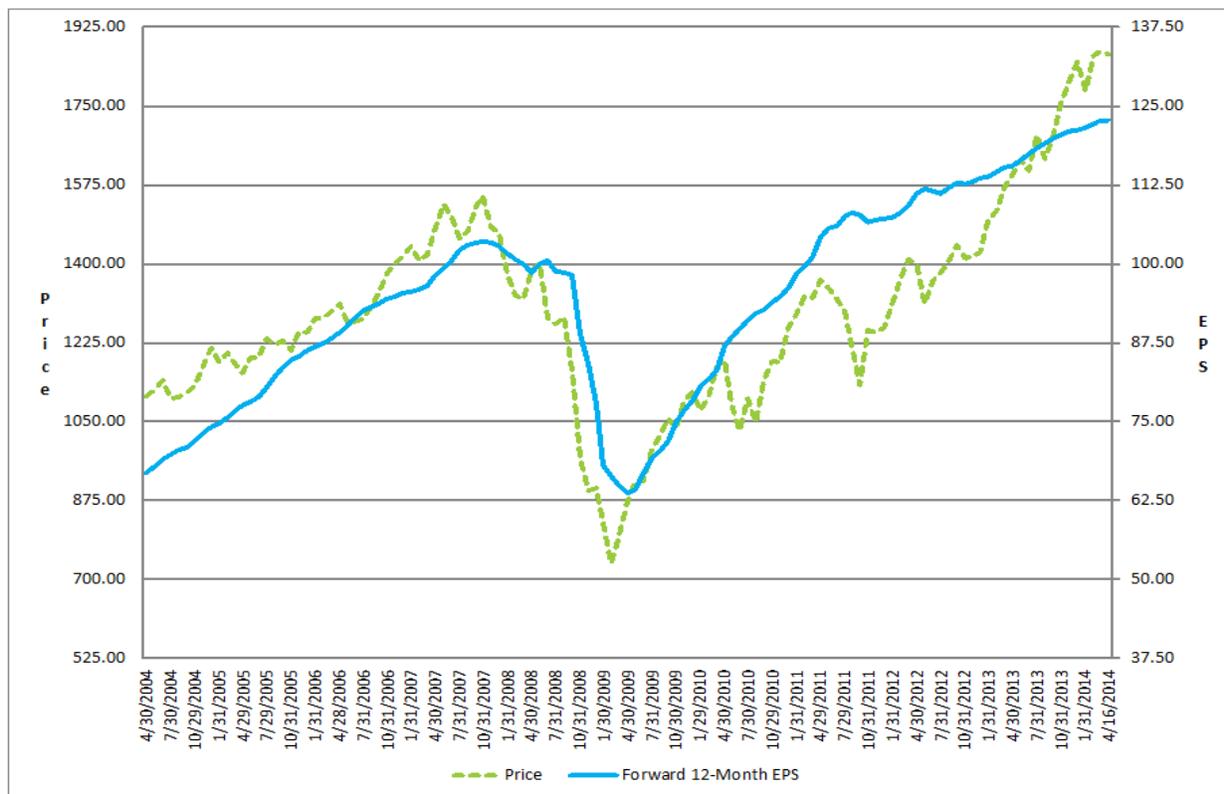


Key Metrics

- + **Earnings Scorecard:** Of the 82 companies that have reported earnings to date for Q1 2014, 66% have reported earnings above the mean estimate and 50% have reported sales above the mean estimate. Both of these percentages are below recent averages.
- + **Earnings Growth:** The blended earnings decline for Q1 2014 is -1.3%. If this is the final percentage for the quarter, it will mark the first year-over-year decline in earnings since Q3 2012 (-1.0%).
- + **Earnings Revisions:** On March 31, the estimated earnings decline for Q1 2014 was also -1.3%. Six of the ten sectors have higher earnings growth rates today (compared to March 31) due to upside earnings surprises and upward revisions to earnings estimates, led by the Telecom Services sector.
- + **Earnings Guidance:** For Q2 2014, 9 companies have issued negative EPS guidance and 6 companies have issued positive EPS guidance.
- + **Valuation:** The current 12-month forward P/E ratio is 15.2. This P/E ratio is based on Wednesday's closing price (1862.31) and forward 12-month EPS estimate (\$122.62).

S&P 500 Forward 12-Month EPS vs. Price: 10-Year



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

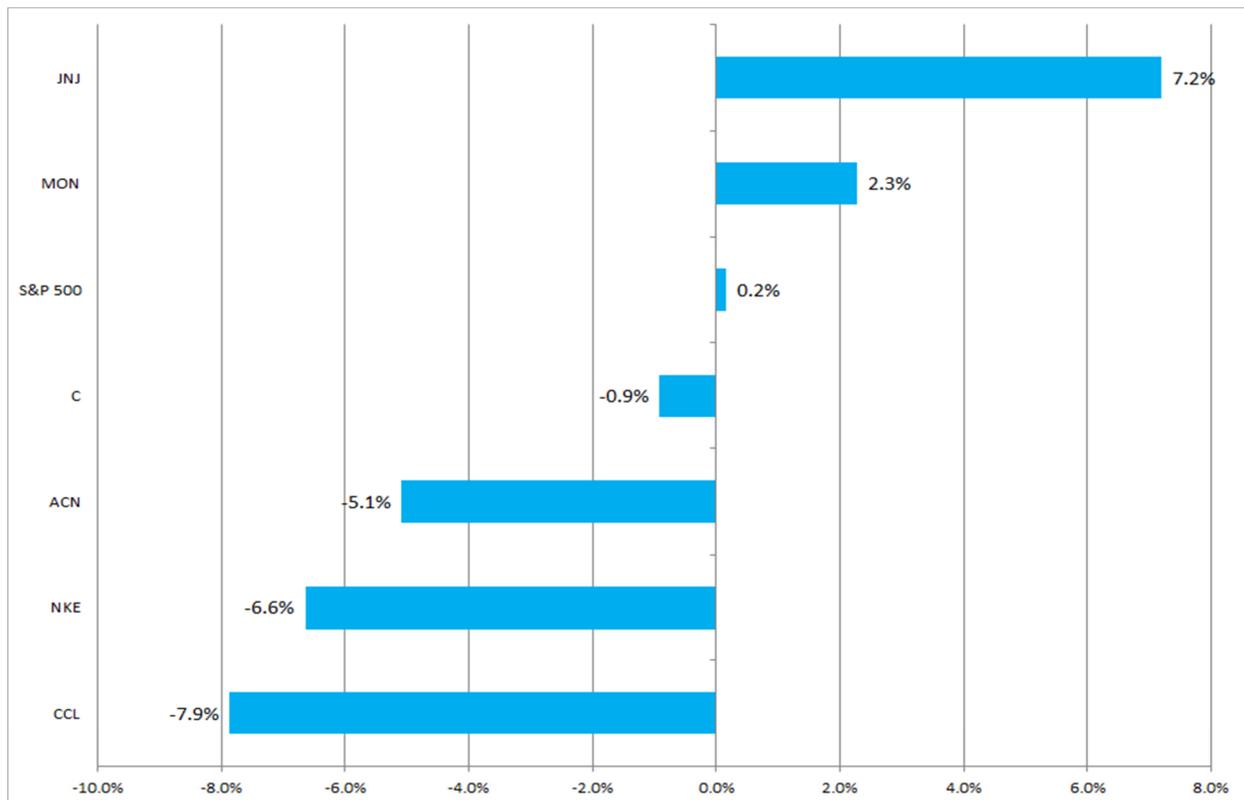
Few S&P 500 Companies Commenting On Crisis in Ukraine to Date

This past week marked an escalation of the tensions in Ukraine, as multiple media outlets reported that pro-Russia militants have seized or have attempted to seize control of government and administrative buildings in the eastern part of country. During each earnings season, it is not unusual for companies to comment on domestic or international events that may have an impact on their corporations. Have companies in the S&P 500 been commenting on the Ukraine crisis during their earnings conference calls for the first quarter?

Through this past Tuesday (April 15), just six companies in the S&P 500 have addressed the situation in Ukraine in their earnings conference calls: Accenture, Carnival Corporation, Citigroup, Johnson & Johnson, Monsanto, and NIKE. None of the companies stated that the crisis was having a significant impact on their business to date. The comments from the companies generally fell into three camps. Two companies stated that the impact has been small and manageable (Carnival Corporation and Monsanto). Two companies stated that there has been little to no impact, and that the size of their business in the region is likely too small to have a substantial overall impact (NIKE and Johnson & Johnson). Finally, two companies stated that the situation has caused an increase in uncertainty in the markets, but did not cite a direct impact on their business (Accenture and Citigroup).

Since the invasion of Crimea (February 28), the value of the S&P 500 has increased by 0.2% (to 1862.31 from 1859.45). During this time frame, four of these six companies have recorded a decline in price, while the other two companies have recorded an increase in price.

S&P 500: Change in Price (%) Since February 28



Q1 2014 Earnings Season: Overview

Fewer Companies Beating Estimates than Average

With 16% of the companies in the S&P 500 reporting actual results for Q1 to date, fewer companies are reporting EPS and revenue above estimates relative to recent historical averages.

Percentage of Companies Beating EPS Estimates (66%) is Below Recent Averages

Overall, 82 companies have reported earnings to date for the first quarter. Of these 82 companies, 66% have reported actual EPS above the mean EPS estimate and 34% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is below both the 1-year (71%) average and the 4-year (73%) average.

At the sector level, the Health Care (100%) and Materials (80%) sectors have the highest percentages of companies reporting earnings above estimates, while the Consumer Discretionary (55%) and Consumer Staples (56%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (+1.9%) Below Recent Quarters

In aggregate, companies are reporting earnings that are 1.9% above expectations. This surprise percentage is below both the 1-year (+3.1%) average and the 4-year (+5.8%) average.

Companies in the Industrials (+5.6%) and Health Care (+4.5%) sectors are reporting the largest upside aggregate differences between actual earnings and estimated earnings. In the Industrials sector, General Electric (+13%) has reported the highest positive earnings surprise. In the Health Care sector, Abbott Laboratories (+15%) has reported actual EPS above the mean EPS estimate by the widest margin.

On the other hand, companies in the Financials (+0.4%) sector are reporting the smallest upside aggregate differences between actual earnings and estimated earnings. In this sector, Bank of America (-194%) has reported the largest downside earnings surprise.

Percentage of Companies Beating Revenue Estimates (50%) is Below Recent Averages

In terms of revenues, 50% of companies have reported actual sales above estimated sales and 50% have reported actual sales below estimated sales. The percentage of companies reporting sales above estimates is below both the 1-year (54%) average and the 4-year average (58%).

At the sector level, the Energy (75%) sector has the highest percentage of companies reporting revenue above estimates, while the Materials (40%) sector has the lowest percentage of companies reporting revenue above estimates.

Revenue Surprise Percentage (-0.3%) Below Recent Quarters

In aggregate, companies are reporting sales that are 0.3% below expectations. This surprise percentage is below the 1-year (+0.3%) average and below the 4-year (+0.6%) average.

Companies in the Consumer Discretionary (+0.6%) and Financials (+0.4%) sectors are reporting the largest upside aggregate differences between actual sales and estimated sales, while companies in the Materials (-1.4%) and Information Technology (-1.0%) sectors are reporting the largest downside aggregate differences between actual sales and estimated sales.

Slight Decrease in Earnings Decline This Week

Slight Decrease in Earnings Decline This Week

The blended earnings decline for the first quarter is -1.3% this week, lower than the decline of -1.7% last week. During the past week, upside earnings surprises reported by companies in the Health Care sector (including Abbott Laboratories and Johnson & Johnson) were the largest contributors to the small

decrease in the earnings decline for the index. As a result of these upside surprises, the blended earnings growth rate for the Health Care sector improved to 1.4% from 0.3% over this time frame.

In the Financials sector, large upside earnings surprises reported by Citigroup (+13%), Goldman Sachs (+15%), Capital One Financial (+16%), and Morgan Stanley (+12%) were almost entirely offset by the large downside earnings surprise reported by Bank of America (-194%) during the week. As a result, the blended earnings decline for the Financials sector only improved slightly (to -5.4% from -5.5%) over this time frame.

Telecom Services Sector Has Seen Largest Jump in Earnings Growth since March 31

The blended earnings decline for Q1 2014 of -1.3% is equal to the estimate of -1.3% at the end of the quarter (March 31). Six sectors have seen an increase in earnings growth over this period due to a combination of upside earnings surprises and upward revisions to earnings estimates, led by the Telecom Services sector (to 26.1% from 23.9%). Four sectors have recorded a decrease in earnings growth due to a combination of downside earnings surprises and downward revisions to earnings estimates, led by the Consumer Discretionary (to 2.1% from 4.0%) sector.

Blended Earnings Decline (-1.3%): Could Be First Decrease in Earnings Since Q3 2012 (-1.0%)

The blended earnings decline for Q1 2014 is -1.3%. If this is the final percentage for the quarter, it will mark the first year-over-year decrease in earnings since Q3 2012 (-1.0%). Five of the ten sectors are reporting or are expected to report higher earnings relative to a year ago, led by the Telecom Services and Utilities sectors. On the other hand, the Energy and Financials sectors are reporting the largest decreases in earnings of all ten sectors.

Telecom Services: Ex-Verizon, Growth Rate Drops to -0.1%

The Telecom Services sector is predicted to have the highest earnings growth rate at 26.1%. At the company level, Verizon Communications is the largest contributor to earnings growth for the sector. The mean EPS estimate for the company is \$0.85, compared to \$0.68 in the year-ago quarter. If Verizon is excluded, the earnings growth rate for the sector would drop to -0.1%.

Utilities: Broad Growth across the Sector

The Utilities sector is projected to have the second highest earnings growth rate (7.8%) of any sector. At the company level, 21 of the 30 companies in the sector are predicted to see growth. NRG Energy is the largest contributor to earnings growth for the sector, mainly due to a comparison to a large loss in the year-ago quarter. The mean EPS estimate for the company is -\$0.12, compared to -\$1.02 in the year-ago quarter. If NRG Energy is excluded, the earnings growth rate for the sector would drop to 4.6%.

Energy: Exxon Mobil and Chevron Lead Decline

The Energy sector is reporting the largest decline in earnings of any sector at -9.2%. Three of the seven sub-industries in this sector are reporting or are expected to report a decrease in earnings, led by the Oil & Gas Refining & Marketing (-30%) and Integrated Oil & Gas (-17%) sub-industries. At the company level, Exxon Mobil and Chevron are the largest contributors to the decline in earnings for the sector. The mean EPS estimate for Exxon Mobil is \$1.88, compared to year-ago EPS of \$2.12. The mean EPS estimate for Chevron is \$2.56, relative to year-ago EPS of \$3.18. If these two companies are excluded, the growth rate for the Energy sector would improve to -1.4%.

Financials: Bank of America and JPMorgan Chase Lead Decline

The Financials sector is reporting the second highest decline in earnings at -5.4%. However, only three of the eight industries in the sector are reporting or are expected to report a decline in earnings, led by the Thrift & Mortgage Finance (-15%) and Banks (-15%) industries. At the company level, Bank of America and JPMorgan Chase are the largest contributors to the decline in earnings for the sector. Bank of America reported actual EPS of -\$0.05, compared to year-ago EPS of \$0.20. JPMorgan Chase reported

actual EPS of \$1.28, relative to year-ago EPS of \$1.59. If these two companies are excluded, the growth rate for the Financials sector would improve to 3.1%.

Blended Revenue Growth is 2.1%

The blended revenue growth rate for Q1 2014 is 2.1%, below the estimated growth rate of 2.4% at the end of the quarter (March 31). If the final revenue growth rate for the quarter is positive and the final earnings growth rate is negative, it will mark the first time the index has seen revenues increase year-over-year while also seeing earnings decrease year-over-year since Q3 2008.

Nine of the ten sectors are reporting or are predicted to report revenue growth for the quarter, led by the Health Care and Consumer Discretionary sectors. On the other hand, the Energy sector is the only sector reporting a decline in revenue for the quarter.

