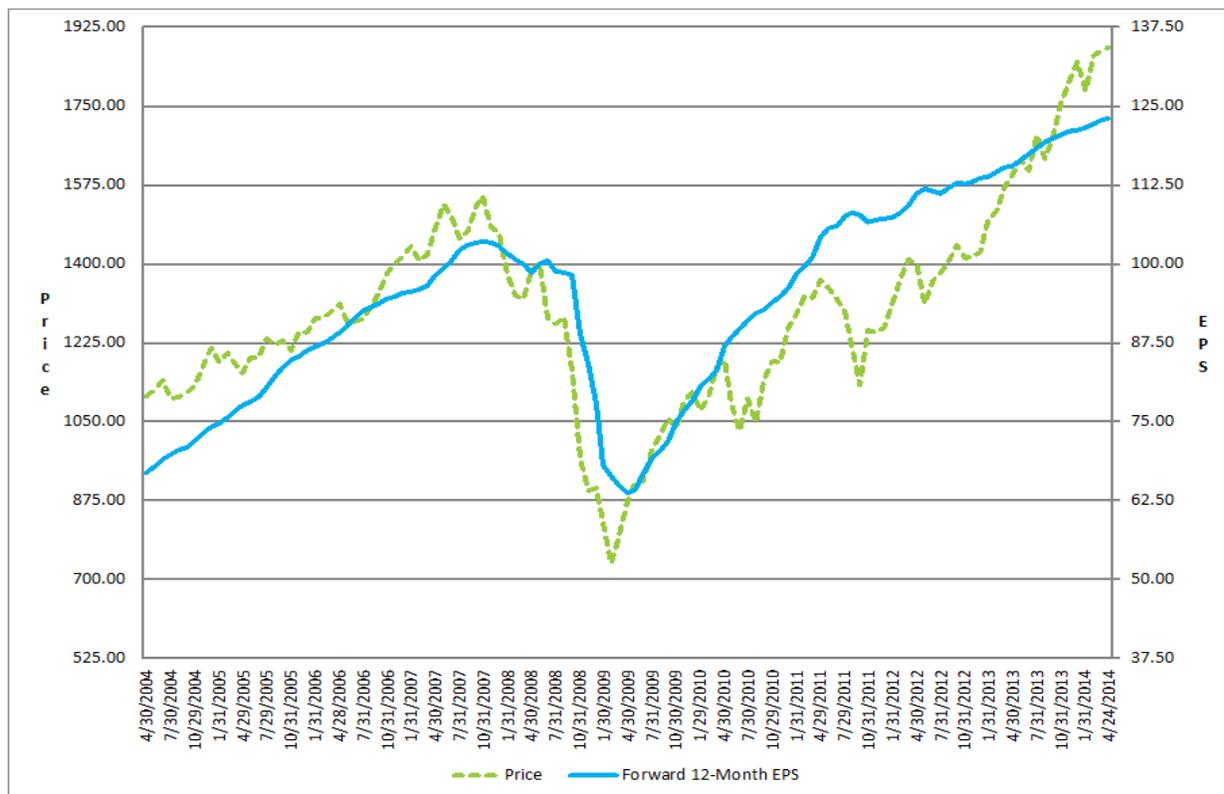


Key Metrics

- + **Earnings Scorecard:** Of the 240 companies that have reported earnings to date for Q1 2014, 73% have reported earnings above the mean estimate and 53% have reported sales above the mean estimate.
- + **Earnings Growth:** The blended earnings growth rate for Q1 2014 is 0.2%. The Telecom Services sector is reporting the highest earnings growth for the quarter, while the Energy sector is reporting the lowest earnings growth for the quarter
- + **Earnings Revisions:** On March 31, the estimated earnings decline for Q1 2014 was -1.2%. Eight 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 Utilities sector.
- + **Earnings Guidance:** For Q2 2014, 36 companies have issued negative EPS guidance and 15 companies have issued positive EPS guidance.
- + **Valuation:** The current 12-month forward P/E ratio is 15.3. This P/E ratio is based on Thursday's closing price (1878.61) and forward 12-month EPS estimate (\$123.12).

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

Q1 Earnings Growth Rate Back in Positive Territory This Week at 0.2%

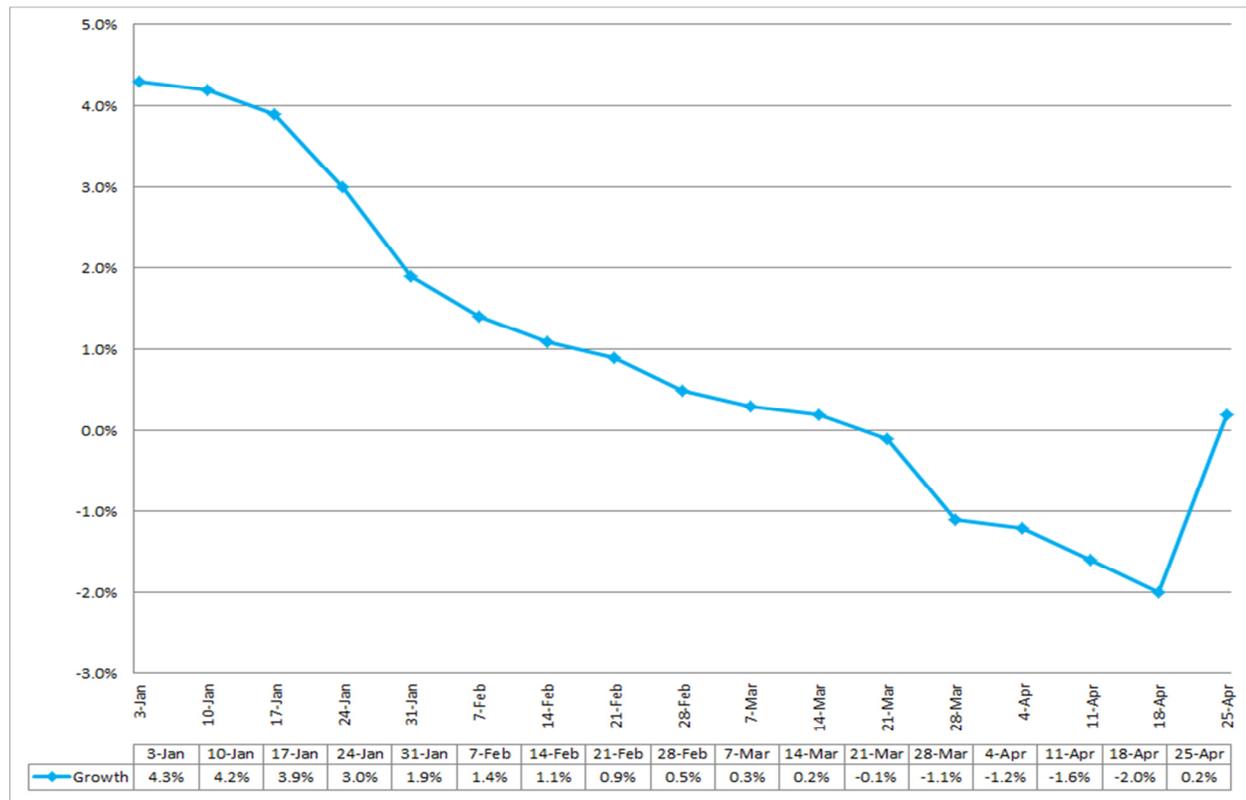
At this stage of the Q1 earnings season, almost half (48%) of the companies in the S&P 500 have reported actual EPS for the quarter. The blended growth rate (combines actual results for companies that have reported with estimated results for companies that have yet to report) now stands at 0.2%. This marks the first time that the earnings growth rate for Q1 has been in positive territory since the week ending on March 14 (also 0.2%).

The increase in the earnings growth rate since last Friday was due to the strong performance of corporate earnings relative to the expectations of analysts. During the past week, 120 of the 157 companies (or 76%) that released earnings results reported actual EPS above the mean EPS estimate. These 120 companies beat the EPS estimates by 14.7% on average.

As a result of these upside surprises, the net increase in dollar-level earnings for the S&P 500 for Q1 during the week was \$5.6 billion dollars (to \$249.3 billion from \$243.7 billion), which caused the growth rate to rise to 0.2% from -2.0% over this same period. The companies that reported upside earnings surprises added \$6.6 billion in earnings to the total for the quarter, while the companies that reported downside earnings surprises subtracted \$1.0 billion in earnings to the total for the quarter, resulting in the net increase of \$5.6 billion in earnings for Q1 2014 for the week.

The companies that were the largest contributors to this net increase in dollar-level earnings for the week due to upside EPS surprises were Apple (+\$1.2 billion), Gilead Sciences (+\$876 million), Microsoft (+\$447 million), Travelers (+\$276 million), General Motors (+\$202 million), and Facebook (+\$199 million).

S&P 500: Change in Q1 2014 Earnings Growth



Q1 2014 Earnings Season: Overview

Fewer Companies Beating Sales Estimates than Average

With 48% of the companies in the S&P 500 reporting actual results for Q1 to date, the percentage of companies reporting EPS above estimates is in-line with recent historical averages, while the percentage of companies reporting revenue above estimates is below recent historical averages.

Percentage of Companies Beating EPS Estimates (73%) is In-Line with Recent Averages

Overall, 240 companies have reported earnings to date for the first quarter. Of these 240 companies, 73% have reported actual EPS above the mean EPS estimate and 27% 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 (71%) average and equal to the 4-year (73%) average.

At the sector level, the Utilities (100%), Industrials (82%), and Energy (79%) sectors have the highest percentages of companies reporting earnings above estimates, while the Telecom Services (50%) and Consumer Staples (60%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (+4.8%) In-Line with Recent Quarters

In aggregate, companies are reporting earnings that are 4.8% above expectations. This surprise percentage is above the 1-year (+3.1%) average but below the 4-year (+5.8%) average.

Companies in the Utilities (+22.6%), Health Care (+8.6%), and Information Technology (+7.0%) sectors are reporting the largest upside aggregate differences between actual earnings and estimated earnings. In the Utilities sector, Entergy (+36%) and American Electric Power Company (+25%) have reported the highest positive earnings surprises. In the Health Care sector, Gilead Sciences (+62%) and Aetna (+30%) have reported actual EPS above the mean EPS estimate by the widest margins. In the Information Technology sector, Facebook (+41%) has surpassed the mean EPS estimate by the largest amount.

On the other hand, companies in the Telecom Services (-0.2%) sector are reporting the largest downside aggregate differences between actual earnings and estimated earnings. In this sector, Verizon Communications (-2%) has reported the largest downside earnings surprise.

Percentage of Companies Beating Revenue Estimates (53%) is Below Recent Averages

In terms of revenues, 53% of companies have reported actual sales above estimated sales and 47% 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 Telecom Services (100%), Utilities (100%), and Energy (79%) sectors have the highest percentages of companies reporting revenue above estimates, while the Materials (29%) sector has the lowest percentage of companies reporting revenue above estimates.

Revenue Surprise Percentage (0.6%) In-Line with Recent Quarters

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

Companies in the Utilities (+23.5%) sector are reporting the largest upside aggregate differences between actual sales and estimated sales, while companies in the Materials (-0.8%) sector are reporting the largest downside aggregate differences between actual sales and estimated sales.

Earnings Growth Back in Positive Territory This Week

Upside Earnings Surprises in Technology and Health Care Boost Growth This Week

The blended earnings growth rate for the first quarter is 0.2% this week, above the blended decline of -2.0% last week. During the past week, upside earnings surprises reported by companies in the Information Technology and Health Care sectors were the largest contributors to the increase in earnings growth for the index this week.

In the Information Technology sector, large upside earnings surprises reported by Apple (+14%), Microsoft (+8%), and Facebook (+41%) were significant contributors to the increase in earnings growth for the index during the week. As a result, the blended earnings growth rate for the Information Technology sector improved to 0.8% from -4.0% over this time frame.

In the Health Care sector, large positive earnings surprises reported by Gilead Sciences (+62%) and Aetna (+30%) were the substantial contributors to the rise in earnings growth for the index during the week. As a result, the blended earnings growth rate for the Health Care sector jumped to 5.3% from 1.8% over this time frame.

Utilities Sector Has Seen Largest Jump in Earnings Growth since March 31

The blended earnings growth rate for Q1 2014 of 0.2% is above the estimate of -1.2% at the end of the quarter (March 31). Eight 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 Utilities sector (to 15.2% from 7.6%). Two sectors have recorded a decrease in earnings growth over this period due to a combination of downside earnings surprises and downward revisions to earnings estimates: Consumer Discretionary (to 2.1% from 4.0%) and Energy (to -9.0% from -7.6%).

Blended Earnings Growth: 0.2%

The blended earnings growth rate for Q1 2014 is 0.2%. If this is the final percentage for the quarter, it will mark the lowest year-over-year increase in earnings since Q3 2012 (-1.0%). Seven of the ten sectors are reporting higher earnings relative to a year ago, led by the Telecom Services and Utilities sectors. Three sectors are reporting lower earnings relative to a year ago, led by the Energy and Financials sectors.

Telecom Services: Ex-Verizon, Growth Rate Drops to 1.4%

The Telecom Services sector is reporting the highest earnings growth rate at 26.3%. At the company level, Verizon Communications is the largest contributor to earnings growth for the sector. The company reported actual EPS of \$0.84 for Q1 2014, compared to \$0.68 in the year-ago quarter. If Verizon is excluded, the earnings growth rate for the sector would drop to 1.4%.

Utilities: Broad Growth across the Sector

The Utilities sector is reporting the second highest earnings growth rate (15.2%) of any sector. At the company level, 23 of the 30 companies in the sector have reported growth or are predicted to see growth. At the company level, Entergy, NRG Energy, and American Electric Power Company are the largest contributors to earnings growth for the sector. Entergy reported actual EPS of \$2.29, compared to year-ago EPS of \$0.94. NRG is expected to report a loss of \$0.07, relative to a year-ago loss of \$1.02. American Electric Power Company reported actual EPS of \$1.15, compared to year-ago EPS of \$0.80. If these three companies are excluded, the earnings growth rate for the sector would drop to 6.7%.

Energy: Exxon Mobil and Chevron Lead Decline

The Energy sector is reporting the largest decline in earnings of any sector at -9.0%. Five of the seven sub-industries in this sector are reporting or are expected to report a decrease in earnings, led by the Coal & Consumable Fuels (-124%), Oil & Gas Refining & Marketing (-31%) 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 \$2.54, relative to year-ago EPS of \$3.18. If these two companies are excluded, the growth rate for the Energy sector would improve to -1.0%.

Financials: Bank of America and JPMorgan Chase Lead Decline

The Financials sector is reporting the second highest decline in earnings at -4.2%. 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 (-14%) 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 4.5%.

Blended Revenue Growth is 2.4%

The blended revenue growth rate for Q1 2014 is 2.4%, which is equal to the estimated growth rate of 2.4% at the end of the quarter (March 31). Nine of the ten sectors are reporting revenue growth for the quarter, led by the Utilities and Health Care sectors. On the other hand, the Energy sector is the only sector reporting a decline in revenue for the quarter.

