

COVID-19 Investor Pulse Check #13

Conducted December 12–13, 2020

BCG's COVID-19 Investor Pulse Check

BCG surveyed leading investors December 12–13, 2020, to understand their perspectives on the US economy, the US stock market, and the critical decisions and actions that senior executives and boards of directors are considering and making. This is BCG's 13th COVID-19 Investor Pulse Check; the first was conducted March 20–22, 2020.

This COVID-19 Investor Pulse Check, conducted December 12–13, is the 13th in a series of periodic surveys that BCG is conducting to help corporate executives and boards of directors understand investors' perspectives in this rapidly changing environment.

- Roughly 80% of the participants in this survey overlap with the respondents to the prior survey, which was conducted November 13–14
- Across the three most recent surveys (October 16–17, November 13–14, and December 12–13), the overlap in respondents is about 75%

About the respondents:

- They represent investment firms that have more than \$4 trillion in combined assets under management
- About 80% are portfolio managers and senior analysts who are directly responsible for making buy, sell, and hold decisions
- They cover a broad spectrum of investing types or styles, including deep value, income, growth at a reasonable price, and core growth; they also include some quantitative, technical, and special situation investors

The survey focused on two key topics:

1

Investor expectations for the US economy and stock market as well as the shape of the recovery

2

Investor perspectives on important decisions that corporate executives and boards of directors are considering and making

The analysis shared in this document represents an aggregated view that is not segmented by investor type; it is important for corporate executives and boards of directors to keep in mind their current and target investor mix while interpreting the results.

- Select results by investor type can be made available upon request

The results represent the views of surveyed investors only; to understand BCG's point of view, please click [here](#) to visit BCG's microsite on the COVID-19 crisis.

Key takeaways | BCG's COVID-19 Investor Pulse Check #13

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Investors have become significantly more bullish on both the US economy and stock market over the past two pulse checks

- 60% of investors (up from 39% in October) are more bullish on the economy
- 54% of investors (up from 35% in October) are more bullish on the stock market
- However, investors' forward three-year TSR expectation has softened slightly, from 7.5% to 7%

Investors anticipate that the severe impact of the crisis on the economy will last until the end of the first half of 2021, and they believe an additional \$1.45 trillion of stimulus is required to support the economy through the pandemic

Investors strongly believe that management teams should not waste the crisis and fail to build long-term advantage—even at the expense of near-term margins and EPS

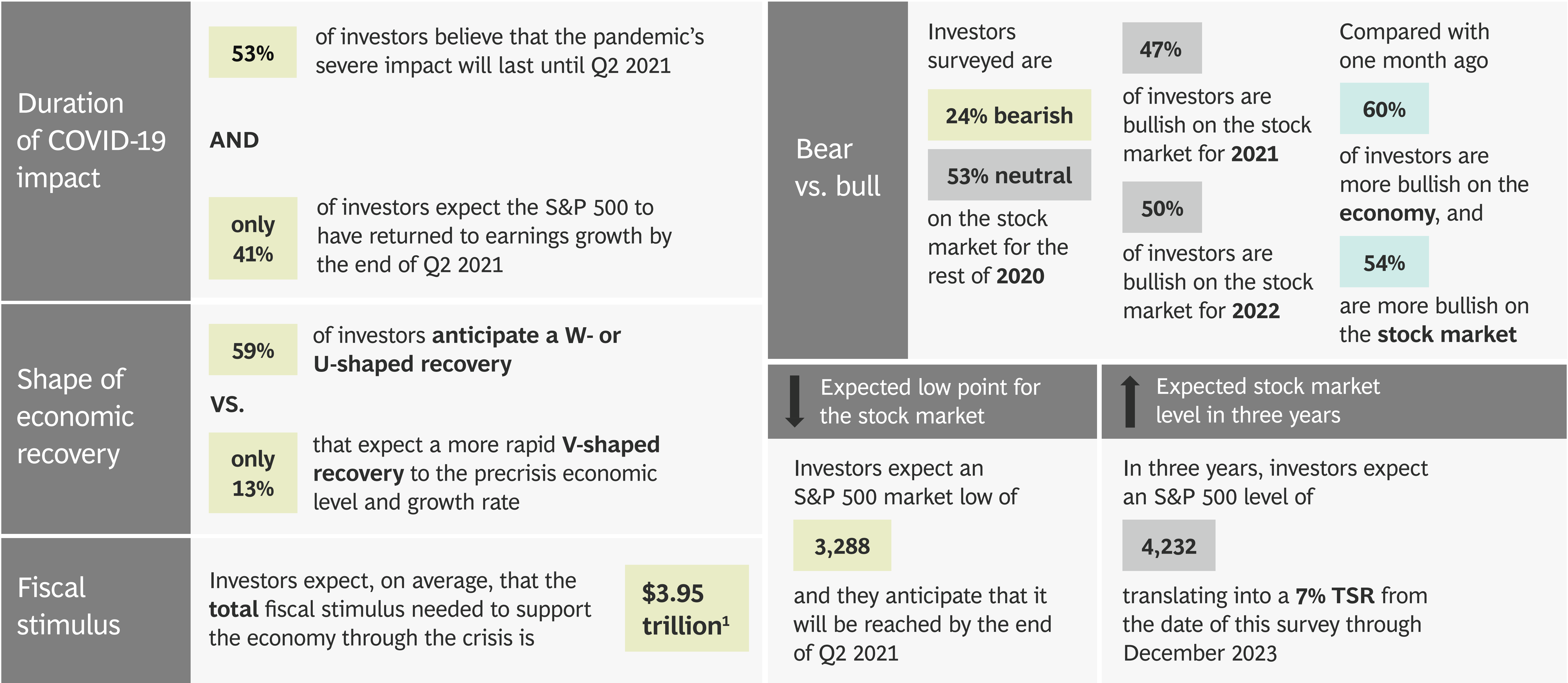
- 89% of investors support companies prioritizing building capabilities that will create advantage, drive future top-line growth, and position them better for a recovery, even if it means guiding to lower EPS
- Approximately two-thirds of investors support portfolio reshaping through either acquisitions or divestitures
- 67% of investors believe companies should take proactive steps to mitigate activism risk by strengthening their businesses' near-term and medium-term fundamentals

