

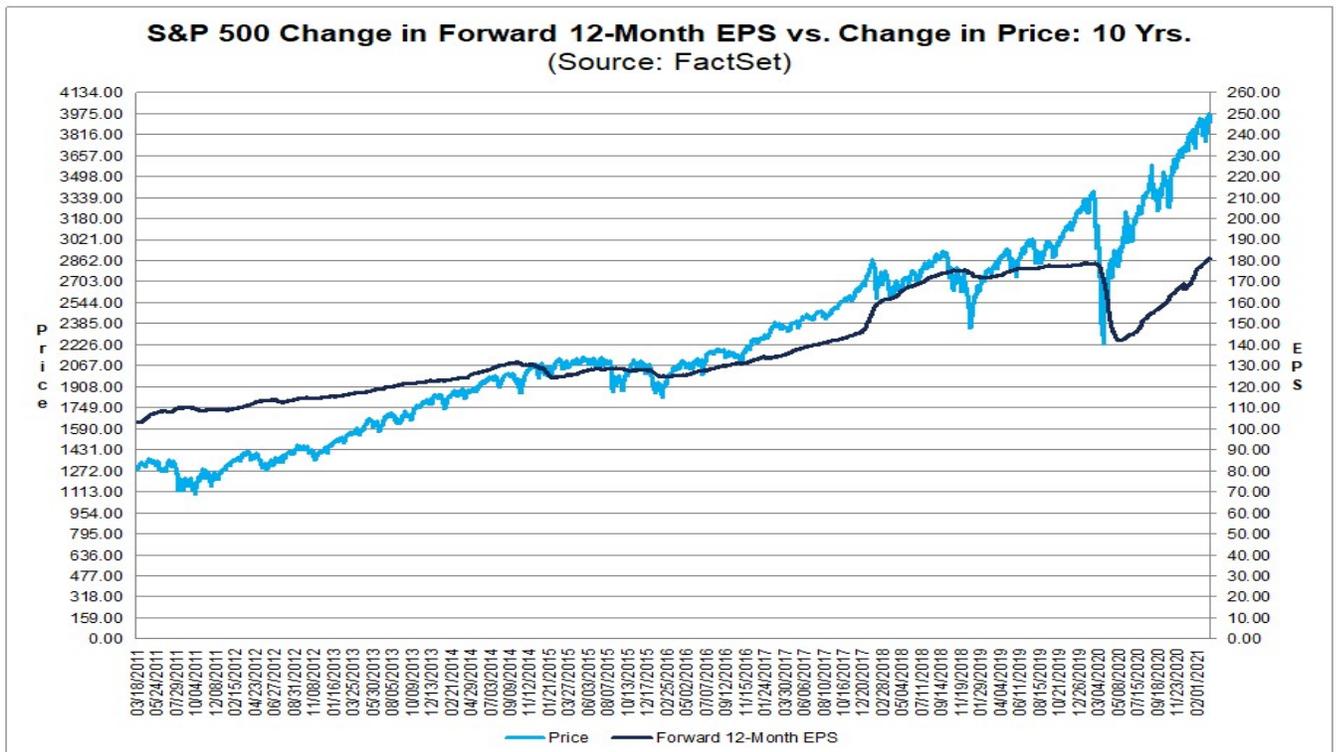
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## Key Metrics

- **Earnings Growth:** For Q1 2021, the estimated earnings growth rate for the S&P 500 is 22.6%. If 22.6% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth rate reported by the index since Q3 2018 (26.1%).
- **Earnings Revisions:** On December 31, the estimated earnings growth rate for Q1 2021 was 15.5%. Eight sectors have higher earnings growth rates or smaller earnings declines today (compared to December 31) due to upward revisions to EPS estimates.
- **Earnings Guidance:** For Q1 2021, 34 S&P 500 companies have issued negative EPS guidance and 61 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 21.7. This P/E ratio is above the 5-year average (17.8) and above the 10-year average (15.9).
- **Earnings Scorecard:** For Q1 2021 (with 8 of the companies in the S&P 500 reporting actual results), 7 S&P 500 companies have reported a positive EPS surprise and 7 S&P 500 companies have reported a positive revenue surprise



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## Topic of the Week:

### Where Are Analysts Most Optimistic on Ratings for S&P 500 Companies Heading Into Q2 2021?

With the end of the first quarter approaching, where are analysts most optimistic and pessimistic in terms of their ratings on stocks in the S&P 500 heading into the second quarter?

Overall, there are 10,374 ratings on stocks in the S&P 500. Of these 10,374 ratings, 54.9% are Buy ratings, 38.2% are Hold ratings, and 6.9% are Sell ratings. Over the past five years, the average (month-end) percentage of Buy ratings is 51.3%, the average (month-end) percentage of Hold ratings is 42.7%, and the average (month-end) percentage of Sell ratings is 5.9%.

At the sector level, analysts are most optimistic on the Health Care (61%), Information Technology (61%), and Energy (61%) sectors, as these three sectors have the highest percentages of Buy ratings. On the other hand, analysts are most pessimistic on the Consumer Staples (44%), Real Estate (47%) and Financials (49%) sectors, as these three sectors have the lowest percentages of Buy ratings. The Consumer Staples and Real Estate sectors are also tied for the highest percentage of Hold ratings (46%), while the Consumer Staples and Communication Services sectors are tied for the highest percentage of Sell ratings (10%).

At the company level, the ten companies (with a minimum of three ratings) in the S&P 500 with the highest percentages of Buy ratings and Sell ratings can be found on the next page.

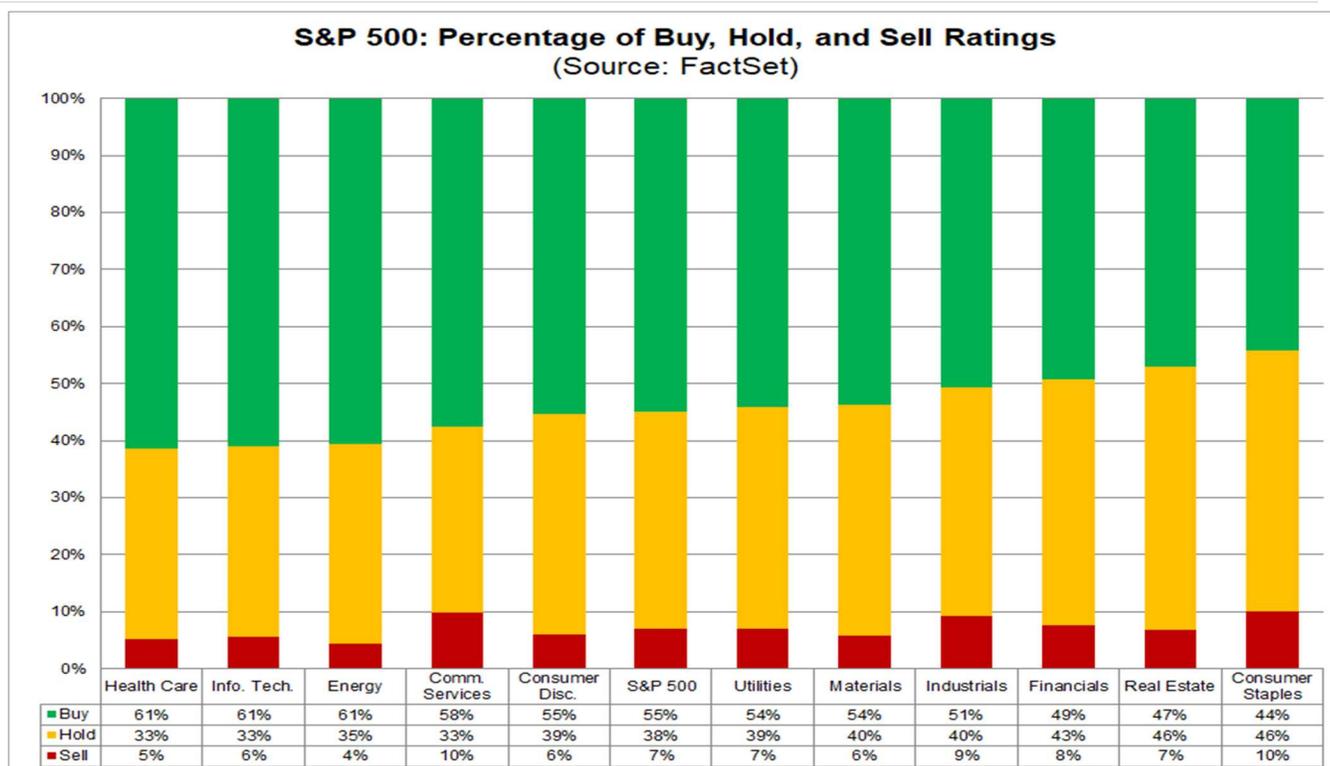
At this time last year, COVID-19 began to spread across the country, and many industries were forced to reduce capacity or close entirely due to social distancing policies implemented to help reduce the spread of the virus. As of today, many of these policies that constricted economic activity have been loosened or eased as vaccinations increase across the country. How have ratings for the S&P 500 at the sector level changed since March of 2020? How did the sectors with the highest and lowest percentages of Buy ratings at this time last year perform in terms of price return during this period?

It is interesting to note that there is little difference in the overall percentage of Buy ratings on stocks in the S&P 500 between now and the end of March 2020. On March 31 (2020), 54.1% of ratings on S&P 500 stocks were Buy ratings, compared to 54.9% today.

Five sectors have seen significant changes in their percentages of Buy ratings since March 2020. The Consumer Discretionary (to 55% from 50%), Utilities (to 54% from 50%), and Financials (to 49% from 46%) sectors have seen the largest increases in their percentages of Buy ratings during this time, while the Energy sector (to 61% from 66%) and Communication Services (to 58% from 62%) sectors have seen the largest decreases in their percentages of Buy ratings during this time.

However, there has been little change at the sector level in terms of ranking by Buy ratings since March 2020. The same four sectors (Health Care, Information Technology, Energy, and Communication Services) that had the highest percentages of Buy ratings at the end of March 2020 also have the highest percentages of Buy ratings today. The same three sectors (Consumer Staples, Financials, and Real Estate) that had the lowest percentages of Buy ratings on March 31, 2020 also have the lowest percentages of Buy ratings today.

How accurate were the sector-level Buy ratings on March 31, 2020 in terms of predicting price performance almost one year later? Overall, the price of the S&P 500 has increased by 51% since March 31, 2020 (to 3915.46 from 2584.59). The four sectors that have seen the largest price increases during the period are the Materials (+73%), Consumer Discretionary (+66%), Financials (+66%), and Energy (+66%) sectors. Of these four sectors, the Energy sector is the only sector that was also ranked in the top four in terms of highest percentage of Buy ratings on March 31, 2020. On the other hand, the three sectors that have seen the smallest price increases during this period are the Utilities (+11%), Consumer Staples (+21%), and Real Estate (+26%). These three sectors also had the lowest percentages of Buy ratings back on March 31, 2020. Thus, at the sector level, analysts were more accurate with their ratings on March 31, 2020 in predicting the bottom performers rather than the top performers in terms of price return almost one year later.



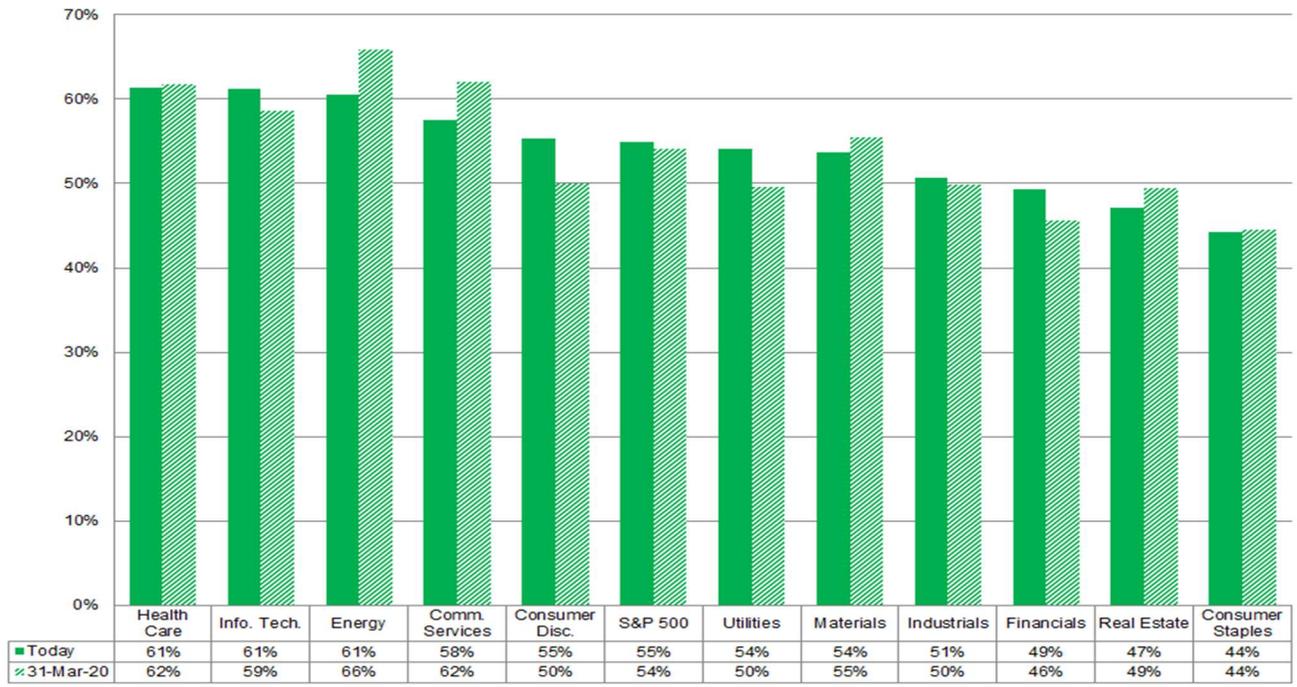
Highest % of Buy Ratings in S&P 500: Top 10 (Source: FactSet)

Company	Buy	Hold	Sell
Teledyne Technologies Incorporated	100%	0%	0%
Assurant, Inc.	100%	0%	0%
Amazon.com, Inc.	96%	4%	0%
Microsoft Corporation	94%	6%	0%
Alphabet Inc. Class A	93%	7%	0%
Alphabet Inc. Class C	93%	7%	0%
Cigna Corporation	92%	8%	0%
Alexandria Real Estate Equities, Inc.	92%	8%	0%
Teleflex Incorporated	92%	0%	8%
Howmet Aerospace Inc.	91%	9%	0%

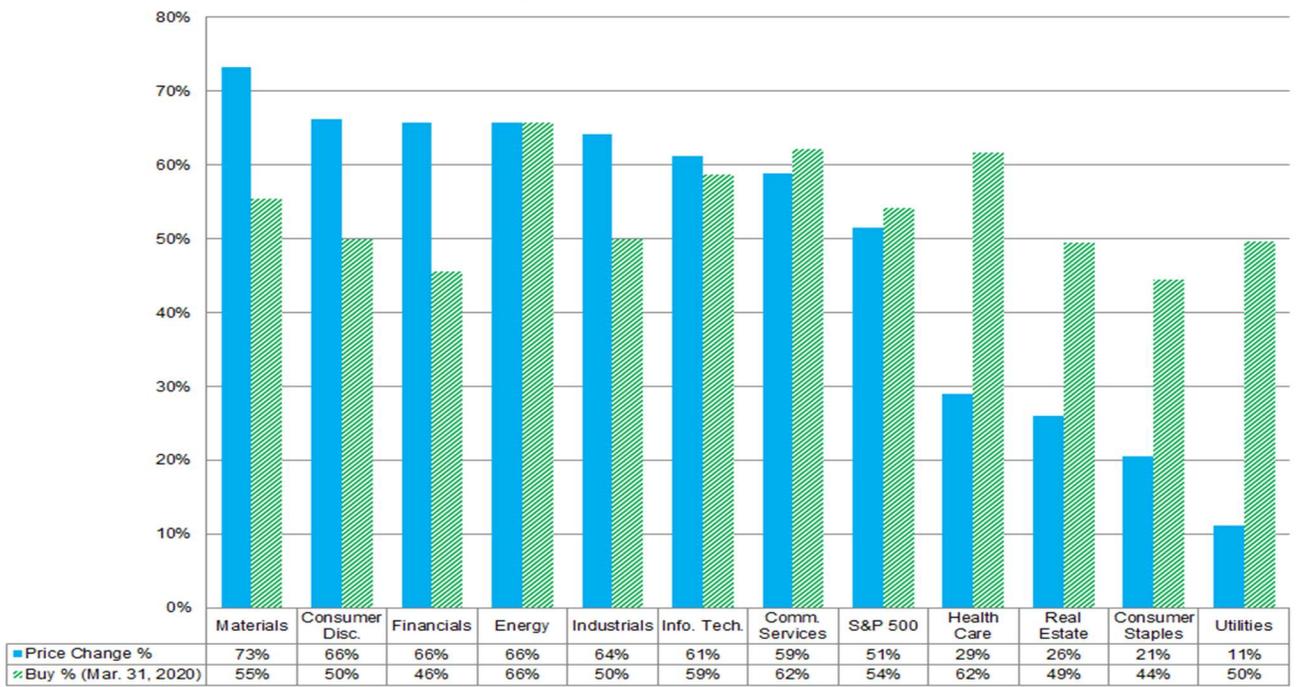
Highest % of Sell Ratings in S&P 500: Top 10 (Source: FactSet)

Company	Buy	Hold	Sell
Xerox Holdings Corporation	0%	38%	63%
Lumen Technologies, Inc.	20%	27%	53%
American Airlines Group, Inc.	10%	38%	52%
Consolidated Edison, Inc.	6%	47%	47%
ViacomCBS Inc. Class B	14%	45%	41%
Franklin Resources, Inc.	7%	53%	40%
Expeditors International of Washington	7%	53%	40%
Northern Trust Corporation	33%	28%	39%
Robert Half International Inc.	38%	23%	38%
Brown-Forman Corporation Class B	6%	59%	35%

**S&P 500 Buy Ratings %: Today vs. Mar. 31, 2020**  
(Source: FactSet)



**S&P 500 Price Change % (since Mar. 31, 2020) vs. Buy Ratings %**  
(Source: FactSet)



## Q1 Earnings Season: By The Numbers

### Overview

Analysts and companies have been much more optimistic than normal in their estimate revisions and earnings outlooks for the first quarter to date. As a result, expected earnings for the S&P 500 for the first quarter are higher today compared to the start of the quarter. The index is now expected to report the highest year-over-year growth in earnings since Q3 2018 for Q1. Analysts expect double-digit earnings growth for all four quarters of 2021.

In terms of estimate revisions for companies in the S&P 500, analysts have increased earnings estimates in aggregate for Q1 2021 to date. On a per-share basis, estimated earnings for the first quarter have increased by 5.8% since December 31. In a typical quarter, analysts usually reduce earnings estimates during the quarter. Over the past five years (20 quarters), earnings estimates have fallen by 4.2% on average during a quarter. Over the past ten years, (40 quarters), earnings estimates have also fallen by 4.2% on average during a quarter. Over the past fifteen years, (60 quarters), earnings estimates have fallen by 5.1% on average during a quarter.

More S&P 500 companies have issued positive EPS guidance for Q1 2021 than average as well. At this point in time, 95 companies in the index have issued EPS guidance for Q1 2021. Of these 95 companies, 34 have issued negative EPS guidance and 61 have issued positive EPS guidance. The percentage of companies issuing positive EPS guidance is 64% (61 out of 95), which is above the 5-year average of 33%. The overall number of companies issuing EPS guidance for the first quarter of 95 is below the 5-year average of 104.

Because of the net upward revisions to earnings estimates, the estimated (year-over-year) earnings growth rate for Q1 2021 is higher now relative to the start of the first quarter. As of today, the S&P 500 is expected to report (year-over-year) earnings growth of 22.6%, compared to the estimated (year-over-year) earnings growth rate of 15.5% on December 31.

If 22.6% is the actual growth rate for the quarter, it will mark the largest year-over-year growth in earnings reported by the index since Q3 2018 (26.1%). Eight sectors are projected to report year-over-year earnings growth, led by the Consumer Discretionary, Financials, and Materials sectors. Three sectors are projected to report a year-over-year decline in earnings, led by the Industrials and Energy sectors.

