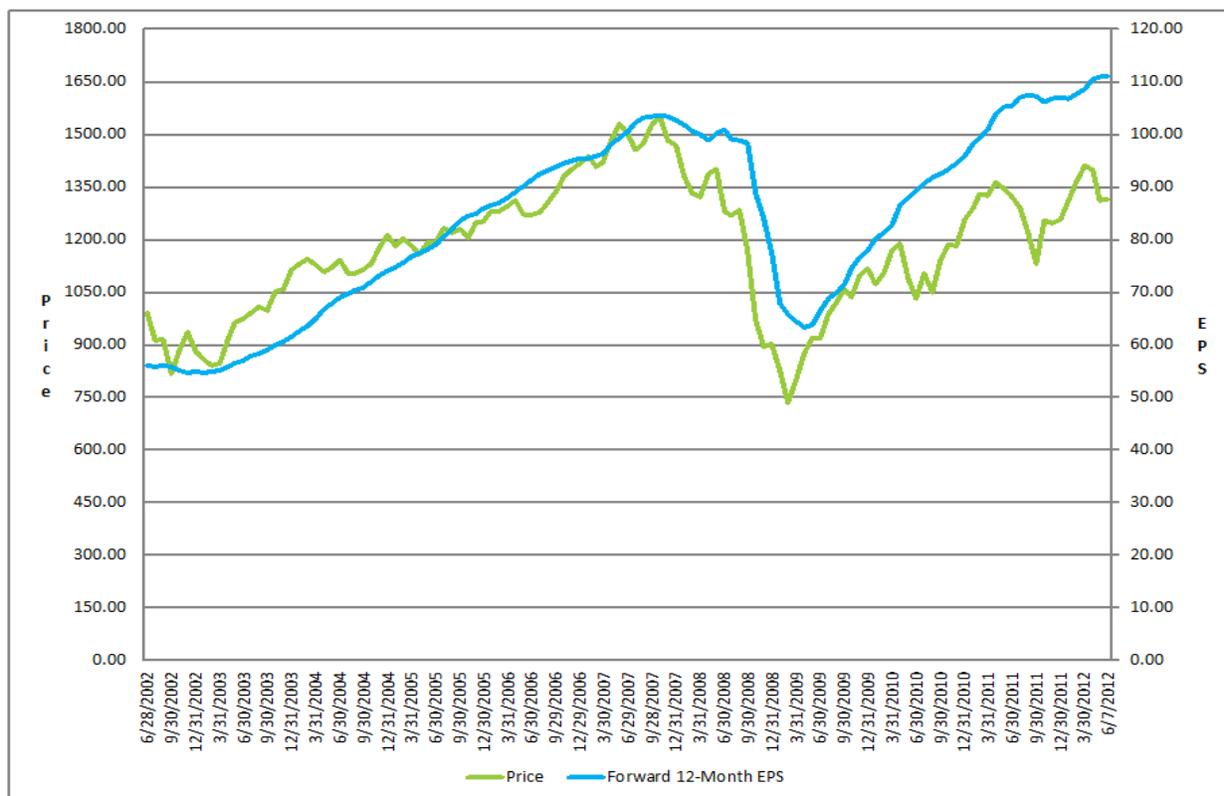


Key Metrics

- + **Earnings Growth:** The estimated earnings growth rate for Q2 2012 is 3.8%. The Financials (55.5%) sector is expecting the highest earnings growth rate for the quarter while the Energy (-18.1%) and Materials (-12.0%) sectors are expecting the lowest earnings growth rates.
- + **Earnings Revisions:** Since March 31, the blended earnings growth has decreased to 3.8% from 6.3%. The Energy and Financials sectors have recorded the largest downside revisions to earnings estimates during this time.
- + **Earnings Guidance:** For the current fiscal quarter, 70 companies have issued negative EPS guidance and 32 companies have issued positive EPS guidance.
- + **Valuation:** The current 12-Month forward P/E ratio is 11.9. This P/E ratio is below the average forward 12-Month P/E ratio over the past 10 years (14.4).
- + **Earnings Scorecard:** All three companies that have reported earnings for Q2 2012 to date have reported earnings above the mean estimate.

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:

Ten of the Largest S&P 500 Companies Generated 23% of Sales from Europe in Q1

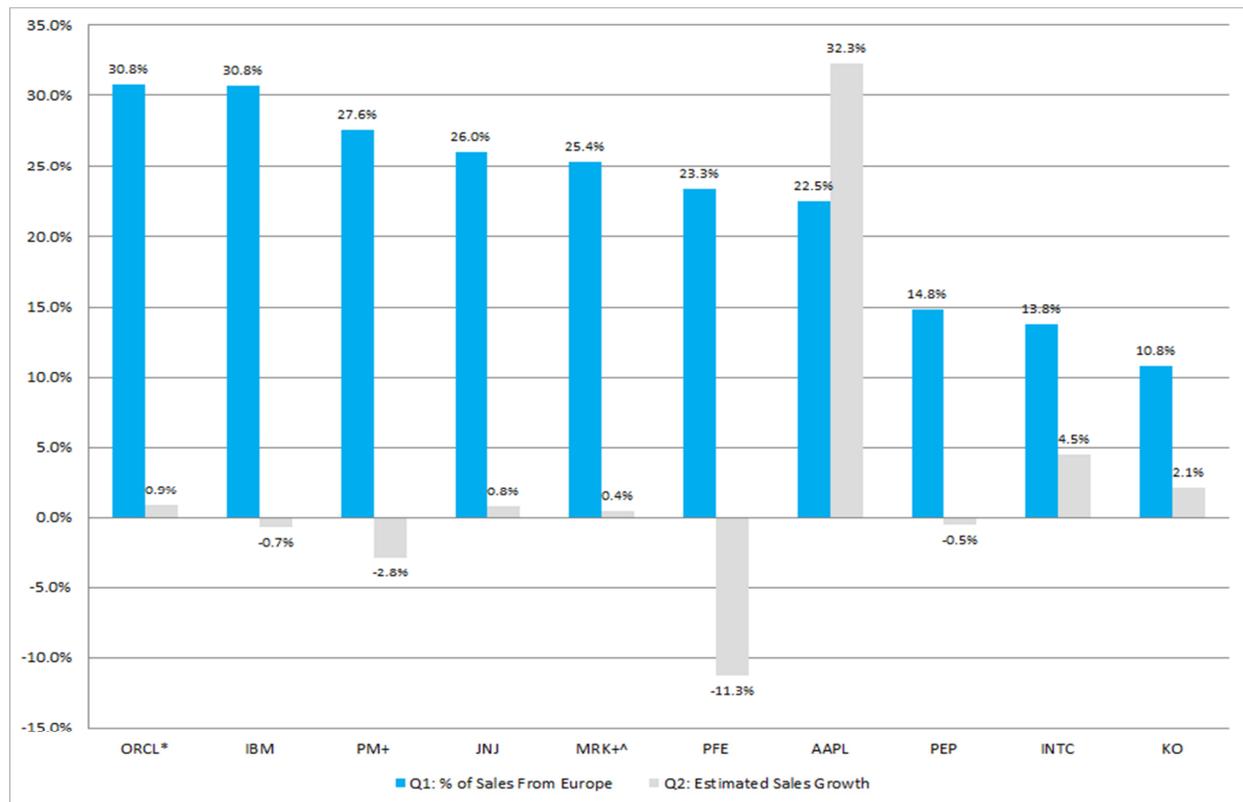
During testimony before Congress yesterday, Chairman Ben Bernanke commented on the impact of conditions in Europe on the U.S. economy stating, "The crisis in Europe has affected the U.S. economy by acting as a drag on our exports, weighing on business and consumer confidence, and pressuring U.S. financial markets and institutions."

Given the ongoing weakness in Europe, what percentage of sales do the largest companies in the S&P 500 index generate from Europe?

Of the top 25 companies in the S&P 500 by market capitalization (based on closing prices from June 7), ten provided a geographic breakdown of sales for Q1 2012 including Europe. On average, these ten companies generated 22.6% of sales from Europe. Oracle and IBM are at the high end of the list, with nearly 31% of sales coming from Europe in Q1 2012. Coca-Cola is at the bottom of the list, with just under 11% of sales coming from Europe in Q1 2012. The other top 15 companies by market capitalization did not provide sales numbers for Europe for the quarter.

Looking at the estimated sales growth rates for Q2 2012, it is interesting to note that seven of these ten companies are expected to see lower revenue growth for the quarter than the S&P 500 as a whole (2.0%). Apple (32.3%), Intel (4.5%), and Coca-Cola (2.1%) are the only three companies within this group projected to see higher revenue growth in Q2 2012 relative to the entire S&P 500.

S&P 500 Revenue (10 of 25 Companies with Highest Market Cap)



* EMEA (Europe, Middle East, Africa)

+ European Union (excludes Eastern Europe)

^ Pharmaceutical Sales

Q2 2012 Earnings Season: Overview

Estimated Earnings Growth Rate Dropped Slightly This Week to 3.8% from 4.1%.

The estimated earnings growth rate for the second quarter currently stands at 3.8%, slightly below last week's estimate of 4.1%. Downward revisions to estimates for companies in the Energy sector (including ExxonMobil, Chevron, and Halliburton) were mainly responsible for the small decline. The mean EPS estimate for ExxonMobil dropped to \$2.05 from \$2.08. The mean EPS estimate for Chevron fell to \$3.36 from \$3.41. The mean EPS estimate for Halliburton slid to \$0.77 from \$0.84. Overall, the estimated earnings growth rate for the Energy sector decreased to -18.1% from -17.0% during the week.

Since the start of the second quarter (March 31), the earnings growth rate for the index has declined to 3.8% from 6.3%. Nine of the ten sectors have recorded a decrease in earnings growth rates during this time, led by the Energy and Financials sectors. The Telecom Services sector is the only sector that has witnessed a slight increase in projected earnings growth since March 31.

Highest Earnings Growth: Financials, Industrials, & Information Technology.

