

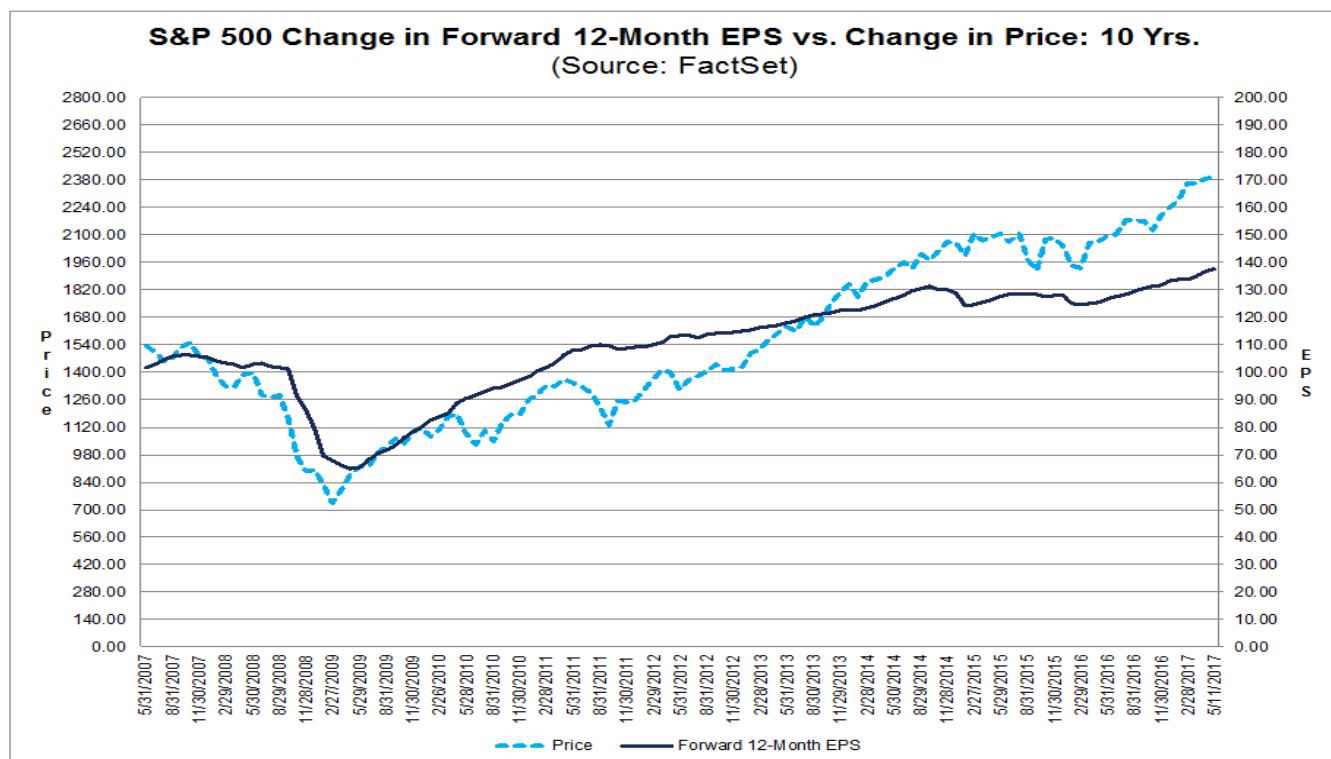
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May 12, 2017

Key Metrics

- **Earnings Scorecard:** As of today (with 91% of the companies in the S&P 500 reporting actual results for Q1 2017), 75% of S&P 500 companies have beat the mean EPS estimate and 64% of S&P 500 companies have beat the mean sales estimate.
- **Earnings Growth:** For Q1 2017, the blended earnings growth rate for the S&P 500 is 13.6%. If 13.6% is the actual growth rate for the quarter, it will mark the highest (year-over-year) earnings growth for the index since Q3 2011 (16.7%).
- **Earnings Revisions:** On March 31, the estimated earnings growth rate for Q1 2017 was 9.0%. Nine sectors have higher growth rates today (compared to March 31) due to upward revisions to earnings estimates and upside earnings surprises, led by the Industrials sector.
- **Earnings Guidance:** For Q2 2017, 61 S&P 500 companies have issued negative EPS guidance and 29 S&P 500 companies has issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 17.5. This P/E ratio is above the 5-year average (15.2) and the 10-year average (14.0).



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Topic of the Week 1:

S&P 500 Companies with More Global Exposure Reported Higher Earnings Growth in Q1

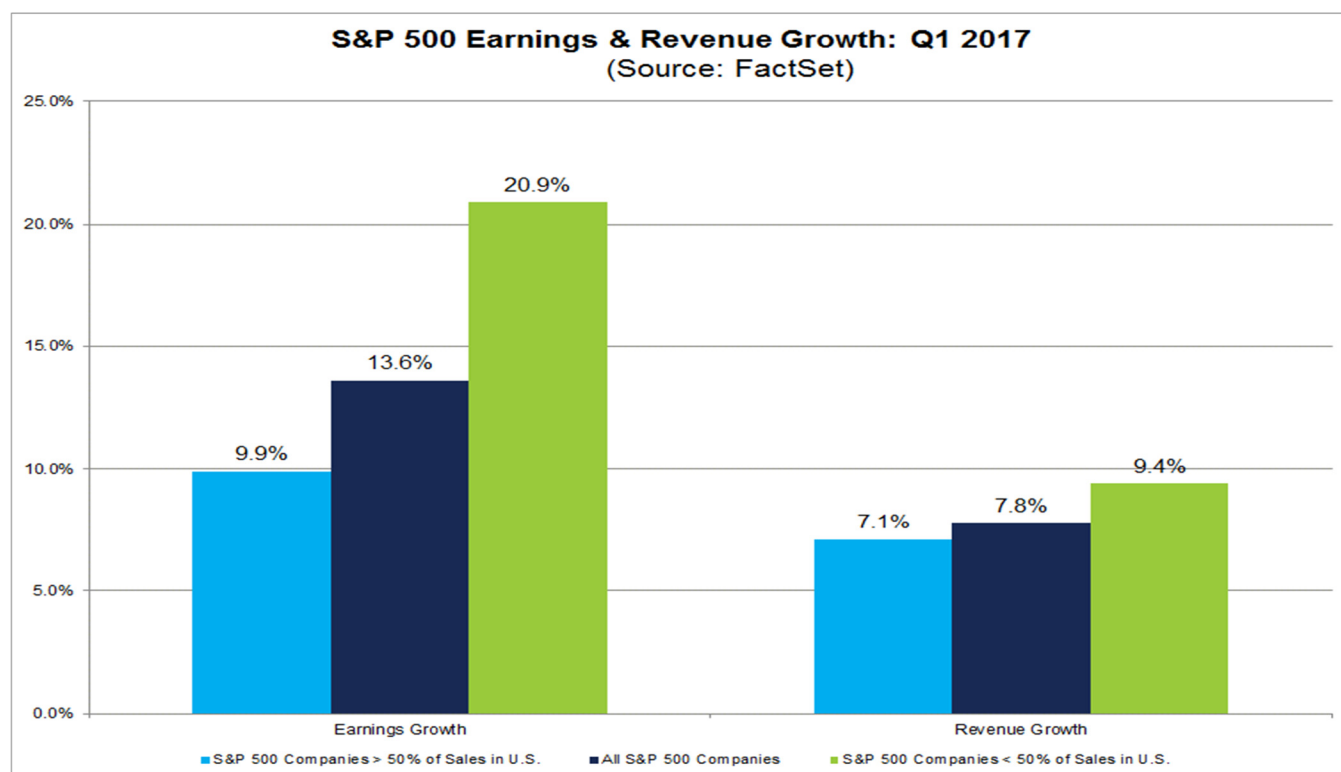
Coming into the start of the Q1 earnings season, a number of companies with higher global revenue exposure were facing the potential headwind of the stronger U.S. dollar, but also the potential tailwind of higher global GDP growth. Now that more than 90% of S&P 500 companies have reported actuals results for the first quarter, did S&P 500 companies with higher global revenue exposure outperform or underperform S&P 500 companies with lower global revenue exposure in terms of earnings and sales growth for Q1 2017?

FactSet Geographic Revenue Exposure data (based on the most recently reported fiscal year data for each company in the index) can be used to answer this question. For this particular analysis, the index was divided into two groups: companies that generate more than 50% of sales inside the U.S. (less global exposure) and companies that generate less than 50% of sales inside the U.S. (more global exposure). Aggregate earnings and revenue growth rates were then calculated based on these two groups. The results are listed below.

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 S&P 500 for Q1 2017 is 13.6%. For companies that generate more than 50% of sales inside the U.S., the blended earnings growth rate is 9.9%. For companies that generate less than 50% of sales inside the U.S., the blended earnings growth rate is 20.9%.

The blended sales growth rate for the S&P 500 for Q1 2017 is 7.8%. For companies that generate more than 50% of sales inside the U.S., the blended sales growth rate is 7.1%. For companies that generate less than 50% of sales inside the U.S., the blended sales growth rate is 9.4%.

What drove the outperformance of S&P 500 companies with higher global revenue exposure? At the sector level, the Information Technology and Energy sectors were the largest contributors to earnings and revenue growth in Q1 2017 for S&P 500 companies that generate less than 50% of sales inside the U.S.



Topic of the Week 2:

Market Punished Earnings Misses More Than Average for Q1

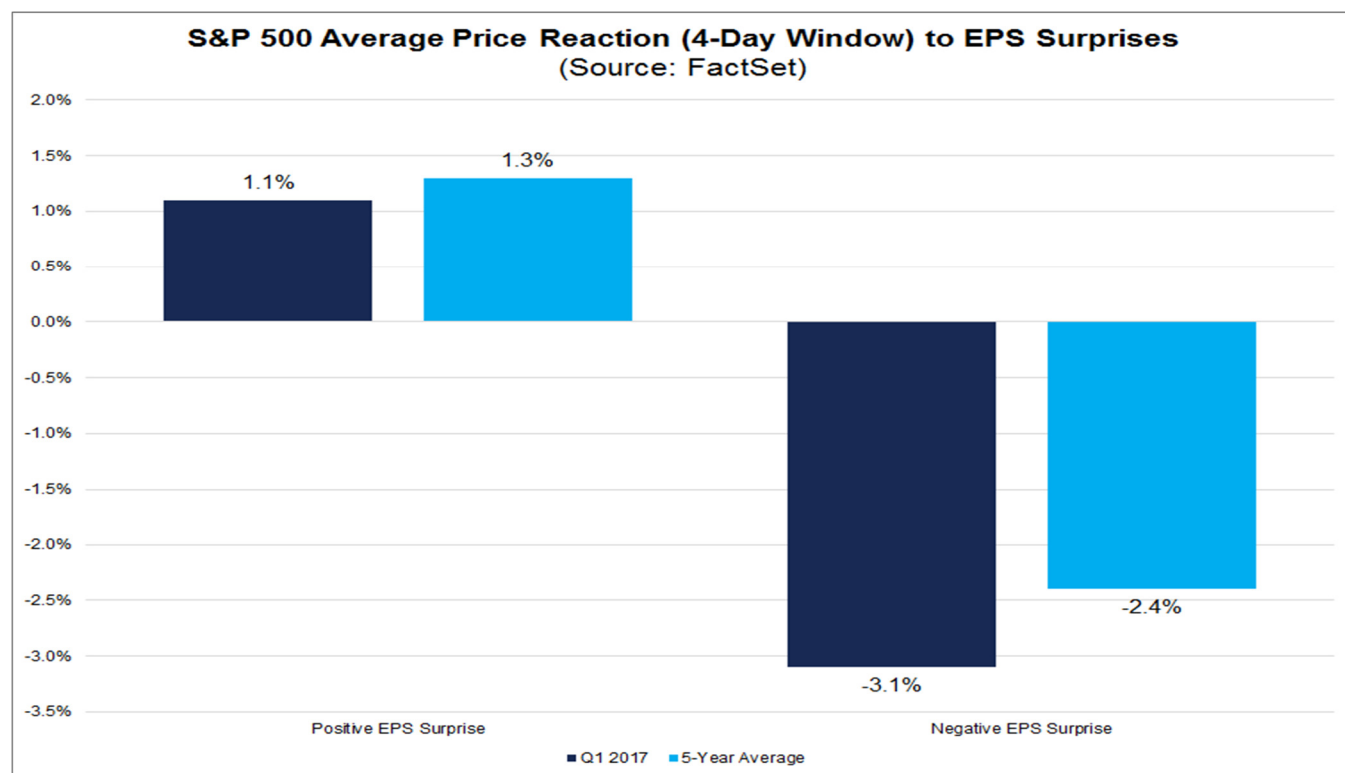
To date, more than 90% of the companies in the S&P 500 have reported earnings for the first quarter. Of these companies, 75% have reported actual EPS above the mean EPS estimate. This percentage is above the trailing 5-year average of 68%. In aggregate, companies have reported earnings that exceeded expectations by 6.0%, which is well above the trailing 5-year average of 4.1%. Because of these upside earnings surprises, the earnings growth rate for the S&P 500 has improved to 13.6% today from 9.0% on March 31.

Given the stronger performance of companies relative to analyst estimates and the improvement in the growth rate over the past few weeks, how has the market responded to upside and downside earnings surprises during the Q1 earnings season?

Based on the average change in the price of the stock two days before the company reported actual results through two days after the company reported actual results (4-day window), the market has rewarded upside earnings surprises slightly less than average and has punished downside earnings surprises more than average during the Q1 earnings season.

Companies in the S&P 500 that have reported upside earnings surprises for Q1 2017 have seen an average increase in price of 1.1% during this 4-day window. Over the past five years, companies in the S&P 500 that have reported upside earnings surprises have witnessed a 1.3% increase in price on average during this window.

Companies in the index that have reported downside earnings surprises for Q1 2017 have seen an average decline in price of 3.1% during this 4-day window. Over the past five years, companies in the index that have reported downside earnings surprises have recorded a 2.4% decrease in price on average during this window.



Q1 2017 Earnings Season: By the Numbers

Overview

To date, 91% of the companies in the S&P 500 have reported actual results for Q1 2017. In terms of earnings, more companies (75%) are reporting actual EPS above estimates compared to the 5-year average. In aggregate, companies are reporting earnings that are 6.0% above the estimates, which is also above the 5-year average. In terms of sales, more companies (64%) are reporting actual sales above estimates compared to the 5-year average. In aggregate, companies are reporting sales that are 1.0% above estimates, which is also above the 5-year average.

The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) year-over-year earnings growth rate for Q1 2017 is 13.6% today. Ten sectors are reporting or have reported year-over-year earnings growth, led by the Energy, Financials, Materials, and Information Technology sectors. The only sector that has reported a year-over-year decline in earnings is the Telecom Services sector.

The blended sales growth rate for Q1 2017 is 7.8%. Ten sectors are reporting or have reported year-over-year growth in revenues, led by the Energy sector. The only sector that has reported 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 17.5, which is above the 5-year average and the 10-year average.

During the upcoming week, 18 S&P 500 companies (including three Dow 30 components) are scheduled to report results for the first quarter.

Scorecard: More Companies Beating EPS and Revenue Estimates than Average

Percentage of Companies Beating EPS Estimates (75%) is Above 5-Year Average

Overall, 91% of the companies in the S&P 500 have reported earnings to date for the first quarter. Of these companies, 75% have reported actual EPS above the mean EPS estimate, 7% have reported actual EPS equal to the mean EPS estimate, and 18% 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 (70%) average and above the 5-year (68%) average.

At the sector level, the Information Technology (82%), Financials (82%), and Health Care (81%) sectors have the highest percentages of companies reporting earnings above estimates, while the Telecom Services (0%), Real Estate (57%), and Consumer Staples (61%) sectors have the lowest percentages of companies reporting earnings (FFO for the Real Estate sector) above estimates.

Earnings Surprise Percentage (+6.0%) is Above 5-Year Average

In aggregate, companies are reporting earnings that are 6.0% above expectations. This surprise percentage is above the 1-year (+4.3%) average and above the 5-year (+4.1%) average.

The Energy (+21.6%) and Consumer Discretionary (+11.0%) sectors are reporting the largest upside aggregate differences between actual earnings and estimated earnings, while the Telecom Services (-0.8%) reported the largest downside aggregate difference between actual earnings and estimated earnings.

Percentage of Companies Beating Revenue Estimates (64%) is Above 5-Year Average

In terms of revenues, 64% of companies have reported actual sales above estimated sales and 36% have reported actual sales below estimated sales. The percentage of companies reporting sales above estimates is above the 1-year average (53%) and above the 5-year average (53%).

At the sector level, the Industrials (79%), Real Estate (77%), and Materials (76%) sectors have the highest percentages of companies reporting revenues above estimates, while the Telecom Services (25%) and Consumer Staples (35%) sectors have the lowest percentages of companies reporting revenues above estimates.

Revenue Surprise Percentage (+1.0%) is Above 5-Year Average

In aggregate, companies are reporting sales that are 1.0% above expectations. This surprise percentage is above the 1-year (0.0%) average and above the 5-year (+0.1%) average.

The Materials (+2.8%) and Consumer Discretionary (+2.1%) sectors are reporting the largest upside aggregate differences between actual sales and estimated sales, while the Telecom Services (-2.4%) sector reported the largest downside aggregate difference between actual earnings and estimated earnings.