Highest Sales Growth: Utilities and Health Care

The Utilities sector is reporting the highest revenue growth at 8.2%. All four industries in the sector are reporting or are predicted to report growth in sales, led by the Independent Power and Renewable Energy Producers (16%) and Gas Utilities (11%) industries.

The Health Care sector is reporting the second highest revenue growth at 6.9%. Five of the six industries in the sector are reporting growth in sales, led by the Biotechnology (37%) industry. The only industry reporting a (slight) decline in sales is the Pharmaceuticals (-0.4%) industry.

Lowest Sales Growth: Energy

The Energy sector is the only sector reporting a decrease in revenue at -2.0%. 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 (-17%) and Oil & Gas Exploration & Production (-16%) 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 (70%) Above Average

At this point in time, 51 companies in the index have issued EPS guidance for the second quarter. Of these 51 companies, 36 have issued negative EPS guidance and 15 have issued positive EPS guidance. Thus, the percentage of companies issuing negative EPS guidance to date for the first quarter is 70% (36 out of 51). This percentage is above the 5-year average of 65%.

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

Although companies are reporting slight earnings growth (0.2%) 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 6.8%, 10.2%, and 10.5%. For all of 2014, the projected earnings growth rate is 7.8%.

Valuation: Forward P/E Ratio is 15.3, above the 10-Year Average (13.8)

The current 12-month forward P/E ratio is 15.3. This P/E ratio is based on Thursday's closing price (1878.61) and forward 12-month EPS estimate (\$123.12)

At the sector level, the Consumer Discretionary (17.6) and Consumer Staples (17.5) sectors have the highest forward 12-month P/E ratios, while the Financials (12.9) and Telecom Services (12.9) sectors have the lowest forward 12-month P/E ratios.

The P/E ratio of 15.3 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 15.2 recorded one month ago. During the past month, the price of the index increased by 1.1%, while the forward 12-month EPS estimate increased by 0.5%.

At the sector level, five sectors recorded an increase in the forward 12-month P/E ratio over the past month, led by the Energy (to 14.2 from 13.1) sector. Five sectors witnessed a decrease in the forward 12-month P/E ratio over the past month, led by the Health Care (to 16.3 from 16.8).

Companies Reporting for Q1 Next Week: 136

During the upcoming week, three Dow 30 components and 136 S&P 500 companies are scheduled to report earnings for the first quarter.

Predicted EPS Surprises for Q1 Next Week: 15

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

For the upcoming week, 13 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

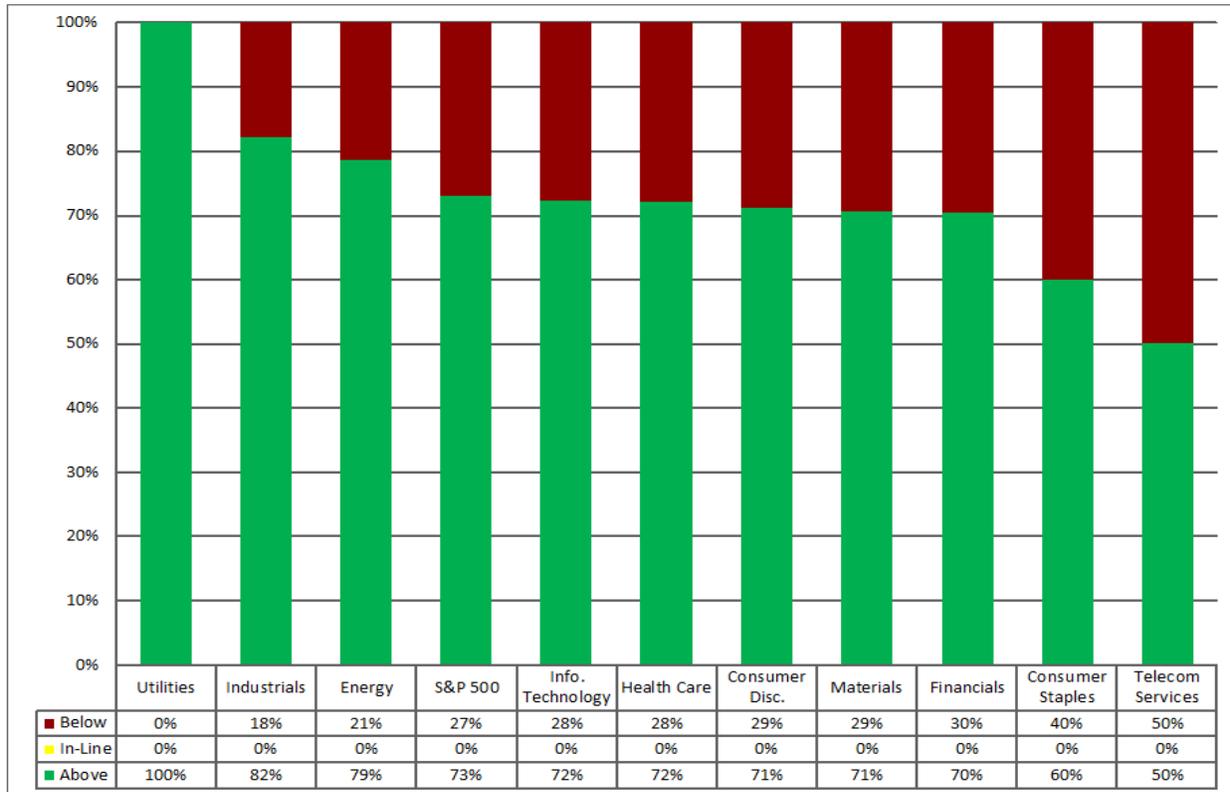
(downside surprise indicator) for Q1. The companies scheduled to report results for Q1 next week that have the largest upside differences (on a percentage basis) between the Sharp estimate and the mean EPS estimate are Public Service Enterprise Group (+4%) and Forest Laboratories (+4%).

For the S&P 500 overall, 26 companies have a Sharp EPS estimate above the mean EPS estimate (upside surprise indicator) for Q1 and 8 companies have a Sharp EPS estimate below the mean EPS estimate (downside surprise indicator) for Q1. The remaining 466 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 Utilities sector currently has the highest number (8) and the highest percentage (27%) of companies with a Sharp estimate above the mean EPS estimate for the first quarter. Six of these eight companies are in the Electric Utilities industry.