Because of the net upward revisions to revenue estimates, the estimated (year-over-year) revenue growth rate for Q1 2021 is higher now relative to the start of the first quarter. As of today, the S&P 500 is expected to report (year-over-year) revenue growth of 6.2%, compared to the estimated (year-over-year) revenue growth rate of 3.8% on December 31.

If 6.2% is the actual growth rate for the quarter, it will mark the highest year-over-year revenue growth reported by the index since Q4 2018 (6.9%). Eight sectors are projected to report year-over-year growth in revenues, led by the Information Technology, Consumer Discretionary, and Communication Services sectors. Three sectors are projected to report a year-over-year decline in revenues, led by the Energy and Industrials sectors.

Looking at future quarters, analysts also project double-digit earnings growth for the remaining three quarters of 2021, with earnings growth peaking in Q2 2021 at 51.2%.

The forward 12-month P/E ratio is 21.7, which is above the 5-year average and above the 10-year average.

During the upcoming week, four S&P 500 companies are scheduled to report results for the first quarter.

### Earnings Revisions: Energy Sector Sees Largest Estimate Increases

#### Small Increase in Estimated Earnings Growth Rate for Q1 This Week

During the past week, the estimated earnings growth rate for the S&P 500 for Q1 2021 increased slightly to 22.6% from 22.2%.

Since the start of the quarter, the estimated earnings growth rate for the S&P 500 for Q1 2021 has increased to 22.6% today from 15.5% on December 31. Eight sectors have recorded a decrease in their expected earnings declines or an increase in their expected earnings growth due to upward revisions to earnings estimates, led by the Energy, Financials, Materials, and Information Technology sectors. On the other hand, four sectors have recorded an increase in their expected earnings declines or a decrease in expected earnings growth due to downward revisions to earnings estimates, led by the Industrials sector.

### Energy: Exxon Mobil and Chevron Lead Earnings Increase Since December 31

The Energy sector has recorded the largest decrease in its expected earnings decline of all eleven sectors since the start of the quarter (to -12.6% from -61.0%). This sector has also witnessed the largest increase in price (+29.3%) of all eleven sectors since December 31. Rising oil prices are contributing to the increase in earnings estimates for companies in this sector, as the price of oil today (\$60.00) is 24% above the price for oil on December 31 (\$48.52). Overall, 19 of the 23 companies (83%) in the Energy sector have seen an increase in their mean EPS estimate during this time. Of these 19 companies, 15 have recorded an increase in their mean EPS estimate of more than 10%, led by APA Corporation (to \$0.22 from \$0.01), ConocoPhillips (to \$0.43 from \$0.11), EOG Resources (to \$1.25 from \$0.45), and Devon Energy (to \$0.30 from \$0.13). However, Exxon Mobil (to \$0.52 from \$0.25) and Chevron (to \$0.90 from \$0.52) have been the largest contributors to the increase in expected earnings for this sector since December 31.

### Financials: JPMorgan Chase and Citigroup Lead Earnings Increase Since December 31

The Financials sector has recorded the second-largest increase in its expected earnings growth rate of all eleven sectors since the start of the quarter (to 67.2% from 49.8%). This sector has also witnessed the second-largest increase in price (+16.9%) of all eleven sectors since December 31. Rising interest rates are likely contributing to the increase in earnings estimates for companies in this sector, as the yield on the 10-year Treasury note has increased to 1.72% today from 0.92% on December 31. Overall, 48 of the 65 companies (74%) in the Financials sector have seen an increase in their mean EPS estimate during this time. Of these 48 companies, 29 have recorded an increase in their mean EPS estimate of more than 10%, led by Charles Schwab (to \$0.73 from \$0.47), Capital One Financial (to \$3.62 from \$2.55), Citizens Financial Group (to \$0.92 from \$0.70), Synchrony Financial (to \$1.22 from \$0.93), and Discover Financial Services (to \$2.55 from \$1.93), and. However, JPMorgan Chase (to \$2.82 from \$2.36) and Citigroup (to \$2.03 from \$1.66) have been the largest contributors to the increase in expected earnings for this sector since December 31.

### Materials: 64% of Companies Have Seen Increase In Earnings Since December 31

The Materials sector has recorded the third-largest increase in its expected earnings growth rate of all eleven sectors since the start of the quarter (to 47.1% from 30.2%). This sector has also witnessed the fourth-largest increase in price (+7.7%) of all eleven sectors since December 31. Overall, 18 of the 28 companies (64%) in the Materials sector have seen an increase in their mean EPS estimate during this time. Of these 18 companies, 10 have recorded an increase in their mean EPS estimate of more than 10%, led by Nucor (to \$3.05 from \$1.24), CF Industries Holdings (to \$0.55 vs. \$0.23), Mosaic Company (to \$0.48 from \$0.26), and Dow (to \$1.04 from \$0.64).

### Information Technology: Apple and Microsoft Lead Earnings Increase since December 31

The Information Technology sector has recorded the fourth-largest increase in its expected earnings growth rate of all eleven sectors since the start of the quarter (to 21.6% from 11.7%). Despite the increase in earnings, this sector has witnessed a decrease in price of 0.5% since December 31. Overall, 55 of the 75 companies (73%) in the Information Technology sector have seen an increase in their mean EPS estimate during this time. Of these 55 companies, 24 have recorded an increase in their mean EPS estimate of more than 10%, led by HP (to \$0.88 from \$0.61), Micron Technology (to \$0.93 from \$0.66), Zebra Technologies (to \$4.39 vs. \$3.17), and Skyworks Solutions (to \$2.35 from \$1.71). However, Apple (to \$0.98 from \$0.88), Microsoft (to \$1.78 from \$1.58), and Intel (to \$1.11 from \$0.93) have been the largest contributors to the increase in expected earnings for this sector since December 31.

## Industrials: Airlines Industry Leads Earnings Decrease since December 31

The Industrials sector has recorded the largest increase in its expected earnings decline of all eleven sectors since the start of the quarter (to -15.7% from -3.8%). Despite the decrease in earnings, this sector has witnessed the third-largest increase in price (+9.4%) of all eleven sectors since December 31. Overall, 28 of the 74 companies (38%) in the Industrials sector have seen a decrease in their mean EPS estimate during this time. Of these 28 companies, 8 have recorded a decrease in their mean EPS estimate of more than 10%, led by Southwest Airlines (to -\$1.86 from -\$0.81), Boeing (to -\$0.90 from -\$0.43), and Alaska Air Group (to -\$3.72 vs. -\$2.07). However, American Airlines Group (to -\$3.93 from -\$2.72), Delta Air Lines (to -\$2.74 from -\$1.60), United Airlines Holdings (to -\$6.86 from -\$4.63), and Southwest Airlines have been the largest contributors to the decrease in expected earnings for this sector since December 31.

## Index-Level (Bottom-Up) EPS Estimate: 5.8% Increase Since December 31

The Q1 bottom-up EPS estimate (which is an aggregation of the median earnings estimates for all 500 companies in the index and can be used as a proxy for the earnings of the index) has increased by 5.8% (to \$39.79 from \$37.61) since December 31. In a typical quarter, analysts usually reduce earnings estimates. Over the past five years (20 quarters), earnings expectations have fallen by 4.2% on average during a quarter. Over the past ten years, (40 quarters), earnings expectations have also fallen by 4.2% on average during a quarter. Over the past fifteen years (60 quarters), earnings expectations have fallen by 5.1% on average during a quarter.

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

At this point in time, 95 companies in the index have issued EPS guidance for Q1 2021. Of these 95 companies, 34 have issued negative EPS guidance and 61 have issued positive EPS guidance. The percentage of companies issuing positive EPS guidance is 64% (61 out of 95), which is well above the 5-year average of 33%. The overall number of companies issuing EPS guidance for the first quarter of 95 is below the 5-year average of 104.

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

## Earnings Growth: 22.6%

The estimated (year-over-year) earnings growth rate for Q1 2021 is 22.6%, which is above the 5-year average earnings growth rate of 3.8%. If 22.6% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth reported by the index since Q3 2018 (26.1%). Eight sectors are projected to report year-over-year earnings growth, led by the Consumer Discretionary, Financials, and Materials sectors. Three sectors are projected to report a year-over-year decline in earnings, led by the Energy and Industrials sectors.

## Consumer Discretionary: 6 of 10 Industries Expected to Report to Year-Over-Year Growth Above 50%

The Consumer Discretionary sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 92.0%. At the industry level, nine of the ten industries in this sector are expected to report double-digit earnings growth: Automobiles (1,078%), Textiles, Apparel, & Luxury Goods (486%), Specialty Retail (233%), Household Durables (73%), Internet & Direct Marketing Retail (66%), Multiline Retail (56%), Auto Components (36%), Distributors (20%), and Leisure Products (18%). The Specialty Retail industry is also projected to be the largest contributor to growth for the sector. If this industry were excluded, the estimated earnings growth rate for the Consumer Discretionary sector would fall to 55.9% from 92.0%. On the other hand, the Hotels, Restaurants, & Leisure industry (-216%) is the only industry in this sector that is projected to report a year-over-year decline in earnings and is expected to be the largest detractor to earnings growth. If this industry were excluded, the estimated earnings growth rate for the Consumer Discretionary sector would rise to 136.9% from 92.0%.

### Financials: Banks Industry Expected To Be Largest Contributor to Year-Over-Year Growth

The Financials sector is expected to report the second-highest (year-over-year) earnings growth of all eleven sectors at 67.2%. At the industry level, all five industries in this sector are predicted to report year-over-year growth in earnings: Consumer Finance (N/A due to year-ago loss), Banks (131%), Capital Markets (32%), Insurance (7%), and Diversified Financial Services (2%). The Banks industry is also projected to be the largest contributor to growth for the sector. If this industry were excluded, the estimated earnings growth rate for the Financials sector would fall to 37.5% from 67.2%.

### Materials: Metals & Mining Industry Expected To Be Largest Contributor to Year-Over-Year Growth

The Materials sector is expected to report the third-highest (year-over-year) earnings growth of all eleven sectors at 47.1%. At the industry level, all four industries in this sector are predicted to report year-over-year growth: Metals & Mining (498%), Chemicals (22%), Containers & Packaging (18%), and Construction Materials (7%). The Metals & Mining industry is also predicted to be the largest contributor to year-over-year growth in earnings for the sector. If this industry were excluded, the estimated earnings growth rate for the Materials sector would fall to 21.3% from 47.1%.

### Industrials: Airlines Industry Expected to Be Largest Contributor To Year-Over-Year Decline

The Industrials sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -15.7%. At the industry level, four of the twelve industries in this sector are projected to report a decline in earnings, led by the Airlines (N/A due to year-ago loss) industry. On the other hand, eight industries are projected to report (year-over-year) earnings growth, led by the Air Freight & Logistics (80%), Construction & Engineering (53%), and Machinery (30%) industries. The Airlines industry is also projected to be 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 Industrials sector would improve to 9.7% from -15.7%.

### Energy: 3 of 5 Sub-Industries Expected to Report Year-Over-Year Decline of 15% or More

The Energy sector is expected to report the second-largest (year-over-year) decline in earnings of all eleven sectors at -12.6%. Despite the projected decline in earnings, the average price of oil in Q1 2021 (\$57.76) is 7% above the average price for oil in Q1 2020 (\$54.21). At the sub-industry level, three of the five sub-industries in the sector are predicted to report a decline in earnings of 15% or more: Oil & Gas Refining & Marketing (-238%), Oil & Gas Equipment & Services (-45%), and Integrated Oil & Gas (-15%). On the other hand, two sub-industries are projected to report earnings growth: Oil & Gas Exploration & Production (138%) and Oil & Gas Storage & Transportation (2%).

### Revenue Growth: 6.2%

The estimated (year-over-year) revenue growth rate for Q1 2021 is 6.2%, which is above the 5-year average revenue growth rate of 3.5%. If 6.2% is the actual growth rate for the quarter, it will mark the highest year-over-year revenue growth reported by the index since Q4 2018 (6.9%). Eight sectors are projected to report year-over-year growth in revenues, led by the Information Technology, Consumer Discretionary, and Communication Services sectors. Three sectors are projected to report a year-over-year decline in revenues, led by the Energy and Industrials sectors.

### Information Technology: 4 of 6 Industries Expected To Report Year-Over-Year Growth Above 10%

The Information Technology sector is expected to report the highest (year-over-year) revenue growth of all eleven sectors at 15.1%. At the industry level, all six industries in this sector are projected to report year-over-year growth in revenues. Four of these six industries are predicted to report growth above 10%: Technology Hardware, Storage, & Peripherals (24%), Semiconductors & Semiconductor Equipment (19%), Software (17%), and Electronic Equipment, Instruments, & Components (14%).

### Consumer Discretionary: 6 of 10 Industries Expected to Report Year-Over-Year Growth At Or Above 10%

The Consumer Discretionary sector is expected to report the second-highest (year-over-year) revenue growth of all eleven sectors at 14.7%. At the industry level, eight of the ten industries in this sector are predicted to report growth in revenues. Six of these eight industries are projected to report double-digit growth: Internet & Direct Marketing Retail (33%), Auto Components (33%), Specialty Retail (25%), Household Durables (20%), Automobiles (10%), and Textiles, Apparel, & Luxury Goods (10%). On the other hand, two industries are projected to report a year-over-year decline in revenues, led by the Hotels, Restaurants, & Leisure (-31%) industry.

### Communication Services: Alphabet & T-Mobile Expected to Lead Year-Over-Year Growth

The Communication Services sector is expected to report the third-highest (year-over-year) revenue growth of all eleven sectors at 12.0%. At the industry level, four of the five industries in this sector are predicted to report year-over-year growth in revenues. Two of these four industries are projected to report double-digit growth: Wireless Communication Services (70%) and Interactive Media & Services (26%). On the other hand, the only industry that is projected to report a decline in revenue is the Entertainment (-5%) industry.

At the company level, Alphabet and T-Mobile are projected to be the largest contributors to revenue growth for the sector. If these two companies were excluded, the estimated revenue growth rate for the sector would drop to 3.6% from 12.0%.

### Energy: 2 of 5 Sub-Industries Expected to Report Year-Over-Year Decline of More Than 15%

The Energy sector is expected to report the largest (year-over-year) decline in revenue of all eleven sectors at -6.4%. Despite the projected decline in revenue, the average price of oil in Q1 2021 (\$57.76) is 7% above the average price for oil in Q1 2020 (\$54.21). At the sub-industry level, three of the five sub-industries in the sector are predicted to report a year-over-year decline in revenue: Oil & Gas Equipment & Services (-27%) and Oil & Gas Refining & Marketing (-18%), and Integrated Oil & Gas (-1%). On the other hand, two sub-industries are projected to report a year-over-year growth in revenues: Oil & Gas Exploration & Production (37%) and Oil & Gas Storage & Transportation (4%).

### Industrials: Airlines Industry Expected to Be Largest Contributor To Year-Over-Year Decline

The Industrials sector is expected to report the second-largest (year-over-year) decline in revenue of all eleven sectors at -3.2%. At the industry level, seven of the twelve industries in this sector are projected to report a decline in revenue, led by the Airlines (-53%) industry. On the other hand, five industries are projected to report (year-over-year) revenue growth, led by the Air Freight & Logistics (19%) industry. The Airlines industry is also projected to be the largest contributor to the year-over-year decline in revenue for the sector. If this industry were excluded, year-over-year revenues for the Industrials sector would improve to 2.2% from -3.2%.

### Net Profit Margin: 10.8%

The estimated net profit margin for the S&P 500 for Q1 2021 is 10.8%, which is above the 5-year average of 10.5% and above the year-ago net profit margin of 9.4%. However, it is below the net profit margin of the previous quarter of 11.0%.

At the sector level, five sectors are projected to report net profit margins that are above their 5-year averages, led by the Utilities (14.9% vs. 12.5%) sector. Seven sectors are projected to report a year-over-year increase in their net profit margins in Q1 2021 compared to Q1 2020, led by the Financials (16.7% vs. 10.2%) and Materials (10.8% vs. 8.0%) sectors.

## Looking Ahead: Forward Estimates and Valuation

### Earnings: S&P 500 Reporting Earnings Decline of -11% for CY 2020

For the fourth quarter, S&P 500 companies are reporting growth in earnings of 4.0% and growth in revenues of 3.2%. For all of 2020, S&P 500 companies are reporting a decline in earnings of -11.2% and a decline in revenue of -0.8%.

For Q1 2021, analysts are projecting earnings growth of 22.6% and revenue growth of 6.2%.

For Q2 2021, analysts are projecting earnings growth of 51.2% and revenue growth of 16.5%.

For Q3 2021, analysts are projecting earnings growth of 17.8% and revenue growth of 10.0%.

For Q4 2021, analysts are projecting earnings growth of 13.8% and revenue growth of 7.4%.

For CY 2021, analysts are projecting earnings growth of 24.9% and revenue growth of 9.5%.

### Valuation: Forward P/E Ratio is 21.7, Above the 10-Year Average (15.9)

The forward 12-month P/E ratio is 21.7. This P/E ratio is above the 5-year average of 17.8 and above the 10-year average of 15.9. However, it is below the forward 12-month P/E ratio of 22.5 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 4.2%, while the forward 12-month EPS estimate has increased by 8.3%.

At the sector level, the Consumer Discretionary (34.9) sector has the highest forward 12-month P/E ratio, while the Financials (15.4) and Health Care (15.9) sectors have the lowest forward 12-month P/E ratios.