Highest Sales Growth: Health Care and Consumer Discretionary

The Health Care sector is reporting the highest revenue growth at 6.3%. Five of the six industries in the sector are reporting or are predicted to report growth in sales, led by the Biotechnology (27%) and Health Care Technology (16%) industries. The only industry reporting a (slight) decline in sales is the Pharmaceuticals (-0.5%) industry.

The Consumer Discretionary sector is reporting the second highest revenue growth rate at 4.4%. Growth is broad-based across the sector. Eleven of the twelve industries are reporting or are projected to report revenue growth, led by the Internet & Catalog Retail (21%) industry. On the other end of the spectrum, the Leisure Products (-1%) is the only industry reporting a year-over-year decrease in revenue.

Lowest Sales Growth: Energy

The Energy sector is the only sector reporting a decrease in revenue at -1.6%. Four of the seven sub-industries in this sector are reporting or are expected to report a decrease in sales, led by the Coal & Consumable Fuels (-15%) and Oil & Gas Exploration & Production (-11%) sub-industries. On the other hand, the Oil & Gas Storage & Transportation sub-industry (12%) is reporting the largest growth in sales.

Domestic Concerns: Weather

Much of the U.S. endured an unusually cold and stormy winter during the first quarter. According to the National Oceanic and Atmospheric Administration, *"Below-average temperatures dominated east of the Rockies, with the coldest conditions occurring across the Midwest. Numerous cold Arctic air outbreaks impacted the region during the winter season, particularly during January and February. Seven Midwestern states were much colder than average and had a top ten cold winter season, though no state was record cold....Above-average precipitation was observed in the Northern Rockies, and parts of the Midwest, Mid-Atlantic, and Northeast. Across these regions, numerous winter storms brought heavy snowfall. Detroit had its snowiest winter on record, while New York, Philadelphia, Chicago, and Boston each had one of their ten snowiest winters"*

A number of companies have cited a negative impact from weather in their earnings releases or conference calls to date.

"Unusually severe winter storms throughout the quarter disrupted operations, decreasing shipping volume and increasing costs, and impacted year-over-year operating income by an estimated \$125 million." –FedEx (Mar. 19)

"Severe winter weather resulted in weak sales trends across the food industry and our categories." – General Mills (Mar. 19)

"I now mention, which I haven't in a quite a while, weather. It's been all over, particularly in the U.S. Snow, rain, just crazy weather. We estimate that the weather impact to February sales results represented about a 1 percentage point hit to the four-week reporting period." –Costco (Mar. 6)

Global Concerns: F/X Rates, Europe and Emerging Markets

Less Favorable F/X Rates

The U.S. dollar has strengthened relative to the Japanese yen and other foreign currencies over the past year. In the year-ago quarter (Q1 2013), one dollar was equal to about \$92.20 yen on average. For Q1 2014, one dollar was equal to about \$102.76 yen on average. A number of companies in the S&P 500 have cited a negative impact from foreign exchange activity in their earnings releases or conference calls.

"This quarter, currency was a 1% headwind to new software license, and a 2% headwind to hardware and total revenue. In addition, EPS this year was reduced by \$0.02 due to a currency remeasurement non-operating loss for Venezuela that obviously had not been included in my guidance." – Oracle (Mar. 19)

"Foreign exchange translation reduced net sales growth by 1 percentage point." – General Mills (Mar. 19)

"From a year-over-year currency perspective, FX decreased revenue by \$10.9 million." –Adobe Systems (Mar. 18)

Europe

Europe reported an improvement in economic growth relative to last year. According to FactSet Economics, the European Union recorded an increase in GDP of 1.1% in Q4 2013, relative to the decline of 0.7% reported in Q4 2013.

While acknowledging difficult conditions still exist in the region, companies have been optimistic in their comments regarding Europe for Q1.

"I also want to speak to our results in Europe, where our volume was down 4% as our business was adversely impacted due to the Easter shift and by ongoing macroeconomic challenges...As we look ahead, we are cautiously optimistic about our outlook in Europe, despite the continuing volatile operating environment." –Coca-Cola (Apr. 15)

"Yeah, Costa has picked up as well, but Costa had the double-whammy of the disruption and then obviously the European economy. And the European economy is still choppy, but it's obviously strengthened.... And I would say in general, in Europe, we do, as I mentioned earlier on the call, with the booking curves being moved out, we see strength in Europe. And again, it's reflected in our guidance, but we actually see a strong performance collectively in Europe this year." –Carnival Corp. (Mar. 25)

Emerging Markets

Economic growth for countries in emerging markets regions has been flat or slightly below year-ago levels in recent quarters. According to FactSet Economics, China, India, and Brazil recorded GDP growth of 7.9%, 5.6%, and 1.8% in Q4 2012, respectively. By Q4 2013, GDP growth rates for China, India, and Brazil stood at 7.7%, 4.6%, and 1.9%.

To date, most comments on business conditions in China and emerging markets has been positive.

"But also, importantly, we are driving not just volume growth, but we're driving immediate consumption growth, which is really important for our business. When you look at, say, in this past quarter, with top five countries growing at – China up 18% in IC growth, Indonesia up 9% in IC growth, Vietnam up 8%, Brazil up 5%. These are really important numbers, because it's sustainable growth, it's profitable growth, and it's growth in transactions, which is directly married to the health of the brands and health of our portfolio." –Coca-Cola (Apr. 15)

"Well, certainly the Wuhan acquisition is emerging market. So we broke that out for you separately, and we talked about China being up 20% and also on the consumer side and then double digit on the

industrial side. So we're talking double-digit type increases on the emerging market side, so it was a big help and that was one of the outperformers on the quarter relative to our expectation.” –McCormick & Co. (Mar. 25)

“In greater China we continue to see encouraging signs as our market reset actions take hold. In Q3, currency neutral revenue grew 7% led by expansion in sportswear, basketball and running. On a reported basis, greater China revenue grew 9% and EBIT increased 7% as revenue growth and gross margin expansion were partially offset by higher SG&A spending reflecting investments in our new China headquarters facility and DTC operations.” –NIKE (Mar. 20)

Q2 EPS Guidance: Negative Guidance (60%) Below Average

At this point in time, 15 companies in the index have issued EPS guidance for the second quarter. Of these 15 companies, 9 have issued negative EPS guidance and 6 have issued positive EPS guidance. Thus, the percentage of companies issuing negative EPS guidance to date for the first quarter is 60% (9 out of 15). This percentage is below the 5-year average of 65%.

Double-Digit Earnings Growth Expected in 2nd Half of 2014

Although companies are reporting an earnings decline (-1.3%) for Q1, earnings growth for the S&P 500 is projected to be much higher for the remainder of the year. For Q2 2014, Q3 2014, and Q4 2014, analysts are predicting earnings growth rates of 7.6%, 10.7%, and 11.0%. For all of 2014, the projected earnings growth rate is 8.2%.

Valuation: Forward P/E Ratio is 15.2, above the 10-Year Average (13.8)

The current 12-month forward P/E ratio is 15.2. This P/E ratio is based on Wednesday's closing price (1862.31) and forward 12-month EPS estimate (\$122.62)

At the sector level, the Consumer Staples (17.5) and Consumer Discretionary (17.4) sectors have the highest forward 12-month P/E ratios, while the Financials (12.8) sector has the lowest forward 12-month P/E ratio.

The P/E ratio of 15.2 for the index as a whole is above the prior 5-year average forward 12-month P/E ratio of 13.2, and above the prior 10-year average forward 12-month P/E ratio of 13.8. It is also slightly above the forward 12-month P/E ratio of 15.1 recorded one month ago. During the past month, the price of the index increased by 1.2%, while the forward 12-month EPS estimate increased by 0.2%.

At the sector level, seven sectors recorded an increase in the forward 12-month P/E ratio over the past month, led by the Energy (to 14.0 from 13.0) sector. Two sectors witnessed a decrease in the forward 12-month P/E ratio over the past month, led by the Consumer Discretionary (to 17.4 from 18.1). The forward 12-month P/E ratio for the Materials sector remained unchanged at 16.8 over the past month.

Companies Reporting for Q1 Next Week: 161

During the upcoming week, 11 Dow 30 components and 161 S&P 500 companies are scheduled to report earnings for the first quarter.

Predicted EPS Surprises for Q1 Next Week: 33

The FactSet Sharp estimate predicts the direction of upside and downside EPS surprises relative to the mean EPS estimate.

For the upcoming week, 31 companies have a Sharp EPS estimate above the mean EPS estimate (upside surprise indicator) for Q1 and 2 companies have a Sharp EPS estimate below the mean EPS estimate (downside surprise indicator) for Q1. The companies scheduled to report results for Q1 next week that have the largest upside differences (on a percentage basis) between the Sharp estimate and the mean EPS estimate are CMS Energy (+21%), Entergy (+19%), and American Electric Power Company (+8%).

For the S&P 500 overall, 59 companies have a Sharp EPS estimate above the mean EPS estimate (upside surprise indicator) for Q1 and 10 companies have a Sharp EPS estimate below the mean EPS estimate (downside surprise indicator) for Q1. The remaining 431 companies in the index do not have a Sharp estimate at this time for Q1 (no surprise predicted) or have already reported actual EPS for Q1.

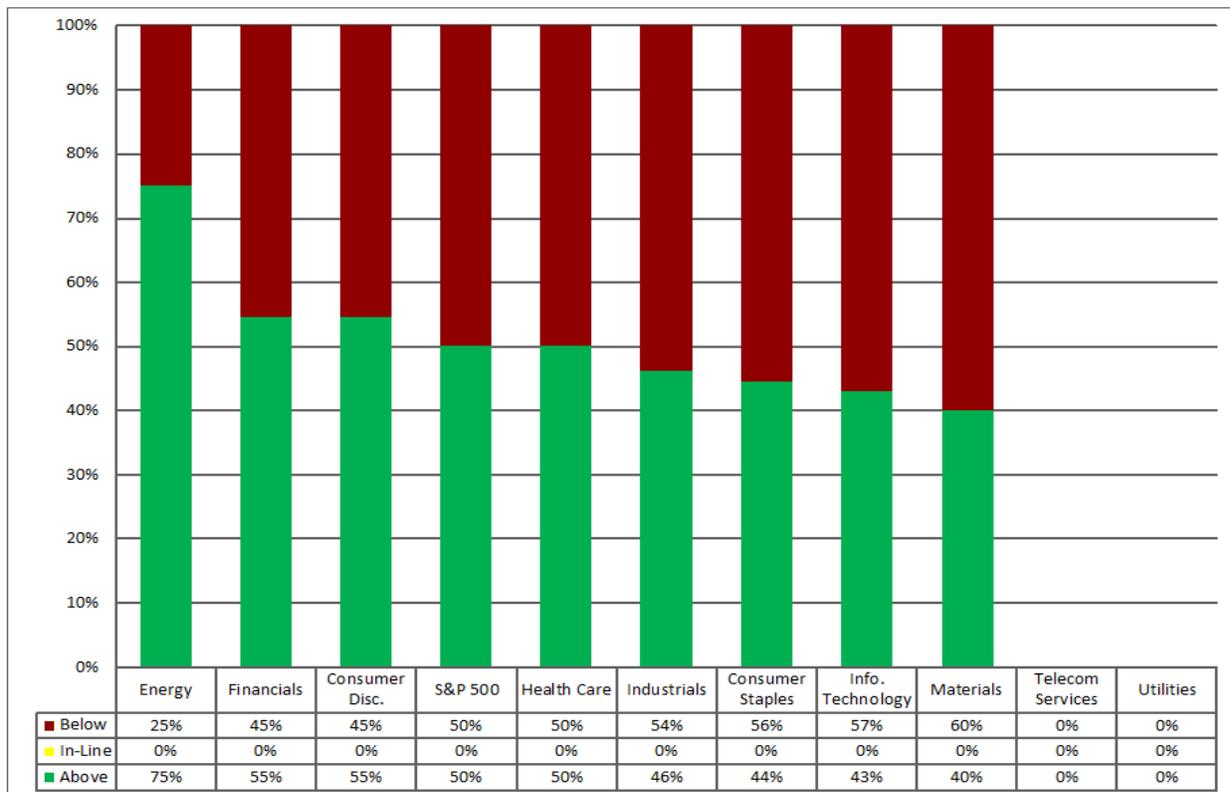
At the sector level, the Energy sector currently has the highest number (13) and the second highest percentage (30%) of companies with a Sharp estimate above the mean EPS estimate for the first quarter. Ten of these 13 companies are in the Oil & Gas Exploration & Production sub-industry.

