

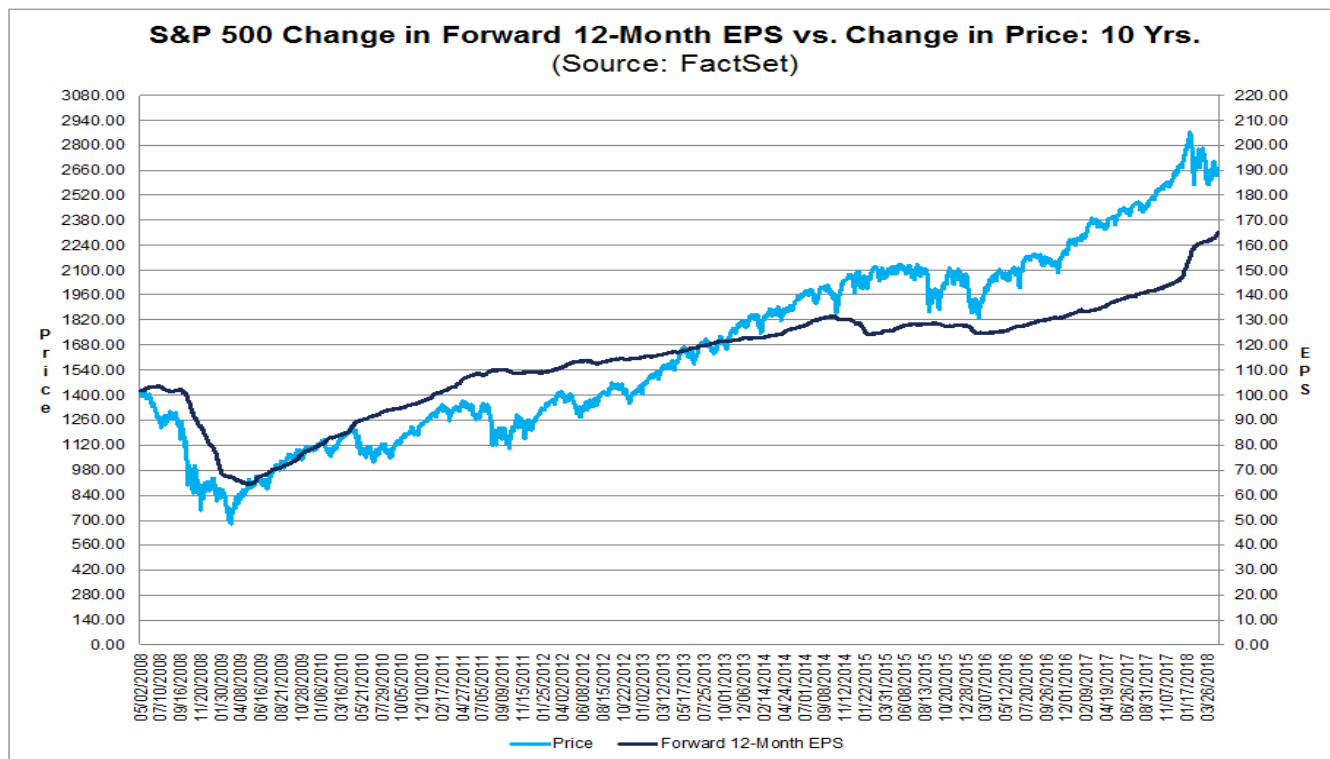
John Butters, Senior Earnings Analyst
jbutters@factset.com

Media Questions/Requests
media_request@factset.com

May 4, 2018

Key Metrics

- Earnings Scorecard:** For Q1 2018 (with 81% of the companies in the S&P 500 reporting actual results for the quarter), 78% of S&P 500 companies have reported a positive EPS surprise and 77% have reported a positive sales surprise. If 78% is the final number for the quarter, it will mark the highest percentage since FactSet began tracking this metric in Q3 2008
- Earnings Growth:** For Q1 2018, the blended earnings growth rate for the S&P 500 is 24.2%. If 24.2% is the actual growth rate for the quarter, it will mark the highest earnings growth since Q3 2010 (34.0%).
- Earnings Revisions:** On March 31, the estimated earnings growth rate for Q1 2018 was 17.1%. Ten sectors have higher growth rates today (compared to March 31) due to positive earnings surprises.
- Earnings Guidance:** For Q2 2018, 43 S&P 500 companies have issued negative EPS guidance and 35 S&P 500 companies have issued positive EPS guidance.
- Valuation:** The forward 12-month P/E ratio for the S&P 500 is 16.0. This P/E ratio is below the 5-year average (16.1) but above the 10-year average (14.3).



To receive this report via e-mail, please go to www.factset.com/data/news_research/researchdesk

To view other market stories with FactSet content, please go to www.factset.com/insight

All data published in this report is available on FactSet. Please contact media_request@factset.com or 1-877-FACTSET for more information.

Topic of the Week:

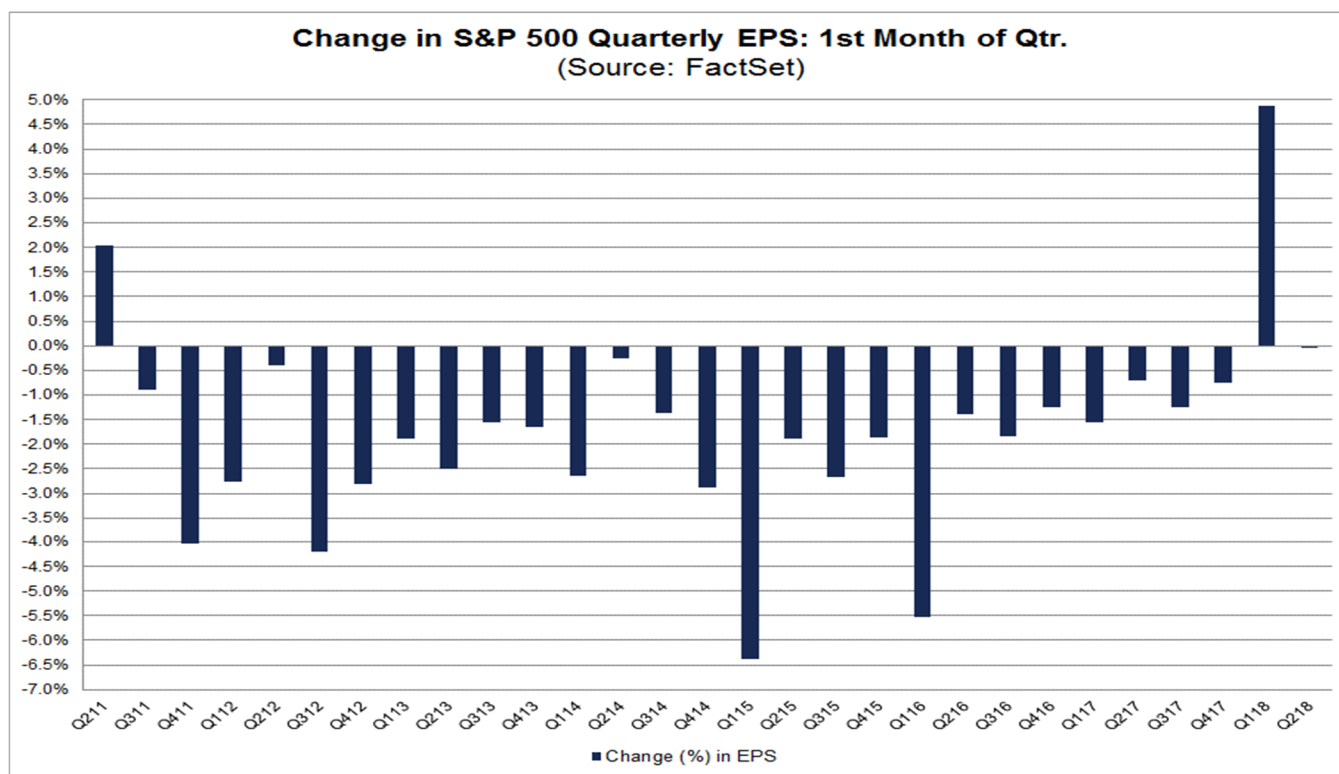
No Change in S&P 500 EPS Estimate for Q2 During Month of April

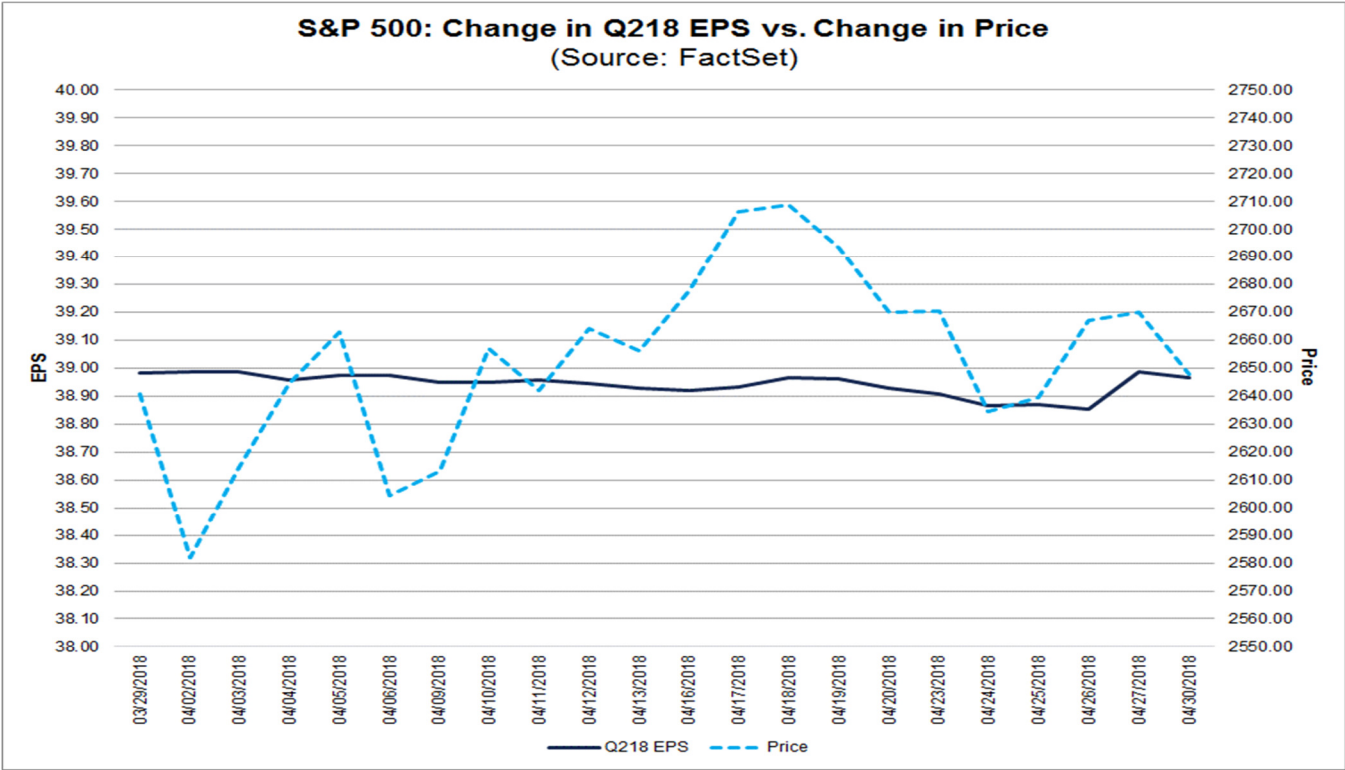
During the month of April, upward and downward revisions to company-level earnings estimates by industry analysts resulted in virtually no change in the aggregate earnings estimate for the S&P 500 for the second quarter. The Q2 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for all the companies in the index) was essentially unchanged (to \$38.96 from \$38.98) during this period. Is it significant that the bottom-up EPS estimate remained flat (0.0%) during the first month of a quarter? How does this lack of change in the aggregate estimate compare to recent quarters?

On average, the bottom-up EPS estimate usually decreases during the first month of a quarter. During the past five years (20 quarters), the bottom-up EPS estimate has recorded an average decline of 1.8% during the first month of a quarter. During the past ten years, (40 quarters), the bottom-up EPS estimate has recorded an average decline of 2.3% during the first month of a quarter. During the past fifteen years, (60 quarters), the bottom-up EPS estimate has recorded an average decline of 1.6% during the first month of a quarter.

At the sector level, five sectors recorded an increase in their bottom-up EPS estimate during the first month of the quarter, led by the Energy sector (+5.6%). Six sectors recorded a decrease in their bottom-up EPS estimate during the first month of the quarter, led by the Industrials sector (-2.2%). However, eight sectors recorded a smaller decrease (or an increase) in their bottom-up EPS estimate relative to their 5-year average decline and 10-year average decline over the first month of the quarter. Six sectors recorded a smaller decrease (or an increase) in their bottom-up EPS estimate relative to their 15-year average decline for the first month of a quarter.

While the bottom-up EPS estimate for the second quarter remained flat during the month of April, the value of the S&P 500 increased slightly during this same period. From March 31 through April 30, the value of the index increased by 0.3% (to 2648.05 from 2640.87).





Q1 2018 Earnings Season: By the Numbers

Overview

To date, 81% of the companies in the S&P 500 have reported actual results for Q1 2018.

In terms of earnings, more companies are reporting actual EPS above estimates (78%) compared to the 5-year average. If 78% is the final percentage for the quarter, it will mark the highest percentage of S&P 500 companies reporting actual EPS above estimates since FactSet began tracking this metric in Q3 2008. In aggregate, companies are reporting earnings that are 7.9% above the estimates, which is also above the 5-year average.

In terms of sales, more companies (77%) are reporting actual sales above estimates compared to the 5-year average. If 77% is the final percentage for the quarter, it will mark a tie with the previous quarter (Q4 2017) for the highest percentage of S&P 500 companies reporting actual sales above estimates since FactSet began tracking this metric in Q3 2008. In aggregate, companies are reporting sales that are 1.3% above estimates, which is also above the 5-year average.

The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report), year-over-year earnings growth rate for the first quarter is 24.2% today, which is higher than the earnings growth rate of 23.2% last week. Positive earnings surprises reported by companies in multiple sectors (led by the Health Care and Information Technology sectors) were responsible for the increase in the earnings growth rate for the index during the past week. All eleven sectors are reporting year-over-year earnings growth. Nine sectors are reporting double-digit earnings growth, led by the Energy, Materials, Information Technology, and Financials sectors.

The blended, year-over-year sales growth rate for the first quarter is 8.5% today, which is higher than the growth rate of 8.2% last week. Positive revenue surprises reported by companies in multiple sectors were responsible for the increase in the revenue growth rate for the index during the past week. All eleven sectors are reporting year-over-year growth in revenues. Five sectors are reporting double-digit growth in revenues, led by the Materials, Information Technology, and Energy sectors.

Looking at future quarters, analysts currently project earnings growth to continue at double-digit levels through 2018.

The forward 12-month P/E ratio is 16.0, which is below the 5-year average but above the 10-year average.

During the upcoming week, 44 S&P 500 companies (including one Dow 30 component) are scheduled to report results for the first quarter.

Scorecard: Record-High Percentages of Companies Beating EPS & Sales Estimates

Record-High Percentage of Companies Beating EPS Estimates (78%)

Overall, 81% of the companies in the S&P 500 have reported earnings to date for the first quarter. Of these companies, 78% have reported actual EPS above the mean EPS estimate, 5% have reported actual EPS equal to the mean EPS estimate, and 16% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is above the 1-year (74%) average and above the 5-year (70%) average.

If 78% is the final percentage for the quarter, it will mark the highest percentage of S&P 500 companies reporting actual EPS above estimates since FactSet began tracking this metric in Q3 2008.

At the sector level, the Information Technology (92%) and Health Care (88%) sectors have the highest percentages of companies reporting earnings above estimates, while the Telecom Services (50%) and Real Estate (61%) sectors have the lowest percentages of companies reporting earnings (FFO for Real Estate) above estimates.

Highest Earnings Surprise Percentage (+7.9%) Since Q4 2010

In aggregate, companies are reporting earnings that are 7.9% above expectations. This surprise percentage is above the 1-year (+5.1%) average and above the 5-year (+4.3%) average.

If 7.9% is the final percentage for the quarter, it will mark the highest earnings surprise percentage since Q4 2010 (10.4%).

At the sector level, the Consumer Discretionary (+15.8%) and Information Technology (+12.7%) sectors are reporting the largest upside aggregate differences between actual earnings and estimated earnings. In the Consumer Discretionary sector, Amazon.com (\$3.27 vs. \$1.24) has reported the largest upside difference between actual EPS and estimated EPS. In the Information Technology sector, Alphabet (\$13.33 vs. \$9.28), Motorola Solutions (\$1.10 vs. \$0.87), and Facebook (\$1.69 vs. \$1.35) have reported the largest upside differences between actual EPS and estimated EPS.

Market Punishing Earnings Beats and Earnings Misses

To date, the market is rewarding upside earnings surprises less than average and punishing downside earnings surprises more than average.

Companies that have reported upside earnings surprises for Q1 2018 have seen an average price decrease of -0.3% two days before the earnings release through two days after the earnings. This percentage decrease is well below the 5-year average price increase of +1.1% during this same window for companies reporting upside earnings surprises.

Companies that have reported downside earnings surprises for Q1 2018 have seen an average price decrease of -3.2% two days before the earnings release through two days after the earnings. This percentage decrease is much larger than the 5-year average price decrease of -2.4% during this same window for companies reporting downside earnings surprises.

Record-High Percentage of Companies Beating Revenue Estimates (77%)

In terms of revenues, 77% of companies have reported actual sales above estimated sales and 23% have reported actual sales below estimated sales. The percentage of companies reporting sales above estimates is above the 1-year average (70%) and well above the 5-year average (57%).

If 77% is the final percentage for the quarter, it will mark a tie with the previous quarter (Q4 2017) for the highest percentage of S&P 500 companies reporting actual sales above estimates since FactSet began tracking this metric in Q3 2008.

At the sector level, the Information Technology (94%), Industrials (88%), and Real Estate (87%) sectors have the highest percentages of companies reporting revenues above estimates, while the Telecom Services (50%) sector has the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+1.3%) is Above 5-Year Average

In aggregate, companies are reporting sales that are 1.3% above expectations. This surprise percentage is above the 1-year (+1.1%) average and above the 5-year (+0.6%) average.

The Real Estate (+6.1%) sector is reporting the largest upside aggregate difference between actual sales and estimated sales, while the Energy (-1.7%) and Telecom Services (-1.1%) sectors are reporting the largest aggregate downside differences between actual sales and estimated sales.

Increase in Blended Earnings Growth This Week Due to Multiple Sectors

Increase in Blended Earnings Growth This Week Due to Multiple Sectors

The blended, year-over-year earnings growth rate for the first quarter is 24.2% today, which is higher than the earnings growth rate of 18.5% last week. Positive earnings surprises reported by companies in the multiple sectors, led by the Health Care and Information Technology sectors, were responsible for the increase in the earnings growth rate for the index during the past week.

In the Health Care sector, the positive earnings surprises reported by Cigna (\$4.11 vs. \$3.39), Pfizer (\$0.77 vs. \$0.74), Merck (\$1.05 vs. \$1.00), and Allergan (\$3.74 vs. \$3.36) were significant contributors to the increase in the overall earnings growth rate for the index during the past week. As a result, the blended earnings growth rate for the Health Care sector increased to 14.7% from 13.1% during this period.

