



Forecasting the Impact of COVID-19

June 25, 2020

Growth is Returning, But Focused in Certain Sectors and Types of Activities

Since March, companies' performances have improved, their cost-cutting has become less severe and they now even see signs of growth

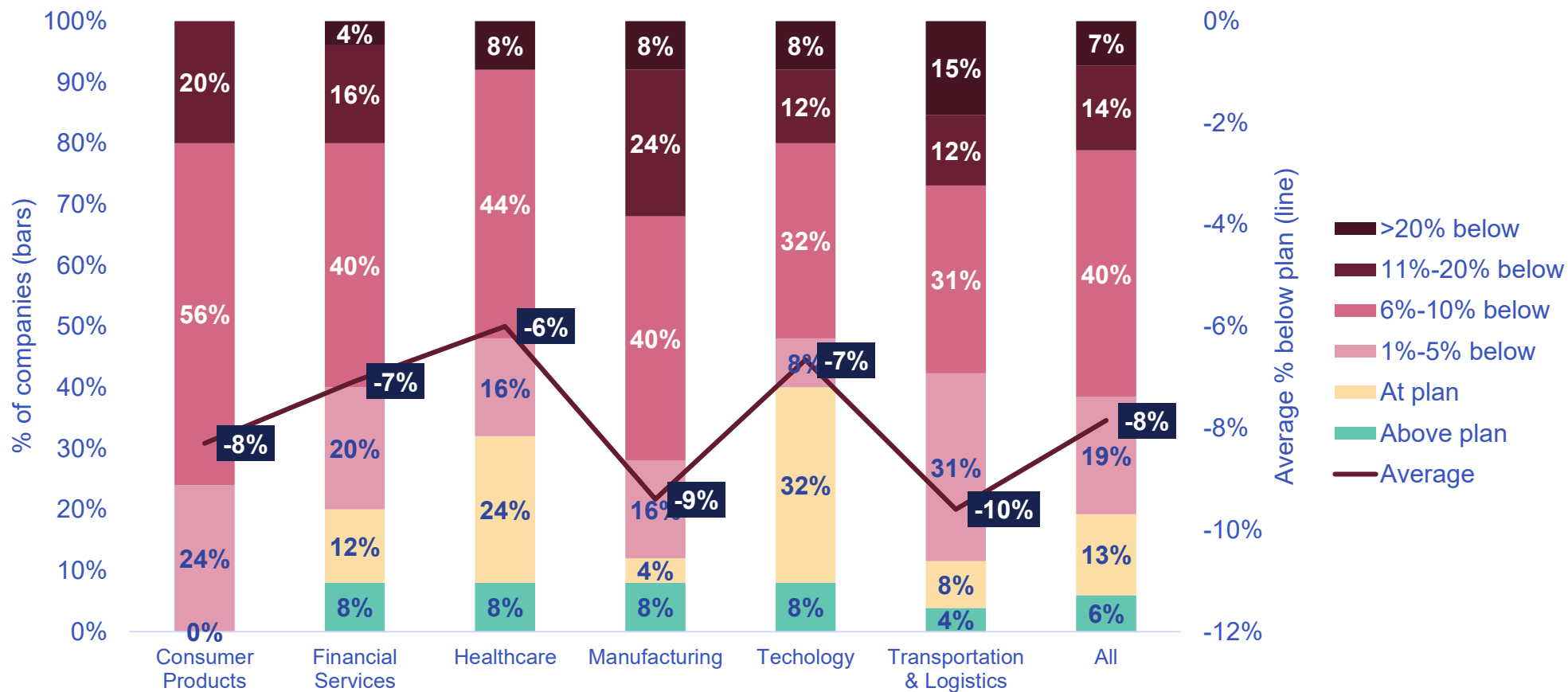
- Companies are now on **average 8% below plan** (vs. 12% in March and 10% in April) and expecting to cut key cost items ~20% (vs. 30% in March and 25% in April)
- **97% of companies in the survey see some signs of growth** – mostly in the form of fewer cancellations and more pre-sales activity
- While they expect the **technology sector to rebound fastest**, very few are optimistic about retail, hospitality or real estate

They are **investing in cost reduction, supply chains and pandemic management** and want vendors to support them by **extending payment terms**

- Significant **variation in investment patterns by industry**
- 40% of companies want extended payment terms
- **Extended payment cycles are among companies' most common expectations for the post-COVID-19 world** (along with more working from home, more online transactions, less travel, and more corporate health procedures)

US Companies Are ~8% Below Plan...

