INSIDE THE Buy·Side®

INDUSTRIAL SENTIMENT SURVEY®

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Q1’25

ISSUE: 40
April 17, 2025

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INSIDE THE Buy·Side®

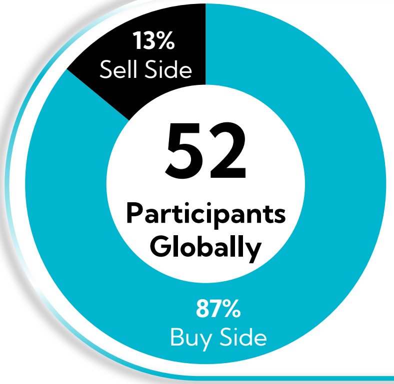
INDUSTRIAL SENTIMENT SURVEY®

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.

Survey Timeframe: March 6 – April 10, 2025

Survey Scope

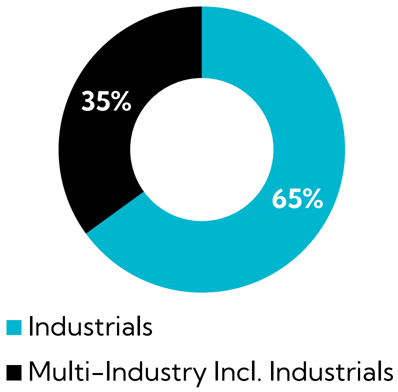


Equity Assets Under Management Total

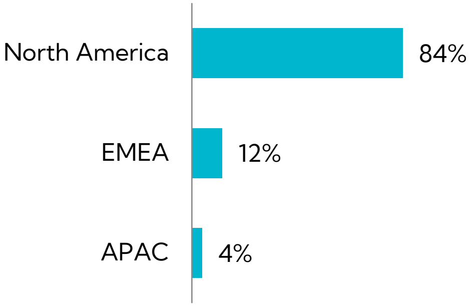
~$5.1 Trillion

With ~$624 Billion Invested in Industrials

BY TYPE



BY REGION



Survey Timeframe: April 3 – April 7, 2025

Tariff Pulse Poll

Following the April 2nd reciprocal tariff announcement from the Trump Administration, we surveyed **additional industrial investors and analysts** to capture real-time views and expectations regarding upcoming earnings communications.

Market Performance[1]	MTD	Q1'25	Q1'24
DJIA	(5.6%)	(1.3%)	5.6%
NASDAQ	(5.7%)	(10.4%)	9.1%
S&P 500	(6.0%)	(4.6%)	10.2%
S&P 500 Industrial	(5.0%)	(1.5%)	10.6%
Russell 2000	(7.4%)	(9.8%)	4.8%

[1] Source: FactSet; MTD as of 4/16/25 Market Close

Tariffs Dominate Industrial Investor Attention for the Second Consecutive Quarter; Uncertainty, Particularly Surrounding Policy, is Pervasive Across Responses

VISUAL REPRESENTATION OF SURVEY COMMENTARY: UNDERLYING SENTIMENT

■ Positive ■ Neutral ■ Negative

Q1'24

Q2'24

Q3'24

Q4'24

Q1'25

Quarterly Ranking (1-30)

Q/Q	Q1'25	Top Mentions
UNCH	1	Tariffs
↑ 14	2	Uncertainty
↑ 13	3	Neutral
↑ 3	4	Demand
↓ 2	5	Interest Rates

Amid Widespread VUCA, Survey Finds Investors Grappling with Tariff Impact and Timing, Suggesting Continued Choppiness and Potential Perception vs. Company Reality Misalignment Ahead

Following Two Quarters of Increasing Optimism, Investor Sentiment and Perceived Executive Tone Roll Over; Despite Heightened Growth Concerns, More Expecting Companies to Maintain Annual Guides

- **44%** of investors characterize sentiment as *Bearish* or *Neutral to Bearish*, up from **9%** last quarter, while those reporting upbeat views decreases to **22%** from **61%**
- Similarly, **35%** describe executive tone as *Bearish* or *Neutral to Bearish*, up from just **6%** QoQ, and **25%** characterize tone as *Neutral to Bullish* or *Bullish*, down from **44%**
- With over **80%** reporting instances of pull-forward demand, few expect Q1 to deliver negative surprises relative to consensus
- All KPIs — Revenue, EPS, Operating Margins, and FCF — see an uptick in those anticipating *Worsening* conditions; however, **40%** anticipate improvement in Revenue amid tariff-induced buying, and **60%** expect stability in Operating Margins
- Despite recognition of intensifying headwinds, more anticipate companies will *Maintain* annual guides; fewer than **15%** expect executives to *Raise* guidance

Preference for Profit Ignites Amid Elusive Growth as Policy Moves Serve Up a Net Negative for the Sector in the Near-Term; Still, More Maintain the View that Industrial Production Will Be Higher YoY

