Earnings Insight

FACTSET

John Butters, Senior Earnings Analyst
jbutters@factset.com

Media Questions/Requests
media_request@factset.com

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Key Metrics

- **Earnings Growth:** For Q3 2020, the estimated earnings decline for the S&P 500 is -21.0%. If -21.0% is the actual decline for the quarter, it will mark the second largest year-over-year decline in earnings reported by the index since Q2 2009 (-26.9%).

- **Earnings Revisions:** On June 30, the estimated earnings decline for Q3 2020 was -25.3%. Nine sectors have smaller earnings declines or higher earnings growth rates today (compared to June 30) due to upward revisions to EPS estimates and positive EPS surprises.

- **Earnings Guidance:** For Q3 2020, 22 S&P 500 companies have issued negative EPS guidance and 45 S&P 500 companies have issued positive EPS guidance. The total number of companies issuing EPS guidance to date for Q3 2020 of 67 is well below the 5-year average for a quarter of 104.

- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 21.6. This P/E ratio is above the 5-year average (17.2) and above the 10-year average (15.5).

- **Earnings Scorecard:** For Q3 2020 (with 18 of the companies in the S&P 500 reporting actual results), 17 S&P 500 companies have reported a positive EPS surprise and 16 have reported a positive revenue surprise.

S&P 500 Change in Forward 12-Month EPS vs. Change in Price: 10 Yrs.
(Source: FactSet)
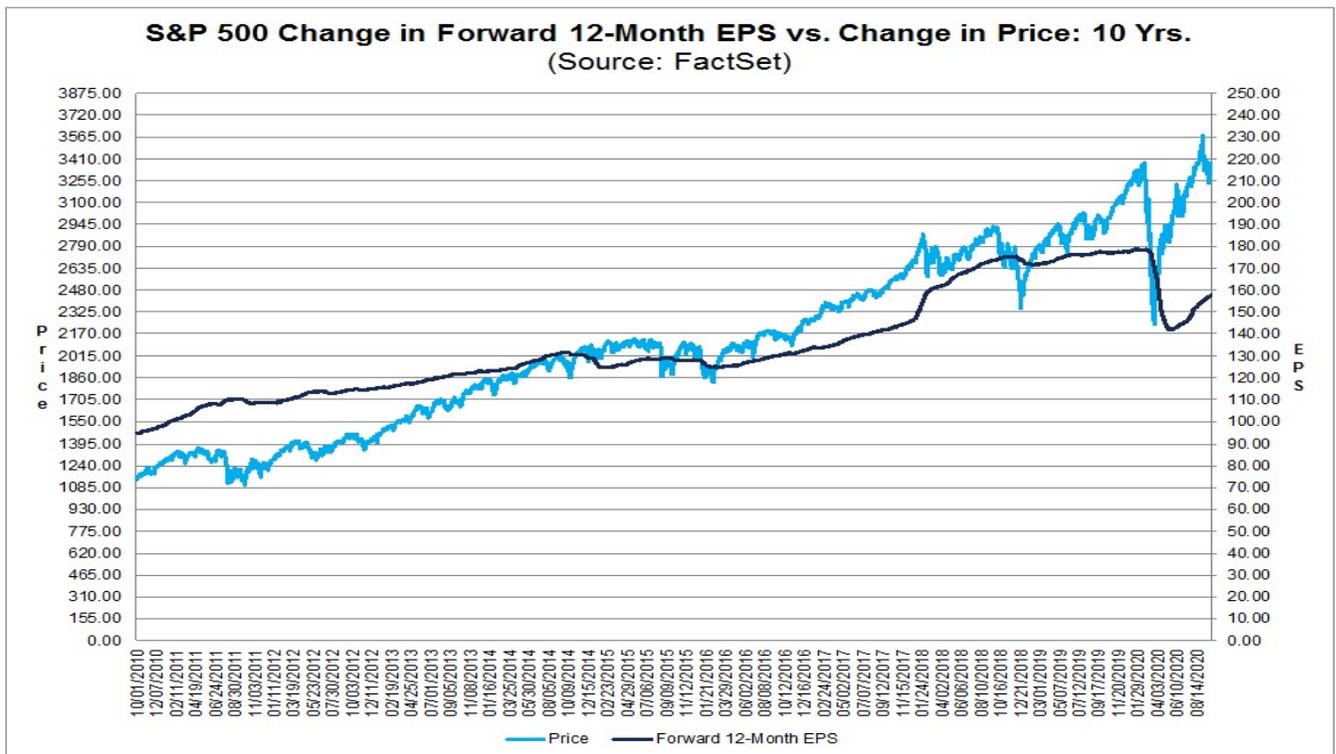
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Topic of the Week: 1

Analysts Increased Quarterly S&P 500 EPS Estimates for the First Time Since Q2 2018

During the third quarter, analysts increased earnings estimates for companies in the S&P 500 for the quarter. The Q3 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for Q3 for all the companies in the index) increased by 4.1% (to $33.08 from $31.78) from June 30 to September 30. How significant is a 4.1% increase in the bottom up EPS estimate during a quarter? How does this increase compare to recent quarters?

During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during a quarter has been 5.0%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during a quarter has been 4.4%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate during a quarter has been 5.2%. Thus, while analysts typically lower EPS estimates during a quarter, they increased EPS estimates during Q3 2020.

In fact, this marked the first increase in the bottom-up EPS estimate during a quarter since Q2 2018 (+0.7%) and Q1 2018 (+5.4%). Prior to Q1 2018, the last time the bottom-up EPS estimate increased during a quarter was Q4 2010 (+0.6%). However, it should be noted that analysts made substantial cuts to EPS estimates for Q3 during the second quarter (March 31 to June 30). During this period, the Q3 bottom-up EPS estimate declined by 23.6% (to 31.78 from $41.60)

At the sector level, six sectors recorded an increase in their bottom-up EPS estimate for Q3 during the quarter, led by the Consumer Discretionary (to $7.17 from $5.41), Energy (to -$0.70 from -$0.86), Financials (to $6.98 from $6.29), and Materials (to $3.82 from $3.48) sectors. Four sectors recorded a decline in their bottom-up estimate for Q3 during the quarter, led by the Industrials (to $3.76 from $3.98) and Utilities (to $5.00 from $5.20) sectors. One sector (Real Estate) recorded no change in its bottom-up estimate for Q3 during the quarter.

As the bottom-up EPS estimate for the index increased during the quarter, the value of the S&P 500 also increased during this same period. From June 30 through September 30, the value of the index increased by 8.5% (to 3363.00 from 3100.29). The third quarter marked just the second time in the past 20 quarters in which both the bottom-up EPS estimate for the index and the value of the index increased during the quarter.

S&P 500 Change in Bottom-Up EPS During Quarter
(Source: FactSet)

Change % in Quarterly EPS (Start of Qtr. to End of Qtr.)

S&P 500 Q320 Bottom-Up EPS: Jun 30 - Sep 30
(Source: FactSet)

S&P 500 Q320 Bottom-Up EPS: Dec 31 - Sep 30
(Source: FactSet)

