

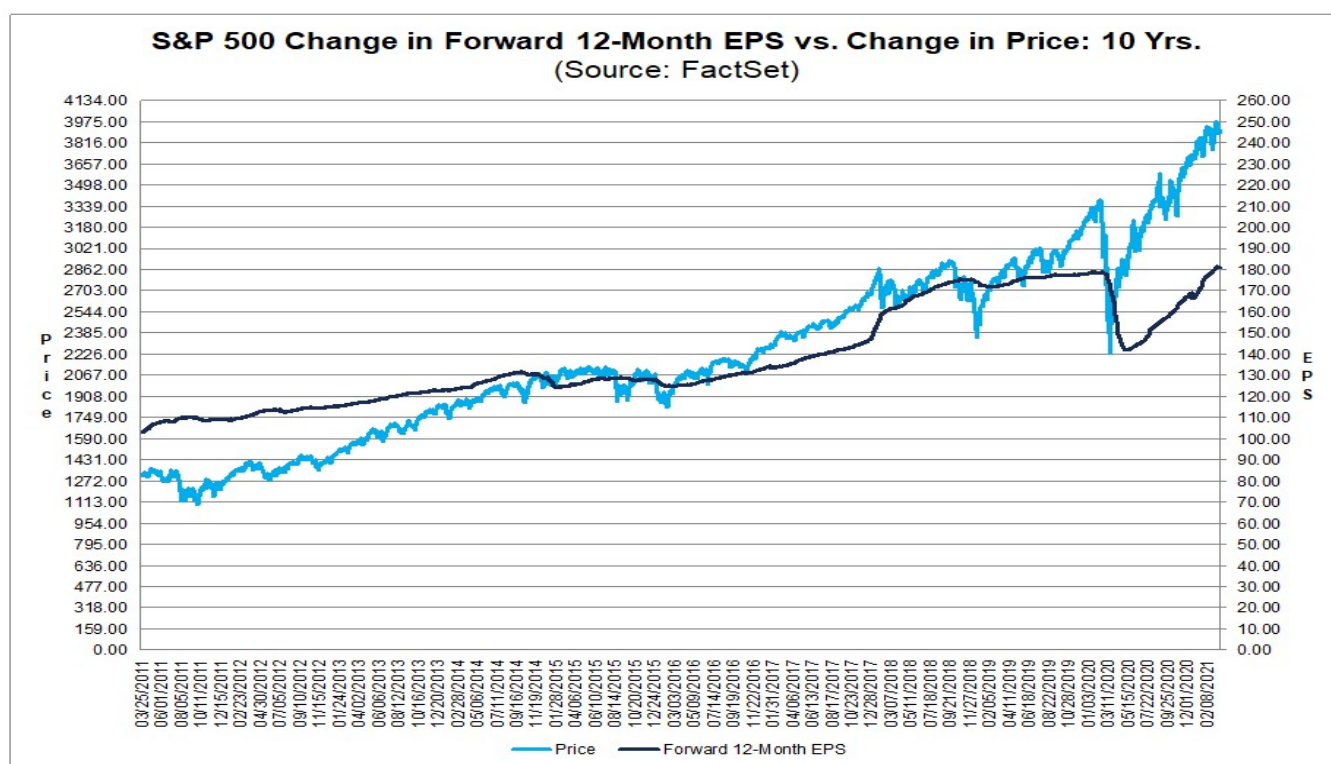
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## Key Metrics

- **Earnings Growth:** For Q1 2021, the estimated earnings growth rate for the S&P 500 is 23.3%. If 23.3% 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 15.8%. Seven 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 60 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 21.6. 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 12 of the companies in the S&P 500 reporting actual results), 10 S&P 500 companies have reported a positive EPS surprise and 11 S&P 500 companies have reported a positive revenue surprise



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## Topic of the Week:

### Record-High Number of S&P 500 Companies Issuing Positive EPS and Sales Guidance for Q1

Heading into the end of the first quarter, 94 S&P 500 companies have issued EPS guidance for the quarter. This number is below the 5-year average of 101. Of these 94 companies, 34 have issued negative EPS guidance and 60 have issued positive EPS guidance. The number of companies issuing negative EPS guidance is well below the 5-year average of 66, while the number of companies issuing positive EPS guidance is well above the 5-year average of 35.

If 60 is the final number of S&P 500 companies issuing positive EPS guidance for the quarter, it will mark the highest number of S&P 500 companies issuing positive EPS guidance for a quarter since FactSet began tracking this metric in 2006. The current record is 57, which occurred in the previous quarter (Q4 2020).

Why are so many companies issuing positive EPS guidance for the first quarter? One of the main drivers is likely the high number of companies issuing positive revenue guidance for the first quarter.

As of today, 86 S&P 500 companies have issued revenue guidance for the first quarter. This number is above the 5-year average of 77. Of these 86 companies, 17 have issued negative revenue guidance and 69 have issued positive revenue guidance. The number of companies issuing negative revenue guidance is well below the 5-year average of 39, while the number of companies issuing positive revenue guidance is well above the 5-year average of 38.

If 69 is the final number of S&P 500 companies issuing positive revenue guidance for the quarter, it will mark the highest number of S&P 500 companies issuing positive revenue guidance for a quarter since FactSet began tracking this metric in 2006. The current record is 62, which occurred in the previous quarter (Q4 2020).

Of the 60 companies in the S&P 500 that have issued positive EPS guidance for Q1 2021, 41 of these companies (68%) have also issued positive revenue guidance for Q1 2021.

At the sector level, the Information Technology sector has the highest number of companies issuing positive EPS guidance and positive revenue guidance of all eleven sectors.

In terms of EPS guidance, 29 companies in the Information Technology sector have issued positive EPS guidance for the first quarter, which is well above the 5-year average of 17 for this sector. If 29 is the final number for the quarter, it will tie the mark with the previous quarter (Q4 2020) for the highest number of companies issuing positive EPS guidance for this sector since FactSet began tracking this metric in 2006. At the industry level, the Semiconductor & Semiconductor Equipment industry has the highest number of companies in the sector issuing positive EPS guidance in this sector at 10.

In terms of revenue guidance, 43 companies in the Information Technology sector have issued positive revenue guidance for the first quarter, which is well above the 5-year average of 22 for this sector. If 43 is the final number for the quarter, it will mark the highest number of companies issuing positive revenue guidance for this sector since FactSet began tracking this metric in 2006. The current record is 35, which occurred in the previous quarter (Q4 2020). At the industry level, the Semiconductor & Semiconductor Equipment industry has the highest number of companies in the sector issuing positive revenue guidance in this sector at 17.

Of the 29 companies in the Information Technology sector that have issued positive EPS guidance for Q1 2021, 26 of these companies (90%) have also issued positive revenue guidance for Q1 2021.

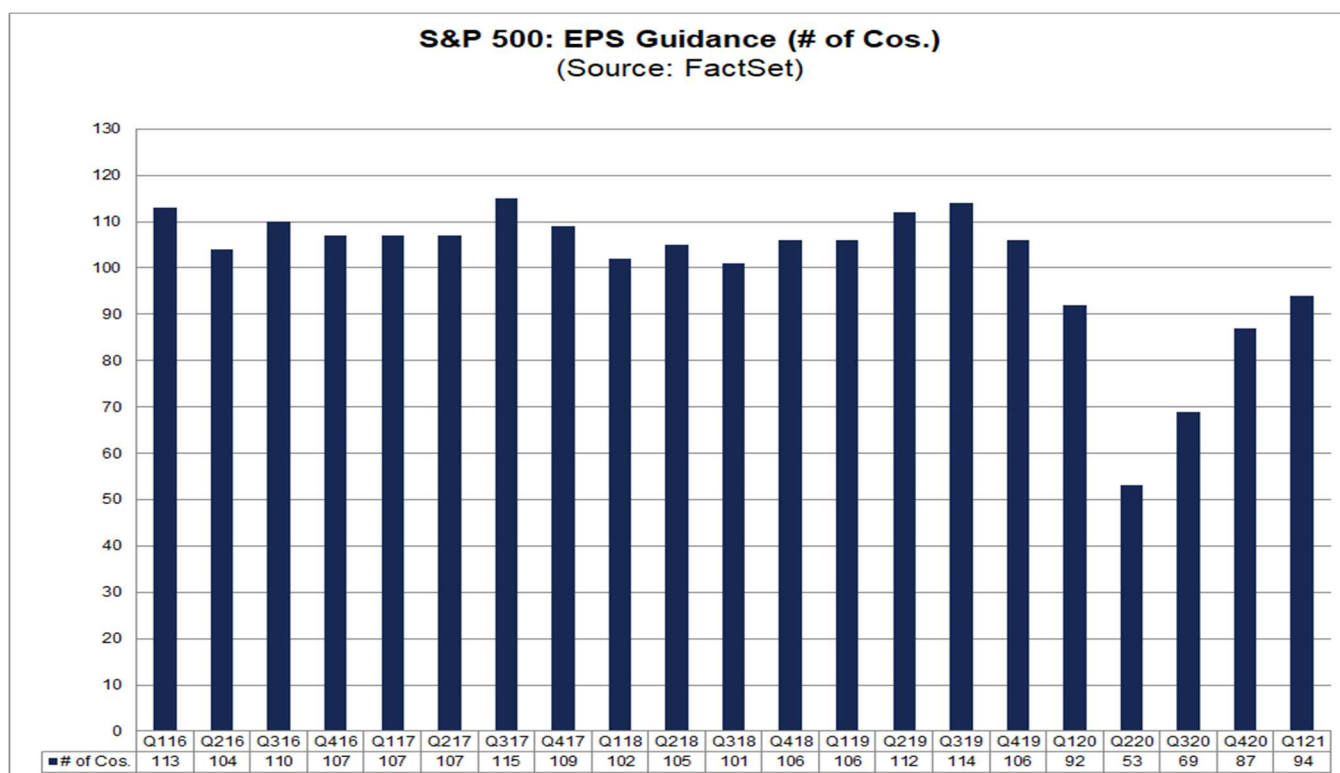
Due in part to the large number of companies issuing positive EPS and revenue guidance in this sector, expectations for year-over-year earnings and revenue growth for the Information Technology sector are higher now relative to the start of the quarter.

The Information Technology sector is currently projected to report year-over-year earnings growth of 22.3%, compared to an estimate for year-over-year earnings growth of 11.6% on December 31. The Semiconductor & Semiconductor Equipment industry is projected to report year-over-year earnings growth of 24.3% today, compared to an estimate for year-over-year earnings growth of 5.2% on December 31.

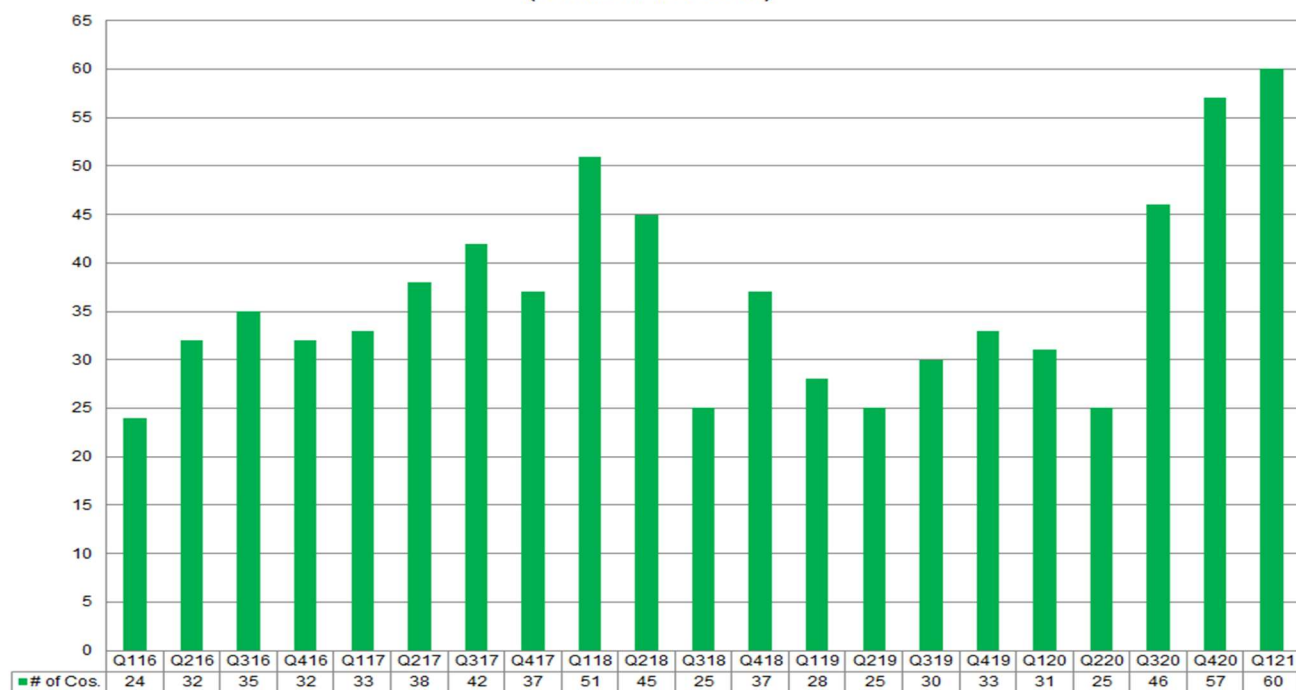
The Information Technology sector is currently projected to report year-over-year revenue growth of 15.5%, compared to an estimate for year-over-year revenue growth of 10.0% on December 31. The Semiconductor & Semiconductor Equipment industry is projected to report year-over-year revenue growth of 19.4% today, compared to an estimate for year-over-year revenue growth of 8.0% on December 31.

It is interesting to note that despite the high number of companies in the Information Technology sector issuing positive EPS and revenue guidance and the upward revisions to EPS and revenue estimates for companies in the Information Technology sector by analysts, the market has not rewarded companies in this sector in recent months. Since December 31, the Information Technology sector has seen a decrease in price of 0.8% (to 2272.90 from 2291.28). By comparison, 9 of the other 10 sectors in the S&P 500 have seen an increase in price over this time frame. Overall, the S&P 500 has seen an increase in price of 4.1% (to 3909.52 from 3756.07) since December 31. However, it should also be noted that the Information Technology sector also had the largest price increase of all eleven sectors during all of 2020 at 42.2%. The forward 12-month P/E ratio for the Information Technology sector is 25.4, which is above the 5-year average of 19.6 and above the 10-year average of 16.5.

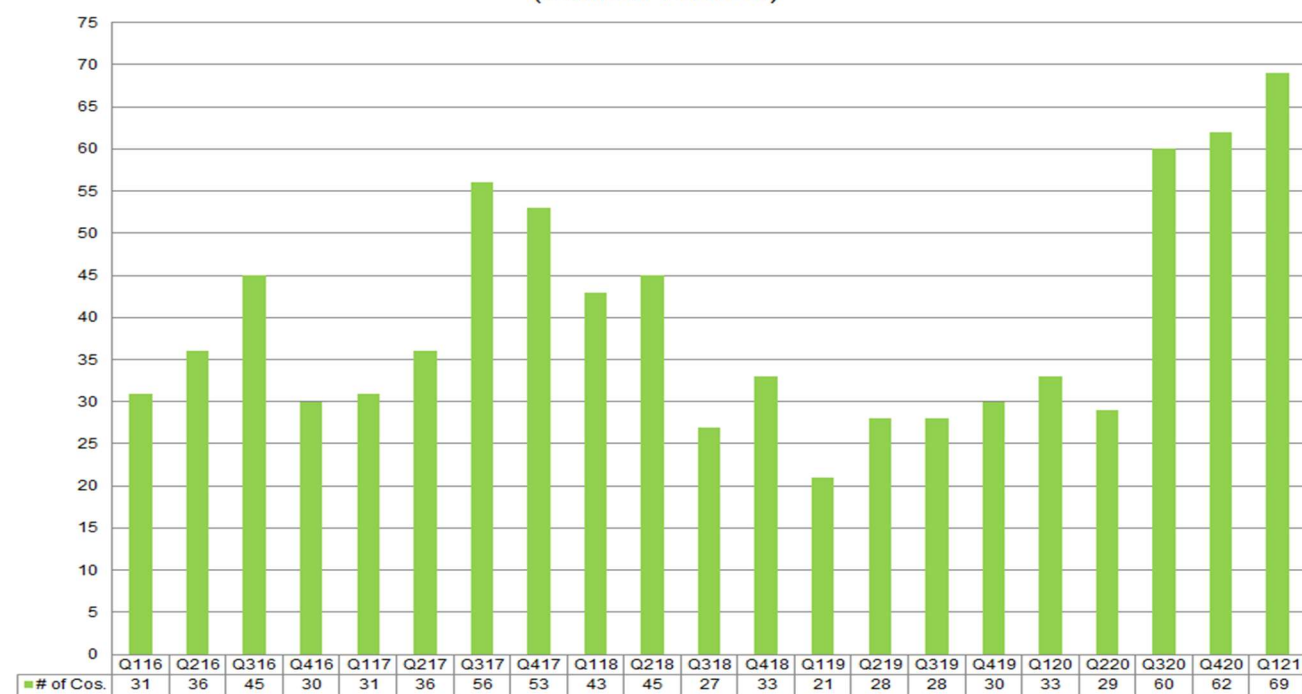
The term “guidance” (or “preannouncement”) is defined as a projection or estimate for EPS (or revenue) provided by a company in advance of the company reporting actual results. Guidance is classified as negative if the estimate (or mid-point of a range estimates) provided by a company is lower than the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



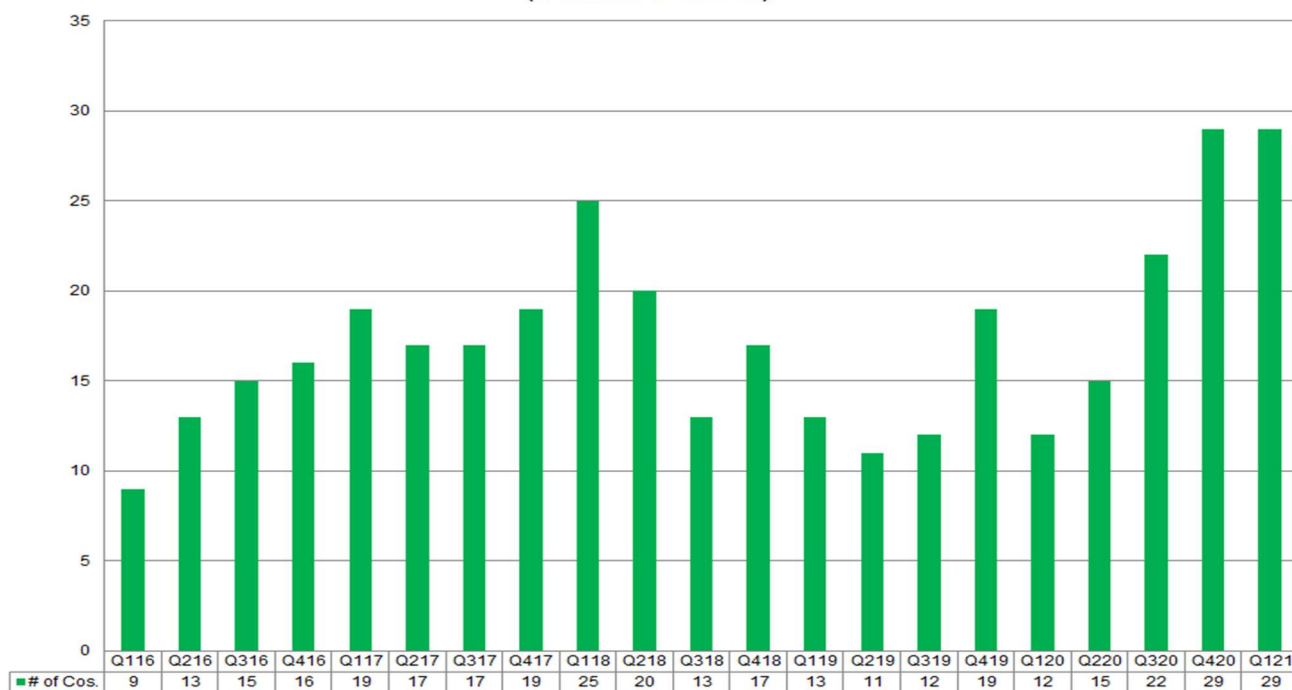
**S&P 500: Positive EPS Guidance (# of Cos.)**  
(Source: FactSet)



