

# INSIDE THE **Buy • Side**

INDUSTRIAL SENTIMENT SURVEY®

***corbin***

**Q4'24**

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# INSIDE THE Buy-Side

INDUSTRIAL SENTIMENT SURVEY®

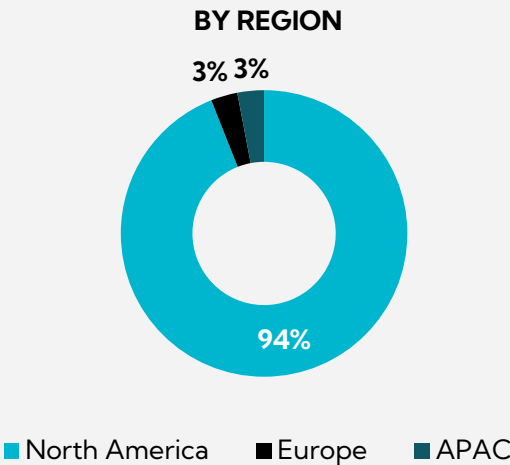
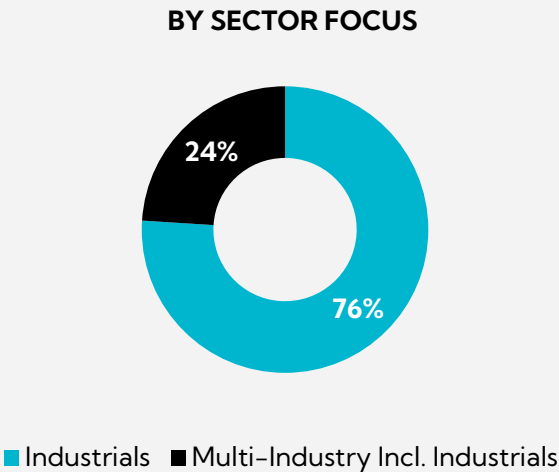
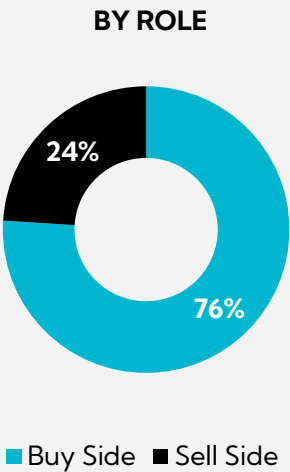
**Survey Scope:**  
34 sector-dedicated investors and analysts globally; buy side firms manage ~\$2.1 trillion in assets, including ~\$247 billion invested in Industrials

**Survey Timeframe:**  
December 13, 2024 – January 10, 2025

Since 2007, 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 flagship *Inside The Buy-Side® Industrial Sentiment Survey®*, which captures real-time *Voice of Investor®* sentiment and trends.

Leveraging our capital markets experience, deep understanding of investor relations, and best practice knowledge, our research and advice is at the nexus of global market trends, investor sentiment, and effective communication strategies.

Market Performance <sup>1</sup>	Q4'24	2024
DJIA	0.5%	12.9%
NASDAQ	6.2%	28.6%
S&P 500	2.1%	23.3%
S&P 500 Industrial	(1.6%)	15.6%
Russell 2000	0.0%	10.0%







# Muted Q4 Industrial Results Expected, but with a “Change in Momentum” Anticipated for 2025 Despite Policy Uncertainty; Growth Appetite Meaningfully Increases

## Sequential Company Performance Expectations Remain Flat, but with Increasing Optimism Toward a Stronger 2025 amid a Change in U.S. Administration and Long-term Tailwinds

- A majority, **58%**, expect *In Line* sequential performances, compared to only 25% expecting *Better Than* results, down from 38% last quarter
- Similarly, **40%+** expect QoQ results to *Stay the Same* across Revenue, EPS, Margins, and FCF, while **73%** anticipate Q4'24 earnings more broadly to be *In Line* with consensus, the highest level captured in 11 quarters
- While more expect annual 2025 guides to be *In Line* for Margins and FCF, at least **50%** are anticipating *Higher* Revenue and EPS guides relative to 2024
- **61%** of investors characterize sentiment as *Bullish* or *Neutral to Bullish*, up from 40% last quarter, while those reporting downbeat views decreases to **9%** from 30%
- **44%** describe executive tone as *Bullish* or *Neutral to Bullish*, up from 27% QoQ, and just **6%** characterize this group as *Neutral to Bearish* or *Bearish*, down from 35%
- Notably, investors pull ahead of executives in terms of increasing optimism — a watch out

## Growth Focus and Reinvestment Gain Significant Steam as Most Expect Higher 2025 Industrial Organic Growth; M&A Support Receives a Shot in the Arm

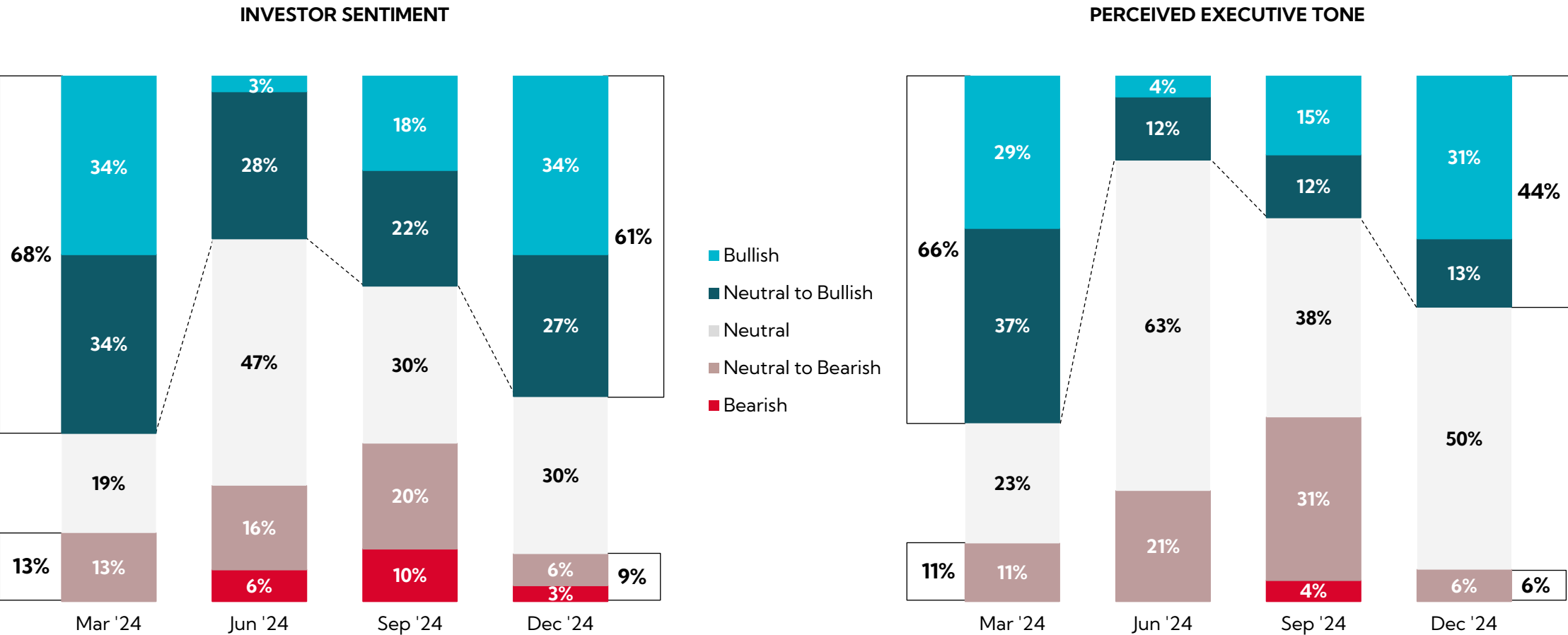
- **73%** prioritize growth over margins at this time, a stark reversal from last quarter, and the highest level registered in over a year
  - Those expecting *Improving* Global Capex over the next six months increases to **64%**, up 18 points QoQ, while **73%** say the same for Global PMI, a 19% increase
- **66%** believe 2025 Industrial organic top-line growth will be *Higher* relative to 2024; only 17% expect *Lower* performances
  - **80%** expect a pickup in order activity post-U.S. election, noting Q4 saw muted demand
- Reinvestment remains the leading preferred cash usage, rising to **80%** from 55% QoQ, just shy of the five-year high set in Q2'21 (84%)
  - **50%** urge companies to increase growth capex, while the same number prefer keeping levels consistent; none favor decreasing growth capex
- M&A (**37%**) surpasses Debt Paydown (**28%**) as the second-preferred cash usage
  - To that end, those *Favoring* or *Highly Favoring* bolt-on acquisitions is now at **100%**, the highest recorded level in two years; meanwhile, those *Not In Favor* of large/transformation deals recedes to **10%** from 37% QoQ

