

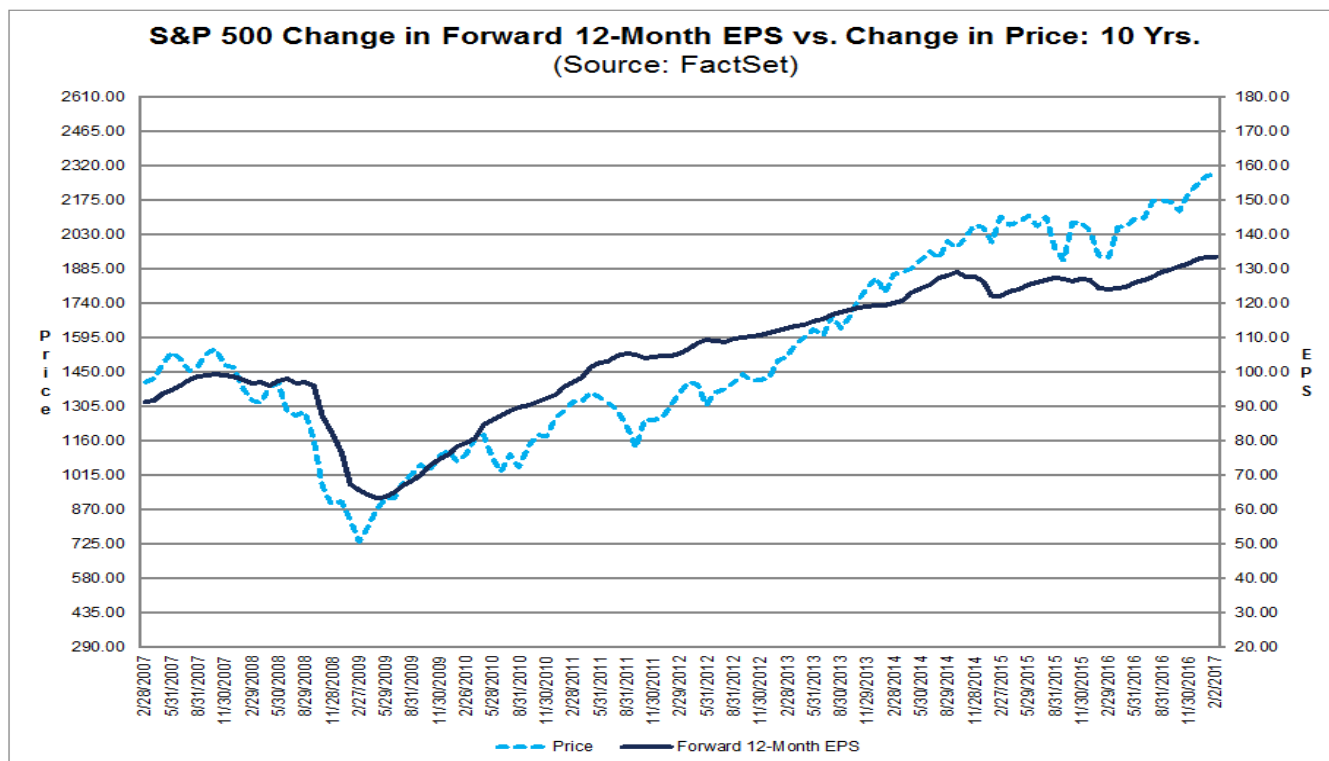
John Butters, Senior Earnings Analyst
jbutters@factset.com

Media Questions/Requests
media_request@factset.com

February 3, 2017

Key Metrics

- Earnings Scorecard:** As of today (with 55% of the companies in the S&P 500 reporting actual results for Q4 2016), 65% of S&P 500 companies have beat the mean EPS estimate and 52% of S&P 500 companies have beat the mean sales estimate.
- Earnings Growth:** For Q4 2016, the blended earnings growth rate for the S&P 500 is 4.6%. The fourth quarter will mark the first time the index has seen year-over-year growth in earnings for two consecutive quarters since Q4 2014 and Q1 2015.
- Earnings Revisions:** On December 31, the estimated earnings growth rate for Q4 2016 was 3.1%. Nine of the eleven sectors have higher growth rates today (compared to December 31) due to upside earnings surprises and upward revisions to earnings estimates, led by the Financials sector.
- Earnings Guidance:** For Q1 2017, 44 S&P 500 companies have issued negative EPS guidance and 21 S&P 500 companies have issued positive EPS guidance.
- Valuation:** The forward 12-month P/E ratio for the S&P 500 is 17.1. This P/E ratio is based on Thursday's closing price (2280.85) and forward 12-month EPS estimate (\$133.54).



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:

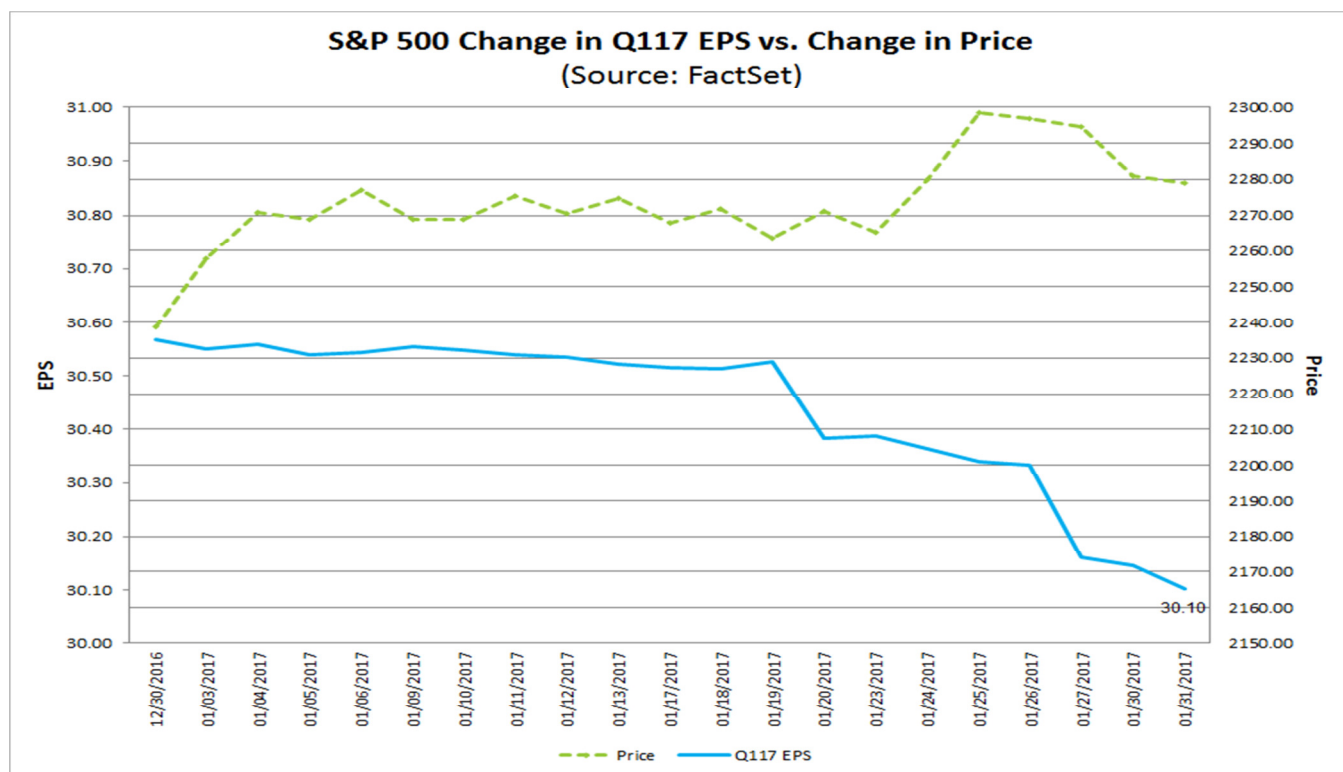
Below Average Cuts to S&P 500 Earnings Estimates for Q1 2017

During the month of January, analysts lowered earnings estimates for companies in the S&P 500 for the first quarter. The Q1 bottom-up EPS estimate (which is an aggregation of the EPS estimates for all the companies in the index) dropped by 1.5% (to \$30.10 from \$30.57) during this period. How significant is a 1.5% decline in the bottom-up EPS estimate during the first month of a quarter? How does this decrease compare to recent quarters?

During the past year (4 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 2.5%. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 2.3%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has also been 2.4%. Thus, the decline in the bottom-up EPS estimate recorded during the first month of the first quarter was smaller than the 1-year, 5-year, and 10-year averages.

Two sectors that contributed to the below average decline in the bottom-up EPS estimate for the S&P 500 over the past month are the Energy and Financials sectors. The Energy sector recorded an increase in the bottom-up EPS estimate of 3.5% (to \$3.28 from \$3.17) during the first month of the quarter. This 3.5% increase is well above the average decline of 39.0% over the past year and the average decline of 13.6% over the past five years in the bottom-up EPS estimate for this sector for an entire quarter. The Financials sector recorded an increase in the bottom-up EPS estimate of 0.2% (to \$6.56 from \$6.55) during the first month of the quarter. This 0.2% increase is also above the average decline of 2.5% over the past year and the average decline of 3.8% over the past five years in the bottom-up EPS estimate for this sector for an entire quarter.

As the bottom-up EPS estimate declined during the first month of the quarter, the value of the S&P 500 increased during this same time frame. From December 31 through January 31, the value of the index increased by 1.8% (to 2278.87 from 2238.83). This marked the 12th time in the past 20 quarters in which the bottom-up EPS estimate decreased during the first month of the quarter while the value of the index increased over this same time frame.



Q4 2016 Earnings Season: By the Numbers

Overview

To date, 55% of the companies in the S&P 500 have reported actual results for Q4. In terms of earnings, fewer companies (65%) are reporting actual EPS above the mean estimate compared to the 5-year average. In aggregate, companies are reporting earnings that are 2.5% above the estimates, which is also below the 5-year average. In terms of sales, fewer companies (52%) are reporting actual sales above estimates compared to the 5-year average. In aggregate, companies are reporting sales that are 0.1% below the estimates, which is also below 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 Q4 2016 is 4.6% today, which is above the estimated earnings growth rate of 3.1% on December 31. Seven sectors are reporting year-over-year earnings growth, led by the Utilities and Financials sectors. One sector (Consumer Discretionary) is reporting flat year-over-year earnings (0.0%). Three sectors are reporting a year-over-year decline in earnings, led by the Telecom Services sector.

The blended sales growth rate for Q4 2016 is 4.6%, which is below the estimated sales growth rate of 4.9% on December 31. Ten sectors are reporting year-over-year growth in revenues, led by the Utilities sector. The only sector reporting a year-over-year decline in revenues is the Telecom Services sector.

Looking at future quarters, analysts currently project earnings growth to continue through 2017.

The forward 12-month P/E ratio is now 17.1, which is above the 5-year average and the 10-year average.

During the upcoming week, 84 S&P 500 companies (including 2 Dow 30 components) are scheduled to report results for the fourth quarter.

Scorecard: Fewer Companies Beating Earnings and Revenue Estimates than Average

Percentage of Companies Beating EPS Estimates (65%) is Below the 5-Year Average

Overall, 55% of the companies in the S&P 500 have reported earnings to date for the fourth quarter. Of these companies, 65% have reported actual EPS above the mean EPS estimate, 12% have reported actual EPS equal to the mean EPS estimate, and 23% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is below the 1-year (71%) average and below the 5-year (67%) average.

At the sector level, the Information Technology (89%) and Health Care (77%) sectors have the highest percentages of companies reporting earnings above estimates, while the Telecom Services (0%) and Real Estate (36%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (+2.5%) is Below the 5-Year Average

In aggregate, companies are reporting earnings that are 2.5% above expectations. This surprise percentage is below the 1-year (+4.4%) average and below the 5-year (+4.2%) average.

The Financials (+5.8%) and Energy (+4.3%) sectors are reporting the largest upside aggregate differences between actual earnings and estimated earnings, while the Telecom Services (-1.7%) sector is reporting the largest downside aggregate difference between actual earnings and estimated earnings.

Percentage of Companies Beating Revenue Estimates (52%) is Below the 5-Year Average

In terms of revenues, 52% of companies have reported actual sales above estimated sales and 48% have reported actual sales below estimated sales. The percentage of companies reporting sales above estimates is equal to the 1-year average (52%) but below the 5-year average (53%).

At the sector level, the Real Estate (77%) and Information Technology (68%) sectors have the highest percentages of companies reporting revenues above estimates, while the Utilities (0%) and Consumer Staples (20%) sectors have the lowest percentages of companies reporting revenue above estimates.

Revenue Surprise Percentage (-0.1%) is Below the 5-Year Average

In aggregate, companies are reporting sales that are 0.1% below expectations. This surprise percentage is below the 1-year (+0.1%) average and below the 5-year (+0.5%) average.

The Materials (+2.3%) sector is reporting the largest upside aggregate difference between actual sales and estimated sales, while the Utilities (-15.9%) sector is reporting the largest downside difference between actual sales and estimated sales...

Increase in Blended Earnings Growth This Week Due to Technology and Energy

Increase in Blended Earnings Growth This Week Due to Technology and Energy

The blended earnings growth rate for the fourth quarter is 4.6% this week, which is higher than the earnings growth rate of 3.5% last week. Upside earnings surprises reported by companies in the Information Technology and Energy sectors were the largest contributors to the increase in the overall earnings growth rate for the index during the past week.

In the Information Technology sector, the upside earnings surprises reported by Apple (\$3.36 vs. \$3.22), Facebook (\$1.41 vs. \$1.31), and Visa (\$0.86 vs. \$0.78) 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 7.3% from 5.3% during this period.

In the Energy sector, the upside earnings surprises reported by Exxon Mobil (\$0.90 vs. \$0.70) and ConocoPhillips (-\$0.26 vs. -\$0.42) 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 decline for the Energy sector improved to -4.9% from -23.0% during this period.

Financial Sector Has Seen Largest Increase in Earnings since December 31

The blended earnings growth rate for Q4 2016 of 4.6% is higher than the estimate of 3.1% 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 upside earnings surprises and upward revisions to earnings estimates, led by the Financials (to 19.9% from 14.4%) sector. Two sectors have recorded a decrease in earnings growth during this time due to downside earnings surprises and downward revisions to estimates: Telecom Services (to -29.4% from -28.1%) and Consumer Discretionary (to 0.0% from 0.7%).

Earnings Growth: Second Straight Quarter of Year-Over-Year Earnings Growth (4.6%)

The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings growth rate for Q4 2016 is 4.6%. The fourth quarter will mark the first time the index has seen year-over-year growth in earnings for two consecutive quarters since Q4 2014 (3.8%) and Q1 2015 (0.5%). Seven sectors are reporting year-over-year growth in earnings, led by the Utilities and Financials sectors. One sector (Consumer Discretionary) is reporting flat year-over-year earnings (0.0%). Three sectors are reporting a year-over-year decline in earnings, led by the Telecom Services sector.

Utilities: Three Companies Lead Growth

The Utilities sector is reporting the highest (year-over-year) earnings growth of all eleven sectors at 20.3%. Three companies are driving the earnings growth for the entire sector: NRG Energy, PG&E, and Dominion. The mean EPS estimate for NRG Energy for Q4 2016 is -\$0.28, compared to year-ago EPS of -\$1.35. The mean EPS estimate for PG&E for Q4 2016 is \$1.33, compared to year-ago EPS of \$0.50. Dominion Resources reported actual EPS of \$0.99 for Q4 2016, compared to year-ago EPS of \$0.70. If these three companies are excluded, the blended earnings growth rate for the Utilities sector would drop to 0.7% from 20.3%.

Financials: Four Companies Lead Growth

The Financials sector is reporting the second highest (year-over-year) earnings growth of all eleven sectors at 19.9%. At the industry level, three of the five industries in this sector are reporting earnings growth: Insurance (52%), Capital Markets (38%), and Banks (11%). At the company level, AIG, Goldman Sachs, JPMorgan Chase, and Bank of America are the largest contributors to earnings growth for this sector. The mean EPS estimate for AIG for Q4 2016 is \$1.17, compared to year-ago EPS of -\$1.10. Goldman Sachs reported actual EPS of \$5.08 for Q4 2016, compared to year-ago EPS of \$1.27. JPMorgan Chase reported actual EPS of \$1.71 for Q4 2016, compared to year-ago EPS of \$1.32. Bank of America reported actual EPS of \$0.40 for Q4 2016, compared to year-ago EPS of \$0.28. If these four companies are excluded, the blended earnings growth rate for the Financials sector would drop to 5.4% from 19.9%.

Telecom Services: Level 3 Communications Leads Decline on Comparison to High Year-Ago EPS

The Telecom Services sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -29.4%. Overall, 4 of the 5 companies (80%) in the sector are reporting or are projected to report a decrease in EPS for the quarter. The one company that is driving the earnings decline for this sector is Level 3 Communications. However, the EPS decrease for this company is exacerbated by a comparison to unusually high earnings in Q4 2015. The mean EPS estimate for Level 3 Communications for Q4 2016 is \$0.44, compared to year-ago EPS of \$9.24. In the company's earnings release from Q4 2015, Level 3 Communications stated (regarding EPS for the quarter), "This includes a non-cash benefit to the fourth quarter Income Tax Expense of approximately \$3.3 billion related to the release of the company's valuation allowance against U.S. federal and state deferred tax assets..." If this company is excluded, the blended earnings decline for the Telecom Services sector would drop to -2.3% from -29.4%.

Revenues: Second Straight Quarter of Year-Over-Year Earnings Growth (4.6%)

The blended revenue growth rate for Q4 2016 is 4.6%. The fourth quarter will mark the first time the index has seen year-over-year growth in sales for two consecutive quarters since Q3 2014 (4.0%) and Q4 2014 (2.0%). If 4.7% is the actual revenue growth rate for the quarter, it will mark the highest year-over-year revenue growth reported by the index since Q1 2012 (5.3%). Ten sectors are reporting year-over-year growth in revenues, led by the Utilities sector. The only sector reporting a decline in revenues is the Telecom Services sector.

