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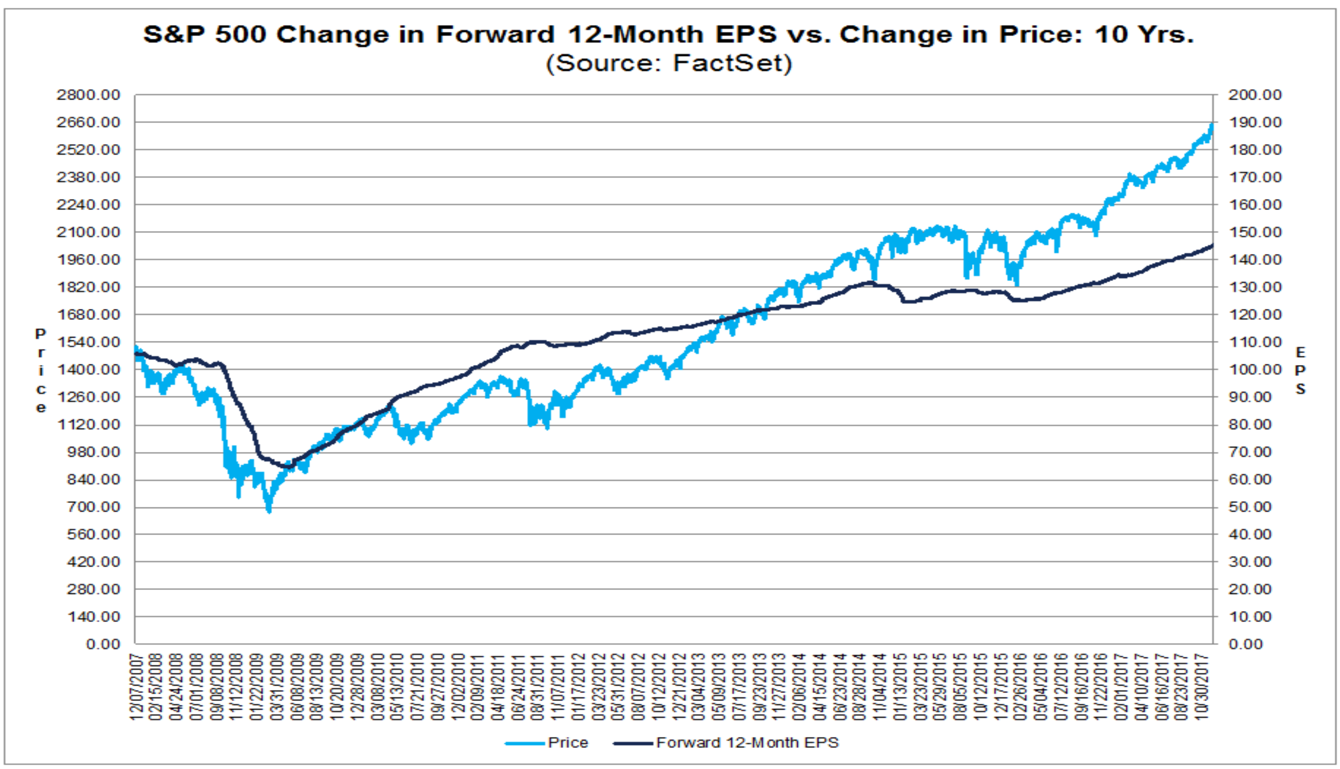
# Key Metrics

- **Earnings Growth:** For Q4 2017, the estimated earnings growth rate for the S&P 500 is 10.6%. All eleven sectors are expected to report earnings growth for the quarter, led by the Energy sector.
- **Earnings Revisions:** On September 30, the estimated earnings growth rate for Q4 2017 was 11.3%. Seven sectors have lower growth rates today (compared to September 30) due to downward revisions to earnings estimates, led by the Industrials sector.
- **Earnings Guidance:** For Q4 2017, 71 S&P 500 companies have issued negative EPS guidance and 36 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 18.2. This P/E ratio is above the 5-year average (15.8) and above the 10-year average (14.2).
- **Earnings Scorecard:** For Q3 2017 (with 100% of the companies in the S&P 500 reporting actual results for the quarter), 74% of S&P 500 companies reported positive EPS surprises and 67% reported positive sales surprises.

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# Topic of the Week: 1

## Will S&P 500 Report Record-Level EPS in 2018?

For 2018, the bottom-up EPS estimate (which reflects an aggregation of the median EPS estimates for all of the companies in the index) for the S&P 500 is $146.17. If $146.17 is the final number for the year, it will mark a record-high EPS number for the index. However, what is the likelihood that $146.17 will be the final EPS value for the S&P 500 in 2018? How accurate is the bottom-up EPS estimate one year in advance?

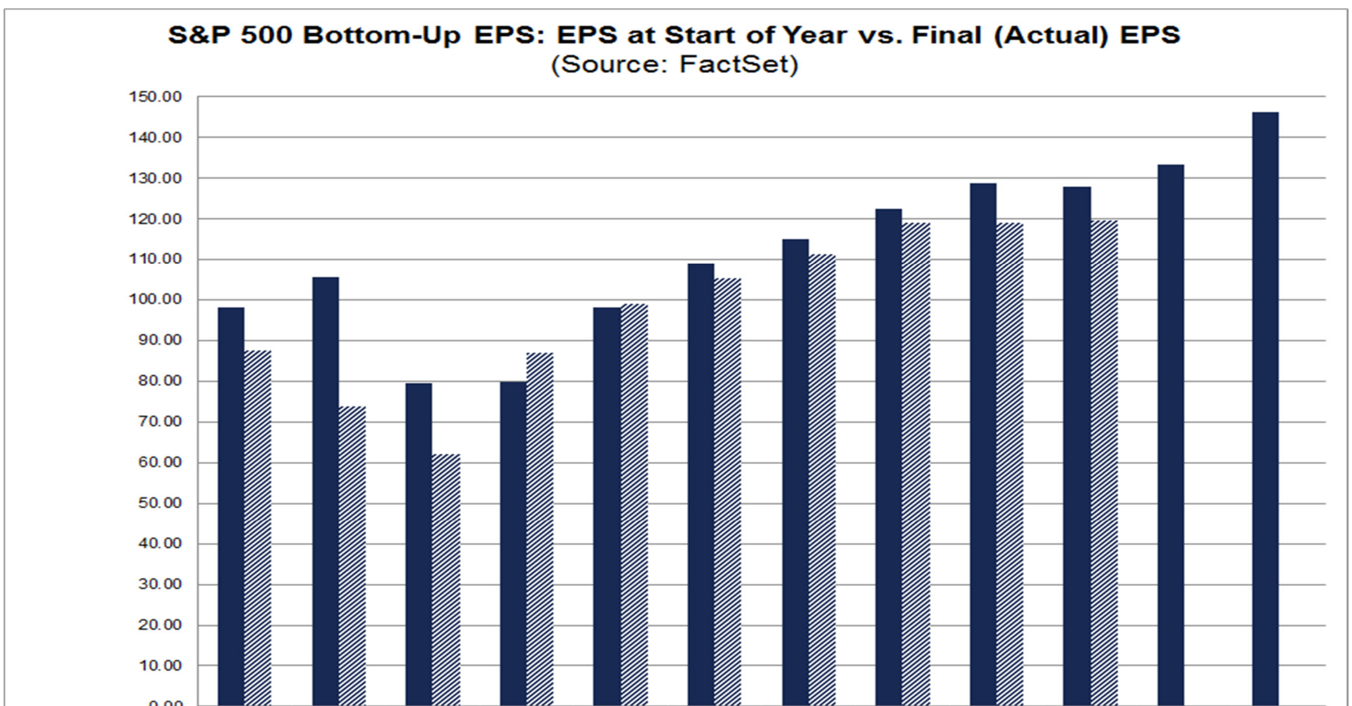
Over the past 20 years (1997 – 2016), the average difference between the bottom-up EPS estimate at the beginning of the year (December 31) and the final EPS number for that same year has been 8.6%. In other words, industry analysts on average have overestimated the final EPS number by 8.6% one year in advance. Analysts overestimated the final value (i.e. the final value finished below the estimate) in 15 of the 20 years and underestimated the final value (i.e. the final value finished above the estimate) in the other 5 years. For the purposes of this analysis, the final EPS number for a year is the EPS number recorded two months after the end of each calendar year (February 28) to capture the actual annual EPS results reported by most companies during the fourth quarter earnings season.

If one applies the average overestimation of 8.6% to the current 2018 EPS estimate (assuming the estimate changes little between now and December 31), the final value for 2018 would be $133.66.

However, this 8.6% average includes three years in which there were substantial differences between the bottom-up EPS estimate at the start of the year and the final EPS number: 2001 (+36%), 2008 (+43%), and 2009 (+28%). In 2001, the U.S. endured the 9/11 attacks. In 2008 and 2009, the U.S. was in the midst of economic recession. If these three years were excluded, the average difference between the bottom-up EPS estimate one year prior to the end of that year and the final EPS number for that year would have been 3.7% (over the past 20 years).

If one applies the average overestimation of 3.7% (excluding the years 2001, 2008, and 2009) to the current 2018 EPS estimate, the final value for 2018 would be $140.69.

Based on estimates as of today, EPS of $133.66 or $140.69 in CY 2018 would reflect a record-high for the S&P 500.




| | CY07 | CY08 | CY09 | CY10 | CY11 | CY12 | CY13 | CY14 | CY15 | CY16 | CY17 | CY18 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EPS (Start of Yr.) | 98.04 | 105.47 | 79.58 | 79.90 | 98.15 | 109.07 | 115.14 | 122.58 | 128.78 | 127.97 | 133.41 | 146.17 |
| EPS Actual | 87.48 | 73.72 | 61.97 | 87.02 | 98.91 | 105.33 | 111.41 | 119.02 | 118.99 | 119.56 | | |

# Topic of the Week: 2

## Will S&P 500 See a Price Increase in 2018?

For 2017, the S&P 500 index has witnessed an increase in value of 17.8% (to 2636.98 from 2238.83) to date. Where do industry analysts believe the price of the index will go from here?

Industry analysts in aggregate predict the S&P 500 will see a 7.7% increase in price over the next twelve months. This percentage is based on the difference between the bottom-up target price and the closing price for the index as of yesterday. The bottom-up target price is calculated by aggregating the median target price estimates (based on company-level estimates submitted by industry analysts) for all the companies in the index. On December 7, the bottom-up target price for the S&P 500 was 2839.12, which was 7.7% above the closing price of 2636.98.

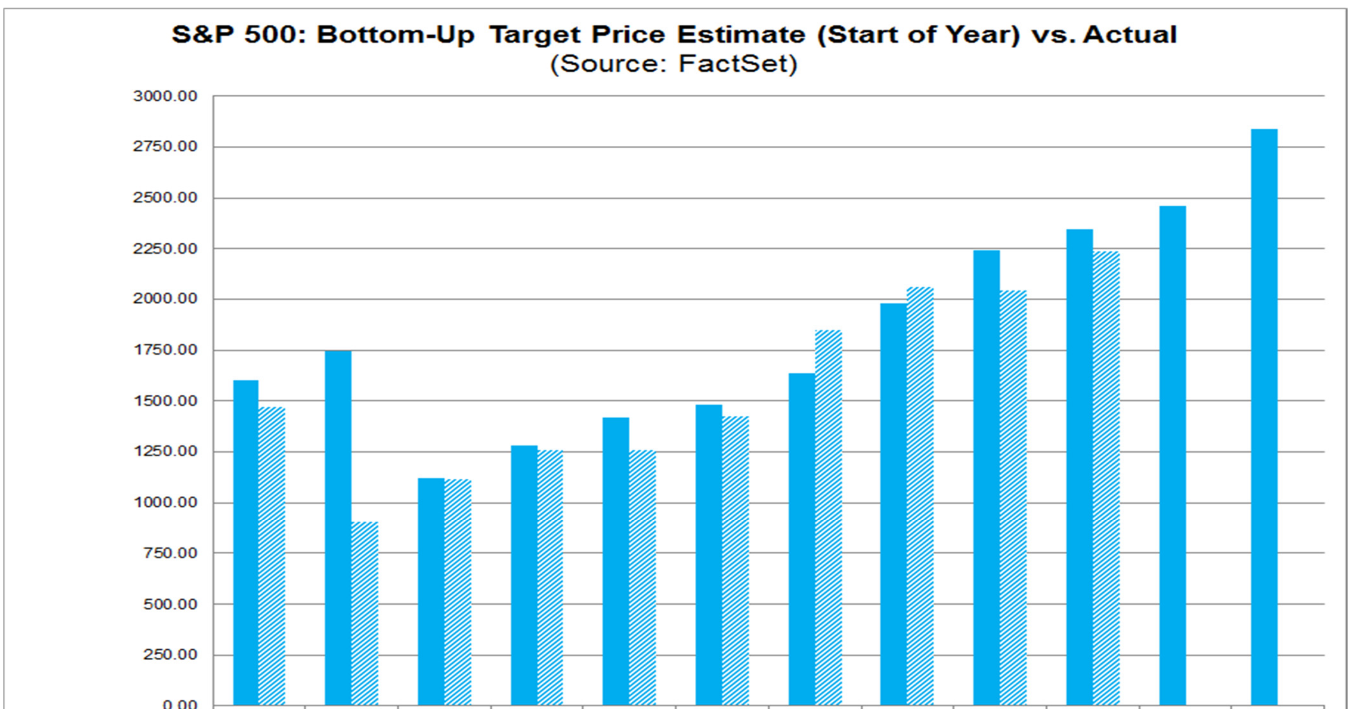
How accurate have the industry analysts been in predicting the final value of the S&P 500?

Over the previous 15 years (2002 – 2016), the average difference between the bottom-up target price estimate at the beginning of the year (December 31) and the final price for the index for that same year has been 13.0%. In other words, industry analysts on average have overestimated the final price of the index by about 13.0% one year in advance during the previous 15 years. Analysts overestimated the final value (i.e. the final value finished below the estimate) in 12 of the 15 years and underestimated the final value (i.e. the final value finished above the estimate) in the other 3 years.

If one applies the average overestimation of 13.0% to the current 2018 bottom-up target price estimate (assuming the estimate changes little between now and December 31), the expected closing value for 2018 would be 2471.00.

However, this 13.0% average includes two years in which there were substantial differences between the bottom-up target price estimate at the start of the year and the closing price for the index for that same year: 2002 (+61%) and 2008 (+93%). If these two years were excluded, the average difference between the bottom-up target price estimate one year prior to the end of that year and the closing price of the index for that same year would have been 3.1%.

If one applies the average overestimation of 3.1% (excluding 2002 and 2008) to the current 2018 bottom-up target price estimate, the expected closing value for 2018 would be 2750.58.




| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Target (Start of Yr.) | 1603.27 | 1747.13 | 1122.82 | 1280.24 | 1420.12 | 1479.99 | 1635.48 | 1976.86 | 2244.29 | 2347.93 | 2461.96 | 2839.12 |
| Actual (End of Yr.) | 1468.36 | 903.25 | 1115.10 | 1257.64 | 1257.60 | 1426.19 | 1848.36 | 2058.90 | 2043.94 | 2238.83 | | |

# Q4 2017 Earnings Season: By the Numbers

## Overview

In terms of estimate revisions, analysts have made smaller cuts than average to earnings estimates for companies in the S&P 500 for Q4 2017 to date. On a per-share basis, estimated earnings for the fourth quarter have fallen by 0.5% since September 30. This percentage decline is smaller than the trailing 5-year average (-3.3%) and the trailing 10-year average (-4.3%) for the first two months of a quarter.

In addition, a smaller percentage of S&P 500 companies have lowered the bar for earnings for Q4 2017 relative to recent averages. Of the 107 companies that have issued EPS guidance for the fourth quarter, 71 have issued negative EPS guidance and 36 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 66% (71 out of 107), which is below the 5-year average of 74%.

Because of the downward revisions to earnings estimates, the estimated year-over-year earnings growth rate for Q4 2017 has fallen from 11.3% on September 30 to 10.6% today. All eleven sectors are predicted to report year-over-year earnings growth. Five sectors are projected to report double-digit earnings growth for the quarter: Energy, Materials, Information Technology, Financials, and Utilities. The Telecom Services and Industrials sectors are projected to report the lowest earnings growth for the quarter.

Because of upward revisions to sales estimates, the estimated year-over-year sales growth rate for Q4 2017 has increased from 5.7% on September 30 to 6.3% today. All eleven sectors are projected to report year-over-year growth in revenues. Three sectors are predicted to reported double-digit growth in revenues: Materials, Energy, and Information Technology. The Telecom Services sector is predicted to report the lowest earnings growth for the quarter.

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 18.2, which is above the 5-year average and the 10-year average.

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

## Earnings Revisions: Industrials Sector Down, Energy Sector Up Since September 30

### Small Increase in Estimated Earnings Growth Rate for Q4 This Week Due to Tech and Energy

The estimated earnings growth rate for the fourth quarter is 10.6% this week, which is slightly higher than the estimated earnings growth rate of 10.5% last week. Small upward revisions to EPS estimates for companies in the Information Technology and Energy sectors, partially offset by small downward revisions to EPS estimates for companies in the Financials and Consumer Discretionary sectors, were mainly responsible for the slight increase in the overall earnings growth rate for the index during the week.

Overall, the estimated earnings growth rate for Q4 2017 of 10.6% today is below the estimated earnings growth rate of 11.3% at the start of the quarter (September 30). Seven sectors have recorded a decline in expected earnings growth since the beginning of the quarter due to downward revisions to earnings estimates, led by the Industrials sector. On the other hand, fours sectors have recorded an increase in expected earnings growth since the start of the quarter due to upward revisions to earnings estimates, led by the Energy sector.

### Industrial: Largest Decline in Expected Earnings Growth since September 30, led by GE

The Industrials sector has recorded the largest decrease in expected earnings growth since the start of the quarter (to 1.6% from 10.2%). Despite the drop in expected earnings, this sector has witnessed an increase in price of 3.5% during this same period. Overall, 43 of the 68 companies (63%) in the Industrials sector have seen a decline in their mean EPS estimate during this time. Of these 43 companies, 6 have recorded a decrease in their mean EPS estimate of more than 10%, led by General Electric (to $0.30 from $0.57), Nielsen Holdings (to $0.46 from $0.81), and Alaska Air Group (to $0.99 from $1.56). General Electric has also been the largest contributor to the decrease in expected earnings for this sector since September 30. The stock price of General Electric has fallen by 26.4% (to $17.80 from $24.18) during this same period.

### Energy: Largest Increase in Expected Earnings Growth Since September 30

The Energy sector has recorded the largest increase in expected earnings growth since the start of the quarter (to 123.5% from 88.1%). Despite the increase in expected earnings, this sector has witnessed a decrease in price of 0.2% during this same period. Overall, 25 of the 32 companies (78%) in the Energy sector have seen an increase in their mean EPS estimate during this time. Of these 25 companies, 18 have recorded an increase in their mean EPS estimate of more than 10%, led by ConocoPhillips (to $0.34 from $0.16). The increase in the mean EPS estimates for Exxon Mobil (to $0.98 from $0.86), Chevron (to $1.13 from $0.95), ConocoPhillips, and Marathon Petroleum (to $1.03 from $0.61) have been the largest contributors to the increase in expected earnings for this sector since September 30..

