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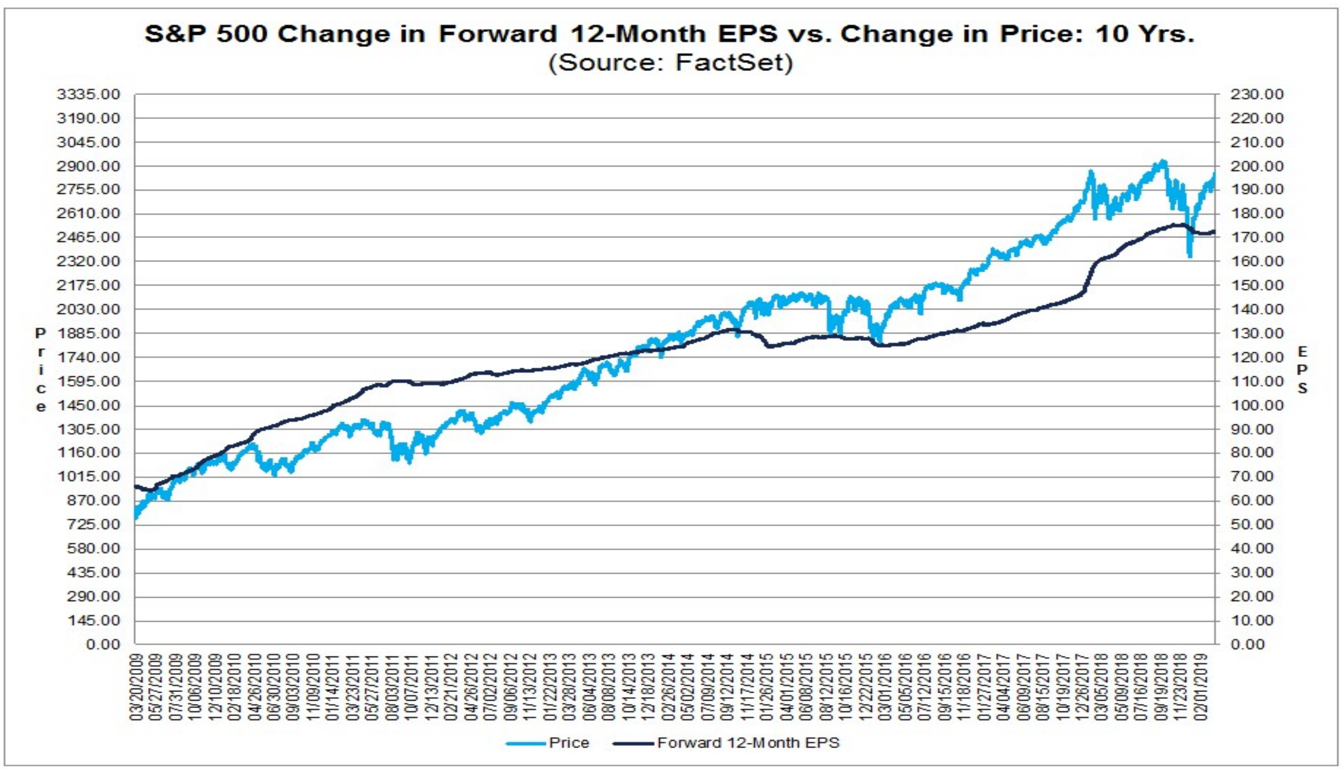
Key Metrics

- **Earnings Growth:** For Q1 2019, the estimated earnings decline for the S&P 500 is -3.7%. If -3.7% is the actual decline for the quarter, it will mark the first year-over-year decline in earnings for the index since Q2 2016.
- **Earnings Revisions:** On December 31, the estimated earnings growth rate for Q1 2019 was 2.9%. All eleven sectors have lower growth rates today (compared to December 31) due to downward revisions to EPS estimates.
- **Earnings Guidance:** For Q1 2019, 77 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 16.6. This P/E ratio is above the 5-year average (16.4) and above the 10-year average (14.7).
- **Earnings Scorecard:** For Q1 2019 (with 11 companies in the S&P 500 reporting actual results for the quarter), 10 S&P 500 companies have reported a positive EPS surprise and 7 have reported a positive revenue surprise.



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Topic of the Week: 1

Have More S&P 500 Companies Issued Negative EPS Guidance for Q1 than Average?

Heading into the end of the first quarter, 105 S&P 500 companies have issued EPS guidance for the quarter. Of these 105 companies, 77 have issued negative EPS guidance and 28 companies have issued positive EPS guidance. The number of companies issuing negative EPS for Q1 is above the 5-year average (74), while the number of companies issuing positive EPS guidance for Q1 is below the 5-year average (32).

The percentage of companies issuing negative EPS guidance is 73% (77 out of 105). This percentage is above the 5-year average of 70%, as more companies have issued negative EPS guidance than average and fewer companies have issued positive EPS guidance than average.

What is driving the above-average negative sentiment in EPS guidance for the first quarter?

At the sector level, the Information Technology and Health Care sectors are the main contributors to the above-average negative sentiment in EPS guidance for the first quarter.

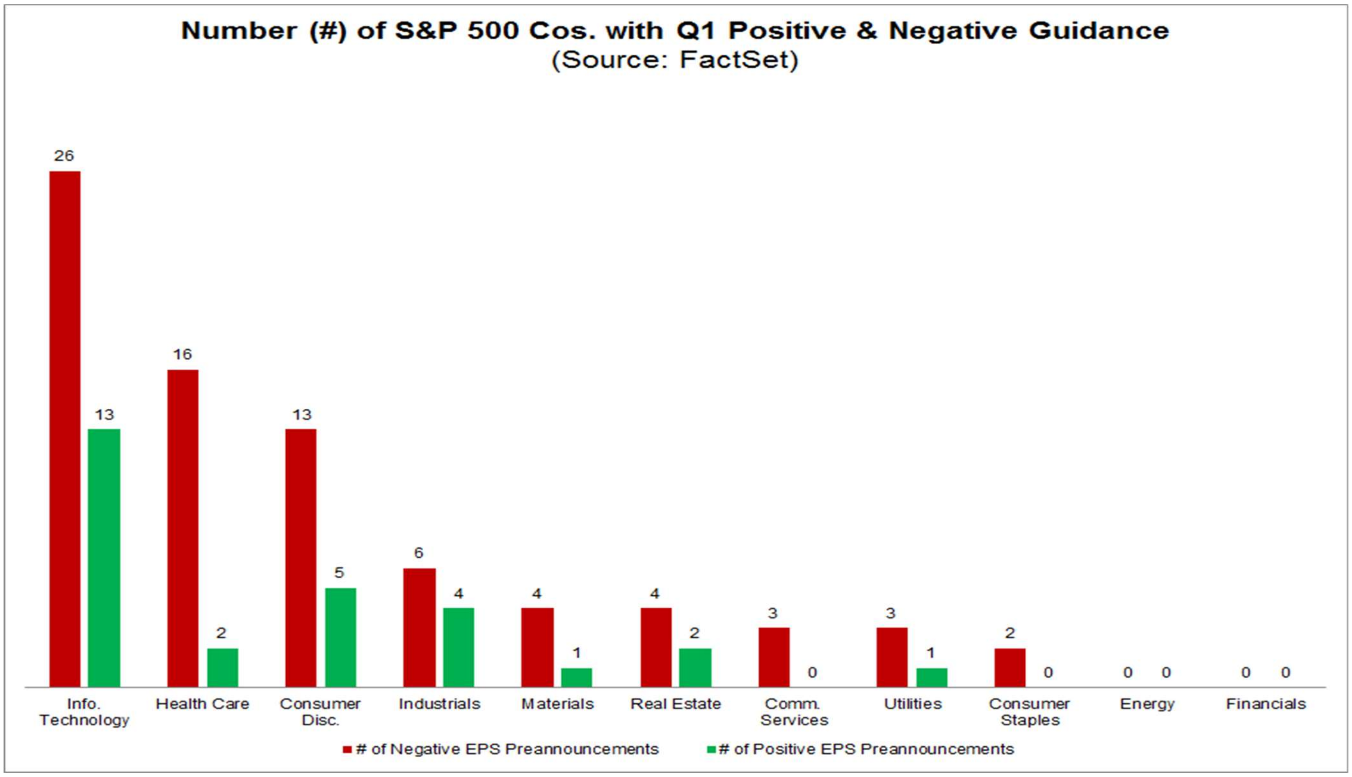
In the Information Technology sector, 26 companies have issued negative EPS guidance for the first quarter, which is above the 5-year average for the sector (20). If 26 is the final number for the quarter, it will mark the highest number of companies issuing negative EPS guidance in this sector since Q1 2016 (also 26). At the industry level, the Software (7) and Semiconductor & Semiconductor Equipment (6) industries have the highest number of companies issuing negative EPS guidance in the sector.

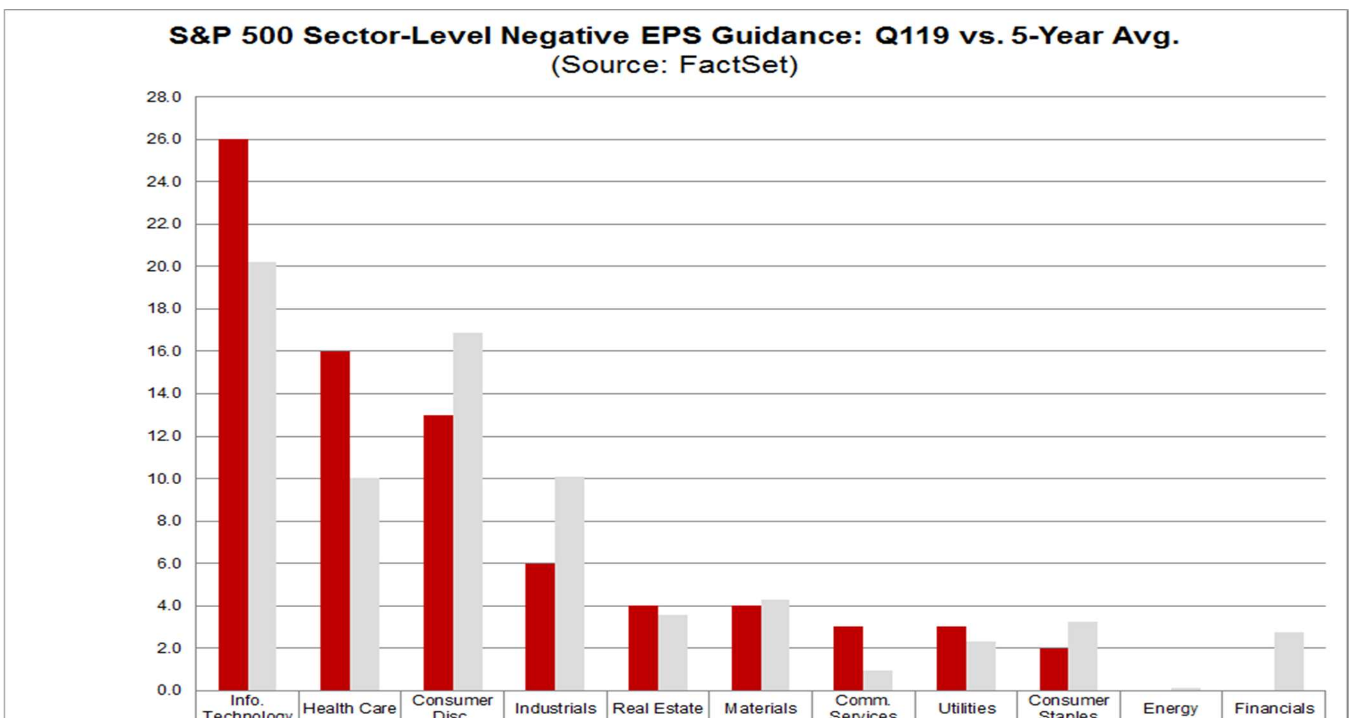
It is interesting to note that an unusually high number of companies in the Information Technology sector have also issued negative revenue guidance for the quarter. Overall, 31 companies in the sector have issued negative revenue guidance, which is above the 5-year average (20). If 31 is the final number for the quarter, it will mark the highest number of companies issuing negative revenue guidance in this sector since Q4 2012 (36).

In the Health Care sector, 16 companies have issued negative EPS guidance for the first quarter, which is above the 5-year average for the sector (10). If 16 is the final number for the quarter, it will mark the highest number of companies issuing negative EPS guidance in this sector since FactSet began tracking EPS guidance in 2006. At the industry level, the Health Care Equipment & Supplies (10) industry has the highest number of companies issuing negative EPS guidance in the sector.

Not only is the number of companies using negative EPS guidance in the Health Care sector unusually high, but the number of companies issuing positive EPS guidance in this sector is also unusually low. Overall, two companies in the Health Care sector have issued positive EPS guidance for the quarter, which is below the 5-year average of five. If two is final number for the quarter, it will mark the lowest number of companies issuing positive EPS guidance in this sector since Q1 2014 (one).

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.





	Info. Technology	Health Care	Consumer Disc.	Industrials	Real Estate	Materials	Comm. Services	Utilities	Consumer Staples	Energy	Financials
Neg #: Q218	26.0	16.0	13.0	6.0	4.0	4.0	3.0	3.0	2.0	0.0	0.0
Neg #: 5-Yr. Avg.	20.2	10.1	16.9	10.1	3.6	4.3	1.0	2.3	3.3	0.1	2.8

Topic of the Week: 2

S&P 500 Companies Seeing Best Price Reaction to Negative EPS Guidance in 4 Years

At this point in time, 105 companies in the index have issued EPS guidance for Q1 2019. Of these 105 companies, 77 have issued negative EPS guidance and 28 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 73% (77 out of 105), which is above the 5-year average of 70%.

Given the above-average negative sentiment in EPS guidance, how has the market responded to negative EPS guidance issued by S&P 500 companies for the first quarter?

Companies in the S&P 500 that have issued negative EPS guidance for Q1 have seen an increase in price of 0.8% on average from two days before the company issued guidance through two days after the company issued guidance. Over the past five years, companies in the S&P 500 that have issued negative EPS guidance have witnessed a -0.5% decrease in price on average during this 4-day window.

It is not unusual to see an average positive price reaction when companies have issued negative EPS guidance. In eight of the past 20 quarters, companies that have issued negative EPS guidance have seen a positive price reaction on average.

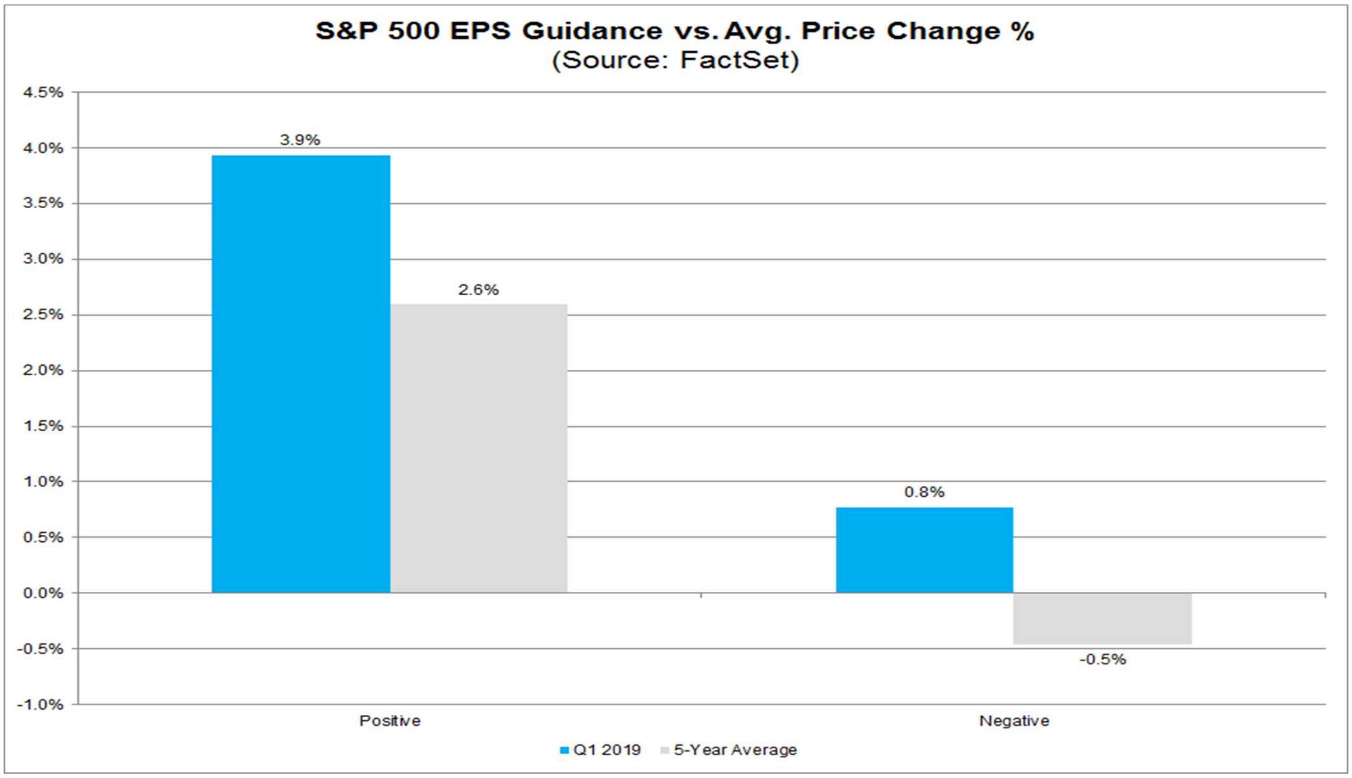
However, if the final percentage for the first quarter is 0.8%, it will mark the highest average positive price reaction to negative EPS guidance during this 4-day window since Q1 2015 (+1.8%).

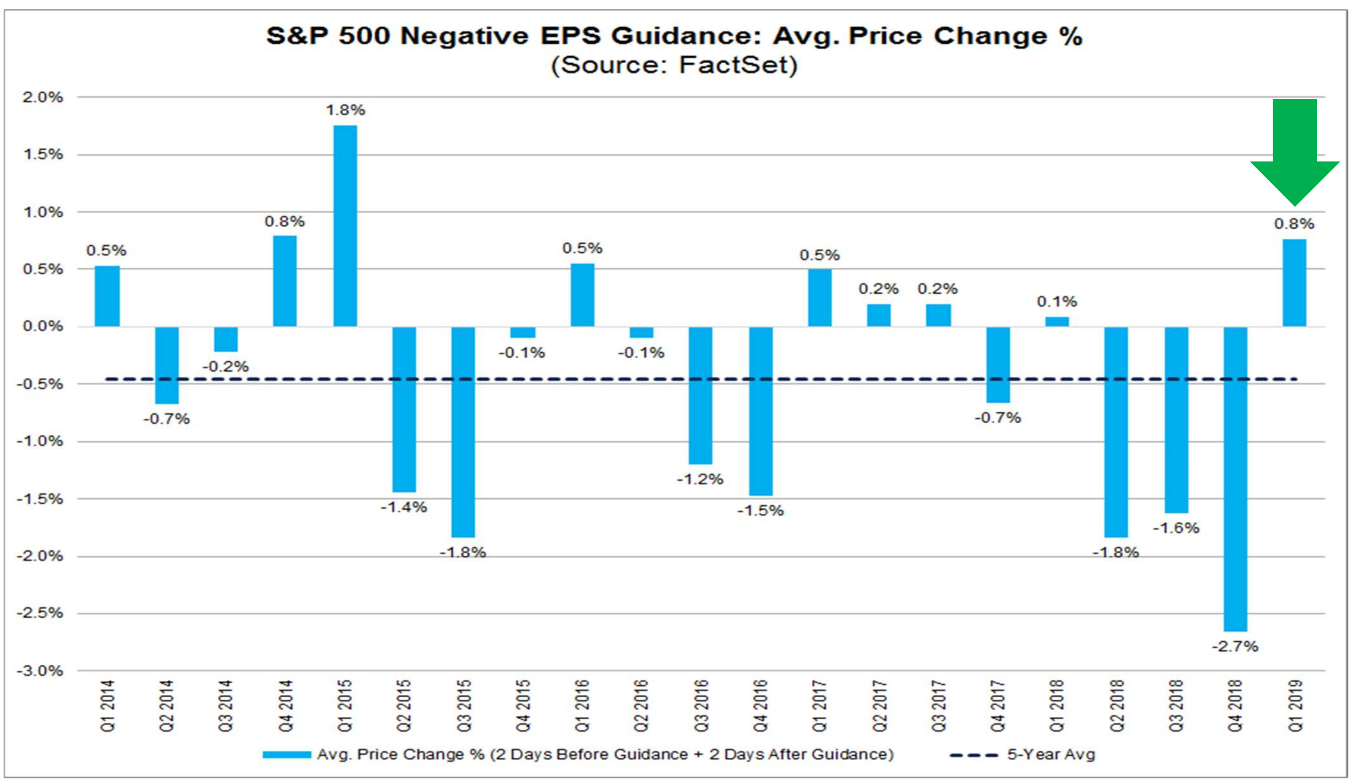
Of the 77 S&P 500 companies that have issued negative EPS guidance for Q1, 46 (or 60%) recorded an increase in price over this 4-day period. An example of one of these companies is Hanesbrands. On February 7, Hanesbrands issued (adjusted) EPS guidance for Q1 2019 of between $0.24 and $0.26. The mid-point of this range ($0.25) was below the mean EPS estimate of $0.28. However, from February 5 through February 11, the price of the stock increased by 17.9% (to $18.39 from $15.60).

