John Butters, Senior Earnings Analyst
jbutters@factset.com

Media Questions/Requests
media_request@factset.com

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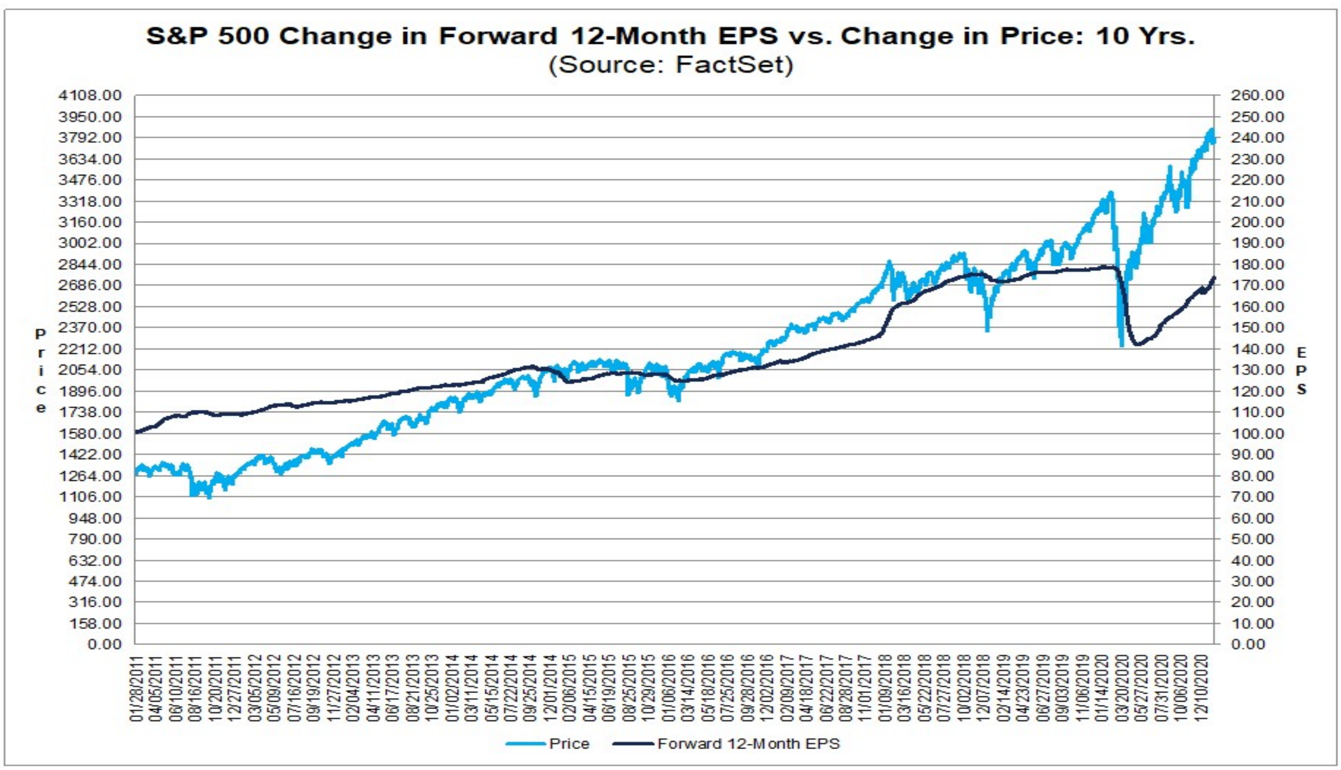
Key Metrics

- **Earnings Scorecard:** For Q4 2020 (with 37% of the companies in the S&P 500 reporting actual results), 82% of S&P 500 companies have reported a positive EPS surprise and 76% have reported a positive revenue surprise. If 82% is the final percentage, it will mark the second-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 -2.3%. If -2.3% 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 -9.3%. Eight 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, 11 S&P 500 companies have issued negative EPS guidance and 20 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 21.8. This P/E ratio is above the 5-year average (17.6) and above the 10-year average (15.8).



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Topic of the Week:

Analysts Are Continuing to Raise Quarterly EPS Estimates for S&P 500 Companies in Q1

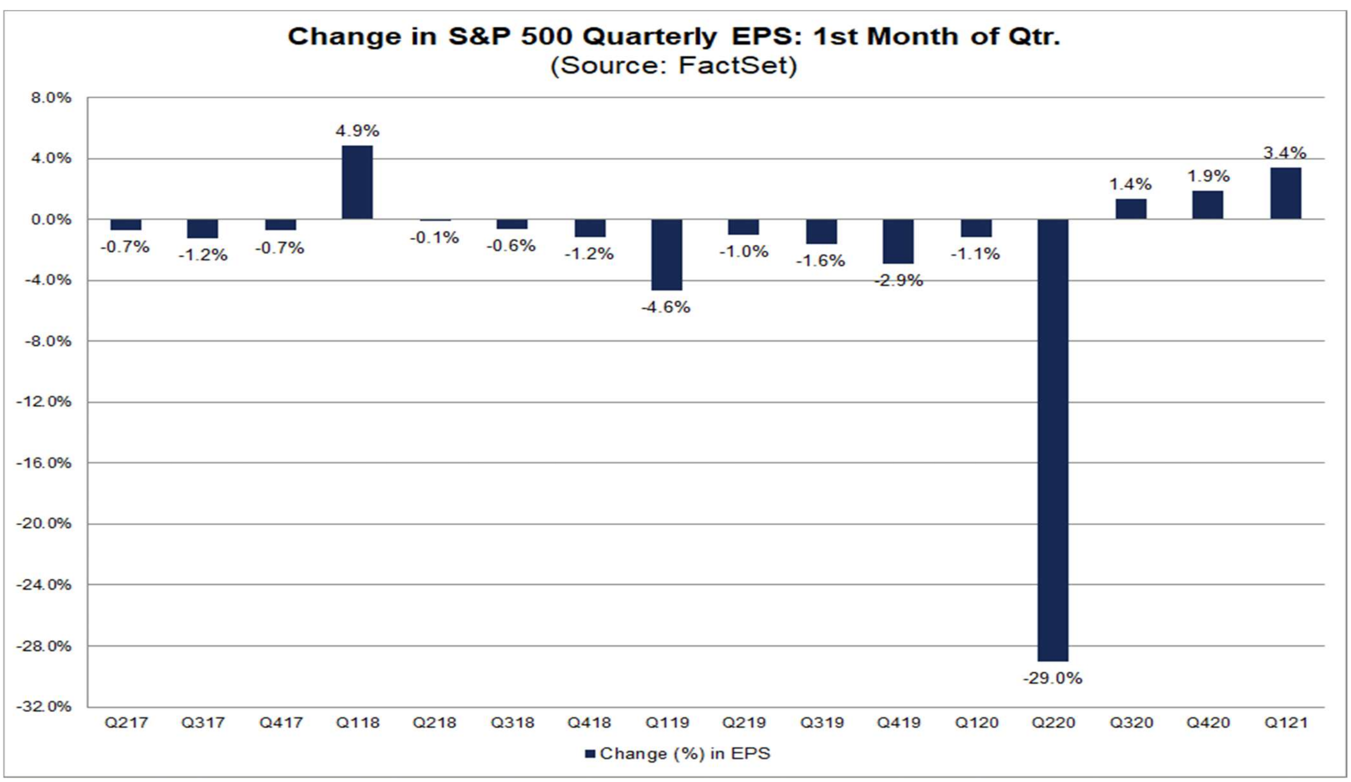
During the month of January, analysts increased earnings estimates for companies in the S&P 500 for the first quarter. The Q1 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for Q1 for all the companies in the index) increased by 3.4% (to $38.87 from $37.60) during this period. How significant is a 3.4% increase in the bottom-up EPS estimate during the first month of a quarter? How does this increase compare to recent quarters?

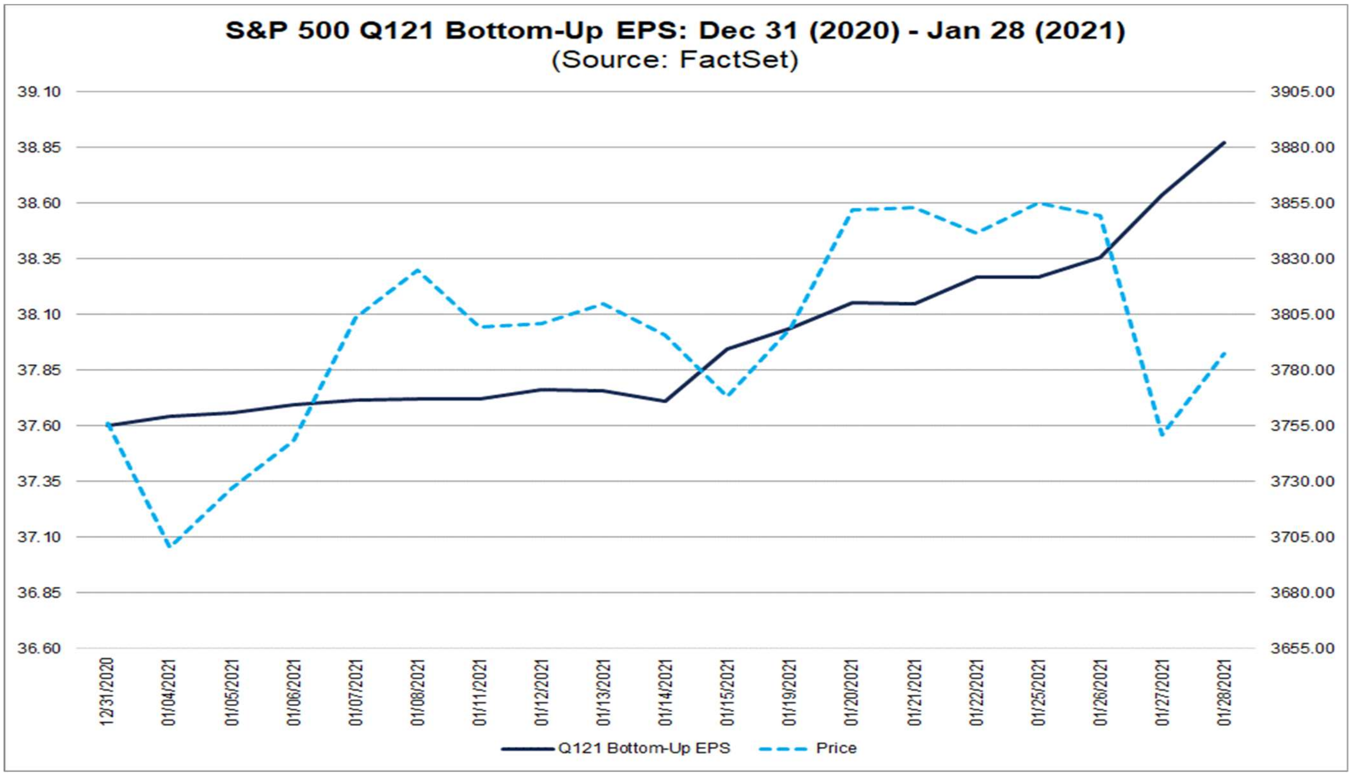
In a typical quarter, analysts usually reduce earnings estimates during the first month of the quarter. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 2.2%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 2.4%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 2.2%.

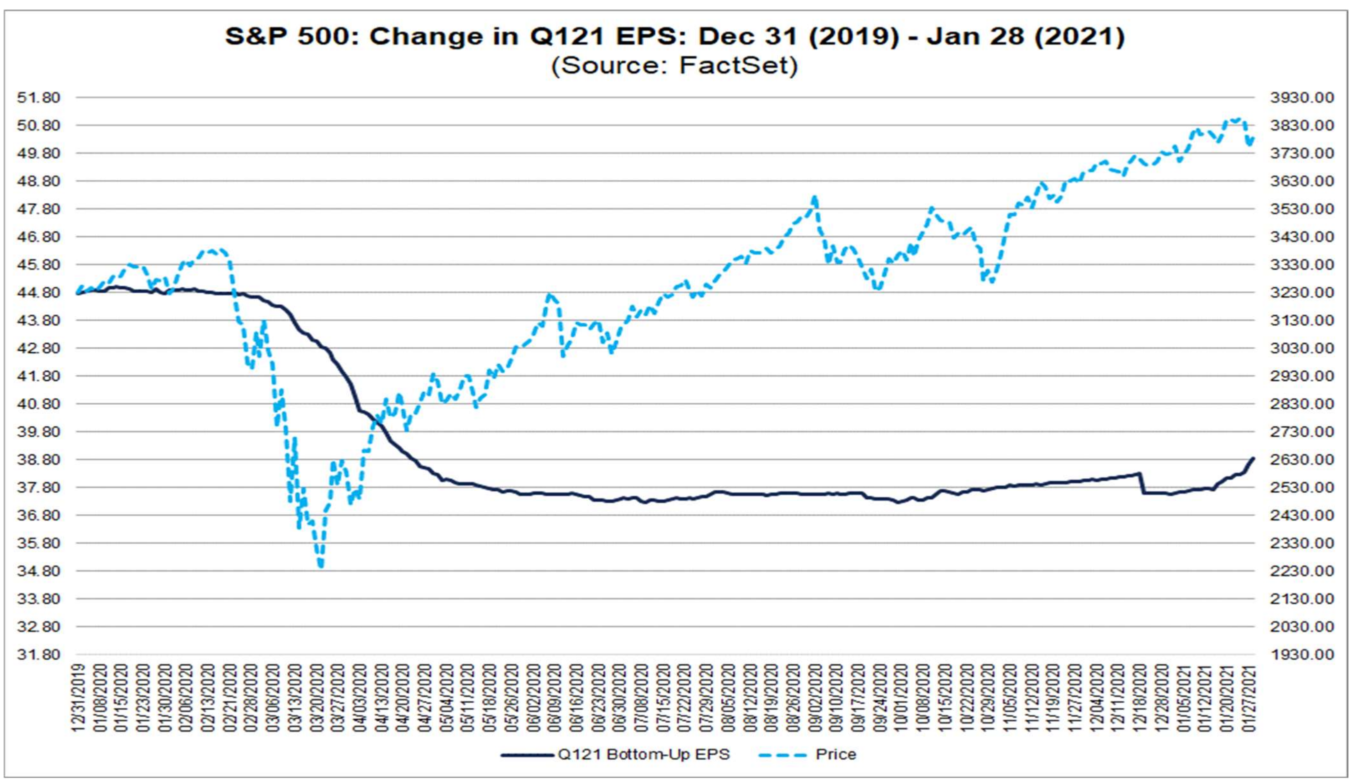
In fact, the first quarter marked the second-highest increase in the bottom-up EPS estimate during the first month of a quarter since Q2 2010, trailing only Q1 2018 (+4.9%). It also marked the third straight quarter (but just the fourth quarter since Q2 2011) in which the bottom-up EPS estimate increased over the first month of a quarter. However, it should be noted that analysts made substantial cuts to EPS estimates for Q1 2021 during the first half of 2020 (December 31 to June 30). During this time, the Q1 bottom-up EPS estimate declined by 16.5% (to 37.40 from $44.78)

At the sector level, seven sectors have recorded an increase in their bottom-up EPS estimate for Q1 during the first month of the quarter, led by the Energy (+58%), Financials (+10%), and Information Technology (+6%) sectors. Four sectors have recorded a decline in their bottom-up estimate for Q1 during the first month of the quarter, led by the Industrials (-13%) sector.

As the bottom-up EPS estimate for the index increased during the first month of the quarter, the value of the S&P 500 also increased during this same period. From December 31 through January 28, the value of the index increased by 0.8% (to 3787.38 from 3756.07). If the price of the index does not close below 3756.07 today, the first quarter will mark the third time in the past 20 quarters (5 years) in which both the bottom-up EPS estimate for the index and the value of the index increased during the first month of a quarter.




S&P 500 Q121 Bottom-Up EPS: Dec 31 (2020) - Jan 28 (2021)
(Source: FactSet)
Q121 Bottom-Up EPS
Price


S&P 500: Change in Q121 EPS: Dec 31 (2019) - Jan 28 (2021)
(Source: FactSet)
Q121 Bottom-Up EPS
Price

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 possible the index will report year-over-year earnings growth for the quarter for the first time since Q4 2019.

Overall, 37% of the companies in the S&P 500 have reported actual results for Q4 2020 to date. Of these companies, 82% have reported actual EPS above estimates, which is above the 5-year average of 74%. If 82% is the final percentage for the quarter, it will mark the second-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 13.6% above the estimates, which is also above the 5-year average of 6.3%. If 13.6% is the final percentage for the quarter, it will mark the fourth-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 -2.3%, compared to a year-over-year decline in earnings of -4.8% last week and a year-over-year decline in earnings of -9.3% at the end of the fourth quarter. Positive earnings surprises reported by companies in the Information Technology sector, partially offset by a negative earnings surprise reported by a company in the Industrials sector, were mainly responsible for the decrease in the overall earnings decline during the past week. Positive earnings surprises reported by companies in the Financials and Information Technology sectors, partially offset by a negative earnings surprise reported by a company in the Industrials sector, have been mainly responsible for the decrease in the overall earnings decline since the end of the fourth quarter.

If -2.3% is the actual decline for the quarter, it will 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 Materials, Information Technology, and Financials sectors. Six sectors are reporting a year-over-year decline in earnings, led by the Energy, Industrials, and Consumer Discretionary sectors.

In terms of revenues, 76% of S&P 500 companies have reported actual revenues above estimates, which is above the 5-year average of 62%. If 76% is the final percentage for the quarter, it will mark the fourth-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 3.2% above the estimates, which is also above the 5-year average of 0.9%. If 3.2% 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 1.7%, compared to year-over-year growth in revenues of 0.8% 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 Information Technology sector were the largest contributor to the increase in the overall revenue growth rate during the past week. Positive revenue surprises reported by companies in the Information Technology and Financials sectors have been the largest contributors to the increase in the overall revenue growth rate since the end of the fourth quarter.

If 1.7% 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. Seven sectors are reporting year-over-year growth in revenues, led by the Information Technology, Health Care, and Consumer Discretionary sectors. Five sectors are reporting 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 (19.6%).

The forward 12-month P/E ratio is 21.8, which is above the 5-year average and above the 10-year average.

During the upcoming week, 110 S&P 500 companies (including two Dow 30 components) are scheduled to report results for the fourth quarter.

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

Percentage of Companies Beating EPS Estimates is Near Record-High Level

Overall, 37% of the companies in the S&P 500 have reported earnings to date for the fourth quarter. Of these companies, 82% have reported actual EPS above the mean EPS estimate, 4% have reported actual EPS equal to the mean EPS estimate, and 14% 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 82% is the final percentage for the quarter, it will mark the second-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 Information Technology (93%), Health Care (92%), and Financials (90%) sectors have the highest percentages of companies reporting earnings above estimates, while the Utilities (50%) and Energy (63%) sectors has the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (+13.6%) is Well Above 5-Year Average

In aggregate, companies are reporting earnings that are 13.6% above expectations. This surprise percentage is above the 1-year (+11.9%) average and above the 5-year (+6.3%) average.

If 13.6% is the final percentage for the quarter, it will mark the fourth-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 Financials sector (+28.9%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, SVB Financial Group ($7.40 vs. $3.80), Capital One Financial ($5.29 vs. $2.83), 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.

The Information Technology sector (+19.1%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Intel ($1.52 vs. $1.11), Texas Instruments ($1.80 vs. $1.34), Western Digital ($0.69 vs. $0.54), Microsoft ($2.03 vs. $1.64), and Apple ($1.68 vs. $1.42) have reported the largest positive EPS surprises.

The Materials sector (+15.9%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, LyondellBasell Industries ($2.19 vs. $1.36), Celanese Corporation ($2.09 vs. $1.72), and Dow ($0.81 vs. $0.67) have reported the largest positive EPS surprises.

The Energy sector (-193.7%) sector is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Baker Hughes (-$0.07 vs. $0.17) and Chevron (-$0.01 vs. $0.09) have reported the largest negative EPS surprises.

The Industrials sector (-113.2%) sector is reporting the second-largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Boeing (-$15.25 vs. -$1.78) has reported the largest positive EPS surprises.

Market Punishing Positive Earnings Surprises

To date, the market is not rewarding positive earnings surprises and punishing negative earnings surprises less than average.

