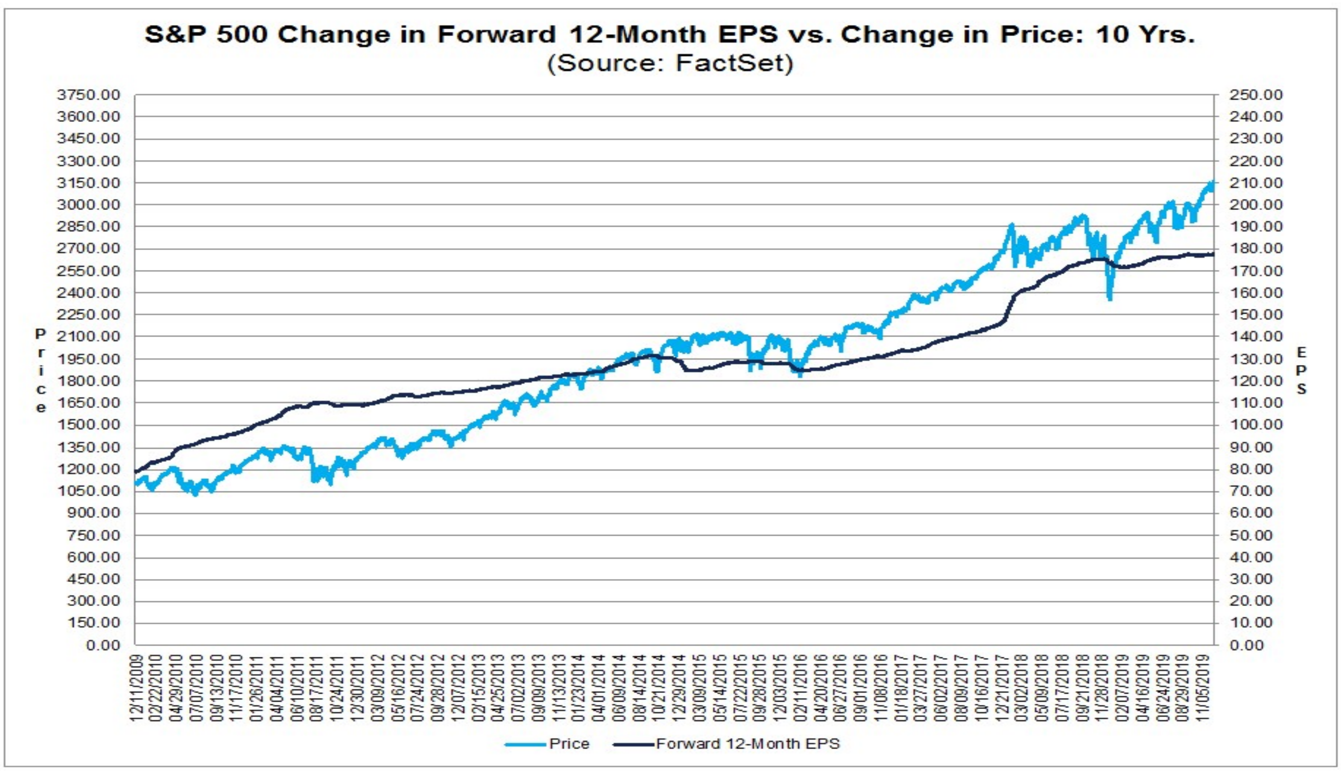
John Butters, Senior Earnings Analyst
jbutters@factset.com

Media Questions/Requests
media_request@factset.com

December 13, 2019

# Key Metrics

- **Earnings Growth:** For Q4 2019, the estimated earnings decline for the S&P 500 is -1.3%. If -1.3% is the actual decline for the quarter, it will mark the first time the index has reported four straight quarters of year-over-year earnings declines since Q3 2015 through Q2 2016.
- **Earnings Revisions:** On September 30, the estimated earnings growth rate for Q4 2019 was 2.5%. All eleven sectors have lower growth rates today (compared to September 30) due to downward revisions to EPS estimates.
- **Earnings Guidance:** For Q4 2019, 71 S&P 500 companies have issued negative EPS guidance and 34 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 17.8. This P/E ratio is above the 5-year average (16.6) and above the 10-year average (14.9).
- **Earnings Scorecard:** For Q4 2019 (with 4 of the companies in the S&P 500 reporting actual results), 4 S&P 500 companies have reported a positive EPS surprise and 3 S&P 500 companies have reported a positive revenue surprise.

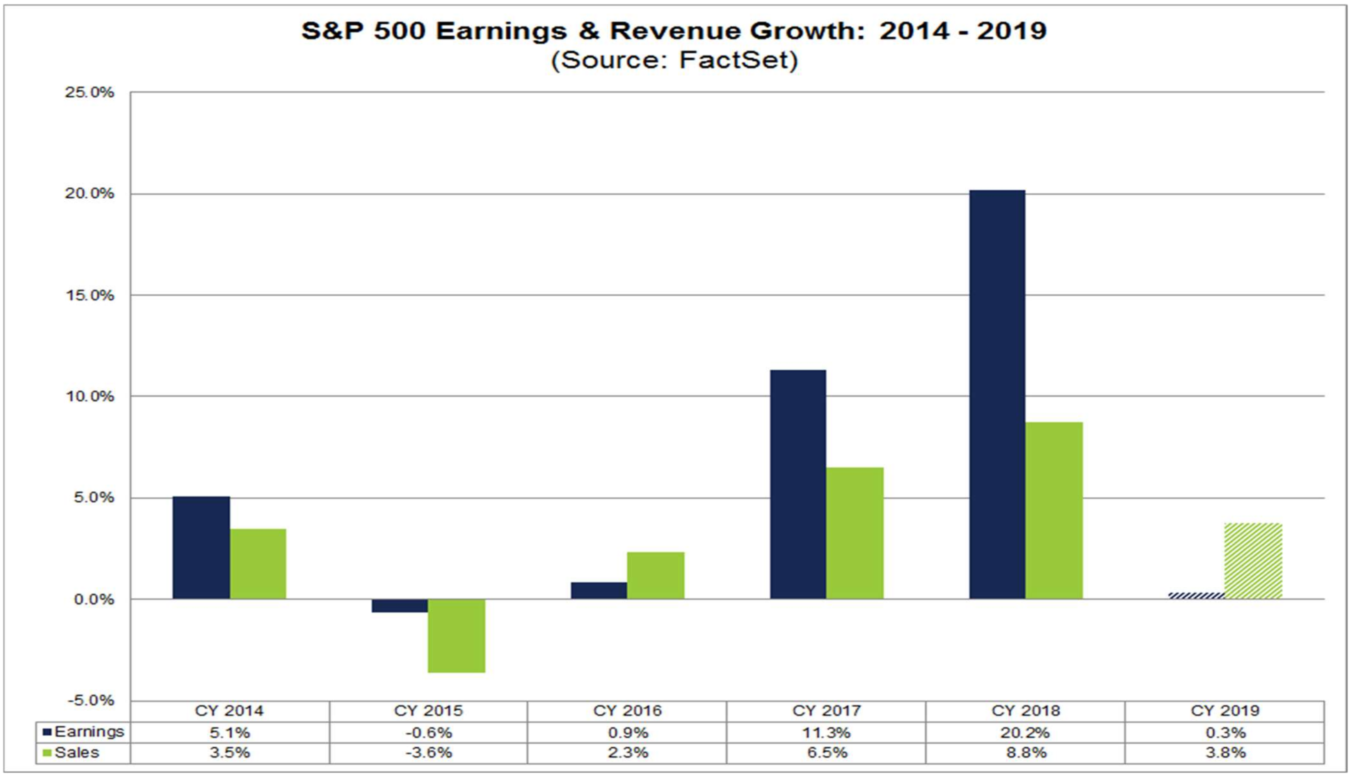



To receive this report via e-mail or view other articles with FactSet content, please go to: https://insight.factset.com/

All data published in this report is available on FactSet. Please contact media_request@factset.com or 1-877-FACTSET for more information.

# Topic of the Week: 1

## S&P 500 Earnings Preview: CY 2019



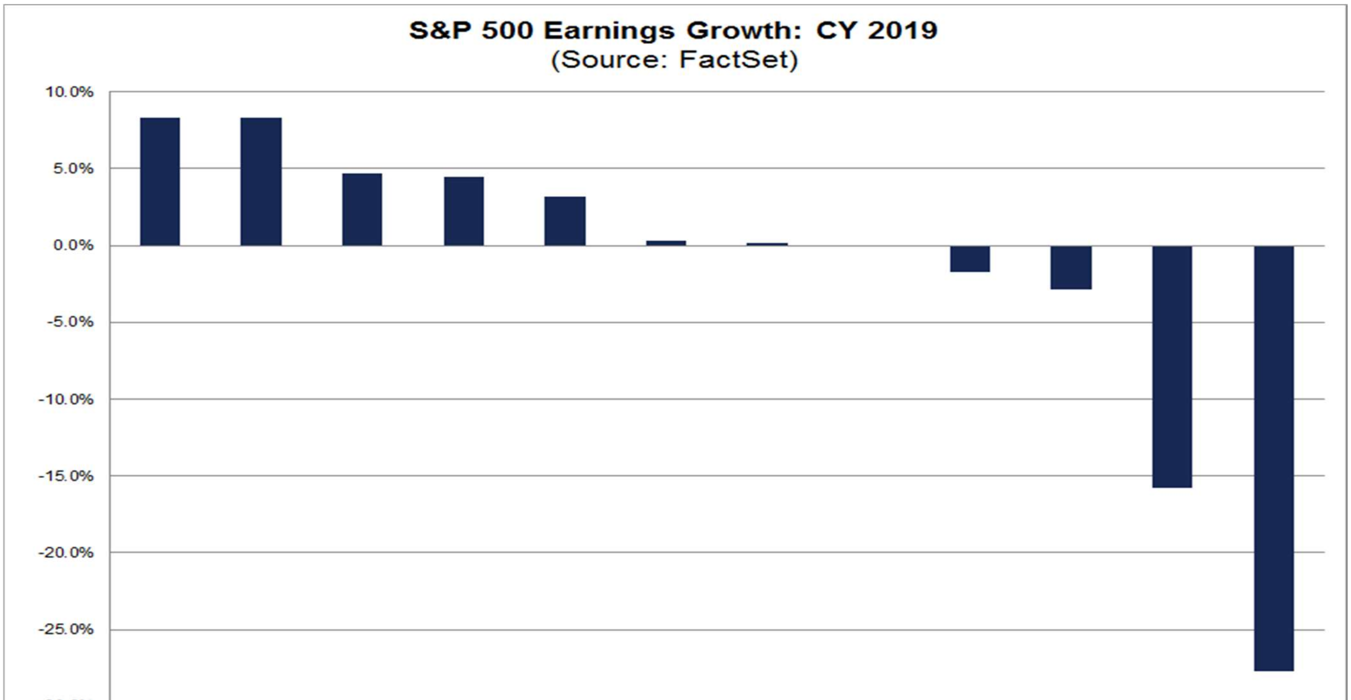

### CY 2019 Earnings Growth: 0.3%

The estimated (year-over-year) earnings growth rate for CY 2019 is 0.3%, which is below the 10-year average (annual) earnings growth rate of 9.1%. If 0.3% is the actual growth rate for the year, it will mark the lowest annual growth rate for the index since CY 2015 (-0.6%). Six sectors are projected to report year-over-year growth in earnings, led by the Utilities and Health Care sectors. Five sectors are expected to report a year-over-year decline in earnings, led by the Energy and Materials sectors.

The Utilities and Health Care sectors are expected to report the highest (year-over-year) earnings growth of all eleven sectors at 8.3% each. Within the Utilities sector, all five industries are expected to report growth in earnings, led by the Independent Power and Renewable Electricity Producers (50%), Multi-Utilities (11%), and Gas Utilities (10%) industries. Within the Health Care sector, all six industries are predicted to report growth in earnings, led by the Health Care Providers & Services (10%), Health Care Equipment & Supplies (9%), and Life Sciences, Tools, & Services (9%) industries.

The Energy sector is expected to report the highest (year-over-year) earnings decline of all eleven sectors at -27.7%. Lower oil prices are helping to drive the decline in earnings for the sector, as the average price of oil in CY 2019 to date ($56.85) is 12% lower than the average price of oil in CY 2018 ($64.95). At the sub-industry level, four of the six sub-industries in the sector are projected to report a decline in earnings: Integrated Oil & Gas (-36%), Oil & Gas Refining & Marketing (-30%), Oil & Gas Exploration & Production (-21%), and Oil & Gas Equipment & Services (-8%). On the other hand, the other two sub-industries in the sector are expected to report earnings growth: Oil & Gas Drilling (163%) and Oil & Gas Storage & Transportation (12%).

The Materials sector is expected to report the second highest (year-over-year) earnings decline of all eleven sectors at -15.8%. At the industry level, three of the four industries in the sector are projected to report a decline in earnings: Metals & Mining (-55%), Chemicals (-12%), Containers & Packaging (-7%). The Construction Materials (20%) industry is the only industry projected to report earnings growth for the year.




| | Utilities | Health Care | Comm. Services | Financials | Real Estate | S&P 500 | Consumer Staples | Info. Technology | Consumer Disc. | Industrials | Materials | Energy |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 8.3% | 8.3% | 4.7% | 4.5% | 3.1% | 0.3% | 0.1% | -0.1% | -1.7% | -2.9% | -15.8% | -27.7% |

## CY 2019 Revenue Growth: 3.8%

The estimated (year-over-year) revenue growth rate for CY 2019 is 3.8%, which is above the 10-year average (annual) revenue growth rate of 3.3%. Eight sectors are expected to report year-over-year growth in revenues, led by the Health Care and Communication Services sectors. Three sectors are expected to report a year-over decline in revenues, led by the Materials sector

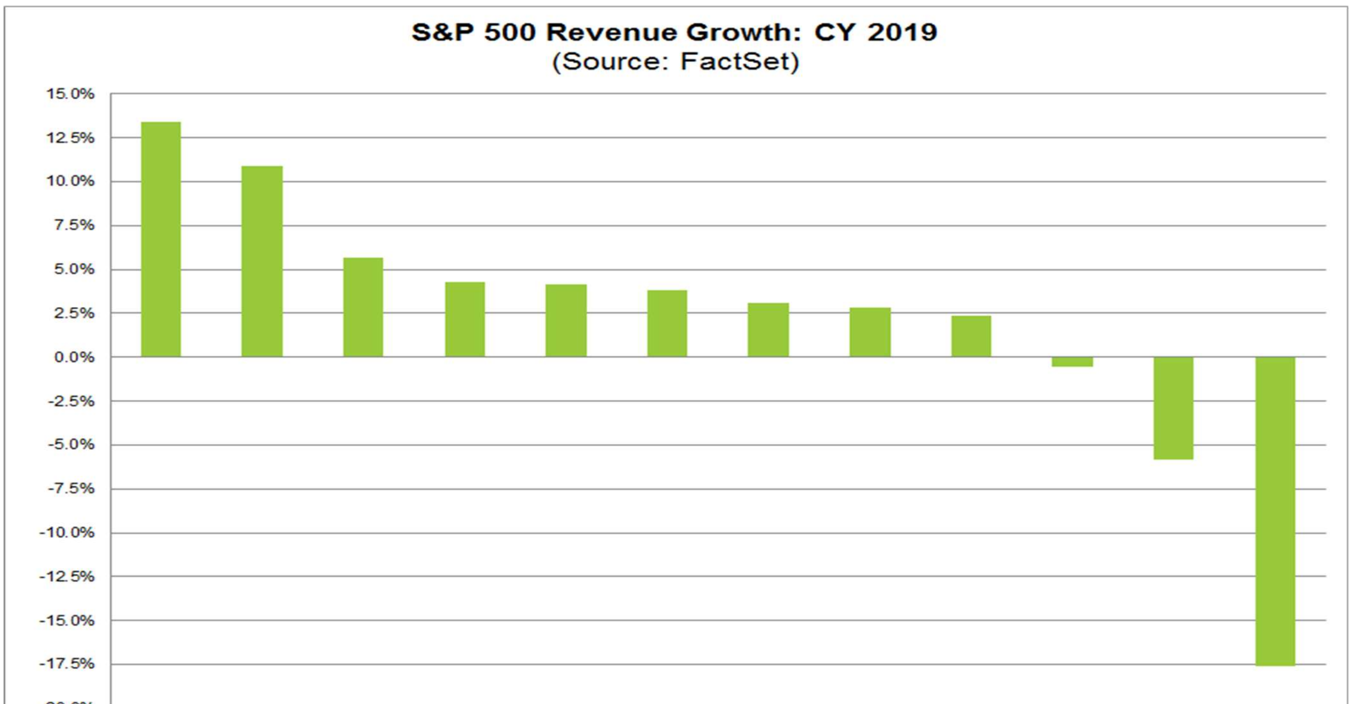
The Health Care sector is expected to report the highest (year-over-year) revenue growth of all eleven sectors at 13.4%. At the industry level, all six industries in this sector are projected to report revenue growth for the year. However, the Health Care Providers & Services is the only industry that is predicted to report double-digit revenue growth (18%).

At the company level, Cigna and CVS Health are projected to be largest contributors to (year-over-year) revenue growth for the sector. However, the revenue growth rates for both companies are being boosted by apples-to-oranges comparisons of post-merger revenues to pre-merger revenues. For Cigna, the estimated revenue for CY 2019 ($138.6 billion) reflects the combined revenues of Cigna and Express Scripts, while the actual revenue for CY 2018 ($48.7 billion) reflects the standalone revenue for Cigna. For CVS Health, the estimated revenue for CY 2019 ($253.8 billion) reflects the combined revenues of CVS Health and Aetna, while the actual revenue for CY 2018 ($194.6 billion) mainly reflects the standalone revenue for CVS. These apples-to-oranges comparisons are the main reason Cigna and CVS Health are predicted to be the largest contributors to revenue growth for the sector. If these companies were excluded, the blended revenue growth rate for the sector would fall to 6.4% from 13.4%.

The Communication Services sector is predicted to report the second highest (year-over-year) growth of all eleven sectors at 10.9%. At the industry level, all five industries are expected to report revenue growth, led by the Interactive Media & Services (20%) and Entertainment (15%) industries.

The Materials sector is expected to report the highest (year-over-year) decline in revenue of all eleven sectors at -17.6%. At the industry level, two of the four industries in this sector reported a decline in revenue for the quarter: Chemicals (-24%) and Metals & Mining (-9%).

At the company level, DuPont is expected to be the largest contributor to the (year-over-year) decline in revenue for the sector. However, the revenue decline is boosted by an apples-to-oranges comparison of post-split revenues to pre-split revenues. The estimated revenue for CY 2019 ($21.6 billion) reflects the standalone revenue for DuPont, while the actual revenue for CY 2018 ($86.0 billion) reflects the combined revenue for DowDuPont (DuPont, Dow, and Corteva). This apples-to-oranges comparison was the main reason DuPont is expected to be the largest contributor to the revenue decline for the sector. If this company were excluded, the blended revenue decline for the sector would improve to -3.9% from -17.5%.

