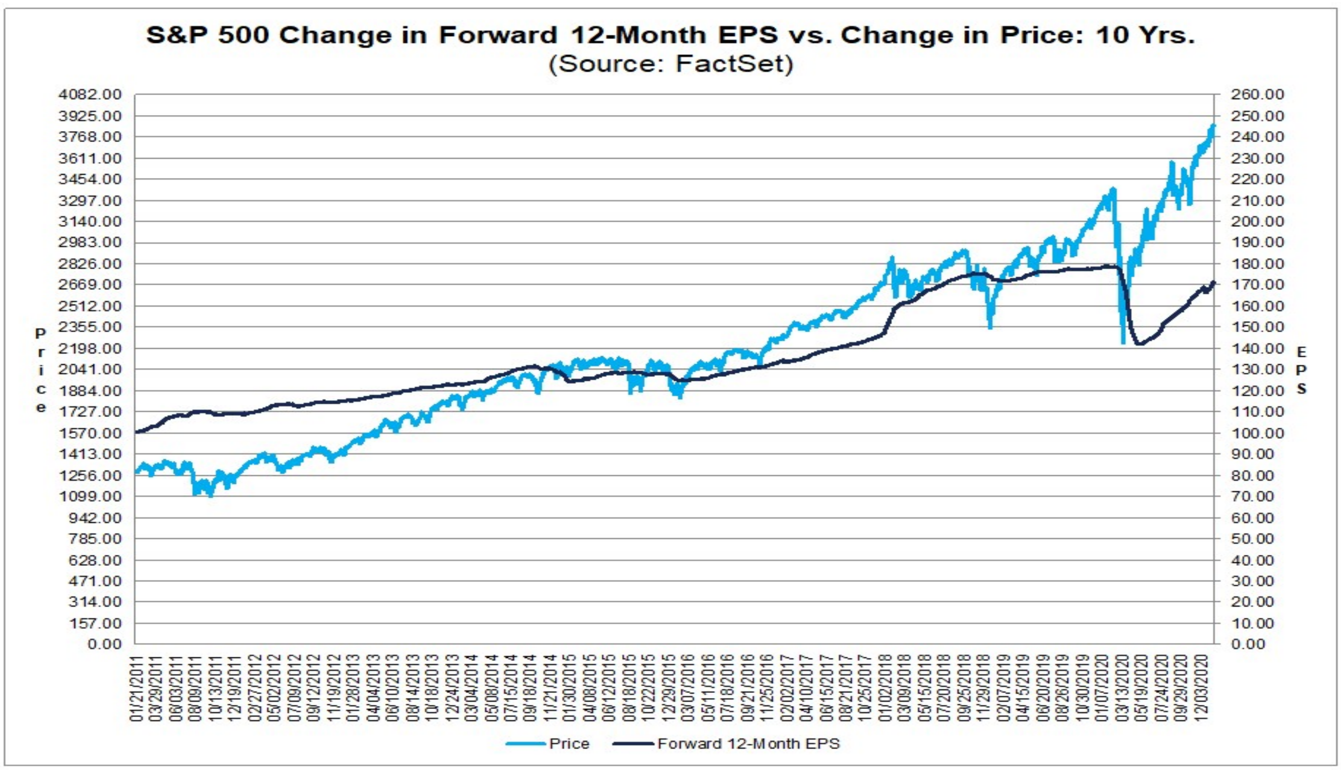
John Butters, Senior Earnings Analyst
jbutters@factset.com

Media Questions/Requests
media_request@factset.com

January 22, 2021

Key Metrics

- **Earnings Scorecard:** For Q4 2020 (with 13% of the companies in the S&P 500 reporting actual results), 86% of S&P 500 companies have reported a positive EPS surprise and 82% have reported a positive revenue surprise. If 86% is the final percentage, it will tie the mark for the highest percentage of S&P 500 companies reporting a positive EPS surprise since FactSet began tracking this metric in 2008.
- **Earnings Growth:** For Q4 2020, the blended earnings decline for the S&P 500 is -4.7%. If -4.7% is the actual decline for the quarter, it will mark the fourth straight quarter in which the index has reported a year-over-year decline in earnings.
- **Earnings Revisions:** On December 31, the estimated earnings decline for Q4 2020 was -9.2%. Nine sectors have smaller earnings declines or higher earnings growth rates today (compared to December 31) due to positive EPS surprises.
- **Earnings Guidance:** For Q1 2021, 2 S&P 500 companies have issued negative EPS guidance and 9 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 22.5. This P/E ratio is above the 5-year average (17.6) and above the 10-year average (15.7).



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Topic of the Week:

S&P 500 Reporting Net Profit Margin Above 10% for 2nd Straight Quarter

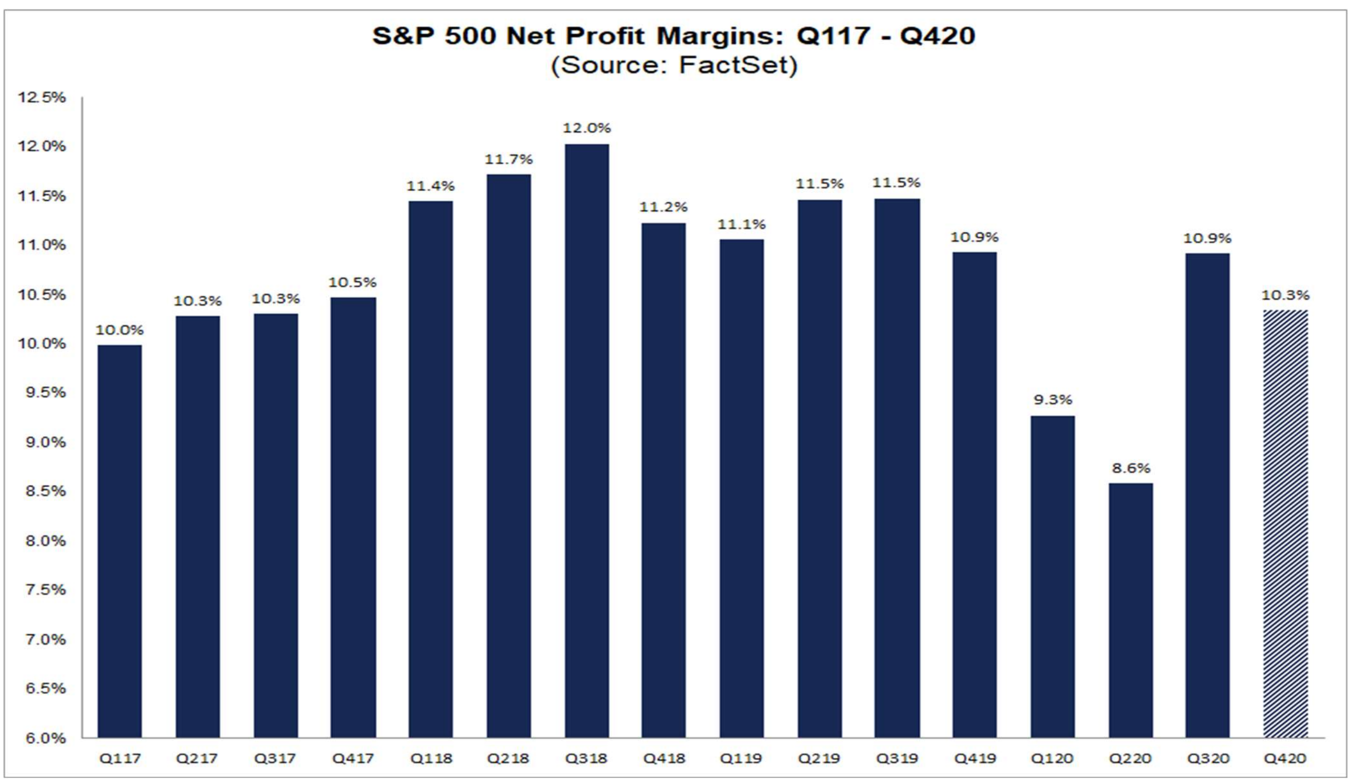
For the fourth quarter, the S&P 500 is reporting a year-over-year decline in earnings of -4.7% but year-over-year growth in revenues of 0.7%. Given the dichotomy between growth in earnings and revenues, what is the S&P 500 reporting for a net profit margin in the fourth quarter?

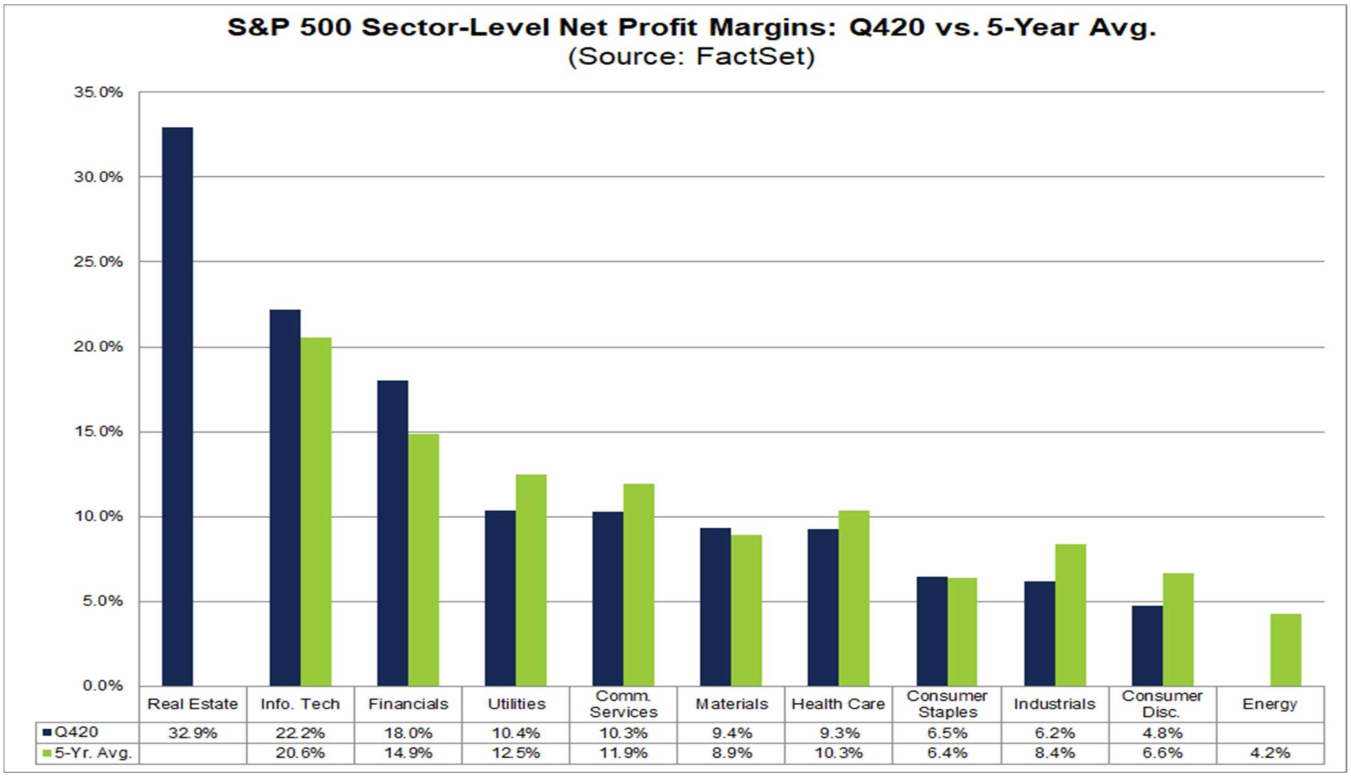
The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) net profit margin for the S&P 500 for Q4 2020 is 10.3%, which is below the 5-year average of 10.5% and below the year-ago net profit margin of 10.9%. However, if 10.3% is the actual net profit margin for the quarter, it will mark the first time the index has reported a net profit margin above 10% for two consecutive quarters since Q3 2019 and Q4 2019.

At the sector level, six sectors are reporting (or are projected to report) net profit margins that are below their 5-year averages, led by the Industrials (6.2% vs. 8.4%) and Utilities (10.4% vs. 12.5%) sectors. Eight sectors are reporting (or are projected to report) a year-over-year decline in their net profit margins in Q4 2020 compared to Q4 2019, led by the Industrials (6.2% vs. 8.6%) and Communication Services (10.2% vs, 12.3%) sectors. It should be noted that the Energy sector is predicted to report a loss for the quarter, so a net profit margin can't be calculated for this sector (due to negative earnings). For this analysis, the Energy sector is counted as reporting a net profit margin below its 5-year average net profit margin and below its year-ago net profit margin due to the expected loss.

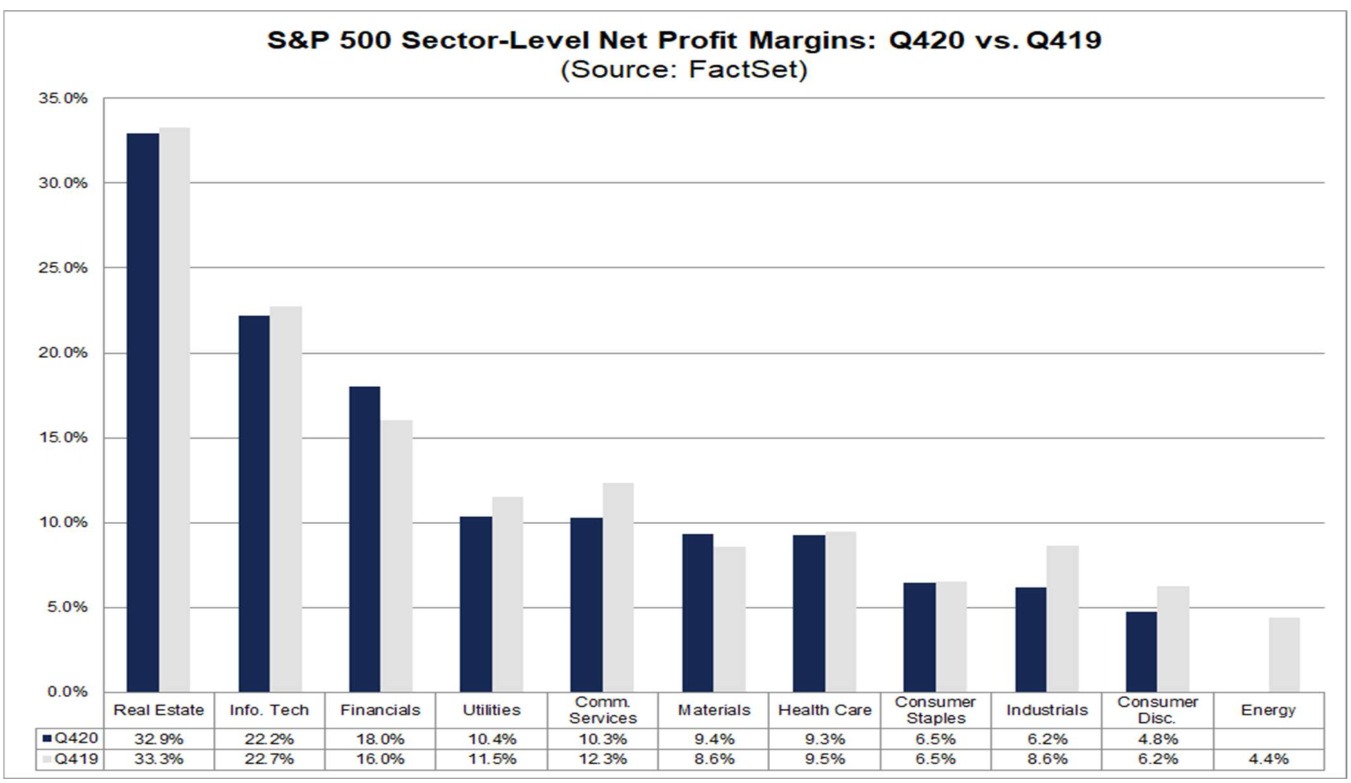
It should be noted the net profit margin for Q3 2020 increased significantly during the third quarter earnings season due to the unusually high number and magnitude of positive EPS surprises reported by S&P 500 companies. Just before the start of the Q3 earnings season (October 10), the estimated net profit margin for Q3 2020 was 9.4%. At the end of the Q3 earnings season, the actual net profit margin for Q3 2020 was 10.9%. If companies in the index repeat the strong performance of Q3 relative to earnings estimates in Q4, the net profit margin for Q4 2020 could see a similar increase. As of today, only 13% of S&P 500 companies have reported actual results for Q4.

Analysts also believe net profit margins will continue to be 10% or higher going forward. As of today, the estimated net profit margins for Q1 2021, Q2 2021, and Q3 2021 are 10.6%, 11.1%, and 11.6%. Analysts also are projecting year-over-year improvement in net profit margins starting in Q1 2021.





	Real Estate	Info. Tech	Financials	Utilities	Comm. Services	Materials	Health Care	Consumer Staples	Industrials	Consumer Disc.	Energy
Q420	32.9%	22.2%	18.0%	10.4%	10.3%	9.4%	9.3%	6.5%	6.2%	4.8%	
5-Yr. Avg.		20.6%	14.9%	12.5%	11.9%	8.9%	10.3%	6.4%	8.4%	6.6%	4.2%



	Real Estate	Info. Tech	Financials	Utilities	Comm. Services	Materials	Health Care	Consumer Staples	Industrials	Consumer Disc.	Energy
Q420	32.9%	22.2%	18.0%	10.4%	10.3%	9.4%	9.3%	6.5%	6.2%	4.8%	
Q419	33.3%	22.7%	16.0%	11.5%	12.3%	8.6%	9.5%	6.5%	8.6%	6.2%	4.4%

Q4 Earnings Season: By The Numbers

Overview

At this point in time, more S&P 500 companies are beating EPS estimates for the fourth quarter than average, and beating EPS estimates by a wider margin than average. As a result, the index is reporting higher earnings for the fourth quarter today relative to the end of last week and relative to the end of the quarter. Despite the increase in earnings, the index is still reporting a year-over-year decline in earnings, mainly due to the negative impact of COVID-19 on a number of industries within the index. But, if earnings continue to surpass estimates at current levels, it is likely the index will report year-over-year earnings growth for the quarter for the first time since Q4 2019.

Overall, 13% of the companies in the S&P 500 have reported actual results for Q4 2020 to date. Of these companies, 86% have reported actual EPS above estimates, which is above the 5-year average of 74%. If 86% is the final percentage for the quarter, it will mark the highest percentage of S&P 500 companies reporting a positive EPS surprise since FactSet began tracking this metric in 2008. In aggregate, companies are reporting earnings that are 22.4% above the estimates, which is also above the 5-year average of 6.3%. If 22.4% is the final percentage for the quarter, it will mark the second-largest earnings surprise percentage reported by the index since FactSet began tracking this metric in 2008.

Due to the number and magnitude of these positive EPS surprises, the blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings decline for the fourth quarter is smaller now relative to the end of last week and relative to the end of the quarter. As of today, the S&P 500 is reporting a year-over-year decline in earnings of -4.7%, compared to a year-over-year decline in earnings of -6.7% last week and a year-over-year decline in earnings of -9.2% at the end of the fourth quarter. Positive earnings surprises reported by companies in the Financials and Information Technology sectors were mainly responsible for the decrease in the overall earnings decline during the past week. Positive earnings surprises reported by companies in the Financials sector (led by JPMorgan Chase, Goldman Sachs, Citigroup, and Morgan Stanley) have also been mainly responsible for the decrease in the overall earnings decline since the end of the fourth quarter.

If -4.7% is the actual decline for the quarter, it will mark the fifth-largest (year-over-year) decline in earnings reported by the index since Q3 2009. It will also mark the fourth straight quarter and the seventh time in the past eight quarters in which the index has reported a year-over-year decline in earnings. Five sectors are reporting year-over-year earnings growth, led by the Financials, Materials, and Health Care sectors. Six sectors are reporting (or are predicted to report) a year-over-year decline in earnings, led by the Energy, Industrials, and Consumer Discretionary sectors.

In terms of revenues, 82% of S&P 500 companies have reported actual revenues above estimates, which is above the 5-year average of 62%. If 82% is the final percentage for the quarter, it will mark the highest percentage of S&P 500 companies reporting a positive revenue surprise since FactSet began tracking this metric in 2008. In aggregate, companies are reporting revenues that are 3.0% above the estimates, which is also above the 5-year average of 0.9%. If 3.0% is the final percentage for the quarter, it will mark the largest revenue surprise percentage reported by the index since FactSet began tracking this metric in 2008.

Due to the number and magnitude of these revenue surprises, the blended revenue growth rate for the fourth quarter is higher now relative to the end of last week and relative to the end of the fourth quarter. As of today, the S&P 500 is reporting year-over-year growth in revenues of 0.7%, compared to year-over-year growth in revenues of 0.4% last week and year-over-year growth in earnings of 0.1% at the end of the fourth quarter. Positive revenue surprises reported by companies in the Financials and Information Technology sectors were mainly responsible for the increase in the overall revenue growth rate during the past week.

If 0.7% is the actual growth rate for the quarter, it will mark the first time the index has reported year-over-year revenue growth since Q1 2020. Six sectors are reporting (or are projected to report) year-over-year growth in revenues, led by the Health Care and Consumer Discretionary sectors. Five sectors are reporting (or are predicted to report) a year-over-year decline in revenues, led by the Energy and Industrials sectors.