Company Performance vs. Plan, Since Start of Crisis

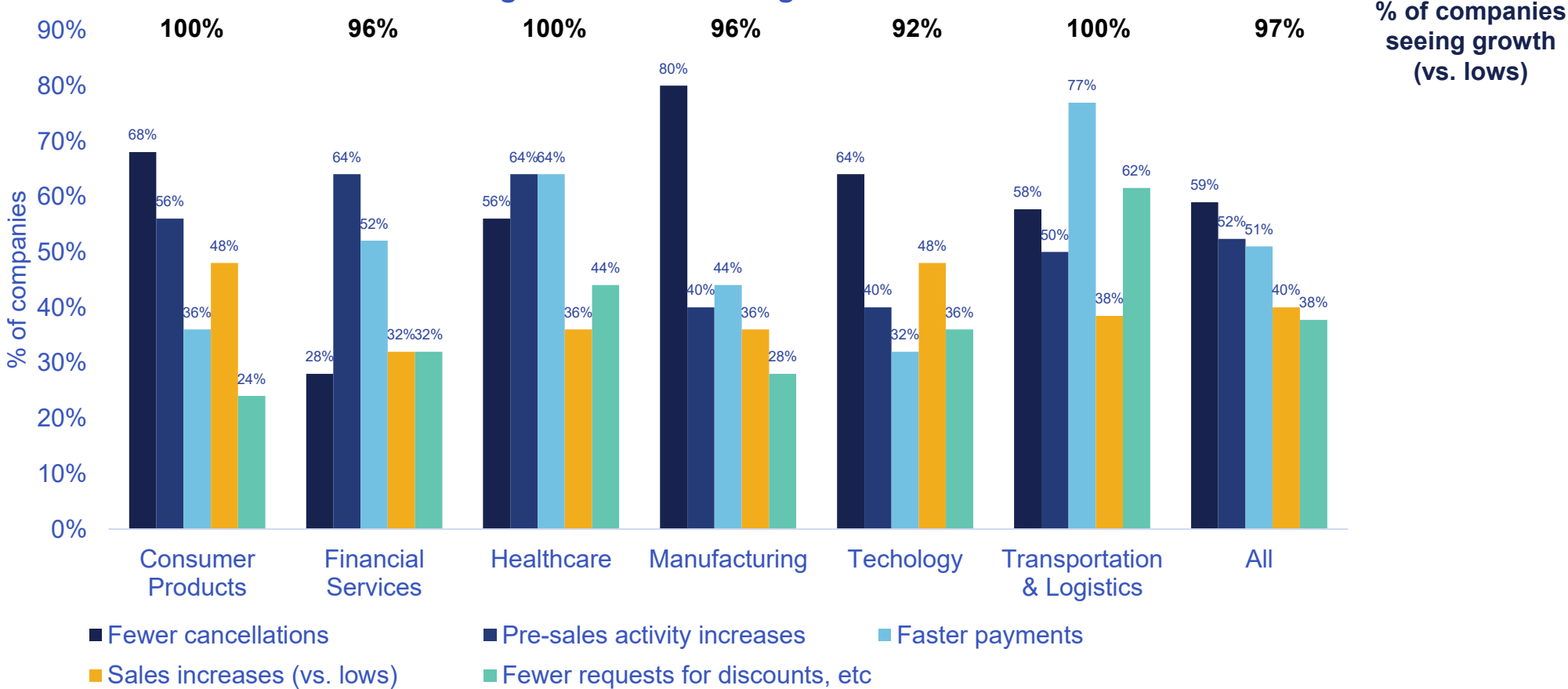


Source: MSG surveys of 151 senior executives, June 10-12

Q1

...But Are Seeing Signs of Growth...