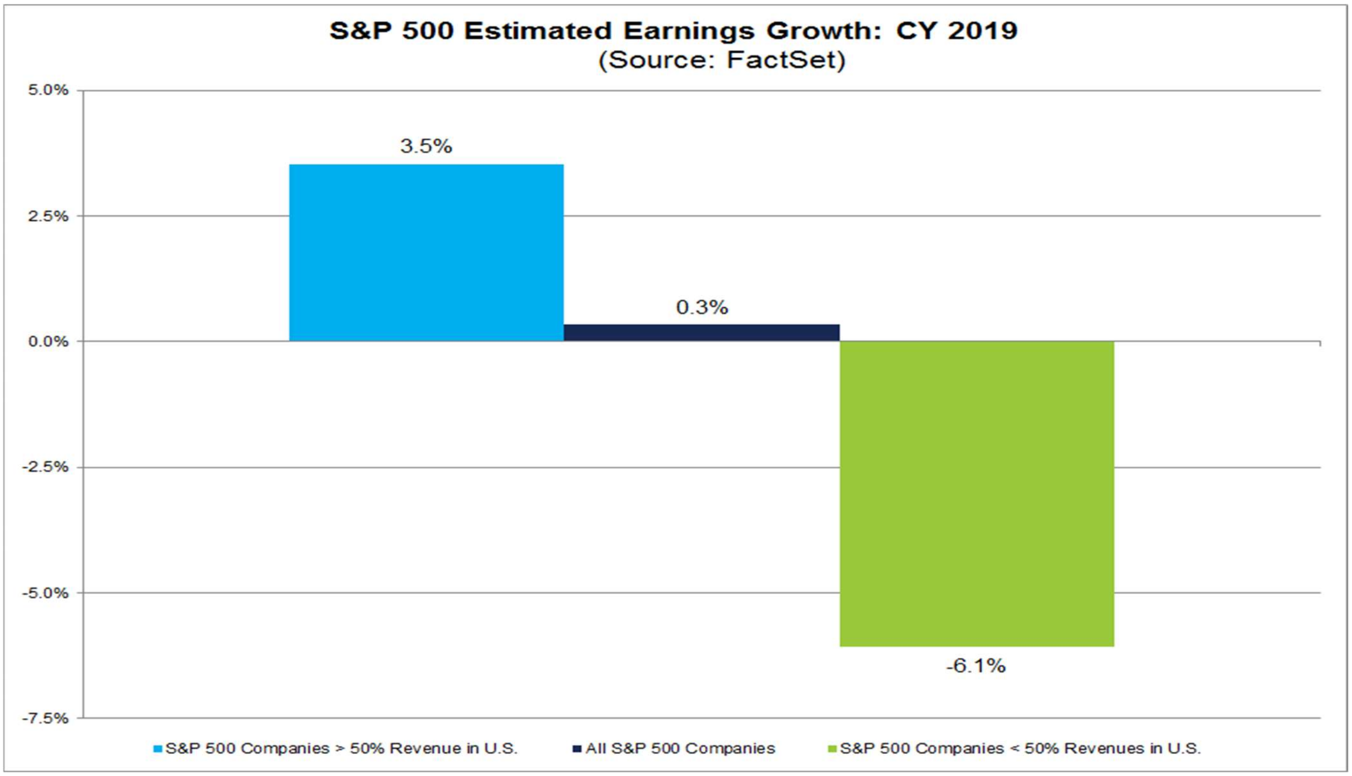


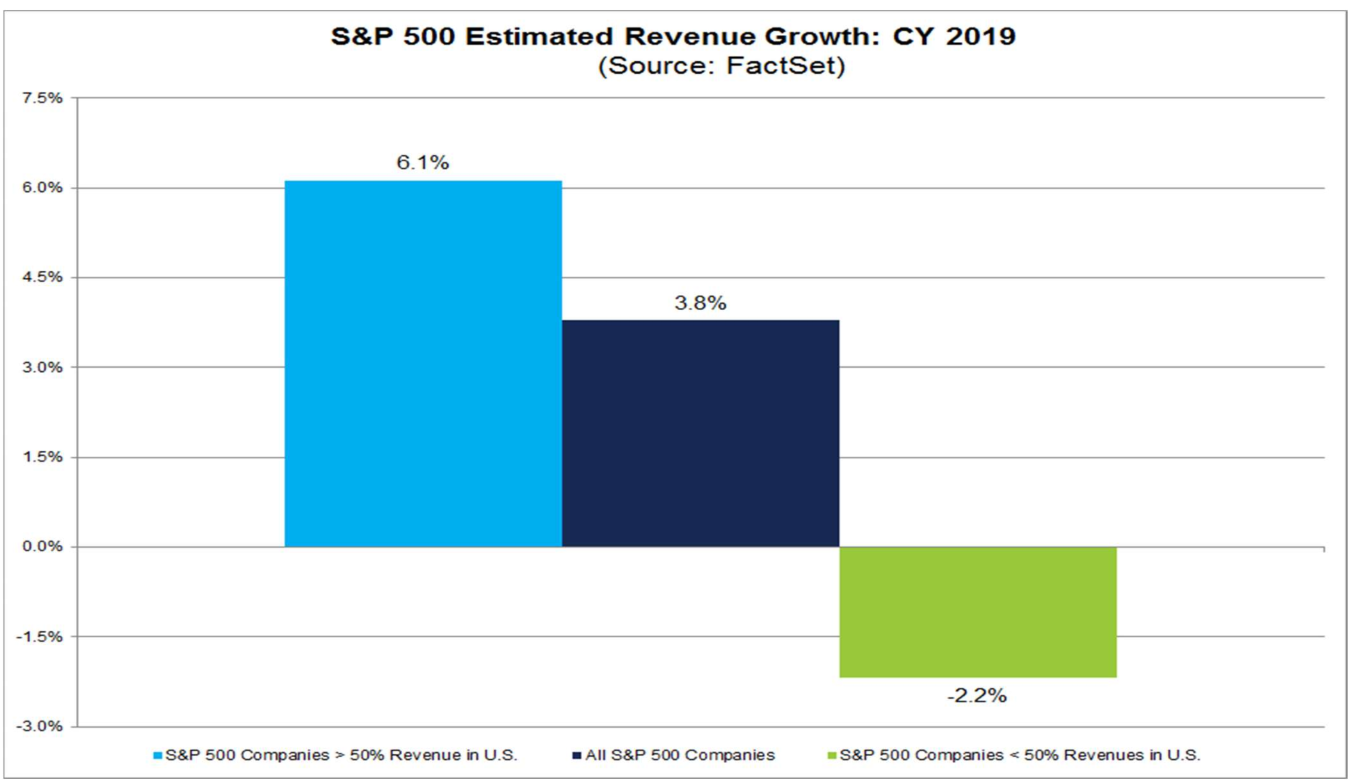

| | Health Care | Comm. Services | Financials | Consumer Disc. | Real Estate | S&P 500 | Utilities | Consumer Staples | Info. Technology | Industrials | Energy | Materials |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 13.4% | 10.9% | 5.7% | 4.3% | 4.1% | 3.8% | 3.1% | 2.8% | 2.4% | -0.5% | -5.8% | -17.6% |

## More International Exposure = Earnings & Revenue Declines in CY 2019

S&P 500 companies with more international revenue exposure are expected to report weaker earnings relative to S&P 500 companies with less international revenue exposure in CY 2019. For S&P 500 companies that generate more than 50% of revenue outside the U.S., the estimated earnings decline for CY 2019 is -6.1%. For S&P 500 companies that generate more than 50% of revenue inside the U.S., the estimated earnings growth rate for CY 2019 is 3.5%.

S&P 500 companies with more international revenue exposure are also expected to report weaker revenues relative to S&P 500 companies with less international revenue exposure in CY 2019. For S&P 500 companies that generate more than 50% of revenue outside the U.S., the estimated revenue decline for CY 2019 is -2.2%. For S&P 500 companies that generate more than 50% of revenue inside the U.S., the blended revenue growth rate for CY 2019 is 6.1%.


S&P 500 Estimated Earnings Growth: CY 2019
(Source: FactSet)
5.0%
2.5%
0.0%
-2.5%
-5.0%
-7.5%
3.5%
0.3%
-6.1%
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 Estimated Revenue Growth: CY 2019
(Source: FactSet)
7.5%
6.0%
4.5%
3.0%
1.5%
0.0%
-1.5%
-3.0%
6.1%
3.8%
-2.2%
S&P 500 Companies > 50% Revenue in U.S.
All S&P 500 Companies
S&P 500 Companies < 50% Revenues in U.S.

# Topic of the Week: 2

## Industry Analysts Predict the S&P 500 Will Close Above 3400 in CY 2020

For 2019, the S&P 500 has witnessed an increase in value of 26.4% (to 3168.57 from 2506.85) to date. 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 7.5% 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. 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 December 12, the bottom-up target price for the S&P 500 was 3407.46, which was 7.5% above the closing price of 3168.57.

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

Over the previous 15 years (2004 – 2018), the average difference between the bottom-up target price estimate at the beginning of the year (December 31) and the final price for the index for that same year has been 9.0%. In other words, industry analysts on average have overestimated the final price of the index by about 9.0% one year in advance during the previous 15 years. Analysts overestimated the final value (i.e. the final value finished below the estimate) in 12 of the 15 years and underestimated the final value (i.e. the final value finished above the estimate) in the other 3 years.

However, this 9.0% average includes one year (2008) in which there was a substantial difference between the bottom-up target price estimate at the start of the year and the closing price for the index for that same year (+92%). If the year 2008 were excluded, the average difference between the bottom-up target price estimate one year prior to the end of that year and the closing price of the index for that same year would be 3.1%.

If one applies the average overestimation of 9.0% to the current 2020 bottom-up target price estimate (assuming the estimate changes little between now and December 31), the expected closing value for 2020 would be 3100.60. If one applies the average overestimation of 3.1% (excluding 2008) to the current 2020 bottom-up target price estimate, the expected closing value for 2020 would be 3302.46.


| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019* | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Target (Start of Yr.) | 1118.63 | 1275.10 | 1414.72 | 1475.43 | 1631.88 | 1973.78 | 2236.26 | 2342.51 | 2461.74 | 2882.70 | 3118.15 | 3407.46 |
| Actual (End of Yr.) | 1115.10 | 1257.64 | 1257.60 | 1426.19 | 1848.36 | 2058.90 | 2043.94 | 2238.83 | 2673.61 | 2506.85 | 3168.57 | |

# Q4 Earnings Season: By The Numbers

## Overview

In terms of estimate revisions for companies in the S&P 500, analysts have made cuts to earnings estimates for Q4 2019 within average levels to date. On a per-share basis, estimated earnings for the fourth quarter have decreased by 4.2% since September 30. This percentage decline is larger than the 5-year average (-3.3%) and the 10-year average (-3.1%) for a quarter, but smaller than the 15-year average (-4.3%) for a quarter.

In addition, a smaller percentage of S&P 500 companies have lowered the bar for earnings for Q4 2019 relative to recent averages. Of the 105 companies that have issued EPS guidance for the fourth quarter, 71 have issued negative EPS guidance and 34 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 68% (71 out of 105), which is below the 5-year average of 70%.

Because of the net downward revisions to earnings estimates, the estimated (year-over-year) earnings decline for Q4 2019 is -1.3% today compared to the estimated (year-over-year) earnings growth rate of 2.5% on September 30. If -1.3% is the actual decline for the quarter, it will mark the first time the index has reported four straight quarters of year-over-year declines in earnings since Q3 2015 through Q2 2016. Five sectors are predicted to report year-over-year earnings growth, led by the Utilities and Financials sectors. Six sectors are projected to report a year-over-year decline in earnings, led by the Energy and Consumer Discretionary sectors.

Because of the net downward revisions to revenue estimates, the estimated (year-over-year) revenue growth rate for Q4 2019 is 2.5% today compared to the estimated (year-over-year) revenue growth rate of 3.6% on September 30. If 2.5% is the actual growth rate for the quarter, it will mark the lowest revenue growth rate for the index since Q2 2016 (-0.2%). Eight sectors are projected to report year-over-year growth in revenues, led by the Health Care, Utilities, and Communication Services sectors. Three sectors are predicted to report a year-over-year decline in revenues, led by the Materials and Energy sectors.

Looking at future quarters, analysts see earnings growth of between 5% and 7% for the first half of 2020.

The forward 12-month P/E ratio is 17.8, which is above the 5-year average and above the 10-year average.

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

## Earnings Revisions: Largest Estimate Cuts in Consumer Discretionary Sector

### No Change in Estimated Earnings Decline for Q4 This Week

The estimated earnings decline for the fourth quarter is -1.3% this week, which is equal to the estimated earnings decline of -1.3% last week.

Overall, the estimated earnings decline for Q4 2019 of -1.3% today is below the estimated earnings growth rate of 2.5% at the start of the quarter (September 30). All eleven sectors have a recorded a decrease in expected earnings growth due to downward revisions to earnings estimates, led by the Consumer Discretionary, Energy, Materials, and Industrials sectors.

### Consumer Discretionary: GM, Amazon, and Ford Lead Earnings Decrease since Sep. 30

The Consumer Discretionary sector has recorded the largest decrease in expected earnings growth since the start of the quarter (to -13.7% from 2.5%). Despite the decline in expected earnings growth, this sector has witnessed a 1.7% increase in price since September 30. Overall, 45 of the 63 companies (71%) in the Consumer Discretionary sector have seen a decrease in their mean EPS estimate during this time. Of these 45 companies, 14 have recorded a decrease in their mean EPS estimate of more than 10%, led by General Motors (to $0.29 from $1.85), Gap (to $0.35 from $0.65), Ford Motor (to $0.17 from $0.29), Amazon.com (to $4.10 from $6.60), and Hasbro (to $0.97 from $1.55). General Motors, Amazon.com, and Ford Motor have also been the largest contributors to the decrease in expected earnings for this sector since September 30.

### Energy: Exxon Mobil Leads Earnings Decrease Since Sep. 30

The Energy sector has recorded the second largest decrease in expected earnings growth since the start of the quarter (to -32.0% from 21.8%). Despite the decline in expected earnings growth, this sector has witnessed a 1.9% increase in price since September 30. Overall, 24 of the 28 companies (86%) in the Energy sector have seen a decrease in their mean EPS estimate during this time. Of these 24 companies, 17 have recorded a decrease in their mean EPS estimate of more than 10%, led by Noble Energy (to -$0.08 from -$0.02), Apache Corporation (to -0.12 from $0.12), and Hess Corporation (to -$0.31 from -$0.15). However, Exxon Mobil (to $0.76 from $0.96), Chevron (to $1.59 from $1.81), Occidental Petroleum (to $0.05 from $0.47) and ConocoPhillips (to $0.79 from $1.03) have been the largest contributors to the decrease in expected earnings for this sector since September 30.

### Materials: 93% of Companies Have Seen Decline in Earnings Expectations Since Sep. 30

The Materials sector has recorded the third largest decrease in expected earnings growth since the start of the quarter (to -8.2% from 1.5%). Despite the decline in expected earnings growth, this sector has witnessed a 4.4% increase in price since September 30. Overall, 26 of the 28 companies (93%) in the Materials sector have seen a decrease in their mean EPS estimate during this time. Of these 26 companies, 8 have recorded a decrease in their mean EPS estimate of more than 10%, led by Mosaic (to $0.05 from $0.49) and Freeport-McMoRan (to $0.01 from $0.08). Mosaic has also been the largest contributor to the decrease in expected earnings for this sector since September 30.

### Industrials: Boeing Leads Earnings Decrease Since Sep. 30

The Industrials sector has recorded the fourth largest decrease in expected earnings growth since the start of the quarter (to -5.8% from 3.0%). Despite the decline in expected earnings growth, this sector has witnessed a 5.1% increase in price since September 30. Overall, 51 of the 70 companies (73%) in the Industrials sector have seen a decrease in their mean EPS estimate during this time. Of these 51 companies, 14 have recorded a decrease in their mean EPS estimate of more than 10%, led by Boeing (to $1.96 from $4.17), Cummins (to $2.48 from $3.45), Deere & Company (to $1.29 from $1.68), and Caterpillar (to $2.41 from $2.99). Boeing and Caterpillar have also been the largest contributors to the decrease in expected earnings for this sector since September 30.

### Index-Level (Bottom-Up) EPS Estimate: Decrease Within Average Levels

The Q4 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 4.2% (to $40.83 from $42.64) since September 30. This percentage decline is larger than the 5-year average (-3.3%) and the 10-year average (-3.1%) for a quarter, but smaller than the 15-year average (-4.3%) for a quarter.

## Guidance: Negative Guidance for Q4 is Below Average to Date

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

At this point in time, 105 companies in the index have issued EPS guidance for Q4 2019. Of these 105 companies, 71 have issued negative EPS guidance and 34 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 68% (71 out of 105), which is below the 5-year average of 70%.

## Earnings Decline: -1.3%

The estimated (year-over-year) earnings decline for Q4 2019 is -1.3%. If -1.3% is the actual decline for the quarter, it will mark the first time the index has reported four straight quarters of year-over-year declines in earnings since Q3 2015 through Q2 2016.

Five sectors are expected to report year-over-year growth in earnings, led by the Utilities and Financials sectors. Six sectors are projected a year-over-year decline in earnings, led by the Energy and Consumer Discretionary sectors.

### Utilities: 3 Industries to Report Year-Over-Year Growth Above 10%

The Utilities sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 20.2%. At the industry level, all five industries in this sector are expected to report growth in earnings. Three of these five industries are expected to report double-digit earnings growth: Independent Power and Renewable Electricity Producers (138%), Multi-Utilities (27%), and Electric Utilities (13%).

### Financials: Insurance Industry Leads Year-Over-Year Growth

The Financials sector is expected to report the second highest (year-over-year) earnings growth of all eleven sectors at 7.8%. At the industry level, three of the five industries in this sector are predicted to report growth in earnings: Insurance (44%), Capital Markets (9%), and Diversified Financial Services (7%). On the other hand, the Consumer Finance (-4%) and Banks (-1%) industries are predicted to report year-over-year declines in earnings.

### Energy: 4 of 6 Sub-Industries to Report Year-Over-Year Decline of More than 20%

The Energy sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -32.0%. At the sub-industry level, four of the six sub-industries in the sector are predicted to report a decline in earnings of more than 20%: Oil & Gas Drilling (-76%), Oil & Gas Refining & Marketing (-48%), Integrated Oil & Gas (-38%), and Oil & Gas Exploration & Production (-21%). On the other hand, the other two sub-industries in the sector are projected to report earnings growth of more than 10%: Oil & Gas Equipment & Services (28%) and Oil & Gas Storage & Transportation (15%).

### Consumer Discretionary: GM, Amazon.com and Ford Motor Lead Year-Over-Year Decline

The Consumer Discretionary sector is expected to report the second largest (year-over-year) earnings decline of all eleven sectors at -13.7%. At the industry level, nine of the eleven industries in this sector are predicted to report a decline in earnings. Five of these nine industries are expected to report a double-digit decline in earnings, led by the Automobiles (-65%) industry.

At the company level, General Motors, Amazon.com, and Ford Motor are the largest contributors to the year-over-year decline in earnings for the sector. The mean EPS estimate for GM for Q4 is $0.29, compared to year-ago EPS of $1.43. The mean EPS estimate for Amazon.com for Q4 is $4.10, compared to year-ago EPS of $6.04. The mean EPS estimate for Ford Motor for Q4 is $0.17, compared to year-ago EPS of $0.30. If these three companies were excluded, the estimated decline for the sector would improve to -4.4% from -13.7%.

## Revenue Growth: 2.5%

The estimated (year-over-year) revenue growth rate for Q4 2019 is 2.5%. If 2.5% is the actual growth rate for the quarter, it will mark the lowest revenue growth rate for the index since Q2 2016 (-0.2%).

Eight sectors are projected to report year-over-year growth in revenues, led by the Health Care, Utilities, and Communication Services sectors. Three sectors are predicted to report a year-over-year decline in revenues, led by the Materials and Energy sectors.

### 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 highest (year-over-year) revenue growth of all eleven sectors at 10.6%. At the industry level, five of the six industries in this sector are predicted to report revenue growth for the quarter. However, the Health Care Providers & Services industry is the only industry projected to report double-digit revenue growth (14%). On the other hand, the Pharmaceuticals (<-1%) industry is the only industry projected to report a slight revenue decline.

At the company level, Cigna and CVS Health are predicted to be the largest contributors to (year-over-year) revenue growth for the sector. However, the revenue growth rates for both companies are being boosted by apples-to-oranges comparisons of post-merger revenues to pre-merger revenues. The revenue estimate for Cigna for Q4 2019 ($35.18 billion) reflects the combined revenues of Cigna and Express Scripts, while the actual revenue for Q4 2018 ($14.3 billion) reflects the standalone revenue for Cigna. The revenue estimate for CVS Health for Q4 2019 ($63.9 billion) reflects the combined revenues of CVS Health and Aetna, while the actual revenue for Q4 2018 ($54.42 billion) reflects mainly the standalone revenue for CVS Health. These apples-to-oranges comparisons are the main reason Cigna and CVS Health are 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 5.3% from 10.6%.

## Utilities: 3 Industries to Report Year-Over-Year Growth Above 10%

The Utilities sector is expected to report the second highest (year-over-year) revenue growth of all eleven sectors at 9.6%. At the industry level, all five industries in this sector are expected to report growth in revenues. Three of these five industries are expected to report double-digit revenue growth: Independent Power and Renewable Electricity Producers (60%), Multi-Utilities (16%), and Electric Utilities (11%).

## Communication Services: Entertainment & Interactive Media Lead Year-Over-Year Growth

The Communication Services sector is expected to report the third highest (year-over-year) revenue growth of all eleven sectors at 8.9%. At the industry level, four of the five industries in this sector are expected to report growth in revenues. Two of these four industries are expected to report double-digit revenue growth: Entertainment (25%) and Interactive Media & services (20%).

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

The Materials sector is expected to report the highest (year-over-year) decline in revenue of all eleven sectors at -15.7%. At the industry level, three of the four industries in this sector are predicted to report a decline in revenue for the quarter: Chemicals (-22%), Metals & Mining (-3%), and Container & Packaging (-1%).

At the company level, DuPont is predicted to be the largest contributor to the (year-over-year) decline in revenue for the sector. However, the revenue decline is being boosted by an apples-to-oranges comparison of post-split revenues to pre-split revenues. The revenue estimate for DuPont for Q4 2019 ($5.28 billion) reflects the standalone revenue for DuPont, while the actual revenue for Q3 2018 ($20.1 billion) reflects the combined revenue for DowDuPont (DuPont, Dow, and Corteva). This apples-to-oranges comparison is the main reason DuPont is projected to be the largest contributor to the revenue decline for the sector. If this company were excluded, the estimated revenue decline for the sector would improve to -2.2% from -15.7%.

## Energy: All 6 Sub-Industries Expected to Report Year-Over-Year Decline

The Energy sector is expected to report the second highest (year-over-year) revenue decline of all eleven sectors at -8.6%. At the sub-industry level, all six sub-industries in the sector are predicted to report a decline in revenues. Two of these six sub-industries are expected to report a double-digit decline: Oil & Gas Drilling (-18%) and Oil & Gas Exploration & Production (-18%).

