



Thought Leadership: Closing the Quarter — Q1'25

May 16, 2025

This week we're Closing the Quarter and will take off next Friday to enjoy a respite from one of the most intense earnings periods we've experienced – it will be good to recharge over the Memorial Day weekend.

In today's Thought Leadership, we'll be covering:

- **Key Events** this week
- **Closing the Quarter Summary** — Q1'25 earnings performance, guidance moves and consensus shifts, tariff communication strategies, and capital allocation

Key Events this Week

Geopolitics / Trade Negotiations

- **U.S. and China officials met in Geneva over the weekend for their first official trade negotiations** since the Trump Administration's April reciprocal tariff announcements. **In a surprise move, the two countries agreed to a 90-day pause, signaling a major de-escalation in trade tensions.** For the next 90 day, the U.S. rate on Chinese imports will be lowered from 145% to 30% (representing the broad-based 10% tariff rate plus the 20% related to fentanyl), while China tariffs on U.S. goods will come down from 125% to 10%. *(Source: WSJ, CNBC)*
- **Russia and Ukraine held their first direct talks since the war began in February 2022,** with delegates from both countries **meeting in Istanbul, Turkey on Friday.** However, **neither Ukrainian President Volodymyr Zelensky or Russian President Vladimir Putin were present,** and reports suggest **talks were short-lived and yielded little progress in peace negotiations,** though the two sides did agree to a prisoner swap. *(Source: CNN, NY Times, Reuters)*

Inflation

- **The U.S. consumer price index rose a seasonally adjusted 0.2% MoM in April,** a touch below Reuters consensus for a 0.3% increase. **The annualized rate of headline inflation cooled to 2.3% from 2.4% in the prior month,** the lowest level since February 2021. **Core CPI (excluding food and energy) also rose 0.2% MoM,** a touch cooler than 0.3% consensus, leaving the annual rate unchanged at 2.8%. *(Source: Labor Department)*
- **The U.S. producer prices index unexpectedly fell in April** as the cost of services declined by the most since 2009, impacted by waning demand for air travel and hotel accommodations. **PPI dropped 0.5% MoM, compared with consensus estimates for a 0.2% monthly increase,** bringing the annual increase to 2.4% after hitting 3.4% in March. *(Source: Labor Department)*

Retail Sales

- **U.S. retail sales rose a modest 0.1% MoM in April,** in line with consensus but down markedly from the upwardly revised 1.7% rise in March, as the front-loading of motor vehicle purchases ahead of tariffs faded and consumers pulled back on spending elsewhere. **Control group sales,** which strips out volatile segments and feeds into GDP, **posted an unexpected decline,** falling 0.2% MoM. *(Source: Commerce Department)*

Labor Market

- **U.S. initial jobless claims held steady at 229,000 last week**, matching consensus estimates. **Continuing claims for people receiving benefits increased 9,000** to a seasonally adjusted 1.88M for the week ended May 3, though the prior week's reading was revised down by 7,000. *(Source: Labor Department)*

Business & Consumer Sentiment

- **The NFIB small business optimism index fell 1.6 points in April to 95.8**, marking the fourth straight month of declines and the second consecutive month below the 51-year average of 98.0. *(Source: National Federation of Independent Business)*
- **Consumer sentiment continued to worsen in recent weeks according to the latest University of Michigan survey.** The preliminary May results show **the consumer sentiment index fell to 50.8 from April's final reading of 52.2**. Sentiment is now down almost 30% since January 2025. **Inflation expectations also moved higher**, with the year-ahead outlook rising to 7.3% from 6.5% last month, while long-term inflation expectations ticked up to 4.6% from 4.4%. *(Source: University of Michigan)*

Closing the Quarter Summary

Heading into earnings season, our [Q1'25 Inside The Buy-Side® Earnings Primer®](#) survey, published April 10, revealed a sharp reversal in optimism with both investor sentiment and perceived executive tone exhibiting 40%+ pullbacks QoQ, the largest on record, driven by tariff concerns, policy uncertainty, and deteriorating growth forecasts. To that end, the survey found nearly two-thirds expected 2025 U.S. GDP to come in below 2024 levels, with nearly 6 in 10 bracing for a recession, a sharp increase from 22% in the prior quarter. Tariffs, along with growth and demand trends, were identified as the primary focus areas for upcoming earnings calls, followed by margins. Regarding guidance expectations, while more anticipated companies to maintain 2025 outlooks prior to the April 2 reciprocal tariff announcement, our post-announcement pulse poll showed 57% expecting a meaningful downgrade to earnings forecasts for most sectors, while 77% encouraged companies to include the tariff impacts in guidance updates.

With Q1'25 earnings largely in the books, we "Close the Quarter" with some notable themes:

1. [Earnings Performance: Q1 Earnings Prints Surprised to the Upside, But with Marked Deceleration Forecasted Ahead; Revenue Beats Settled Below the 5-Year Average](#)

Overall, Q1 prints have fared better than expected, particularly on the bottom line, but with decelerating expectations ahead.

With over 90% of S&P 500 companies reporting earnings to date, the Index is reporting YoY blended¹ earnings growth of 14.1%, nearly 2% above the estimated rate in January and up

¹ Combines actual reported results for companies and estimated results for companies yet to report

more than 6 points since the start of April. Notably, 76% reported a positive EPS surprise, just below the 5-year average of 77%.

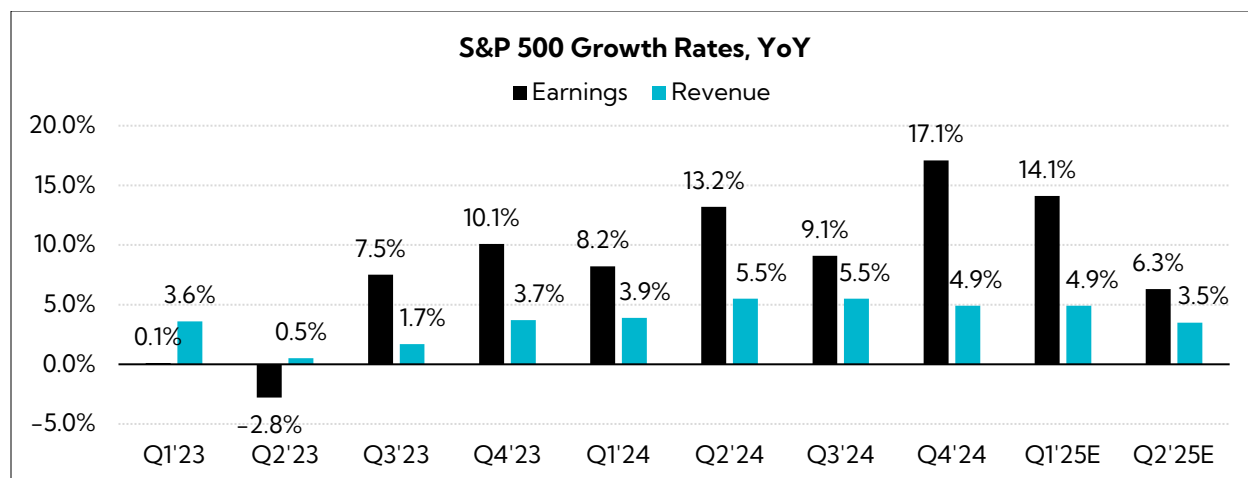
However, while S&P 500 earnings have outpaced initial expectations in aggregate, Q2'25 estimates have seen a meaningful pullback. As of today, Q2'25 YoY blended earnings growth is expected to be just 6.3%, a marked stepdown from the 12.0% expected in January. Of note, Energy, Materials, Consumer Discretionary, and Industrials have seen the most dramatic downward revisions for Q2, while estimates for Communications, Tech, Financials, REITs, and Utilities have held up relatively well.

S&P 500 Blended Earnings Growth, YoY²

Sectors (A-Z)	Q1'25	Q2'25		
	As of Today	As of Today	As of 4/1/25	As of 1/1/25
Cons. Disc.	9.5%	-3.2%	3.7%	7.3%
Cons. Staples	-5.6%	-1.6%	1.7%	5.2%
Energy	-16.6%	-22.0%	-7.6%	-4.6%
Financials	7.0%	1.9%	5.1%	3.2%
Healthcare	46.2%	6.7%	10.6%	13.2%
Industrials	10.4%	2.9%	8.6%	13.6%
Materials	1.0%	-3.9%	1.8%	10.0%
REITs	-6.6%	2.5%	2.3%	5.2%
Tech	19.1%	17.5%	19.1%	20.7%
Communications	31.0%	31.3%	31.9%	33.4%
Utilities	4.6%	0.9%	2.8%	1.9%
Average	14.1%	6.3%	10.2%	12.0%

As for revenue, 62% reported positive top-line surprises, below the 5-year average of 69%, with prints 1.0% above consensus estimates, also below the 5-year average of 2.1%. Looking ahead, Q2'25 S&P 500 estimates are calling for 3.5% top-line growth, down notably from the Q1'25 blended rate of 4.9%.

² Source: LSEG I/B/E/S (Formerly Refinitiv)



(source: LSEG I/B/E/S)

2. **Guidance Moves and Consensus Shifts: Companies Take a Conservative Stance with a Majority Maintaining 2025 Guides for Revenue and EPS; Tech, Communications, and Healthcare Stands Out as the Only Sectors to See More Increases than Decreases Across Revenue and EPS Consensus Estimates, While 6 of 11 Sectors Saw More Decreases for Both Metrics**

Guidance Moves

We analyzed annual revenue and EPS guidance trends across the S&P 500.³ Below are our findings.⁴

Overall, annual revenue and EPS guides reflect a conservative stance toward the year ahead amid more pronounced macro uncertainty; while just over one-third (36%) of companies *Raised* guidance, 55% *Maintained*, the highest rate observed for a Q1 reporting season going back to 2017. EPS also saw the majority of companies *Maintain*, with nearly two-thirds holding guides steady.