The estimated earnings growth rate for Q2 2012 is 3.8%. If this is the final growth rate, it will mark the 11th consecutive quarter of earnings growth for the index. Overall, five of the ten sectors are predicted to see year-over-year earnings growth for the quarter. Of these five sectors, the Financials, Industrials, and Information Technology sectors are expecting the highest earnings growth for the quarter.

Financials Sector: Easy Comparisons to Year-Ago Losses Boost Bottom-Line Growth.

The Financials sector is predicted to have the highest earnings growth (55.5%) of all ten sectors. However, this sector is only projected to see revenue growth of 3.8%. Most of the companies that are projected to see the highest dollar-level increases in earnings in this sector reported large losses in the year-ago quarter. Bank of America is expected to be the largest contributor to earnings growth in the sector, mainly due to an easy comparison to a year-ago EPS loss (-\$0.90). If Bank of America is excluded, the estimated earnings growth rate for the Financials sectors falls to 9.7%. In addition to Bank of America, Morgan Stanley, Allstate, and Travelers all reported losses in the year-ago quarter and are now predicted to be large contributors to earnings growth for the sector in Q2 2012.

Industrials Sector: Solid Growth across the Sector Led by Machinery and Conglomerates

The Industrials sector has the second highest earnings growth rate at 7.2% and the third highest revenue growth rate at 6.3%. Ten of the twelve industries in this sector are predicted to see earnings growth. Six of these ten industries are expected to report double-digit growth. Companies in the Machinery (such as Caterpillar, Deere, and Paccar) and Industrial Conglomerates (such as General Electric and Danaher) industries are expected to be the largest contributors to earnings growth for the sector. In Q1 2012, a number of companies in this sector cited a better than expected performance in the U.S. as a reason for strong earnings growth for the quarter, offsetting weaker results globally. Will companies in this sector continue to see this type of performance in the U.S. in Q2 2012?

Information Technology Sector: Apple

The Information Technology has the third highest earnings growth rate (4.0%) and the second highest sales growth rate (6.6%) of all ten sectors. However, almost all of this growth is due to Apple. Excluding Apple, the earnings growth rate for the Information Technology sector falls to -1.7%, and the sales growth rate falls to 3.4%. Apple is part of the Computers & Peripherals industry, which has the highest earnings growth (18.9%) of any industry in the sector. The Internet & Software Services (13.2%) and Communications Equipment (10.8%) industries are also predicted to see double-digit earnings growth for the quarter. The Semiconductor & Semiconductor Equipment industry is expected to see the lowest earnings growth (-19.0%).

Excluding Bank of America and Apple, Earnings Growth Falls to -2.1%

Not only are Bank of America and Apple the largest contributors to earnings growth for their respective sectors, they are also the largest and second largest contributors to earnings growth for the entire S&P 500. Excluding Bank of America and Apple, the earnings growth rate for the index would fall to -2.1% from 3.8%. Bank of America is predicted to report EPS of \$0.18 compared to the year-ago actual EPS of -\$0.90. Apple is projected to report EPS of \$10.44 compared to year-ago actual EPS of \$7.79.

Lowest Earnings Growth Predicted For Commodity-Based Sectors: Energy & Materials

The Energy and Materials sectors are expected to see the lowest earnings growth of all ten sectors in Q2 2012. It appears both sectors have been impacted by the recent decline in commodity prices. The weekly price for Brent Crude (ICE/\$bbl) has declined 18.7% since the start of the quarter (to \$99.93 from \$122.88), while the weekly price of the Reuters/Jefferies CRB Index has fallen 11.2% (to 274.01 from 308.46) during this time. Both the average weekly price of Brent Crude and the average weekly price of the Reuters/Jefferies CRB index for Q2 2012 to date are below their average weekly prices in the year-ago quarter.

The Energy sector is predicted to see the lowest earnings growth (-18.1%) and lowest sales growth (-12.0%) of all ten sectors. Within the sector, the Energy Equipment & Services industry is expecting to report earnings growth of 9.2%, while the Oil, Gas, & Consumable Fuels industry is projected to report an earnings decline of 21.0%.

The Materials sector is expected to see the second lowest earnings growth (-12.0%) and the third lowest revenue growth (3.5%) of all ten sectors. Four of the five sectors are projected to see a decrease in earnings for the quarter. The Metals & Mining (-32.8%) industry is the largest contributor to the expected decline in earnings for the sector.

EPS Guidance: Drop in Positive Preannouncements Compared to Q1

Of the 102 companies that have issued EPS guidance for the current quarter, 70 have issued projections below the mean EPS estimate and 32 have issued projections above the mean EPS estimate. At this same time in Q1 2012, 67 companies had issued projections above the mean EPS estimate and 39 companies had issued projections below the mean EPS estimate. The Consumer Discretionary (-6) and Information Technology (-5) sector have seen the largest declines in the number of companies issuing positive EPS preannouncements in Q2 2012 relative to Q1 2012.

Revenue Growth: 9 of 10 Sectors Projected to Report Growth

In terms of revenues, the estimated growth rate stands at 2.0%, down from an estimate of 3.4% at the start of the quarter. If 2.0% is the final growth rate for the quarter, it will mark the 11th consecutive quarter of revenue growth for the index. Nine of the ten sectors are expected to report sales growth for the quarter. The only sector predicted a report decline in sales is Energy (-12.0%).

Companies Continue to Face Higher Costs

Eight of the ten sectors in the index are projected to report higher revenue growth than earnings growth for the quarter, which indicates that companies are having difficulty converting sales growth to earnings growth in Q2 2012. Higher costs are a likely cause of this dichotomy.

Revenue Increase, Earnings Decrease for 103 Companies

At the company level, 103 companies are projected to report growth in sales but a decline in earnings in Q2 2012. If 103 is the final number of companies, it would be the highest number recorded since Q3 2008 (115), and would reflect a 43% increase compared to the number of companies recording this difference in the year-ago quarter (72). At the sector-level, the Consumer Discretionary (20) and Financials (17) sectors have the largest number of companies with this difference.

It is interesting to note that the Financials sector is actually one of the two sectors in which earnings growth (55.5%) is expected to vastly outpace revenue growth (3.8%), though this is due to some companies in the sector benefitting from easy year-ago earnings comparisons. The estimated net profit margin for the index (including Financials) is 9.4%, which is equal to the average net profit margin recorded over the past four quarters (9.4%).

Global Economic Slowdown

Companies in the index will likely see lower revenue growth outside of the U.S. relative to recent years due to slowing economic growth in emerging markets and Europe. For example, McDonald's reported lower comparable year-over-year sales growth in Europe (2.9%) and Asia Pacific /Middle East /Africa (-1.7%) for the month of May compared to the year-over-year comparable sales growth in Europe (3.5%) and Asia Pacific /Middle East /Africa (1.1%) reported for the month of April.

Economic growth in countries in emerging markets has been decreasing over the past year. According to FactSet Economics, three of the four "BRIC" countries have recorded slower GDP growth during this time. For Q1 2011, China, India and Brazil recorded GDP growth of 9.7%, 9.7% and 4.1%, respectively. By Q1 2012, GDP growth rates for China, India, and Brazil had fallen to 8.1%, 4.1% and 0.7%.

Economic growth in Europe has also fallen over the past year. In Q1 2011, the European Union recorded GDP growth of 2.4%. By Q1 2012, GDP growth in the European Union had fallen to 0.1%.

Analysts Begin To Take Down 2nd Half Estimates; Double-Digit Growth Still Projected for Q4

In addition to lowering estimates for Q2 2012, analysts also have reduced earnings growth expectations for Q3 2012 (to 2.0% from 4.0%) and Q4 2012 (to 14.3% from 15.5%) since March 31.

Despite the decline in earnings estimates for Q4 2012, analysts are still calling for double-digit growth (14.3%) for the quarter. Five of the ten sectors are predicted to report double-digit earnings growth, led by the Materials (32.6%), Financials (28.4%), and Telecom Services (27.1%) sectors.

Valuation: Forward P/E Below 10-Year Average, Down Since March 31

The current forward 12-month P/E ratio of 11.9 is well below the prior ten-year average forward 12-month P/E ratio of 14.4, and is below the 13.0 P/E ratio recorded at the start of the second quarter (March 31). The P/E ratio has decreased during this time due to a decline in the price of the index (down 6.6% since March 31), combined with an increase (2.1%) in the forward 12-Month EPS estimate for the index (to 110.97 from 108.65).