### Index-Level (Bottom-Up) EPS Estimate: Below Average Decline to Date

Downward revisions to earnings estimates in aggregate for the fourth quarter to date have been below recent averages. The Q4 bottom-up EPS estimate (which is an aggregation of the median earnings estimates for all 500 companies in the index and can be used as a proxy for the earnings for the index) has fallen by 0.5% (to $34.81 from $35.00) since September 30. This decline in the EPS estimate for Q4 2017 is below the trailing 1-year (-2.3%) average, the trailing 5-year (-3.3%), and the trailing 10- year average (-4.3%) for the bottom-up EPS estimate for the first two months of a quarter.

## Earnings Guidance: Negative EPS Guidance Below Average For Q4 To Date

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, 107 companies in the index have issued EPS guidance for Q4 2017. Of these 107 companies, 71 have issued negative EPS guidance and 36 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 66% (71 out of 107), which is below the 5-year average of 74%.

## Earnings Growth: 10.6%

The estimated (year-over-year) earnings growth rate for Q4 2017 is 10.6%. If the final earnings growth rate for the quarter is 10% (or higher), it will mark the third time in the past four quarters that the index has reported double-digit earnings growth. All eleven sectors are expected to report year-over-year growth in earnings. Five sectors are expected to report double-digit earnings growth: Energy, Materials, Information Technology, Financials, and Utilities. On the other hand, the Telecom Services and Industrials sectors are predicted to report the lowest earnings growth for the quarter.

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

The Energy sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 123.5%. At the sub-industry level, all six sub-industries in the sector are predicted to report 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 (230%), Oil & Gas Refining & Marketing (187%), Integrated Oil & Gas (62%), and Oil & Gas Storage & Transportation (23%).

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 projected to report earnings of $11.9 billion in Q4 2017, compared to earnings of $5.3 billion in Q4 2016. If the Energy sector were excluded, the estimated earnings growth rate for the remaining ten sectors would fall to 8.4% from 10.6%.

### Materials: 3 of 4 Industries Expected to Report Double-Digit Growth

The Materials sector is expected to report the second highest (year-over-year) earnings growth of all eleven sectors at 28.1%. At the industry level, all four industries are predicted to report earnings growth. Three of these four industries are projected to report double-digit earnings growth: Metals & Mining (87%), Containers & Packaging (32%), and Chemicals (20%).

### Information Technology: Internet Software and Semiconductor Industries Lead Growth

The Information Technology sector is expected to report the third highest (year-over-year) earnings growth of all eleven sectors at 15.2%. At the industry level, five of the seven industries in this sector are predicted to report earnings growth. Three of these five industries are predicted to report double-digit earnings growth: Semiconductor & Semiconductor Equipment (34%), Internet Software & Services (33%), and IT Services (11%).

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

The Financials sector is expected to report the fourth highest (year-over-year) earnings growth of all eleven sectors at 12.3%. At the industry level, all five industries in this sector are predicted to report growth in earnings. Two of these five industries are predicted to report double-digit earnings growth: Insurance (36%) and Consumer Finance (24%). At the company level, AIG is expected to be the largest contributor to earnings growth for the sector, mainly due to an easy comparison to a substantial loss in the year-ago quarter. The mean EPS estimate for AIG for Q4 2017 is $0.93, 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 estimated earnings growth rate for the Financials sector would decline to 4.2% from 12.3%.

### Utilities: NRG Energy and Southern Company Lead Growth

The Utilities sector is expected to report the fifth highest (year-over-year) earnings growth at 12.1%. At the company level, NRG Energy and Southern Company are projected to be the largest contributors to earnings growth for the sector. The mean EPS estimate for NRG Energy for Q4 2017 is $0.32, compared to year-ago actual EPS of -$1.03. The mean EPS estimate for Southern Company for Q4 2017 is $0.47, compared to year-ago actual EPS of $0.24. If these two companies were excluded, the estimated earnings growth rate for the Utilities sector would fall to 4.3% from 12.1%

### Telecom Services: AT&T Largest Detractor to Earnings Growth

On the other hand, the Telecom Services sector is expected to report the lowest (year-over-year) earnings growth of all eleven sectors at 1.3%. Of the three companies in this sector, AT&T is expected to be the largest detractor to earnings growth in the sector. The mean EPS estimate for AT&T for Q4 2017 is $0.65, compared to year-ago actual EPS of $0.66.

### Industrials: General Electric Largest Detractor to Earnings Growth

The Industrials sector is expected to report the second lowest (year-over-year) earnings growth of all eleven sectors at 1.6%. At the industry level, nine of the twelve industries in this sector are predicted to report earnings growth, led by the Machinery (32%) and Aerospace & Defense (10%) industries. On the other hand, three industries are projected to report a year-over-year decline in earnings: Industrial Conglomerates (-18%), Professional Services (-17%), and Airlines (-15%). At the company level, General Electric is expected to be the largest detractor to earnings growth in the sector.  The mean EPS estimate for GE for Q4 2017 is $0.30, compared to year-ago actual EPS of $0.46. If General Electric were excluded, the estimated earnings growth rate for the Industrials sector would improve to 8.0% from 1.6%.

## Revenue Growth: 6.3%

The estimated (year-over-year) revenue growth rate for Q4 2017 is 6.3%. All eleven sectors are expected to report year-over-year growth in revenues. Three sectors are predicted to report double-digit growth in revenues: Materials, Energy, and Information Technology. On the other hand, the Telecom Services sector is projected to report the lowest revenue growth for the quarter.

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

The Materials sector is expected to report the highest (year-over-year) revenue growth of all eleven sectors at 16.6%. At the industry level, all four industries in this sector are expected to report revenue growth, led by the Chemicals (22%) and Metals & Mining (14%) industries. At the company level, DowDuPont is predicted to be the largest contributor to revenue growth for the sector. However, the estimated revenues for Q4 2017 ($19.3 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 projected to be the largest contributor to revenue growth for the sector. If this company were excluded, the estimated revenue growth rate for the sector would fall to 9.7% from 16.6%.

## Energy: 4 of 6 Sub-Industries Expected to Report Double-Digit Growth

The Energy sector is expected to report the second highest (year-over-year) revenue growth of all eleven sectors at 16.0%. At the sub-industry level, five of the six sub-industries in the sector are predicted to reported revenue growth: Oil & Gas Drilling (47%), Oil & Gas Equipment & Services (32%), Oil & Gas Refining & Marketing (20%), Integrated Oil & Gas (14%), and Oil & Gas Exploration & Production (5%). The only sub-industry projected to report a year-over-year decline in revenues is the Oil & Gas Storage & Transportation (-2%) industry.

## Information Technology: Internet Software & Services Leads Growth

The Information Technology sector is expected to report the third highest (year-over-year) revenue growth of all eleven sectors at 10.7%. At the industry level, all seven industries in this sector are predicted to report revenue growth. Three of these seven industries are projected to report double-digit revenue growth: Internet Software & Services (23%), Semiconductor & Semiconductor Equipment (15%), and IT Services (14%).

## Telecom Services: AT&T Largest Detractor to Revenue Growth

On the other hand, the Telecom Service sector is expected to report the lowest (year-over-year) revenue growth of all eleven sectors at 1.8%. Of the three companies in this sector, AT&T is expected to be the largest detractor to revenue growth in the sector. The mean sales estimate for AT&T for Q4 2017 is $41.2 billion, compared to year-ago actual sales of $41.8 billion.

# Looking Ahead: Forward Estimates and Valuation

## Double-Digit Earnings Growth Expected to Continue in 2018

For the fourth quarter, analysts are expecting companies to report earnings growth of 10.6% and revenue growth of 6.3%. Analysts currently expect earnings to continue at double-digit levels in 2018. However, they are also projecting lower year-over-year revenue growth in the second half of 2018.

For Q1 2018, analysts are projecting earnings growth of 10.6% and revenue growth of 6.4%.

For Q2 2018, analysts are projecting earnings growth of 10.2% and revenue growth of 6.2%.

For Q3 2018, analysts are projecting earnings growth of 11.6% and revenue growth of 5.4%.

For Q4 2018, analysts are projecting earnings growth of 11.1% and revenue growth of 4.3%.

For all of 2018, analysts are projecting earnings growth of 11.2% and revenue growth of 5.4%.

## Valuation: Forward P/E Ratio is 18.2, above the 10-Year Average (14.2)

The forward 12-month P/E ratio is 18.2. This P/E ratio is above the 5-year average of 15.8 and above the 10-year average of 14.2. It is also above the forward 12-month P/E ratio of 17.8 recorded at the start of the fourth quarter (September 30). Since the start of the fourth quarter, the price of the index has increased by 4.7%, while the forward 12-month EPS estimate has increased by 2.3%.

At the sector level, the Energy (25.9) sector has the highest forward 12-month P/E ratio, while the Telecom Services (12.6) sector has the lowest forward 12-month P/E ratio. Nine sectors have forward 12-month P/E ratios that are above their 10-year averages, led by the Energy (25.9 vs. 19.1), Industrials (19.3 vs. 14.6), and Information Technology (18.8 vs. 14.4) sectors. One sector (Telecom Services) has a forward 12-month P/E ratio that is below the 10-year average (12.6 vs. 14.1). Historical averages are not available for the Real Estate sector.

## Targets & Ratings: Analysts Project 8% Increase in Price Over Next 12 Months

The bottom-up target price for the S&P 500 is 2839.12, which is 7.7% above the closing price of 2636.98. At the sector level, the Information Technology (+12.1%) and Health Care (+10.6%) sectors have the largest upside differences between the bottom-up target price and the closing price, while the Utilities (+2.0%) and Financials (+2.1%) sectors have the smallest upside differences between the bottom-up target price and the closing price.

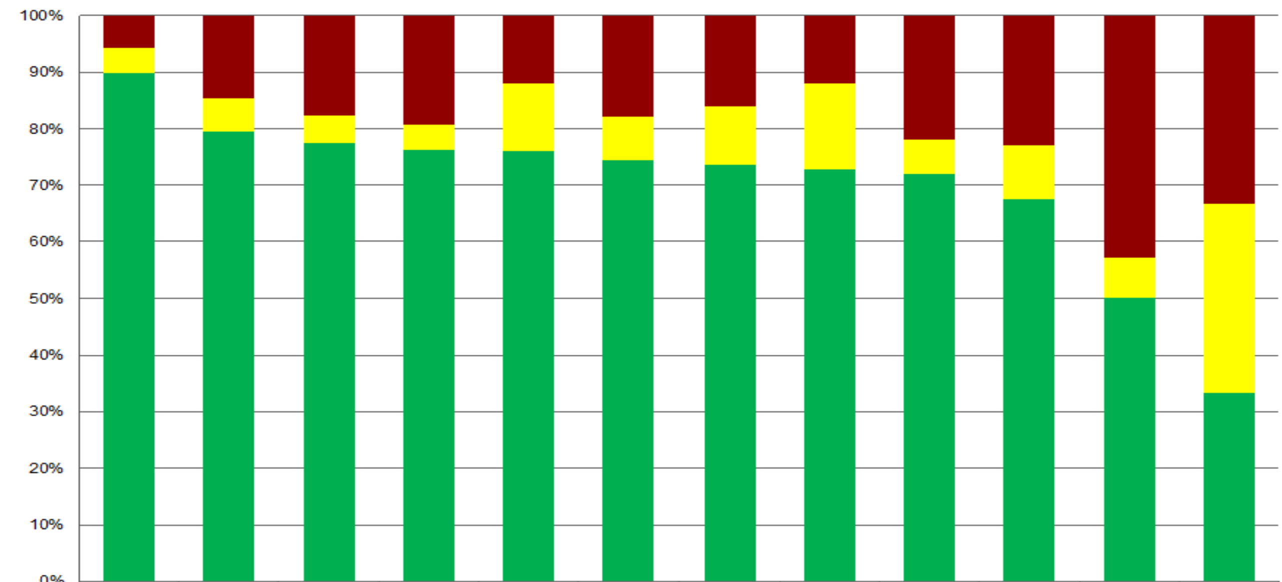
Overall, there are 11,095 ratings on stocks in the S&P 500. Of these 11,095 ratings, 49.0% are Buy ratings, 45.8% are Hold ratings, and 5.2% are Sell ratings. At the sector level, the Information Technology (59%), Health Care (56%), and Energy (55%) sectors have the highest percentages of Buy ratings, while the Telecom Services (30%) and Utilities (36%) sectors have the lowest percentages of Buy ratings.

## Companies Reporting Next Week: 3

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

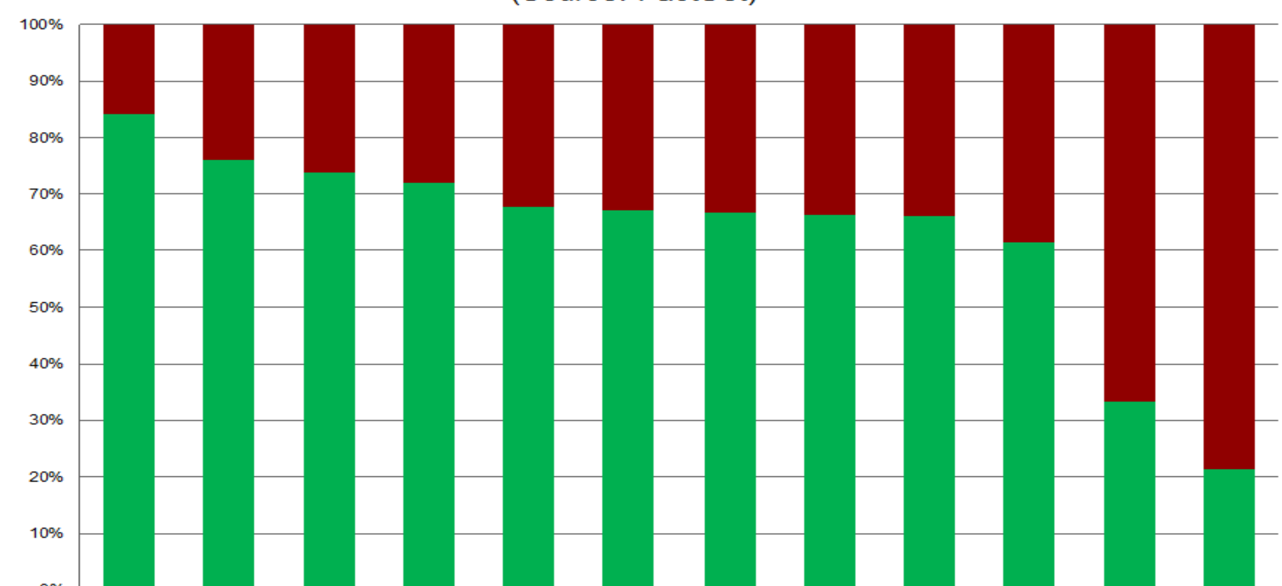
# Q3 2017: Scorecard

**S&P 500 Earnings Above, In-Line, Below Estimates: Q3 2017**
(Source: FactSet)



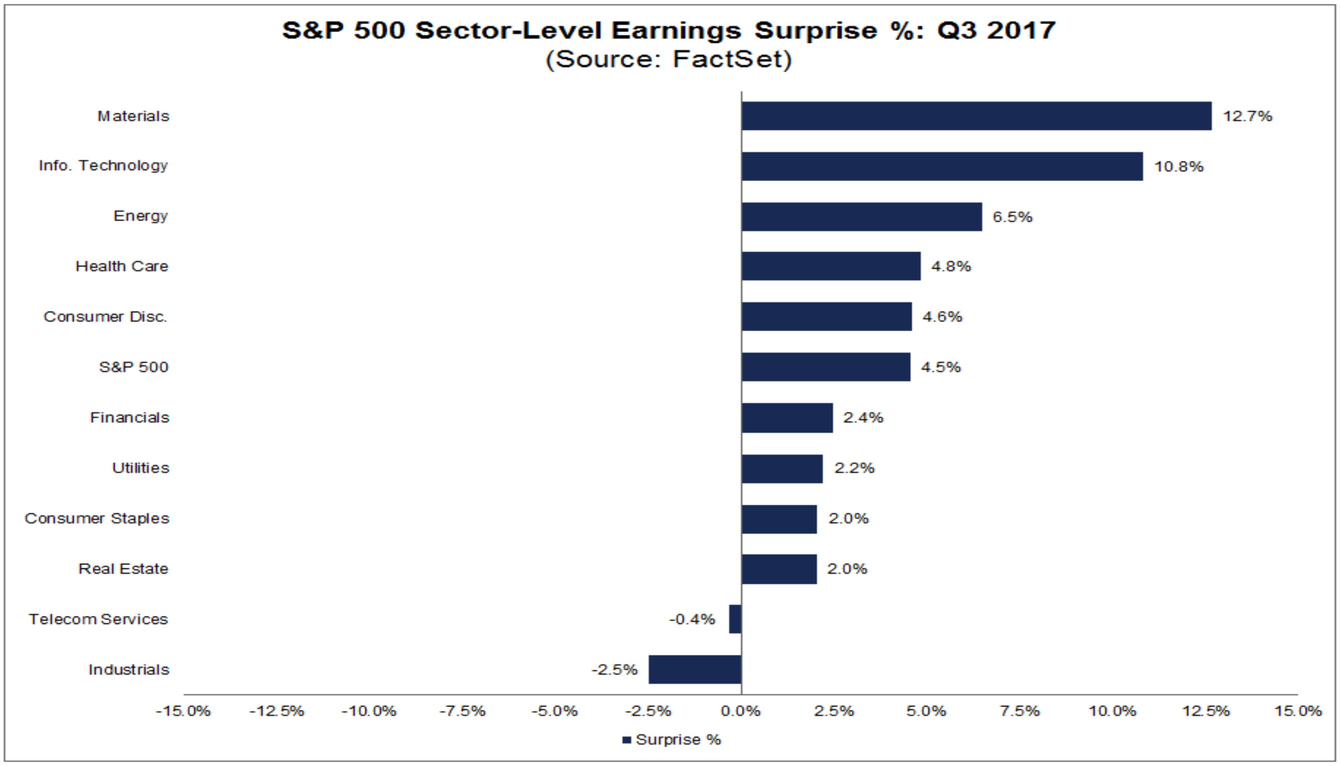

| | Info. Technology | Consumer Staples | Health Care | Financials | Materials | S&P 500 | Industrials | Real Estate | Energy | Consumer Disc. | Utilities | Telecom Services |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Below | 6% | 15% | 18% | 19% | 12% | 18% | 16% | 12% | 22% | 23% | 43% | 33% |
| In-Line | 4% | 6% | 5% | 4% | 12% | 8% | 10% | 15% | 6% | 10% | 7% | 33% |
| Above | 90% | 79% | 77% | 76% | 76% | 74% | 74% | 73% | 72% | 67% | 50% | 33% |