Looking at future quarters, analysts project earnings growth to return starting in Q1 2021 (18.1%).

The forward 12-month P/E ratio is 22.5, which is above the 5-year average and above the 10-year average.

During the upcoming week, 118 S&P 500 companies (including 13 Dow 30 components) are scheduled to report results for the fourth quarter.

Scorecard: Companies Reporting Record or Near-Record Performances vs. Estimates

Percentage of Companies Beating EPS Estimates (86%) is at Record-High Level

Overall, 13% of the companies in the S&P 500 have reported earnings to date for the fourth quarter. Of these companies, 86% have reported actual EPS above the mean EPS estimate, 3% have reported actual EPS equal to the mean EPS estimate, and 11% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is above the 1-year (75%) average and above the 5-year (74%) average.

If 86% is the final percentage for the quarter, it will mark the highest percentage of S&P 500 companies reporting a positive EPS surprise since FactSet began tracking this metric in 2008. The current record is 84%, which occurred in both Q3 2020 and Q2 2020.

At the sector level, the Consumer Discretionary (100%), Consumer Staples (100%), Health Care (100%), Information Technology (100%), and Materials (100%) sectors have the highest percentages of companies reporting earnings above estimates, while the Communication Services (0%) sector has the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (+22.4%) is Near Record-High Level

In aggregate, companies are reporting earnings that are 22.4% above expectations. This surprise percentage is above the 1-year (+11.9%) average and above the 5-year (+6.3%) average.

If 22.4% is the final percentage for the quarter, it will mark the second-largest earnings surprise percentage reported by the index since FactSet began tracking this metric in 2008. The current record is 23.1%, which occurred in Q2 2020.

The Industrials sector (+33.4%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, FedEx ($4.83 vs. $4.01) and Cintas ($2.62 vs. $2.18) have reported the largest positive EPS surprises.

The Financials sector (+28.7%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, SVB Financial Group ($7.40 vs. $3.80), Goldman Sachs ($12.08 vs. $7.45), Zions Bancorporation ($1.66 vs. $1.02), Citigroup ($2.08 vs. $1.34), and Travelers Companies ($4.91 vs. $3.18) have reported the largest positive EPS surprises.

Market Punishing Positive Earnings Surprises and Rewarding Negative Earnings Surprises

To date, the market is punishing positive earnings surprises but rewarding negative earnings surprises.

Companies that have reported positive earnings surprises for Q4 2020 have seen an average price decrease of -1.2% two days before the earnings release through two days after the earnings release. This percentage decrease is well below the 5-year average price increase of +0.9% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q4 2020 have seen an average price increase of +0.2% two days before the earnings release through two days after the earnings. This percentage increase is well above the 5-year average price decrease of -2.5% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (82%) is at Record-High Level

In terms of revenues, 82% of companies have reported actual revenues above estimated revenues and 18% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is above the 1-year average (66%) and above the 5-year average (62%).

If 82% is the final percentage for the quarter, it will mark the highest percentage of S&P 500 companies reporting a positive revenue surprise since FactSet began tracking this metric in 2008. The current record is 79%, which occurred in Q3 2020.

At the sector level, the Communication Services (100%), Consumer Staples (100%), Energy (100%), Health Care (100%), and Materials (100%) sectors have the highest percentages of companies reporting revenues above estimates, while the Industrials (60%) sector has the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+3.0%) is at Record-High Level

In aggregate, companies are reporting revenues that are 3.0% above expectations. This surprise percentage is above the 1-year (+1.4%) average and above the 5-year (+0.9%) average.

If 3.0% is the final percentage for the quarter, it will mark the largest revenue surprise percentage reported by the index since FactSet began tracking this metric in 2008. The current record is 2.6%, which occurred in Q3 2020.

At the sector level, the Materials (+4.6%), Consumer Discretionary (+4.1%), and Information Technology (+4.0%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues.

Revisions: Decrease in Blended Earnings Decline this Week Due to Financials and Technology

Decrease in Blended Earnings Decline This Week Due to Financials and Technology Sectors

The blended (year-over-year) earnings decline for the fourth quarter is -4.7%, which is smaller than the earnings decline of -6.7% last week. Positive earnings surprises reported by companies in the Financials and Information Technology sectors were mainly responsible for the decrease in the overall earnings decline for the index during the week.

In the Financials sector, the positive EPS surprises reported by Goldman Sachs ($12.08 vs. $7.45) and Morgan Stanley ($1.92 vs. $1.30) were substantial contributors to the decrease in the earnings decline for the index during the week. As a result, the blended earnings growth rate for the Financials sector increased to 11.3% from 3.7% over this period.

In the Information Technology sector, the positive EPS surprise reported by Intel ($1.52 vs. $1.11) was a significant contributor to the decrease in the earnings decline for the index during the week. As a result, the blended earnings growth rate for the Information Technology sector increased to 4.4% from 1.8% over this period.

Increase in Blended Revenue Growth This Week Due to Financials and Technology Sectors

The blended (year-over-year) revenue growth rate for the fourth quarter is 0.7%, which is larger than the revenue growth rate of 0.4% last week. Positive revenue surprises reported by companies in the Financials and Information Technology sectors were mainly responsible for the increase in the overall revenue growth rate during the past week.

Financials Sector Has Seen Largest Increase in Earnings since December 31

The blended (year-over-year) earnings decline for Q4 2020 of -4.7% is smaller than the estimate of -9.2% at the end of the fourth quarter (December 31). Nine sectors have recorded a decrease in their earnings decline or an increase in earnings growth since the end of the quarter due to upward revisions to earnings estimates and positive earnings surprises, led by the Financials sector (to 11.3% from -9.4%). Two sectors have recorded an increase in their earnings decline or a decrease in their earnings growth rate due to downward revisions to earnings estimates and negative earnings surprises, led by the Energy sector (to -102.5% from -96.8%).

Financials Sector Has Seen Largest Increase in Revenues since December 31

The blended (year-over-year) revenue growth rate for Q4 2020 of 0.7% is larger than the estimate of 0.1% at the end of the fourth quarter (December 31). Ten sectors have recorded a decrease in their revenue decline or an increase in revenue growth since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Financials (to -1.2% from -3.3%) sector. The Utilities sector is the only sector that has recorded a decrease in revenue growth (to 6.2% from 6.5%) during this time due to downward revisions to revenue estimates.

Earnings Decline: -4.7%

The blended (year-over-year) earnings decline for Q4 2020 is -4.7%, which is below the 5-year average earnings growth rate of 3.8%. If -4.7% is the actual decline for the quarter, it will mark the fifth-largest (year-over-year) decline in earnings for the index since Q3 2009. It will also mark fourth straight quarter and the seventh time in the past eight quarters in which the index has reported a year-over-year decline in earnings. Five sectors are reporting year-over-year earnings growth, led by the Financials, Materials and Health Care sectors. Six sectors are reporting (or are projected to report) a year-over-year decline in earnings, led by the Energy, Industrials, and Consumer Discretionary sectors.

Financials: Capital Markets and Diversified Financial Services Industries Lead Year-Over-Year Growth

The Financials sector is reporting the highest (year-over-year) earnings growth of all eleven sectors at 11.3%. At the industry level, four of the five industries in this sector are reporting (or are projected to report) year-over-year growth in earnings. Two of these four industries are reporting (or are projected to report) double-digit earnings growth: Capital Markets (33%) and Diversified Financial Services (25%). On the other hand, the Consumer Finance (-16%) is the only industry reporting a year-over-year declines in earnings.

At the company level, JPMorgan Chase, Goldman Sachs, and Morgan Stanley are the largest contributors to earnings growth for the sector. If these three companies were excluded, the earnings growth rate for the sector would fall to -1.3% from 11.3%

Materials: Metals & Mining Industry Largest Contributor to Year-Over-Year Growth

The Materials sector is reporting the second-highest (year-over-year) earnings growth of all eleven sectors at 8.3%. At the industry level, the Metals & Mining industry (178%) is the only industry in this sector predicted to report year-over-year growth in earnings. The other three industries in this sector are reporting (or are projected to report) year-over-year declines in earnings: Chemicals (-6%), Containers & Packaging (-5%), and Construction Materials (<-1%).

The Metals & Mining industry is also projected to be the largest contributor to year-over-year growth in earnings for the sector. If the three companies in this industry were excluded, year-over-year earnings for this sector would fall to -5.6% from 8.3%.

Health Care: AbbVie Largest Contributor to Year-Over-Year Growth

The Health Care sector is reporting the third-highest (year-over-year) earnings growth of all eleven sectors at 7.7%. At the industry level, five of the six industries in this sector are reporting (or are predicted to report) year-over-year growth in earnings. Four of these five industries are reporting (or are projected to report) double-digit earnings growth: Life Sciences Tools & Services (46%), Biotechnology (18%), Pharmaceuticals (13%), and Health Care Equipment & Supplies (11%). The only industry reporting a year-over-year decline in earnings is the Health Care Providers & Services (-18%) industry.

At the company level, AbbVie and Thermo Fisher Scientific are the largest contributors to earnings growth for the sector. However, the earnings growth rate for AbbVie is being boosted by an apples-to-oranges comparison of post-merger earnings in Q4 2020 to pre-merger earnings in Q4 2019. If these two companies were excluded, the earnings growth rate for the sector would fall to 2.5% from 7.8%.

Energy: 3 of 5 Sub-Industries Reporting Year-Over-Year Decline of More Than 95%

The Energy sector is reporting the largest (year-over-year) decline in earnings of all eleven sectors at -102.5%. Lower year-over-year oil prices are contributing to the earnings decline for this sector, as the average price of oil in Q4 2020 ($41.94) was 26% below the average price for oil in Q4 2019 ($56.87). At the sub-industry level, four of the five sub-industries in the sector are reporting (or are expected to report) a decline in earnings. Three of these four sub-industries are reporting (or are projected to report) a decline in earnings of more than 95%: Oil & Gas Refining & Marketing (-170%), Integrated Oil & Gas (-109%), and Oil & Gas Exploration & Production (-96%). The only sub-industry in the sector that is reporting year-over-year growth in earnings is the Oil & Gas Storage & Transportation (9%) sub-industry.

Industrials: Airlines Industry Largest Contributor To Year-Over-Year Decline

The Industrials sector is reporting the second-largest (year-over-year) earnings decline of all eleven sectors at -35.5%. At the industry level, seven of the twelve industries in this sector are reporting (or are expected to report) a decline in earnings. Four of these seven industries are reporting (or are expected to report) a double-digit decline in earnings: Airlines (-353%), Industrial Conglomerates (-21%), Trading Companies & Distributors (-12%), and Electrical Equipment (-11%). On the other hand, five industries are reporting (or are expected to report) earnings growth in this sector, led by the Air Freight & Logistics (31%) and Aerospace & Defense (14%) industries.

The Airlines industry is also the largest contributor to the year-over-year decline in earnings for the sector. If the five companies in this industry were excluded, the earnings decline for the sector would improve to -0.8% from -35.5%.

Consumer Discretionary: Hotels, Restaurants, & Leisure Industry Leads Year-Over-Year Decline

The Consumer Discretionary sector is reporting the third-largest (year-over-year) earnings decline of all eleven sectors at -17.8%. At the industry level, five of the ten industries in this sector are reporting (or are expected to report) a decline in earnings. Three of these five industries are reporting (or are projected to report) a double-digit decline in earnings: Hotels, Restaurants, & Leisure (-131%), Internet & Direct Marketing Retail (-25%), and Textiles, Apparel, & Luxury Goods (-20%). On the other hand, five industries in this sector are reporting (or are expected to report) earnings growth, led by the Automobiles (243%), Multiline Retail (32%), and Household Durables (25%) industries.

The Hotels, Restaurants, & Leisure industry is also the largest contributor to the year-over-year decline in earnings for the sector. If this industry were excluded, year-over-year earnings for the sector would improve to 10.3% from -17.8%.

Revenue Growth: 0.7%

The blended (year-over-year) revenue growth rate for Q4 2020 is 0.7%, which is below the 5-year average revenue growth rate of 3.5%. If 0.7% is the actual growth rate for the quarter, it will mark the first time the index has reported year-over-year revenue growth since Q1 2020. Six sectors are reporting (or are expected to report) year-over-year growth in revenues, led by Health Care and Consumer Discretionary sectors. Five sectors are reporting (or are expected to report) a year-over-year decline in revenues, led by the Energy and Industrials sectors.

Health Care: 5 of 6 Industries Reporting Year-Over-Year Growth

The Health Care sector is reporting the highest (year-over-year) revenue growth of all eleven sectors at 10.3%. At the industry level, five of the six industries in this sector are reporting (or are expected to report) year-over-year growth in revenues. Four these five industries are reporting (or are projected to report) double-digit growth in revenues: Life Sciences Tools & Services (23%), Biotechnology (21%), Pharmaceuticals (11%), and Health Care Equipment & Supplies (10%). On the other hand, the only industry that is projected to report a decline in revenue is the Health Care Technology (-3%) industry.

It should be noted that the revenue growth rates of some of the companies that are the largest contributors to revenue growth for this sector (including Centene and AbbVie) are being boosted by apples-to-oranges comparisons of post-merger revenues in Q4 2020 to pre-merger revenues in Q4 2019.

Consumer Discretionary: 7 of 10 Industries Reporting Year-Over-Year Growth

The Consumer Discretionary sector is reporting the second-largest (year-over-year) revenue growth of all eleven sectors at 7.9%. At the industry level, seven of the ten industries in this sector are reporting (or are expected to report) a decline in revenues. Five these seven industries are reporting (or are projected to report) double-digit growth in revenues: Internet & Direct Marketing Retail (30%), Auto Components (21%), Leisure Products (18%), Multiline Retail (15%), and Specialty Retail (10%) industries. On the other hand, three industries are reporting (or are projected to report) a year-over-year decline in revenues, led by the Hotels, Restaurants, & Leisure (-41%) industry.

Energy: 4 of 5 Sub-Industries Reporting Year-Over-Year Decline of More Than 25%

The Energy sector is reporting the largest (year-over-year) decline in revenue of all eleven sectors at -34.0%. Lower year-over-year oil prices are contributing to the revenue decline for this sector, as the average price of oil in Q4 2020 ($41.94) was 26% below the average price for oil in Q4 2019 ($56.87). At the sub-industry level, all five sub-industries in the sector are reporting (or are expected to report) a year-over-year decline in revenue. Four sub-industries are reporting (or are projected to report) a decline in revenue of more than 25%: Oil & Gas Refining & Marketing (-44%), Oil & Gas Exploration & Production (-31%), Integrated Oil & Gas (-30%), and Oil & Gas Equipment & Services (-26%).

Industrials: Airlines Industry Largest Contributor to Year-Over-Year Decline

The Industrials sector is reporting the second-largest (year-over-year) revenue decline of all eleven sectors at -10.4%. At the industry level, ten of the twelve industries in this sector are reporting (or are predicted to report) a decline in revenues, led by the Airlines (-66%) industry. On the other hand, the Air Freight & Logistics (15%) industry is reporting the largest year-over-year revenue growth in the sector.

The Airlines industry is also the largest contributor to the year-over-year decline in revenue for the sector. If the five companies in this industry were excluded, the revenue decline for the sector would improve to -2.8% from -10.4%.

Net Profit Margin: 10.3%

The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) net profit margin for the S&P 500 for Q4 2020 is 10.3%, which is below the 5-year average of 10.5% and below the year-ago net profit margin of 10.9%. However, if 10.3% is the actual net profit margin for the quarter, it will mark the first time the index has reported a net profit margin above 10% for two consecutive quarters since Q3 2019 and Q4 2019.

At the sector level, six sectors are reporting (or are projected to report) net profit margins that are below their 5-year averages, led by the Industrials (6.2% vs. 8.4%) and Utilities (10.4% vs. 12.5%) sectors. Nine sectors are reporting (or are projected to report) a year-over-year decline in their net profit margins in Q4 2020 compared to Q4 2019, led by the Industrials (6.2% vs. 8.6%) and Communication Services (10.2% vs, 12.3%) sectors. It should be noted that the Energy sector is predicted to report a loss for the quarter, so a net profit margin can’t be calculated for this sector (due to negative earnings). For this analysis, the Energy sector is counted as reporting a net profit margin below its 5-year average net profit margin and below its year-ago net profit margin due to the expected loss.

Looking Ahead: Forward Estimates and Valuation

Guidance: More S&P 500 Companies Issuing Positive EPS Guidance for Q1 Than Average

At this point in time, 11 companies in the index have issued EPS guidance for Q1 2021. Of these 11 companies, 2 have issued negative EPS guidance and 9 have issued positive EPS guidance. The percentage of companies issuing positive EPS guidance is 82% (9 out of 11), which is well above the 5-year average of 33%.

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: S&P 500 Reporting Earnings Decline of -12% for CY 2020

For the fourth quarter, S&P 500 companies are reporting a decline in earnings of -4.7% and growth in revenues of 0.7%. For all of 2020, S&P 500 companies are reporting a decline in earnings of -12.3% and a decline in revenue of -1.5%.

For Q1 2021, analysts are projecting earnings growth of 18.1% and revenue growth of 4.4%.

For Q2 2021, analysts are projecting earnings growth of 47.8% and revenue growth of 14.8%.

For Q3 2021, analysts are projecting earnings growth of 15.3% and revenue growth of 8.7%.

For Q4 2021, analysts are projecting earnings growth of 18.1% and revenue growth of 7.3%.

For CY 2021, analysts are projecting earnings growth of 22.6% and revenue growth of 8.3%.

Valuation: Forward P/E Ratio is 22.5, Above the 10-Year Average (15.7)

The forward 12-month P/E ratio is 22.5. This P/E ratio is above the 5-year average of 17.6 and above the 10-year average of 15.7. It is also slightly above the forward 12-month P/E ratio of 22.4 recorded at the end of the fourth quarter (December 31). Since the end of the fourth quarter (December 31), the price of the index has increased by 2.6%, while the forward 12-month EPS estimate has increased by 2.3%.

At the sector level, the Consumer Discretionary (37.7) sector has the highest forward 12-month P/E ratio, while the Financials (14.4) sector has the lowest forward 12-month P/E ratio.

Targets & Ratings: Analysts Project 8% Increase in Price Over Next 12 Months

The bottom-up target price for the S&P 500 is 4161.59, which is 8.0% above the closing price of 3853.07. At the sector level, the Consumer Staples (+13.0%) 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 Discretionary (+2.5%) sector is expected to see the smallest price increase, as this sector has the smallest upside difference between the bottom-up target price and the closing price.

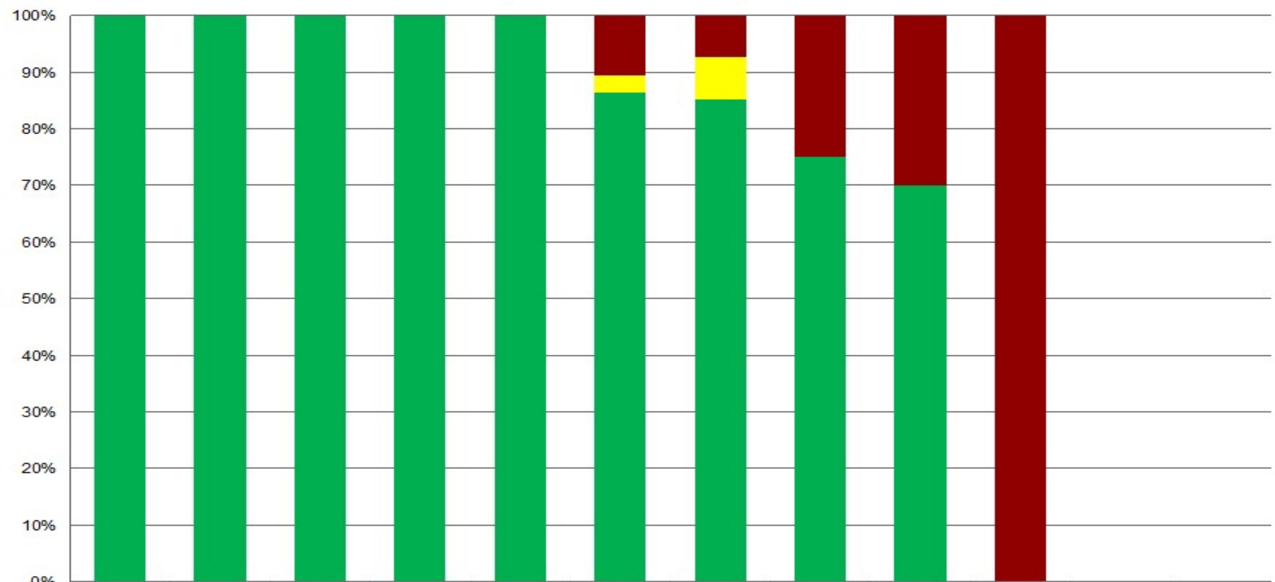
Overall, there are 10,406 ratings on stocks in the S&P 500. Of these 10,406 ratings, 54.4% are Buy ratings, 38.8% are Hold ratings, and 7.2% are Sell ratings. At the sector level, the Energy (64%) and Health Care (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (46%) sector has the lowest percentage of Buy ratings.

