

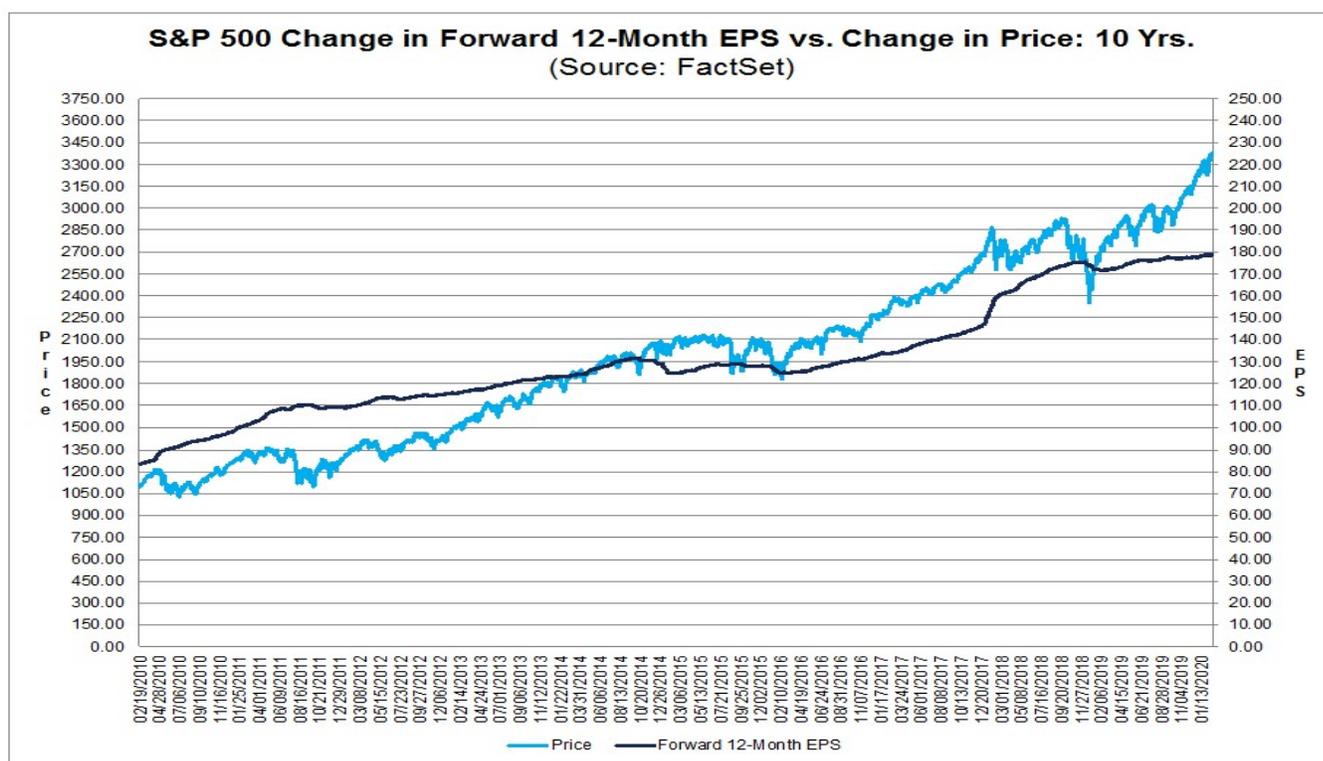
John Butters, Senior Earnings Analyst  
jbutters@factset.com

Media Questions/Requests  
media\_request@factset.com

February 21, 2020

## Key Metrics

- **Earnings Scorecard:** For Q4 2019 (with 87% of the companies in the S&P 500 reporting actual results), 70% of S&P 500 companies have reported a positive EPS surprise and 66% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q4 2019, the blended earnings growth rate for the S&P 500 is 0.9%. If 0.9% is the actual growth rate for the quarter, it will mark the first time the index has reported year-over-year growth in earnings since Q4 2018 (13.3%).
- **Earnings Revisions:** On December 31, the estimated earnings decline for Q4 2019 was -1.7%. Eight sectors have higher growth rates today (compared to December 31) due to positive EPS surprises.
- **Earnings Guidance:** For Q1 2020, 61 S&P 500 companies have issued negative EPS guidance and 28 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 18.9. This P/E ratio is above the 5-year average (16.7) and above the 10-year average (15.0).



To receive this report via e-mail or view other articles with FactSet content, please go to: <https://insight.factset.com/>

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:

### S&P 500 Forward P/E Ratio Hits 19.0 For The First Time Since 2002

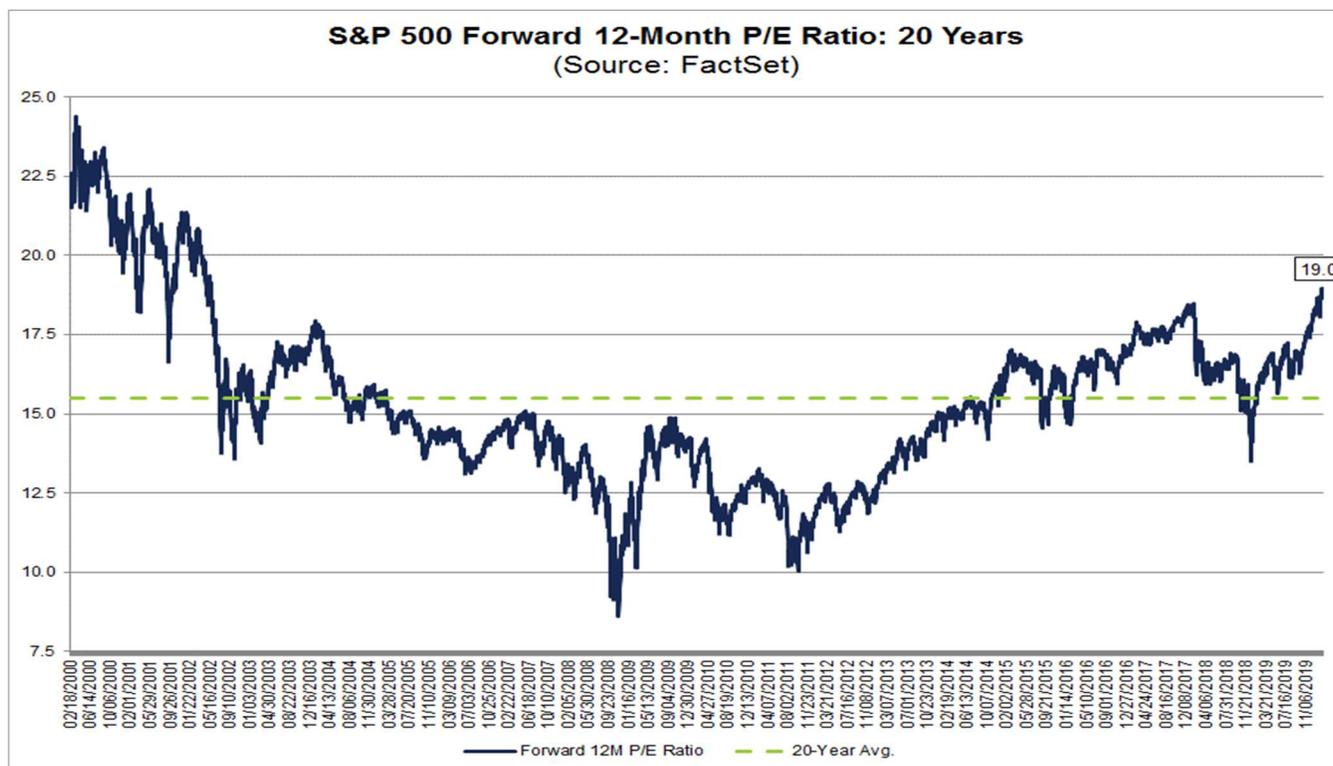
On February 19, the S&P 500 closed at a record-high value of 3386.15. Based on this closing price, the forward 12-month P/E ratio for the S&P 500 on that date was 19.0. Given the high values driving the “P” in the P/E ratio, how does this 19.0 P/E ratio compare to historical averages? What is driving the increase in the P/E ratio?

The forward 12-month P/E ratio of 19.0 on February 19 was above the four most recent historical averages for the S&P 500: 5-year (16.7), 10-year (14.9), 15-year (14.6), and 20-year (15.5). In fact, this marked the first time the forward 12-month P/E had been equal to (or above) 19.0 since May 23, 2002 (19.1). However, it is important to note that even at 19.0, the forward 12-month P/E ratio was still well below the peak P/E ratio (of the past 20 years) of 24.4 recorded on March 24, 2000.

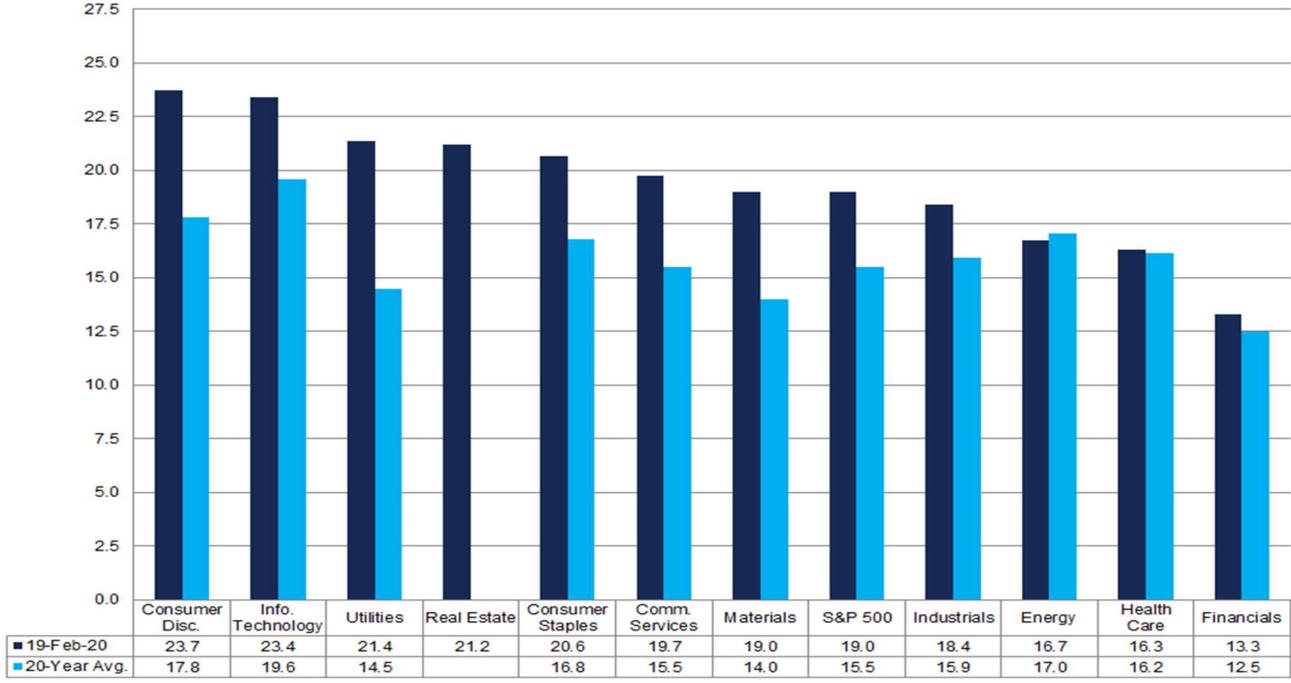
At the sector level, nine sectors had forward 12-month P/E ratios on February 19 that exceeded their 20-year averages, led by the Utilities (21.4 vs. 14.5), Consumer Discretionary (23.7 vs. 17.8), and Materials (19.0 vs. 14.0) sectors. The only sector with a forward 12-month P/E ratio below its 20-year average on that date was the Energy sector (16.7 vs. 17.0). A 20-year average P/E ratio is not available for the Real Estate sector.

One year prior (February 20, 2019), the forward 12-month P/E ratio was 16.2. Over the following 12 months (February 20, 2019 to February 19, 2020), the price of the S&P 500 increased by 21.6%, while the forward 12-month EPS estimate increased by 4.1%. Thus, the increase in the “P” has been the main driver of the increase in the P/E ratio over the past 12 months.

It is interesting to note that analysts were projecting record-high EPS for the S&P 500 of \$175.97 in CY 2020 and \$195.88 in CY 2021 on February 19. If not, the forward 12-month P/E ratio would have been higher than 19.0.



**S&P 500 Sector-Level Forward 12-Month P/E Ratios**  
(Source: FactSet)



## Q4 Earnings Season: By The Numbers

### Overview

To date, 87% of the companies in the S&P 500 have reported actual results for Q4 2019. In terms of earnings, the percentage of companies reporting actual EPS above estimates (70%) is below the 5-year average. In aggregate, companies are reporting earnings that are 4.3% above the estimates, which is also below the 5-year average. In terms of sales, the percentage of companies (66%) reporting actual sales above estimates is above the 5-year average. In aggregate, companies are reporting sales that are 0.7% above estimates, which is below the 5-year average.

The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings growth rate for the fourth quarter is 0.9%, which is equal to the earnings growth rate of 0.9% last week. If 0.9% is the actual growth rate for the quarter, it will mark the first time the index has reported year-over-year growth in earnings since Q4 2018 (13.3%). Seven sectors are reporting year-over-year growth in earnings, led by the Utilities and Communication Services sectors. Four sectors are reporting (or have reported) a year-over-year decline in earnings, led by the Energy sector.

The blended revenue growth rate for the fourth quarter is 3.6%, which is slightly below the revenue growth rate of 3.7% last week. Eight sectors are reporting year-over-year growth in revenues, led by the Health Care sector. Three sectors are reporting (or have reported) a year-over-year decline in revenues, led by the Materials sector.

Looking ahead, analysts see earnings growth of 1.5% and 4.7% for Q1 2020 and Q2 2020.

The forward 12-month P/E ratio is 18.9, which is above the 5-year average and above the 10-year average.

During the upcoming week, 43 S&P 500 companies (including one Dow 30 component) are scheduled to report results for the fourth quarter.

### Scorecard: More Companies Beating Revenue Estimates Than Average

#### Percentage of Companies Beating EPS Estimates (70%) is Below 5-Year Average

Overall, 87% of the companies in the S&P 500 have reported earnings to date for the fourth quarter. Of these companies, 70% have reported actual EPS above the mean EPS estimate, 9% have reported actual EPS equal to the mean EPS estimate, and 20% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is below the 1-year (74%) average and below the 5-year (72%) average.

At the sector level, the Information Technology (85%) and Health Care (81%) sectors have the highest percentages of companies reporting earnings above estimates, while the Energy (52%) and Materials (54%) sectors have the lowest percentages of companies reporting earnings above estimates.

#### Earnings Surprise Percentage (4.3%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 4.3% above expectations. This surprise percentage is below the 1-year (+4.5%) average and below the 5-year (+4.9%) average.

The Consumer Discretionary sector (+11.8%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, General Motors (\$0.05 vs. \$0.01), Amazon.com (\$6.47 vs. \$4.04) and Hasbro (\$1.24 vs. \$0.93) have reported the largest positive EPS surprises.

The Information Technology sector (+8.6%) sector is reporting the second largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, NortonLifeLock (\$0.25 vs. \$0.08), Gartner (\$1.18 vs. \$0.82), Intel (\$1.52 vs. \$1.25), Xerox (\$1.33 vs. \$1.11), and Microsoft (\$1.53 vs. \$1.32) have reported the largest positive EPS surprises.

The Industrials sector (-2.7%) is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Boeing (-\$2.33 vs. \$1.32) and C.H. Robinson Worldwide (\$0.73 vs. \$0.96) have reported the largest negative EPS surprises.

### Market Rewarding Earnings Beats Slightly Below Average

To date, the market is rewarding positive earnings surprises slightly less than average while punishing negative earnings surprises at average levels.

Companies that have reported positive earnings surprises for Q4 2019 have seen an average price increase of +0.9% two days before the earnings release through two days after the earnings. This percentage increase is slightly below the 5-year average price increase of +1.0% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q4 2019 have seen an average price decrease of -2.6% two days before the earnings release through two days after the earnings. This percentage decrease is equal to the 5-year average price decrease of -2.6% during this same window for companies reporting negative earnings surprises.

### Percentage of Companies Beating Revenue Estimates (66%) is Above 5-Year Average

In terms of revenues, 66% of companies have reported actual sales above estimated sales and 34% have reported actual sales below estimated sales. The percentage of companies reporting sales above estimates is above the 1-year average (59%) and above the 5-year average (59%).

At the sector level, the Health Care (81%) and Information Technology (80%) sectors have the highest percentages of companies reporting revenues above estimates, while the Utilities (11%), Industrials (48%), and Materials (50%) sectors have the lowest percentages of companies reporting revenues above estimates.

### Revenue Surprise Percentage (+0.7%) is Below 5-Year Average

In aggregate, companies are reporting revenues that are 0.7% above expectations. This surprise percentage is below the 1-year (+0.9%) average and below the 5-year (+0.8%) average.

At the sector level, the Financials (+3.0%), Information Technology (+2.4%), and Real Estate (+2.3%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Utilities (-5.8%) and Industrials (-0.8%) sectors are reporting the largest negative (aggregate) differences between actual revenues and estimated revenues.

## No Change in Blended Earnings Growth This Week

### No Change in Blended Earnings Growth This Week

The blended (year-over-year) earnings growth rate for the fourth quarter is 0.9%, which is equal to the earnings growth rate of 0.9% last week.

### Slight Decrease in Blended Revenue Growth This Week

The blended (year-over-year) revenue growth rate for the fourth quarter is 3.7%, which is slightly smaller than the revenue growth rate of 3.6% last week.

### Information Technology Sector Has Seen Largest Increase in Earnings since December 31

The blended (year-over-year) earnings growth rate for Q4 2019 of 0.9% is larger than the estimate of -1.7% at the end of the fourth quarter (December 31). Eight sectors have recorded an improvement in earnings growth since the end of the quarter due to upward revisions to earnings estimates and positive earnings surprises, led by the Information Technology (to 5.4% from -1.9%) and Communication Services (to 11.2% from 4.1%) sectors. Three sectors have recorded a decrease in earnings growth during this time due to downward revisions to earnings estimates and negative earnings surprises, led by the Energy (to -43.3% from -32.1%) sector.

## Financials Sector Has Seen Largest Increase in Revenues since December 31

The blended (year-over-year) revenue growth rate for Q4 2019 of 3.6% is larger than the estimate of 2.9% at the end of the fourth quarter (September 30). Six sectors have recorded an improvement in revenue growth since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Financials (to 5.6% from 2.8%) and Information Technology (to 6.1% from 4.0%) sectors. Five sectors have recorded a decrease in revenue growth during this time due to downward revisions to revenue estimates and negative revenue surprises, led by the Utilities (to 4.4% from 9.7%) sector.

