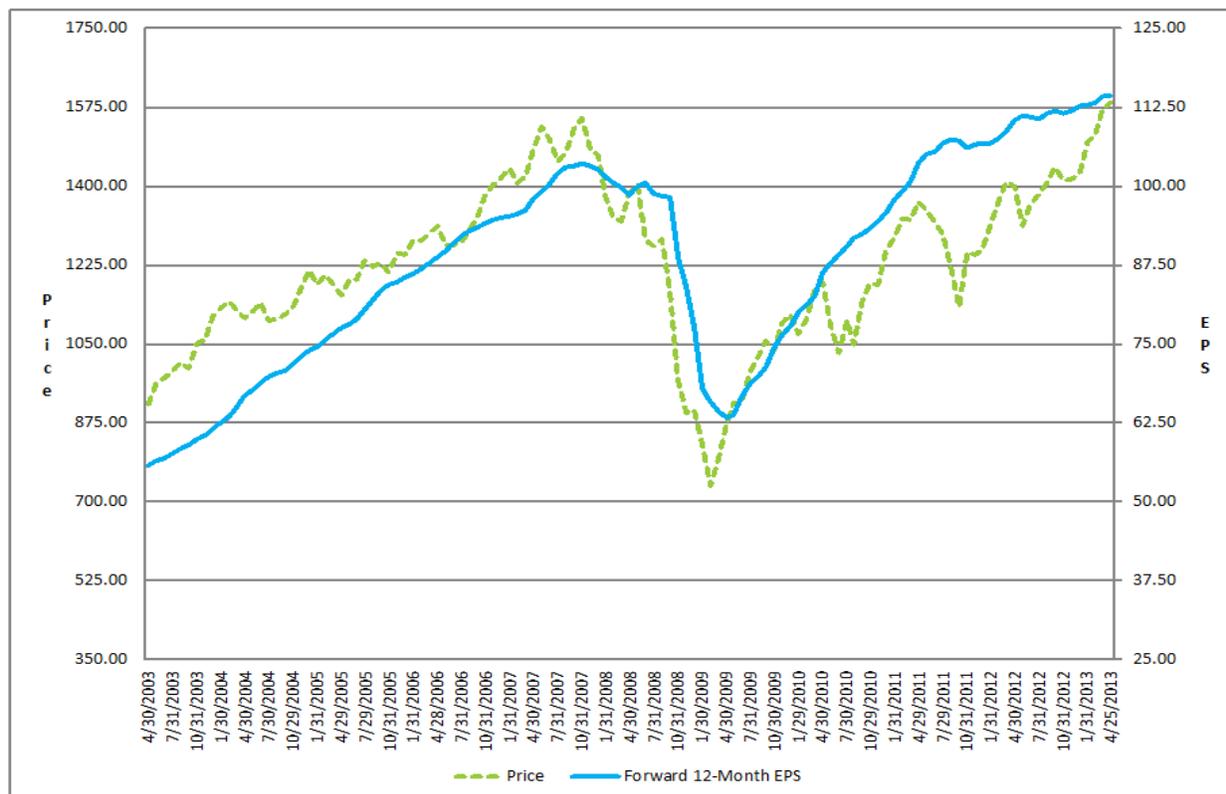


Key Metrics

- + **Earnings Scorecard:** Of the 271 companies that have reported earnings to date for Q1 2013, 73% have reported earnings above the mean estimate and 44% have reported revenues above the mean estimate.
- + **Earnings Growth:** The blended earnings growth rate for Q1 2013 is 2.1%. If the final number is positive, it will mark the second consecutive quarter of earnings growth for the index.
- + **Earnings Revisions:** On March 31, the earnings growth rate for Q1 2013 was -0.7%. All ten sectors have recorded an increase in earnings growth during this time, led by the Telecom Services sector.
- + **Earnings Guidance:** For Q2 2013, 48 companies have issued negative EPS guidance and 11 companies have issued positive EPS guidance.
- + **Valuation:** The current 12-month forward P/E ratio is 13.9. This P/E ratio is based on Thursday's closing price of 1585.16 and forward 12-month EPS estimate of \$114.37.

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:

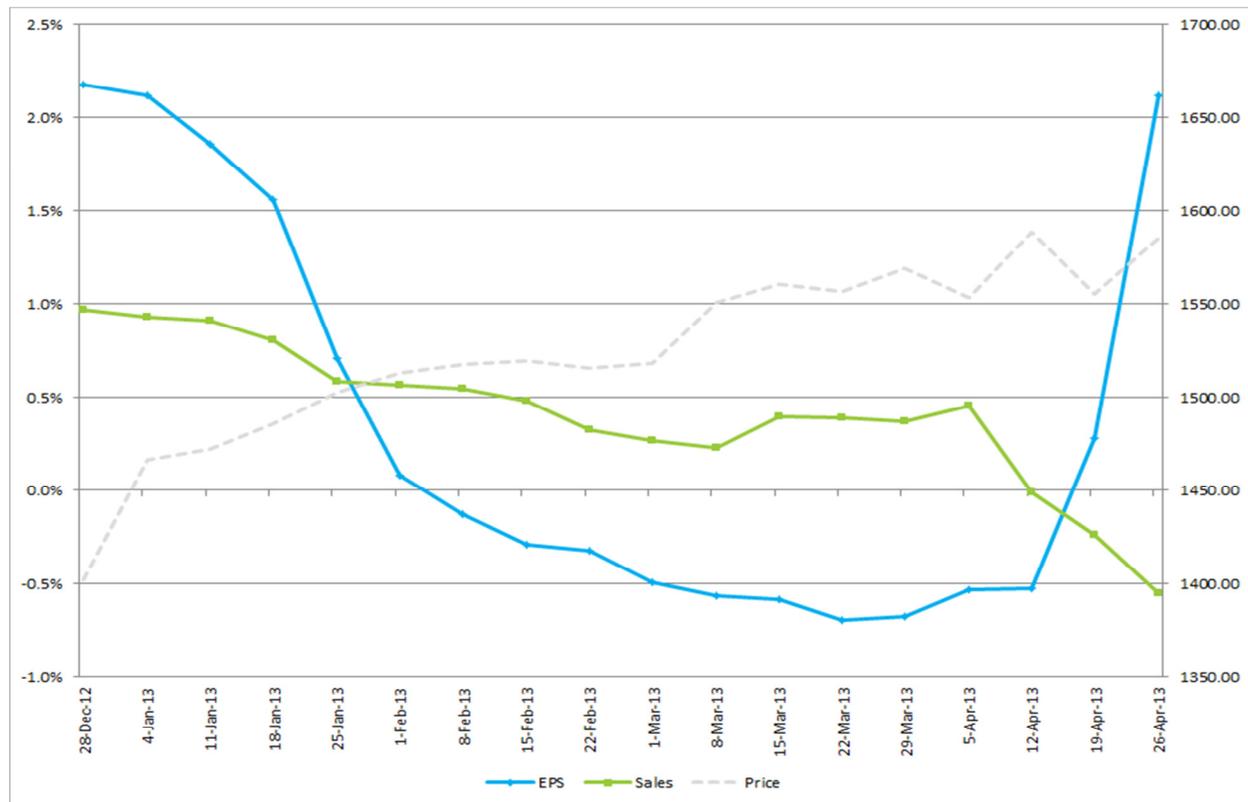
Top-Line Shortfalls vs. Analyst Estimates Drive Q1 Revenue Growth Lower

At just past the mid-point of the Q1 earnings season, 73% of S&P 500 companies have reported EPS above the mean estimate. This percentage is consistent with the average over the previous four years (73%). As a result, the earnings growth rate for the quarter has increased to 2.1% today from -0.7% at the end of March. In fact, the earnings growth rate for the first quarter is back to the levels expected at the start of the quarter (2.1%).

However, only 44% of S&P 500 companies have reported revenues above the mean estimate to date. This percentage is below the average of 57% over the past four years. As a result, the revenue growth rate has declined to -0.6% today from 0.4% at the end of March and 0.9% at the start of the quarter. If the final revenue growth rate for the quarter is -0.6%, it will mark the second time in the past three quarters that the S&P 500 will have reported an aggregate year-over-year decline in revenues.

It is interesting to note that the market does not seem to be reacting negatively to the unusually high percentage of companies reporting revenue below analyst expectations and the falling revenue growth rate for the quarter. Since March 29, the price of the index has actually increased by 1.0% (to 1585.16 from 1569.19). In the last two earnings seasons in which the percentage of companies reporting revenues above estimates ran below 50%, the performance of the market was mixed. During the Q3 2012 earnings season, the S&P 500 was down 2.0% during the month of October 2012, as only 41% of companies had reported revenues above estimates by the end of the month. During the Q2 2012 earnings season, the S&P 500 was up 1.3% during the month of July 2012, despite the fact that only 41% of companies had reported revenue above estimates by the end of the month.

S&P 500: Q1 Earnings Growth, Revenue Growth, and Price



Q1 2013 Earnings Season: Overview

Companies Have Beat EPS Estimates and Missed Revenue Estimates to Date

With more than half of the companies in the S&P 500 reporting actual results, the number of companies reporting earnings above estimates is slightly above recent averages, while the percentage of companies reporting revenues above estimates is below recent averages.

Consumer Discretionary Sector: Strong Performances vs. Estimates to Date

Overall, 271 companies have reported earnings to date for the fourth quarter. Of these 271 companies, 73% have reported actual EPS above the mean EPS estimate and 27% have reported actual EPS below the mean EPS estimate. Over the past four quarters on average, 70% of companies have reported actual EPS above the mean EPS estimate.

At the sector level, the Consumer Staples (80%) and Consumer Discretionary (77%) sectors have the highest percentages of companies reporting earnings above estimates, while the Utilities (57%) and Telecom Services (60%) sectors have the lowest percentages of companies reporting earnings above estimates.

In aggregate, companies are reporting earnings that are 4.7% above expectations. Over the last four quarters on average, actual earnings have surpassed estimates by 4.1%. Companies in the Telecom Services (+8.8%) and Consumer Discretionary (+7.6%) sectors are reporting the largest upside aggregate differences between actual earnings and estimated earnings. In the Telecom Services sector, Sprint Nextel reported a smaller loss (-\$0.21) relative to expectations (-\$0.32), which has helped to boost the surprise percentage for this sector. In the Consumer Discretionary sector, companies that have reported significant upside earnings surprises include Carnival Corp. (+167%) and Amazon.com (+163%).

On the other hand, companies in the Utilities (1.6%) sector are reporting the smallest upside aggregate difference between actual earnings and estimated earnings. In this sector, companies that have reported significant downside earnings surprises include Dominion Resources (-7.3%).

Percentage of Companies Beating Revenue Estimates (44%) Below Average

In terms of revenues, 44% of companies have reported actual sales above estimated sales and 56% have reported actual sales below estimated sales. The percentage of companies beating sales estimates is below the percentage recorded last quarter (64%) and below the average over the previous four quarters (52%). If 44% is the final percentage, it will mark the third time in the last four quarters that the percentage of companies reporting revenues above estimates finished below 50%.

At the sector level, companies in the Utilities (100%), Energy (61%), and Consumer Staples (55%) sectors have the highest percentages of companies reporting revenues above estimates, while companies in the Materials (21%) and Health Care (28%) sectors have the lowest percentages of companies reporting revenue above estimates.

In aggregate, companies are reporting sales that are 0.6% below expectations. Over the previous four quarters on average, actual sales have exceeded estimates by 0.7%.

Earnings Growth Rate: Large Improvement This Week Due to Upside Surprises

The blended earnings growth rate for Q1 2013 is 2.1% this week, well above last week's growth rate estimate of 0.3%. Upside earnings surprises reported by companies in multiple sectors were responsible for the upward improvement in the growth rate this past week. All ten sectors witnessed an improvement in earnings growth for the first quarter during the week.

The blended earnings growth rate of 2.1% today for the index is above the estimate of -0.7% at the end of the quarter (March 31). All ten sectors have witnessed an increase in earnings growth over this time frame, led by the Telecom Services sector.

