John Butters, Senior Earnings Analyst
jbutters@factset.com

Media Questions/Requests
media_request@factset.com

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Key Metrics

- **Earnings Growth:** For Q4 2019, the estimated earnings decline for the S&P 500 is -1.5%. If -1.5% 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 2.4%. 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 33 S&P 500 companies have issued positive EPS guidance.

- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 17.6. This P/E ratio is above the 5-year average (16.6) and above the 10-year average (14.9).

- **Earnings Scorecard:** For Q3 2019 (with 99.8% of the companies in the S&P 500 reporting actual results), 76% of S&P 500 companies have reported a positive EPS surprise and 60% of S&P 500 companies have reported a positive revenue surprise.

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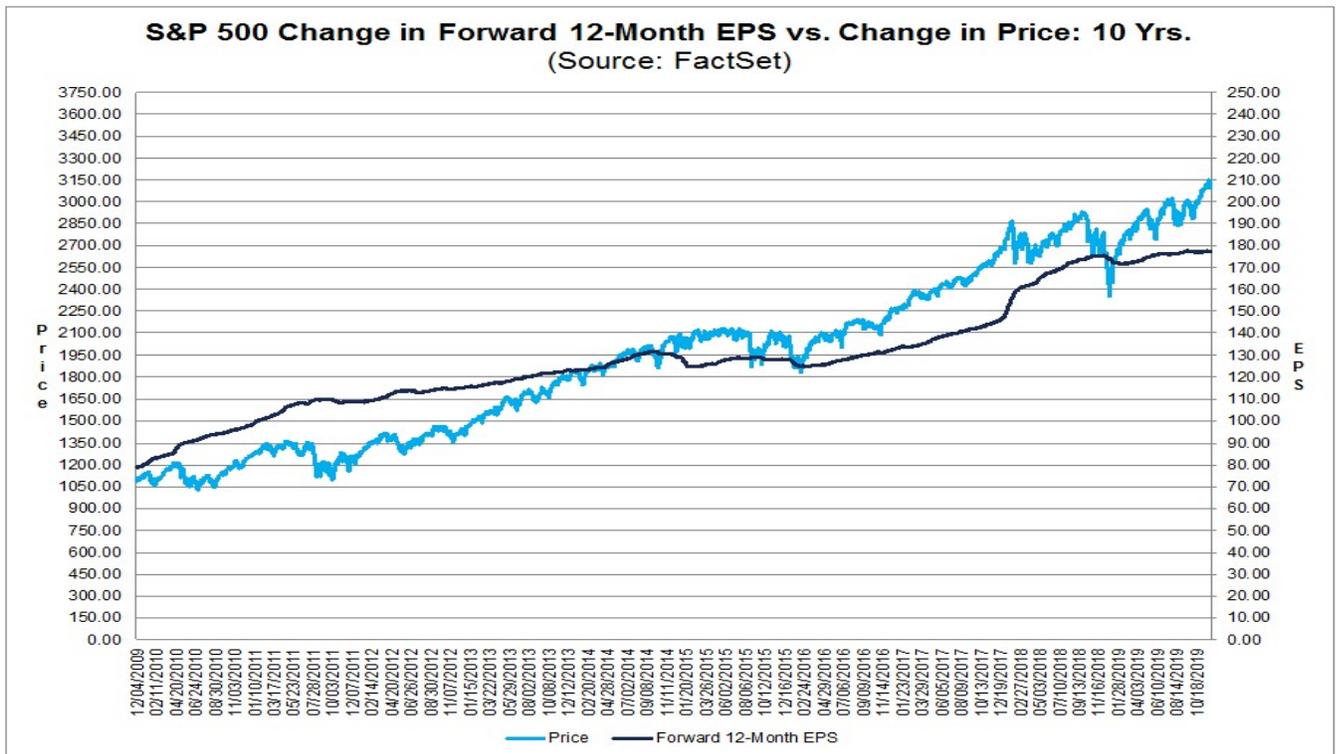
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Topic of the Week: 1

