

COVID-19 Investor Pulse Check #12

Conducted November 13–14, 2020

BCG's COVID-19 Investor Pulse Check

BCG surveyed leading investors November 13–14, 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 twelfth COVID-19 Investor Pulse Check; the first was conducted March 20–22, 2020.

This COVID-19 Investor Pulse Check, conducted November 13–14, is the twelfth 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 October 16–17
- Across the three most recent surveys (September 18–19, October 16–17, and November 13–14), 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.

Executive summary | BCG's COVID-19 Investor Pulse Check #12

November 14 vs. October 17

The November COVID-19 Investor Pulse Check indicates that investors are more bullish on the economy and stock market than they were last month

- Compared with one month ago, 47% of investors are more bullish on the economy (up from 39%), and 49% are more bullish on the stock market (up from 35%)
- However, a similar percentage of investors are bullish on the stock market for 2021 (38%, up from 35%¹) and for 2022 (55%, down from 56%¹)
- Investors' expectations for three-year forward TSR of 7.5% remain in line with prior surveys, which could imply that recent developments (such as, vaccine efficacy and the US election results) have already been priced into recent market highs
- While investors continue to expect an S&P low in Q1 2021, the implied pullback of about 9% is less than it was in prior surveys (roughly 11%)
- 57% of investors believe that COVID-19's severe impact will last until Q2 2021, ending slightly sooner (49% anticipated Q3, 2021, or later,¹ while 51% expected Q2, 2021, or sooner)
- 54% of investors anticipate a W- or U-shaped recovery (down from 61%¹), with a W shape expected by the largest percentage of investors (33%, down from 34%¹)
- The percentage of investors expecting an L-shaped recovery has increased to 25% (up from 18%¹)

Investors remain focused on long-term advantage, rather than on margins and short-term cash returns to shareholders; there is a slight trend toward more traditional financial policies (such as maintaining dividends), however, these policies remain far from historic prepandemic norms

- 93% of investors (consistent with an average of 91%²) support prioritizing building capabilities at the expense of EPS
- 62% of investors (up from 60%¹) think healthy companies should not prioritize margins at the expense of investing in the business
- 63% of investors (down from 65%¹) support acquisitions, and 77% (up from 73%¹) support divestitures to strengthen the business
- 48% of investors (consistent with an average of 49%²) think companies should fully pursue their ESG agenda and priorities, even at the expense of EPS
- 45% of investors now expect companies to maintain their dividend; this has risen over the past five surveys (up from 33% in June)

Investors remain focused on financial resilience, but with slightly less intensity than earlier in the pandemic

- 63% of investors (down from the peak of 79%²) believe it is important for companies to intensely focus on preserving liquidity
- 63% of investors (down from the average of 69%²) believe companies should quickly access all available sources of debt financing
- 52% of investors (near the average of 55%²) believe that raising capital by issuing equity is a reasonable move

Investors continue to understand why companies have withdrawn or revised guidance, but they increasingly expect delivery against revised guidance

- 71% of investors (near the average of 72%²) think it is important for healthy companies to provide or revise guidance within the next 90 days
- 84% of investors (up from the low of 76% in June²) think it is important for healthy companies that have withdrawn guidance to provide additional disclosures
- 65% of investors (up from the low of 51% in May²) will hold healthy companies to delivering on their revised guidance or the consensus EPS
- 73% of investors (down from the peak of 85% in May²) understand why many healthy companies have decided to withdraw earnings guidance for 2020

Source: BCG's COVID-19 Investor Pulse Check, October 17, 2020, and November 14, 2020; n = 150 for each survey.