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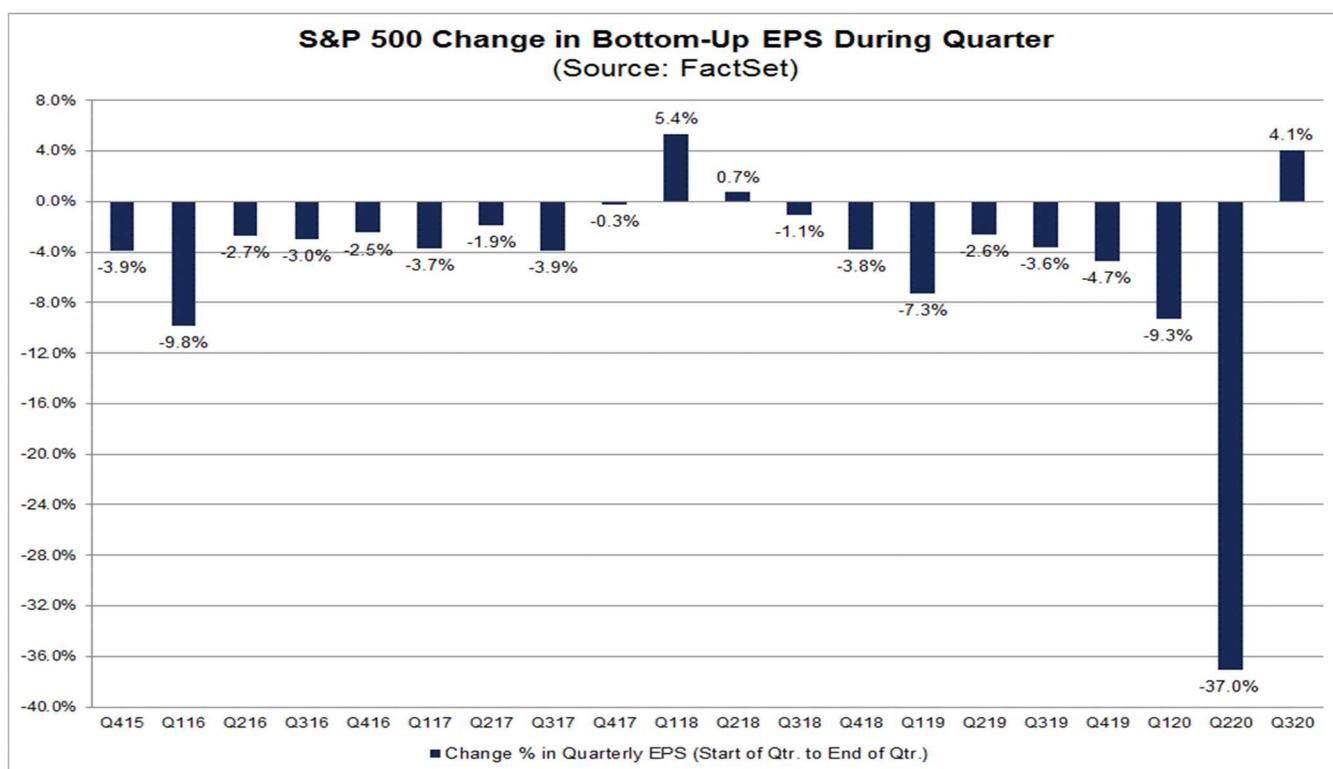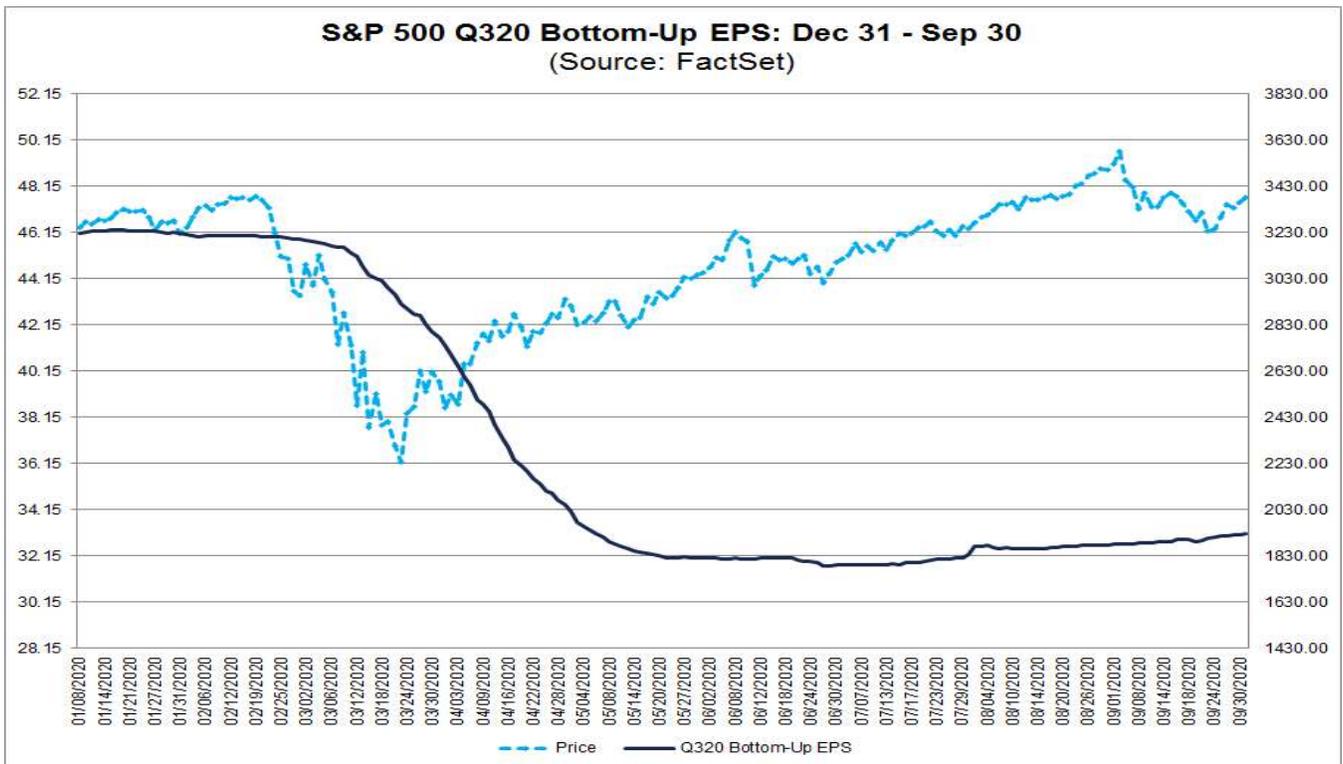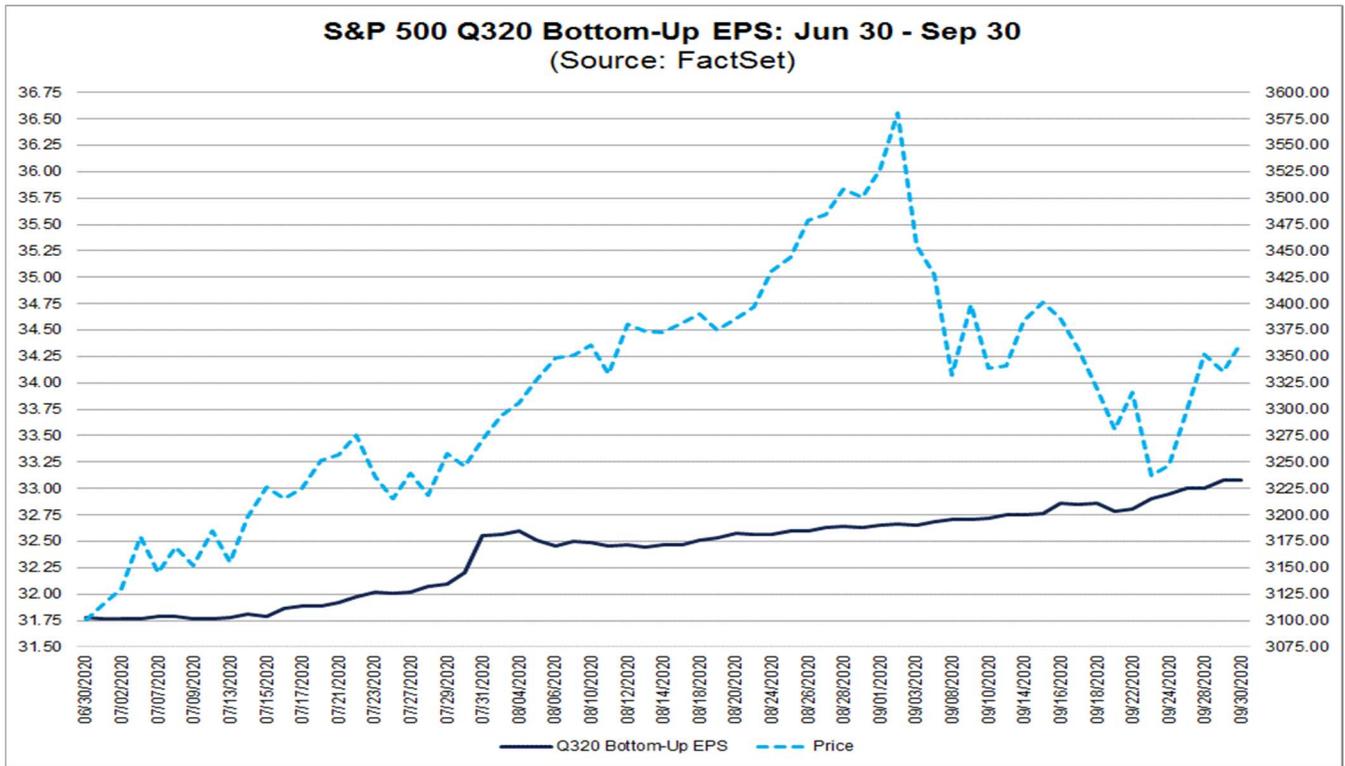
Topic of the Week: 2

## Industry Analysts Predict S&P 500 Will See a 12% Price Increase in the Next 12 Months

During the third quarter (June 30 to September 30), the value of the S&P 500 increased by 8.5% (to 3363.00 from 3100.29). Where do industry analysts believe the price of the index will go from here?

