

COVID-19 Investor Pulse Check #15

Conducted April 29–30, 2021

BCG's COVID-19 Investor Pulse Check

BCG surveyed leading investors April 29–30, 2021, 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 15th COVID-19 Investor Pulse Check; the first was conducted March 20–22, 2020.

This COVID-19 Investor Pulse Check, conducted April 29–30, 2021, is the 15th 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.

- 80% of the participants in this survey overlap with the respondents to the previous survey, which was conducted February 6–7, 2021
- Across the three most recent surveys (December 12–13, 2020; February 6–7, 2021; and April 29–30, 2021), the overlap in respondents is 75%

About the respondents:

- They represent investment firms that have more than \$5 trillion in combined assets under management
- 85% are portfolio managers and senior analysts who are directly responsible for making buy, sell, and hold decisions
- They cover a broad spectrum of investor types and investment 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 visit <http://on.bcg.com/covid19insights>.

Key takeaways | BCG's COVID-19 Investor Pulse Check #15

April 30

Since the February 7, 2021, COVID-19 Investor Pulse Check, investors have become more bullish on the US economy

- 73% of investors are more bullish on the US economy than they were one month ago
- Only 46% of investors believe that additional stimulus will be required to support the US economy, down from 82% in February
- 27% of investors (up from 15% in February) expect a V-shaped economic recovery
- 17% of investors—the lowest percentage across all 15 COVID-19 Investor Pulse Checks—expect an L-shaped recovery with long-term structural damage

With the S&P 500 at or near record high levels, investors remain bullish about the US stock market

- 52% of investors (down from 53% in February) are bullish about the S&P 500 over the next three years
- Forward three-year average annual TSR expectations are 7% (the same as in February)

While investors still want management teams to focus on building long-term advantage, their expectations on earnings and guidance appear to be moving back to less permissive prepandemic norms

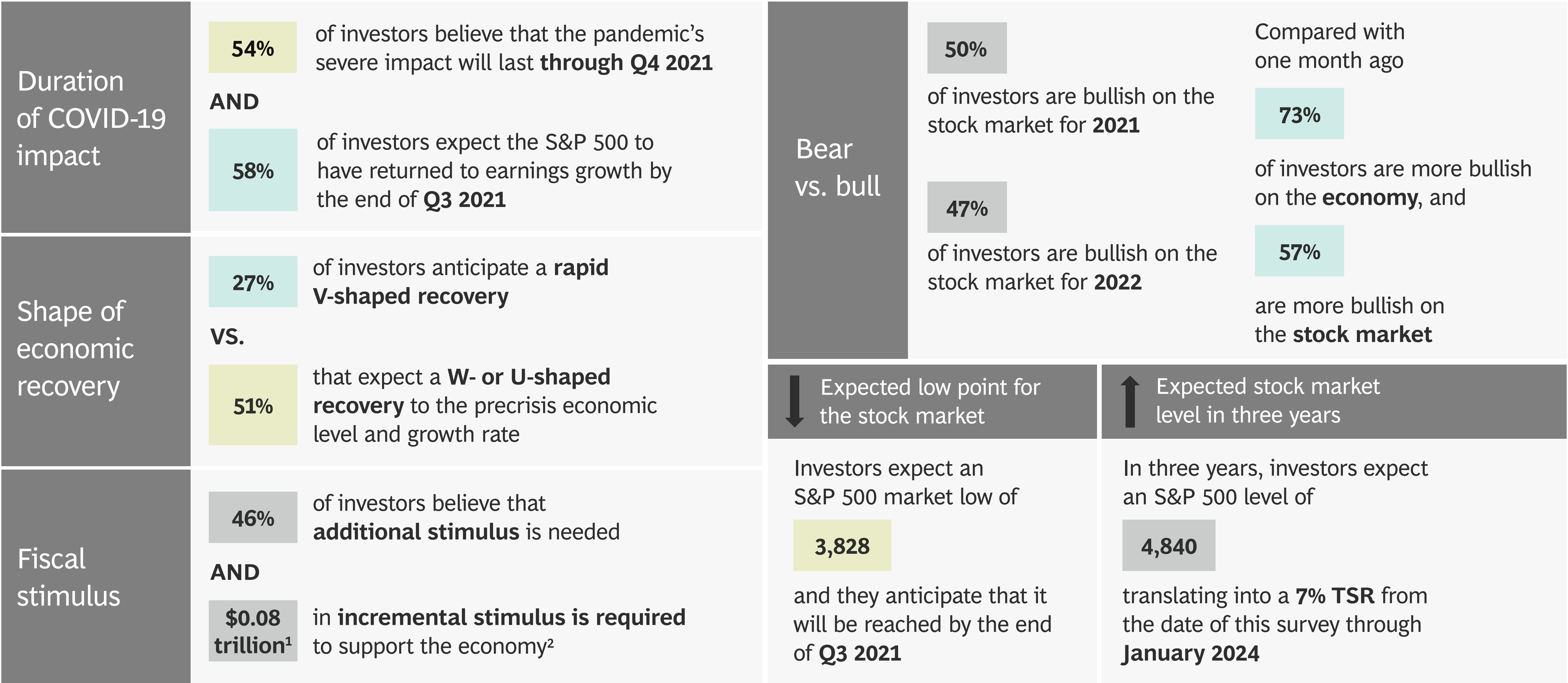
- 88% of investors want companies to prioritize investing in core capabilities, even at the expense of delivering EPS
- 87% of investors (a series high) expect management to provide or revise guidance
- 79% of investors (a series high) expect EPS to at least meet revised guidance or consensus