Companies that have reported positive earnings surprises for Q4 2020 have seen an average price decrease of -1.5% 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 decrease of -2.1% two days before the earnings release through two days after the earnings. This percentage decrease is smaller than 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 (76%) is Near Record-High Level

In terms of revenues, 76% of companies have reported actual revenues above estimated revenues and 24% 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 76% is the final percentage for the quarter, it will mark the fourth-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%), Information Technology (97%), and Consumer Staples (93%) sectors have the highest percentages of companies reporting revenues above estimates, while the Utilities (0%), Real Estate (33%), and Consumer Discretionary (56%) sectors have the lowest percentages of companies reporting revenues above estimates.

Revenue Surprise Percentage (+3.2%) is at Record-High Level

In aggregate, companies are reporting revenues that are 3.2% above expectations. This surprise percentage is above the 1-year (+1.4%) average and above the 5-year (+0.9%) average.

If 3.2% 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 Information Technology (+6.3%) and Materials (+4.8%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Utilities (-15.7%) sector is the only sector reporting a negative (aggregate) difference between actual revenue and estimated revenues.

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

Decrease in Blended Earnings Decline This Week Due to Technology Sector

The blended (year-over-year) earnings decline for the fourth quarter is -2.3%, which is smaller than the earnings decline of -4.8% last week. Positive earnings surprises reported by companies in the Information Technology sector, partially offset by a negative earnings surprise reported by a company in the Industrials sector, were mainly responsible for the decrease in the overall earnings decline for the index during the week.

In the Information Technology sector, the positive EPS surprises reported by Apple ($1.68 vs. $1.42) and Microsoft ($2.03 vs. $1.64) were the largest contributors 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 15.3% from 4.5% over this period.

In the Industrials sector, the negative EPS surprise reported by Boeing (-$15.25 vs. -$1.78) was the largest detractor to the decrease in the earnings decline for the index during the week. As a result, the blended earnings decline for the Industrials sector increased to -57.0% from -36.2% over this period.

Increase in Blended Revenue Growth This Week Due to Technology Sector

The blended (year-over-year) revenue growth rate for the fourth quarter is 1.7%, which is larger than the revenue growth rate of 0.8% last week. Positive revenue surprises reported by companies in the Information Technology sector were the largest contributor to the increase in the overall revenue growth rate during the past week.

Financials and Tech Sectors Have Seen Largest Increases in Earnings since December 31

The blended (year-over-year) earnings decline for Q4 2020 of -2.3% is smaller than the estimate of -9.3% at the end of the fourth quarter (December 31). Eight 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 14.7% from -9.4%) and Information Technology (15.3% from 1.5%) sectors. Three 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 Industrials sector (to -57.0% from -34.9%).

Tech Sector Has Seen Largest Increase in Revenues since December 31

The blended (year-over-year) revenue growth rate for Q4 2020 of 1.7% 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 Information Technology (to 10.5% from 5.9%) sector. The Utilities (to 4.5% from 6.5%) sector is the only sector that has recorded a decrease in revenue growth during this time due to downward revisions to revenue estimates and negative revenue surprises.

Earnings Decline: -2.3%

The blended (year-over-year) earnings decline for Q4 2020 is -2.3%, which is below the 5-year average earnings growth rate of 3.8%. If -2.3% is the actual decline for the quarter, it will 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 Materials, Information Technology, and Financials sectors. Six sectors are reporting a year-over-year decline in earnings, led by the Energy, Industrials, and Consumer Discretionary sectors.

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

The Materials sector is reporting the highest (year-over-year) earnings growth of all eleven sectors at 15.6%. At the industry level, three of the four industries in this sector are reporting year-over-year growth in earnings: Metals & Mining (187%), Chemicals (3%), and Construction Materials (<1%). On the other hand, the Containers & Packaging (-4%) industry is the only industry reporting a year-over-year decline in earnings.

The Metals & Mining industry is also 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 1.6% from 15.6%.

Information Technology: Apple and Microsoft Are Largest Contributors to Year-Over-Year Growth

The Information Technology sector is reporting the second-highest (year-over-year) earnings growth of all eleven sectors at 15.3%. At the industry level, four of the six industries in this sector are reporting double-digit earnings growth: Semiconductors & Semiconductor Equipment (27%), Software (26%), Technology Hardware, Storage, & Peripherals (23%), and Electronic Equipment, Instruments, & Components (14%). The other two industries in the sector are reporting year-over-year declines in earnings: IT Services (-16%) and Communications Equipment (-3%).

At the company level, Apple and Microsoft are the largest contributors to earnings growth for the sector. If these two companies were excluded, the earnings growth rate for the sector would fall to 5.4% from 15.3%

Financials: JPMorgan Chase and Goldman Sachs Are Largest Contributors to Year-Over-Year Growth

The Financials sector is reporting the third-highest (year-over-year) earnings growth of all eleven sectors at 14.7%. At the industry level, all five industries in this sector are reporting year-over-year growth in earnings. Three of these five industries are reporting double-digit earnings growth: Capital Markets (35%), Consumer Finance (25%), and Diversified Financial Services (25%).

At the company level, JPMorgan Chase and Goldman Sachs are the largest contributors to earnings growth for the sector. If these two companies were excluded, the earnings growth rate for the sector would fall to 5.8% from 14.7%

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

The Energy sector is reporting the largest (year-over-year) decline in earnings of all eleven sectors at -105.2%. 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 a decline in earnings. Three of these four sub-industries are reporting a decline in earnings of 95% or more: Oil & Gas Refining & Marketing (-174%), Integrated Oil & Gas (-114%), and Oil & Gas Exploration & Production (-95%). 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: Boeing and Airlines Industry Are Largest Contributors To Year-Over-Year Decline

The Industrials sector is reporting the second-largest (year-over-year) earnings decline of all eleven sectors at -57.0%. At the industry level, seven of the twelve industries in this sector are reporting a decline in earnings. Three of these seven industries are reporting a double-digit decline in earnings: Airlines (-345%), Aerospace & Defense (-148%), and Industrial Conglomerates (-18%). On the other hand, five industries are reporting earnings growth in this sector, led by the Air Freight & Logistics (32%) industry.

Boeing and the five companies in the Airlines industry are also the largest contributors to the year-over-year decline in earnings for the sector. If these six companies were excluded, year-over-year earnings for the sector would improve to 1.4% from -57.0%.

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 -19.0%. At the industry level, five of the ten industries in this sector are reporting a decline in earnings. Three of these five industries are reporting a double-digit decline in earnings: Hotels, Restaurants, & Leisure (-138%), Internet & Direct Marketing Retail (-24%), and Textiles, Apparel, & Luxury Goods (-20%). On the other hand, five industries in this sector are reporting earnings growth, led by the Automobiles (214%), Household Durables (34%), and Multiline Retail (32%) 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 10.6% from -19.0%.

Revenue Growth: 1.7%

The blended (year-over-year) revenue growth rate for Q4 2020 is 1.7%, which is below the 5-year average revenue growth rate of 3.5%. If 1.7% 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. Seven sectors are reporting year-over-year growth in revenues, led by Information Technology, Health Care, and Consumer Discretionary sectors. Four sectors are reporting a year-over-year decline in revenues, led by the Energy and Industrials sectors.

Information Technology: 4 of 6 Industries Reporting Year-Over-Year Growth

The Information Technology sector is reporting the highest (year-over-year) revenue growth of all eleven sectors at 10.8%. At the industry level, four of the six industries in this sector are reporting revenue growth. Three of these four industries are reporting double-digit revenue growth: Semiconductors & Semiconductor Equipment (19%), Technology Hardware, Storage, & Peripherals (15%), and Software (14%). The other two industries in the sector are reporting year-over-year declines in revenue: IT Services (-1%) and Communications Equipment (<-1%).

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

The Health Care sector is reporting the second-highest (year-over-year) revenue growth of all eleven sectors at 10.6%. At the industry level, five of the six industries in this sector are reporting year-over-year growth in revenues. Four these five industries are reporting double-digit growth in revenues: Life Sciences Tools & Services (24%), Biotechnology (22%), Health Care Equipment & Supplies (13%), and Pharmaceuticals (11%). On the other hand, the only industry that is reporting 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 third-largest (year-over-year) revenue growth of all eleven sectors at 8.2%. At the industry level, seven of the ten industries in this sector are reporting growth in revenues. Six these seven industries are reporting double-digit growth in revenues: Internet & Direct Marketing Retail (30%), Auto Components (21%), Leisure Products (18%), Multiline Retail (15%), Specialty Retail (10%), and Household Durables (10%). On the other hand, three industries are reporting a year-over-year decline in revenues, led by the Hotels, Restaurants, & Leisure (-42%) 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 -33.0%. 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 a year-over-year decline in revenue. Four sub-industries are reporting a decline in revenue of more than 25%: Oil & Gas Refining & Marketing (-41%), Integrated Oil & Gas (-31%), Oil & Gas Exploration & Production (-29%), 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 -9.4%. At the industry level, nine of the twelve industries in this sector are reporting a decline in revenues, led by the Airlines (-66%) industry. On the other hand, the Air Freight & Logistics (16%) 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 -1.8% from -9.4%.

Net Profit Margin: 10.5%

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 10.5%, which is equal to the 5-year average of 10.5% but below the year-ago net profit margin of 10.9%. If 10.5% 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 net profit margins that are below their 5-year averages, led by the Industrials (4.1% vs. 8.4%) sector. Seven sectors are reporting a year-over-year decline in their net profit margins in Q4 2020 compared to Q4 2019, led by the Industrials (4.1% vs. 8.6%) sector. It should be noted that the Energy sector is reporting 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 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, 31 companies in the index have issued EPS guidance for Q1 2021. Of these 31 companies, 11 have issued negative EPS guidance and 20 have issued positive EPS guidance. The percentage of companies issuing positive EPS guidance is 65% (20 out of 31), 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 -2.3% and growth in revenues of 1.7%. For all of 2020, S&P 500 companies are reporting a decline in earnings of -12.1% and a decline in revenue of -1.3%.

For Q1 2021, analysts are projecting earnings growth of 19.6% and revenue growth of 4.8%.

For Q2 2021, analysts are projecting earnings growth of 48.7% and revenue growth of 15.1%.

For Q3 2021, analysts are projecting earnings growth of 16.0% and revenue growth of 9.0%.

For Q4 2021, analysts are projecting earnings growth of 17.2% and revenue growth of 7.0%.

For CY 2021, analysts are projecting earnings growth of 23.6% and revenue growth of 8.7%.

Valuation: Forward P/E Ratio is 21.8, Above the 10-Year Average (15.8)

The forward 12-month P/E ratio is 21.8. This P/E ratio is above the 5-year average of 17.6 and above the 10-year average of 15.8. However, it is below 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 0.8%, while the forward 12-month EPS estimate has increased by 4.0%.

At the sector level, the Consumer Discretionary (36.4) sector has the highest forward 12-month P/E ratio, while the Financials (13.6) sector has the lowest forward 12-month P/E ratio.

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

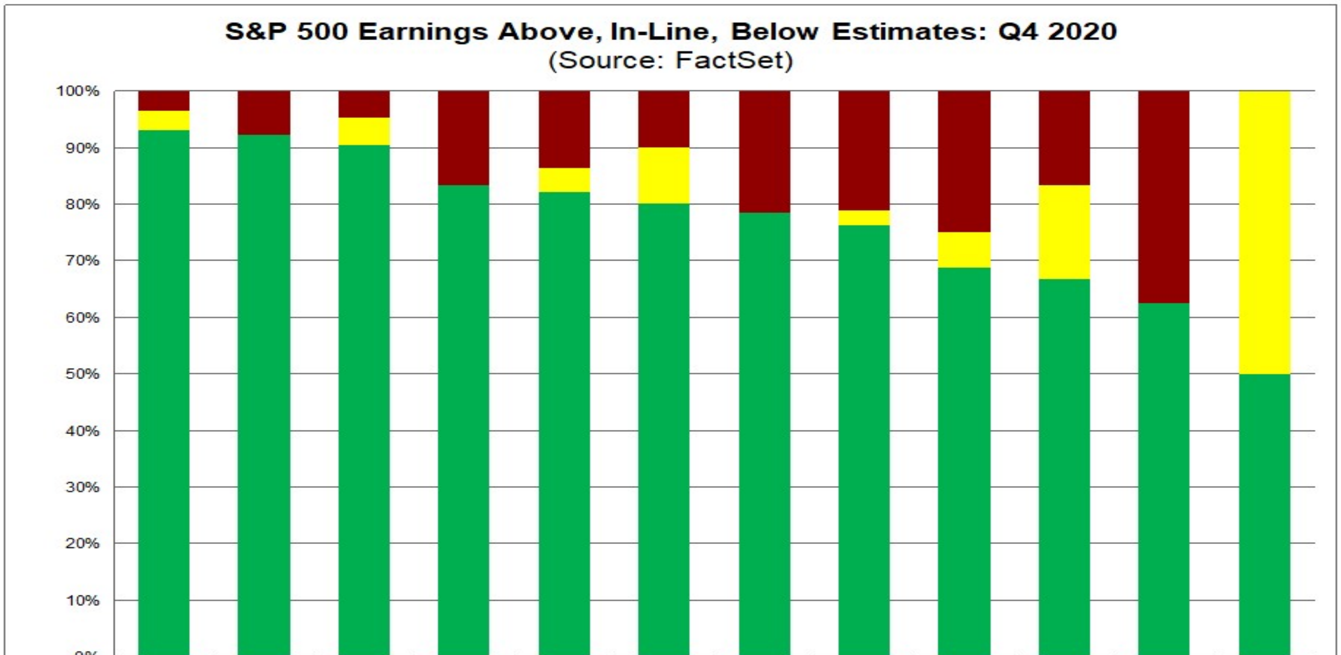
The bottom-up target price for the S&P 500 is 4251.13, which is 12.2% above the closing price of 3787.38. At the sector level, the Energy (+16.9%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Consumer Discretionary (+6.1%) 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 10,436 ratings on stocks in the S&P 500. Of these 10,436 ratings, 54.6% are Buy ratings, 38.5% are Hold ratings, and 7.0% are Sell ratings. At the sector level, the Energy (65%) and Health Care (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (45%) sector has the lowest percentage of Buy ratings.

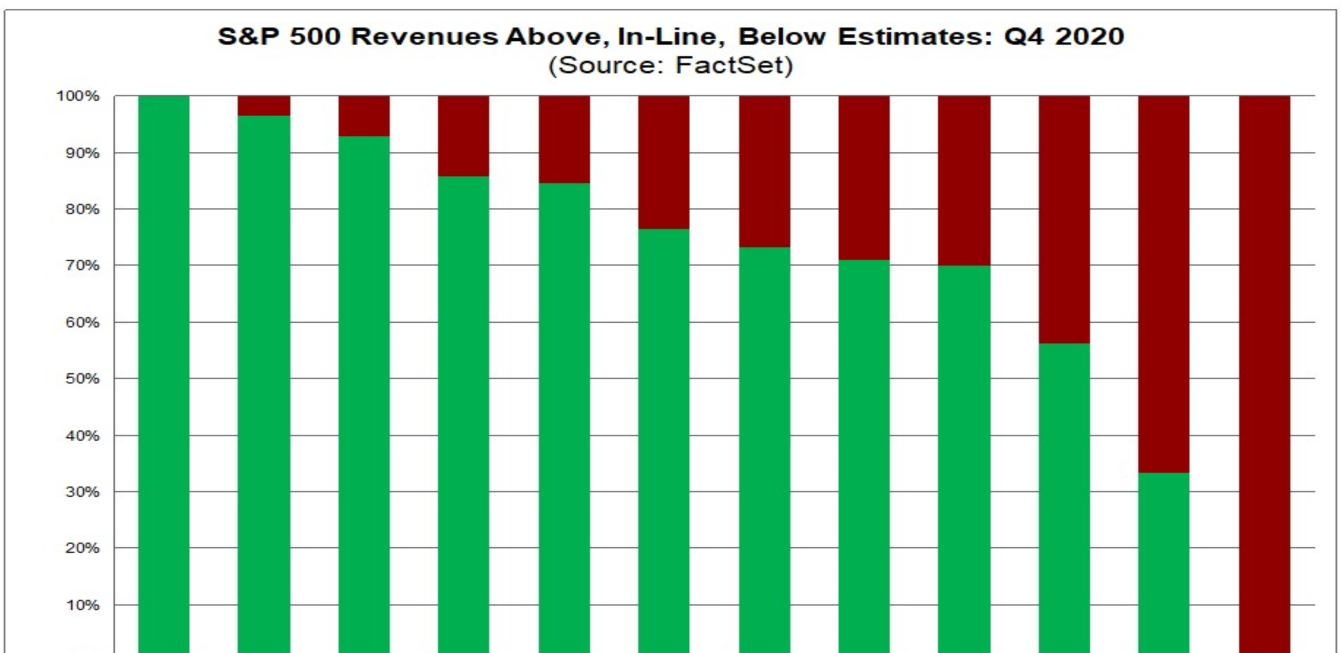
Companies Reporting Next Week: 110

During the upcoming week, 110 S&P 500 companies (including two Dow 30 components) are scheduled to report results for the fourth quarter.