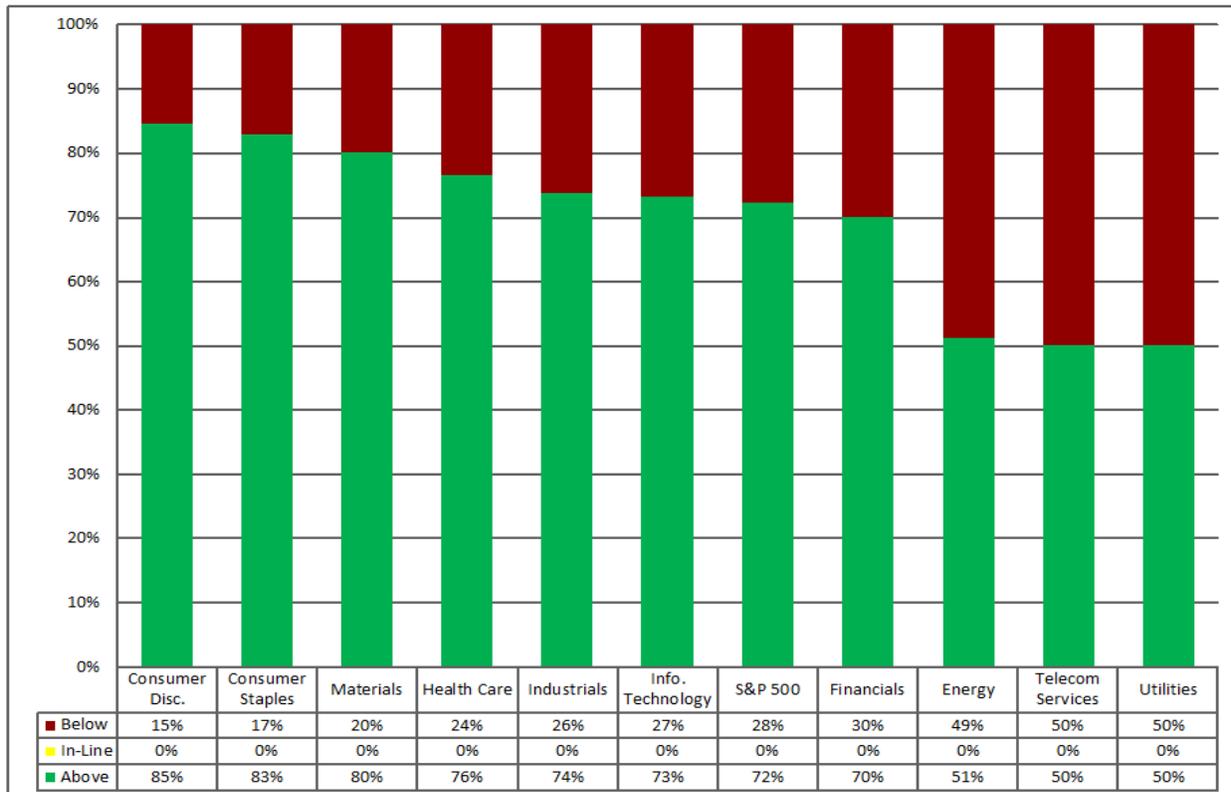
Will there be a return to the 10-year average valuation for the market anytime soon? If there is going to be a return to this average P/E ratio of 14.4, either future estimates will need to decrease, the price of the index will need to increase, or a combination of the two will need to occur.

Companies Reporting Next Week

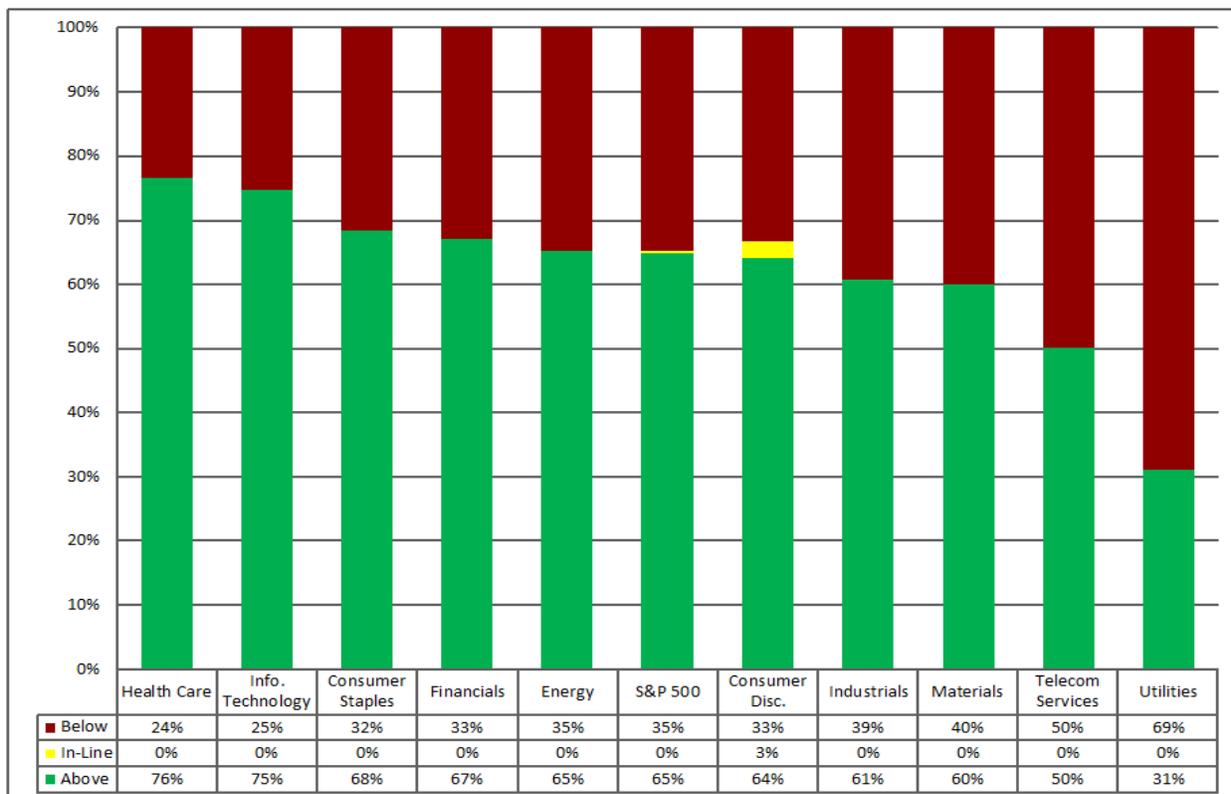
The "peak" weeks of the Q1 2012 earnings season are now finished. During the next couple of weeks, the last few companies will report earnings for Q1 2012 and the first few companies will report earnings for Q2 2012. During the upcoming week, one company (Kroger) in the S&P 500 is scheduled to release results for Q1 2012.