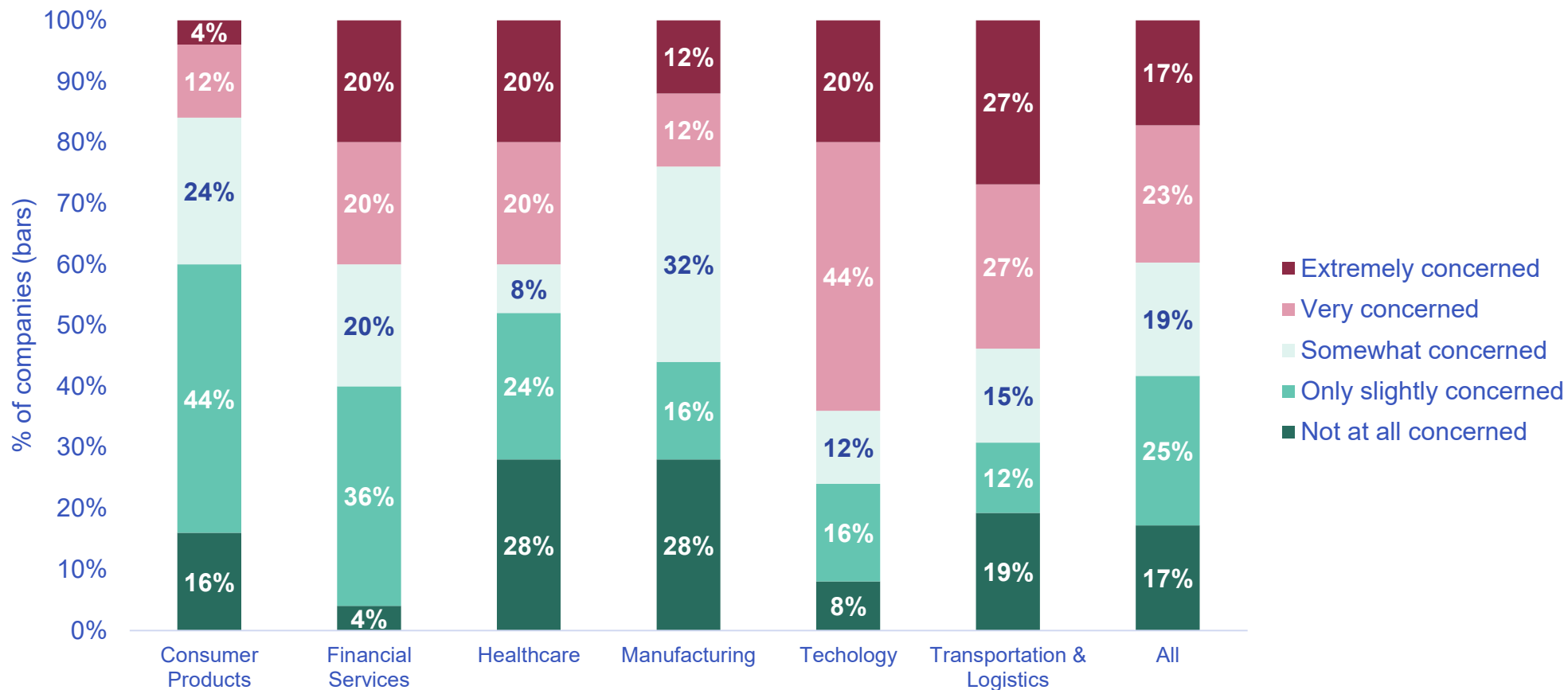
Signs of Growth Being Seen



Source: MSG surveys of 151 senior executives, June 10-12

...and Are Only Modestly Concerned About Recent Civil Unrest (Except Tech and Transportation/Logistics, Which Are Very Concerned)

How concerned is your company about recent civil unrest?



Source: MSG surveys of 151 senior executives, June 10-12

Q19

Companies Actually Cut Less Than Expected, Except in Marketing

March

Average expected cut, by vertical and spending type					
	Capex	Mktng	Outside svcs	Other	Average
Consumer prod	23%	31%	29%	33%	27%
Fin services	24%	30%	31%	31%	29%
Healthcare	31%	30%	40%	43%	31%
Manufacturing	24%	30%	38%	35%	29%
Technology	20%	32%	28%	42%	28%
Transportation & logistics	26%	26%	44%	50%	34%
Total / average	25%	30%	35%	39%	30%

