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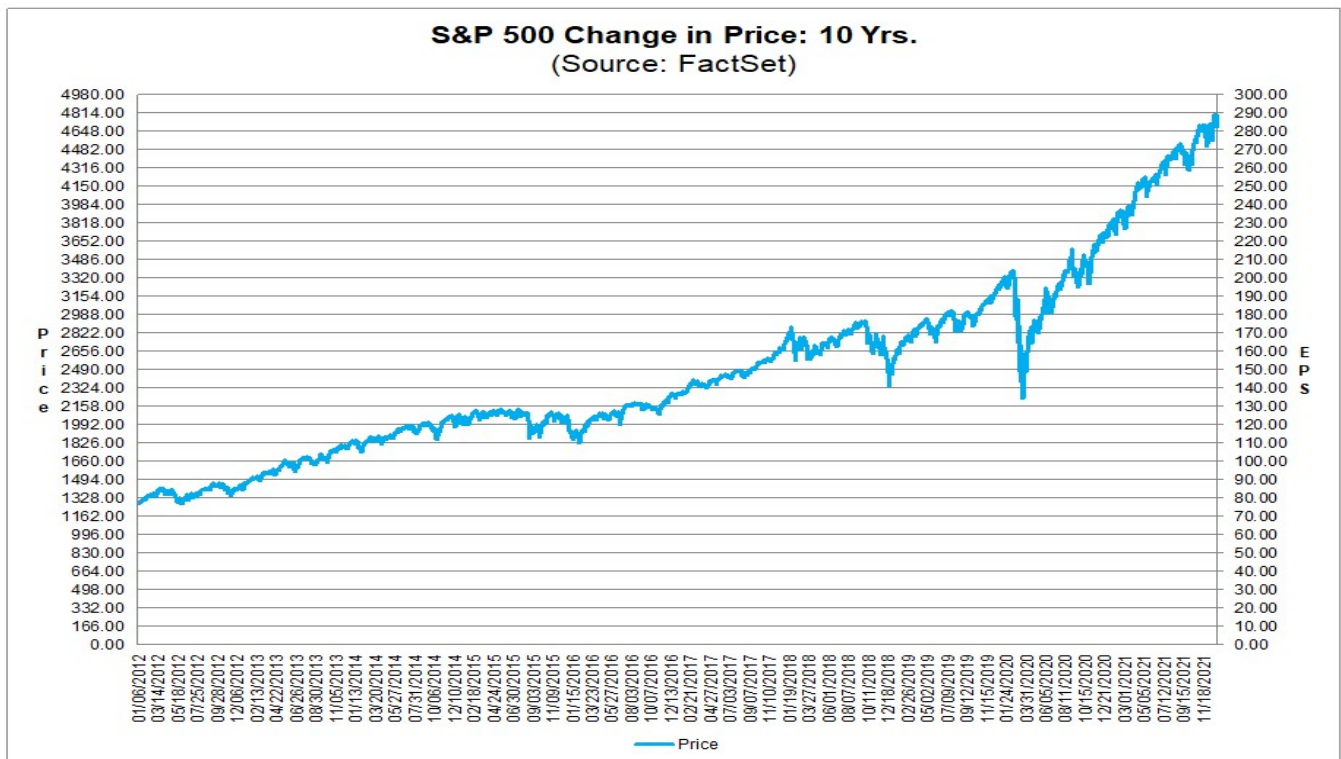
Media Questions/Requests
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Author's Note: Due to a technical issue, a number of the metrics and charts normally included in this report are not available in today's report. We hope to have the issue corrected as soon as possible.

Key Metrics

- **Earnings Growth:** For Q4 2021, the estimated earnings growth rate for the S&P 500 is 21.7%. If 21.7% is the actual growth rate for the quarter, it will mark the fourth straight quarter of earnings growth above 20%.
- **Earnings Revisions:** On September 30, the estimated earnings growth rate for Q4 2021 was 20.9%. Six sectors are expected to report higher earnings today (compared to September 30) due to upward revisions to EPS estimates.
- **Earnings Guidance:** For Q4 2021, 56 S&P 500 companies have issued negative EPS guidance and 37 S&P 500 companies have issued positive EPS guidance.
- **Earnings Scorecard:** For Q4 2021 (with 20 S&P 500 companies reporting actual results), 15 S&P 500 companies have reported a positive EPS surprise and 18 S&P 500 companies have reported a positive revenue surprise.



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Topic of the Week:

More S&P 500 Companies Issuing Negative EPS Guidance for First Time Since Q2 2020

As of today, 93 S&P 500 companies have issued EPS guidance for the fourth quarter. This number is slightly below the 5-year average of 100. Of these 93 companies, 56 have issued negative EPS guidance and 37 have issued positive EPS guidance. The number of companies issuing negative EPS guidance is below the 5-year average of 60, while the number of companies issuing positive EPS guidance is below the 5-year average of 40.

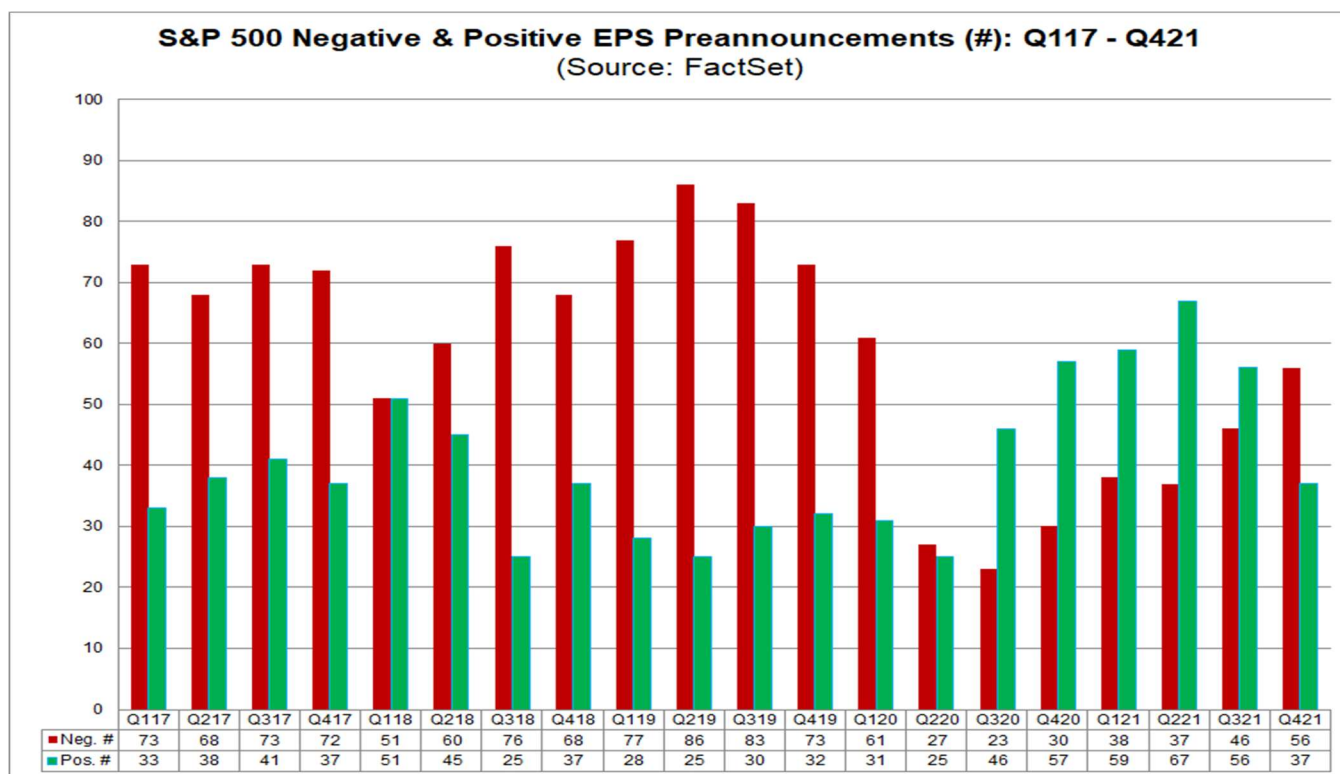
However, more S&P 500 companies are issuing negative EPS guidance than positive EPS guidance for a quarter for the first time since Q2 2020. The number of S&P 500 companies issuing negative EPS guidance for Q4 2021 is the highest number since Q1 2020 (61). On the other hand, the number of S&P 500 companies issuing positive EPS guidance is the lowest number since Q2 2020 (25).

What is driving the negative shift in EPS guidance issued by S&P 500 companies?

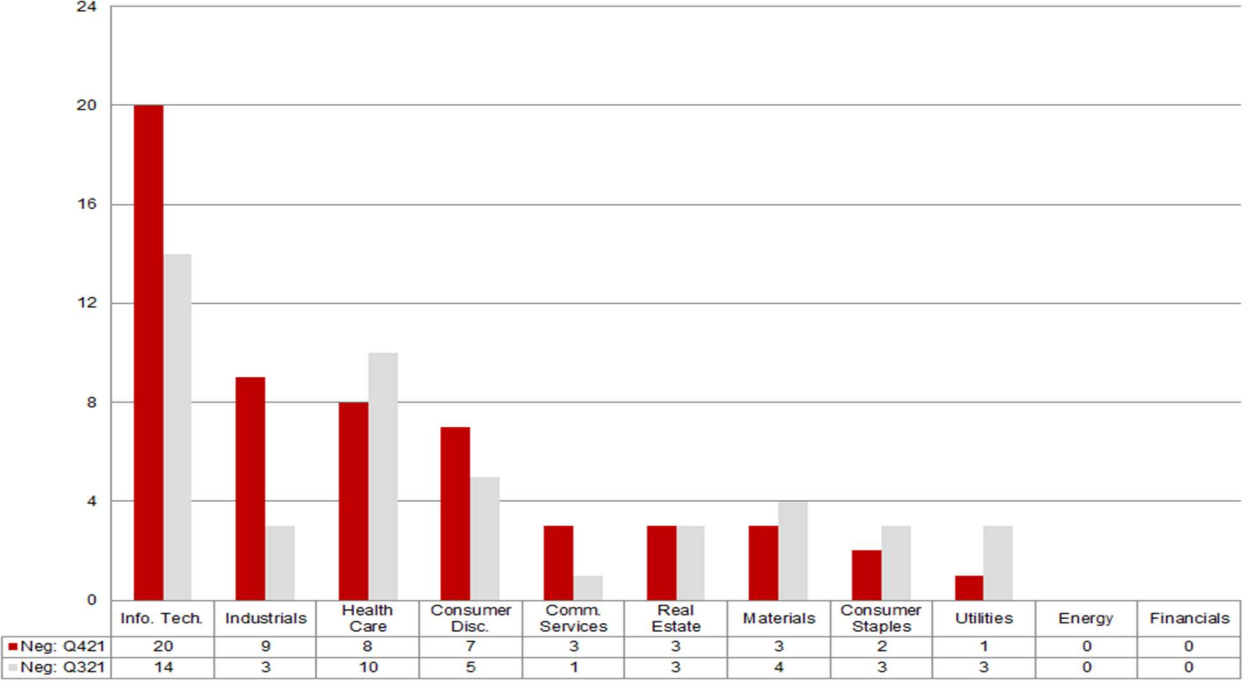
At the sector level, the Information Technology (+6) and Industrials (+6) sectors have seen the largest increases in the number of S&P 500 companies issuing negative EPS guidance for Q4 2021 compared to Q3 2021. Conversely, the Information Technology (-8) and Consumer Discretionary (-5) sectors have seen the largest decreases in the number of S&P 500 companies issuing positive EPS guidance for Q4 2021 compared to Q3 2021.

However, it should be noted that over longer periods in time, more S&P 500 companies typically issue negative EPS guidance than positive EPS guidance. For Q4 2021, 60% of S&P 500 companies (56 out of 93) have issued negative EPS guidance and 40% of S&P 500 companies (37 out of 93) have issued positive EPS guidance. These percentages are equal to the 5-year averages for S&P 500 companies issuing negative and positive EPS guidance for a quarter.

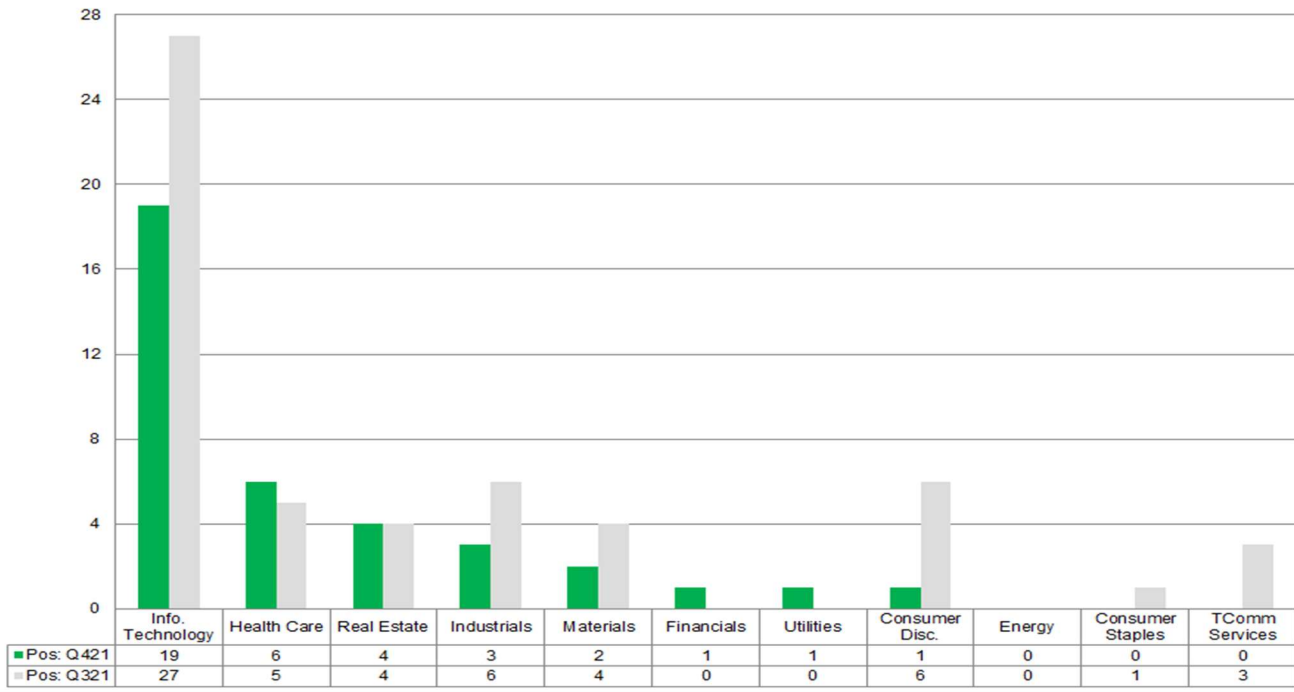
The term “guidance” (or “preannouncement”) is defined as a projection or estimate for EPS (or revenue) provided by a company in advance of the company reporting actual results. Guidance is classified as negative if the estimate (or midpoint of a range estimates) provided by a company is lower than the mean EPS estimate (or revenue estimate) the day before the guidance was issued. Guidance is classified as positive if the estimate (or mid-point of a range of estimates) provided by the company is higher than the mean EPS estimate (or revenue estimate) the day before the guidance was issued.



S&P 500 Sector-Level Negative EPS Guidance: Q421 vs. Q321
(Source: FactSet)



S&P 500 Sector-Level Positive EPS Guidance: Q421 vs. Q321
(Source: FactSet)



Q4 Earnings Season: By The Numbers

Overview

Analysts and companies have been less optimistic compared to recent quarters in their earnings estimate revisions and earnings outlooks for the fourth quarter. However, expected earnings for the S&P 500 for the fourth quarter are still above expectations at the start of the quarter. The index is projected to report earnings growth of more than 20% for the fourth straight quarter and earnings growth of more than 40% for the full year. These above-average growth rates are due to a combination of higher earnings for 2021 and an easier comparison to weaker earnings in 2020 due to the negative impact of COVID-19 on a number of industries.