Q1 2014: Scorecard

Q1 2014 Earnings: Above, In-Line, Below Estimates

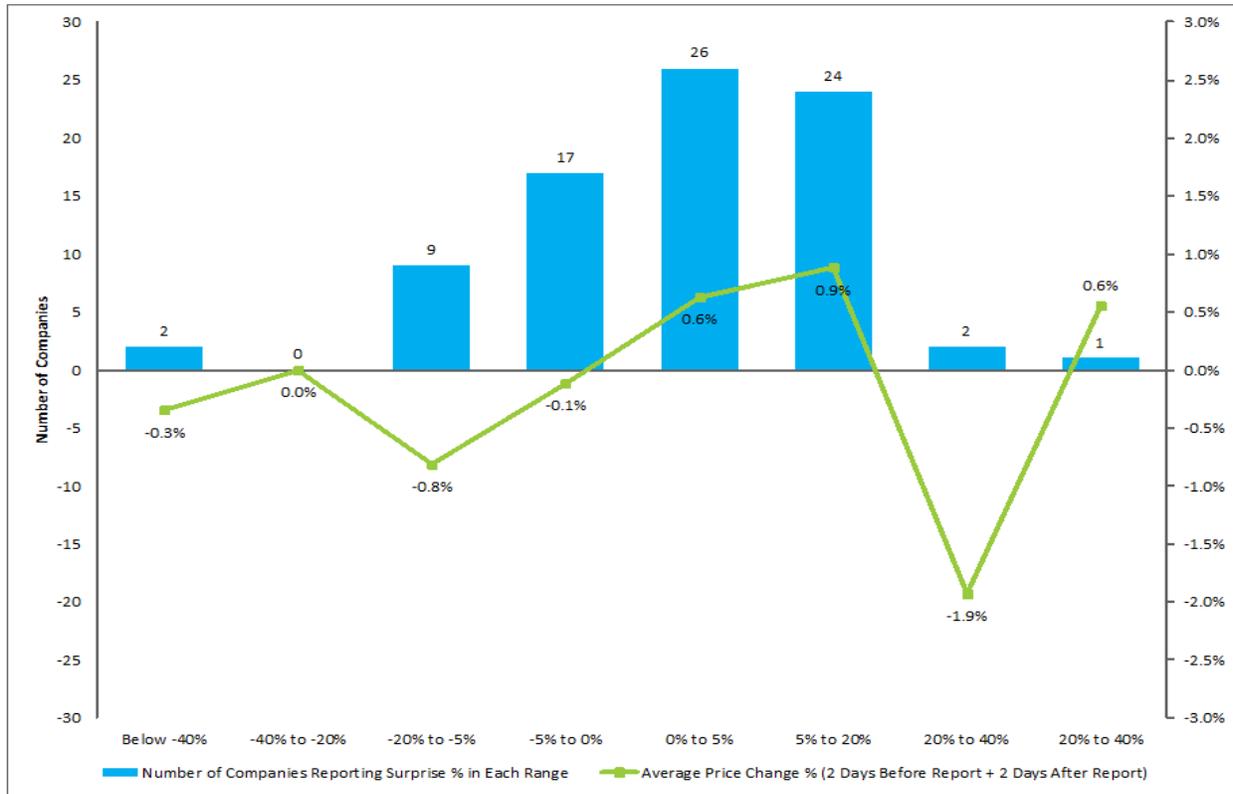


Q1 2014 Revenues: Above, In-Line, Below Estimates

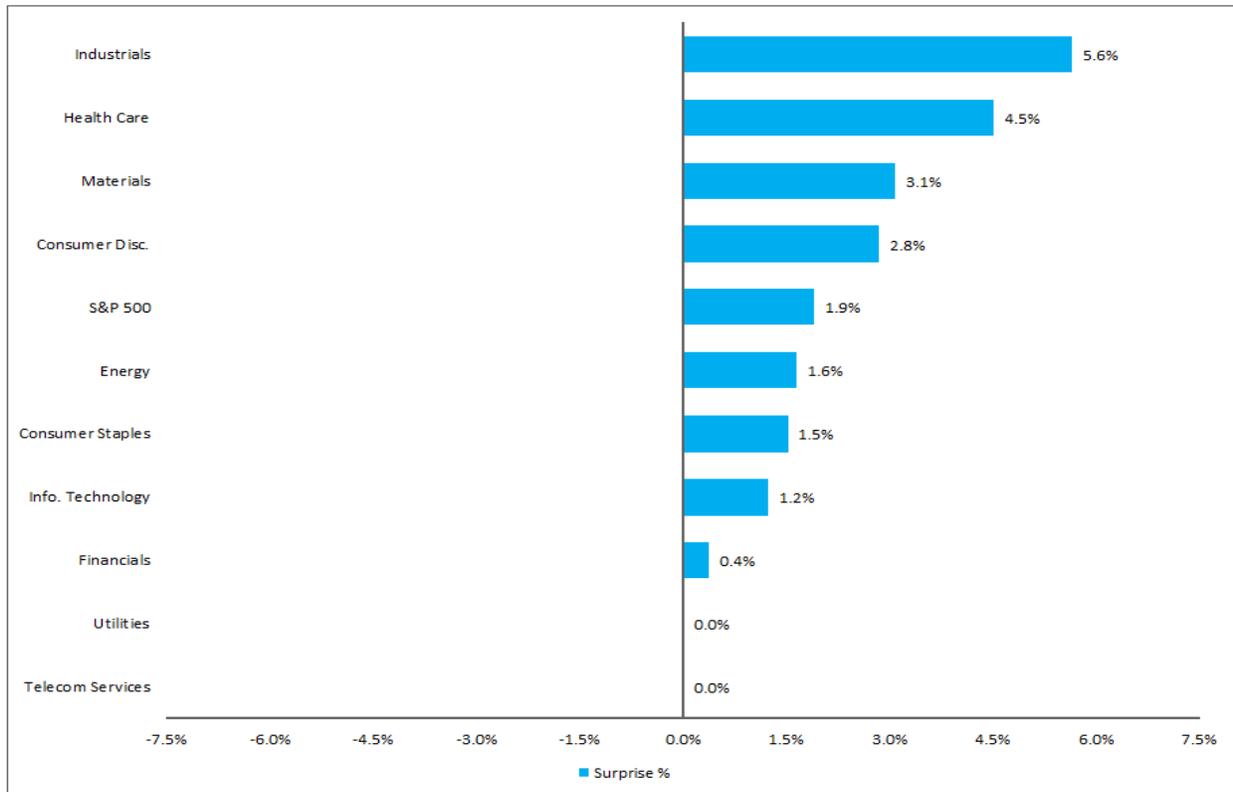


Q1 2014: Scorecard

Q1 2014: Surprise % Numbers

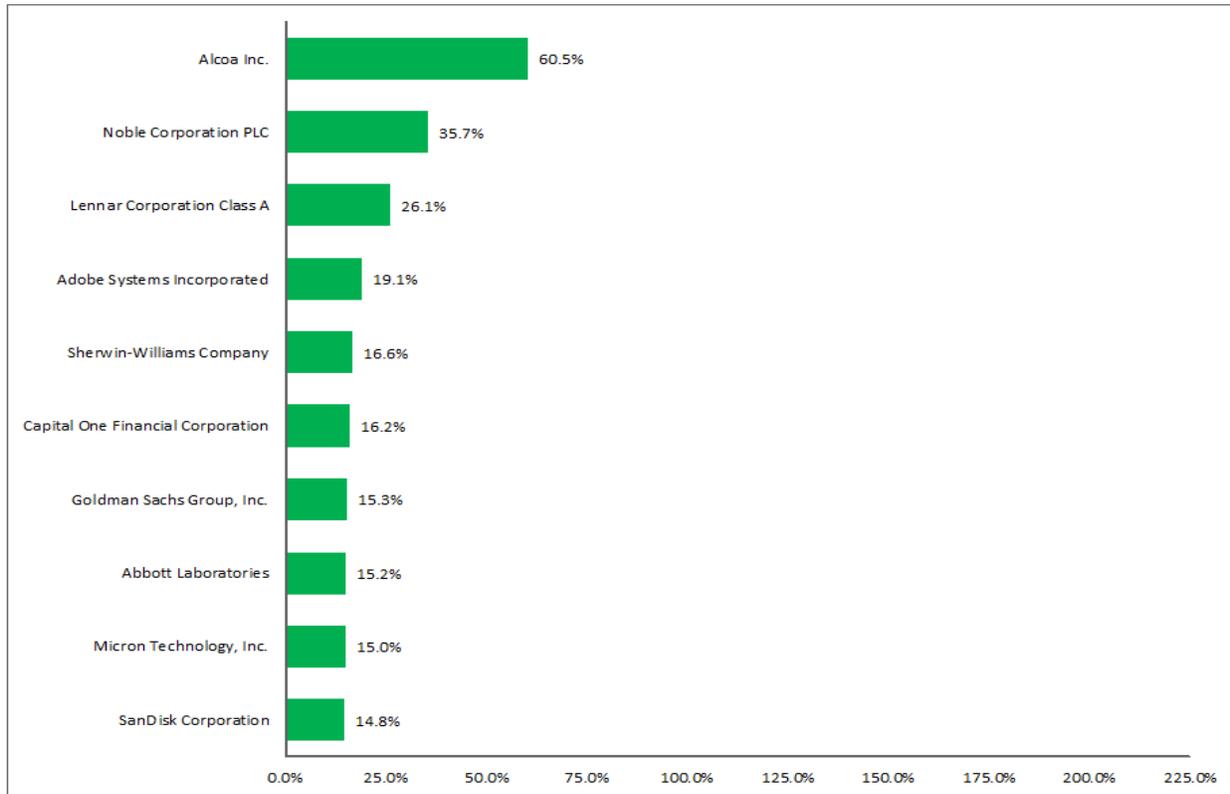


Q1 2014: Sector Level Surprise %

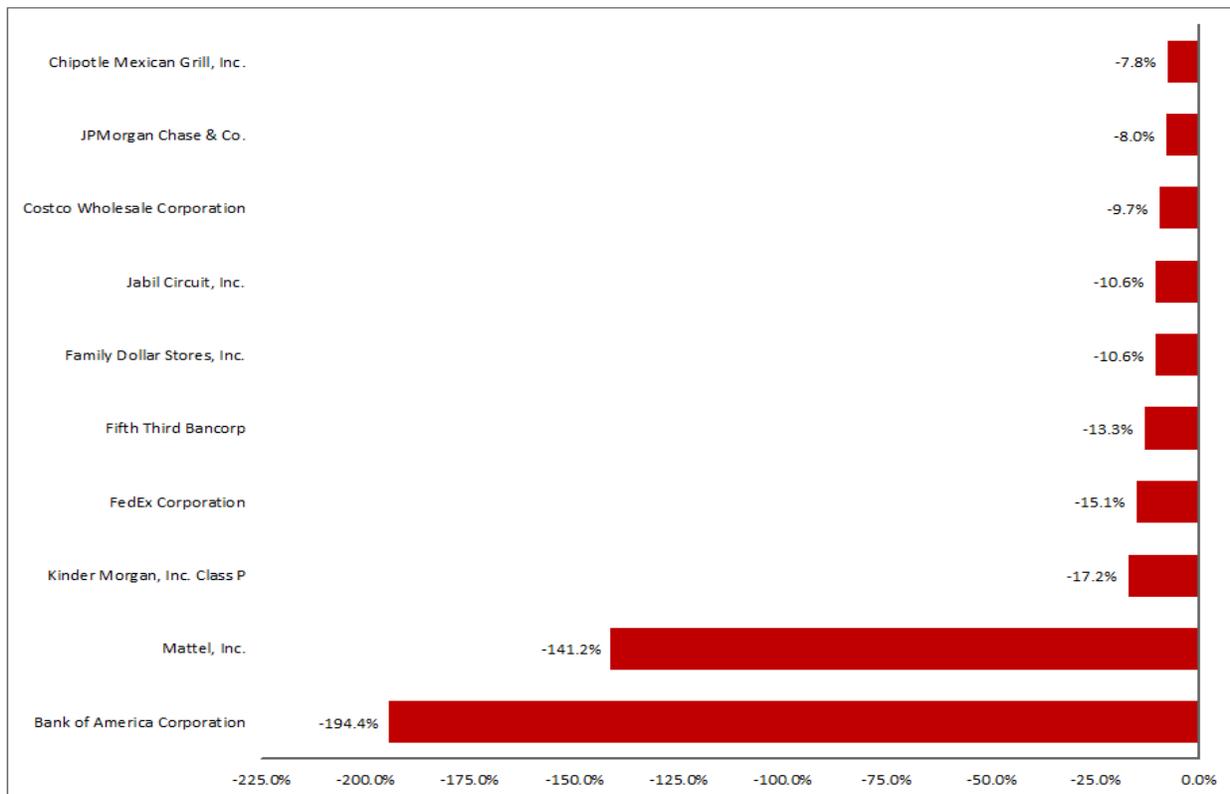