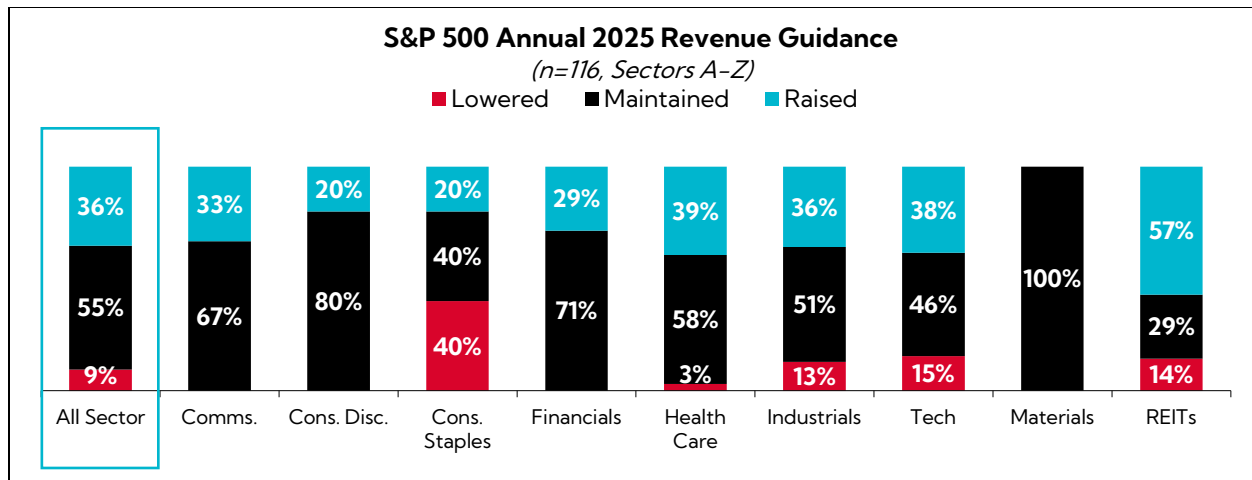
Revenue

The majority of companies, 55%, *Maintained* the midpoint relative to last quarter, while 36% *Raised*, and 9% *Lowered*, average spreads were maintained with a range of 2.5%

- 88% of companies expect full-year 2025 results to be above 2024 actuals
- 45% of companies are forecasting annual Revenue guides above consensus

³ As of 5/13/2025

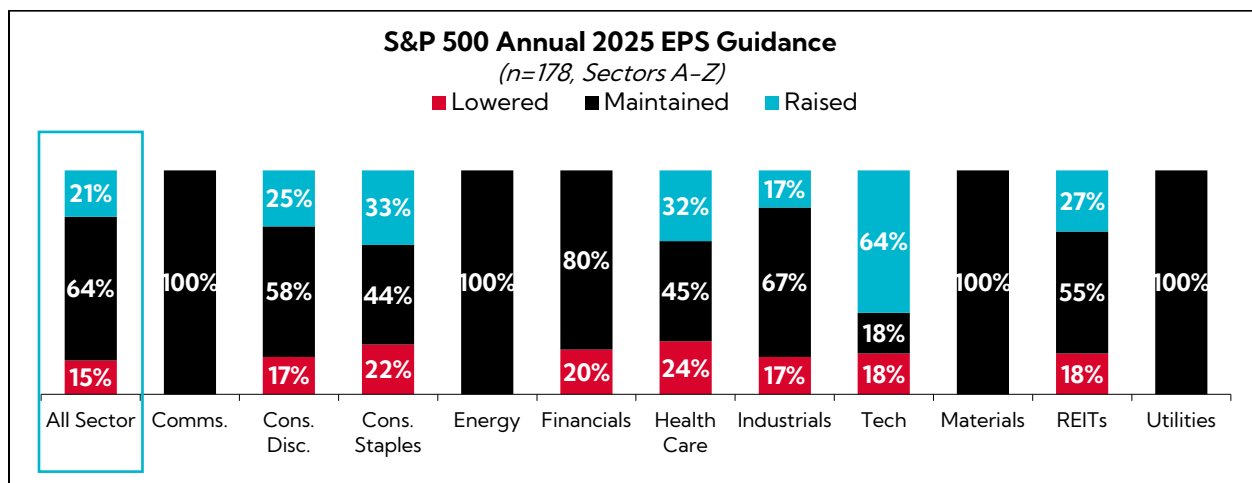
⁴ Based on company guidance provided at the time of publication; total number of companies differ across revenue and EPS



EPS

The majority of companies, 64%, **Maintained** the midpoint relative to last quarter, while 21% **Raised** and 15% **Lowered**, average EPS spreads increased slightly from \$0.33 to \$0.34 on EPS of \$8.41 to \$8.75

- 82% of companies expect full-year 2025 results to be above 2024 actuals
- 57% of companies are forecasting annual EPS guides above consensus
 - Among the 21% that raised EPS guidance, Tech stands out for its large share of increases (64%)



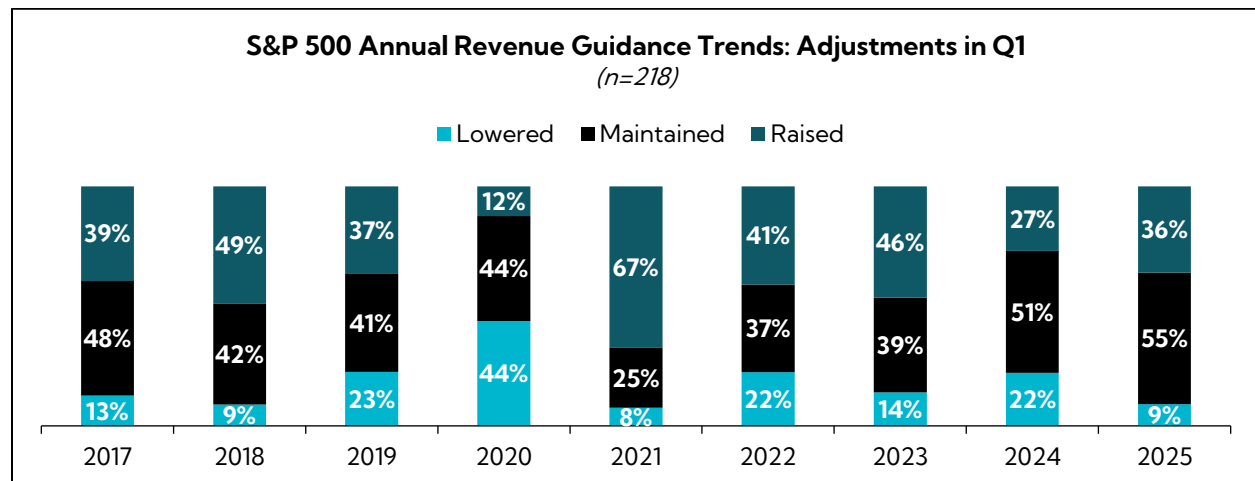
Historical Adjustments to Annual Guidance in Q1

Looking at historical trends for first quarter reporting season across the S&P 500, Q1'25 stands out for the relatively cautious approach companies are taking versus years past. Fewer companies are raising revenue or EPS guidance, particularly EPS, with more opting to maintain guidance amid the step-up in uncertainty.

In addition, EPS guidance has been lowered by more companies than in either of the prior two years, underscoring the impacts of tariffs on the bottom line. All told, companies are largely taking a wait-and-see approach this quarter amid hopes for greater clarity on trade policy and the broader economic environment in the months ahead.

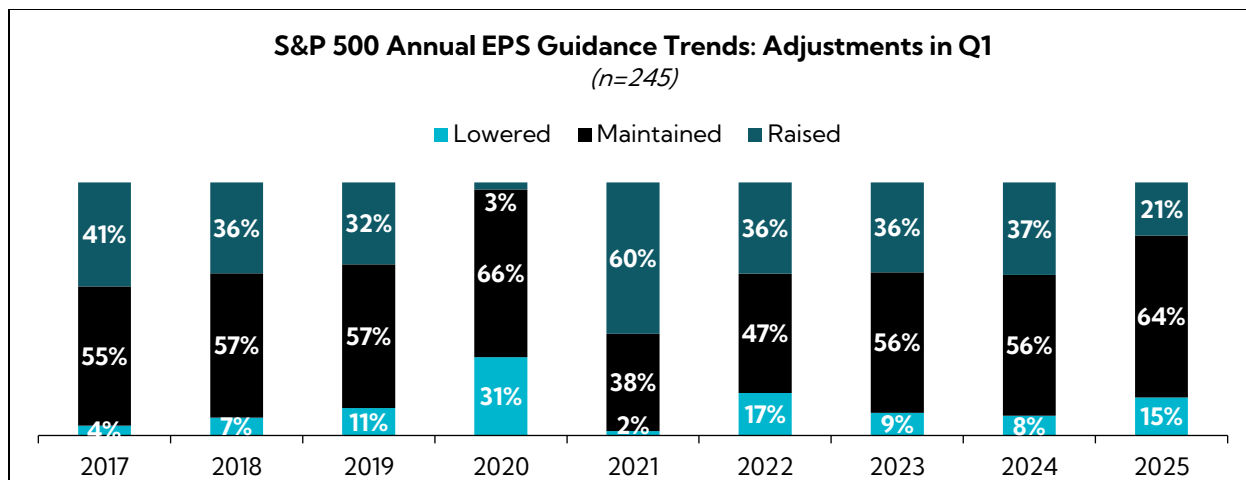
Revenue

- **Raises up YoY but Below Historical Levels:** Revenue outlook *Raises* captured in Q1'25 are at 36%, up from 27% in 2024 but well below the 46% and 41% rates in 2023 and 2022 respectively
- **Slight Increase in Maintained Guidance:** Companies *Maintaining* their revenue outlooks rose to 55%, the highest observed level dating back to 2017
- **Fewer Lowering Guidance:** Only 9% *Lowered* guidance, reflecting the solid Q1 reporting season and potential timing of tariff impact