Fewer S&P 500 companies have issued positive EPS guidance for Q4 2021 compared to recent quarters. At this point in time, 93 companies in the index have issued EPS guidance for Q4 2021, Of these 93 companies, 56 have issued negative EPS guidance and 37 have issued positive EPS guidance. Over the past four quarters, 60 S&P 500 companies issued positive guidance on average for the quarter. However, over longer time periods, fewer companies typically issue positive EPS guidance than negative EPS guidance. The percentage of companies issuing positive EPS guidance for Q4 2021 is 40% (37 out of 93), which is equal to the 5-year average of 40%.

Even with fewer positive preannouncements, the estimated (year-over-year) earnings growth rate for Q4 2021 is above expectations at the start of the fourth quarter. As of today, the S&P 500 is expected to report (year-over-year) earnings growth of 21.7%, compared to the estimated (year-over-year) earnings growth rate of 20.9% on September 30.

If 21.7% is the actual growth rate for the quarter, it will mark the fourth straight quarter of year-over-year earnings growth above 20%. The unusually high growth rate is due to a combination of higher earnings for Q4 2021 and a comparison to weaker earnings in Q4 2020 due to the negative impact of COVID-19 on a number of industries. Nine of the eleven sectors are projected to report year-over-year earnings growth, led by the Energy, Materials, and Industrials sectors.

In terms of revenues, however, analysts have continued to be more optimistic than normal in their estimate revisions. Because of the net upward revisions to revenue estimates, the estimated (year-over-year) revenue growth rate for Q4 2021 is higher now relative to the start of the fourth quarter. As of today, the S&P 500 is expected to report (year-over-year) revenue growth of 12.9%, compared to the estimated (year-over-year) revenue growth rate of 11.4% on September 30.

If 12.9% is the actual growth rate for the quarter, it will mark the third-highest year-over-year revenue growth rate reported by the index since FactSet began tracking this metric in 2008, trailing only the previous two quarters. All eleven sectors are projected to report year-over-year growth in revenues, led by the Energy and Materials sectors.

For the full year, analysts project earnings growth of 45.2% for CY 2021. Looking ahead to the first half of CY 2022, analysts expect earnings growth of 6.3% for Q1 2022 and 4.2% for Q2 2022.

During the upcoming week, six S&P 500 companies (including one Dow 30 component) are scheduled to report results for the fourth quarter.

Earnings Revisions: Energy Sector Sees Largest Estimate Increases

Small Increase in Estimated Earnings Growth Rate for Q4 This Week

During the past week, the estimated earnings growth rate for the S&P 500 for Q4 2021 increased slightly to 21.7% from 21.4%.

The estimated earnings growth rate for the S&P 500 for Q4 2021 of 21.7% today is above the estimate of 20.9% at the start of the quarter (September 30). Estimated earnings for the index of \$448.8 billion today are 0.6% above the estimate of \$446.0 billion at the start of the quarter. Six sectors have recorded an increase in expected (dollar-level) earnings due to upward revisions to earnings estimates, led by the Energy sector. On the other hand, five sectors have recorded a decrease in expected (dollar-level) earnings due to downward revisions to earnings estimates, led by the Consumer Discretionary and Industrials sectors.

Energy: Exxon Mobil and Chevron Lead Earnings Increase Since September 30

The Energy sector has recorded the largest percentage increase in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at 40.8% (to \$28.1 billion from \$20.0 billion). A year-over-year growth rate is not being calculated for the Energy sector due to the loss reported by the sector in Q4 2020. This sector has also witnessed the largest increase in price (+16.4%) of all eleven sectors since September 30. Overall, 18 of the 21 companies (86%) in the Energy sector have seen an increase in their mean EPS estimate during this time. Of these 18 companies, 15 have recorded an increase in their mean EPS estimate of more than 10%, led by Marathon Petroleum (to \$0.55 from -\$0.01), Valero Energy (to \$1.53 from \$0.42), Phillips 66 (to \$1.66 from \$0.65), and Occidental Petroleum (to \$1.08 from \$0.45). However, Exxon Mobil (to \$1.83 from \$1.34), Chevron (to \$3.04 from \$2.19), and ConocoPhillips (to \$2.14 from \$1.49) have been the largest contributors to the increase in estimated (dollar-level) earnings for this sector since September 30.

Consumer Discretionary: Amazon.com Leads Earnings Decrease Since September 30

The Consumer Discretionary sector has recorded the largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -15.1% (to \$27.1 billion from \$32.0 billion). As a result, the estimated earnings growth rate for this sector has fallen to 1.5% from 19.6% during this time. Despite the decrease in estimated earnings, this sector has witnessed an increase in price of 11.6% since September 30. Overall, 38 of the 60 companies (63%) in the Consumer Discretionary sector have seen a decrease in their mean EPS estimate during this time. Of these 38 companies, 16 have recorded a decrease in their mean EPS estimate of more than 10%, led by Caesars Entertainment (to -\$0.83 from -\$0.09), Las Vegas Sands (to -\$0.24 from \$0.04), Gap (to -\$0.12 from \$0.50), and Amazon.com (to \$3.73 from \$12.59). Amazon.com has also been the largest contributor to the decrease in expected (dollar-level) earnings for this sector since September 30.

Industrials: Boeing, Deere, and 2 Airlines Lead Earnings Decrease Since September 30

The Industrials sector has recorded the second-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -9.5% (to \$30.5 billion from \$33.8 billion). As a result, the estimated earnings growth rate for this sector has fallen to 108.0% from 129.9% during this time. Despite the decrease in expected earnings, this sector has witnessed an increase in price of 9.0% since September 30. Overall, 44 of the 72 companies (61%) in the Industrials sector have seen a decrease in their mean EPS estimate during this time. Of these 44 companies, 21 have recorded a decrease in their mean EPS estimate of more than 10%, led by United Airlines Holdings (to -\$2.07 from -\$0.42), American Airlines Group (to -\$1.70 from -\$0.65), and Boeing (to -\$0.25 from \$0.52). These three companies, along with Deere & Company (to \$2.24 from \$4.44), have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since September 30.

Guidance: % of S&P 500 Companies Issuing Negative EPS Guidance is Equal to 5-Year Average

At this point in time, 93 companies in the index have issued EPS guidance for Q4 2021. Of these 93 companies, 56 have issued negative EPS guidance and 37 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 60% (56 out of 93), which is equal to the 5-year average of 60%.

However, it should be noted that the fourth quarter is the first quarter since Q2 2020 in which more S&P 500 companies are issuing negative EPS guidance than positive EPS guidance.

The term “guidance” (or “preannouncement”) is defined as a projection or estimate for EPS provided by a company in advance of the company reporting actual results. Guidance is classified as negative if the estimate (or mid-point of a range estimates) provided by a company is lower than the mean EPS estimate the day before the guidance was issued. Guidance is classified as positive if the estimate (or mid-point of a range of estimates) provided by the company is higher than the mean EPS estimate the day before the guidance was issued.

Earnings Growth: 21.7%

The estimated (year-over-year) earnings growth rate for Q4 2021 is 21.7%, which is above the 5-year average earnings growth rate of 13.7%. If 21.7% is the actual growth rate for the quarter, it will mark the fourth straight quarter of year-over-year earnings growth above 20%. The unusually high growth rate is due to a combination of higher earnings in Q4 2021 and an easier comparison to lower earnings in Q4 2020 due to the negative impact of COVID-19 on a number of industries. Nine of the eleven sectors are expected to report year-over-year earnings growth, led by the Energy, Materials, and Industrials sectors.

Energy: Exxon Mobil and Chevron Are Largest Contributors to Higher Year-Over-Year Earnings

The Energy sector is expected to report earnings of \$28.1 billion for Q4 2021 compared to a loss of -\$0.1 billion in Q4 2020. Thus, a year-over-year growth rate is not being calculated for the Energy sector due to the loss reported by the sector in Q4 2020. Higher year-over-year oil prices are contributing to the year-over-year improvement in earnings for this sector, as the average price of oil in Q4 2021 (\$77.10) was 81% above the average price for oil in Q4 2020 (\$42.70). At the sub-industry level, all five sub-industries in the sector are projected to report a year-over-year increase in earnings. A growth rate is not being calculated for two of these five sub-industries due to losses reported in the year-ago quarter. However, both are predicted to report profits in Q4 2021: Integrated Oil & Gas and Oil & Gas Refining & Marketing. The other three sub-industries that are expected to report year-over-year growth are the Oil & Gas Exploration & Production (2,751%), Oil & Gas Equipment & Services (161%), and Oil & Gas Storage & Transportation (6%) sub-industries. At the company level, Exxon Mobil, Chevron, and ConocoPhillips are expected to be the largest contributors to the year-over-year improvement in earnings for the sector. Combined, these three companies account for \$16.5 billion of the projected \$28.3 billion year-over-year increase in earnings for the sector.

Industrials: Boeing and Airlines Industry Are Largest Contributors to Year-Over-Year Growth

The Industrials sector is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 108.0%. At the industry level, 11 of the 12 industries in the sector are projected to report a year-over-year increase in earnings. A growth rate is not being calculated for the two of these industries due to losses reported in the year-ago quarter: Aerospace & Defense and Airlines. The Aerospace & Defense industry is predicted to report a profit in Q4 2021 (\$6.5 billion) compared to a loss in Q4 2020 (-\$2.3 billion), while the Airlines industry is predicted to report a smaller loss in Q4 2021 (-\$1.6 billion) compared to Q4 2020 (-\$7.3 billion). Six of the remaining nine industries are predicted to report earnings growth at or above 10%: Trading Companies & Distributors (29%), Electrical Equipment (17%), Air Freight & Logistics (17%), Construction & Engineering (17%), Road & Rail (12%), and Commercial Services & Supplies (10%). The Machinery (-7%) industry is the only industry that is projected to report a year-over-year decline in earnings in the sector. Boeing and the five companies in the Airlines industry are expected to be the largest contributors to earnings growth for the sector. If these companies were excluded, the estimated earnings growth rate for the Industrials sector would fall to 5.6% from 108.0%.

Materials: Nucor is Largest Contributor to Year-over-Year Growth

The Materials sector is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 60.9%. At the industry level, all four industries in this sector are expected to report year-over-year earnings growth, led by the Metals & Mining (132%) and Chemicals (52%) industries. At the company level, Nucor is expected to be the largest contributor to year-over-year earnings growth for the sector. If this company were excluded, the estimated earnings growth rate for the Materials sector would fall to 43.3% from 60.9%.

Revenue Growth: 12.9%

The estimated (year-over-year) revenue growth rate for Q4 2021 is 12.9%, which is well above the 5-year average revenue growth rate of 6.5%. If 12.9% is the actual growth rate for the quarter, it will mark the third-highest year-over-year revenue growth rate reported by the index since FactSet began tracking this metric in 2008, trailing only the previous two quarters. The current record is 25.3%, which occurred in Q2 2021. All eleven sectors are expected to report year-over-year growth in revenues, led by the Energy and Materials sectors.

Energy: 3 of 5 Sub-Industries Expected to Report Year-Over-Year Growth Above 50%

The Energy sector is expected to report the highest (year-over-year) revenue growth rate of all eleven sectors at 66.9%. Higher year-over-year oil prices are contributing to the year-over-year improvement in revenues for this sector, as the average price of oil in Q4 2021 (\$77.10) was 81% above the average price for oil in Q4 2020 (\$42.70). At the sub-industry level, all five sub-industries in the sector are projected to report double-digit (year-over-year) growth in revenues: Oil & Gas Exploration & Production (122%), Integrated Oil & Gas (79%), Oil & Gas Refining & Marketing (53%), Oil & Gas Storage & Transportation (33%), and Oil & Gas Equipment & Services (10%).

Materials: Metals & Mining Industry Leads Year-Over-Year Growth

The Materials sector is expected to report the second-highest (year-over-year) revenue growth of all eleven sectors at 24.6%. At the industry level, all four industries in this sector are projected to report year-over-year growth in revenues. Three of these four industries are predicted to report revenue growth above 20%: Metals & Mining (56%), Construction Materials (28%), and Chemicals (24%).

Net Profit Margin: 11.9%

The estimated net profit margin for the S&P 500 for Q4 2021 is 11.9%, which is above the 5-year average of 11.0% and the year-ago net profit margin of 11.0%, but below the previous quarter's net profit margin of 12.9%.

If 11.9% is the actual net profit margin for the quarter, it will mark the fifth-highest net profit margin reported by the index since FactSet began tracking this metric in 2008. The current record is 13.1%, which occurred in Q2 2021.

At the sector level, five sectors are expected to report a year-over-year increase in their net profit margins in Q4 2021 compared to Q4 2020, led by the Energy (10.1% vs. N/A) sector. Five sectors are expected to report net profit margins in Q4 2021 that are above their 5-year averages, also led by the Energy (10.1% vs. 5.3%) sector.

Looking Ahead: Forward Estimates and Valuation

Earnings: S&P 500 Expected to Report Earnings Growth of 45% for CY 2021

For the third quarter, S&P 500 companies reported earnings growth of 39.8% and revenue growth of 17.8%.

For Q4 2021, analysts are projecting earnings growth of 21.7% and revenue growth of 12.9%.

For CY 2021, analysts are projecting earnings growth of 45.2% and revenue growth of 15.9%.

For Q1 2022, analysts are projecting earnings growth of 6.3% and revenue growth of 9.7%.

For Q2 2022, analysts are projecting earnings growth of 4.2% and revenue growth of 7.6%.

For CY 2022, analysts are projecting earnings growth of 9.4% and revenue growth of 7.6%.

