INSIDE THE Buy·Side®

INDUSTRIAL SENTIMENT SURVEY®

corbin

Q3'25

ISSUE: 42
October 16, 2025

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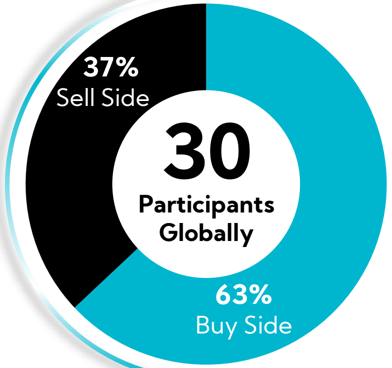
INSIDE THE Buy·Side®
INDUSTRIAL SENTIMENT SURVEY®

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: September 12 – October 9, 2025[1]

Survey Scope

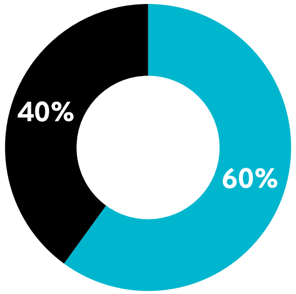


Equity Assets Under Management Total

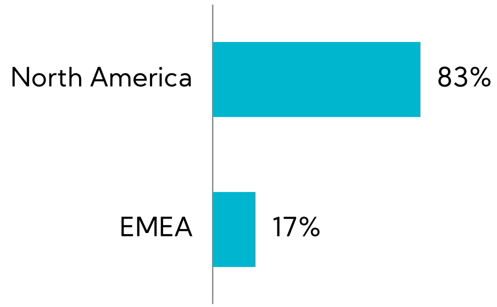
~$850 Billion

With ~$118 Billion Invested in Industrials

BY TYPE

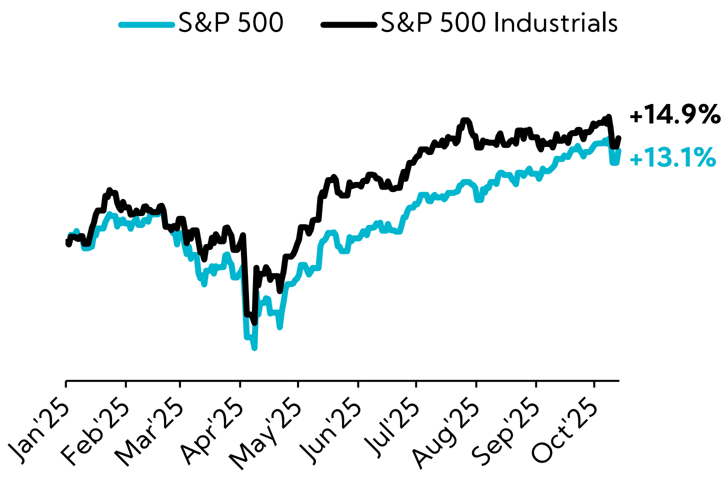


BY REGION



Market Performance[2]	YTD	Q3'25	Q3'24
DJIA	8.3%	5.2%	8.2%
NASDAQ	17.5%	11.2%	2.6%
S&P 500	13.1%	7.8%	5.5%
S&P 500 Industrials	14.9%	4.6%	11.2%
Russell 2000	10.4%	12.0%	8.9%

YTD PERFORMANCE: S&P 500 vs S&P 500 INDUSTRIALS (INDEXED)



[1] Majority of survey responses were captured prior to start of U.S. government shutdown on Oct. 1; [2] Source: FactSet; YTD as of 10/13/25 Market Close

Growth, Demand, and Tariffs Continue to Dominate Investor Mindshare, Reflecting a Constructive but Cautious Stance; AI, Data Centers, and Capex Prominent Growth Themes

VISUAL REPRESENTATION OF SURVEY COMMENTARY: UNDERLYING SENTIMENT

■ Positive ■ Neutral ■ Negative

Q3'24

Q4'24

Q1'25

Q2'25

Q3'25

Quarterly Ranking (1-30)

Top Mentions	Q/Q
Tariffs	UNCH
Growth	↑ 1
Demand	↓ 1
Uncertainty	↑ 4
AI	NEW

Amid "Mixed Bag", Stable Q3'25 Industrial Performance Expected with Pockets of Strength; Cautious Optimism Continues to Build for a Stronger, More Broad-based Growth Setup in 2026

Investor Sentiment and Perceived Executive Tone Build on Last Quarter's Rebound with Expectations for Solid, In-line Q3 Results and Full Year Guidance Reiterations

- **54%** of investors characterize sentiment as *Bullish* or *Neutral to Bullish*, little changed QoQ, but outright *Bullish* views more than halve; *Bearish* or *Neutral to Bearish* sentiment increases modestly
  - Investors point to secular tailwinds concentrated within AI, data centers, and A&D, but cite potential for a broad-based cyclical turnaround; concerns with tariffs, a weakening consumer, and to a lesser extent valuations, stymie outright optimism
- **61%** describe executive tone as *Neutral to Bullish*, the most upbeat since Q1'24, albeit with no outright compared with 9% last quarter; those hearing a *Bearish* or *Neutral to Bearish* tenor edges lower to just **17%**
- A majority, **57%**, expect Q3 earnings to be *In Line* with consensus, up from 45% QoQ, while those expecting beats falls to 29% from last quarter's 45% reading amid consensus increases coming out of Q2
- Similarly, **50%** anticipate *Stable* sequential KPI performance, with a sharp pullback in those expecting EPS to *Worsen*; Margins continue to stand out with the lowest share expecting profitability to *Improve* QoQ
- A solid majority anticipate companies will *Maintain* annual guides, with notably fewer expecting Revenue and EPS outlooks to be *Lowered*

Despite Lingering Trade Uncertainty and a "Mixed Bag" Across End Markets, Higher Conviction in YoY Industrial Organic Expansion and Optimism for 2026 Supports Investor Mindset Shift to Growth

- **58%** now anticipate YoY industrial organic growth with only 16% expecting it to be lower; further, those citing *Economic Slowdown* as a concern is notably lower QoQ
- Investors are prioritizing Growth over Margins – **64%** to **36%** – a big swing from the prior two quarters that saw roughly two-thirds favoring margins and the highest reading for growth since 72% in Q4'24
  - **38%** expect OBBBA legislation to have a *Positive* impact on financial performance for the sector over the next six months, though an equal share report being *Unsure*
- *Growth/Demand* jumps ahead of *Tariffs* as the leading topic for upcoming earnings calls, though interest in the latter remains high; relatedly, those seeking commentary on *Costs/Inflation* triples QoQ
- Curbing exuberance…
  - **59%** expect peak tariff impacts to be felt within the next six months, while another third expect landfall within 12 months
  - **68%** observed evidence of pull-forward demand in 1H'25, and while views are mixed on whether it will have a negative impact on future financial performance, a slight majority, 53%, believe this outcome is likely

