

A photograph of a cave interior, illuminated with a strong blue light. The cave walls are textured and layered, creating a sense of depth. In the distance, a person is visible, standing near a bright opening, possibly an exit or a light source. The overall atmosphere is mysterious and dramatic.

corbin

Q1'21 Inside The Buy-side[®]

Earnings Primer[®]

April 15, 2021

Inside The Buy-side® Q1'21 Earnings Primer®

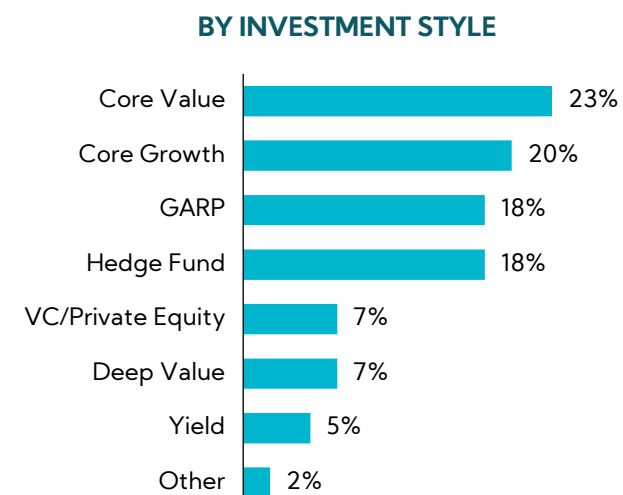
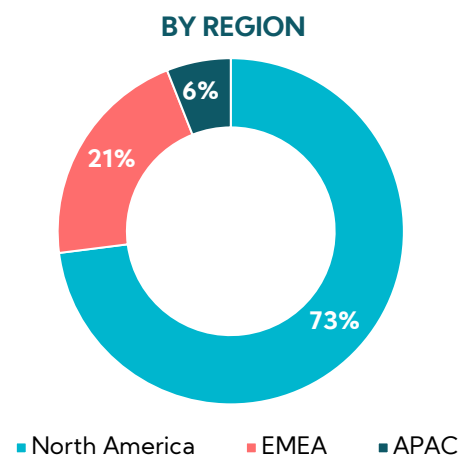
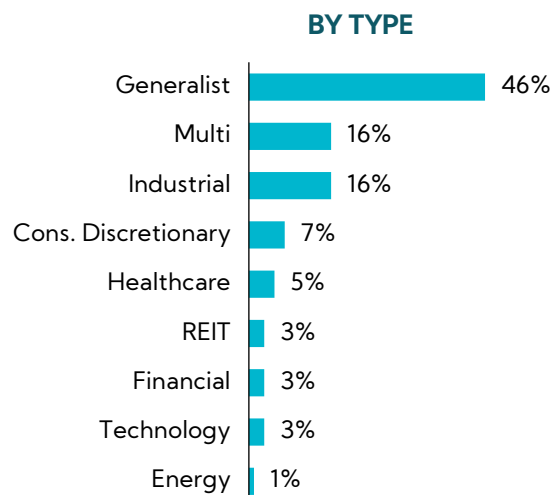
For 13+ years, we have surveyed global investors quarterly on the equity markets, world economies and business climate. At the start of every earnings season, we publish our leading-edge research, *Inside The Buy-side®*, which captures real-time Voice of Investor® sentiment and trends.

Leveraging our deep understanding of capital markets, 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: 80 participants globally, comprising 76% buy side and 24% sell side; equity assets under management total ~\$1.9 trillion

Survey Timeframe: March 9 – April 8, 2021

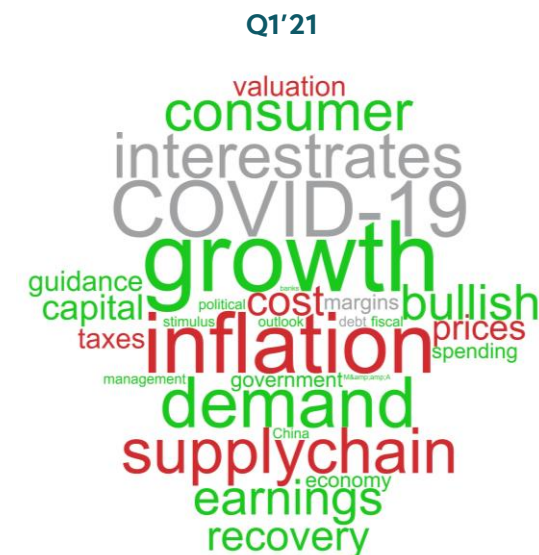
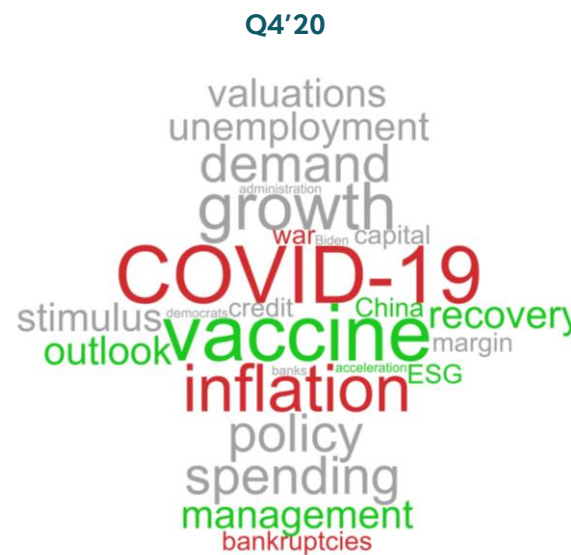
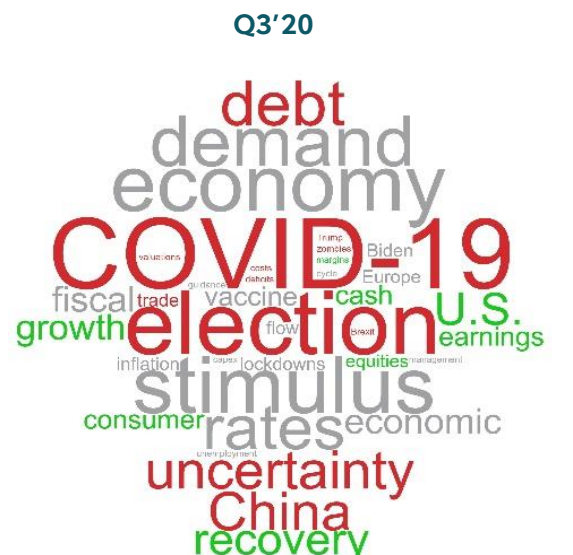
Market Performance	Q1'21	Q1'20
U.S.		
DJIA	7.8%	(23.2%)
NASDAQ	2.8%	(14.2%)
S&P 500	5.8%	(20.0%)
Russell 2000	12.4%	(30.9%)
Europe		
FTSE 100	3.9%	(24.8%)
Stoxx 600	7.7%	(23.0%)
Asia		
Hang Seng	4.2%	(16.3%)
Shanghai	(0.9%)	(9.8%)



Word Cloud: Frequency of Occurrence

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

Growth Exuberance Extends While Inflation and Supply Chain Concerns Set In



Top Mentions	Q2'20	Q3'20	Q4'20	Q1'21	Q/Q
Growth	4	8	12	46	↑ 34
Inflation	-	4	11	32	↑ 21
COVID-19	56	42	36	21	↓ 15
Demand	11	10	7	20	↑ 13
Supply Chain	8	9	7	16	↑ 9

Key: Underlying Sentiment

- Positive
- Neutral
- Negative

Goldilocks and the Three Bulls – Porridge Never Tasted Better!