## Earnings Growth: 0.9%

The blended (year-over-year) earnings growth rate for Q4 2019 is 0.9%, which is below the 5-year average earnings growth rate of 6.4%. If 0.9% is the actual growth rate for the quarter, it will mark the first time the index has reported year-over-year growth in earnings since Q4 2018 (13.3%).

Seven sectors are reporting year-over-year growth in earnings, led by the Utilities and Communication Services sectors. Four sectors are reporting a year-over-year decline in earnings, led by the Energy sector.

### Utilities: 4 Industries Reporting Year-Over-Year Growth Above 10%

The Utilities sector is reporting the highest (year-over-year) earnings growth of all eleven sectors at 22.5%. At the industry level, all five industries in this sector are reporting (or are expected to report) growth in earnings. Four of these five industries are reporting (or are expected to report) double-digit growth in earnings: Independent Power and Renewable Electricity Producers (140%), Multi-Utilities (29%), Electric Utilities (15%), and Gas Utilities (11%).

### Communication 3 Industries Reporting Year-Over-Year Growth Above 10%

The Communication Services sector is reporting the second largest (year-over-year) earnings growth of all eleven sectors at 11.2%. At the industry level, all five industries in this sector are reporting growth in earnings. Three of these five industries are reporting double-digit growth in earnings: Media (27%), Wireless Telecommunication Services (17%), and Interactive Media & Services (14%).

### Energy: 4 of 6 Sub-Industries Reporting Year-Over-Year Decline of 20% or More

The Energy sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -43.3%. At the sub-industry level, four of the six sub-industries in the sector are reporting a decline in earnings of 20% or more: Integrated Oil & Gas (-61%), Oil & Gas Drilling (-59%), Oil & Gas Refining & Marketing (-49%), and Oil & Gas Exploration & Production (-20%). On the other hand, the other two sub-industries in the sector are reporting earnings growth of more than 10%: Oil & Gas Equipment & Services (31%) and Oil & Gas Storage & Transportation (12%).

## Revenue Growth: 3.6%

The blended (year-over-year) revenue growth rate for Q4 2019 is 3.6%, which is slightly above the 5-year average revenue growth rate of 3.5%.

Eight sectors are reporting year-over-year growth in revenues, led by the Health Care sector. Three sectors are reporting a year-over-year decline in revenues, led by the Materials sector.

### Health Care: Cigna and CVS Lead Growth on Easy Comparisons to Year-Ago Pre-Merger Revenues

The Health Care sector is reporting the highest (year-over-year) revenue growth of all eleven sectors at 12.0%. At the industry level, all six industries in this sector are reporting revenue growth for the quarter. However, the Health Care Providers & Services industry is the only industry reporting double-digit revenue growth (15%).

At the company level, Cigna and CVS Health are the largest contributors to (year-over-year) revenue growth for the sector. However, the revenue growth rates for both companies are being boosted by apples-to-oranges comparisons of post-merger revenues to pre-merger revenues. The actual revenue for Cigna for Q4 2019 (\$36.54 billion) reflects the combined revenues of Cigna and Express Scripts, while the actual revenue for Q4 2018 (\$14.30 billion) reflects the standalone revenue for Cigna. The actual revenue for CVS Health for Q4 2019 (\$66.89 billion) reflects the combined revenues of CVS Health and Aetna, while the actual revenue for Q4 2018 (\$54.42 billion) reflects mainly the standalone revenue for CVS Health. These apples-to-oranges comparisons are the main reason Cigna and CVS Health are the largest contributors to revenue growth for the sector. If these companies were excluded, the blended revenue growth rate for the sector would fall to 6.0% from 12.0%.

#### **Materials: DuPont Led Decline on Hard Comparison to Year-Ago Pre-Split Revenues**

The Materials sector reported the highest (year-over-year) decline in revenue of all eleven sectors at -16.1%. At the industry level, three of the four industries in this sector reported a decline in revenue for the quarter: Chemicals (-23%), Containers & Packaging (-2%), and Metals & Mining (<-1%).

At the company level, DuPont was the largest contributor to the (year-over-year) decline in revenue for the sector. However, the revenue decline was boosted by an apples-to-oranges comparison of post-split revenues to pre-split revenues. The actual revenue for DuPont for Q4 2019 (\$5.20 billion) reflects the standalone revenue for DuPont, while the actual revenue for Q4 2018 (\$20.1 billion) reflects the combined revenue for DowDuPont (DuPont, Dow, and Corteva). This apples-to-oranges comparison is the main reason DuPont was the largest contributor to the revenue decline for the sector. If this company were excluded, the blended revenue decline for the sector would improve to -2.6% from -16.1%.

## Looking Ahead: Forward Estimates and Valuation

### Guidance: Negative Guidance for Q1 is Slightly Below Average to Date

The term “guidance” (or “preannouncement”) is defined as a projection or estimate for EPS provided by a company in advance of the company reporting actual results. Guidance is classified as negative if the estimate (or mid-point of a range estimates) provided by a company is lower than the mean EPS estimate the day before the guidance was issued. Guidance is classified as positive if the estimate (or mid-point of a range of estimates) provided by the company is higher than the mean EPS estimate the day before the guidance was issued.

At this point in time, 89 companies in the index have issued EPS guidance for Q1 2020. Of these 89 companies, 61 have issued negative EPS guidance and 28 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 69% (61 out of 89), which is slightly below the 5-year average of 70%.

### Earnings: Less Than 1% Growth for CY 2019

For the fourth quarter, S&P 500 companies are reporting growth in earnings of 0.9% and growth in revenues of 3.6%. For CY 2019, S&P 500 companies are reporting growth in earnings of 0.6% and growth in revenues of 4.2%. Analysts see earnings growth of 1.5% and 4.7% in Q1 2020 and Q2 2020.

For Q1 2020, analysts are projecting earnings growth of 1.5% and revenue growth of 4.4%.

For Q2 2020, analysts are projecting earnings growth of 4.7% and revenue growth of 4.8%.

For Q3 2020, analysts are projecting earnings growth of 9.5% and revenue growth of 6.1%.

For Q4 2020, analysts are projecting earnings growth of 11.5% and revenue growth of 6.0%.

For CY 2020, analysts are projecting earnings growth of 7.7% and revenue growth of 5.1%.

### Valuation: Forward P/E Ratio is 18.9, Above the 10-Year Average (15.0)

The forward 12-month P/E ratio is 18.9. This P/E ratio is above the 5-year average of 16.7 and above the 10-year average of 15.0. It is also above the forward 12-month P/E ratio of 18.2 recorded at the end of the fourth quarter (December 31). Since the end of the fourth quarter (December 31), the price of the index has increased by 4.4%, while the forward 12-month EPS estimate has increased by 0.5%.

At the sector level, the Consumer Discretionary (23.7) and Information Technology (23.1) sectors have the highest forward 12-month P/E ratios, while the Financials (13.3) sector has the lowest forward 12-month P/E ratio.

For more details, please see pages 2 and 3.

### Targets & Ratings: Analysts Project 8% Increase in Price Over Next 12 Months

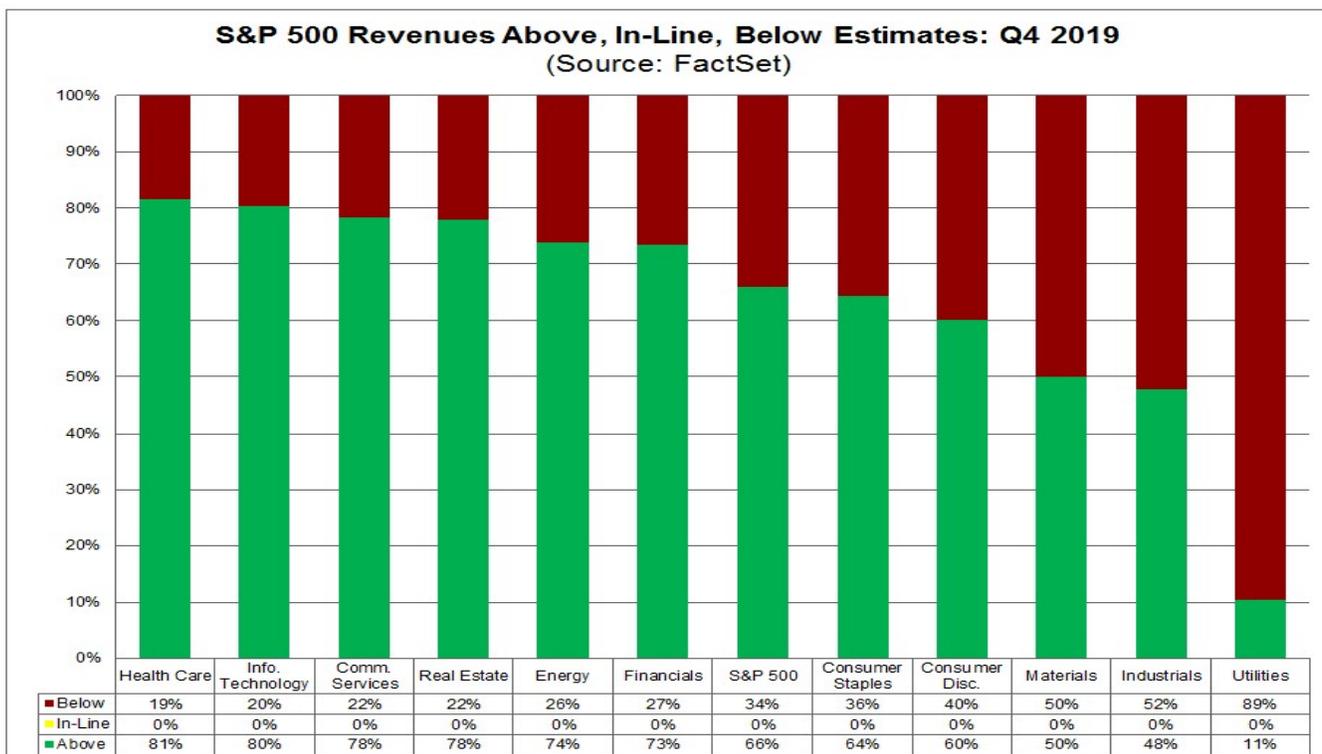
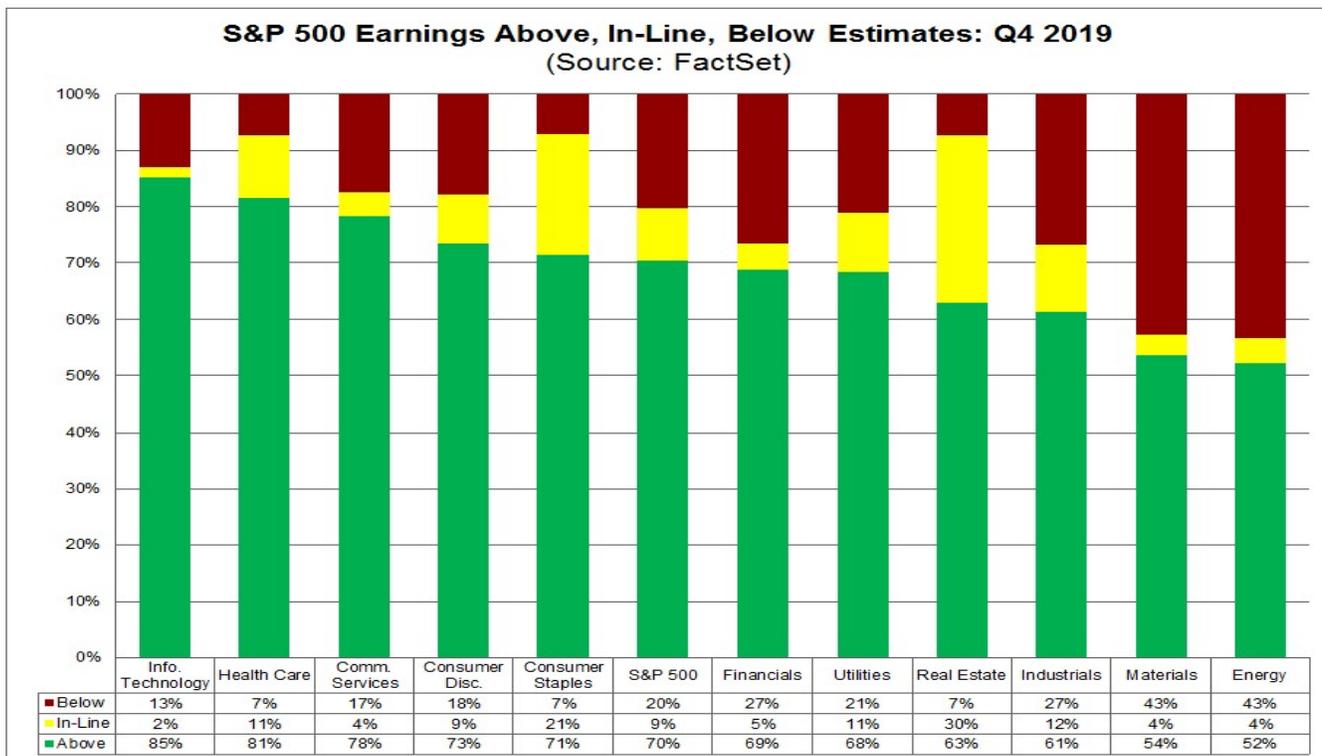
The bottom-up target price for the S&P 500 is 3651.05, which is 8.2% above the closing price of 3373.23. At the sector level, the Energy (+22.2%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Real Estate (-0.3%) sector is expected to see the largest price decrease, as this sector has the largest downside difference between the bottom-up target price and the closing price.

Overall, there are 10,302 ratings on stocks in the S&P 500. Of these 10,302 ratings, 50.2% are Buy ratings, 42.4% are Hold ratings, and 7.4% are Sell ratings. At the sector level, the Energy (66%) sector has the highest percentage of Buy ratings, while the Consumer Staples (38%) sector has the lowest percentage of Buy ratings.

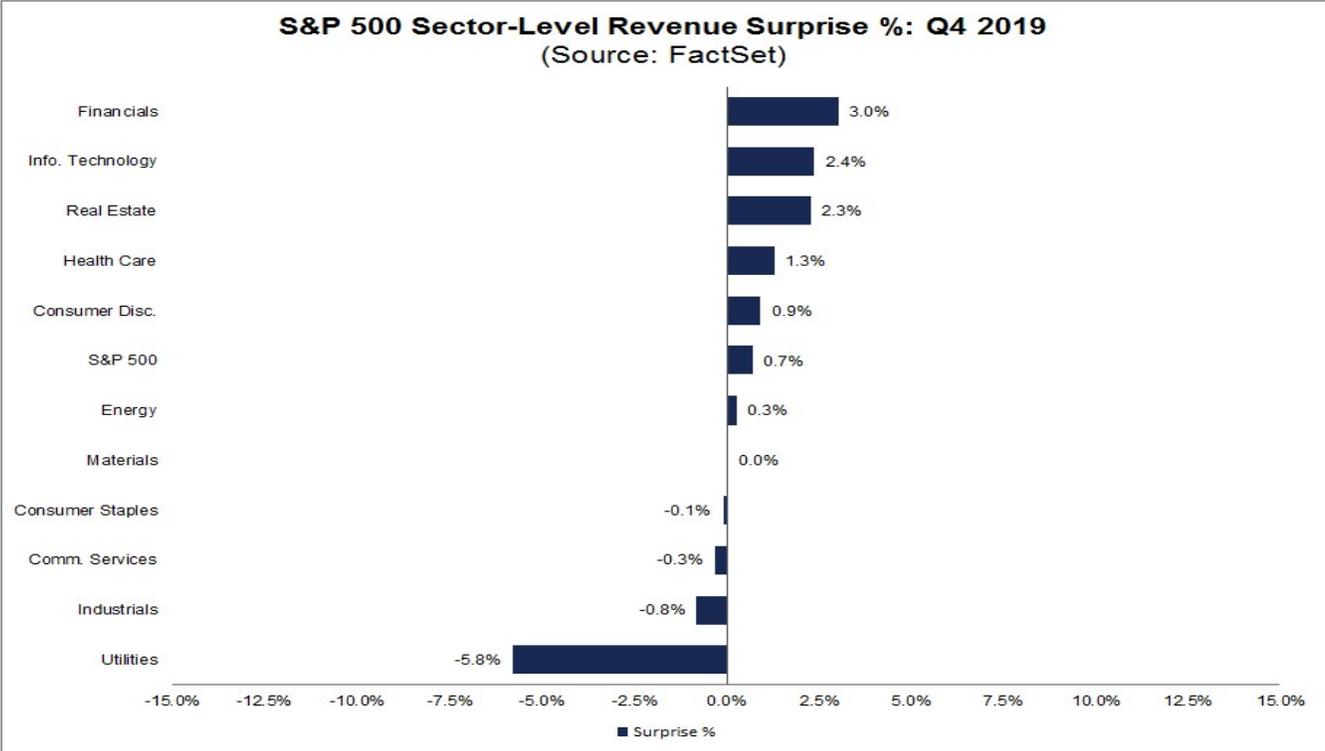
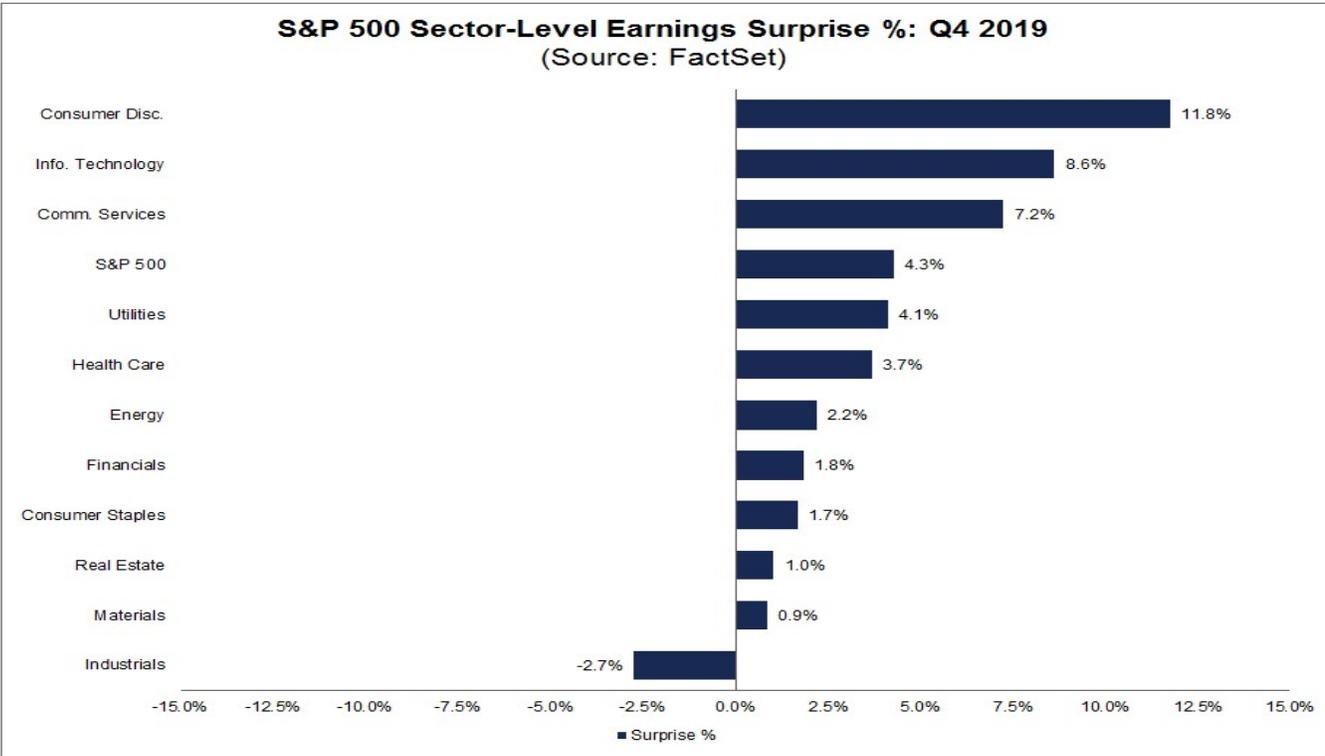
### Companies Reporting Next Week: 43

During the upcoming week, 43 S&P 500 companies (including one Dow 30 component) are scheduled to report results for the fourth quarter.