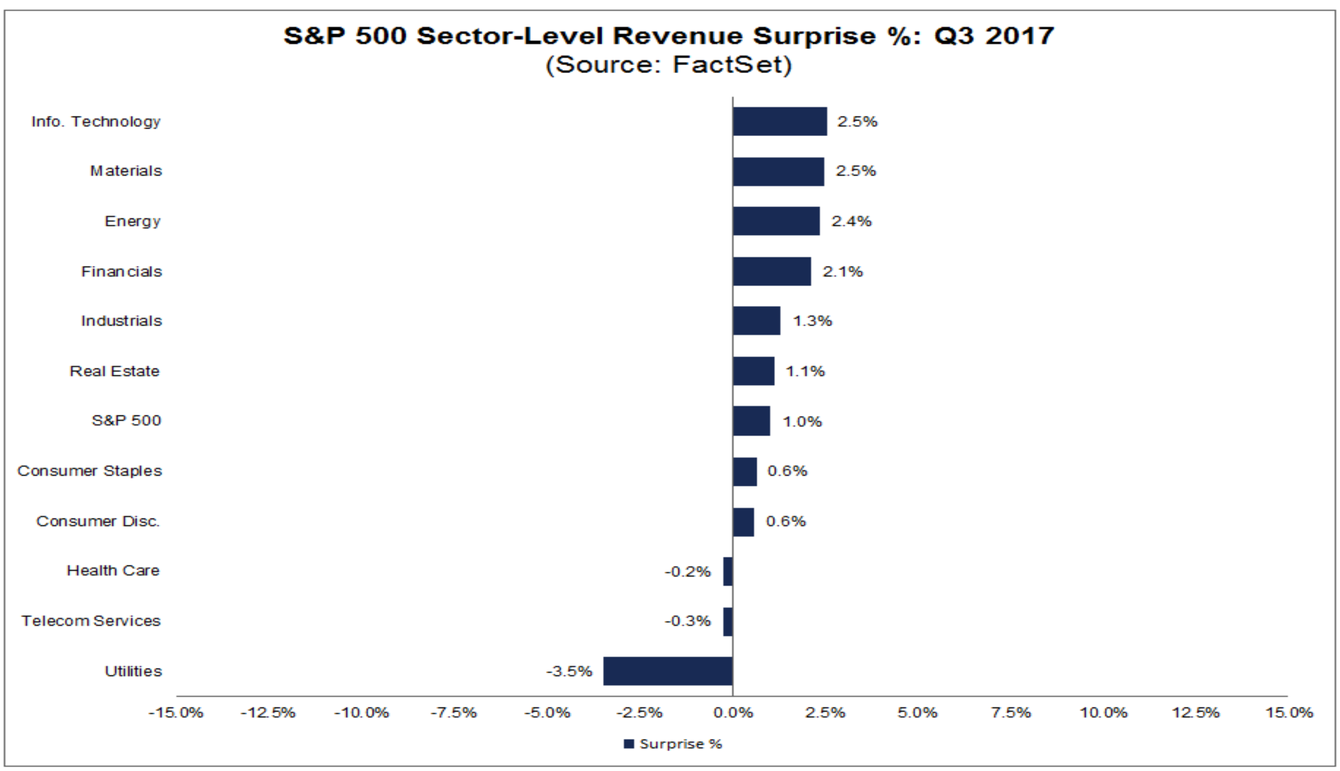
**S&P 500 Revenues Above, In-Line, Below Estimates: Q3 2017**
(Source: FactSet)



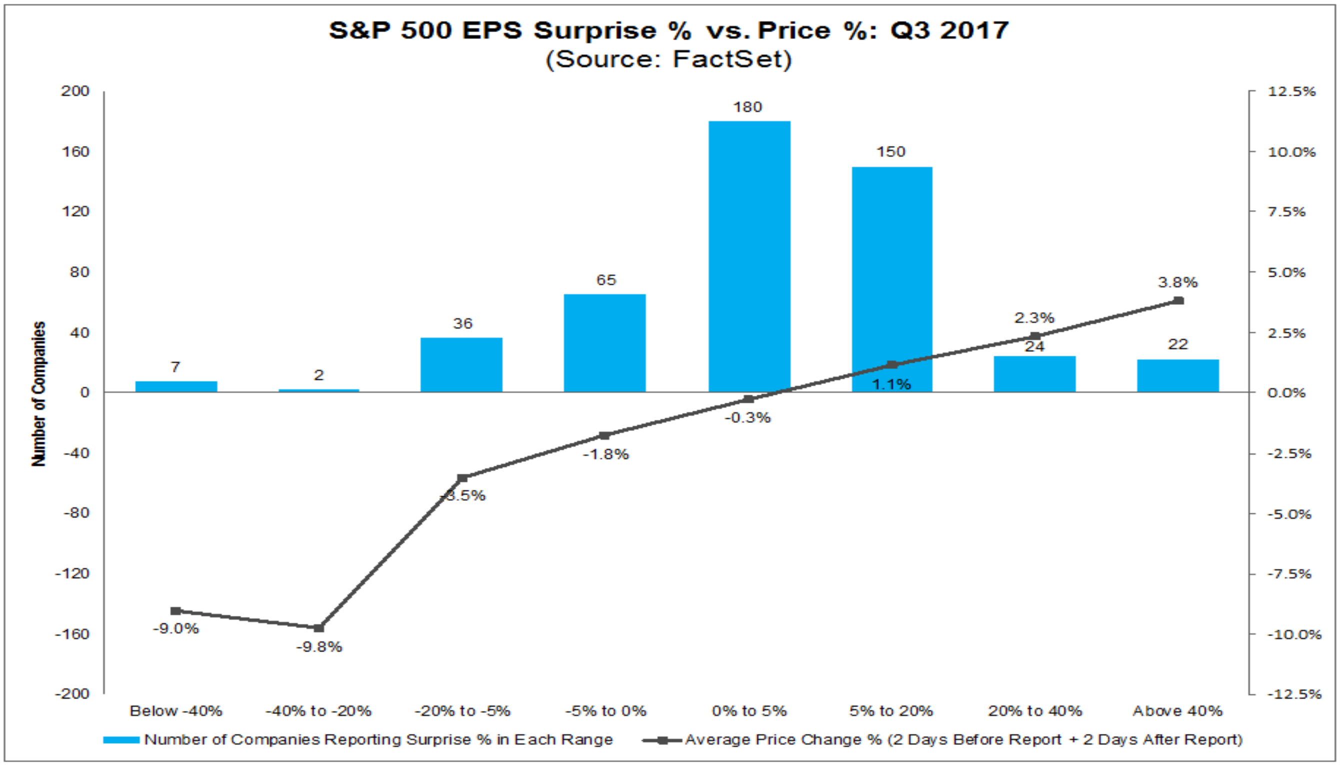

| | Info. Technology | Materials | Financials | Energy | Consumer Staples | S&P 500 | Real Estate | Industrials | Health Care | Consumer Disc. | Telecom Services | Utilities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Below | 16% | 24% | 26% | 28% | 32% | 33% | 33% | 34% | 34% | 39% | 67% | 79% |
| In-Line | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Above | 84% | 76% | 74% | 72% | 68% | 67% | 67% | 66% | 66% | 61% | 33% | 21% |