Utilities: Broad-Based Growth

The Utilities sector is reporting the highest (year-over-year) revenue growth of all eleven sectors at 15.9%. At the industry level, all four industries in the sector are reporting or are predicted to report sales growth. Three of these four industries are reporting or are expected to report double-digit sales growth: Independent Power & Renewable Energy Producers (50%), Multi-Utilities (13%), and Electric Utilities (12%). At the company level, 27 of the 28 companies (96%) in the sector are reporting or are projected to report sales growth for the quarter. AES Corporation (54%) is projected to report the highest revenue growth for the quarter.

Telecom Services: Verizon Leads Decline

The Telecom Services sector is reporting the largest (year-over-year) sales decline of all eleven sectors at -1.5%. Overall, 3 of the 5 companies in the sector (60%) are reporting or are projected to report a decline in sales for the quarter. Verizon has reported the largest decline (-6%) in the sector to date.

Looking Ahead: Forward Estimates and Valuation

Guidance: Negative EPS Guidance (68%) for Q1 below Average

At this point in time, 65 companies in the index have issued EPS guidance for Q1 2017. Of these 65 companies, 44 have issued negative EPS guidance and 21 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 68% (44 out of 65), which is below the 5-year average of 74%.

Growth Expected to Continue in 2017

For the fourth quarter, companies are reporting earnings growth of 4.6% and revenue growth of 4.6%. For all of 2016, companies are reporting earnings growth of 0.2% and revenue growth of 2.3%.

Analysts currently expect earnings and revenue growth to continue in 2017.

For Q1 2017, analysts are projecting earnings growth of 10.8% and revenue growth of 7.6%.

For Q2 2017, analysts are projecting earnings growth of 9.6% and revenue growth of 5.5%.

For all of 2017, analysts are projecting earnings growth of 11.1% and revenue growth of 5.8%.

Valuation: Forward P/E Ratio is 17.1, above the 10-Year Average (14.4)

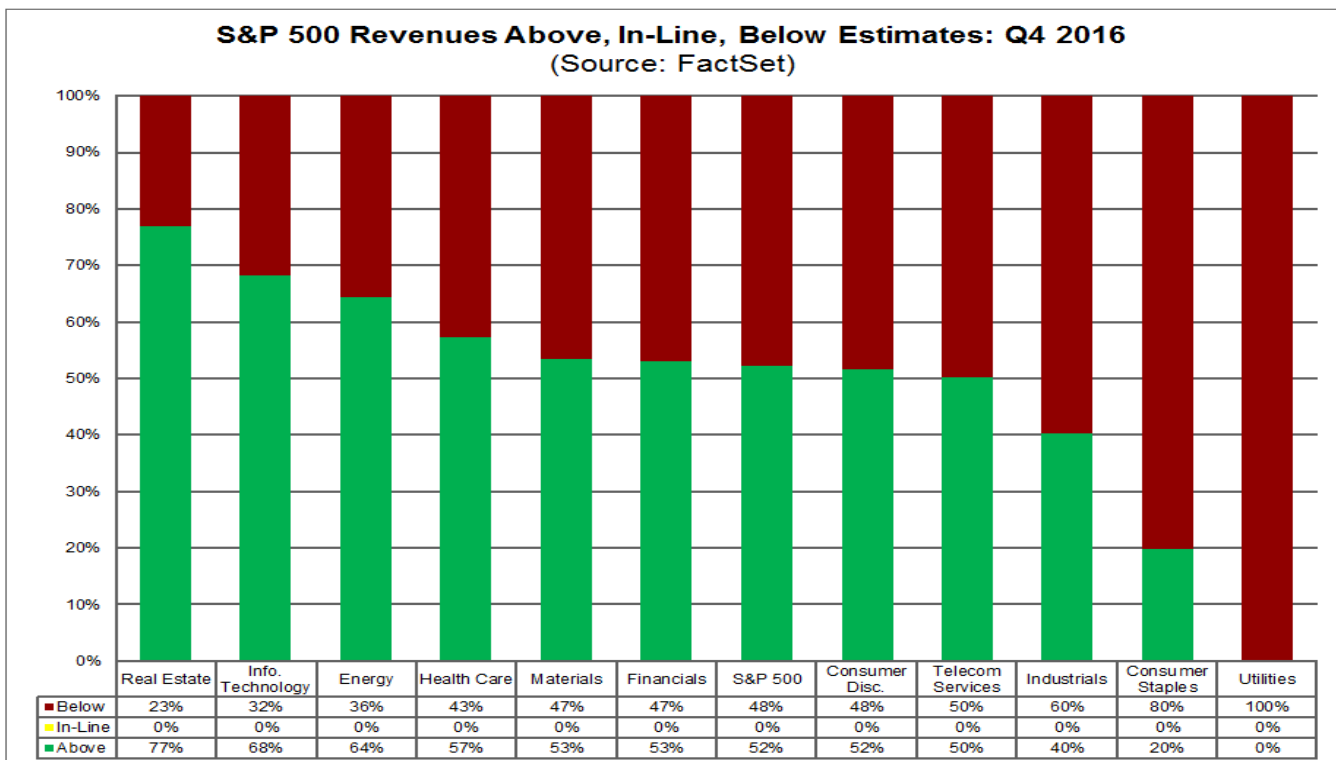
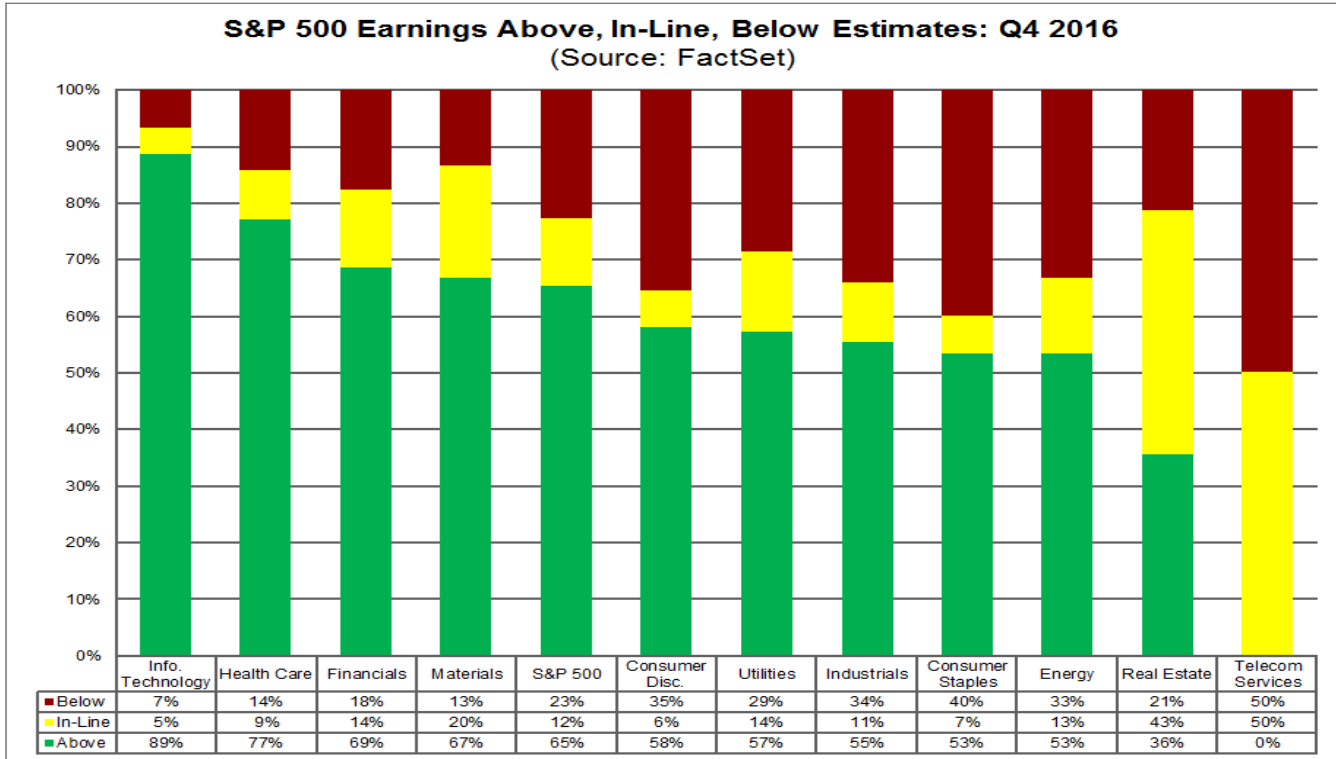
The forward 12-month P/E ratio is 17.1. This P/E ratio is based on Thursday's closing price (2280.85) and forward 12-month EPS estimate (\$133.54). It is above the 5-year average of 15.2, and above the 10-year average of 14.4. It is also above the forward 12-month P/E ratio of 16.9 recorded at the start of the first quarter (December 31). Since the start of the first quarter, the price of the index has increased by 1.9%, while the forward 12-month EPS estimate has increased by 0.5%.

At the sector level, the Energy (30.7) sector has the highest forward 12-month P/E ratio, while the Telecom Services (13.6) 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 (30.7 vs. 18.1) sector. One sector (Telecom Services) has a forward 12-month P/E ratio that is below the 10-year average (13.6 vs. 14.6). Historical averages are not available for the Real Estate sector.

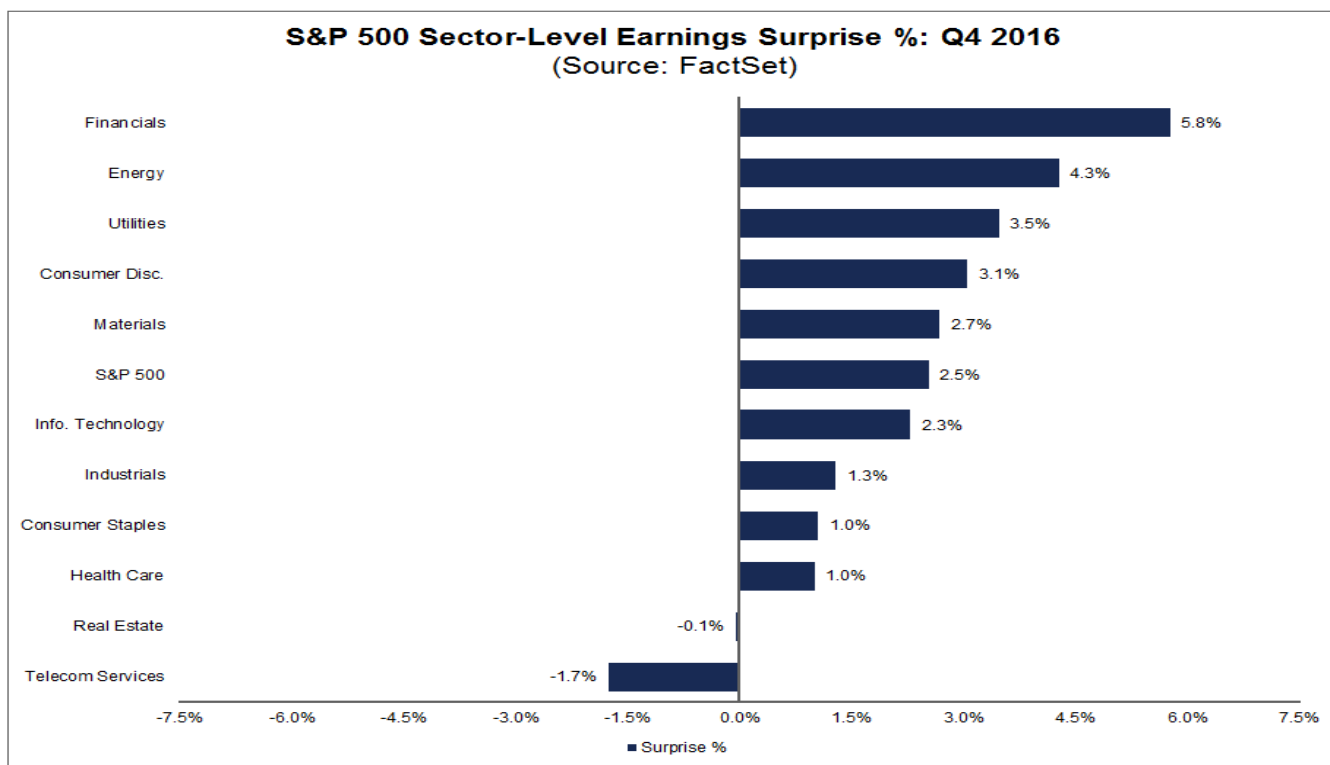
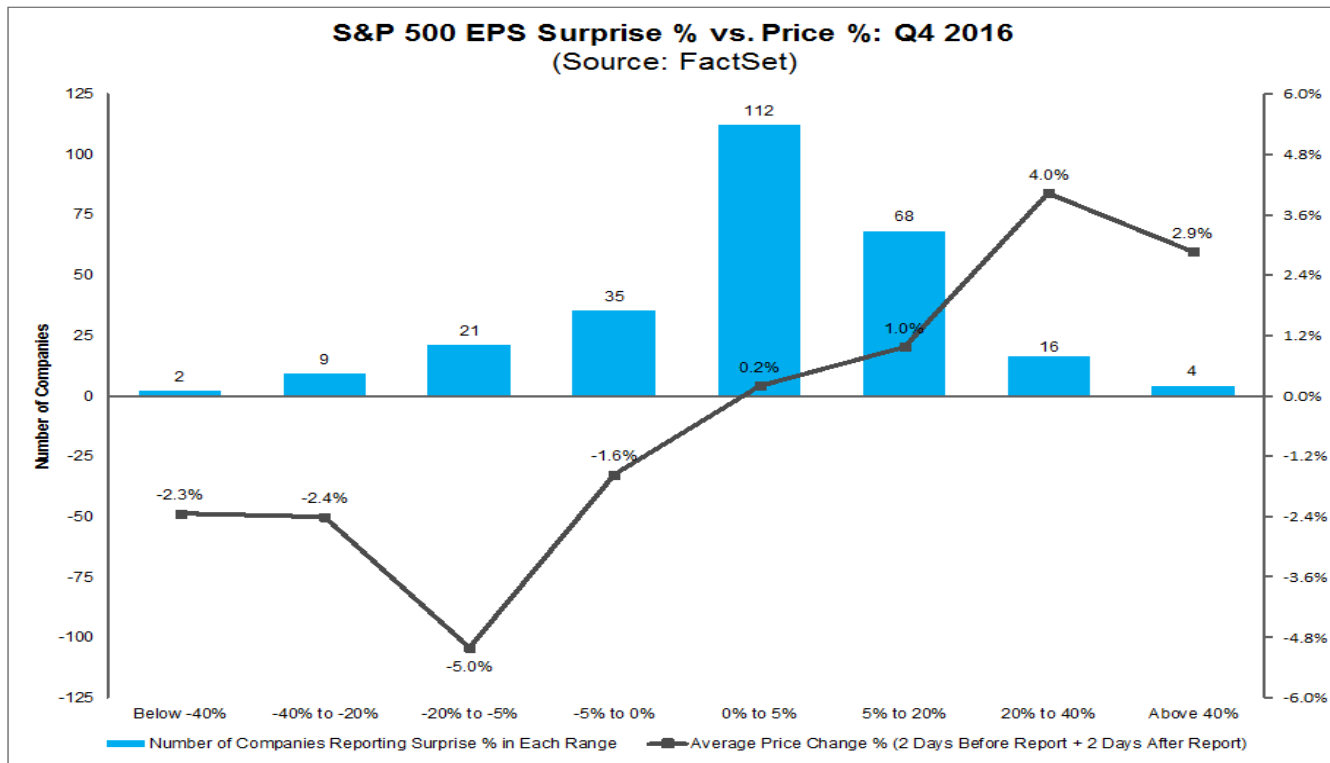
Companies Reporting Next Week: 84

During the upcoming week, 84 S&P 500 companies (including 2 Dow 30 components) are scheduled to report results for the fourth quarter.