Investors' desire for healthy companies to provide and deliver against guidance has started to shift back toward prepandemic levels

- 83% of investors (up from a low of 67% in June) expect companies to provide or revise guidance
- 71% of investors (up from a low of 51% in May) expect companies to deliver EPS that at least meets revised guidance (reflecting the impact of moves to build long-term advantage)

Overview of US investors' current perspectives on the US economy and stock market

December 13



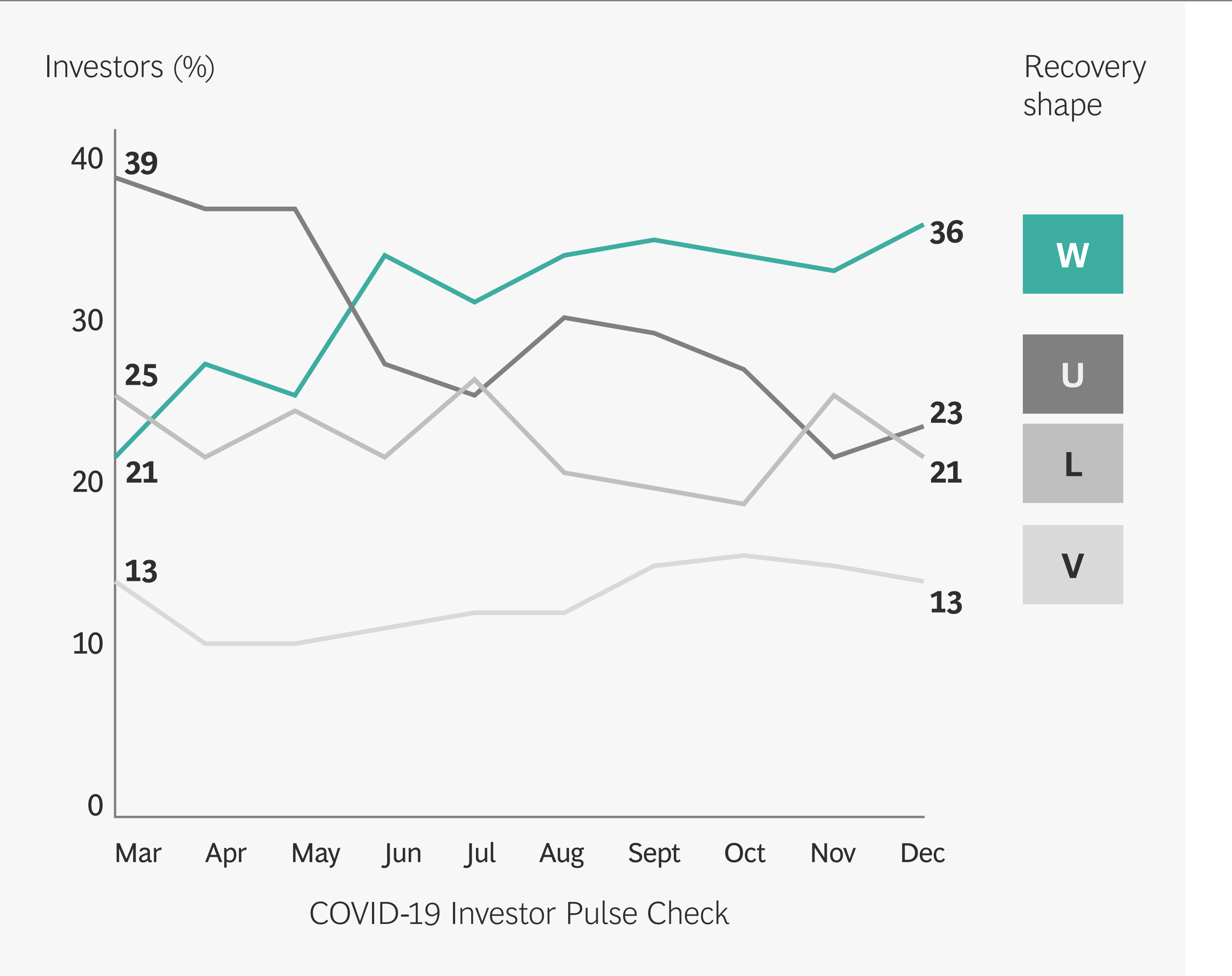
■ Bullish ■ Bearish ■ Neutral

Source: BCG's COVID-19 Investor Pulse Check, December 13, 2020; n = 150.
Note: TSR = total shareholder return.
¹\$3.95 trillion reflects \$2.5 trillion in stimulus to date plus \$1.45 trillion in additional stimulus.

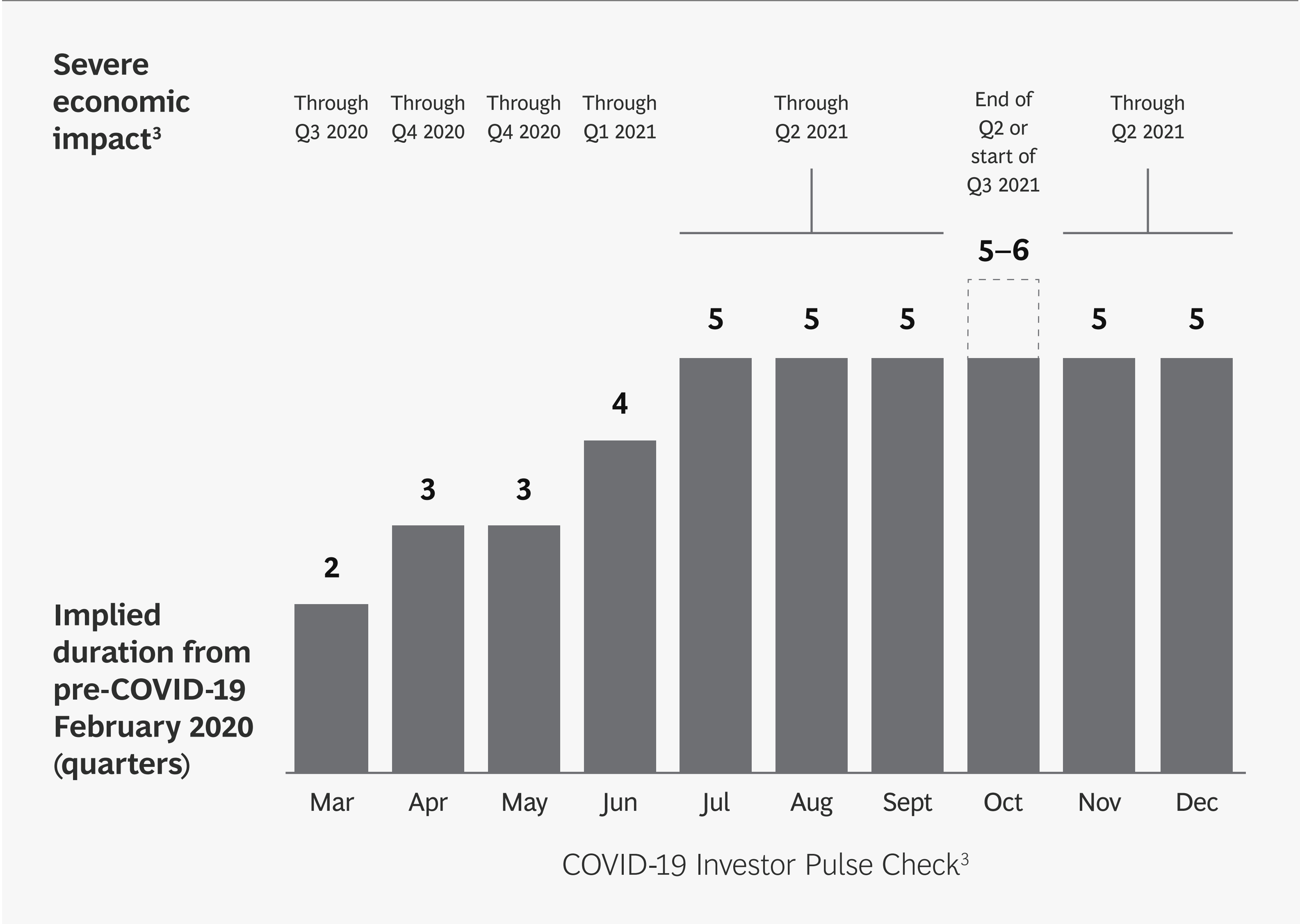
Investors' perspectives on the US economy have evolved through the crisis