# Looking Ahead: Forward Estimates and Valuation

## Earnings: Near Flat Earnings Projected for 2019

For the fourth quarter, S&P 500 companies projected to report a decline in earnings of -1.3% and growth in revenues of 2.5%. For CY 2019, S&P 500 companies are predicted to nearly flat earnings (+0.3%). However, analysts see earnings growth of 5% to 7% in Q1 2020 and Q2 2020.

For CY 2019, analysts are projecting earnings growth of 0.3% and revenue growth of 3.8%.

For Q1 2020, analysts are projecting earnings growth of 5.4% and revenue growth of 4.4%.

For Q2 2020, analysts are projecting earnings growth of 6.9% and revenue growth of 4.9%.

For CY 2020, analysts are projecting earnings growth of 9.7% and revenue growth of 5.5%.

## Valuation: Forward P/E Ratio is 17.8, Above the 10-Year Average (14.9)

The forward 12-month P/E ratio is 17.8. This P/E ratio is above the 5-year average of 16.6 and above the 10-year average of 14.9. It is also above the forward 12-month P/E ratio of 16.8 recorded at the end of the third quarter (September 30). Since the end of the third quarter (September 30), the price of the index has increased by 6.4%, while the forward 12-month EPS estimate has increased by 0.1%.

At the sector level, the Consumer Discretionary (21.8) and Information Technology (21.1) sectors have the highest forward 12-month P/E ratios, while the Financials (13.3) sector has the lowest forward 12-month P/E ratio.

## Targets & Ratings: Analysts Project 7.5% Increase in Price Over Next 12 Months

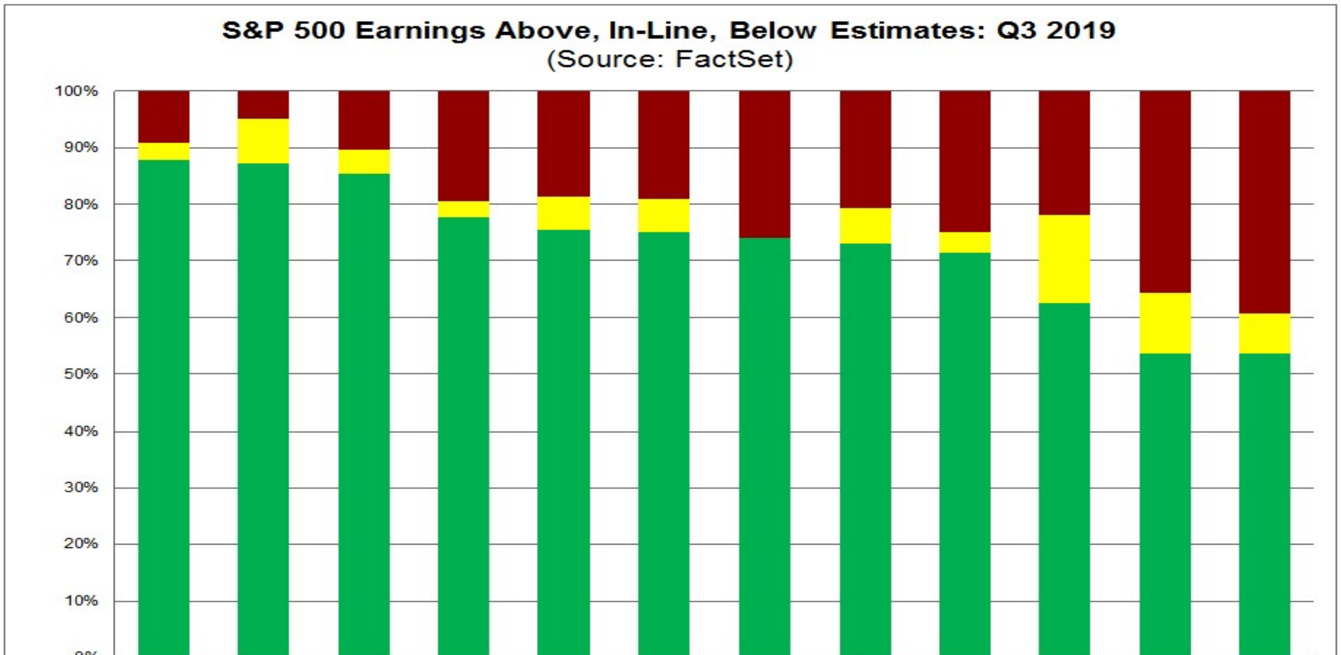
The bottom-up target price for the S&P 500 is 3407.46, which is 7.5% above the closing price of 3168.57. At the sector level, the Energy (+14.9%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Financials (+0.9%) 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 for this sector.

Overall, there are 10,367 ratings on stocks in the S&P 500. Of these 10,367 ratings, 50.7% are Buy ratings, 42.3% are Hold ratings, and 7.0% are Sell ratings. At the sector level, the Energy (67%) sector has the highest percentage of Buy ratings, while the Consumer Staples (39%) sector has the lowest percentage of Buy ratings.

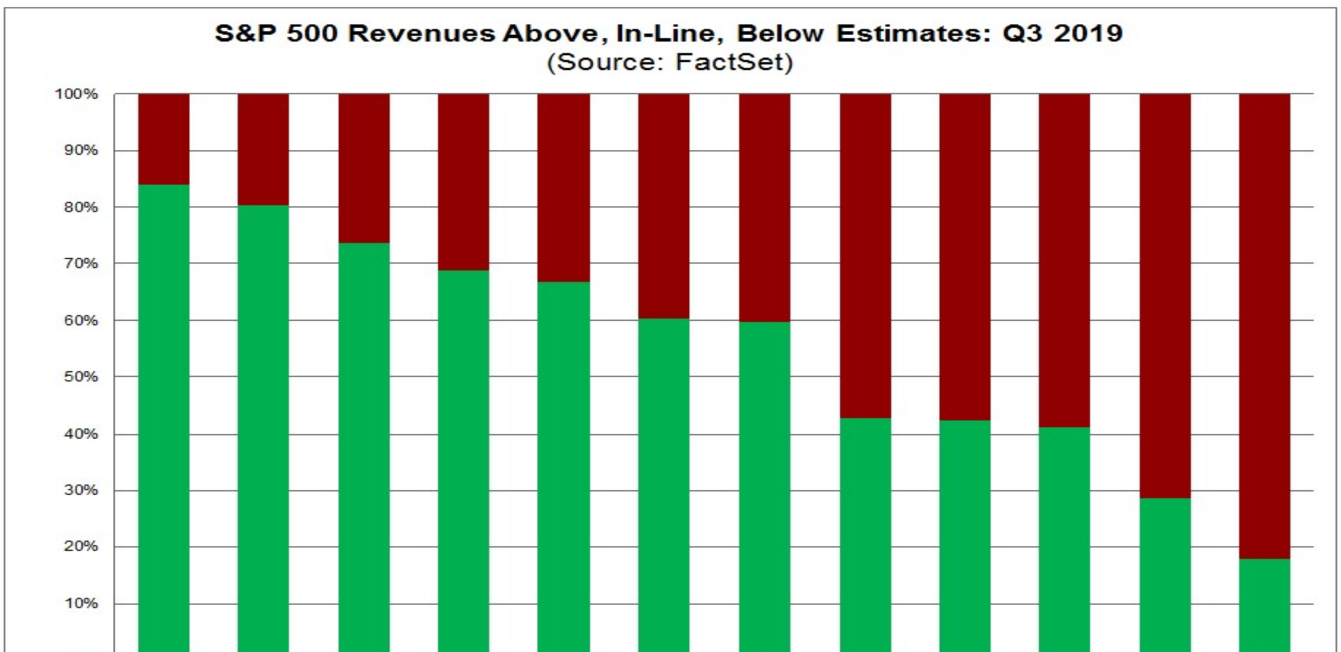
## Companies Reporting Next Week: 10

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

# Q3 2019: Scorecard

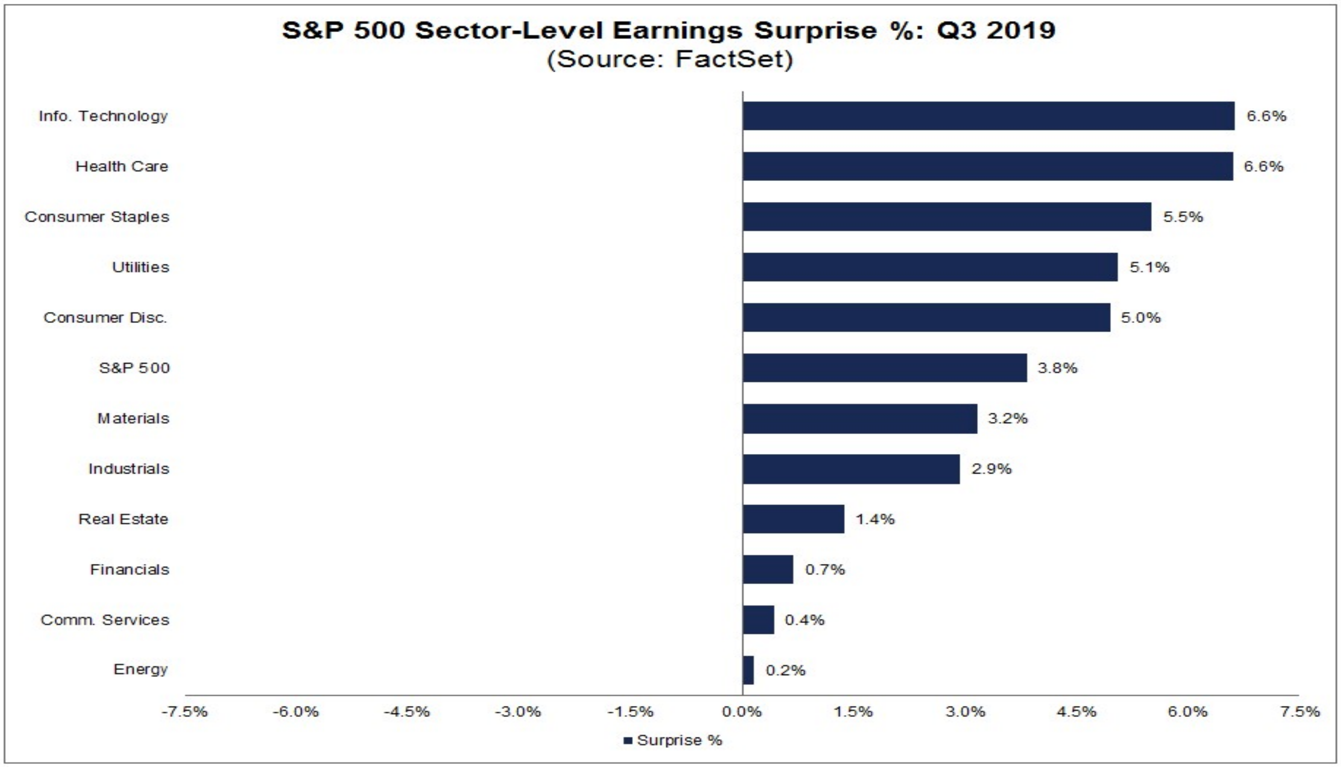


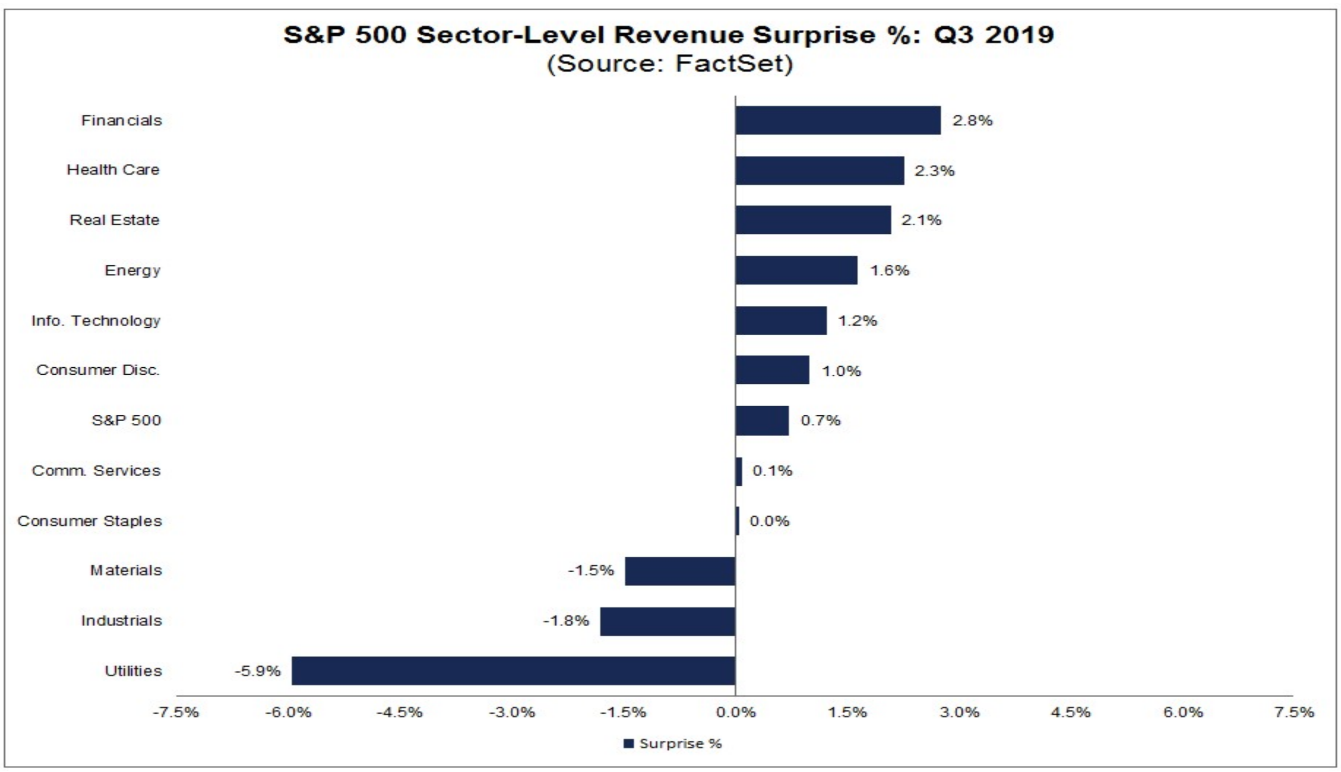

| | Consumer Staples | Health Care | Info. Technology | Financials | S&P 500 | Industrials | Comm. Services | Consumer Disc. | Utilities | Real Estate | Energy | Materials |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Below | 9% | 5% | 10% | 19% | 19% | 19% | 26% | 21% | 25% | 22% | 36% | 39% |
| In-Line | 3% | 8% | 4% | 3% | 6% | 6% | 0% | 6% | 4% | 16% | 11% | 7% |
| Above | 88% | 87% | 85% | 78% | 75% | 75% | 74% | 73% | 71% | 63% | 54% | 54% |



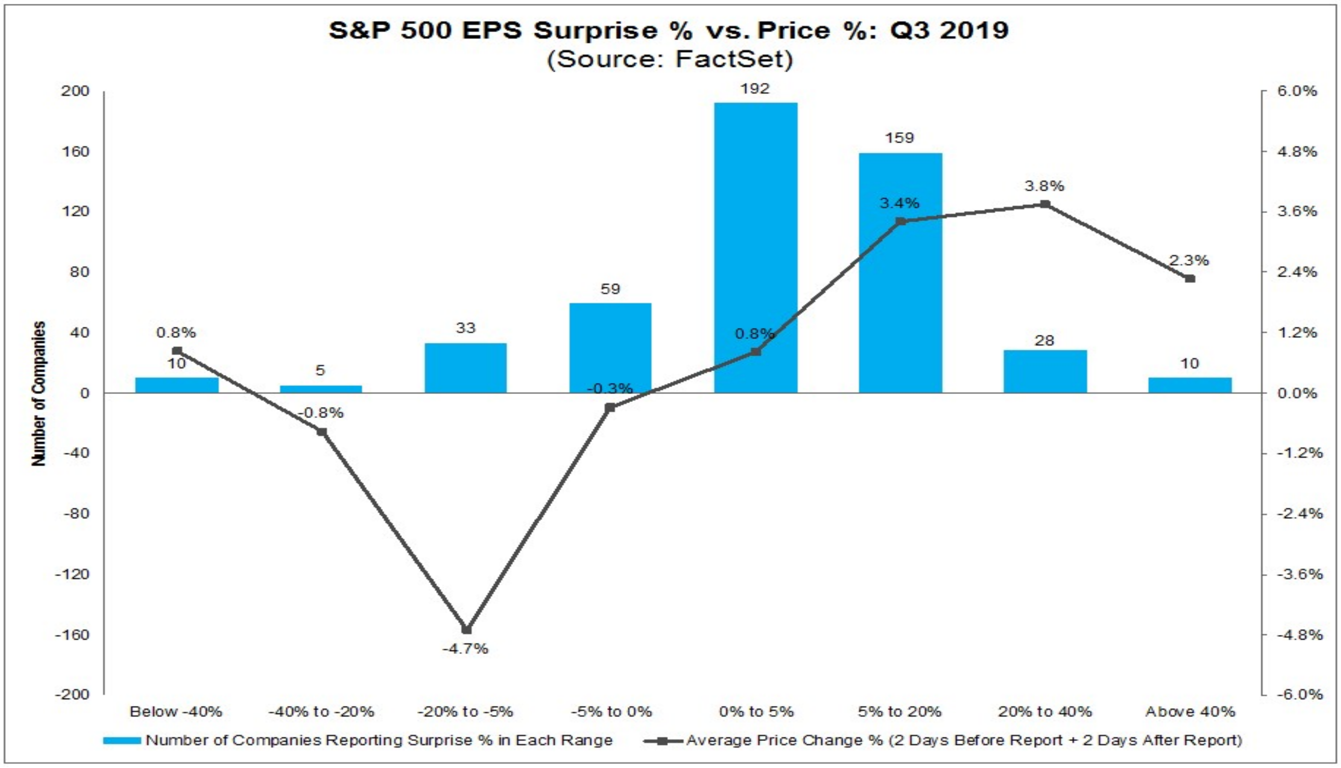

| | Health Care | Financials | Info. Technology | Real Estate | Comm. Services | Consumer Disc. | S&P 500 | Energy | Consumer Staples | Industrials | Materials | Utilities |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Below | 16% | 20% | 26% | 31% | 33% | 40% | 40% | 57% | 58% | 59% | 71% | 82% |
| In-Line | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Above | 84% | 80% | 74% | 69% | 67% | 60% | 60% | 43% | 42% | 41% | 29% | 18% |