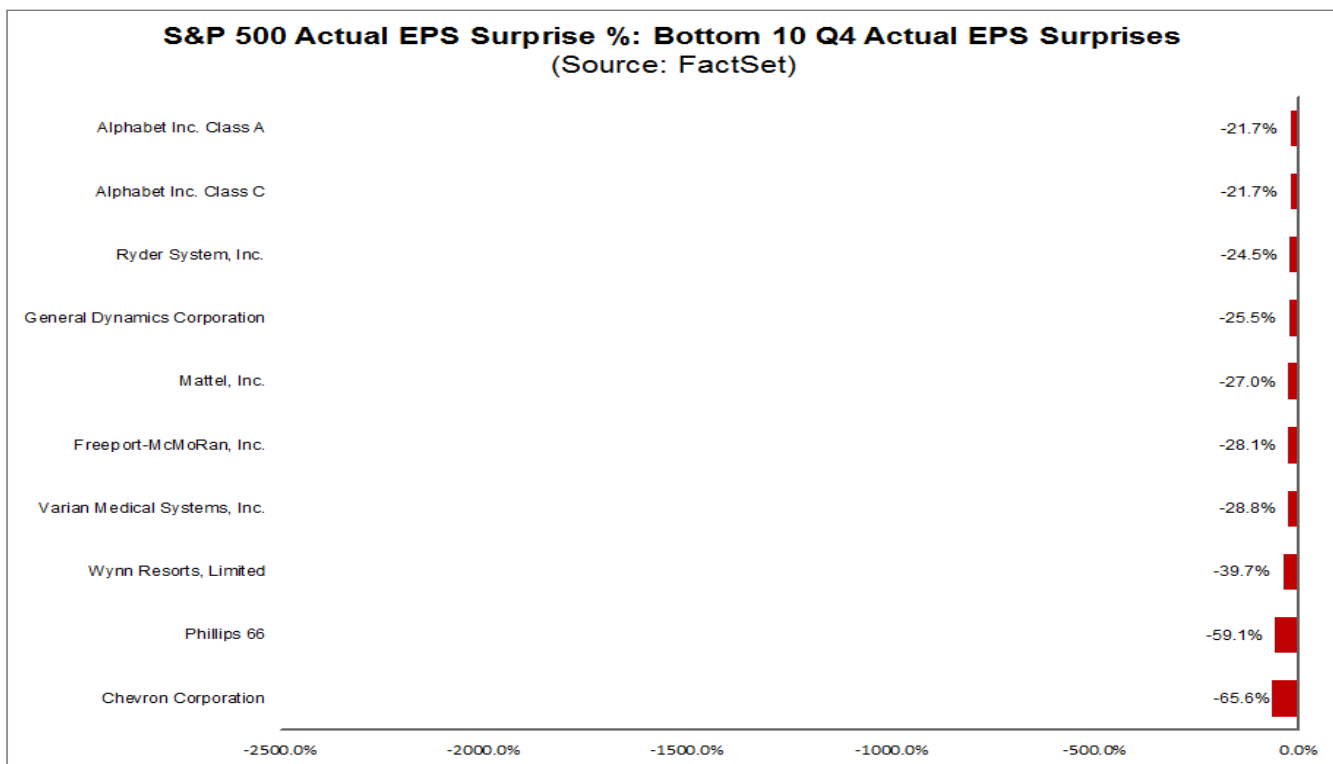
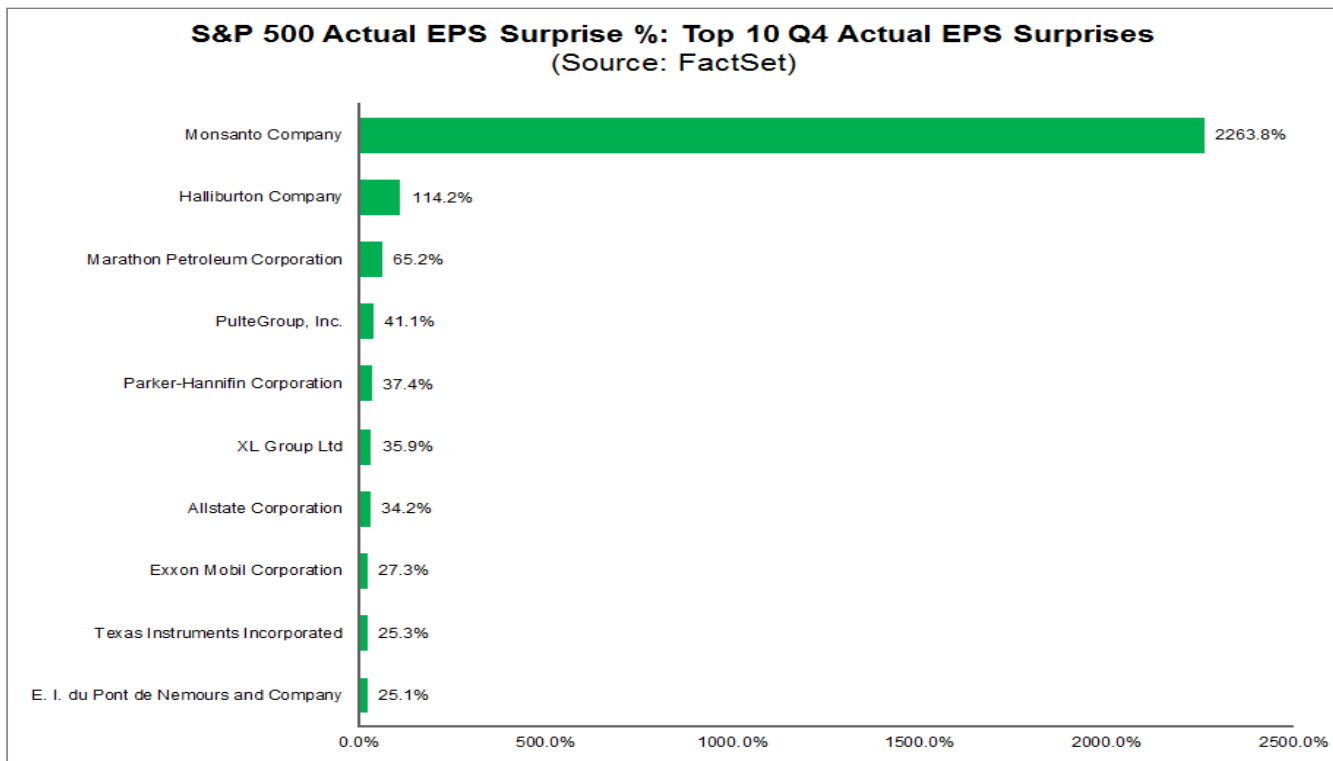
Q4 2016: Scorecard



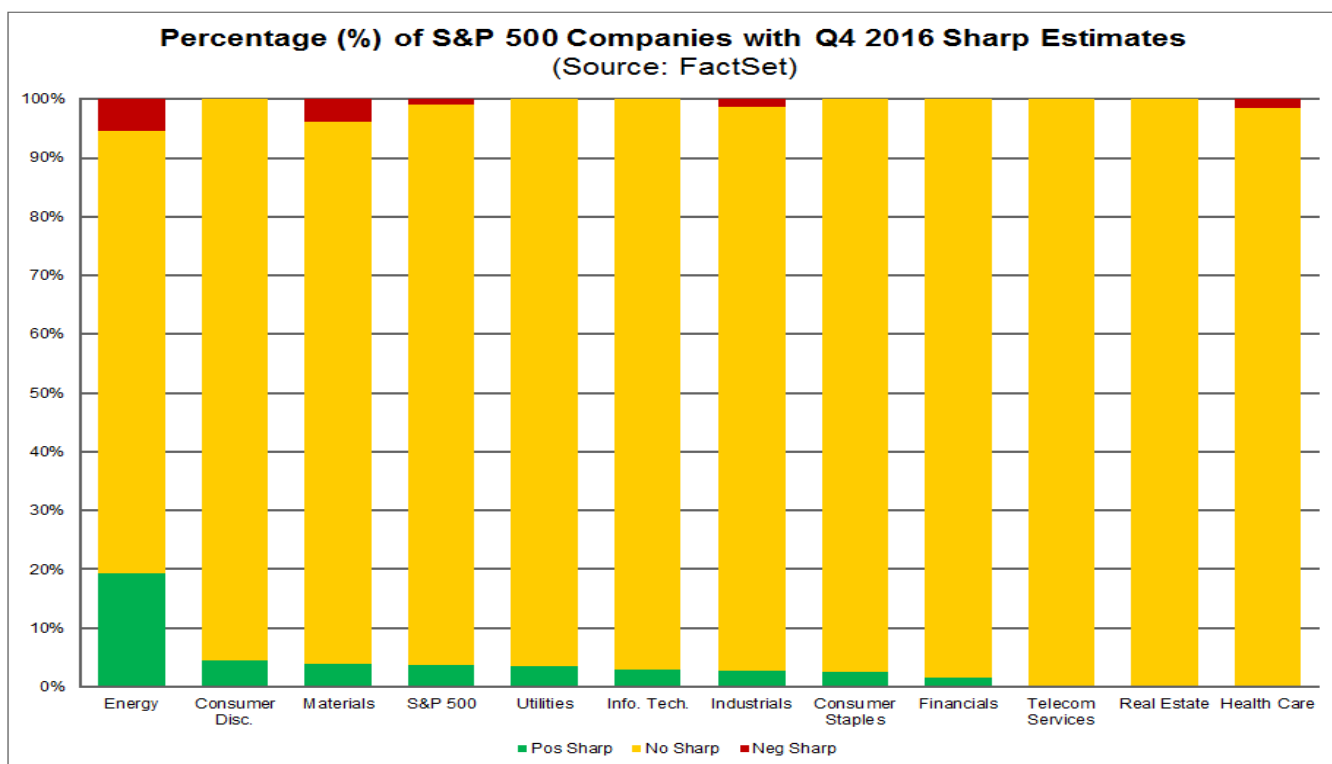
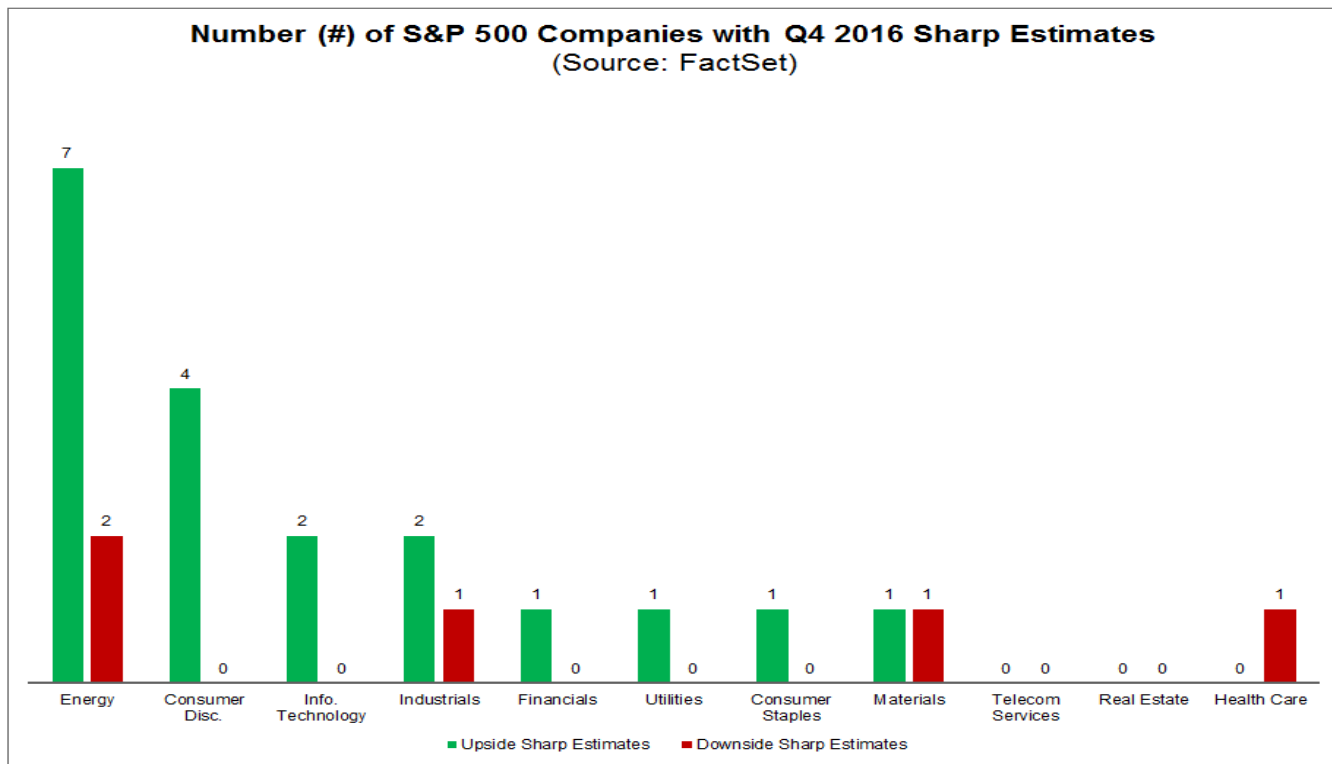
Q4 2016: Scorecard



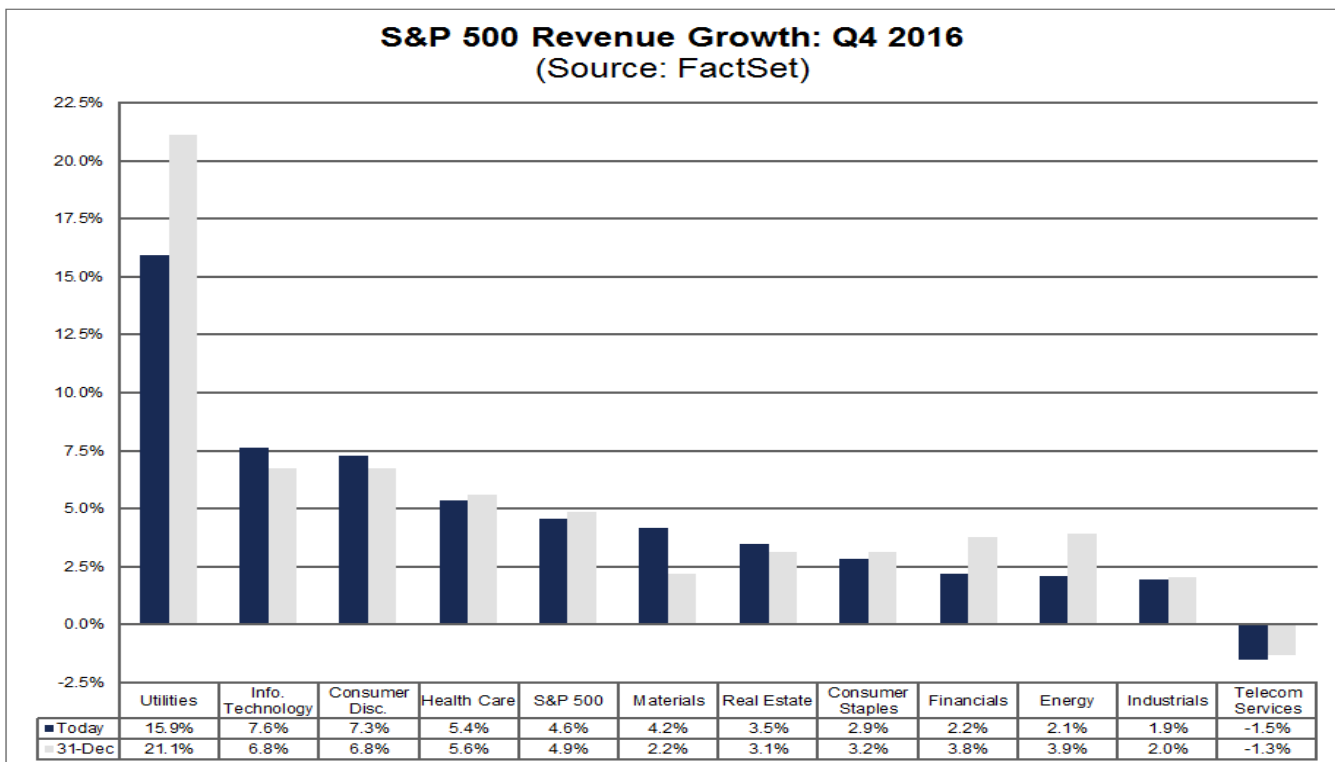
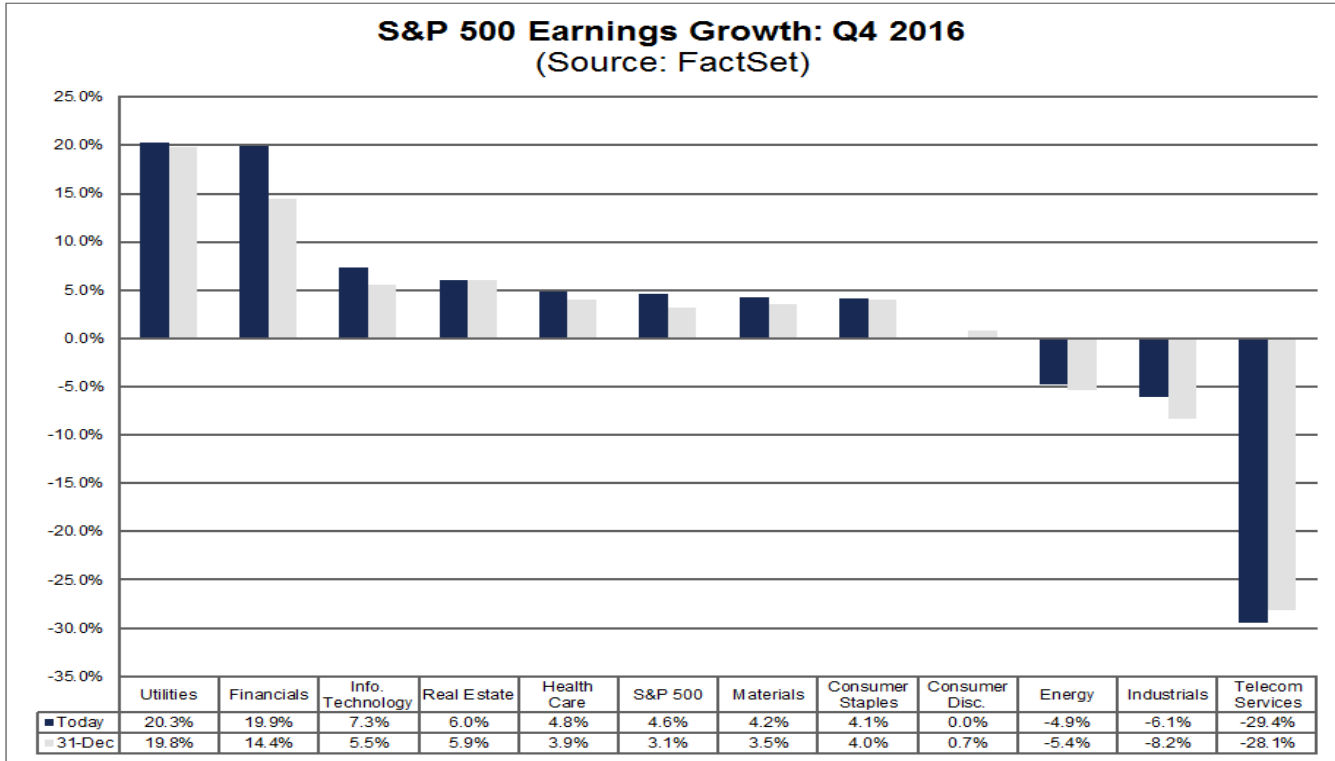
Q4 2016: Scorecard