In the Information Technology sector, the positive earnings surprises reported by Mastercard (\$1.50 vs. \$1.25) and Apple (\$2.73 vs. \$2.68) were substantial contributors to the increase in the overall earnings growth rate for the index during the past week. As a result, the blended earnings growth rate for the Information Technology sector increased to 32.9% from 31.8% during this period.

Increase in Blended Revenue Growth This Week

The blended, year-over-year sales growth rate for the first quarter is 8.5% today, which is higher than the growth rate of 8.2% last week. Positive revenue surprises reported by companies in multiple sectors were responsible for the increase in the revenue growth rate for the index during the past week.

Energy, Tech, and Industrials Sectors Have Seen Largest Increases in Earnings Growth since March 31

The blended, year-over-year earnings growth rate for Q1 2018 of 24.2% is above the estimate of 17.1% at the end of the first quarter (March 31). Ten sectors have recorded an increase in earnings growth since the end of the quarter due to upward revisions to earnings estimates and positive earnings surprises, led by the Energy (93.0% from 79.5%), Information Technology (to 32.9% from 22.0%), and Industrials (to 23.3% from 13.2%) sectors. The Real Estate (to 5.5% from 6.8%) is the only sector that has recorded a decrease in earnings growth over this period.

Real Estate Sector Has Seen Largest Increase in Revenue Growth since March 31

The blended, year-over-year sales growth rate for Q1 2018 of 8.5% is above the estimate of 7.4% at the end of the first quarter (March 31). Nine sectors have recorded an increase in sales growth since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Real Estate (to 13.6% from 6.4%) sector. Two sectors have recorded a decrease in sales growth during this time due to downward revisions to revenue estimates and negative revenue surprises: Energy (to 14.1% from 15.4%) and Telecom Services (to 3.3% from 4.2%).

Highest Earnings Growth (24.2%) Since Q3 2010

The blended (year-over-year) earnings growth rate for Q1 2018 is 24.2%. If 24.2% is the final growth rate for the quarter, it will mark the highest earnings growth reported by the index since Q3 2010 (34.0%). It will also mark the fourth time in the past five quarters that the index has reported double-digit earnings growth. All eleven sectors are reporting year-over-year growth in earnings. Nine sectors are reporting double-digit earnings growth, led by the Energy, Materials, Information Technology, and Financials sectors.

Energy: Highest Earnings Growth on Easy Comparison to Low Year-Ago Earnings

The Energy sector is reporting the highest (year-over-year) earnings growth of all eleven sectors at 93.0%. At the sub-industry level, all six sub-industries in the sector are reporting earnings growth for the quarter: Oil & Gas Drilling (N/A due to year-ago loss), Oil & Gas Exploration & Production (3,521%), Oil & Gas Equipment & Services (81%), Oil & Gas Storage & Transportation (56%), Oil & Gas Refining & Marketing (54%), and Integrated Oil & Gas (41%).

The unusually high growth rate for the sector is due to both a significant year-over-year increase in oil prices and a comparison to unusually low earnings in the year-ago quarter. The average price of oil in Q1 2018 (\$62.89) was 21.5% higher than the average price of oil in Q1 2017 (\$51.78). On a dollar-level basis, the Energy sector is reporting earnings of \$15.4 billion in Q1 2018, compared to earnings of \$8.0 billion in Q1 2017. The only sector with lower dollar-level earnings in the year-ago quarter is the Materials sector (\$7.3 billion).

Materials: DowDuPont Leads Growth on Easy Comparison to Standalone EPS for Dow Chemical

The Materials sector is reporting the second highest (year-over-year) earnings growth of all eleven sectors at 44.3%. At the industry level, three of the four industries in the sector are reporting earnings growth: Metals & Mining (76%), Chemicals (42%), and Containers & Packaging (39%).

At the company level, DowDuPont is the largest contributor to earnings growth for the sector. However, the actual earnings for Q1 2018 (\$2.6 billion) reflect the combined DowDuPont company, while the actual earnings for Q1 2017 (\$1.3 billion) reflect the standalone Dow Chemical company. This apple-to-orange comparison is the main reason DowDuPont is the largest contributor to earnings growth for the sector. If this company were excluded, the blended earnings growth rate for the sector would fall to 31.2% from 44.3%.

Information Technology: 5 of 7 Industries Reporting Double-Digit Earnings Growth

The Information Technology sector is reporting the third highest (year-over-year) earnings growth of all eleven sectors at 32.9%. At the industry level, all seven of the industries in this sector are reporting earnings growth. Five of these seven industries are reporting double-digit earnings growth: Internet Software & Services (65%), Semiconductor & Semiconductor Equipment (41%), Software (28%), Technology Hardware, Storage, & Peripherals (26%), and IT Services (25%).

Financials: All 5 Industries Reporting Double-Digit Earnings Growth

The Financials sector is reporting the fourth highest (year-over-year) earnings growth of all eleven sectors at 26.5%. At the industry level, all five industries in this sector are reporting double-digit growth in earnings: Consumer Finance (38%), Diversified Financial Services (35%), Banks (30%), Capital Markets (29%), and Insurance (11%).

Highest Revenue Growth (8.5%) Since Q3 2011

The blended (year-over-year) revenue growth rate for Q1 2018 is 8.5%. If 8.5% is the final growth rate for the quarter, it will mark the highest revenue growth reported by the index since Q3 2011 (12.5%). All eleven sectors are reporting year-over-year growth in revenues. Five sectors are reporting double-digit growth in revenues, led by the Materials, Information Technology, and Energy sectors.

Materials: DowDuPont Leads Growth on Easy Comparison to Standalone Revenue for Dow Chemical

The Materials sector is reporting the highest (year-over-year) revenue growth of all eleven sectors at 22.2%. At the industry level, all four industries in this sector are reporting revenue growth, led by the Chemicals (27%) and Metals & Mining (25%) industries.

At the company level, DowDuPont is the largest contributor to revenue growth for the sector. However, the actual revenues for Q1 2018 (\$21.5 billion) reflect the combined DowDuPont company, while the actual revenues for Q1 2017 (\$13.2 billion) reflect the standalone Dow Chemical company. This apple-to-orange comparison is the main reason DowDuPont is the largest contributor to revenue growth for the sector. If this company were excluded, the blended revenue growth rate for the sector would fall to 13.6% from 22.2%.

Information Technology: 6 of 7 Industries Reporting Double-Digit Growth

The Information Technology sector is reporting the second highest (year-over-year) revenue growth of all eleven sectors at 16.0%. At the industry level, all seven industries in this sector are reporting revenue growth. Six of these seven industries are reporting double-digit revenue growth: Internet Software & Services (27%), Semiconductor & Semiconductor Equipment (18%), IT Services (18%), Software (12%), Electronic Equipment, Instruments, & Components (12%), and Technology Hardware, Storage, & Peripherals (12%).

Energy: 5 of 6 Sub-Industries Reporting Double-Digit Growth

The Energy sector is reporting the third highest (year-over-year) revenue growth of all eleven sectors at 14.1%. At the sub-industry level, all six sub-industries in the sector are reporting revenue growth: Oil & Gas Drilling (42%), Oil & Gas Equipment & Services (29%), Oil & Gas Exploration & Production (19%), Oil & Gas Refining & Marketing (15%), Integrated Oil & Gas (10%), and Oil & Gas Storage & Transportation (5%).

Looking Ahead: Forward Estimates and Valuation

Earnings Guidance: Negative EPS Guidance For Q2 2018 is Below Average

The term “guidance” (or “preannouncement”) is defined as a projection or estimate for EPS provided by a company in advance of the company reporting actual results. Guidance is classified as negative if the estimate (or mid-point of a range estimates) provided by a company is lower than the mean EPS estimate the day before the guidance was issued. Guidance is classified as positive if the estimate (or mid-point of a range of estimates) provided by the company is higher than the mean EPS estimate the day before the guidance was issued.

At this point in time, 78 companies in the index have issued EPS guidance for Q2 2018. Of these 78 companies, 43 have issued negative EPS guidance and 35 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 55% (43 out of 78), which is well below the 5-year average of 74%.

Double-Digit Earnings Growth Expected For All of 2018

For the first quarter, companies are reporting earnings growth of 24.2% and revenue growth of 8.5%. Analysts currently expect earnings to grow at double-digit levels for the remainder 2018.

For Q2 2018, analysts are projecting earnings growth of 18.8% and revenue growth of 8.2%.

For Q3 2018, analysts are projecting earnings growth of 21.0% and revenue growth of 6.9%.

For Q4 2018, analysts are projecting earnings growth of 16.9% and revenue growth of 5.7%.

For all of 2018, analysts are projecting earnings growth of 19.5% and revenue growth of 7.2%.

Valuation: Forward P/E Ratio is 16.0, above the 10-Year Average (14.3)

The forward 12-month P/E ratio is 16.0. This P/E ratio is below the 5-year average of 16.1, but above the 10-year average of 14.3. It is below the forward 12-month P/E ratio of 16.4 recorded at the start of the second quarter (March 31). Since the start of the second quarter, the price of the index has decreased by 0.4%, while the forward 12-month EPS estimate has increased by 2.1%.

At the sector level, the Energy (19.8) and Consumer Discretionary (19.4) sectors have the highest forward 12-month P/E ratios, while the Telecom Services (10.0) and Financials (12.5) sectors have the lowest forward 12-month P/E ratios. Seven sectors have forward 12-month P/E ratios that are above their 10-year averages, led by the Information Technology (17.7 vs. 14.5) sector. Two sectors have forward 12-month P/E ratios that are below their 10-year averages, led by the Telecom Services (10.0 vs. 14.1). The forward 12-month P/E ratio for the Financials sector (12.5) is equal to its 10-year average.

Targets & Ratings: Analysts Project 17% Increase in Price Over Next 12 Months

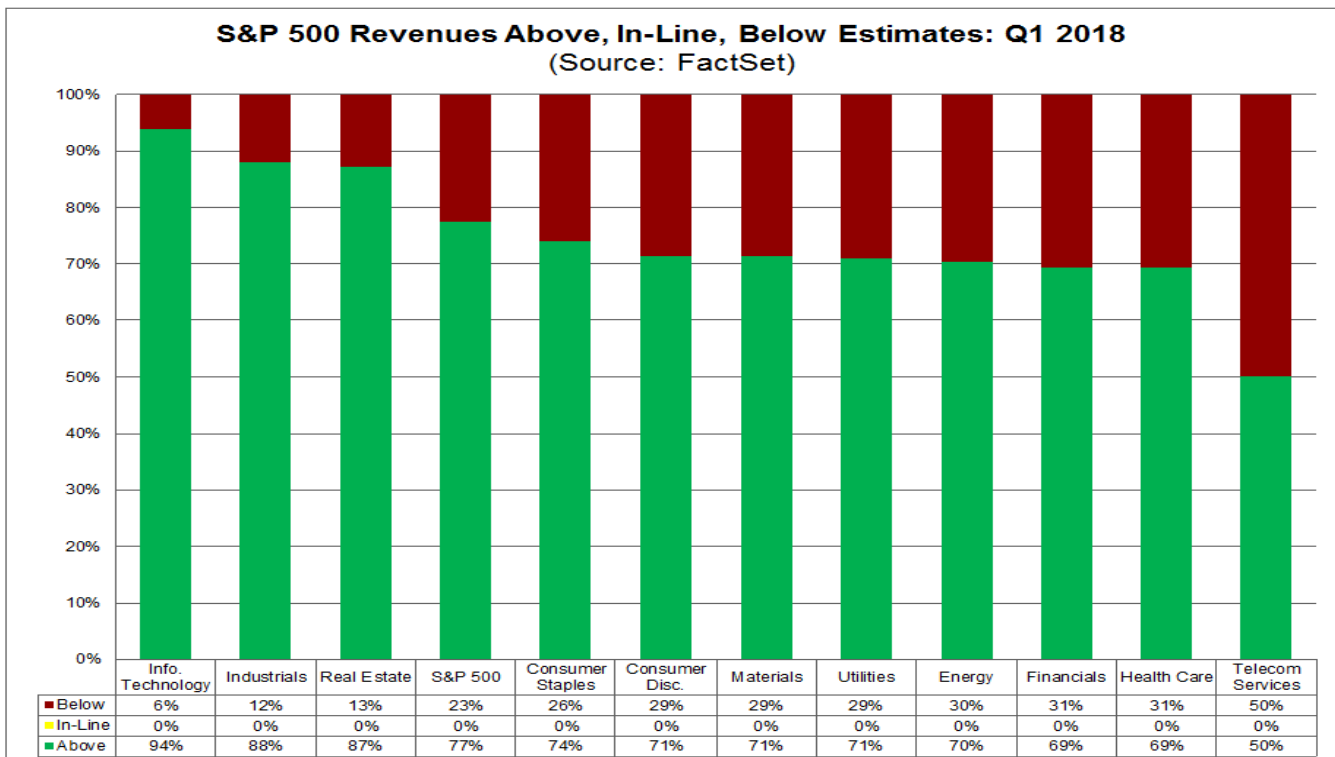
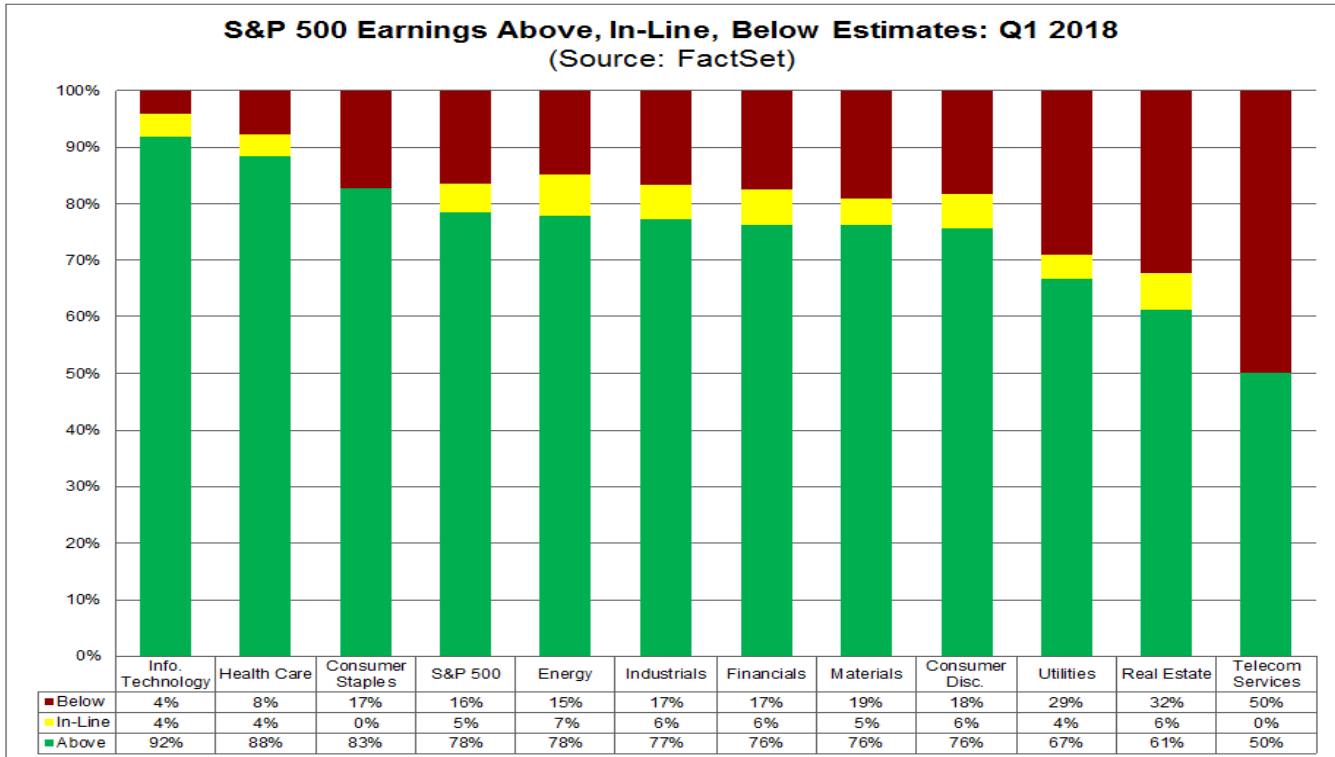
The bottom-up target price for the S&P 500 is 3081.04, which is 17.2% above the closing price of 2629.73. At the sector level, the Telecom Services (19.0%) and Consumer Discretionary (+18.8%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Utilities (+5.0%) sector is expected to see the smallest price increase, as this sector has the smallest upside difference between the bottom-up target price and the closing price.

Overall, there are 11,103 ratings on stocks in the S&P 500. Of these 11,103 ratings, 53.1% are Buy ratings, 42.3% are Hold ratings, and 4.6% are Sell ratings. At the sector level, the Information Technology (61%), Energy (59%), and Health Care (59%) sectors have the highest percentages of Buy ratings, while the Telecom Services (37%) and Utilities (40%) sectors have the lowest percentages of Buy ratings.