29% Increase in S&P 500 Companies Citing "ESG" on Earnings Calls in Q3 vs. Q2

During each corporate earnings season, it is not unusual for companies to comment on their ongoing corporate goals and initiatives. Given the growing focus on environmental, social, and governance factors by investors, did companies in the S&P 500 comment on these factors during their earnings conference calls for the third quarter?
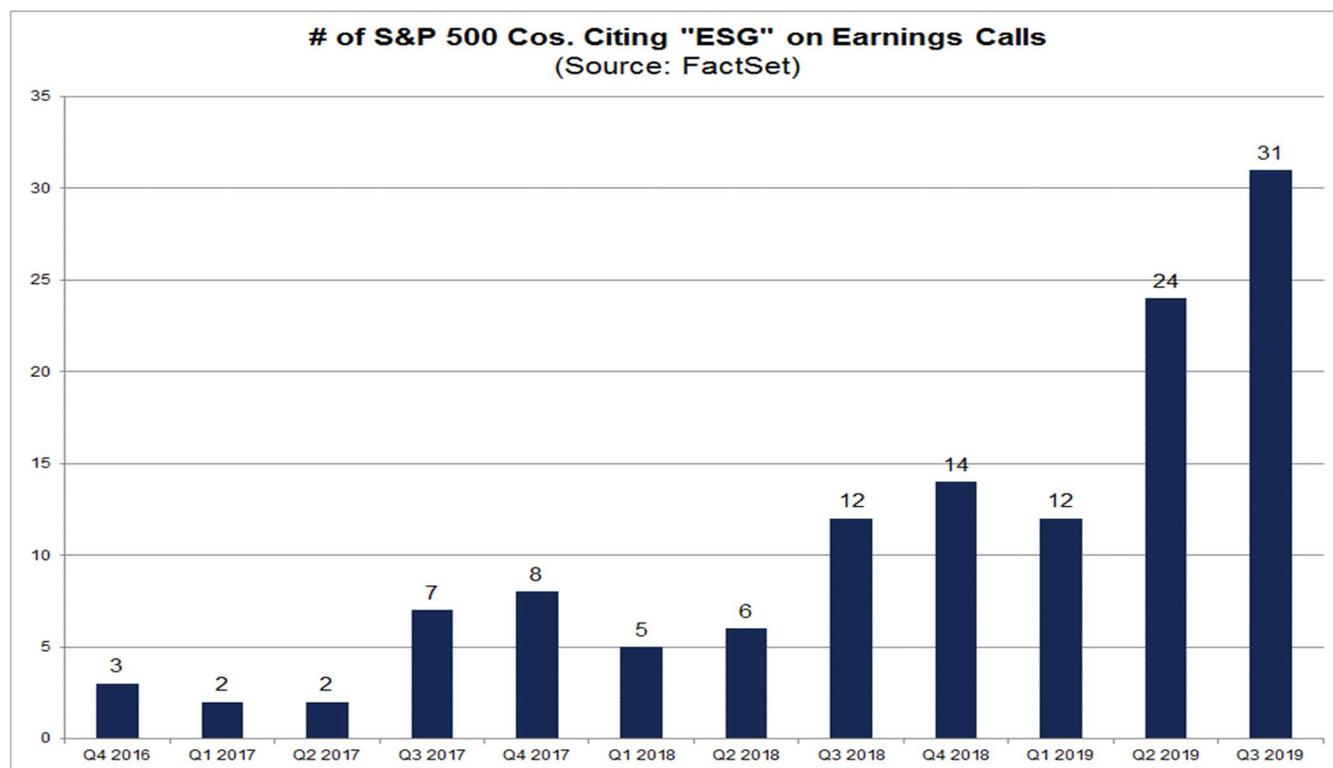
To answer this question, FactSet searched for the term "ESG" in the conference call transcripts of all the S&P 500 companies that conducted earnings conference calls from September 15 through December 5.
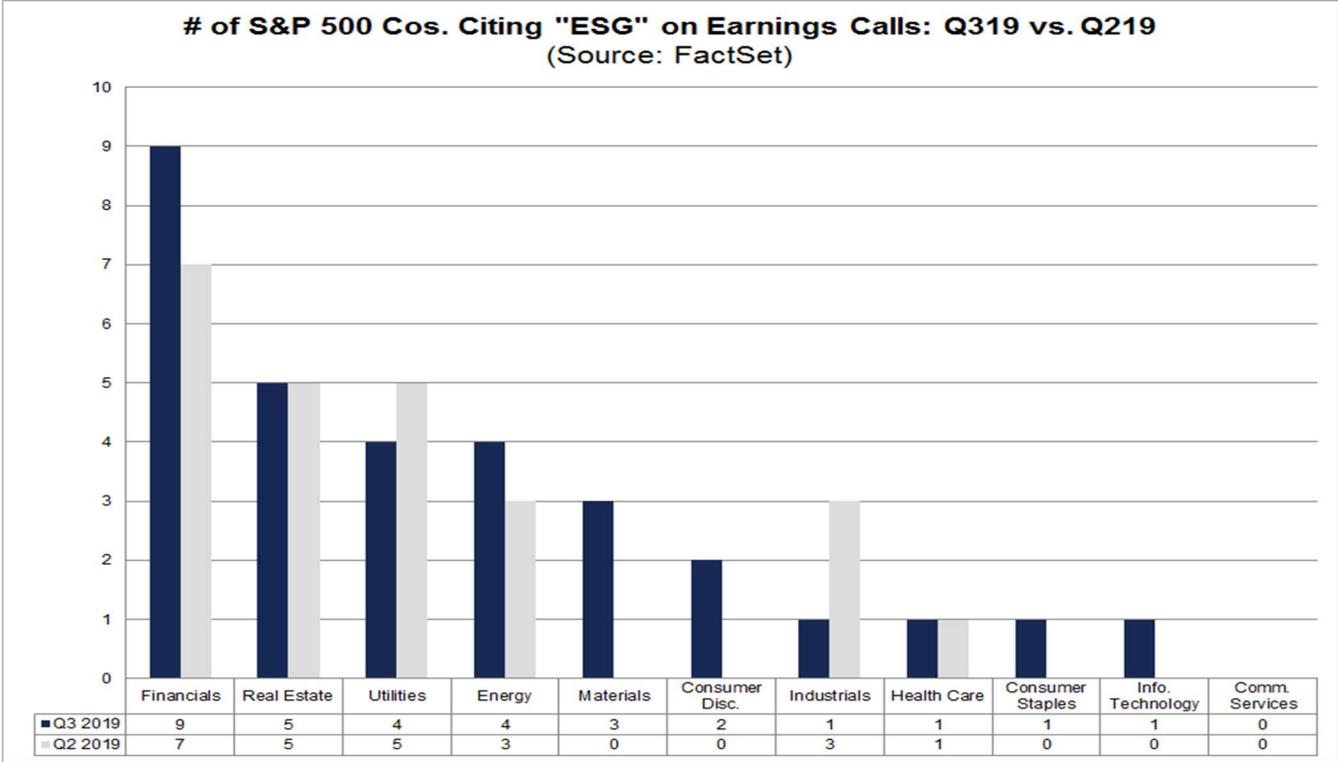
Of these companies, 31 cited the term "ESG" (in reference to environmental, social, and governance factors) during their earnings calls. Although this number is only 6% of the companies in the index, it reflects a 29% increase compared to the number of companies citing "ESG" in the previous quarter (24) and the highest overall number of companies going back at least three years. At the sector level, the Financials (9) sector had the highest number of companies of all eleven sectors discussing "ESG" on Q3 earnings calls. However, the Materials sector had the largest increase (+3) in the number of companies citing "ESG" on earnings calls in Q3 relative to Q2.

Broadly speaking, almost all the companies that discussed ESG on their earnings calls in Q3 either discussed their own corporate ESG initiatives and reporting (20) or discussed ESG-related businesses, products, or services (10).

However, the distinction between a company's own ESG initiatives and ESG-related businesses, products and services may be blurring. As Xylem noted on their earnings call last quarter, *"…we don't have a sustainability strategy that sits separate from our business strategy. They go hand-in-hand."*

It will be interesting to track the number of S&P 500 companies that cite "ESG" in their earnings calls going forward to see if the recent rise in these citations continues.

# of S&P 500 Cos. Citing "ESG" on Earnings Calls
(Source: FactSet)

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of S&P 500 Cos. Citing "ESG" on Earnings Calls: Q319 vs. Q219
(Source: FactSet)