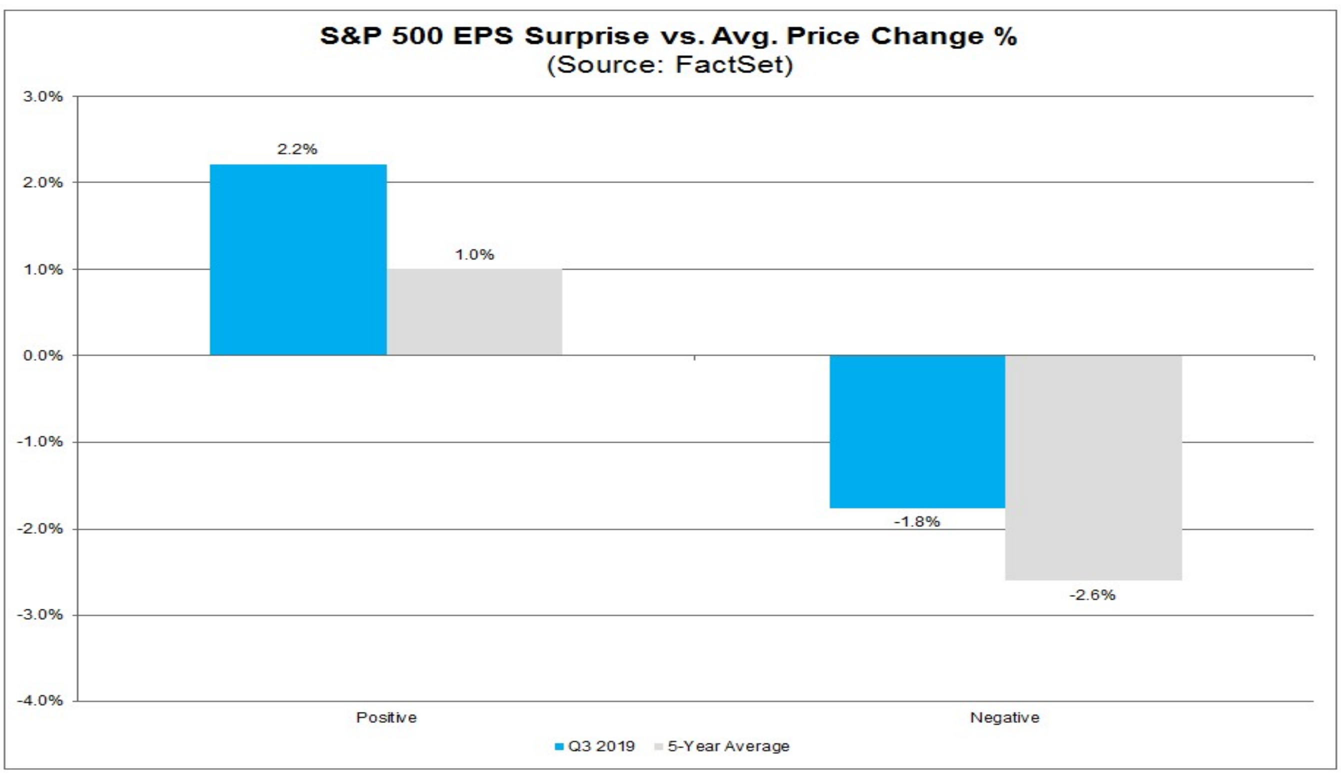
# Q3 2019: Scorecard



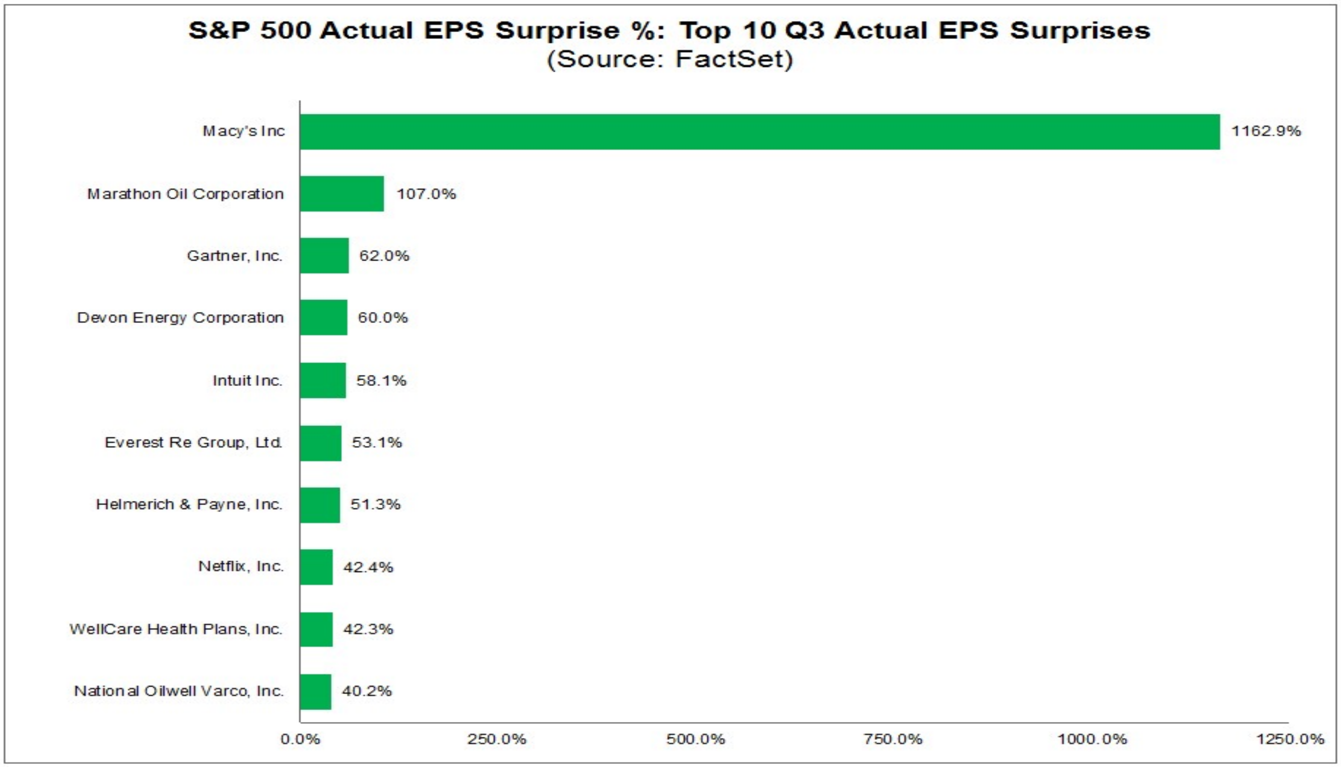



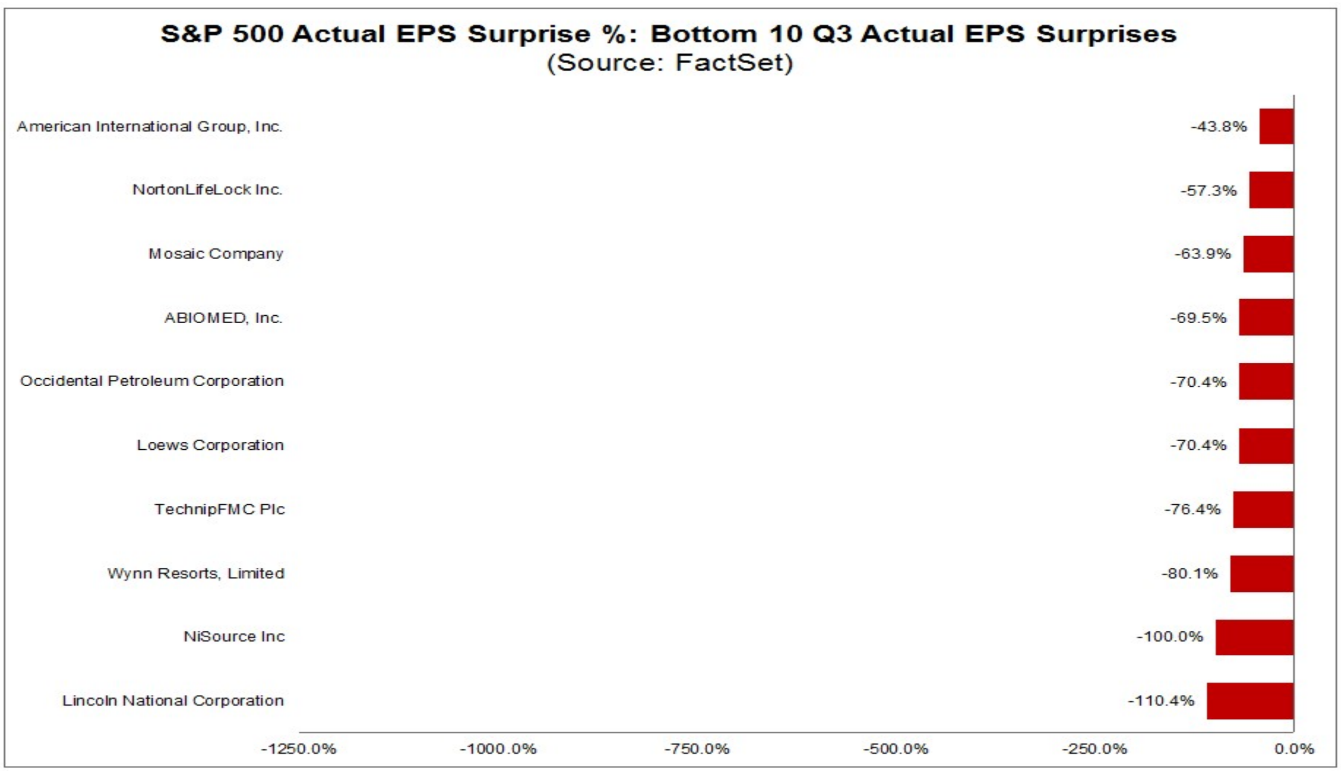
# Q3 2019: Scorecard



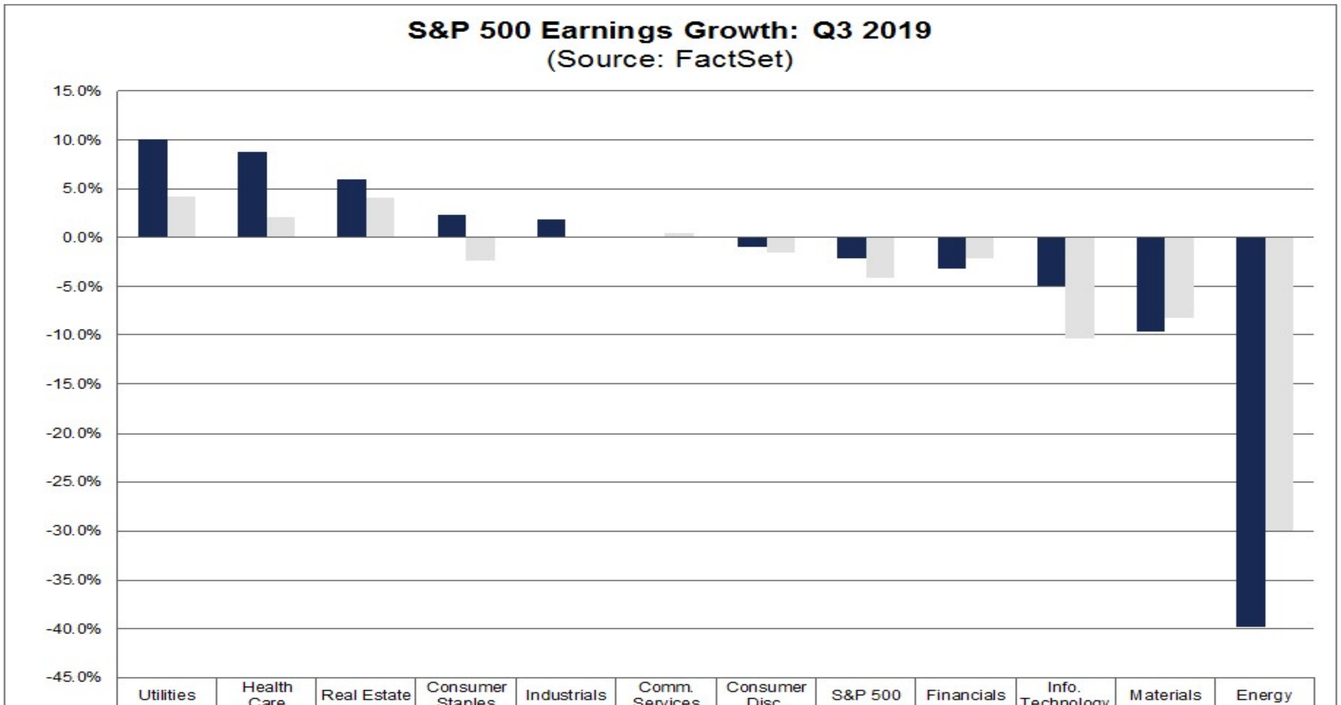



# Q3 2019: Scorecard

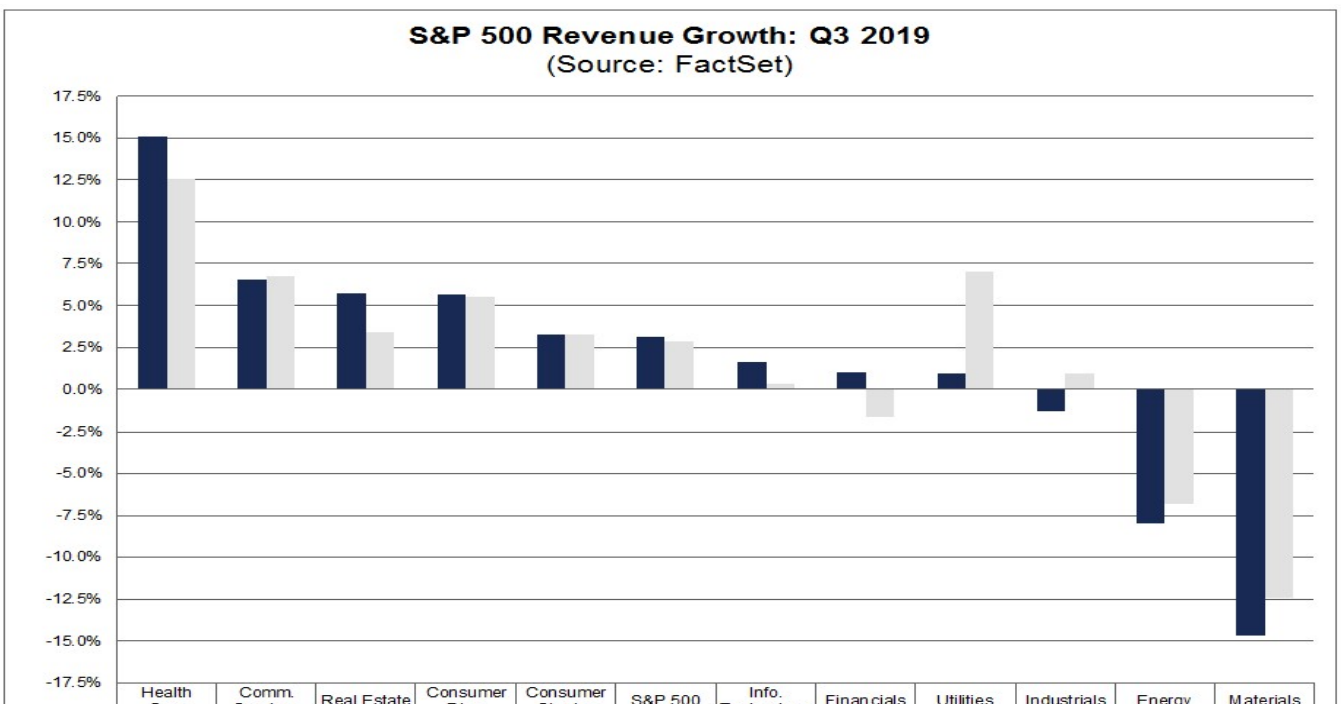


# Q3 2019: Growth

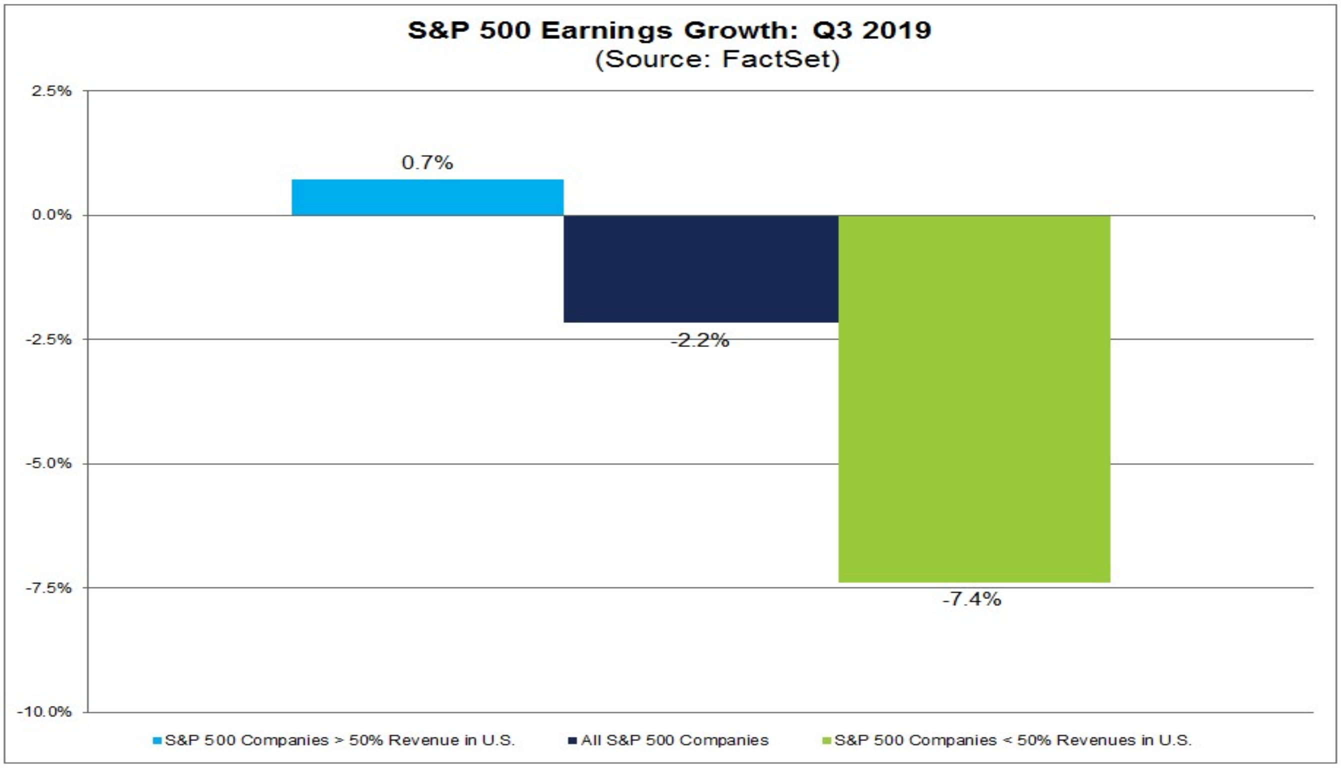


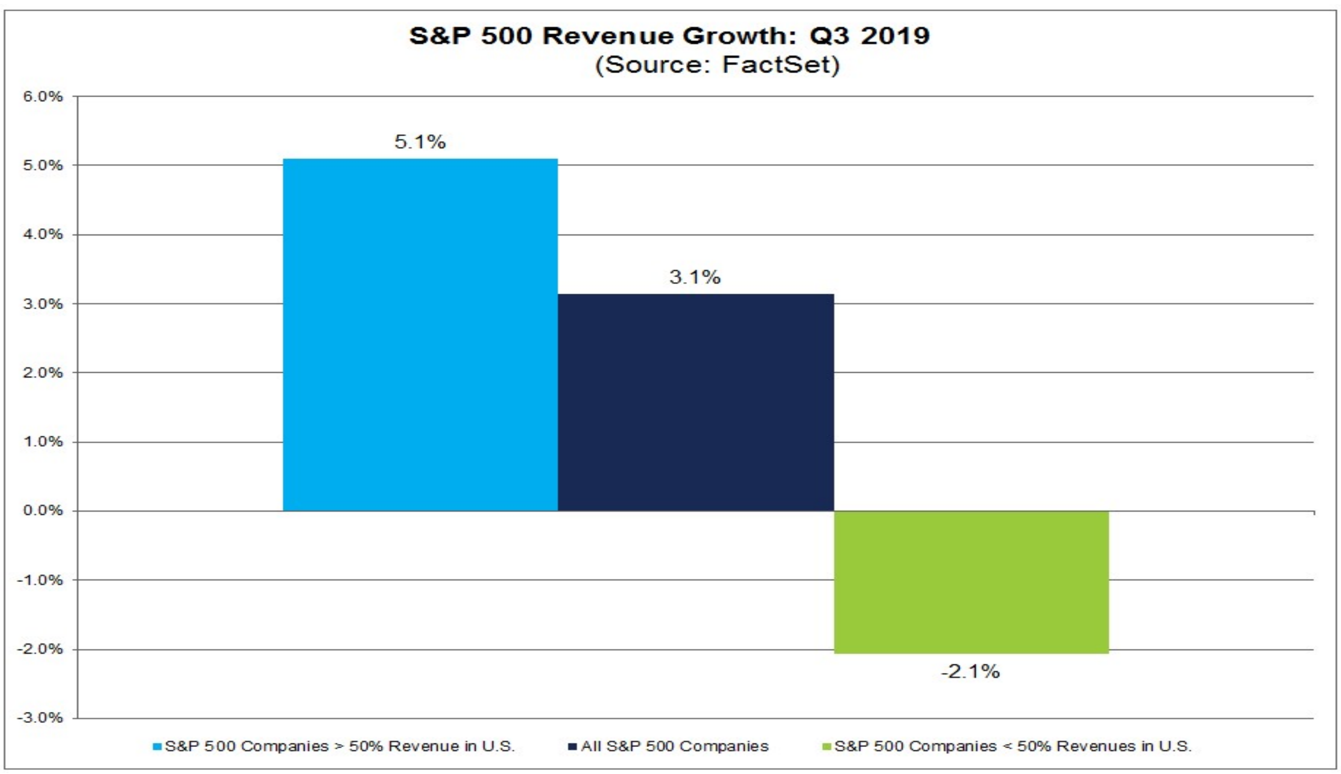

| | Utilities | Health Care | Real Estate | Consumer Staples | Industrials | Comm. Services | Consumer Disc. | S&P 500 | Financials | Info. Technology | Materials | Energy |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 10.0% | 8.8% | 5.9% | 2.3% | 1.8% | 0.1% | -1.0% | -2.2% | -3.2% | -5.0% | -9.6% | -39.7% |
| 30-Sep | 4.1% | 2.1% | 4.1% | -2.4% | 0.0% | 0.4% | -1.5% | -4.1% | -2.2% | -10.4% | -8.2% | -29.9% |



