

STRATEGY

Earnings Scorecard: Half-Time Report

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60% of companies still to report...

With 192 companies having reported results thus far and 152 having given guidance / an outlook, we can start to get a picture of how this earnings season is shaping up. We usually capture about 500 sets of results, so we'd estimate we are 40% of the way through this earnings season as it pertains to our coverage universe.

...but certainly enough to produce a first take

Whilst the ratio has fallen on a year-on-year basis, there remain more companies beating estimates than missing them. But what is somewhat more concerning is the fact that for every company reporting a stronger outlook, one and a half are more circumspect and flagging a weaker outlook. We believe that FX headwinds are only partly to blame.

Banks neutral overall, reflective of the wider market

With a few exceptions, cyclicals have had a mixed reporting season so far. Banks, a fair proxy for the overall market, are a good example, with the sector having had just as many misses as beats; our banks team note that costs have been one area of disappointment. Oil & Gas also has had more than its fair share of misses.

More within...

As well as a Sector Scorecard, we also present Country and Size Scorecards.

Conclusion

Aerospace & Defence, Autos, Support Services, Media and Utilities have the majority of companies still to report...so it's still early days, but the start to the earnings season hasn't been stellar. Weighed down by unfavourable FX and rising input costs, a significant proportion of companies have had to lower guidance. Sectorally, Software and Chemicals have yet to trip up. Regionally, France has had an encouraging start. Size-wise, we note the slight outperformance of mid-caps.

Up to date as of 12th February (excluding evening releases that day).

* Date and time (London Time) on which the investment recommendation was finalised. It may differ from the date and time of broad dissemination on the website. See Appendix (on p11) for Analyst Certification, Important Disclosures and Non-US Research Analyst disclosures.

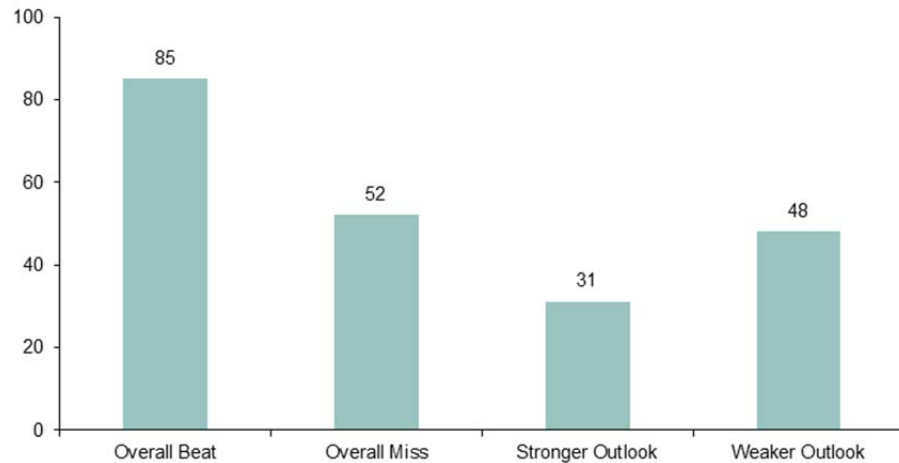
Earnings Scorecard

Key Overall Trends – Results & Outlook

Figure 1: More companies making downward than upward changes to their outlooks

Number of companies that have delivered an overall beat/miss and number of companies communicating stronger/weaker outlooks*

Beats not translating into stronger outlooks this reporting season



Source: Exane BNP Paribas estimates; * we estimate only c.40% of companies have reported for Q417