Q1 2014: Scorecard

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

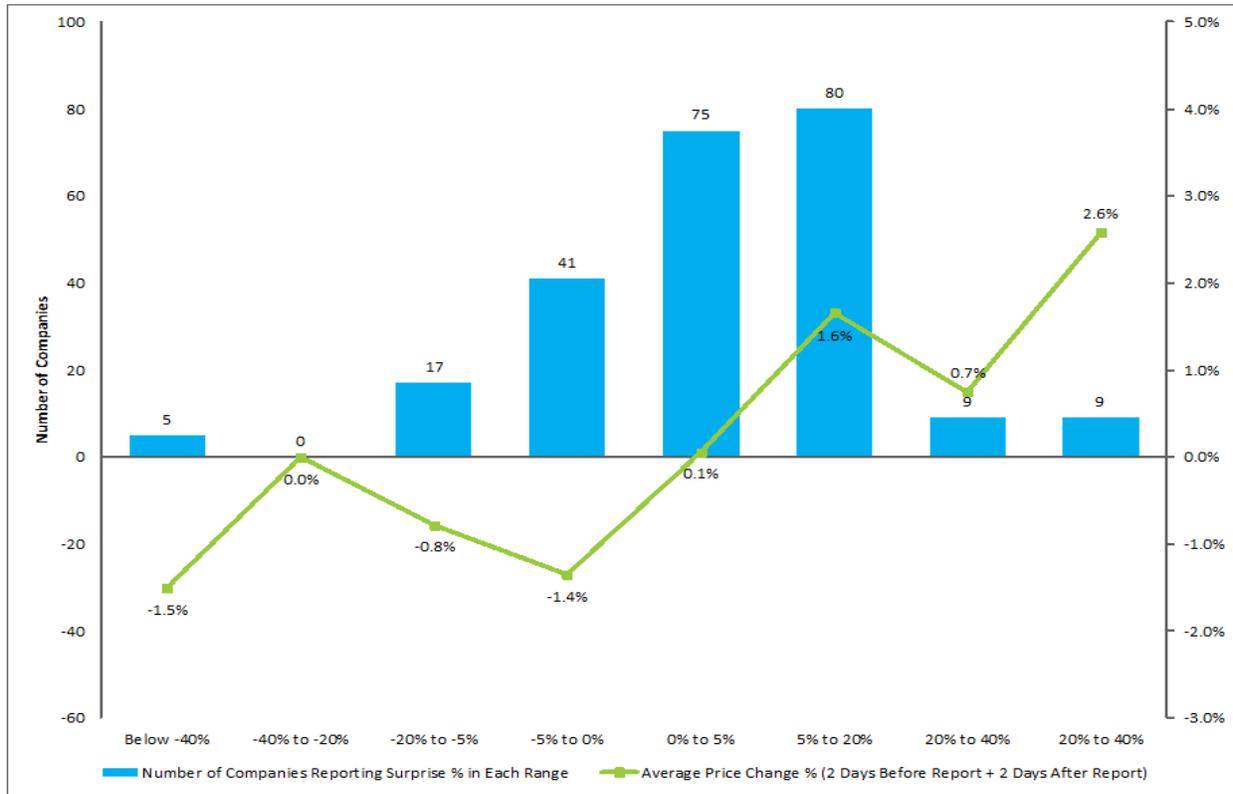


Q1 2014 Revenues: Above, In-Line, Below Estimates

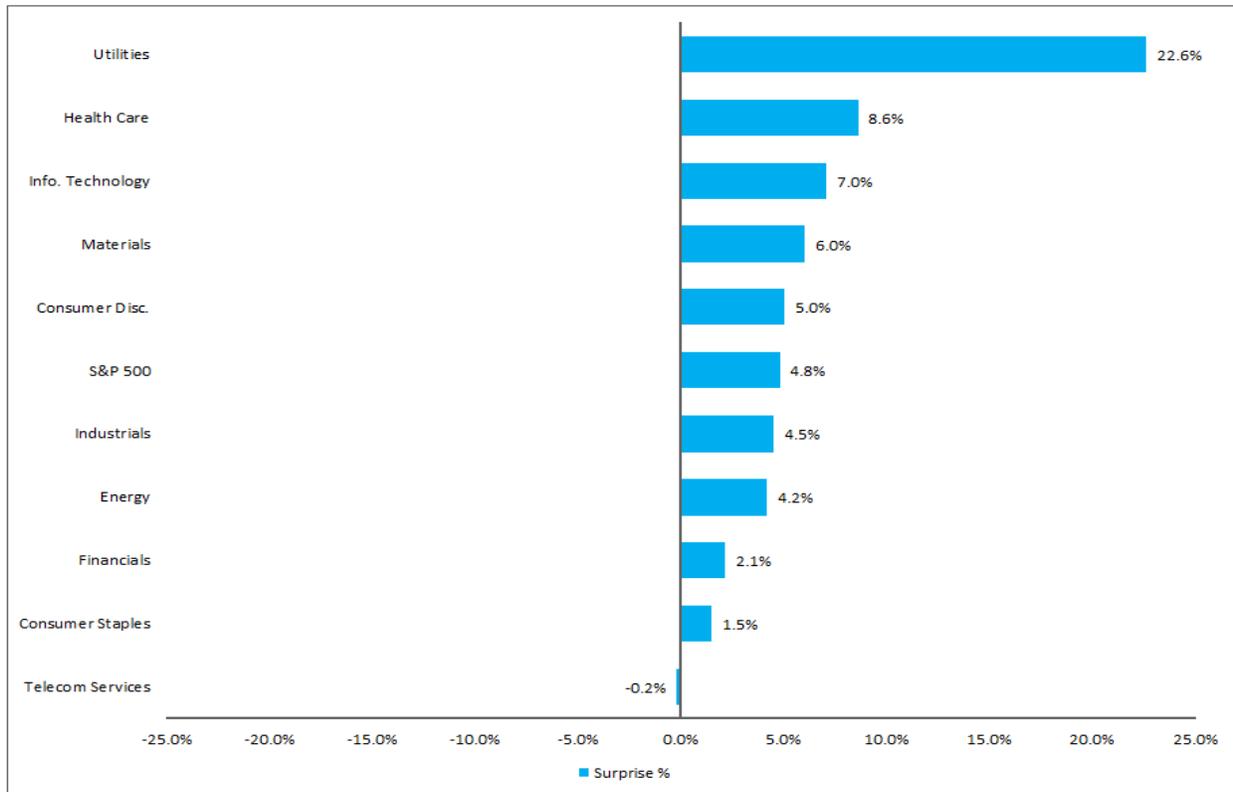


Q1 2014: Scorecard

Q1 2014: Surprise % Numbers

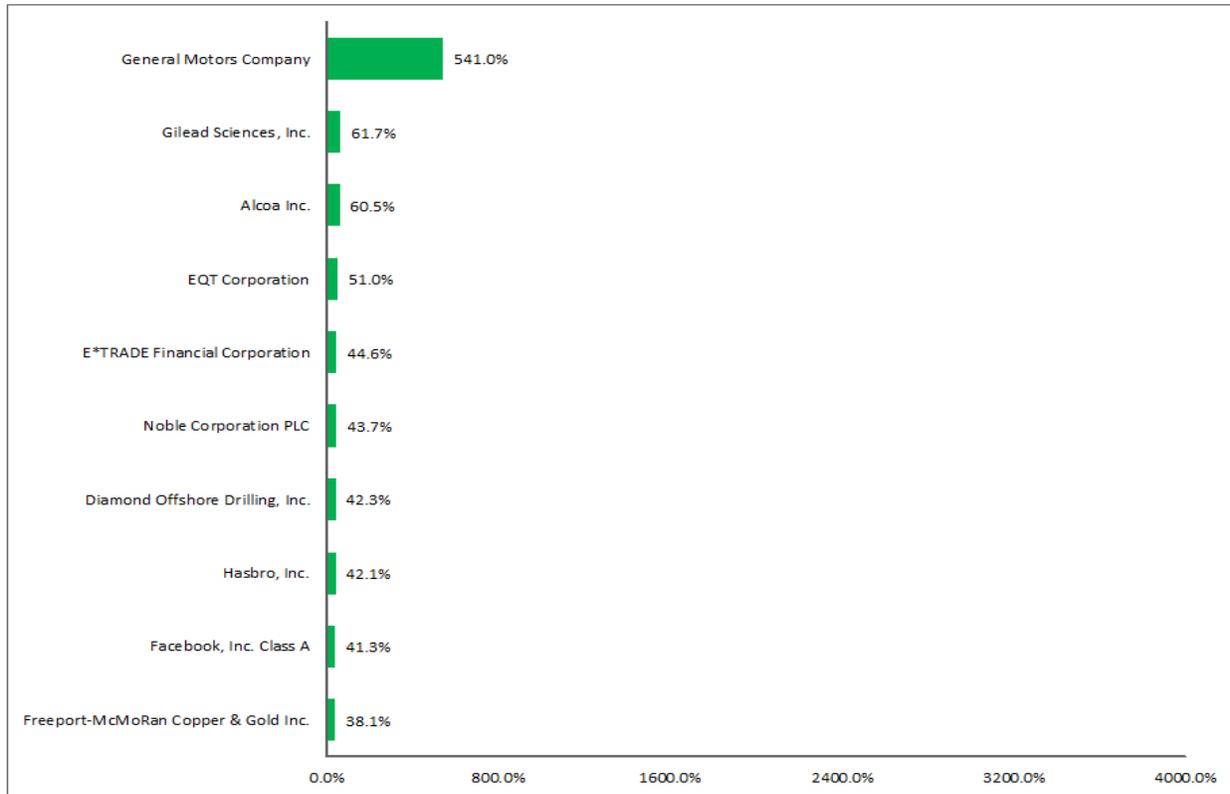


Q1 2014: Sector Level Surprise %

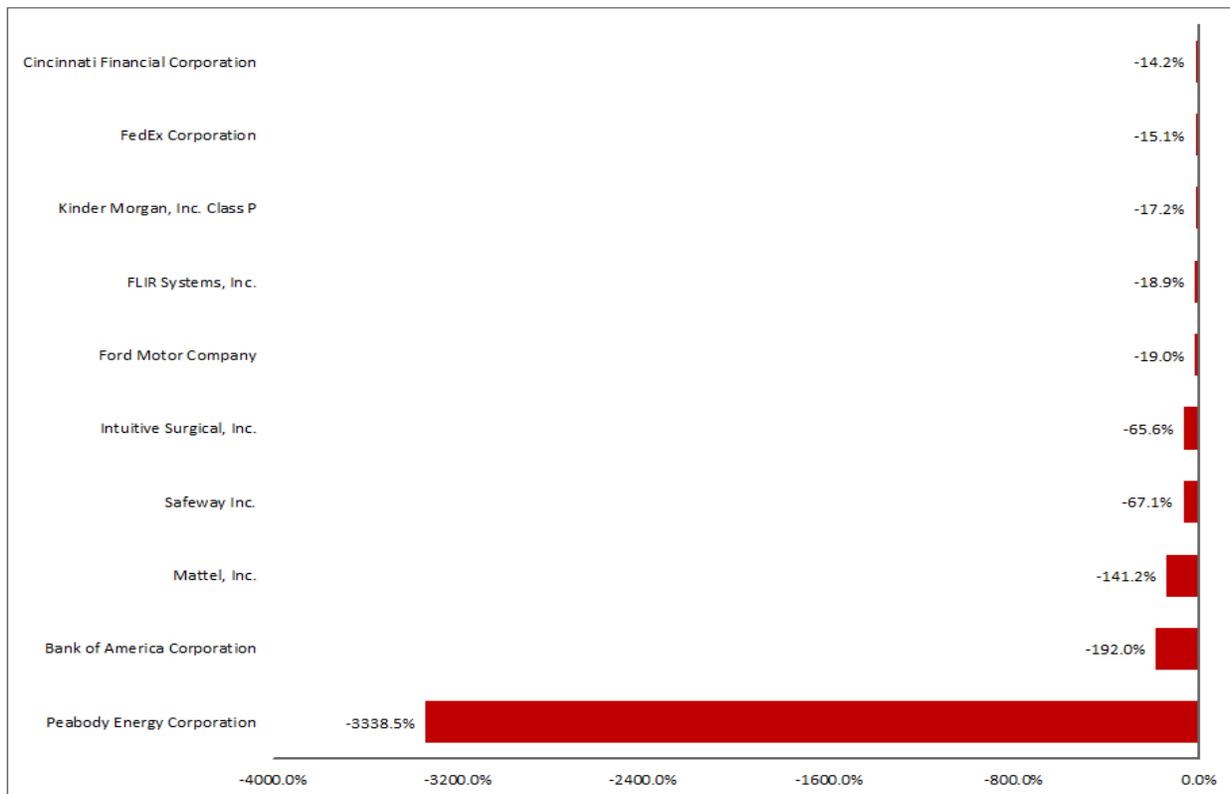


