



What Companies Are Saying: Wary Of Recession But Not Seeing Signs Yet

- *This report presents a collection of management commentary from over 130 earnings calls in the Q2 reporting season. We present the key themes that emerged below.*
- *A key focus this quarter was whether corporates showed signs of risk aversion, in particular large cost cutting measures or changes to capital spending plans. In our reading, companies are wary of recession risks but most are not seeing any signs of one yet and are not taking any big steps in response. Companies continue to count on a healthy consumer and strong order backlogs to drive growth. China lockdowns were mentioned frequently but the impact is expected to reverse in due course, while Europe has so far held in amidst a litany of macro concerns. Pricing is now the main driver of revenue growth and is offsetting rising costs, but companies are concerned about how much further they can continue to pull that lever. Several companies have slowed hiring even as a majority complain about tight labor markets. Supply chains are easing but are still a long ways from normal.*

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Companies are wary of recession risks but most are not seeing any signs of one yet and are not taking any big steps in response

Almost every company mentioned risks of a recession, either upfront or in response to analyst questions. However, most said they are not seeing signs of one yet. As Johnson Controls said, they are “continuing to look at the potential headwinds and signs of a recessionary environment” but their “order velocity doesn't indicate this.” L’Oreal said they were “both prepared and bullish.” Robert Half said there is “so much noise” on this issue but they will not “make it self-fulfilling and cut in advance.” Citigroup’s CEO said “sentiment has shifted,” but “little of the data I see tells me the US is on the cusp of a recession” and if one were to occur “it's highly unlikely to be a sharper downturn as others in recent memory.” McDonalds’s said the current macro backdrop is “contributing to weak consumer sentiment around the world and the possibility of a global recession” and that they are “planning for a wider range of scenarios.”

Companies continue to count on a healthy US consumer and strong order backlogs

A healthy and resilient US consumer is a common theme across companies, albeit more so at the higher end of the income spectrum. O'Reilly Automotive is “bullish

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on the overall health” of their customer base and indicate that “consumers are in a much stronger position than in recent periods of economic uncertainty” and Fedex said they “anticipate consumers will keep spending and their spending will continue tilting towards services from goods.” Darden restaurants said its “data indicates that higher-end consumer hasn’t seen the same impact as consumers at the lower end of the spectrum,” echoing Chipotle which said the “low income consumer definitely has pulled back their purchase frequency,” but they have “not seen that happen with higher income consumer.” Companies also tout strong order backlogs as helping them drive growth. As Dover said, their “backlog is sufficient to feed revenue growth for a significant period” and Mercedes-Benz is seeing “strong demand across Europe, US and China with very high order backlog.” Apart from a few prominent exceptions, slowing growth has largely been attributed to supply issues and not deteriorating demand. Nike said “consumer demand has significantly exceeded available inventory supply” and CSX indicated “strong demand across many of our markets, limited by resource constraints across the supply chain.”

China lockdowns mentioned frequently but the impact is expected to reverse in due course

Several companies were hurt by the weakness in China because of recurring Covid-related lockdowns. Ford said their operations were “significantly disrupted by pandemic-related restrictions and lockdowns” while McDonald’s noted “China remains challenged... due to ongoing COVID resurgences and related lockdowns across key cities.” But most companies expect a recovery once the economy fully reopens, as Raytheon had seen “a quick snapback in demand as soon as China reopened” but as Yum Brands put it, the recovery could be “non linear and uneven.”

Europe holding in so far amidst a litany of macro concerns

Despite the myriad of concerns in Europe about slowing macro growth, high inflation and elevated geopolitical tensions and risks, several companies cited continuing strength in Europe. McDonald’s said it is “very happy with how the European business is performing,” and Kraft Heinz “delivered solid top line results” in Europe “even though this region has been more affected by higher inflation and constrained resource availability.” Brown-Forman said “Europe has remained extremely resilient.” Some companies however did see a slowing in Europe. Sherwin Williams said “demand deteriorated faster than anticipated in Europe” and eBay noted “European markets have been more meaningfully impacted given their proximity to Ukraine.”

Pricing is now the main driver of revenue growth and is offsetting rising costs, but companies worry how much further they can continue to pull that lever

Kraft Heinz said it is raising its revenue expectations “primarily based on higher pricing” while PPG said their “sales performance was an all-time record, driven by continued realization of real-time price increases.” Companies have by and large been able to fully offset rising costs through pricing. Ecolab said they have “pricing momentum that’s now ahead of delivered product cost inflation,” while Illinois Tool Works has “more than covered cost increases on a dollar-for-dollar basis” and Union Pacific said “the demand environment continues to support actions that yield price dollars exceeding inflation dollars.” With most companies already having implemented multiple rounds of pricing to offset cost increases, they are worried how much further they can go before negative elasticity kicks in. Colgate indicated they “will continue to be pushing pricing” and expect they “will see some pressure on volume in the year to go,” while McCormick said they were “seeing more price

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elasticity" as "consumers are now under significant pressure from broad-based inflation." Chipotle is hopeful they "won't have to continue to pull the pricing lever."

Several companies have slowed hiring even as a majority complain about tight labor markets

Several companies have indicated slowing hiring, with a few speaking about outright reductions in the size of their payrolls in anticipation of a macro growth slowdown in coming quarters. General Motors is "limiting hiring to critical needs" and Etsy said they "have slowed hiring as business conditions have slowed." Peloton reported a "meaningful reduction" to their workforce. On the other hand, a considerable number of companies continue to be pinched on hiring as labor markets remain tight. Packaging Corp sees labor shortages "impacting every business" and they "don't see that subsiding anytime soon either," while Raytheon thinks "the only thing that's going to solve labor availability... is a slowdown in the economy" because "there just simply aren't enough people in the workforce." CSX said they "think everybody is struggling" but Johnson Controls saw "labor pressures... beginning to subside."

Supply chains are easing but are still a long ways from normal

Most companies agree that we are past the peak in supply chain snarls, but the situation remains quite volatile and far from normalizing. Apple expects "supply constraints to be lower than what we experienced during the June quarter" and Genuine Parts sees the "global supply chain as stable to slightly improved over the last 100 days." Underlining the continuing uncertainty, PulteGroup said they "are seeing areas of improvement" but "would use the word fragile to describe overall conditions." Boeing said they "continue to experience real constraints" and Johnson Controls thinks there is "still a long way to go until supply chain disruptions normalize."

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Wary of recession risk but not seeing signs yet

JCI, Johnson Controls International, Industrials, US

George R. Oliver, Chairman & CEO: ... as it relates to 2023, I'd say we are continuing to look at the **potential headwinds and signs of a recessionary environment**. What is really positive is our order velocity doesn't indicate this, and our order book margin profile continues to strengthen and materialize as we plan for 2023.

PKG, Packaging Corp of America, Materials, US

Thomas A. Hassfurther, EVP, Corrugated Products: ... are we in a recession, are we not in a recession, all these other things that are being talked about from an economic point of view. It **leads us to take a fairly conservative approach to forecasting** at this point in time.

C, Citigroup, Inc., Financials, US

Jane Nind Fraser, Director & CEO: While sentiment has shifted, little of the data I see tells me the US is on the cusp of a recession... while a recession could indeed take place over the next two years in the US, it's **highly unlikely to be a sharper downturn as others in recent memory**.

META, Meta Platforms, Inc., Communication Services, US

Mark Elliot Zuckerberg, Founder, Chairman & CEO: We seem to have **entered an economic downturn that will have a broad impact on the digital advertising business**. And it's always hard to predict how deep or how long these cycles will be, but I'd say that the situation seems worse than it did a quarter ago.

MCD, McDonald's Corp, Consumer Discretionary, US

Christopher J. Kempczinski, President, CEO & Director: Over the last six months, the **macro uncertainty has only increased**. We now face war in Europe, inflation is running at its highest levels in 40 years, interest rates are rising to levels we haven't seen in years. All of this is contributing to **weak consumer sentiment around the world and the possibility of a global recession**. We're mindful of these risks, and we're planning for a wider range of scenarios.

GIS, General Mills Inc, Consumer Staples, US

Jeffrey L. Harmening, Chairman & CEO: ... we saw this in the last recession, the Great Recession, we saw that **consumption of away-from-home eating was down and replaced by at-home eating**. We're **seeing the same kind of behavior** start now.

PLD, Prologis Inc, Real Estate, US

Hamid R. Moghadam, Co-Founder, CEO and Chairman: First of all, I'm **not sure we're going to have a recession**. Secondly, I have no idea if we have a recession, how deep or extended it will be. I'm not sure even what the definition of the recession is anymore, because when you got -- now this committee deciding whether we are in a recession or not and they usually declared a couple of quarters after it's happened. So the answer is, I have no clue. That's the honest answer.

SPGI, S&P Global, Inc., Financials, US

Douglas L. Peterson, President, CEO & Director: We have seen **a significant slowdown in growth** in the United States, the Eurozone and globally, and China being one of those markets which has also seen substantial slowdown given their current policies. This has also been matched with higher inflation... We've seen a

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deterioration in several economic indicators over the course of the second quarter.

MDLZ, Mondelez International Inc, Consumer Staples, US

Dirk van de Put, Chairman & CEO: If you then look at consumer confidence, I think we do see **a softening** and consumers clearly talk about the inflation, the interest rates, the threat of recession. We don't see that in emerging markets, but the question of course, was about developed. There is **no drag on volumes yet...** But overall, I would say from a consumer consumption perspective, it's a mixed bag, but overall it remains relatively mitigated, the effects.

ULVR, Unilever Plc, Consumer Staples, UK

Alan Jope, CEO & Executive Director: The **threat of recession is starting to impact consumer confidence and change spending patterns and behaviors.** And the pandemic is still with us with spikes in infection rates in several countries and the rolling lockdowns that we all know about in China.

KO, The Coca-Cola Co., Consumer Staples, US

James Quincey, Chairman & CEO: We expect the **consumer environment to be more challenging** and we are preparing accordingly, stepping up our investments, sharpening our resource allocation capabilities and tapping into data to better reach our consumers.

WHR, Whirlpool Corp, Consumer Discretionary, US

James W. Peters, EVP & CFO: We are **reducing our global growth expectations** to negative 6% to negative 4%, reflecting updated industry expectations for North America in 2022. In North America, our near-term growth expectations are negative 7% to negative 5%, with a second half industry performance in line with the second quarter.

YUM, Yum! Brands, Inc., Consumer Discretionary, US

David W. Gibbs, CEO & Director: But in terms of the **global consumer, we do think they're getting more cautious.** We are leaning more in on value offerings all around the world and that also is playing out in the United States... If you look at the US, I think what's happened over the last quarter, is this – the **low-income consumer pulling back** has become more pronounced. We've seen that in our business and we're reacting accordingly.

STZ, Constellation Brands Inc, Consumer Staples, US

William A. Newlands, CEO, President & Director: ... while consumers are reporting **increasing concerns about the economy,** these concerns have **not yet translated into significant behavior change** for beverage alcohol shoppers, particularly for our major brands.

