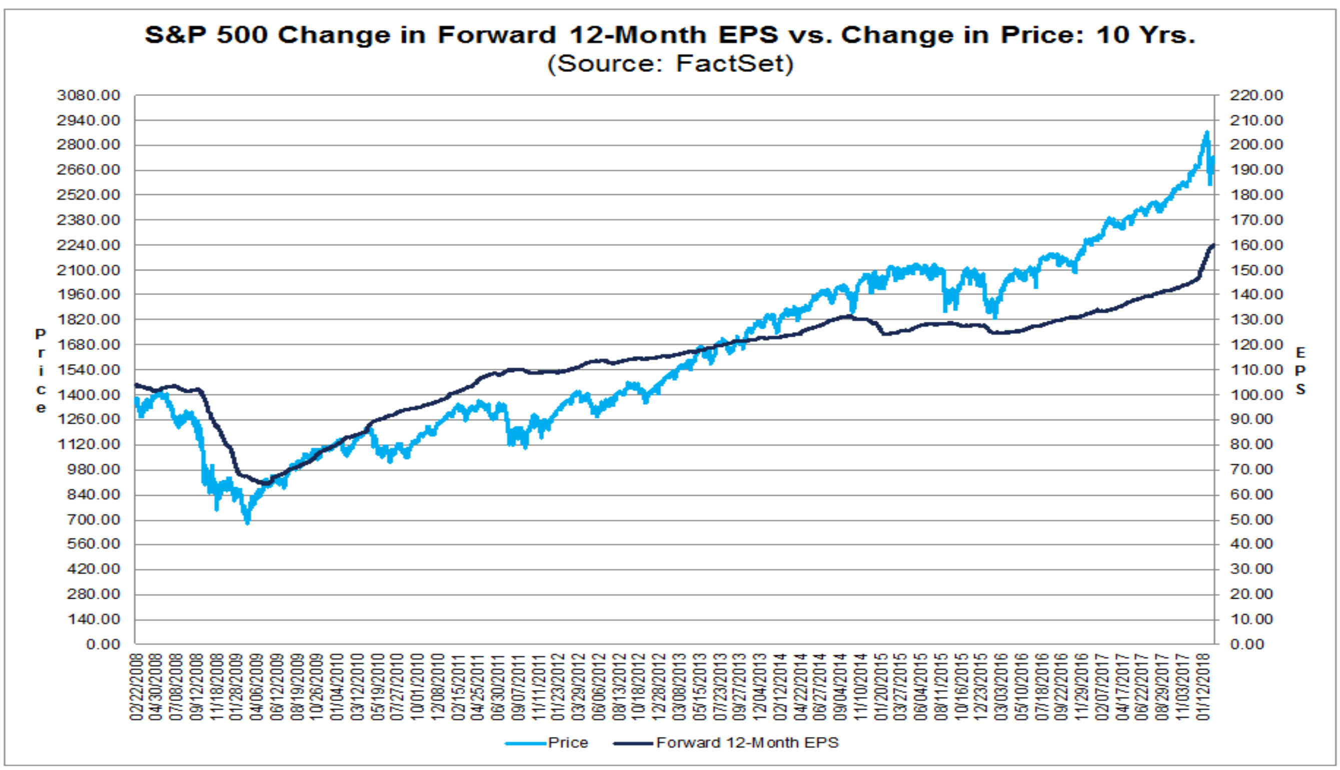
John Butters, Senior Earnings Analyst
jbutters@factset.com

Media Questions/Requests
media_request@factset.com

February 23, 2018

Key Metrics

- **Earnings Scorecard:** For Q4 2017 (with 90% of the companies in the S&P 500 reporting actual results for the quarter), 74% of S&P 500 companies have reported positive EPS surprises and 78% have reported positive sales surprises. 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 Q4 2017, the blended earnings growth rate for the S&P 500 is 14.8%. If 14.8% is the final number for the quarter, it will mark the highest earnings growth since Q3 2011 (16.8%).
- **Earnings Revisions:** On December 31, the estimated earnings growth rate for Q4 2017 was 11.0%. Nine sectors have higher growth rates today (compared to December 31) due to upward revisions to estimates and positive earnings surprises.
- **Earnings Guidance:** For Q1 2018, 42 S&P 500 companies have issued negative EPS guidance and 44 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 16.9. This P/E ratio is above the 5-year average (16.0) and 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: 1

Tax Law Widened the Divide Between GAAP and Non-GAAP EPS for the DJIA in Q4

While all publicly traded U.S companies report EPS on a GAAP (generally accepted accounting principles) basis, many U.S. companies also choose to report EPS on a non-GAAP basis. There are mixed opinions in the market about the use of non-GAAP EPS. Supporters of the practice argue that it provides the market with a more accurate picture of earnings from the day-to-day operations of companies, as items that companies deem to be one-time events or non-operating in nature are typically excluded from the non-GAAP EPS numbers. Critics of the practice argue that there is no industry-standard definition of non-GAAP EPS, and companies can take advantage of the lack of standards to exclude items that (more often than not) have a negative impact on earnings to boost non-GAAP EPS.

Both critics and supporters of the use of non-GAAP EPS numbers were provided with figures to support their arguments during the fourth quarter earnings season for the Dow Jones Industrial Average (DJIA) because of the recently passed tax law.

Critics of the use of non-GAAP EPS can point to the unusually large number of DJIA companies that reported non-GAAP EPS in Q4 and the unusually wide gap between the GAAP EPS numbers and non-GAAP EPS numbers to support their argument against the use of these numbers

For Q4 2017, 28 (or 93%) of the 30 companies in the DJIA reported non-GAAP EPS in addition to GAAP EPS for the fourth quarter. Since 2016, 68% of companies in the DJIA have reported non-GAAP EPS in addition to GAAP EPS on average. Of these 28 companies, 21 (or 75%) reported non-GAAP EPS that exceeded GAAP EPS. Since 2016, 79% of companies in the DJIA have reported non-GAAP EPS that exceeded GAAP EPS on average. The median difference between non-GAAP EPS and GAAP EPS for all 28 companies was 110.0%. Since 2016, the median difference between non-GAAP EPS and GAAP EPS has been 13.0%.

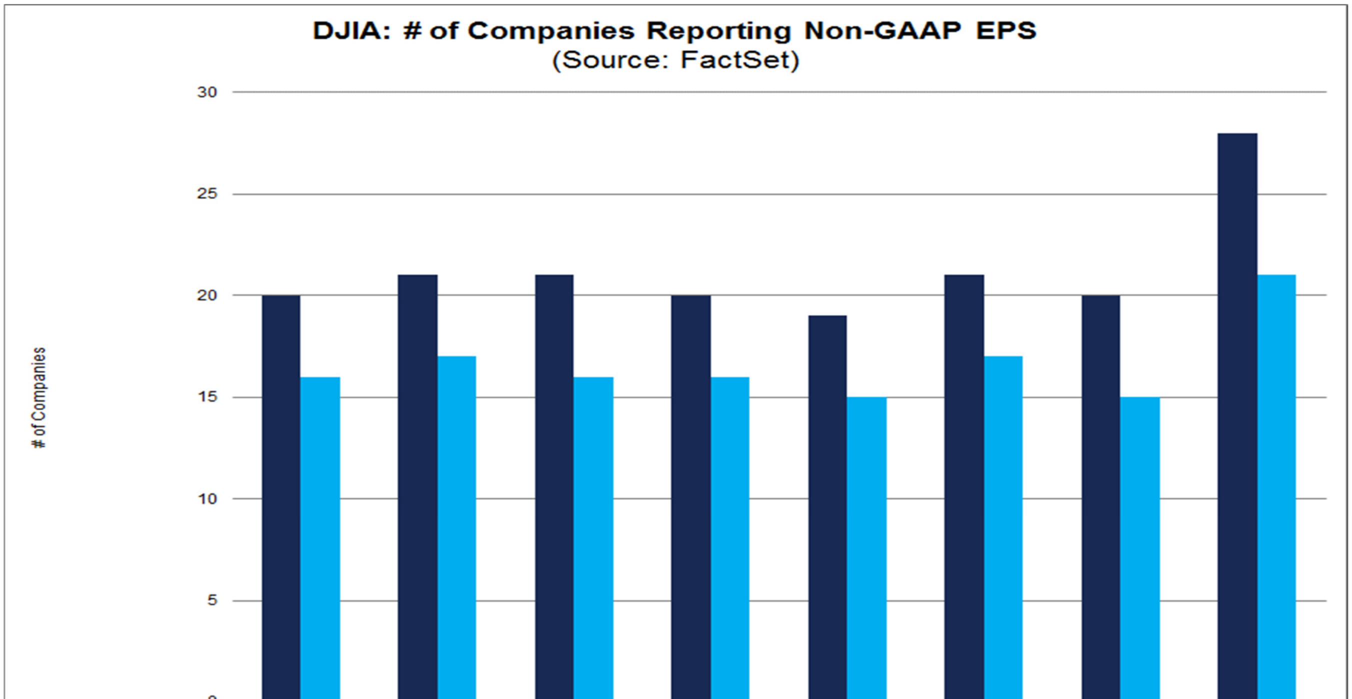
Thus, more companies in the DJIA reported non-GAAP EPS in Q4 2017 relative to recent years and these non-GAAP EPS numbers were typically much larger than the GAAP EPS numbers.

Supporters of the use of non-GAAP EPS can highlight that EPS growth rates (and declines) for Q4 for DJIA companies using non-GAAP EPS were less volatile due to the exclusion of the tax law items (a one-time event) than the EPS growth rates (and declines) using GAAP EPS.

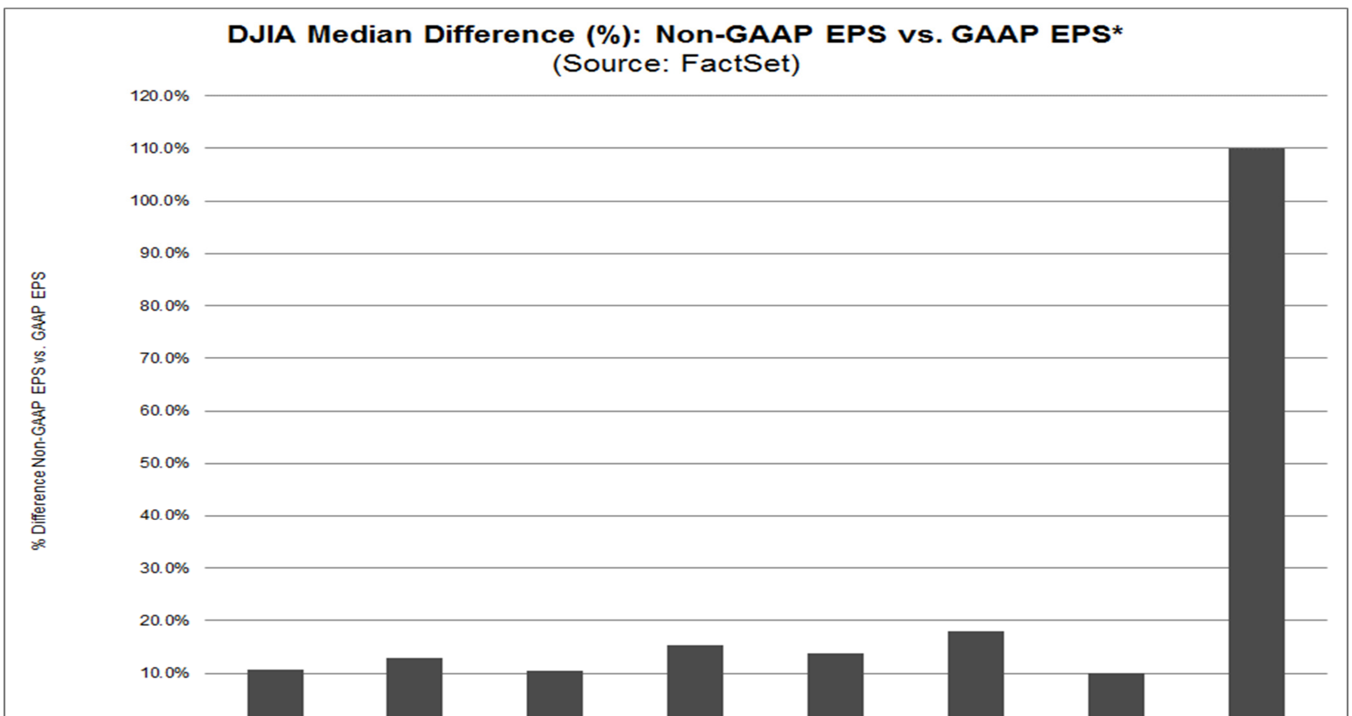
Overall, 28 DJIA companies reported both GAAP EPS and non-GAAP EPS for the fourth quarter. On a GAAP EPS basis, 16 of these companies (or 57%) reported either an EPS growth rate or EPS decline of 100% or more (with 2 companies reporting an EPS growth rate or EPS decline of 1000% or more) for the fourth quarter. On a non-GAAP basis, just 3 of these companies (or 11%) reported an EPS growth rate or EPS decline of 100% or more (with none reporting an EPS growth rate or EPS decline of 1000% or more) for the quarter. Please see the table on page 4 for a breakdown of the growth rates.

Thus, the EPS growth numbers generated from non-GAAP EPS for DJIA companies in Q4 were less volatile and more likely a better reflection of earnings growth from day-to-day operations than the EPS growth numbers generated from GAAP EPS.

The high number of DJIA companies reporting non-GAAP EPS, the large spread between GAAP EPS and non-GAAP EPS, and the high number of companies reporting large EPS growth rates or large EPS declines using GAAP EPS can all be attributed to the unusually large charges and gains reported by these companies due to the tax law. Almost all of the companies in DJIA reported charges or gains in the fourth quarter because of the tax legislation. Overall, 19 DJIA companies reported a net charge due to the tax law, while 9 DJIA companies reported a net gain due to the tax law. These net charges and gains were typically the largest single item accounting for the unusually large differences between GAAP EPS and non-GAAP EPS for these companies for the quarter. Due to the unusually large size of these charges or gains, a number of companies in the DJIA that typically did not provide non-GAAP EPS numbers in the past provided non-GAAP EPS numbers in the fourth quarter (excluding the impact of these charges and gains). Thus, the tax law charges and gains were included in the GAAP EPS numbers reported by these companies and (typically) excluded from the non-GAAP EPS numbers reported by these companies for the fourth quarter.



	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
# Non-GAAP	20	21	21	20	19	21	20	28
# Non-GAAP > GAAP	16	17	16	16	15	17	15	21



	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Median Difference	10.8%	13.0%	10.4%	15.3%	13.7%	18.0%	10.1%	110.0%

* Non-GAAP EPS and GAAP EPS from continuing operations were used when provided

DJIA Q417 EPS Growth: GAAP EPS* vs. Non-GAAP EPS*

Company	Ticker	GAAP EPS	Non-GAAP EPS
Pfizer Inc.	PFE	**1583.3%**	31.9%
Chevron Corporation	CVX	**645.5%**	**242.9%**
Exxon Mobil Corporation	XOM	**380.5%**	**114.6%**
Verizon Communications Inc.	VZ	**314.5%**	0.0%
UnitedHealth Group Incorporated	UNH	**109.8%**	22.7%
Boeing Company+	BA	**100.0%**	23.9%
Walt Disney Company	DIS	87.7%	21.9%
Visa Inc. Class A	V	24.4%	25.6%
Apple Inc.	AAPL	15.8%	15.8%
Home Depot, Inc.	HD	5.6%	17.4%
Procter & Gamble Company	PG	0.0%	10.2%
NIKE, Inc. Class B	NKE	-8.0%	-8.0%
Caterpillar Inc.	CAT	-9.0%	**160.2%**
JPMorgan Chase & Co.	JPM	-37.4%	2.9%
McDonald's Corporation	MCD	-39.6%	18.8%
Travelers Companies, Inc.	TRV	-39.6%	-28.8%
Wal-Mart Stores, Inc.	WMT	-40.2%	2.3%
Merck & Co., Inc.	MRK	-45.5%	10.1%
3M Company	MMM	-54.8%	11.7%
United Technologies Corporation	UTX	-60.3%	2.6%
Intel Corporation	INTC	**-120.5%**	36.7%
International Business Machines Corporation	IBM	**-124.1%**	3.4%
Microsoft Corporation	MSFT	**-202.5%**	20.0%
Goldman Sachs Group, Inc.	GS	**-208.5%**	11.8%
American Express Company	AXP	**-260.2%**	73.6%
Johnson & Johnson	JNJ	**-389.1%**	10.1%
General Electric Company+	GE	**-394.9%**	-41.3%
Cisco Systems, Inc.	CSCO	**-478.7%**	10.5%
Coca-Cola Company	KO	**-607.7%**	5.4%
DowDuPont Inc.^	DWDP	**-1200.0%**	40.7%

* Non-GAAP EPS and GAAP EPS from continuing operations were used when provided
+ Non-GAAP EPS numbers excluding tax impact were used for BA and GE
^ Pro-forma non-GAAP EPS and GAAP EPS were used for DWDP

Topic of the Week: 2

Tax Law Reduced GAAP Earnings for DJIA by More Than 40% in Q4

During the fourth quarter, 28 of the 30 companies in the Dow Jones Industrial Average reported charges and gains related to the recently passed tax law. Overall, 19 DJIA companies reported a net charge for the quarter due to tax reform while 9 DJIA companies reported a net gain for the quarter due to tax reform. Two DJIA companies (Apple and Nike) did not provide any specific numbers on the impact of tax reform in their earnings releases.

All 28 of these companies provided both GAAP EPS numbers (including the impact of the tax charges and gains) and non-GAAP EPS numbers (excluding the impact of the tax charges and gains and excluding other items as well) for the fourth quarter. Given the unusually large nature of some of the charges and gains related to the tax law, what was the aggregate dollar level impact of these tax law items on GAAP earnings for DJIA companies for the quarter? How much did the tax law increase or decrease GAAP earnings for the quarter?

For this analysis, FactSet collected the GAAP EPS numbers reported by each company in the Dow 30, weighted the GAAP EPS by the shares outstanding, and aggregated the share-weighted earnings numbers to arrive at an approximate GAAP earnings number for the entire Dow 30.

On a GAAP basis, aggregate earnings for the DJIA were approximately $42.2 billion for Q4 2017.

FactSet then excluded the EPS impact of the net charge or gain associated with the tax law reported by each company, weighted the GAAP EPS excluding only net tax charges or gains by the shares outstanding, and aggregated the share-weighted earnings numbers to arrive at an approximate GAAP earnings number excluding the impact of tax reform for the index.

On a GAAP basis excluding tax reform, aggregate earnings for the DJIA were approximately $75.6 billion.

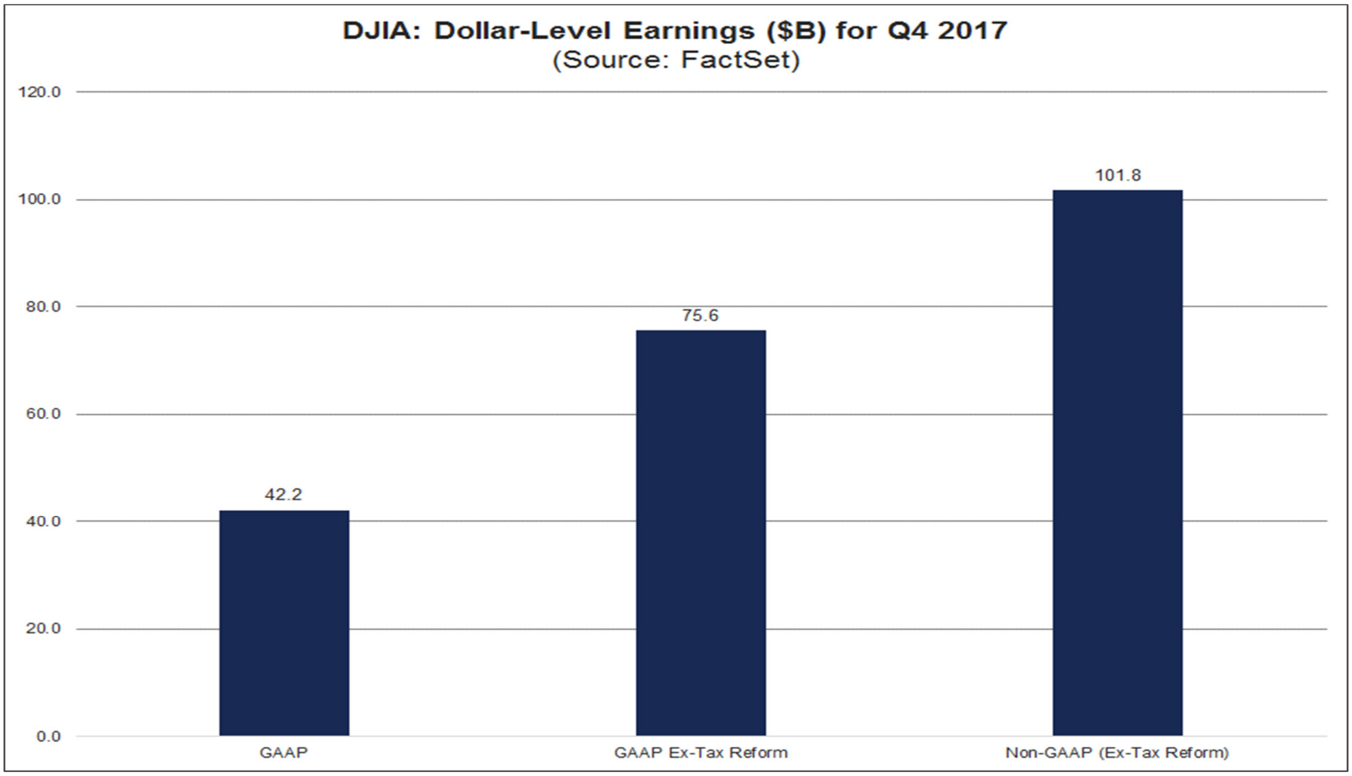
Thus, tax reform charges and gains in aggregate reduced GAAP earnings for the DJIA by approximately $33.4 billion dollars (or by 44%) for Q4 2017. The five companies in the DJIA that announced the largest net charges due to tax reform are listed on the next page.