Q4 2020: Scorecard

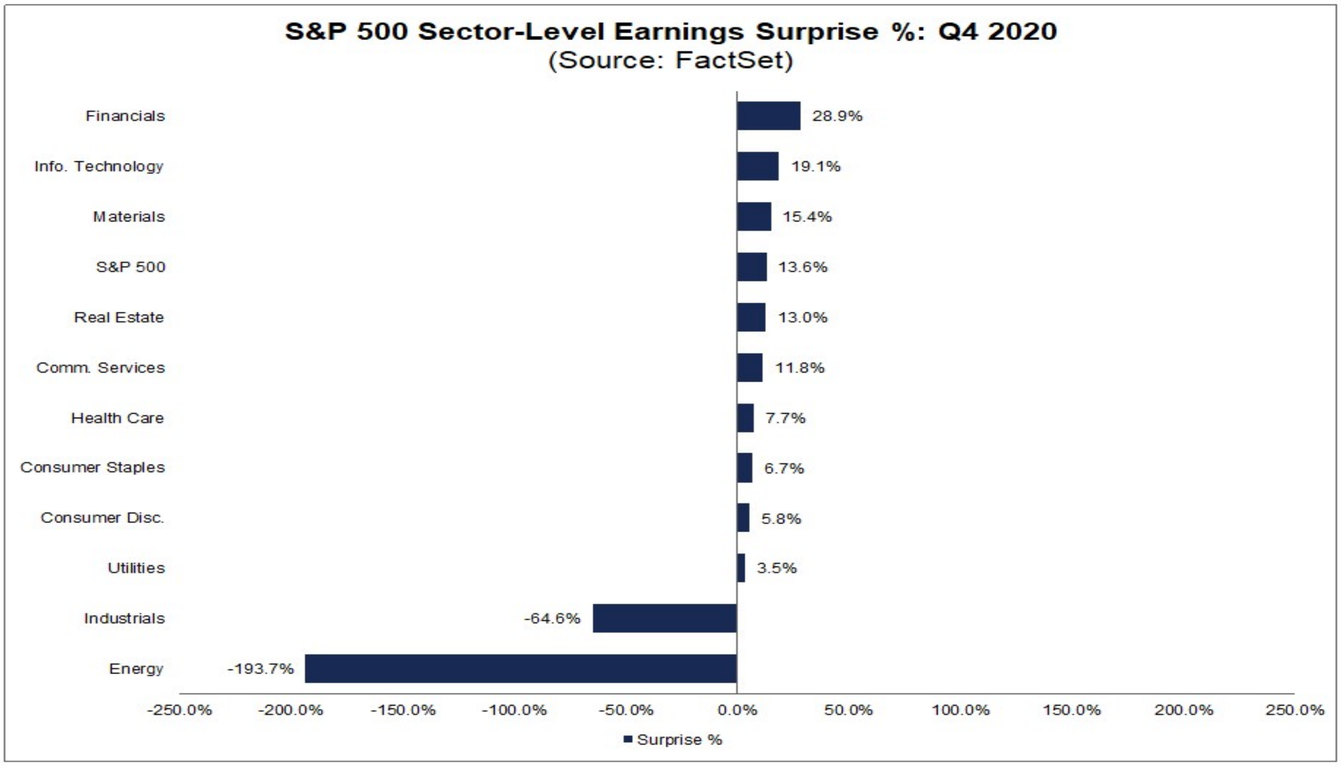


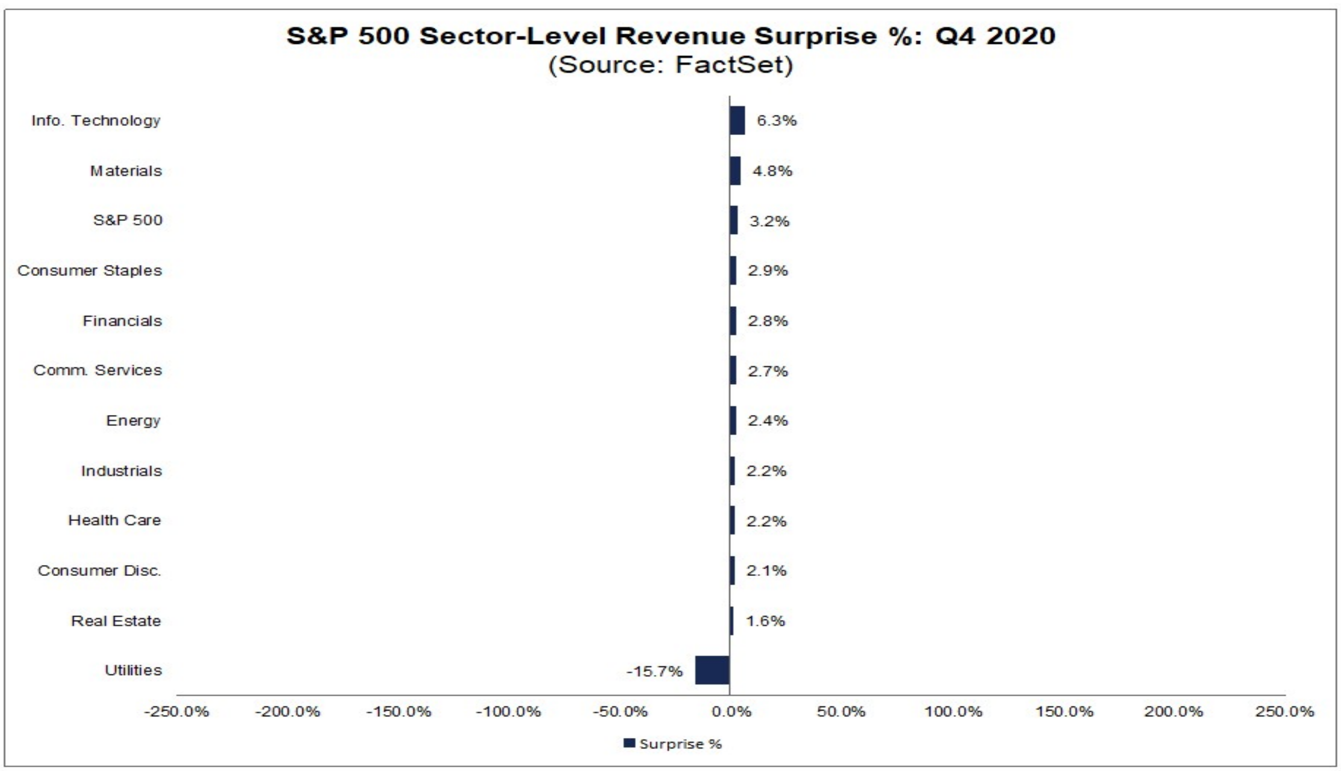
	Info. Technology	Health Care	Financials	Comm. Services	S&P 500	Materials	Consumer Staples	Industrials	Consumer Disc.	Real Estate	Energy	Utilities
Below	3%	8%	5%	17%	14%	10%	21%	21%	25%	17%	38%	0%
In-Line	3%	0%	5%	0%	4%	10%	0%	3%	6%	17%	0%	50%
Above	93%	92%	90%	83%	82%	80%	79%	76%	69%	67%	63%	50%



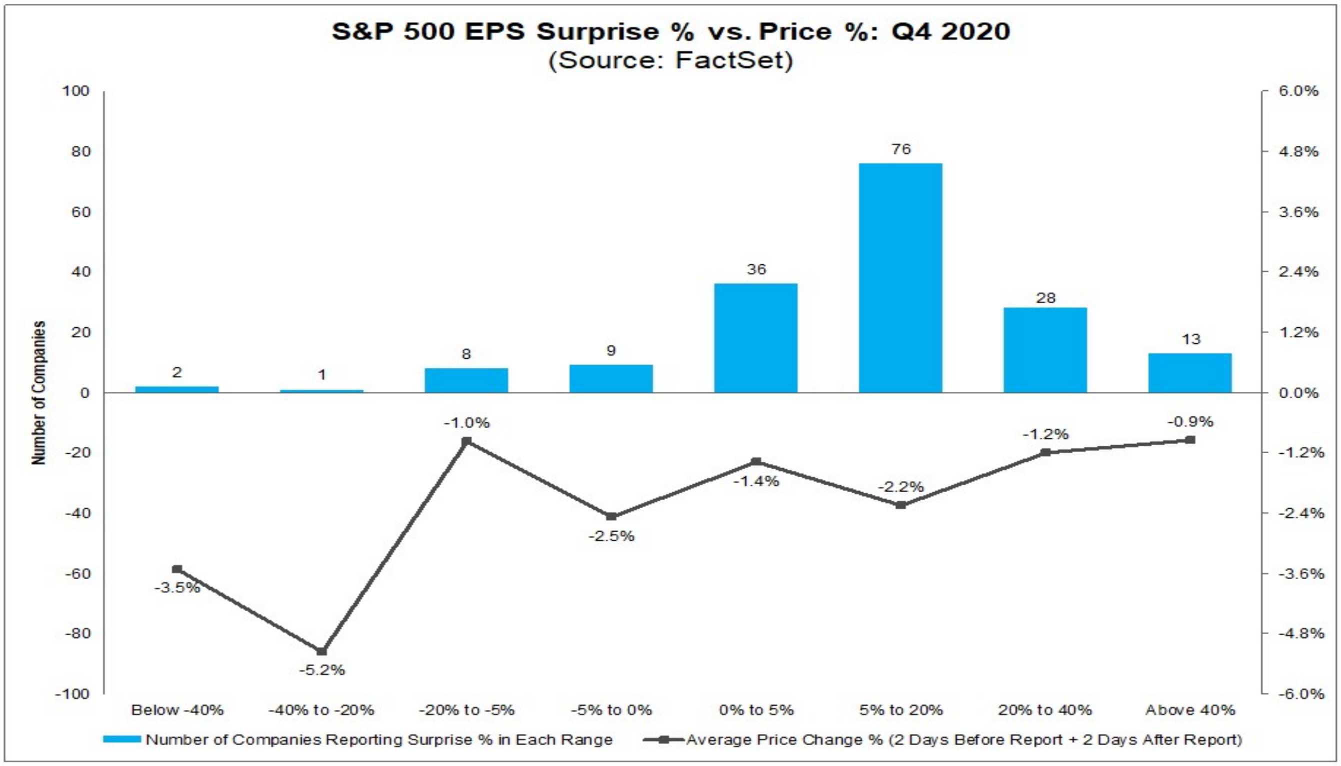
	Comm. Services	Info. Technology	Consumer Staples	Energy	Health Care	S&P 500	Financials	Industrials	Materials	Consumer Disc.	Real Estate	Utilities
Below	0%	3%	7%	14%	15%	24%	27%	29%	30%	44%	67%	100%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	100%	97%	93%	86%	85%	76%	73%	71%	70%	56%	33%	0%