### Targets & Ratings: Analysts Project 14% Increase in Price Over Next 12 Months

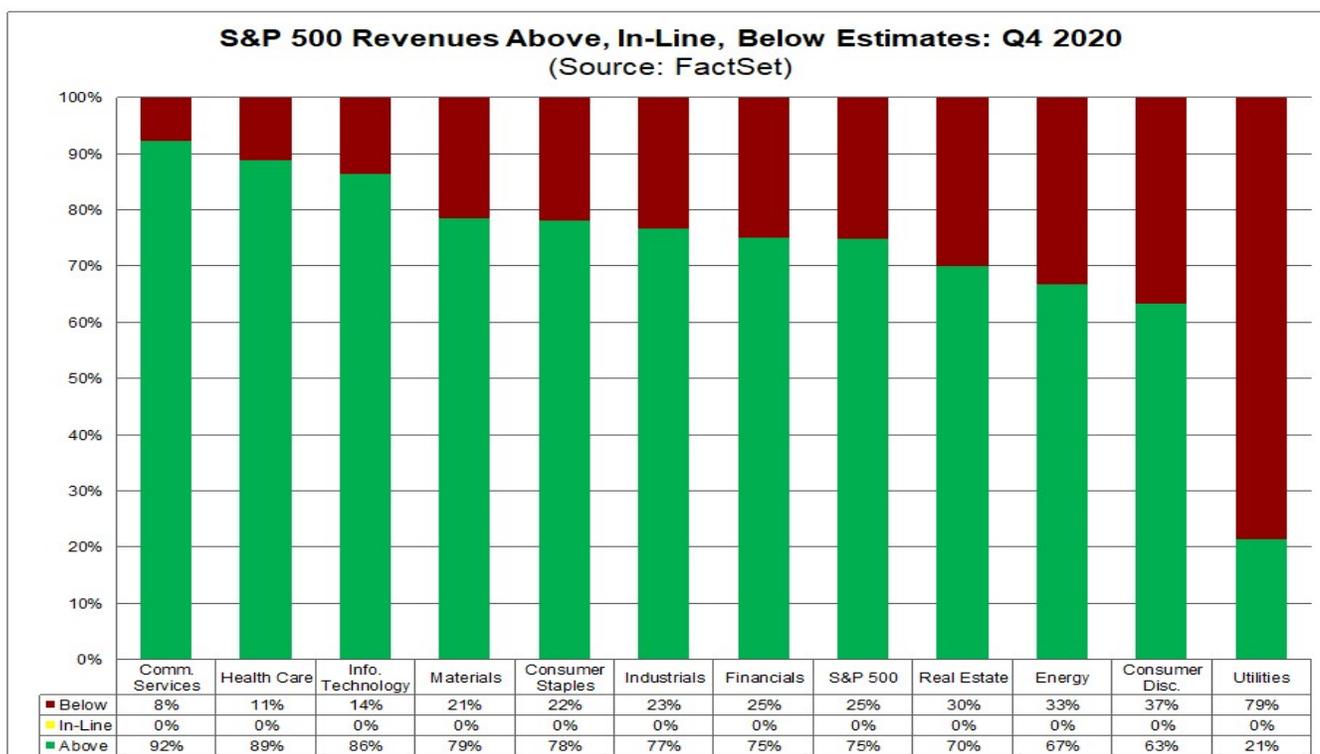
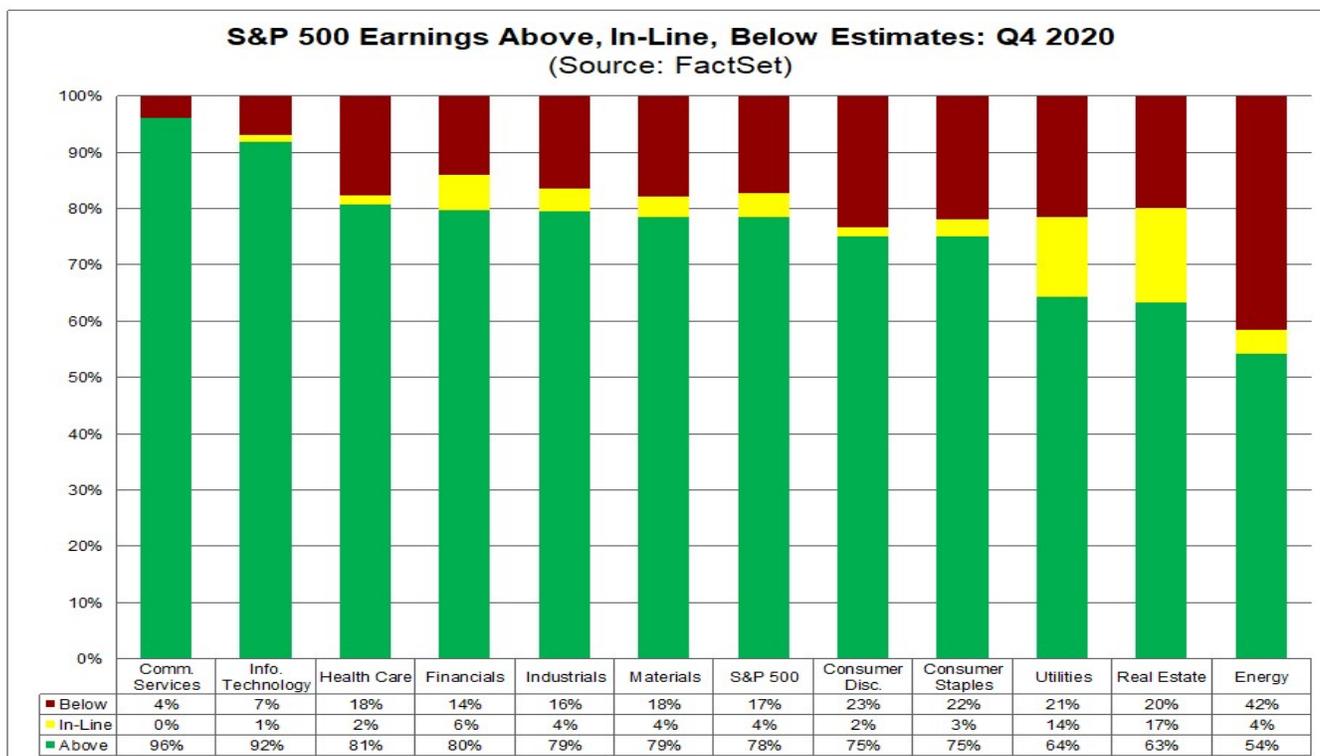
The bottom-up target price for the S&P 500 is 4453.22, which is 13.7% above the closing price of 3915.46. At the sector level, the Information Technology (+20.2%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Financials (+2.1%) and Industrials (+5.0%) 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 10,374 ratings on stocks in the S&P 500. Of these 10,374 ratings, 54.9% are Buy ratings, 38.2% are Hold ratings, and 6.9% are Sell ratings. At the sector level, the Health Care (61%), Information Technology (61%), and Energy (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (44%) sector has the lowest percentage of Buy ratings.

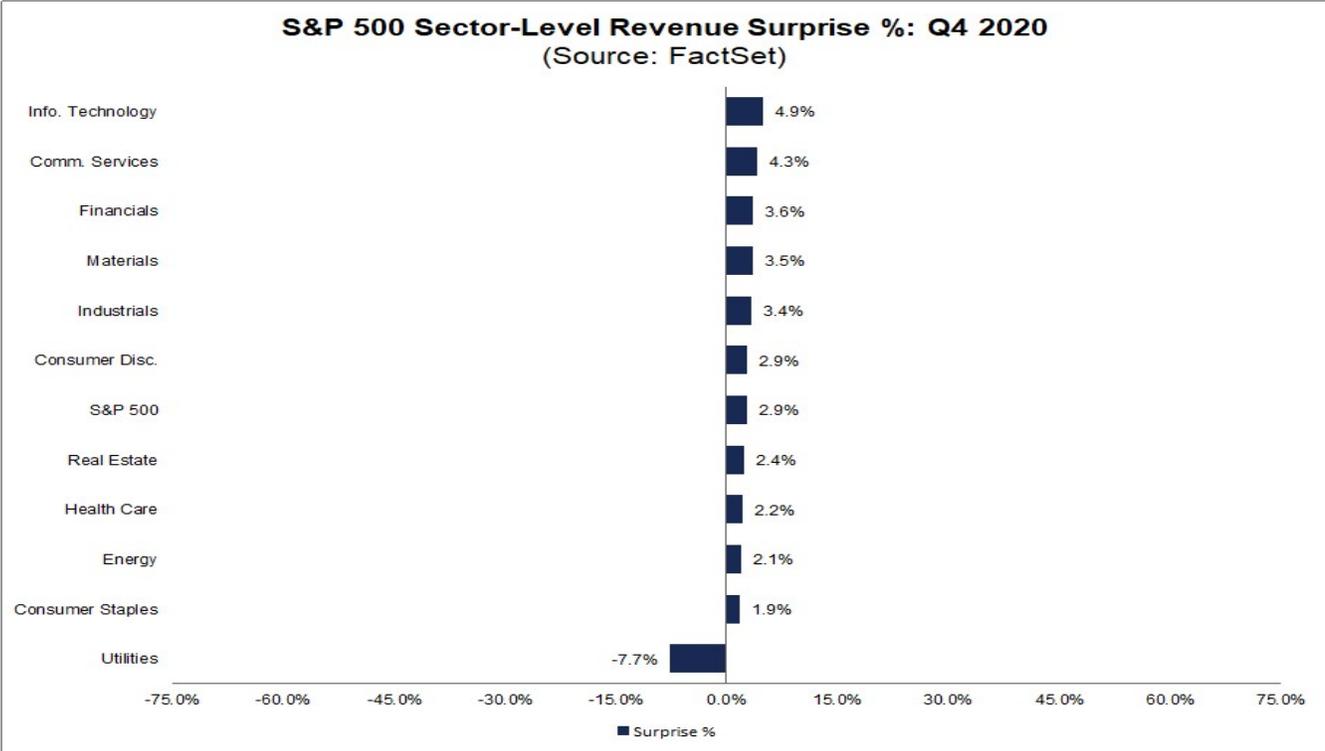
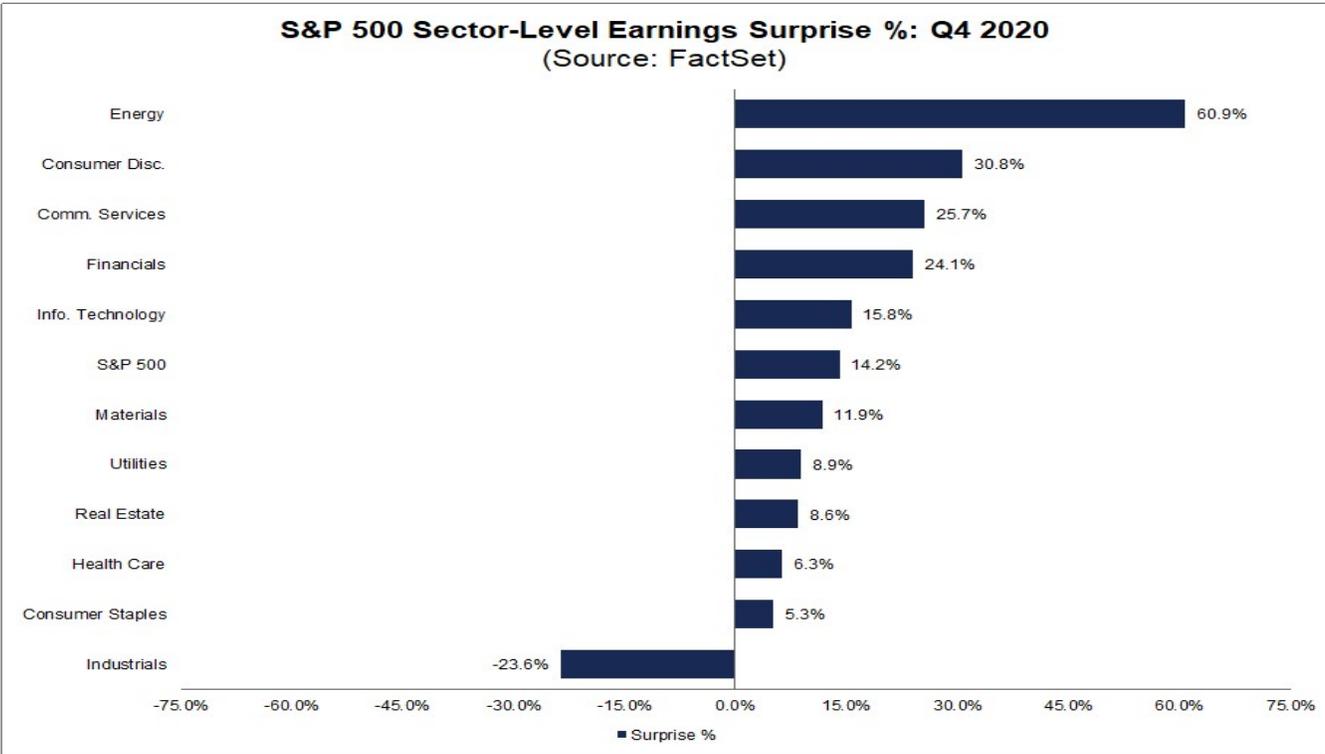
### Companies Reporting Next Week: 4

During the upcoming week, four S&P 500 companies are scheduled to report results for the first quarter.

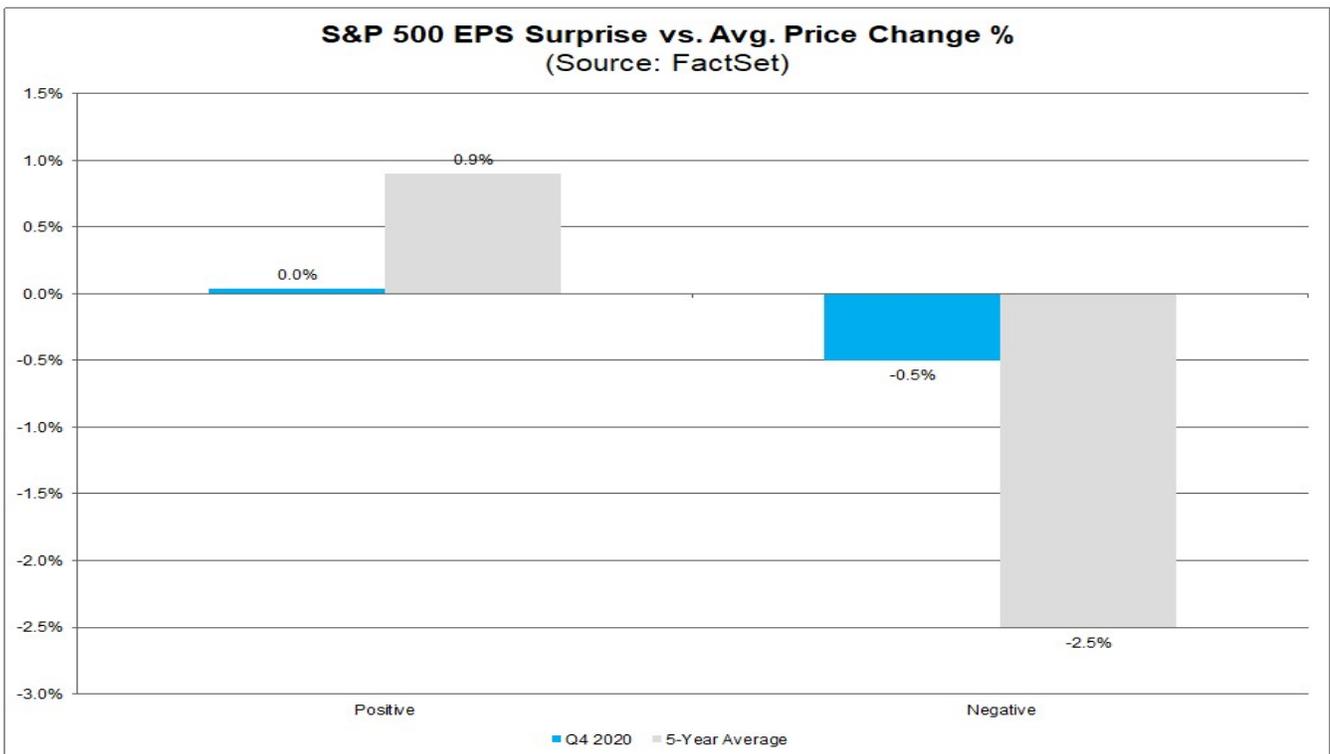
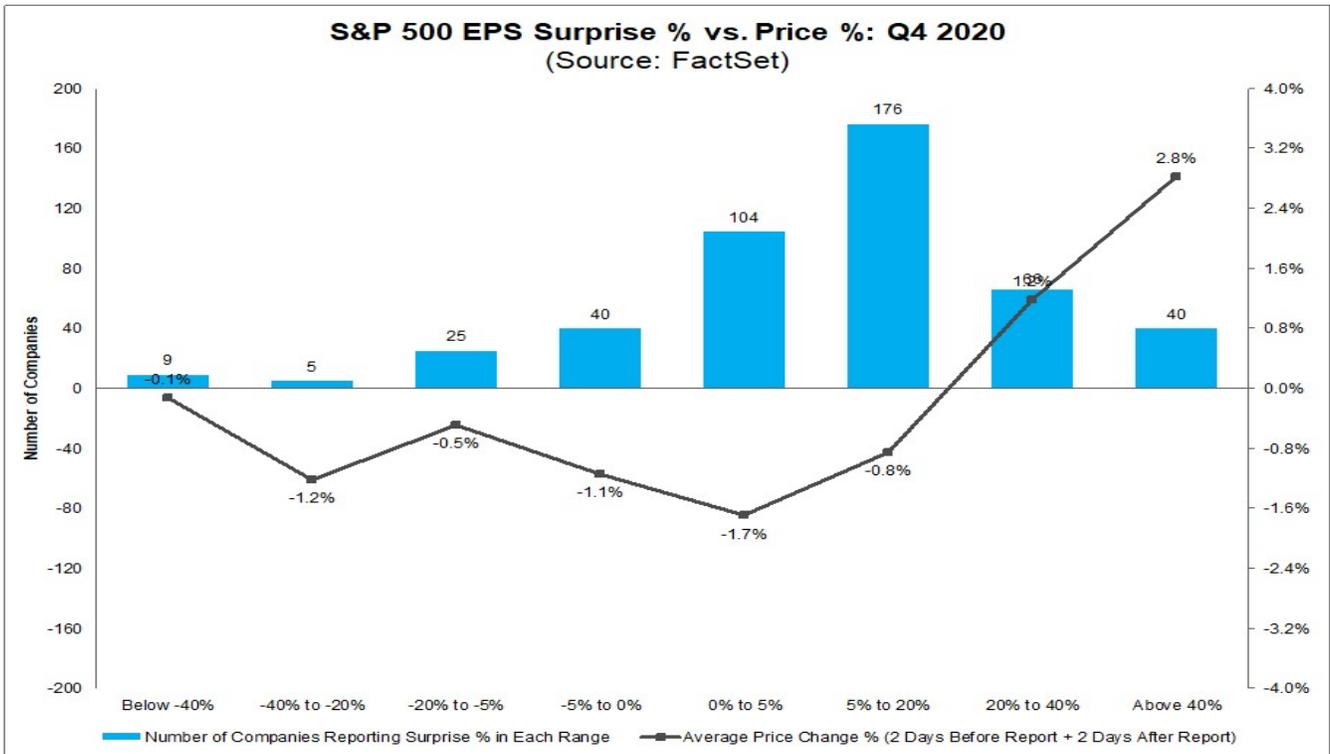
# Q4 2020: Scorecard



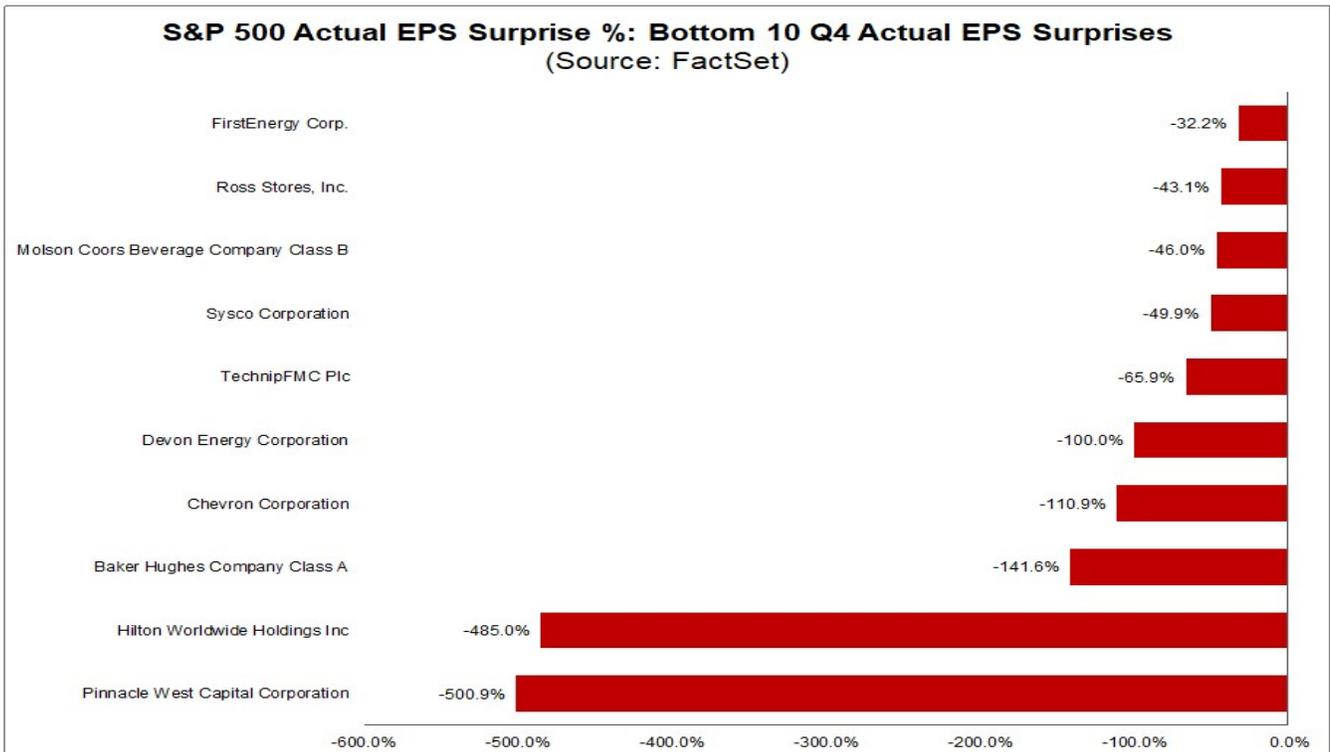
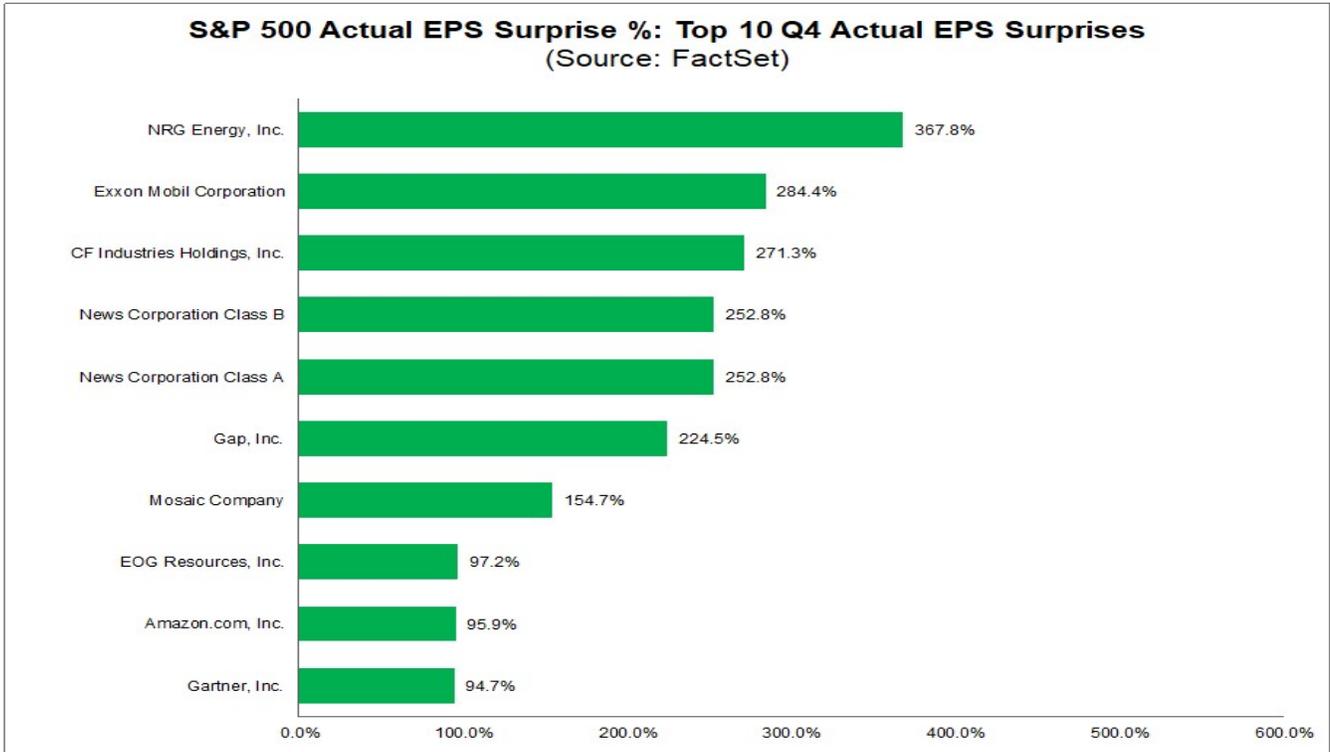
# Q4 2020: Scorecard



