

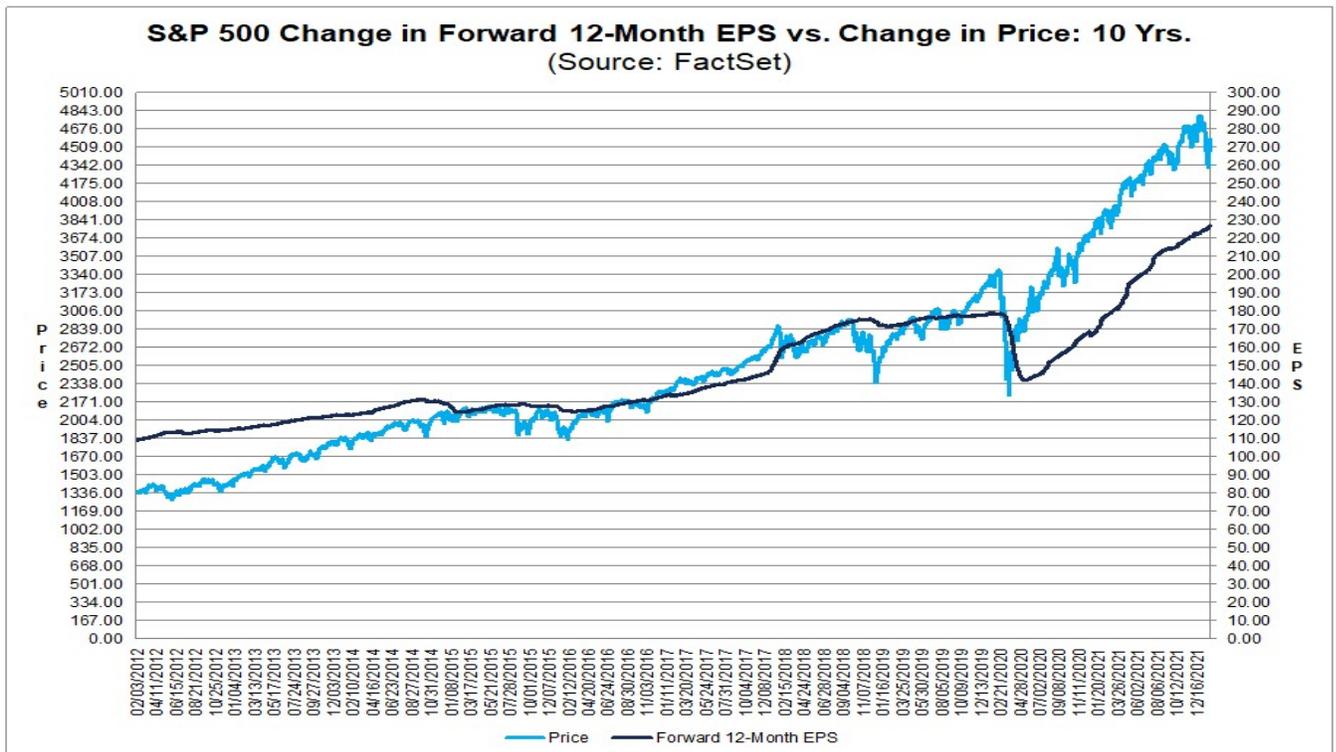
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Key Metrics

- **Earnings Scorecard:** For Q4 2021 (with 56% of S&P 500 companies reporting actual results), 76% of S&P 500 companies have reported a positive EPS surprise and 77% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q4 2021, the blended earnings growth rate for the S&P 500 is 29.2%. If 29.2% is the actual growth rate for the quarter, it will mark the fourth straight quarter of earnings growth above 25%.
- **Earnings Revisions:** On December 31, the estimated earnings growth rate for Q4 2021 was 21.3%. Nine sectors are reporting higher earnings today (compared to December 31) due to upward revisions to EPS estimates and positive EPS surprises
- **Earnings Guidance:** For Q1 2022, 34 S&P 500 companies have issued negative EPS guidance and 13 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 19.7. This P/E ratio is above the 5-year average (18.6) and above the 10-year average (16.7).



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Topic of the Week:

First Decrease in EPS Estimates for S&P 500 Companies for Q1 2022 Since Q2 2020

During the month of January, analysts decreased 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) decreased by 0.7% (to \$51.86 from \$52.22) during this period. How significant is a 0.7% decrease in the bottom-up EPS estimate during the first month of a quarter? How does this decrease compare to recent quarters?

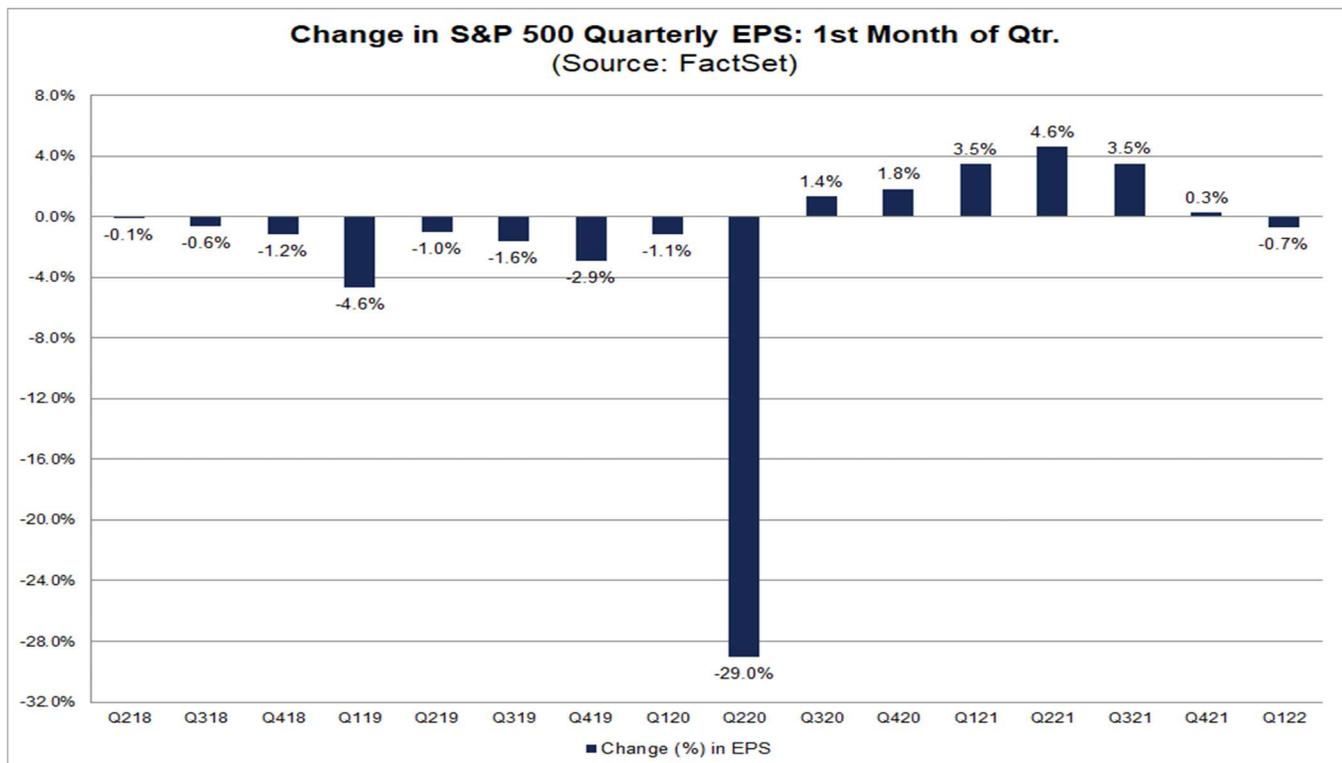
In a typical quarter, analysts usually reduce earnings estimates during the first month of the quarter. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 1.3%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 1.9%. 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 2.1%.

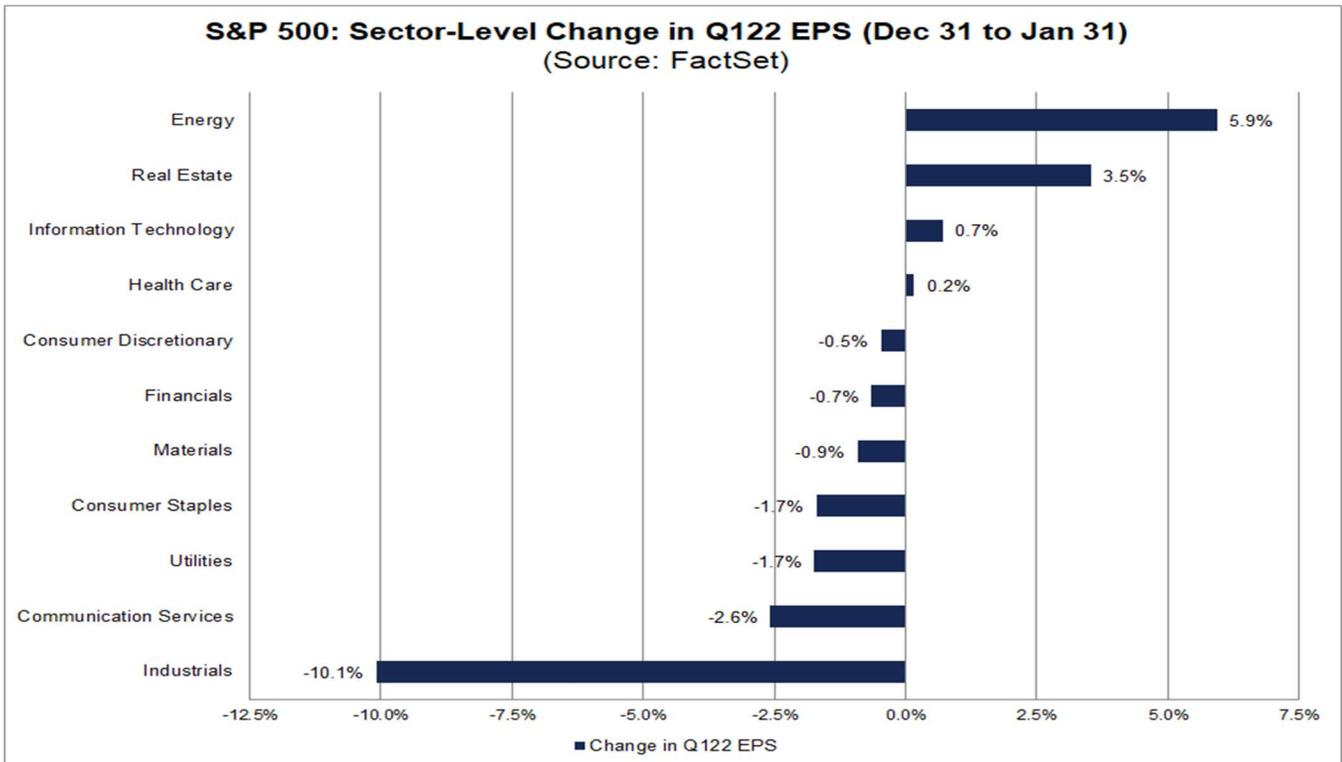
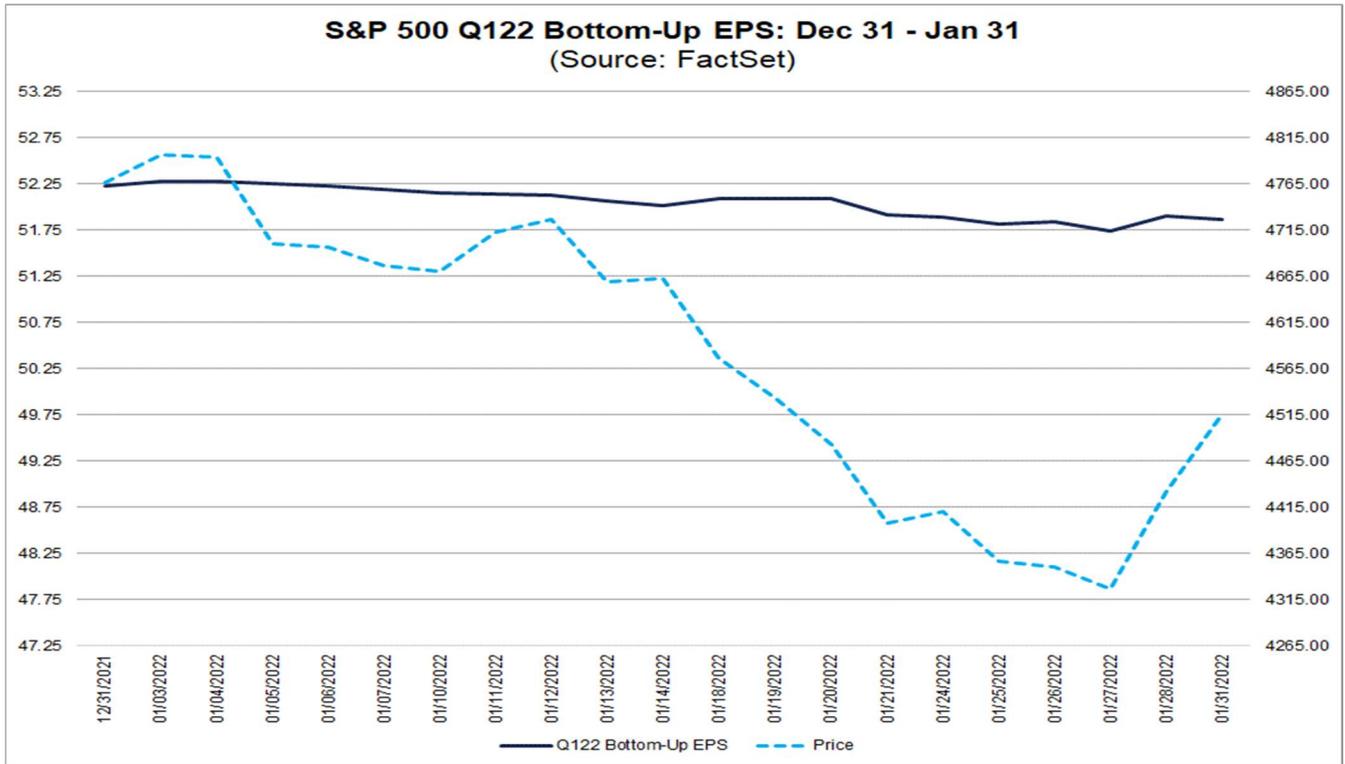
Thus, the decline in the bottom-up EPS estimate recorded during the first month of the first quarter was smaller than the 5-year average, the 10-year average, and the 15-year average.

However, it should be noted that the first quarter also marked the first decrease in the bottom-up EPS estimate during the first month of a quarter since Q2 2020 (-29.0%).

At the sector level, four sectors recorded an increase in their bottom-up EPS estimate for Q1 during the first month of the quarter, led by the Energy (+5.9%) sector. On the other hand, seven sectors recorded a decline in their bottom-up estimate for Q1 during this period, led by the Industrials (-10.1%) sector.

As the bottom-up EPS estimate for the index decreased during the first month of the quarter, the value of the S&P 500 also decreased during this same period. From December 31 through January 31, the value of the index decreased by 5.3% (to 4515.55 from 4766.18). The first quarter marked just the second time in the past 20 quarters in which both the bottom-up EPS estimate for the index and the value of the index decreased during the first month of a quarter.





Q4 Earnings Season: By The Numbers

Overview

At this point in time, the number of companies beating EPS estimates is equal to the 5-year average, but the amount by which companies are beating estimates is slightly below the 5-year 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. The index is reporting earnings growth of more than 25% for the fourth straight quarter and earnings growth of more than 45% for the full year. These above-average growth rates are due to a combination of higher earnings in 2021 and an easier comparison to weaker earnings in 2020 due to the negative impact of COVID-19 on a number of industries.

Overall, 56% of the companies in the S&P 500 have reported actual results for Q4 2021 to date. Of these companies, 76% have reported actual EPS above estimates, which is equal to the 5-year average of 76%. In aggregate, companies are reporting earnings that are 8.2% above estimates, which is slightly below the 5-year average of 8.6%.

Due to these positive EPS surprises, 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 fourth quarter. The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings growth rate for the fourth quarter is 29.2% today, compared to an earnings growth rate of 24.3% last week and an earnings growth rate of 21.3% at the end of the fourth quarter (December 31).

Positive earnings surprises reported by companies in multiple sectors, led by Amazon.com in the Consumer Discretionary sector, were responsible for the improvement in overall earnings for the index during the past week. Positive earnings surprises reported by companies in the Consumer Discretionary, Information Technology, and Financials sectors have been the top contributors to the overall increase in earnings for the index since the end of the fourth quarter.

If 29.2% is the actual growth rate for the quarter, it will mark the fourth straight quarter of earnings growth above 25% for the index. The last time the index reported four straight quarters of earnings growth above 25% was Q4 2009 through Q3 2010. The unusually high growth rate is due to a combination of higher earnings in Q4 2021 and an easier comparison to lower earnings in Q4 2020 due to the negative impact of COVID-19 on a number of industries. Ten sectors are reporting year-over-year earnings growth, led by the Energy, Industrials, Materials, and Consumer Discretionary sectors.

In terms of revenues, 77% of S&P 500 companies have reported actual revenues above estimates, which is above the 5-year average of 68%. If 77% is the final percentage for the quarter, it will tie the mark (with Q1 2021 and Q1 2018) for 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 2.8% above the estimates, which is also above the 5-year average of 1.5%. If 2.8% is the final percentage for the quarter, it will tie the mark (with Q4 2020) for the third-highest revenue surprise percentage reported by the index since FactSet began tracking this metric in 2008.

Due to these positive 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. The blended revenue growth rate for the fourth quarter is 15.0% today, compared to a revenue growth rate of 14.1% last week and a revenue growth rate of 12.8% at the end of the fourth quarter (December 31).

Positive revenue surprises reported by companies in multiple sectors, led by Marathon Petroleum in the Energy sector, were responsible for the increase in overall revenues for the index over the past week. Positive revenue surprises reported by companies in the Energy, Health Care, and Information Technology sectors have also been the largest contributors to the increase in the overall revenues for the index since the end of the fourth quarter.

If 15.0% is the actual growth rate for the quarter, it will mark the third-highest (year-over-year) revenue growth rate reported by the index since FactSet began tracking this metric in 2008, trailing only the previous two quarters. All eleven sectors are reporting year-over-year growth in revenues, led by the Energy and Materials sectors.

For the full year, the blended earnings growth rate for CY 2021 is 47.0%. Looking ahead to the first half of CY 2022, analysts expect earnings growth of 5.6% for Q1 2022 and 4.4% for Q2 2022.

The forward 12-month P/E ratio is 19.7, which is above the 5-year average (18.6) and above the 10-year average (16.7). However, it is below the forward P/E ratio of 21.3 recorded at the end of the fourth quarter (December 31), as prices have decreased while EPS estimates have increased over the past month.

During the upcoming week, 83 S&P 500 companies (including three Dow 30 components) are scheduled to report results for the fourth quarter.