Targets & Ratings: Analysts Project 12.5% Increase in Price Over Next 12 Months

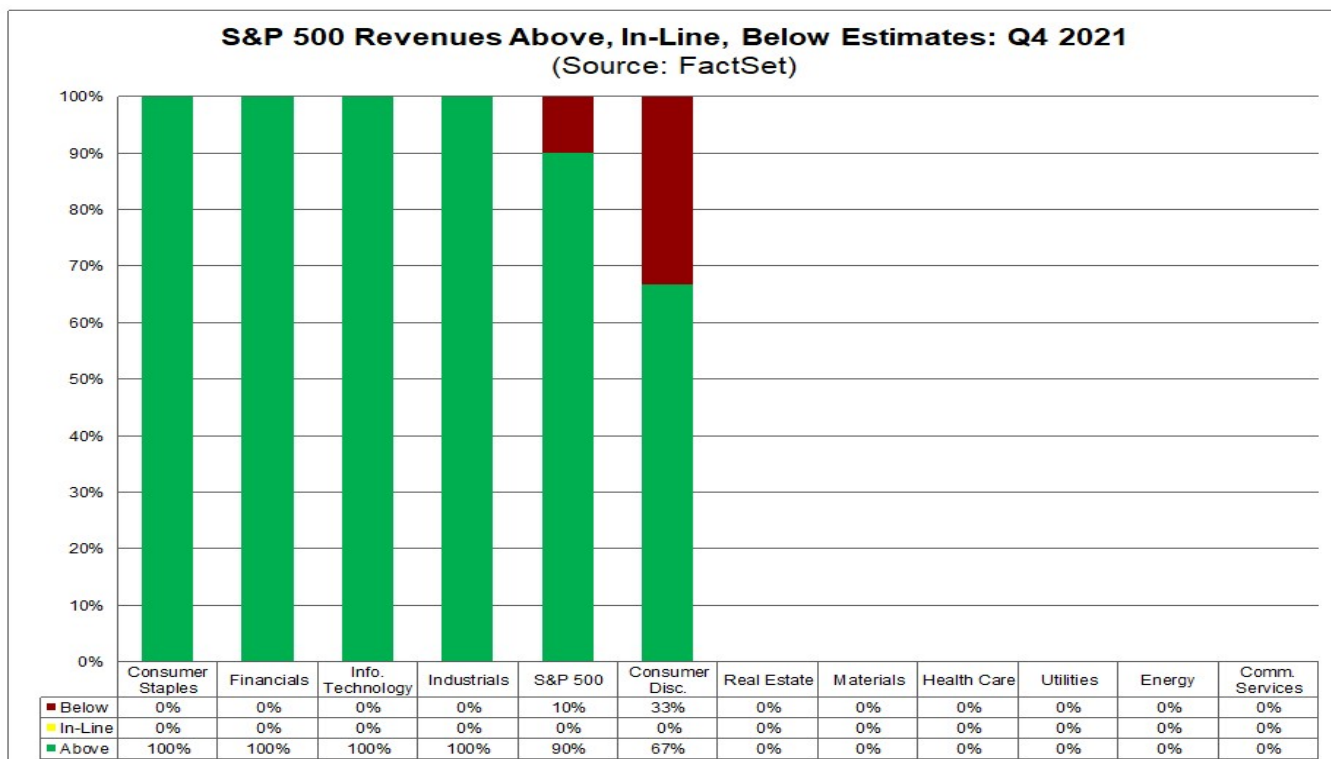
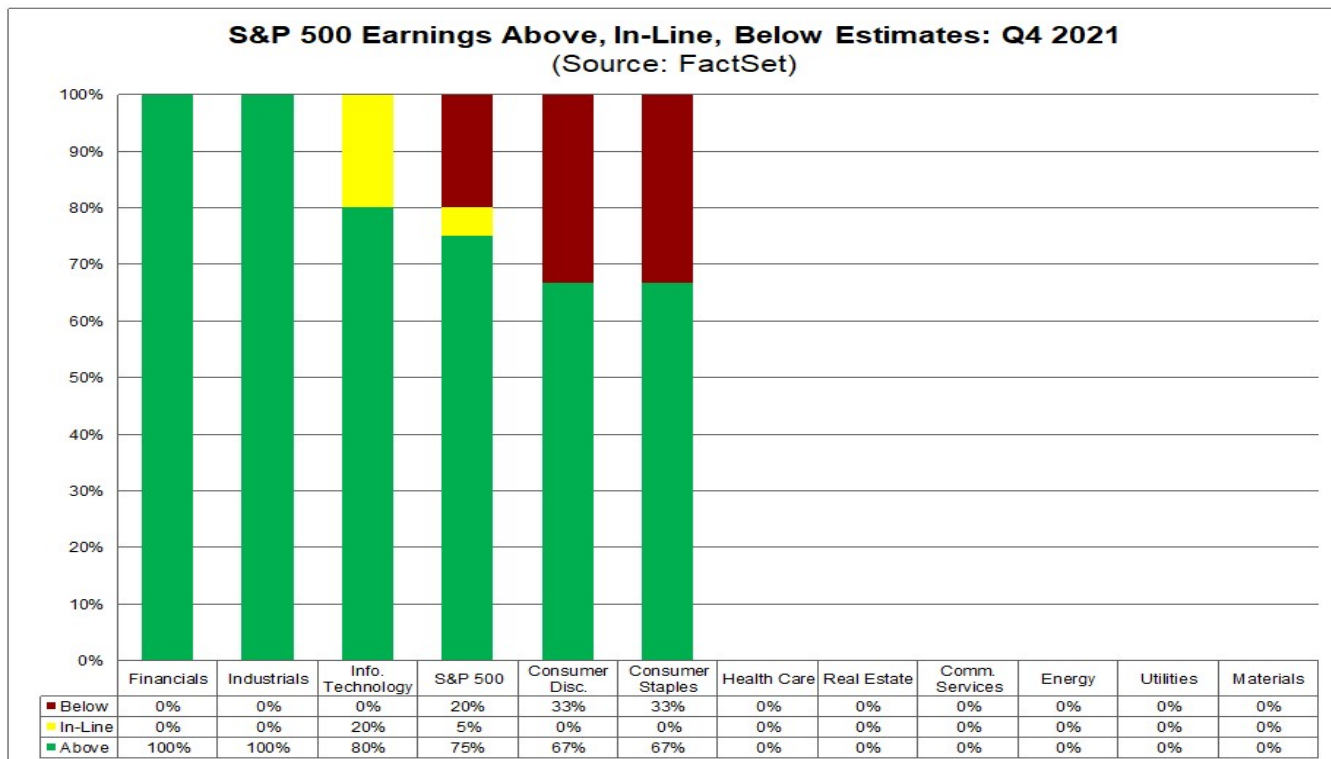
The bottom-up target price for the S&P 500 is 5284.39, which is 12.5% above the closing price of 4696.05. At the sector level, the Communication Services (23.2%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Consumer Staples (+3.5%) and Utilities (+5.4%) sectors are expected to see the smallest price increases, as these sectors have the smallest upside differences between the bottom-up target price and the closing price.

Overall, there are 10,796 ratings on stocks in the S&P 500. Of these 10,796 ratings, 56.7% are Buy ratings, 37.1% are Hold ratings, and 6.2% are Sell ratings. At the sector level, the Energy (67%), Information Technology (62%), Communication Services (61%), and Health Care (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (42%) and Utilities (49%) sectors have the lowest percentages of Buy ratings.

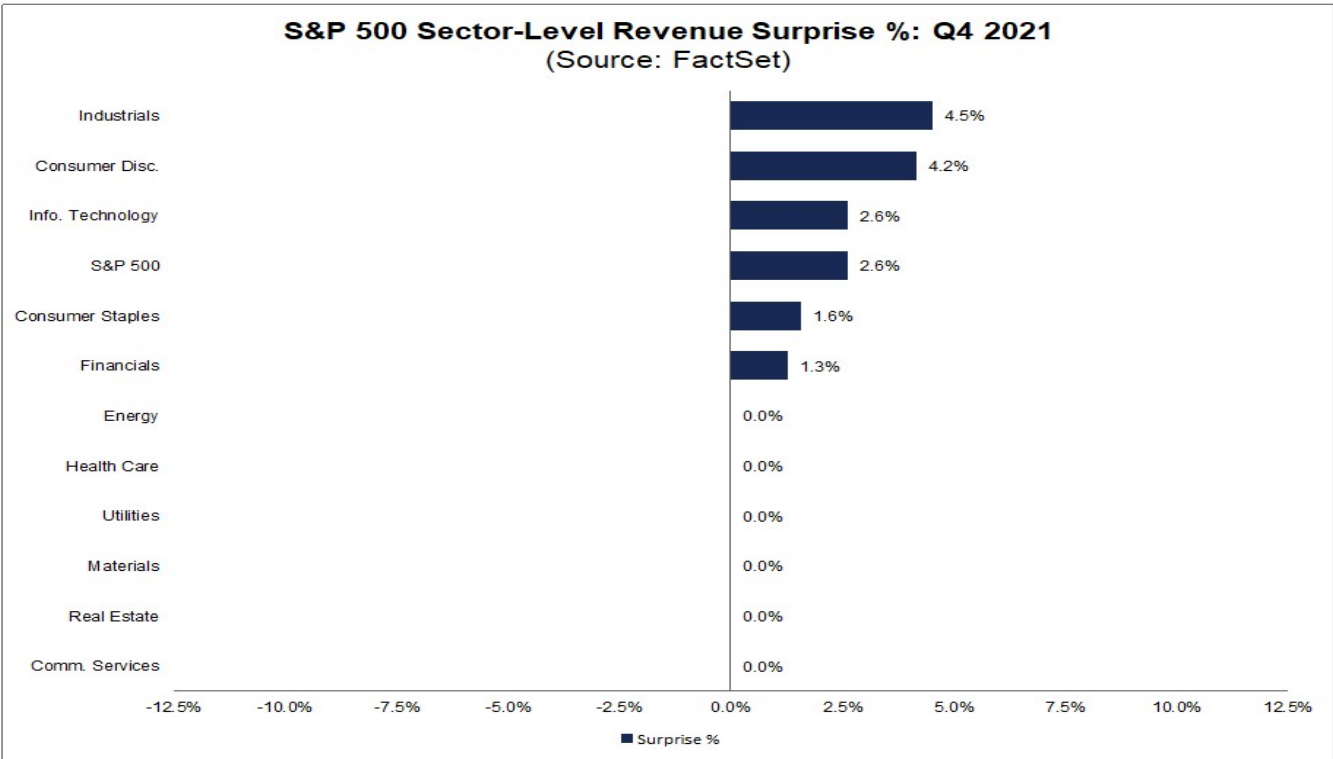
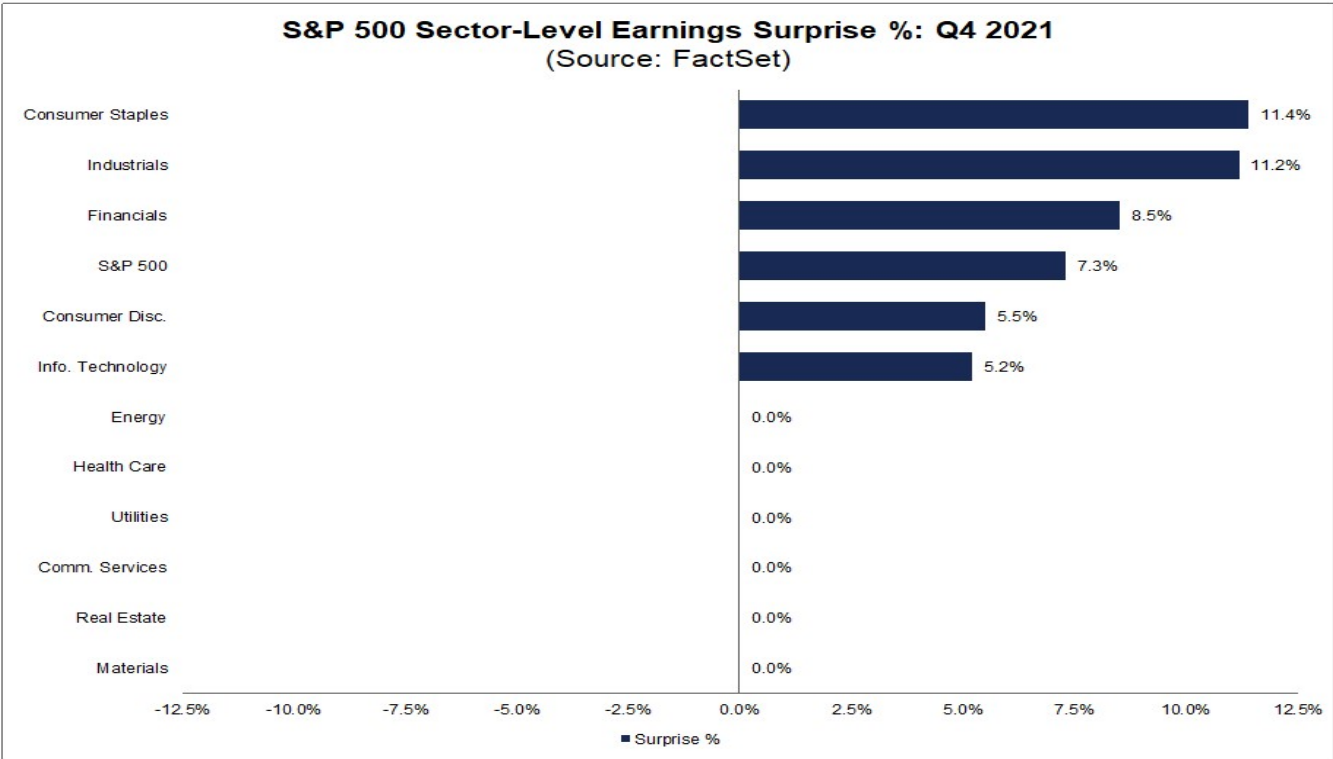
Companies Reporting Next Week: 6

During the upcoming week, 6 S&P 500 companies (including one Dow 30 component) are scheduled to report results for the fourth quarter.

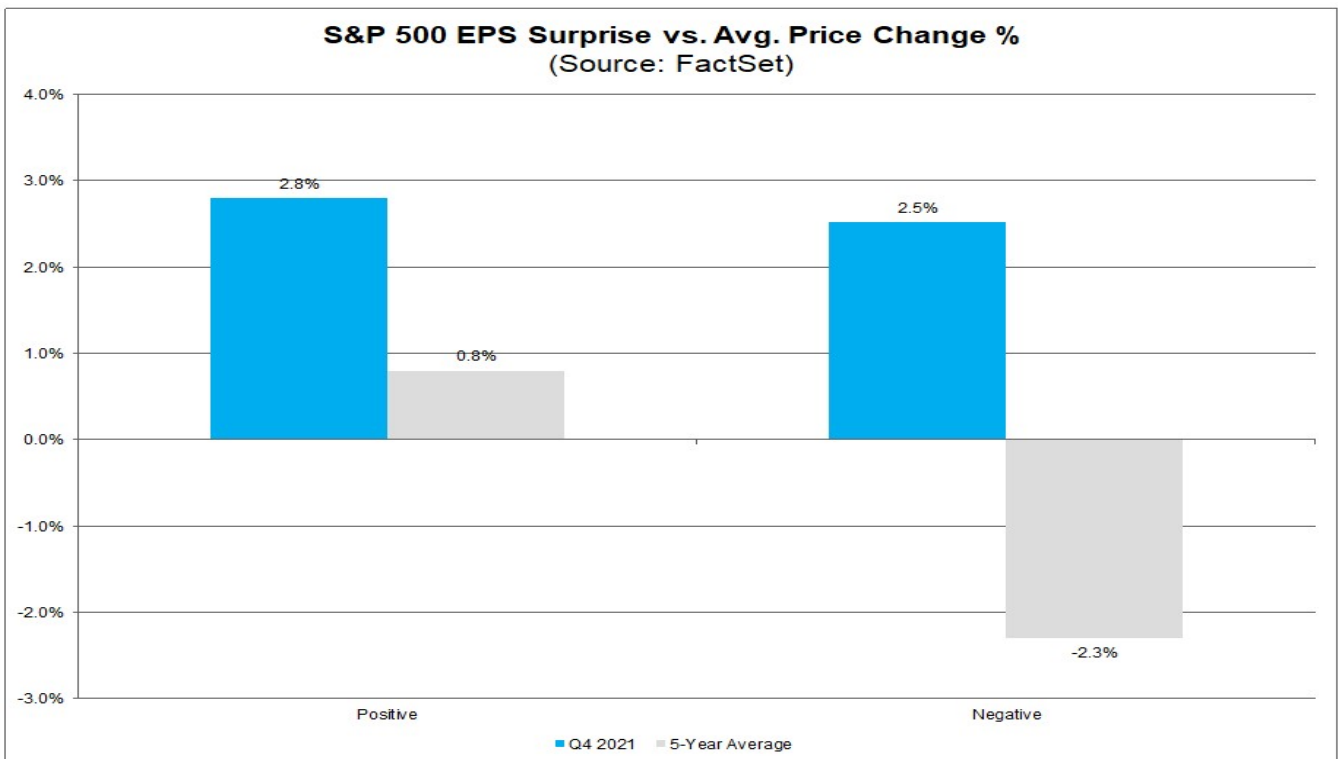
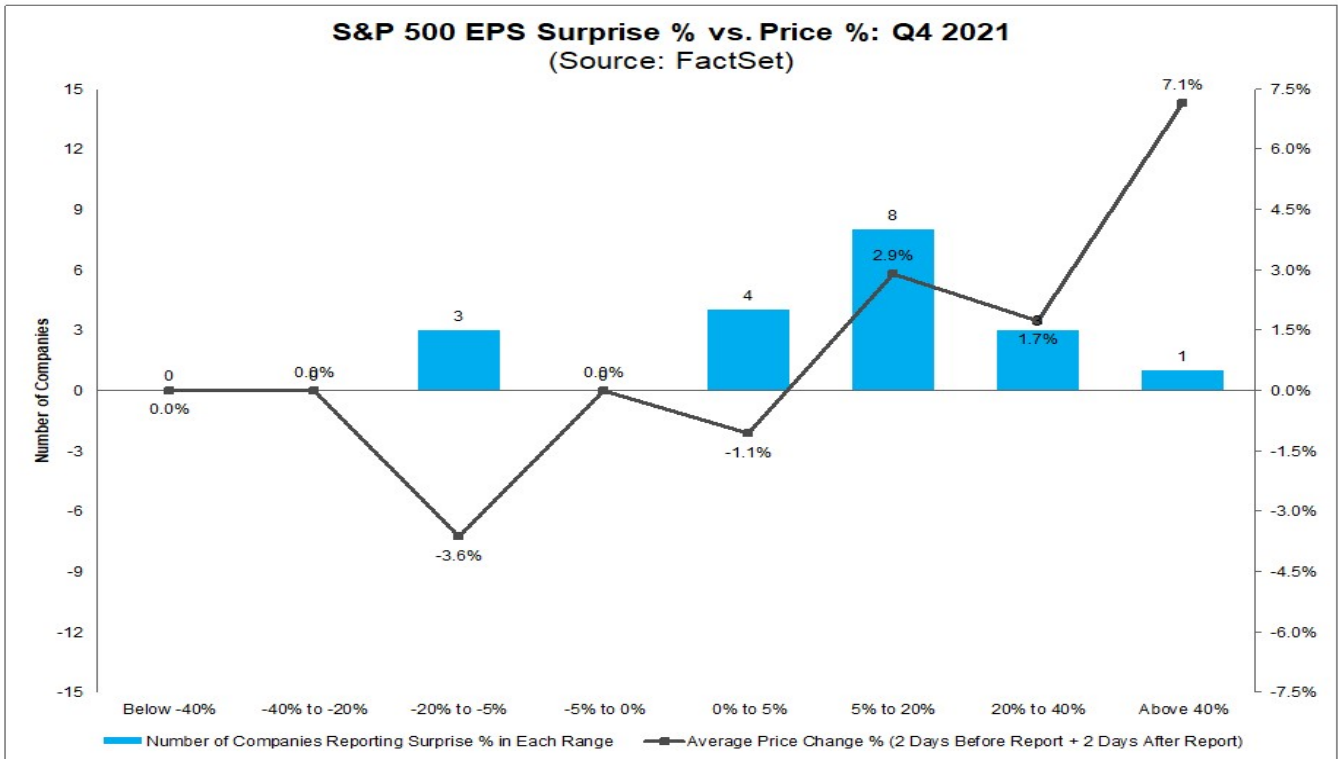
Q4 2021: Scorecard