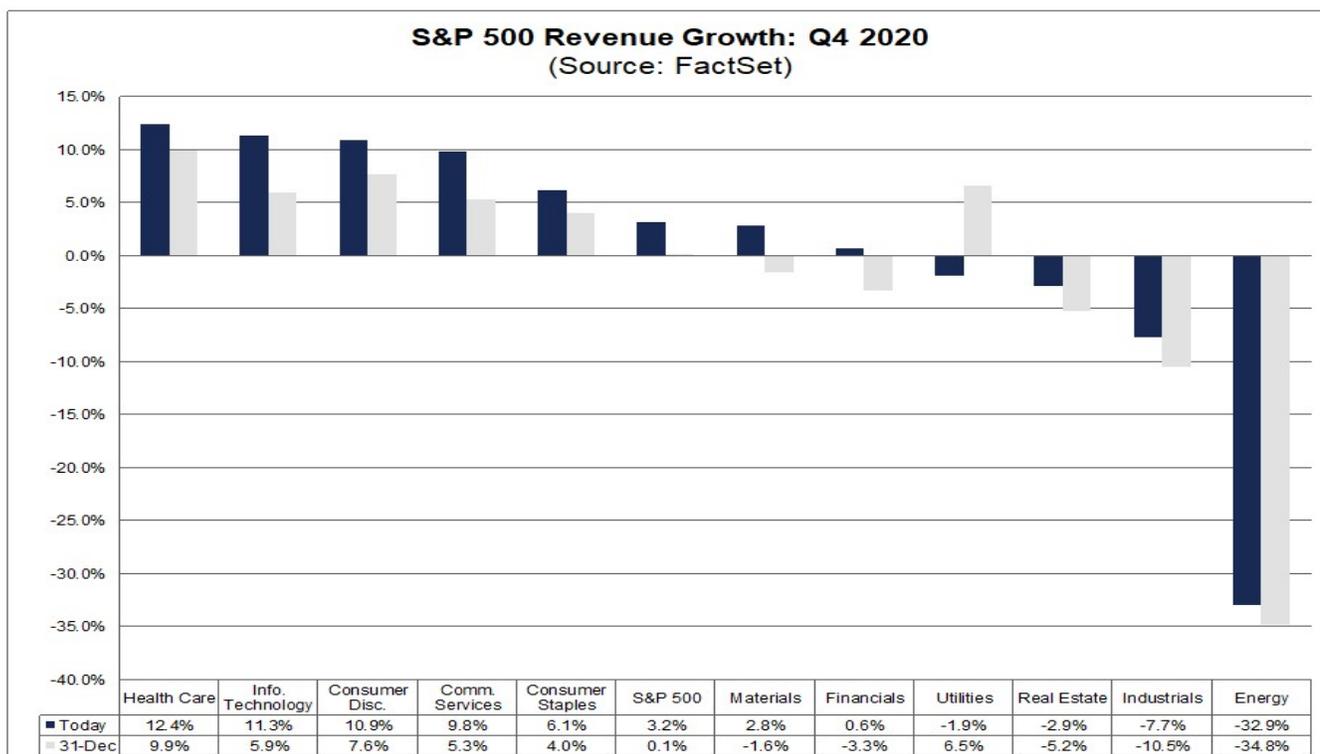
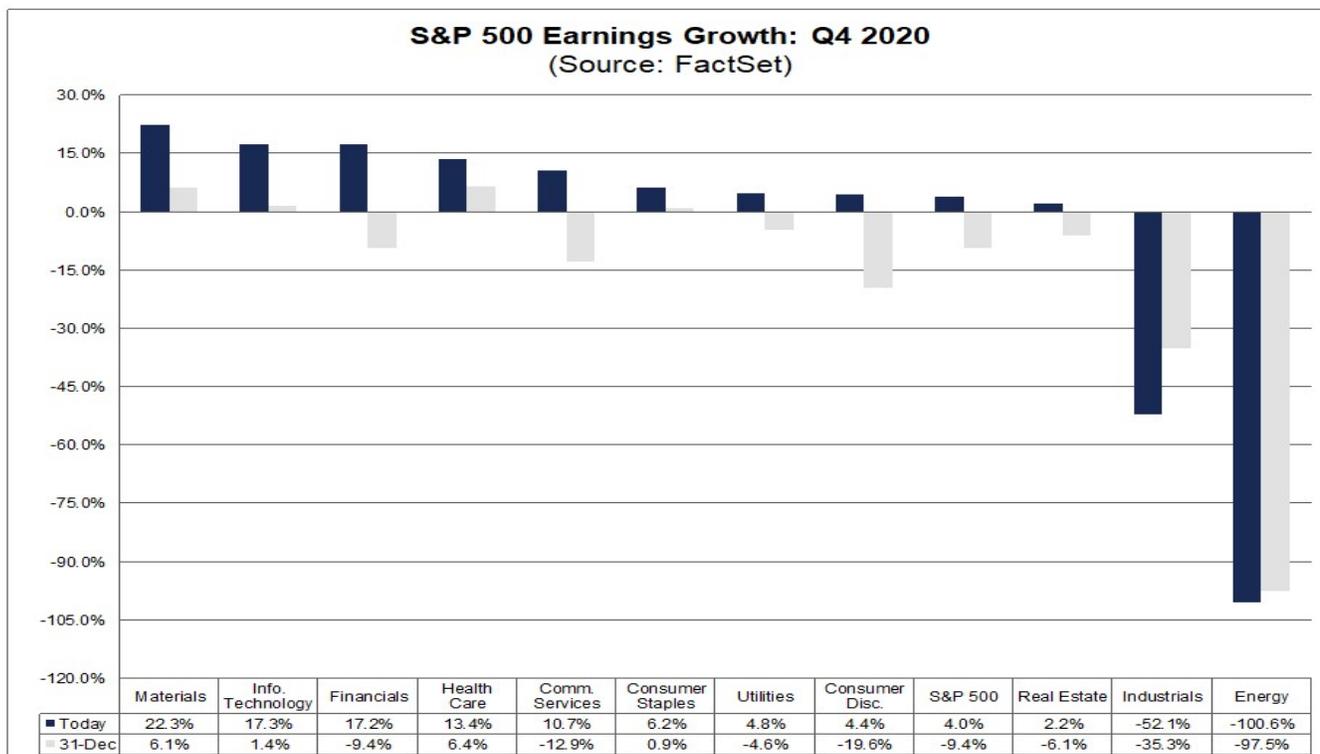
## Q4 2020: Scorecard



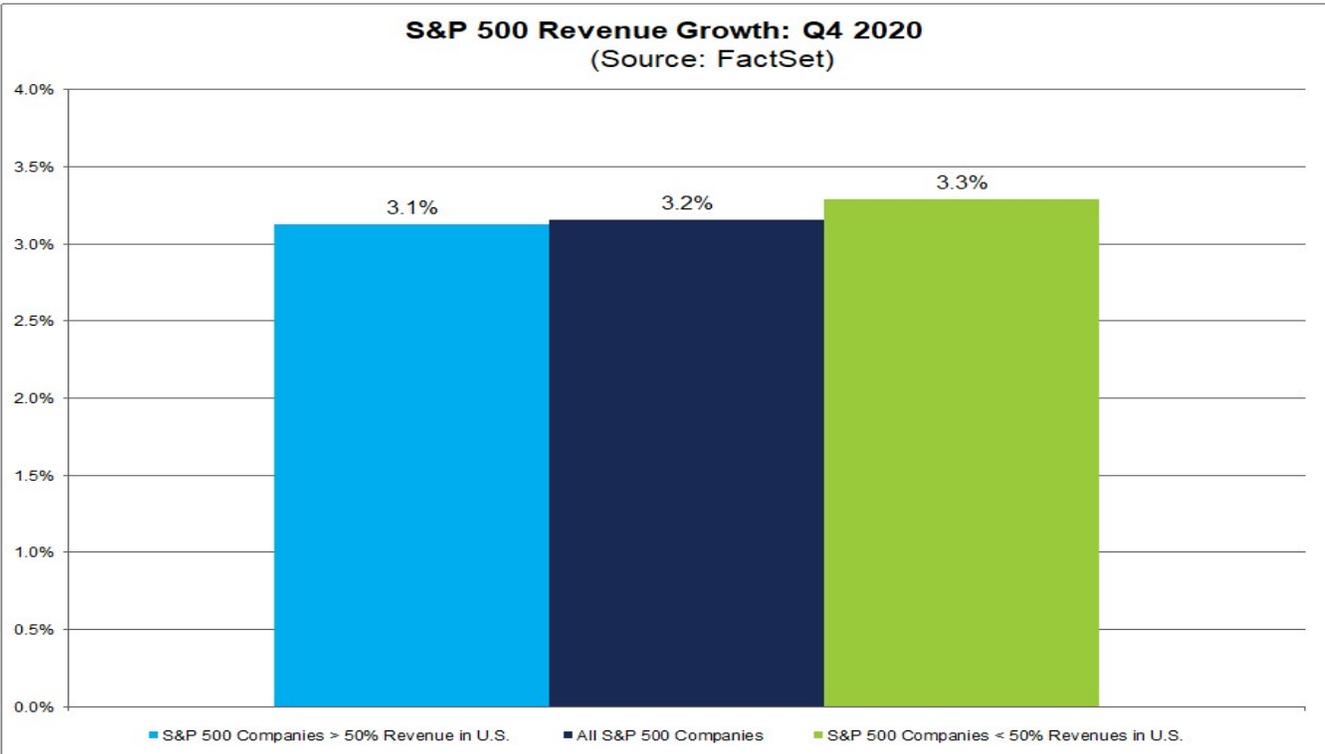
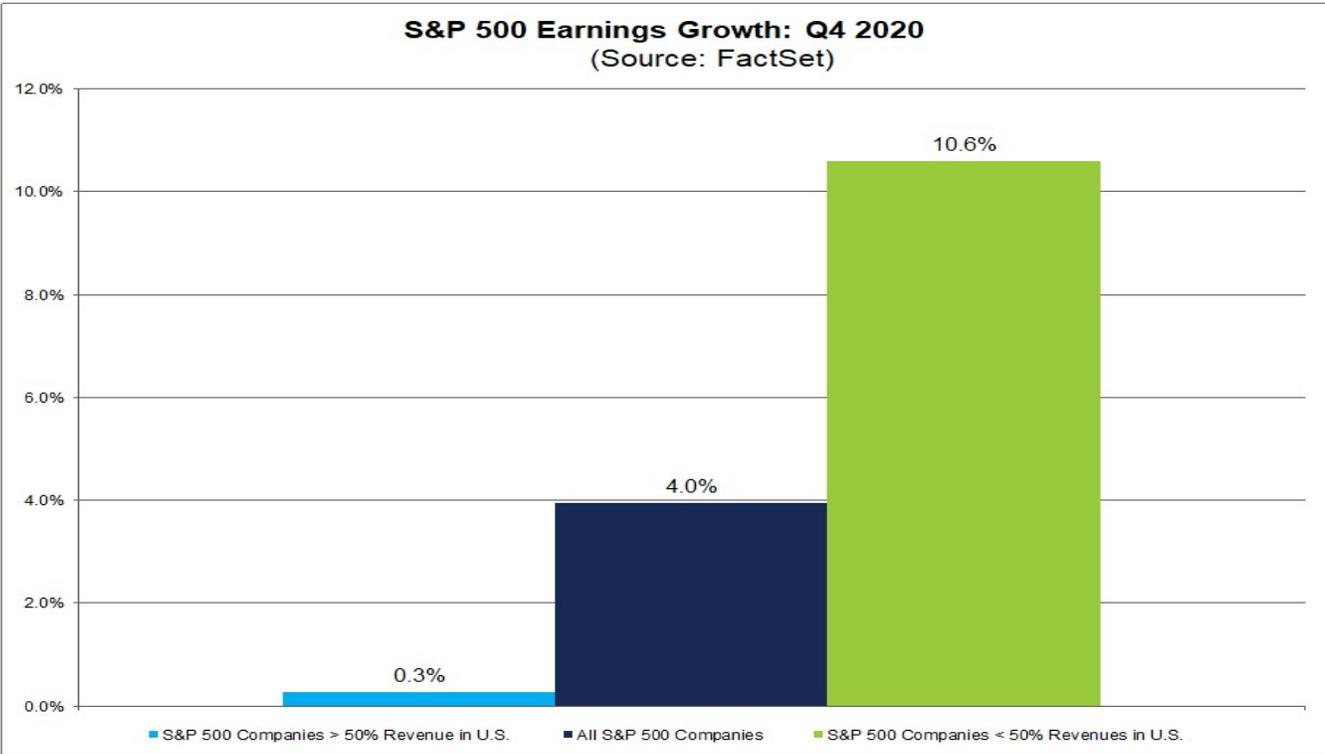
## Q4 2020: Scorecard



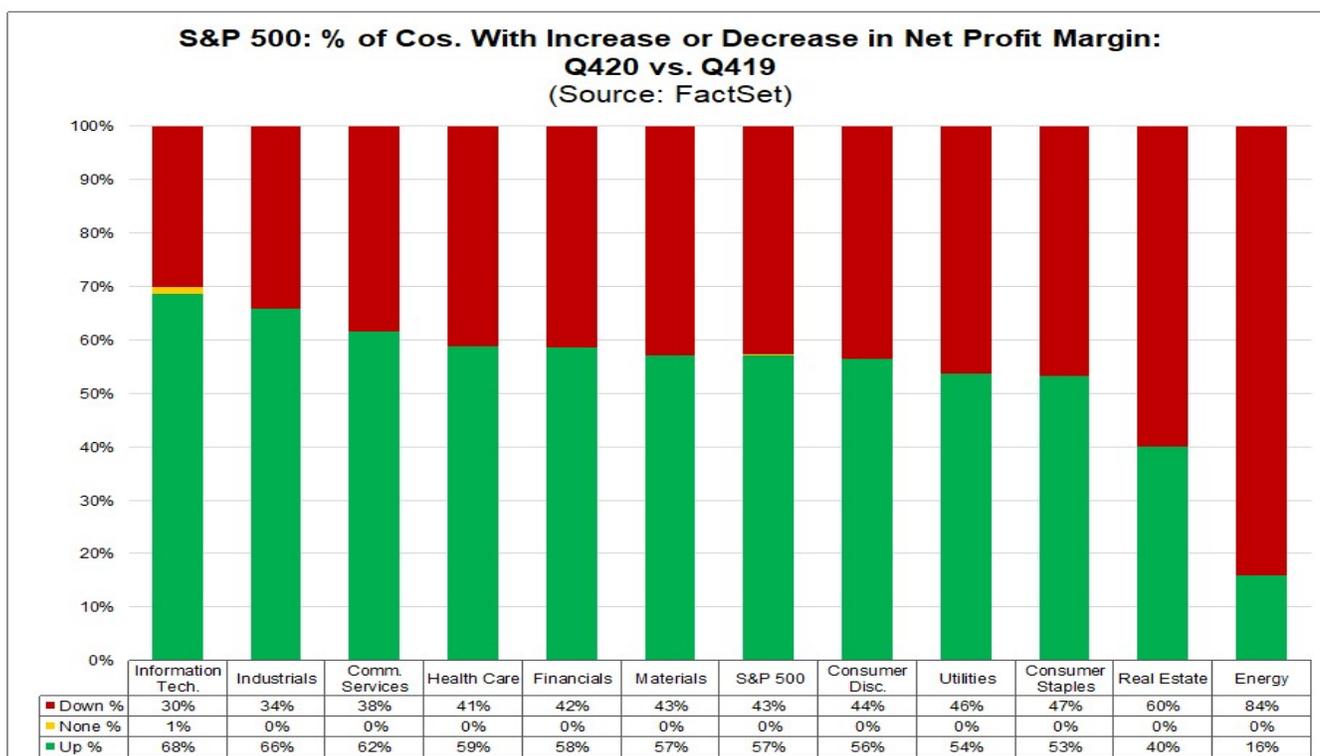
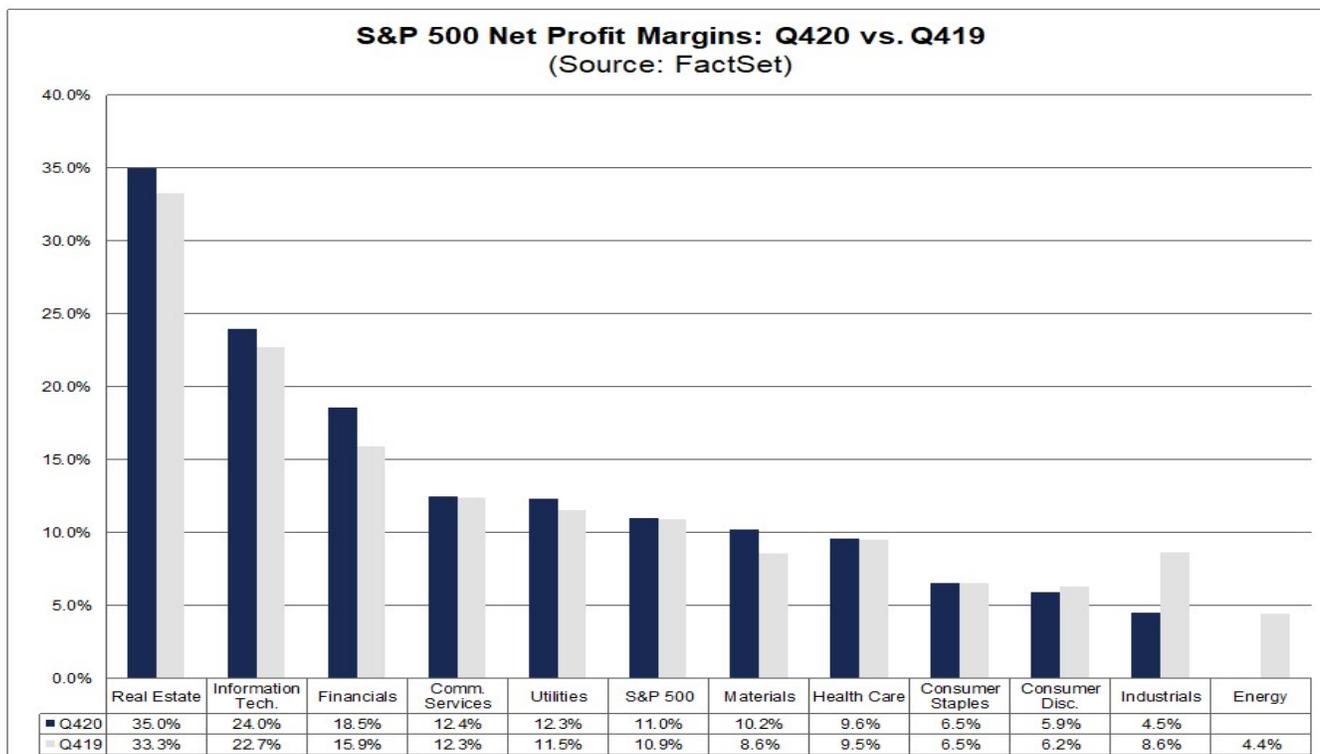
## Q4 2020: Growth