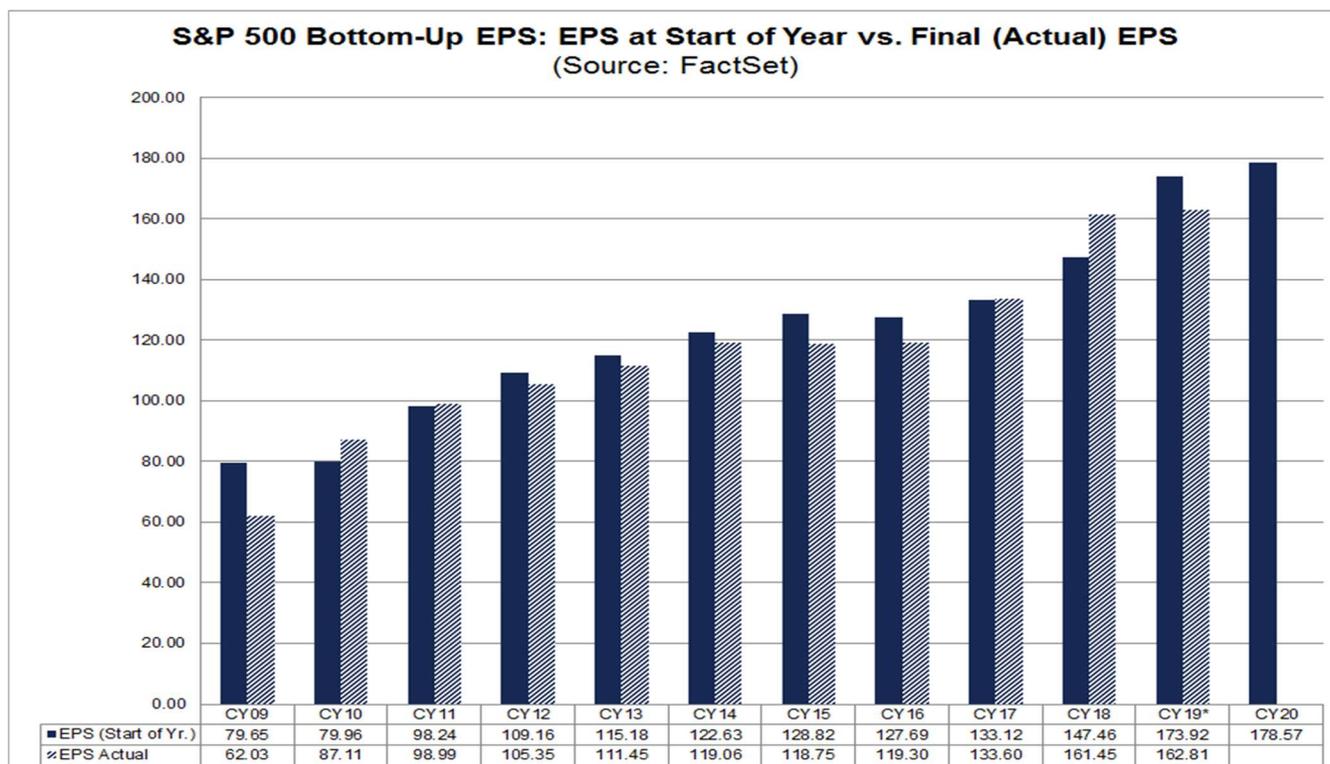|	Financials	Real Estate	Utilities	Energy	Materials	Consumer Disc.	Industrials	Health Care	Consumer Staples	Info. Technology	Comm. Services
Q3 2019	9	5	4	4	3	2	1	1	1	1	0
Q2 2019	7	5	5	3	0	0	3	1	0	0	0

Topic of the Week: 2

Will the S&P 500 Report Record-High EPS in 2020?

For 2020, the bottom-up EPS estimate (which reflects an aggregation of the median EPS estimates for all of the companies in the index) is $178.57. If $178.57 is the final number for the year, it will mark a record-high EPS number for the index. However, what is the likelihood that $178.57 will be the final EPS value for the S&P 500 in 2020? How accurate is the bottom-up EPS estimate one year in advance?

Over the past 20 years (1999 – 2018), the average difference between the bottom-up EPS estimate at the beginning of the year (December 31) and the final EPS number for that same year has been 6.9%. In other words, industry analysts on average have overestimated the final EPS number by 6.9% one year in advance. Analysts overestimated the final value (i.e. the final value finished below the estimate) in 13 of the 20 years and underestimated the final value (i.e. the final value finished above the estimate) in the other 7 years. For the purposes of this analysis, the final EPS number for a year is the EPS number recorded two months after the end of each calendar year (February 28) to capture the actual annual EPS results reported by most companies during the fourth quarter earnings season.

However, this 6.9% average includes three years in which there were substantial differences between the bottom-up EPS estimate at the start of the year and the final EPS number: 2001 (+36%), 2008 (+43%), and 2009 (+28%). In 2001, the country endured the 9/11 attacks. In 2008 and 2009, the country was in the midst of economic recession. If these three years were excluded, the average difference between the bottom-up EPS estimate one year prior to the end of that year and the final EPS number for that year would be 1.8%.

If one applies the average overestimation of 6.9% to the current 2020 EPS estimate (assuming the estimate changes little between now and December 31), the final value for 2020 would be $166.22. If one applies the average overestimation of 1.8% (excluding the years 2001, 2008, and 2009) to the current 2020 EPS estimate, the final value for 2020 would be $175.33. Based on estimates as of today, EPS of either $166.22 or $175.33 would reflect a new record-high for the S&P 500.

S&P 500 Bottom-Up EPS: EPS at Start of Year vs. Final (Actual) EPS
(Source: FactSet)