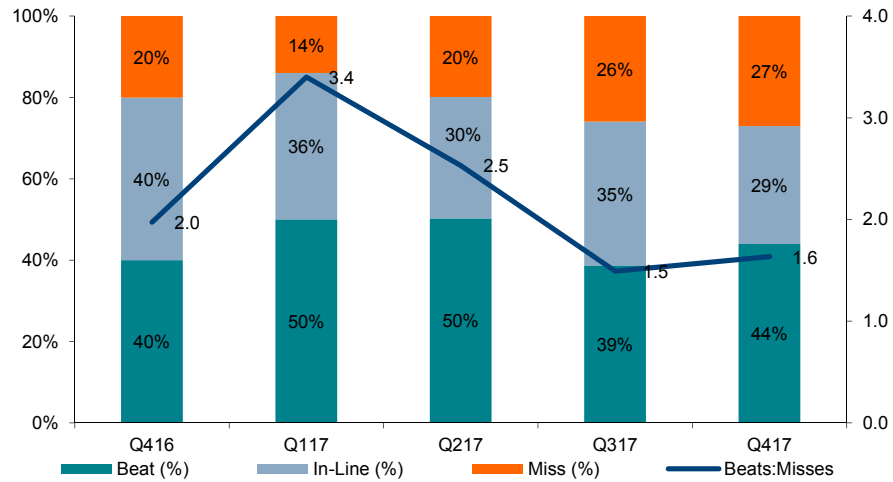
- 192 stocks in our coverage have reported (>30% of our coverage universe).
- Of those that have reported, 85 have delivered an overall beat, while 52 have missed; 55 were in line.
- 156 stocks in our coverage have given guidance / stated their outlook alongside results (>25% of our coverage universe).
- Of those that have reported, 31 have delivered a stronger outlook, while 48 have delivered a weaker outlook; 77 were unchanged.

Key Quarterly Comps – Results & Outlook

Figure 2: Q117 now appearing as a positive outlier

Mix of beats/misses: QoQ trend*

Q4/FY earnings not bumper but not terrible either



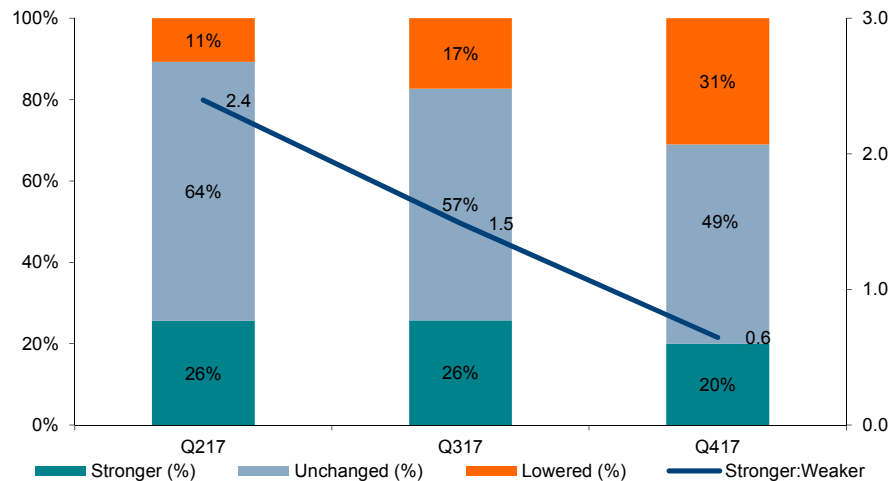
Source: Exane BNP Paribas estimates; * we estimate only c.40% of companies have reported for Q417

- Whilst more companies continue to beat expectations than miss, the Results Surprise Ratio remains lower than that of Q416 and Q1/Q217.

Figure 3: Sequential deterioration in outlook trends

Mix of stronger/weaker company outlooks: QoQ trend*

QoQ development of outlook trends likely points to expectations having run too far ahead of reality and FX headwinds



Source: Exane BNP Paribas estimates; * we estimate only c.40% of companies have reported for Q417

- The Outlook Surprise Ratio has declined sequentially over the past three quarterly reporting seasons.
- More companies are now talking down expectations as opposed to raising them.