## In the Near Term, It's a Stock Picker's Market with Hopes of Rising Tides for All Industrials as 2025 Progresses; Despite Policy Uncertainty, Tariff Concerns, and Persistent Inflation Pressures, Net Buying is in Play

- Policy Uncertainty and Tariffs are among leading concerns this quarter, cited by **40%** and **33%**, respectively
- Top areas to address on earnings calls include Demand/Order Rates, Policy Shifts, and new this quarter, Tariff Impacts
- While a majority, **64%**, expect Inflation to *Stay the Same* over the next six months, calls for *Worsening* conditions increases to **27%**, up from 17% in Q3
- An inflow and outflow of sector bulls seen this quarter, with **Commercial Aero** registering the largest uptick in bullish sentiment, followed by **Industrial Equipment**, **Water**, and **Materials**
  - Owing to interest rate concerns, **Non-Resi Construction** and **Building Products** see the largest influx in bearish sentiment, while **Auto**, **Ag**, and **Transportation** are most downbeat
- A majority, **54%**, report being *Net Buyers*, up slightly from 50% last quarter, with investors noting they are “picking their spots”

# Optimism Continues Upward Trajectory for Second Consecutive Quarter, While Bears Retreat; Management Tone Follows Suit But Is Perceived as Less Upbeat than Investors

Both Investor Sentiment and Perceived Executive Tone exhibit double-digit improvement QoQ, a notable shift from the polarized environment last quarter



# Near-term Bumps Still Anticipated as Investors “Pick Their Spots,” Though Most are Constructive Over the Mid- and Long-term; Continuation of ‘Back-Half’ Narrative Expected

## Bullish/Neutral to Bullish

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*“Industrials are important businesses, some of which have attractive, durable competitive advantages. There could be some positive tailwinds for quite a few of those companies going forward given what looks like will be another supply chain recalibration taking place going forward.”* **Buy Side, N. America, Industrials**

*“I am bullish toward Industrials over the long-term because a reduction in rates will have a stimulative benefit as we move toward the back half of 2025. In the interim, I am more neutral.”* **Buy Side, N. America, Industrials**

*“There will be a hangover phase, but my sentiment toward the sector is bullish.”* **Buy Side, N. America, Industrials**

*“We have had two years of bad PMI, so there should be a change in momentum.”* **Buy Side, N. America, Generalist**

*“My sentiment toward Industrials is bullish, but you have to pick your spots. It is a real stock picker’s market.”* **Buy Side, N. America, Generalist**

*“We have a more favorable view overall toward the sector given reshoring, U.S. construction trends, and the Inflation Reduction Act.”* **Buy Side, N. America, Industrials**

*“I am more bullish on the sector in general, but certain pockets might be more impacted than others.”* **Buy Side, N. America, Industrials**

*“Business is not good, but valuations are more or less attractive. Management is bullish. I would say they’re in recovery mode. They’re bullish after being bullish and then having to see the cycle come back at them; now, they’re going through a more difficult phase again. As a result, I would say they’re bullish mid term but clearly concerned about the near term.”* **Buy Side, N. America, Industrials**

*“We are positive on Industrials and actively seeking to increase our exposure to Industrials, in particular U.S. Industrials.”* **Buy Side, Australia, Generalist**

*“M&A and project pipelines are robust. Demand is there, and government stimulus is starting to flow. I expect 2H’25 order acceleration broadly.”* **Sell Side, N. America, Industrials**

## Neutral

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*“I am neutral toward the sector because of valuations. We are long-only, but valuations generally are not overly compelling.”* **Buy Side, N. America, Industrials**

*“I am neutral toward the sector. On the negative side, you are generally at a weakish point with positive narratives and with general Industrial production and the PMI. To the positive, you may be getting toward a world of de-regulation and potential further tax relief that could drive more activity.”* **Buy Side, N. America, Industrials**

*“Probably neutral at this point. It’s been so bad for so long. Management is always optimistic, ‘It’s the second half, the second half of the year’s going to be great.’ They’ve been saying that for three years.”* **Buy Side, N. America, Industrials**

*“We are in a digestion phase.”* **Buy Side, N. America, Generalist**

*“The market is still soft. There’s some optimism with Trump and rates moving down.”* **Sell Side, N. America, Industrials**

