Earnings Insight

FACTSET

John Butters, Senior Earnings Analyst
jbutters@factset.com

Media Questions/Requests
media_request@factset.com

October 5, 2018

Key Metrics

- **Earnings Growth:** For Q3 2018, the estimated earnings growth rate for the S&P 500 is 19.2%. If 19.2% is the actual growth rate for the quarter, it will mark the third highest earnings growth since Q1 2011 (19.5%).

- **Earnings Revisions:** On June 30, the estimated earnings growth rate for Q3 2018 was 20.4%. Ten sectors have lower growth rates today (compared to June 30) due to downward revisions to earnings estimates.

- **Earnings Guidance:** For Q3 2018, 74 S&P 500 companies have issued negative EPS guidance and 25 S&P 500 companies have issued positive EPS guidance.

- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 16.7. This P/E ratio is above the 5-year average (16.3) and above the 10-year average (14.5).

- **Earnings Scorecard:** For Q3 2018 (with 21 companies in the S&P 500 reporting actual results for the quarter), 18 S&P 500 companies have reported a positive EPS surprise and 15 have reported a positive sales surprise.

S&P 500 Change in Forward 12-Month EPS vs. Change in Price: 10 Yrs.
(Source: FactSet)
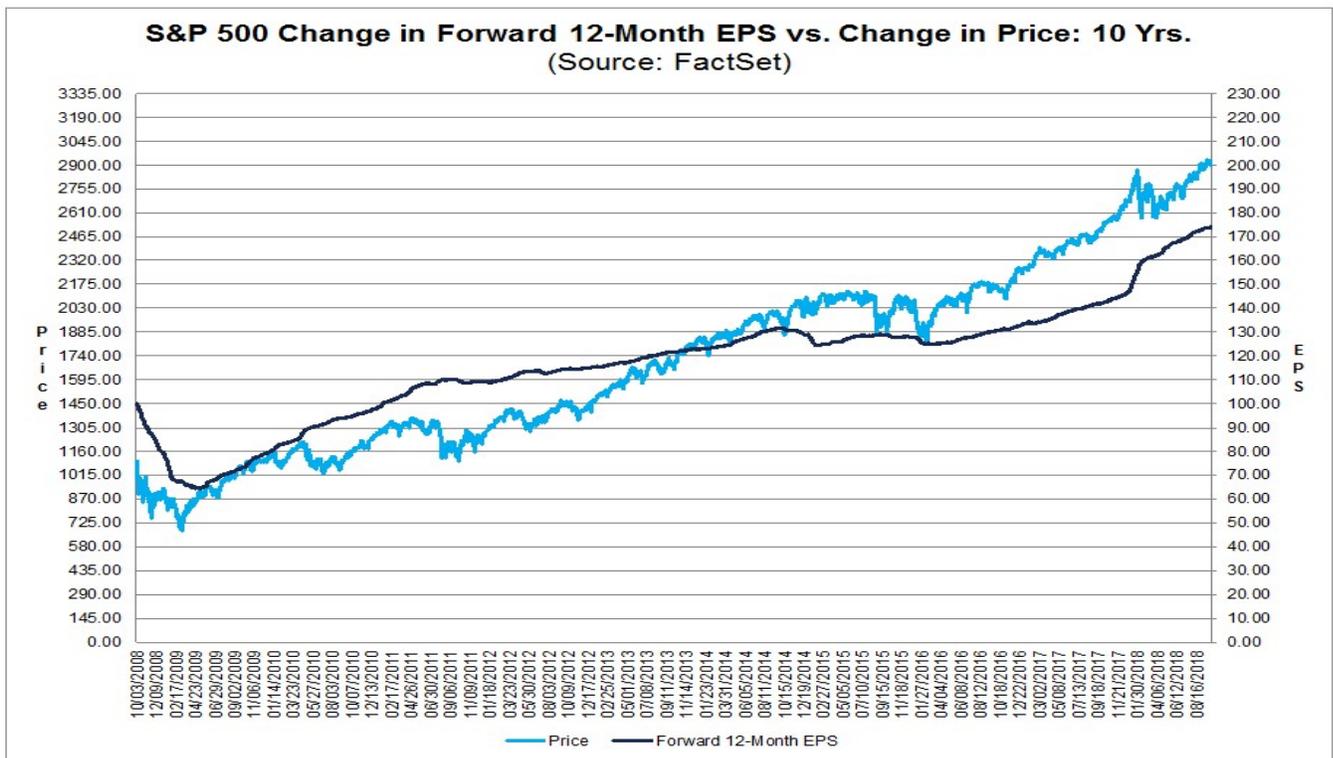
To receive this report via e-mail or view other articles with FactSet content, please go to: https://insight.factset.com/

Topic of the Week: 1

S&P 500 Likely to Report Earnings Growth Above 20% for 3rd Straight Quarter

As of today, the S&P 500 is expected to report earnings growth of 19.2% for the third quarter. What is the likelihood the index will report an actual earnings increase of 19.2% for the quarter?

Based on the average change in earnings growth due to companies reporting positive earnings surprises, it is likely the index will report earnings growth above 20% for Q3, but below the 25% growth reported in the previous two quarters (Q2 2018 and Q1 2018).

When companies in the S&P 500 report actual earnings above estimates during an earnings season, the overall earnings growth rate for the index increases because the higher actual EPS numbers replace the lower estimated EPS numbers in the calculation of the growth rate. For example, if a company is projected to report EPS of $1.05 compared to year-ago EPS of $1.00, the company is projected to report earnings growth of 5%. If the company reports actual EPS of $1.10 (a $0.05 upside earnings surprise compared to the estimate), the actual earnings growth for the company for the quarter is now 10%, five percentage points above the estimated growth rate (10% - 5% = 5%).

Over the past five years on average, actual earnings reported by S&P 500 companies have exceeded estimated earnings by 4.6%. During this same period, 71% of companies in the S&P 500 have reported actual EPS above the mean EPS estimate on average. As a result, from the end of the quarter through the end of the earnings season, the earnings growth rate has typically increased by 3.5 percentage points on average (over the past 5 years) due to the number and magnitude of upside earnings surprises.

If this average increase is applied to the estimated earnings growth rate at the end of Q3 (September 30) of 19.2%, the actual earnings growth rate for the quarter would be 22.7% (19.2% + 3.5% = 22.7%).

If the index does report growth of 22.7% for Q3 2018, it will mark the third highest earnings growth for the index since Q3 2010 (trailing only the previous two quarters) and the third straight quarter of earnings growth above 20%.