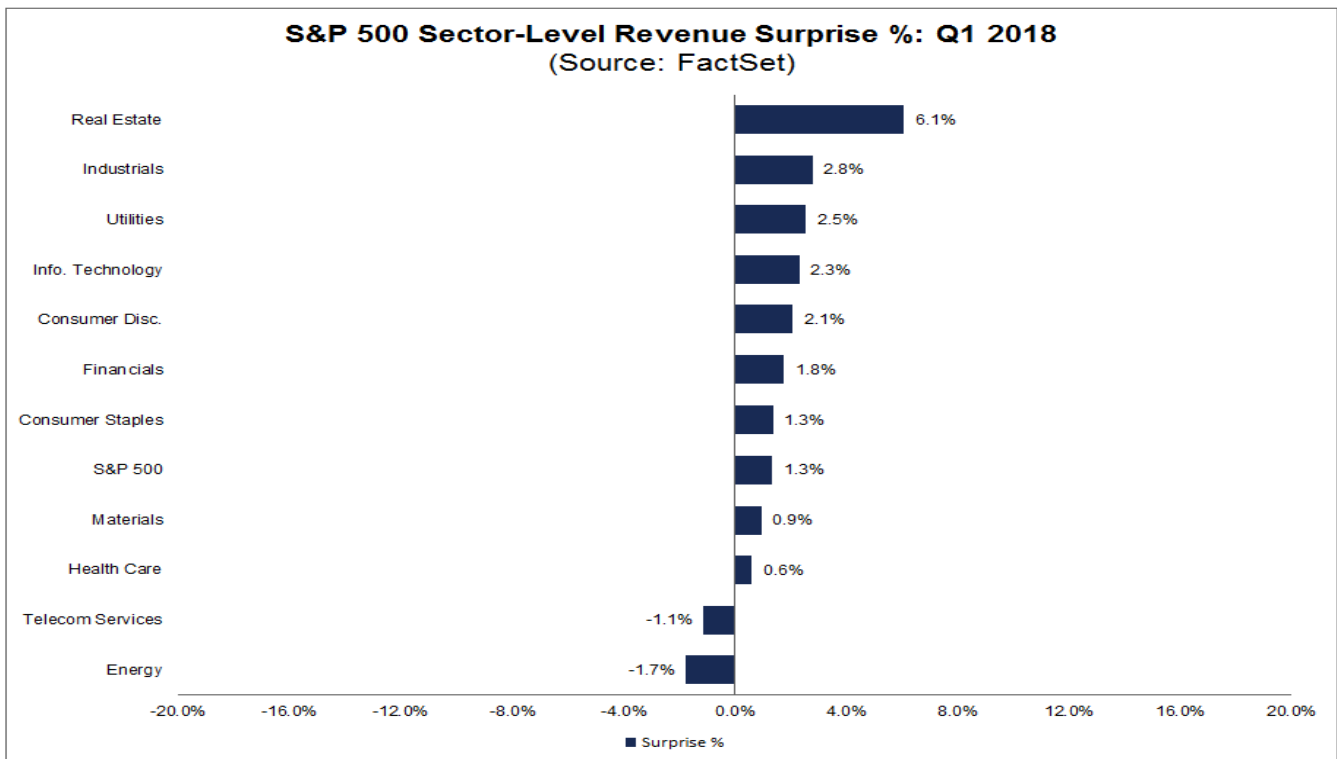
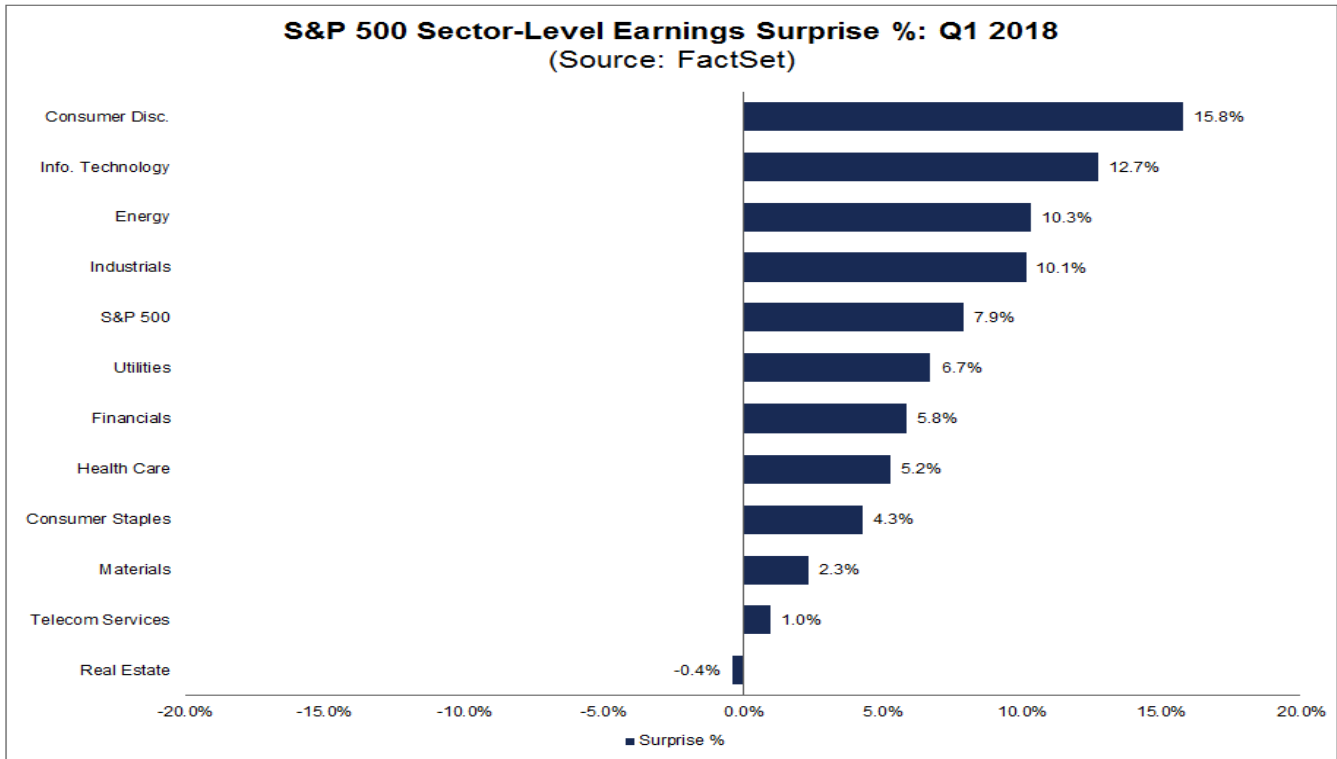
Companies Reporting Next Week: 44

During the upcoming week, 44 S&P 500 companies (including 1 Dow 30 component) are scheduled to report results for the first quarter.

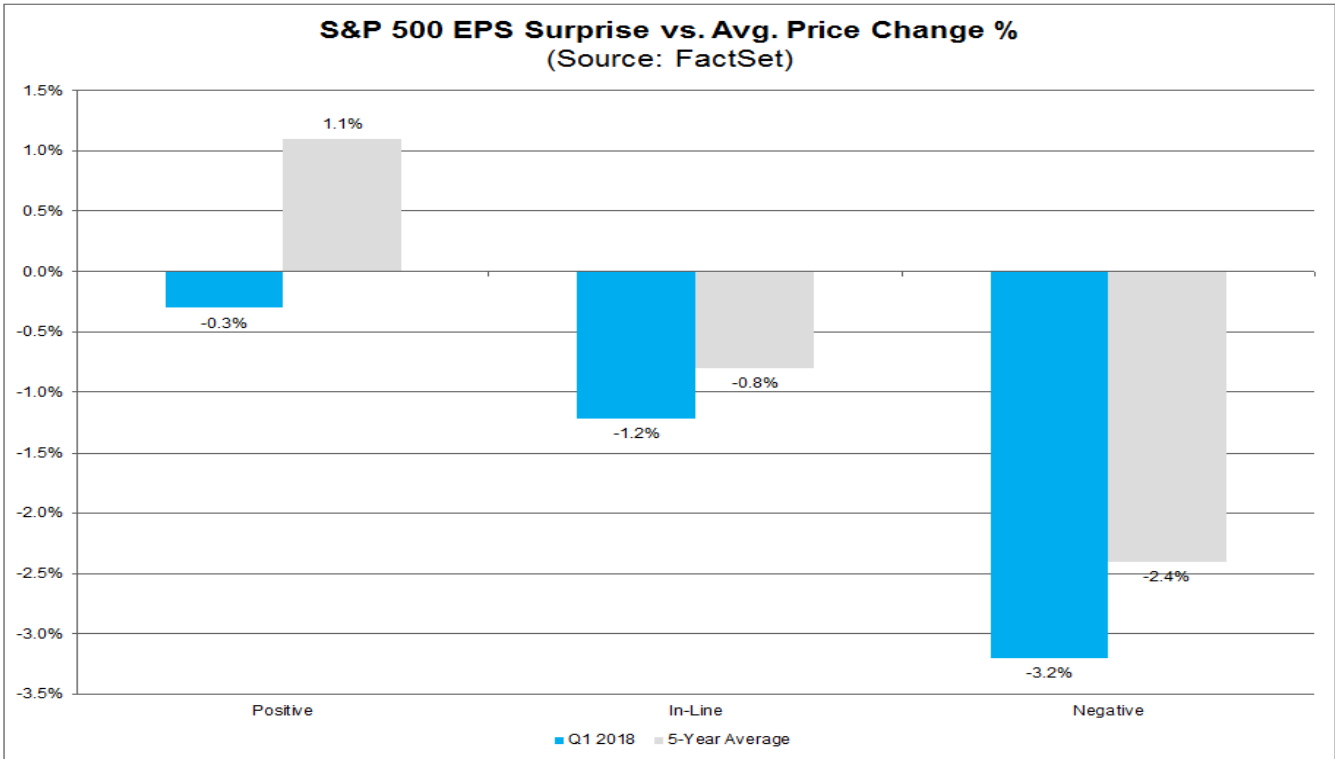
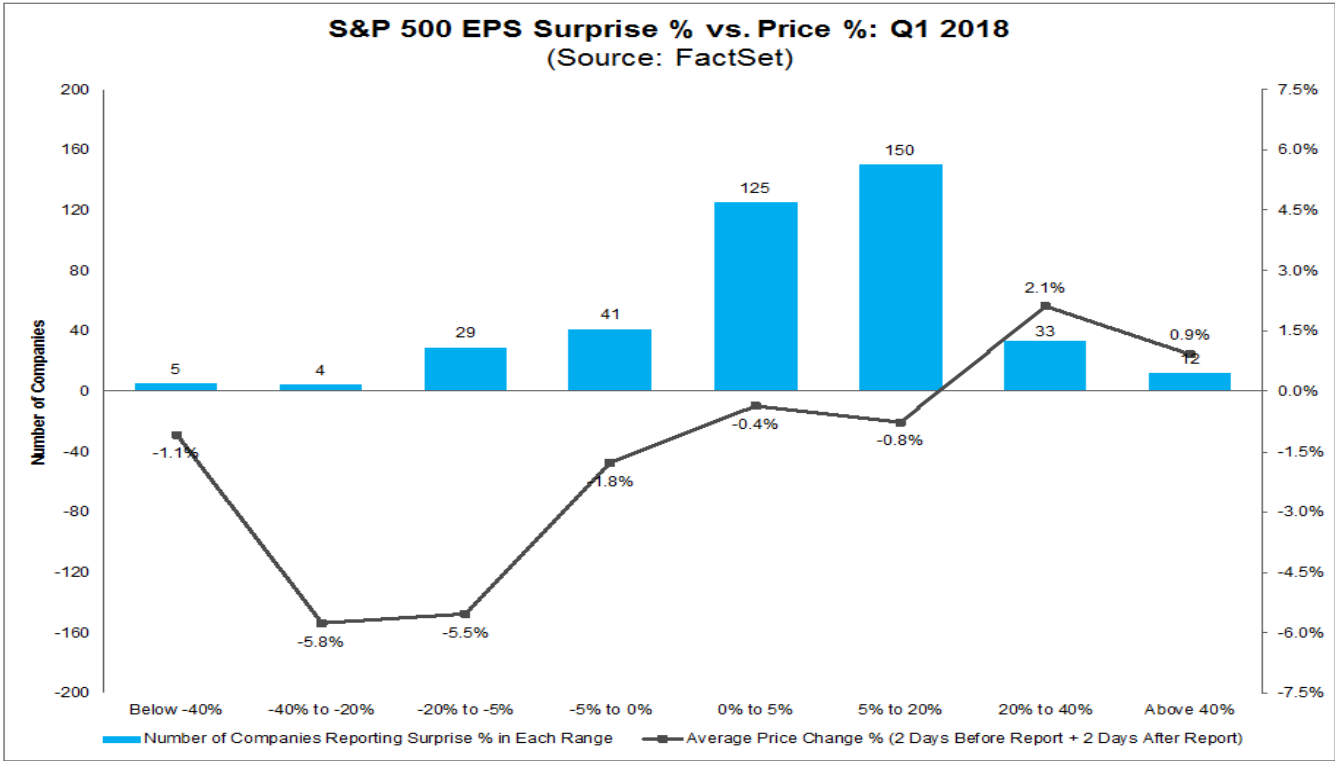
Q1 2018: Scorecard



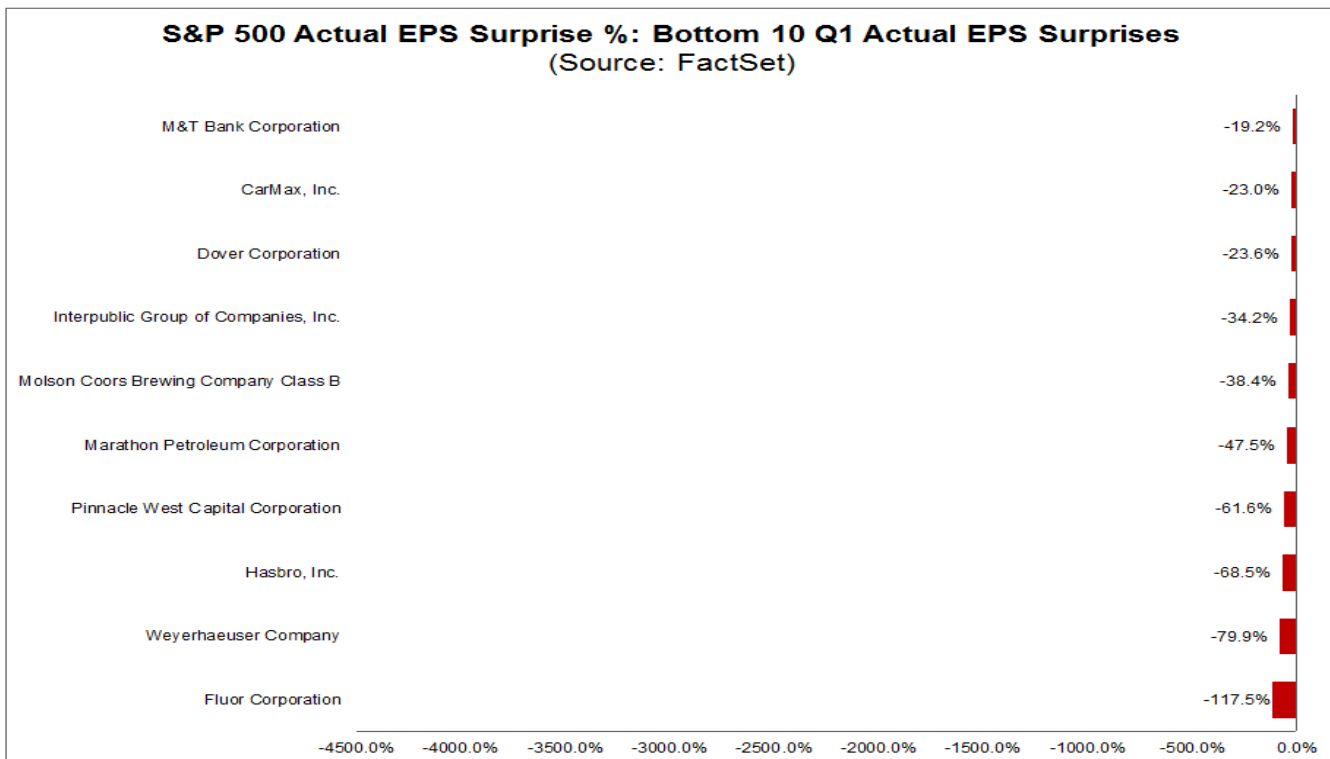
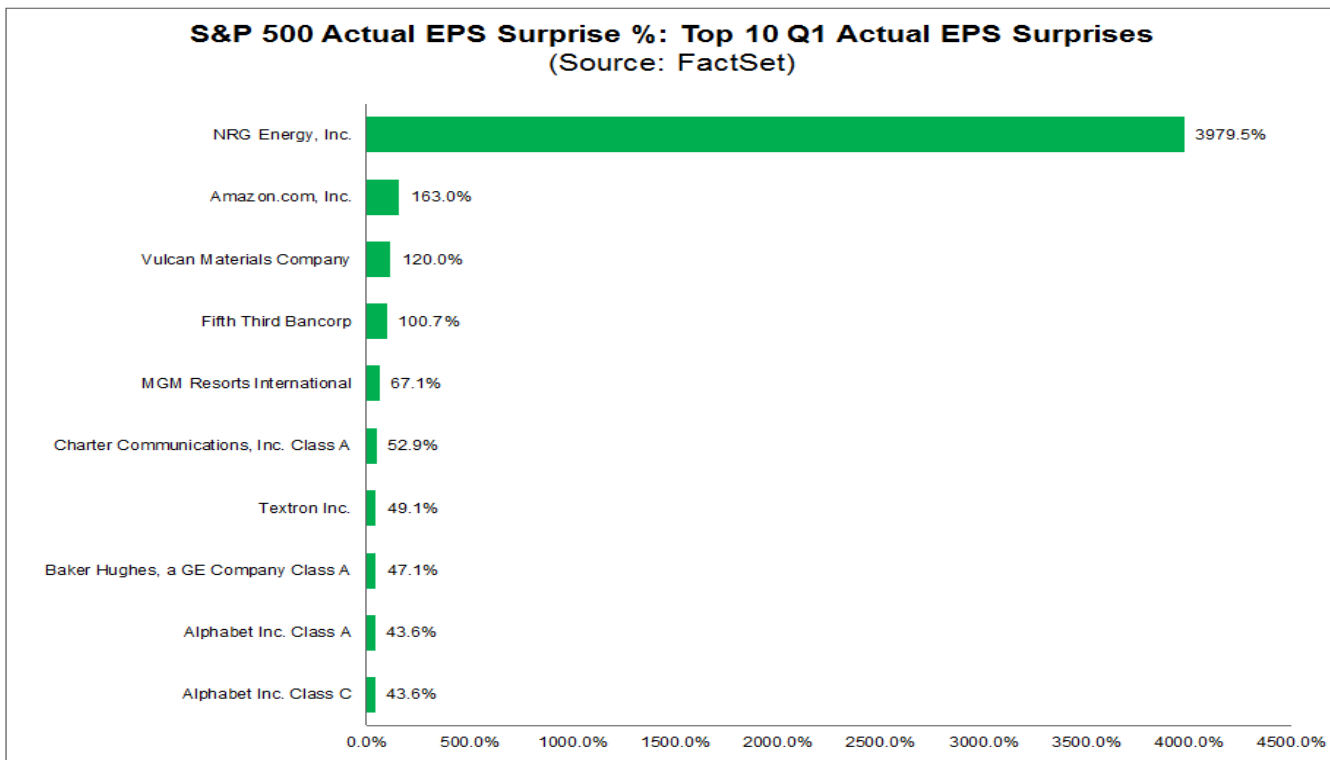
Q1 2018: Scorecard