Q1 2014: Scorecard

EPS Surprise %: Top 10 Companies

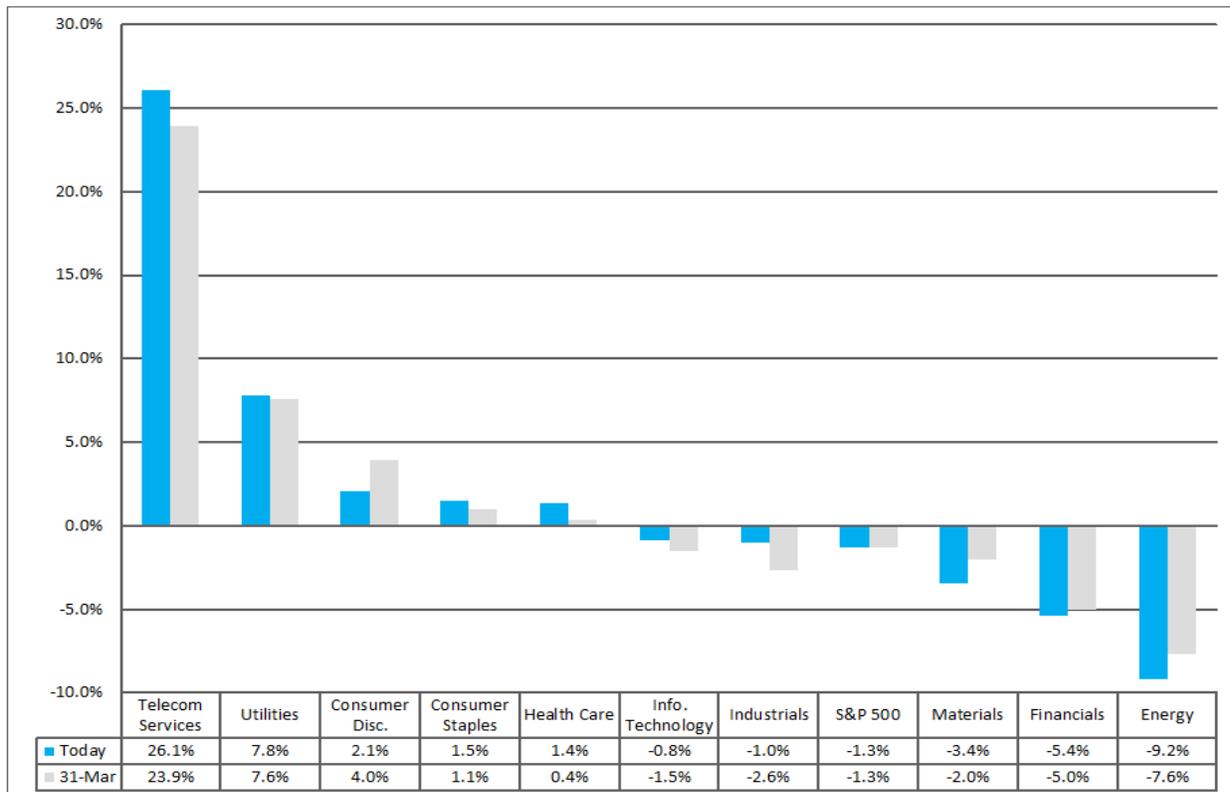


EPS Surprise %: Bottom 10 Companies

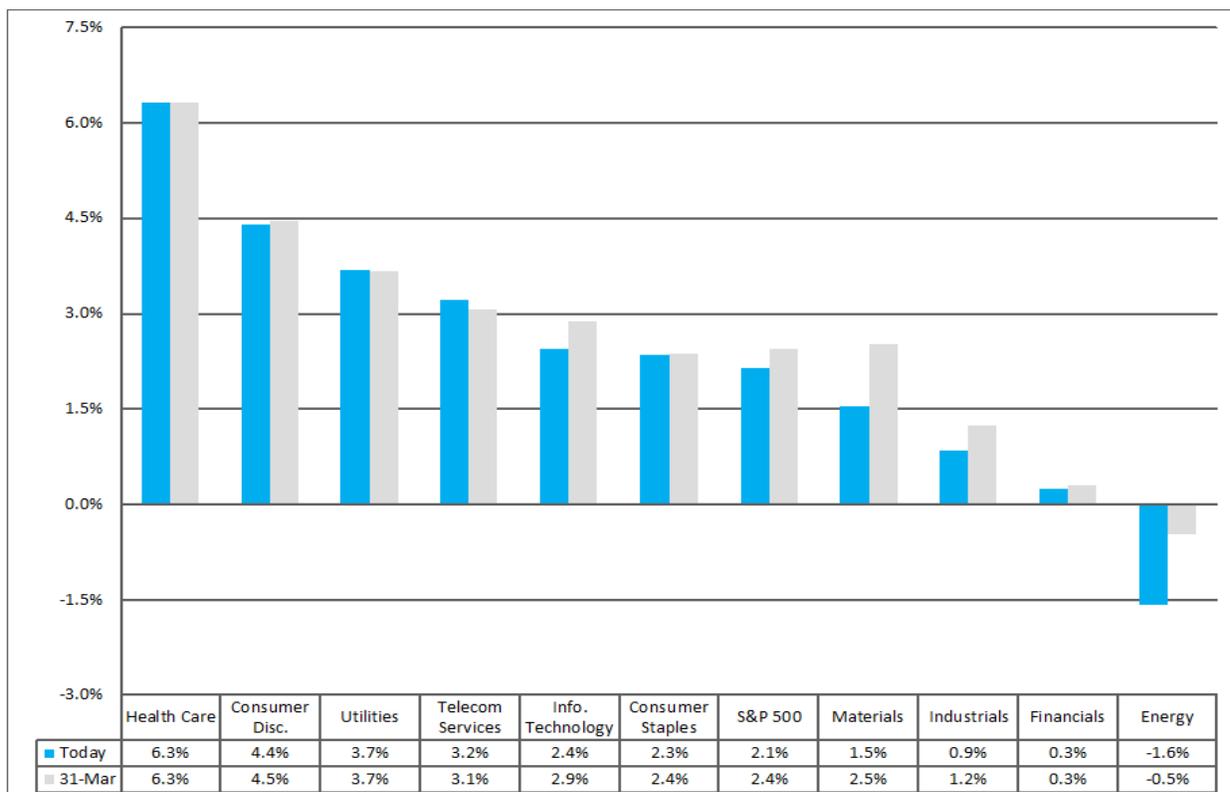


Q1 2014: Growth

Q1 2014 Earnings Growth

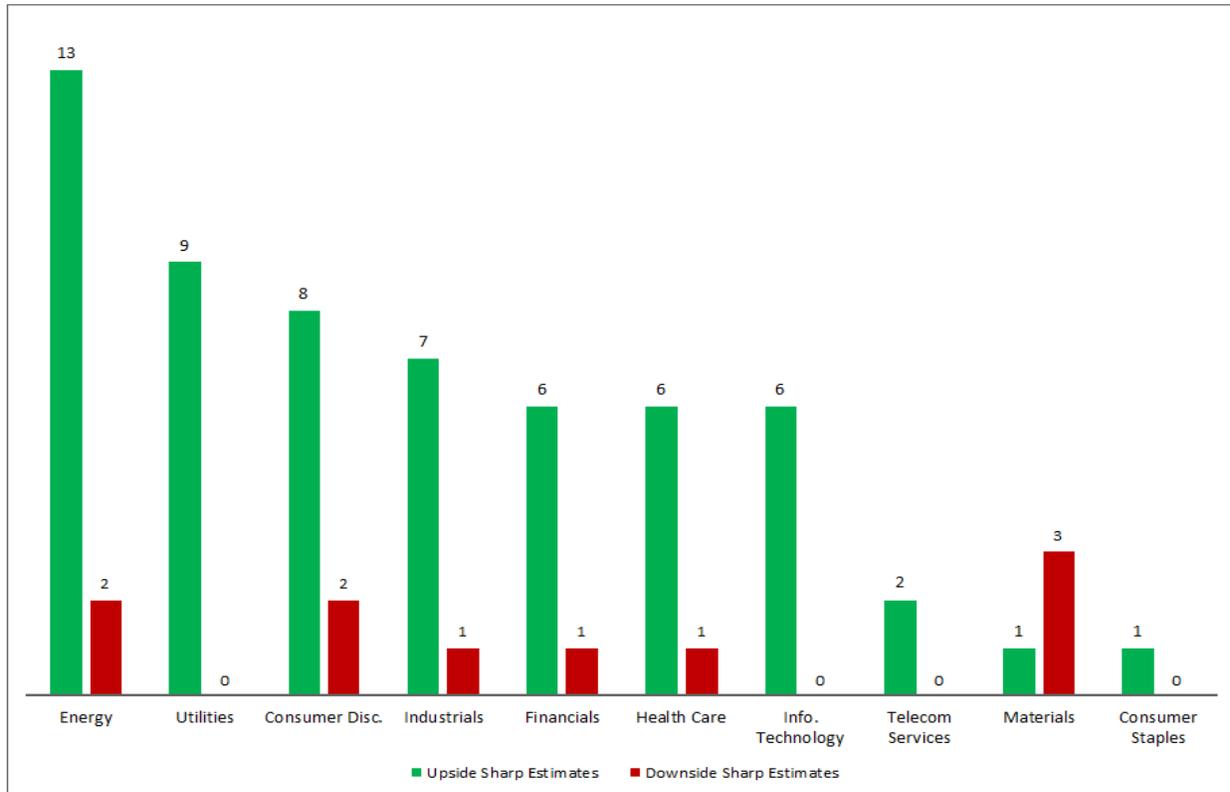


Q1 2014 Revenue Growth

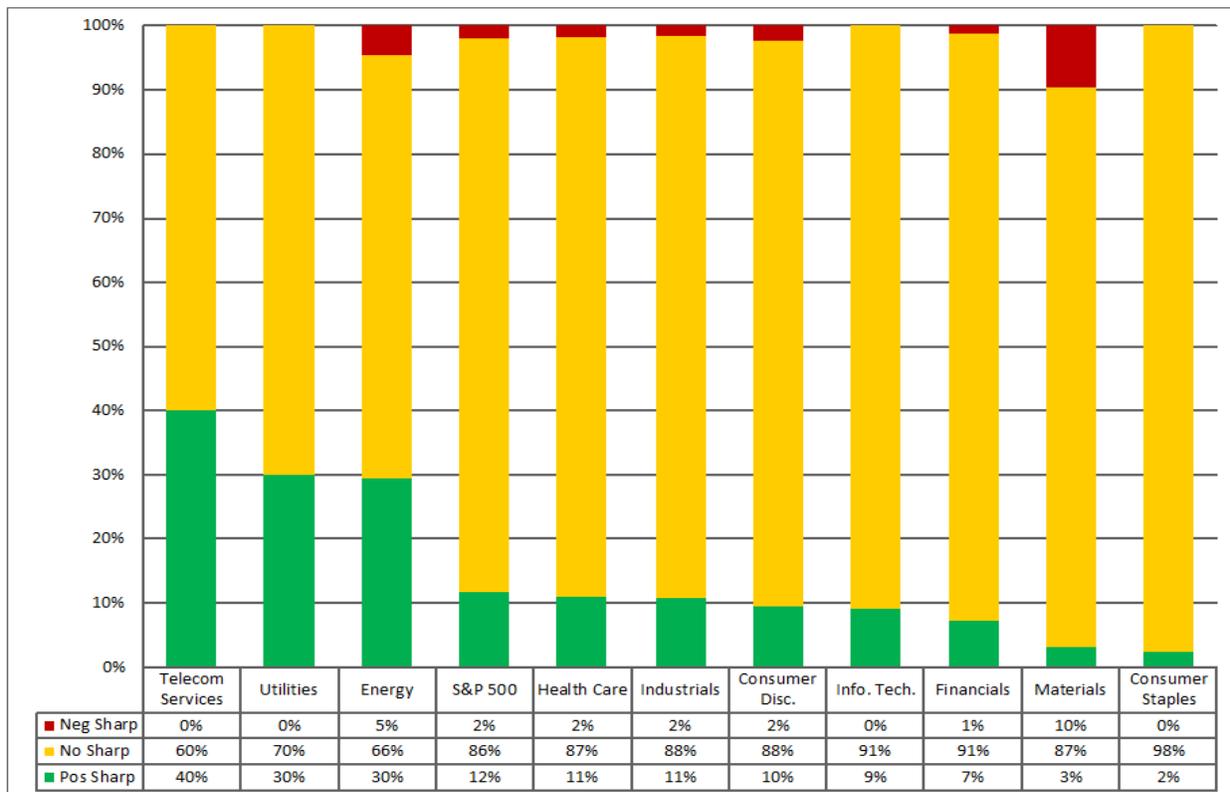


Q1 2014: Projected EPS Surprises (Sharp Estimates)