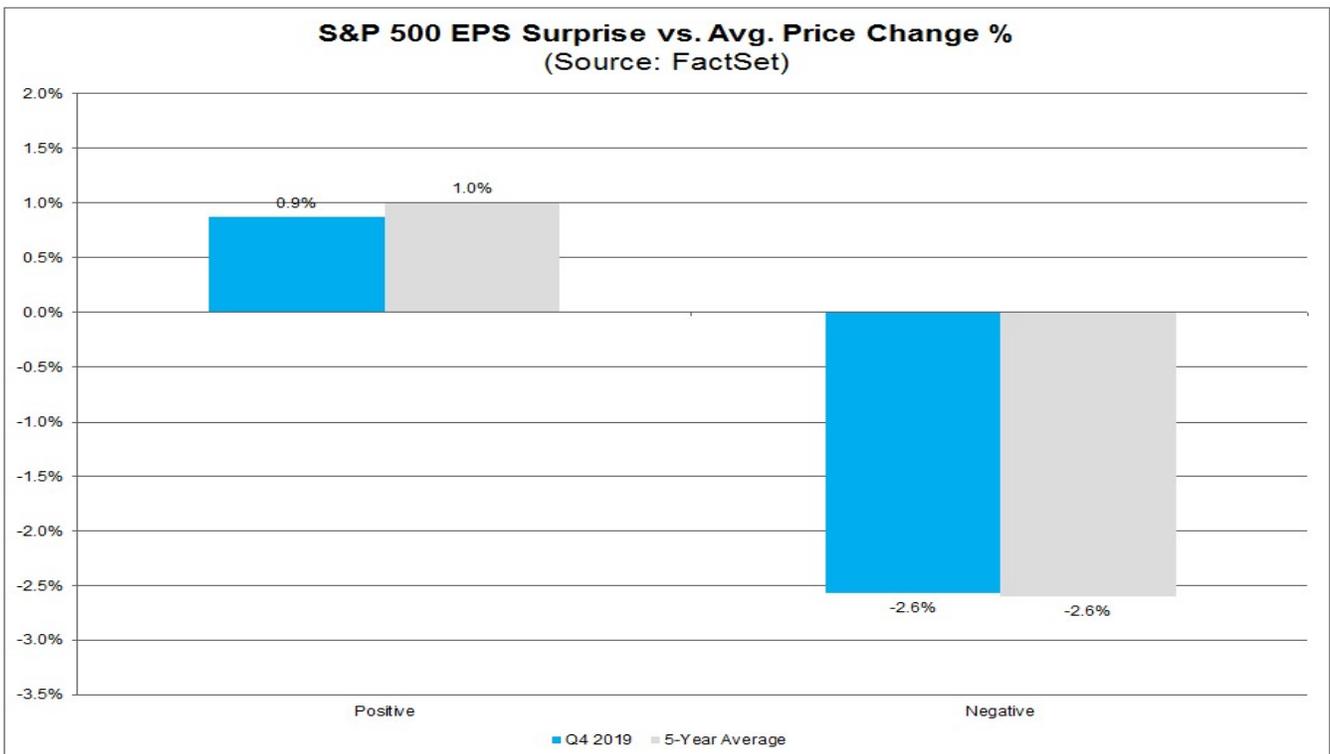
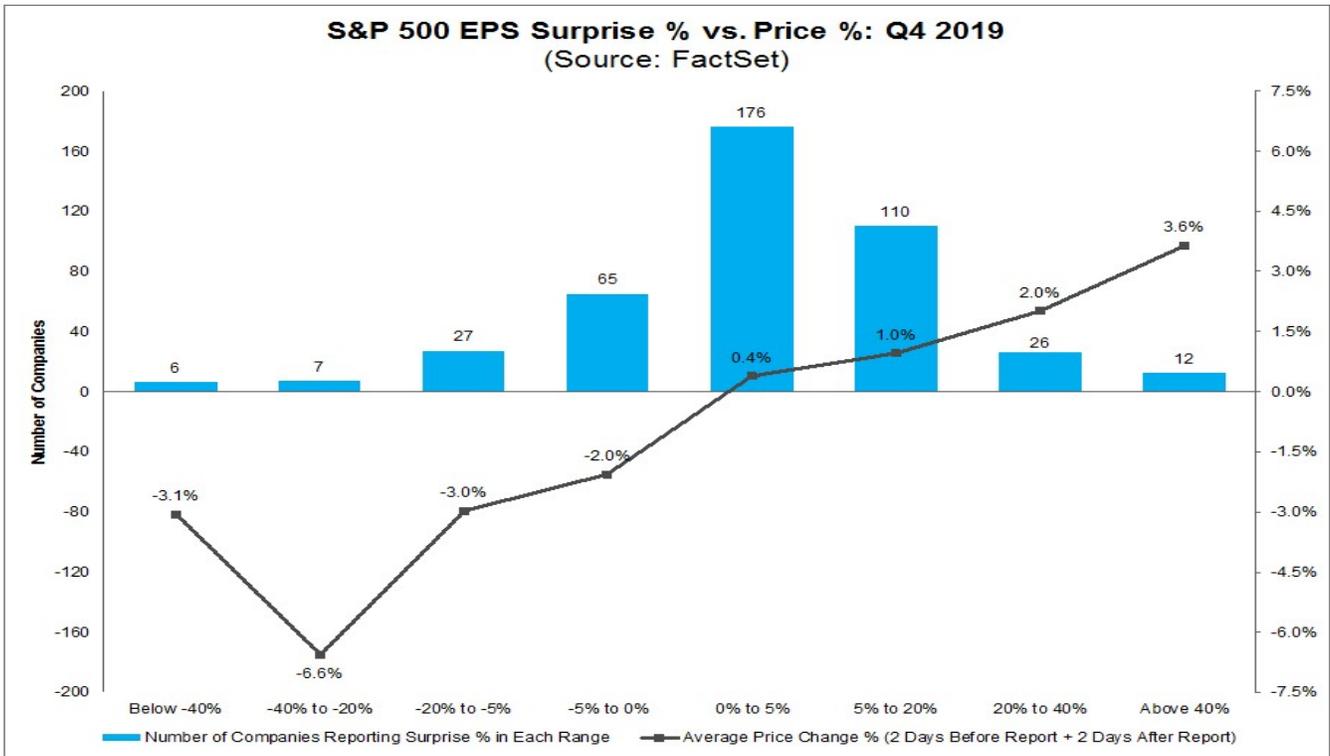
# Q4 2019: Scorecard



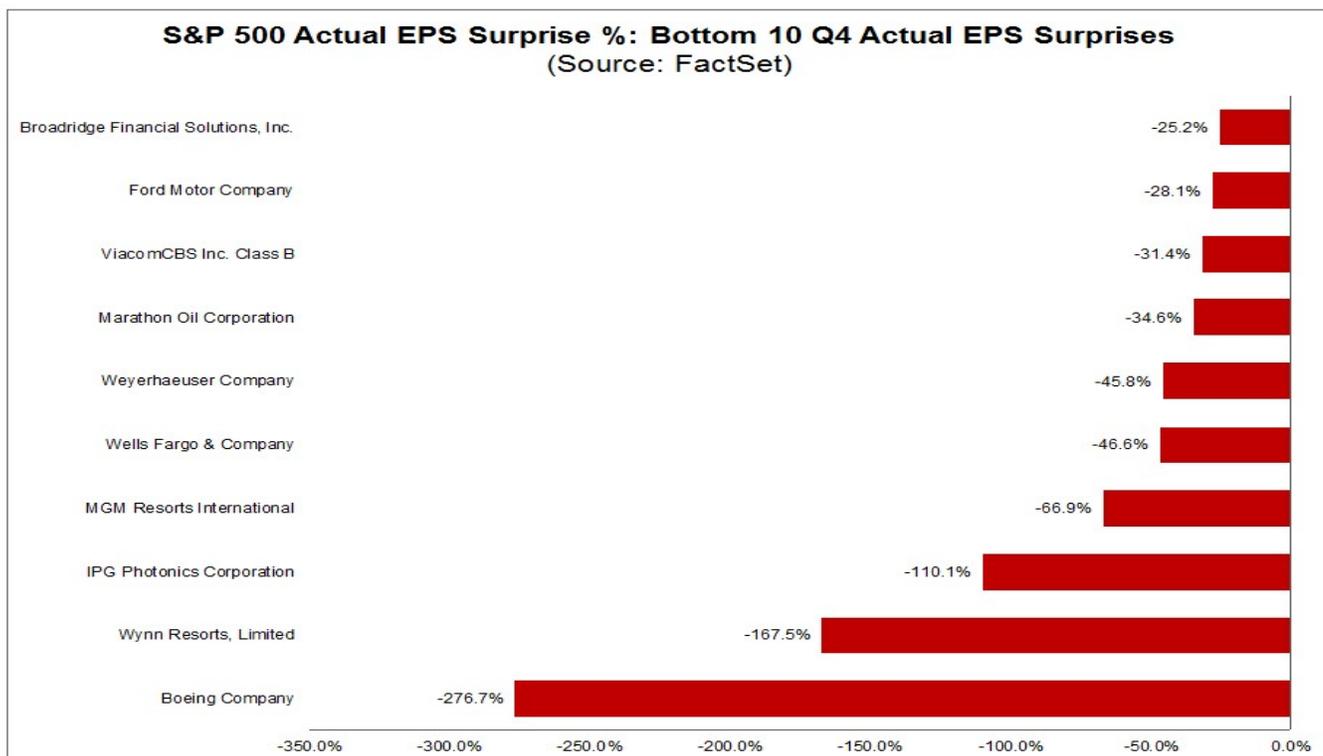
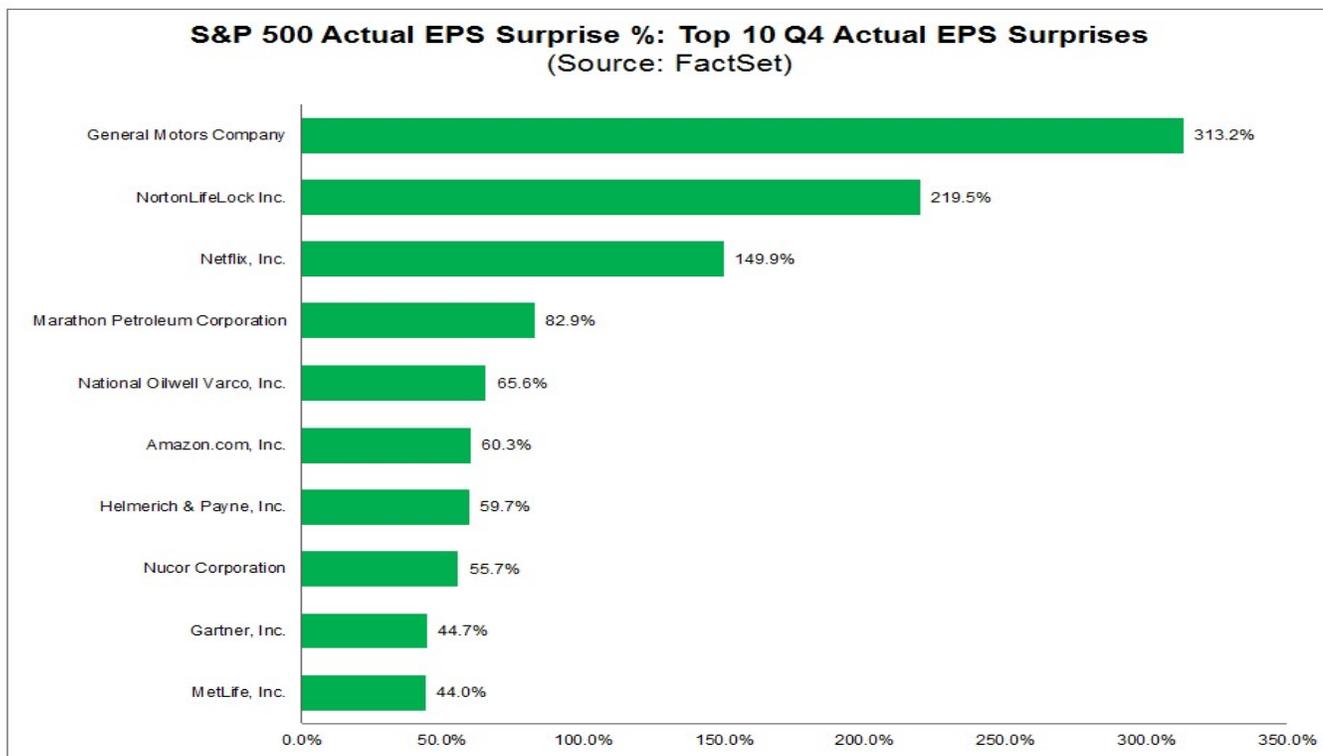
# Q4 2019: Scorecard



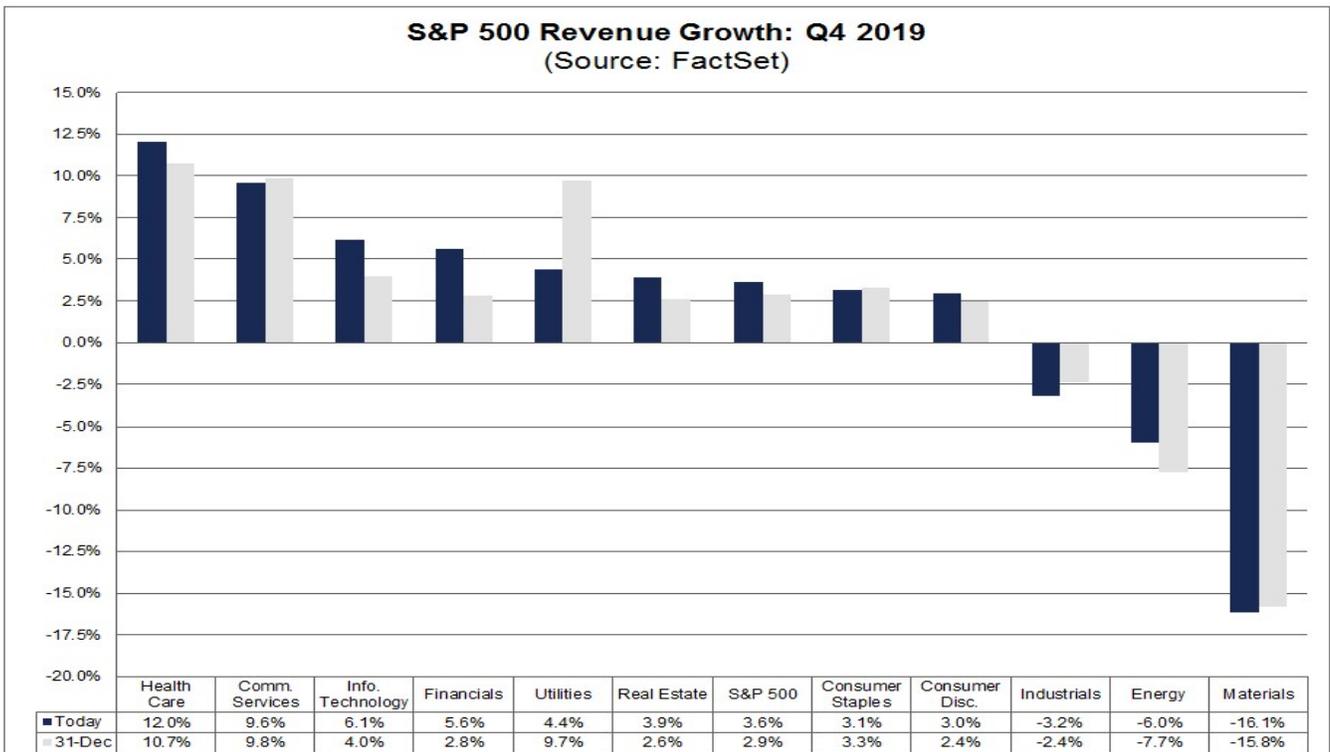
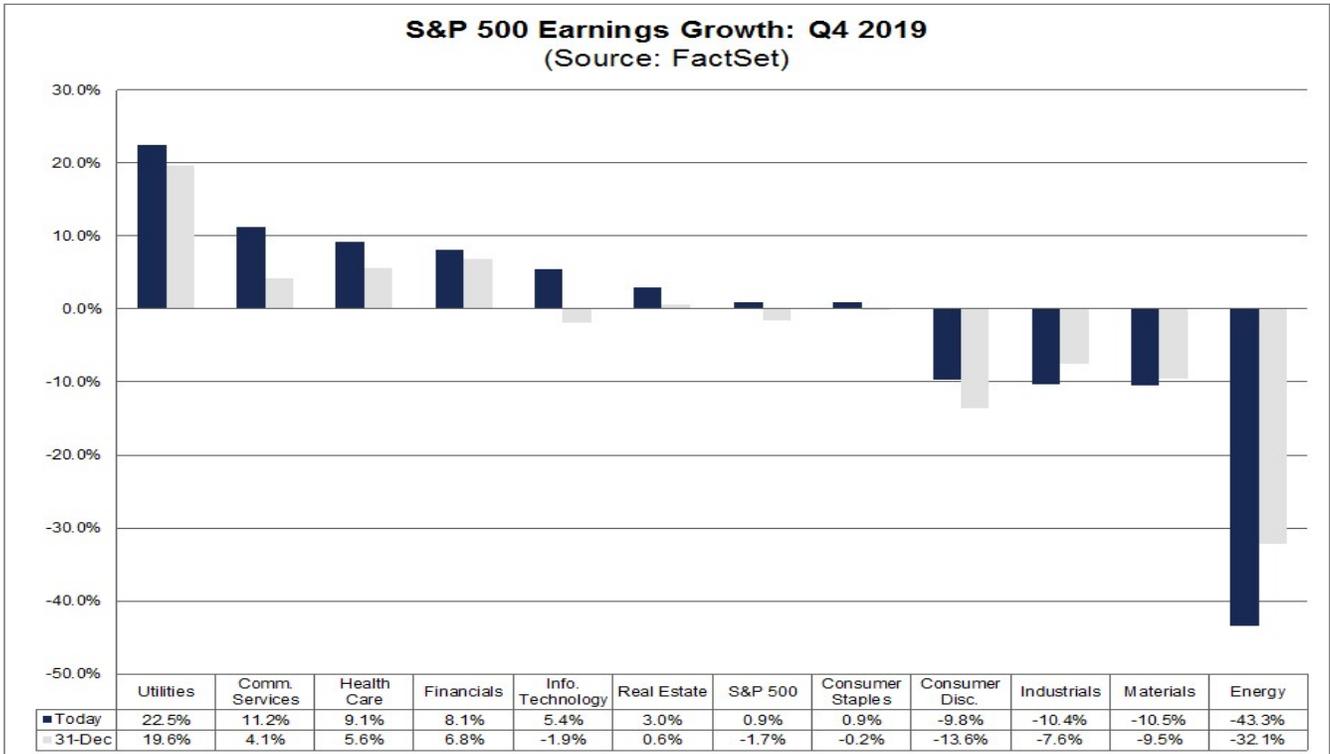
# Q4 2019: Scorecard