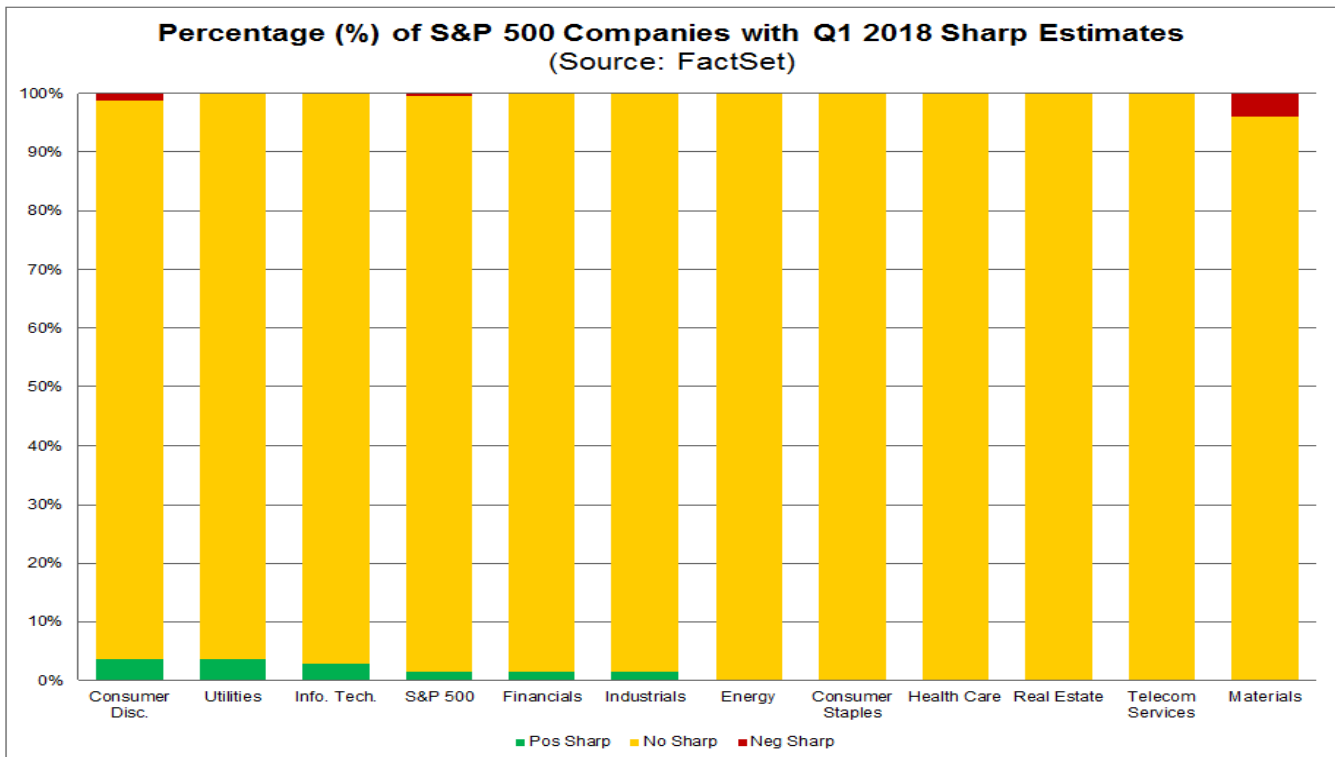
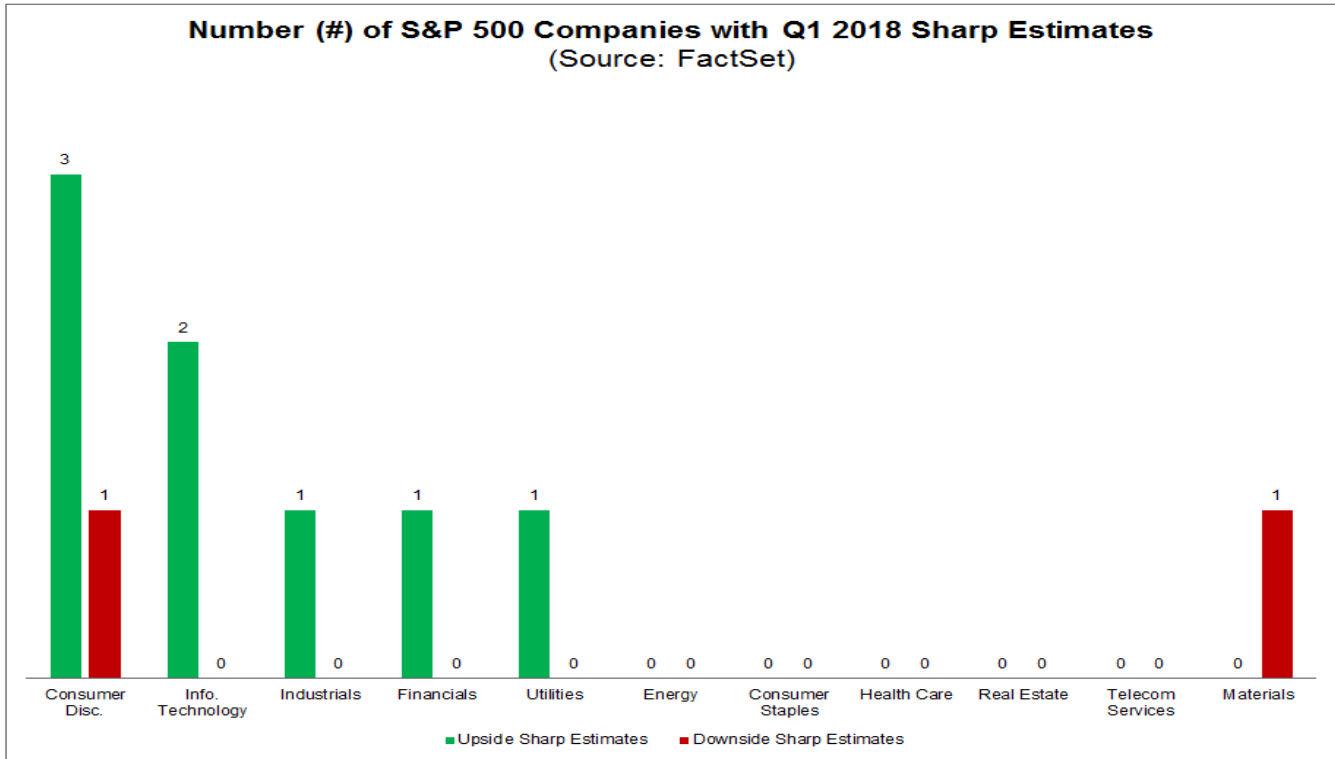
Q1 2018: Scorecard



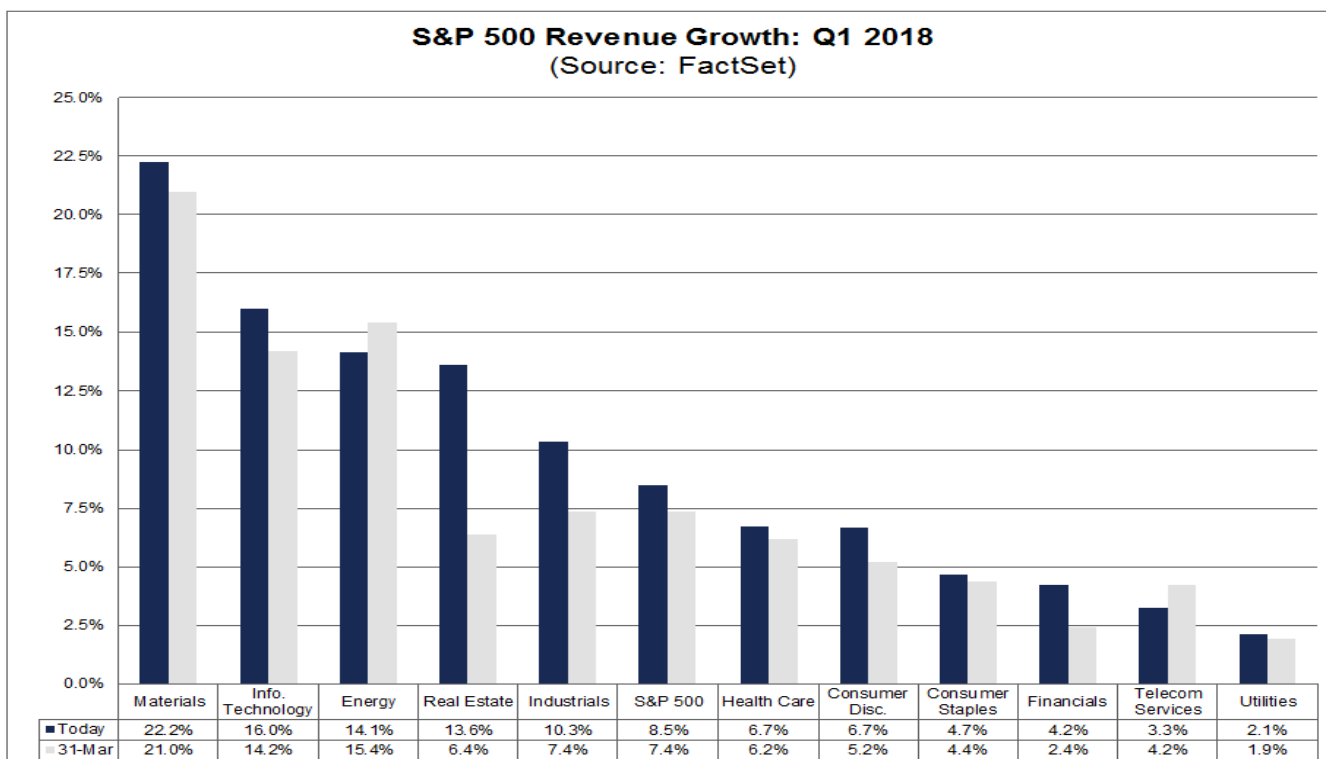
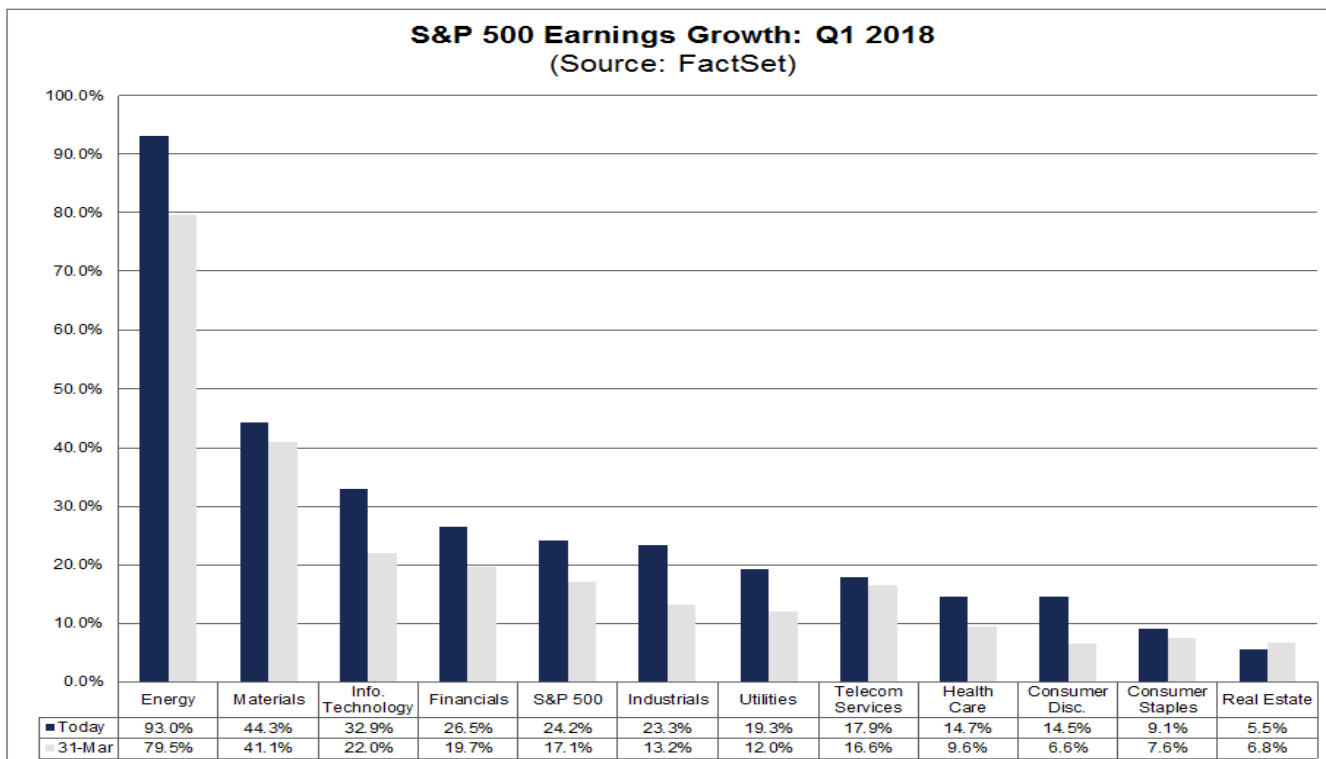
Q1 2018: Scorecard



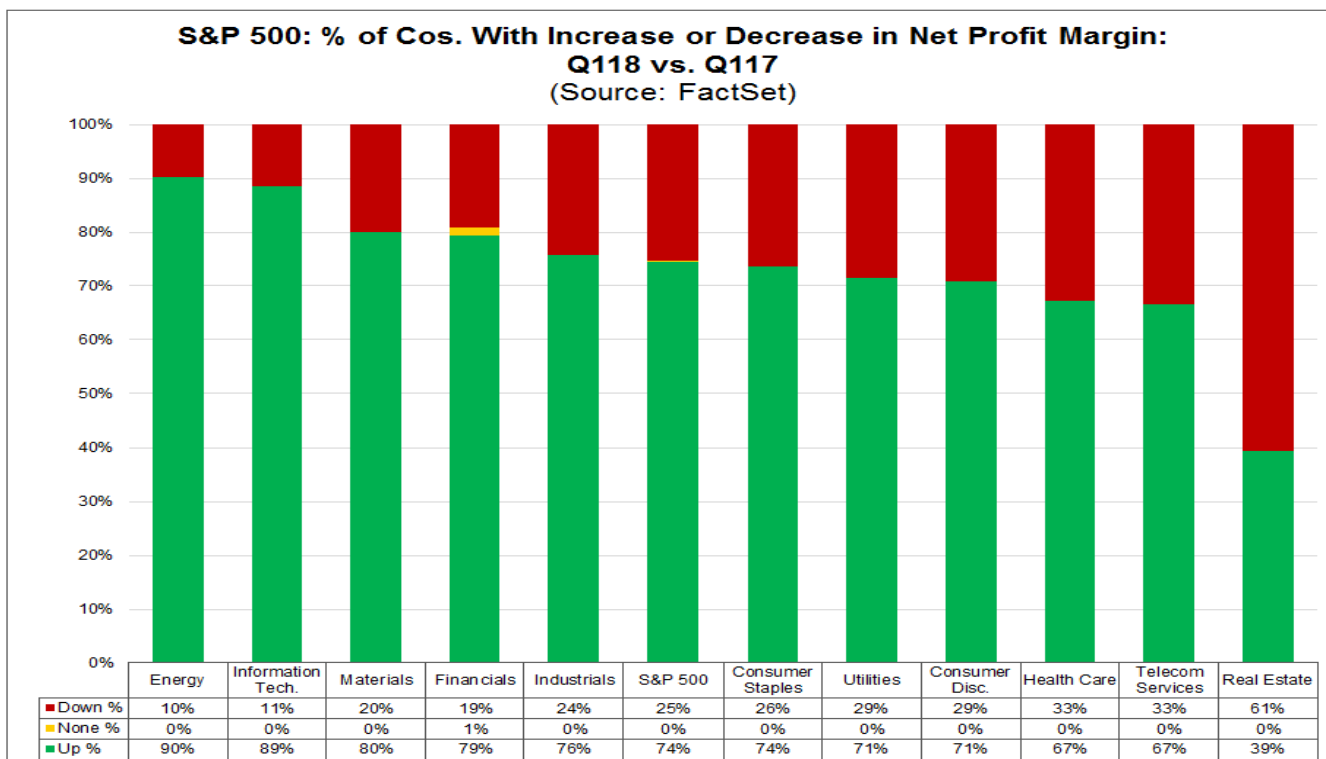
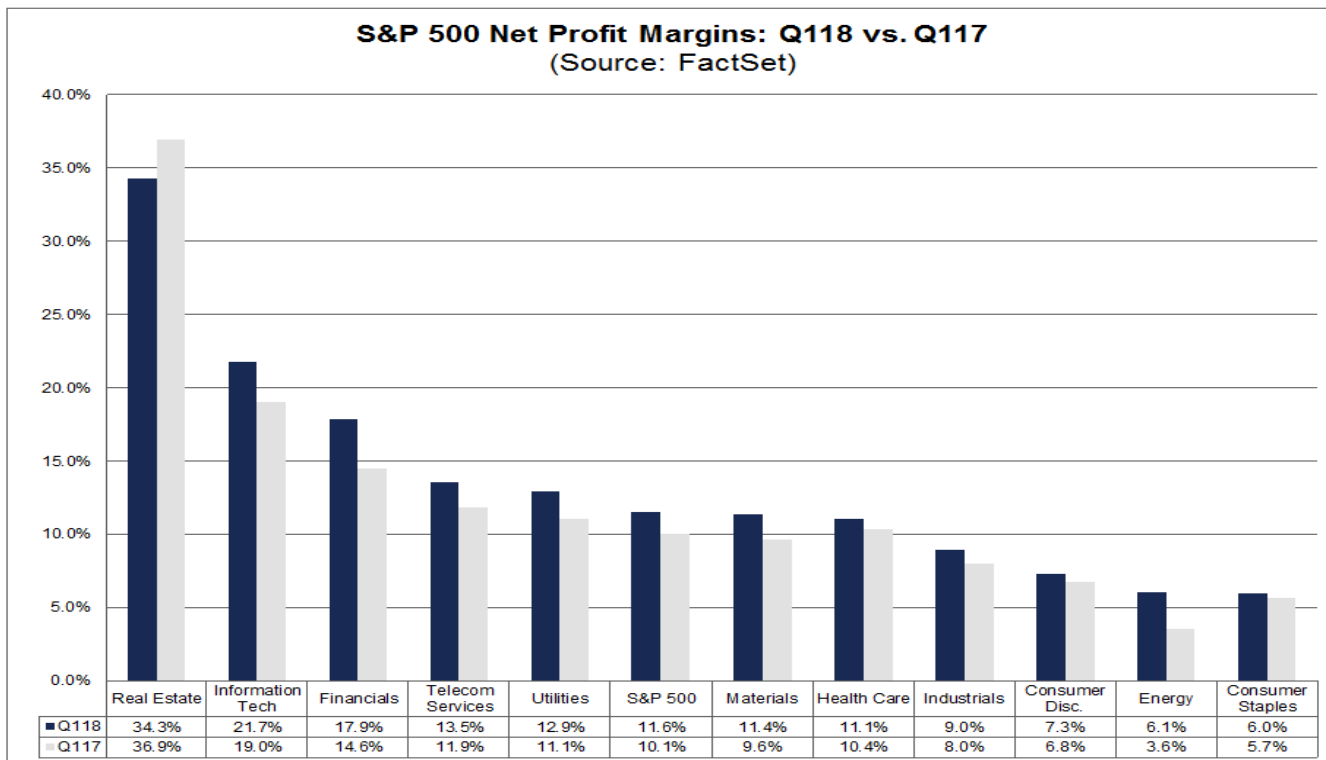
Q1 2018: Projected EPS Surprises (Sharp Estimates)