Investors' preferences for capital allocation also seem to reflect a sense that the crisis is passing; they are focusing less on capital preservation and more on capital distribution

- 54% of investors (a series low) want management to intensely focus on preserving liquidity
- 56% of investors (a series low) want management to quickly access all available sources of debt financing
- 53% of investors (a series high) want companies to at least maintain dividends
- 41% of investors (a series high since October 2020) believe that financially healthy companies should be aggressively buying back shares

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

April 30



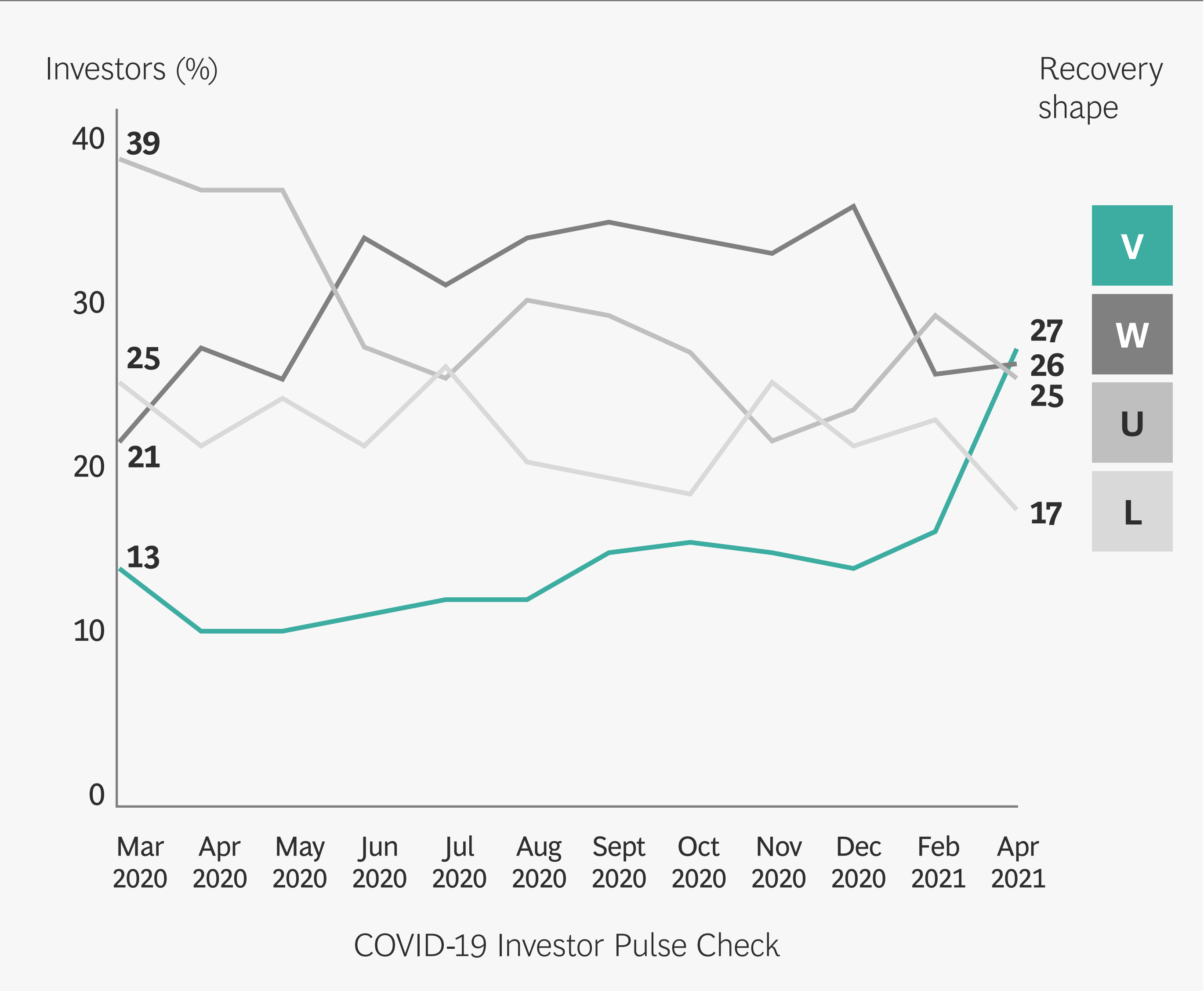
Bullish Bearish Neutral

Source: BCG's COVID-19 Investor Pulse Check, April 30, 2021; n = 150. Note: TSR = total shareholder return.
¹The additional stimulus of \$0.8 trillion is on top of the \$5.3 trillion of legislated stimulus to date.
²The amount of incremental stimulus is a weighted average of the amount that investors believe is required to support the economy through the COVID-19 crisis.