NUE, Nucor Corp, Materials, US

Stephen D. Laxton, CFO, Treasurer and EVP: Turning to the outlook for the third quarter of 2022, while we recognize there is **considerable economic uncertainty** right now, **demand appears stable and resilient** across our key end-use markets.

PHM, PulteGroup Inc, Consumer Discretionary, US

Ryan R. Marshall, President, CEO & Director: April was still relatively strong, May slowed and then June slowed again, specifically after the 75-basis point increase that we saw from the Fed last month. We saw a big change in June, and then that's really kind of continued through July. We have seen **an uptick in cancellations**

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we've moved kind of through the period as well; I think, again, all kind of related and tied to the kind of buyer's remorse and **the fear of maybe potentially buying at the top** of the market as we potentially go into a recessionary-type environment.

[TAP, Molson Coors Beverage Co., Consumer Staples, US](#)

Gavin D. K. Hattersley, President, CEO & Director: I'm also realistic about the challenging global macroeconomic environment in which we're operating. It's **created uncertainty for our consumers, our business, our competitors**, and really all businesses in the consumer goods space.

[CZR, Caesars Entertainment, Inc., Consumer Discretionary, US](#)

Thomas R. Reeg, CEO & Director: We've done what we've done in two consecutive quarters of falling GDP. The average recession since the depression, I think, is 10 months. So we're hoping that we're **toward the end of this current environment**.

[FDX, Fedex Corp, Industrials, US](#)

Brie A. Carere, Chief Customer Officer & EVP: Our fiscal 2023 forecast assumes a **normalized economic environment**... Our volume forecast has low-single-digit volume growth. We've also prepared **plans to manage through a slowing economic environment if required**. We **will take cost and revenue actions to mitigate impact of further economic softening**.

[HLT, Hilton Worldwide Holdings, Inc., Consumer Discretionary, US](#)

Christopher J. Nassetta, President, CEO & Director: There's certainly a lot of uncertainty in the world. And I think we have to sort of be mindful of that, as everybody has. I mean, we have been as much as we see what's going on and we're **watching the broader environment and lots of talk of slowdown** and seeing it in certain industries, certainly, I think predominantly industries that had reached high watermarks that were – had favorable impacts from COVID. But nonetheless, **starting to see slowdown**.

[RHI, Robert Half International Inc, Industrials, US](#)

M. Keith Waddell, VC, President and CEO: I think, we've got a long track record across many downturns of right-sizing our staff relative to expected revenue trends and we would do same. But we're not going to do, is make it **self-fulfilling and cut in advance of that**, there is so much noise about there about whether there's going to be a recession, how deep there's going to be a recession.

[QCOM, QUALCOMM, Inc., Information Technology, US](#)

Akash Palkhiwala, CFO: We expect the **elevated uncertainty in the global economy** and the impact of COVID measures in China will cause customers to act with caution in managing their purchases in the second half of calendar 2022.

[INTC, Intel Corp., Information Technology, US](#)

David A. Zinsner, CFO & EVP: Moving to our full year and Q3 guidance, for the remainder of the year, we expect **macroeconomic conditions to continue to soften with the potential for a recessionary scenario to materialize**. There's also risk for continued COVID-related impacts on demand and the supply chain to continue throughout the year.

Patrick P. Gelsinger, CEO & Director: **Demand will not be immune from economic headwinds**. In addition to matched set issues which have constrained shipments for multiple quarters, increasing economic concerns are leading to a reduction in second half demand.

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SBUX, Starbucks Corp., Consumer Discretionary, US

Howard D. Schultz - Interim CEO & Director: While we are sensitive to the impact inflation and economic uncertainty are having on consumers, it's critically important that you all understand we are **not currently seeing any measurable reduction in customer spending** or any evidence of customers trading down...

MMM, 3M Co., Industrials, US

Monish Patolawala, EVP & Chief Financial and Transformation Officer: The macro environment **remains uncertain** with mixed trends and signals across geographies and end markets.

GS, The Goldman Sachs Group, Inc., Financials, US

Denis P. Coleman, CFO: I think our tone is cautious because the environment is uncertain. The **environment is very uncertain**. We don't have a crystal ball to tell you exactly how monetary policy will navigate the inflationary environment that exists, but there's no question that economic conditions are tightening to try to control inflation, and as economic conditions tighten, it will have a bigger impact on corporate confidence and also consumer activity in the economy. I think it's hard to gauge exactly how that will play out, and so I think it's **prudent for us to be cautious**.

6758, Sony Group Corp., Consumer Discretionary, Japan

Hiroki Totoki - Representative Corporate Executive Officer, Executive Deputy President, CFO & Director: Business environment had changed significantly since then, and there are **concerns about more slowdown of global economy**, primarily due to rapid inflation as well as responding monetary policy by different countries... In China, the demand is slowing down. And I don't think in this term we will be able to see a recovery. So the **mid- to low-end products demand, a slowdown is actually significant**. So for the high-end products from a global perspective, the demand for our image sensors as of now has not gone down, and for now, the demand is quite robust.

GOOGL, Alphabet Inc, Communication Services, US

Ruth M. Porat, Senior VP & CFO: Just a bit of context, Sundar and I, I think Philipp as well, use the term uncertainty because we do think that's the best way to characterize what we're seeing. The data are complicated. Our results have reflected lapping, continue to reflect lapping of the significant growth rates last year. On top of that, there is uncertainty in the global economic environment.

GM, General Motors Co, Industrials, US

Mary T. Barra, Chairman & CEO: While demand remains strong, there are **growing concerns about the economy** to be sure. That's why we're already taking **proactive steps to manage costs and cash flows, including reducing some discretionary spending and limiting hiring to critical needs** and positions that support growth. In addition, we have modeled several downturn scenarios, and we are prepared to take more deliberate action when and if necessary.

WFC, Wells Fargo & Co, Financials, US

Charles William Scharf, President, Director & CEO: **Despite the economic environment, I remain optimistic about our future**. Credit quality remains strong, and we expect net interest income growth to continue, given rising interest rates, which should more than offset any further near-term pressure on non-interest income.

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MS, Morgan Stanley, Financials, US

James Patrick Gorman, Chairman & CEO: While we **might head into some form of recession** and I, like many others, have tried to handicap it, but we're frankly guessing at this stage, but I think it's **unlikely to be a deep and dramatic recession at least in the US.**

The environment, if I had to use one word to describe it, **it would be complicated...** I think it's important to say, though, it is **not 2008 complicated.**

ADBE, Adobe Inc, Information Technology, US

Shantanu Narayan, Chairman & CEO: For me, I think when you talk about a recession... when you look at the three things that Adobe does, which is focus on content, focus on automation, focus on customer engagement, I just don't look at any of those and feel like the secular trend for that will change. So there may be some change in the rhythm of that quarter over quarter, but the fundamental shift of what we are doing. So we'll navigate it... We're **planning for the upside right now...**

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Companies continue to count on a healthy US consumer and strong order backlogs

JPM, JPMorgan Chase & Co, Financials, US

Jamie Dimon, Chairman & CEO: Consumers are in good shape. They're spending money, they have more income, jobs are plentiful, they're spending 10% more than last year, almost 30% plus more than pre-COVID. **Businesses, you talk to them, they're in good shape**, they are doing fine. We've never seen business credit be better ever, like in our lifetimes, and that's the current environment.

DOV, Dover Corp, Industrials, US

Richard Joseph Tobin, President, CEO & Director: Our backlog is sufficient to feed revenue growth for a significant period, and it's worth noting that our backlogs midway through the year are still higher than they were at the beginning of the year.

CAT, Caterpillar, Inc., Industrials, US

Andrew R.J. Bonfield - CFO: Overall, we are not seeing signs of slowing demand, as order levels and backlog remain healthy.

BF.B, Brown-Forman Corp, Consumer Staples, US

Lawson E. Whiting, President, CEO & Director: We experienced sustained demand due to the reopening of the on-premise channel and the gradual return of tourism and travel.

Europe has remained extremely resilient and strong for us over the last few years. Germany, in particular, the United Kingdom, the really big markets in Europe are very, very strong.

CMG, Chipotle Mexican Grill Inc, Consumer Discretionary, US

Brian R. Niccol, Chairman & CEO: The low-income consumer definitely has pulled back their purchase frequency... So probably the first indicator was in our, call it, our rewards data where we saw some of these low-income consumers starting to slow down on purchase frequency.

... what we're seeing right now is the strength of our higher income consumer. That's a common factor. So even though the lower income consumer is slowing down, we've not seen that happen with our higher income consumer.

NKE, Nike Inc, Consumer Discretionary, US

Matthew Friend, EVP & CFO: Inventory supply is normalizing against a healthy pull market across North America, EMEA, and APLA, and we've seen three consecutive quarters now where consumer demand has significantly exceeded available inventory supply.

BKNG, Booking Holdings, Inc, Consumer Discretionary, US

Glenn D. Fogel, Director & CEO: July gross bookings, 35% on an constant currency basis, that's pretty strong. And yet we know that the recovery is not fully done yet. We know there are countries around the world that are still somewhat inhibiting travel, making it more difficult.

APTV, Aptiv PLC, Consumer Discretionary, US

Kevin P. Clark, President, CEO & Director: Our bookings momentum has never been stronger and will drive the acceleration of our revenue and earnings growth

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as vehicle production stabilizes.

VFC, VF Corp., Consumer Discretionary, US

Matt Puckett - VF Corp., CFO & EVP: The **consumer remains solid at the higher end, but the value end has been more impacted**, and we've seen certain retailers begin to take a more cautious approach to open to buy generally.

V, Visa Inc, Information Technology, US

Alfred F. Kelly, Chairman & CEO: There is **some element of pent-up demand**, but I think that that **demand is going to remain strong for some time**. And I don't see people being deterred even by higher cost of airline tickets that people are experiencing.

AXP, American Express Co., Financials, US

Stephen J. Squeri, Chairman & CEO: We are **wary of the uncertainties in the current economic environment** and the impact it's having on our business. Historically low unemployment rates is a positive factor, and it's helping to drive our strong credit metrics, and we continue to see **no significant signs of stress in our consumer base**.

MA, Mastercard, Inc., Information Technology, US

Sachin J. Mehra, CFO: We have **strong momentum with our customers**. We continue to enhance our product and service offerings and that our business fundamentals remain very strong. **Consumer spending remains robust** and cross-border travel has improved more quickly than expected as border restrictions ease and consumers increase their spending towards travel.

UPS, United Parcel Service, Inc., Industrials, US

Brian Newman, EVP & CFO: In the US, even with high inflation and increasing interest rates, **the job market and consumer spending remained strong**, with a growing share of wallet spent on services.

NUE, Nucor Corp, Materials, US

Stephen D. Laxton, CFO, Treasurer & EVP: Overall, our steel products segment continues to benefit from **strong nonresidential construction demand**. This segment's earnings power and strong free cash flow characteristics continue to make key contributions to our overall performance.

EXPE, Expedia Group, Inc., Consumer Discretionary, US

Eric Hart, CFO: Currently, we are seeing a **robust summer with Q3 lodging bookings pacing ahead of 2019**. The same is true for pacing for the remainder of the year, but it's still early with a majority of bookings for the back half of the year yet to be made.