Number (#) of Companies with Sharp Estimates

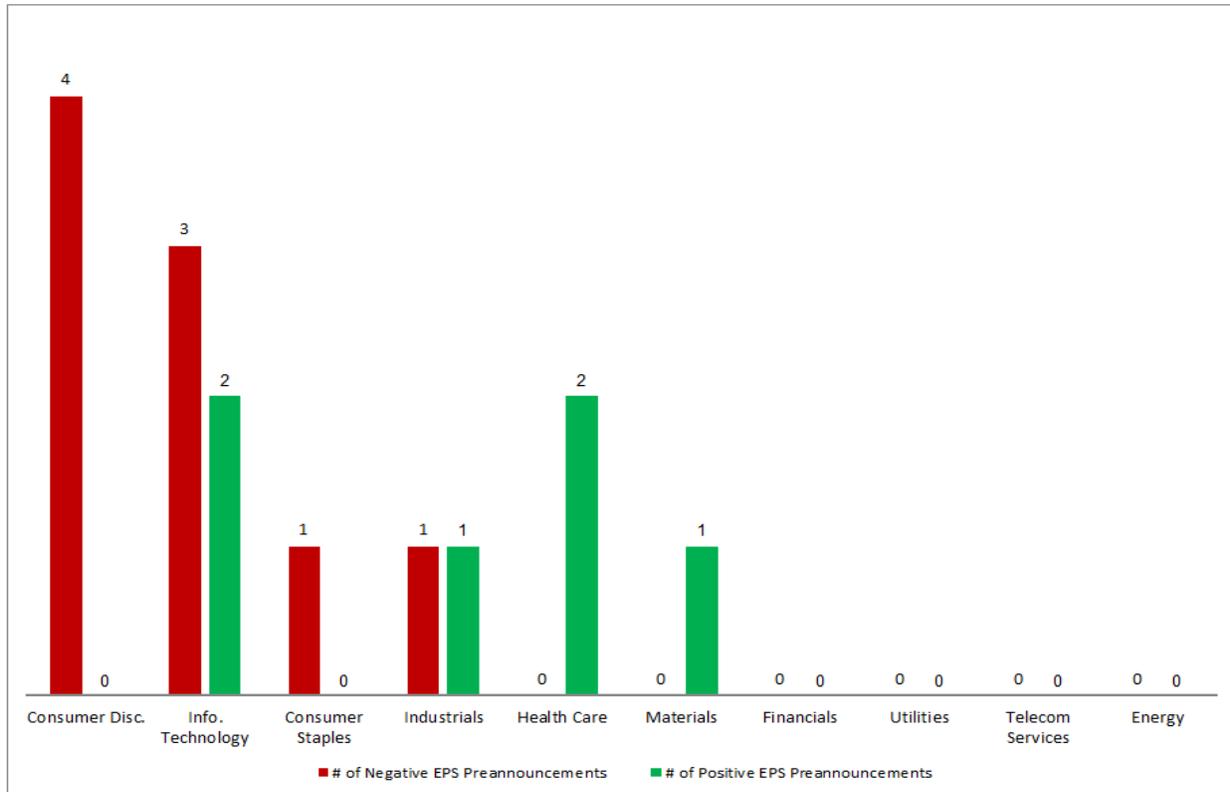


Percentage (%) of Companies with Sharp Estimates

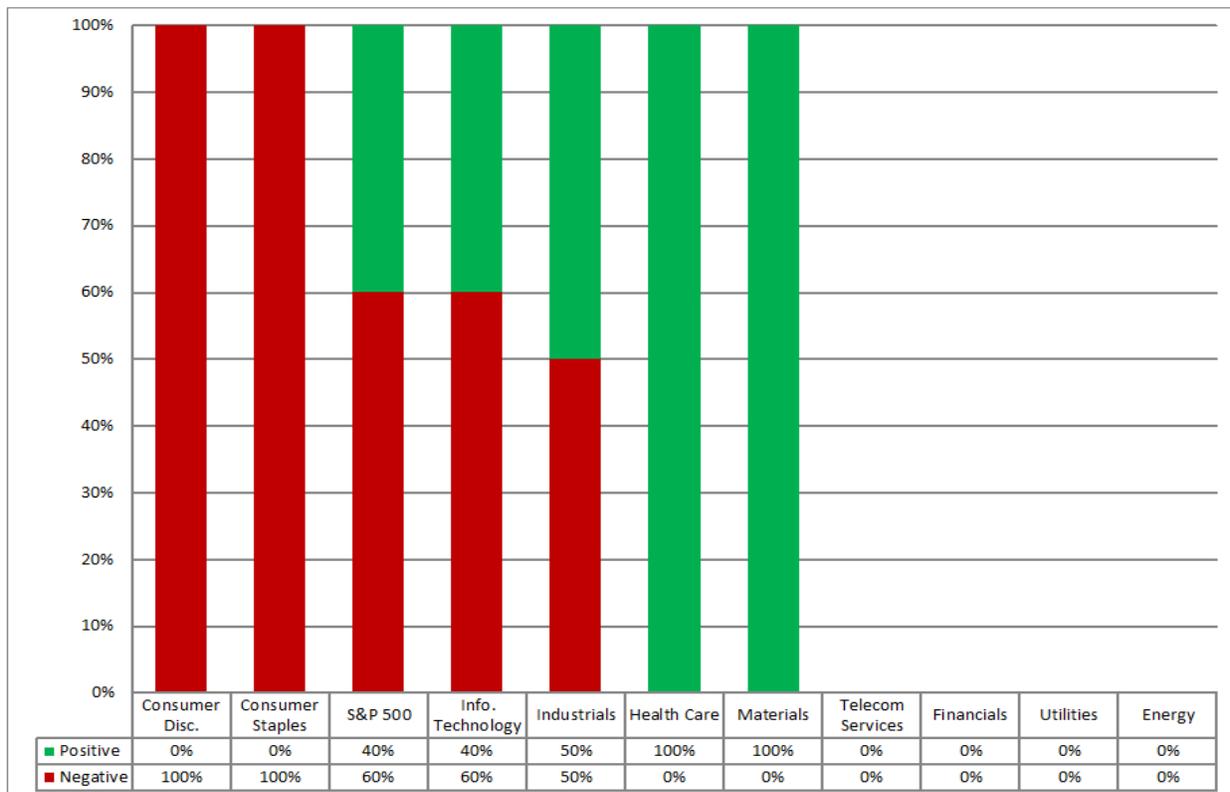


Q2 2014: EPS Guidance

Number of Positive & Negative EPS Preannouncements: Q2 2014

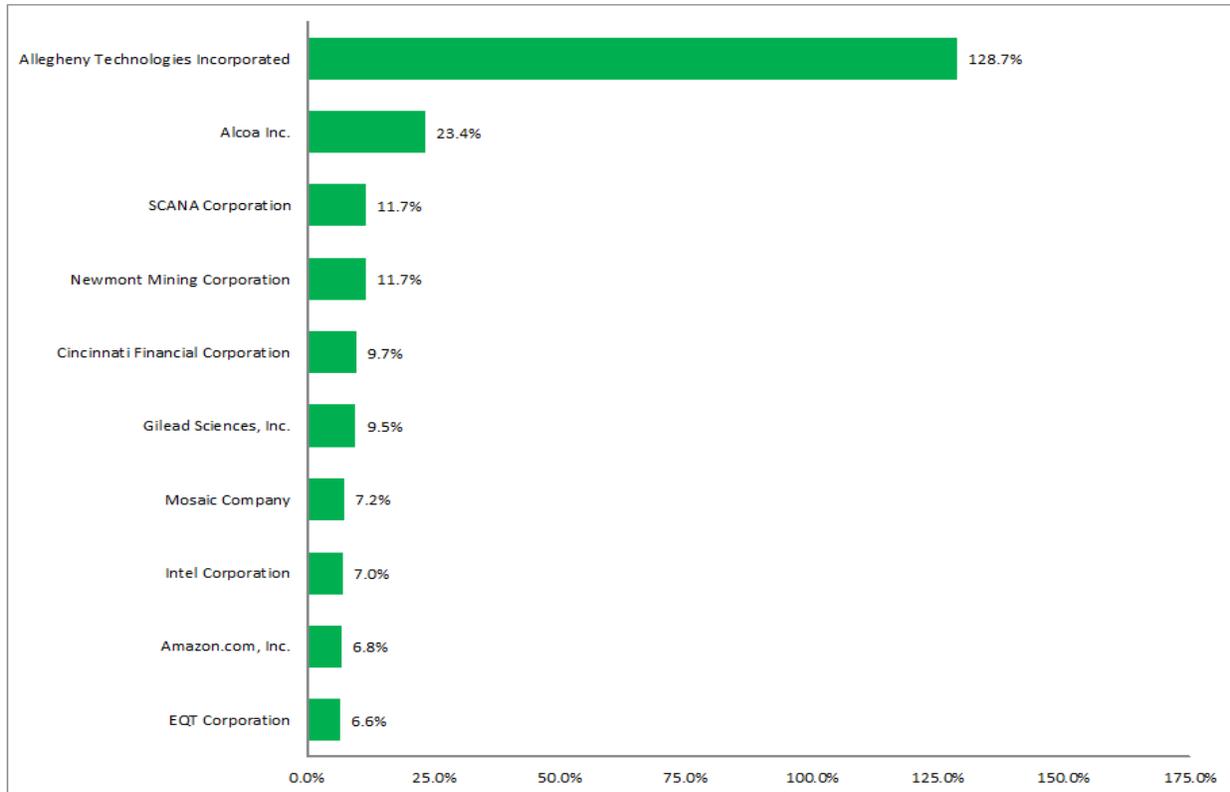


Percentage of Positive & Negative EPS Preannouncements: Q2 2014

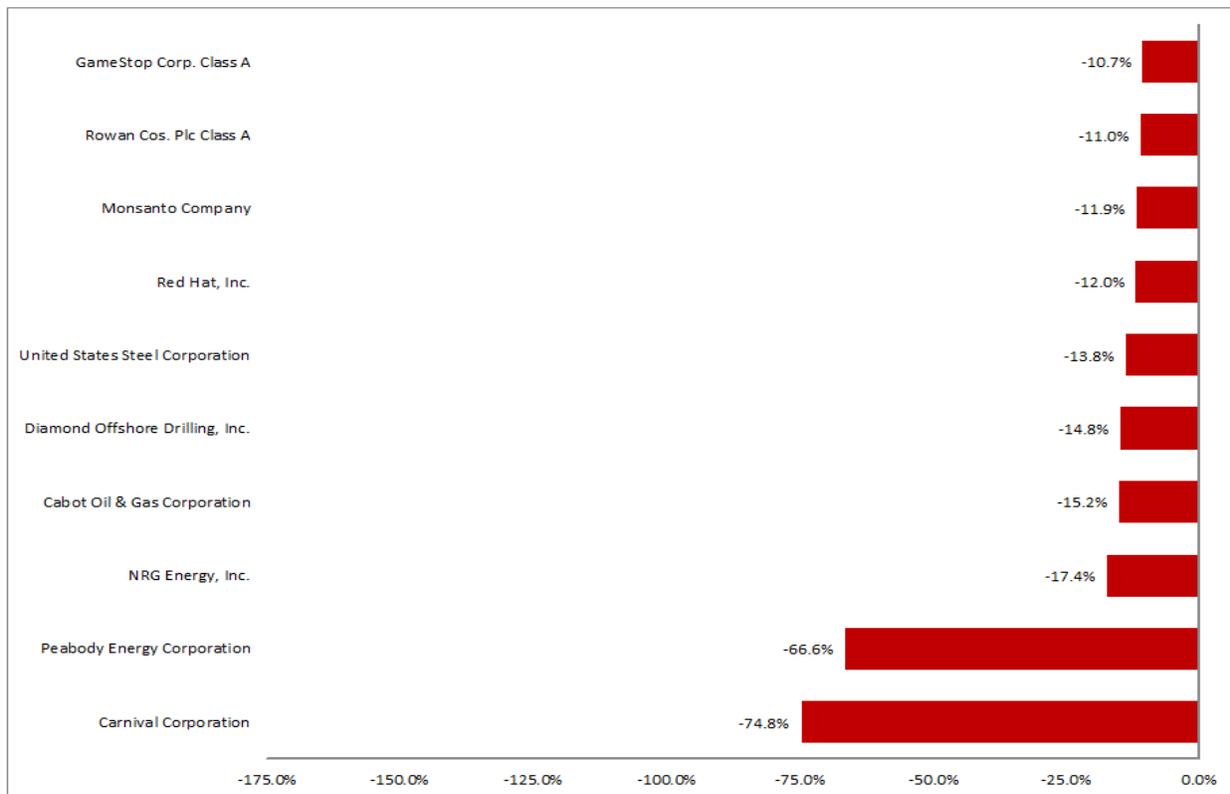


Q2 2014: EPS Revisions

Highest Upward Change (Trailing 4-Weeks) in Mean EPS Estimate: Top 10 Companies

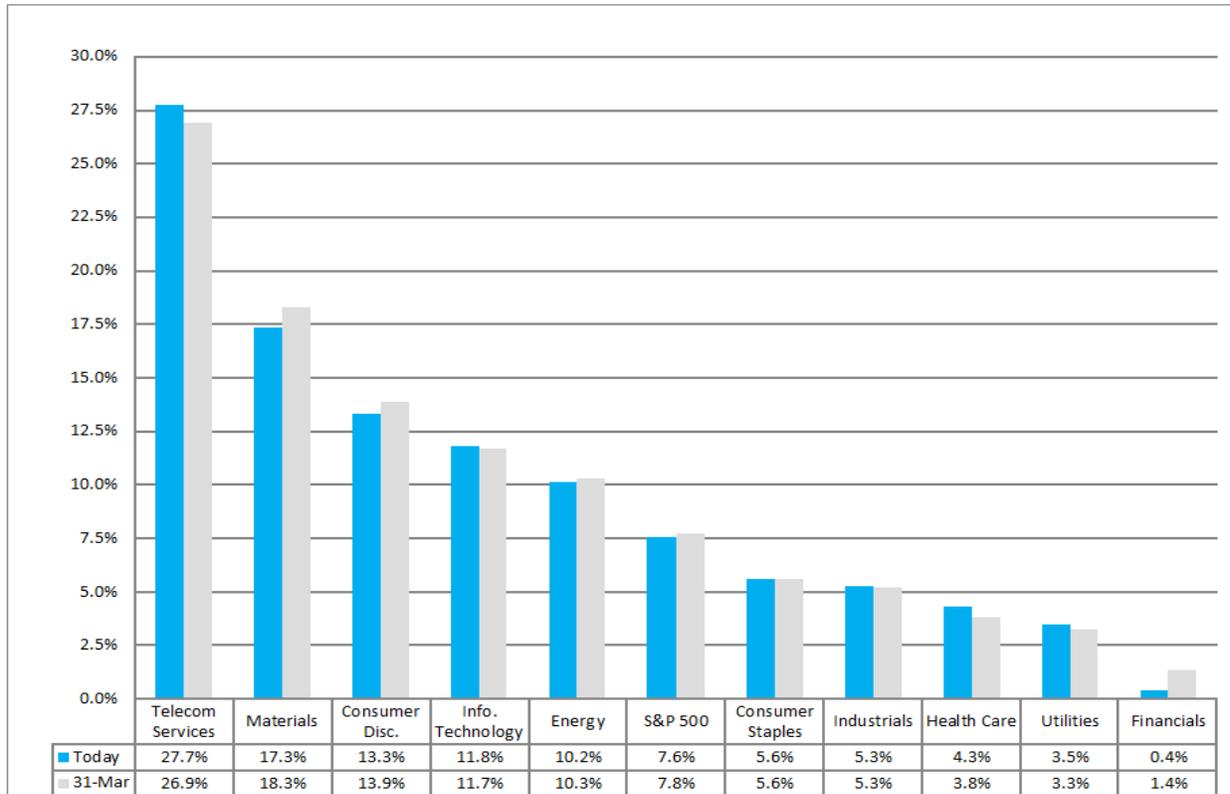


Highest Downward Change (Trailing 4-Weeks) in Mean EPS Estimate: Top 10 Companies