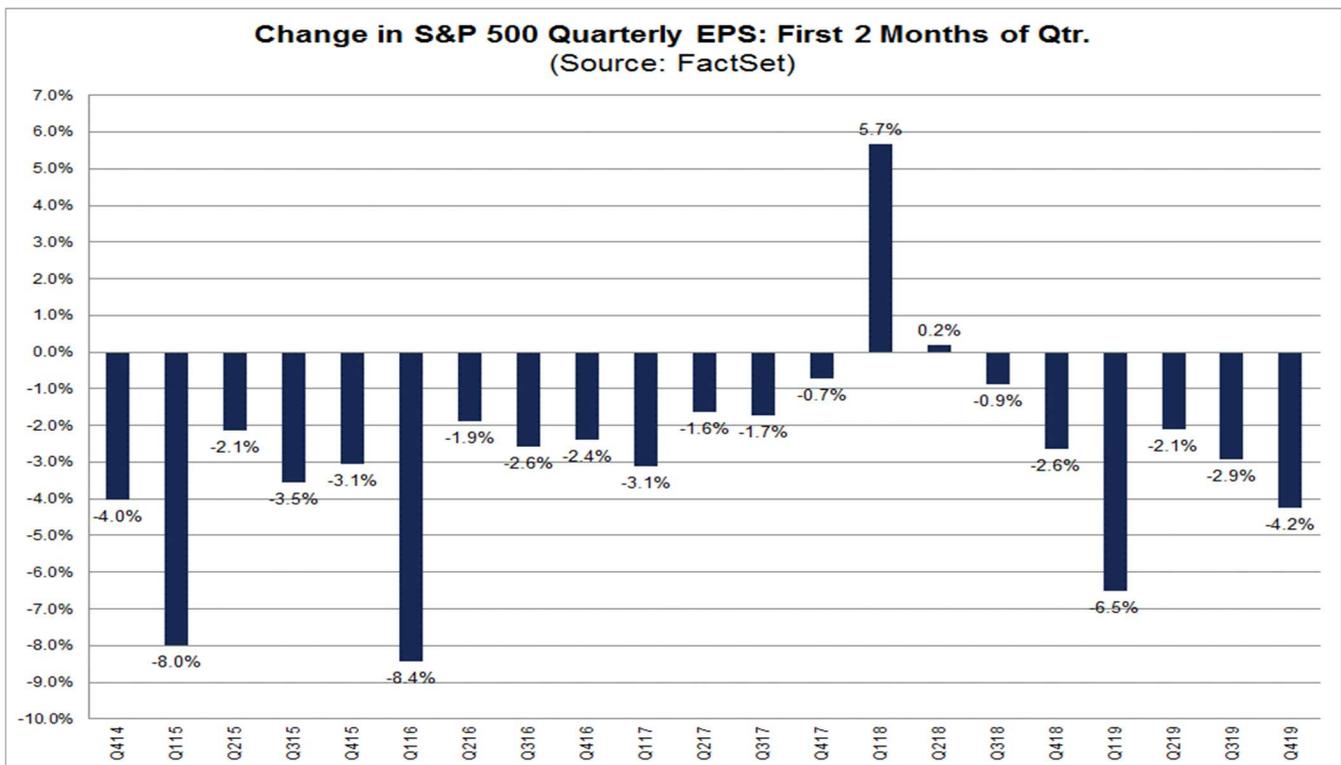|	CY 09	CY 10	CY 11	CY 12	CY 13	CY 14	CY 15	CY 16	CY 17	CY 18	CY 19*	CY 20
■ EPS (Start of Yr.)	79.65	79.96	98.24	109.16	115.18	122.63	128.82	127.69	133.12	147.46	173.92	178.57
⊠ EPS Actual	62.03	87.11	98.99	105.35	111.45	119.06	118.75	119.30	133.60	161.45	162.81	

Topic of the Week: 3

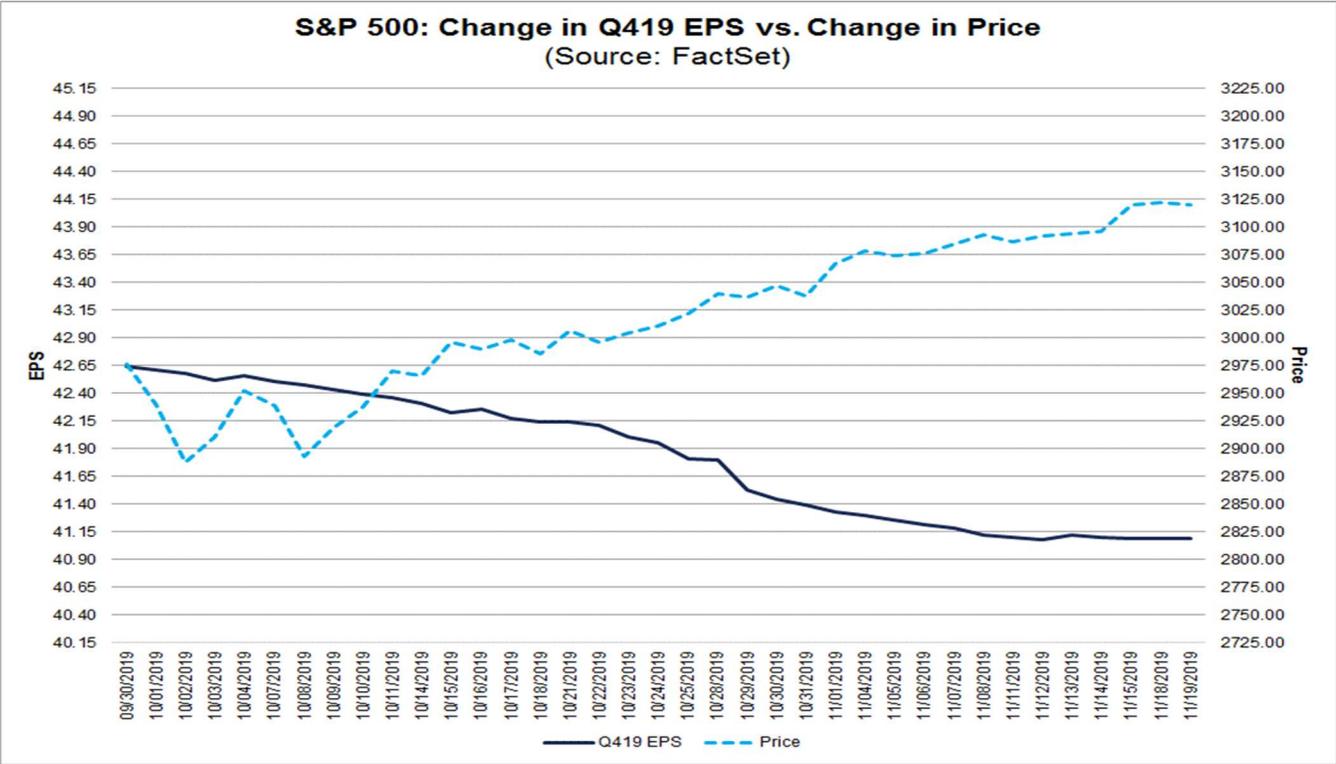## Larger Cuts than Average to S&P 500 EPS Estimates to Date for Q4

During the first two months of the fourth quarter, analysts lowered earnings estimates for companies in the S&P 500 for the quarter. The Q4 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for all the companies in the index) dropped by 4.2% (to $40.83 from $42.64) during this period. How significant is a 4.2% decline in the bottom-up EPS estimate during the first two months of a quarter? How does this decrease compare to recent quarters?

During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 2.6%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 2.1%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 3.2%. Thus, the decline in the bottom-up EPS estimate recorded during the first two months of the fourth quarter was larger than the 5-year average, the 10-year average, and the 15-year average.

At the sector level, all eleven sectors have recorded a decline in their bottom-up EPS estimate during the first two months of the quarter, led by the Consumer Discretionary (-15.6%), Energy (-13.3%), Industrials (-9.8%), and Materials (-8.1%) sectors. Overall, eight sectors recorded a larger decrease in their bottom-up EPS estimate relative to their 5-year average, nine sectors recorded a larger decrease in their bottom-up EPS estimate relative to their 10-year average, and seven sectors recorded a larger decrease in their bottom-up EPS estimate relative to their 15-year average.