## Neutral to Bearish/Bearish

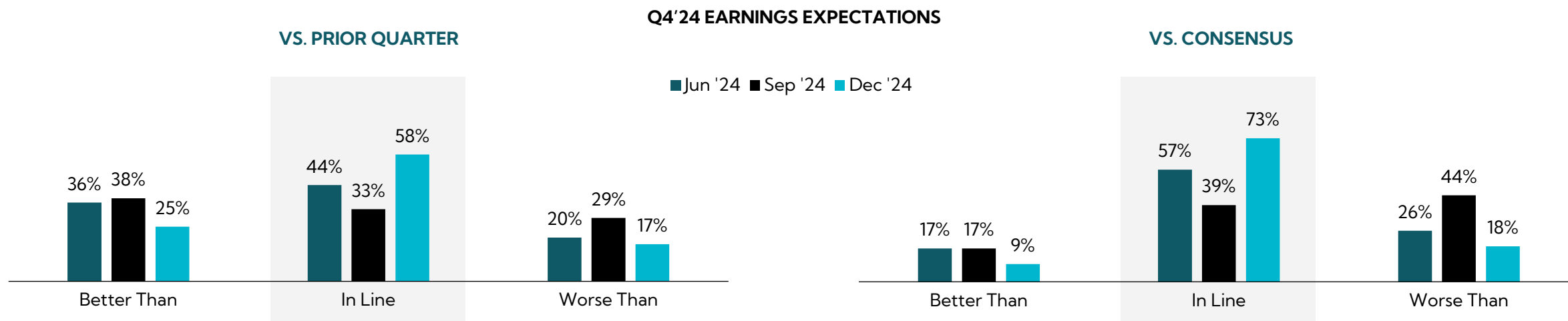
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*“The first half of 2025 should see a disappointment relative to current expectations. Management teams have universally said no improvement has been seen in Q4’24, and they will likely guide in-line to lower when improvement is widely anticipated.”* **Buy Side, N. America, Industrials**

*“I was bullish but high rates continue to be a headwind.”* **Sell Side, N. America, Industrials**

# Sequential Improvement Not Yet Expected; Majority Anticipate Results *In Line* with Consensus

Those expecting results *In Line* with analyst estimates reaches an 11-quarter high; 55% anticipate Q4'24 results will come in better than Q4'23



## Commentary

"We don't see any improvement. We know the first quarter is going to be difficult. We know there are issues in China, so we're not expecting much in the Q4 or the Q1, but once you start comping against weak numbers, you start to see some improvement." **Buy Side, N. America, Industrials**

"Election created some very real uncertainty." **Buy Side, N. America, Generalist**

"Currency headwind and no positive inflection in orders has occurred." **Buy Side, N. America, Industrials**

"Rates are uncertain from here." **Sell Side, N. America, Industrials**

"Conditions remain unchanged from Q3. Sales are growing in line with SG&A for most of our coverage." **Sell Side, N. America, Industrials**

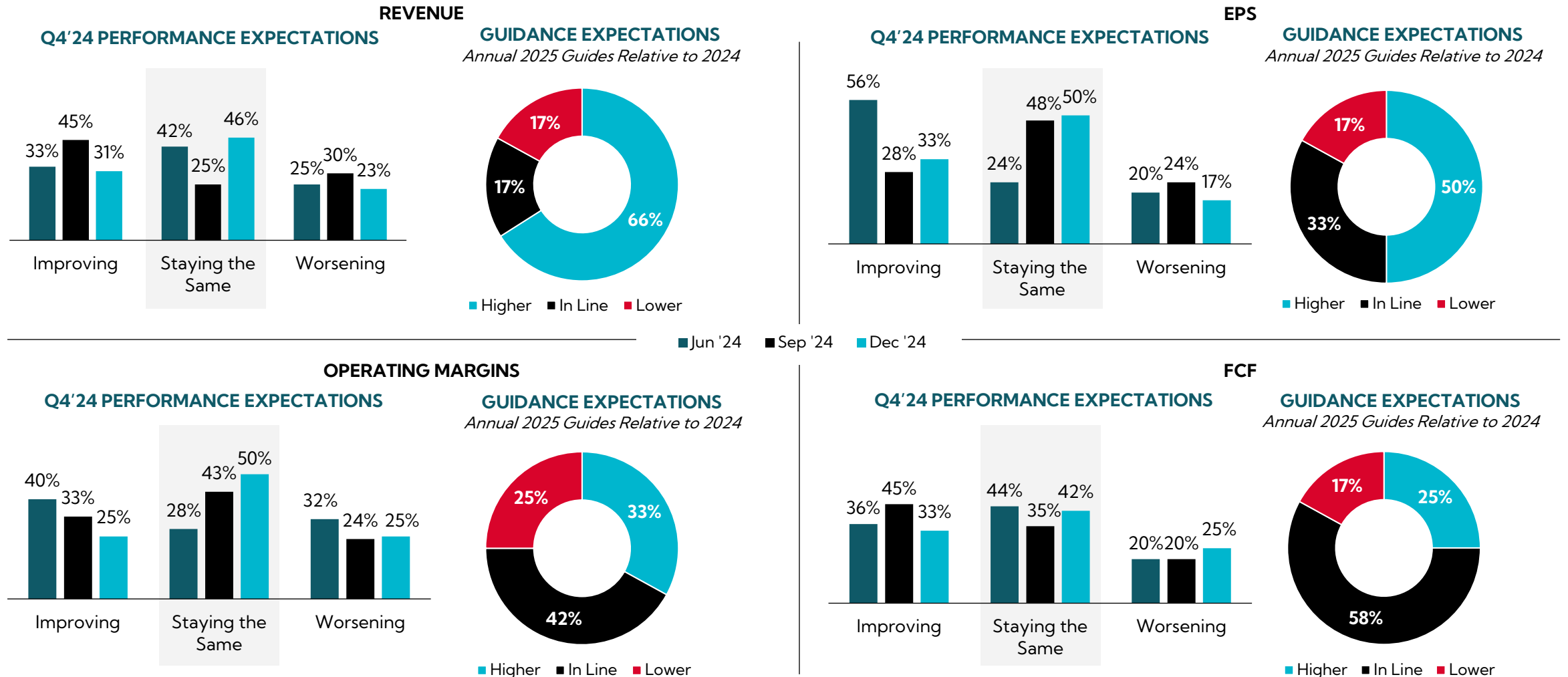
"Destocking has concluded, and customer restocking conversations sound firm. Project pipelines are strong." **Sell Side, N. America, Industrials**

"I am in line with the already low expectations." **Sell Side, Europe, Industrials**

"No change in conditions. FCF worsening because inventories have been worked into right place and channel staying lean." **Sell Side, N. America, Industrials**

# Similarly, Across All KPIs, Flat Performance is Expected Sequentially, Though YoY Growth is Anticipated for 2025 Revenue and EPS