EPS

- **Fewer Raises in 2025:** Only 21% of companies have *Raised* their annual EPS outlook in Q1'25, down from 37% in 2024 and 36% in 2023; this represents the lowest level observed since 2017, excluding the 2020 pandemic
- **More Maintained & Lowered:** A majority (64%) *Maintained* guidance — up from 56% last year — and 15% lowered their outlook, compared with just 8% in 2024 and 9% in 2023

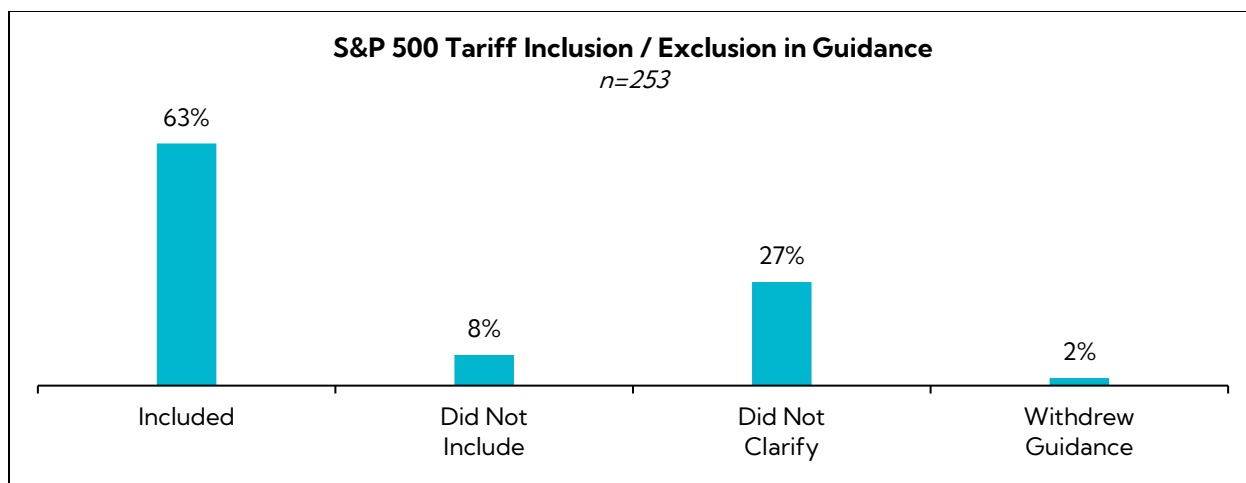


Guidance Trends Post-Tariff Announcements

In light of the volatile trade policy backdrop and macro uncertainty that intensified following President Trump's April tariff announcements, we closely monitored guidance trends throughout Q1 earnings season, particularly as it relates to tariff impacts and any changes to how companies were approaching forward guidance⁵.

Tariff Inclusion/Exclusion

As for the inclusion of tariffs in annual guides, we evaluated 253 S&P 500 companies that have provided either annual revenue or EPS guidance⁶ and analyzed their assumptions. At this time, 63% have included the effects of reciprocal tariffs in annual forecasts.

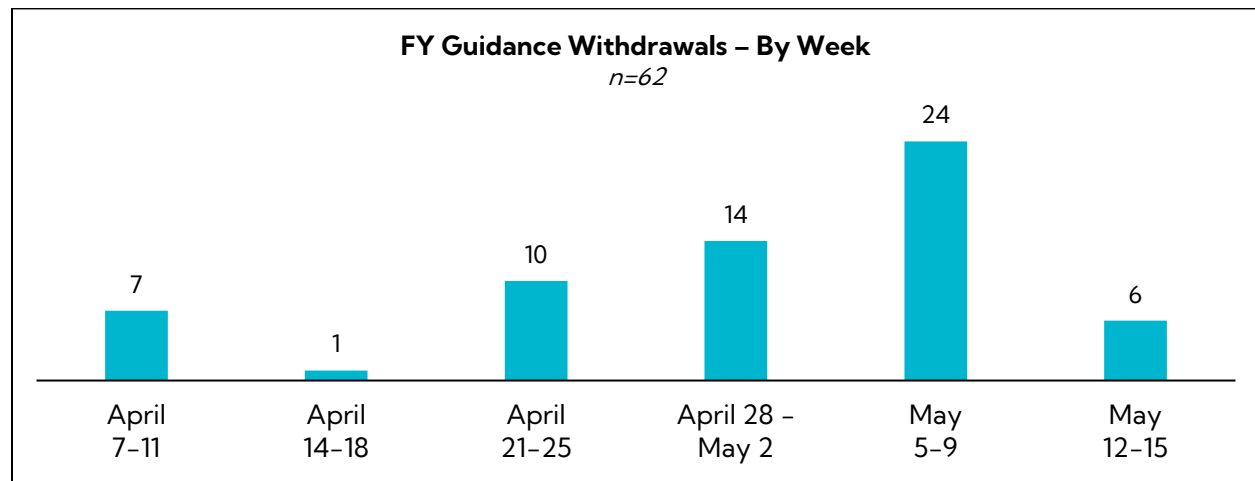


⁵ As of 4pm ET 5/14/25

⁶ As of 4pm ET 5/14/25

Companies Withdrawing Annual Guidance

Beyond the S&P 500, we monitored earnings reports across regions and market caps to identify companies that chose to withdraw/withhold full year guidance due to the uncertain tariff/economic environment. To date, while the vast majority of companies have not changed their approach to guidance, we did observe a notable uptick in companies withdrawing full year guidance as earnings season progressed, particularly among the Industrials and Consumer Discretionary sectors. Specifically, we have tracked over 60 companies globally — predominantly U.S.-based and concentrated across airlines, retail/apparel, and auto-related industries — four of which also shifted to quarterly guidance after citing lack of visibility beyond Q2. Of note, some of those withdrawing 2025 outlooks do not provide “traditional” revenue and EPS guidance. Globally, auto manufacturers represent a larger contingent of withdrawals.



		Sector	Count		
Textiles & Apparel	7	Consumer Discretionary	31	Airlines	7
Leisure Products	6	Industrials	19	Building Products	3
Automobiles	5	Healthcare	3	Commercial Serv. & Supplies	3
Automobile Components	5	Technology	3	Machinery	3
Specialty Retail	4	Financials	2	Air Freight & Logistics	1
Household Durable	2	Materials	2	Engineering & Construction	1
Auto Manufacturers	1	Communication Services	1	Professional Services	1
Hotels, Restaurants & Leisure	1	Consumer Staples	1		
Total	31	Total	62	Total	19

Augmented Guidance Practices / Scenario Analysis

Overall, executives have taken a more cautious approach to guidance this earnings season, with even those reporting solid Q1 results tempering their outlooks by reaffirming (rather than raising) their 2025 forecasts, and many choosing to issue wider guidance ranges.

To that end, we also observed a number of companies that provided multiple outlooks to account for different tariff/economic environments for the remainder of the year. For example, **United Airlines chose not to withdraw annual guidance** when it reported, but **instead provided two scenarios** dependent on macroeconomic conditions. Similarly, **Caterpillar provided two scenarios with its 2025 outlook**: a pre-tariff scenario that does not include any impact from tariffs, and an alternative scenario that assumes current tariff levels remain in effect for the rest of the year.

Apr. 15 – United Airlines (\$22.6B, Industrials, Airlines)

8-K filing: “The Company’s guidance is based on consensus market macroeconomic expectations. However, *a single consensus no longer exists, and therefore the Company’s expectation has become bimodal – either the U.S. economy will remain weaker but stable, or the U.S. may enter into a recession.* The Company is therefore *providing two separate guidance benchmarks based on these two different macroeconomic views.*”

Apr. 30 – Caterpillar (\$155.3B, Industrials, Machinery)

1Q 2025 EARNINGS RELEASE

Key Thoughts As We Look Ahead – Full Year 2025

- **Pre-tariff scenario, which does not include any impact from tariffs¹:**
 - Expect 2025 full-year sales and revenues to be about flat compared to 2024, better than previous expectations of down slightly
 - Expect 2025 full-year adjusted operating profit margin² to be in the top half of the annual target range³
 - Expect 2025 full-year ME&T free cash flow⁴ to be in the top half of the annual target range³
- **Alternative scenario, which includes the cost impact of the current tariff¹ levels for the remainder of the year, before any additional mitigation actions, and with negative economic growth in the second half of 2025:**
 - Expect 2025 full-year sales and revenues to be down slightly compared to 2024, in-line with previous expectations
 - Expect 2025 full-year adjusted operating profit margin² to be within the annual target range³
 - Expect 2025 full-year ME&T free cash flow⁴ to be within the annual target range³

¹ Implemented since beginning of 2025 and using rates that are in place as of April 29, 2025 throughout the year.