It is interesting to note that S&P 500 companies that have reported negative EPS surprises (actual EPS below the mean EPS estimate) for the fourth quarter have witnessed the smallest negative price reaction (-0.7%) on average (over this 4-day window) since 2009. Please see our previous article on this topic for more details: https://insight.factset.com/sp-500-companies-seeing-best-price-reaction-to-negative-eps-surprises-in-nine-years

Companies often issue EPS guidance for the current quarter on the same day they report actual results for the previous quarter. The market clearly reacted more positively than normal to both negative (and positive) EPS surprises for Q4 and to negative (and positive) EPS guidance for Q1 during the months of January and February.

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.


S&P 500 EPS Guidance vs. Avg. Price Change %
(Source: FactSet)
4.5%
4.0%
3.5%
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
-0.5%
-1.0%
3.9%
2.6%
0.8%
-0.5%
Positive
Negative
Q1 2019
5-Year Average


S&P 500 Negative EPS Guidance: Avg. Price Change %
(Source: FactSet)
2.0%
1.5%
1.0%
0.5%
0.0%
-0.5%
-1.0%
-1.5%
-2.0%
-2.5%
-3.0%
0.5%
-0.7%
-0.2%
0.8%
1.8%
-1.4%
-1.8%
-0.1%
0.5%
-0.1%
-1.2%
-1.5%
0.5%
0.2%
0.2%
-0.7%
0.1%
-1.8%
-1.6%
-2.7%
0.8%
Q1 2014
Q2 2014
Q3 2014
Q4 2014
Q1 2015
Q2 2015
Q3 2015
Q4 2015
Q1 2016
Q2 2016
Q3 2016
Q4 2016
Q1 2017
Q2 2017
Q3 2017
Q4 2017
Q1 2018
Q2 2018
Q3 2018
Q4 2018
Q1 2019
Avg. Price Change % (2 Days Before Guidance + 2 Days After Guidance)
5-Year Avg

Q1 Earnings Season: By The Numbers

Overview

In terms of estimate revisions for companies in the S&P 500, analysts have made larger cuts than average to EPS estimates for Q1 2019 to date. On a per-share basis, estimated earnings for the first quarter have fallen by 6.9% since December 31. This percentage decline is larger than the 5-year average (-3.2%), the 10-year average (-3.7%), and the 15-year average (-4.0%) for a quarter.

In addition, a larger percentage of S&P 500 companies have lowered the bar for earnings for Q1 2019 relative to recent quarters. Of the 105 companies that have issued EPS guidance for the first quarter, 77 have issued negative EPS guidance and 28 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 73% (77 out of 105), which is above the 5-year average of 70%.

Because of the net downward revisions to earnings estimates, the estimated (year-over-year) earnings decline for Q1 2019 is -3.7% today compared to the estimated (year-over-year) earnings growth rate of 2.9% on December 31. If -3.7% is the actual decline for the quarter, it will mark the first year-over-year decline in earnings for the index since Q2 2016 and the largest year-over-year decline in earnings since Q1 2016. Four sectors are predicted to report year-over-year earnings growth, led by the Utilities and Health Care sectors. Seven sectors are projected to report a year-over-year decline in earnings, led by the Energy, Materials, and Information Technology sectors.

Because of the net downward revisions to revenue estimates, the estimated (year-over-year) revenue growth rate for Q1 2019 is 4.9% today compared to the estimated (year-over-year) revenue growth rate of 6.6% on December 31. Nine of the eleven sectors are projected to report year-over-year growth in revenues, led by the Communication Services and Health Care sectors. Two sectors are predicted to report a year-over-year decline in revenues: Energy and Information Technology.

Looking at future quarters, analysts see low single-digit earnings growth for the second quarter and third quarter of 2019, followed by high single-digit earnings growth in the fourth quarter of 2019.

The forward 12-month P/E ratio is 16.6, which is above the 5-year average and above the 10-year average.

During the upcoming week, eight S&P 500 companies are scheduled to report results for the first quarter.

Estimate Revisions: Largest Declines in Energy, Materials, & Technology

Slight Increase in Estimated Earnings Decline for Q1 This Week

The estimated earnings decline for the first quarter is -3.7% this week, which is slightly larger than the estimated earnings decline of -3.6% last week. Small downward revisions to estimates for companies in multiple sectors were responsible for the slight increase in the overall decline during the week.

The estimated earnings decline for Q1 2019 of -3.7% today is below the estimated earnings growth rate of 2.9% at the start of the quarter (December 31). All eleven sectors have recorded a decrease in expected earnings growth due to downward revisions to earnings estimates, led by the Energy, Materials, and Information Technology sectors.

Energy: 83% of Companies Have Seen a Double-Digit Decline in Q1 Earnings Expectations

The Energy sector has recorded the largest decrease in expected earnings growth since the start of the quarter (to -17.5% from 16.2%). Despite the decline in expected earnings, this sector has witnessed the second largest increase in price of all eleven sectors since December 31 at 17.4%. Overall, 25 of the 29 companies (86%) in the Energy sector have seen a decrease in their mean EPS estimate during this time. Of these 25 companies, 24 have recorded a decrease in their mean EPS estimate of more than 10%, led by Hess Corporation (to -$0.33 from -$0.02), Noble Energy (to -$0.03 from $0.16), and National Oilwell Varco (to -$0.01 from $0.07). However, Exxon Mobil (to $0.88 from $1.15) and Chevron (to $1.43 from $1.85) have been the largest contributors to the decrease in expected earnings for this sector since the start of the quarter. Both companies have witnessed double-digit increases in their stock prices since December 31.

Materials: 88% of Companies Have Seen a Decline in Q1 Earnings Expectations

The Materials sector has recorded the second largest decrease in expected earnings growth since the start of the quarter (to -11.7% from 5.3%). Despite the decline in expected earnings, this sector has witnessed an increase in price of 10.8% since December 31. Overall, 22 of the 25 companies (88%) in the Materials sector have seen a decrease in their mean EPS estimate during this time. Of these 22 companies, 13 have recorded a decrease in their mean EPS estimate of more than 10%, led by Freeport McMoRan (to $0.07 from $0.20). However, DowDuPont (to $0.90 from $1.25) has been the largest contributor to the decrease in expected earnings for this sector since the start of the quarter. The stock price of DowDuPont has increased by nearly 5% since December 31.

Information Technology: Apple and Intel Lead Decline

The Information Technology sector has recorded the third largest decrease in expected earnings growth since the start of the quarter (to -10.7% from -3.0%). Despite the decline in expected earnings, this sector has witnessed the largest increase in price of all eleven sectors since December 31 at 21.1%. Overall, 53 of the 68 companies (78%) in the Information Technology sector have seen a decrease in their mean EPS estimate during this time. Of these 53 companies, 21 have recorded a decrease in their mean EPS estimate of more than 10%, led by Western Digital (to $0.47 from $1.11), NVIDIA (to $0.62 from $1.30), and Juniper Networks (to $0.21 from $0.37). However, Apple (to $2.39 from $2.95) and Intel (to $0.87 from $1.01) have been the largest contributors to the decrease in expected earnings for this sector since the start of the quarter. Both companies have witnessed double-digit increases in their stock prices since December 31.

Index-Level (Bottom-Up) EPS Estimate: Above Average Decline to Date

The Q1 bottom-up EPS estimate (which is an aggregation of the median earnings estimates for all 500 companies in the index and can be used as a proxy for the earnings for the index) has decreased by 6.9% (to $37.45 from $40.21) since December 31. This percentage decline is larger than the 5-year average (-3.2%), the 10-year average (-3.7%), and the 15-year average (-4.0%) for a quarter.

Guidance: More S&P 500 Companies Issuing Negative EPS Guidance for Q1 than Average

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 an estimate range) 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 an estimate range) provided by the company is higher than the mean EPS estimate the day before the guidance was issued.

At this point in time, 105 companies in the index have issued EPS guidance for Q1 2019. Of these 105 companies, 77 have issued negative EPS guidance and 28 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 73% (77 out of 105), which is above the 5-year average of 70%.

For more details, please see pages 2 through 5.

Earnings Decline: -3.7%

The estimated earnings decline for Q1 2019 is -3.7%. If -3.7% is the final decline for the quarter, it will mark the first time the index has reported a year-over-year decline in earnings since Q2 2016 (-3.2%) and the largest year-over-year decline in earnings since Q1 2016 (-6.9%). Four of the eleven sectors are expected to report year-over-year growth in earnings, led by the Utilities and Health Care sectors. Seven sectors are expected to report a year-over-year decline in earnings. Three of these seven sectors are projected to report a double-digit decline in earnings: Energy, Materials, and Information Technology.

Utilities: Dominion Leads Growth on Easy Comparison to Year-Ago Pre-Merger Earnings

The Utilities sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 4.8%. At the industry level, four of the five industries in this sector are predicted to report earnings growth for the quarter. Three of these five industries are projected to report double-digit growth in earnings: Independent Power and Renewable Electricity Producers (14%), Gas Utilities (12%), and Multi-Utilities (12%).

At the company level, Dominion Energy is expected to be the largest contributor to earnings growth for the sector. However, the estimated earnings for Q1 2019 ($930 million) reflect the combined earnings of Dominion and SCANA, while the actual earnings for Q1 2018 ($744 million) reflect the standalone Dominion Energy. This apples-to-oranges comparison is the main reason Dominion Energy is projected to be the largest contributor to earnings growth for the sector. If this company were excluded, the estimated earnings growth rate for the sector would fall to 3.3% from 4.8%.

Health Care: Health Care Providers & Services Industry Leads Growth

The Health Care sector is expected to report the second highest (year-over-year) earnings growth of all eleven sectors at 4.0%. At the industry level, five of the six industries in this sector are expected to reporting earnings growth for the quarter. One of these five industries is predicted to report double-digit earnings growth: Health Care Providers & Services (15%). The Pharmaceuticals (-4%) industry is the only industry projected to report a year-over-year decline in earnings for the quarter.

Energy: 3 of 6 Sub-Industries Expected to Report Double-Digit Decline

The Energy sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -17.5%. Lower oil prices are helping to drive the expected decline in earnings for the sector. Despite an increase in price during the quarter, the average price of oil in Q1 2019 ($54.40) to date is 14% lower than the average price of oil in Q1 2018 ($62.89). At the sub-industry level, four of the six sub-industries in the sector are projected to report a decline in earnings for the quarter: Oil & Gas Exploration & Production (-23%), Integrated Oil & Gas (-22%), Oil & Gas Equipment & Services (-16%), and Oil & Gas Refining & Marketing (-5%). On the other hand, the other two sub-industries in the sector are projected to report earnings growth for the quarter: Oil & Gas Drilling (N/A due to year-ago loss) and Oil & Gas Storage & Transportation (24%).

Materials: Freeport-McMoRan, DowDuPont & LyondellBasell Industries Lead Decline

The Materials sector is expected to report the second largest (year-over-year) earnings decline of all eleven sectors at -11.7%. At the industry level, three of the four industries in this sector are predicted to report a decline in earnings for the quarter. One of these thee industries is expected to report a double-digit decline: Metals & Mining (-42%).

At the company level, Freeport-McMoRan, DowDuPont, and LyondellBasell Industries are expected to be the largest contributors to the decline in earnings for the sector. The mean EPS estimate for Freeport-McMoRan for Q1 2019 is $0.07, compared to year-ago EPS of $0.46. The mean EPS estimate for DowDuPont for Q1 2019 is $0.90, compared to year-ago EPS of $1.12. The mean EPS estimate for LyondellBasell Industries for Q1 2019 is $2.28, compared to year-ago EPS of $3.11. If these three companies were excluded, the estimated earnings growth rate for the sector would increase to 8.6% from -11.7%.

Information Technology: Apple and Micron Technology Lead Decline

The Information Technology sector is expected to report the third highest (year-over-year) earnings decline of all eleven sectors at -10.7%. At the industry level, three of the six industries in this sector are predicted to report a decline in earnings for the quarter. Two of three industries are projected to report a double-digit decline in earnings: Semiconductors & Semiconductor Equipment (-23%) and Technology Hardware, Storage, & Peripherals (-22%).

At the company level, Apple and Micron Technology are expected to be the largest contributors to the decline in earnings for the sector. The mean EPS estimate for Apple for Q1 2019 is $2.39, compared to year-ago EPS of $2.73. Micron Technology reported actual EPS of for Q1 2019 is $1.71, compared to year-ago EPS of $2.82. If these two companies were excluded, the estimated earnings decline for the sector would improve to -6.3% from -10.7%.

Revenue Growth: 4.9%

The estimated (year-over-year) revenue growth rate for Q1 2019 is 4.9%. Nine of the eleven sectors are expected to report year-over-year growth in revenues. Two of these nine sectors are projected to report double-digit growth in revenues: Communication Services and Health Care. On the other hand, the Energy and Information Technology sectors are the only two sectors predicted to report a year-over-year decline in revenues.

Communication Services: 3 of 4 Industries to Report Double-Digit Growth

The Communication Services sector is expected to report the highest (year-over-year) revenue growth of all eleven sectors at 13.2%. At the industry level, all four industries in this sector are projected to report revenue growth. Three of these four industries are predicted to report double-digit revenue growth: Interactive Media & Services (21%), Media (13%), and Diversified Telecommunication Services (10%).

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

The Health Care sector is expected to report the second highest (year-over-year) revenue growth of all eleven sectors at 13.1%. At the industry level, all six industries in this sector are predicted to report revenue growth for the quarter. One of these six industries is projected to report double-digit growth in revenues: Health Care Providers & Services (18%).

At the company level, Cigna and CVS Health are expected to be the largest contributors to 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 mean revenue estimate for Cigna for Q1 2019 ($34.14 billion) reflects the combined revenues of Cigna and Express Scripts, while the actual revenue for Q1 2018 ($11.38 billion) reflects the standalone revenue for Cigna. The mean revenue estimate for CVS Health for Q1 2019 ($60.39 billion) reflects the combined revenues of CVS Health and Aetna, while the actual revenue for Q1 2018 ($45.69 billion) reflects the standalone revenue for CVS Health. These apples-to-oranges comparisons are the main reason Cigna and CVS Health are projected to be the largest contributors to revenue growth for the sector. If these companies were excluded, the estimated revenue growth rate for the sector would fall to 5.7% from 13.1%.

Energy: 2 of 6 Sub-Industries to Report Decline

The Energy sector is expected to report the highest (year-over-year) decline in revenue of all eleven sectors at -3.3%. At the sub-industry level, only two of the six sub-industries in the sector are projected to report a decline in revenue: Oil & Gas Exploration & Production (-10%) and Integrated Oil & Gas (-9%). On the other hand, four sub-industries are projected to report revenue growth, led by the Oil & Gas Drilling (23%) sub-industry.

Information Technology: 2 of 6 Industries to Report Decline

The Information Technology sector is expected to report the second largest (year-over-year) decline in revenue at -1.1%. At the industry level, only two of the six industries are projected to report a decline in revenue: Semiconductors & Semiconductor Equipment (-8%) and Technology Hardware, Storage, & Peripherals (-6%). On the other hand, four industries are projected to report revenue growth, led by the Software (10%) industry.

Looking Ahead: Forward Estimates and Valuation

Earnings: Single-Digit Earnings Growth Projected for 2019

For the first quarter, analysts are expecting S&P 500 companies to report a decline in earnings of -3.7% and growth in revenue of 4.9%. For the remainder of 2019, analysts are predicting low single-digit earnings growth for the second and third quarters and high single digit earnings growth for the fourth quarter.

For Q2 2019, analysts are projecting earnings growth of 0.1% and revenue growth of 4.6%.

For Q3 2019, analysts are projecting earnings growth of 1.7% and revenue growth of 4.4%.

For Q4 2019, analysts are projecting earnings growth of 8.1% and revenue growth of 4.8%.

For CY 2019, analysts are projecting earnings growth of 3.8% and revenue growth of 4.9%.

Valuation: Forward P/E Ratio is 16.6, Above the 10-Year Average (14.7)

The forward 12-month P/E ratio is 16.6. This P/E ratio is above the 5-year average of 16.4 and above the 10-year average of 14.7. It is also above the forward 12-month P/E ratio of 14.4 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 13.9%, while the forward 12-month EPS estimate has decreased by 0.8%.

At the sector level, the Consumer Discretionary (20.8) sector has the highest forward 12-month P/E ratio, while the Financials (11.4) sector has the lowest forward 12-month P/E ratio.

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

The bottom-up target price for the S&P 500 is 3084.68, which is 8.0% above the closing price of 2854.88. At the sector level, the Financials (+12.6%), Energy (+11.8%), and Communication Services (+11.8%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Utilities (+0.4%) and Real Estate (+1.4%) sectors are expected to see the smallest price increases, as these sectors have the smallest upside differences between the bottom-up target price and the closing price.

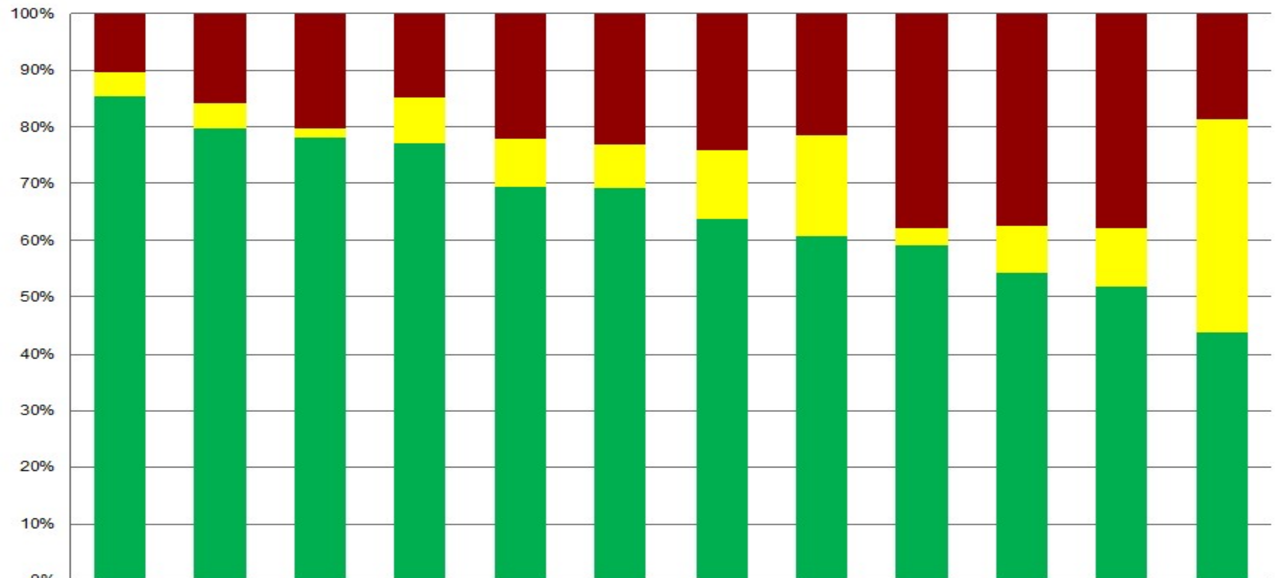
Overall, there are 11,030 ratings on stocks in the S&P 500. Of these 11,030 ratings, 53.4% are Buy ratings, 40.5% are Hold ratings, and 6.1% are Sell ratings. At the sector level, the Energy (67%) sector has the highest percentage of Buy ratings, while the Consumer Staples (40%) sector has the lowest percentage of Buy ratings.

Companies Reporting Next Week: 8

During the upcoming week, eight S&P 500 companies are scheduled to report results for the first quarter.

