Buy Side, Materials, N. America

RESI CONSTRUCTION



"Staying the Same: Rates may still drive buyers." Buy Side, Generalist, N. America

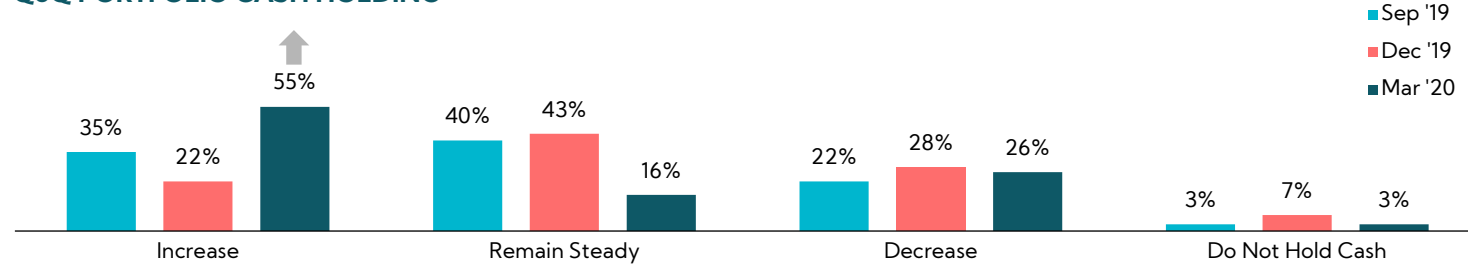
"Staying the Same: Maybe lower interest rates will spark some interest...that is if anyone has a job or savings left." Buy Side, Generalist, N. America

"Worsening: Overcapacity." Buy Side, Generalist, N. America

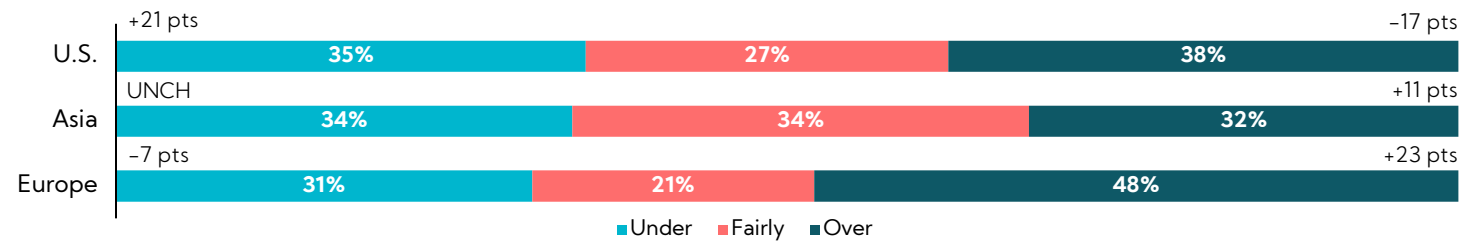
Investors Increase Cash Holdings QoQ and Report Holding, though Net Buyers Outnumber Net Sellers

With a broad-based equity sell-off, investors are divided on valuations, with slightly over one-third considering U.S. and Asia equities Undervalued; nearly 50% consider Europe equities Overvalued

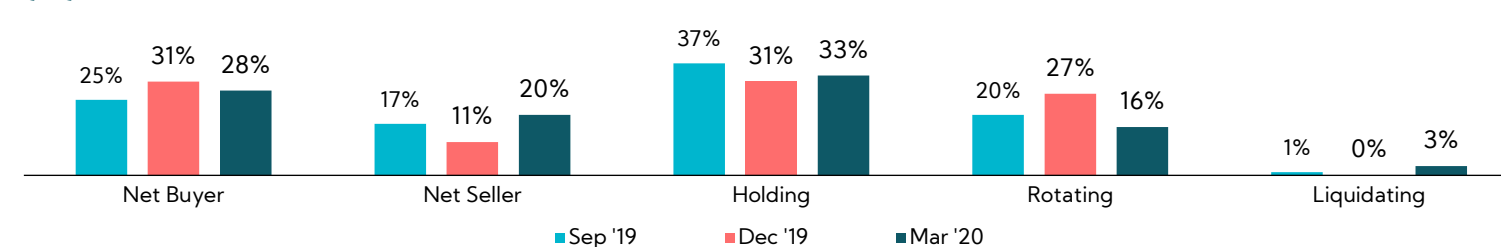
QoQ PORTFOLIO CASH HOLDING



GLOBAL EQUITY VALUATION CLASSIFICATION



QoQ INVESTMENT TRENDS



MARKET PERFORMANCE	Q1'20
S&P 500 Sectors	
Energy	(51.1%)
Financials	(32.3%)
Industrials	(27.4%)
Materials	(26.6%)
REIT	(19.9%)
Consumer Discretionary	(19.6%)
Communication Services	(17.2%)
Utilities	(14.3%)
Consumer Staples	(13.4%)
Healthcare	(13.1%)
Technology	(12.2%)

73%

Believe a 'Phase 2' Agreement to the U.S./China Tariff Dispute is Not Going to Happen or Only Somewhat Likely ahead of November 2020