S&P 500 Earnings Growth: End of Qtr. Estimate vs. Actual
(Source: FactSet)

	Q315	Q415	Q116	Q216	Q316	Q416	Q117	Q217	Q317	Q417	Q118	Q218	Q318
End of Qtr.	-5.2%	-4.0%	-9.0%	-5.7%	-2.1%	3.1%	9.0%	6.5%	3.2%	11.0%	17.1%	20.0%	19.2%
Actual	-1.5%	-3.5%	-6.9%	-3.1%	3.0%	4.6%	14.0%	10.5%	6.5%	15.2%	24.8%	25.0%	
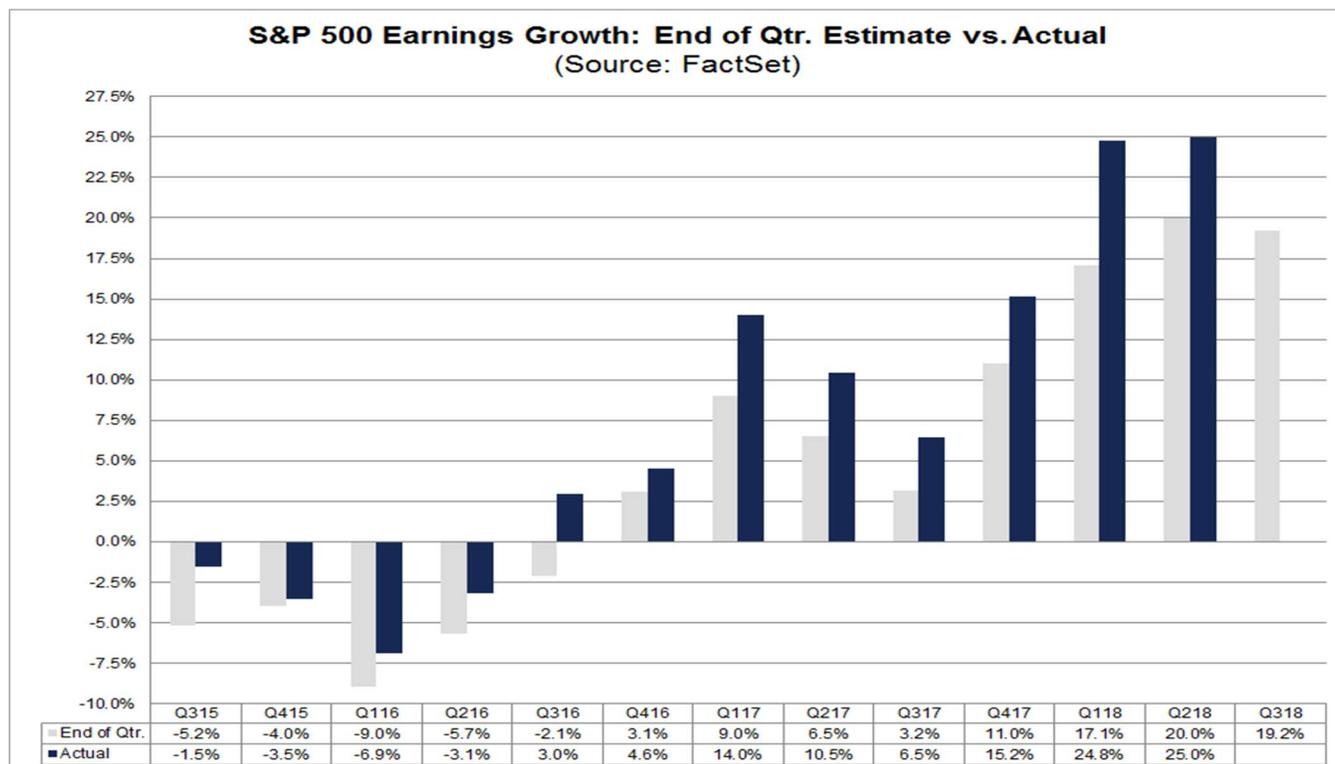
Topic of the Week: 2

Industry Analysts Project 10% Price Increase for S&P 500 Over the Next 12 Months

During the third quarter, the S&P 500 index recorded an increase in value of 7.2%. Ahead of the start of third quarter earnings season, 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 10.5% increase in price 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 4). 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 of the companies in the index. On October 4, the bottom-up target price for the S&P 500 was 3205.51, which was 10.5% above the closing price of 2901.61.

At the sector level, the Materials (+16.2%) and Communication Services (14.6%), sectors are expected to see the largest price increases, as these sectors had the largest upside differences between the bottom-up target price and the closing price on October 4. On the other hand, the Utilities (+5.1%) and Health Care (+5.9%) sectors are expected to see the smallest price increases, as these sectors had the smallest upside differences between the bottom-up target price and the closing price on October 4.

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 4) are listed on the next page.

How accurate have the industry analysts been in predicting the future value of the S&P 500?

Over the past 5 years, the average difference between the bottom-up target price estimate at the end of the month and the closing price 12 months later has been -0.3%. In other words, industry analysts have underestimated the price of the index 12 months in advance by 0.3% on average during the previous five years (using month-end values). Over the past 10 years, the average difference between the bottom-up target price estimate at the end of the month and the closing price 12 months later has been 9.7%. Over the past 15 years, the average difference between the bottom-up target price estimate at the end of the month and the closing price 12 months later has been 9.3%. In other words, industry analysts have overestimated the price of the index 12 months in advance by 9.7% on average over the past 10 years (using month-end values) and by 9.3% on average over the past 15 years.