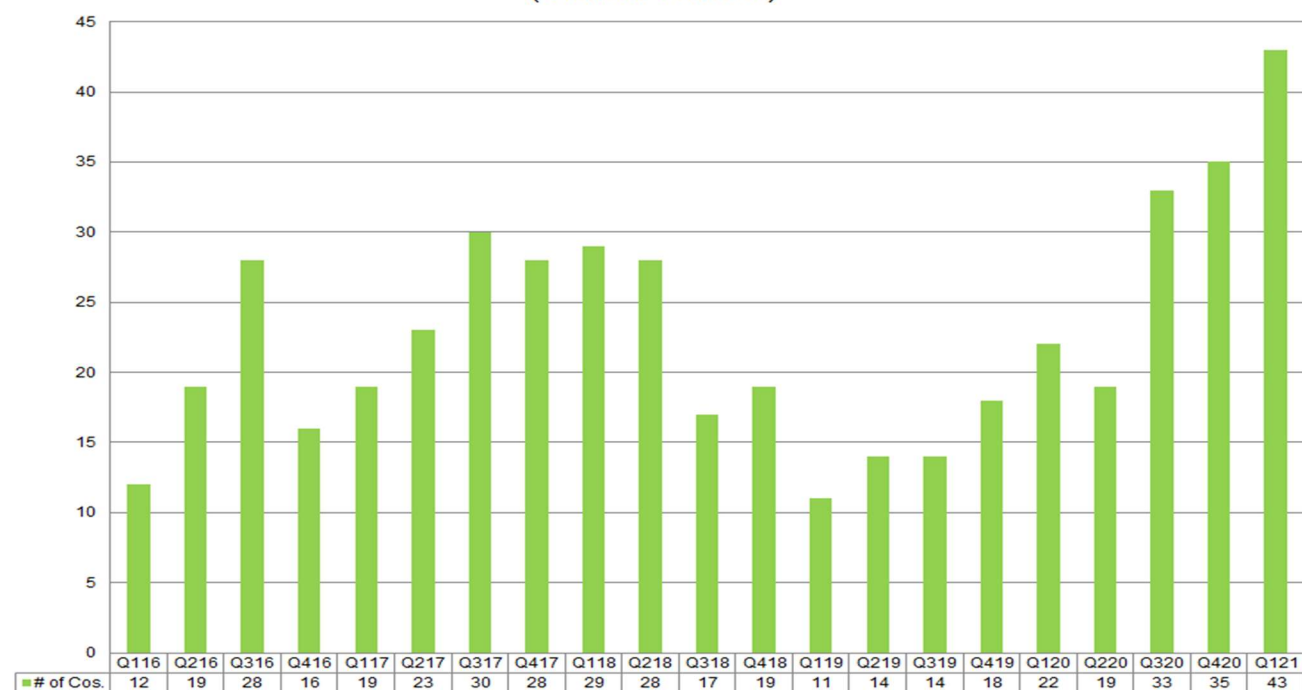
**S&P 500: Positive Revenue Guidance (# of Cos.)**  
(Source: FactSet)



**S&P 500 Info. Technology Sector: Positive EPS Guidance (# of Cos.)**  
(Source: FactSet)



**S&P 500 Info. Technology: Positive Revenue Guidance (# of Cos.)**  
(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 5.7% 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, 94 companies in the index have issued EPS guidance for Q1 2021. Of these 94 companies, 34 have issued negative EPS guidance and 60 have issued positive EPS guidance. The percentage of companies issuing positive EPS guidance is 64% (60 out of 94), which is well above the 5-year average of 35%. The overall number of companies issuing EPS guidance for the first quarter of 94 is below the 5-year average of 101.

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 23.3%, compared to the estimated (year-over-year) earnings growth rate of 15.8% on December 31.

If 23.3% 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 6.3%, compared to the estimated (year-over-year) revenue growth rate of 3.9% on December 31.

If 6.3% 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 51.9%.

The forward 12-month P/E ratio is 21.6, which is above the 5-year average and above the 10-year average.

During the upcoming week, one S&P 500 company is scheduled to report results for the fourth quarter and five S&P 500 companies (including one Dow 30 component) 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 23.3% from 22.9%.



Since the start of the quarter, the estimated earnings growth rate for the S&P 500 for Q1 2021 has increased to 23.3% today from 15.8% on December 31. Seven 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. Three 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. One sector (Consumer Discretionary) has seen no change in estimated earnings growth (104.0%) since December 31.

#### 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 -10.4% from -61.0%). This sector has also witnessed the largest increase in price (+29.8%) 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 (\$58.56) is 21% 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 \$0.23 from \$0.01), ConocoPhillips (to \$0.44 from \$0.11), and EOG Resources (to \$1.31 from \$0.45). However, Exxon Mobil (to \$0.53 from \$0.25) and Chevron (to \$0.91 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 68.7% from 49.8%). This sector has also witnessed the second-largest increase in price (+14.7%) 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 1.62% 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) and Capital One Financial (to \$3.71 from \$2.55). However, JPMorgan Chase (to \$2.86 from \$2.36) and Citigroup (to \$2.13 from \$1.66) have been the largest contributors to the increase in expected earnings for this sector since December 31.

#### Materials: 61% 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 47.7% from 30.2%). This sector has also witnessed the fourth-largest increase in price (+7.2%) of all eleven sectors since December 31. Rising commodity prices may be contributing to the increase in earnings estimates for companies in this sector. For example, the S&P GSCI Industrial Metals index has increased by 10% (to 419.40 from 381.92) since December 31. During this same period, the estimated earnings growth rate for the Metals & Mining industry has increased to 508% from 381%. Overall, 17 of the 28 companies (61%) in the Materials sector have seen an increase in their mean EPS estimate during this time. Of these 17 companies, 10 have recorded an increase in their mean EPS estimate of more than 10%, led by Nucor (to \$3.07 from \$1.24), CF Industries Holdings (to \$0.56 vs. \$0.23), Mosaic Company (to \$0.49 from \$0.26), and Dow (to \$1.05 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 22.3% from 11.6%). Despite the increase in earnings, this sector has witnessed a decrease in price of 0.8% since December 31. Overall, 56 of the 74 companies (76%) in the Information Technology sector have seen an increase in their mean EPS estimate during this time. Of these 56 companies, 26 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 \$1.14 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 -15.6% from -3.7%). Despite the decrease in earnings, this sector has witnessed the third-largest increase in price (+9.0%) of all eleven sectors since December 31. Overall, 30 of the 74 companies (41%) in the Industrials sector have seen a decrease in their mean EPS estimate during this time. Of these 30 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 -\$6.82 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: 5.7% 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 5.7% (to \$39.74 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, 94 companies in the index have issued EPS guidance for Q1 2021. Of these 94 companies, 34 have issued negative EPS guidance and 60 have issued positive EPS guidance. The percentage of companies issuing positive EPS guidance is 64% (60 out of 94), which is well above the 5-year average of 35%. The overall number of companies issuing EPS guidance for the first quarter of 94 is below the 5-year average of 101.

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: 23.3%

The estimated (year-over-year) earnings growth rate for Q1 2021 is 23.3%, which is above the 5-year average earnings growth rate of 3.8%. If 23.3% 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 104.0%. At the industry level, nine of the ten industries in this sector are expected to report double-digit earnings growth: Automobiles (1,095%), Textiles, Apparel, & Luxury Goods (483%), Specialty Retail (232%), Internet & Direct Marketing Retail (80%), Household Durables (73%), Multiline Retail (55%), Auto Components (33%), 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 68.1% from 104.0%. On the other hand, the Hotels, Restaurants, & Leisure industry (-607%) 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 140.5% from 104.0%.



### 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 68.7%. 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 (135%), Capital Markets (33%), 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 38.2% from 68.7%.

### 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 47.7%. At the industry level, all four industries in this sector are predicted to report year-over-year growth: Metals & Mining (508%), Chemicals (23%), Containers & Packaging (15%), and Construction Materials (6%). 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 21.4% from 47.7%.

### 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 -15.6%. 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 (79%), 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 -15.6%.

### Energy: 3 of 5 Sub-Industries Expected to Report Year-Over-Year Decline of More Than 10%

The Energy sector is expected to report the second-largest (year-over-year) decline in earnings of all eleven sectors at -10.4%. Despite the projected decline in earnings, the average price of oil in Q1 2021 (\$57.97) 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 more than 10%: Oil & Gas Refining & Marketing (-242%), Oil & Gas Equipment & Services (-45%), and Integrated Oil & Gas (-13%). On the other hand, two sub-industries are projected to report earnings growth: Oil & Gas Exploration & Production (145%) and Oil & Gas Storage & Transportation (2%).

### Revenue Growth: 6.3%

The estimated (year-over-year) revenue growth rate for Q1 2021 is 6.3%, which is above the 5-year average revenue growth rate of 3.5%. If 6.3% 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 15.5%. 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 (25%), Semiconductors & Semiconductor Equipment (19%), Software (17%), and Electronic Equipment, Instruments, & Components (14%).

**Consumer Discretionary: 5 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 15.0%. At the industry level, eight of the ten industries in this sector are predicted to report growth in revenues. Five of these eight industries are projected to report double-digit growth: Internet & Direct Marketing Retail (38%), Auto Components (33%), Specialty Retail (25%), Household Durables (20%), and Automobiles (10%). On the other hand, two industries are projected to report a year-over-year decline in revenues, led by the Hotels, Restaurants, & Leisure (-29%) 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 (69%) 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 (\$57.97) 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 (38%) 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 -3.3%. At the industry level, six of the twelve industries in this sector are projected to report a decline in revenue, led by the Airlines (-55%) industry. On the other hand, six industries are projected to report (year-over-year) revenue growth, led by the Air Freight & Logistics (18%) 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 2.1% from -3.3%.

**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 (15.0% 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 (16.8% vs. 10.2%), Materials (10.8% vs. 8.0%), and Consumer Discretionary (4.8% vs. 2.7%) 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 23.3% and revenue growth of 6.3%.

For Q2 2021, analysts are projecting earnings growth of 51.9% and revenue growth of 16.7%.

For Q3 2021, analysts are projecting earnings growth of 18.3% and revenue growth of 10.1%.

For Q4 2021, analysts are projecting earnings growth of 13.9% and revenue growth of 7.5%.

For CY 2021, analysts are projecting earnings growth of 25.4% and revenue growth of 9.6%.

### Valuation: Forward P/E Ratio is 21.6, Above the 10-Year Average (15.9)

The forward 12-month P/E ratio is 21.6. 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 4.1%, while the forward 12-month EPS estimate has increased by 8.3%.

At the sector level, the Consumer Discretionary (35.2) sector has the highest forward 12-month P/E ratio, while the Financials (15.1) and Health Care (16.0) 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 4441.33, which is 13.6% above the closing price of 3909.52. At the sector level, the Information Technology (+20.9%) 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 Financials (+3.2%) and Industrials (+4.4%) sectors are expected to see the smallest price increases, as these sectors have the smallest upside differences between the bottom-up target price and the closing price.

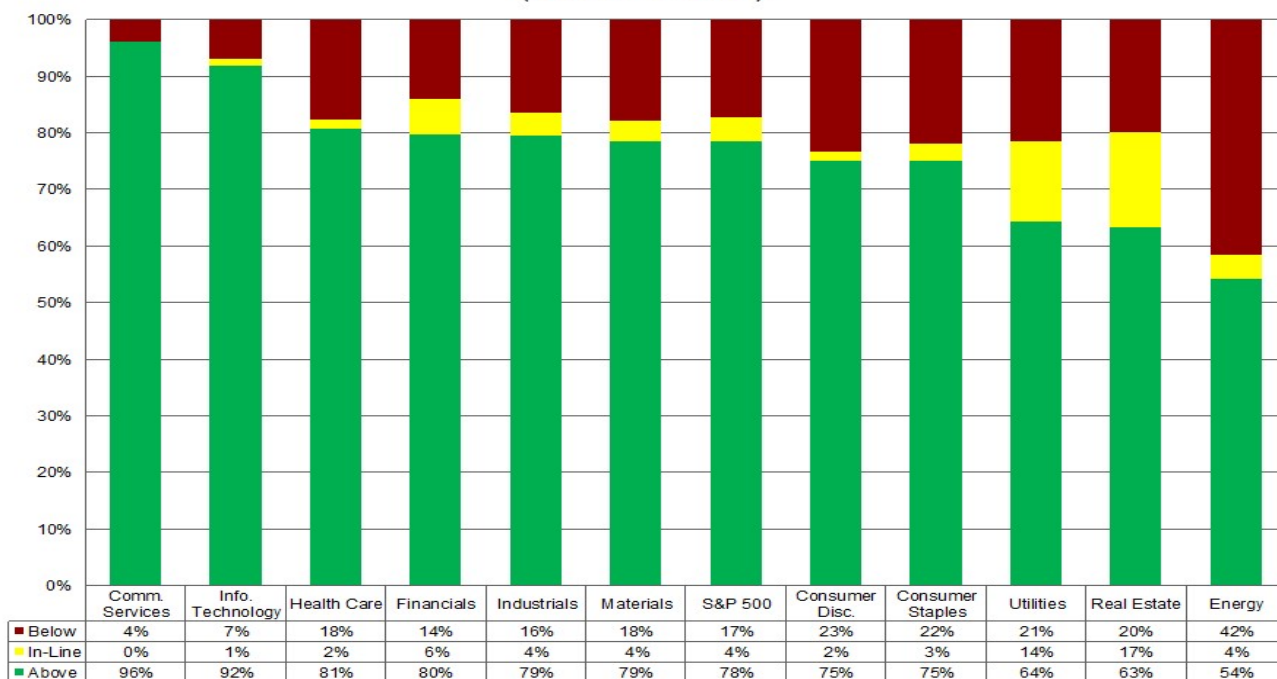
Overall, there are 10,396 ratings on stocks in the S&P 500. Of these 10,396 ratings, 55.4% are Buy ratings, 37.8% are Hold ratings, and 6.8% are Sell ratings. At the sector level, the Information Technology (62%), Health Care (61%), and Energy (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (44%) sector has the lowest percentage of Buy ratings.

### Companies Reporting Next Week: 6

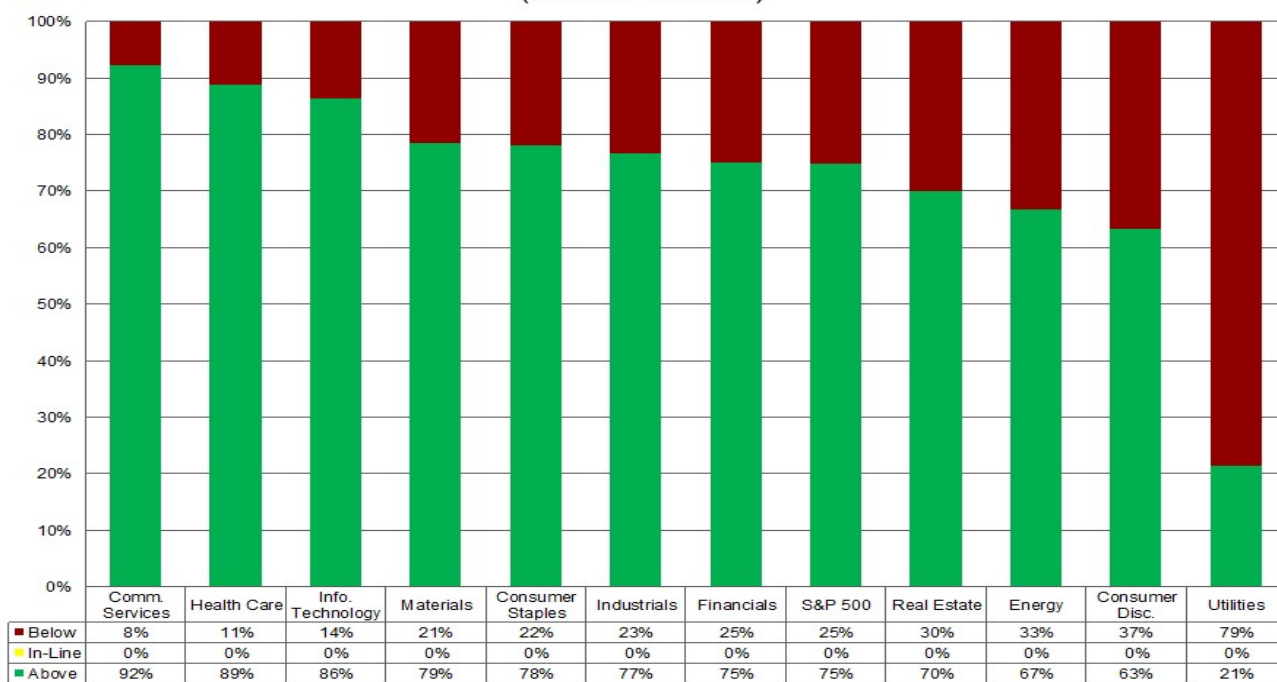
During the upcoming week, one S&P 500 company is scheduled to report results for the fourth quarter and five S&P 500 companies (including one Dow 30 component) are scheduled to report results for the first quarter.