Industry analysts in aggregate predict the S&P 500 will see a price increase of 11.6% over the next twelve months. This percentage is based on the difference between the bottom-up target price and the closing price for the index as of yesterday (October 1). The bottom-up target price is calculated by aggregating the median target price estimates (based on company-level estimates submitted by industry analysts) for all the companies in the index. On October 1, the bottom-up target price for the S&P 500 was 3774.44, which was 11.6% above the closing price of 3380.80.

At the sector level, the Energy (+45.9%) sector is expected to see the largest price increase, as this sector had the largest upside difference between the bottom-up target price and the closing price on October 1. On the other hand, the Consumer Staples (+7.3%) sector is expected to see the smallest price increase, as this sector had the smallest upside difference between the bottom-up target price and the closing price on October 1.

At the company level, the ten stocks in the S&P 500 with the largest upside and downside differences between their median target price and closing price (on October 1) can be found on the next page. It is interesting to note that the ten S&P 500 stocks expected to see the largest price increases are all in the Energy sector.

How accurate have the industry analysts been in predicting the future value of the S&P 500? Industry analysts have overestimated the price of the index by 3.0% on average over the past 5 years (using month-end values), by 2.5% on average over the past 10 years (using month-end values), and by 9.5% on average over the past 15 years (using month-end values).

S&P 500: Bottom-Up Target Price vs. Closing Price (Source: FactSet)
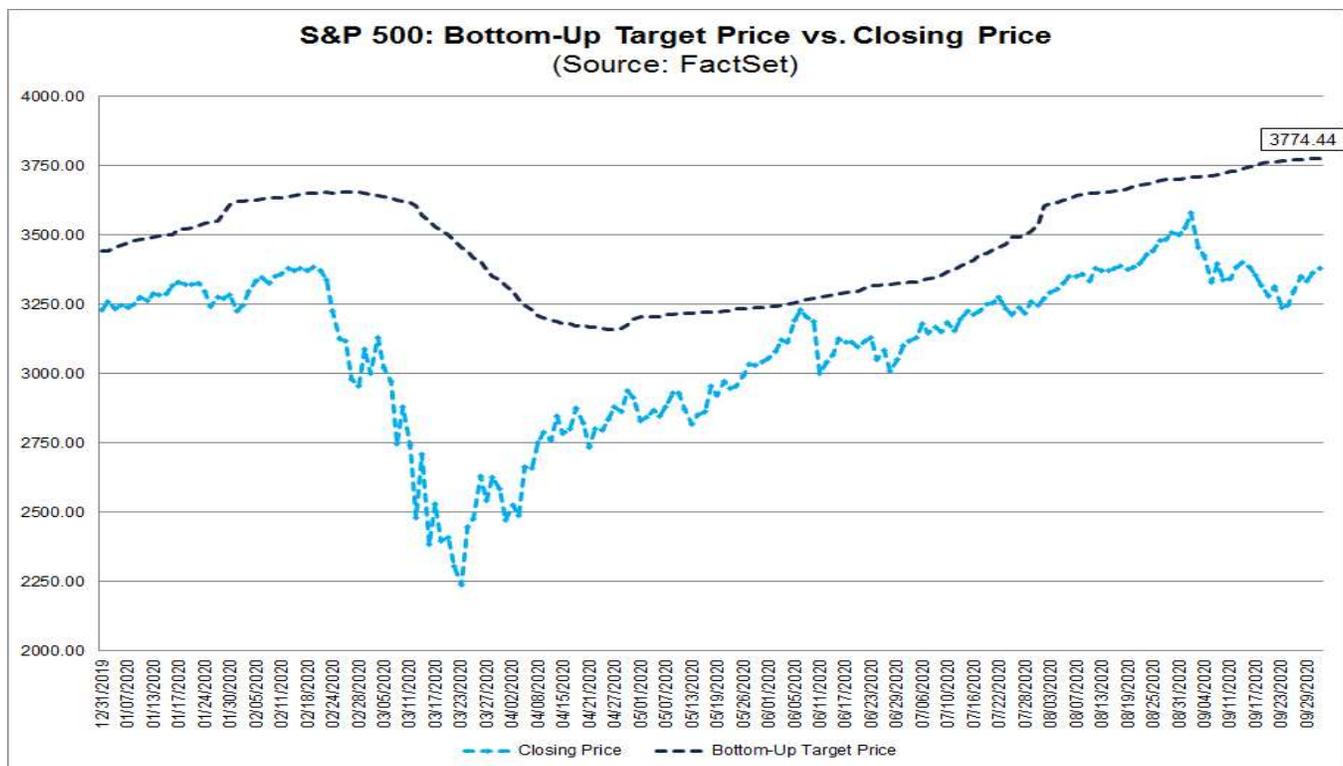
S&P 500: Difference Between Median Target Price & Closing Price: Top 10 (Source: FactSet)

Company	Target	Closing	Diff ($)	Diff (%)
Diamondback Energy, Inc.	55.00	29.09	25.91	**89.1%**
EOG Resources, Inc.	64.00	34.86	29.14	**83.6%**
Apache Corporation	17.00	9.31	7.69	**82.6%**
Devon Energy Corporation	16.00	9.10	6.90	**75.8%**
TechnipFMC Plc	11.00	6.27	4.73	**75.4%**
HollyFrontier Corporation	32.50	18.94	13.56	**71.6%**
Valero Energy Corporation	68.00	40.28	27.72	**68.8%**
Concho Resources Inc.	70.00	42.35	27.65	**65.3%**
Marathon Oil Corporation	6.50	3.95	2.55	**64.6%**
Schlumberger NV	24.50	15.01	9.49	**63.2%**

S&P 500: Difference Between Median Target Price & Closing Price: Bottom 10 (Source: FactSet)

Company	Target	Closing	Diff ($)	Diff (%)
American Airlines Group, Inc.	10.00	12.58	-2.58	**-20.5%**
Twitter, Inc.	38.50	46.70	-8.20	**-17.6%**
Under Armour, Inc. Class A	10.50	11.86	-1.36	**-11.5%**
West Pharmaceutical Services, Inc.	245.00	275.79	-30.79	**-11.2%**
Rollins, Inc.	48.00	53.81	-5.81	**-10.8%**
MGM Resorts International	19.50	21.82	-2.32	**-10.6%**
Whirlpool Corporation	165.00	183.19	-18.19	**-9.9%**
Public Storage	204.00	226.26	-22.26	**-9.8%**
Mettler-Toledo International Inc.	880.00	970.92	-90.92	**-9.4%**
Expeditors Intl. of Washington, Inc.	81.00	89.29	-8.29	**-9.3%**