December 13

Most investors continue to expect a W-shaped recovery¹



Investors expect the economic recovery to take longer²

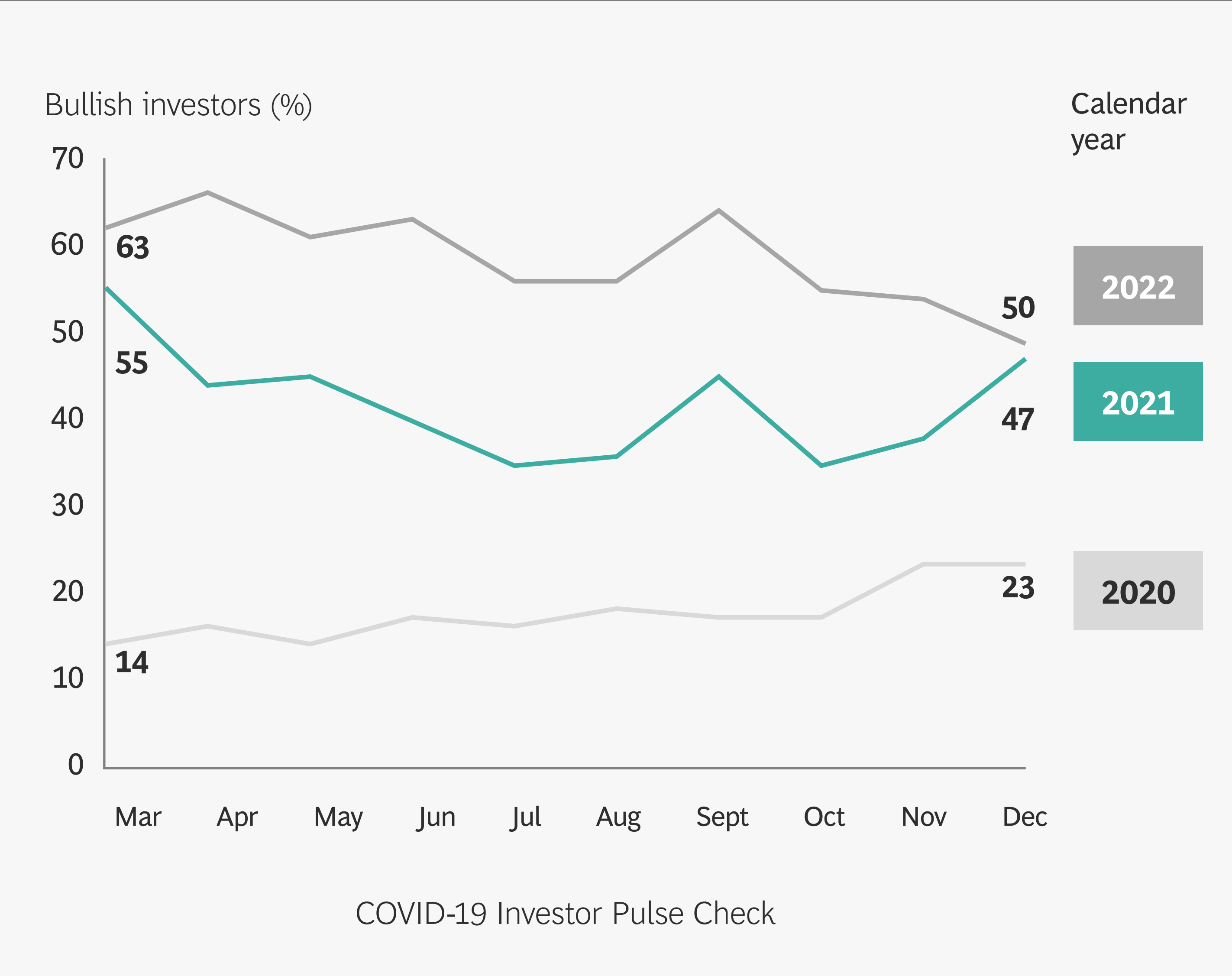


Source: BCG's COVID-19 Investor Pulse Check, December 13, 2020; n = 150 for each survey.
¹In each COVID-19 Investor Pulse Check, a small proportion of the investors surveyed indicated an alternate recovery shape; therefore, the percentages do not add up to 100.
²Based on the median of responses of the investors surveyed.
³For the months in which multiple surveys were conducted, the most recent data point was used.