Earnings Growth (2.1%) Reported for Q1 2013 to Date

The blended earnings growth rate for Q1 2013 is 2.1%. If this is the final growth rate for the quarter, it will mark the second consecutive quarter of earnings growth for the index. Eight of the ten sectors are reporting higher earnings relative to a year ago, led by Utilities, Financials, and Telecom Services sectors. On the other hand, the Information Technology sector is reporting the lowest earnings growth rate for the quarter.

Utilities: Highest Earnings Growth (8.6%) Due to Small Group of Companies

The Utilities sector has the highest earnings growth of any sector at 8.6%. All four industries in this sector are reporting an increase in earnings relative to last year. However, five companies are driving the growth in the sector: Duke Energy, NRG Energy, Northeast Utilities, Edison International, and Entergy. Duke Energy and Northeast Utilities have completed mergers in the past year, which is helping to boost the earnings growth for these companies. If all five of these companies are excluded, the earnings growth rate for the sector falls to -1.0%.

Financials: Q1 a Trough in Growth

The Financials sector has the second highest earnings growth rate of any sector at 8.3%. This marks a slight drop in earnings growth for the sector from the 16.6% growth reported in Q4 2012 and the 11.7% growth reported in Q3 2012. Five of the eight industries in the sector are reporting earnings growth, led by the Diversified Financial Services (38%) industry.

However, the first quarter is expected to be a trough in earnings growth for the Financials sector. Earnings growth is projected to return to double-digit levels for the remainder of 2013, led by companies such as Bank of America and Citigroup. In fact, Bank of America is the largest contributor to earnings growth for Q1. The company reported EPS of \$0.20, relative to year-ago EPS of \$0.03. If Bank of America is excluded, the earnings growth rate for Q1 drops to 4.1%. On the other hand, AIG is the largest detractor to earnings growth for the sector, and is predicted to be one of the largest detractors to earnings growth for the sector through the first three quarters of 2013. The mean EPS estimate for the company is \$0.88, compared to year-ago EPS of \$1.65. If this company is excluded, the earnings growth rate for the sector improves to 13.4%.

Telecom Services: Verizon and Sprint

The Telecom Services sector has the third highest earnings growth of any sector at 7.8%. Two of the nine companies in this sector are driving the high earnings growth: Verizon and Sprint Nextel. Sprint Nextel reported a smaller loss (-\$0.21) for the quarter compared to expectations (-\$0.32), which has helped to boost the earnings growth rate for this sector. If these two companies are excluded, the earnings growth rate for the Telecom Services sector falls to -2.8%.

Information Technology: Apple (-18%) vs. Microsoft (+20%)

The Information Technology sector has the lowest earnings growth of any sector at -3.2%. However, only two of the eight industries in this sector are reporting a decline in earnings: Semiconductor & Semiconductor Equipment (-24%) and Computers & Peripherals (-19%).

At the company level, Apple is the largest detractor to earnings growth for the sector, as the company reported a year-over-year decline in EPS (-18%) for the second consecutive quarter. If Apple is excluded, the earnings growth rate for the sector improves to 1.2%. On the other hand, Microsoft is the largest contributor to earnings growth in the sector. The company reported EPS of \$0.72, compared to EPS of \$0.60 reported in the year-ago quarter, resulting in EPS growth of 20%. This marked the highest EPS growth for Microsoft in nearly two years (Q2 2011). If Microsoft is excluded, the earnings growth rate for the sector falls to -5.8%.

Revenue Decline (-0.6%) Reported to Date for Q1 2013

The blended revenue growth rate for Q1 2013 is -0.6%, down from an estimate of 0.4% at the end of the quarter (March 31). However, only two of the ten sectors are reporting a decline in revenues: Energy and Materials. On the other hand, the Utilities sector is reporting the highest revenue growth for the quarter.

The Utilities sector has the highest revenue growth rate at 7.5%. At the company level, Duke Energy and NRG Energy are the largest contributors to revenue growth. If these companies are excluded, the growth rate for the Utilities sector drops to 3.1%.

The Energy sector has the lowest revenue growth rate of all ten sectors at -16.6%. At the company level, Conoco Phillip is the largest detractor to growth in the sector. For Conoco Phillips, revenues for Q1 2013 are stand alone for Conoco Phillips, while the year-ago revenues include Phillips 66. Excluding Conoco Phillips, the revenue growth rate for the Energy sector improves to -7.2%.

Global Themes: Europe vs. Emerging Markets

Europe is reporting a decline in economic growth relative to last year. According to FactSet Economics, the European Union recorded a decrease in GDP of 0.6% in Q4 2012, compared to growth of 0.8% in Q4 2011. Many companies have confirmed that economic conditions were still weak in Europe.

“For the quarter, Europe’s results were dampened by ongoing economic uncertainty. First quarter comparable sales were down 1.1%...” –McDonald’s Corp. (Apr. 19)

“We planned for Europe to be similar to 2012, down again, but it was even weaker than we had expected.” –General Electric (Apr. 19)

Economic growth in countries in emerging markets has also been decreasing over the past year. According to FactSet Economics, two of the four “BRIC” countries recorded slower GDP growth, while one country recorded constant growth during this time. For Q4 2011, China, India, and Brazil recorded GDP growth of 8.9%, 5.8% and 1.4%, respectively. By Q4 2012, GDP growth rates for China, India, and Brazil had fallen to 7.9%, 4.1% and 1.4%.

For Q1 2013, China reported GDP growth of 7.7%, which was below both the 7.9% recorded in the previous quarter and the 8.1% growth reported in the year-ago quarter. To date, comments on business conditions regarding China and emerging markets have been mixed. Some companies, such as Coca-Cola, IBM, and McDonald’s, reported weak conditions.

“In Asia/Pacific, Middle East and Africa (APMEA), first quarter comparable sales declined 3.3% primarily due to ongoing weakness in Japan and negative results in China.” –McDonald’s Corp. (Apr. 19)

“But our growth markets revenue was up 1% at constant currency, clearly not what we expected or what we needed.” –IBM (Apr. 18)

“As we look ahead to the remainder of 2013, we continue to expect China’s economic slowdown to have a short-term effect on our industry and on our business, although we do expect to see some gradual improvement in consumer disposable income and, as a result, sequential improvement for our business as the year progresses.” –Coca-Cola (Apr. 16)

Other companies, such as General Electric, United Technologies, and Coach, saw continued strength.

“Yeah, so in China, I think the market is very, very strong... I think property transactions in the first quarter were up 60% in China. So again, the market’s a lot better than what we had anticipated. We saw that starting in the fourth quarter.” –United Technologies (Apr. 23)

“China results continued very strong, with total sales growing 40% and comparable store sales rising at a double-digit rate.” –Coach (Apr. 23)

"Most of our emerging markets, including China, remained strong." –General Electric (Apr. 19)

Domestic Themes: Housing Market vs. Fiscal Policy

In the U.S., the housing market continues to show signs of recovery. In recent earnings reports, some companies have commented on the positive impact of this development on revenue and earnings growth.

"However, operating earnings and margins are expected to improve sequentially from the first quarter through the rest of the year due to our productivity actions, the U.S. housing market rebound, and improving demand in industrial and public sector markets." –DuPont (Apr. 23)

"In our commercial businesses, we see good traction in North America. The housing and commercial construction markets are improving. Americans are investing in their homes again, and our North American residential HVAC orders are up 11% versus last year." –United Technologies (Apr. 23)

Despite the improving conditions, many banks reported a decline in mortgage revenues in their earnings releases and conference calls.

"Overall, revenue was down year-on-year and quarter-on-quarter, driven by mortgage banking." –JPMorgan Chase (Apr. 12)

"Community Banking reported net income of \$2.9 billion, up \$55 million, or 2 percent, from fourth quarter 2012. Revenue decreased \$883 million, or 6 percent, from fourth quarter 2012, primarily due to lower volume-related mortgage banking revenue and above-average quarterly equity gains in fourth quarter 2012." –Wells Fargo (Apr. 12)

Companies have also commented on the negative impact of fiscal policy issues (including healthcare legislation, the increase in the payroll tax, delay in tax refunds, and sequestration) as impediments to earnings growth in recent quarters, though the impact has not been significant in most cases.

"There was clearly an effect in the payroll tax." –Coca-Cola (Apr. 16)

"We're managing through what I mentioned at our call in January when I was with you all that, as of now, we have \$1 billion of cost of U.S. healthcare legislation embedded in our business, and we're able to manage through that." –Johnson & Johnson (Apr.16)

"In addition, uncertainty in the United States surrounding sequestration contributed to a decline in sales to the government end market, which represented 15 percent of sales for the U.S. segment." –W.W. Grainger (Apr. 16)

"The unforeseen income tax refund delay had a particularly large impact on the business in late January and early February. But we saw sales trends improve as the tax refunds started to make their way into our customers' wallets." –Family Dollar Stores (Apr. 10)

EPS Guidance: High Percentage (81%) Issued for Q2 2013 to Date

Of the 59 companies that have issued EPS guidance for the second quarter, 48 have issued projections below the mean EPS estimate and 11 have issued projections above the mean EPS estimate. Thus, 81% (48 out of 59) of the companies that have issued EPS guidance to date for Q2 2013 have issued negative guidance. This percentage is well above the five-year average of 61%.

Earnings Growth Rebound Still Projected for 2nd Half 2013

Since the start of the second quarter (March 31), analysts have also reduced earnings growth expectations for Q2 2013 (to 2.4% from 4.5%). However, they are predicting earnings growth of 8.4% for Q3 2013 and 13.6% for Q4 2013. Revenue growth rates for Q3 (3.5%) and Q4 (1.9%) are expected to be below the estimated earnings growth rates for both quarter.

Valuation: Forward P/E at 13.9, Between 5-Year Average and 10-Year Average

The current forward 12-month P/E ratio for the index is 13.9. The P/E ratio is based on Thursday's closing price of 1585.16 and forward 12-month EPS estimate of 114.37.

This 13.9 P/E ratio is above the prior 5-year average forward 12-month P/E ratio of 12.9, but below the prior 10-year average forward 12-month P/E ratio of 14.2. It is also above the P/E ratio of 13.4 recorded three months ago.

At the sector level, the Telecom Services sector has the highest forward 12-month P/E ratio at 18.1, while the Energy (11.7) and Financials (11.8) sectors have the lowest forward 12-month P/E ratios.

Over the past three months, the Utilities (to 16.6 from 14.6) and Telecom Services (to 18.1 from 16.3) sectors have seen the largest increases in the forward 12-month P/E ratios of all ten sectors. The Energy (to 11.7 from 11.8) is the only sector that recorded a decline in the forward 12-month P/E ratio over the past three months.

Companies Reporting Next Week: 137

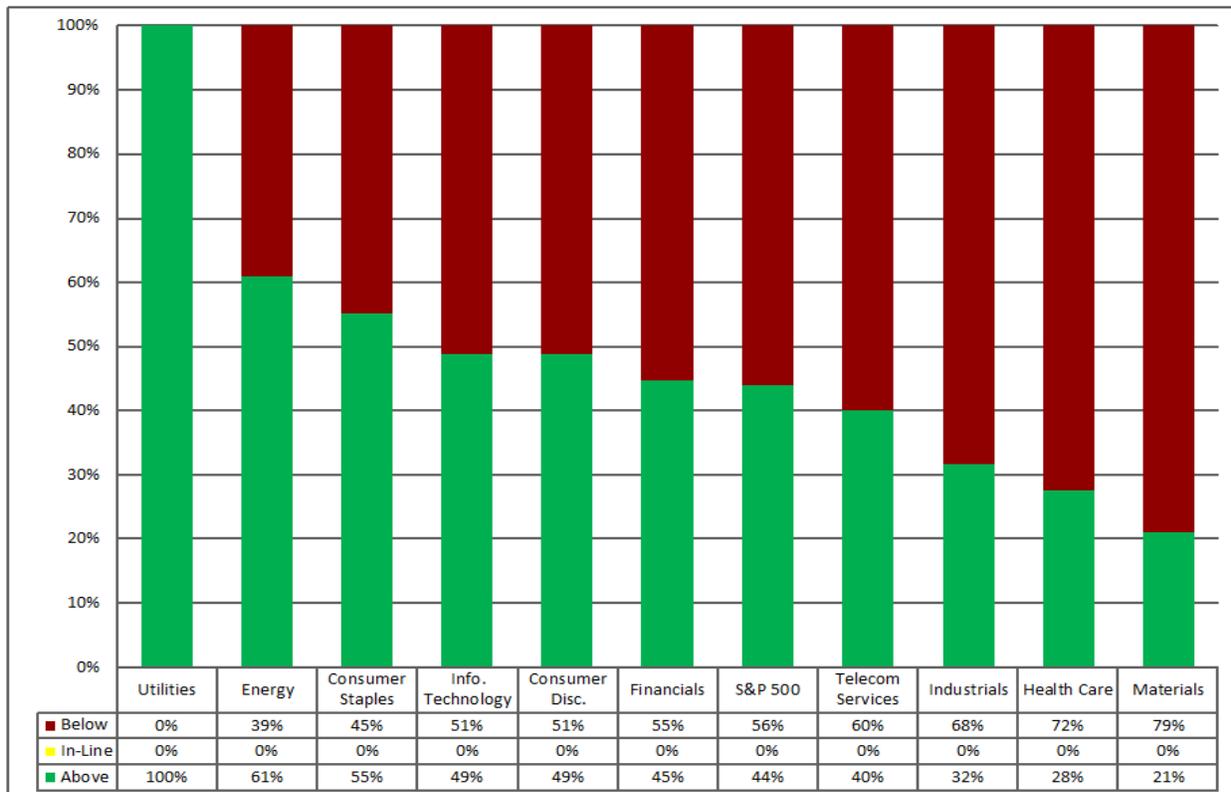
The upcoming week marks the final peak week of the Q1 2013 earnings season, as two Dow components and 137 S&P 500 companies are scheduled to report earnings for Q1 2013 during the week.