## Q4 2020: Scorecard

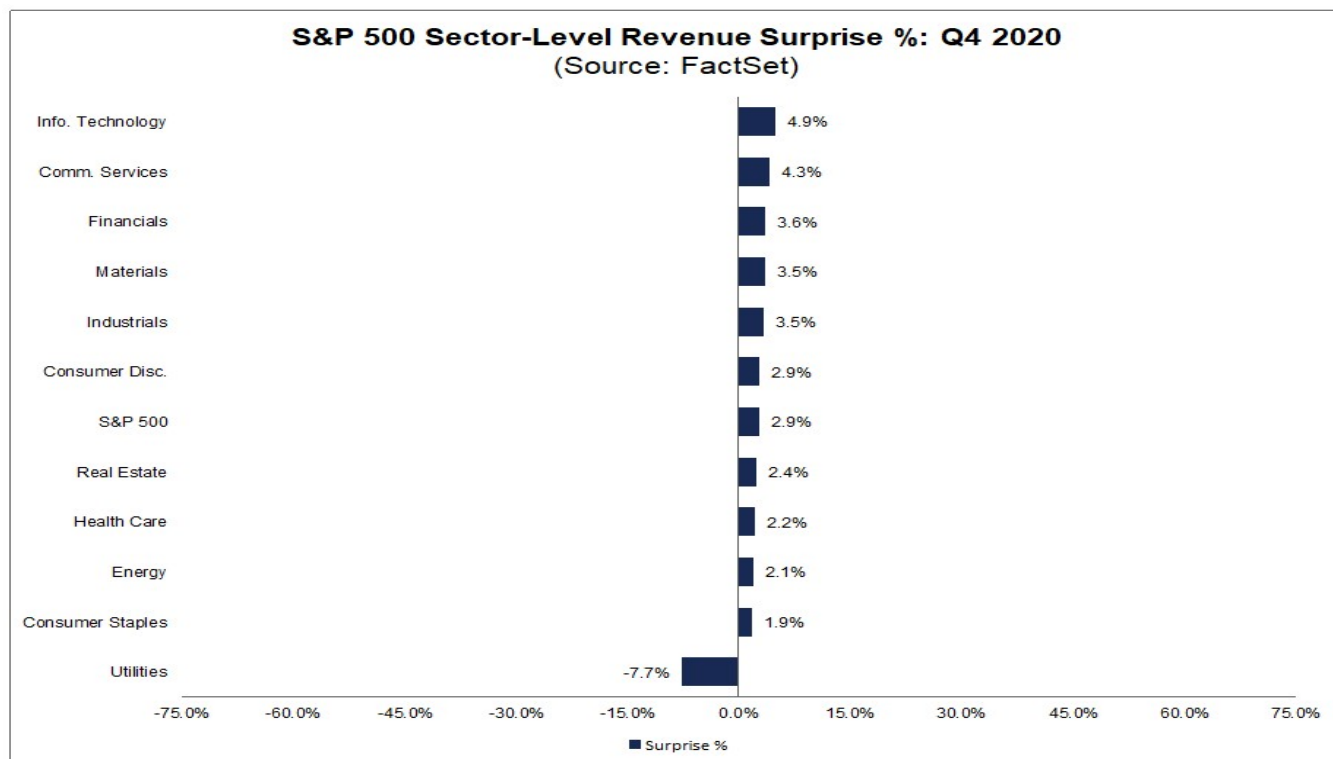
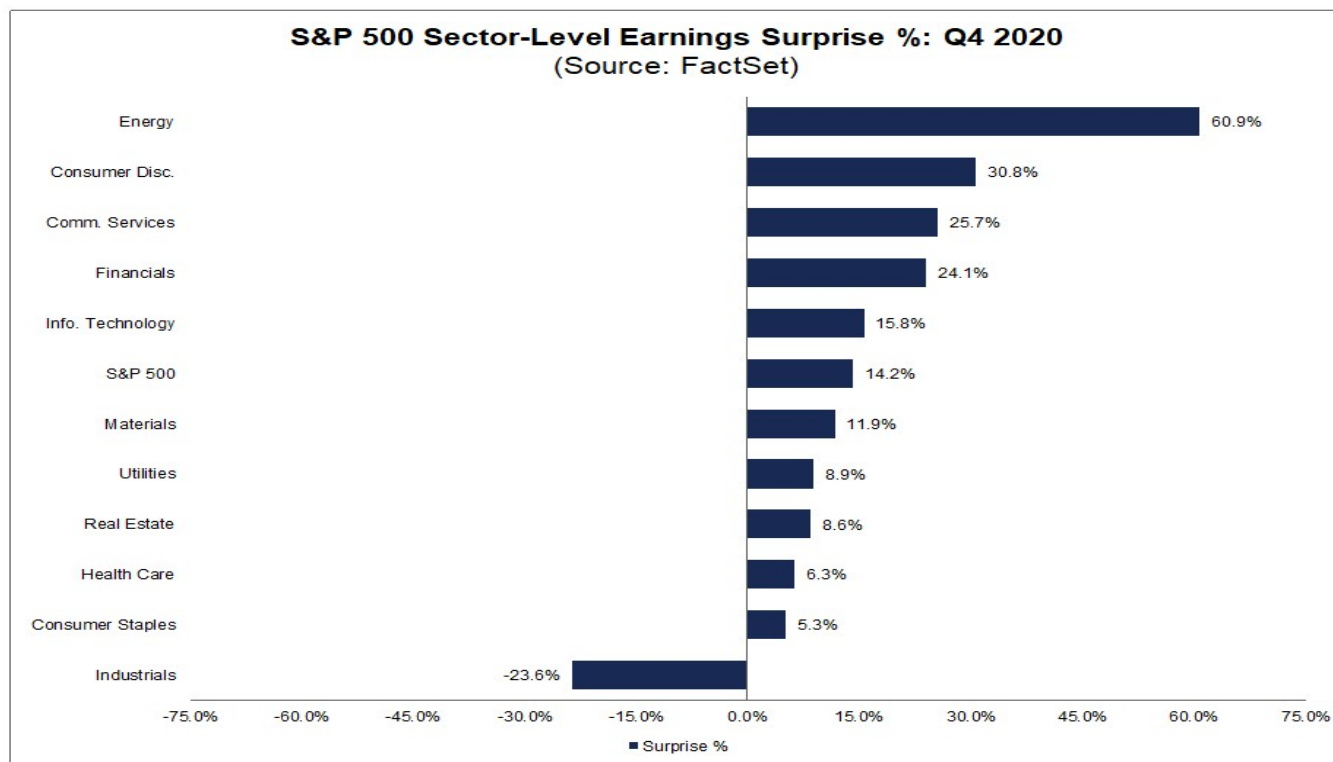
**S&P 500 Earnings Above, In-Line, Below Estimates: Q4 2020**  
(Source: FactSet)



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

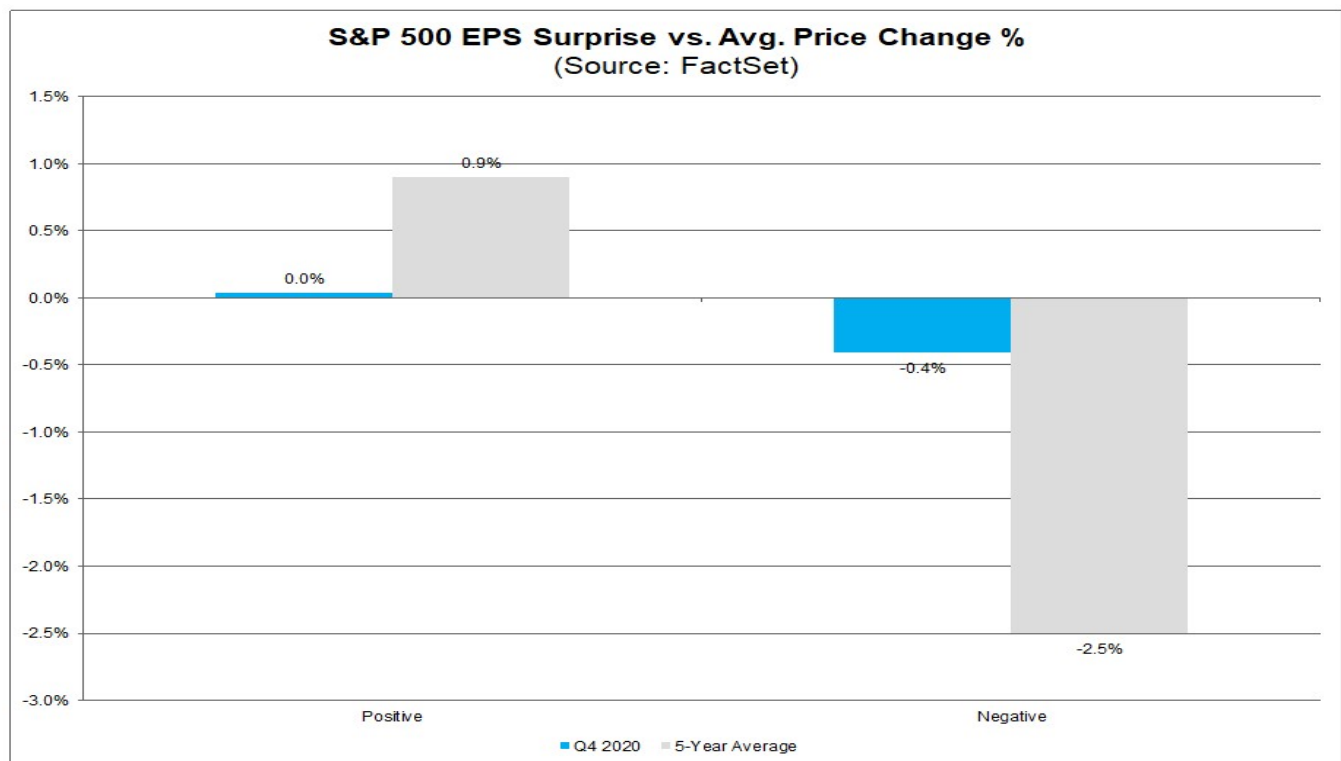
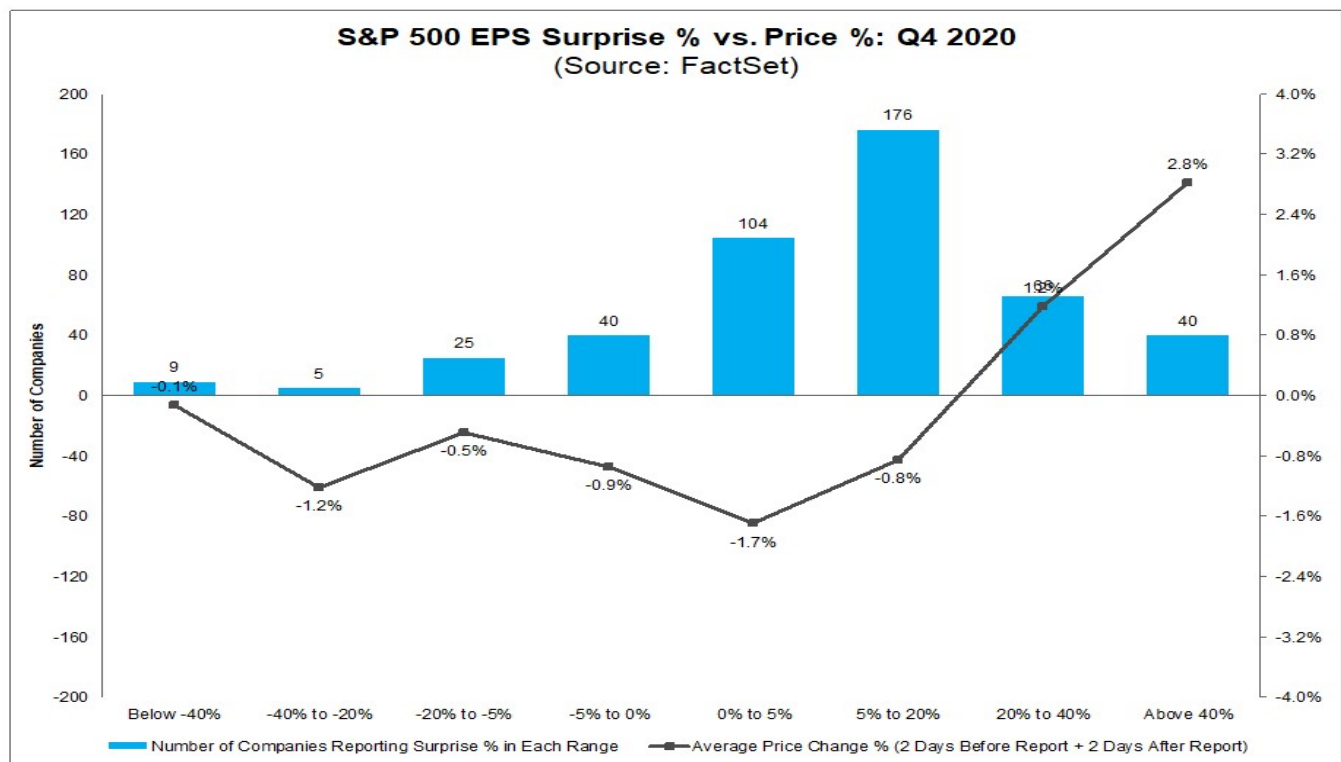