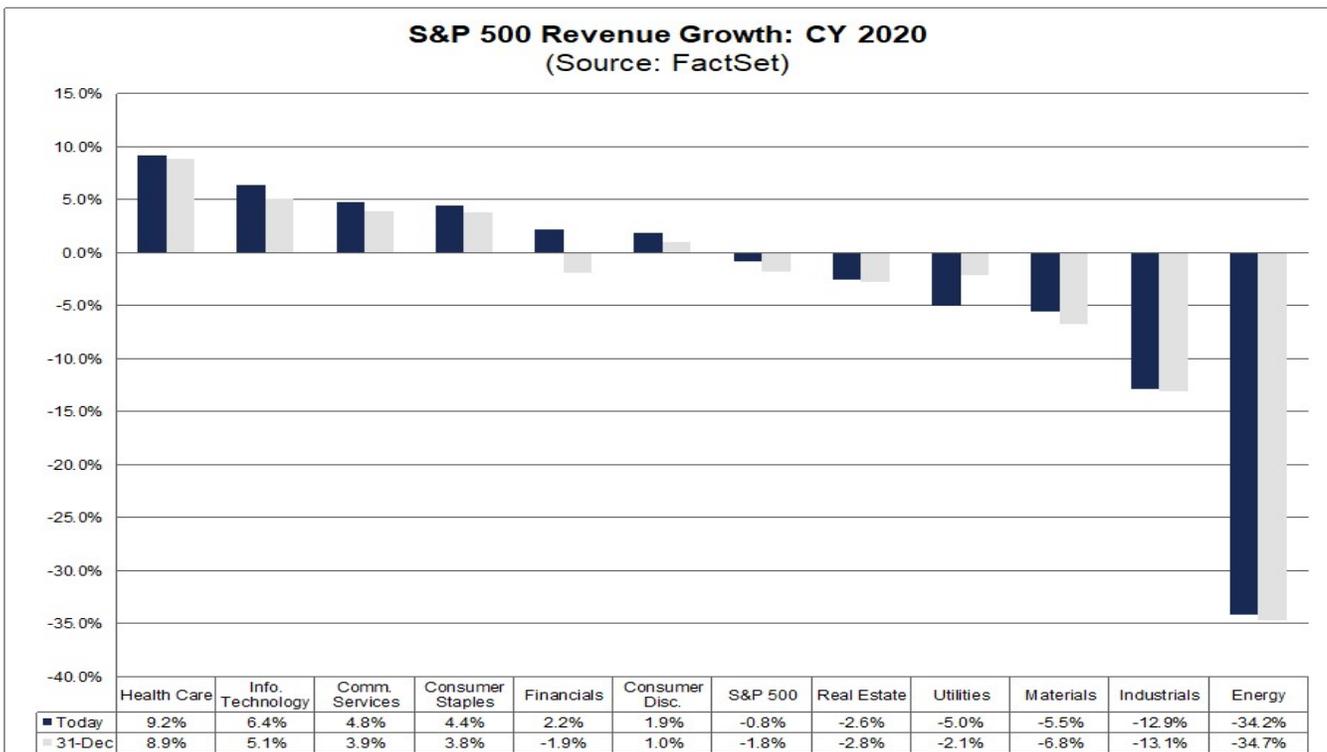
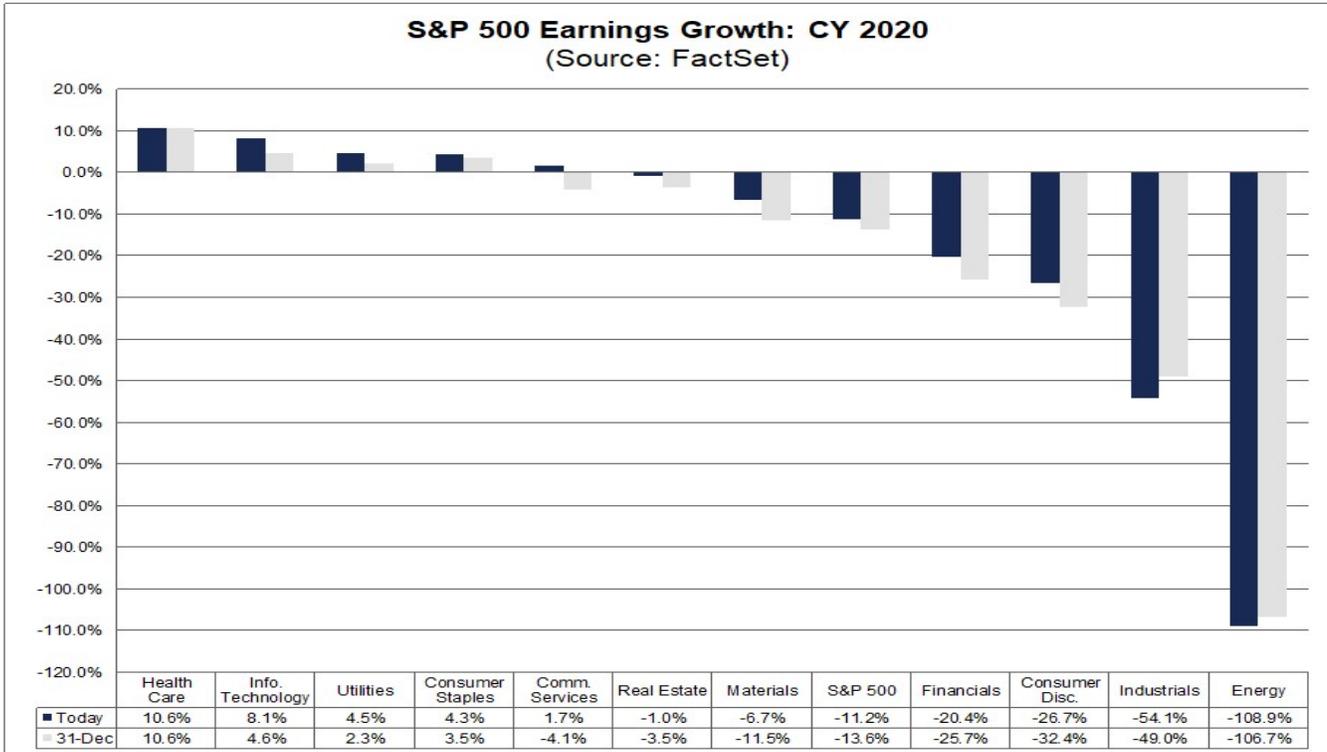
# Q4 2020: Growth



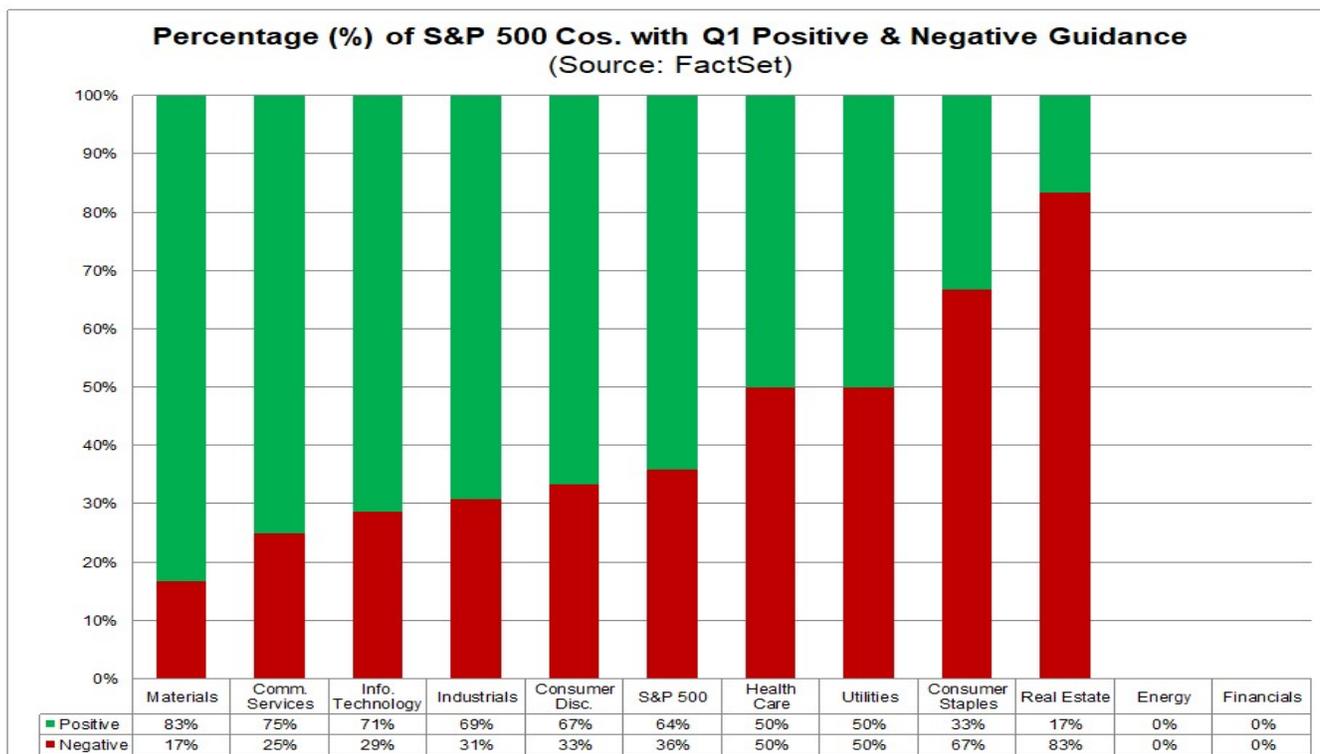
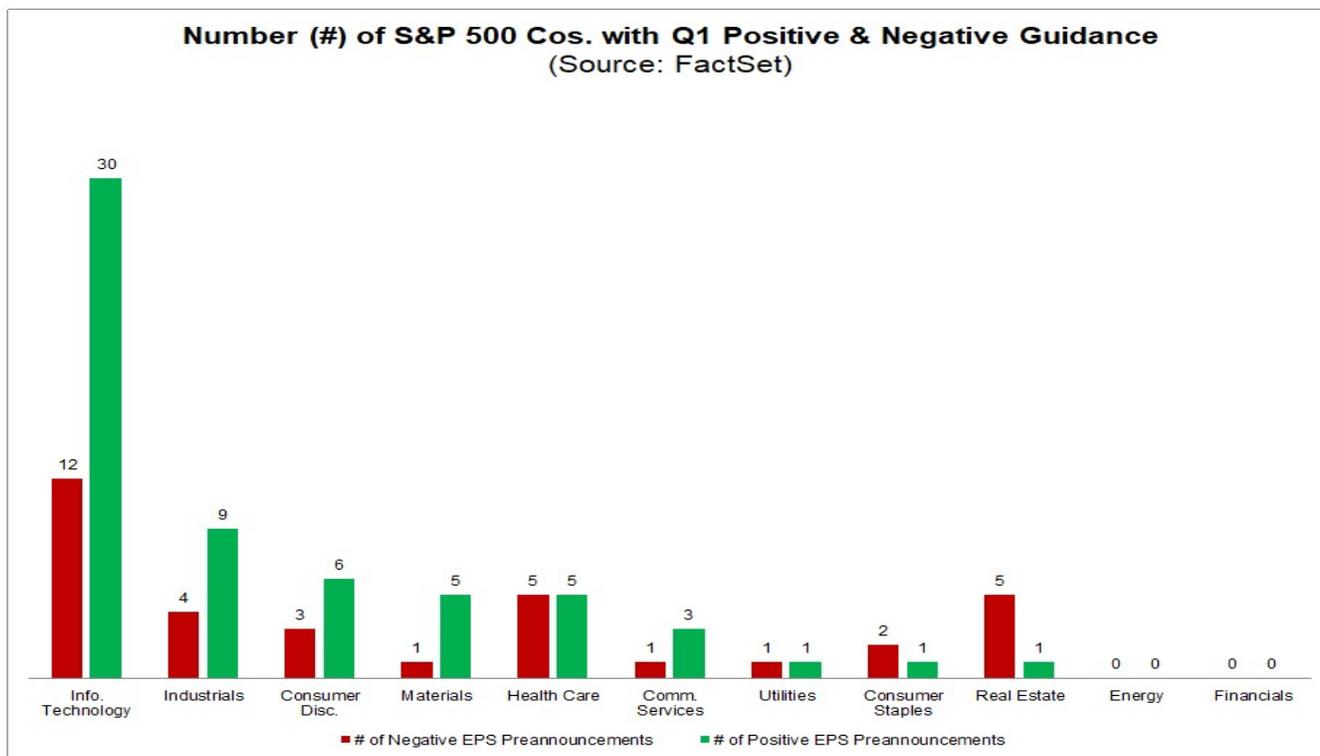
## Q4 2020: Net Profit Margin



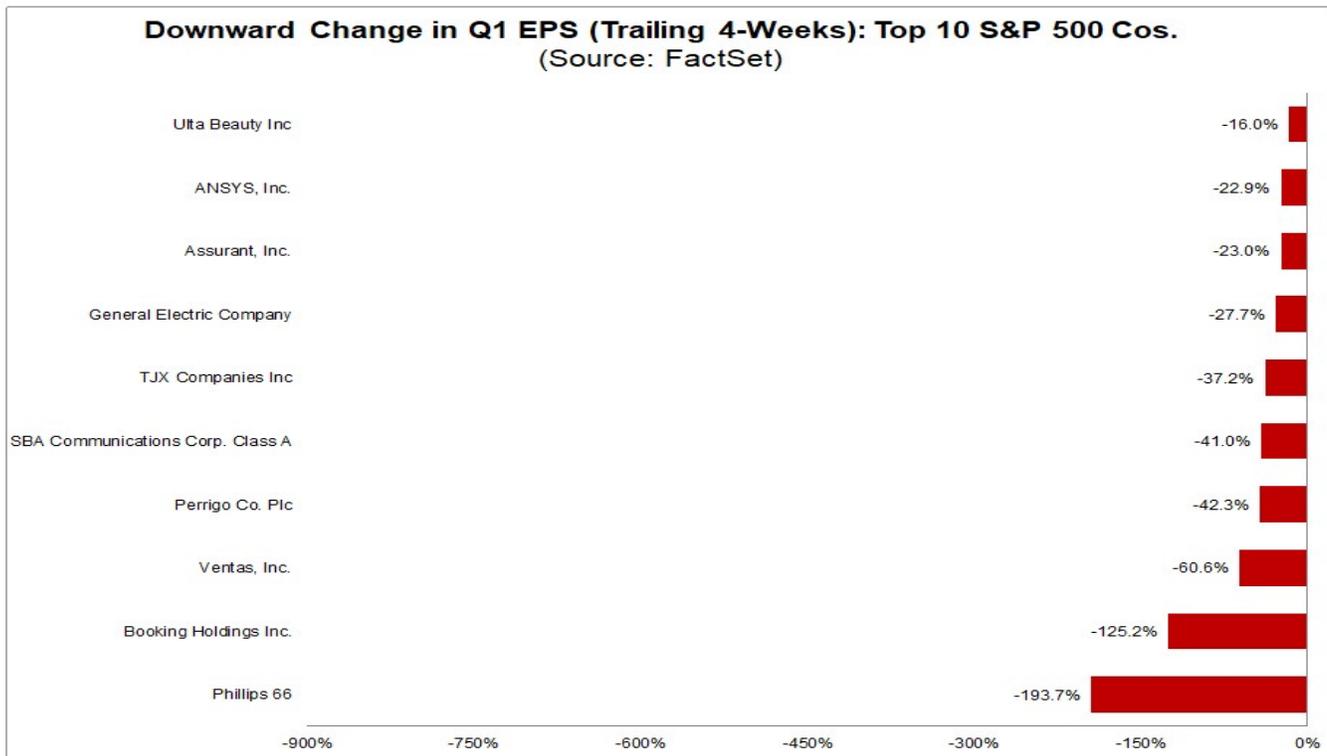
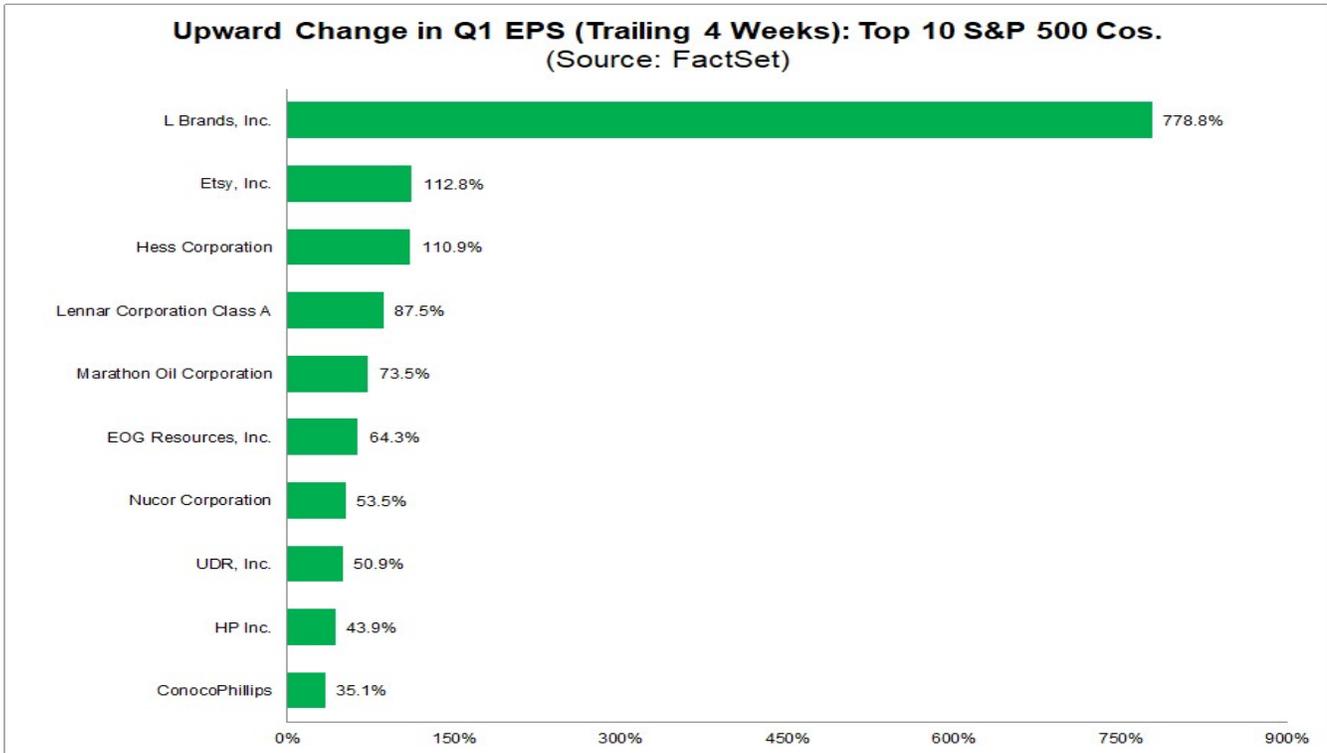
## CY 2020: Growth