Q1 2013: Scorecard

Q1 2013 Earnings: Above, In-Line, Below Estimates

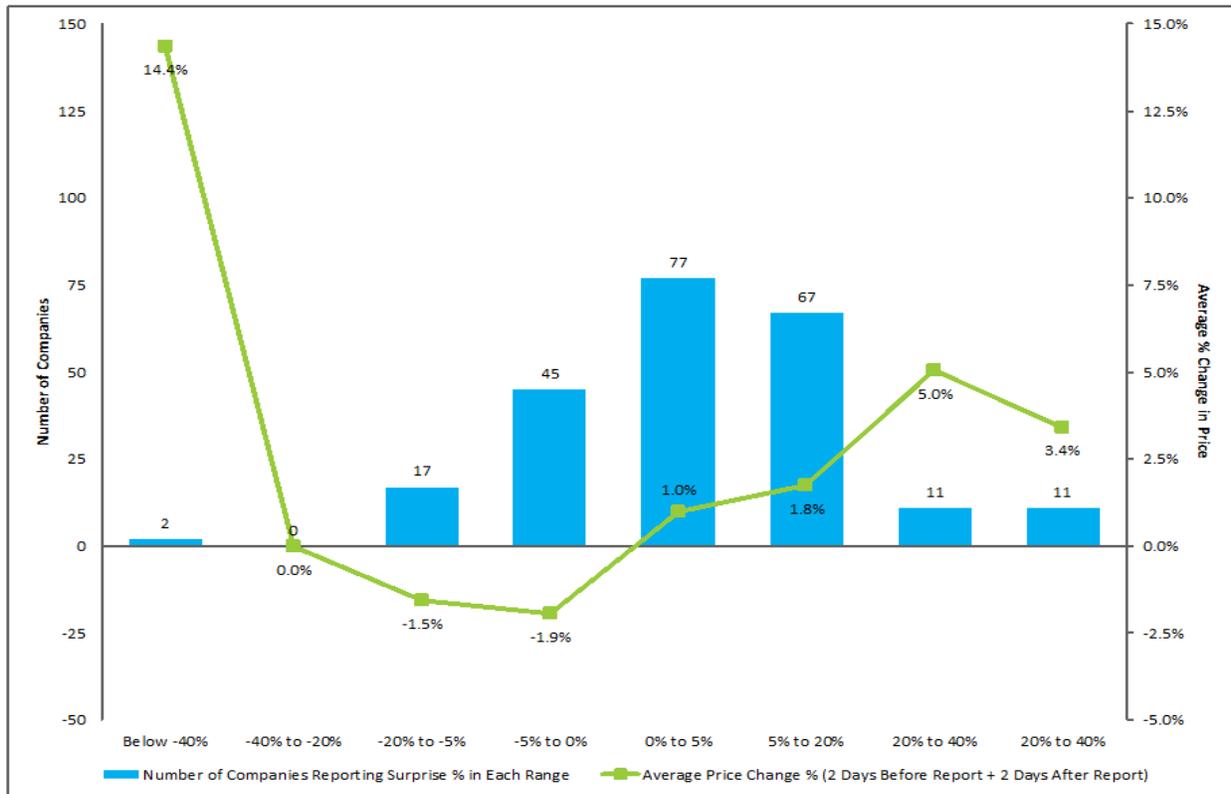


Q1 2013 Revenues: Above, In-Line, Below Estimates

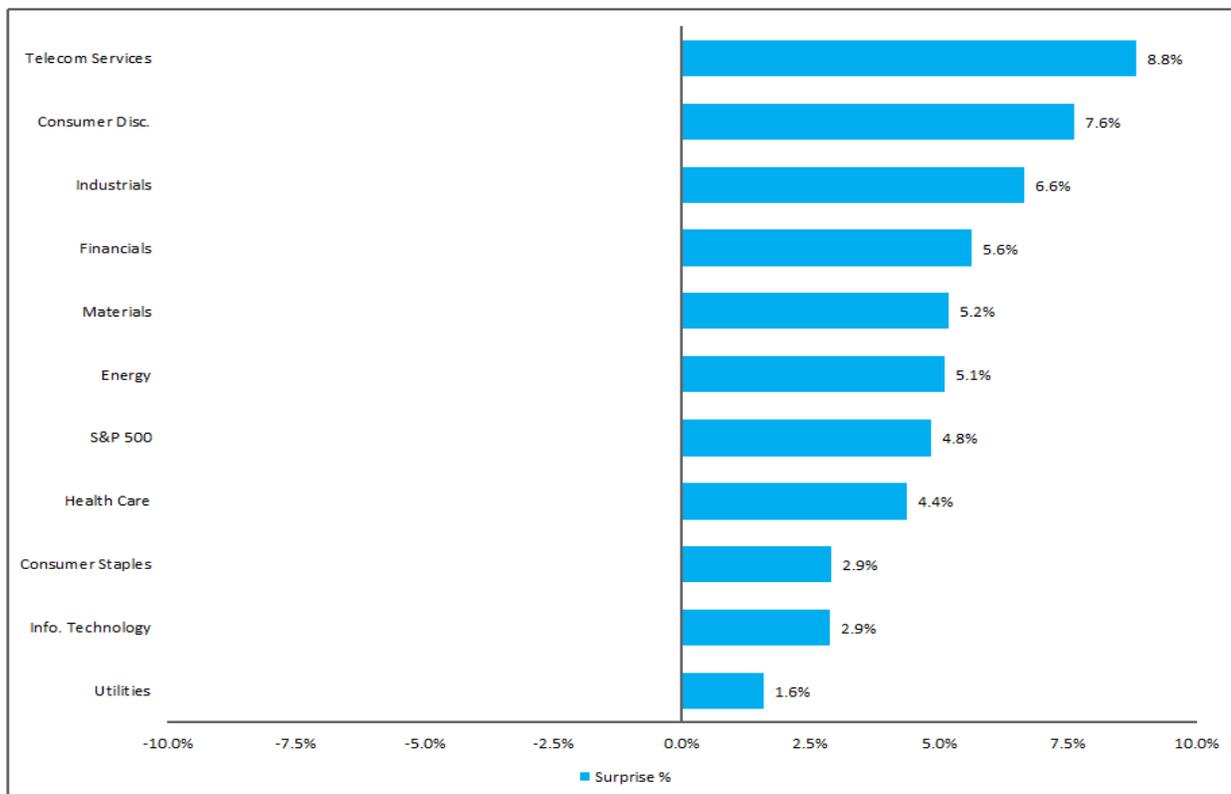


Q1 2013: Scorecard

Q1 2013: Surprise % vs. Average Price Change %

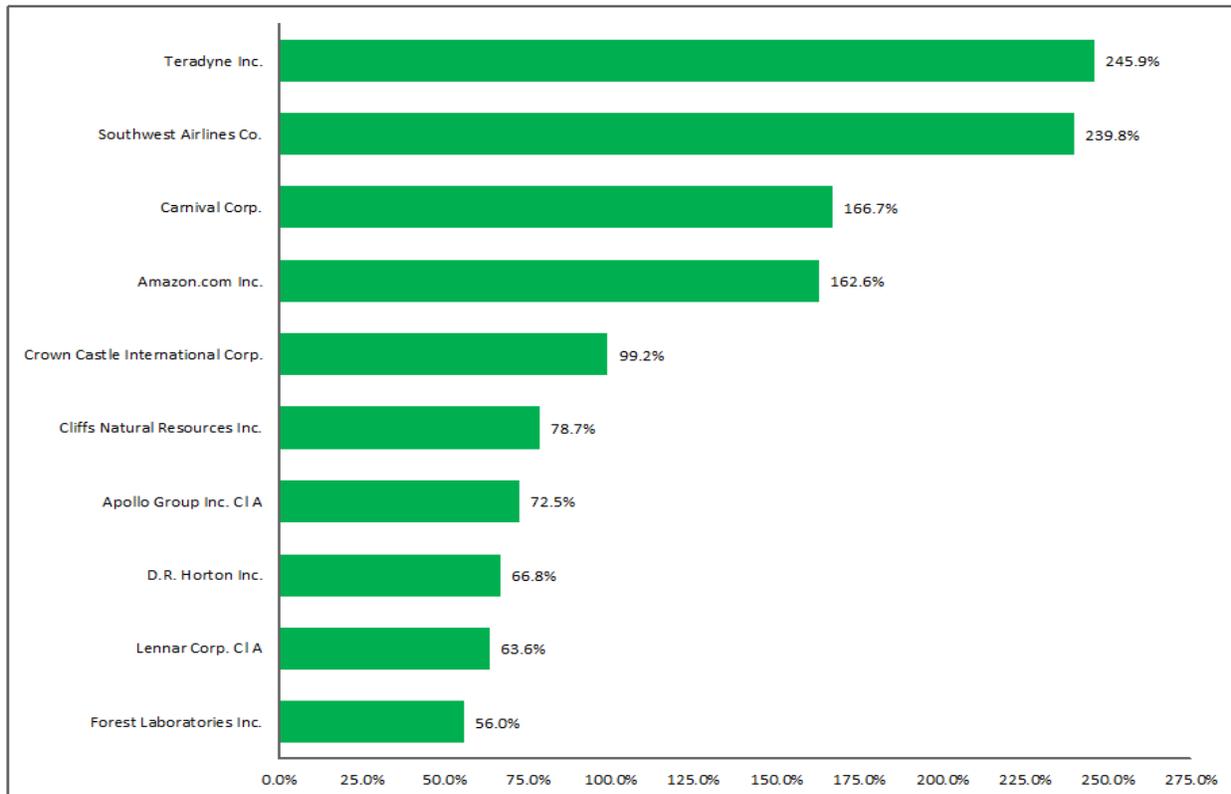


Q1 2013: Sector Level Surprise %