Scorecard: More Companies Beating Revenue Estimates and By Wider Margins Than Average

Percentage of Companies Beating EPS Estimates (76%) is Equal to 5-Year Average

Overall, 56% of the companies in the S&P 500 have reported earnings to date for the fourth quarter. Of these companies, 76% have reported actual EPS above the mean EPS estimate, 6% have reported actual EPS equal to the mean EPS estimate, and 18% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is below the 1-year (83%) average but equal to the 5-year (76%) average.

At the sector level, the Industrials (87%) and Information Technology (85%) sectors have the highest percentages of companies reporting earnings above estimates, while the Materials (44%) sector has the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (+8.2%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 8.2% above expectations. This surprise percentage is below the 1-year (+15.7%) average and below the 5-year (+8.6%) average.

The Consumer Discretionary (+85.5%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Amazon.com (\$27.75 vs. \$3.61) has reported the largest positive EPS surprise. It should be noted that the GAAP EPS number for Amazon.com of \$27.75 included a pre-tax (valuation) gain of \$11.8 billion. The majority of analysts provide estimates for Amazon.com on a GAAP basis.

The Information Technology (+8.4%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Citrix Systems (\$1.47 vs. \$1.07), Xilinx (\$1.19 vs. \$0.98), Advanced Micro Devices (\$0.92 vs. \$0.76), and Intel (\$1.09 vs. \$0.90) have reported the largest positive EPS surprises.

The Financials (+7.5%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, MetLife (\$2.17 vs. \$1.48), Prudential (\$3.18 vs. \$2.34), Travelers Companies (\$5.20 vs. \$3.86), Hartford Financial Services (\$2.02 vs. \$1.53), and Wells Fargo (\$1.38 vs. \$1.11) have reported the largest positive EPS surprises.

The Industrials (-8.8%) sector is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Boeing (-\$7.69 vs. -\$0.38) has reported the largest negative EPS surprise. It should be noted that the non-GAAP EPS number for Boeing of -\$7.69 included a pre-tax (non-cash) charge of \$3.5 billion. The majority of analysts provide estimates for Boeing on a non-GAAP basis.

Market Rewarding Positive Surprises Less Than Average

To date, the market is rewarding positive earnings surprises less than average and punishing negative earnings surprises more than average.

Companies that have reported positive earnings surprises for Q4 2021 have seen an average price increase of +0.3% two days before the earnings release through two days after the earnings release. This percentage increase is smaller than the 5-year average price increase of +0.8% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q4 2021 have seen an average price decrease of -3.3% two days before the earnings release through two days after the earnings. This percentage decrease is larger than the 5-year average price decrease of -2.3% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (77%) is Above 5-Year Average

In terms of revenues, 77% of companies have reported actual revenues above estimated revenues and 23% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (78%) but above the 5-year average (68%).

If 77% is the final percentage for the quarter, it will tie the mark (with Q1 2021 and Q1 2018) for the fourth-highest percentage of S&P 500 companies reporting a positive revenue surprise since FactSet began tracking this metric in 2008.

At the sector level, the Consumer Staples (94%), Information Technology (93%), and Energy (91%) sectors have the highest percentages of companies reporting revenues above estimates, while the Consumer Discretionary (57%) and Communication Services (64%) sectors have the lowest percentages of companies reporting revenues above estimates.

Revenue Surprise Percentage (+2.8%) is Above 5-Year Average

In aggregate, companies are reporting revenues that are 2.8% above expectations. This surprise percentage is below the 1-year (+3.5%) average but above the 5-year (+1.5%) average.

If 2.8% is the final percentage for the quarter, it will tie the mark (with Q4 2020) for the third-highest revenue surprise percentage reported by the index since FactSet began tracking this metric in 2008.

At the sector level, the Energy (+14.0%) sector is reporting the largest positive (aggregate) difference between actual revenues and estimated revenues, while the Utilities (-1.4%) and Consumer Discretionary (-1.1%) sectors are reporting the largest negative (aggregate) differences between actual revenues and estimated revenues.

Revisions: Increase in Blended Earnings Growth This Week Led by Amazon.com

Increase in Blended Earnings Growth Rate This Week Led by Amazon.com

The blended (year-over-year) earnings growth rate for the fourth quarter is 29.2%, which is larger than the earnings growth rate of 24.3% last week. Positive earnings surprises reported by companies in multiple sectors, led by the Consumer Discretionary, Financials, Health Care, Communication Services, and Energy sectors, were responsible for the increase in the overall earnings growth rate for the index during the week.

In the Consumer Discretionary sector, the positive EPS surprise reported by Amazon.com (\$27.75 vs. \$3.61) was by far the largest contributor to the increase in the earnings growth rate for the index during the week. It should be noted that the GAAP EPS number for Amazon.com of \$27.75 included a pre-tax (valuation) gain of \$11.8 billion. The majority of analysts provide estimates for Amazon.com on a GAAP basis. As a result, the blended earnings growth rate for the Consumer Discretionary sector increased to 47.2% from 4.0% over this period.

In the Financials sector, the positive EPS surprise reported by MetLife (\$2.17 vs. \$1.48) was a significant contributor to the increase in the earnings growth rate for the index during the week. As a result, the blended earnings growth rate for the Financials sector increased to 5.7% from 3.7% over this period.

In the Health Care sector, the positive EPS surprises reported by Merck (\$1.80 vs. \$1.53) and Thermo Fisher Scientific (\$6.54 vs. \$4.93) were substantial contributors to the increase in the earnings growth rate for the index during the week. As a result, the blended earnings growth rate for the Health Care sector increased to 22.5% from 20.1% over this period.

In the Communication Services sector, the positive EPS surprise reported by Alphabet (\$30.69 vs. \$27.80) was a significant contributor to the increase in the earnings growth rate for the index during the week. As a result, the blended earnings growth rate for the Communications Services sector increased to 14.1% from 11.4% over this period.

In the Energy sector, the positive EPS surprises reported by Marathon Petroleum (\$1.30 vs. \$0.55) and Exxon Mobil (\$2.05 vs. \$1.94) were substantial contributors to the increase in the earnings growth rate for the index during the week. As a result, earnings for the Energy sector increased to \$29.6 billion from \$28.6 billion over this period.

Increase in Blended Revenue Growth This Week Led by Marathon Petroleum

The blended (year-over-year) revenue growth rate for the fourth quarter is 15.0%, which is larger than the revenue growth rate of 14.1% last week. Positive revenue surprises reported by companies in multiple sectors, led by Energy, Health Care, and Communication Services sectors, were responsible for the increase in the overall revenue growth rate during the past week.

In the Energy sector, the positive revenue surprise reported by Marathon Petroleum (\$35.6 billion vs. \$21.2 billion) was the largest contributor to the increase in the revenue growth rate for the index during the week. In addition, the positive revenue surprise reported by ConocoPhillips (\$16.0 billion vs. \$13.5 billion) was also a substantial contributor to the improvement in revenue growth for the index during the week. As a result, the blended revenue growth rate for the Energy sector increased to 87.7% from 77.6% over this period.

In the Health Care sector, the positive revenue surprises reported by McKesson (\$68.6 billion vs. \$66.6 billion), Thermo Fisher Scientific (\$10.7 billion vs. \$8.7 billion), and Cigna (\$45.7 billion vs. \$44.0 billion) were significant contributors to the increase in the revenue growth rate for the index during the week. As a result, the blended revenue growth rate for the Health Care sector increased to 12.7% from 11.4% over this period.

In the Communication Services sector, the positive revenue surprise reported by Alphabet (\$75.3 billion vs. \$72.3 billion) was a substantial contributor to the increase in the revenue growth rate for the index during the week. As a result, the blended revenue growth rate for the Communications Services sector increased to 14.0% from 12.3% over this period.

In the Consumer Discretionary sector, the negative revenue surprises reported by Ford Motor (\$37.7 billion vs. \$41.2 billion) and General Motors (\$33.6 billion vs. \$35.8 billion) were the largest detractors to the increase in the revenue growth rate for the index during the week. As a result, the blended revenue growth rate for the Consumer Discretionary sector decreased to 10.9% from 12.0% over this period.

Consumer Discretionary Sector Has Seen Largest Increase in Earnings since December 31

The blended (year-over-year) earnings growth rate for Q4 2021 of 29.2% is larger than the estimate of 21.3% at the end of the fourth quarter (December 31). Eight sectors have recorded an increase in their earnings growth rate since the end of the quarter due to upward revisions to earnings estimates and positive earnings surprises, led by the Consumer Discretionary (to 47.2% from 0.4%), Information Technology (to 21.7% from 14.6%) and Financials (to 5.7% from -1.0%) sectors. These three sectors are also the largest contributors to the increase in the earnings growth rate for the index during this period. Two sectors have recorded a decrease in their earnings growth rates since the end of the quarter due to downward revisions to earnings estimates and negative earnings surprises, led by the Industrials (to 90.4% from 108.0%) sector.

In the Consumer Discretionary sector, the positive EPS surprise reported by Amazon.com (\$27.75 vs. \$3.61) has been the largest contributor to the increase in the earnings growth rate for the index since December 31. It should be noted that the GAAP EPS number for Amazon.com of \$27.75 included a pre-tax (valuation) gain of \$11.8 billion. The majority of analysts provide estimates for Amazon.com on a GAAP basis. As a result, the blended earnings growth rate for the Consumer Discretionary sector has increased to 47.2% from 0.4% over this period.

In the Information Technology sector, the positive EPS surprises reported by Apple (\$2.10 vs. \$1.90), Microsoft (\$2.48 vs. \$2.32) and Intel (\$1.09 vs. \$0.90) have been substantial contributors to the increase in the earnings growth rate for the index since December 31. As a result, the blended earnings growth rate for the Information Technology sector has increased to 21.7% from 14.6% over this period.

In the Financials sector, the positive EPS surprises reported by Wells Fargo (\$1.38 vs. \$1.11) and JPMorgan Chase (\$3.33 vs. \$3.01) have been significant contributors to the increase in the earnings growth rate for the index since December 31. As a result, the blended earnings growth rate for the Financials sector has increased to 5.7% from -1.0% over this period.

In the Industrials sector, the negative EPS surprise reported by Boeing (-\$7.69 vs. -\$0.38) has been the largest detractor to the increase in the earnings growth rate for the index since December 31. It should be noted that the non-GAAP EPS number for Boeing of -\$7.69 included a pre-tax (non-cash) charge of \$3.5 billion. The majority of analysts provide estimates for Boeing on a non-GAAP basis. As a result, the blended earnings growth rate for the Industrials sector has decreased to 90.4% from 108.0% over this period.

Energy Sector Has Seen Largest Increase in Revenues since December 31

The blended (year-over-year) revenue growth rate for Q4 2021 of 15.0% is larger than the estimate of 12.8% at the end of the fourth quarter (December 31). Eight sectors have recorded 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 Energy (to 87.7% from 66.3%) sector. Three sectors have recorded a decrease in revenue growth since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises, led by the Utilities (to 1.2% from 2.5%) and Consumer Discretionary (to 10.9% from 11.6%) sectors.

Earnings Growth: 29.2%

The blended (year-over-year) earnings growth rate for Q4 2021 is 29.2%, which is above the 5-year average earnings growth rate of 13.7%. If 29.2% is the actual growth rate for the quarter, it will mark the fourth straight quarter of year-over-year earnings growth above 25%. The last time the index reported four straight quarters of earnings growth above 25% was Q4 2009 through Q3 2010. The unusually high growth rate is due to a combination of higher earnings in Q4 2021 and an easier comparison to lower earnings in Q4 2020 due to the negative impact of COVID-19 on a number of industries. Ten of the eleven sectors are reporting year-over-year earnings growth, led by the Energy, Industrials, Materials, and Consumer Discretionary sectors.

Energy: Exxon Mobil is Largest Contributor to Higher Year-Over-Year Earnings

The Energy sector is reporting earnings of \$29.6 billion for Q4 2021 compared to a loss of -\$0.1 billion in Q4 2020. Thus, a year-over-year growth rate is not being calculated for the Energy sector due to the loss reported by the sector in Q4 2020. Higher year-over-year oil prices are contributing to the year-over-year improvement in earnings for this sector, as the average price of oil in Q4 2021 (\$77.10) was 81% above the average price for oil in Q4 2020 (\$42.70). At the sub-industry level, all five sub-industries in the sector are reporting a year-over-year increase in earnings. A growth rate is not being calculated for two of these five sub-industries due to losses reported in the year-ago quarter. However, both are reporting profits in Q4 2021: Integrated Oil & Gas and Oil & Gas Refining & Marketing. The other three sub-industries that are reporting year-over-year earnings growth are the Oil & Gas Exploration & Production (2,749%), Oil & Gas Equipment & Services (170%), and Oil & Gas Storage & Transportation (9%) sub-industries. At the company level, Exxon Mobil, Chevron, and ConocoPhillips are the largest contributors to the year-over-year improvement in earnings for the sector. Combined, these three companies account for \$16.7 billion of the \$29.8 billion year-over-year increase in earnings for the sector.

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

The Industrials sector is reporting the highest (year-over-year) earnings growth rate of all eleven sectors at 90.4%. At the industry level, 11 of the 12 industries in the sector are reporting a year-over-year increase in earnings. A growth rate is not being calculated for two of these industries due to losses reported in the year-ago quarter: Airlines and Aerospace & Defense. The Aerospace & Defense industry is reporting a profit in Q4 2021 (\$2.3 billion) compared to a loss in Q4 2020 (-\$2.3 billion), while the Airlines industry reported a smaller loss in Q4 2021 (-\$1.2 billion) compared to Q4 2020 (-\$7.3 billion). Seven of the remaining nine industries are reporting earnings growth at or above 10%: Trading Companies & Distributors (39%), Air Freight & Logistics (27%), Electrical Equipment (22%), Construction & Engineering (17%), Road & Rail (15%), Building Products (11%), and Commercial Services & Supplies (10%). The Machinery (-1%) industry is the only industry reporting a year-over-year decline in earnings in the sector. Boeing and the five companies in the Airlines industry are the largest contributors to earnings growth for the sector. If these six companies were excluded, the blended earnings growth rate for the Industrials sector would fall to 10.0% from 90.4%.

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

The Materials sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 59.3%. At the industry level, all four industries in this sector are reporting year-over-year earnings growth, led by the Metals & Mining (132%) and Chemicals (49%) industries. At the company level, Nucor is the largest contributor to year-over-year earnings growth for the sector. If this company were excluded, the blended earnings growth rate for the Materials sector would fall to 42.6% from 59.3%.

Consumer Discretionary: Amazon.com is Largest Contributor to Year-Over-Year Growth

The Consumer Discretionary sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors at 47.2%. At the industry level, 7 of the 10 industries in the sector are reporting a year-over-year increase in earnings. A growth rate is not being calculated for the Hotels, Restaurants, & Leisure industry due to a loss reported in the year-ago quarter. This industry is reporting a profit in Q4 2021 (\$477 million) compared to a loss in Q4 2020 (-\$2.8 billion). The remaining six industries are reporting earnings growth at or above 10%: Internet & Direct Marketing Retail (90%), Textiles, Apparel, & Luxury Goods (25%), Household Durables (18%), Automobiles (14%), Specialty Retail (12%), and Distributors (10%). Three industries are reporting a year-over-year decline in earnings, led by the Auto Components (-44%) and Leisure Products (-30%) industries. At the company level, Amazon.com is the largest contributor to earnings growth for the sector. It should be noted that earnings for Amazon.com for Q4 2021 include a pre-tax (valuation) gain of \$11.8 billion. If this company were excluded, the blended earnings growth rate for the Consumer Discretionary sector would fall to 28.6% from 47.2%.

Revenue Growth: 15.0%

The blended (year-over-year) revenue growth rate for Q4 2021 is 15.0%, which is well above the 5-year average revenue growth rate of 6.5%. If 15.0% is the actual growth rate for the quarter, it will mark the third-highest year-over-year revenue growth rate reported by the index since FactSet began tracking this metric in 2008, trailing only the previous two quarters. The current record is 25.3%, which occurred in Q2 2021. All eleven sectors are reporting year-over-year growth in revenues, led by the Energy and Materials sectors.

Energy: 3 of 5 Sub-Industries Reporting Year-Over-Year Growth Above 80%

The Energy sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 87.7%. Higher year-over-year oil prices are contributing to the year-over-year improvement in revenues for this sector, as the average price of oil in Q4 2021 (\$77.10) was 81% above the average price for oil in Q4 2020 (\$42.70). At the sub-industry level, all five sub-industries in the sector are reporting double-digit (year-over-year) growth in revenues: Oil & Gas Exploration & Production (139%), Oil & Gas Refining & Marketing (103%), Integrated Oil & Gas (85%), Oil & Gas Storage & Transportation (42%), and Oil & Gas Equipment & Services (12%).

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

The Materials sector is reporting the second-highest (year-over-year) revenue growth of all eleven sectors at 26.5%. At the industry level, all four industries in this sector are reporting year-over-year growth in revenues. Three of these four industries are reporting revenue growth above 25%: Metals & Mining (51%), Construction Materials (29%), and Chemicals (27%).

Net Profit Margin: 12.4%

The blended net profit margin for the S&P 500 for Q4 2021 is 12.4%, which is above the 5-year average of 11.0% and the year-ago net profit margin of 11.0%, but below the previous quarter's net profit margin of 12.9%.

If 12.4% is the actual net profit margin for the quarter, it will mark the fourth-highest net profit margin reported by the index since FactSet began tracking this metric in 2008. The current record is 13.1%, which occurred in Q2 2021.

At the sector level, seven sectors are reporting a year-over-year increase in their net profit margins in Q4 2021 compared to Q4 2020, led by the Energy (9.5% vs. N/A) sector. Six sectors are reporting net profit margins in Q4 2021 that are above their 5-year averages, led by the Energy (9.5% vs. 5.3%) and Information Technology (25.9% vs. 21.8%) sectors.

Looking Ahead: Forward Estimates and Valuation

Guidance: % of S&P 500 Companies Issuing Negative EPS Guidance for Q1 is Above Average

At this point in time, 47 companies in the index have issued EPS guidance for Q1 2022. Of these 47 companies, 34 have issued negative EPS guidance and 13 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 72% (34 out of 47), which is above the 5-year average of 60%.

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 Growth of 47% for CY 2021

For the fourth quarter, S&P 500 companies are reporting earnings growth of 29.2% and revenue growth of 15.0%. For the full year, the index is reporting earnings growth of 47.0% and revenue growth of 16.3%

For Q1 2022, analysts are projecting earnings growth of 5.6% and revenue growth of 10.2%.

For Q2 2022, analysts are projecting earnings growth of 4.4% and revenue growth of 8.4%.

For CY 2022, analysts are projecting earnings growth of 8.6% and revenue growth of 8.0%.

Valuation: Forward P/E Ratio is 19.7, Above the 10-Year Average (16.7)

The forward 12-month P/E ratio is 19.7. This P/E ratio is above the 5-year average of 18.6 and above the 10-year average of 16.7. However, it is below the forward 12-month P/E ratio of 21.3 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 decreased by 6.1%, while the forward 12-month EPS estimate has increased by 1.6%. At the sector level, the Consumer Discretionary (26.7) and Information Technology (25.0) sectors have the highest forward 12-month P/E ratios, while the Energy (12.5) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 23.7, which is above the 5-year average of 23.1 and above the 10-year average of 20.0.

