

# INSIDE THE **Buy • Side**

INDUSTRIAL SENTIMENT SURVEY®



***corbin***

**Q2'25**

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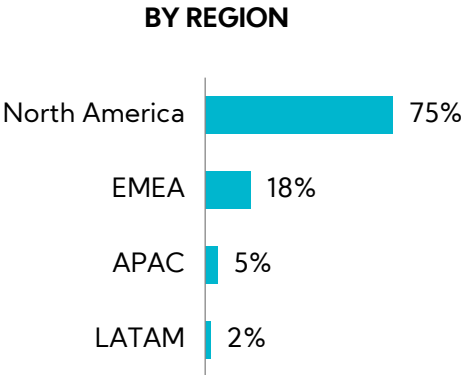
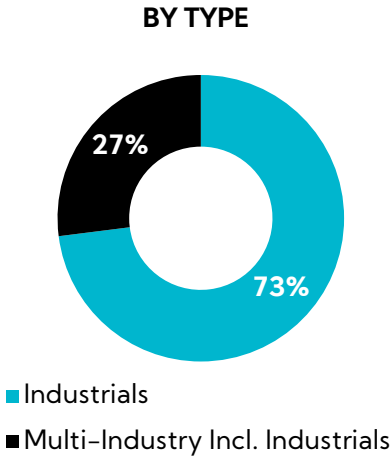
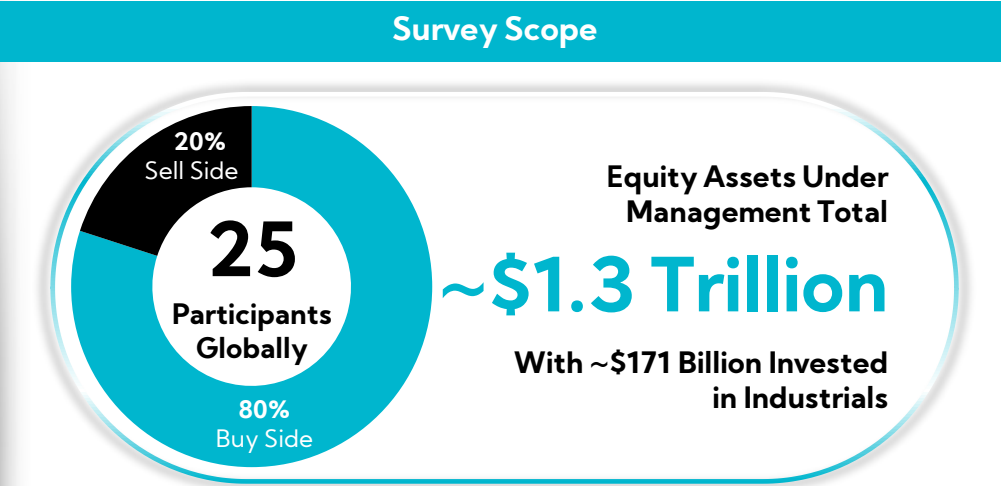
# INSIDE THE Buy-Side®

INDUSTRIAL SENTIMENT SURVEY®

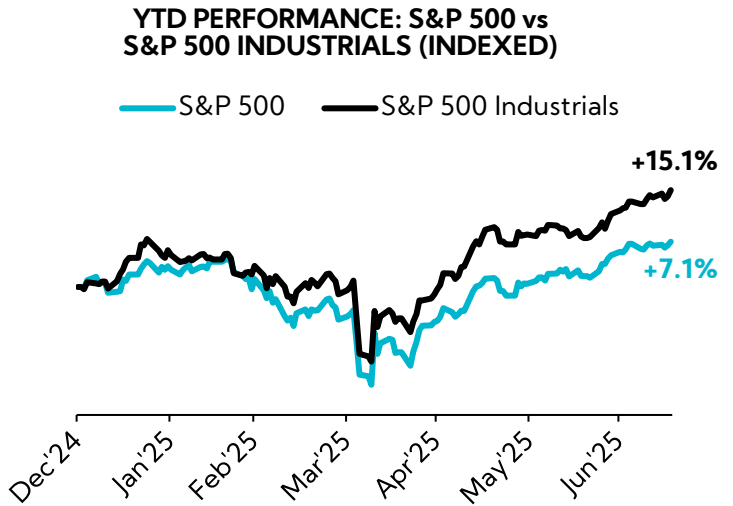
Since 2007, we have surveyed institutional investors and analysts globally on the equity markets, world economy, and business climate. At the start of every earnings season, we publish our flagship *Inside The Buy-Side® Industrial Sentiment Survey®*, which captures real-time investor sentiment and trends.

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 investor communication strategies.

Survey Timeframe: June 24 – July 17, 2025



Market Performance <sup>1</sup>	YTD	Q2'25	Q2'24
DJIA	4.6%	5.0%	(1.7%)
NASDAQ	8.2%	17.8%	8.3%
S&P 500	7.1%	10.6%	4.0%
S&P 500 Industrials	15.1%	12.6%	(3.2%)
Russell 2000	1.1%	8.1%	(3.7%)

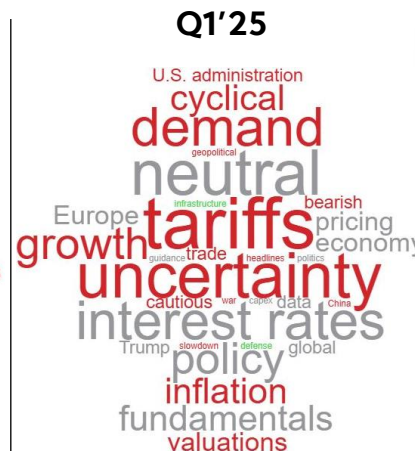


<sup>1</sup>Source: FactSet; YTD as of 7/17/25 Market Close



## Bullishness Rises But Tariffs and Demand Trends Continue to Dominate Industrial Investor Attention; Pricing, Capex, and Valuations In Focus this Quarter

## VISUAL REPRESENTATION OF SURVEY COMMENTARY: UNDERLYING SENTIMENT



### Quarterly Ranking (1-30)

Q/Q	Q2'25	Top Mentions
UNCH	1	Tariffs
⬆️ 2	2	Demand
⬆️ 4	3	Growth
⬆️ 18	4	Capex
⬇️ 2	5	Neutral

# Industrials Anticipated to Capture Momentum in Multi-year Capex Cycle Aligned with Secular Trends, But Potential Dampening Effects of Tariffs on Demand Weighs Near Term

## Investor Sentiment and Perceived Executive Tone Rebound after Rolling Over Last Quarter; Amid Tariff Pauses and Signs of Pull-forward Demand, Most Expect Q2 Results to Meet or Beat Consensus

- **56%** of investors characterize sentiment as *Bullish* or *Neutral to Bullish*, up from just 22% last quarter, while those in the *Bearish* or *Neutral to Bearish* camp falls below 20% threshold from 44% QoQ
- Similarly, **47%** describe executive tone as *Bullish* or *Neutral to Bullish*, up from 25% QoQ, while those hearing commentary as *Bearish* or *Neutral to Bearish* falls to **21%** from 35%
- **45%** expect Q2 earnings to be *Better Than* consensus, up from just 7% last quarter, while an equal number, 45%, anticipate *In Line* results, compared with 73% in the prior quarter
- Revenue is expected to *Improve* while barbell sentiment is captured on EPS, with views split on whether results will *Improve* or *Worsen*; margins are seen as challenged and FCF is anticipated to be a bright spot
- Most anticipate companies will *Maintain* annual Revenue and EPS guides, though expectations for both *Raises* and *Lowers* see an uptick