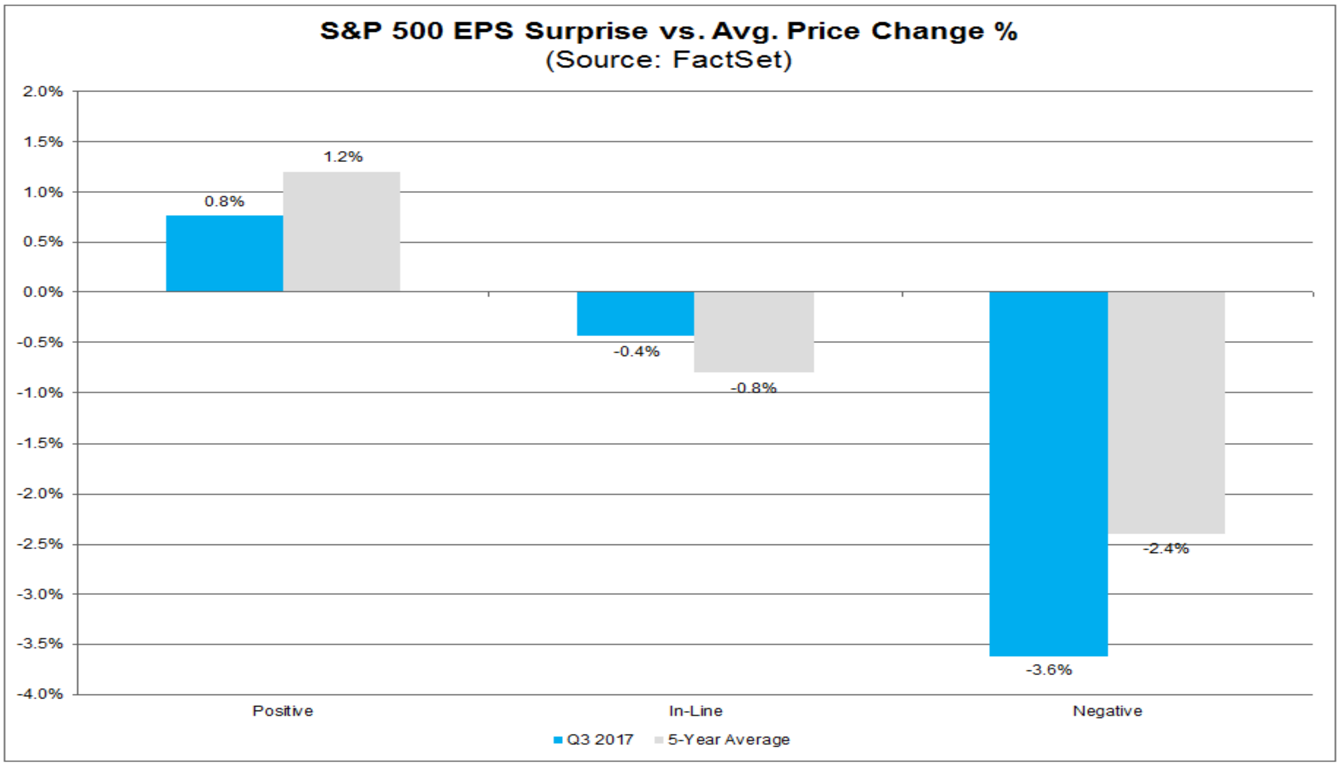
# Q3 2017: Scorecard



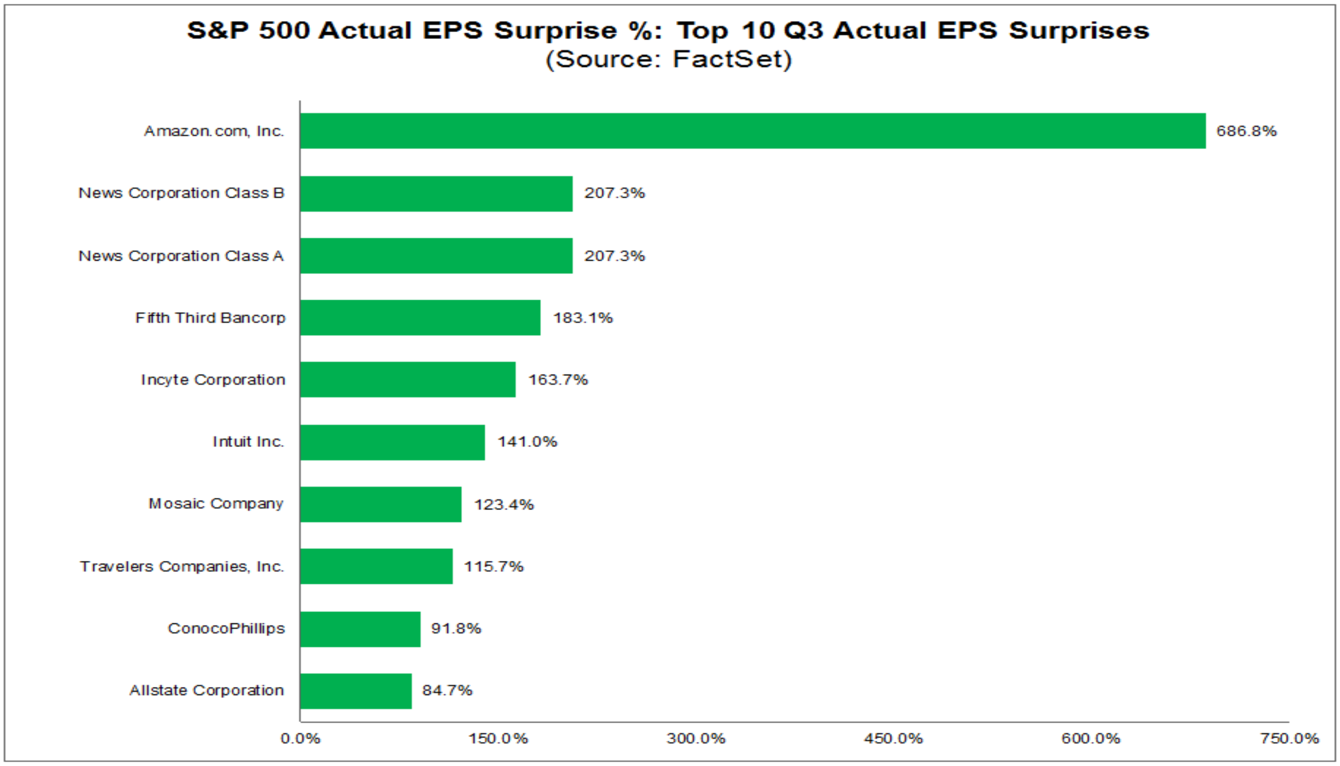



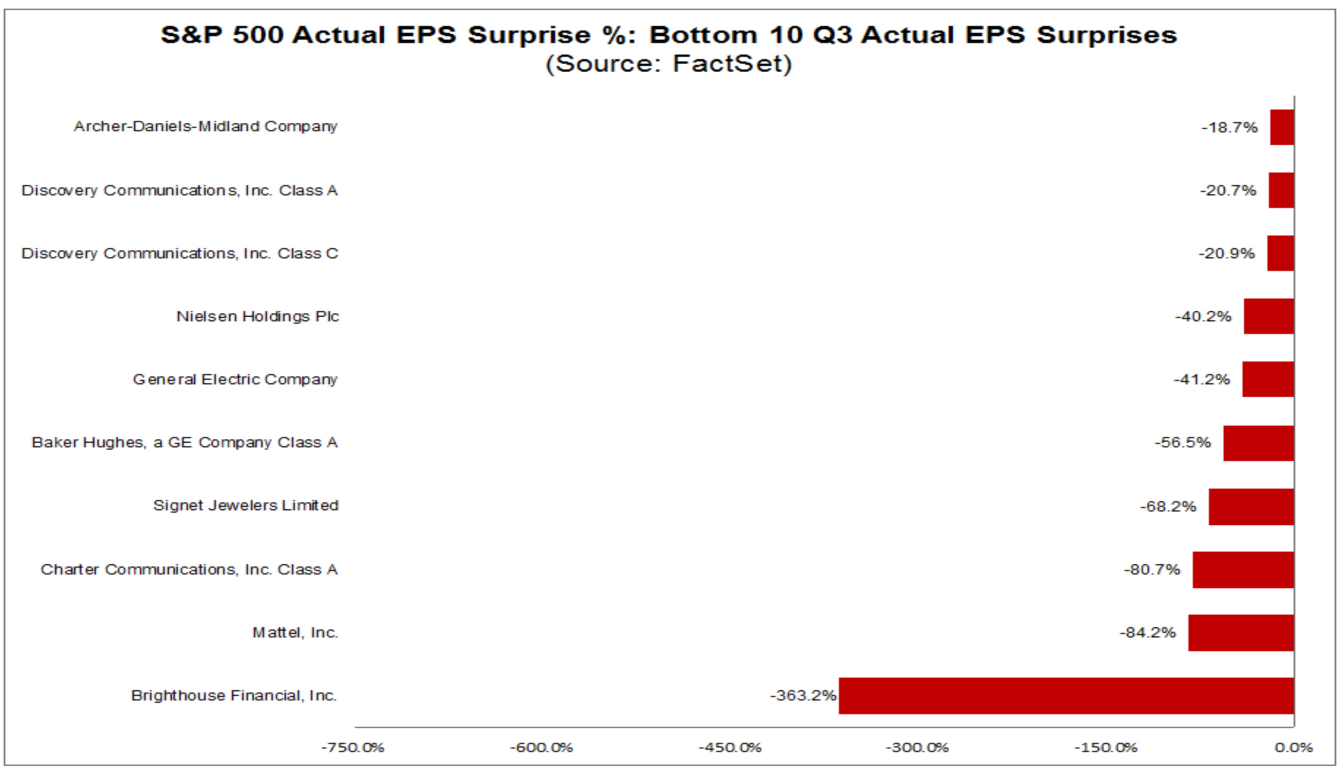
# Q3 2017: Scorecard



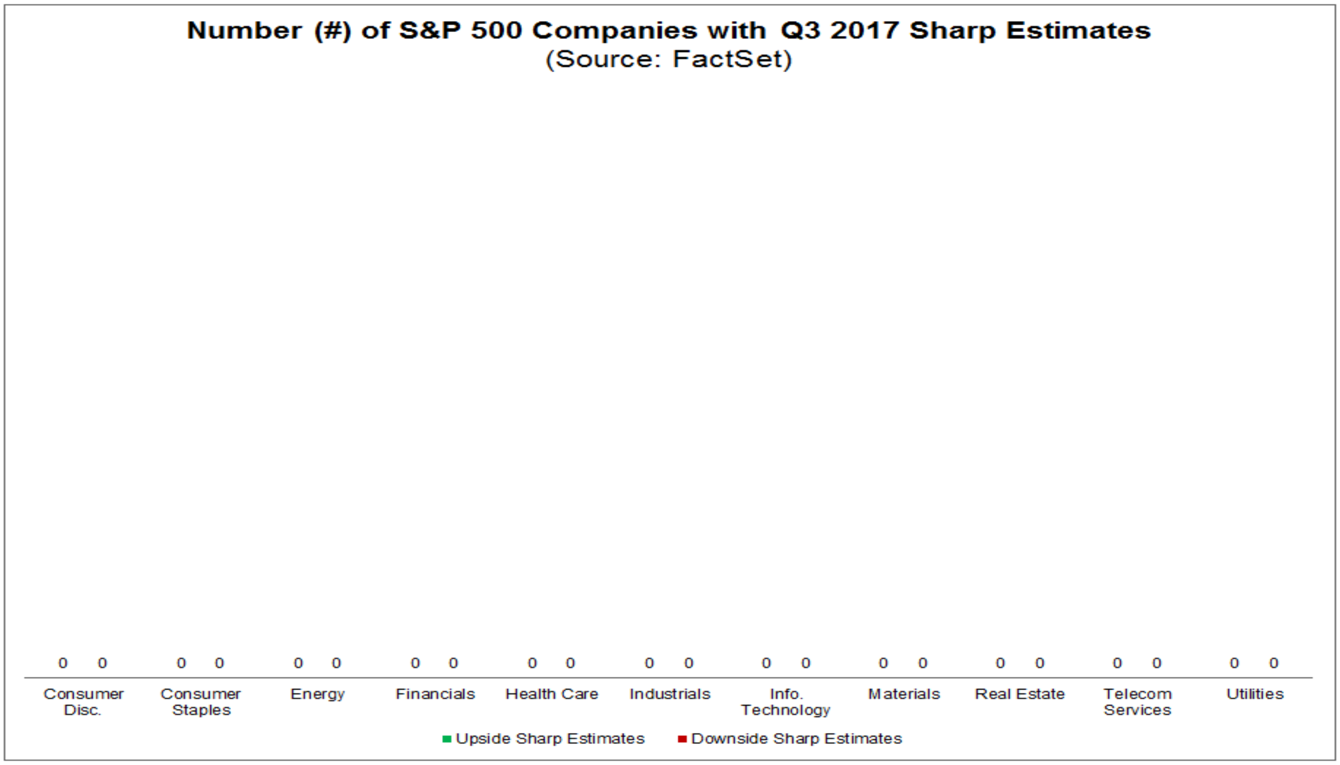



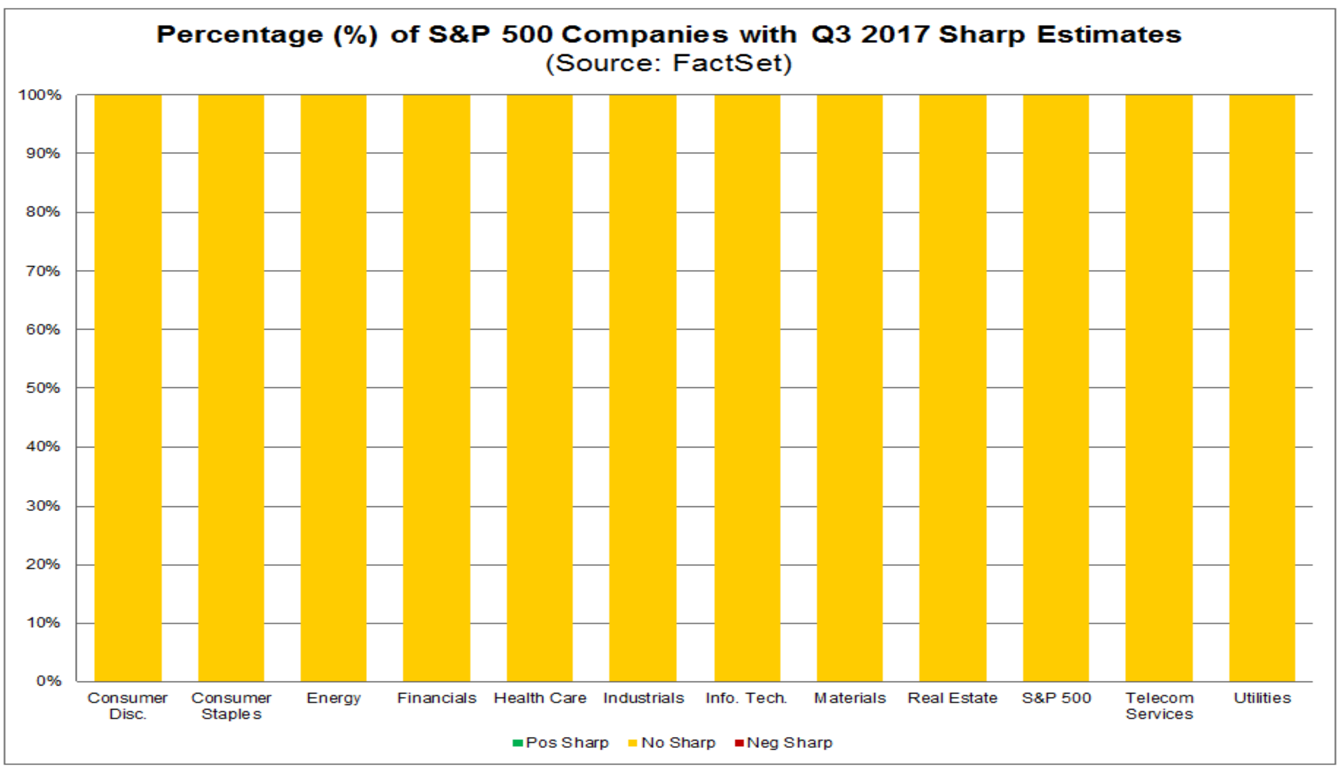
# Q3 2017: Scorecard



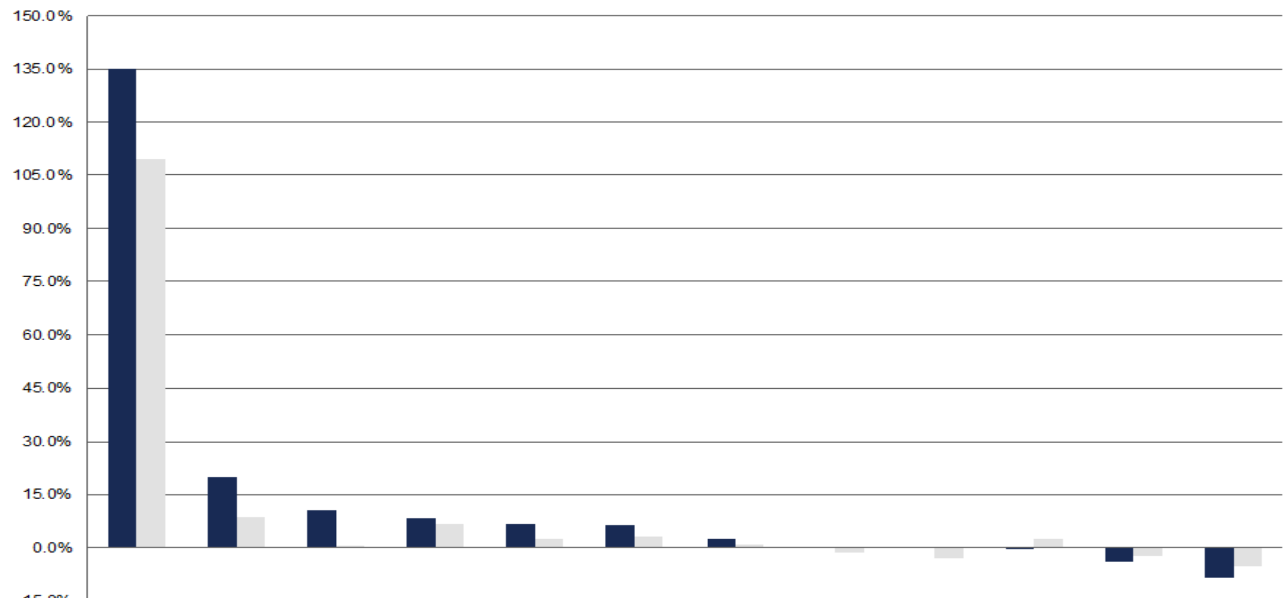



# Q3 2017: Projected EPS Surprises (Sharp Estimates)

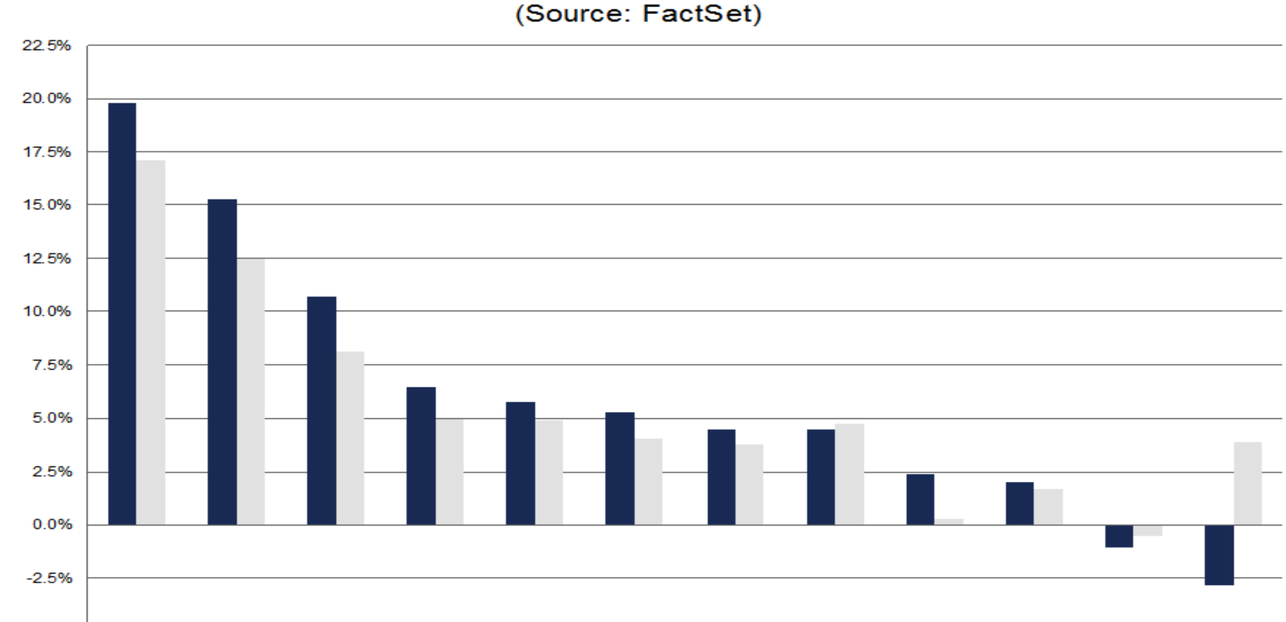


# Q3 2017: Growth

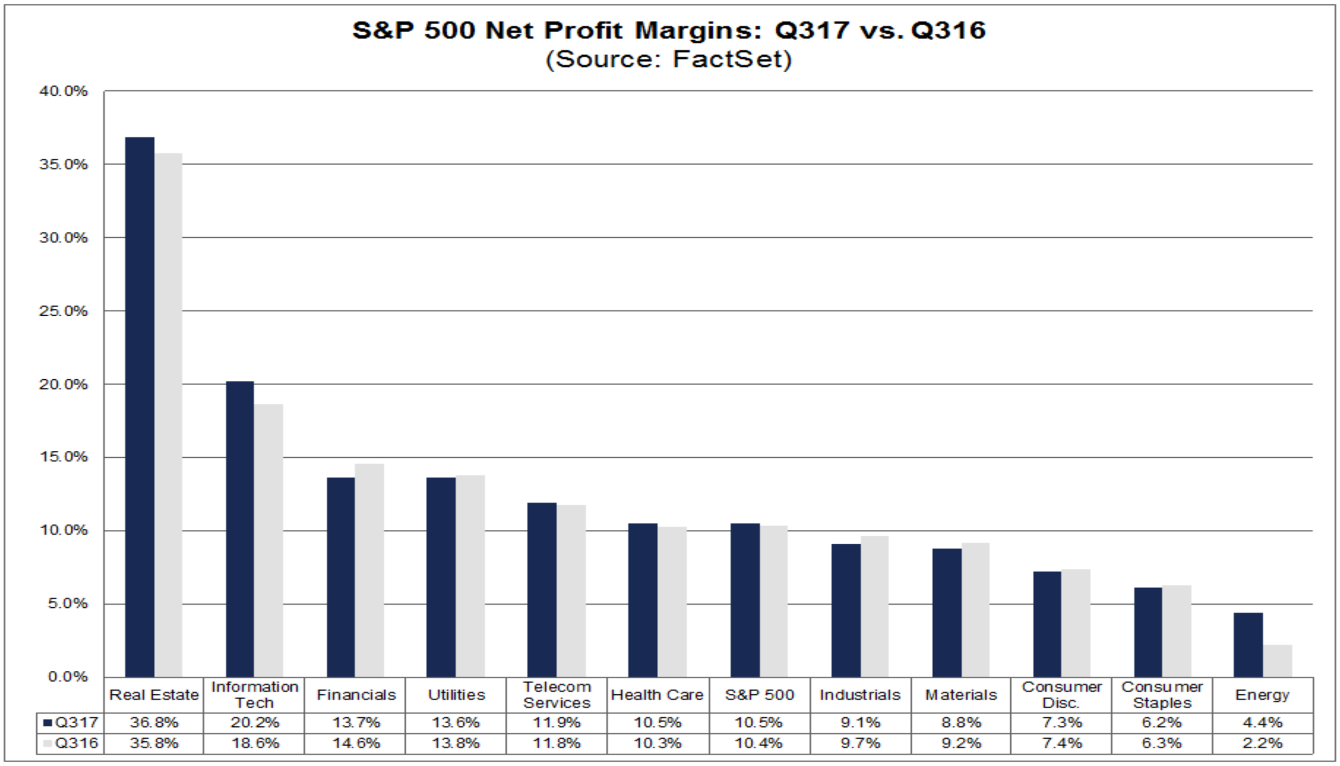



| | Energy | Info. Technology | Materials | Real Estate | Health Care | S&P 500 | Consumer Staples | Telecom Services | Consumer Disc. | Industrials | Utilities | Financials |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 135.1% | 20.0% | 10.6% | 8.5% | 6.8% | 6.4% | 2.7% | 0.2% | 0.1% | 0.0% | -4.0% | -8.3% |
| 30-Sep | 109.6% | 8.8% | 0.5% | 6.8% | 2.5% | 3.1% | 1.0% | -1.3% | -2.8% | 2.5% | -2.4% | -5.1% |

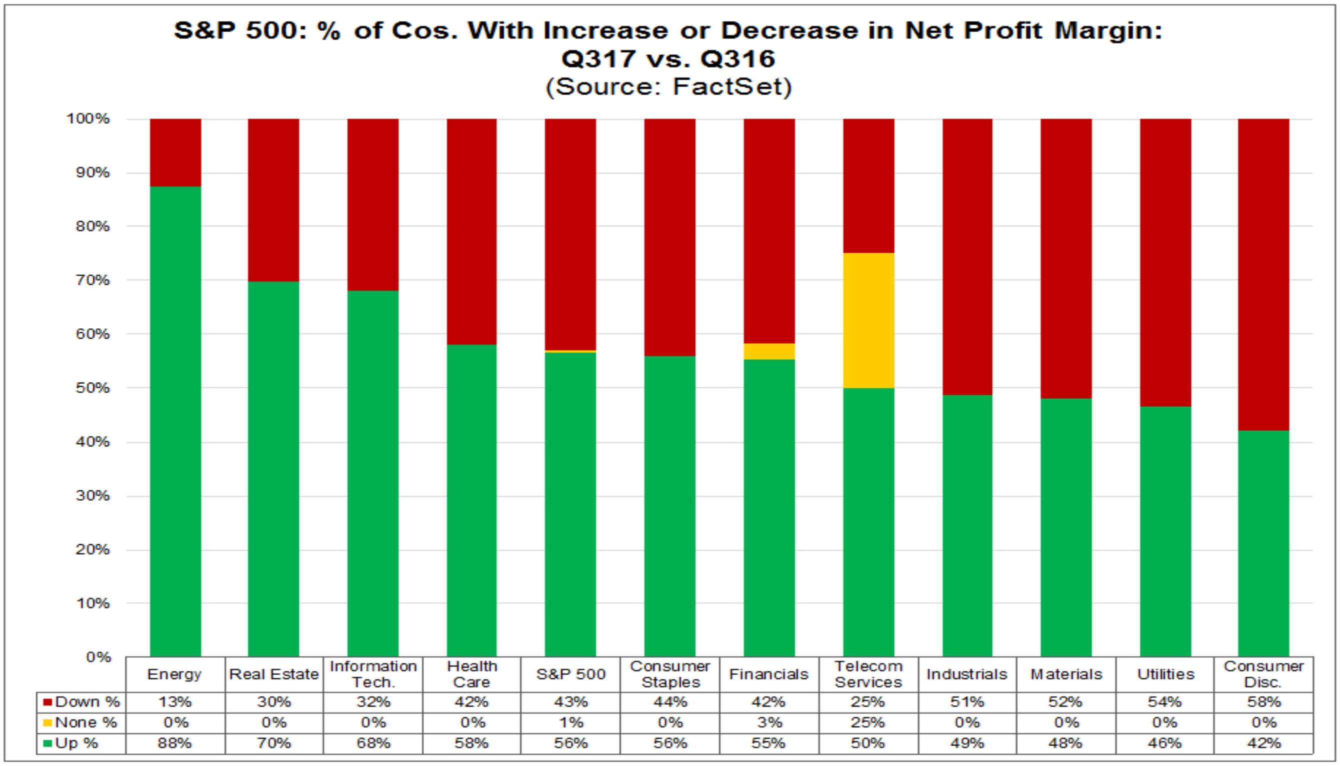



| | Energy | Materials | Info. Technology | Industrials | S&P 500 | Real Estate | Consumer Staples | Health Care | Financials | Consumer Disc. | Telecom Services | Utilities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 19.8% | 15.3% | 10.7% | 6.5% | 5.8% | 5.3% | 4.5% | 4.5% | 2.4% | 2.0% | -1.0% | -2.8% |
| 30-Sep | 17.1% | 12.5% | 8.1% | 5.0% | 4.9% | 4.1% | 3.8% | 4.8% | 0.3% | 1.7% | -0.5% | 3.9% |

