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ANALYST QUICK NOTES

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Earnings Momentum Stocks
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Weekly Stock List: Five Earnings Momentum Stocks

- Approximately one-half of S&P 500 constituent companies have reported results for calendar 4Q16. Normally 50% of anything would be enough of a sample size to draw broad conclusions; at the same time, investors should be aware of the cadence of the reporting cycle. The early reporting season is dominated by Financials, which were strong this time; the later reporting season will have plenty of Energy firms, which are still struggling. That said, we believe enough of a trend has been established to conclude that S&P 500 calendar fourth-quarter earnings are on track for mid-single-digit growth on a year-over-year basis.
- Our analysts have been busy meeting with companies about earnings and updating models. Here is a list of five BUY-rated companies followed by Argus analysts that have recently had estimates revised upward:
    - ManpowerGroup (NYSE: MAN). Manpower has posted solid EPS growth for several years, and we believe it is poised for continued strong gains amid improving global economic and labor market conditions. On January 31, the company posted 4Q16 net earnings of $127 million or $1.87 per diluted share, up from $124 million or $1.66 in the prior-year period. EPS topped the consensus and our forecast. We are increasing our 2017 adjusted EPS forecast to $6.63 from $6.46. Our higher estimate reflects management's strong 1Q17 guidance as well as generally solid economic conditions and prospects for diminishing currency headwinds. We also revised our target price, raising it to $106.
    - Packaging Corp. of America (NYSE: PKG). On January 30, Packaging Corp. reported 4Q16 adjusted EPS of $1.23, up from $1.08 a year earlier. EPS topped the consensus forecast of $1.15 and our estimate of $1.18. We expect price increases and the recent acquisitions of Columbus Container Inc. and TimBar to boost EPS in the coming quarters. We are raising our 2017 EPS estimate to $5.41 from $5.35, and initiating a 2018 estimate of $5.57. In September 2016, PKG raised its quarterly dividend by 15% to $0.63, or $2.52 annually, for a yield of about 3.1%.

- Flex Ltd. (NGS: FLEX). This mid-cap contract manufacturing company posted a 10% sales decline in fiscal 3Q17, reflecting a mix shift away from certain troubled and low-margin legacy customers. However, non-GAAP EPS fell just $0.01, as margins edged higher on a higher-quality mix. Management's current guidance suggests that revenue will be relatively flat with the prior year in fiscal 4Q17. We then look for positive revenue comparisons to begin in the March 2018 fiscal year, as fiscal 2017 headwinds (Lenovo, SunEdison) turn to tailwinds and new business (Nike, Bose) boosts revenue We are raising our non-GAAP earnings forecast for the March 2017 fiscal year to $1.18 per diluted share from a prior $1.16. We are raising our non-GAAP forecast for FY18 to $1.33 per diluted share from $1.31.
- Visa Inc. (V). We are maintaining our BUY rating on Visa Inc. following the company's fiscal 1Q17 earnings that came in above consensus. We are raising our target price to $96 from $93. Revenues for the first quarter totaled $4.5 billion, up 25% from the prior year, benefiting from strong gains in processed transactions and payment volumes following the Visa Europe acquisition. Adjusted operating expenses were up 16%, reflecting the additional Visa Europe costs. The adjusted operating margin was 69%, up from 67% the prior year. On better-than-expected 1Q trends, we are raising our fiscal 2017 EPS estimate to $3.37 from $3.33, or 19% growth from $2.84 in FY16. We are also raising our 2018 EPS estimate to $3.88 from $3.66, or 15% growth.
- Baker Hughes Inc. (NYSE: BHI). On January 26, Baker Hughes reported an adjusted 4Q16 net loss of $126 million or $0.30 per share, compared to an adjusted net loss of $93 million or $0.21 per share in the prior-year quarter. The adjusted loss was narrower than our loss estimate of $0.34 per share but wider than the consensus loss estimate of $0.11. The 4Q loss reflected reduced drilling activity and continued pricing pressure from E&P customers. Fourth-quarter revenue fell 29% from the prior year to $2.410 billion. We are raising our 2017 EPS estimate to $0.38 from $0.33 based on our expectations for improving crude oil prices and higher North American rig activity, along with continued restructuring benefits. Our 2017 estimate is a penny above the consensus forecast of $0.37. We are also establishing a 2018 estimate of $1.69, implying a sharp upturn in earnings next year. We have also raised our target price to $71.

* For more information on these companies, please see our Analyst Reports on the website.