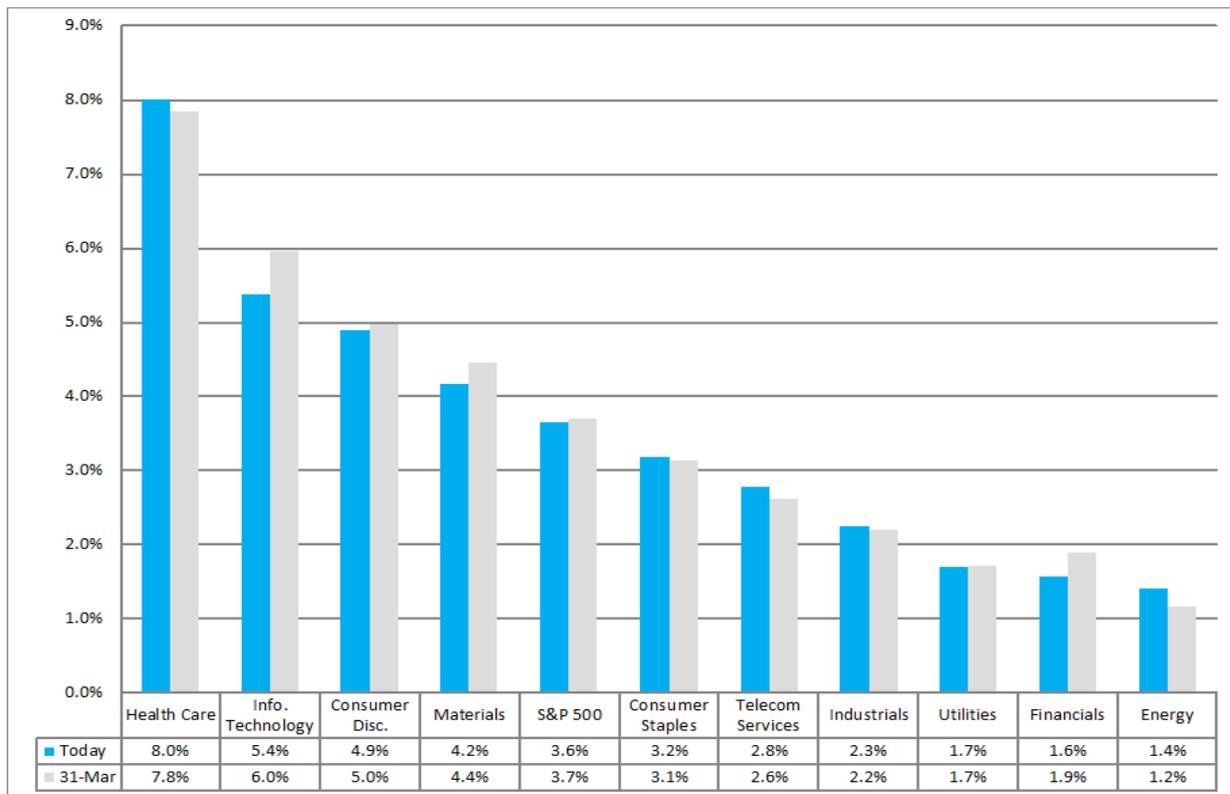


Q2 2014: Growth

Q2 2014 Earnings Growth

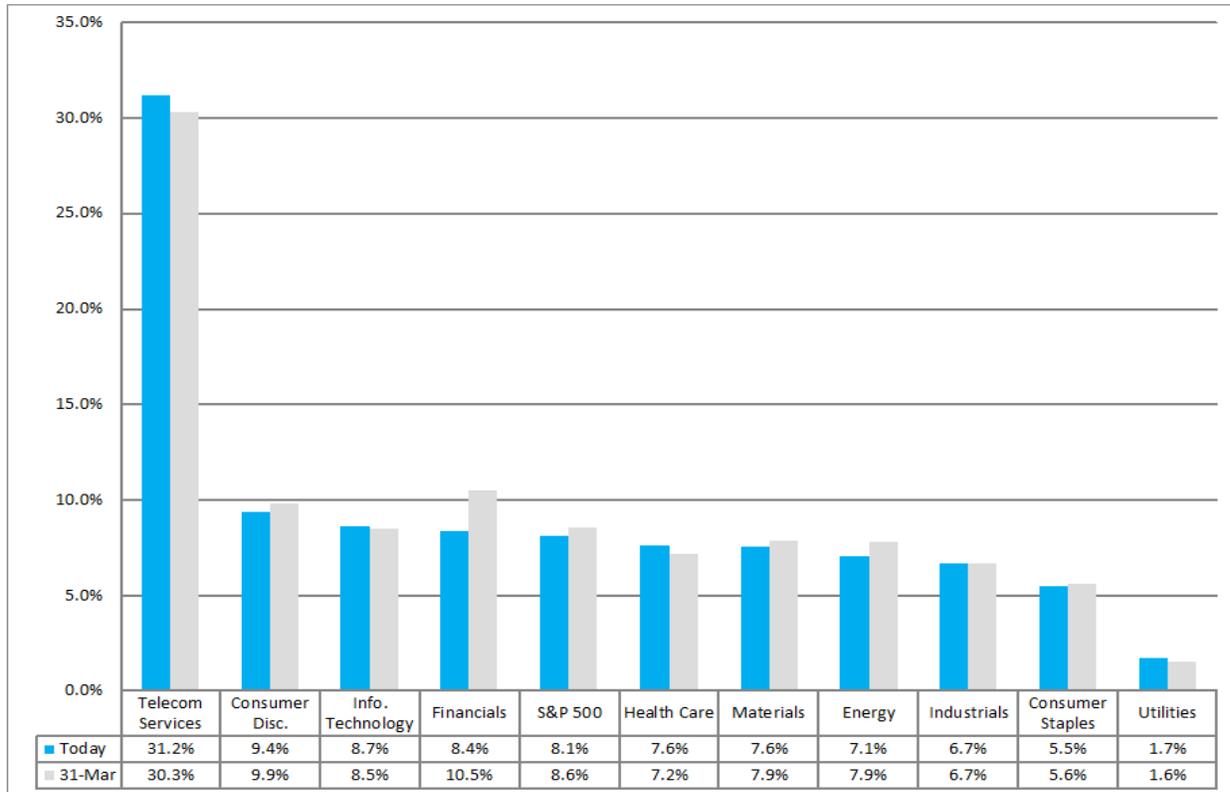


Q2 2014 Revenue Growth

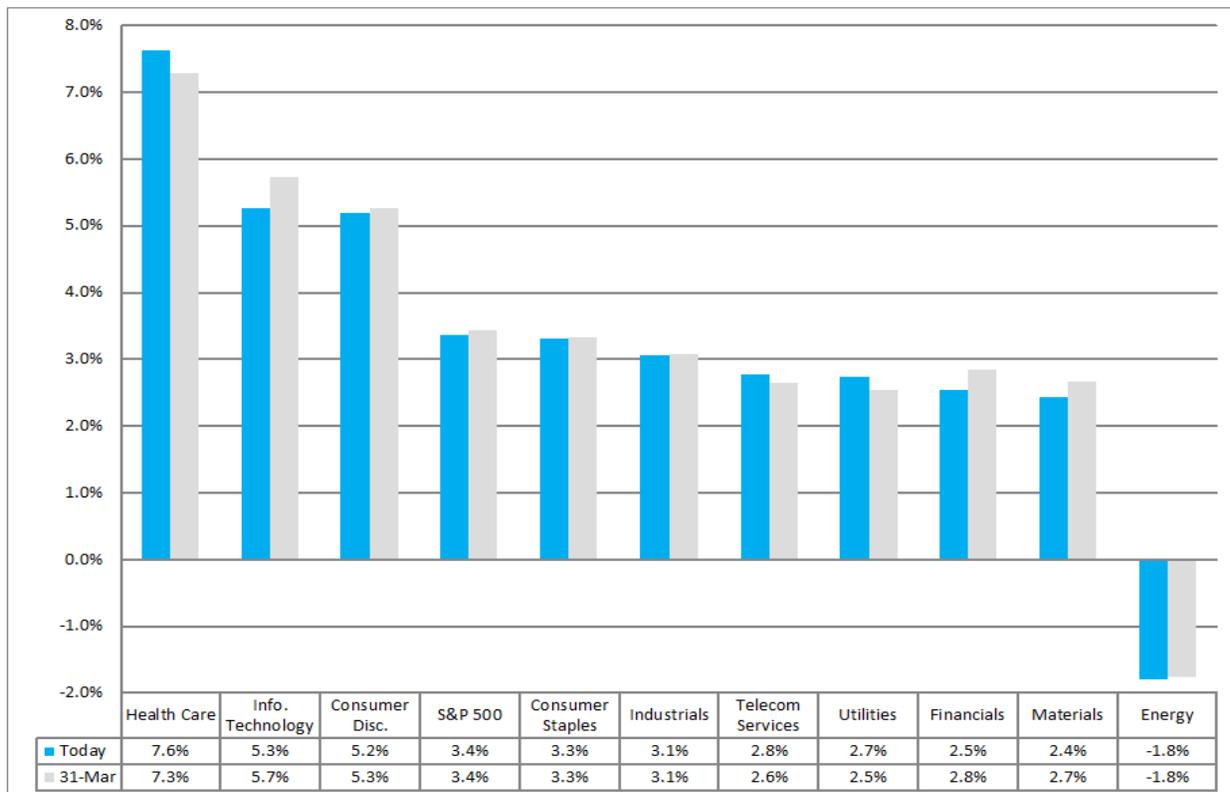


CY 2014: Growth

CY 2014 Earnings Growth

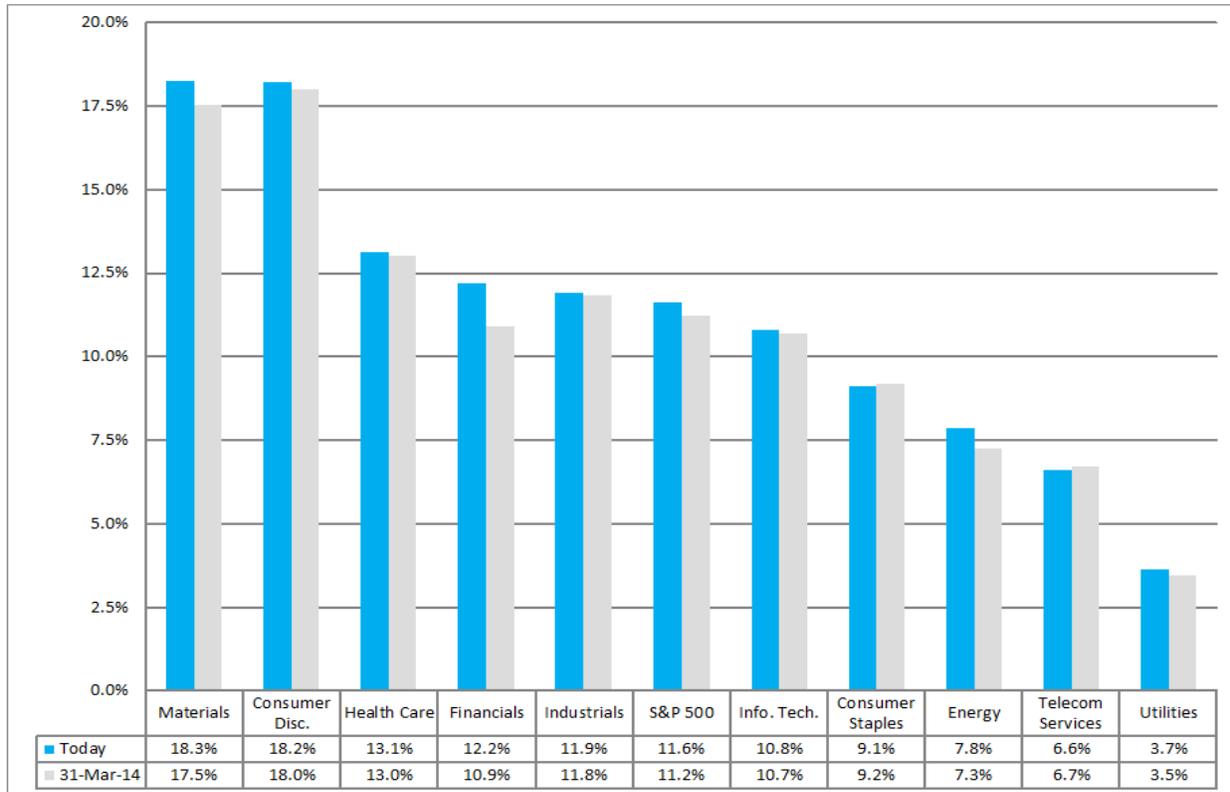


CY 2014 Revenue Growth

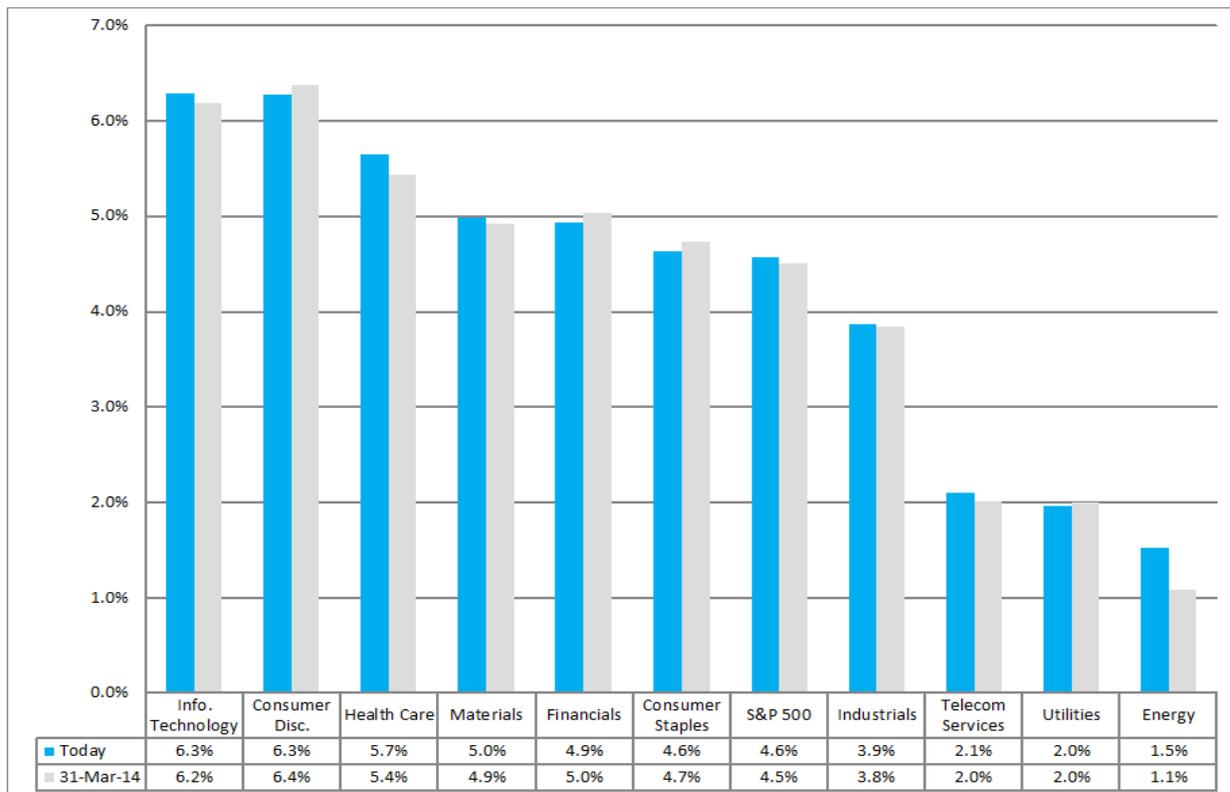


CY 2015: Growth

CY 2015 Earnings Growth

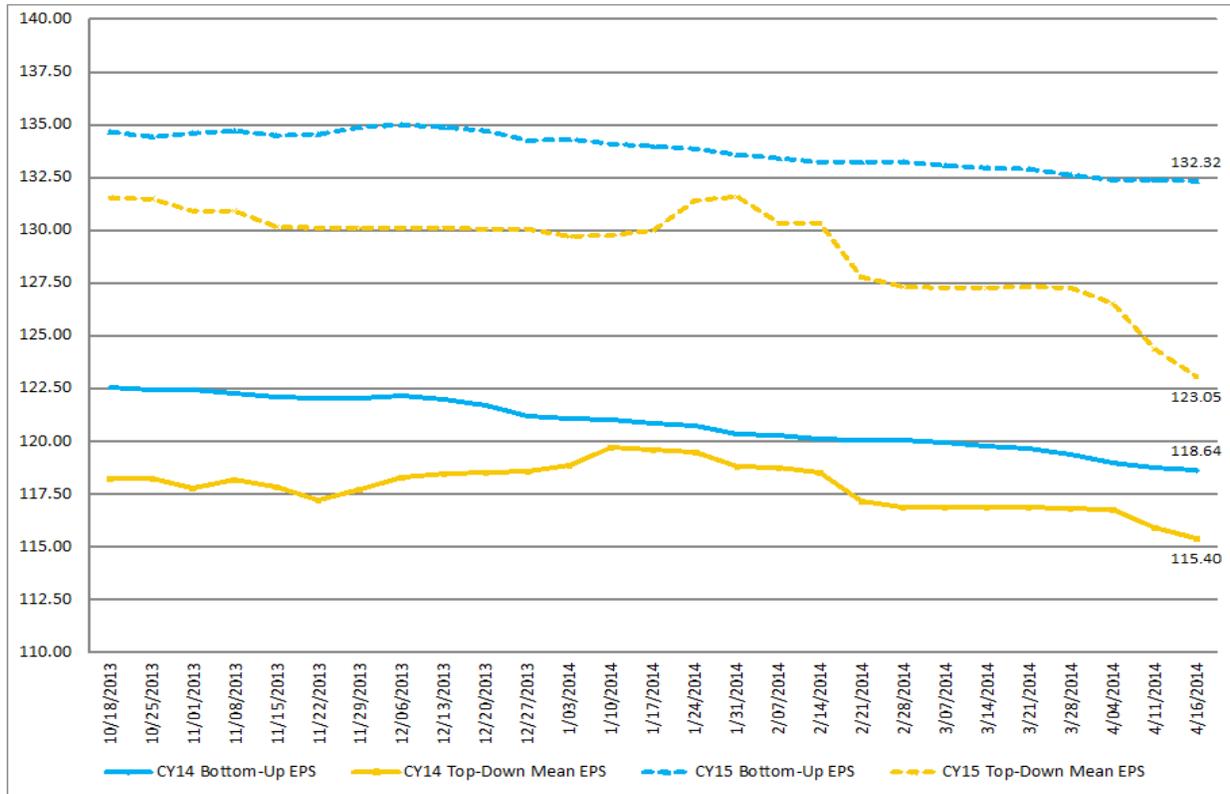


CY 2014 Revenue Growth

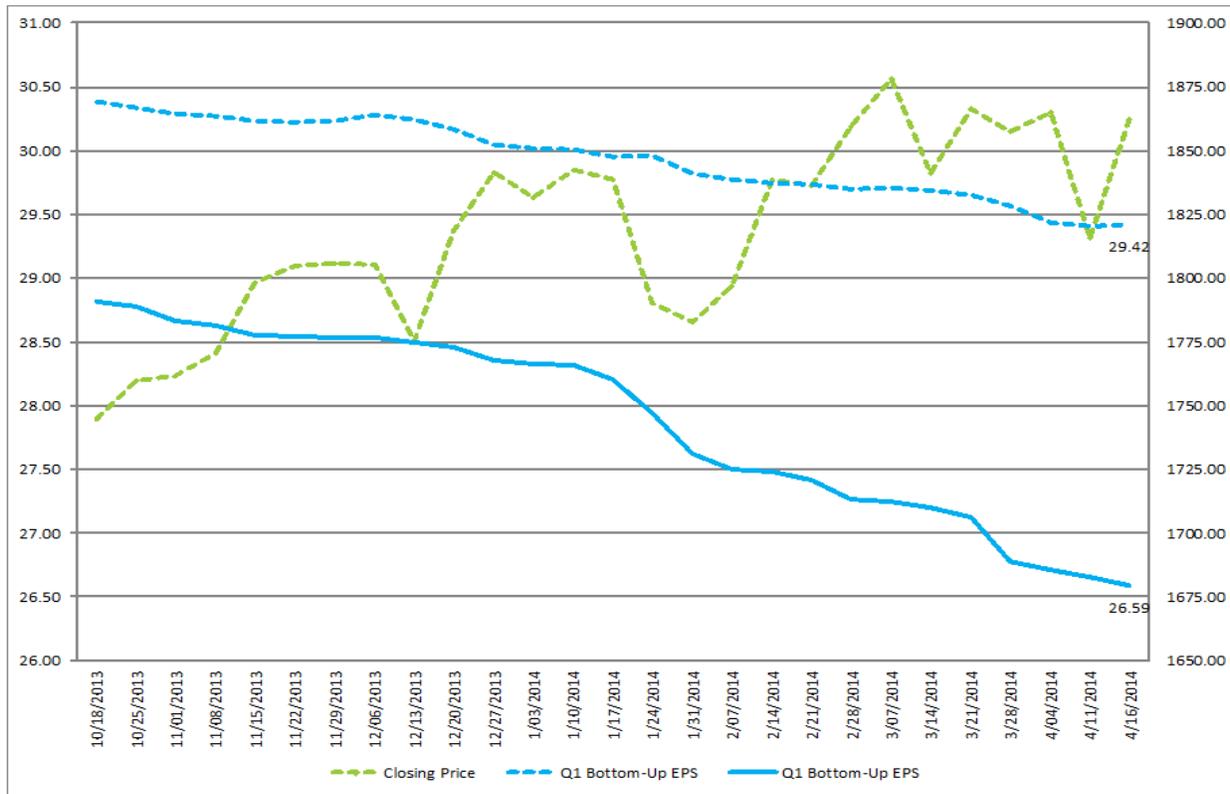


Bottom-up EPS Estimates: Revisions

CY Bottom-Up EPS vs. Top-Down Mean EPS (Trailing 26-Weeks)

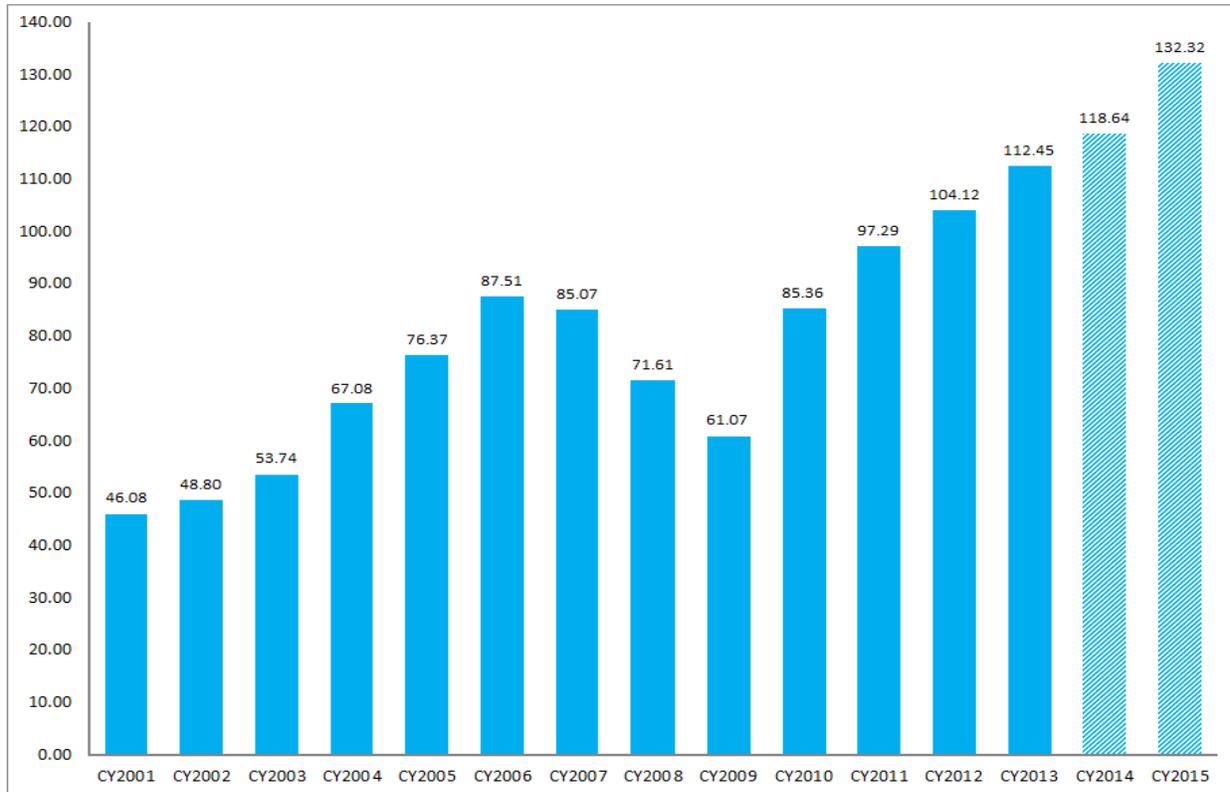


Change in Q114 & Q214 Bottom-Up EPS vs. Price (Trailing 26-Weeks)