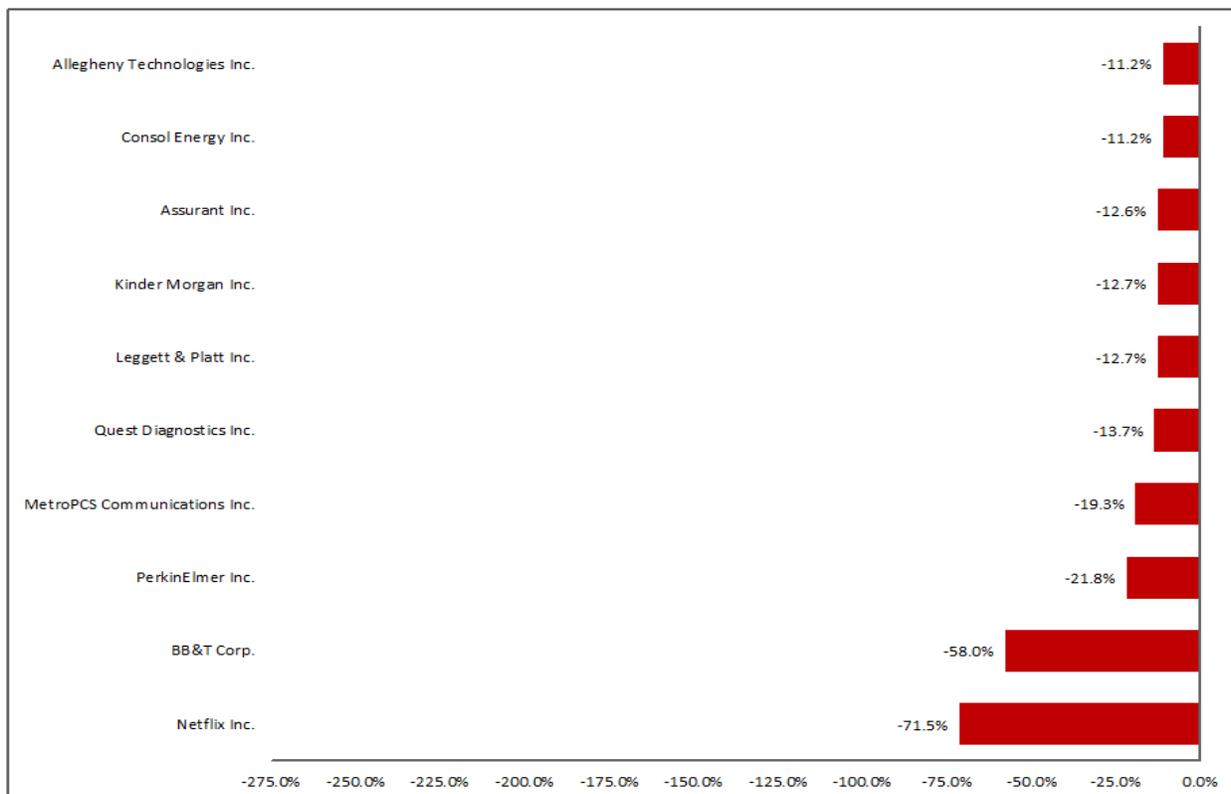


Q1 2013: Scorecard

EPS Surprise %: Top 10 Companies

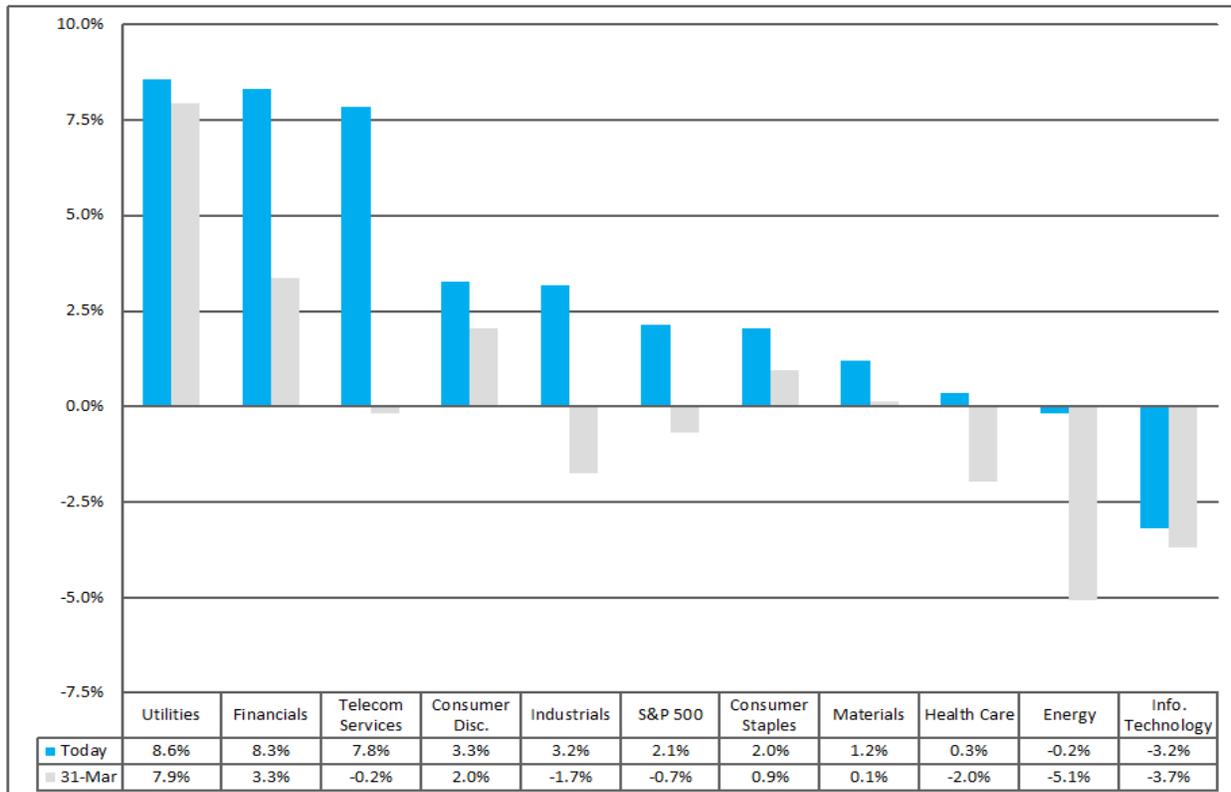


EPS Surprise %: Bottom 10 Companies

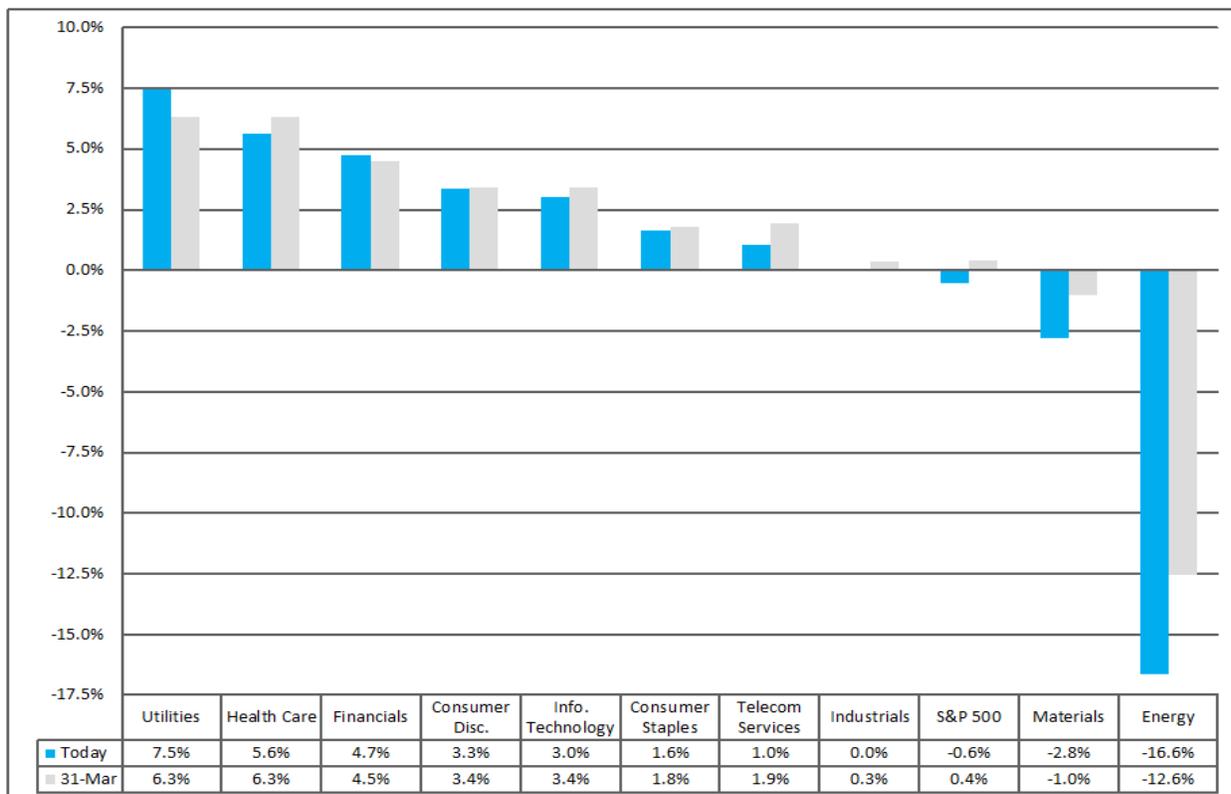


Q1 2013: Growth

Q1 2013 Earnings Growth

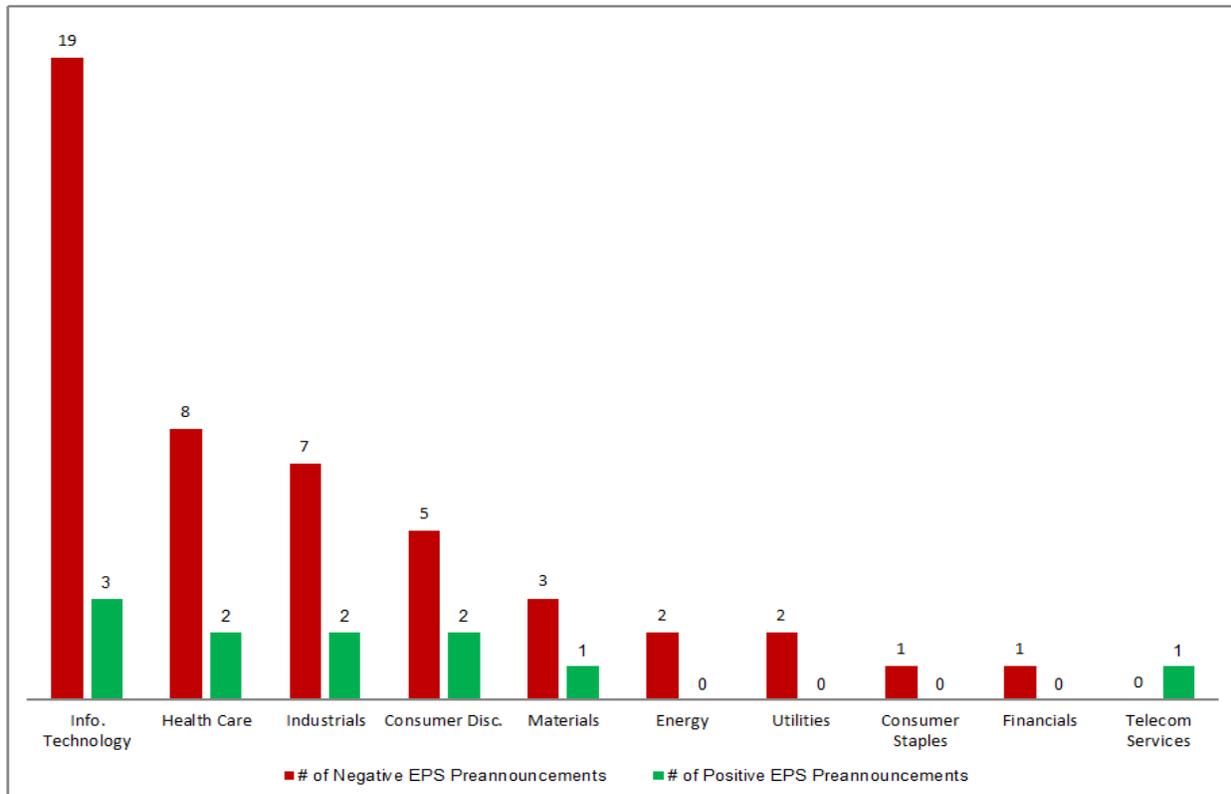


Q1 2013 Revenue Growth



Q2 2013: Guidance

Number of Positive & Negative EPS Preannouncements: Q2 2013