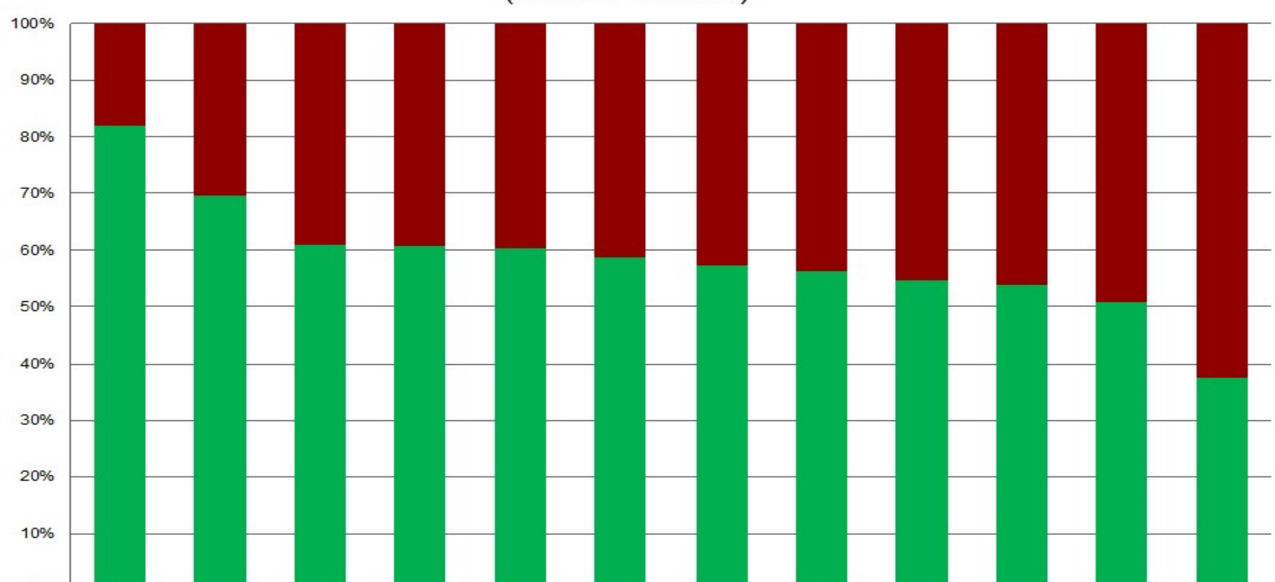
Q4 2018: Scorecard

S&P 500 Earnings Above, In-Line, Below Estimates: Q4 2018
(Source: FactSet)



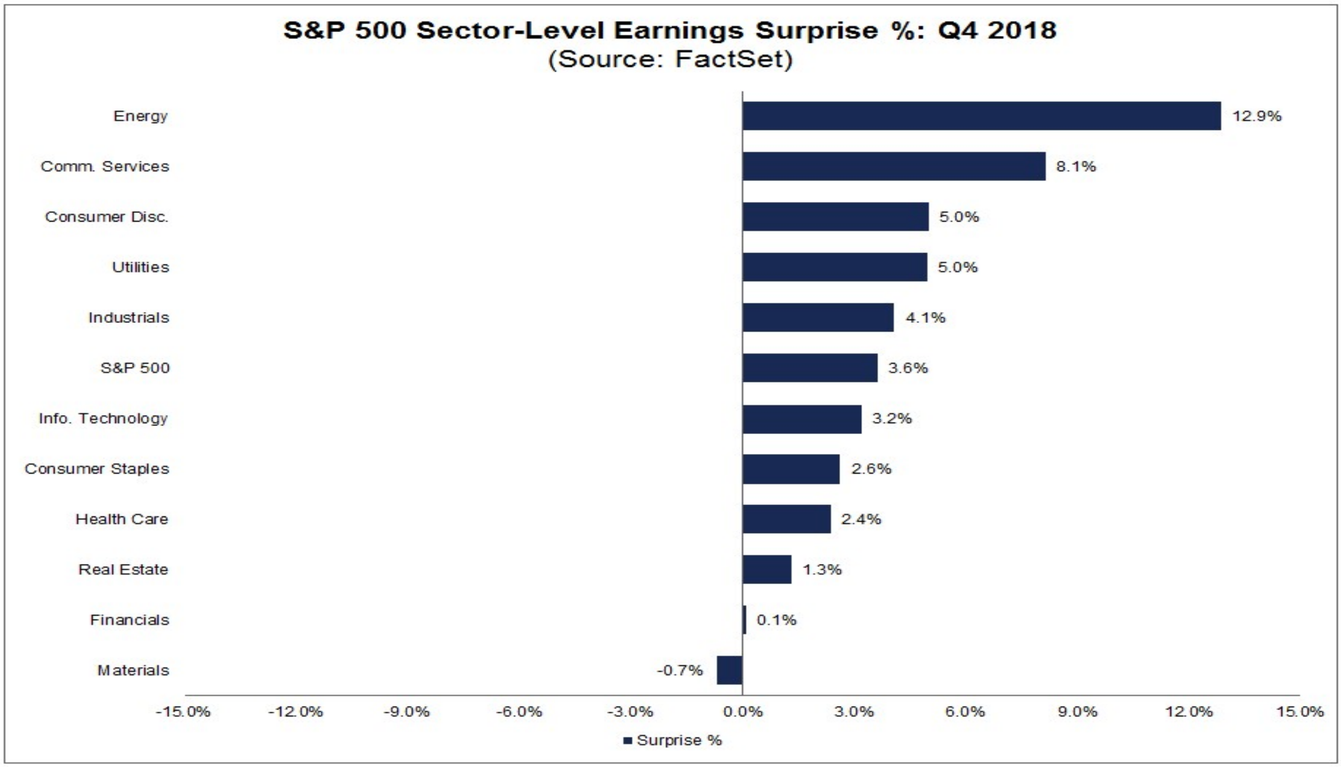
	Info. Technology	Industrials	Consumer Disc.	Health Care	S&P 500	Comm. Services	Consumer Staples	Utilities	Financials	Materials	Energy	Real Estate
Below	10%	16%	20%	15%	22%	23%	24%	21%	38%	38%	38%	19%
In-Line	4%	4%	2%	8%	8%	8%	12%	18%	3%	8%	10%	38%
Above	85%	80%	78%	77%	69%	69%	64%	61%	59%	54%	52%	44%

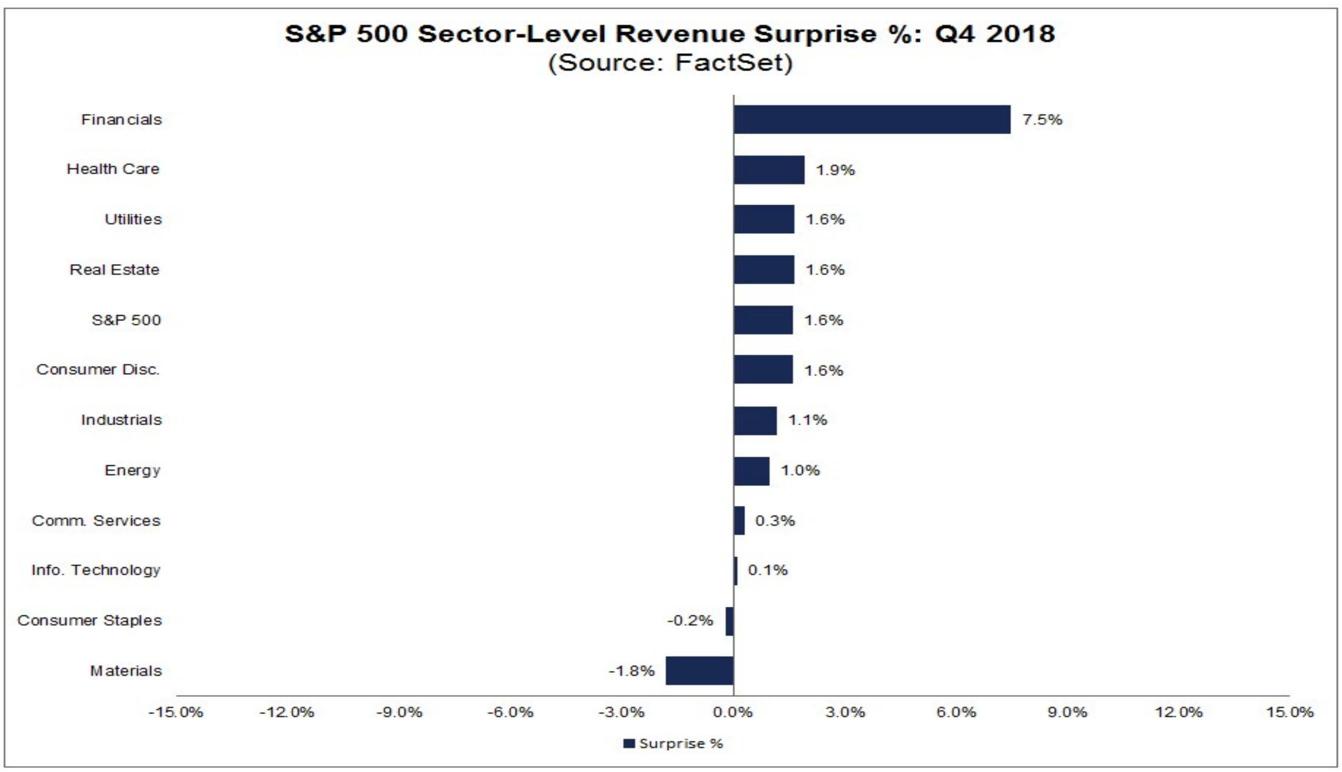
S&P 500 Revenues Above, In-Line, Below Estimates: Q4 2018
(Source: FactSet)



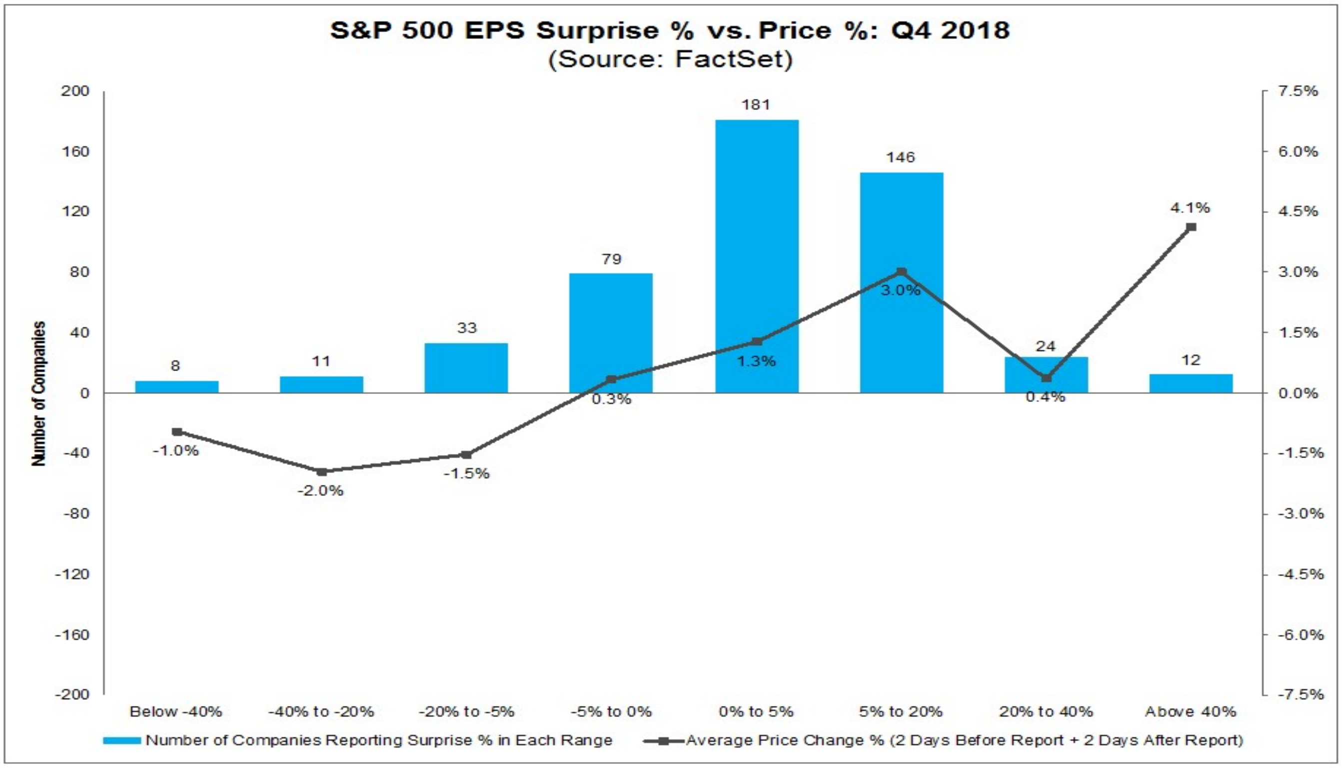
	Health Care	Industrials	Consumer Disc.	S&P 500	Info. Technology	Energy	Utilities	Real Estate	Consumer Staples	Comm. Services	Financials	Materials
Below	18%	30%	39%	39%	40%	41%	43%	44%	45%	46%	49%	63%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	82%	70%	61%	61%	60%	59%	57%	56%	55%	54%	51%	38%