Targets & Ratings: Analysts Project 19% Increase in Price Over Next 12 Months

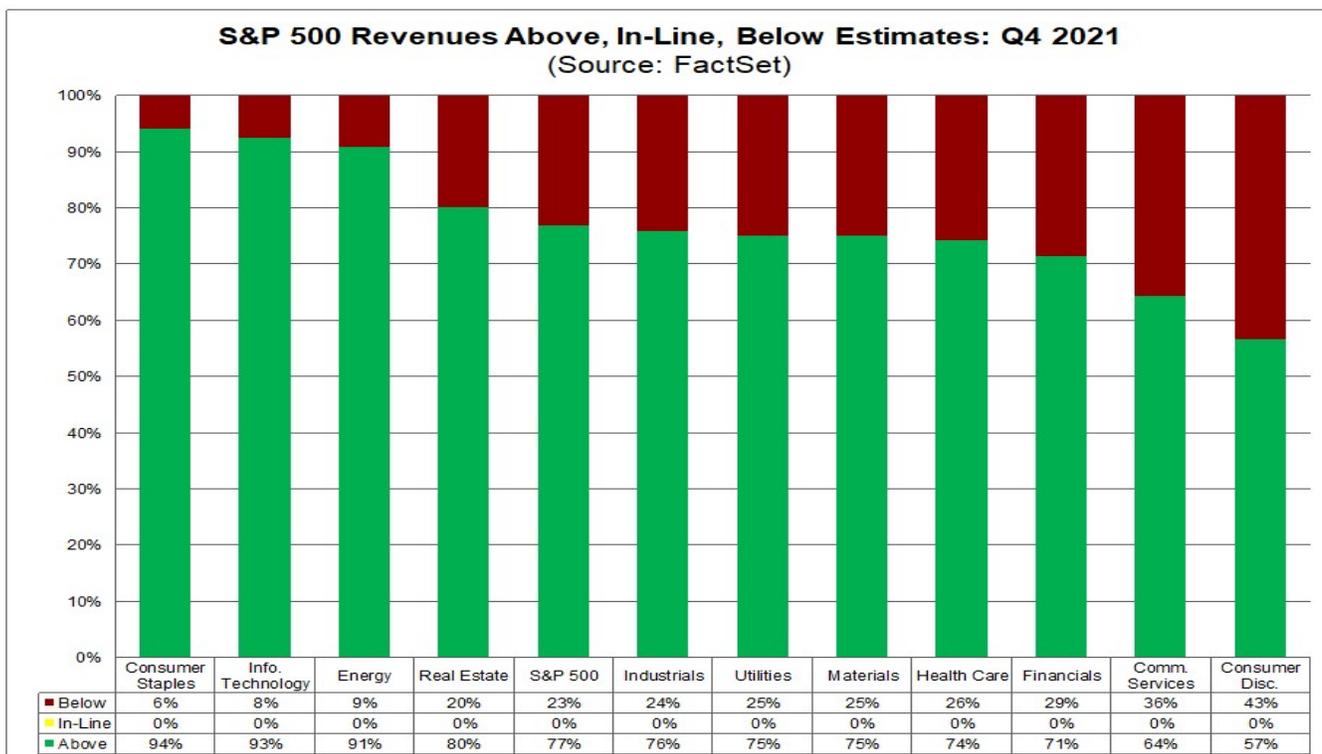
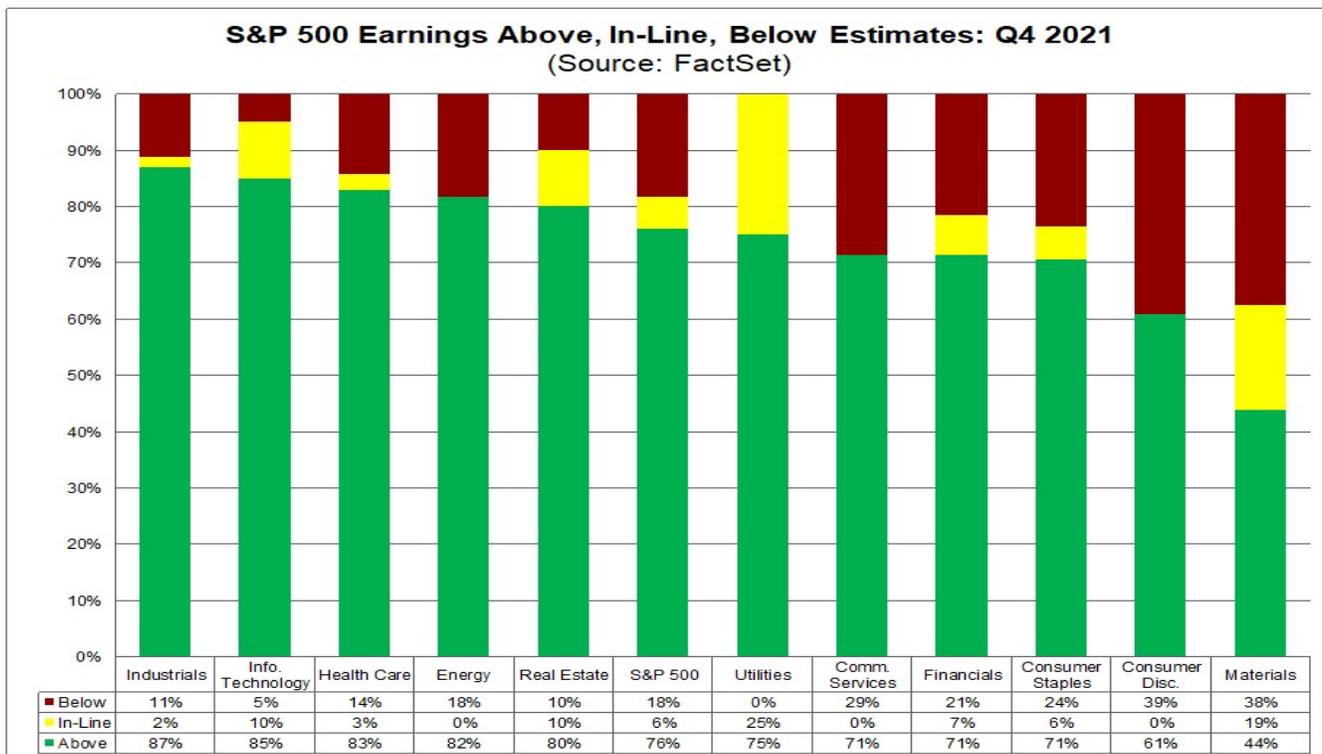
The bottom-up target price for the S&P 500 is 5312.73, which is 18.7% above the closing price of 4477.44. At the sector level, the Consumer Discretionary (+27.3%) and Communication Services (+27.1%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Energy (+6.3%) and Consumer Staples (+6.9%) sectors are expected to see the smallest price increases, as these sectors have the smallest upside differences between the bottom-up target price and the closing price.

Overall, there are 10,921 ratings on stocks in the S&P 500. Of these 10,921 ratings, 57.1% are Buy ratings, 37.3% are Hold ratings, and 5.6% are Sell ratings. At the sector level, the Energy (67%) and Information Technology (63%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (41%) and Utilities (49%) sectors have the lowest percentages of Buy ratings.

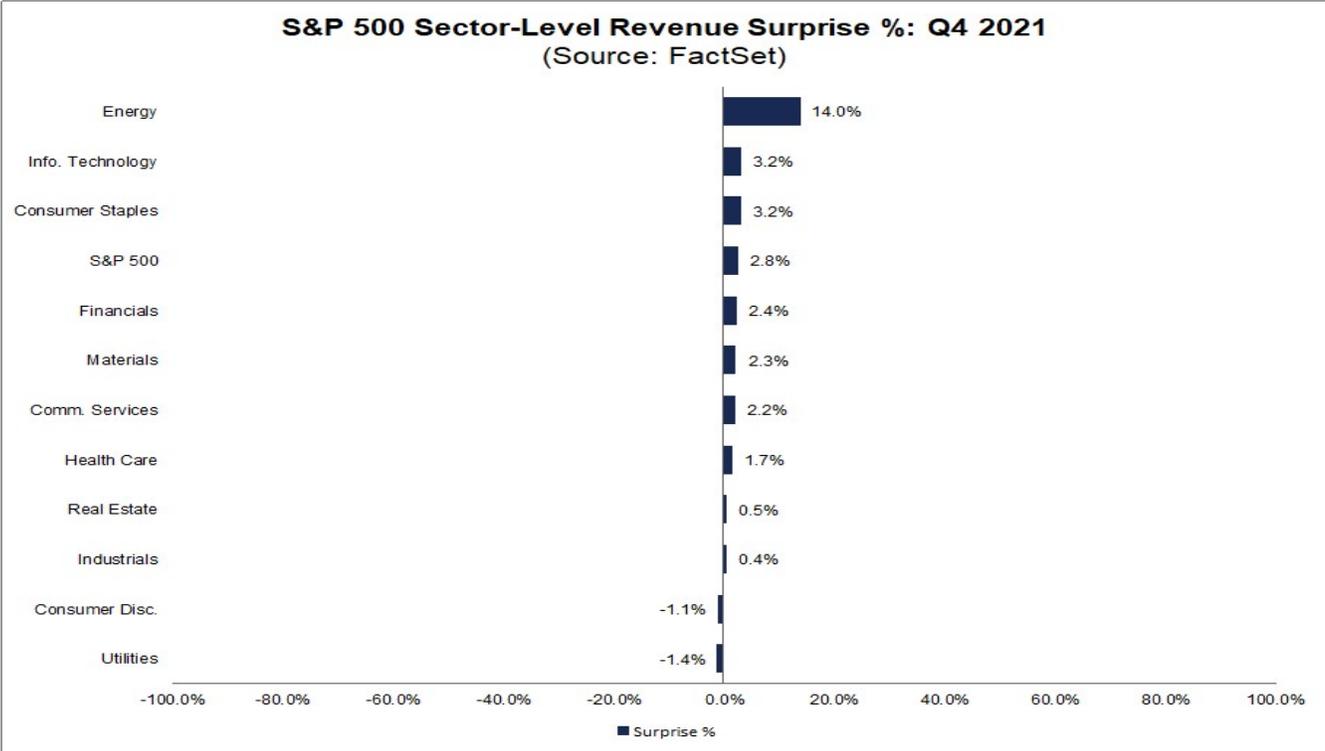
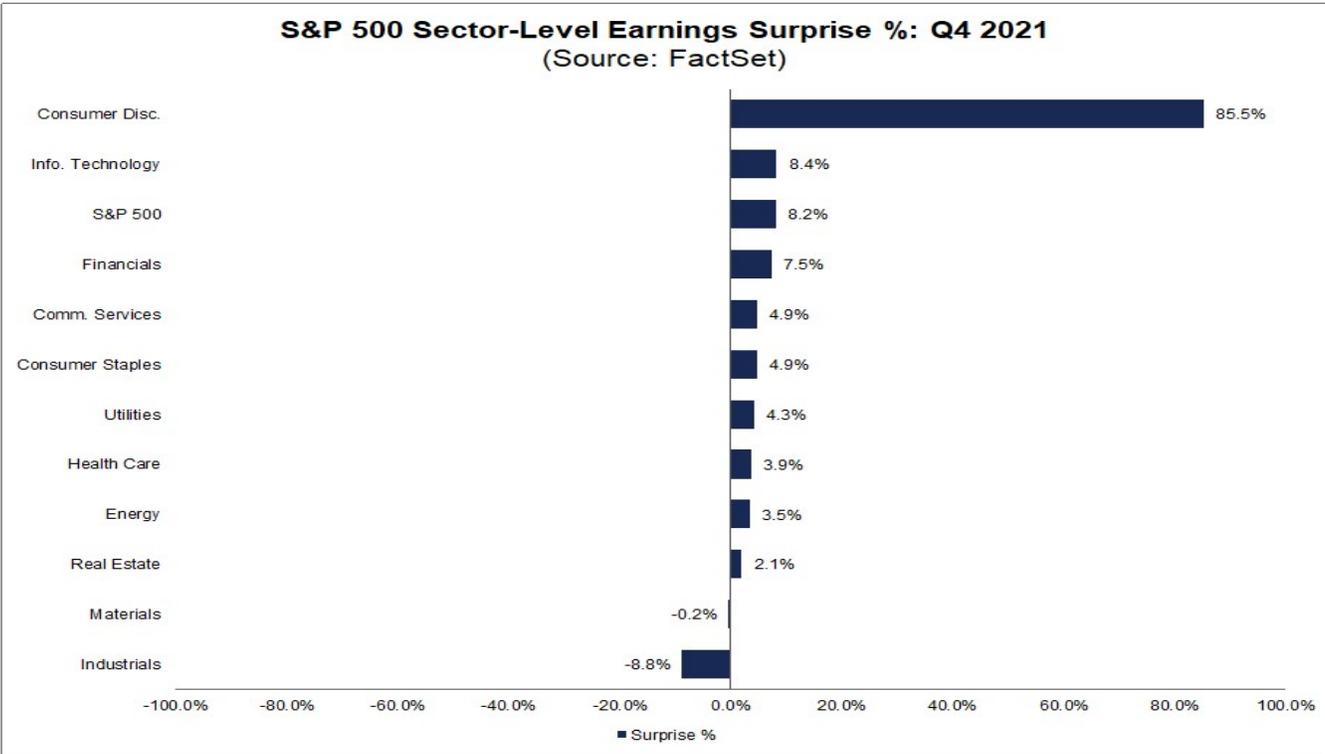
Companies Reporting Next Week: 83

During the upcoming week, 83 S&P 500 companies (including three Dow 30 components) are scheduled to report results for the fourth quarter.

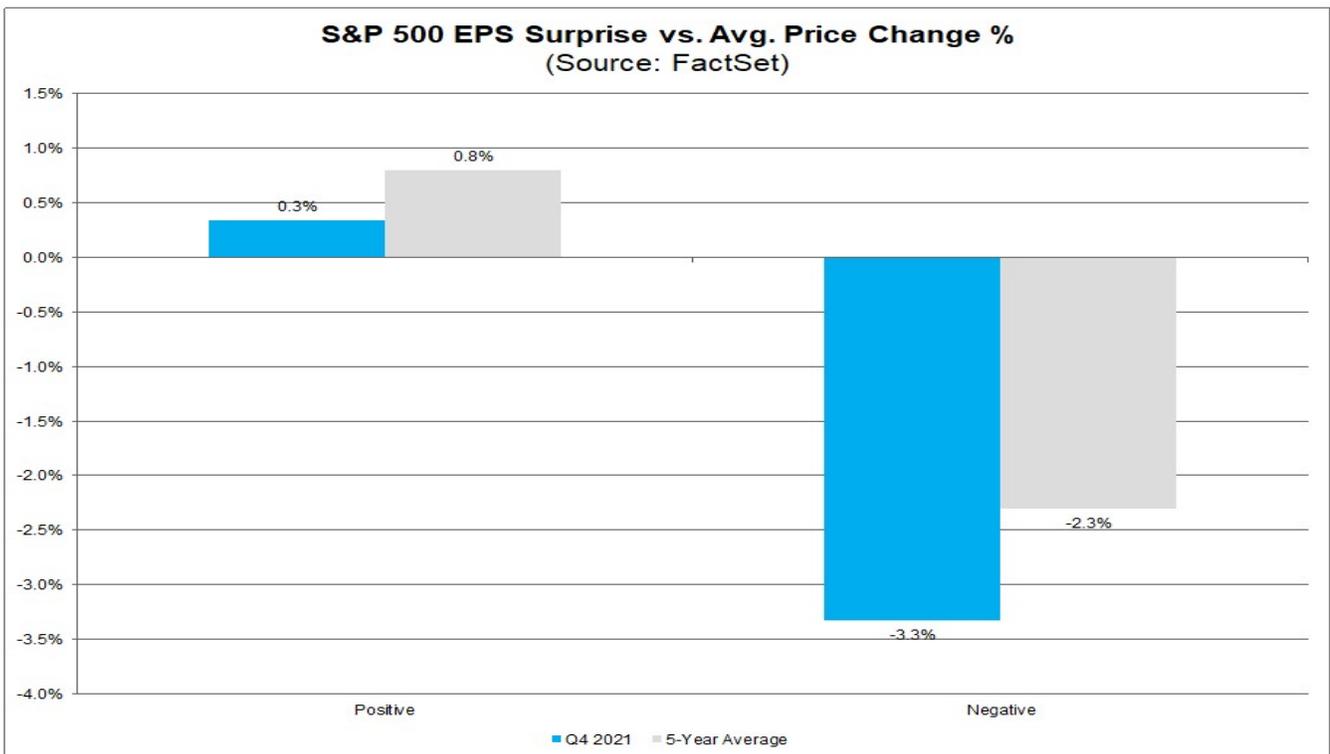
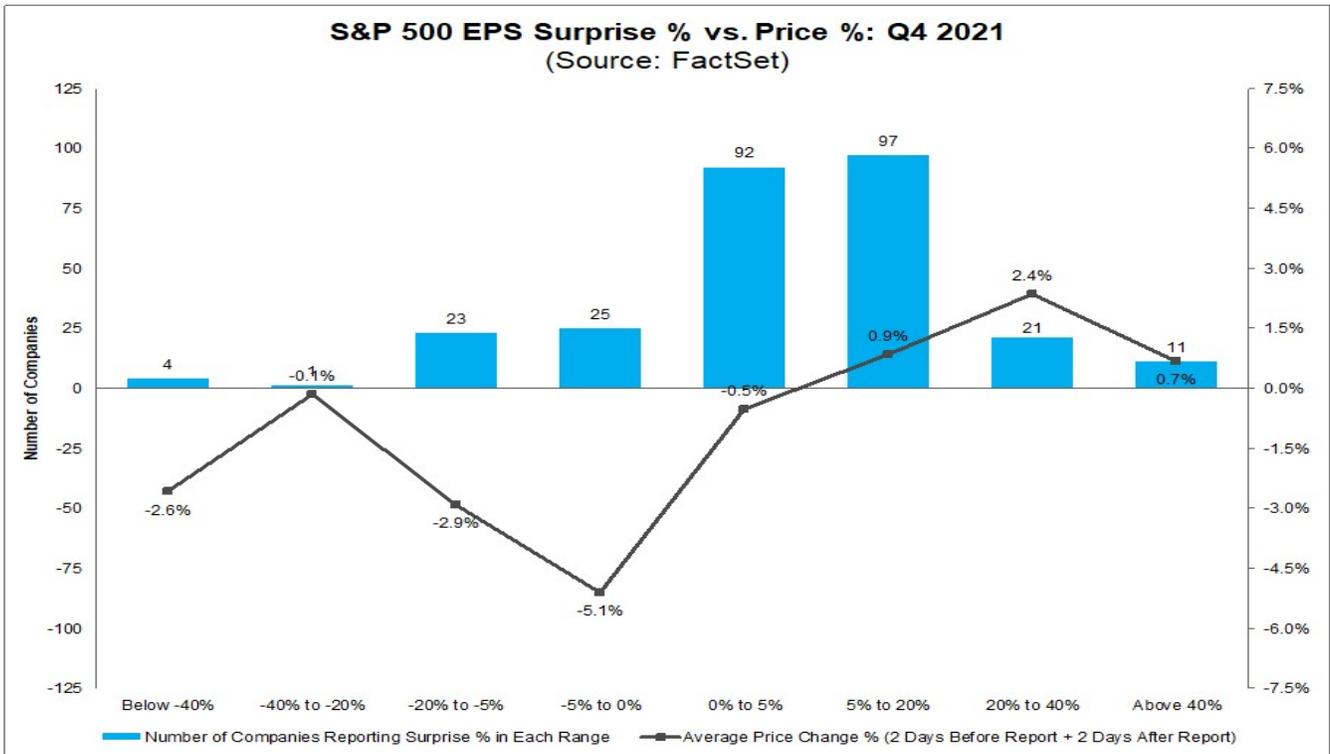
Q4 2021: Scorecard