## Q4 2020: Scorecard



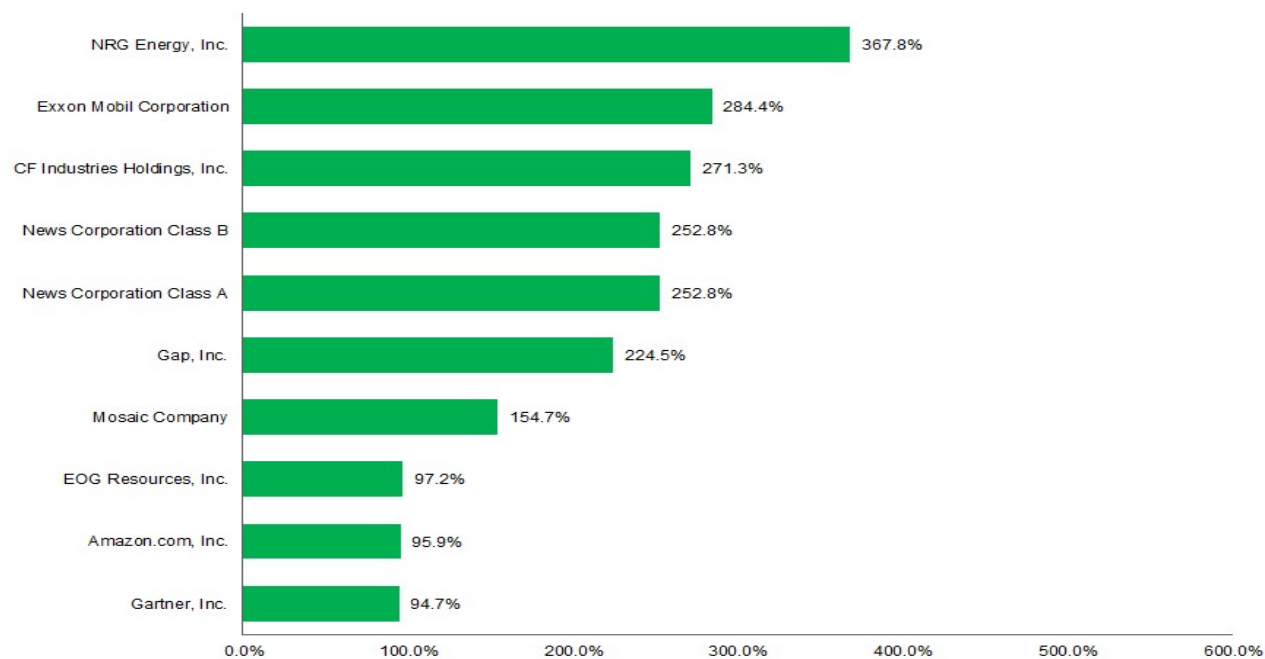


# Q4 2020: Scorecard

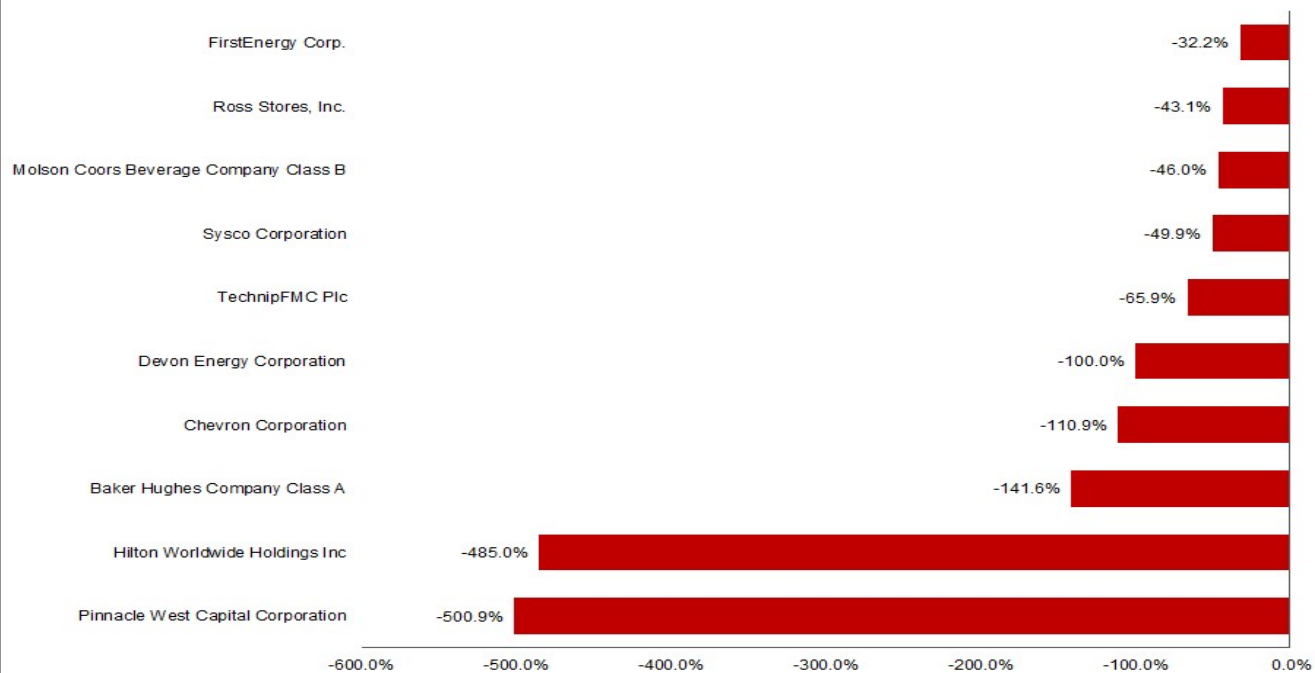


## Q4 2020: Scorecard

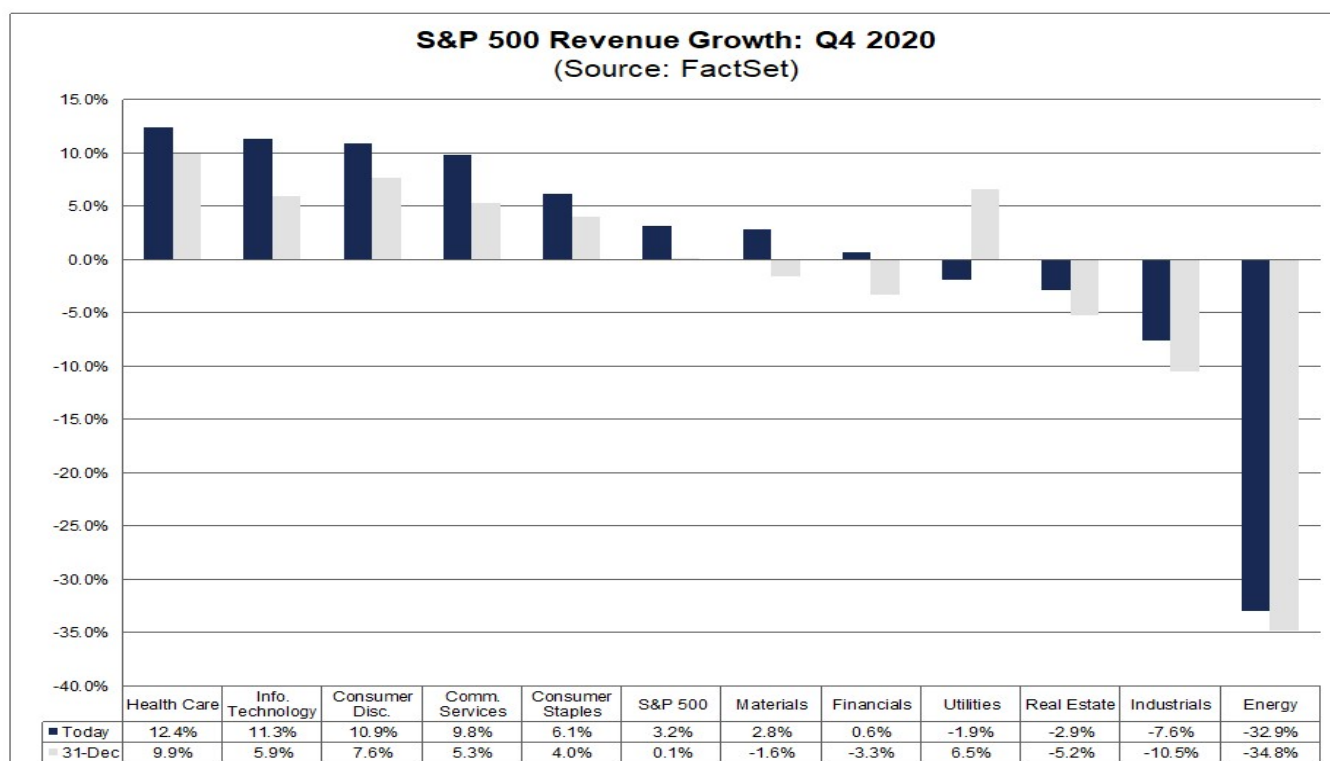
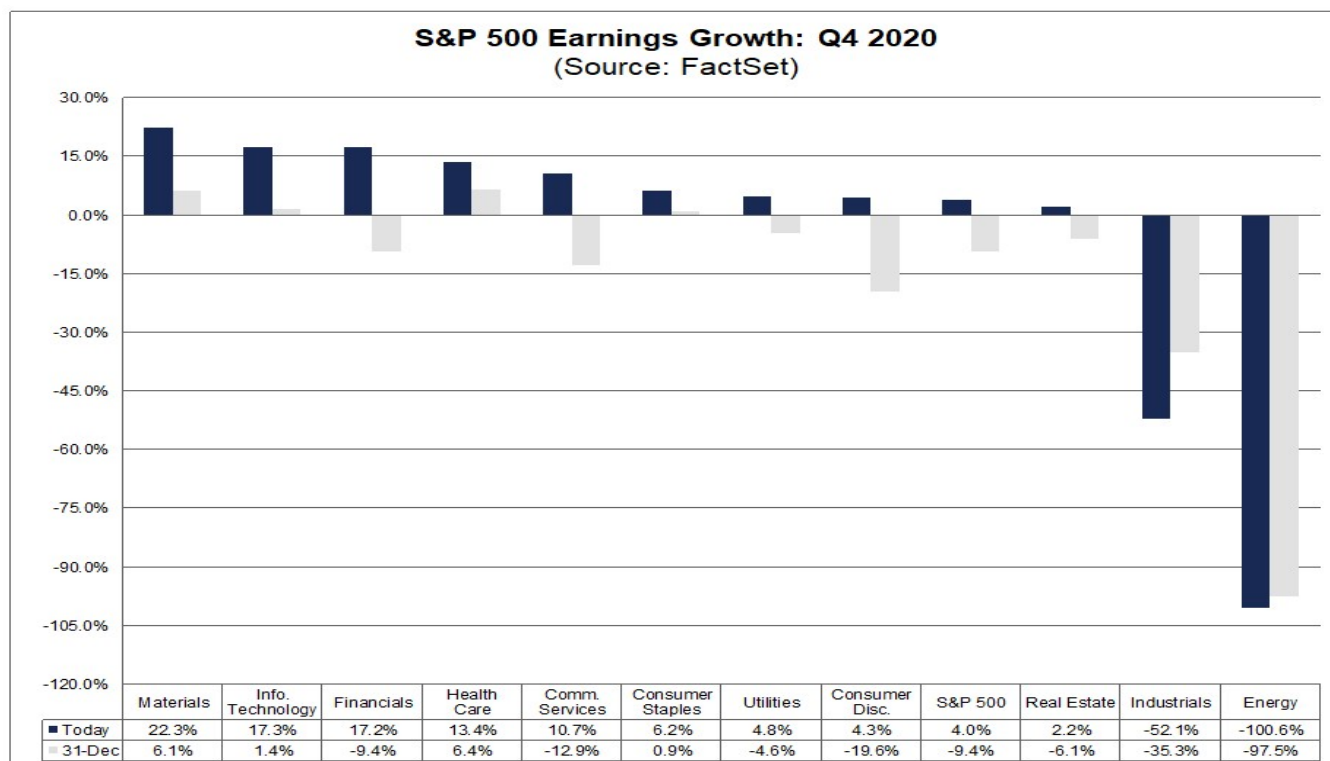
**S&P 500 Actual EPS Surprise %: Top 10 Q4 Actual EPS Surprises**  
(Source: FactSet)



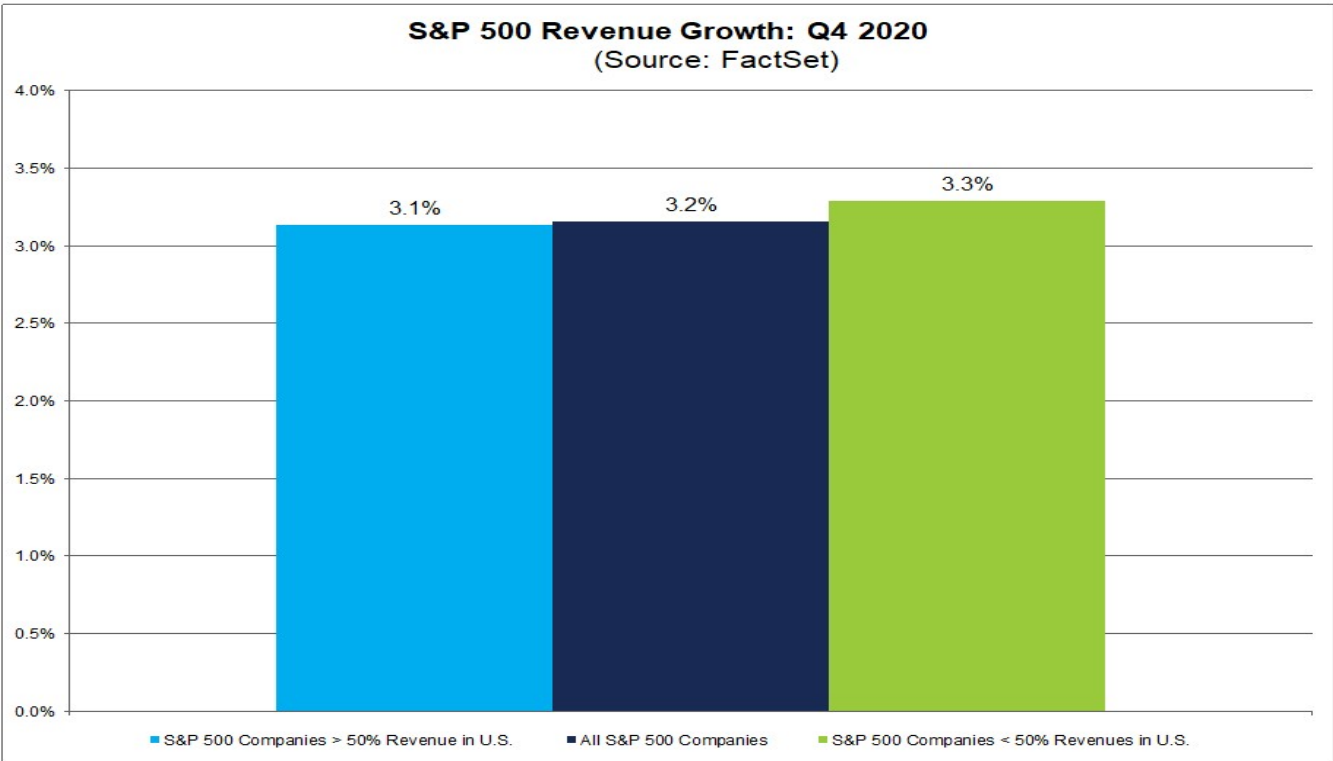
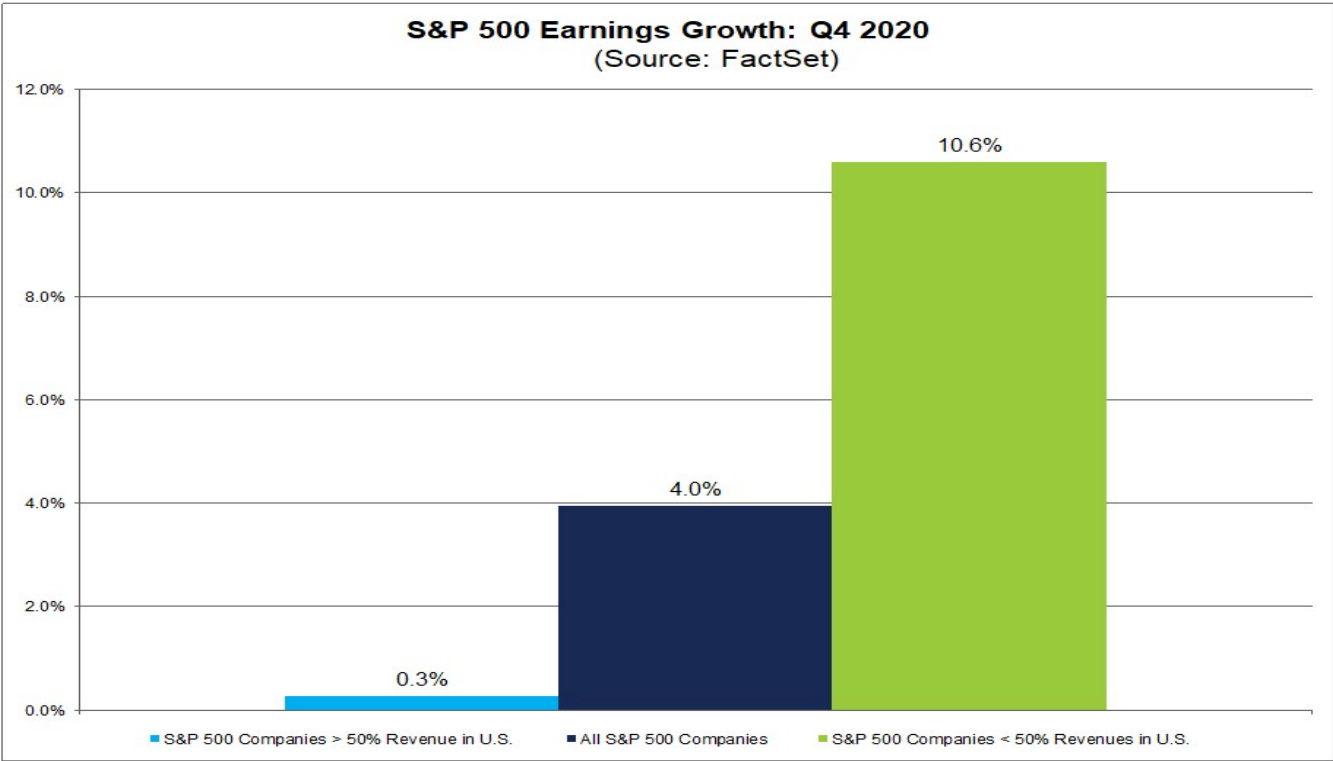
**S&P 500 Actual EPS Surprise %: Bottom 10 Q4 Actual EPS Surprises**  
(Source: FactSet)



## Q4 2020: Growth



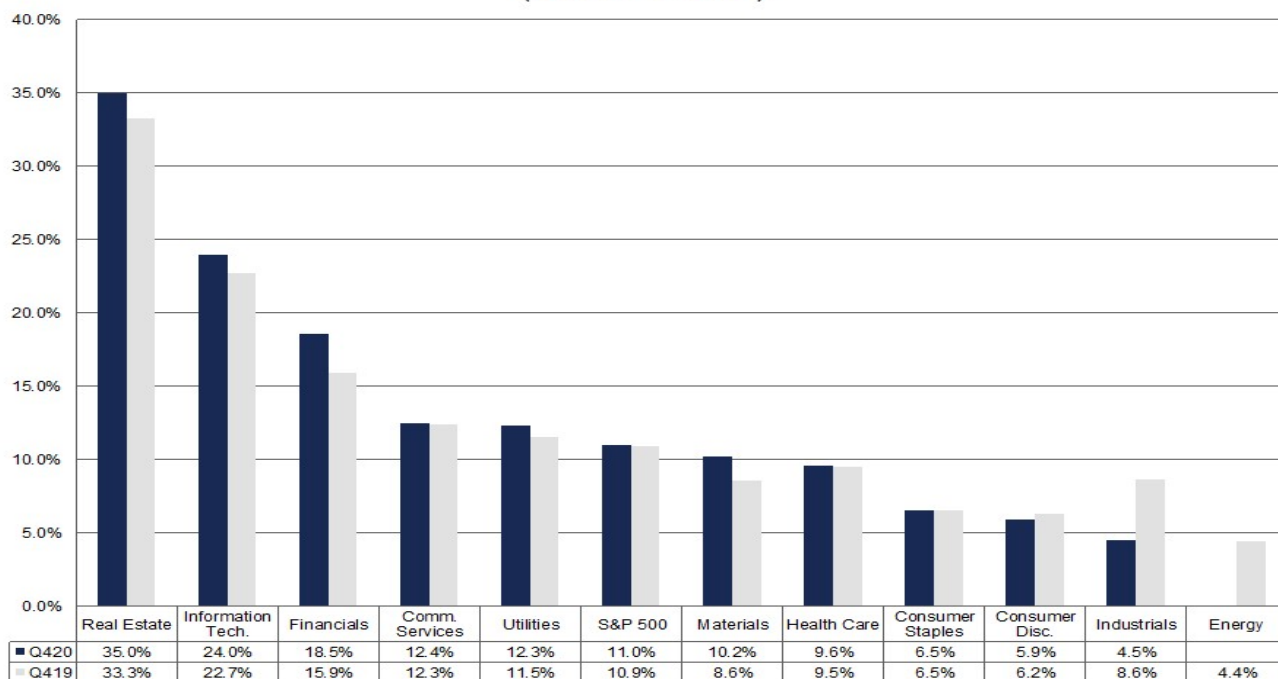
# Q4 2020: Growth



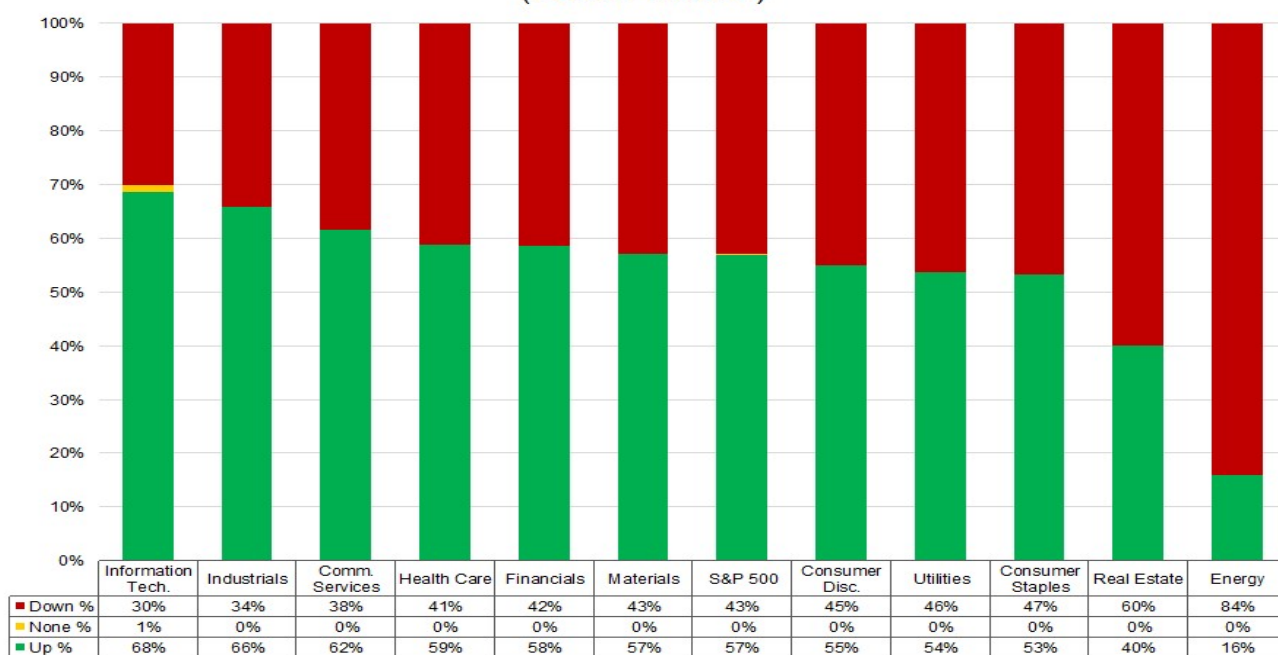
## Q4 2020: Net Profit Margin

**S&P 500 Net Profit Margins: Q420 vs. Q419**

(Source: FactSet)

**S&P 500: % of Cos. With Increase or Decrease in Net Profit Margin: Q420 vs. Q419**

(Source: FactSet)