RHI, Robert Half International Inc, Industrials, US

M. Keith Waddell, VC, President & CEO: The **demand environment remains strong** on a broad basis, spanning industries, company size, skill level and geographies. We continue to see our talent solution results **recovering at a faster pace than we've experienced in the past...**

PHM, PulteGroup Inc, Consumer Discretionary, US

Ryan R. Marshall, President, CEO & Director: While **all consumers are impacted by higher rates**, we are seeing differences across our markets. Lower-priced markets in places like Florida, Texas, and the Southeast – areas of ongoing high in-

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migration – are holding up better. Higher-priced markets or those which have realized outsized price appreciation in recent years have incurred a more meaningful slowdown in demand. In tech hubs like Austin or in our Western markets in California and Washington where prices routinely approach or exceed \$1 million, sales paces have slowed as buyers struggle with the combination of elevated prices and increased mortgage rates.

DRI, Darden Restaurants Inc, Consumer Discretionary, US

Ricardo Cardenas, President, CEO & Director: Our data indicates that **higher-end consumer hasn't seen the same impact as consumers at the lower-end** of the spectrum... So, the impact that inflation is having on that lower-end consumers is showing a little bit, but we incorporated that in our guidance.

LW, Lamb Weston Holdings, Inc., Consumer Staples, US

Bernadette M. Madarieta, Senior VP & CFO: While consumer demand in our food service and retail channels also grew, our **sales volumes to those customers fell as we were unable to fully serve this demand** as a result of lower production run rates and throughput at our production facilities.

LEN, Lennar Corp, Consumer Discretionary, US

Richard Beckwitt, Co-CEO, Co-President & Director: So far in June, **new orders, traffic, sales incentives, and cancellations have worsened in many of our markets** due to a rapid spike in mortgage rates and headwinds from negative economic headlines. Many markets have also slowed as we've entered a seasonably slower part of the year.

INTC, Intel Corp., Information Technology, US

Patrick P. Gelsinger, CEO & Director: As a result of macro weaknesses, we now expect the **PC TAM to decline roughly 10%** in calendar year 2022 characterized by **broadening consumer weakness** and relative strength in enterprise and higher-end SKUs.

JNPR, Juniper Networks Inc, Information Technology, US

Ken Miller, CFO: Product **orders remained strong** during the second quarter and **exceeded our expectations**. As a reminder, we are experiencing some order strength attributable to industry supply chain challenges, resulting in customers placing orders ahead of their normal order rate to account for the extended lead time.

MAR, Marriott International, Inc., Consumer Discretionary, US

Anthony G. Capuano, CEO & Director: With nearly all major countries around the world having opened their borders, **rising cross-border travel was another key driver of the solid recovery** during the quarter.

However, **cross-border travel is still not fully back** to pre-pandemic levels. So **there is still additional upside**, especially from Greater China, where stringent travel restrictions remain in place. While we are closely monitoring consumer and macroeconomic trends, we have yet to see signs of a slowdown in global lodging demand.

HLT, Hilton Worldwide Holdings, Inc., Consumer Discretionary, US

Kevin J. Jacobs, CFO & President, Global Development: Growth was driven by **continued strength in leisure demand** through the start of the summer travel season as well as stronger-than-expected recovery in business transient and group

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travel. Performance was driven by both occupancy and rate growth.

OTIS, Otis Worldwide Corp, Industrials, US

Rahul Ghai, CFO: Orders in the Americas were up over 50% with **growth in all verticals on top of nearly 50% growth** in Q2 of 2021. Awards, which precede orders in North America, stayed strong and were up 5 points on a sequential basis.

PKG, Packaging Corp of America, Materials, US

Mark W. Kowlzan, Chairman and CEO: Even with **record production from our mills**, we still ended the quarter with weeks of containerboard inventory supply below our historical levels due to demand needs from both internal and external customers. We will be **attempting to build some much needed inventory** during the third quarter...

PCAR, PACCAR Inc, Industrials, US

R. Preston Feight, CEO & Director: I think, the most fundamental thing is the economy is very large, and at a very large level. And is probably going to continue to be. So I think that anything that -- 75% of what gets delivered in this country is done through trucks. And ours is the most desirable trucks. So I kind of expect that **as car market is strong, as housing is strong, as consumer goods**, even if it moderated at high levels then there's a lot of freight that's going to need to be hauled

EBAY, eBay, Inc., Consumer Discretionary, US

Stephen J. Priest, CFO & Senior VP: Gross **merchandise volume declined 14%**, as we lapped elevated mobility restrictions in 2021. We also contended with a more **challenging macro environment** this year due to the conflict in Ukraine, ongoing supply chain challenges and rising inflation across our major markets.

ORLY, O'Reilly Automotive, Inc., Consumer Discretionary, US

Gregory D. Johnson, President & CEO: We are also **bullish on the overall health of our customer base**. Unemployment has remained at very low levels and increasing wage rates have been a positive partial offset to inflation. **Consumers are in a much stronger position than in recent periods of economic uncertainty.**

SPG, Simon Property Group, Real Estate, US

Mark A. L. Mason, CFO: Retail sales continued. Mall sales volumes for the second quarter were up 7%. Our reported retailer sales per square foot reached another record in the second quarter at \$746 per square feet for the malls and the outlets combined, which was an increase of 26%; \$674 for the mills, a 29% increase

XOM, Exxon Mobil Corp, Energy, US

Darren W. Woods, Chairman and CEO: Prior to the pandemic, industry investments were below historical levels. The economy wide shutdowns during the pandemic exacerbated the problem. We are now **experiencing tight markets across most of our businesses that supply lags demand recovery**. We clearly see the tightness in supply and refining. Where the closure rate during the pandemic was 3 times the rate of the 2008 financial crisis. Given the long investment cycle times, **growing supply will not happen overnight.**

PLD, Prologis Inc, Real Estate, US

Timothy D. Arndt, CFO: **Lease negotiation periods have lengthened** by a few days to an average of 60, while up from the more rapid pace of 50 days across 2021, it has essentially **return to the normalized levels** we saw pre-COVID...We believe

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we're seeing the normalization in the volume and pace of demand, which we expected as the world re-open from COVID and consumers seek more in person experiences.

MO, Altria Group, Consumer Staples, US

Billy Gifford, CEO: In the second quarter, rising gas prices and inflation continued to pressure tobacco consumers' disposable income, resulting in volume declines across the tobacco space... shifting their tobacco purchases from multipack, towards single-pack purchases, particularly among discount smokers.

CLX, The Clorox Co., Consumer Staples, US

Linda Rendle, CEO & Director: We expect the **environment to remain difficult** in fiscal 2023 as we lap COVID impacts on our business, **demand continues to normalize**, particularly on our cleaning and disinfecting portfolio and factors like input cost inflation and supply chain disruptions persist.

VOW3, Volkswagen AG, Consumer Discretionary, Germany

Arno Antlitz, Member-Management Board & CFO: The demand, especially for well-equipped cars, **continued and led to a strong product mix**. However, sales in the second quarter were heavily impacted by the semi and wiring harness shortage, as well as COVID-related measures in China.

OR, L'Oréal SA, Consumer Staples, France

Nicolas Hieronimus, CEO & Director: Now, looking at the second half, we are **both prepared and bullish**; prepared because we are conscious of the high level of **uncertainty and volatility of the economic current outlook of the fears of recession**, of the potential impact of inflation on consumption, and of the continuation of tensions on supply chain.

RTX, Raytheon Technologies Corp, Industrials, US

Gregory J. Hayes, Chairman & CEO: ... with travel restrictions easing around the world, we expect **growing demand for international travel** in the second half of the year with international revenue passenger miles growing from over 60% of 2019 levels at the end of Q2 to about 75% to 80% of 2019 levels by the end of the year.

LMT, Lockheed Martin Corp, Industrials, US

James D. Taiclet, Chairman, President & CEO: The **outlook for domestic and international defense spending has improved**, and we expect to incorporate these changes over the coming months as we gain clarity on the timing of global security spending commitments and industry fulfillment.

BA, The Boeing Co, Industrials, US

Brian J. West, CFO & EVP: Demand for commercial airplanes is strong especially in the freighter market. We've seen cargo traffic increase from 2019 levels, largely driven by e-commerce and the efficiency of air freight. Domestic traffic remains relatively stable at 77% of 2019 levels as of May... We still see overall passenger traffic returning to 2019 levels in the 2023 to 2024 time frame.

SLB, Schlumberger NV, Energy, US

Olivier Le Peuch, CEO & Director: Despite near-term concern of a global economic slowdown, the combination of energy security, favorable breakeven price and the urgency to grow long-term oil and gas production capacity will continue to support strong upstream E&P spending growth.

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ETSY, Etsy, Inc., Consumer Discretionary, US

Rachel C. Glaser, CFO: We attribute the decline in Etsy market place to **people spending more time out of their home**, FX pressures, **macroeconomic factors impacting consumer discretionary spending**, including inflation, as well as the ongoing crisis in Ukraine, which was a supply side factor for us throughout the second quarter.

BAC, Bank of America Corp, Financials, US

Brian T. Moynihan, Chairman & CEO: Despite the worries of a slowing economy and other global issues, **client activity remained good this quarter**. NII has improved quickly, and our **customers' resilience and health remains strong**.

EQIX, Equinix Inc, Real Estate, US

Charles J. Meyers, President, Director & CEO: Yeah, as I said, right now we're seeing **no waning of demand** relative to people's investment in digital transformation.

GOOGL, Alphabet Inc, Communication Services, US

Ruth M. Porat, Senior VP & CFO: The very strong revenue performance last year continues to create tough comps that will weigh on year-on-year growth rates of advertising revenues for the remainder of the year.

GE, General Electric Co, Industrials, US

Carolina Dybeck Happe, Senior VP & CFO: What we saw clearly is that **we get good orders in, but we still have fulfillment issues**, and the inflation continues to pressure. And that's why we now expect the profit dollars to be slightly below our prior guide, so \$3 billion and that on a mid-single-digit top-line growth.

JBHT, J.B. Hunt Transport Services, Inc., Industrials, US

Darren Field, EVP & President, Intermodal: **Demand for our capacity continues to be greater than our ability to serve that demand.**

HAL, Halliburton Co., Energy, US

Jeffrey Allen Miller, Chairman, President & CEO: On the industry side, despite high commodity prices, operators remain disciplined because of investor return requirements, public ESG commitments and regulatory pressure. In response, service companies invested for returns and did not overbuild. In short, this cycle has been nothing like prior cycles. This means **any economic slowdown will not solve the structural oil undersupply problem**.

PM, Philip Morris International Inc, Consumer Staples, US

Emmanuel Andre Marie Babeau, CFO: We expect the **strong underlying momentum** of our business in H1 to continue, and organic growth outlook for the year.

FAST, Fastenal Co, Industrials, US

Holden Lewis, EVP & CFO: In contrast to the first quarter, however, we did experience a **softening intra-quarter trend** in the second. That softening was **not particularly deep**, and if the level of economic activity that we experienced exiting the second quarter were sustained, we feel good about the rest of the year.