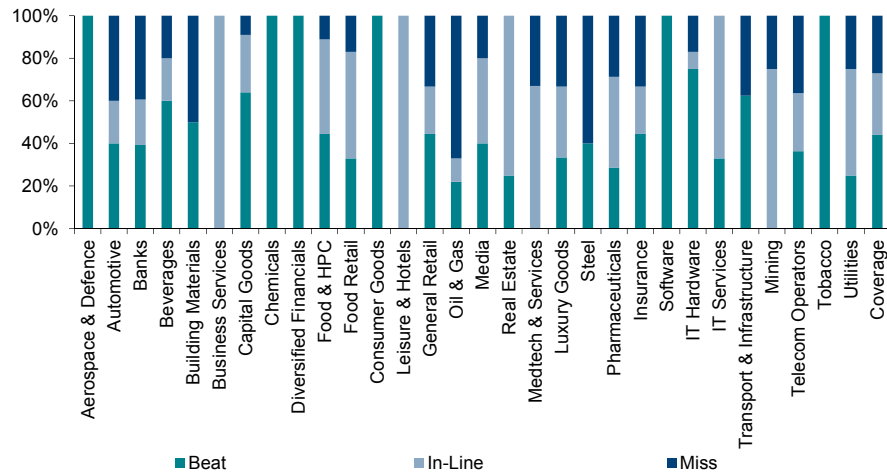
Key Sector Trends – Results & Outlook

Cyclicals have had a mixed reporting season so far...

Banks the best example – both the biggest sector in our coverage and the one with the highest % of names having reported so far (65%)

Figure 4: Oil & Gas disappoints, Chemicals and Software shines

% of companies that have delivered an overall beat/miss on a sector-by-sector basis*



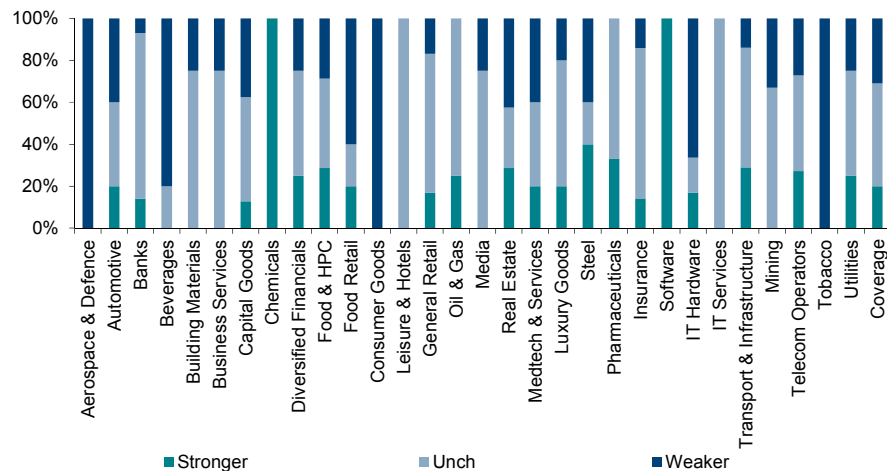
Source: Exane BNP Paribas estimates; * we estimate only c.40% of companies have reported for Q417

– Sectors with a high % (>50%) of beats include Beverages, Capital Goods, Consumer Goods, Chemicals, Diversified Financials, Software, IT Hardware, and Transport & Infrastructure. (A&D excluded – only one result so far.)

– Sectors with a high % of misses include Building Materials, Oil & Gas and Steel.

Figure 5: Some consumer-facing sectors experiencing softer outlook trends

% of companies communicating stronger/weaker outlooks on a sector-by-sector basis*



Source: Exane BNP Paribas estimates; * we estimate only c.40% of companies have reported for Q417

– Sectors with a high % of stronger outlooks include Chemicals and Software. (A&D excluded – only one result so far.)

– Sectors with a high % of weaker outlooks include Beverages, Food Retail, Consumer Goods and IT Hardware. (Tobacco excluded – only one result so far.)