Investor Sentiment and Perceived Management Tone Register at Record Levels with Strong Performance Expected in 2021

- **68%** of surveyed investors and analysts affirm last quarter's earnings were *Better Than expected*, a record high and the third consecutive quarter of meaningful upside surprises
- **60%** believe Q1'21 earnings will be *Better Than* consensus, up from 48% last quarter, also a high watermark
- **75%** describe themselves as *Neutral to Bullish* or *Bullish*, up from 64% last quarter; even more, 88%, describe executive tone as upbeat, an increase from 73% last quarter – not one outright bear
- **84%** assert annual outlooks are conservative and expect raises at some point during 2021

Growth is the Word amid a Reopening Economy and Fiscal Stimulus

- **78%** expect organic growth will *Improve* sequentially, the highest percentage ever recorded
- **76%** cite reinvestment as the leading use of cash, also a record high and exceeding all other preferences by a meaningful margin
- **57%** believe companies should prioritize revenue expansion over margins at this time, while still asserting profitably is important
- Average 2021 U.S. GDP forecasts **increase to 5.5%** on average from 4.0% last quarter
- **73%** expect global capex to *Improve* over the next six months
- **81%** identify revenue growth outlooks as the leading topic for executives to address on upcoming earnings calls
- **Sectors seeing strong support** include Financials, Industrials and Materials – which is at the expense of Healthcare and Biotech, which register the largest pullback in bulls

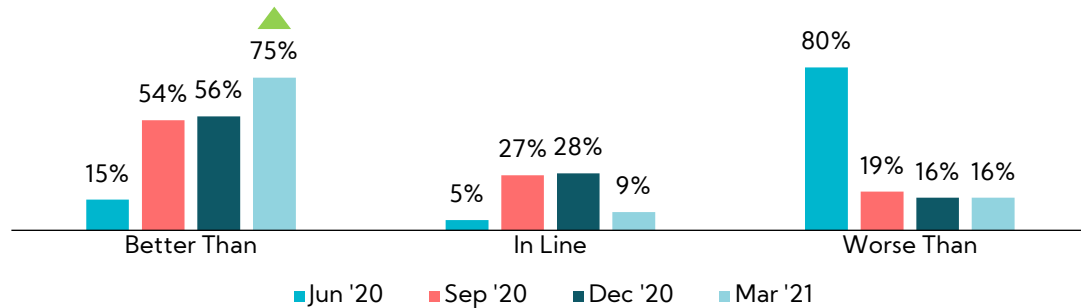
Key Concerns Proliferate but Not Enough to Offset Growth Exuberance

- **64%** (unaided) identify inflation as the most significant concern, with 75% (aided) expressing moderate to high concern with companies' ability to offset / pass on costs – channel checks indicate a few quarters' worth of lag, based on today's dynamics, until things settle
- Additional threats include COVID-19 variants and vaccine distribution, lofty valuations and higher corporate taxes
- Nearly 40% encourage executives to address supply chain disruption on upcoming earnings calls; cost structures, capital deployment, inflation and ESG are also top of mind

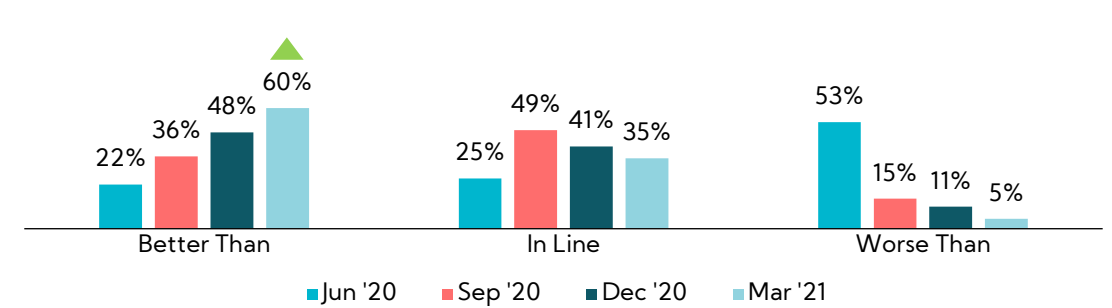
Record Number of Investors Expecting Beats – Highest Level Recorded Since Dec. 2013 (This Sequence Feels Familiar)

Amid the opening of the economy, 60% expect beats after another record number of upside surprises last quarter

Q1'21 EARNINGS EXPECTATIONS VS. PRIOR QUARTER



Q1'21 EARNINGS EXPECTATIONS VS. CONSENSUS



Better Than

- "Continued upward momentum." Buy Side, Generalist, N. America*
- "Positive – strength of consumer; negative – semiconductor shortages." Buy Side, Generalist, N. America*
- "Broadening macro recovery." Buy Side, Industrials, N. America*
- "Pent-up demand." Buy Side, Generalist, N. America*
- "Vaccine rollout and stimulus checks are strengthening consumer confidence." Buy Side, Generalist, N. America*
- "Companies and people are spending." Buy Side, Generalist, N. America*
- "Opening of the economy." Buy Side, Generalist, N. America*
- "Continuation of an opening economy, some price inflation coupled with the perception of fiscal stimulus, consumer sentiment and continuation of global monetary policy." Buy Side, Generalist, N. America*

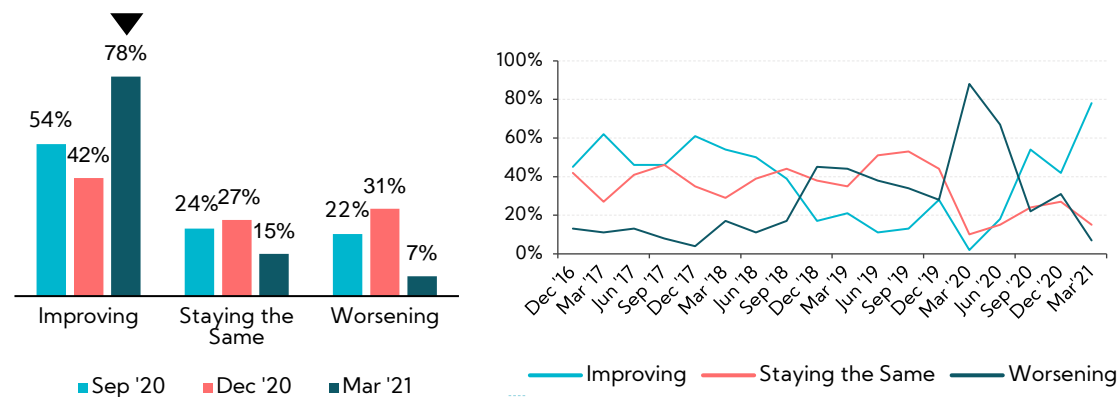
- "Re-opening, greater preponderance of end markets contributing to recovery." Buy Side, Industrials, N. America*
- "Coming out of the quarter, consensus might be light. A lot of it is going to be macro-driven, so it is going to depend on how the economy goes from here. For the most part, consensus has not caught up to their earnings power post-pandemic." Buy Side, Financials, N. America*
- "Revival in economic activity." Buy Side, Generalist, Asia*
- "Vaccine speed." Buy Side, Information Technology, Asia*
- "Speed and magnitude of spending recovery." Sell Side, Healthcare, N. America*
- "Depressed comparative, no real change to economic environment except Europe/Japan, which are more impacted by COVID-19." Sell Side, Consumer Discretionary, Europe*

