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Thought Leadership:
Closing the Quarter — Q1’26

May 15, 2026

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

- **Key Events** this week
- **Closing the Quarter Summary** — Q1'26 earnings performance, guidance moves, assumptions, consensus shifts, tariff refunds, inflationary pressures, consumer health, AI-related layoffs, and capital allocation trends

Key Events this Week

Existing Home Sales

- Existing home sales **rose just 0.2% month over month** to an annualized rate of 4.02Munits, below the consensus estimate of 4.05M. The modest increase was driven by strength in the Midwest and South, while sales activity declined in the West and remained unchanged in the Northeast. **Sales were supported by mortgage rates moderating compared to a year ago, while average income growth has continued to outpace home price appreciation**. Nevertheless, **the median existing-home sales price rose 0.9% YoY to $417,700, the highest price NAR has recorded in April**. *(Source: National Association of Realtors, CNBC)*

Inflation

- April inflation data showed **renewed price pressure across both consumers and producers**, with **CPI rising 0.6% month over month** and Core CPI increasing 0.4%, as **headline CPI accelerated to 3.8% YoY, the highest since May 2023**. Meanwhile, producer prices surprised more sharply, as **final demand PPI rose 1.4%**, well above the 0.5% consensus estimate. **This reflects the largest monthly increase since March 2022**. **Energy was a major driver of both reports, accounting for more than 40% of the CPI gain and more than 75% of the PPI increase**. *(Source: Bureau of Labor Statistics, CNBC)*

Trump-Xi Summit

- The long-awaited meeting between **President Trump and President Xi Jinping** took place this week. While there was significant focus on ironing out a **framework to jointly address the economic fallout from the ongoing war in Iran,** this was nested within a broader strategic discussion between two semi-cooperative rivals. While e**quity markets in the U.S. responded positively** to the prospect of reduced bilateral friction, **Asian markets were far more subdued,** as a sharp reversal in the KOSPI triggered a broader risk-off moment across the region. *(Source: AP News, CNBC, Wall Street Journal, Reuters, Financial Times)*

Retail Sales

- Retail sales **increased 0.5% on a seasonally adjusted basis MoM, in line with consensus estimates** but down from the revised 1.6% gain in March. **Excluding gasoline stations, retail sales rose just 0.3%**, as gasoline station sales outpaced the broader index with a 2.8% increase from March. **Notable laggards included furniture and home furnishing stores, motor vehicle parts and dealers, and clothing and clothing accessories stores**. *(Source: Census Bureau, Wall Street Journal)*

Business Inventories

- Business **inventories increased 0.9% in March,** slightly ahead of expectations for a 0.8% gain. **This was an acceleration from the revised 0.4% gain for February,** which was revised from the previously reported 0.2% gain and marked the largest monthly increase since June 2022. **Meanwhile, business sales rose 2.1% from February, bringing the**

total business inventory-to-sales ratio to 1.32, down from 1.38 a year earlier. *(Source: Census Bureau, Reuters)*

Fed Confirmation

- **Kevin Warsh was nominated** as the next Federal Reserve Board Chair on Wednesday, **signaling a potential shift in how the Fed manages communications and balance sheet policy.** Markets see this **not as an automatically dovish pivot**, but as an **opportunity for the Fed to reinforce both its credibility and independence.** Independence of the Federal Reserve has proven to be a nascent battleground, with **President Trump routinely advocating for lower rates and going so far as to open criminal investigations into outgoing Board Chair Jerome Powell** over his handling of building renovations. *(Source: CNBC, Wall Street Journal, Reuters)*

Closing the Quarter Summary

Heading into earnings season, our **Q1'26 Inside The Buy-Side® Earnings Primer®,** published on April 9th, registered a meaningful stepdown in investor sentiment as concerns over the Iran War and its subsequent effects on the global economy weighed heavily on investor confidence. Survey results revealed that investors were most concerned about direct exposure to the conflict, inflation, oil and energy prices, and consumer health.

These concerns were featured prominently throughout management commentary this earnings season. As Q1'26 progressed, the Iran War moved quickly from headline risk to an operating issue, with investors trying to price in disruption and increasing input costs. At the same time, concerns around consumer health gained prominence as the quarter progressed, with many companies highlighting the acute pressures low-income consumers face. AI again remained a persistent theme as companies faced greater scrutiny around capital allocation and hurdle rates. For the time being, sequential changes in capital allocation reflect a greater focus on shareholder returns and debt paydown, compared to capex decreasing sequentially but still up meaningfully YoY.

As we exit the quarter, many questions remain. Investors are looking to understand 1) durability of demand given elevated inflation, 2) pressure level on the bottom of the K-consumer, 3) what structural changes, if any, come about from the Iran War, 4) the size and timing of receipt for tariff refunds, 5) will companies turn towards a defensive capital allocation strategy as a counter to increasing costs, and 6) if AI is producing measurable growth.

With Q1'26 earnings largely in the books, we "Close the Quarter" with some notable themes:

1. Earnings Performance: Earnings Growth Surges YoY, the Highest Rate Since Q4 2021, as Geopolitical Volatility Does Little to Diminish the AI Fervor

Overall, S&P 500 earnings performance exceeded expectations in Q1, with 91% of companies having reported results to date and 84% delivering EPS above consensus. This compares favorably to the 5-year average of 78% and 10-year average of 76%, and, if sustained, would mark the highest positive EPS surprise rate since Q2 2021. In aggregate, companies are reporting earnings 17.9% above estimates, well above the 5-year average of 7.3% and 10-year average of 7.1%, and the highest surprise percentage since Q1 2021.

Over the past week, positive EPS surprises and upward estimate revisions in Technology were the largest contributors to the modest increase in overall index earnings growth. Since March 31, stronger-than-expected results from Alphabet, Amazon, and Meta have been key drivers of

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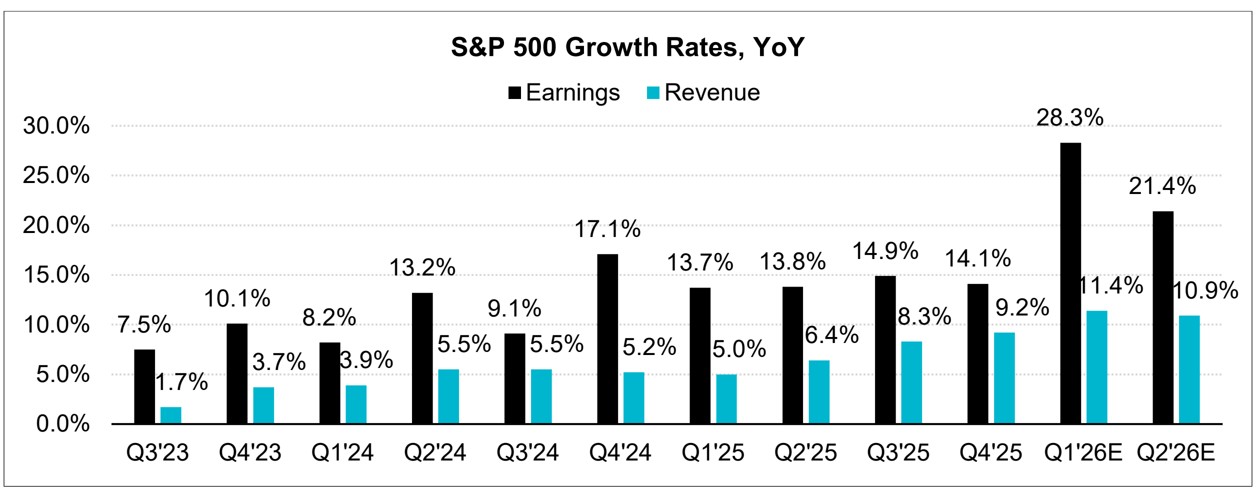
the improvement, reinforcing the continued outsized influence of mega-cap Tech on S&P 500 earnings momentum.