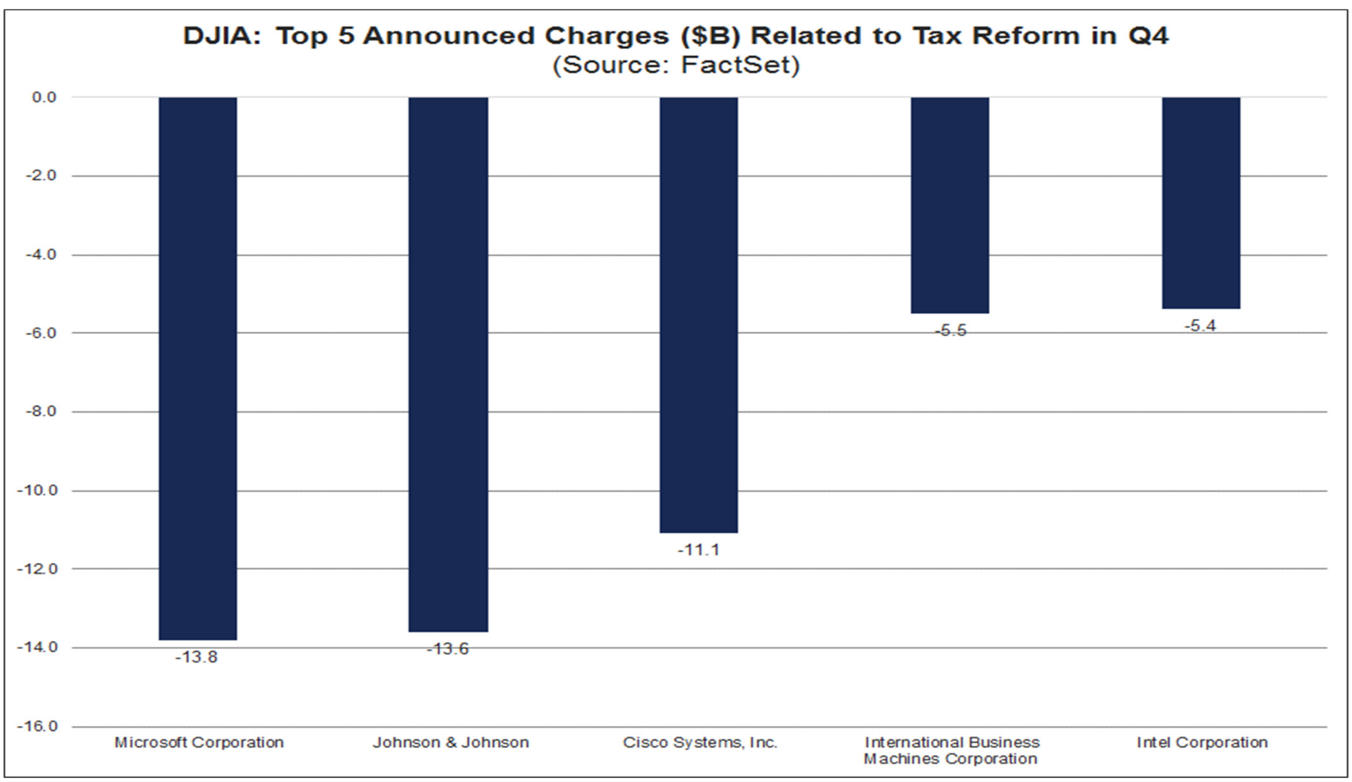
Finally, FactSet collected the non-GAAP EPS numbers reported by each company (which excluded the net charge or gain associated with the tax law and other items selected by each company), weighted the non-GAAP EPS by the shares outstanding, and aggregated the share-weighted earnings numbers to arrive at an approximate non-GAAP earnings number for the index.

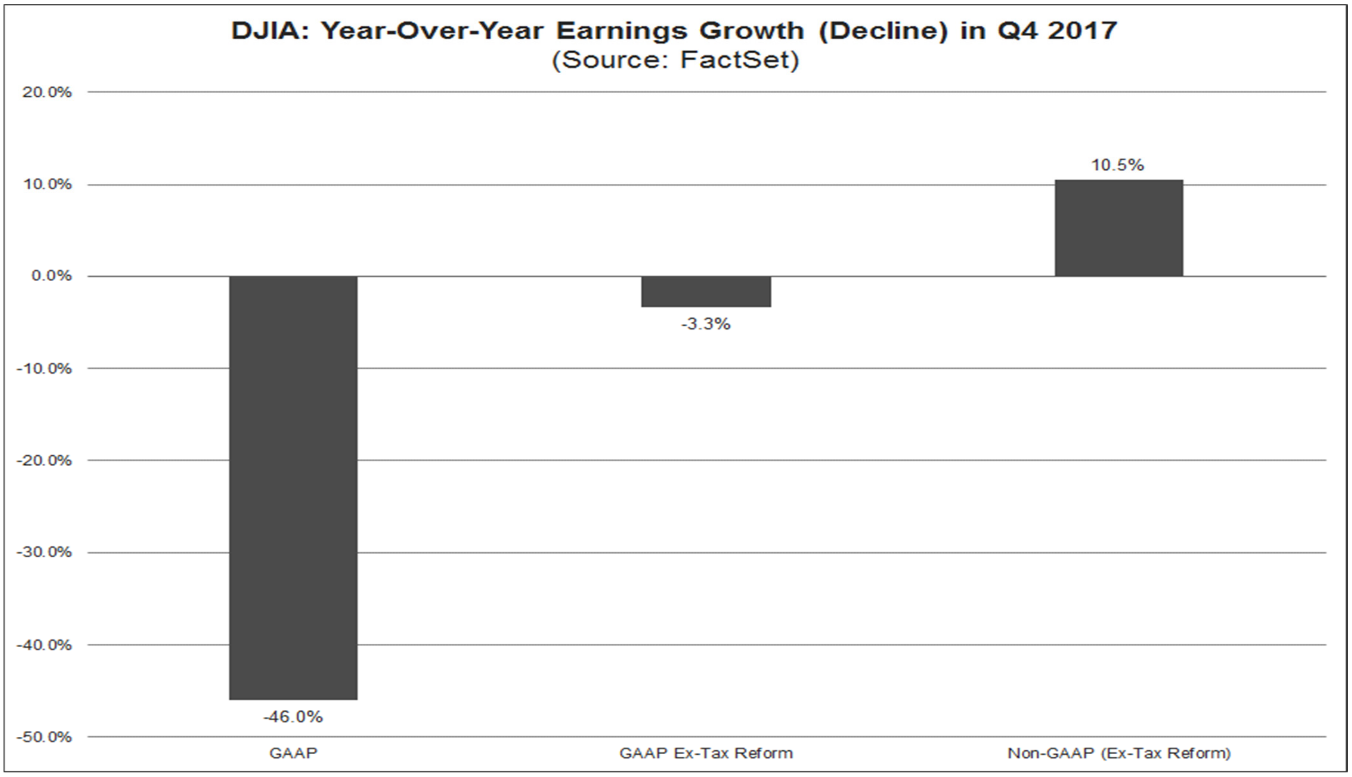
On a non-GAAP basis (excluding tax reform and other items), aggregate earnings for the DJIA were approximately $101.8 billion.

FactSet then used these numbers to calculate year-over-year earnings growth rates for Q4 2017. On a GAAP basis, the DJIA reported a year-over-year decline in earnings of -46.0%. On a GAAP basis excluding tax reform, the DJIA reported a year-over-year decline in earnings of -3.3%. On a non-GAAP basis, the DJIA reported earnings growth of 10.5%.

For all calculations, GAAP EPS (and non-GAAP EPS) from continuing operations were used when provided. Non-GAAP EPS numbers excluding tax impact were used for Boeing and General Electric. Pro-forma GAAP EPS (and non-GAAP EPS) were used for DowDuPont.


DJIA: Dollar-Level Earnings ($B) for Q4 2017
(Source: FactSet)
120.0
100.0
80.0
60.0
40.0
20.0
0.0
42.2
75.6
101.8
GAAP
GAAP Ex-Tax Reform
Non-GAAP (Ex-Tax Reform)


DJIA: Top 5 Announced Charges ($B) Related to Tax Reform in Q4
(Source: FactSet)
0.0
-2.0
-4.0
-6.0
-8.0
-10.0
-12.0
-14.0
-16.0
-13.8
-13.6
-11.1
-5.5
-5.4
Microsoft Corporation
Johnson & Johnson
Cisco Systems, Inc.
International Business Machines Corporation
Intel Corporation


DJIA: Year-Over-Year Earnings Growth (Decline) in Q4 2017
(Source: FactSet)
20.0%
10.0%
0.0%
-10.0%
-20.0%
-30.0%
-40.0%
-50.0%
-46.0%
-3.3%
10.5%
GAAP
GAAP Ex-Tax Reform
Non-GAAP (Ex-Tax Reform)

Q4 2017 Earnings Season: By the Numbers

Overview:

To date, 90% of the companies in the S&P 500 have reported actual results for Q4 2017. In terms of earnings, more companies are reporting actual EPS above estimates (74%) compared to the 5-year average. In aggregate, companies are reporting earnings that are 4.6% above the estimates, which is also above the 5-year average. In terms of sales, more companies (78%) are reporting actual sales above estimates compared to the 5-year average. If 78% is the final number for the quarter, it will mark the highest percentage of S&P 500 companies reporting positive sales surprises since FactSet began tracking this metric in Q3 2008. In aggregate, companies are reporting sales that are 1.6% above estimates, which is also above the 5-year average. If 1.6% is the final number for the quarter, it will mark a tie with Q1 2011 and Q4 2014 for the highest revenue surprise percentage since FactSet began tracking this metric in Q3 2008.

The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings growth rate for the fourth quarter is 14.8% today, which is equal to the earnings growth rate of 14.8% last week. If 14.8% is the final growth rate for the quarter, it will mark the highest earnings growth reported by the index since Q3 2011 (16.8%). All eleven sectors are reporting year-over-year earnings growth. Four sectors are reporting double-digit earnings growth: Energy, Materials, Information Technology, and Financials.

The blended sales growth rate for the fourth quarter is 8.2% today, which is above the sales growth rate of 7.9% last week. If 8.2% 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. Three sectors are reporting double-digit growth in revenues: Energy, Materials, and Information Technology.

All eleven sectors are reporting both earnings and revenue growth for the fourth quarter. The last time all of the sectors in the index reported both earnings and revenue growth for a quarter was Q3 2011.

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

The forward 12-month P/E ratio is 16.9, which is above the 5-year average and the 10-year average.

During the upcoming week, 32 S&P 500 companies are scheduled to report results for the fourth quarter.

Scorecard: Record-High Percentage of Companies Beating Revenue Estimates

Percentage of Companies Beating EPS Estimates (74%) is Above 5-Year Average

Overall, 90% of the companies in the S&P 500 have reported earnings to date for the fourth quarter. Of these companies, 74% have reported actual EPS above the mean EPS estimate, 9% have reported actual EPS equal to the mean EPS estimate, and 17% 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 (72%) average and above the 5-year (69%) average.

At the sector level, the Materials (88%), Health Care (83%), and Information Technology (81%) sectors have the highest percentages of companies reporting earnings above estimates, while the Telecom Services (33%) and Real Estate (48%) sectors have the lowest percentages of companies reporting earnings (or FFO for Real Estate) above estimates.

Earnings Surprise Percentage (+4.6%) is Above 5-Year Average

In aggregate, companies are reporting earnings that are 4.6% above expectations. This surprise percentage is equal to the 1-year (+4.6%) average but above the 5-year (+4.3%) average.

The Materials (+11.1%) and Consumer Discretionary (+10.4%) sectors are reporting the largest upside aggregate differences between actual earnings and estimated earnings. On the other hand, the Energy (-12.4%) and Utilities (-4.5%) sectors are reporting the largest downside aggregate differences between actual earnings and estimated earnings.

Market Not Rewarding Earnings Beats and Not Punishing Earnings Misses

To date, the market is rewarding positive earnings surprises less than average and punishing negative earnings surprises less than average.

Companies that have reported positive earnings surprises for Q4 2017 have seen an average price decrease of -0.5% two days before the earnings release through two days after the earnings. This percentage change is well below the 5-year average increase of 1.2% during this same window for companies reporting upside earnings surprises.

Companies that have reported negative earnings surprises for Q4 2017 have seen an average price decrease of -2.0% two days before the earnings release through two days after the earnings. This percentage decrease is smaller than the 5-year average decrease of -2.4% during this same window for companies reporting downside earnings surprises.

Percentage of Companies Beating Revenue Estimates (78%) is at Record-High Level

In terms of revenues, 78% of companies have reported actual sales above estimated sales and 22% have reported actual sales below estimated sales. The percentage of companies reporting sales above estimates is well above the 1-year average (64%) and well above the 5-year average (56%).

If 78% is the final number for the quarter, it will mark the highest percentage of S&P 500 companies reporting positive sales surprises since FactSet began tracking this metric in Q3 2008.

At the sector level, the Information Technology (89%) and Health Care (89%) sectors have the highest percentages of companies reporting revenues above estimates, while the Utilities (48%) sector has the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+1.6%) is at Record-High Level

In aggregate, companies are reporting sales that are 1.6% above expectations. This surprise percentage is above the 1-year (+0.8%) average and above the 5-year (+0.6%) average.

If 1.6% is the final number for the quarter, it will mark a tie with Q1 2011 and Q4 2014 for the highest revenue surprise percentage since FactSet began tracking this metric in Q3 2008.

The Energy (+3.2%) and Materials (+2.5%) sectors are reporting the largest upside aggregate differences between actual sales and estimated sales, while the Utilities (+0.7%) and Consumer Staples (+0.8%) sectors are reporting the smallest upside aggregate differences between actual sales and estimated sales.

Materials Sectors Has Seen Largest Increases in Earnings and Revenues Since December 31

Materials Sector Has Seen Largest Increase in Earnings Growth since December 31

The blended earnings growth rate for Q4 2017 of 14.8% is above the estimate of 11.0% at the end of the fourth quarter (December 31). Nine 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 Materials (to 43.9% from 28.5%) sector. Two sectors have recorded a decrease in earnings growth since the end of the quarter due to downside earnings surprises, led by the Energy (to 105.8% from 132.1%) sector.

Materials and Energy Sectors Have Seen Largest Increases in Revenue Growth since December 31

The blended sales growth rate for Q4 2017 of 8.2% is larger than the estimate of 6.7% at the end of the fourth quarter (December 31). Ten sectors have recorded an increase in sales growth since the end of the quarter due to upward revisions to revenue estimates and upside revenue surprises, led by the Materials (to 20.1% from 16.7%) and Energy (to 20.7% from 17.3%) sectors. The Utilities (to 5.0% from 6.4%) sector is the only sector that has recorded a decrease in sales growth during this time due to downward revisions to estimates and downside revenue surprises.

Highest Earnings Growth (14.8%) Since Q3 2011

The blended (year-over-year) earnings growth rate for Q4 2017 is 14.8%. If 14.8% is the final growth rate for the quarter, it will mark the highest earnings growth reported by the index since Q3 2011 (16.8%). It will also mark the third time in the past four quarters that the index has reported double-digit earnings growth. All eleven sectors are reporting year-over-year growth in earnings. Four sectors are reporting double-digit earnings growth: Energy, Materials, Information Technology, and Financials.

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 105.8%. At the sub-industry level, all six sub-industries in the sector are reporting earnings growth for the quarter: Oil & Gas Exploration & Production (N/A due to year-ago loss), Oil & Gas Drilling (N/A due to year-ago loss), Oil & Gas Equipment & Services (227%), Oil & Gas Refining & Marketing (145%), Integrated Oil & Gas (35%), and Oil & Gas Storage & Transportation (34%).

The unusually high growth rate for the sector is mainly due to unusually low earnings in the year-ago quarter. On a dollar-level basis, the Energy sector is reporting earnings of $11.0 billion in Q4 2017, compared to earnings of $5.3 billion in Q4 2016. If the Energy sector were excluded, the blended earnings growth rate for the remaining ten sectors would decrease to 13.1% from 14.8%.

Materials: All 4 Industries Reporting Double-Digit Growth

The Materials sector is reporting the second highest (year-over-year) earnings growth of all eleven sectors at 43.9%. At the industry level, all four industries are reporting double-digit earnings growth. Metals & Mining (99%), Containers & Packaging (48%), Chemicals (37%), and Construction Materials (14%).

Information Technology: Semiconductor Industry Leads Growth

The Information Technology sector is reporting the third highest (year-over-year) earnings growth of all eleven sectors at 22.5%. At the industry level, all seven industries in this sector are reporting earnings growth. Five industries are reporting double-digit earnings growth: Semiconductor & Semiconductor Equipment (48%), Internet Software & Services (38%), Software (14%), IT Services (14%), and Technology Hardware, Storage, & Peripherals (14%).

Financials: AIG Leads Growth on Easy Comparison to Year-Ago Loss

The Financials sector is reporting the fourth highest (year-over-year) earnings growth of all eleven sectors at 14.0%. At the industry level, all five industries in this sector are reporting earnings growth. Three industries are reporting double-digit earnings growth: Insurance (32%), Consumer Finance (19%), and Banks (12%). At the company level, AIG is the largest contributor to earnings growth for the sector, mainly due to an easy comparison to a substantial loss in the year-ago quarter. AIG reported actual EPS of $0.57 for Q4 2017, compared to actual EPS of -$2.72 for Q4 2016. In the company's earnings release for Q4 2016, AIG noted, *"The fourth quarter included a $5.6 billion or ($3.56) per share impact from prior year adverse reserve development."* If AIG were excluded, the blended earnings growth rate for the Financials sector would decline to 6.5% from 14.8%.

Highest Revenue Growth (8.2%) Since Q3 2011

The blended (year-over-year) revenue growth rate for Q4 2017 is 8.2%. If 8.2% 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. Three sectors are reporting double-digit growth in revenues: Energy, Materials, and Information Technology.

Energy: All 6 Sub-Industries Reporting Double-Digit Growth

The Energy sector is reporting the highest (year-over-year) revenue growth of all eleven sectors at 20.7%. At the sub-industry level, all six sub-industries in the sector are reporting double-digit revenue growth: Oil & Gas Drilling (53%), Oil & Gas Equipment & Services (34%), Oil & Gas Refining & Marketing (31%), Oil & Gas Exploration & Production (14%), Oil & Gas Storage & Transportation (13%), and Integrated Oil & Gas (13%).

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

The Materials sector is reporting the second highest (year-over-year) revenue growth of all eleven sectors at 20.1%. At the industry level, all four industries in this sector are reporting revenue growth, led by the Chemicals (26%) and Metals & Mining (19%) industries. At the company level, DowDuPont is the largest contributor to revenue growth for the sector. However, the actual revenues for Q4 2017 ($20.1 billion) reflect the combined DowDuPont company, while the actual revenues for Q4 2016 ($13.0 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 12.7% from 20.1%.

Information Technology: Internet Software Leads Growth

The Information Technology sector is reporting the third highest (year-over-year) revenue growth of all eleven sectors at 13.4%. At the industry level, all seven industries in this sector are reporting revenue growth. Five of these seven industries are reporting double-digit revenue growth: Internet Software & Services (25%), Semiconductor & Semiconductor Equipment (18%), IT Services (16%), Electronic Equipment, Instruments, and Components (12%), and Software (10%).

Looking Ahead: Forward Estimates and Valuation

Earnings Guidance: Negative EPS Guidance Well Below Average For Q1

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, 86 companies in the index have issued EPS guidance for Q1 2018. Of these 86 companies, 42 have issued negative EPS guidance and 44 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 49% (42 out of 86), which is well below the 5-year average of 74%.

Double-Digit Earnings Growth Expected to Continue in 2018

For the fourth quarter, companies are reporting earnings growth of 14.8% and revenue growth of 8.2%. Analysts currently expect earnings to grow at double-digit levels in 2018.

For Q1 2018, analysts are projecting earnings growth of 17.1% and revenue growth of 7.5%.

For Q2 2018, analysts are projecting earnings growth of 19.0% and revenue growth of 7.8%.

For Q3 2018, analysts are projecting earnings growth of 20.7% and revenue growth of 6.5%.

For Q4 2018, analysts are projecting earnings growth of 16.6% and revenue growth of 5.1%.

For all of 2018, analysts are projecting earnings growth of 18.2% and revenue growth of 6.6%.

Valuation: Forward P/E Ratio is 16.9, above the 10-Year Average (14.3)

The forward 12-month P/E ratio is 16.9. This P/E ratio is above the 5-year average of 16.0 and above the 10-year average of 14.3. However, it is below the forward 12-month P/E ratio of 18.2 recorded at the start of the first quarter (December 31). Since the start of the first quarter, the price of the index has increased by 1.1%, while the forward 12-month EPS estimate has increased by 8.8%.

At the sector level, the Consumer Discretionary (20.4) and Energy (19.6) sectors have the highest forward 12-month P/E ratios, while the Telecom Services (10.6) and Financials (13.6) sectors have the lowest forward 12-month P/E ratios. Nine sectors have forward 12-month P/E ratios that are above their 10-year averages, led by the Information Technology (18.5 vs. 14.4) sector. One sector (Telecom Services) has a forward 12-month P/E ratio that is below the 10-year average (10.6 vs. 14.1). Historical averages are not available for the Real Estate sector.

Targets & Ratings: Analysts Project 14% Increase in Price Over Next 12 Months

The bottom-up target price for the S&P 500 is 3092.98, which is 14.4% above the closing price of 2703.96. At the sector level, the Energy (+21.4%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Utilities (+10.1%) and Financials (+10.4%) sectors are expected to see the smallest price increases, as these sectors have the smallest upside differences between the bottom-up target price and the closing price.