## Underlying Commentary Indicates Investors are at a Crossroads: While They See Light at the End of the Tunnel for an Industrial Pick-up and Potential Multi-year Capex Cycle, Margin Focus Remains in Favor Amid a Potential 2H "Air Pocket" and Continued Uncertainties

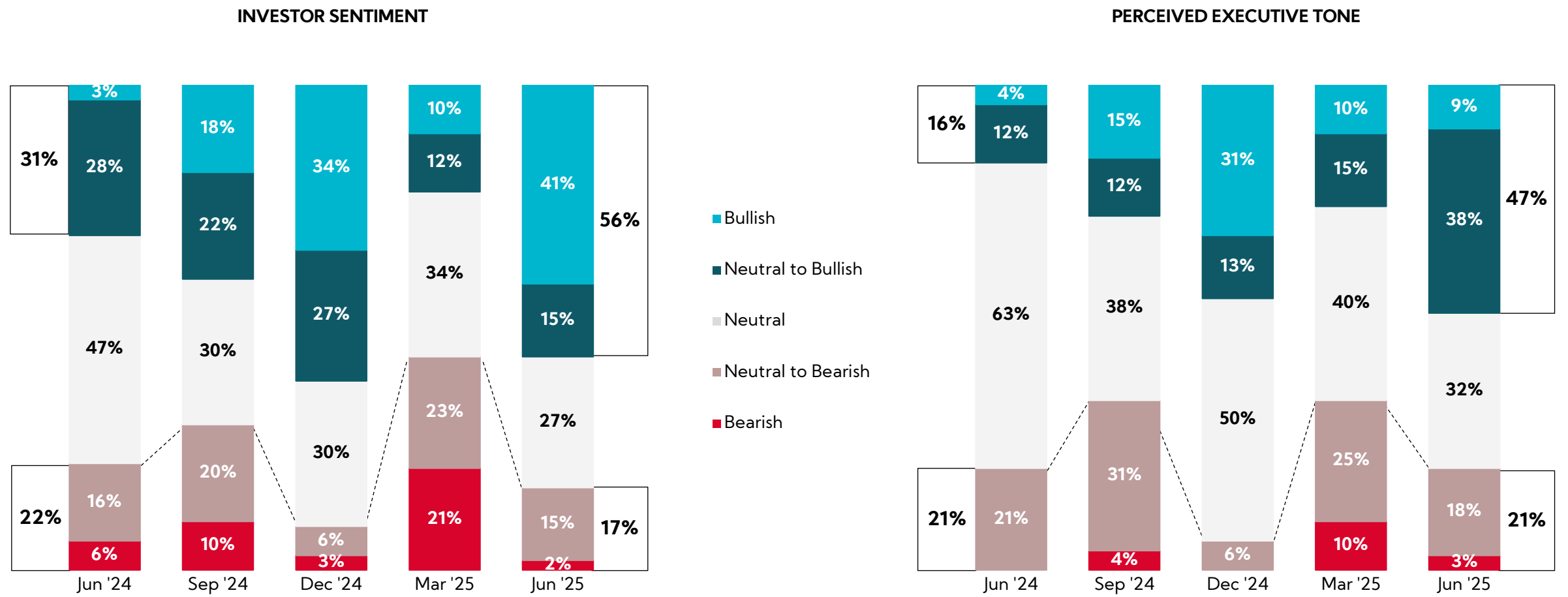
- **50%** anticipate *Stable* 2025 Industrial organic growth, up from 15% last quarter, while just **7%** expect growth to contract, down from 39% observed last quarter
  - Majority believe tariffs will be a net negative for full-year 2025 growth, profitability, and investment/capex
  - Report evidence that pull-forward volumes extended into June and July, creating the potential for order gaps in 2H'25
- Investors continue to prioritize margins versus growth, **62% to 38%**, down only slightly from last quarter's split of 64% to 36%, which was the largest disparity since tracking began in Dec. '23
  - Tariff and policy uncertainty, coupled with questions on pricing power and the consumer, lead some to highlight the potential "dampening effect" on global capex and stretched industrial valuations
- *Tariffs* and *Growth/Demand* remain the leading topics to address on upcoming earnings calls, while focus on *Margins* and *Pricing* nearly doubles QoQ

## Reflecting Cross-currents, Capital Preferences are Split between Debt Paydown and Reinvestment as the Top Uses; Sector Sentiment Is Also Mixed, with Bulls Continuing to Flow into Defense and Shunning Transports and Autos

- *Debt Paydown* and *Reinvestment* remain the top two preferred cash uses, each cited by **46%**, though support for the former pulls back from a record 69% observed last quarter
  - Interest in *Share Buybacks* jumps to **38%**, a survey record, up 15 points QoQ, despite some concerns with stretched valuations
  - Support for *Dry Powder* continues to march higher, rising to **33%** from 25% last quarter and 18% prior
- **Defense** extends its lead as the most favored sub-sector, with bullish sentiment rising to 90%; **Ag**, **Water**, and **Machinery** also see notable upticks in bulls
- **Resi-** and **Non-resi Construction** see the largest influx of bears, followed by **Paper & Packaging**; views toward **Transportation** and **Autos** remain deeply negative despite a slight warming QoQ

# Industrial Investor Sentiment and Perceived Executive Tone Rebound from Sharp Q1 Pullback; Overall Bullish Sentiment Back Near Levels Seen at the Start of 2025

Perceived Executive Tone follows suit, albeit to a lesser degree, with more than 20% still seen as downbeat



# While Expectations for a Pick-up in Industrials Has Inspired the Bulls, Near-term Enthusiasm Is Still Tempered by Ongoing Uncertainty with Tariffs and “Stretched” Valuations

## Bullish

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*"I am a believer in the electrification theme that has been in place for a while, and I expect it to continue."* **Buy Side, N. America, Industrials**

*"For companies within the industrial space that meet our fundamental criteria, we are bullish on those longer term. But, even for the companies that we have a lot of high conviction in fundamentally, we are challenged with today's valuations. Things are tough."* **Buy Side, N. America, Industrials**

*"Onshoring, resilience of growth, and improving sentiment."* **Buy Side, N. America, Generalist**

*"I am bullish...because we will get through the tariff issue, it will have slowed economic growth which has damaged valuations. The most likely scenario for the global economy is there are a series of trade deals and tariffs in place meaning the world will grow more slowly, which will affect valuations. We will have a framework in which companies can grow. Then, you reassert fundamentals around the long-term capital investment cycle, especially in areas like the energy transition, AI infrastructure and those types of secular long-term trends which play out over many years, so they will reassert themselves. The final thing is, at some point, we will see some interest rate cuts, which will help the market, so I am bullish."* **Sell Side, N. America, Industrials**

*"Inflecting orders, large project pipelines, ramping new programs (commercial aerospace, defense, data centers)."* **Sell Side, N. America, Industrials**