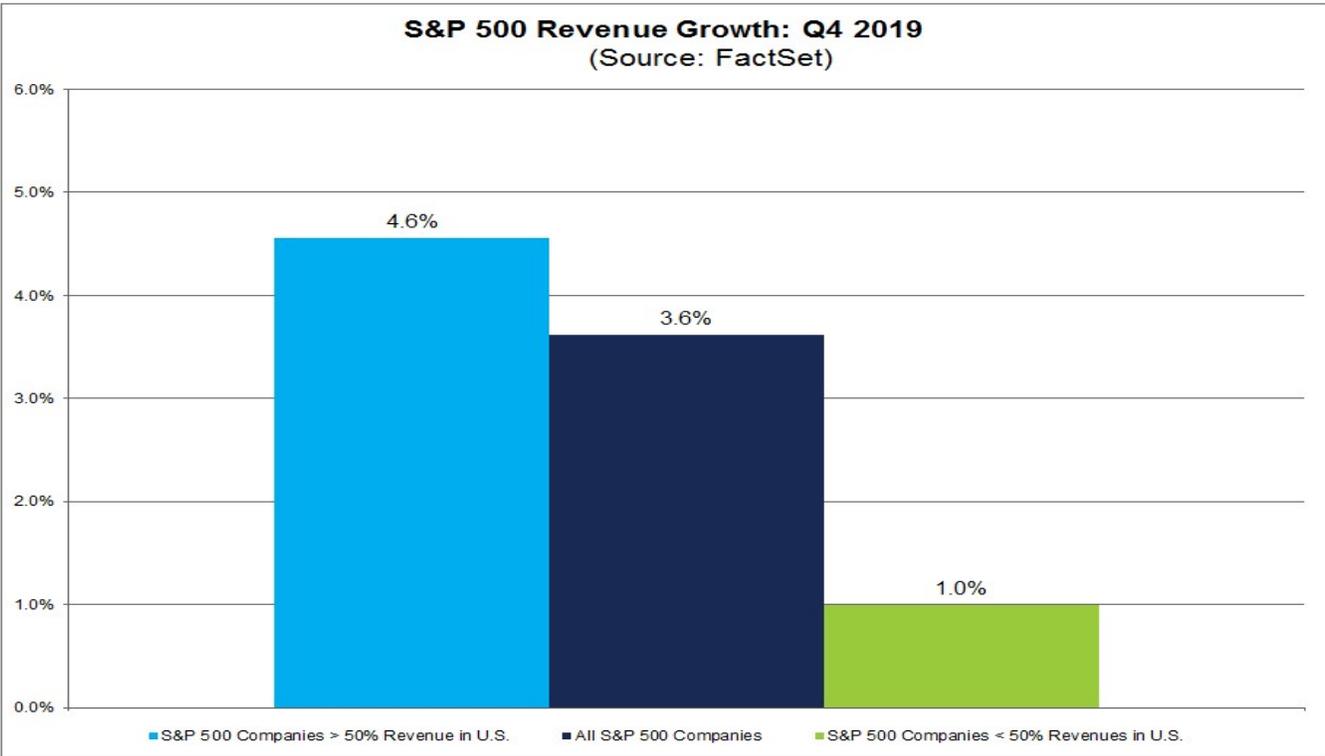
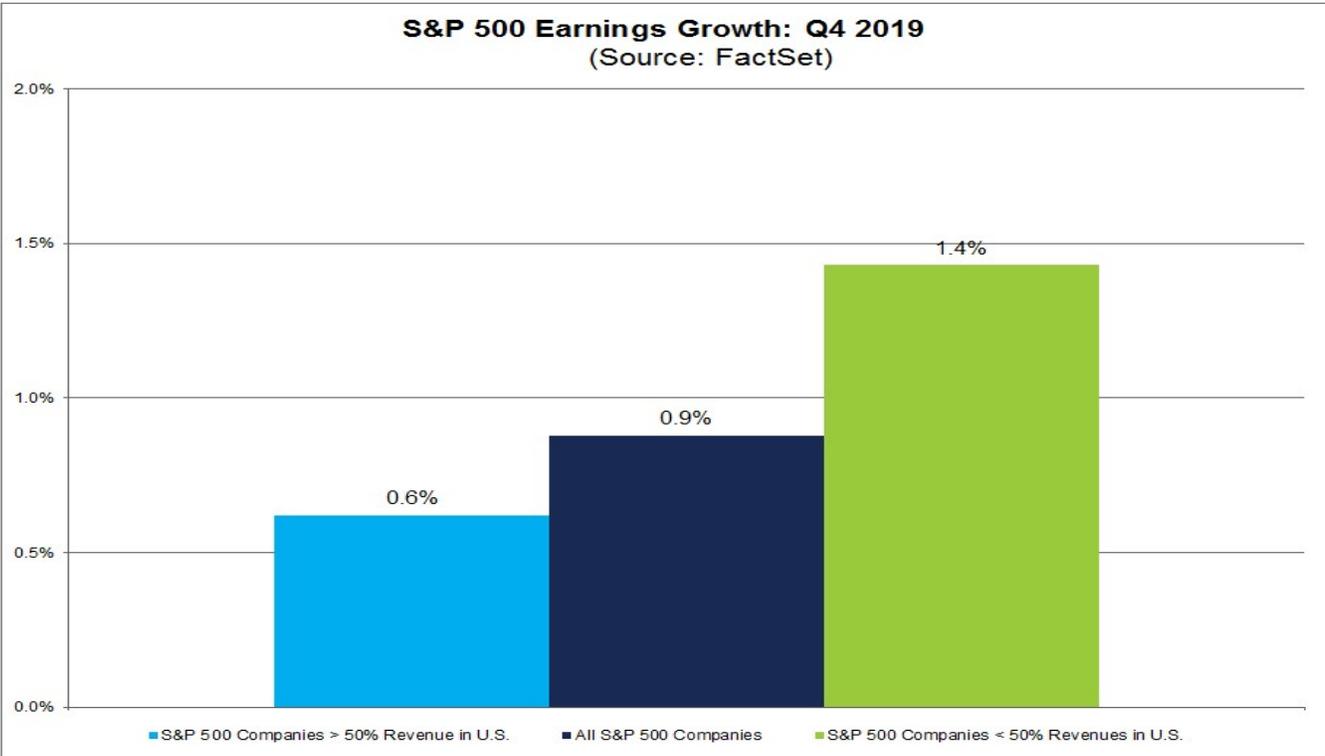
## Q4 2019: Scorecard



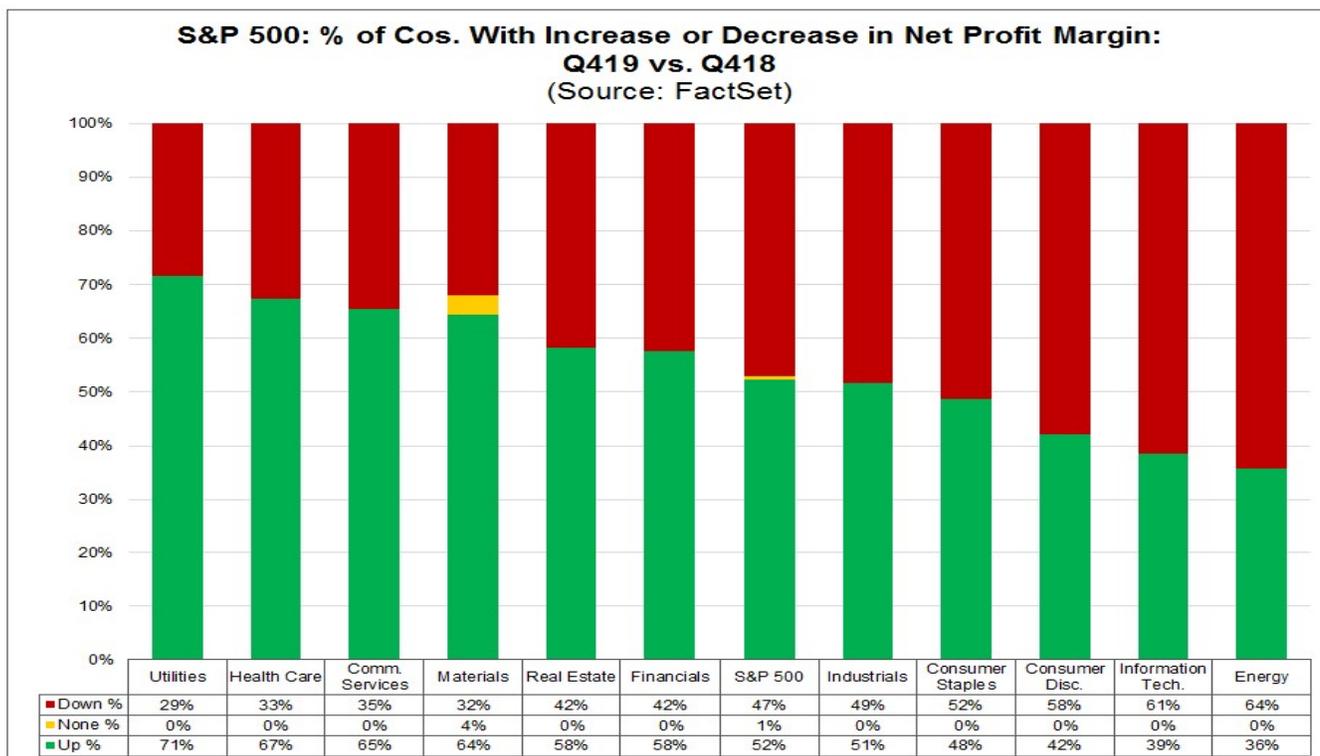
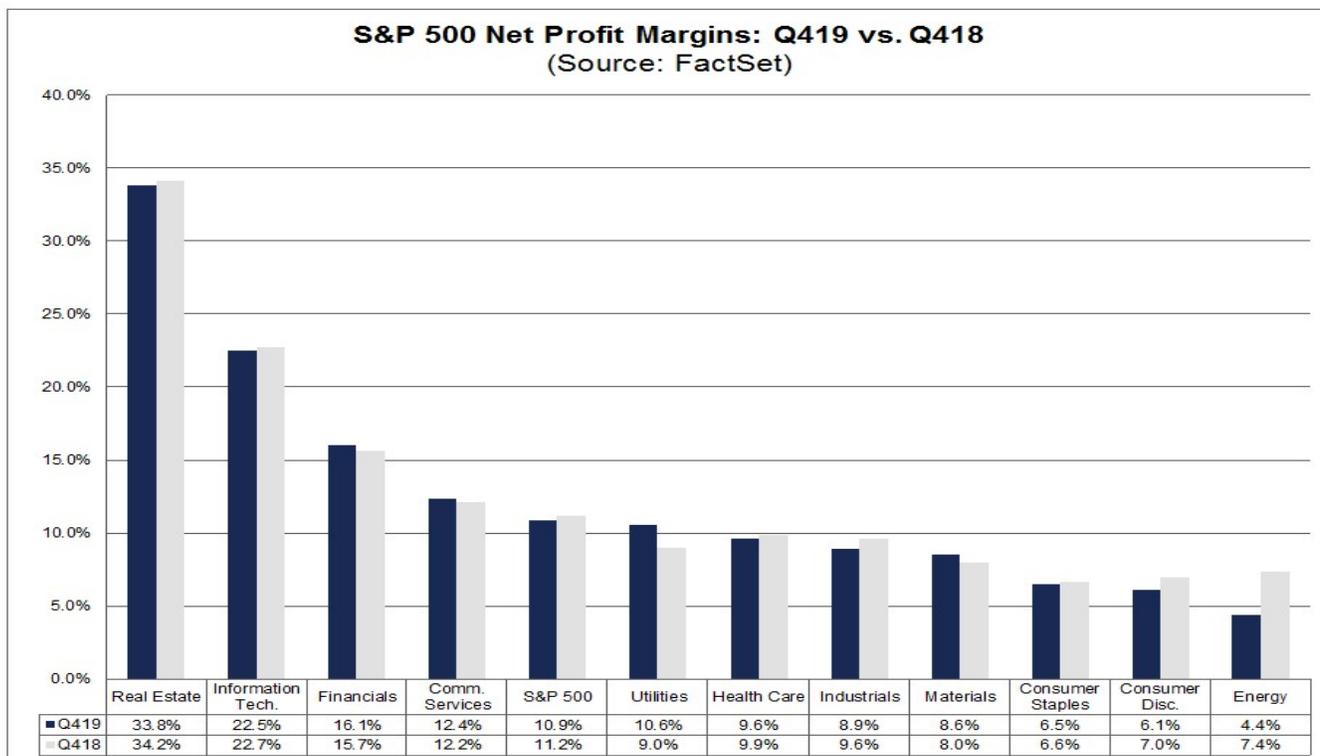
## Q4 2019: Growth



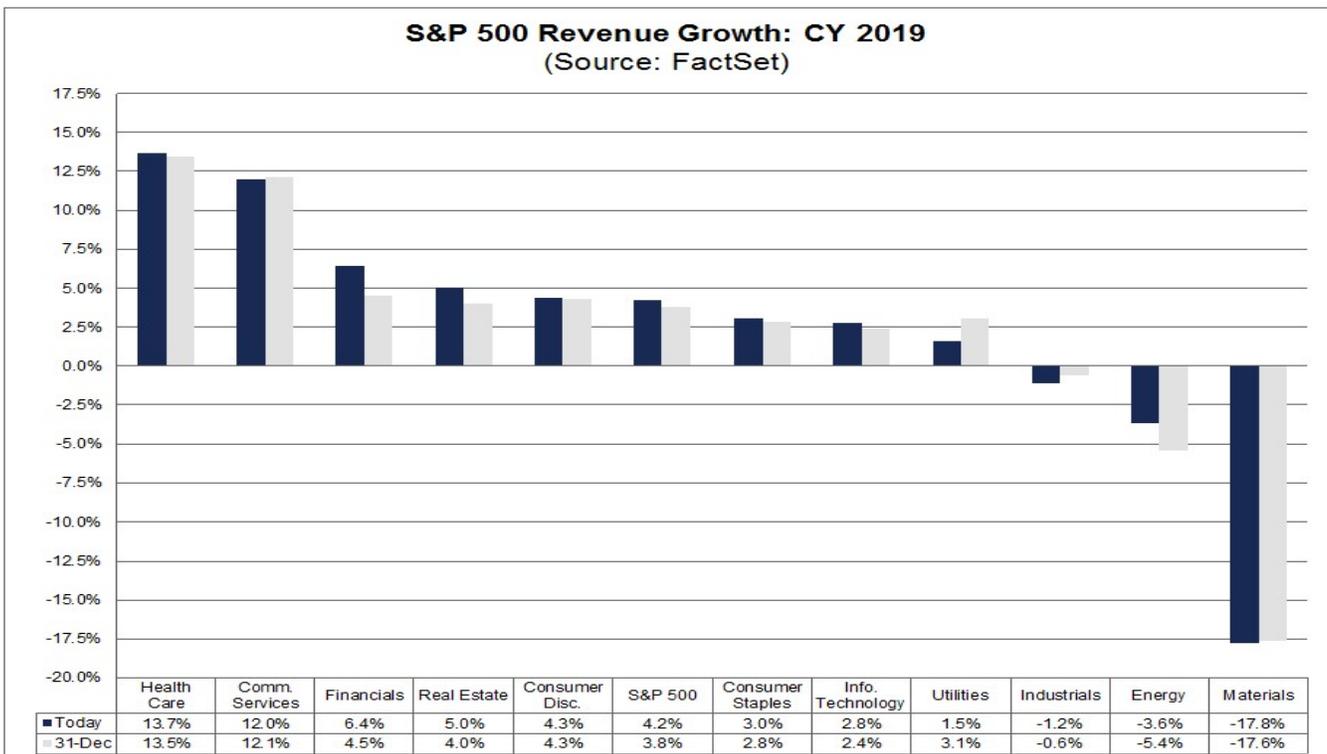
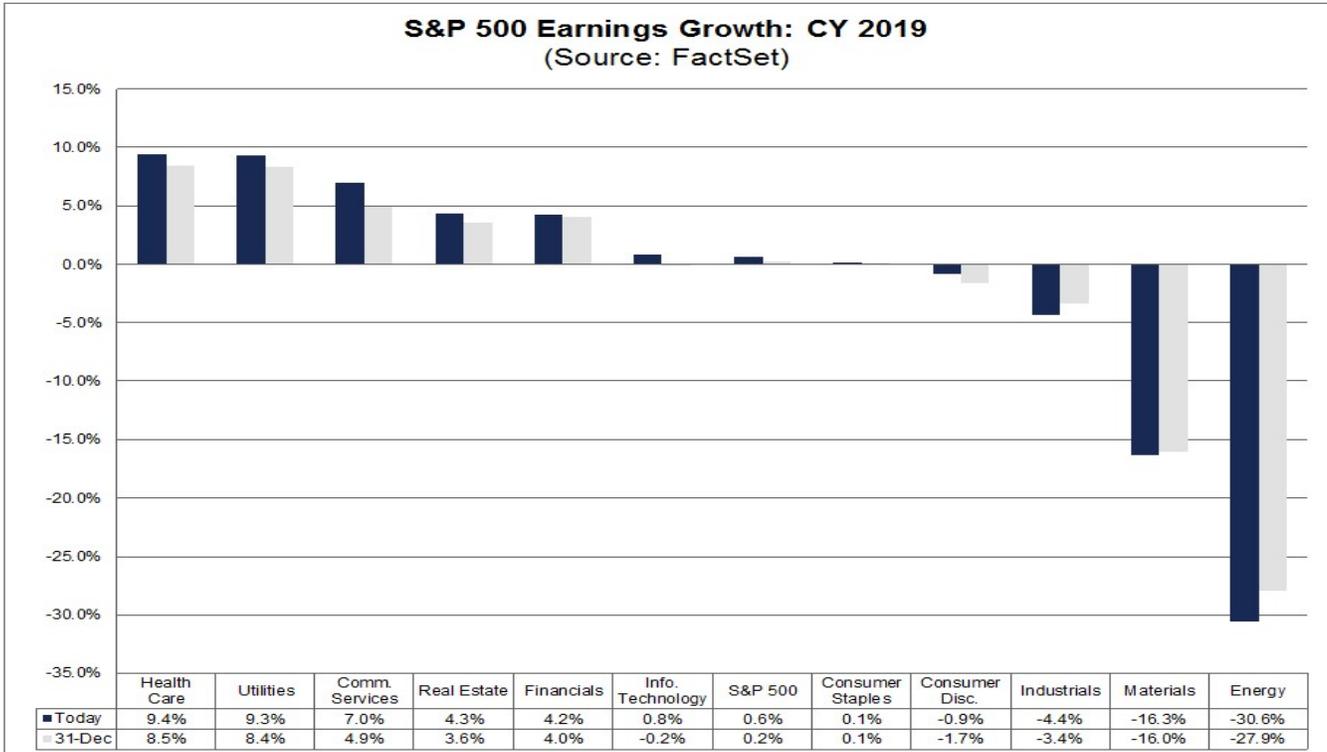
# Q4 2019: Growth