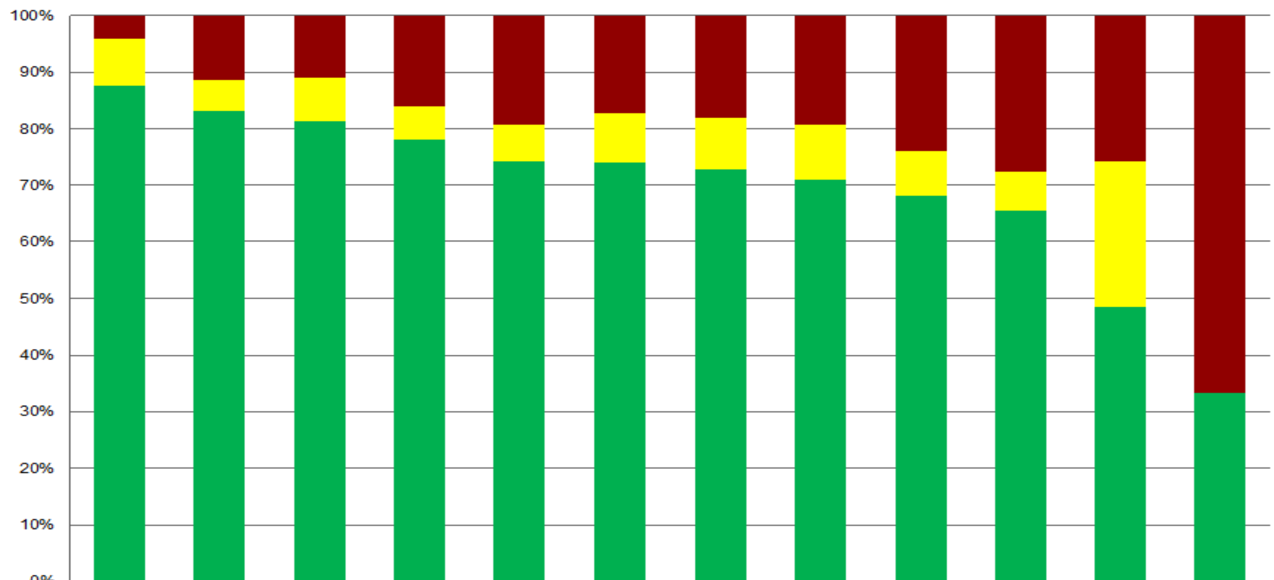
Overall, there are 11,096 ratings on stocks in the S&P 500. Of these 11,096 ratings, 51.3% are Buy ratings, 43.7% are Hold ratings, and 5.0% are Sell ratings. At the sector level, the Information Technology (59%), Health Care (59%), and Energy (57%) sectors have the highest percentages of Buy ratings, while the Telecom Services (28%) and Utilities (38%) sectors have the lowest percentages of Buy ratings.

Companies Reporting Next Week: 32

During the upcoming week, 32 S&P 500 companies are scheduled to report results for the fourth quarter.

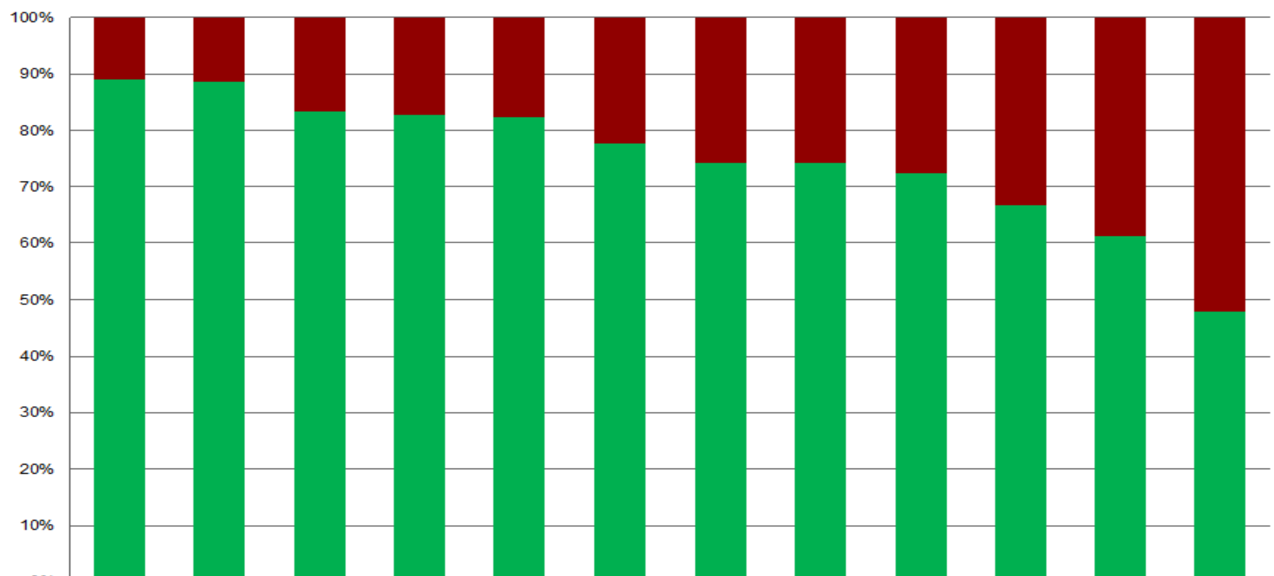
Q4 2017: Scorecard

S&P 500 Earnings Above, In-Line, Below Estimates: Q4 2017
(Source: FactSet)



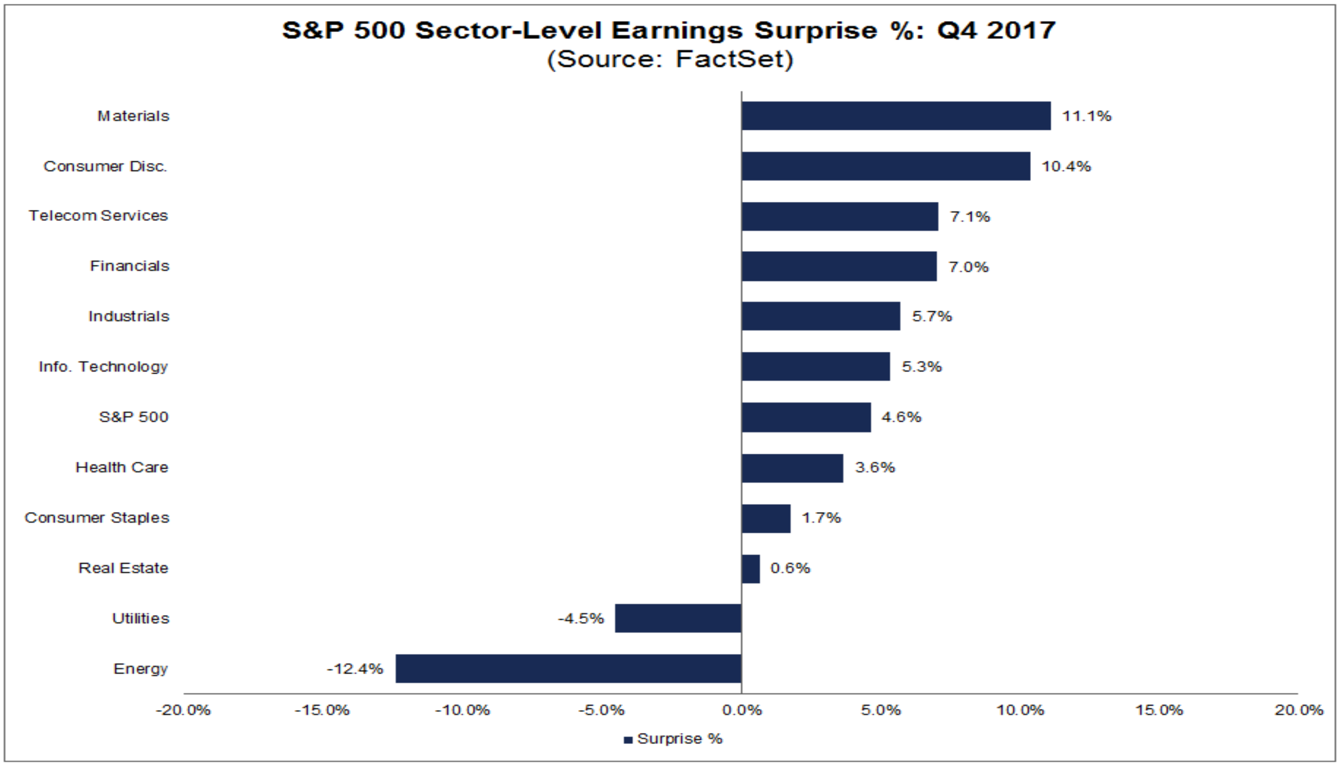
	Materials	Health Care	Info. Technology	Industrials	Consumer Staples	S&P 500	Financials	Consumer Disc.	Utilities	Energy	Real Estate	Telecom Services
Below	4%	11%	11%	16%	19%	17%	18%	19%	24%	28%	26%	67%
In-Line	8%	6%	8%	6%	6%	9%	9%	10%	8%	7%	26%	0%
Above	88%	83%	81%	78%	74%	74%	73%	71%	68%	66%	48%	33%

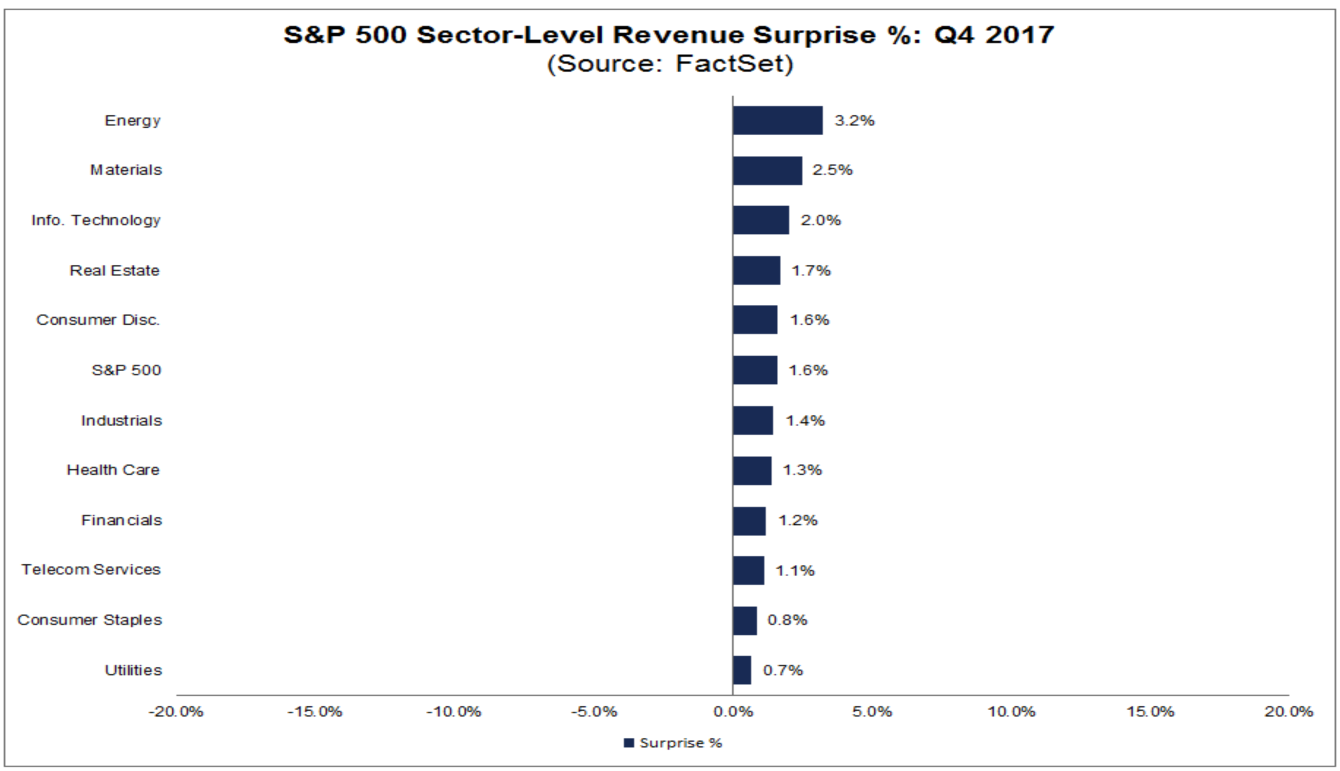
S&P 500 Revenues Above, In-Line, Below Estimates: Q4 2017
(Source: FactSet)



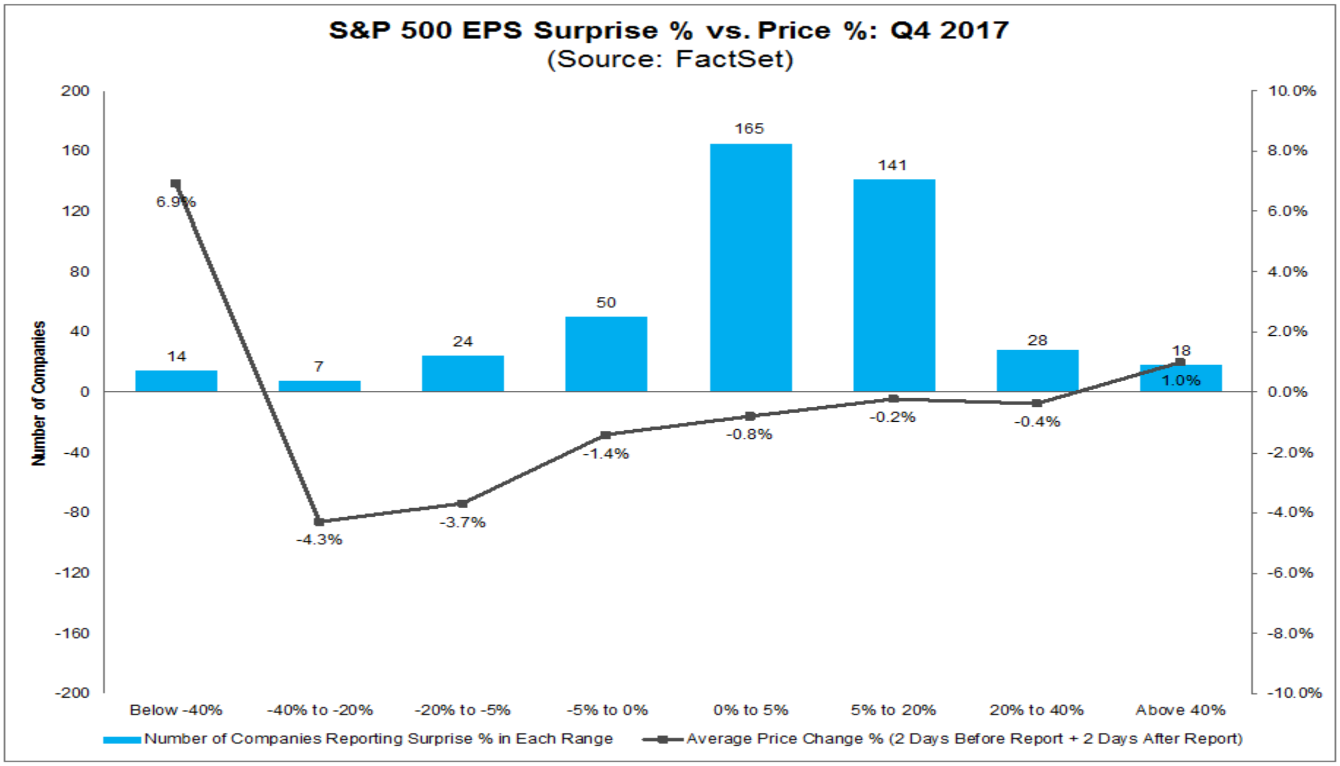
	Info. Technology	Health Care	Materials	Energy	Industrials	S&P 500	Real Estate	Consumer Disc.	Financials	Telecom Services	Consumer Staples	Utilities
Below	11%	11%	17%	17%	18%	22%	26%	26%	28%	33%	39%	52%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	89%	89%	83%	83%	82%	78%	74%	74%	72%	67%	61%	48%