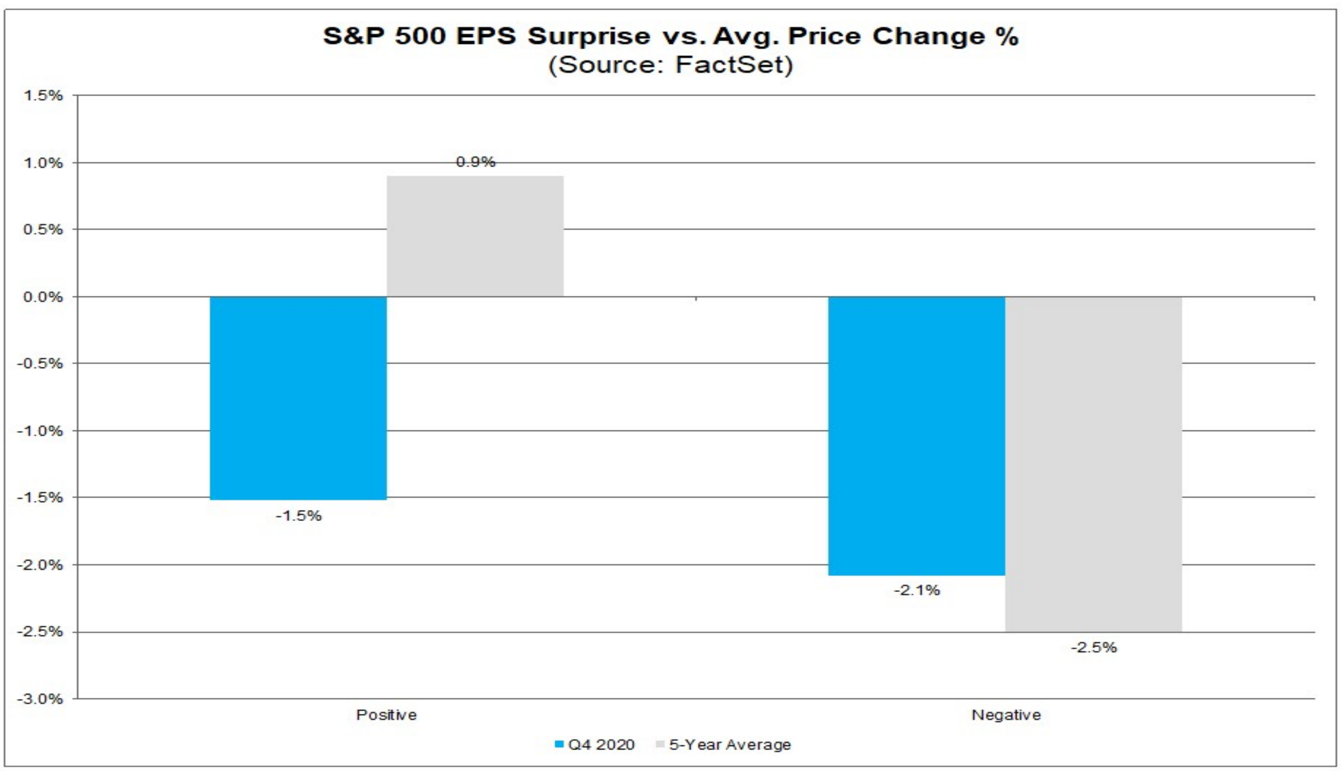
Q4 2020: Scorecard



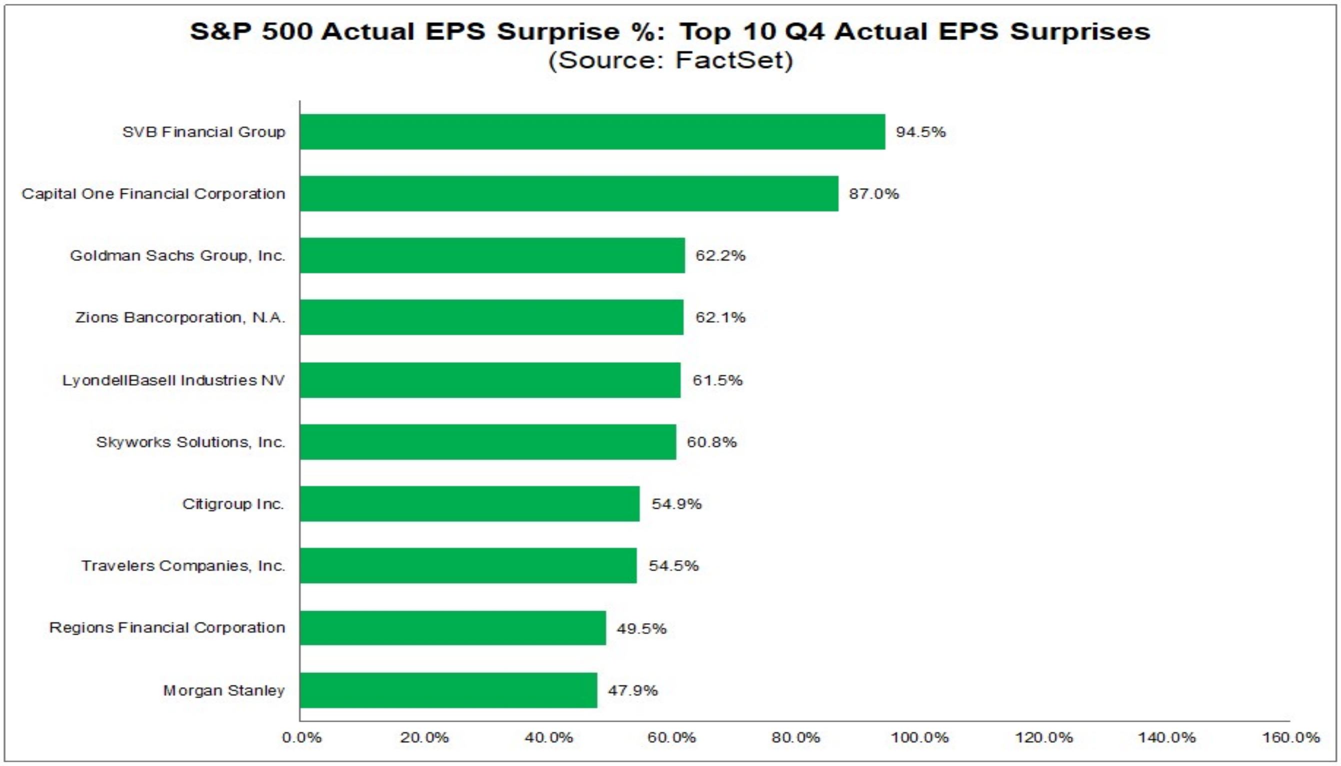


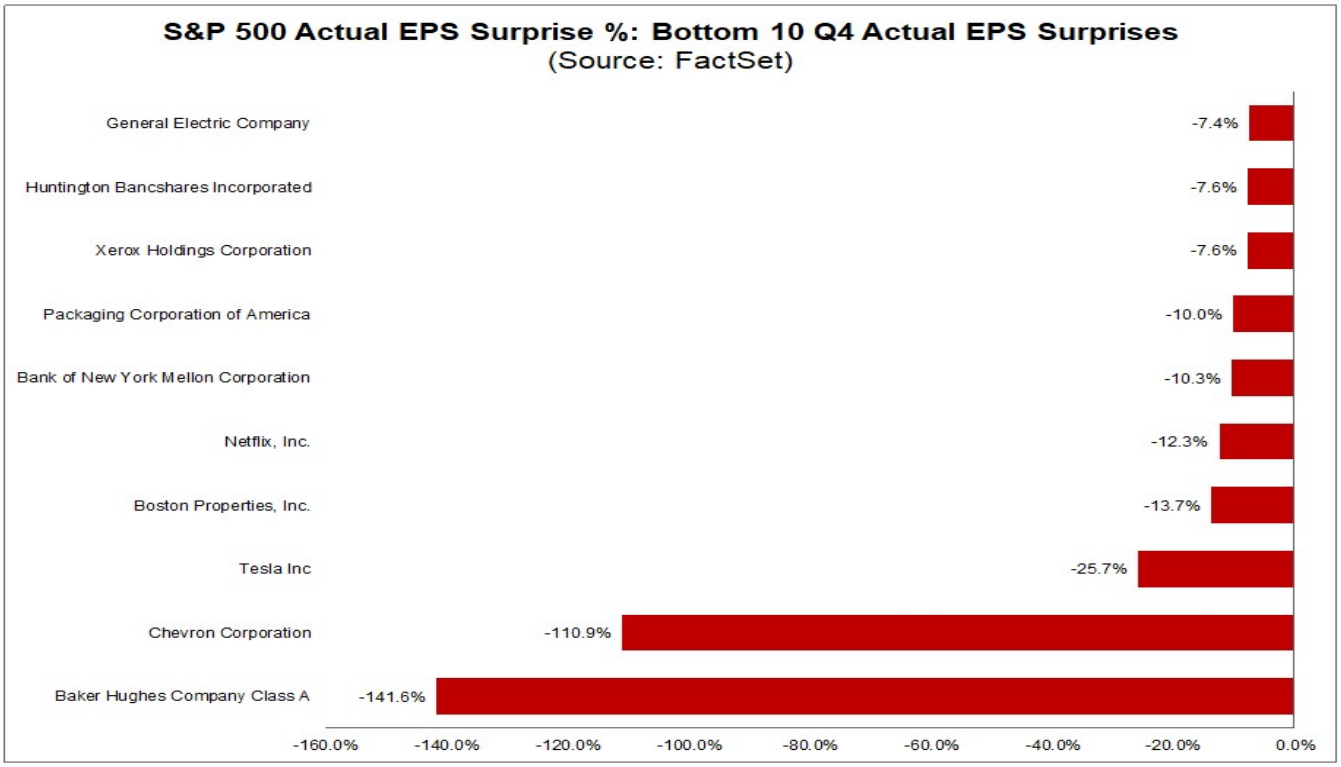
Q4 2020: Scorecard



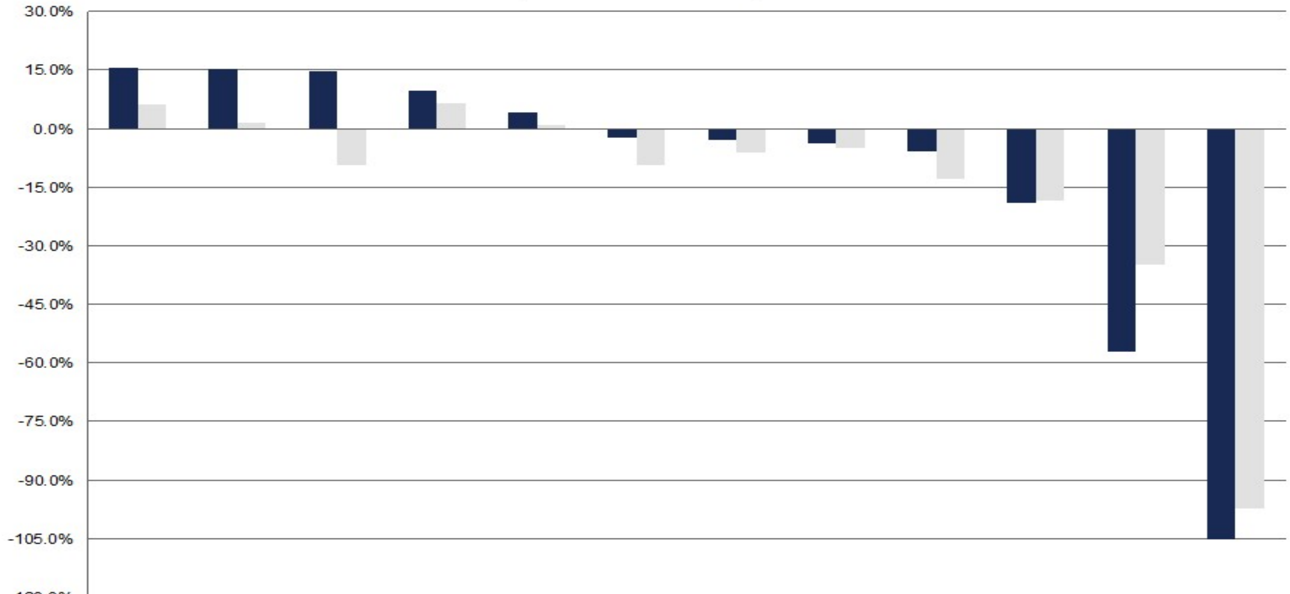


Q4 2020: Scorecard

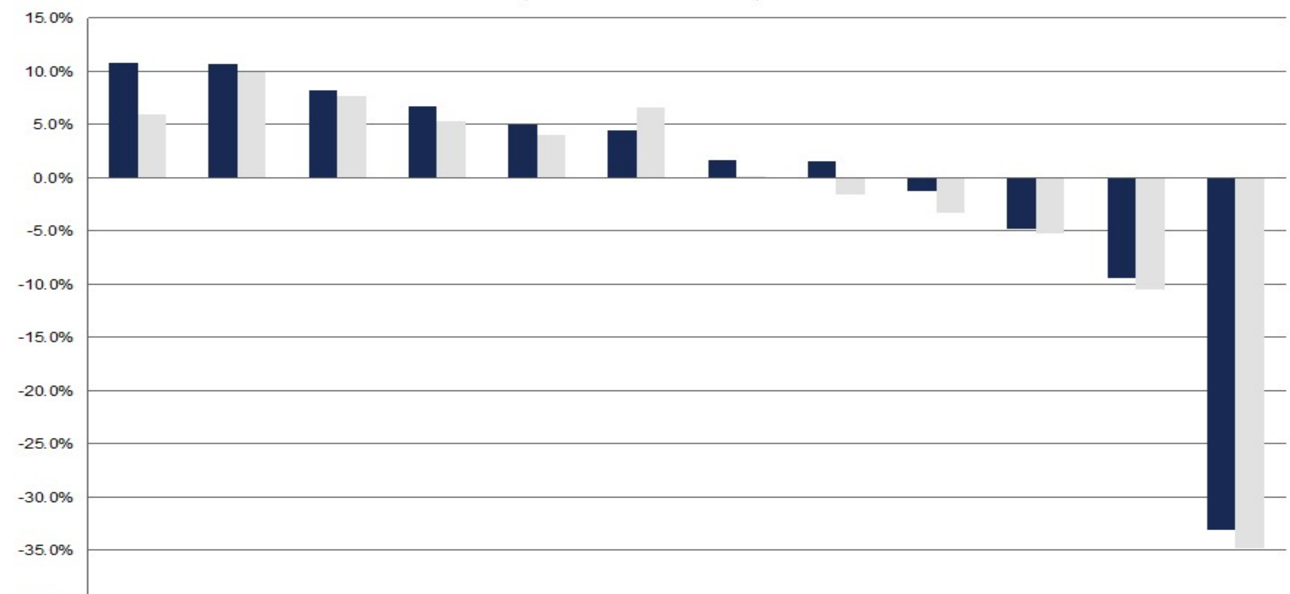




Q4 2020: Growth

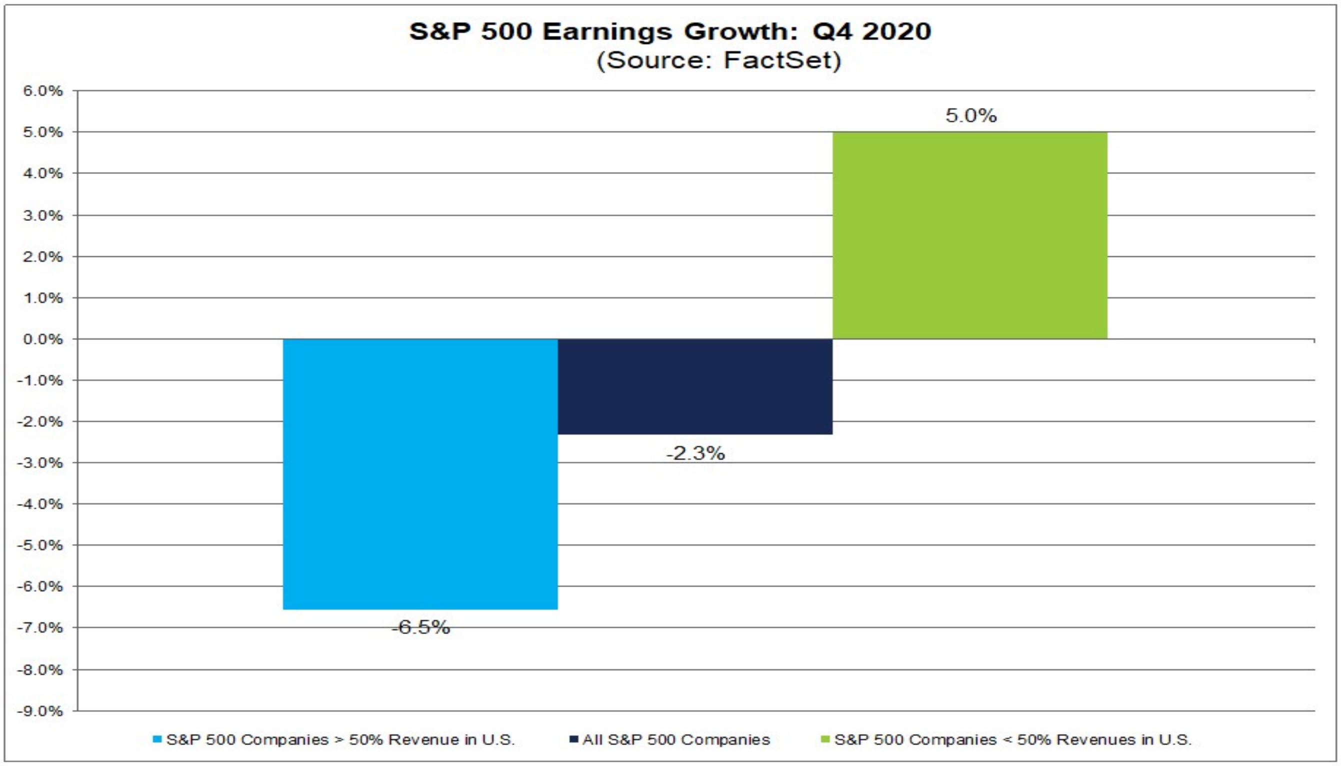


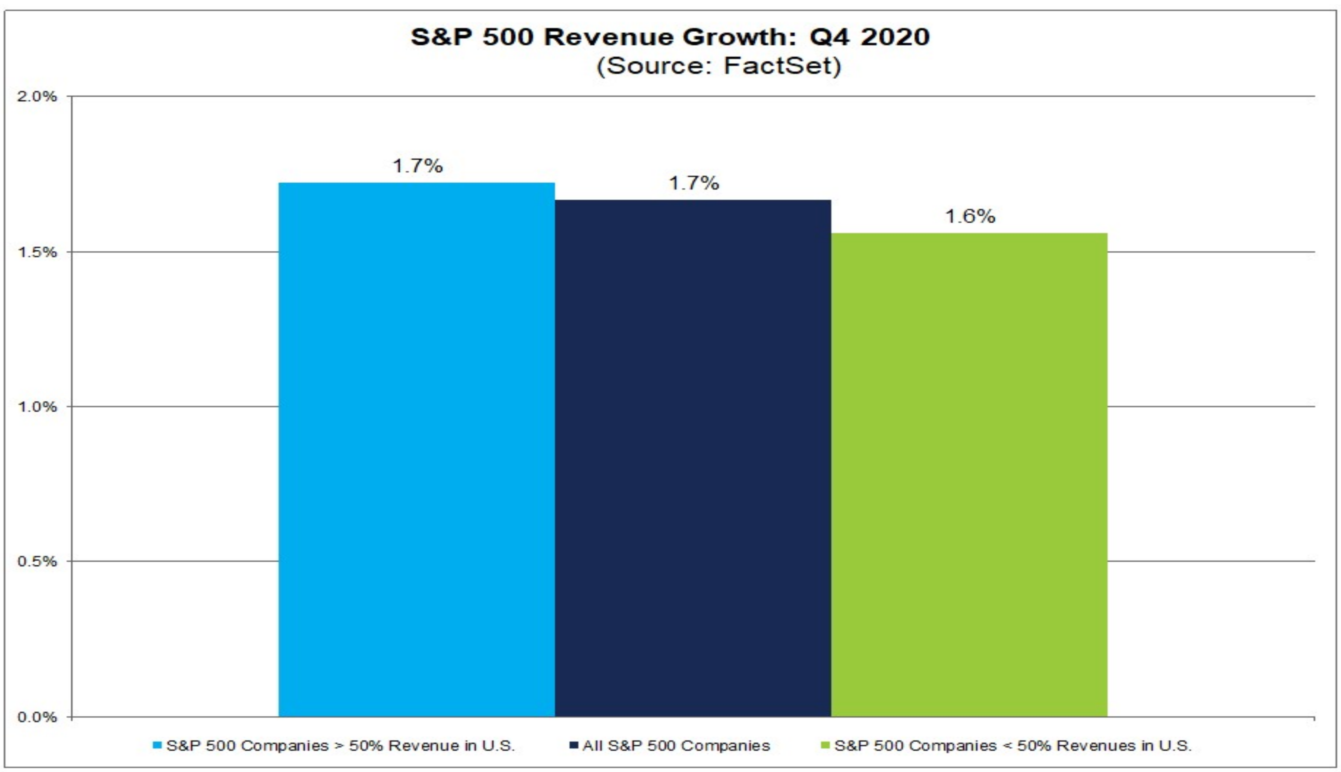
	Materials	Info. Technology	Financials	Health Care	Consumer Staples	S&P 500	Real Estate	Utilities	Comm. Services	Consumer Disc.	Industrials	Energy
Today	15.6%	15.3%	14.7%	9.7%	4.0%	-2.3%	-2.9%	-3.8%	-5.8%	-19.0%	-57.0%	-105.2%
31-Dec	6.1%	1.5%	-9.4%	6.4%	1.0%	-9.3%	-6.1%	-5.0%	-12.8%	-18.3%	-34.9%	-97.3%



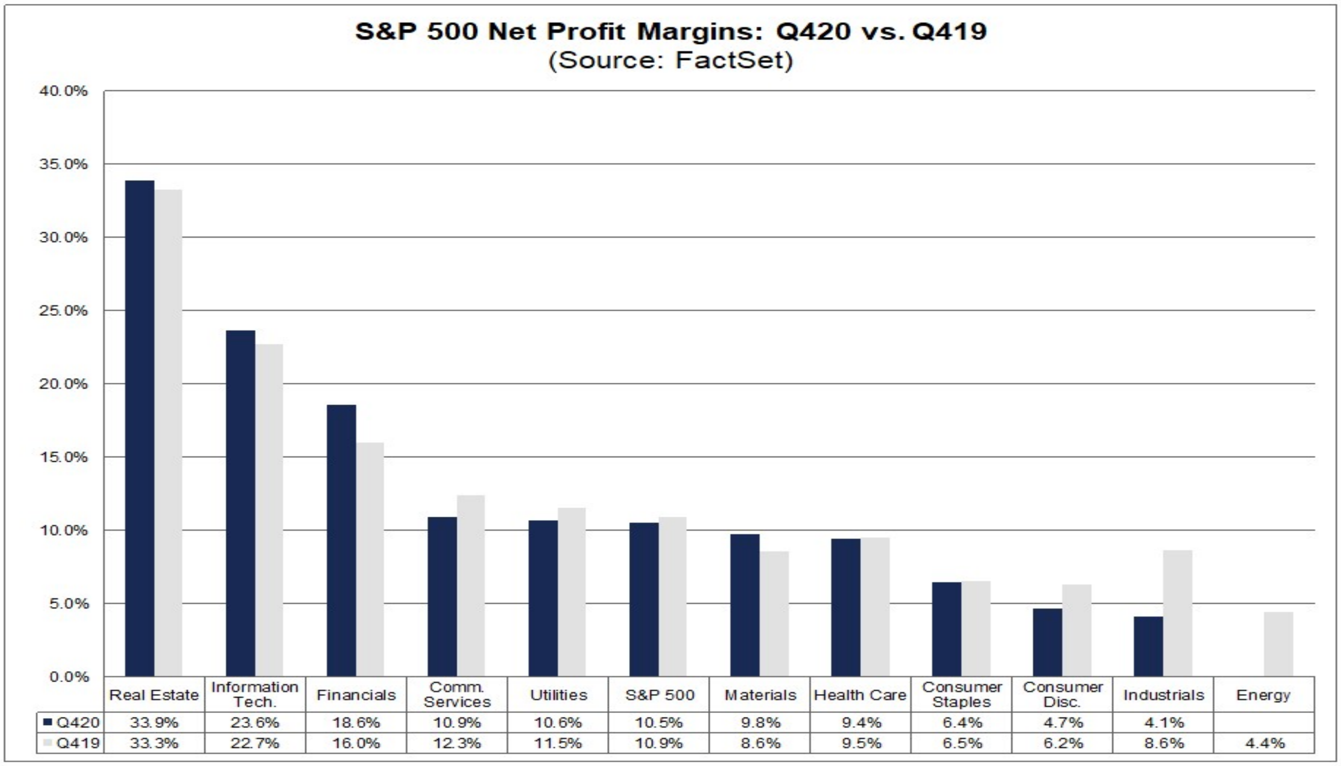
	Info. Technology	Health Care	Consumer Disc.	Comm. Services	Consumer Staples	Utilities	S&P 500	Materials	Financials	Real Estate	Industrials	Energy
Today	10.8%	10.6%	8.2%	6.7%	5.0%	4.5%	1.7%	1.5%	-1.2%	-4.8%	-9.4%	-33.0%
31-Dec	5.9%	9.9%	7.6%	5.3%	4.0%	6.5%	0.1%	-1.6%	-3.3%	-5.2%	-10.5%	-34.8%

Q4 2020: Growth

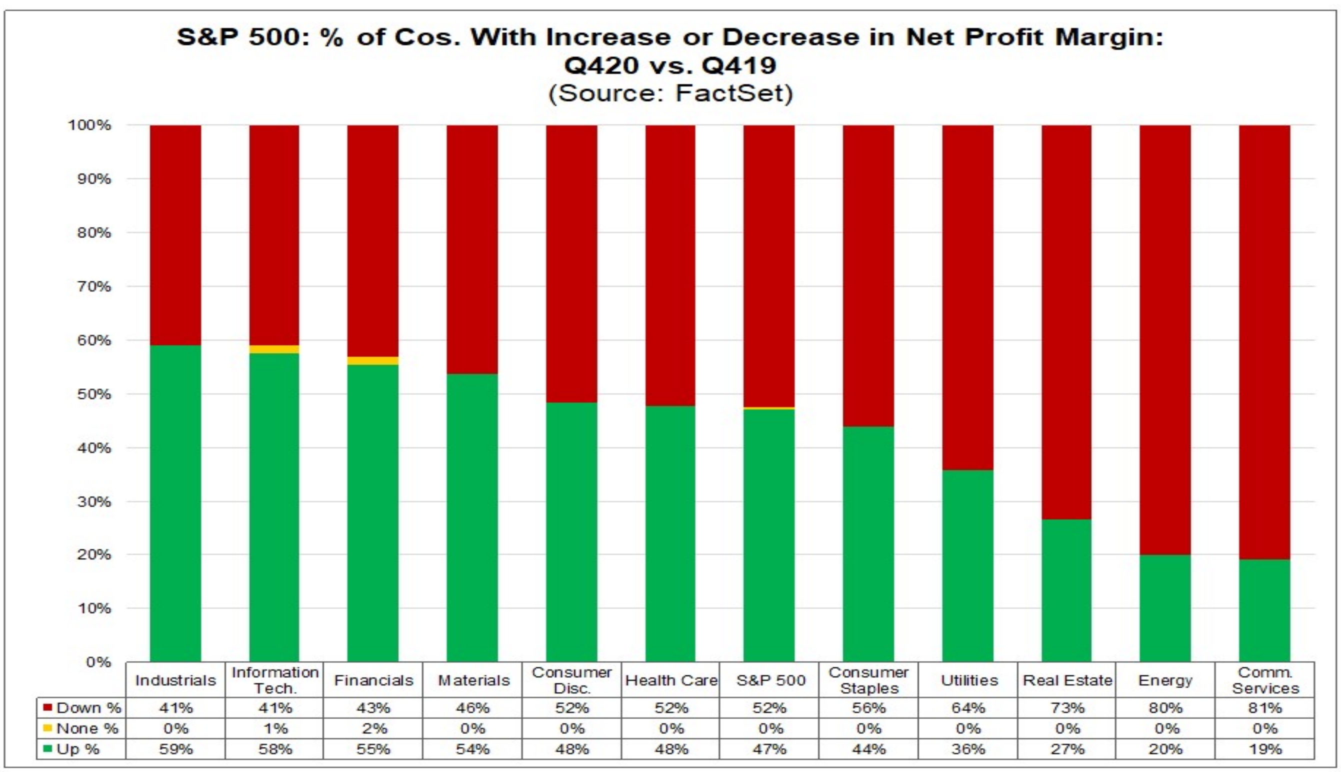




Q4 2020: Net Profit Margin

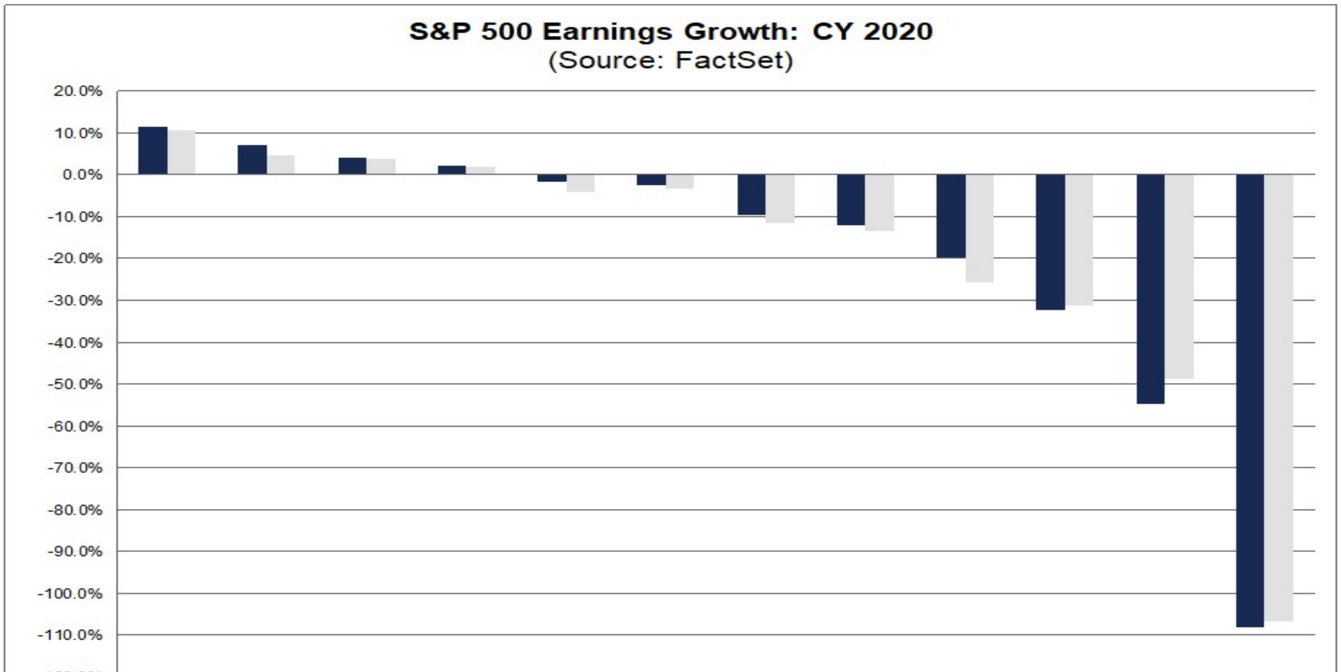


	Real Estate	Information Tech.	Financials	Comm. Services	Utilities	S&P 500	Materials	Health Care	Consumer Staples	Consumer Disc.	Industrials	Energy
Q420	33.9%	23.6%	18.6%	10.9%	10.6%	10.5%	9.8%	9.4%	6.4%	4.7%	4.1%	
Q419	33.3%	22.7%	16.0%	12.3%	11.5%	10.9%	8.6%	9.5%	6.5%	6.2%	8.6%	4.4%