As the bottom-up EPS estimate for the index declined during the first two months of the quarter, the value of the S&P 500 increased during this same period. From September 30 through November 30, the value of the index increased by 5.5% (to 3140.98 from 2976.74). The fourth quarter marked the 13th time in the past 20 quarters in which the bottom-up EPS estimate decreased during the first two months of the quarter while the value of the index increased during this time.

Change in S&P 500 Quarterly EPS: First 2 Months of Qtr. (Source: FactSet)

S&P 500: Change in Q419 EPS vs. Change in Price
(Source: FactSet)

Legend: Q419 EPS — — Price

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Q4 Earnings Season: By The Numbers

Overview

In terms of estimate revisions for companies in the S&P 500, analysts have made larger cuts than average to earnings estimates for Q4 2019 to date. On a per-share basis, estimated earnings for the fourth quarter have decreased by 4.3% since September 30. This percentage decline is larger than the 5-year average (-2.6%), 10-year average (-2.1%), and 15-year average (-3.2%) for the first two months of a quarter.

However, a smaller percentage of S&P 500 companies have lowered the bar for earnings for Q4 2019 relative to recent averages. Of the 104 companies that have issued EPS guidance for the fourth quarter, 71 have issued negative EPS guidance and 33 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 68% (71 out of 104), 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 -1.5% today compared to the estimated (year-over-year) earnings growth rate of 2.4% on September 30. If -1.5% 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 2.6% today compared to the estimated (year-over-year) revenue growth rate of 3.6% on September 30. If 2.6% 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 17.6, which is above the 5-year average and above the 10-year average.

During the upcoming week, one S&P 500 company is scheduled to report results for the third quarter and four S&P 500 companies are scheduled to report results for the fourth quarter.

Earnings Revisions: Largest Estimate Cuts in Consumer Discretionary Sector

Slight Increase in Estimated Earnings Decline for Q4 This Week

The estimated earnings decline for the fourth quarter is -1.5% this week, which is slightly larger than the estimated earnings decline of -1.4% last week.

Overall, the estimated earnings decline for Q4 2019 of -1.5% today is below the estimated earnings growth rate of 2.4% 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, Industrials, and Materials 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 -13.9% from 2.6%). This sector has also witnessed a slight decrease in price (-0.2%) since September 30. Overall, 47 of the 63 companies (75%) in the Consumer Discretionary sector have seen a decrease in their mean EPS estimate during this time. Of these 47 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 and Chevron Lead 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%). This sector has also witnessed a decrease in price (-1.8%) 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 -$0.32 from -$0.15). However, Exxon Mobil (to $0.77 from $0.96), Chevron (to $1.57 from $1.81), Occidental Petroleum (to $0.05 from $0.47) and ConocoPhillips (to $0.78 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 -7.3% from 1.5%). Despite the decline in expected earnings growth, this sector has witnessed a 1.9% 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 $0.07 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 -5.2% from 3.1%). Despite the decline in expected earnings growth, this sector has witnessed a 2.7% increase in price since September 30. Overall, 51 of the 69 companies (74%) in the Industrials sector have seen a decrease in their mean EPS estimate during this time. Of these 51 companies, 13 have recorded a decrease in their mean EPS estimate of more than 10%, led by Boeing (to $1.98 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: Above-Average Decrease

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 4.3% (to $40.78 from $42.64) since September 30. This percentage decline is larger than the 5-year average (-2.1%), 10-year average (-2.1%), and 15-year average (-3.2%) for the first two months of 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, 104 companies in the index have issued EPS guidance for Q4 2019. Of these 104 companies, 71 have issued negative EPS guidance and 33 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 68% (71 out of 104), which is below the 5-year average of 70%.

Earnings Decline: -1.5%

The estimated (year-over-year) earnings decline for Q4 2019 is -1.5%. If -1.5% 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 20.1%. 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 (133%), 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 6.7%. At the industry level, three of the five industries in this sector are predicted to report growth in earnings: Insurance (45%), Capital Markets (9%), and Diversified Financial Services (7%). On the other hand, the Consumer Finance (-4%) and Banks (-3%) 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 (-77%), Oil & Gas Refining & Marketing (-48%), Integrated Oil & Gas (-38%), and Oil & Gas Exploration & Production (-22%). 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: Automobile & Internet Industries 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 -13.9%. 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%), Auto Components (-23%), and Internet & Direct Marketing Retail (-23%) industries.

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 -13.9%.

Revenue Growth: 2.6%

The estimated (year-over-year) revenue growth rate for Q4 2019 is 2.6%. If 2.6% 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 ($35.17 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 9.0%. At the industry level, all four 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 -15.5%. At the industry level, three of the four industries in this sector are predicted to report a decline in revenue for the quarter: Chemicals (-21%), 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 ($5.3 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 -1.9% from -15.5%.

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 -8.5%. At the sub-industry level, all six sub-industries in the sector are predicted to report a decline in revenues. Three of these six sub-industries are expected to report a double-digit decline: Oil & Gas Drilling (-18%), Oil & Gas Exploration & Production (-18%), and Integrated Oil & Gas (-10%).

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 -1.5% and growth in revenues of 2.6%. For CY 2019, S&P 500 companies are predicted to nearly flat earnings (+0.2%). However, analysts see earnings growth of 5% to 7% in Q1 2020 and Q2 2020.

For CY 2019, analysts are projecting earnings growth of 0.2% and revenue growth of 3.8%.

For Q1 2020, analysts are projecting earnings growth of 5.2% and revenue growth of 4.4%.

For Q2 2020, analysts are projecting earnings growth of 6.7% and revenue growth of 4.9%.

For CY 2020, analysts are projecting earnings growth of 9.8% and revenue growth of 5.5%.

Valuation: Forward P/E Ratio is 17.6, Above the 10-Year Average (14.9)

The forward 12-month P/E ratio is 17.6. 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 4.7%, while the forward 12-month EPS estimate has remained nearly unchanged (0.0%).

At the sector level, the Consumer Discretionary (21.4) and Information Technology (20.7) sectors have the highest forward 12-month P/E ratios, while the Financials (13.0) sector has the lowest forward 12-month P/E ratio.

Targets & Ratings: Analysts Project 9% Increase in Price Over Next 12 Months

The bottom-up target price for the S&P 500 is 3399.20, which is 9.0% above the closing price of 3117.43. At the sector level, the Energy (+19.3%) 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 (+3.5%) 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 10,356 ratings on stocks in the S&P 500. Of these 10,356 ratings, 50.5% are Buy ratings, 42.6% are Hold ratings, and 6.9% 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: 5

During the upcoming week, one S&P 500 company is scheduled to report results for the third quarter and four S&P 500 companies are schedule to report results for the fourth quarter.