61%

Expect President Donald Trump Will be Reelected as President

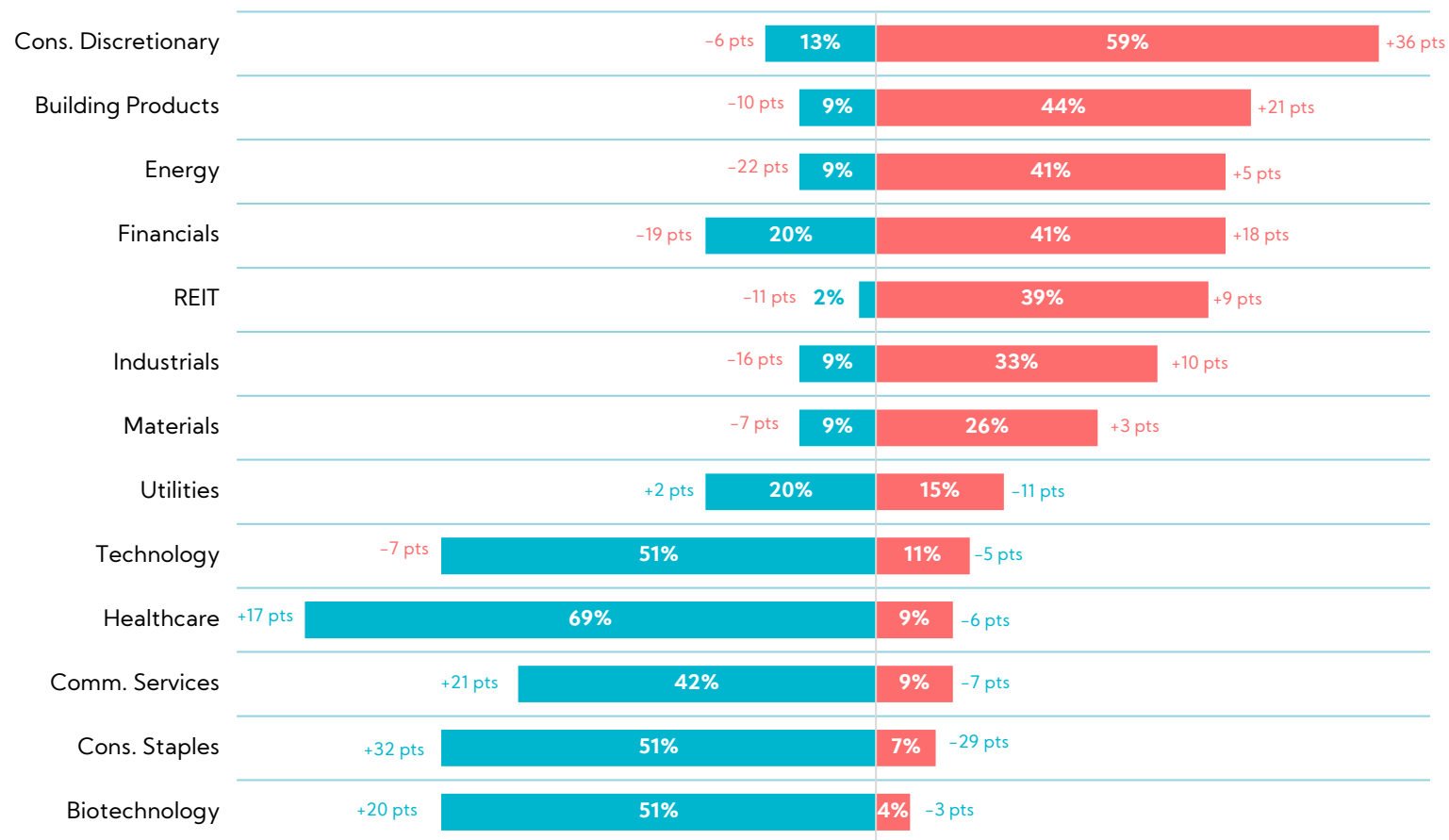
Clear but Unsurprising Sector Swings in Full Effect

COVID-19 bets take shape with Consumer Discretionary seeing record bearish sentiment

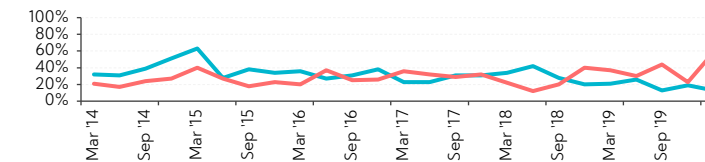
BULLS VS BEARS

■ Bulls ■ Bears

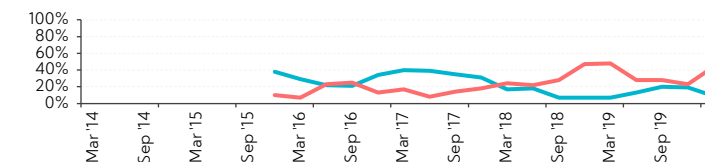
+/- Represents Study-over-Study Delta



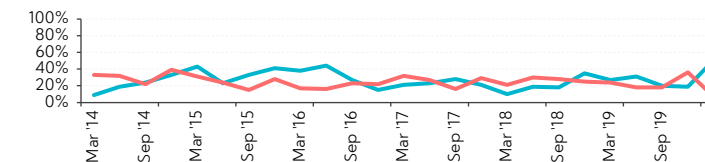
CONS. DISCRETIONARY



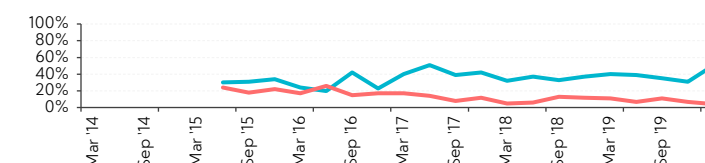
BUILDING PRODUCTS



CONS. STAPLES



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A photograph of a cave interior, likely a sea cave, illuminated with a strong blue light. The cave walls are wet and have a wavy, textured appearance. A person is visible in the distance, standing near a bright opening at the end of the cave. The floor is covered with dark, rounded rocks.

corbin

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