Companies Reporting Next Week: 118

During the upcoming week, 118 S&P 500 companies (including 13 Dow 30 components) are scheduled to report results for the fourth quarter.

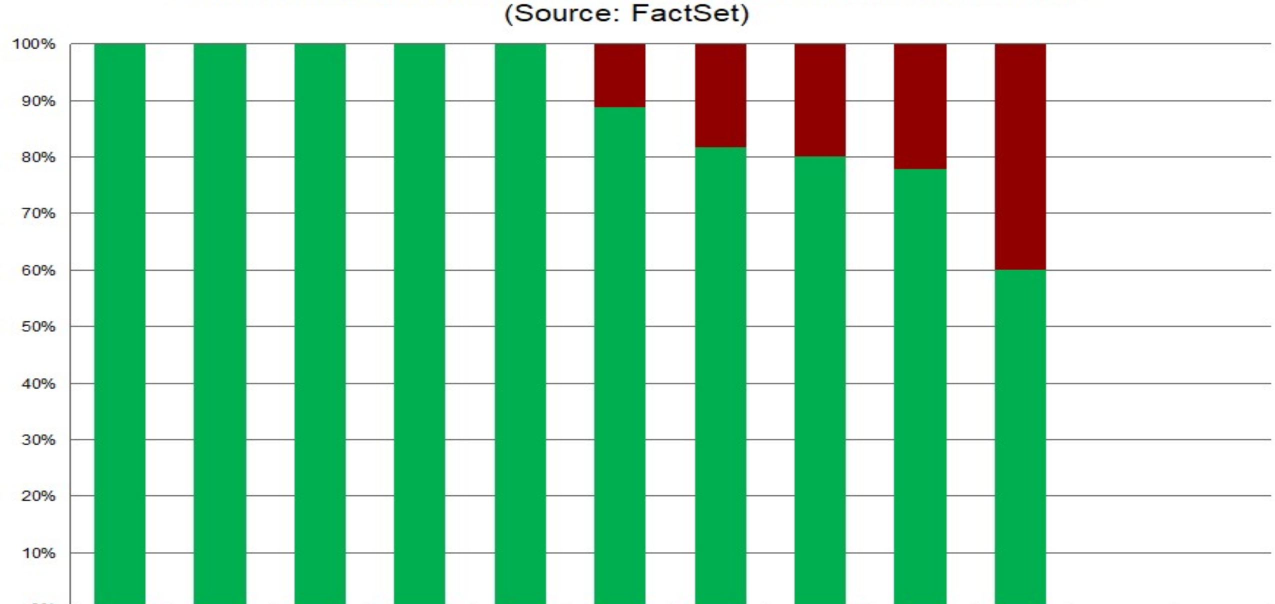
Q4 2020: Scorecard

S&P 500 Earnings Above, In-Line, Below Estimates: Q4 2020
(Source: FactSet)



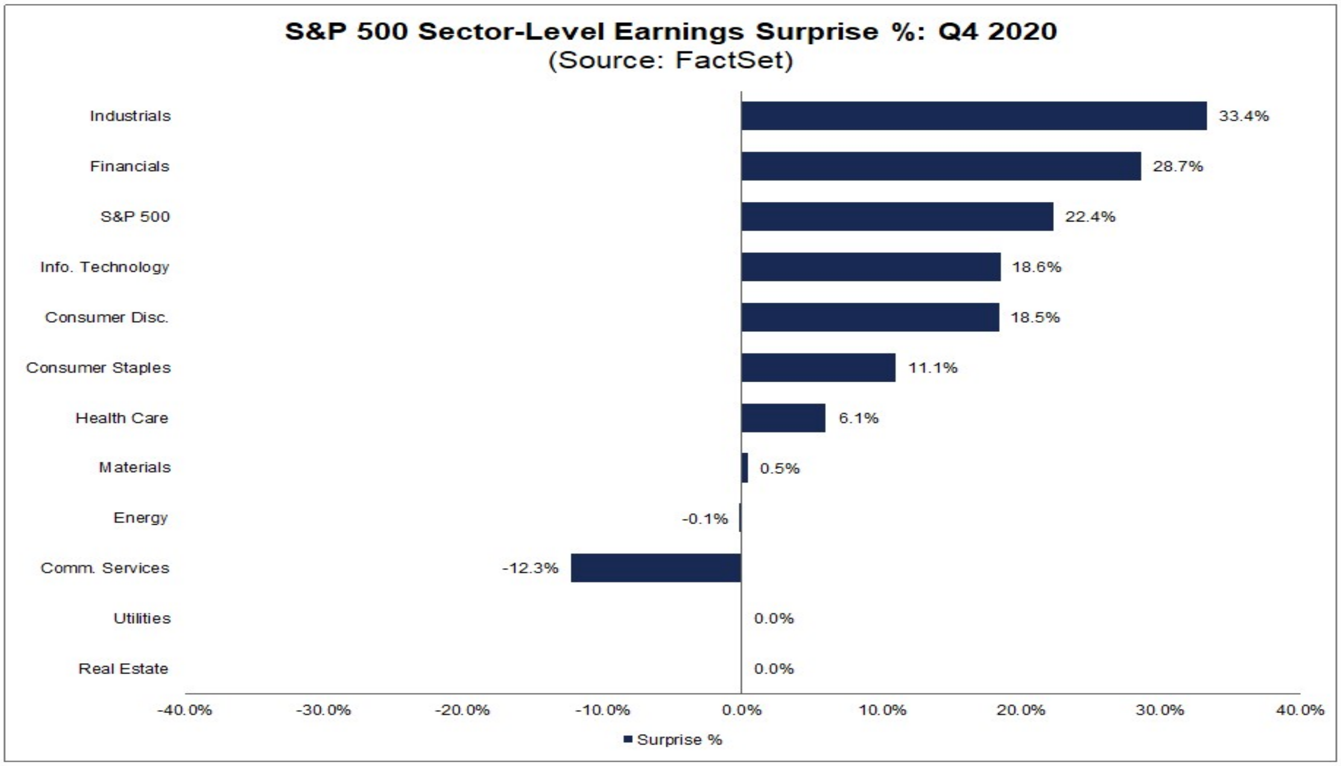
	Info. Technology	Consumer Staples	Consumer Disc.	Health Care	Materials	S&P 500	Financials	Energy	Industrials	Comm. Services	Utilities	Real Estate
Below	0%	0%	0%	0%	0%	11%	7%	25%	30%	100%	0%	0%
In-Line	0%	0%	0%	0%	0%	3%	7%	0%	0%	0%	0%	0%
Above	100%	100%	100%	100%	100%	86%	85%	75%	70%	0%	0%	0%

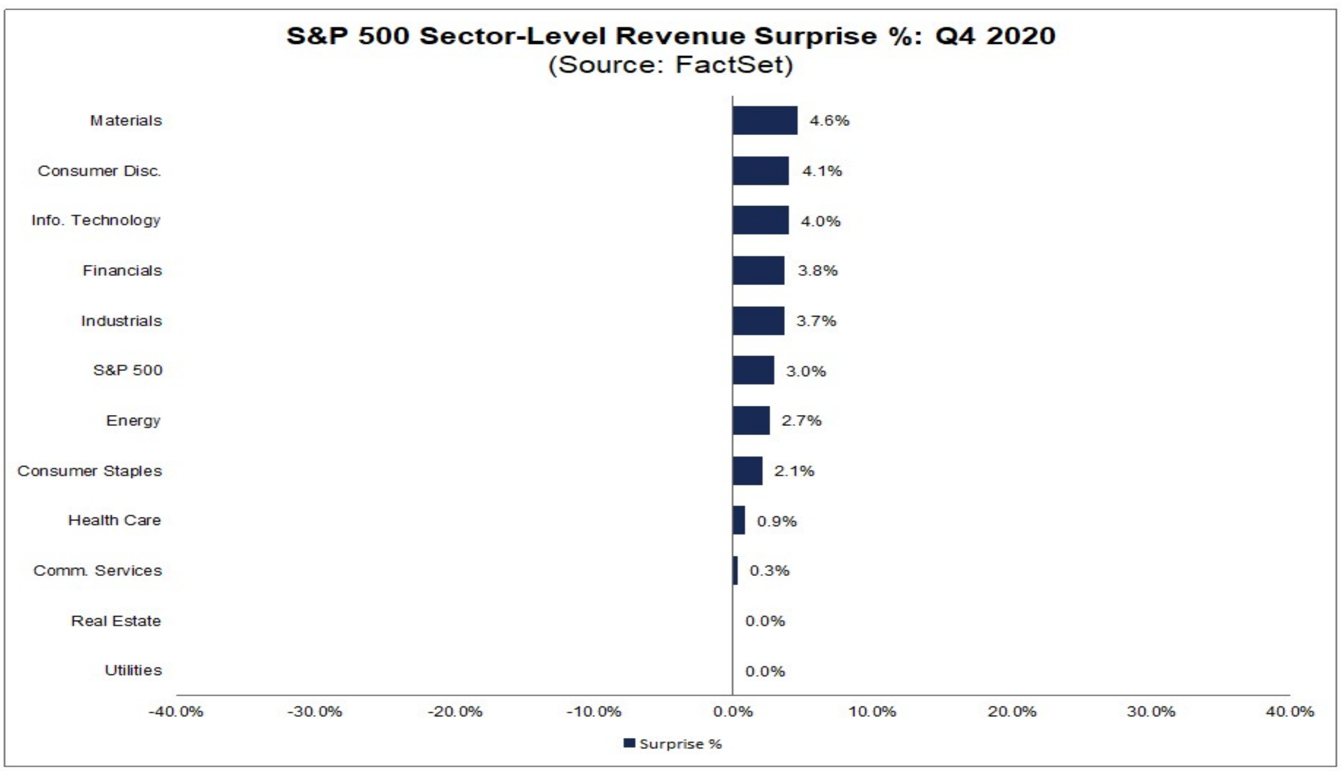
S&P 500 Revenues Above, In-Line, Below Estimates: Q4 2020
(Source: FactSet)



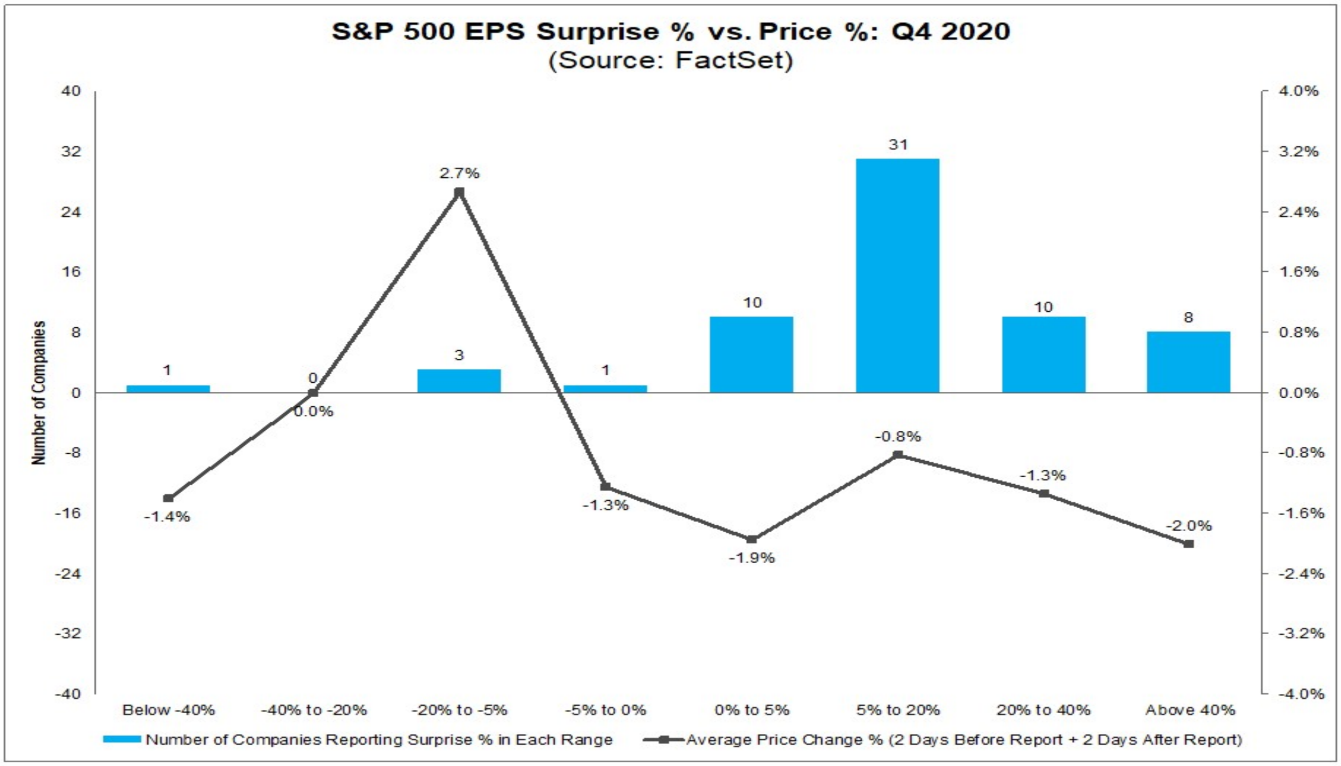
	Consumer Staples	Health Care	Comm. Services	Energy	Materials	Info. Technology	S&P 500	Consumer Disc.	Financials	Industrials	Real Estate	Utilities
Below	0%	0%	0%	0%	0%	11%	18%	20%	22%	40%	0%	0%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	100%	100%	100%	100%	100%	89%	82%	80%	78%	60%	0%	0%