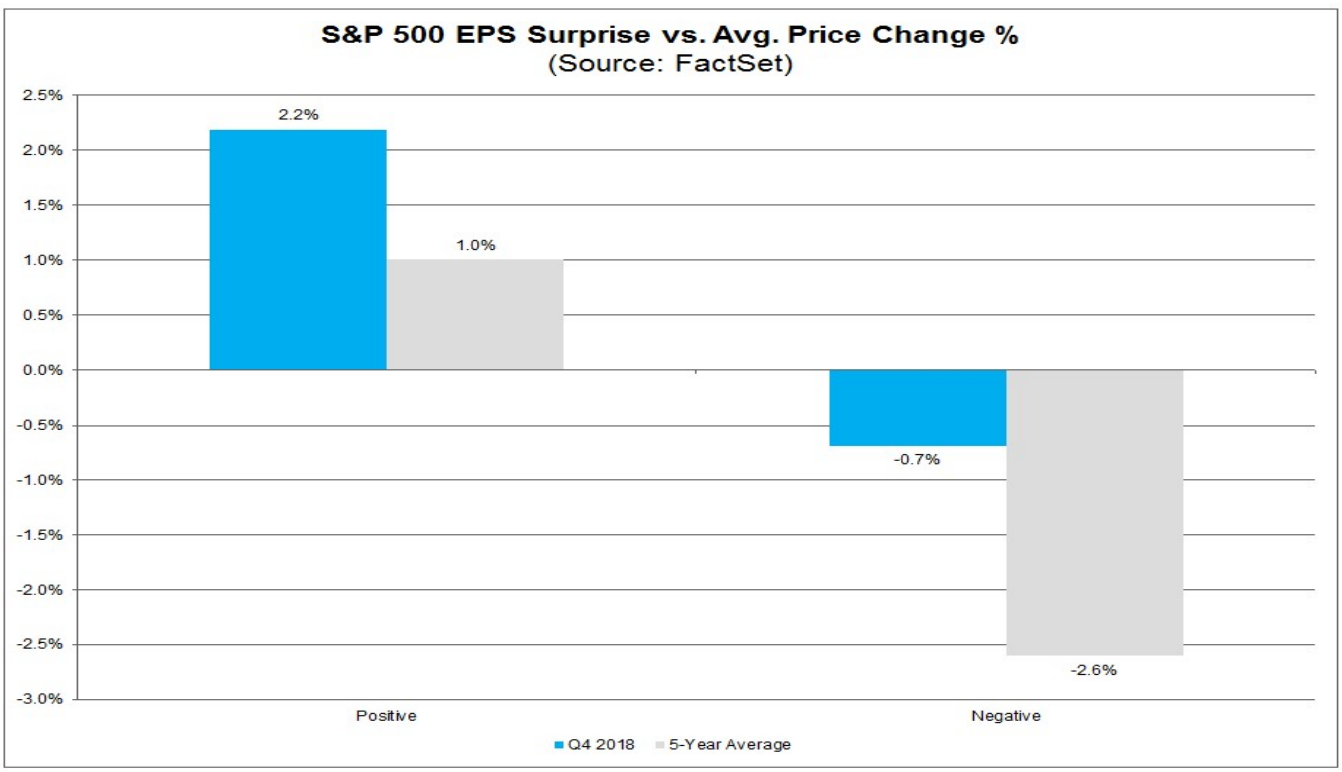
Q4 2018: Scorecard



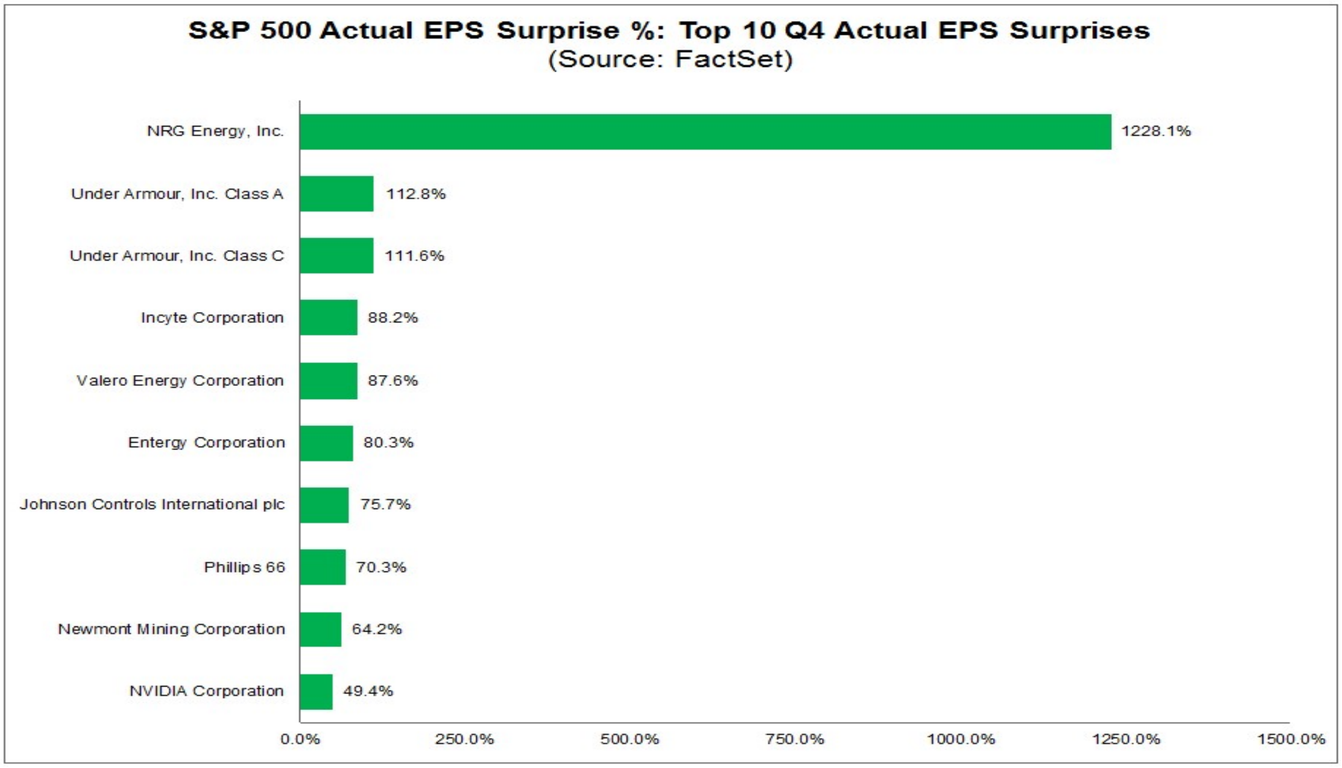


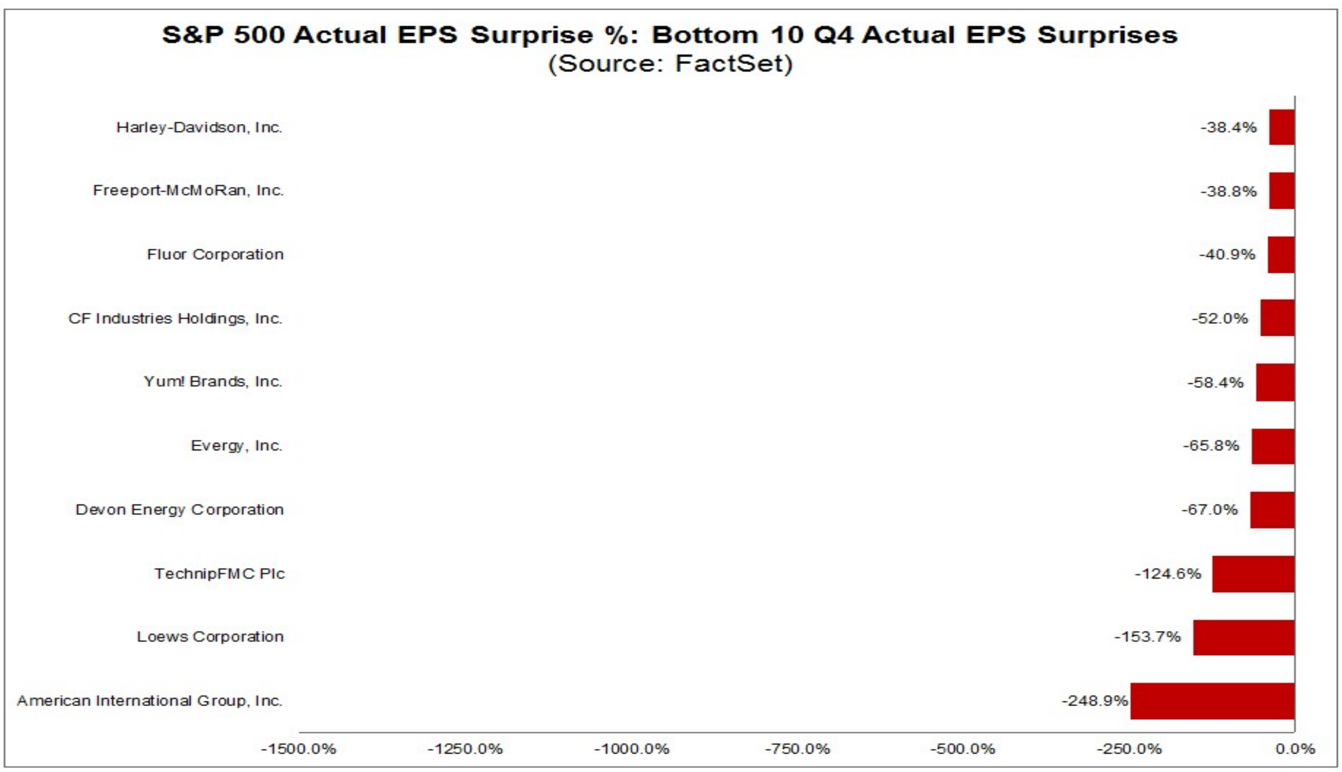
Q4 2018: Scorecard



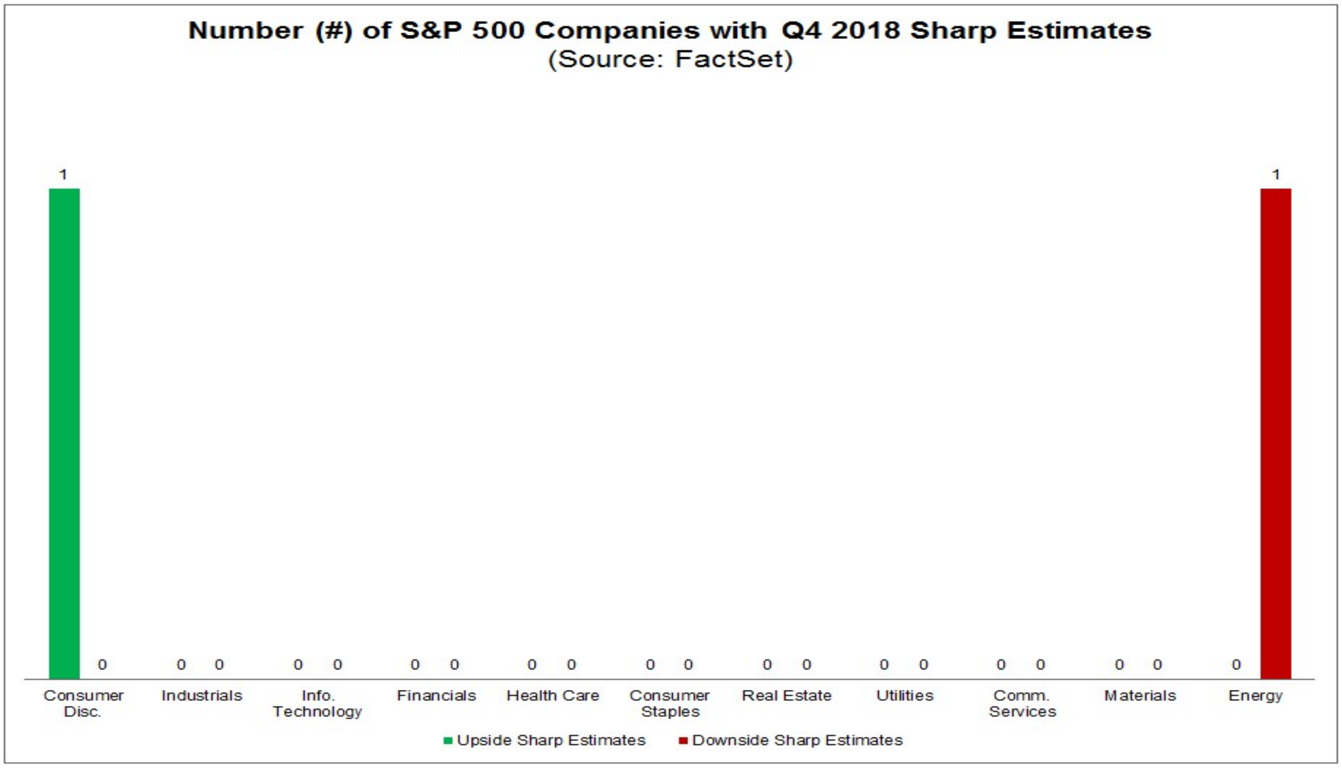


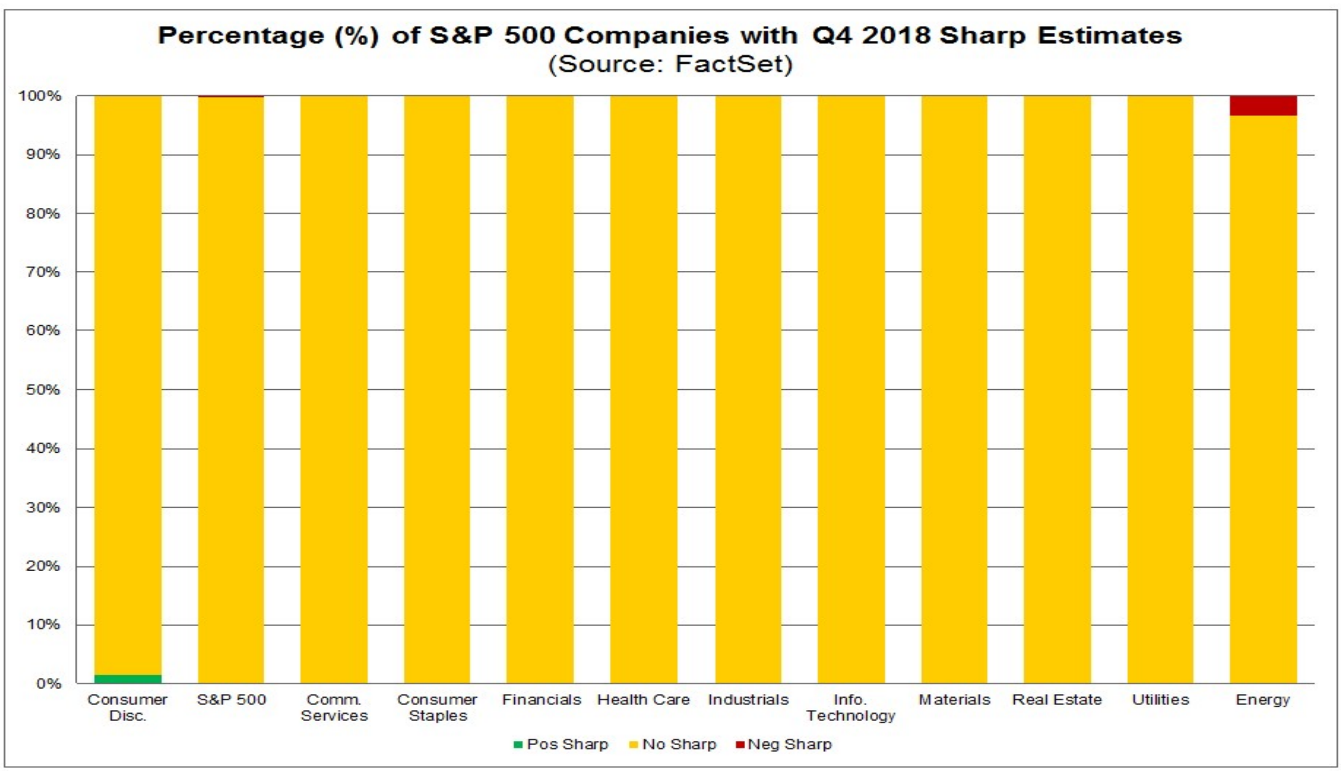
Q4 2018: Scorecard



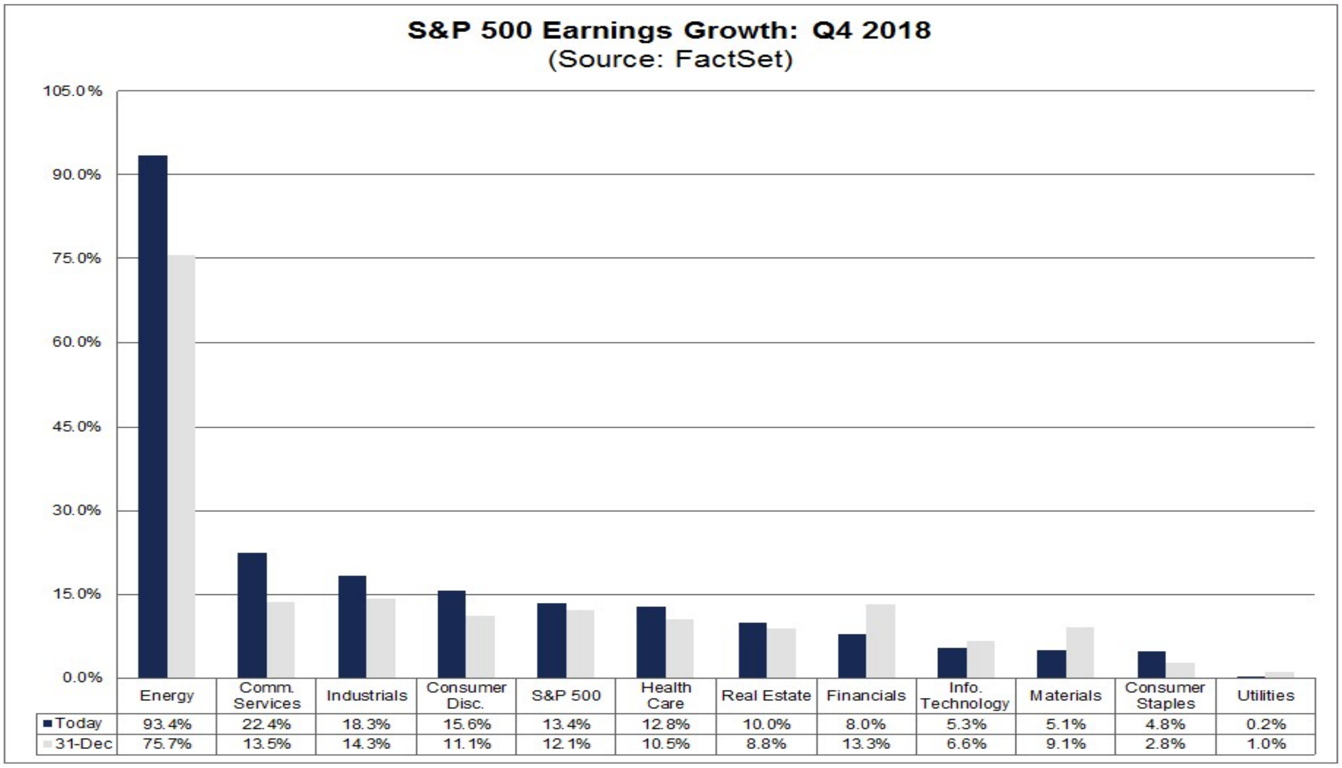


Q4 2018: Projected EPS Surprises (Sharp Estimates)

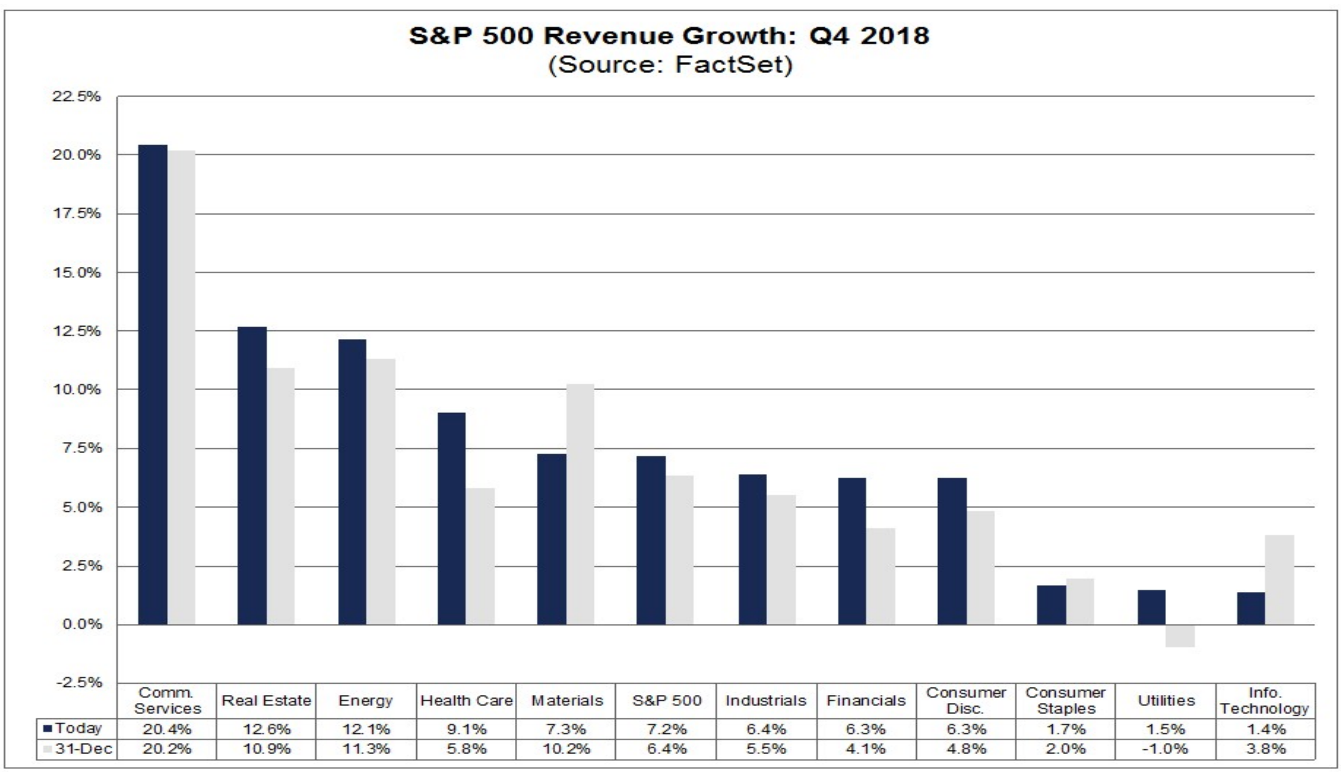




Q4 2018: Growth

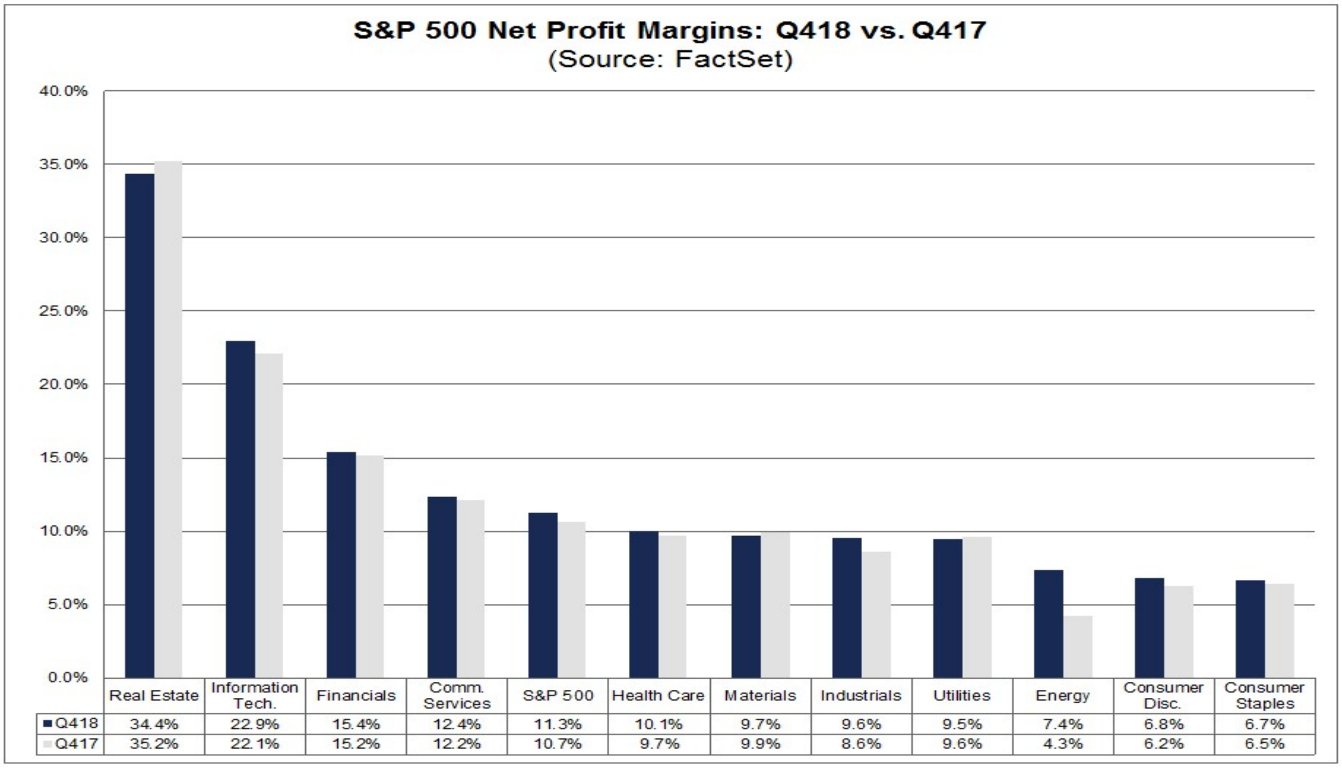


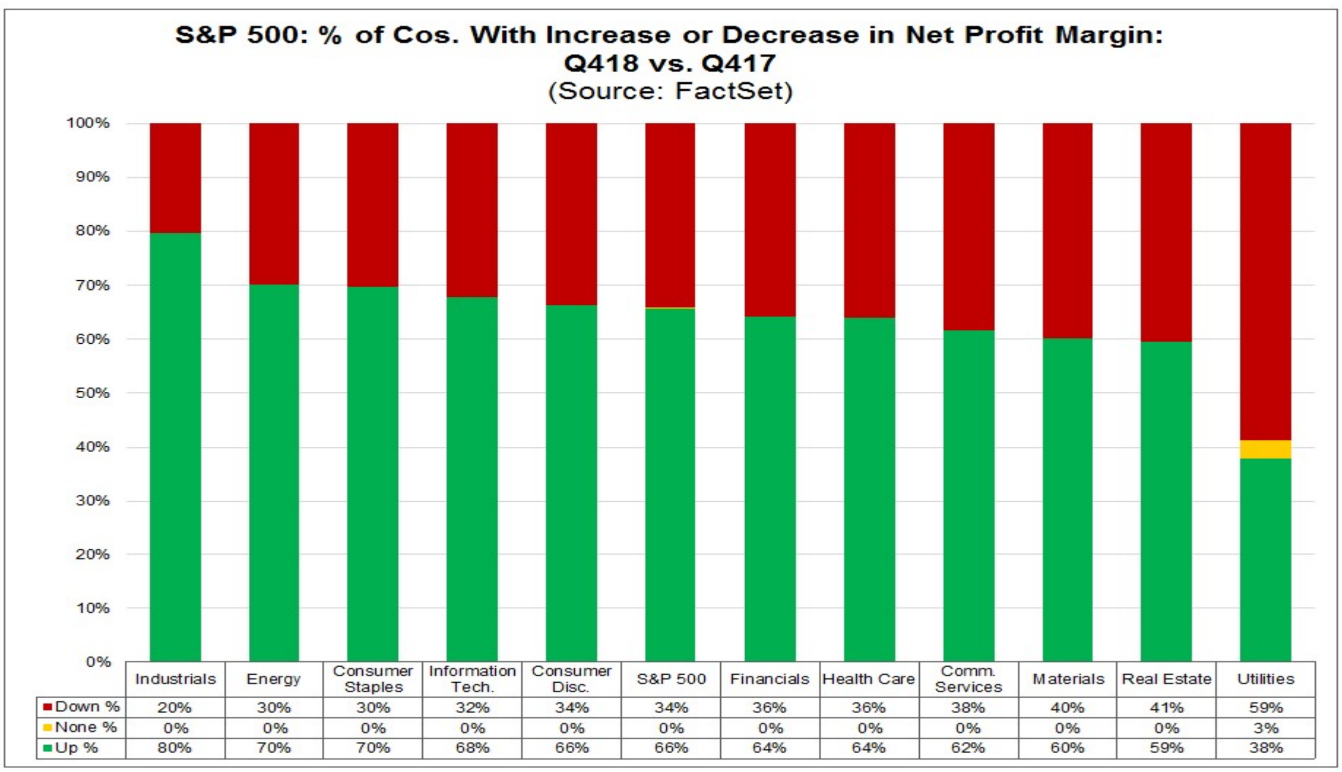
	Energy	Comm. Services	Industrials	Consumer Disc.	S&P 500	Health Care	Real Estate	Financials	Info. Technology	Materials	Consumer Staples	Utilities
Today	93.4%	22.4%	18.3%	15.6%	13.4%	12.8%	10.0%	8.0%	5.3%	5.1%	4.8%	0.2%
31-Dec	75.7%	13.5%	14.3%	11.1%	12.1%	10.5%	8.8%	13.3%	6.6%	9.1%	2.8%	1.0%



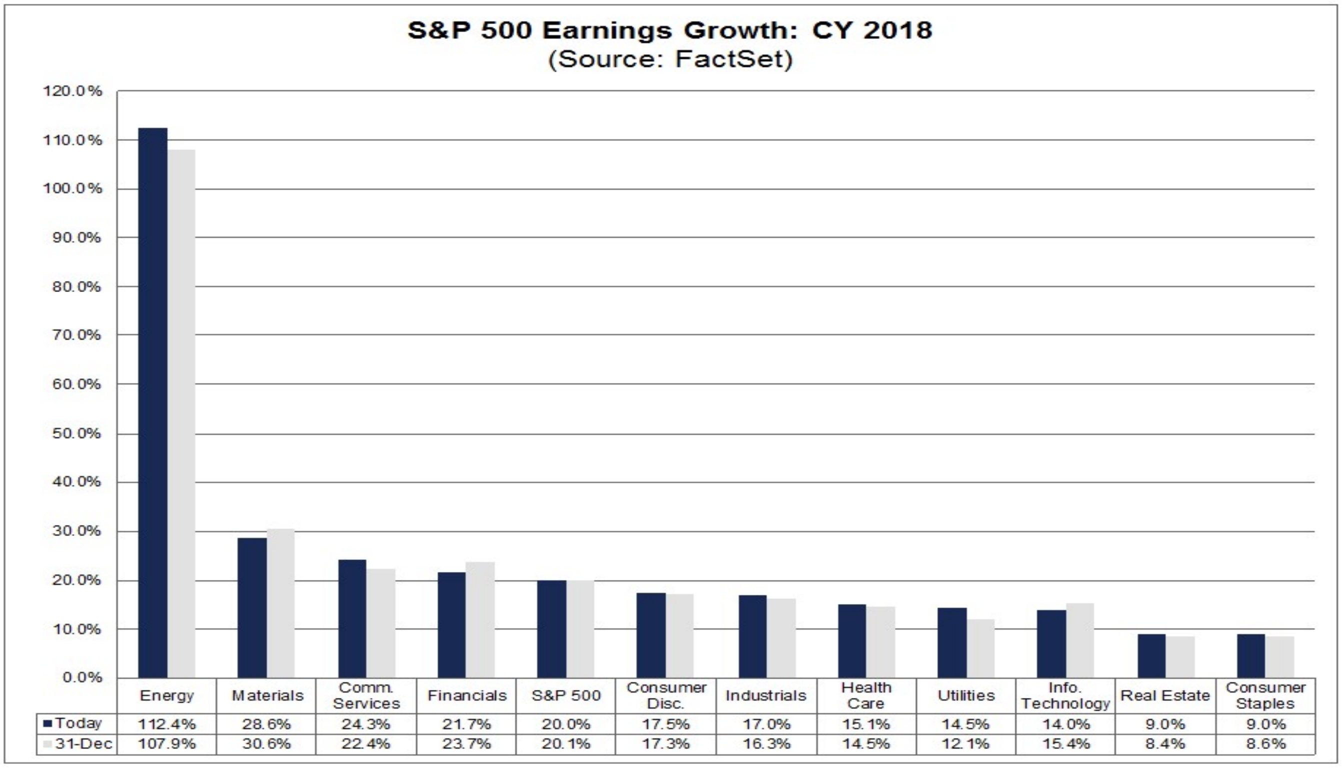
	Comm. Services	Real Estate	Energy	Health Care	Materials	S&P 500	Industrials	Financials	Consumer Disc.	Consumer Staples	Utilities	Info. Technology
Today	20.4%	12.6%	12.1%	9.1%	7.3%	7.2%	6.4%	6.3%	6.3%	1.7%	1.5%	1.4%
31-Dec	20.2%	10.9%	11.3%	5.8%	10.2%	6.4%	5.5%	4.1%	4.8%	2.0%	-1.0%	3.8%

