

How long is a fiscal quarter? It seems like a stupid question, as there are twelve months in a year, and three months in a quarter. What is less obvious is that the number of days can vary, and not just for leap years. The first three months of the year have 90 (sometimes 91), the second quarter has 91, and the third and fourth quarters have 92 days each. If revenue grew two percent between the first and third quarters, is that really growth at all, or just a couple of extra days?

Some company attempt to use a consistent number of weeks in an attempt to be more comparative. Consider the explanation from Apple:

The Company's fiscal year is the 52- or 53-week period that ends on the last Saturday of September. A 14th week is included in the first fiscal quarter every five or six years to realign the Company's fiscal quarters with calendar quarters. The Company's fiscal years 2020 and 2019 span 52 weeks each. Unless otherwise stated, references to particular years, quarters, months and periods refer to the Company's fiscal years ended in September and the associated quarters, months and periods of those fiscal years.

They are trying to take the year and divide into consistent 'quarters' consisting of 13 weeks, or 91 days each. That leaves an extra day or two per year to deal with, which they adjust every five or six years. This last happened in 2017, when their first quarter was 97 days long. It caused an alarm in the first quarter of 2018, when sales fell 4.5%. However, this was not surprising when the duration of the quarter fell 6%.

Of the S&P 500, there were four companies that had a 371 day year during calendar 2019. Only one, Lam Research, also ended at a month end, that of June 30. Their 2020 year will terminate in 52 weeks, on June 28, 2020. The others, namely John Deere, Home Depot and Textron Inc. have enjoyed their 53 week years and will return to a 364 day year in 2020. Textron closes its year end on the Saturday closest to calendar year end, so its fiscal year started December 30, 2018, and ended January 4, 2020. Its fiscal year actually included days in three calendar years.

Advance Auto Parts has one of the stranger fiscal periods. It has a 16 week (112 day) first quarter, then three quarters of twelve weeks each.

Of the 500 companies, 360 have a fiscal year that matches the calendar year. 72 have a 364 day year end, and 46 have a 365 day year that ends on a day other than December 31.

Taking a look by Industry sector – Utilities, Real Estate, Financials and Energy are 100% consistent in their use of 365 day year ends

<u>GICS Sector</u>	<u>Number of companies</u>	<u>Ends Dec 31</u>	<u>365 day year</u>	<u>Percent 365 days</u>
Utilities	28	27	28	100.00%
Real Estate	32	32	32	100.00%
Materials	28	28	27	96.43%
Information Technology	69	27	46	66.67%

Industrials	69	53	63	91.30%
Health Care	60	45	52	86.67%
Financials	67	65	67	100.00%
Energy	28	27	28	100.00%
Consumer Staples	33	11	22	66.67%
Consumer Discretionary	63	29	36	57.14%
Communication Services	23	17	22	95.65%

Consumer Staples and Consumer discretionary have a higher percentage of 364 day year ends, for the simple reason that these companies are trying to ensure they have an equal number of Saturdays, the traditional shopping day of the week. They also are less likely to end their fiscal year on December 31, as December tends to be the busiest time of the year, and therefore more unwilling to prepare for fiscal closing.