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

Target/Close	Energy	Health Care	Financials	Comm. Services	S&P 500	Consumer Disc.	Materials	Real Estate	Info. Tech.	Industrials	Utilities	Consumer Staples
	45.9%	14.6%	14.2%	13.0%	11.6%	11.4%	11.1%	9.5%	9.0%	8.9%	8.4%	7.3%
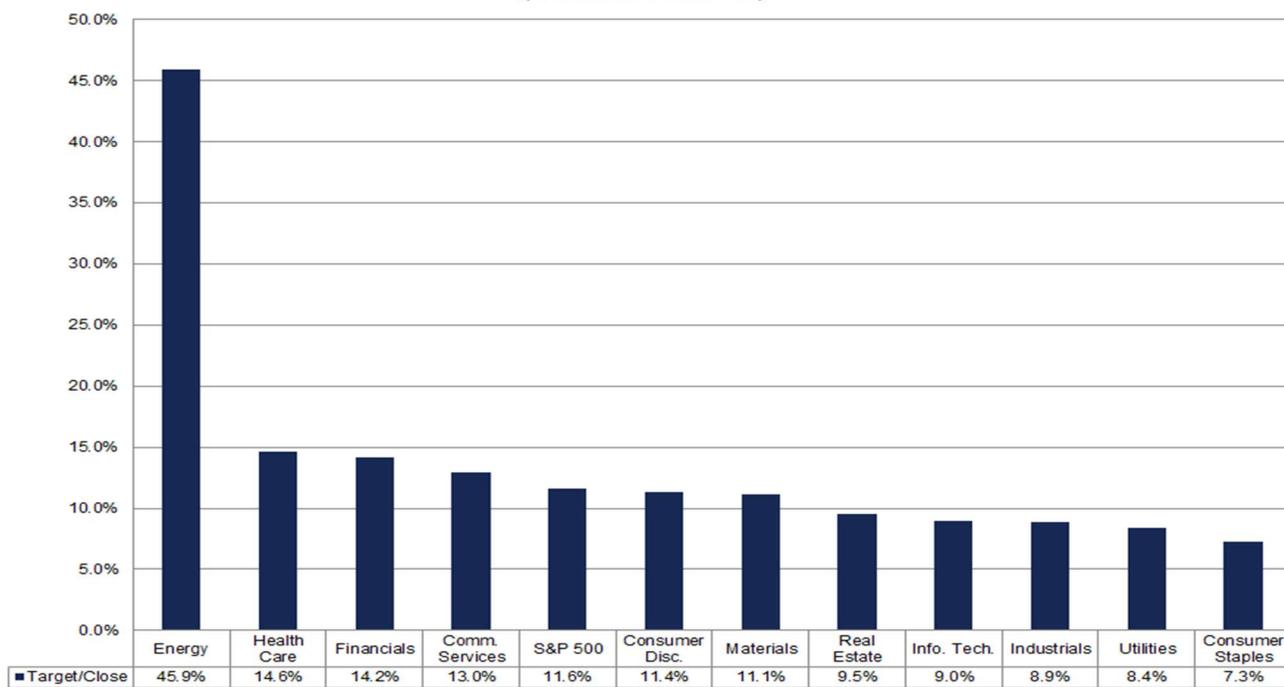
Q3 Earnings Season: By The Numbers

Overview

Analyst and companies have been more optimistic than normal in their estimate revisions and earnings outlooks for the third quarter to date. As a result, expected earnings for the S&P 500 for the third quarter are higher today compared to the start of the quarter. Despite this increase, the index is still expected to report the second largest year-over-year decline in earnings over the past ten years, mainly due to the negative impact of COVID-19 on numerous industries. Earnings growth is projected to return in 2021.

In terms of estimate revisions for companies in the S&P 500, analysts increased earnings estimates in aggregate for Q3 2020 during the quarter. On a per-share basis, estimated earnings for the third quarter increased by 3.7% from June 30 to September 30. In a typical quarter, analysts usually reduce earnings estimates. Over the past five years (20 quarters), earnings estimates have fallen by 5.0% on average during the quarter. Over the past ten years, (40 quarters), earnings estimates have fallen by 4.4% on average during the quarter. Over the past fifteen years, (60 quarters), earnings expectations have fallen by 5.2% on average during the quarter.

More S&P 500 companies have issued positive EPS guidance for Q3 2020 than average as well. At this point in time, 67 companies in the index have issued EPS guidance for Q3 2020, Of these 67 companies, 22 have issued negative EPS guidance and 45 have issued positive EPS guidance. The percentage of companies issuing positive EPS guidance is 67% (45 out of 67), which is above the 5-year average of 32%. However, the overall number of companies issuing EPS guidance for the third quarter of 67 is well below the 5-year average of 104.

Because of the net upward revisions to earnings estimates, the estimated (year-over-year) earnings decline for Q3 2020 is -21.0% today compared to the estimated (year-over-year) earnings decline of -25.3% on June 30. If -21.0% is the actual decline for the quarter, it will mark the second largest year-over-year decline in earnings reported by the index since Q2 2009 (-26.9%), trailing only the previous quarter (-31.6%). It will also mark the sixth time in the past seven quarters in which the index has reported a year-over-year decline in earnings. All eleven sectors are projected to report a year-over-year decline in earnings, led by the Energy, Industrials, and Consumer Discretionary sectors.

Because of the net upward revisions to revenue estimates, the estimated (year-over-year) revenue decline for Q3 2020 is -3.6% today compared to the estimated (year-over-year) revenue decline of -5.4% on June 30. Six sectors are projected to report year-over-year growth in revenues, led by the Health Care sector. Five sectors are predicted to report a year-over-year decline in revenues, led by the Energy and Industrials sectors.

Looking at future quarters, analysts predict a (year-over-year) decline in earnings in the fourth quarter (-12.7%) of 2020. However, they are also project a return to earnings growth starting in Q1 2021 (12.6%).

The forward 12-month P/E ratio is 21.6, which is above the 5-year average and above the 10-year average.

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

Earnings Revisions: Consumer Discretionary Sector Sees Largest Estimate Increases

Small Decrease in Estimated Earnings Decline for Q3 This Week

During the past week, the estimated earnings decline for the S&P 500 decreased slightly to -21.0% from -21.2%. Upward revisions to EPS estimates for companies in the Financials sector and positive EPS surprises reported by companies in the Consumer Staples sector were mainly responsible for the small decrease in the overall earnings decline for the index during the week.

Since the start of the quarter, the estimated earnings decline for the S&P 500 has decreased to -21.0% today from -25.3% on June 30. Nine sectors have a recorded a decrease in their expected earnings declines due to upward revisions to earnings estimates, led by the Consumer Discretionary, Financials, Materials, and Energy sectors. On the other hand, two sectors have a recorded an increase in their expected earnings declines due to downward revisions to earnings estimates, led by the Utilities sector.

Consumer Discretionary: Amazon Leads Earnings Increase since June 30

The Consumer Discretionary sector has recorded the largest decrease in its expected earnings decline since the start of the quarter (to -36.8% from -51.9%). This sector has also witnessed the largest increase in price (+16.6%) of all eleven sectors since June 30. Overall, 41 of the 59 companies (69%) in the Consumer Discretionary sector have seen an increase in their mean EPS estimate during this time. Of these 41 companies, 36 have recorded an increase in their mean EPS estimate of more than 10%, led by Darden Restaurants ($0.56 vs. $0.04), Ford Motor (to $0.14 from -$0.03), and Etsy (to $0.55 from $0.18). However, Amazon.com (to $7.30 from $4.54), NIKE (to $0.95 from $0.40), Ford Motor, Home Depot ($2.96 to $2.51), and General Motors (to $1.29 from $0.97) have been the largest contributors to the increase in expected earnings for this sector since June 30.

Financials: JPMorgan Chase Leads Earnings Increase Since June 30

The Financials sector has recorded the second largest decrease in its expected earnings decline since the start of the quarter (to -22.7% from -34.4%). This sector has also witnessed an increase in price of 4.1% since June 30. Overall, 52 of the 66 companies (79%) in the Financials sector have seen an increase in their mean EPS estimate during this time. Of these 52 companies, 31 have recorded an increase in their mean EPS estimate of more than 10%, led by Capital One Financial (to $1.77 from $0.72), Synchrony Financial (to $0.57 from $0.26), and Huntington Bancshares (to $0.22 from $0.11). However, JPMorgan Chase (to $2.06 from $1.57), Wells Fargo (to $0.40 from $0.29), Bank of America (to $0.44 from $0.39), and Capital One Financial have been the largest contributors to the increase in expected earnings for this sector since June 30.

Materials: 75% of Companies Have Seen an Increase in Earnings Estimates since June 30

The Materials sector has recorded the third largest decrease in its expected earnings decline since the start of the quarter (to -17.9% from -25.1%). This sector has also witnessed the fourth largest increase in price (-23.3%) of all eleven sectors since June 30. Overall, 21 of the 28 companies (75%) in the Materials sector have seen an increase in their mean EPS estimate during this time. Of these 21 companies, 8 have recorded an increase in their mean EPS estimate of more than 10%, led by Freeport-McMoRan ($0.16 vs. $0.02) and Nucor (to $0.50 from $0.28).