Q4 2018: Net Profit Margin

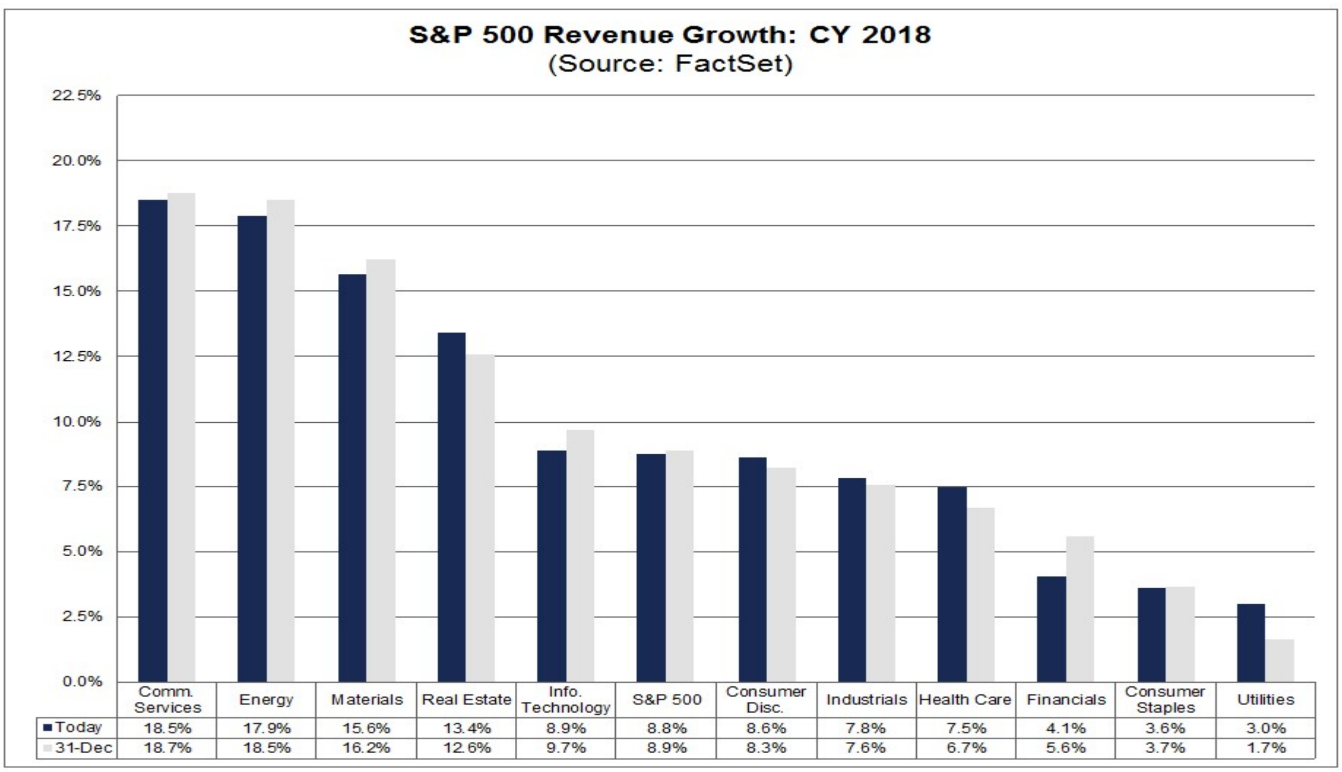




CY 2018: Growth

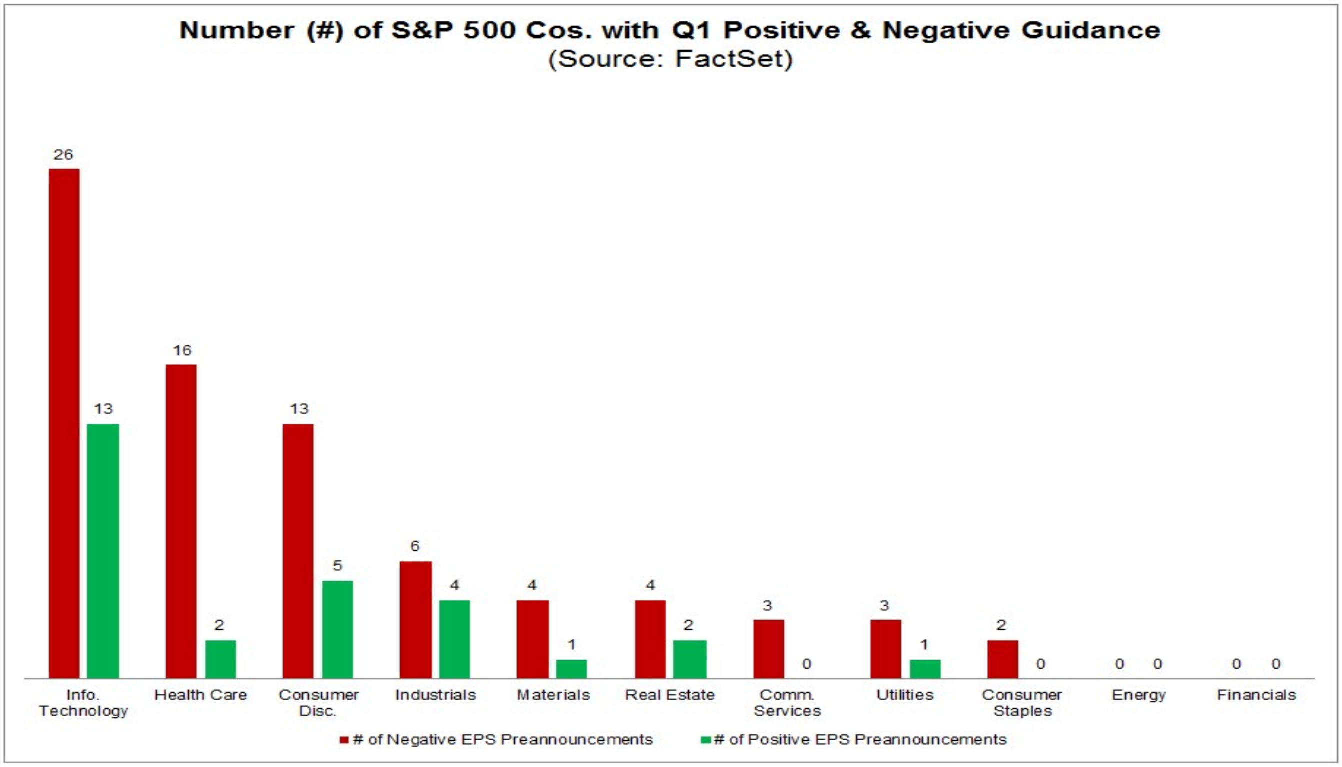


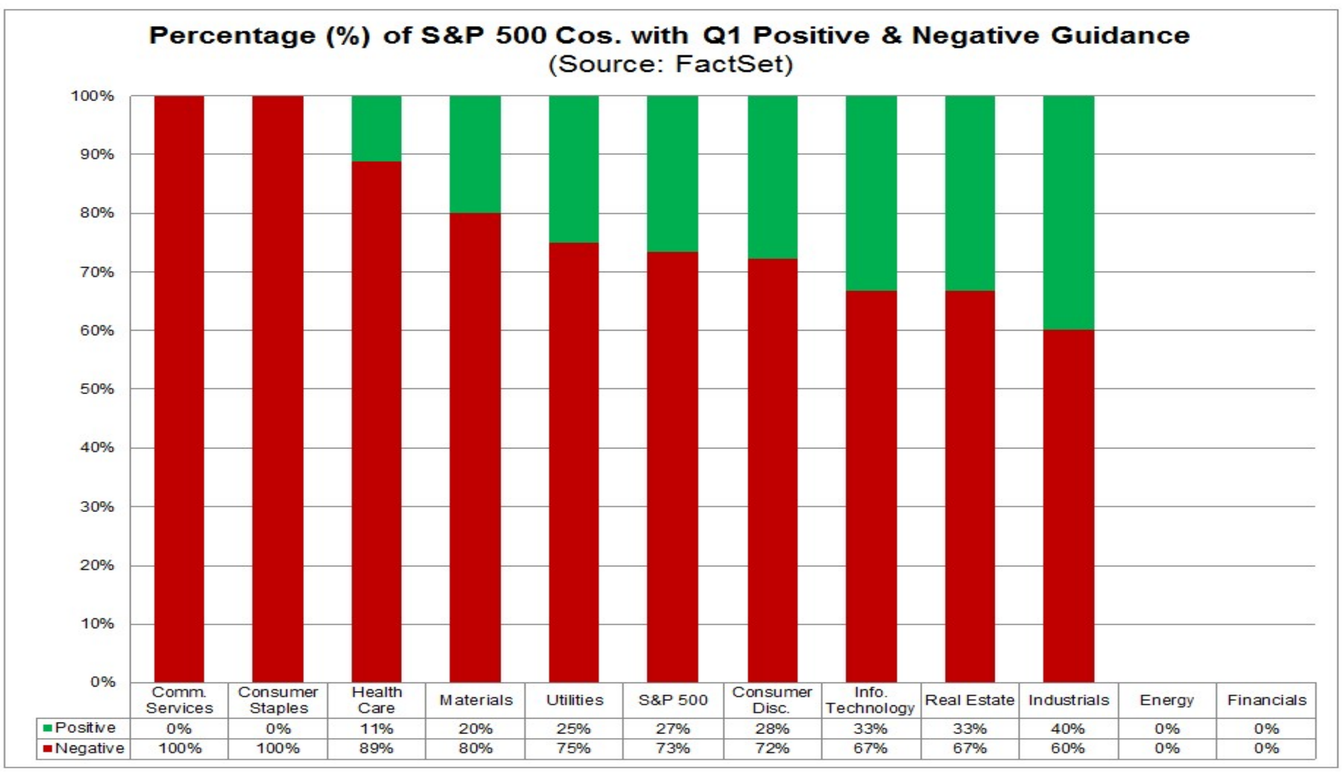
	Energy	Materials	Comm. Services	Financials	S&P 500	Consumer Disc.	Industrials	Health Care	Utilities	Info. Technology	Real Estate	Consumer Staples
Today	112.4%	28.6%	24.3%	21.7%	20.0%	17.5%	17.0%	15.1%	14.5%	14.0%	9.0%	9.0%
31-Dec	107.9%	30.6%	22.4%	23.7%	20.1%	17.3%	16.3%	14.5%	12.1%	15.4%	8.4%	8.6%



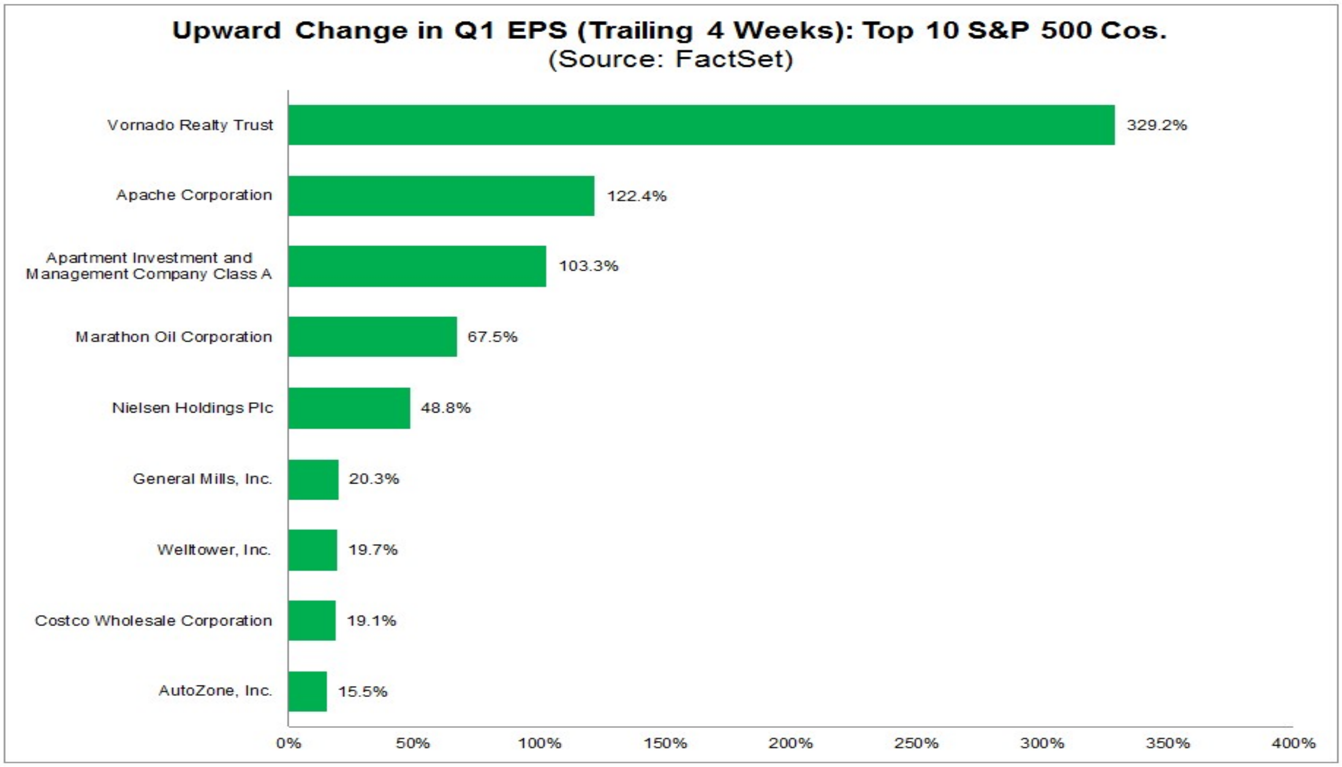
	Comm. Services	Energy	Materials	Real Estate	Info. Technology	S&P 500	Consumer Disc.	Industrials	Health Care	Financials	Consumer Staples	Utilities
Today	18.5%	17.9%	15.6%	13.4%	8.9%	8.8%	8.6%	7.8%	7.5%	4.1%	3.6%	3.0%
31-Dec	18.7%	18.5%	16.2%	12.6%	9.7%	8.9%	8.3%	7.6%	6.7%	5.6%	3.7%	1.7%