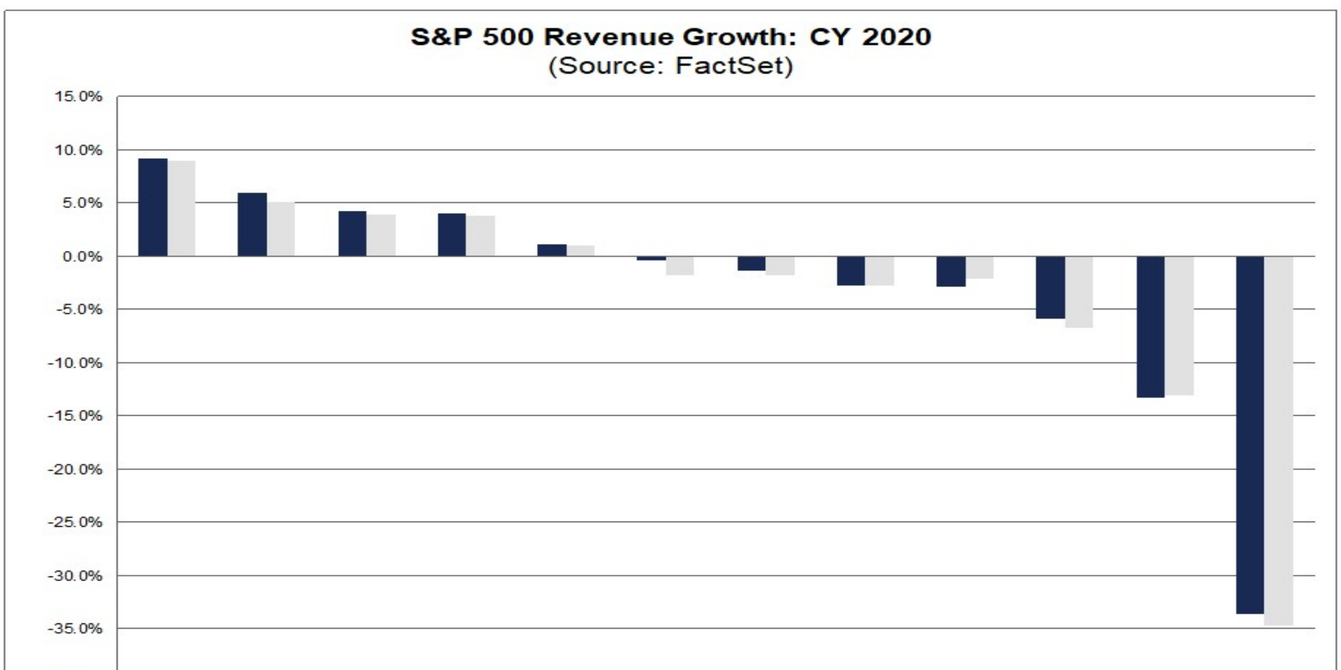


	Industrials	Information Tech.	Financials	Materials	Consumer Disc.	Health Care	S&P 500	Consumer Staples	Utilities	Real Estate	Energy	Comm. Services
Down %	41%	41%	43%	46%	52%	52%	52%	56%	64%	73%	80%	81%
None %	0%	1%	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Up %	59%	58%	55%	54%	48%	48%	47%	44%	36%	27%	20%	19%

CY 2020: Growth

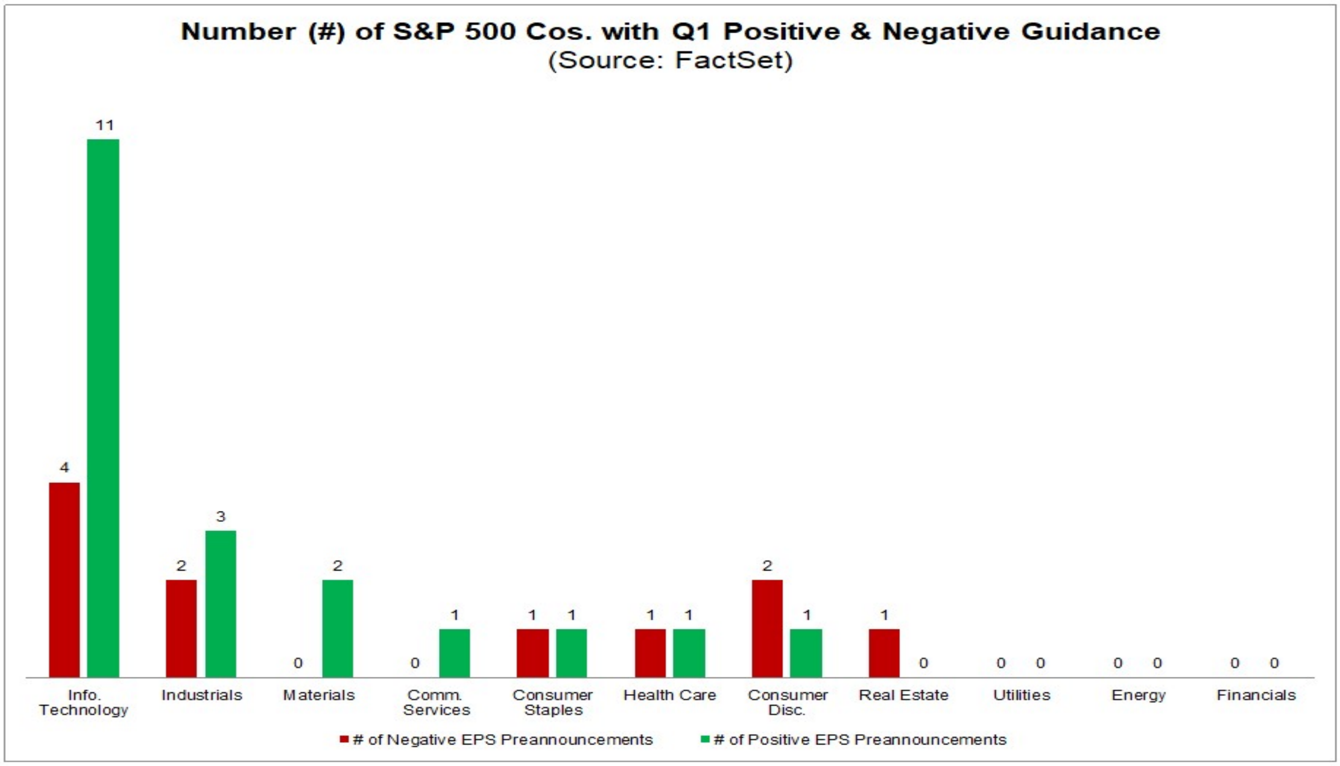


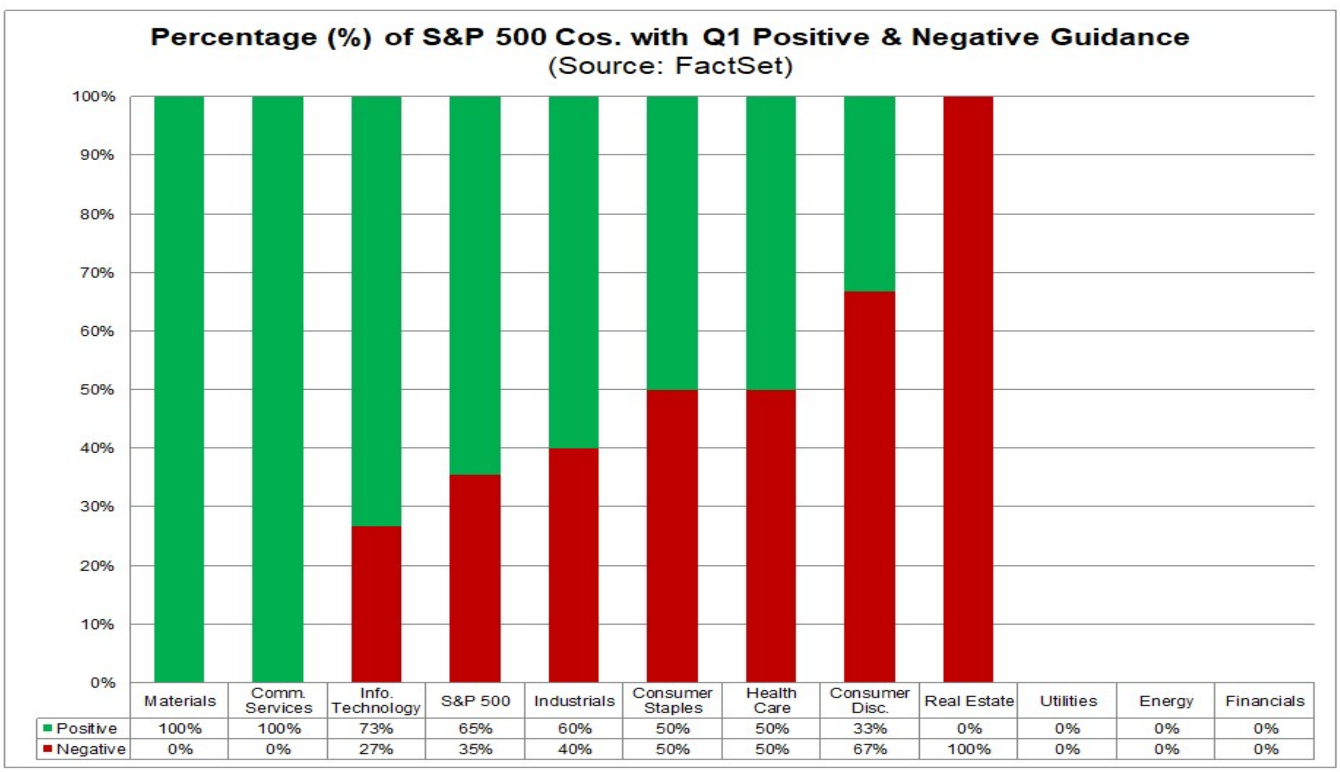
	Health Care	Info. Technology	Consumer Staples	Utilities	Comm. Services	Real Estate	Materials	S&P 500	Financials	Consumer Disc.	Industrials	Energy
Today	11.4%	7.2%	3.9%	2.1%	-1.6%	-2.6%	-9.7%	-12.1%	-19.7%	-32.4%	-54.8%	-108.1%
31-Dec	10.6%	4.7%	3.7%	1.9%	-4.1%	-3.4%	-11.5%	-13.5%	-25.7%	-31.4%	-48.6%	-106.7%



	Health Care	Info. Technology	Comm. Services	Consumer Staples	Consumer Disc.	Financials	S&P 500	Real Estate	Utilities	Materials	Industrials	Energy
Today	9.1%	6.0%	4.3%	4.0%	1.1%	-0.4%	-1.3%	-2.8%	-2.9%	-5.9%	-13.3%	-33.6%
31-Dec	8.9%	5.1%	3.9%	3.8%	1.0%	-1.8%	-1.8%	-2.8%	-2.1%	-6.8%	-13.1%	-34.7%

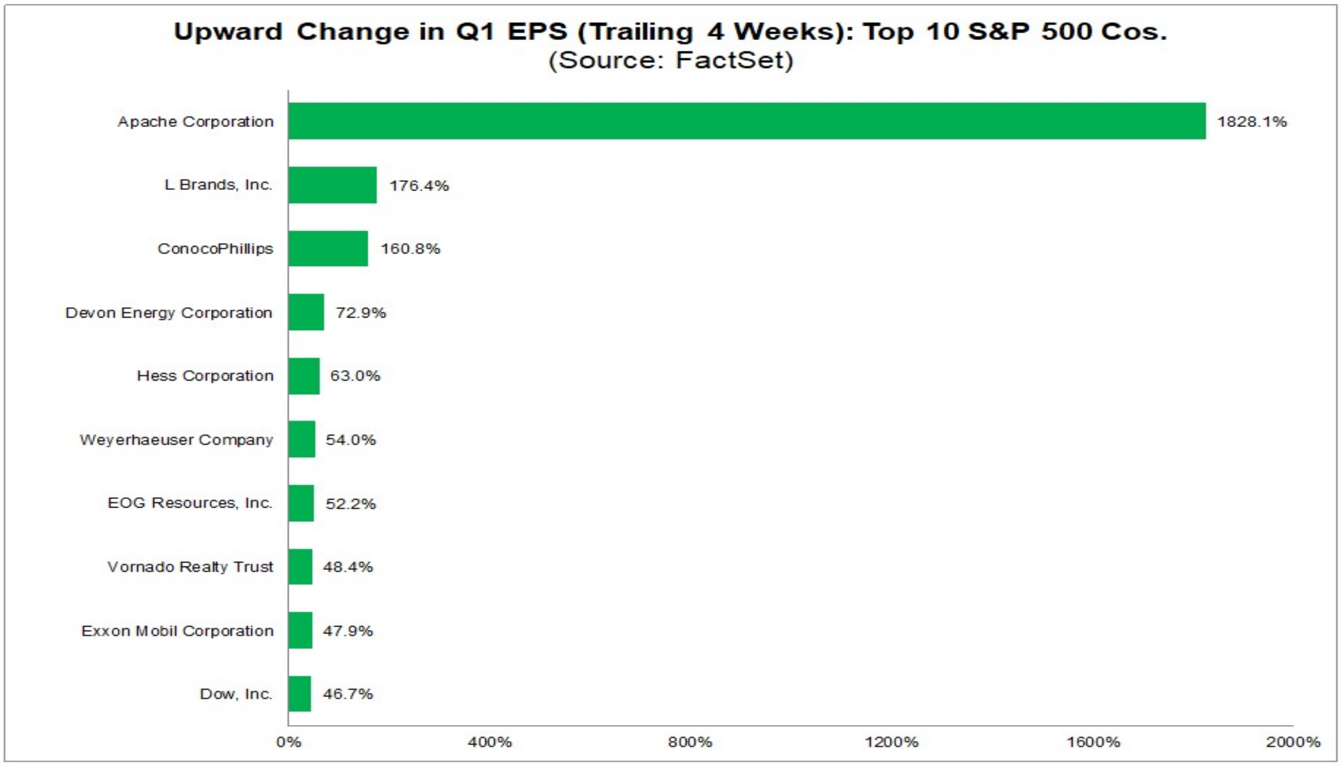
Q1 2021: EPS Guidance

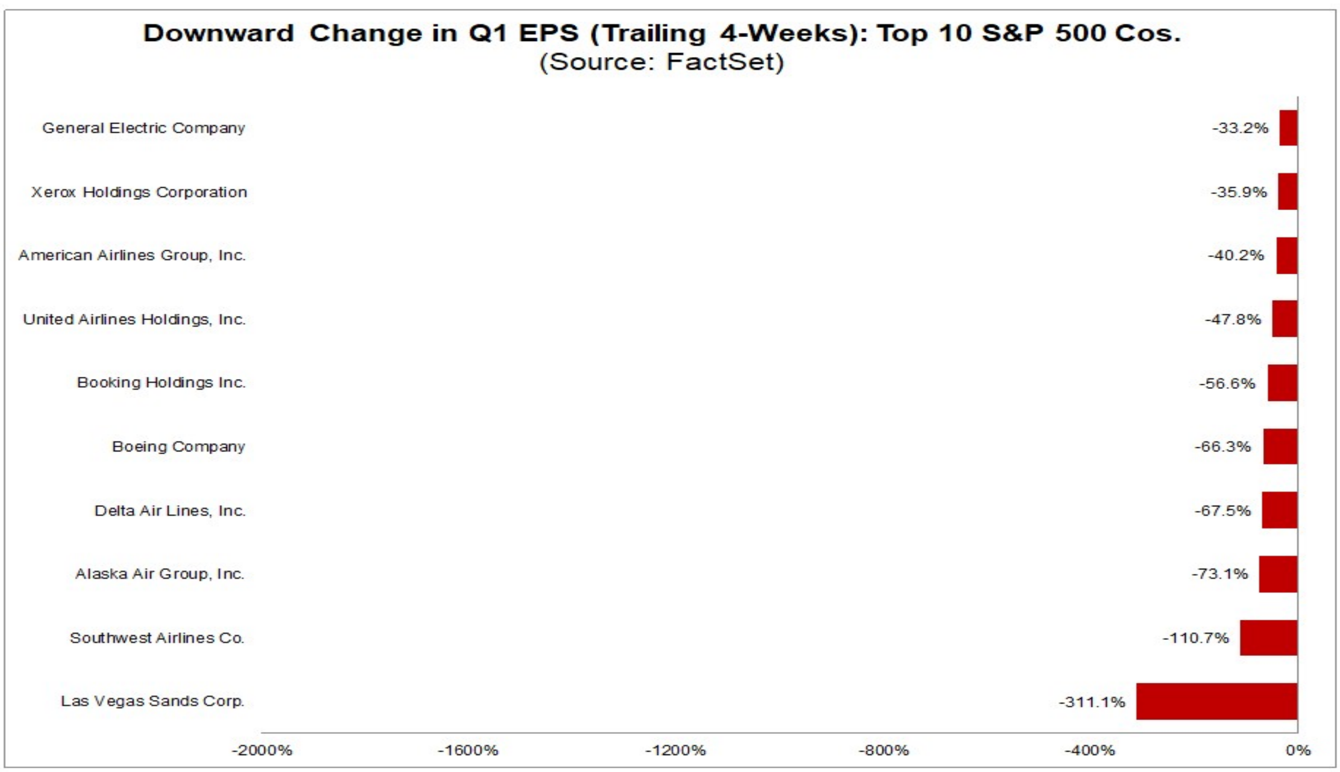




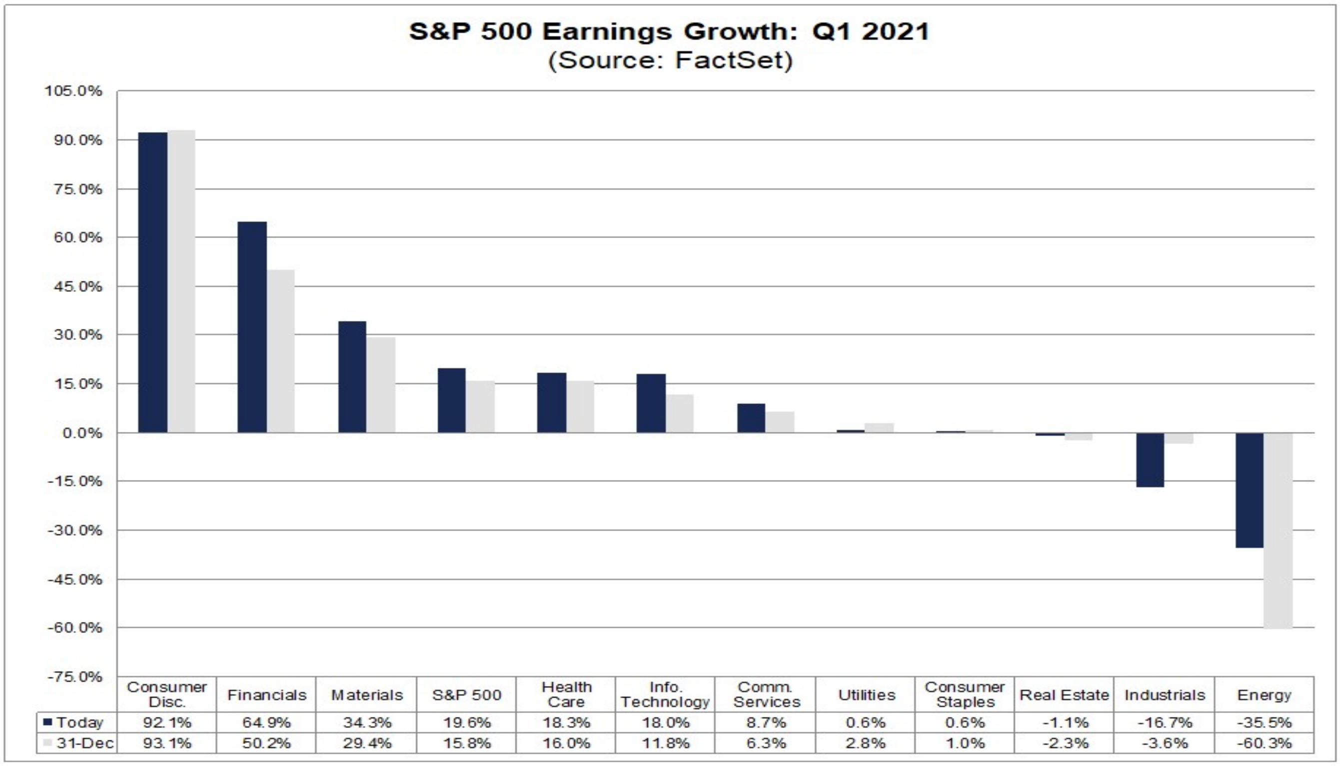
	Materials	Comm. Services	Info. Technology	S&P 500	Industrials	Consumer Staples	Health Care	Consumer Disc.	Real Estate	Utilities	Energy	Financials
Positive	100%	100%	73%	65%	60%	50%	50%	33%	0%	0%	0%	0%
Negative	0%	0%	27%	35%	40%	50%	50%	67%	100%	0%	0%	0%