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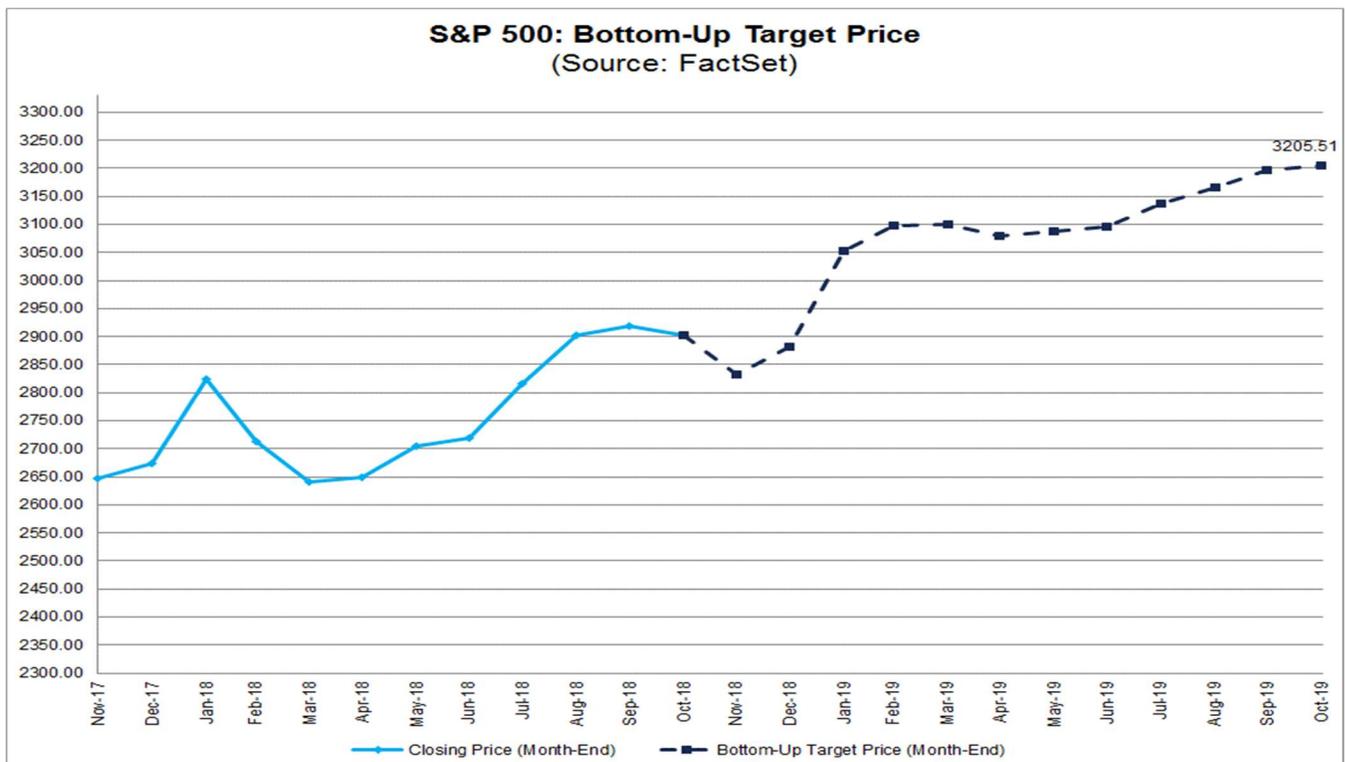
S&P 500: Difference Between Median Target Price & Closing Price: Top 10 (Source: FactSet)

Company	Target	Closing	Diff ($)	Diff (%)
Western Digital Corporation	96.00	56.61	39.39	69.6%
Nektar Therapeutics	86.00	52.11	33.89	65.0%
Applied Materials, Inc.	62.50	37.89	24.61	65.0%
Micron Technology, Inc.	69.50	44.16	25.34	57.4%
Microchip Technology Inc.	112.00	71.43	40.57	56.8%
Lam Research Corporation	225.00	149.01	75.99	51.0%
Wynn Resorts, Limited	181.50	123.44	58.06	47.0%
EQT Corporation	65.00	44.23	20.77	47.0%
LKQ Corporation	43.00	30.34	12.66	41.7%
WestRock Co.	73.00	51.59	21.41	41.5%

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

Company	Target	Closing	Diff ($)	Diff (%)
Advanced Micro Devices, Inc.	24.00	27.78	-3.78	-13.6%
Flowserve Corporation	48.50	54.49	-5.99	-11.0%
Hormel Foods Corporation	35.50	39.59	-4.09	-10.3%
Juniper Networks, Inc.	26.50	29.37	-2.87	-9.8%
CF Industries Holdings, Inc.	51.00	56.06	-5.06	-9.0%
Henry Schein, Inc.	80.00	87.25	-7.25	-8.3%
Garmin Ltd.	63.50	69.14	-5.64	-8.2%
McCormick & Company, Inc.	125.00	135.71	-10.71	-7.9%
Clorox Company	137.00	146.58	-9.58	-6.5%
Discovery, Inc. Class A	31.00	33.15	-2.15	-6.5%

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

	Materials	Comm. Services	Consumer Disc.	Financials	Energy	Real Estate	S&P 500	Info. Tech.	Industrials	Consumer Staples	Health Care	Utilities
■ Target/Close	16.2%	14.6%	13.8%	12.4%	11.8%	11.1%	10.5%	10.5%	8.6%	7.4%	5.9%	5.1%

FACTSET

S&P 500: Bottom-Up Target Price (12-Month Lag) vs. Closing Price
(Source: FactSet)

Legend: - - - Closing Price (Month-End) ——— Bottom-Up Target Price (12-Month Lag)