Q1 2012: Scorecard

Q1 2012 Earnings: Above, In-Line, Below Estimates

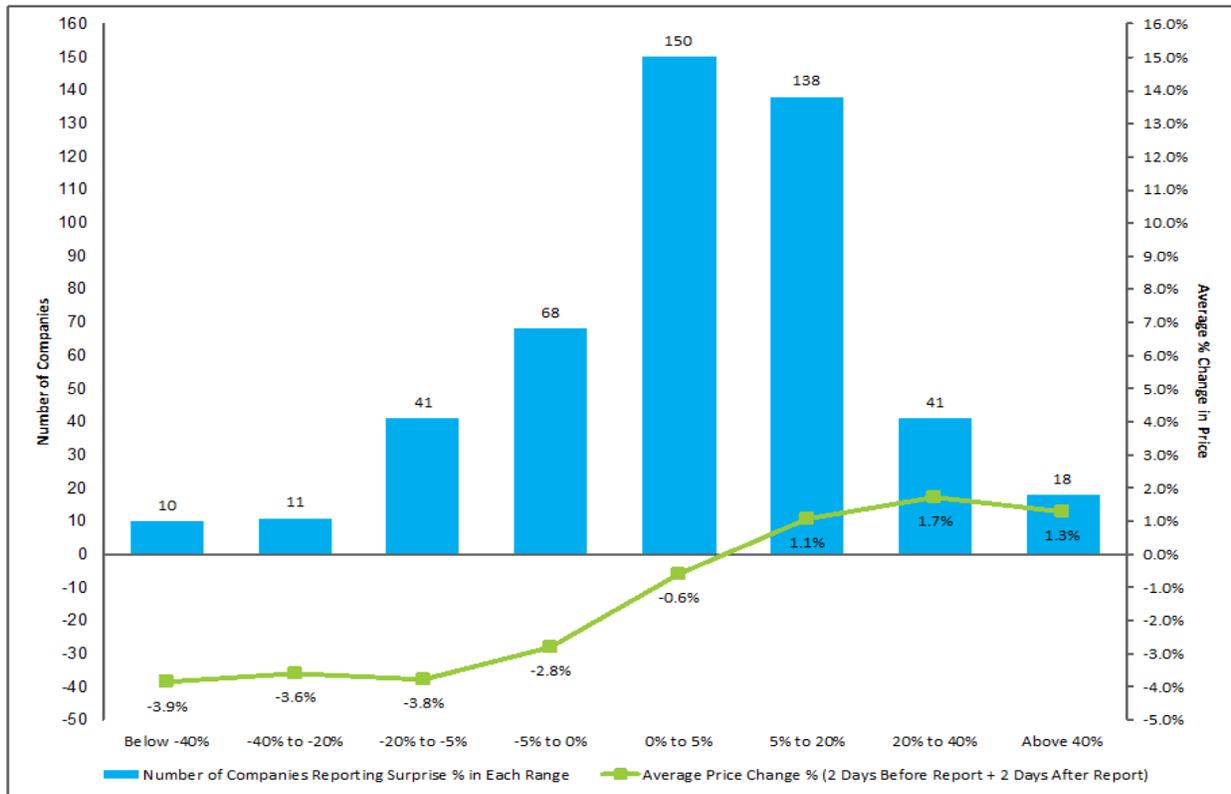


Q1 2012 Revenues: Above, In-Line, Below Estimates

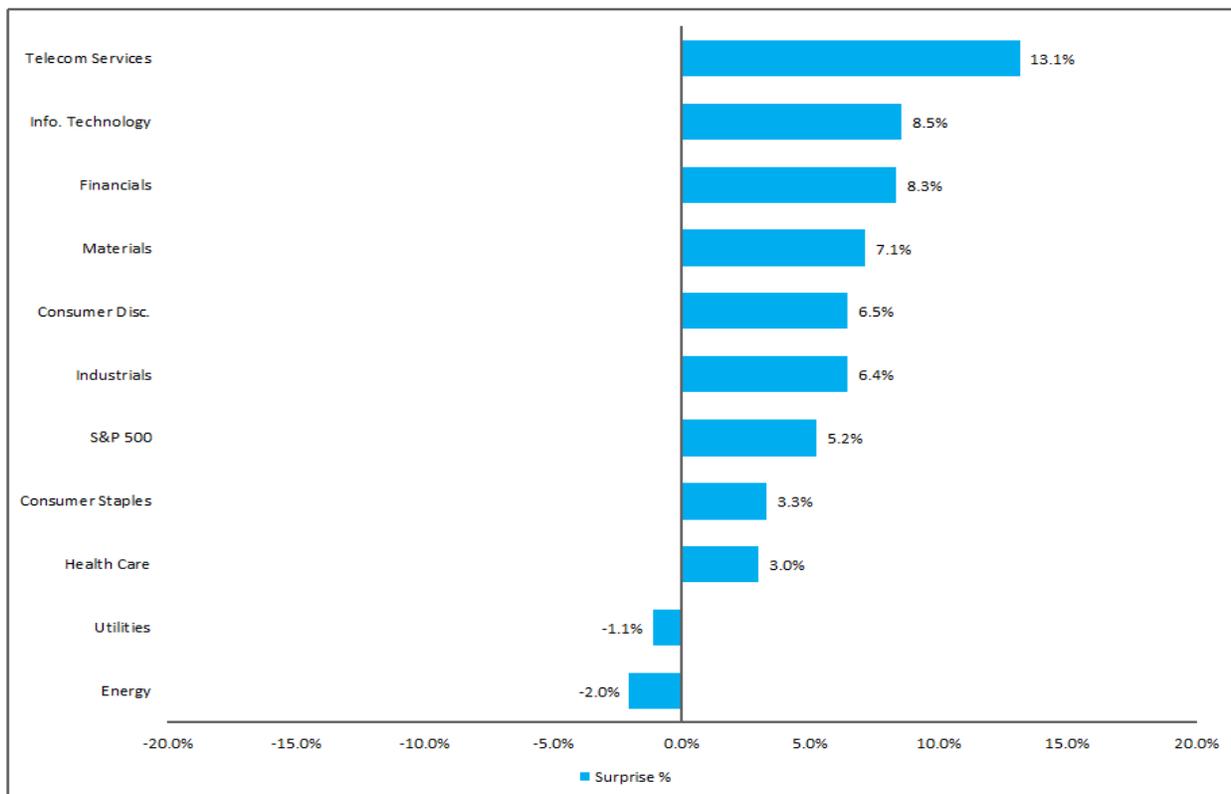


Q1 2012: Scorecard

Q1 2012: Surprise % vs. Average Price Change %

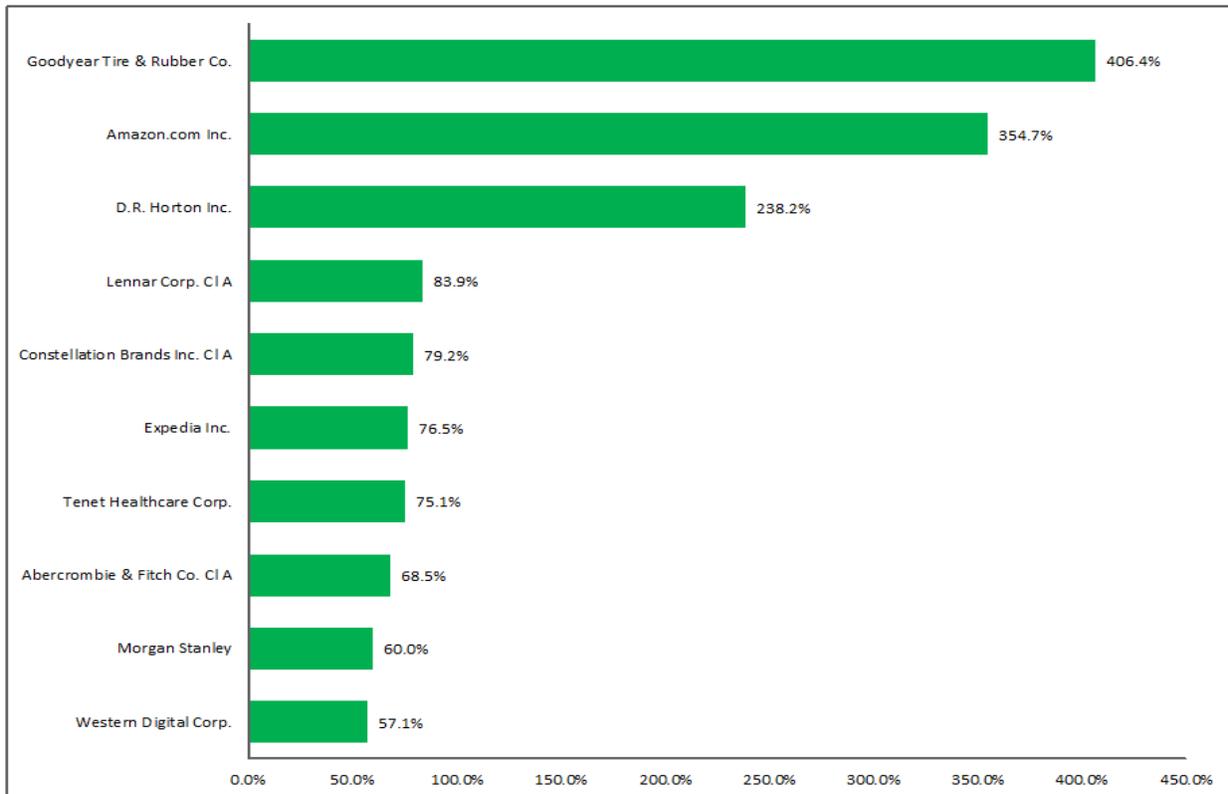


Q1 2012: Sector Level Surprise %

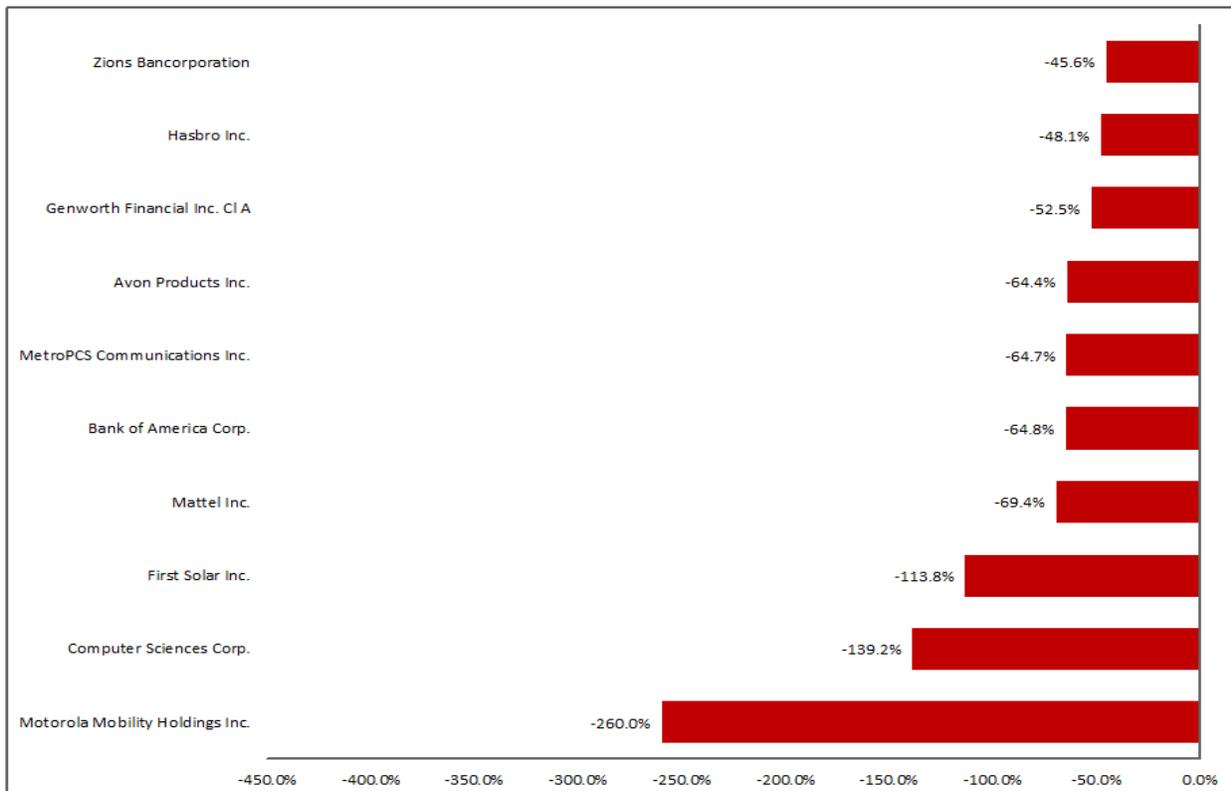