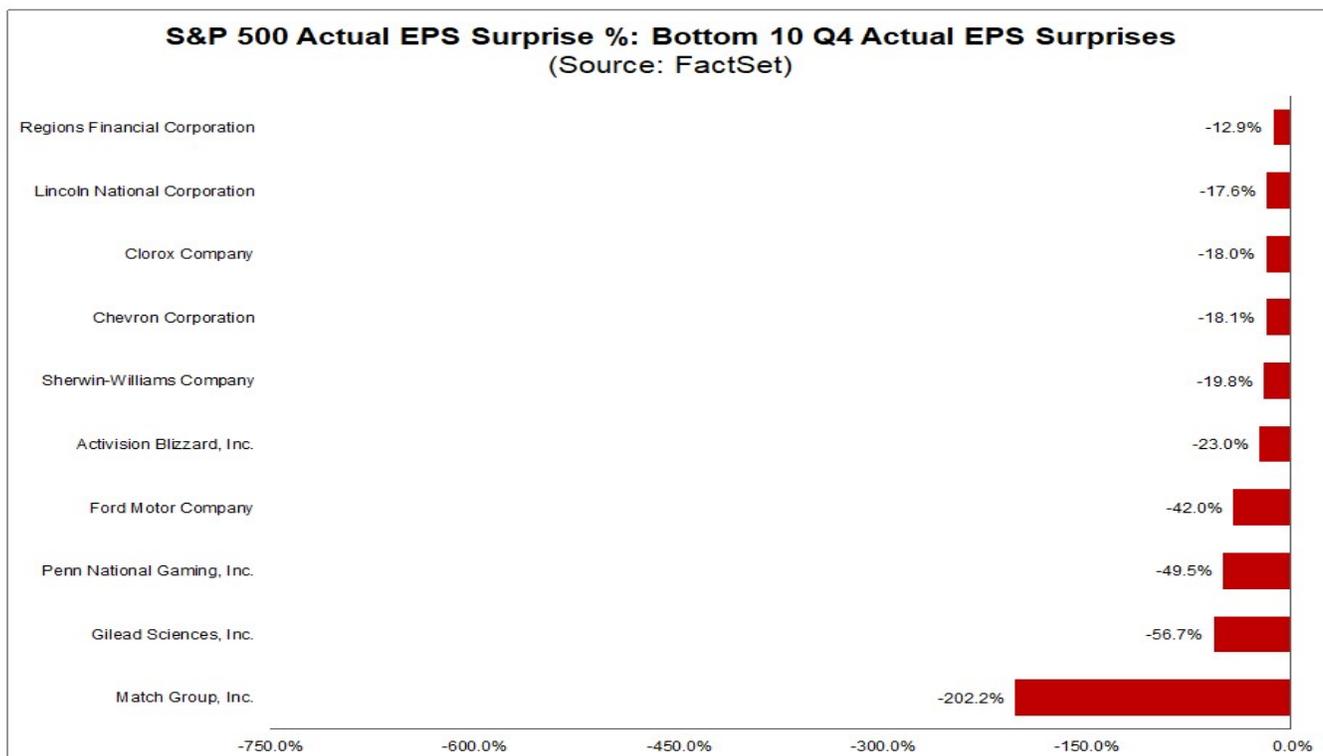
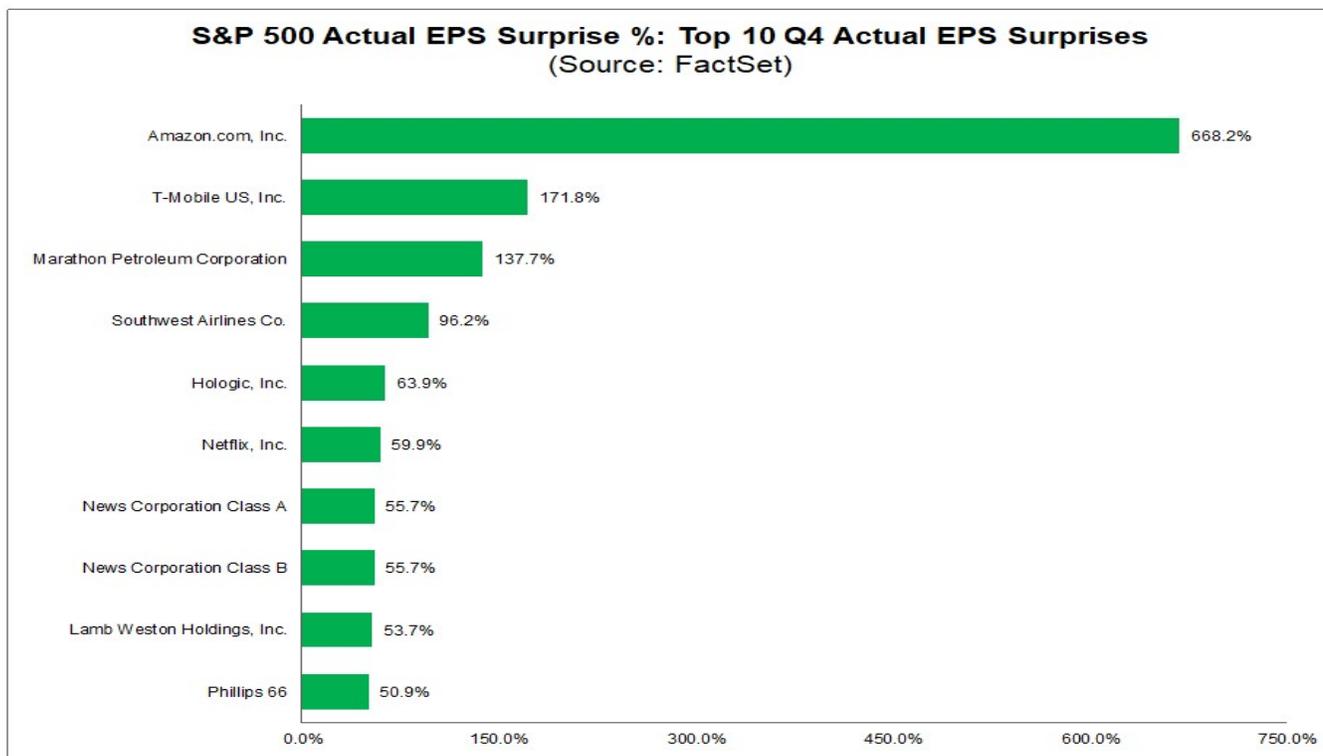
Q4 2021: Scorecard



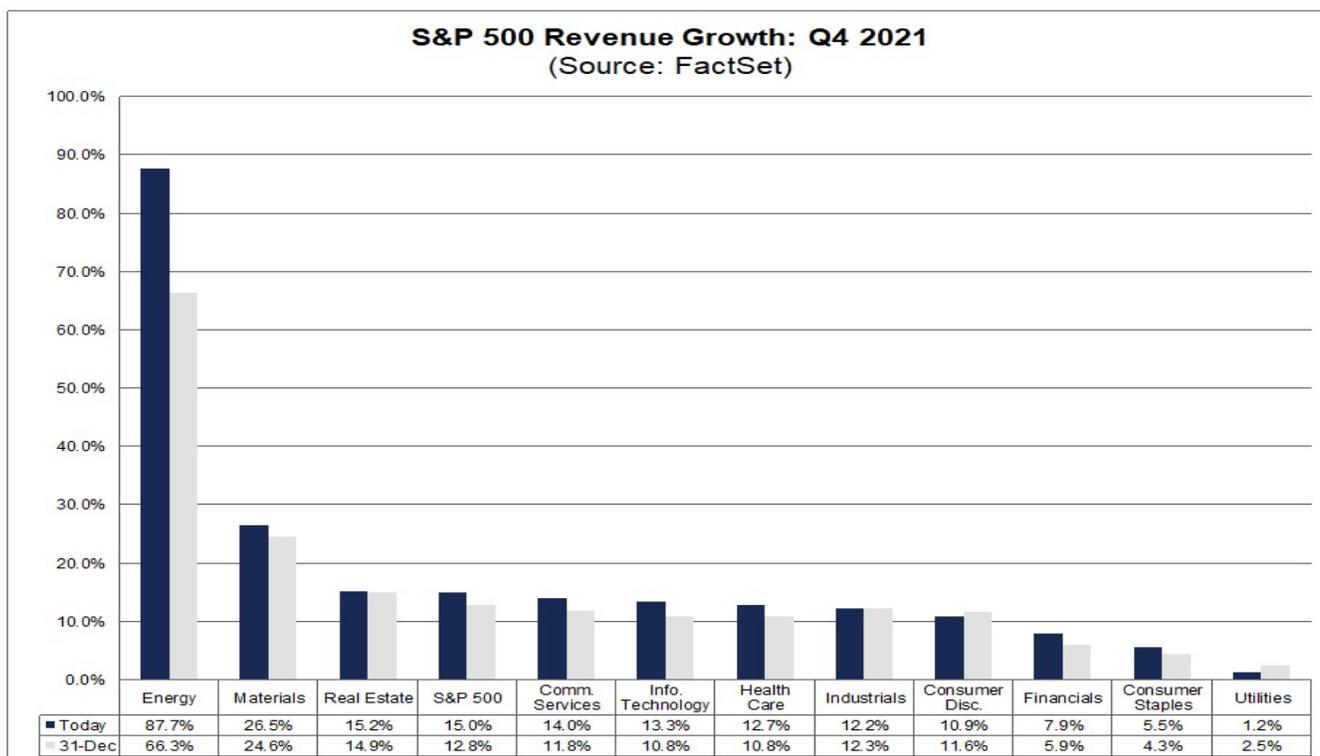
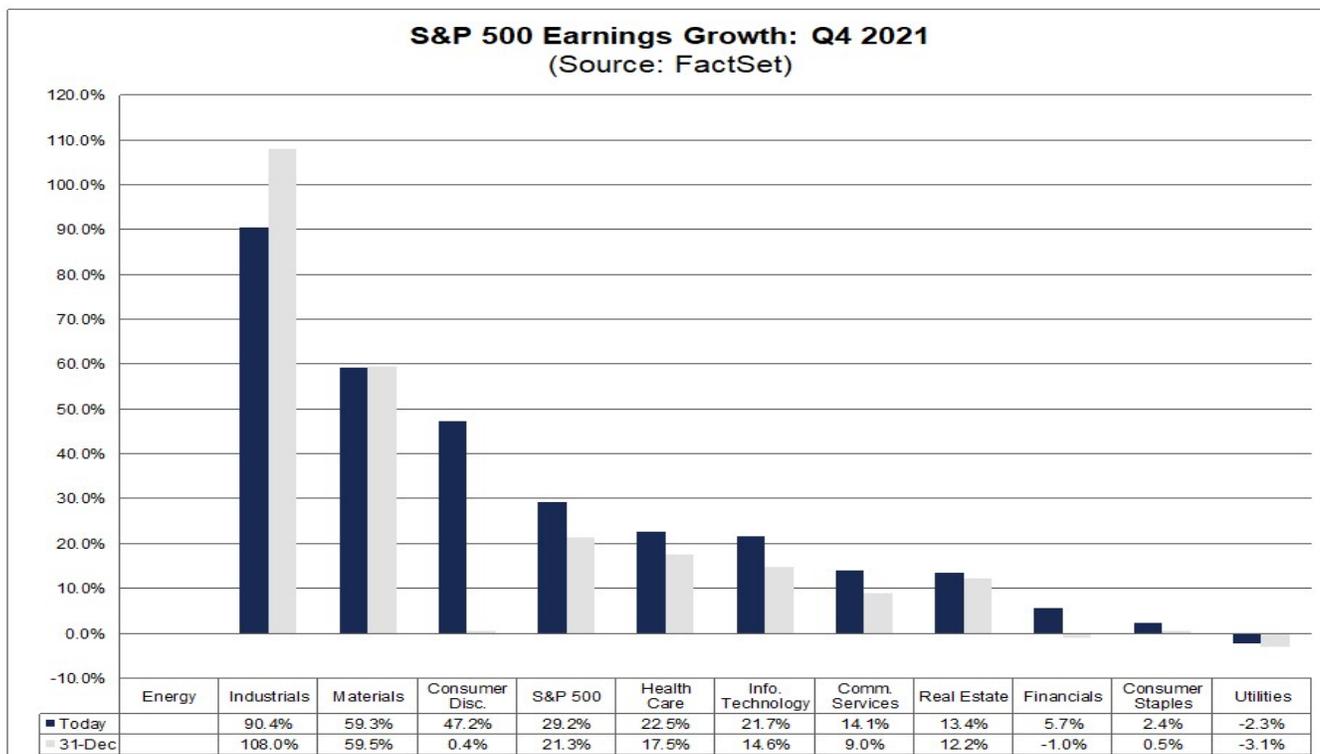
Q4 2021: Scorecard



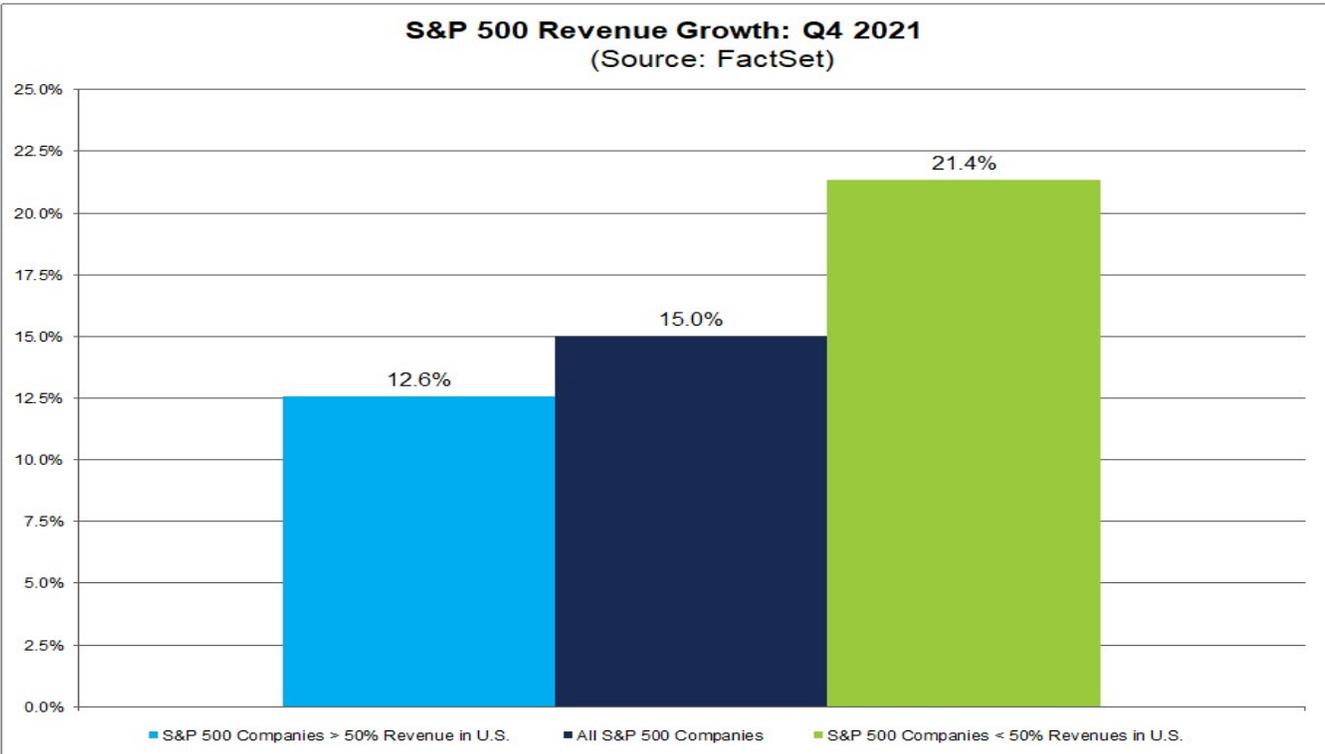
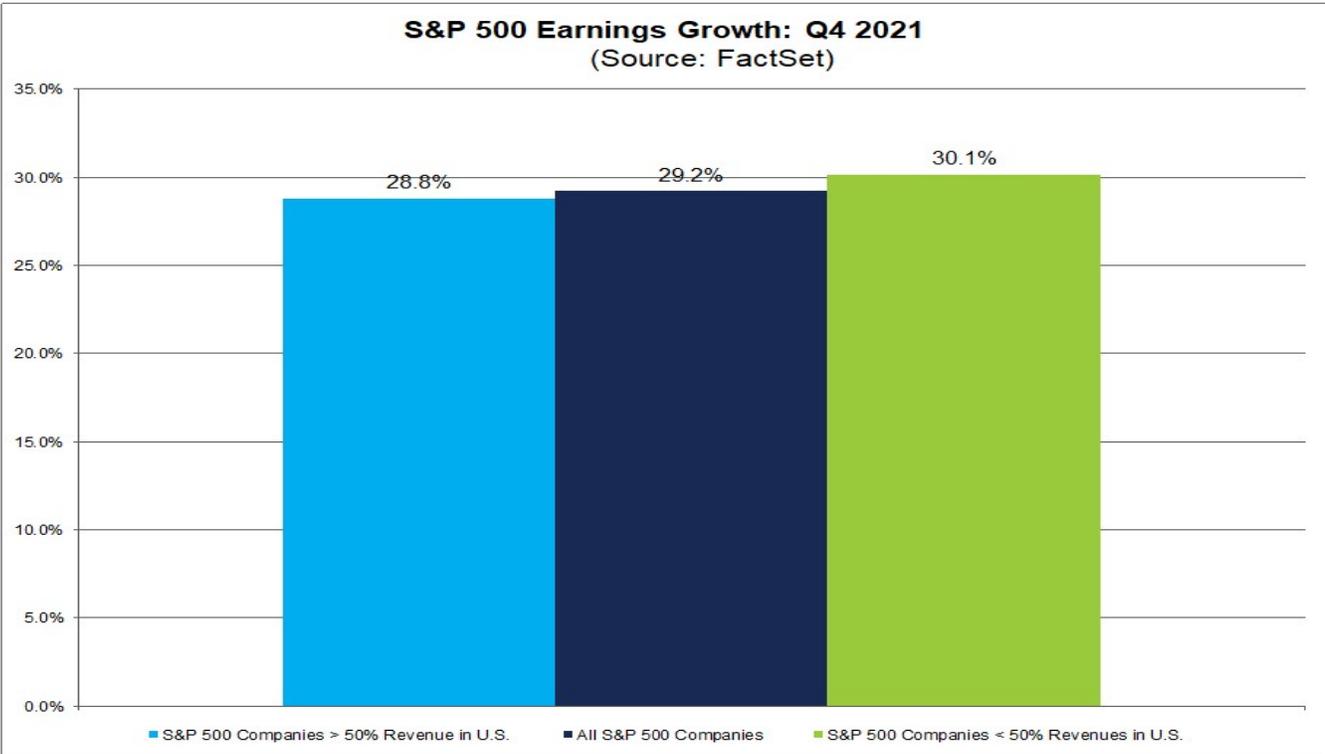
Q4 2021: Scorecard