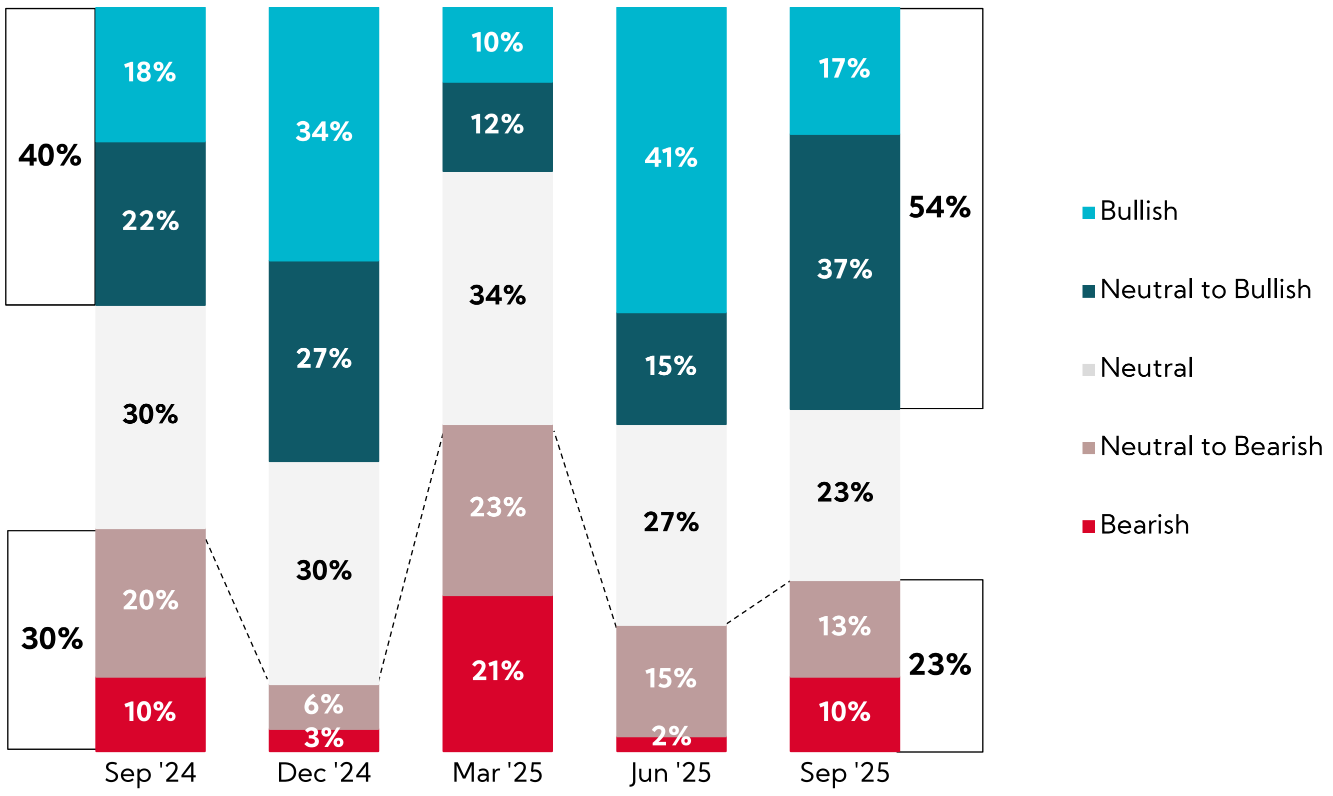
Capital Preferences Shift Toward Reinvestment Over Deleveraging, Reflecting Renewed Growth Focus; Most Industries See Fewer Bears, But Defense and Water Remain Clear Bright Spots, as Ag Sputters

- *Reinvestment* jumps ahead of *Debt Paydown* as the preferred cash use, rising to **64%** from 46%, the highest level since Dec. '24
  - Interest in *Share Buybacks* holds strong near last quarter's 5-year high despite valuation concerns, edging down 2 points to 36%
  - Support for *M&A* rises to 21% from 16%, while preferences for Dry Powder and Dividend Growth both recede QoQ
- **Defense** remains the most favored sub-sector, with bullish sentiment at 82%, though **Water** closes the gap with an influx of bulls; meanwhile, beleaguered **Transportation** and **Resi Construction** both see improvement QoQ
- Conversely, investors flip net-bearish on **Agriculture**, while **Machinery** and **Building Products** also see upticks in bearish sentiment; views toward **Autos** and **Non-resi Construction** remain deeply negative

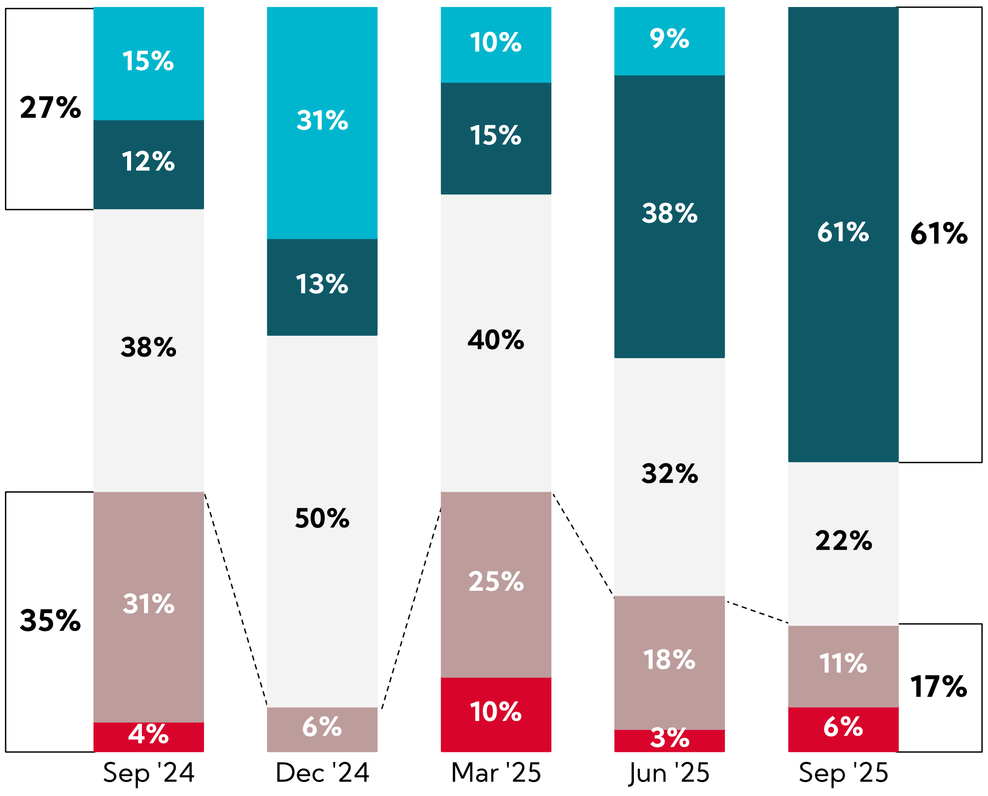
Industrial Investor Sentiment Remains Positive, Albeit with Fewer Outright Bulls; Executive Tone Also Seen as Cautiously Optimistic, but the Most Upbeat Since Mar. 2024

Neutral to Bullish **views prevail with a pullback in outright bullishness, reflecting a degree of caution amid ongoing macro uncertainty, including tariffs, and valuation concerns**

INVESTOR SENTIMENT



PERCEIVED EXECUTIVE TONE



While Still a "Mixed Bag", Secular Tailwinds, Cyclical Turnaround Potential, and Rate Cuts Reinforce Constructive Industrial Outlook

Bullish

"We are finding a lot of high-quality companies in industrial land. More recently, it looks like a lot of them have been benefiting from some version of onshoring, data center, AI, and work force efficiency needs. There are some pockets that have been weaker than others, but it sounds like a lot of that is cyclical and hopefully some of those other areas will start to turn around." **Buy Side, Generalist, N. America**

"There is a combination of strong secular growth drivers in industries tied to the secular growth we are seeing in technology and AI. At the same time, the short cycle part of the industry is closer to a cyclical trough. With the turn of the business cycle, you have both sides of industrials contributing to growth. It is an interesting time to be investing in the space." **Buy Side, Generalist, N. America**

"Budget bill and AI capex opportunities." **Buy Side, Generalist, N. America**

Neutral to Bullish

"Market seems to be at the bottom or near the bottom." **Buy Side, Industrials, N. America**