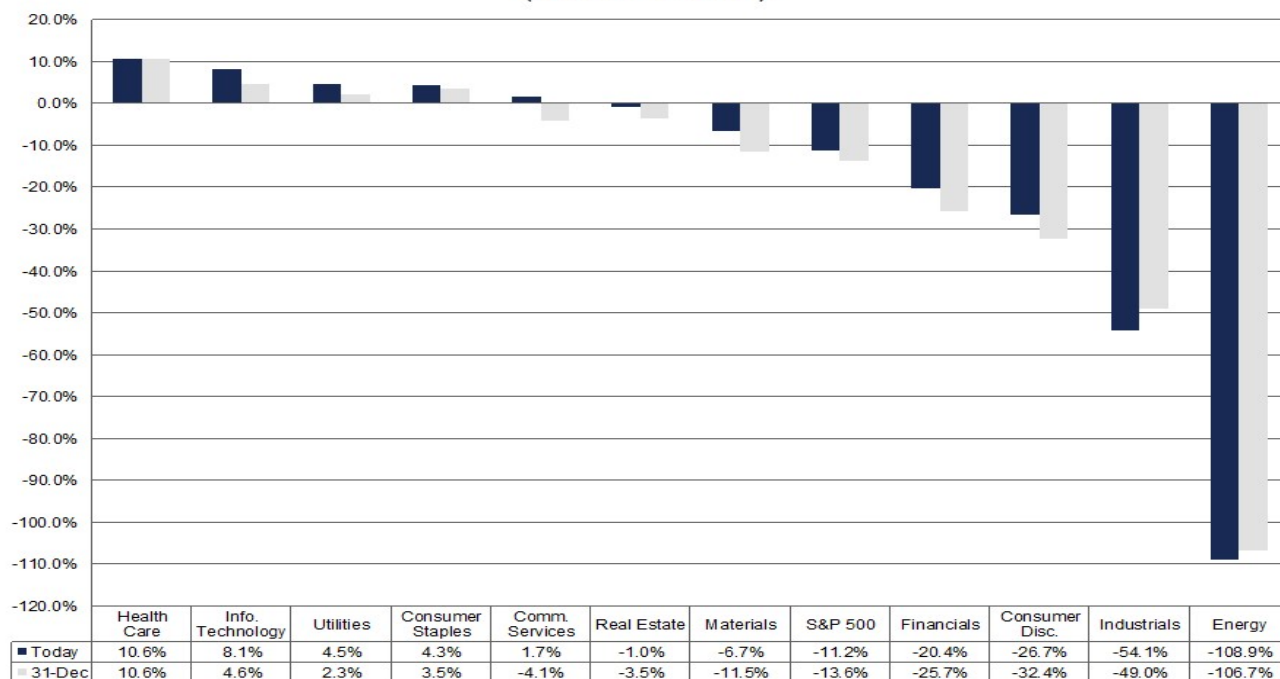




## CY 2020: Growth

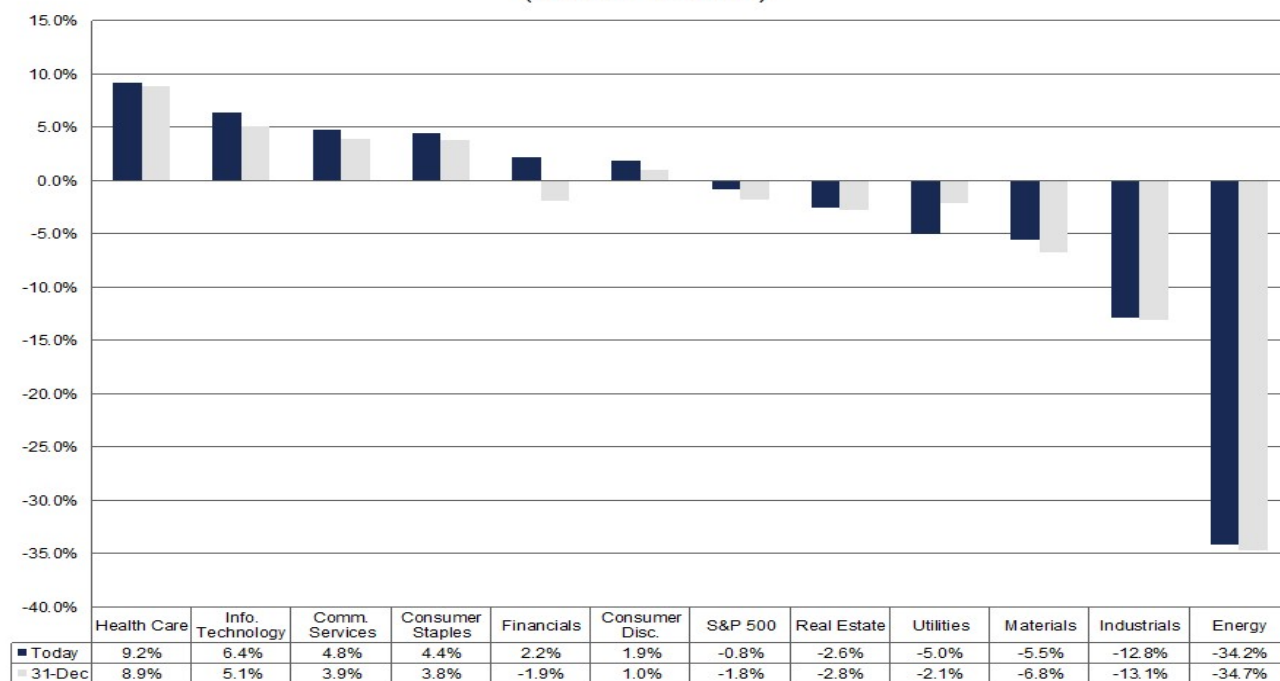
## S&amp;P 500 Earnings Growth: CY 2020

(Source: FactSet)



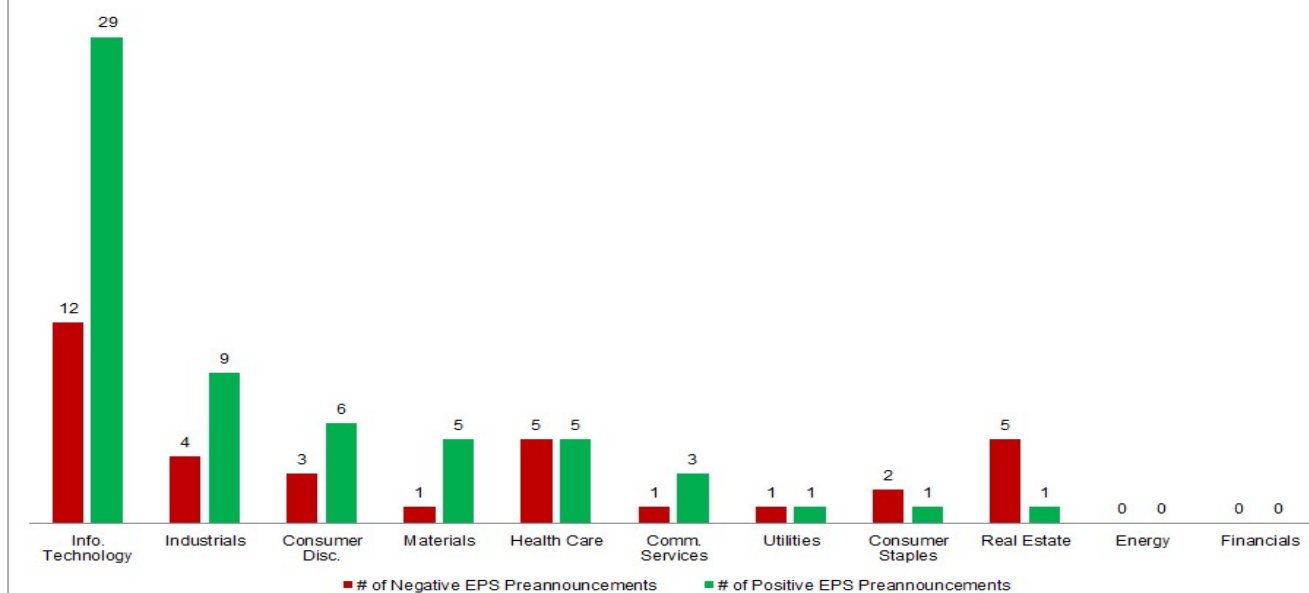
## S&amp;P 500 Revenue Growth: CY 2020

(Source: FactSet)



## Q1 2021: EPS Guidance

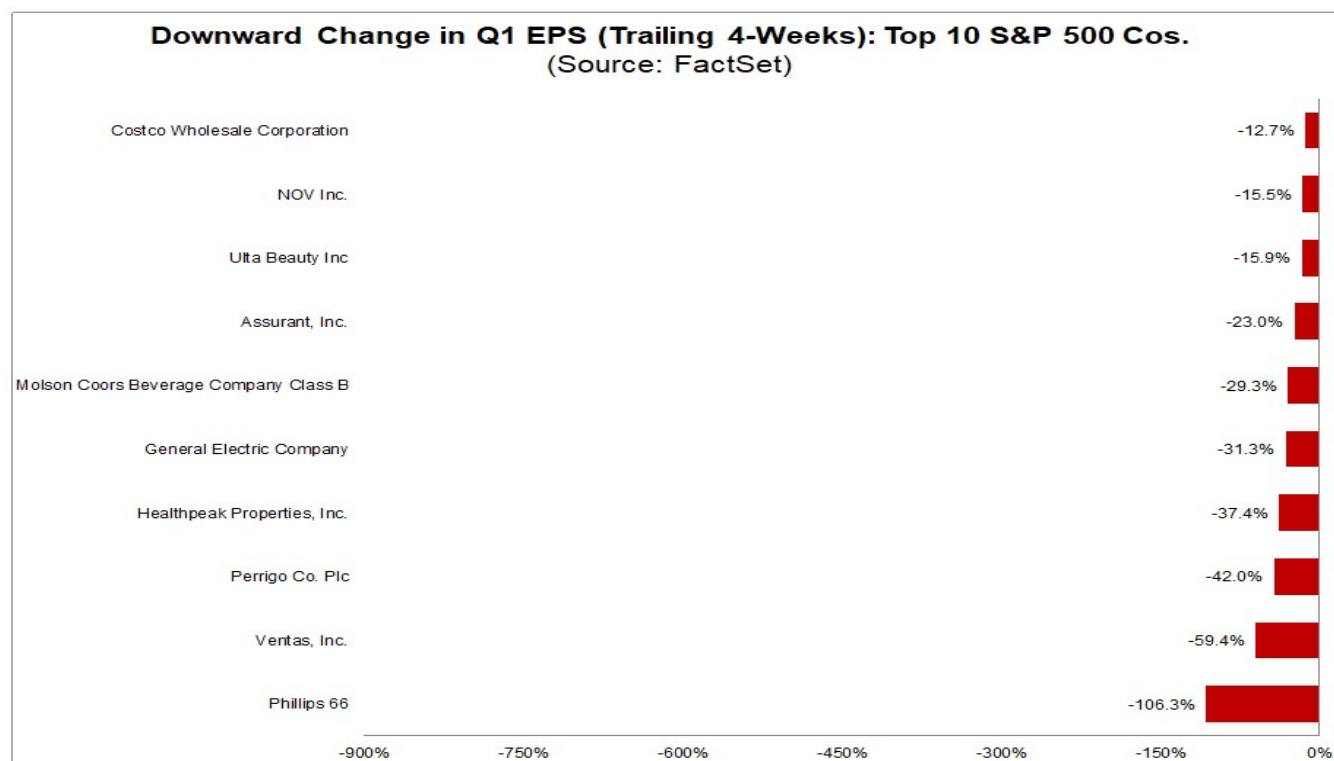
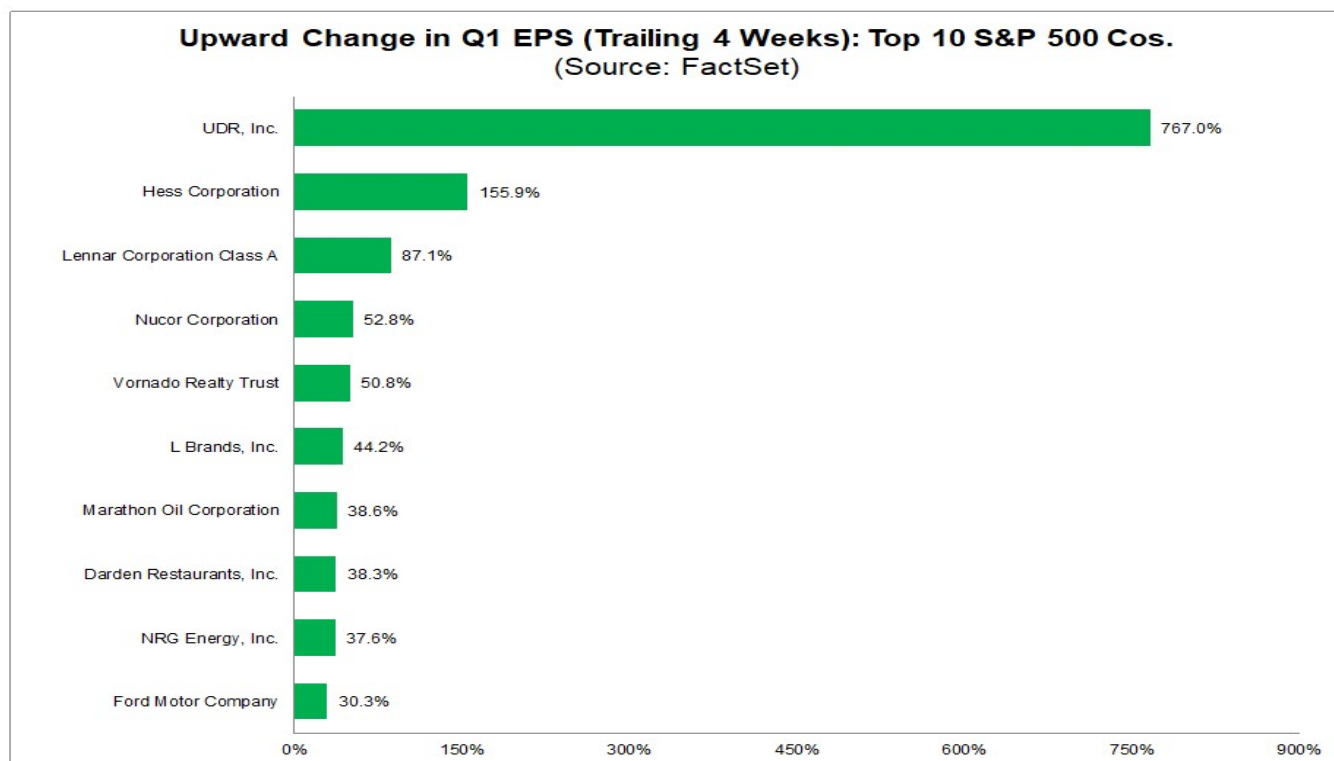
**Number (#) of S&P 500 Cos. with Q1 Positive & Negative Guidance**  
(Source: FactSet)