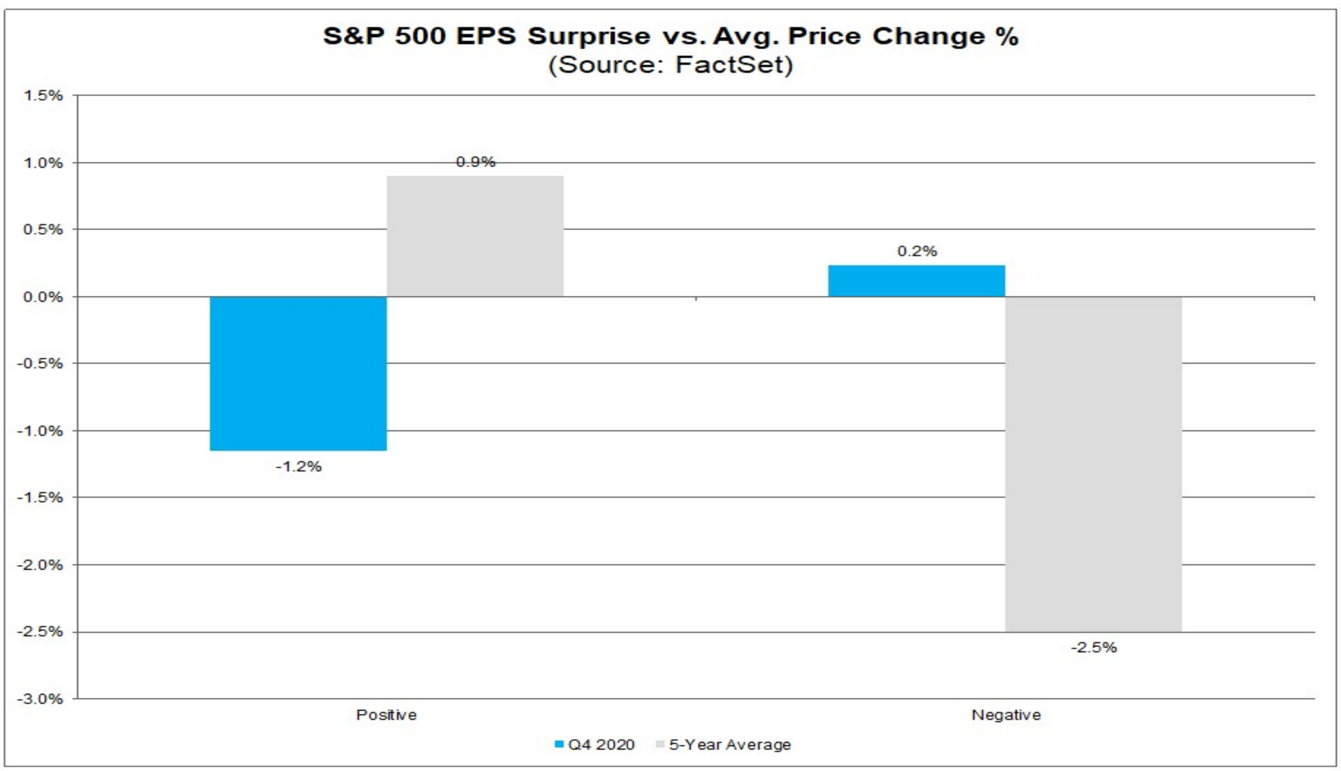
Q4 2020: Scorecard



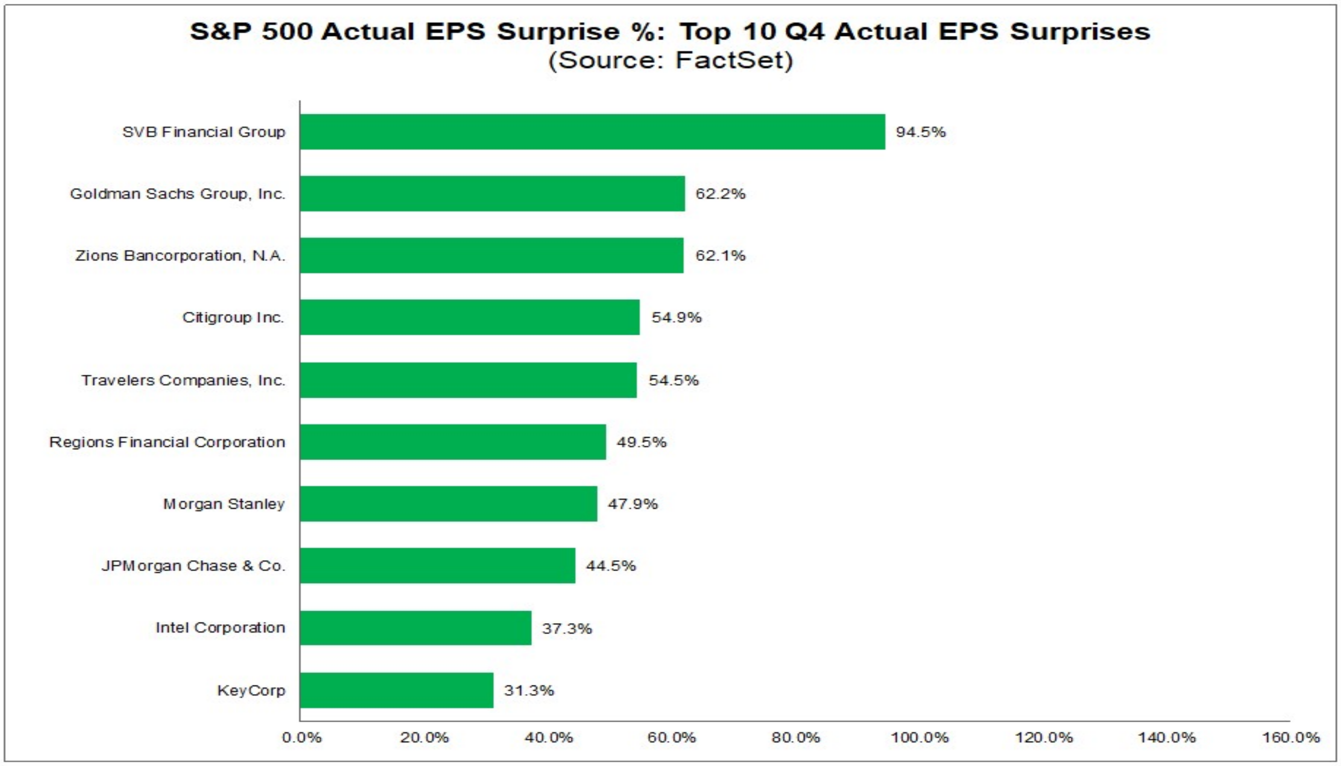


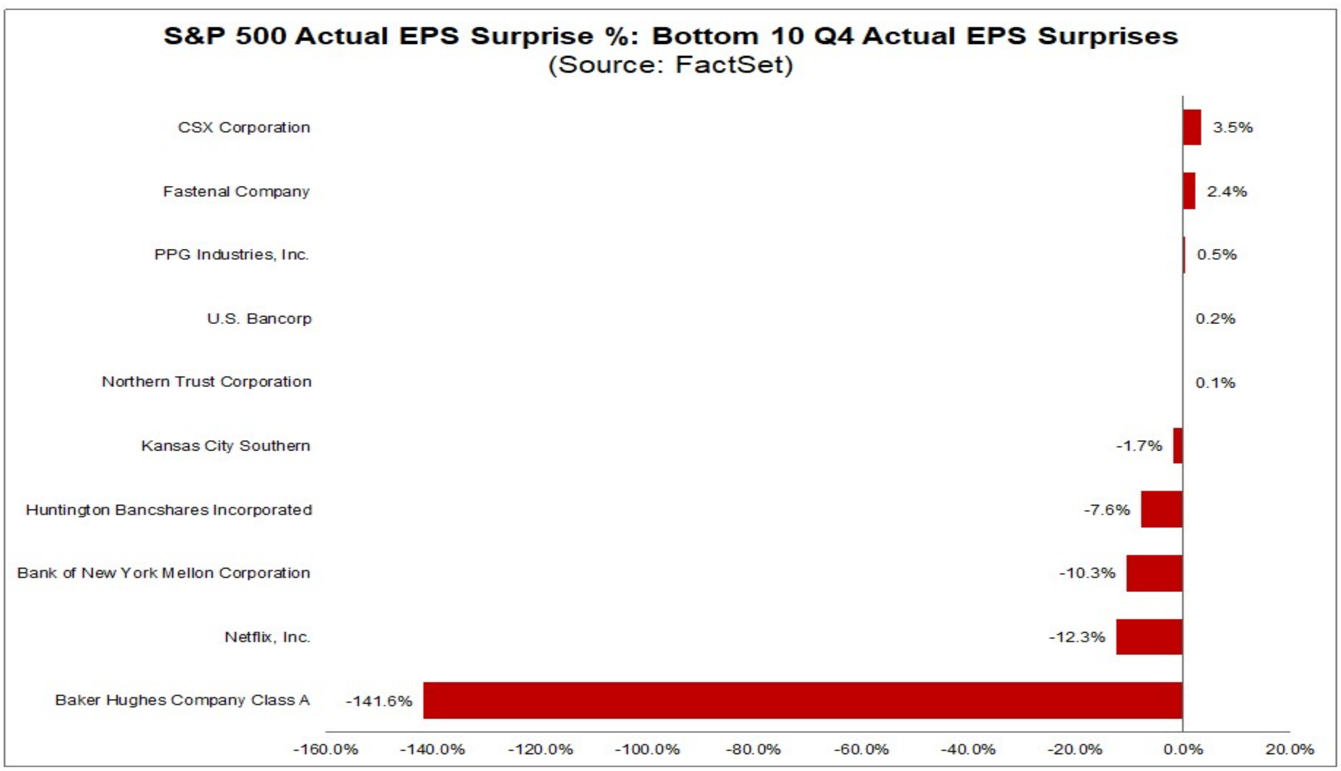
Q4 2020: Scorecard



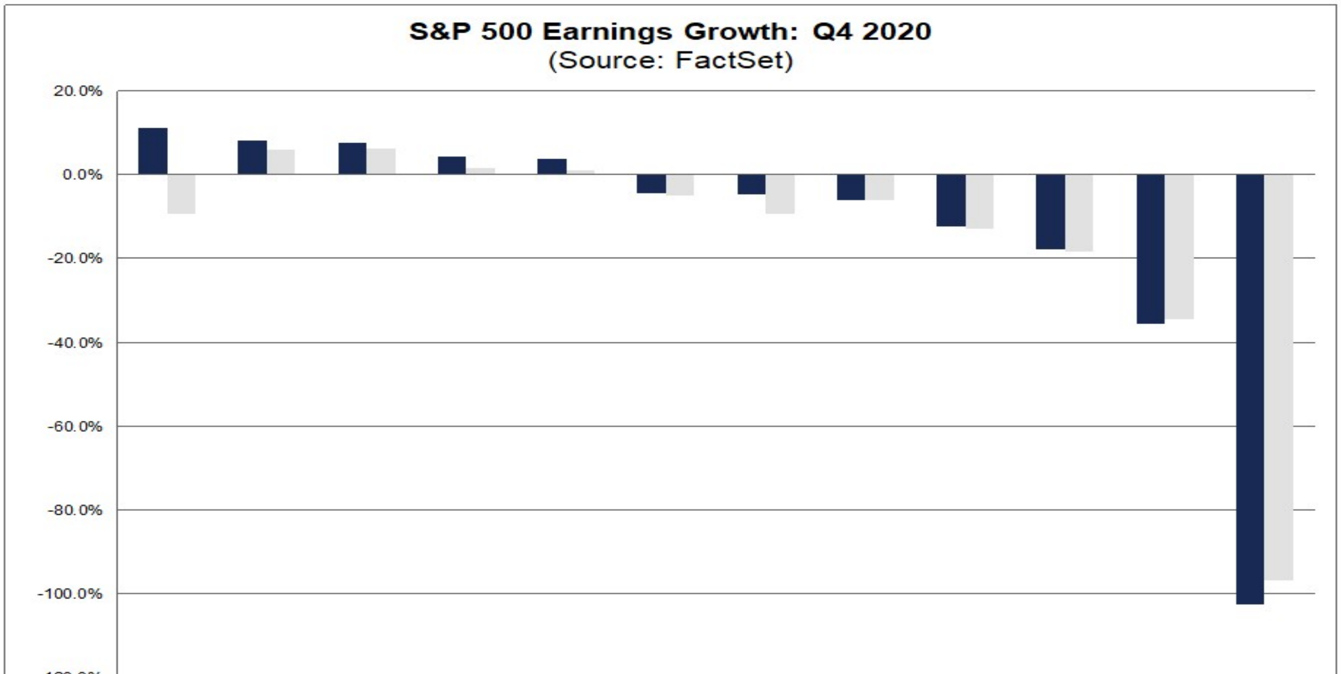


Q4 2020: Scorecard

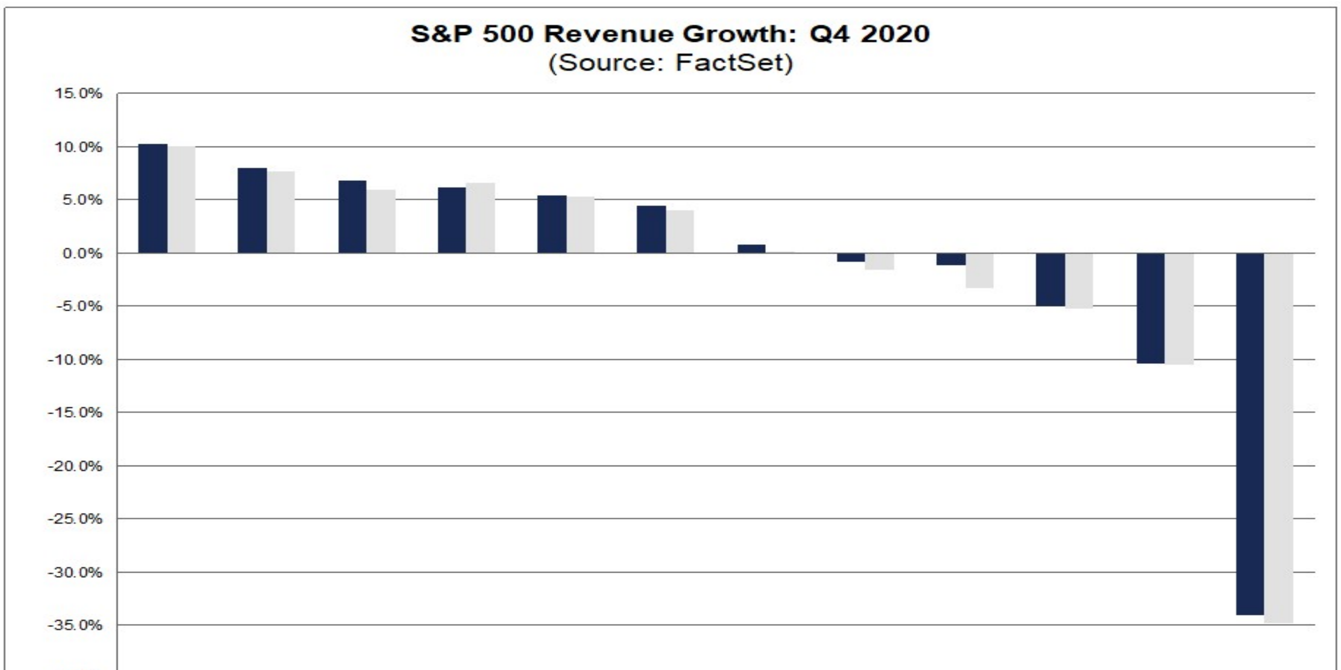




Q4 2020: Growth

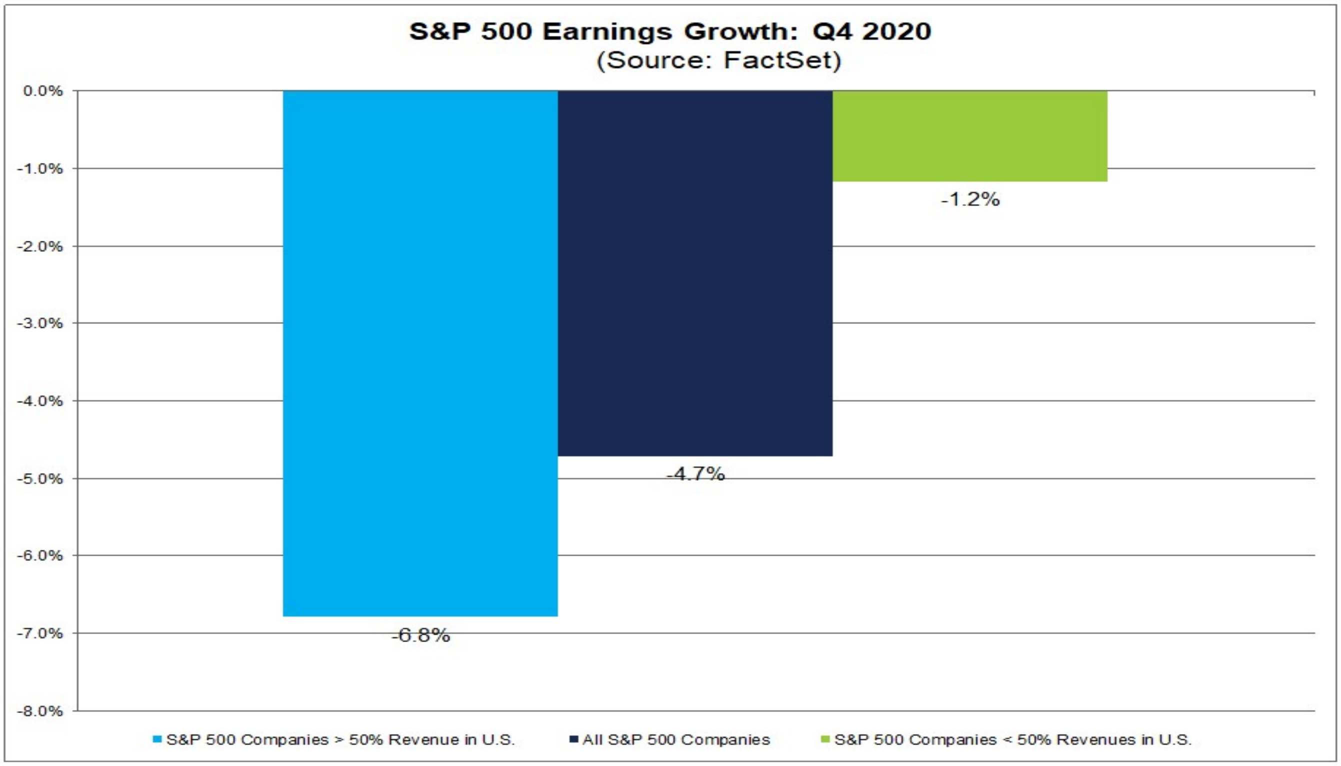


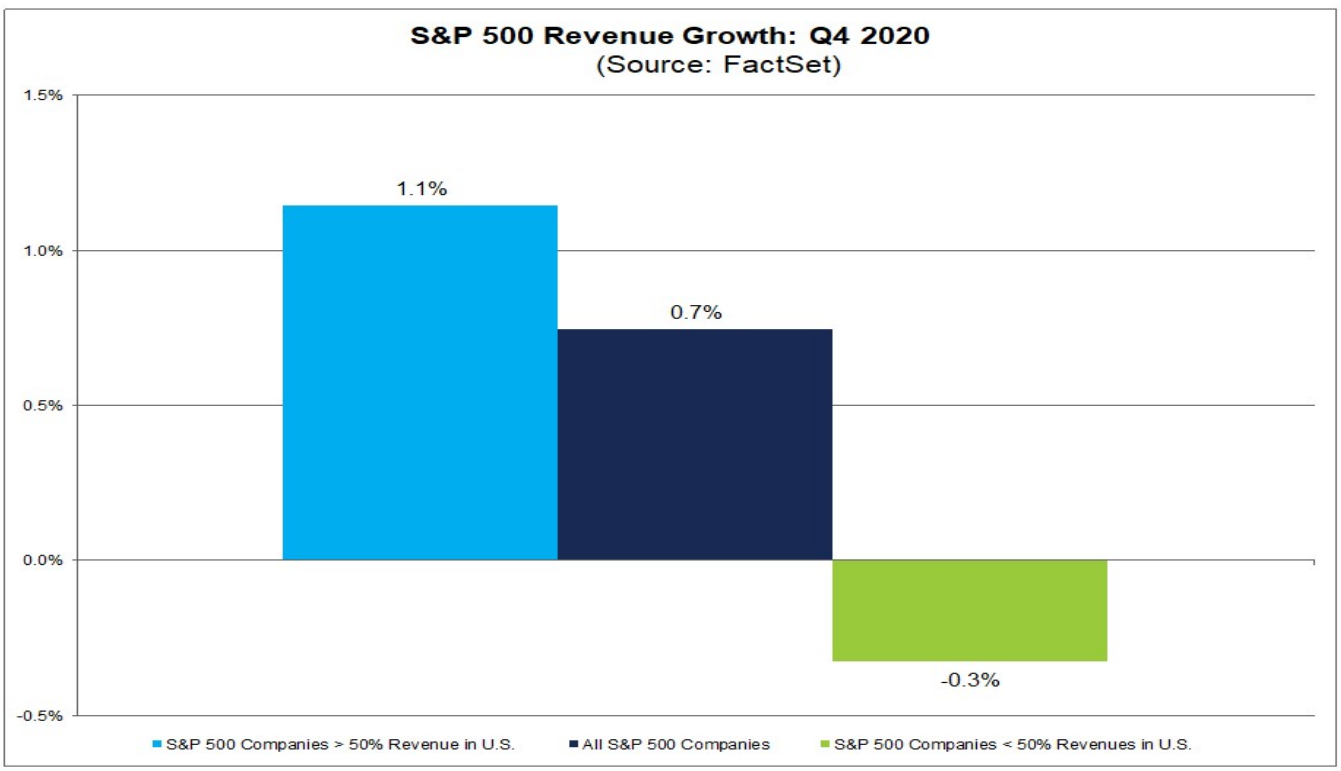
	Financials	Materials	Health Care	Info. Technology	Consumer Staples	Utilities	S&P 500	Real Estate	Comm. Services	Consumer Disc.	Industrials	Energy
Today	11.3%	8.3%	7.7%	4.4%	3.8%	-4.4%	-4.7%	-6.0%	-12.4%	-17.8%	-35.5%	-102.5%
31-Dec	-9.4%	6.1%	6.4%	1.5%	1.0%	-5.0%	-9.2%	-6.1%	-12.8%	-18.3%	-34.7%	-96.8%



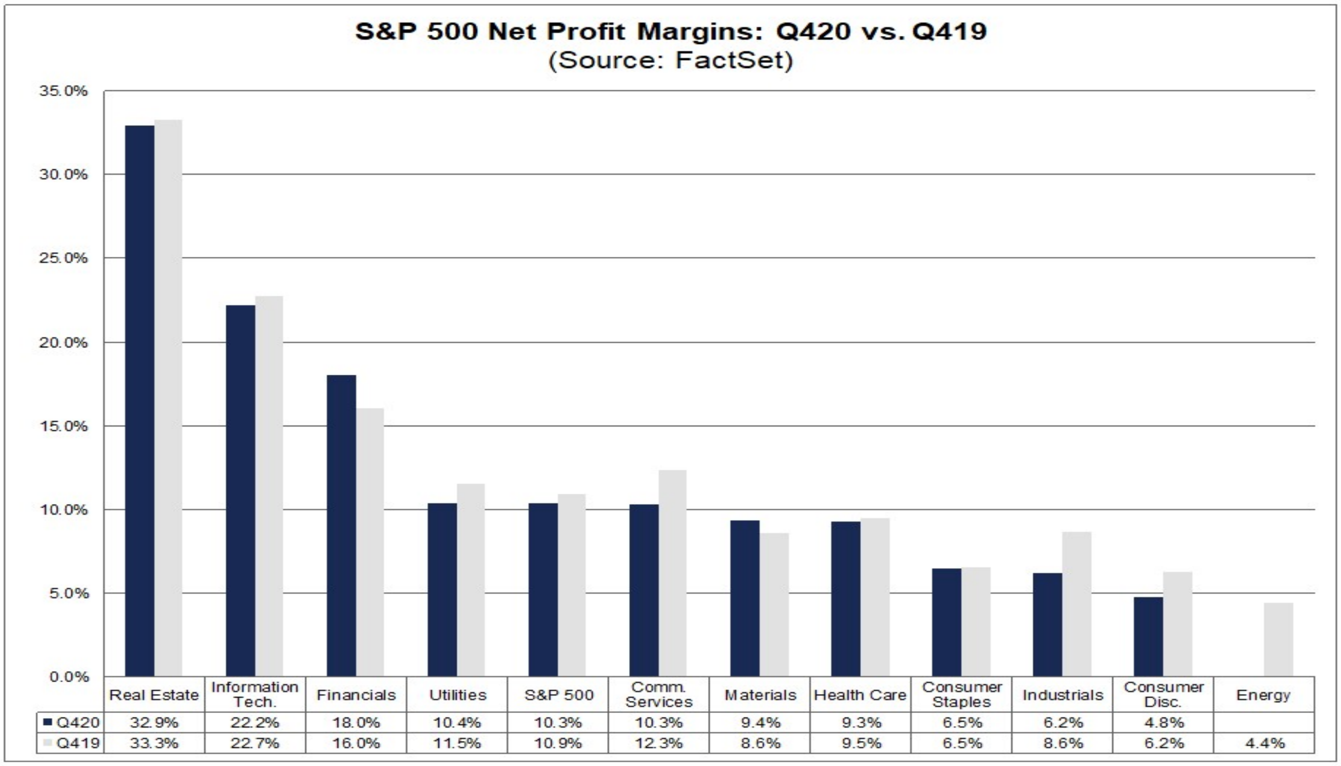
	Health Care	Consumer Disc.	Info. Technology	Utilities	Comm. Services	Consumer Staples	S&P 500	Materials	Financials	Real Estate	Industrials	Energy
Today	10.3%	7.9%	6.9%	6.2%	5.4%	4.5%	0.7%	-0.8%	-1.2%	-5.1%	-10.4%	-34.0%
31-Dec	10.0%	7.6%	5.9%	6.5%	5.3%	4.0%	0.1%	-1.6%	-3.3%	-5.2%	-10.5%	-34.8%