CSX, CSX Corp, Industrials, US

Kevin S. Boone, EVP-Sales & Marketing: Volumes were flat, where we saw **strong demand across many of our markets**, limited by resource constraints across the

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supply chain.

[DAL, Delta Air Lines Inc \(DE\), Industrials, US](#)

Edward Herman Bastian, Director & CEO: Turning to the revenue environment, **strong demand and pricing trends are continuing** into the September quarter.

[TSLA, Tesla Inc, Consumer Discretionary, US](#)

Elon Reeve Musk, CEO: Tesla **does not have a demand problem**; we have a production problem. And we've almost always had it. With very rare exception, **it's always been a production problem**. I think that will remain the case.

[ACN, Accenture PLC, Information Technology, US](#)

KC McClure, CFO: As we look ahead at Q4, we do see continued, **very strong revenue growth** at 20% to 24%... And we do think bookings and outsourcing, bookings for both specific – revenue for both consulting and outsourcing, are both going to be in that range. So we have **another strong quarter in consulting and outsourcing revenue growth**.

[KMX, CarMax Inc, Consumer Discretionary, US](#)

William D. Nash, President, CEO & Director: I think overall, **the consumer is absolutely a little softer**... If you think about lapping over stimulus vehicle affordability, the general inflationary pressures, rising interest rates... it's hard to quantify the impact of each one.

[MKC, McCormick & Co Inc, Consumer Staples, US](#)

Lawrence Erik Kurzius, Chairman & CEO: ... as we went through the first half, we saw in the macro data that there was a return to dining away from home and a reduction in cooking at home. But, in recent weeks, that has started to turn back the other way, probably driven by economic pressures on consumers. Cooking at home is more economical. I think, for a variety of reasons, we're **still pretty optimistic on the whole retention of cooking at-home behaviors**.

[MU, Micron Technology Inc, Information Technology, US](#)

Mark Joseph Murphy, CFO & EVP: We have entered a period here where **the market weakened considerably in a very short period of time**, and we've given a fourth quarter guide to reflect the best view we have at the moment, and we'll update through the quarter.

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China lockdowns mentioned frequently but the impact is expected to reverse in due course

RTX, Raytheon Technologies Corp, Industrials, US

Gregory J. Hayes, Chairman & CEO: China will reopen at some point, which we have seen **a quick snapback in demand as soon as China reopened.**

ITW, Illinois Tool Works, Inc., Industrials, US

Michael M. Larsen, Senior VP & CFO: North America grew 14% and international grew 6%, with 6% growth in Europe and 3% growth in Asia-Pacific. **China organic revenue was down 4%** and we estimate that the China lockdowns reduced our organic growth rate by about 1 percentage point at the enterprise level, which we **fully expect to recover in the second half.**

YUM, Yum! Brands, Inc., Consumer Discretionary, US

David W. Gibbs, CEO & Director: Though **China remains difficult to forecast**, pressures gradually improved throughout the quarter. However, as Yum China said last week, given the recurrence of COVID outbreak, the **sales recovery will likely be non-linear and uneven.**

HLT, Hilton Worldwide Holdings, Inc., Consumer Discretionary, US

Kevin J. Jacobs, CFO & President, Global Development: We remain optimistic about continued recovery across the entire APAC region, including China, as COVID-related policies continue to ease and additional countries open their borders for international travel.

C, Citigroup, Inc., Financials, US

Jane Nind Fraser, Director & CEO: In Asia, **a rebound in China also faces some constraints**, given the potential for future lockdowns, the **amount of leverage in the Chinese economy, and stress in their property sector.**

DOV, Dover Corp, Industrials, US

Brad M. Cerepak, CFO & Senior VP: We saw organic growth across the US and Europe. Asia was flat organically in the quarter as **China was down 4% driven principally by COVID lockdowns**, offset by growth in other parts of the region. Our businesses in China have **resumed operations**, and then we're currently seeing recovery in production and regionally sourced components.

LYB, LyondellBasell Industries NV, Materials, US

Peter Vanacker, CEO & Director: During the quarter, China's zero-COVID measures and logistics constraints continued to impact both regional and global markets. We expect **progress in China will continue to be challenging over the next few months**, but anticipate that demand will recover towards the end of 2022.

MCD, McDonald's Corp, Consumer Discretionary, US

Kevin M. Ozan, CFO & EVP: **Recovery in China remains challenged with negative double-digit comp sales** in the second quarter, due to ongoing COVID resurgences and related lockdowns across key cities. This resulted in temporary restaurant closures throughout the country for most of the quarter.

PG, Procter & Gamble Co, Consumer Staples, US

Andre Schulten, CFO: Greater **China organic sales were down 11%** mainly due to COVID-driven lockdowns in major regions of the markets. Since lockdowns have eased, we've seen **sequential market recovery but somewhat slower than**

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expected when we gave guidance last quarter.

F, Ford Motor Co., Consumer Discretionary, US

James D. Farley, President, CEO & Director: In China, we posted **a loss as the local economy and auto industry were significantly disrupted** by pandemic-related restrictions and lockdowns.

ABI, Anheuser-Busch InBev SA/NV, Consumer Staples, BE

Michel D. Doukeris, CEO: In China, the implementation of COVID-19 restrictions led to a total industry decline of mid-single digits in the quarter according to our estimates. These **restrictions disproportionately impacted our key regions and channels leading to a revenue decline of 5.1%**.

ULVR, Unilever Plc, Consumer Staples, UK

Alan Jope, CEO & Executive Director: **China declined by 9.3%** in the quarter with volumes down 10.5%. This of course reflects the impact of the lockdowns on both consumer and last-mile deliveries mostly in April and May.

UPS, United Parcel Service, Inc., Industrials, US

Carol B. Tomé, CEO & Director: Supply chains are flowing better than they were year ago, but we're not out of the woods. And a lot of it has to do with the rolling COVID lockdowns in China. We're shut down in Shenzhen again, and we thought we'd gotten through the worst in the second quarter.

SBUX, Starbucks Corp., Consumer Discretionary, US

Belinda Wong, Chairwoman (Starbucks China): We're seeing a strong, positive correlation between comp improvement and the easing of COVID restrictions giving us confidence that **we'll see both a strong rebound in sales and improved flow-through once mobility restrictions in China are fully lifted**.

LVS, Las Vegas Sands Corp., Consumer Discretionary, US

Robert G. Goldstein, Chairman & CEO: Let's turn to Macau. The **operating environment there remains very difficult**. In periods when the restrictions had been lifted, the **customer demand and spending in Macau had proven resilient** at the premium mass level from both a gaming and a retail perspective.

MMM, 3M Co., Industrials, US

Monish Patolawala, EVP, Chief Transformation Officer & CFO: The Greater China region's COVID-related lockdowns resulted in a **sales decline of approximately \$140 million** year-on-year. The impact was lower than the \$300 million headwind we had anticipated as the reopening of our facilities in June went better than anticipated.

MU, Micron Technology, Inc., Information Technology, US

Sumit Sadana, EVP & Chief Business Officer: But also just keep in mind that the China economy and its weakness was a lot more pronounced than most parts of the world and did proliferate beyond just the consumer segment of the market, right? So, **the weakness in China was a broader economic weakness**. When the shutdowns just shut down all economic activity, right, much of the economic activity gets shut down, and so that has been pretty damaging.

OTIS, Otis Worldwide Corp., Industrials, US

Judith F. Marks, Chair, President & CEO: We are taking our market growth estimates <for China> down really due to the lockdown impact that we felt in April

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and May, and we just **don't expect that the market will recover fully in 2022**. So we've taken the market for 2022 to decline at about 10%, which is the low end of our previous range.

SHW, The Sherwin-Williams Co., Materials, US

James R. Jaye, Senior VP, IR & Corporate Communications: Demand deteriorated faster than anticipated in Europe, and we saw **no real recovery in China following the lifting of COVID lockdowns**.

ALGN, Align Technology, Inc., Health Care, US

Joseph M. Hogan, President, Director & CEO: We continue to **feel good about China in a stable market**. It's just the dramatic way that China continues to address COVID cases by major cities. This just **creates a huge amount of uncertainty as when the next lockdown will be**.

RL, Ralph Lauren Corp., Consumer Discretionary, US

Patrice Jean Louis Louvet, President, Director & CEO: We remain confident in our long-term growth trajectory in China with strong brand momentum and an **encouraging recovery in performance as COVID-related store restrictions were lifted** in late June as expected.

CMI, Cummins, Inc., Industrials, US

Jennifer W. Rumsey, Director, President & CEO: Despite the difficult economic and market environment in China, we have significantly improved our presence and profitability in the region compared to prior cycles and are well positioned for continued outgrowth across our end markets in the region.

MKC, McCormick & Co., Inc., Consumer Staples, US

Lawrence Erik Kurzius, Chairman & CEO: **Market conditions in China have also allowed very little opportunity to increase prices**. While we are currently experiencing the short-term pressure, we continue to believe in the long-term growth trajectory of our business in China, but we will not be able to recover the sales and profit impact we experienced in this fiscal year.

AOS, A. O. Smith Corp., Industrials, US

Kevin J. Wheeler, Chairman, President & CEO: Our **Rest of World segment performance decreased 13% year-over-year**, driven by COVID-19 related lockdowns in China. However, we experienced sequential **sales improvement in China through the quarter as restrictions began to ease**.

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Europe holding in so far amidst a litany of macro concerns

APTV, Aptiv PLC, Consumer Discretionary, US

Joseph R. Massaro, CFO: We believe **schedule reductions in Europe** reflect both **macroeconomic concerns as well as constraints resulting from semiconductor availability**. Although overall supply chain constraints have eased and second half European production is up year-over-year, subcomponent availability is a limiting factor on the pace of vehicle production ramps.

KHC, Kraft Heinz Co, Consumer Staples, US

Miguel Patricio, CEO & Director: In developed markets, particularly **Europe, we delivered solid top line results** even though this region has been more affected by higher inflation and constrained resource availability.

DOV, Dover Corp, Industrials, US

Richard Joseph Tobin, President, CEO & Director: Right now everybody's **concerned of what's going on in the macro in Europe**, but we **don't see it rolling to a situation where it's overtly negative yet**.

MS, Morgan Stanley, Financials, US

James Patrick Gorman, Chairman & CEO: And then **Europe, obviously, is fighting the hardest right now** because of the war in the Ukraine, because of the pressure on gas and gas prices and so on.

EBAY, eBay, Inc., Consumer Discretionary, US

Stephen J. Priest, CFO & Senior VP: The growth differential between our US and international markets was exacerbated by recent macro and geopolitical developments, as our **European markets have been more meaningfully impacted** given their proximity to Ukraine.

LYB, LyondellBasell Industries NV, Materials, US

Peter Vanacker, CEO & Director: We started to see **moderating European demand** due to high inflation at the end of the second quarter and continue to pass through elevated energy and feedstock costs in the prices of our products where possible.

LW, Lamb Weston Holdings, Inc., Consumer Staples, US

Thomas P. Werner, President, CEO & Director: ... **consumer demand trends in Europe have been similar to what we have experienced in the US** as a result of inflationary pressures, which will also likely lead to a more unpredictable operating environment in fiscal 2023.