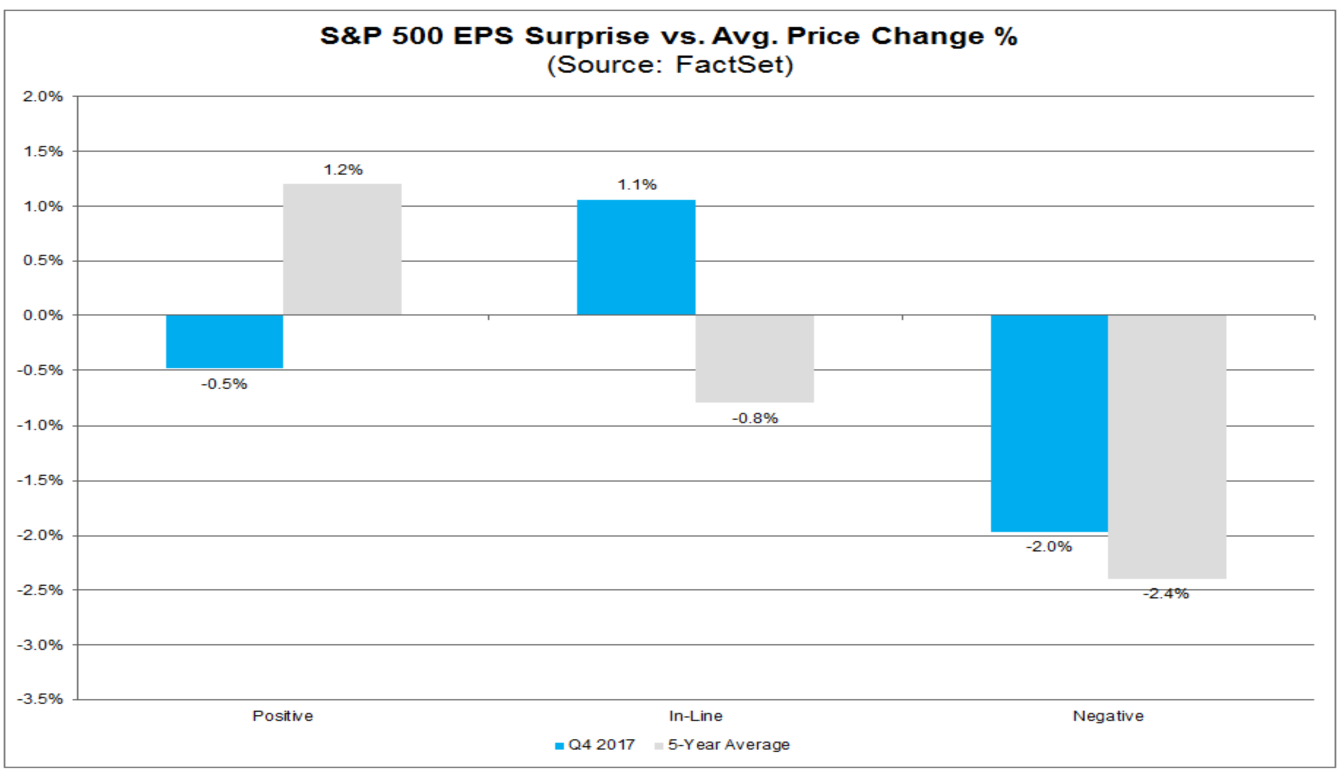
Q4 2017: Scorecard



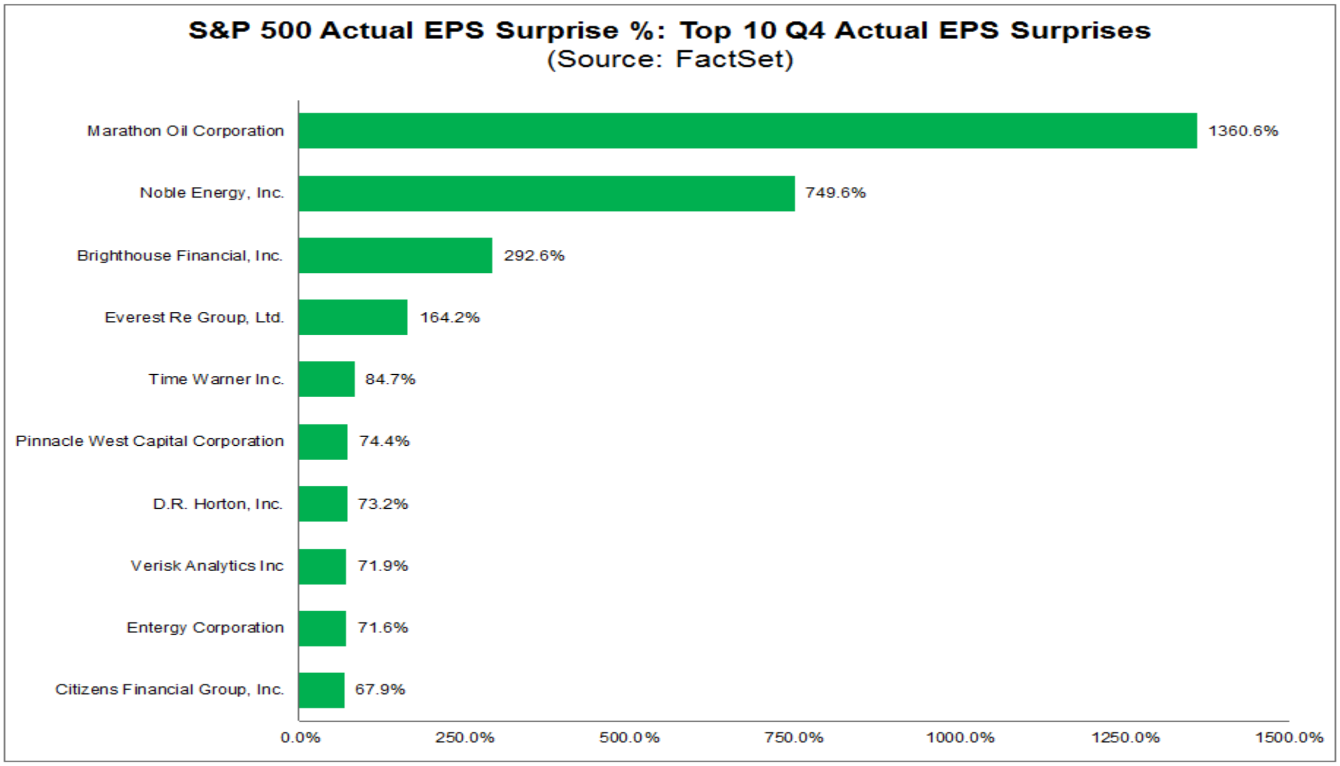


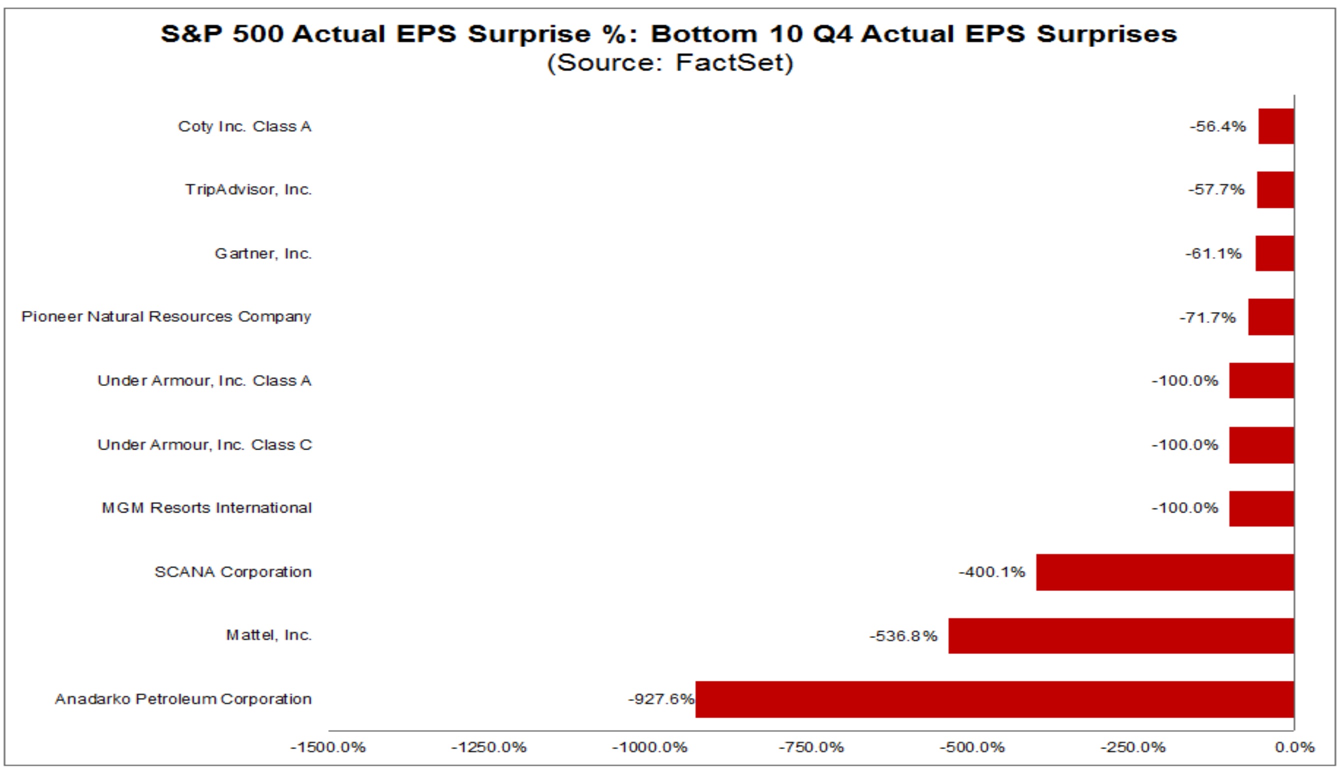
Q4 2017: Scorecard



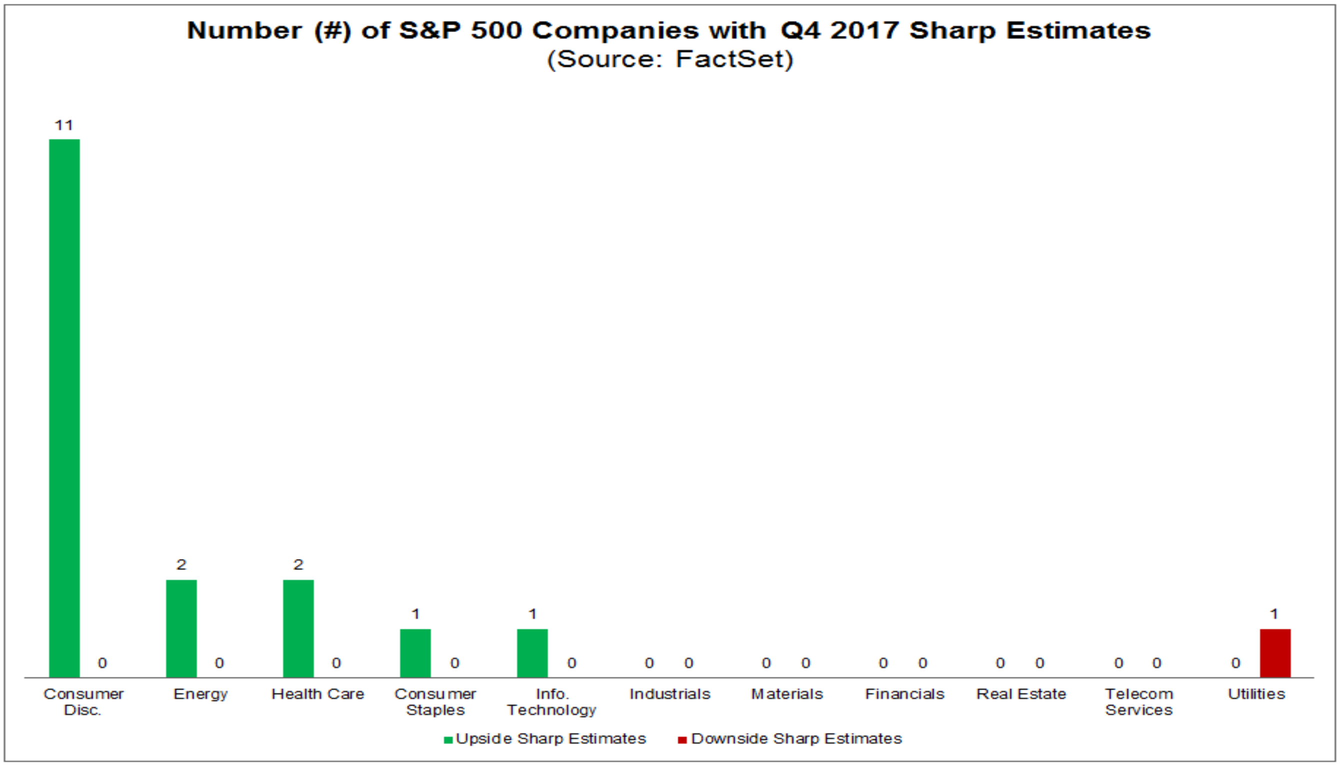


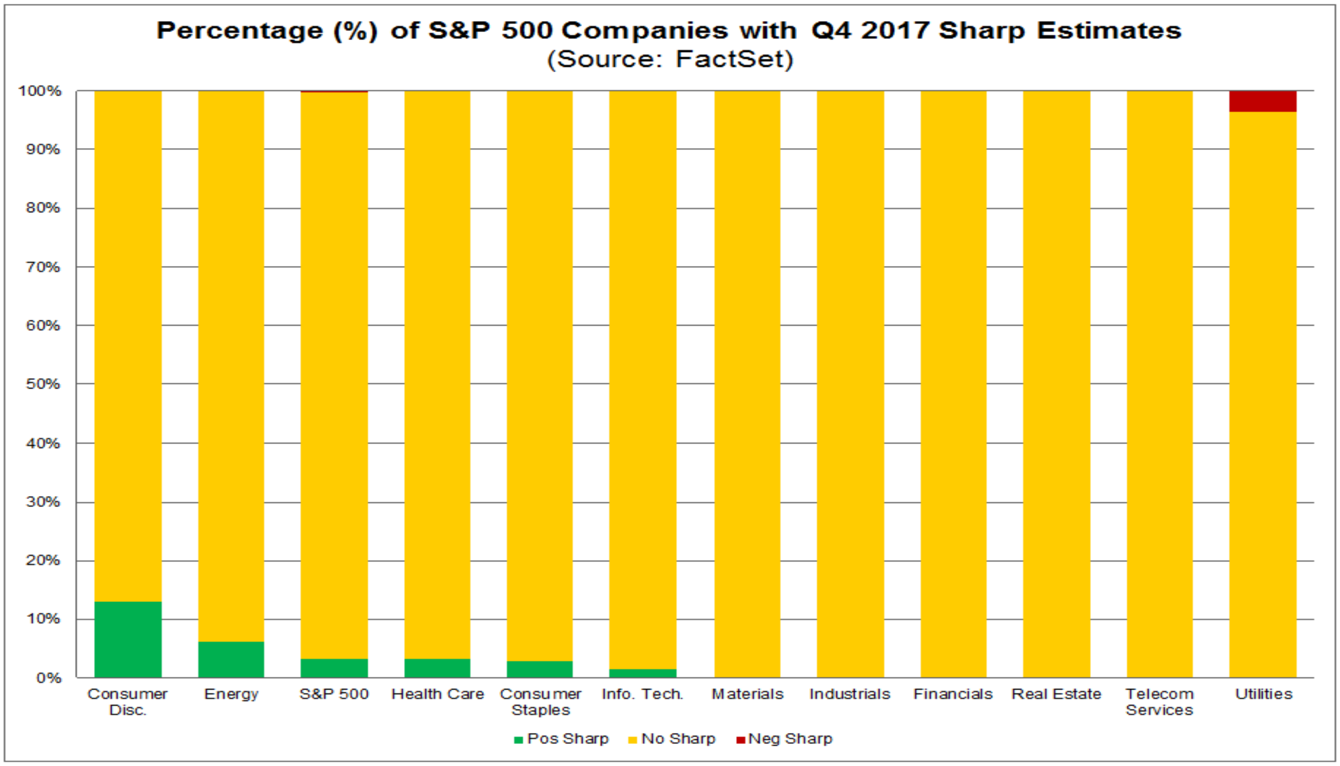
Q4 2017: Scorecard



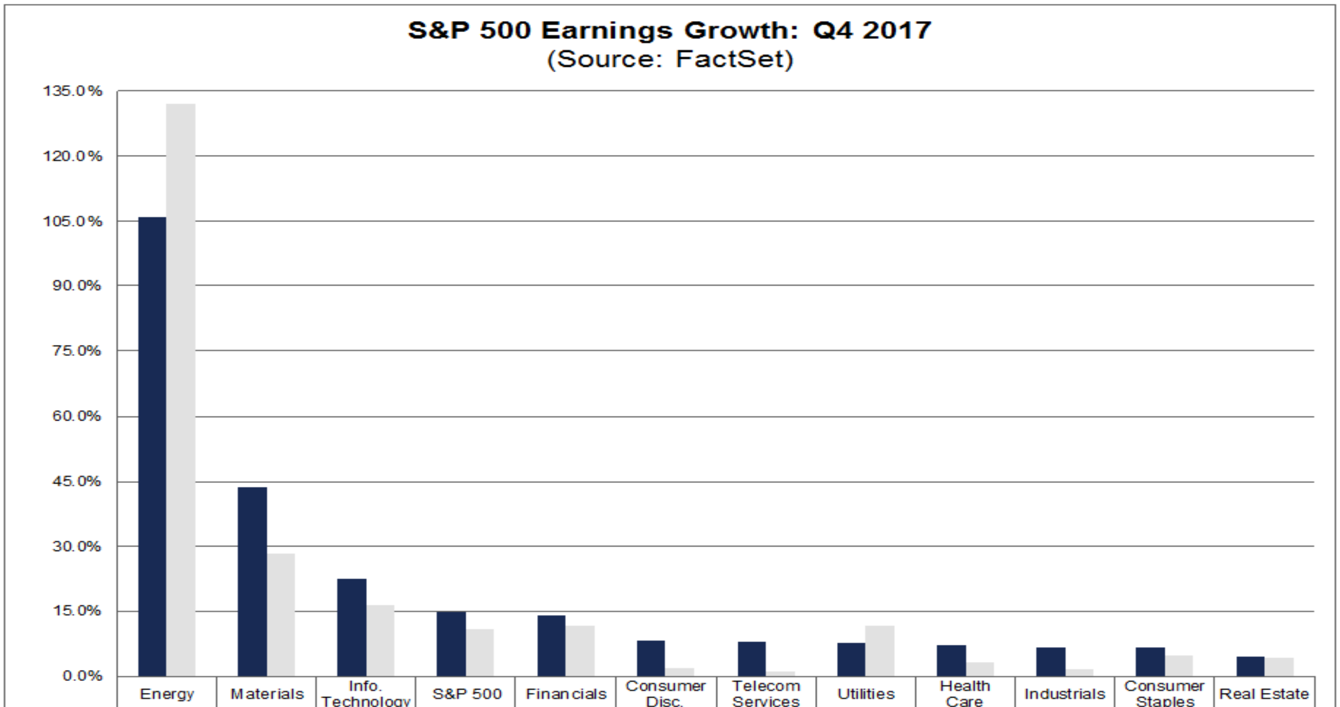


Q4 2017: Projected EPS Surprises (Sharp Estimates)

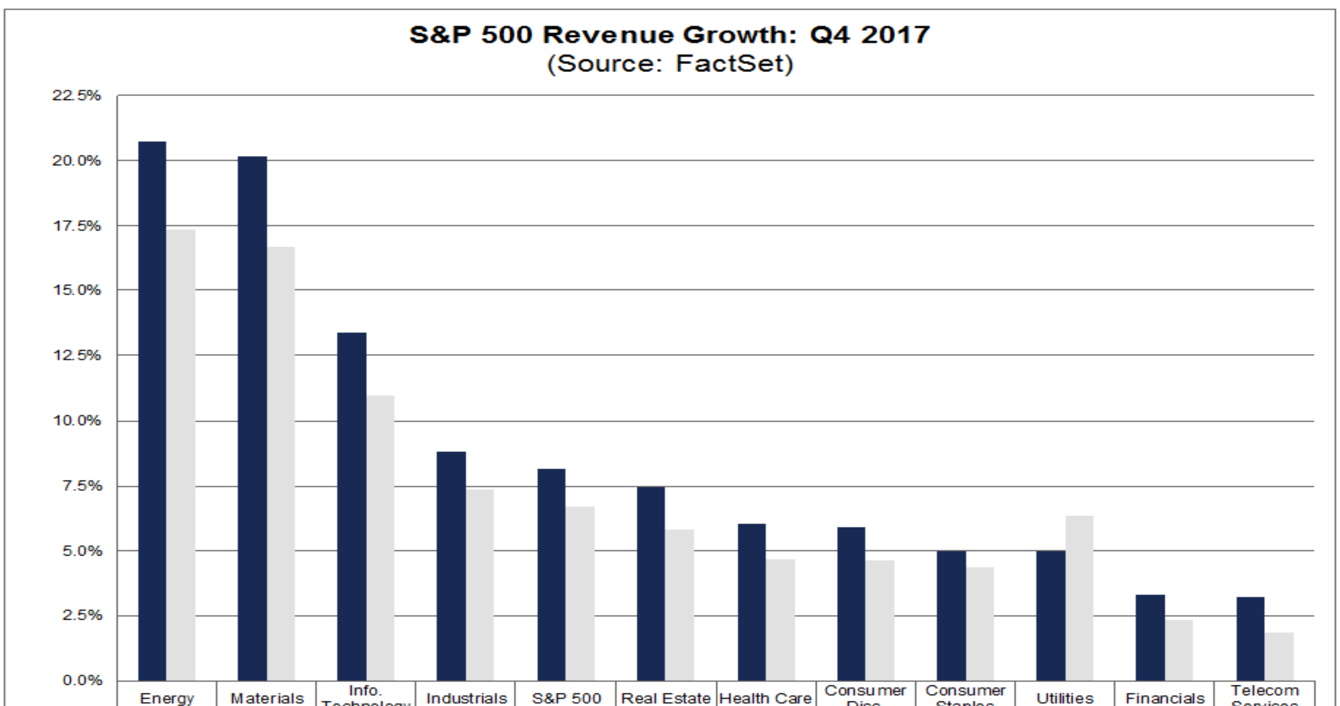




Q4 2017: Growth

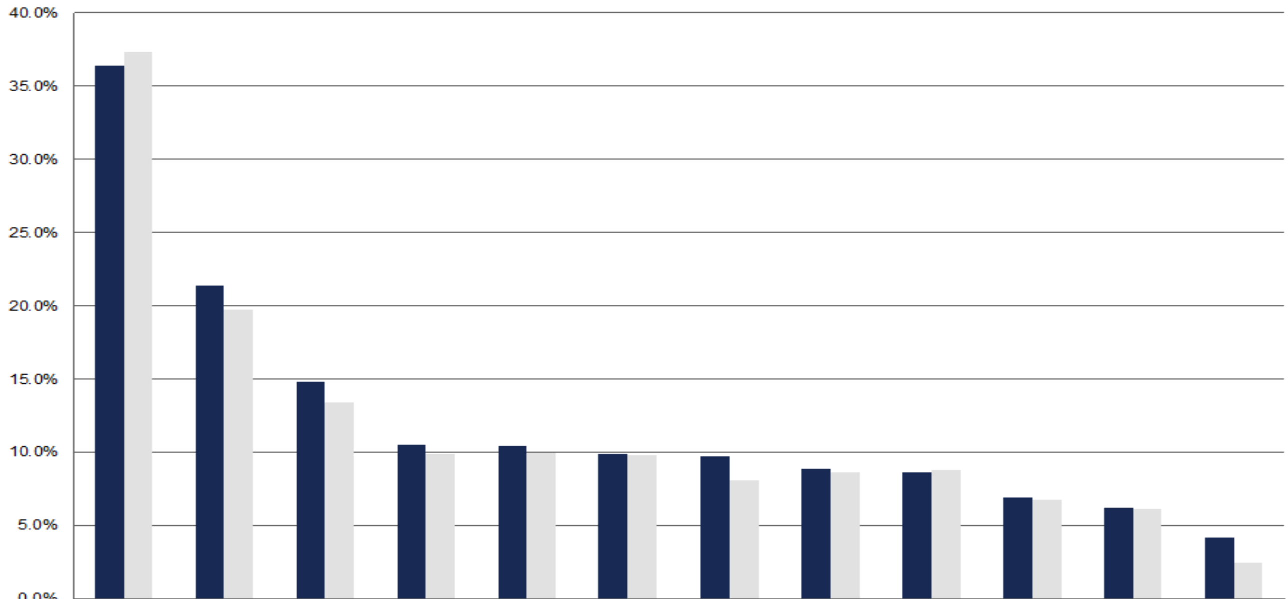


	Energy	Materials	Info. Technology	S&P 500	Financials	Consumer Disc.	Telecom Services	Utilities	Health Care	Industrials	Consumer Staples	Real Estate
Today	105.8%	43.9%	22.5%	14.8%	14.0%	8.3%	8.1%	7.9%	7.4%	6.8%	6.7%	4.7%
31-Dec	132.1%	28.5%	16.4%	11.0%	11.9%	2.0%	1.1%	11.8%	3.3%	1.8%	4.9%	4.3%

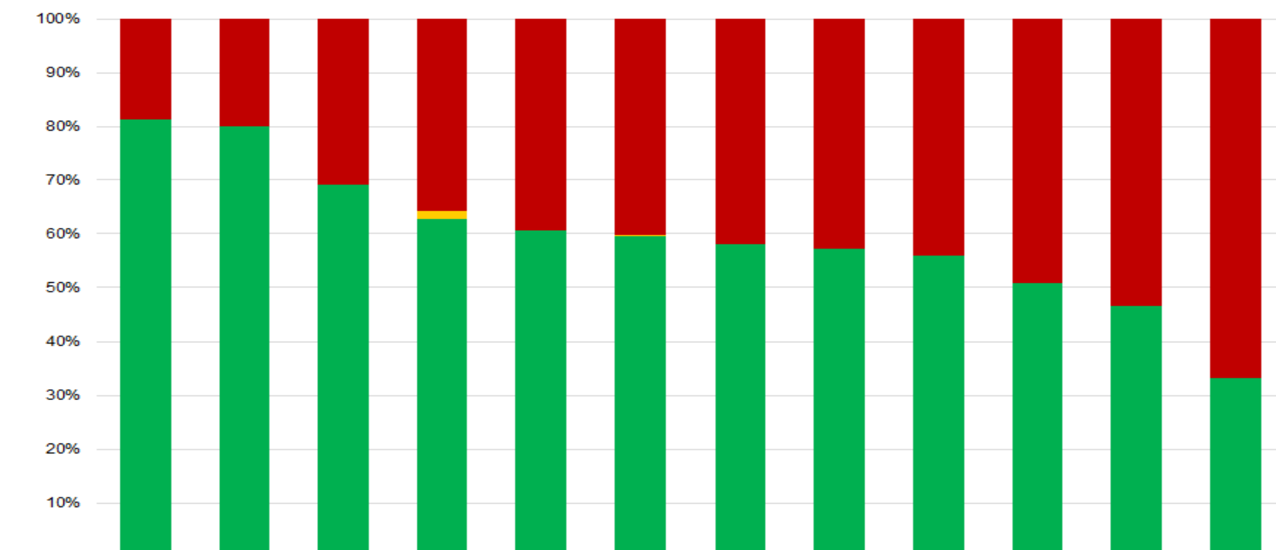


	Energy	Materials	Info. Technology	Industrials	S&P 500	Real Estate	Health Care	Consumer Disc.	Consumer Staples	Utilities	Financials	Telecom Services
Today	20.7%	20.1%	13.4%	8.8%	8.2%	7.5%	6.0%	5.9%	5.0%	5.0%	3.3%	3.3%
31-Dec	17.3%	16.7%	11.0%	7.4%	6.7%	5.8%	4.7%	4.7%	4.4%	6.4%	2.4%	1.9%