S&P 500 Blended Earnings Growth, YoY

	Q1'26	Q2'26		
Sectors (A-Z)	As of Today	As of Today	As of 4/1/26	As of 1/1/26
Cons. Disc.	39.3%	5.6%	7.0%	8.8%
Cons. Staples	-7.0%	5.1%	6.7%	7.0%
Energy	-0.8%	105.3%	32.8%	11.6%
Financials	24.6%	6.3%	7.6%	7.7%
Healthcare	-3.4%	-8.3%	5.8%	7.8%
Industrials	9.9%	9.7%	12.3%	15.1%
Materials	40.8%	31.5%	25.8%	18.6%
REITs	15.2%	6.3%	6.0%	6.3%
Tech	52.8%	56.1%	50.2%	35.5%
Communications	50.8%	8.3%	7.6%	6.0%
Utilities	15.7%	11.7%	12.3%	11.8%
Average	**28.3%**	**21.4%**	**19.2%**	**15.2%**

Source: LSEG I/B/E/S

Turning to revenue, 80% of companies reported revenues above consensus, ahead of the 5-year average of 70% and the 10-year average of 67%. In aggregate, revenues are 1.8% above estimates, driving blended revenue growth to 11.4% YoY, up from 11.3% last week and 9.9% at quarter-end. Positive surprises across multiple sectors, led by Utilities over the past week and Communication Services, Financials, Industrials, Information Technology, and Health Care since March 31, supported the improvement.



Source: LSEG I/B/E/S

2. Guidance Moves and Consensus Shifts: More Maintain, But a Healthy Amount of Raises Seen to Start the Year

Guidance Moves

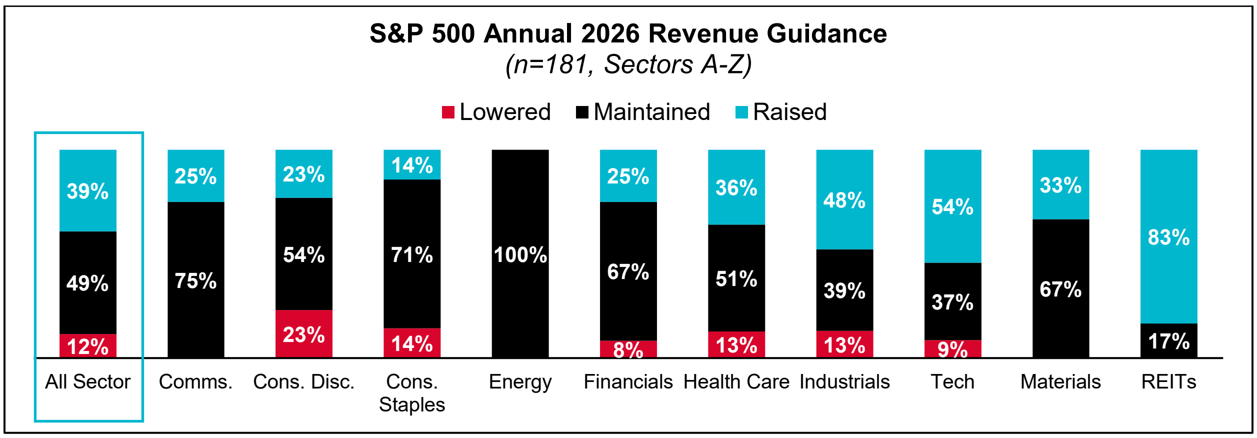
We analyzed annual revenue and EPS guidance trends across the S&P 500. [1] Below are our findings. [2]

With nearly 40% raising revenue guidance and half maintaining, the first quarter of 2026 returns to historical levels on the same benchmarks used for Q1 guides in 2022, 2023, and 2024 (2025 saw a pullback in raises due to Liberation Day uncertainty). Similar results are registered for EPS.

Revenue

More companies, 49%, ***Maintained*** outlooks relative to last quarter, while 39% ***Raised***, and 12% ***Lowered***; average spreads were maintained with a range of 1.8%.

- 89% of companies expect full-year 2026 results to be above 2025 actuals
- 27% of companies are forecasting annual Revenue guides above consensus



Source: Corbin Advisors

EPS

More companies, 46%, ***Maintained*** EPS guides, while 43% ***Raised*** and 11% ***Lowered***; average EPS spreads decreased slightly from 5.3% to 4.1% on EPS of $8.93 to $9.25

- 88% of companies expect full-year 2026 results to be above 2025 actuals
- 67% of companies are forecasting annual EPS guides above consensus
  - Among the 43% that raised EPS guidance, Tech stands out for its large share of increases (71%)

[1] As of 5/14/2026

[2] Based on company guidance provided at the time of publication; total number of companies differs across revenue and EPS

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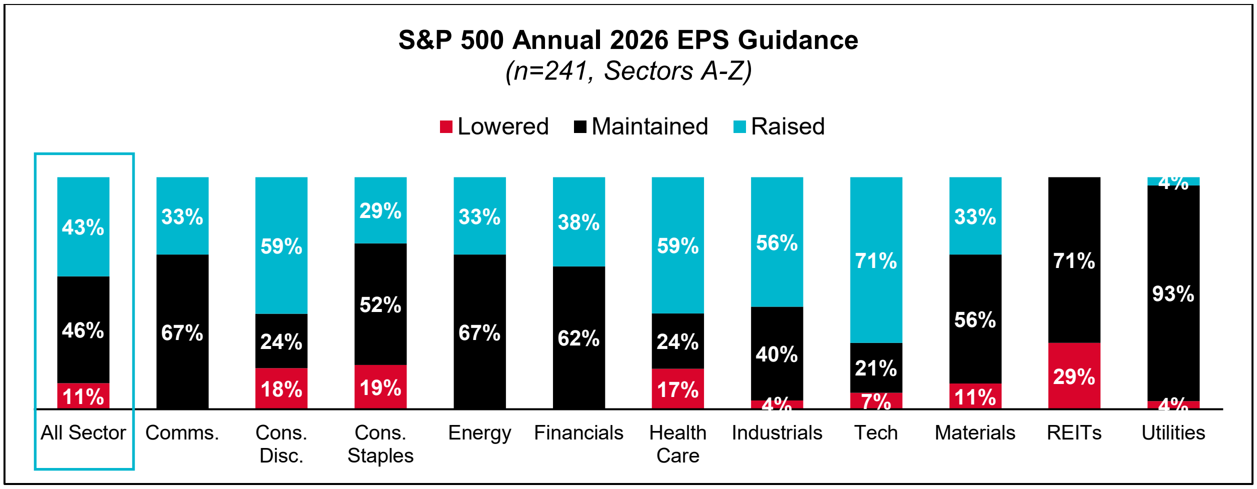
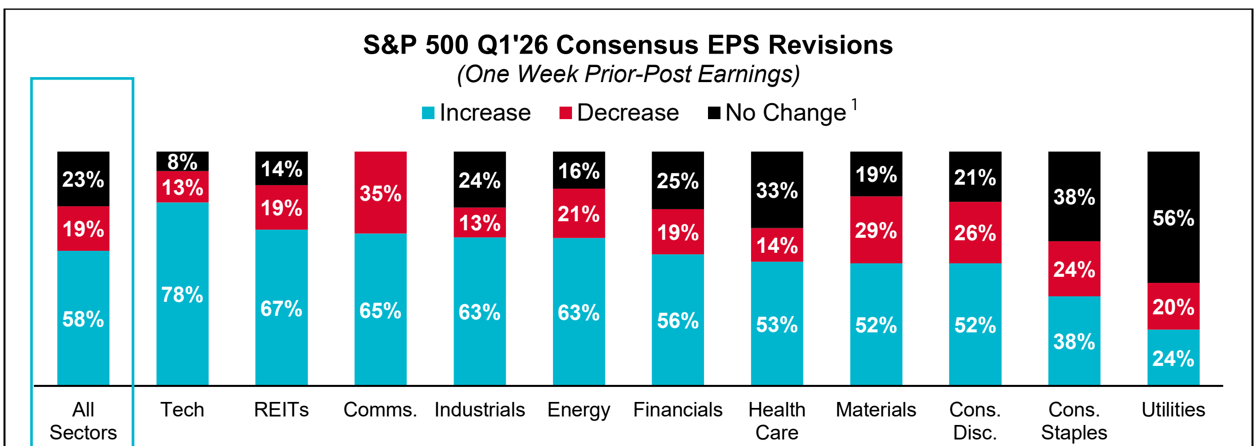