CAT, Caterpillar, Inc., Industrials, US

D. James Umpleby III - Chairman & CEO: General **business activity has moderated in the EU** and we'll keep a close eye on that. But there are, as you know, there has been – there was an EU infrastructure package that passed. And we're watching that closely as well and that certainly could positively impact us moving forward.

PPG, PPG Industries, Inc., Materials, US

Michael H. McGarry, Chairman & CEO: During the second quarter, we also implemented **cost mitigation initiatives in Europe, reflecting the slower demand** in the region and have additional **contingency plans ready in the event of a broader economic slowdown**.

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OR, L'Oréal SA, Consumer Staples, France

Nicolas Hieronimus, CEO & Director: Europe is number one in growth contribution at plus 14.3% and plus 8% versus 2019. The group's performance is strong in most countries. Boosted in Q1 by lockdown comparatives, our **European business show strong momentum** in Q2, gaining share in all divisions outside of Russia, where we suspended almost all of our business.

GPC, Genuine Parts Co, Consumer Discretionary, US

Paul D. Donahue, Chairman & CEO: The environment we see in Europe in our five years now in that **market is very consistent with what we see in the US**. And look, it's steady. As we've seen in the US, the automotive aftermarket is incredibly resilient. If there is a recession, which many are predicting, but it remains to be seen, we expect our business to continue to move in a positive direction.

RTX, Raytheon Technologies Corp, Industrials, US

Neil G. Mitchill Jr., EVP & CFO: On the international front, short-haul international travel or intra-region travel has been quite strong, fueled by a **stronger-than-expected European recovery** so far this year. And long-haul international travel or trans-regional travel has shown slow but steady sequential growth. And while this is encouraging, we need to see this segment of the market accelerate in the second half of the year.

MBG, Mercedes-Benz Group AG, Consumer Discretionary, Germany

Ola Källenius, CEO & Chairman-Board of Management: One topic that is discussed a lot in Europe is gas supply. And whereas Mercedes-Benz is a global company, **Europe faces some risk in some scenarios of potential gas supply bottlenecks**.

We saw **strong demand across Europe**, US and China with very high order backlog, which is due to the semiconductor shortage. The lower sales in some markets in Q2 are only driven by availability restrictions.

MCD, McDonald's Corp, Consumer Discretionary, US

Christopher J. Kempczinski, President, CEO & Director: We continue to have **broad-based growth and our European business overall is performing quite well**. I'm actually very happy with how the European business is performing.

Kevin M. Ozan, CFO & EVP: Europe is getting hit harder on the inflation, certainly on the food and paper. The other thing I would just say, it certainly varies by country. You have some countries that are getting hit dramatically by energy prices based on kind of Russian oil, et cetera. And so, it really is a country-by-country dynamic.

MA, Mastercard, Inc., Information Technology, US

Michael E. Miebach, CEO & Director: In Europe, **spending trends are positive** although the risks related to both the supply of natural gas and higher interest rates remain headwinds.

C, Citigroup, Inc., Financials, US

Jane Nind Fraser, Director & CEO: We expect a **very difficult winter is coming (in Europe)**, and that's due to disruptions in the energy supply. There is also increasing concern about the second-order effects on industrial production and how that will affect economic activity across the continent. And the mood is, of course, further darkened by the belief that the war in Ukraine will not end anytime soon.

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ECL, Ecolab, Inc., Materials, US

Christophe Beck, President, CEO & Chairman: The hot spots are obviously starting with Europe, all the reasons that you mentioned before, geopolitically, **not an easy situation** obviously there. In the US, the economy is not going to accelerate.

SHW, The Sherwin-Williams Co., Materials, US

James R. Jaye, Senior VP, IR & Corporate Communications: Demand deteriorated faster than anticipated in Europe, and we saw no real recovery in China following the lifting of COVID lockdowns.

F, Ford Motor Co., Consumer Discretionary, US

James D. Farley, President, CEO & Director: The adverse effects of the near-term supply chain disruption are **dampening Europe's overall profit results**.

BF.B, Brown-Forman Corp, Consumer Staples, US

Lawson E. Whiting, President, CEO & Director: Europe has remained extremely resilient and strong for us over the last few years. Germany, in particular, the United Kingdom, the really big markets in Europe are very, very strong.

META, Meta Platforms, Inc., Communication Services, US

Sheryl Kara Sandberg, Director & COO: Similar to last quarter, we saw solid growth in APAC and other of parts of the world, outside of North America and **Europe where it's been a more challenging environment**.

KO, The Coca-Cola Co., Consumer Staples, US

James Quincey, Chairman & CEO: Europe saw strong volume performance, leading to value-share gains across total NARTD and online.

ACN, Accenture PLC, Information Technology, US

[Q]: Wanted to specifically ask about Europe. Continues to show robust growth, 30% growth and I think you called out Germany, France, UK, Italy. So lots of concern about the unfortunate situation and war in Ukraine. Is there anything that you guys are seeing that could be in the go-forward impacting Europe because right now we're not seeing weakness in those results?

Julie Spellman Sweet, Chair & CEO: We're **not seeing weakness** in those results, and so we continue to really stay close to our clients...

ADBE, Adobe Inc, Information Technology, US

Shantanu Narayen, Chairman & CEO: The consumer sentiment that we continue to hear from banks... is that the **consumer sentiment actually continues to remain strong both in the US and in Europe**, so I didn't want to have anybody feel like that's not what we're seeing as well.

PEP, PepsiCo Inc, Consumer Staples, US

Ramon L. Laguarta, CEO & Chairman: Europe obviously has been impacted by – more than other parts of the world by, I would say, the war, so our business has been impacted both in Ukraine and Russia. Ukraine because obviously, we had to stop a lot of our manufacturing commercial activities as reflected in our performance in Europe...

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Pricing is now the main driver of revenue growth and is offsetting rising costs, but companies worry how much further they can continue to pull that lever

CAT, Caterpillar, Inc., Industrials, US

D. James Umpleby III - Chairman & CEO: Sales and revenues increased by 11%, broadly in line with our expectations. The **increase was primarily driven by strengthening price realization and higher sales volume.**

CL, Colgate-Palmolive Co, Consumer Staples, US

Noel R. Wallace, Chairman, President & CEO: Moving forward, I would say that we **will continue to be pushing pricing**, and my expectation is **we will see some pressure on volume** in the year to go, but that's to be expected as we get more pricing in the market.

PHM, PulteGroup Inc, Consumer Discretionary, US

Robert T. O'Shaughnessy, CFO: PulteGroup's home sale revenues totaled \$3.8 billion, an increase of 18% over the prior year. **Higher homebuilding revenues in the second quarter were driven by a 19% or \$83,000 increase in average sales price to \$531,000.**

ULVR, Unilever Plc, Consumer Staples, UK

Alan Jope, CEO & Executive Director: Even though a few commodity spot prices have eased in recent weeks, we're **likely to see peak cost inflation sometime in the second half of the year.**

The **pricing momentum established during the second half of 2021 and early 2022 has continued**, and we've landed increases across all geographies and divisions.

DOW, Dow Inc, Materials, US

James R. Fitterling, Chairman & CEO: Price increases year-over-year were more than offset by rapidly rising raw material and energy costs.

KHC, Kraft Heinz Co, Consumer Staples, US

Andre Maciel, EVP & Global CFO: Looking to rest of the year, we are raising our expectations for Organic Net Sales from mid-single-digit to high-single-digit growth. This is primarily based on **higher pricing and favorable elasticities** seen to date, particularly in the US. Our outlook **does contemplate greater price elasticity impacting volume and mix during the balance of the year** as compared to the first half of the year.

YUM, Yum! Brands, Inc., Consumer Discretionary, US

David W. Gibbs, CEO & Director: Despite significant inflation, Taco Bell maintained restaurant margins by **leveraging its pricing power** for premium product and craveable LTOs, while still providing consumers with everyday value through a broad range of price points.

ADBE, Adobe Inc, Information Technology, US

David Wadhvani, President-Digital Media Business: We get asked anything by analysts... **why we didn't make a bigger price increase** and the reality there is we're primarily focused on adding millions of new users. **We are a growth business. We want to continue to grow the user base.**

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APD, Air Products & Chemicals, Inc., Materials, US

Melissa Schaeffer - Senior Vice President & CFO: Price stayed ahead of variable cost increases for the second consecutive quarter and how – and has now more than offset the higher variable costs for the year-to-date.

CHD, Church & Dwight Co., Inc., Consumer Staples, US

Matthew Thomas Farrell - Chairman, President & CEO: Since early 2021, we have announced price increases to combat inflation. And through mid-2022, we have already announced price increases covering 80% of our global portfolio.

COST, Costco Wholesale Corp., Consumer Staples, US

Robert E. Nelson III, Senior VP-Treasury, Financial Planning & Investor Relations: While we continue to mitigate the impact of price increases as best as we can, we remain comfortable in our ability to pass through higher costs while providing great value to our members.

PPG, PPG Industries, Inc., Materials, US

Michael H. McGarry, Chairman & CEO: Our sales performance was an all-time record, driven by continued realization of real-time price increases that are now fully offsetting total cost inflation.

BF.B, Brown-Forman Corp, Consumer Staples, US

Leanne Dean Cunningham, Senior VP & CFO: We have been successful in driving pricing through and really pretty much on a global basis. We have taken price increases on almost the entire portfolio. So that has been something new and different and certainly badly needed as inflation really has spiked up over the last few months... We also expect to continue to benefit from the favorable pricing environment and we believe the cost associated with supply chain disruption will be less of an impact in fiscal 2023.

KMB, Kimberly-Clark Corp., Consumer Staples, US

Michael D. Hsu, Chairman & CEO: We continue to expect pricing and cost savings to fully offset the effects of inflation over time.

WHR, Whirlpool Corp, Consumer Discretionary, US

Marc Robert Bitzer, Chairman & CEO: Our previously announced cost-based price increase have been fully executed. And we expect to exit the year with our existing pricing actions fully offsetting raw material inflation.

HAS, Hasbro Inc, Consumer Discretionary, US

Deborah M. Thomas, EVP & CFO: We also have begun to see the offset to higher input and freight costs from price increases in our CP business that went into effect in the second quarter and will be increasingly impactful in the third and fourth quarters.

LW, Lamb Weston Holdings, Inc., Consumer Staples, US

Thomas P. Werner, President, CEO & Director: In early July, we began implementing our fourth round of pricing in the past 12 months in our Food service and Retail segments. We expect to see the benefit of this pricing actions as well as the one that we took in April to gradually build as we progress through the first half of fiscal 2023.

DPZ, Domino's Pizza Inc, Consumer Discretionary, US

Sandeep Reddy, EVP & CFO: ... the average price increase we realized in the second quarter across our US system, was nearly 6%. We have successfully pulled

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many pricing levers, including our standard menu pricing, our national offers, our local offers and our delivery fees. This has **helped us cover some of the cost increases** we are incurring in both the food basket and labor market, while also ensuring we continue to deliver terrific value to our consumers.