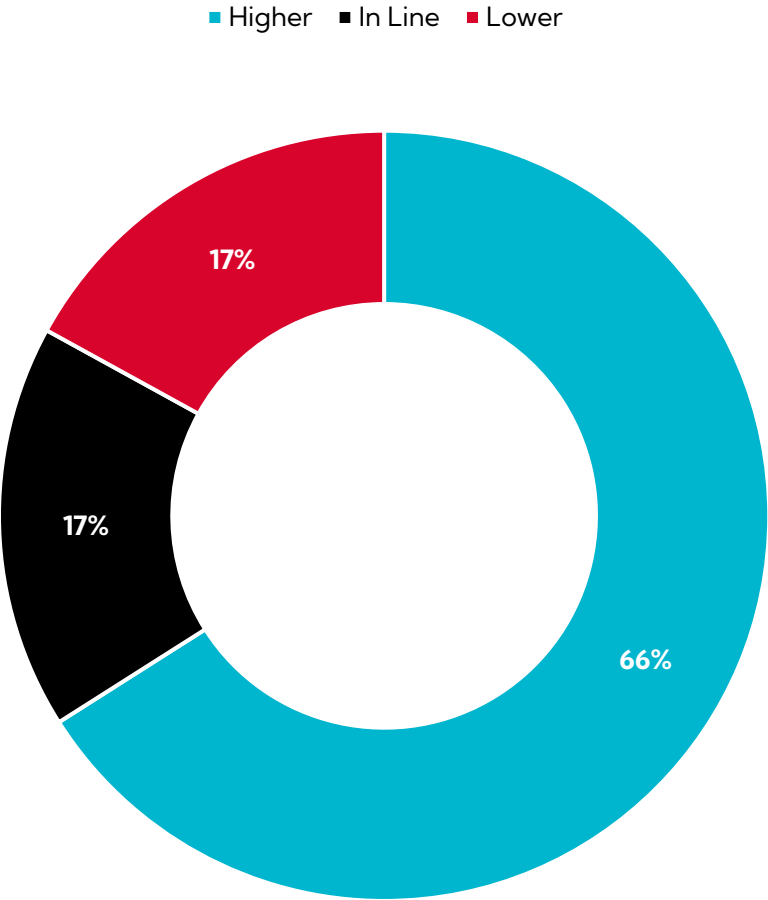
More expect 2025 Operating Margin and FCF trajectory to be *In Line* with 2024 actuals



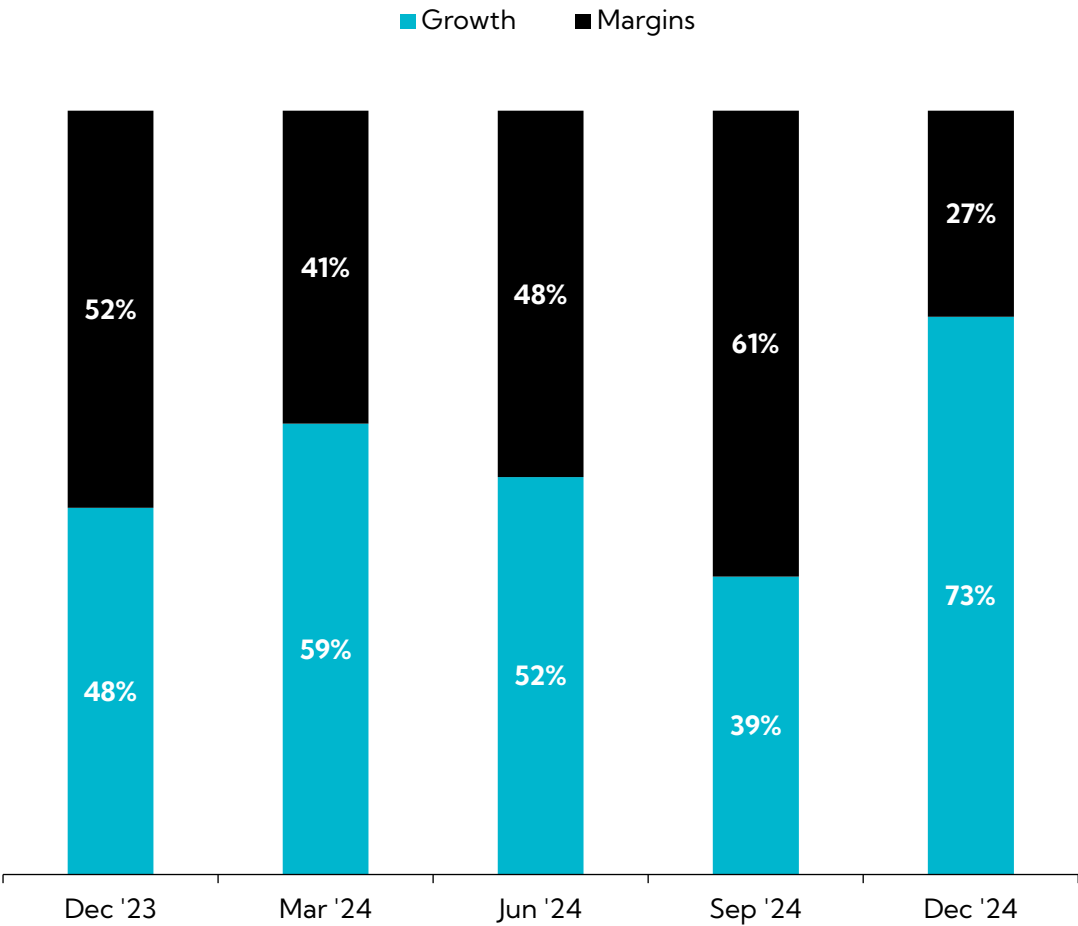


# Strong Consensus Forms Around *Higher* 2025 Industrial Organic Growth Relative to 2024; At Nearly 3:1, Investors Indicate Growth is a Priority Over Margins

2025 INDUSTRIAL ORGANIC TOP-LINE GROWTH RELATIVE TO 2024

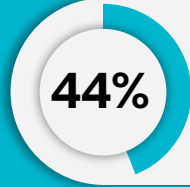


KPI PRIORITIZATION AT THIS POINT IN THE CYCLE

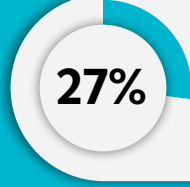




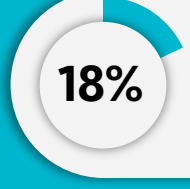
**Demand, Order Rates, Growth**  
(↑ 46pts)



**Positioning for Policy Shifts**  
(↑ 17pts)



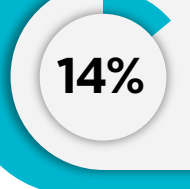
**Tariff Impacts**  
(↑ 27pts) **NEW**



**Margins, Expense Management**  
(↓ 13pts)



**Inflationary Pressures**  
(↓ 1pt)



**Outlook**  
(UNCH)

# Topics of Interest for Upcoming Earnings Calls

Demand and order rates remain investors' top priority, universally cited as a key interest; focus on U.S. election repercussions, including policy shifts and tariff impacts, grows QoQ

## Commentary

"Order rates excluding price increases (i.e., organic order rates), backlogs, free cash flow." **Buy Side, N. America, Industrials**

"How did regions outside of the U.S. perform during Q4? Was there any improvement in organic order growth as the quarter progressed? How much could a continued rally in USD impair 2025 results?" **Buy Side, N. America, Industrials**

"Reshoring impacts, capex cycle, organic growth opportunity (AI, etc.)." **Buy Side, N. America, Industrials**

"Change in order dynamics since election, how executives are thinking about tariffs and possible impacts, M&A." **Buy Side, N. America, Generalist**

"Is Q4 the through quarter? When will the global recovery come...2H'25? Effect of the new U.S. president." **Sell Side, Europe, Industrials**

"Tariff impacts, both company specific and industry, what will the first signs be that conditions are turning positive, Trump presidency impact." **Sell Side, N. America, Industrials**

"They do have to address exposure to tariffs and inflation matters from a raw materials and cost of goods sold factor. We, as market participants, appreciate the transparency and any kind of visibility that they can provide in terms of what demand and end market demand look like across their segments." **Sell Side, N. America, Industrials**