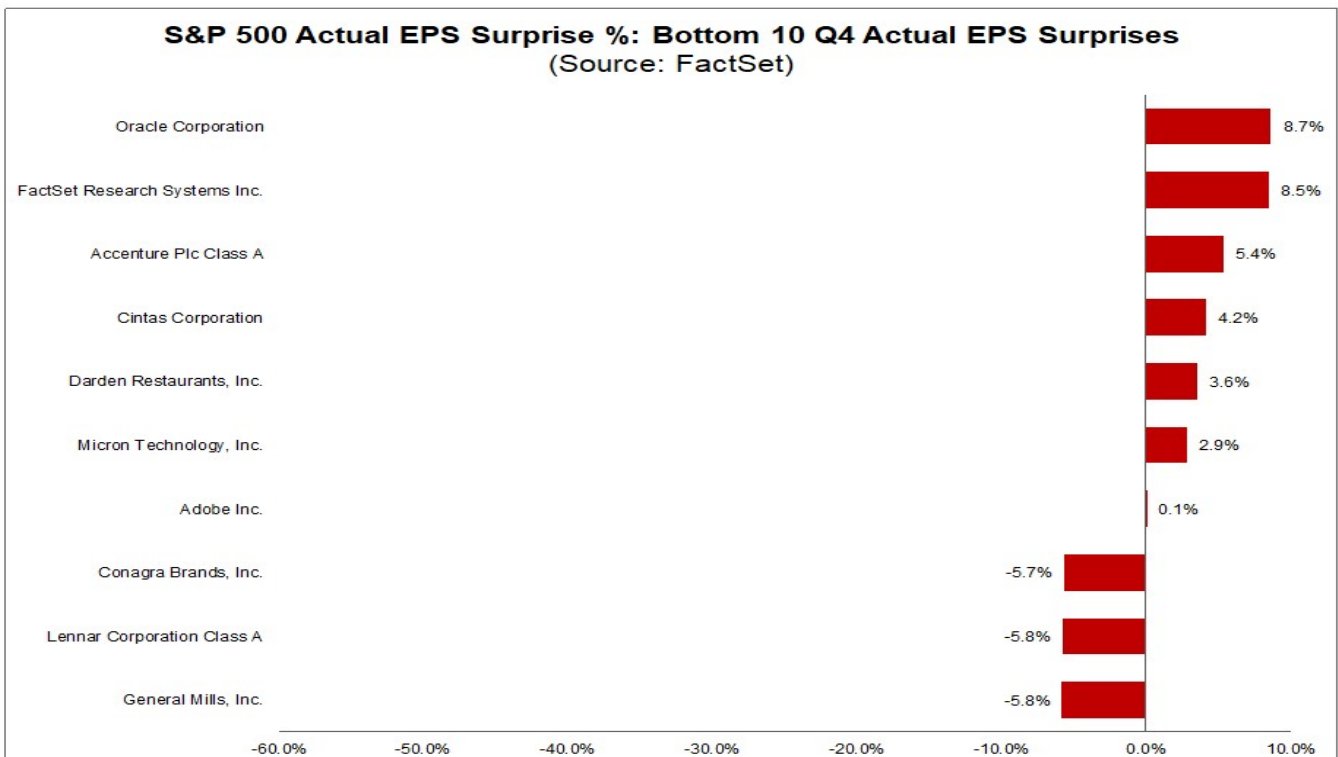
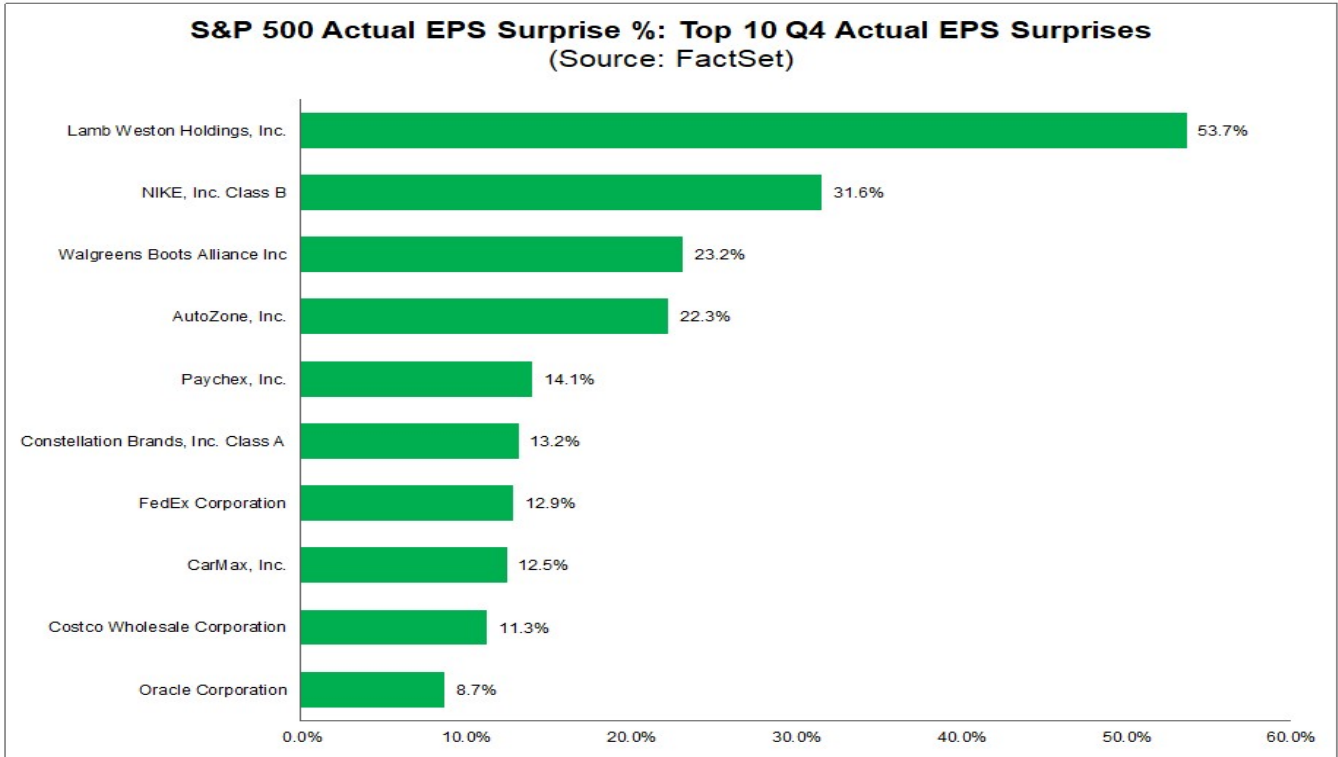
Q4 2021: Scorecard



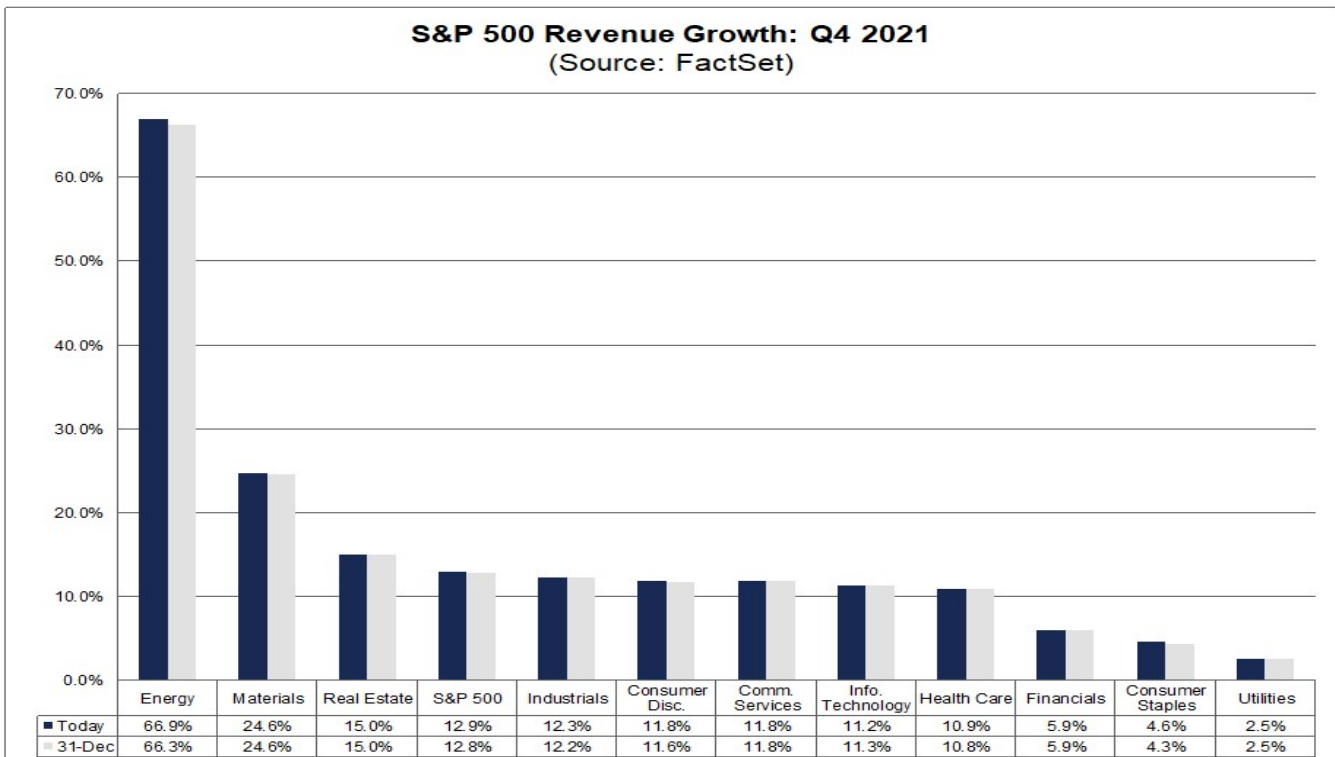
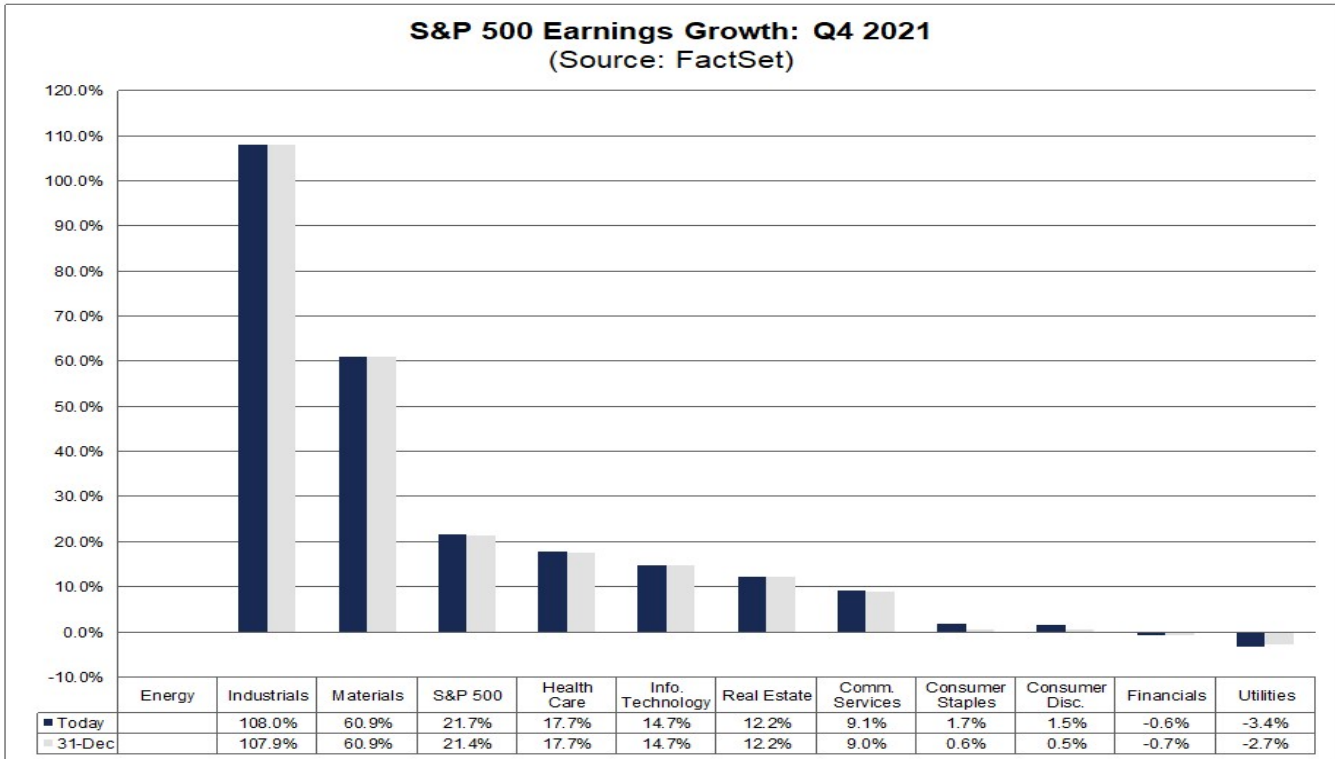
Q4 2021: Scorecard