In Line

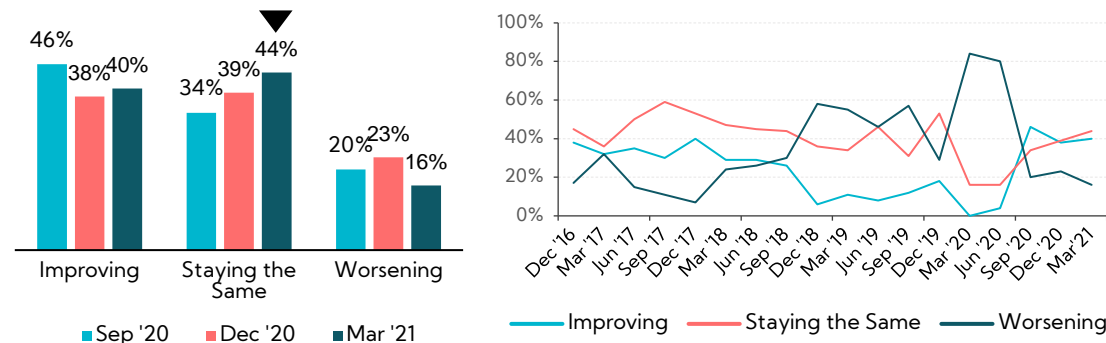
- "While anticipating negative YoY comps, index earnings ex-energy were modestly better-than-expected." Buy Side, Generalist, N. America*
- "Think management will be cautious due to political issues." Buy Side, Generalist, N. America*
- "Balanced between recovery and still partial lockdowns." Buy Side, Generalist, Europe*
- "Ongoing consumer and corporate spending recovery." Sell Side, Healthcare, N. America*
- "Still recovering from COVID-19." Sell Side, Multi, Asia*
- "Structural instability in the makeup of revenues." Buy Side, Multi, N. America*
- "COVID-19 persistence in Jan. and then major slowdown." Buy Side, Healthcare, N. America*
- "Too much priced in, analysts always lowball into earnings." Buy Side, Generalist, Europe*