"Order visibility and timing underpinning confidence, indications that government infrastructure spending is starting to flow, margin levers following several strong years." **Sell Side, N. America, Industrials**

"Impact of weak oil price fundamentals on oil company capex, penetration of new technology, fresh efficiency improvements, and cost cutting efforts." **Sell Side, N. America, Industrials**

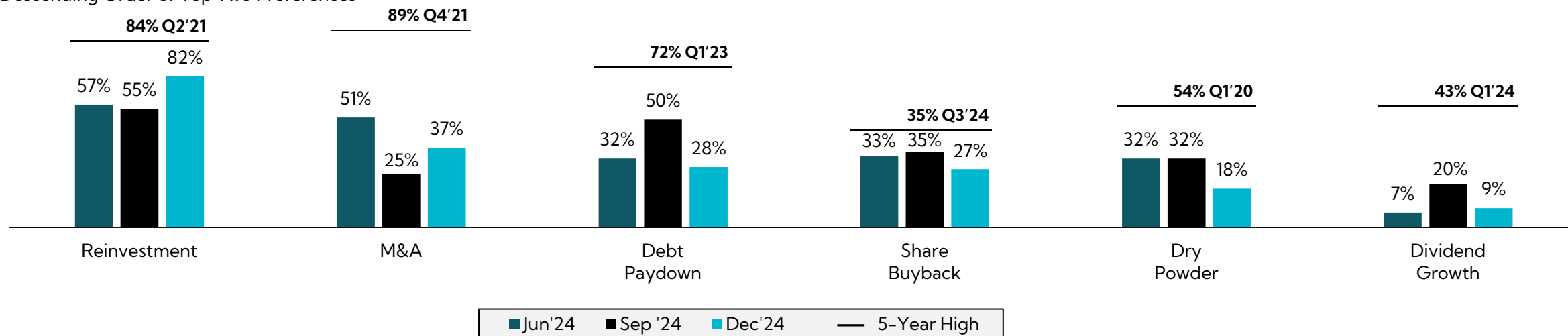
"Mortgage rate expectations, Industrial end market growth, federal policy." **Sell Side, N. America, Industrials**

# Capital Allocation Preferences Favor Reinvestment with Growing Investor Interest in M&A

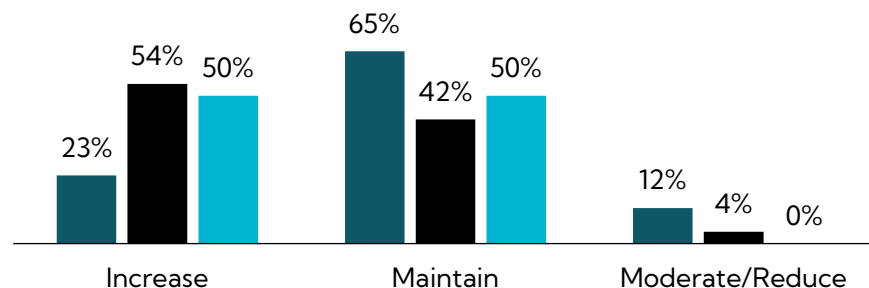
Debt Paydown, previously highlighted as the second preferred cash usage, slips to third while debt tolerance sees a little easing, shifting to a 1.5x – 2.5x range

## PREFERRED USES OF CASH

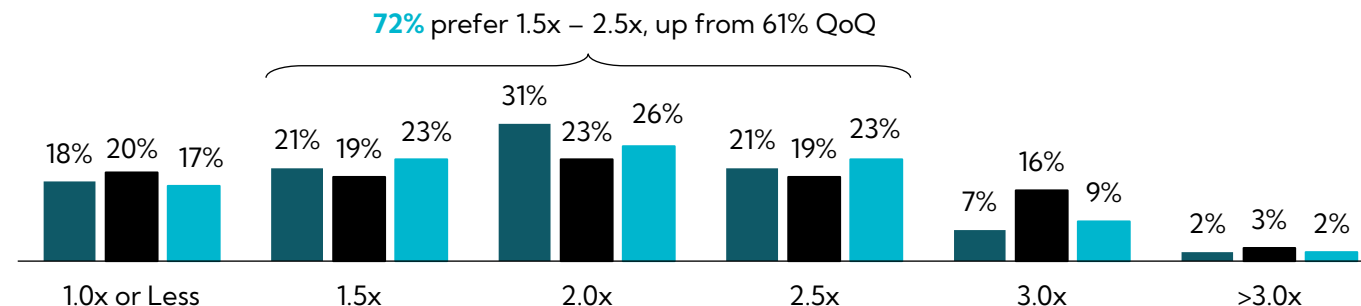
In Descending Order of Top Two Preferences