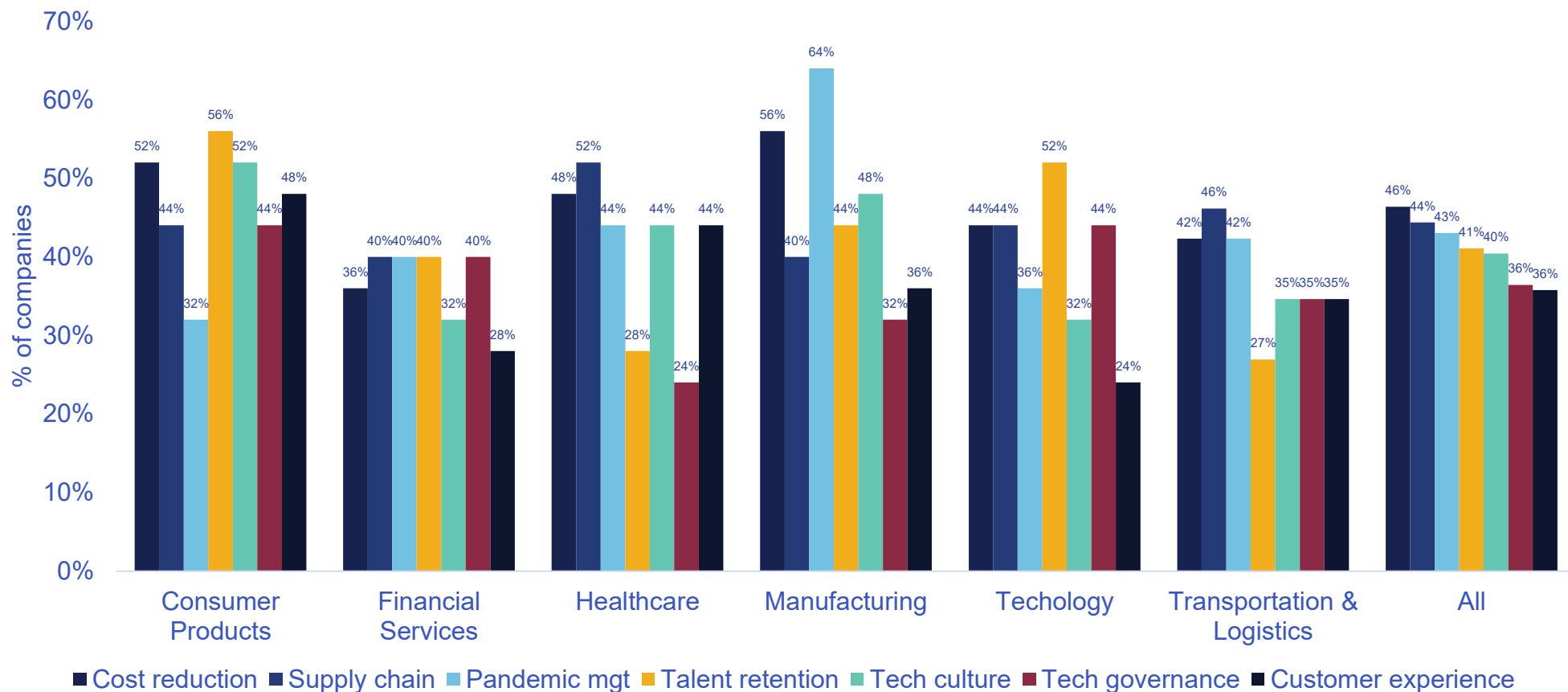
June

Average cut, by vertical and spending type					
	Capex	Mktng	Outside svcs	Other	Average
Consumer prod	8%	37%	20%	26%	21%
Fin services	19%	36%	17%	12%	20%
Healthcare	14%	36%	18%	20%	18%
Manufacturing	20%	33%	26%	20%	23%
Technology	15%	27%	20%	14%	17%
Transportation & logis	8%	26%	18%	33%	19%
Total / average	14%	33%	20%	21%	20%

Expected depth of cuts shrank, across all spending types, EXCEPT MARKETING

Their Post-COVID Investments Include Cost Reduction, Supply Chains and Pandemic Mgt, But Vary by Industry