Small Increase in Blended Earnings Growth This Week

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The blended earnings growth rate for the first quarter is 13.6% this week, which is slightly higher than the earnings growth rate of 13.5% last week.

Industrials Sector Has Seen Largest Increase in Earnings since March 31

The blended earnings growth rate for Q1 2017 of 13.6% is higher than the estimate of 9.0% at the end of the first quarter (March 31). Nine sectors have recorded an increase in earnings growth since the end of the quarter due to upward revisions to earnings estimates and upside earnings surprises, led by the Industrials (to 1.5% from -7.2%), Materials (to 17.8% from 10.7%), and Consumer Discretionary (to 4.7% from -1.9%) sectors. The only sector that has recorded a decrease in earnings growth since the end of the quarter due to downward revisions to estimates and downside earnings surprises is the Telecom Services (to -5.0% from -2.8%) sector. A growth rate was not calculated for the Energy sector for the first quarter.

Earnings Growth: Highest Earnings Growth (13.6%) since Q3 2011 (16.7%)

The blended earnings growth rate for Q1 2017 is 13.6%. If 13.6% is the actual earnings growth rate for the quarter, it will mark the highest year-over-year earnings growth reported by the index since Q3 2011 (16.7%). The first quarter will also mark the first time the index has seen year-over-year growth in earnings for three consecutive quarters since Q3 2014 through Q1 2015. Ten sectors are reporting or have reported year-over-year growth in earnings, led by the Energy, Financials, Materials, and Information Technology sectors. The only sector that has reported a year-over-year decline in earnings is the Telecom Services sector.

Energy: Largest Contributor to Earnings Growth for Q1

A growth rate was not calculated for the Energy sector for Q1 because the sector reported a loss in the year-ago quarter. On a dollar-level basis, the Energy sector reported earnings of \$8.5 billion in Q1 2017, compared to a loss of -1.5 billion in Q1 2016. Due to this \$10.0 billion year-over-year increase in earnings, the Energy sector was the largest contributor to earnings growth for the S&P 500 as a whole. If this sector is excluded, the blended earnings growth rate for the remaining ten sectors would fall to 9.4% from 13.6%.

At the sub-industry level, four of the six sub-industries in the sector reported earnings growth: Oil & Gas Exploration & Production (N/A due to year-ago loss), Integrated Oil & Gas (558%), Oil & Gas Equipment & Services (41%), and Oil & Gas Storage & Transportation (14%). On the other hand, the Oil & Gas Drilling (-210%) and Oil & Gas Refining & Marketing (-13%) sub-industries were the only two sub-industries that reported a year-over-year decline in earnings.

Financials: Balanced Growth Across Sector, Led by Capital Markets Industry

The Financials sector reported the highest (year-over-year) earnings growth rate of all eleven sectors at 19.9%. At the industry level, four of the five industries in this sector reported earnings growth. All four of these industries reported double-digit earnings growth: Capital Markets (37%), Diversified Financial Services (28%), Banks (19%), and Insurance (19%). At the company level, Bank of America was the largest contributor to earnings growth for this sector. The company reported actual EPS of \$0.41 for Q1 2017, compared to year-ago EPS of \$0.21.

Materials: Metals & Mining Industry Leads Growth

The Materials sector reported the second highest (year-over-year) earnings growth rate of all eleven sectors at 17.8%. At the industry level, three of the four industries in this sector reported earnings growth, led by the Metals & Mining (792%) industry. The Metals & Mining industry was also the largest contributor to earnings growth for the sector. If this industry is excluded, the blended earnings growth rate for the Materials sector would fall to 9.4% from 17.8%. At the company level, Freeport-McMoRan was the largest contributor to earnings growth for the sector. The company reported actual EPS of \$0.15 for Q1 2017, compared to year-ago EPS of -\$0.16. If this company alone is excluded, the blended earnings growth rate for the Materials sector would fall to 11.9% from 17.8%.

Information Technology: Balanced Growth Across Sector, Led by Semiconductor Industry

The Information Technology sector is reporting the third highest (year-over-year) earnings growth rate of all eleven sectors at 16.8%. At the industry level, all seven industries in this sector are reporting or have reported earnings growth. Four of these seven industries are reporting or have reported double-digit earnings growth: Semiconductor & Semiconductor Equipment (56%), Electronic Equipment, Instruments, & Components (21%), Software (13%), and Internet Software & Services (13%). The Semiconductor and Semiconductor Equipment industry is also the largest contributor to earnings growth for the sector. If this industry is excluded, the blended earnings growth rate for the Information Technology sector would fall to 10.0% from 16.8%. At the company level, Micron Technology is the largest contributor to earnings growth for this sector. Micron Technology reported actual EPS of \$0.90 for Q1 2017, compared to year-ago EPS of -\$0.05.

Telecom Services: Verizon Led Decline

The Telecom Services sector was the only sector that reported a (year-over-year) decline in earnings at -5.0%. Three of the four companies in this sector reported a year-over-year decline in EPS. Of these three companies, Verizon was the largest contributor to the decline in earnings. The company reported actual EPS of \$0.95 for Q1 2017, compared to year-ago EPS of \$1.06. If this company is excluded, the actual earnings decline for the Telecom Services sector would improve to -0.4% from -5.0%.

Revenues: Highest Revenue Growth (7.8%) since Q4 2011 (8.1%)

The blended revenue growth rate for Q1 2017 is 7.8%. If 7.8% is the actual revenue growth rate for the quarter, it will mark the highest year-over-year revenue growth reported by the index since Q4 2011 (8.1%). The first quarter will also mark the first time the index has seen year-over-year growth in sales for three consecutive quarters since Q2 2014 through Q4 2014. Ten sectors are reporting or have reported year-over-year growth in revenues, led by the Energy sector. The only sector that has reported a decline in revenues is the Telecom Services sector.

Energy: Largest Contributor to Revenue Growth for Q1

The Energy sector reported the highest (year-over-year) revenue growth of all eleven sectors at 33.5%. At the sub-industry level, five of the six sub-industries in the sector reported revenue growth: Oil & Gas Exploration & Production (55%), Oil & Gas Refining & Marketing (36%), Integrated Oil & Gas (34%), Oil & Gas Storage & Transportation (23%), and Oil & Gas Equipment & Services (11%). On the other hand, the Oil & Gas Drilling (-33%) sub-industry was the only sub-industry that reported a year-over-year decline in earnings.

This sector was also the largest contributor to revenue growth for the S&P 500. If the Energy sector is excluded, the blended revenue growth rate for the index would fall to 5.9% from 7.8%.

Telecom Services: Verizon Leads Decline

The Telecom Services sector is the only sector that reported a (year-over-year) decline in sales at -4.7%. All four companies in the sector reported a decline in sales, led by Verizon (-7%).

Looking Ahead: Forward Estimates and Valuation

Guidance: Negative EPS Guidance (68%) for Q2 Below Average

At this point in time, 90 companies in the index have issued EPS guidance for Q2 2017. Of these 90 companies, 61 have issued negative EPS guidance and 29 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 68% (61 out of 90), which is below the 5-year average of 74%.

Growth Expected to Continue for Remainder of 2017

For the first quarter, companies are reporting earnings growth of 13.6% and revenue growth rate of 7.8%. Analysts currently expect earnings and revenue growth to continue in 2017.

For Q2 2017, analysts are projecting earnings growth of 6.8% and revenue growth of 4.8%.

For Q3 2017, analysts are projecting earnings growth of 7.5% and revenue growth of 4.8%.

For Q4 2017, analysts are projecting earnings growth of 12.4% and revenue growth of 5.2%.

For all of 2017, analysts are projecting earnings growth of 9.9% and revenue growth of 5.3%.

Valuation: Forward P/E Ratio is 17.5, above the 10-Year Average (14.0)

The forward 12-month P/E ratio is 17.5. This P/E ratio is above the 5-year average of 15.2, and above the 10-year average of 14.0. It is also equal to the forward 12-month P/E ratio of 17.5 recorded at the start of the second quarter (March 31). Since the start of the second quarter, the price of the index has increased by 1.3%, while the forward 12-month EPS estimate has increased by 1.7%.

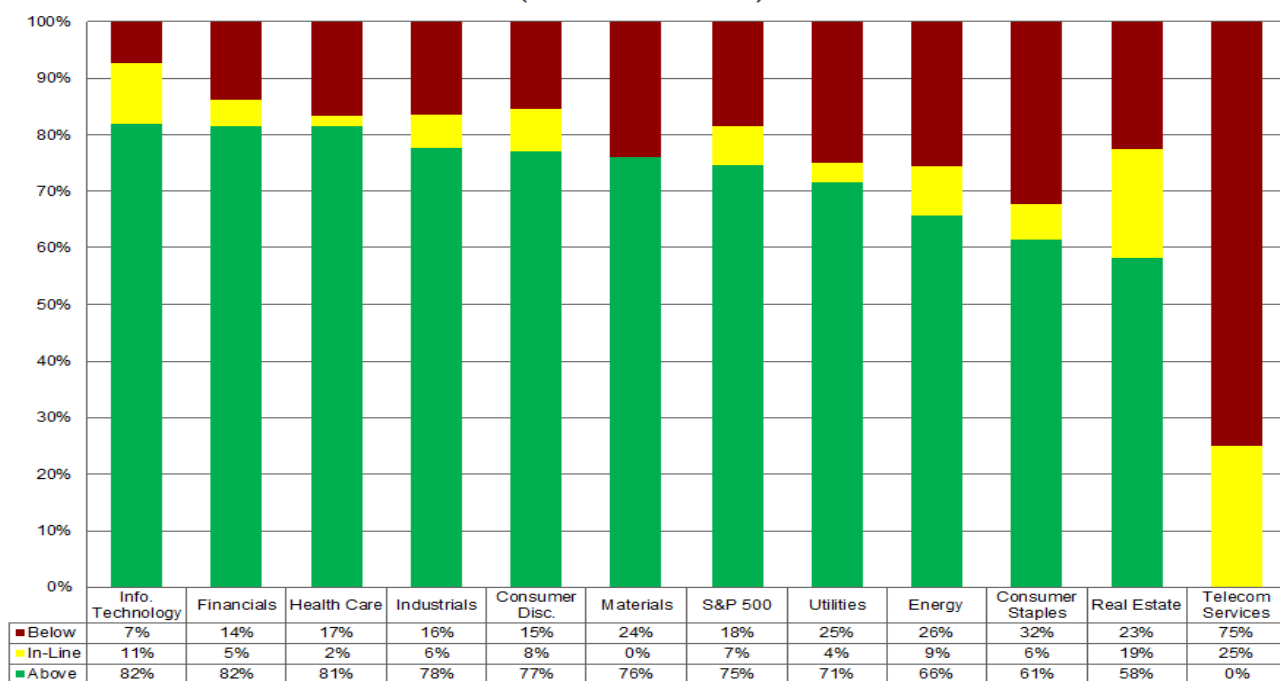
At the sector level, the Energy (27.6) sector has the highest forward 12-month P/E ratio, while the Telecom Services (12.9) sector has the lowest forward 12-month P/E ratio. Nine sectors have forward 12-month P/E ratios that are above their 10-year averages, led by the Energy (27.6 vs. 18.2) sector. One sector (Telecom Services) has a forward 12-month P/E ratio that is below the 10-year average (12.9 vs. 14.3). Historical averages are not available for the Real Estate sector.

Companies Reporting Next Week: 18

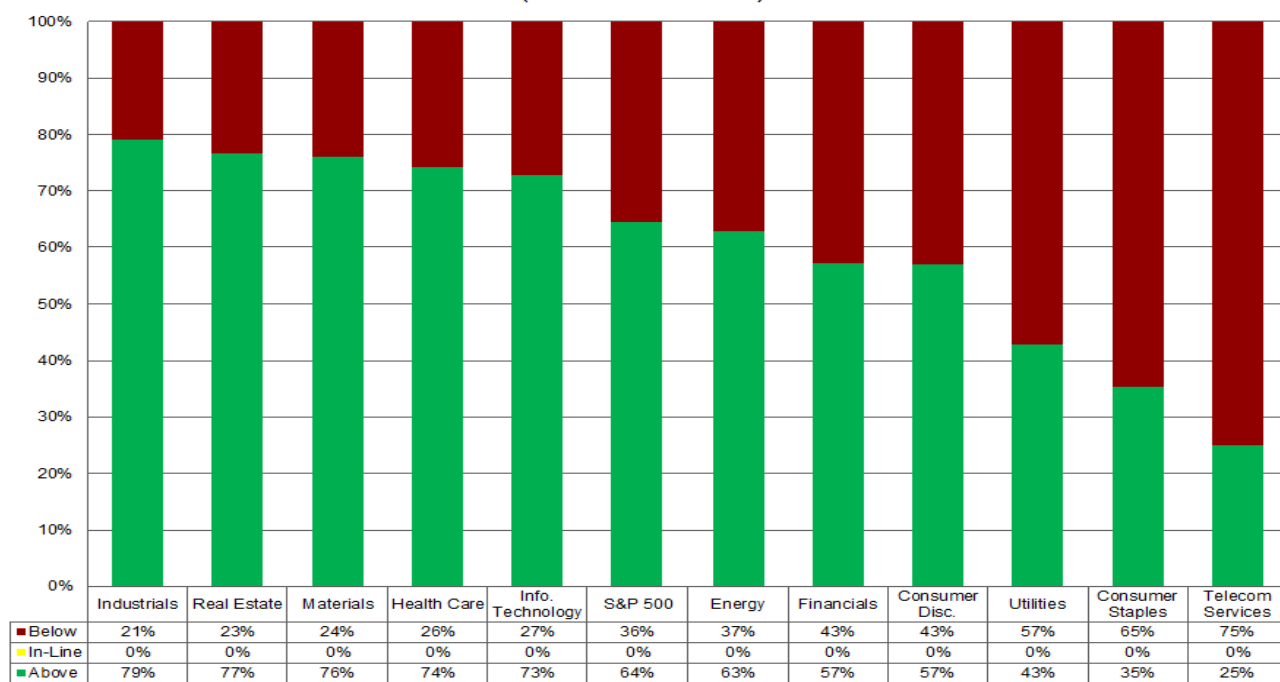
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Q1 2017: Scorecard

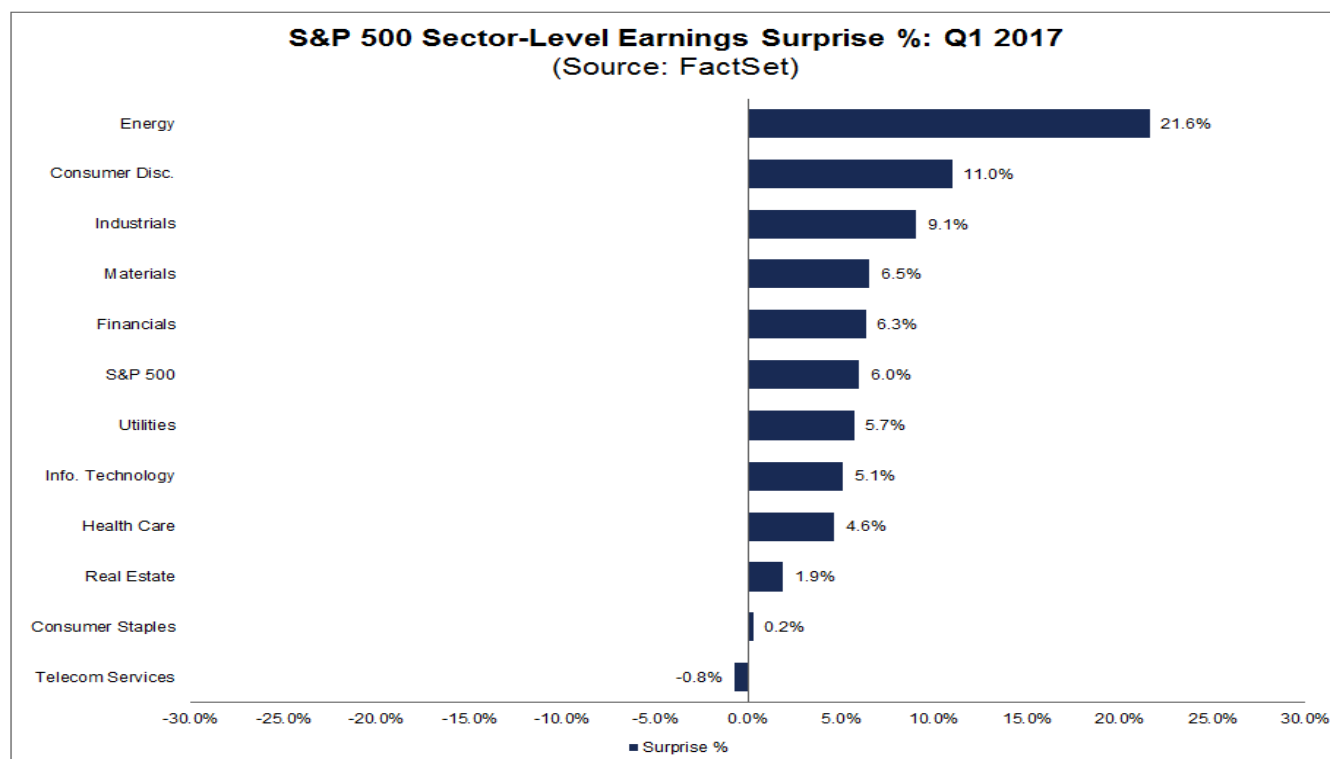
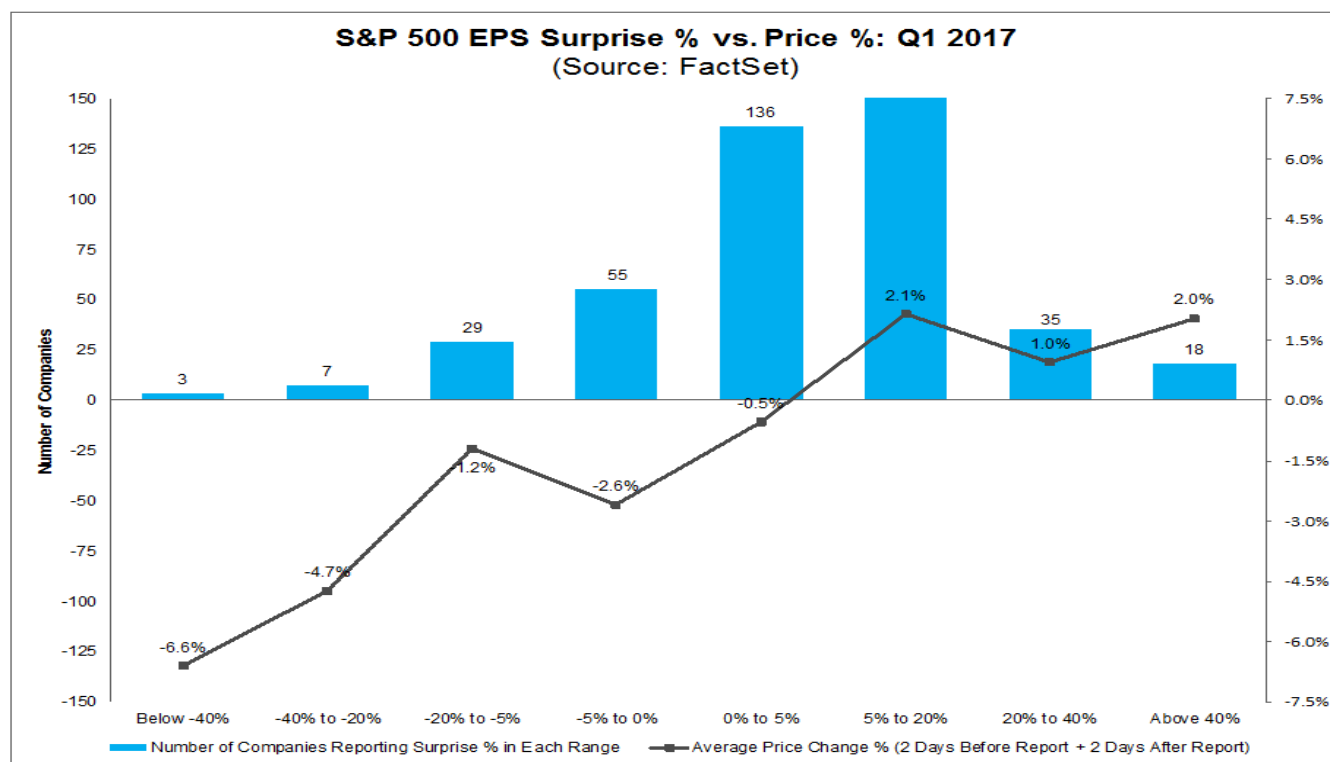
S&P 500 Earnings Above, In-Line, Below Estimates: Q1 2017
(Source: FactSet)