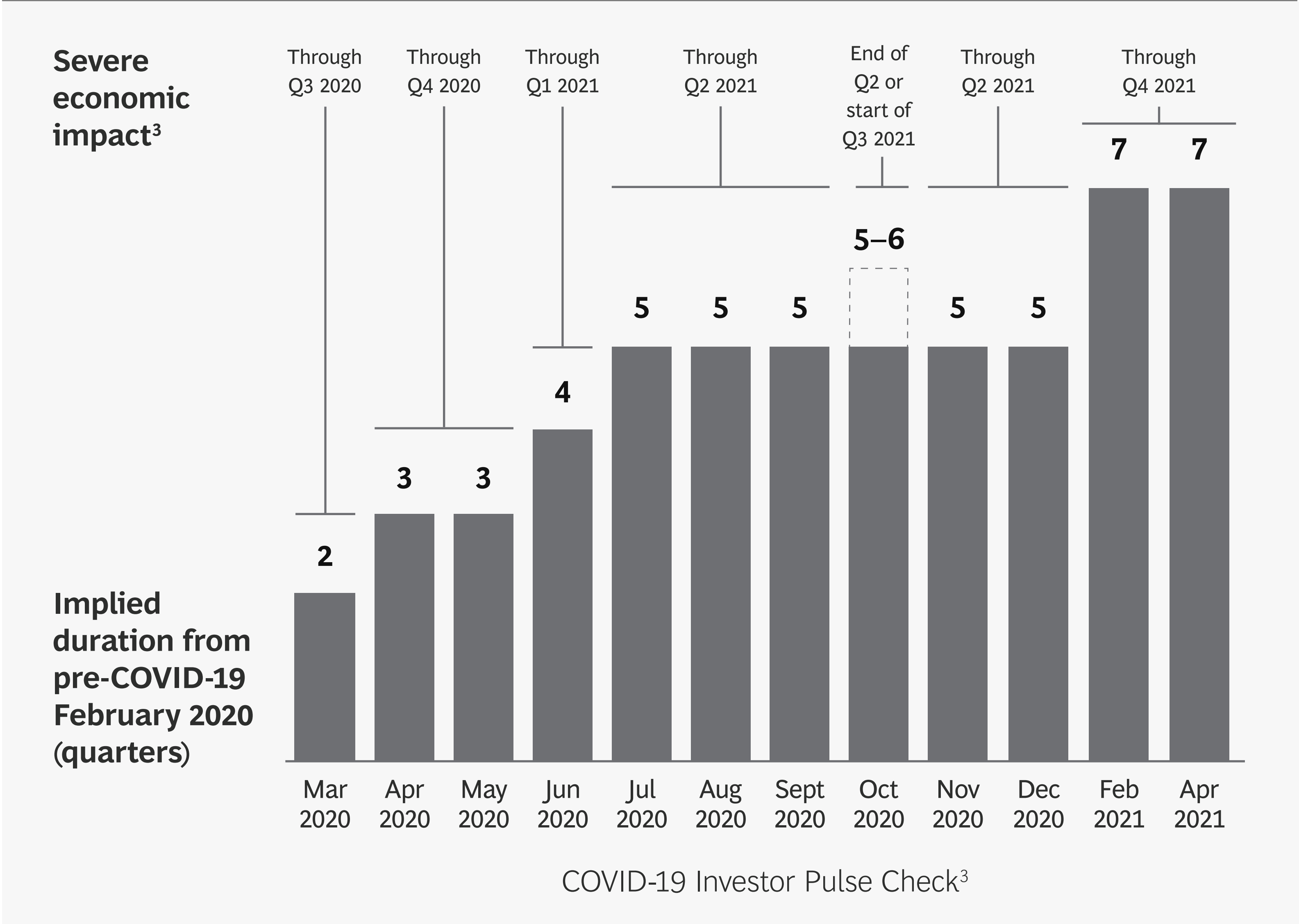
Investors' perspectives on the US economy have evolved through the crisis

