



1Q EPS tracker: Good EPS beats, lots of sales misses; sales down y/y, but margin expansion helped EPS up y/y

487 companies or 98% of S&P EPS reported. 60% beat on EPS with a wtd avg beat of 6.2% (6.7% ex Fin), but only 32% beat on sales with a wtd avg miss of -1.0% (-1.4% ex Fin). The wtd avg EPS beat of 6.2% is better than normal, but the 8.2% cut to 1Q EPS before reporting is also the biggest since recession. Btm-up 1Q EPS is now \$28.78, 2.6% y/y. The 1Q EPS growth is on -3.5% sales decline helped by 4.5% y/y margin expansion and 1.5% from share buybacks.

Consensus 2Q btm-up EPS is trimmed to \$28.84 despite better than expected 1Q results. Even with normal 3% beat, 2Q EPS will be down slightly to flat from a year ago. Consensus 2015 btm-up EPS rose somewhat last week to \$119.92, vs. \$132 seen last September. It is still \$1.92 higher than our \$118 estimate. Our quarterly EPS estimates for 2015 are: \$28, \$29, \$30, \$31. Our 2015E S&P 500 EPS of \$118 (flat y/y) assumes average 1.05 EUR/USD, 100 DXY, and ~\$50/bbl WTI in 2015. Spot DXY dollar index is at ~95, if the dollar stays where it is now and oil \$60-70/bbl, 2015 S&P EPS should be ~\$121 vs. our current estimate of \$118.

1Q blended EPS y/y growth is 2.3% for S&P, 10.0% ex Energy, and 8.2% ex Energy and Financials. 1Q EPS y/y growth is strongest at Health Care (18.0%), followed by Financials (16.7%), Tech (9.8%), Cons Disc (7.3%), and Industrials (5.6%). All other sectors have low single digit EPS growth or EPS decline.

1Q blended sales y/y growth is -3.5% for S&P, 2.0% ex Energy, and 1.9% ex Energy and Financials. Our two OW secular growth sectors Health Care and Tech have the strongest sales y/y growth again, 10.5% at HC and 5.2% at Tech. All other sectors have low single digit sales growth or sales decline.

1Q blended net margin is 10.6%, 11.1% ex Energy, and 10.1% ex Energy and Financials. The y/y margin growth is 4.5%, 6.2%, and 4.7% respectively. Energy net margin fell less than feared. Most of other sectors had margin expansion from a year ago, led by Financials and Health Care.

Figure 25: Summary statistics on 1Q 2015 EPS reporting

	1Q15 Summary (Based on reported companies)										
	% of EPS reported	# Cos reported	EPS (% of co's)		EPS		Sales (% of co's)		Sales		
			% beat	% miss	surprise (%)	y/y (%)	% beat	% miss	surprise (%)	y/y (%)	
S&P 500	98.3%	487	60%	27%	6.2%	2.3%	32%	51%	-1.0%	-3.8%	
S&P 500 ex. Financials	97.8%	402	61%	27%	6.5%	-1.1%	33%	53%	-1.4%	-4.8%	
S&P 500 ex. Energy	98.2%	446	60%	26%	5.2%	10.2%	32%	51%	-0.8%	1.8%	
S&P ex. Tech	98.0%	422	59%	27%	6.5%	0.6%	32%	52%	-1.1%	-4.8%	
Consumer Discretionary	94.2%	79	58%	27%	1.6%	8.5%	35%	51%	-2.0%	-0.1%	
Consumer Staples	96.0%	35	66%	20%	5.4%	3.5%	31%	60%	-2.0%	1.6%	
Energy	100.0%	41	56%	37%	27.6%	-53.5%	32%	56%	-2.2%	-35.0%	
Financials	100.0%	85	54%	26%	5.2%	16.7%	29%	40%	2.5%	2.9%	
Health Care	95.8%	54	80%	9%	11.0%	19.1%	44%	35%	1.3%	9.5%	
Industrials	99.4%	63	54%	35%	-1.4%	5.7%	22%	65%	-3.2%	-2.4%	
Information Technology	99.1%	65	63%	25%	5.1%	9.3%	34%	45%	0.1%	4.9%	
Materials	100.0%	29	41%	41%	5.6%	2.3%	17%	69%	-5.1%	-9.4%	
Telecommunication Services	100.0%	6	67%	17%	6.7%	-6.7%	0%	100%	-1.0%	2.0%	
Utilities	100.0%	30	63%	30%	9.8%	2.3%	47%	53%	-0.2%	-4.2%	

Source: IBES, Deutsche Bank