"My sentiment is mixed and cautiously optimistic for 2026. The money has followed where the growth is, so it has all been somehow related to AI data centers and/or to aerospace and defense. In theory, the beginning of a rate cut cycle along with the effects we should see from the OBBBA, in terms of benefits to capital expenditures in R&D, tax treatments, as well as the manufacturing base that has been encouraged by the administration to be built up within the U.S., should start to come through in 2026. Provided we do not have some other issue, whether it is economic slowdown or something else that disrupts it. All else equal, the setup should be better for next year." **Buy Side, Industrials, N. America**

"Generational infrastructure transformation balanced with slow residential construction, tariff indecision and high rates." **Buy Side, Generalist, N. America**

"Trump is driving investments in the industrial sector. My sentiment is moderately bullish. The tone of executives has been neutral to bullish." **Sell Side, Industrials, N. America**

Neutral to Bullish

"There is some fear, but I am quite conservative. Executives I have spoken to are more neutral because there is some uncertainty regarding the situation going on in the world." **Buy Side, Industrials, Europe**

"Hoping rate cuts lead to better economic growth, but valuations offset." **Sell Side, Industrials, N. America**

"My near-term view is influenced by recent performance and valuation. Longer-term, I am more constructive on increased investment in…manufacturing. The tone of executives is positively muted, but with a hopeful aspect." **Sell Side, Industrials, N. America**

Neutral

"The industrials are a mixed bag with a lot of noise from potential impacts from tariffs combined with some overwhelming enthusiasm in areas like data center power and with companies attached to the NVIDIA and AI trade. The tone from executives is cautious optimism." **Buy Side, Industrials, N. America**

"Slow economic growth, high valuations, persistently weak ISM that doesn't show sings of inflection, no broad optimism, simply pockets of strength." **Buy Side, Industrials, N. America**

"Both positives and negatives on the table. U.S. seemingly strong still, but for how long? Europe uplift potentially, but can that happen if U.S. were to deteriorate?" **Buy Side, Generalist, Europe**

Neutral to Bearish / Bearish

"There are good and bad pockets. The industrial segment is negative overall, but it is dependent on end market. Any company exposed to data centers is going to do very well, while the trucking market is going to be down." **Buy Side, Generalist, N. America**

"Macro and tariff uncertainty." **Buy Side, Generalist, N. America**

"Valuation of 'Mag 7' and capex cycle related to AI." **Buy Side, Industrials, N. America**

"Tariffs, rate pressures, weakening consumer/macro." **Sell Side, Industrials, N. America**

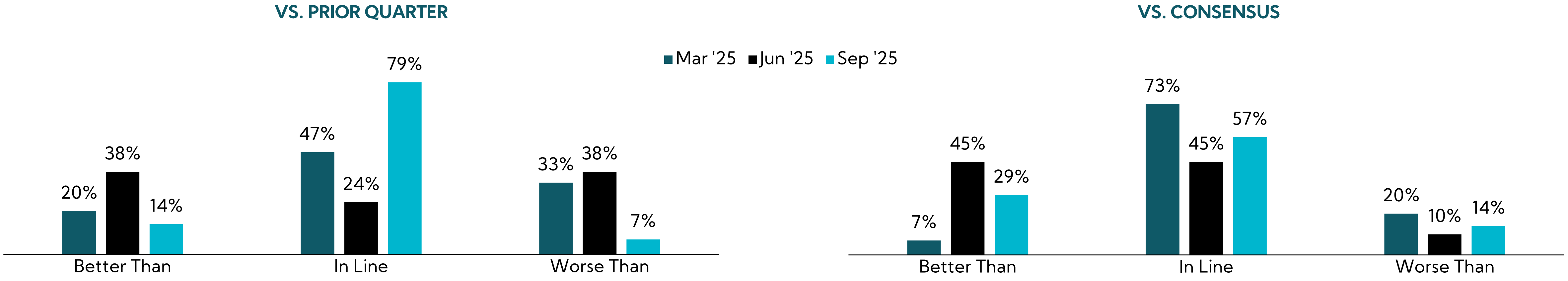
"The general industrial economy is facing a lot of softening demand and a lot of uncertainty due to policy. I think that's going to continue to hinder and drive softening pricing power, reduced volumes and demand. That is going to continue to slowly get worse over the next 6 to 12 months." **Sell Side, Industrials, N. America**

"[Executives] are constantly emphasizing the high uncertainty." **Sell Side, Industrials, Europe**

Following Last Quarter's Better-than-Expected Performance and Subsequent Consensus Raises, Expectations Are for More In-line Results and Flat Sequential Performance

While consensus beats are still anticipated to outpace misses, a majority expect Q3 earnings to meet analyst estimates

Q3'25 EARNINGS EXPECTATIONS



Better Than

"Companies have been doing a good job with the environment they have been given."
Buy Side, Industrials, N. America

In Line

"Less competition." **Buy Side, Industrials, N. America**

"Economic activity readings." **Buy Side, Industrials, N. America**

"Companies will find a way to protect earnings despite continued end market pressures and customer uncertainty." **Buy Side, Generalist, N. America**

"Budget bill and AI spend." **Buy Side, Generalist, N. America**

"Most executives feel less optimistic about 2H'25 now than they did in Jan 2025."
Buy Side, Generalist, N. America

"Cautiousness." **Buy Side, Generalist, Europe**

"Expected improvements are not materializing." **Sell Side, Industrials, Europe**

"Markets, excluding agriculture, seem stable." **Sell Side, Industrials, N. America**

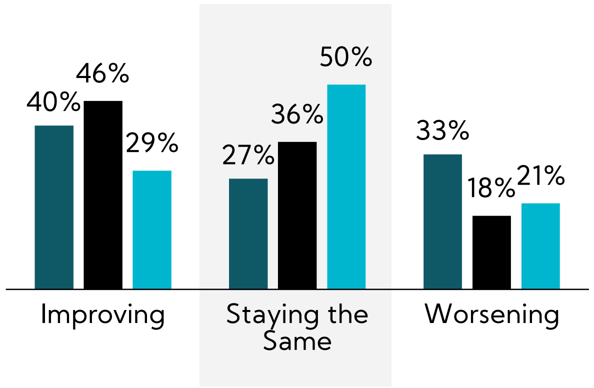
Worse Than

"Too much chaos. Tariffs, govt. shutdown, geopolitical uncertainty, inflation fears."
Buy Side, Generalist, N. America

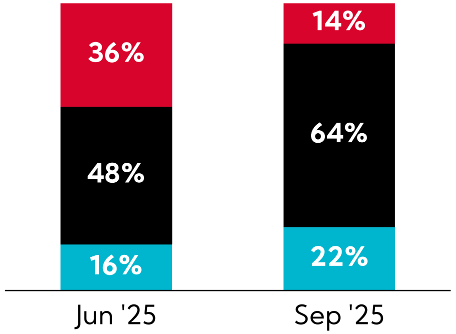
Across All KPIs, More Expecting Flat Sequential Performance and Companies to Maintain Guides