Organic Growth Expectations Spike to All-time High

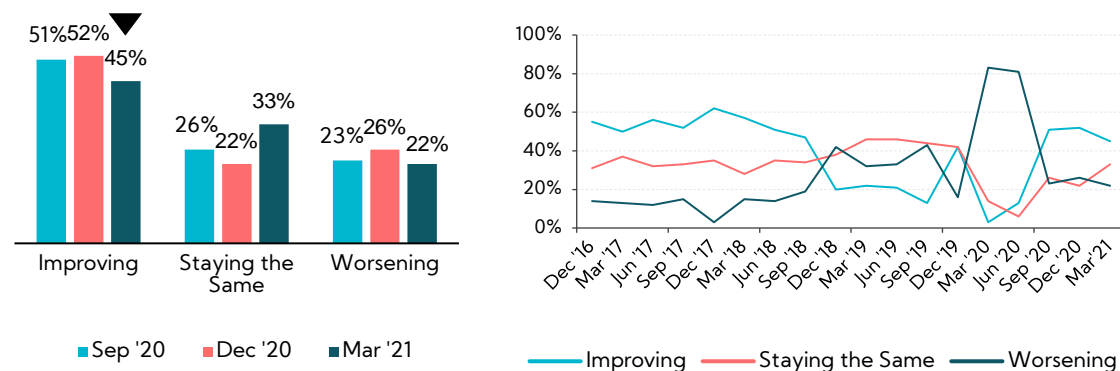
ORGANIC GROWTH



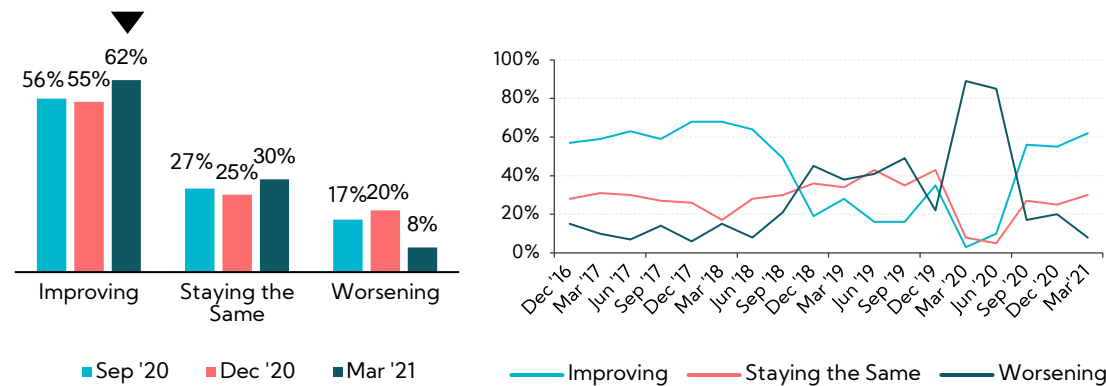
OPERATING MARGINS



FCF



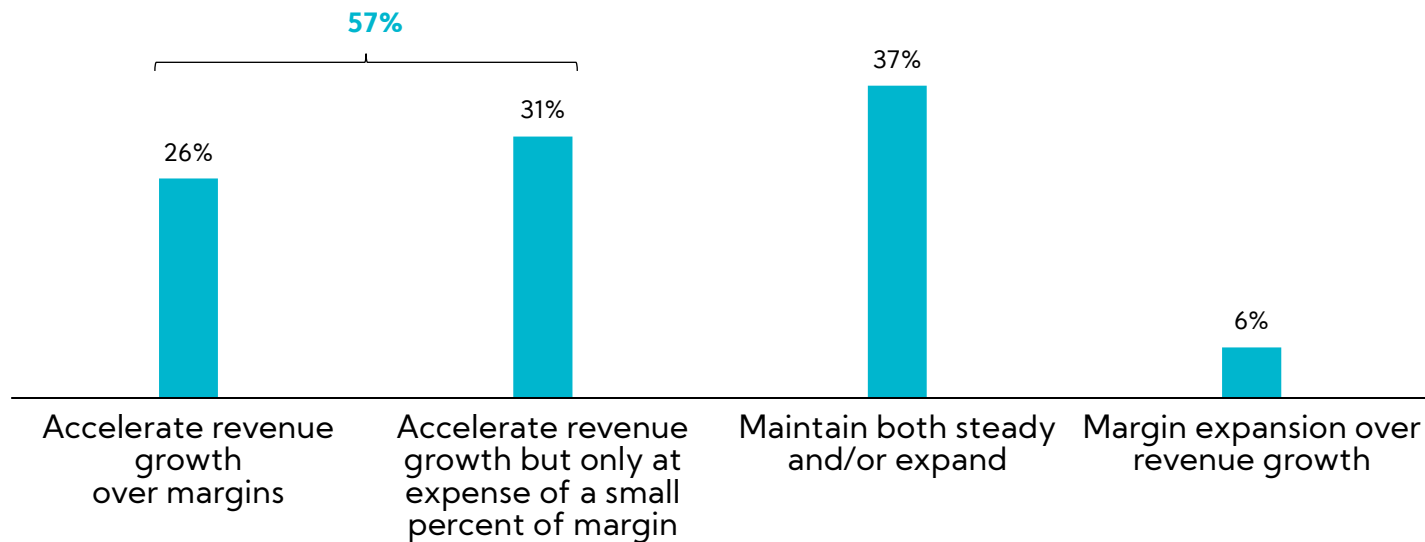
EPS



Investors Report Growth Supersedes Margins at This Point (But Only By A Slight...)

Nearly 60% note companies should prioritize revenue growth over margins, while fewer than 10% favor margin expansion over revenue growth

INVESTOR APPETITE FOR REVENUE GROWTH VS. MARGIN EXPANSION



Accelerate Revenue Growth Over Margins

"It's about capturing market share." Buy Side, Generalist, N. America

"If a company cannot grow revenue, there is a limit to what you can do with margins. You cannot cut costs to prosperity." Buy Side, Healthcare, N. America

"Prioritize expanding market share." Buy Side, Information Technology, Asia

Accelerate Revenue Growth But Only at Expense of Small Percent of Margin

"One-time sales must be profitable, not market share game now." Buy Side, Generalist, N. America

"Margins are plenty high already." Buy Side, Generalist, N. America

"Some temporary expense cuts (COVID-19) will come back, so for some keep margins flattish will be positive." Buy Side, Generalist, N. America

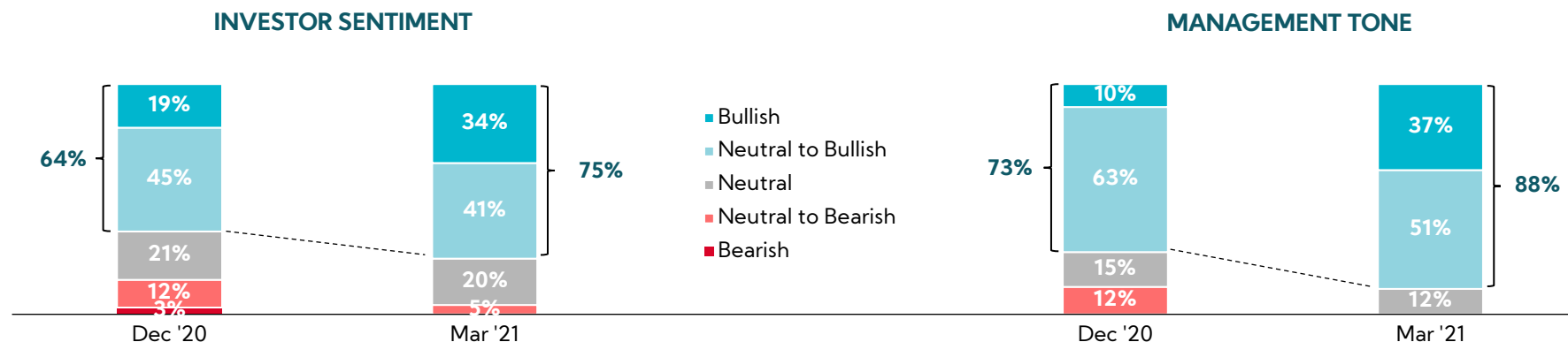
Maintain Both Steady and/or Expand

"Margins translate into earnings; firms must be able to sustain growth in both revenues and margins. Price considerations, the ability to pass on cost inflation, while desirable, can be handled by companies in a similar manner to post the Great Financial Crisis for success. The key consideration is how do companies maintain/enhance their efficiency such that margins can be adeptly managed (expenses controlled or reduced) so as to afford a premium valuation to their enterprise." Buy Side, Generalist, N. America

"I will be watching for how they maintain their margins as more and more things open. They have to get back to promoting and adding costs to their business." Buy Side, Consumer Discretionary, N. America

Broad-based Exuberance and More Records: Most Upbeat Investor Sentiment and Perceived Management Tone Ever Recorded

With rosy expectations, 84% of investors and analysts believe companies will raise annual guidance in 2021



Bullish

"Reopening driving optimism. Some caution given how far stocks have moved but still expect positive repose to good numbers." Buy Side, Generalist, N. America

"People are focused on exiting the COVID-19 pandemic and thus are expecting a better forward environment. Furthermore, government support is massive." Buy Side, Generalist, N. America

"Huge stimmy and inventory everywhere bone dry." Buy Side, Multi, N. America

"The unbroken Biden administration's economic measures." Buy Side, Information Technology, Asia

"People are bullish because companies have been able to generate cash throughout the pandemic and realign their cost savings so that when they come out of this pandemic, margins will look a little better and revenues will normalize." Sell Side, Industrials, N. America

Neutral to Bullish

"Overall backdrop for economic and corporate earnings growth is very bullish but valuations are elevated. Likely increases in taxes may keep equity returns contained." Buy Side, Generalist, N. America

"COVID-19 recovery & government spending." Buy Side, Generalist, N. America

"Vaccinations, reopening, demand for more." Buy Side, Generalist, N. America

"COVID-19 recovery and pent-up demand." Buy Side, Multi, N. America

"Most companies are optimistic on the cadence of the recovery. It is tempered in drug land on what is likely to be negative headlines on drug pricing due to the Biden plan." Buy Side, Healthcare, N. America

"Q2 should start to open up a bit more and get better as the year progresses." Buy Side, Healthcare, N. America

Neutral

"Expectations are getting ahead of fundamentals." Buy Side, Generalist, N. America

"The market is really overvalued at this point." Buy Side, Generalist, N. America

"Neutral overall. Cautious around valuations but bullish on management tone. Very positive on the reopen, there is a lot of enthusiasm on what could be on the other side of the pandemic with the pent-up demand, savings and the potential for an economic boom in N. America." Buy Side, Generalist, N. America

"We are more cautious now on valuation than we were a few months ago. Management teams are positive. They are encouraged by the trends after a very tough year." Buy Side, Consumer Discretionary, N. America