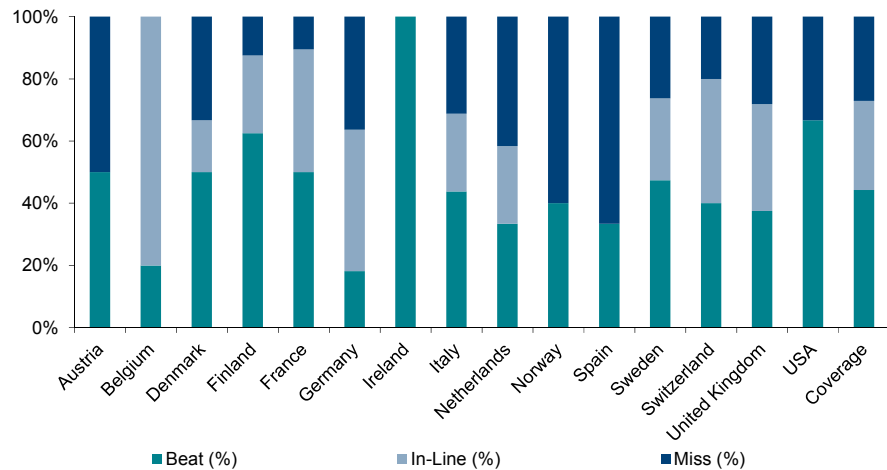
Chemicals and Software stand out – looking back and forward – although the sample size here is currently too small to draw any firm conclusions

Key Country Trends – Results & Outlook

Within the core Eurozone, France has had the highest % of beats

Figure 6: France looks good (50% of names have beat, 11% have missed)

% of companies that have delivered an overall beat/miss on a country-by-country basis*



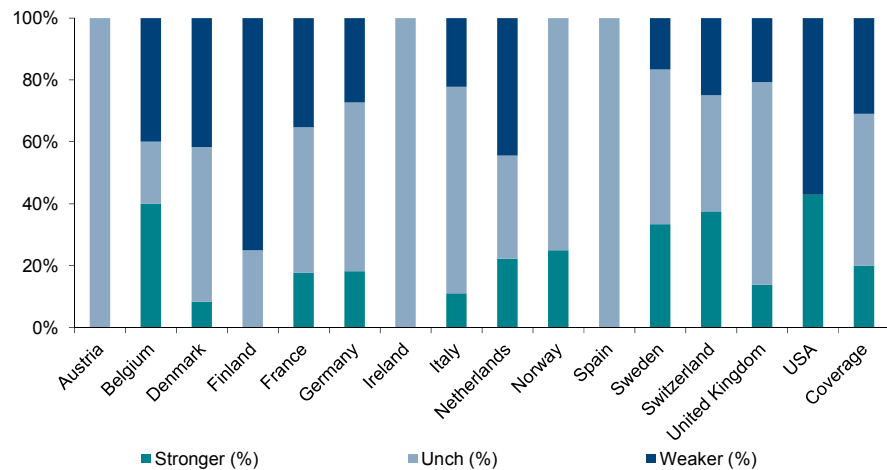
Source: Exane BNP Paribas estimates; * we estimate only c.40% of companies have reported for Q417

- Countries with a high % of beats include Austria, Denmark, Finland, France, Ireland, and the US.
- Countries with a high % of misses include Austria, Norway, and Spain.

Benelux and Nordic countries (and the US) seeing soft outlook trends

Figure 7: Lack of stronger outlooks at the country level

% of companies communicating stronger/weaker outlooks on a country-by-country basis*



Source: Exane BNP Paribas estimates; * we estimate only c.40% of companies have reported for Q417

- No country is seeing its companies raise guidance more than 50% of the time.
- Countries with a high % of weaker outlooks include Finland and the US.