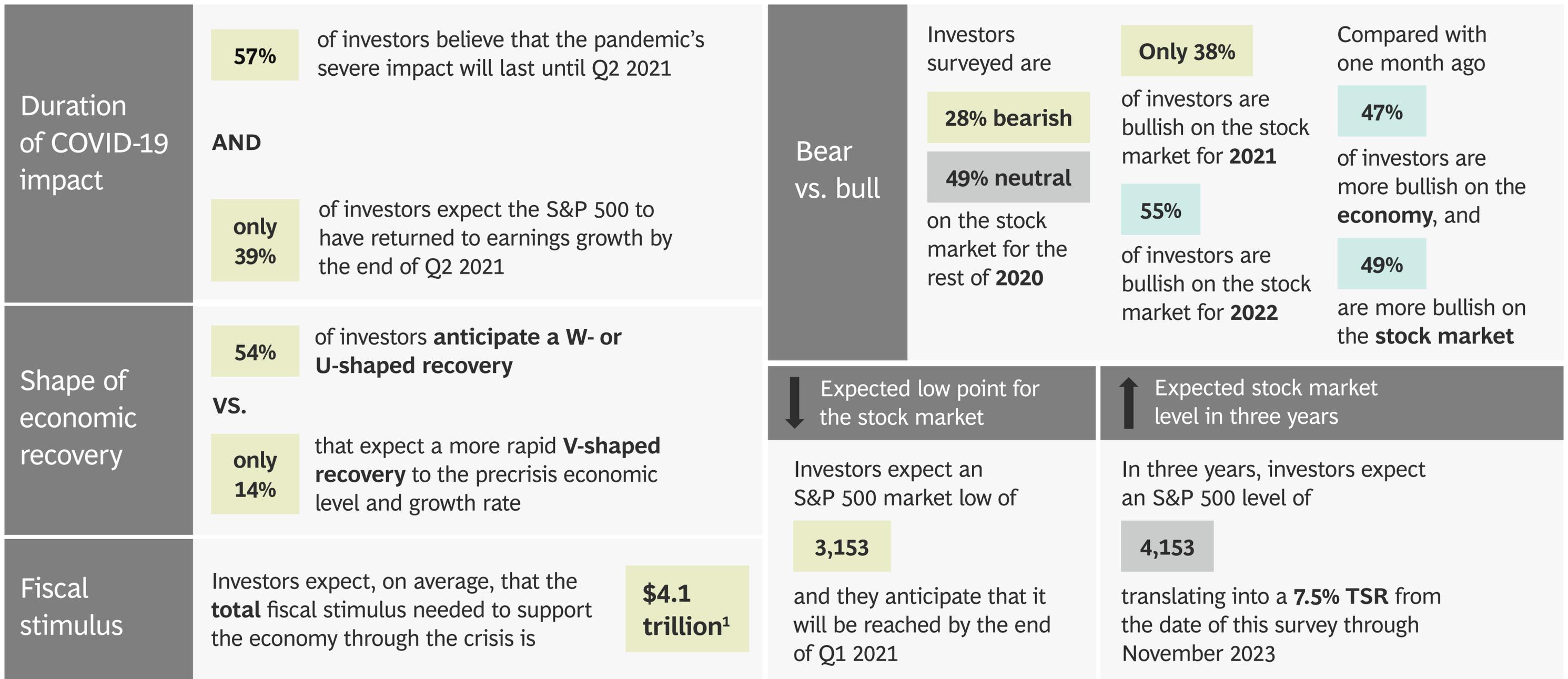
Note: TSR = total shareholder return; EPS = earnings per share; ESG = environmental, social, and governance.

¹COVID-19 Investor Pulse Check #11, which was conducted October 17–18, 2020.

²A peak, average, or low percentage reflects a comparison across the 12 COVID-19 Investor Pulse Checks.

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

November 14



■ Bullish ■ Bearish ■ Neutral

Source: BCG's COVID-19 Investor Pulse Check, November 14, 2020; n = 150.