"Cautious about markets." Sell Side, Multi, Asia

Neutral to Bearish / Bearish

"Poor economic fundamentals." Buy Side, Multi, N. America

"Higher interest rates and inflation in prospect. Virus variability as well." Buy Side, Industrials, N. America

"2H outlook visibility very low, whilst expectations are quite elevated." Sell Side, Consumer Discretionary, Europe

"Too much optimism, everyone is discounting growth to eternity, no inflation and central banks with magical wand." Buy Side, Generalist, Europe



Topics of Interest for Upcoming Earnings Calls

While it's all about growth...cost structure, supply chains, capital allocation and inflation key topics this quarter

81%

Growth outlook

37%

Cost structure

35%

Supply chain disruptions

30%

Capital allocation strategy

21%

Inflation

14%

Business state / Return to normalcy

11%

ESG

Views from N. America

"Company outlook, operating environment, greatest challenge." Buy Side, Generalist

"Cost structure as employees go back to work and travel resumes, inflation and ability to pass through." Buy Side, Generalist

"Demand, supply issues, personnel issues." Buy Side, Generalist

"Demand picture for their products/services, supply chain picture, inflation pressures." Buy Side, Generalist

"Demand/pipeline, new product/services, cost control." Buy Side, Generalist

"Growth outlook, customer spending, capital allocation." Buy Side, Generalist

"Outlook, sustainability, enhancement." Buy Side, Generalist

"Quarter-to-quarter directional guidance for 2021, what expenses will return vs. those permanently reduced, revenue growth." Buy Side, Generalist

"Revenue growth drivers, investment on existing business lines, competitive threats." Buy Side, Generalist

"Revenue growth, cost pressures, debt." Buy Side, Generalist

"Growth, cost control, strategic direction." Buy Side, Multi

"Growth outlook, supply chain bottlenecks, M&A." Buy Side, Multi

"Guidance, employment costs, raw material costs." Buy Side, Multi

"Revenue growth, profitability, social responsibility." Buy Side, Multi

"State of business, revenue make-up, capital investment." Buy Side, Multi

"Recovery of business, focus of growth, capital concerns." Buy Side, Healthcare

"Ability to manage supply chain and inflation, ability to put capital to work, end markets updates." Buy Side, Industrials

"Organic growth opportunities, cost control, M&A interest." Buy Side, Industrials

"Supply chain disruption, labor shortages." Sell Side, Industrials

"Freight inflation, wage inflation, low-end consumer strength." Sell Side, Consumer Discretionary

Views from EMEA

"Margins, bottlenecks, balance sheet." Buy Side, Generalist

"Outlook on employment, trust in governments, less globalization culture?" Buy Side, Multi

"Margins, revenue growth, supply chain." Buy Side, Multi

Views from APAC

"Changes in demand forecast, supply chain, decarbonization." Buy Side, Information Technology

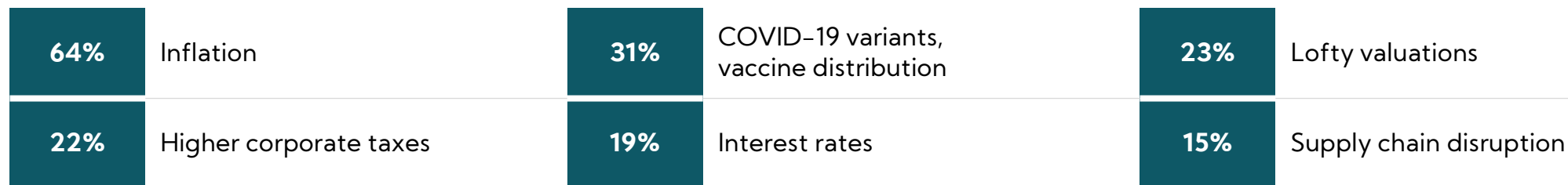
"Growth prospects, supply chain management, cost controls." Buy Side, Multi

"The impact of semiconductor supply shortage, how to manage the increasing cost of semiconductor component." Sell Side, Multi

"Capex plans, costs vs. revenue growth, shareholder returns." Sell Side, Multi

Top Concerns from Around the Globe

75% express moderate to high concern with companies' ability to offset inflation / pass on cost



Views from N. America

"Vaccination success, valuation, supply disruption." **Buy Side, Generalist**

"Rising interest rates, rising inflation expectations, future tax increases." **Buy Side, Generalist**

"Reregulation and tax increases, inflation, geopolitical instability." **Buy Side, Generalist**

"Overly optimistic assumptions for the economy, debt levels in U.S. and developed international, democrats' fiscal agenda." **Buy Side, Generalist**

"COVID-19, inflation, interest rates." **Buy Side, Generalist**

"Supply chain disruptions, COVID-19 flare-up that would trigger shutdowns, geopolitical dustups." **Buy Side, Generalist**

"COVID-19 variant, escalation in the U.S and China geopolitics." **Buy Side, Generalist**

"Inflation, government regulation, taxes." **Buy Side, Multi**

"Valuations, growth expectations, wage and raw material inflation." **Buy Side, Multi**

Views from EMEA / APAC

"Long-term yields, central banks, fiscal expansion." **Buy Side, Generalist**

"Inflation, inflation, social unrest due to inflation." **Buy Side, Generalist**

"Raising taxes, inflation, deficit." **Buy Side, Multi**

"Valuations, inflation." **Buy Side, Multi**

"Pandemic and a not-working long-term vaccine, more political and economic tensions between U.S. and China or Russia. Where in-between those tensions will be the EU?" **Buy Side, Multi**

"COVID-19, supply chain, political turmoil." **Sell Side, Industrials**

"Regional conflicts, COVID-19, environmental changes." **Buy Side, Multi**

"Inflation beyond control, the pricing up trend of semiconductor." **Sell Side, Multi**

"Inflation, sustainable inflation, China and U.S." **Sell Side, Multi**

"Getting beyond COVID-19 and variants, public companies are overvalued, economy." **Buy Side, Healthcare**

"Variant not responding to the vaccines, change in consumer behavior, continued volatility in the markets." **Buy Side, Healthcare**

"Supply chain, inflation, valuation." **Buy Side, Industrials**

"Higher interest rates, higher inflation, virus prevalence in the world." **Buy Side, Industrials**

"Inflation, valuation, COVID-19." **Buy Side, Industrials**

"Supply chain, inflation, higher taxes." **Sell Side, Industrials**

"Keeping up with demand, temporary surge in input costs, growing risk of labor shortages." **Sell Side, Industrials**

"COVID-19-related activity and spending isn't durable, leading to declines in some areas, valuations & expectations are too high, political polarization." **Sell Side, Industrials**