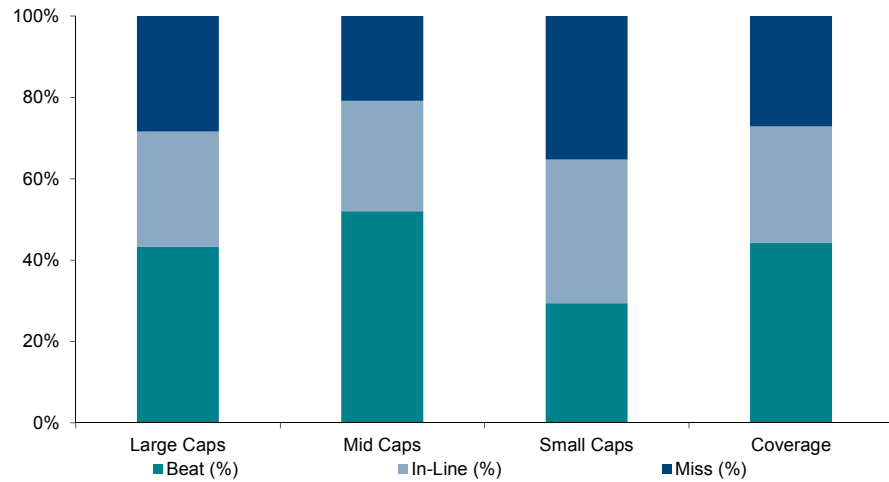
Key Size Trends – Results & Outlook

Mid-caps have had the strongest Q4 to date

We note that the UK contributed 1/3 of the beats

Figure 8: Mid-caps are seeing a high % of beats

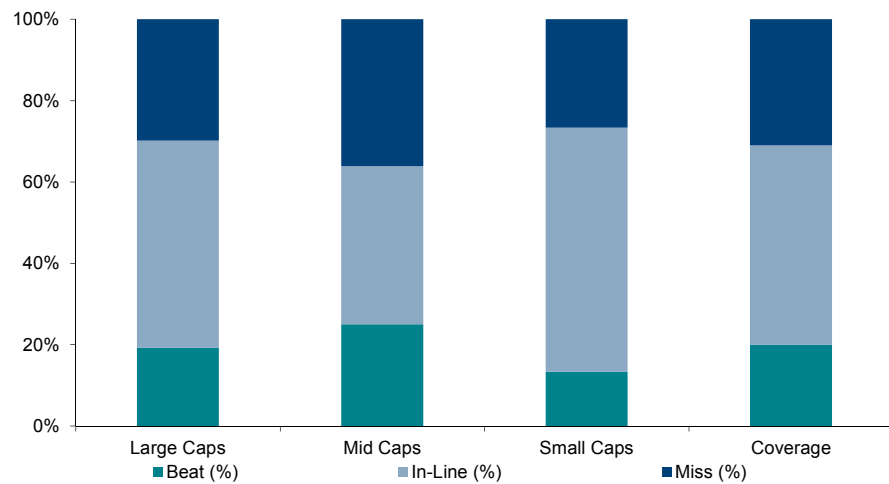
% of companies that have delivered an overall beat/miss on a market-cap basis*



Source: Exane BNP Paribas estimates; * we estimate only c.40% of companies have reported for Q417

Figure 9: Little to differentiate

% of companies communicating stronger/weaker outlooks on a market-cap basis*



Source: Exane BNP Paribas estimates; * we estimate only c.40% of companies have reported for Q417