Areas for Increased Investment

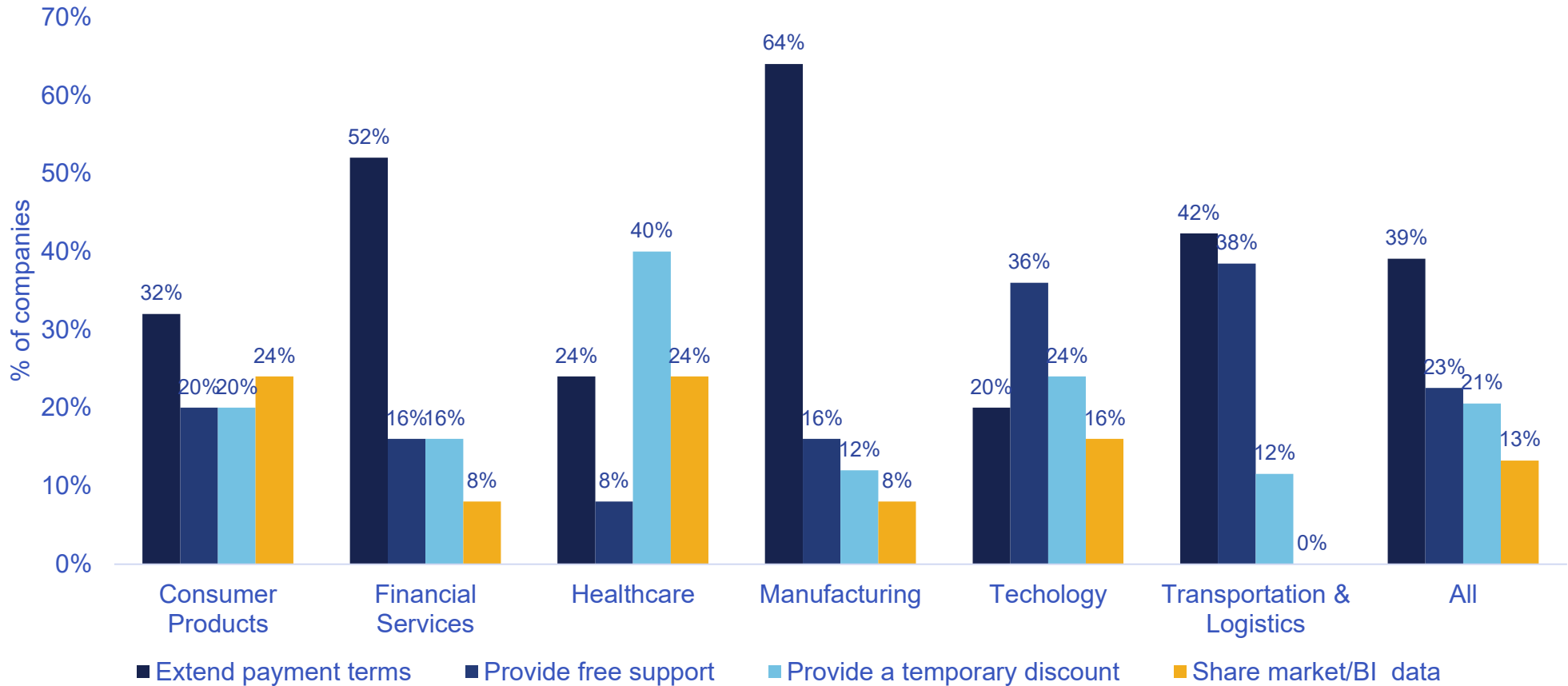


Source: MSG surveys of 151 senior executives, June 10-12

Q13

Companies Generally Want Vendors to Help by Extending Payment Terms

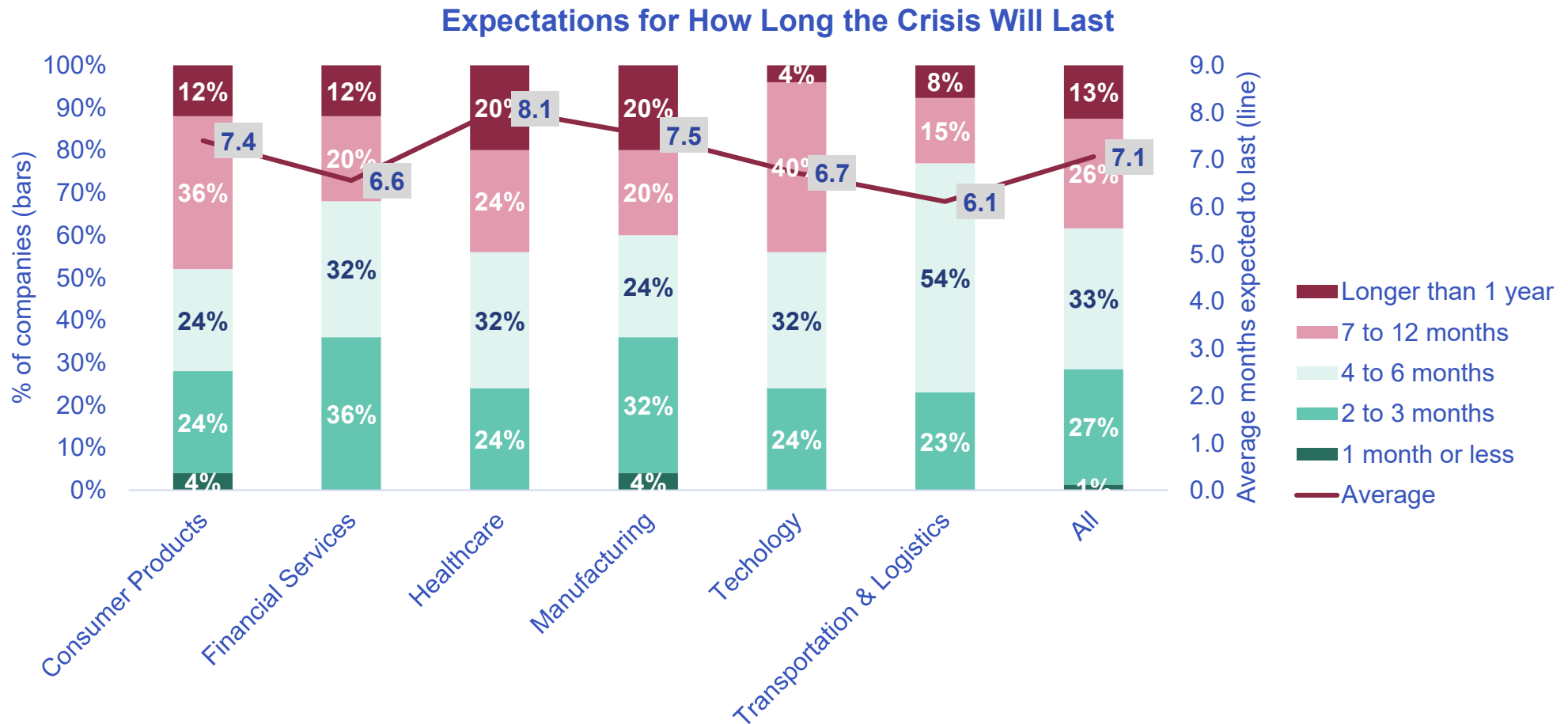
How Vendors Can Help?