## GROWTH CAPEX PREFERENCES

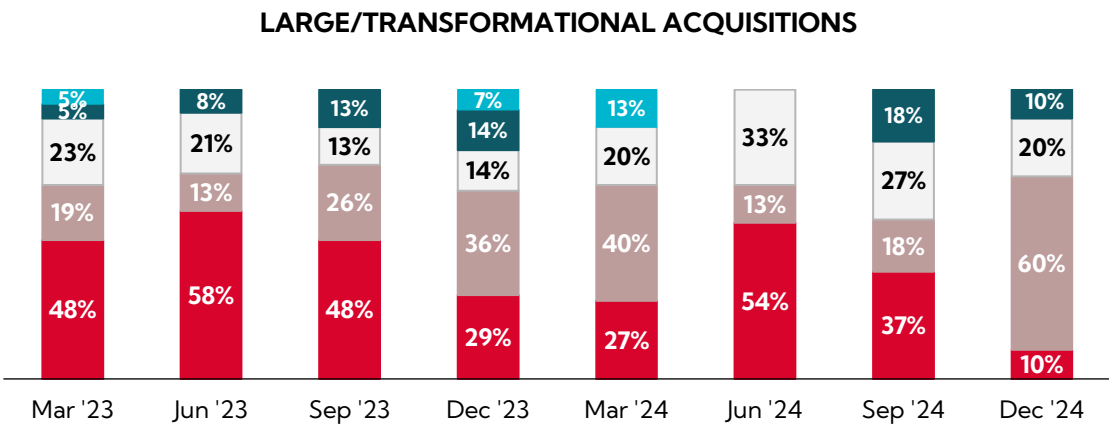
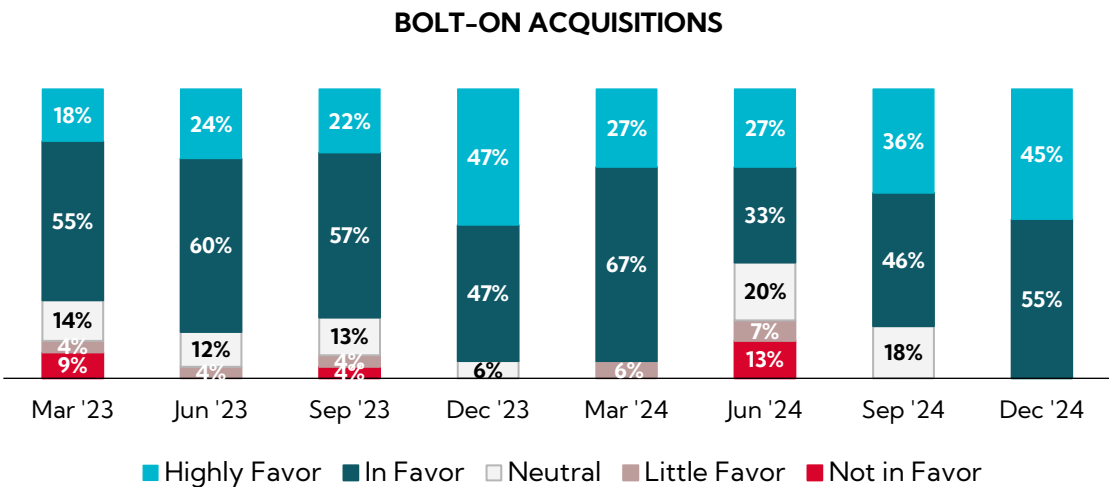
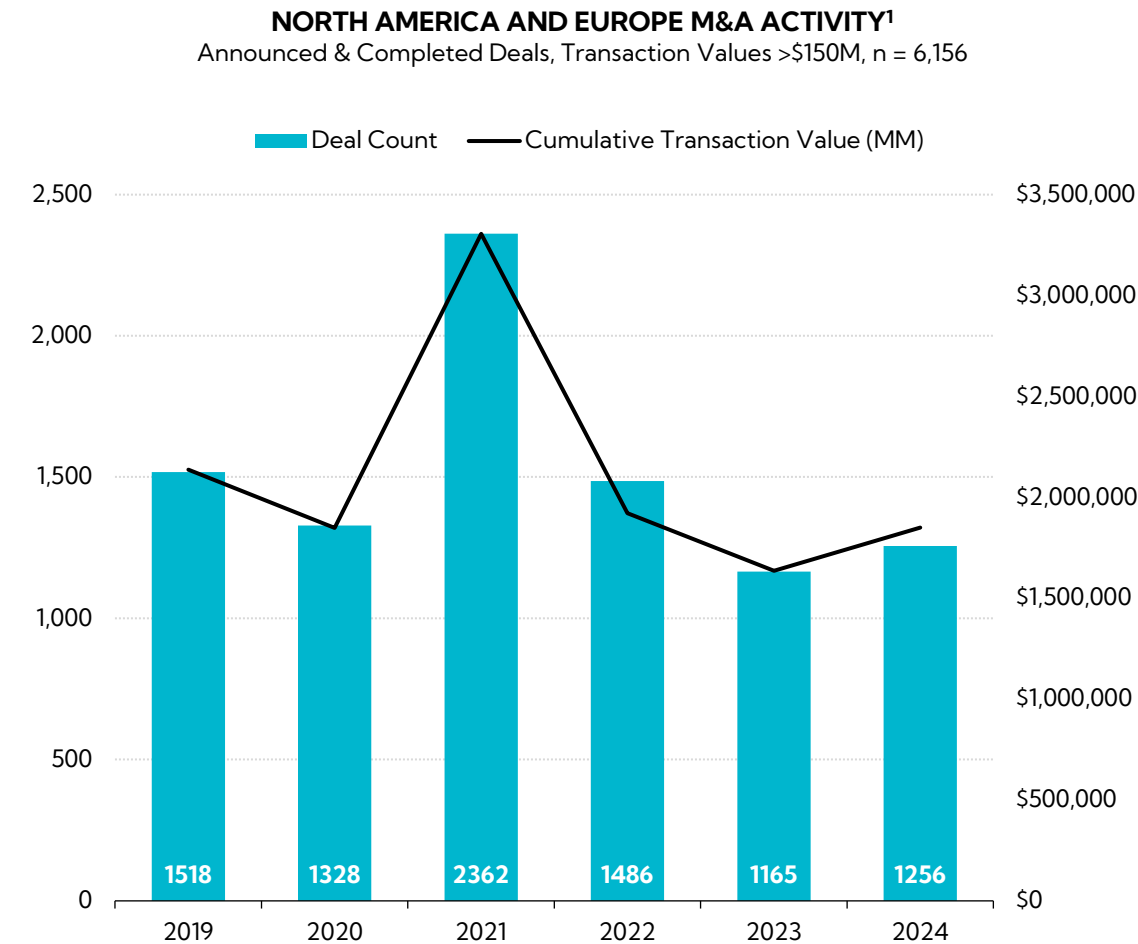


## THRESHOLDS FOR IDEAL NET DEBT-TO-EBITDA



# Bolt-on Acquisitions Gain Favor, While Opposition to Transformational Deals Fades to a Two-year Low

Announced and completed deals in 2024 rose 8% YoY across North America and Europe, arresting a two-year trend of waning activity



<sup>1</sup>Source: FactSet



# Top Concerns from Around the Globe

Policy uncertainty and tariffs dominate the concerns list this quarter; demand, inflation, and China each see a 20–point uptick in attention, while macro slowdown concerns ebb by more than half

	Unaided	(QoQ Change)	
1	40%	(↑ 16pts)	Policy Uncertainty
2	38%	(↑ 23pts)	Demand, Growth
3	33%	(↑ 25pts)	Tariffs
4	31%	(↑ 20pts)	Inflation
5	27%	(↑ 20pts)	China
6	13%	(↓ 17pts)	Macro Slowdown

## Views from N. America

*"I am worried the margins will not be as strong as we think, backlogs could slow down in every industry, and tariffs could hit the sectors hard because it will cost more to produce product."*

**Buy Side, Industrials**

*"Inflationary pressures, inventory, trade."* **Buy Side, Industrials**

*"Macro slowdown in U.S., China demand, Germany demand."* **Buy Side, Industrials**

*"Slower growth, smaller margin improvement, D.O.G.E. reducing revenue potential."* **Buy Side, Industrials**

*"Regulatory headwinds, cost of capital, tariffs."* **Buy Side, Industrials**

*"Inflation, China growth, rates."* **Sell Side, Industrials**

*"Rates, tariffs, current conditions."* **Sell Side, Industrials**

*"There's quite a few uncertainties in terms of the new administration in D.C. about what tariffs might mean, other kind of disruptions with the trade, not just with China, but with the comments on Canada and Mexico as well. I think those are the uncertainties that we need to play out on the Industrial side of the house. Some of those policy implications through the first part of the year are the major concerns."*

**Sell Side, Industrials**

*"Tariffs, Europe slowdown, geopolitical issues."* **Sell Side, Industrials**

*"Increased risk of large drop in oil prices, Trump tariffs, increase in inflation."* **Sell Side, Industrials**