FACTSET
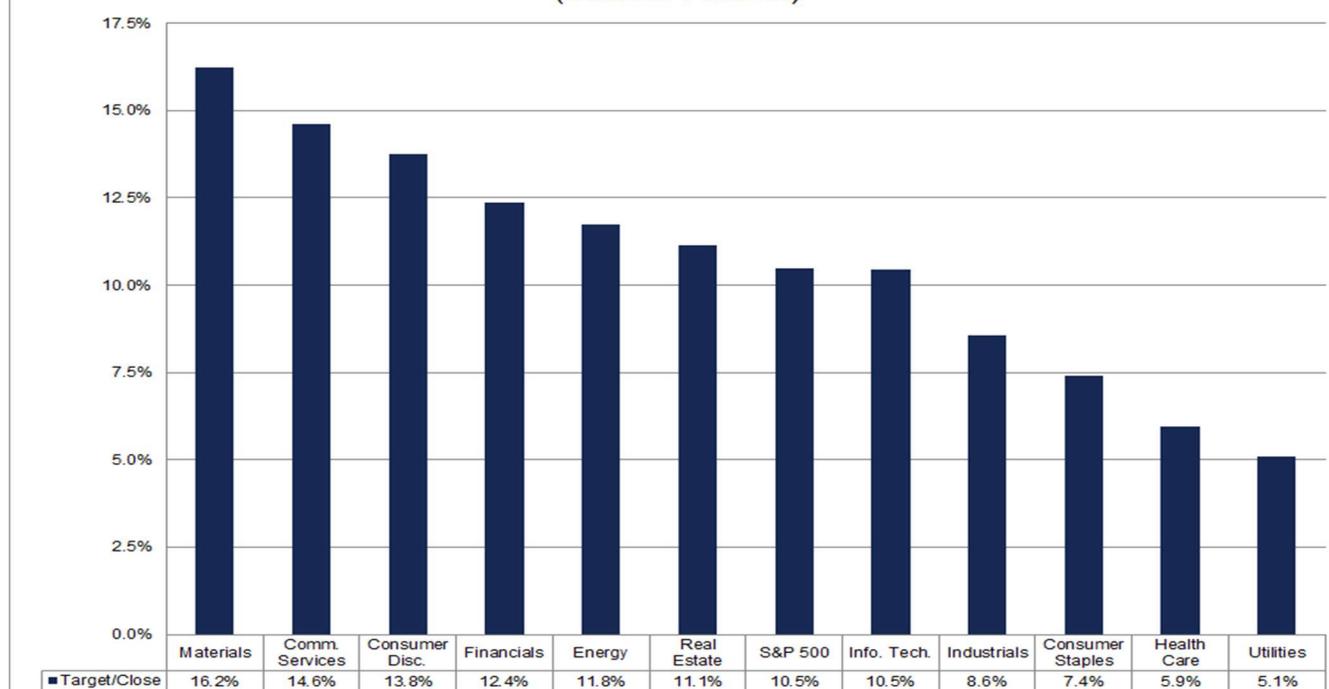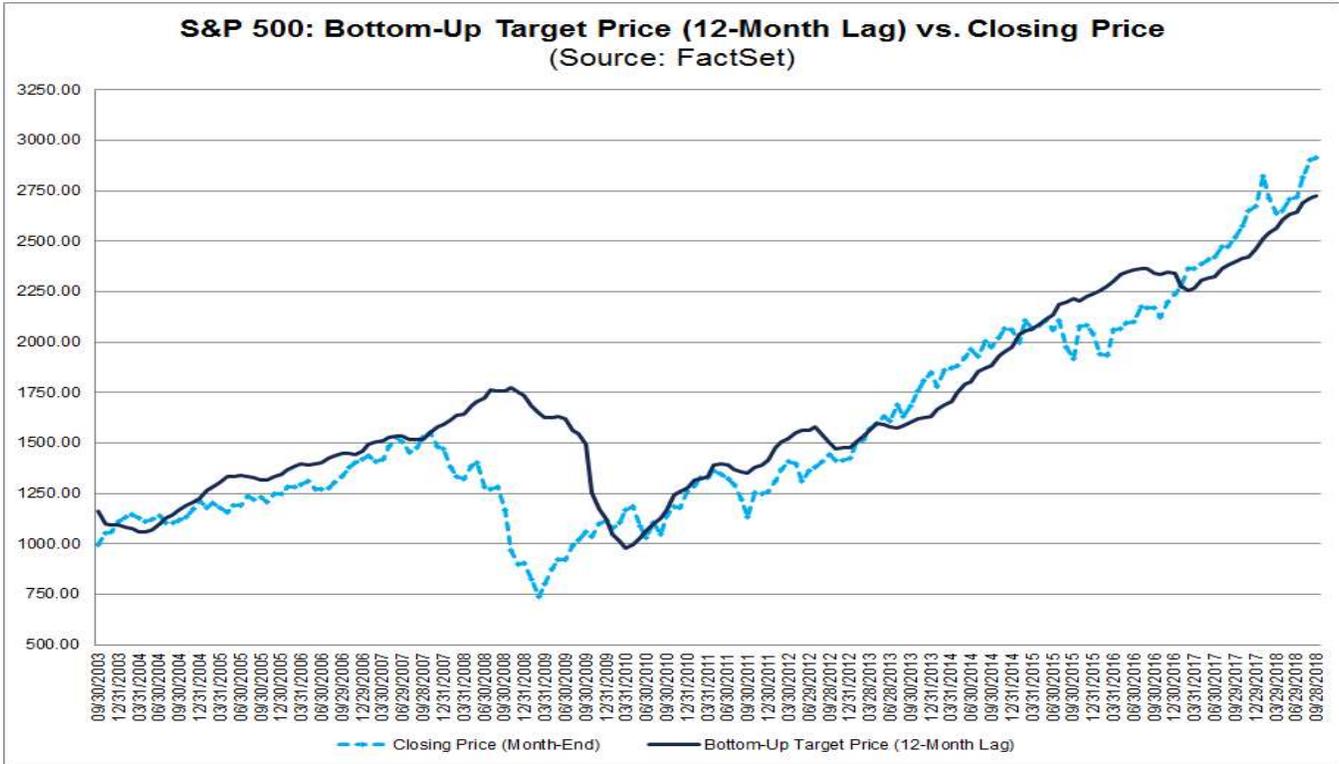
Q3 Earnings Season: By The Numbers

Overview

In terms of estimate revisions for companies in the S&P 500, analysts made smaller cuts than average to earnings estimates for Q3 2018. On a per-share basis, estimated earnings for the third quarter fell by 1.1% from June 30 to September 30. This percentage decline was smaller than the 5-year average (-3.2%), 10-year average (-4.8%), and 15-year average (-3.9%) for a quarter.

However, a larger percentage of S&P 500 companies have lowered the bar for earnings for Q3 2018 relative to recent quarters. Of the 99 companies that have issued EPS guidance for the third quarter, 74 have issued negative EPS guidance and 25 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 75% (74 out of 99), which is above the 5-year average of 71%.

Because of the aggregate downward revisions to earnings estimates, the estimated year-over-year earnings growth rate for Q3 2018 has decreased from 20.4% on June 30 to 19.2% today. All eleven sectors are predicted to report year-over-year earnings growth for the quarter. Seven sectors are projected to report double-digit growth in earnings, led by the Energy, Financials, and Materials sectors.

Because of the aggregate downward revisions to revenue estimates, the estimated year-over-year revenue growth rate for Q3 2018 has decreased from 7.4% on June 30 to 7.3% today. All eleven sectors are projected to report year-over-year growth in revenues. Three sectors are predicted to report double-digit growth in revenue: Energy, Communication Services, and Real Estate.

Looking at future quarters, analysts see double-digit earnings growth for the fourth quarter, but also see single-digit earnings growth for the first half of 2019.

The forward 12-month P/E ratio is 16.7, which is above the 5-year average and above the 10-year average.

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

Earnings Revisions: 10 of 11 Sectors Have Seen Downward Revisions to Earnings Estimates

No Change in Estimated Earnings Growth Rate for Q3 This Week

The estimated earnings growth rate for the third quarter is 19.2% this week, which is equal to the estimated earnings growth rate of 19.2% last week.

Overall, the estimated earnings growth rate for Q3 2018 of 19.2% today is below the estimated earnings growth rate of 20.4% at the start of the quarter (June 30). Ten sectors have recorded a decrease in expected earnings growth due to downward revisions to earnings estimates, led by the Energy sector. On the other hand, the Information Technology sector is the only sector that has recorded an increase in expected earnings growth since the beginning of the quarter.

Energy: Exxon Mobil Leads Decrease in Expected Earnings

The Energy sector has recorded the largest decrease in expected earnings growth since the start of the quarter (to 94.9% from 101.1%). Overall, 17 of the 31 companies (55%) in this sector have seen a decrease in their mean EPS estimate during this time. Of these 17 companies, 9 have recorded a decrease in their mean EPS estimate of more than 10%, led by Halliburton (to $0.50 from $0.70), Noble Energy (to $0.19 from $0.26), and Valero Energy (to $1.96 from $2.35). The decrease in the mean EPS estimates for Exxon Mobil (to $1.27 from $1.35), Halliburton, and Valero Energy have been the largest contributors to the decrease in expected earnings for the Energy sector since June 30.