Source: MSG surveys of 151 senior executives, June 10-12

Q16

Respondents Again Expect the Downturn to Last About *Another Seven Months*

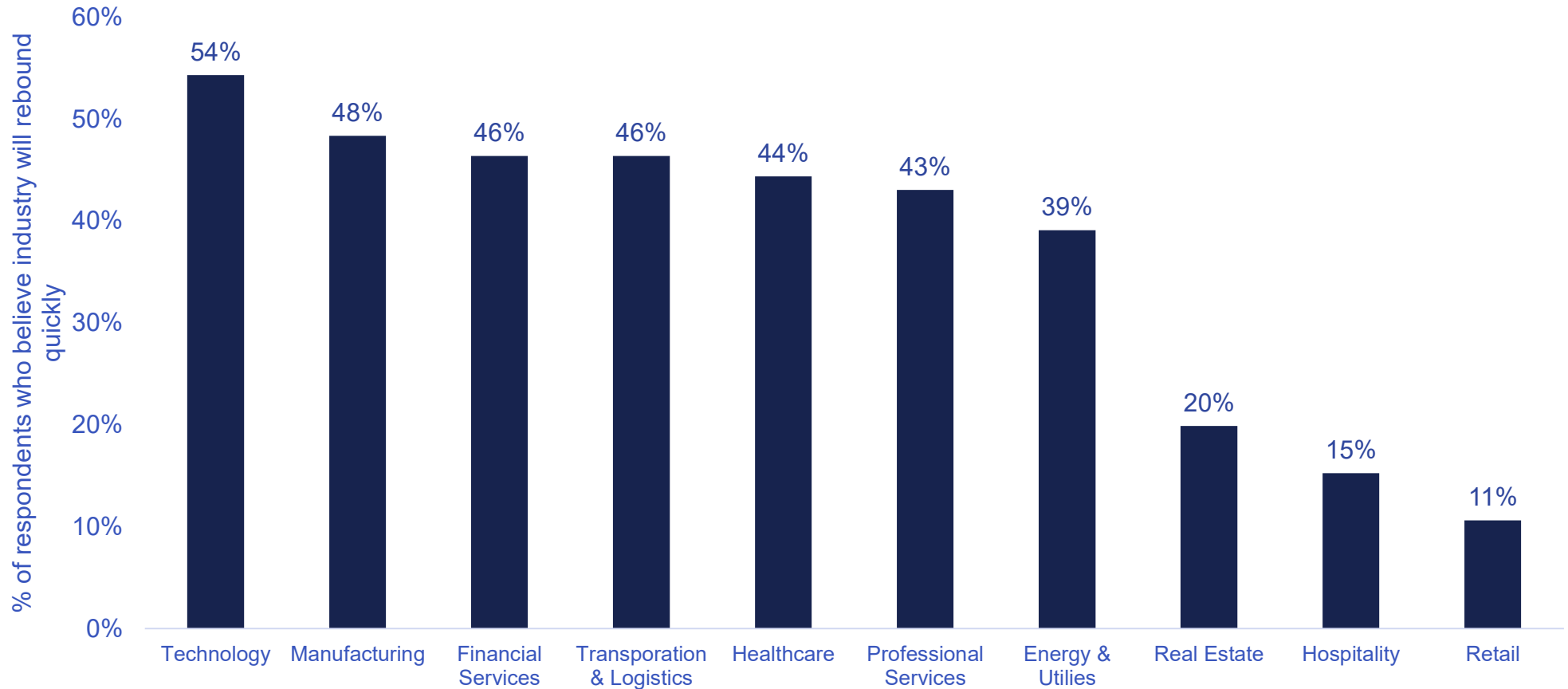


Note that respondents have expected the crisis to last another seven months in each survey, so this data should be interpreted cautiously

Source: MSG surveys of 151 senior executives, June 10-12

Companies Are Looking to Tech to Rebound Most Quickly (With Retail, Hospitality, Real Estate Lagging)