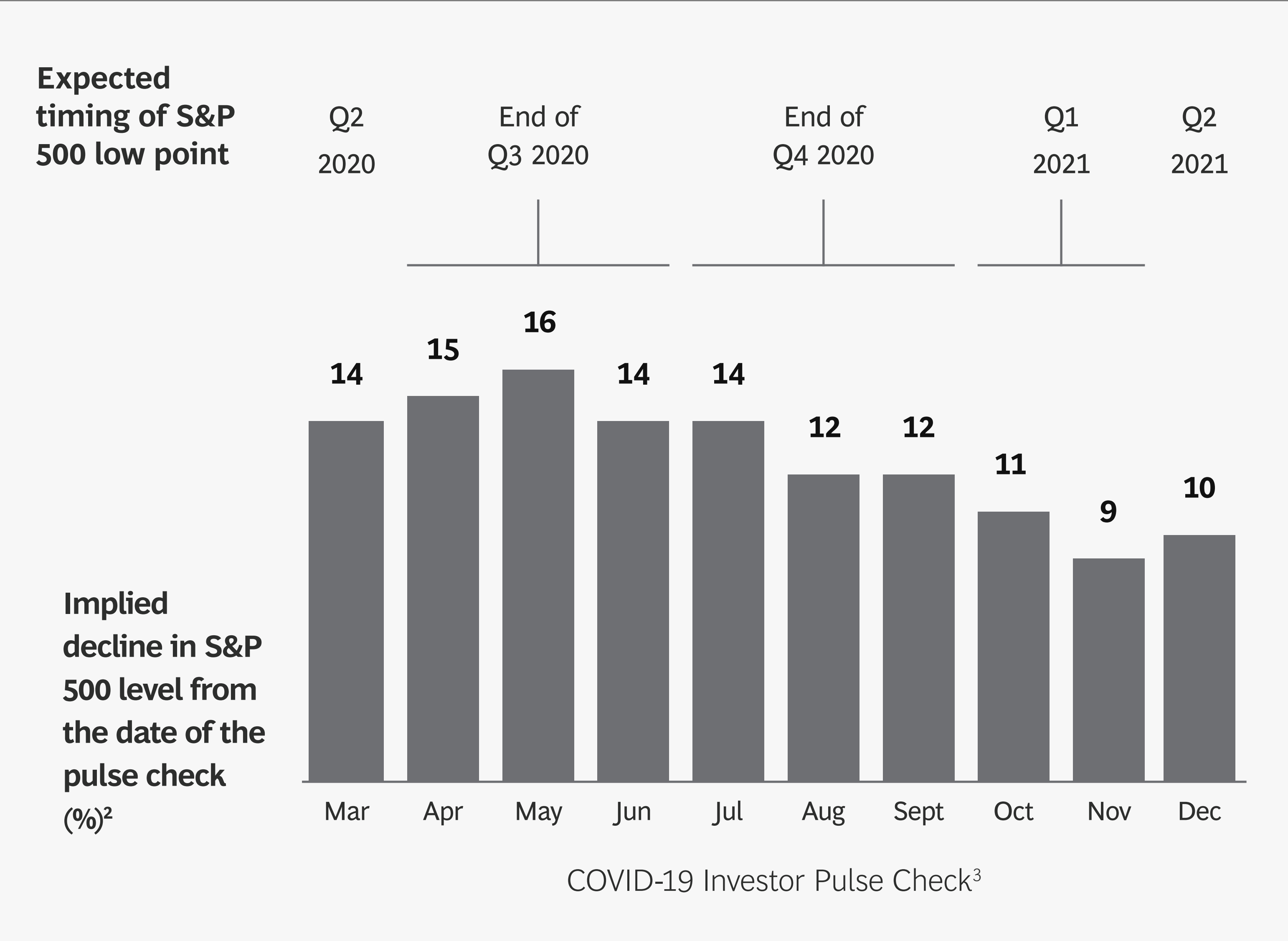
Investors' perspectives on the US stock market have evolved through the crisis

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Investors are increasingly bullish on the market for 2021, but less so for 2022



Investors continue to anticipate a correction in the equity markets, although the expected decline has decreased¹



Source: BCG's COVID-19 Investor Pulse Check; n = 150 for each survey.
¹Based on the median of responses of the investors surveyed.
²The S&P 500 close on December 11, 2020—the day prior to the survey—was used as the reference level.
³For the months in which multiple surveys were conducted, the most recent data point was used.