Materials: 78% of Companies Have Seen a Decline in Earnings Expectations

The Materials sector has recorded the second largest decrease in expected earnings growth since the start of the quarter (to 26.8% from 31.2%). Overall, 15 of the 24 companies (64%) in this sector have seen a decrease in their mean EPS estimate during this time. Of these 15 companies, 4 have recorded a decrease in their mean EPS estimate of more than 10%, led by Newmont Mining (to $0.24 from $0.40) and Freeport-McMoRan (to $0.39 from $0.56). The decrease in the mean EPS estimates for Freeport-McMoRan has been the largest contributor to the decrease in expected earnings for the Materials sector since June 30.

Consumer Staples: 75% of Companies Have Seen a Decline in Earnings Expectations

The Consumer Staples sector has recorded the third largest decrease in expected earnings growth since the start of the quarter (to 5.4% from 9.7%). Overall, 24 of the 32 companies (75%) in this sector have seen a decrease in their mean EPS estimate during this time. Of these 24 companies, 5 have recorded a decrease in their mean EPS estimate of more than 10%, led by Coty (to $0.07 from $0.14) and Tyson Foods (to $1.33 from $1.88). The decrease in the mean EPS estimates for Philip Morris International (to $1.28 from $1.43) and Tyson Foods have been the largest contributors to the decrease in expected earnings for the Consumer Staples sector since June 30.

Consumer Discretionary: GM Leads Decrease in Expected Earnings

The Consumer Discretionary sector has recorded the fourth largest decrease in expected earnings growth since the start of the quarter (to 10.8% from 14.8%). Overall, 42 of the 64 companies (66%) in this sector have seen a decrease in their mean EPS estimate during this time. Of these 42 companies, 14 have recorded a decrease in their mean EPS estimate of more than 10%, led by L Brands (to $0.04 from $0.17), MGM Resorts (to $0.20 from $0.40), and Under Armour (to $0.12 from $0.24). However, the decrease in the mean EPS estimates for General Motors (to $1.26 from $1.63), Ford Motor (to $0.30 from $0.37), and Lowe's Companies (to $1.01 from $1.27) have been the largest contributors to the decrease in expected earnings for the Consumer Discretionary sector since June 30.

Information Technology: Apple Leads Increase in Expected Earnings

The Information Technology sector has recorded the largest increase in expected earnings growth since the start of the quarter (to 16.8% from 14.5%). Overall, 32 of the 65 companies (49%) in this sector have seen an increase in their mean EPS estimate during this time. Of these 32 companies, only 1 has recorded an increase in its mean EPS estimate of more than 10%: Synopsis (to $0.78 from $0.70). However, the increase in the mean EPS estimates for Apple (to $2.77 from $2.65), Intel (to $1.15 from $1.07), and Microsoft (to $0.96 from $0.92) have been the largest contributors to the increase in expected earnings for the Information Technology sector since June 30.

Index-Level (Bottom-Up) EPS Estimate: Smaller Decline Than Average

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) decreased by 1.1% (to $40.54 from $41.00) during the quarter. This percentage decline was smaller than the 5-year average (-3.2%), 10-year average (-4.8%), and 15-year average (-3.9%) for a quarter.

Earnings Guidance: Highest % of Companies Issuing Negative Guidance Since Q1 2016

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, 99 companies in the index have issued EPS guidance for Q3 2018. Of these 99 companies, 74 have issued negative EPS guidance and 25 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 75% (75 out of 99), which is above the 5-year average of 71%.

If 75% is the final number for the quarter, it will mark the highest percentage of S&P 500 companies issuing negative EPS guidance for a quarter since Q1 2016 (79%).

While the number of companies issuing negative EPS guidance for Q3 (74) is 3% below the 5-year average (76), the number of companies issuing positive EPS guidance for Q3 (25) is 19% below the 5-year average (31).

Earnings Growth: 19.2%

The estimated (year-over-year) earnings growth rate for Q3 2018 is 19.2%. If 19.2% is the final growth rate for the quarter, it will mark the third highest earnings growth reported by the index since Q1 2011 (19.5%), trailing only the previous two quarters. All eleven sectors are expected to report year-over-year growth in earnings. Seven sectors are projected to report double-digit earnings growth for the quarter, led by the Energy, Financials, and Materials sectors.

Energy: Higher Year-Over-Year Oil Prices Driving Broad-Based Growth

The Energy sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 94.9%. Higher oil prices are helping to drive the unusually high growth rate for the sector, as the average price of oil in Q3 2018 ($69.43) was 44% higher than the average price of oil in Q3 2017 ($48.20). At the sub-industry level, all six sub-industries in the sector are predicted to report earnings growth for the quarter: Oil & Gas Drilling (N/A due to year-ago loss), Oil & Gas Exploration & Production (3,532%), Integrated Oil & Gas (89%), Oil & Gas Storage & Transportation (60%), Oil & Gas Equipment & Services (23%), and Oil & Gas Refining & Marketing (8%).

Financials: All 5 Industries Expected to Report Double-Digit Growth, Led by Insurance Industry

The Financials sector is expected to report the second highest (year-over-year) earnings growth of all eleven sectors at 33.8%. At the industry level, all five industries in this sector are predicted to report double-digit growth in earnings: Insurance (158%), Diversified Financial Services (83%), Banks (21%), Consumer Finance (19%), and Capital Markets (12%). The unusually high growth rate for the Insurance industry can be attributed in part to an easy comparison to weak year-ago earnings due to catastrophic losses from Hurricanes Harvey and Irma. If the Insurance industry were excluded, the estimated earnings growth rate for the Financials sector would fall to 21.3% from 33.8%.

Materials: All 4 Industries Expected to Report Double-Digit Earnings Growth

The Materials sector is expected to report the third highest (year-over-year) earnings growth of all eleven sectors at 26.8%. At the industry level, all four industries in the sector are predicted to report double-digit earnings growth: Metals & Mining (52%), Construction Materials (38%), Containers & Packaging (31%), and Chemicals (20%).

Revenue Growth: 7.3%

The estimated (year-over-year) revenue growth rate for Q3 2018 is 7.3%. All eleven sectors are expected to report year-over-year growth in revenue. Three sectors are predicted to reported double-digit growth in revenue: Energy, Communication Services, and Real Estate.

Energy: 5 of 6 Sub-Industries Expected to Report Double-Digit Growth

The Energy sector is expected to report the highest (year-over-year) revenue growth of all eleven sectors at 18.7%. At the sub-industry level, all six sub-industries are expected to report (year-over-year) revenue growth. Five of the six sub-industries in the sector are predicted to report double-digit revenue growth: Oil & Gas Drilling (28%), Oil & Gas Exploration & Production (21%), Integrated Oil & Gas (20%), Oil & Gas Storage & Transportation (19%), and Oil & Gas Refining & Marketing (19%).