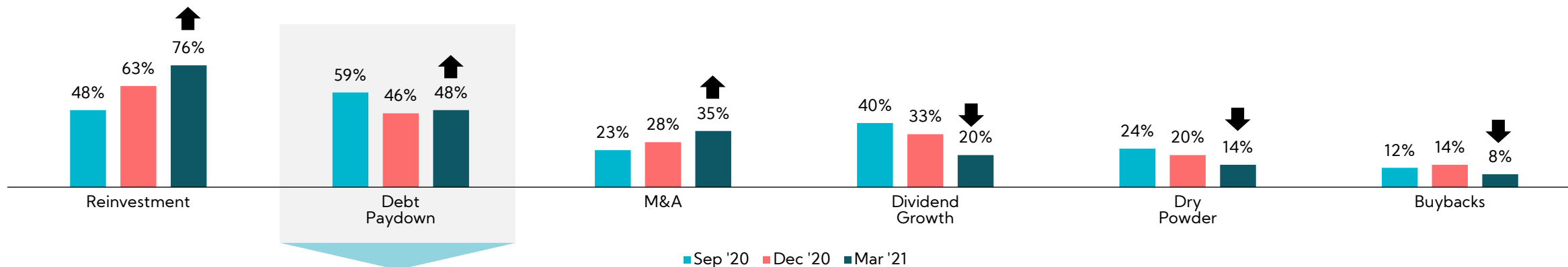
"Cost inflation/general inflation, lingering consumer headwinds, logistical supply chain challenges." **Sell Side, Consumer Discretionary**

Preference for Reinvestment Reaches Record Highs

M&A appetite increases for the second consecutive quarter, while buybacks register at the lowest level since survey inception

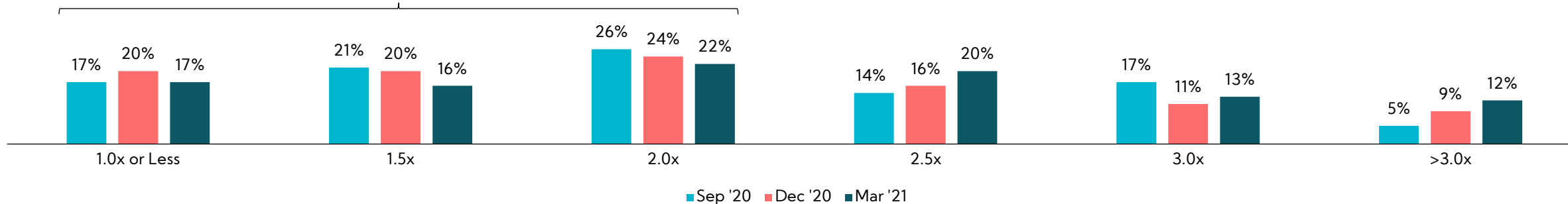
PREFERRED USES OF CASH

In Descending Order of Top Two Preferences



IDEAL NET DEBT-TO-EBITDA LEVEL

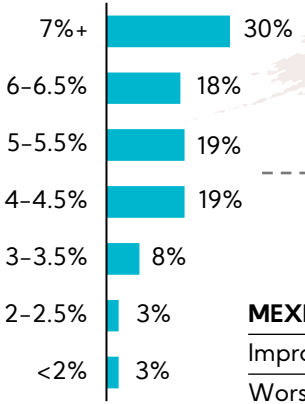
55% prefer $\leq 2.0x$,
down from 64% in Q4'20



All Geographies See Upbeat Sentiment, with the Exception of Brazil

2021 U.S. GDP forecasts increase to 5.5% on average from 4.0% last quarter

2021 U.S. GDP EXPECTATIONS



Canada

Improve:	71%	+9pts
Worsen:	2%	-2pts

U.S.

Improve:	90%	+20pts
Worsen:	4%	-9pts

MEXICO

Improve:	59%	+20pts
Worsen:	11%	-3pts

LATIN AMERICA

Improve:	49%	+15pts
Worsen:	9%	-5pts

BRAZIL

Improve:	35%	-13pts
Worsen:	30%	+16pts

EUROZONE

Improve:	78%	+16pts
Worsen:	4%	-9pts

CHINA

Improve:	57%	-3pts
Worsen:	4%	-4pts

JAPAN

Improve:	51%	+6pts
Worsen:	2%	-2pts

INDIA

Improve:	66%	+12pts
Worsen:	6%	-2pts

SOUTHEAST ASIA

Improve:	80%	+12pts
Worsen:	0%	-4pts

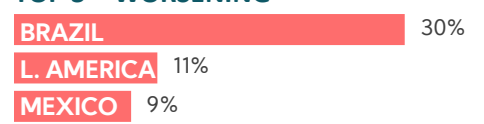
AUSTRALIA

Improve:	74%	+24pts
Worsen:	2%	-6pts

TOP 3 – IMPROVING



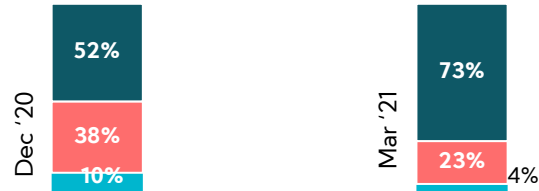
TOP 3 – WORSENING



Views on Key Economic Indicators Over the Next Six Months

Consumer confidence and oil & gas expected to see the most improvement, while investors see Resi and Non-resi Construction steady to improving

GLOBAL CAPEX



"Improving: Anticipate modest YoY increase given the reopening of economic regions and limited inventories." Buy Side, Generalist, N. America

"Improving: Needs to increase due to underinvestment the last year." Buy Side, Generalist, Europe

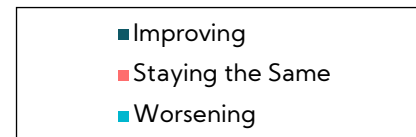
"Staying the Same: Restraint." Buy Side, Generalist, N. America

GLOBAL PMI



"Improving: Increasing demand." Buy Side, Generalist, N. America

"Worsening: Supplier deliveries should improve." Buy Side, Generalist, N. America



CONSUMER CONFIDENCE



"Improving: Excitement over increasing demand." Buy Side, Generalist, N. America

"Staying the Same: Big uptick in March; will need to see expectations realized before we see any further improvement." Buy Side, Generalist, N. America

"Worsening: Higher taxes will hurt consumer sentiment." Buy Side, Generalist, N. America

OIL & GAS MARKETS



"Improving: Restricting supply from Green initiatives raises prices." Buy Side, Generalist, N. America

"Improving: Oil and gas are essential for growth. They are used across the board." Buy Side, Multi, N. America

"Worsening: There will be more product moving onto the market. The producers cannot restrain themselves." Buy Side, Generalist, N. America

NON-RESI CONSTRUCTION



"Improving: Some will follow the resi strength already seen plus cycle plus potential kickers of stimulus, re-shoring and supply/distribution chains evolve." Buy Side, Generalist, N. America

"Staying the Same: Lack of demand." Buy Side, Generalist, N. America

"Staying the Same: May see some improvement. Within the U.S., this area may be hesitant pending the stances and policies advanced by the executive and legislative branches." Buy Side, Generalist, N. America