Q1 2014: Scorecard

EPS Surprise %: Top 10 Companies

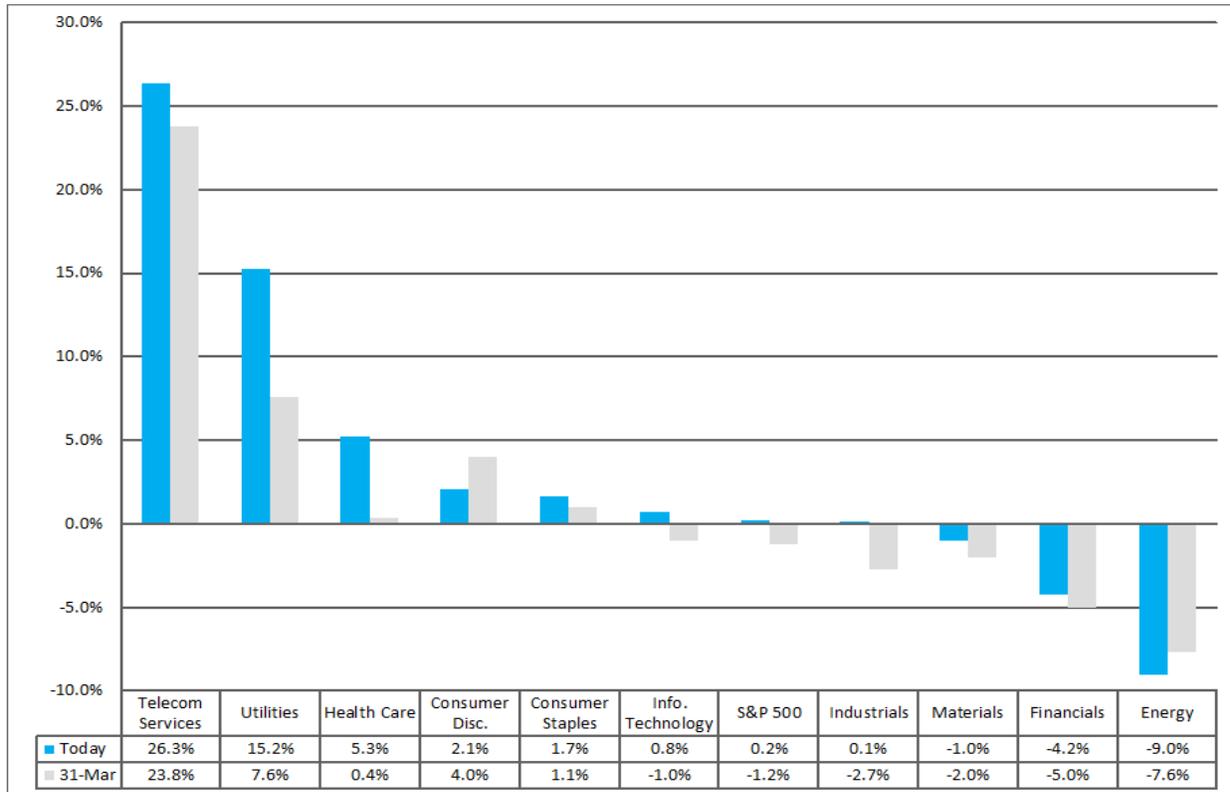


EPS Surprise %: Bottom 10 Companies

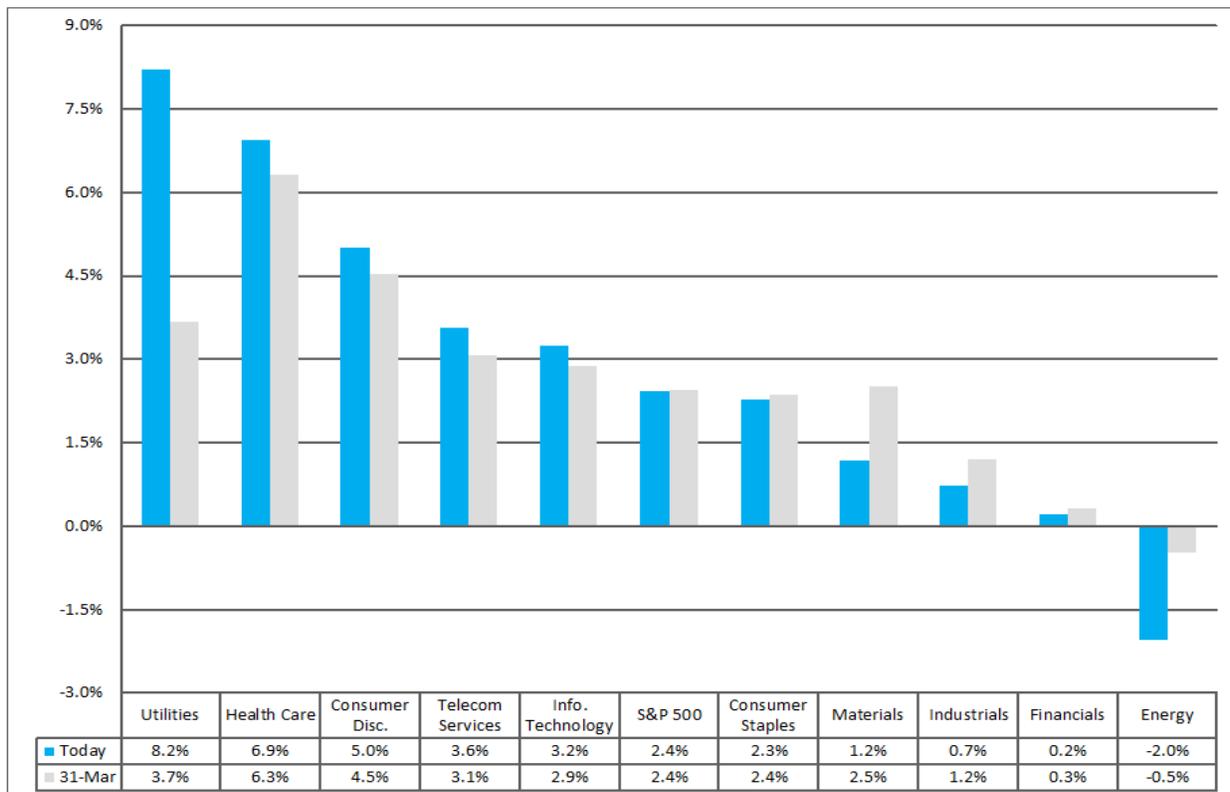


Q1 2014: Growth

Q1 2014 Earnings Growth

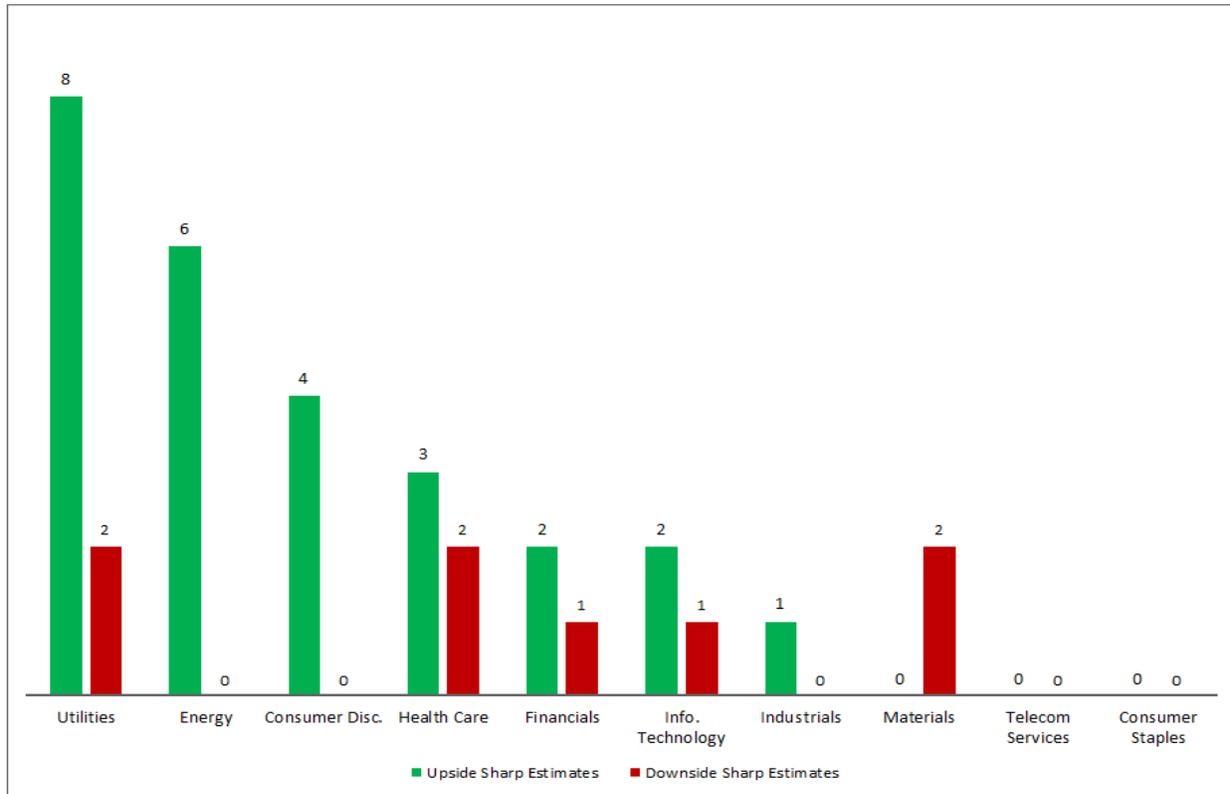


Q1 2014 Revenue Growth

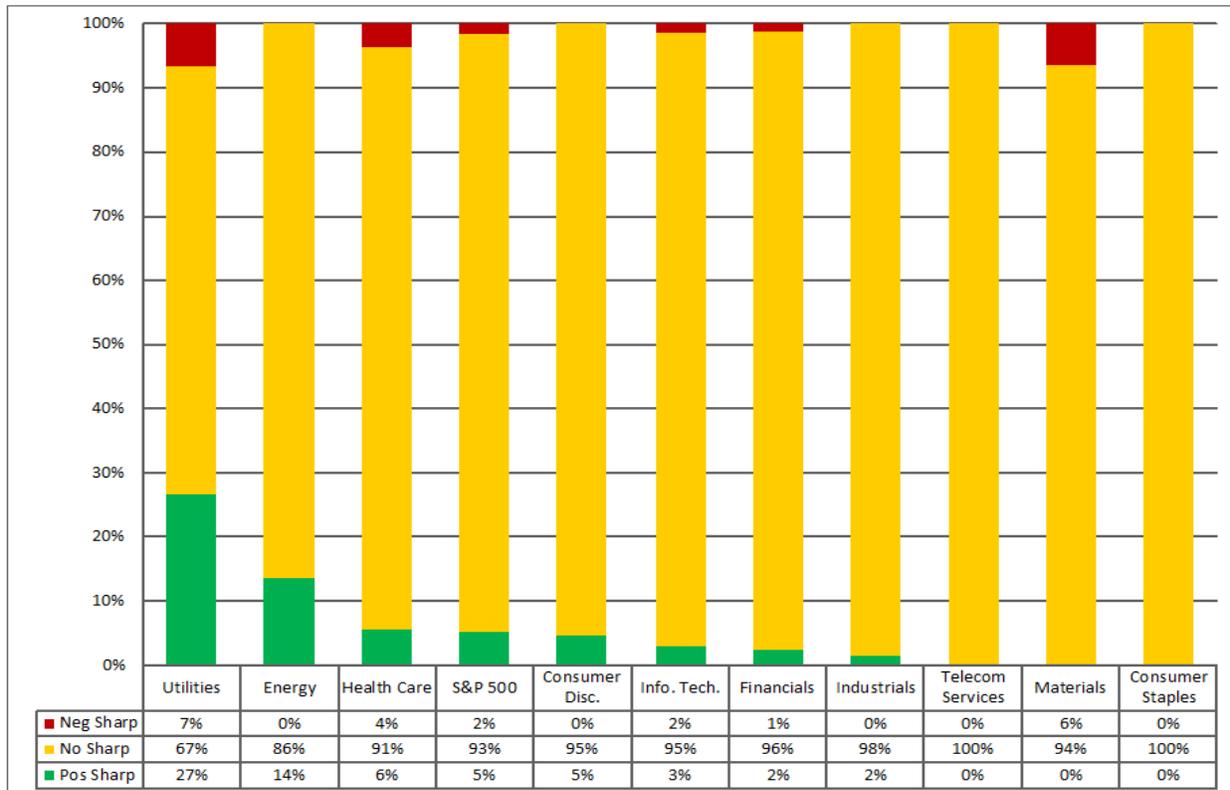


Q1 2014: Projected EPS Surprises (Sharp Estimates)