² Adjusted operating profit margin is a non-GAAP measure, and a reconciliation to the most directly comparable GAAP measure is included in the appendix.

³ Target ranges based on 4Q 2023 Caterpillar earnings call. Caterpillar communicated an adjusted operating profit margin target range relative to the corresponding level of sales and revenues and an ME&T free cash flow target range of \$5B to \$10B annually.

⁴ ME&T free cash flow represents ME&T operating cash flow less capital expenditures, excluding discretionary pension contributions. A reconciliation of ME&T net cash provided by operating activities to ME&T free cash flow is included in the appendix.

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Guidance Commentary from Earnings Calls

Apr. 23 – Masco (\$14.7B, Industrials, Building Products)

"We experienced significant changes in the geopolitical and macroeconomic environment, including the enactment of new and broad reaching tariffs. The extent of the tariffs currently imposed on imports from China is substantial and will increase our overall costs considerably, particularly in our plumbing segment. We are rapidly responding to the shifting economic landscape. However, a high level of uncertainty remains around how these changes and associated higher prices will ultimately impact demand trends across our industry moving forward. Therefore, we will not be providing full year financial guidance this quarter."

Apr. 24 – Dow (\$24.7B, Materials, Chemicals)

"In today's world, there is a high degree of uncertainty in the market, which makes this a difficult quarter to project. Until negotiations on tariffs are finalized, we expect to see delays in both purchase and investment decisions from consumers as well as corporations. Our outlook today is based on everything we have line of sight to, understanding that we're operating through very dynamic market and geopolitical times. Should we gain insight into substantial changes during the quarter, we're committed to maintaining transparency and will provide timely updates."

Apr. 24 – Tractor Supply (\$29.3B, Consumer Discretionary, Specialty Retail)

"Since we shared our initial outlook for 2025, the macro environment has clearly become more uncertain. While not our standard practice, given current conditions, we are also providing second quarter guidance as we believe offering near-term visibility is important for our investors at this time. As always, our goal is to be transparent and we remain committed to updating our outlook as we gain greater visibility."

Apr. 30 – International Paper (\$28.2B, Materials, Containers & Packaging)

"Given the wide range of uncertainty and volatility, we're prepared for three very different scenarios. If the demand environment remains stable going forward, I'm confident we remain on track to deliver the targeted range of earnings improvements. If we see meaningful deterioration in the economic environment, it's likely we'd fall below our range. We would take appropriate countermeasures to ensure that we remain highly competitive while funding our strategy and our dividend. Alternatively, if the economic environment improves, we still feel good about the upper end of our earnings target."

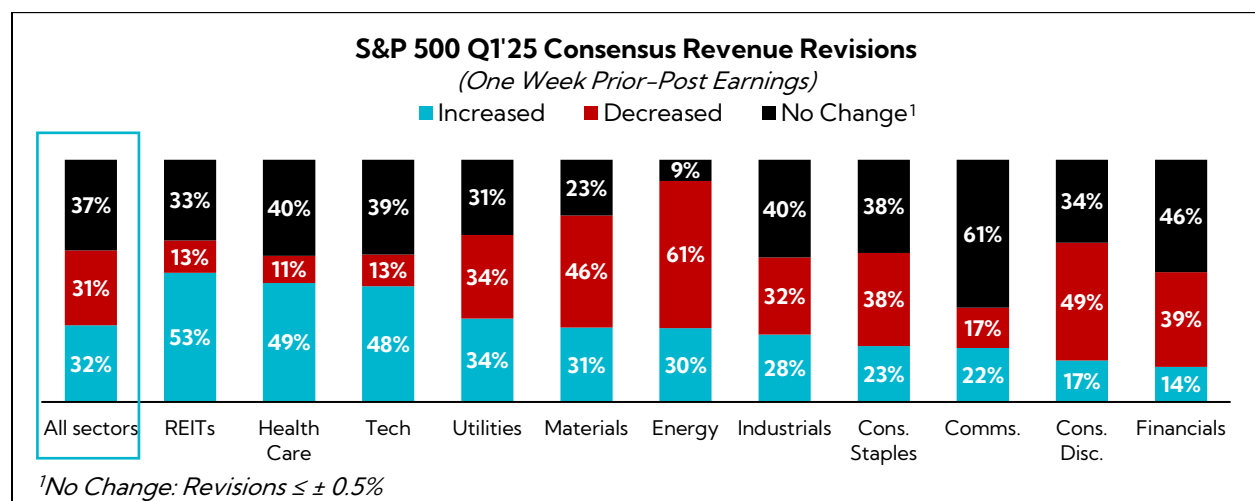
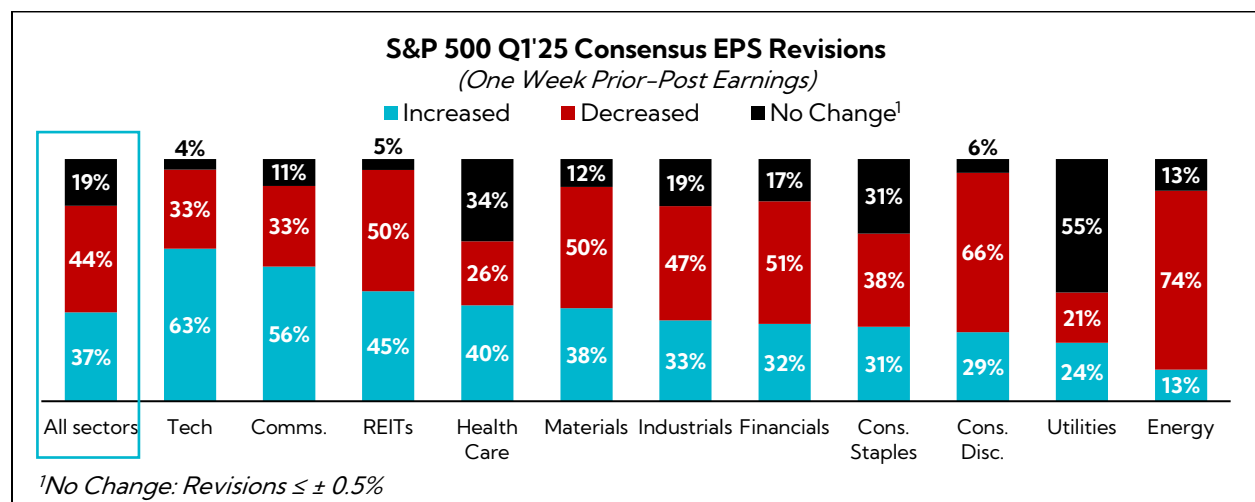
Consensus Shifts

When reviewing full-year 2025 consensus changes for the S&P 500 from one week before through one week after Q1 earnings announcements, analyst revisions show a mixed picture, with increase and decreases fairly evenly split for both revenue and EPS, but trends varying widely by sector.

Looking at revenue, 32% of companies saw estimates increased, 31% decreased, and 37% maintained. Upward revisions were most prominent for REITs, Healthcare, and Tech, which saw estimates raised for 53%, 49%, and 48%, respectively. Energy, Consumer Discretionary, and Materials saw the largest rate of decreased estimates, 61%, 49, and 46%, respectively.

For EPS, 37% of the S&P 500 companies saw full-year estimates raised, compared with 44% decreased, and 19% maintained. Upward revisions were skewed more heavily towards Tech and Communications, the only sectors seeing EPS estimates raised for more than 50% of companies, while 6 of 11 sectors saw more estimates decreased than raised. Energy, Consumer Discretionary, Financials, Materials, and REITs saw the largest share of decreased estimates.

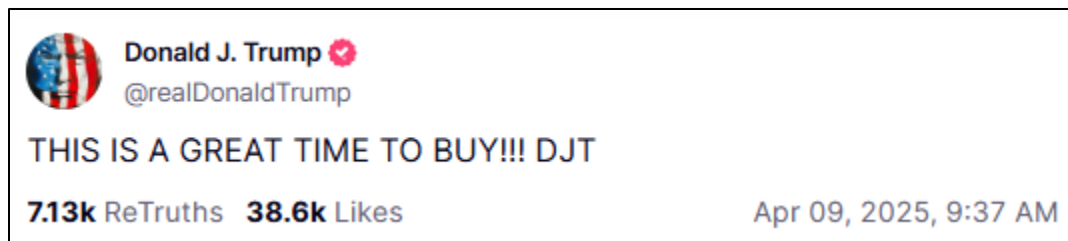
Combining both metrics, Tech, Communications, and Healthcare stood out as the only sectors with more companies seeing increases than decreases for both revenue and EPS. In contrast, Energy, Materials, Consumer Discretionary, Industrials, Financials, and Consumer Staples all saw a larger proportion of downward revisions across both metrics.