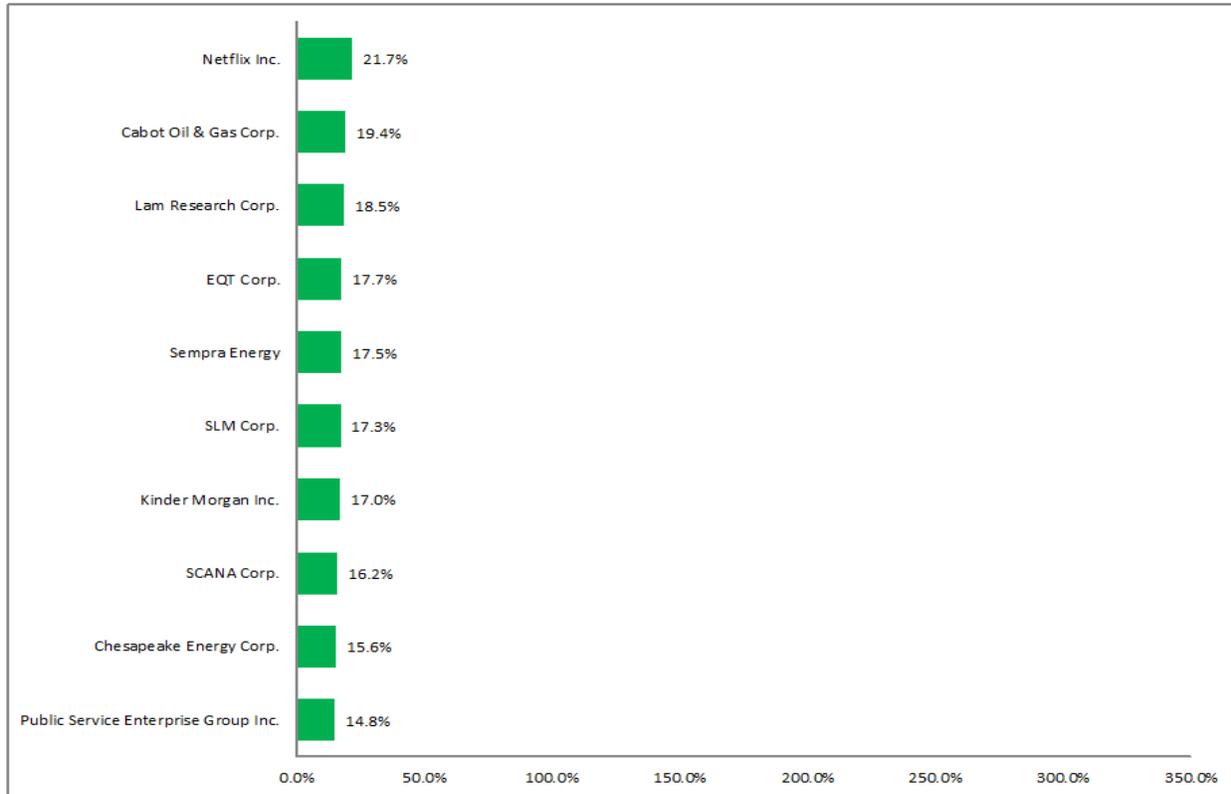


Percentage of Positive & Negative EPS Preannouncements: Q2 2013

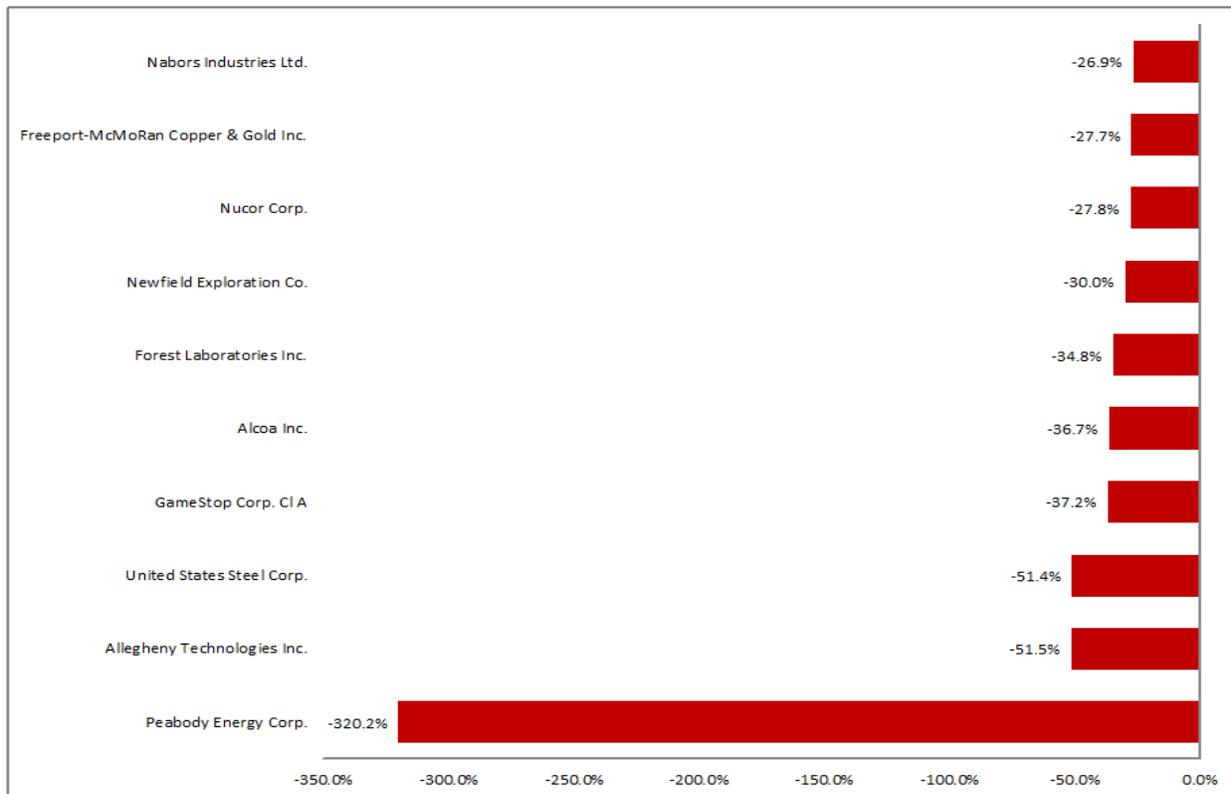


Q2 2013: EPS Revisions

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

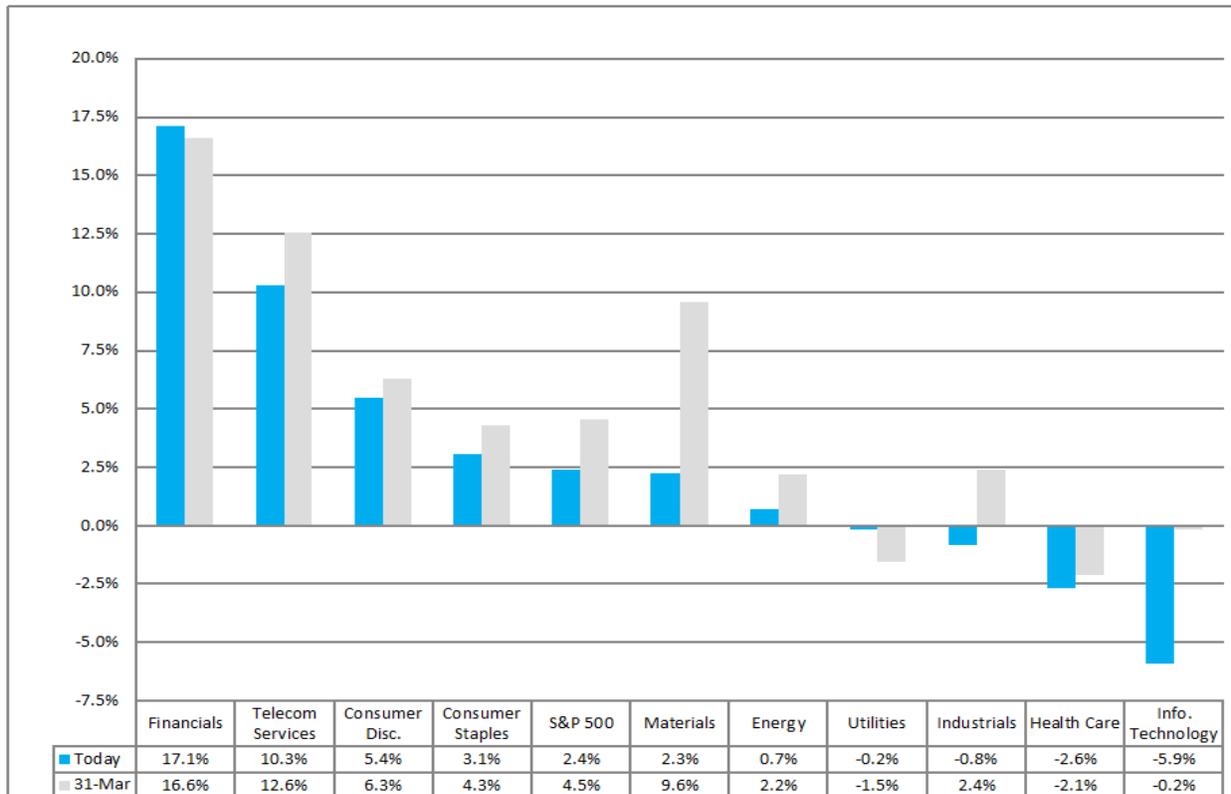


Highest Downward Change (Trailing 4-Weeks) in Mean EPS Estimate: Top 10 Companies



