S&P 500 Industry Briefing: Systems Software

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thinking outside the box
# Table Of Contents

**S&P 500 Systems Software**

- Stock Price Index 1
- Forward Revenues & Earnings with Annual Squiggles 2
- Annual Growth Squiggles 3
- Margins & NERI 4
- Forward Growth & Valuation 5
Figure 1.

S&P 500 SYSTEMS SOFTWARE STOCK PRICE INDEX*
(FTNT MSFT NLOK NOW ORCL)

200-day moving average.
* Ratio scale.
Source: Standard & Poor’s and Haver Analytics.

Figure 2.

S&P 500 SYSTEMS SOFTWARE INDEX, FORWARD EARNINGS, & VALUATION

Systems Software Index
03/12/20

Blue Angels Implied Price Index*
03/05/20

* Implied price index calculated using forward earnings times forward P/Es.
Source: Standard & Poor’s and I/B/E/S data by Refinitiv.
Figure 3.

S&P 500 SYSTEMS SOFTWARE REVENUES PER SHARE
(analysts' average forecasts, ratio scale)

Consensus Forecasts
- Red: Annual estimates
- Blue: Forward revenues*

* Time-weighted average of consensus estimates for current year and next year. Monthly through December 2005, then weekly.
Source: I/B/E/S data by Refinitiv.

Figure 4.

S&P 500 SYSTEMS SOFTWARE OPERATING EARNINGS PER SHARE
(analysts' average forecasts, ratio scale)

Consensus Forecasts
- Red: Annual estimates
- Blue: Forward earnings*

* Time-weighted average of consensus estimates for current year and next year. Monthly through December 2005, then weekly.
Source: I/B/E/S data by Refinitiv.
Annual Growth Squiggles

**Figure 5.**

S&P 500 SYSTEMS SOFTWARE ANNUAL REVENUE GROWTH FORECASTS*
(based on analysts’ consensus estimates, percent, weekly)

```
2011 (9.5) 2012 (4.2) 2013 (4.4) 2014 (8.3) 2015 (3.4)
2016 (-0.4) 2017 (5.9) 2018 (10.4) 2019 (10.6) 2020 (11.4)
```

Latest data thru 03/05/20

Source: I/B/E/S data by Refinitiv.

**Figure 6.**

S&P 500 SYSTEMS SOFTWARE ANNUAL EARNINGS GROWTH FORECASTS*
(based on analysts’ consensus estimates, percent, weekly)

```
2011 (19.6) 2012 (4.3) 2013 (1.6) 2014 (-0.1) 2015 (-7.0)
2016 (9.0) 2017 (15.8) 2018 (14.8) 2019 (18.6) 2020 (17.6)
```

Latest data thru 03/05/20

Source: I/B/E/S data by Refinitiv.
**Margins & NERI**

**Figure 7.**

S&P 500 SYSTEMS SOFTWARE PROJECTED PROFIT MARGIN
(using analysts’ average earnings and revenues forecasts)

* Time-weighted average of the consensus estimates for current year and next year. Monthly through December 2005, weekly thereafter.
Source: I/B/E/S data by Refinitiv.

**Figure 8.**

S&P 500 SYSTEMS SOFTWARE NET EARNINGS REVISIONS*

* Three-month moving average of the number of forward earnings estimates up less number of estimates down, expressed as a percentage of the total number of forward earnings estimates.
Source: I/B/E/S data by Refinitiv.
Forward Growth & Valuation

**Figure 9.**

S&P 500 SYSTEMS SOFTWARE STRG, STEG, & LTEG

<table>
<thead>
<tr>
<th>Year</th>
<th>STRG* (percent)</th>
<th>STEG* (percent)</th>
<th>LTEG* (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>10.8</td>
<td>12.7</td>
<td>15.2</td>
</tr>
</tbody>
</table>

* STEG is year-ahead forward consensus expected short-term earnings growth. STRG is year-ahead forward consensus expected short-term revenue growth. LTEG is five-year consensus expected long-term earnings growth.

Monthly data through 2005, weekly thereafter.

Source: I/B/E/S data by Refinitiv.

**Figure 10.**

S&P 500 SYSTEMS SOFTWARE VALUATION

<table>
<thead>
<tr>
<th>Year</th>
<th>Forward P/E*</th>
<th>Relative P/E**</th>
<th>PEG Ratio***</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>26.0</td>
<td>1.5</td>
<td>1.7</td>
</tr>
</tbody>
</table>

* Price divided by 12-month forward consensus expected operating earnings per share.

** Sector or industry forward P/E relative to S&P 500 forward P/E.

*** Sector or industry forward P/E relative to sector or industry consensus 5-year LTEG forecast.

Source: I/B/E/S data by Refinitiv.
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