# Q3 2017: Net Profit Margin

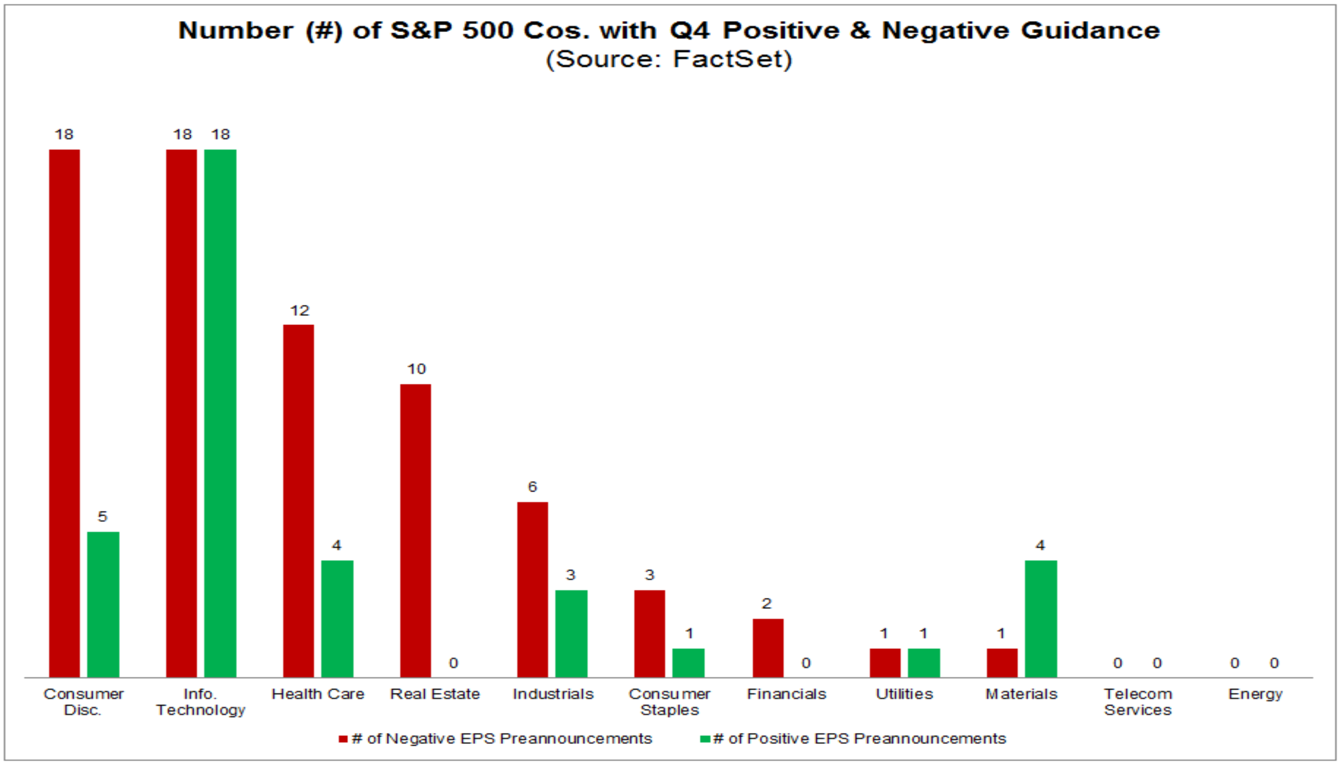


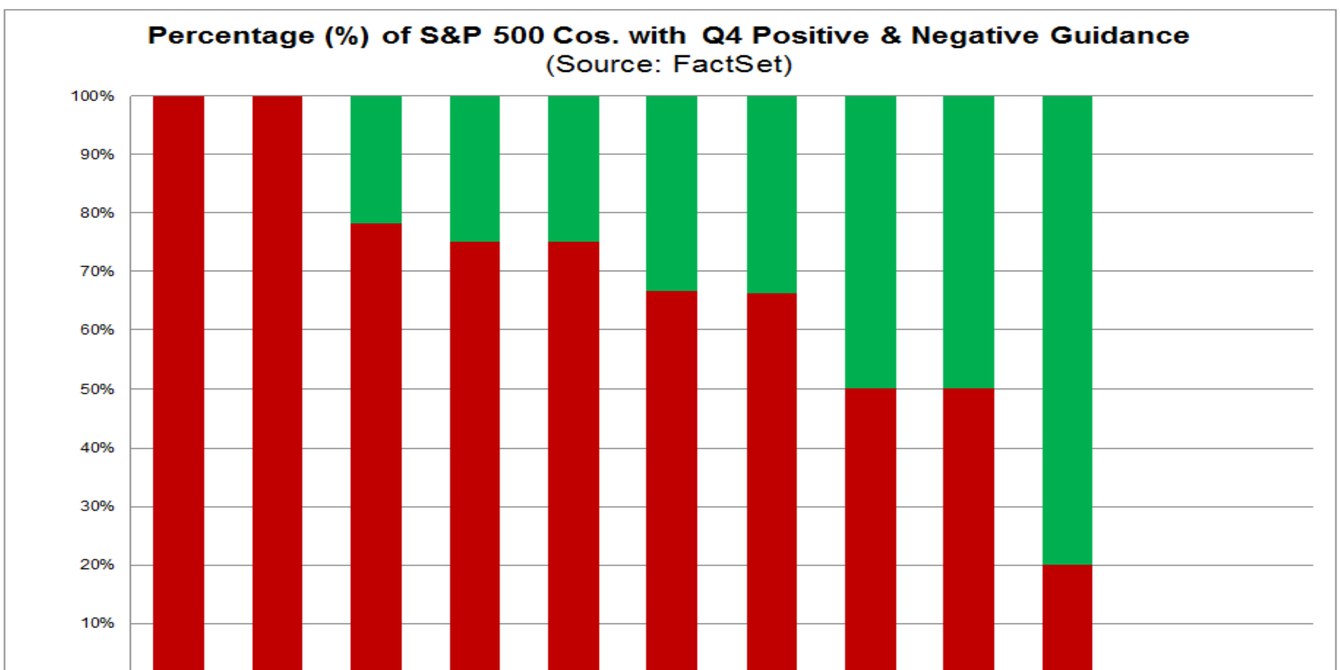

| | Real Estate | Information Tech | Financials | Utilities | Telecom Services | Health Care | S&P 500 | Industrials | Materials | Consumer Disc. | Consumer Staples | Energy |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q317 | 36.8% | 20.2% | 13.7% | 13.6% | 11.9% | 10.5% | 10.5% | 9.1% | 8.8% | 7.3% | 6.2% | 4.4% |
| Q316 | 35.8% | 18.6% | 14.6% | 13.8% | 11.8% | 10.3% | 10.4% | 9.7% | 9.2% | 7.4% | 6.3% | 2.2% |




| | Energy | Real Estate | Information Tech. | Health Care | S&P 500 | Consumer Staples | Financials | Telecom Services | Industrials | Materials | Utilities | Consumer Disc. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Down % | 13% | 30% | 32% | 42% | 43% | 44% | 42% | 25% | 51% | 52% | 54% | 58% |
| None % | 0% | 0% | 0% | 0% | 1% | 0% | 3% | 25% | 0% | 0% | 0% | 0% |
| Up % | 88% | 70% | 68% | 58% | 56% | 56% | 55% | 50% | 49% | 48% | 46% | 42% |

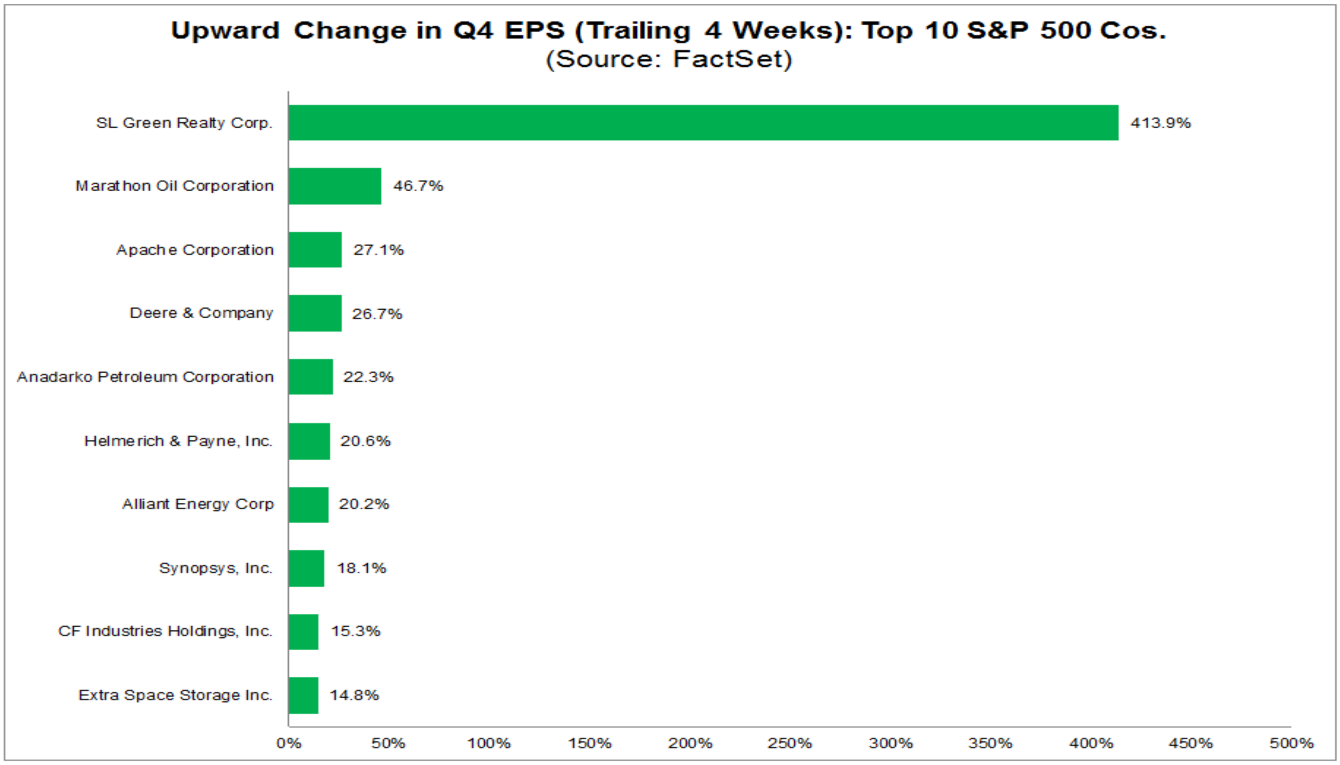
# Q4 2017: Guidance

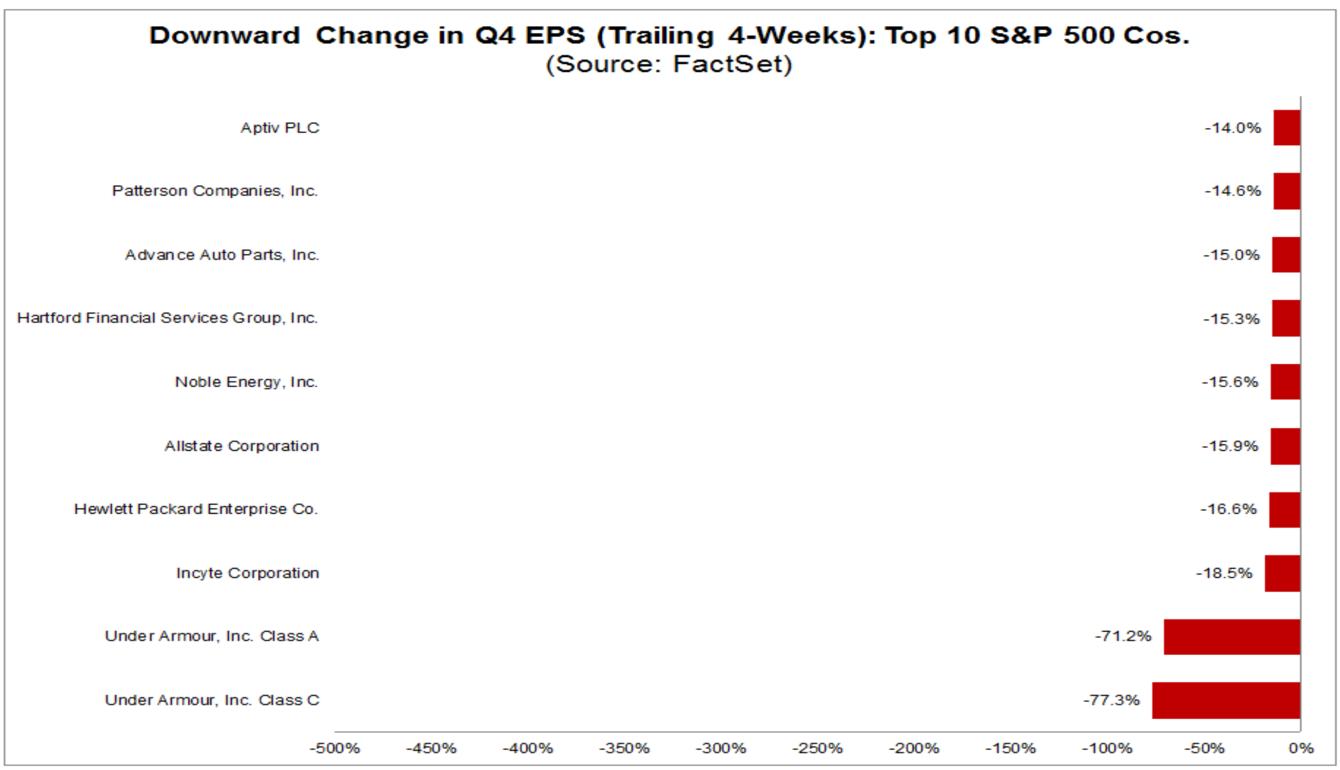



| | Real Estate | Financials | Consumer Disc. | Health Care | Consumer Staples | Industrials | S&P 500 | Info. Technology | Utilities | Materials | Telecom Services | Energy |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Positive | 0% | 0% | 22% | 25% | 25% | 33% | 34% | 50% | 50% | 80% | 0% | 0% |
| Negative | 100% | 100% | 78% | 75% | 75% | 67% | 66% | 50% | 50% | 20% | 0% | 0% |

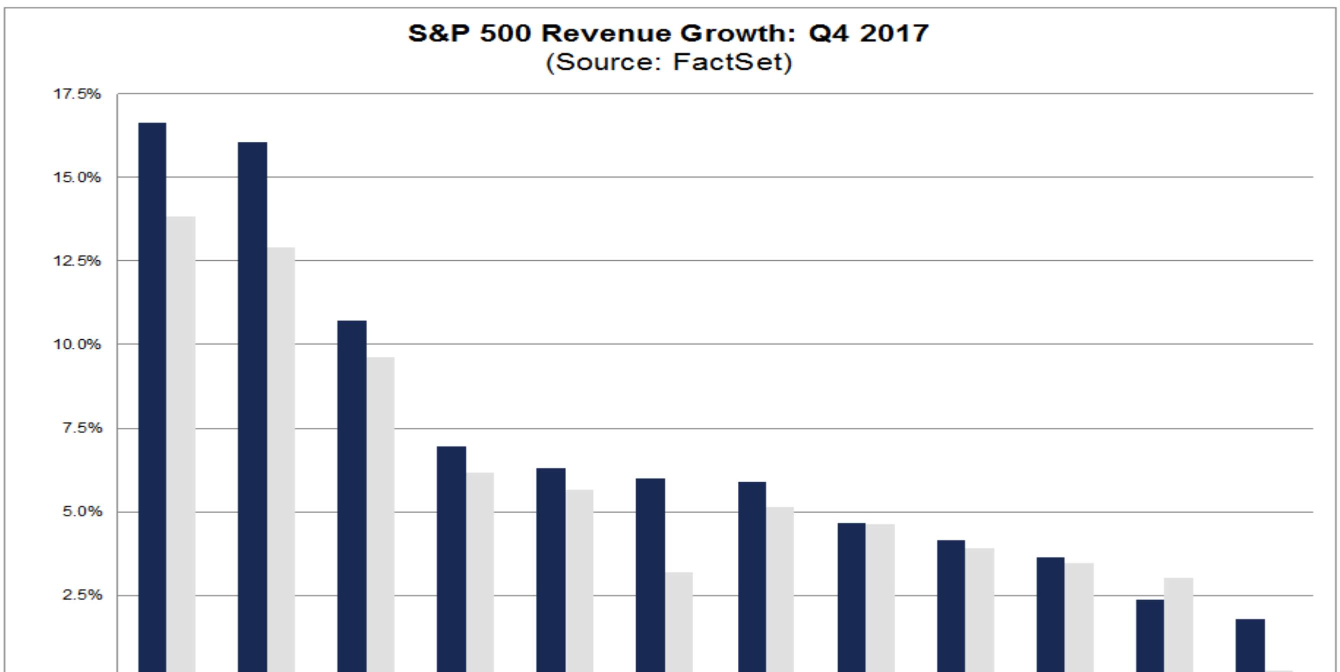
# Q4 2017: EPS Revisions



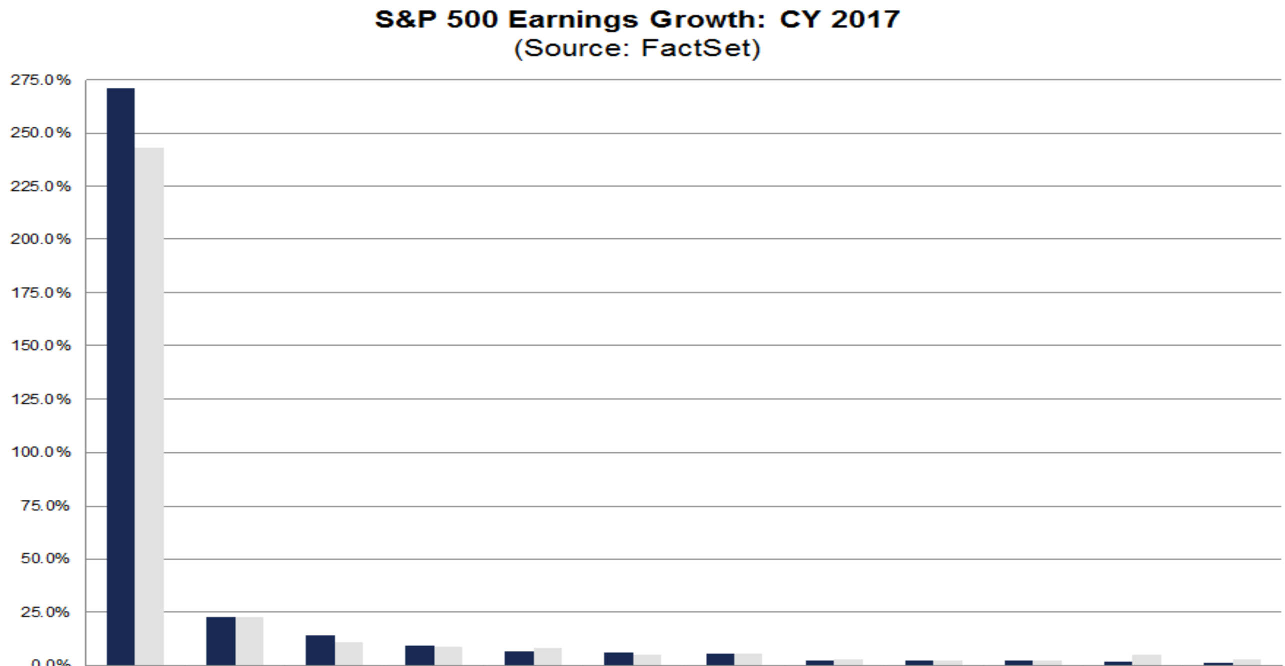
# Q4 2017: Growth


| | Energy | Materials | Info. Technology | Financials | Utilities | S&P 500 | Consumer Staples | Health Care | Real Estate | Consumer Disc. | Industrials | Telecom Services |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 123.5% | 28.1% | 15.2% | 12.3% | 12.1% | 10.6% | 4.9% | 3.3% | 3.0% | 2.0% | 1.6% | 1.3% |
| 30-Sep | 88.1% | 27.4% | 12.7% | 14.2% | 7.8% | 11.3% | 5.3% | 5.4% | 3.5% | 6.5% | 10.2% | 5.3% |