Investors want financially healthy companies to build long-term advantage

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Source: BCG's COVID-19 Investor Pulse Check, December 13, 2020; n = 150.
Note: All questions were posed with respect to financially healthy companies, which were defined as companies with relatively strong and resilient free cash flow and a healthy balance sheet. EPS = earnings per share.
¹A peak, average, or low percentage reflects a comparison across the 13 COVID-19 Investor Pulse Checks.

Investors view liquidity and financial resilience through the crisis as a high priority for financially healthy companies

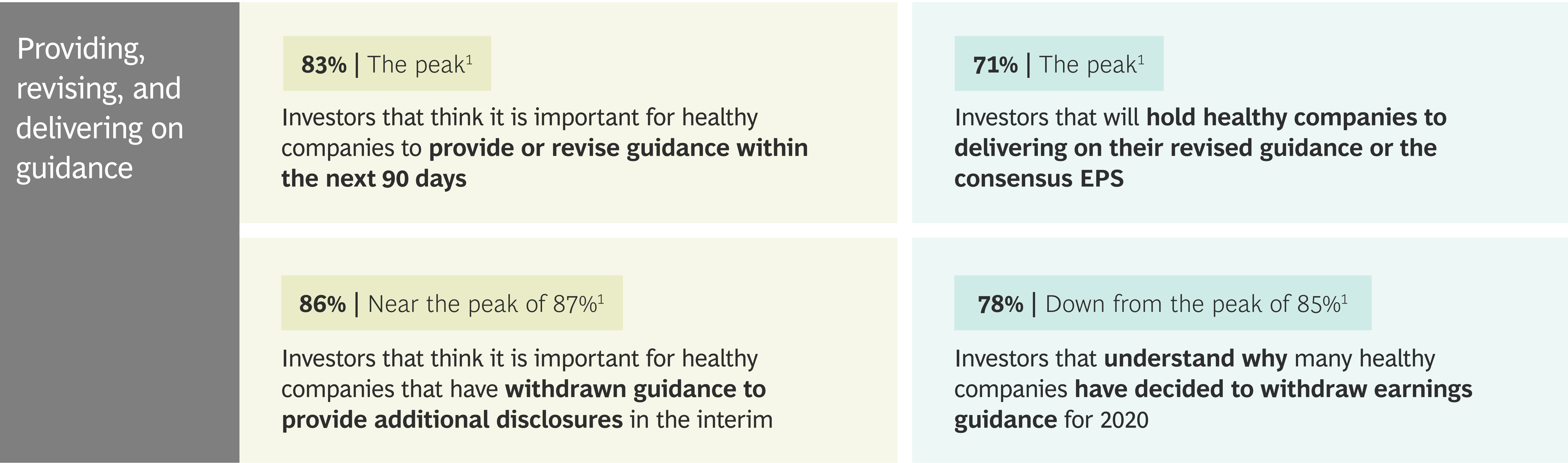
December 13

Preserving liquidity	<div>65% Down from the peak of 79%¹</div> <div>Investors that believe it is important for healthy companies to intensely focus on preserving liquidity</div>	Maintaining the dividend	<div>Only 43% Near the peak of 45%¹</div> <div>Investors that think it is important for healthy companies to maintain the dividend per share</div>
Issuing debt	<div>61% Down from the peak of 73%¹</div> <div>Investors that believe healthy companies should quickly access all available sources of debt financing</div>	Repurchasing shares	<div>Only 36% Near the low of 34%¹</div> <div>Investors that think it is important for healthy companies to aggressively repurchase shares at today's low valuations</div>
Issuing equity	<div>61% The peak¹</div> <div>Investors that believe raising capital by issuing equity is a reasonable move for healthy companies</div>		

Source: BCG's COVID-19 Investor Pulse Check, December 13, 2020; n = 150.
Note: All questions were posed with respect to financially healthy companies, which were defined as companies with relatively strong and resilient free cash flow and a healthy balance sheet.
¹A peak, average, or low percentage reflects a comparison across the 13 COVID-19 Investor Pulse Checks.

Investors’ views regarding guidance from financially healthy companies appear to have been turned upside down because of the crisis

December 13



Source: BCG’s COVID-19 Investor Pulse Check, December 13, 2020; n = 150.
Note: All questions were posed with respect to financially healthy companies, which were defined as companies with relatively strong and resilient free cash flow and a healthy balance sheet.
¹A peak, average, or low percentage reflects a comparison across the 13 COVID-19 Investor Pulse Checks.