[ECL, Ecolab, Inc., Materials, US](#)

Christophe Beck, President, CEO & Chairman: We are now exiting the quarter with double-digit sales growth and **pricing momentum that's now ahead of delivered product cost inflation**, most importantly, with gross margins that have now turned the corner.

[MBG, Mercedes-Benz Group AG, Consumer Discretionary, Germany](#)

Harald Emil Wilhelm, CFO & Member-Management Board: In the second quarter, I mean, again, we were **successfully compensating raw material cost and inflation by strong net pricing**.

[DOV, Dover Corp, Industrials, US](#)

Richard Joseph Tobin, President, CEO & Director: **Price-cost inflects materially positive** in the second half. All of our pricing is done for the year, so any pricing action we're taking now is more of a 2023 issue. Raw materials costs are coming down. We are not – we didn't reprice our backlog into the headwind, and we have no intention of repricing our backlog into the tailwind.

[NUE, Nucor Corp, Materials, US](#)

Stephen D. Laxton, CFO, Treasurer & EVP: Contributions from tubular products and metal buildings were aided by both, **higher volumes and higher pricing during the quarter**.

[APTV, Aptiv PLC, Consumer Discretionary, US](#)

Kevin P. Clark, President, CEO & Director: The **tremendous customer pull for our products** has positioned us well in our pricing discussions for both new program awards as well as cost recoveries.

[SHW, The Sherwin-Williams Co., Materials, US](#)

James R. Jaye, Senior VP, IR & Corporate Communications: We do **expect to hold onto our pricing**, based on the value we deliver and the customer-facing investments we've continued to make. The incremental pricing actions and general and administrative cost reductions will not fully offset these headwinds immediately.

[ITW, Illinois Tool Works, Inc., Industrials, US](#)

Michael M. Larsen, Senior VP & CFO: Throughout this two-year inflationary cycle, while we have **more than covered cost increases on a dollar-for-dollar** basis, we have absorbed as much as 250 basis points of margin dilution impact. As **raw material cost inflation begins to moderate** on a year-over-year basis, we are confident that we're going to recover this margin impact, hopefully starting in 2023.

[PNR, Pentair PLC, Industrials, US](#)

Bob P. Fishman, EVP, CFO and Chief Accounting Officer: We were pleased to see the **strong price contribution more than offset inflation**, but many of our businesses continue to face supply chain inefficiencies and we expect this to impact productivity in the near-term.

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DD, DuPont de Nemours, Inc., Materials, US

Lori D. Koch, CFO: Cost inflation intensified further compared to previous estimates, but **additional pricing actions are anticipated to fully offset** these higher costs.

MAR, Marriott International, Inc., Consumer Discretionary, US

Kathleen K. Oberg, CFO & EVP, Business Operations: The reality is that **there is inflation and that we are pricing these rooms on a very frequent basis** and that, on real rate basis, they are not back to 2019 levels.

CMG, Chipotle Mexican Grill Inc, Consumer Discretionary, US

Brian R. Niccol, Chairman & CEO: What we've seen is unfortunately **a lot of things have stuck versus gone away as far as inflation**. And then we've got some key items that frankly continue to be inflationary... We **were hoping we'd see some of the stuff pull back. We haven't seen that**. But there are other parts of the business that we have seen plateau, which gives us optimism that **hopefully we won't have to continue to pull the pricing lever**.

K, Kellogg Co., Consumer Staples, US

Amit Banati, CFO & Senior VP: Price/mix remained elevated in quarter two, even accelerating, as all four regions utilized all levers of revenue growth management in order to complement productivity initiatives.

GPC, Genuine Parts Co, Consumer Discretionary, US

Paul D. Donahue, Chairman & CEO: Our **pricing strategies have proven valuable** in substantially offsetting product inflation and rising freight costs.

SBUX, Starbucks Corp., Consumer Discretionary, US

Rachel Ruggeri - Executive Vice President and CFO: Q3 consolidated **operating margin contracted 350 basis points** from the prior year to 16.9% primarily driven by ongoing inflationary headwinds, significant investments in labor including enhanced store partner wages, and deleverage related to COVID lockdowns in China.

F, Ford Motor Co., Consumer Discretionary, US

John T. Lawler, CFO: **The inflation that we're seeing, that's going to continue to run through** and we're seeing that across the board from material costs, freight, fuel costs, et cetera.

We have seen strength in volume – **pricing due to the volume that we can produce** as an industry and us at Ford relative to the demand that we're seeing out there.

MDLZ, Mondelez International Inc, Consumer Staples, US

Dirk van de Put, Chairman & CEO: **Input cost inflation remains challenging** and although we may see commodity inflation beginning to ease, we expect other costs like wages to show significant inflation.

From a cost perspective, yes, **some commodities are pulling back**, but we do expect the near-term inflation to remain high. We might have **more difficulties getting pricing implemented**.

PG, Procter & Gamble Co, Consumer Staples, US

Andre Schulten, CFO: Moving to the April-June quarter; organic sales grew 7%. **Pricing contributed 8 points to organic sales growth as additional price increases reached the market**.

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Andre Schulten, CFO: With the highest inflation in 40 years, it'd be naïve to assume the consumer is not looking at their cash outlay and their spending, even in our categories. Though we see the **elasticities be more favorable than historical norms** to date, we continue our assumption that they **return to historical elasticities going forward**.

KO, The Coca-Cola Co., Consumer Staples, US

James Quincey, Chairman & CEO: We've rather atypically got relatively high inflation in the US and Europe with the kind of 8% to 10%, and there are emerging markets that are down at 3%. **Consumer elasticities have largely held up better than expected year-to-date**.

UNP, Union Pacific Corp, Industrials, US

Jennifer L. Hamann, EVP & CFO: Overall, the **demand environment continues to support actions that yield price dollars exceeding inflation dollars**.

EFX, Equifax, Inc., Industrials, US

Mark W. Begor, CEO & Director: We put **pricing increases in place** earlier this year that give us a **net positive margin impact versus inflation** is that even with inflation where it is today.

PM, Philip Morris International Inc, Consumer Staples, US

Emmanuel Andre Marie Babeau, CFO: So, **inflation is not temporary**. I think for the rest, a lot of the headwind that we are seeing in H1 are temporary, and there will be a recovery in the future. I'm not able, at this stage, and we do that of course as we are gaining visibility, to phase it in the coming quarter; but that totally what we are expecting. And then, clearly for H2, we are expecting an improvement on the margin... Doesn't mean that everything will be back to normal in H2. That will be still with some headwind, but clearly most of what we are facing is temporary; and there will be, over time, a recovery on the margin.

FAST, Fastenal Co, Industrials, US

Holden Lewis, EVP & CFO: Most **costs remain elevated, but not worsening**. As a result, while we expect price levels to be stable in the third quarter of 2022, we expect the **contribution to growth to moderate as we begin to grow over the start of more aggressive pricing actions** from the third quarter of last year.

TSLA, Tesla Inc, Consumer Discretionary, US

Elon Reeve Musk, CEO: It's possible that **there could be a slight decrease in car prices**. But this is fundamentally dependent on macroeconomic inflation. It's not something we control... I think inflation will decline towards the end of this year. We're certainly **seeing prices of commodities trending lower**, but take it with a grain of salt, this is – and making economic prognostication is fraught with error.

GIS, General Mills Inc, Consumer Staples, US

Jeffrey L. Harmening, Chairman & CEO: Up until this point, we **haven't really seen any change in elasticities**. And I think the reason for that – there are a couple of reasons for that. One is that consumers have switched to more at home eating because it's more expensive.... And the consumer is actually still in a – they're still in a decent place. They're getting nervous. But when it comes to savings rates or the employment rate, consumers are still spending quite a bit of money. Now, as they look ahead, they get nervous because they see inflation and so forth.

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ACN, Accenture PLC, Information Technology, US

KC McClure, CFO: We're changing the mix of people on our contracts and also using technology to help offset the impact of wage increases. So again, **very focused on pricing**. That's the biggest lever that we have, but all of these improvements together are **still lagging the compensation increases**. But we're still very, very focused on it.

WBA, Walgreens Boots Alliance Inc, Consumer Staples, US

James Kehoe, Global CFO & EVP: Our **ability to offset inflation on wages has been very strong** in the quarter. And bear this in mind, international freight is up 200%. And our pricing actions overall as a business, I think we've got **zero impact** on a full year basis. All the cost increases, shipping increases, goods not for resale, all of that, effectively, we've **priced away through very effective margin management**.

MKC, McCormick & Co Inc, Consumer Staples, US

Lawrence Erik Kurzius, Chairman & CEO: ... we are **seeing more price elasticity**, although **still below historical levels**. While consumer spending has remained strong, consumers are now under significant pressure for broad-based inflation, notably fuel prices and other macro factors.

FDX, Fedex Corp, Industrials, US

Brie A. Carere, Chief Customer Officer & EVP: We are closely monitoring both inflation and fuel prices, and as a reminder, we adjust our fuel surcharge weekly in response to market rates. I am confident **we have the tools to continue getting inflation-plus pricing**.

KR, Kroger Co, Consumer Staples, US

Gary Millerchip, CFO & Senior VP: Our overall outlook for inflation is that we do **expect inflation is going to be higher for the rest of the year** than we originally expected... we're currently assuming inflation in the second half as a headline rate maybe a couple of percentage points or so lower than the first half of the year.

PEP, PepsiCo Inc, Consumer Staples, US

Hugh F. Johnston, CFO & Vice Chairman: **Elasticities are good right now**. We **don't plan for them to be as strong in the back half** and we'll see what happens with that. It's certainly hard to gauge because inflation is having so much impact on the consumer in so many ways.

JNPR, Juniper Networks Inc, Information Technology, US

Ken Miller, CFO: The higher cost we are incurring to secure supply will negatively impact margins over the next several quarters. In addition, we expect to see a similar software mix in the third quarter as we saw in the second quarter. These factors will continue to pressure our gross margin and overall profitability.

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Several companies have slowed hiring even as a majority complain about tight labor markets

GM, General Motors Co, Industrials, US

Mary T. Barra, Chair & CEO: While demand remains strong, there are growing concerns about the economy to be sure. That's why we're already taking proactive steps to manage costs and cash flows, including reducing some discretionary spending and **limiting hiring to critical needs** and positions that support growth.

WHR, Whirlpool Corp, Consumer Discretionary, US

Marc Robert Bitzer, Chairman & CEO: Additional cost actions, including **hiring freezes**, have already been initiated. We are prepared and expect to successfully navigate a near-term industry slowdown in 2022.

ETSY, Etsy Inc, Consumer Discretionary, US

Josh Silverman, CEO: So, we have **slowed hiring as business conditions have slowed**. We started to **significantly slow hiring** in the third quarter. We don't have a hiring freeze. We are still hiring, but not at the same pace that we were in the first half of this year and we think that's appropriate.

GOOG, Alphabet Inc., Communication Services, US

Sundar Pichai, CEO: Because of the hiring progress achieved so far this year, we'll be **slowing the pace of hiring** for the rest of the year, while still supporting our most important opportunities. For the balance of 2022 and 2023, we'll focus our hiring on engineering, technical and other critical roles, and make sure the great talent we do hire is aligned with our long-term priorities.