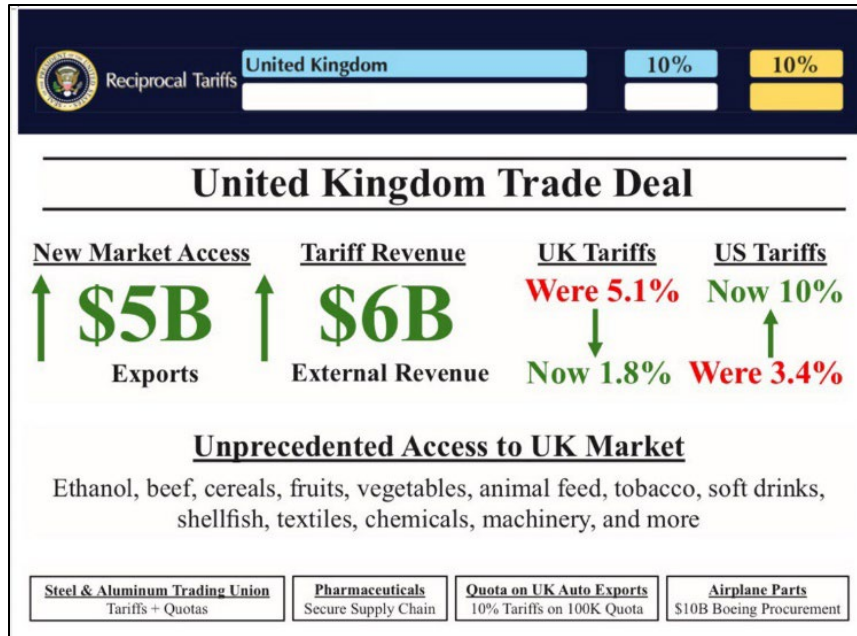
3. Tariffs & Trade Policy: "Tariffs" and "Uncertainty" Dominate Earnings Calls as Companies Contend with Trade Policy Shocks in the Wake of President Trump's April Tariff Announcements

As anticipated coming into the quarter, tariffs and trade policy have featured heavily during earnings calls this quarter. Recall, in March we published a [deep dive into corporate tariff communications](#), including best-in-class examples and strategic recommendations to help clients navigate this challenging period, anticipating the challenges that companies would eventually face given our deep equity markets experience and research-based foresight.

This reporting season is one of the most intense on record, as investors have been unprecedentedly whipsawed by the chaotic and unpredictable nature of the U.S. Administration's announcements. The volatility and uncertainty were punctuated by a pronounced multi-day selloff commencing on April 3, followed by an equally intense rebound in stocks on April 9 when Trump rolled back his original declaration, pronouncing that the U.S. would pause reciprocal tariffs for 90 days excluding China. That morning, Trump posted on his Truth Social account "THIS IS A GREAT TIME TO BUY" just hours before the announcement. The S&P 500 closed up 9.5% on the trading day.

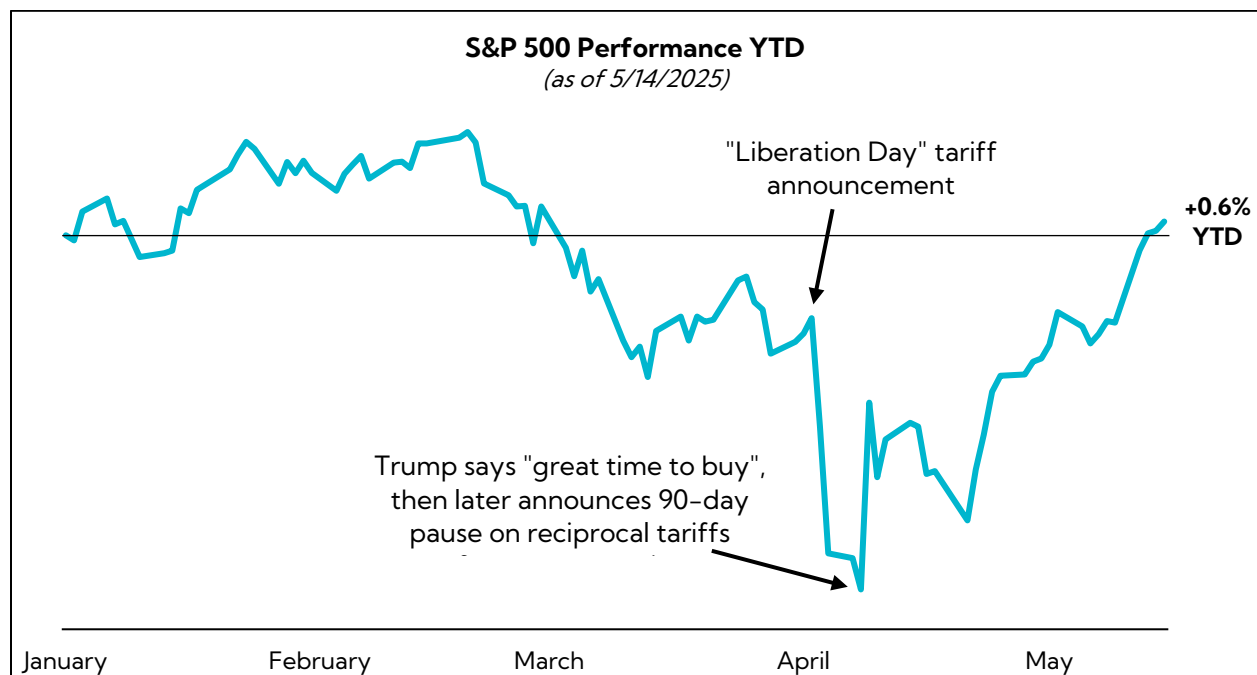


The S&P 500 ultimately recouped all of the post-April 2 selloff by early May as investors seemed to gain confidence that Trump's aggressive negotiation style — essentially "ratchet up to dial back" or "escalate to de-escalate" — was now leaning more toward de-escalation rather than an all-out global trade war. This was supported by the May 8 trade agreement between the U.S. and UK, seen by some as providing a template for negotiations with other trading partners.



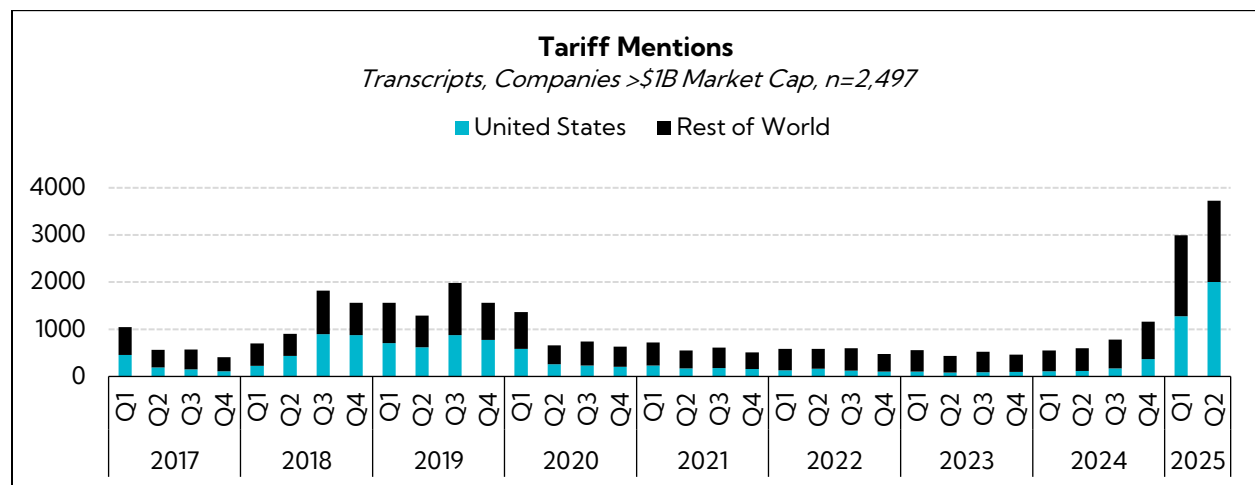
(Source: The White House)

By the end of earnings season, equity market turmoil was further eased by emerging signs of thawing in U.S.-China trade relations, capped by the joint announcement on May 12 after their meeting in Switzerland that the two countries agreed to a 90-day pause on reciprocal tariffs. As part of the truce, the U.S. agreed to drop the rate on China imports from 145% to 30% (10% plus 20% related to fentanyl) while China lowered the rate on U.S. goods from 125% to 10%.



It is against this backdrop of volatility and on-again, off-again tariff announcements that executives have been compelled to report Q1 earnings, communicate their 2025 outlooks to the Street, and outline plans for navigating the highly uncertain and rapidly shifting trade policy environment.

After spiking last quarter, our analysis shows that, quarter to date, tariff mentions throughout earnings calls have continued to proliferate — both in the U.S. and globally — spiking this quarter well above levels seen during Trump’s first administration, with companies also dedicating portions of their earnings presentations to estimated tariff impacts, regional exposures, and mitigation actions.



While the 90-day tariff “truce” with China offers some near-term reprieve, the U.S. rate on China imports remains at an elevated 30%, while 10% appears to be where the Trump administration is setting the floor for tariffs globally. In short, tariffs are not going away, and we expect cost mitigation efforts, supply chain shifts, and other pricing actions to remain a big focus for companies and investors in the months ahead. As such, we continue to encourage our clients to proactively prepare for this scenario as well as enhanced transparency and perspective.