Three additional priority areas for investors stand out

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Pursuing an ESG agenda

50% | Near the average of 49%¹

Investors that think it is important for healthy companies to continue to **fully pursue their ESG agenda and priorities** as they navigate the crisis, even if it means guiding to lower EPS or delivering below consensus

Mitigating activism risk

67% | Near the average of 65%¹

Investors that believe healthy companies should expect an increase in activist activity given today’s low valuations and, therefore, **take proactive steps to mitigate activism risk** by strengthening their businesses’ near-term and medium-term fundamentals

“Reopening”

83% | The low¹

Investors that believe it is important for healthy companies that have “closed” their businesses to **“reopen” with caution and prioritize the health and safety of their employees**, even if it results in weaker P&L performance over the next 6 to 12 months

Source: BCG’s COVID-19 Investor Pulse Check, December 13, 2020; n = 150.
Note: All questions were posed with respect to financially healthy companies, which were defined as companies with relatively strong and resilient free cash flow and a healthy balance sheet. ESG = environmental, social, and governance;
EPS = earnings per share; P&L = profit and loss.
¹A peak, average, or low percentage reflects a comparison across the 13 COVID-19 Investor Pulse Checks.

Comparison of BCG’s COVID-19 Investor Pulse Checks (1/2)

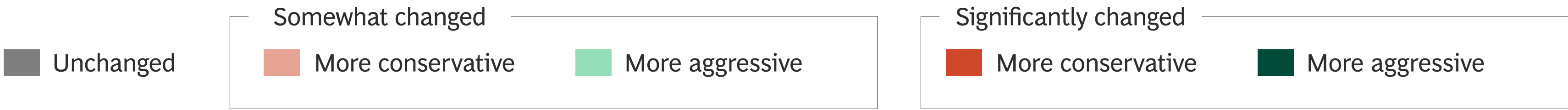
What are your expectations for...	Mar 22 #1	Apr 5 #2	Apr 19 #3	May 3 #4	May 17 #5	Jun 7 #6	Jun 28 #7	Jul 19 #8	Aug 9 #9	Sept 19 #10	Oct 17 #11	Nov 14 #12	Dec 13 #13	Difference (Nov 14 vs. Dec 13)
Duration of COVID-19’s impact on the US economy	Through Q3 2020	Through Q3 2020	Through Q4 2020	Through Q4 2020	Through Q4 2020	Through Q4 2020	Through Q1 2021	Through Q2 2021	Through Q2 2021	Through Q2 2021	End of Q2 or start of Q3 2021	Through Q2 2021	Through Q2 2021	None
Likely shape of the US economy’s recovery:														
▪ V shape	13%	12%	9%	9%	9%	18%	10%	11%	11%	14%	15%	14%	13%	–1 p.p.
▪ U shape	39%	46%	37%	37%	37%	32%	27%	25%	30%	29%	27%	21%	23%	+2 p.p.
▪ L shape	25%	20%	21%	25%	24%	19%	21%	26%	20%	19%	18%	25%	21%	–4 p.p.
▪ W shape	21%	21%	27%	25%	25%	26%	34%	31%	34%	35%	34%	33%	36%	+3 p.p.
Fiscal stimulus that is needed	Not asked	Not asked	\$3.75 trillion	\$4.0 trillion	\$4.5 trillion	\$3.9 trillion	\$4.0 trillion	\$4.25 trillion	\$4.1 trillion	\$3.95 trillion	\$4.15 trillion	\$4.10 trillion	\$3.95 trillion	–\$0.15 trillion
Bear vs. bull—investors that are bullish:														
▪ CY 2020	14%	12%	16%	15%	14%	23%	17%	16%	18%	17%	17%	23%	23%	None
▪ CY 2021	55%	53%	44%	46%	45%	41%	40%	35%	36%	45%	35%	38%	47%	+9 p.p.
▪ CY 2022	63%	64%	67%	64%	62%	55%	64%	57%	57%	65%	56%	55%	50%	–5 p.p.
▪ Next three years	65%	68%	69%	69%	64%	61%	61%	57%	60%	66%	63%	59%	57%	–2 p.p.
More bullish vs. last month: economy	Not asked	Not asked	34%	35%	30%	64%	35%	28%	43%	45%	39%	47%	60%	+13 p.p.
More bullish vs. last month: stock market	Not asked	Not asked	45%	40%	33%	53%	30%	31%	36%	34%	35%	49%	54%	+5 p.p.
Timing for the S&P 500 to return to earnings growth	End of 1H 2021	End of 1H 2021	Early Q2 2021	Early Q2 2021	End of Q2 2021	End of Q2 2021	End of Q2 2021	End of Q2 2021	End of Q2 2021	End of Q2 2021	End of Q3 2021	End of Q3 2021	End of Q3 2021	None
S&P 500 low-point expectation: level	S&P at 2,062	S&P at 2,158	S&P at 2,393	S&P at 2,382	S&P at 2,449	S&P at 2,676	S&P at 2,664	S&P at 2,765	S&P at 2,935	S&P at 2,962	S&P at 3,108	S&P at 3,153	S&P at 3,288	+135
S&P 500 low-point expectation: timing	End of May 2020	End of June (Q2) 2020	Early Q3 2020	End of Q3 2020	End of Q3 2020	End of Q3 2020	End of Q3 2020	End of Q4 2020	End of Q4 2020	End of Q4 2020	End of Q1 2021	End of Q1 2021	End of Q2 2021	+1 quarter
Three-year S&P 500 level expectation ¹	3,075 (11% TSR)	3,165 (10% TSR)	3,411 (9% TSR)	3,591 (9% TSR)	3,525 (9% TSR)	3,717 (8% TSR)	3,685 (8% TSR)	3,727 (7% TSR)	3,869 (7% TSR)	3,938 (7.5% TSR)	4,061 (7.5% TSR)	4,153 (7.5% TSR)	4,232 (7% TSR)	–0.5 p.p.