Q3 2019: Scorecard

S&P 500 Earnings Above, In-Line, Below Estimates: Q3 2019
(Source: FactSet)

	Consumer Staples	Health Care	Info. Technology	Financials	S&P 500	Industrials	Consumer Disc.	Comm. Services	Utilities	Real Estate	Energy	Materials
Below	9%	5%	10%	19%	19%	19%	21%	26%	25%	22%	36%	39%
In-Line	3%	8%	4%	3%	6%	6%	5%	0%	4%	16%	11%	7%
Above	88%	87%	85%	78%	76%	75%	75%	74%	71%	63%	54%	54%

S&P 500 Revenues Above, In-Line, Below Estimates: Q3 2019
(Source: FactSet)

	Health Care	Financials	Info. Technology	Real Estate	Comm. Services	Consumer Disc.	S&P 500	Energy	Consumer Staples	Industrials	Materials	Utilities
Below	16%	20%	27%	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%	73%	69%	67%	60%	60%	43%	42%	41%	29%	18%

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Q3 2019: Scorecard

S&P 500 Sector-Level Earnings Surprise %: Q3 2019
(Source: FactSet)

Sector	Surprise %
Info. Technology	6.9%
Health Care	6.6%
Consumer Staples	5.5%
Utilities	5.1%
Consumer Disc.	5.0%
S&P 500	3.9%
Materials	3.2%
Industrials	2.9%
Real Estate	1.7%
Financials	0.7%
Comm. Services	0.4%
Energy	0.2%

■ Surprise %

S&P 500 Sector-Level Revenue Surprise %: Q3 2019
(Source: FactSet)

Sector	Surprise %
Financials	2.8%
Health Care	2.3%
Real Estate	2.1%
Energy	1.6%
Info. Technology	1.2%
Consumer Disc.	1.0%
S&P 500	0.7%
Comm. Services	0.1%
Consumer Staples	0.0%
Materials	-1.5%
Industrials	-1.8%
Utilities	-5.9%

■ Surprise %

Q3 2019: Scorecard

S&P 500 EPS Surprise % vs. Price %: Q3 2019
(Source: FactSet)

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

Q3 2019: Scorecard

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

Company	Surprise %
Macy's Inc	1162.9%
Marathon Oil Corporation	107.0%
Gartner, Inc.	62.0%
Devon Energy Corporation	60.0%
Intuit Inc.	58.1%
Everest Re Group, Ltd.	53.1%
Helmerich & Payne, Inc.	51.3%
Netflix, Inc.	42.4%
WellCare Health Plans, Inc.	42.3%
National Oilwell Varco, Inc.	40.2%

(x-axis: 0.0% 250.0% 500.0% 750.0% 1000.0% 1250.0%)

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

Company	Surprise %
American International Group, Inc.	-43.8%
NortonLifeLock Inc.	-57.3%
Mosaic Company	-63.9%
ABIOMED, Inc.	-69.5%
Occidental Petroleum Corporation	-70.4%
Loews Corporation	-70.4%
TechnipFMC Plc	-76.4%
Wynn Resorts, Limited	-80.1%
NiSource Inc	-100.0%
Lincoln National Corporation	-110.4%

(x-axis: -1250.0% -1000.0% -750.0% -500.0% -250.0% 0.0%)

Q3 2019: Growth

S&P 500 Earnings Growth: Q3 2019
(Source: FactSet)

	Utilities	Health Care	Real Estate	Consumer Staples	Industrials	Comm. Services	Consumer Disc.	S&P 500	Financials	Info. Technology	Materials	Energy
Today	10.1%	8.8%	6.3%	2.3%	1.8%	0.1%	-1.0%	-2.1%	-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%

S&P 500 Revenue Growth: Q3 2019
(Source: FactSet)

	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

S&P 500 Earnings Growth: Q3 2019
(Source: FactSet)

S&P 500 Revenue Growth: Q3 2019
(Source: FactSet)

Q3 2019: Net Profit Margin

S&P 500 Net Profit Margins: Q319 vs. Q318
(Source: FactSet)

	Real Estate	Information Tech.	Utilities	Financials	Comm. Services	S&P 500	Industrials	Health Care	Materials	Consumer Disc.	Consumer Staples	Energy
Q319	34.6%	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%

S&P 500: % of Cos. With Increase or Decrease in Net Profit Margin: Q319 vs. Q318
(Source: FactSet)

	Utilities	Industrials	Health Care	S&P 500	Materials	Consumer Staples	Comm. Services	Information Tech.	Real Estate	Financials	Consumer Disc.	Energy
Down %	14%	42%	44%	51%	43%	55%	56%	56%	56%	57%	63%	64%
None %	0%	0%	0%	1%	11%	0%	0%	0%	0%	0%	0%	0%
Up %	86%	58%	56%	49%	46%	45%	44%	44%	44%	43%	37%	36%

Q4 2019: EPS Guidance

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

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

	Industrials	Comm. Services	Consumer Staples	Consumer Disc.	Health Care	Materials	S&P 500	Info. Technology	Real Estate	Utilities	Energy	Financials
Positive	0%	0%	0%	18%	22%	25%	32%	50%	57%	100%	0%	0%
Negative	100%	100%	100%	82%	78%	75%	68%	50%	43%	0%	0%	0%

Q4 2019: EPS Revisions

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

Company	Value
Apartment Investment and Management Company Class A	56.7%
Applied Materials, Inc.	23.8%
D.R. Horton, Inc.	10.0%
Alexandria Real Estate Equities, Inc.	8.7%
L Brands, Inc.	8.6%
Rockwell Automation, Inc.	5.6%
H&R Block, Inc.	4.6%
Marathon Oil Corporation	4.3%
Pinnacle West Capital Corporation	3.8%
Phillips 66	3.8%

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

Company	Value
Synopsys, Inc.	-23.5%
General Motors Company	-28.2%
UDR, Inc.	-29.5%
Apache Corporation	-32.6%
DXC Technology Co.	-39.1%
NortonLifeLock Inc.	-46.8%
Mosaic Company	-47.6%
Freeport-McMoRan, Inc.	-50.2%
Helmerich & Payne, Inc.	-59.2%
Occidental Petroleum Corporation	-73.1%

Q4 2019: Growth

S&P 500 Earnings Growth: Q4 2019
(Source: FactSet)

	Utilities	Financials	Health Care	Comm. Services	Real Estate	Consumer Staples	S&P 500	Info. Technology	Industrials	Materials	Consumer Disc.	Energy
Today	20.1%	6.7%	5.2%	4.2%	0.3%	-0.4%	-1.5%	-1.9%	-5.7%	-7.3%	-13.9%	-32.0%
30-Sep	25.4%	8.4%	5.8%	6.1%	2.5%	1.6%	2.4%	-1.7%	3.0%	1.5%	2.6%	-21.8%