Number (#) of Companies with Sharp Estimates

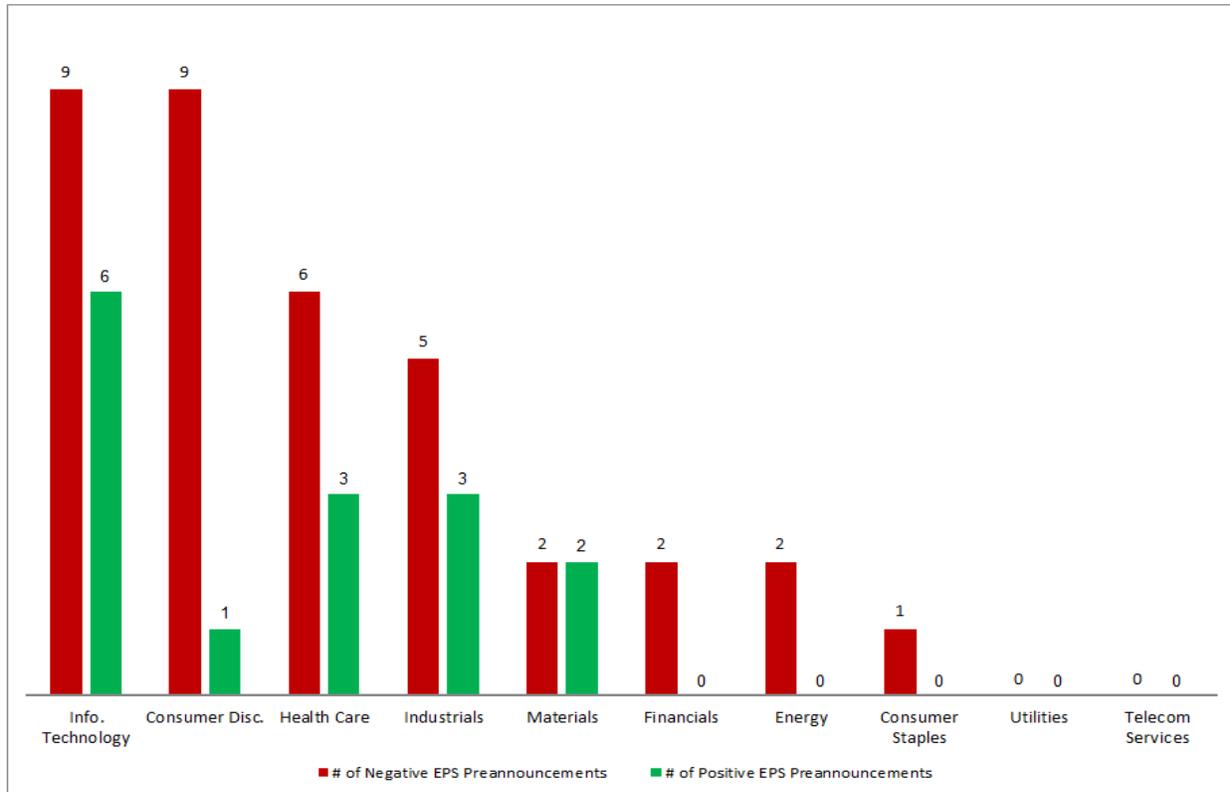


Percentage (%) of Companies with Sharp Estimates

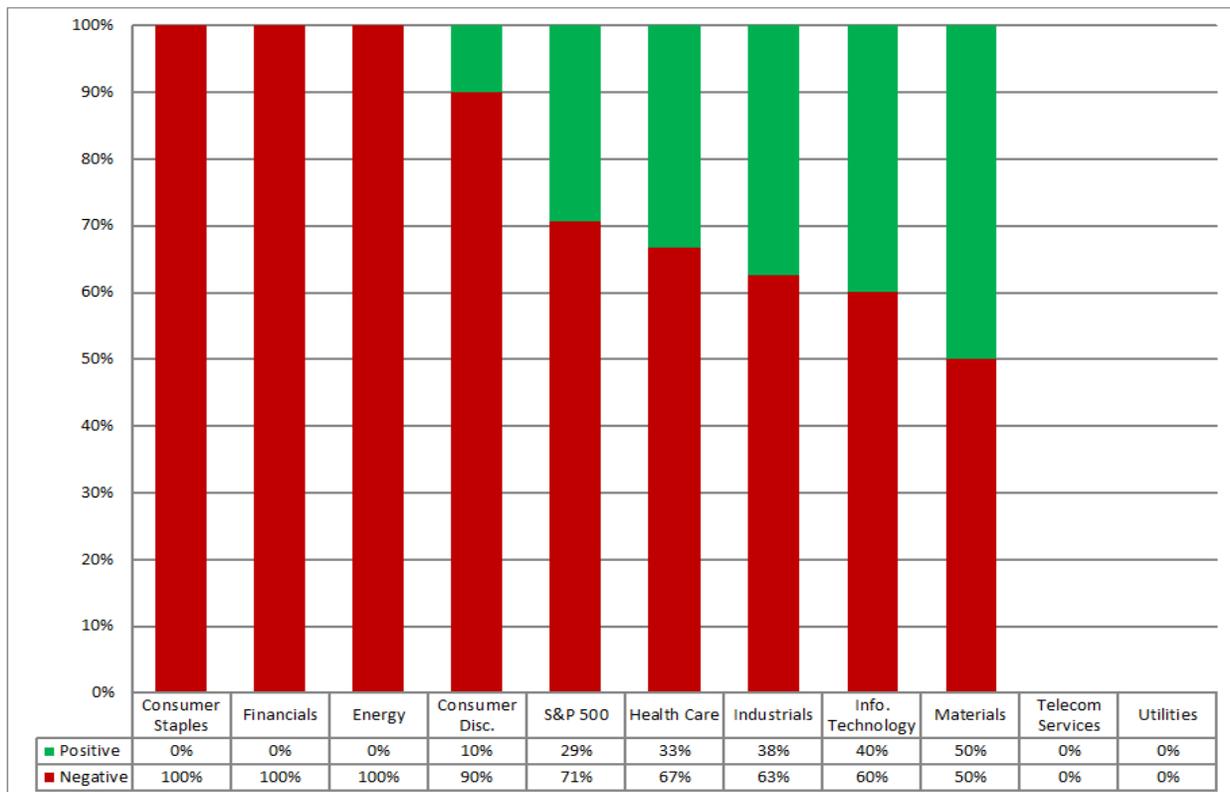


Q2 2014: EPS Guidance

Number of Positive & Negative EPS Preannouncements: Q2 2014

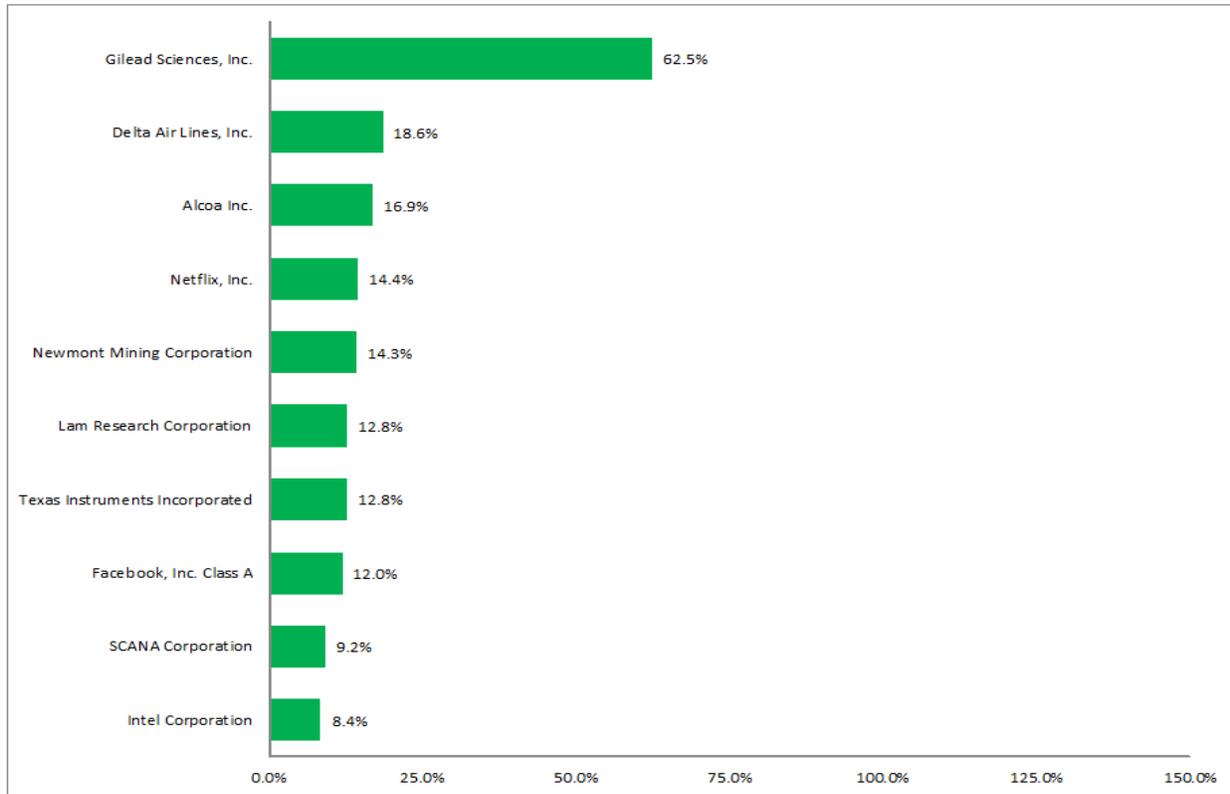


Percentage of Positive & Negative EPS Preannouncements: Q2 2014

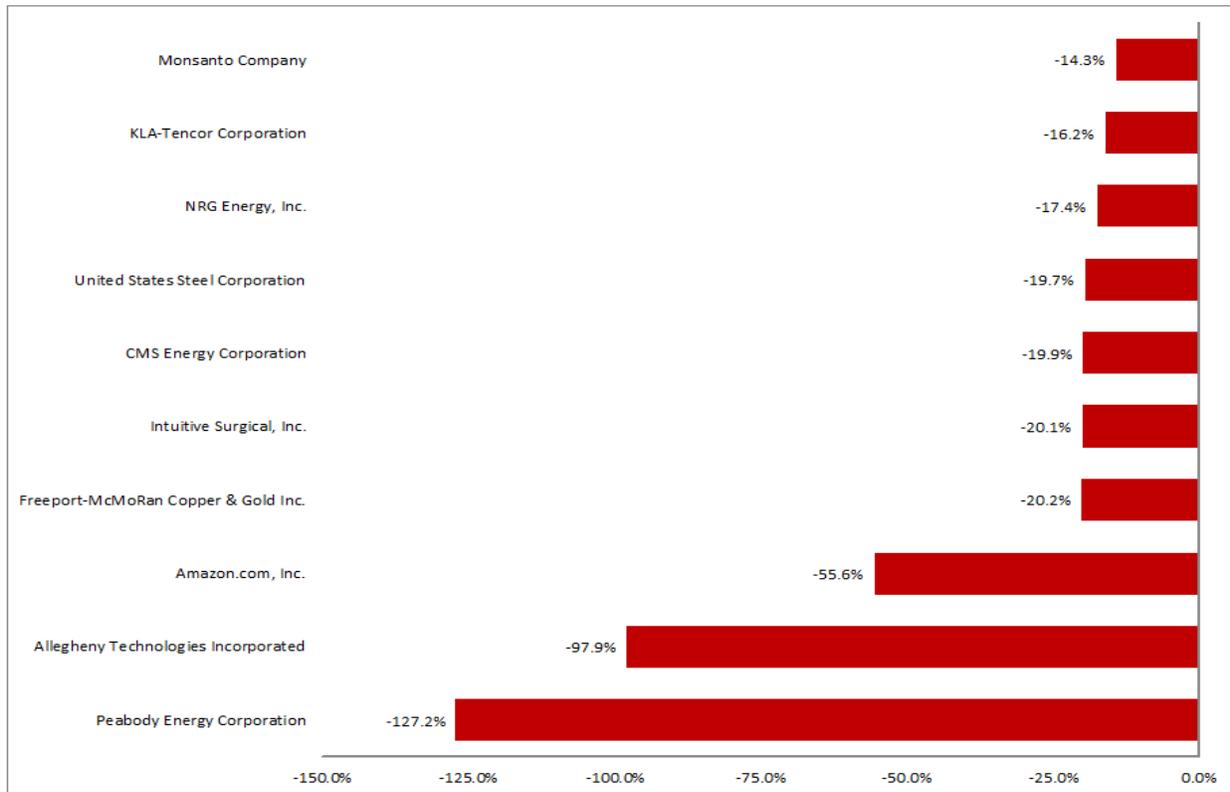


Q2 2014: EPS Revisions

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

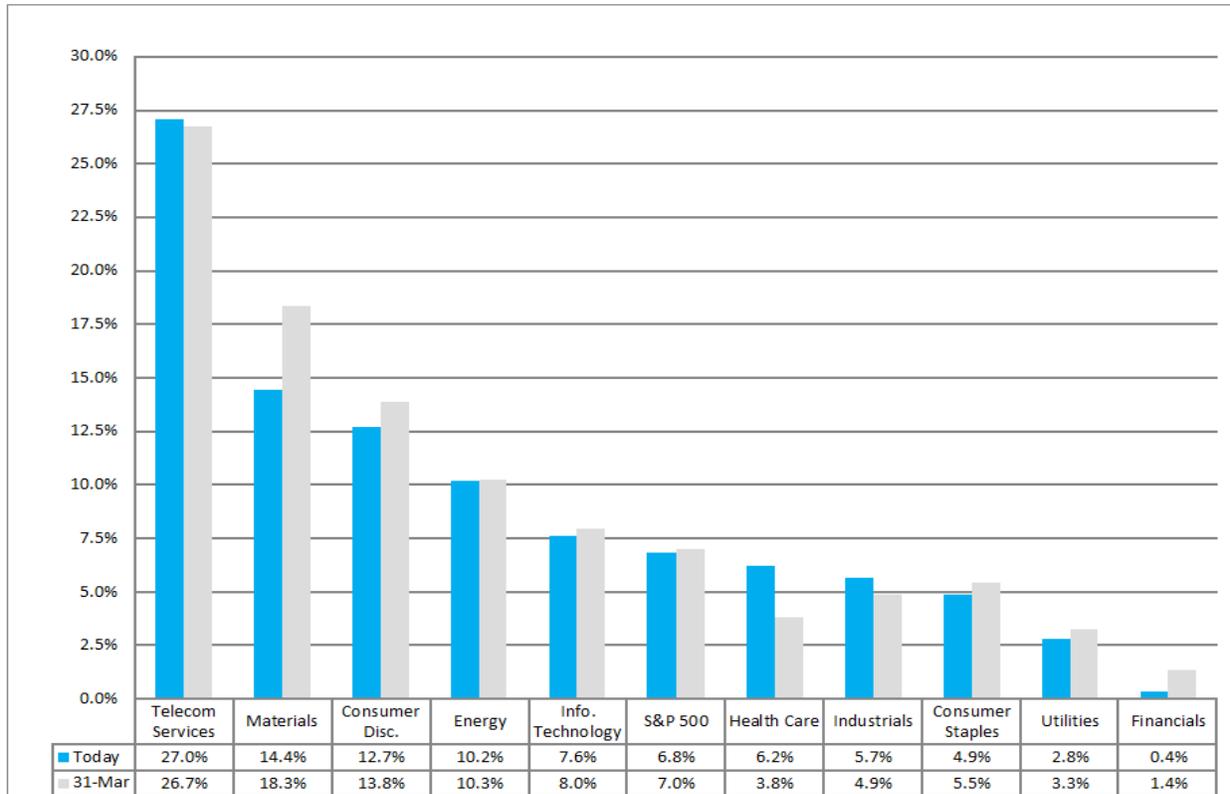


Highest Downward Change (Trailing 4-Weeks) in Mean EPS Estimate: Top 10 Companies