Communication Services: Interactive Media & Services Industry Leads Growth

The Communication Services 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 four industries in this sector are predicted to report revenue growth. Two of these four industries are projected to report double-digit revenue growth: Interactive Media & Services (24%) and Diversified Telecommunication Services (11%).

Real Estate: CBRE Group Leads Growth

The Real Estate sector is expected to report the third highest (year-over-year) revenue growth of all eleven sectors at 11.6%. At the company level, CBRE Group is predicted to be the largest contributor to revenue growth for the sector. The revenue estimate for Q3 2018 is $5.2 billion, compared to year-ago revenues of $3.5 billion. If this company were excluded, the estimated revenue growth rate for the sector would fall to 5.6% from 11.6%.

Looking Ahead: Forward Estimates and Valuation

20% Earnings Growth Expected For 2018, But Lower Growth Projected for 2019

For the third quarter, analysts expect companies to report earnings growth of 19.2% and revenue growth of 7.3%. While analysts currently expect earnings to grow at double-digit levels for Q4, they also expect more moderate growth in early 2019.

For Q4 2018, analysts are projecting earnings growth of 17.1% and revenue growth of 6.3%.

For CY 2018, analysts are projecting earnings growth of 20.3% and revenue growth of 8.1%.

For Q1 2019, analysts are projecting earnings growth of 7.2% and revenue growth of 6.4%.

For Q2 2019, analysts are projecting earnings growth of 7.5% and revenue growth of 4.8%.

For CY 2019, analysts are projecting earnings growth of 10.4% and revenue growth of 5.3%.

Valuation: Forward P/E Ratio is 16.7, above the 10-Year Average (14.5)

The forward 12-month P/E ratio is 16.7. This P/E ratio is above the 5-year average of 16.3, and above the 10-year average of 14.5. However, it is below the forward 12-month P/E ratio of 16.8 recorded at the start of the fourth quarter (September 30). Since the start of the fourth quarter, the price of the index has increased by 0.4%, while the forward 12-month EPS estimate has increased by 0.1%.

At the sector level, the Consumer Discretionary (21.6) sector has the highest forward 12-month P/E ratio, while the Financials (12.4) and Materials (15.1) sectors have the lowest forward 12-month P/E ratios.

Targets & Ratings: Analysts Project 10% Increase in Price Over Next 12 Months

The bottom-up target price for the S&P 500 is 3205.51, which is 10.5% above the closing price of 2901.61. At the sector level, the Materials (+16.2%) 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 Utilities (+5.1%) and Health Care (+5.9%) 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.

For more details, please see pages 3 through 5.

Overall, there are 10,947 ratings on stocks in the S&P 500. Of these 10,947 ratings, 52.6% are Buy ratings, 41.7% are Hold ratings, and 5.7% are Sell ratings. At the sector level, the Energy (60%) sector has the highest percentage of Buy ratings, while the Consumer Staples (42%) sector has the lowest percentage of Buy ratings.

Companies Reporting Next Week: 7

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

FACTSET

Q3 2018: Scorecard

S&P 500 Earnings Above, In-Line, Below Estimates: Q3 2018
(Source: FactSet)

	Info. Technology	Consumer Disc.	S&P 500	Consumer Staples	Industrials	Health Care	Comm. Services	Materials	Utilities	Financials	Real Estate	Energy
■ Below	0%	0%	10%	17%	33%	0%	0%	0%	0%	0%	0%	0%
■ In-Line	0%	0%	5%	17%	0%	0%	0%	0%	0%	0%	0%	0%
■ Above	100%	100%	86%	67%	67%	0%	0%	0%	0%	0%	0%	0%

S&P 500 Revenues Above, In-Line, Below Estimates: Q3 2018
(Source: FactSet)

	Industrials	Consumer Disc.	S&P 500	Info. Technology	Consumer Staples	Health Care	Materials	Real Estate	Financials	Comm. Services	Utilities	Energy
■ Below	0%	17%	29%	33%	50%	0%	0%	0%	0%	0%	0%	0%
■ In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
■ Above	100%	83%	71%	67%	50%	0%	0%	0%	0%	0%	0%	0%

FACTSET

Q3 2018: Scorecard

S&P 500 Sector-Level Earnings Surprise %: Q3 2018
(Source: FactSet)

Sector	Surprise %
Consumer Disc.	5.2%
Info. Technology	4.3%
S&P 500	3.3%
Consumer Staples	2.4%
Industrials	-4.7%
Utilities	0.0%
Comm. Services	0.0%
Health Care	0.0%
Materials	0.0%
Financials	0.0%
Real Estate	0.0%
Energy	0.0%

S&P 500 Sector-Level Revenue Surprise %: Q3 2018
(Source: FactSet)

Sector	Surprise %
Industrials	1.4%
Info. Technology	1.1%
S&P 500	0.7%
Consumer Disc.	0.7%
Consumer Staples	0.3%
Financials	0.0%
Real Estate	0.0%
Materials	0.0%
Health Care	0.0%
Comm. Services	0.0%
Energy	0.0%
Utilities	0.0%

FACTSET

Q3 2018: Scorecard

S&P 500 EPS Surprise % vs. Price %: Q3 2018
(Source: FactSet)

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

Q3 2018: Scorecard

S&P 500 Actual EPS Surprise %: Top 10 Q3 Actual EPS Surprises
(Source: FactSet)

Company	Surprise %
Lennar Corporation Class A	16.3%
General Mills, Inc.	11.3%
Constellation Brands, Inc. Class A	9.9%
Darden Restaurants, Inc.	8.4%
NIKE, Inc. Class B	6.8%
Cintas Corporation	6.7%
Micron Technology, Inc.	6.0%
IHS Markit Ltd.	4.9%
Red Hat, Inc.	4.3%
Oracle Corporation	3.8%

S&P 500 Actual EPS Surprise %: Bottom 10 Q3 Actual EPS Surprises
(Source: FactSet)

Company	Surprise %
Adobe Systems Incorporated	2.3%
CarMax, Inc.	2.1%
Carnival Corporation	1.9%
Paychex, Inc.	1.6%
Accenture Plc Class A	1.6%
PepsiCo, Inc.	1.1%
McCormick & Company, Incorporated	0.9%
Costco Wholesale Corporation	0.0%
Conagra Brands, Inc.	-3.7%
FedEx Corporation	-9.0%

Q3 2018: Projected EPS Surprises (Sharp Estimates)

Number (#) of S&P 500 Companies with Q3 2018 Sharp Estimates
(Source: FactSet)

■ Upside Sharp Estimates ■ Downside Sharp Estimates

Percentage (%) of S&P 500 Companies with Q3 2018 Sharp Estimates
(Source: FactSet)