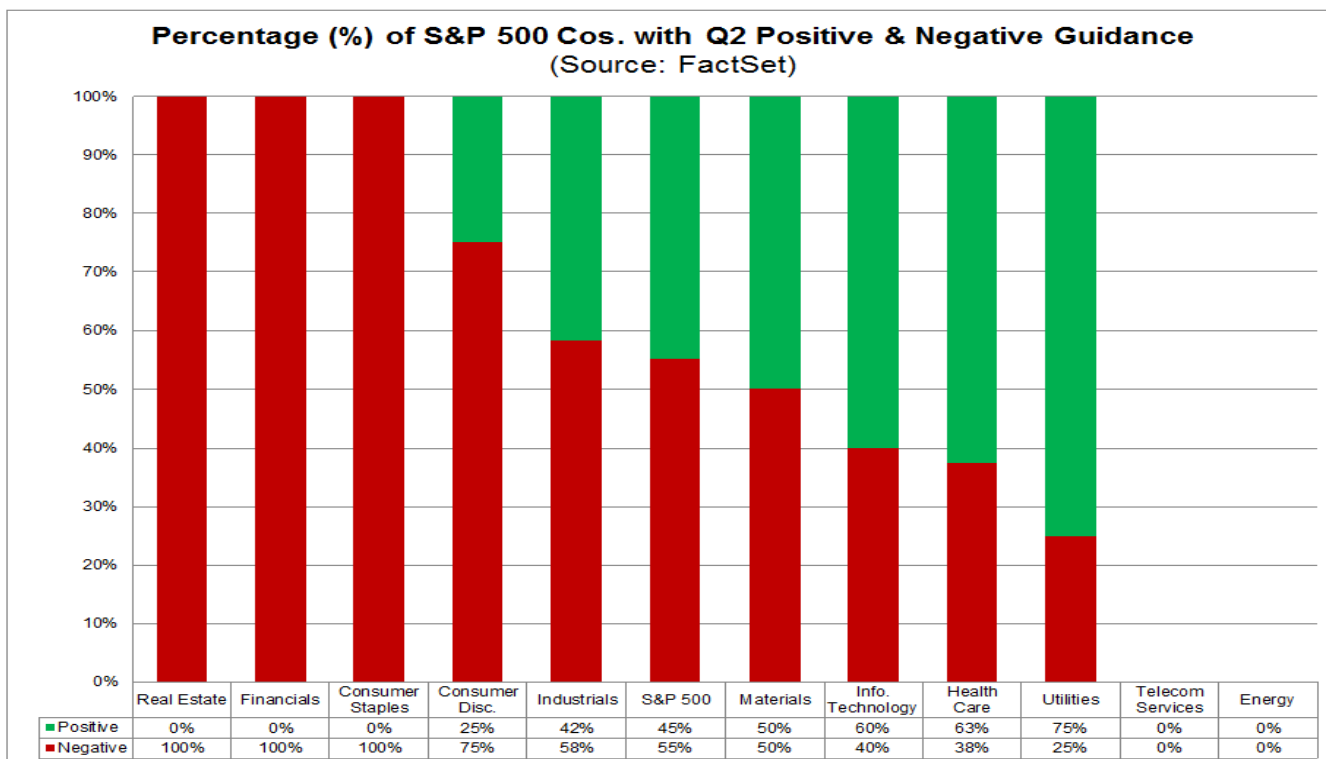
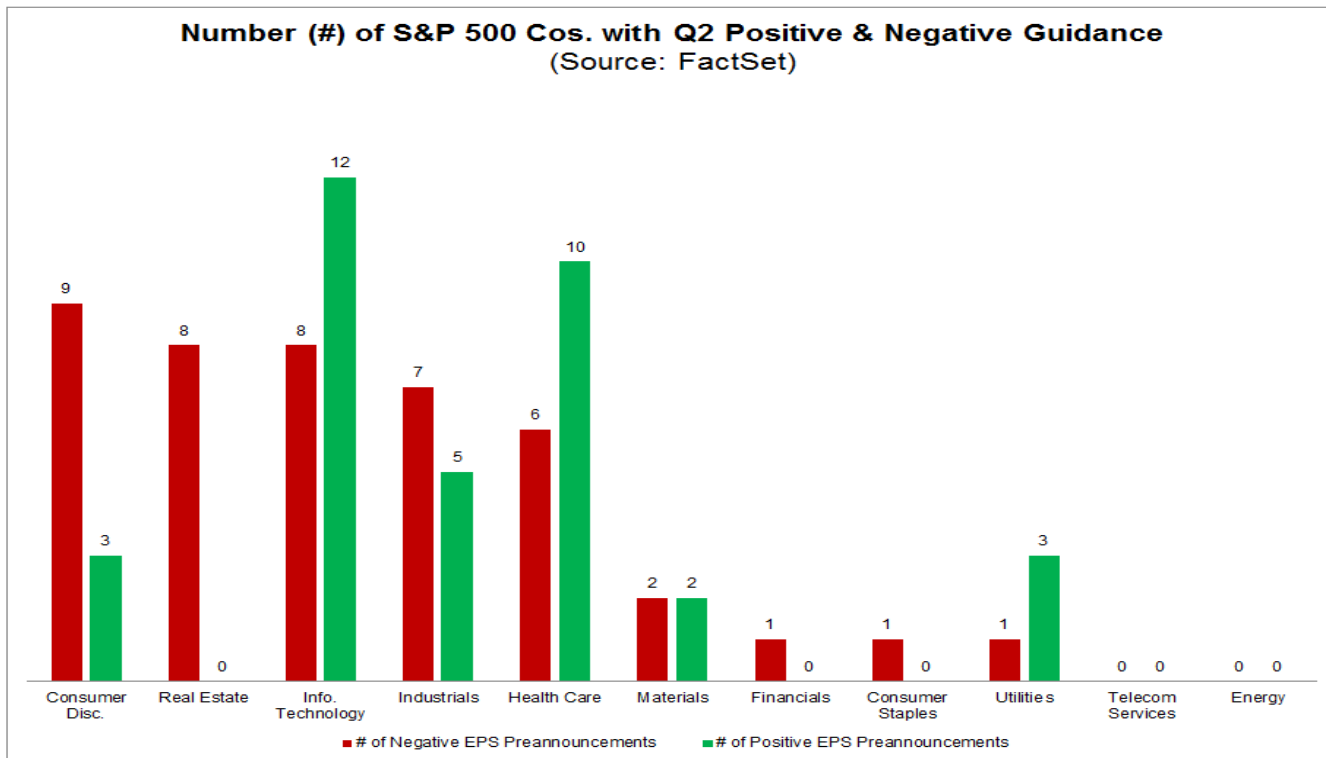
Q1 2018: Growth



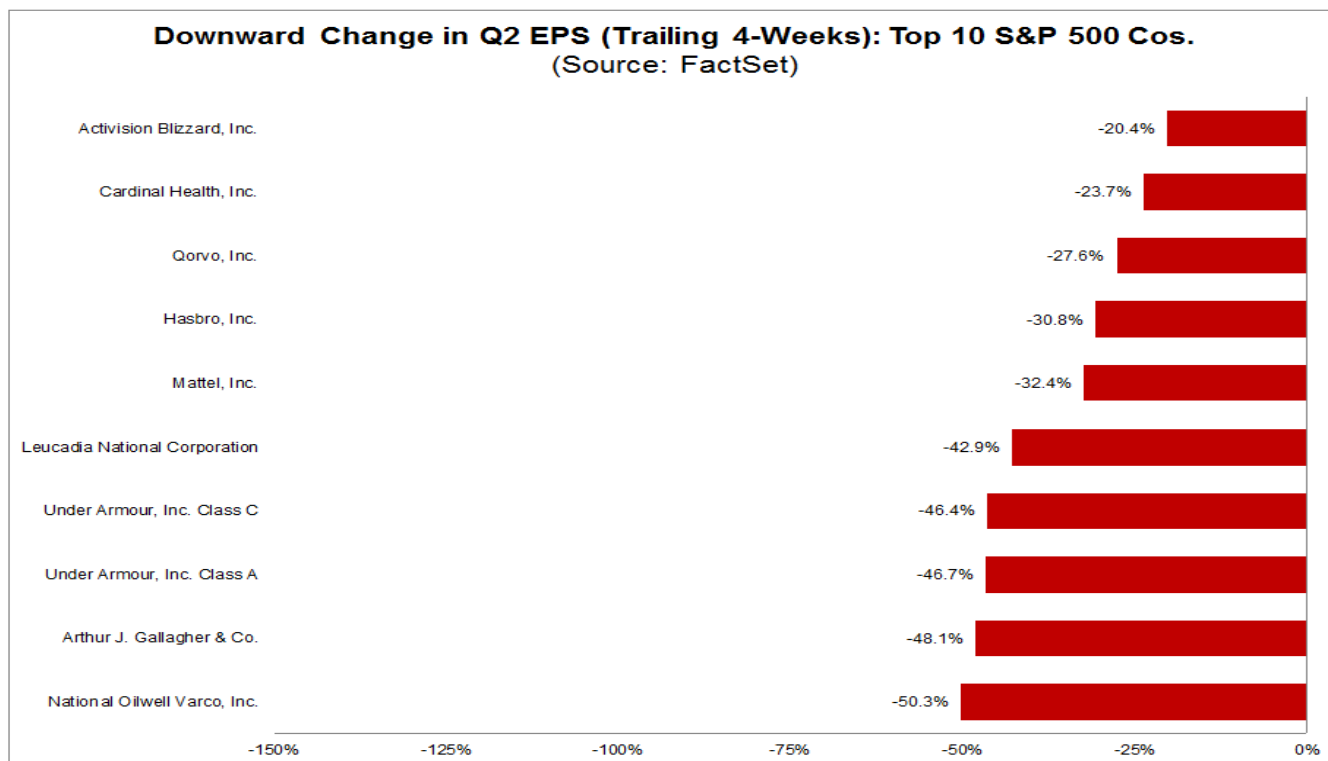
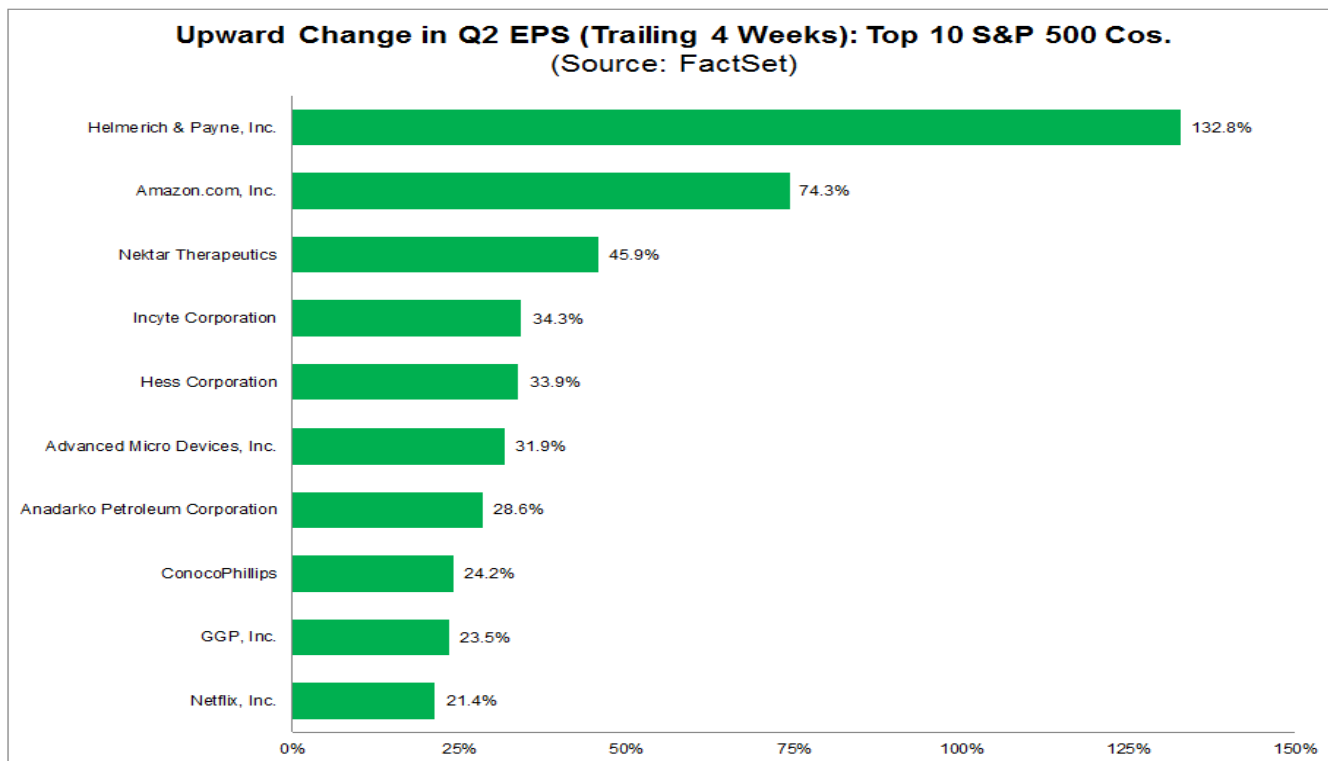
Q1 2018: Net Profit Margin



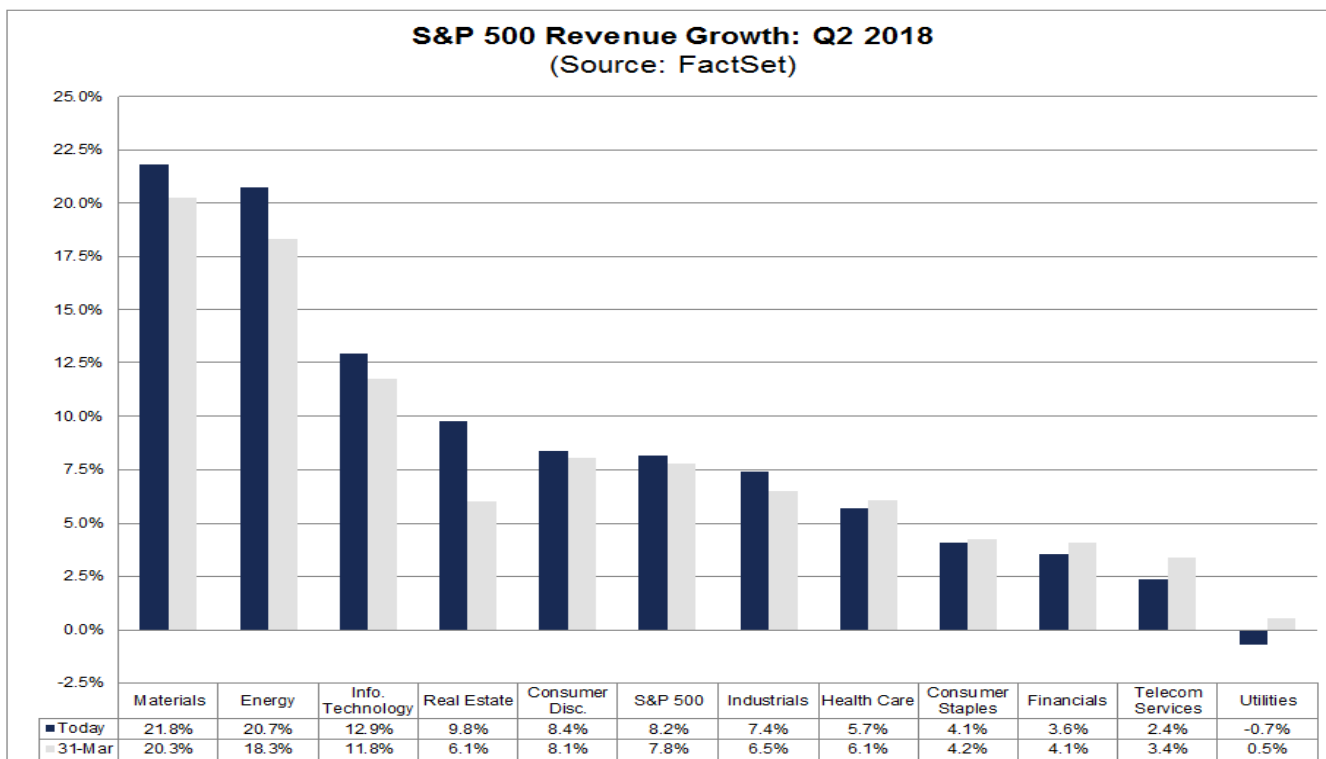
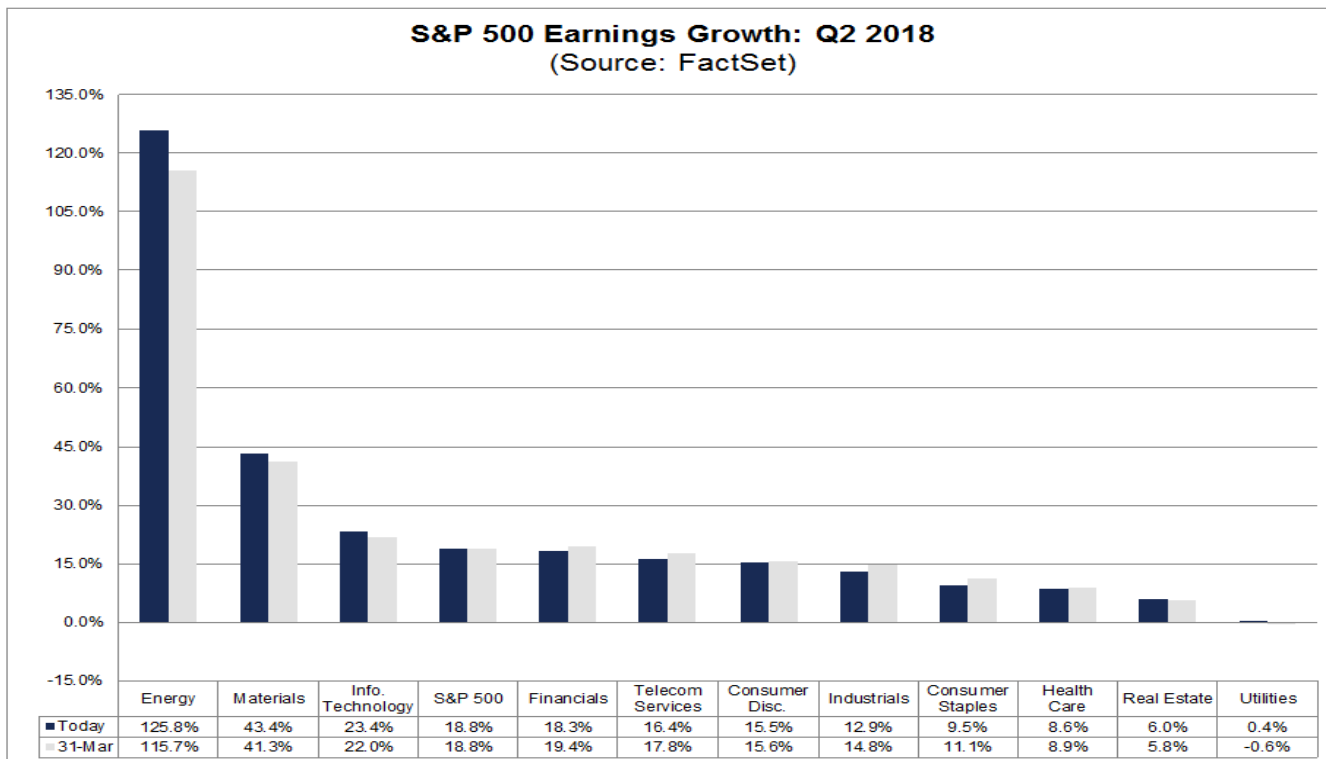
Q2 2018: Guidance