*"Tariffs, inflation, geopolitics."* **Sell Side, Generalist**

## Views from Europe and APAC

*"Trump, tariffs, inflation."* **Buy Side, Industrials**

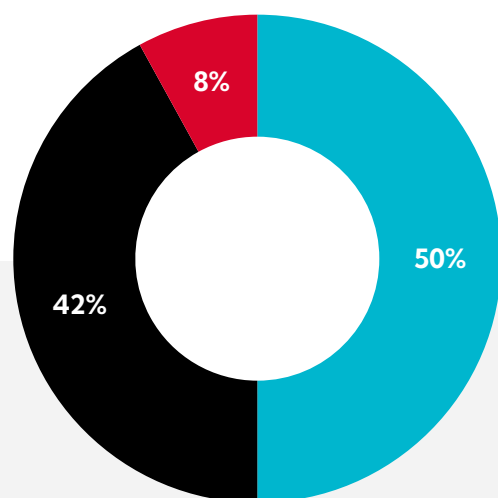
*"Trump, China, war in Ukraine."* **Sell Side, Industrials**

## Post-election Spotlight

Policy uncertainty notwithstanding, more investors believe the Trump presidency will be *conducive* toward the Industrials space; meanwhile, over 70% expect a pickup in orders and capex projects now that the U.S. presidential election is in the rearview

### VIEWS REGARDING THE INCOMING ADMINISTRATION'S IMPACT ON INDUSTRIALS

■ More Conducive ■ Net Neutral ■ Less Conducive



*"Some stuff will hurt near term, but manufacturing and trades seems to be coming back into favor."*

**Sell Side, N. America, Industrials**

*"D.O.G.E., increased tariffs, and higher inflation offset by better business and M&A environment."*

**Buy Side, N. America, Industrials**

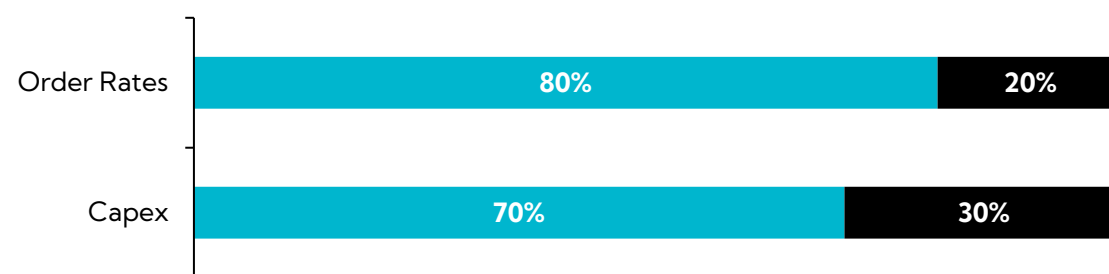
*"More risk than upside, especially if Trump follows through on 25% tariffs from Mexico and Canada."*

**Sell Side, N. America, Industrials**

*"Positive for Oil & Gas, Defense, Resi (i.e., taxes, red tape, rates)."* **Sell Side, N. America, Industrials**