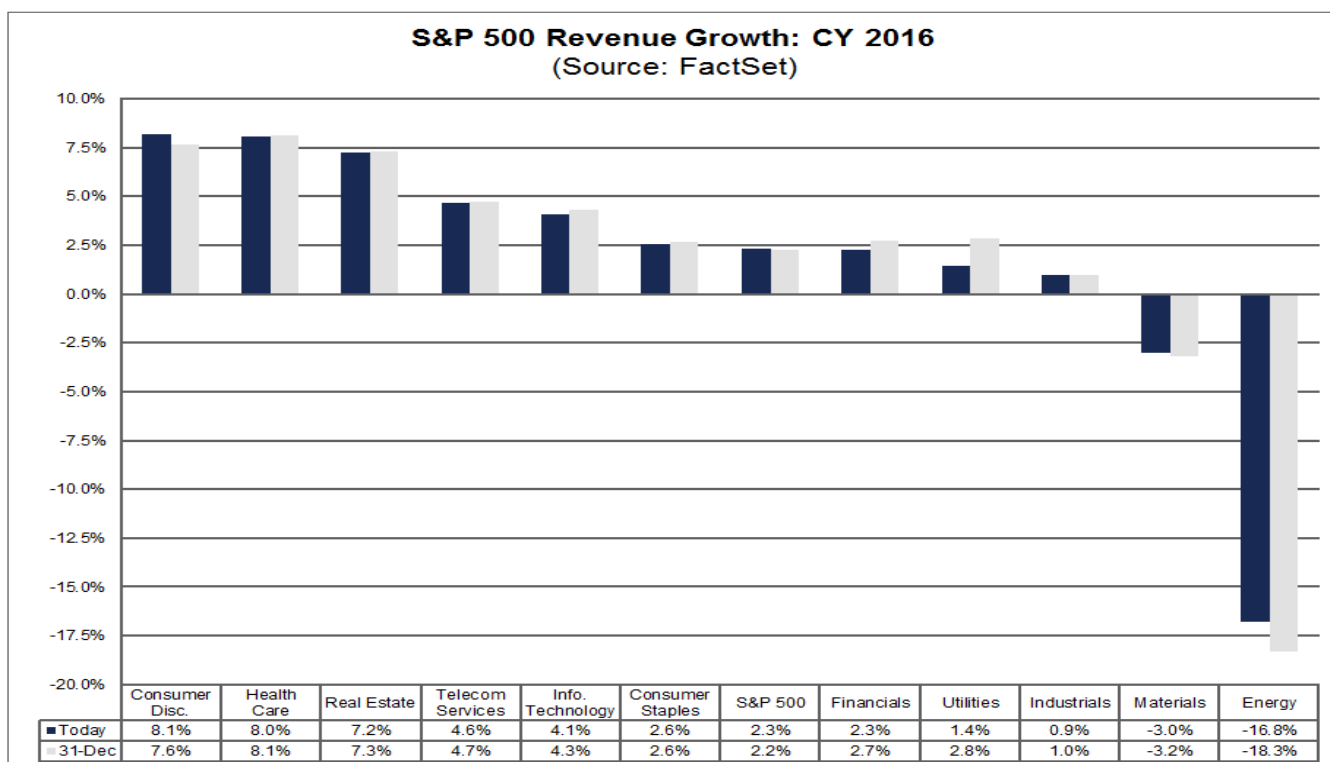
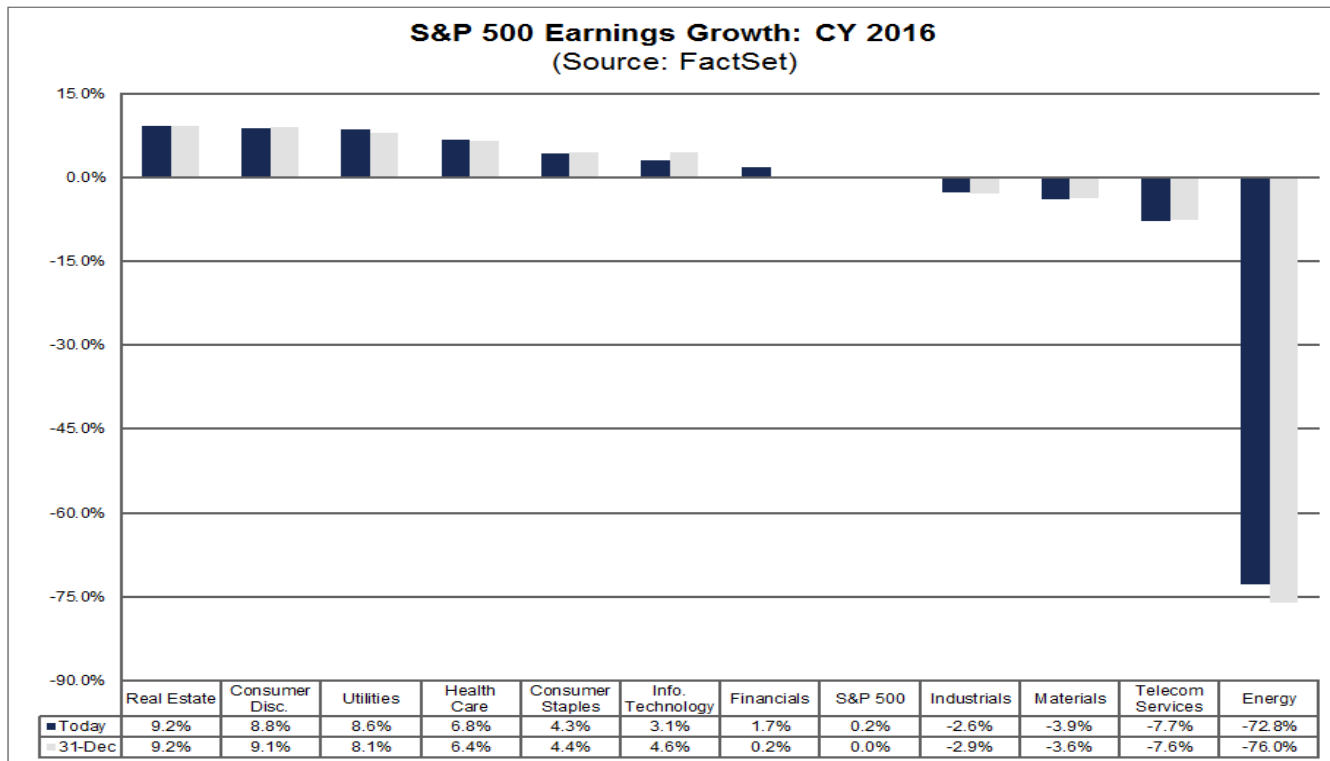
Q4 2016: Projected EPS Surprises (Sharp Estimates)



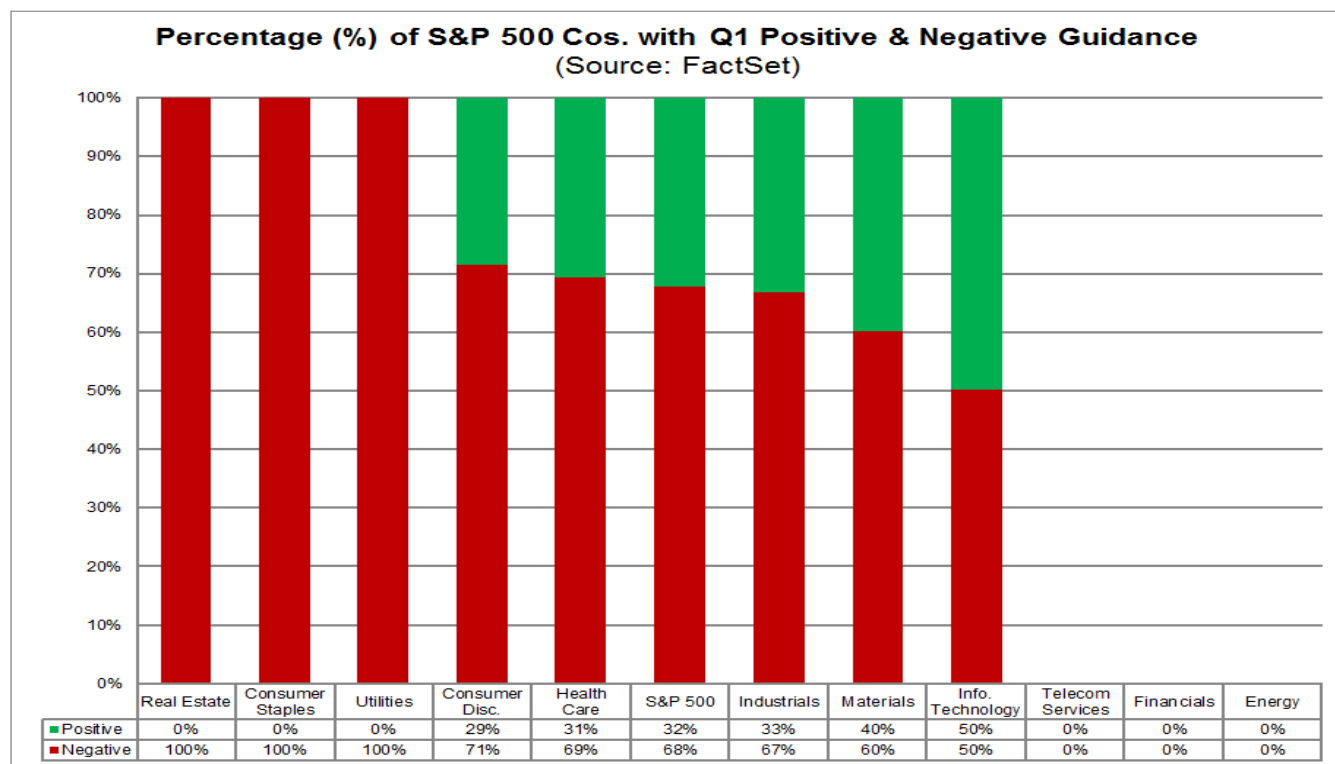
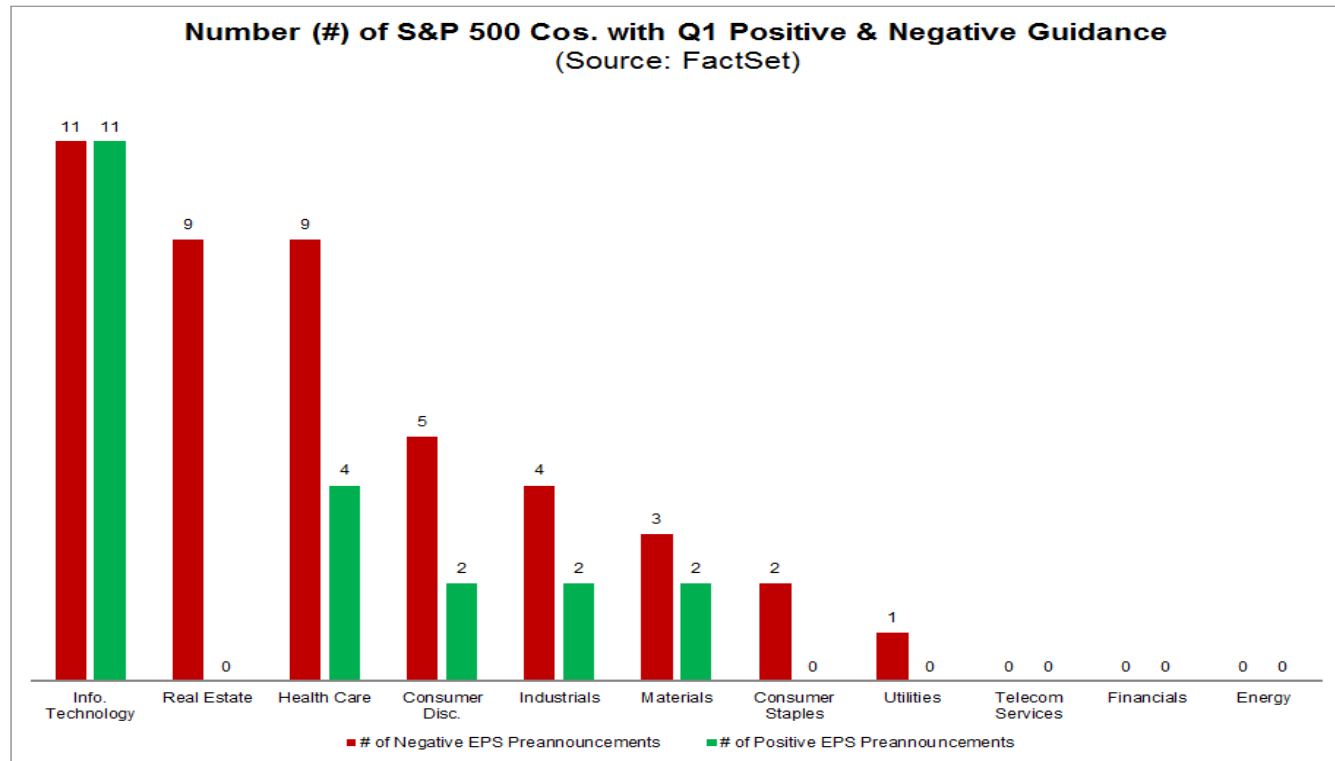
Q4 2016: Growth



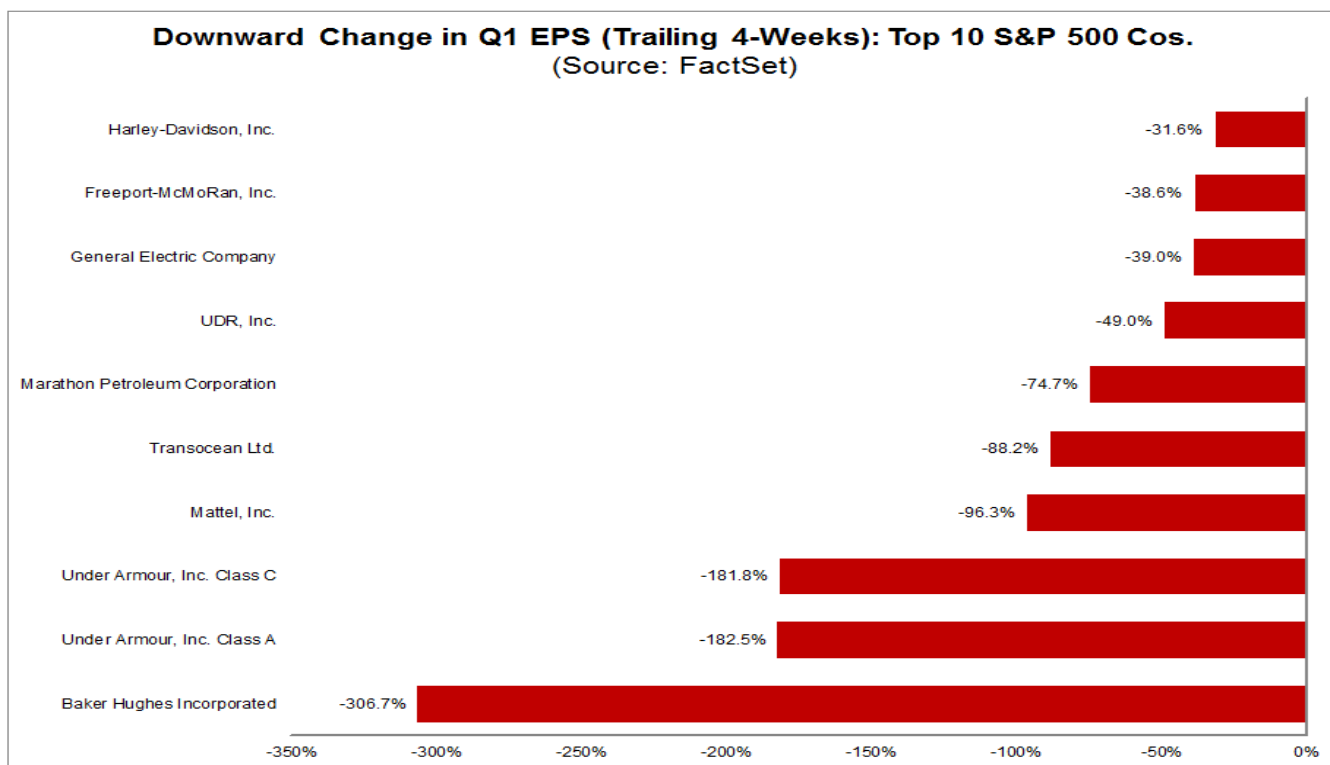
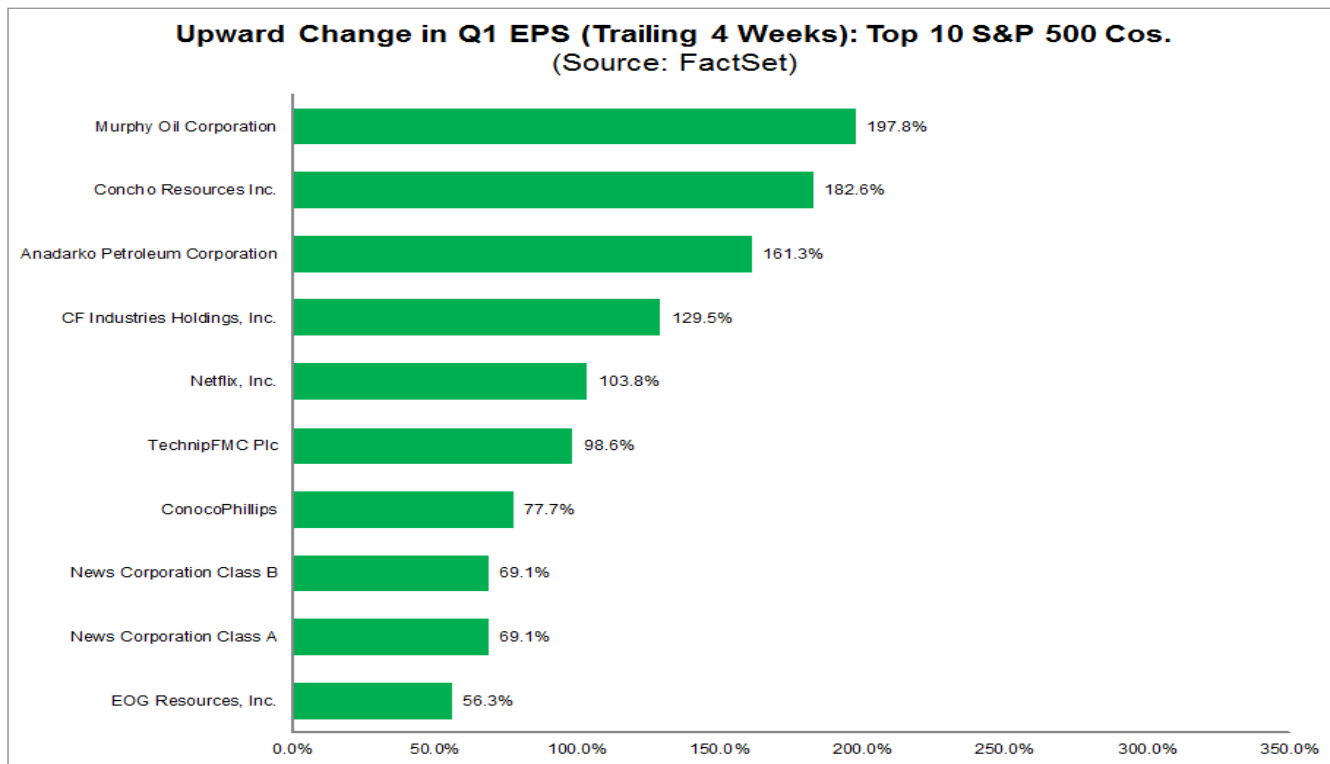
CY 2016: Growth