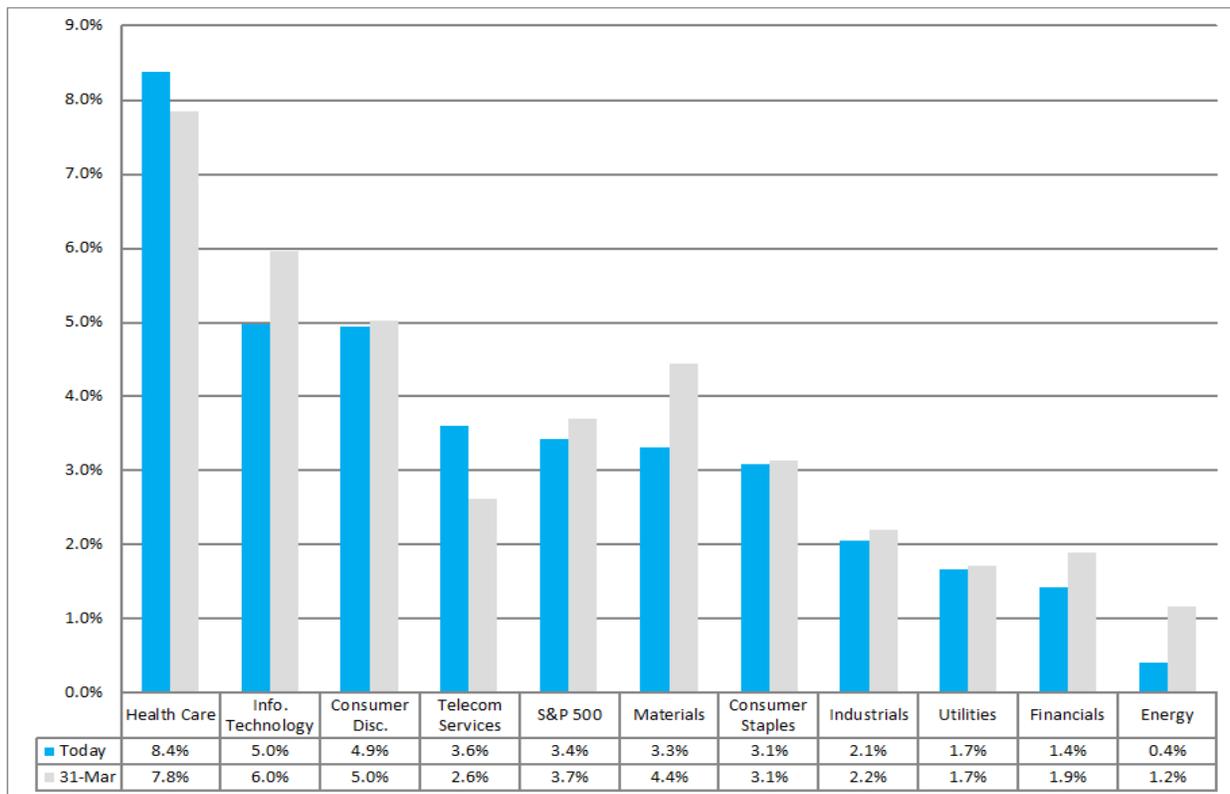


Q2 2014: Growth

Q2 2014 Earnings Growth

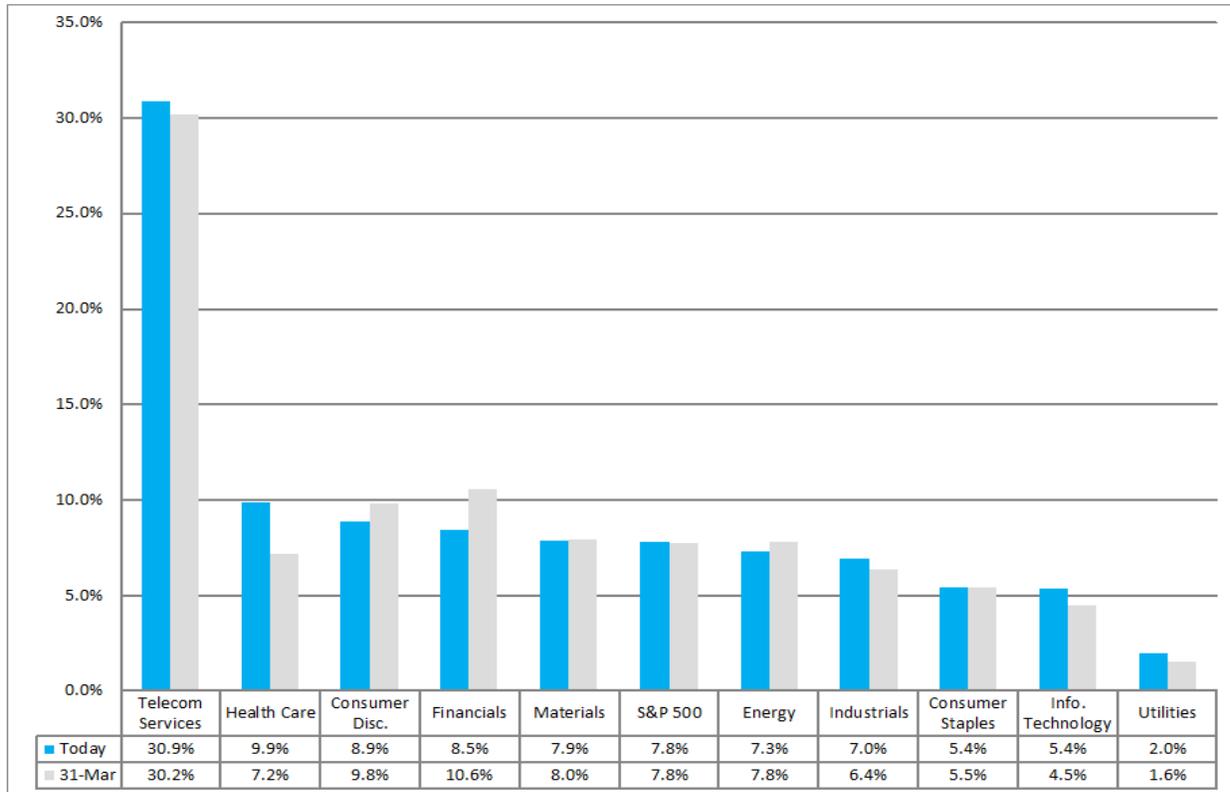


Q2 2014 Revenue Growth



CY 2014: Growth

CY 2014 Earnings Growth

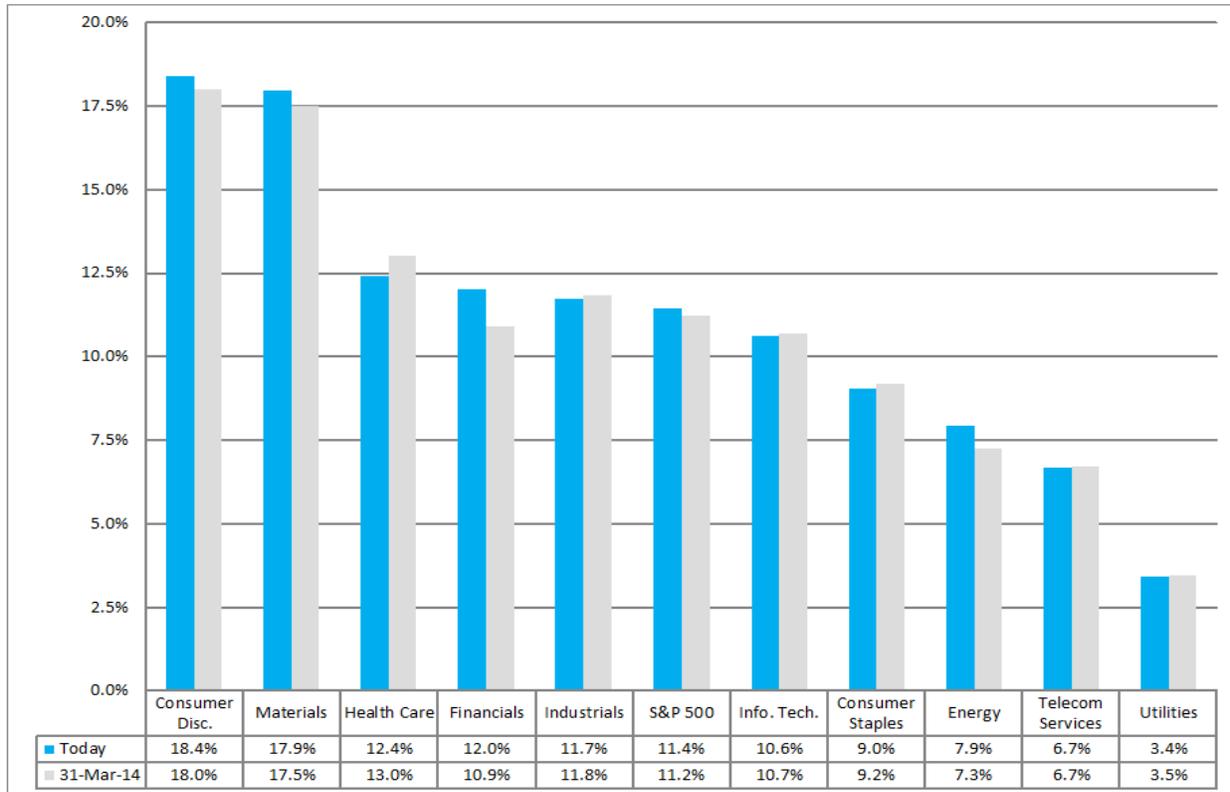


CY 2014 Revenue Growth

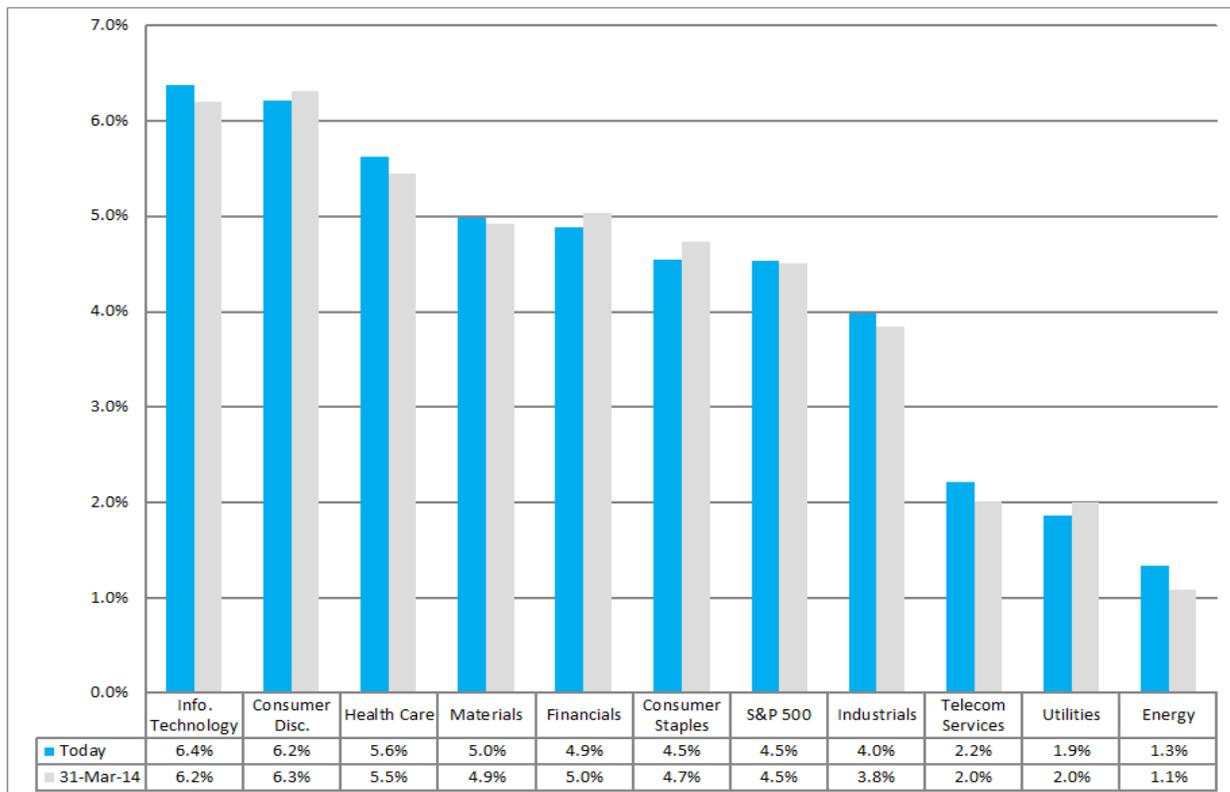


CY 2015: Growth

CY 2015 Earnings Growth

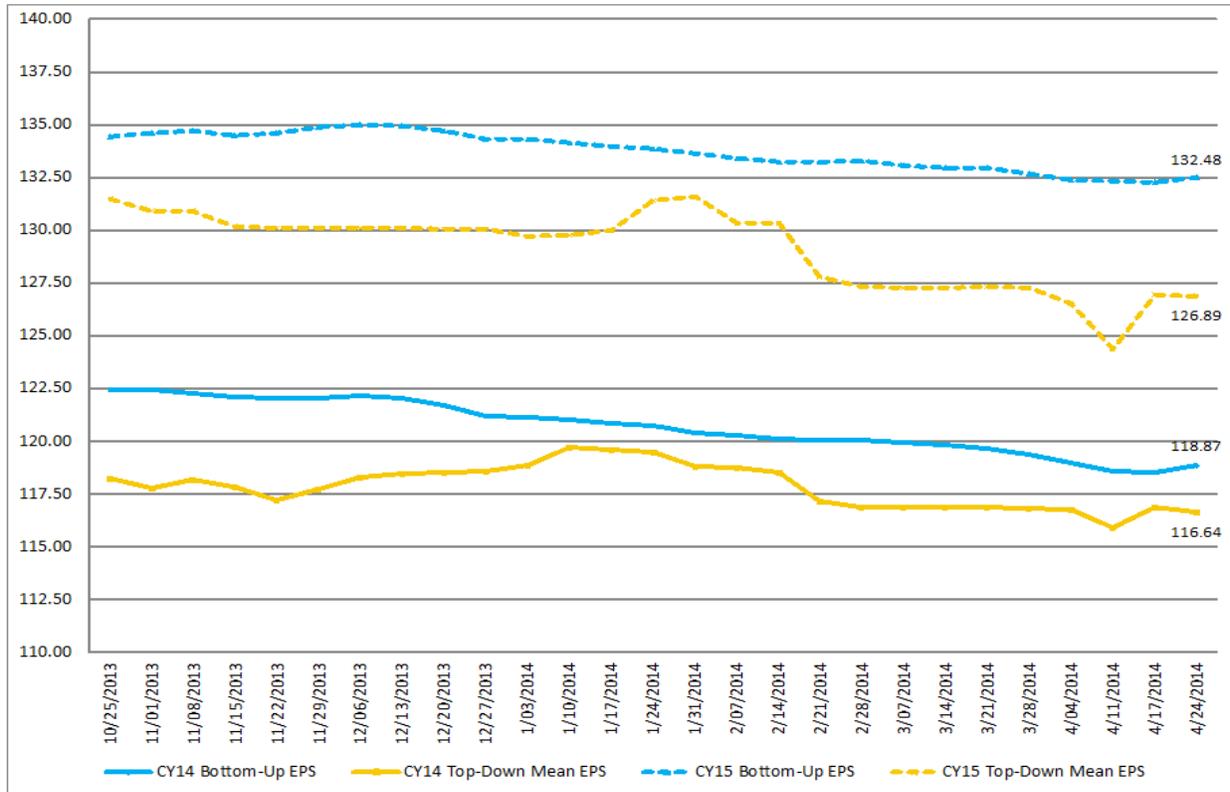


CY 2014 Revenue Growth

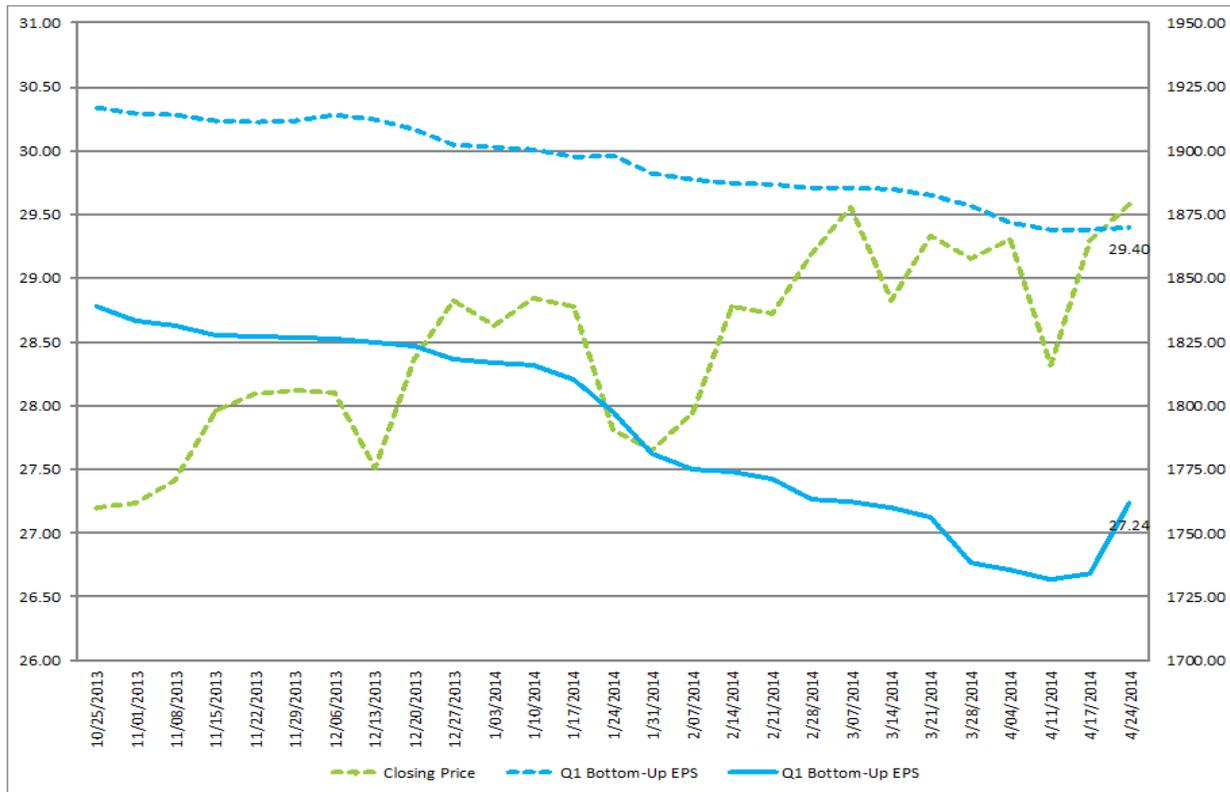


Bottom-up EPS Estimates: Revisions

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

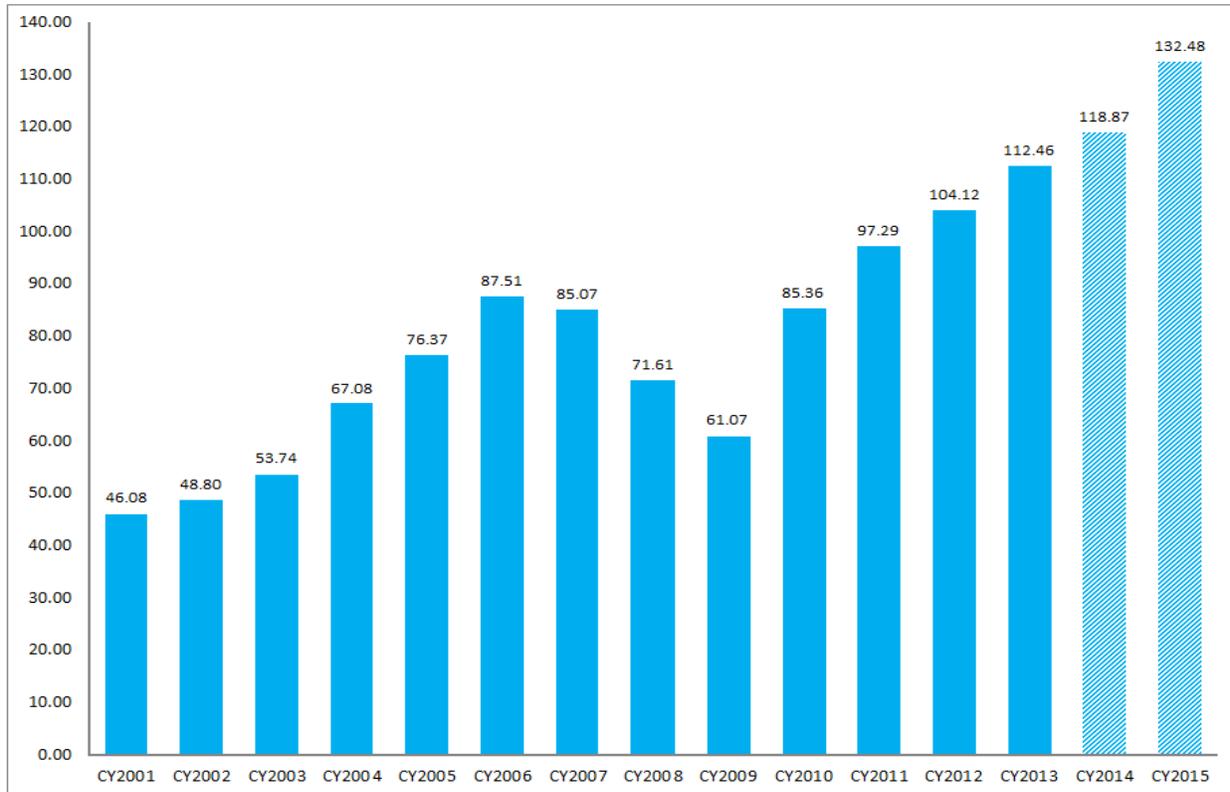


Change in Q114 & Q214 Bottom-Up EPS vs. Price (Trailing 26-Weeks)