RESI CONSTRUCTION



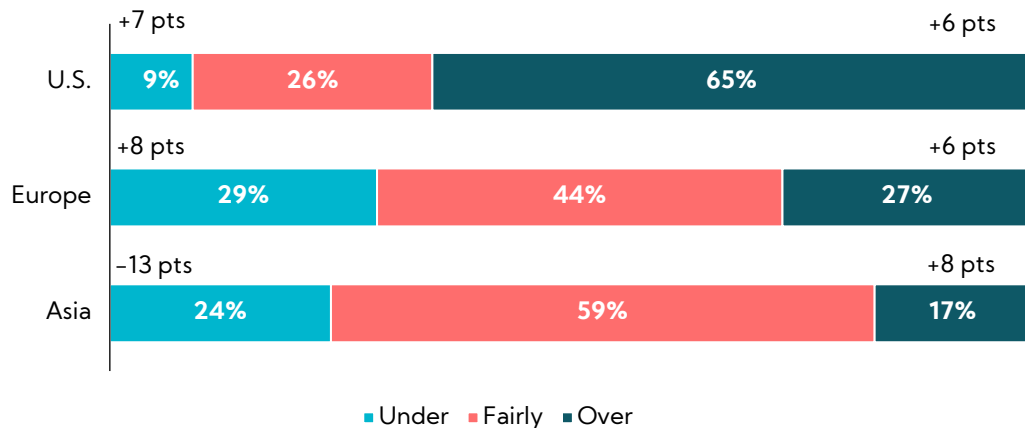
"Improving: Demand." Buy Side, Generalist, N. America

"Staying the Same: May see some improvement (at the margin) but given the price inflation within housing, this sector may see some constraint even in the face of historically low interest rates." Buy Side, Generalist, N. America

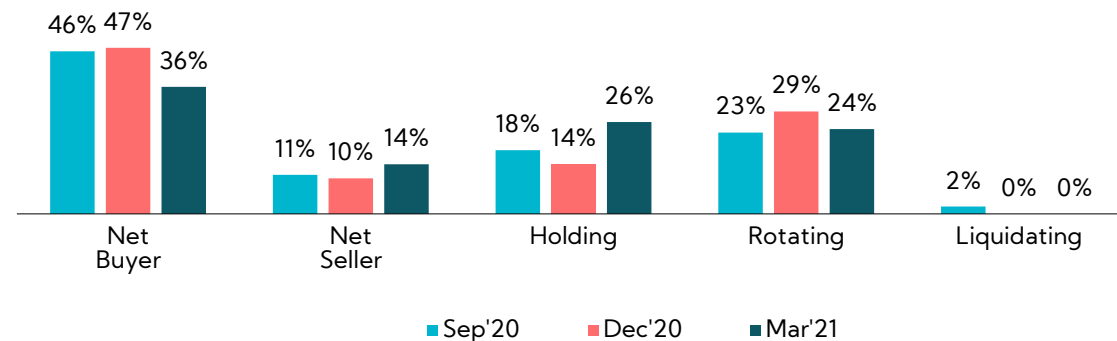
"Worsening: Interest rates and material costs will lessen demand." Buy Side, Generalist, N. America

Investors Continue to Buy But More Holding As Opening of the Economy Takes Shape

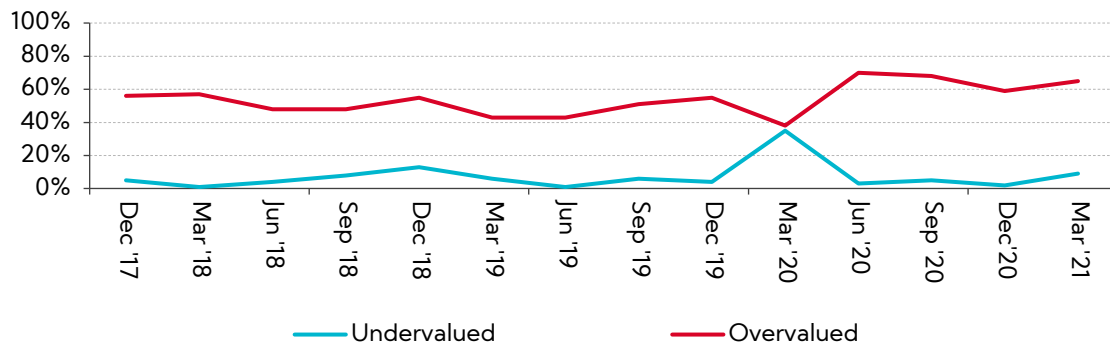
GLOBAL EQUITY VALUATION CLASSIFICATION



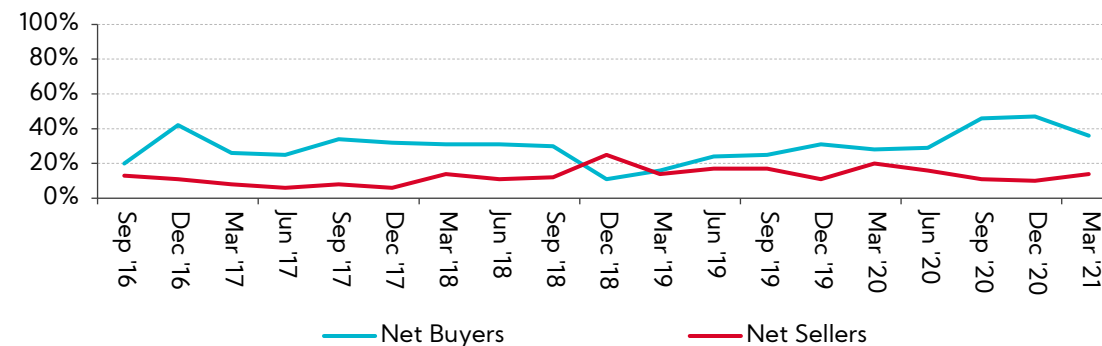
QoQ INVESTMENT TRENDS



UNDERVALUED VS. OVERVALUED (U.S. EQUITIES)