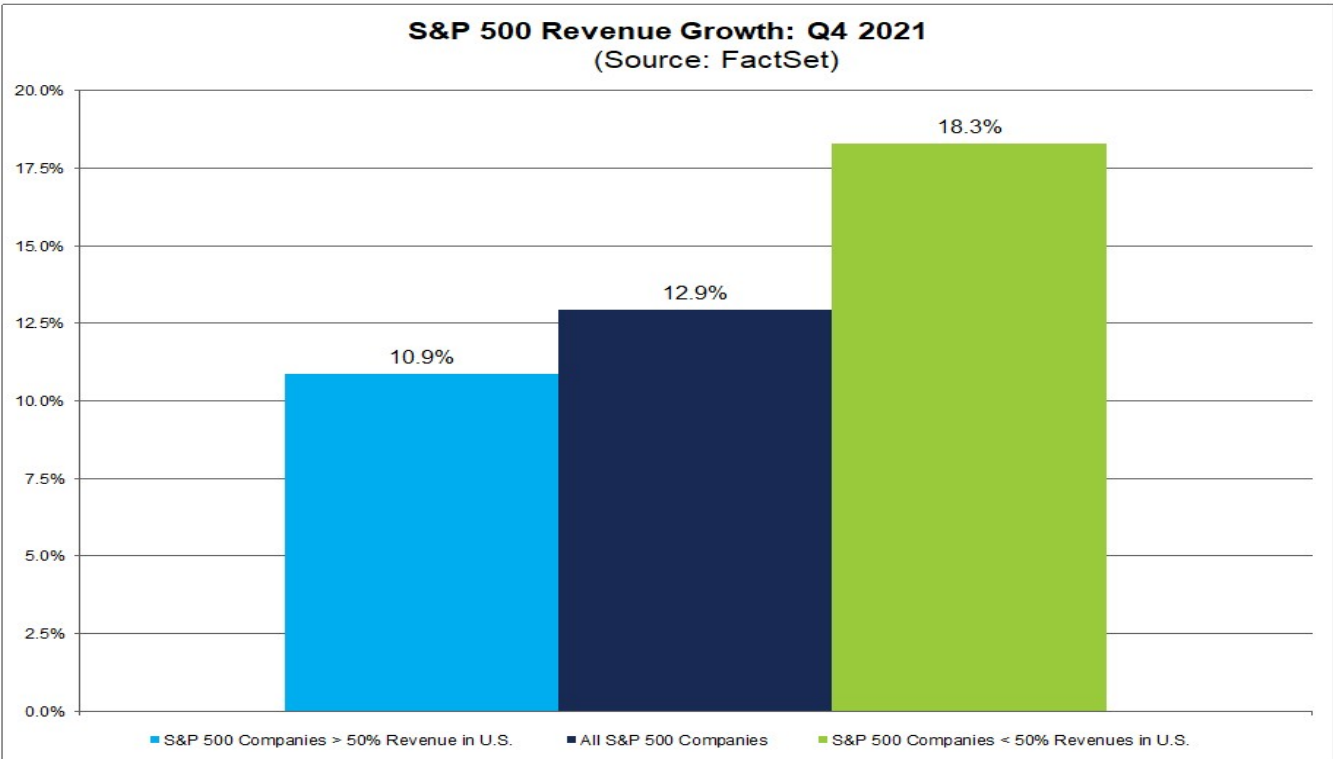
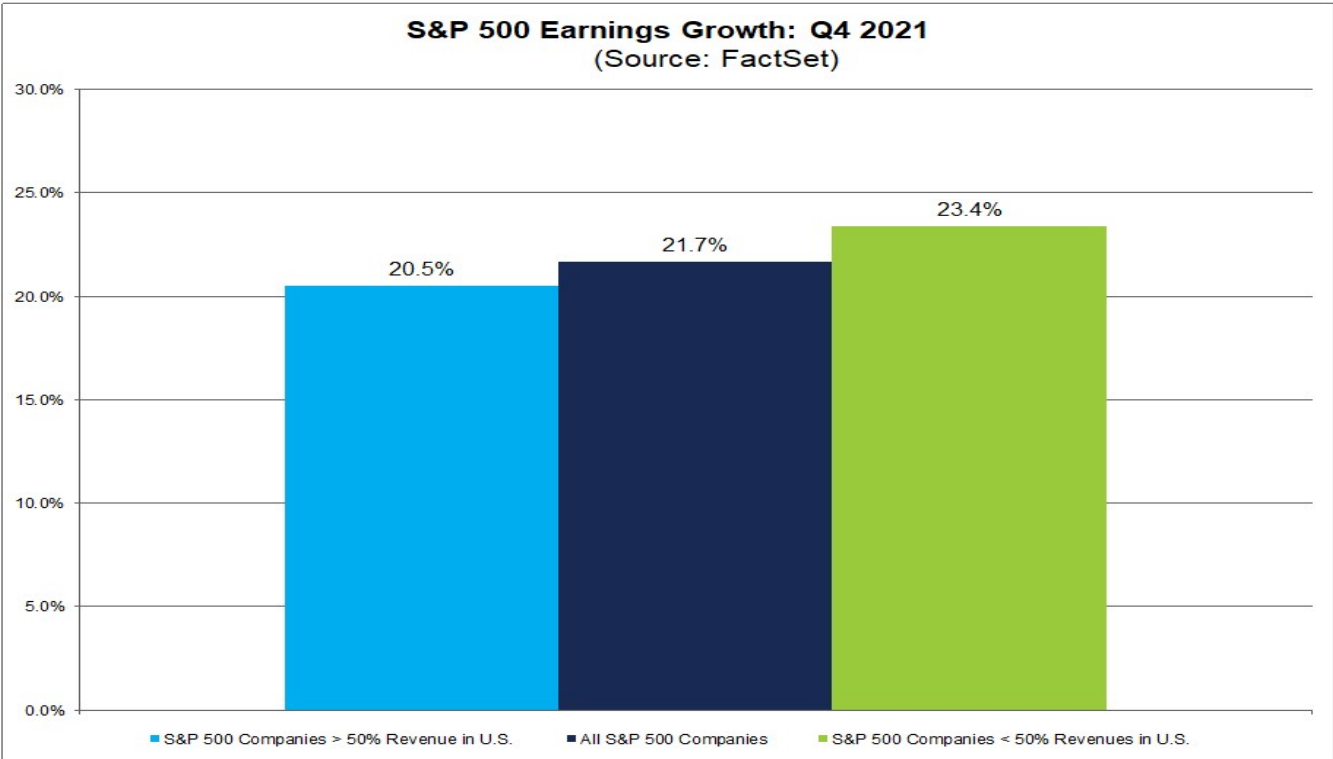
Q4 2021: Scorecard



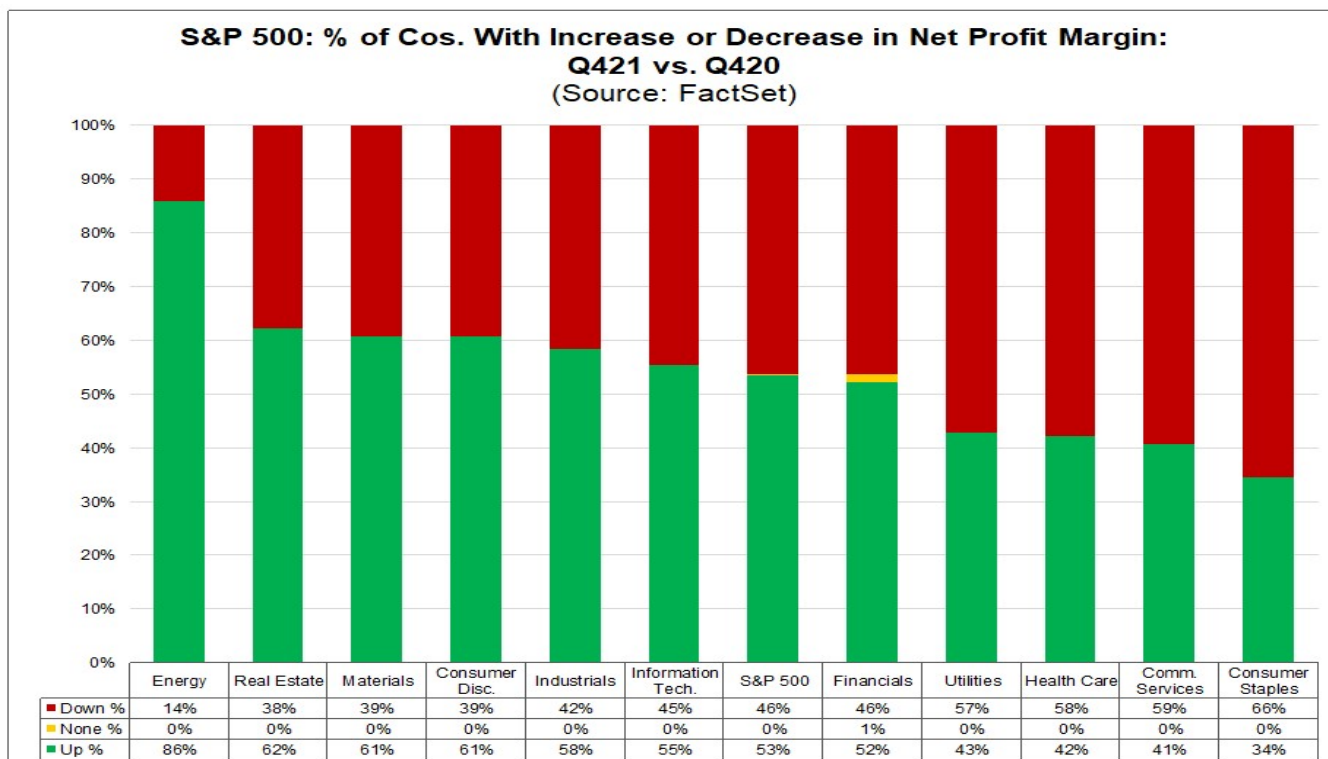
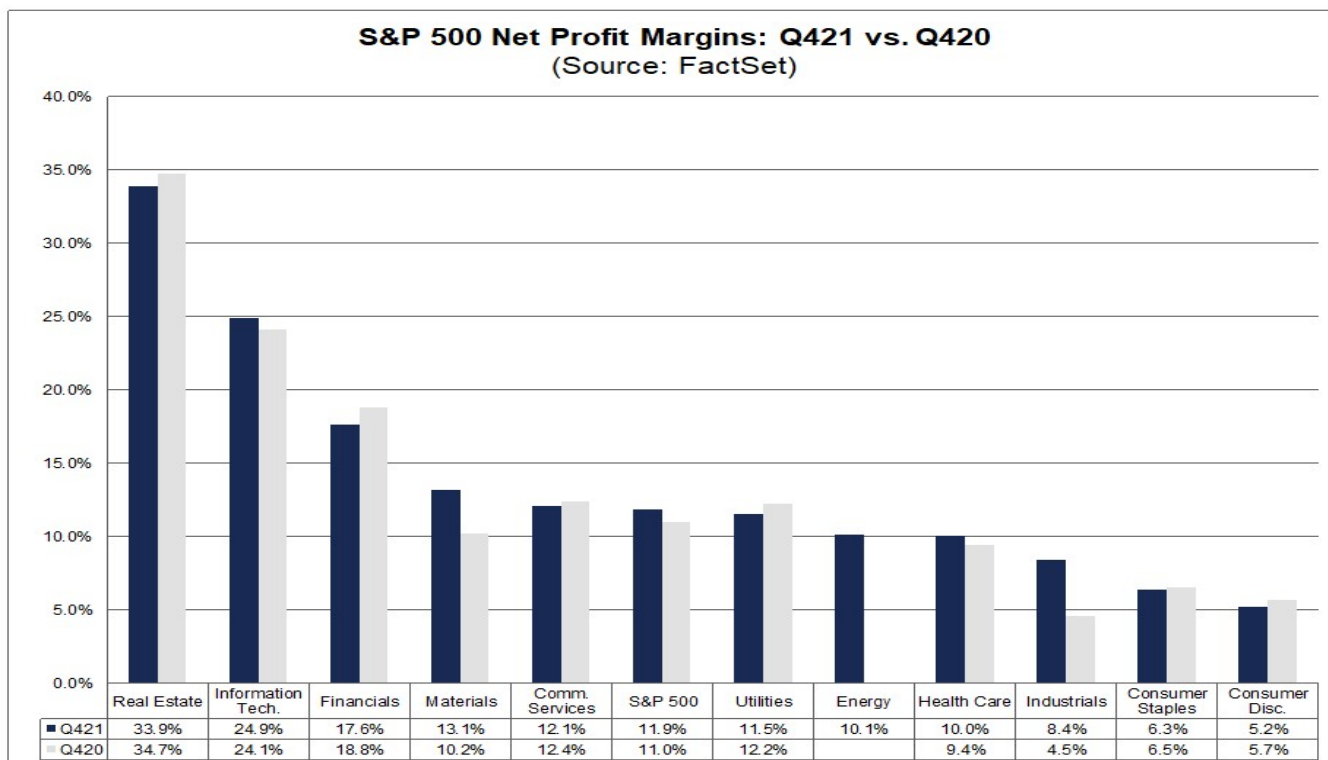
Q4 2021: Growth



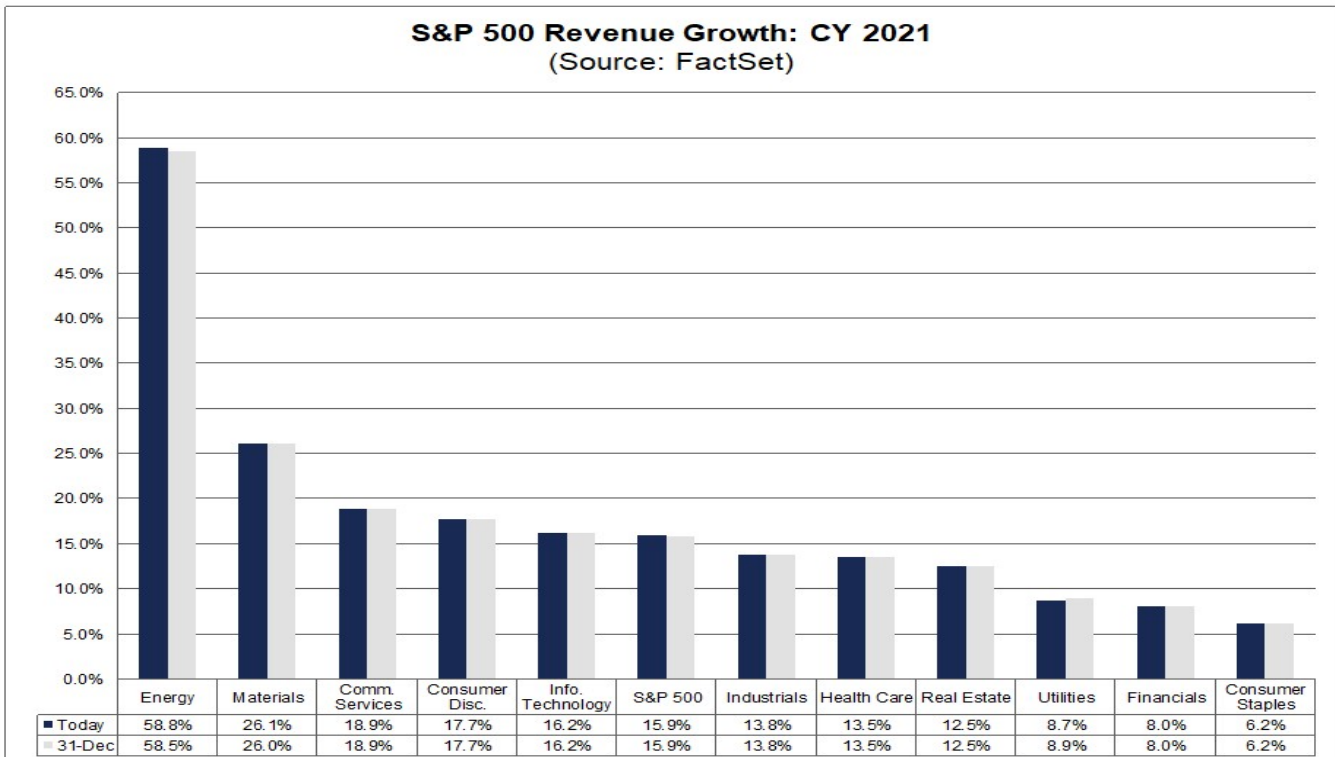
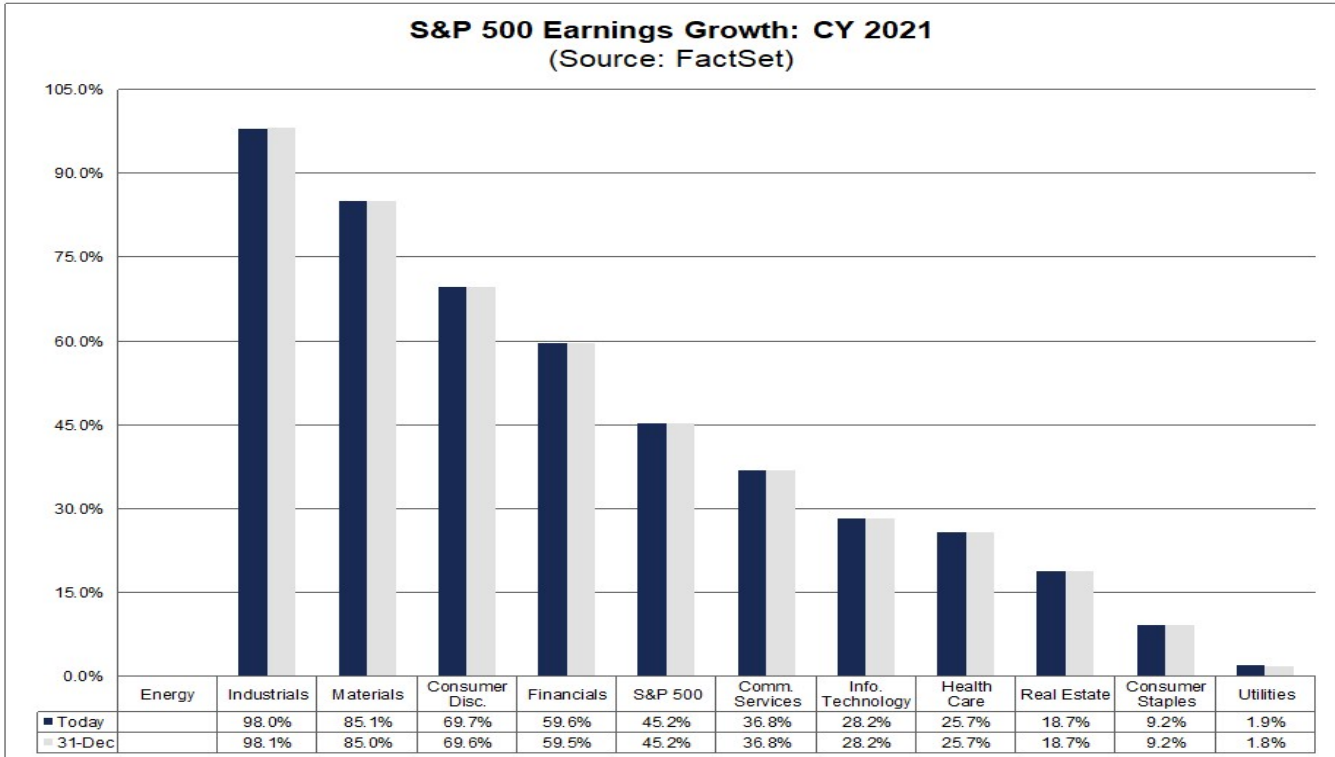
Q4 2021: Growth