*"My near-term sentiment toward the industrials sector is bullish. Pockets of inventory are issues, but the setup in industrials is better than it has been and should equate to a better environment for companies with exposure into certain end markets as we think about the second half of this year and beyond."* **Sell Side, N. America, Industrials**

*"Conversations with management, bolstered by economic data."* **Sell Side, N. America, Industrials**

## Neutral to Bullish

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*"The number of tailwinds, especially on the data center side, electrification, grid modernization etc."* **Buy Side, N. America, Industrials**

*"I have a neutral and somewhat positive bias. We have been in a very prolonged downcycle, so there is another side to this. The negative is the Chinese companies have moved up the stack faster than I thought in terms of industrial technology, such as OEMs and EV companies as well as on the machine tool side."* **Buy Side, N. America, Industrials**

*"Some caution on tariffs in cyclicals, but overall positive."* **Buy Side, N. America, Industrials**

*"Level of conviction in upcoming rate cuts."* **Buy Side, N. America, Generalist**

## Neutral

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*"Valuations have eclipsed fundamentals, but there are parts of industrials that have early cycle when the economy begins to pick back up."* **Buy Side, N. America, Industrials**

*"Tariff uncertainty will take time to clear, but lots of pent-up demand."* **Buy Side, N. America, Industrials**

*"Positive long-term drivers around re-industrialization, labor scarcity and sustainability/energy, near-term outlook clouded by impact of tariffs and geopolitical tensions."* **Buy Side, N. America, Industrials**

*"Solid underlying demand vs. policy uncertainty."* **Buy Side, N. America, Industrials**

*"Fundamentals are good, but I think that's reflected in valuations and margins, I wonder how high they can get. Being trained as an analyst, I tend to worry about the downside."* **Buy Side, N. America, Generalist**

## Neutral to Bearish

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*"The industrial sector's valuations are sky high, so it is hard to be bullish."* **Buy Side, N. America, Industrials**

*"Macro concerns about economy (sluggish) and stubborn interest rates."* **Buy Side, N. America, Industrials**

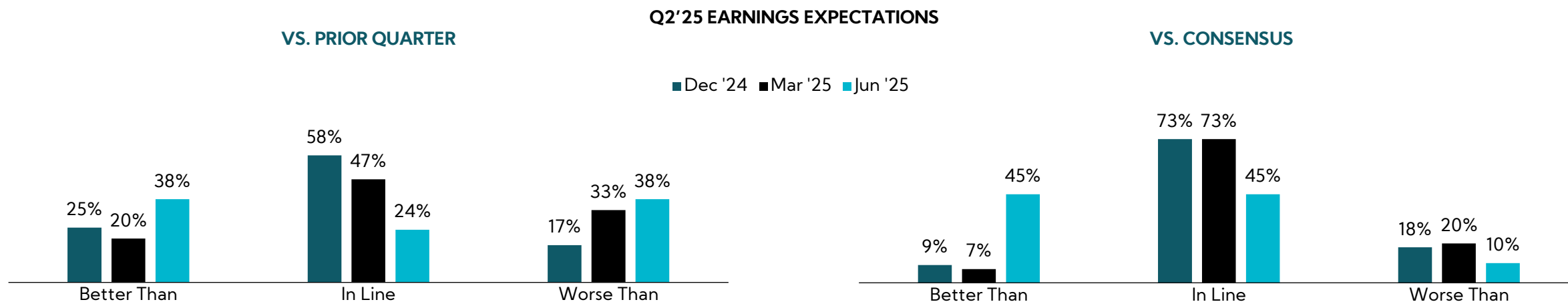
*"Tariffs and uncertainty. Possible capex holiday."* **Buy Side, Europe, Generalist**

*"Macro, consumer confidence, stretched valuations."* **Buy Side, Asia, Industrials**

*"Lack of visibility. Geopolitical concerns affecting consumer confidence."* **Sell Side, Europe, Industrials**

# Mixed Views on Sequential Performance with Healthy Level of Consensus Beats Built In

Those expecting *Better Than* consensus estimates reaches highest level since Dec. '21



## Better Than

"Earnings should grow Q/Q and Y/Y, though modestly." **Buy Side, N. America, Industrials**

"Tariff uncertainty overblown." **Buy Side, N. America, Generalist**

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

## In Line

"Present Q2 reports." **Buy Side, N. America, Industrials**

"Earnings revisions." **Buy Side, Europe, Industrials**

"Some areas are facing tougher comps, but impact of pricing and elevated order books should support earnings, hard to say versus Q1 on average given Q1 likely benefitted from some front-running. Think cons were weaker coming into the year." **Buy Side, Europe, Generalist**

## Worse Than

"Political chaos, particularly around trade, is driving uncertainty which delays decisions about capital projects. Lower consumer confidence is another headwind." **Buy Side, N. America, Industrials**

"Declining prices for many commodities." **Buy Side, N. America, Industrials**

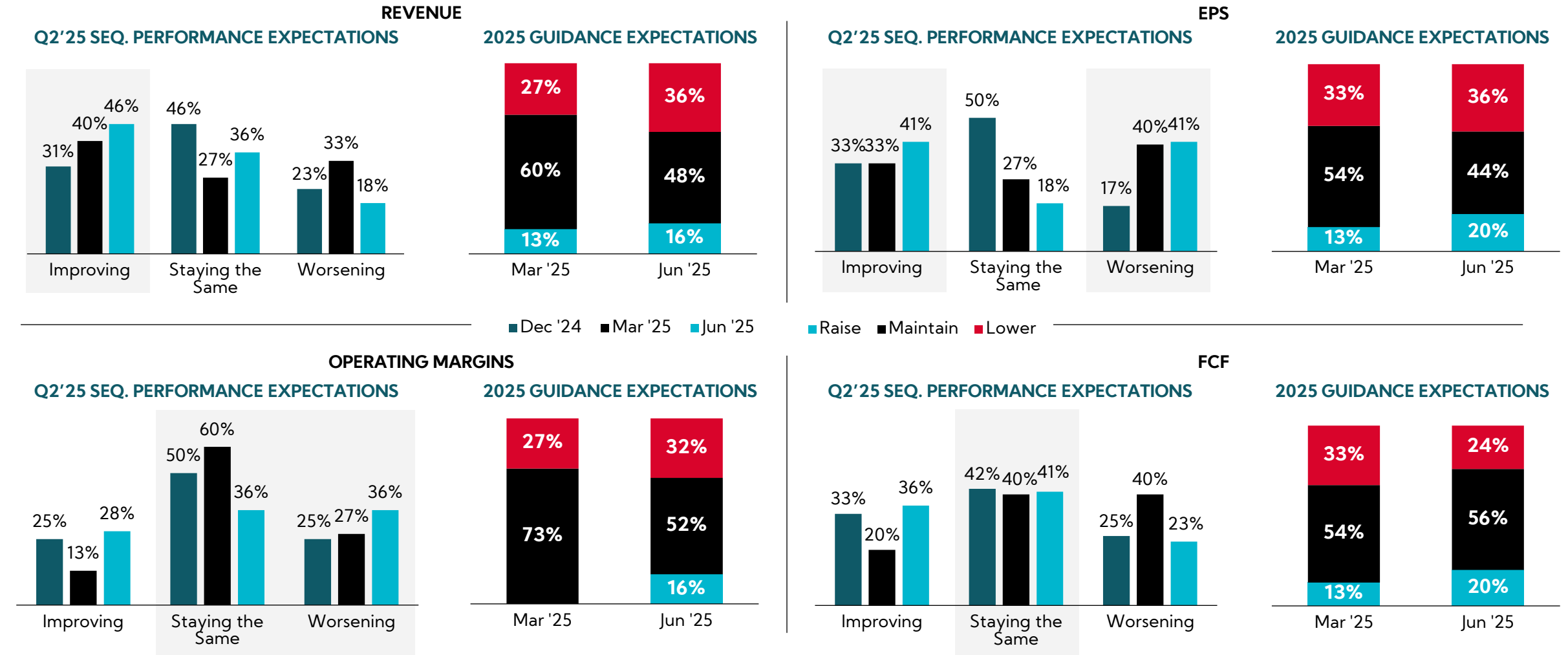
"I expect Q2'25 to be worse than Q2'24 but not as bad as consensus view was coming off Liberation Day." **Buy Side, N. America, Generalist**