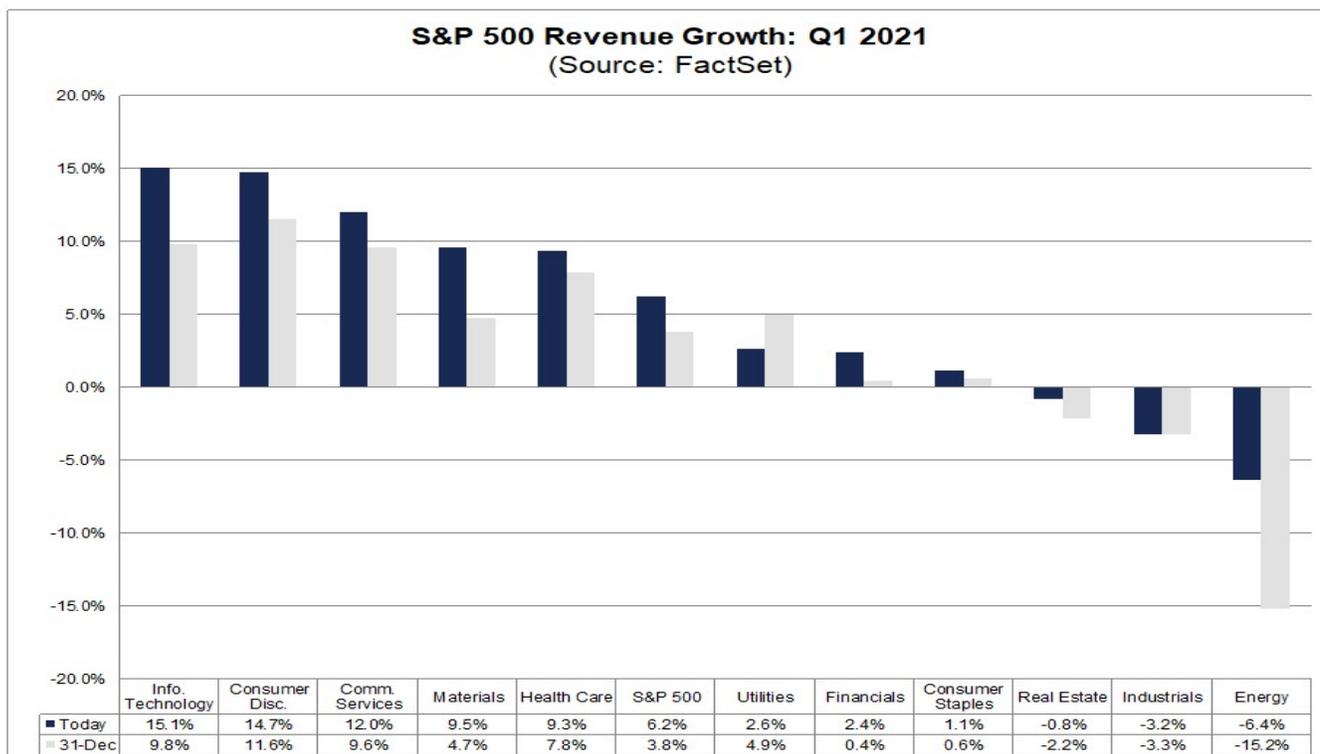
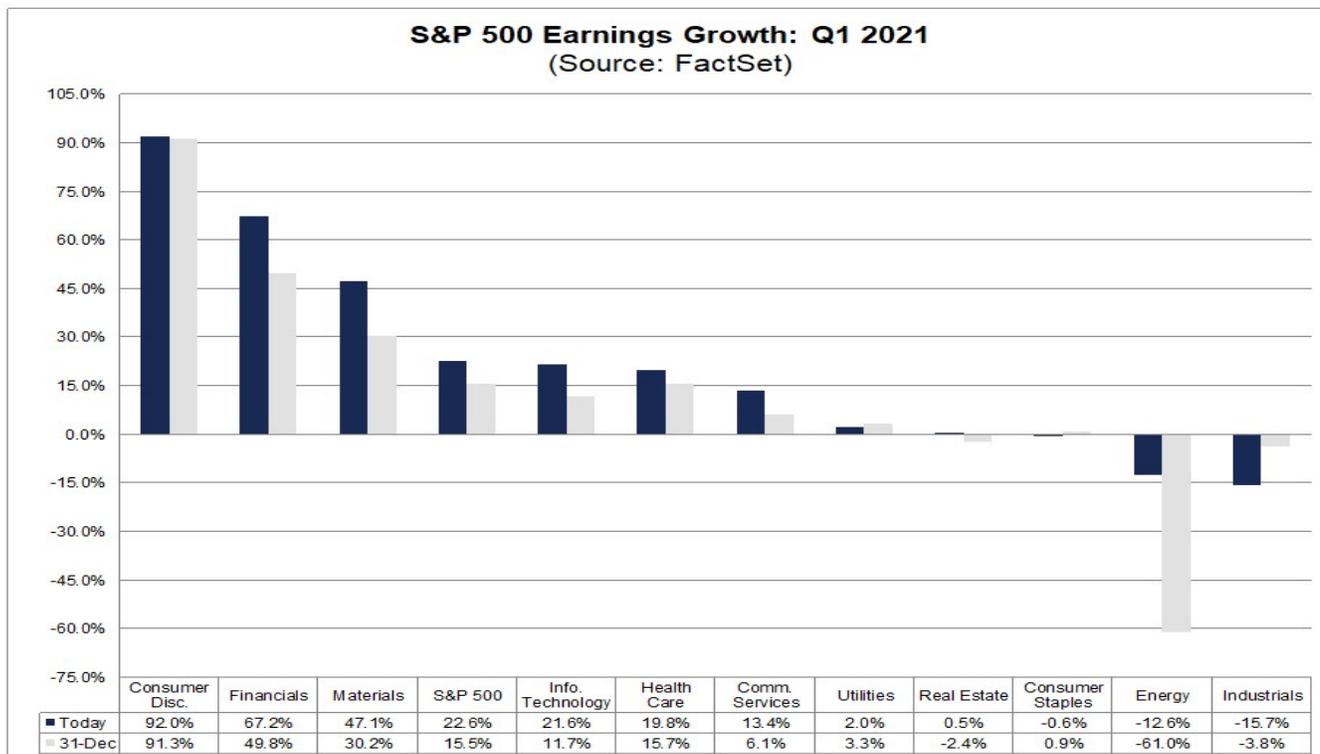
## Q1 2021: EPS Guidance



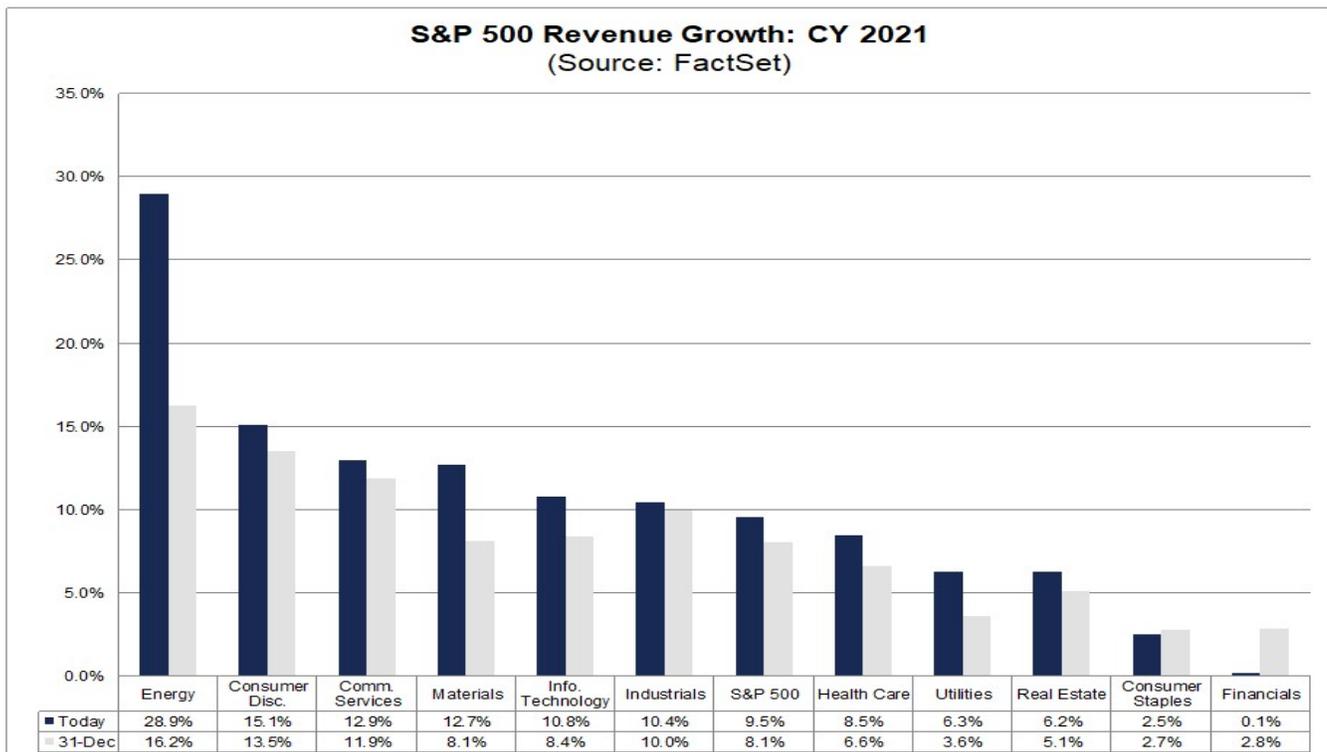
## Q1 2021: EPS Revisions



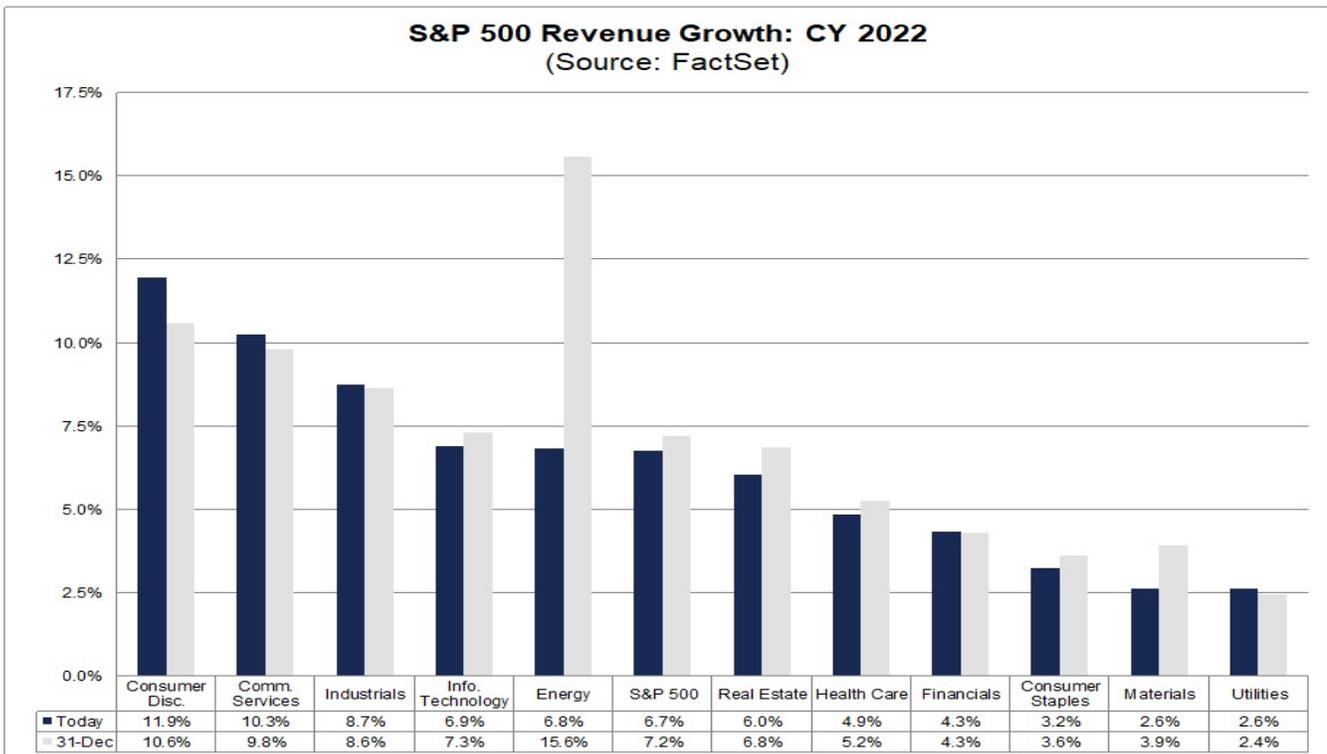
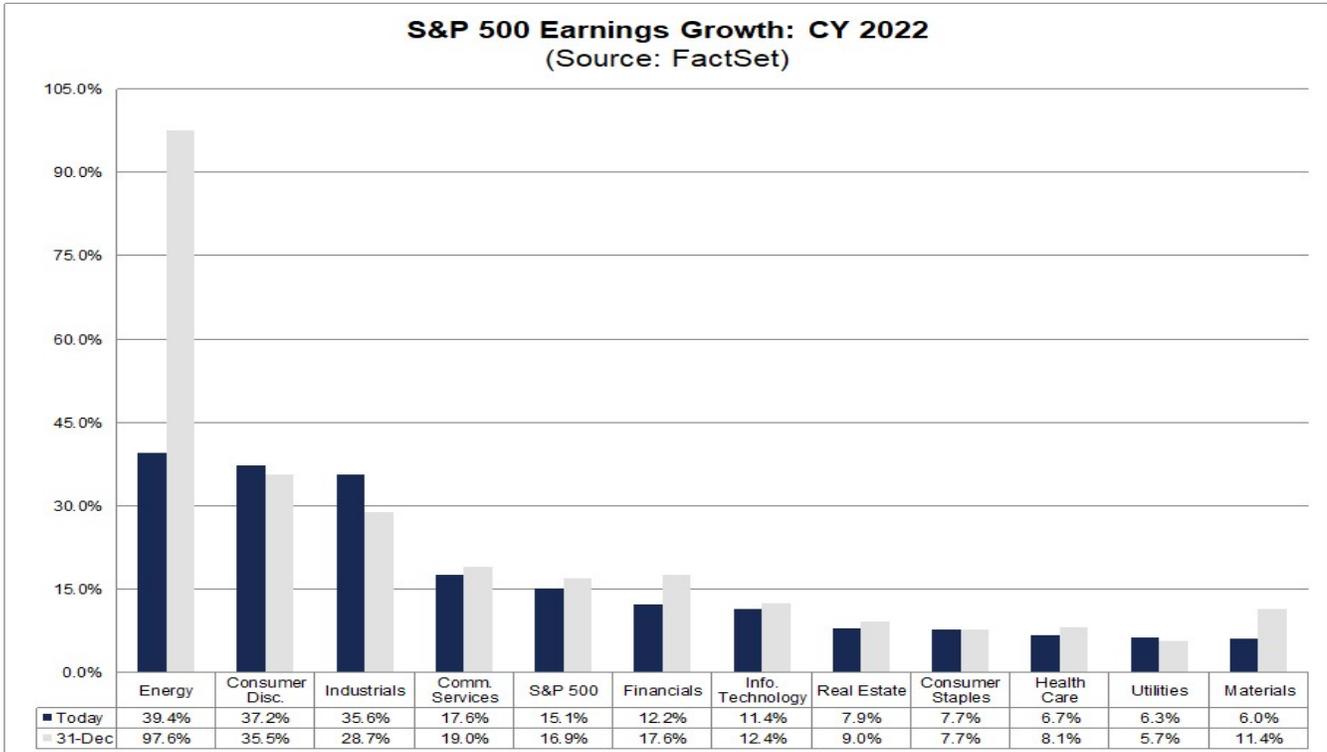
## Q1 2021: Growth



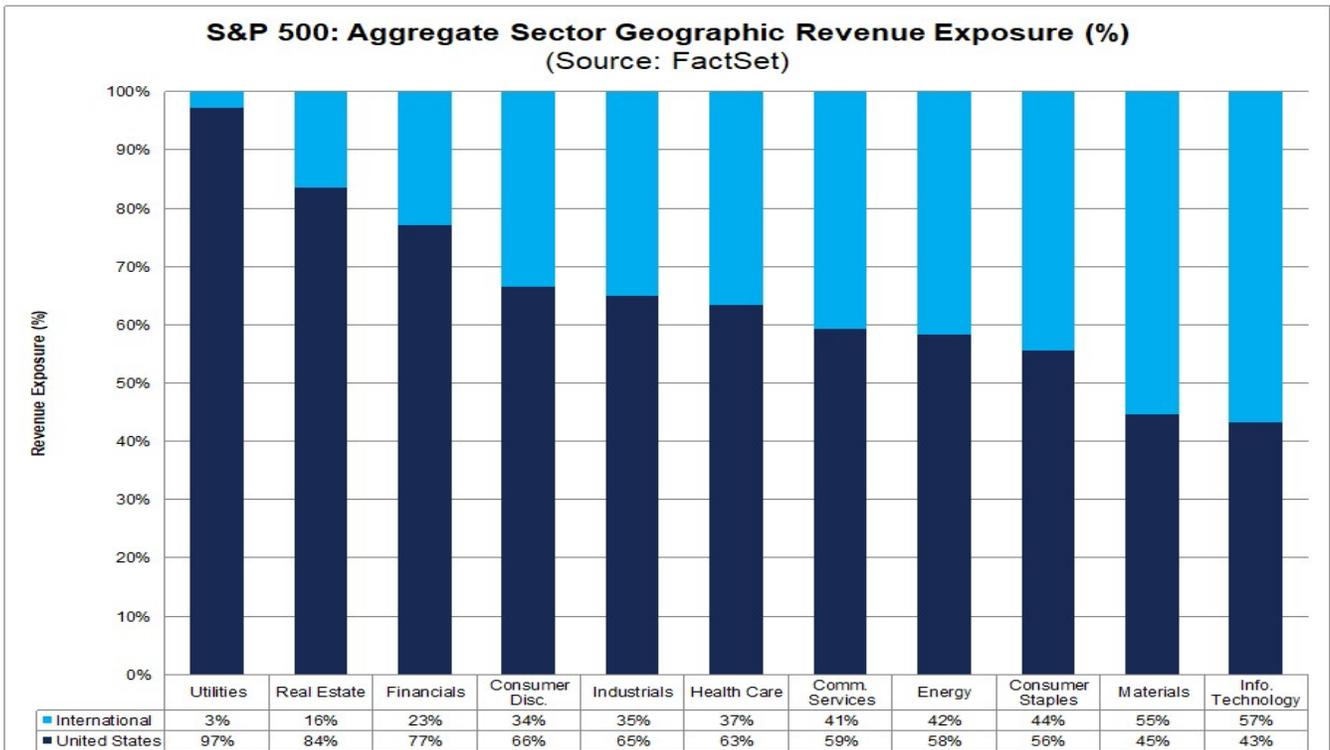
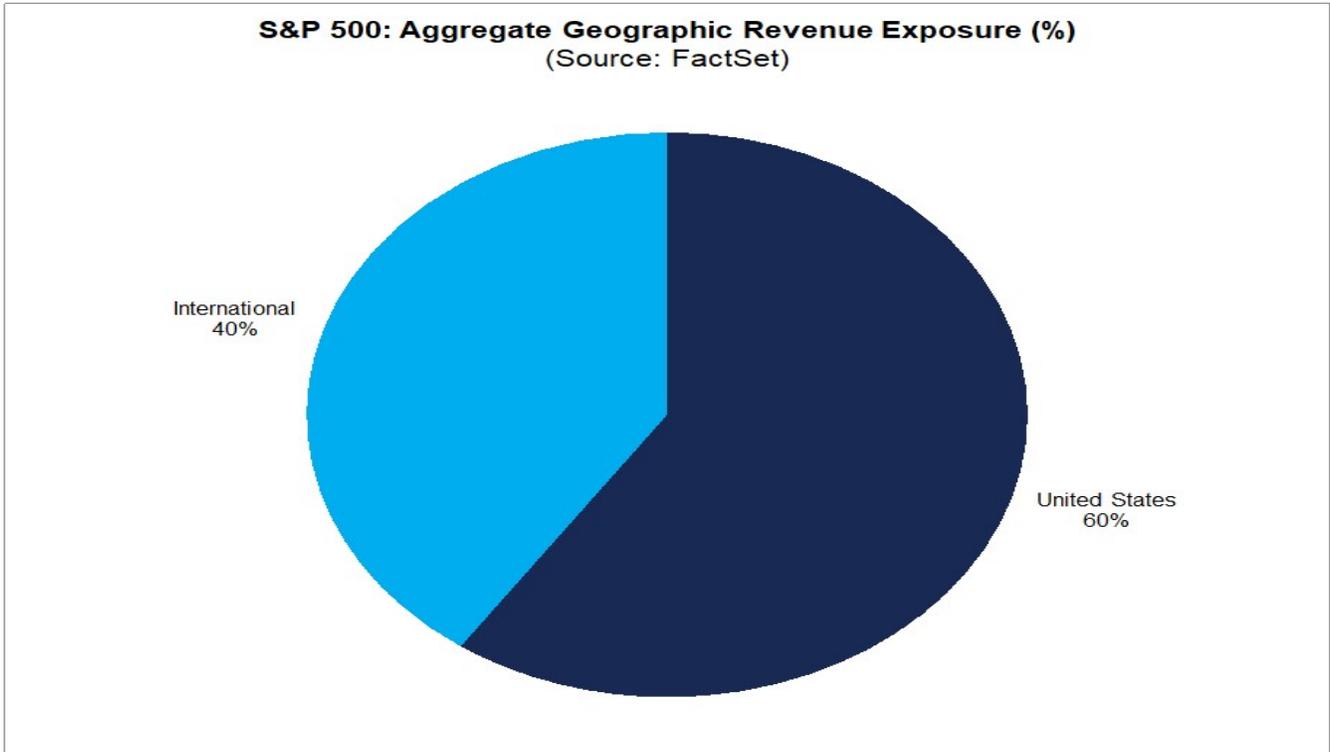
## CY 2021: Growth