Q1 2012: Scorecard

Surprise %: Top 10 Companies



Surprise %: Bottom 10 Companies

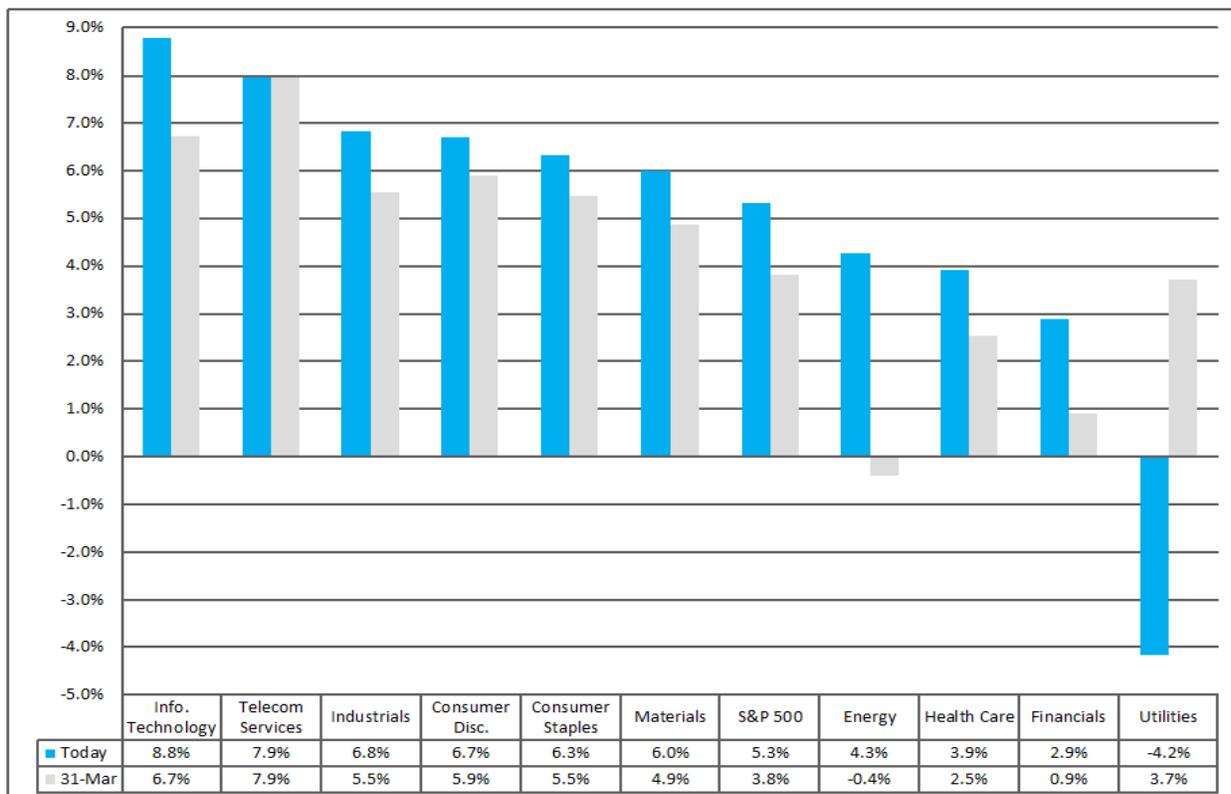


Q1 2012: Growth

Q1 2012 Earnings Growth

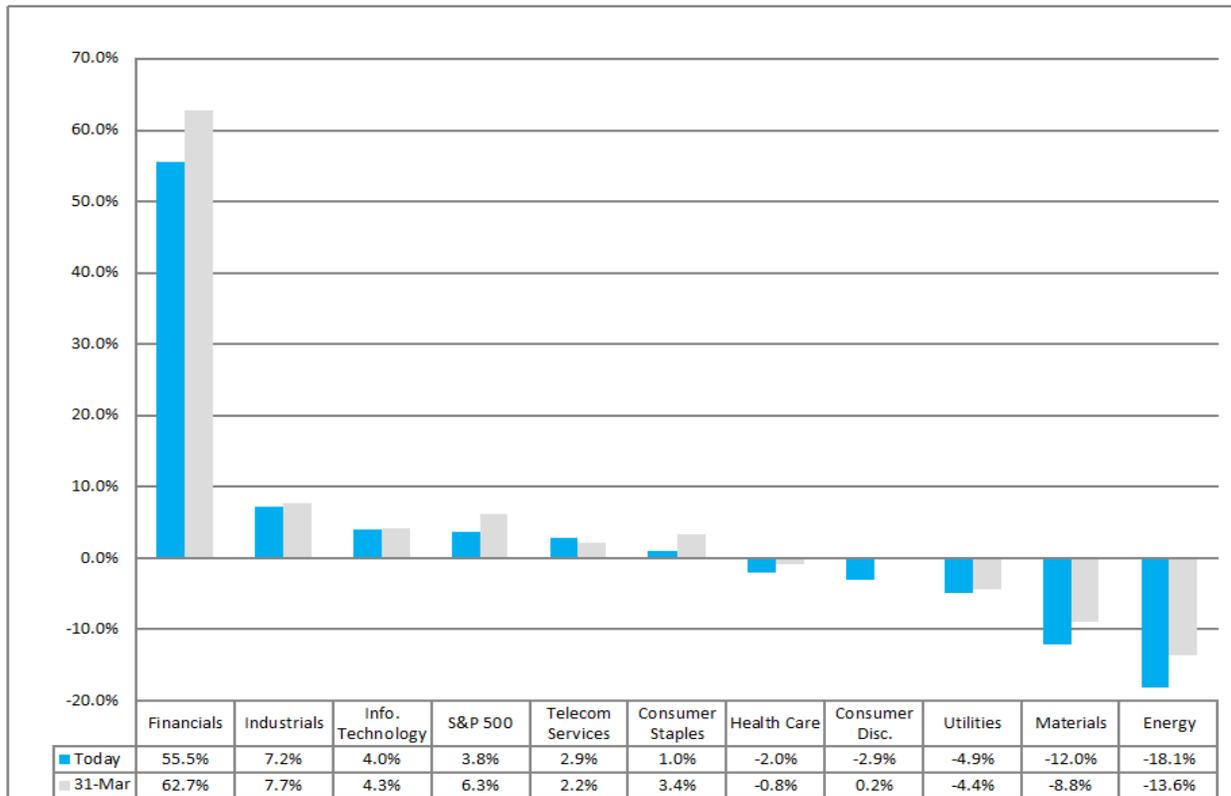


Q1 2012 Revenue Growth



Q2 2012: Growth

Q2 2012 Earnings Growth

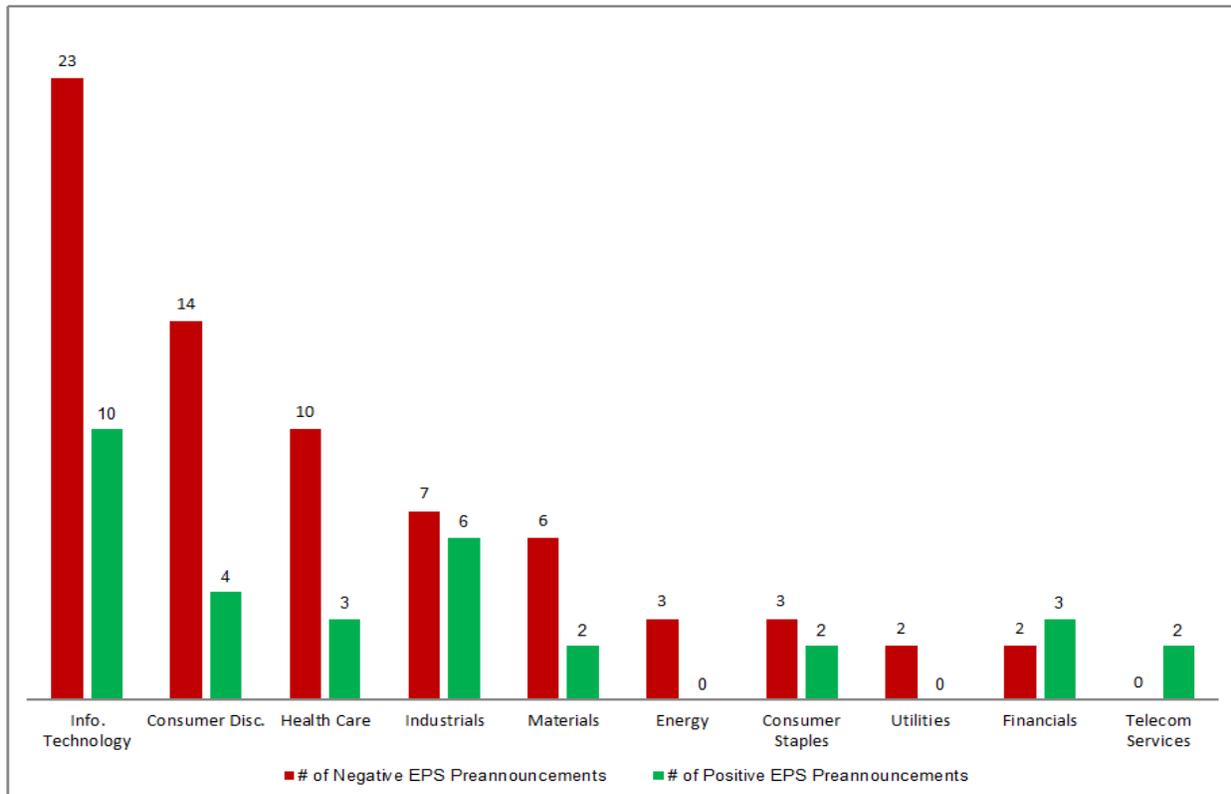


Q2 2012 Revenue Growth

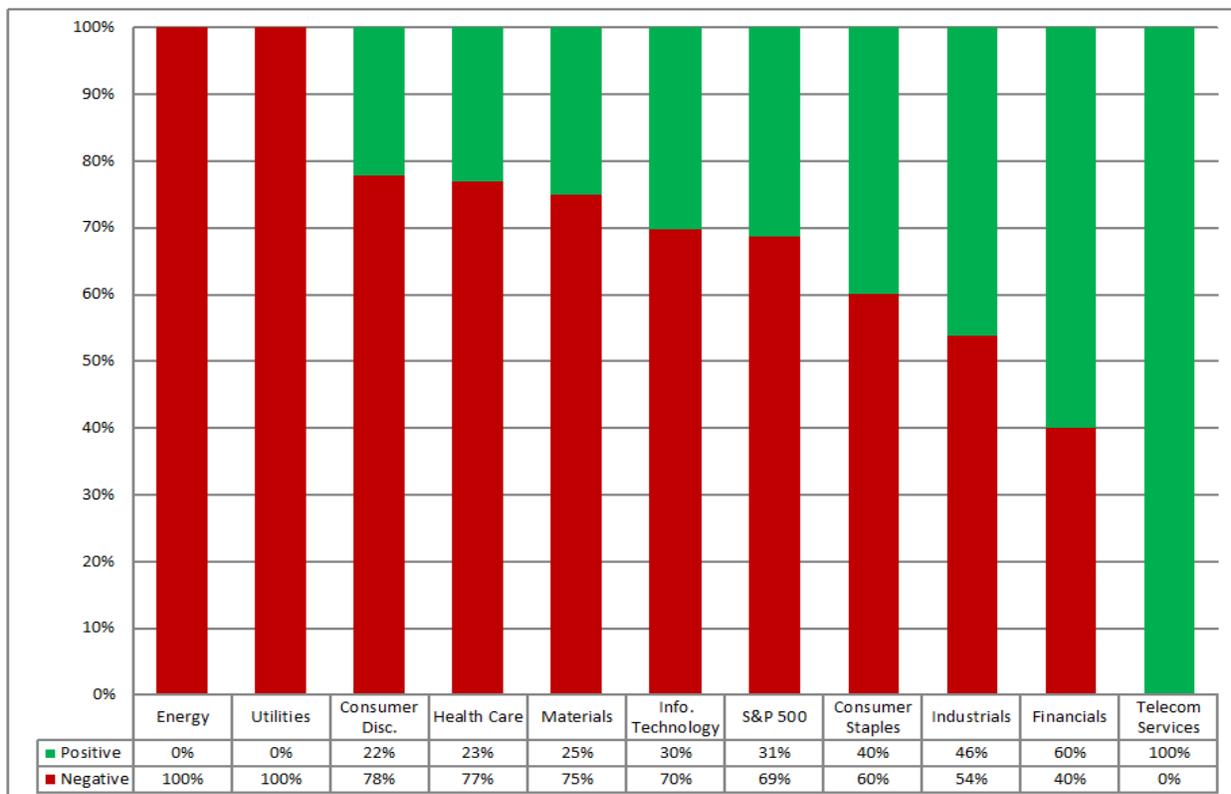