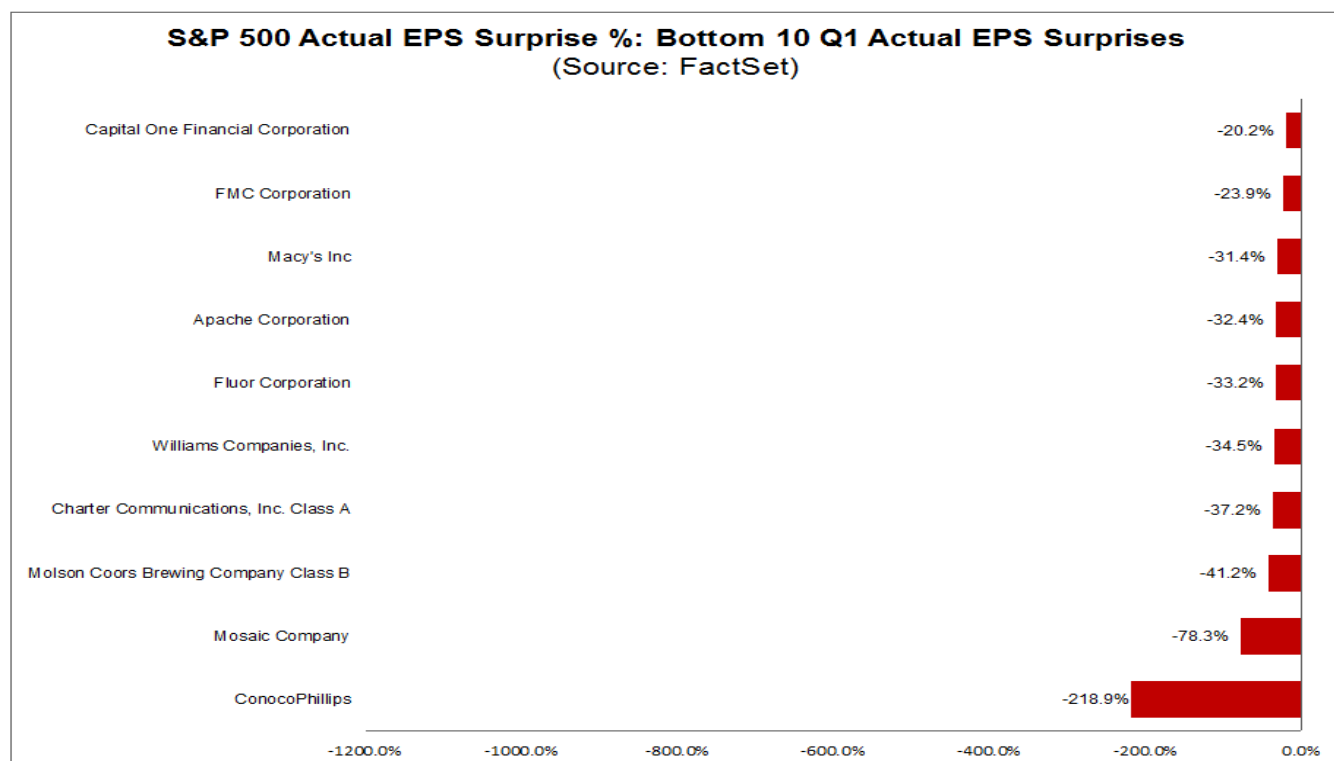
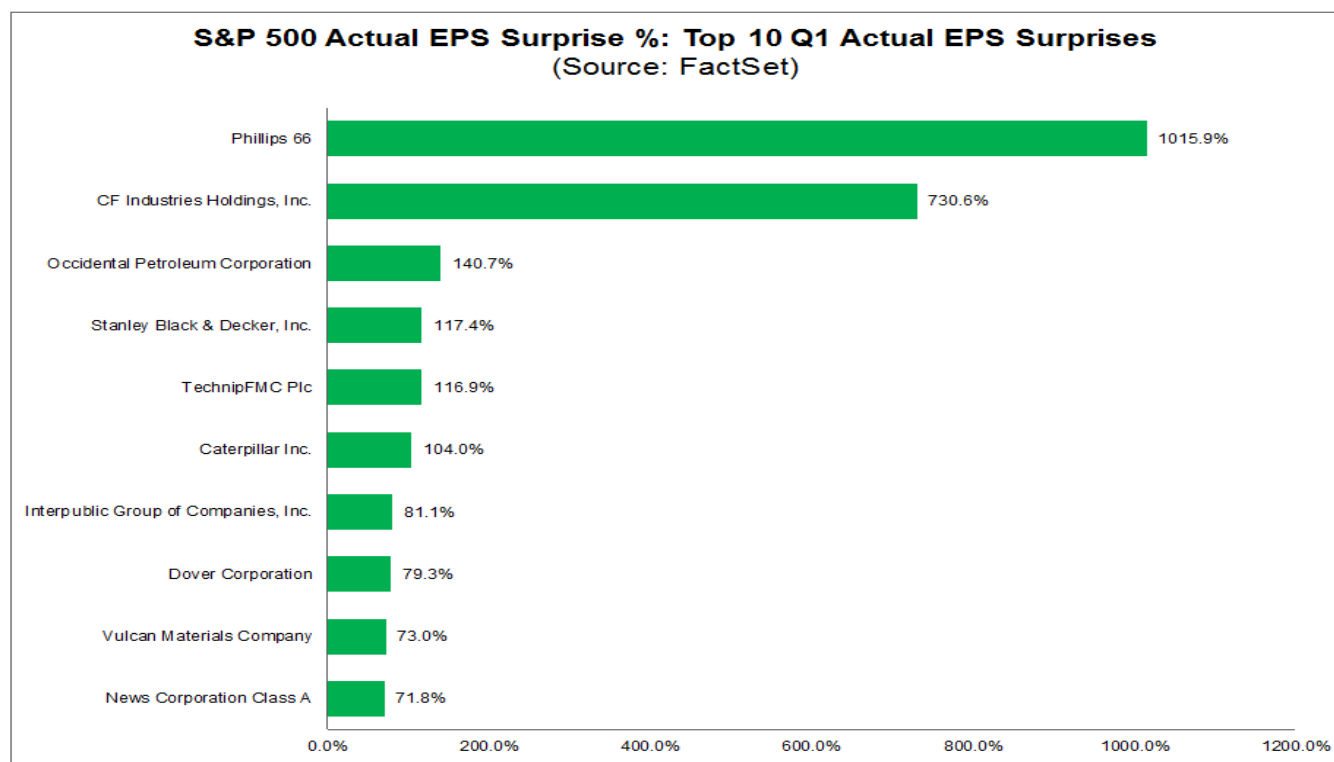
S&P 500 Revenues Above, In-Line, Below Estimates: Q1 2017
(Source: FactSet)



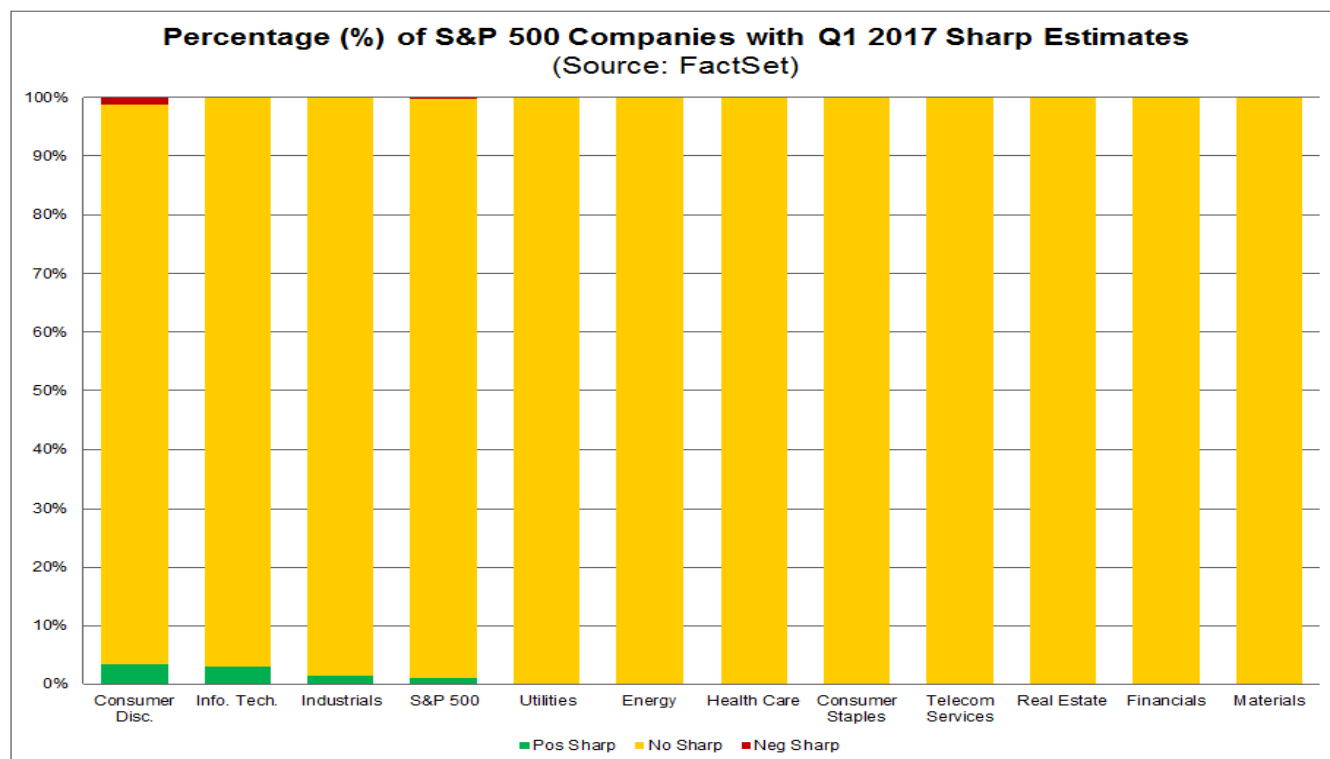
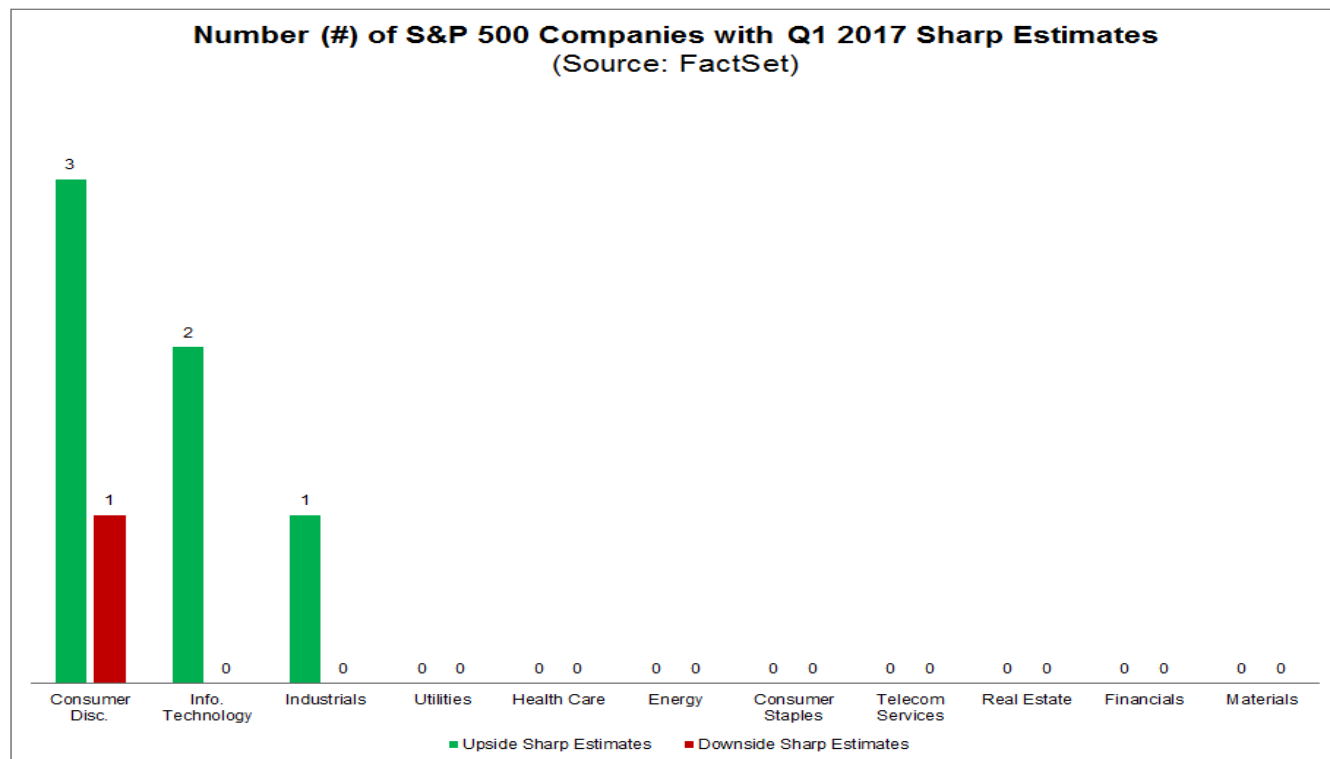
Q1 2017: Scorecard