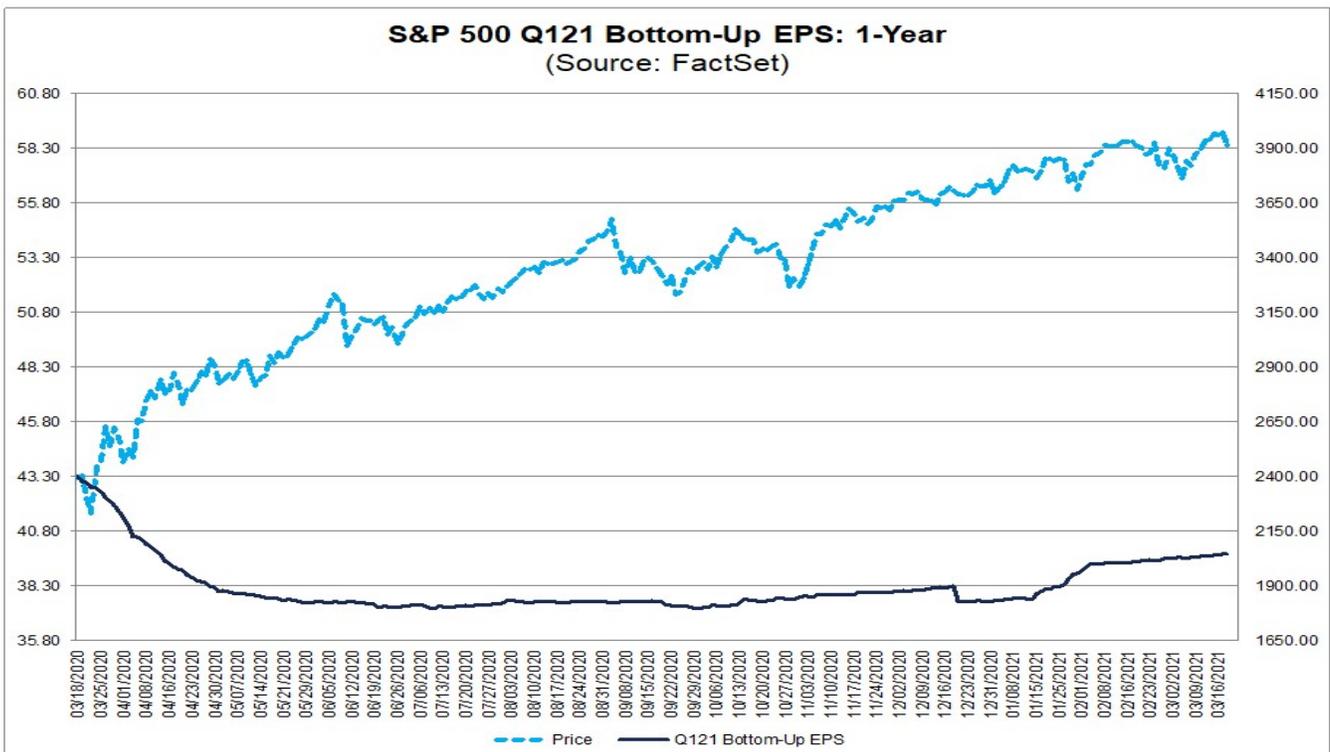
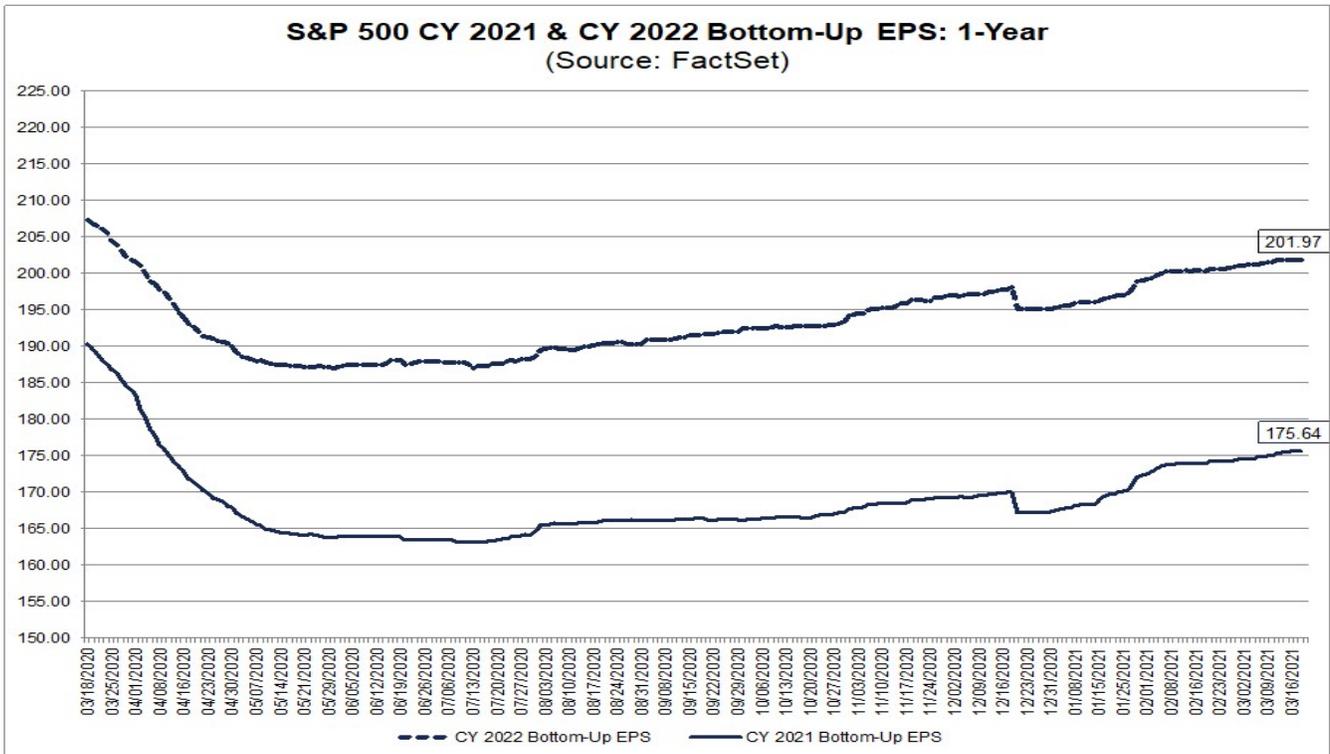
## CY 2022: Growth



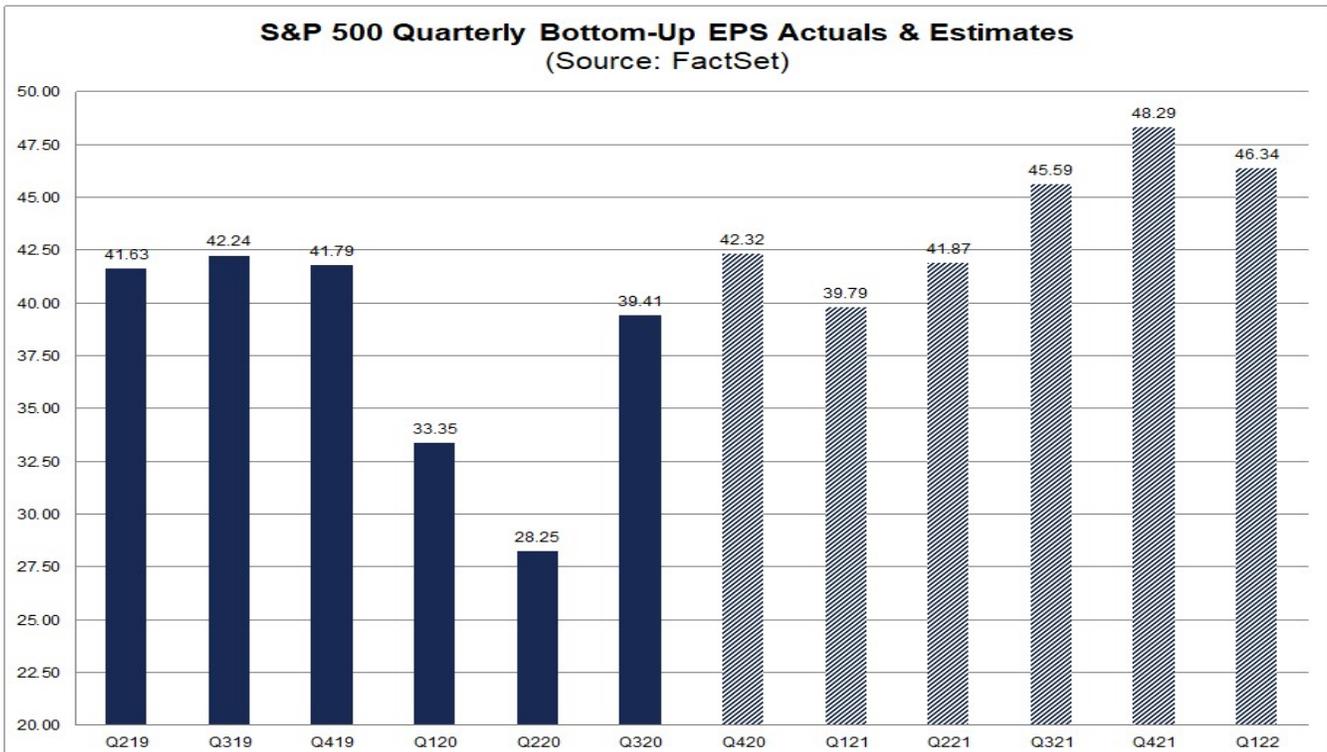
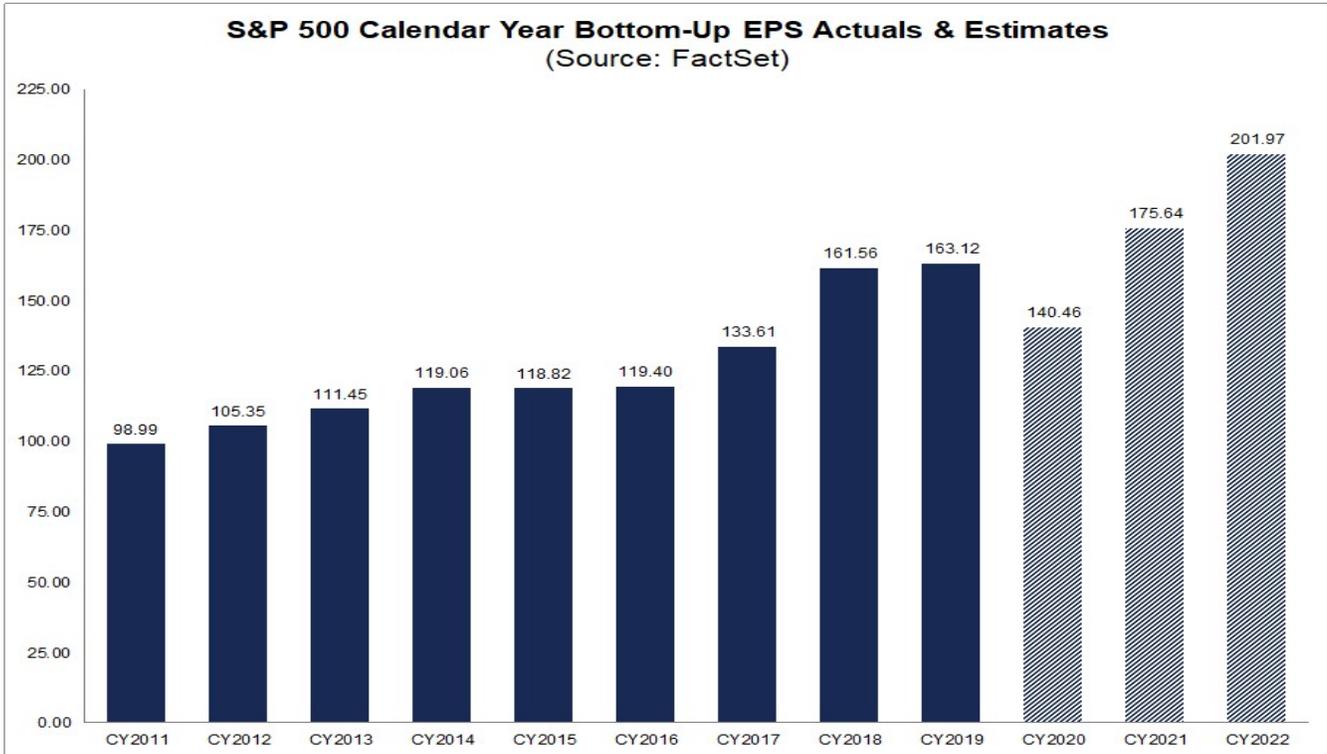
## Geographic Revenue Exposure