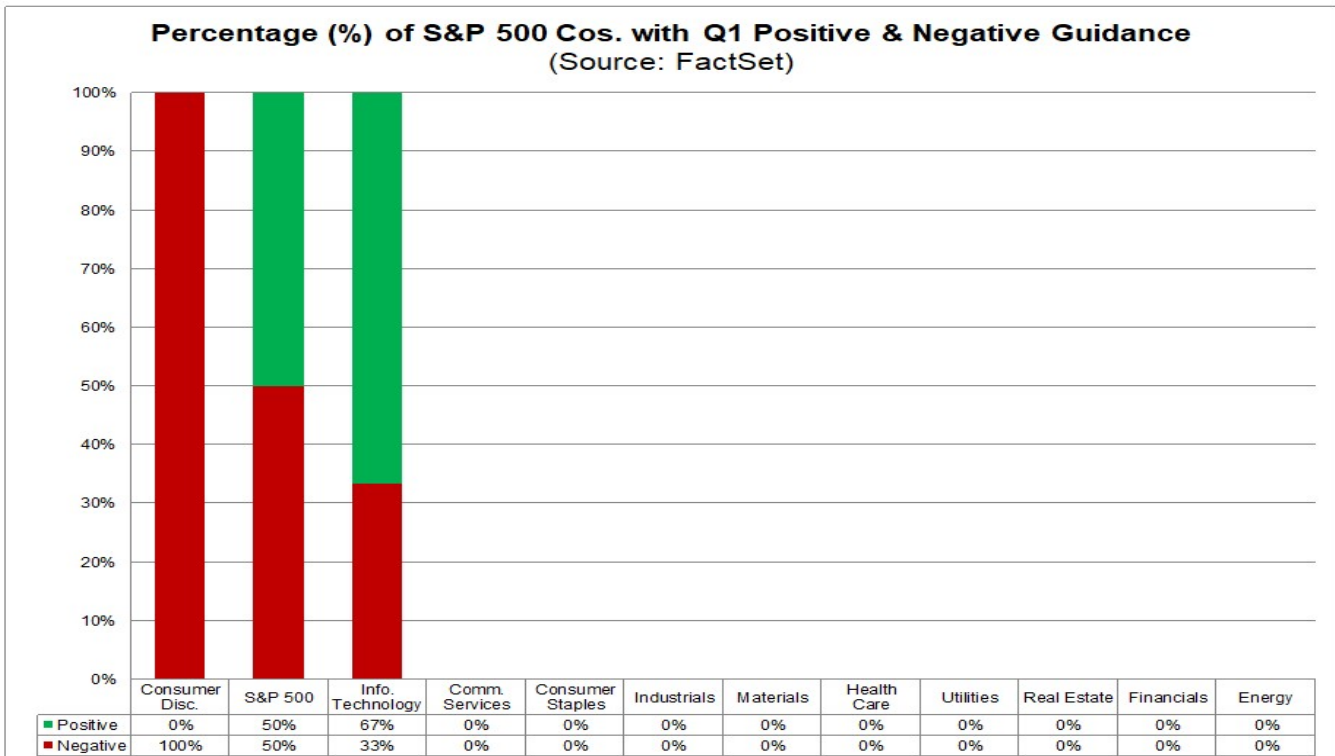
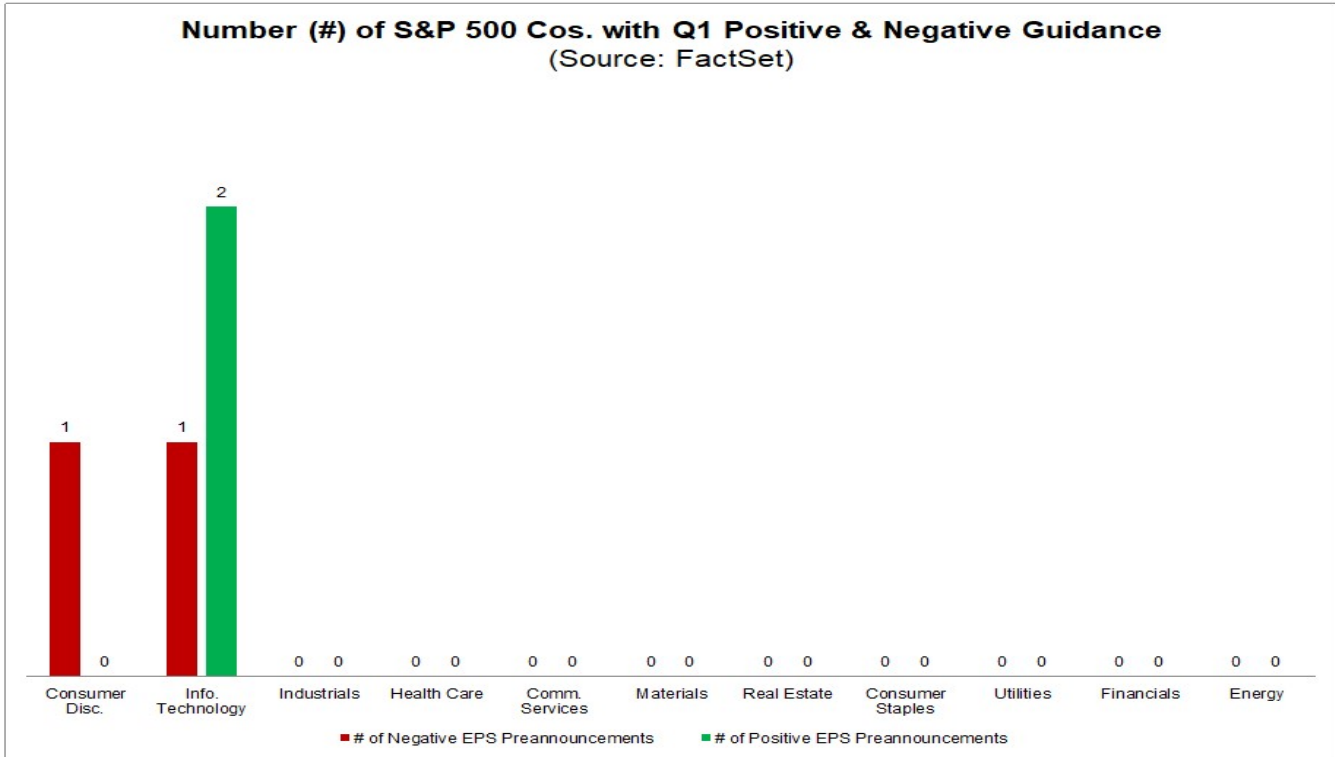
Q4 2021: Net Profit Margin



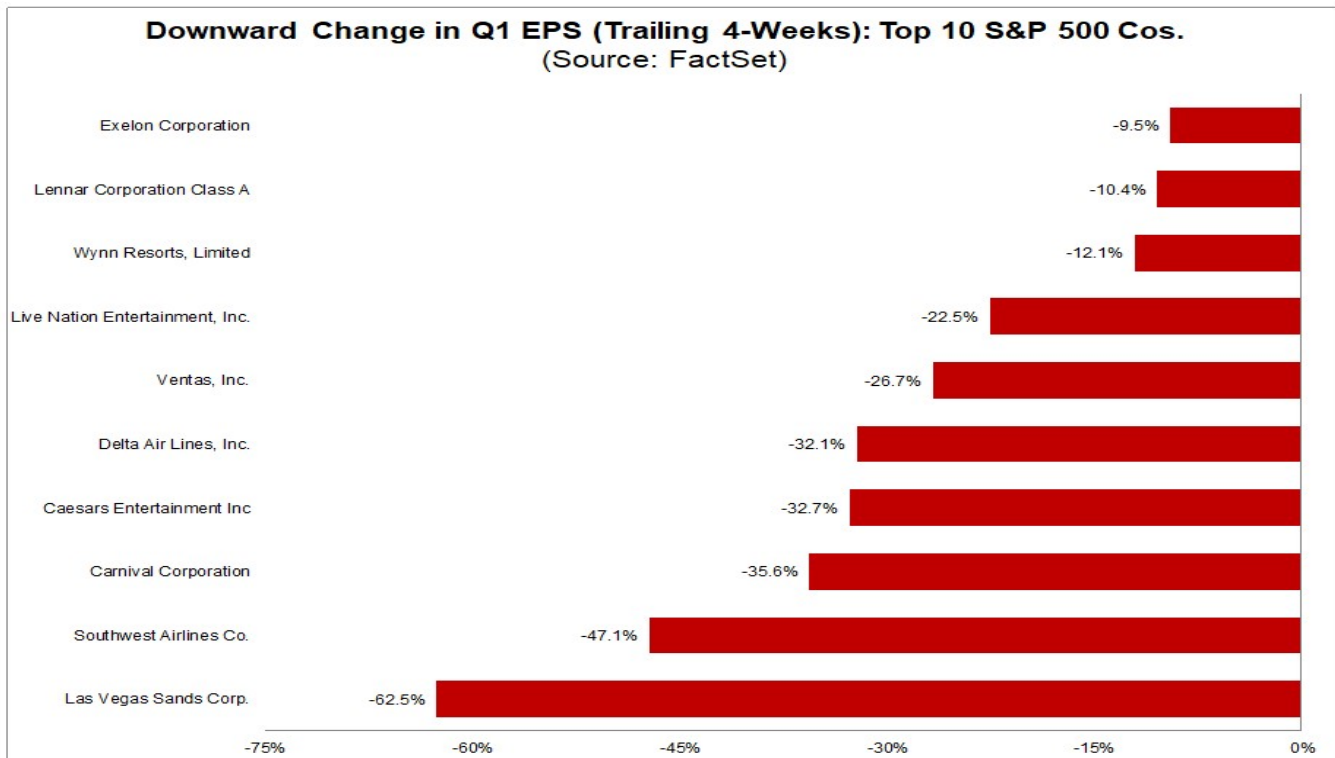
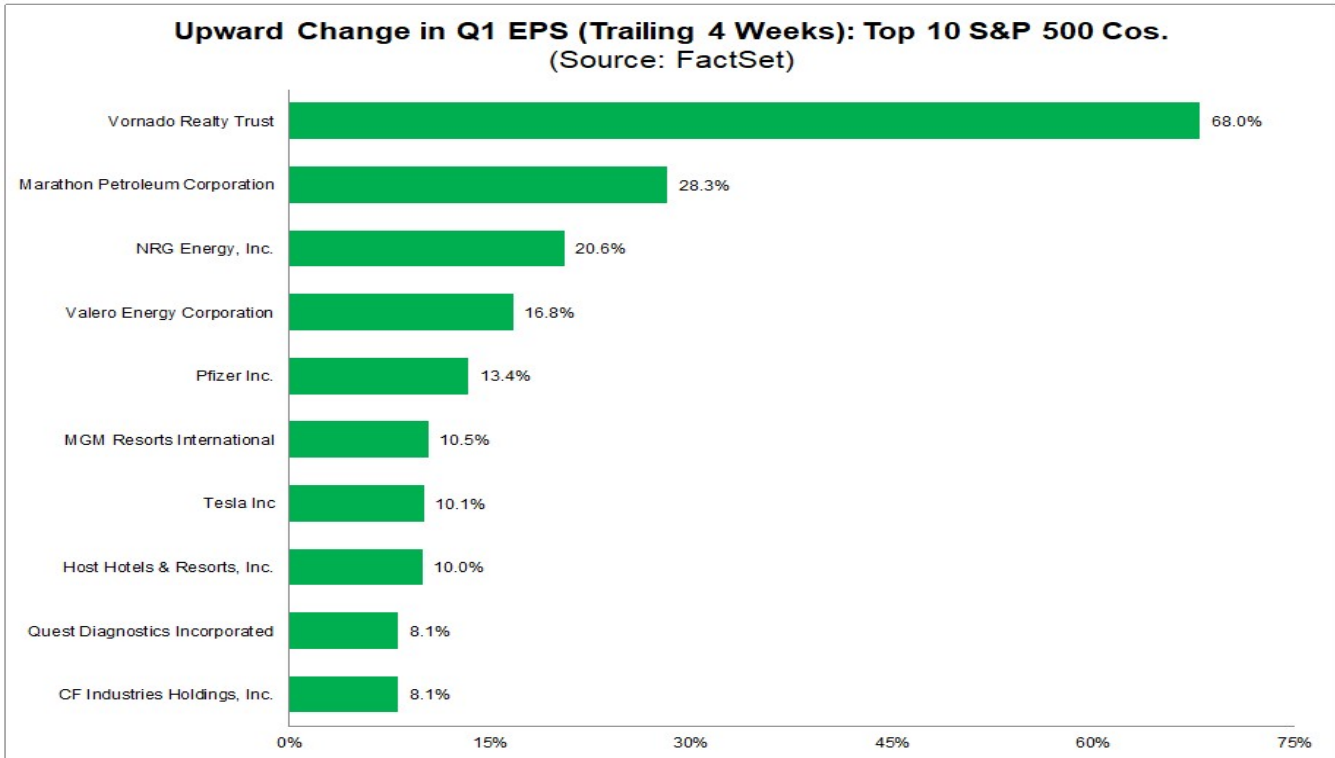
CY 2021: Growth