Source: Corbin Advisors

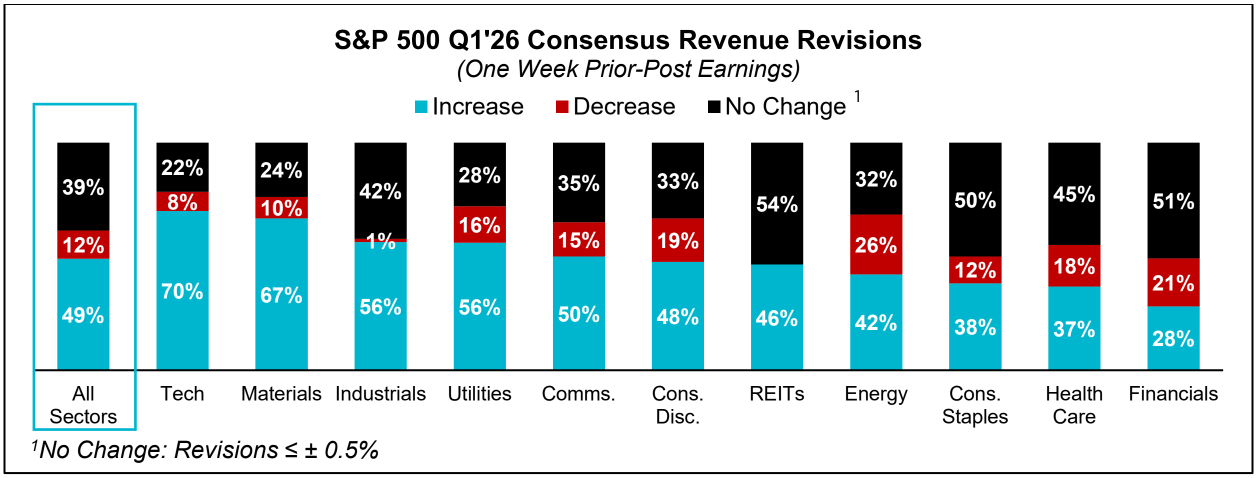
Consensus Shifts

Q1'26 consensus revisions were net positive, though commentary proved to be more measured than reflected a broadly accelerating backdrop. Revenue estimates increased for 49% of companies, declined for 12%, and were unchanged for 39%, with upward revisions led by Tech, Materials, Industrials, and Utilities. EPS revisions were stronger, with 58% of companies seeing increases, versus 19% seeing decreases and 23% remaining unchanged, led by Tech, REITs, Communications, Industrials, and Energy. Overall, Tech and Industrials stood out as the most consistently positive across both Revenue and EPS, while Materials showed solid Revenue momentum but greater EPS pressure. Consumer Staples, Utilities, and Energy reflected a more mixed profile, underscoring continued sector-level dispersion in earnings confidence.



[1]No Change: Revisions ≤ ± 0.5%

Source: Corbin Advisors



Source: Corbin Advisors

3. Guidance Assumptions: Companies Begin Incorporating First- and Second-Order Effects of Iran War into Outlook Assumptions; Inclusion of Explicit Assumptions Dependent on Exposure to External Variables

As with similarly volatile reporting periods, a key focus in this quarter's guidance was not just the headline number or trajectory, but also the embedded assumptions and visibility. We have found that most effective communicators consistently separate external variables, such as inflation, tariffs, and fuel and/or commodity prices, from execution assumptions. This distinction has proven to be a critical differentiator between the controllable and the uncontrollable.

To assess the current state of guidance assumptions and identify best practices, we analyzed Q1'26 earnings calls from S&P 500 constituents and found a clear bifurcation in disclosure. Of the 422 companies that reported, 48% provided some form of explicit underlying assumptions in their guidance, while the remaining 52% provided less or no specificity.

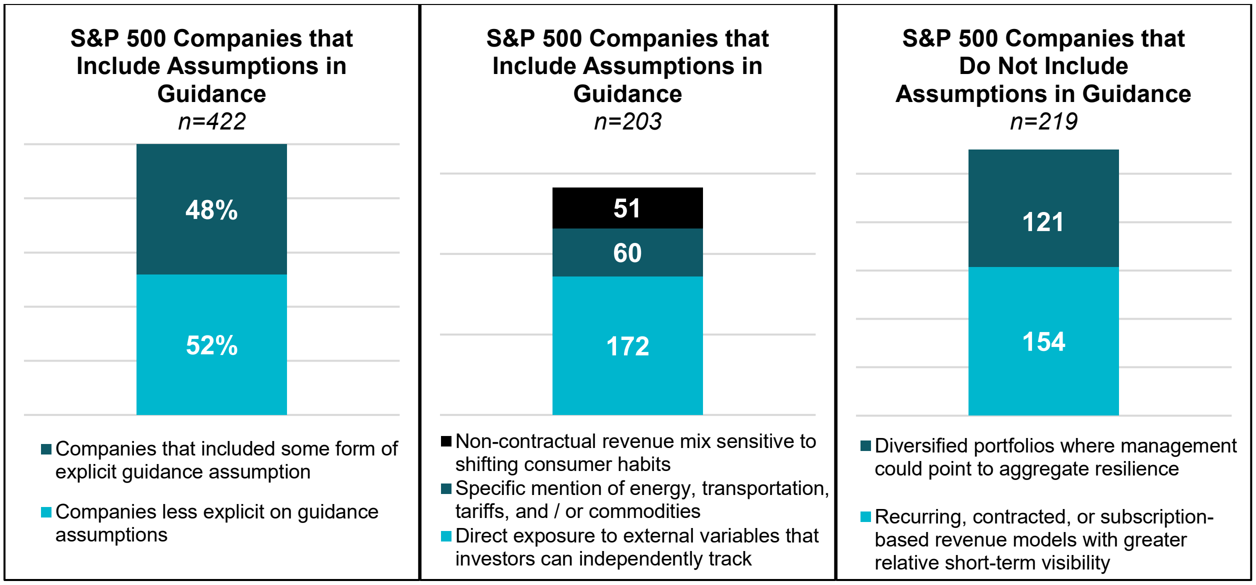
Companies providing explicit assumptions typically had one or more of the following characteristics[3]:

- Non-contractual revenue mix sensitive to shifting consumer habits
- Specific reference to energy, transportation, tariffs, and / or commodities
- Direct business exposure to external variables (e.g., interest rates, foreign exchange rates, etc.) that investors can track independently

In contrast, companies that were less explicit fell into two groups:

- Companies with diversified portfolios where management teams pointed to resilience in the aggregate
- Companies with recurring, contracted, or subscription-based revenue models in which near-term visibility was stronger and exogenous shocks were not immediately visible