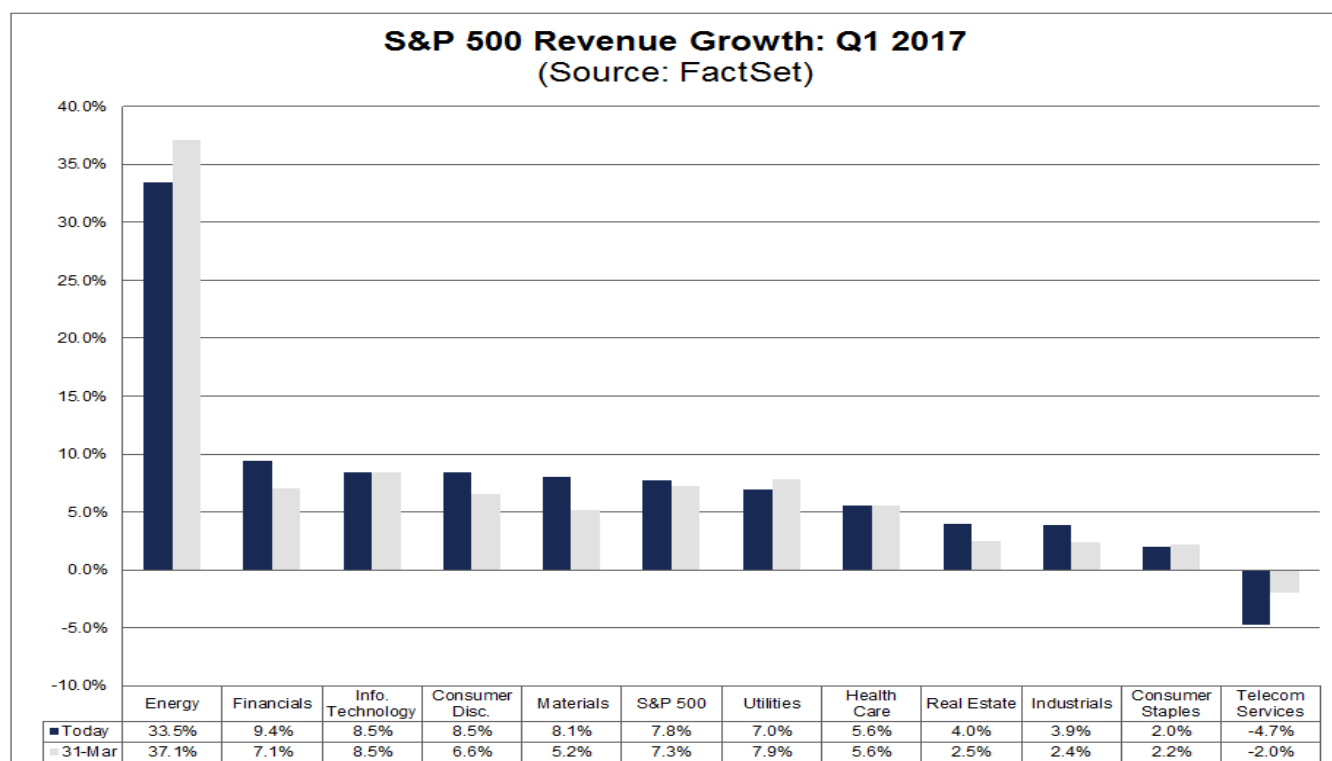
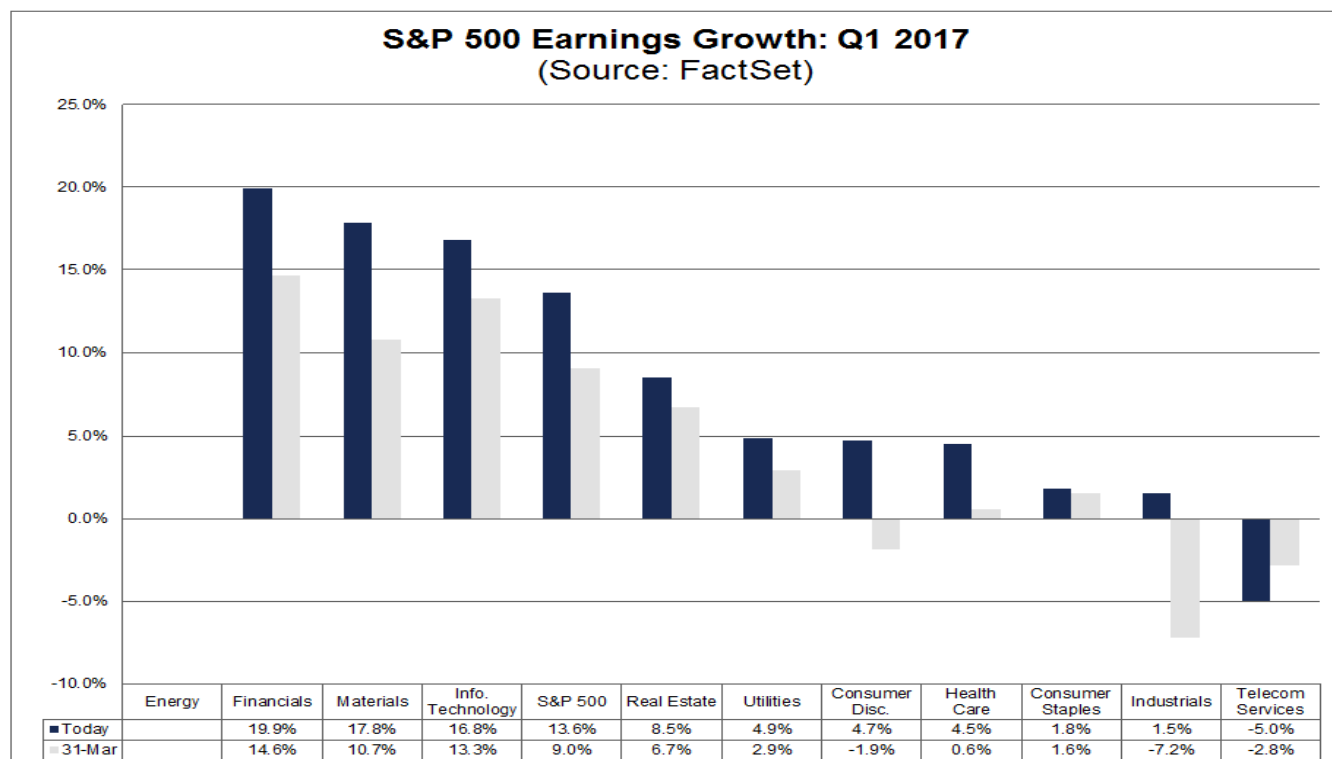
Q1 2017: Scorecard



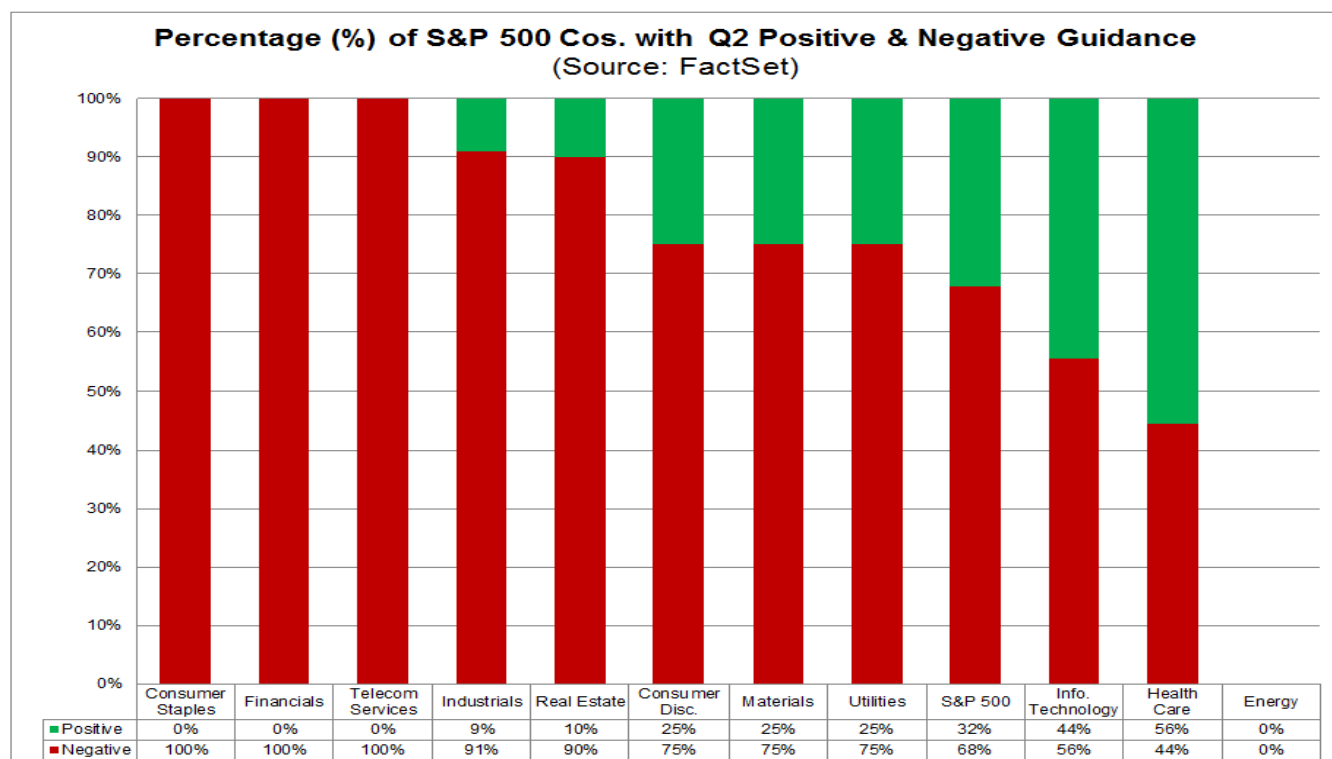
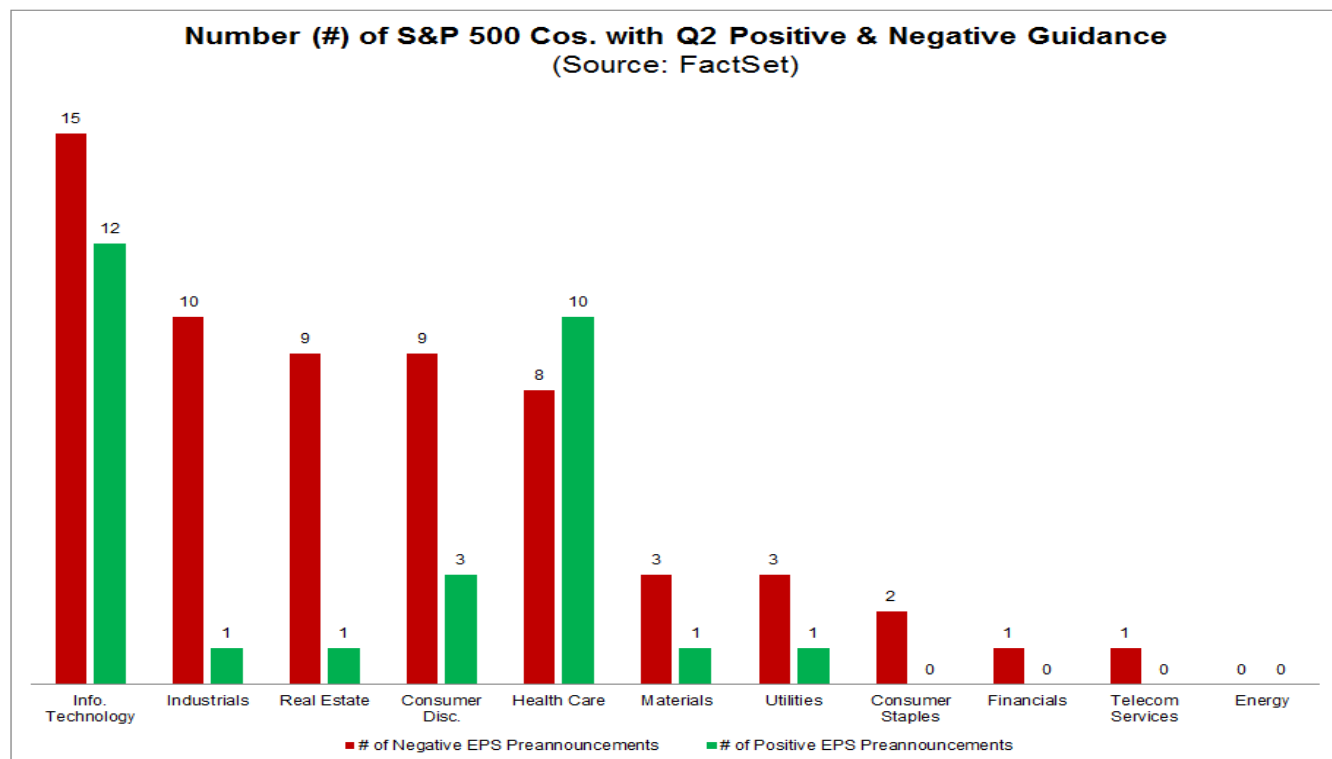
Q1 2017: Projected EPS Surprises (Sharp Estimates)



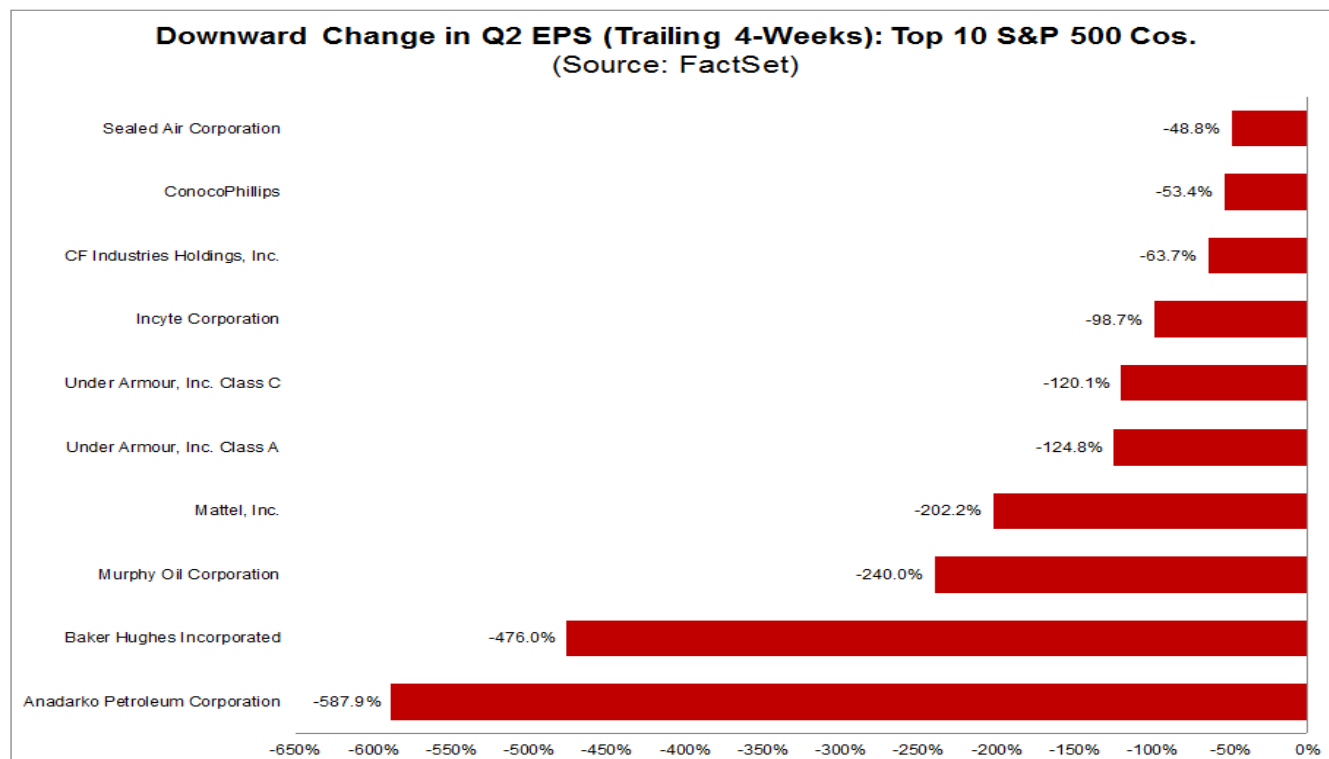
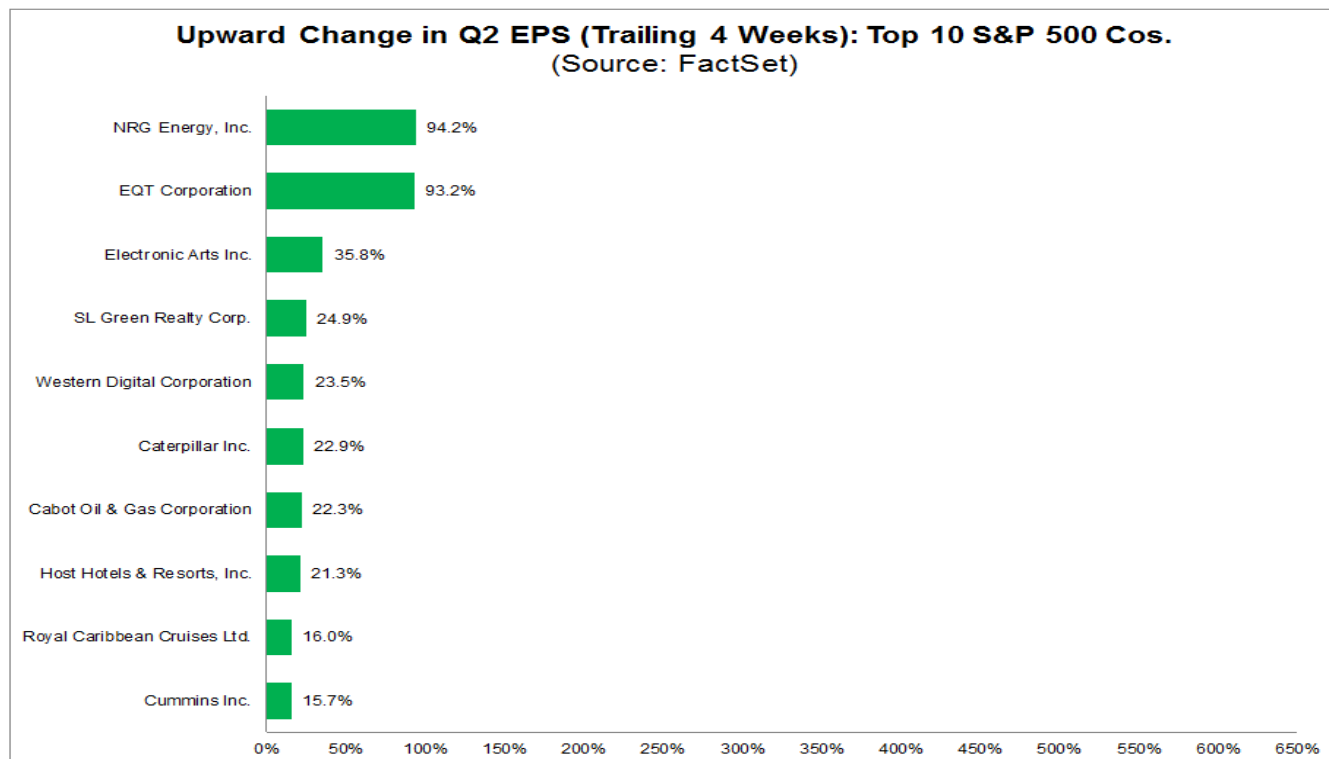
Q1 2017: Growth