META, Meta Platforms, Inc., Communication Services, US

Mark Elliot Zuckerberg, Founder, Chairman and CEO: Our plan is to **steadily reduce head count growth** over the next year. Many teams are going to shrink so that we can shift energy to other areas inside the company...

The fact that we hired a lot of people earlier this year means that our reported year-over-year head count growth will still be substantial for the next few quarters, but it should **continue to decline over time**.

PTON, Peloton Interactive Inc., Consumer Discretionary, US

John Foley, Executive Chairman: ... we are announcing a **meaningful reduction of our workforce**, which will impact nearly all of our operations and across almost all levels.

F, Ford Motor Co., Consumer Discretionary, US

James D. Farley, President, Director & CEO: We absolutely have **too many people in certain places**, no doubt about it. And we have skills that don't work anymore and we have jobs that need to change.

RTX, Raytheon Technologies Corp, Industrials, US

Gregory J. Hayes, Chairman & CEO: I think the **only thing that's going to solve labor availability, I hate to say this, is a slowdown in the economy**, because, right now, **there just simply aren't enough people in the workforce** for all of our suppliers. Hey, look, we pay a very, very competitive wage at RTX. But as you go down into the second, third and fourth tier of the supply chain, they are struggling to attract workers.

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COIN, Coinbase Global, Inc., Financials, US

Alesia J. Haas, CFO: On the expense side, we've taken several steps to streamline our cost structure including the **18% employee reduction** that we announced in June.

HOOD, Robinhood, Financials, US

Vladimir Tenev, CEO: ... we are **reducing our headcount by approximately 23%**. While employees from all functions will be impacted, the changes are particularly concentrated in our operations, marketing, and program management functions.

SPOT, Spotify Technology SA, Communication Services, US

Daniel Ek, Founder, Chairman & CEO: ... in anticipation of a potential slowdown, we already shared that we **proactively reduced our hiring by 25%** and instituted a double-down weekly revenue monitoring.

EXPE, Expedia Group, Inc., Consumer Discretionary, US

Eric Hart, CFO: We are, like everyone else, looking at our head count and making sure that we are prioritizing accordingly, **putting people on our highest priority items**, and looking at our open head count to make sure that we're making the appropriate investment decision.

TSLA, Tesla, Inc., Consumer Discretionary, US

Zachary Kirkhorn, CFO: We also incurred restructuring charges related to **targeted staffing reductions**.

CRM, Salesforce, Inc., Information Technology, US

Amy E. Weaver, President & CFO: We're going to continue to hire, we are hiring, but we're doing it **at a much more measured pace** and we're focusing the majority of our new hires on roles that will support customer success and the execution of our top priorities.

JCI, Johnson Controls International, Industrials, US

George R. Oliver, Chairman & CEO: The labor pressures that everyone has had to deal with during this cycle, I think are **beginning to subside**.

LW, Lamb Weston Holdings, Inc., Consumer Staples, US

Thomas P. Werner, President, CEO & Director: Labor availability **continues to be an issue**, while other key inputs such as ingredients for fry coatings remain costly and in short supply. As a result, we expect input, transportation, and **labor costs will be a significant headwind** through fiscal 2023.

CMG, Chipotle Mexican Grill Inc, Consumer Discretionary, US

John R. Hartung, CFO: ... in the second quarter of last year, we did have a staffing challenge, and that's when we took the significant increase... And the announcement that we made at that time was also a signal to our existing teams that you're going to get a raise in early June. So we saw our **staffing stabilize**, and then we saw our sales recover.

MAR, Marriott International, Inc., Consumer Discretionary, US

Kathleen K. Oberg, CFO & EVP, Business Operations: Normal staffing levels were that we were trying to fill the final 95% to 100% of the positions we needed at the hotel level. Right now, we're at 93%. So it's definitely improved. It is not back to where we were in 2019 in terms of the labor shortage, but we're **definitely seeing steady improvement, and the wage increases have slowed**.

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PKG, Packaging Corp of America, Materials, US

Thomas A. Hassfurth, EVP, Corrugated Products: Labor shortages are impacting us. They're impacting the freight business. They're **impacting every business**, and I **don't see that subsiding anytime soon either**.

LMT, Lockheed Martin Corp, Industrials, US

Jesus Malave, CFO: As far as labor, **labor's been an ongoing challenge** I think for the industry as well as us... But nonetheless, it's been a challenge. Our ramp on that program is taking longer than we had originally anticipated largely because of the **slower ramp in hiring employees**.

ULVR, Unilever Plc, Consumer Staples, UK

Alan Johe, CEO & Executive Director: ... we've continued to see **ongoing customer service challenges** in the US **caused primarily by labor availability**. The situation is **improving quickly**, but it will continue into the third quarter.

ECL, Ecolab, Inc., Materials, US

Christophe Beck, President, CEO & Chairman: Most of our customers **struggling with staffing conditions** as we've seen when you go to restaurants, to hotels, to airports or wherever you go, ultimately our automated solutions for customers are helping them get the same job done with less people as well. This is not only helping them the staffing side, it's helping them on the cost side as well.

DPZ, Domino's Pizza Inc, Consumer Discretionary, US

Russell J. Weiner, CEO & Director: We continue to navigate **a difficult labor market in the US**, especially for delivery drivers, in addition to inflationary pressures combined with COVID and stimulus-fueled sales comps from the prior two years.

FAST, Fastenal Co, Industrials, US

Holden Lewis, EVP & CFO: Labor market tension seems to have eased some as reflected in our strong FTE additions in the second quarter of 2022. So **disruptions persist**, but the chaos surrounding them has receded, resulting in a more predictable business environment.

DAL, Delta Air Lines Inc (DE), Industrials, US

Edward Herman Bastian, Director & CEO: Since the start of 2021, we've hired 18,000 new employees, and our active head count is at 95% of 2019 levels, despite only restoring less than 85% of our capacity. The **chief issue we're working through is not hiring, but of training and experience bubble**. Coupling this with the lingering effects of COVID and we've seen a reduction in crew availability and higher overtime.

DRI, Darden Restaurants Inc, Consumer Discretionary, US

Ricardo Cardenas, President, CEO & Director: Right now, we have more managers per restaurant than pre-COVID. And so at the manager level, **we're really well staffed**. We're continuing to add new team members... we're back to the level of our team member staffing from pre-COVID. That said... we still have restaurants that could have a little bit more staffing level. But in general, we're staffed right where we were before COVID.

CSX, CSX Corp, Industrials, US

James M. Foote, President, Director & CEO: I don't know if we're struggling more than everybody else or not, I think **everybody is struggling**. We've hired, over the last two years since we started talking about this issue which we saw coming again

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a couple of years ago, 2,000 employees and our numbers haven't gone backwards. So, the question has been not really as much as our ability to put the employees into the pipeline and get them through the process, but a much, **much higher attrition rate than we had expected** from our current workforce and a significantly higher attrition rate from the new people that we brought on.

INTC, Intel Corp, Information Technology, US

David Zinsner, CFO & EVP: That said, we're taking the actions necessary to maintain our prior full-year adjusted free cash flow guidance, including **a slowdown in hiring**, CapEx reductions, and the expectation for increased capital offsets consistent with our smart capital strategy

MSFT, Microsoft Corp, Information Technology, US

Amy Hood, CFO: Operating expense growth will be significant early in FY '23 and will moderate materially over the course of the year as we **slow the rate of hiring** to focus on key growth areas, increase the productivity of prior year headcount investments and anniversary the Nuance and Xandr acquisitions

AMZN, Amazon.com Inc, Consumer Discretionary, US

Dave Fildes, IR: ... we are pretty transparent about the fact that we had hired a lot of people in Q1 for the coverage of the Omicron variant, luckily that Variant subsided and we were left with a higher headcount position. We've -- that has come down through **adjusting our hiring levels and normal attrition** and it's pretty, it was pretty much resolved by the end of April or the early part of May. So that is dominating the quarter-over-quarter reduction in headcount. I would note that we're still up 188,000 year-over-year and nearly double the headcount of what we had heading into the pandemic in early 2020. So you're right, **there will be adjustments** to that as we move forward into more holiday level demand. Right now, we see **a stabilization in the workforce**. We see good hiring rates.

NDAQ, Nasdaq Inc, Financials, US

Ann M. Dennison, EVP & CFO: We continue to make **significant investments in this tightened labor market** to attract and retain the top talent in our industry.

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Supply chains are easing but are still a long ways from normal

PHM, PulteGroup Inc, Consumer Discretionary, US

Robert T. O'Shaughnessy, CFO: ... I think it's fair to say that the **supply chain remains challenging**. While we are seeing areas of improvement, I would use the word **fragile to describe overall conditions**... That being said, we are feeling a little more **optimistic about supply chain conditions getting better through the back half** of the year, allowing us to begin flowing back work days next year.

AAPL, Apple, Inc., Information Technology, US

Luca Maestri, Senior VP and CFO: On the product side, we expect **supply constraints to be lower than what we experienced** during the June quarter. Specifically related to services, we expect revenue to grow but decelerate from the June quarter due to macroeconomic factors and foreign exchange.

JNPR, Juniper Networks Inc, Information Technology, US

Ken Miller, CFO: ... we do see **supply improving** from an absolute volume perspective, **but it is coming at an incremental cost**, and it's difficult. I mean, every quarter seems to be a different challenge, but we seem to be doing a pretty good job in my opinion navigating those challenges.

CL, Colgate-Palmolive Co, Consumer Staples, US

Noel R. Wallace, Chairman, President & CEO: A lot of the **supply chain North America issues are behind us**. You've seen that, obviously translate into much better on-shelf availability and obviously that translates into good consumption for our brands and the market share performance that we had over the last 13 weeks. It is still a very, very unpredictable environment in terms of what we're seeing there. The team is all over it, but I think the **tougher part is behind us**, certainly across North America.

JCI, Johnson Controls International, Industrials, US

George R. Oliver, Chairman & CEO: While there is still a **long way to go until supply chain disruptions normalize**, we have seen encouraging signs of operational improvement, helping to stabilize supply chain related challenges

ITW, Illinois Tool Works, Inc., Industrials, US

Michael M. Larsen, Senior VP & CFO: At this point, and consistent with our prior guidance, we **do not expect a meaningful improvement in the chip shortage situation** impacting auto production until 2023. And in fact, our guidance assumes that automotive productions remains around current levels for the second half.

K, Kellogg Co., Consumer Staples, US

Amit Banati, CFO & Senior VP: ... we now assume **no moderation in bottlenecks and shortages until quarter four**. As a result, we believe we will see gross profit dollars narrow their year-on-year deficit in quarter three and then swing to year-on-year growth in quarter four, when we lap the worst of the fire and strike.

TSLA, Tesla Inc, Consumer Discretionary, US

Elon Reeve Musk, CEO: If Tesla is as much a software company as it is a hardware company, and so one of the ways that we've been able to address supply chain issues on the chip front is by rewriting our software to be able to use different chips or in some cases achieve dual use of a single chip, which is even better. And actually, quite frankly, the **chip shortage served as a forcing function for us to reduce the**

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number of chips in the car.