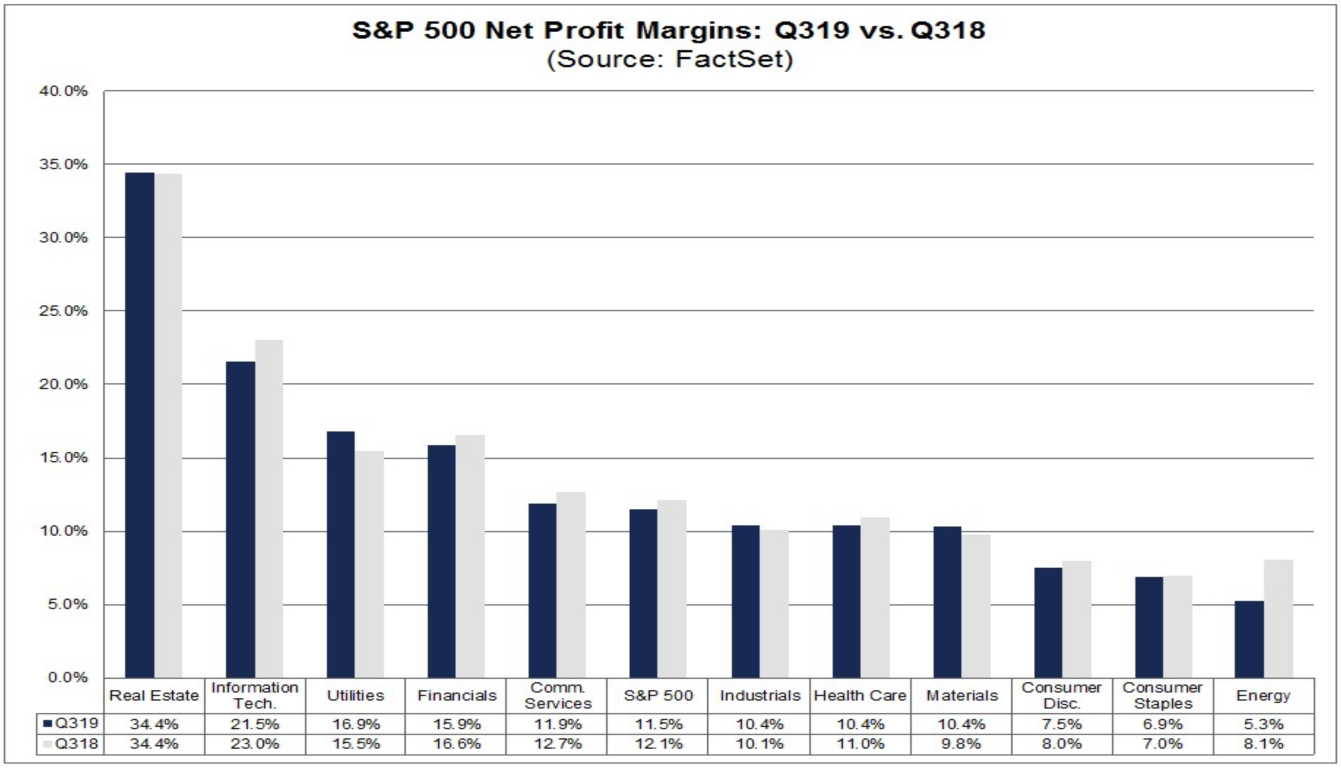

| | Health Care | Comm. Services | Real Estate | Consumer Disc. | Consumer Staples | S&P 500 | Info. Technology | Financials | Utilities | Industrials | Energy | Materials |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 15.1% | 6.6% | 5.7% | 5.6% | 3.2% | 3.1% | 1.6% | 1.0% | 0.9% | -1.3% | -7.9% | -14.7% |
| 30-Sep | 12.5% | 6.7% | 3.4% | 5.5% | 3.2% | 2.8% | 0.3% | -1.6% | 7.0% | 0.9% | -6.8% | -12.4% |

# Q3 2019: Growth

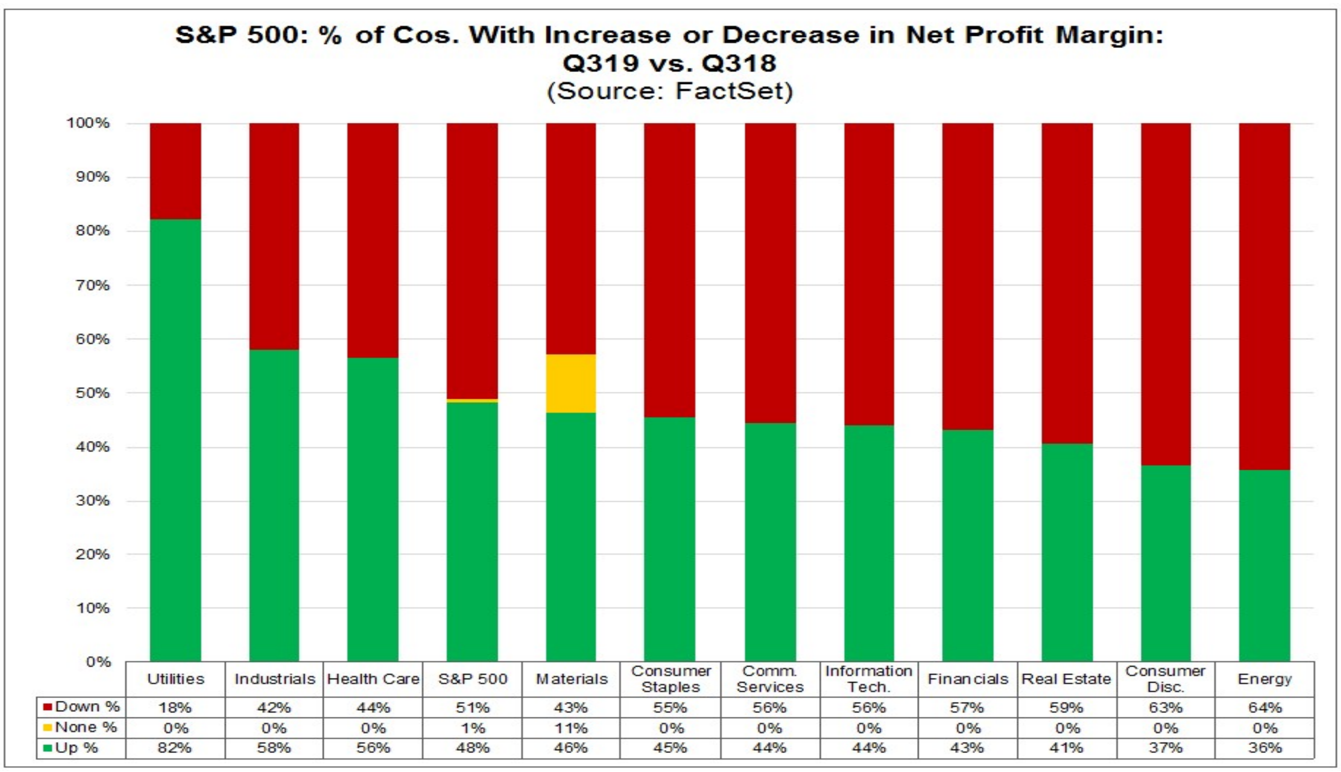


# Q3 2019: Net Profit Margin

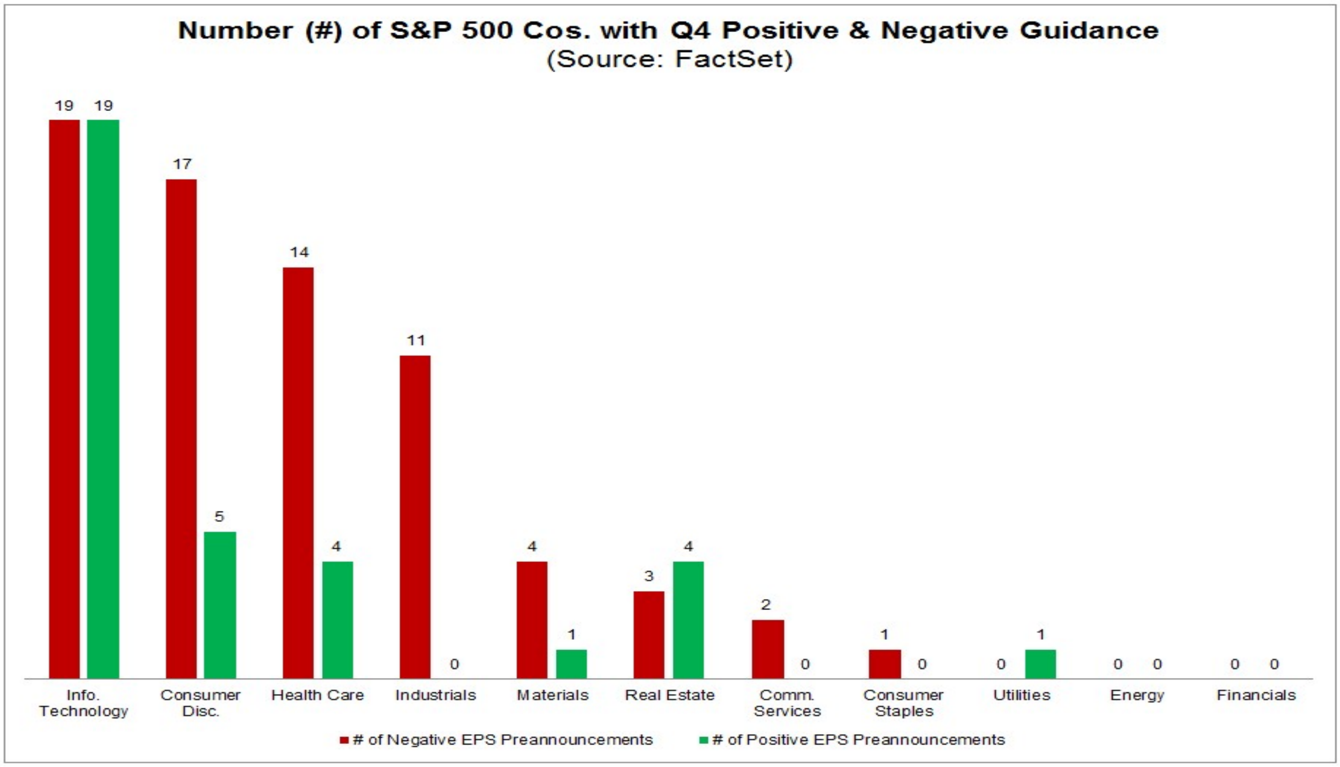


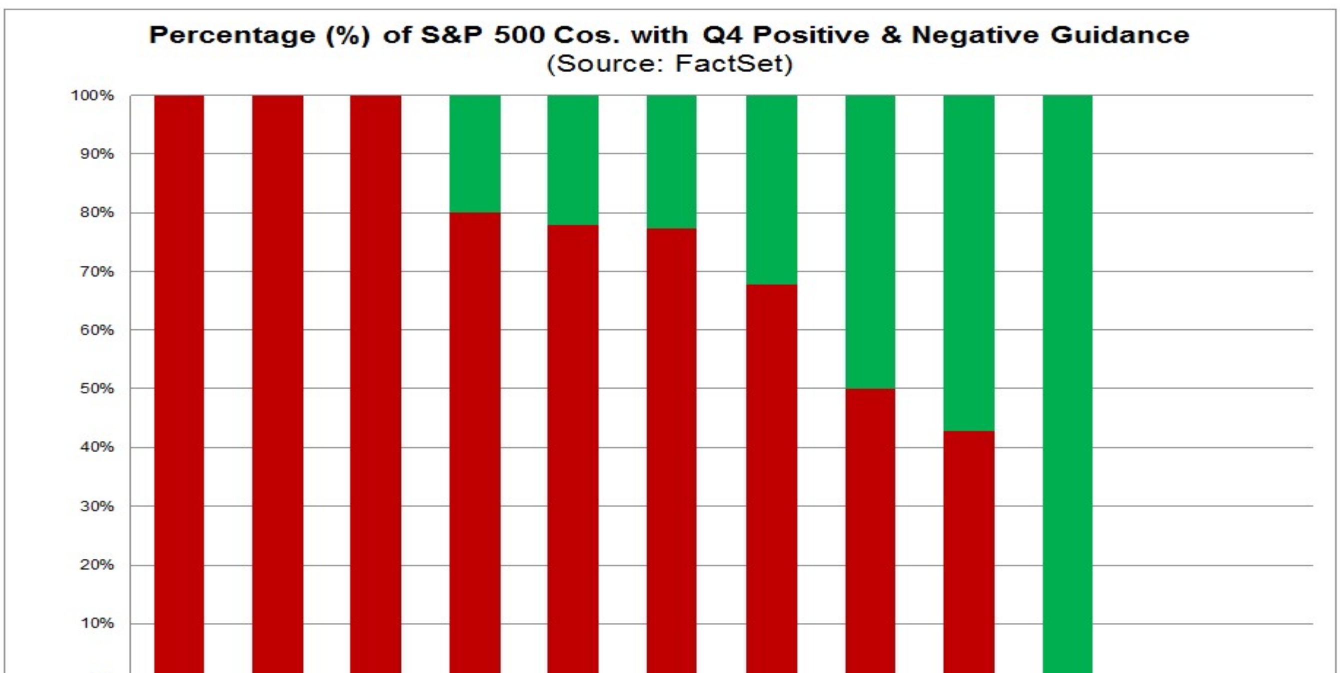

| | Real Estate | Information Tech. | Utilities | Financials | Comm. Services | S&P 500 | Industrials | Health Care | Materials | Consumer Disc. | Consumer Staples | Energy |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Q319 | 34.4% | 21.5% | 16.9% | 15.9% | 11.9% | 11.5% | 10.4% | 10.4% | 10.4% | 7.5% | 6.9% | 5.3% |
| Q318 | 34.4% | 23.0% | 15.5% | 16.6% | 12.7% | 12.1% | 10.1% | 11.0% | 9.8% | 8.0% | 7.0% | 8.1% |




| | Utilities | Industrials | Health Care | S&P 500 | Materials | Consumer Staples | Comm. Services | Information Tech. | Financials | Real Estate | Consumer Disc. | Energy |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Down % | 18% | 42% | 44% | 51% | 43% | 55% | 56% | 56% | 57% | 59% | 63% | 64% |
| None % | 0% | 0% | 0% | 1% | 11% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Up % | 82% | 58% | 56% | 48% | 46% | 45% | 44% | 44% | 43% | 41% | 37% | 36% |

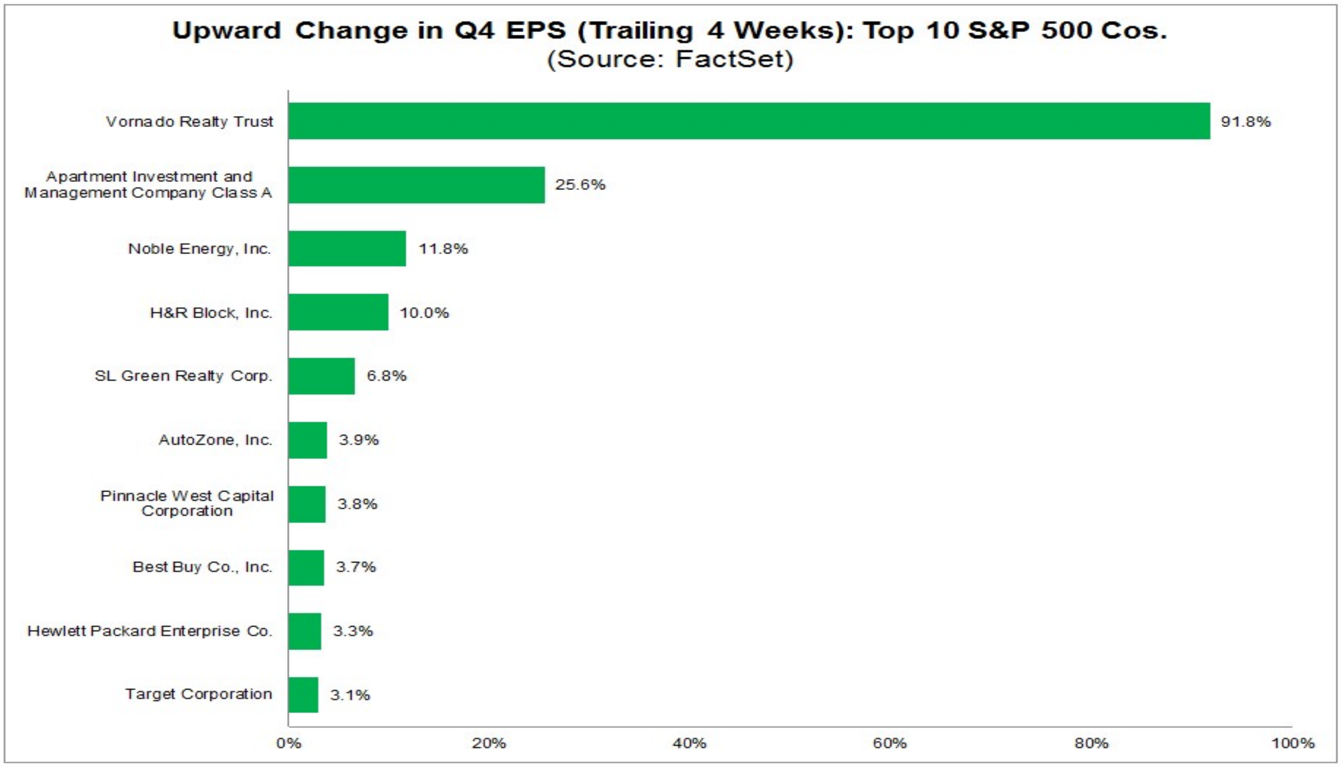
# Q4 2019: EPS Guidance

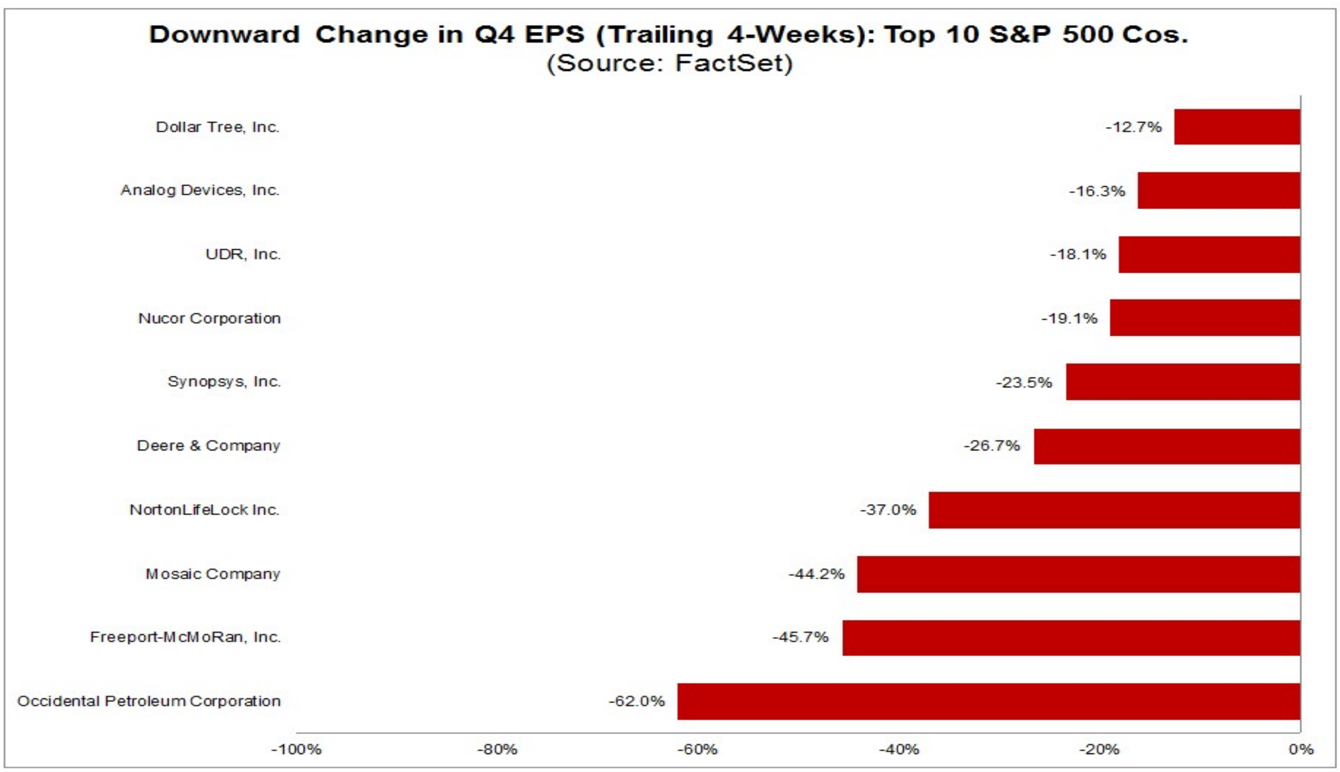


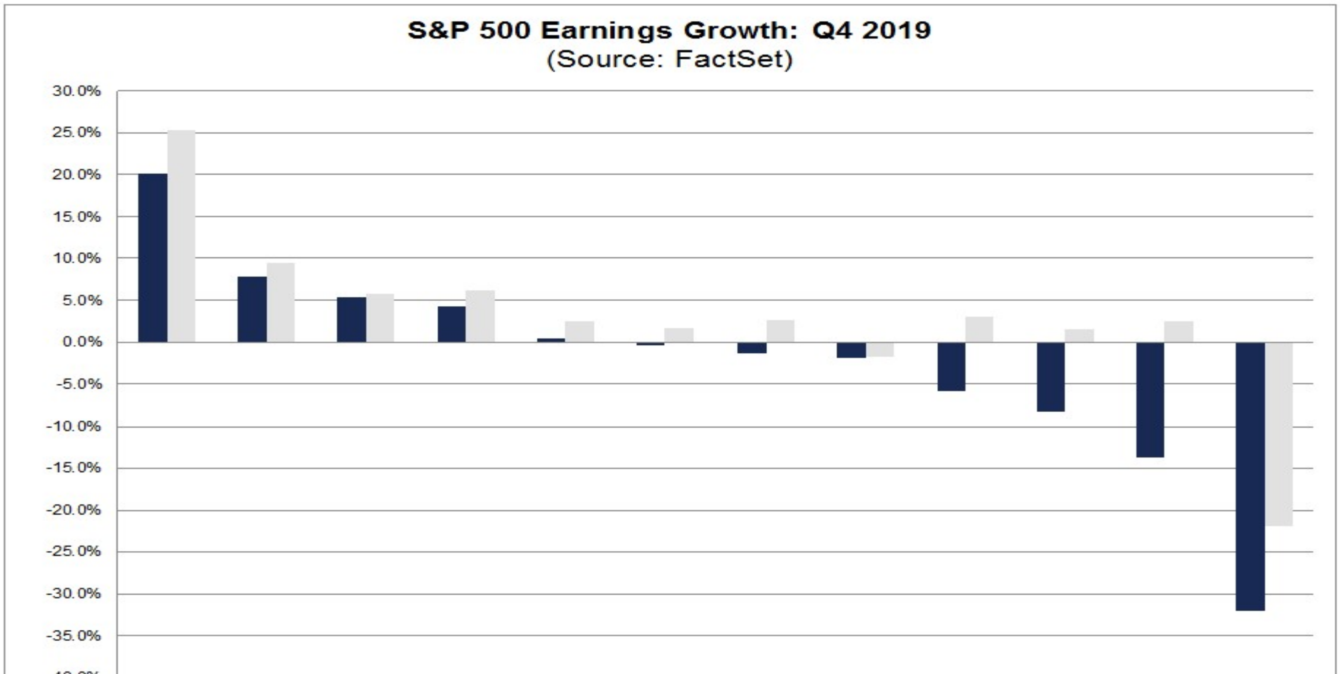

| | Industrials | Comm. Services | Consumer Staples | Materials | Health Care | Consumer Disc. | S&P 500 | Info. Technology | Real Estate | Utilities | Energy | Financials |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Positive | 0% | 0% | 0% | 20% | 22% | 23% | 32% | 50% | 57% | 100% | 0% | 0% |
| Negative | 100% | 100% | 100% | 80% | 78% | 77% | 68% | 50% | 43% | 0% | 0% | 0% |