April 30

Most investors now expect a V-shaped recovery¹



Investors expect the economic recovery to take longer²

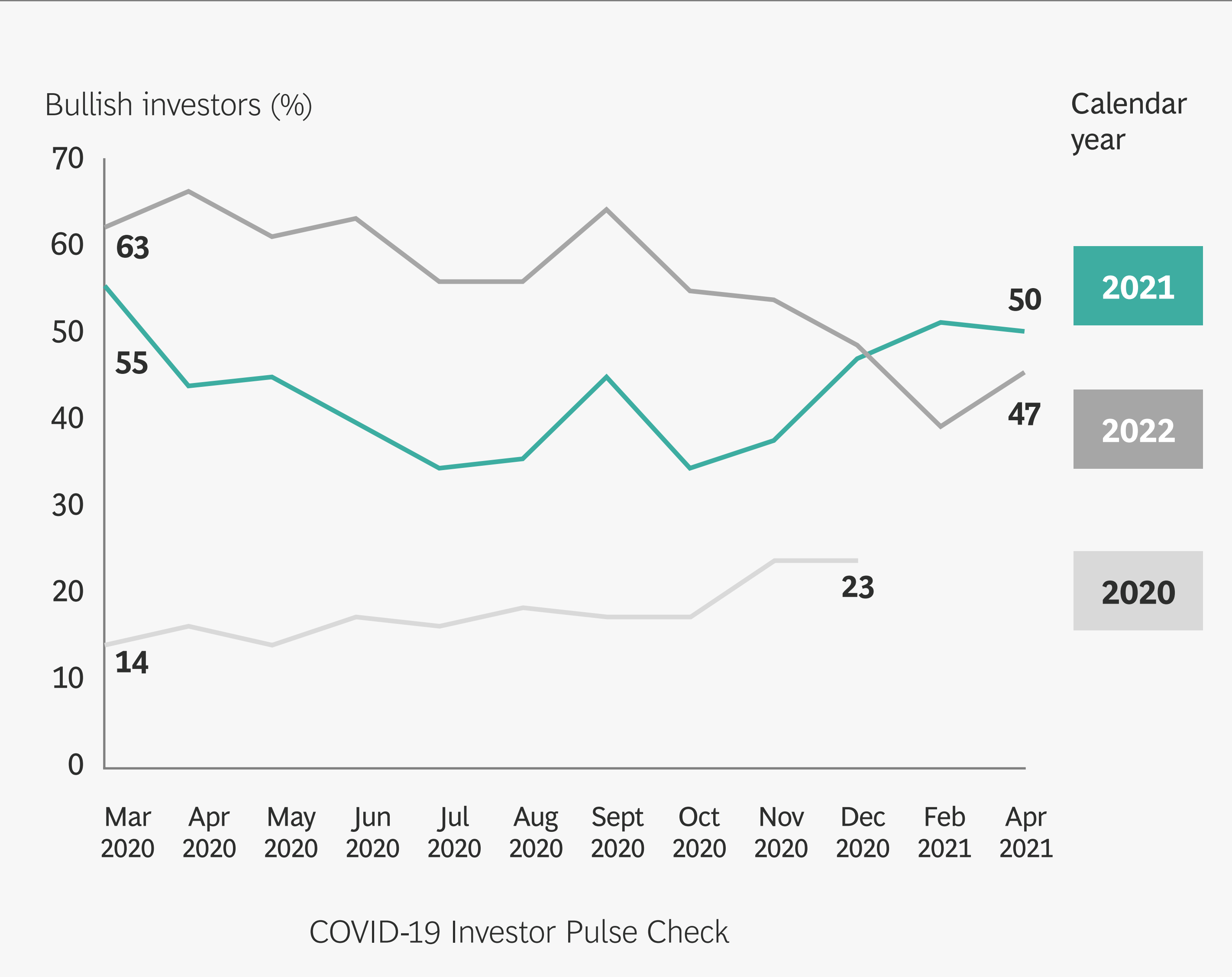


Source: BCG's COVID-19 Investor Pulse Check; n = 150 for each survey.
¹In each COVID-19 Investor Pulse Check, a small proportion of the investors surveyed indicated an alternate recovery shape; therefore, the percentages do not add up to 100.
²Based on the median of responses of the investors surveyed.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

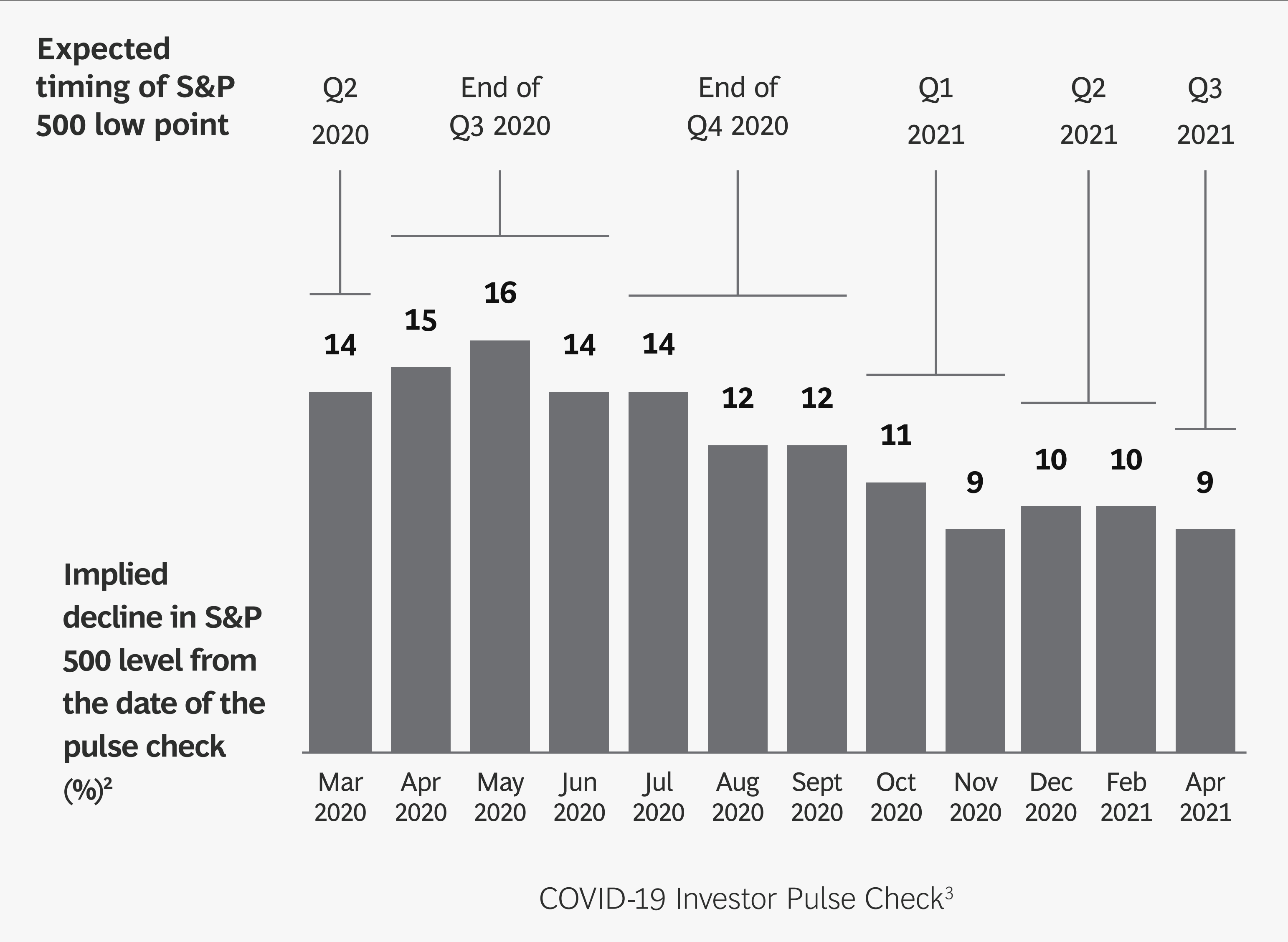
Investors' perspectives on the US stock market have evolved through the crisis