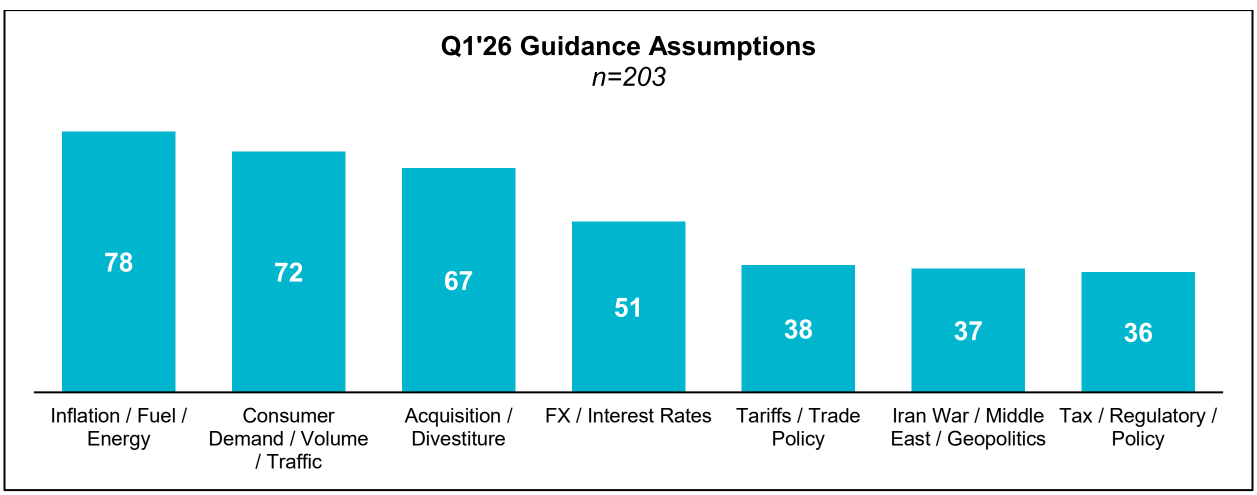
[3] Categories not mutually exclusive and sum will not total population size



Source: Corbin Advisors

The implication for executive management and IROs is straightforward. When business performance is significantly influenced by an external variable that investors can easily track, they expect management to define how that variable is reflected in guidance.

That point is made even clearer when analyzing the unique assumptions that companies provided. Of the companies providing explicit assumptions, the vast majority were based on external variables that investors can independently track, such as oil prices, commodity prices, interest rates, and foreign exchange rates. The lone exception, unsurprisingly, was mentions of the Iran War or geopolitical tensions, which companies tended to refer to in the context of their impact on input costs and demand.



Source: Corbin Advisors

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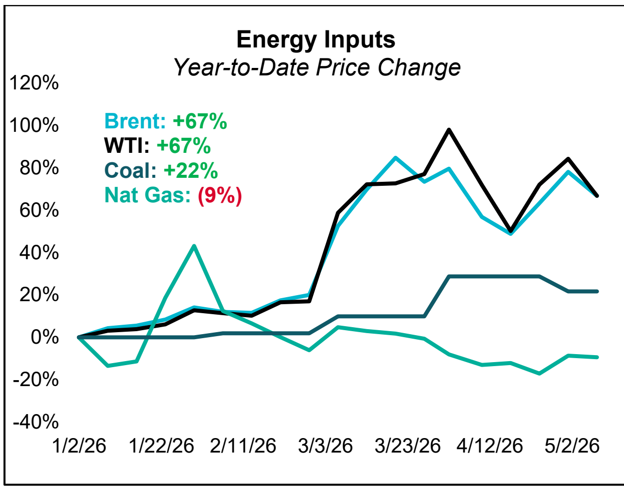
4. Iran War and Accelerating Inflationary Pressures: Disruption Translating Unevenly across Sectors and Income Cohorts; Companies Frame Exposure through Costs, Supply Chains, and Consumer Strain as Bottom of the K Gets Caught in the Undertow

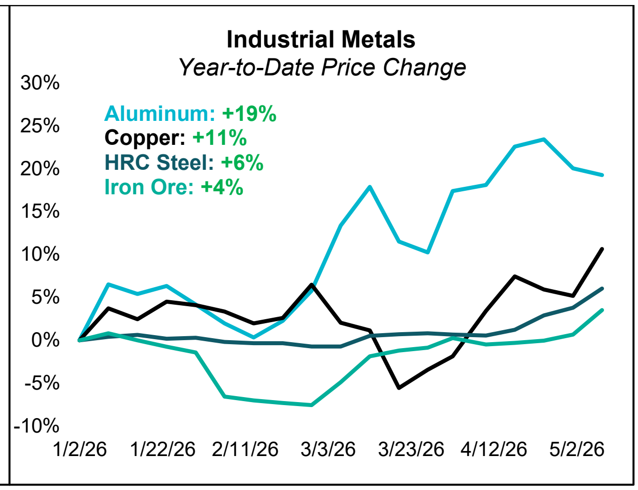
The Iran War and its impact on current and future business operations were key considerations for companies in framing not only Q1'26 results, but also FY'26 guidance. The conflict emerged in company commentary through three distinct channels: 1) direct operational exposure, 2) indirect cost exposure, and 3) impact on consumer affordability.

Companies that reported the most acute exposure to the conflict were, unsurprisingly, those whose revenues and/or cost structures were tied to fuel, commodity prices, travel, global supply chains, or concentrated regional exposure. For these companies, management commentary and analyst questions alike focused on higher energy costs, operational disruptions, margin impacts, and inflationary effects on consumer behavior.

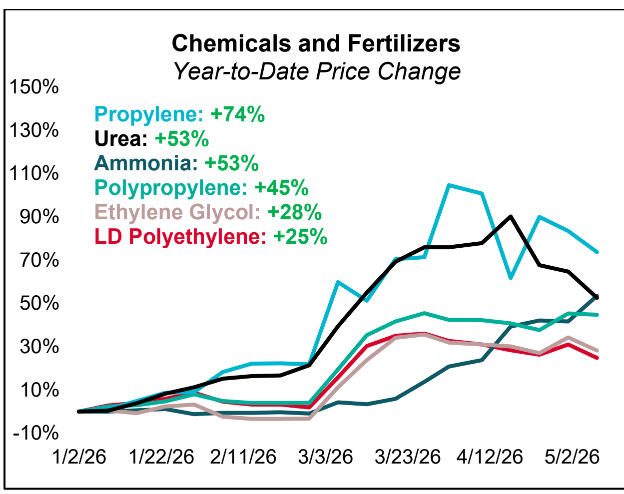
As shown in the charts below, the Iran War and the subsequent closure of the Strait of Hormuz resulted in significant volatility in commodity and energy markets. [4]



Source: FactSet



Source: FactSet



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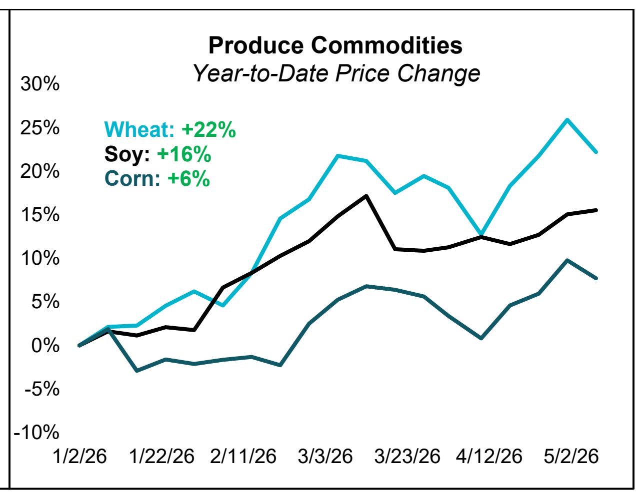

Source: FactSet

[4] Price change between 1/2/2026 and 5/8/2026

The most consequential theme that arose during discussions of the Iran War is how rising costs are expected to affect performance and which, if any, mitigation strategies companies are employing. As we noted in last week's **Materials Sector Beat**, the dominant response has been pricing actions, contractual pass-throughs, cost mitigation, and supply reliability as the primary levers available to management to protect margins.