REVENUE

Q3'25 SEQ. PERFORMANCE EXPECTATIONS

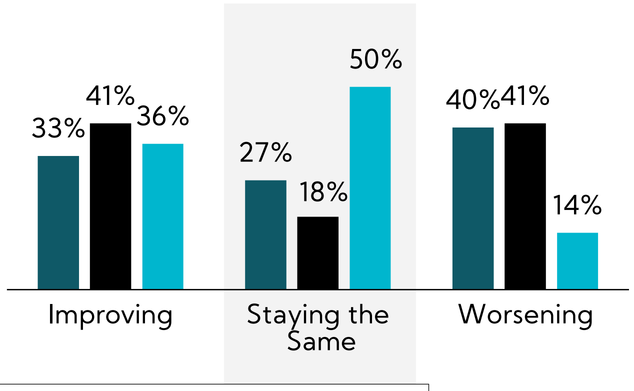


2025 GUIDANCE EXPECTATIONS

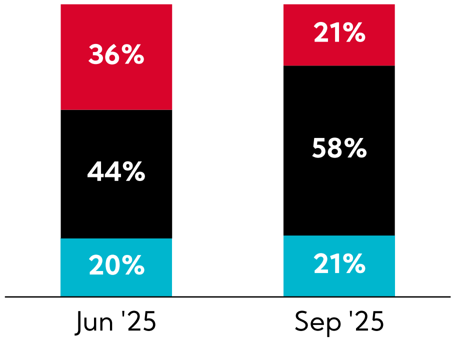


EPS

Q3'25 SEQ. PERFORMANCE EXPECTATIONS



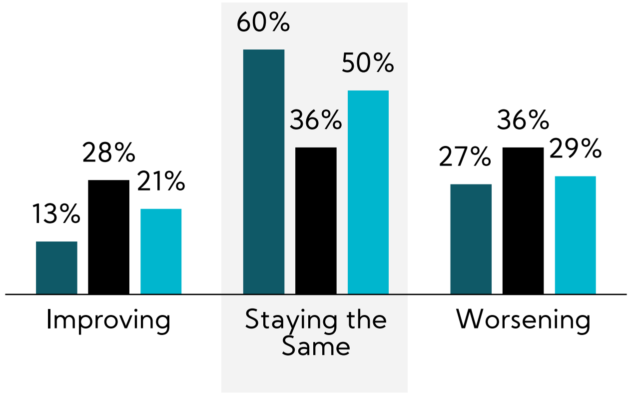
2025 GUIDANCE EXPECTATIONS



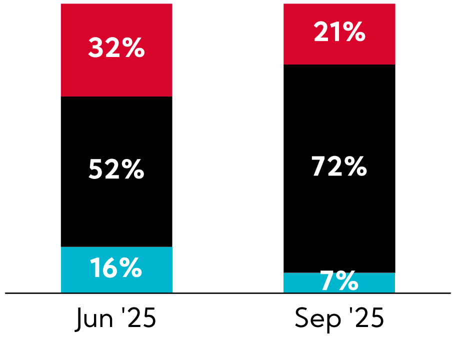
Mar '25 Jun '25 Sep '25 Raise Maintain Lower