Q2 2017: Guidance

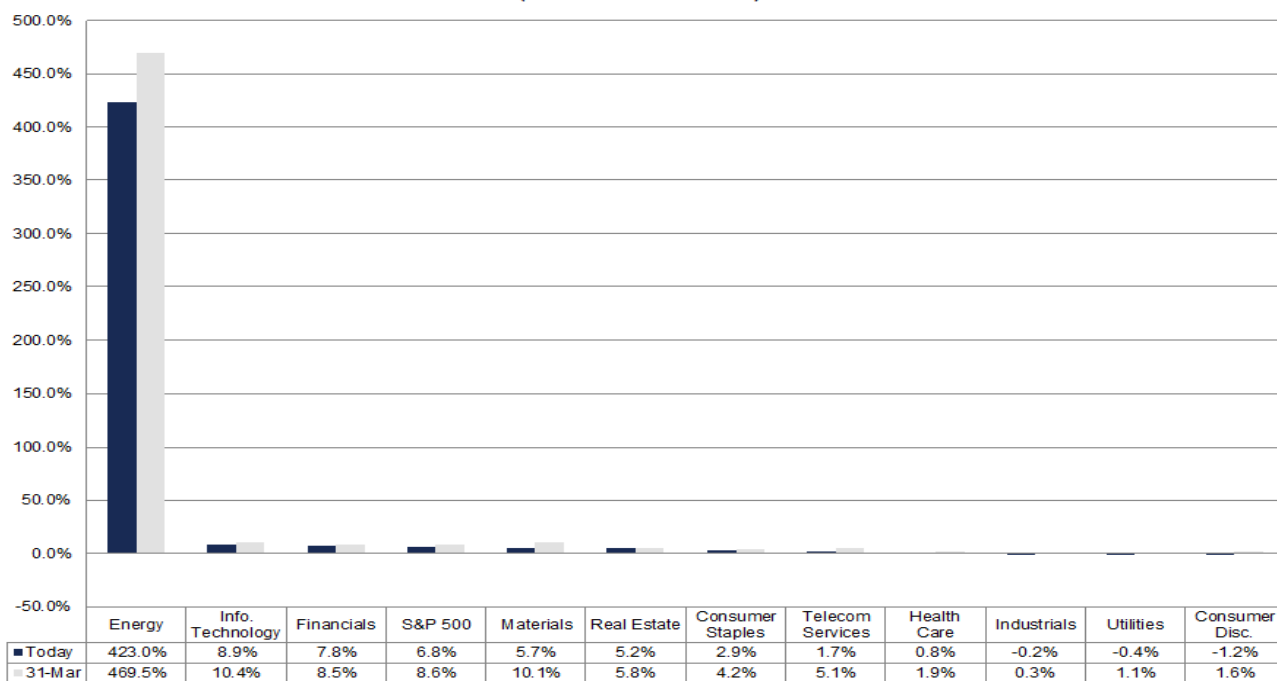


Q2 2017: EPS Revisions

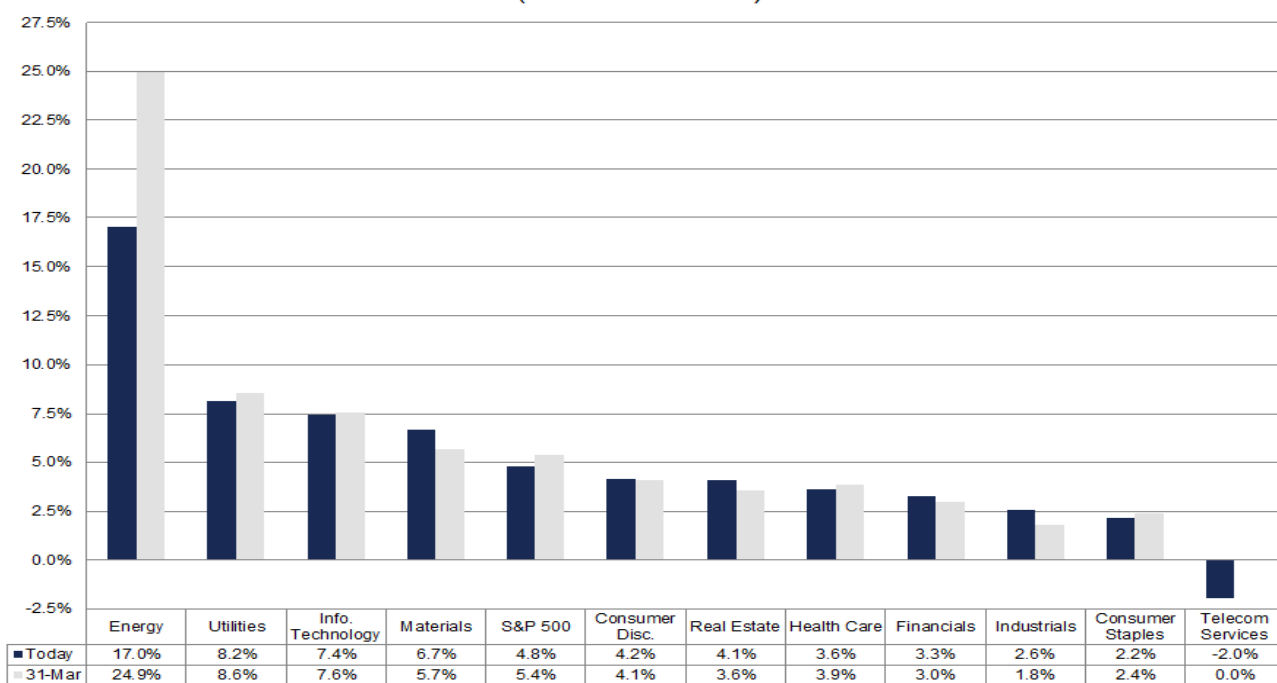


Q2 2017: Growth

S&P 500 Earnings Growth: Q2 2017
(Source: FactSet)

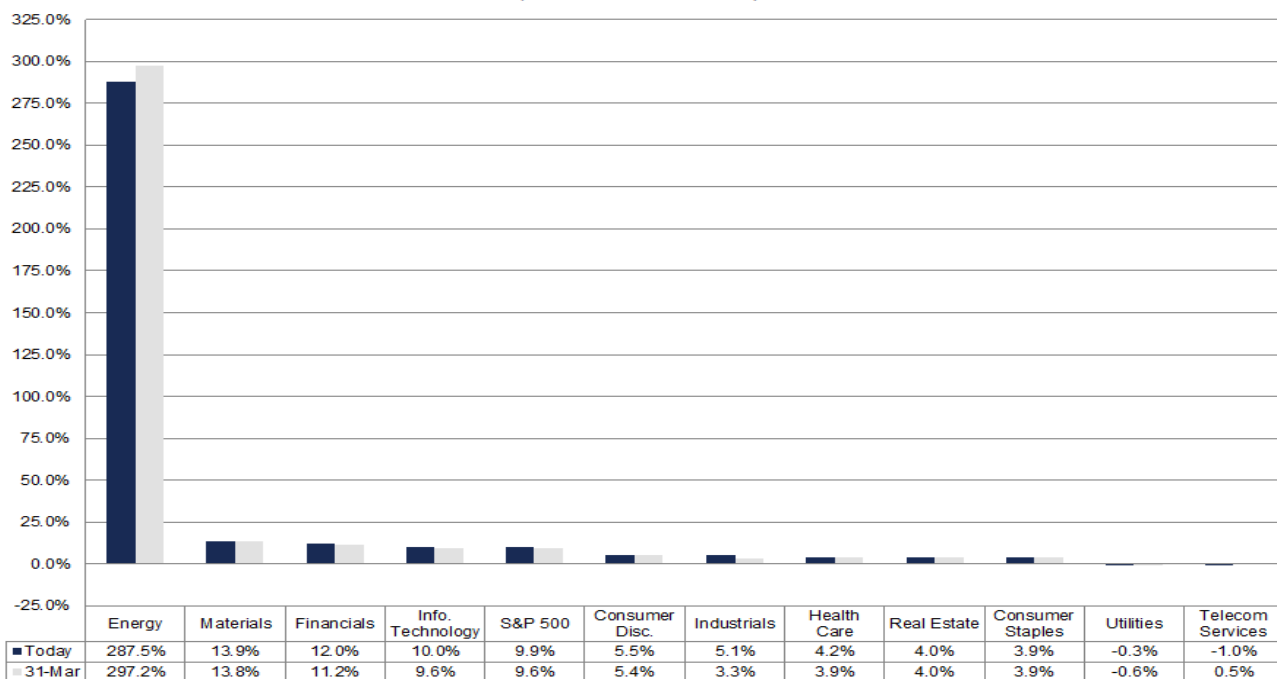


S&P 500 Revenue Growth: Q2 2017
(Source: FactSet)

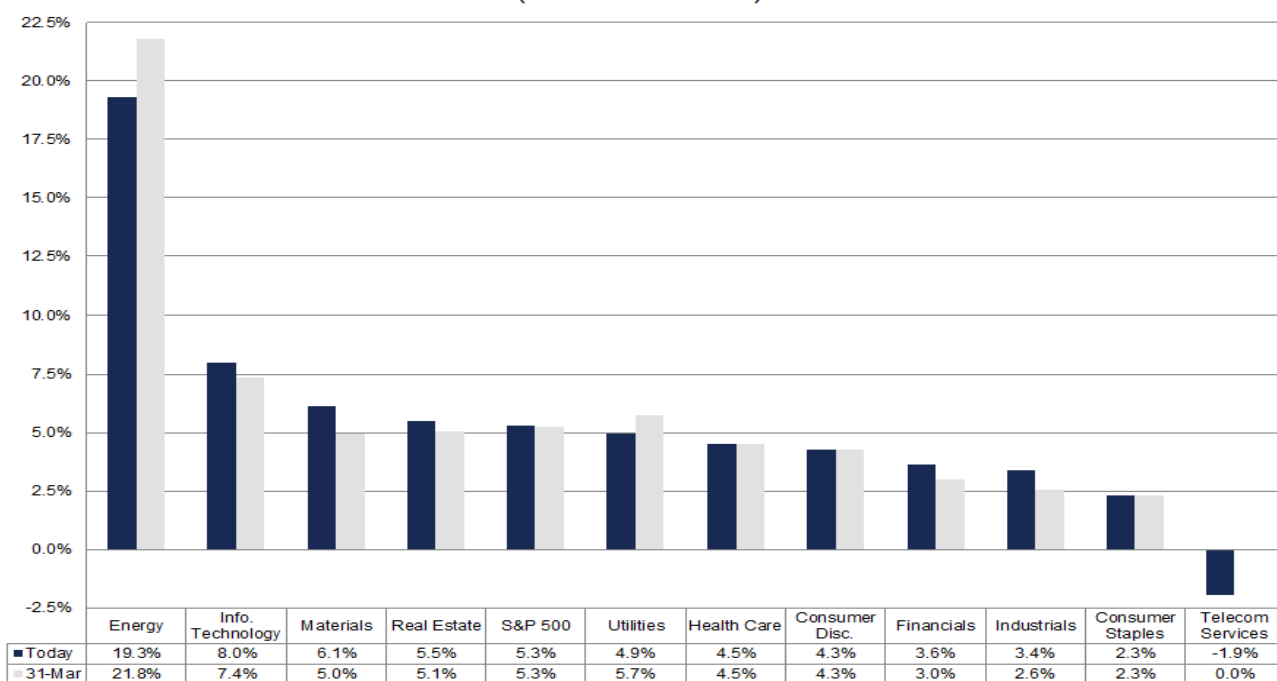


CY 2017: Growth

S&P 500 Earnings Growth: CY 2017
(Source: FactSet)

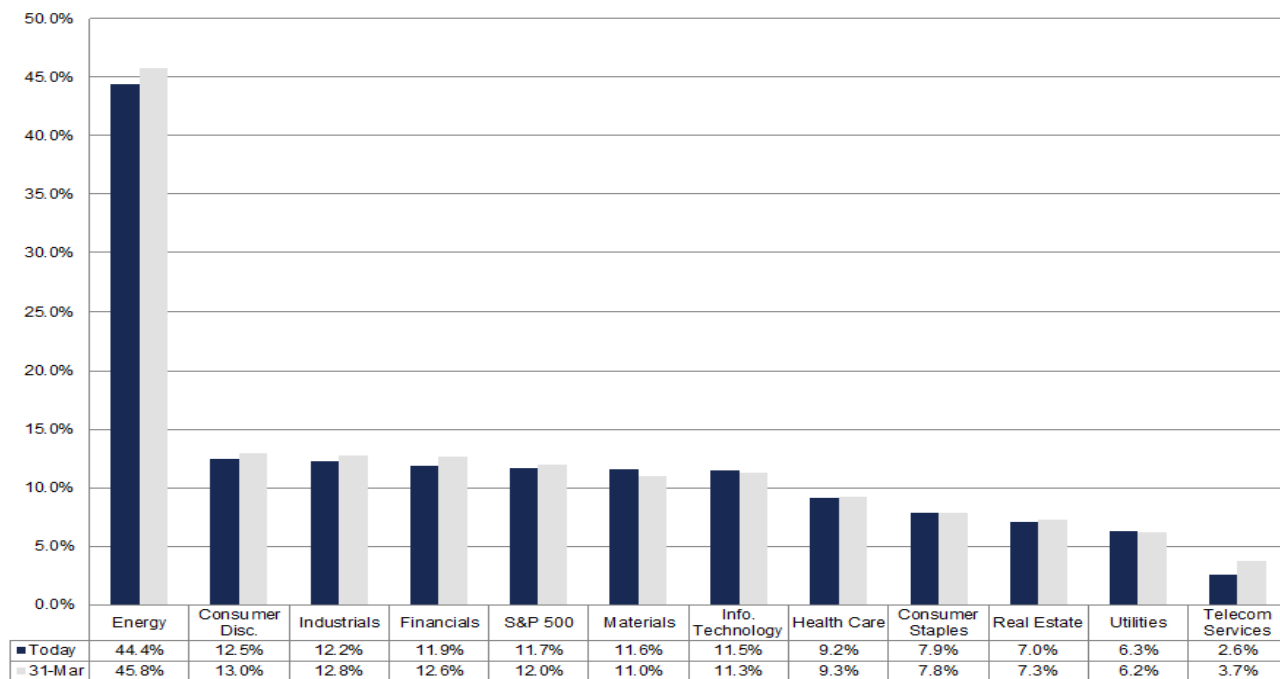


S&P 500 Revenue Growth: CY 2017
(Source: FactSet)