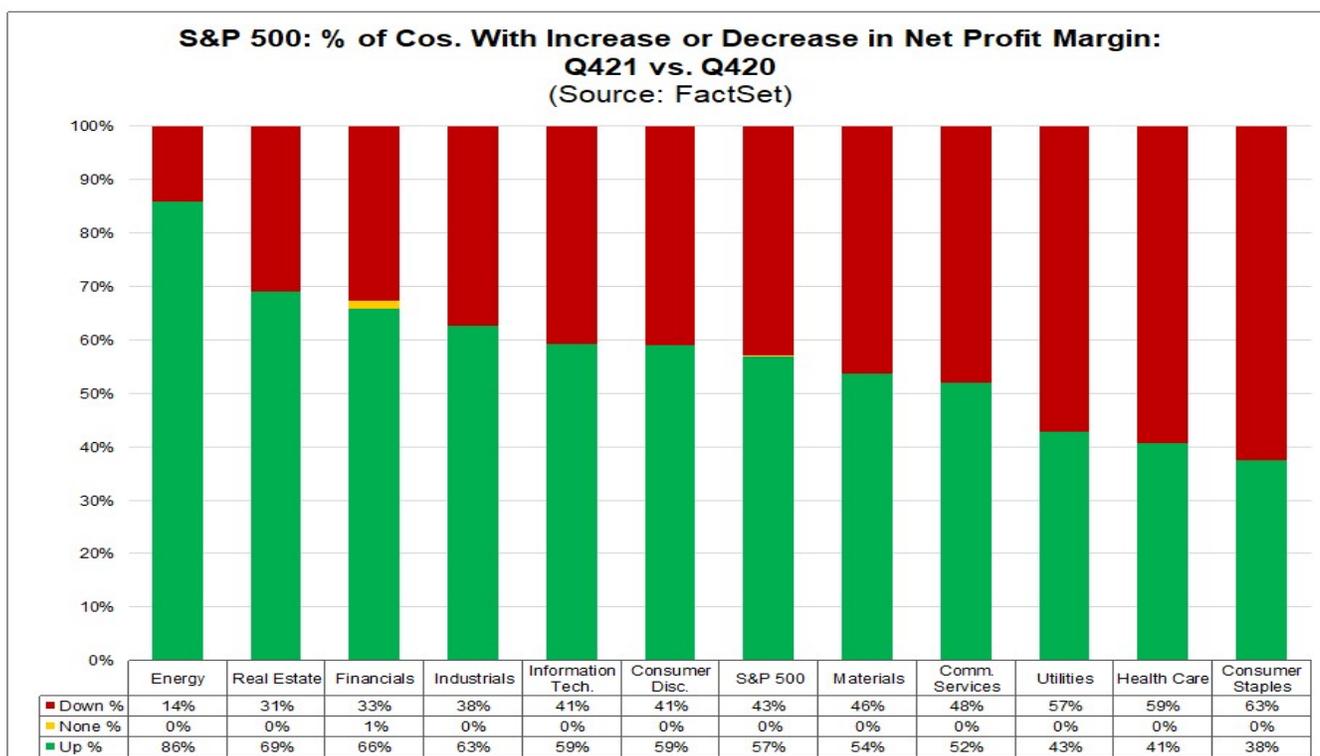
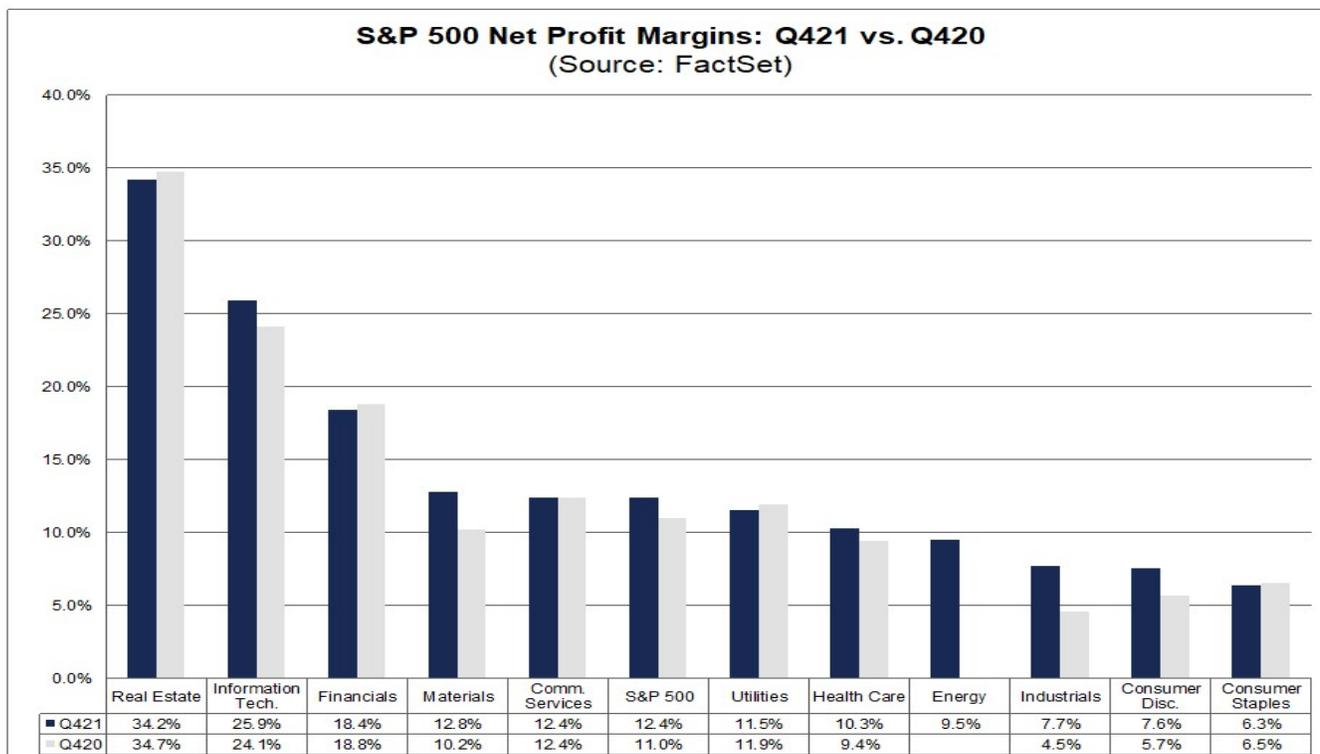
Q4 2021: Growth



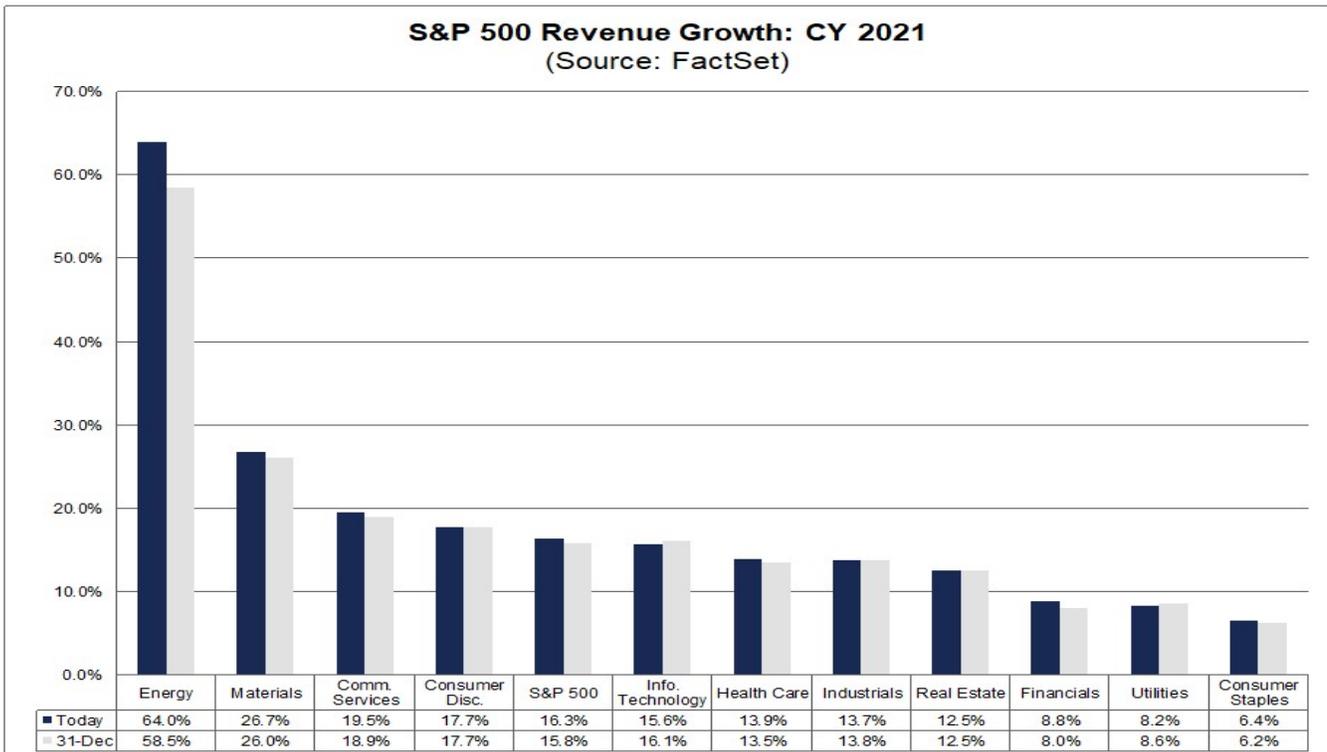
Q4 2021: Growth



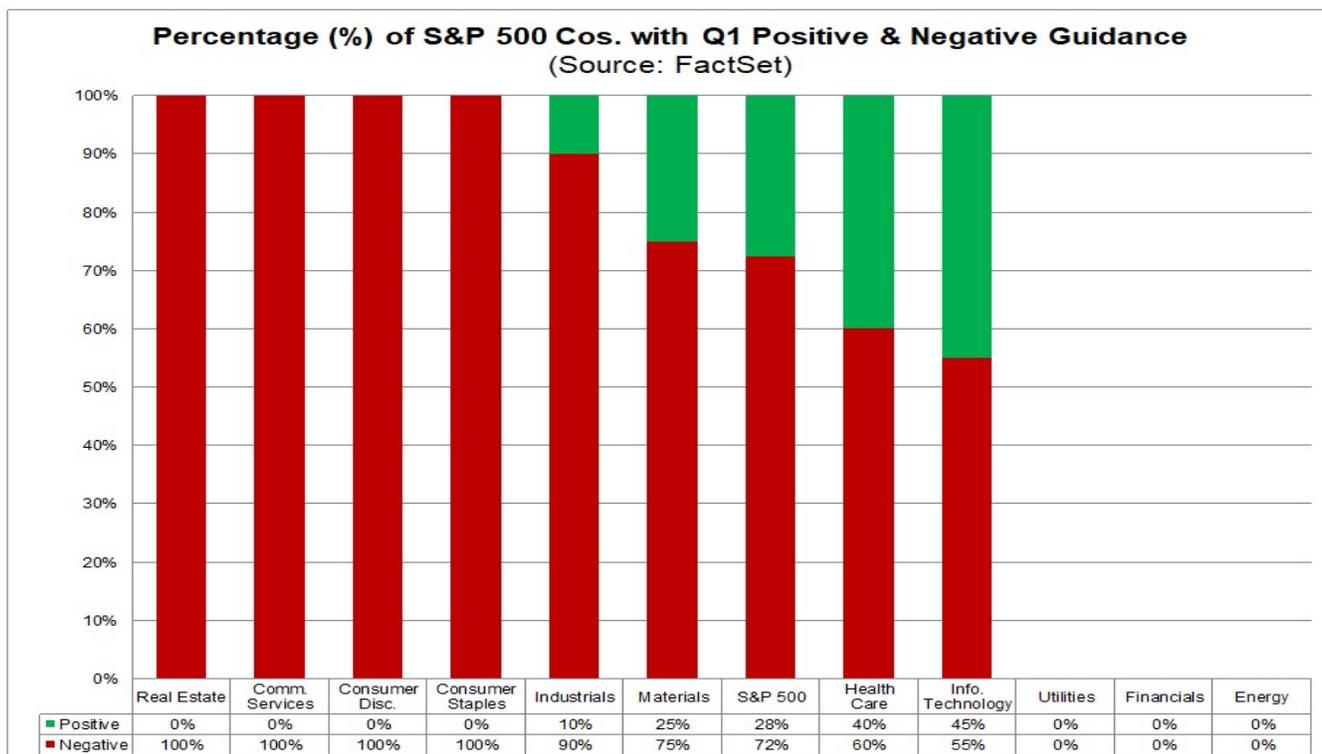
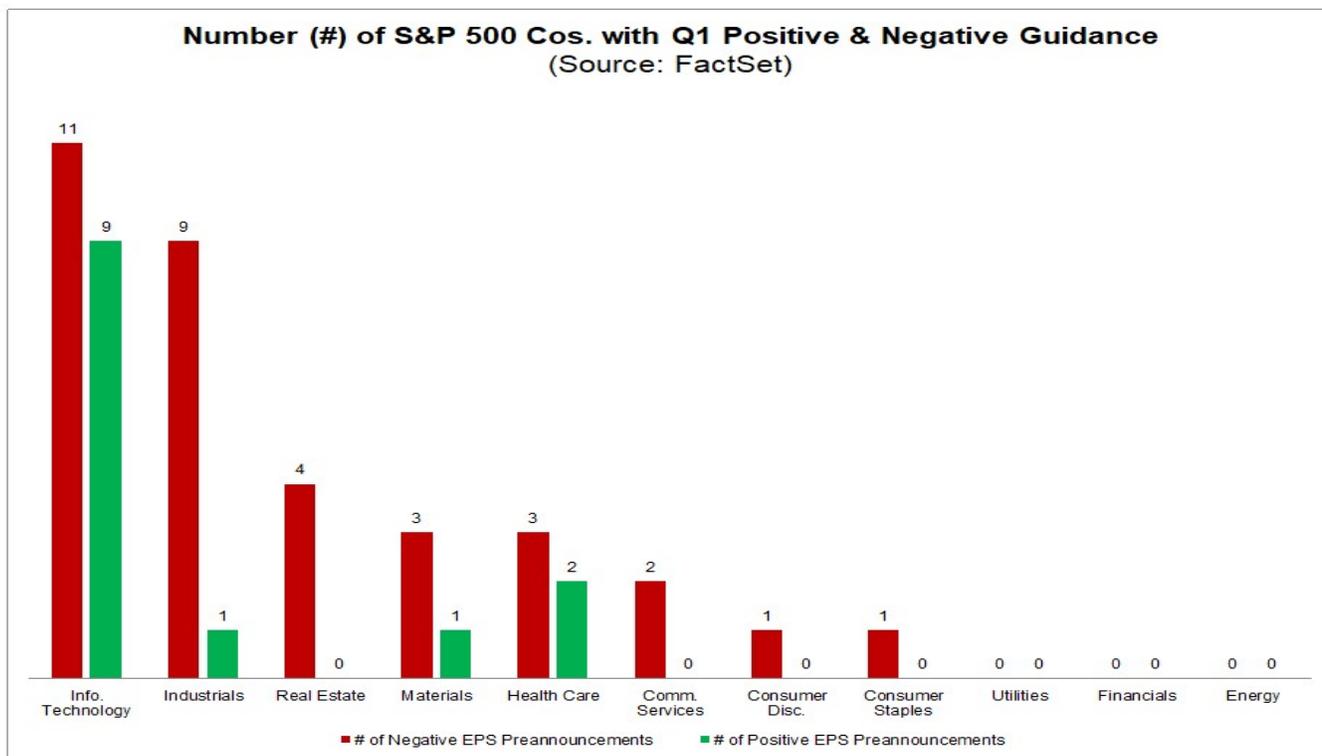
Q4 2021: Net Profit Margin