# Q4 2019: EPS Revisions

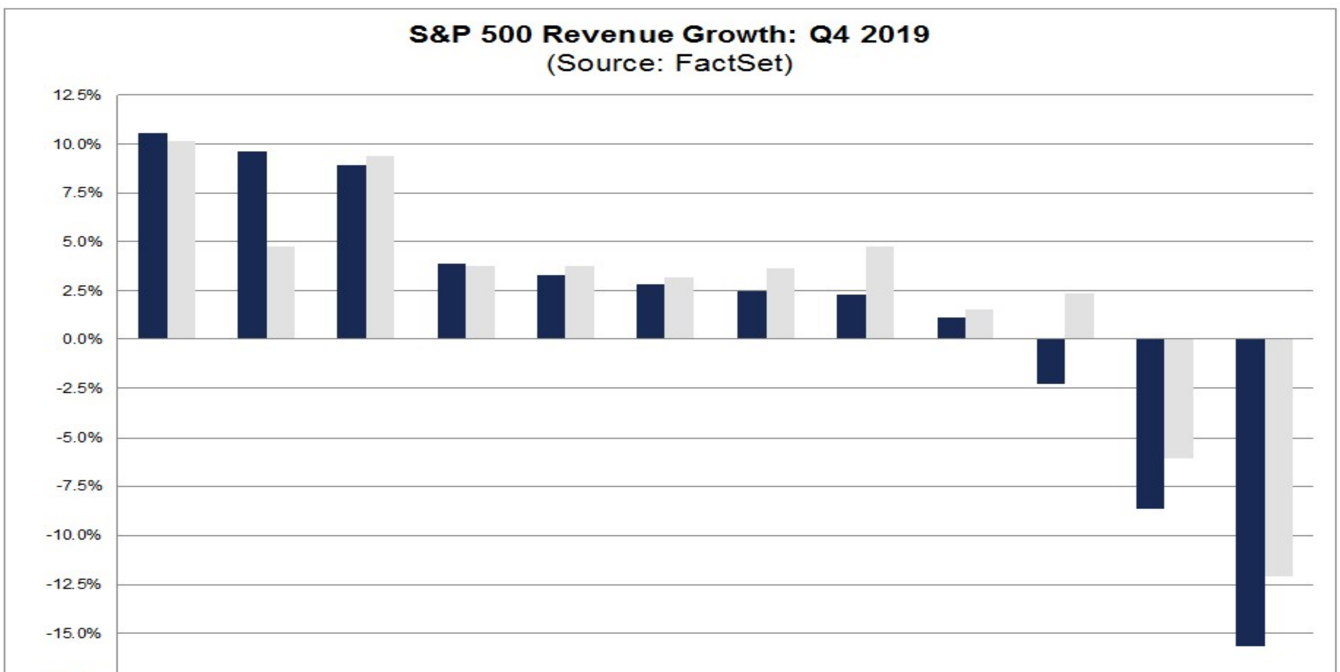


# Q4 2019: Growth

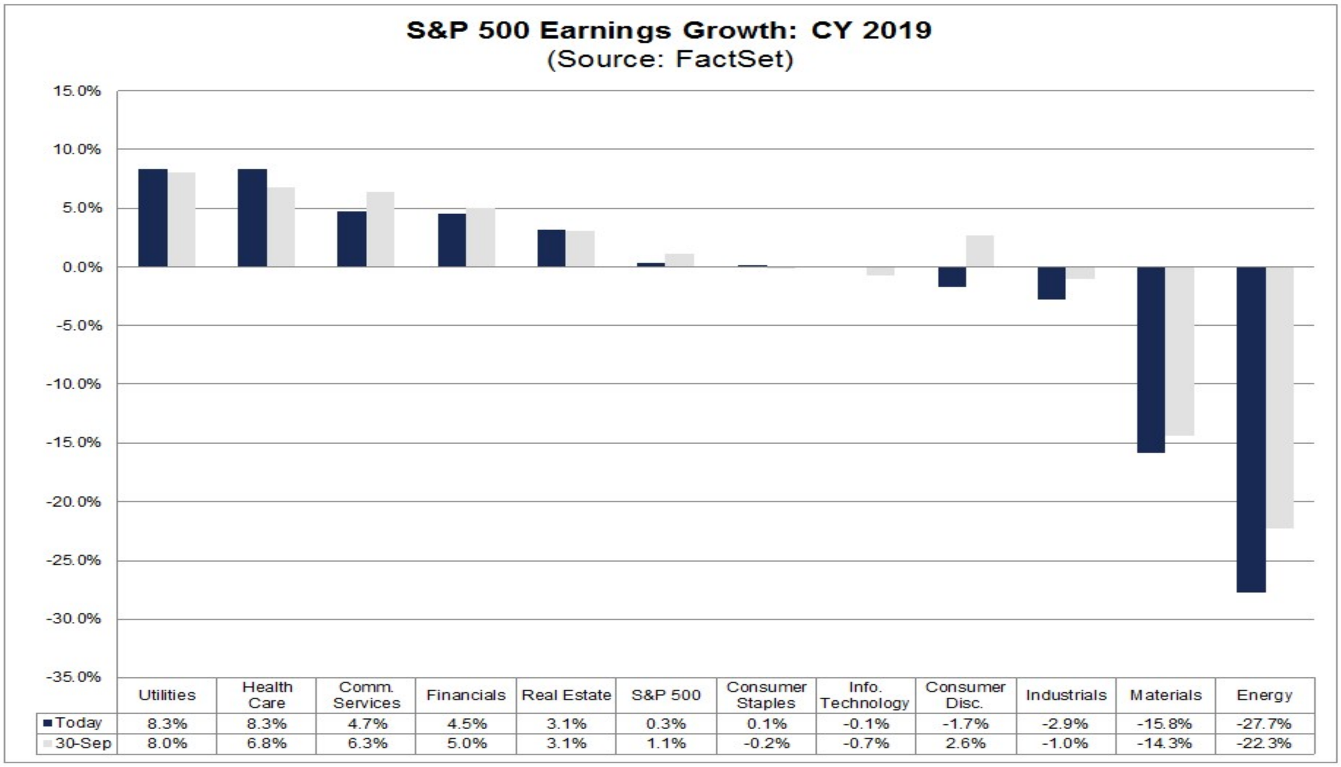



| | Utilities | Financials | Health Care | Comm. Services | Real Estate | Consumer Staples | S&P 500 | Info. Technology | Industrials | Materials | Consumer Disc. | Energy |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 20.2% | 7.8% | 5.3% | 4.2% | 0.4% | -0.4% | -1.3% | -1.9% | -5.8% | -8.2% | -13.7% | -32.0% |
| 30-Sep | 25.3% | 9.5% | 5.7% | 6.1% | 2.5% | 1.6% | 2.5% | -1.7% | 3.0% | 1.5% | 2.5% | -21.8% |

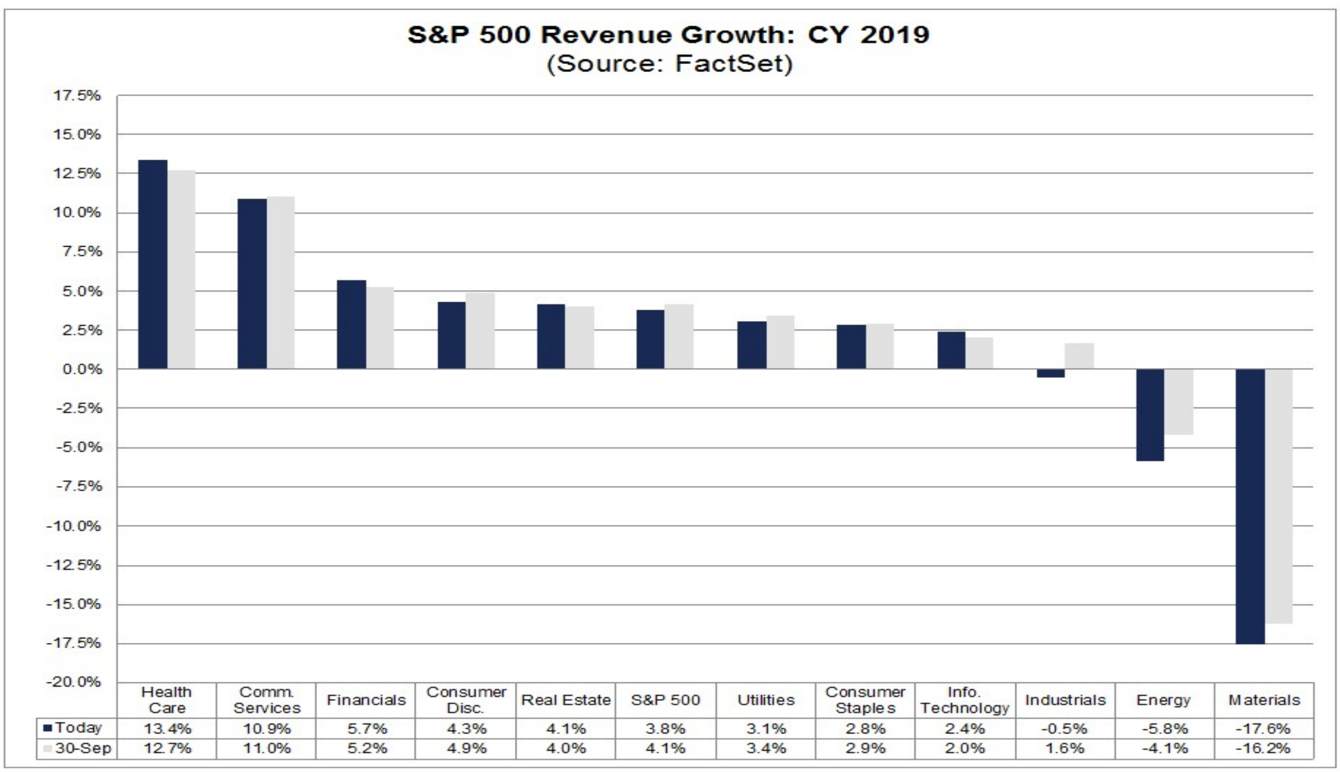



| | Health Care | Utilities | Comm. Services | Info. Technology | Consumer Staples | Real Estate | S&P 500 | Consumer Disc. | Financials | Industrials | Energy | Materials |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 10.6% | 9.6% | 8.9% | 3.9% | 3.3% | 2.8% | 2.5% | 2.3% | 1.1% | -2.3% | -8.6% | -15.7% |
| 30-Sep | 10.1% | 4.7% | 9.4% | 3.7% | 3.7% | 3.1% | 3.6% | 4.8% | 1.5% | 2.3% | -6.1% | -12.1% |

# CY 2019: Growth



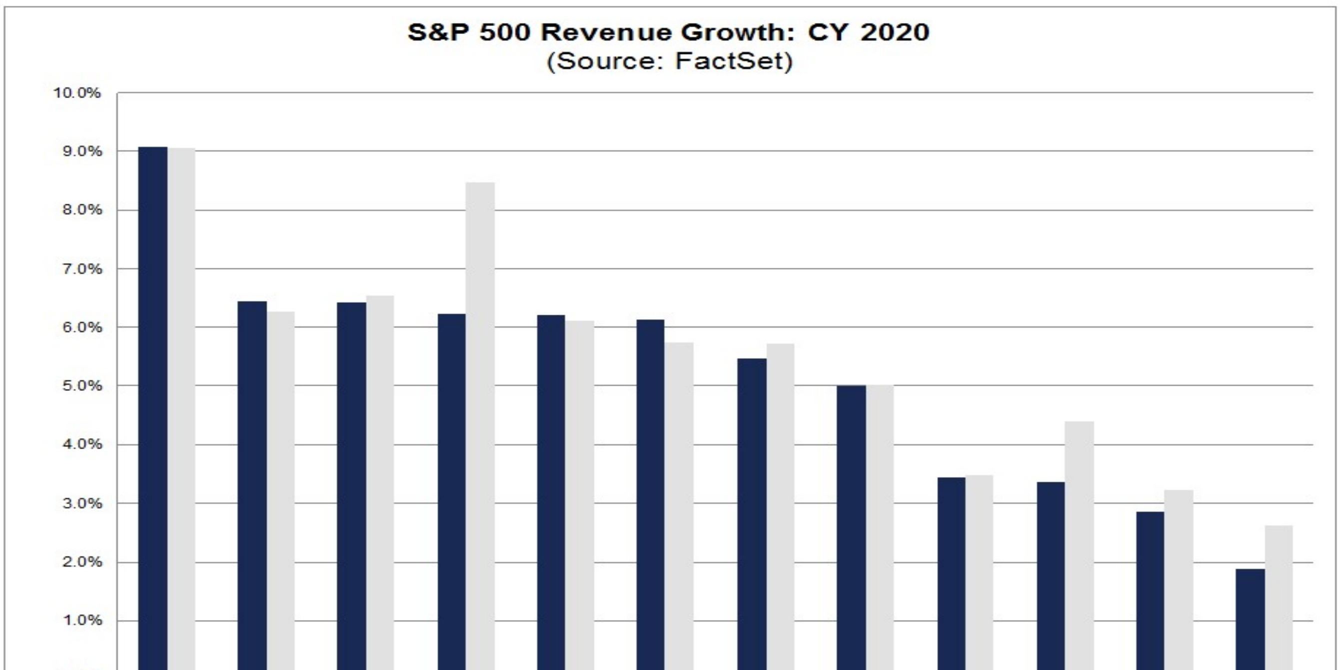

| | Utilities | Health Care | Comm. Services | Financials | Real Estate | S&P 500 | Consumer Staples | Info. Technology | Consumer Disc. | Industrials | Materials | Energy |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 8.3% | 8.3% | 4.7% | 4.5% | 3.1% | 0.3% | 0.1% | -0.1% | -1.7% | -2.9% | -15.8% | -27.7% |
| 30-Sep | 8.0% | 6.8% | 6.3% | 5.0% | 3.1% | 1.1% | -0.2% | -0.7% | 2.6% | -1.0% | -14.3% | -22.3% |




| | Health Care | Comm. Services | Financials | Consumer Disc. | Real Estate | S&P 500 | Utilities | Consumer Staples | Info. Technology | Industrials | Energy | Materials |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 13.4% | 10.9% | 5.7% | 4.3% | 4.1% | 3.8% | 3.1% | 2.8% | 2.4% | -0.5% | -5.8% | -17.6% |
| 30-Sep | 12.7% | 11.0% | 5.2% | 4.9% | 4.0% | 4.1% | 3.4% | 2.9% | 2.0% | 1.6% | -4.1% | -16.2% |