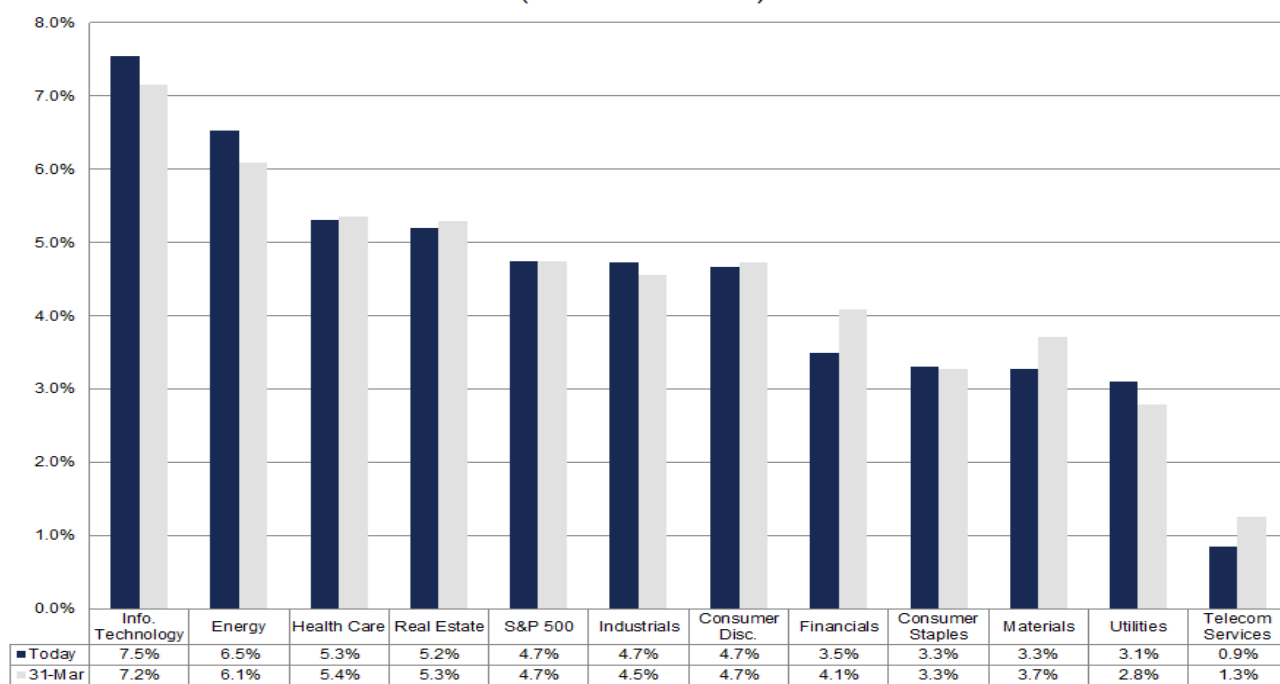


CY 2018: Growth

S&P 500 Earnings Growth: CY 2018
(Source: FactSet)

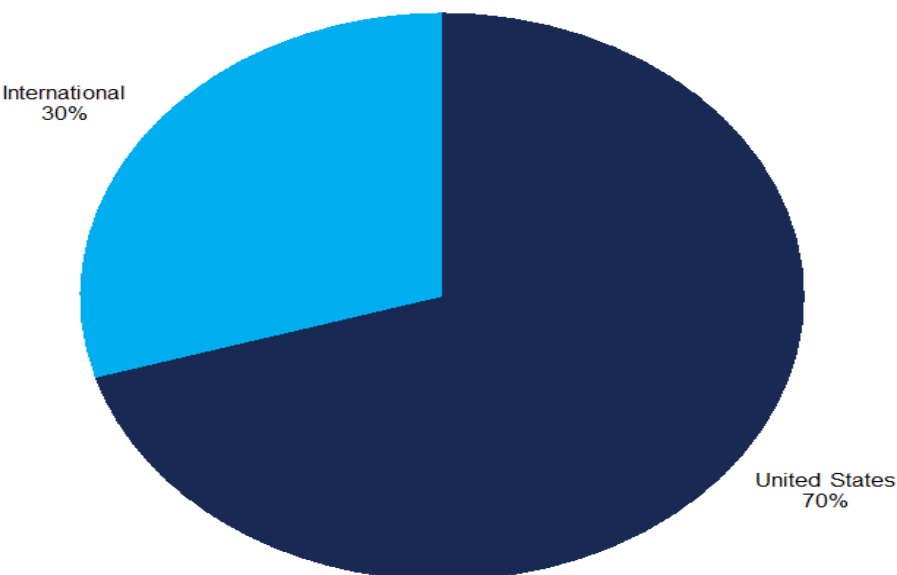


S&P 500 Revenue Growth: CY 2018
(Source: FactSet)

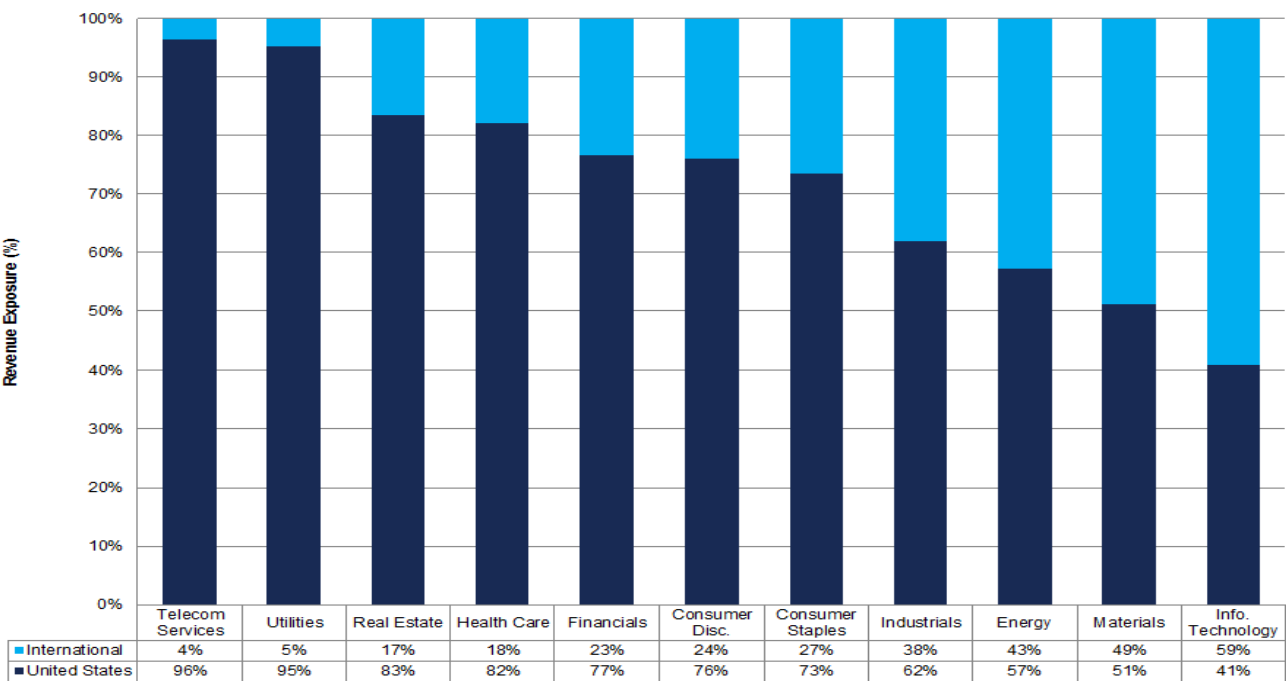


Geographic Revenue Exposure

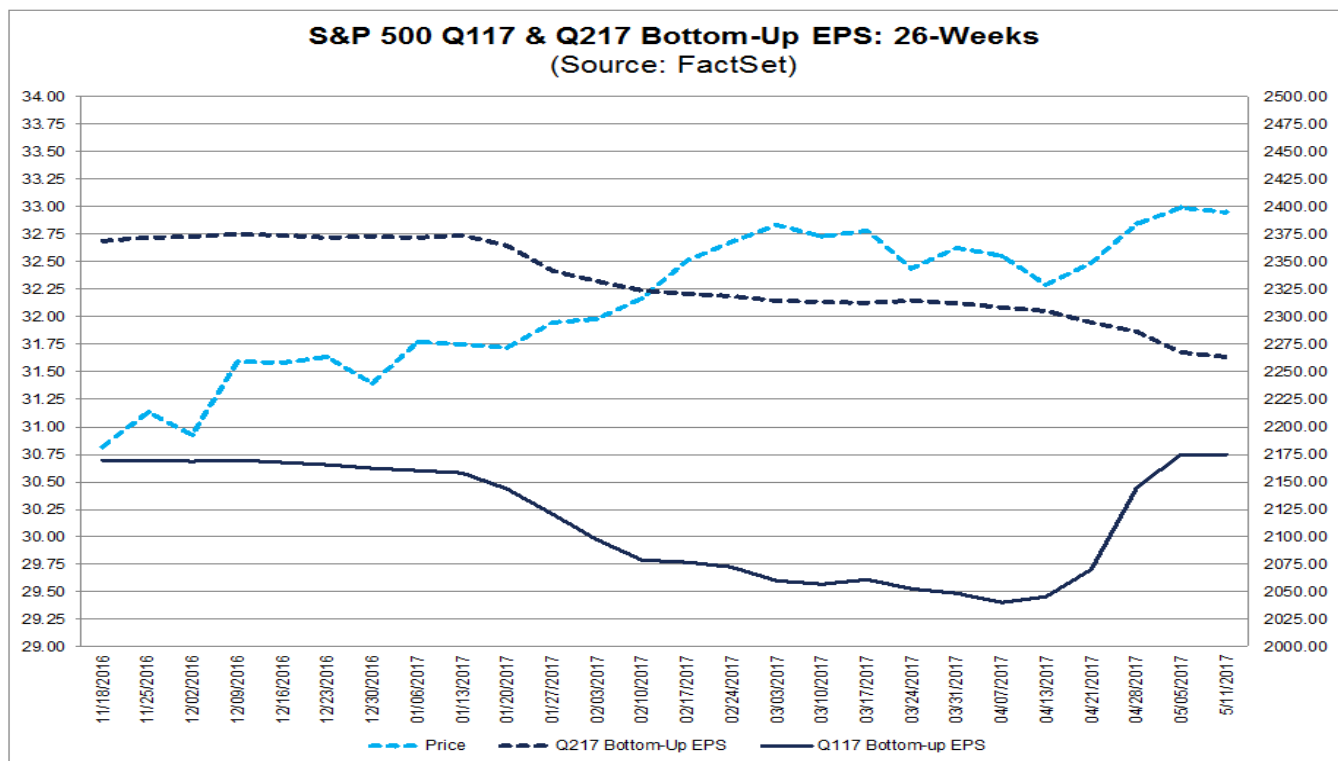
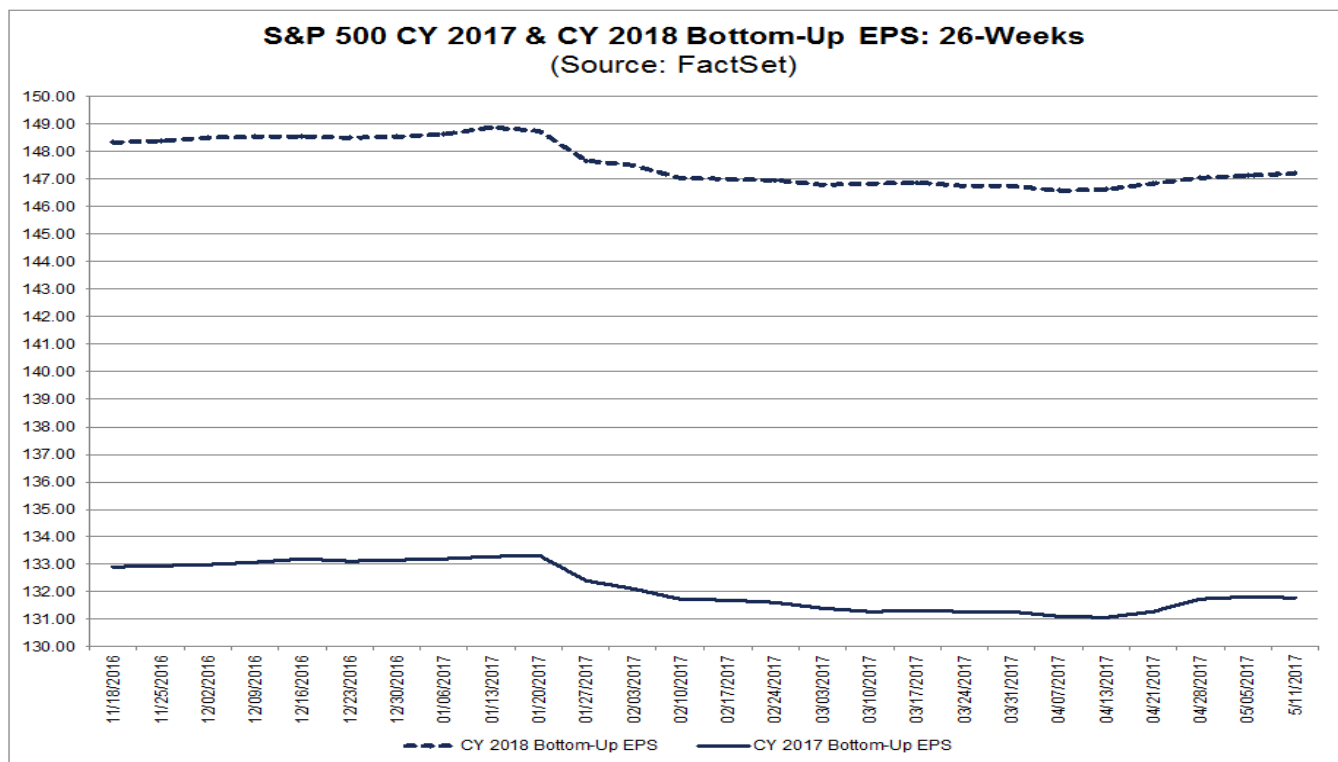
S&P 500: Aggregate Geographic Revenue Exposure (%)
(Source: FactSet)



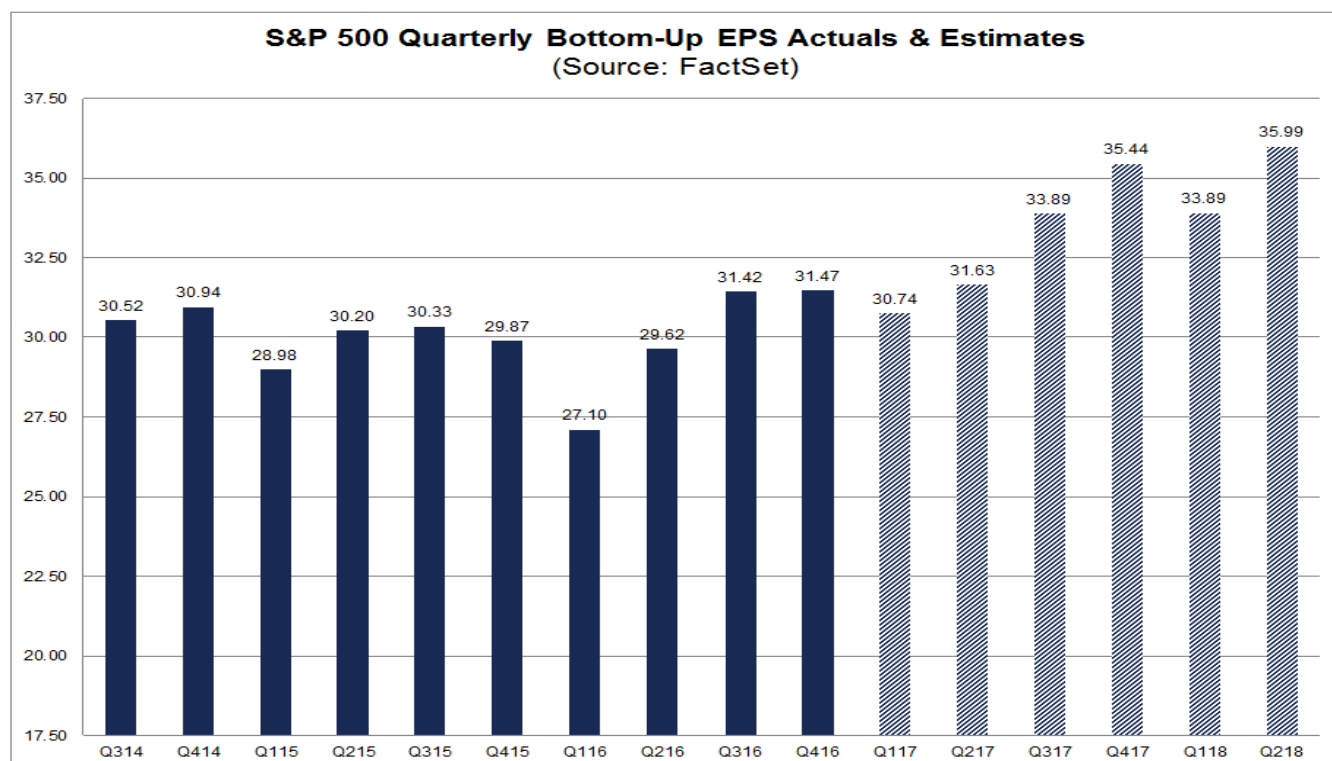
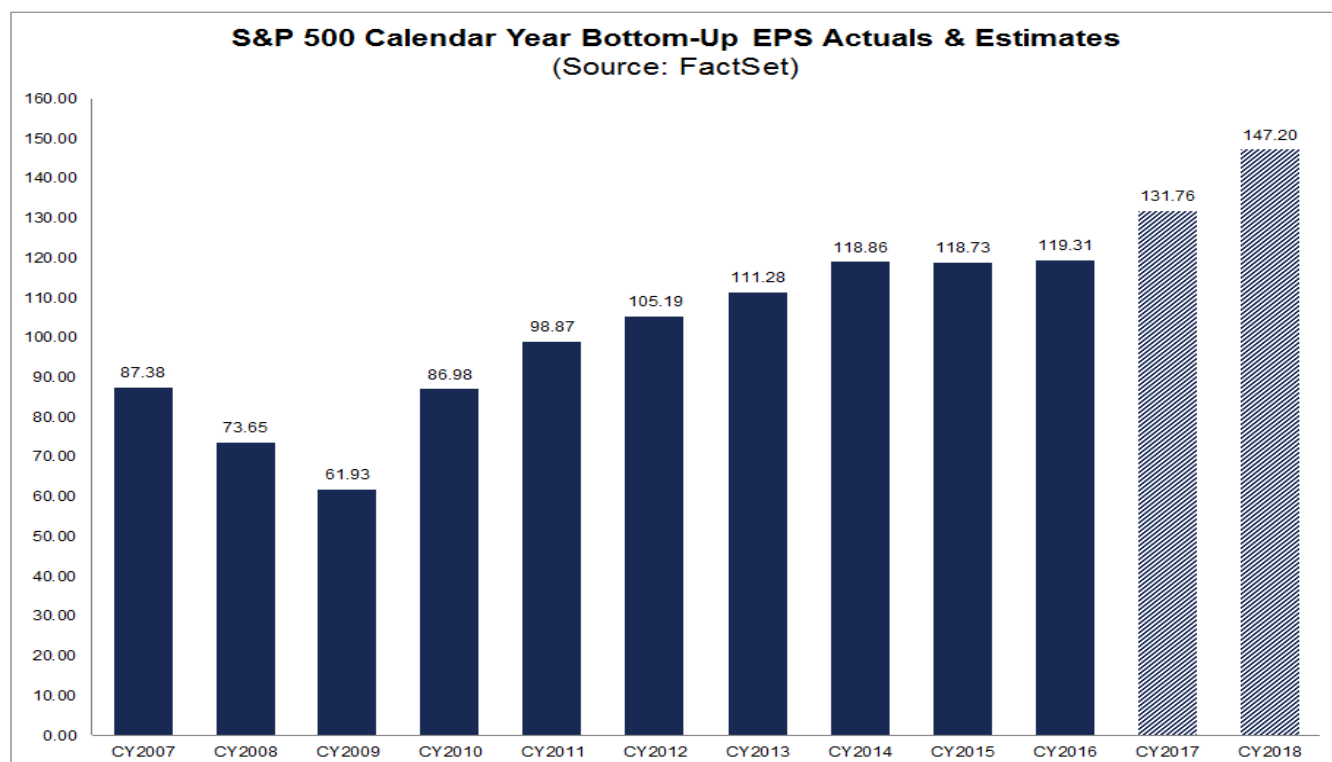
S&P 500: Aggregate Sector Geographic Revenue Exposure (%)
(Source: FactSet)