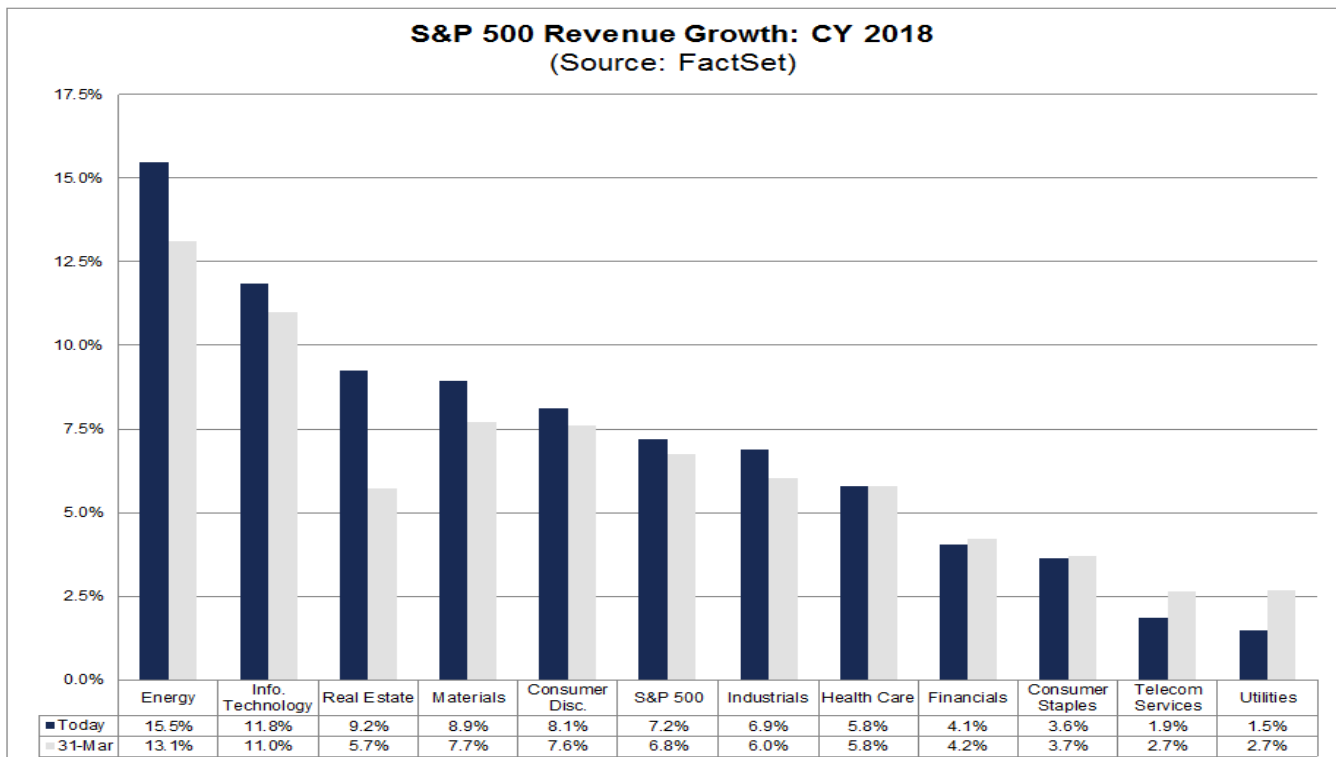
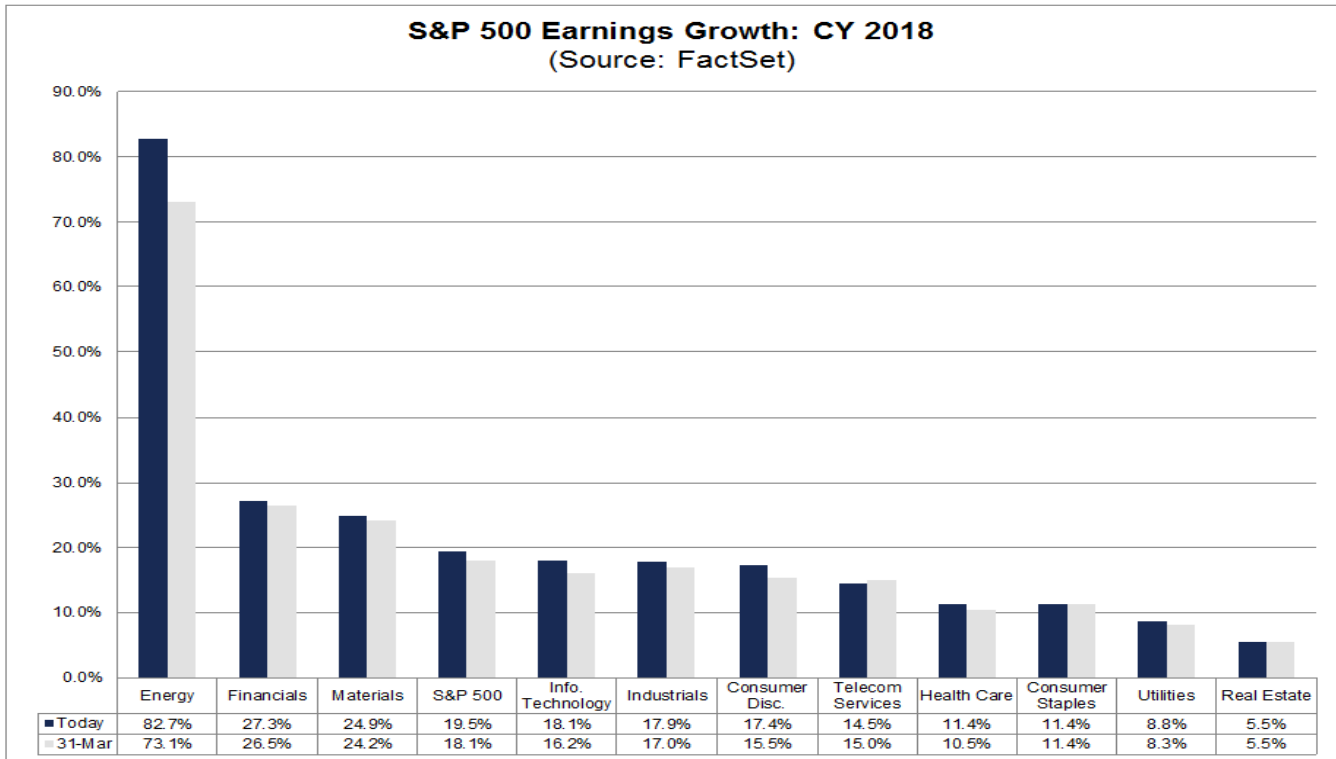
Q2 2018: EPS Revisions



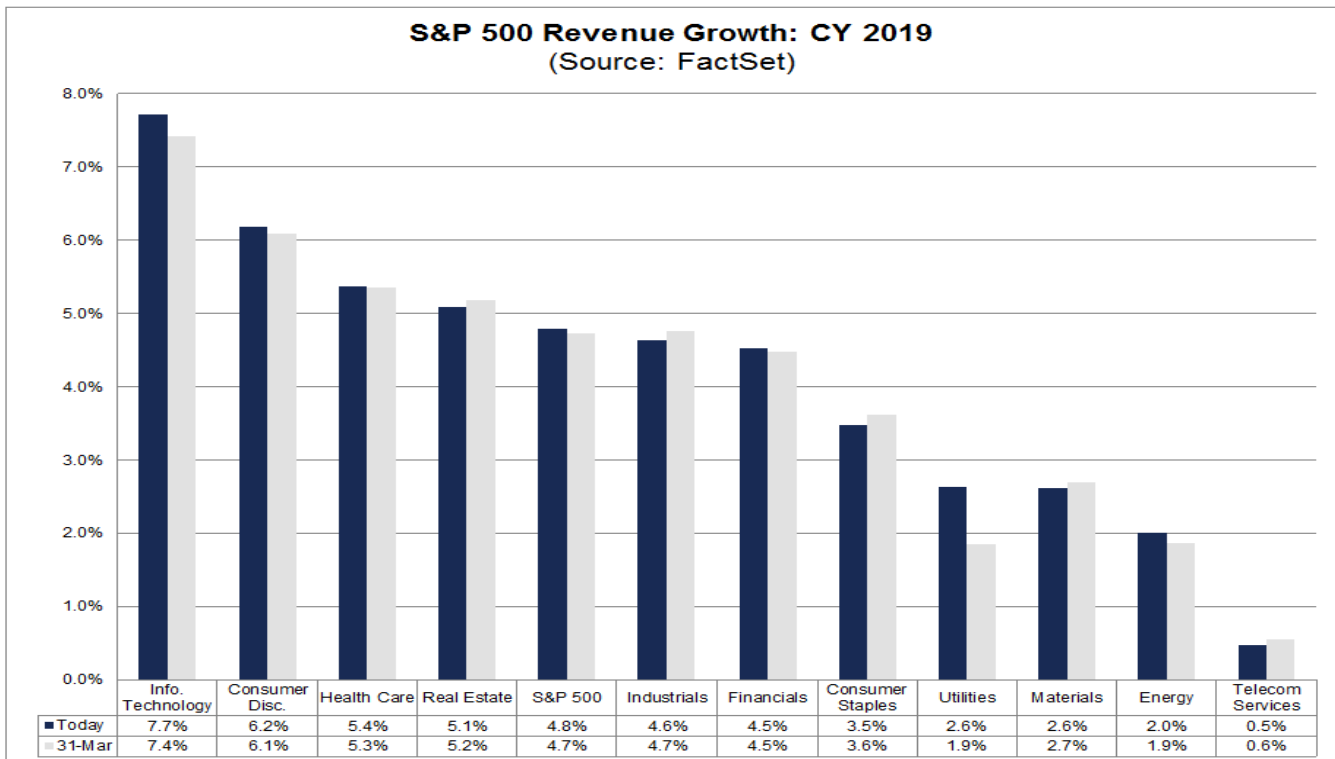
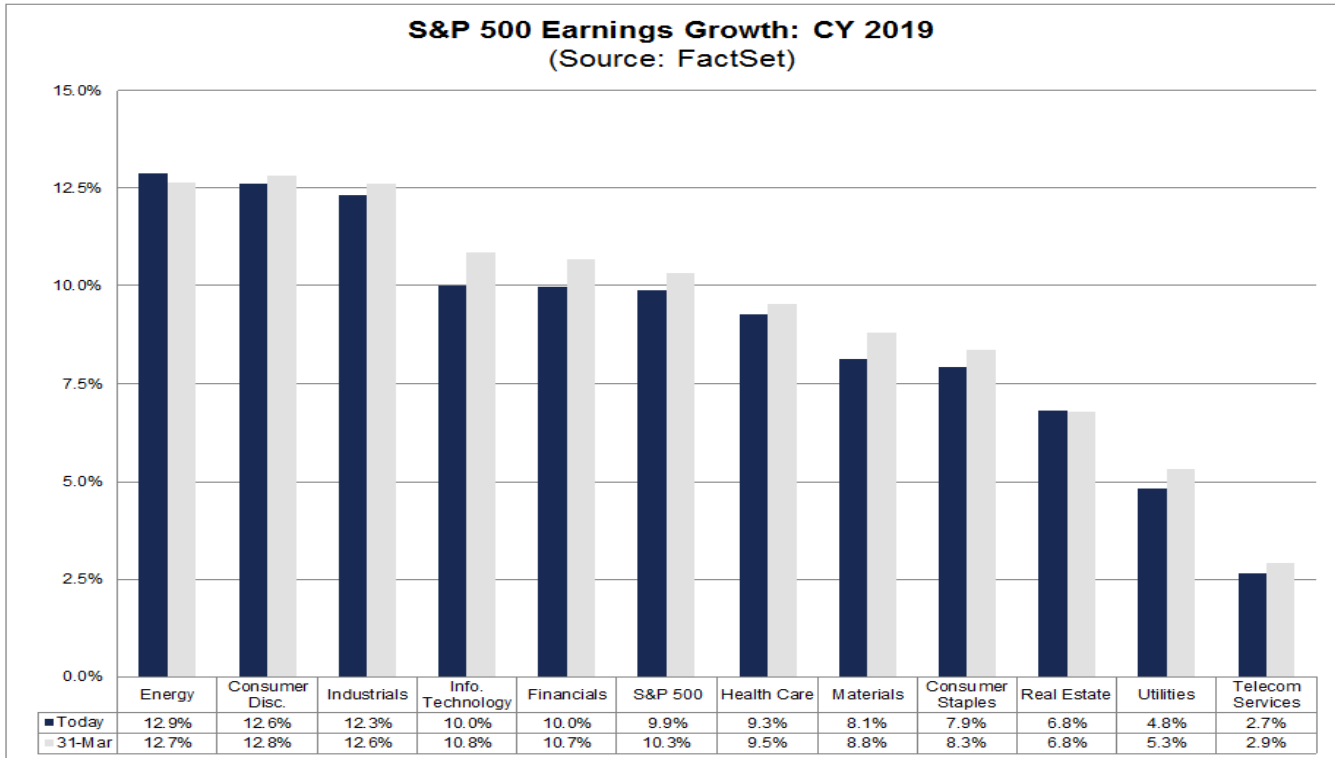
Q2 2018: Growth



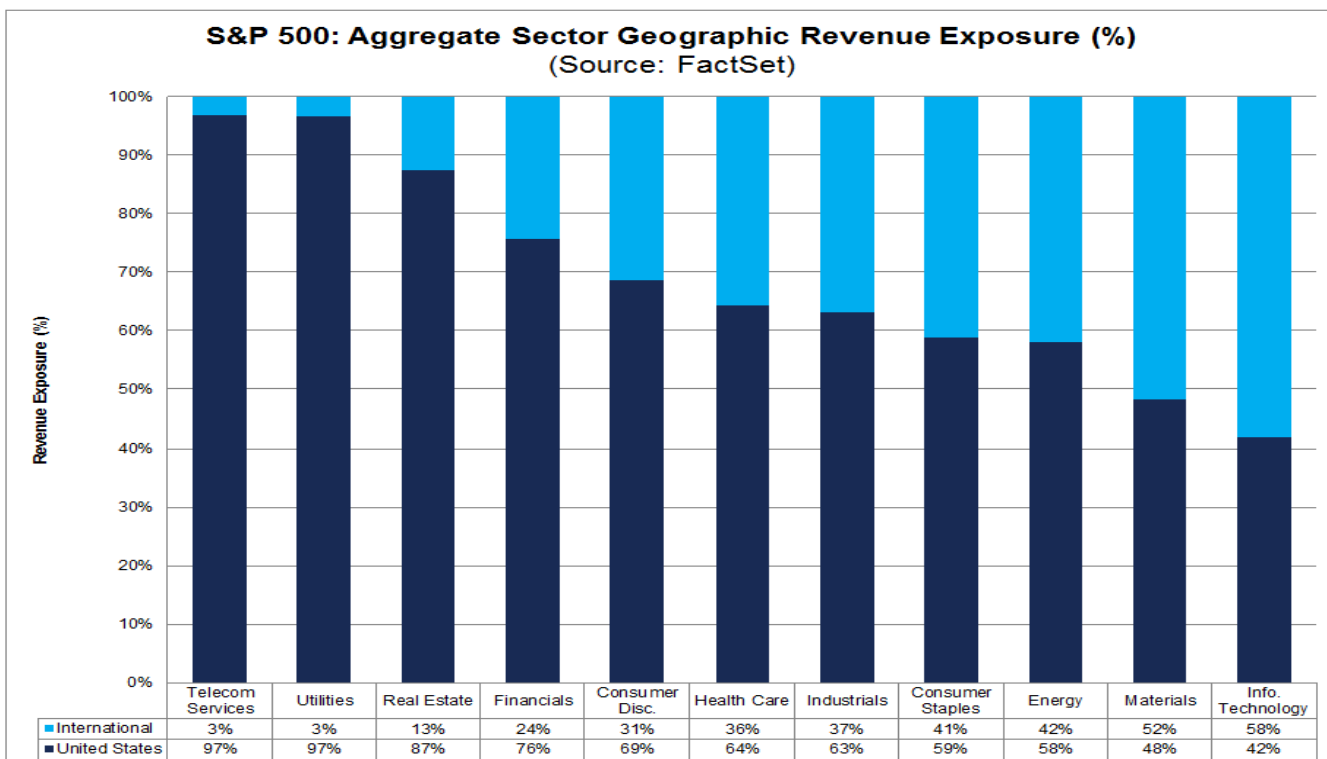
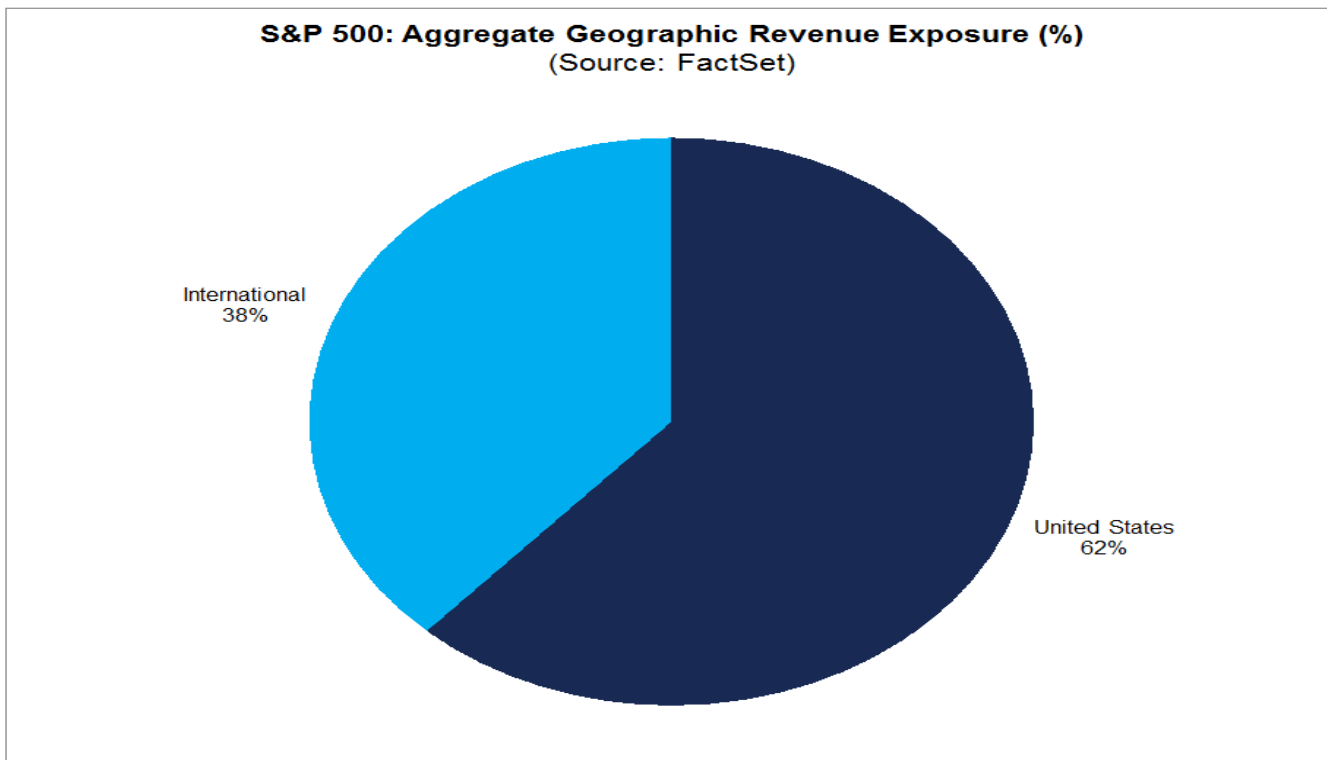
CY 2018: Growth