S&P 500 Revenue Growth: Q4 2019
(Source: FactSet)

	Health Care	Utilities	Comm. Services	Consumer Staples	Info. Technology	Real Estate	S&P 500	Consumer Disc.	Financials	Industrials	Energy	Materials
Today	10.6%	9.6%	9.0%	4.0%	3.8%	2.8%	2.6%	2.3%	0.9%	-2.2%	-8.5%	-15.5%
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

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

	Utilities	Health Care	Comm. Services	Financials	Real Estate	S&P 500	Consumer Staples	Info. Technology	Consumer Disc.	Industrials	Materials	Energy
Today	8.4%	8.3%	4.7%	3.4%	3.1%	0.2%	0.1%	0.0%	-1.7%	-2.8%	-15.6%	-27.3%
30-Sep	8.1%	6.8%	6.3%	3.9%	3.1%	0.9%	-0.2%	-0.7%	2.7%	-1.1%	-14.3%	-22.3%

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

	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%	5.6%	4.3%	4.2%	3.8%	3.1%	2.8%	2.3%	-0.4%	-5.8%	-17.5%
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%

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CY 2020: Growth

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

	Energy	Industrials	Materials	Consumer Disc.	Comm. Services	S&P 500	Info. Technology	Health Care	Consumer Staples	Real Estate	Utilities	Financials
Today	21.1%	16.3%	13.6%	12.7%	12.3%	9.8%	9.5%	8.9%	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%

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

	Comm. Services	Health Care	Info. Technology	Industrials	Energy	Consumer Disc.	S&P 500	Real Estate	Consumer Staples	Materials	Utilities	Financials
Today	9.1%	6.4%	6.3%	6.3%	6.2%	6.1%	5.5%	5.0%	3.4%	3.4%	2.9%	1.8%
30-Sep	9.1%	6.3%	6.5%	6.1%	8.5%	5.7%	5.7%	5.0%	3.5%	4.4%	3.2%	2.6%

Geographic Revenue Exposure

Earnings Insight

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

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

	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%

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Bottom-up EPS Estimates: Revisions

S&P 500 CY 2019 & CY 2020 Bottom-Up EPS: 1-Year
(Source: FactSet)

Legend: CY 2020 Bottom-Up EPS — CY 2019 Bottom-Up EPS

Labels: 178.63, 162.87

S&P 500 Q419 Bottom-Up EPS: 1-Year
(Source: FactSet)

Legend: Price — Q419 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)

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)

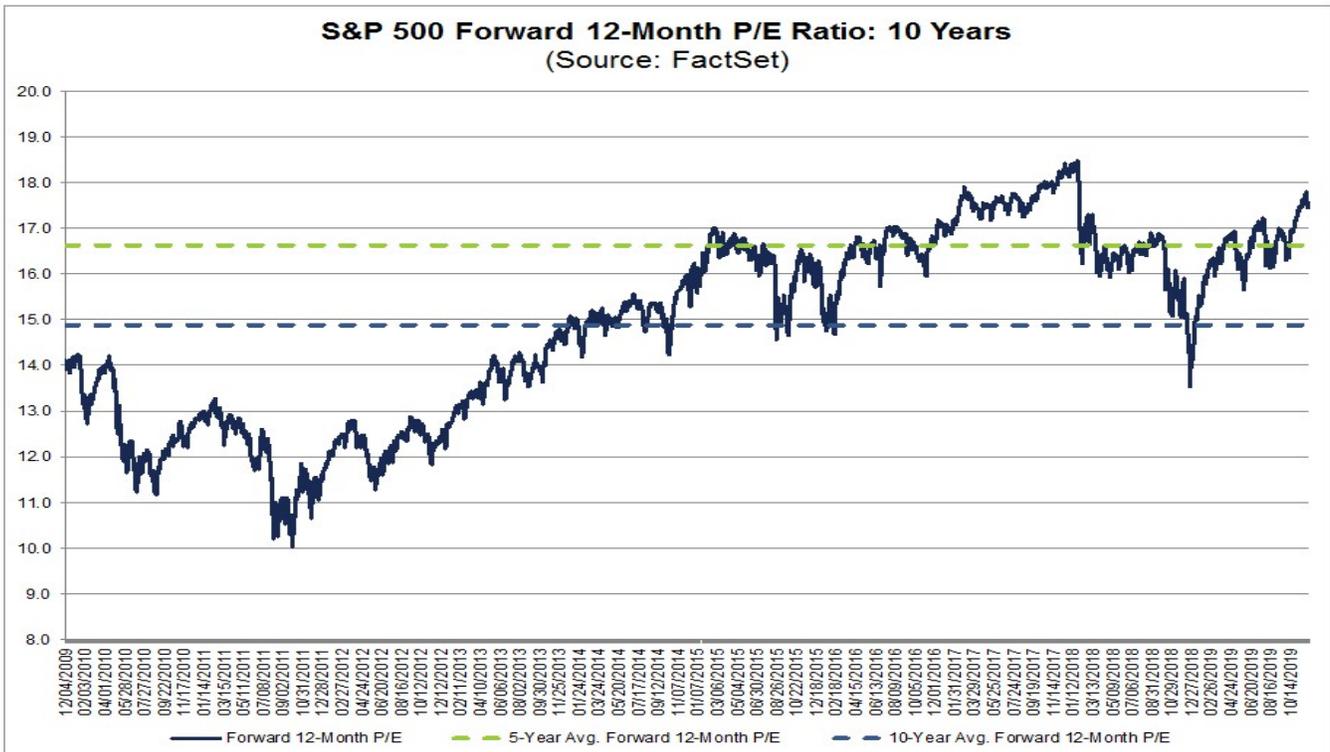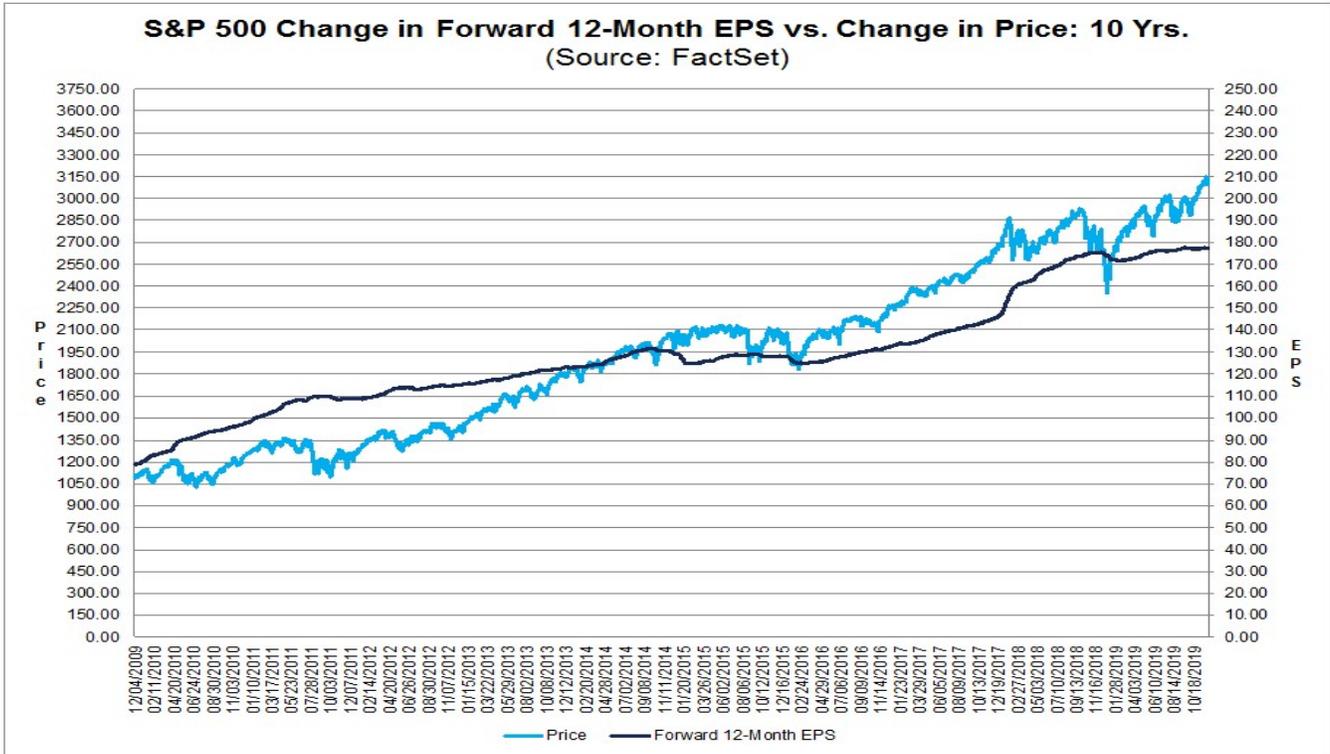|	Consumer Disc.	Info. Technology	Consumer Staples	Real Estate	Utilities	Comm. Services	Materials	S&P 500	Energy	Industrials	Health Care	Financials
Fwd P/E	21.4	20.7	20.0	19.6	19.4	18.5	17.7	17.6	16.8	16.4	15.7	13.0
5-Yr Avg.	19.3	17.3	19.2		17.2	13.8	16.1	16.6	29.1	16.4	15.8	12.9
10-Yr Avg.	17.3	15.1	17.2		15.5	14.7	14.6	14.9	20.4	15.2	14.4	12.3