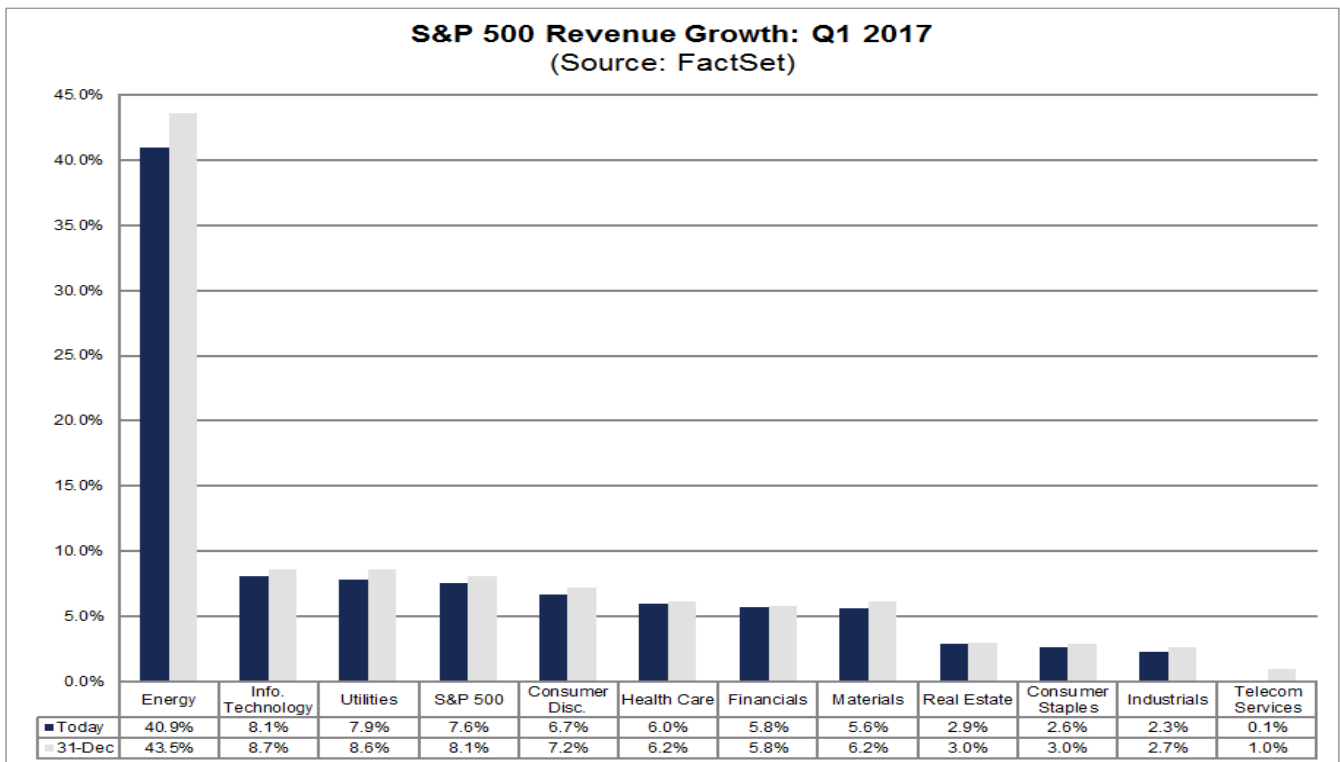
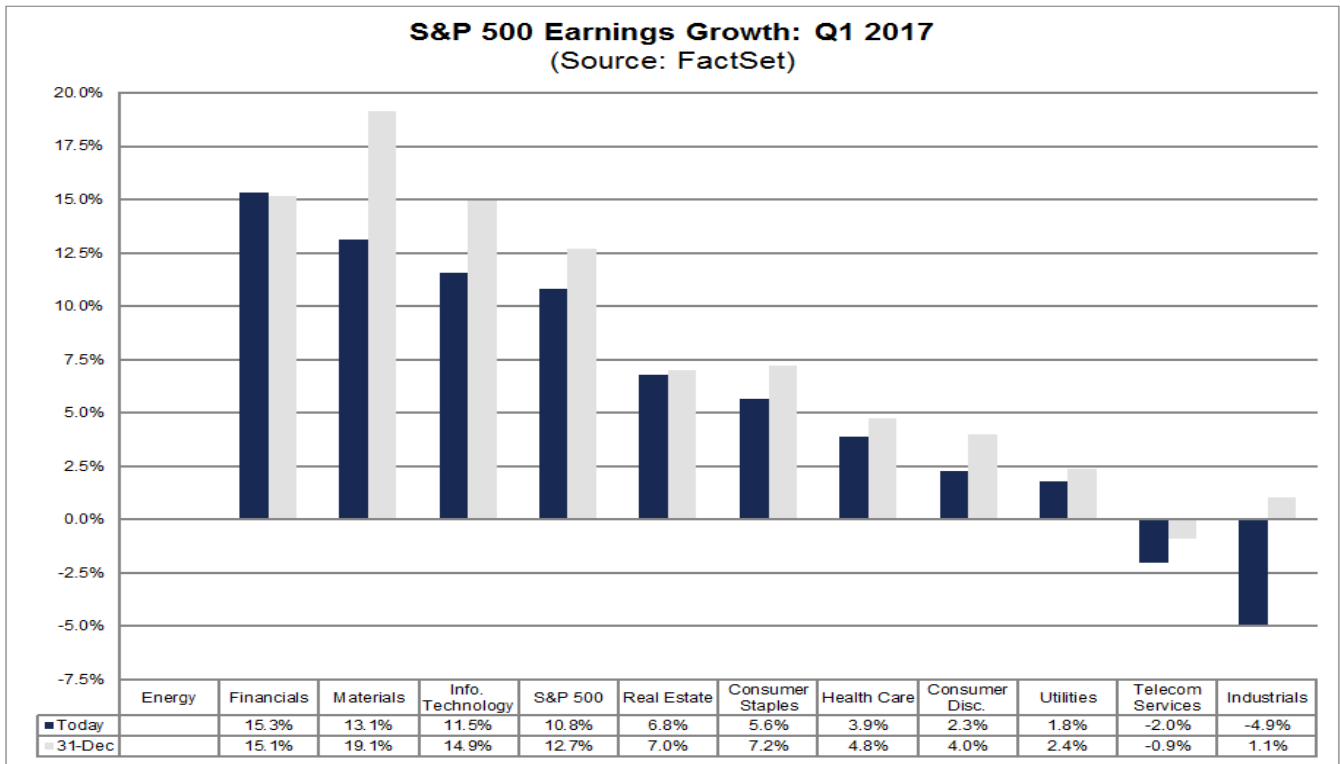
Q1 2017: Guidance



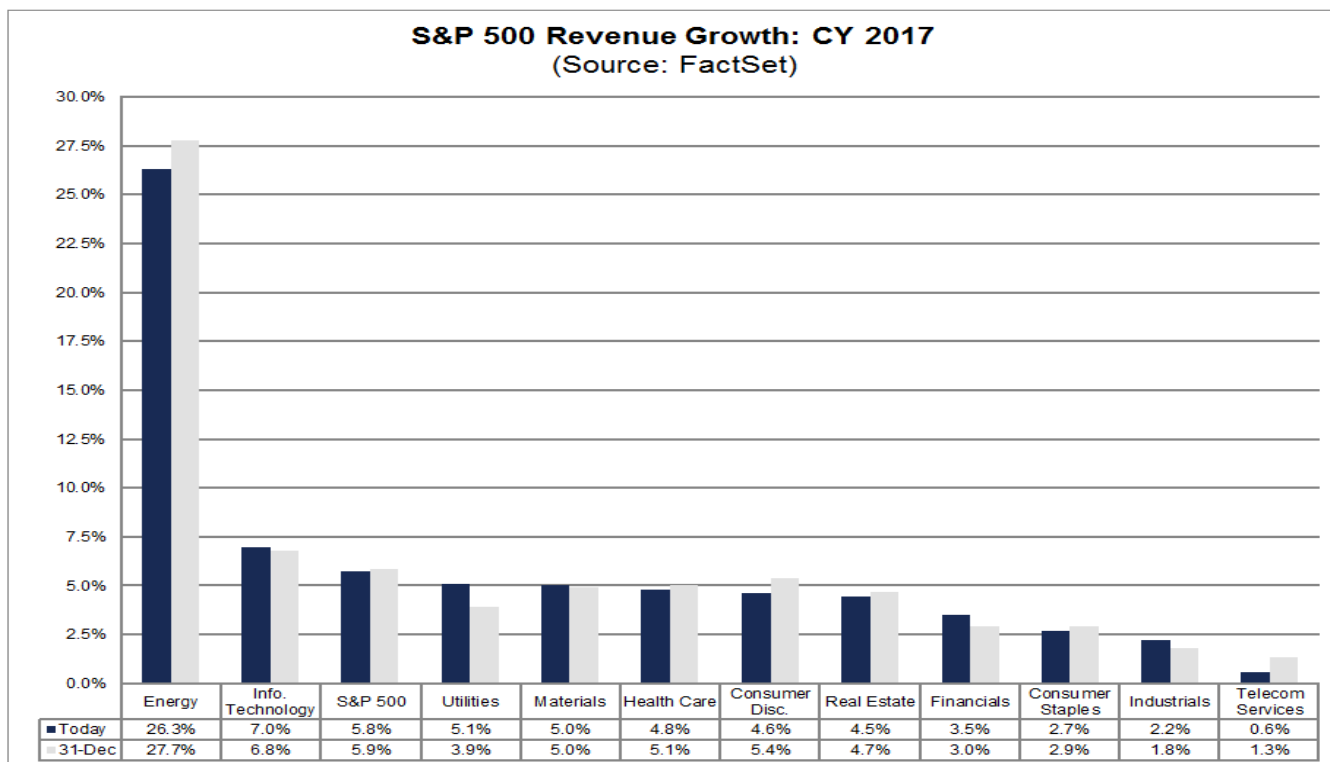
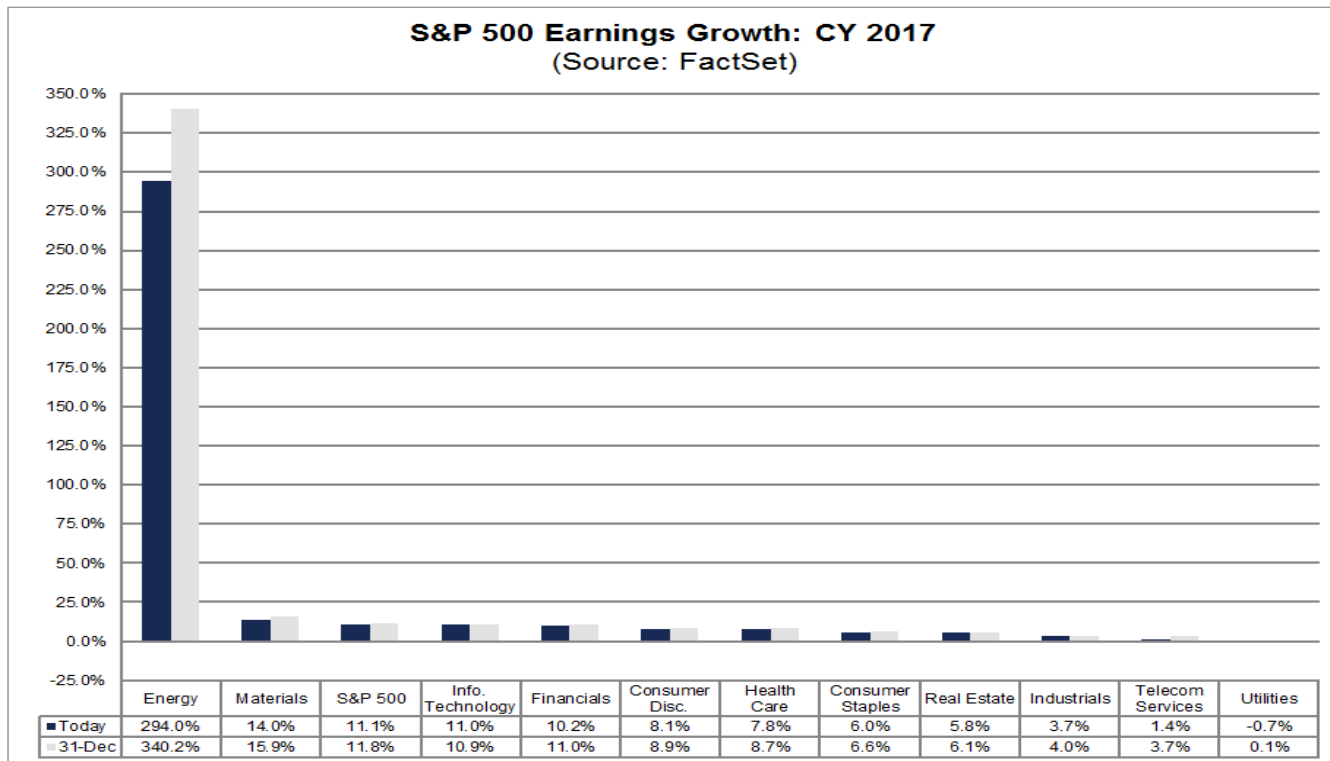
Q1 2017: EPS Revisions



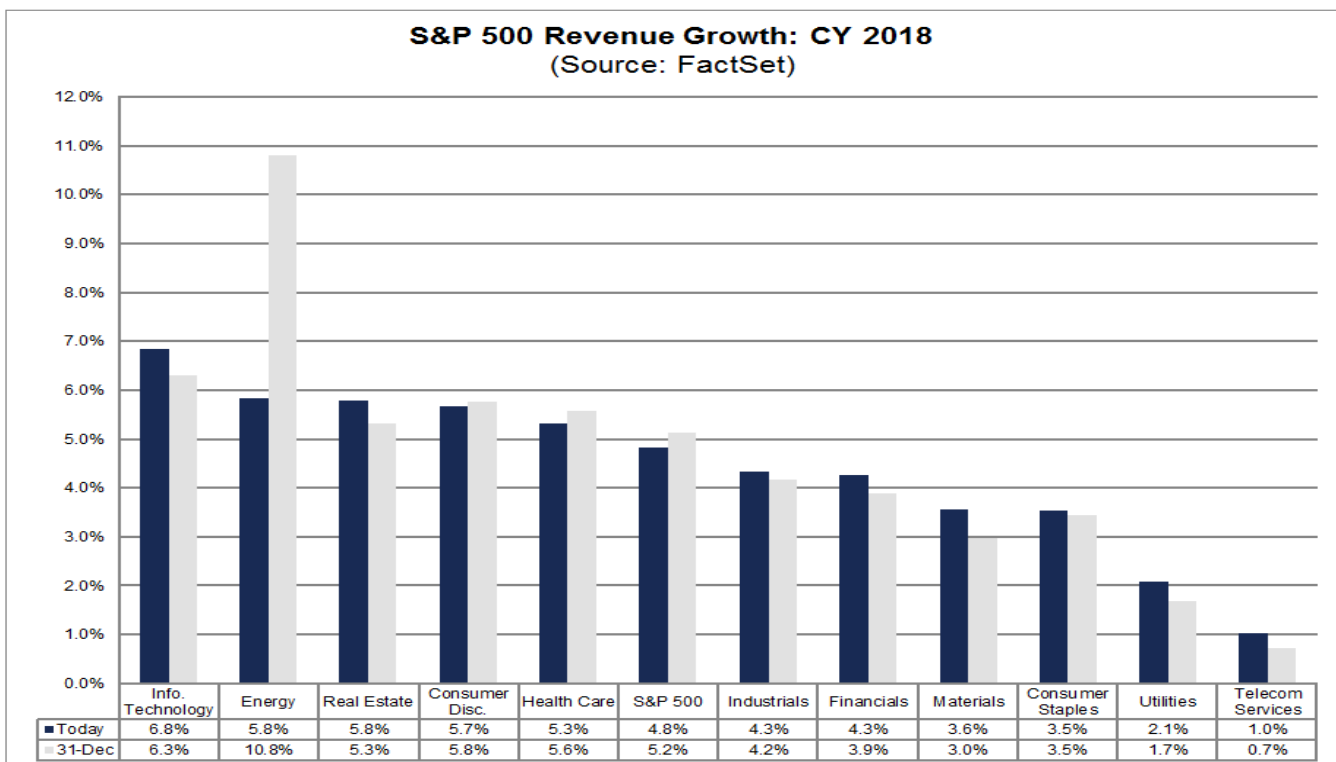
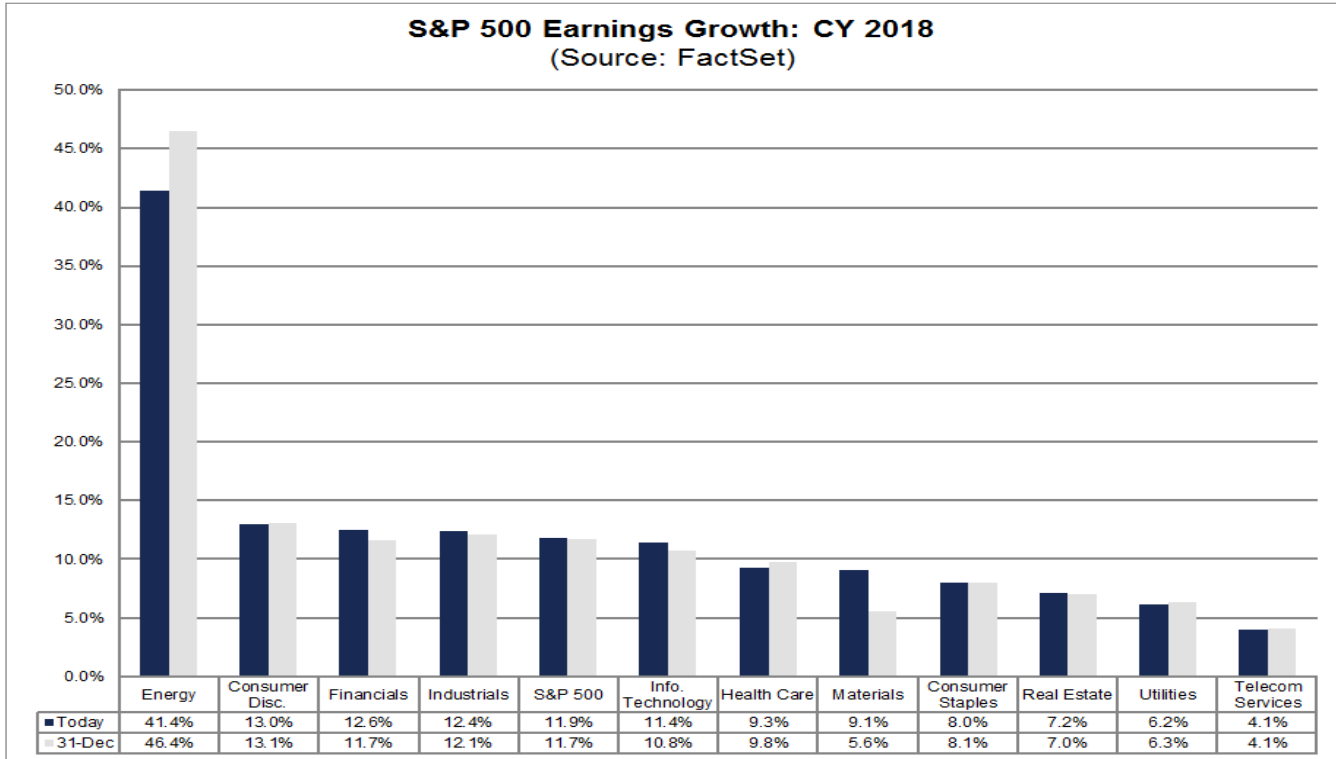
Q1 2017: Growth