Q4 2020: Growth

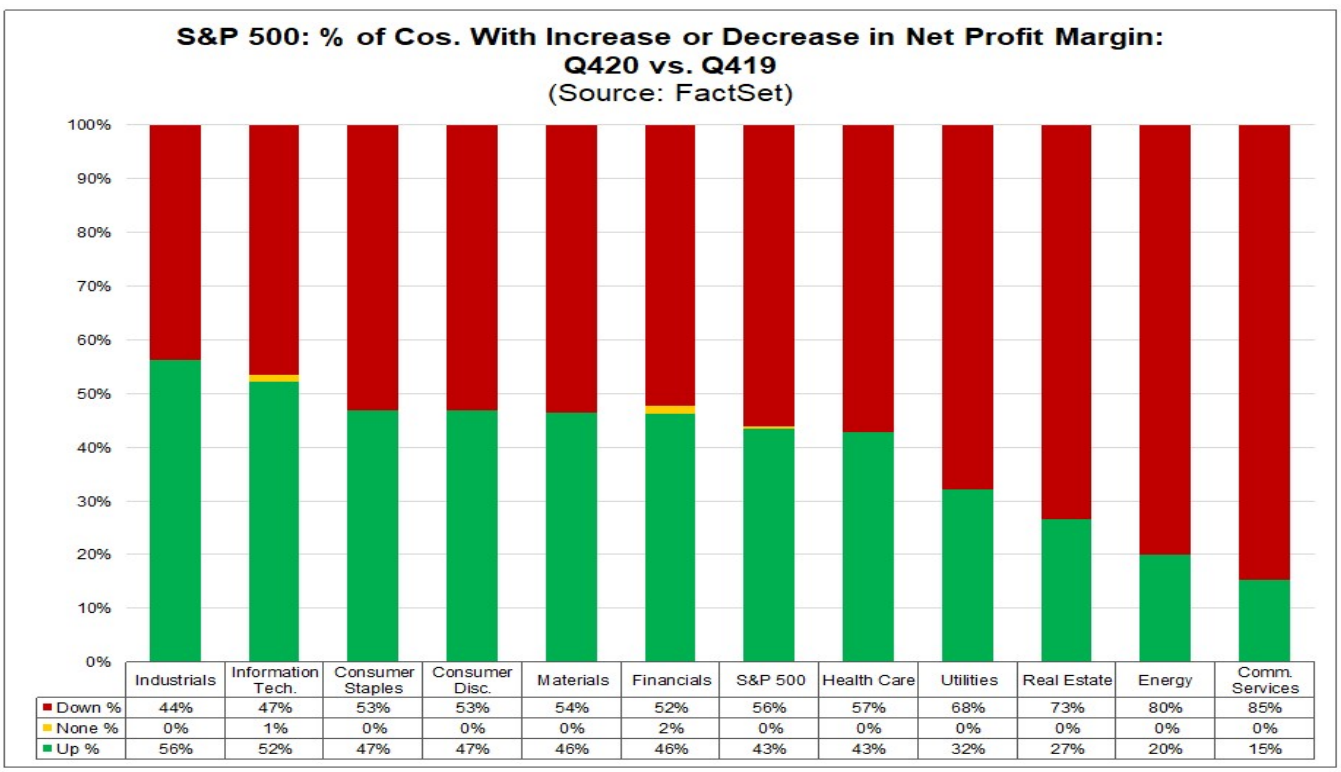




Q4 2020: Net Profit Margin

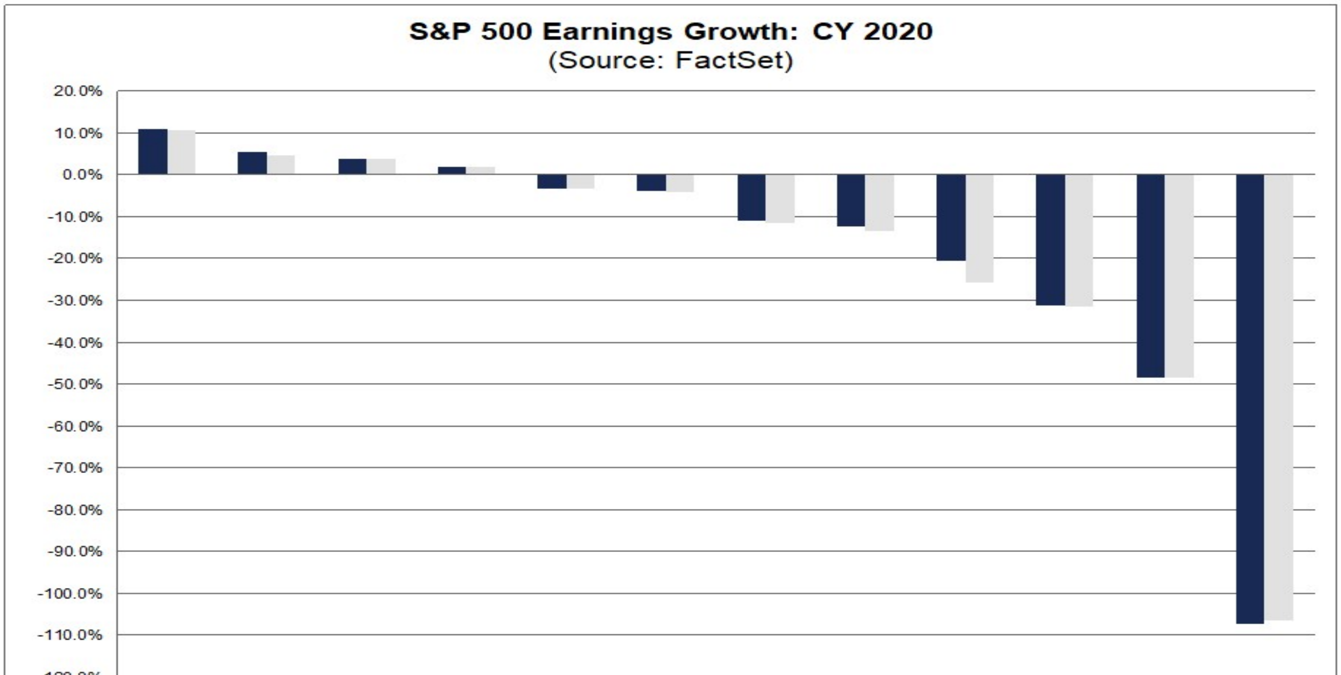


	Real Estate	Information Tech.	Financials	Utilities	S&P 500	Comm. Services	Materials	Health Care	Consumer Staples	Industrials	Consumer Disc.	Energy
Q420	32.9%	22.2%	18.0%	10.4%	10.3%	10.3%	9.4%	9.3%	6.5%	6.2%	4.8%	
Q419	33.3%	22.7%	16.0%	11.5%	10.9%	12.3%	8.6%	9.5%	6.5%	8.6%	6.2%	4.4%

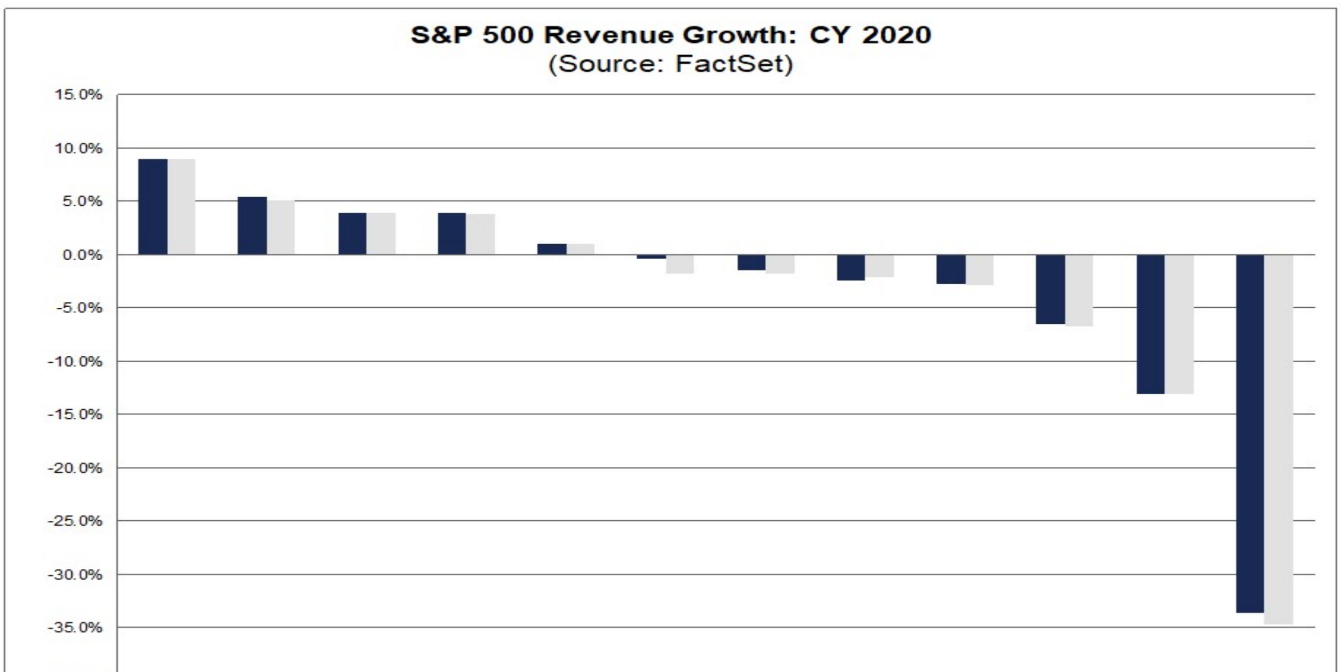


	Industrials	Information Tech.	Consumer Staples	Consumer Disc.	Materials	Financials	S&P 500	Health Care	Utilities	Real Estate	Energy	Comm. Services
Down %	44%	47%	53%	53%	54%	52%	56%	57%	68%	73%	80%	85%
None %	0%	1%	0%	0%	0%	2%	0%	0%	0%	0%	0%	0%
Up %	56%	52%	47%	47%	46%	46%	43%	43%	32%	27%	20%	15%

CY 2020: Growth

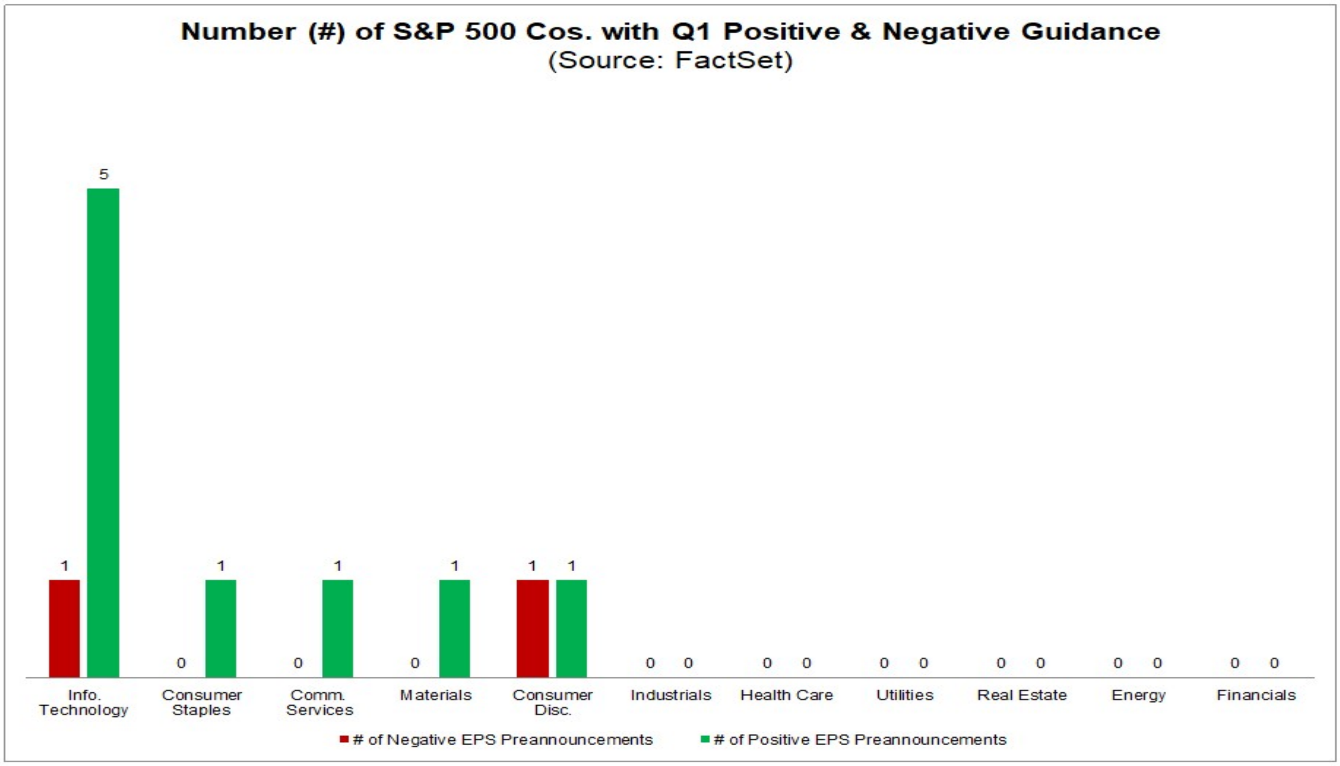


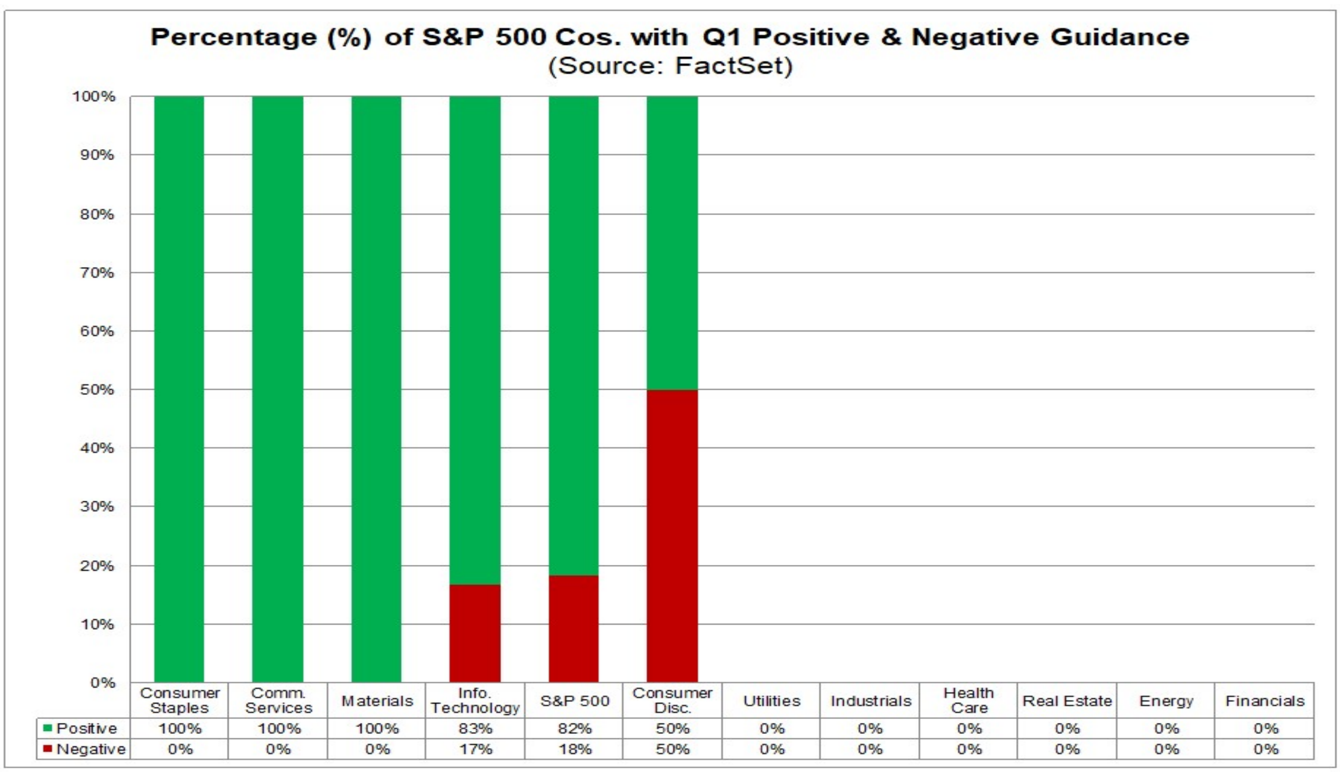
	Health Care	Info. Technology	Consumer Staples	Utilities	Real Estate	Comm. Services	Materials	S&P 500	Financials	Consumer Disc.	Industrials	Energy
Today	10.8%	5.6%	3.8%	1.9%	-3.4%	-3.9%	-10.9%	-12.3%	-20.6%	-31.3%	-48.6%	-107.4%
31-Dec	10.6%	4.7%	3.7%	1.9%	-3.4%	-4.0%	-11.5%	-13.4%	-25.7%	-31.4%	-48.3%	-106.6%



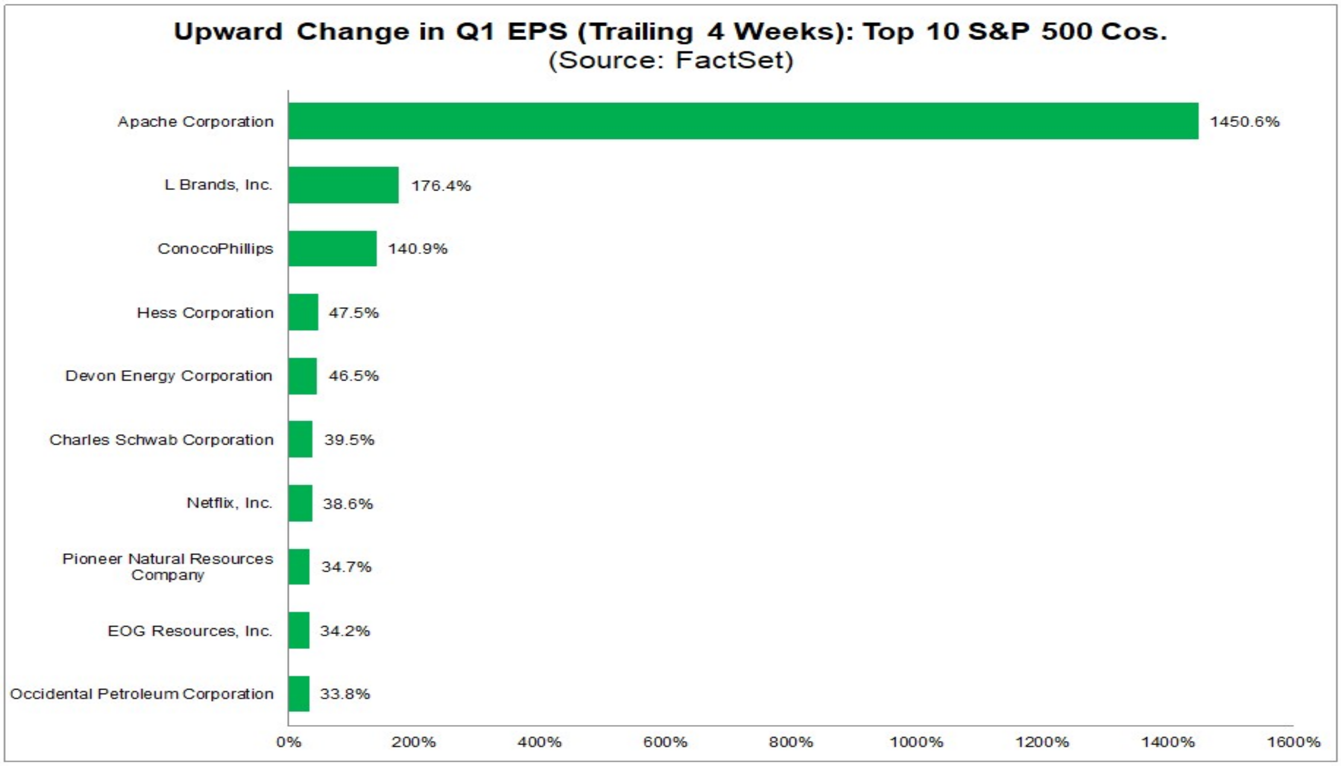
	Health Care	Info. Technology	Comm. Services	Consumer Staples	Consumer Disc.	Financials	S&P 500	Utilities	Real Estate	Materials	Industrials	Energy
Today	9.0%	5.4%	3.9%	3.9%	1.0%	-0.4%	-1.5%	-2.4%	-2.8%	-6.5%	-13.0%	-33.6%
31-Dec	8.9%	5.1%	3.9%	3.8%	1.0%	-1.8%	-1.8%	-2.1%	-2.8%	-6.8%	-13.1%	-34.7%