**Percentage (%) of S&P 500 Cos. with Q1 Positive & Negative Guidance**  
(Source: FactSet)

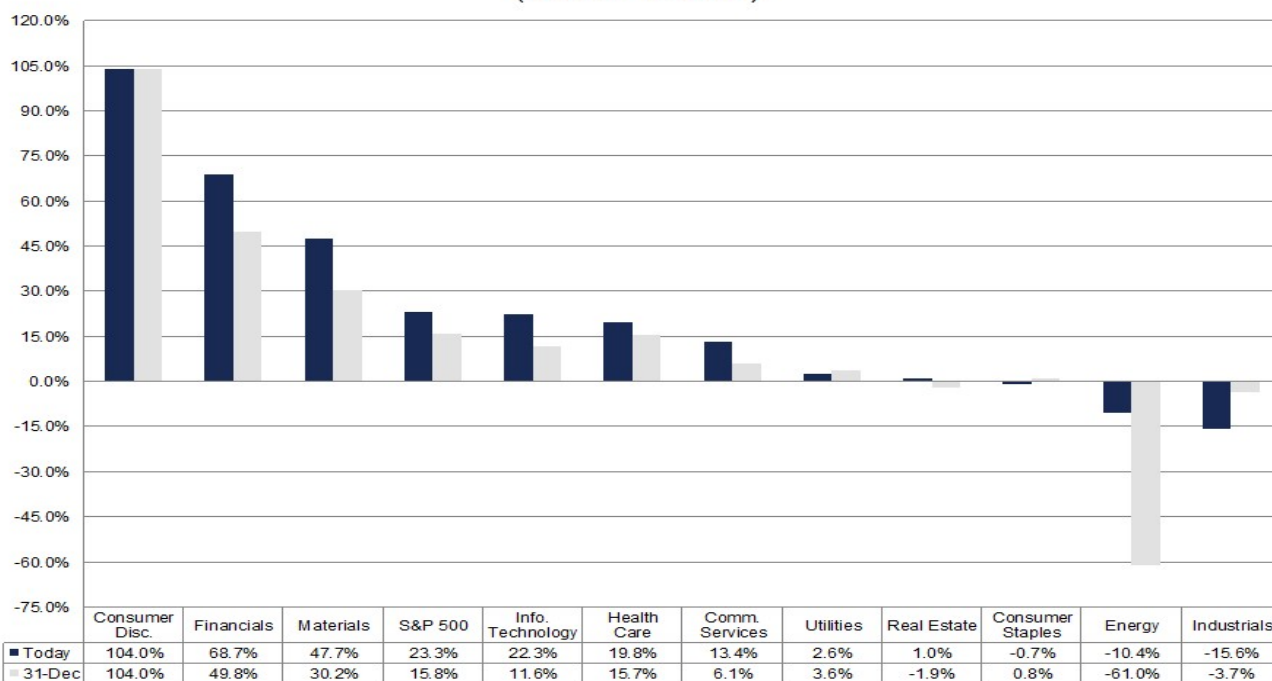


## Q1 2021: EPS Revisions

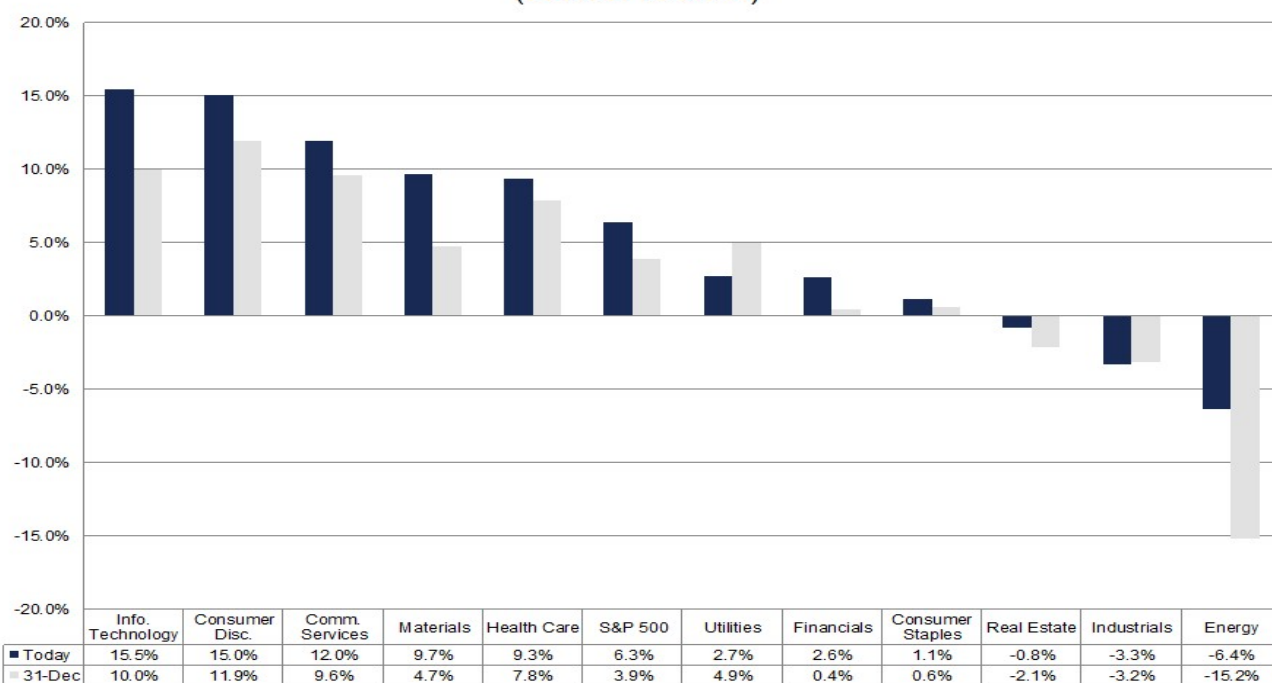


## Q1 2021: Growth

**S&P 500 Earnings Growth: Q1 2021**  
(Source: FactSet)

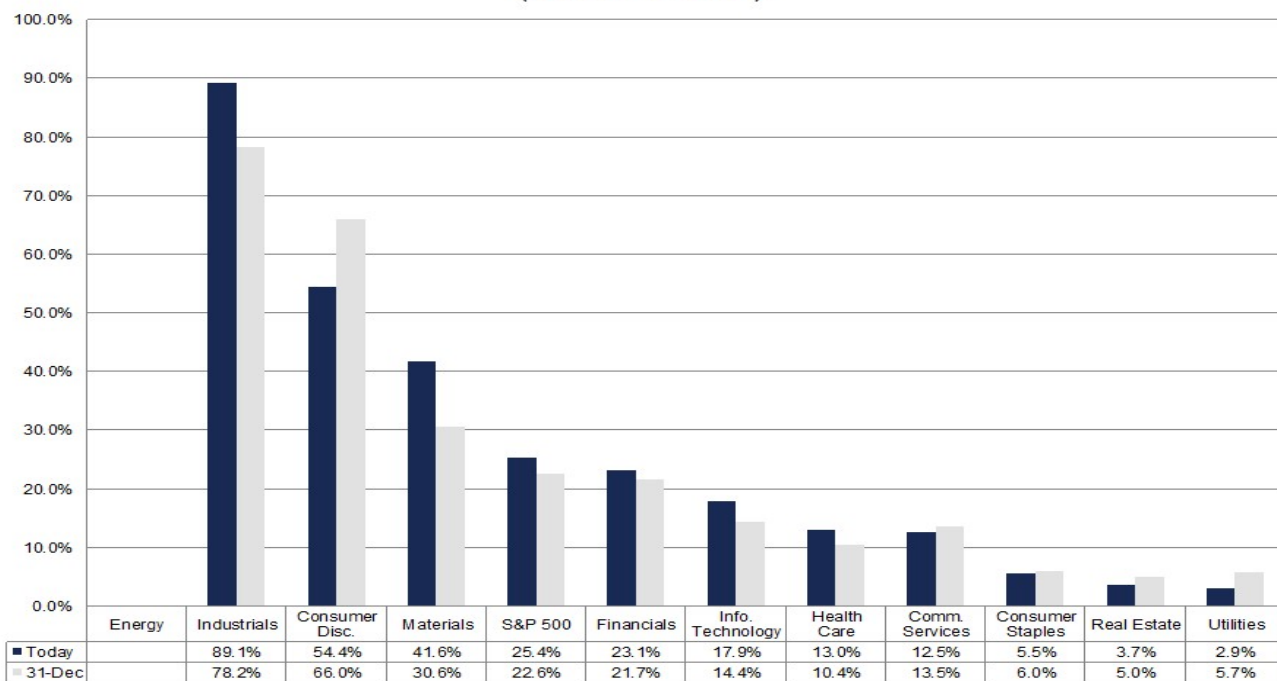


**S&P 500 Revenue Growth: Q1 2021**  
(Source: FactSet)

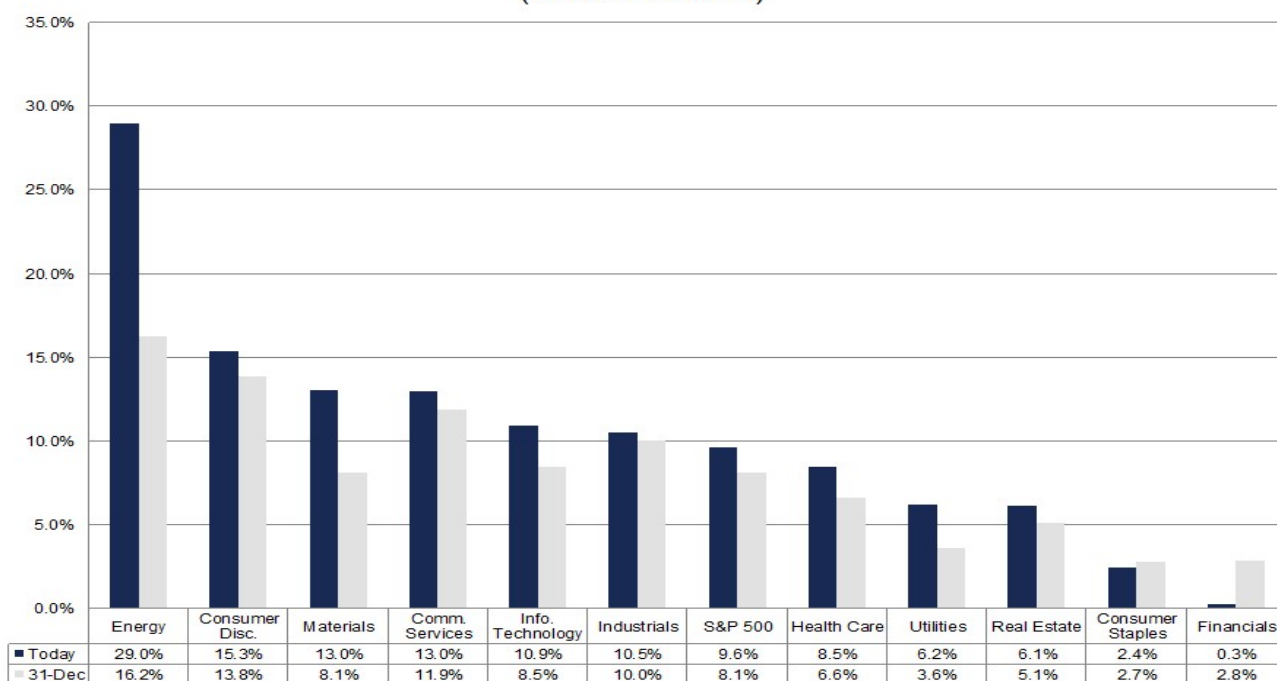


## CY 2021: Growth

**S&P 500 Earnings Growth: CY 2021**  
(Source: FactSet)



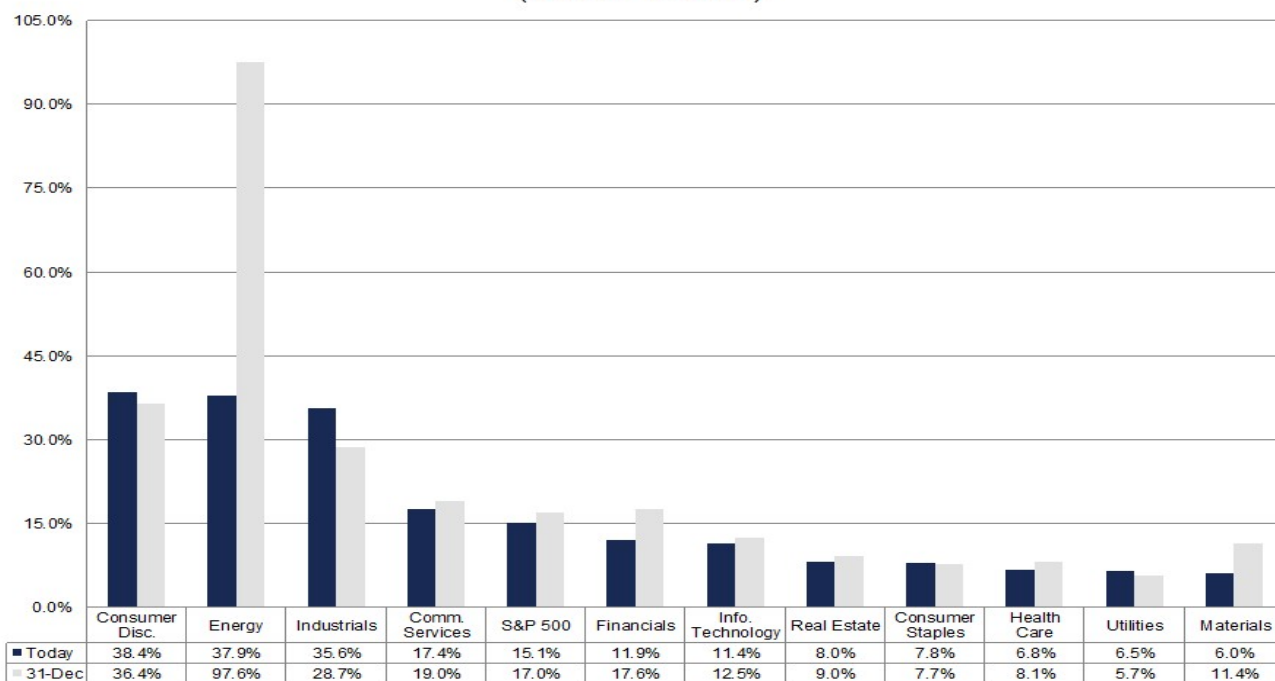
**S&P 500 Revenue Growth: CY 2021**  
(Source: FactSet)