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

Forward 12M P/E Ratio: 10-Years

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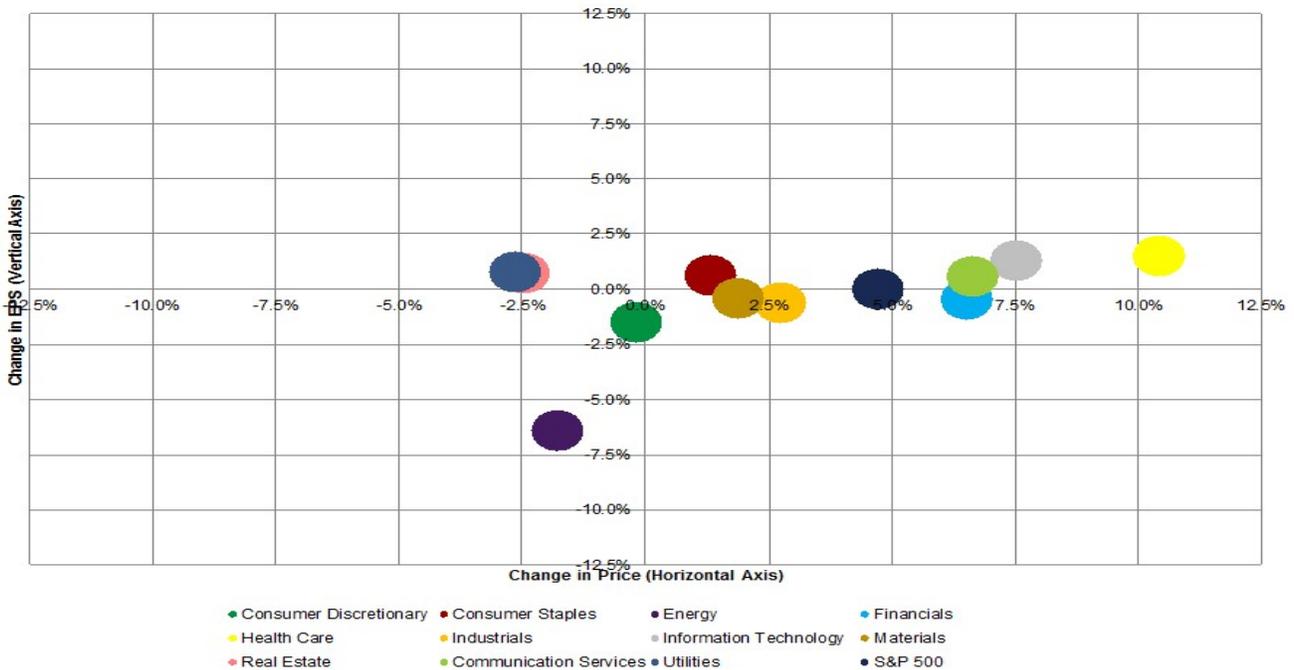
Trailing 12M P/E Ratio: 10-Years

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)

	Energy	Comm. Services	Health Care	Info. Tech.	Materials	S&P 500	Consumer Disc.	Industrials	Real Estate	Financials	Utilities	Consumer Staples
Buy	67%	60%	59%	52%	51%	51%	49%	46%	44%	43%	42%	39%
Hold	30%	33%	36%	41%	42%	43%	45%	46%	51%	49%	48%	49%
Sell	3%	7%	5%	7%	7%	7%	6%	8%	6%	8%	11%	12%

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

	Energy	Consumer Disc.	Comm. Services	Materials	S&P 500	Info. Tech.	Industrials	Real Estate	Health Care	Consumer Staples	Utilities	Financials
Target/Close	19.3%	15.3%	12.7%	10.3%	9.0%	8.8%	8.3%	7.7%	7.5%	5.9%	5.6%	3.5%

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