Q4 2017: Net Profit Margin

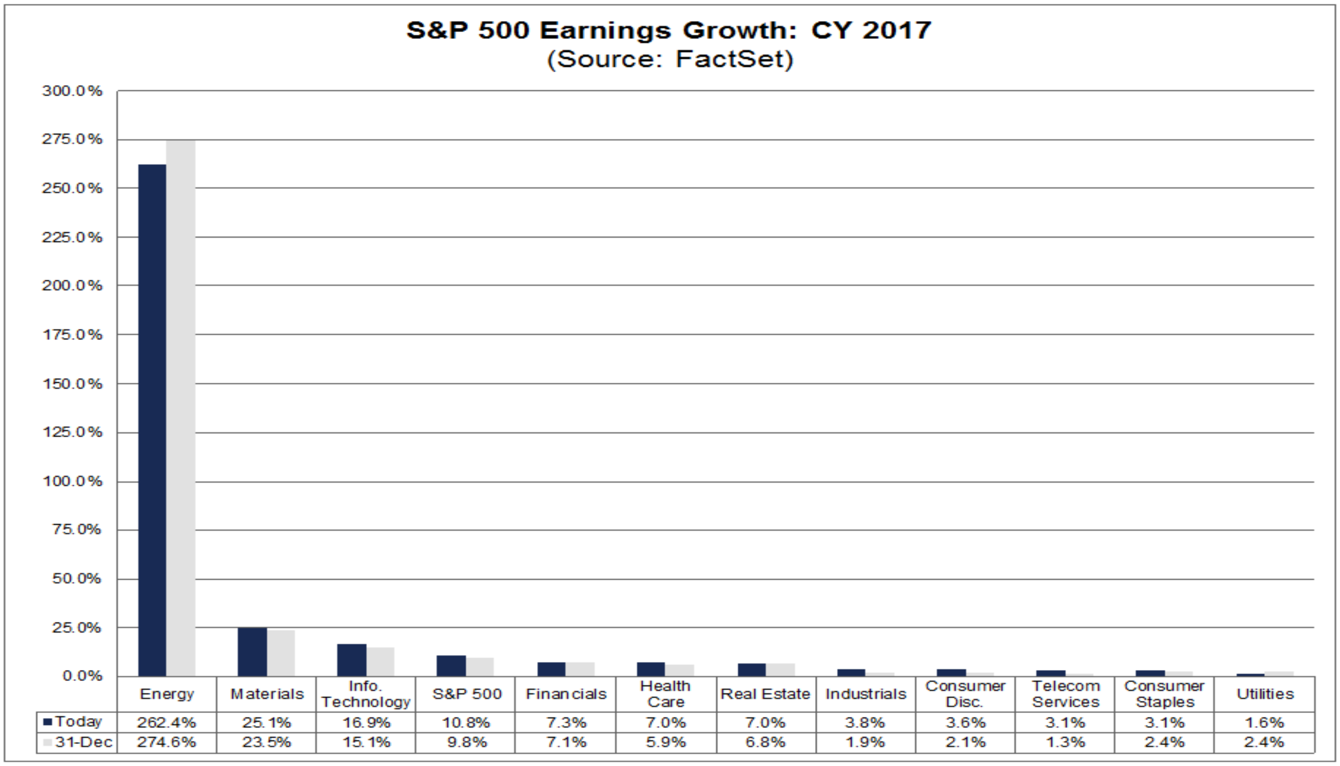


	Real Estate	Information Tech	Financials	S&P 500	Telecom Services	Health Care	Materials	Utilities	Industrials	Consumer Disc.	Consumer Staples	Energy
Q417	36.3%	21.3%	14.9%	10.5%	10.5%	9.9%	9.7%	8.9%	8.6%	7.0%	6.2%	4.2%
Q416	37.3%	19.7%	13.5%	9.9%	10.0%	9.8%	8.1%	8.7%	8.8%	6.8%	6.1%	2.5%

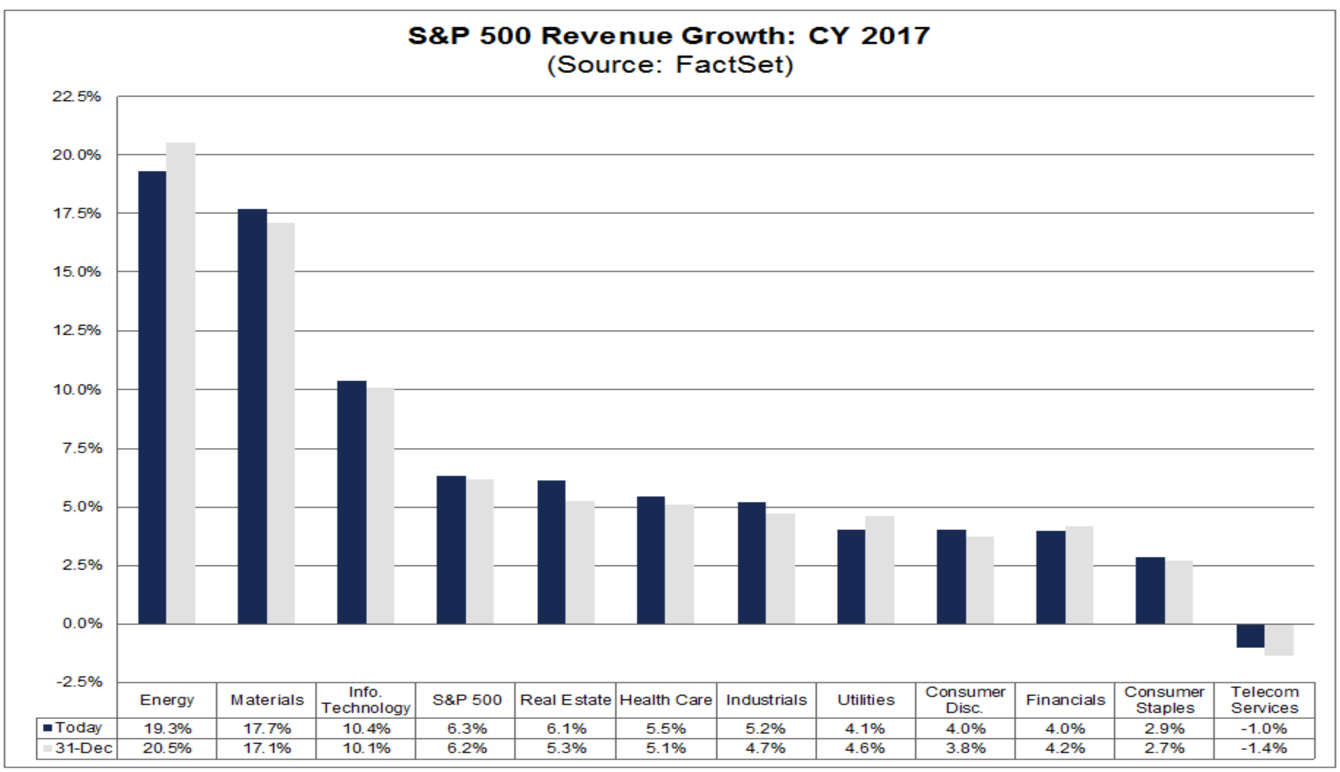


	Energy	Materials	Information Tech.	Financials	Real Estate	S&P 500	Health Care	Utilities	Consumer Staples	Industrials	Consumer Disc.	Telecom Services
Down %	19%	20%	31%	36%	39%	40%	42%	43%	44%	49%	54%	67%
None %	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%
Up %	81%	80%	69%	63%	61%	60%	58%	57%	56%	51%	46%	33%

CY 2017: Growth



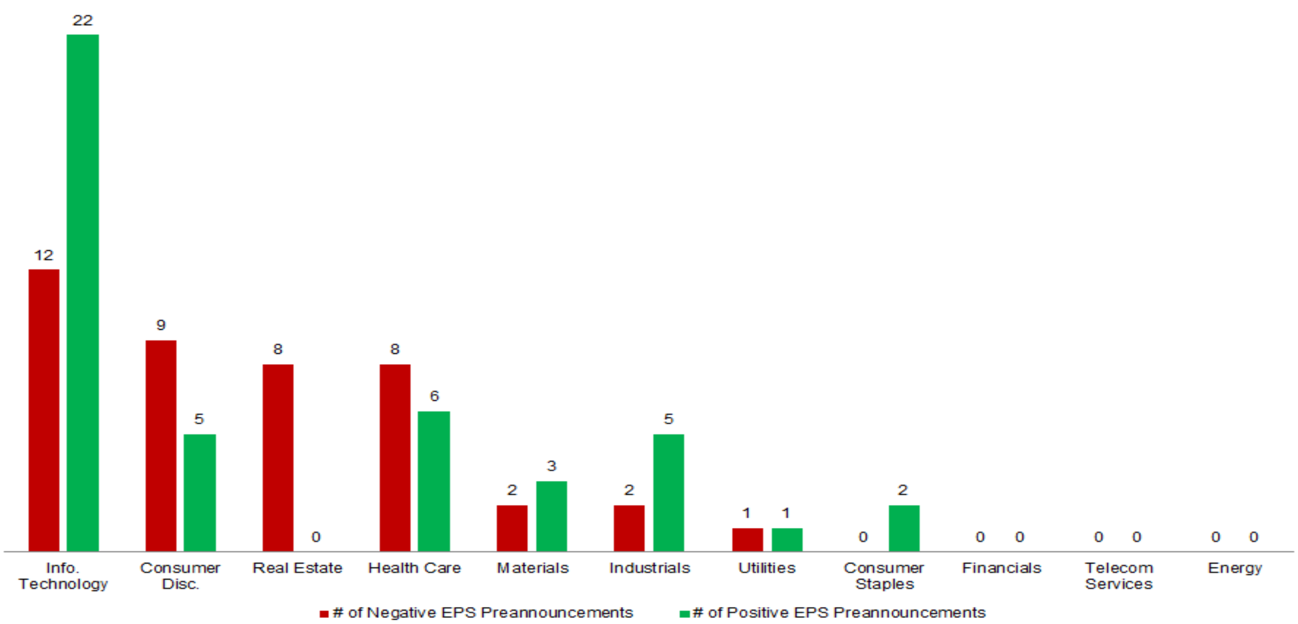
	Energy	Materials	Info. Technology	S&P 500	Financials	Health Care	Real Estate	Industrials	Consumer Disc.	Telecom Services	Consumer Staples	Utilities
Today	262.4%	25.1%	16.9%	10.8%	7.3%	7.0%	7.0%	3.8%	3.6%	3.1%	3.1%	1.6%
31-Dec	274.6%	23.5%	15.1%	9.8%	7.1%	5.9%	6.8%	1.9%	2.1%	1.3%	2.4%	2.4%



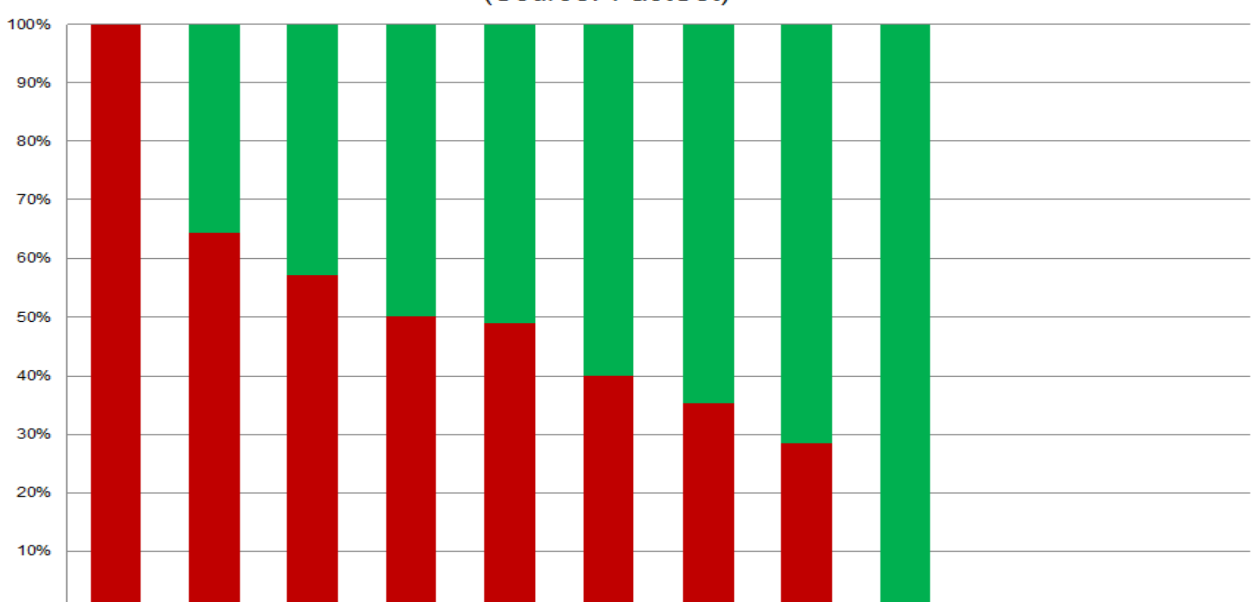
	Energy	Materials	Info. Technology	S&P 500	Real Estate	Health Care	Industrials	Utilities	Consumer Disc.	Financials	Consumer Staples	Telecom Services
Today	19.3%	17.7%	10.4%	6.3%	6.1%	5.5%	5.2%	4.1%	4.0%	4.0%	2.9%	-1.0%
31-Dec	20.5%	17.1%	10.1%	6.2%	5.3%	5.1%	4.7%	4.6%	3.8%	4.2%	2.7%	-1.4%

Q1 2018: Guidance

Number (#) of S&P 500 Cos. with Q1 Positive & Negative Guidance
(Source: FactSet)

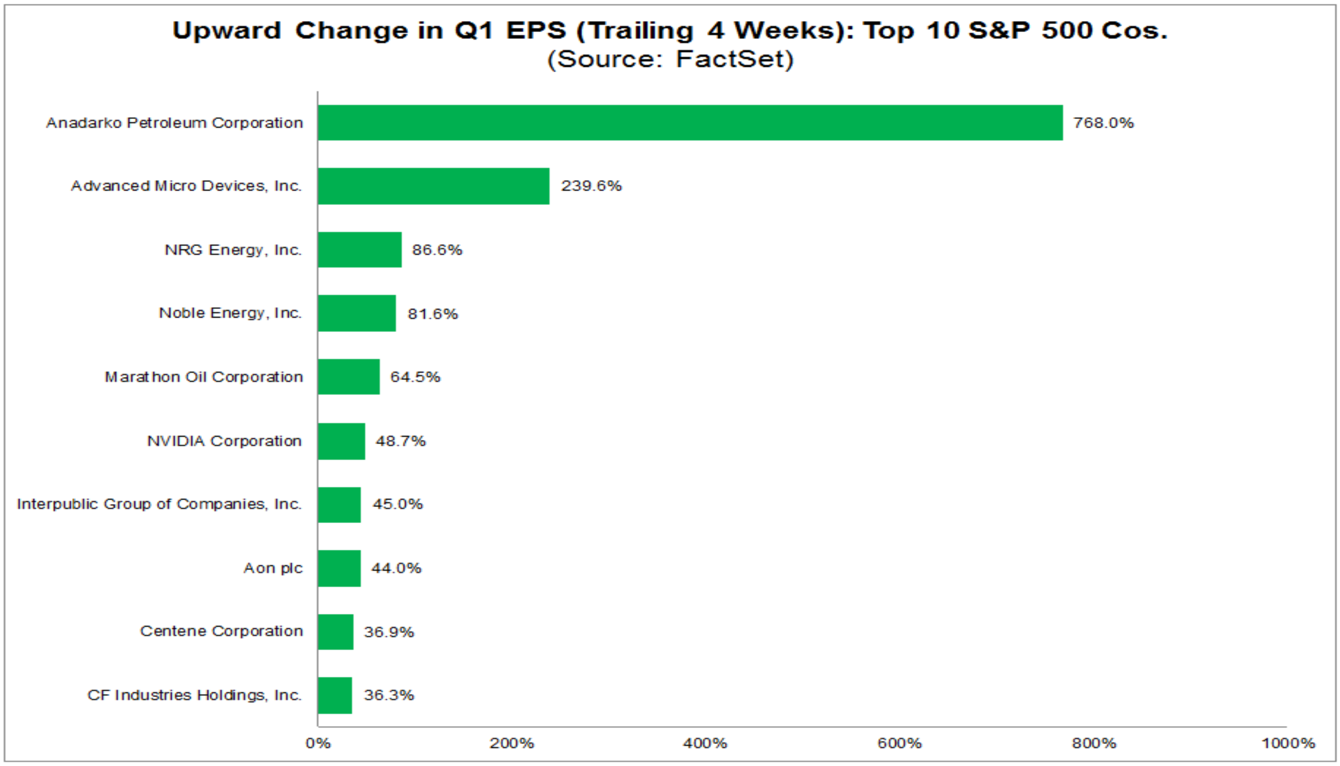


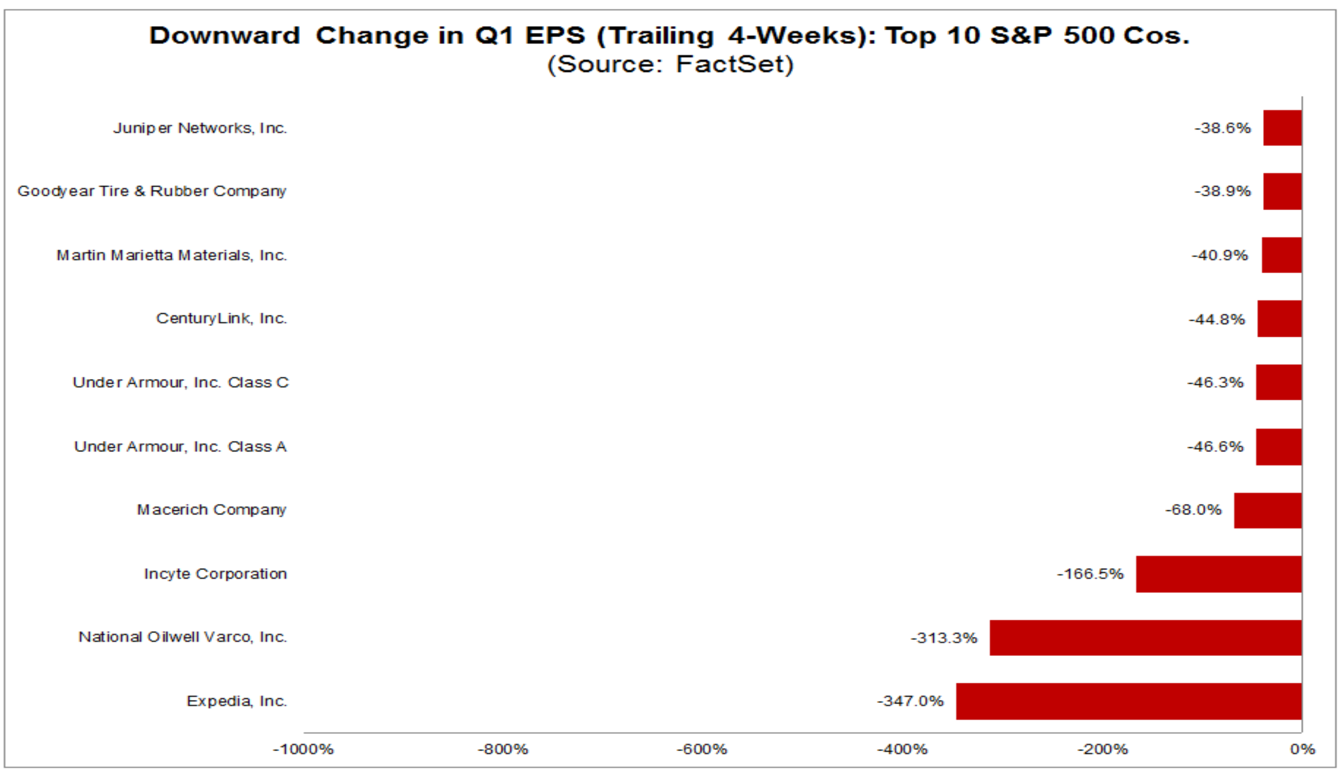
Percentage (%) of S&P 500 Cos. with Q1 Positive & Negative Guidance
(Source: FactSet)