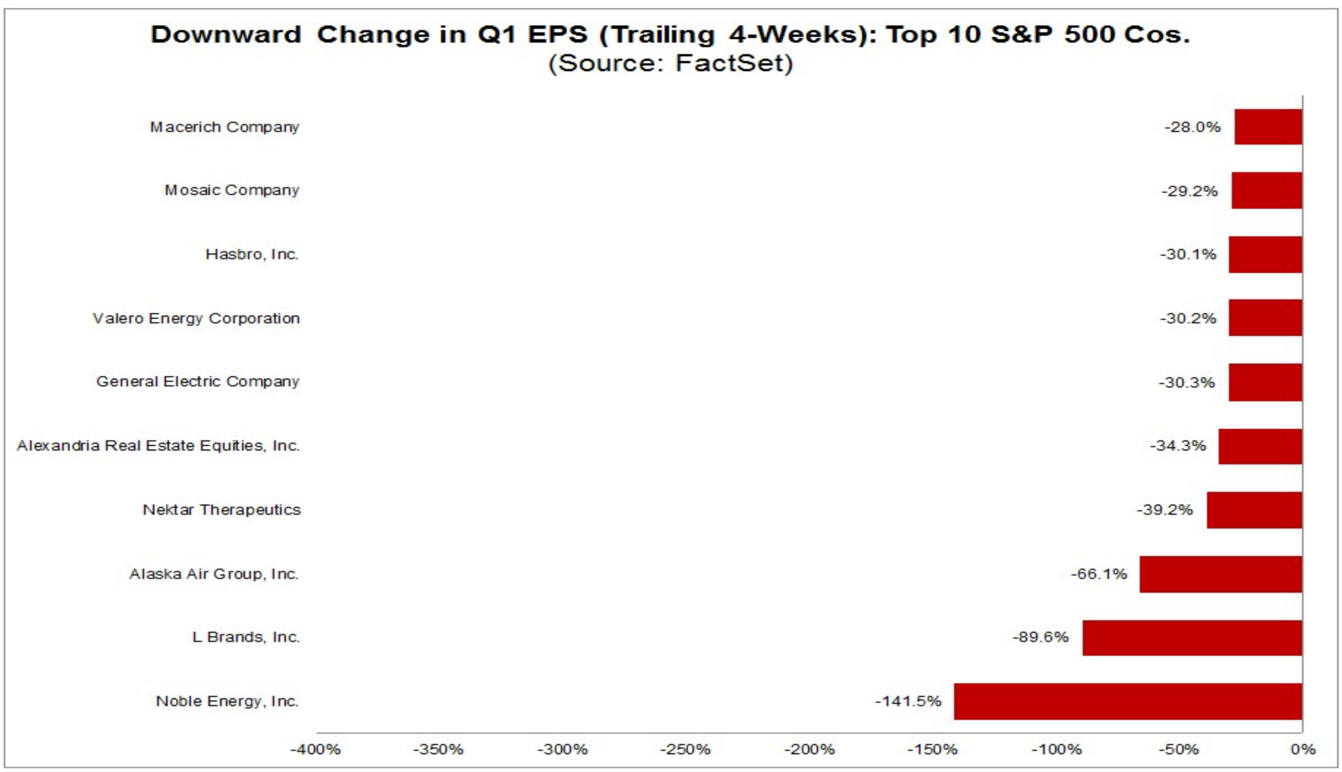
Q1 2019: EPS Guidance



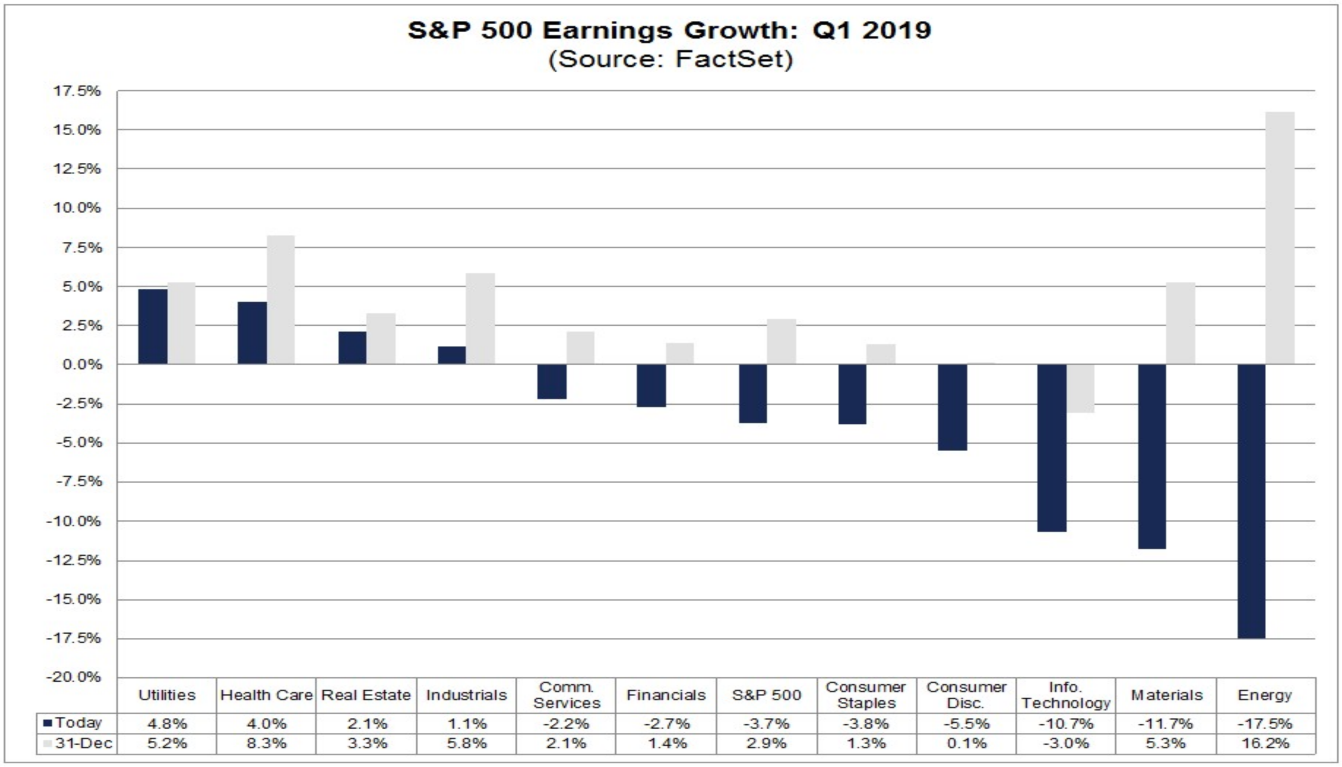


Q1 2019: EPS Revisions

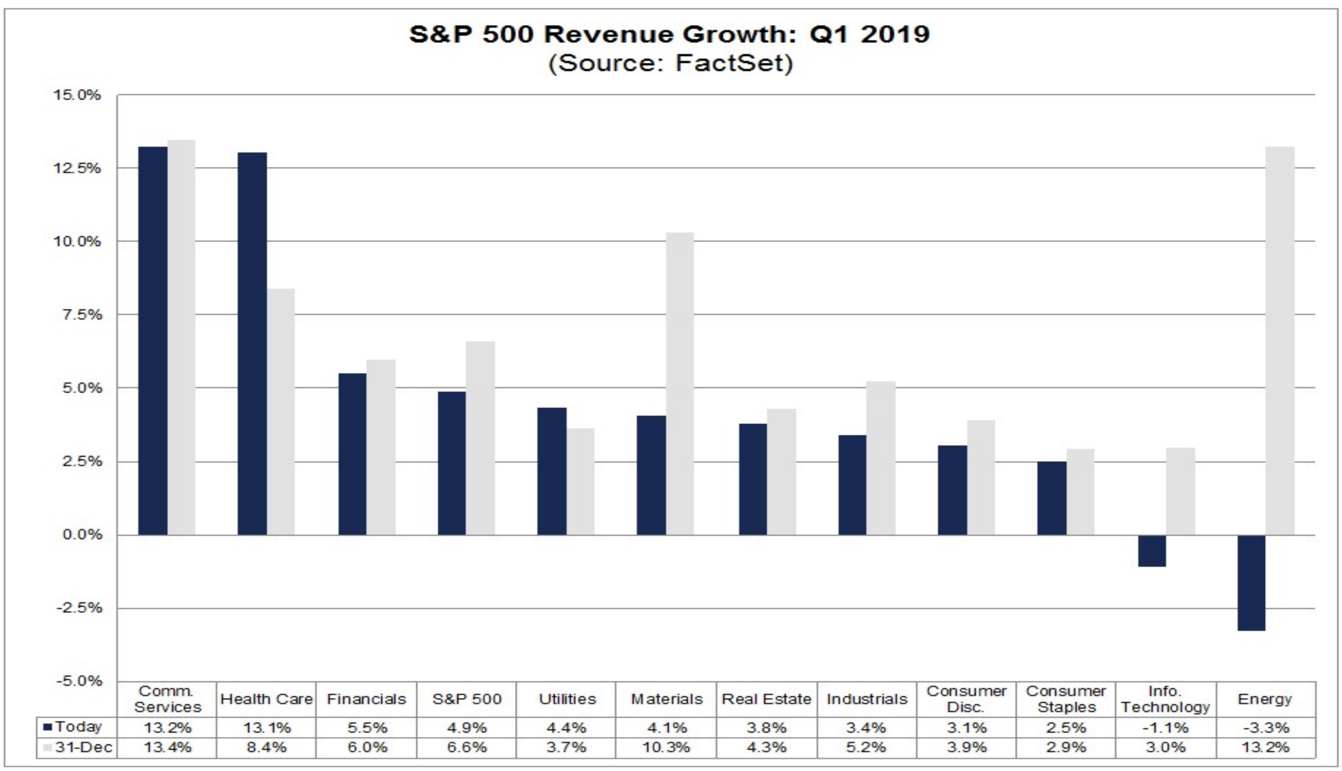




Q1 2019: Growth

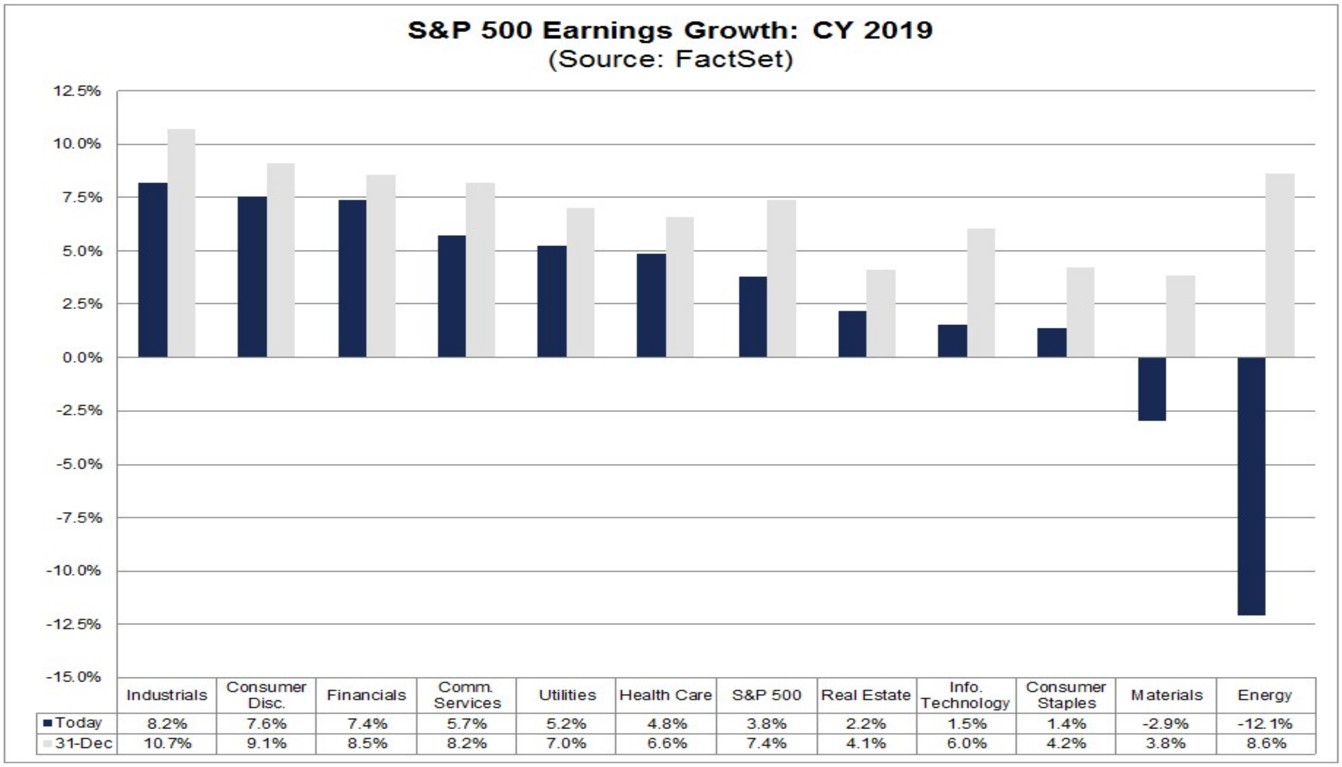


	Utilities	Health Care	Real Estate	Industrials	Comm. Services	Financials	S&P 500	Consumer Staples	Consumer Disc.	Info. Technology	Materials	Energy
Today	4.8%	4.0%	2.1%	1.1%	-2.2%	-2.7%	-3.7%	-3.8%	-5.5%	-10.7%	-11.7%	-17.5%
31-Dec	5.2%	8.3%	3.3%	5.8%	2.1%	1.4%	2.9%	1.3%	0.1%	-3.0%	5.3%	16.2%

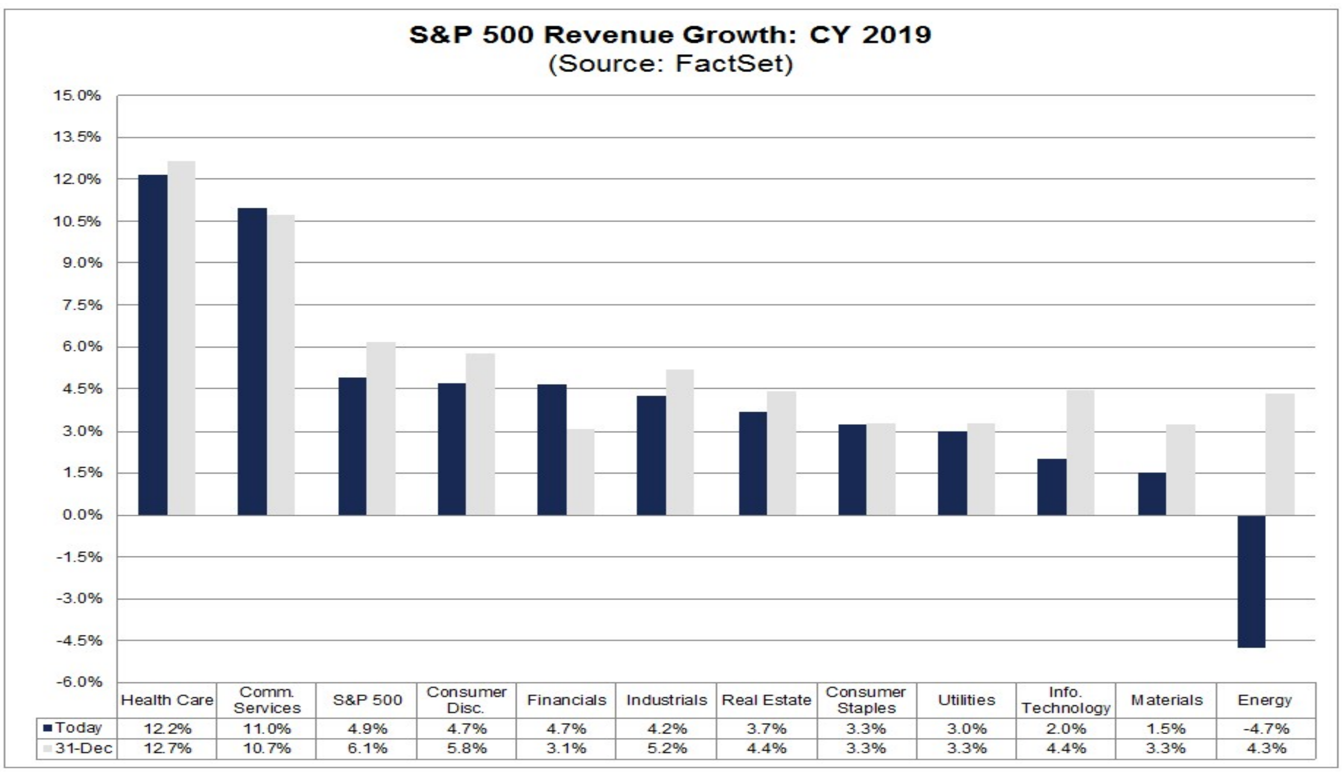


	Comm. Services	Health Care	Financials	S&P 500	Utilities	Materials	Real Estate	Industrials	Consumer Disc.	Consumer Staples	Info. Technology	Energy
Today	13.2%	13.1%	5.5%	4.9%	4.4%	4.1%	3.8%	3.4%	3.1%	2.5%	-1.1%	-3.3%
31-Dec	13.4%	8.4%	6.0%	6.6%	3.7%	10.3%	4.3%	5.2%	3.9%	2.9%	3.0%	13.2%

CY 2019: Growth

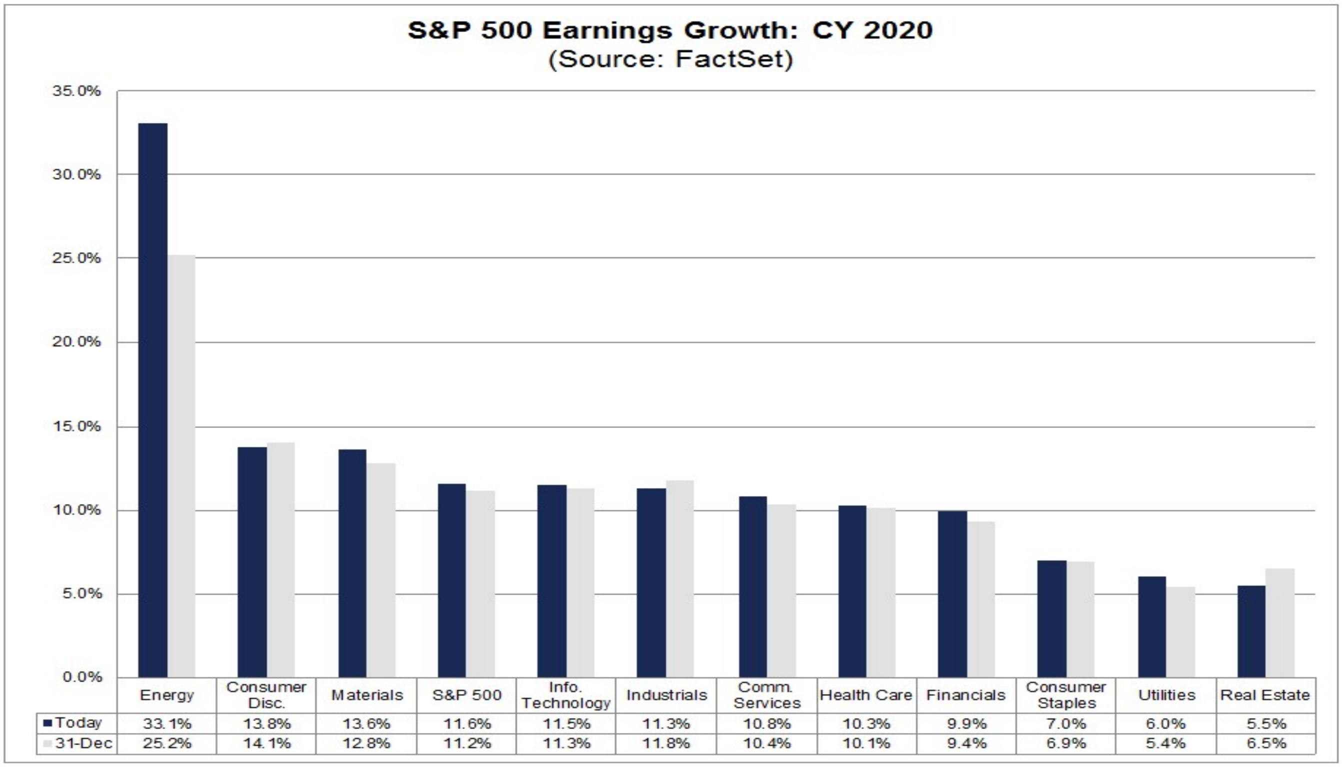


	Industrials	Consumer Disc.	Financials	Comm. Services	Utilities	Health Care	S&P 500	Real Estate	Info. Technology	Consumer Staples	Materials	Energy
Today	8.2%	7.6%	7.4%	5.7%	5.2%	4.8%	3.8%	2.2%	1.5%	1.4%	-2.9%	-12.1%
31-Dec	10.7%	9.1%	8.5%	8.2%	7.0%	6.6%	7.4%	4.1%	6.0%	4.2%	3.8%	8.6%

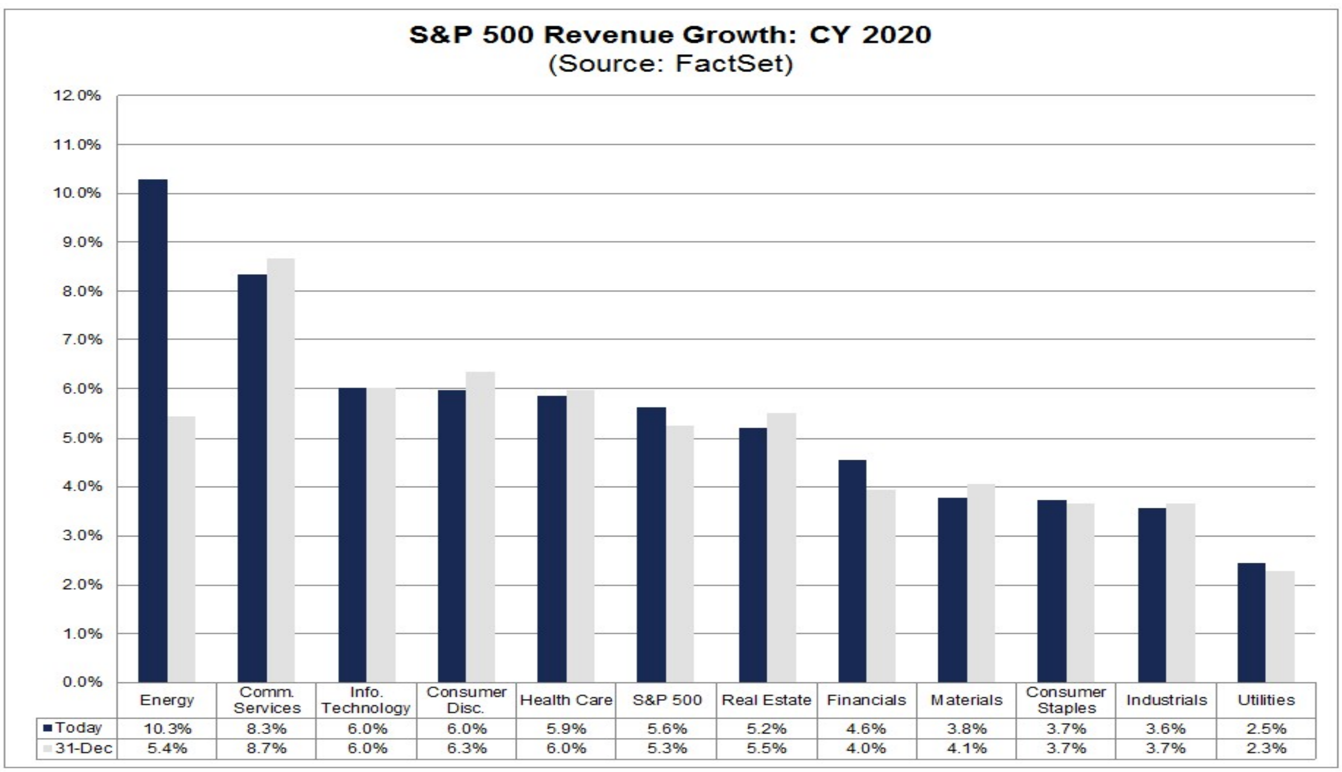


	Health Care	Comm. Services	S&P 500	Consumer Disc.	Financials	Industrials	Real Estate	Consumer Staples	Utilities	Info. Technology	Materials	Energy
Today	12.2%	11.0%	4.9%	4.7%	4.7%	4.2%	3.7%	3.3%	3.0%	2.0%	1.5%	-4.7%
31-Dec	12.7%	10.7%	6.1%	5.8%	3.1%	5.2%	4.4%	3.3%	3.3%	4.4%	3.3%	4.3%