Guidance: Current Fiscal Quarter

Number of Positive & Negative EPS Preannouncements: Current Fiscal Quarter

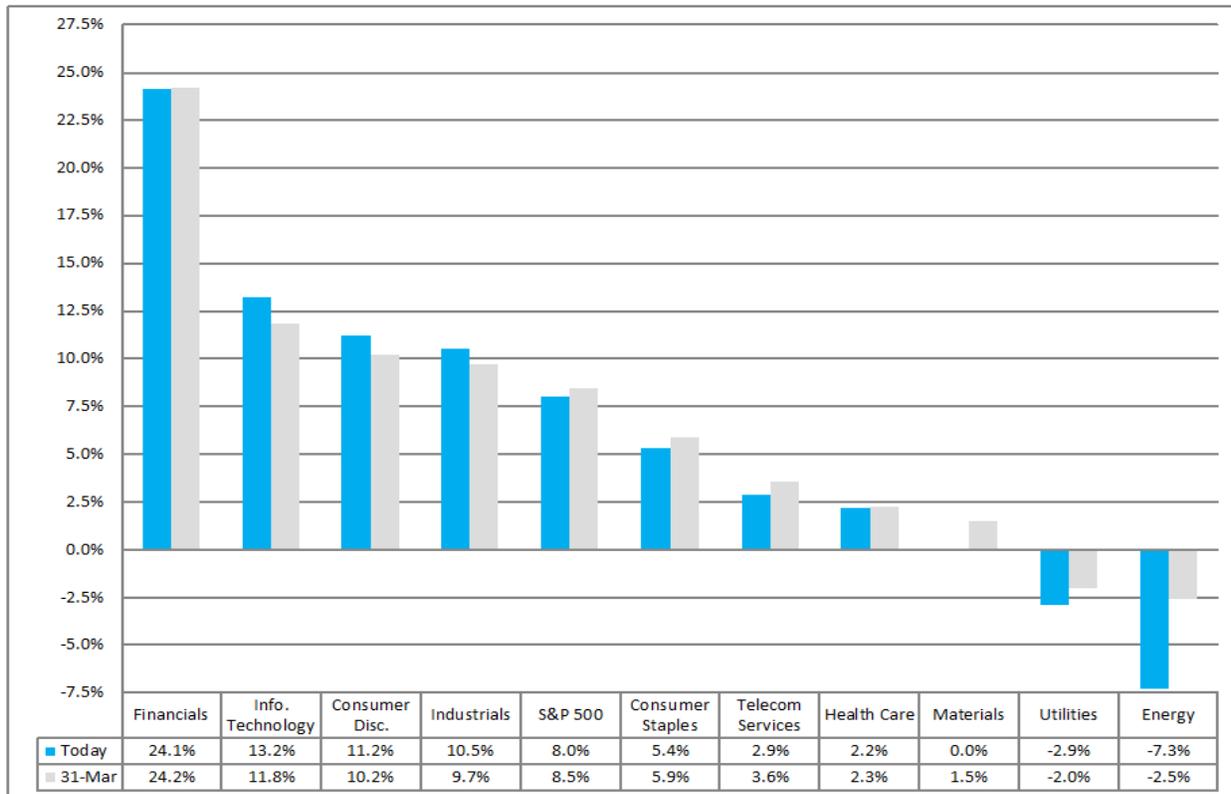


Percentage of Positive & Negative EPS Preannouncements: Current Fiscal Quarter



CY 2012: Growth

CY 2012 Earnings Growth

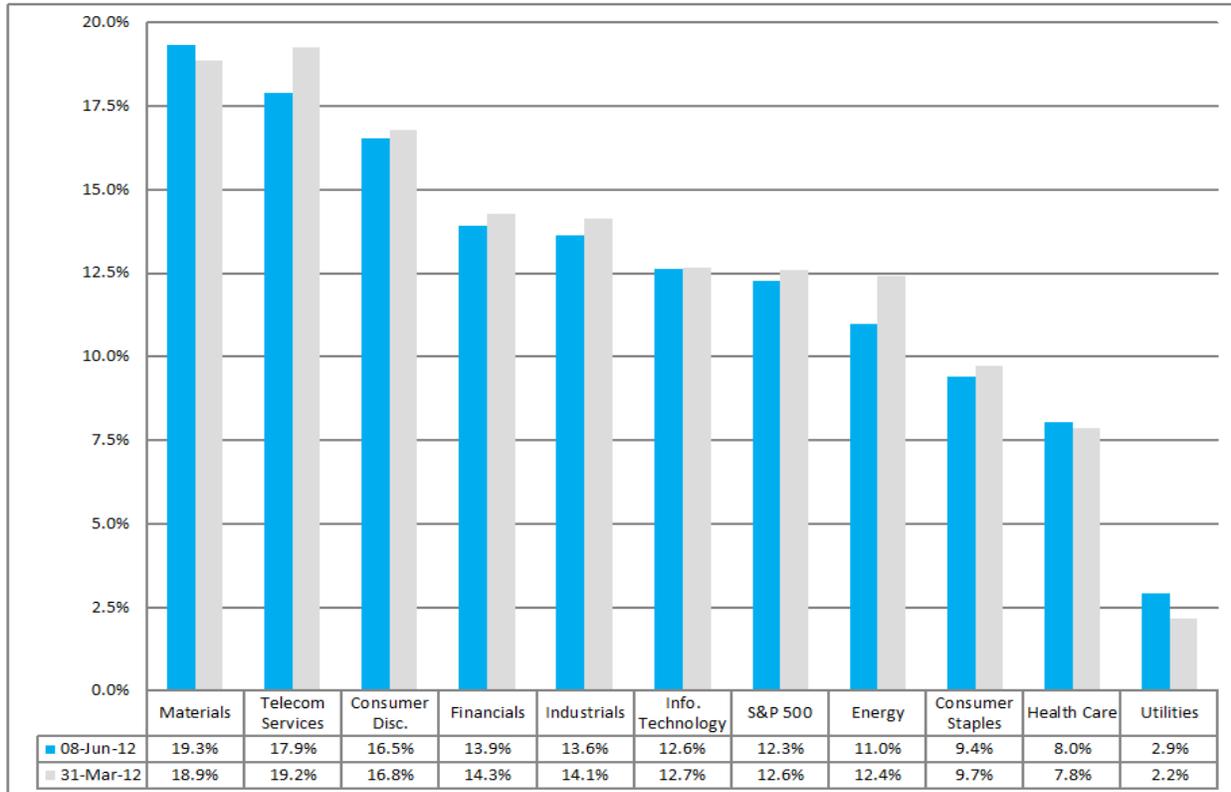


CY 2012 Revenue Growth

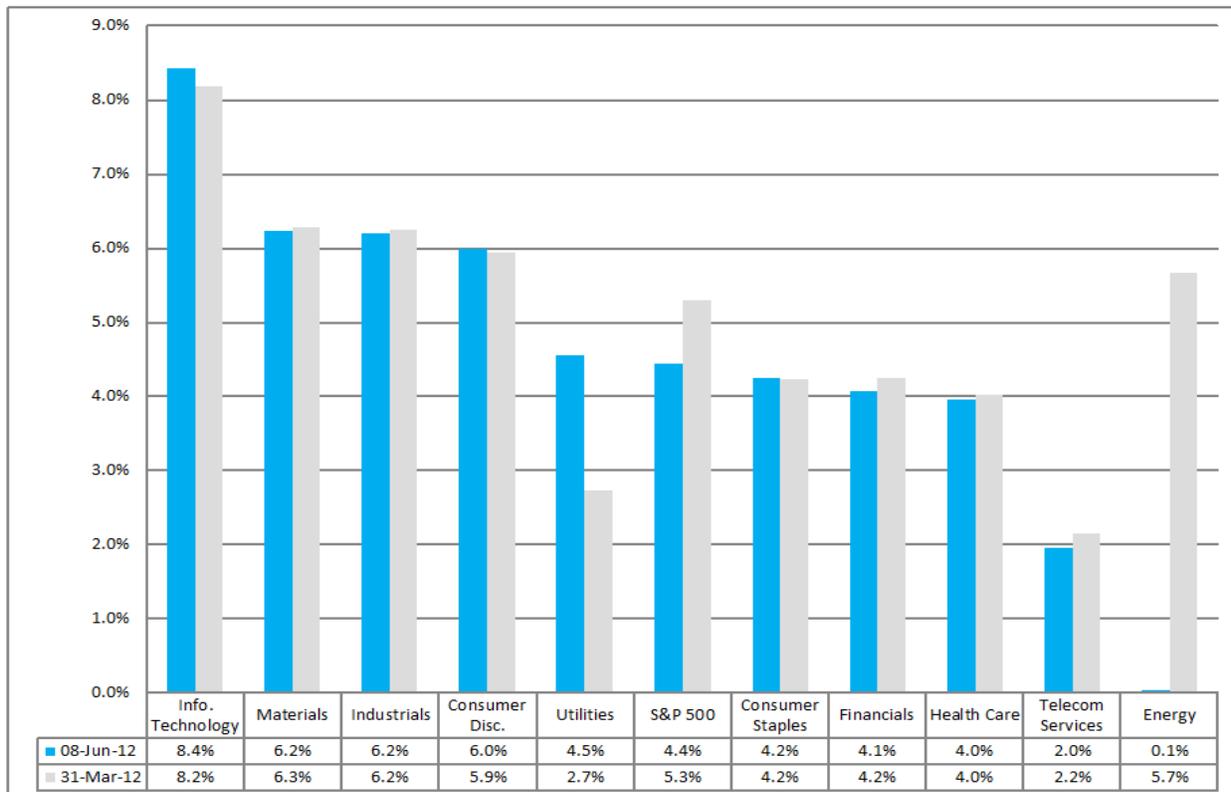