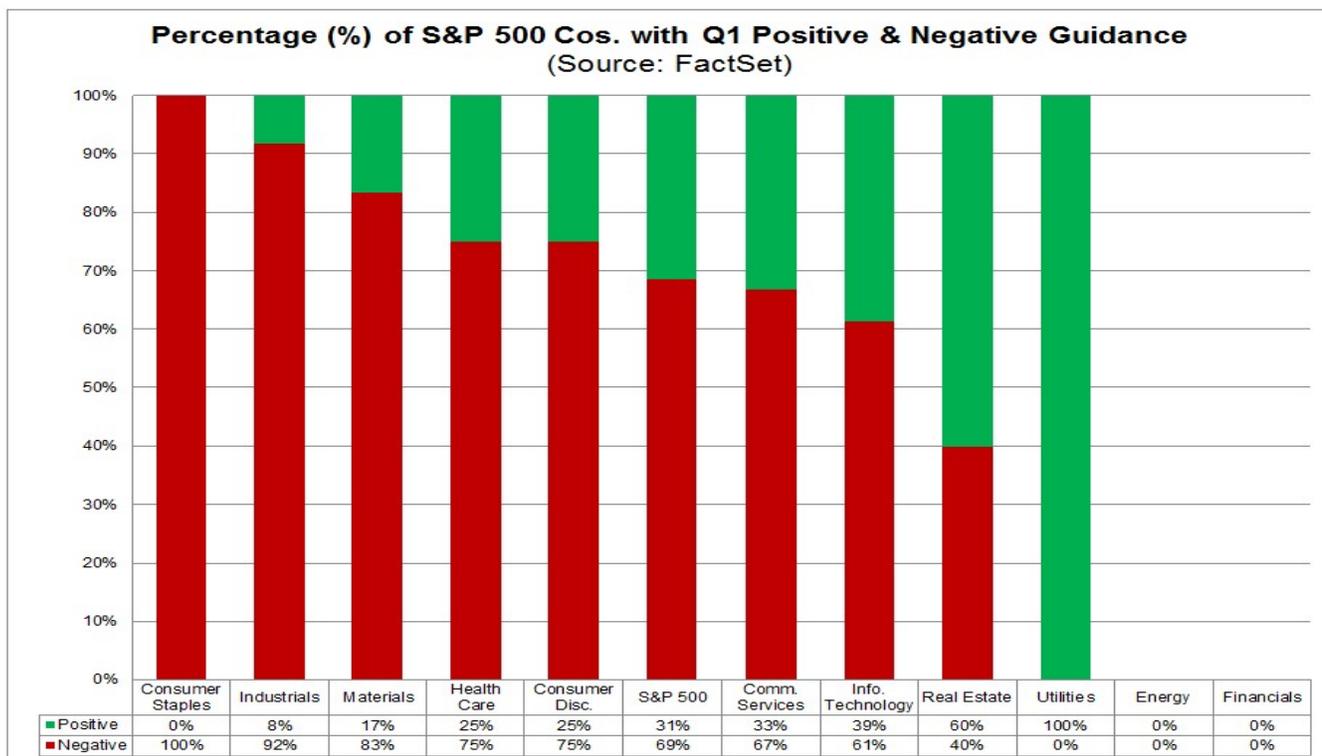
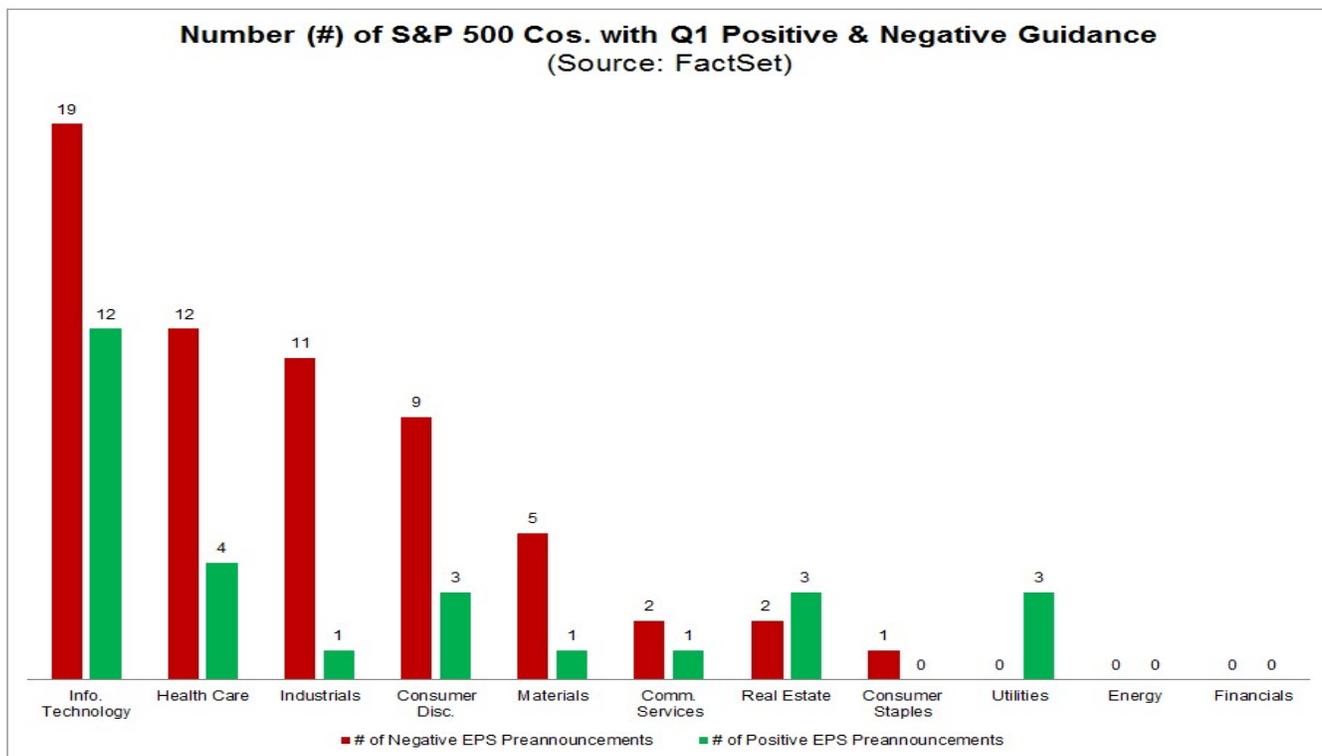
## Q4 2019: Net Profit Margin



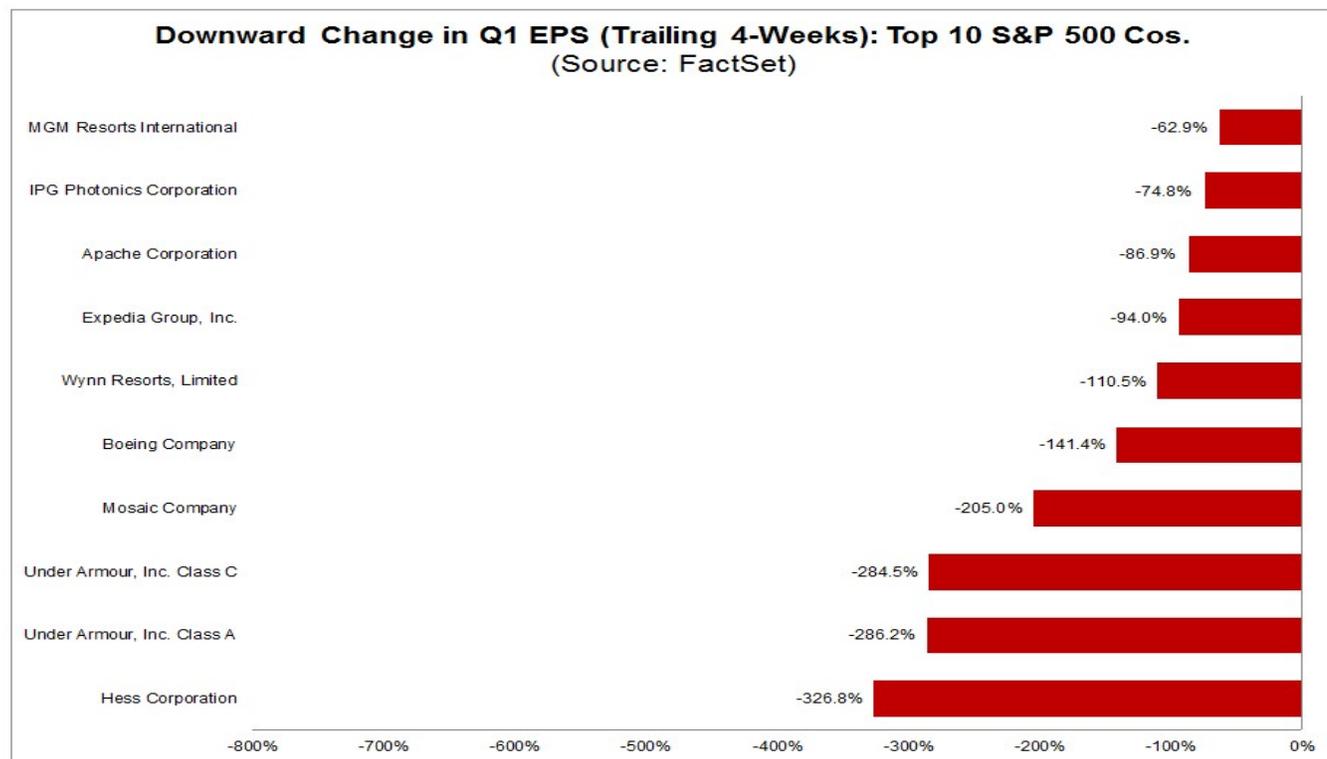
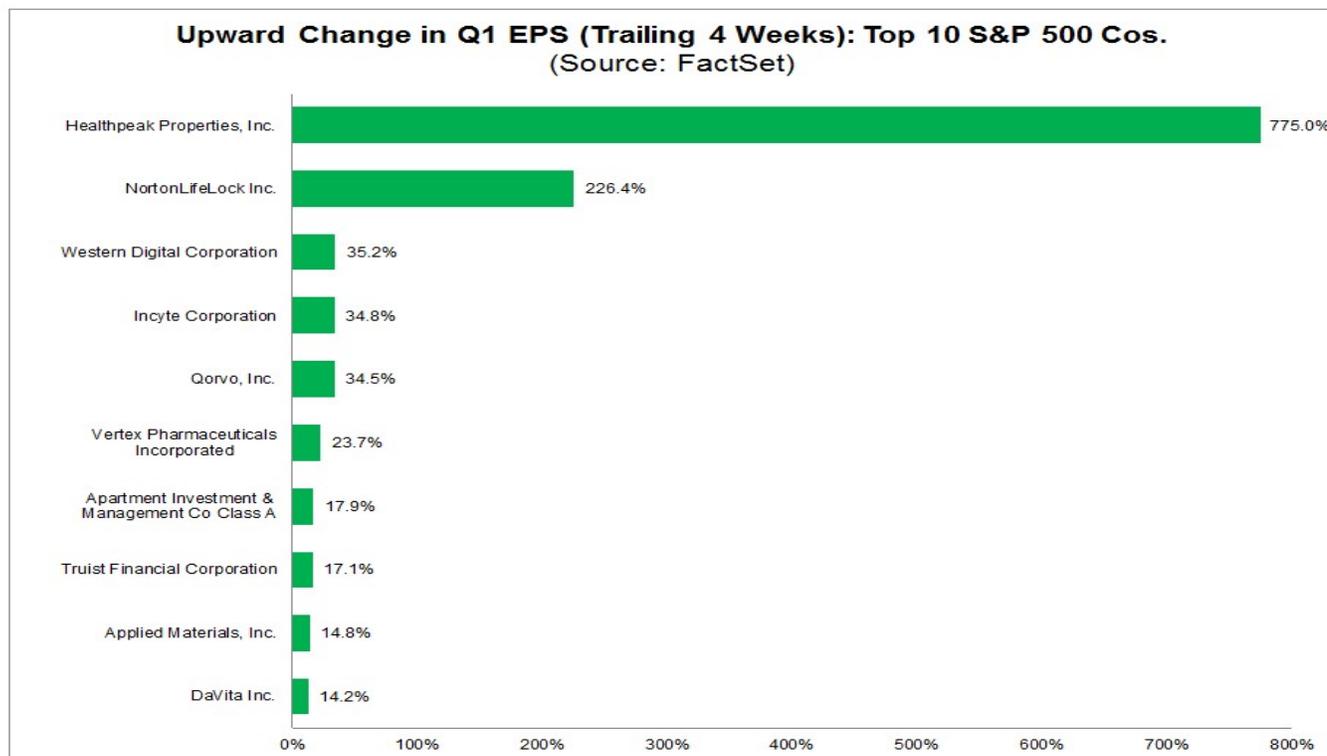
## CY 2019: Growth