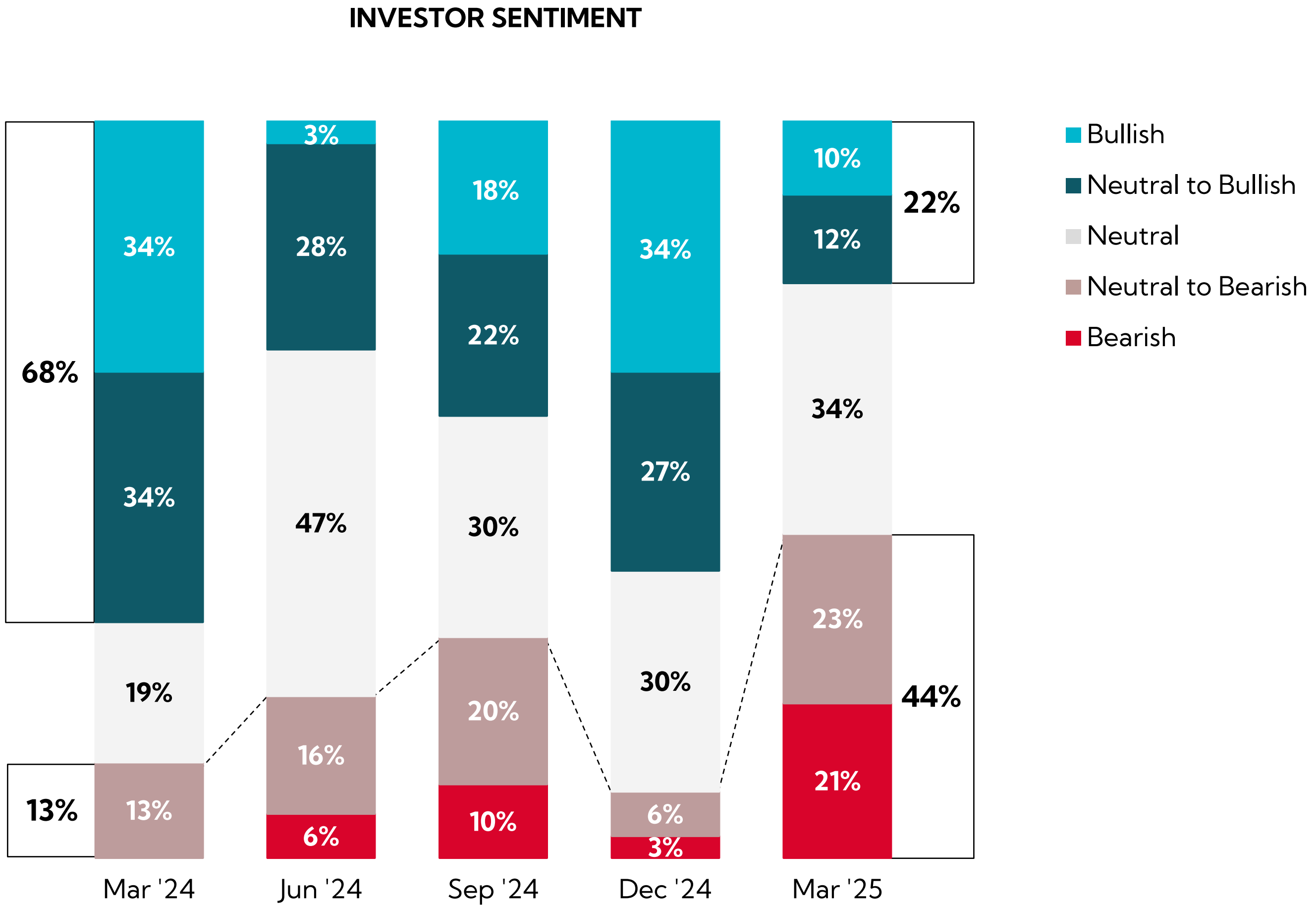
- Investors report prioritizing Margins to Growth, **64%** to **36%**, respectively, the highest disparity observed since tracking began in Dec. '23
  - Calls for *Worsening* Global Capex and Global PMI over the next six months rise sharply to **42%** and **50%**, respectively, up from 0% QoQ
- Views on 2025 Industrial organic growth sour; still more, **46%**, continue to forecast expansion versus **39%** who expect growth to contract YoY
- Tariffs and Policy Uncertainty are among leading concerns this quarter, each increasing in focus by double digits QoQ
- The leading topic to address on upcoming earnings calls is Growth and Demand; respondents are also interested in Policy Impacts, updated Capex and Capital Priorities, and, where appropriate, China

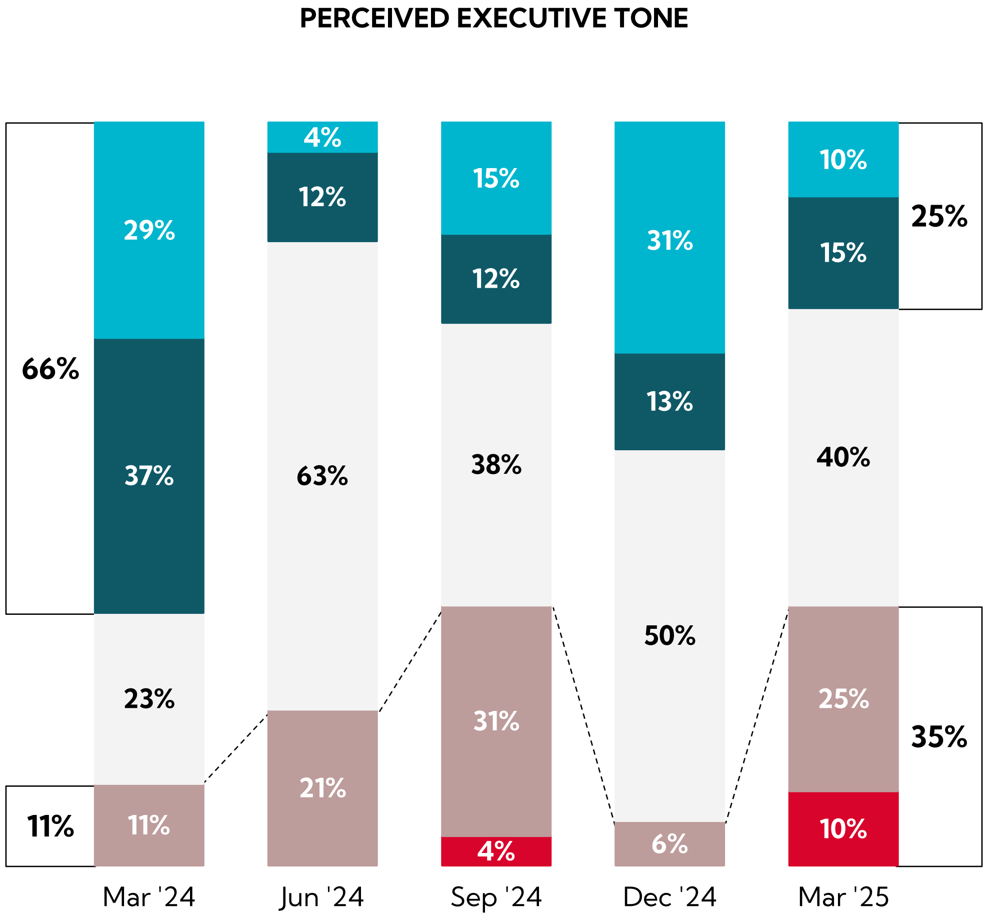
Hunker-Down Mentality Dominates Capital Preferences and Appetite for Yield Increases; Defense Sector Seen as the Surest Bet

- Support for Debt Paydown surges to **69%**, just shy of the 5-year high set in Q1'23 and marking the second-highest QoQ change on record
- Backing for Dividend Growth also climbs, now favored by **31%**, up from 9%
- M&A falls out of favor with bolt-on acquisitions seeing more skepticism QoQ
- Beleaguered **Resi Construction** registers the largest uptick in bullish sentiment, followed by **Defense,** which tops the leader board
- **Auto** and **Non-Resi Construction** left for dead by the bulls and bears rush into **Transportation,** trampling hopes of green shoots last quarter

What a Difference a Year Makes…Industrial Investor Sentiment and Perceived Executive Tone Roll Over after Two Consecutive Quarters of Increasingly Upbeat Views; Most Outright Bears Since Q3'22

77% of investors report the U.S. Administration has *negatively influenced* the Industrials sector





Investor Feedback Underscores Crosscurrents; Some Glimmers of Hope for Prolonged Period of Soft Industrial Production to Reverse but Tariff and Policy Uncertainty Weigh Heavily

Bullish / Neutral to Bullish

"With the reshoring going on, we will start seeing a recovery." **Buy Side, N. America**

"We have a growing global economy. We are going to have to rebuild Ukraine and rearm Europe. We will bring some manufacturing capacity back to the U.S., which should drive some more industrial capex spend. I am positively inclined from a fundamental standpoint." **Buy Side, N. America**