April 30

Investors remain bullish on the stock market for 2021, and they are increasingly optimistic for 2022



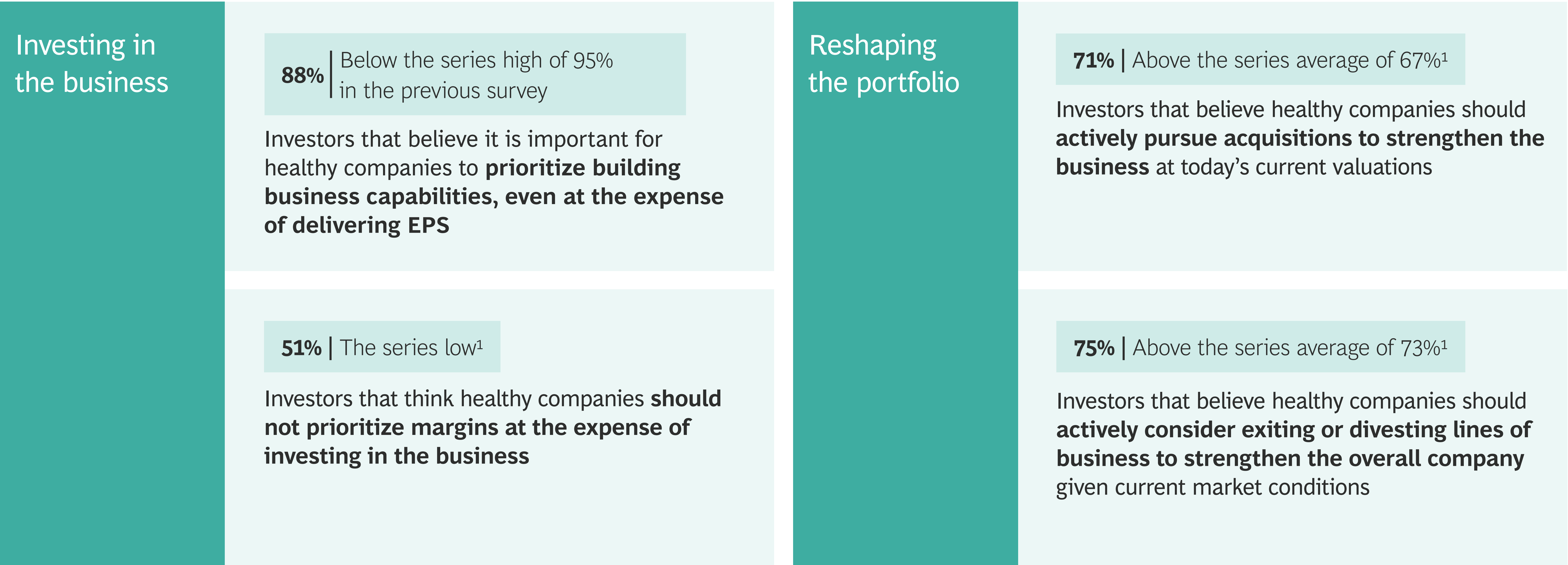
Investors anticipate that a correction in equity markets will be less severe¹



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 April 29, 2021, was used as a reference point.
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