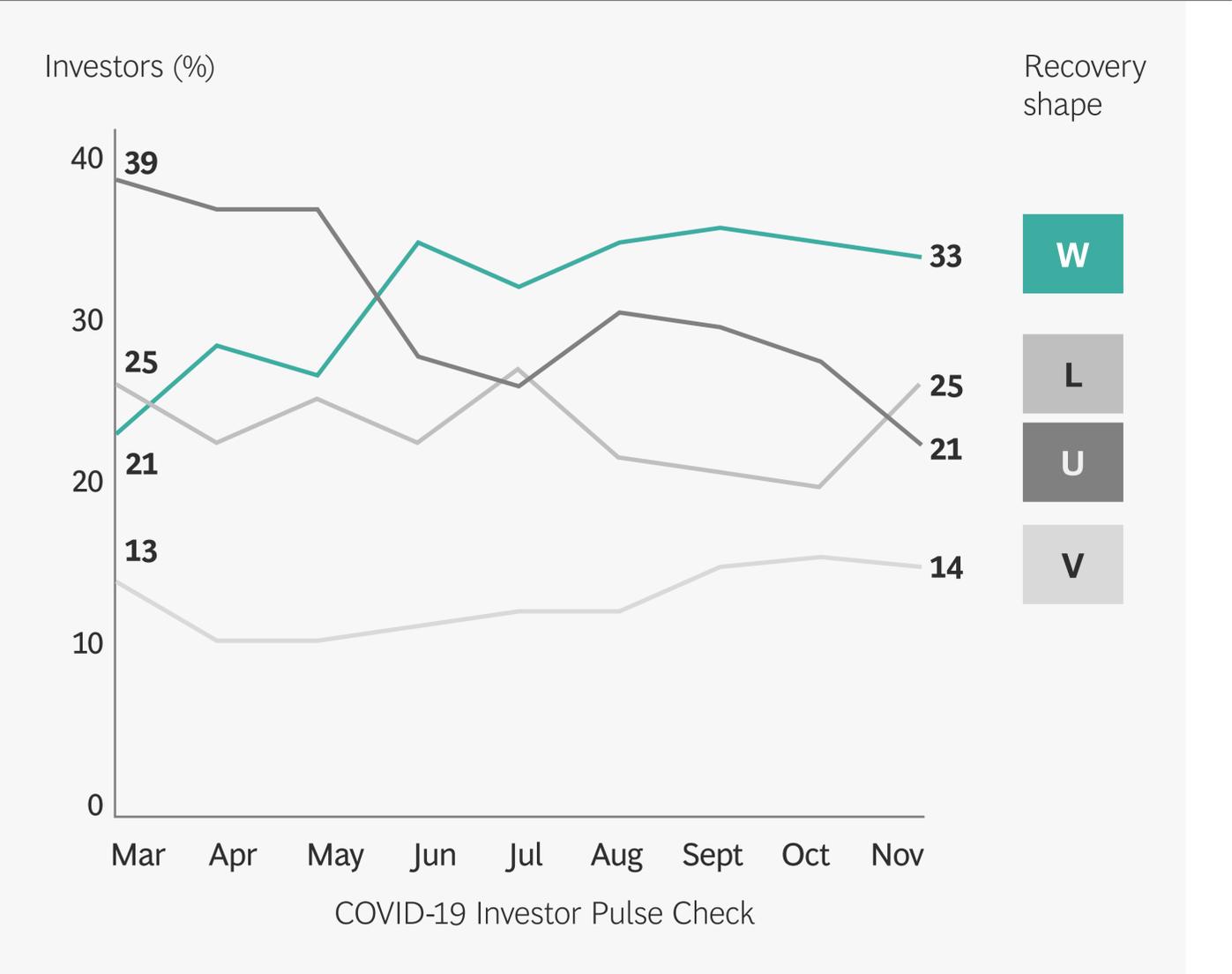
Note: TSR = total shareholder return.

¹The total fiscal stimulus of \$4.1 trillion includes \$2.5 trillion in stimulus to date plus \$1.6 trillion in additional stimulus.