"These days, it is tough to be bullish, but my market sentiment is bullish, anyhow. It is interesting that we have started to see the 10-year tick down. It went from the 10-year being too high because we had a huge deficit, everyone was worried about the rollover of $10T of government debt, interest rates, and everything else, to all of a sudden, the rates start coming down and everyone is worried about a growth scare, going into a recession, and tariffs. There are many crosscurrents. People say it is an uncertain market. Show me when it was certain. It has never been certain, but it feels like it is not shades of gray; there is a lot of black and white. It could go either way depending on how these things play out. I am positive. We have been through a long downturn in the industrial economy, so hopefully we start to see things turn up if rates come down. I am a believer in what they are doing to cut the deficit; some people think it is meaningless, but I do not." **Sell Side, N. America**

Neutral

"Most of the business models are great quality, but demand is somewhat weak, generally. Broadly weak macroeconomics are driving the weaker demand. China and Europe are somewhat weaker than North America, but a lot of sectors, like the machinery sector, are in a tough spot. The auto space is rough." **Buy Side, N. America**

"There is a lot of policy uncertainty offset by several years of already mixed demand trends that eventually should reverse. You have potentially lower interest rates and some markets rebounding off multi-year soft patches but offset by a high degree of policy uncertainty." **Buy Side, N. America**

"The longer period of soft industrial production might be nearing an end, but a lot of moving parts related to trade, macro, and regulations could be a headwind or tailwind." **Buy Side, N. America**

Neutral to Bearish / Bearish

"The entire sector is going to be more impacted by the top-down tariffs, rates, and Trump administration's negative headlines than any other sector. Valuations have gone up, so I am not seeing as many attractive valuation stories. When you think through the fundamentals, a lot of these companies have been growth-starved for a couple years and it specifically looks like we are maybe coming to the other side of that, which is potentially interesting." **Buy Side, N. America**

"Policy uncertainty + recent consumer-related weakness (e.g., airlines, MMM, STR travel data)." **Buy Side, N. America**

"My near-term sentiment is being influenced by the sentiment on tariffs. We are in a territory where most industrials could be impacted by that. It still seems like we are in wait-and-see mode on general interest rates and inflation." **Buy Side, N. America**

"Instability / uncertainty in world regarding governance, peace, relationships, and the like. Potential near-term impact of U.S. foreign and domestic policies." **Buy Side, N. America**

"The core fundamentals are improving and a little more exciting, but the geopolitical noise is increasing with tariffs, etc. It is a little more uncertain as to actual fundamentals in terms of net-positive revisions to earnings." **Buy Side, N. America**

"Policy uncertainty with tariffs. I am optimistic longer term with the DOGE cuts, etc. In the near term, I am more neutral because of the uncertainty of how we get there." **Buy Side, N. America**

"Haphazard, irrational economic policies, dismantling of the federal government, heightened global political tensions." **Buy Side, N. America**

"My near-term sentiment is neutral to slightly bearish based on all the uncertainty around government policy." **Buy Side, N. America**

"Unnecessary tariffs and trade wars." **Buy Side, N. America**

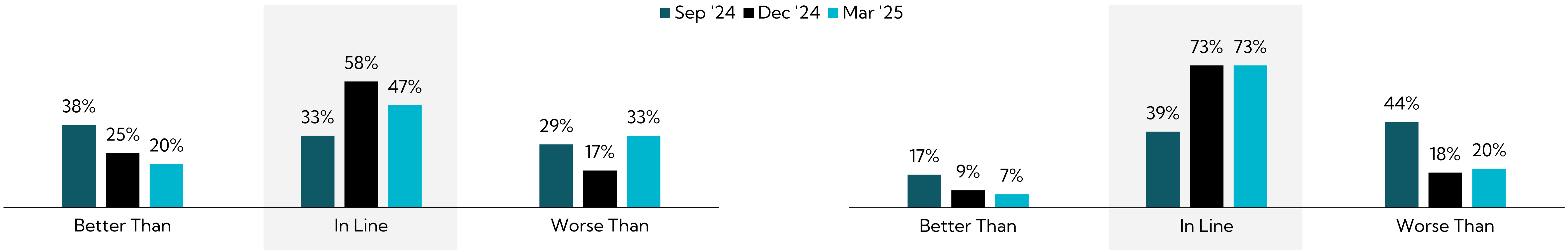
"My near-term sentiment toward the industrial space is negative, especially anything that is particularly cyclical given the uncertainty and increasing concern that there could be an economic slowdown that could possibly turn into a recession. In that sense, industrials that are more economically sensitive are going to be negatively impacted." **Buy Side, N. America**

Q1 Expected to Be an In-Line Quarter while Future Earnings Risk and Uncertainty Seeps into Investor Mindset, Pushing Expectations Lower

Investors are evenly divided with regard to YoY expectations, with one-third each anticipating *higher, lower,* or *in line* performances

Q1'25 EARNINGS EXPECTATIONS

VS. PRIOR QUARTER | **VS. CONSENSUS**



Commentary

"Earnings could be okay, but it is guidance that seems to be moving the stocks right now." **Buy Side, N. America, Industrials**

"Pricing producing limited gains." **Buy Side, N. America, Industrials**

"Beat-and-raise days seem to be gone." **Buy Side, N. America, Industrials**

"Sentiment changed meaningfully at the end of March." **Buy Side, N. America , Industrials**

"Obviously, the Trump Administration policy uncertainty is weighing on activity. We had expected that post-election, with certainty and as the Fed embarked on rate cuts, there would be more project activity, which would strengthen demand. It has not turned out to be the case. Until some of this uncertainty around policy, including tariffs, abates, it is a murky outlook given the earnings growth profile and the number of the industrial companies in flux now depending on where tariffs land and demand shakes out from the macro and GDP standpoint. It is tougher to get a read on where earnings growth is going given the volatile landscape." **Buy Side, N. America, Industrials**

"We are seeing some mixed data points come out in terms of the health of the industrial economy and environment. There is some risk to the numbers having to come down." **Buy Side, N. America, Generalist**

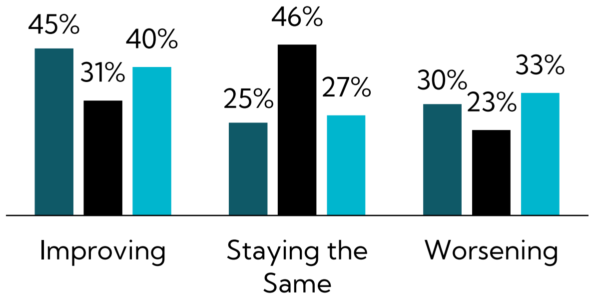
"Inflation driving up rates and decreasing LT investment & valuations." **Buy Side, N. America, Generalist**

Across All KPIs, Uptick Registered for Those Expecting Worsening Conditions; Most Expect Annual Guides to Be *Maintained*