OPERATING MARGINS

Q3'25 SEQ. PERFORMANCE EXPECTATIONS

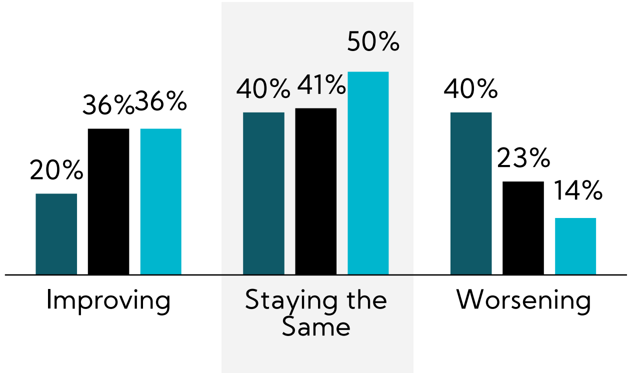


2025 GUIDANCE EXPECTATIONS

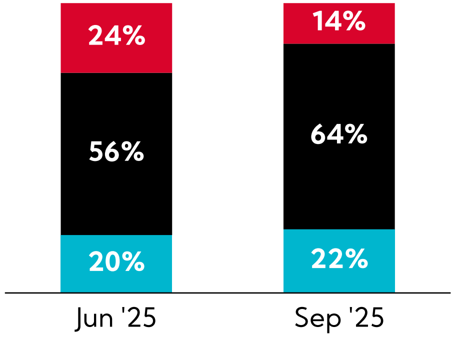


FCF

Q3'25 SEQ. PERFORMANCE EXPECTATIONS

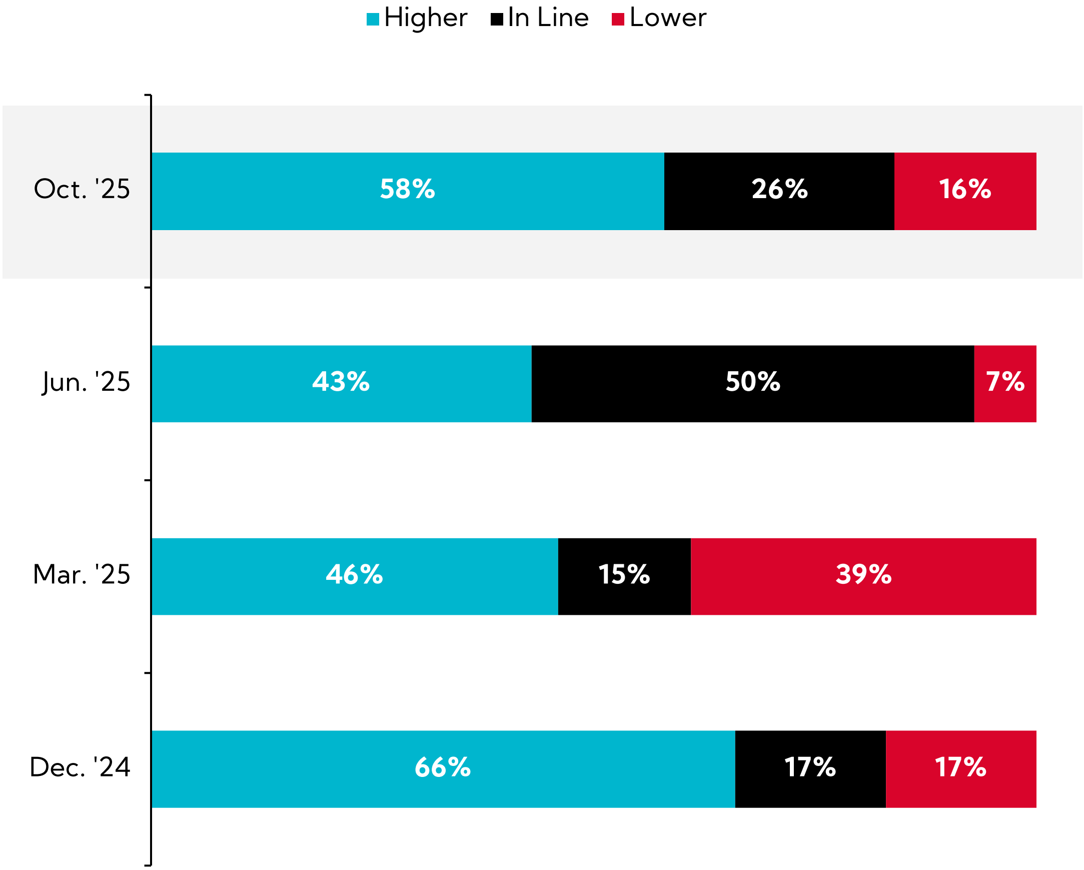


2025 GUIDANCE EXPECTATIONS

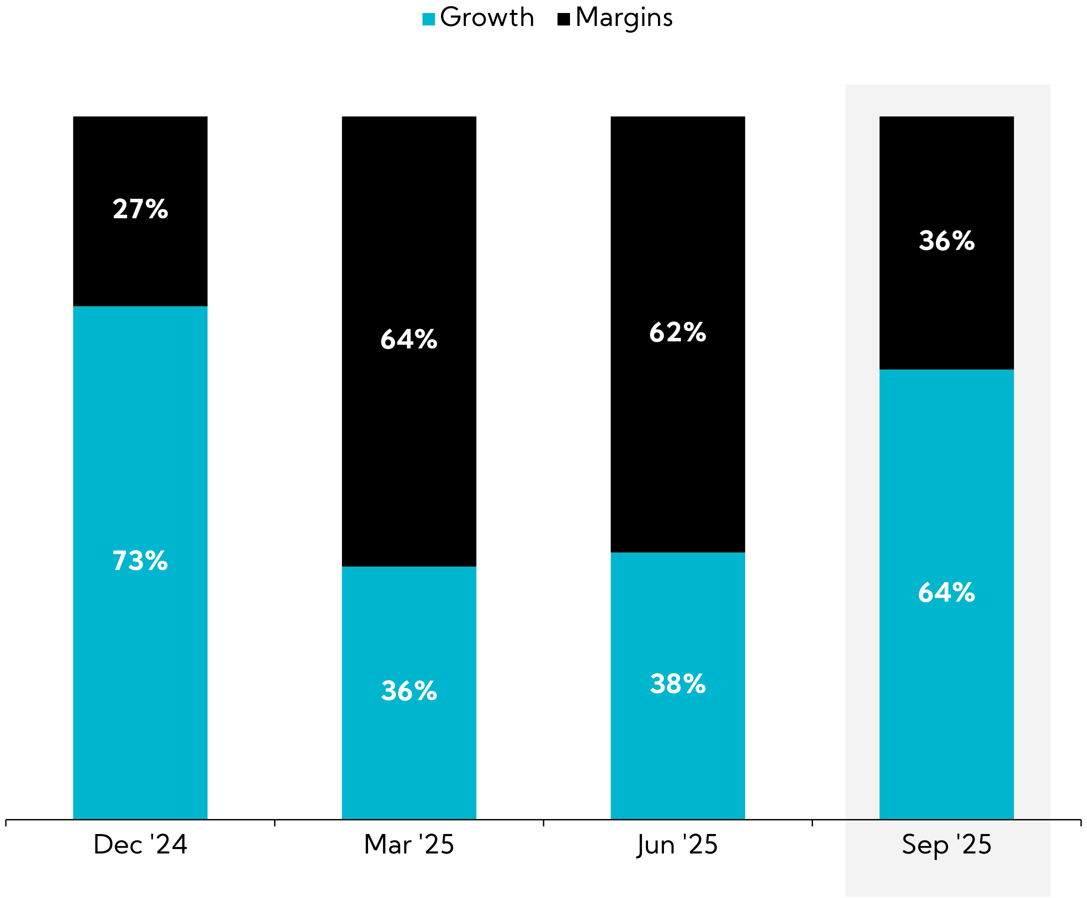


Optimism Underpins Increased Expectations for YoY Industrial Organic Expansion and Prioritization of Growth for the First Time Since the Dec. "Trump Bump"

2025 INDUSTRIAL ORGANIC TOP-LINE GROWTH RELATIVE TO 2024



KPI PRIORITIZATION AT THIS POINT IN THE CYCLE



Top Concerns from Around the Globe

Tariffs remain the top unaided concern, cited at nearly twice the rate as growth and demand, while apprehension about an economic slowdown is halved this quarter, reinforcing the theme of growing optimism

	Unaided	(QoQ Change)	
1	61%	(↑ 11pts)	Tariffs
2	34%	(↑ 2pts)	Growth, Demand
3	27%	(↓ 7pts)	Geopolitics
4	19%	(↓26pts)	Economic Slowdown
5	14%	(↑ 1pt)	Interest Rates
6	14%	(↓ 6pts)	Margins

Commentary

"Trade, interest rates, excess inventory." **Buy Side, Industrials, N. America**

"Level of orders, companies sitting on their hands due to poor visibility, margins negatively impacted from inability to pass along 100% of tariffs and higher costs." **Buy Side, Industrials, N. America**

"Impact from uncertainty over tariffs, civil unrest, California regulation." **Buy Side, Industrials, N. America**

"Tariffs including the uncertainty it brings, macro, interest rates." **Buy Side, Generalist, N. America**

"Long-term implications of fiscal deficits/total debt, health-care costs, climate change." **Buy Side, Generalist, N. America**

"Economy, inflation, tariffs." **Buy Side, Generalist, N. America**

"Geopolitics, FX distortions / USD weakness, inflation shock." **Buy Side, Generalist, Europe**

"U.S. strength, tariffs, Germany." **Buy Side, Generalist, Europe**

"Valuation, lack of M&A, lackluster growth." **Sell Side, Industrials, N. America**

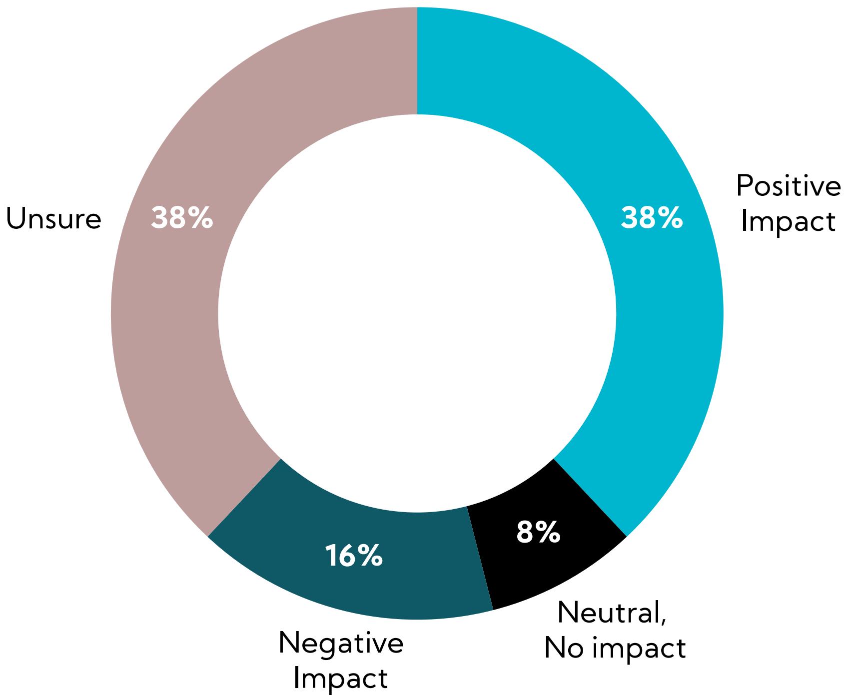
"Recession, inflation, geopolitical issues." **Sell Side, Industrials, N. America**

"Project timing, margin, cash flows." **Sell Side, Industrials, N. America**

"Geopolitical problems, consumer sentiment, obstacles to global trade." **Sell Side, Industrials, Europe**

While More Than One-third Expect a Positive Impact from OBBBA Legislation, an Equal Share are Uncertain about the Near-term Financial Impact

VIEWS ON OBBBA IMPACT ON INDUSTRIALS FINANCIAL PERFORMANCE OVER NEXT SIX MONTHS



Positive Impact

"Cash benefit from immediate expensing of capex." **Buy Side, Generalist, N. America**

"Tax benefits – capex expensing." **Buy Side, Generalist, N. America**

"There are some favorable tax provisions for those that are investing, so in the near-term it should be beneficial." **Buy Side, Generalist, N. America**

Neutral / No Impact

"Very small positive, but not enough to say 'Yes'. This is what industrial companies are telling me." **Buy Side, Industrials, N. America**

Negative Impact

"Fear of government debt levels and fiscal deficits will have to be addressed, and businesses will be cutting costs." **Buy Side, Generalist, N. America**