Energy: Chevron Leads Earnings Increase Since June 30

The Energy sector has recorded the fourth largest decrease in its expected earnings decline since the start of the quarter (to -112.8% from -119.7%). Despite the increase in expected earnings, this sector has witnessed the largest decrease in price (-20.3%) of all eleven sectors since June 30. Overall, 20 of the 26 companies (77%) in the Energy sector have seen an increase in their mean EPS estimate during this time. Of these 20 companies, 17 have recorded an increase in their mean EPS estimate of more than 10%, led by Schlumberger (to $0.12 from -$0.05), EOG Resources (to $0.06 from -$0.09), Halliburton (to $0.08 from -$0.14), and Pioneer Natural Resources (to $0.34 from $0.15). However, Chevron (to -$0.13 from -$0.37) has been the largest contributor to the increase in expected earnings for this sector since June 30.

Utilities: 71% of Companies Have Seen Decline in Earnings Estimates Since June 30

The Utilities sector has recorded the largest decrease in its expected earnings growth rate since the start of the quarter (to -2.1% from 1.2%). Despite the decline in expected earnings, this sector has witnessed an increase in price of 6.3% since June 30. Overall, 20 of the 28 companies (71%) in the Utilities sector have seen a decrease in their mean EPS estimate during this time. Of these 20 companies, 4 have recorded a decrease in their mean EPS estimate of more than 10%, led by NiSource (to $0.02 from $0.04) and Dominion Energy (to $1.01 from $1.21).

Index-Level (Bottom-Up) EPS Estimate: 4.1% Increase During Q3

The Q3 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) increased by 4.1% (to $33.08 from $31.78) from June 30 to September 30. In a typical quarter, analysts usually reduce earnings estimates. Over the past five years (20 quarters), earnings expectations have fallen by 5.0% on average during a quarter. Over the past ten years, (40 quarters), earnings expectations have fallen by 4.4% on average during a quarter. Over the past fifteen years (60 quarters), earnings expectations have fallen by 5.2% on average during a quarter.

Guidance: More S&P 500 Companies Issuing Positive EPS Guidance for Q3 to Date

To date, more S&P 500 companies are issuing positive earnings guidance than average. At this point in time, 67 companies in the index have issued EPS guidance for Q3 2020. Of these 67 companies, 22 have issued negative EPS guidance and 45 have issued positive EPS guidance. The percentage of companies issuing positive EPS guidance is 67% (45 out of 67), which is well above the 5-year average of 32%.

However, the total number of companies issuing EPS guidance to date for Q3 2020 of 67 is well below the 5-year average for a quarter of 104.

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.

Earnings Decline: -21.0%

The estimated (year-over-year) earnings decline for Q3 2020 is -21.0%, which is below the 5-year average earnings growth rate of 4.0%. If -21.0% is the actual decline for the quarter, it will mark the second largest year-over-year decline in earnings for the index since Q2 2009 (-26.9%), trailing only the previous quarter (-31.6%). It will also mark the sixth time in the past seven quarters in which the index has reported a year-over-year decline in earnings. All eleven sectors are expected to report a year-over-year decline in earnings, led by the Energy, Industrials, and Consumer Discretionary sectors.

Energy: 3 of 5 Sub-Industries Expected to Report Year-Over-Year Decline of More Than 120%

The Energy sector is expected to report the largest (year-over-year) decline in earnings of all eleven sectors at -112.8%. Lower year-over-year oil prices are contributing to the earnings decline for this sector, as the average price of oil for Q3 2020 ($40.92) was 27% below the average price for oil in Q3 2019 ($56.44). At the sub-industry level, four of the five sub-industries in the sector are projected to report a decline in earnings. Three of these four sub-industries are predicted to report a decline in earnings of more than 120%: Oil & Gas Refining & Marketing (-133%), Integrated Oil & Gas (-125%), and Oil & Gas Exploration & Production (-122%). The only sub-industry in the sector projected to report year-over-year growth in earnings is the Oil & Gas Storage & Transportation (3%) sub-industry.

Industrials: Airlines Industry Expected to Lead Year-Over-Year Decline

The Industrials sector is expected to report the second largest (year-over-year) earnings decline of all eleven sectors at -61.4%. At the industry level, eleven of the twelve industries in this sector are predicted to report a decline in earnings. Four of these eleven industries are projected to report a decline in earnings of more than 30%: Airlines (-314%), Industrial Conglomerates (-50%), Aerospace & Defense (-41%), and Machinery (-34%). On the other hand, the only industry expected to report earnings growth in this sector is the Air Freight & Logistics (12%) industry.

The Airlines industry is also expected to be the largest contributor to the year-over-year decline in earnings for the sector. If the five companies in this industry were excluded, the estimated earnings decline for the sector would improve to -26.8% from -61.4%.

Consumer Discretionary: 4 of 11 Industries Expected to Report Year-Over-Year Decline of More Than 30%

The Consumer Discretionary sector is expected to report the third largest (year-over-year) earnings decline of all eleven sectors at -36.8%. At the industry level, eight of the eleven industries in this sector are expected to report a decline in earnings. Four these eight industries are projected to report a decline in earnings of more than 30%: Hotels, Restaurants, & Leisure (-129%), Auto Components (-37%), and Automobiles (-37%), and Textiles, Apparel, & Luxury Goods (-32%). On the other hand, three industries in this sector are expected to report earnings growth: Multiline Retail (15%), Specialty Retail (8%), and Household Durables (2%).

Revenue Decline: -3.6%

The estimated (year-over-year) revenue decline for Q3 2020 is -3.6%, which is below the 5-year average revenue growth rate of 3.4%. Five sectors are expected to report year-over-year growth in revenues, led by Health Care sector. Six sectors are expected to report a year-over-year decline in revenues, led by the Energy and Industrials sectors.

Health Care: 4 of 6 Industries Expected to Report Year-Over-Year Growth

The Health Care sector is expected to report the highest (year-over-year) revenue growth of all eleven sectors at 7.4%. At the industry level, four of the six industries in this sector are predicted to report year-over-year growth in revenues: Biotechnology (22%), Life Sciences, Tools, & Services (9%), Health Care Providers & Services (8%), and Pharmaceuticals (5%). On the other hand, two industries are expected to report a decline in revenue: Health Care Technology (-4%) and the Health Care Equipment & Supplies (-1%).

It should be noted that the revenue growth rates for some of the larger contributors to revenue growth for this sector are being boosted by apples-to-oranges comparisons of post-merger revenues in Q3 2020 to pre-merger revenues in Q3 2019, including Centene, Bristol Myers Squibb, and AbbVie.

Energy: 4 of 5 Sub-Industries Expected To Report Year-Over-Year Decline of More Than 25%

The Energy sector is expected to report the largest (year-over-year) decline in revenue of all eleven sectors at -31.2%. Lower year-over-year oil prices are contributing to the revenue decline for this sector. As the average price of oil for Q3 2020 ($40.92) was 27% below the average price for oil in Q3 2019 ($56.44). At the sub-industry level, all five sub-industries in the sector are predicted to report a year-over-year decline in revenue. Four sub-industries are projected to report a decline in revenue of more than 25%: Oil & Gas Exploration & Production (-39%), Oil & Gas Refining & Marketing (-36%), Oil & Gas Equipment & Services (-29%), and Integrated Oil & Gas (-27%).

Industrials: Airlines Industry Expected to Lead Year-Over-Year Decline

The Industrials sector is expected to report the second largest (year-over-year) revenue decline of all eleven sectors at -17.1%. At the industry level, eleven of the twelve industries in this sector are predicted to report a decline in revenues. Six of these eleven industries are projected to report a double-digit decline in revenues, led by the Airlines (-74%) industry. On the other hand, the Air Freight & Logistics (10%) industry is the only industry in the sector expected to report year-over-year earnings growth for the quarter.

The Airlines industry is also expected to be the largest contributor to the year-over-year decline in revenue for the sector. If the five companies in this industry were excluded, the estimated revenue decline for the sector would improve to -8.7% from -17.1%.

Looking Ahead: Forward Estimates and Valuation

Earnings: Analysts Expect Earnings Decline of -18.0% for CY 2020

For the third quarter, S&P 500 companies are expected to report a decline in earnings of -21.0% and a decline in revenues of -3.6%. Analysts expect an earnings decline of -18.0% and a revenue decline of -2.7% for CY 2020.

For Q4 2020, analysts are projecting an earnings decline of -12.7% and a revenue decline of -1.1%.

For CY 2020, analysts are projecting an earnings decline of -18.0% and a revenue decline of -2.7%.

For Q1 2021, analysts are projecting earnings growth of 12.6% and revenue growth of 3.1%.

For Q2 2021, analysts are projecting earnings growth of 43.8% and revenue growth of 13.7%.