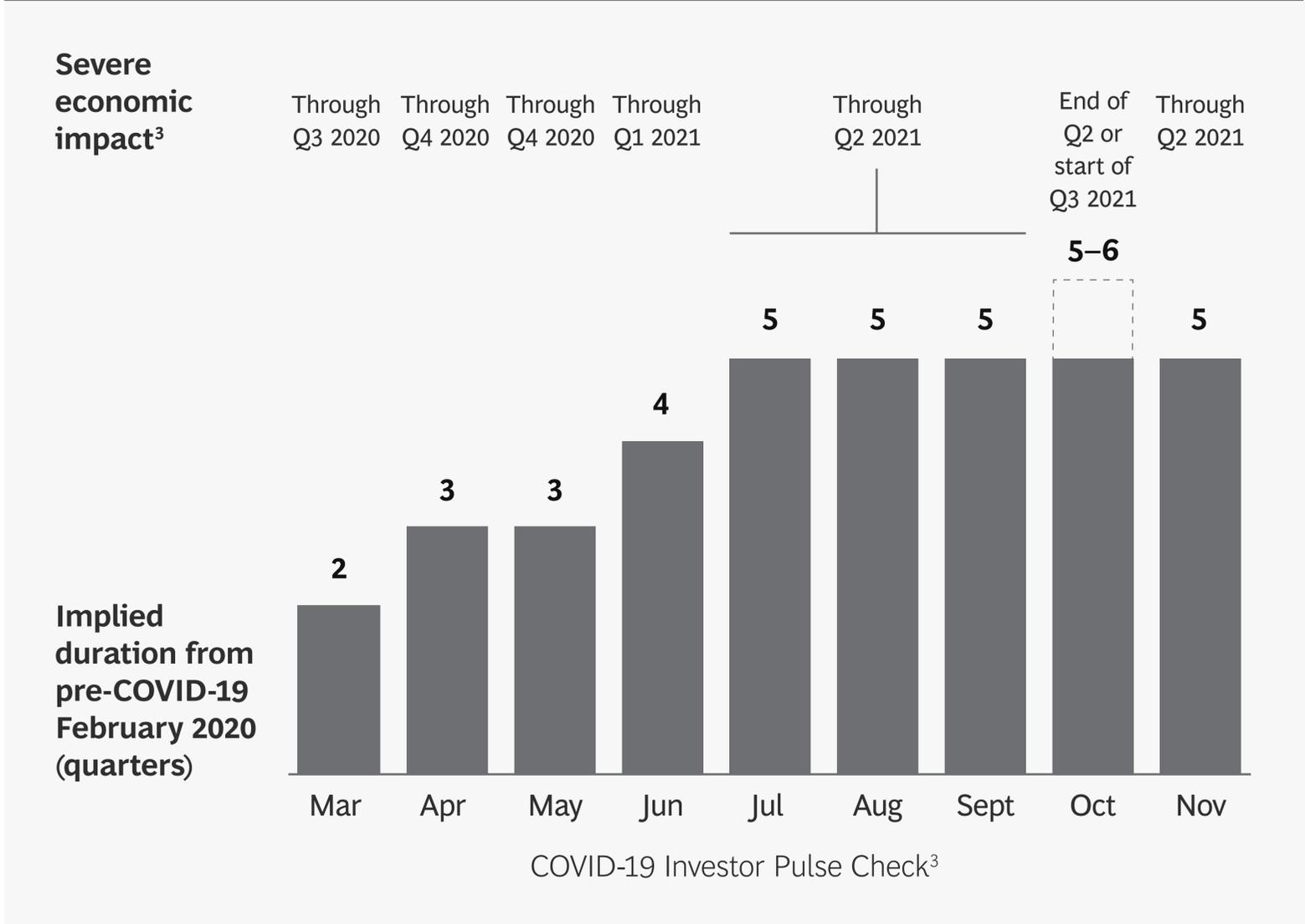
Investors' perspectives on the US economy have evolved through the crisis

November 14

Most investors continue to expect a W-shaped recovery, but some are anticipating it to be L shaped¹