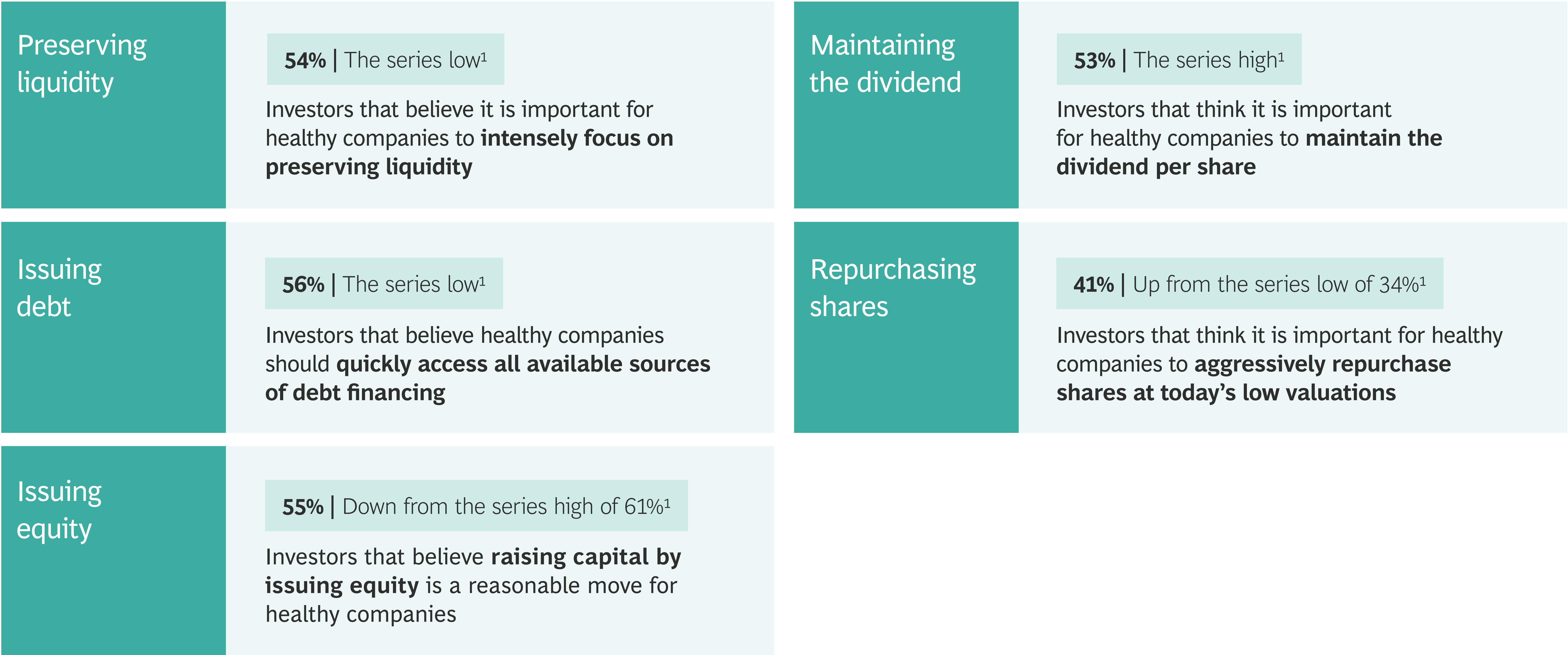
April 30



Source: BCG's COVID-19 Investor Pulse Check, April 30, 2021; 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 series high, average, or low is a percentage that reflects a comparison across the 15 COVID-19 Investor Pulse Checks.

Investors’ focus on preserving liquidity and maintaining financial resilience appears to be moderating

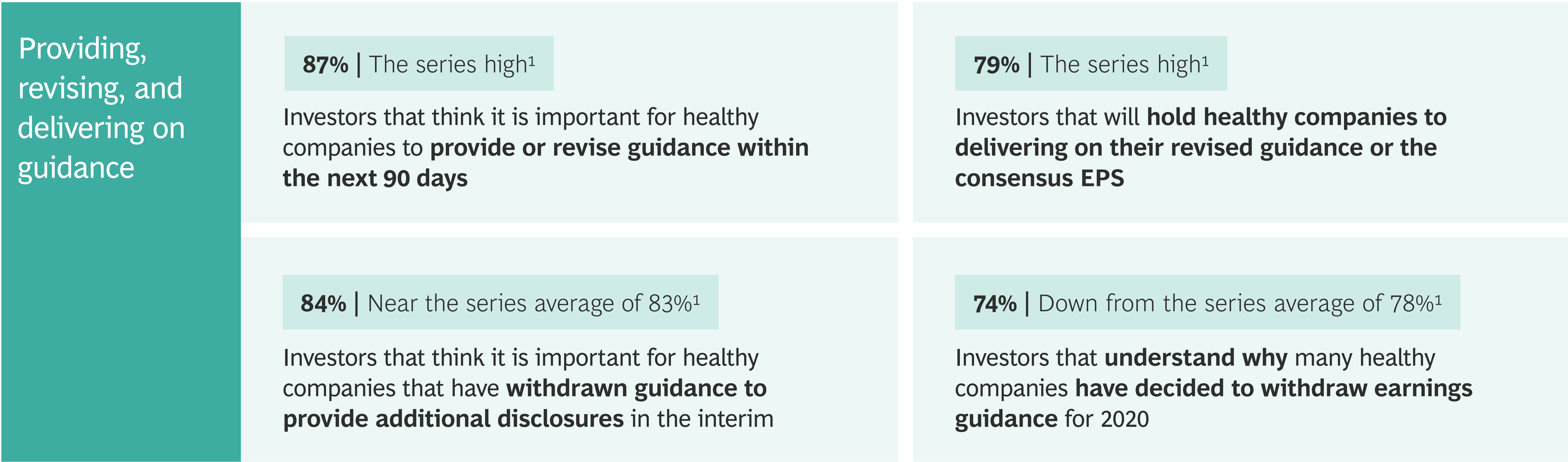
April 30



Source: BCG’s COVID-19 Investor Pulse Check, April 30, 2021; 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 series high, average, or low is a percentage that reflects a comparison across the 15 COVID-19 Investor Pulse Checks.