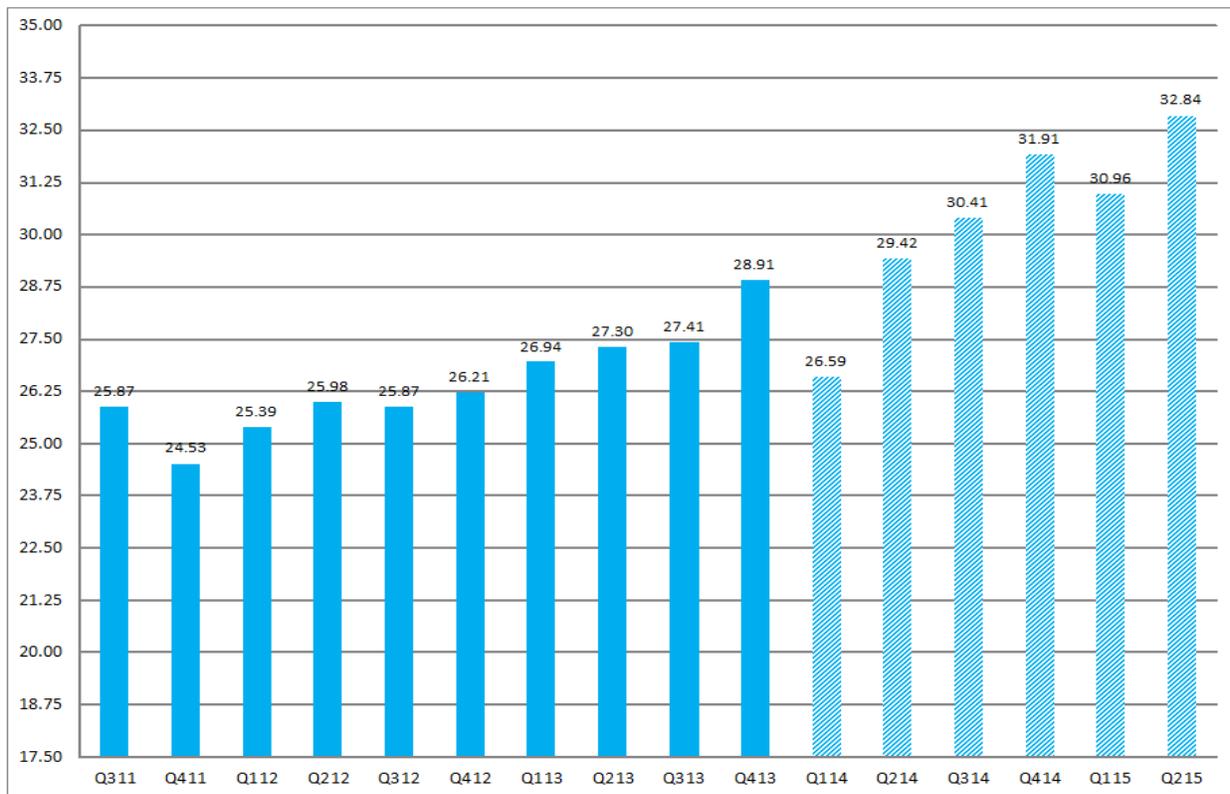


Bottom-up EPS Estimates: Current & Historical

Calendar Year Bottom-Up EPS Actuals & Estimates



Quarterly Bottom-Up EPS Actuals & Estimates

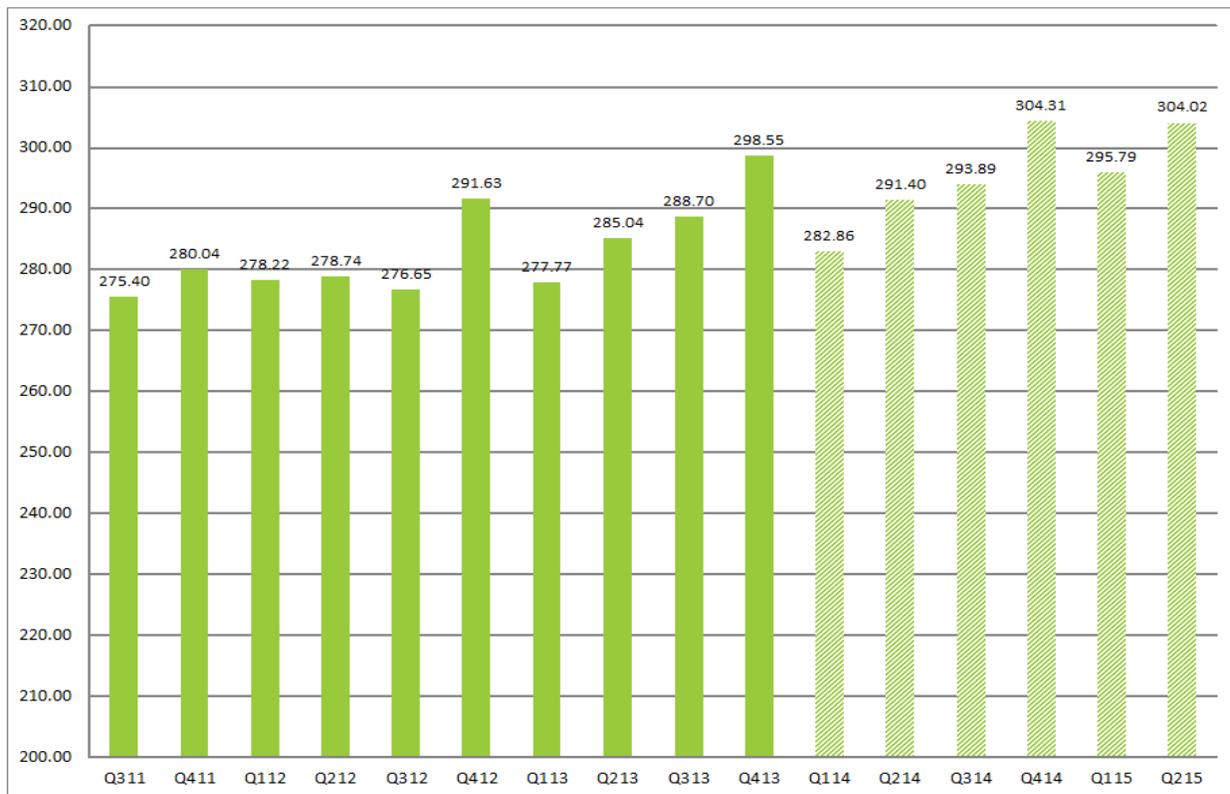


Bottom-up SPS Estimates: Current & Historical

Calendar Year Bottom-Up SPS Actuals & Estimates

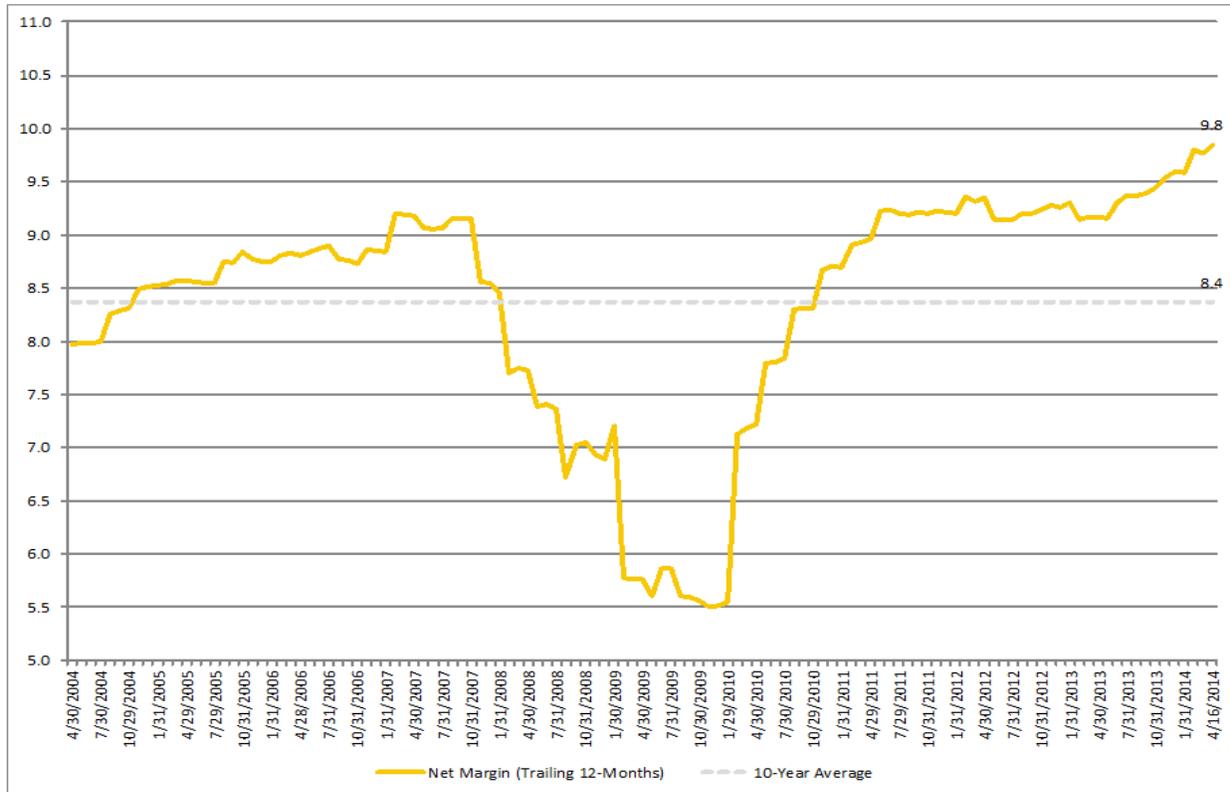


Quarterly Bottom-Up SPS Actuals & Estimates

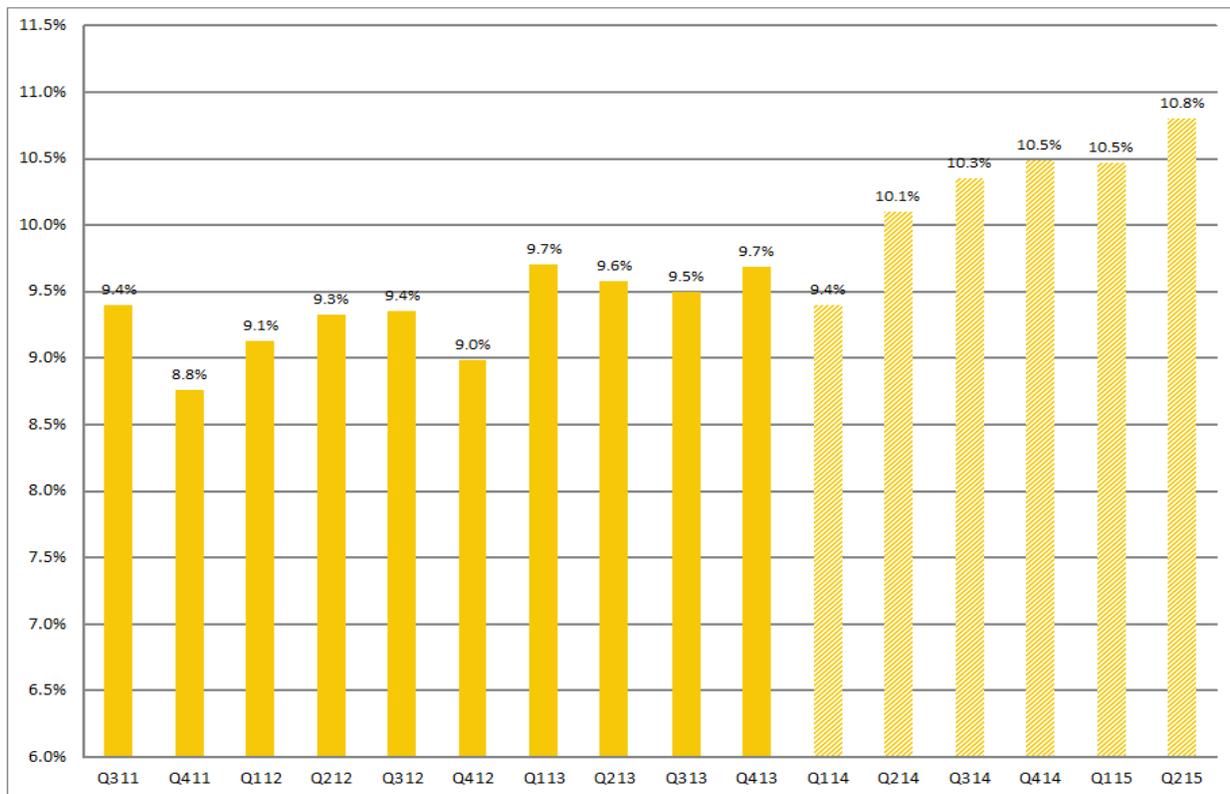


Net Margins: Current & Historical

Trailing 12M Net Margin: 10 Years

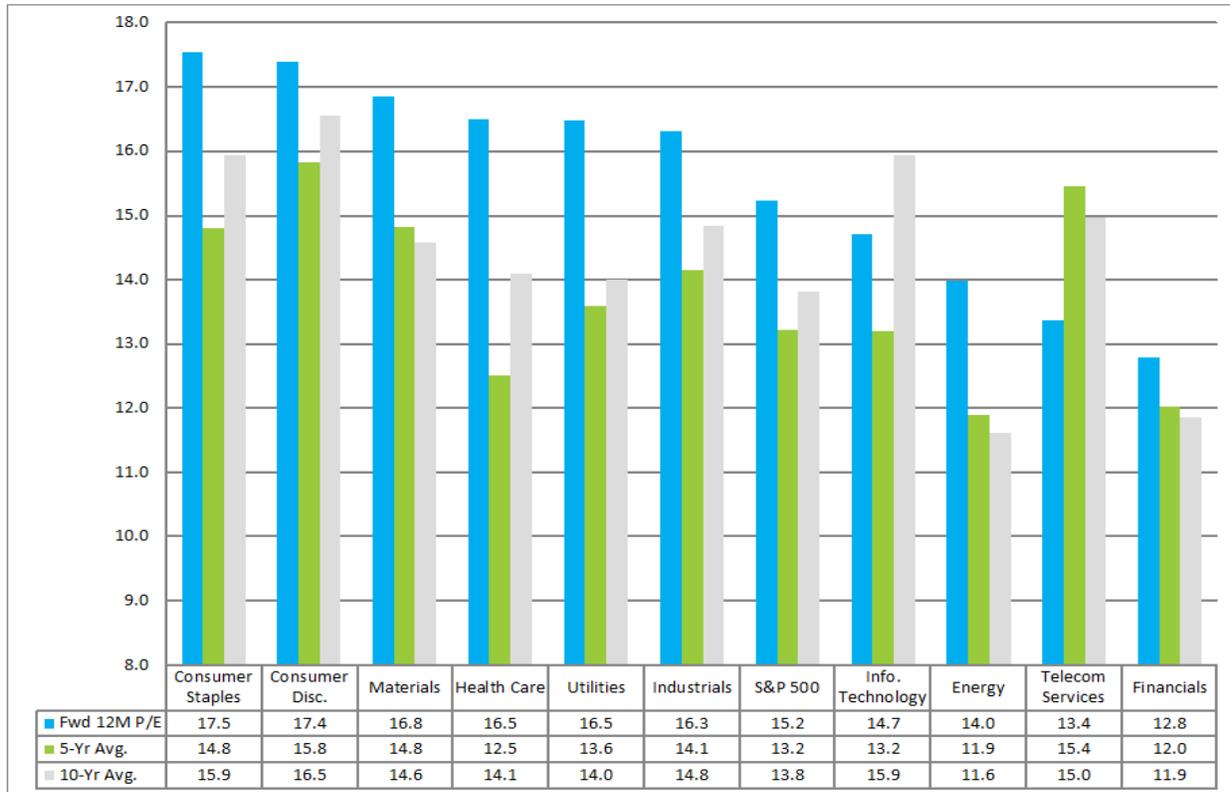


Quarterly Net Margins (Bottom-Up EPS / Bottom-Up SPS)