"Mainly because of tariffs and then expectations." **Buy Side, Europe, Industrials**

"Consumer losing steam, worsening macro." **Buy Side, Asia, Industrials**

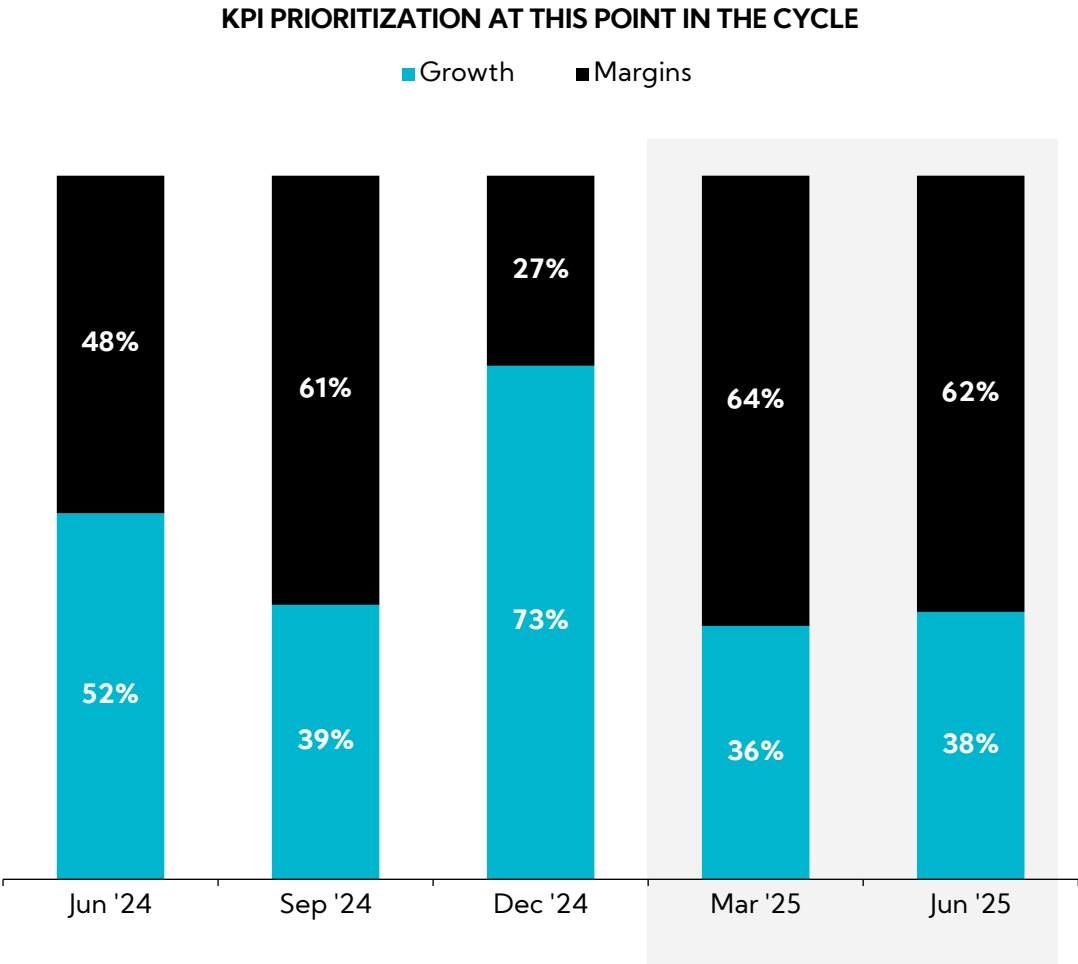
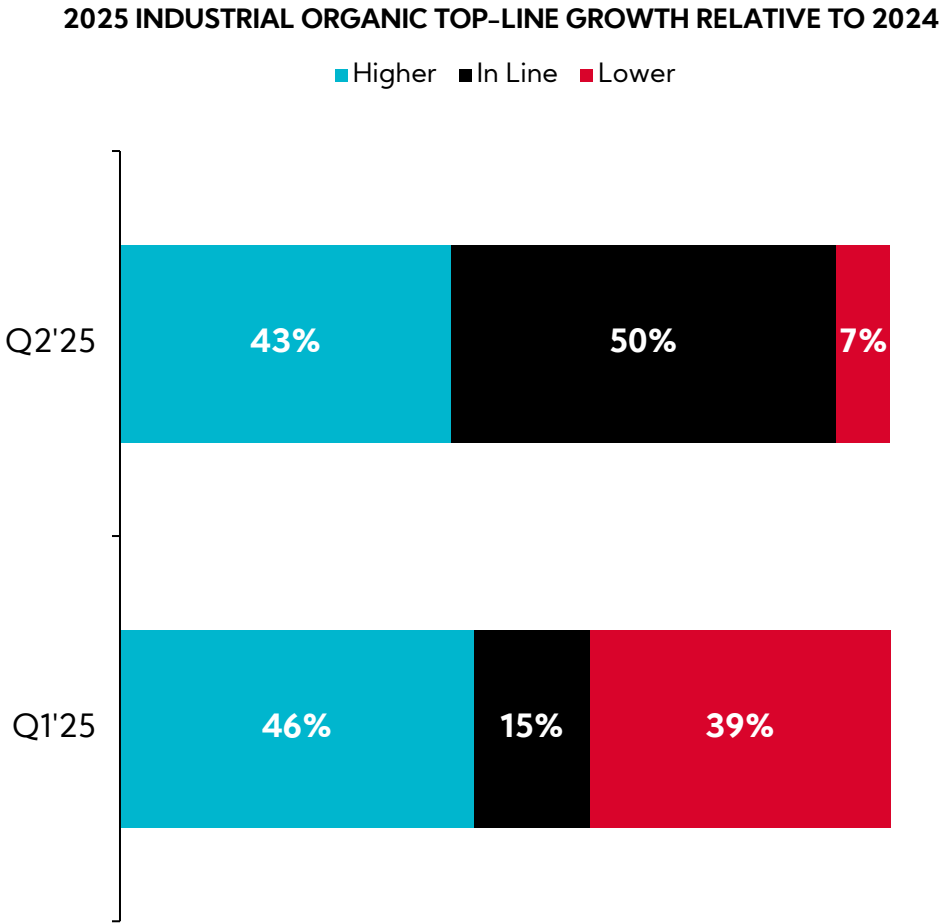
# Sequential KPI Expectations are Mixed; All See a Rise in Those Anticipating Improvement, Though Notable Percentages Expect EPS and Operating Margins to Worsen QoQ