Selected Tariff Commentary from Earnings Calls

Apr. 23 – Avery Dennison (\$14.0B, Materials, Containers & Packaging)

*“We’re **working to mitigate the direct impacts of the recent tariff announcements**, while also activating our proven playbook to manage throughout various scenarios. **As it relates to the direct impact of tariffs** in both the current rate scenario, as well as the scenario where the previously announced tariffs revert after the 90-day pause, **a relatively small proportion of our material purchases are impacted, less than 10% globally**. It’s also important to note that the **vast majority of our imports and exports between the U.S., Canada and Mexico are USMCA compliant**. The **overall direct cost impact will likely represent low-single digit inflation on our total raw material purchases**. In order to mitigate the potential impact, we’re **implementing some sourcing adjustments and pricing surcharges**.”*

Apr. 24 – Graco (\$14.0B, Industrials, Machinery)

Question: *"Appreciate all the detail you provided on the tariff situation. Just to start there with some clarifications. For this quarter, it sounded like you did benefit from some prepositioning by customers, like a pre-buy that was reflected in that six weeks of orders. And did you all preposition your inventory? [Second part], talk about how you've sized the impact. You've [said] 1 to 2 percentage points of revenue impact. How do you land on the revenue impact? Any rough math, how you backed into that? And what do you think the tariff is doing on the COGS side, for China specifically?"*

Answer: *"The six-week calculation that I quoted in terms of our booking up double digits, there likely was some ordering ahead going on that influenced those numbers. In China, we did take some more proactive action. We think that we have enough inventory over there to last us for a few months. We're obviously working closely with our Chinese distributors. We'll be working on a case-by-case basis with our channel partners. And hopefully, over the next few months things cool down and the 145% tariffs come down to a more reasonable level... On the COGS side, we have inventory here that we will use up before we start buying and paying 145% tariffs. We have our teams looking at alternative sources. We have our engineering teams looking at if we can redesign products such that we may not need to import things from China. We might be able to import locally or vertically integrate. We didn't feel like it was appropriate just to slap surcharges on everywhere. As of right now, we feel like it's a manageable situation."*

Apr. 24 – Whirlpool (\$5.0B, Consumer Discretionary, Household Durables)

Question: *"Appreciate all the detail on the tariffs. Going to slide 15, where you break out the differences in your costs versus your Asian competitors, is the upshot of this slide that due to the tariffs, essentially your competitors would be paying that additional \$70 that you're currently paying? And when you think about the U.S. product that they sell, what percent is produced overseas? And why wouldn't we be thinking of a much higher tariff per unit?"*

Answer: *"First of all, I want to upfront clarify, this time we spent an unusual amount explaining the details of the tariffs and all the impacts. We just felt it's appropriate, given that there's a lot of discussion. We produce 80% of what we sell in the U.S., and the vast majority is done with domestic components. So, 98% of our steel is sourced in the U.S. The rest of the industry, if you take Whirlpool out of equation, is only about 25% domestic production."*

Apr. 30 – GE Healthcare Technologies (\$37.0B, Health Care Equipment & Supplies)

Question: *"Appreciate all the details you provided here today on the tariff dynamics. I want to focus first on that topic and the mitigation efforts that are not contemplated in today's guidance. You already had cost saving efforts in motion for this year and obviously planned for future years. Are the actions you're taking to mitigate tariffs a pull forward of actions that were contemplated in your Long-Range Plan? How should we be thinking about the net effects of tariff mitigation efforts in the context of the LRP you provided at the Investor Day back in November?"*

Answer: "It's obviously early, and there are a lot of variables out there. But *our views on the medium term we laid out at Investor Day have not changed*, just to be clear. I think the pathway might be slightly different. Obviously, *as we lay out strategies and plans, this wasn't fully laid out a year ago, but we have many levers that we can pull to be able to deliver on this. We're taking a prudent view of the current trade environment and the impact on the business.* So, as we move into these scenarios, *even if those rates come down, we're going to be quite aggressive on what we can do to make local for local in different marketplaces, move aggressively on dual supply scenarios, and also how we take a look at our overall configuration constructs to better position us as we go forward.*"

Apr. 30 – Generac Holdings (\$7.5B, Industrials, Electrical Equipment)

Question: "Thank you for all the detail today. *On the \$125M impact from tariffs, can you talk about how much you expect to get back from price increases versus cost out supply chain initiatives?*"

Answer: "In terms of the pricing impact to offset the tariffs, at least the \$125M in the second half, the philosophy we took is we wanted to have *enough mitigations to offset the impact of those, dollar for dollar.* Having said that, next, *there's a lot more work going on behind the scenes from a supply chain standpoint to continue to mitigate and diversify our supply chain. So we'll work on that and continue to update our progress on that. But the pricing that we're going out with is to basically hold that EBITDA margin percent at the EBITDA line.*"

May 2 – DuPont de Nemours (\$28.9B, Materials, Chemicals)

"Based on tariffs in place today, *our estimated cost exposure in 2025 before mitigation action is about \$500M on an annualized basis. We have identified actions to substantially offset this potential headwind with the net cost impact currently estimated at about \$60M, which primarily would impact the second half. We are a global organization with presence in all key regions. Our scale provides ample flexibility to adjust production and product flow, enabling us to mitigate trade risks. Additionally, from a sourcing perspective, the vast majority of our raw material buy is purchased in the region in which it is consumed and not subject to the new tariffs. Our teams have been carefully analyzing ongoing global supply chain dynamics, engaging with our customer and supplier base, and actively working on a number of tariff mitigation actions, including production shifts, sourcing alternatives, surcharges and product exemption.*"

Tariff Impact / Mitigation – Earnings Presentation Examples

Throughout Q1 reporting season, we have been compiling relevant examples of tariff communication slides from earnings presentations to help clients stay on top of evolving trends and guidance practices. For companies electing to include tariff affects within guidance assumptions, most called out tariff-related impacts beneath updated guidance tables or within the "Outlook" or "Market Conditions" commentary sections. We are sharing a few select examples here, and you can access the full sampling presentation slides as downloadable PDF at the link below.

Apr. 23 – Vertiv Holdings (\$27.5B, Industrials, Electrical Equipment)

Tariff Environment and Mitigation Actions		
Exposure	Current State	Future State (actions underway)
U.S. Capacity	Existing capacity already addresses meaningful portion of U.S. demand, and capacity to support growing demand	Continue to invest in expansion of U.S. capacity and supply chain capabilities
Mexico	Majority of supply from Mexico already USMCA qualified with capacity to support growing demand	Driving towards 100% USMCA qualification goal for Mexico-based supply chain
China	Single-digit percent of supply for U.S. factories is sourced from China with a mature China +1 supply chain strategy in place	Further rebalancing of global supply chain by sourcing from no- or low-tariff countries
Rest of World	U.S. supply from outside North America & China already in low-tariff countries with primary source being EMEA	Continue to relocate production to no- or low-tariff countries and further leverage U.S. manufacturing footprint

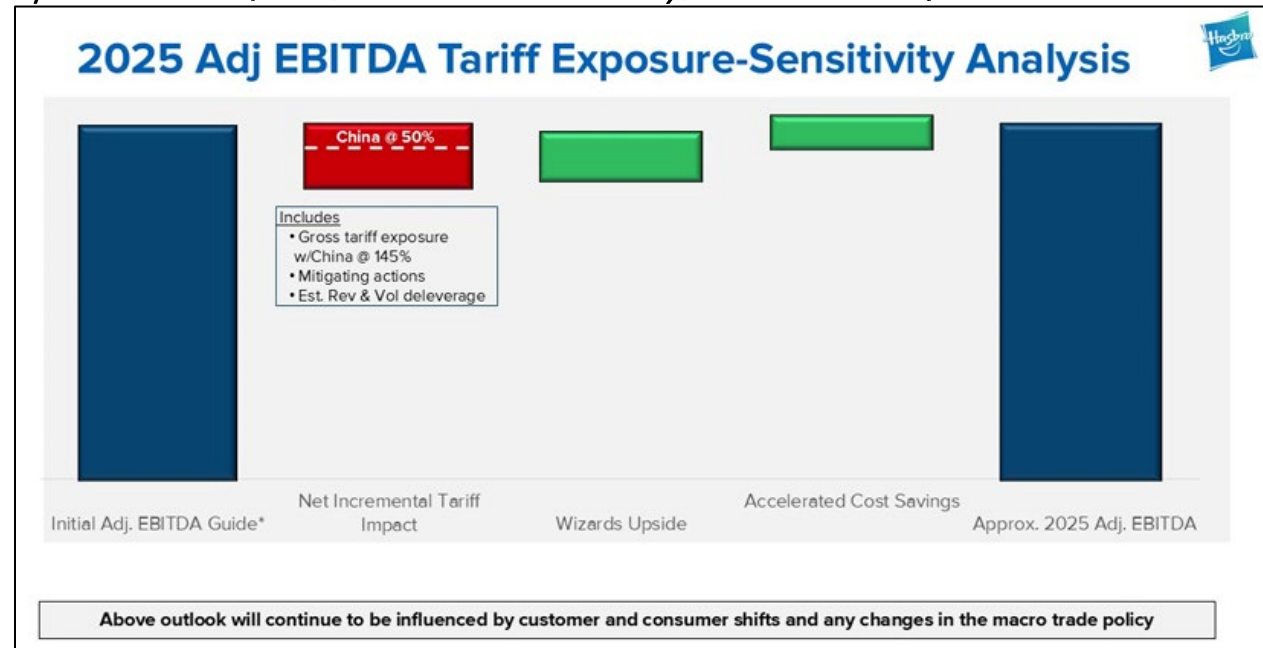
- Working with our customers, pricing actions have been taken and more are being implemented
- Anticipating a general inflationary environment from tariffs. This is contemplated in financial guidance
- Resiliency of our operations and supply chain allows us to implement mitigating actions to reduce tariff impact

Current operational state much stronger than three years ago with actions underway to further mitigate tariff exposure