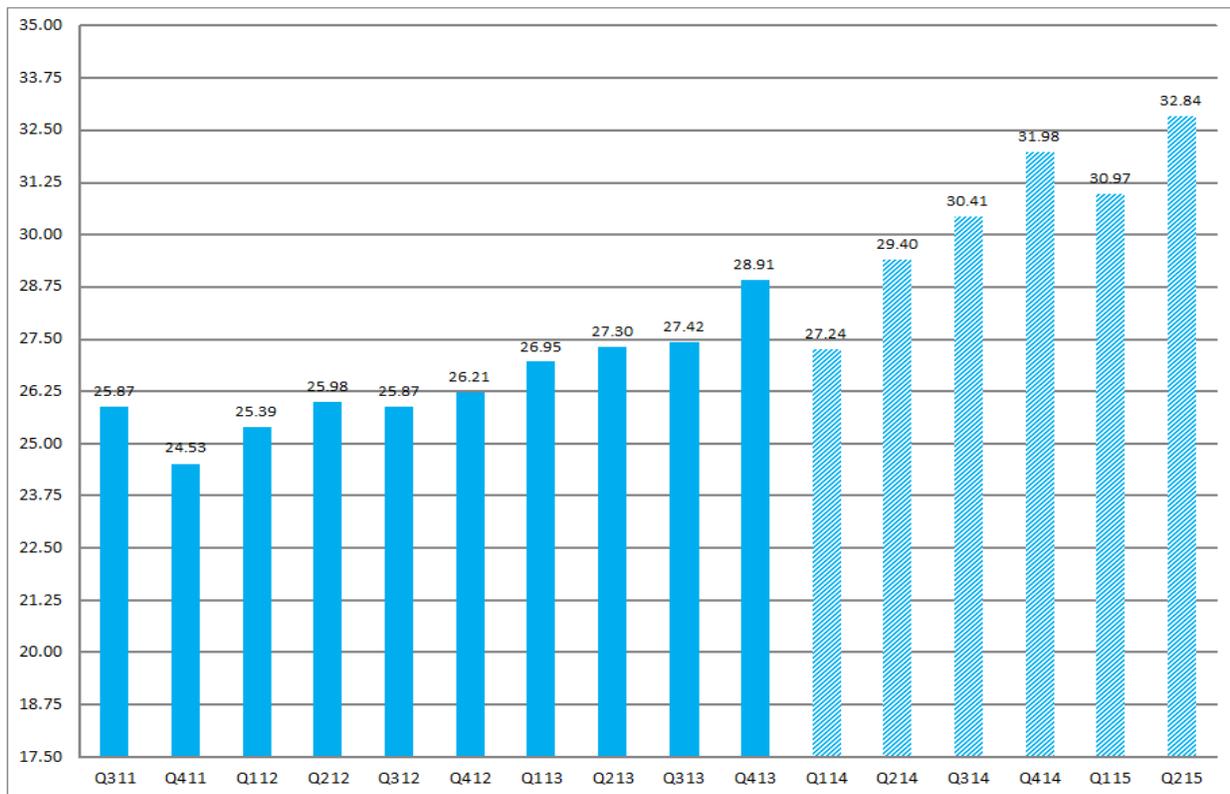


Bottom-up EPS Estimates: Current & Historical

Calendar Year Bottom-Up EPS Actuals & Estimates

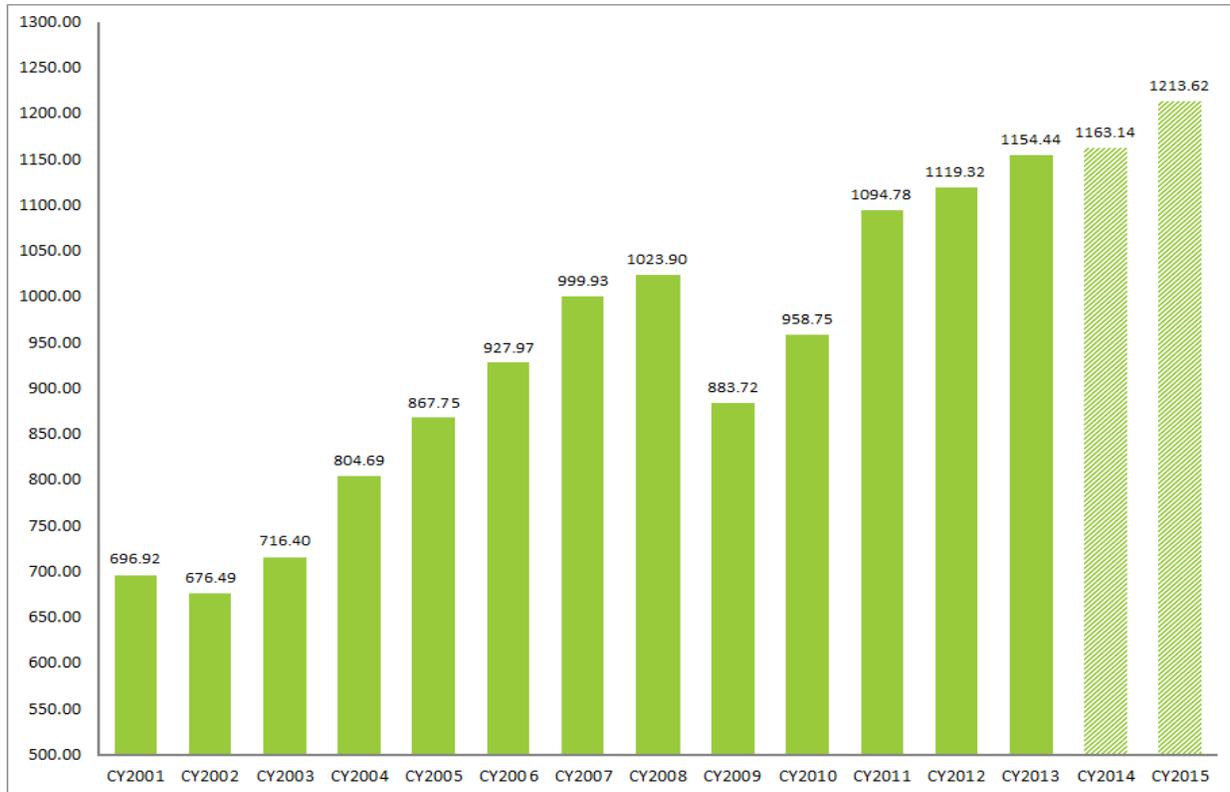


Quarterly Bottom-Up EPS Actuals & Estimates

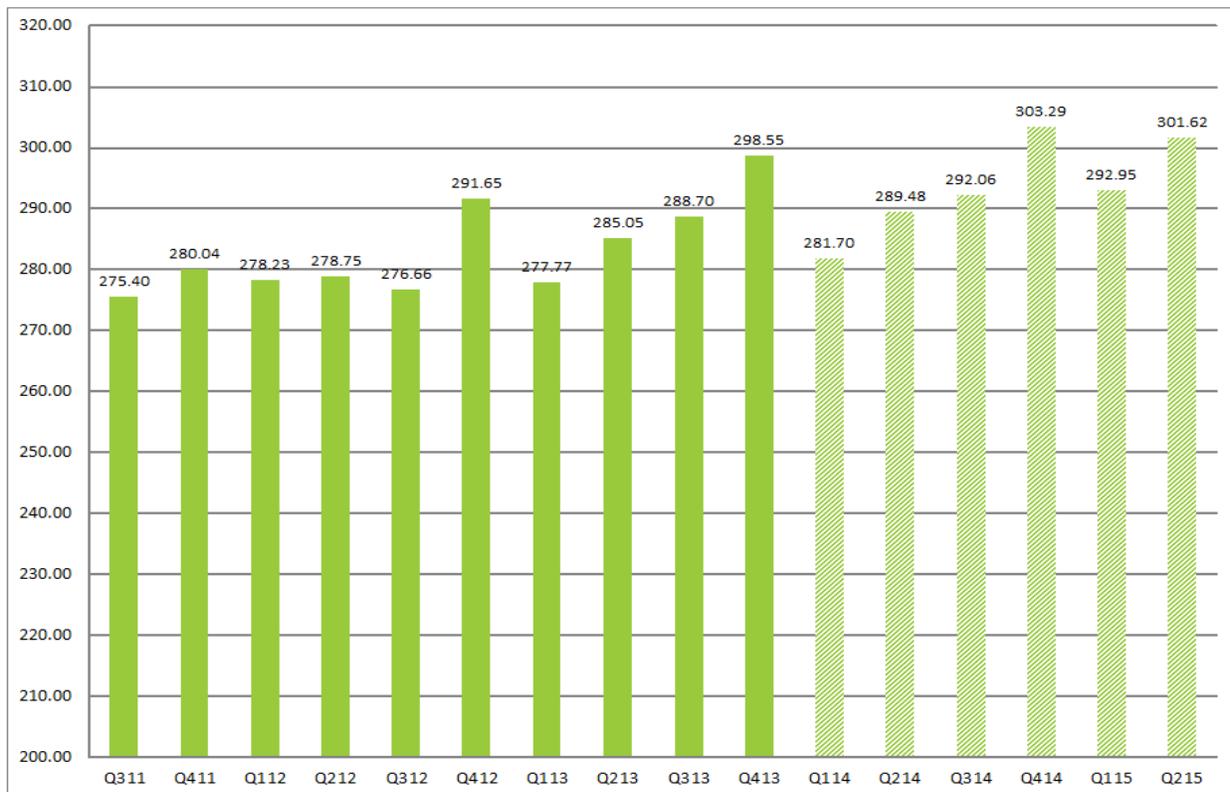


Bottom-up SPS Estimates: Current & Historical

Calendar Year Bottom-Up SPS Actuals & Estimates

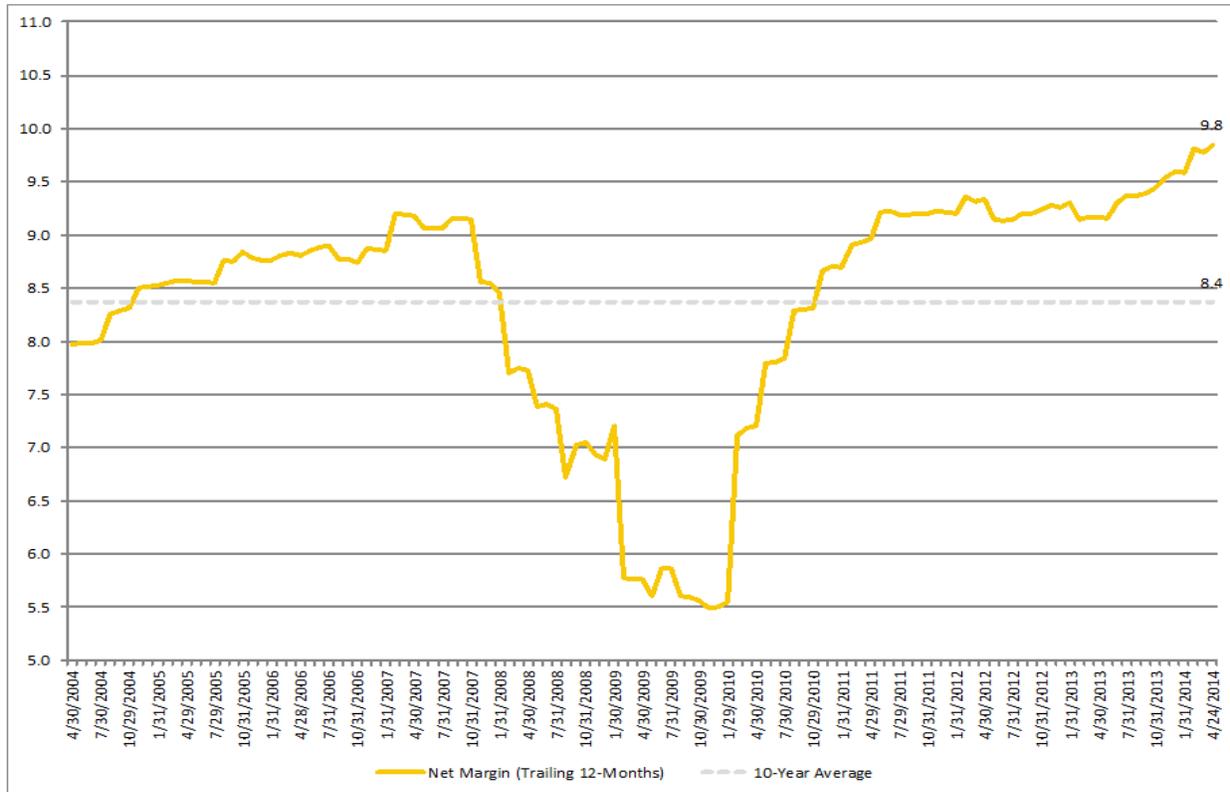


Quarterly Bottom-Up SPS Actuals & Estimates

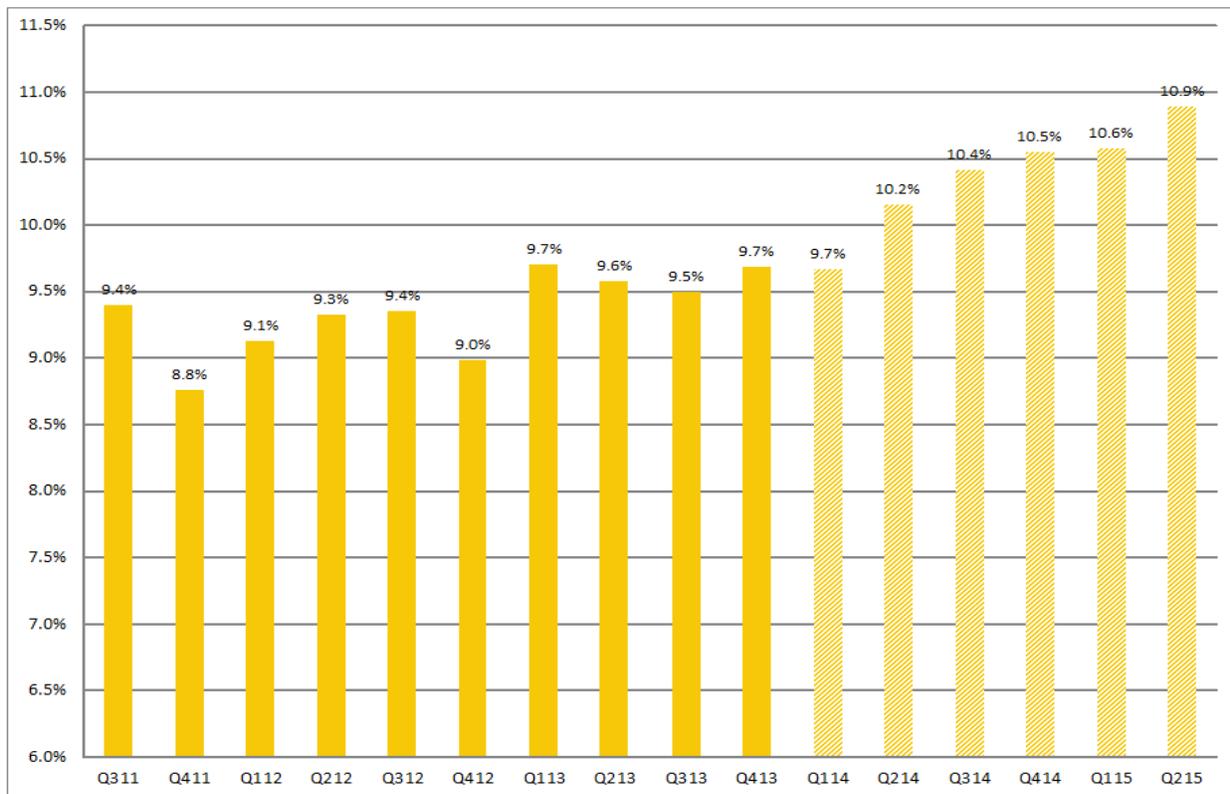


Net Margins: Current & Historical

Trailing 12M Net Margin: 10 Years

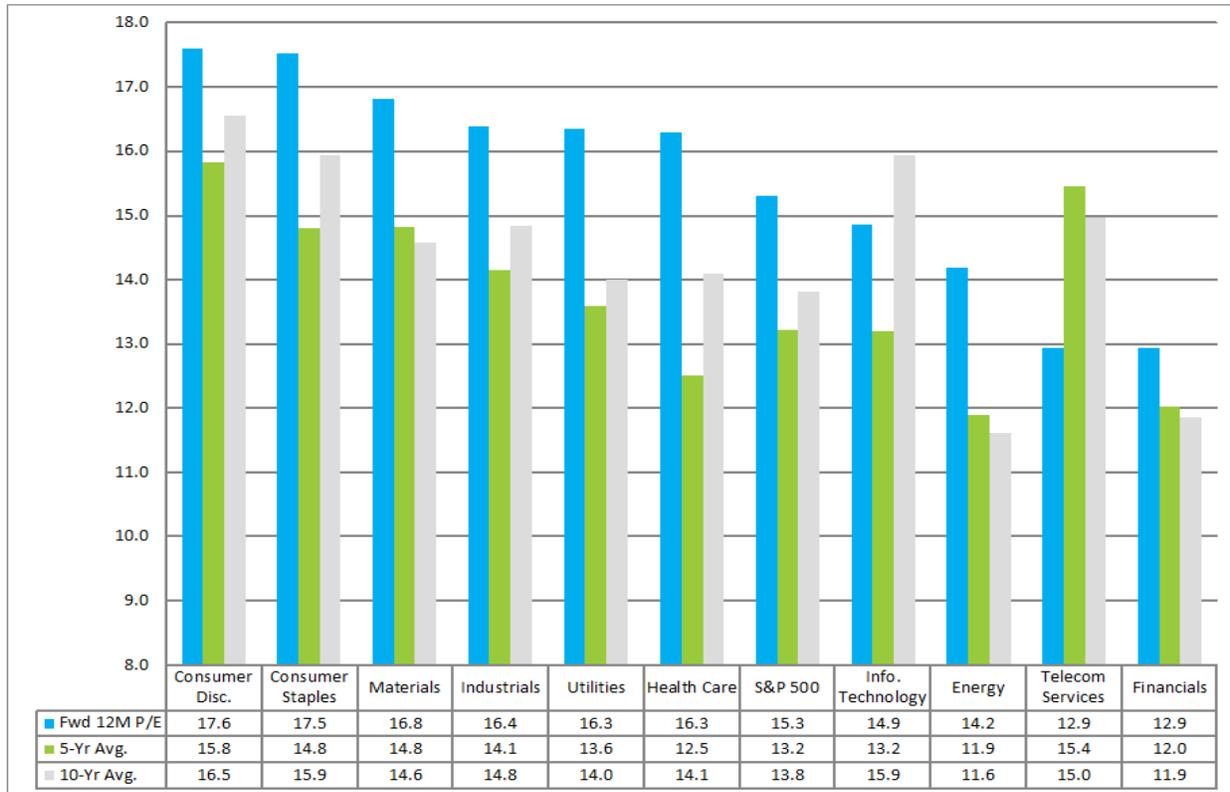


Quarterly Net Margins (Bottom-Up EPS / Bottom-Up SPS)