GPC, Genuine Parts Co, Consumer Discretionary, US

William P. Stengel, President: I would characterize global **supply chain as stable to slightly improved** over the last 100 days. We've seen a moderation in our ocean freight rates.

COST, Costco Wholesale Corp., Consumer Staples, US

Robert E. Nelson III, Senior VP-Treasury, Financial Planning & IR: In terms of the new openings this year, this is four fewer than what we projected in Q2. Two of the four were **impacted by supply chain issues** related to electrical equipment, and the other two have been delayed due to third-party site development issues.

KHC, Kraft Heinz Co, Consumer Staples, US

Andre Maciel, EVP & Global CFO: We expect an **improving, but still challenging supply chain** in the back half of the year

IR, Ingersoll Rand Inc, Industrials, US

Vicente Reynal, Chairman, President & CEO: ... absolutely margin headwind because if you think about it we **don't have all the components at the right time, at the right place...** So, yes, absolutely we've seen productivity hits due to the inefficiencies on the supply chain. And I think one thing we'll say is that we **still see supply chain constraints and issues.**

DOV, Dover Corp, Industrials, US

Richard Joseph Tobin, President, CEO & Director: **Component shortages** and COVID lockdowns in China did negatively impact shipment volumes and consequently efficiency and fixed cost absorption in several businesses during the period.

RTX, Raytheon Technologies Corp, Industrials, US

Gregory J. Hayes, Chairman & CEO: We really expected as COVID receded into the background that we would see a quick recovery in the supply chain. And, in fact, that was wrong. The **labor challenges that we continue to see have not abated.** And, again, I think that's – that is the challenge and that's the reason we **continue to struggle in the supply chain.**

LMT, Lockheed Martin Corp, Industrials, US

Jesus Malave, CFO: Our **supply chain operations were impacted.** And I think our ability to recover from that has been **more challenging than we had originally anticipated.** We have seen some level of improvement in certain areas of not only our operations but also our supplier operations, but we've also seen **broken commitments** at the same time.

MBG, Mercedes-Benz Group AG, Consumer Discretionary, Germany

Ola Källenius, CEO & Chairman-Board of Management: In Q2, both battery electric vehicle, plug-in hybrids as well as top-end vehicle sales were **impacted by chip supply constraints.** So even if we try to direct this, in some cases, if a specific chip is not available, it can hit these production numbers as well.

BA, The Boeing Co, Industrials, US

Brian J. West, CFO & EVP: Turning to the supply chain, we **continue to experience real constraints.** We're taking action to mitigate risk in a number of areas including engines, raw materials, and semiconductors. To stabilize production and support

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our supply chain, we're increasing our on-site presence at suppliers, creating teams of experts to address industry-wide shortages, utilizing internal fabrication for surge capacity, and managing inventory safety stock levels and growing where needed.

CHD, Church & Dwight Co., Inc., Consumer Staples, US

Matthew Thomas Farrell - Chairman, President & CEO: ... we expected flattish growth in Q2 and a continuation of the supply chain lows we experienced in Q1, such as fill level issues and delivery issues. Those actually proved to be **less disruptive in the quarter** than we anticipated.

VFC, VF Corp., Consumer Discretionary, US

Matt Puckett - VF Corp., CFO & Executive Vice President: Relative to the last time we updated you, we're starting to see the **level of supply chain disruption ease** albeit nowhere near the pre-pandemic normal.

LYB, LyondellBasell Industries NV, Materials, US

Torkel Rhenman, EVP, Intermediates and Derivatives, and Refining: In the first half of 2022, automotive production was 3% below the same period last year. **Supply chain disruptions and raw material shortages continued to impact the recovery** and therefore are compounding in solutions business.

HON, Honeywell International, Inc., Industrials, US

Gregory P. Lewis, CFO & Senior VP: While demand trends remain strong, **supply chain constraints continue to weigh on volume growth** predominantly in Aero, HBT and SPS, causing our past due backlog to increase sequentially by more than \$100 million in the quarter.

QCOM, QUALCOMM, Inc., Information Technology, US

Akash Palkhiwala, CFO: On the inventory side, and clearly with the kind of the end markets sides being impacted both from a macro and a China perspective, what we're seeing is that the – that has an impact on the inventory cycle that the industry then needs to work through in the second half of the calendar year, both through September and December.

INTC, Intel Corp., Information Technology, US

Patrick P. Gelsinger, CEO & Director: Across the economy, supply chain issues have both **limited the ability to meet demand** in some areas and **driven inventory well above normal levels** in others.

6758, Sony Group Corp., Consumer Discretionary, Japan

Hiroki Totoki - Representative Corporate Executive Officer, Executive Deputy President, CFO & Director: Supply chain disruption, we actually **got a quite a hit from first quarter**. In the first quarter, hardware volume for sales was quite smaller than what we expected at the beginning of the year. So, supply chain disruption is something that we hope to get or completely be addressed.

SHW, The Sherwin-Williams Co., Materials, US

James R. Jaye, Senior VP, IR & Corporate Communications: With the tightness in the supply chain, we **continue to have inefficiencies in our operations**, but have chosen to continue serving our customers albeit at higher cost.

F, Ford Motor Co., Consumer Discretionary, US

James D. Farley, President, CEO & Director: The adverse effects of the near-term

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supply chain disruption are dampening Europe's overall profit results.

On the supply chain, chips are still an issue. We had quite an issue in China with the Shanghai shutdown and that affects – that could have affected our North America manufacturing system.

On the supply chain outside us, we have labor shortages and all sorts of things. We see the output of the stress in the supply chain, and obviously their costs have gone up.

HSY, The Hershey Co, Consumer Staples, US

Michele G. Buck, Chairman, President & CEO: We **continue to see struggles across the supply chain**. Early on, it was some of the basic logistics issues, largely driven by labor. we're now starting to see **bigger concerns relative to scarcity of ingredients**, needing to leverage different suppliers at higher costs and price points in order to secure production.

CAT, Caterpillar, Inc., Industrials, US

D. James Umpleby III - Chairman & CEO: Overall demand remains healthy across our segments; however, the environment remains challenging primarily, due to **continuing supply chain disruptions**.

PPG, PPG Industries, Inc., Materials, US

Michael H. McGarry, Chairman & CEO: Outside of a few commodities, we expect **supply chain conditions to continue to improve**, including better raw material and transportation availability as our suppliers' production capabilities are returning to a more normal condition.

BF.B, Brown-Forman Corp, Consumer Staples, US

Leanne Dean Cunningham, Senior VP & CFO: The increases in our costs were driven by **additional logistics costs** supporting our efforts to minimize the impact of supply chain disruptions and input cost headwinds.

MDLZ, Mondelez International Inc, Consumer Staples, US

Dirk van de Put, Chairman & CEO: We **continue to manage through volatility in the supply chain**, especially in the United States, due to labor shortages at third parties as well as a continuing gap in demand and supply of trucking capacity containers.

GE, General Electric Co, Industrials, US

Carolina Dybeck Happe, Senior VP & CFO: Despite a limited impact on free cash flow in the quarter, **supply chain challenges are contributing to inventory pressure and later deliveries** and billings.

GM, General Motors Co, Industrials, US

Paul A. Jacobson, CFO & EVP: We're also incurring **significantly higher logistics costs**, including premium freight, to overcome some of the supply chain short, Challenges, which is offsetting some of the moderation in raw material costs.

JBHT, J.B. Hunt Transport Services, Inc., Industrials, US

Shelley Simpson, Chief Commercial Officer & EVP (People & HR): We are having really good conversation with our customers. But I think not unlike what's happened in the pandemic the last two years, there is **continuing to be challenges in the supply chain** that are creating uncertainty in the market, in particular with our customers around inventory, which is really generated from consumer behavior.

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UNP, Union Pacific Corp, Industrials, US

Kenny G. Rocker, EVP-Marketing & Sales: Our intermodal volume was down due to continued global supply chain disruptions.

FAST, Fastenal Co, Industrials, US

Holden Lewis, EVP & CFO: The supply chain picture is **unchanged from the first quarter. Challenges with availability persist**, but we and our customers are managing them more effectively.

HAS, Hasbro Inc, Consumer Discretionary, US

Deborah M. Thomas, EVP & CFO: We proactively managed our supply chain and inventory purchases to mitigate disruption. We're much better-positioned to meet demand this year versus last. This action resulted in higher than typical inventory levels at Hasbro for this time of the year. To avoid the out-of-stock positions of the last year holiday season due to supply chain disruptions, retailers also shifted some consumer product direct shipments into the second quarter from the third quarter. Both our inventory and that of retail is of extremely high quality.

GIS, General Mills Inc, Consumer Staples, US

Jeffrey L. Harmening, Chairman & CEO: We are planning for a **moderate reduction** in levels of disruptions and supply chain challenges of fiscal 2023, but still expect them to **remain significantly higher than historic levels**.

MKC, McCormick & Co Inc, Consumer Staples, US

Lawrence Erik Kurzius, Chairman & CEO: Our worst disruption of supply chain really was third quarter of last year and has continued to **get better incrementally every month**. We're not out of the woods by a long shot in terms of normalization. But the really **broad scale disruptions that we were experiencing a year ago are behind us** and the disruptions are really much more discrete factors.

FDX, Fedex Corp, Industrials, US

Brie A. Carere, Chief Customer Officer & EVP: Global trade growth has slowed from disruptions related to lockdowns in China and the conflict in Ukraine, limiting the flow of goods and reducing international export volumes. We do **anticipate supply chain disruptions throughout the fiscal year**.

LEN, Lennar Corp, Consumer Discretionary, US

Jonathan M. Jaffe, Co-CEO, Co-President & Director: There were still **intermittent disruptions and an increase in construction costs**, but for the first time since the disruptions began, we saw a flattening in cycle time. Over the past four months, cycle time has expanded by only five days, which we believe **signals a peak**.

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Appendix 1

Important Disclosures

*Other information available upon request

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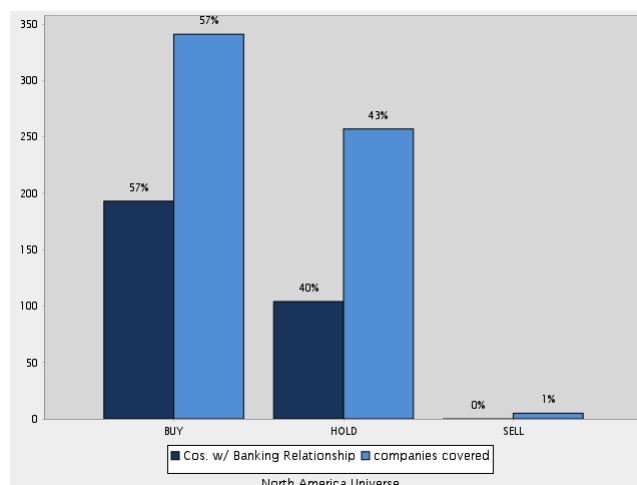
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