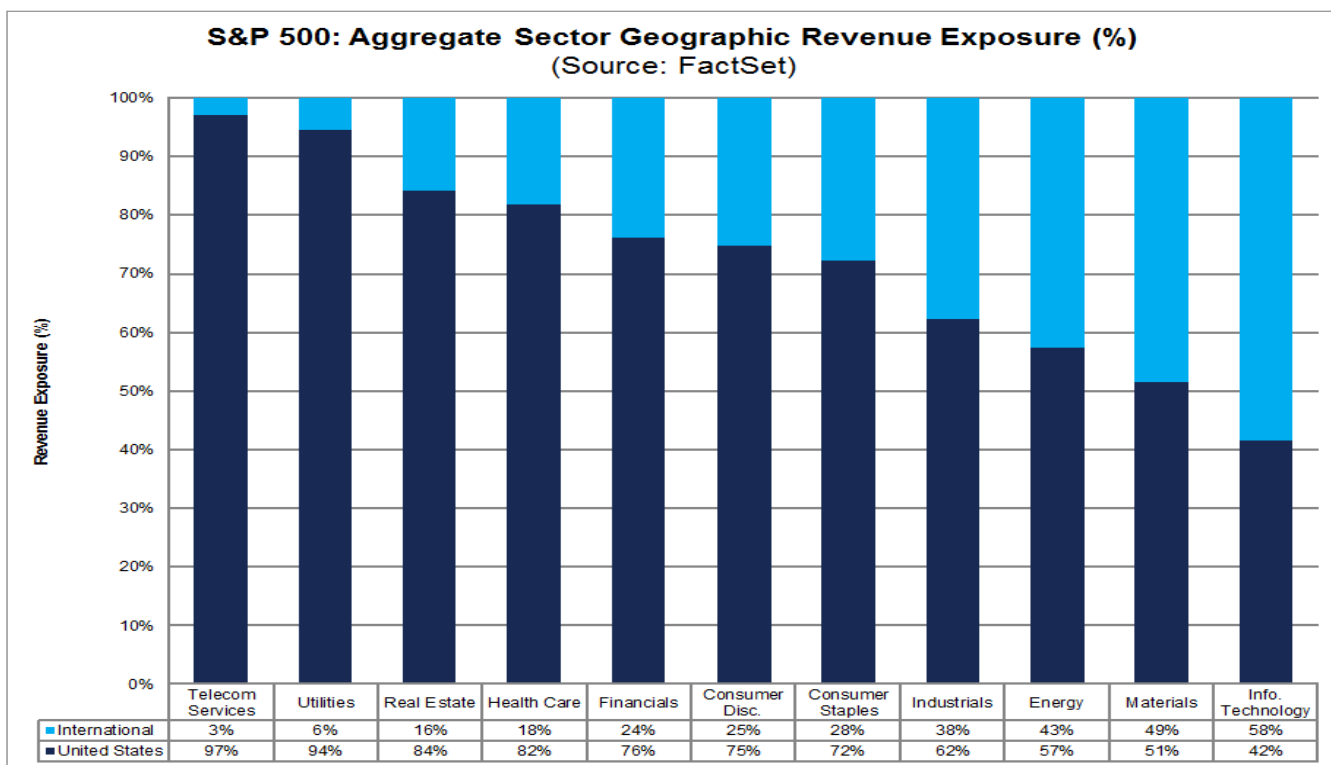
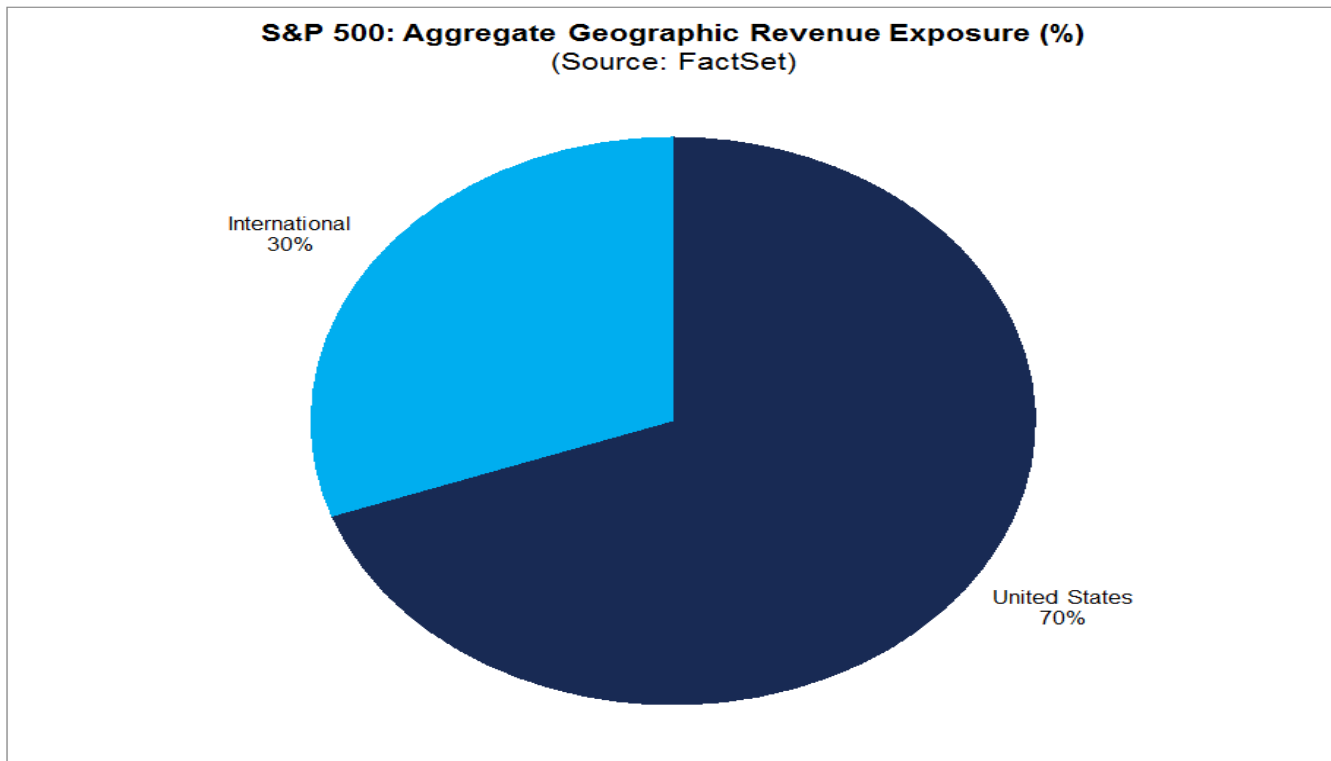
CY 2017: Growth



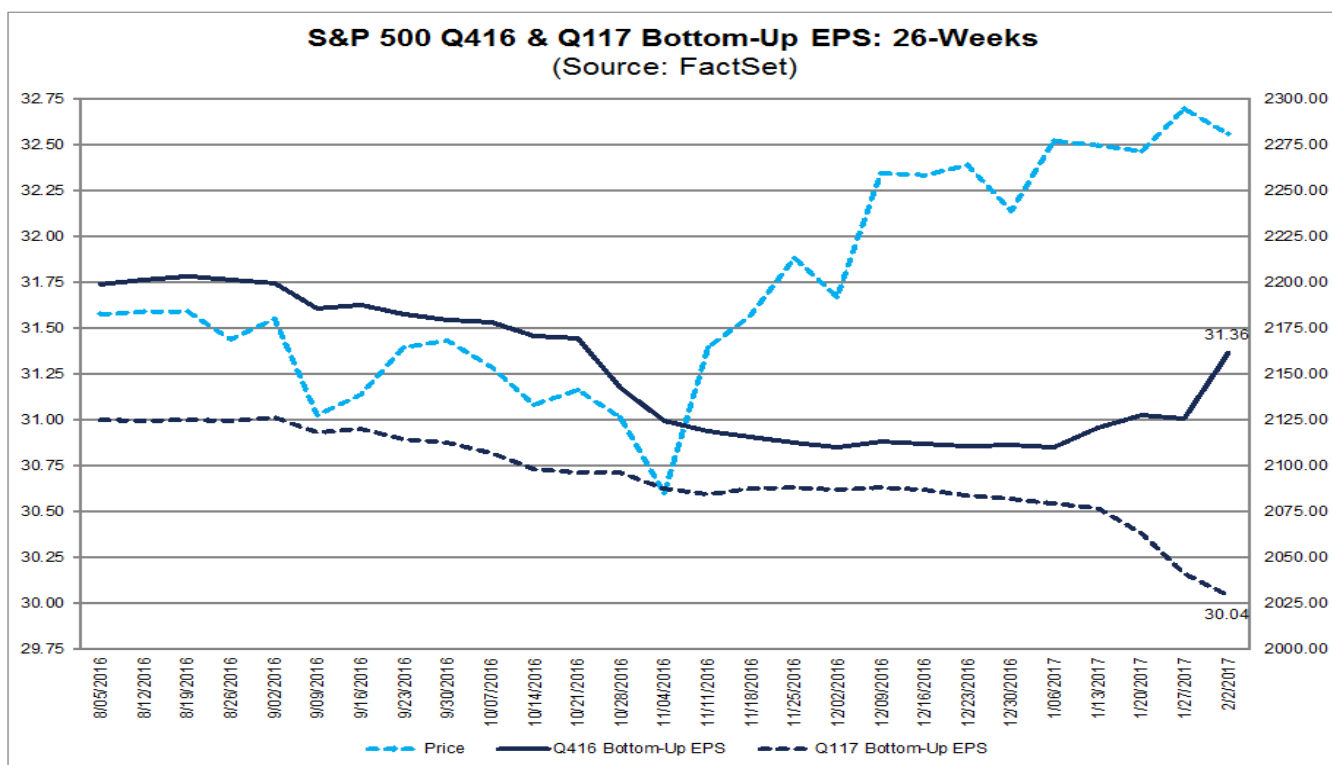
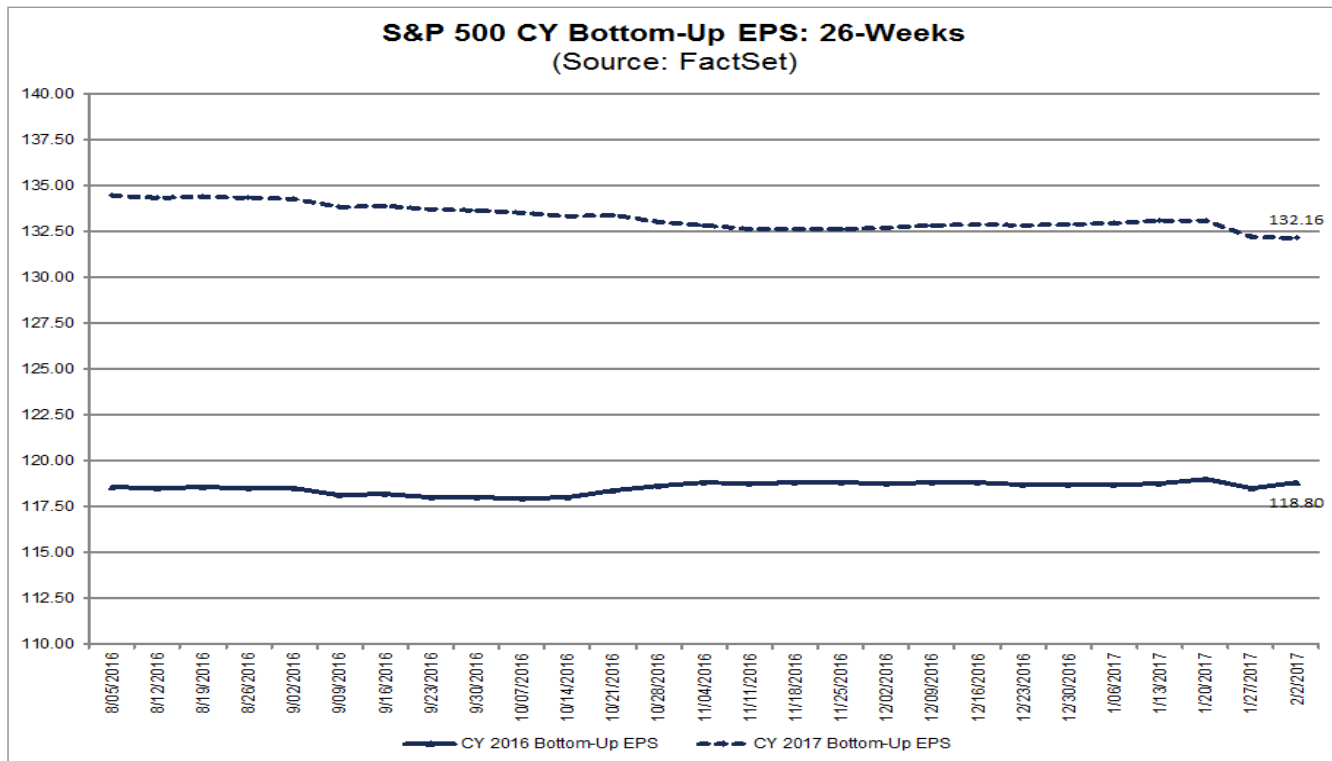
CY 2018: Growth