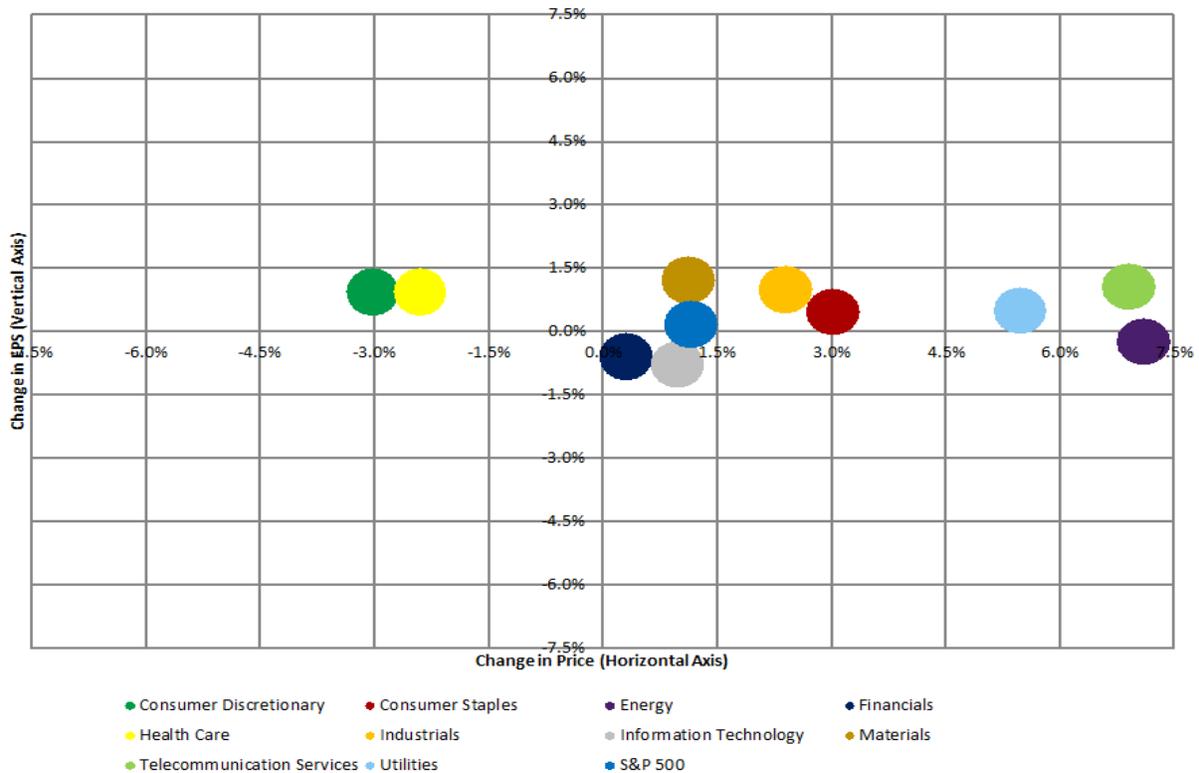


Forward 12M Price / Earnings Ratio: Sector Level

Sector-Level Forward 12-Month P/E Ratios

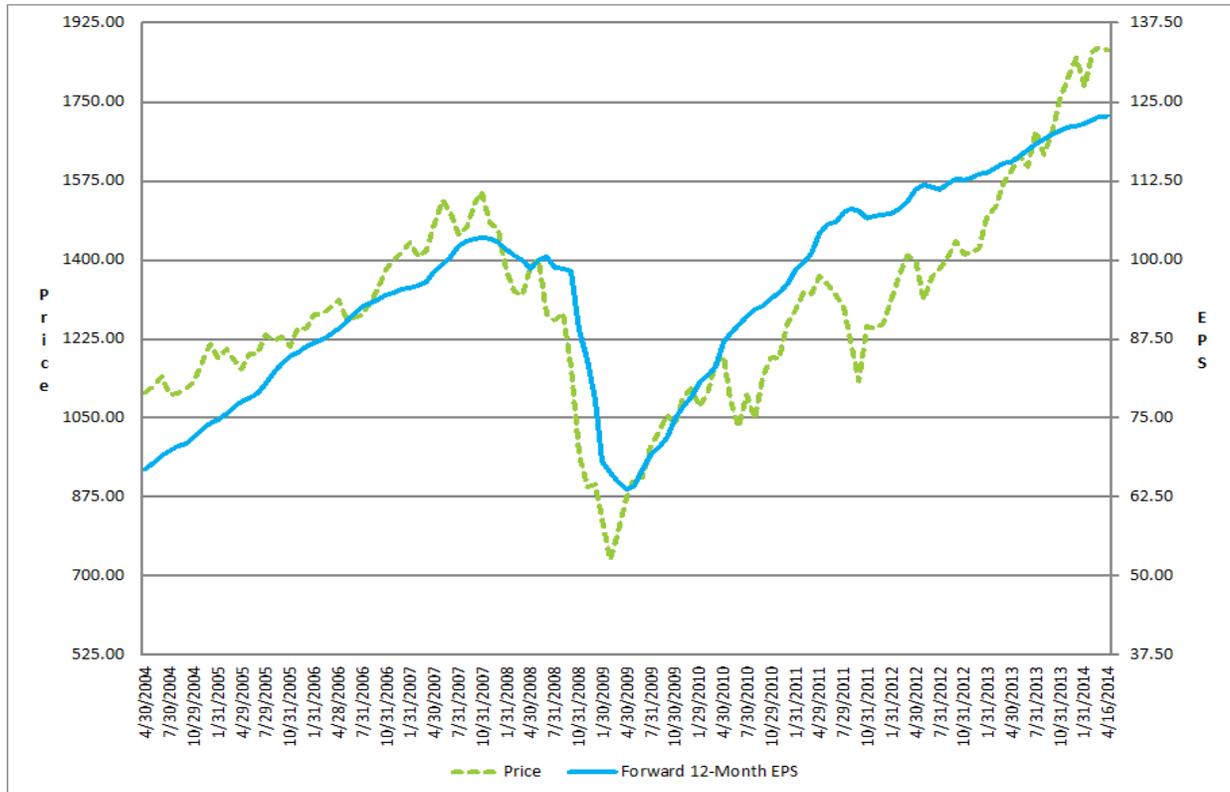


Sector-Level Change in Price vs. Change Forward 12M EPS: 1-Month

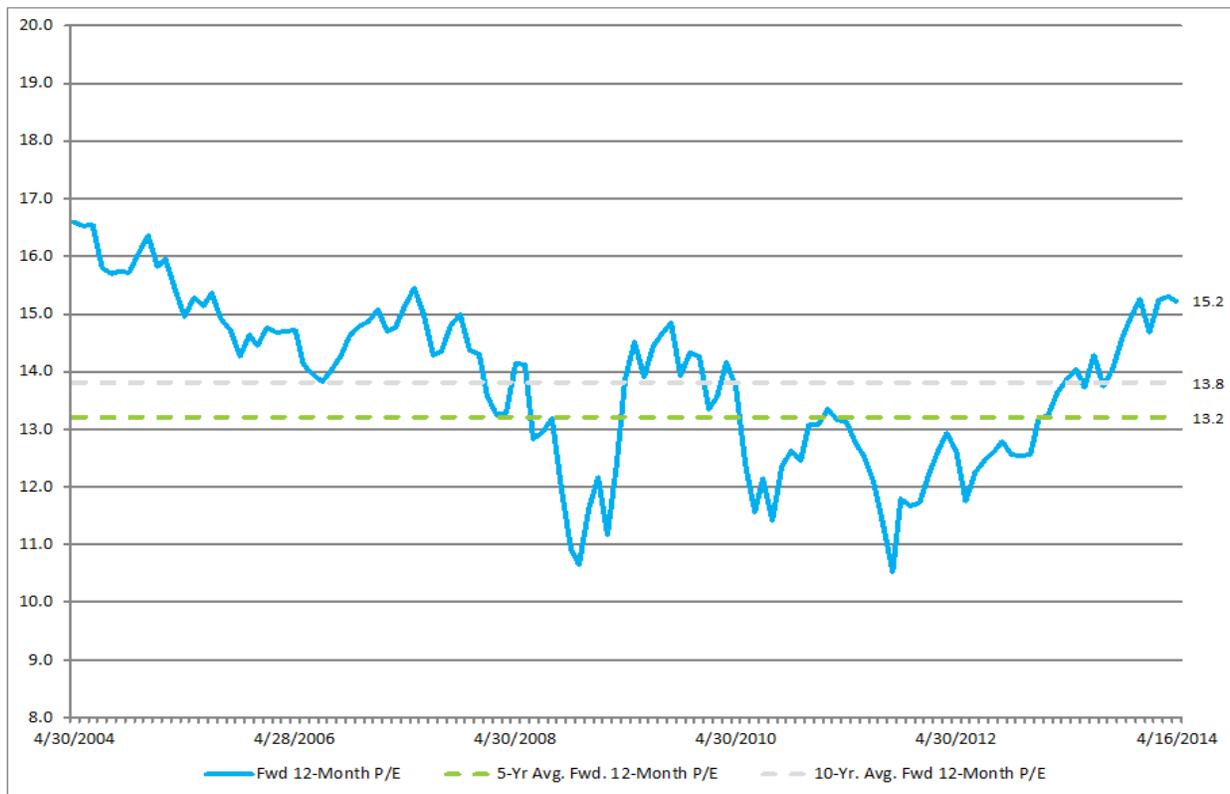


Forward 12M Price / Earnings Ratio: Long-Term Averages

Change in Price vs. Change in Forward 12M EPS: 10-Year

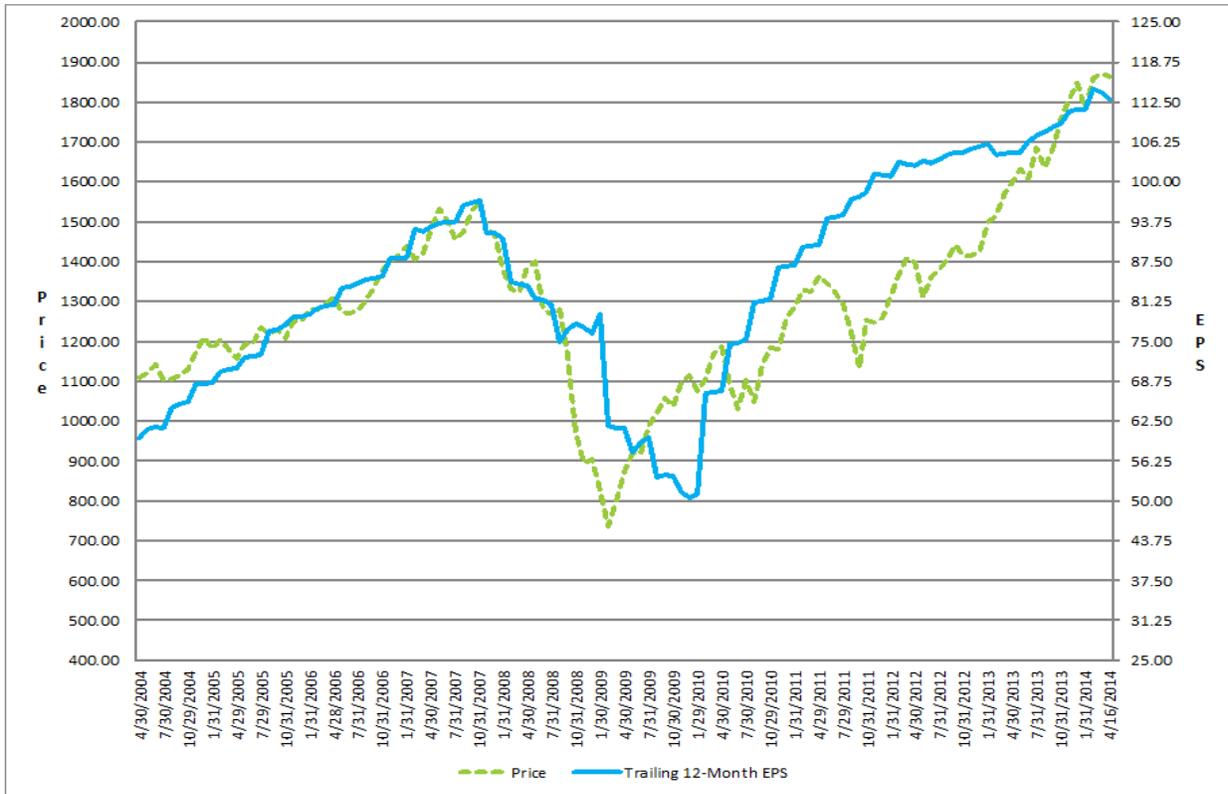


Forward 12M P/E Ratio: 10-Year

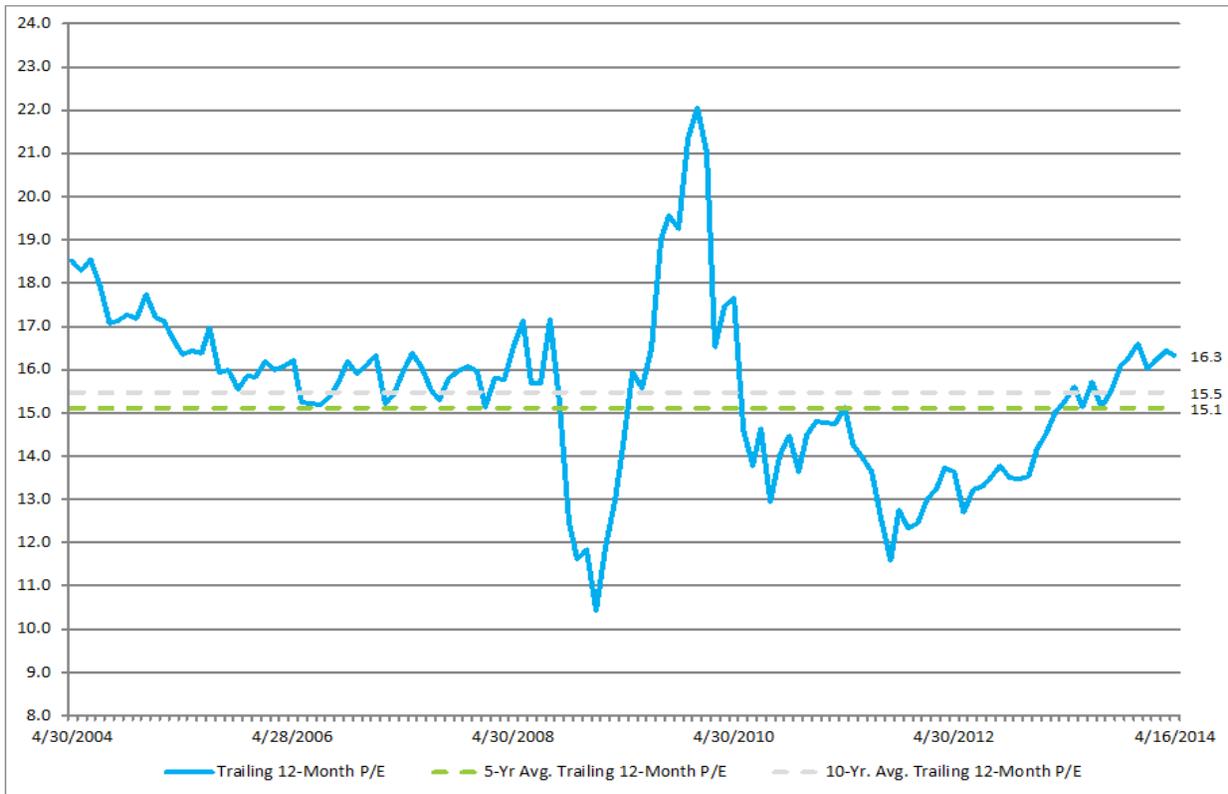


Trailing 12M Price / Earnings Ratio: Long-Term Averages

Change in Price vs. Change in Trailing 12M EPS: 10-Year



Trailing 12M P/E Ratio: 10-Year



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