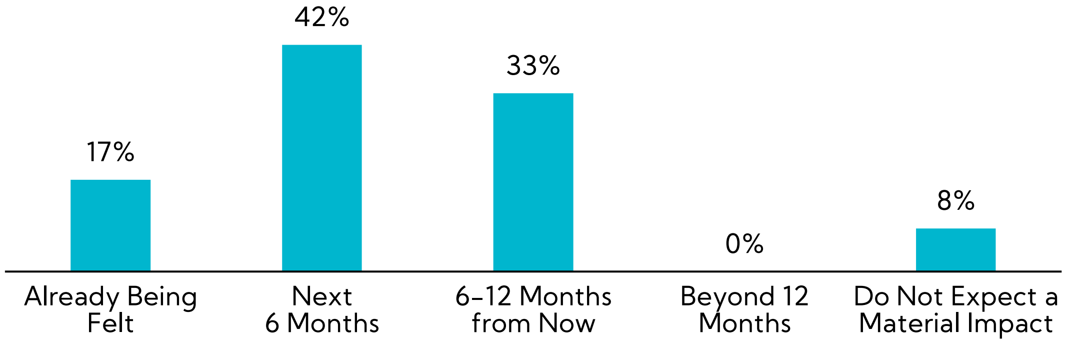
Nearly 70% Observed Pull-forward Demand in 1H with Mixed Views on Whether It Will Create a Future Air Pocket; Negative Peak Tariff Impacts Seen on the Horizon

Majority anticipate industrials to face the greatest financial impact from tariffs within the next six months

EVIDENCE OF PULL-FORWARD DEMAND IN 1H'25

BELIEF IT WILL NEGATIVELY IMPACT FUTURE FINANCIAL PERFORMANCE

EXPECTATIONS FOR INDUSTRIALS TO EXPERIENCE THE GREATEST FINANCIAL IMPACT FROM TARIFFS



"Within auto, I do not see a ton of pull-forward demand; there is some on the EV stuff ahead of the tax credits expiring." **Sell Side, Industrials, N. America**

"U.S. automotive type companies saw some pull forward, but I otherwise did not see pull forward demand with the companies I cover. I am unsure if it will affect future demand." **Buy Side, Generalist, N. America**

"On the megatrend side, there is a definite pull-forward demand, like electrification, and so on. On the short-cycle side, it is more complicated, like on automotive, but I am turning positive. The tariff situation is creating an inflationary environment. The volumes will go down on sectors exposed to consumers and retail. There will be a shrinking economy in the short-term. Long-term, it will be positive not only on the megatrend." **Buy Side, Industrials, Europe**

"We had a pull-forward in Q1, some of it normalized in Q2. There is more potential oversupply of inventory in the construction building product-related areas of the market where the slowdown in activity could last longer if rate transmission does not materialize, so those are areas of concern. There could be a headwind in some of the consumer-related areas if demand does not pick up. Overall, inventories are not massively oversupplied anywhere in our markets at least. We are not in a lot of the energy area, so I have a narrower field of vision." **Buy Side, Industrials, Europe**

"There was evidence of pull-forward demand in the first half of 2025 but not as significant as feared and will be minimally impactful going forward. Channel inventories did not become bloated. We were starting from a very lean level. Certain companies will have idiosyncratic hits but for the most part it will have limited impact." **Sell Side, Industrials, N. America**

"In my coverage, I selectively saw evidence of a pull-forward demand in the first half of '25." **Sell Side, Industrials, N. America**

- **75%** Growth, Demand (↑ 14pts)
- **64%** Tariffs (↑ 1pt)
- **34%** Costs, Inflation (↑ 23pts)
- **26%** Capex, Capital Priorities (↓ 17pts)
- **20%** AI (↑ 15pts)
- **14%** Supply Chain (↑ 9pts)

Topics of Interest for Upcoming Earnings Calls

Growth/demand trends jump ahead of tariffs as the most in-focus topic, though investor interest in the latter remains elevated; relatedly, those seeking updates on inflation and costs triples QoQ

N. American Views

"Capex spend, AI in business, infrastructure spending." **Buy Side, Generalist**

"Geopolitics, tariffs, China impact on trade with U.S." **Buy Side, Industrials**

"The tariff outlook, how the supply chain is, what adjustments they have made, outlook for M&A, inventory in the chain, and whether there is excess inventory because of pull forward." **Buy Side, Industrials**

"Order growth, geographical growth specifics, tariff challenges." **Buy Side, Industrials**

"Tariff impacts, customer sentiment, AI benefits." **Buy Side, Generalist**

"Impact of tariffs on sales and profit margins over next 12-24 months, capex plans over next 2 years, changes companies have to make to thrive (e.g., cost cutting, shifting supply chains, new opportunities)." **Buy Side, Generalist**

"Bitcoin, reshoring, datacenters." **Sell Side, Industrials**

"Tariff impacts, areas of softness in business, outlook for 2026." **Sell Side, Industrials**

"Automation spending, infrastructure project activity, are we done with 2025 price actions?" **Sell Side, Industrials**

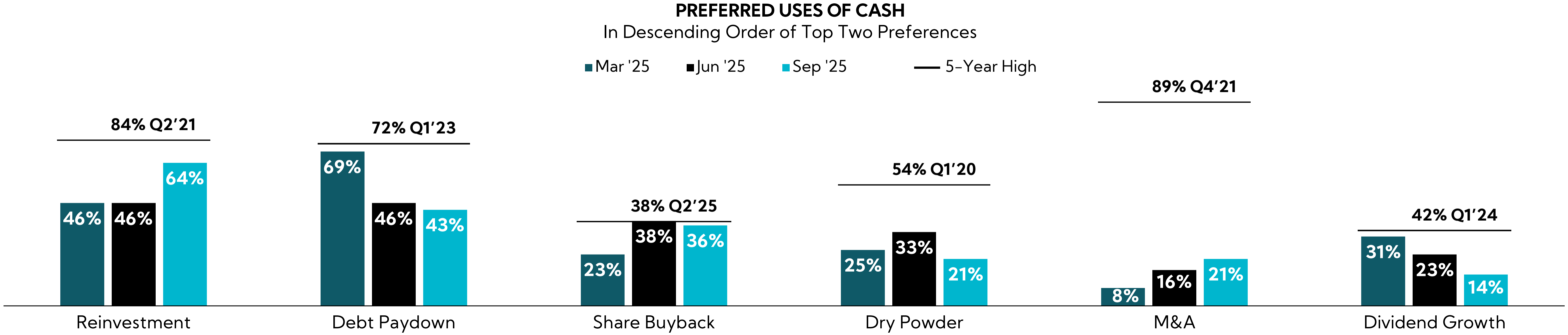
Europe Views

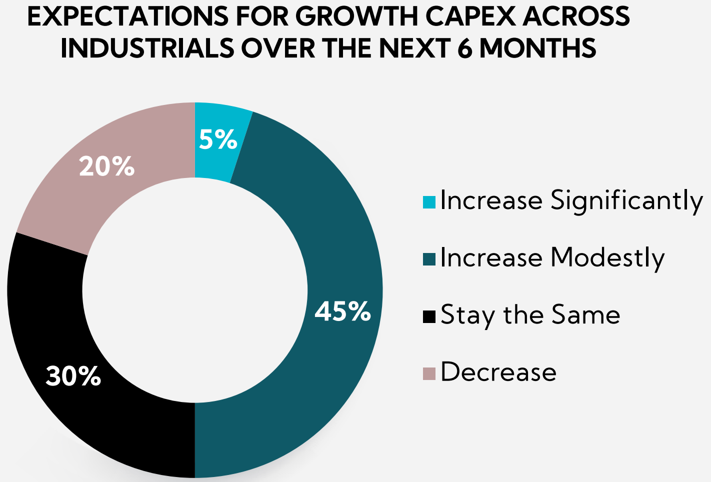
"Momentum of Chinese competition fading/shifting, labor cost increases anticipated, demand shock on inflation scare in 2026." **Buy Side, Generalist**

"Tariffs, recovery in Europe, U.S. strength." **Buy Side, Generalist**

"Shifts in trade flows, demand outlook, cost flexibility." **Sell Side, Industrials**