Appendix

Sector Scorecard

Figure 10: Aggregate Sector Statistics - Results

Sector	Number of companies	Number reported thus far	% reported	Surprise Ratio (Beat / Miss)	Mix (Beat % / In-Line % / Miss %)
Aerospace & Defence	9	1	11%	1 / 0	100 / 0 / 0
Automotive	23	5	22%	2 / 2	40 / 20 / 40
Banks	43	28	65%	11 / 11	39 / 21 / 39
Beverages	11	5	45%	3 / 1	60 / 20 / 20
Building Materials	16	4	25%	2 / 2	50 / 0 / 50
Business Services	26	3	12%	0 / 0	0 / 100 / 0
Capital Goods	39	11	28%	7 / 1	64 / 27 / 9
Chemicals	7	2	29%	2 / 0	100 / 0 / 0
Diversified Financials	17	5	29%	5 / 0	100 / 0 / 0
Food & HPC	27	9	33%	4 / 1	44 / 44 / 11
Food Retail	14	6	43%	2 / 1	33 / 50 / 17
Consumer Goods	9	3	33%	3 / 0	100 / 0 / 0
Leisure & Hotels	5	1	20%	0 / 0	0 / 100 / 0
General Retail	20	9	45%	4 / 3	44 / 22 / 33
Oil & Gas	21	9	43%	2 / 6	22 / 11 / 67
Media	34	5	15%	2 / 1	40 / 40 / 20
Real Estate	32	8	25%	2 / 0	25 / 75 / 0
Medtech & Services	20	6	30%	0 / 2	0 / 67 / 33
Luxury Goods	15	6	40%	2 / 2	33 / 33 / 33
Steel	12	5	42%	2 / 3	40 / 0 / 60
Pharmaceuticals	14	7	50%	2 / 2	29 / 43 / 29
Insurance	34	9	26%	4 / 3	44 / 22 / 33
Software	4	2	50%	2 / 0	100 / 0 / 0
IT Hardware	21	12	57%	9 / 2	75 / 8 / 17
IT Services	12	3	25%	1 / 0	33 / 67 / 0
Transport & Infrastructure	34	8	24%	5 / 3	63 / 0 / 38
Mining	20	4	20%	0 / 1	0 / 75 / 25
Telecom Operators	22	11	50%	4 / 4	36 / 27 / 36
Tobacco	4	1	25%	1 / 0	100 / 0 / 0
Utilities	36	4	11%	1 / 1	25 / 50 / 25
Coverage	602	192	32%	85 / 52	44 / 29 / 27

Source: Exane BNP Paribas estimates

Figure 11: Aggregate Sector Statistics - Outlook

Sector	Number of companies	Number reported thus far	% reported	Surprise Ratio (Stronger / Weaker)	Mix (Stronger % / In-Line % / Weaker %)
Aerospace & Defence	9	1	11%	0 / 1	0 / 0 / 100
Automotive	23	5	22%	1 / 2	20 / 40 / 40
Banks	43	14	33%	2 / 1	14 / 79 / 7
Beverages	11	5	45%	0 / 4	0 / 20 / 80
Building Materials	16	4	25%	0 / 1	0 / 75 / 25
Business Services	26	4	15%	0 / 1	0 / 75 / 25
Capital Goods	39	8	21%	1 / 3	13 / 50 / 38
Chemicals	7	2	29%	2 / 0	100 / 0 / 0
Diversified Financials	17	4	24%	1 / 1	25 / 50 / 25
Food & HPC	27	7	26%	2 / 2	29 / 43 / 29
Food Retail	14	5	36%	1 / 3	20 / 20 / 60
Consumer Goods	9	3	33%	0 / 3	0 / 0 / 100
Leisure & Hotels	5	1	20%	0 / 0	0 / 100 / 0
General Retail	20	6	30%	1 / 1	17 / 67 / 17
Oil & Gas	21	4	19%	1 / 0	25 / 75 / 0
Media	34	4	12%	0 / 1	0 / 75 / 25
Real Estate	32	7	22%	2 / 3	29 / 29 / 43
Medtech & Services	20	5	25%	1 / 2	20 / 40 / 40
Luxury Goods	15	5	33%	1 / 1	20 / 60 / 20
Steel	12	5	42%	2 / 2	40 / 20 / 40
Pharmaceuticals	14	7	50%	2 / 0	33 / 67 / 0
Insurance	34	7	21%	1 / 1	14 / 71 / 14
Software	4	2	50%	2 / 0	100 / 0 / 0
IT Hardware	21	12	57%	2 / 8	17 / 17 / 67
IT Services	12	3	25%	0 / 0	0 / 100 / 0
Transport & Infrastructure	34	7	21%	2 / 1	29 / 57 / 14
Mining	20	3	15%	0 / 1	0 / 67 / 33
Telecom Operators	22	11	50%	3 / 3	27 / 45 / 27
Tobacco	4	1	25%	0 / 1	0 / 0 / 100
Utilities	36	4	11%	1 / 1	25 / 50 / 25
Coverage	602	156	26%	31 / 48	20 / 49 / 31