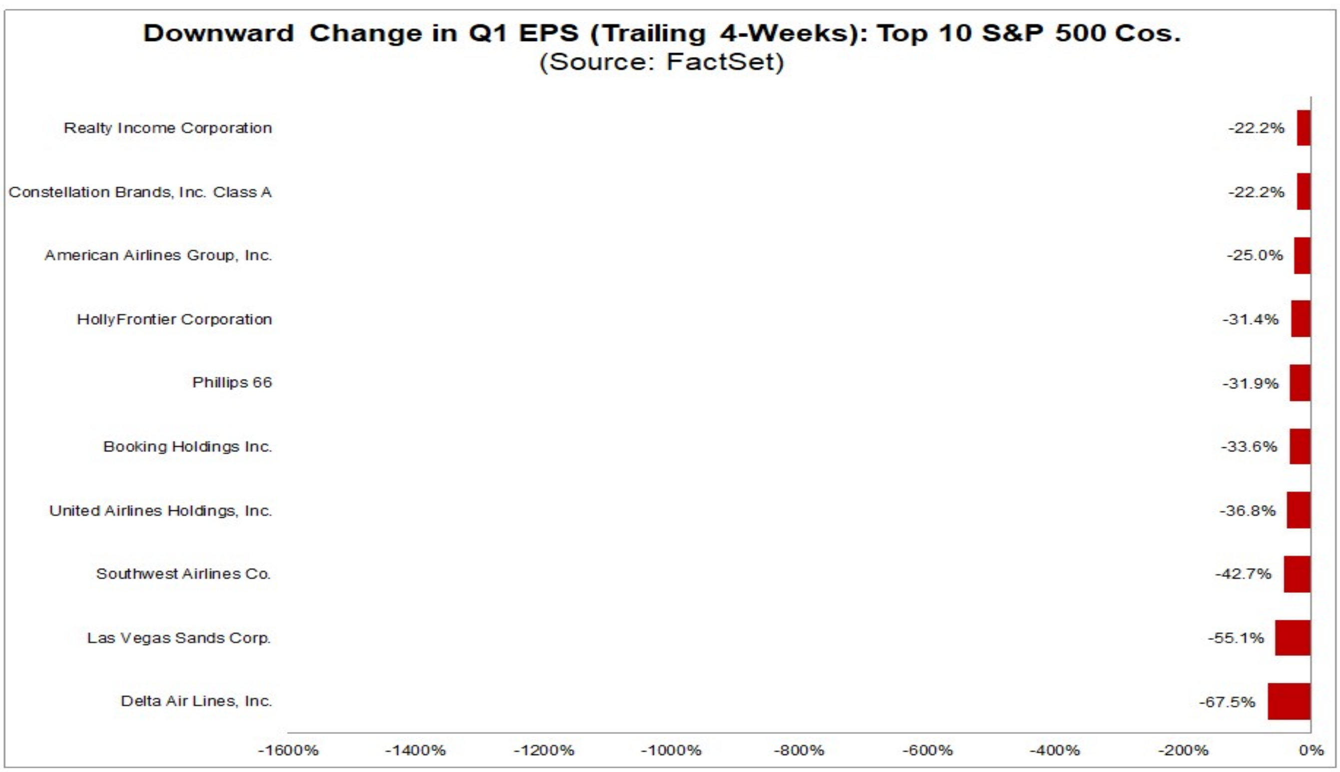
Q1 2021: EPS Guidance



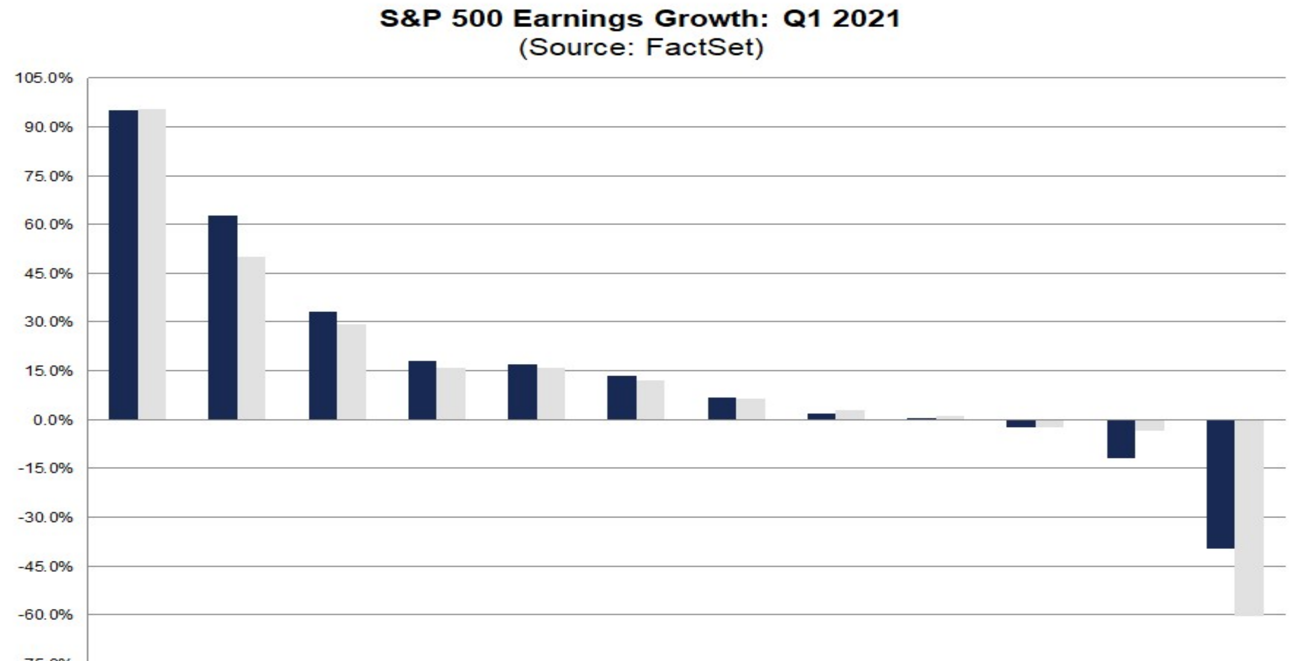


Q1 2021: EPS Revisions

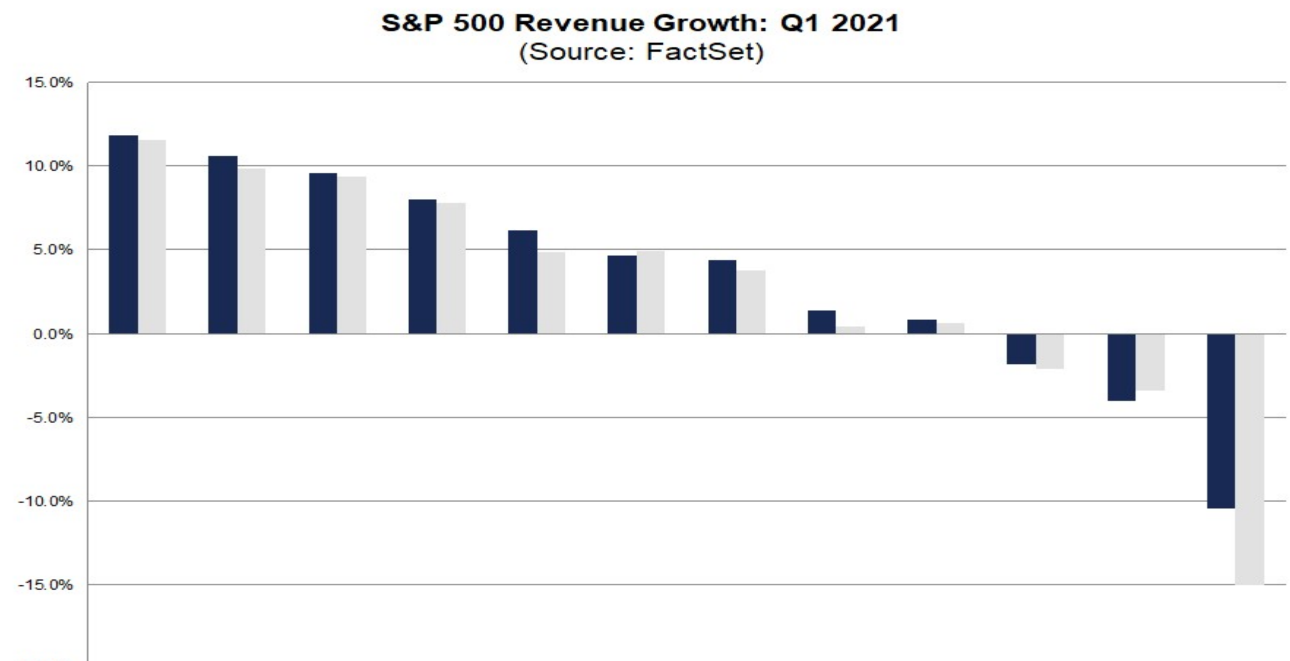




Q1 2021: Growth

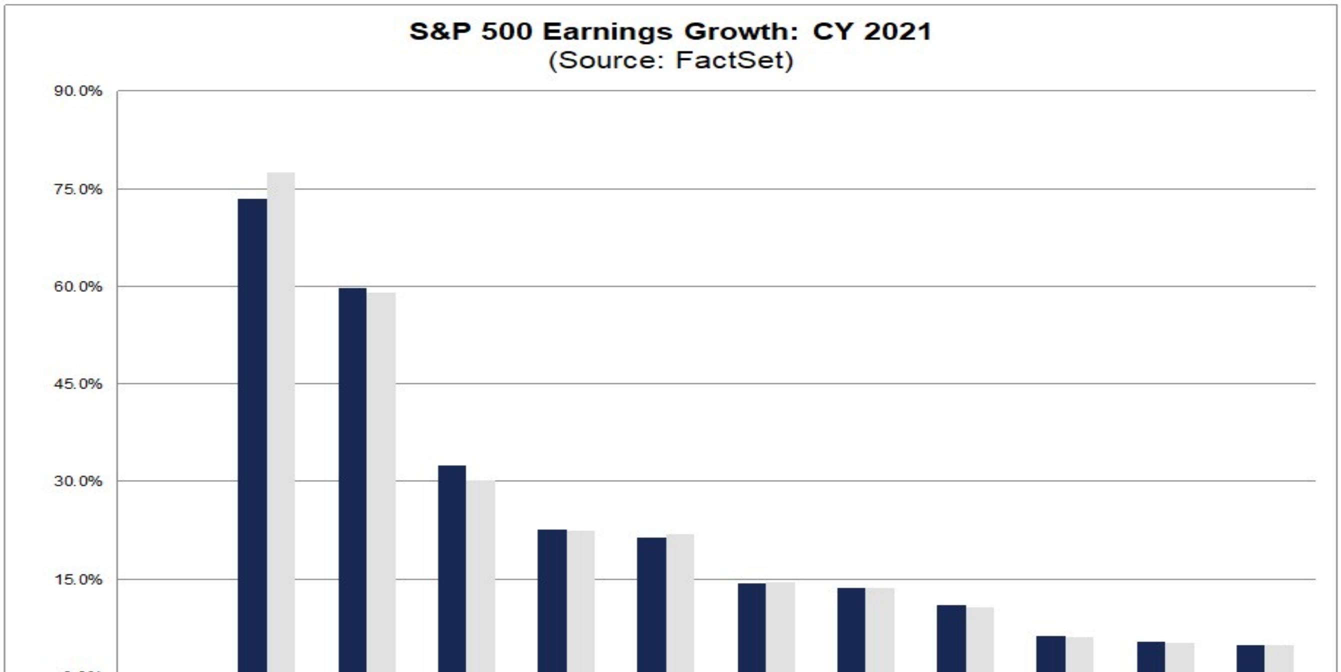


	Consumer Disc.	Financials	Materials	S&P 500	Health Care	Info. Technology	Comm. Services	Utilities	Consumer Staples	Real Estate	Industrials	Energy
Today	95.0%	62.8%	33.1%	18.1%	16.8%	13.3%	6.6%	1.9%	0.5%	-2.2%	-11.8%	-39.7%
31-Dec	95.3%	50.2%	29.4%	15.9%	16.0%	12.0%	6.3%	2.8%	1.0%	-2.3%	-3.3%	-60.3%

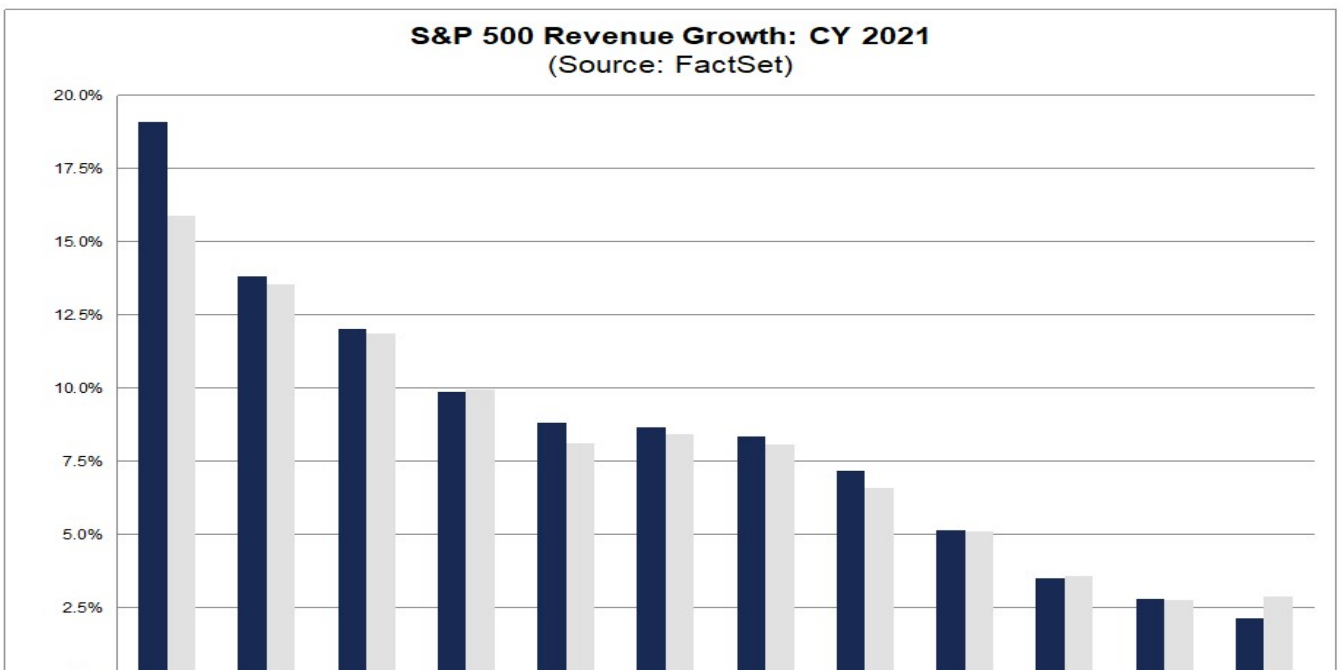


	Consumer Disc.	Info. Technology	Comm. Services	Health Care	Materials	Utilities	S&P 500	Financials	Consumer Staples	Real Estate	Industrials	Energy
Today	11.8%	10.6%	9.6%	8.0%	6.1%	4.6%	4.4%	1.4%	0.8%	-1.8%	-4.1%	-10.5%
31-Dec	11.5%	9.8%	9.4%	7.8%	4.8%	4.9%	3.8%	0.4%	0.6%	-2.2%	-3.4%	-15.0%

CY 2021: Growth



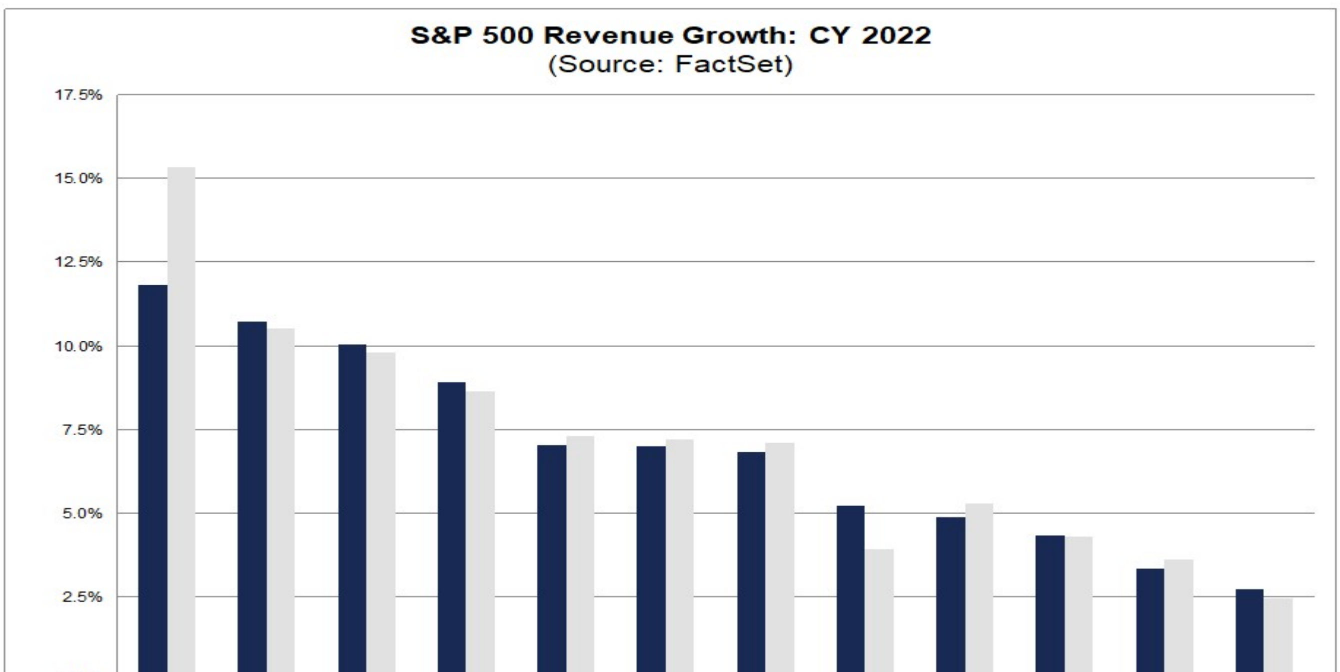
	Energy	Industrials	Consumer Disc.	Materials	S&P 500	Financials	Info. Technology	Comm. Services	Health Care	Consumer Staples	Utilities	Real Estate
Today		73.4%	59.7%	32.4%	22.6%	21.3%	14.4%	13.7%	10.9%	6.2%	5.3%	4.8%
31-Dec		77.4%	59.1%	30.1%	22.4%	22.0%	14.5%	13.6%	10.7%	6.0%	5.2%	4.9%



	Energy	Consumer Disc.	Comm. Services	Industrials	Materials	Info. Technology	S&P 500	Health Care	Real Estate	Utilities	Consumer Staples	Financials
Today	19.1%	13.8%	12.0%	9.9%	8.8%	8.6%	8.3%	7.2%	5.1%	3.5%	2.8%	2.1%
31-Dec	15.9%	13.5%	11.9%	9.9%	8.1%	8.4%	8.1%	6.6%	5.1%	3.6%	2.7%	2.9%

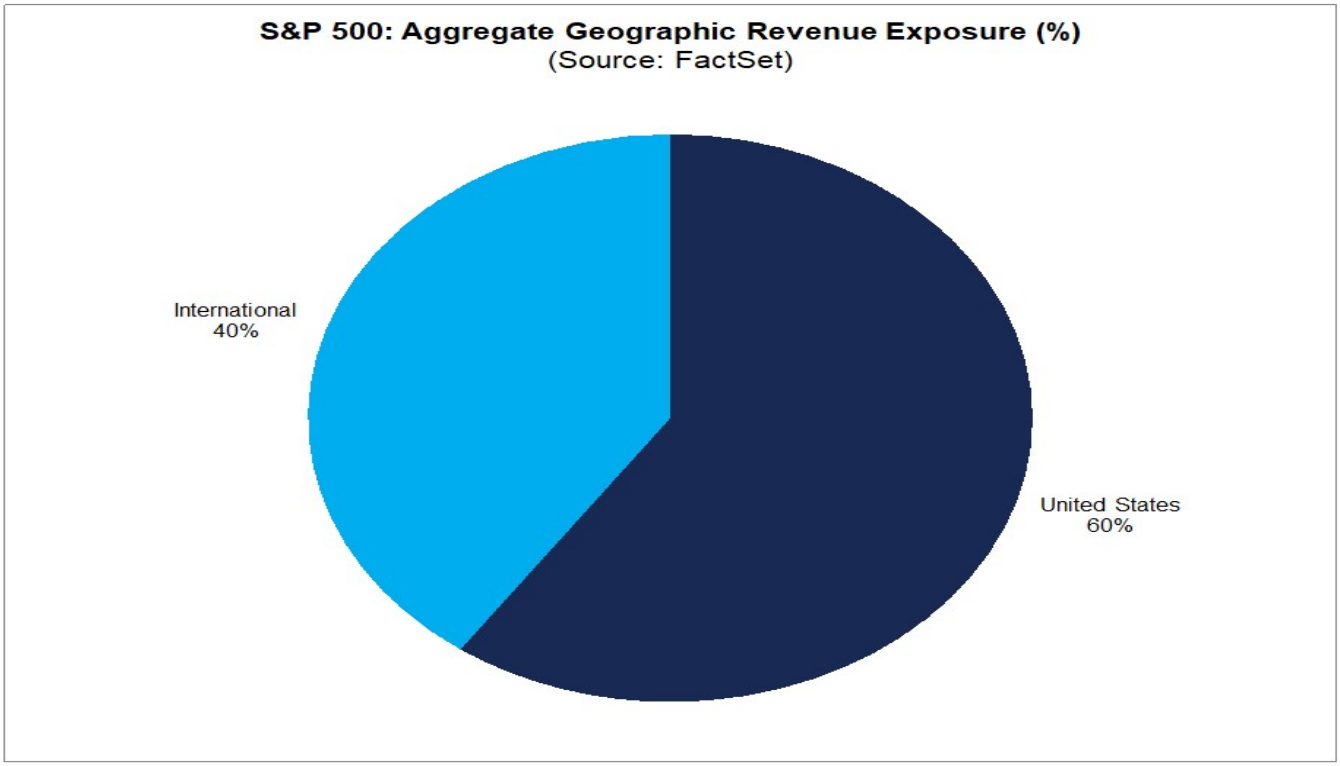
CY 2022: Growth

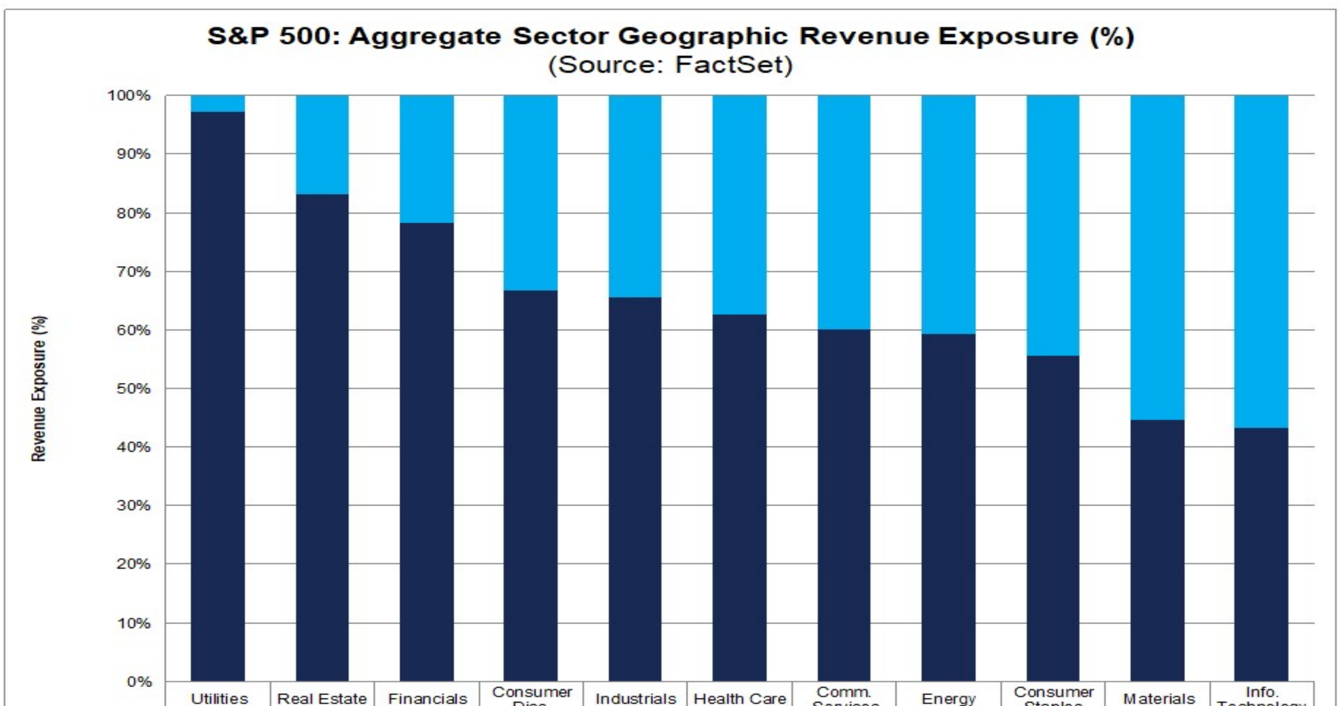
	Energy	Consumer Disc.	Industrials	Comm. Services	S&P 500	Financials	Info. Technology	Materials	Real Estate	Health Care	Consumer Staples	Utilities
Today	68.1%	34.3%	31.6%	19.0%	16.1%	14.0%	12.4%	10.7%	8.9%	7.7%	7.6%	5.7%
31-Dec	96.3%	34.0%	28.4%	19.0%	16.8%	17.6%	12.5%	11.4%	9.0%	8.2%	7.7%	5.7%