Most expect annual guidance to be *Maintained*, although expectations for *Raises* and *Lower*s see an uptick



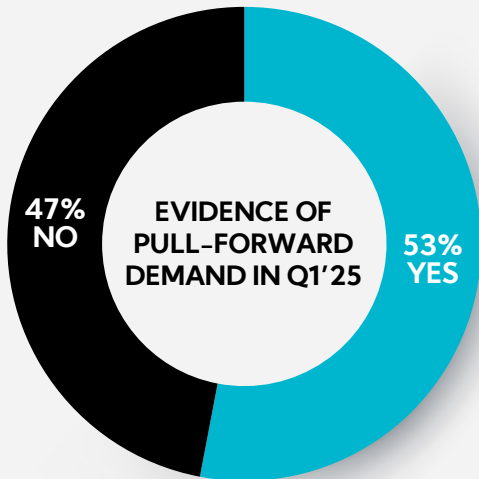


# 2025 Industrial Organic Growth Expectations Improve QoQ, with More Expecting Flat or Higher Prints YoY; With More Leary of a “Big, Beautiful” 2025, Focus Remains on Margins



## Slight Majority Observing Pull-forward Demand with Reference to 2H Air Pockets Prominent

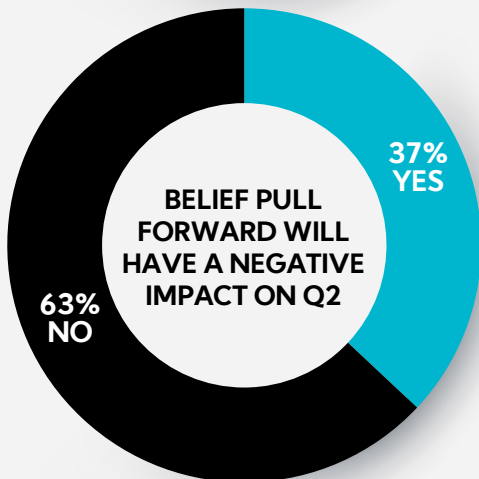
While tariff delays and timeline shifts may have extended pull-forward demand, bolstering Q1 and Q2, majority expect tariffs to have a net negative impact on financial performances for full-year 2025



*"In Q2, there will be probably be some pull-forward with people trying to get ahead of the tariffs. That will probably create air pockets in the second half of this year."* **Buy Side, N. America, Industrials**

*"Q3 and Q4 impact."* **Buy Side, N. America, Generalist**

*"I think they'll have a dampening effect on growth and capex, because of the inability to plan for the future. So lower versus what they would have been. There are some sectors where you're driving reshoring, and if there was a consistent tariff policy to incentivize reshoring domestic manufacturing, then that could increase capex, but policy has not been particularly consistent."* **Buy Side, Europe, Industrials**

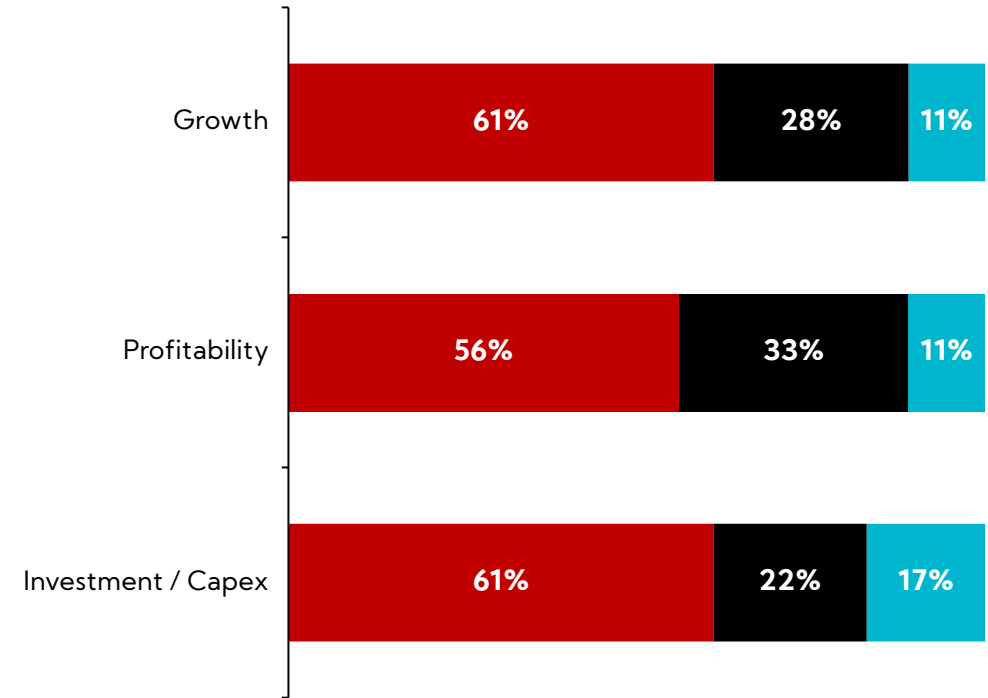


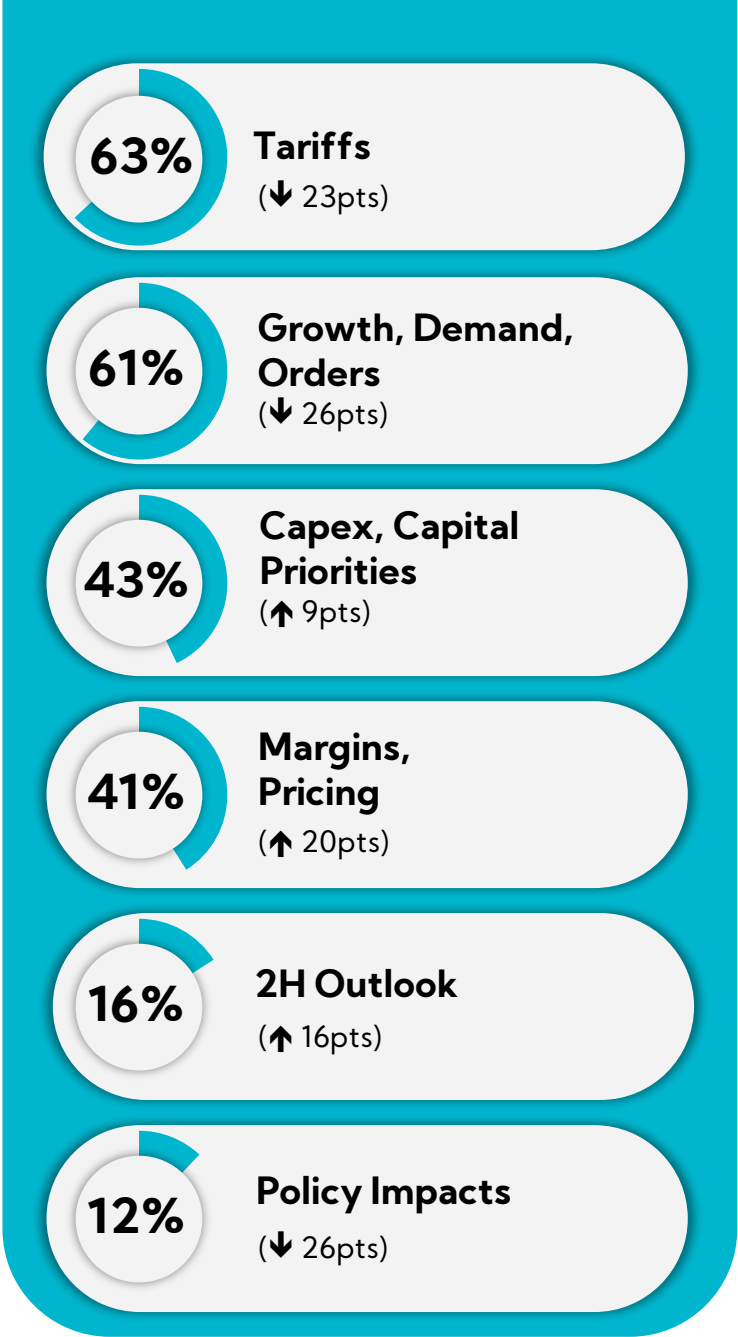
*"Where it's really going to come home to roost is August to October. As far as we can tell, there were are a lot of volumes in June and July that we would normally see in the August-to-October timeframe that just aren't going to be there."* **Sell Side, N. America, Industrials**