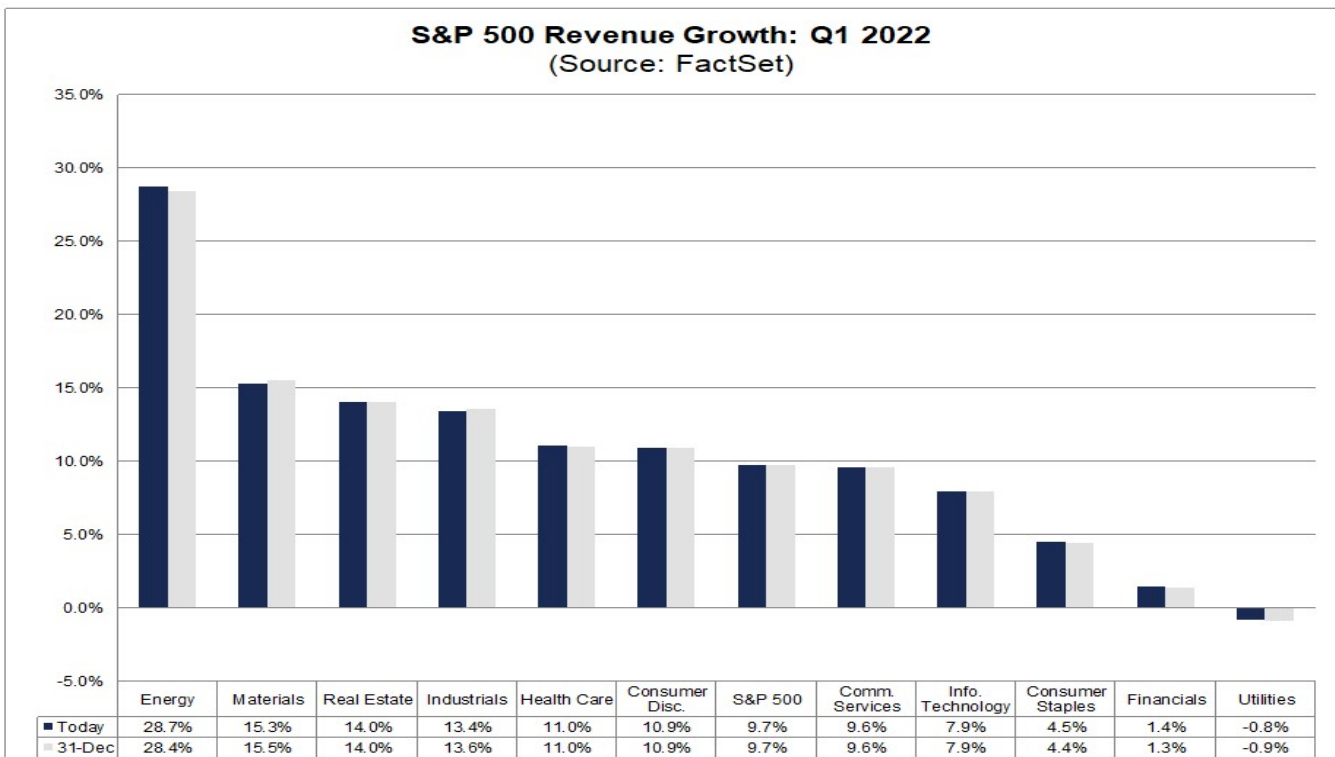
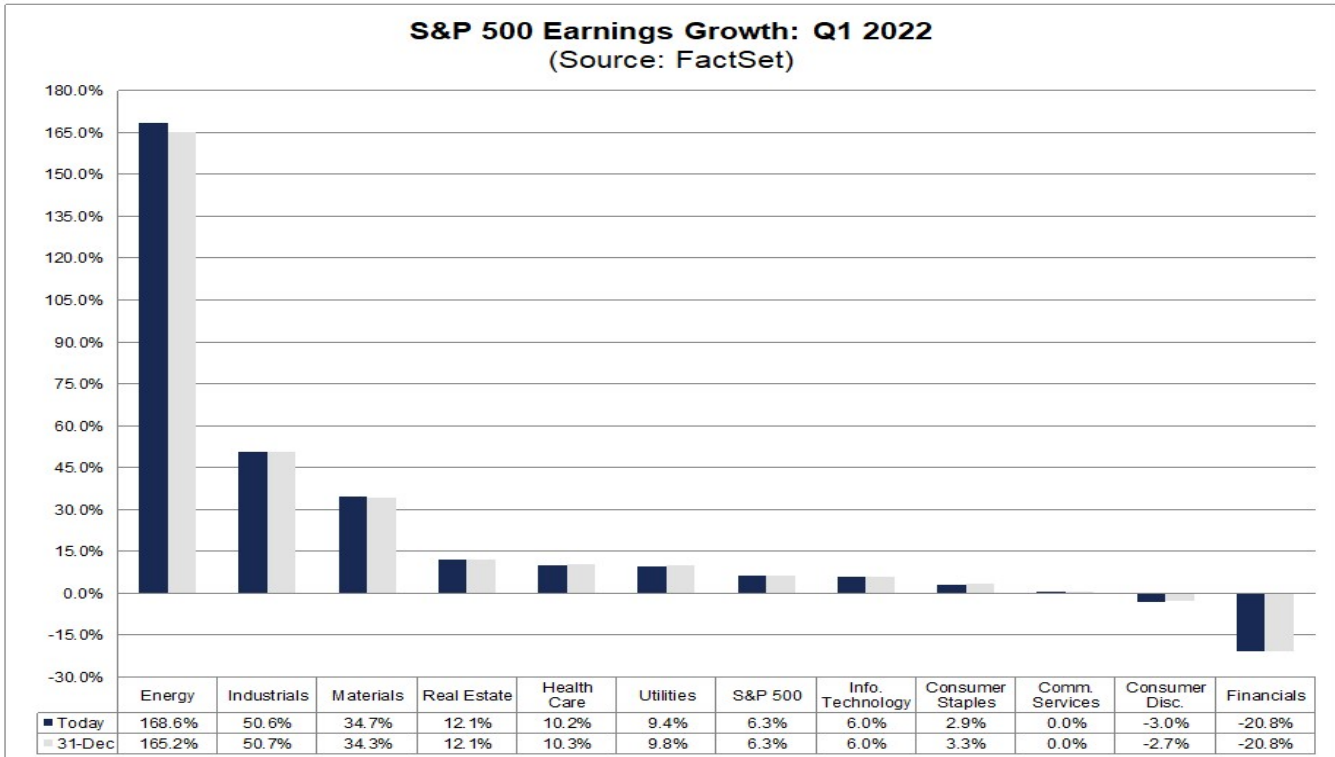
Q1 2022: EPS Guidance



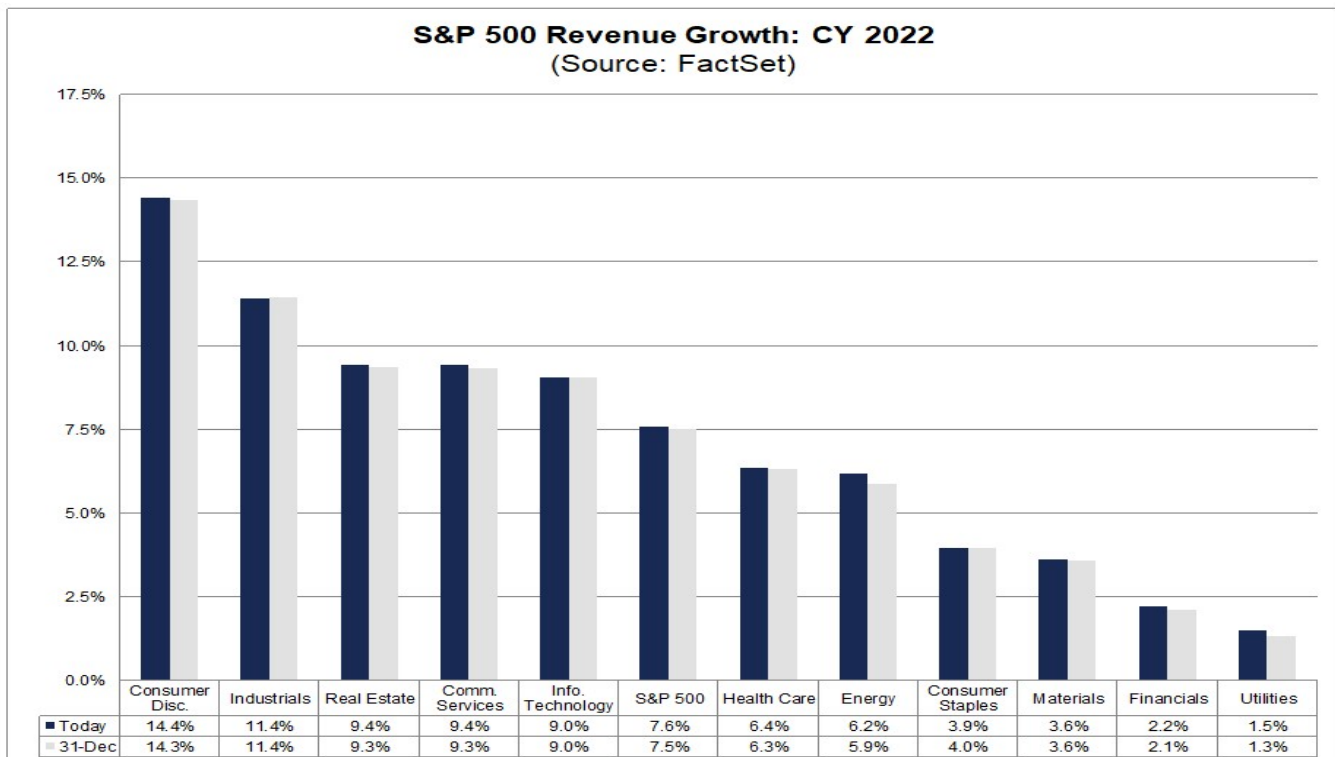
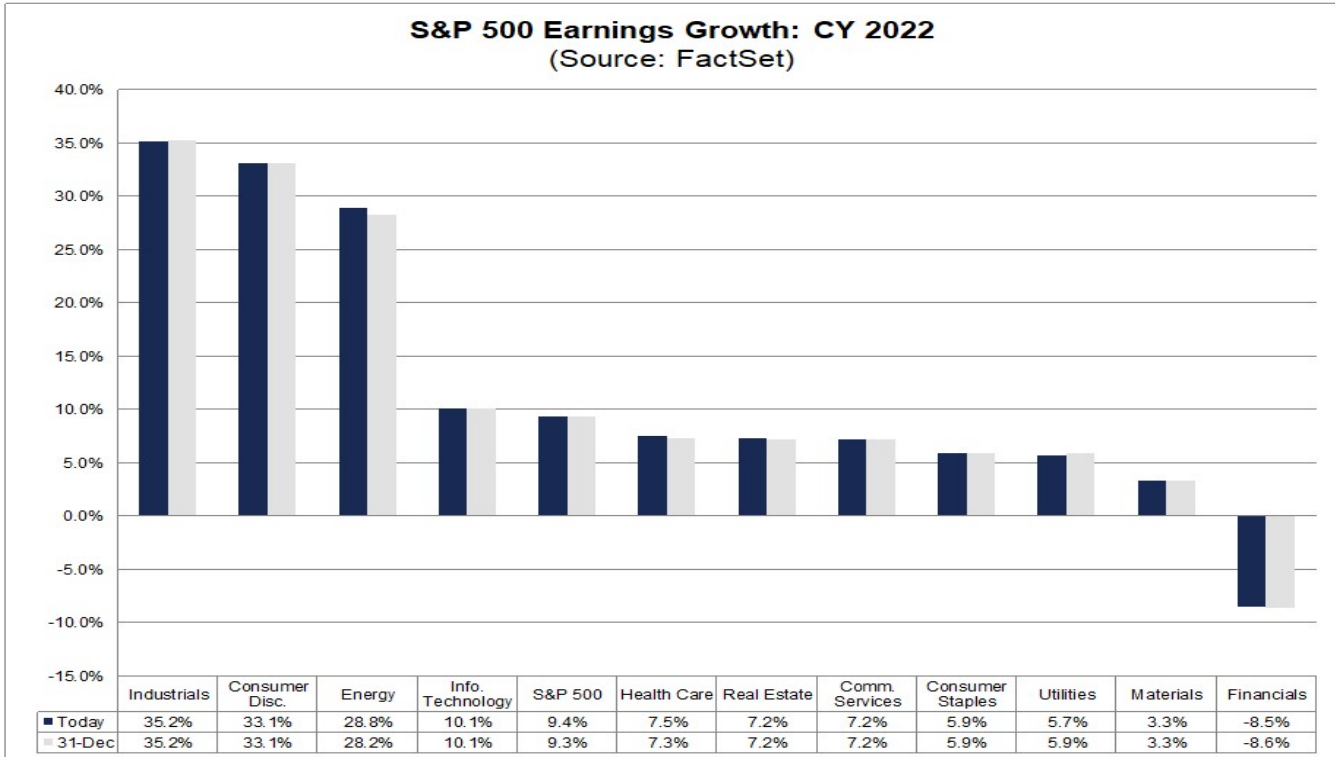
Q1 2022: EPS Revisions



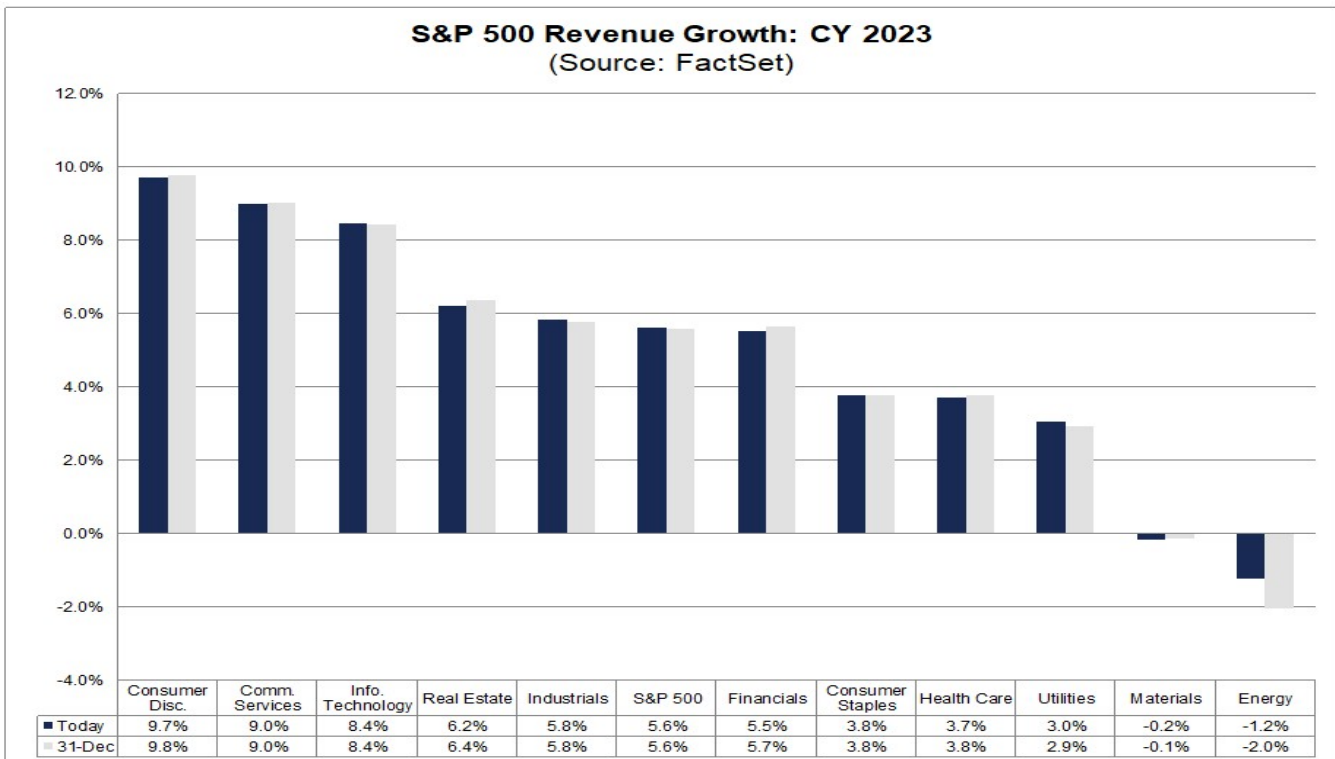
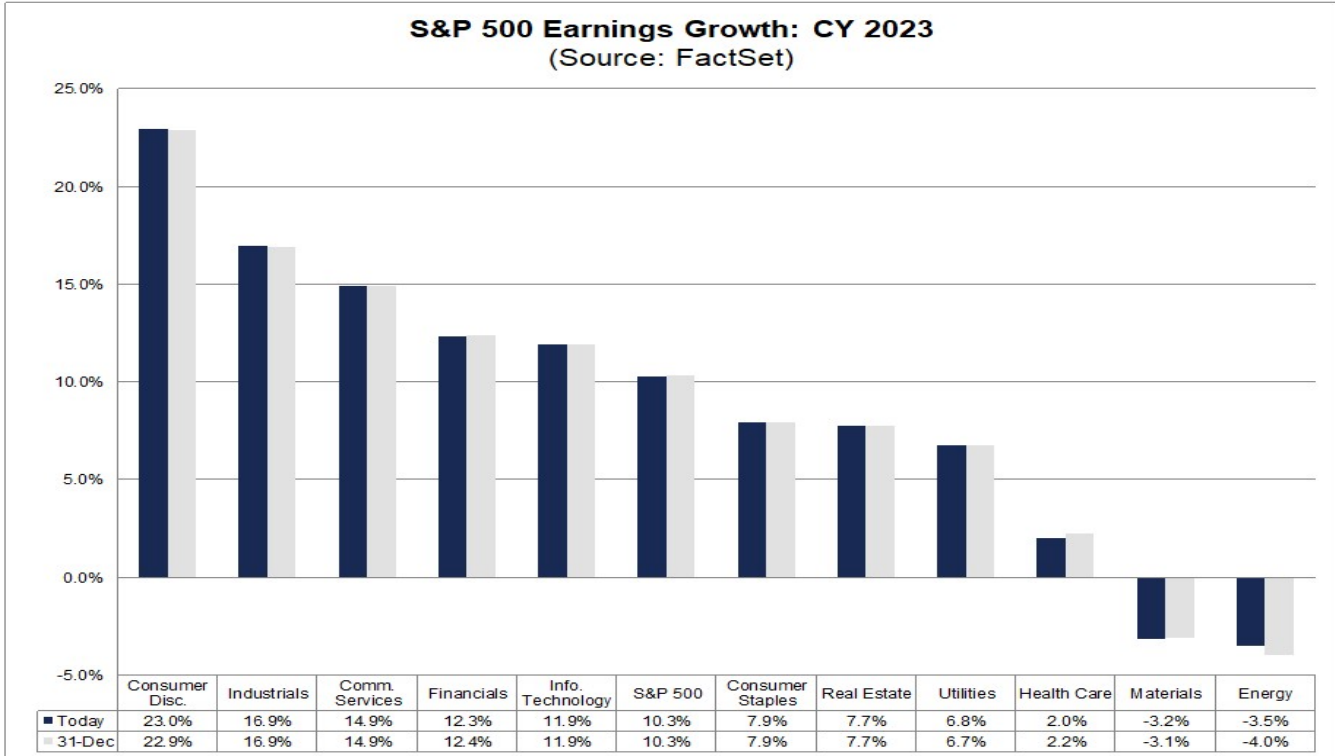
Q1 2022: Growth