	Energy	Consumer Disc.	Comm. Services	Industrials	Info. Technology	S&P 500	Real Estate	Materials	Health Care	Financials	Consumer Staples	Utilities
Today	11.8%	10.7%	10.0%	8.9%	7.0%	7.0%	6.8%	5.2%	4.9%	4.3%	3.3%	2.7%
31-Dec	15.4%	10.5%	9.8%	8.6%	7.3%	7.2%	7.1%	3.9%	5.3%	4.3%	3.6%	2.4%

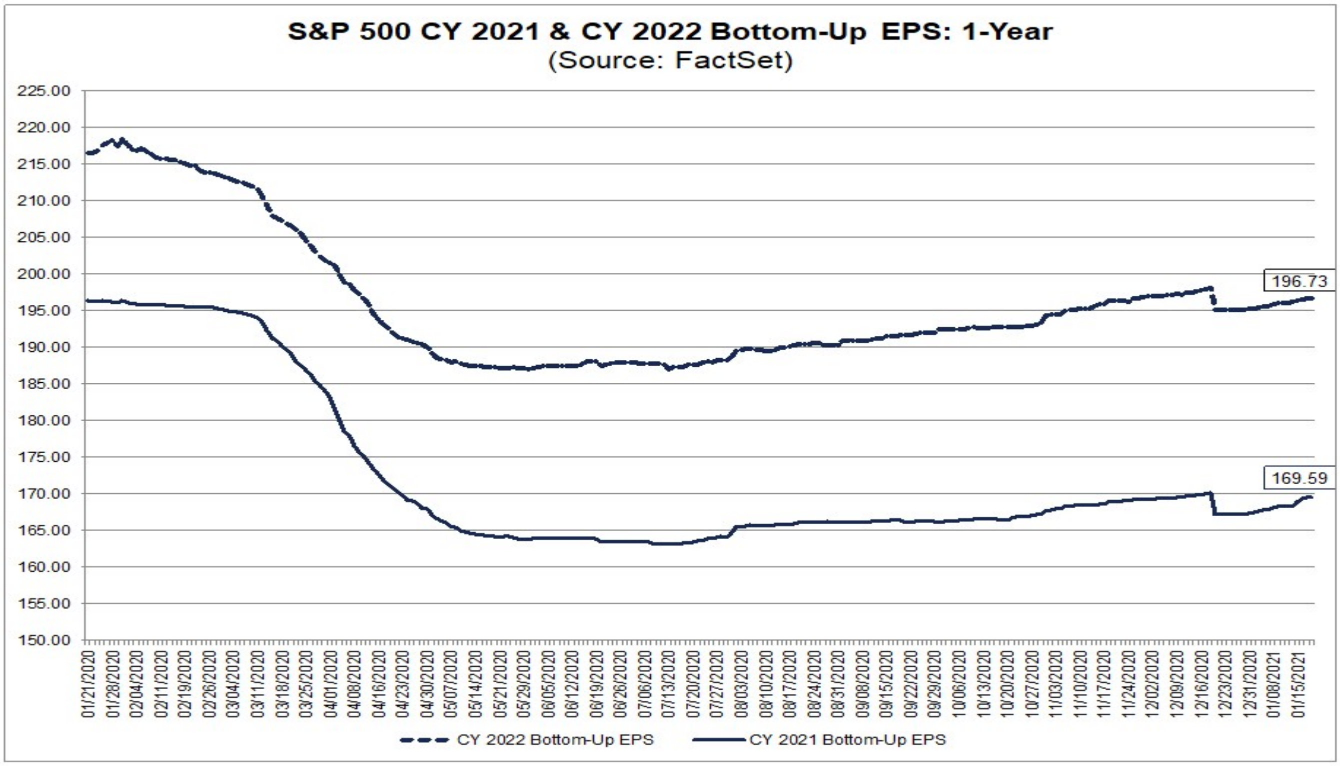
Geographic Revenue Exposure

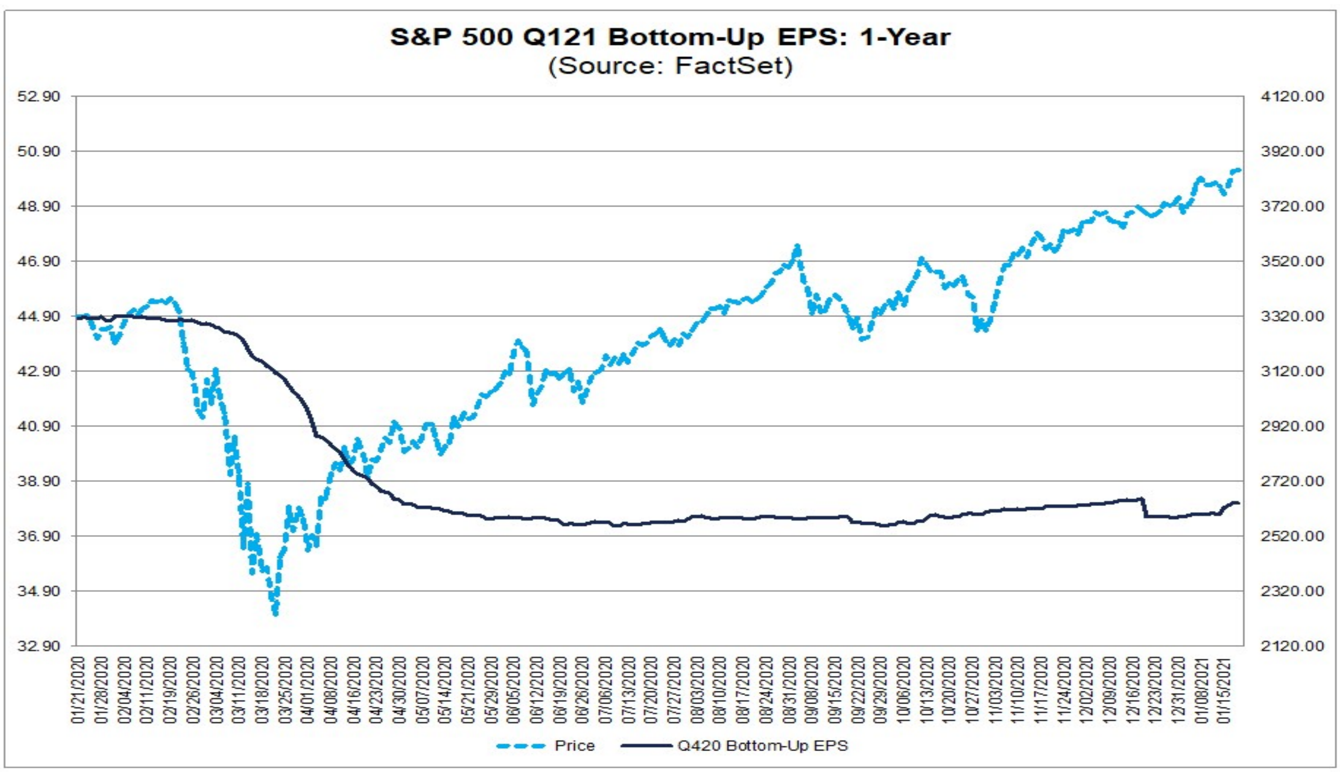




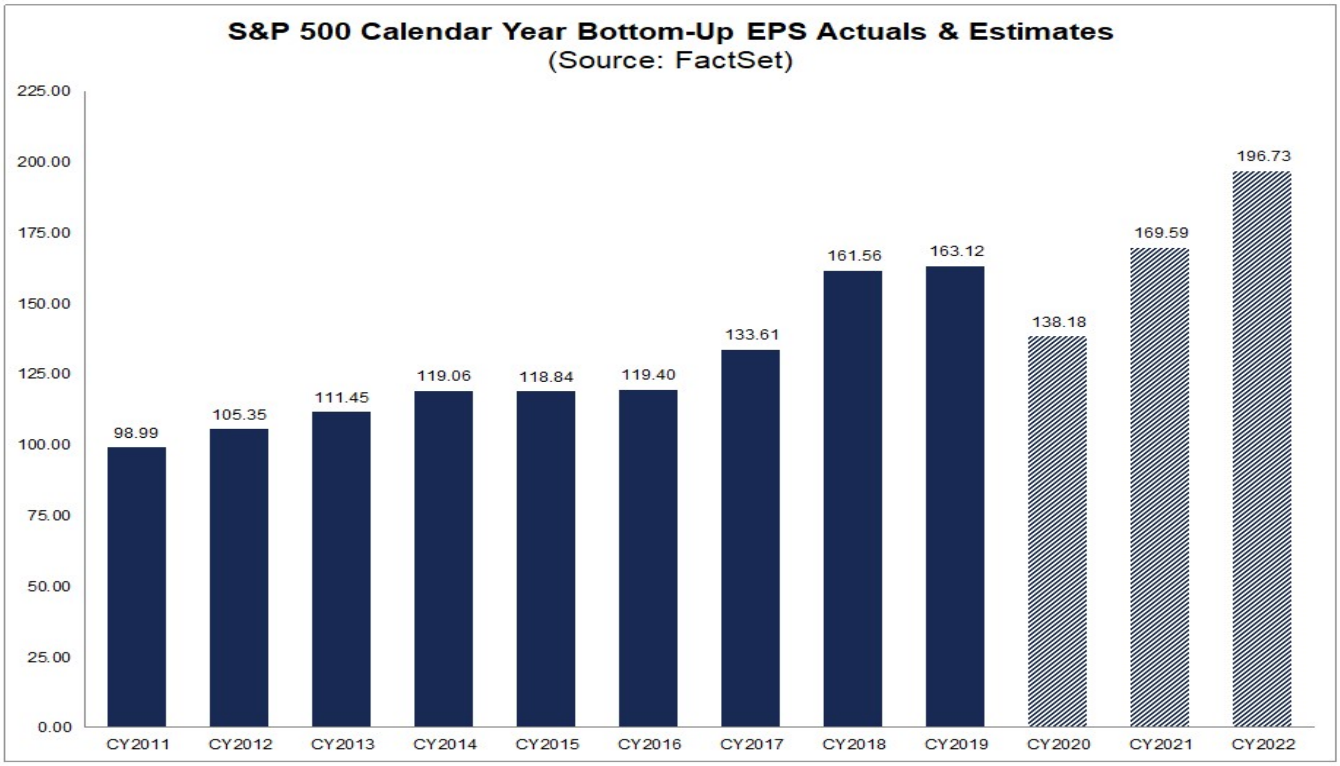
	Utilities	Real Estate	Financials	Consumer Disc.	Industrials	Health Care	Comm. Services	Energy	Consumer Staples	Materials	Info. Technology
International	3%	17%	22%	33%	35%	37%	40%	41%	44%	55%	57%
United States	97%	83%	78%	67%	65%	63%	60%	59%	56%	45%	43%