■ Pos Sharp ■ No Sharp ■ Neg Sharp

FACTSET

Q3 2018: Growth

S&P 500 Earnings Growth: Q3 2018
(Source: FactSet)

	Energy	Financials	Materials	Comm. Services	S&P 500	Info. Technology	Industrials	Consumer Disc.	Health Care	Utilities	Real Estate	Consumer Staples
■Today	94.9%	33.8%	26.8%	19.2%	19.2%	16.8%	15.0%	10.8%	8.9%	6.7%	6.6%	5.4%
▦30-Sep	95.0%	34.0%	27.6%	19.3%	19.2%	16.8%	15.1%	10.9%	8.9%	6.7%	6.5%	5.1%

S&P 500 Revenue Growth: Q3 2018
(Source: FactSet)

	Energy	Comm. Services	Real Estate	Materials	Info. Technology	S&P 500	Consumer Disc.	Industrials	Health Care	Financials	Utilities	Consumer Staples
■Today	18.7%	13.1%	11.6%	9.5%	9.2%	7.3%	6.5%	6.4%	6.1%	3.0%	2.9%	2.8%
▦30-Sep	18.5%	13.1%	11.6%	9.8%	9.2%	7.5%	8.1%	6.5%	6.1%	3.1%	2.9%	2.7%

FactSet Research Systems Inc. | www.factset.com

Q3 2018: Net Profit Margin

S&P 500 Net Profit Margins: Q318 vs. Q317
(Source: FactSet)

	Real Estate	Information Tech.	Financials	Utilities	Comm. Services	S&P 500	Materials	Health Care	Industrials	Consumer Disc.	Energy	Consumer Staples
Q318	34.5%	22.1%	17.1%	14.2%	12.6%	11.6%	10.4%	10.1%	9.8%	7.2%	7.2%	6.7%
Q317	36.2%	20.7%	13.2%	13.7%	11.9%	10.4%	9.0%	9.8%	9.1%	7.0%	4.4%	6.5%

S&P 500: % of Cos. With Increase or Decrease in Net Profit Margin: Q318 vs. Q317
(Source: FactSet)

	Energy	Materials	Financials	Industrials	S&P 500	Health Care	Information Tech.	Consumer Disc.	Consumer Staples	Comm. Services	Utilities	Real Estate
Down %	10%	21%	19%	23%	31%	34%	37%	37%	38%	38%	41%	47%
None %	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Up %	90%	79%	79%	77%	69%	66%	63%	63%	63%	62%	59%	53%

FactSet Research Systems Inc. | www.factset.com   17

Q4 2018: EPS Guidance

Number (#) of S&P 500 Cos. with Q4 Positive & Negative Guidance
(Source: FactSet)

■ # of Negative EPS Preannouncements   ■ # of Positive EPS Preannouncements

Percentage (%) of S&P 500 Cos. with Q4 Positive & Negative Guidance
(Source: FactSet)

	Consumer Disc.	S&P 500	Info. Technology	Materials	Comm. Services	Consumer Staples	Utilities	Financials	Health Care	Industrials	Real Estate	Energy
Positive	33%	50%	50%	100%	0%	0%	0%	0%	0%	0%	0%	0%
Negative	67%	50%	50%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Q4 2018: EPS Revisions

Upward Change in Q4 EPS (Trailing 4 Weeks): Top 10 S&P 500 Cos.
(Source: FactSet)

Company	Value
Hess Corporation	28.7%
WellCare Health Plans, Inc.	24.0%
Helmerich & Payne, Inc.	16.6%
CF Industries Holdings, Inc.	16.0%
Marathon Oil Corporation	10.7%
Advanced Micro Devices, Inc.	7.9%
Chevron Corporation	5.9%
Mosaic Company	5.8%
Incyte Corporation	4.7%
Pinnacle West Capital Corporation	4.4%

Downward Change in Q4 EPS (Trailing 4-Weeks): Top 10 S&P 500 Cos.
(Source: FactSet)

Company	Value
EQT Corporation	-10.3%
SCANA Corporation	-10.3%
Conagra Brands, Inc.	-10.6%
Newmont Mining Corporation	-11.2%
Schlumberger NV	-11.2%
Constellation Brands, Inc. Class A	-12.1%
NIKE, Inc. Class B	-13.3%
Freeport-McMoRan, Inc.	-14.8%
NRG Energy, Inc.	-25.0%
Nektar Therapeutics	-39.3%

Q4 2018: Growth

S&P 500 Earnings Growth: Q4 2018
(Source: FactSet)

	Energy	Financials	Industrials	S&P 500	Consumer Disc.	Comm. Services	Materials	Health Care	Info. Technology	Real Estate	Utilities	Consumer Staples
Today	97.3%	21.4%	20.5%	17.1%	16.8%	16.4%	12.2%	11.5%	10.6%	8.9%	8.8%	6.4%
30-Sep	96.3%	21.5%	20.9%	17.2%	17.2%	16.5%	12.6%	11.4%	10.6%	8.9%	8.8%	7.0%

S&P 500 Revenue Growth: Q4 2018
(Source: FactSet)

	Energy	Comm. Services	Real Estate	Industrials	S&P 500	Consumer Disc.	Health Care	Materials	Info. Technology	Financials	Consumer Staples	Utilities
Today	13.8%	12.6%	10.9%	6.7%	6.3%	6.2%	5.8%	5.5%	5.2%	4.8%	2.4%	-4.8%
30-Sep	13.4%	12.6%	10.8%	6.6%	6.3%	6.2%	5.8%	5.7%	5.2%	4.9%	2.5%	-4.8%

FACTSET

CY 2018: Growth

S&P 500 Earnings Growth: CY 2018
(Source: FactSet)

	Energy	Materials	Financials	Comm. Services	S&P 500	Industrials	Info. Technology	Consumer Disc.	Health Care	Utilities	Consumer Staples	Real Estate
Today	104.7%	27.9%	26.6%	20.6%	20.3%	17.7%	17.0%	16.2%	12.9%	11.4%	9.1%	7.9%
30-Sep	104.8%	28.2%	26.6%	20.7%	20.4%	17.9%	17.0%	16.2%	12.9%	11.4%	9.2%	7.9%

S&P 500 Revenue Growth: CY 2018
(Source: FactSet)

	Financials	Comm. Services	Consumer Disc.	Real Estate	Materials	Consumer Staples	S&P 500	Info. Technology	Industrials	Health Care	Energy	Utilities
Today	18.3%	12.5%	12.3%	11.1%	10.0%	8.6%	8.1%	8.0%	6.2%	4.6%	3.8%	1.4%
30-Sep	18.3%	12.5%	12.3%	11.2%	10.0%	8.7%	8.1%	8.0%	6.2%	4.6%	3.7%	1.4%