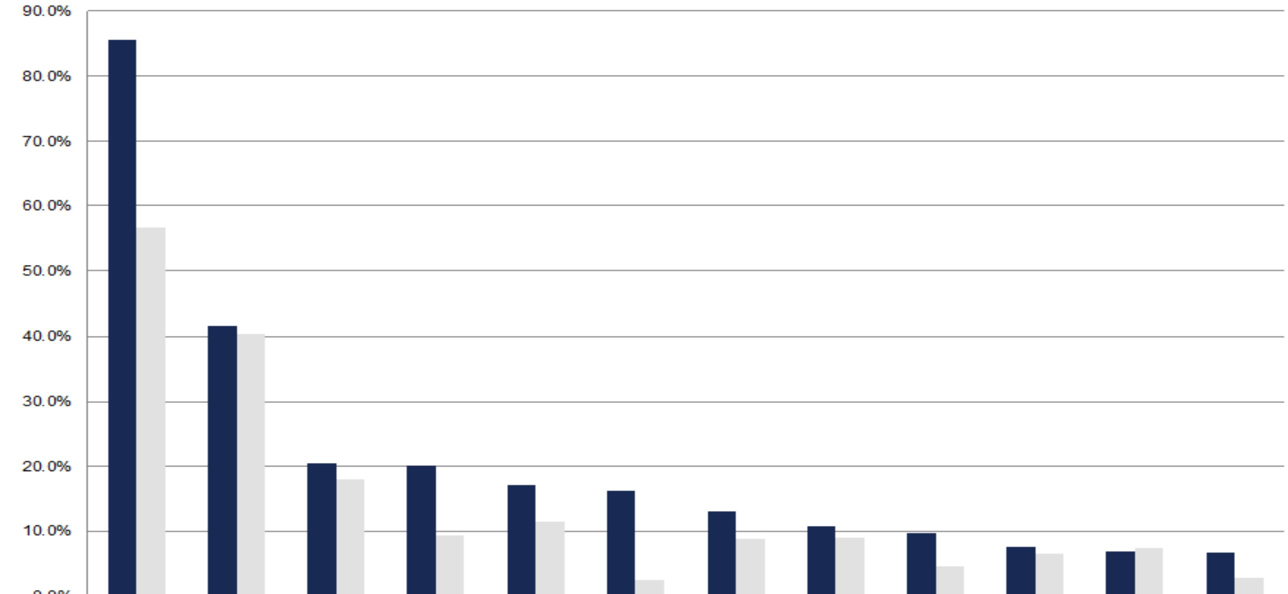
	Real Estate	Consumer Disc.	Health Care	Utilities	S&P 500	Materials	Info. Technology	Industrials	Consumer Staples	Financials	Telecom Services	Energy
Positive	0%	36%	43%	50%	51%	60%	65%	71%	100%	0%	0%	0%
Negative	100%	64%	57%	50%	49%	40%	35%	29%	0%	0%	0%	0%

Q1 2018: EPS Revisions

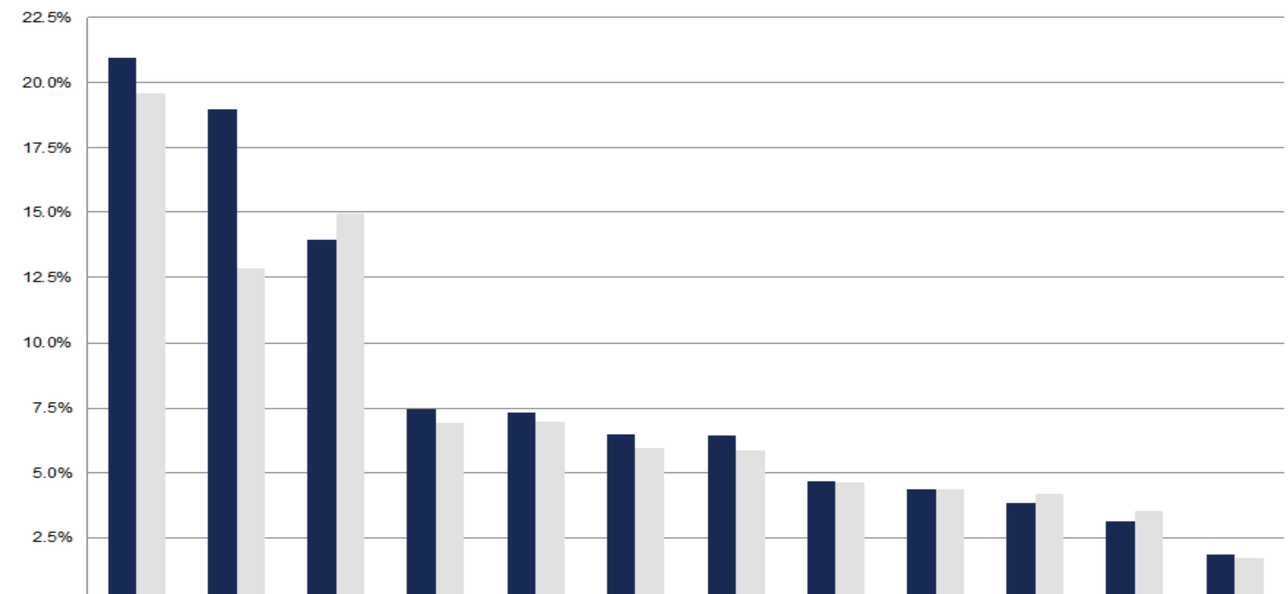




Q1 2018: Growth

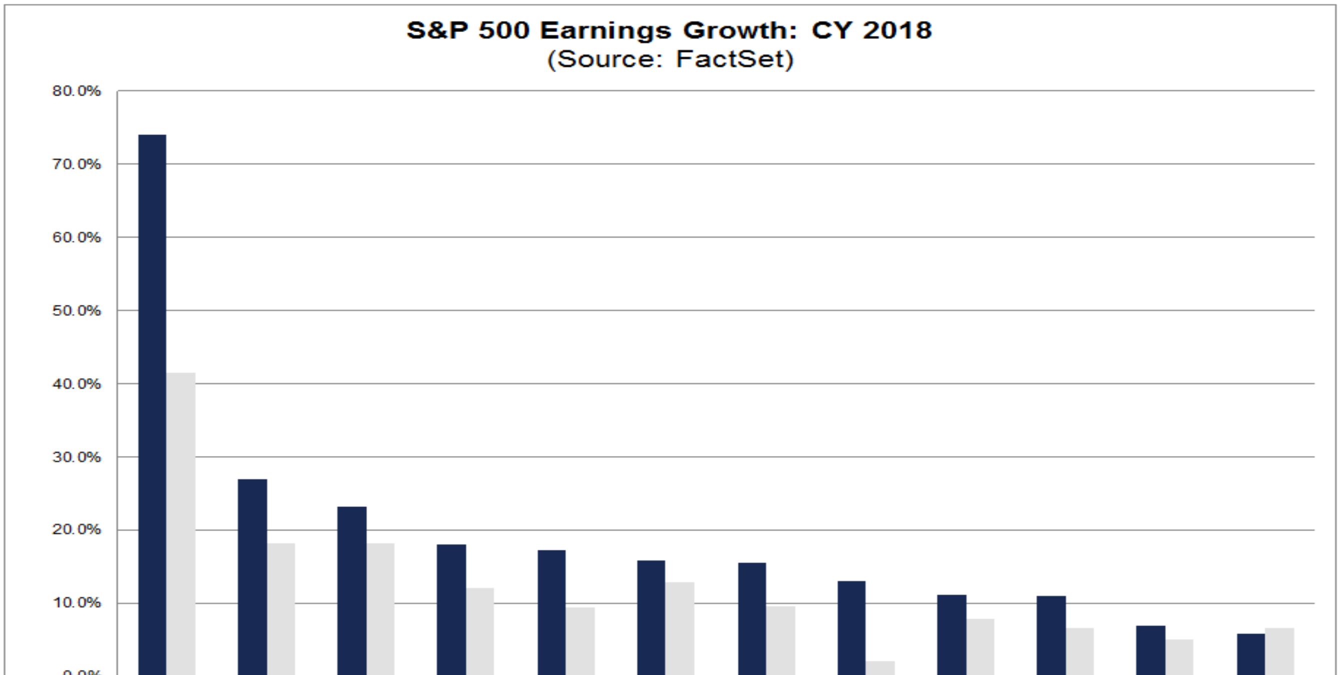


	Energy	Materials	Info. Technology	Financials	S&P 500	Telecom Services	Industrials	Utilities	Health Care	Consumer Staples	Real Estate	Consumer Disc.
Today	85.6%	41.5%	20.5%	20.2%	17.1%	16.3%	13.1%	10.8%	9.7%	7.7%	7.0%	6.9%
31-Dec	56.6%	40.4%	18.1%	9.4%	11.5%	2.6%	8.9%	9.0%	4.7%	6.5%	7.5%	2.9%

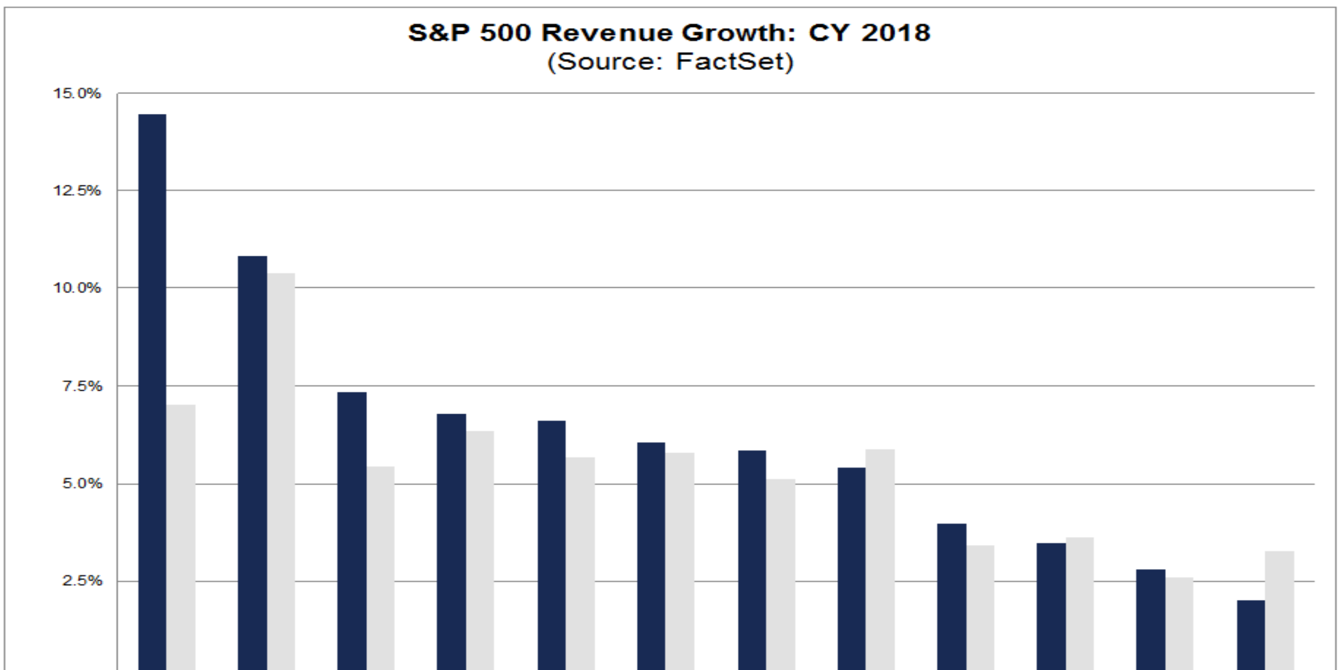


	Materials	Energy	Info. Technology	S&P 500	Industrials	Health Care	Real Estate	Consumer Disc.	Telecom Services	Consumer Staples	Utilities	Financials
Today	20.9%	19.0%	13.9%	7.5%	7.3%	6.5%	6.4%	4.7%	4.4%	3.8%	3.1%	1.9%
31-Dec	19.6%	12.8%	15.0%	6.9%	7.0%	6.0%	5.9%	4.6%	4.4%	4.2%	3.5%	1.7%

CY 2018: Growth

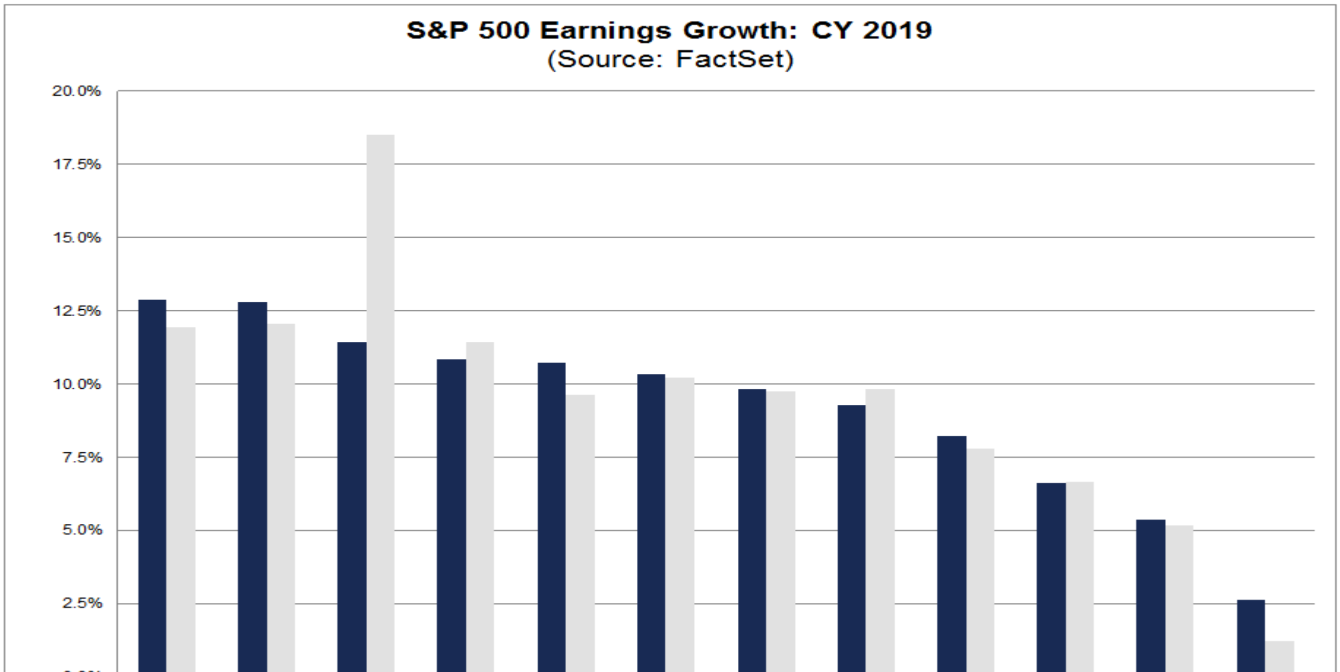


	Energy	Financials	Materials	S&P 500	Industrials	Info. Technology	Consumer Disc.	Telecom Services	Consumer Staples	Health Care	Utilities	Real Estate
Today	74.0%	26.9%	23.2%	18.2%	17.3%	15.9%	15.5%	13.1%	11.2%	11.0%	6.9%	5.9%
31-Dec	41.5%	18.2%	18.3%	12.1%	9.5%	12.9%	9.6%	2.2%	7.9%	6.6%	5.1%	6.7%

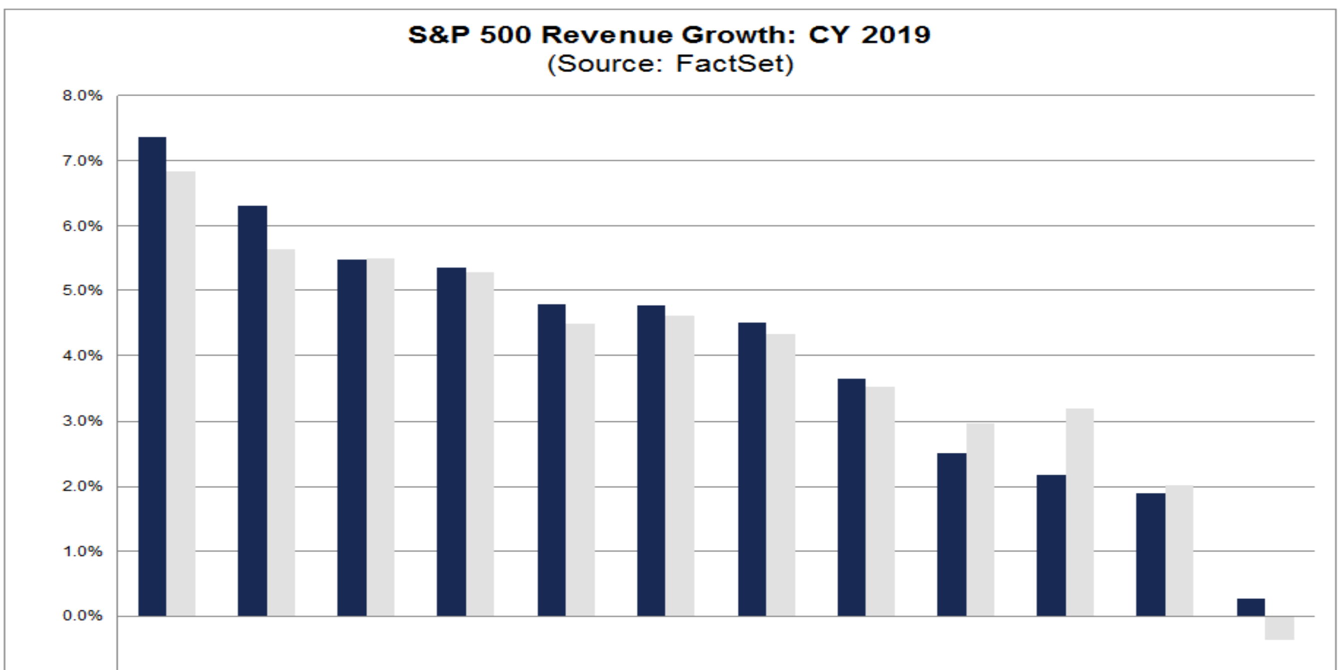


	Energy	Info. Technology	Materials	Consumer Disc.	S&P 500	Health Care	Industrials	Real Estate	Financials	Consumer Staples	Telecom Services	Utilities
Today	14.5%	10.8%	7.3%	6.8%	6.6%	6.1%	5.9%	5.4%	4.0%	3.5%	2.8%	2.0%
31-Dec	7.0%	10.4%	5.5%	6.3%	5.7%	5.8%	5.1%	5.9%	3.4%	3.6%	2.6%	3.3%

CY 2019: Growth

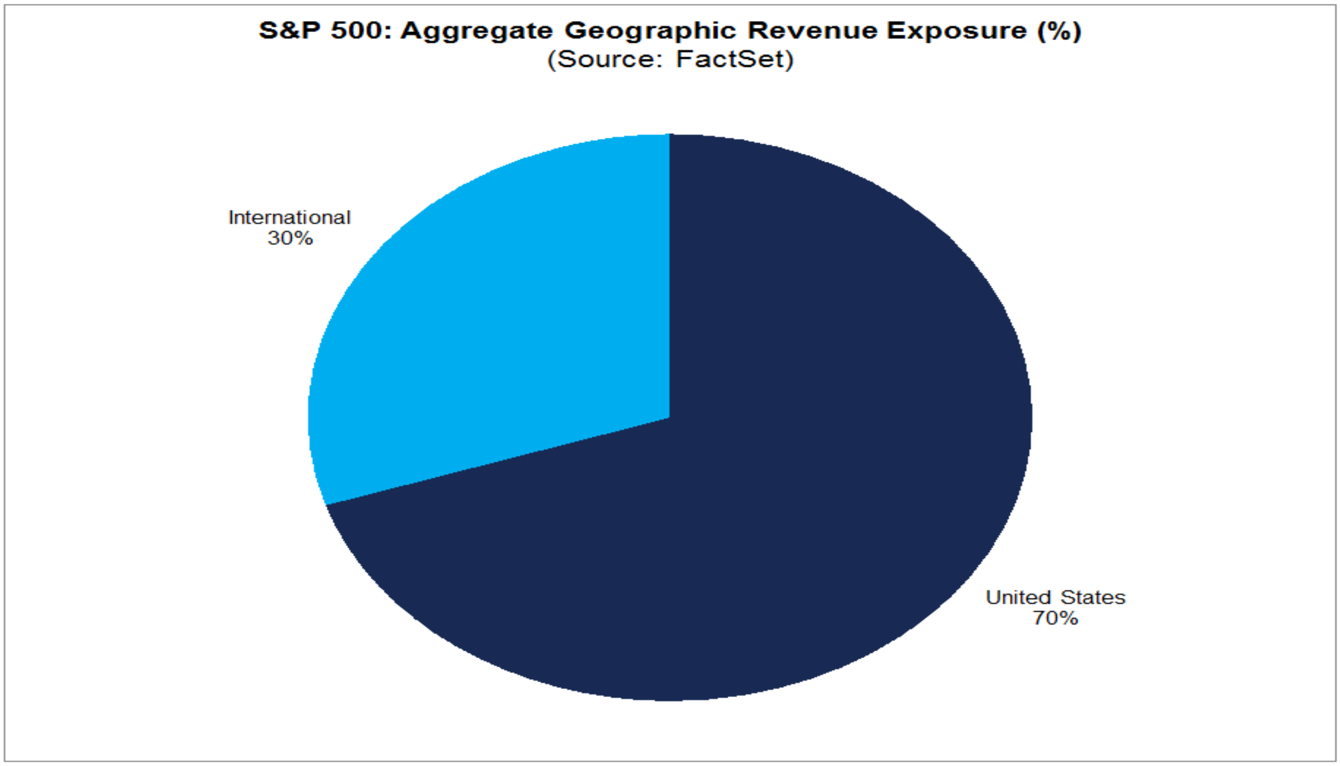


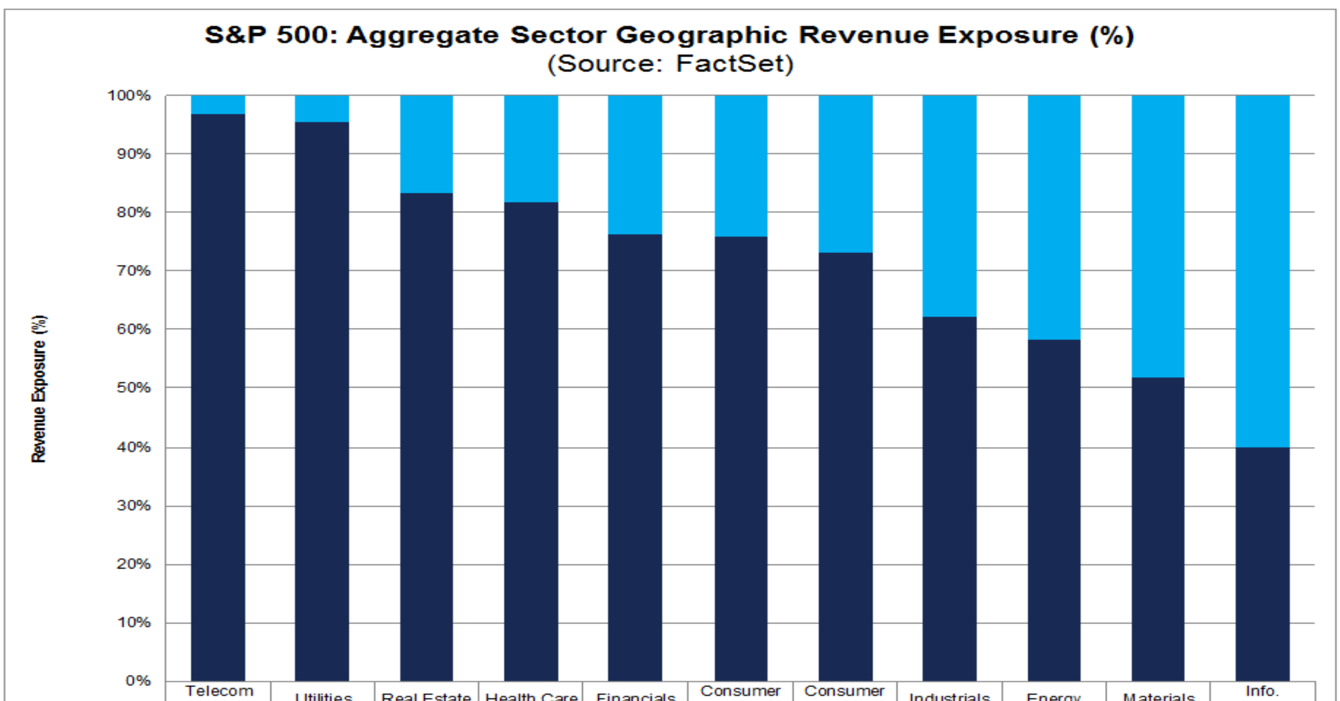
	Industrials	Consumer Disc.	Energy	Financials	Info. Technology	S&P 500	Health Care	Materials	Consumer Staples	Real Estate	Utilities	Telecom Services
Today	12.9%	12.8%	11.4%	10.8%	10.7%	10.3%	9.8%	9.2%	8.3%	6.7%	5.4%	2.6%
31-Dec	11.9%	12.0%	18.5%	11.4%	9.6%	10.2%	9.7%	9.8%	7.8%	6.7%	5.2%	1.2%