*"It will be a net negative effect to what 2025 would have been without tariffs, but we may have positive YoY trends overall relative to what was a weak 2024. But the tariff impact is negative."* **Sell Side, N. America, Industrials**

### TYPE OF IMPACT TARIFFS ARE EXPECTED TO HAVE

- Net negative
- Neutral – companies will be able to fully offset impact
- Believe we will see expansion / increases





63%

**Tariffs**  
(↓ 23pts)

61%

**Growth, Demand, Orders**  
(↓ 26pts)

43%

**Capex, Capital Priorities**  
(↑ 9pts)

41%

**Margins, Pricing**  
(↑ 20pts)

16%

**2H Outlook**  
(↑ 16pts)

12%

**Policy Impacts**  
(↓ 26pts)

## Topics of Interest for Upcoming Earnings Calls

Tariffs and growth/demand trends remain top priorities for investors, though both tick lower QoQ; interest in capex commentary rises, while focus on margins and pricing nearly doubles

### N. American Views

"End market demand/volume growth into 2H, tariffs/pricing, costs/inflation." **Buy Side, Industrials**

"How the quarter developed for orders, geographical trends, FX impacts." **Buy Side, Industrials**

"The U.S. tariff effects on global demand. Delayed global demand, a weaker USD." **Buy Side, Industrials**

"Demand visibility, manufacturing and supply chain flexibility, balance sheet strength to weather the next few quarters." **Buy Side, Industrials**

"Short-cycle demand trends, tariff expectations, U.S. construction outlook." **Buy Side, Industrials**

"Net impact of tariffs. The ability of companies to pass along prices. A lot of them say they can, but there are only so many companies in the world that actually have that kind of power. Changes in capex spend. If there are any changes to that, as far as reshoring and input costs. One of the things we were expecting was inflation, and we haven't see it yet. If that happens, what happens with their margins." **Buy Side, Industrials**

"Tariff readiness / flexibility, demand, capex." **Buy Side, Generalist**

"Order flow and intake, tariff impact on business, any repositioning given tariffs." **Buy Side, Generalist**

"Tariffs impacts. Or do they think that it's just a lot of noise, but maybe won't actually happen? You've got to plan for it regardless. Impact of anything out of the One Big Beautiful Bill Act. Anything on inflationary pressures within the supply chain." **Sell Side, Industrials**

"One on the tariffs, their expectations for capex spending, capital deployment. Any impact from rollbacks or redoing of the spending associated with the infrastructure package that was in the One Big Beautiful Bill, a ton of green energy programs. Do they see that as an impact? A couple of companies have exposure to energy. Are they seeing any new movement on energy type-related projects?" **Sell Side, Industrials**

"Demand visibility, tariff mitigation efforts, capacity needs." **Sell Side, Industrials**

### Global Views

"Recession risk, pricing (tariff related), underlying long-term demand drivers." **Buy Side, Europe, Generalist**

"Toll impact, outlook for 2H 25, capex plans, reallocation of production footprint." **Buy Side, Europe, Industrials**

"Capital management, dividend policy, ROIC." **Buy Side, Asia, Industrials**

"Guidance, orders, margins." **Sell Side, Europe, Generalist**

"Adapting capacity to lower demand, pricing has corrected over the Q2'25. What is the outlook for 2H'25, self-help measures." **Sell Side, Europe, Industrials**

# Top Concerns from Around the Globe

Tariffs remain the top concern despite pulling back QoQ, while economic slowdown concerns rise significantly to claim the #2 position; geopolitics jumps four-fold to #3, followed by growth and demand; China concerns return to the list, while policy uncertainty sees a notable drop QoQ

	Unaided	(QoQ Change)	
1	50%	(↓26pts)	Tariffs
2	45%	(↑15pts)	Economic Slowdown
3	33%	(↑25pts)	Geopolitics
4	32%	(↑14pts)	Growth, Demand
5	25%	(↑25pts)	China
6	25%	(↓34pts)	Policy Uncertainty

## Commentary

*"Given the trade, I am cautious on the macro, end markets, employment, interest rates, and the U.S. slowing compared to other regions that are forced to grow or have more activity. Trade exposure is concerning even though there has been a reprieve."* **Buy Side, N. America, Industrials**

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

*"Lack of visibility and general uncertainty in the economy. Politics, concerns around the rule of law in the U.S. and the volatility of the administration. China – if China is done growing at the rate we are used to, that is a concern because it's such a huge end market for a lot of companies."* **Buy Side, N. America, Industrials**

*"Tariffs, macro impacts, supply chain issues. [Companies] are going to try to get around some of these [tariffs] and re-route their supply chains, and that might create congestion in certain areas."* **Buy Side, N. America, Industrials**

*"Weak dollar impact, tariff impact, demand."* **Buy Side, N. America, Generalist**

*"General economic weakness. What are companies doing to counteract that. Pricing, what are they doing on inventories? Did they pull forward inventories?"* **Buy Side, N. America, Generalist**

*"Corrosive politics, tariffs, risks for the business climate."* **Buy Side, N. America, Generalist**