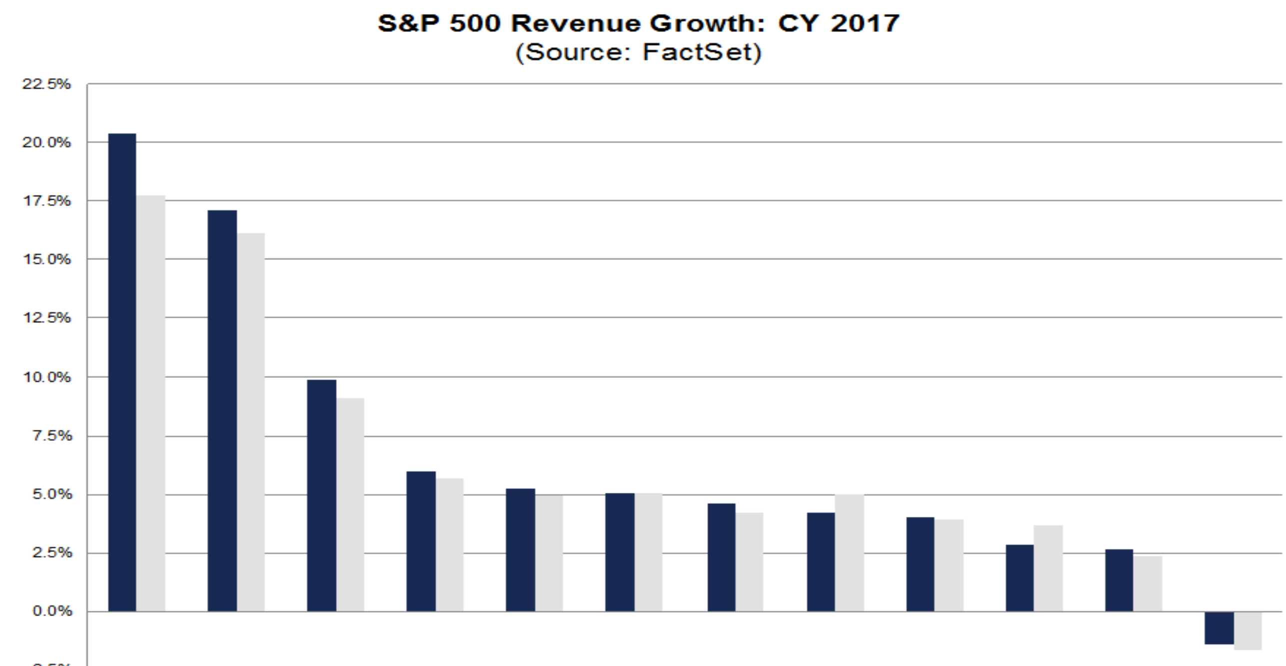



| | Materials | Energy | Info. Technology | Industrials | S&P 500 | Utilities | Real Estate | Health Care | Consumer Staples | Consumer Disc. | Financials | Telecom Services |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 16.6% | 16.0% | 10.7% | 7.0% | 6.3% | 6.0% | 5.9% | 4.7% | 4.2% | 3.6% | 2.4% | 1.8% |
| 30-Sep | 13.8% | 12.9% | 9.6% | 6.2% | 5.7% | 3.2% | 5.1% | 4.6% | 3.9% | 3.5% | 3.0% | 0.3% |

# CY 2017: Growth

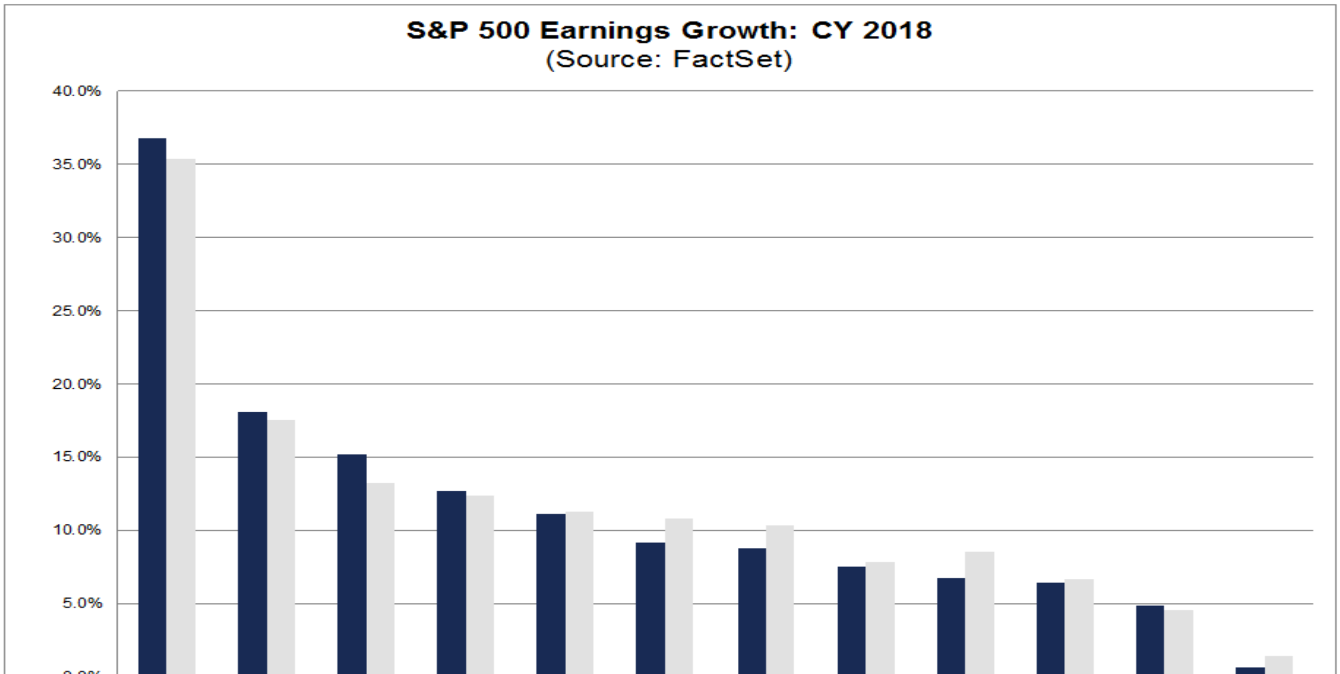



| | Energy | Materials | Info. Technology | S&P 500 | Financials | Health Care | Real Estate | Consumer Disc. | Consumer Staples | Utilities | Industrials | Telecom Services |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 271.3% | 23.0% | 14.2% | 9.5% | 6.9% | 5.9% | 5.8% | 2.4% | 2.4% | 2.3% | 1.8% | 1.4% |
| 30-Sep | 243.1% | 22.9% | 10.8% | 9.0% | 8.1% | 5.2% | 5.7% | 2.7% | 2.1% | 2.3% | 4.9% | 2.7% |

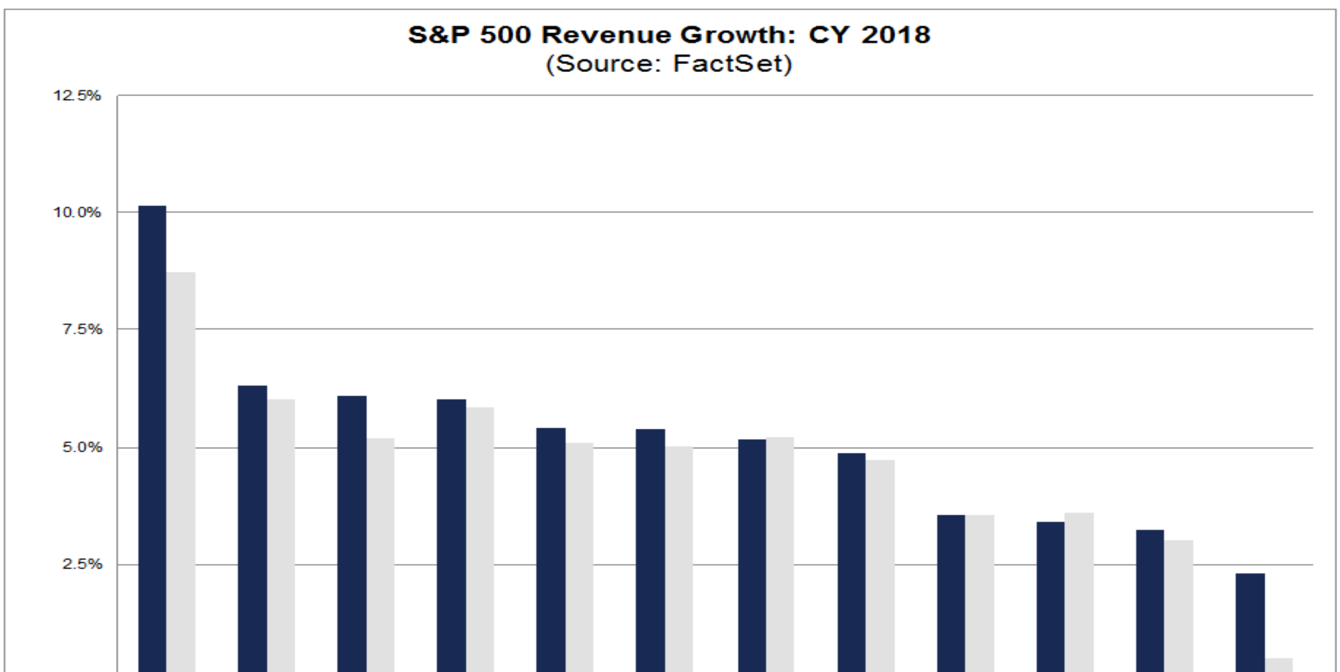



| | Energy | Materials | Info. Technology | S&P 500 | Real Estate | Health Care | Industrials | Utilities | Financials | Consumer Disc. | Consumer Staples | Telecom Services |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 20.4% | 17.1% | 9.8% | 6.0% | 5.3% | 5.1% | 4.6% | 4.2% | 4.0% | 2.9% | 2.7% | -1.4% |
| 30-Sep | 17.7% | 16.1% | 9.1% | 5.7% | 5.0% | 5.1% | 4.2% | 5.0% | 3.9% | 3.7% | 2.4% | -1.6% |

# CY 2018: Growth

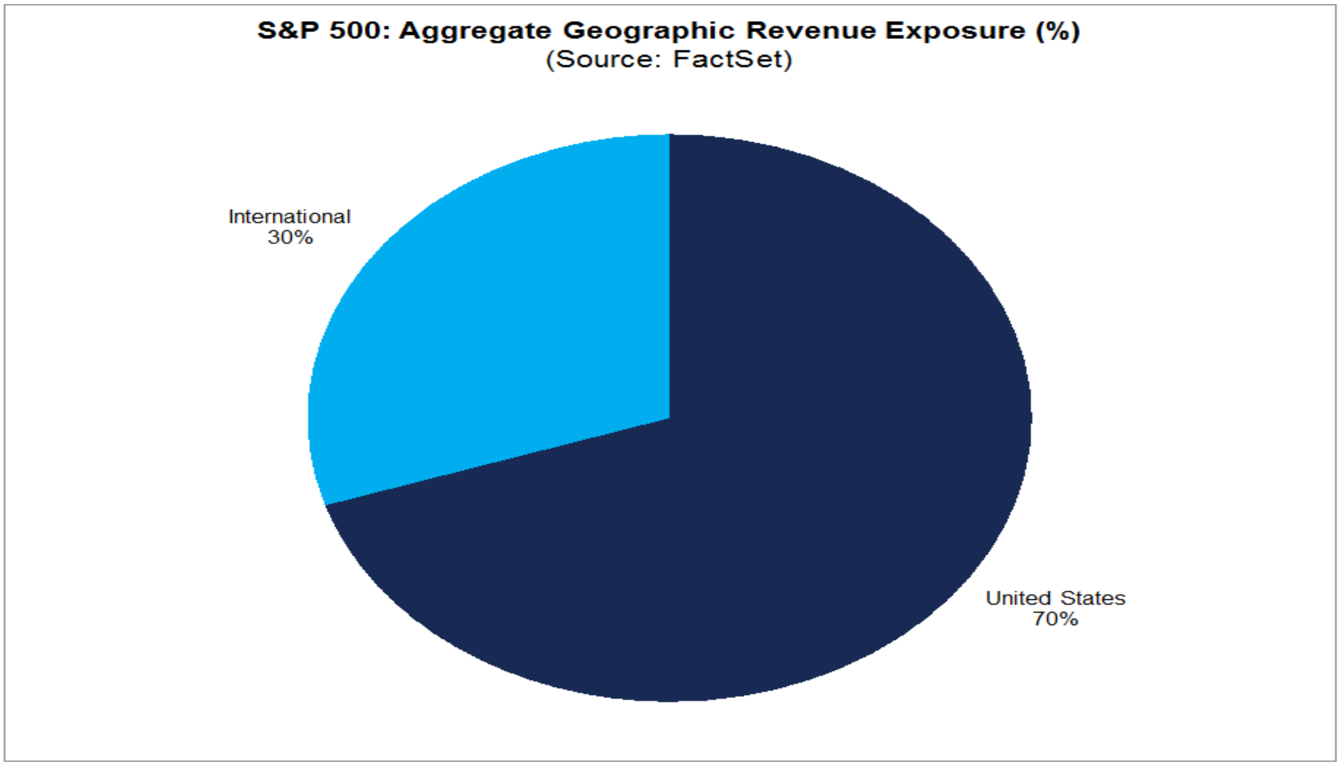


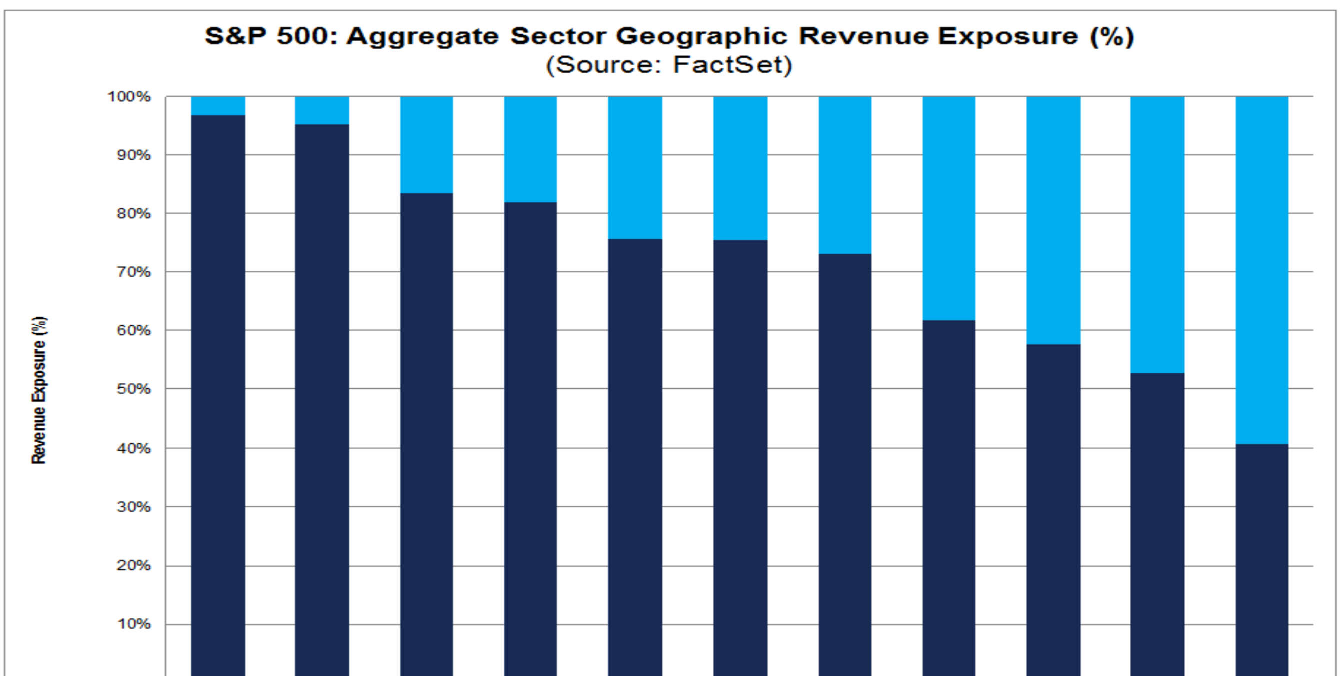

| | Energy | Materials | Financials | Info. Technology | S&P 500 | Industrials | Consumer Disc. | Consumer Staples | Health Care | Real Estate | Utilities | Telecom Services |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 36.8% | 18.1% | 15.2% | 12.7% | 11.2% | 9.2% | 8.8% | 7.6% | 6.8% | 6.4% | 4.9% | 0.6% |
| 30-Sep | 35.4% | 17.6% | 13.3% | 12.4% | 11.3% | 10.8% | 10.4% | 7.9% | 8.6% | 6.7% | 4.6% | 1.5% |




| | Info. Technology | Energy | Consumer Disc. | Real Estate | Materials | S&P 500 | Health Care | Industrials | Consumer Staples | Financials | Utilities | Telecom Services |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 10.2% | 6.3% | 6.1% | 6.0% | 5.4% | 5.4% | 5.2% | 4.9% | 3.6% | 3.4% | 3.2% | 2.3% |
| 30-Sep | 8.7% | 6.0% | 5.2% | 5.8% | 5.1% | 5.0% | 5.2% | 4.7% | 3.6% | 3.6% | 3.0% | 0.5% |