	Info. Technology	Consumer Disc.	Health Care	Real Estate	Industrials	S&P 500	Financials	Consumer Staples	Materials	Energy	Utilities	Telecom Services
Today	7.4%	6.3%	5.5%	5.3%	4.8%	4.8%	4.5%	3.6%	2.5%	2.2%	1.9%	0.3%
31-Dec	6.8%	5.6%	5.5%	5.3%	4.5%	4.6%	4.3%	3.5%	3.0%	3.2%	2.0%	-0.4%

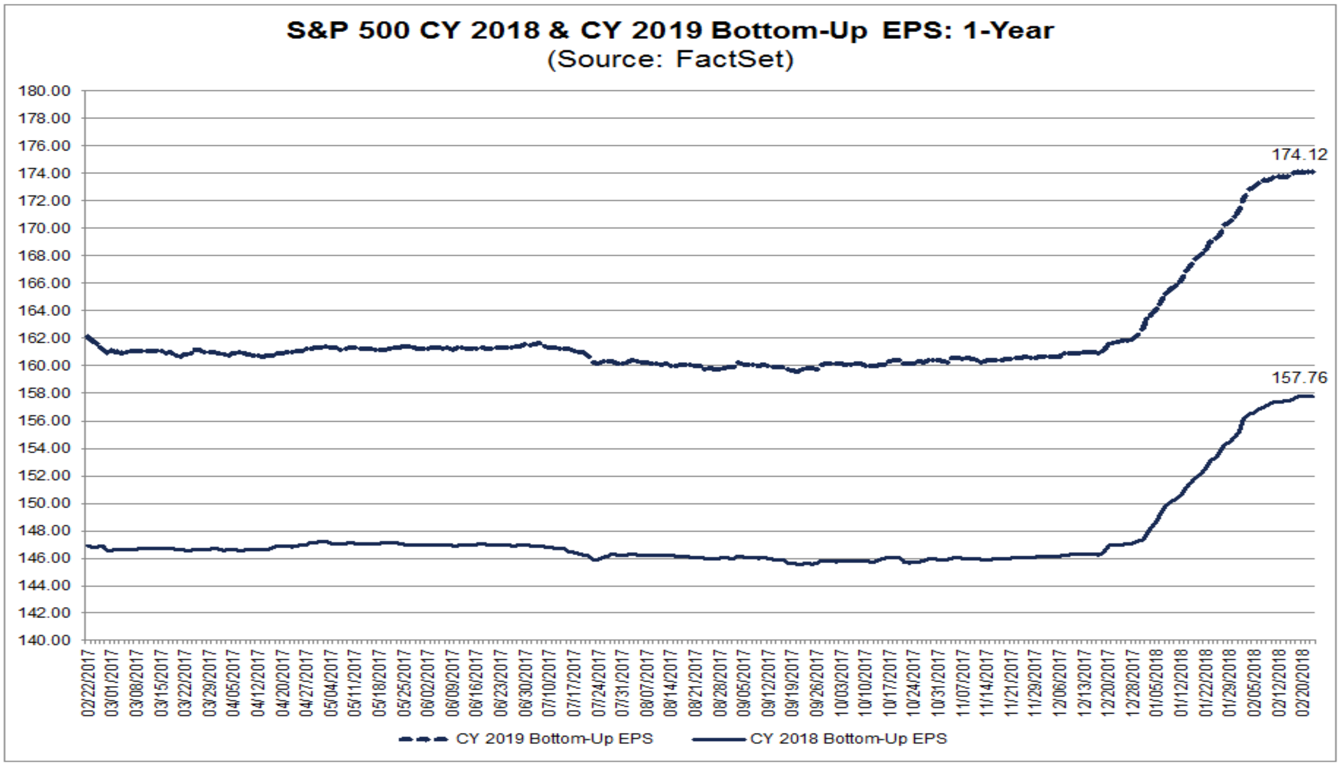
Geographic Revenue Exposure

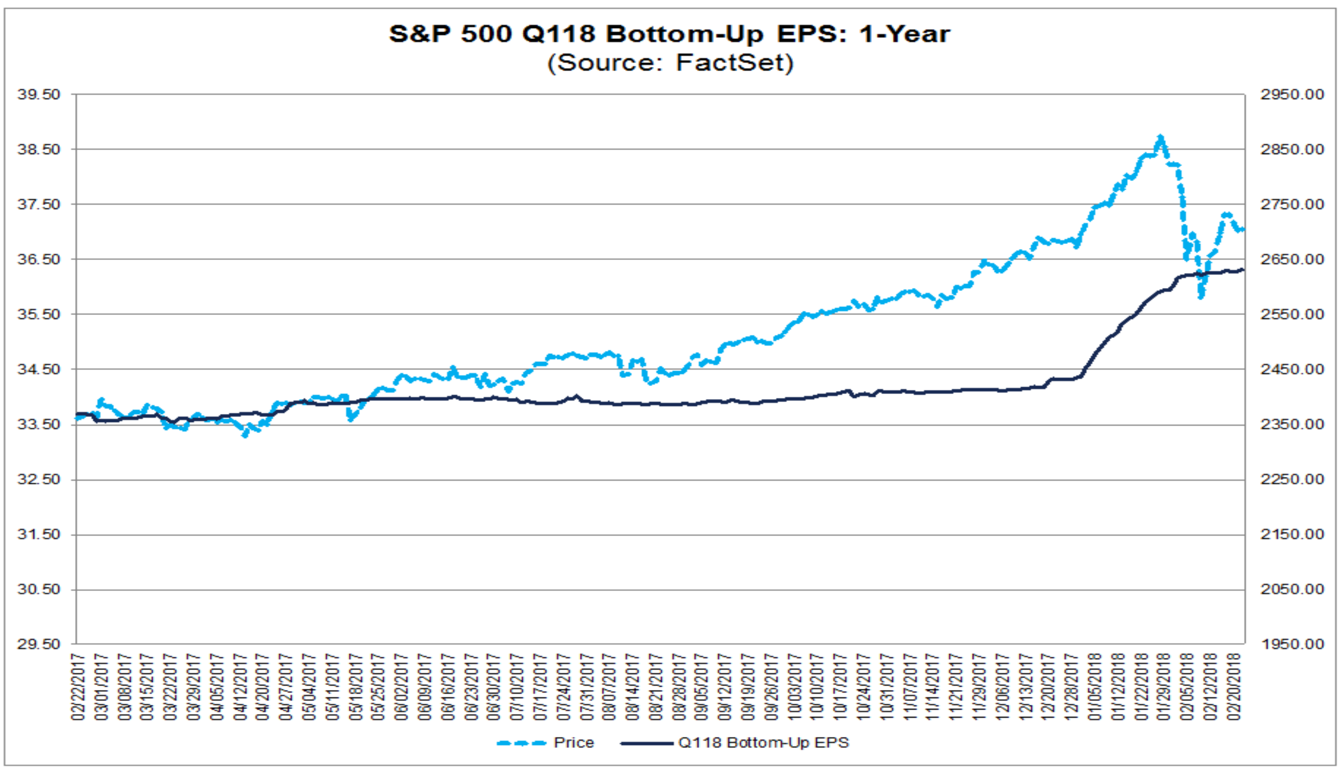




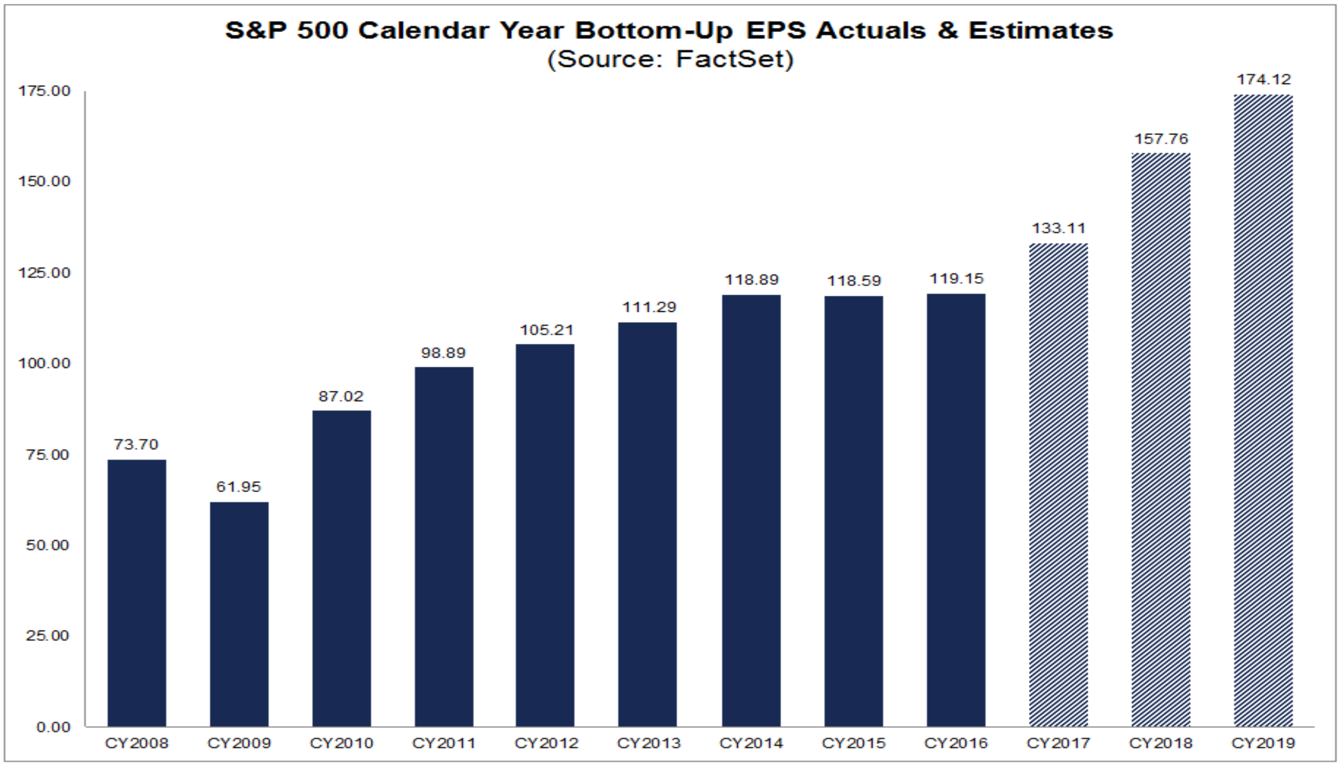
	Telecom Services	Utilities	Real Estate	Health Care	Financials	Consumer Disc.	Consumer Staples	Industrials	Energy	Materials	Info. Technology
International	3%	5%	17%	18%	24%	24%	27%	38%	42%	48%	60%
United States	97%	95%	83%	82%	76%	76%	73%	62%	58%	52%	40%