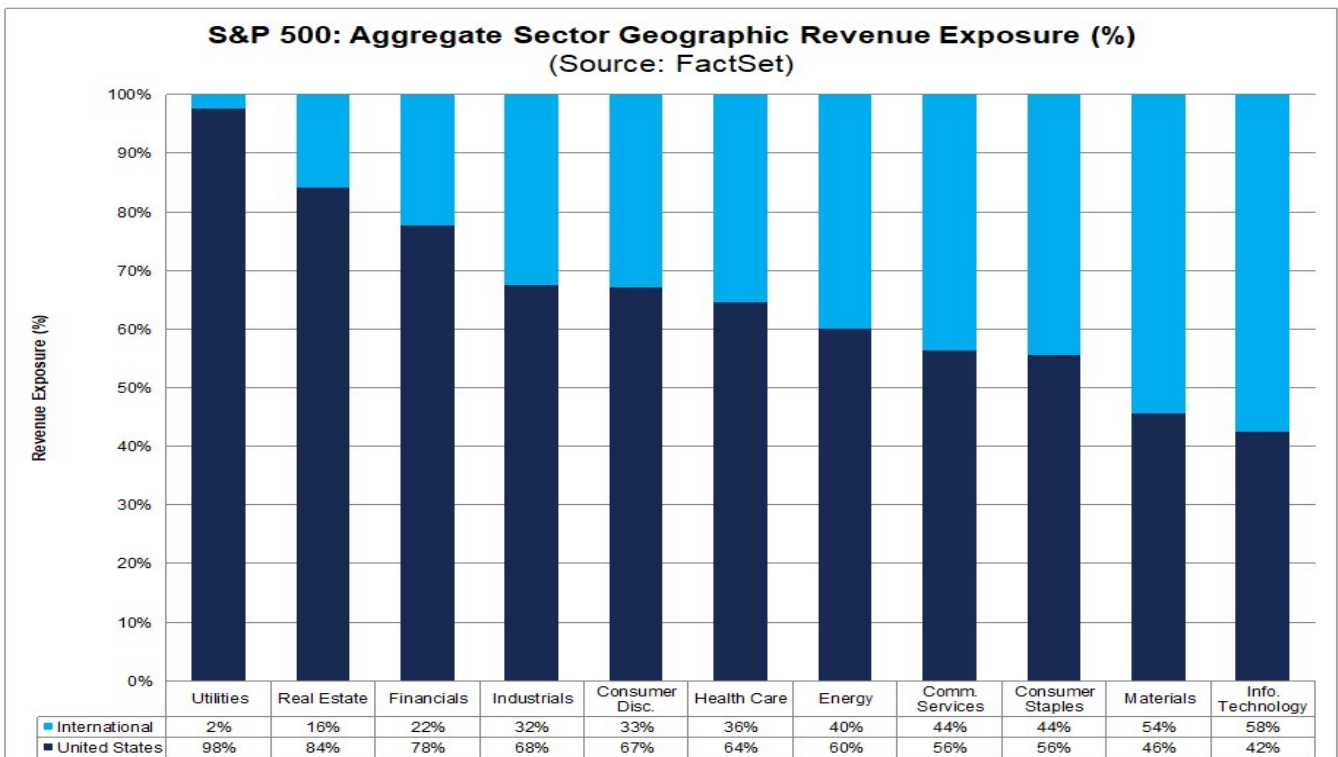
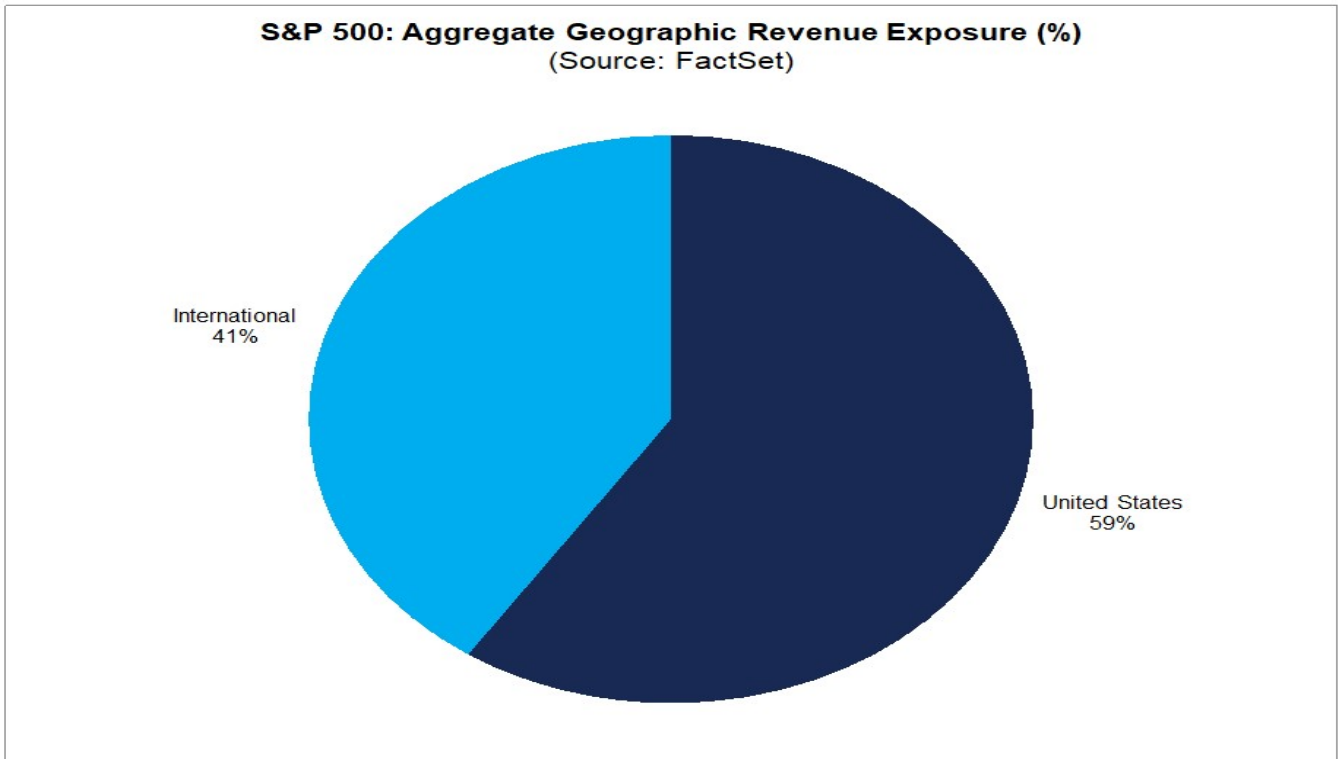
CY 2022: Growth



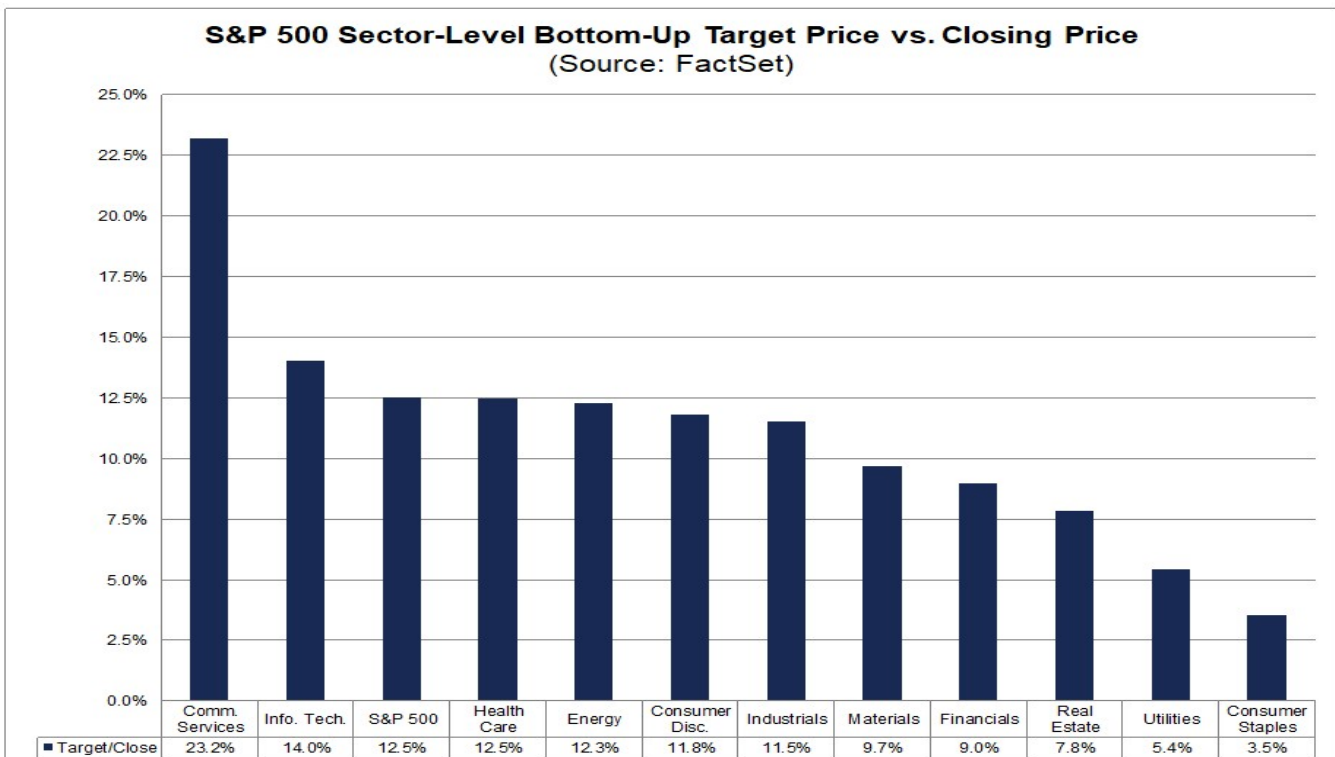
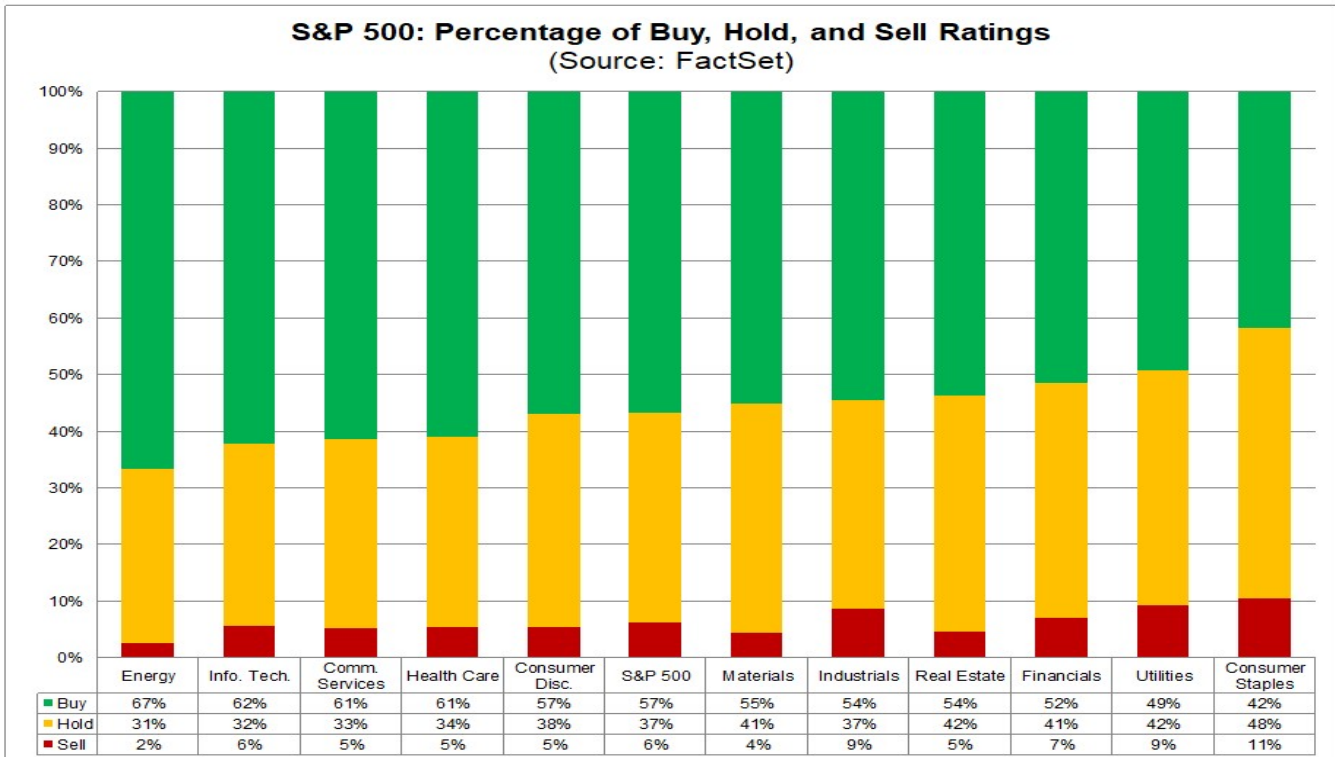
CY 2023: Growth



Geographic Revenue Exposure



Targets & Ratings



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