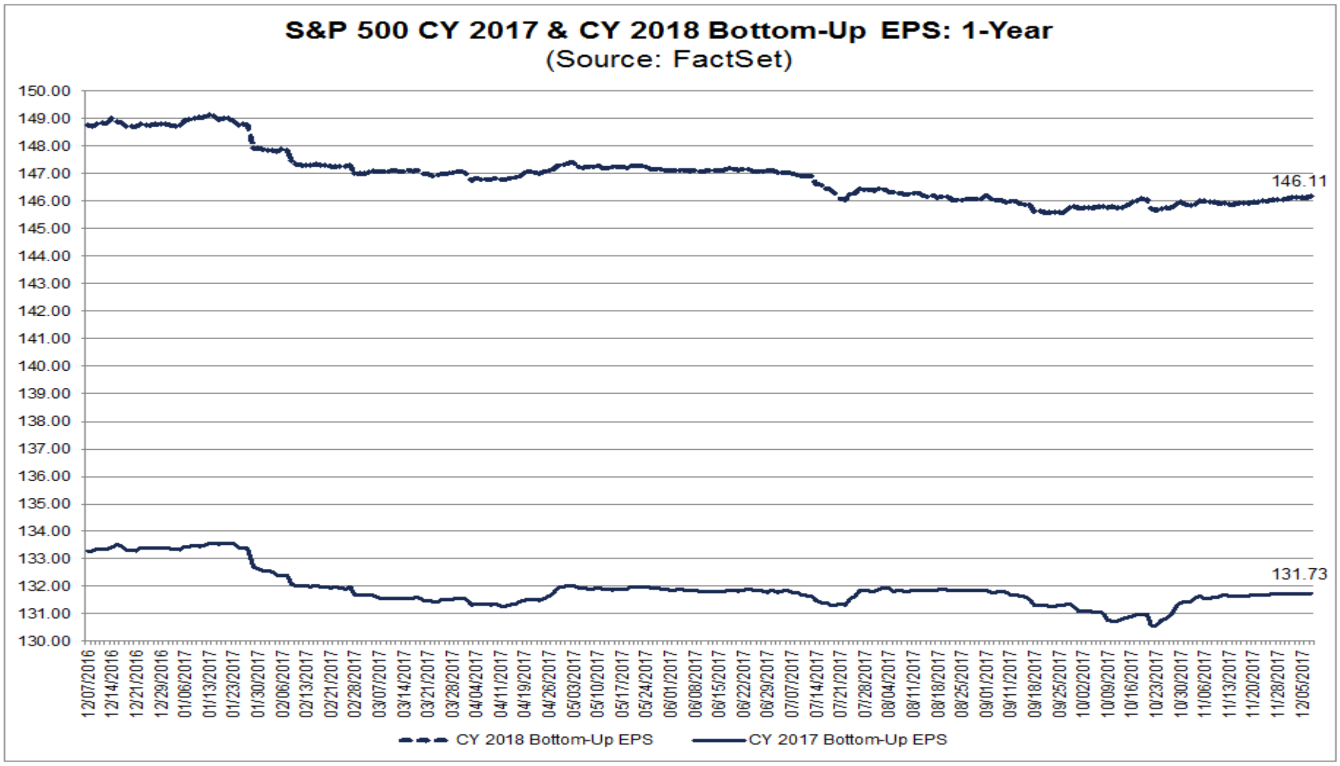
# Geographic Revenue Exposure

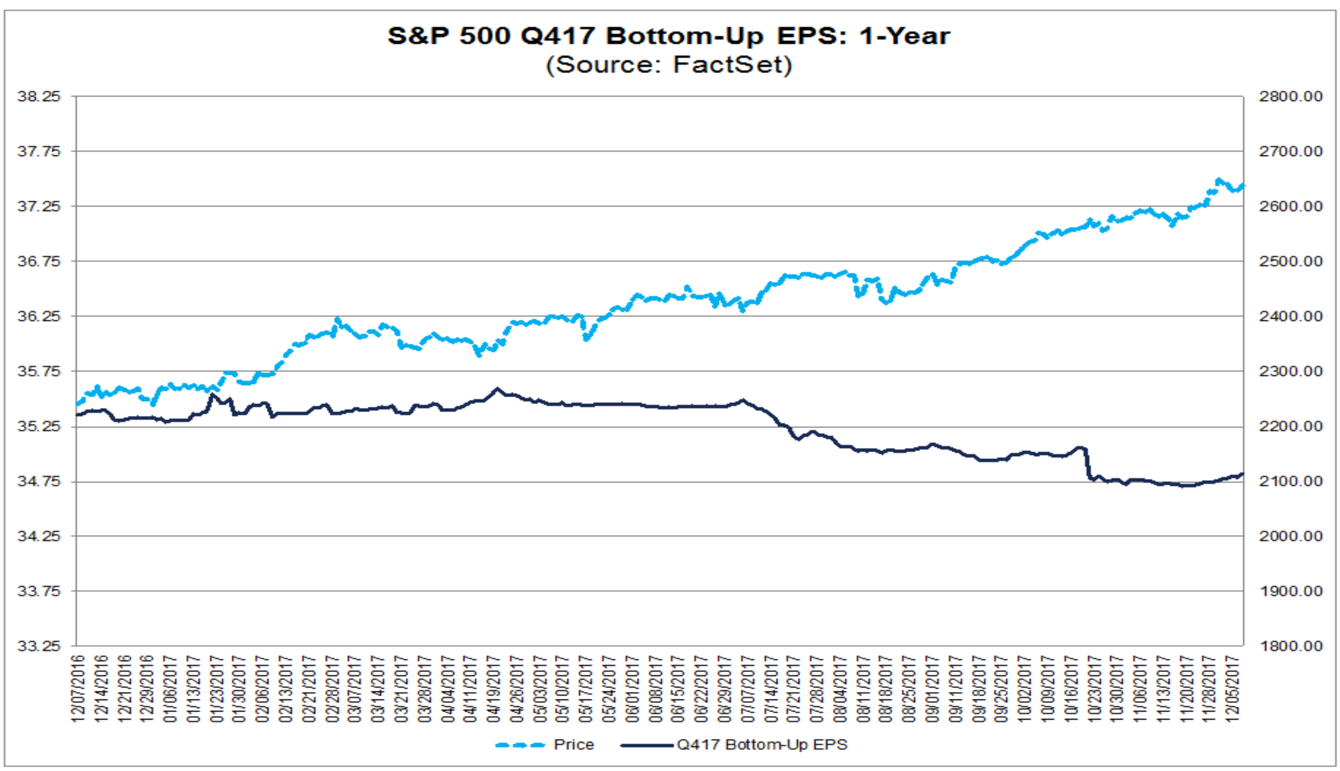


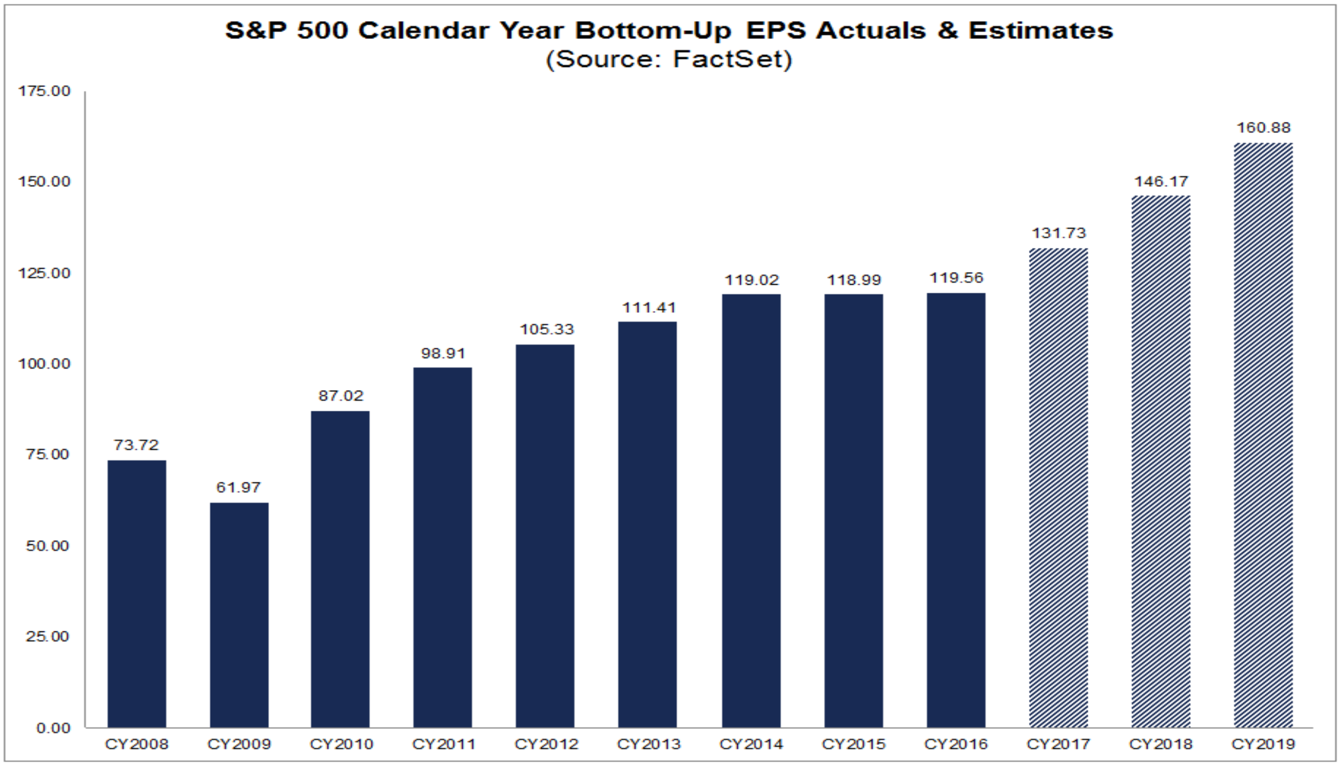

| | Telecom Services | Utilities | Real Estate | Health Care | Financials | Consumer Disc. | Consumer Staples | Industrials | Energy | Materials | Info. Technology |
|---|---|---|---|---|---|---|---|---|---|---|---|
| International | 3% | 5% | 17% | 18% | 24% | 24% | 27% | 38% | 42% | 47% | 59% |
| United States | 97% | 95% | 83% | 82% | 76% | 76% | 73% | 62% | 58% | 53% | 41% |

