

HAS CEO CONFIDENCE BEGUN TO TURN?

June 2020

As June begins, Acresis and our clients are turning our attention to the new-normal we now find ourselves in post-Lockdown. On both sides of the Atlantic, we see huge variation across sectors. We are seeing peak performance in both technology and services companies operating in the Intelligent Automation Market place, in Business Process as a Service (BPAAS) providers, in Cloud services companies, and cyber security. These sectors continue to show strong growth with median performance at +30% CAGR in 2020 vs. 2019; and peak performance running at +100%. This holds true across our client portfolio in both the US and Europe.

Acresis clients headquartered in the U.S. have noticed a slight improvement in their outlook for the year since their more dire fears in March/April. Perceptions started to shift in the months of May and now June, and are now looking incrementally better. Overall, the Acresis portfolio in the U.S. sees 2020 revenue landing at roughly the same levels as 2019, +/- 10%, but with better profitability due to COVID induced cost cutting measures. Counter-intuitively, thanks to US government lending programs, our U.S. portfolio is better capitalized than ever in their history (!).

Another great data point that suggests we may have "bottomed out" is the monthly U.S. Small Business CEO confidence survey published by the Wall Street Journal and Vistage. This monthly survey has taken place since 2012 and polls U.S. businesses with \$1M to \$20M in annual revenue. It includes all industry sectors (except for Government) and each monthly survey averages 600 to 800 CEO respondents.

In this graphic for the May 2020 survey, 816 CEOs responded. From a confidence index high of 105 in February, March dropped to 92 and then a precipitous drop in April to 45. However, the recently concluded May survey rose slightly to 58. Under past "normal" economic circumstances, seeing the CEO confidence rate at 58 would be cause for extreme concern. But perhaps it marks a modest turning point for U.S. small businesses? Please see link for more data: <https://www.vistageindex.com/>



Source: Small-Business CEO Survey Confidence Index
May 2020

With regard to balance sheet strength as a consequence of government intervention, Acresis has seen huge variation between countries. We have been impressed at the speed of access, and quantum of, government support in both US and Germany, but less so in the UK.

Looking forward we see choppy market conditions over the coming quarter, but we do see conditions improving with bright spots being those sectors serving organizations (both public and private) executing significant transformation programs as they adapt to the post-COVID world.

In summary, Acresis expects sees market opportunities for solid growth rates in 2020 over 2019, but with markedly better profitability.

Thanks,

The Acresis Team