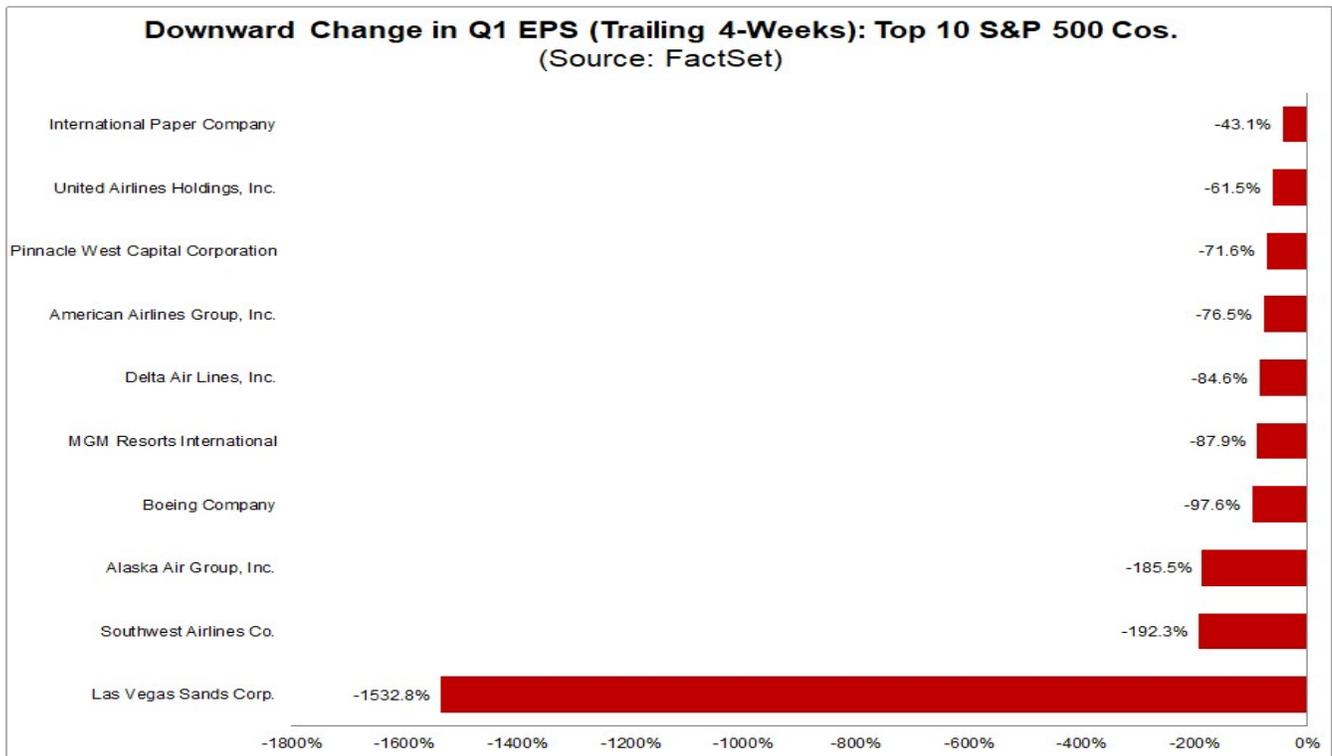
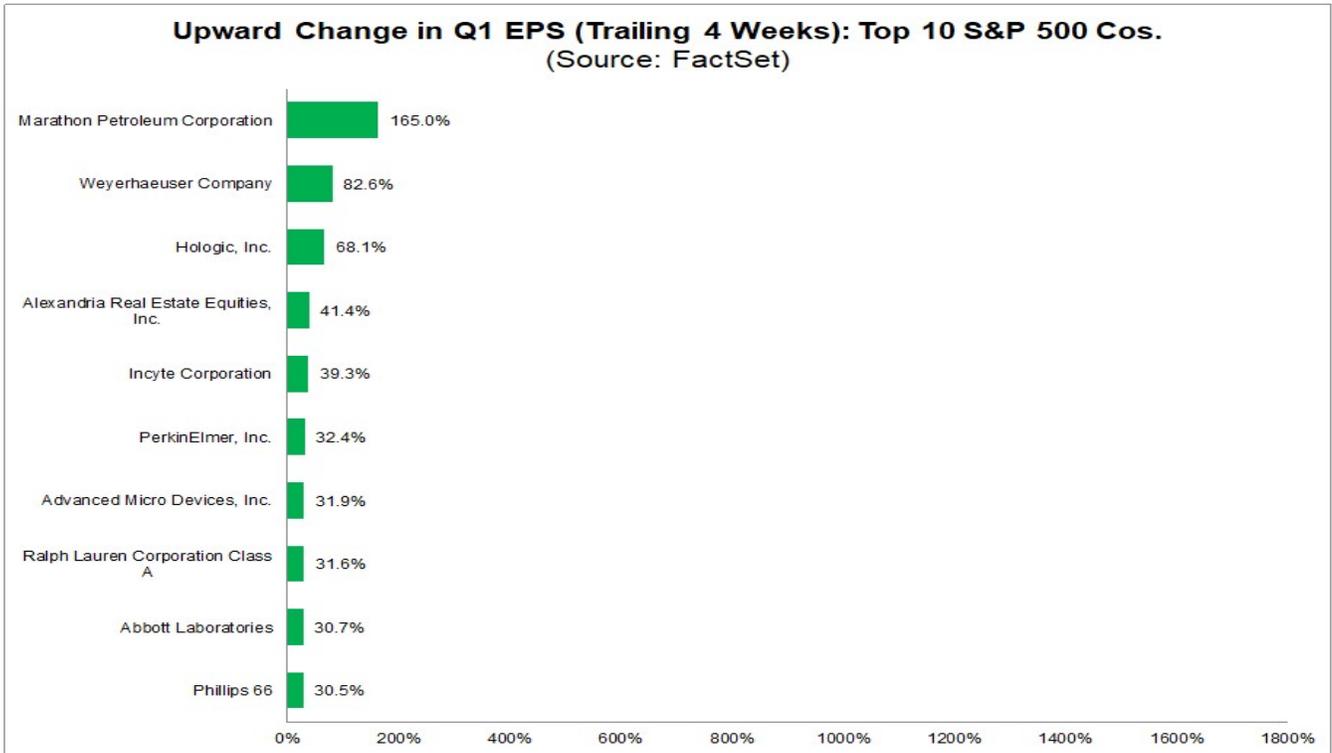
CY 2021: Growth



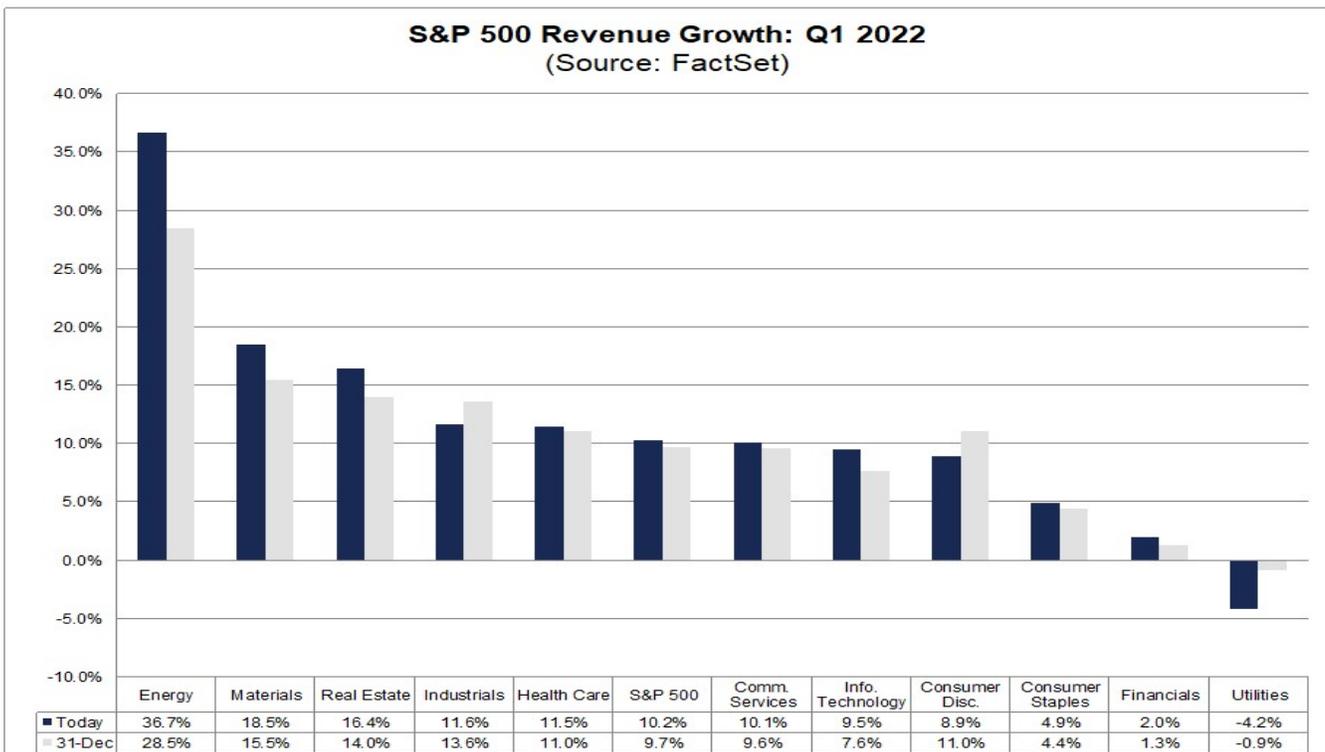
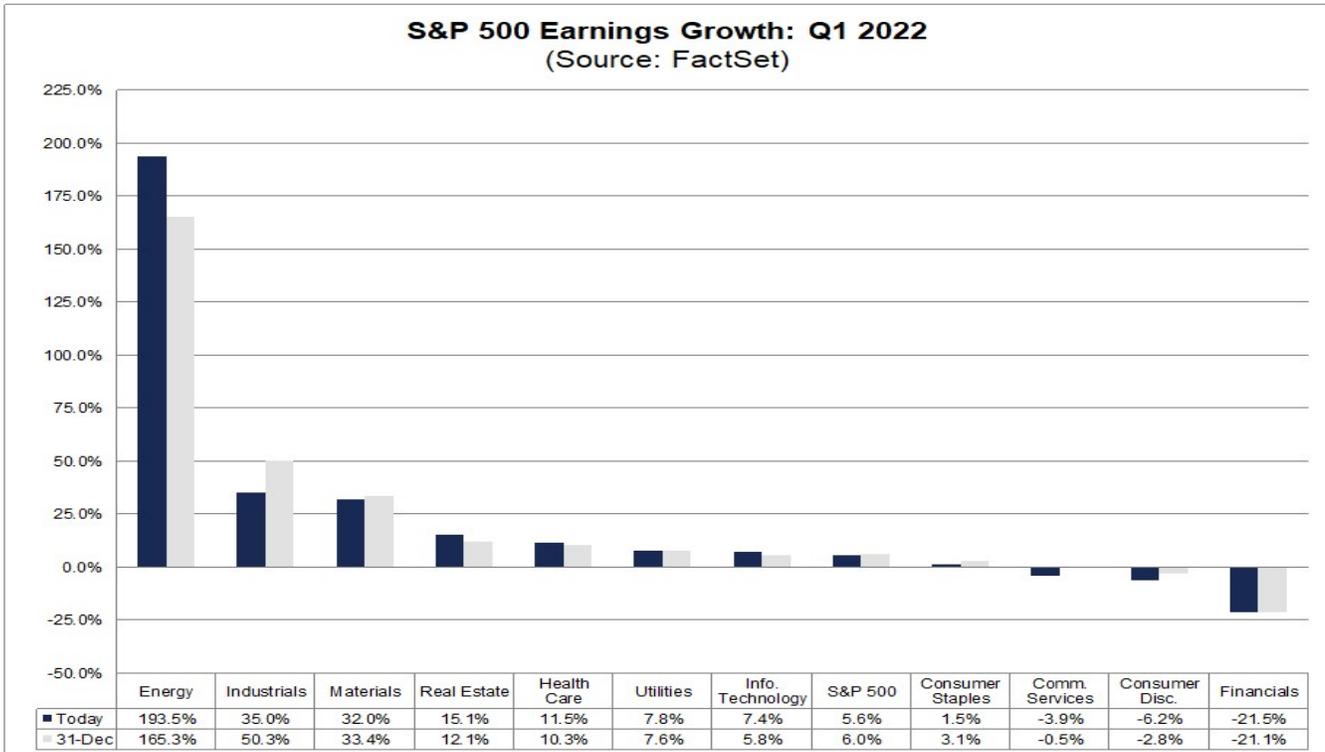
Q1 2022: EPS Guidance



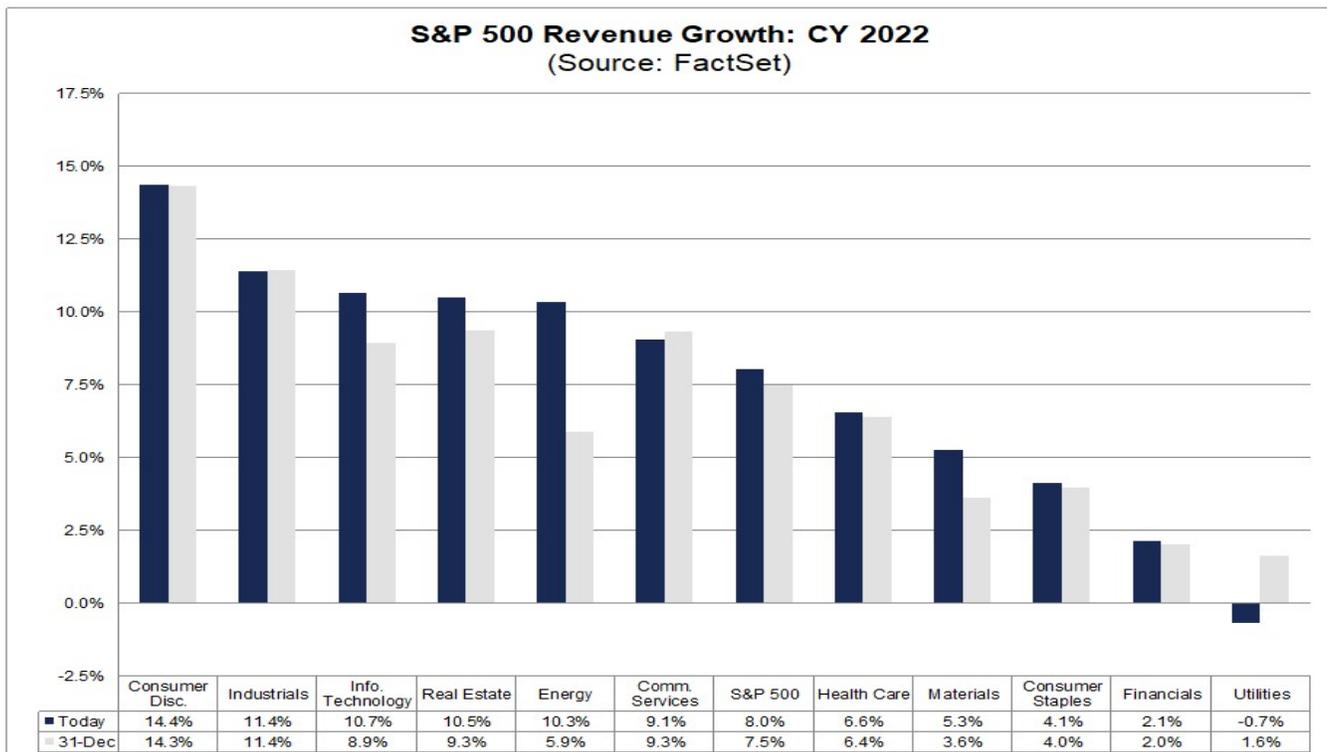
Q1 2022: EPS Revisions



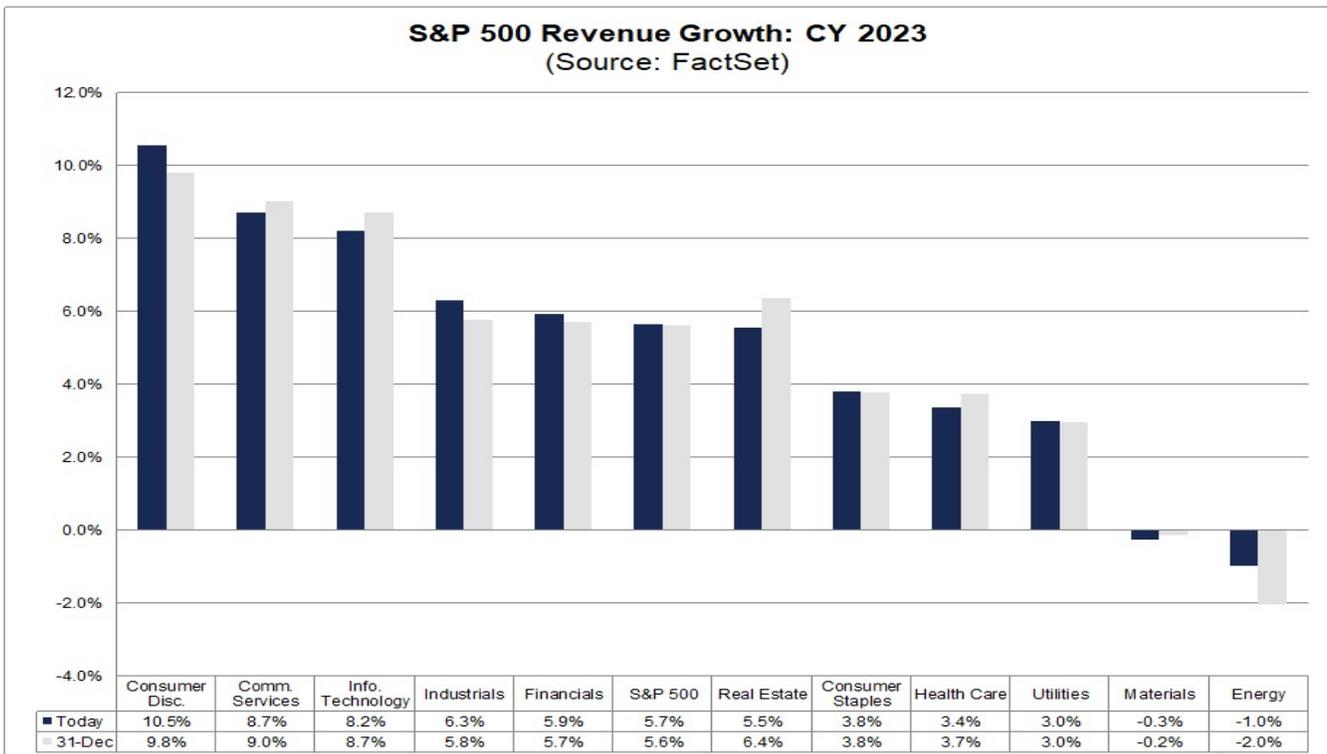
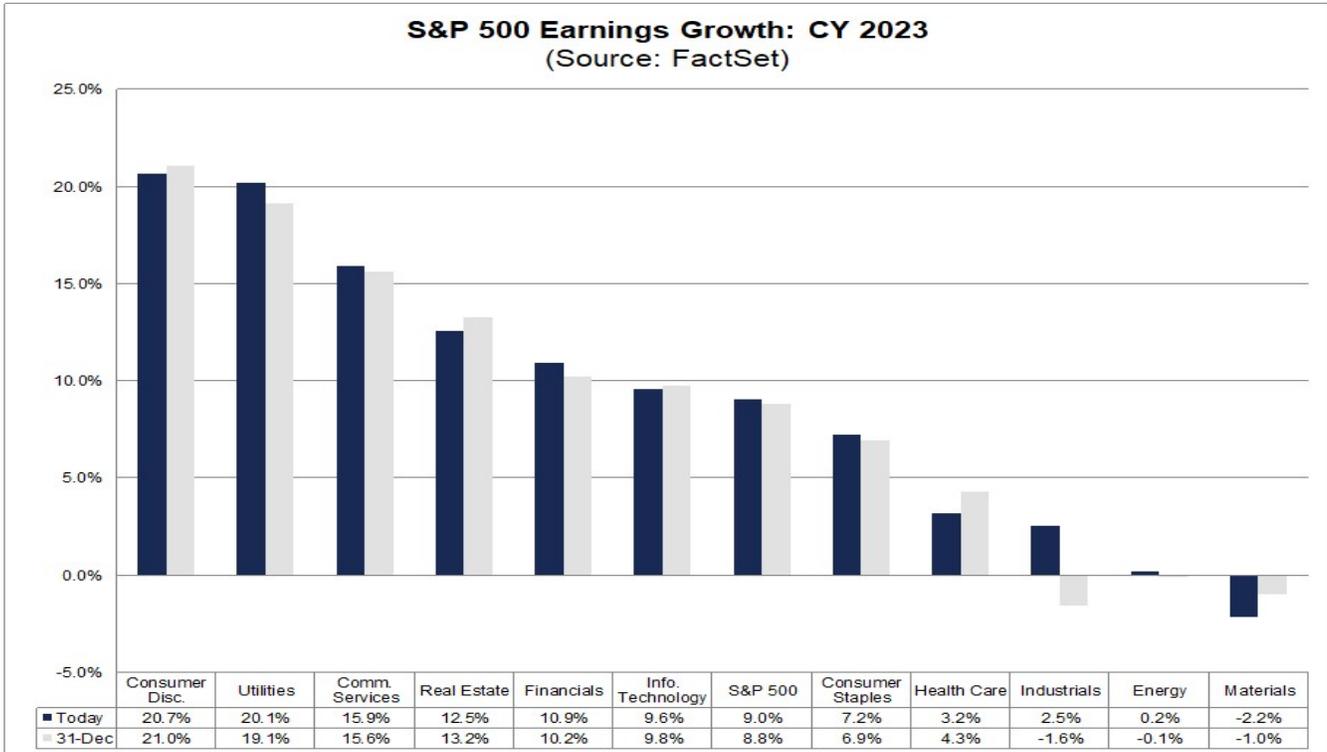
Q1 2022: Growth