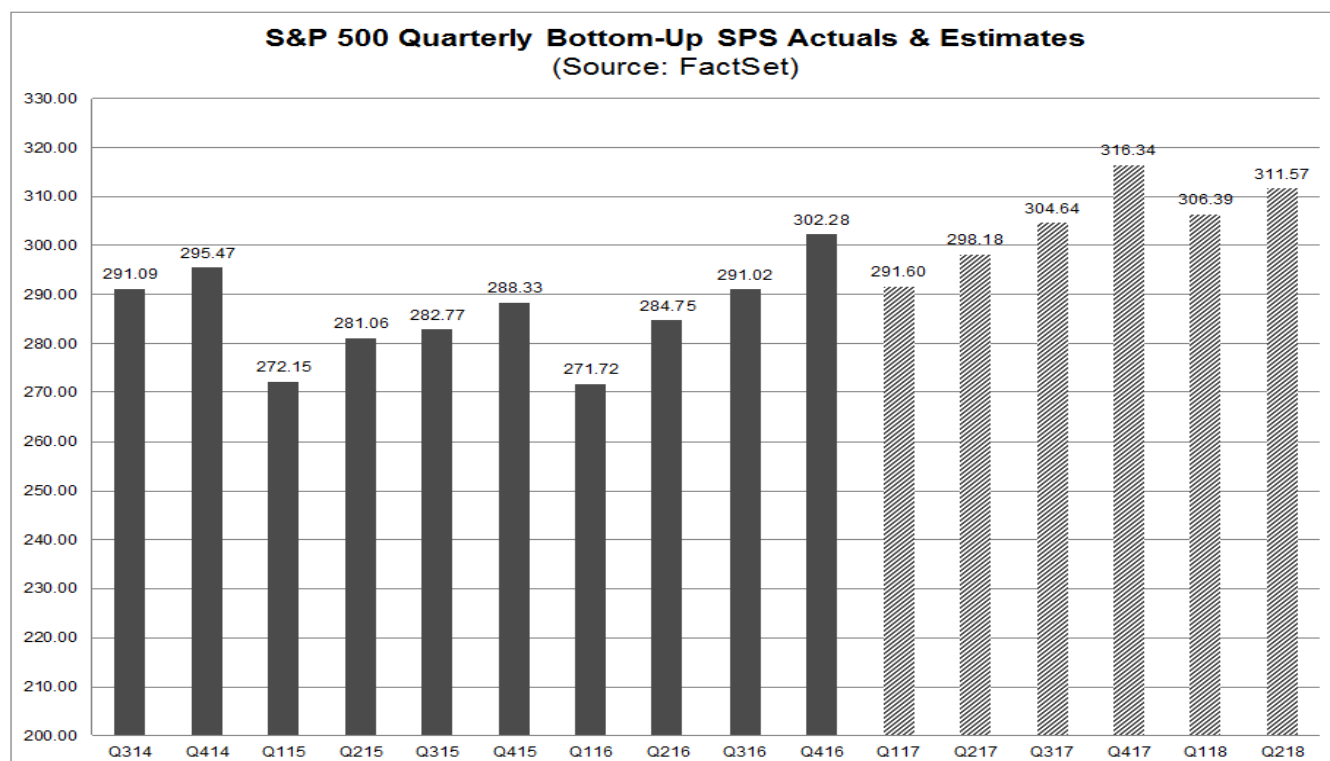
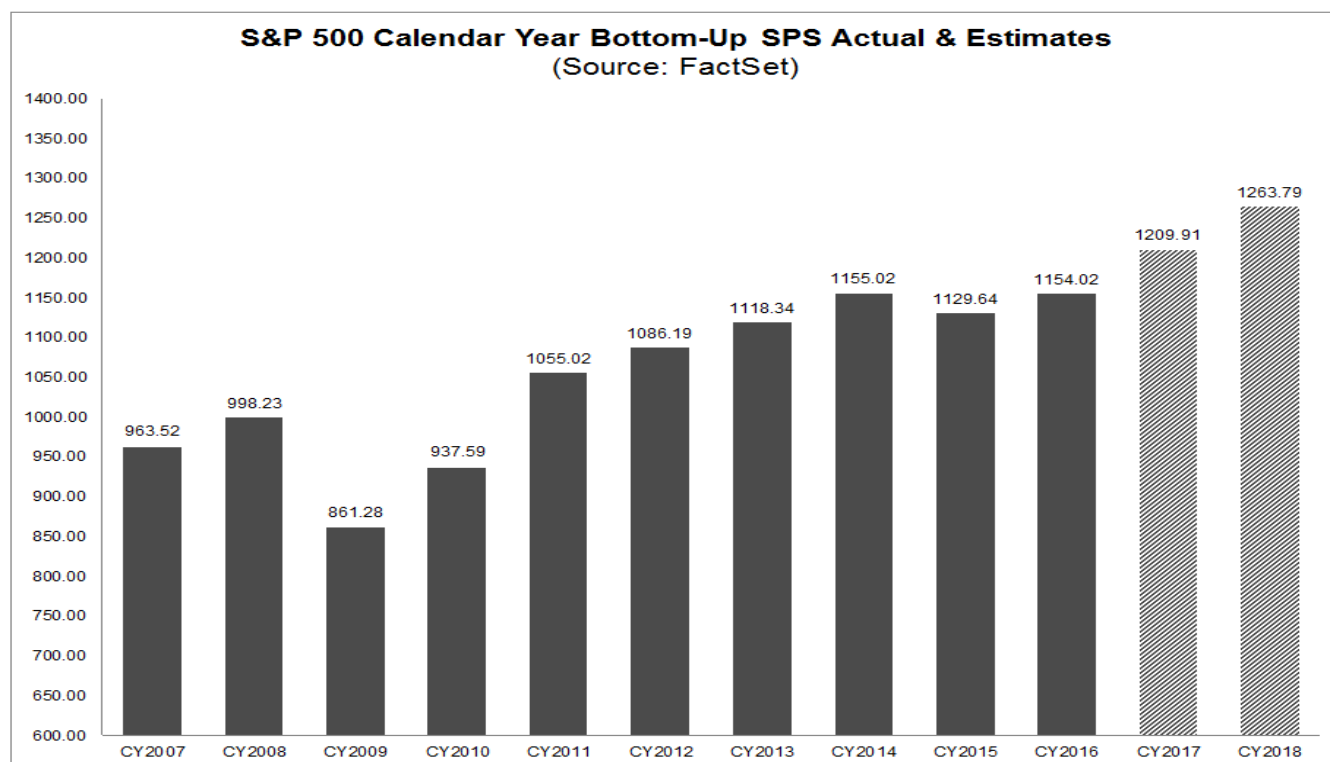
Bottom-up EPS Estimates: Revisions



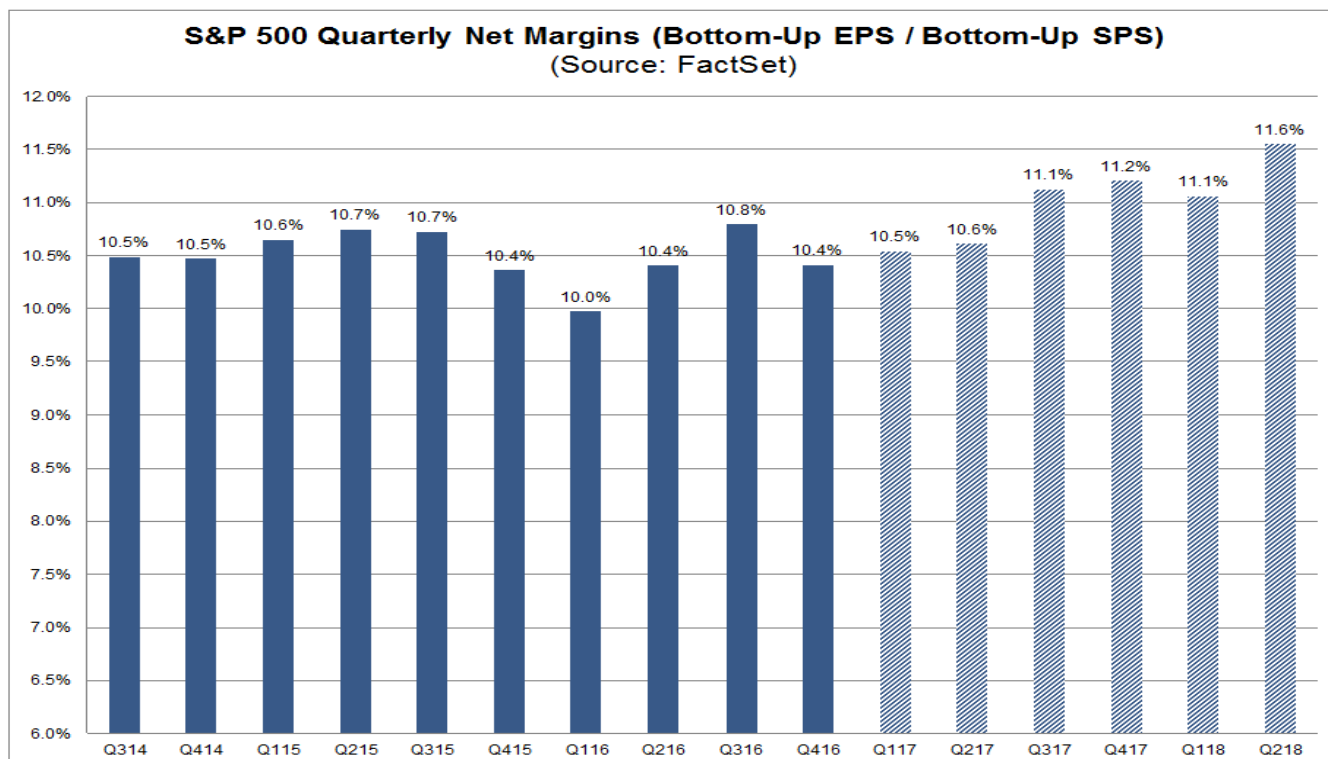
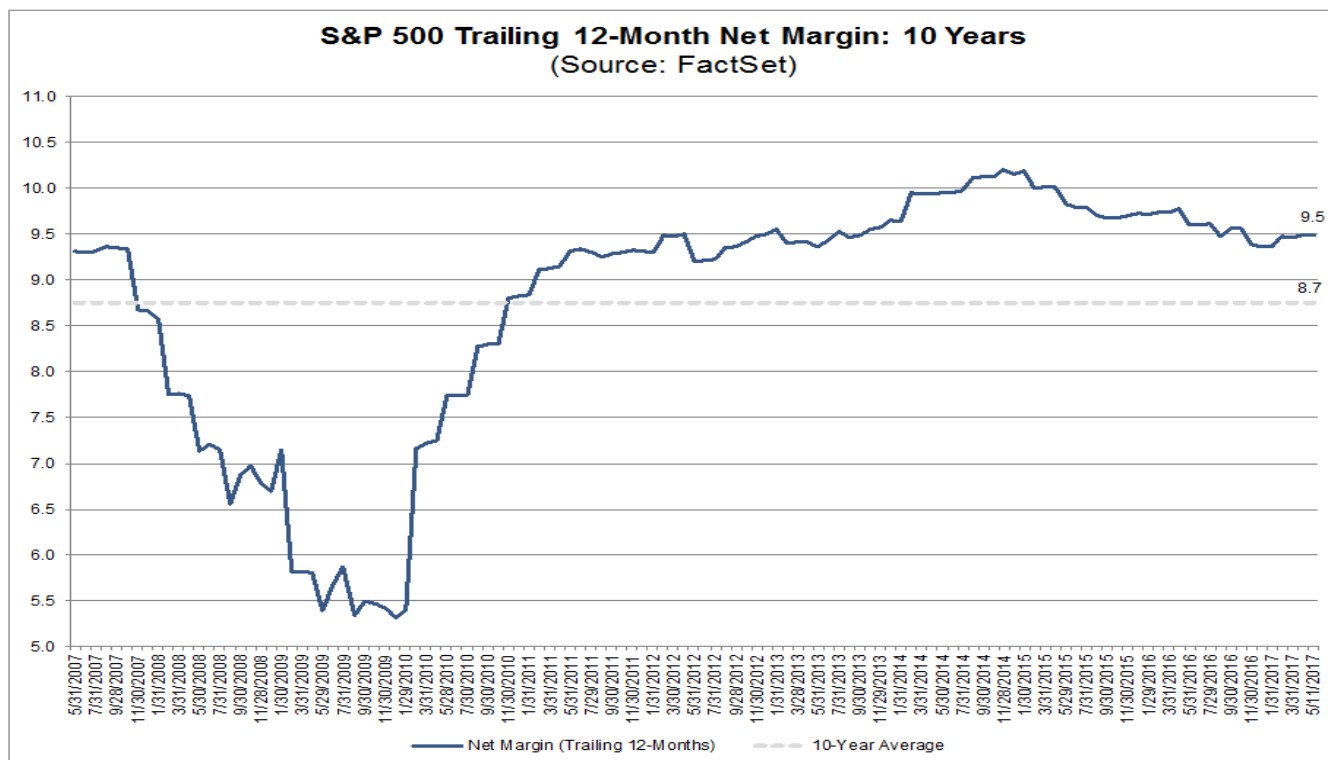
Bottom-up EPS Estimates: Current & Historical