CY 2020: Growth

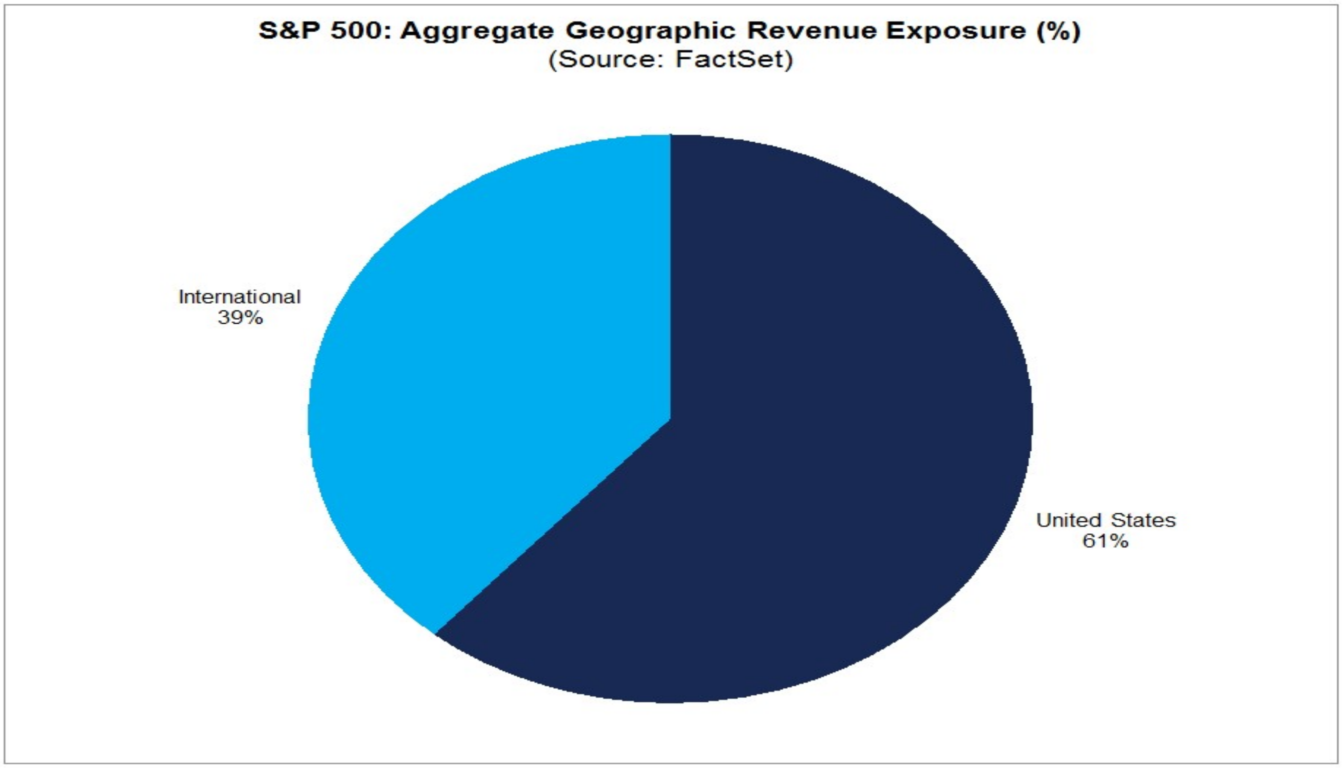


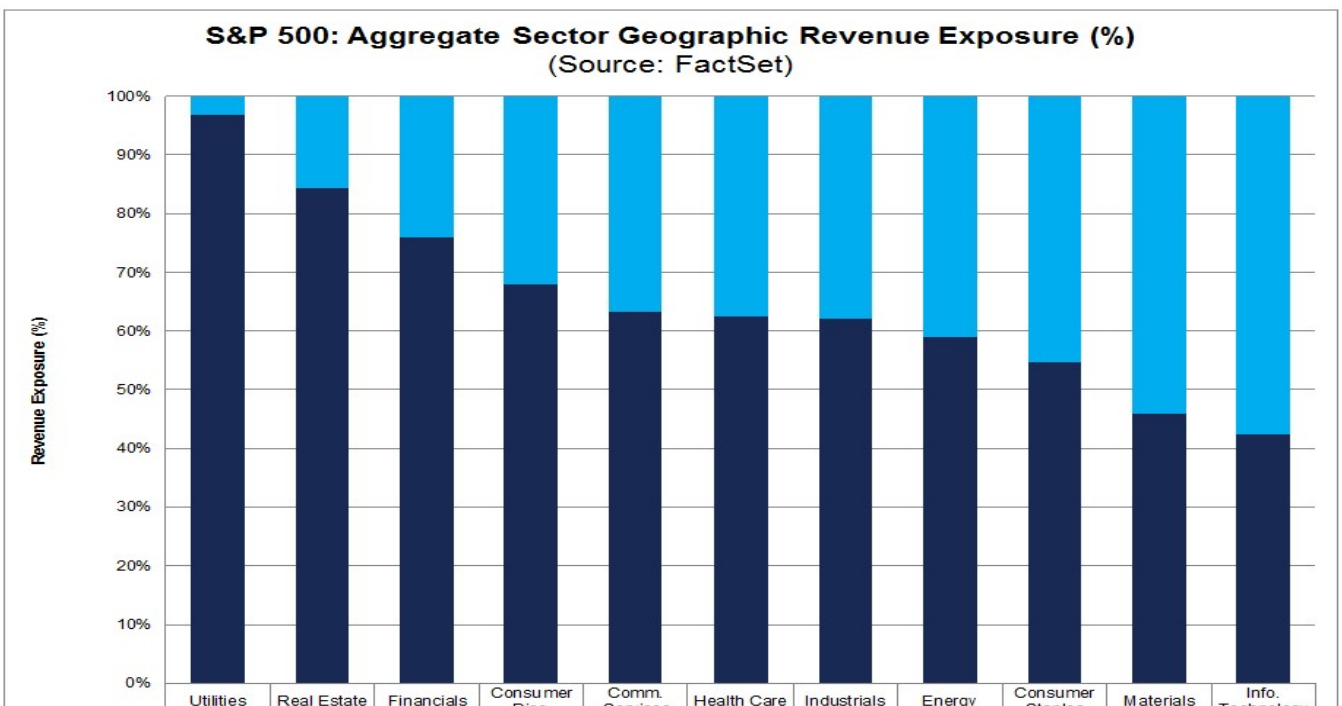
	Energy	Consumer Disc.	Materials	S&P 500	Info. Technology	Industrials	Comm. Services	Health Care	Financials	Consumer Staples	Utilities	Real Estate
Today	33.1%	13.8%	13.6%	11.6%	11.5%	11.3%	10.8%	10.3%	9.9%	7.0%	6.0%	5.5%
31-Dec	25.2%	14.1%	12.8%	11.2%	11.3%	11.8%	10.4%	10.1%	9.4%	6.9%	5.4%	6.5%



	Energy	Comm. Services	Info. Technology	Consumer Disc.	Health Care	S&P 500	Real Estate	Financials	Materials	Consumer Staples	Industrials	Utilities
Today	10.3%	8.3%	6.0%	6.0%	5.9%	5.6%	5.2%	4.6%	3.8%	3.7%	3.6%	2.5%
31-Dec	5.4%	8.7%	6.0%	6.3%	6.0%	5.3%	5.5%	4.0%	4.1%	3.7%	3.7%	2.3%

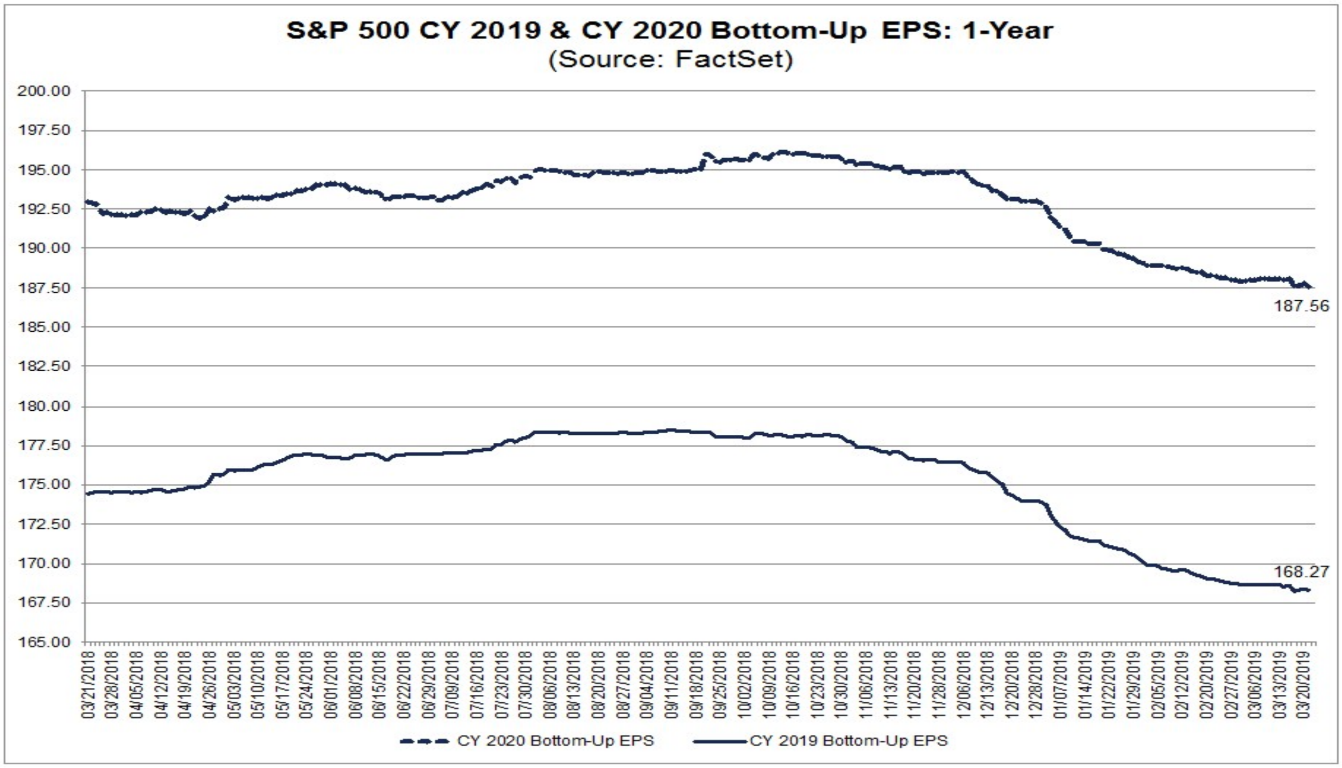
Geographic Revenue Exposure

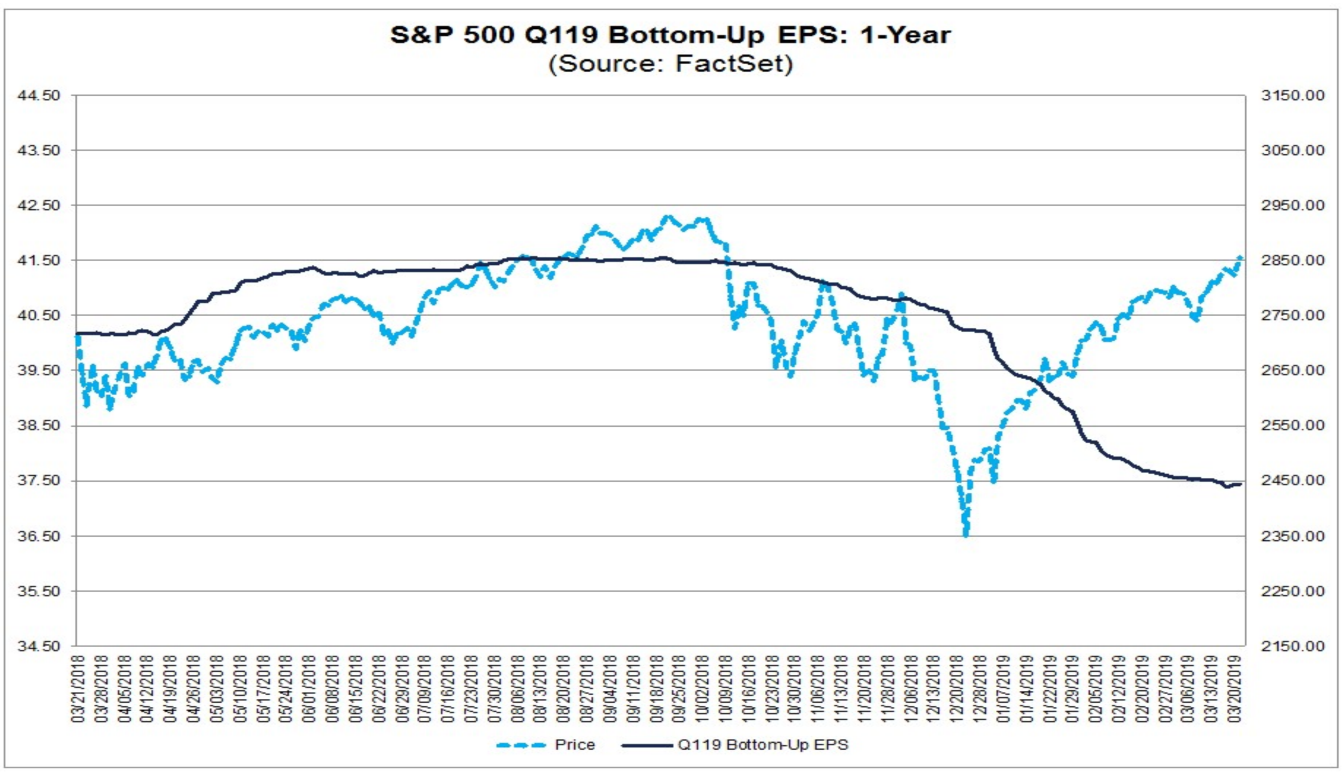




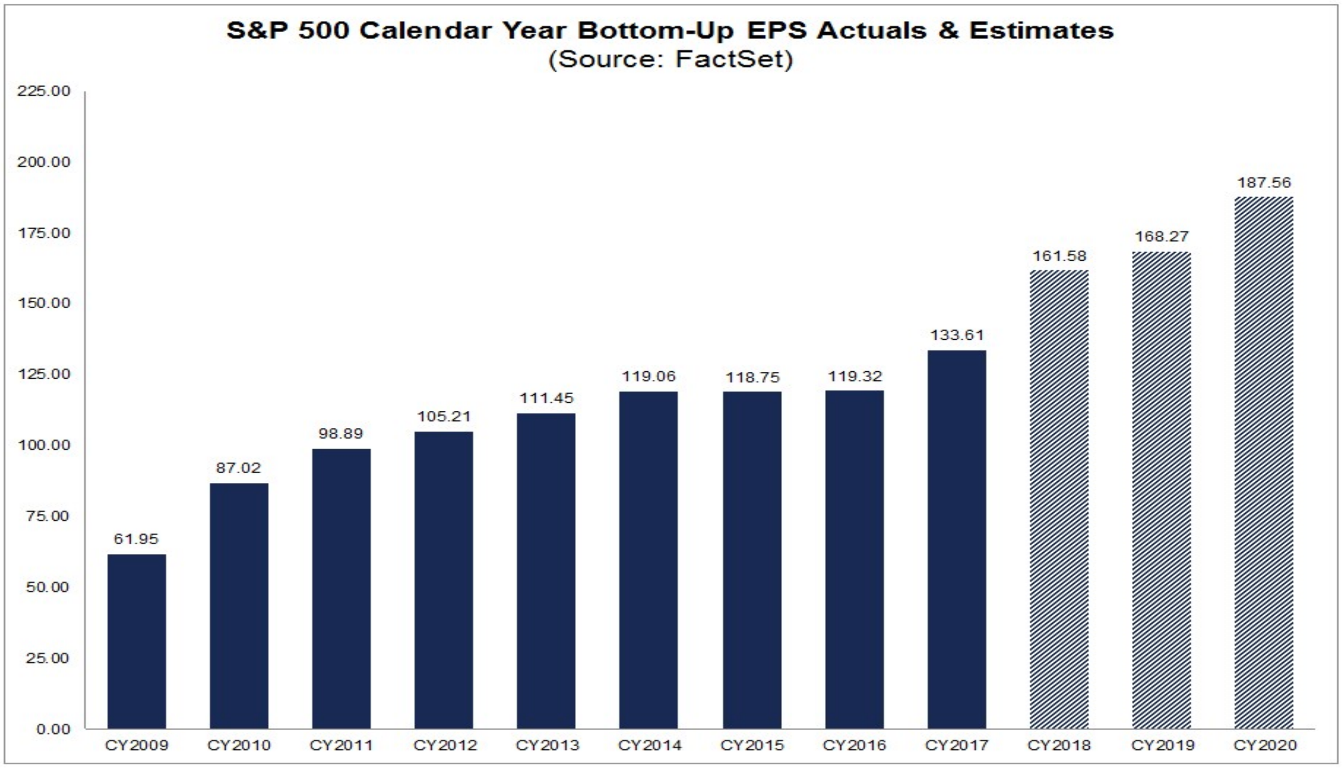
	Utilities	Real Estate	Financials	Consumer Disc.	Comm. Services	Health Care	Industrials	Energy	Consumer Staples	Materials	Info. Technology
International	3%	16%	24%	32%	37%	38%	38%	41%	45%	54%	57%
United States	97%	84%	76%	68%	63%	62%	62%	59%	55%	46%	43%