CY 2019: Growth

S&P 500 Earnings Growth: CY 2019
(Source: FactSet)

	Energy	Consumer Disc.	Industrials	Comm. Services	S&P 500	Financials	Info. Technology	Health Care	Materials	Real Estate	Consumer Staples	Utilities
Today	27.3%	12.8%	12.6%	10.5%	10.4%	10.1%	9.6%	8.3%	6.9%	5.8%	5.5%	4.2%
30-Sep	26.6%	13.0%	12.5%	10.7%	10.4%	10.0%	9.7%	8.3%	6.9%	5.8%	5.5%	4.2%

S&P 500 Revenue Growth: CY 2019
(Source: FactSet)

	Comm. Services	Consumer Disc.	Energy	Health Care	S&P 500	Industrials	Info. Technology	Real Estate	Financials	Consumer Staples	Materials	Utilities
Today	9.0%	6.6%	6.3%	5.4%	5.3%	5.3%	5.2%	5.1%	4.3%	3.3%	2.7%	2.6%
30-Sep	9.0%	6.6%	5.9%	5.4%	5.3%	5.3%	5.3%	5.1%	4.3%	3.5%	2.8%	2.6%

Geographic Revenue Exposure

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

International 38%

United States 62%

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

	Utilities	Real Estate	Financials	Consumer Disc.	Health Care	Comm. Services	Industrials	Energy	Consumer Staples	Materials	Info. Technology
International	3%	13%	20%	32%	35%	36%	36%	41%	43%	52%	58%
United States	97%	87%	80%	68%	65%	64%	64%	59%	57%	48%	42%

FACTSET

Bottom-up EPS Estimates: Revisions

S&P 500 CY 2018 & CY 2019 Bottom-Up EPS: 1-Year
(Source: FactSet)

S&P 500 Q418 Bottom-Up EPS: 1-Year
(Source: FactSet)

Bottom-up EPS Estimates: Current & Historical

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

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

Forward 12M P/E Ratio: Sector Level

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

	Consumer Disc.	Info. Technology	Comm. Services	Consumer Staples	Energy	Real Estate	Industrials	S&P 500	Health Care	Utilities	Materials	Financials
Fwd P/E	21.6	18.0	17.9	17.7	17.1	16.8	16.8	16.7	16.6	16.5	15.1	12.4
5-Yr Avg.	18.5	16.4		18.9	28.4		16.4	16.3	16.1	16.5	16.0	13.1
10-Yr Avg.	17.0	14.6		16.5	19.9		14.9	14.5	13.8	14.6	15.1	12.5

Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Sep 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: Long-Term Averages

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

S&P 500 Forward 12-Month P/E Ratio: 10 Years
(Source: FactSet)
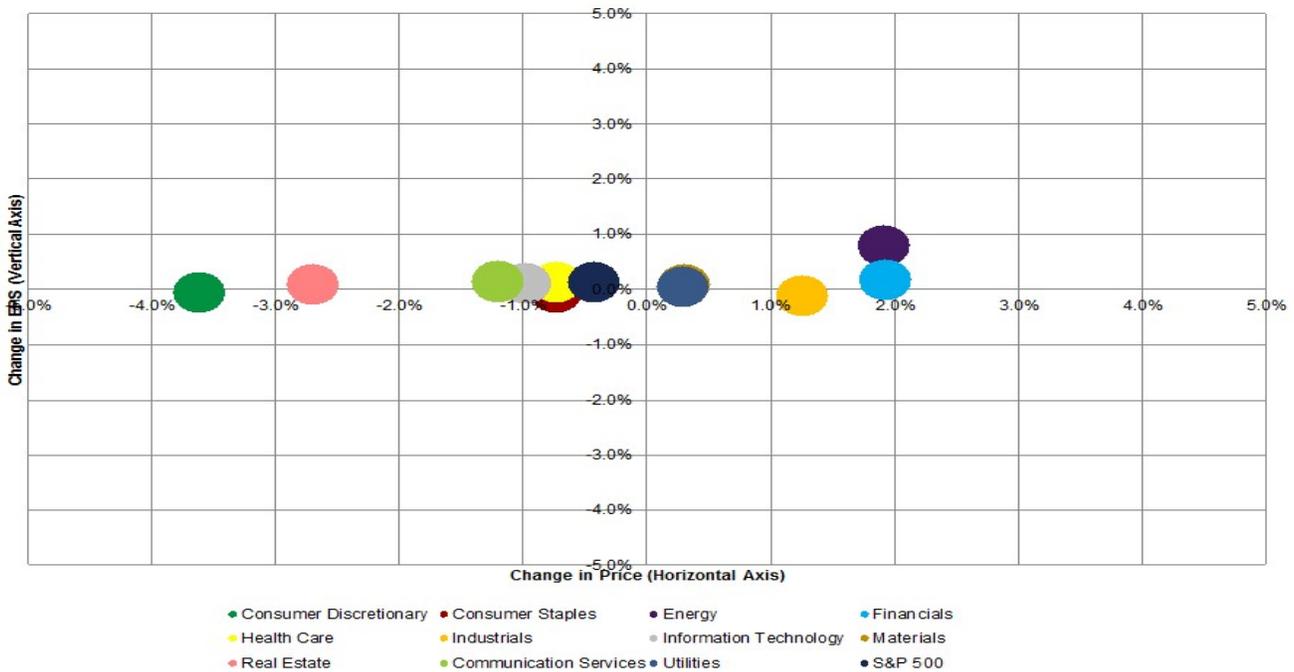
Trailing 12M P/E Ratio: Long-Term Averages

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)

FACTSET

Targets & Ratings

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

	Energy	Health Care	Materials	Info. Tech.	Comm. Services	Industrials	S&P 500	Consumer Disc.	Financials	Real Estate	Utilities	Consumer Staples
Buy	60%	58%	58%	56%	56%	53%	53%	51%	49%	45%	43%	42%
Hold	35%	38%	39%	38%	37%	41%	42%	43%	45%	51%	49%	49%
Sell	5%	4%	4%	6%	7%	6%	6%	6%	6%	5%	8%	9%

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

	Materials	Comm. Services	Consumer Disc.	Financials	Energy	Real Estate	S&P 500	Info. Tech.	Industrials	Consumer Staples	Health Care	Utilities
Target/Close	16.2%	14.6%	13.8%	12.4%	11.8%	11.1%	10.5%	10.5%	8.6%	7.4%	5.9%	5.1%

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 analytics, service, content, and technology to help more than 66,000 users see and seize opportunity sooner. We are committed to giving investment professionals the edge to outperform, with fresh perspectives, informed insights, and the industry-leading support of our 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. Learn more at www.factset.com and follow on Twitter: www.twitter.com/factset.