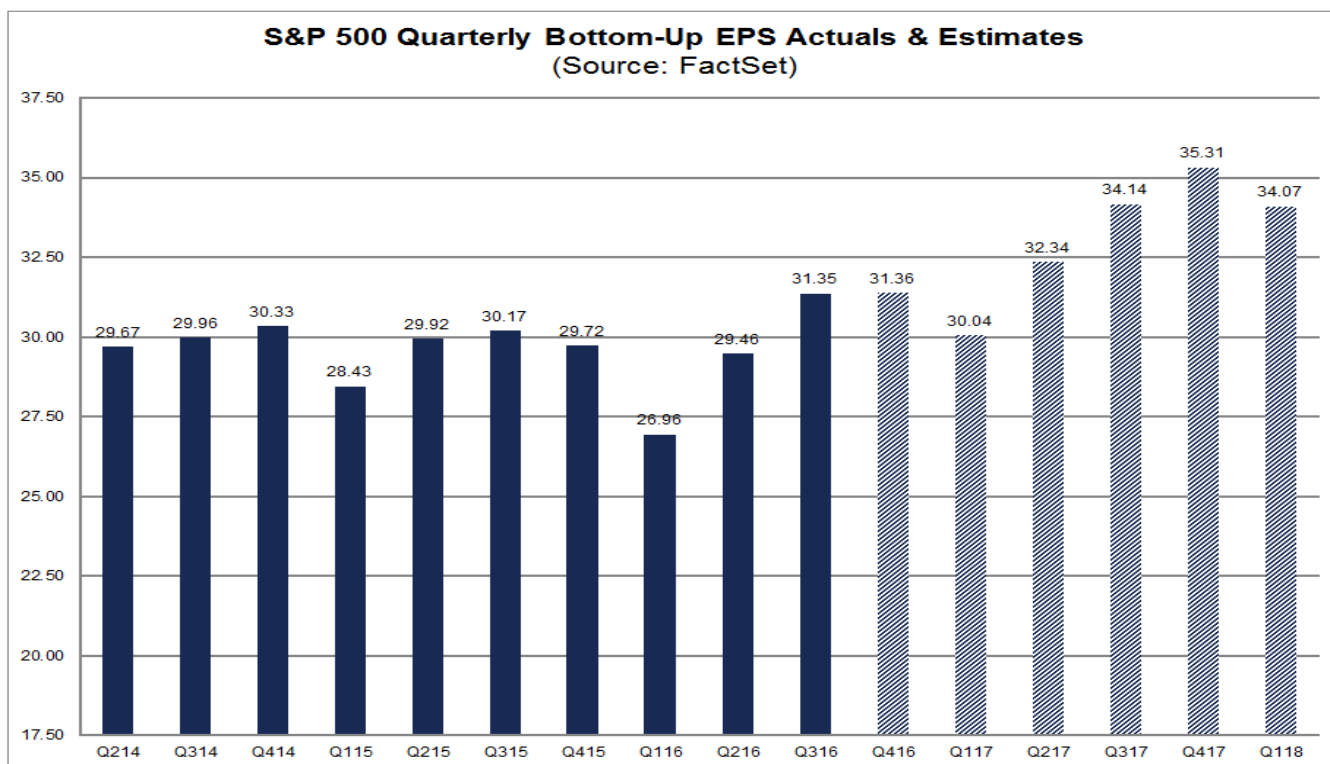
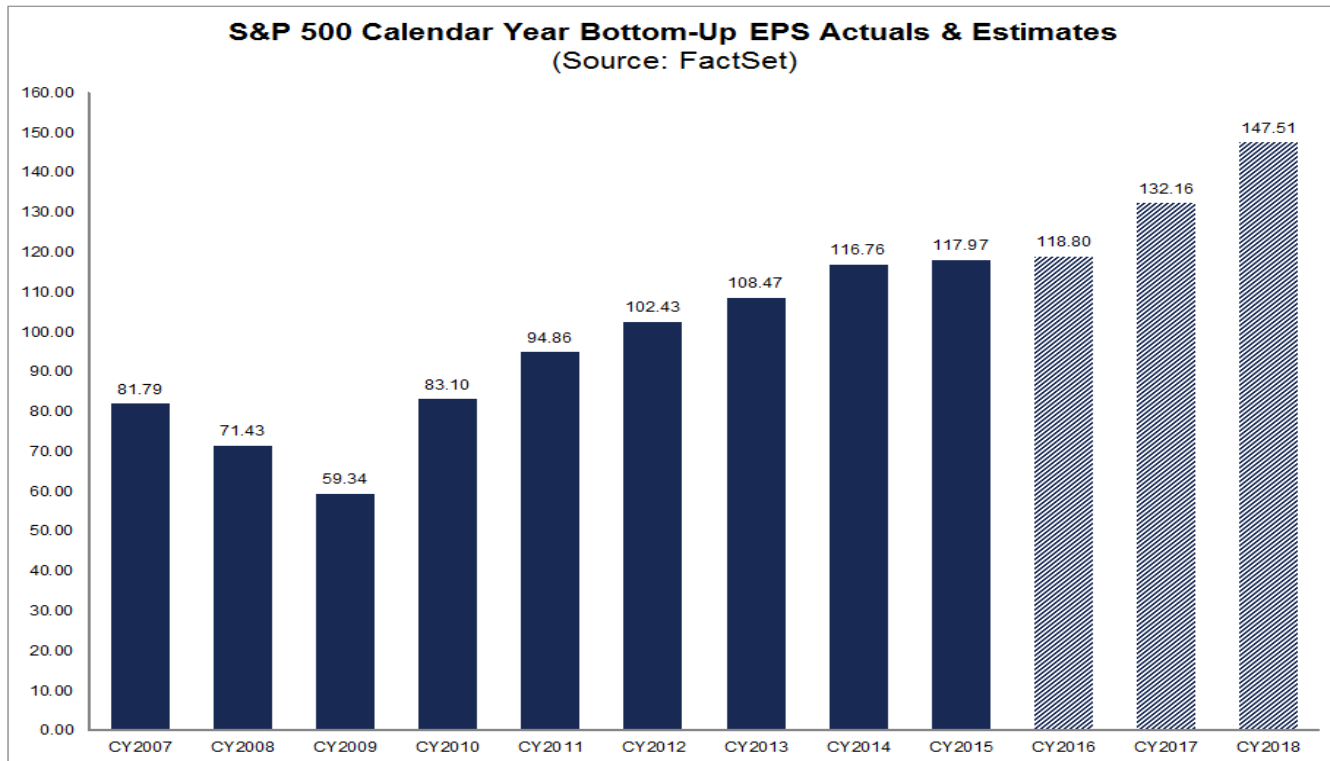
Geographic Revenue Exposure



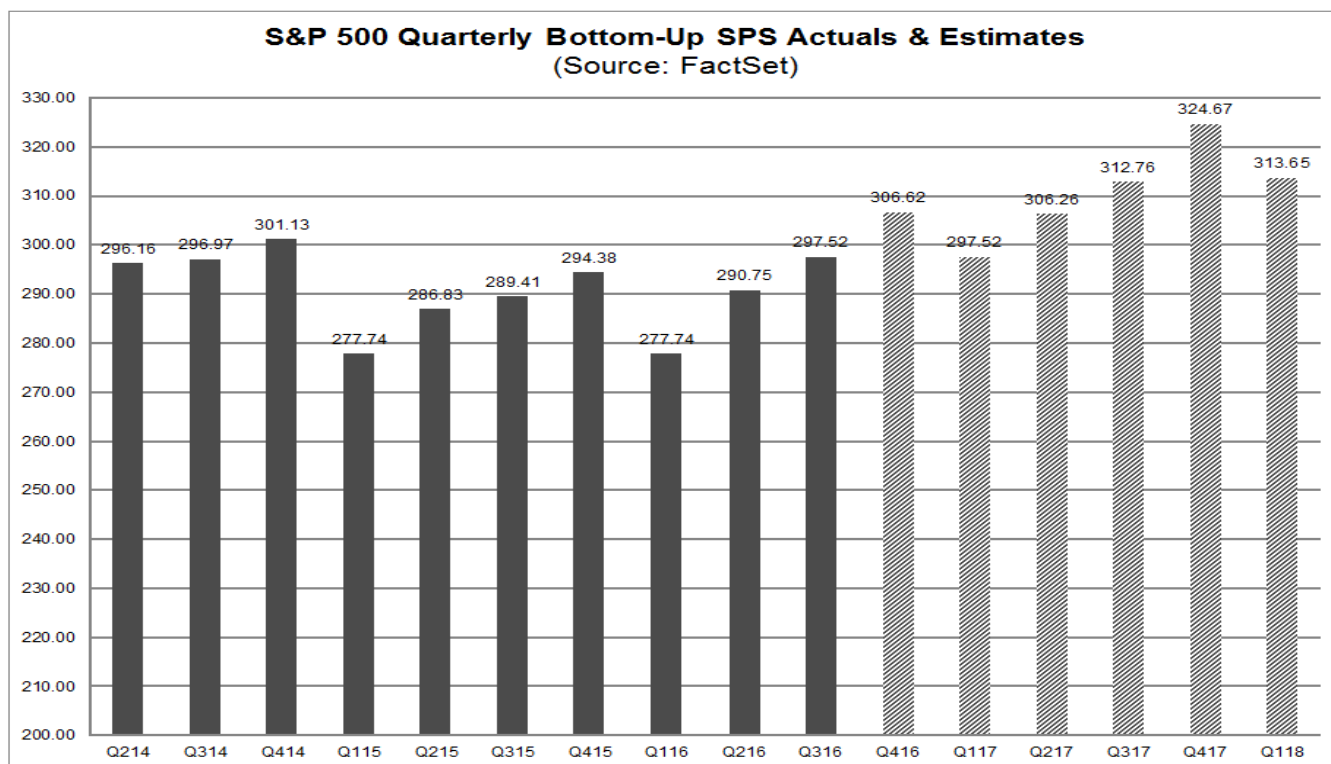
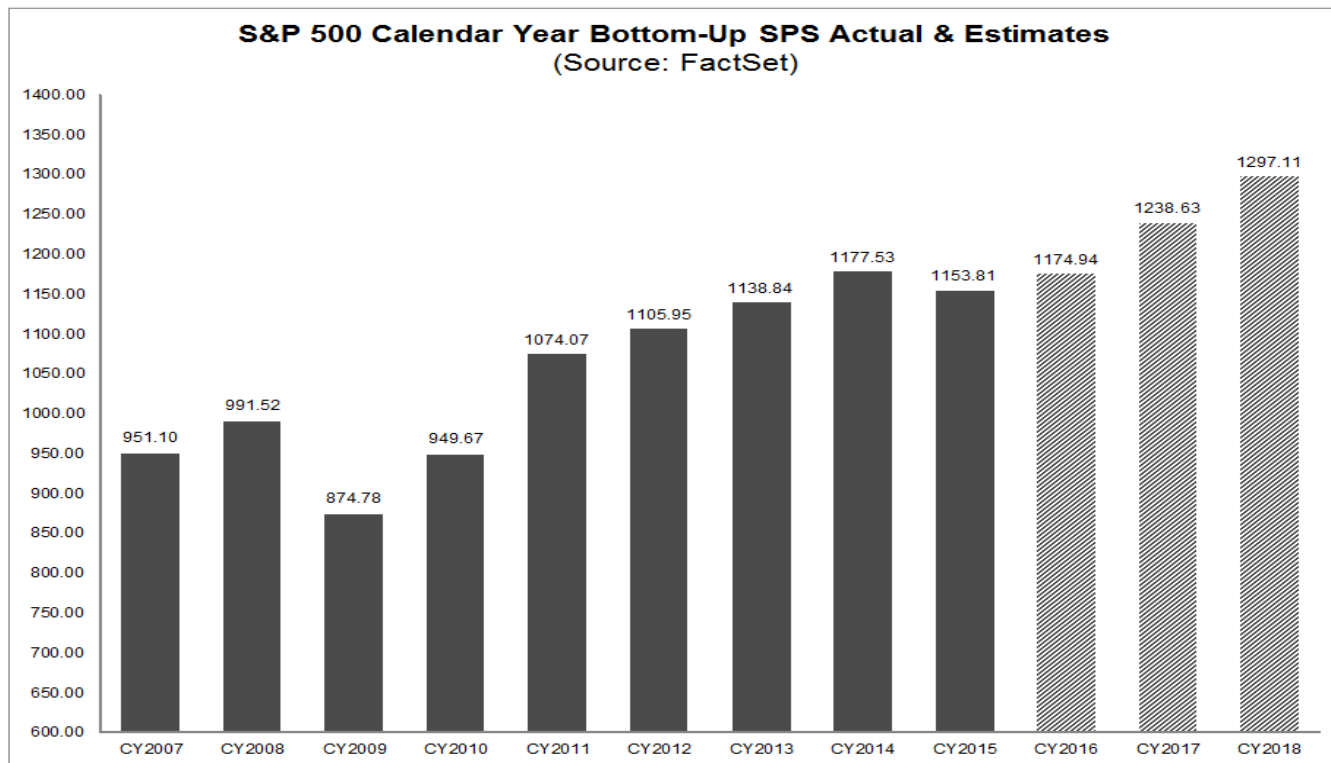
Bottom-up EPS Estimates: Revisions



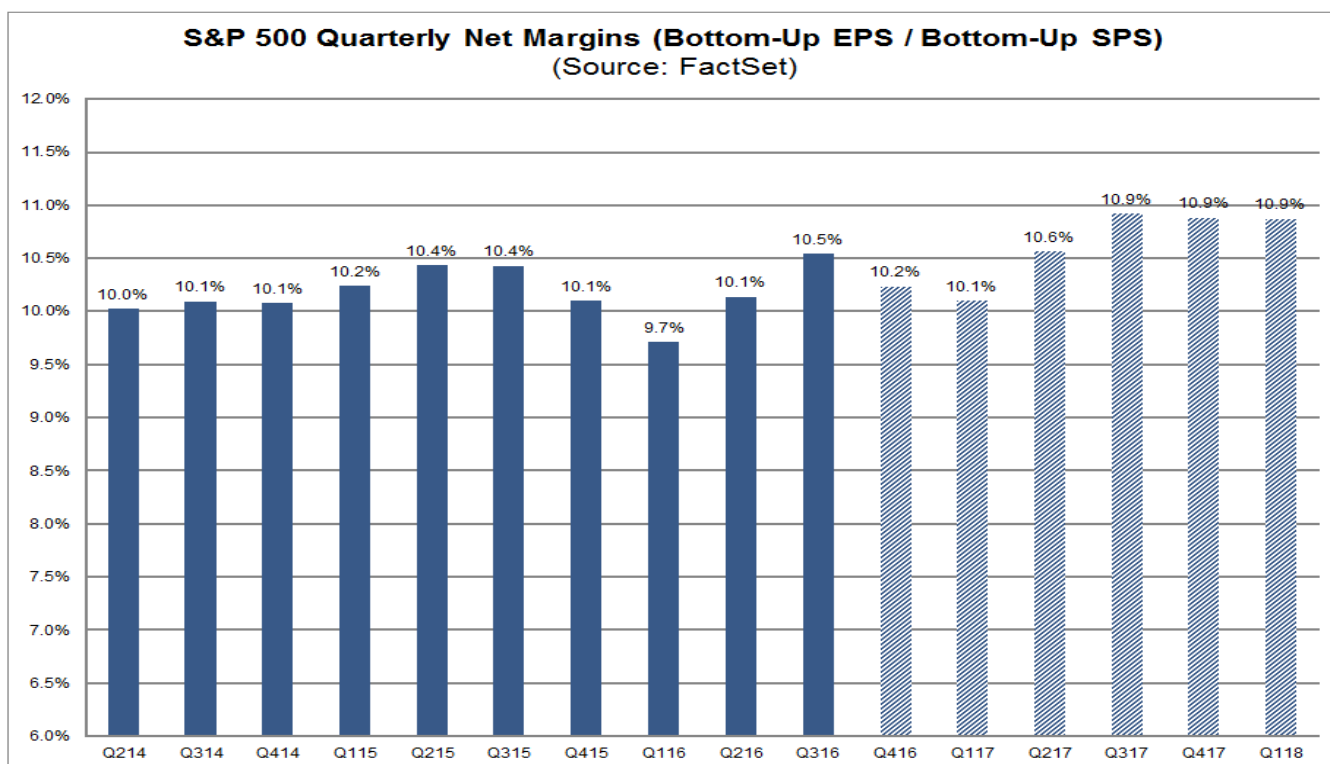
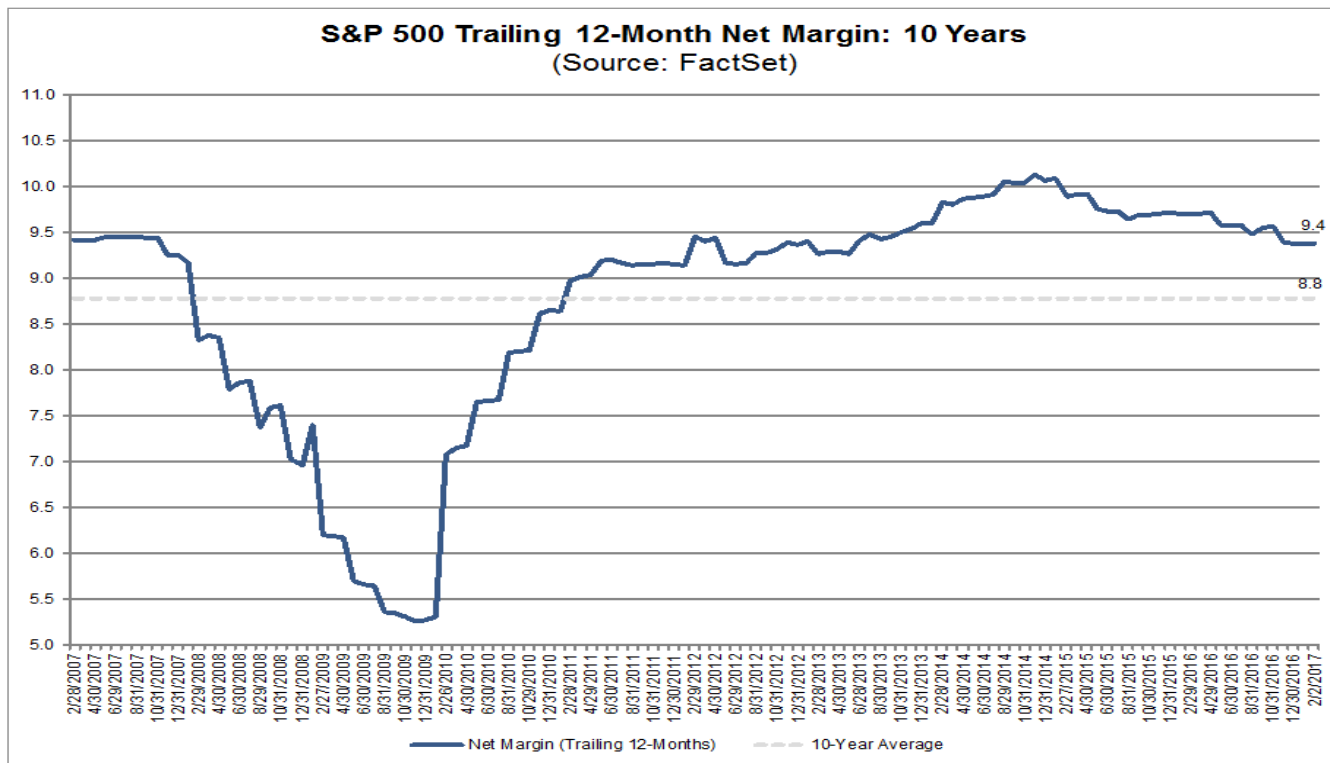
Bottom-up EPS Estimates: Current & Historical



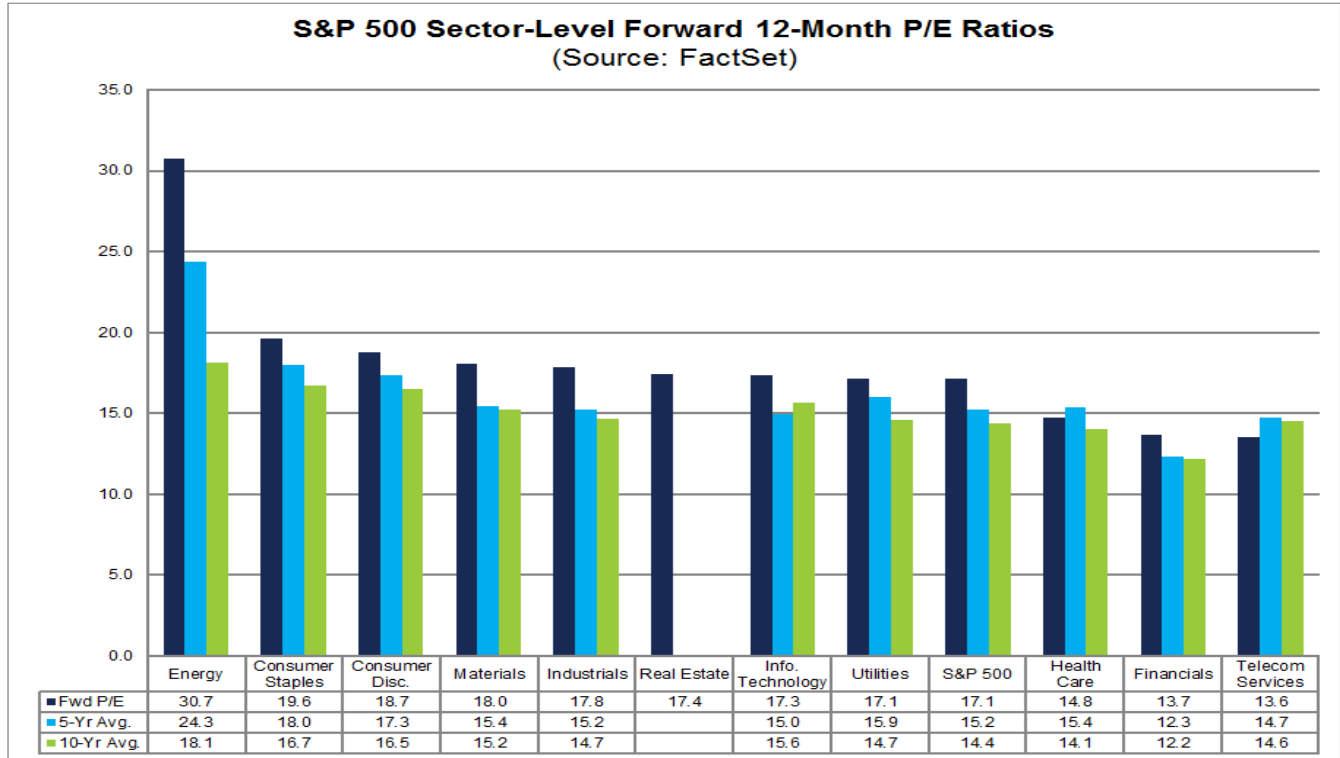
Bottom-up SPS Estimates: Current & Historical