CY 2013: Growth

CY 2013 Earnings Growth

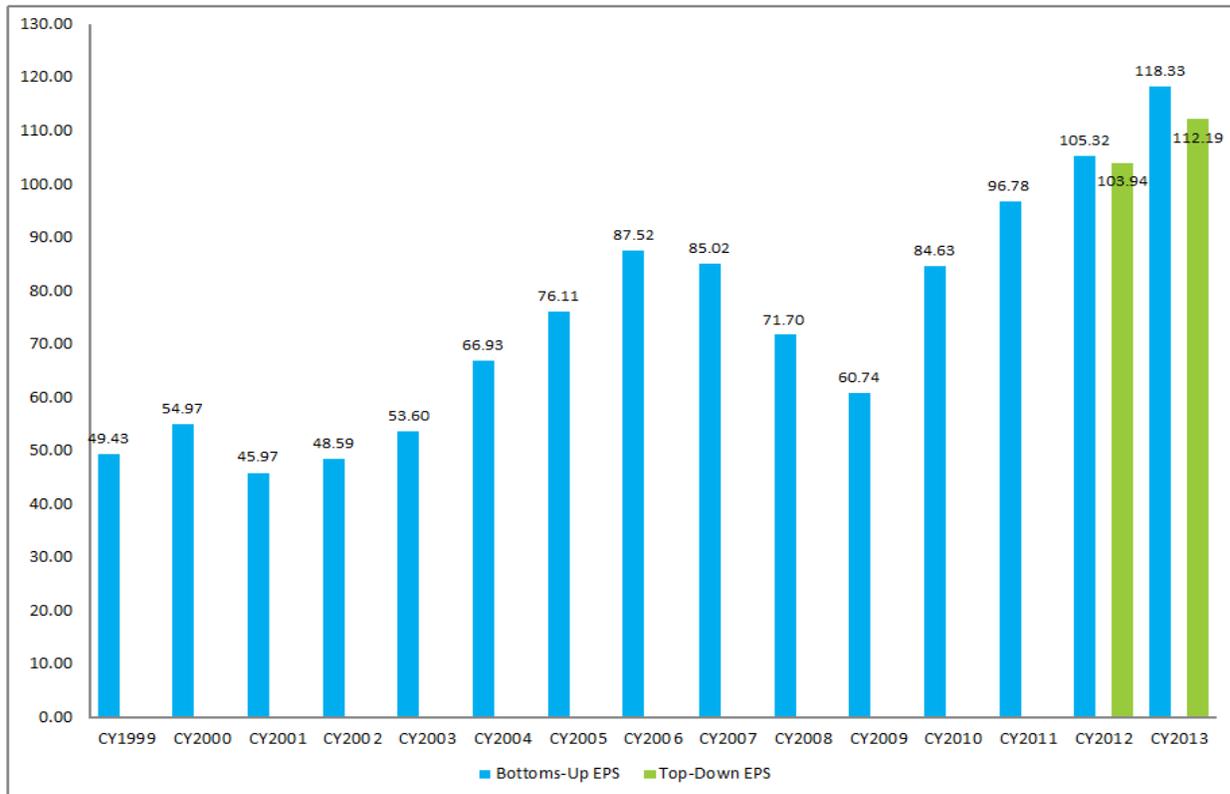


CY 2013 Revenue Growth

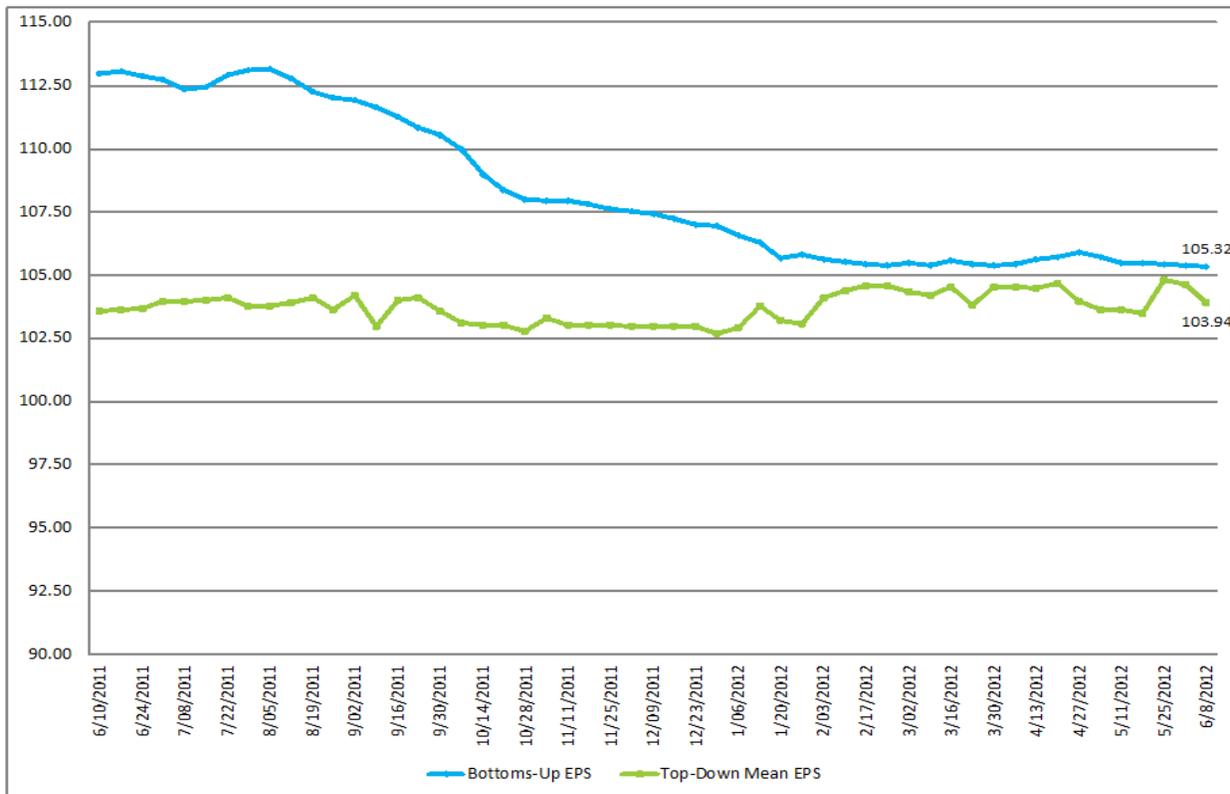


Bottom-up Estimates

Calendar Year Bottom-Up EPS Actuals & Estimates

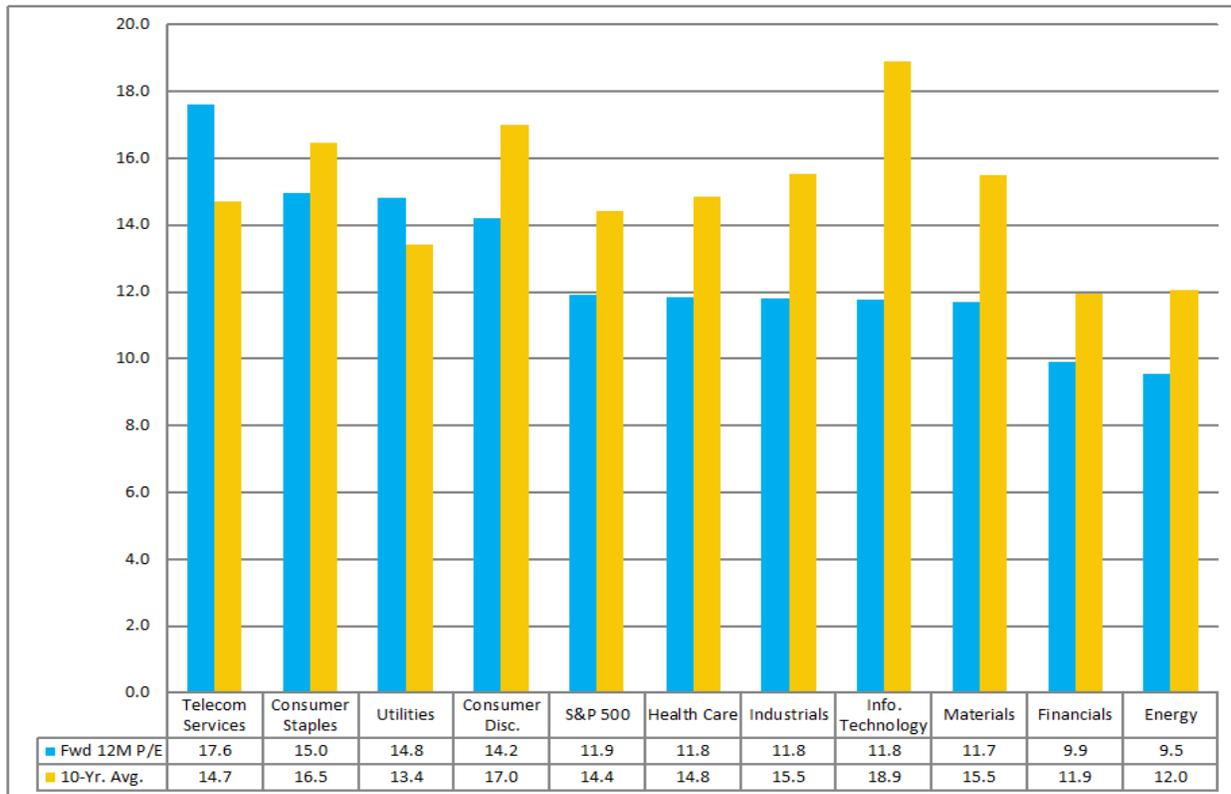


CY 2012 Estimates: Bottom-Up EPS vs. Top Down EPS

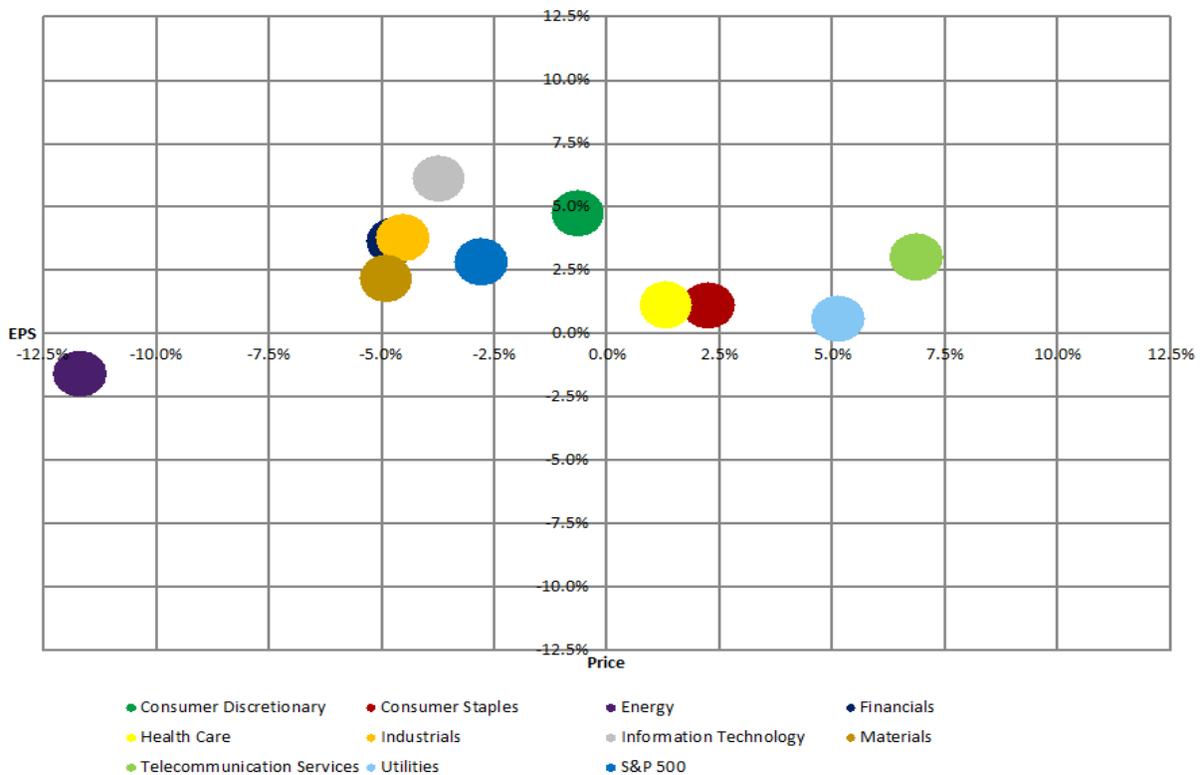


Price / Earnings Ratio: Sector Level

