Corporate Finance Briefing: Trend Lines for Profits & Dividends

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thinking outside the box
S&P 500 Index Price Growth Paths

**Figure 1.**
S&P 500 INDEX PRICE WITH 4% TO 7% CAGR GROWTH PATHS
(base period Dec 1920 = 7.11, ratio scale)

Latest (3277.3)

Source: Standard & Poor’s.

**Figure 2.**
S&P 500 STOCK PRICE INDEX WITH 4%- 7% CAGR GROWTH PATHS
(base period Dec 1959 = 59.06, ratio scale)

Source: Standard & Poor’s.
Figure 3.

**S&P 500 ACTUAL & FORWARD EARNINGS & REVENUES**
(ratio scale)

- **Forward Earnings** (178.4)
- **Forward Revenues** Divided by 10 (147.8)
- **S&P 500 Trailing 4-Quarter Operating EPS** (164.6)
- **7% Growth Rate**

* Time-weighted average of consensus estimates for current and next year. Monthly through April 1994, then weekly.
** Compounded monthly to yield 7% annually.

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: I/B/E/S data by Refinitiv.

Figure 4.

**S&P 500 ACTUAL & FORWARD REVENUES**
(ratio scale)

- **Actual Revenues** Divided by 10 (quarterly, annualized, nsa) (148.1)
- **Forward Revenues** Divided by 10 (147.8)
- **4% Growth Rate**

* Time-weighted average of consensus estimates for current and next year. Monthly through April 1994, then weekly.
** Compounded monthly to yield 4% annually.

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: I/B/E/S data by Refinitiv.
**Profits**

**Figure 5.**

**NOMINAL GNP & AFTER-TAX CORPORATE PROFITS**
(1960=100, ratio scale)

- 7% Growth Path*
- Nominal GNP
- After-Tax Corporate Profits
  - Reported to IRS
  - From Current Production**

* Compounded monthly to yield 7% annually.
** Including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.
Source: Bureau of Economic Analysis.

**Figure 6.**

**S&P 500 EARNINGS PER SHARE**
(dollars, ratio scale)

- S&P 500 Earnings Per Share*
  - Reported (4-quarter sum)
  - Operating** (4-quarter sum)
  - Forward***

* Growth paths are compounded monthly to yield 5% and 7% annually.
** Excludes write-offs.
*** S&P 500 12-month forward consensus expected operating earnings per share. Time-weighted average of consensus earnings estimates for current and next year.
Source: Standard & Poor’s and I/B/E/S data by Refinitiv.
NOMINAL GDP & AFTER-TAX CORPORATE PROFITS
(1960=100, ratio scale)

7% Growth Path*

After-Tax Corporate Profits
- Reported to IRS
- From Current Production**

* Compounded monthly to yield 7% annually.
** Including Inventory Valuation Adjustment (IVA) and Capital Consumption Adjustment (CCAdj), which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.

Source: Bureau of Economic Analysis.

S&P 500 FORWARD EARNINGS* & 7% Growth Trend
(ratio scale)

* 52-week forward consensus expected S&P 500 operating earnings per share. Monthly through April 1994, then weekly.
** Compounded monthly to yield 7% annually.

Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: I/B/E/S data by Refinitiv.
S&P 500 REPORTED EARNINGS PER SHARE WITH 5%-7% CAGR* PATHS  
(base period Q4-1934 = 0.18, quarterly, ratio scale)

* Compounded annual growth rate from base value using monthly data. Q4-2008 not shown because of large negative value.
Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Standard & Poor’s.
Dividends

Figure 10.
S&P 500 TRAILING 4-QUARTER DIVIDENDS WITH 5% TO 8% CAGR GROWTH PATHS
(base period Dec 1946 = 0.71, ratio scale)

Source: Standard & Poor’s.

Figure 11.
S&P 500 TRAILING 4-QUARTER DIVIDENDS WITH 5% TO 8% CAGR GROWTH PATHS
(base period Dec 1959 = 1.83, ratio scale)

Source: Standard & Poor’s.
Figure 12.

NOMINAL GNP & AFTER-TAX CORPORATE PROFITS
(Q4-1949=100, ratio scale)

- 7% Growth Path*
- Nominal GNP

After-Tax Corporate Profits
- Reported to IRS
- From Current Production**

* Compounded monthly to yield 7% annually.
** Including Inventory Valuation Adjustment and Capital Consumption Adjustment, which restate the historical cost basis used in profits tax accounting for inventory withdrawals and depreciation to the current cost measures used in GDP.
Source: Bureau of Economic Analysis.

Figure 13.

S&P 500 REPORTED EARNINGS PER SHARE WITH 5%-7% CAGR* PATHS
(base period Q4-1934 = 0.18, quarterly, ratio scale)

* Compounded annual growth rate from base value using monthly data. Q4-2008 not shown because of large negative value.
Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Standard & Poor’s.