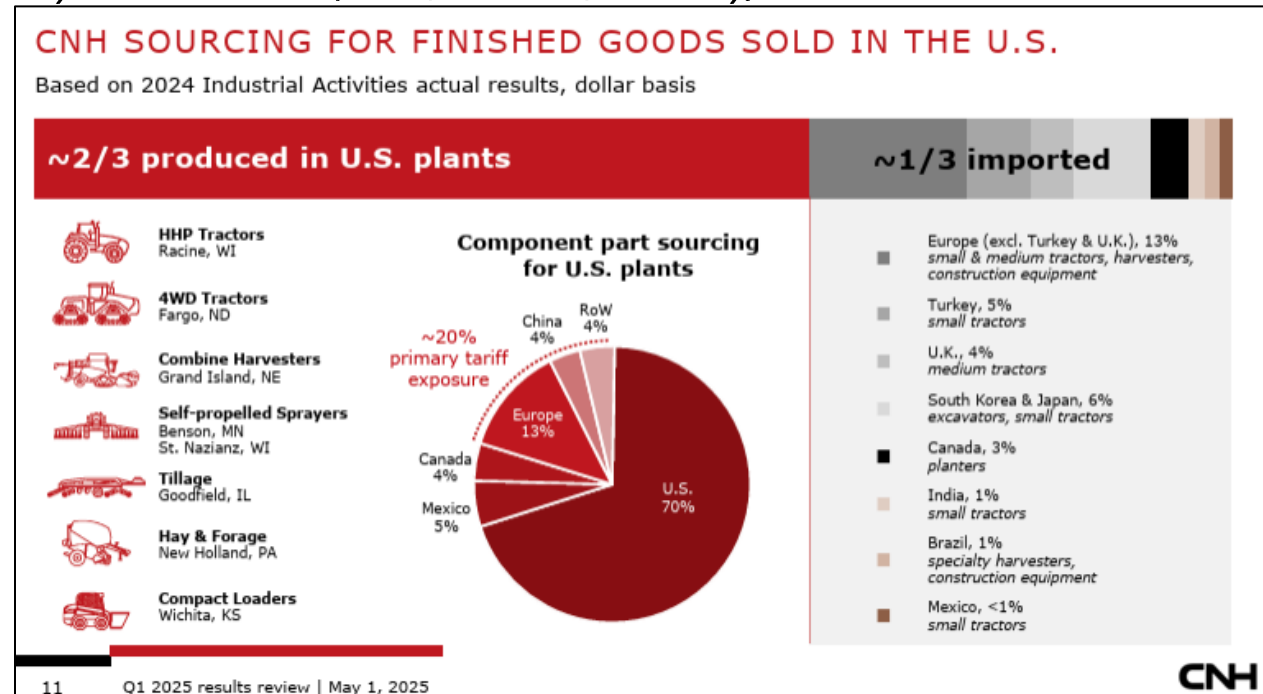
Note: Assumes tariff rates active on April 22, 2025, are maintained for remainder of 2025, as explained further in the note on page 3 of this presentation.

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Apr. 24 – Hasbro (\$8.6B, Consumer Discretionary, Leisure Products)



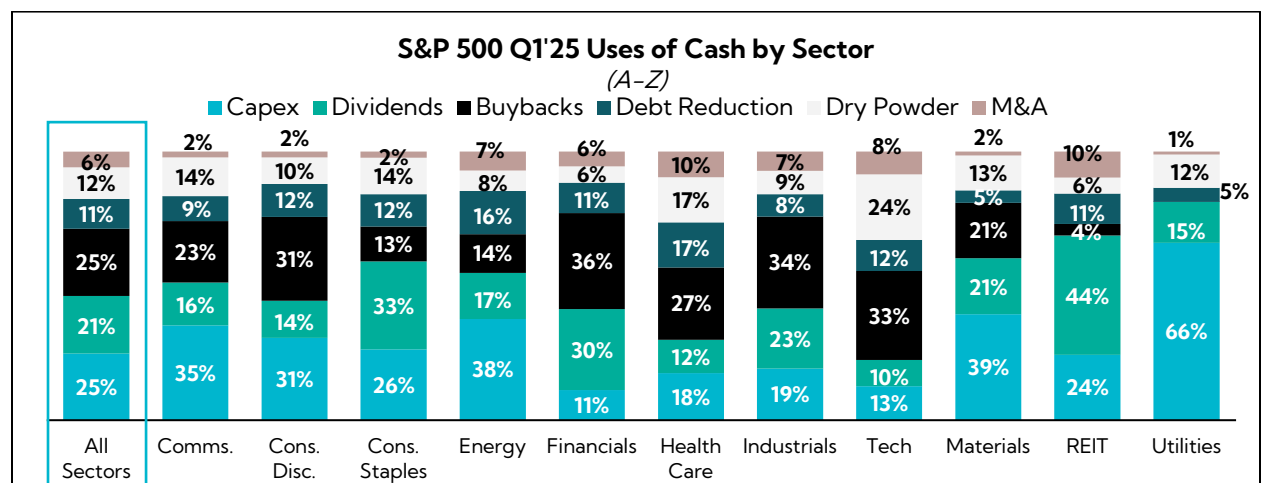
May 1 – CNH Industrial (\$15.3B, Industrials, Machinery)



View or download the PDF [Tariff Communication Examples Q1'25](#) for more examples of company communications related to guidance and tariffs.

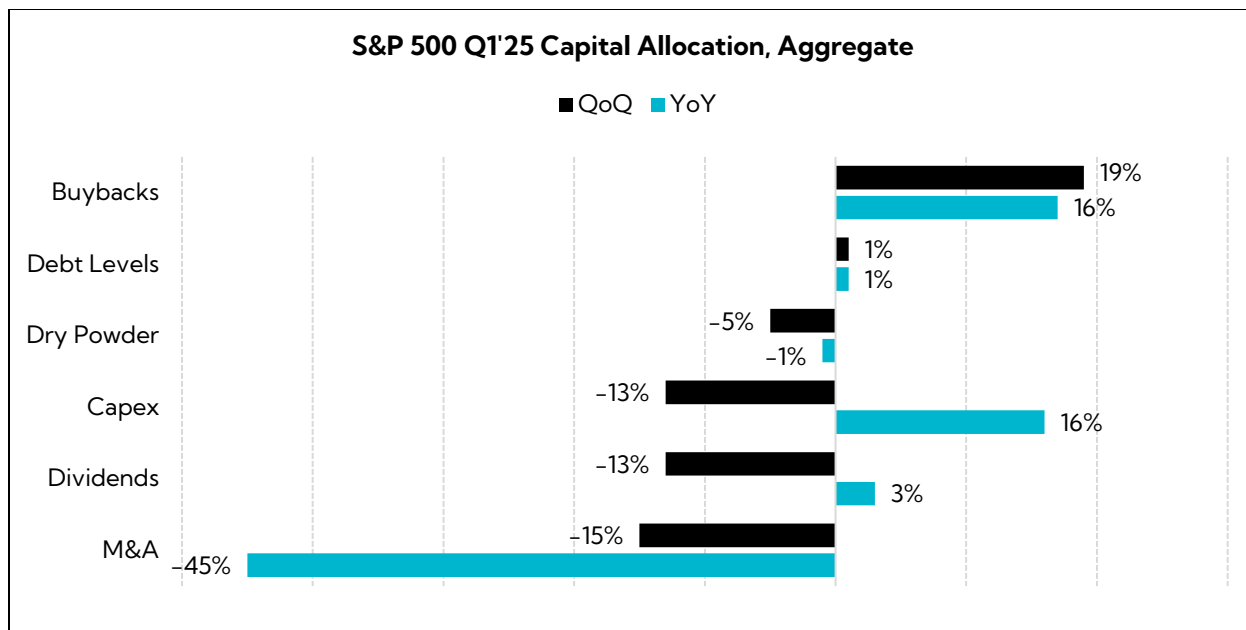
4. **Capital Allocation:** Cash Deployment Trends Reveal a Shift Toward Buybacks in Q1 as Capex, Dividends, and M&A see Notable Declines QoQ

To garner insights into capital trends, we analyzed the average sector allocations within the S&P 500.⁷



Source: Corbin Advisors

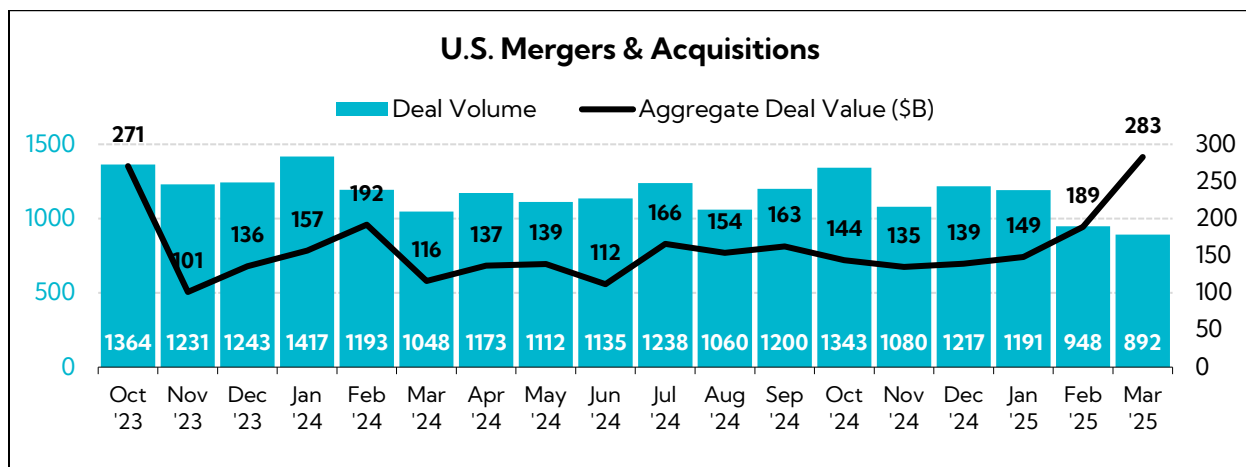
⁷As of May 12, 2025; "All Sectors" figures are equal weighted sector averages