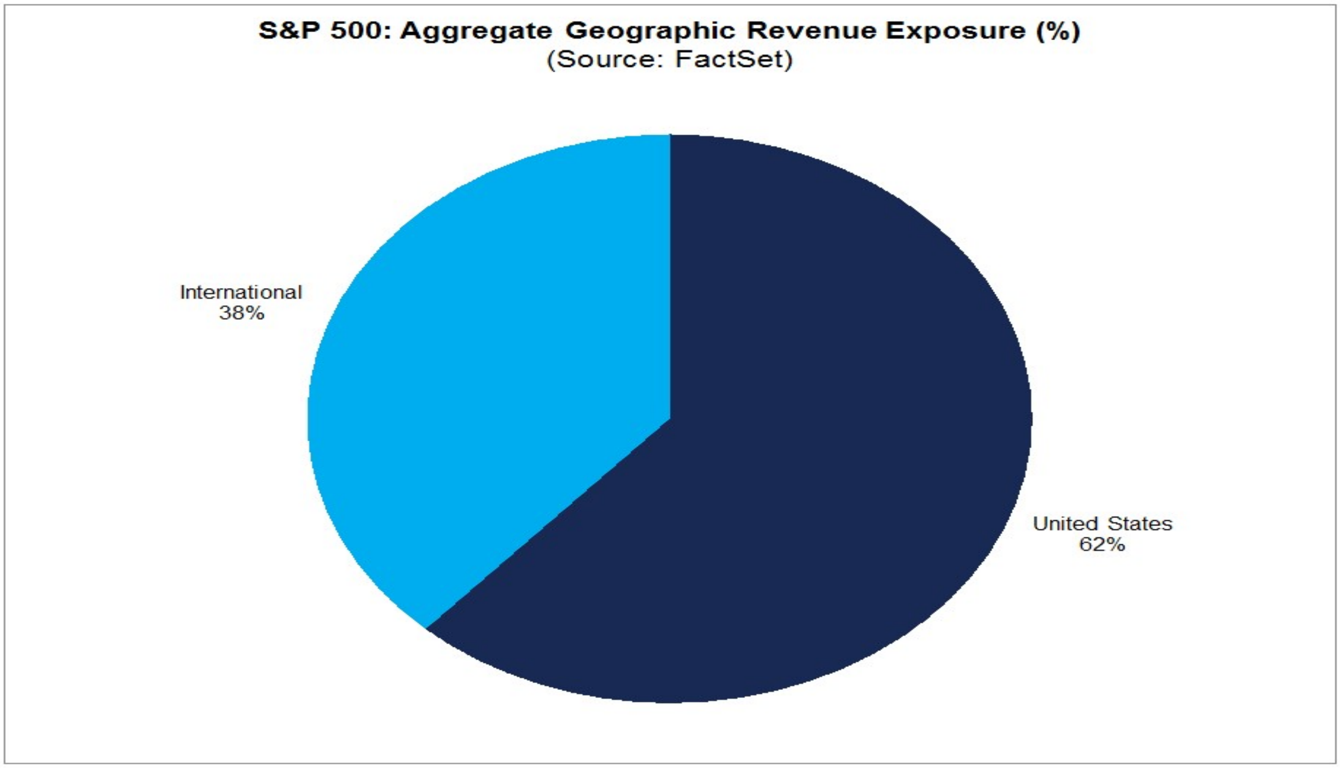
# CY 2020: Growth

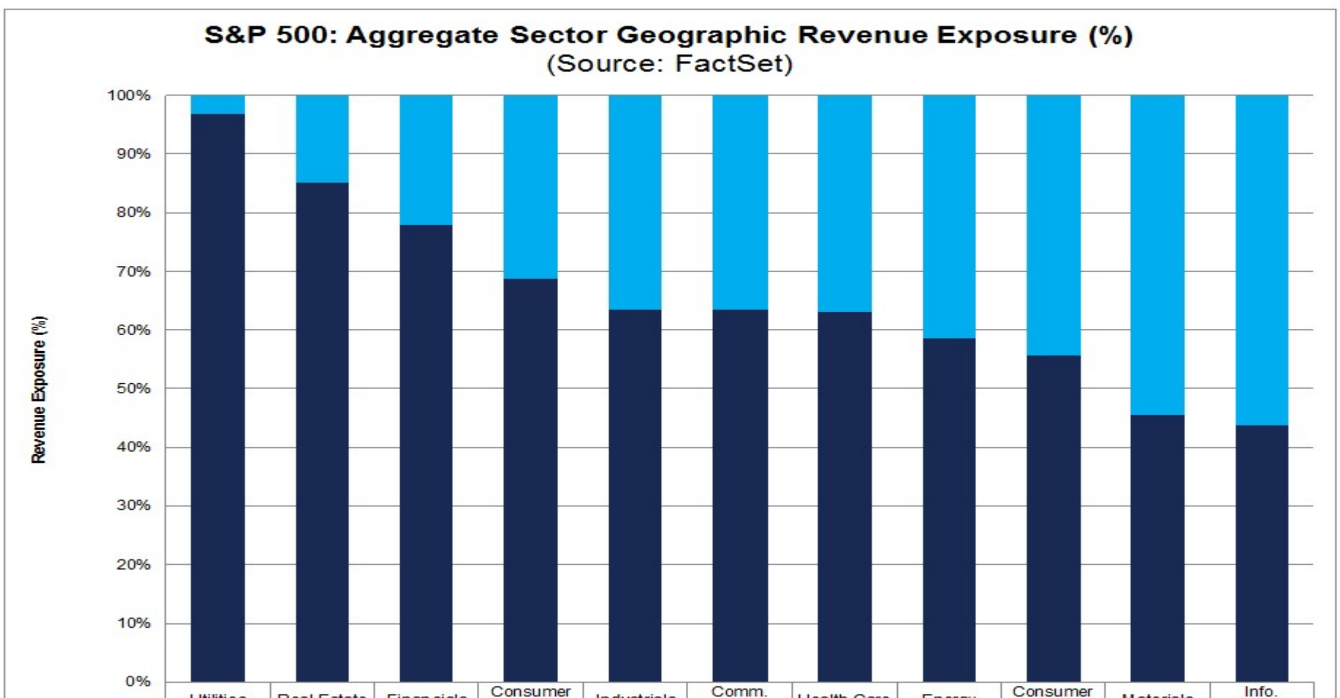

| | Energy | Industrials | Materials | Consumer Disc. | Comm. Services | S&P 500 | Info. Technology | Health Care | Consumer Staples | Real Estate | Utilities | Financials |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 21.3% | 16.1% | 13.7% | 12.4% | 12.1% | 9.7% | 9.5% | 9.0% | 6.0% | 5.5% | 5.0% | 4.8% |
| 30-Sep | 31.2% | 18.0% | 15.5% | 11.9% | 12.5% | 10.9% | 10.1% | 9.7% | 6.6% | 5.9% | 5.4% | 5.4% |




| | Comm. Services | Health Care | Info. Technology | Energy | Industrials | Consumer Disc. | S&P 500 | Real Estate | Consumer Staples | Materials | Utilities | Financials |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Today | 9.1% | 6.4% | 6.4% | 6.2% | 6.2% | 6.1% | 5.5% | 5.0% | 3.4% | 3.4% | 2.9% | 1.9% |
| 30-Sep | 9.1% | 6.3% | 6.5% | 8.5% | 6.1% | 5.7% | 5.7% | 5.0% | 3.5% | 4.4% | 3.2% | 2.6% |

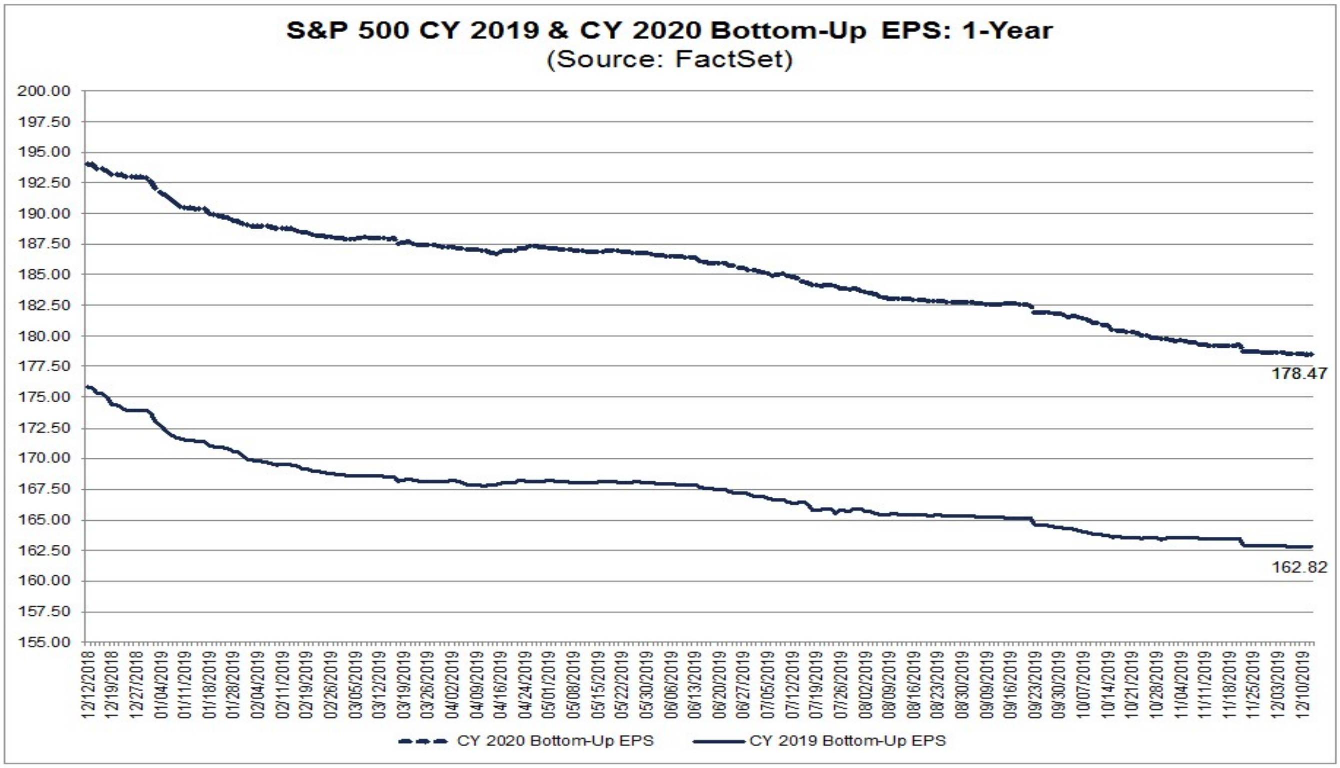
# Geographic Revenue Exposure

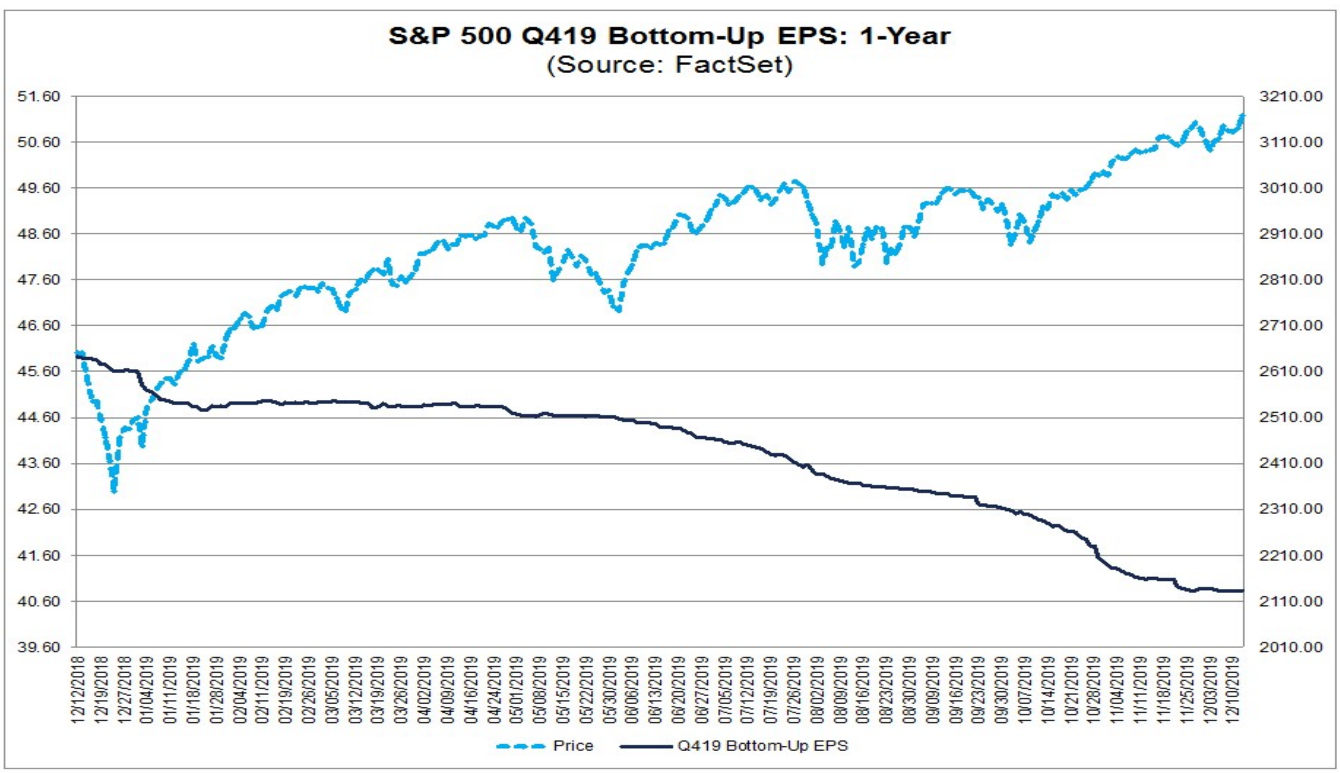


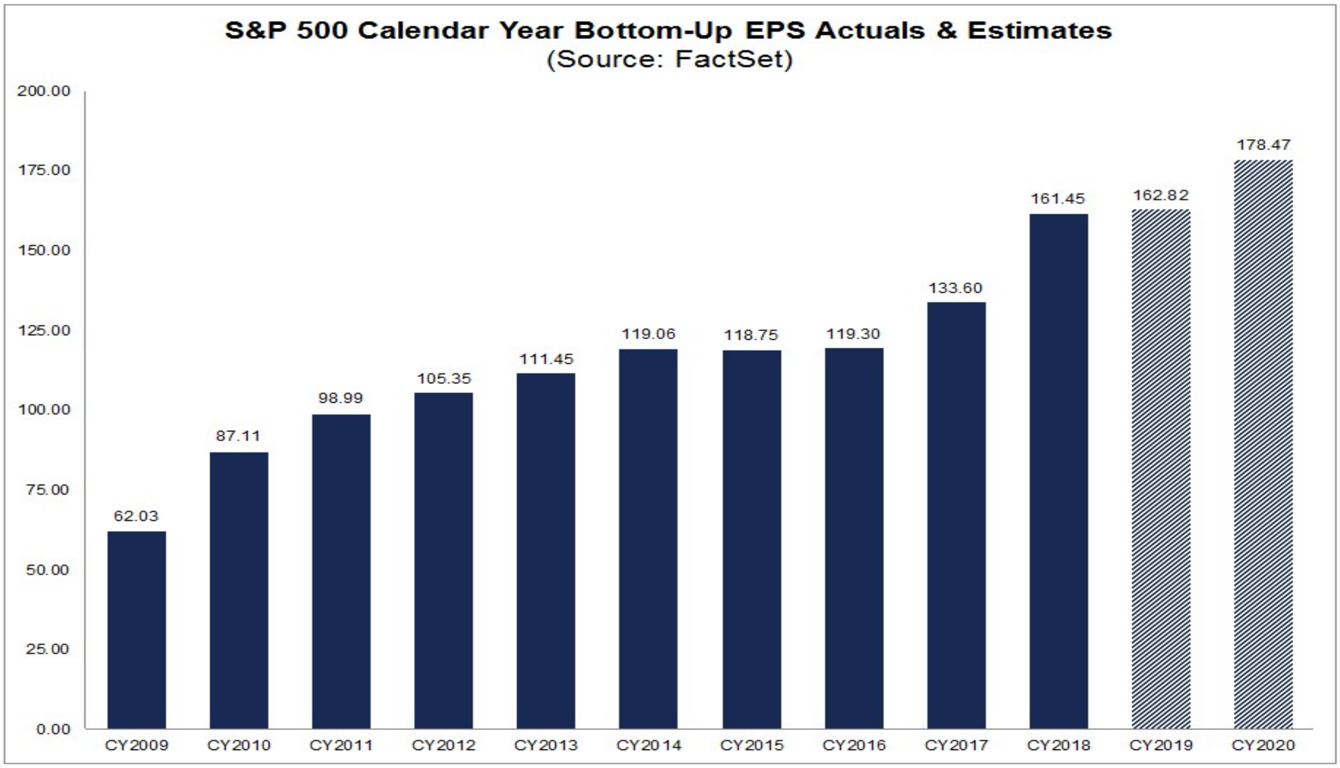

| | Utilities | Real Estate | Financials | Consumer Disc. | Industrials | Comm. Services | Health Care | Energy | Consumer Staples | Materials | Info. Technology |
|---|---|---|---|---|---|---|---|---|---|---|---|
| International | 3% | 15% | 22% | 31% | 37% | 37% | 37% | 42% | 44% | 54% | 56% |
| United States | 97% | 85% | 78% | 69% | 63% | 63% | 63% | 58% | 56% | 46% | 44% |