*"Terrorist event, WWII, Israel."* **Buy Side, Asia, Industrials**

*"Macro, rates, China."* **Buy Side, Asia, Industrials**

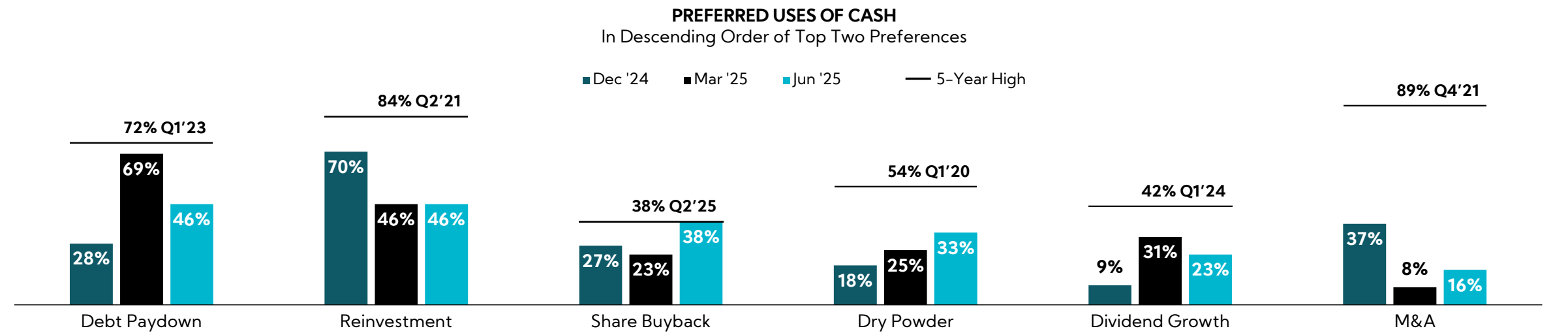
*"Demand, tariffs, supply costs."* **Sell Side, N. America, Industrials**

*"Potential order push-out, harder to pass through tariff price, opaque management messaging given geopolitical volatility."* **Sell Side, N. America, Industrials**

*"Demand, stricter import measures in Europe, pricing trend."* **Sell Side, Europe, Industrials**



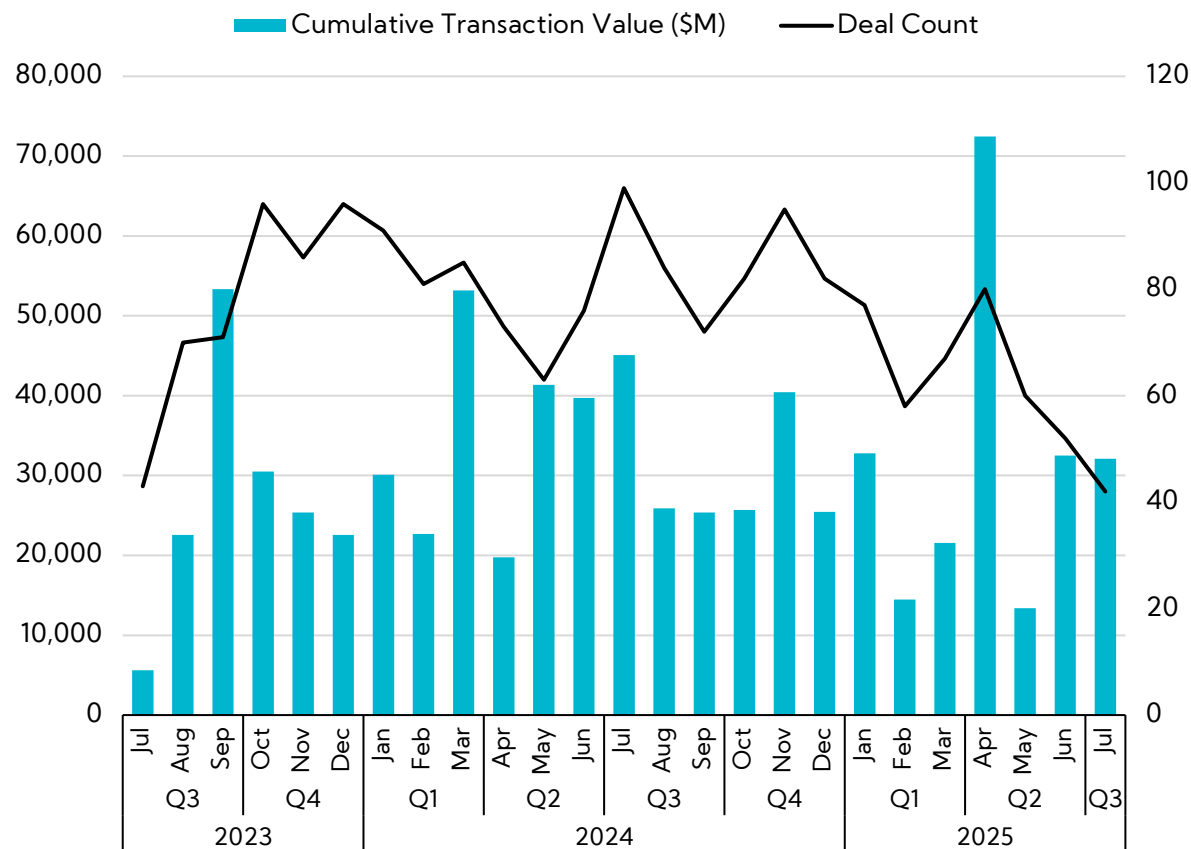
# Debt Paydown and Reinvestment Remain in Favor, While Interest in Buybacks Sets a Survey Record; M&A Sees More Support but Remains the Lowest Priority at This Time



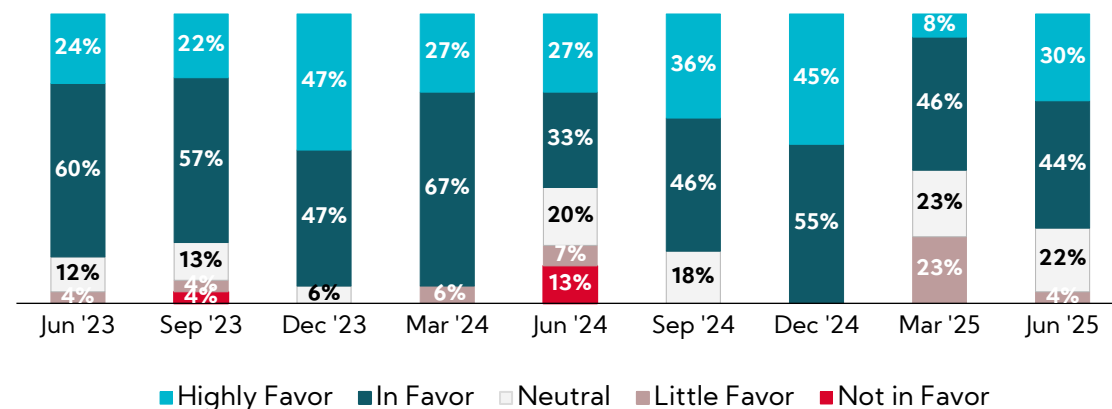
# When Probed, Support for Bolt-on Acquisitions Recovers, While Outright Opposition to Large Transformational Deals Ebbs

Industrial M&A transactions in July 2025 are poised to increase MoM in both cumulative value and deal count, though a significant YoY gap remains

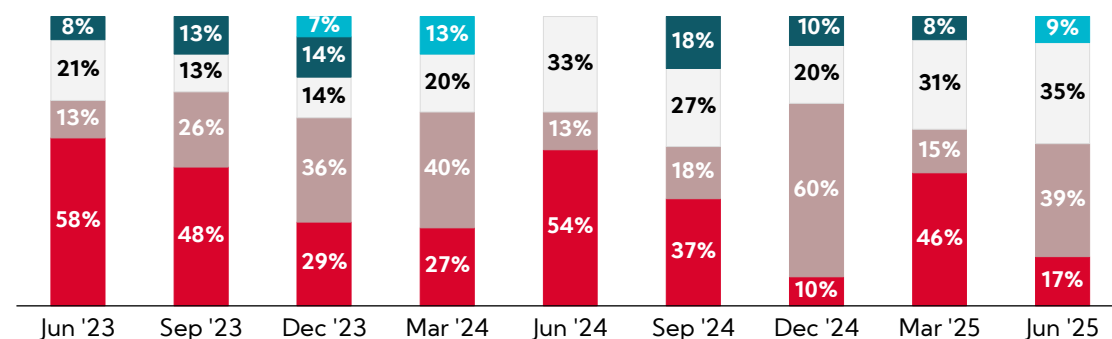
NORTH AMERICA AND EUROPE INDUSTRIAL M&A ACTIVITY<sup>1</sup>