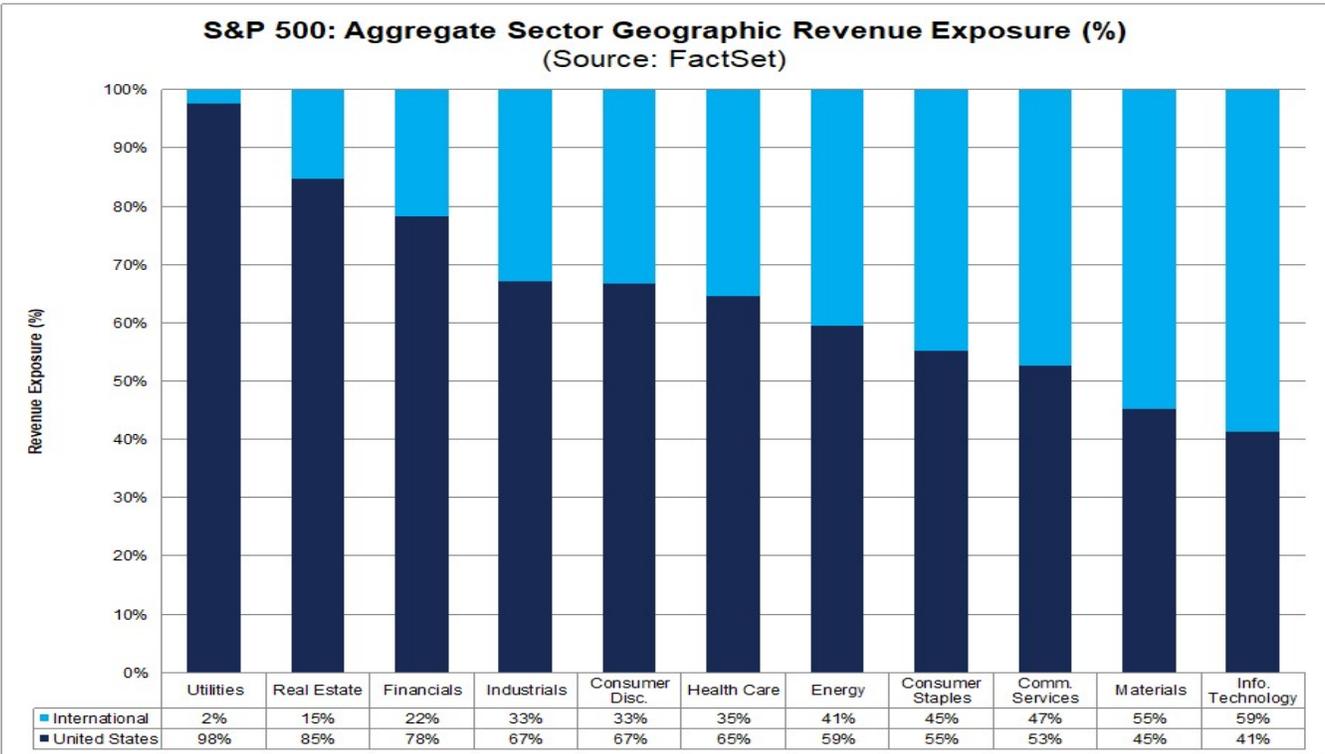
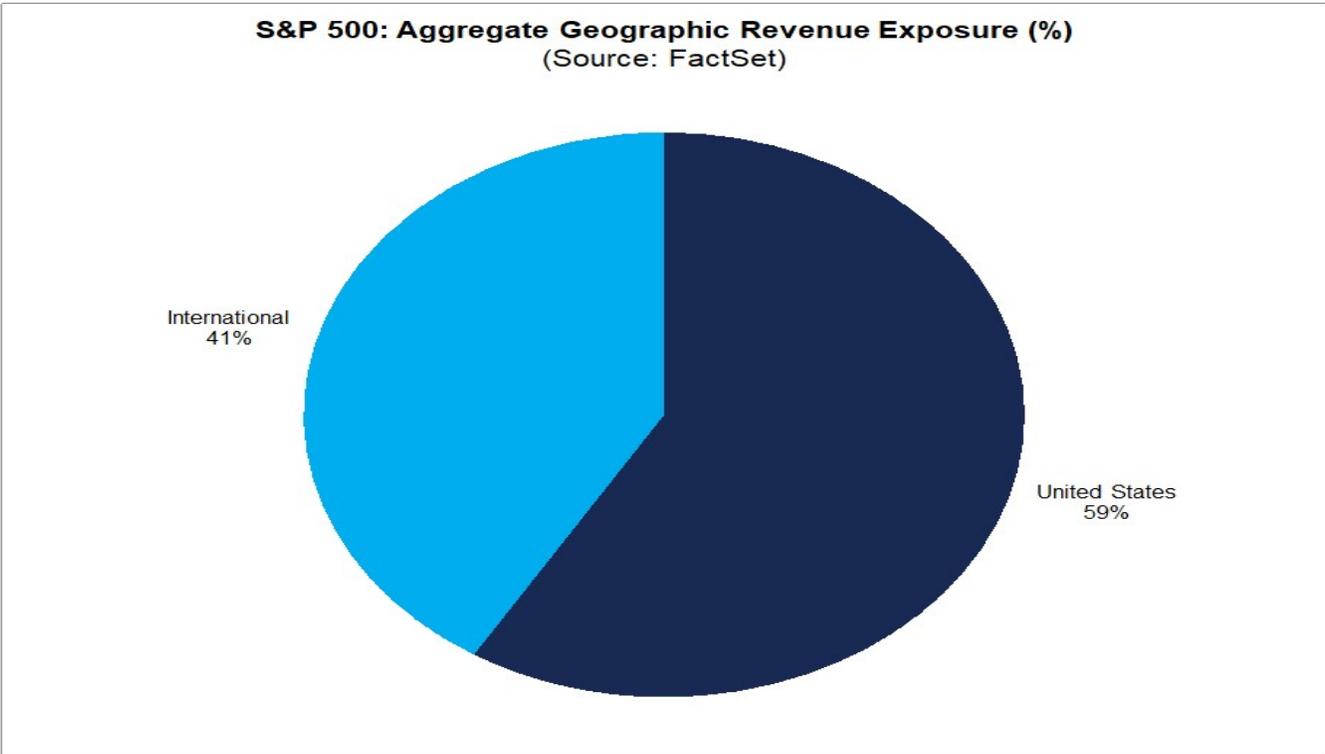
CY 2022: Growth



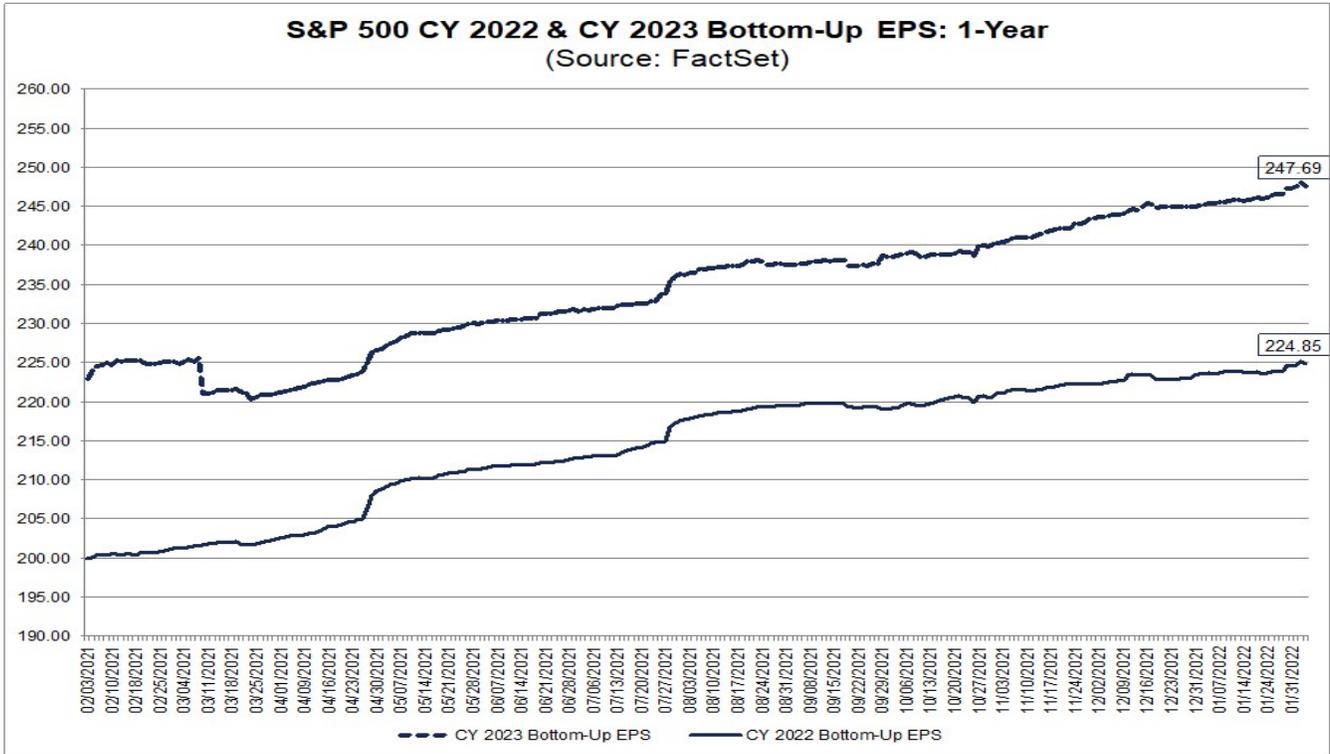
CY 2023: Growth



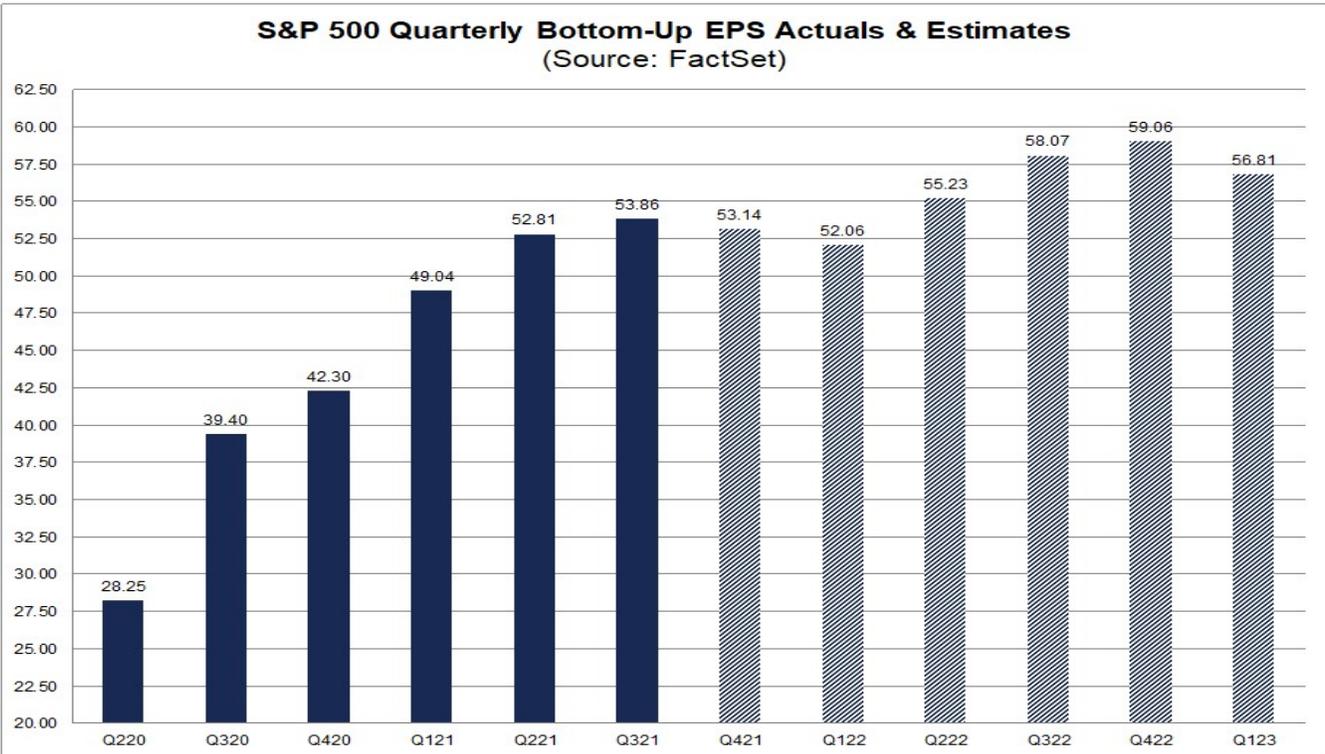
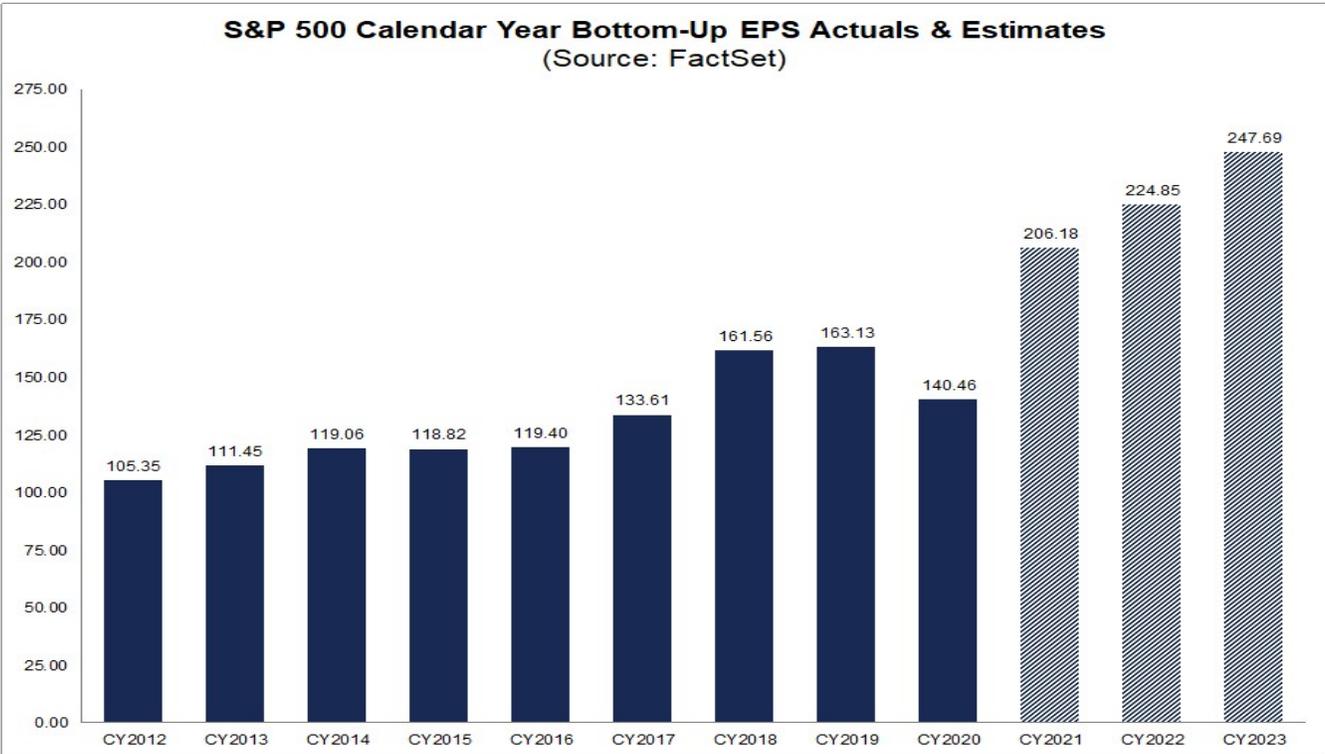
Geographic Revenue Exposure