Investors expect the economic recovery to take longer²

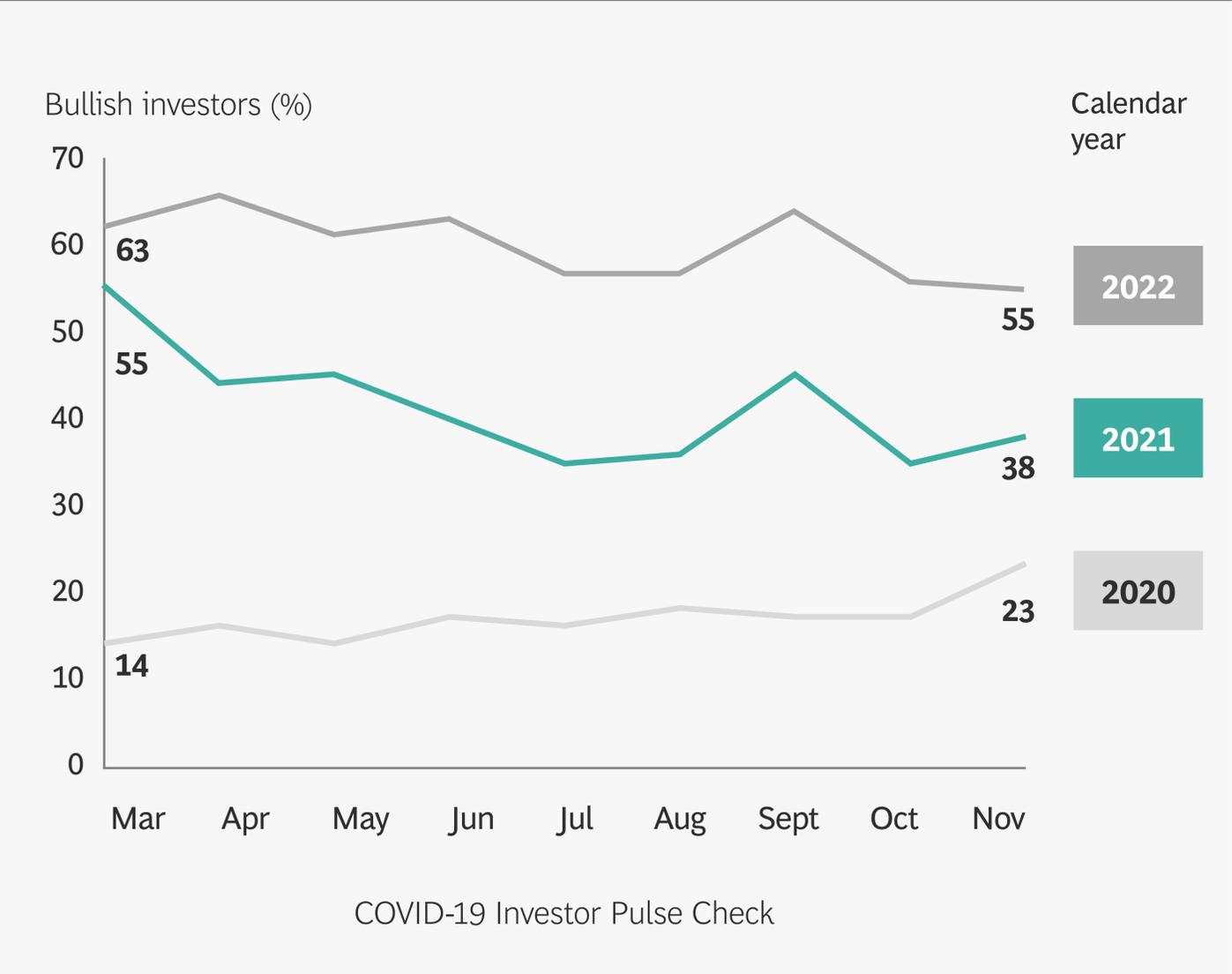


Source: BCG's COVID-19 Investor Pulse Check; n = 150 for each survey.
¹In each COVID-19 Investor Pulse Check, a small proportion of the investors surveyed indicated an alternate recovery shape; therefore, the percentages do not add up to 100.
²Based on the median of responses of the investors surveyed.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