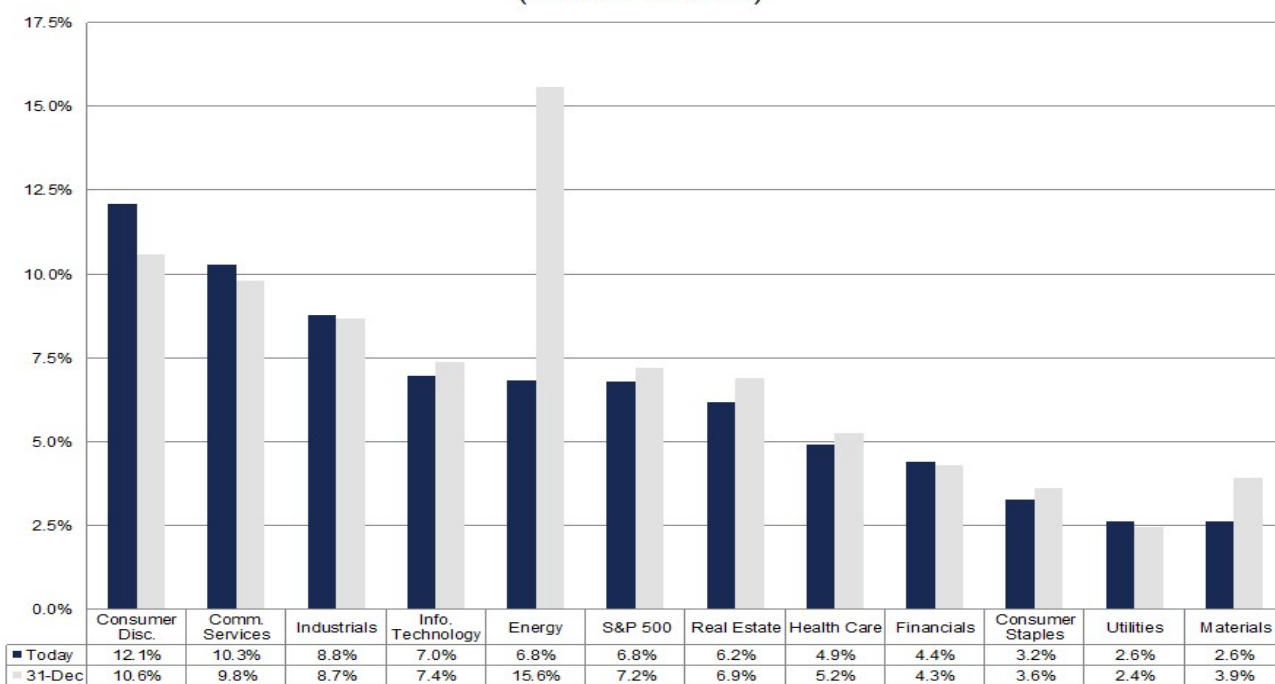


## CY 2022: Growth

**S&P 500 Earnings Growth: CY 2022**  
(Source: FactSet)

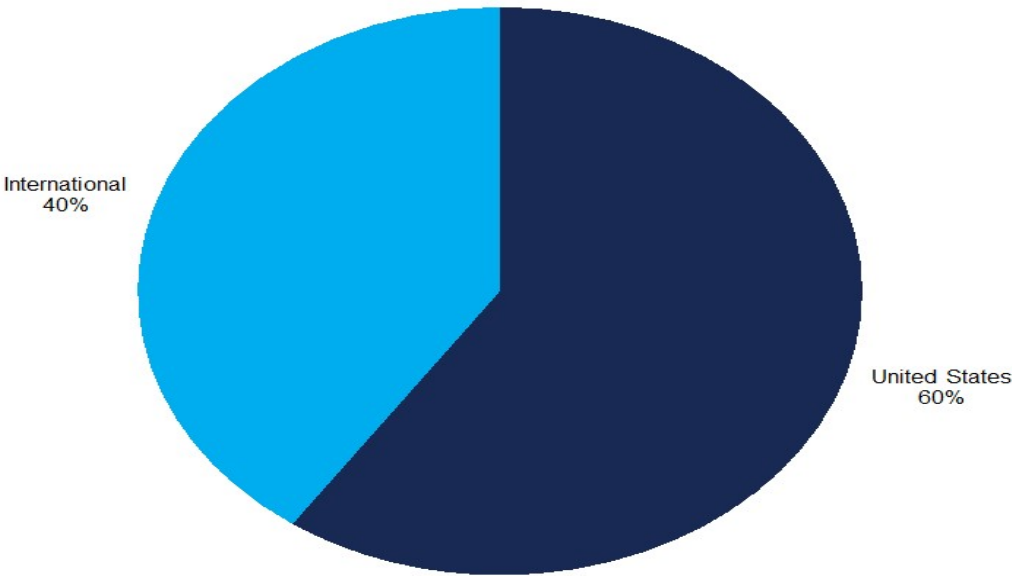


**S&P 500 Revenue Growth: CY 2022**  
(Source: FactSet)

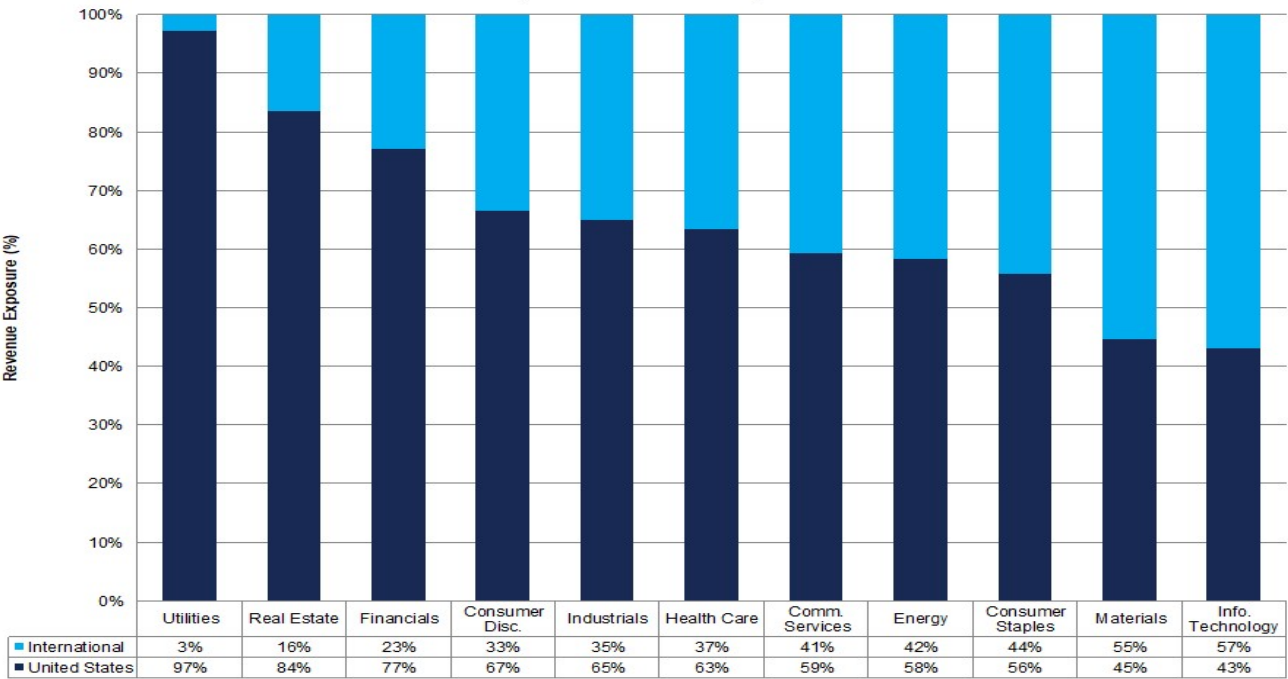


# Geographic Revenue Exposure

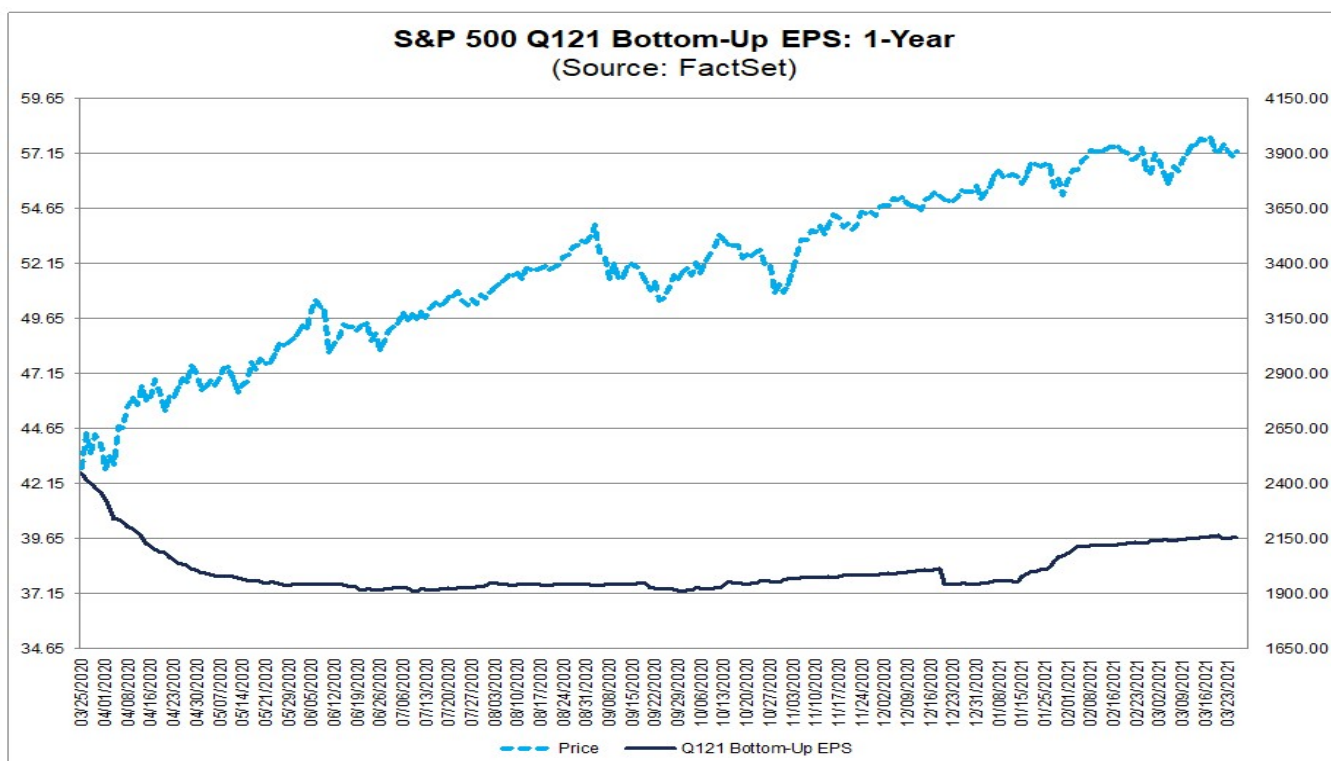
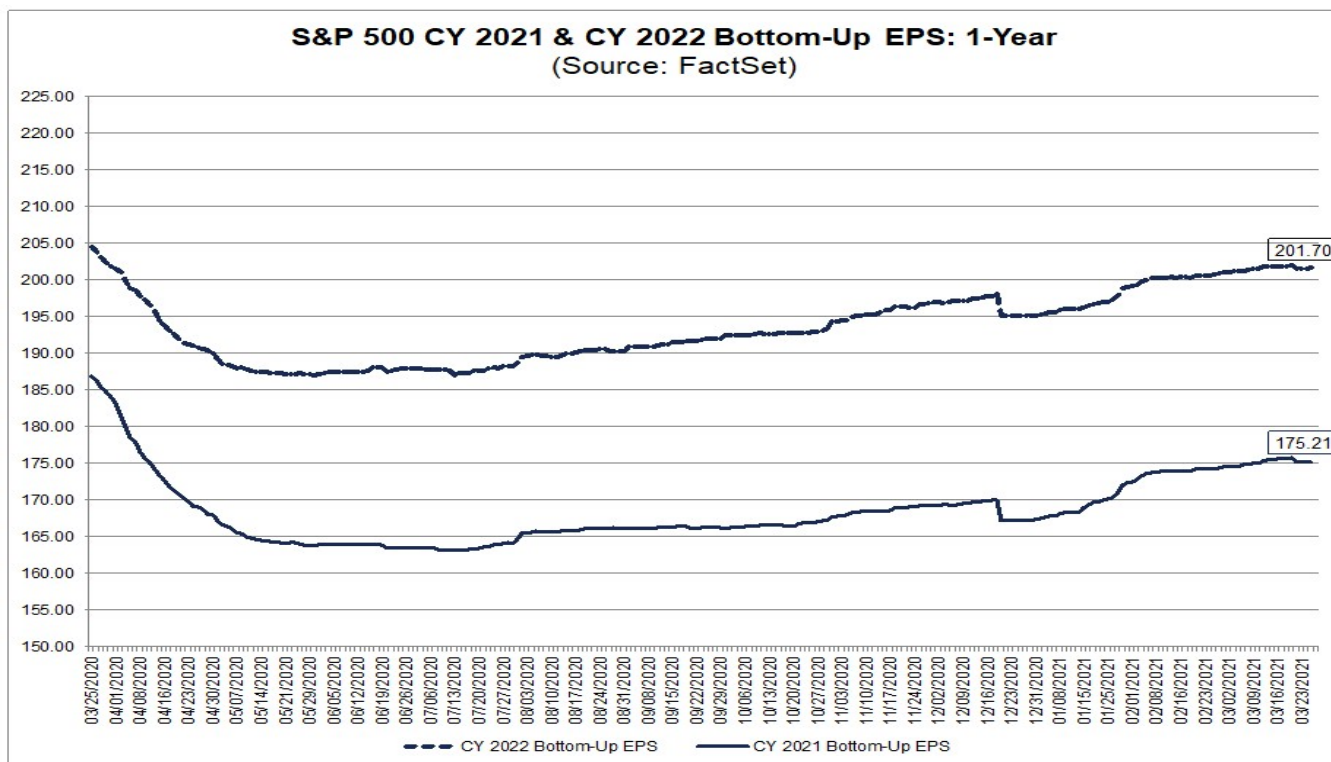
**S&P 500: Aggregate Geographic Revenue Exposure (%)**  
(Source: FactSet)



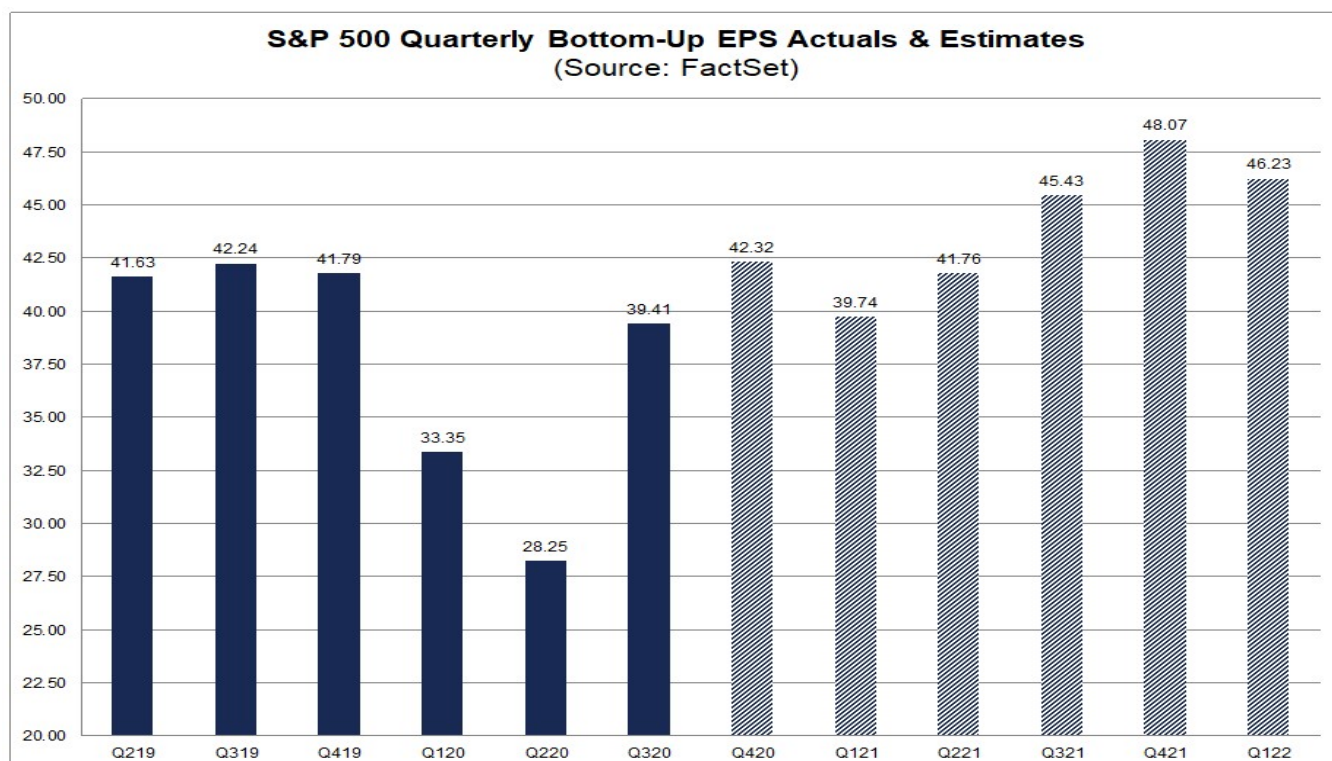
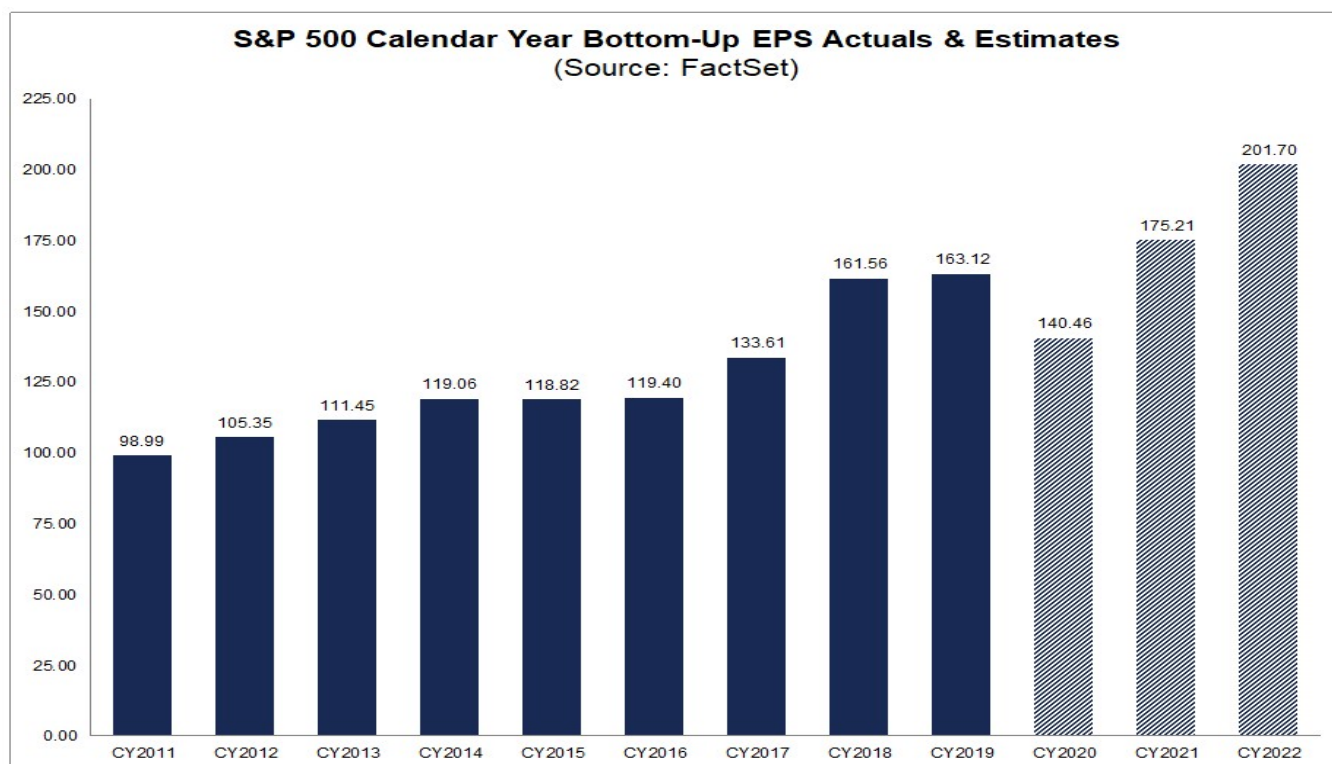
**S&P 500: Aggregate Sector Geographic Revenue Exposure (%)**  
(Source: FactSet)



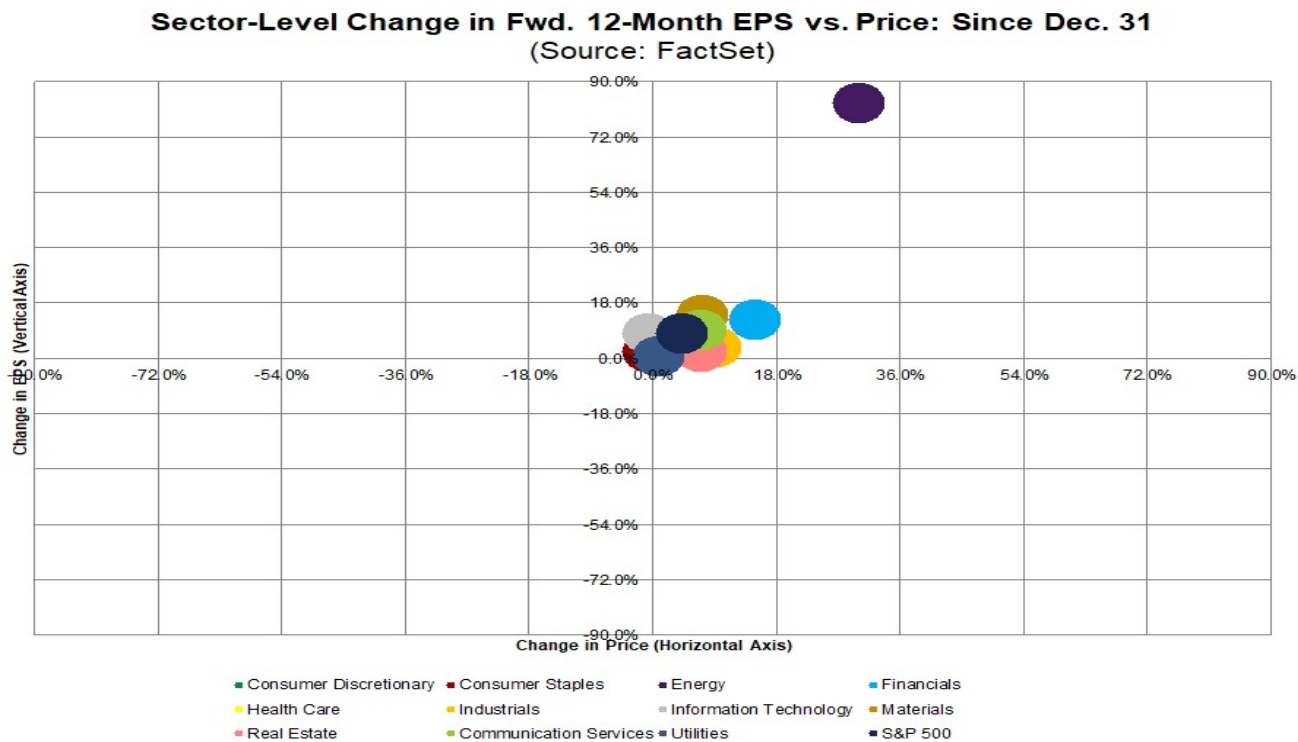
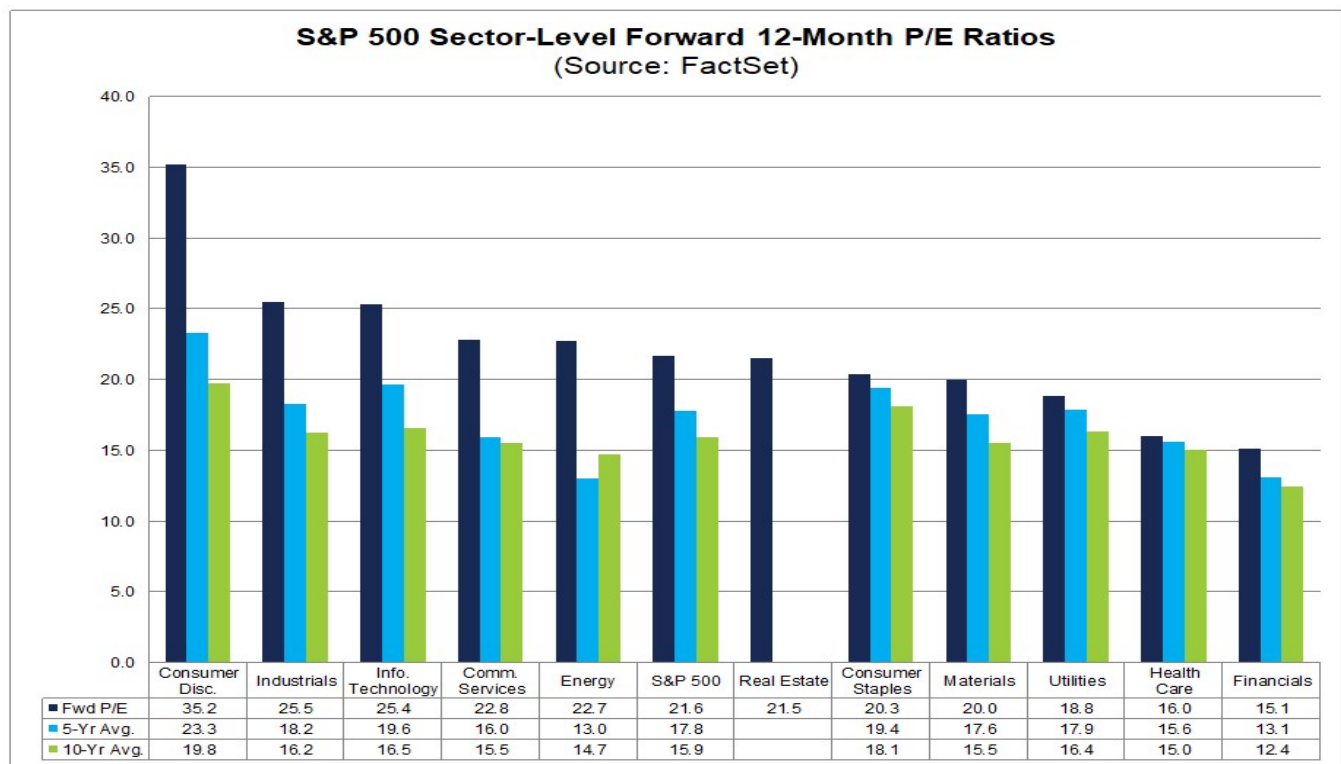
## Bottom-up EPS Estimates: Revisions