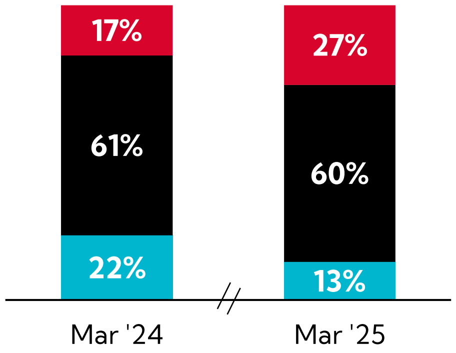
Amid tariff actions, 82% note evidence of pull-forward purchasing, supporting views that revenue will see a boost; more expect companies to *lower* annual guides relative to this time last year

REVENUE

Q1'25 SEQ. PERFORMANCE EXPECTATIONS

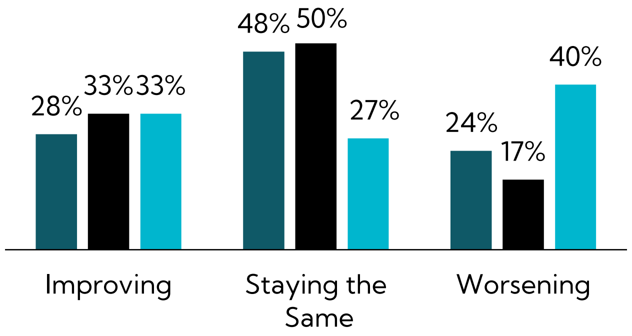


2025 GUIDANCE EXPECTATIONS

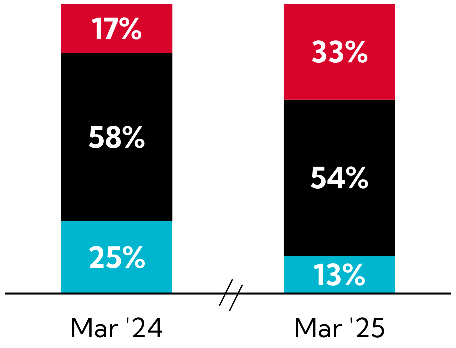


EPS

Q1'25 SEQ. PERFORMANCE EXPECTATIONS



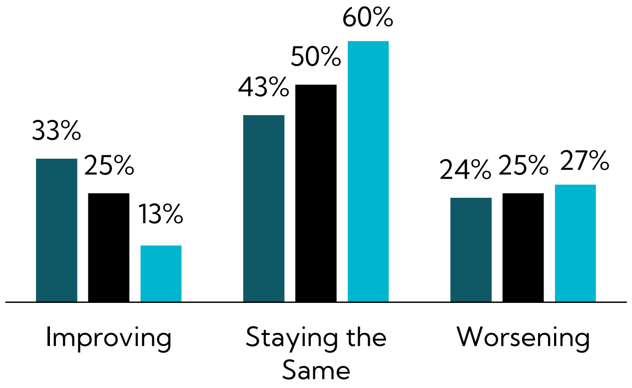
2025 GUIDANCE EXPECTATIONS



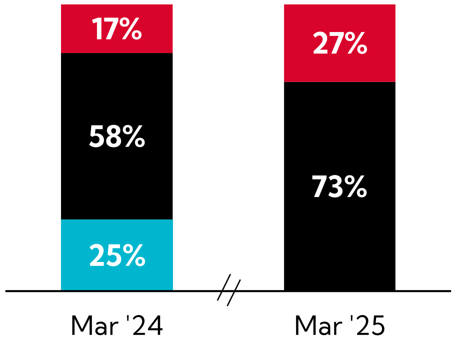
■ Sep '24 ■ Dec '24 ■ Mar '25 ■ Raise ■ Maintain ■ Lower

OPERATING MARGINS

Q1'25 SEQ. PERFORMANCE EXPECTATIONS

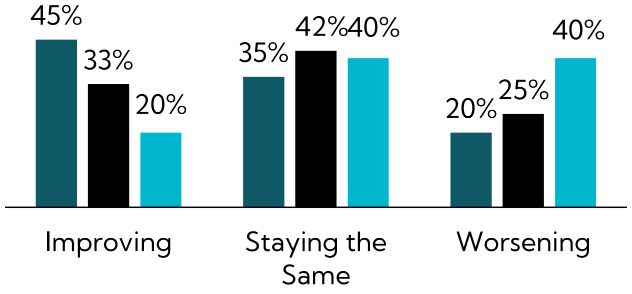


2025 GUIDANCE EXPECTATIONS

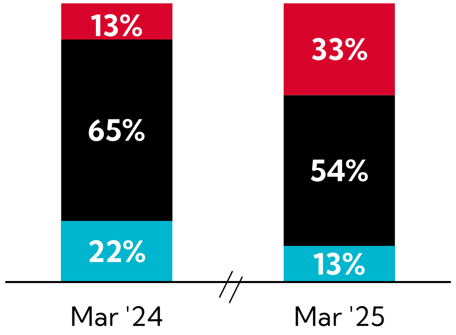


FCF

Q1'25 SEQ. PERFORMANCE EXPECTATIONS



2025 GUIDANCE EXPECTATIONS



Majority of survey responses captured prior to April 2nd reciprocal tariff announcement

Tariff Spotlight: Shifts in Earnings Outlooks

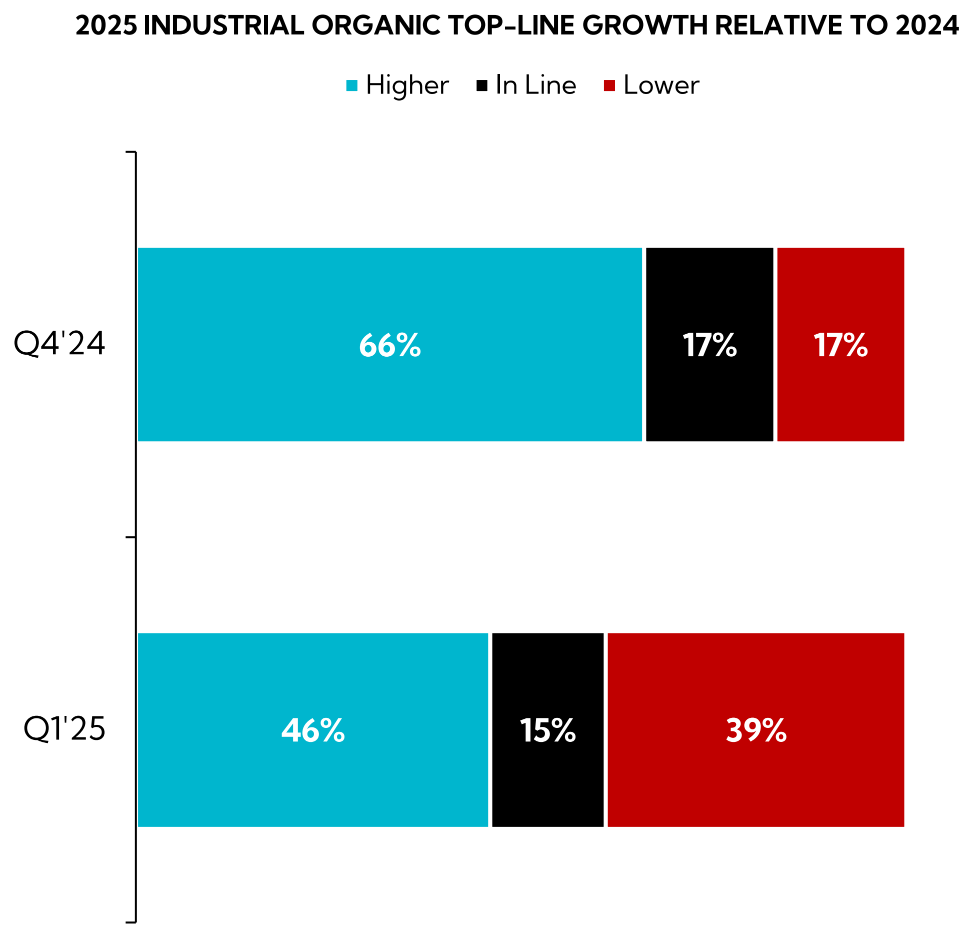
Majority polled since the April 2nd reciprocal tariff announcement anticipate a *modest* — rather than *meaningful* — downside impact to earnings