Q2 2013: Growth

Q2 2013 Earnings Growth

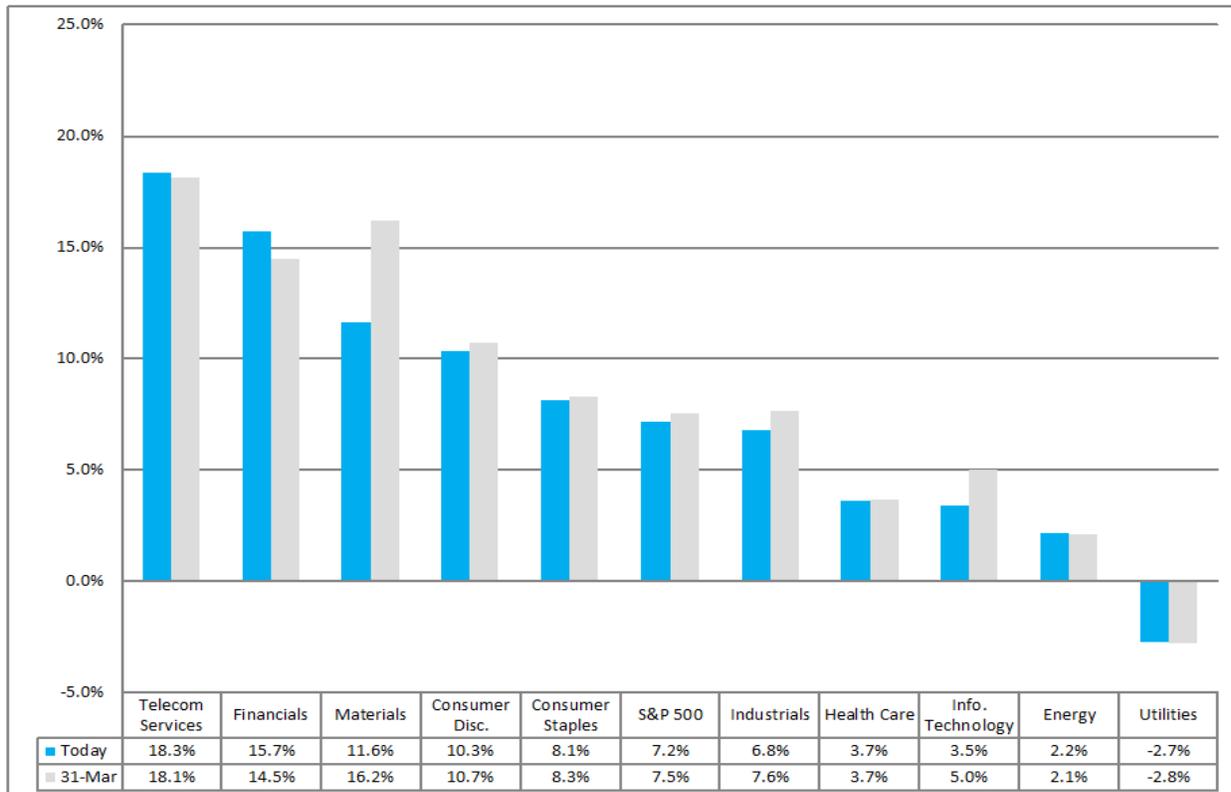


Q2 2013 Revenue Growth

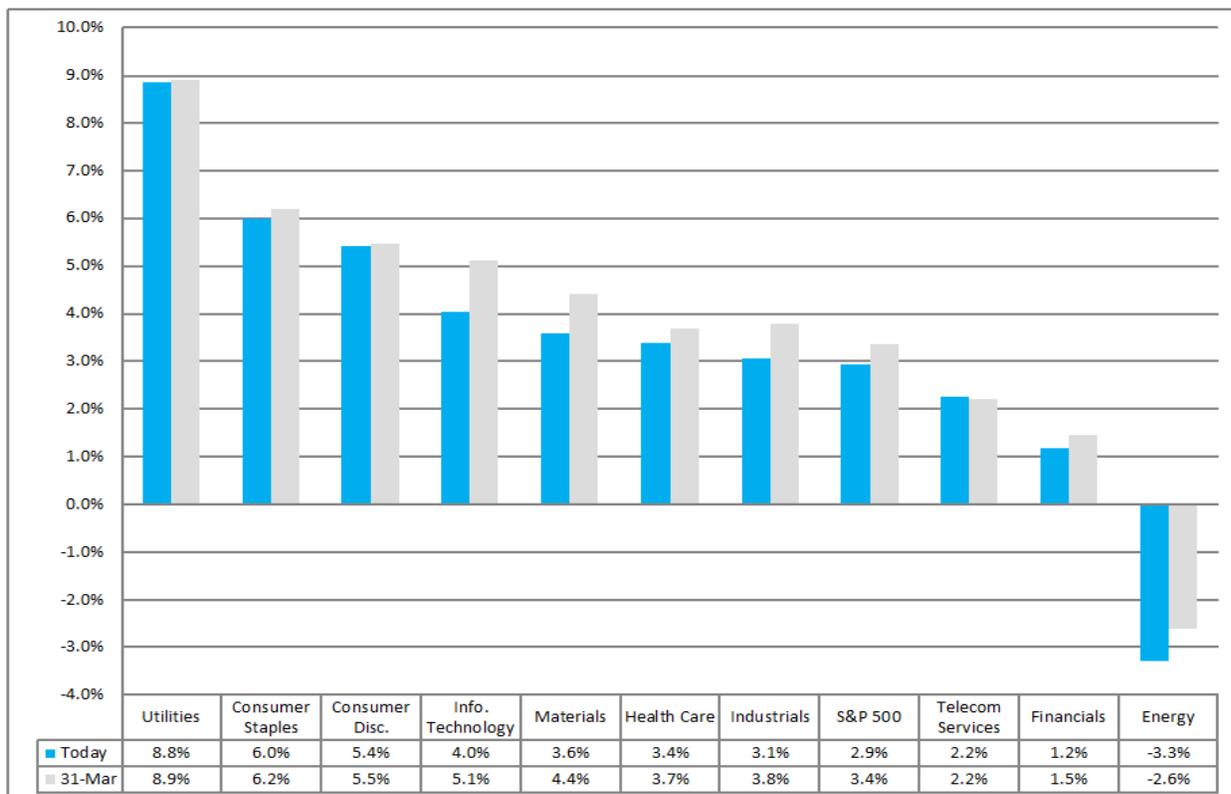


CY 2013: Growth

CY 2013 Earnings Growth

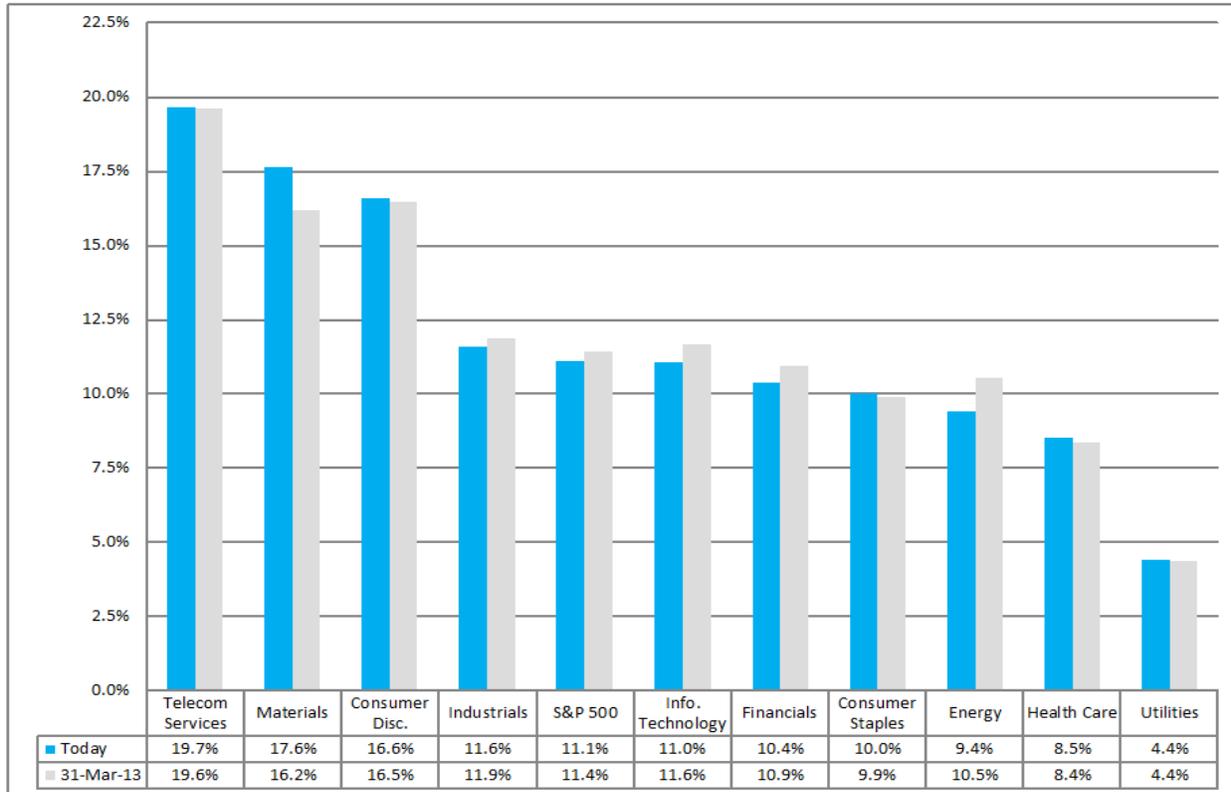


CY 2013 Revenue Growth

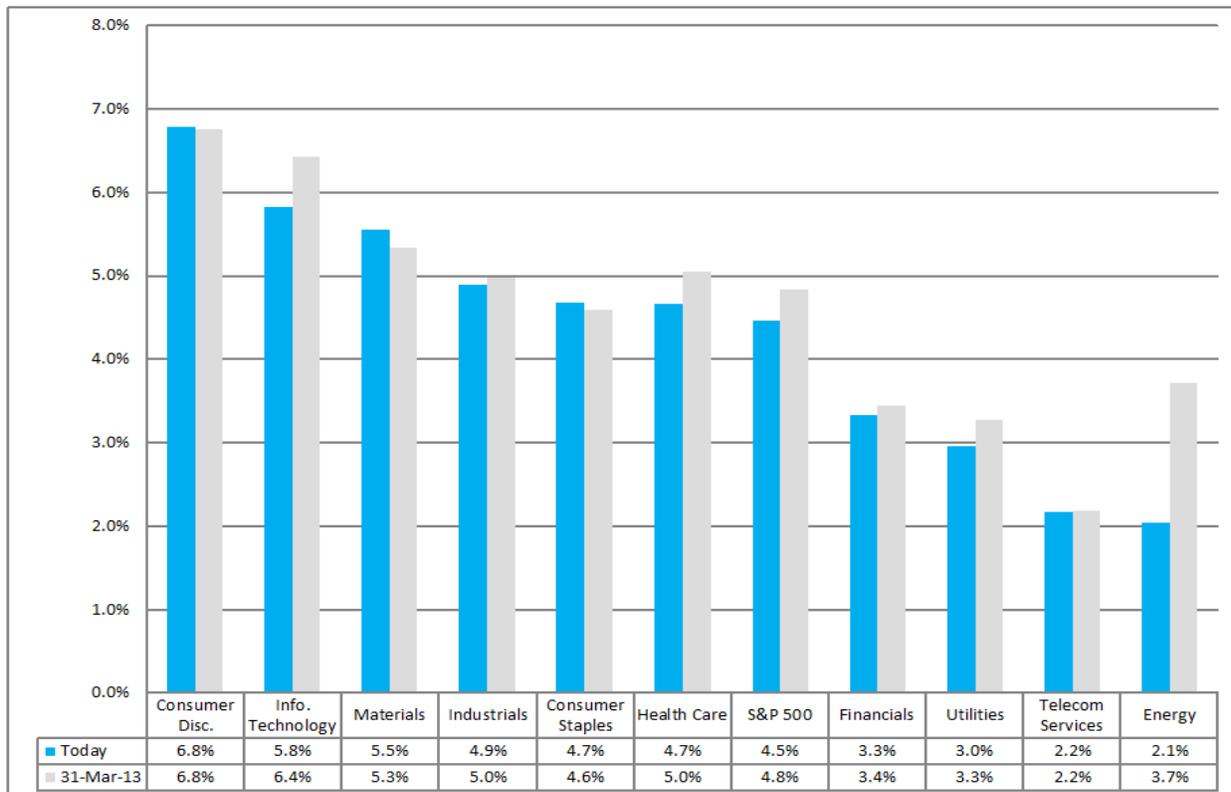


CY 2014: Growth