Q1 2021: EPS Revisions

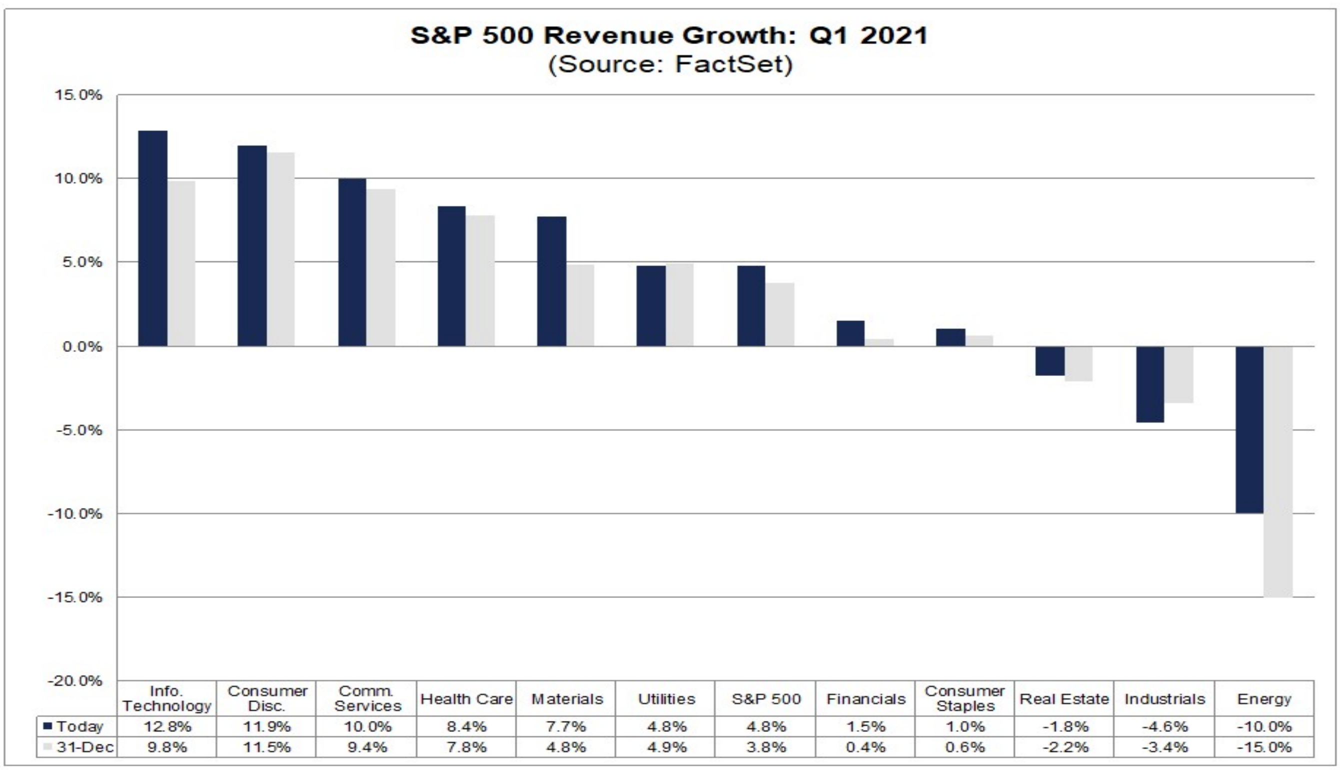




Q1 2021: Growth

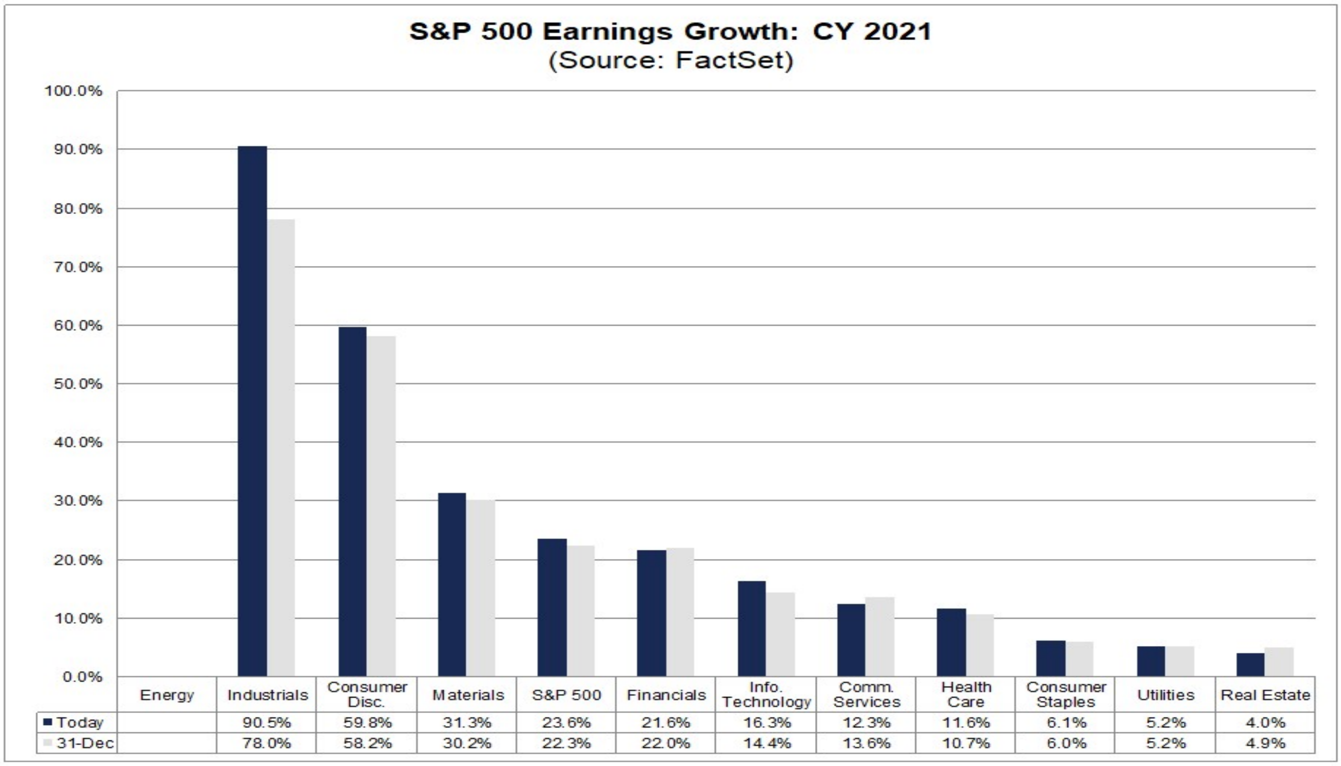


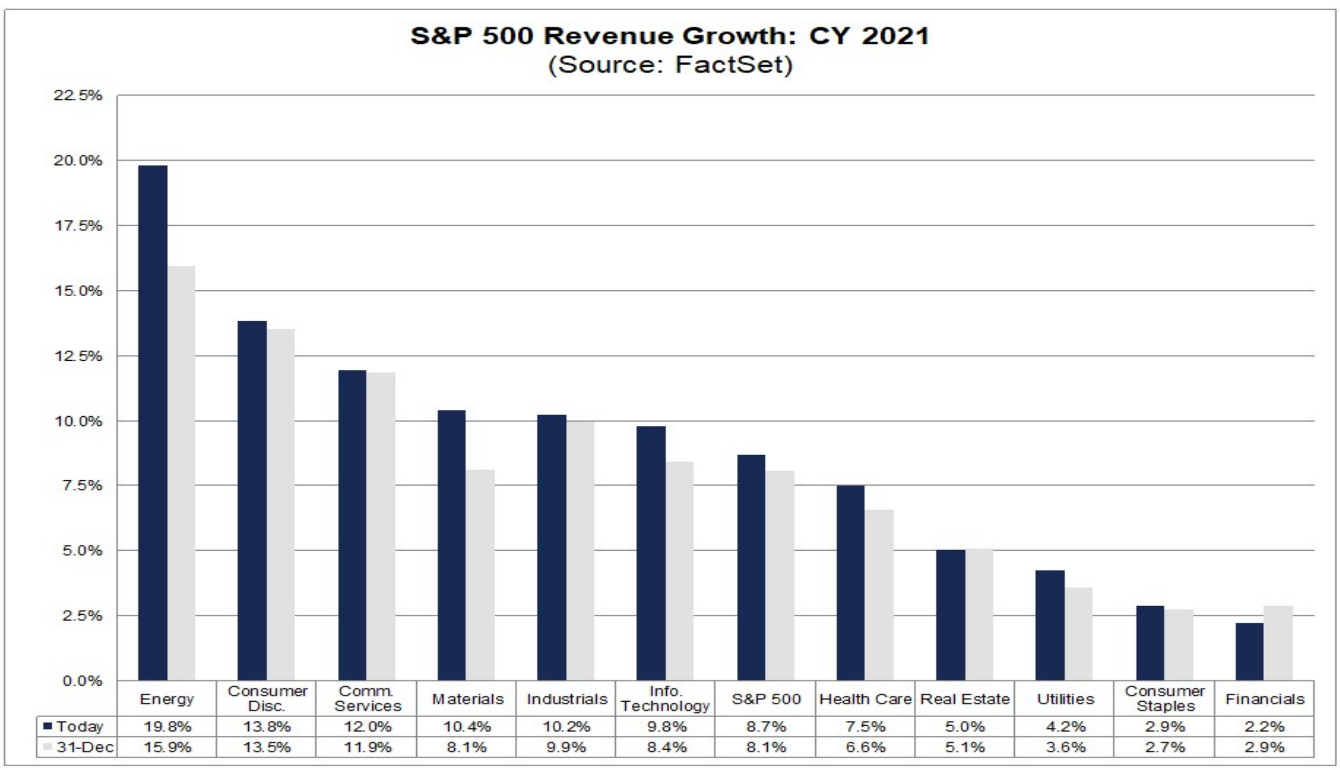
	Consumer Disc.	Financials	Materials	S&P 500	Health Care	Info. Technology	Comm. Services	Utilities	Consumer Staples	Real Estate	Industrials	Energy
Today	92.1%	64.9%	34.3%	19.6%	18.3%	18.0%	8.7%	0.6%	0.6%	-1.1%	-16.7%	-35.5%
31-Dec	93.1%	50.2%	29.4%	15.8%	16.0%	11.8%	6.3%	2.8%	1.0%	-2.3%	-3.6%	-60.3%



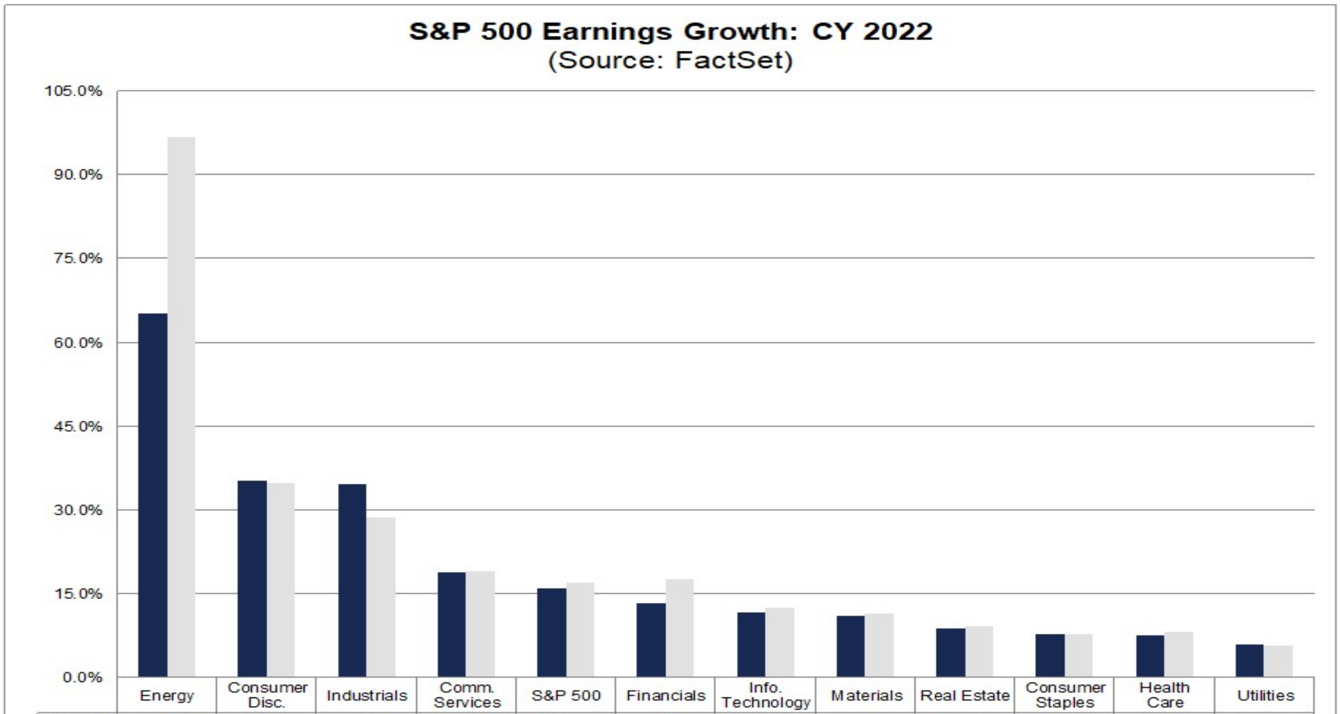
	Info. Technology	Consumer Disc.	Comm. Services	Health Care	Materials	Utilities	S&P 500	Financials	Consumer Staples	Real Estate	Industrials	Energy
Today	12.8%	11.9%	10.0%	8.4%	7.7%	4.8%	4.8%	1.5%	1.0%	-1.8%	-4.6%	-10.0%
31-Dec	9.8%	11.5%	9.4%	7.8%	4.8%	4.9%	3.8%	0.4%	0.6%	-2.2%	-3.4%	-15.0%

CY 2021: Growth

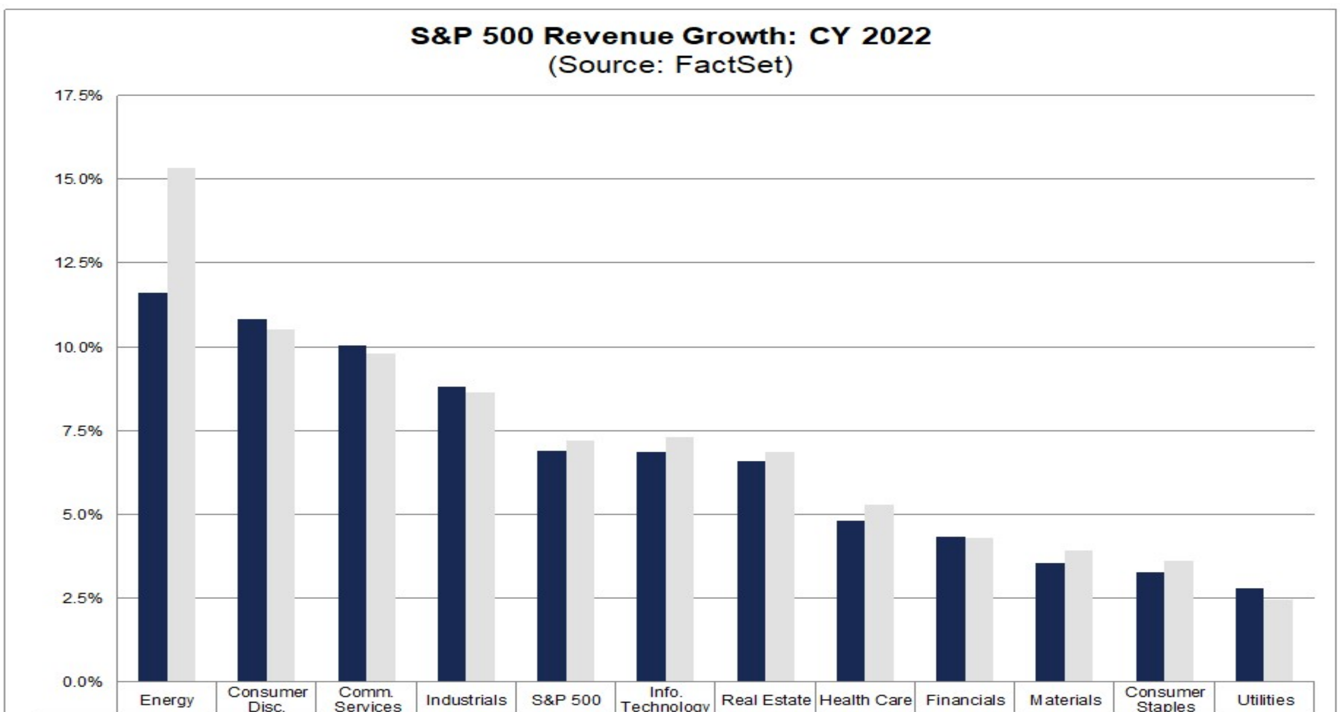




CY 2022: Growth

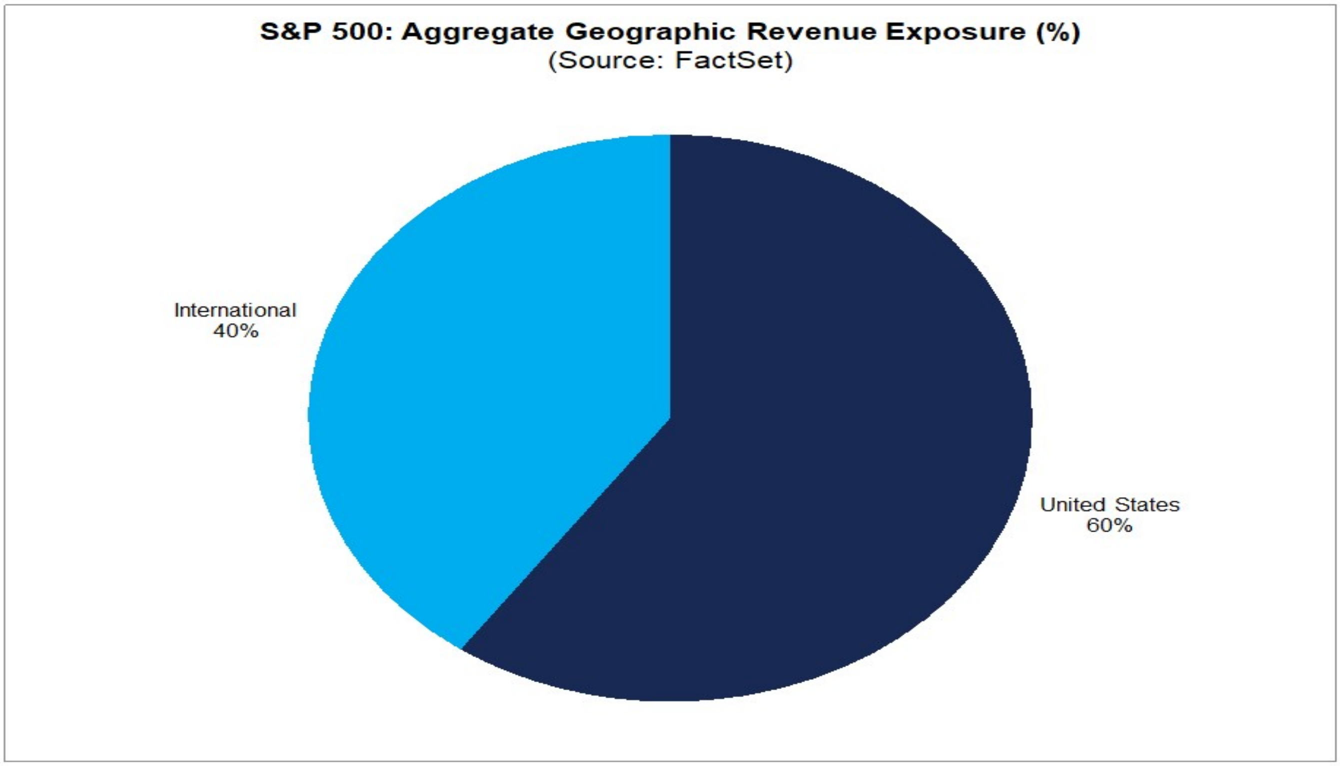


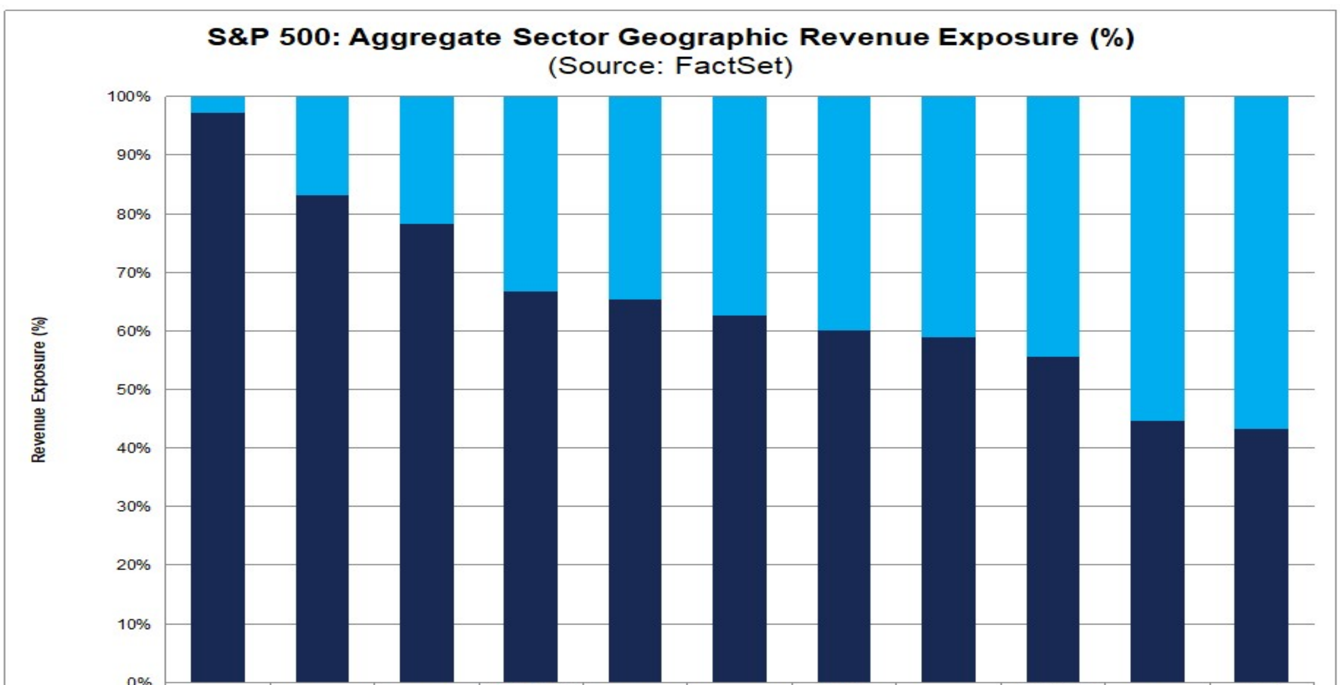
	Energy	Consumer Disc.	Industrials	Comm. Services	S&P 500	Financials	Info. Technology	Materials	Real Estate	Consumer Staples	Health Care	Utilities
Today	65.2%	35.3%	34.5%	18.7%	15.9%	13.3%	11.5%	11.0%	8.8%	7.6%	7.6%	5.9%
31-Dec	96.8%	34.8%	28.6%	19.0%	16.9%	17.6%	12.4%	11.4%	9.0%	7.7%	8.2%	5.7%