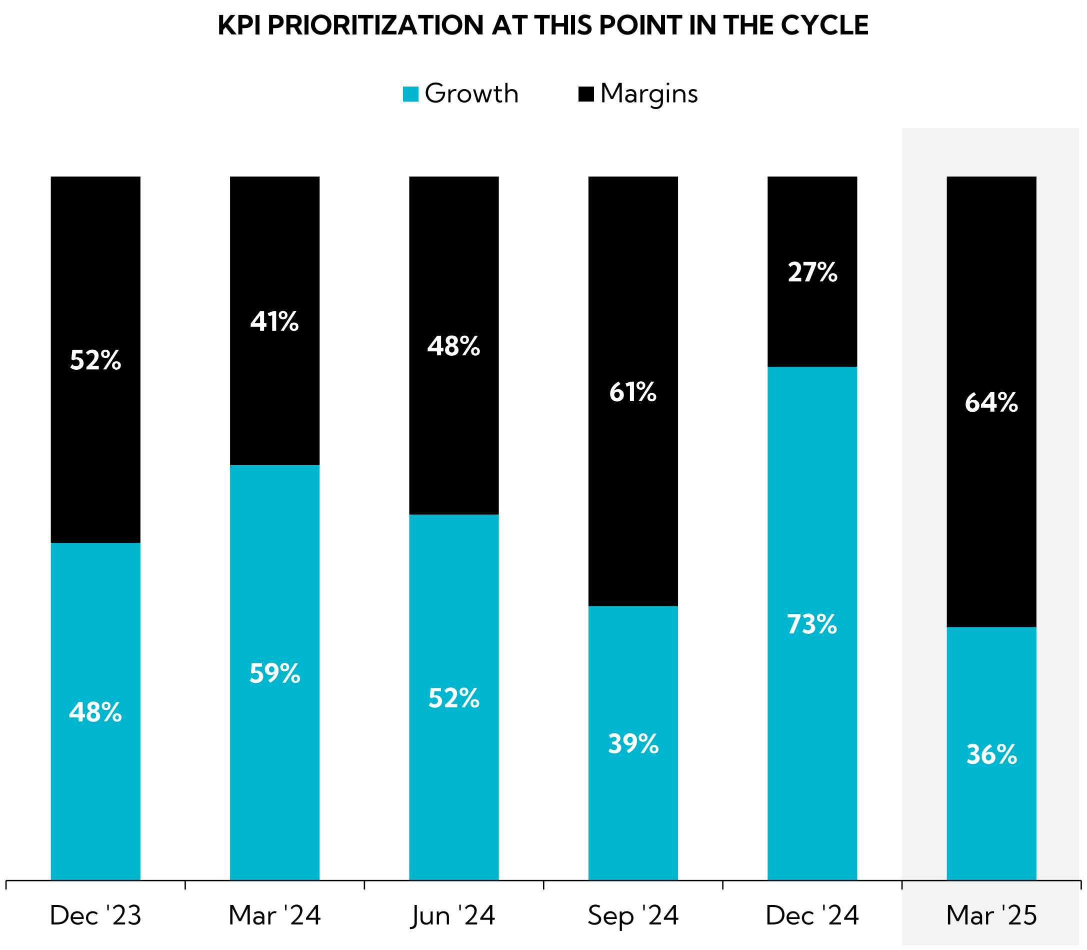
SHIFTS IN 2025 EARNINGS OUTLOOKS FOLLOWING THE APRIL 2ND RECIPROCAL TARIFF ANNOUNCEMENT[1]

- 50% — I expect **modest** downside to earnings, but limited to select sectors with high import exposure
- 25% — I now expect a **meaningful** downgrade to earnings forecasts across most sectors
- 13% — I see elevated risk and will be closely watching company commentary
- 13% — Too early to say – I need more clarity from companies before adjusting expectations
- 0% — I believe companies will offset most of the impact through pricing or other mitigation strategies

Those Expecting *Higher* 2025 Industrial Organic Growth Relative to 2024 Shrinks Double-Digits; At Nearly 2:1, Investors Indicate Margins are a Priority Over Growth

33% expect industrial order rates to inflect positively in Q4’25, though 25% point to 2026 — a stark contrast to last quarter when 80% expected a positive inflection post-U.S. election





Topics of Interest and Concerns for Upcoming Earnings Calls

Investors focus on tariffs and growth amid double-digit increases in policy uncertainty and economic slowdown concerns

Topics to Address on Earnings Calls

Unaided, (QoQ)

87%	**Growth, Demand, Orders** (–13%)
86%	**Tariffs** (+59%)
38%	**Policy Impacts, Uncertainty** (–6%)
34%	**Capex, Capital Priorities** (+18%)
21%	**Margins** (+3%)
14%	**China** (+7%)

"Tariff impact / local manufacturing footprints, any visibility in China, potential for Europe to accelerate growth in the next few years." **Buy Side, N. America, Industrials**

"Impact of foreign policy, focus on reduction of debt, more efficient use of dollars." **Buy Side, N. America, Industrials**

"Tariff impacts, demand outlook, pricing strategy." **Buy Side, N. America, Industrials**

"Tariff impact on margins, tariff impact on overall demand, competitive positioning as it relates to tariffs." **Buy Side, N. America, Industrials**

"Tariffs, DOGE, orders." **Buy Side, N. America, Industrials**

"Tariffs, global uncertainty, capex plans." **Buy Side, N. America, Industrials**

"Order book, margins, sentiment." **Buy Side, Europe, Generalist**

"Activity level and visibility, tariff mitigation strategy, FCF." **Buy Side, Europe, Generalist**

"Demand in the U.S., demand in Europe, demand in China." **Sell Side, Europe, Industrials**

Top Concerns from Around the Globe

Unaided, (QoQ)

76%	**Tariffs** (+43%)
59%	**Policy Uncertainty** (+19%)
34%	**Inflation** (+3%)
30%	**Economic Slowdown** (+17%)
25%	**Monetary Policy** (+13%)
18%	**Growth, Demand** (–20%)