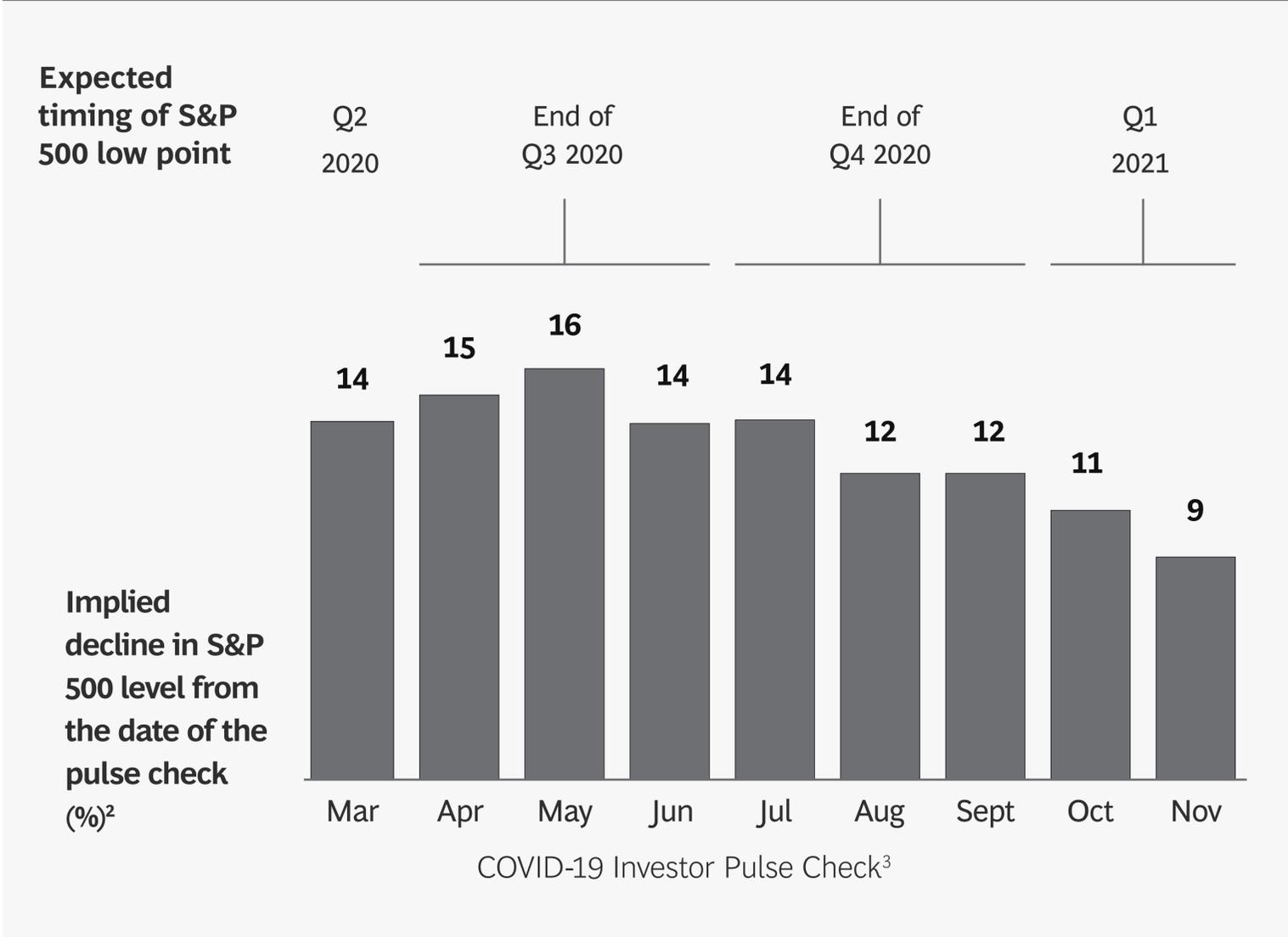
Investors' perspectives on the US stock market have evolved through the crisis

November 14

Investor sentiment on the market for 2021 is less bullish than it was early in the crisis



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 November 12, 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

November 14

Investing in the business

93% | Near the peak of 95%¹

Investors that believe it is important for healthy companies to **prioritize building business capabilities, even at the expense of delivering EPS**

62% | Equal to the average of 62%¹

Investors that think healthy companies **should not prioritize margins at the expense of investing in the business**

Reshaping the portfolio

63% | Up from the low of 58%¹

Investors that believe healthy companies should **actively pursue acquisitions to strengthen the business** at today's current valuations

77% | Up from the low of 64%¹

Investors that believe healthy companies should **actively consider exiting or divesting lines of business to strengthen the overall company** given current market conditions

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

November 14

Preserving liquidity

63% | Down from the peak of 79%¹

Investors that believe it is important for healthy companies to **intensely focus on preserving liquidity**

Maintaining the dividend

Only 45% | The peak¹

Investors that think it is important for healthy companies to **maintain the dividend per share**

Issuing debt

63% | Near the average of 69%¹

Investors that believe healthy companies should **quickly access all available sources of debt financing**

Repurchasing shares

Only 36% | Near the low of 34%¹

Investors that think it is important for healthy companies to **aggressively repurchase shares at today's low valuations**

Issuing equity

52% | Near the average of 55%¹

Investors that believe **raising capital by issuing equity** is a reasonable move for healthy companies

Source: BCG's COVID-19 Investor Pulse Check, November 14, 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 12 COVID-19 Investor Pulse Checks.