Industries Rebounding Most Quickly

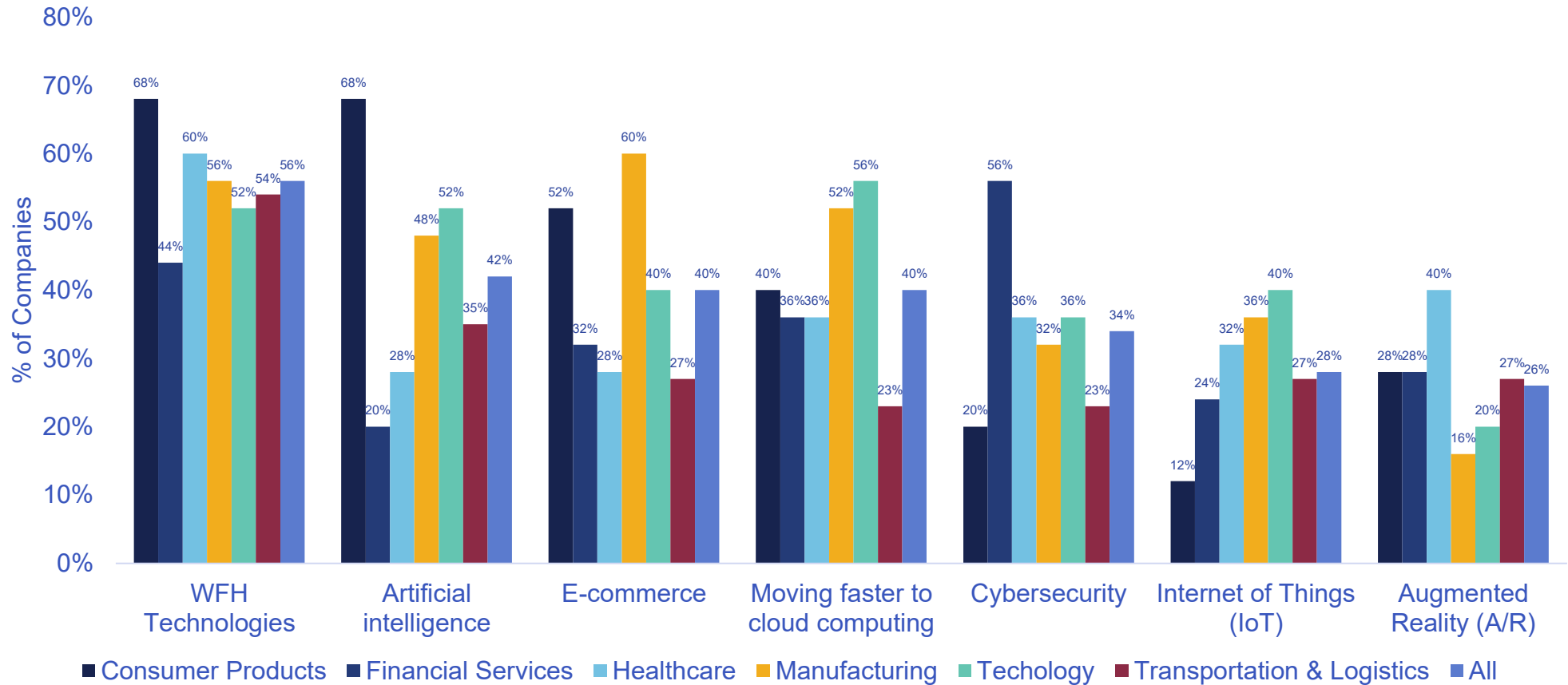


Source: MSG surveys of 151 senior executives, June 10-12

Q10

WFH, AI, and E-Commerce Are Top COVID-related Investments (1/2)

Technologies Companies Are Investing More in as a Result of COVID (1/2)

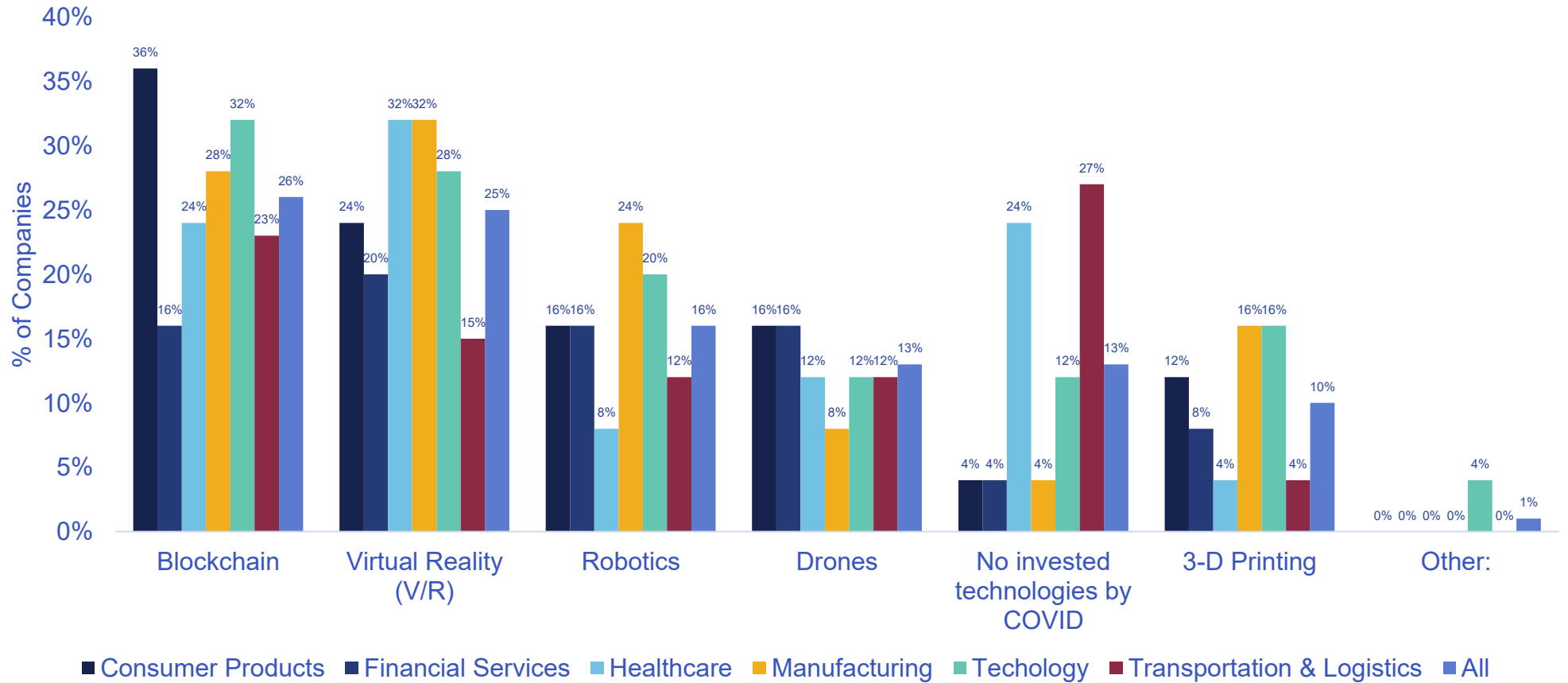


Source: MSG surveys of 151 senior executives, June 10-12

Q14

Other Investments Are Lower in Priority (2/2)