Source: Corbin Advisors

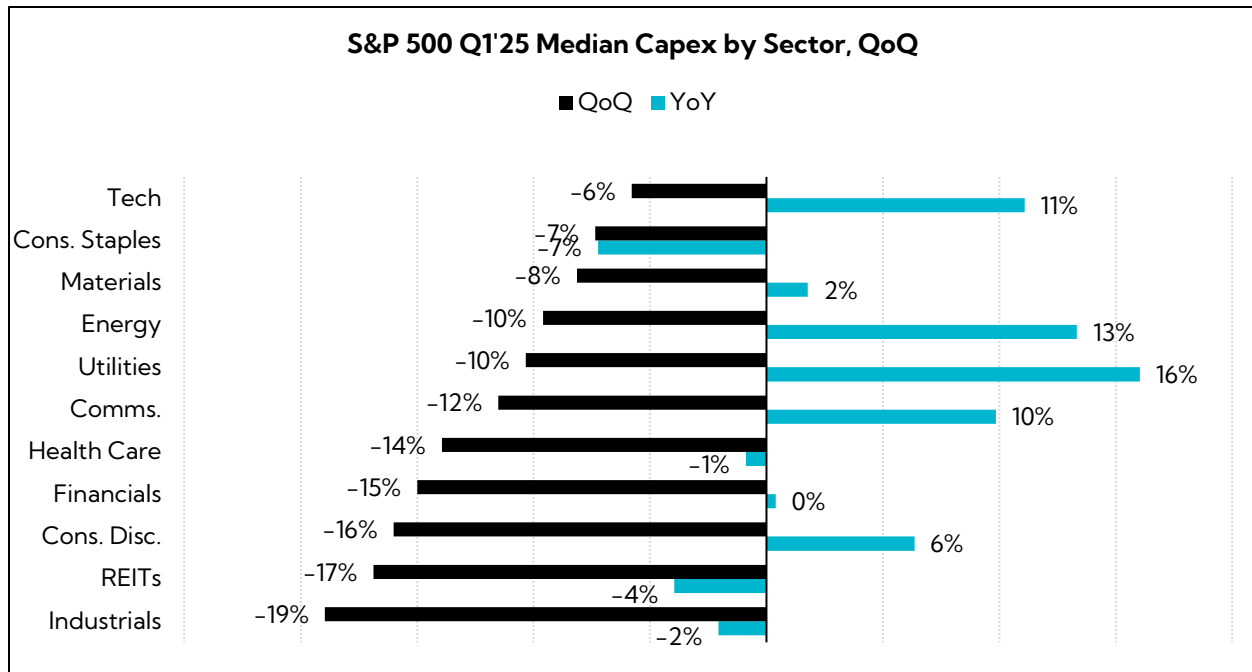
On a QoQ and YoY basis, S&P 500 buybacks increased 19% and 16%, respectively, marking the strongest gain across capital allocation categories. Dividend growth declined 13% QoQ but rose 3% YoY, while capex followed a similar pattern, down 13% QoQ and up 16% YoY. Dry powder usage decreased modestly, down 5% QoQ and 1% YoY, while Debt levels were stable, with a 1% increase on both a quarterly and annual basis.

M&A activity was notably lower, down 15% QoQ and 45% YoY, continuing the trend observed last quarter when M&A fell 20% QoQ and 67% YoY. While a closer look at U.S. deal activity (beyond just the S&P 500) shows a notable jump in the dollar value of deals in March, this was led by some outsized tech deals, including Elon Musk's X.AI Corp acquiring X Corp. for \$33B and Google agreeing to acquire Wiz, Inc. for \$32B. Outside of the handful of large deals that boosted aggregate dollar value, overall M&A volume remained tepid through March.



Source: FactSet

Continuing, capex declined across all sectors on a QoQ basis, with the steepest pullbacks observed in Industrials (-19%), REITs (-17%), Consumer Discretionary (-16%), and Financials (-15%). Healthcare (-14%), Communications (-12%), Utilities (-10%), and Energy (-10%) also saw double-digit sequential reductions. Materials, Consumer Staples, and Tech were relatively more resilient, each down 8% or less QoQ.



Source: Corbin Advisors

Despite these widespread quarterly declines, YoY trends remained broadly positive. Utilities (+16%), Energy (+13%), and Tech (+11%) led the way in annual capex growth, followed by Communications (+10%) and Healthcare (+10%). REITs and Consumer Discretionary also posted modest YoY increases, while Financials and Industrials were flat to slightly down.

The data suggests that while near-term capex moderation was broad-based in Q1'25, many sectors are still operating at higher levels of investment compared to a year ago. That said, outside of continued AI-driven capex commitments from big Tech, we did observe a notable contingent of companies dialing back previously issued 2025 capex forecasts in order to preserve cash and maintain flexibility should the uncertain economic environment deteriorate into a more pronounced downturn.

Selected Capex Commentary from Earnings Calls

Apr. 23 – Old Dominion Freight Line (\$35.1B, Industrials, Ground Transportation)

"We recently re-evaluated each project on our 2025 capex plan and elected to defer certain projects to future periods. In addition, we reduced the amount of new equipment that we plan to purchase this year. We now expect capex will total approximately \$450M in 2025, which is a \$125M reduction from our initial plan."

Apr. 24 – Dow (\$24.7B, Materials, Chemicals)

*"We are **taking targeted actions to further reduce costs and support near-term cash flow in response to the ongoing macroeconomic weakness.** Our actions include **at least \$1B in annualized cost reductions by 2026** in areas like purchase services, contract labor, and the **elimination of approximately 1,500 Dow roles.** We are **also delaying construction at our Path2Zero project** in Fort Saskatchewan, Alberta, Canada. This **will accelerate our capex spending reductions this year,** reflecting a total decrease of \$1B for an enterprise spend of approximately \$2.5B versus our [original] plan of \$3.5B."*

Apr. 29 – Rogers (\$1.3B, Electronic Equipment, Instruments & Components)

"As it pertains to our 2025 capex plan, we have identified further reduction opportunities and now expect to spend between \$30M to \$40M for the full year, a decrease of \$10M."

May 6 – Cabot (\$4.5B, Materials, Chemicals)

*"We expect our near-term volumes to be impacted by customers adopting a more cautious approach to inventory levels and are implementing a range of product optimization actions across our global plant network. We are also **executing fixed cost and procurement initiatives that we expect will contribute \$30M of savings in fiscal year 2025.** And finally, **we will adjust the timing of some capital projects to align with customer demand, resulting in a lower capex forecast,** which is now expected to be in the range of \$250M to \$275M [from \$250M to \$300M previously]."*

May 8 – Molson Coors Beverage (\$12.3B, Consumer Staples, Beverages)

*"We are also **refining and prioritizing our capital projects for 2025.** As a result, we are **reducing our guidance for capex by \$100M, postponing certain projects that do not relate to significant cost savings** or critical growth initiatives. **These are uncertain times,** but we believe we have the right strategy and a healthy balance sheet and strong cash generation to continue to execute it, while continuing to return cash to shareholders."*

In Closing

As we wrap up one of the more extraordinary earnings seasons in years, it's clear that companies were largely able to deliver solid earnings results during Q1 owing in part to pull-forward buying behavior ahead of tariff impact, though challenging dynamics existed for certain sectors, most notably Materials and Energy. The focus this quarter was squarely on forward guidance, with heightened uncertainty and rapidly shifting trade policies clouding the road ahead. While executives have broadly highlighted proactive mitigation actions and projected confidence in their ability to manage the impact from tariffs, the months ahead will be telling.

While the U.S.-China tariff pause may have removed the tail risk of an all-out global trade war, trade talks remain in flux, and tariff rates are not going to zero. As such, companies will be contending with higher input costs in the months ahead, along with ripple effects as

companies weigh decisions to pass along higher prices against concerns around demand destruction. Further, while the so called "hard" U.S. economic data has thus far proven resilient in the face of much weaker consumer and business sentiment figures, the effects from tariffs will likely start showing up more in the days and weeks to come. Just this Thursday, Walmart, after reporting a Q1 beat, warned that consumers will start seeing higher prices by the end of May.

Against this backdrop, companies can build credibility with the Street globally by effectively managing through these historically turbulent times, making tough decisions proactively, while also preparing for an eventual capex super cycle. But it's execution x communication that carries water with investors who are drinking from a fire hydrant and looking for compelling, easy-to-understand investment opportunities.

Indeed, it's a stock picker's market and by taking control of your narrative and communicating the strategies you are implementing to navigate current challenges and position the company for long-term strength — always with transparency and candor — you can capture investor mindshare and wallet share, regardless of the macro environment. Investors gotta invest and what they don't know, they won't buy.

We'll be off next week, returning the following week with our timely and groundbreaking thought leadership on **Best-in-Class Investor Days** — stay tuned!