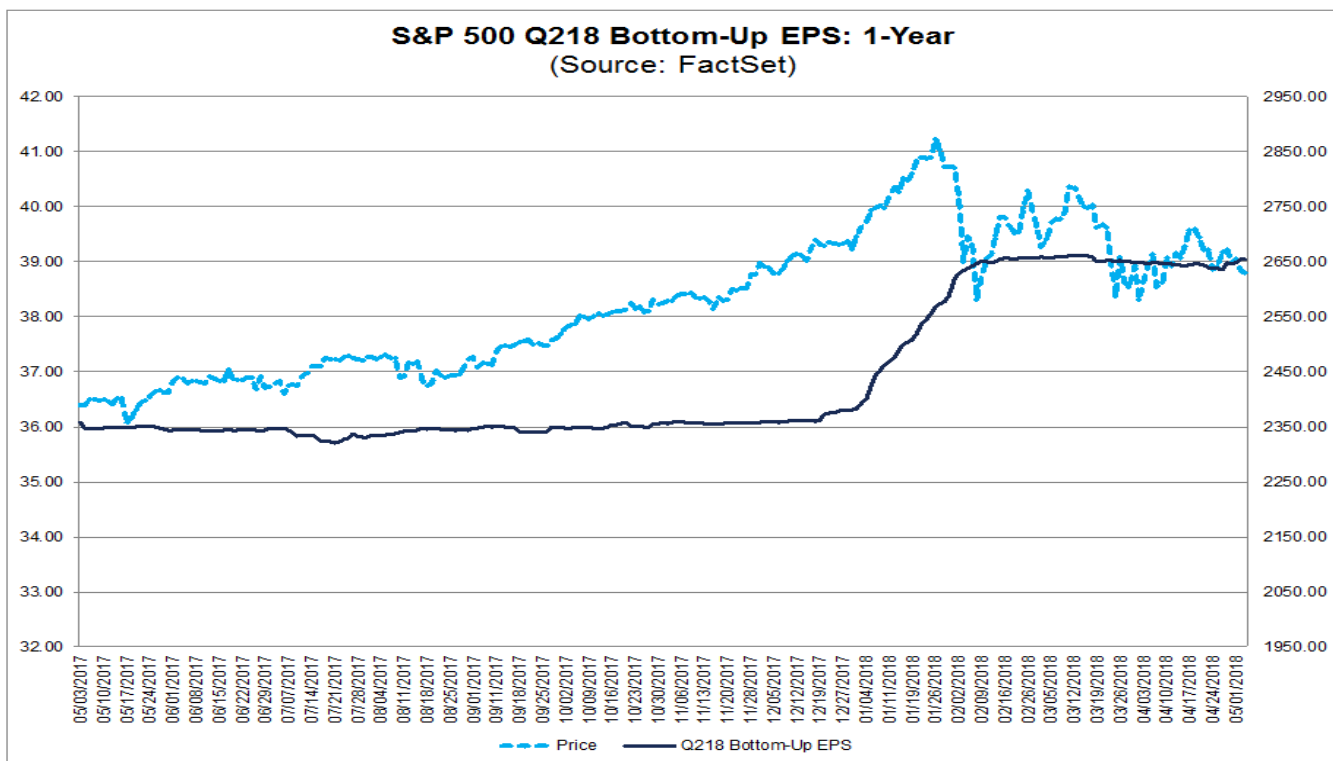
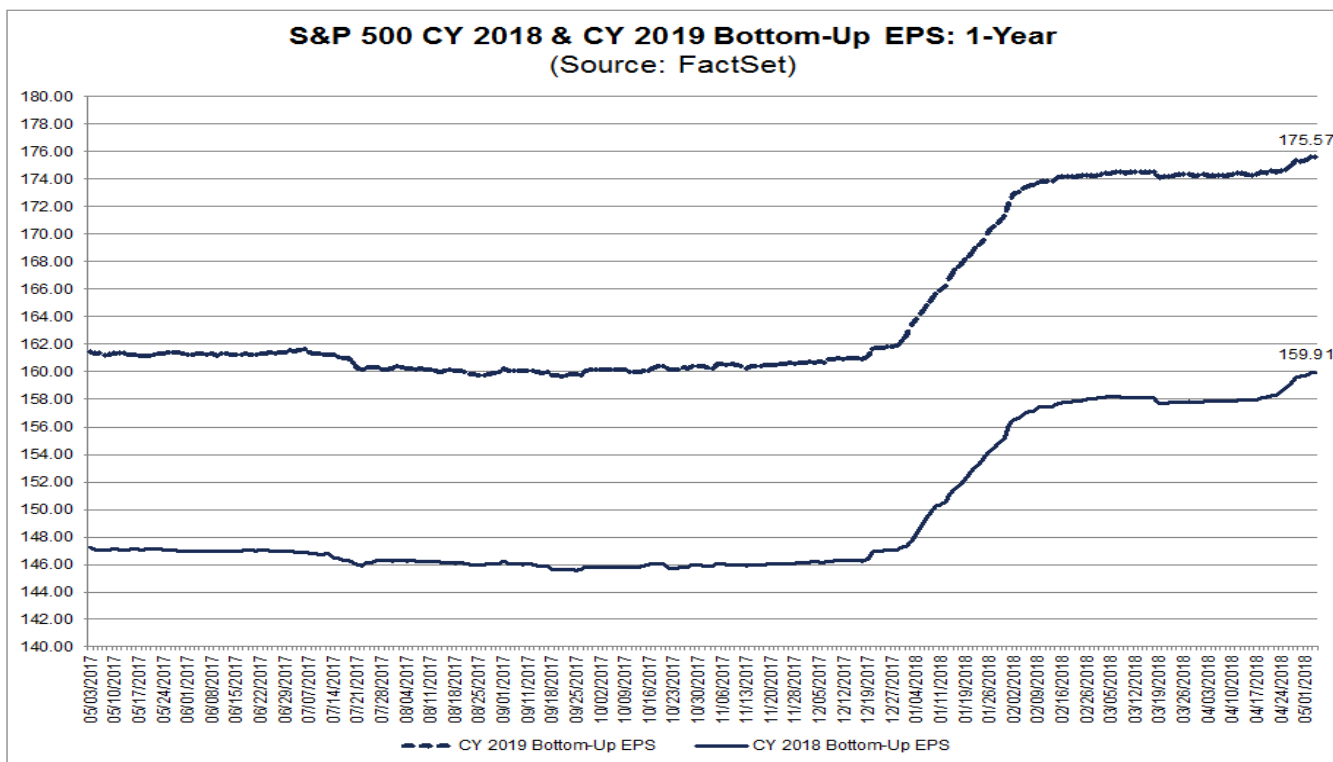
CY 2019: Growth



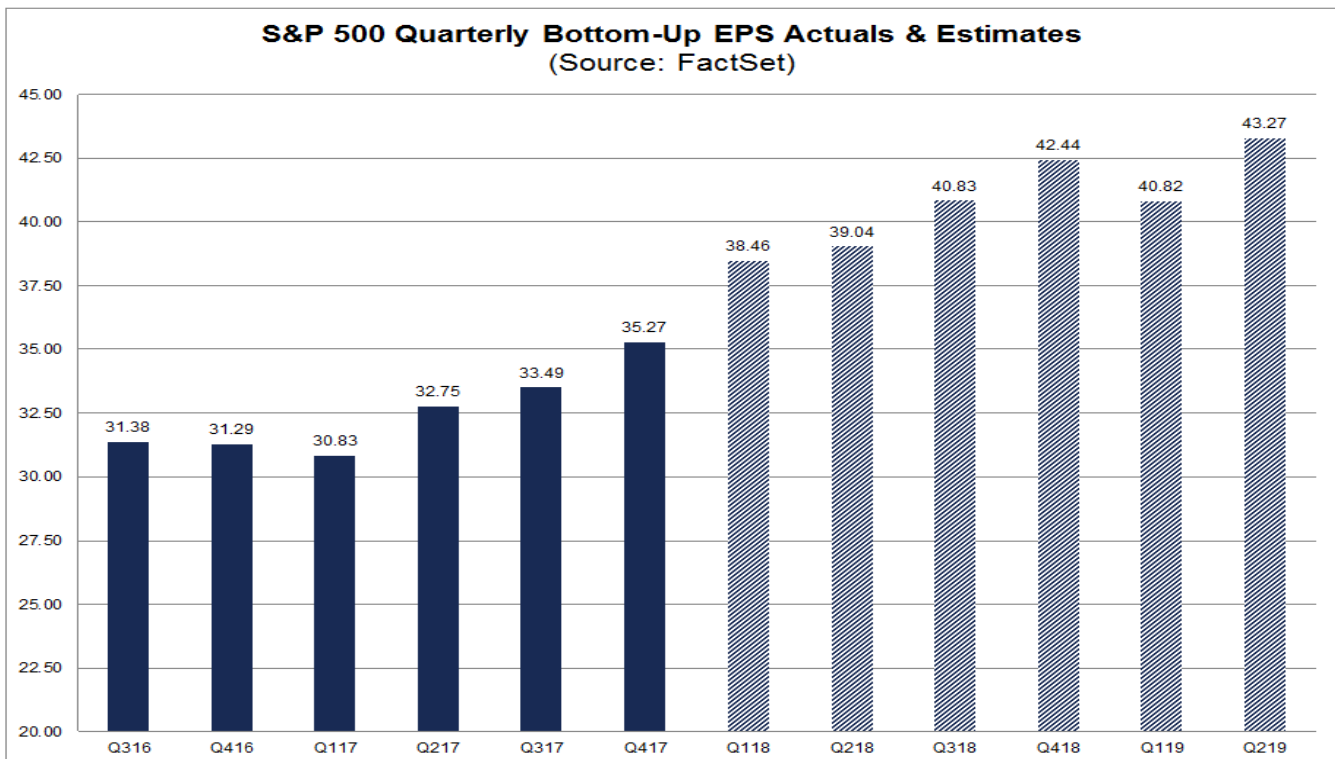
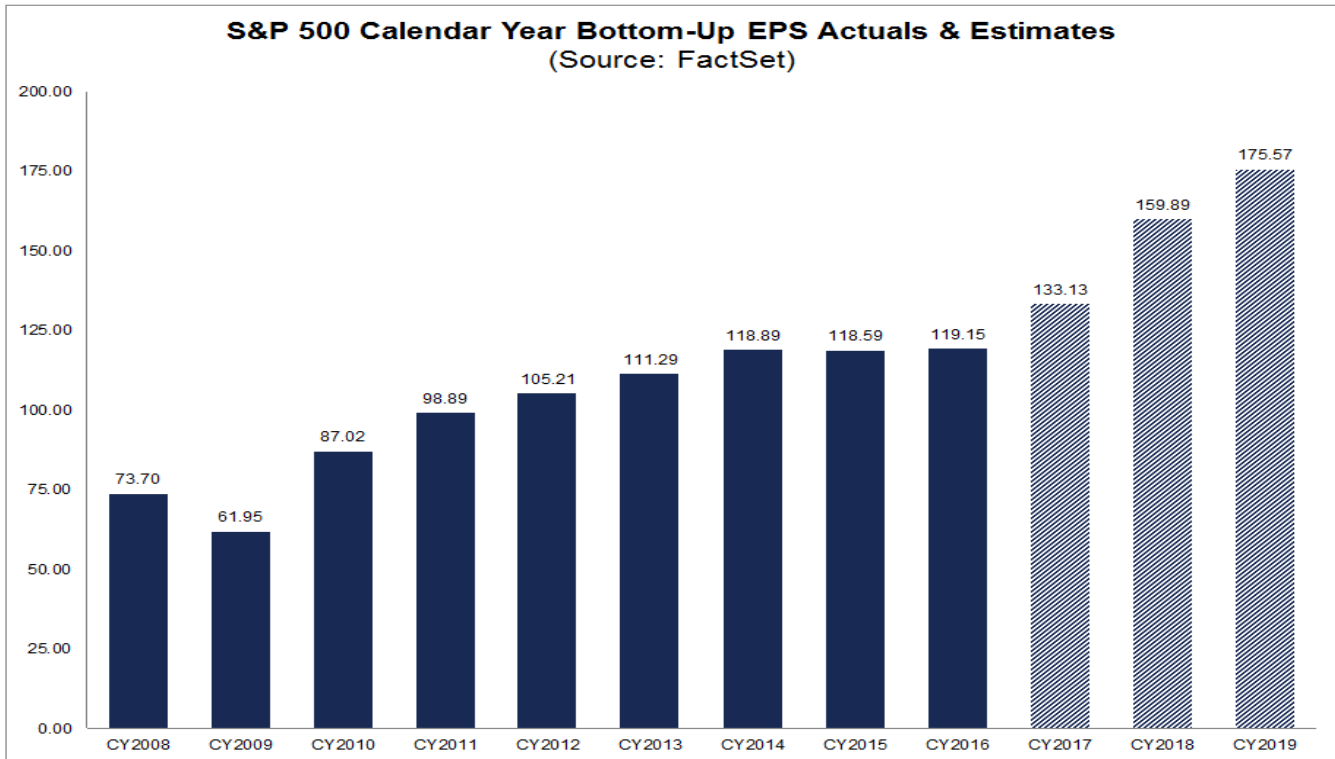
Geographic Revenue Exposure