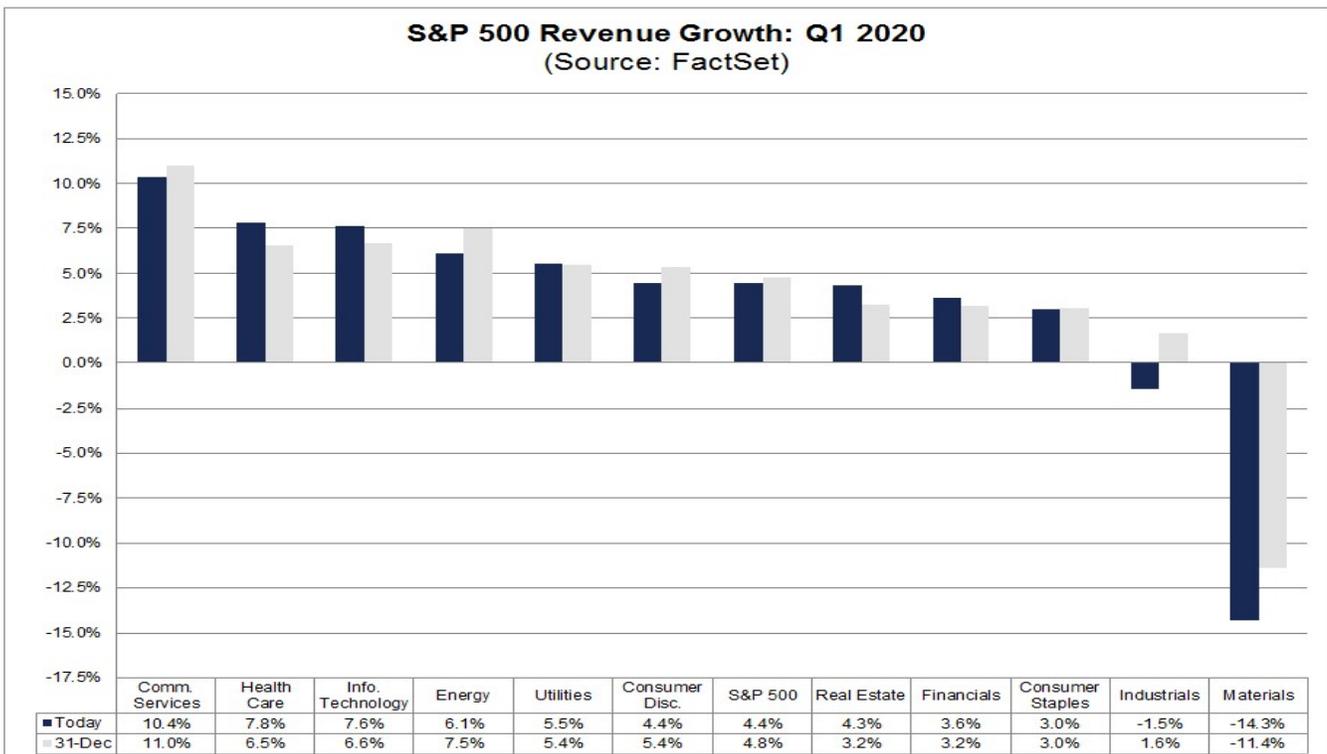
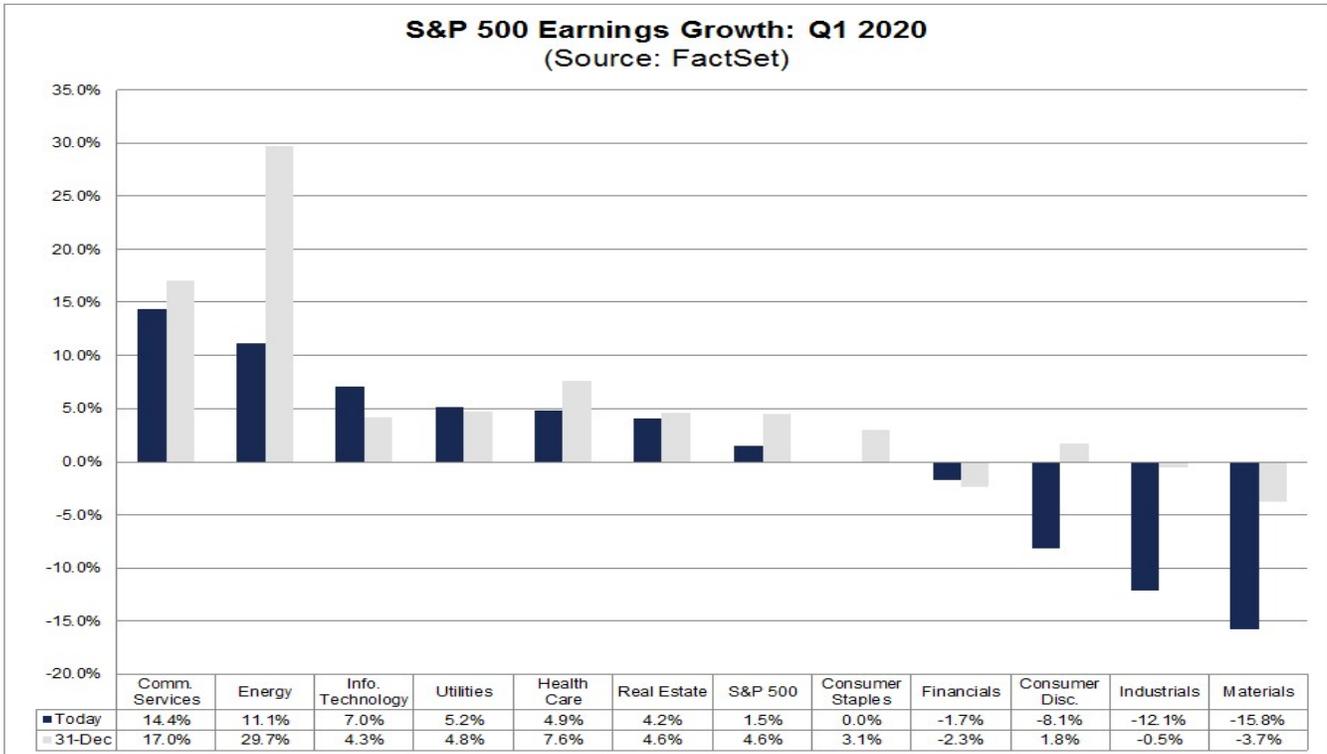
## Q1 2020: EPS Guidance



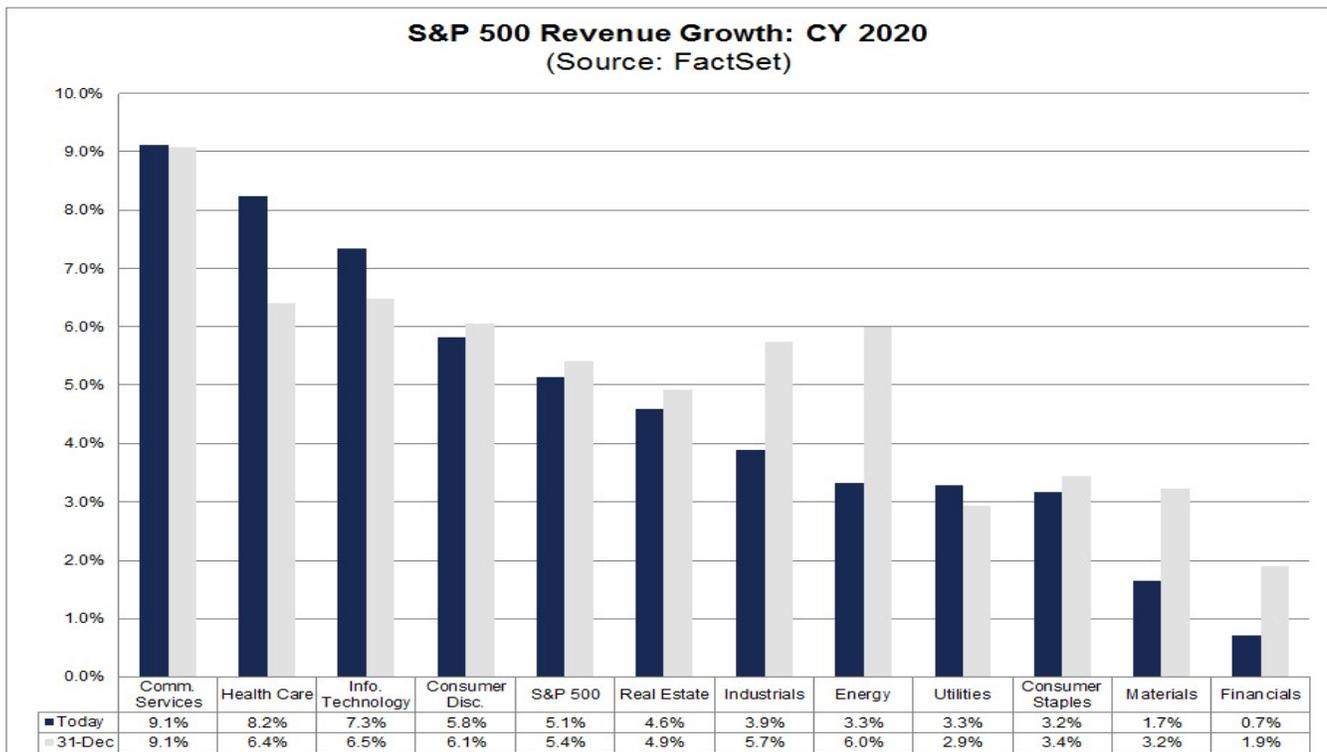
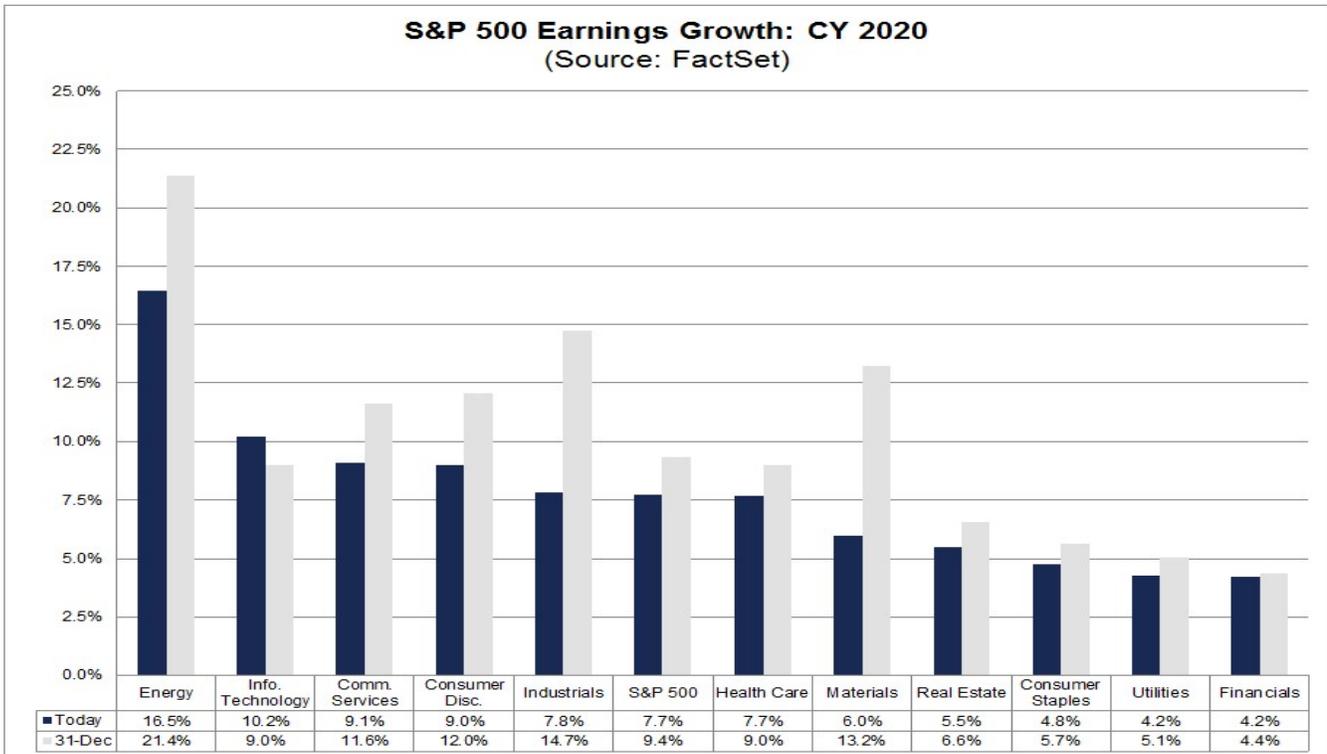
## Q1 2020: EPS Revisions



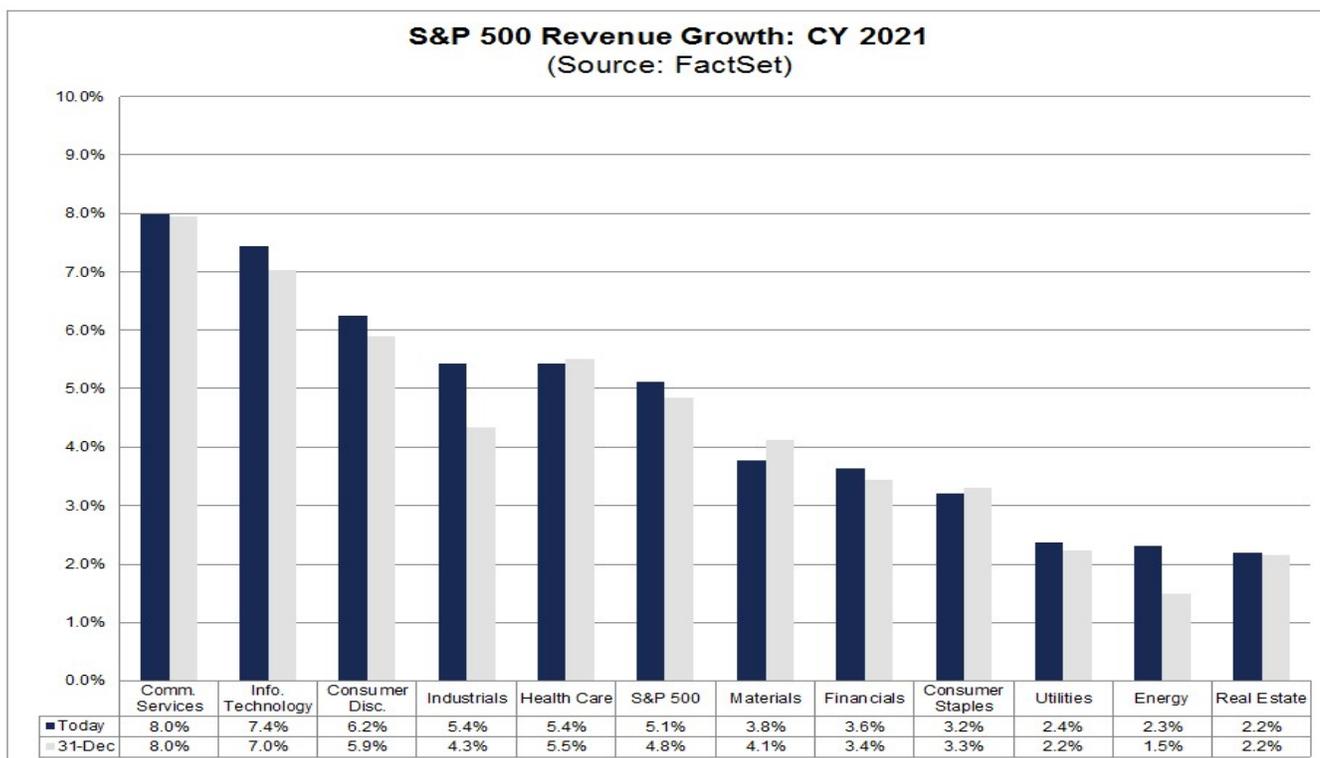
## Q1 2020: Growth



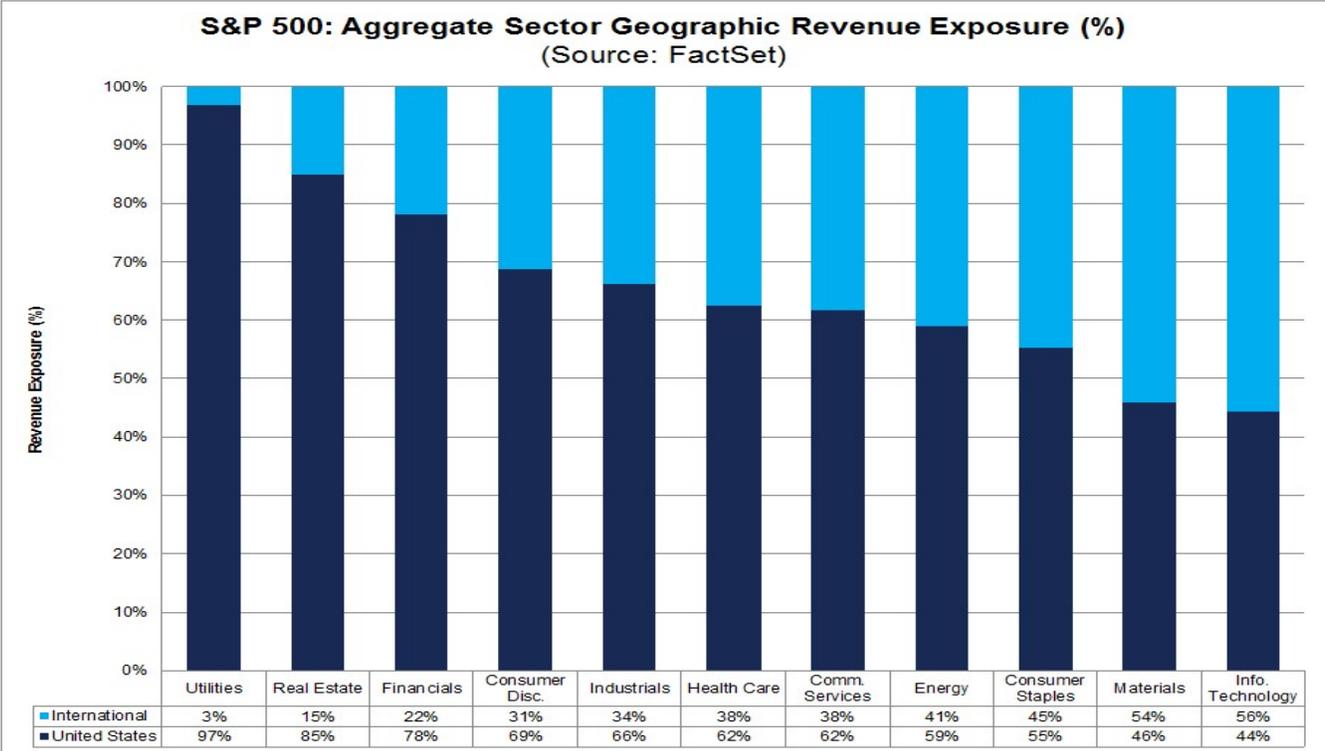
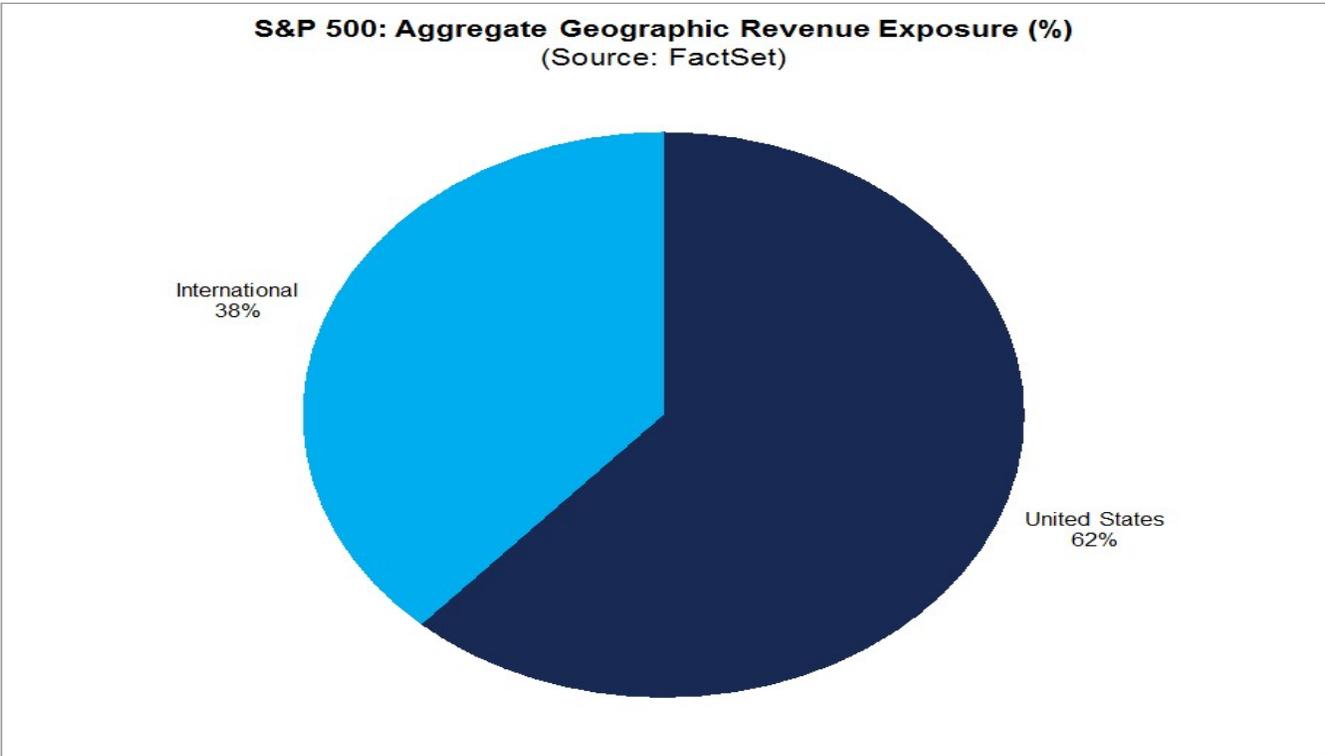
## CY 2020: Growth