	Energy	Consumer Disc.	Comm. Services	Industrials	S&P 500	Info. Technology	Real Estate	Health Care	Financials	Materials	Consumer Staples	Utilities
Today	11.6%	10.8%	10.1%	8.8%	6.9%	6.9%	6.6%	4.8%	4.3%	3.5%	3.3%	2.8%
31-Dec	15.3%	10.5%	9.8%	8.6%	7.2%	7.3%	6.8%	5.3%	4.3%	3.9%	3.6%	2.4%

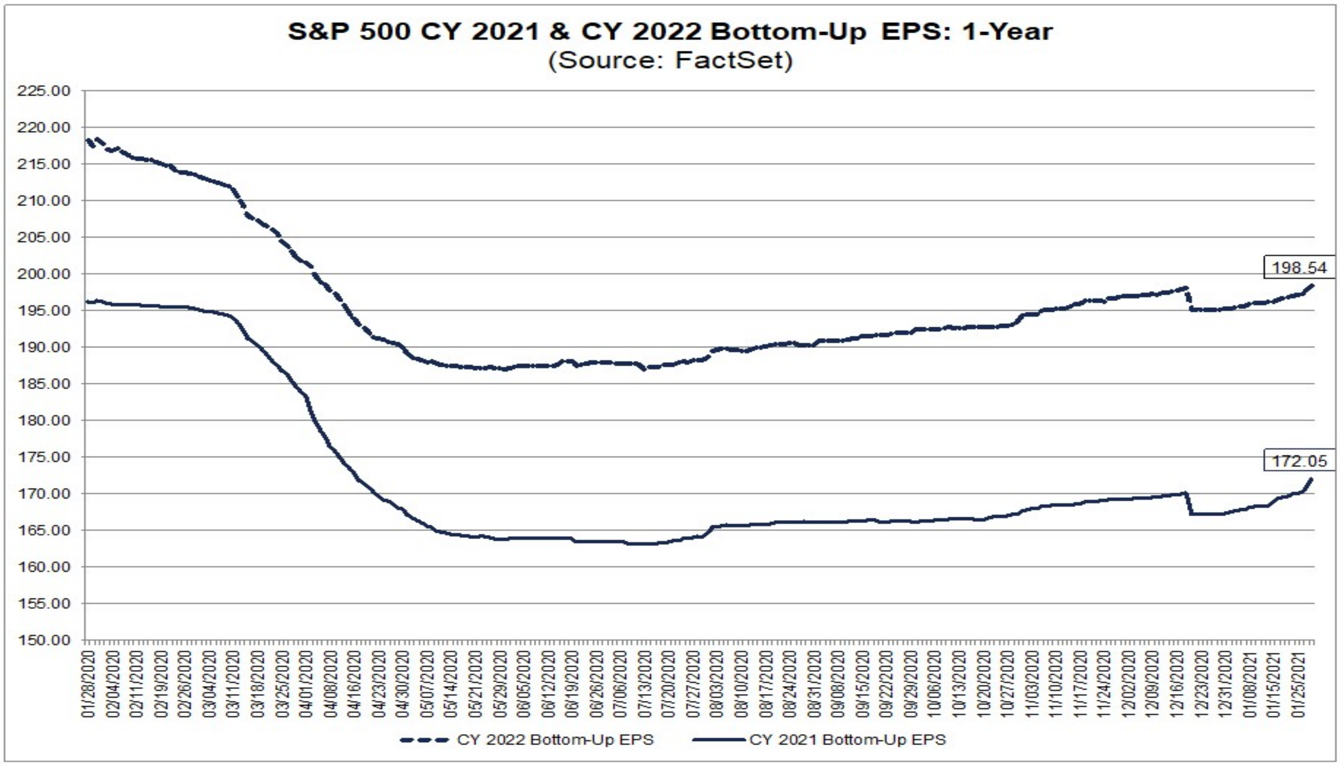
Geographic Revenue Exposure

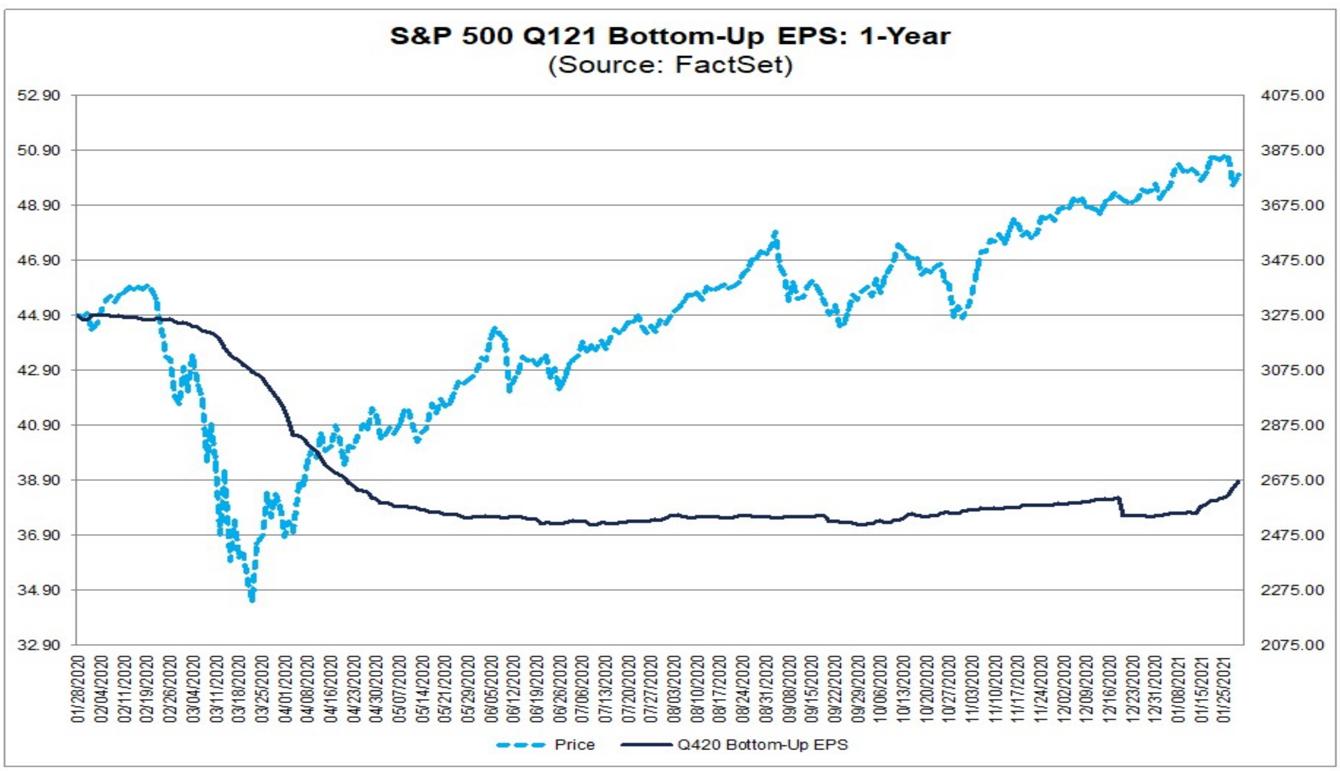




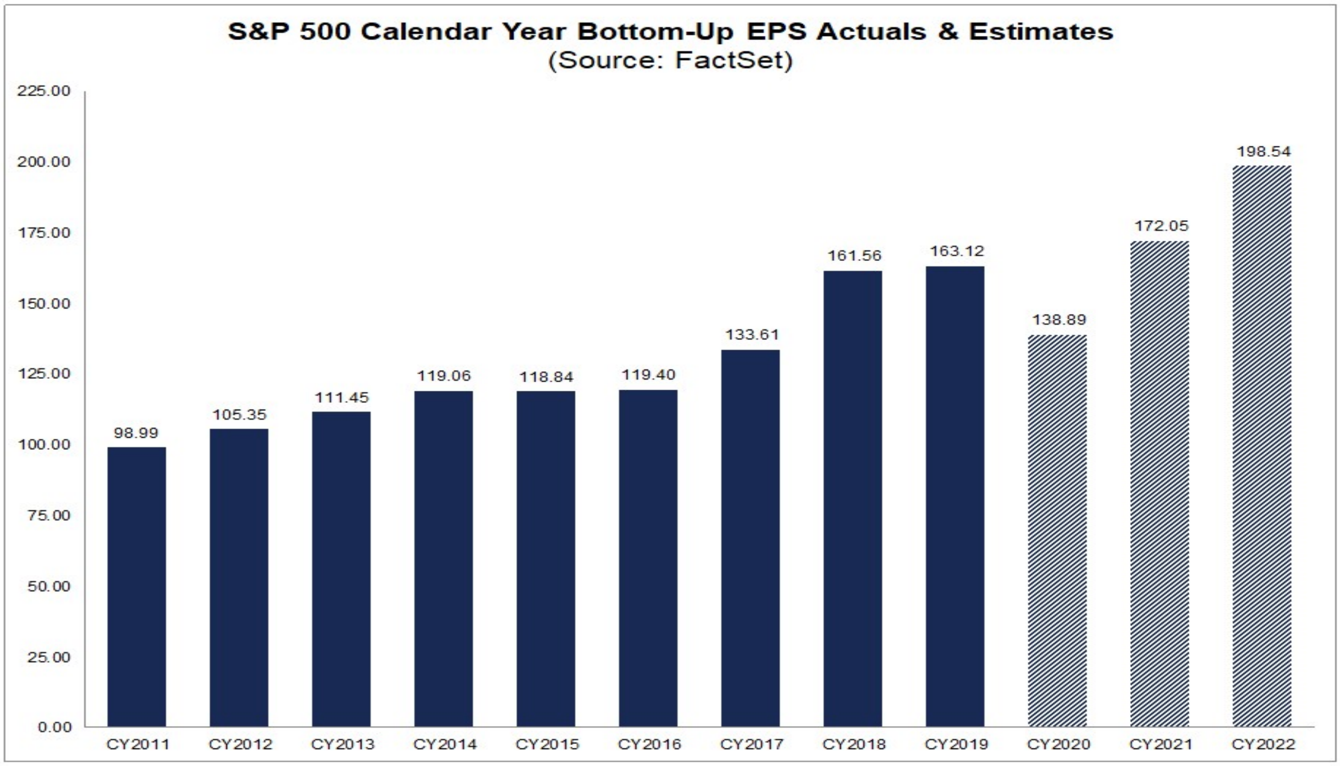
	Utilities	Real Estate	Financials	Consumer Disc.	Industrials	Health Care	Comm. Services	Energy	Consumer Staples	Materials	Info. Technology
International	3%	17%	22%	33%	35%	37%	40%	41%	44%	55%	57%
United States	97%	83%	78%	67%	65%	63%	60%	59%	56%	45%	43%