Comparison of BCG’s COVID-19 Investor Pulse Checks (2/2)

Investors that agree with the following statements about financially healthy companies (%)¹

It is important for financially healthy companies to... ¹	Mar 22 #1	Apr 5 #2	Apr 19 #3	May 3 #4	May 17 #5	Jun 7 #6	Jun 28 #7	Jul 19 #8	Aug 9 #9	Sept 19 #10	Oct 17 #11	Nov 14 #12	Dec 13 #13	Difference (Nov 14 vs. Dec 13)
Prioritize building key business capabilities	89%	91%	92%	95%	88%	91%	90%	91%	89%	90%	90%	93%	89%	−4 p.p.
Prioritize maintaining their margin levels	Not asked	41%	33%	32%	33%	45%	38%	39%	36%	39%	40%	38%	42%	+4 p.p.
Actively pursue acquisitions	58%	64%	65%	66%	70%	68%	68%	69%	71%	72%	65%	63%	65%	+2 p.p.
Actively consider exiting or divesting lines of business	Not asked	Not asked	Not asked	Not asked	65%	64%	75%	67%	73%	75%	73%	77%	71%	−6 p.p.
Aggressively repurchase shares	39%	44%	38%	36%	42%	43%	34%	44%	37%	41%	43%	36%	36%	None
Maintain the dividend per share	41%	43%	35%	29%	36%	43%	33%	36%	36%	37%	40%	45%	43%	−2 p.p.
Intensely focus on preserving liquidity	73%	79%	77%	68%	75%	76%	69%	72%	67%	64%	60%	63%	65%	+2 p.p.
Quickly access all available sources of debt financing	Not asked	71%	73%	73%	72%	71%	65%	69%	67%	65%	71%	63%	61%	−2 p.p.
Consider significant equity issuance a reasonable move	Not asked	48%	56%	55%	53%	53%	61%	59%	55%	57%	56%	52%	61%	+9 p.p.
Provide or revise guidance	79%	77%	78%	74%	66%	72%	67%	69%	70%	74%	71%	71%	83%	+12 p.p.
Deliver EPS that at least meets revised guidance or consensus	56%	64%	56%	51%	54%	56%	58%	57%	57%	57%	64%	65%	71%	+6 p.p.
• Investors understand why companies have withdrawn 2020 earnings guidance ²	Not asked	Not asked	Not asked	85%	81%	79%	79%	83%	85%	77%	76%	73%	78%	+5 p.p.
Make additional temporary disclosures	Not asked	Not asked	Not asked	83%	77%	76%	85%	87%	81%	84%	86%	84%	86%	+2 p.p.
Expect an increase in activist activity and take proactive steps to mitigate risk	59%	66%	64%	70%	61%	65%	63%	66%	63%	69%	67%	67%	67%	None
Continue to fully pursue their ESG agenda and priorities	Not asked	56%	46%	48%	45%	51%	48%	53%	51%	51%	45%	48%	50%	+2 p.p.
“Reopen” with caution and prioritize employees’ health and safety	Not asked	Not asked	Not asked	Not asked	84%	87%	89%	88%	87%	83%	83%	85%	83%	−2 p.p.



Source: BCG’s COVID-19 Investor Pulse Check; n = 150 for each survey.
Note: This slide spotlights key differences between pulse checks. Color coding is based on consideration of absolute and percentage change. EPS = earnings per share; p.p. = percentage point; ESG = environmental, social, and governance.
¹Financially healthy companies were defined as companies with relatively strong and resilient free cash flow and a healthy balance sheet.
²Participants were subsequently asked to respond to this statement: “Given COVID-19’s impact on corporate visibility, I understand why many healthy companies have decided to withdraw earnings guidance for 2020.”

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