Technologies Companies Are Investing More in as a Result of COVID (2/2)

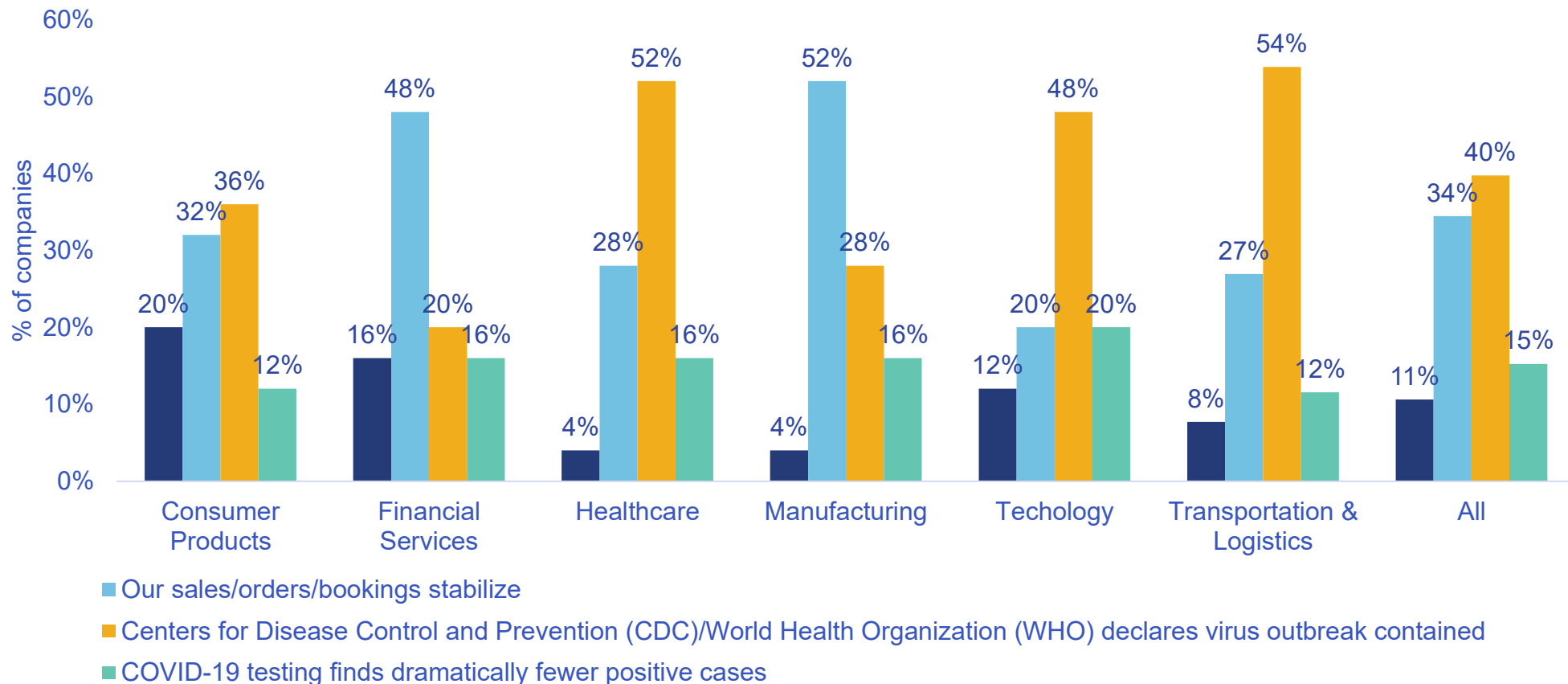


Source: MSG surveys of 151 senior executives, June 10-12

Q14

HC, Tech, Trans & Logistics Looking to CDC As Indicator Crisis is Over; Fin svcs, MFG Looking at Own Sales

#1 Indicator that Crisis is Over



Source: MSG surveys of 151 senior executives, June 10-12

Q18

They Think Work Will Become More Virtual, Travel Less Common and Payment Cycles Slower after COVID-19

Changes After COVID-19

Quotes

More working from home / remotely

- “More work from home and decrease in office space”
- “Offices will decline”
- “Working in an office could become a status symbol”
- “Home office stipends could become a common perk”

Shift to online transactions

- “Increased online orders”
- “More e-commerce and less traffic in stores”

Reduction in business travel

- “Less travel for our executive team”
- “It could be the end of business travel as we know it”
- “Less travel, more video conferences”

Slower payment cycles

- “Longer payment terms”
- “You will see extended payables”
- “All payment cycles affected”

Corporate safety / health procedures more common

- “Expand sanitation procedures throughout the company”
- “On-site health checks”

Survey Functional Demographics

151 Senior Executives



Consumer Products
n=25



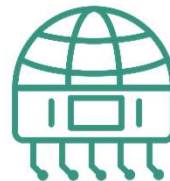
Financial Services
n=25



Healthcare
n=25



Manufacturing
n=25



Technology
n=25



Energy, Logistics, Trans., Mining, Util.
n=26