Investors’ views on guidance from financially healthy companies appear to be trending toward normalcy, with an increasing focus on achieving revised guidance

April 30



Source: BCG’s COVID-19 Investor Pulse Check, April 30, 2021; 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 series high, average, or low is a percentage that reflects a comparison across the 15 COVID-19 Investor Pulse Checks.

Three additional priority areas for investors stand out

April 30

Pursuing an ESG agenda

47% | Down from the series 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% | Up from the series 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”

79% | The series 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, April 30, 2021; 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 series high, average, or low is a percentage that reflects a comparison across the 15 COVID-19 Investor Pulse Checks.

Comparison of BCG’s COVID-19 Investor Pulse Checks (1/4)

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
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
Likely shape of the US economy’s recovery:							
▪ V shape	13%	12%	9%	9%	9%	18%	10%
▪ U shape	39%	46%	37%	37%	37%	32%	27%
▪ L shape	25%	20%	21%	25%	24%	19%	21%
▪ W shape	21%	21%	27%	25%	25%	26%	34%
Fiscal stimulus:							
▪ Incremental stimulus required (investors that believe it is needed) ¹	Not asked	Not asked	\$1.8 trillion (not asked)	\$1.5 trillion (81%)	\$2.0 trillion (85%)	\$1.4 trillion (76%)	\$1.5 trillion (85%)
Stock market decline:							
▪ S&P 500 level after the decline (decline from the current level at the time of the survey)	2,062 (–14%)	2,158 (–14%)	2,393 (–15%)	2,382 (–16%)	2,449 (–16%)	2,676 (–14%)	2,664 (–14%)
▪ Timing of decline	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
Three-year S&P 500 level (implied TSR) ²	3,075 (11%)	3,165 (10%)	3,411 (9%)	3,591 (9%)	3,525 (9%)	3,717 (8%)	3,685 (8%)
Bear vs. bull							
Investors that are bullish for:							
▪ CY 2021	55%	53%	44%	46%	45%	41%	40%
▪ CY 2022	63%	64%	67%	64%	62%	55%	64%
▪ Next three years	65%	68%	69%	69%	64%	61%	61%
More bullish vs. last month: economy	Not asked	Not asked	34%	35%	30%	64%	35%
More bullish vs. last month: stock market	Not asked	Not asked	45%	40%	33%	53%	30%

Source: BCG’s COVID-19 Investor Pulse Check; n = 150 for each survey.
Note: CY = calendar year; TSR = total shareholder return.
¹The survey question asked how much additional stimulus is required above the legislated stimulus to date.
²The 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.

COVID-19 Investor Pulse Check #15

Comparison of BCG’s COVID-19 Investor Pulse Checks (2/4)

What are your expectations for...	Jul 19 #8	Aug 9 #9	Sept 19 #10	Oct 17 #11	Nov 14 #12	Dec 13 #13	Feb 7 #14	Apr 30 #15	Difference (Feb 7 vs. Apr 30)
Duration of COVID-19’s impact on the US economy	Through Q2 2021	Through Q2 2021	Through Q2 2021	End of Q2 or start of Q3 2021	Through Q2 2021	Through Q2 2021	Through Q4 2021	Through Q4 2021	No change
Likely shape of the US economy’s recovery:									
▪ V shape	11%	11%	14%	15%	14%	13%	15%	27%	+12 p.p.
▪ U shape	25%	30%	29%	27%	21%	23%	29%	25%	–4 p.p.
▪ L shape	26%	20%	19%	18%	25%	21%	23%	17%	–6 p.p.
▪ W shape	31%	34%	35%	34%	33%	36%	25%	26%	+1 p.p.
Fiscal stimulus:									
▪ Incremental stimulus required (investors that believe it is needed) ¹	\$1.8 trillion (85%)	\$1.6 trillion (84%)	\$1.5 trillion (83%)	\$1.7 trillion (86%)	\$1.6 trillion (82%)	\$1.5 trillion (82%)	\$1.3 trillion (82%)	\$0.8 trillion (46%)	\$0.5 trillion (–36 p.p.)
Stock market decline:									
▪ S&P 500 level after the decline (decline from the current level at the time of the survey)	2,765 (–14%)	2,935 (–12%)	2,962 (–12%)	3,108 (–11%)	3,153 (–9%)	3,288 (–10%)	3,468 (–10%)	3,828 (–9%)	+360
▪ Timing of decline	End of Q4 2020	End of Q4 2020	End of Q4 2020	End of Q1 2021	End of Q1 2021	End of Q2 2021	End of Q2 2021	End of Q3 2021	+1 quarter
Three-year S&P 500 level (implied TSR) ²	3,727 (7%)	3,869 (7%)	3,938 (7.5%)	4,061 (7.5%)	4,153 (7.5%)	4,232 (7%)	4,488 (7%)	4,840 (7%)	No change in TSR
Bear vs. bull									
Investors that are bullish for:									
▪ CY 2021	35%	36%	45%	35%	38%	47%	51%	50%	–1 p.p.
▪ CY 2022	57%	57%	65%	56%	55%	50%	41%	47%	+6 p.p.
▪ Next three years	57%	60%	66%	63%	59%	57%	53%	52%	–1 p.p.
More bullish vs. last month: economy	28%	43%	45%	39%	47%	60%	63%	73%	+10 p.p.
More bullish vs. last month: stock market	31%	36%	34%	35%	49%	54%	59%	57%	–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. CY = calendar year; p.p. = percentage point; TSR = total shareholder return.