"Tariffs, interest rates, U.S. slowdown." **Buy Side, N. America, Industrials**

"Tariffs, rates, Trump administration's negative headlines." **Buy Side, N. America, Industrials**

"Tariffs, consumer weakness, high rates." **Buy Side, N. America, Industrials**

"Tariffs, weakening demand, U.S. political instability." **Buy Side, N. America, Industrials**

"Uncertainty, ill-considered policies, trade / growth, a recession." **Buy Side, N. America, Generalist**

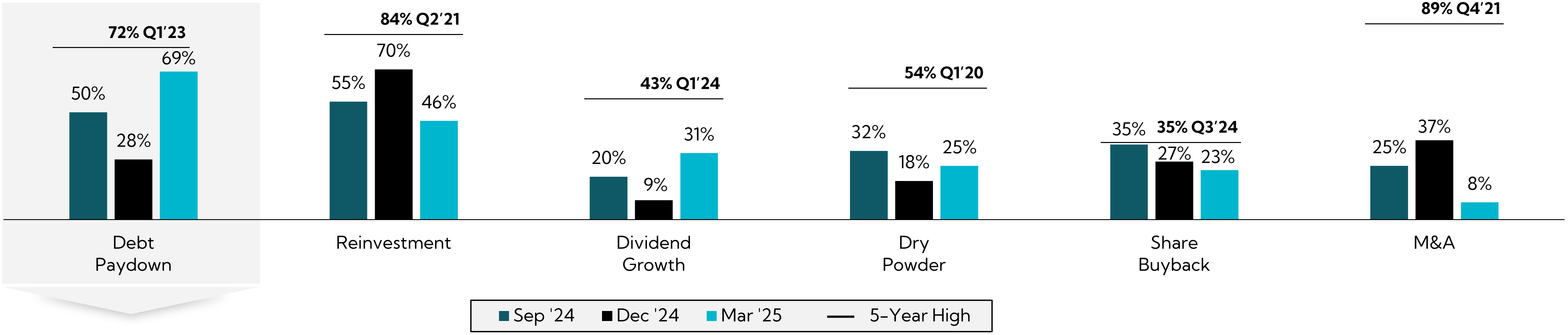
"Tariffs, inflation, margins." **Buy Side, Europe, Generalist**

"U.S. recession, rising inflation, tariffs." **Buy Side, Europe, Generalist**

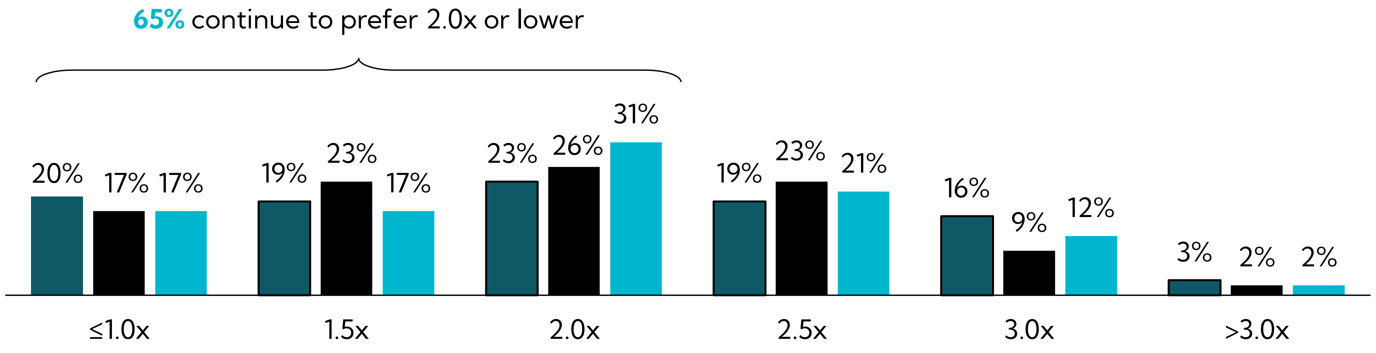
"Global trade, U.S. inflation, growth potential." **Buy Side, Europe, Generalist**

Preference for Debt Paydown Skyrockets Amid Renewed Recessionary Concerns; Reinvestment Remains a Top Priority, while Yield Gains Traction Amid Depressed Valuations

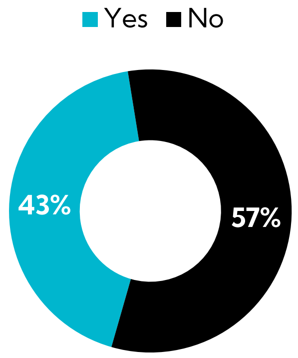
PREFERRED USES OF CASH
In Descending Order of Top Two Preferences