CY 2014 Earnings Growth

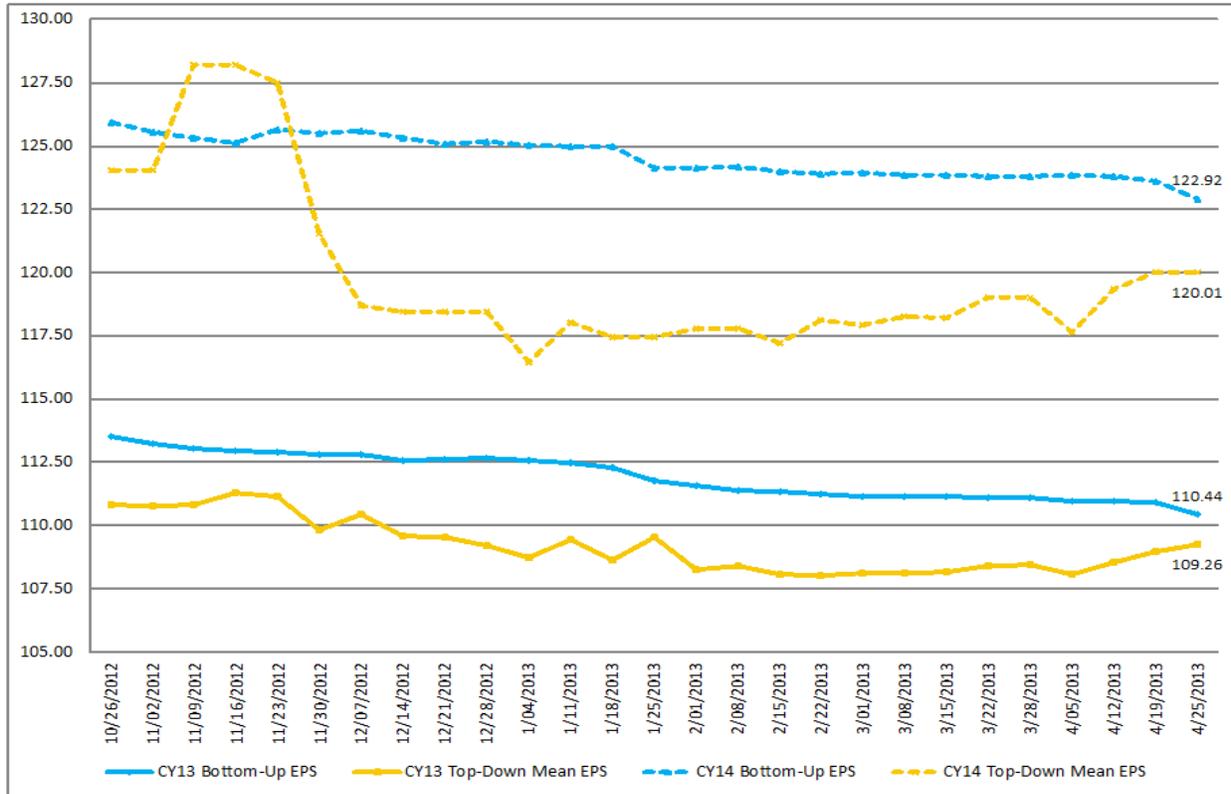


CY 2014 Revenue Growth

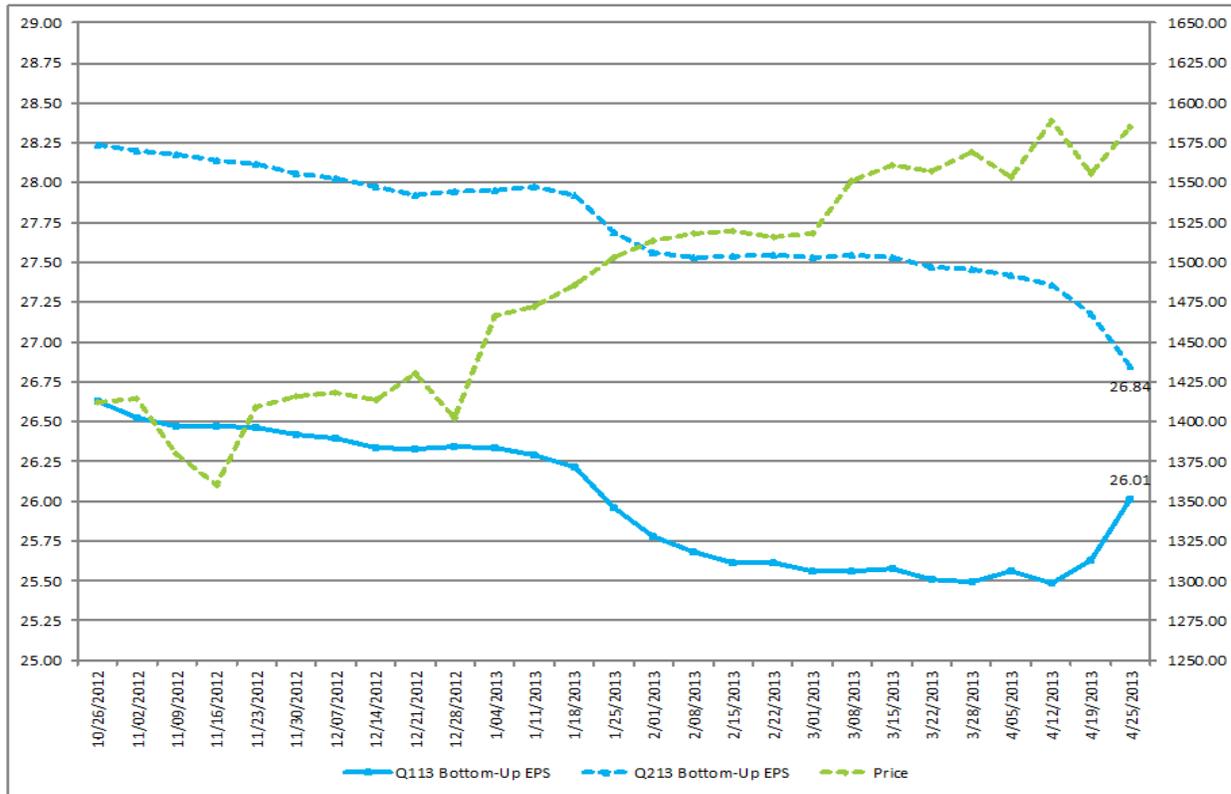


Bottom-up Estimates: Revisions

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

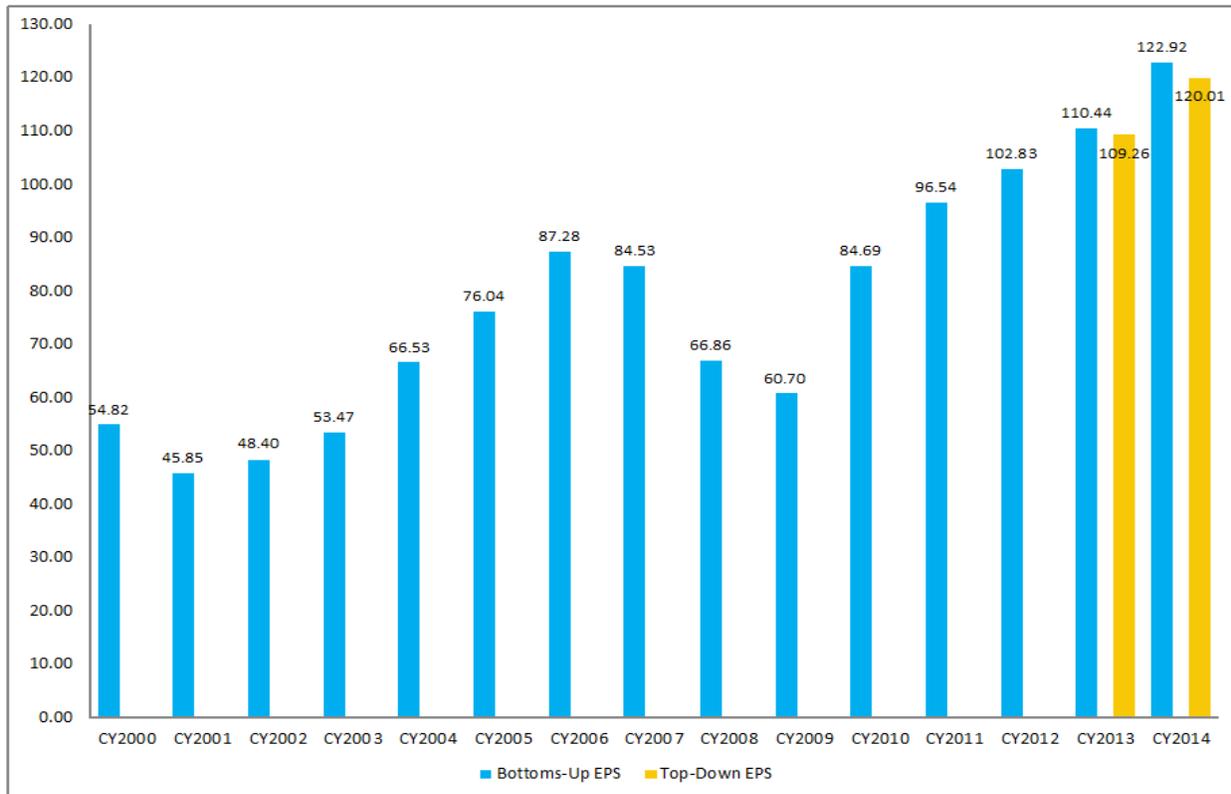


Change in Q113 and Q213 Bottom-Up EPS vs. Price (Trailing 26-Weeks)