¹The survey question asked how much additional stimulus is required above the legislated stimulus to date.

²The 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 (3/4)

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
Prioritize building key business capabilities	89%	91%	92%	95%	88%	91%	90%
Prioritize maintaining their margin levels	Not asked	41%	33%	32%	33%	45%	38%
Actively pursue acquisitions	58%	64%	65%	66%	70%	68%	68%
Actively consider exiting or divesting lines of business	Not asked	Not asked	Not asked	Not asked	65%	64%	75%
Aggressively repurchase shares	39%	44%	38%	36%	42%	43%	34%
Maintain the dividend per share	41%	43%	35%	29%	36%	43%	33%
Intensely focus on preserving liquidity	73%	79%	77%	68%	75%	76%	69%
Quickly access all available sources of debt financing	Not asked	71%	73%	73%	72%	71%	65%
Consider significant equity issuance a reasonable move	Not asked	48%	56%	55%	53%	53%	61%
Provide or revise guidance	79%	77%	78%	74%	66%	72%	67%
Deliver EPS that at least meets revised guidance or consensus	56%	64%	56%	51%	54%	56%	58%
<ul style="list-style-type: none">Investors understand why companies have withdrawn earnings guidance²	Not asked	Not asked	Not asked	85%	81%	79%	79%
Make additional temporary disclosures	Not asked	Not asked	Not asked	83%	77%	76%	85%
Expect an increase in activist activity and take proactive steps to mitigate risk	59%	66%	64%	70%	61%	65%	63%
Continue to fully pursue their ESG agenda and priorities	Not asked	56%	46%	48%	45%	51%	48%
“Reopen” with caution and prioritize employees’ health and safety	Not asked	Not asked	Not asked	Not asked	84%	87%	89%

Source: BCG’s COVID-19 Investor Pulse Check; n = 150 for each survey.
Note: EPS = earnings per share; 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.”

Comparison of BCG’s COVID-19 Investor Pulse Checks (4/4)

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

It is important for financially healthy companies to... ¹	Jul 19 #8	Aug 9 #9	Sept 19 #10	Oct 17 #11	Nov 14 #12	Dec 13 #13	Feb 7 #14	Apr 30 #15	Difference (Feb 7 vs. April 30)
Prioritize building key business capabilities	91%	89%	90%	90%	93%	89%	95%	88%	–7 p.p.
Prioritize maintaining their margin levels	39%	36%	39%	40%	38%	42%	40%	49%	+9 p.p.
Actively pursue acquisitions	69%	71%	72%	65%	63%	65%	63%	71%	+8 p.p.
Actively consider exiting or divesting lines of business	67%	73%	75%	73%	77%	71%	83%	75%	–8 p.p.
Aggressively repurchase shares	44%	37%	41%	43%	36%	36%	35%	41%	+6 p.p.
Maintain the dividend per share	36%	36%	37%	40%	45%	43%	47%	53%	+6 p.p.
Intensely focus on preserving liquidity	72%	67%	64%	60%	63%	65%	63%	54%	–9 p.p.
Quickly access all available sources of debt financing	69%	67%	65%	71%	63%	61%	65%	56%	–9 p.p.
Consider significant equity issuance a reasonable move	59%	55%	57%	56%	52%	61%	55%	55%	No change
Provide or revise guidance	69%	70%	74%	71%	71%	83%	74%	87%	+13 p.p.
Deliver EPS that at least meets revised guidance or consensus	57%	57%	57%	64%	65%	71%	75%	79%	+4 p.p.
• Investors understand why companies have withdrawn earnings guidance ²	83%	85%	77%	76%	73%	78%	71%	74%	+3 p.p.
Make additional temporary disclosures	87%	81%	84%	86%	84%	86%	81%	84%	+3 p.p.
Expect an increase in activist activity and take proactive steps to mitigate risk	66%	63%	69%	67%	67%	67%	68%	67%	–1 p.p.
Continue to fully pursue their ESG agenda and priorities	53%	51%	51%	45%	48%	50%	50%	47%	–3 p.p.
“Reopen” with caution and prioritize employees’ health and safety	88%	87%	83%	83%	85%	83%	82%	79%	–3 p.p.



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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.
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