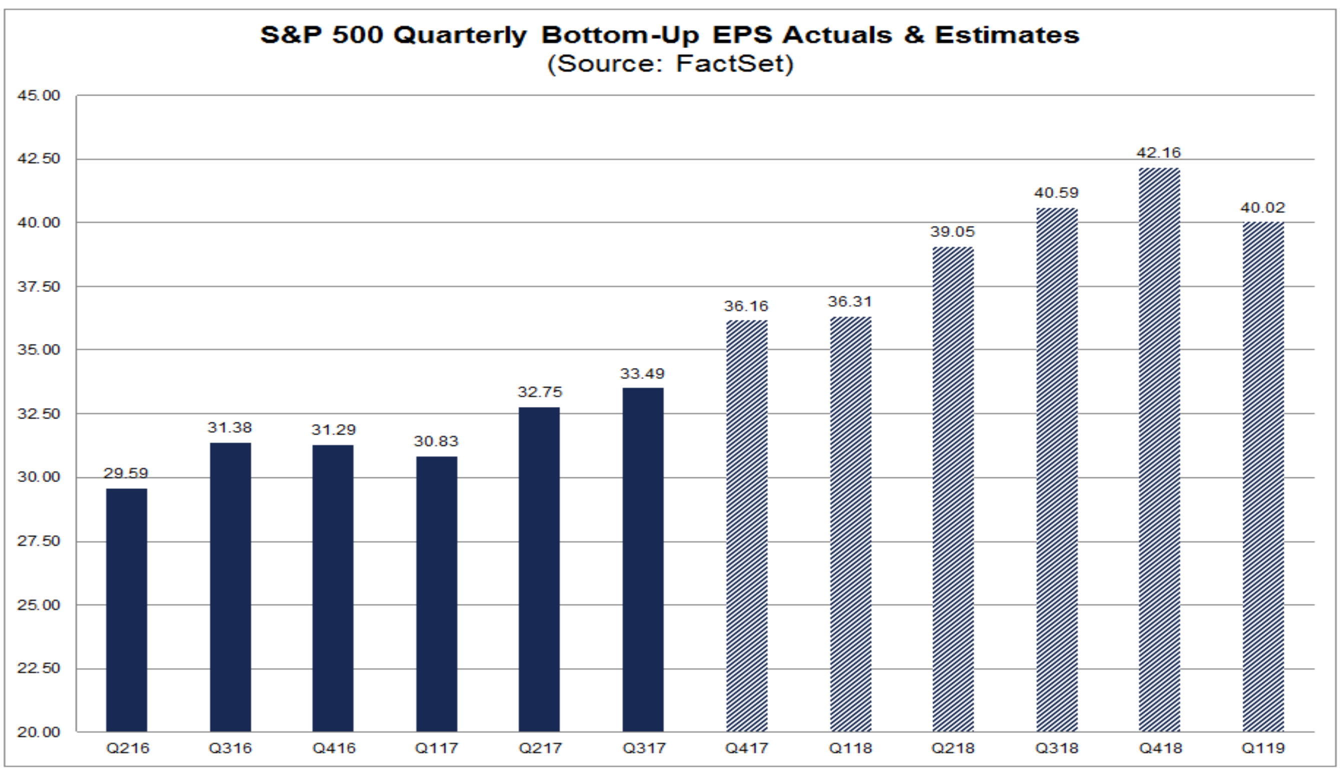
Bottom-up EPS Estimates: Revisions



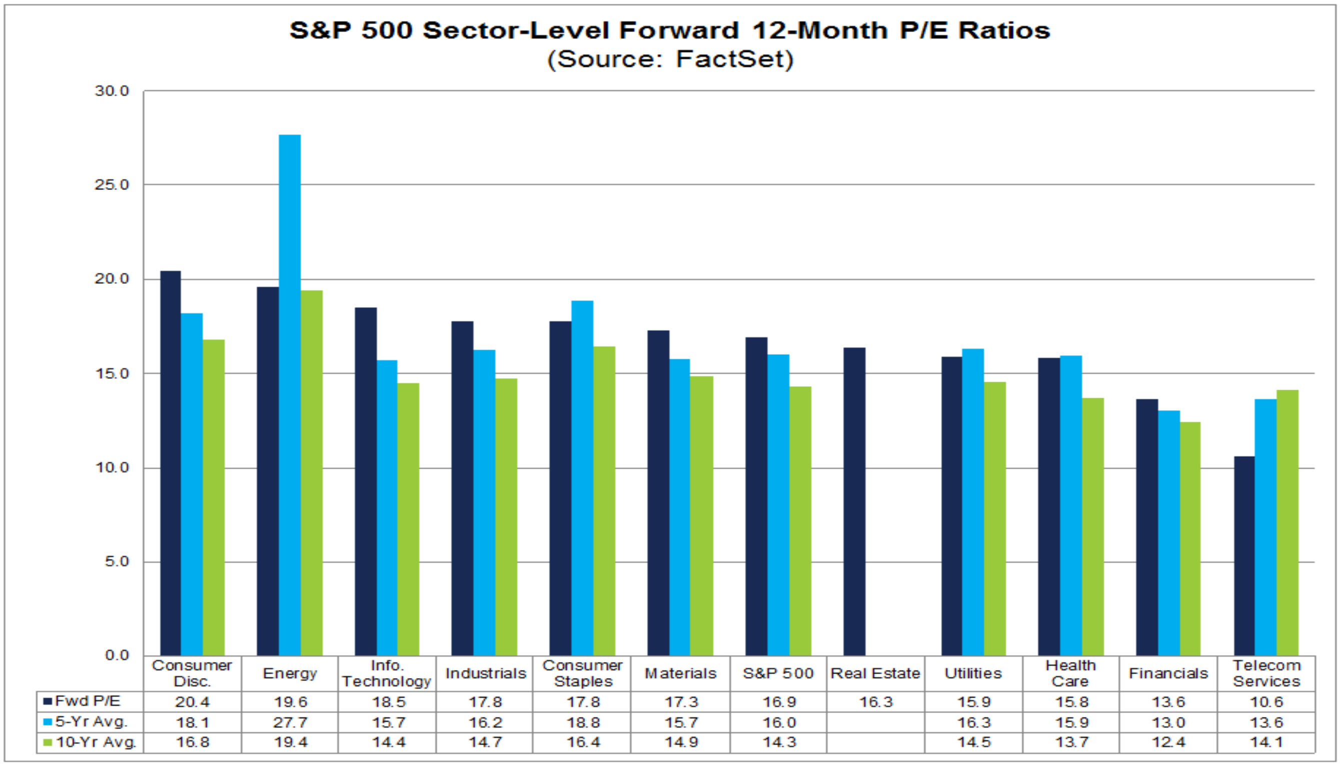


Bottom-up EPS Estimates: Current & Historical

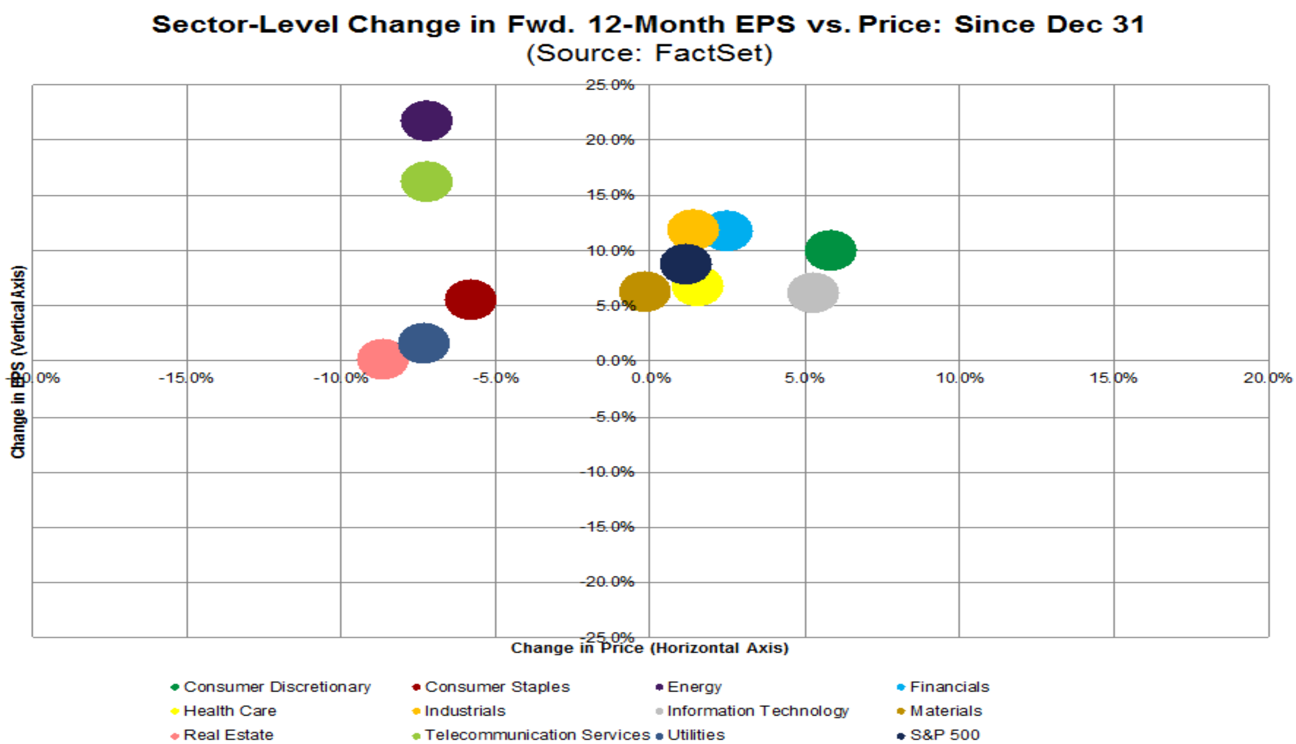




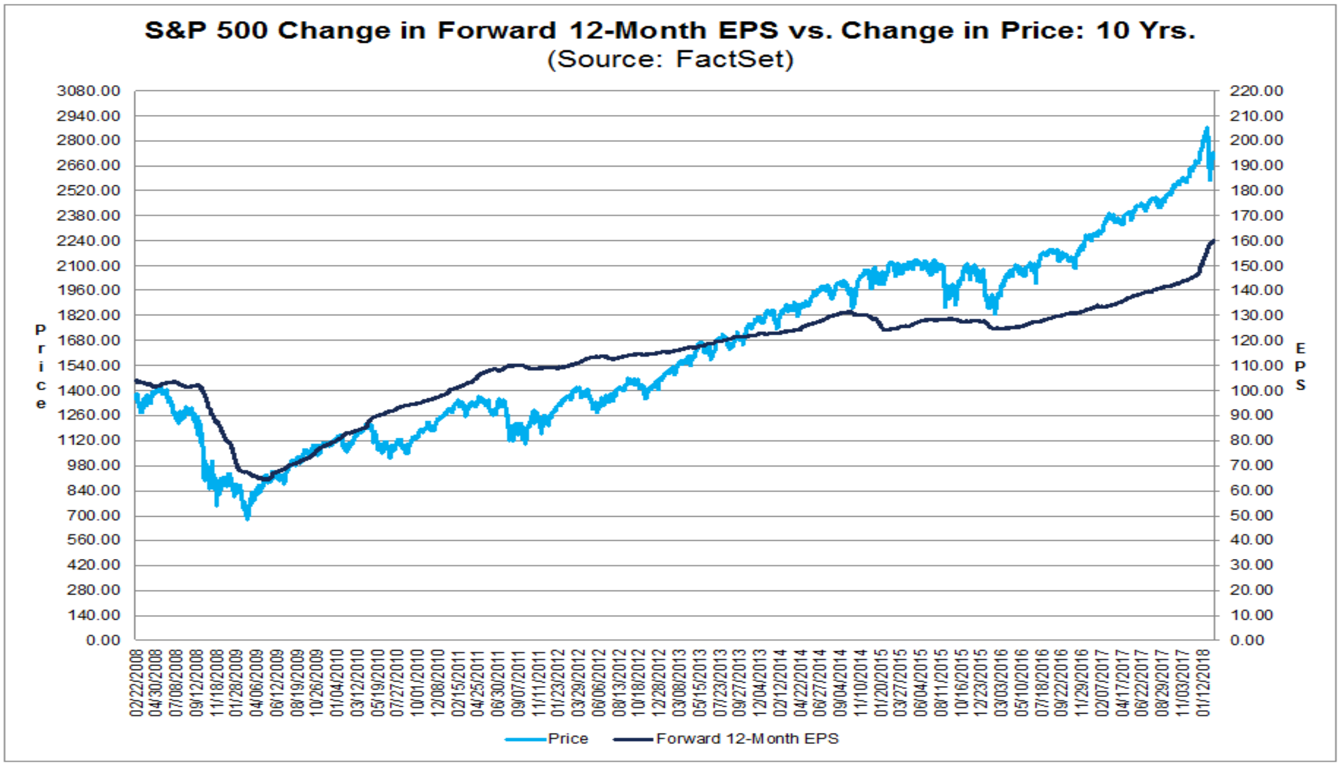
Forward 12M P/E Ratio: Sector Level

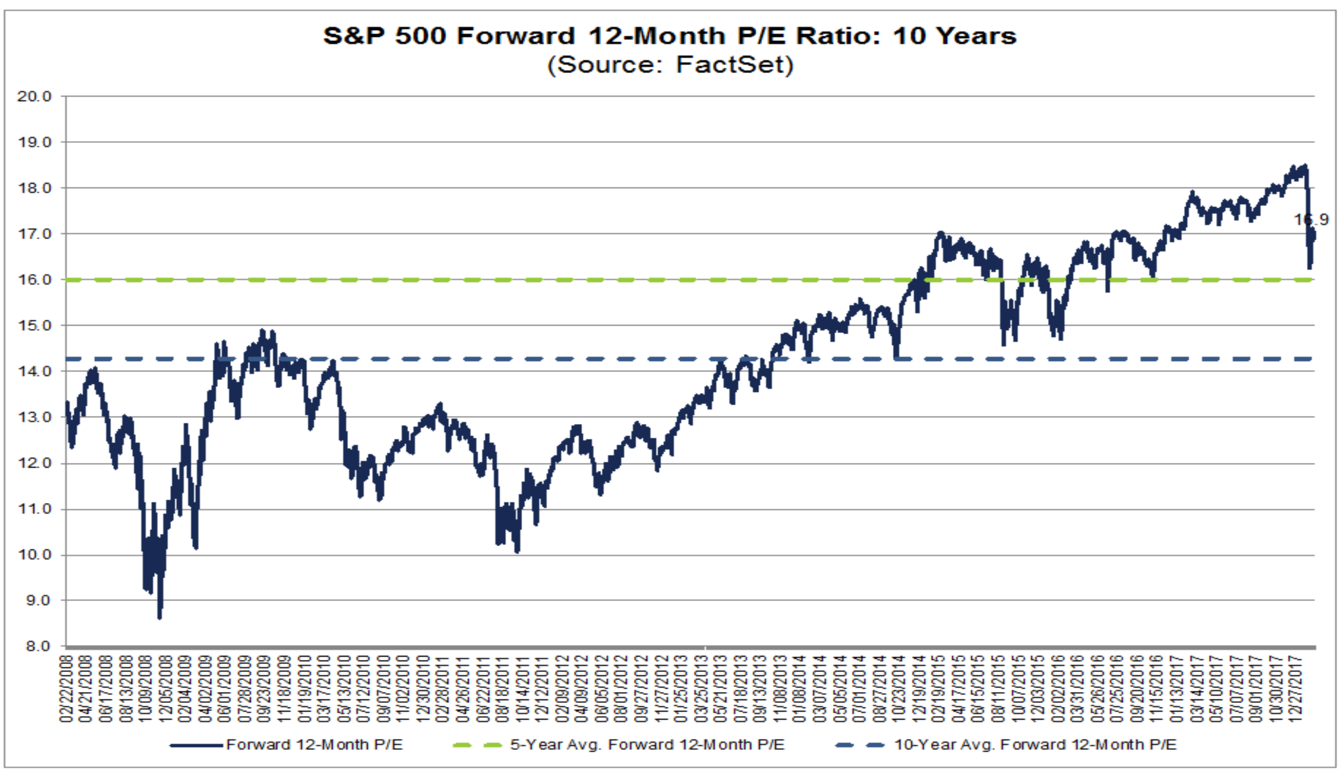


	Consumer Disc.	Energy	Info. Technology	Industrials	Consumer Staples	Materials	S&P 500	Real Estate	Utilities	Health Care	Financials	Telecom Services
Fwd P/E	20.4	19.6	18.5	17.8	17.8	17.3	16.9	16.3	15.9	15.8	13.6	10.6
5-Yr Avg.	18.1	27.7	15.7	16.2	18.8	15.7	16.0		16.3	15.9	13.0	13.6
10-Yr Avg.	16.8	19.4	14.4	14.7	16.4	14.9	14.3		14.5	13.7	12.4	14.1

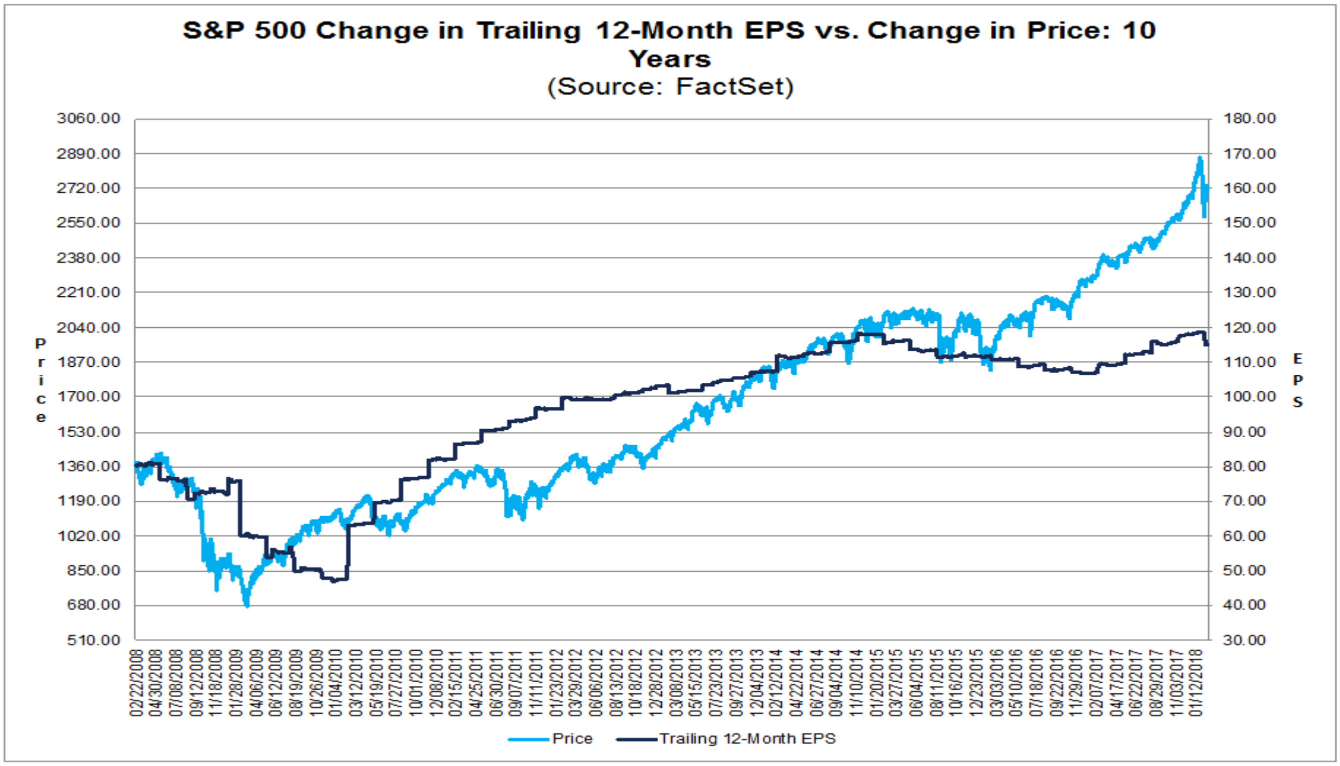


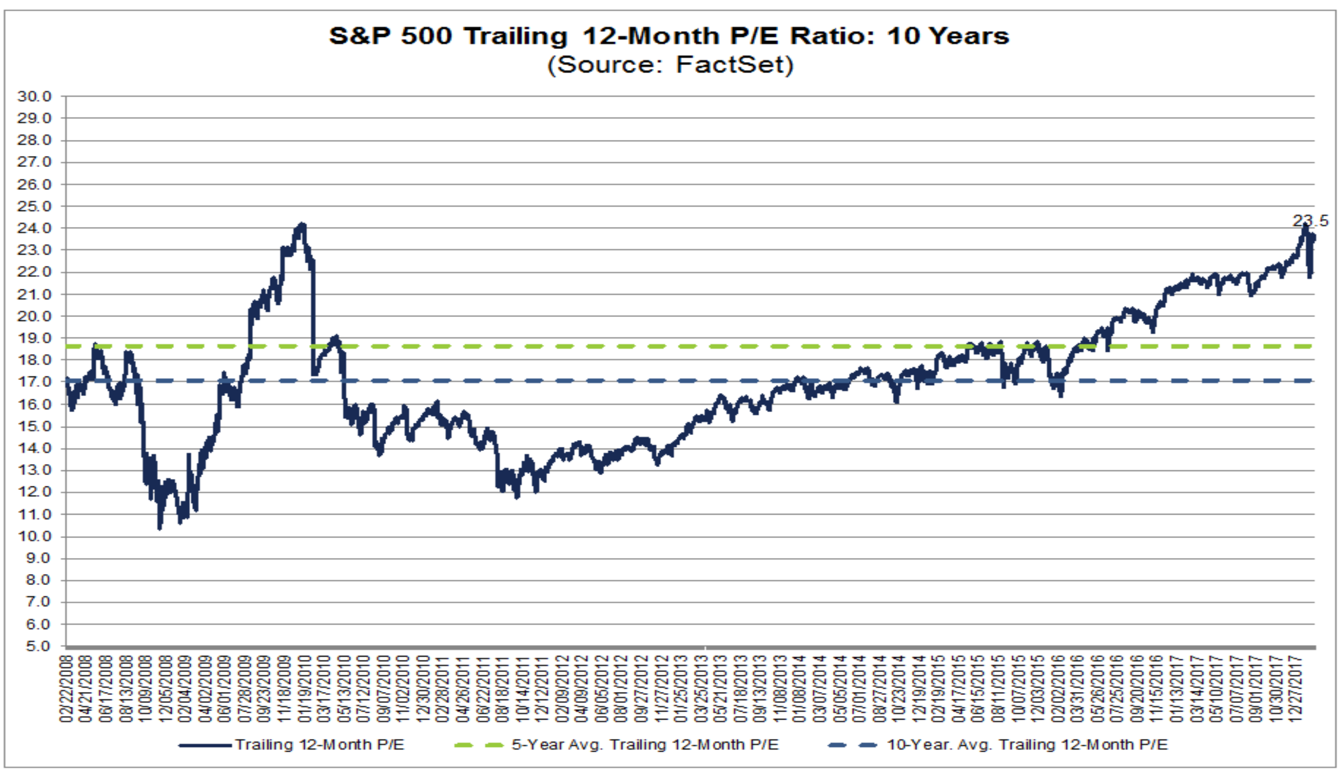
Forward 12M P/E Ratio: Long-Term Averages



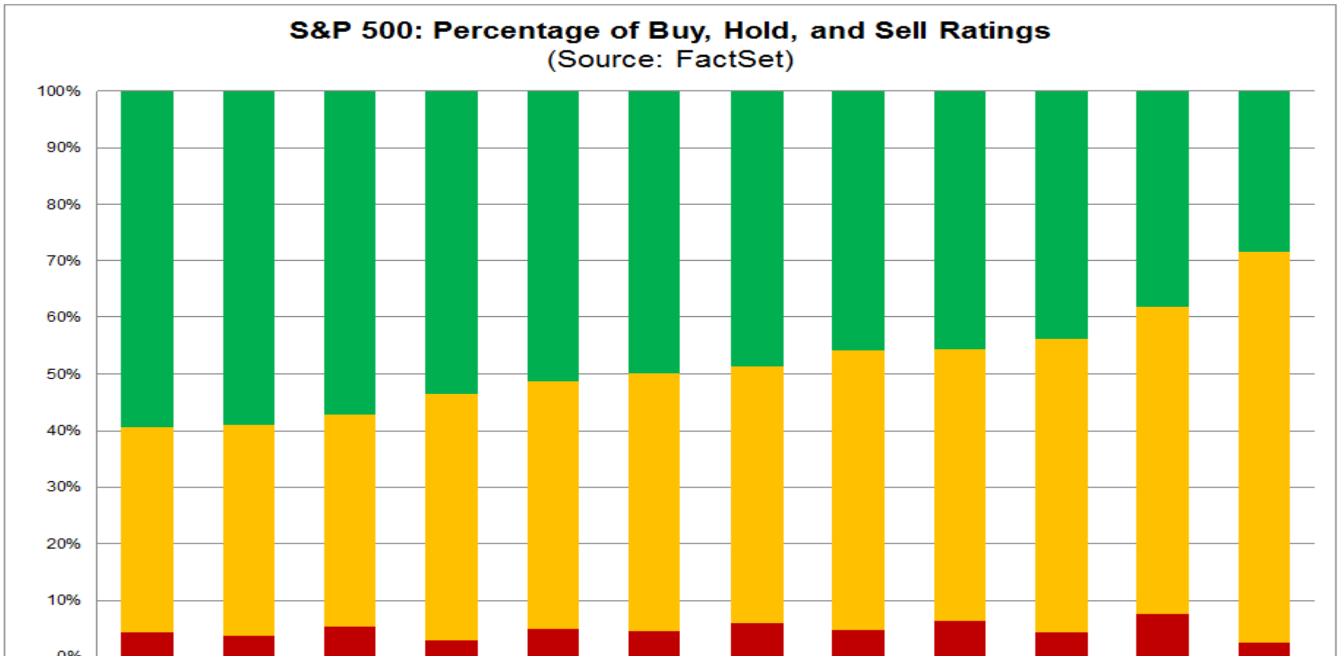


Trailing 12M P/E Ratio: Long-Term Averages

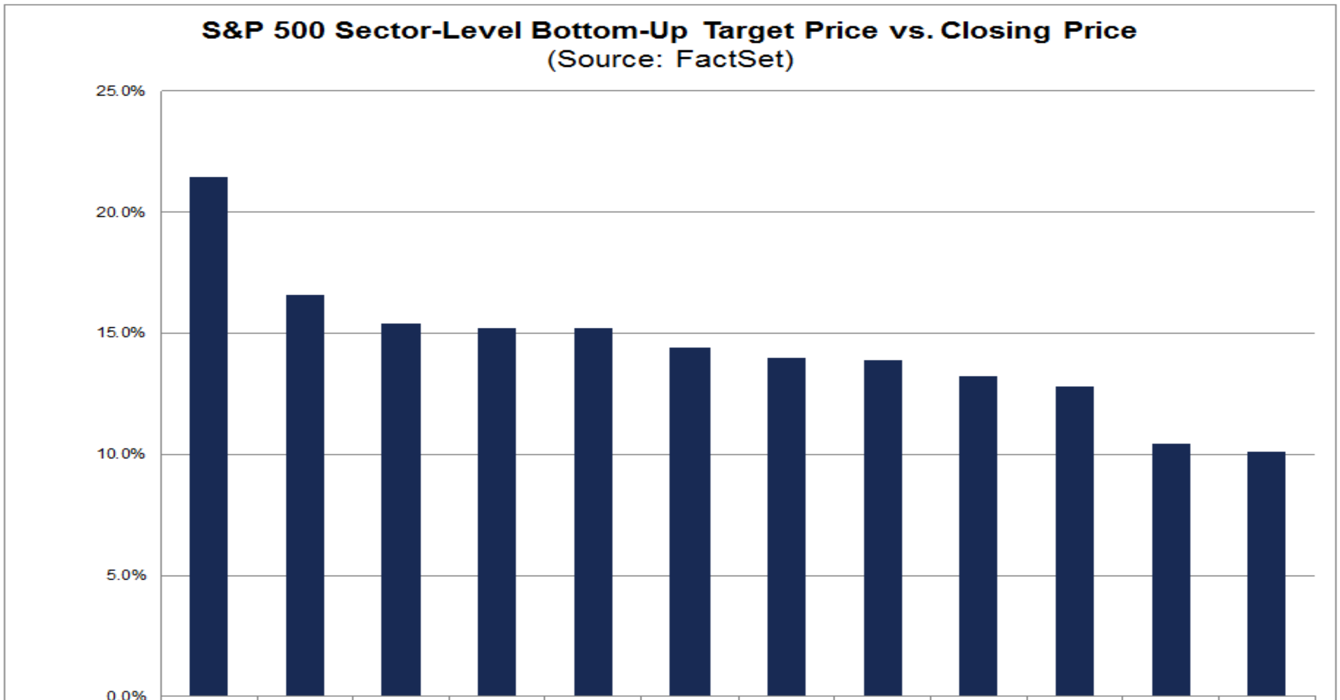




Targets & Ratings



	Info. Tech.	Health Care	Energy	Materials	S&P 500	Industrials	Consumer Disc.	Consumer Staples	Financials	Real Estate	Utilities	Telecom Services
Buy	59%	59%	57%	54%	51%	50%	49%	46%	46%	44%	38%	28%
Hold	36%	37%	38%	44%	44%	45%	45%	49%	48%	52%	54%	69%
Sell	4%	4%	5%	3%	5%	4%	6%	5%	6%	4%	8%	2%



	Energy	Health Care	Real Estate	Info. Tech.	Consumer Staples	S&P 500	Telecom Services	Consumer Disc.	Materials	Industrials	Financials	Utilities
Target/Close	21.4%	16.5%	15.4%	15.2%	15.2%	14.4%	14.0%	13.9%	13.2%	12.8%	10.4%	10.1%

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.