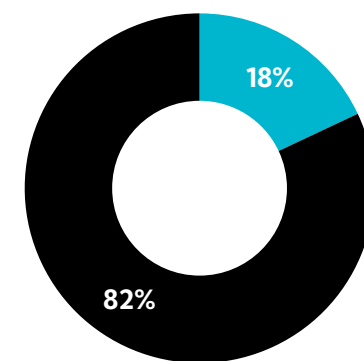
### POST-ELECTION EXPECTATIONS TOWARD ORDERS AND CAPEX

■ Pickup ■ No Pickup



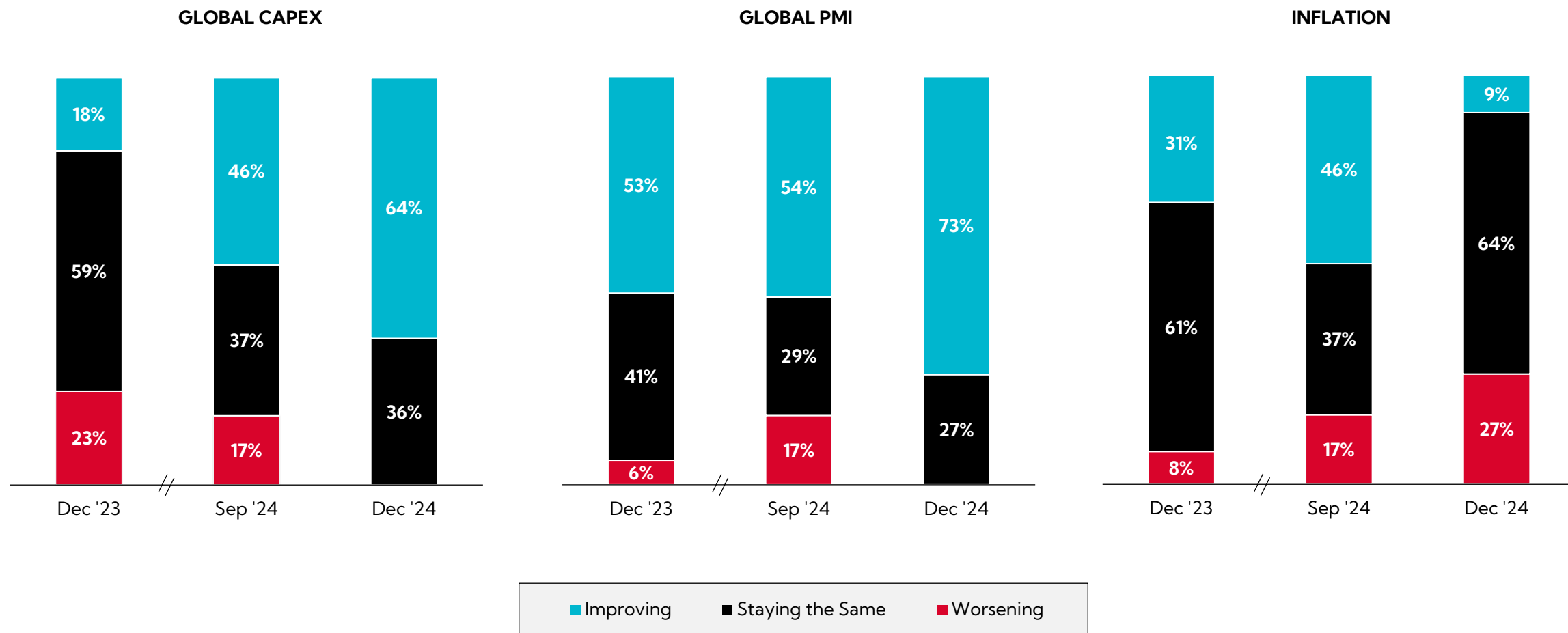
### INVESTOR OBSERVATIONS: STOCKING PULL-FORWARD DUE TO TARIFF CONCERNS

■ Yes ■ No



# Views on Key Economic Indicators Over the Next Six Months

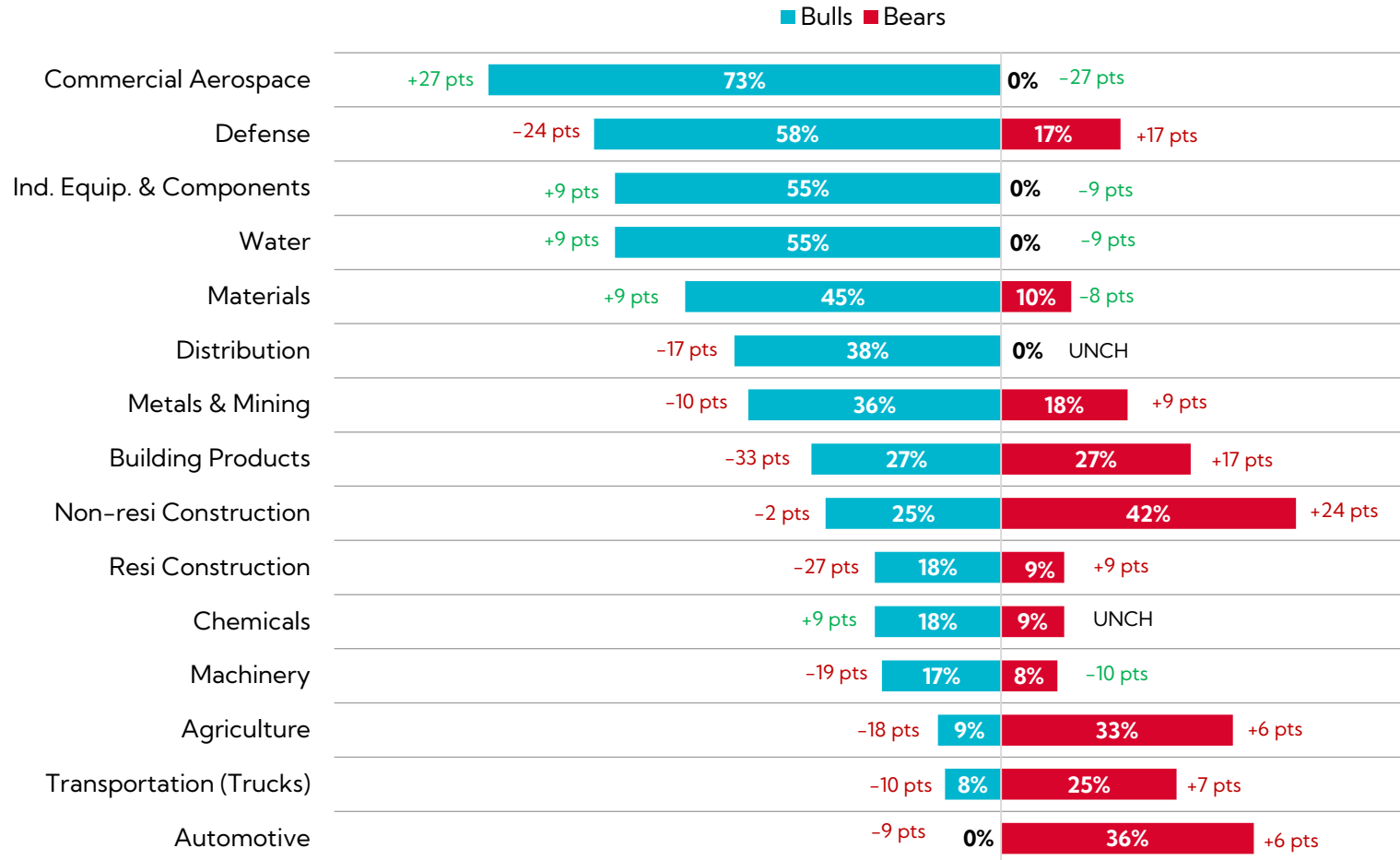
Improving views QoQ for global capex and global PMI, but with increasing apprehension observed toward inflation



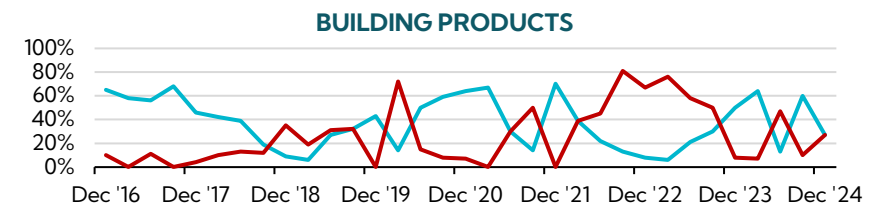
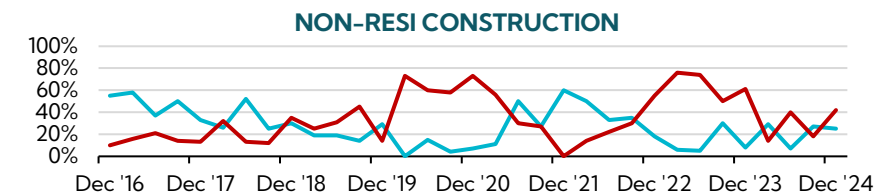
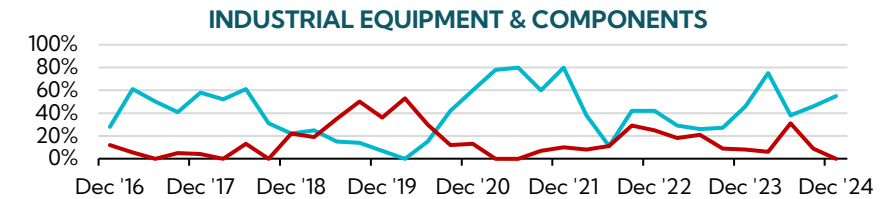
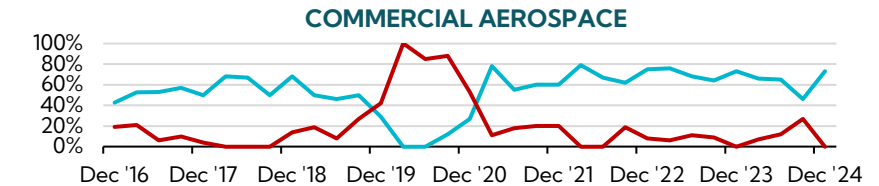
# Commercial Aero Surges to Top the Leaderboard, While Defense, the Reigning Darling, Gets BearDOGE'd; Rate Trajectory Concerns Drive Bears into Non-Resi Const. and Building Products

54% report being *net buyers* of Industrials, while 38% report *holding*, and 8% *net selling*

## BULLS VS BEARS



## LARGEST BULL and BEAR SENTIMENT GAINERS





## Three Trends That Will Shape 2025

1

Expect the Incoming U.S. Presidential Administration to Lean into Non-traditional Forms of Communication; Ensure "X" and "Truth Social" Notifications Are Turned On

2

Anticipate a Surge in Activism; Current Rate Environment and Regulatory Conditions Are Likely to Propel More Deals into the Spotlight, and Portfolio Companies Are Most at Risk

3

Market Psychology is a Powerful Catalyst — 2024 Taught Us a Valuable Lesson: Be Conservative Out of the Gate Amid a Plethora of Unknowns



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