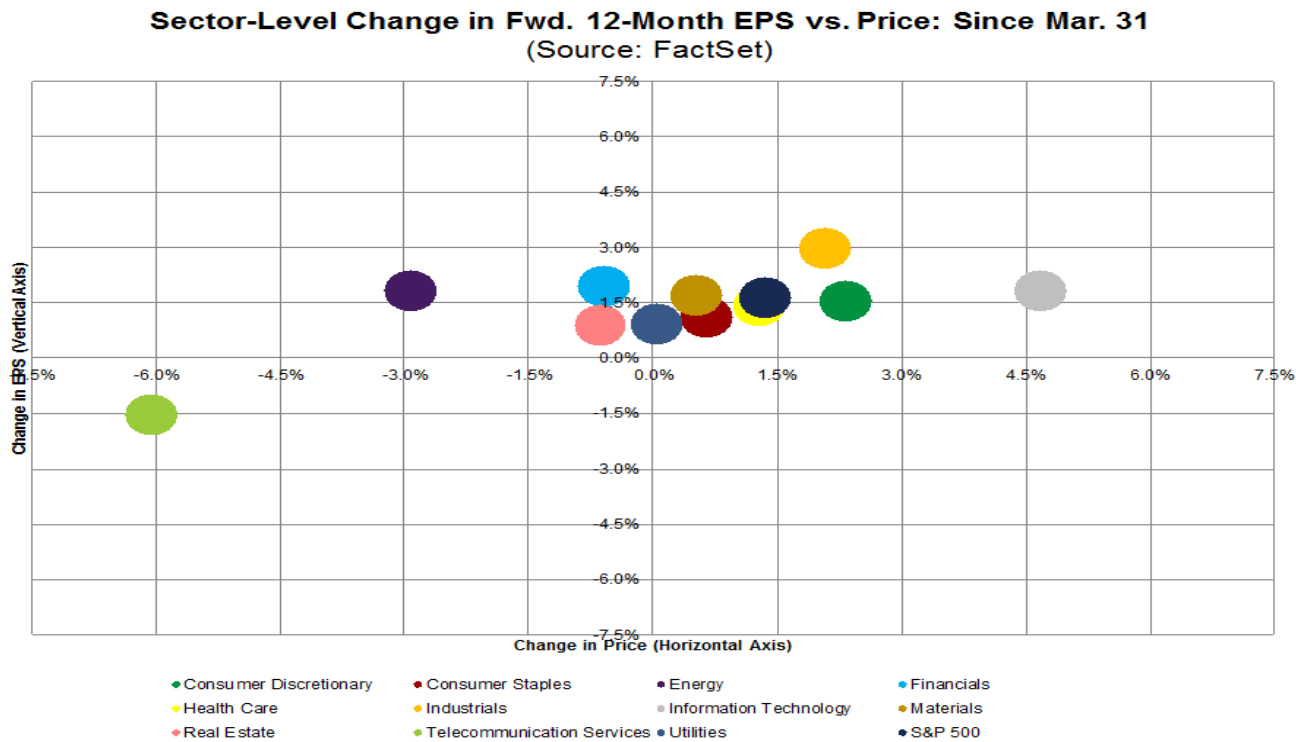
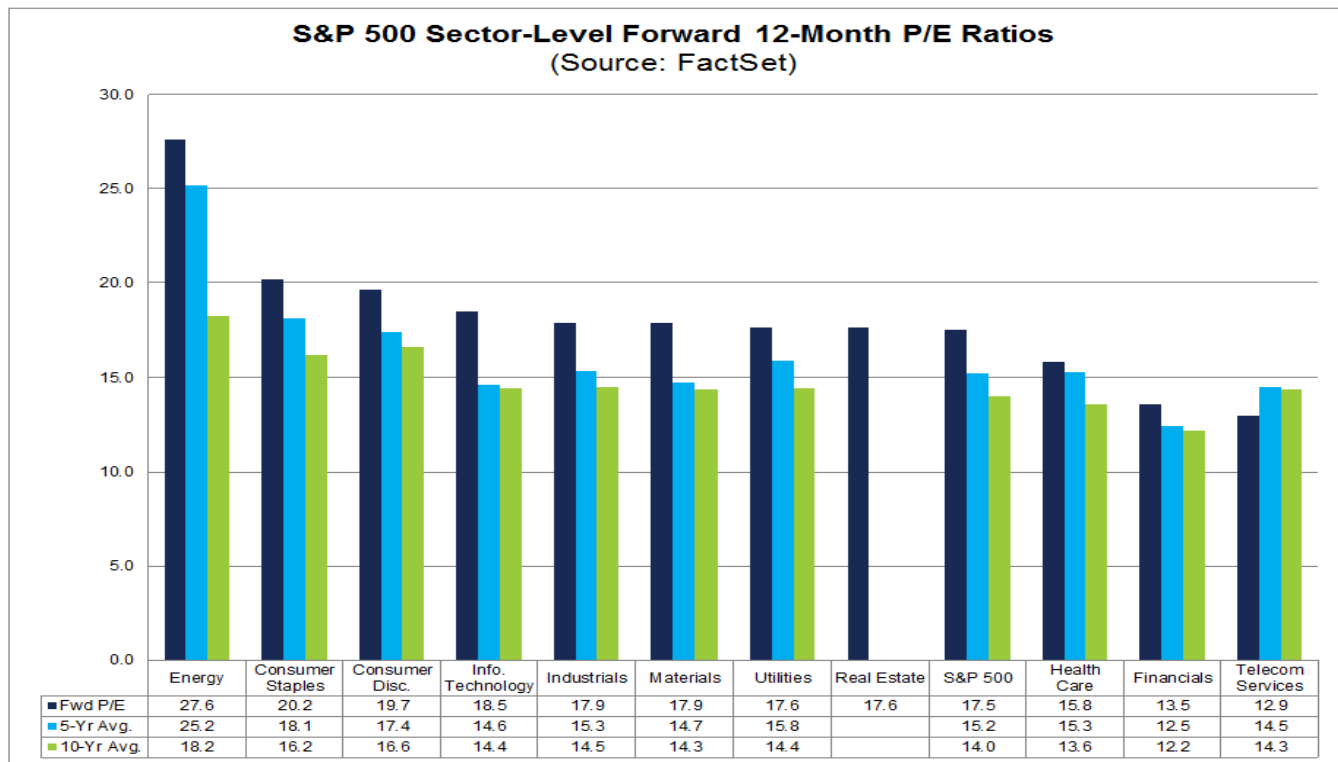
Bottom-up SPS Estimates: Current & Historical



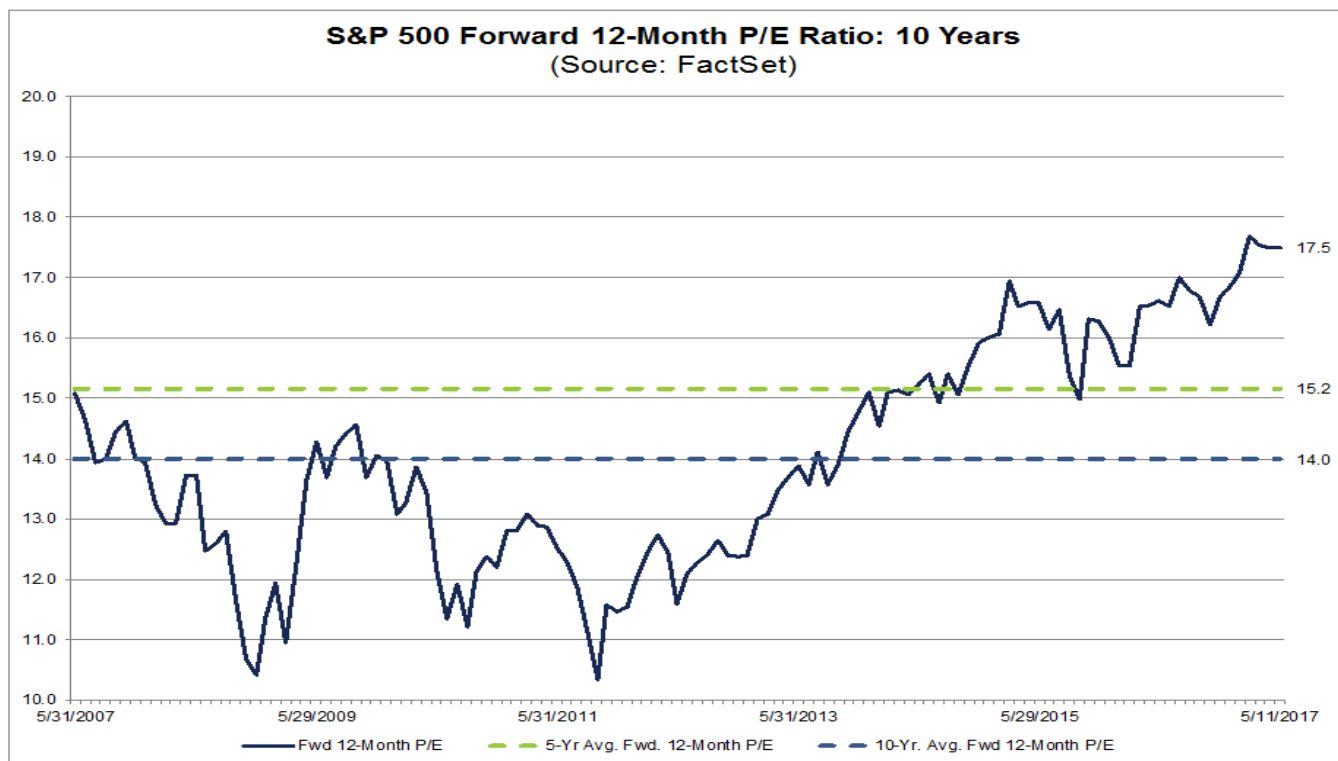
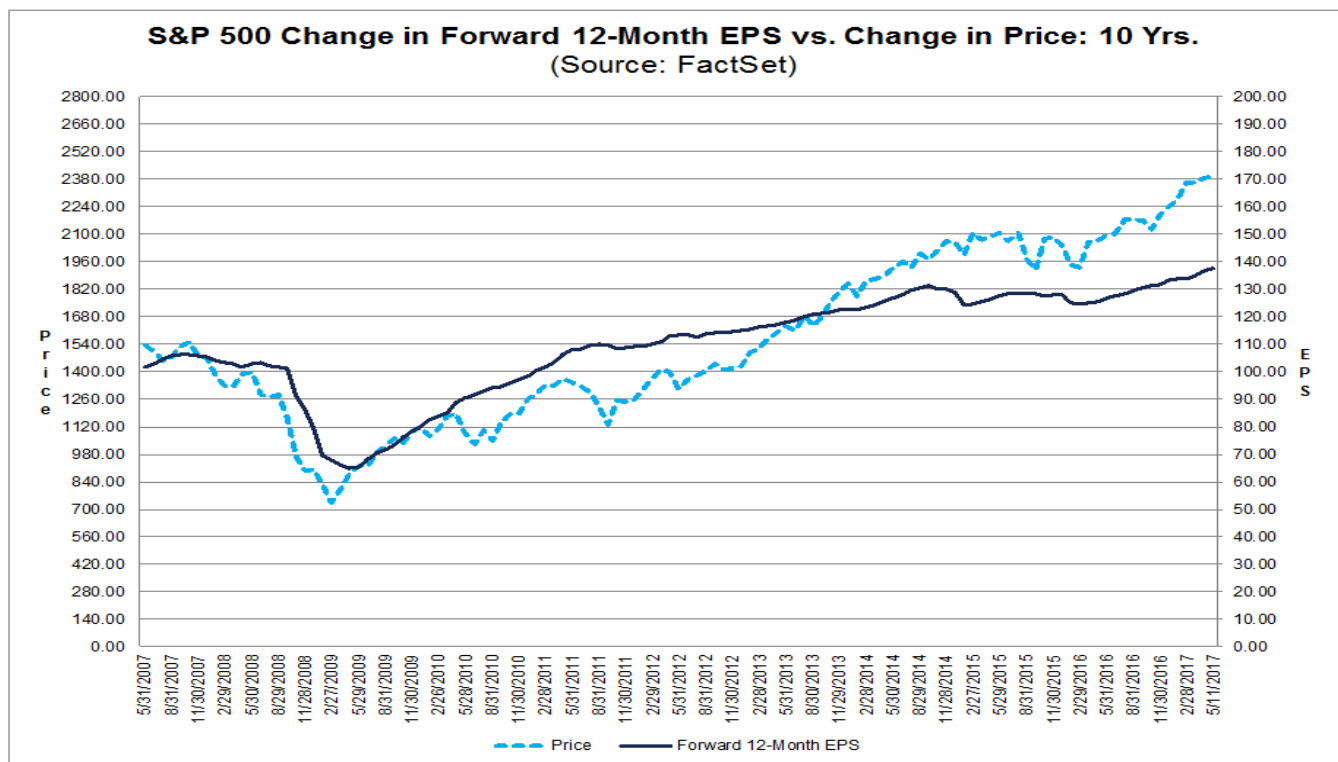
Net Margins: Current & Historical



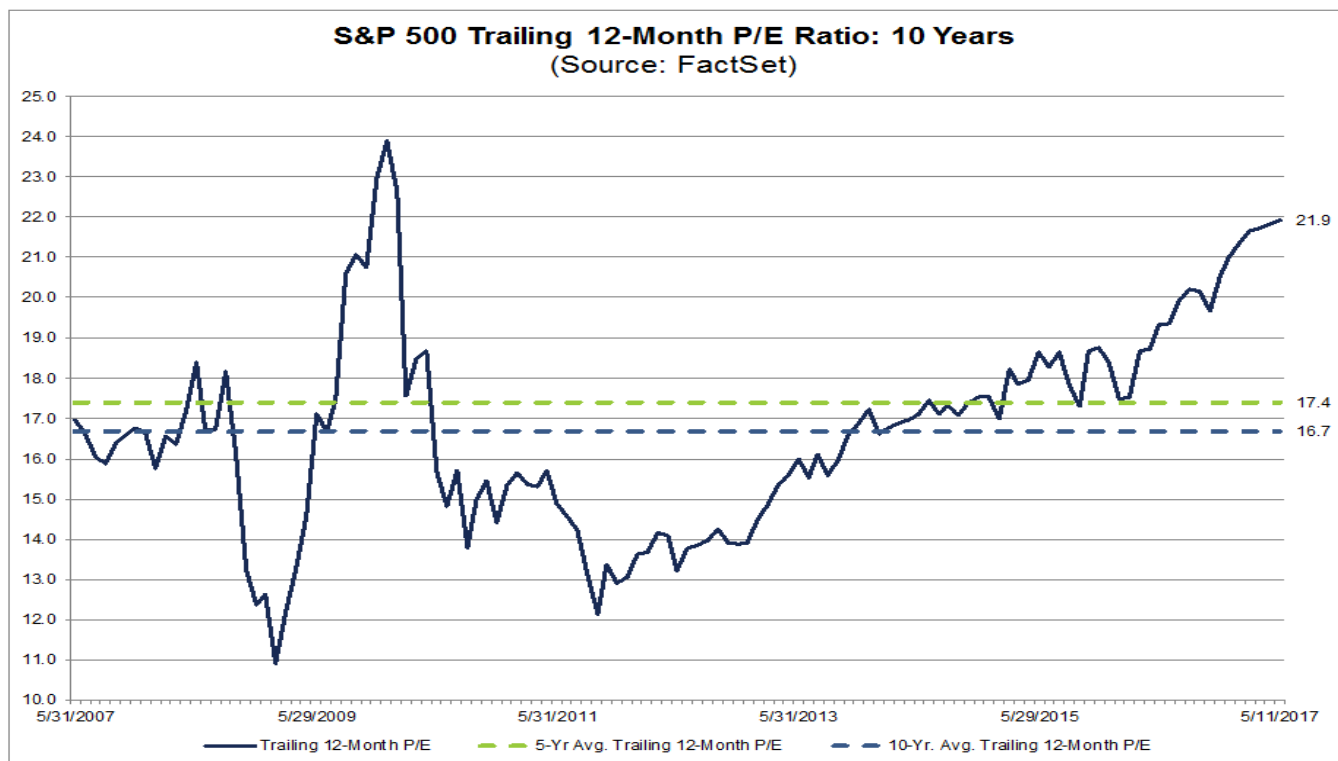
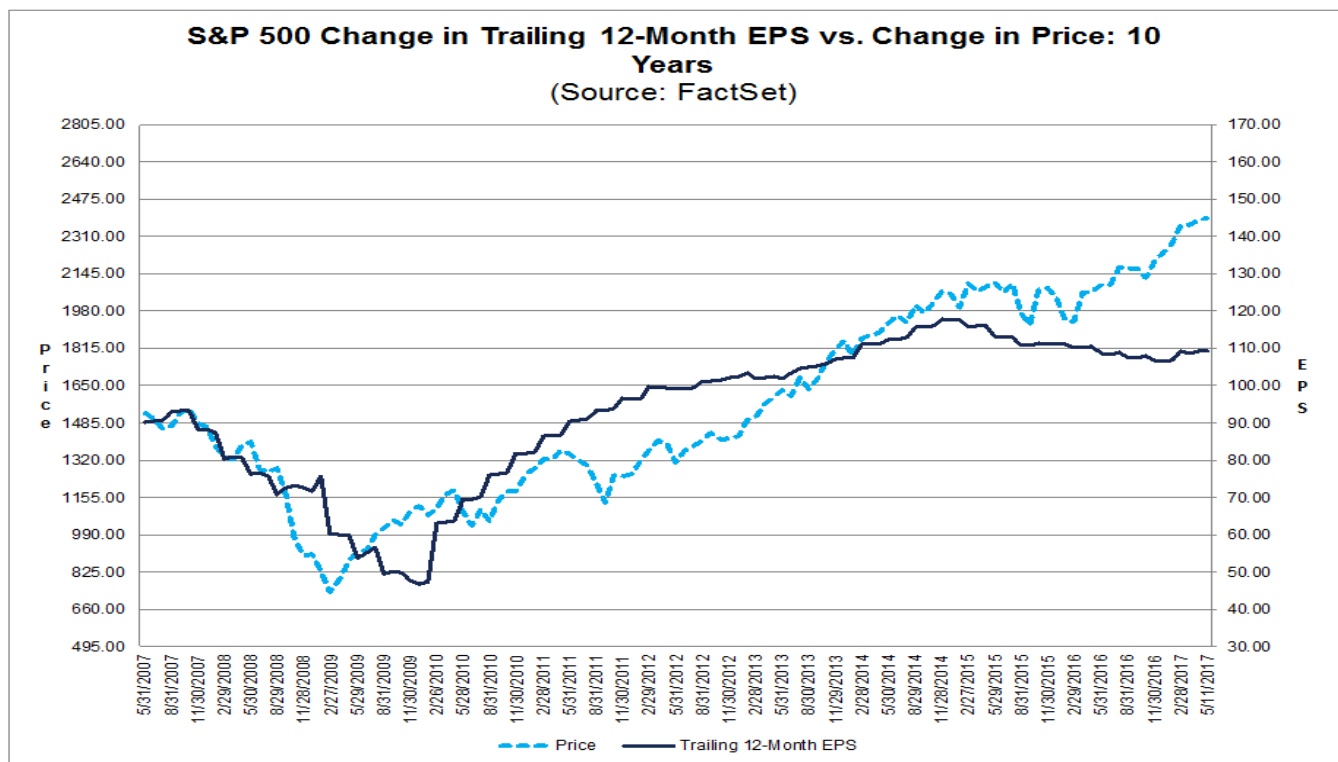
Forward 12M P/E Ratio: Sector Level



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



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



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