For CY 2021, analysts are projecting earnings growth of 25.7% and revenue growth of 8.0%.

Valuation: Forward P/E Ratio is 21.6, Above the 10-Year Average (15.4)

The forward 12-month P/E ratio is 21.6. This P/E ratio is above the 5-year average of 17.2 and above the 10-year average of 15.5. However, it is below the forward 12-month P/E ratio of 21.7 recorded at the end of the second quarter (June 30). Since the end of the second quarter (June 30), the price of the index has increased by 9.0%, while the forward 12-month EPS estimate has increased by 8.8%.

At the sector level, the Consumer Discretionary (37.2) sector has the highest forward 12-month P/E ratio, while the Financials (13.6) sector has the lowest forward 12-month P/E ratio.

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

The bottom-up target price for the S&P 500 is 3774.44, which is 11.6% above the closing price of 3380.80. At the sector level, the Energy (+45.9%) 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 Consumer Staples (+7.3%) sector is expected to see the smallest price increase, as this sector has the smallest upside difference between the bottom-up target price and the closing price.

Overall, there are 10,308 ratings on stocks in the S&P 500. Of these 10,308 ratings, 53.4% are Buy ratings, 40.1% are Hold ratings, and 6.5% are Sell ratings. At the sector level, the Health Care (61%) and Energy (61%) sectors have the highest percentages of Buy ratings, while the Financials (47%), Consumer Staples (47%), and Real Estate (47%) sectors have the lowest percentages of Buy ratings.

Companies Reporting Next Week: 3

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

Q2 2020: Scorecard

S&P 500 Earnings Above, In-Line, Below Estimates: Q2 2020
(Source: FactSet)

	Info. Technology	Materials	Health Care	Industrials	Consumer Staples	S&P 500	Utilities	Comm. Services	Financials	Consumer Disc.	Energy	Real Estate
■ Below	3%	7%	8%	8%	12%	14%	11%	19%	18%	25%	27%	29%
■ In-Line	3%	0%	0%	0%	3%	2%	7%	0%	2%	0%	8%	10%
■ Above	94%	93%	92%	92%	85%	84%	82%	81%	80%	75%	65%	61%

S&P 500 Revenues Above, In-Line, Below Estimates: Q2 2020
(Source: FactSet)

	Info. Technology	Comm. Services	Health Care	Consumer Staples	Industrials	Consumer Disc.	S&P 500	Materials	Financials	Real Estate	Energy	Utilities
■ Below	15%	19%	21%	21%	23%	26%	35%	43%	43%	65%	85%	89%
■ In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
■ Above	85%	81%	79%	79%	77%	74%	65%	57%	57%	35%	15%	11%

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Q2 2020: Scorecard

S&P 500 Sector-Level Earnings Surprise %: Q2 2020
(Source: FactSet)

Sector	Surprise %
Consumer Disc.	525.5%
Industrials	79.0%
Health Care	23.5%
S&P 500	23.1%
Materials	19.2%
Comm. Services	18.8%
Info. Technology	14.8%
Consumer Staples	12.7%
Financials	10.5%
Utilities	8.5%
Real Estate	2.9%
Energy	-12.4%

■ Surprise %

S&P 500 Sector-Level Revenue Surprise %: Q2 2020
(Source: FactSet)

Sector	Surprise %
Consumer Disc.	8.1%
Info. Technology	5.4%
Industrials	4.8%
Health Care	2.3%
Financials	1.7%
S&P 500	1.7%
Comm. Services	1.7%
Real Estate	1.7%
Consumer Staples	1.1%
Materials	0.8%
Utilities	-7.4%
Energy	-19.5%

■ Surprise %

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Q2 2020: Scorecard

S&P 500 EPS Surprise % vs. Price %: Q2 2020
(Source: FactSet)

Number of Companies

| | Below -40% | -40% to -20% | -20% to -5% | -5% to 0% | 0% to 5% | 5% to 20% | 20% to 40% | Above 40% |

8, 8, 16, 14, 67, 131, 93, 87

-3.4%, -0.1%, -3.2%, 2.0%, -0.1%, 0.1%, 2.1%, 3.9%

Number of Companies Reporting Surprise % in Each Range   Average Price Change % (2 Days Before Report + 2 Days After Report)

S&P 500 EPS Surprise vs. Avg. Price Change %
(Source: FactSet)

Positive: 1.4%, 0.9%
Negative: -1.3%, -2.6%

Q2 2020   5-Year Average

Q2 2020: Scorecard

S&P 500 Actual EPS Surprise %: Top 10 Q2 Actual EPS Surprises
(Source: FactSet)

Company	EPS Surprise %
Diamondback Energy, Inc.	1416.6%
Ulta Beauty Inc	1165.3%
Amazon.com, Inc.	598.1%
Citizens Financial Group, Inc.	549.7%
Nucor Corporation	315.2%
Universal Health Services, Inc. Class B	299.6%
Comerica Incorporated	274.3%
Medtronic Plc	232.6%
Huntington Bancshares Incorporated	231.8%
LKQ Corporation	222.1%

0.0% 250.0% 500.0% 750.0% 1000.0% 1250.0% 1500.0%

S&P 500 Actual EPS Surprise %: Bottom 10 Q2 Actual EPS Surprises
(Source: FactSet)

Company	EPS Surprise %
Federal Realty Investment Trust	-34.7%
ONEOK, Inc.	-36.3%
W. R. Berkley Corporation	-37.2%
Synchrony Financial	-55.1%
Huntington Ingalls Industries, Inc.	-69.0%
Hasbro, Inc.	-91.1%
Lamb Weston Holdings, Inc.	-106.1%
PNC Financial Services Group, Inc.	-293.8%
NIKE, Inc. Class B	-672.9%
Regions Financial Corporation	-764.1%

-1500.0% -1250.0% -1000.0% -750.0% -500.0% -250.0% 0.0%

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Q2 2020: Growth

S&P 500 Earnings Growth: Q2 2020
(Source: FactSet)

	Utilities	Health Care	Info. Technology	Consumer Staples	Real Estate	Comm. Services	Materials	S&P 500	Financials	Consumer Disc.	Industrials	Energy
■ Today	9.2%	8.3%	3.3%	-5.2%	-8.6%	-18.1%	-28.5%	-31.6%	-52.2%	-68.1%	-82.7%	-164.0%
30-Jun	-0.4%	-14.0%	-9.5%	-15.8%	-10.6%	-30.9%	-38.7%	-44.1%	-51.7%	-118.6%	-90.5%	-148.9%

S&P 500 Revenue Growth: Q2 2020
(Source: FactSet)

	Info. Technology	Health Care	Consumer Staples	Financials	Comm. Services	Utilities	Real Estate	S&P 500	Consumer Disc.	Materials	Industrials	Energy
■ Today	4.9%	3.3%	0.0%	-2.2%	-3.8%	-6.4%	-7.0%	-9.3%	-12.3%	-15.5%	-24.5%	-54.3%
30-Jun	-1.1%	0.6%	-1.4%	-4.6%	-5.7%	0.4%	-8.1%	-11.0%	-19.2%	-16.2%	-27.7%	-41.6%

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Q2 2020: Growth

S&P 500 Earnings Growth: Q2 2020
(Source: FactSet)

- S&P 500 Companies > 50% Revenue in U.S.
- All S&P 500 Companies
- S&P 500 Companies < 50% Revenues in U.S.

S&P 500 Revenue Growth: Q2 2020
(Source: FactSet)

- S&P 500 Companies > 50% Revenue in U.S.
- All S&P 500 Companies
- S&P 500 Companies < 50% Revenues in U.S.