Net Margins: Current & Historical

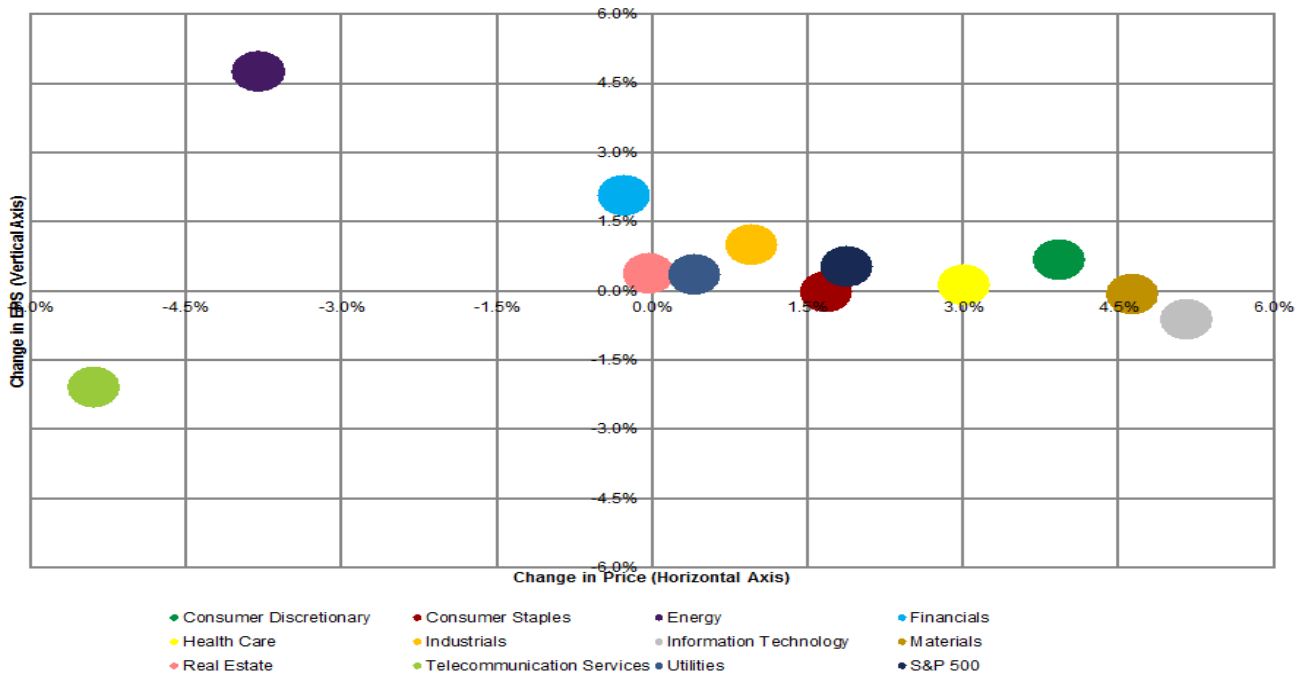


Forward 12M P/E Ratio: Sector Level

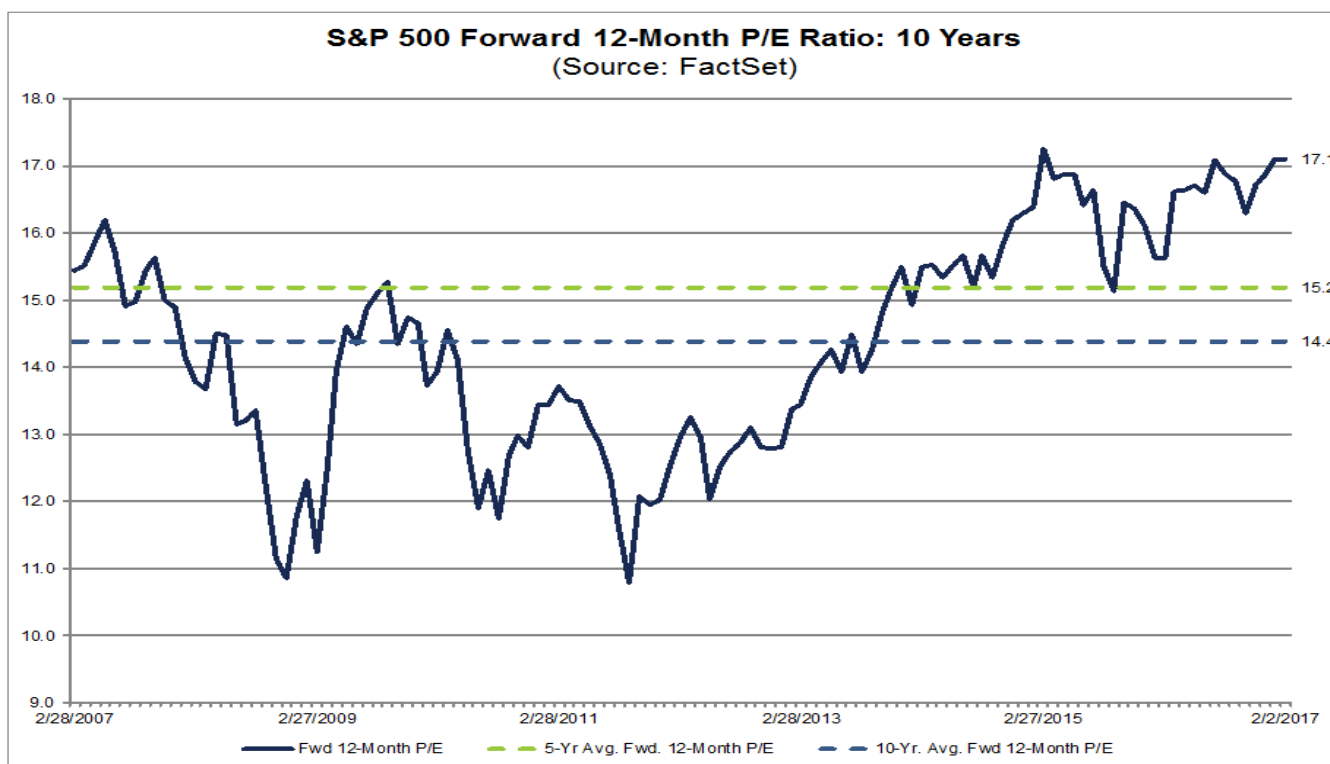
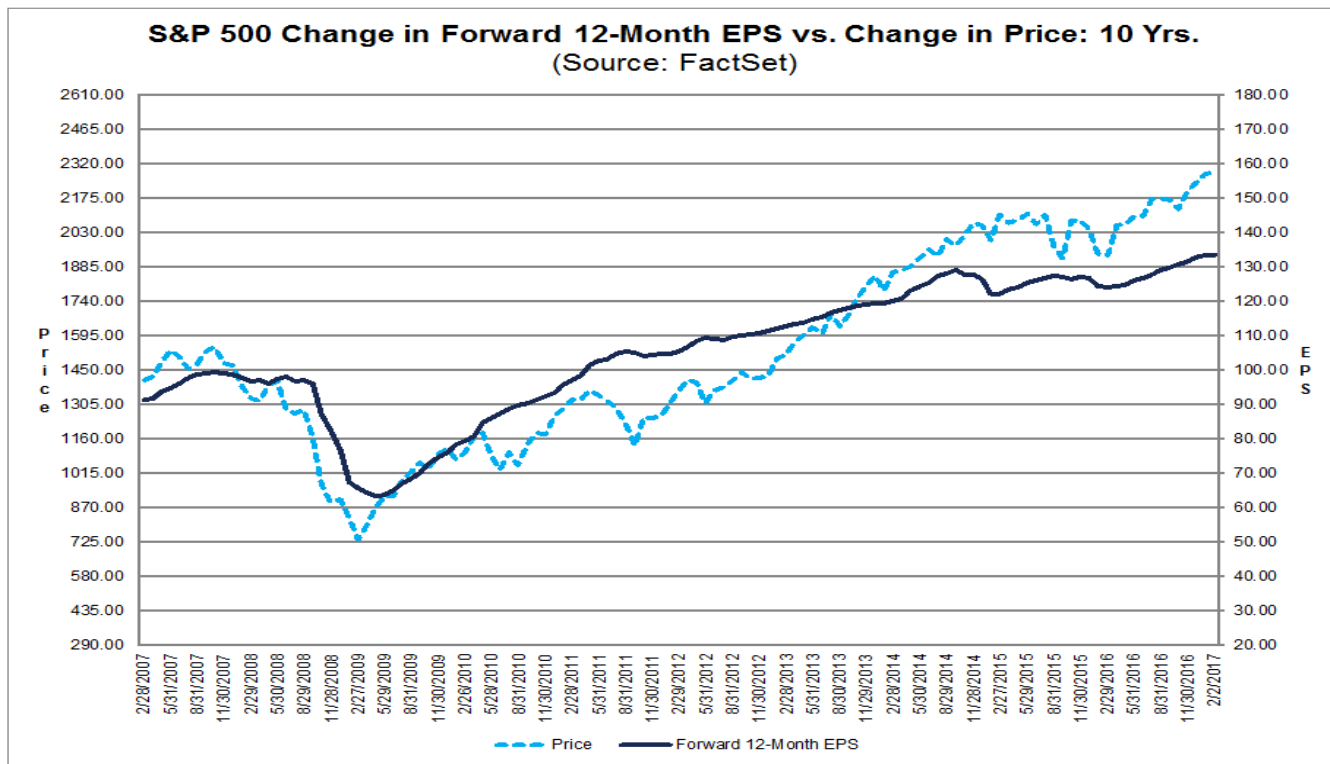


Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Dec. 31

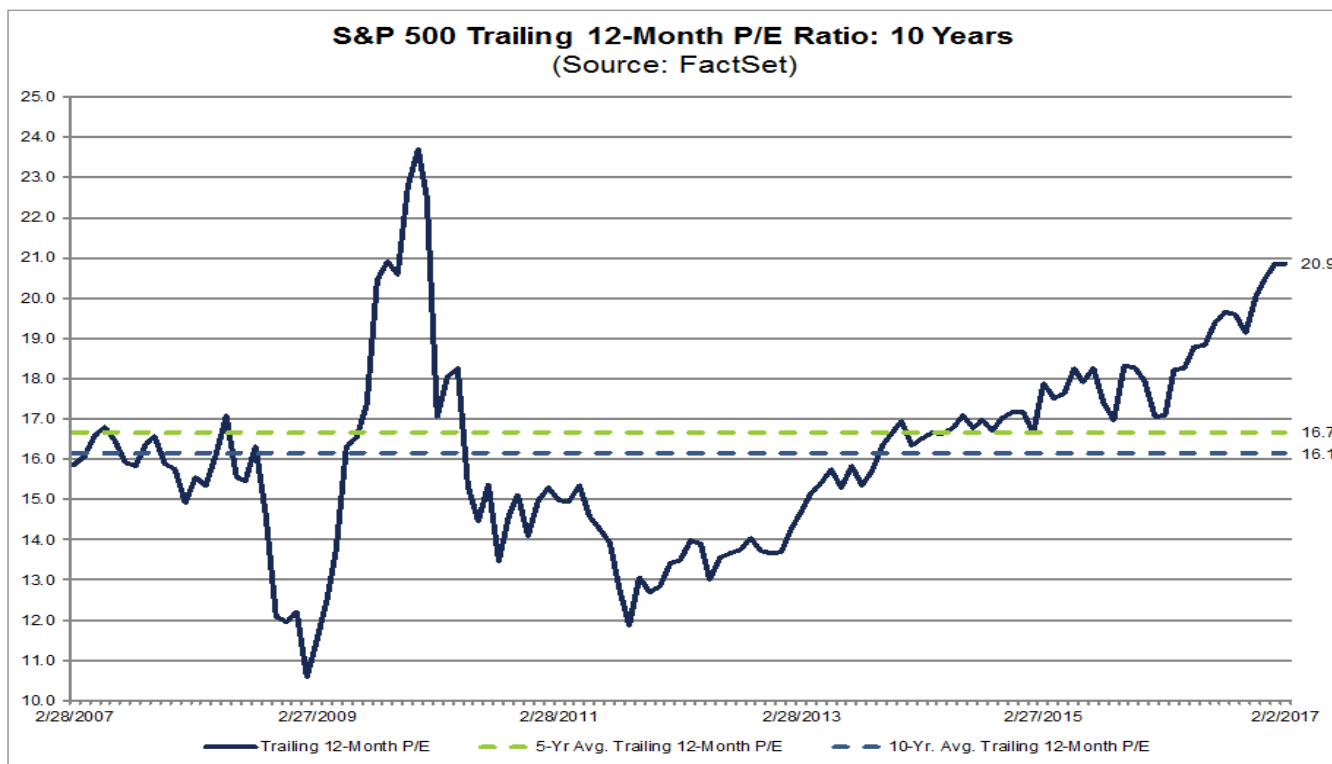
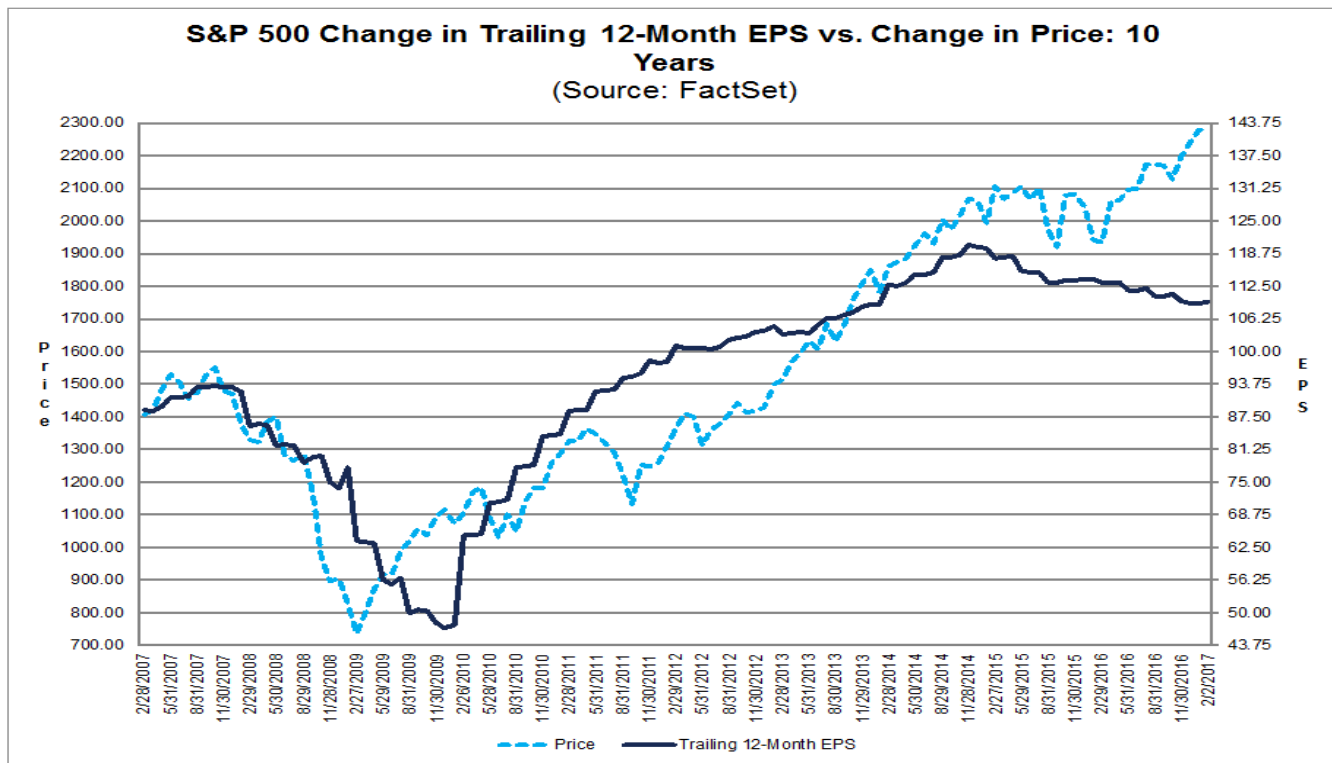
(Source: FactSet)



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



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



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.

About FactSet

FactSet is a leading provider of integrated financial information and analytical applications. More than 63,000 users stay ahead of global market trends, access extensive company and industry intelligence, and monitor performance with FactSet’s desktop analytics, mobile applications, and comprehensive data feeds. The Company has been included in FORTUNE’s Top 100 Best Companies to Work For, the United Kingdom’s Great Places to Work and France’s Best Workplaces. FactSet is listed on the New York Stock Exchange and NASDAQ (NYSE:FDS) (NASDAQ:FDS). Learn more at www.factset.com, and follow us on Twitter: www.twitter.com/factset.