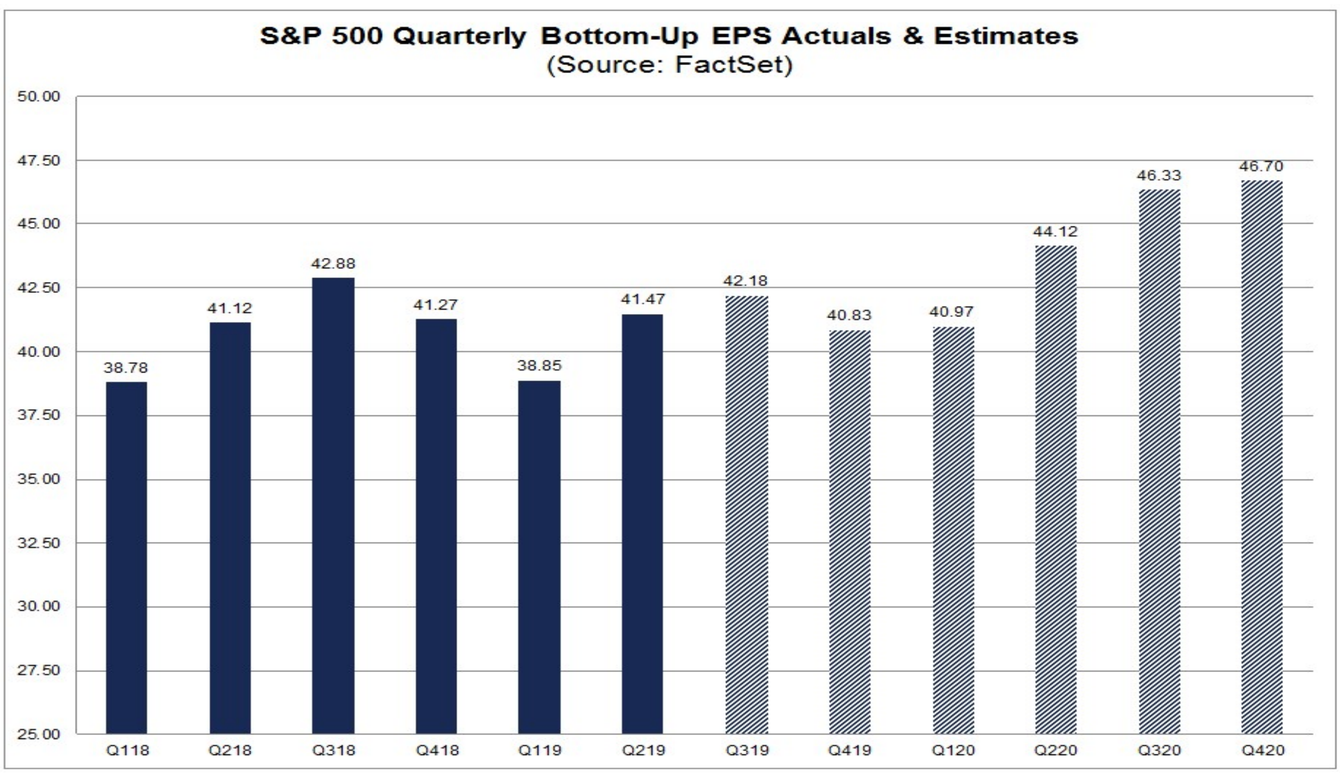
# Bottom-up EPS Estimates: Revisions



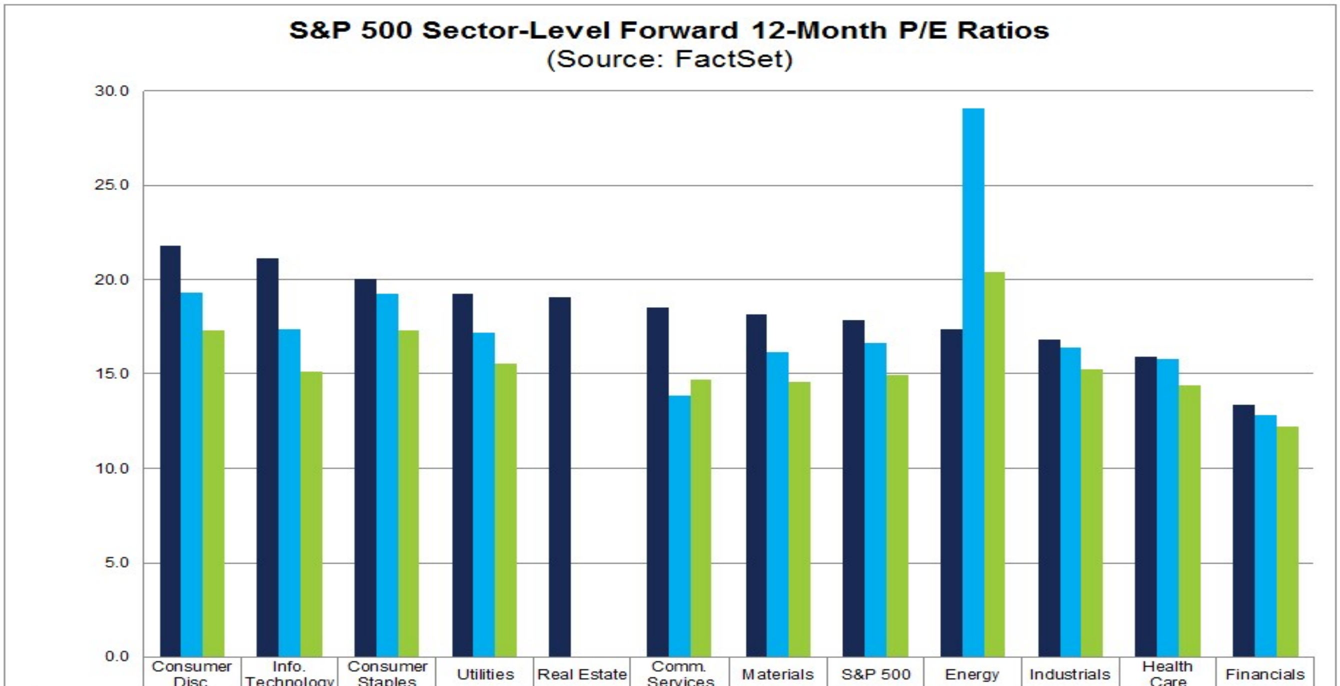



# Bottom-up EPS Estimates: Current & Historical

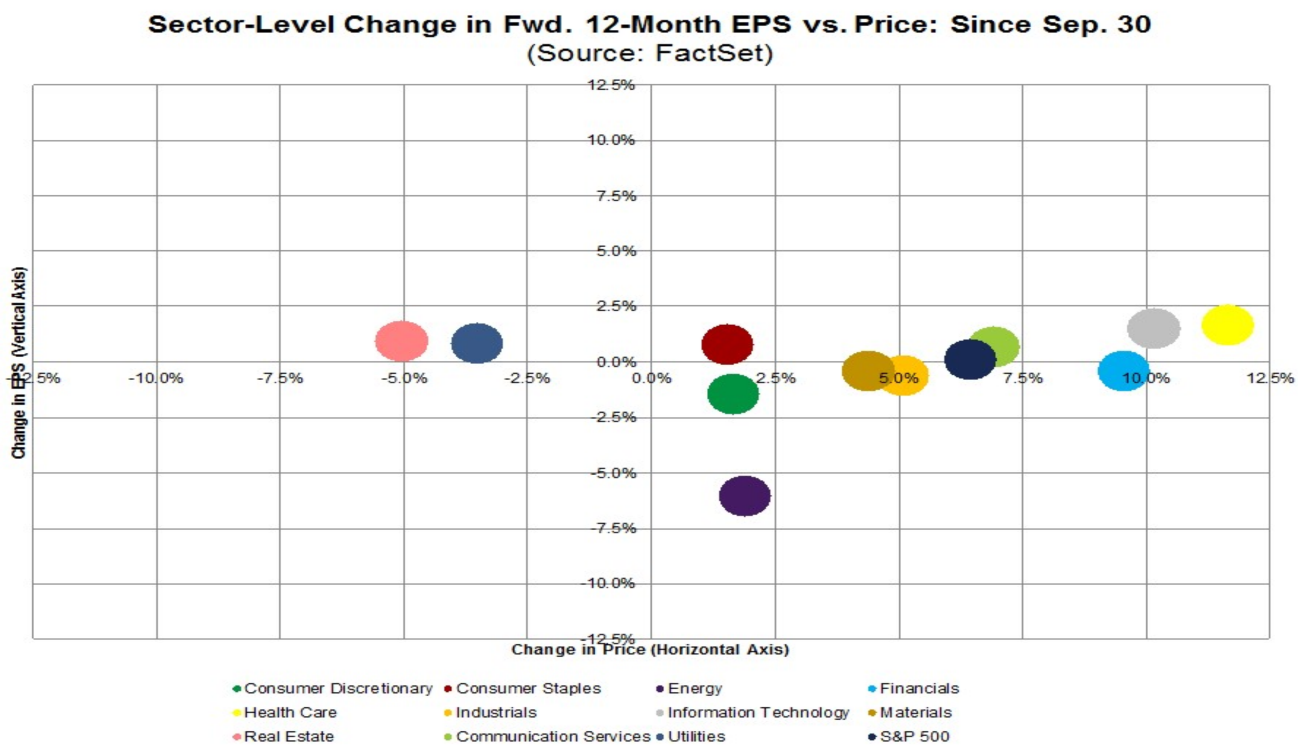


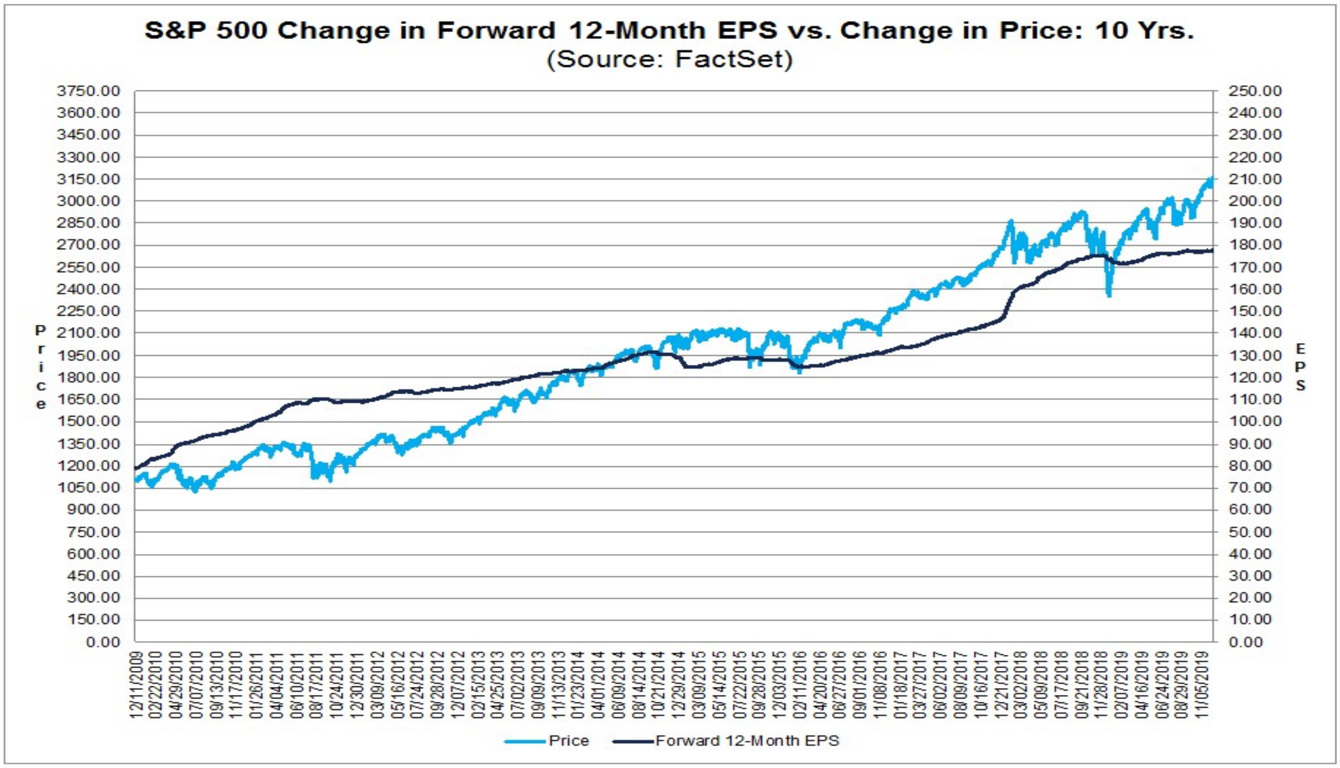
# Forward 12M P/E Ratio: Sector Level

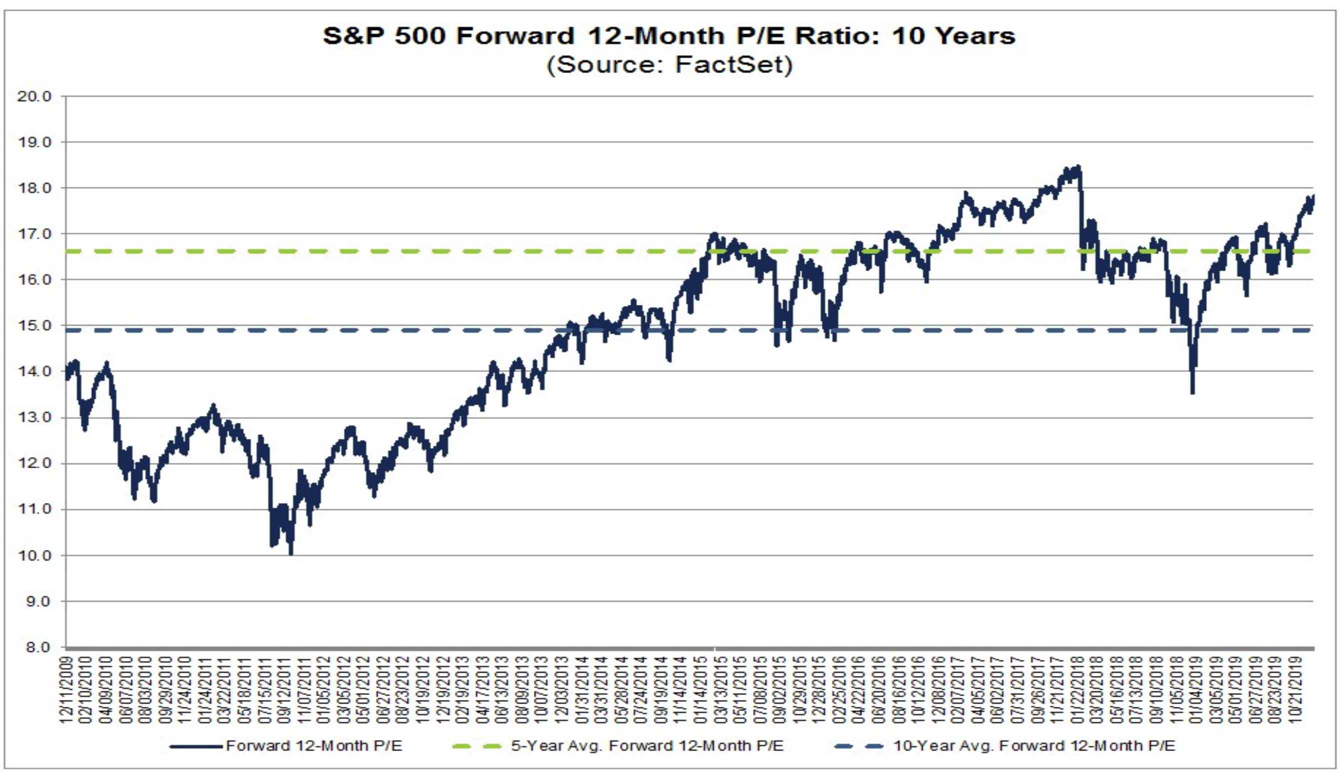



| | Consumer Disc. | Info. Technology | Consumer Staples | Utilities | Real Estate | Comm. Services | Materials | S&P 500 | Energy | Industrials | Health Care | Financials |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fwd P/E | 21.8 | 21.1 | 20.0 | 19.2 | 19.0 | 18.5 | 18.2 | 17.8 | 17.4 | 16.8 | 15.9 | 13.3 |
| 5-Yr Avg. | 19.3 | 17.3 | 19.2 | 17.2 | | 13.8 | 16.1 | 16.6 | 29.1 | 16.4 | 15.8 | 12.9 |
| 10-Yr Avg. | 17.3 | 15.1 | 17.3 | 15.5 | | 14.7 | 14.6 | 14.9 | 20.4 | 15.2 | 14.4 | 12.3 |

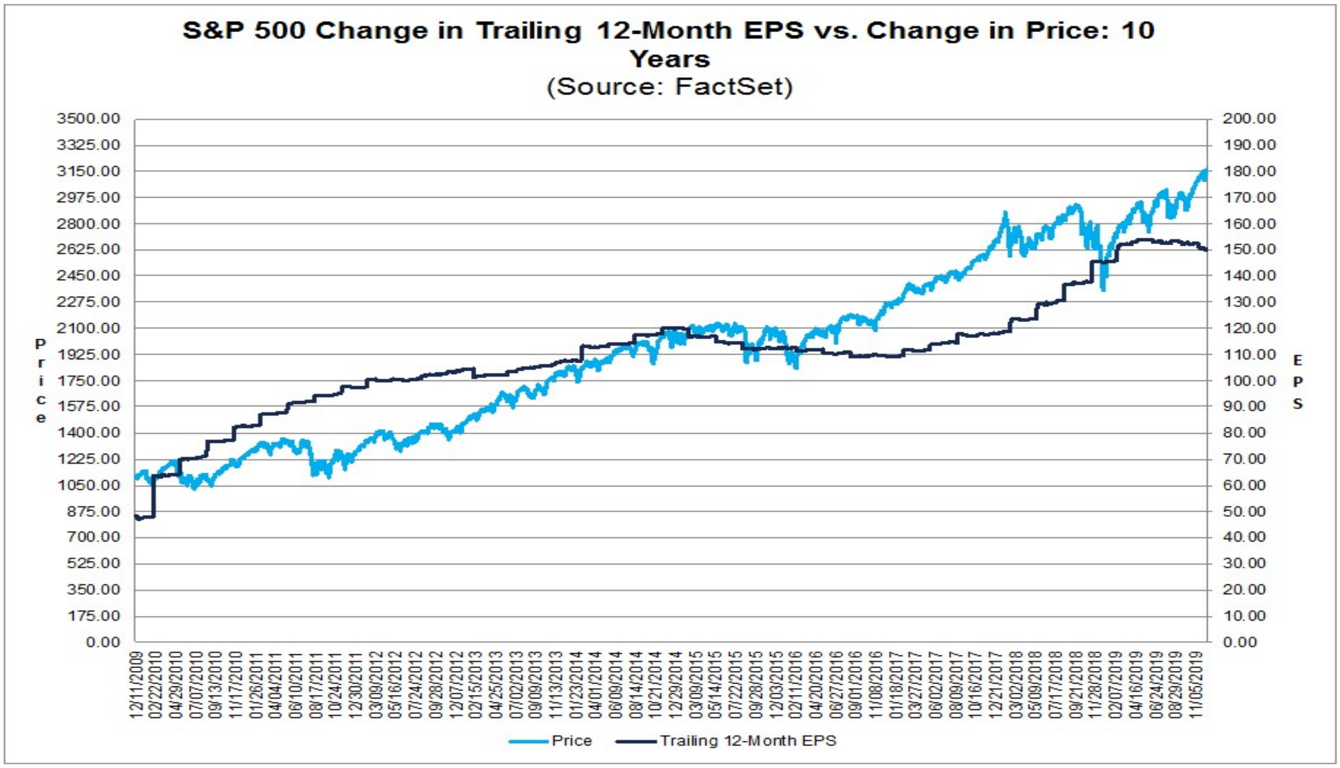


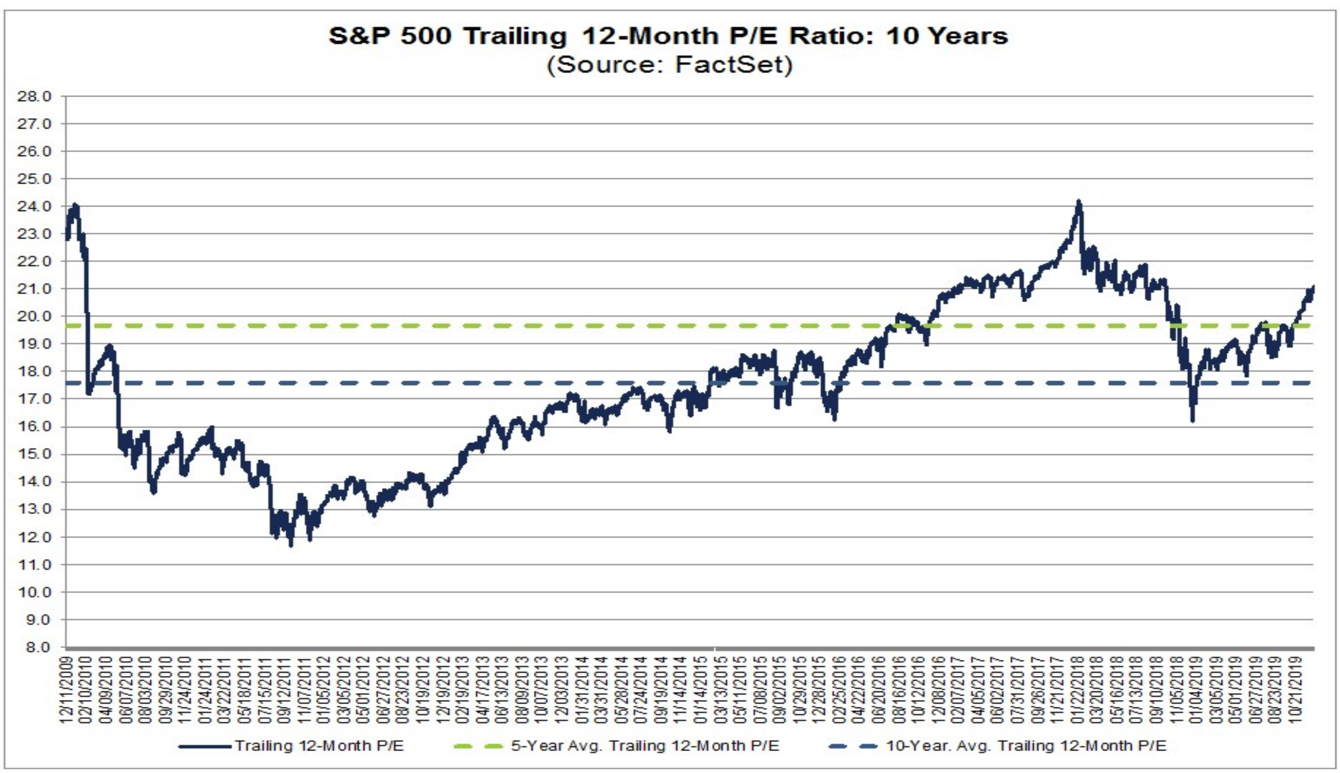
# Forward 12M P/E Ratio: 10-Years



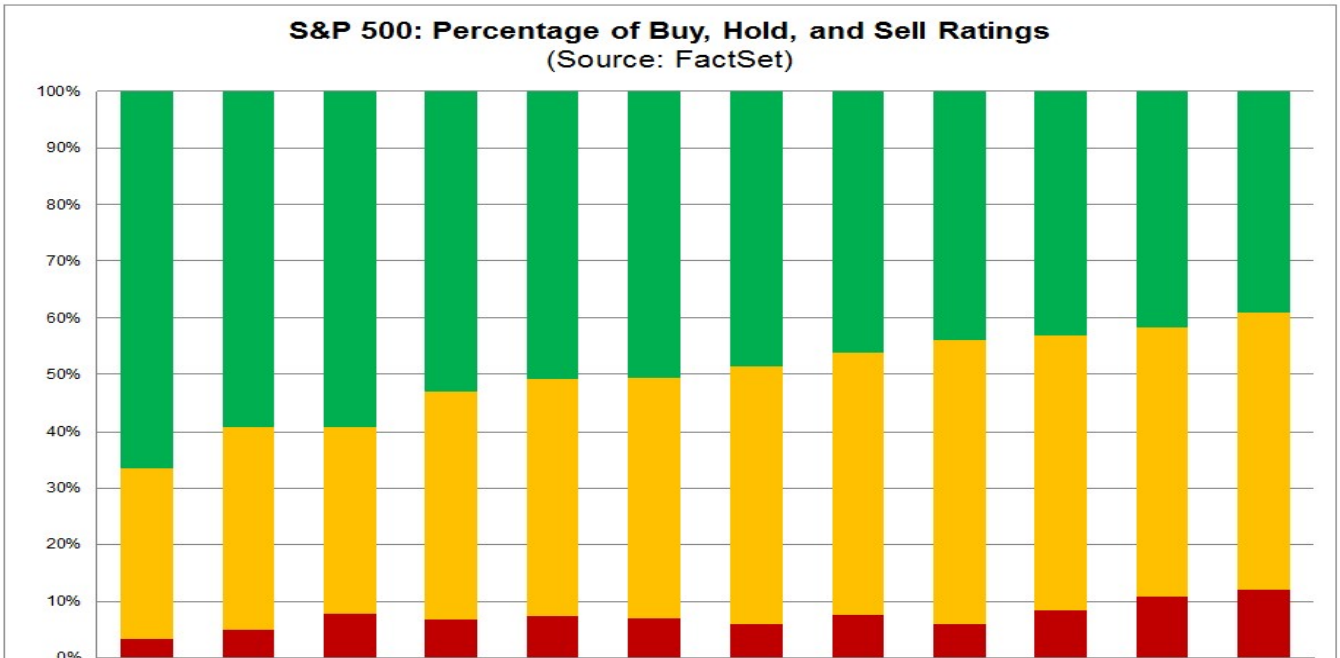



# Trailing 12M P/E Ratio: 10-Years



# Targets & Ratings




| | Energy | Health Care | Comm. Services | Info. Tech. | Materials | S&P 500 | Consumer Disc. | Industrials | Real Estate | Financials | Utilities | Consumer Staples |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Buy | 67% | 59% | 59% | 53% | 51% | 51% | 49% | 46% | 44% | 43% | 42% | 39% |
| Hold | 30% | 36% | 33% | 40% | 42% | 42% | 45% | 46% | 50% | 48% | 47% | 49% |
| Sell | 3% | 5% | 8% | 7% | 7% | 7% | 6% | 8% | 6% | 8% | 11% | 12% |


| | Energy | Consumer Disc. | Comm. Services | Real Estate | Materials | S&P 500 | Info. Tech. | Utilities | Health Care | Industrials | Consumer Staples | Financials |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Target/Close | 14.9% | 13.2% | 12.4% | 10.5% | 8.2% | 7.5% | 6.8% | 6.6% | 6.4% | 6.3% | 6.0% | 0.9% |

**Important Notice**

The information contained in this report is provided “as is” and all representations, warranties, terms and conditions, oral or written, express or implied (by common law, statute or otherwise), in relation to the information are hereby excluded and disclaimed to the fullest extent permitted by law. In particular, FactSet, its affiliates and its suppliers disclaim implied warranties of merchantability and fitness for a particular purpose and make no warranty of accuracy, completeness or reliability of the information. This report is for informational purposes and does not constitute a solicitation or an offer to buy or sell any securities mentioned within it. The information in this report is not investment advice. FactSet, its affiliates and its suppliers assume no liability for any consequence relating directly or indirectly to any action or inaction taken based on the information contained in this report.

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

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

**About FactSet**

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