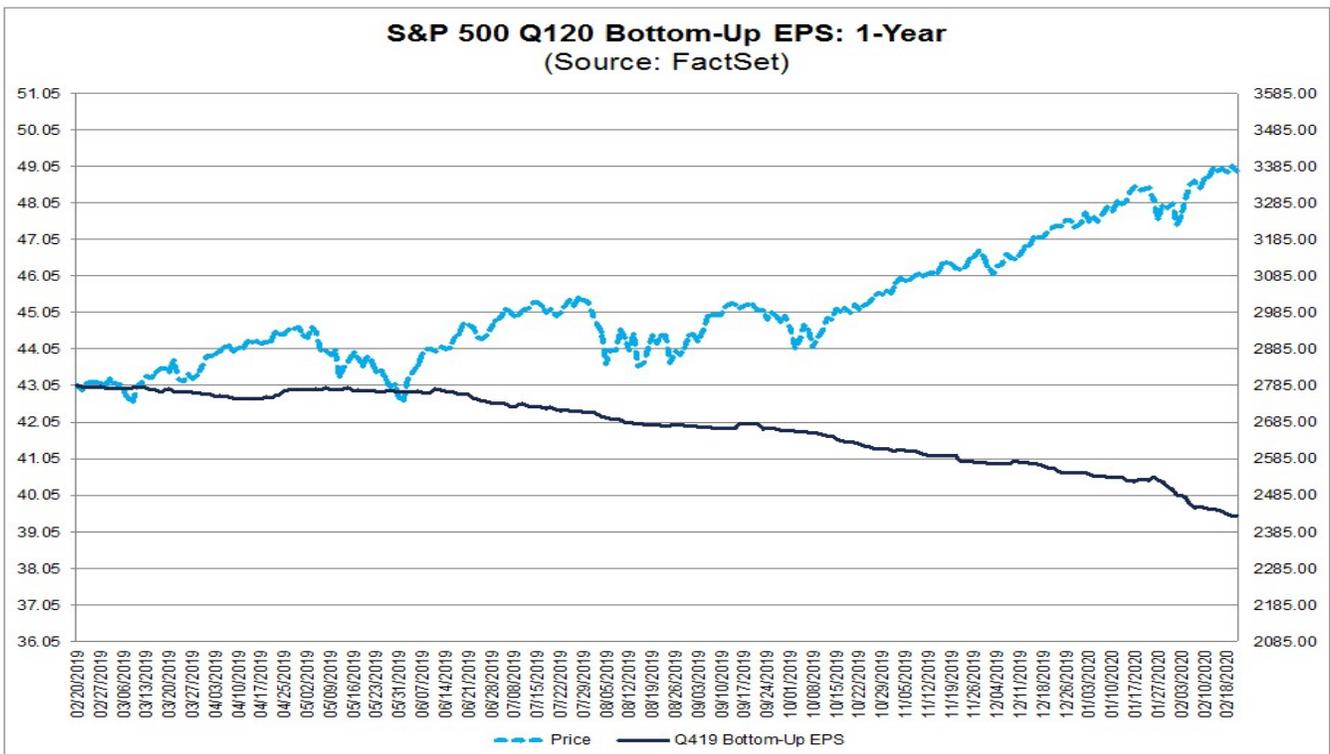
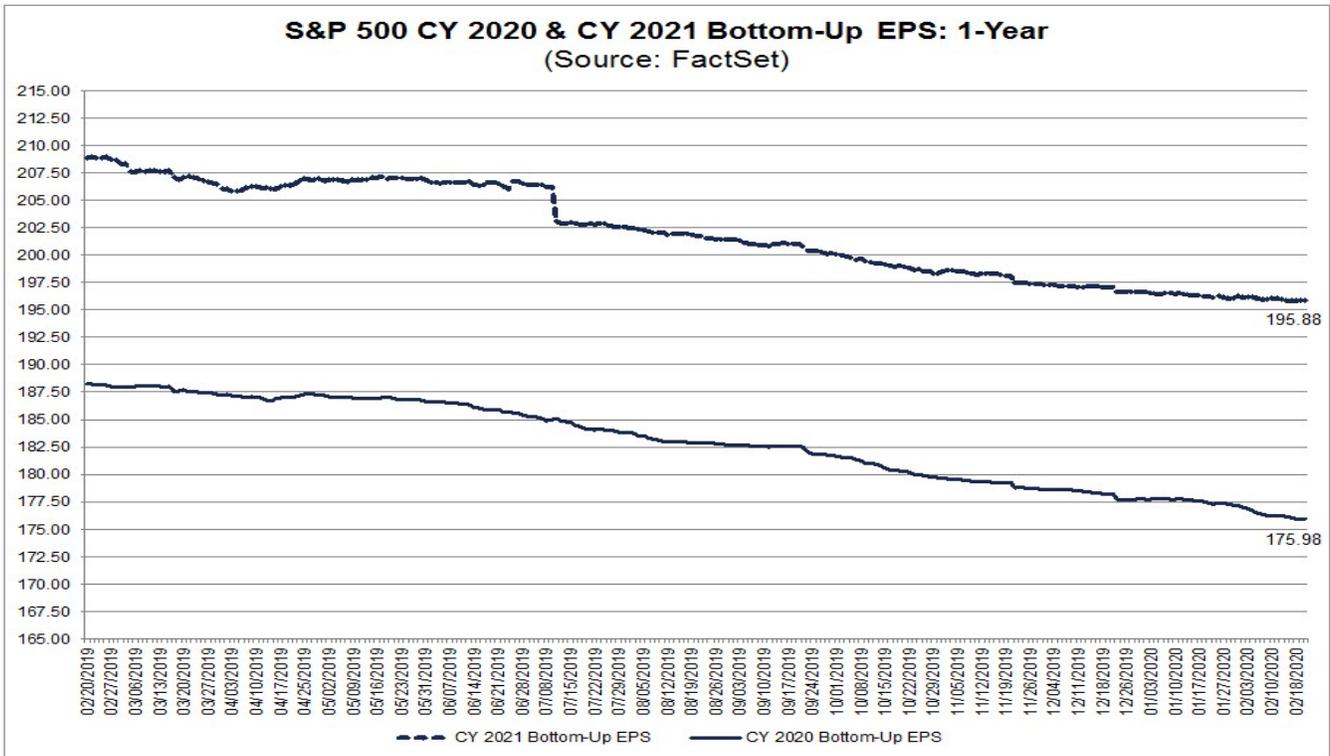
## CY 2021: Growth



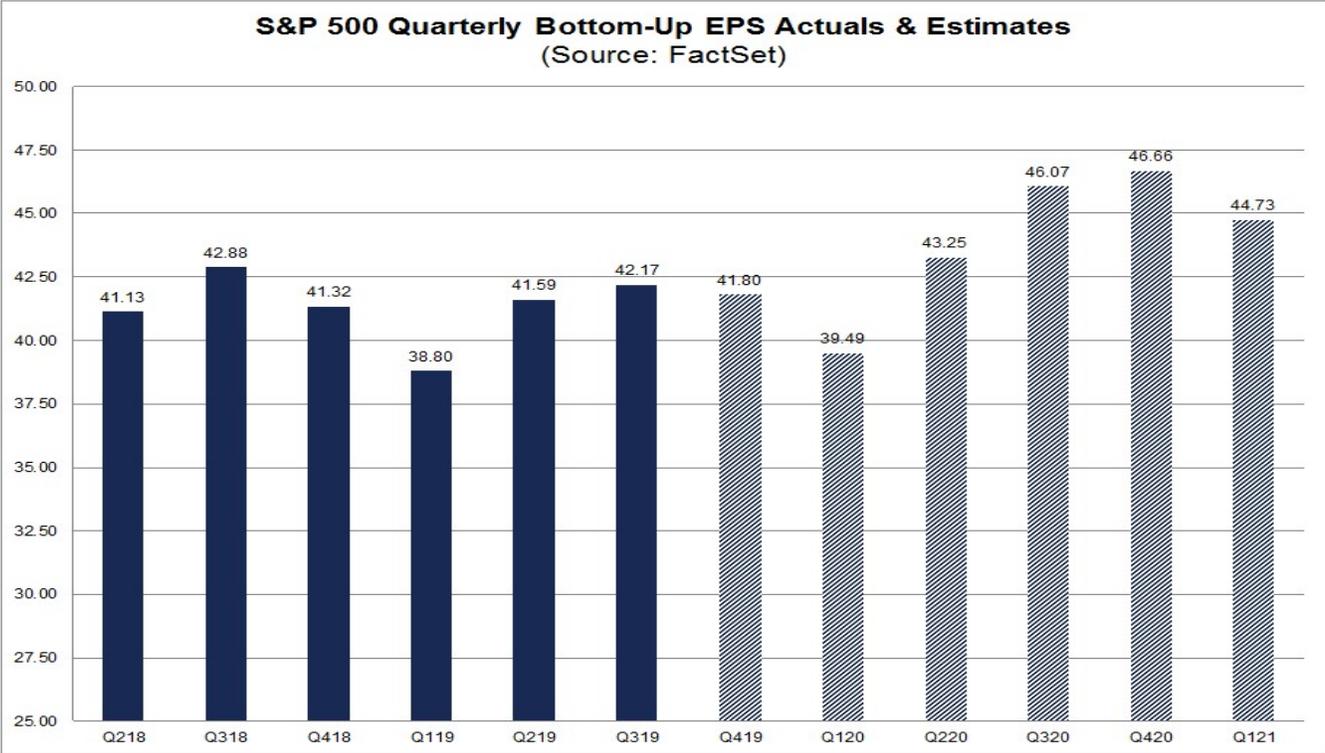
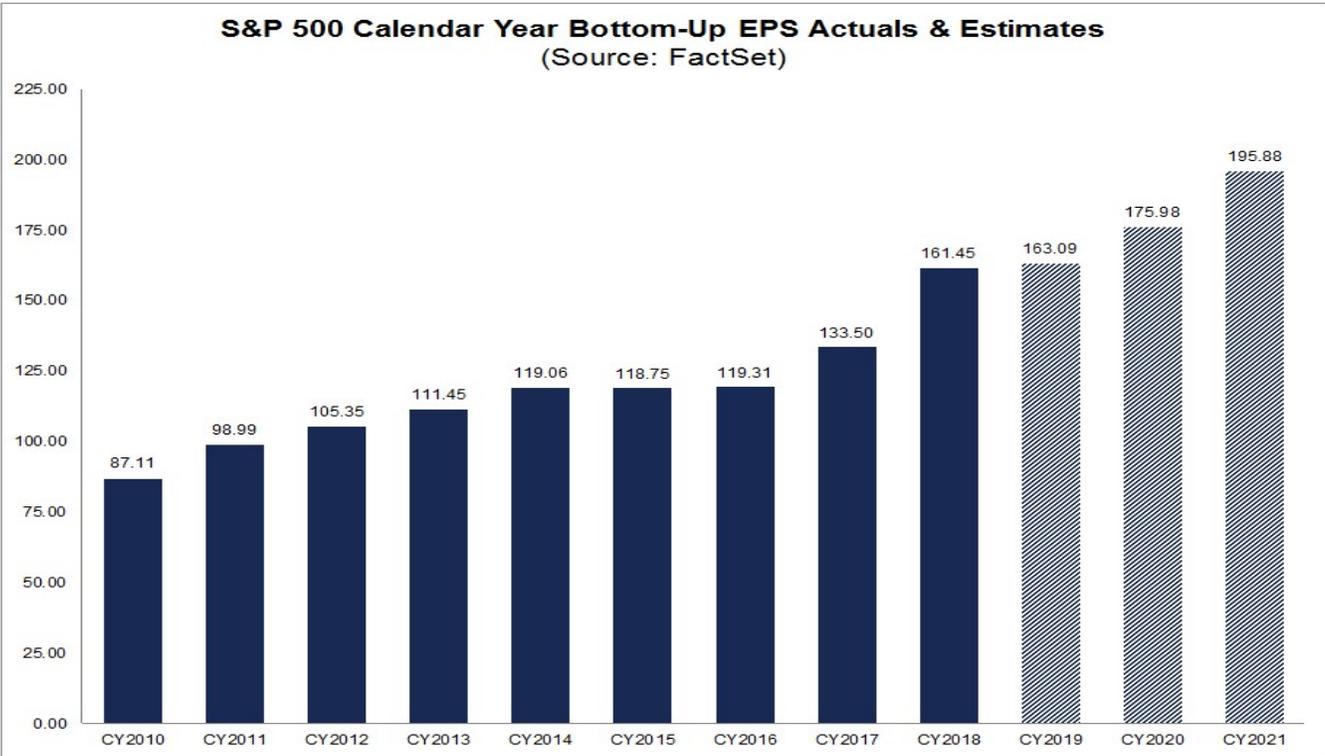
# Geographic Revenue Exposure



