

The background of the slide is a photograph of two men in industrial settings. One man, wearing a white hard hat and a blue jacket, is pointing at a computer monitor. The other man, also in a hard hat, is looking at the same monitor. The scene is dimly lit, with the primary light source being the screens and some overhead lights. The overall color palette is dominated by blues and greys.

INDUSTRIAL CONFERENCE TAKEAWAYS – EXECUTIVE SUMMARY

November 2024

SENTIMENT COMING INTO OUR INDUSTRIAL CONFERENCE

Timing of broad industrial recovery and impact of US election were key discussion topics

2024 Industrials to Date

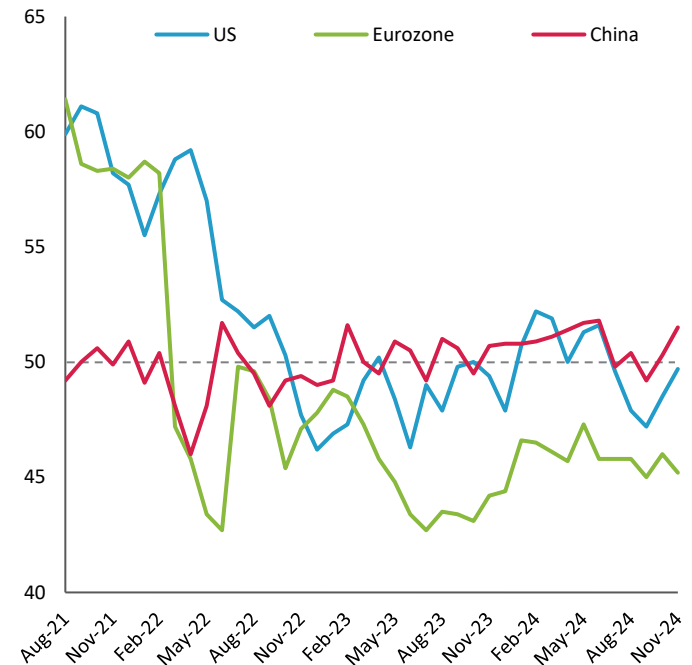
- Destocking continued longer than expected
- Higher Fed interest rate environment than expected
- Pricing and supply chain environment has normalized
- Certain customer projects being pushed out (not cancelled)
- Manufacturing PMI in US and Eurozone below 50 for most of last two years

Industrials Outlook

- Trifecta – Trump in White House, Republican control of the House and Senate
- CEO confidence from a “pro-business” (e.g. lighter regulation) administration
- Questions on additional tariffs, particularly in relation to China and Mexico
- Stock / equity market uplift signals Trump’s win as positive
- Stronger US M&A market in 2025 – incrementally positive

MANUFACTURING PMI

(>50 expansion, <50 contraction)



KEY TAKEAWAYS FROM OUR INDUSTRIAL CONFERENCE

Market outlook and company performance

1 Mixed end market demand – broad growth starting H2 2025

Q3 2024 was an inflection quarter for some companies, while most CEOs expect the broader industrial recovery to start in mid-2025

2 Destocking driven downcycle nearly complete

CEOs expect the next industrial cycle will be a more normal, demand driven cycle

3 Industrial demand varies by region

US relatively stronger than other developed regions while Europe and China continue to show weaker overall demand in 2024

4 Record profitability despite industrial downcycle

Focus on margin performance – back-to-basics execution, supported by a stable, normalized pricing environment for most end markets

5 Newer secular growth themes drive outperformance

Global buildout of datacenters (and the additional energy required) is a source of double-digit annual growth for industrial suppliers

Strategy and M&A

6 Simplification is driving divestitures and spin-offs

Constant portfolio evaluation to reduce cyclicality and ensure transparent linkage to secular growth themes that investors understand

7 Proactive M&A to increase growth and quality

M&A increasingly important – transformative and bolt-on M&A, including next-gen technologies and IoT / software to increase recurring revenue

US election

8 “Pro-business” administration likely positive for M&A

Anticipated lighter regulatory environment, rising CEO confidence and continuation of low corporate tax rate incrementally positive for M&A

9 Uncertainty remains around broader impact of new tariffs

Companies diversified supply chains after Trump’s tariffs on China in 2018 – potential new tariffs on Mexico and Canada would need to be assessed

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