- Companies with more direct commodity and feedstock exposure tended to be more explicit on pricing actions
  - Described selective or broad-based price increases tied to higher energy, raw materials, and/or transportation costs
  - Pass-through mechanisms were common; companies with shorter pricing cycles, contractual recovery, and/or stronger market positions struck a more confident tone
- Cost mitigation was generally framed as a preventative measure for future potential issues rather than an emergency action
  - Management teams pointed to productivity programs, fixed-cost reduction, working-capital discipline, and capex prioritization to offset higher input costs
  - Some energy-intensive companies opted to highlight operational responses to increased fuel costs, specifically calling out altered transportation routes or leveraging AI and similar tools to enhance operating performance

Select Commentary from Earnings Calls

Delta Airlines ($46.8B, Industrials)

*"The war in the Middle East has driven an **unprecedented spike in jet fuel, with prices roughly double what they were earlier in the year.** We are **meaningfully reducing capacity in the current quarter with a downward bias until we see the fuel situation improve. At the same time, we're moving quickly to recapture higher fuel prices**. With much of the industry still struggling to earn its cost of capital, there's a high sense of urgency to address higher fuel and reduce unprofitable flying."*

Tyson Foods ($23.4B, Consumer Staples)

*"**We're seeing inflation pressures across multiple input categories.** Grains for us were a tailwind. Gains in our live performance area have offset any feed pressure we've seen. **Higher freight and diesel costs are up [YoY]. Ultimately, it's passed through to customers. We do not subsidize this cost.** Commodity raw materials inputs…think pork, beef, turkey…[in] our Prepared Foods are higher."*

Mettler-Toledo ($22.3B, Health Care)

*"**Our guidance reflects higher costs due to inflation driven by the war in the Middle East. We seek to mitigate these increases through cost-saving initiatives and additional pricing actions**, but have taken a cautious approach to guidance given the dynamic nature of the current environment."*

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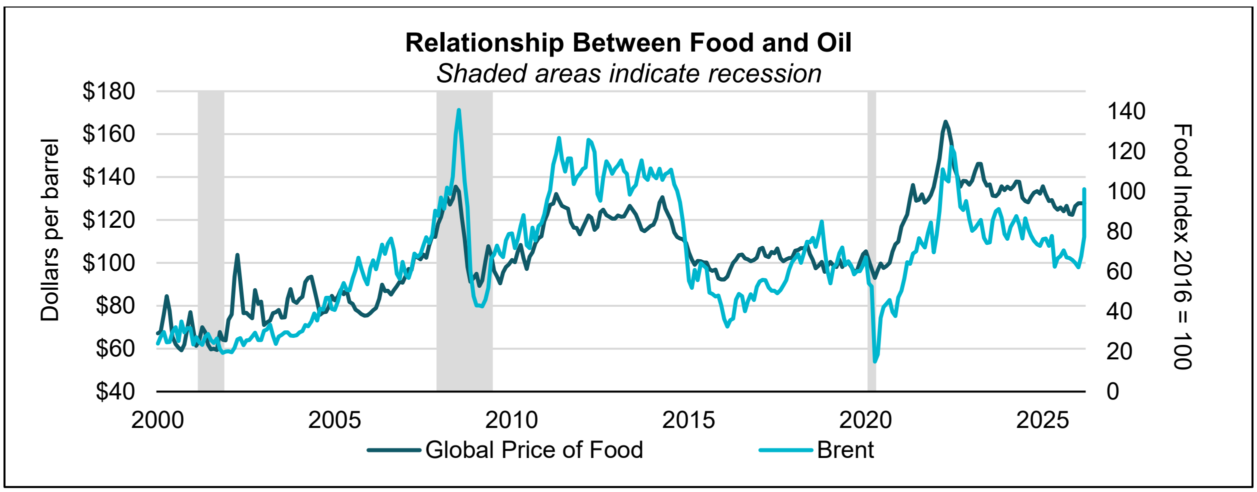
5. Price vs. Volume: Companies Going on the Pricing Offensive; Commentary Over-Indexes around Price, Leaving Opportunity for Companies to Pair Commentary with the Impact to Consumer and Volumes

Management teams are operating in an environment where price remains an important lever for mitigating rising costs, but investors are increasingly focused on whether those pricing actions are beginning to pressure units, traffic, volume, and consumer behavior. The central question is no longer whether companies can raise prices; it's whether they can do so without impairing demand.

Our analysis of S&P 500 company reports this season (n = 422) finds 73% addressed pricing actions, including pass-throughs, surcharges, or cost recovery; 30% that discussed volume, specifically traffic, demand elasticity, or trade-down trends; and 23% covered both pricing and volume dynamics. Notably, the majority of executives who expressed an unwillingness to sacrifice volumes in exchange for price were consumer-facing retail and restaurant companies.

Consumer-facing retail and restaurant companies face the hardest communication challenge when discussing the tradeoffs between price and volume. They are subject to many of the same cost increases as the rest of the market, but have a significantly more price-sensitive buyer who could choose a competitor if they see more value. Many of the largest restaurant brands, namely McDonald's and Domino's, sell products that are mainstays among lower-income consumers and specifically market them as “value”.

As shown below, food prices follow oil prices. This results in a low-income consumer who finds themselves the first to feel the effects of inflationary shocks, as a larger share of discretionary income is devoted to putting food on the table and paying for gas. Given this, investors are keen to better understand how rising prices are expected to impact consumer behavior and ultimately product volume.



Source: IMF, FactSet

The most important takeaway from our analysis is that management teams are currently over-indexing on pricing actions without framing the potential knock-on implications to volume and consumer demand. Ubiquitous higher prices do not typically bode well for demand.

6. Tariffs and Tariff Refunds: Tariffs Shift from Leading Cause of Corporate Headaches to Normal Course of Business; Conversations around IEPPA Refunds Gaining Prominence, but Messaging Emphasizes the Process and Not the Assumed Outcome or Timing

Across Q1’26 earnings commentary, we saw evidence that companies were no longer discussing tariffs as a discrete cost item but were increasingly framing this levy through the lens of margins, cash, customer treatment, and guidance assumptions. The strongest company disclosures were clearly structured, separating tariff costs, mitigation actions, and whether tariff refunds were included in the guidance.

As noted in our ***Tariff Spotlight*** (source: Consumer Discretionary and Staples Sector Beat), companies are providing enhanced granularity on tariff mix and explicitly quantifying the impact of IEEPA and Section 232 tariffs when applicable. The added detail to financial disclosure and materials (e.g., press releases, earnings presentations) was most concentrated in sectors with direct exposure to imported components, metals, machinery, transportation, electronics, and other globally sourced inputs.

As shown in the table below, the majority of commentary on tariffs and tariff refunds came from Industrials, Healthcare, and Consumer Discretionary names.

Sector	Total	Discussed Tariffs	% of Sector Discussing Tariffs	Discussed Tariff Refunds	% of Sector Discussing Tariff Refunds
Industrials	72	44	61%	13	18%
Cons. Staples	23	12	52%	2	9%
Cons. Disc.	31	14	45%	8	26%
Health Care	54	20	37%	7	13%
Materials	26	9	35%	1	4%
Tech	48	12	25%	3	6%
Energy	21	4	19%	0	0%
Financials	72	11	15%	3	4%
Real Estate	30	3	10%	0	0%
Comms.	16	1	6%	0	0%
Utilities	29	1	3%	0	0%
Total	**422**	**131**	**31%**	**37**	**9%**

Source: Corbin Advisors

Tariff Refunds, Recognition, and Messaging

A meaningful subset of companies discussed pursuing tariff refunds, positioning themselves as actively monitoring government processes, preserving refund rights, and/or preparing to submit claims. Companies were careful, however, to avoid signaling certainty around the receipt, amount, and timing of the refund.