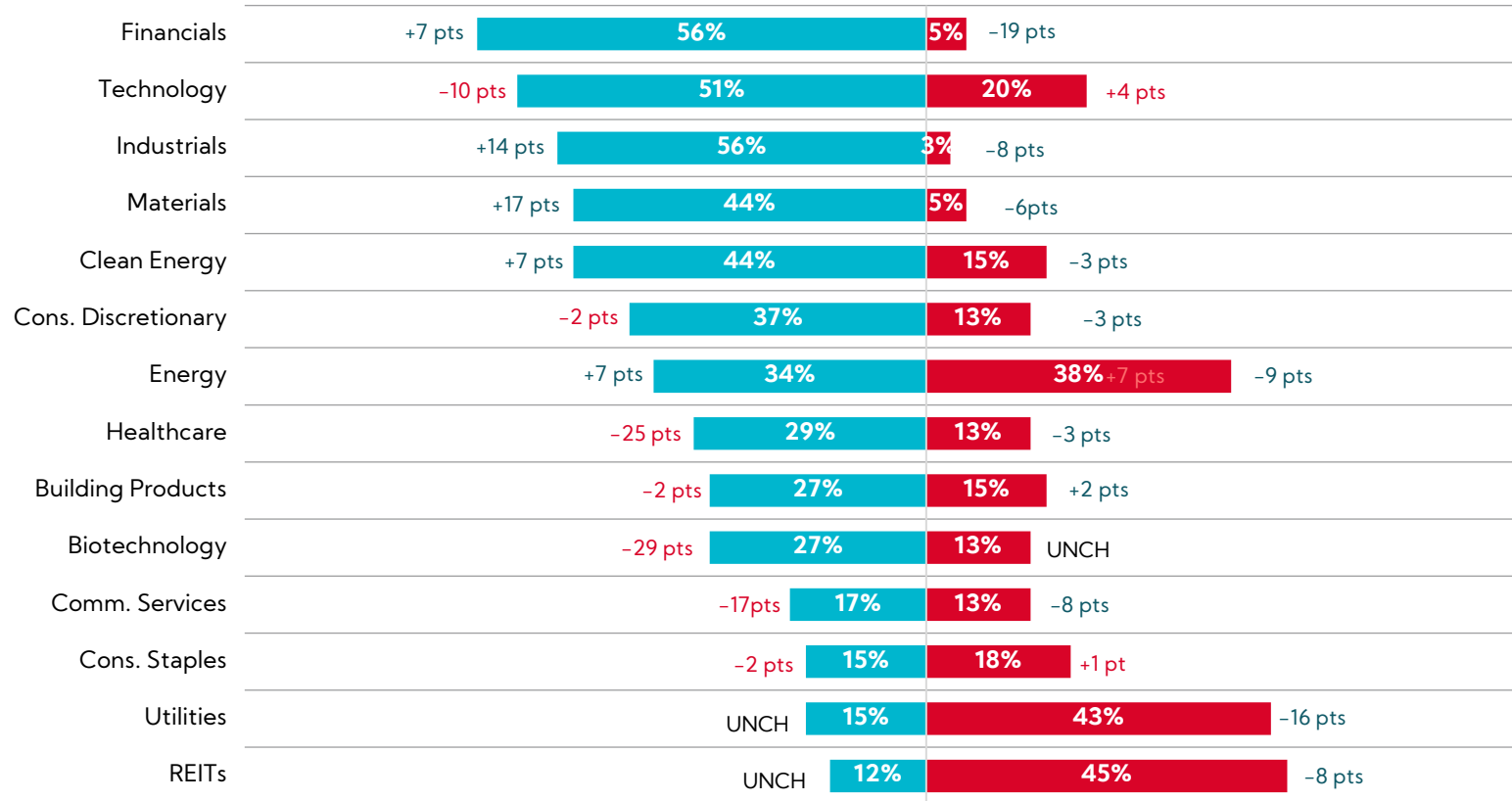
NET BUYERS VS. NET SELLERS



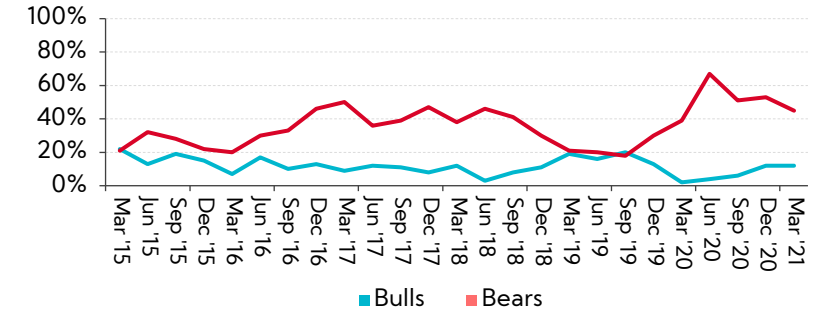
Financials See Record Bulls While Industrials and Materials Register the Most Favorable Shifts; REITs Slowly Inch Upward

BULLS VS BEARS

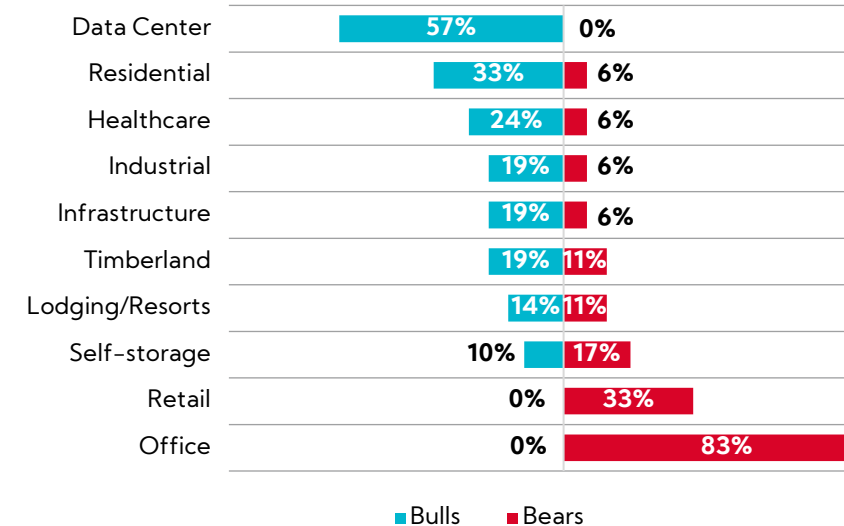
■ Bulls ■ Bears



REIT SENTIMENT



SUB-SECTOR SENTIMENT



Our Most Valued Enabler – Our People

The workload is pretty intense from where we sit, with no end and no beginning...some tactics we've deployed and others we've learned about in the last few months to relieve the pressure we're all feeling. We can all make a difference through a bias for action – big and small

Seek to limit / refrain from emailing between 6pm and 10pm unless urgent; for required responses, title subject "Please Read" or "Time Sensitive" (send a heads' up text) – communicate updated policy with appropriate groups

Seek to limit / refrain from emailing during the weekend; respect each other's downtime

Administer
"No Meeting Fridays"

Facilitate a "collective calm" on Zoom / Teams where everyone turns off their screens for 3 – 5 minutes at the start of a meeting and is encouraged to close their eyes, relax and mentally settle

Offer employees one-year subscriptions to home workout systems or lifestyle watches to support healthy habits

Offer weekly Yoga sessions or other mental health-conscious activities

Encourage employees to take an hour each day to "reflect and revitalize"

Talk openly about the issues we're collectively facing and brainstorm solutions that work for your teams – listen, learn and then action around the ideas

Email us other ideas at research@corbinadvisors.com and we'll share for the benefit of the greater good!

We are a specialized research and advisory firm focused on helping public companies realize their value



TRANSFORMATIONAL INSIGHT

Our proprietary research and unparalleled analytics database powers our unique insights and benchmarking capabilities.



TRUSTED PARTNERS

We bring extensive experience, passion, and commitment to every engagement, always putting our clients' best interests first.



IMPACTFUL EXECUTION

We simplify the complex to deliver positive outcomes with agility, precision and excellence.



PURPOSEFUL CANDOR

Our clients trust us. We provide explicit, no-nonsense counsel with objectivity and candor.

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, wet rocks.

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Contact Us

research@corbinadvisors.com

270 Farmington Ave, Suite 260
Farmington, CT 06032

corbinadvisors.com