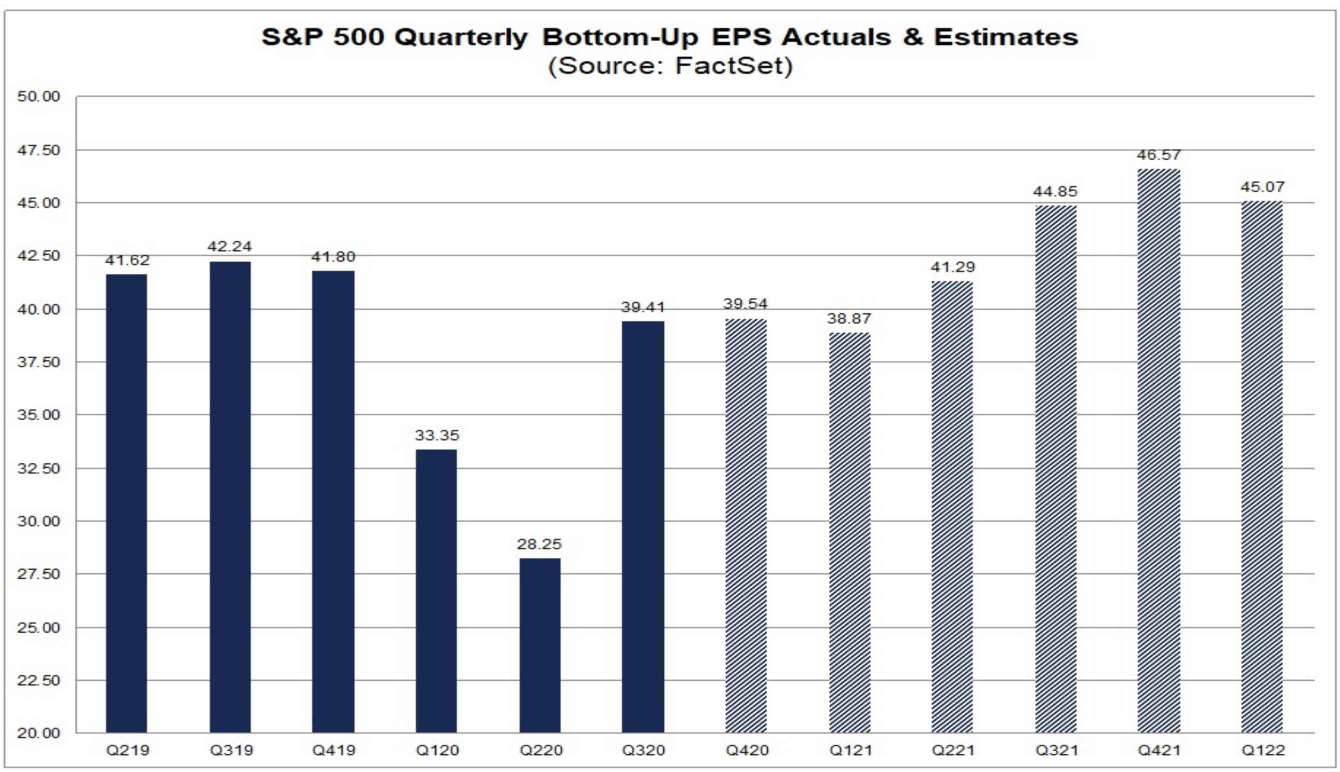
Bottom-up EPS Estimates: Revisions



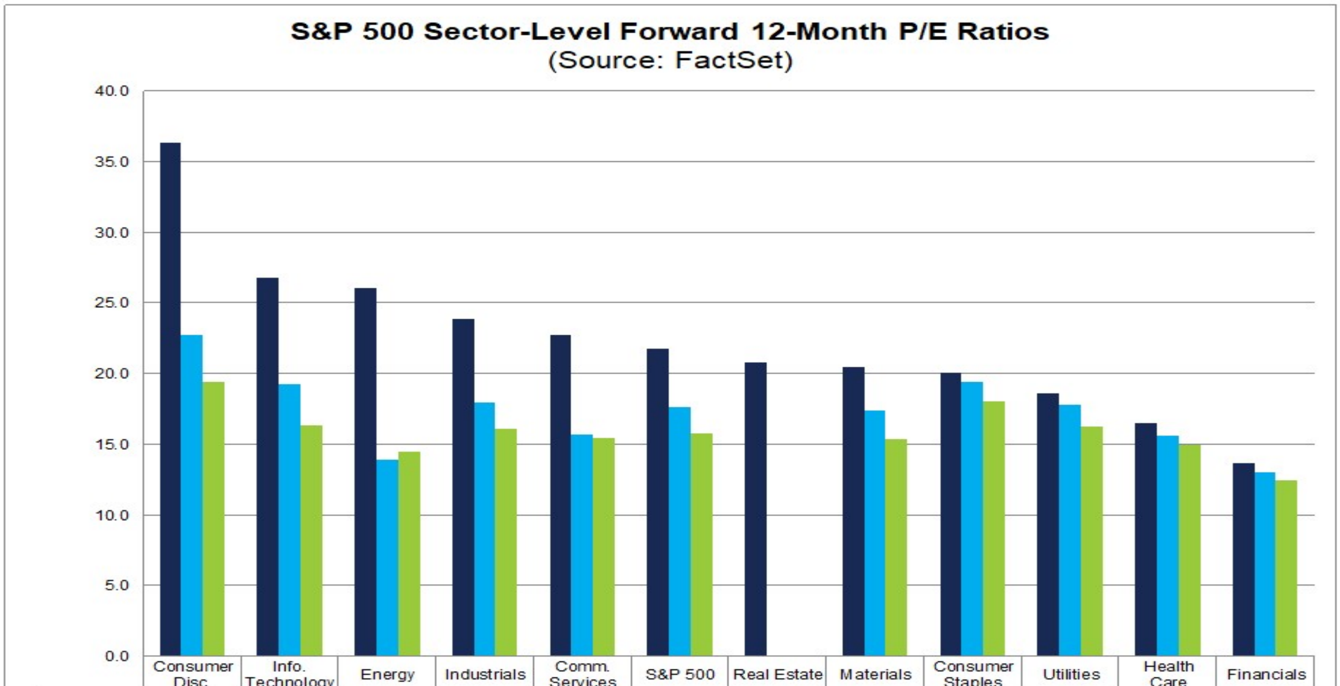


Bottom-up EPS Estimates: Current & Historical

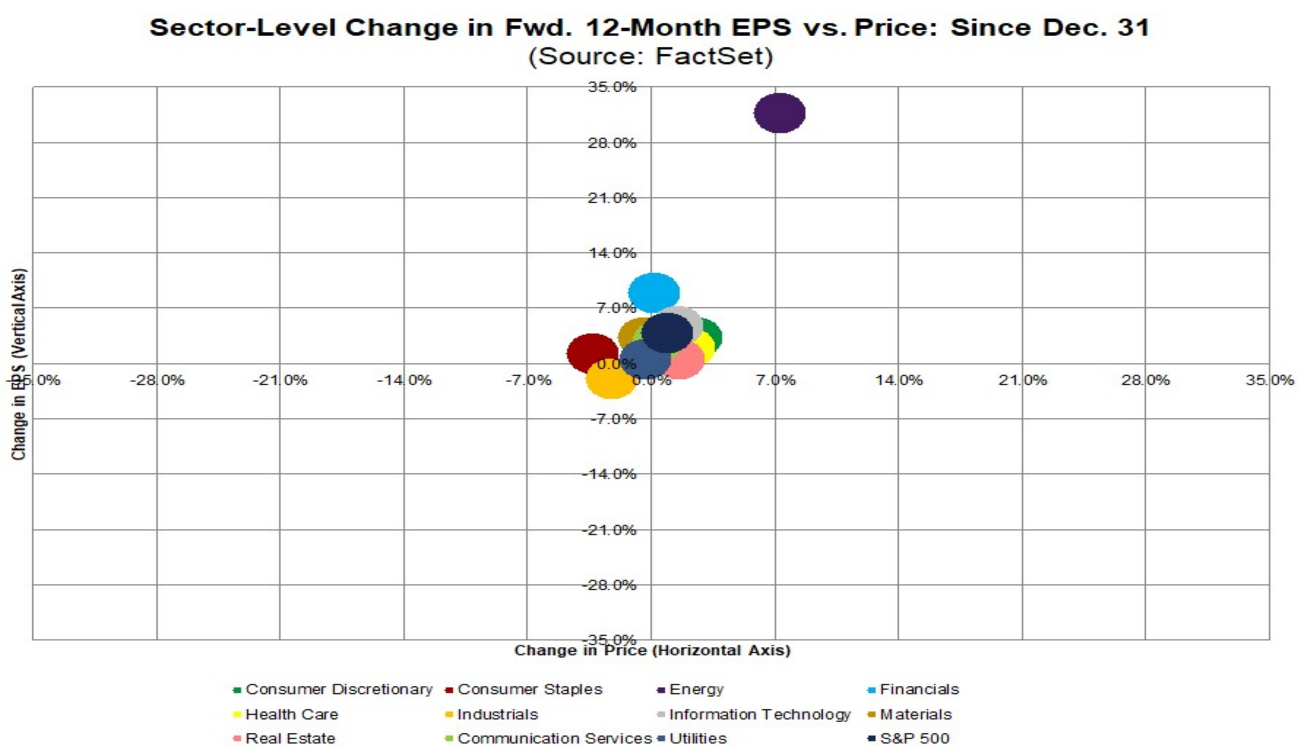




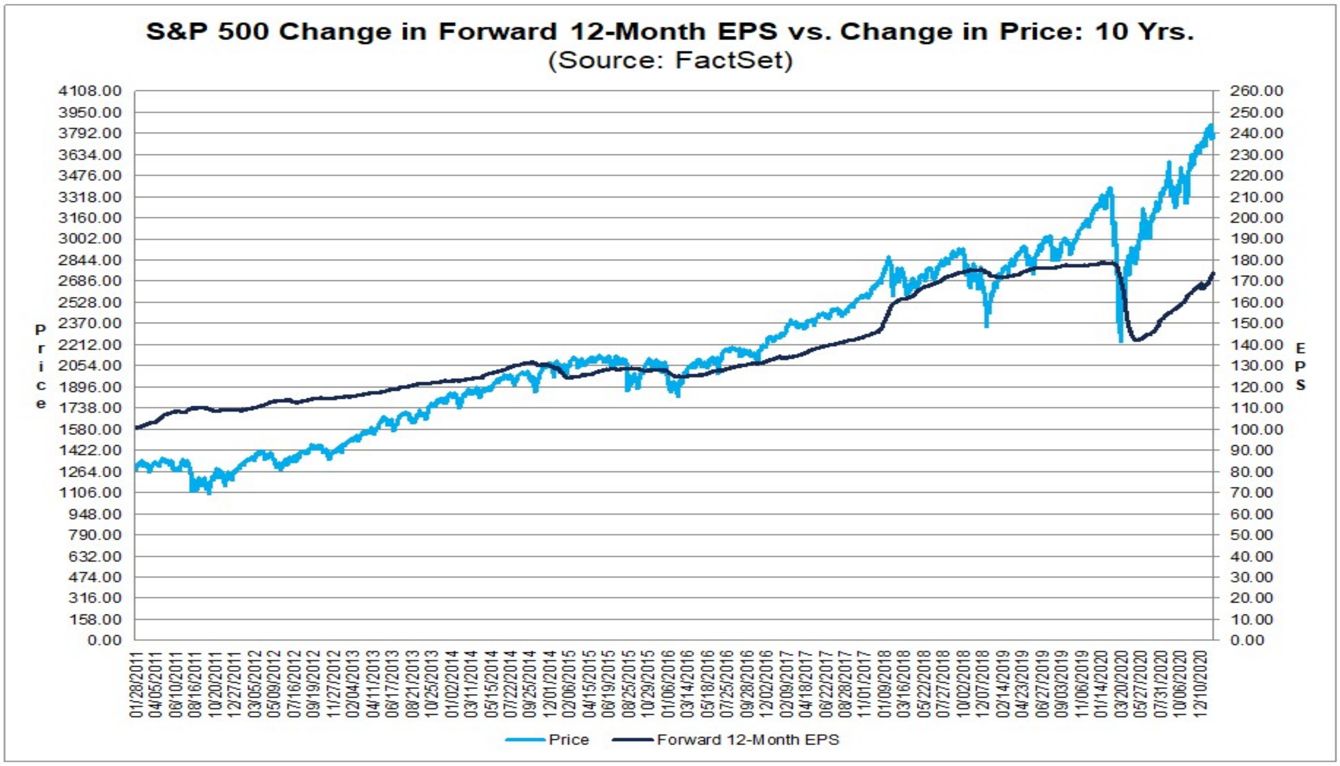
Forward 12M P/E Ratio: Sector Level

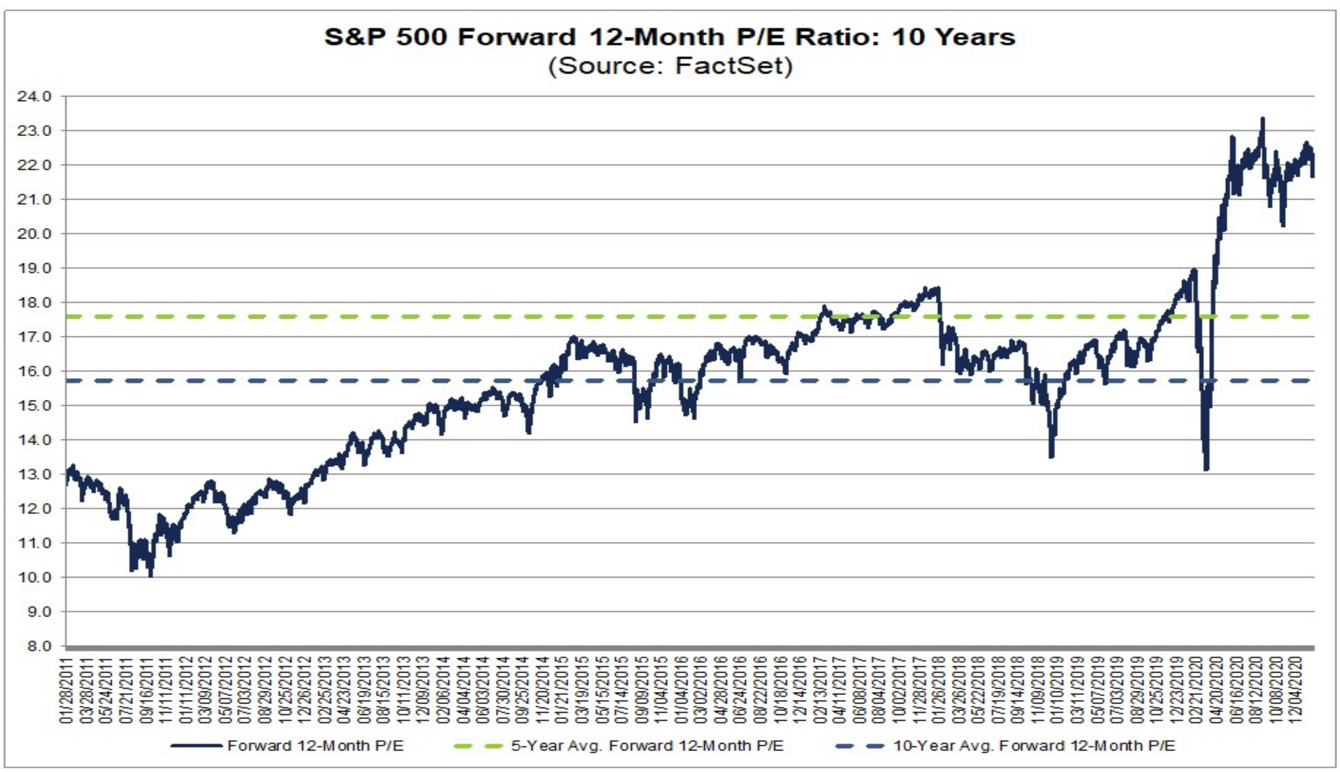


	Consumer Disc.	Info. Technology	Energy	Industrials	Comm. Services	S&P 500	Real Estate	Materials	Consumer Staples	Utilities	Health Care	Financials
Fwd P/E	36.4	26.8	26.0	23.9	22.7	21.8	20.8	20.5	20.0	18.6	16.5	13.6
5-Yr Avg.	22.7	19.3	13.9	17.9	15.7	17.6		17.4	19.4	17.8	15.6	13.0
10-Yr Avg.	19.4	16.3	14.5	16.1	15.4	15.8		15.4	18.0	16.3	14.9	12.4

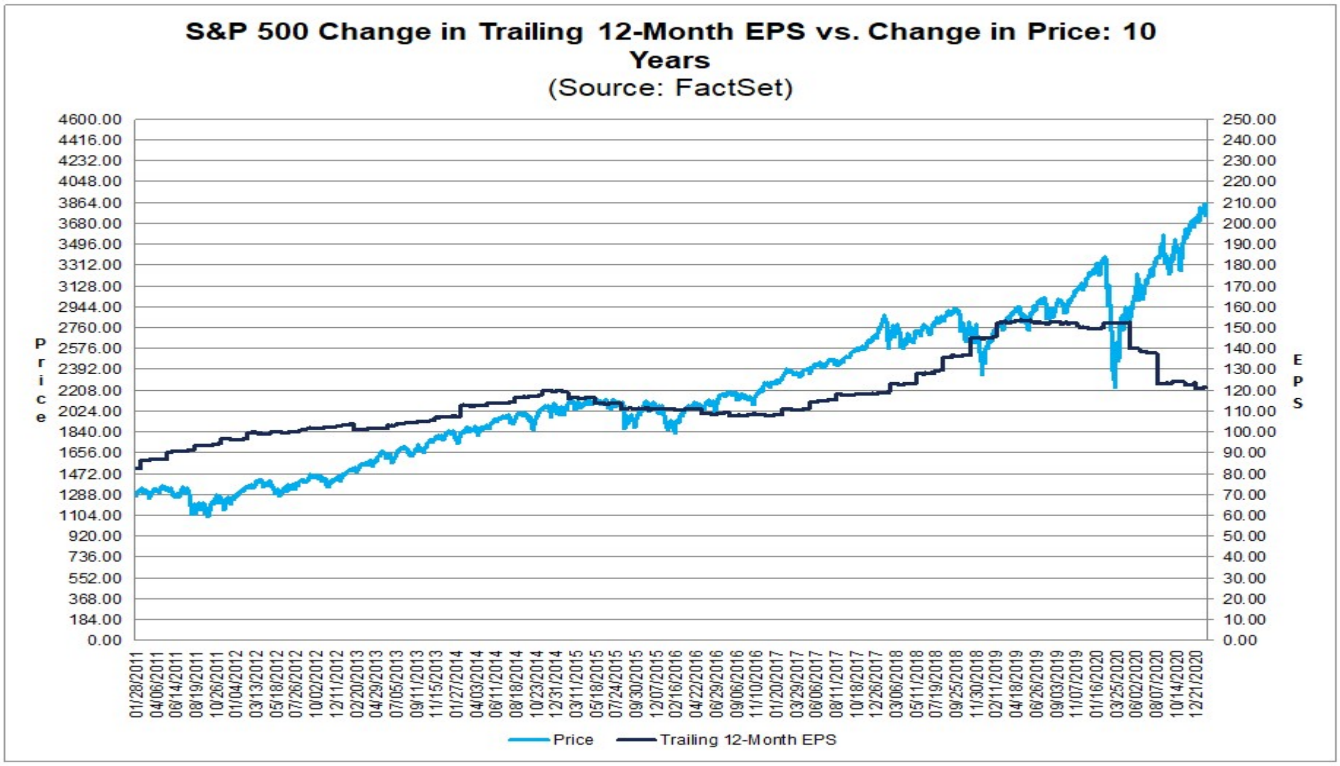


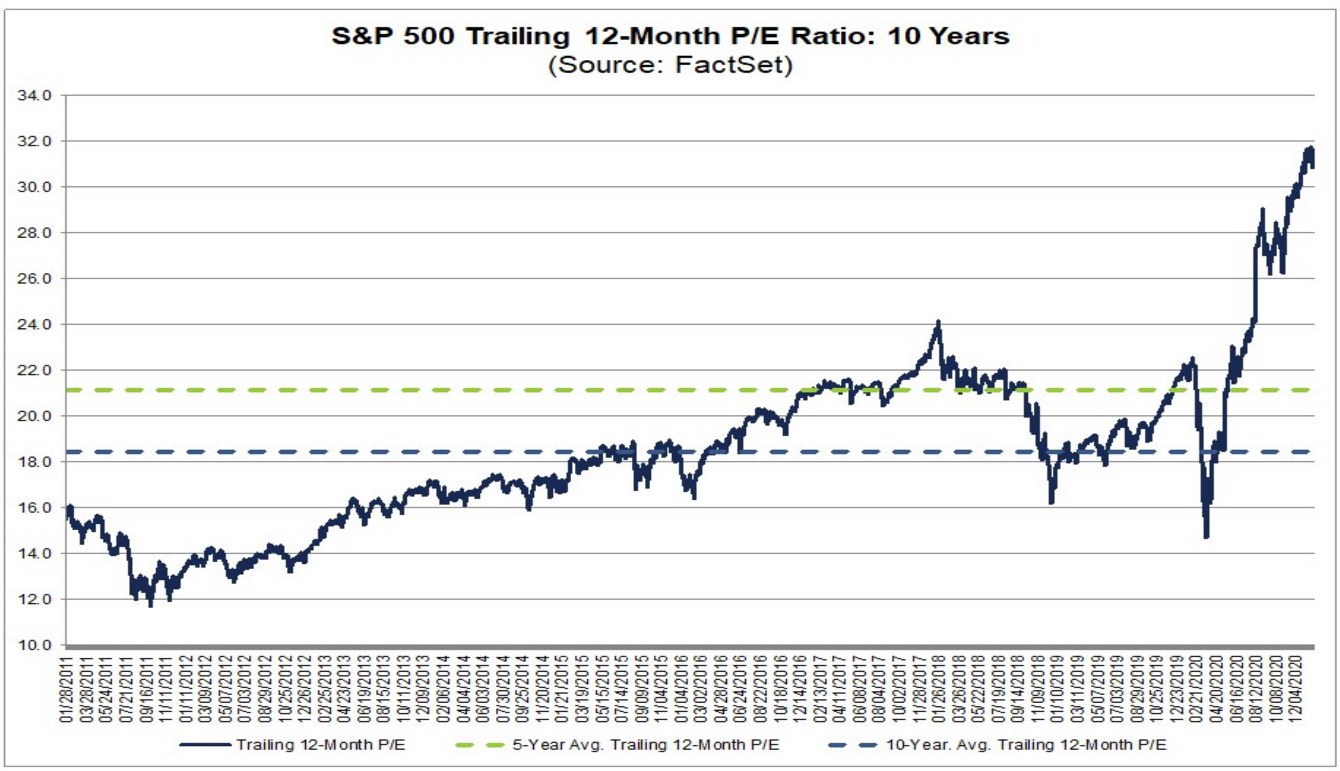
Forward 12M P/E Ratio: 10-Years



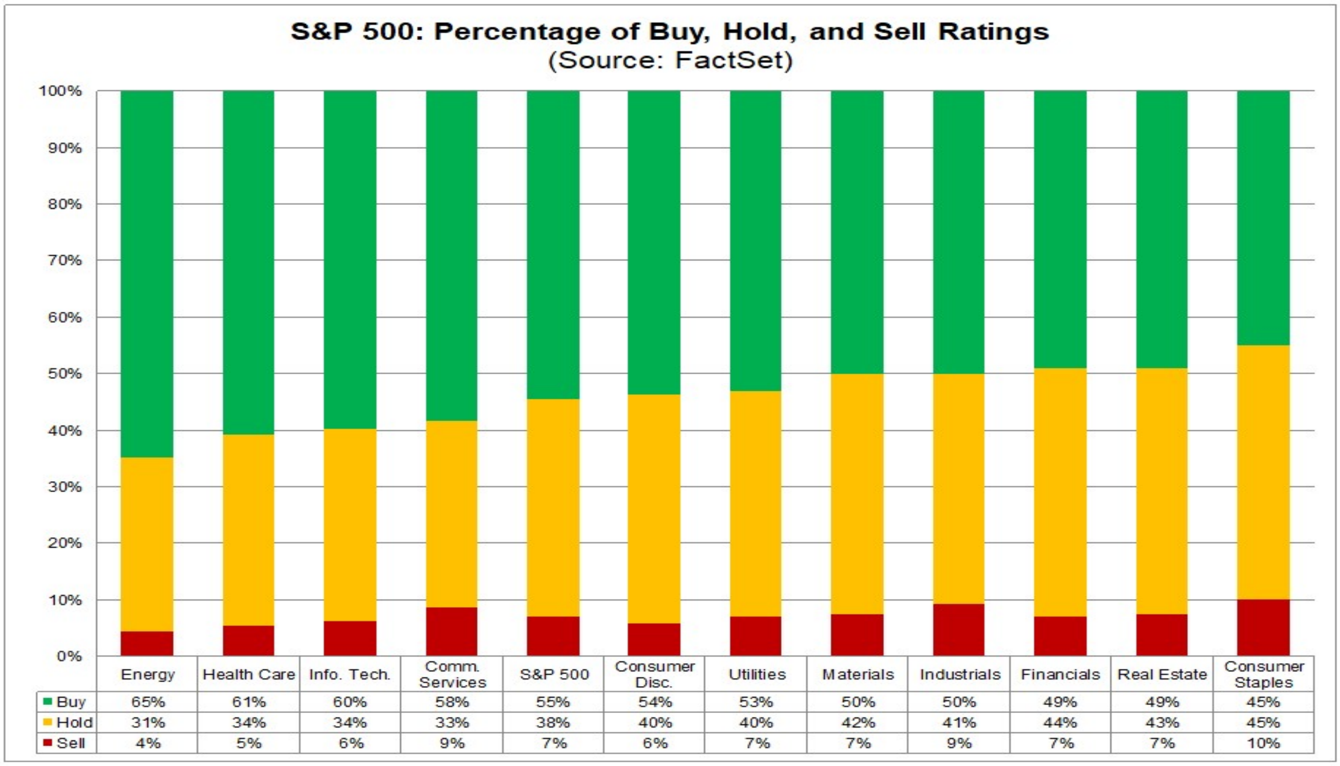


Trailing 12M P/E Ratio: 10-Years





Targets & Ratings



	Energy	Health Care	Info. Tech.	Comm. Services	S&P 500	Consumer Disc.	Utilities	Materials	Industrials	Financials	Real Estate	Consumer Staples
Buy	65%	61%	60%	58%	55%	54%	53%	50%	50%	49%	49%	45%
Hold	31%	34%	34%	33%	38%	40%	40%	42%	41%	44%	43%	45%
Sell	4%	5%	6%	9%	7%	6%	7%	7%	9%	7%	7%	10%

	Energy	Financials	Industrials	Comm. Services	Info. Tech.	Consumer Staples	Health Care	S&P 500	Materials	Utilities	Real Estate	Consumer Disc.
Target/Close	16.9%	14.8%	13.7%	13.1%	13.0%	12.9%	12.5%	12.2%	11.8%	11.3%	10.2%	6.1%

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