The most common posture was oriented around the process, or rather, the receipt and subsequent effect. While there are notable exceptions, namely Ford and General Motors, refund communication strategies focus on evaluating eligibility, preparing to file claims, and preserving rights.

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Select Commentary from Earnings Calls

General Motors ($68.4B, Consumer Discretionary)

*“**All we've done here is taken the IEEPA direct tariff that we paid last year, which was subject to the Supreme Court decision, and credited that back as a receivable**. And as we said, **we haven't changed our FCF guidance because we don't know when the refunds will be received** or how that window might work going forward.”*

UPS ($84.1B, Industrials)

*“**For us, we processed 16 million IEEPA-related entries and remitted over $5B to the U.S. Treasury**. **We are just a pass-through.** Now that the tariffs have been deemed refundable, we are working with the Customs and Border Protection to apply for those refunds. **Our approach is to work with the U.S. government rather than sue it**. We have applied for the refunds pursuant to the guidelines from the Customs and Border Protection. **Interestingly, they are not going first in, first out, but actually last in. We think it's going to take some time before the Treasury remits money to us, but as soon as we get that money, we're going to remit it right back to our customer**.”*

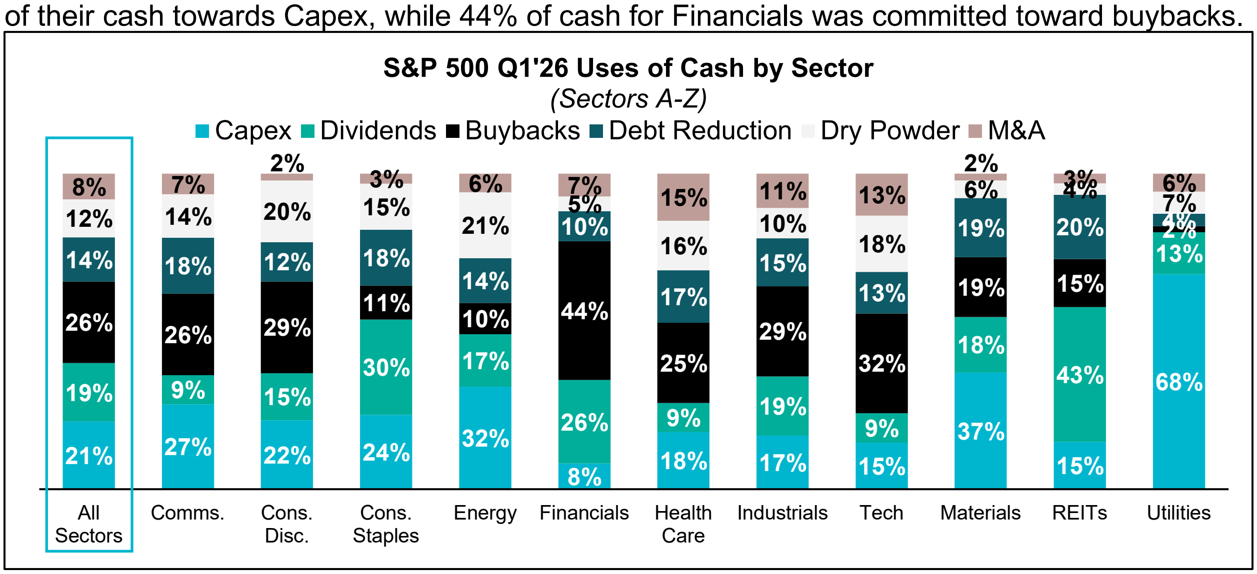
Apple ($4.4T, Technology)

*“Regarding the **refund of tariffs paid, we're following established processes and plan to reinvest any amount we receive back into U.S. innovation and advanced manufacturing. These would be new investments and would be in addition to our prior commitments in the U.S.**”*

7. Capital Allocation Tradeoffs: Global Tensions Result in Companies Pausing Spending Plans, but Secular Capex Story Still Intact

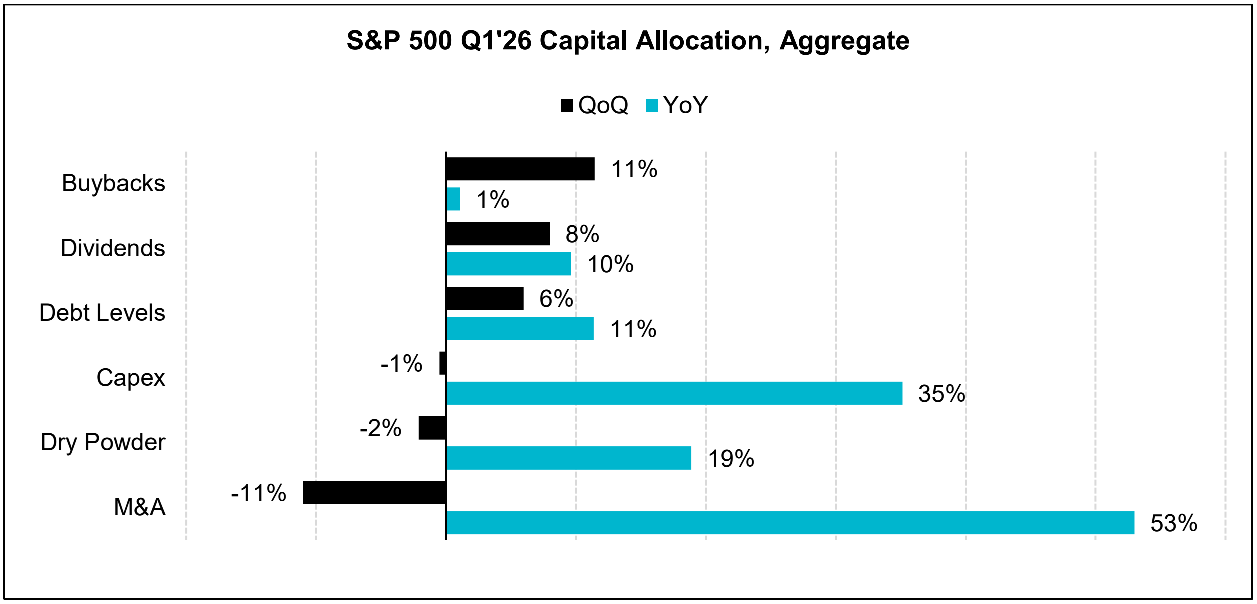
To garner insights into capital trends, we analyzed the average sector allocations within the S&P 500.

Companies were net balanced in their cash use during the first quarter, despite a few notable exceptions. Utility companies continue to support the infrastructure buildout and deployed 68% of their cash towards Capex, while 44% of cash for Financials was committed toward buybacks.