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

November 14

Providing, revising, and delivering on guidance

71% | Near the average of 72%¹

Investors that think it is important for healthy companies to **provide or revise guidance within the next 90 days**

84% | Near the average of 83%¹

Investors that think it is important for healthy companies that have **withdrawn guidance to provide additional disclosures** in the interim

65% | The peak¹

Investors that will **hold healthy companies to delivering on their revised guidance or the consensus EPS**

73% | Down from the peak of 85%¹

Investors that **understand why** many healthy companies **have decided to withdraw earnings guidance** for 2020

Three additional priority areas for investors stand out

November 14

Pursuing an ESG agenda

48% | 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”

85% | Near the average of 86%¹

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, November 14, 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 12 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	Difference (Oct 17 vs. Nov 14)
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	Less than 1 quarter
Likely shape of the US economy's recovery:													
▪ V shape	13%	12%	9%	9%	9%	18%	10%	11%	11%	14%	15%	14%	-1 p.p.
▪ U shape	39%	46%	37%	37%	37%	32%	27%	25%	30%	29%	27%	21%	-6 p.p.
▪ L shape	25%	20%	21%	25%	24%	19%	21%	26%	20%	19%	18%	25%	+7 p.p.
▪ W shape	21%	21%	27%	25%	25%	26%	34%	31%	34%	35%	34%	33%	-1 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	-\$50 billion
Bear vs. bull—investors that are bullish for:													
▪ For CY 2020	14%	12%	16%	15%	14%	23%	17%	16%	18%	17%	17%	23%	+6 p.p.
▪ For CY 2021	55%	53%	44%	46%	45%	41%	40%	35%	36%	45%	35%	38%	+3 p.p.
▪ For CY 2022	63%	64%	67%	64%	62%	55%	64%	57%	57%	65%	56%	55%	-1 p.p.
▪ The next three years	65%	68%	69%	69%	64%	61%	61%	57%	60%	66%	63%	59%	-4 p.p.
More bullish vs. last month: economy	Not asked	Not asked	34%	35%	30%	64%	35%	28%	43%	45%	39%	47%	+8 p.p.
More bullish vs. last month: stock market	Not asked	Not asked	45%	40%	33%	53%	30%	31%	36%	34%	35%	49%	+14 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	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	+45
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	None
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)	+92



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. CY = calendar year; p.p. = percentage point; 1H = first half; TSR = total shareholder return.

¹The S&P 500 level that was used is the closing level of the day prior to the survey date (for example, for the survey conducted September 18–19, we used the S&P 500 close of ~3,350 on September 17). TSR is implied through the CAGR of the S&P 500 level and an assumed 2% dividend yield.

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	Difference (Oct 17 vs. Nov 14)
Prioritize building key business capabilities	89%	91%	92%	95%	88%	91%	90%	91%	89%	90%	90%	93%	+3 p.p.
Prioritize maintaining their margin levels	Not asked	41%	33%	32%	33%	45%	38%	39%	36%	39%	40%	38%	-2 p.p.
Actively pursue acquisitions	58%	64%	65%	66%	70%	68%	68%	69%	71%	72%	65%	63%	-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%	+4 p.p.
Aggressively repurchase shares	39%	44%	38%	36%	42%	43%	34%	44%	37%	41%	43%	36%	-7 p.p.
Maintain the dividend per share	41%	43%	35%	29%	36%	43%	33%	36%	36%	37%	40%	45%	+5 p.p.
Intensely focus on preserving liquidity	73%	79%	77%	68%	75%	76%	69%	72%	67%	64%	60%	63%	+3 p.p.
Quickly access all available sources of debt financing	Not asked	71%	73%	73%	72%	71%	65%	69%	67%	65%	71%	63%	-8 p.p.
Consider significant equity issuance a reasonable move	Not asked	48%	56%	55%	53%	53%	61%	59%	55%	57%	56%	52%	-4 p.p.
Provide or revise guidance	79%	77%	78%	74%	66%	72%	67%	69%	70%	74%	71%	71%	None
Deliver EPS that at least meets revised guidance or consensus	56%	64%	56%	51%	54%	56%	58%	57%	57%	57%	64%	65%	+1 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%	-3 p.p.
Make additional temporary disclosures	Not asked	Not asked	Not asked	83%	77%	76%	85%	87%	81%	84%	86%	84%	-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%	None
Continue to fully pursue their ESG agenda and priorities	Not asked	56%	46%	48%	45%	51%	48%	53%	51%	51%	45%	48%	+3 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%	+3 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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