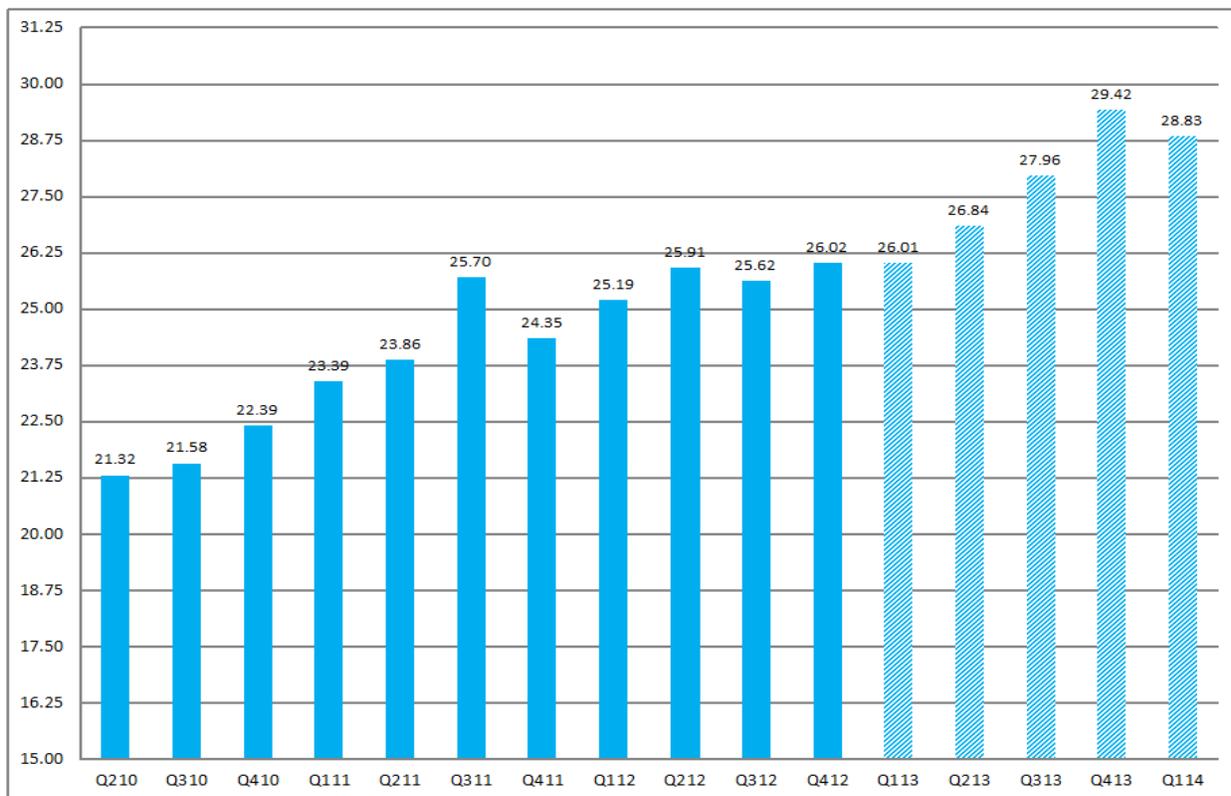


Bottom-up Estimates: Current & Historical

Calendar Year Bottom-Up EPS Actuals & Estimates

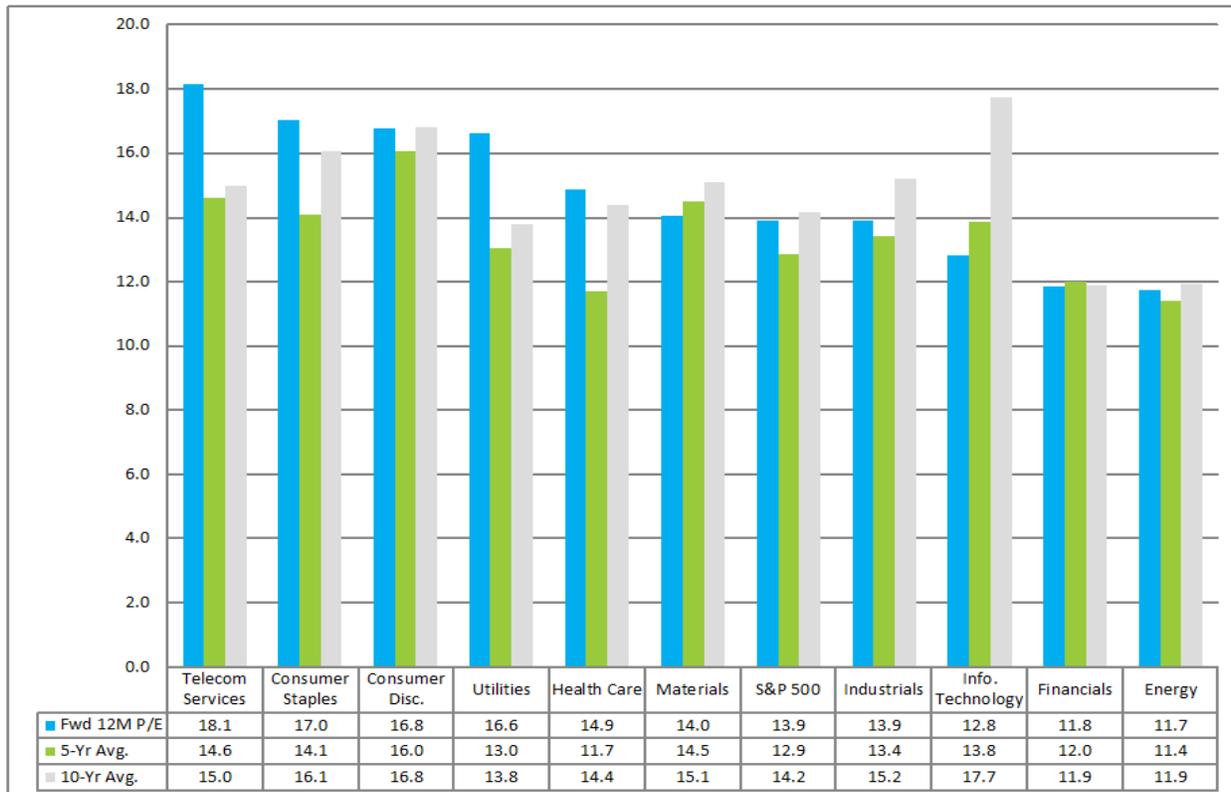


Calendar Year Bottom-Up EPS Actuals & Estimates

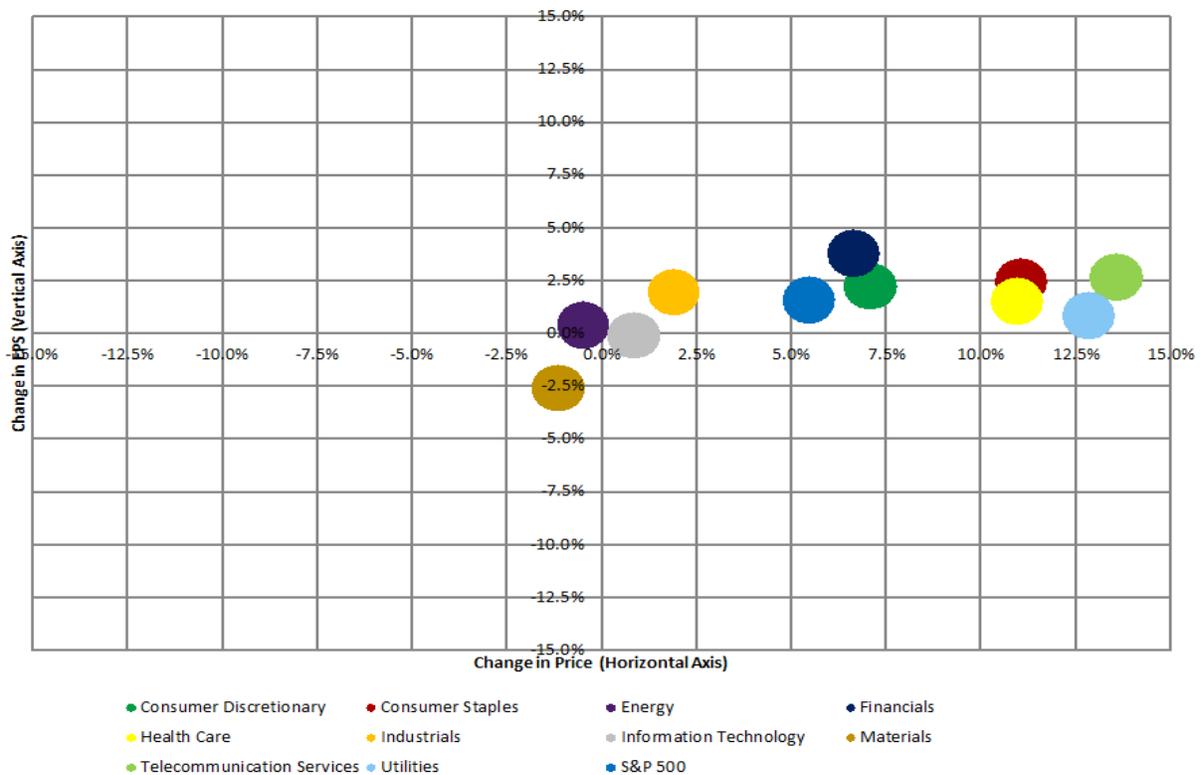


Price / Earnings Ratio: Sector Level

Sector-Level Forward 12-Month P/E Ratios

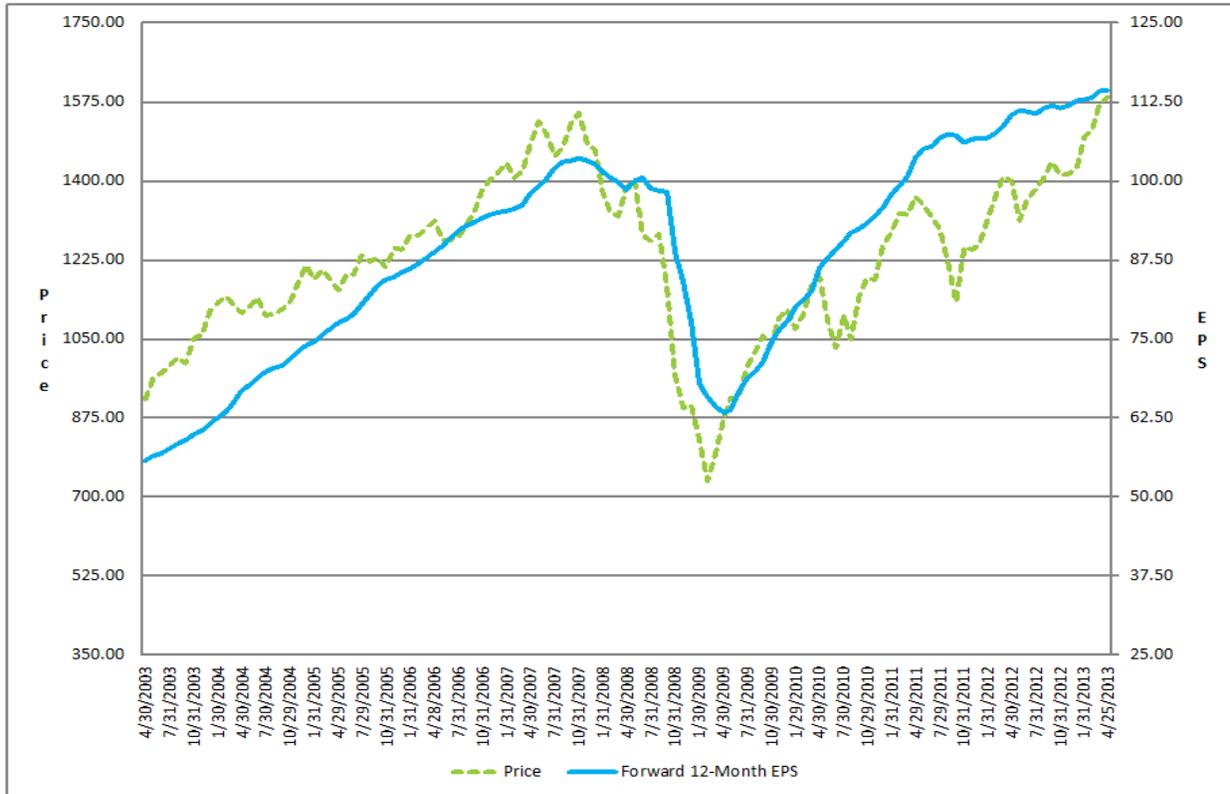


Sector-Level Change in Price vs. Change Forward 12M EPS: 1-Month

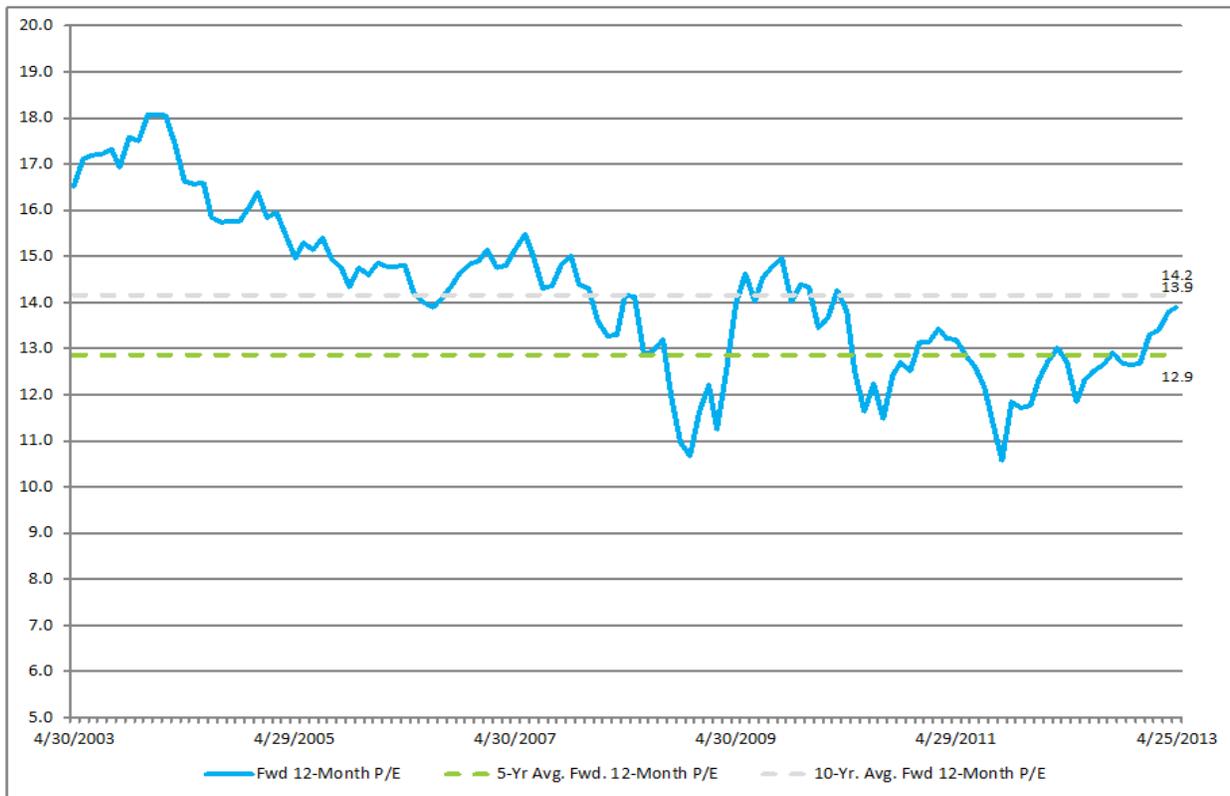


Price / Earnings Ratio: Long-Term Averages

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



Forward 12M P/E Ratio: 10-Year



Important Notice

The information contained in this report is provided “as is” and all representations, warranties, terms and conditions, oral or written, express or implied (by common law, statute or otherwise), in relation to the information are hereby excluded and disclaimed to the fullest extent permitted by law. In particular, FactSet and its affiliates disclaim implied warranties of merchantability and fitness for a particular purpose and make no warranty of accuracy, completeness or reliability of the information. This report is for information purposes and does not constitute a solicitation or an offer to buy or sell any securities mentioned within it. The information in this report is not investment advice. FactSet and its affiliates assume no liability for any consequence relating directly or indirectly to any action or inaction taken based on the information contained in this report.

About FactSet

FactSet (NYSE:FDS) (Nasdaq:FDS) combines integrated financial information, analytical applications, and client service to enhance the workflow and productivity of the global investment community. The company, headquartered in Norwalk, Connecticut, was formed in 1978 and now conducts operations along with its affiliates from twenty-four locations worldwide, including Boston, New York, Chicago, San Mateo, London, Amsterdam, Frankfurt, Paris, Milan, Tokyo, Hong Kong, Mumbai, Dubai, and Sydney.