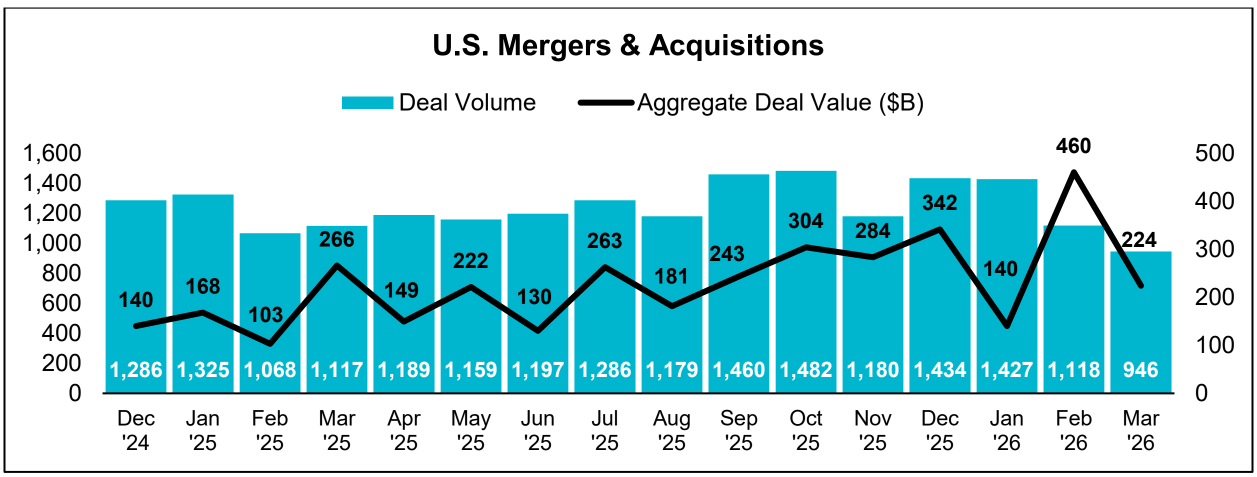
Source: AlphaSense

Buybacks, dividends, and debt payoffs saw notable sequential upticks as companies sought to shore up balance sheets and reward shareholders amid a highly volatile backdrop. This shift came at the expense of Capex and M&A, which largely mirrors findings from our Q1'26 Inside The Buy-Side® Earnings Primer®, which found investor preference shifted toward more conservative uses of cash in the immediate aftermath of the Iran War.



Source: FactSet

M&A activity in March was notably lower QoQ, as both deal volumes and aggregate deal value both fell due to ongoing volatility.



Source: FactSet

As well, Capex saw large relative pullbacks in the first quarter, as growing geopolitical tensions put many long-term plans on hold. The notable exception was in tech companies, which, on an absolute level, contribute the highest dollar amount towards Capex. Year-over-year comparisons remain robust, however.

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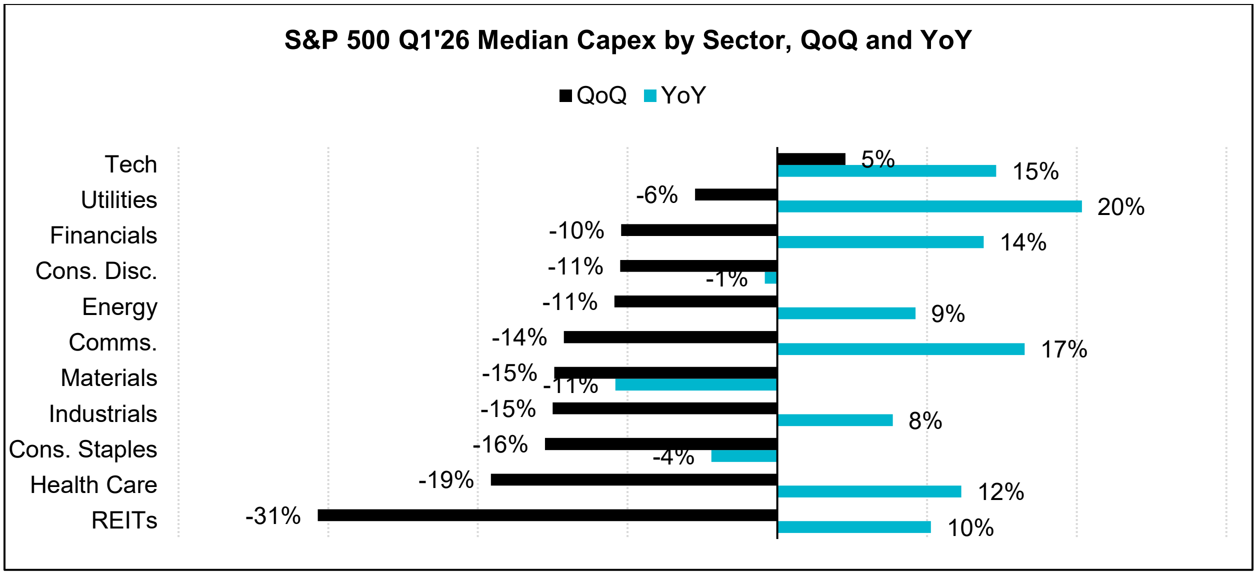


Source: AlphaSense

8. <u>AI Demand and Monetization</u>: AI Remains a Top Cross-Sector Theme as Companies Increasingly Make the Link to Quantified Financial Outcomes; Rising Costs of Electricity from Data Center Demand Seen as Also Chipping Away at Discretionary Income

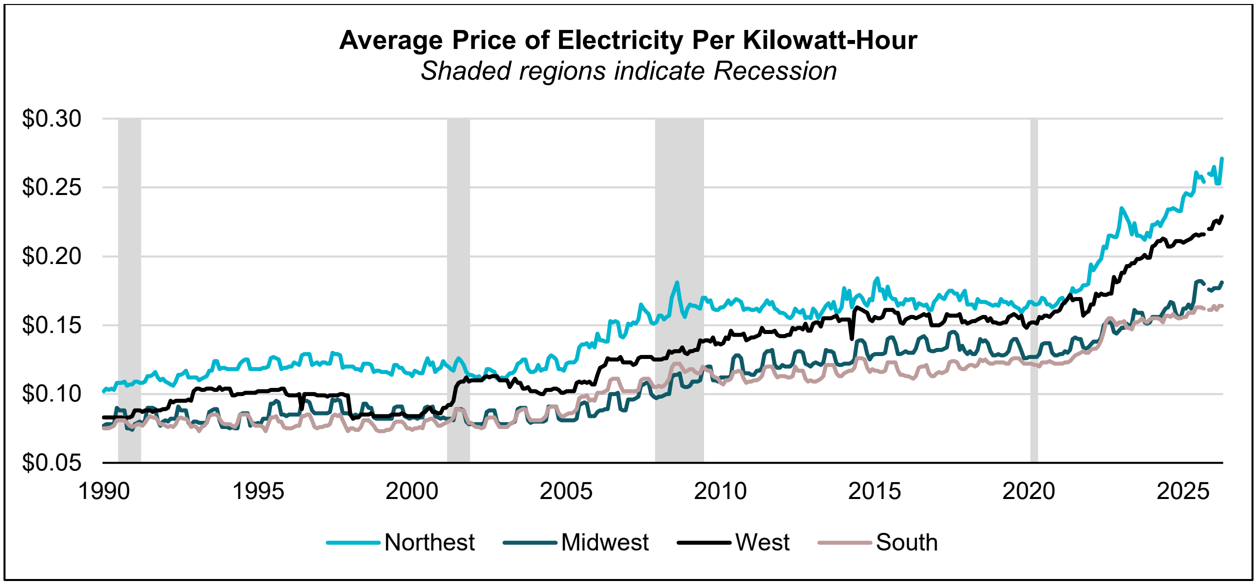
AI remained one of the broadest strategic themes of Q1'26. Our analysis finds that of the 422 companies that held earnings calls between April 1 and May 11:

- **79%** referenced AI or AI-adjacent demand and implementation
- **68%** discussed internal AI implementation, framed as productivity and workflow enhancements
- **67%** connected AI to capex plans, investments, and infrastructure
- **66%** discussed monetization, revenue opportunity, and backlog
- **64%** provided some form of return language, though the selected metrics varied meaningfully

Despite AI being a cross-sector theme, the tone and tenor of the narrative differ significantly by business model. For hyperscalers, semiconductor companies, power infrastructure providers, and companies involved in the physical aspect of the supply chain, AI is increasingly being described as a driver of demand. Conversely, non-goods-producing service companies such as insurers, healthcare providers, travel companies, and restaurants frame AI more as a productivity lever.

AI Demand and Energy Costs

This AI-specific demand has led to a step change in energy costs, putting even more pressure on low-income consumers, who are now reeling from the inflationary effects of the Iran War. As shown in the chart below, the average cost of energy per kilowatt-hour has increased significantly, with the increases notably concentrated in densely populated regions with heavy baseline demand and long lead times for onboarding new energy supply.