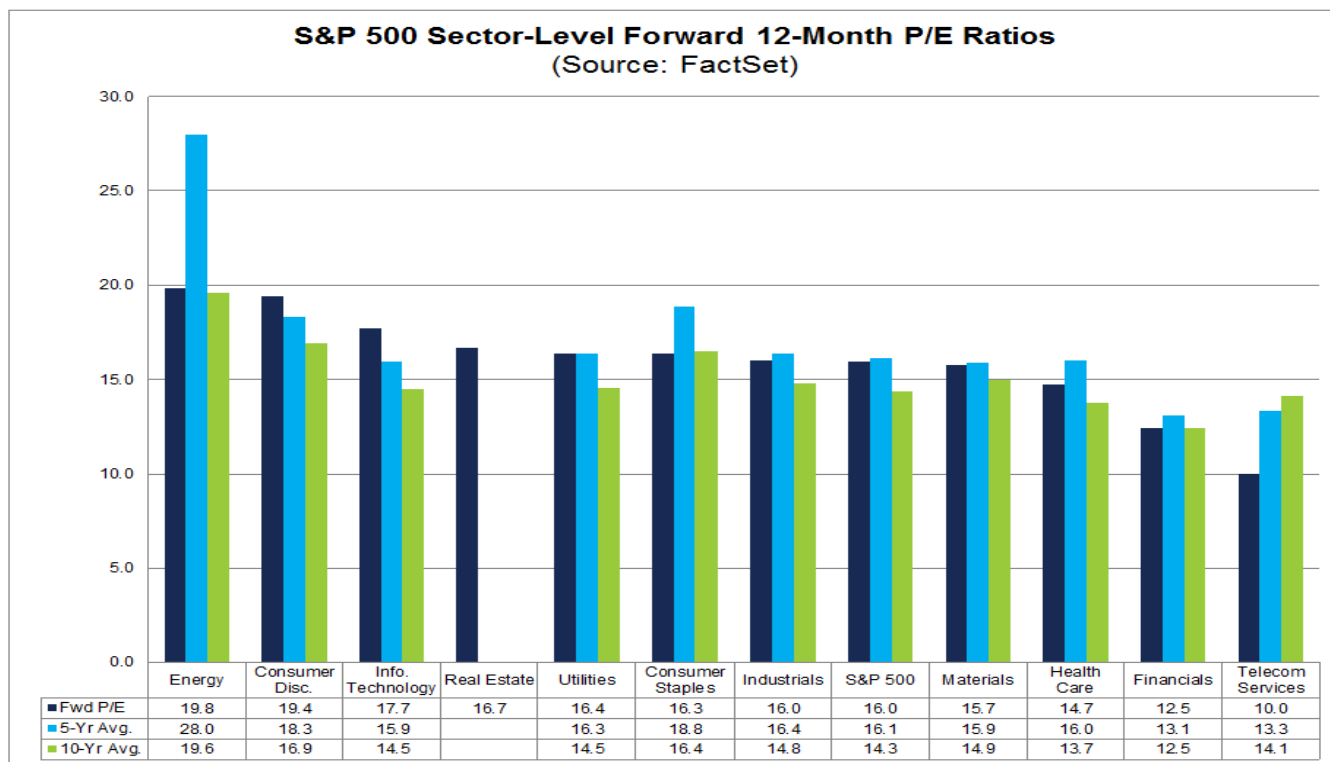
Bottom-up EPS Estimates: Revisions



Bottom-up EPS Estimates: Current & Historical

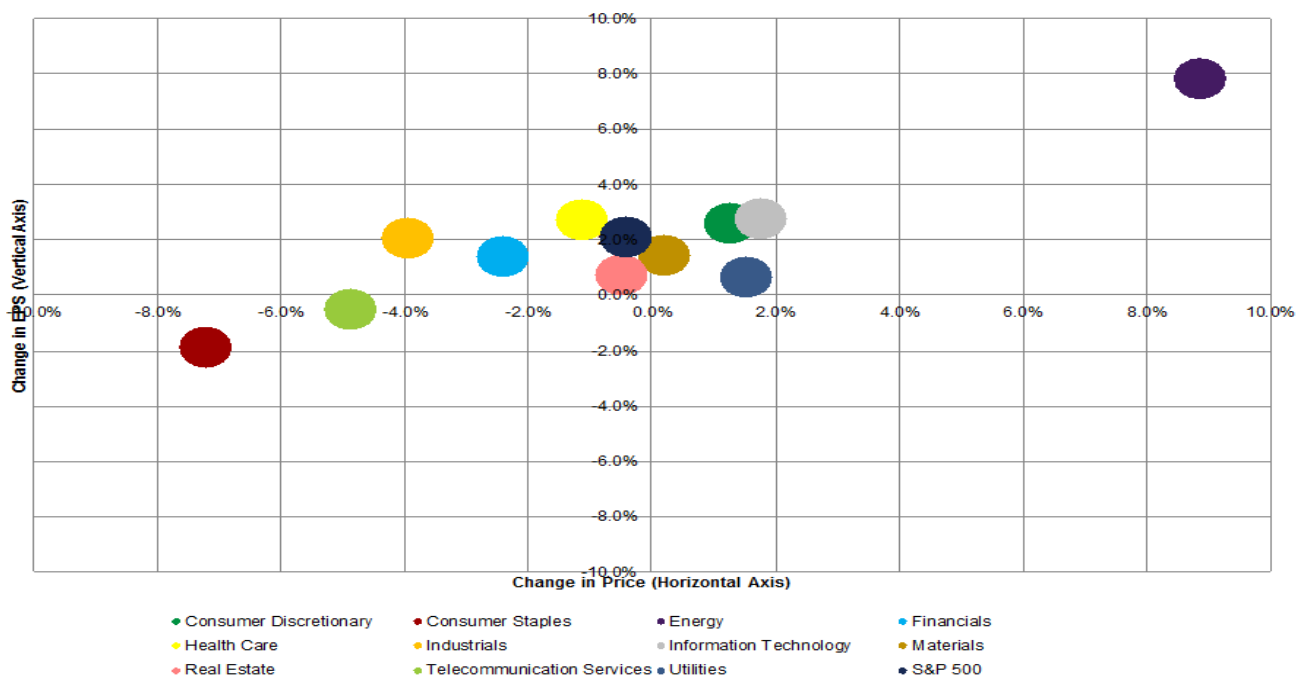


Forward 12M P/E Ratio: Sector Level

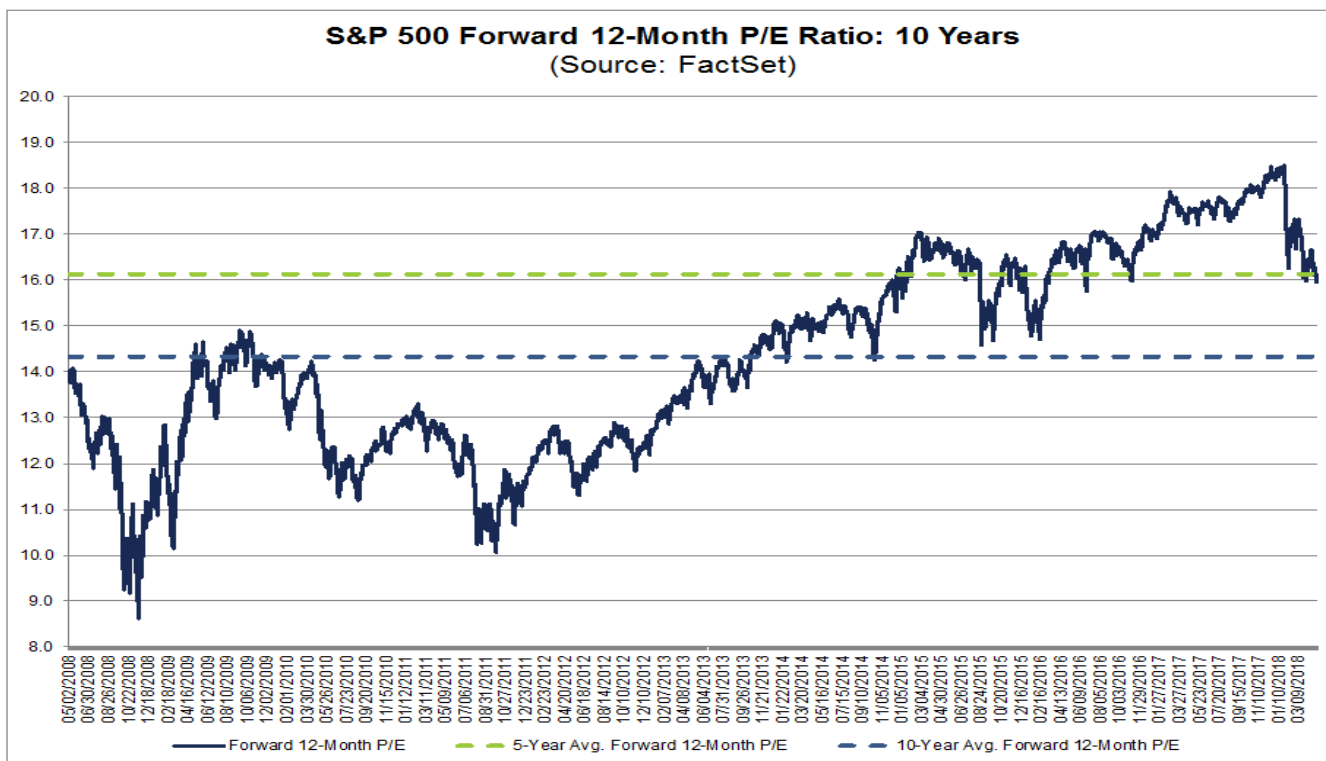
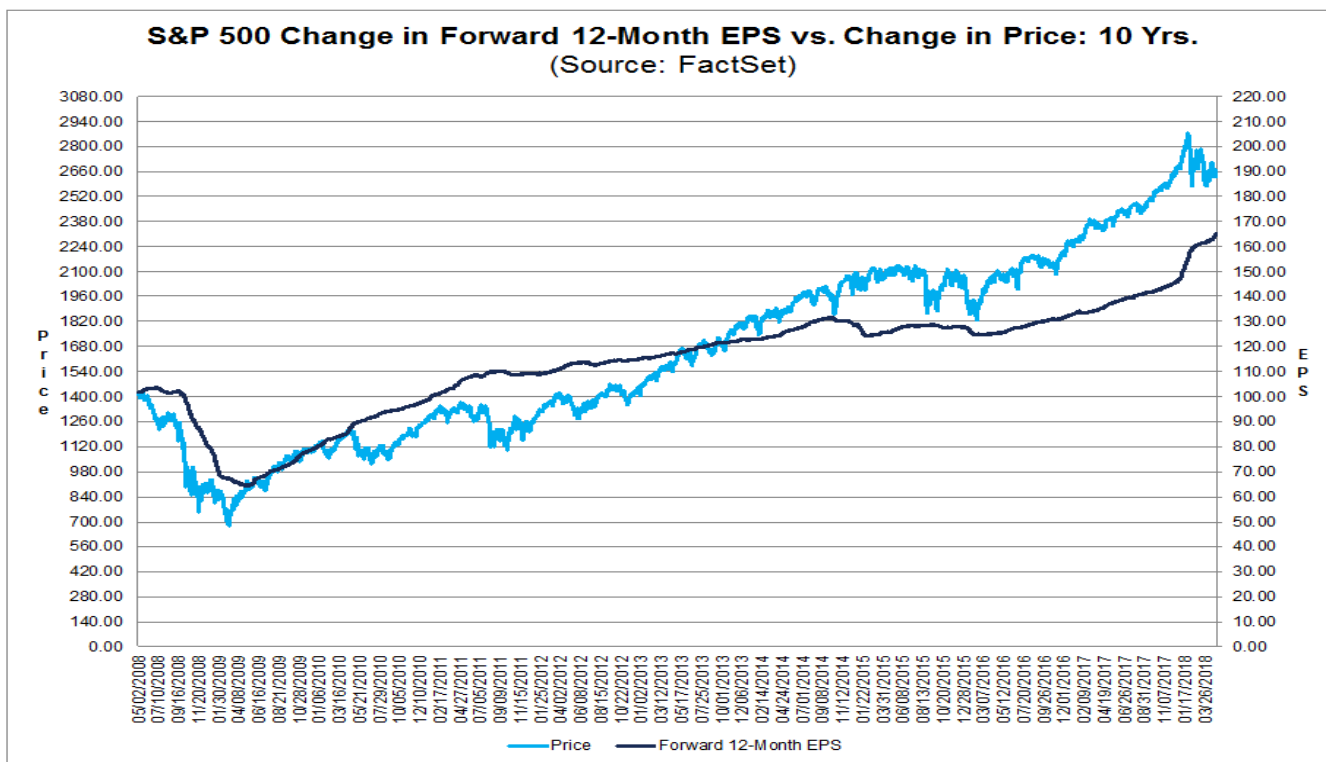


Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Mar 31

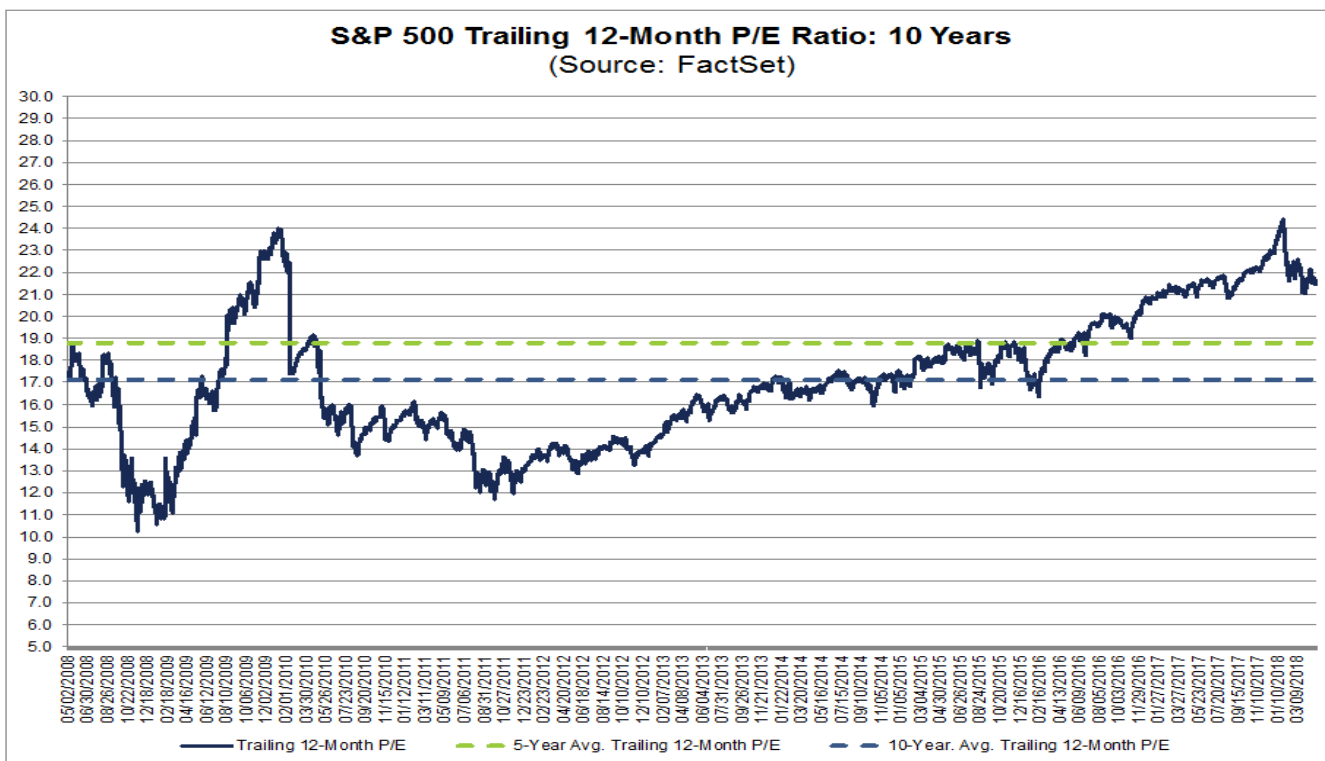
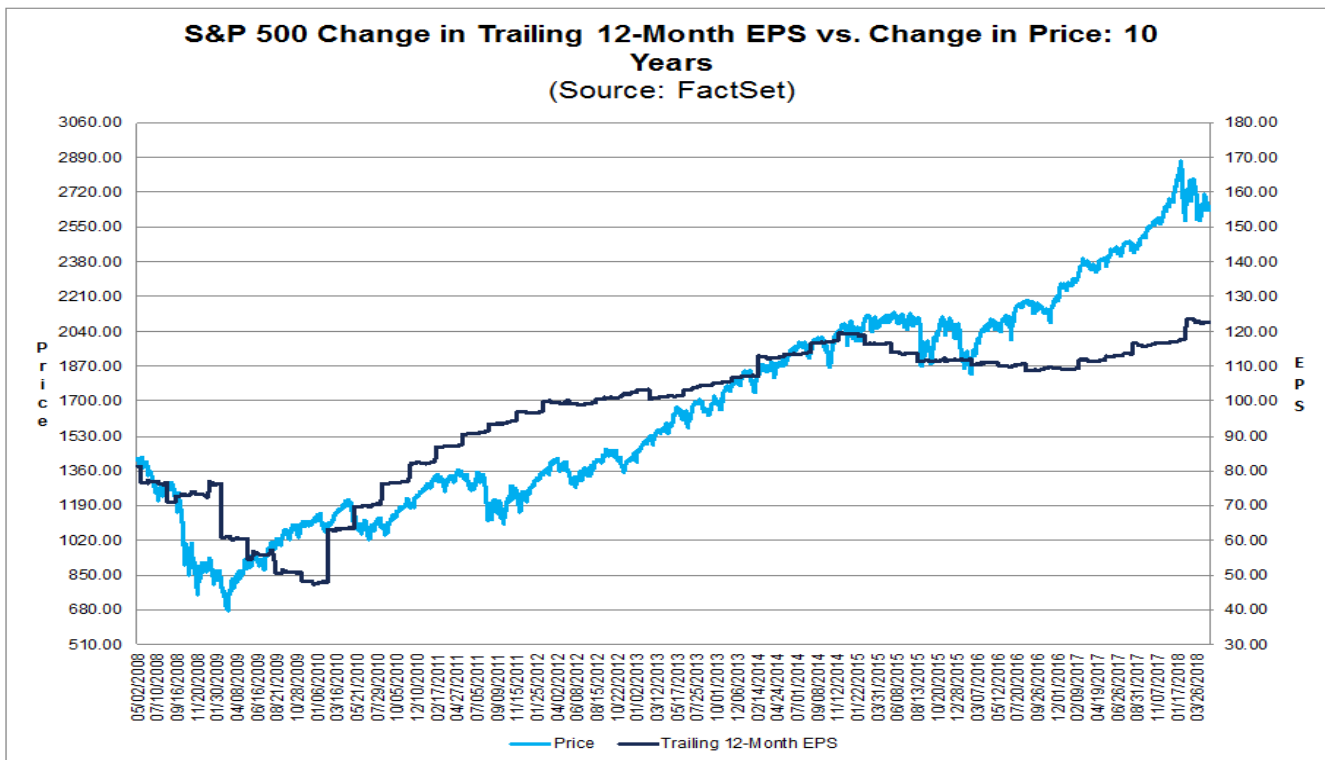
(Source: FactSet)



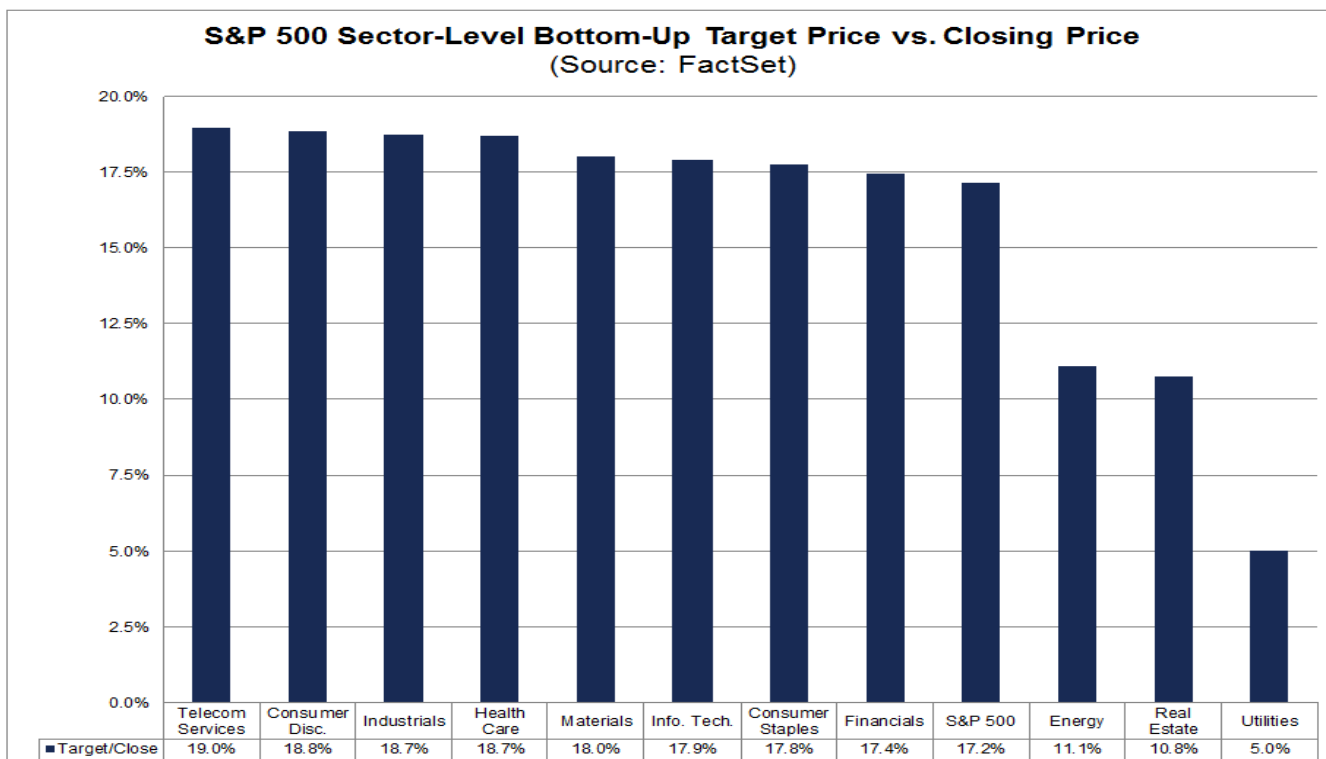
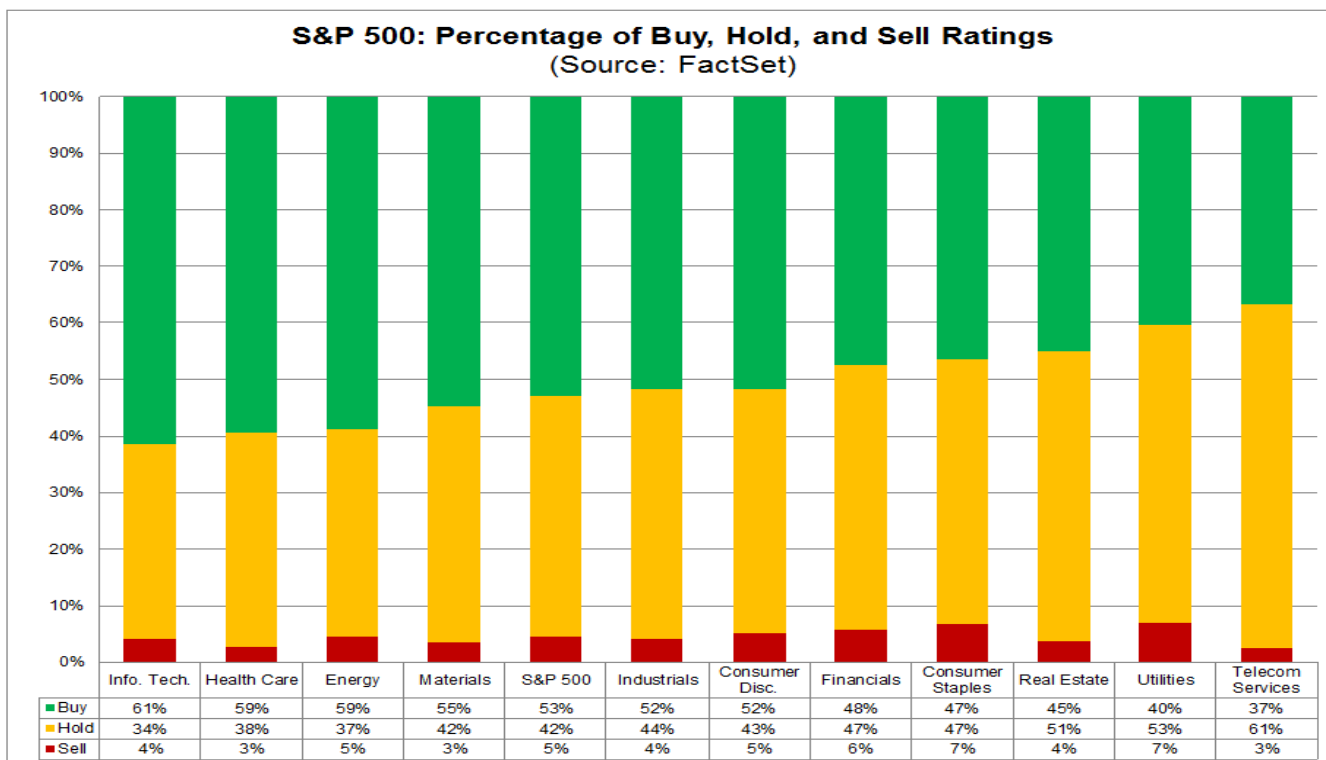
Forward 12M P/E Ratio: Long-Term Averages



Trailing 12M P/E Ratio: Long-Term Averages



Targets & Ratings



Important Notice

The information contained in this report is provided “as is” and all representations, warranties, terms and conditions, oral or written, express or implied (by common law, statute or otherwise), in relation to the information are hereby excluded and disclaimed to the fullest extent permitted by law. In particular, FactSet, its affiliates and its suppliers disclaim implied warranties of merchantability and fitness for a particular purpose and make no warranty of accuracy, completeness or reliability of the information. This report is for informational purposes and does not constitute a solicitation or an offer to buy or sell any securities mentioned within it. The information in this report is not investment advice. FactSet, its affiliates and its suppliers assume no liability for any consequence relating directly or indirectly to any action or inaction taken based on the information contained in this report.

FactSet aggregates and redistributes estimates data and does not conduct any independent research. Nothing in our service constitutes investment advice or FactSet recommendations of any kind. Estimates data is provided for information purposes only.

FactSet has no relationship with creators of estimates that may reasonably be expected to impair its objective presentation of such estimate or recommendation. FactSet redistributes estimates as promptly as reasonably practicable from research providers.

About FactSet

FactSet (NYSE:FDS | NASDAQ:FDS) delivers superior analytics, service, content, and technology to help more than 66,000 users see and seize opportunity sooner. We are committed to giving investment professionals the edge to outperform, with fresh perspectives, informed insights, and the industry-leading support of our dedicated specialists. We're proud to have been recognized with multiple awards for our analytical and data-driven solutions and repeatedly ranked as one of Fortune's 100 Best Companies to Work For and a Best Workplace in the United Kingdom and France. Subscribe to our thought leadership blog to get fresh insight delivered daily at insight.factset.com. Learn more at www.factset.com and follow on Twitter: [www.twitter.com/factset](https://twitter.com/factset).