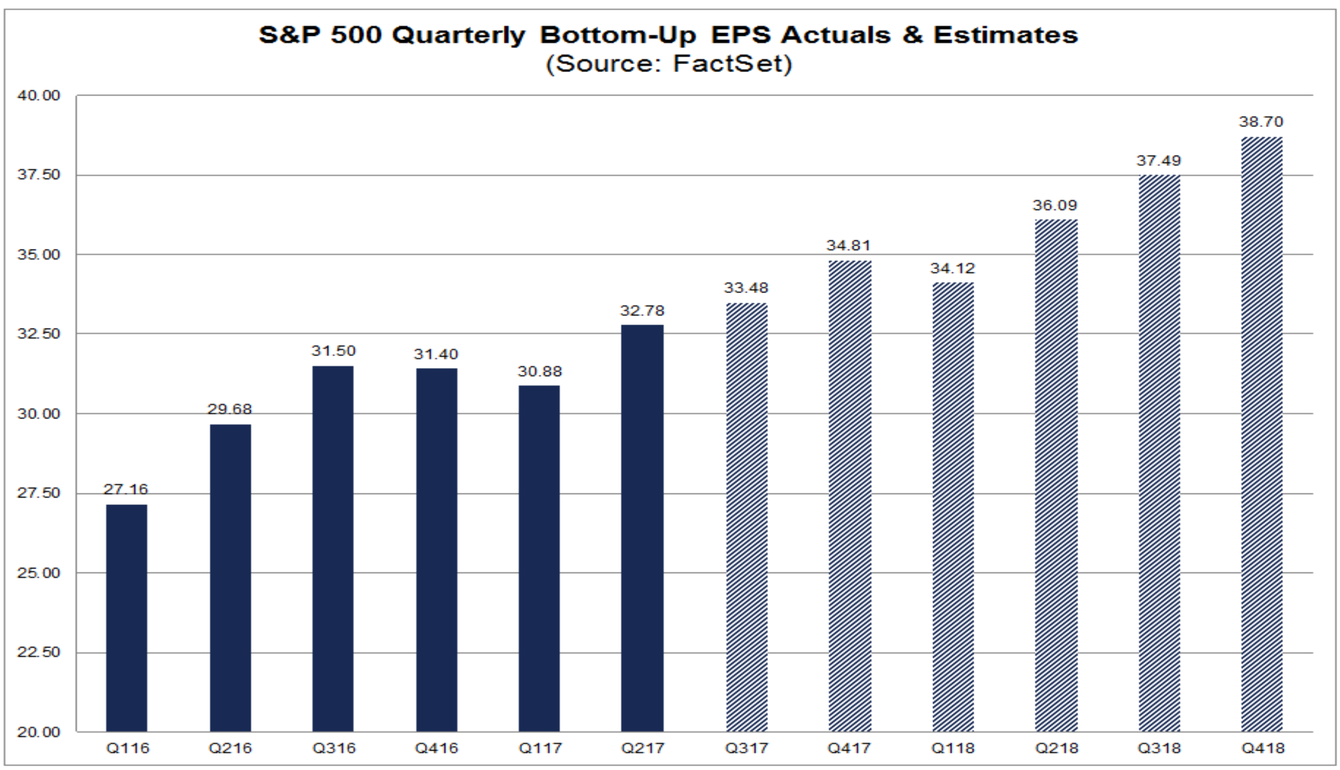
# Bottom-up EPS Estimates: Revisions



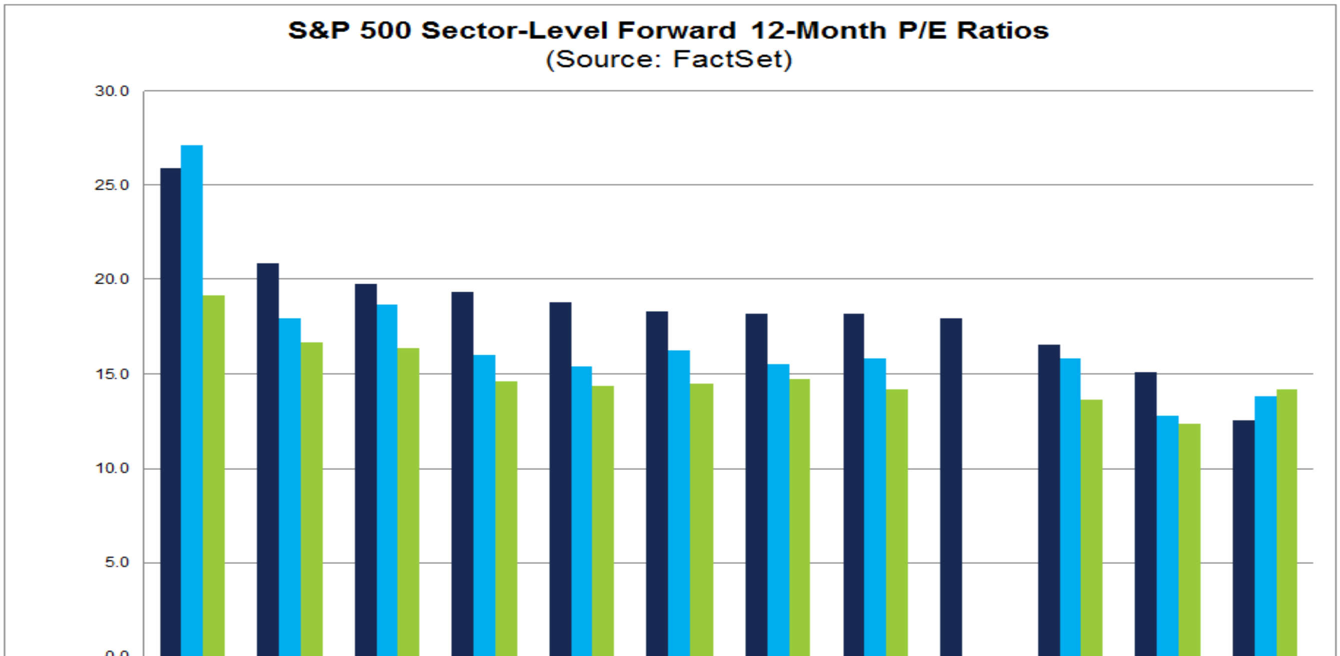



# Bottom-up EPS Estimates: Current & Historical

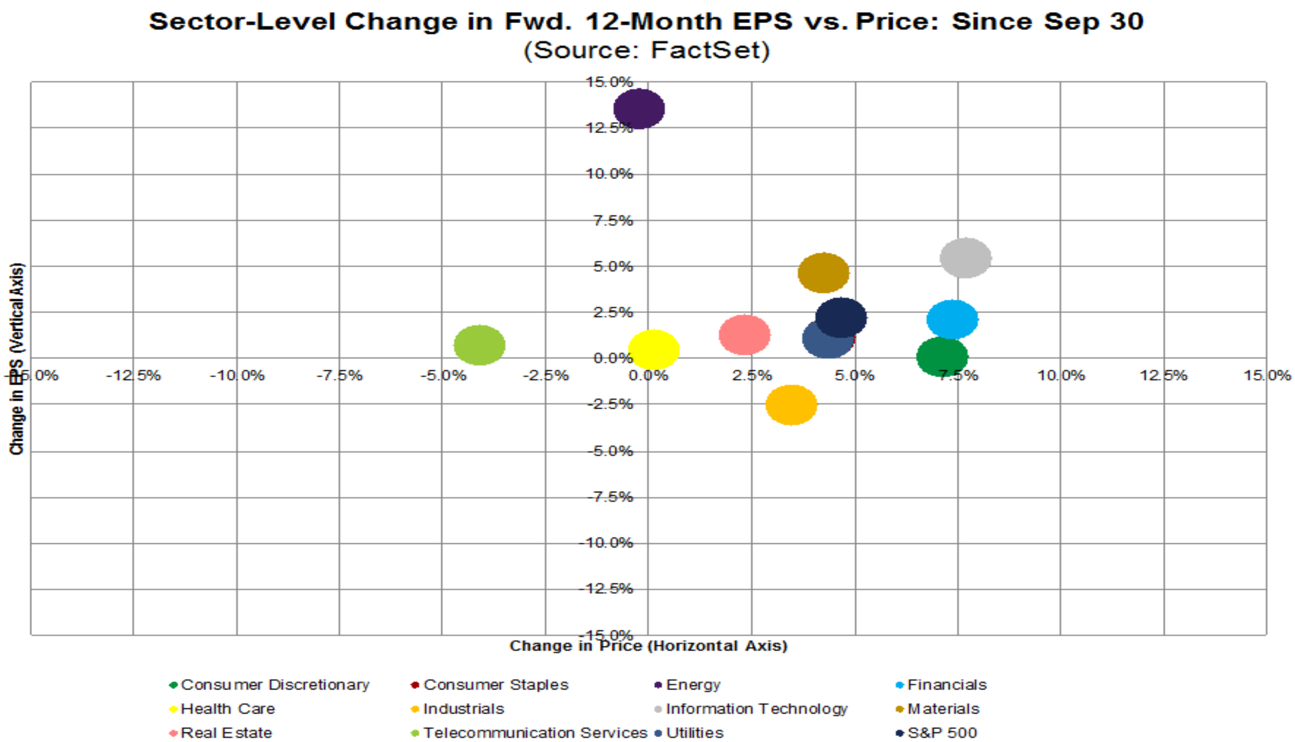


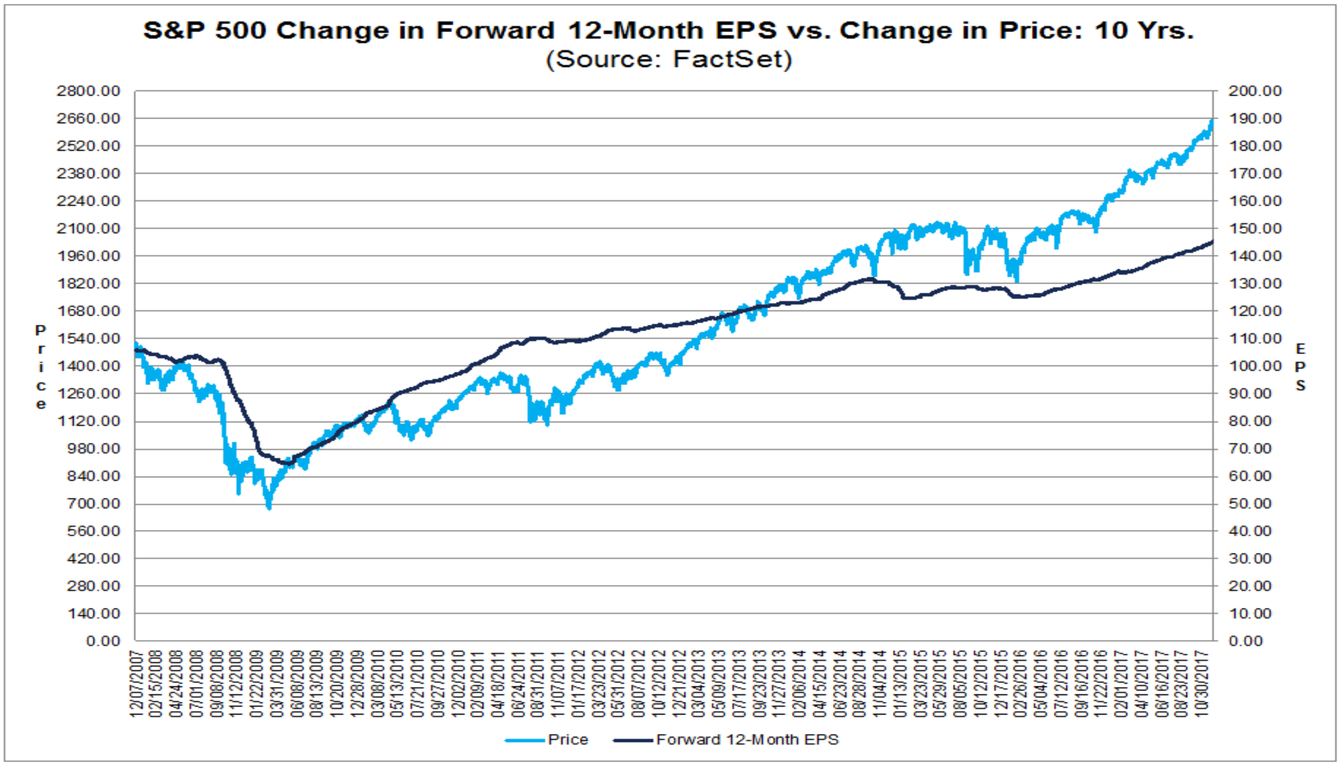
# Forward 12M P/E Ratio: Sector Level

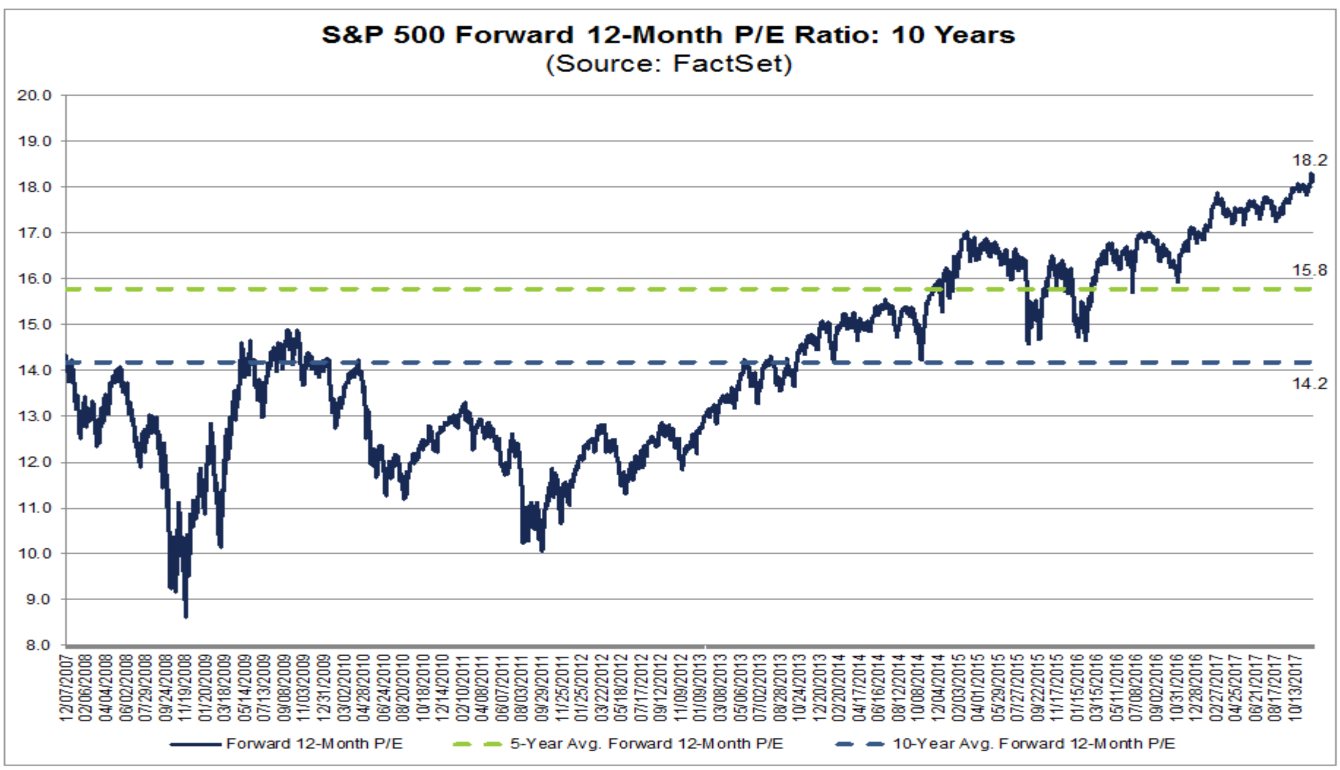



| | Energy | Consumer Disc. | Consumer Staples | Industrials | Info. Technology | Utilities | Materials | S&P 500 | Real Estate | Health Care | Financials | Telecom Services |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fwd P/E | 25.9 | 20.8 | 19.8 | 19.3 | 18.8 | 18.3 | 18.2 | 18.2 | 17.9 | 16.5 | 15.1 | 12.6 |
| 5-Yr Avg. | 27.1 | 17.9 | 18.7 | 16.0 | 15.4 | 16.2 | 15.5 | 15.8 | | 15.8 | 12.8 | 13.8 |
| 10-Yr Avg. | 19.1 | 16.6 | 16.4 | 14.6 | 14.4 | 14.5 | 14.7 | 14.2 | | 13.6 | 12.4 | 14.1 |

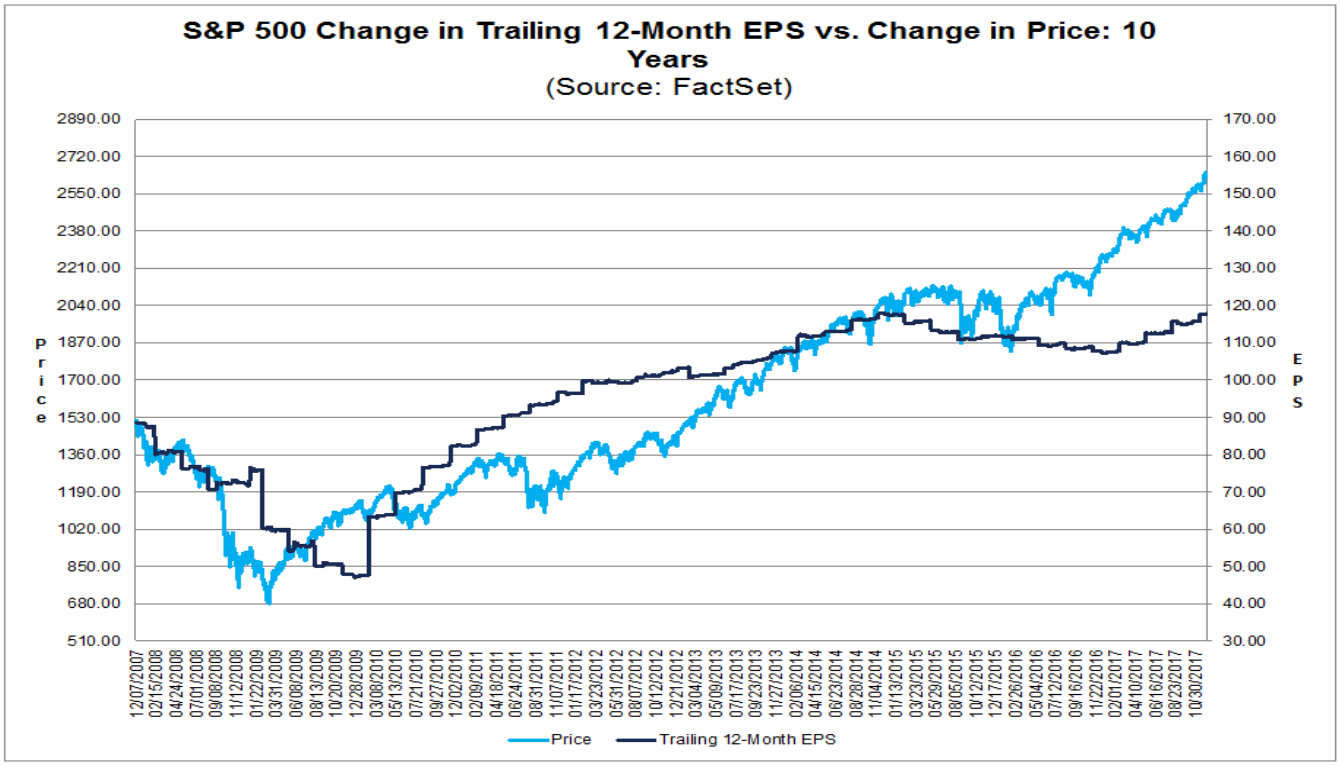


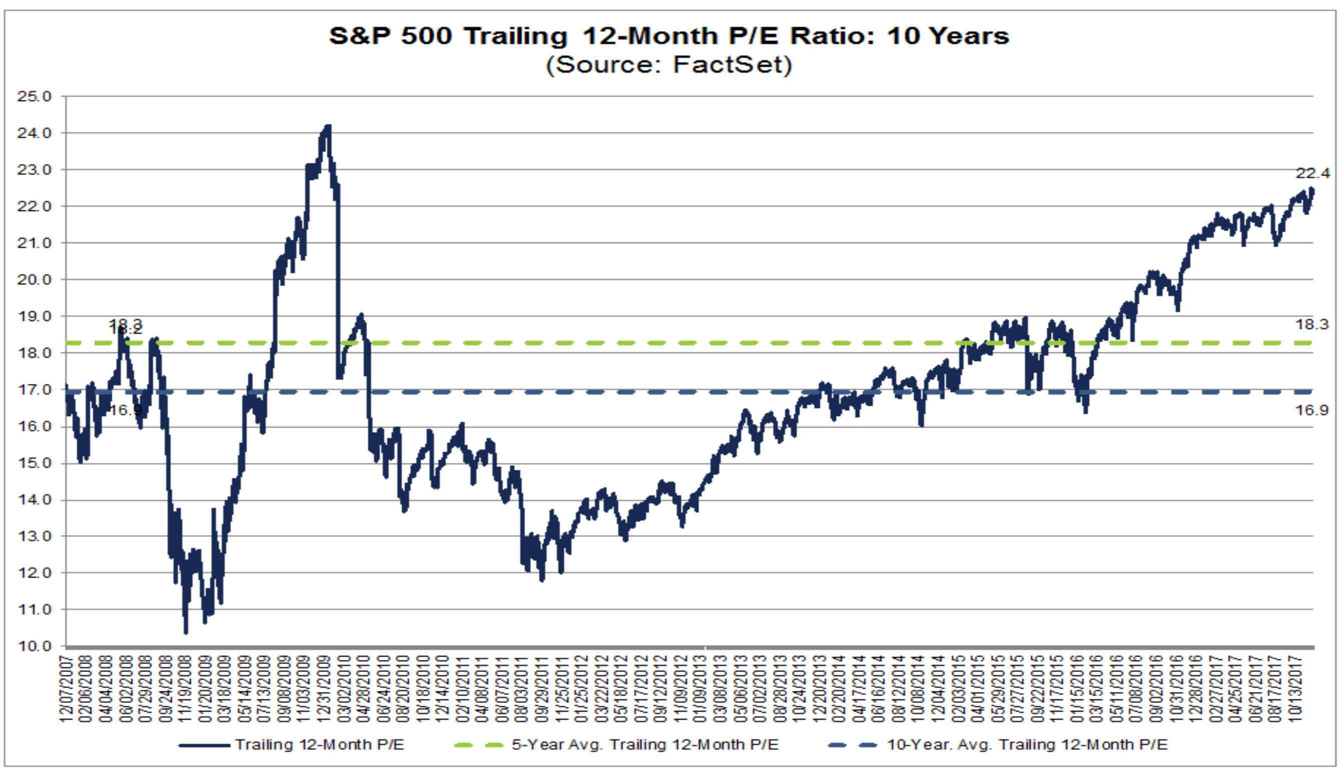
# Forward 12M P/E Ratio: Long-Term Averages



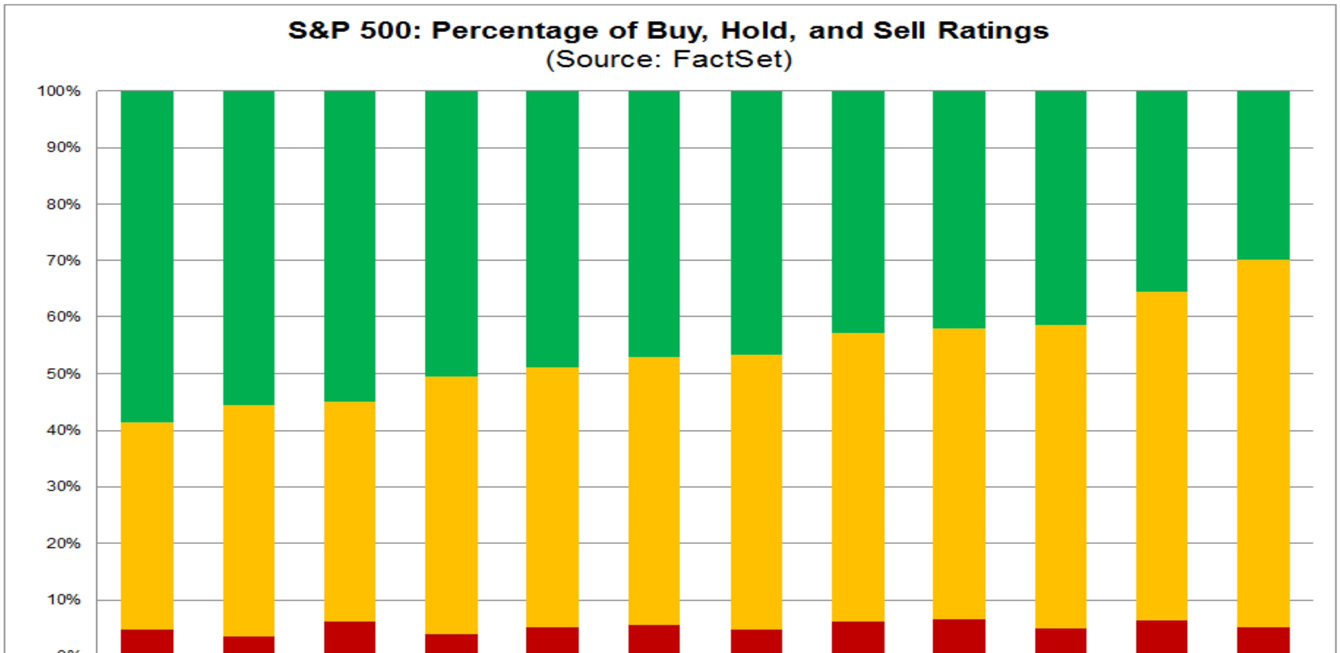



# Trailing 12M P/E Ratio: Long-Term Averages

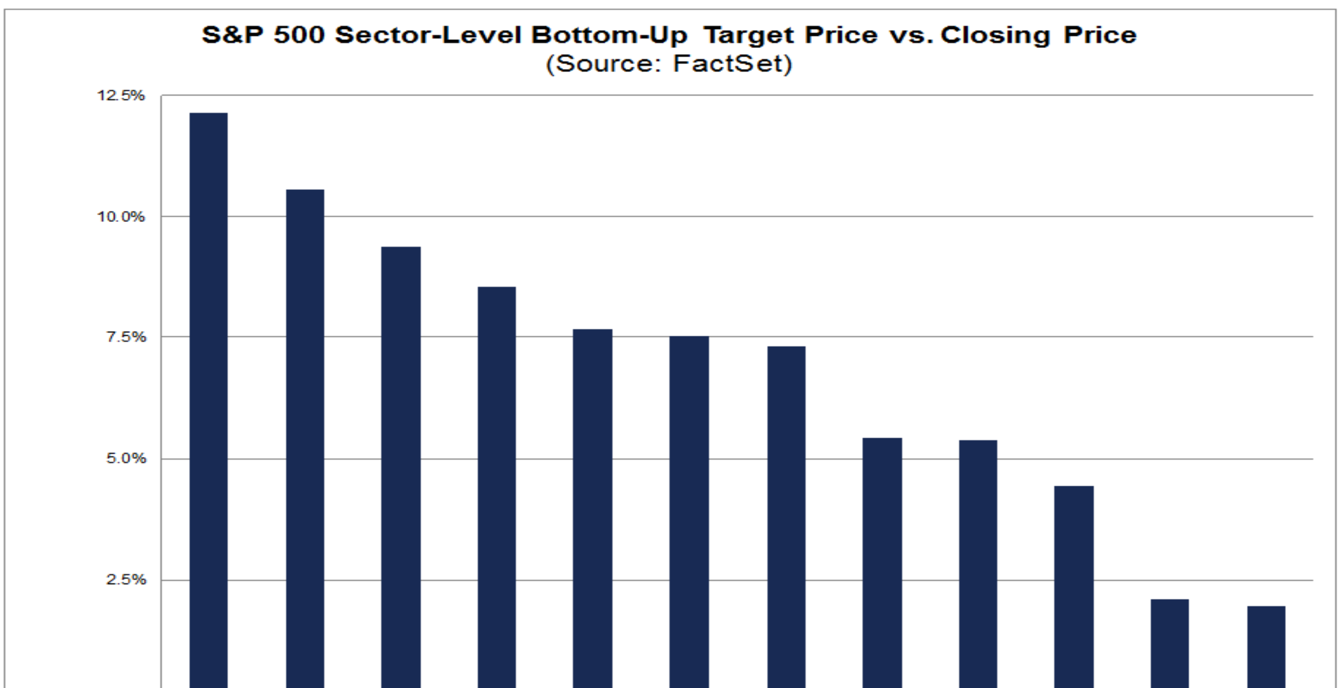


# Targets & Ratings




| | Info. Tech. | Health Care | Energy | Materials | S&P 500 | Consumer Disc. | Industrials | Financials | Consumer Staples | Real Estate | Utilities | Telecom Services |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Buy | 59% | 56% | 55% | 51% | 49% | 47% | 47% | 43% | 42% | 41% | 36% | 30% |
| Hold | 37% | 41% | 39% | 45% | 46% | 47% | 48% | 51% | 51% | 54% | 58% | 65% |
| Sell | 5% | 3% | 6% | 4% | 5% | 6% | 5% | 6% | 7% | 5% | 6% | 5% |




| | Info. Tech. | Health Care | Energy | Materials | S&P 500 | Consumer Disc. | Real Estate | Telecom Services | Consumer Staples | Industrials | Financials | Utilities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Target/Close | 12.1% | 10.6% | 9.4% | 8.5% | 7.7% | 7.5% | 7.3% | 5.4% | 5.4% | 4.5% | 2.1% | 2.0% |

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