Reinvestment Jumps Ahead of Debt Paydown for Preferred Cash Use for the First Time Since Dec. 2024; Buyback Appetite Holds Near Last Quarter's 5-Year High





Increasing Significantly to Modestly

"AI driven." **Buy Side, Industrials, N. America**

"I expect growth capex across industrials will increase modestly over the next six months but significantly 6 to 12 months out." **Sell Side, Industrials, N. America**

"It is not likely to be great, because people are nervous about what tariffs are going to look like. It varies by vertical. Aerospace is strong. Some things have had data center applicability, like HVAC, heating and cooling. Those are strong. The verticals are different, but in general with big industrials, we will not see a ton of growth capex." **Sell Side, Industrials, N. America**

Staying the Same

"Utilization is low, so while there will be pockets of growth capex, at least data center-related, there is a lot of spare capacity elsewhere in U.S. industrial facilities, so there will not be a huge, broad uplift in growth investments.." **Buy Side, Industrials, Europe**

"Most of the companies discuss a lack of clarity on the policy front as to why capex won't move out of its current range." **Buy Side, Industrials, N. America**

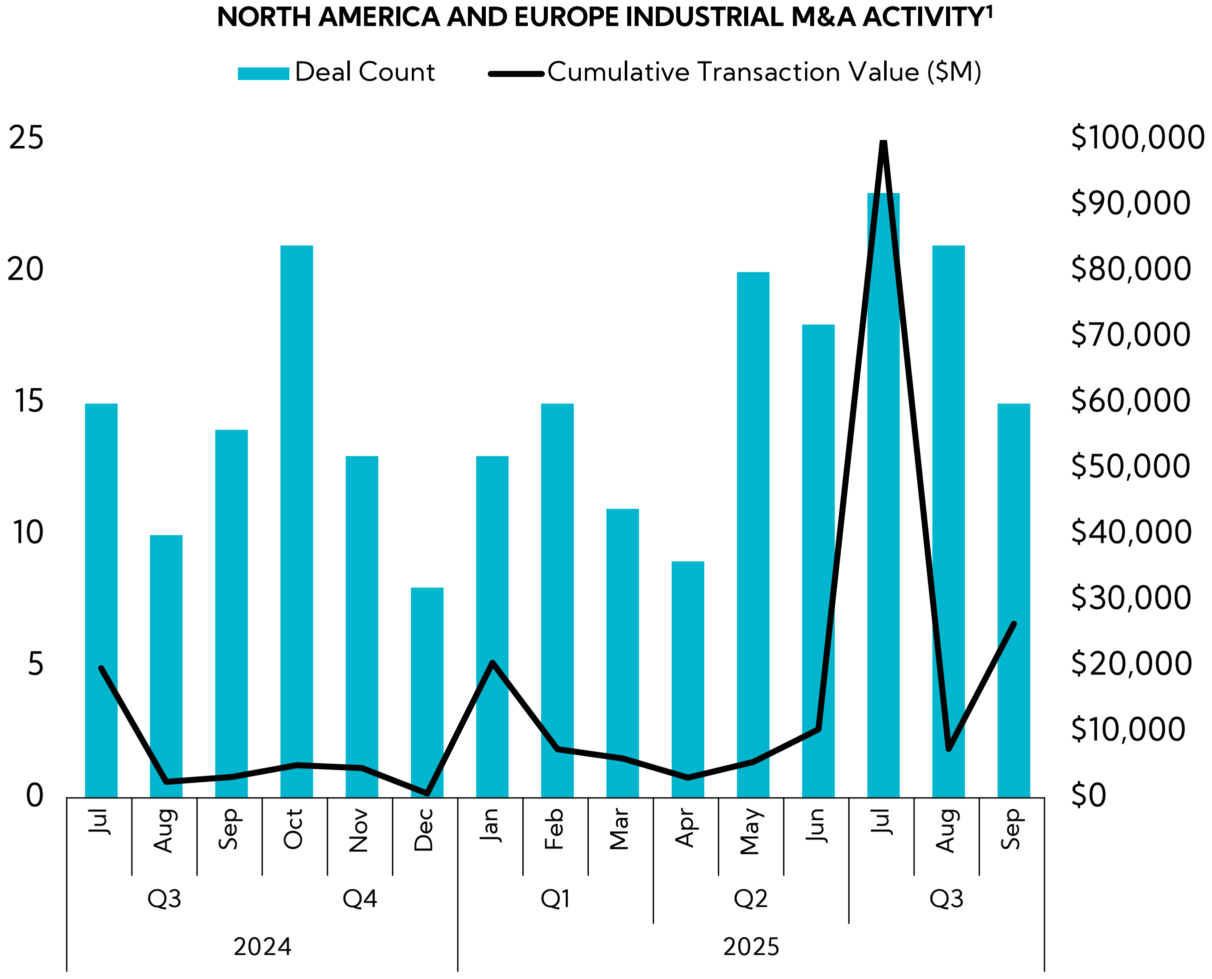
Decreasing

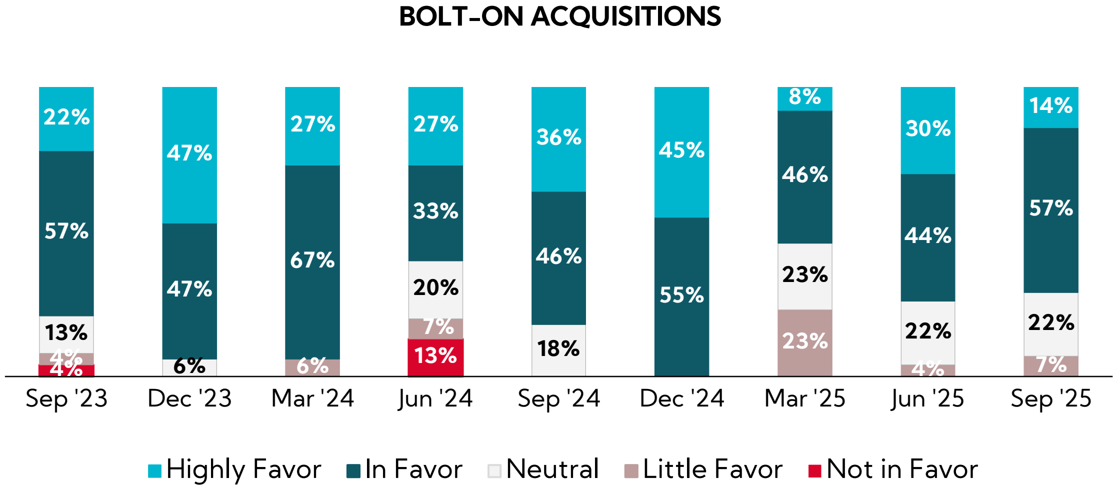
"Caution among businesses." **Buy Side, Generalist, N. America**

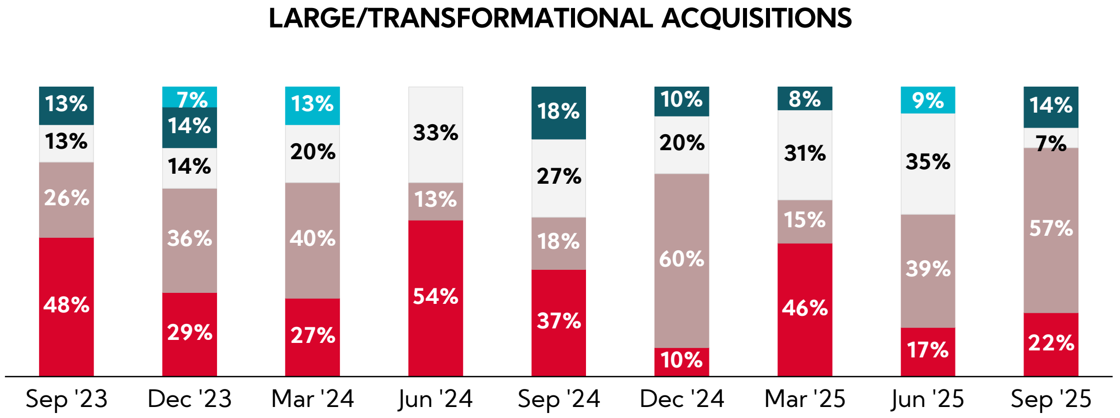
"Cautiousness increasing after frontloading of sales, general uncertainty high." **Buy Side, Generalist, Europe**