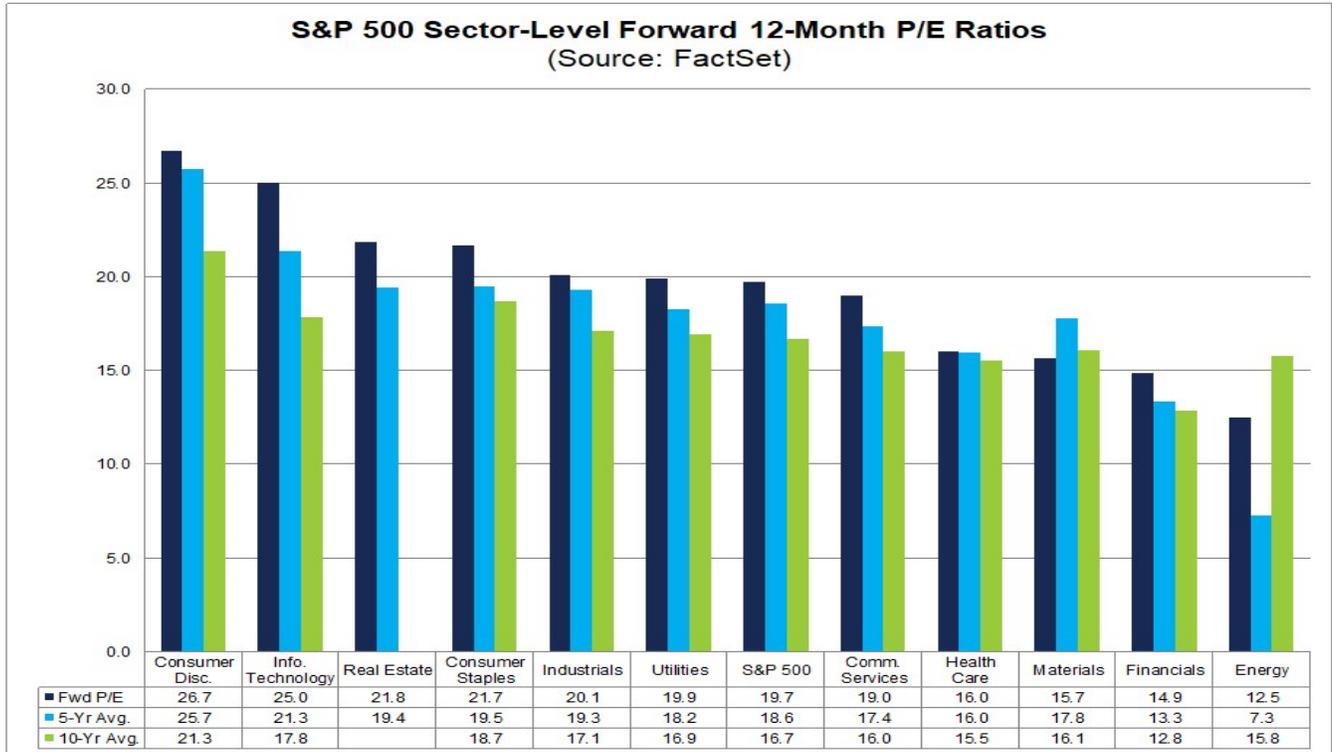
Bottom-up EPS Estimates: Revisions



Bottom-up EPS Estimates: Current & Historical

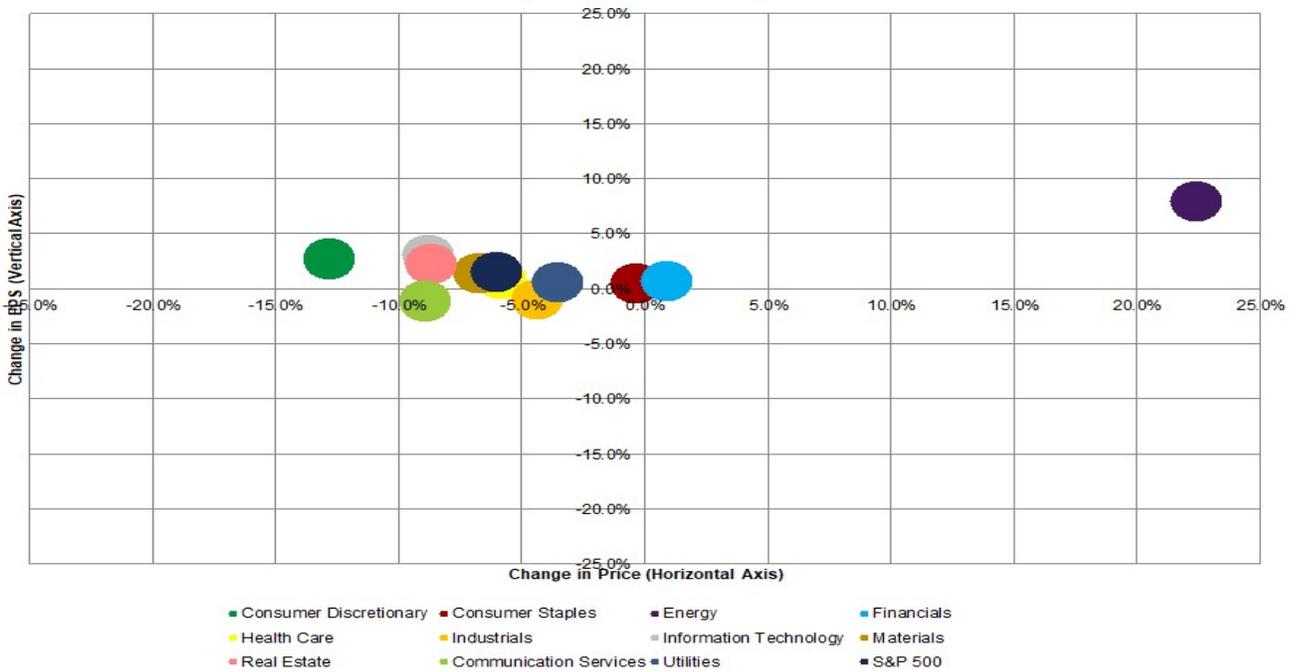


Forward 12M P/E Ratio: Sector Level

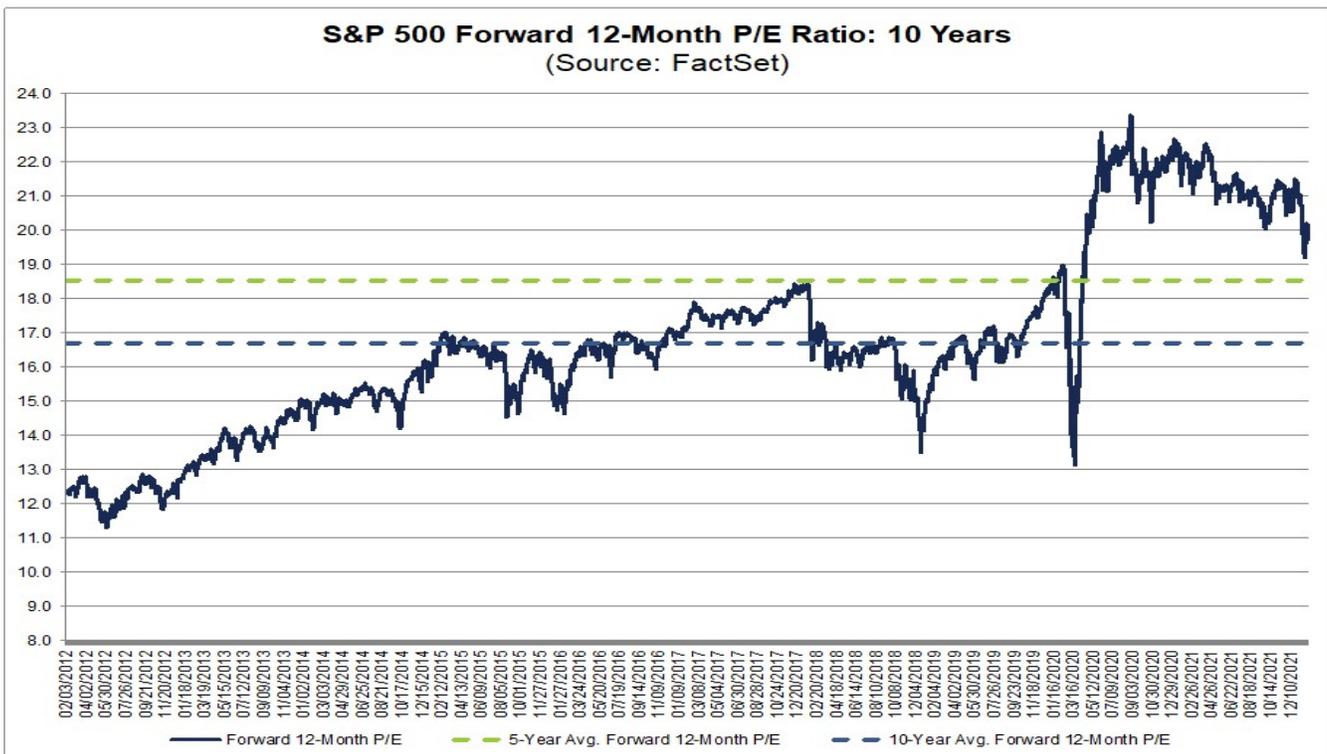
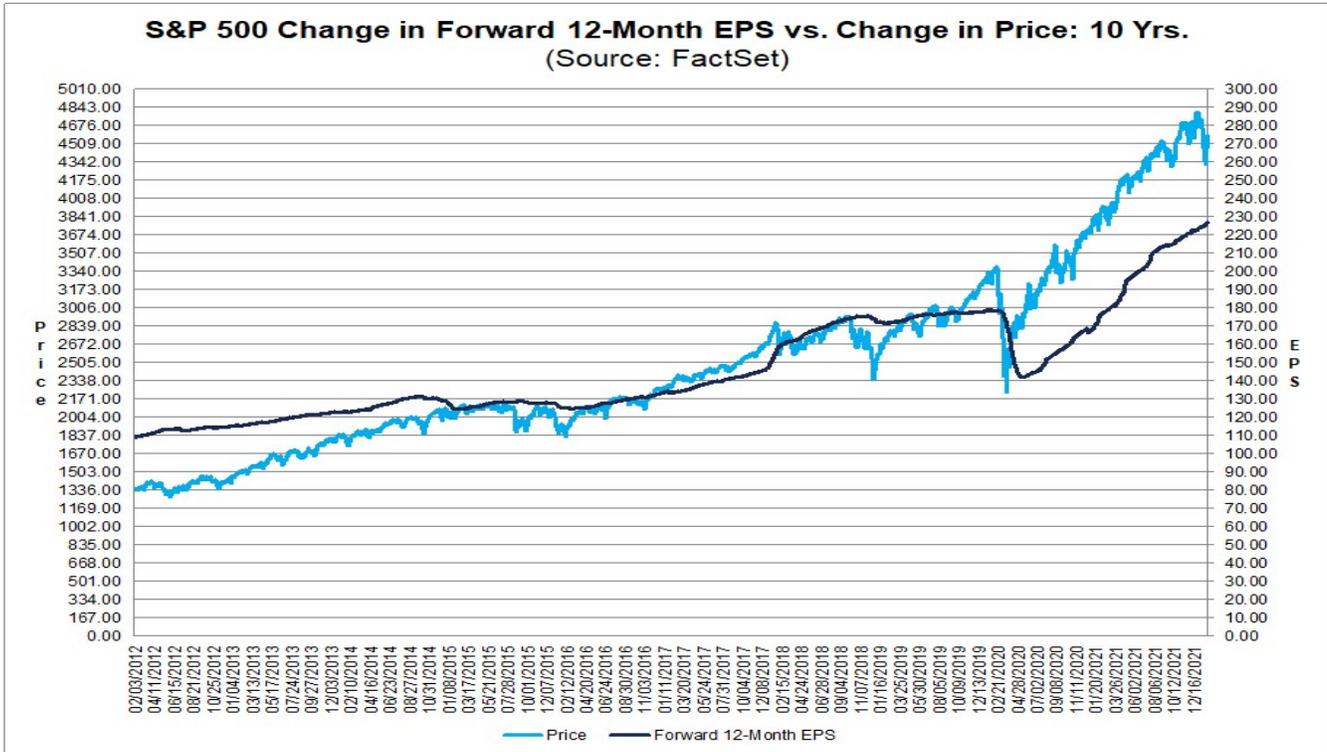


Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Dec. 31

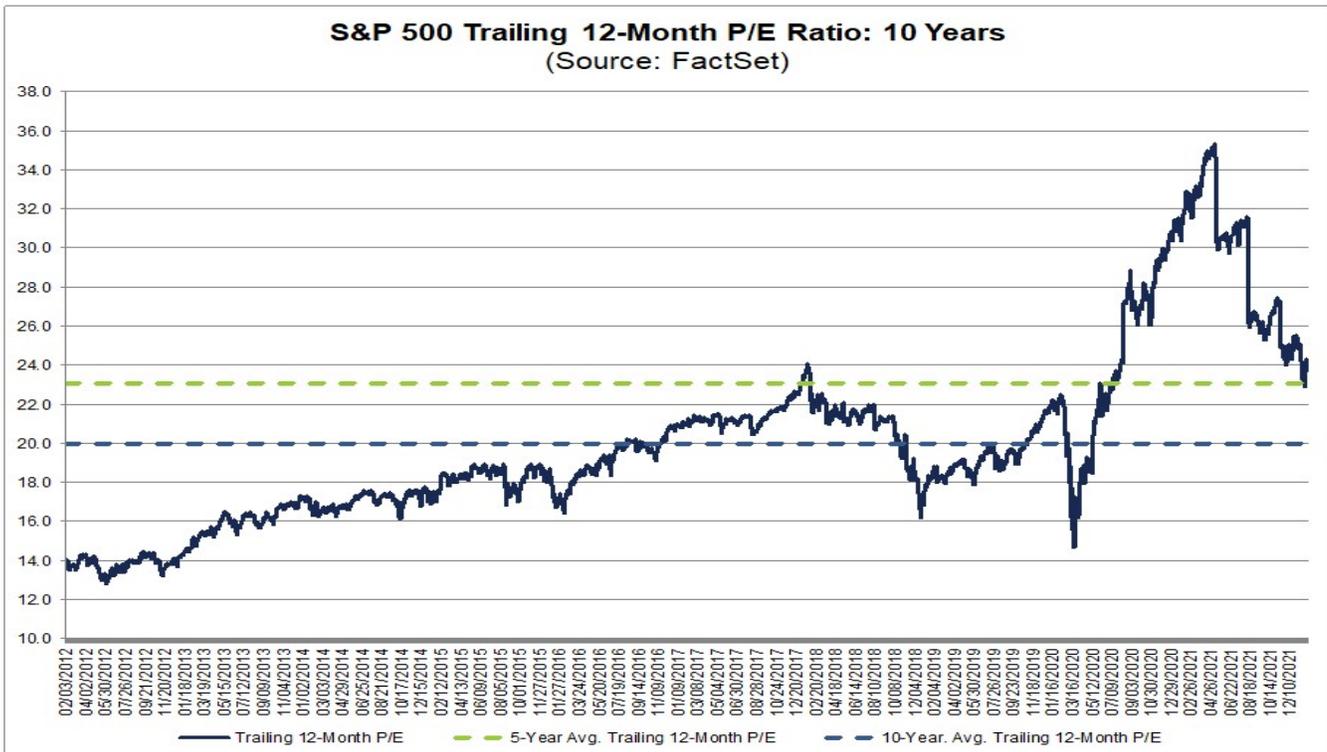
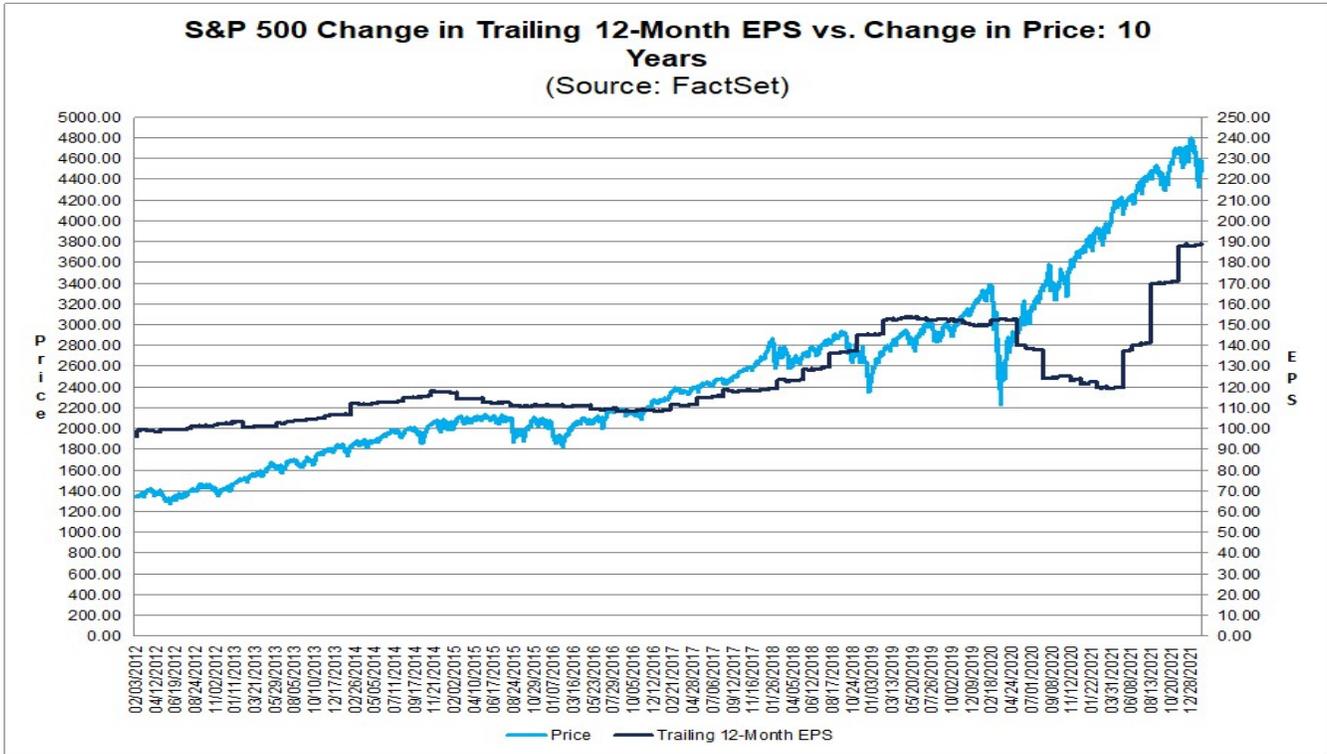
(Source: FactSet)



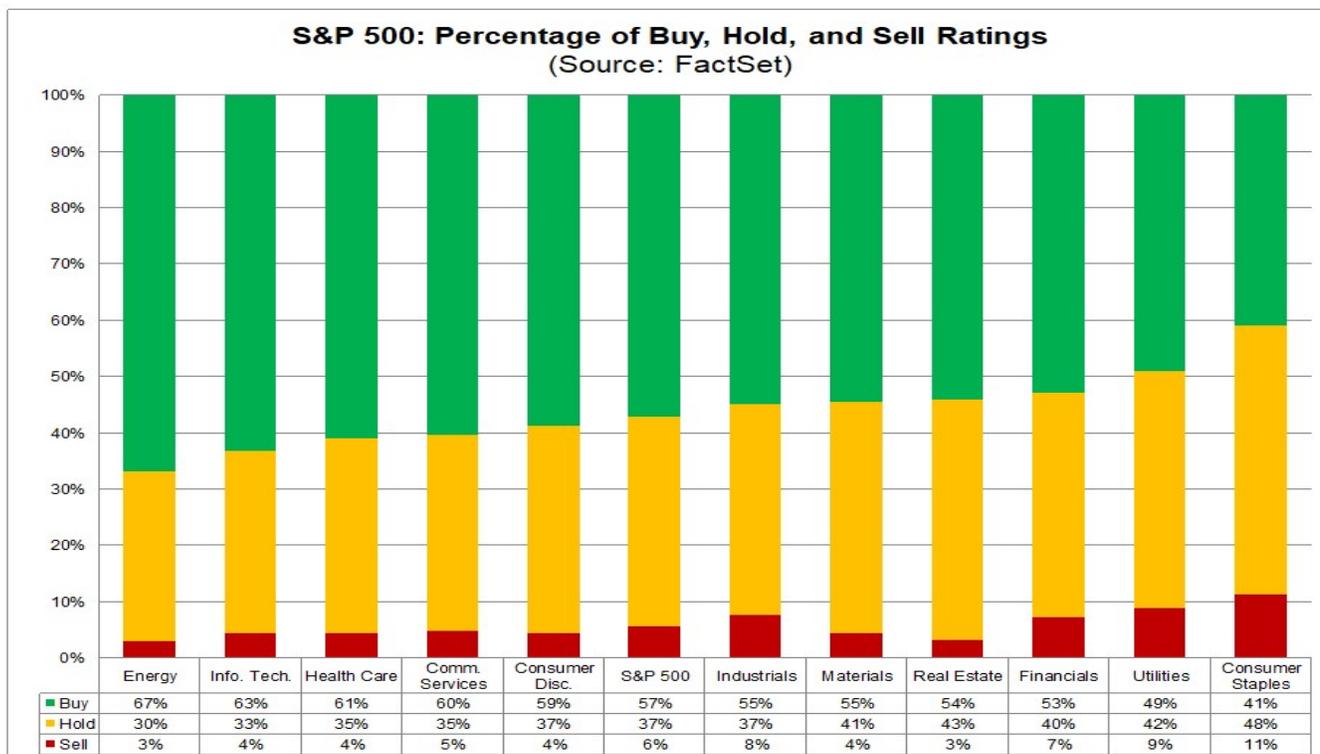
Forward 12M P/E Ratio: 10-Years



Trailing 12M P/E Ratio: 10-Years



Targets & Ratings



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