THRESHOLDS FOR IDEAL NET DEBT-TO-EBITDA



OBSERVATIONS OF COMPANIES INCREASING GROWTH CAPEX

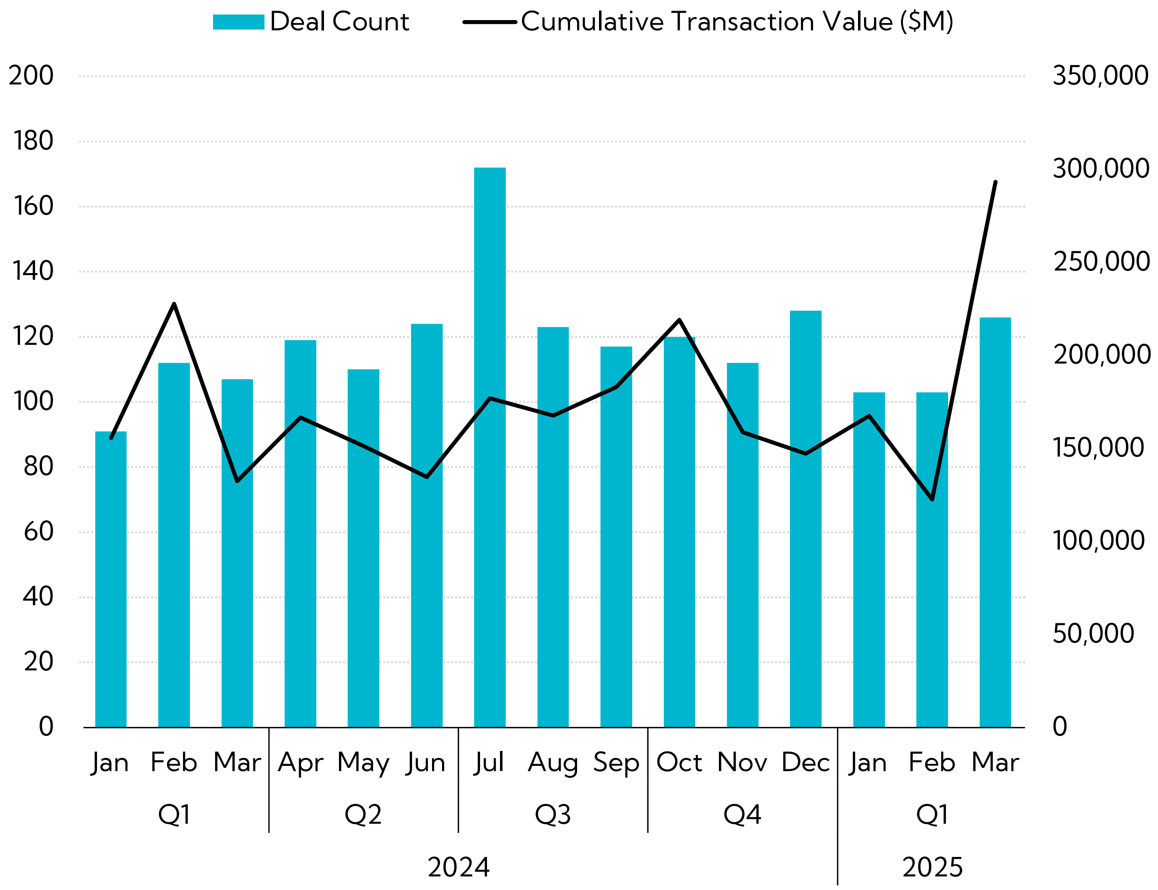


M&A SPOTLIGHT

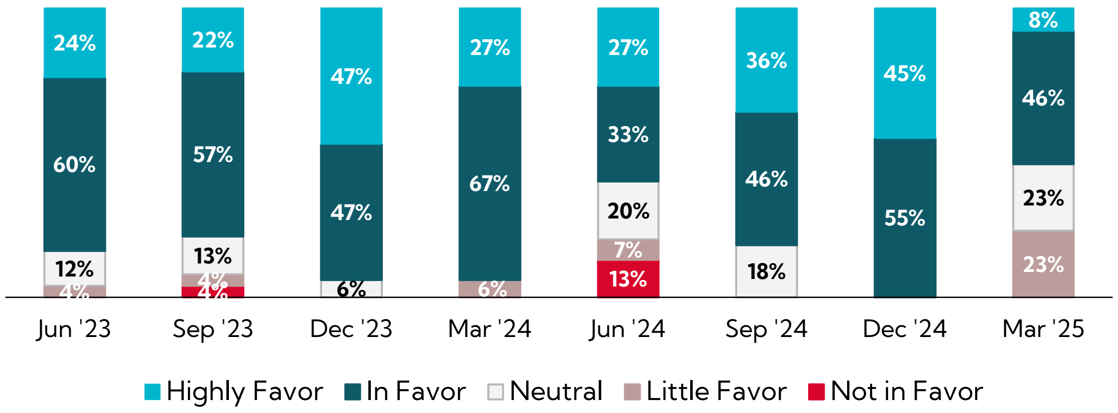
Ubiquitous Support for Bolt-on Acquisitions Captured Last Quarter Sees Cracks and Transformational Deals Get Their Fair Share of the Roman Thumb Down

March 2025 saw several mega-deals announced, while volumes rose 22% QoQ and 18% YoY across North America and Europe

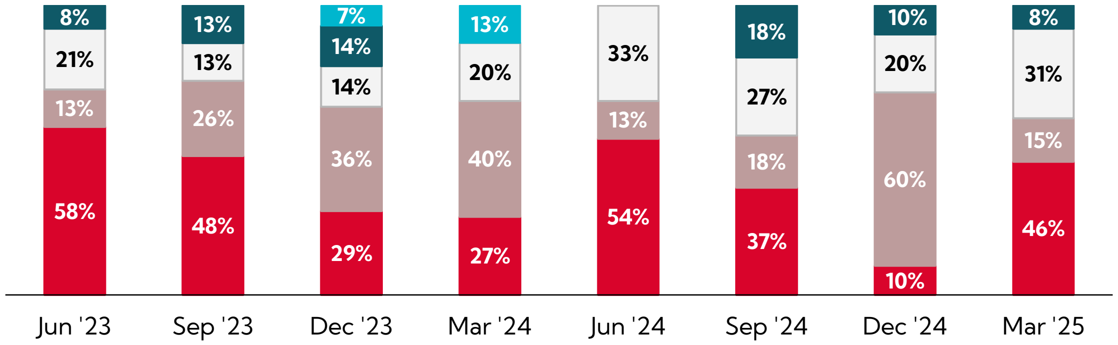
NORTH AMERICA AND EUROPE M&A ACTIVITY[1]