Investors Continue to Signal Solid Support for Bolt-on Acquisitions, and Apathetic, but Not Meaningfully Against Large, Transformational Deals

Industrial M&A activity spiked in July 2025, both in terms of size and number of deals; total Q3'25 deal volume up 50%+ YoY

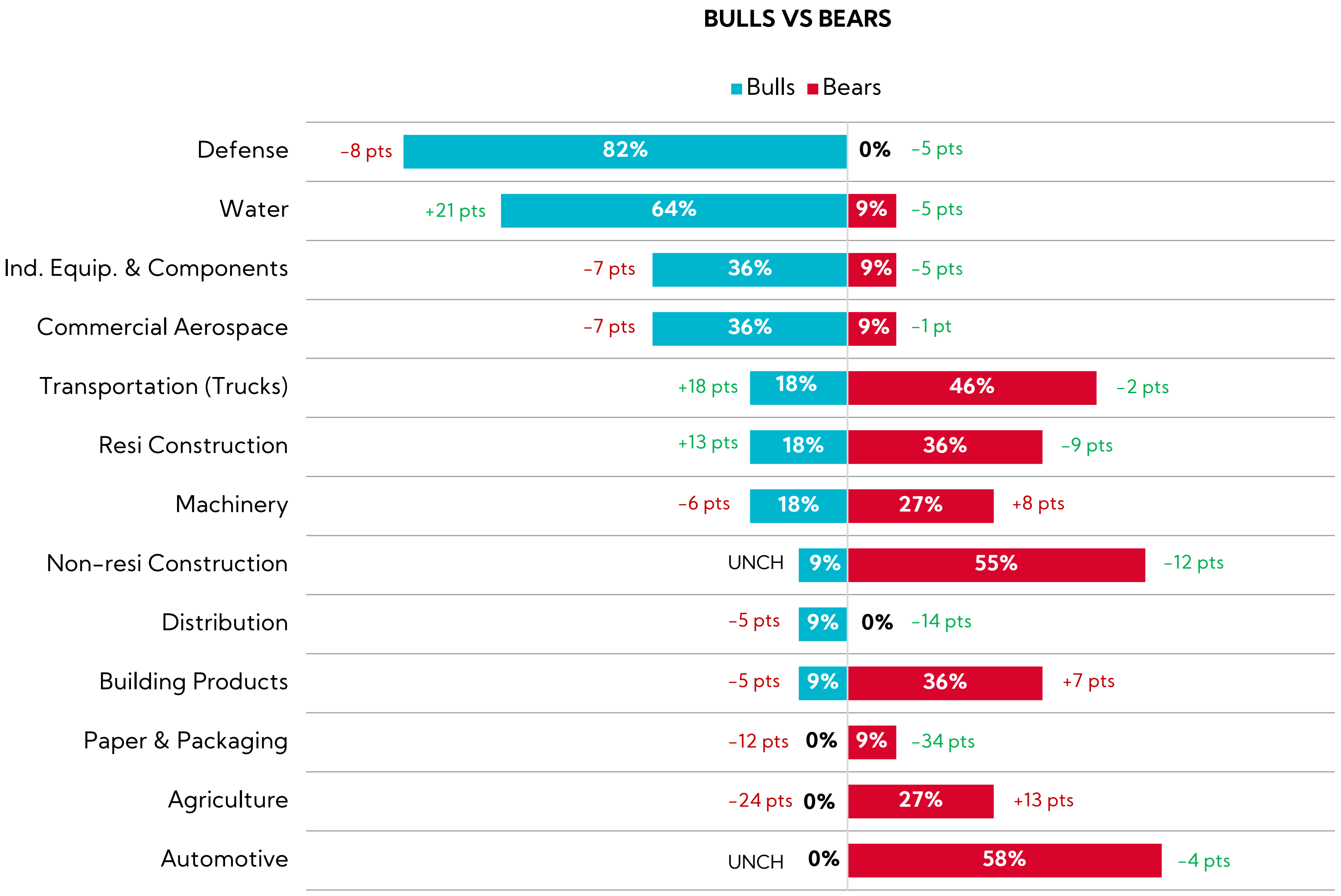


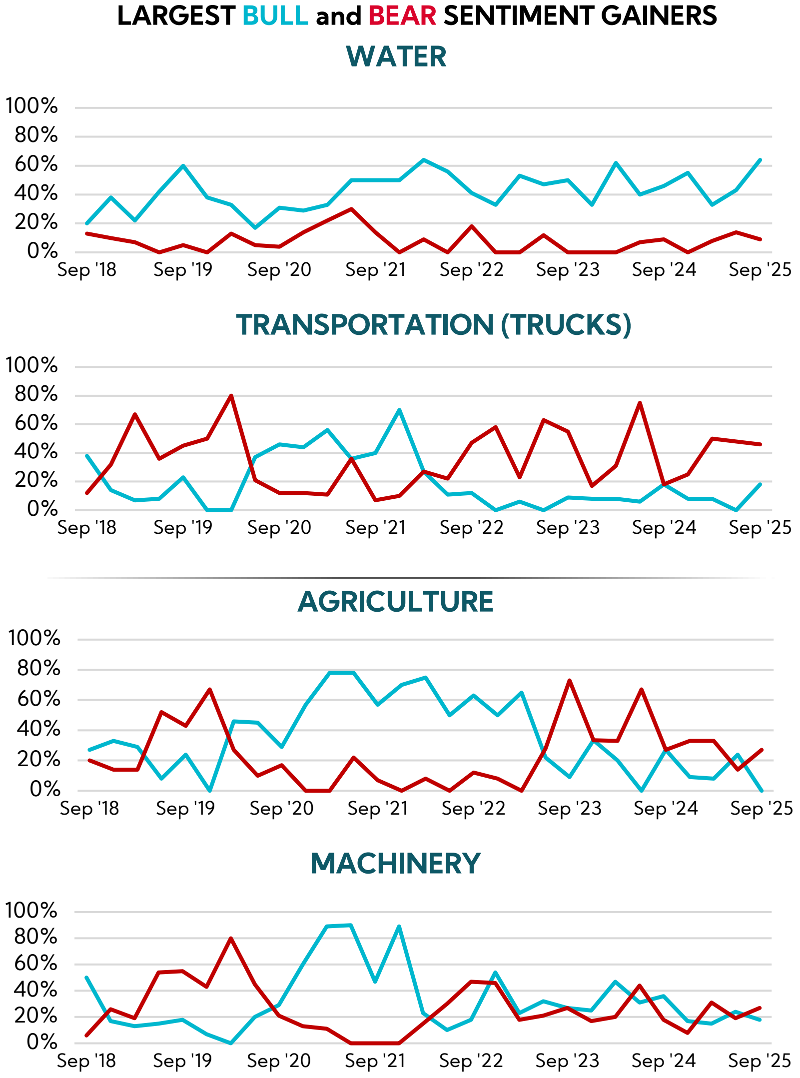




[1] Source: FactSet, includes M&A transactions valued above $1M

While Most Industries See Fewer Bears, Relatively Concentrated Bets Being Placed on Defense and Water; Investors Flip Net-bearish on Ag





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