Source: Exane BNP Paribas estimates

Country Scorecard

Figure 12: Aggregate Country Statistics - Results

Country	Number of companies	Number reported thus far	% reported	Surprise Ratio (Beat / Miss)	Mix (Beat % / In-Line % / Miss %)
Austria	5	2	40%	1 / 1	50 / 0 / 50
Belgium	14	5	36%	1 / 0	20 / 80 / 0
Denmark	15	12	80%	6 / 4	50 / 17 / 33
Finland	9	8	89%	5 / 1	63 / 25 / 13
France	132	38	29%	19 / 4	50 / 39 / 11
Germany	56	11	20%	2 / 4	18 / 45 / 36
Ireland	8	1	13%	1 / 0	100 / 0 / 0
Italy	62	16	26%	7 / 5	44 / 25 / 31
Netherlands	22	12	55%	4 / 5	33 / 25 / 42
Norway	8	5	63%	2 / 3	40 / 0 / 60
Spain	48	9	19%	3 / 6	33 / 0 / 67
Sweden	23	19	83%	9 / 5	47 / 26 / 26
Switzerland	25	10	40%	4 / 2	40 / 40 / 20
United Kingdom	141	32	23%	12 / 9	38 / 34 / 28
USA	18	9	50%	6 / 3	67 / 0 / 33
Coverage	602	192	32%	85 / 52	44 / 29 / 27

Source: Exane BNP Paribas estimates

Figure 13: Aggregate Country Statistics - Outlook

Country	Number of companies	Number reported thus far	% reported	Surprise Ratio (Stronger / Weaker)	Mix (Stronger % / In-Line % / Weaker %)
Austria	5	1	20%	0 / 0	0 / 100 / 0
Belgium	14	5	36%	2 / 2	40 / 20 / 40
Denmark	15	12	80%	1 / 5	8 / 50 / 42
Finland	9	8	89%	0 / 6	0 / 25 / 75
France	132	34	26%	6 / 12	18 / 47 / 35
Germany	56	11	20%	2 / 3	18 / 55 / 27
Ireland	8	1	13%	0 / 0	0 / 100 / 0
Italy	62	9	15%	1 / 2	11 / 67 / 22
Netherlands	22	9	41%	2 / 4	22 / 33 / 44
Norway	8	4	50%	1 / 0	25 / 75 / 0
Spain	48	3	6%	0 / 0	0 / 100 / 0
Sweden	23	12	52%	4 / 2	33 / 50 / 17
Switzerland	25	8	32%	3 / 2	38 / 38 / 25
United Kingdom	141	30	21%	4 / 6	14 / 66 / 21
USA	18	7	39%	3 / 4	43 / 0 / 57
Coverage	602	156	26%	31 / 48	20 / 49 / 31

Source: Exane BNP Paribas estimates

Size Scorecard

Figure 14: Aggregate Size Statistics - Results

Size	Number of companies	Number reported thus far	% reported	Surprise Ratio (Beat / Miss)	Mix (Beat % / In-Line % / Miss %)
Large Caps	366	127	35%	55 / 36	43 / 28 / 28
Mid Caps	170	48	28%	25 / 10	52 / 27 / 21
Small Caps	66	17	26%	5 / 6	29 / 35 / 35
Coverage	602	192	32%	85 / 52	44 / 29 / 27

Source: Exane BNP Paribas estimates

Figure 15: Aggregate Size Statistics - Outlook

Size	Number of companies	Number reported thus far	% reported	Surprise Ratio (Stronger / Weaker)	Mix (Stronger % / In-Line % / Weaker %)
Large Caps	366	105	29%	20 / 31	19 / 51 / 30
Mid Caps	170	36	21%	9 / 13	25 / 39 / 36
Small Caps	66	15	23%	2 / 4	13 / 60 / 27
Coverage	602	156	26%	31 / 48	20 / 49 / 31

Source: Exane BNP Paribas estimates

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