BOLT-ON ACQUISITIONS



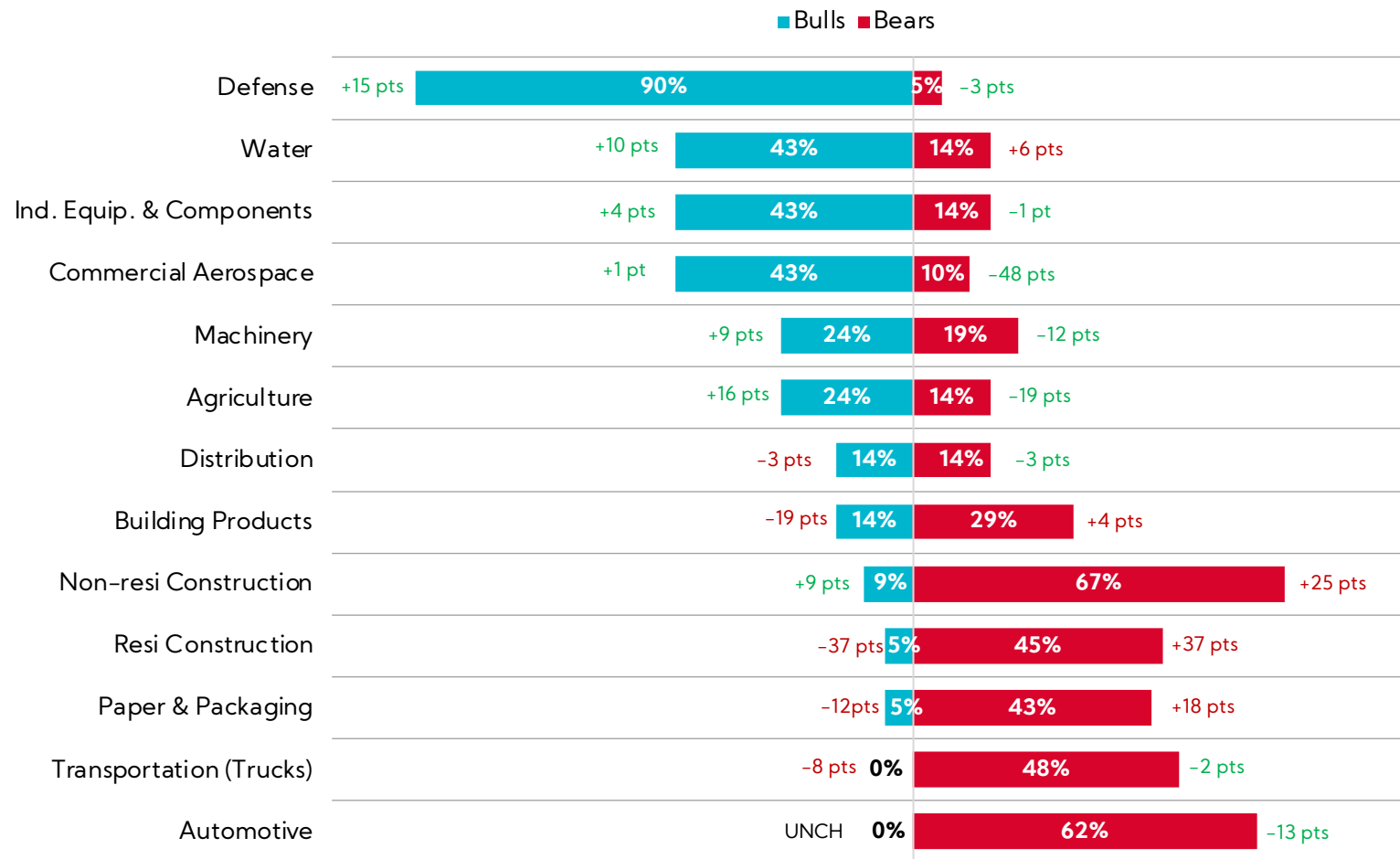
LARGE/TRANSFORMATIONAL ACQUISITIONS



<sup>1</sup>Source: FactSet, includes M&A transactions valued above \$1M

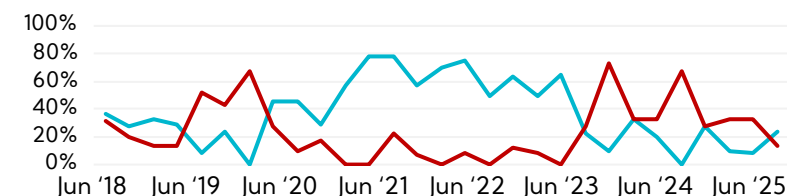
# Defense Extends its Lead, While Ag, Water, and Machinery See Notable Upticks in Bulls; Construction and Paper & Packaging See Double-digit Influxes of Bears

## BULLS VS BEARS

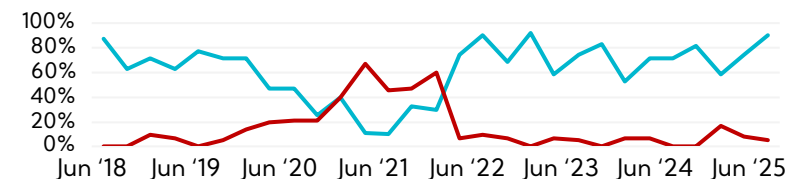


## LARGEST BULL and BEAR SENTIMENT GAINERS

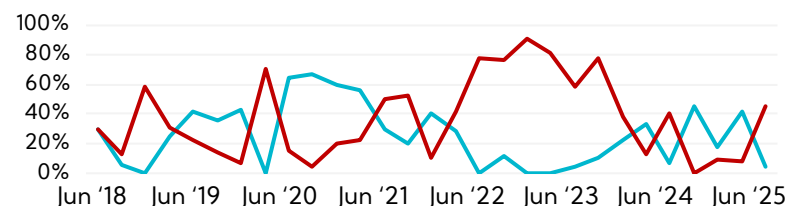
### AGRICULTURE



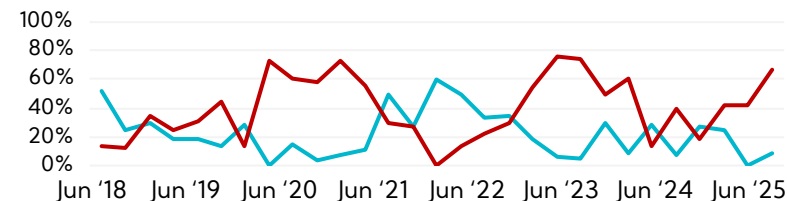
### DEFENSE



### RESI CONSTRUCTION



### NON-RESI CONSTRUCTION





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