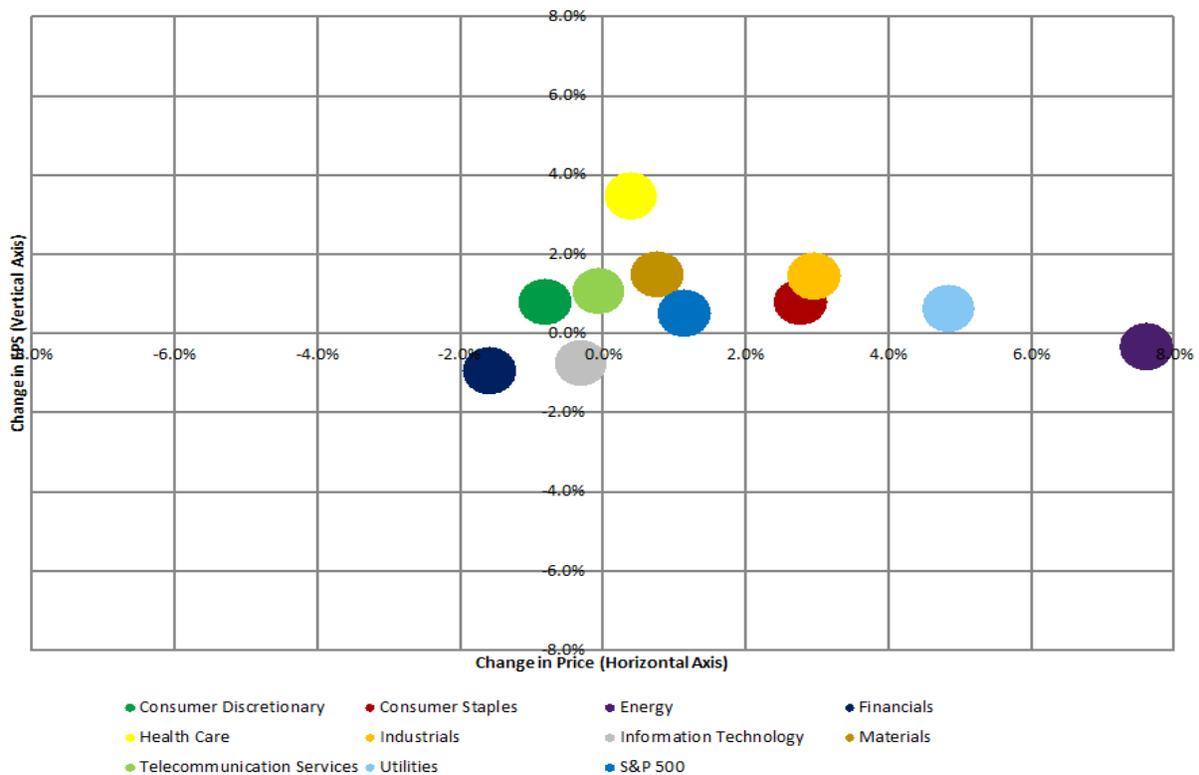


Forward 12M Price / Earnings Ratio: Sector Level

Sector-Level Forward 12-Month P/E Ratios

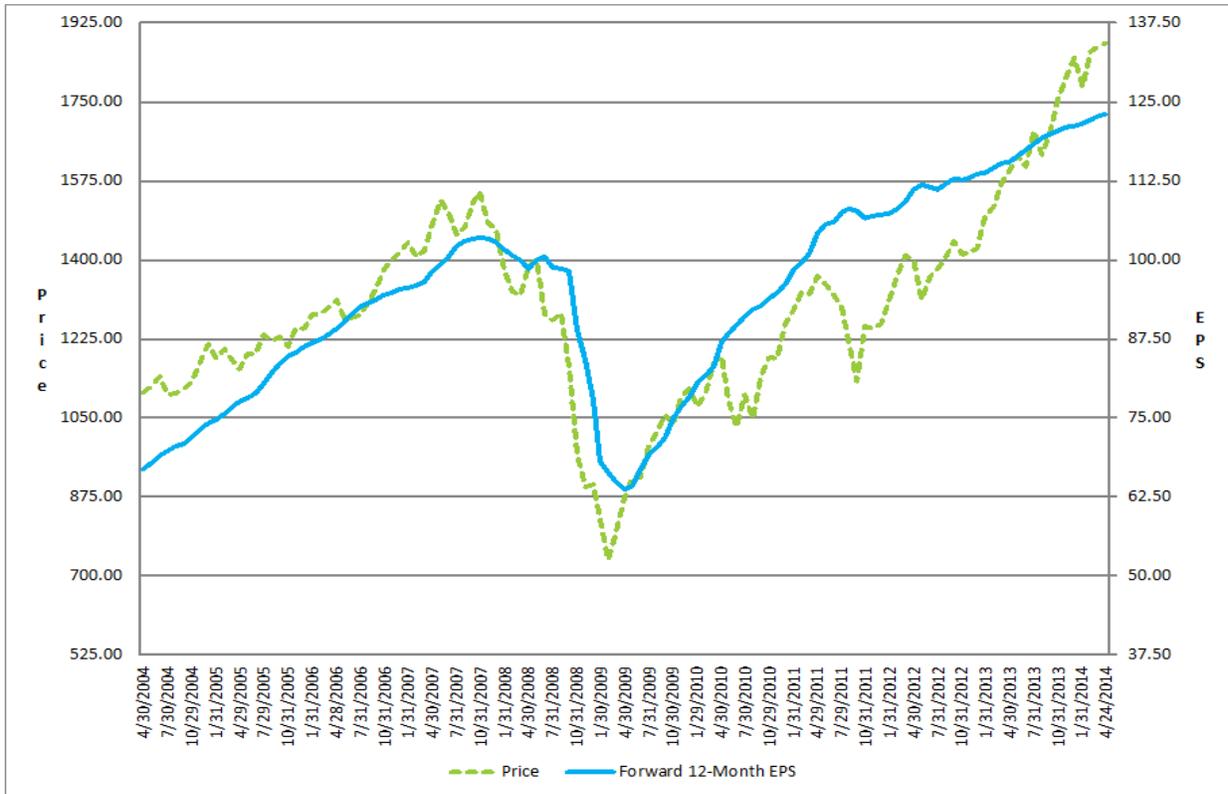


Sector-Level Change in Price vs. Change Forward 12M EPS: 1-Month

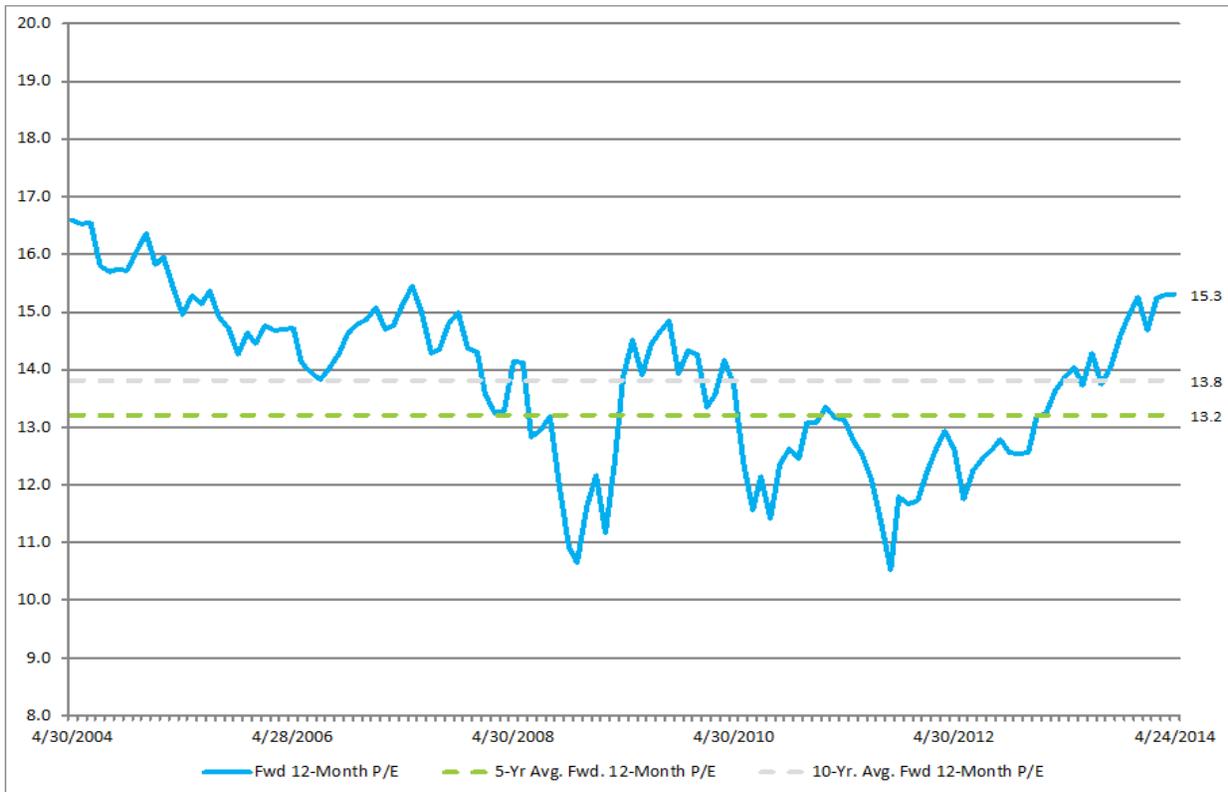


Forward 12M Price / Earnings Ratio: Long-Term Averages

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

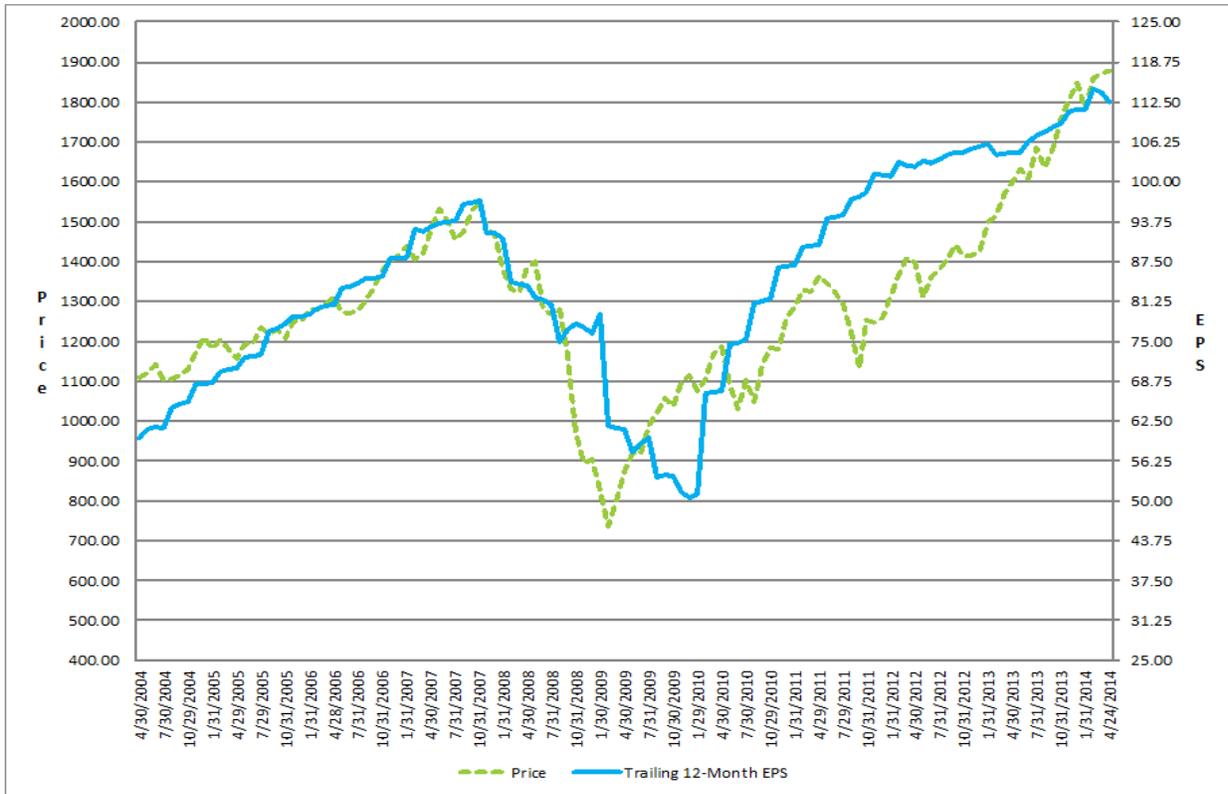


Forward 12M P/E Ratio: 10-Year

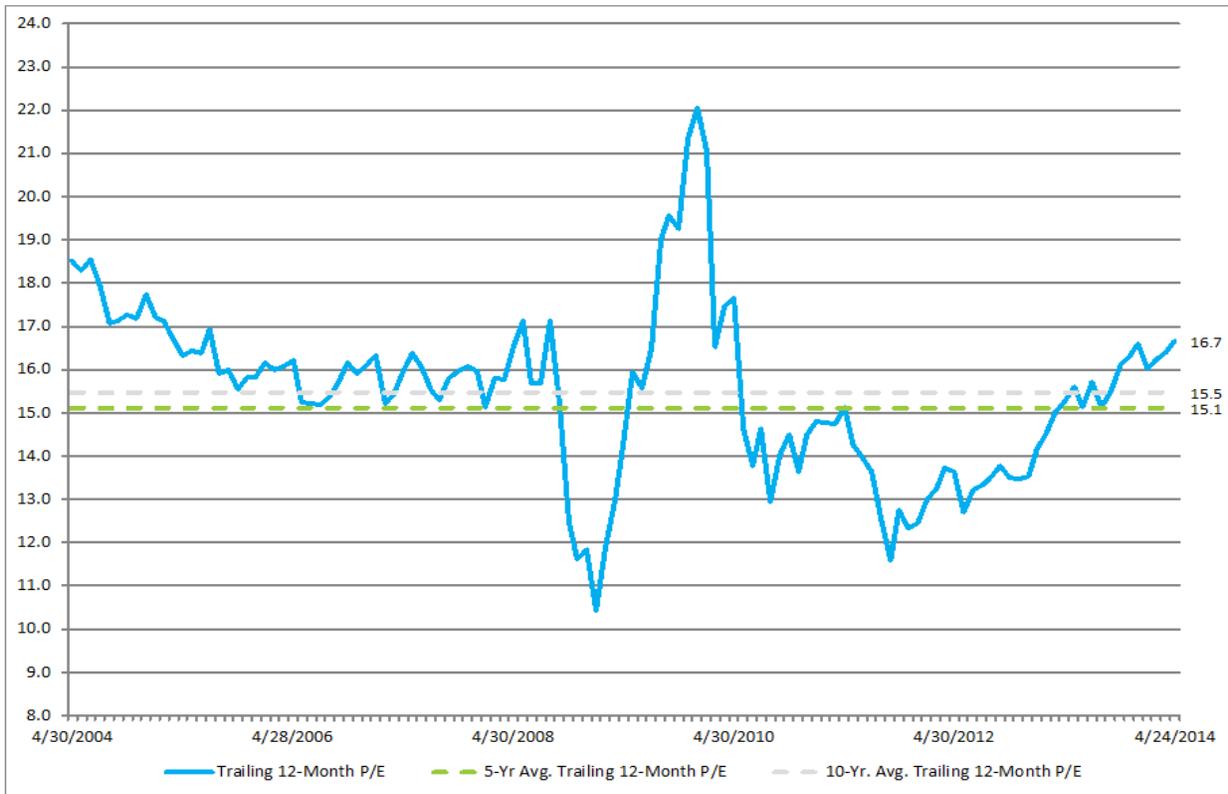


Trailing 12M Price / Earnings Ratio: Long-Term Averages

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



Trailing 12M P/E Ratio: 10-Year



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