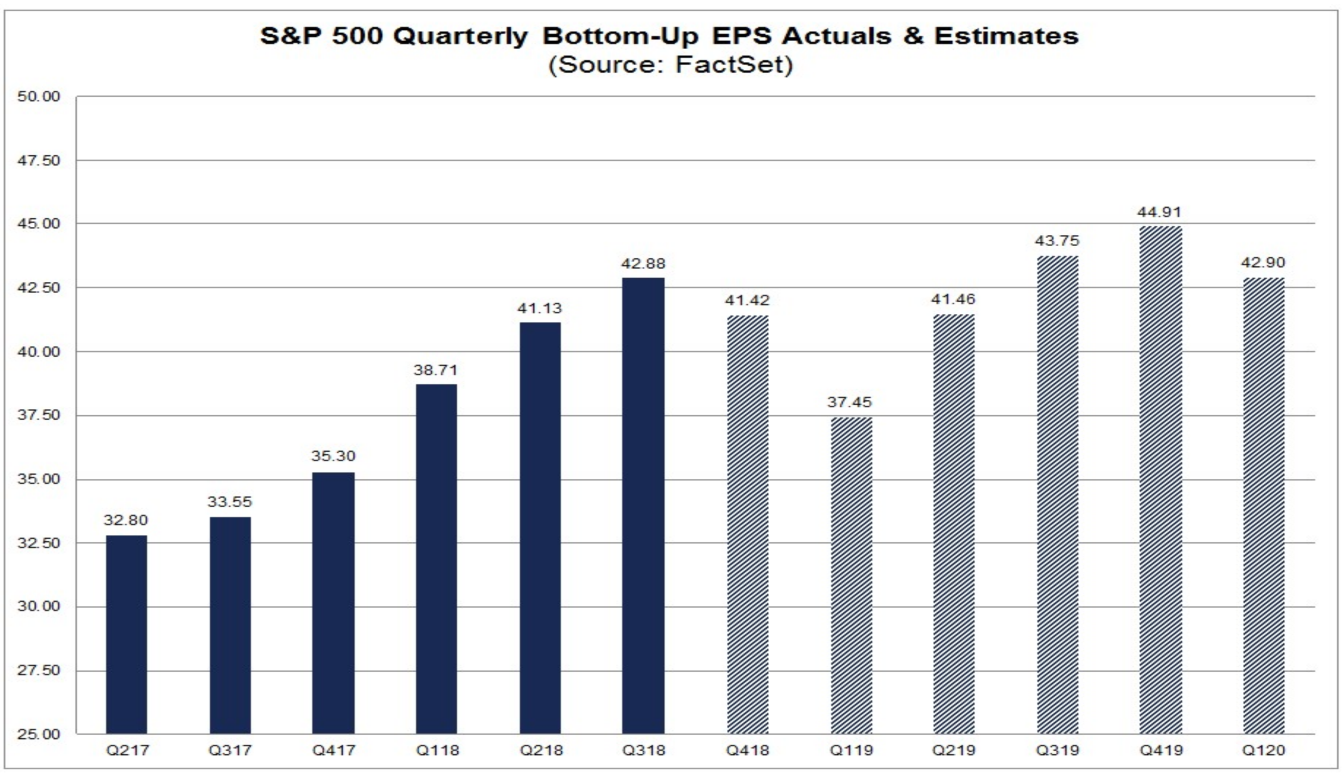
Bottom-up EPS Estimates: Revisions



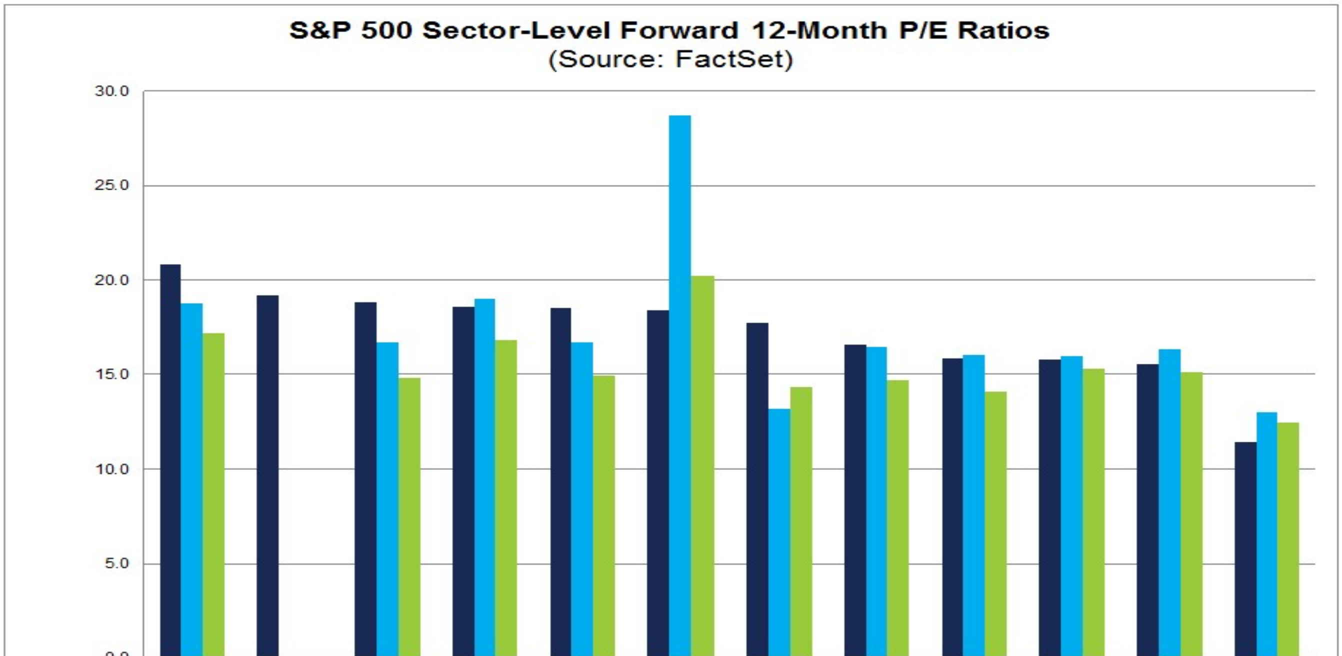


Bottom-up EPS Estimates: Current & Historical

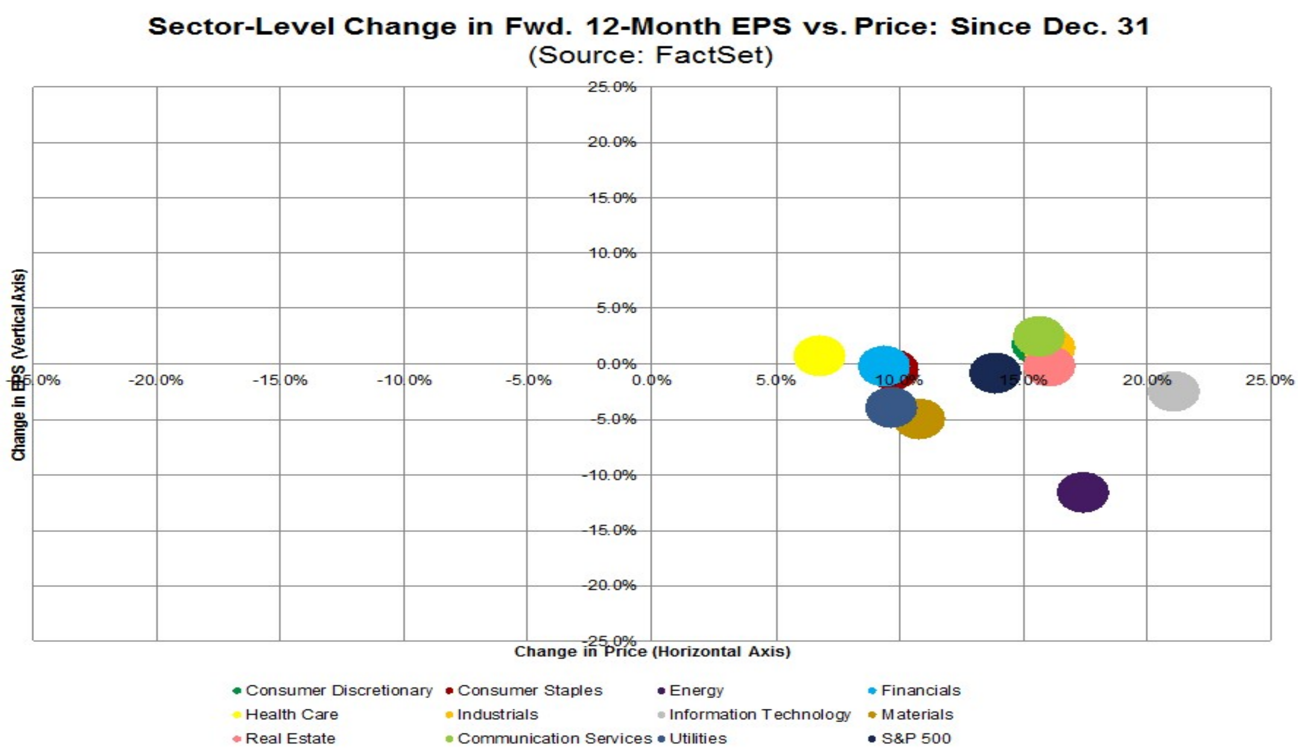




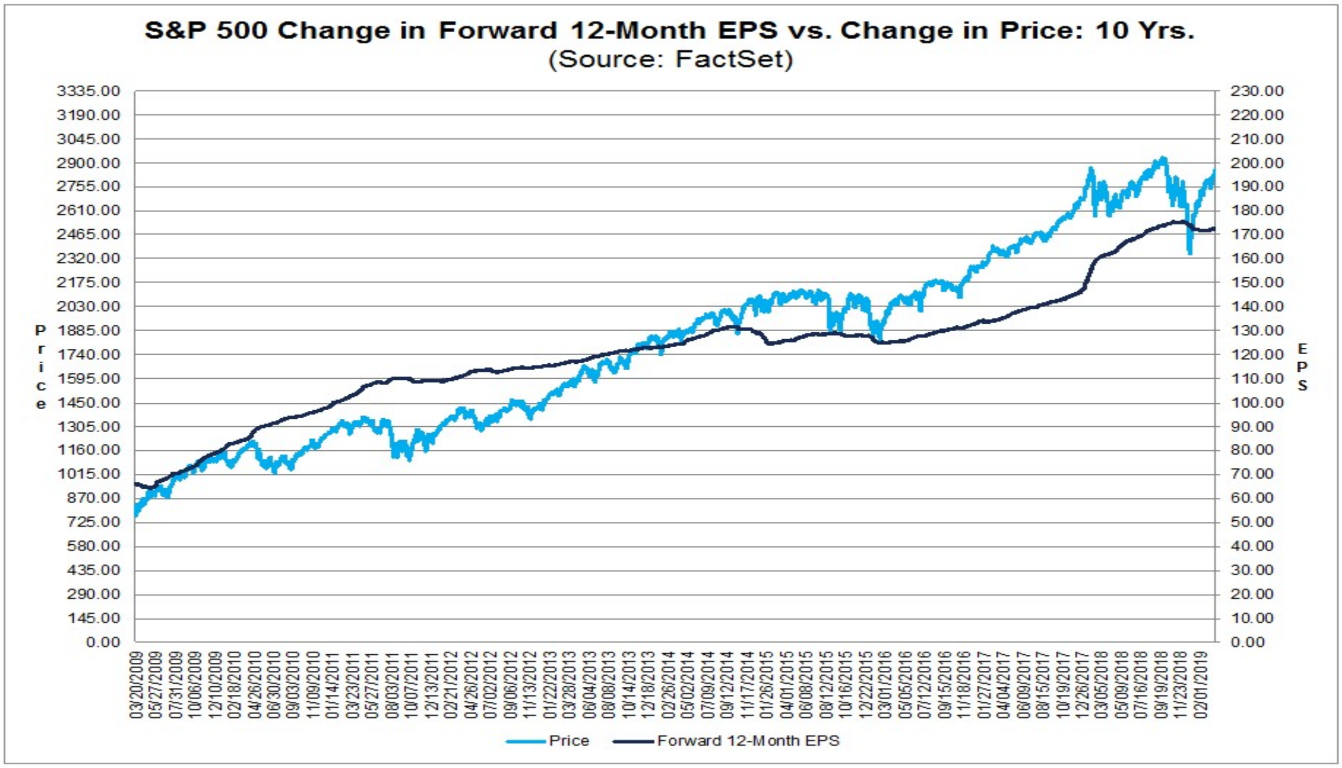
Forward 12M P/E Ratio: Sector Level

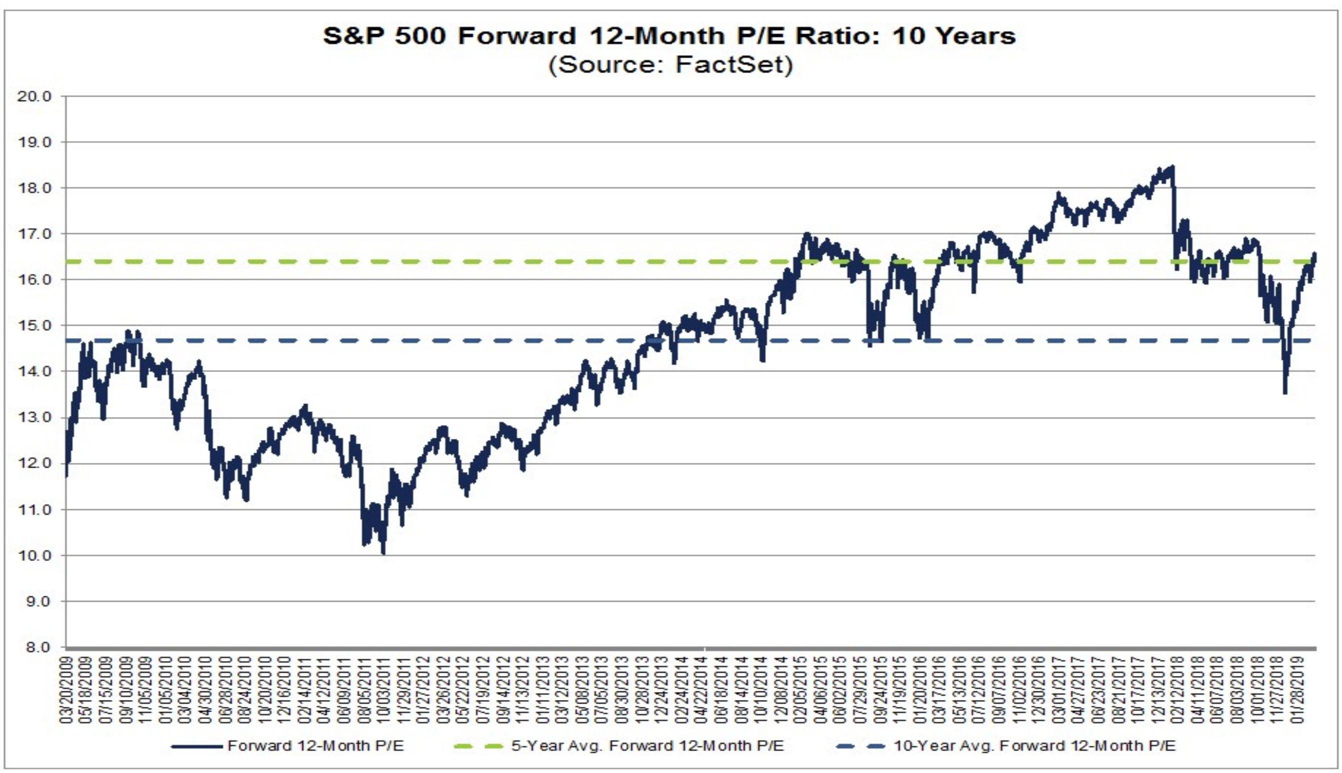


	Consumer Disc.	Real Estate	Info. Technology	Consumer Staples	Utilities	Energy	Comm. Services	S&P 500	Health Care	Materials	Industrials	Financials
Fwd P/E	20.8	19.2	18.8	18.5	18.5	18.4	17.7	16.6	15.8	15.8	15.5	11.4
5-Yr Avg.	18.7		16.7	19.0	16.7	28.7	13.2	16.4	16.0	15.9	16.3	13.0
10-Yr Avg.	17.2		14.8	16.8	14.9	20.2	14.3	14.7	14.1	15.3	15.1	12.5

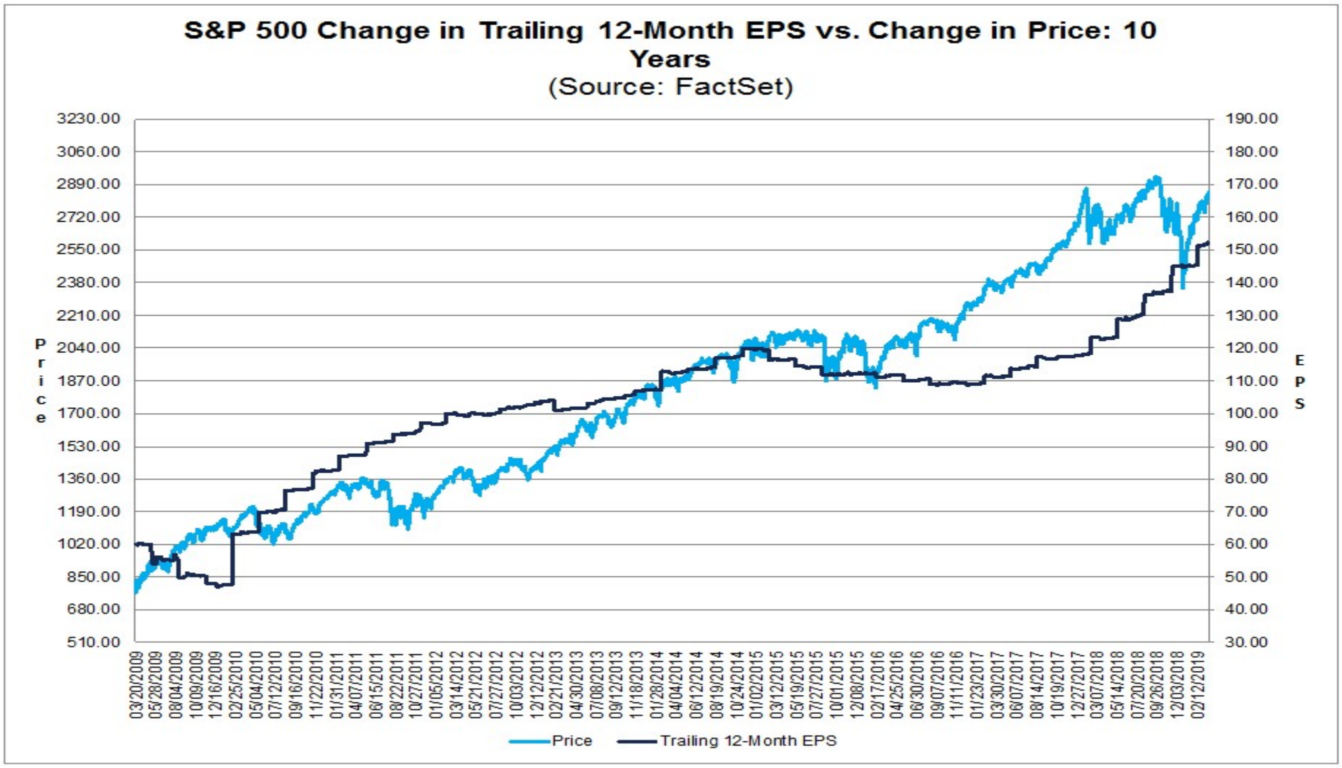


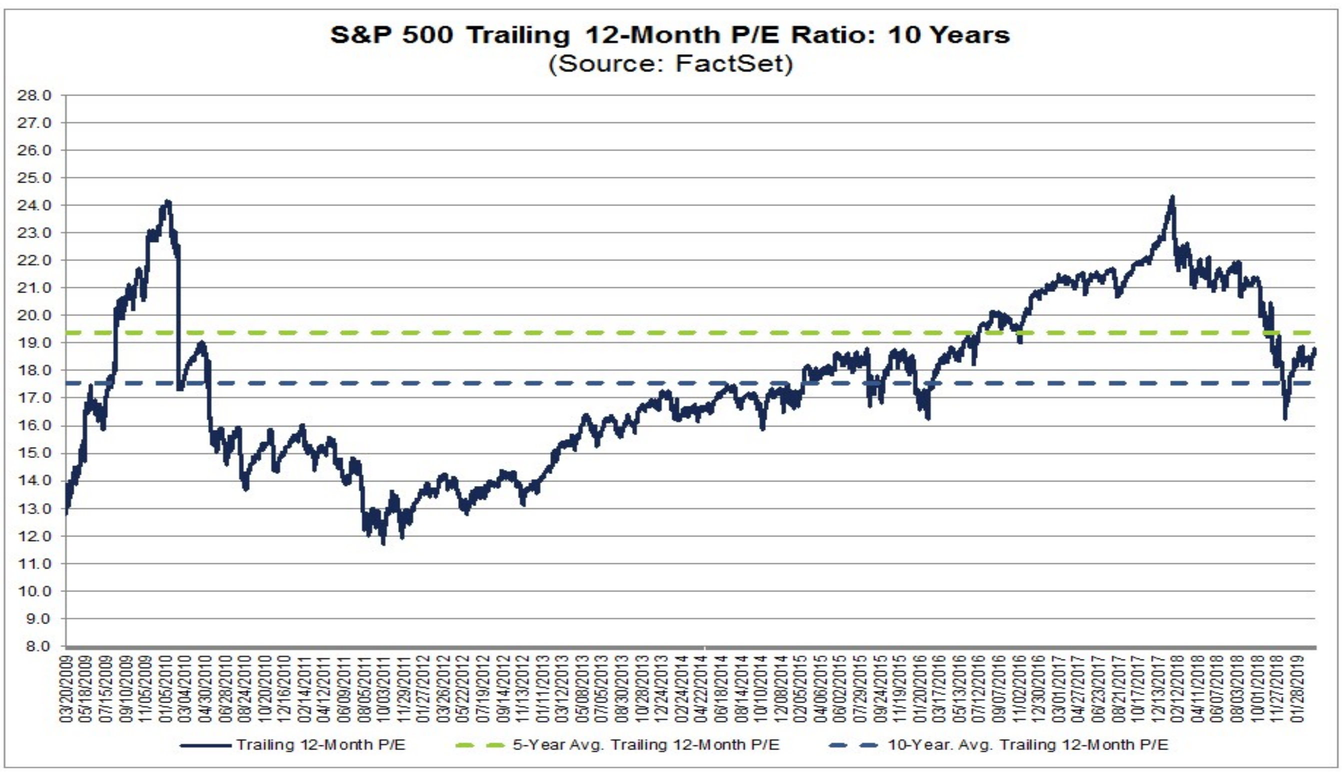
Forward 12M P/E Ratio: 10-Years





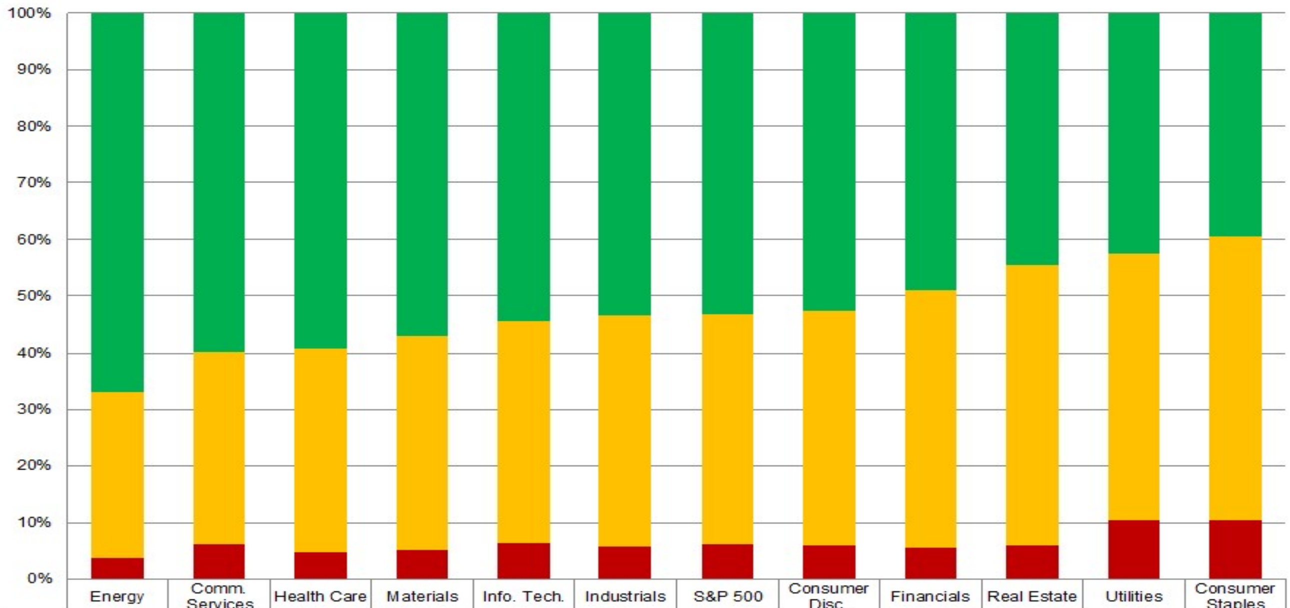
Trailing 12M P/E Ratio: 10-Years





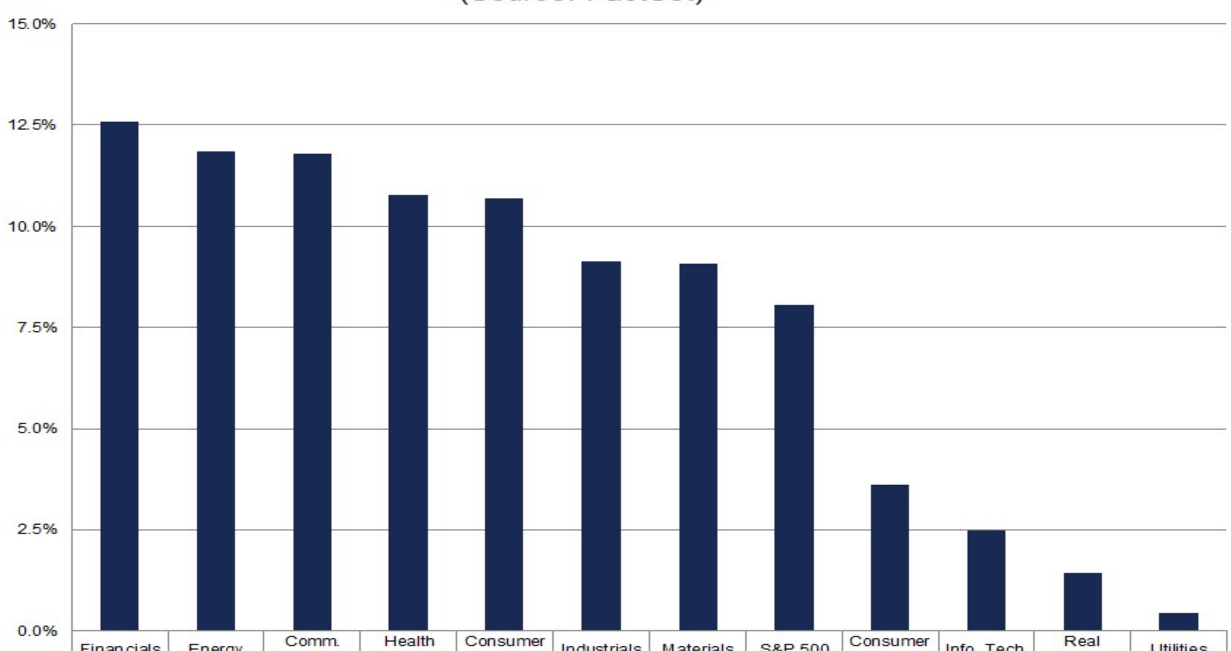
Targets & Ratings

S&P 500: Percentage of Buy, Hold, and Sell Ratings
(Source: FactSet)



	Energy	Comm. Services	Health Care	Materials	Info. Tech.	Industrials	S&P 500	Consumer Disc.	Financials	Real Estate	Utilities	Consumer Staples
Buy	67%	60%	59%	57%	54%	53%	53%	53%	49%	45%	43%	40%
Hold	29%	34%	36%	38%	39%	41%	40%	41%	45%	49%	47%	50%
Sell	4%	6%	5%	5%	6%	6%	6%	6%	6%	6%	10%	10%

S&P 500 Sector-Level Bottom-Up Target Price vs. Closing Price
(Source: FactSet)



	Financials	Energy	Comm. Services	Health Care	Consumer Disc.	Industrials	Materials	S&P 500	Consumer Staples	Info. Tech.	Real Estate	Utilities
Target/Close	12.6%	11.8%	11.8%	10.8%	10.7%	9.1%	9.1%	8.0%	3.6%	2.5%	1.4%	0.4%

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