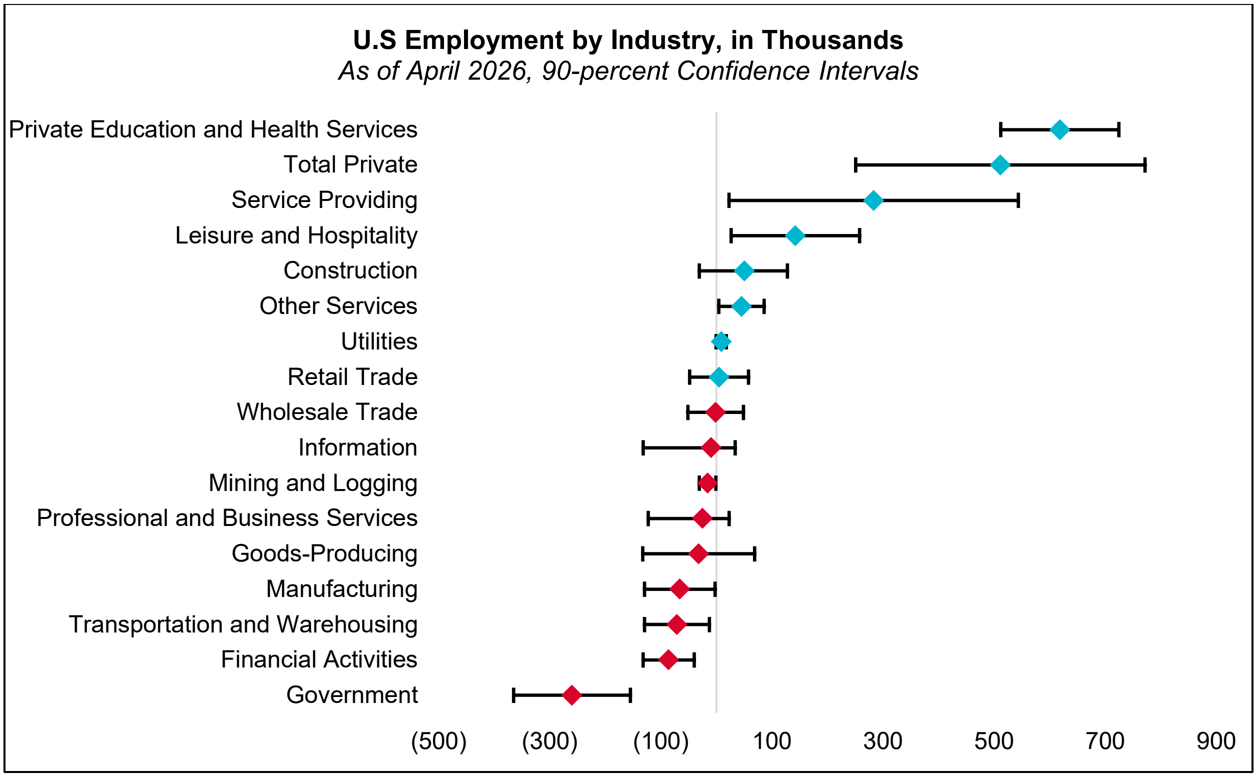


Source: U.S. Bureau of Labor Statistics; gap in August 2025 data a result of BLS commissioner's firing

9. Layoffs and Employment: Reports of Layoffs Concentrated Behind Companies and Roles Easily Disrupted by AI; Headline Job Growth Figure Hides Employment Weakness in Critical Sectors

Concerns about the state of the U.S. labor market picked up in Q1'26, despite the headline numbers appearing resilient. As shown below, year-over-year gains in Private Education and Health account for all private-sector job growth. This distinction is important because job creation and demand in healthcare are functions of demographics, rather than indicative of underlying economic growth and productivity. When excluding these gains, job growth for the "productive economy" turns negative, reflecting a loss of 107K versus the headline figure of 511 jobs added.

In specific industries, government employment lost 260K employees compared with the prior year, reflecting DOGE initiatives and the administration's stance on headcount at government agencies. Industries most directly exposed to tariffs and energy shocks, such as Manufacturing, Goods-Producers, and Transportations and Warehousing, reported net job losses since April 2025.



Source: Bureau of Labor Statistics

Companies are also reporting layoffs associated with AI deployment. While it has been relatively commonplace for companies to position AI-related layoffs as the result of enhanced productivity and a diminishing need for headcount, this quarter saw companies announce layoffs as a justification for increased AI investment. In fact, AI now leads the list of reasons for layoffs for the second month in a row[5]. In April, AI was attributed to 21,490 of the announced layoffs, accounting for 26% of all layoffs for the month. Further, while not reported, AI is also likely to have an adverse impact on hiring as companies seek to do more with less human capital. The future state is likely to see more service workers…until AI figures out how to drive a car, make a coffee, and prepare a meal.

Despite this pickup in AI-related RIFs, market and economic conditions lead the cited causes YTD. Per data for April from Challenger, Gray & Christmas, market and economic conditions resulted in 53,058 job cuts, or ~18%.

Select Commentary from Earnings Calls

Match Group ($7.5B, Communication Services)

*"We're also **reassessing our hiring plans** with AI enablement in mind and **plan to reduce headcount growth over the remainder of the year**."*

Uber ($152.0B, Industrials)

*"**Our investment in AI tools and infrastructure is increasing. That will be offset by slower headcount growth.** But if every person in this company can **increase their throughput by***

[5] Challenger, Gray & Christmas, data through April 2026

***20%, 30%, 50%, 100%, then I think metering head count growth and leaning in on AI investment is going to be well worth it**."*

Cloudflare ($69.4B, Information Technology)

*"**By fully embracing an agentic AI-first organizational structure and operating model, as Cloudflare's revenue scales, our efficiency and productivity will scale even faster. Unfortunately, this decision means parting ways with colleagues…resulting in a reduction of the size of our team by approximately 20%**. These reductions are across all functions and geographies and **reflect how broadly AI is accelerating our operational velocity.** Importantly, however, we continue to expect growth in the net capacity of our quota-carrying sales force to accelerate in 2026, with today's actions compounding productivity to fuel our growth."*

In Closing

As we close the quarter, the corporate and investor landscape reflects a complex balance of resilience and caution. Earnings commentary broadly pointed to disciplined execution, a theme supported by aggregate top- and bottom-line growth, but it was not without its fair share of caveats. Companies signaled they are operating amid a more fluid macro backdrop shaped by geopolitical risk, renewed inflationary pressures, ongoing tariff uncertainty, and continued scrutiny of AI spend.

Consumer health remains in focus. Companies report that spending and aggregate demand are not broken, but pressure is building at the bottom of the K as rising fuel, food, and utility costs begin to work their way through the system. All eyes will remain on capex, as this quarter saw a step-up in shareholder returns and debt paydown amid uncertainty surrounding the Iran War.

Meanwhile, AI is expected to remain a defining strategic priority for executive teams, though the definition of success has shifted from ambition to a requirement for quantifiable evidence. Companies have increasingly positioned AI as both a monetization opportunity and a productivity enhancer. Companies that can both clearly articulate the strategic rationale for using AI and demonstrate the monetization opportunity are being rewarded.

Looking ahead, commentary from Q1'26 suggests that companies are still investing in long-term opportunities but are increasingly cautious. Capital allocation, pricing actions, AI investment, and tariff treatment are in focus as executives shift from earnings to conferences and NDRs. Management teams that operate with eyes wide open, communicate transparently, and disclose information responsibly build credibility among investors.

The Big So What®: Headwinds are building, and the full impact has yet to be felt. Performance in Q2'26 will be telling.