BOLT-ON ACQUISITIONS



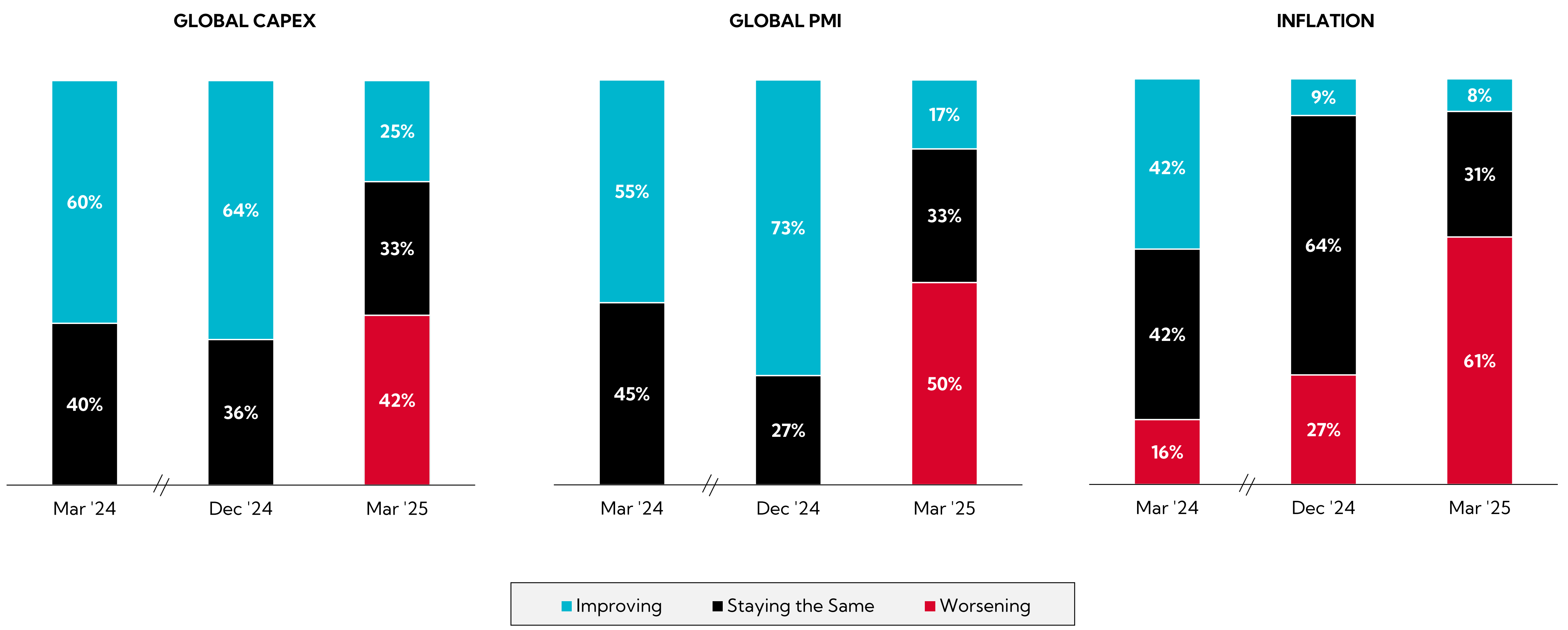
LARGE/TRANSFORMATIONAL ACQUISITIONS



[1] Source: FactSet

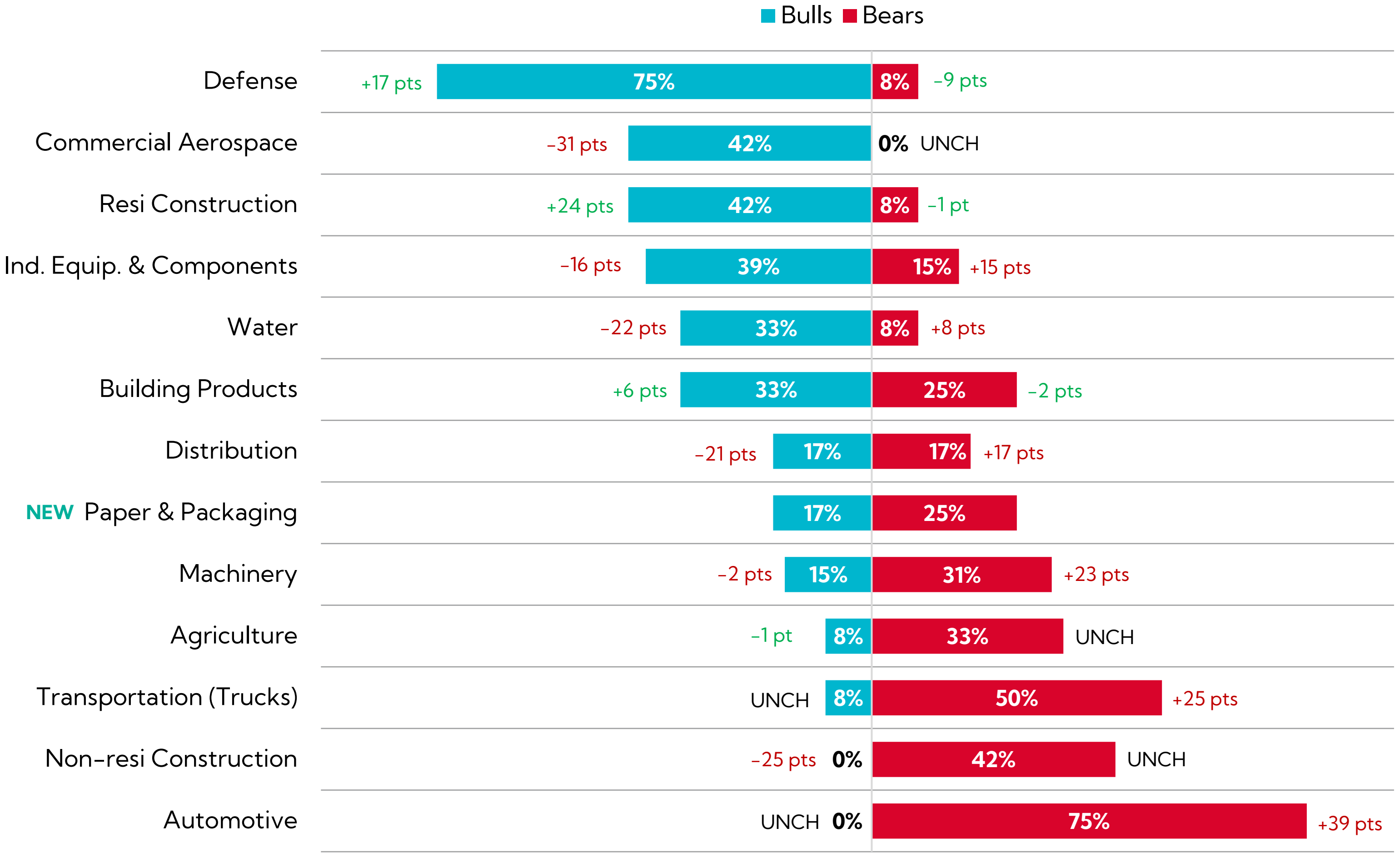
Views on Key Economic Indicators Over the Next Six Months

Worsening views observed QoQ and YoY for global capex, global PMI, and inflation



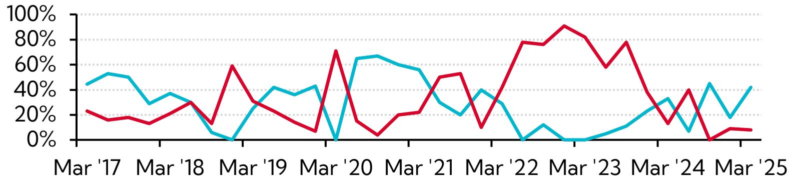
Defense and Resi Construction Surge to the Top of the Leaderboard, While Automotive and Transportation Experience Double-Digit Influxes in Bears

BULLS VS BEARS

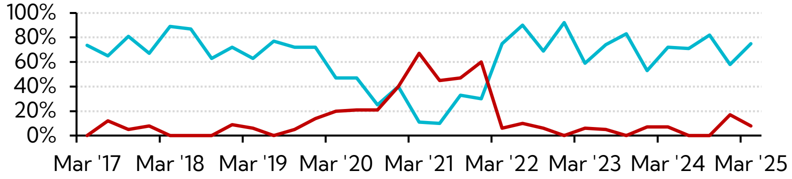


LARGEST BULL and BEAR SENTIMENT GAINERS

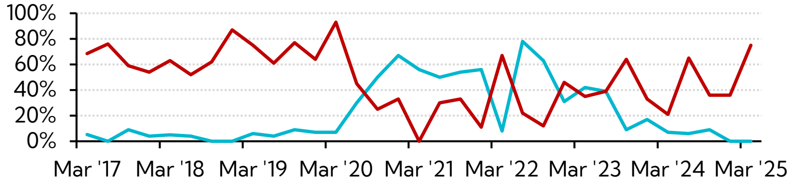
RESI CONSTRUCTION



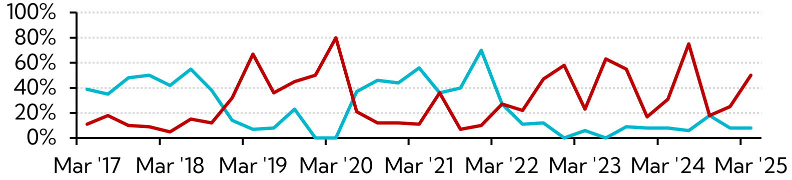
DEFENSE



AUTOMOTIVE



TRANSPORTATION (TRUCKS)



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