## Bottom-up EPS Estimates: Current & Historical

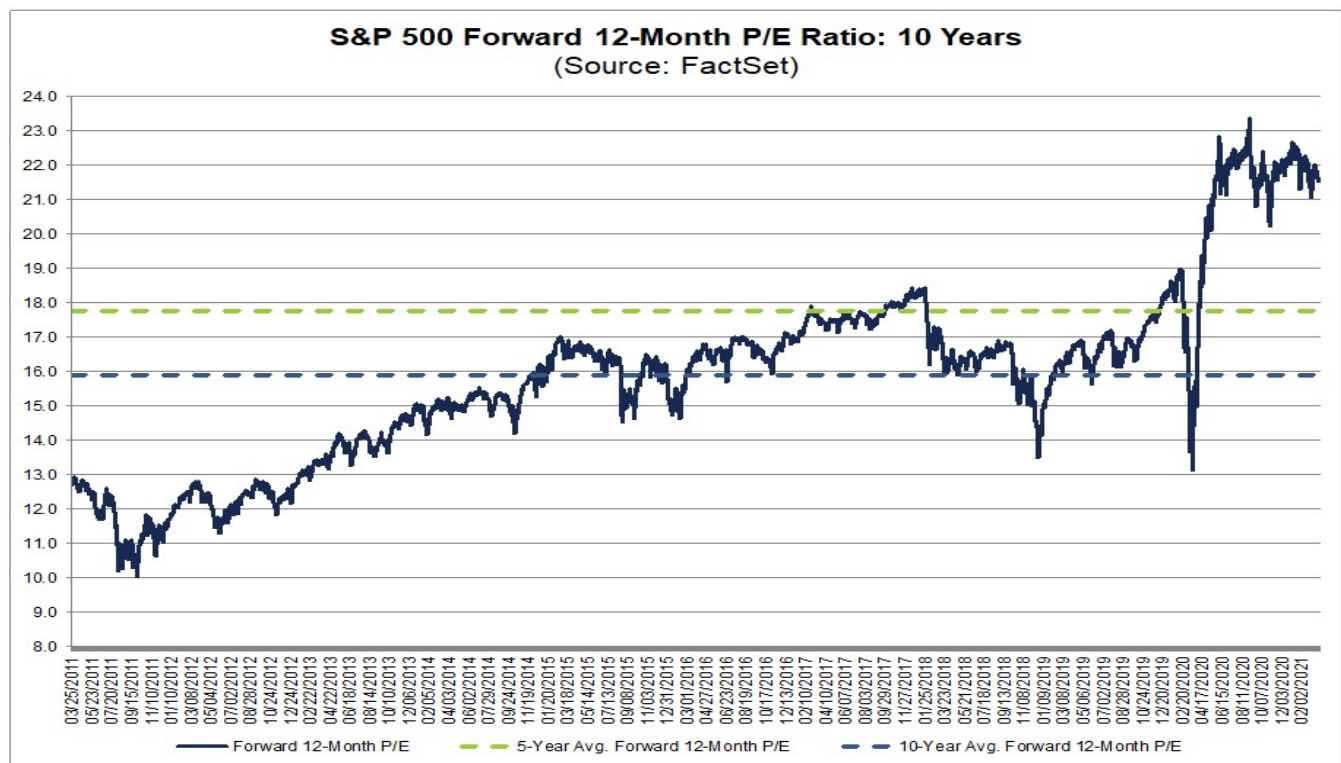
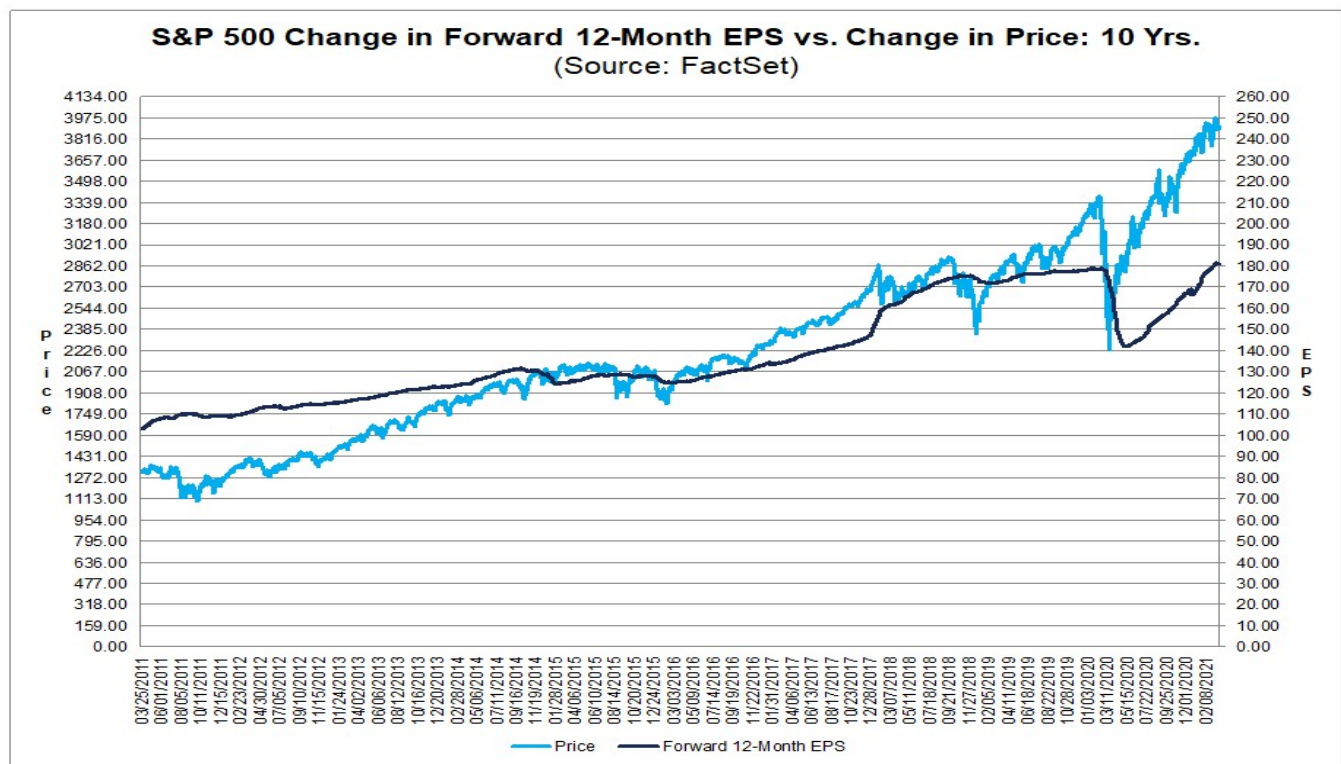


# Forward 12M P/E Ratio: Sector Level

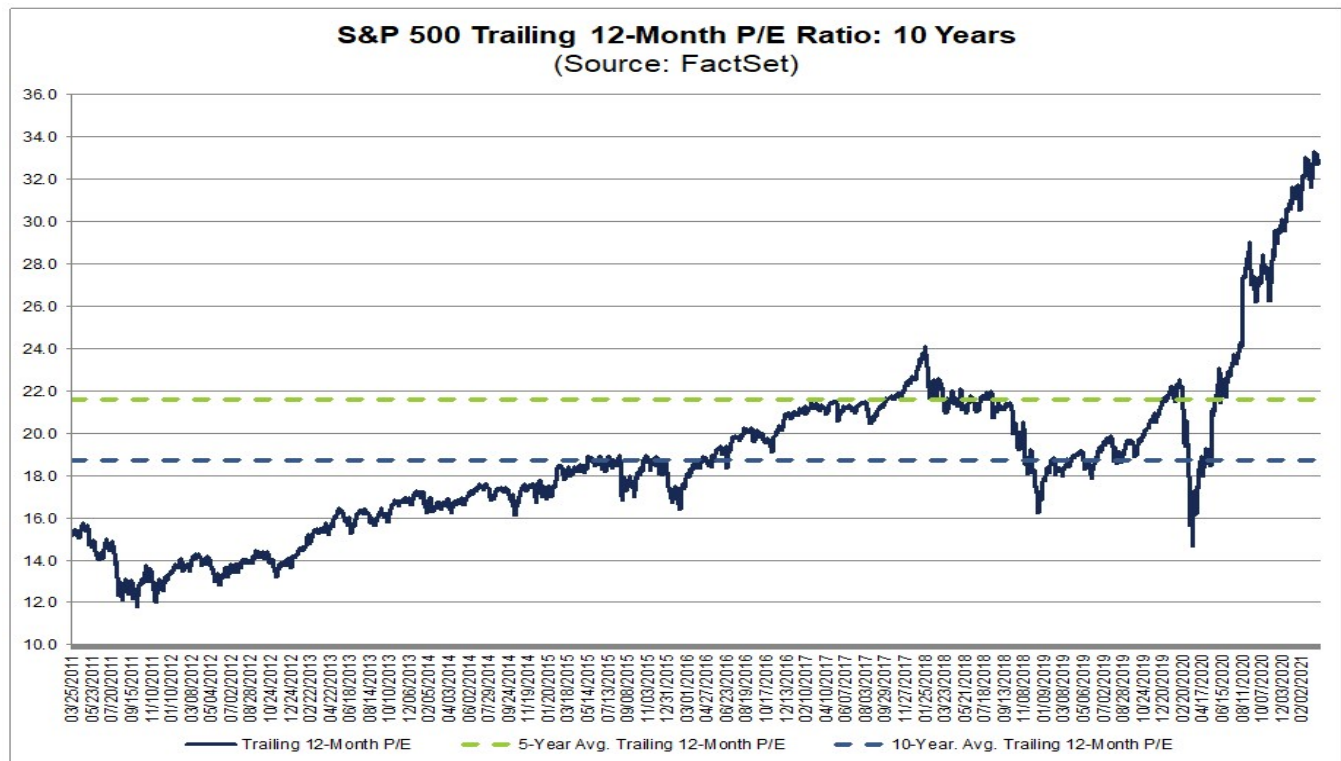
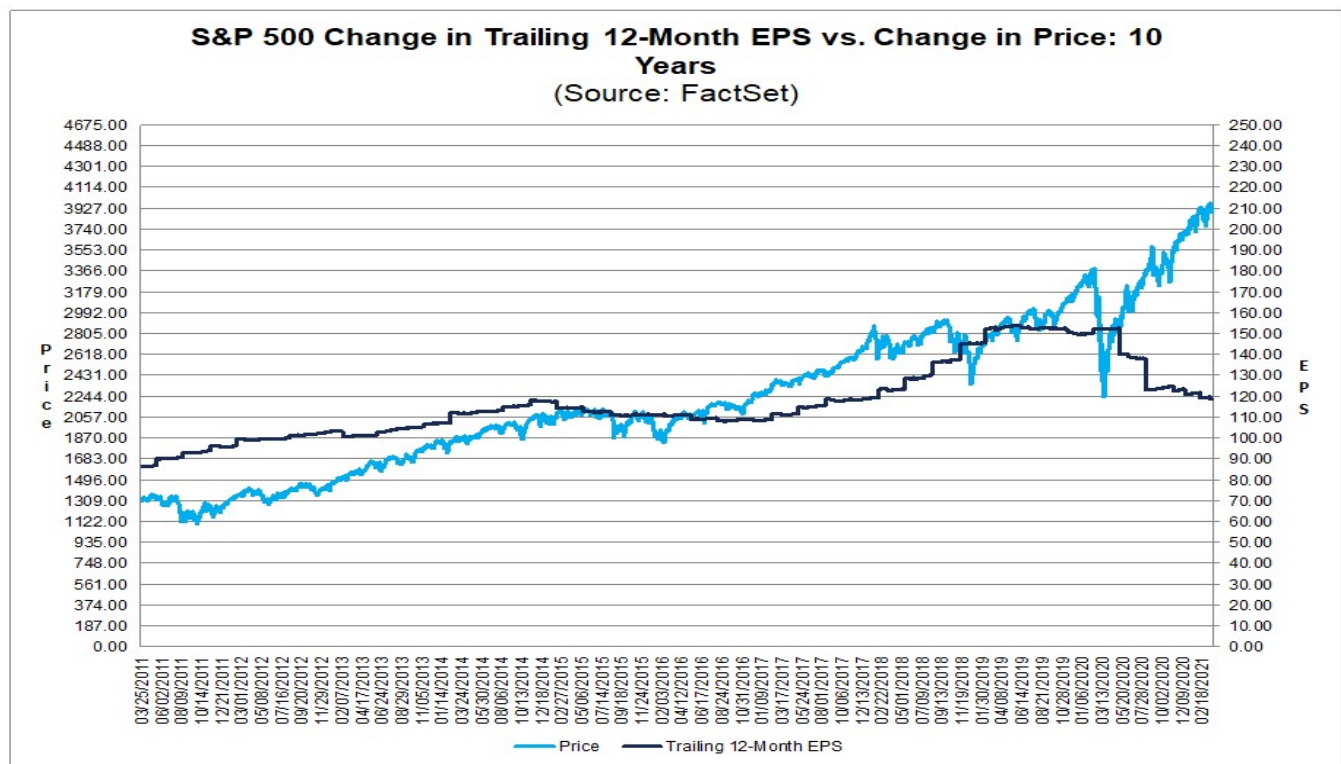




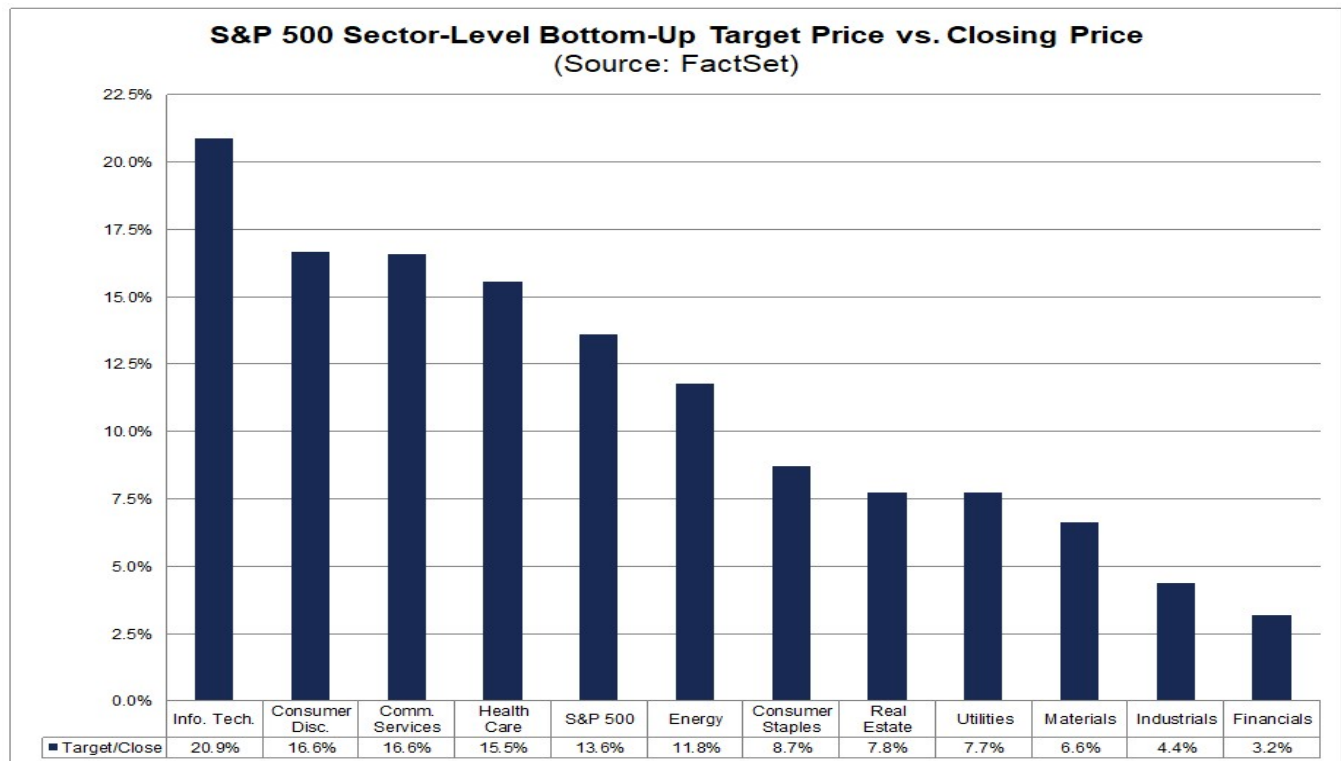
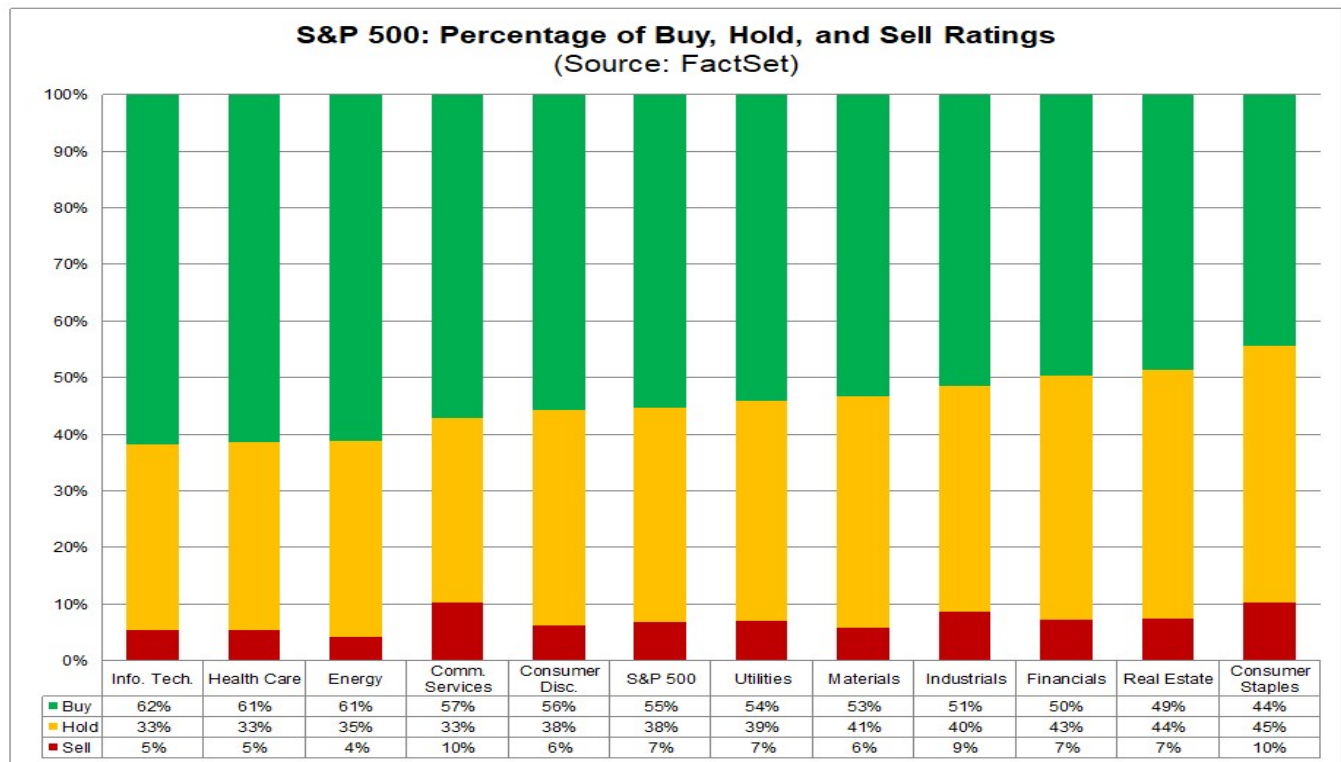
# Forward 12M P/E Ratio: 10-Years



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



# Targets & Ratings



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