Sector-Level Forward 12-Month P/E Ratios

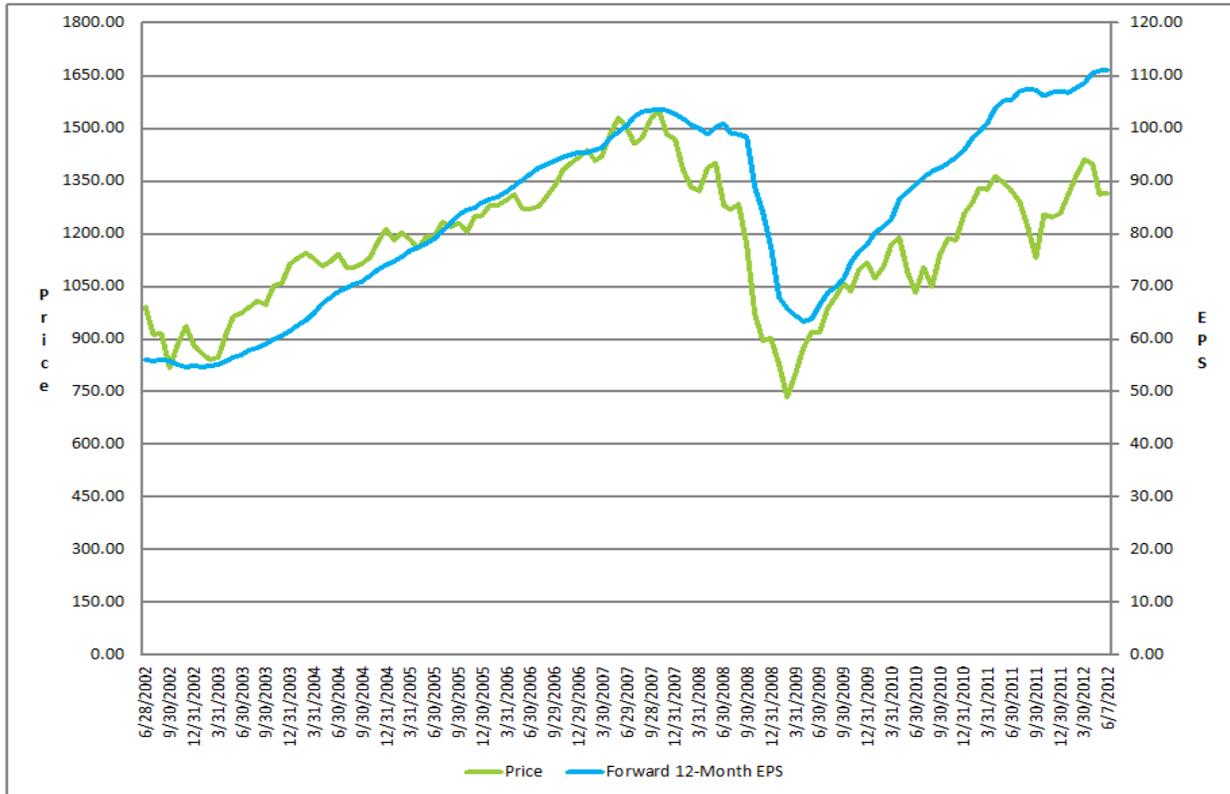


Sector-Level Change in Price vs. Change Forward 12M EPS: 3-Months

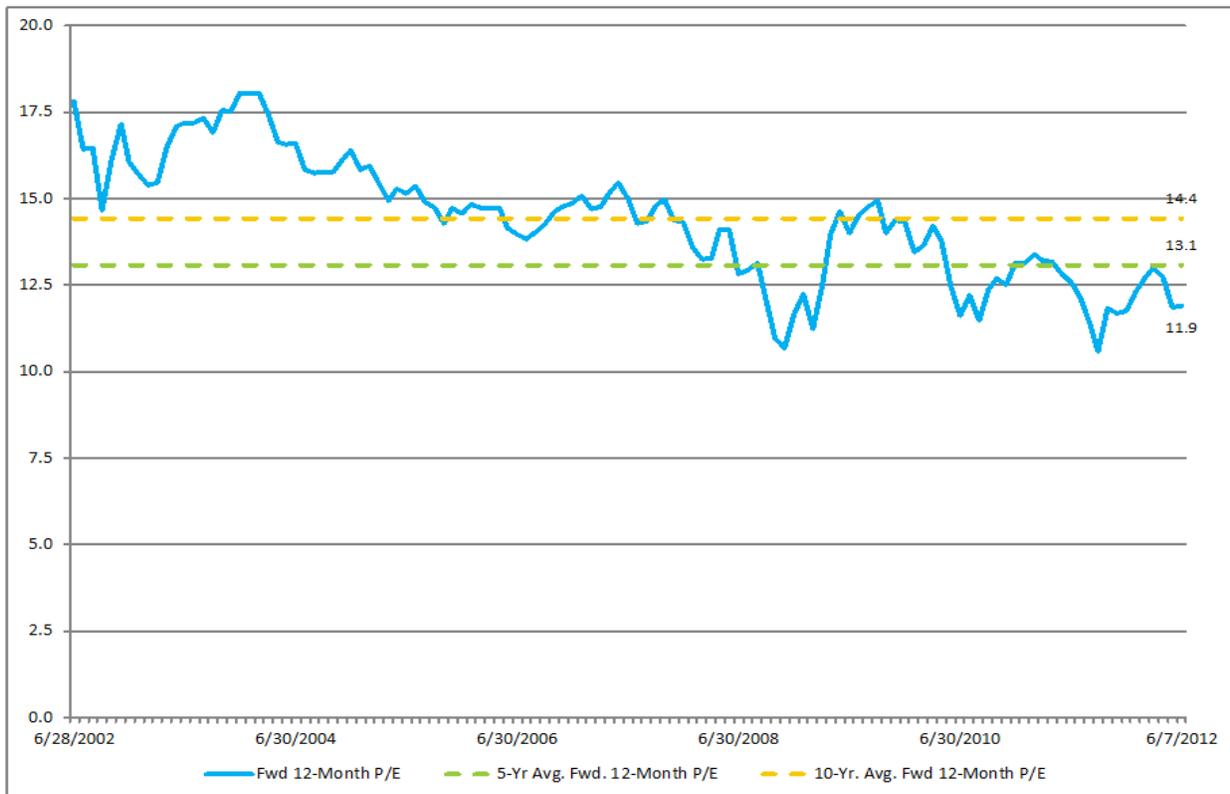


Price / Earnings Ratio: Long-Term Averages

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



Forward 12M P/E Ratio: 10-Years



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.