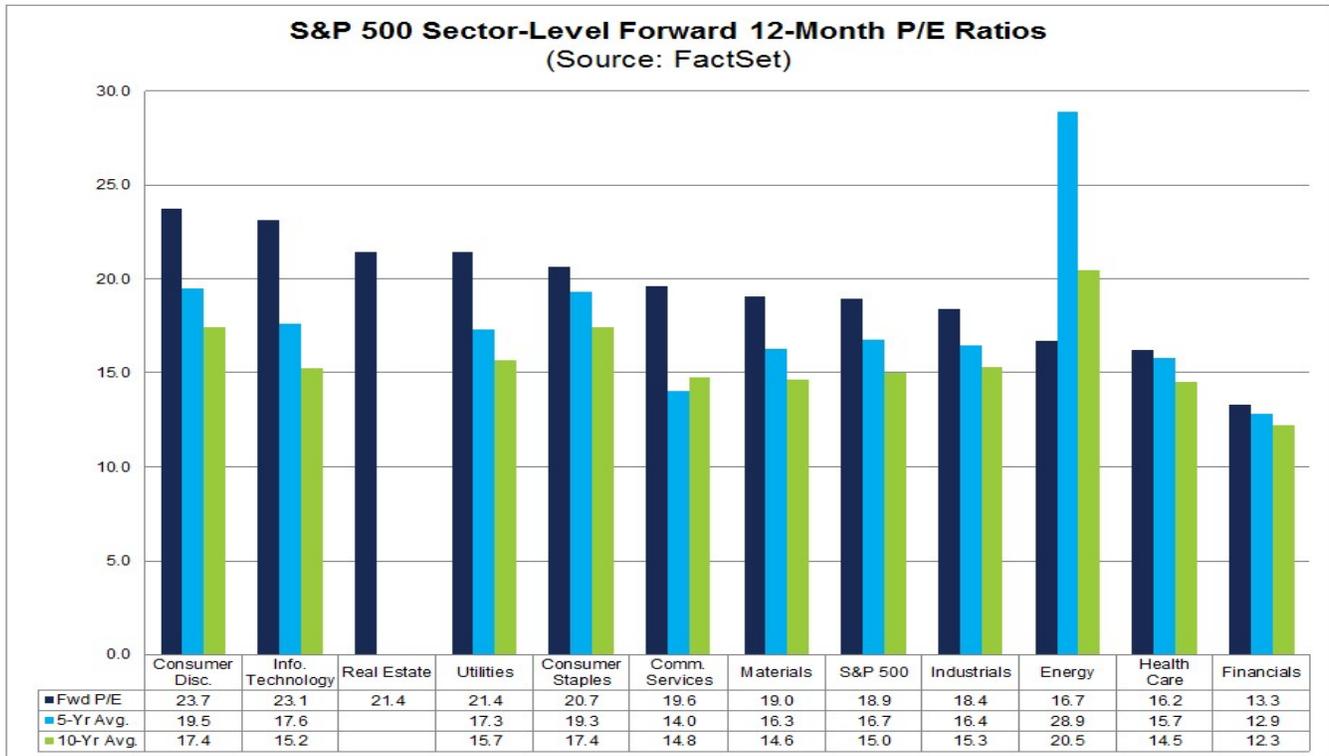
## Bottom-up EPS Estimates: Revisions



# Bottom-up EPS Estimates: Current & Historical

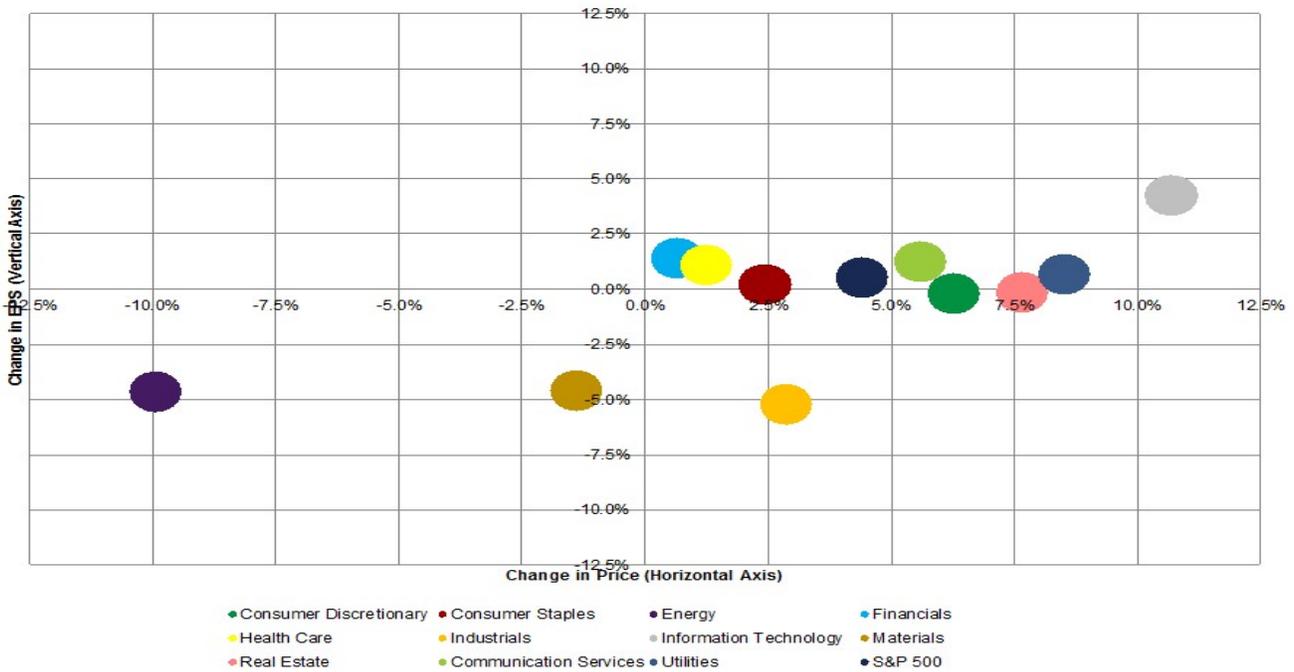


## Forward 12M P/E Ratio: Sector Level

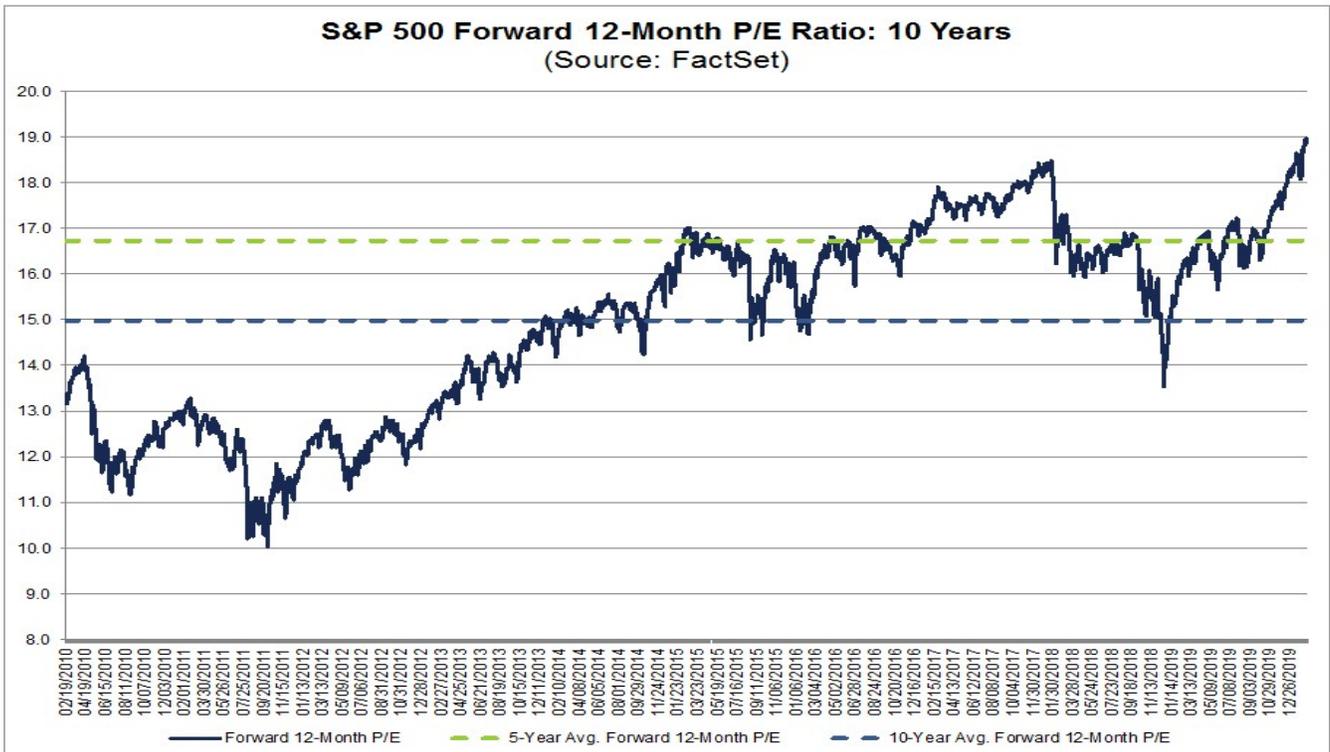
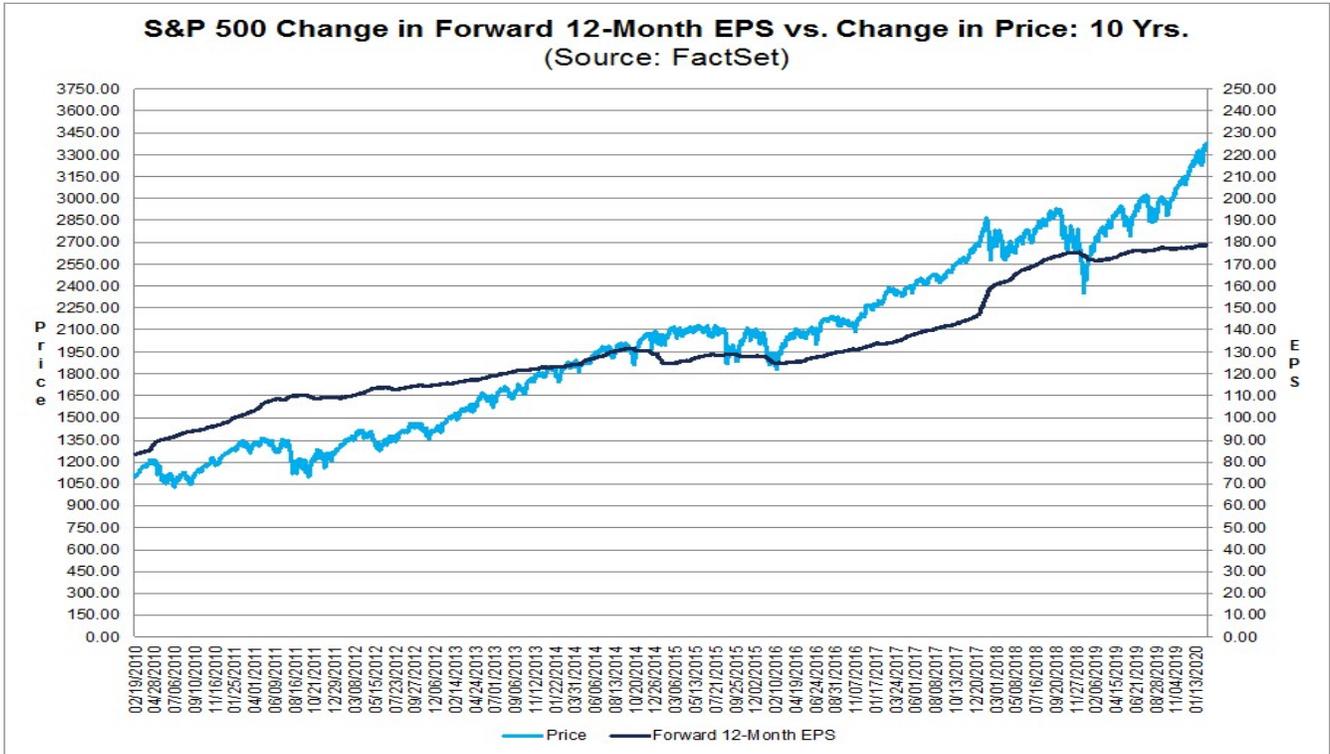


## Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Dec. 31

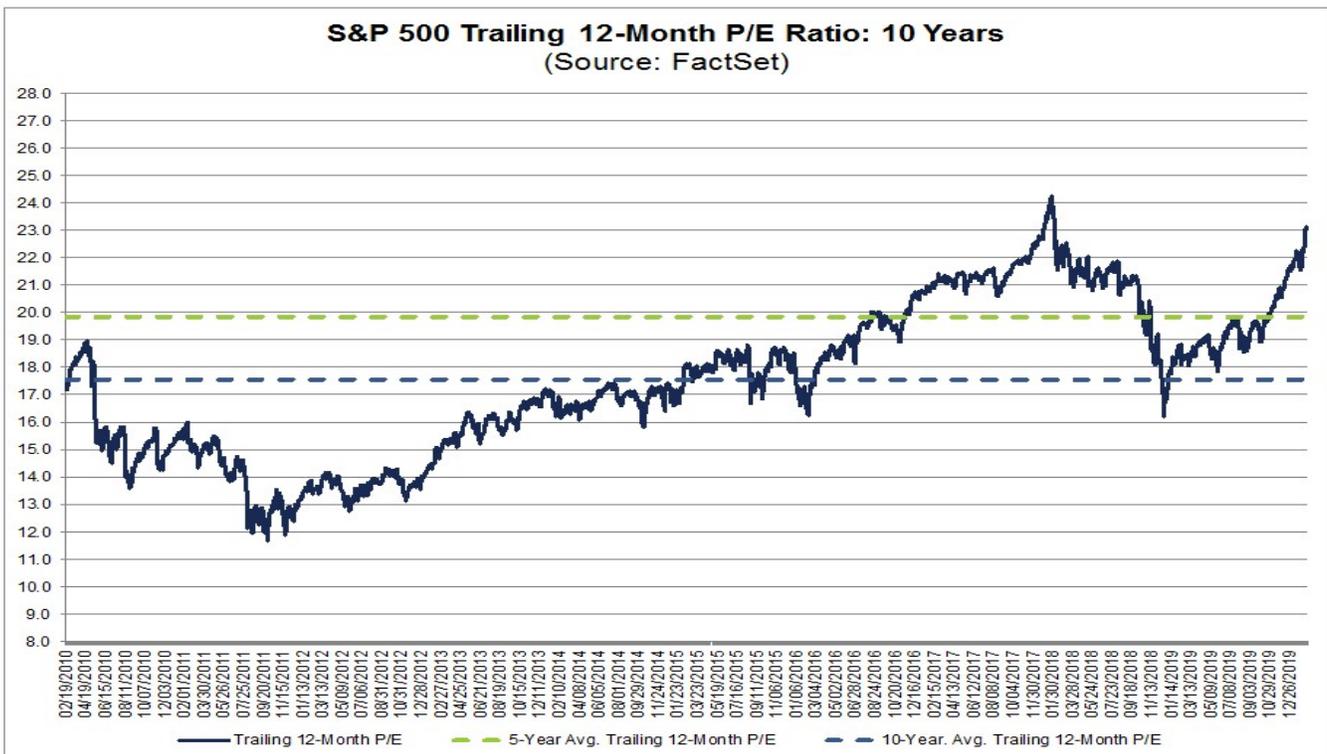
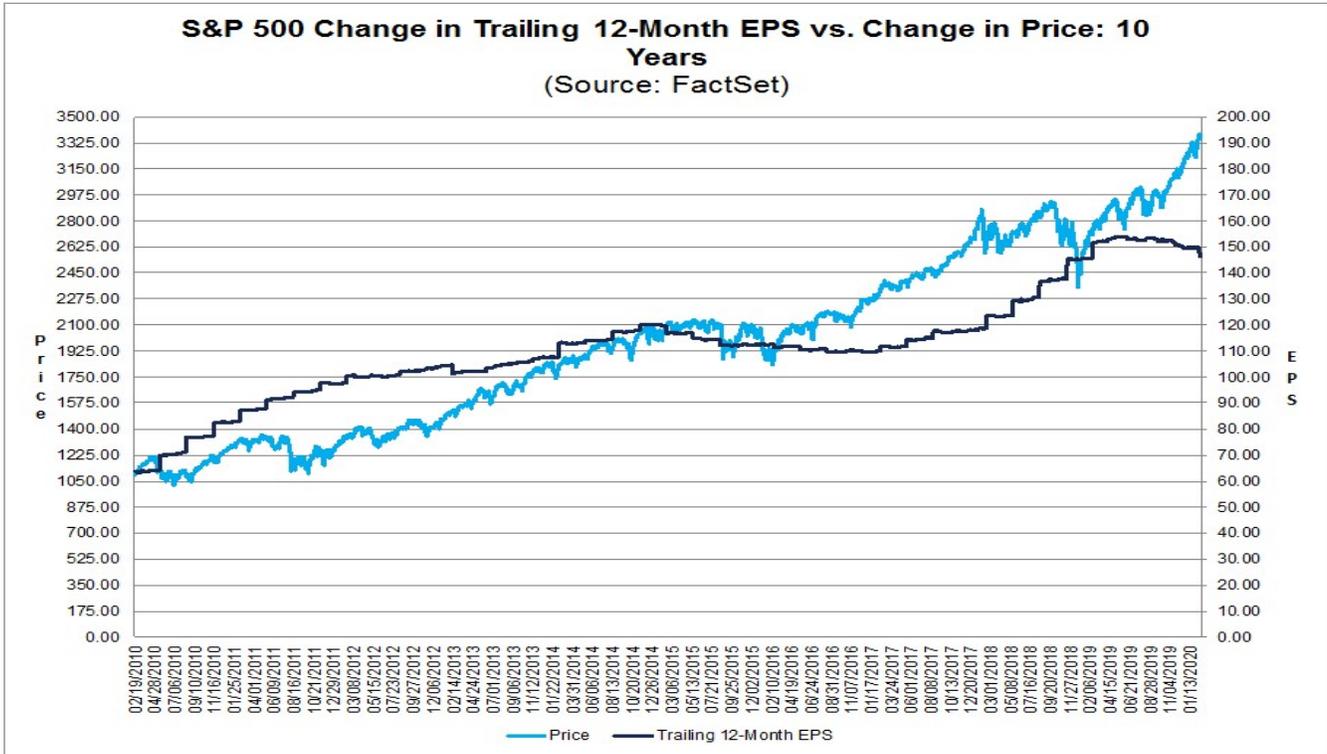
(Source: FactSet)



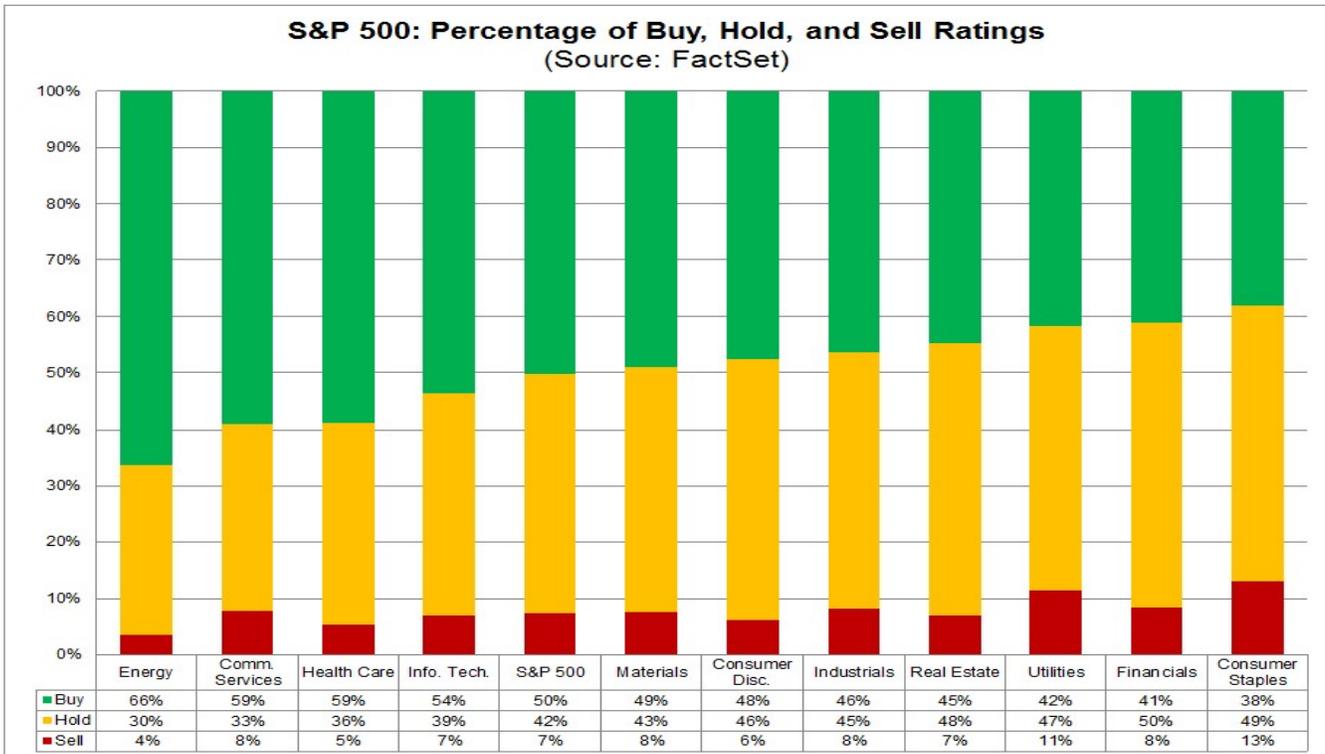
## Forward 12M P/E Ratio: 10-Years



# Trailing 12M P/E Ratio: 10-Years



## Targets & Ratings



**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, its affiliates and its suppliers 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 informational 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, its affiliates and its suppliers assume no liability for any consequence relating directly or indirectly to any action or inaction taken based on the information contained in this report.

FactSet aggregates and redistributes estimates data and does not conduct any independent research. Nothing in our service constitutes investment advice or FactSet recommendations of any kind. Estimates data is provided for information purposes only.

FactSet has no relationship with creators of estimates that may reasonably be expected to impair its objective presentation of such estimate or recommendation. FactSet redistributes estimates as promptly as reasonably practicable from research providers.

**About FactSet**

FactSet (NYSE:FDS | NASDAQ:FDS) delivers superior content, analytics, and flexible technology to help more than 126,000 users see and seize opportunity sooner. We give investment professionals the edge to outperform with informed insights, workflow solutions across the portfolio lifecycle, and industry-leading support from dedicated specialists. We're proud to have been recognized with multiple awards for our analytical and data-driven solutions and repeatedly ranked as one of Fortune's 100 Best Companies to Work For® and a Best Workplace in the United Kingdom and France. Subscribe to our thought leadership blog to get fresh insight delivered daily at [insight.factset.com](https://insight.factset.com). Learn more at [www.factset.com](https://www.factset.com) and follow on Twitter: [www.twitter.com/factset](https://www.twitter.com/factset).