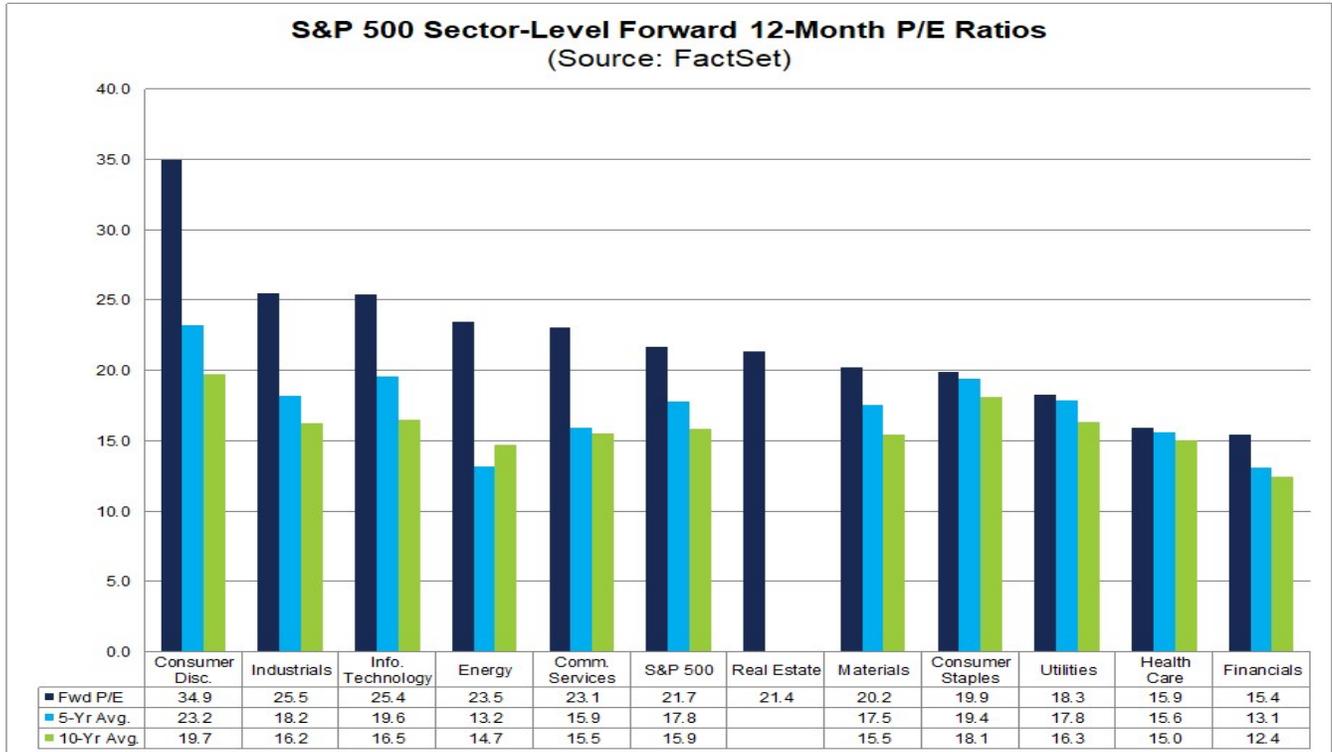
## Bottom-up EPS Estimates: Revisions



## Bottom-up EPS Estimates: Current & Historical

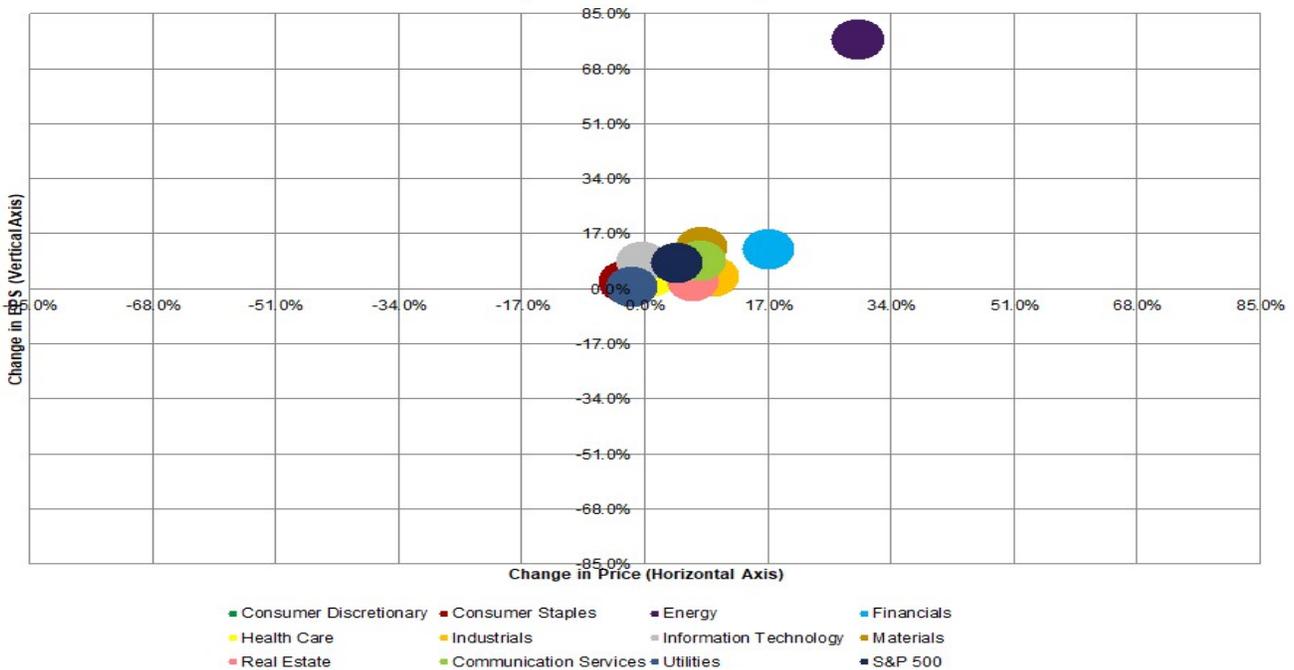


## Forward 12M P/E Ratio: Sector Level

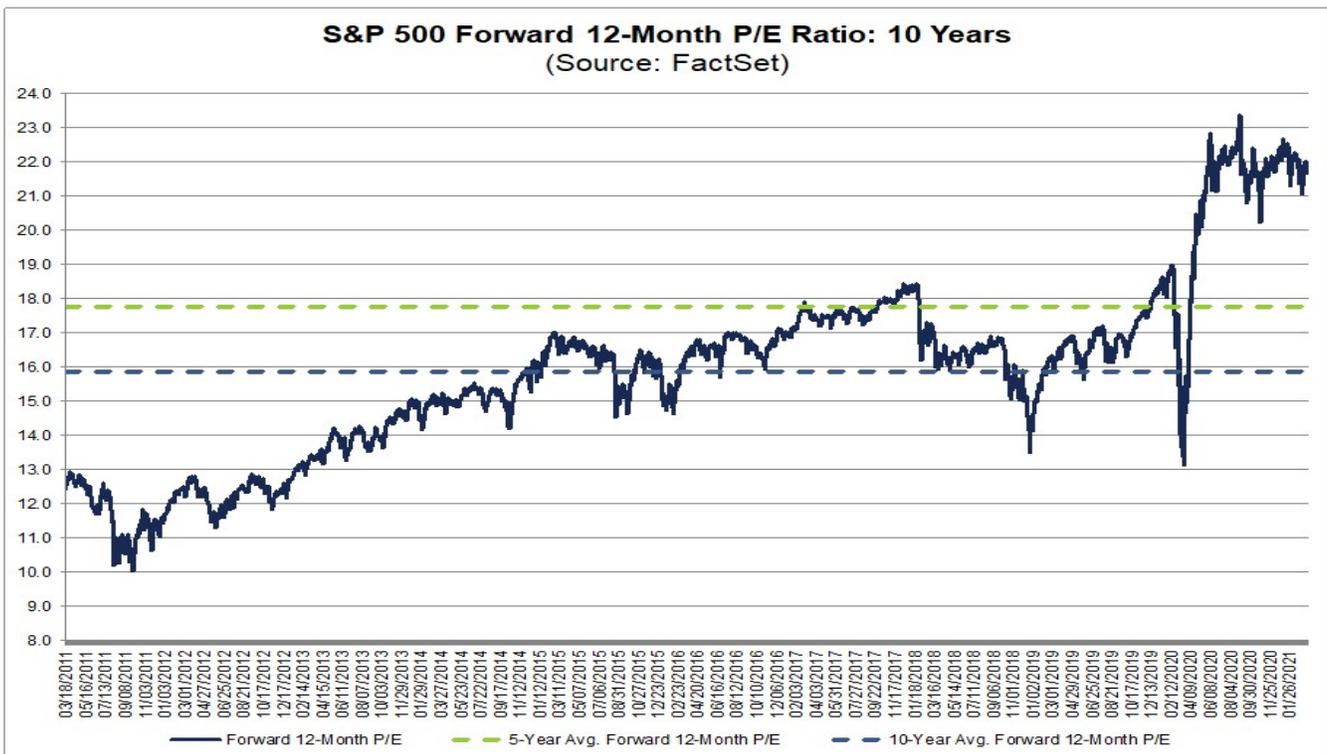
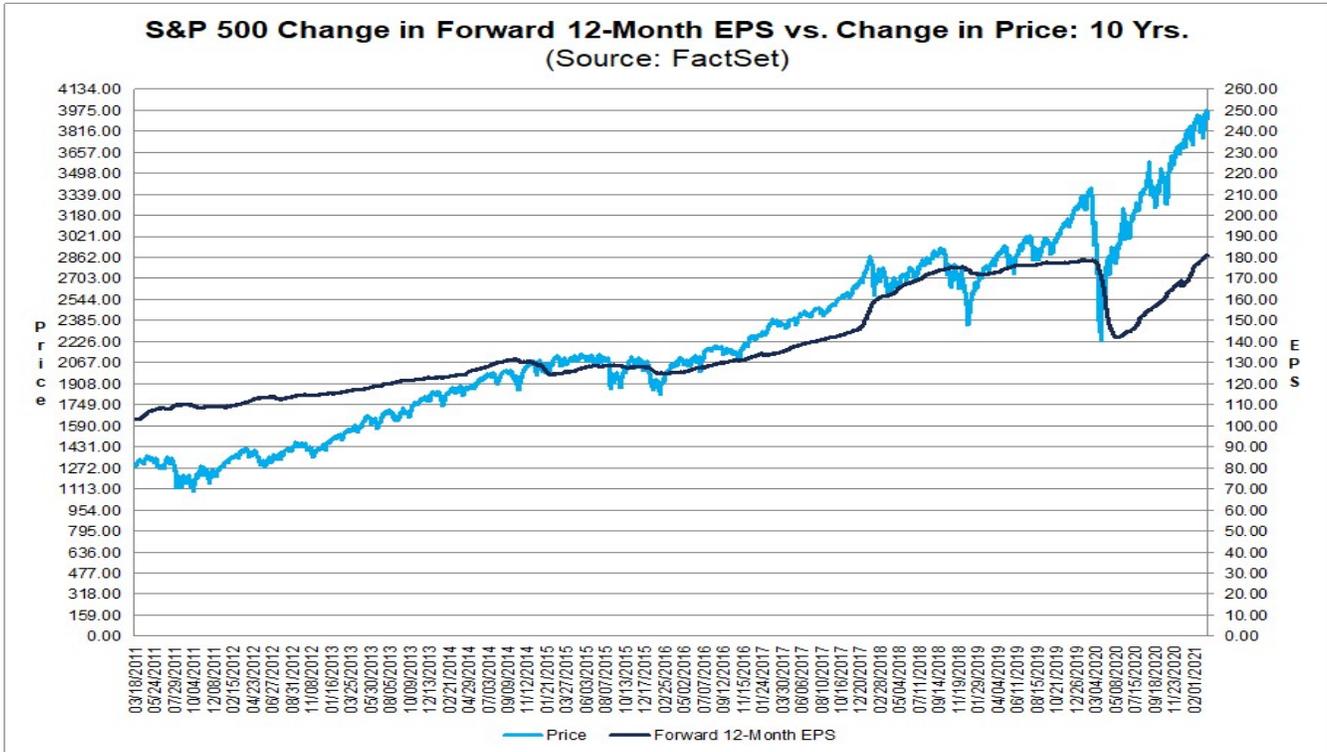


## Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Dec. 31

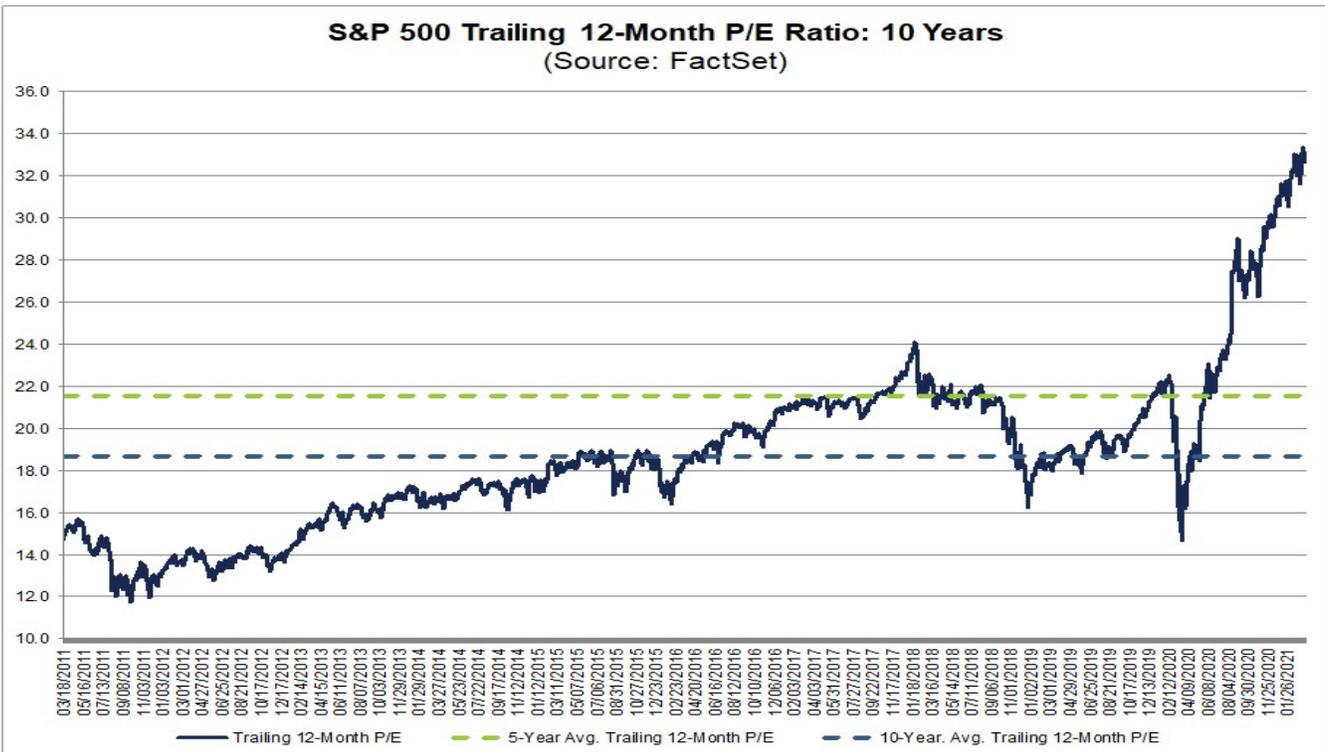
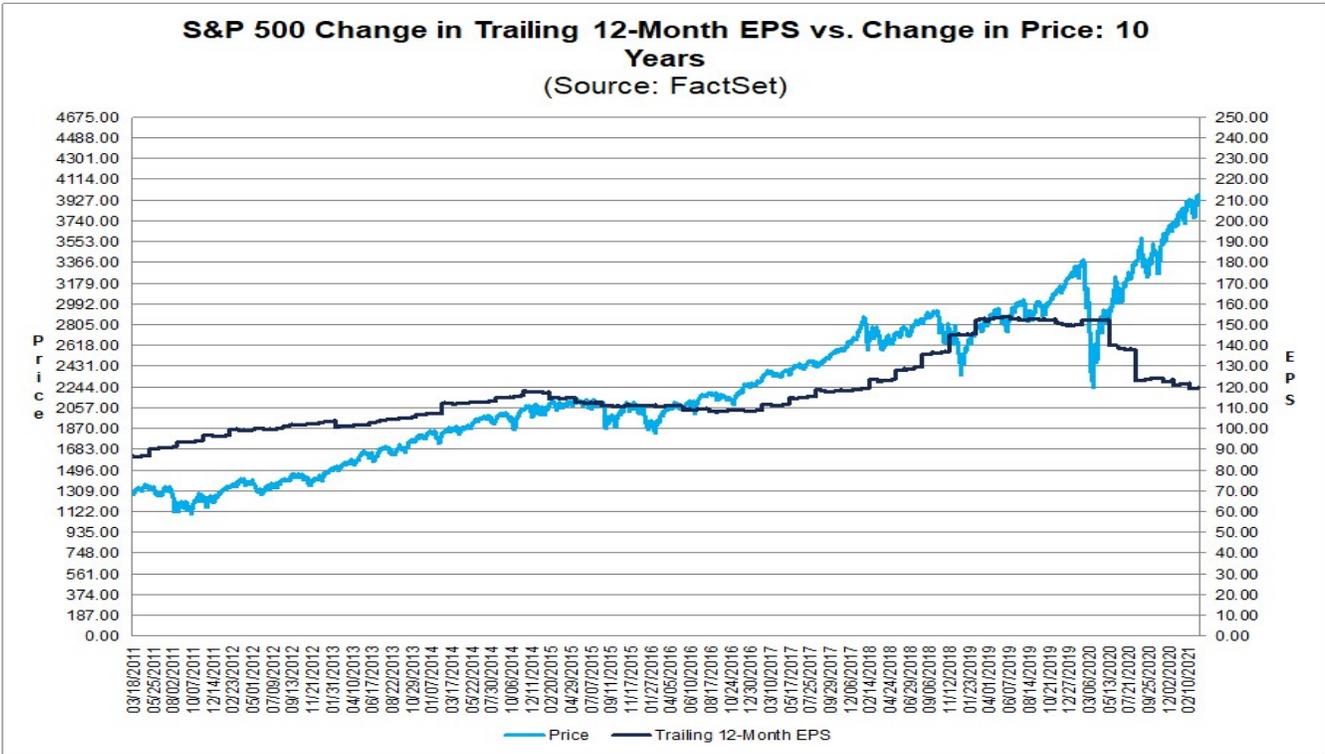
(Source: FactSet)



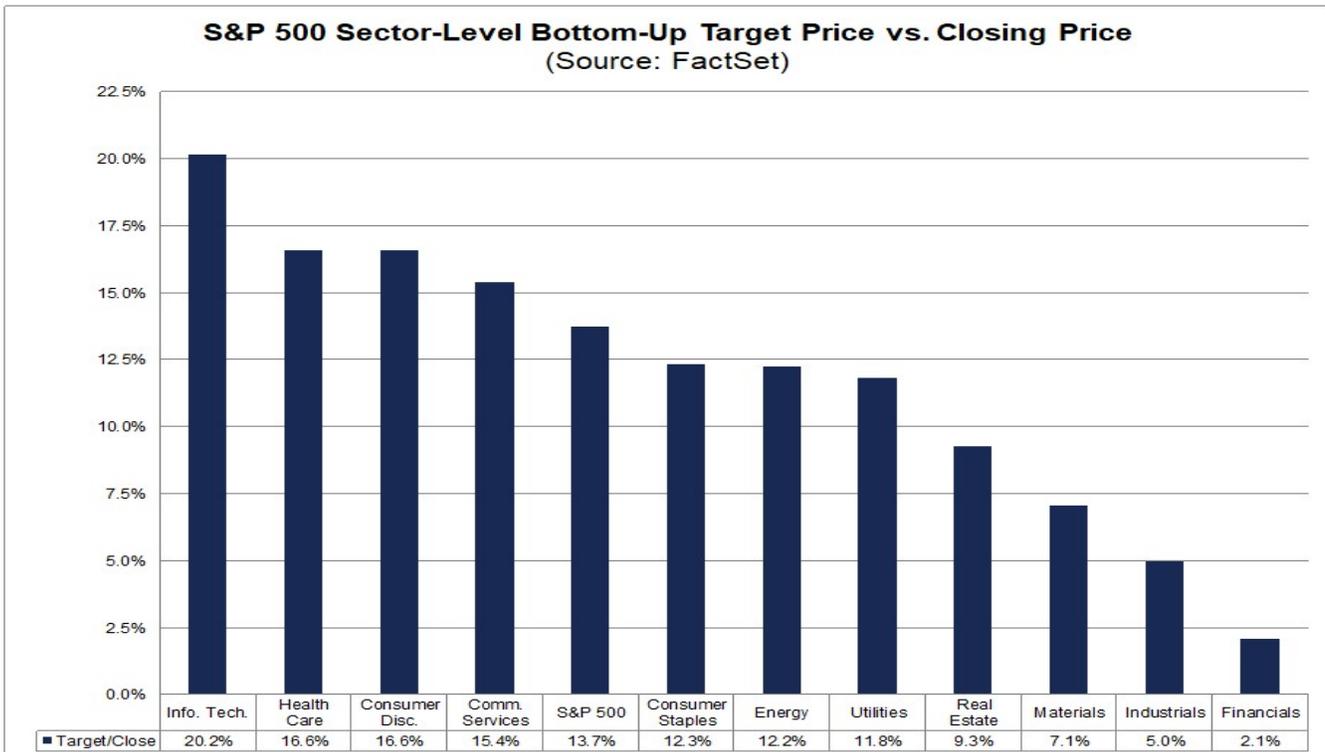
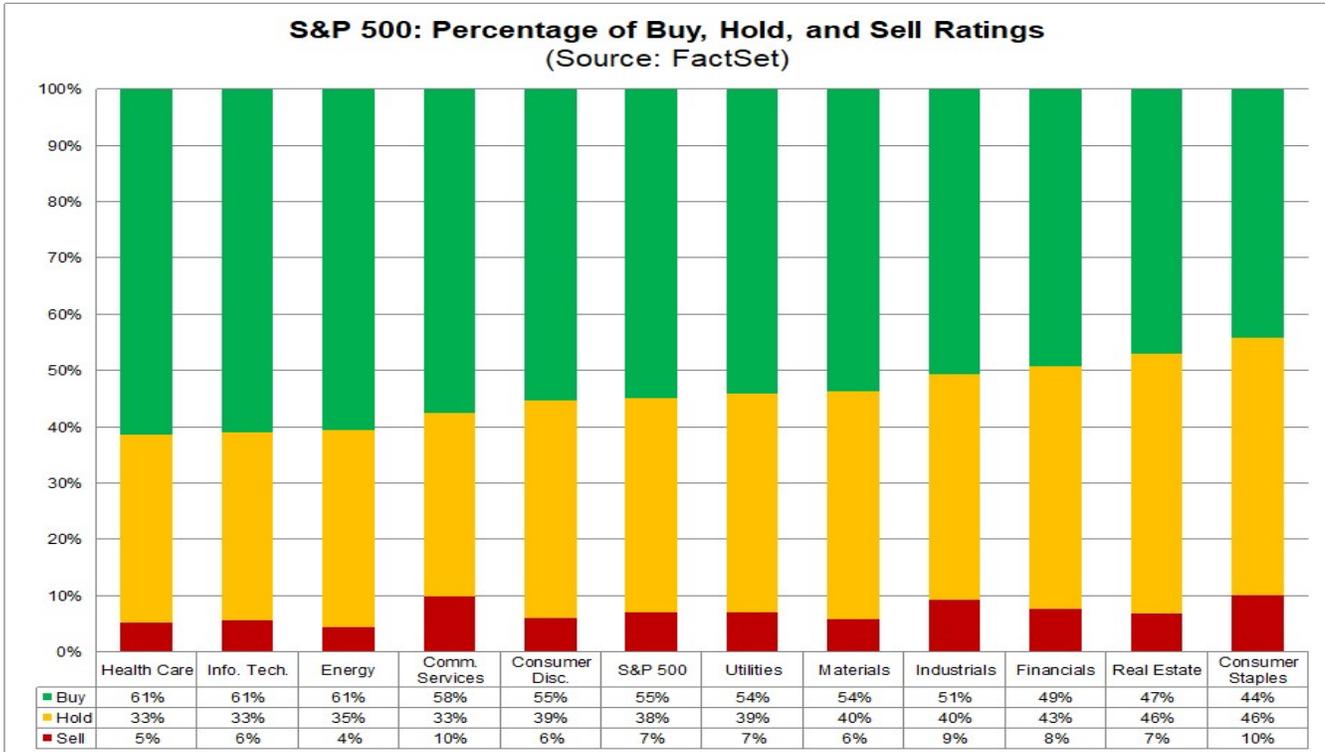
# Forward 12M P/E Ratio: 10-Years



# Trailing 12M P/E Ratio: 10-Years



## Targets & Ratings



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