Q2 2020: Net Profit Margin

S&P 500 Net Profit Margins: Q220 vs. Q219
(Source: FactSet)

	Real Estate	Information Tech.	Utilities	Health Care	Comm. Services	Materials	Financials	S&P 500	Consumer Staples	Consumer Disc.	Industrials	Energy
■ Q220	33.6%	20.7%	14.7%	10.9%	10.4%	8.7%	8.6%	8.6%	6.4%	2.7%	2.1%	
■ Q219	34.2%	21.0%	12.6%	10.4%	12.2%	10.2%	17.6%	11.4%	6.8%	7.4%	9.0%	6.2%

S&P 500: % of Cos. With Increase or Decrease in Net Profit Margin: Q220 vs. Q219
(Source: FactSet)

	Utilities	Consumer Staples	Comm. Services	Information Tech.	Health Care	S&P 500	Real Estate	Materials	Financials	Consumer Disc.	Industrials	Energy
■ Down %	14%	30%	46%	48%	48%	58%	61%	64%	67%	69%	75%	92%
■ None %	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	3%	0%
■ Up %	86%	70%	54%	52%	52%	42%	39%	36%	33%	31%	22%	8%

Q3 2020: EPS Guidance

Number (#) of S&P 500 Cos. with Q3 Positive & Negative Guidance
(Source: FactSet)

# of Negative EPS Preannouncements   # of Positive EPS Preannouncements

	Info. Technology	Health Care	Materials	Industrials	Comm. Services	Consumer Disc.	Consumer Staples	Utilities	Real Estate	Energy	Financials
Negative	13	1	0	2	0	1	2	3	0	0	0
Positive	22	7	4	4	3	3	1	1	0	0	0

Percentage (%) of S&P 500 Cos. with Q3 Positive & Negative Guidance
(Source: FactSet)

	Materials	Comm. Services	Health Care	Consumer Disc.	S&P 500	Industrials	Info. Technology	Consumer Staples	Utilities	Real Estate	Energy	Financials
Positive	100%	100%	88%	75%	67%	67%	63%	33%	25%	0%	0%	0%
Negative	0%	0%	13%	25%	33%	33%	37%	67%	75%	0%	0%	0%

Q3 2020: EPS Revisions

Upward Change in Q3 EPS (Trailing 4 Weeks): Top 10 S&P 500 Cos.
(Source: FactSet)

Company	Value
Darden Restaurants, Inc.	1197.8%
EOG Resources, Inc.	131.4%
NIKE, Inc. Class B	131.3%
Apartment Investment & Management Co Class A	115.6%
FedEx Corporation	90.2%
CarMax, Inc.	77.2%
Dow, Inc.	61.0%
Lennar Corporation Class A	36.5%
AutoZone, Inc.	33.7%
Cintas Corporation	31.5%

Downward Change in Q3 EPS (Trailing 4-Weeks): Top 10 S&P 500 Cos.
(Source: FactSet)

Company	Value
Howmet Aerospace Inc.	-25.7%
Allstate Corporation	-36.3%
Marathon Petroleum Corporation	-39.9%
HollyFrontier Corporation	-42.9%
Valero Energy Corporation	-43.9%
PVH Corp.	-53.1%
Phillips 66	-69.1%
Exxon Mobil Corporation	-102.7%
Chevron Corporation	-192.2%
Ventas, Inc.	-675.0%

Q3 2020: Growth

S&P 500 Earnings Growth: Q3 2020
(Source: FactSet)

	Health Care	Utilities	Info. Technology	Consumer Staples	Real Estate	Materials	Comm. Services	S&P 500	Financials	Consumer Disc.	Industrials	Energy
Today	-0.6%	-2.1%	-2.7%	-3.6%	-8.2%	-17.9%	-20.5%	-21.0%	-22.7%	-36.8%	-61.4%	-112.8%
30-Jun	-2.2%	1.2%	-5.5%	-5.0%	-8.4%	-25.1%	-20.9%	-25.3%	-34.4%	-51.9%	-59.2%	-119.7%

S&P 500 Revenue Growth: Q3 2020
(Source: FactSet)

	Health Care	Consumer Staples	Info. Technology	Utilities	Comm. Services	Consumer Disc.	S&P 500	Financials	Real Estate	Materials	Industrials	Energy
Today	7.4%	2.4%	1.4%	0.9%	0.2%	-0.1%	-3.6%	-4.9%	-5.5%	-8.4%	-17.1%	-31.2%
30-Jun	5.7%	0.2%	-1.0%	2.3%	-0.3%	-6.3%	-5.4%	-4.8%	-5.1%	-9.6%	-18.6%	-32.1%

CY 2020: Growth

S&P 500 Earnings Growth: CY 2020
(Source: FactSet)

	Health Care	Info. Technology	Consumer Staples	Utilities	Real Estate	Comm. Services	Materials	S&P 500	Financials	Consumer Disc.	Industrials	Energy
■Today	5.4%	4.0%	1.4%	1.0%	-5.4%	-11.3%	-16.7%	-18.0%	-34.2%	-41.8%	-49.8%	-106.3%
30-Jun	0.3%	1.2%	-1.4%	2.4%	-5.1%	-14.0%	-21.5%	-21.5%	-38.4%	-55.2%	-48.1%	-106.5%

S&P 500 Revenue Growth: CY 2020
(Source: FactSet)

	Health Care	Info. Technology	Consumer Staples	Comm. Services	Utilities	Consumer Disc.	S&P 500	Real Estate	Financials	Materials	Industrials	Energy
■Today	7.9%	4.0%	3.3%	1.9%	-1.5%	-1.9%	-2.7%	-3.3%	-3.5%	-7.9%	-13.7%	-31.1%
30-Jun	6.7%	2.3%	2.3%	1.3%	-0.2%	-5.3%	-3.8%	-3.0%	-5.5%	-8.4%	-14.5%	-28.8%

CY 2021: Growth

S&P 500 Earnings Growth: CY 2021
(Source: FactSet)

	Energy	Industrials	Consumer Disc.	Materials	Financials	S&P 500	Comm. Services	Health Care	Info. Technology	Real Estate	Consumer Staples	Utilities
Today		87.1%	74.1%	29.5%	29.3%	25.7%	20.2%	13.6%	13.5%	7.0%	6.7%	5.9%
30-Jun		78.9%	110.0%	29.0%	39.6%	29.6%	22.9%	16.4%	14.9%	8.4%	7.8%	6.0%

S&P 500 Revenue Growth: CY 2021
(Source: FactSet)

	Energy	Consumer Disc.	Comm. Services	Industrials	S&P 500	Info. Technology	Materials	Health Care	Real Estate	Financials	Utilities	Consumer Staples
Today	16.5%	12.8%	11.5%	10.6%	8.0%	7.6%	7.1%	6.4%	6.2%	4.2%	3.7%	2.5%
30-Jun	16.3%	13.0%	11.7%	10.9%	8.5%	7.8%	6.4%	6.6%	7.1%	6.7%	3.4%	2.7%

Geographic Revenue Exposure

S&P 500: Aggregate Geographic Revenue Exposure (%)
(Source: FactSet)

International 40%

United States 60%

S&P 500: Aggregate Sector Geographic Revenue Exposure (%)
(Source: FactSet)

	Utilities	Real Estate	Financials	Consumer Disc.	Industrials	Health Care	Comm. Services	Energy	Consumer Staples	Materials	Info. Technology
International	2%	18%	22%	30%	33%	38%	40%	41%	44%	56%	57%
United States	98%	82%	78%	70%	67%	62%	60%	59%	56%	44%	43%

Bottom-up EPS Estimates: Revisions

S&P 500 CY 2020 & CY 2021 Bottom-Up EPS: 1-Year
(Source: FactSet)

166.20

132.23

- - - CY 2021 Bottom-Up EPS   —— CY 2020 Bottom-Up EPS

S&P 500 Q320 Bottom-Up EPS: 1-Year
(Source: FactSet)

- - - Price   —— Q320 Bottom-Up EPS

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Bottom-up EPS Estimates: Current & Historical

S&P 500 Calendar Year Bottom-Up EPS Actuals & Estimates
(Source: FactSet)

CY2010	87.11
CY2011	98.99
CY2012	105.35
CY2013	111.45
CY2014	119.06
CY2015	118.75
CY2016	119.31
CY2017	133.50
CY2018	161.45
CY2019	163.02
CY2020	132.23
CY2021	166.20

S&P 500 Quarterly Bottom-Up EPS Actuals & Estimates
(Source: FactSet)

Q418	41.32
Q119	38.80
Q219	41.59
Q319	42.21
Q419	41.78
Q120	33.32
Q220	28.22
Q320	33.11
Q420	36.10
Q121	37.28
Q221	40.49
Q321	43.09

Forward 12M P/E Ratio: Sector Level

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

	Consumer Disc.	Info. Technology	Industrials	Comm. Services	S&P 500	Materials	Consumer Staples	Real Estate	Utilities	Health Care	Financials	Energy
Fwd P/E	37.2	26.4	24.6	22.4	21.6	21.0	20.8	20.2	18.3	16.1	13.6	
5-Yr Avg.	21.6	18.6	17.3	15.0	17.2	17.0	19.3		17.6	15.6	12.9	15.3
10-Yr Avg.	18.8	15.9	15.7	15.2	15.5	15.1	17.8		16.0	14.8	12.3	14.6

Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Jun. 30
(Source: FactSet)

- ● Consumer Discretionary
- ● Consumer Staples
- ● Energy
- ● Financials
- ● Health Care
- ● Industrials
- ● Information Technology
- ● Materials
- ● Real Estate
- ● Communication Services
- ● Utilities
- ● S&P 500

Forward 12M P/E Ratio: 10-Years

S&P 500 Change in Forward 12-Month EPS vs. Change in Price: 10 Yrs.
(Source: FactSet)

Price — Forward 12-Month EPS

S&P 500 Forward 12-Month P/E Ratio: 10 Years
(Source: FactSet)

Forward 12-Month P/E — — 5-Year Avg. Forward 12-Month P/E — — 10-Year Avg. Forward 12-Month P/E
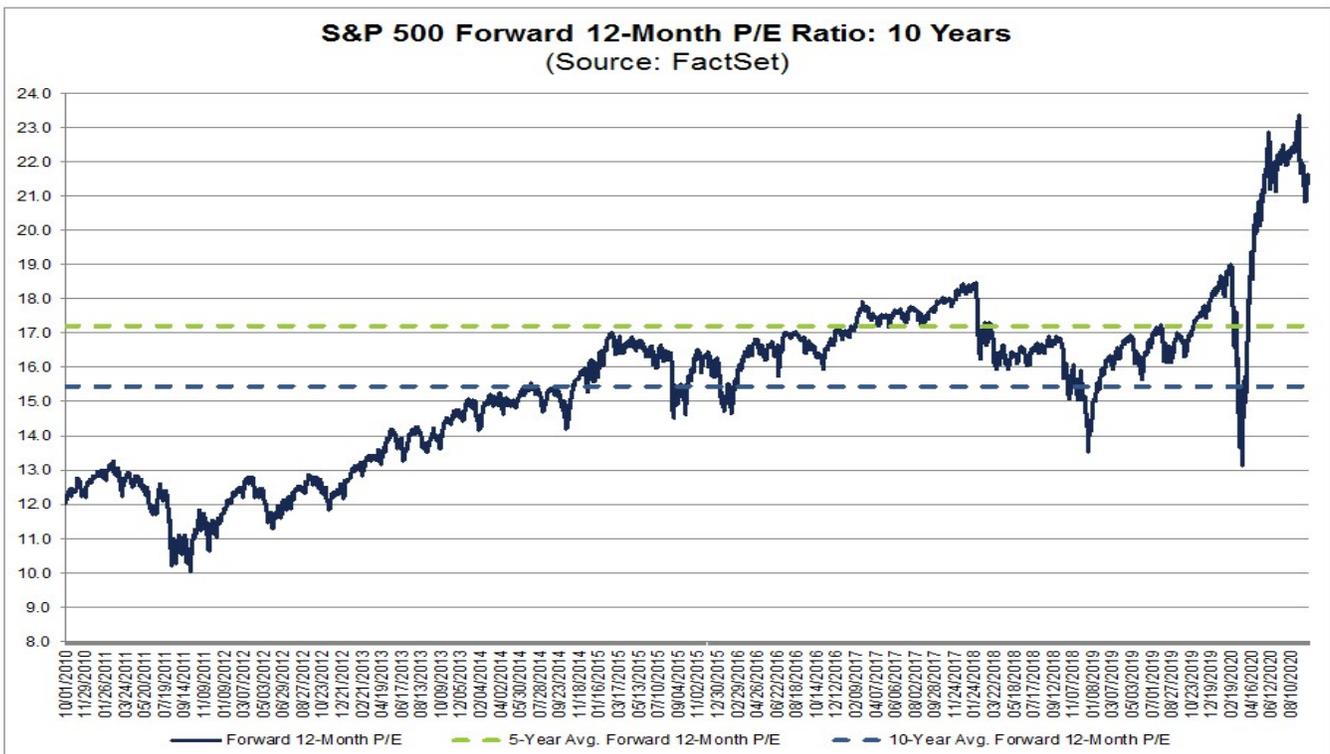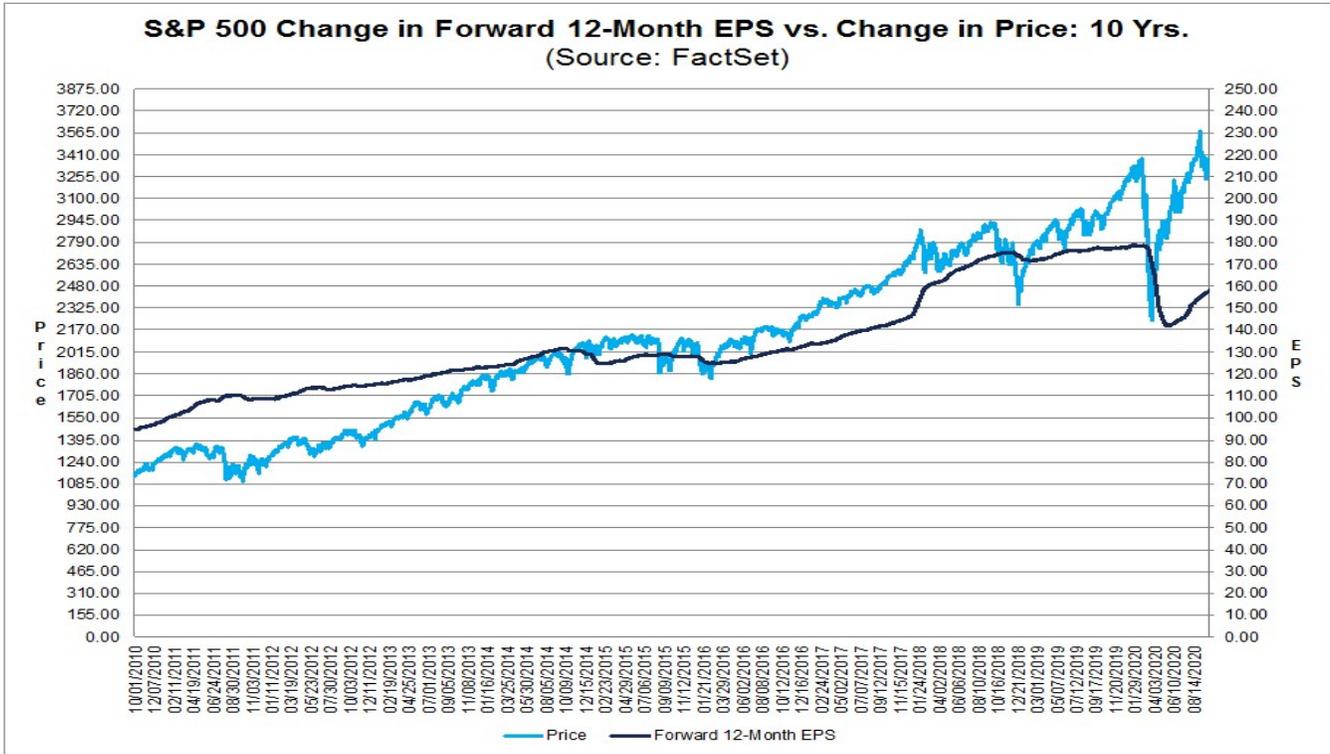
Trailing 12M P/E Ratio: 10-Years

S&P 500 Change in Trailing 12-Month EPS vs. Change in Price: 10 Years
(Source: FactSet)

S&P 500 Trailing 12-Month P/E Ratio: 10 Years
(Source: FactSet)

Targets & Ratings

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

	Health Care	Energy	Comm. Services	Info. Tech.	S&P 500	Materials	Consumer Disc.	Industrials	Utilities	Real Estate	Consumer Staples	Financials
Buy	61%	61%	59%	57%	53%	52%	52%	50%	49%	47%	47%	47%
Hold	33%	34%	34%	37%	40%	42%	43%	43%	43%	44%	43%	46%
Sell	5%	4%	7%	6%	6%	6%	5%	8%	8%	9%	9%	7%

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

	Energy	Health Care	Financials	Comm. Services	S&P 500	Consumer Disc.	Materials	Real Estate	Info. Tech.	Industrials	Utilities	Consumer Staples
Target/Close	45.9%	14.6%	14.2%	13.0%	11.6%	11.4%	11.1%	9.5%	9.0%	8.9%	8.4%	7.3%

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