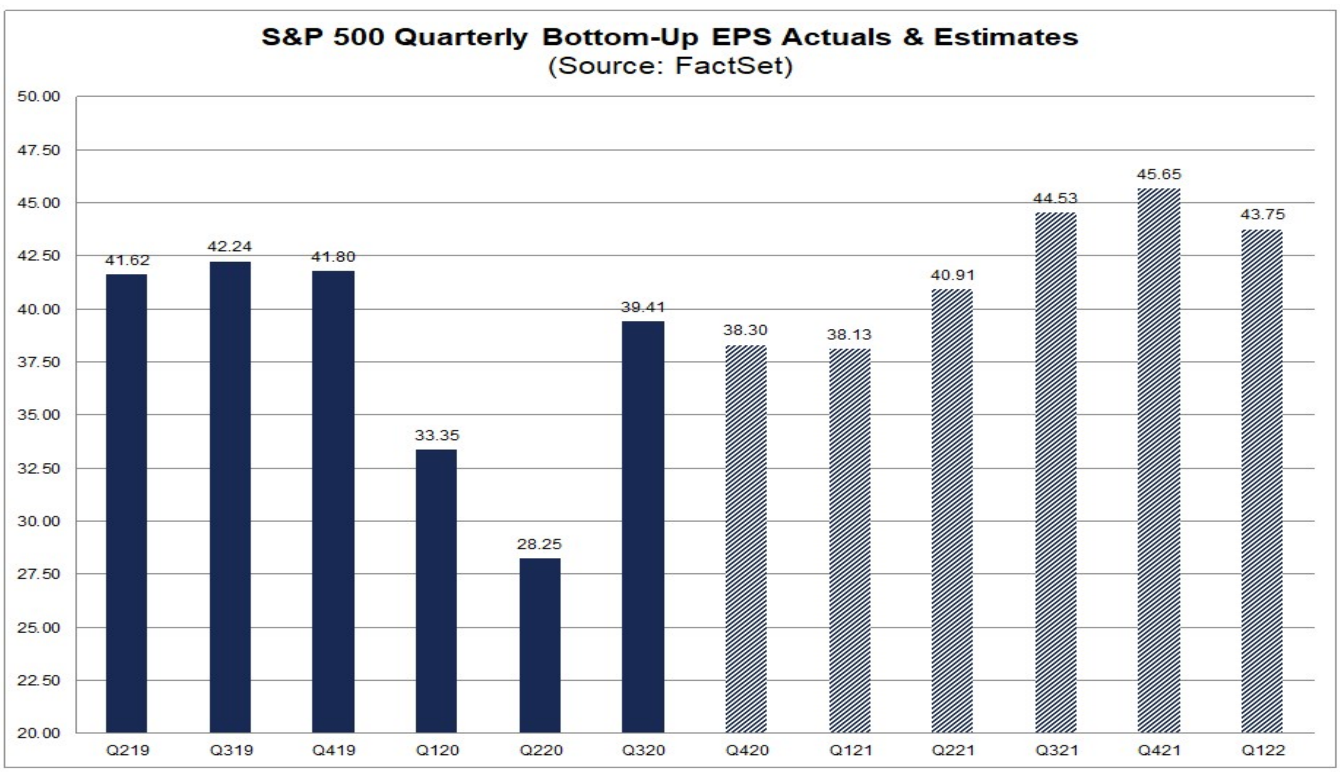
Bottom-up EPS Estimates: Revisions



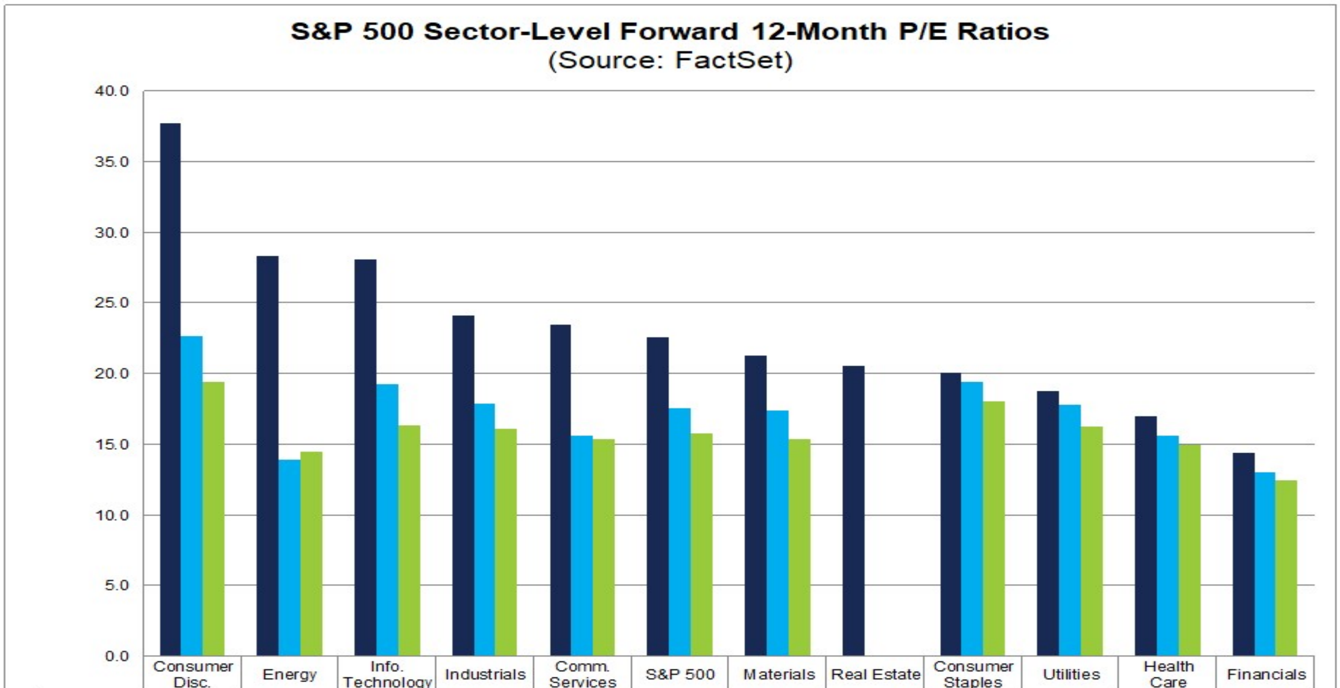


Bottom-up EPS Estimates: Current & Historical

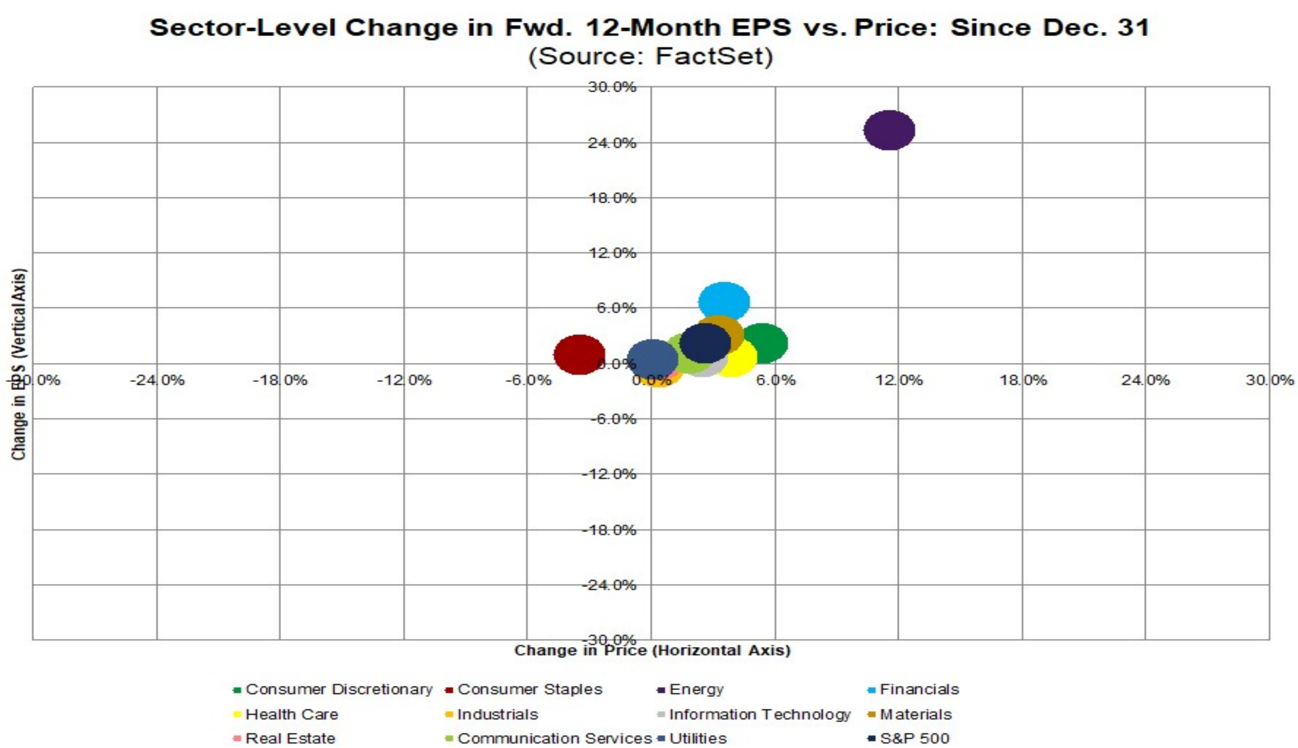




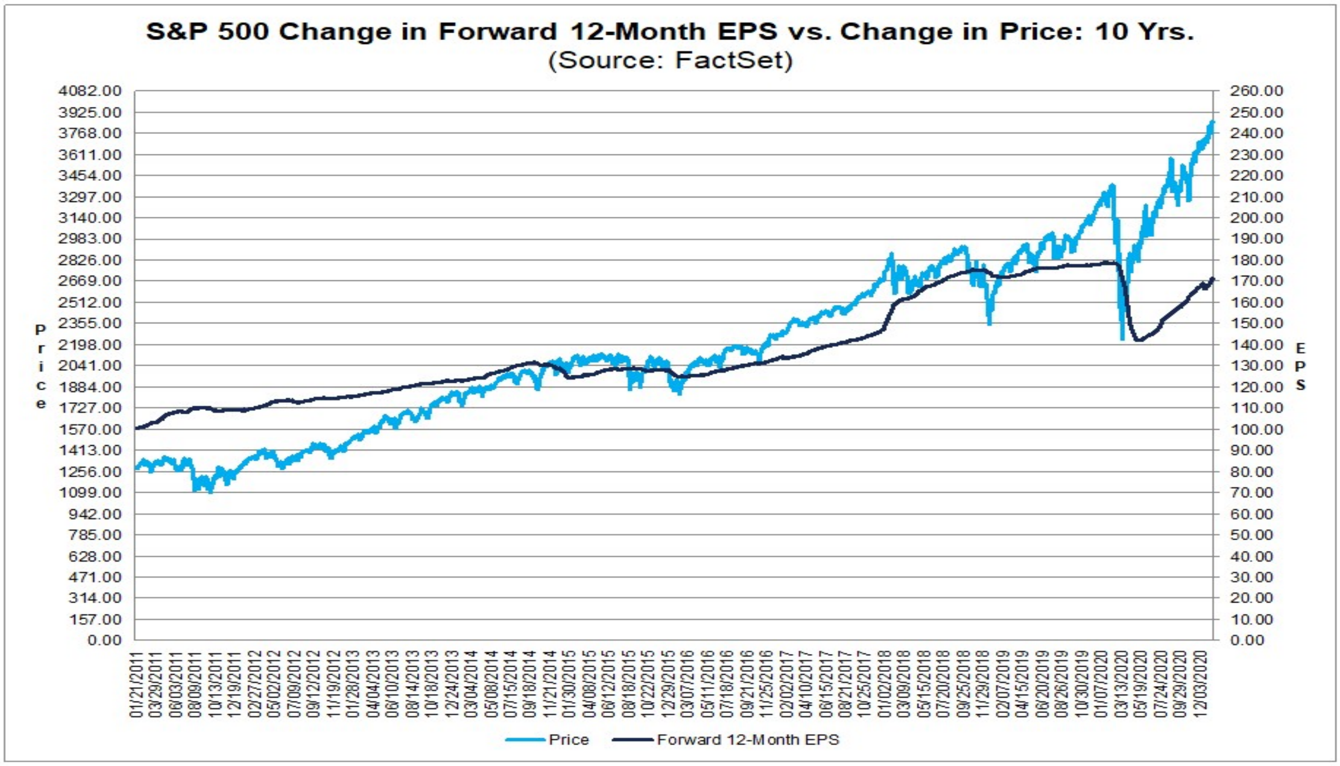
Forward 12M P/E Ratio: Sector Level

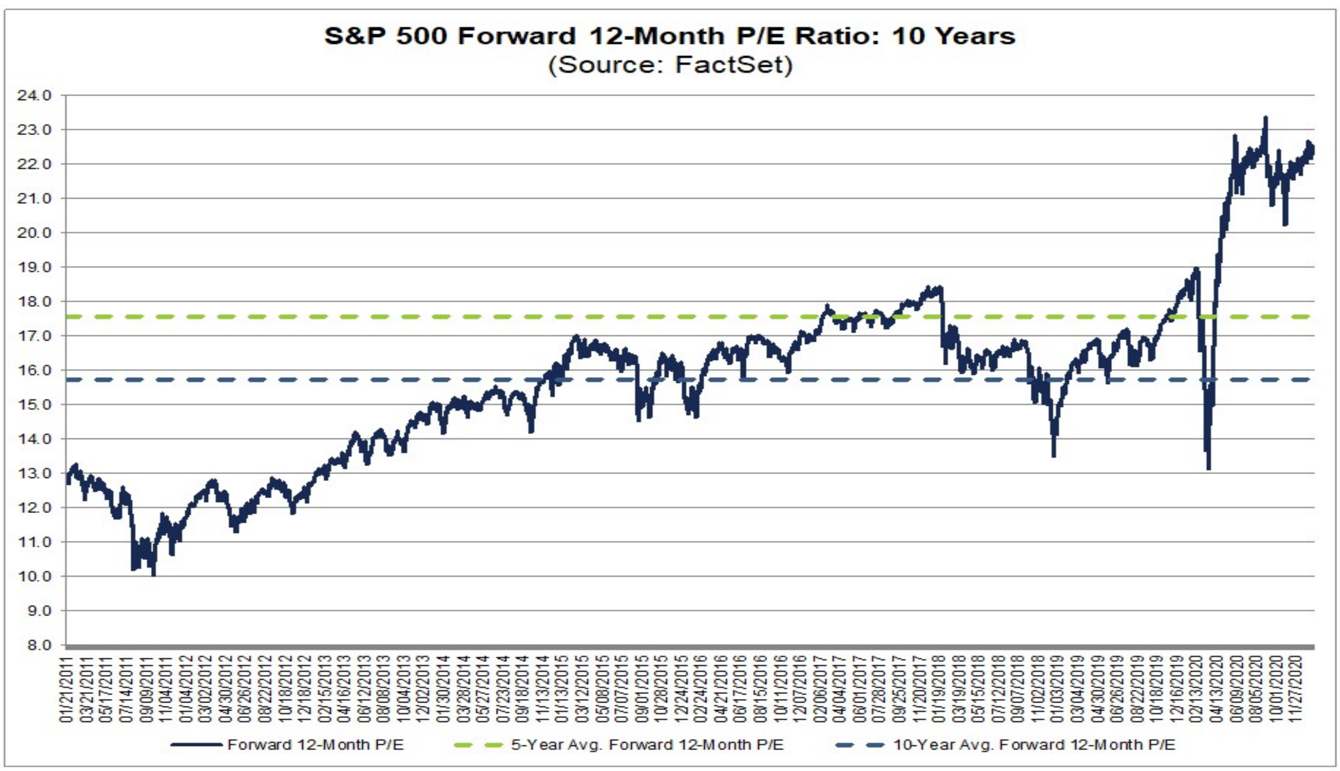


	Consumer Disc.	Energy	Info. Technology	Industrials	Comm. Services	S&P 500	Materials	Real Estate	Consumer Staples	Utilities	Health Care	Financials
Fwd P/E	37.7	28.3	28.1	24.1	23.4	22.5	21.3	20.5	20.0	18.7	17.0	14.4
5-Yr Avg.	22.6	13.9	19.2	17.9	15.6	17.6	17.4		19.4	17.8	15.6	13.0
10-Yr Avg.	19.4	14.4	16.3	16.1	15.4	15.7	15.3		18.0	16.3	14.9	12.4

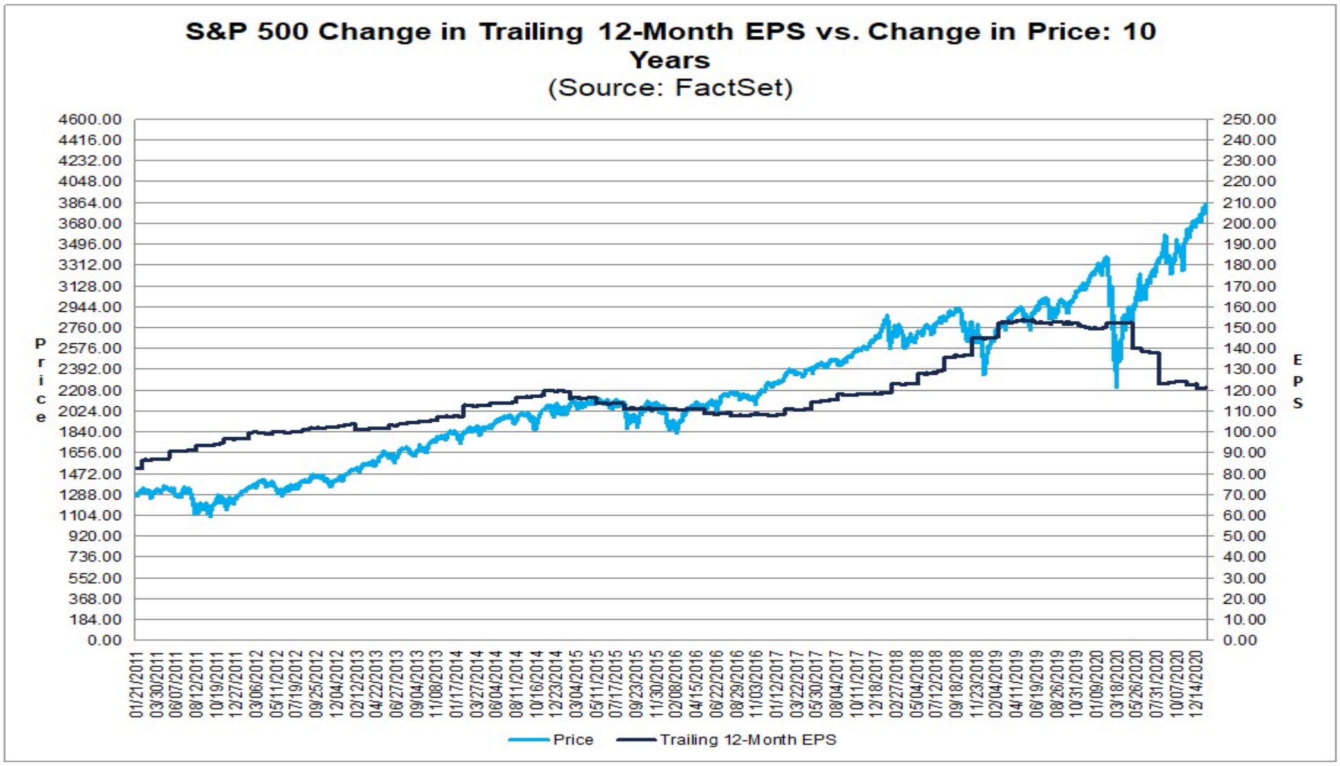


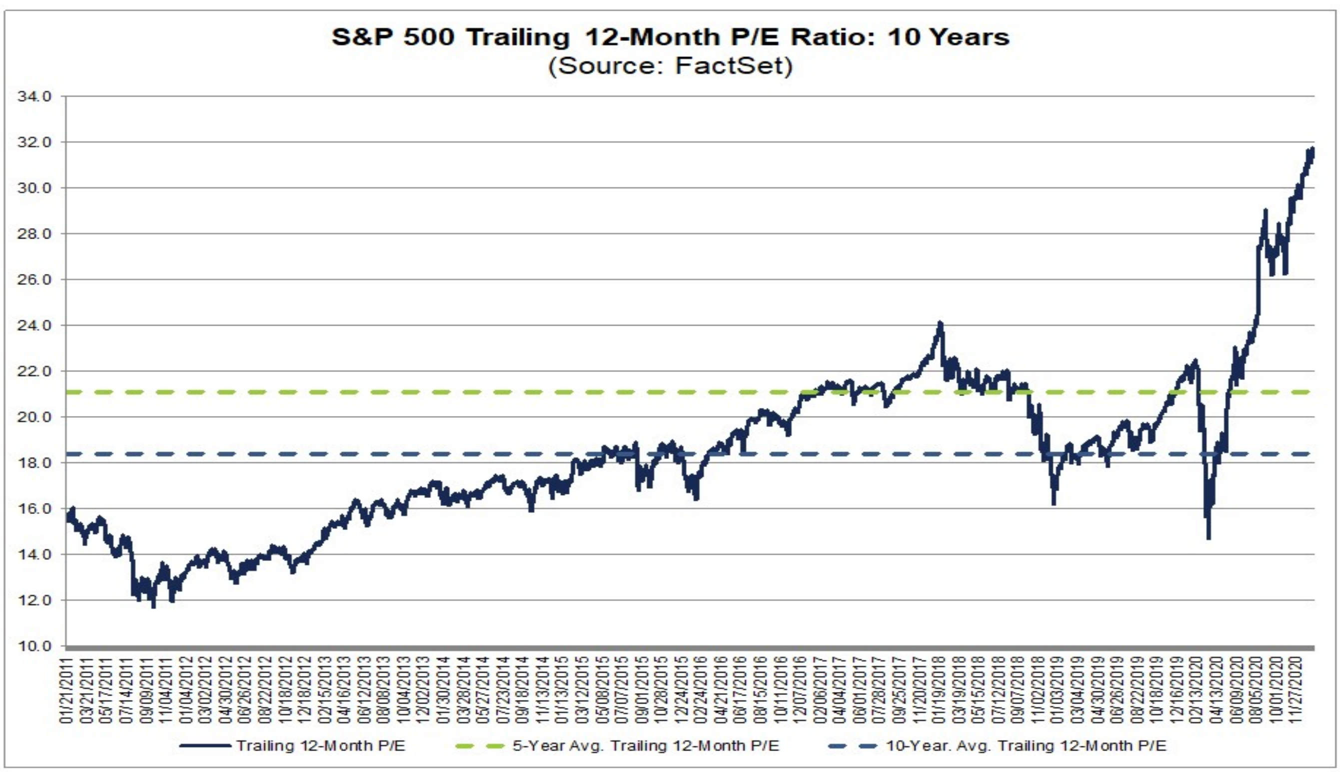
Forward 12M P/E Ratio: 10-Years





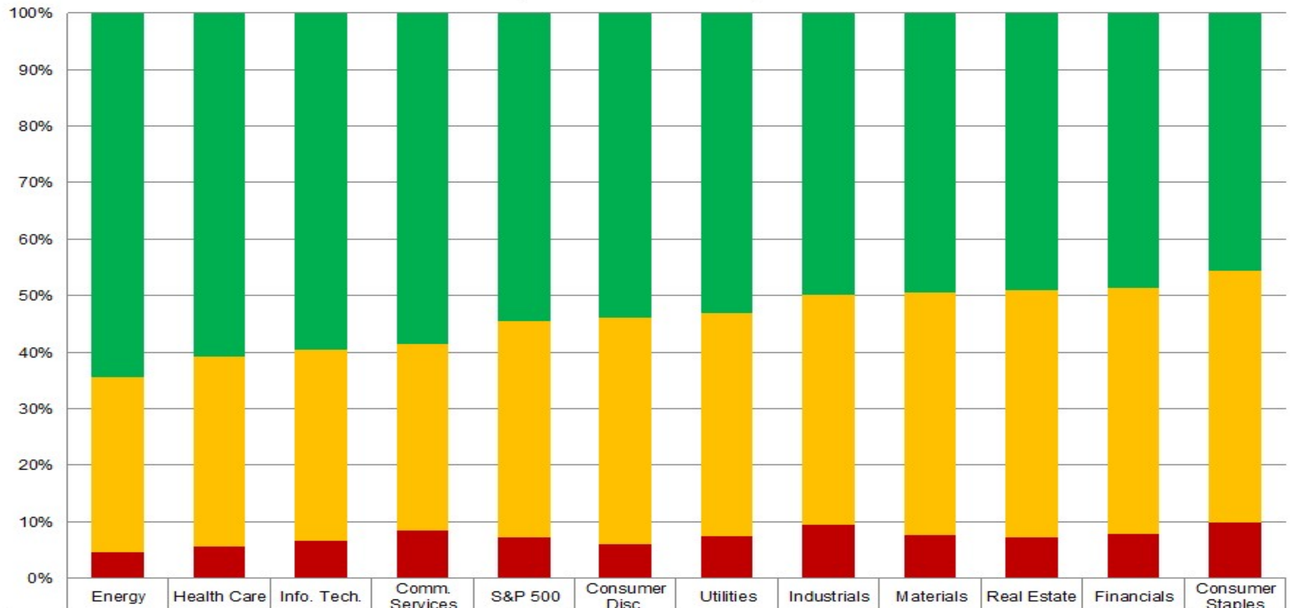
Trailing 12M P/E Ratio: 10-Years





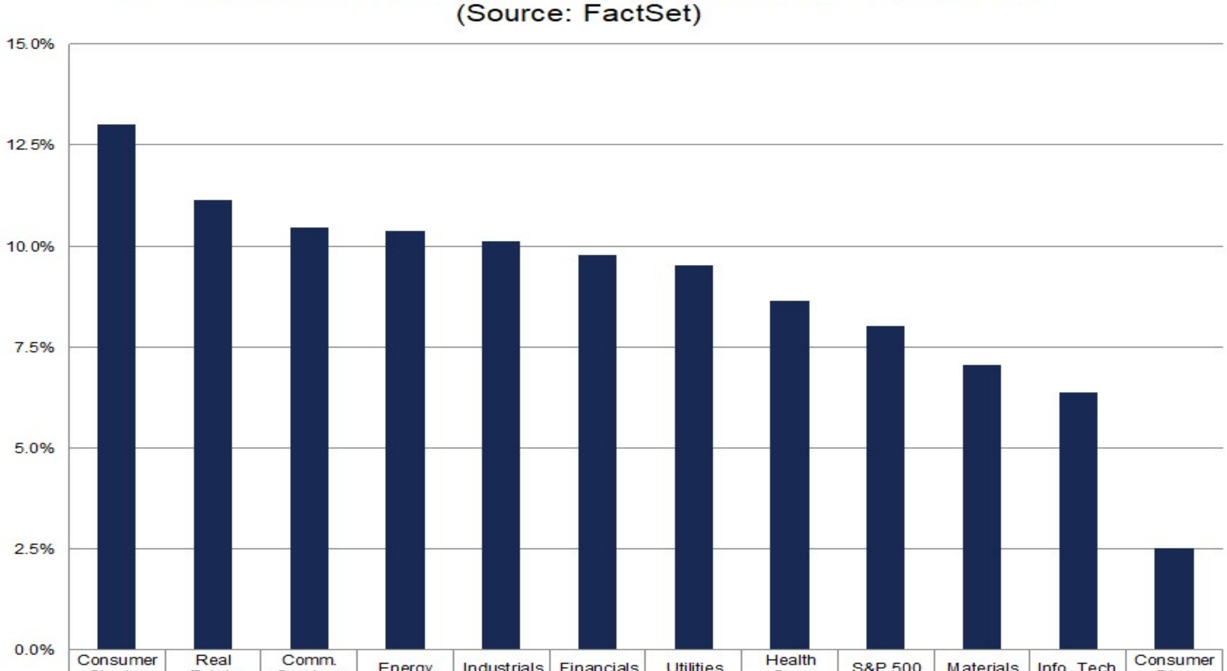
Targets & Ratings

S&P 500: Percentage of Buy, Hold, and Sell Ratings
(Source: FactSet)



	Energy	Health Care	Info. Tech.	Comm. Services	S&P 500	Consumer Disc.	Utilities	Industrials	Materials	Real Estate	Financials	Consumer Staples
Buy	64%	61%	60%	59%	54%	54%	53%	50%	49%	49%	49%	46%
Hold	31%	34%	34%	33%	38%	40%	40%	41%	43%	44%	44%	44%
Sell	5%	6%	7%	8%	7%	6%	7%	9%	8%	7%	8%	10%

S&P 500 Sector-Level Bottom-Up Target Price vs. Closing Price
(Source: FactSet)



	Consumer Staples	Real Estate	Comm. Services	Energy	Industrials	Financials	Utilities	Health Care	S&P 500	Materials	Info. Tech.	Consumer Disc.
Target/Close	13.0%	11.1%	10.5%	10.4%	10.1%	9.8%	9.5%	8.7%	8.0%	7.1%	6.4%	2.5%

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