

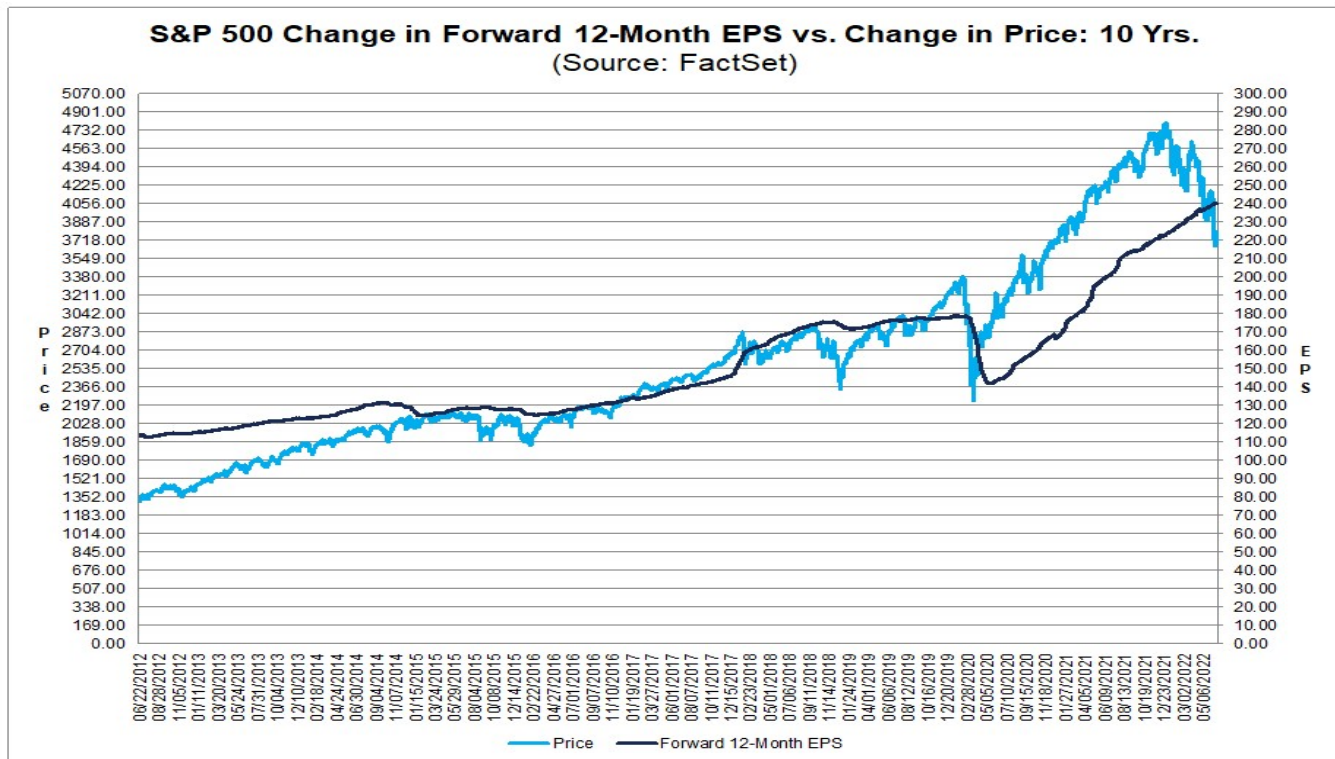
John Butters
 VP, Senior Earnings Analyst
jbutters@factset.com

Media Questions/Requests
media_request@factset.com

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Key Metrics

- **Earnings Growth:** For Q2 2022, the estimated earnings growth rate for the S&P 500 is 4.3%. If 4.3% is the actual growth rate for the quarter, it will mark the lowest earnings growth rate reported by the index since Q4 2020 (3.8%).
- **Earnings Revisions:** On March 31, the estimated earnings growth rate for Q2 2022 was 5.9%. Seven sectors are expected to report lower earnings today (compared to March 31) due to downward revisions to EPS estimates.
- **Earnings Guidance:** For Q2 2022, 71 S&P 500 companies have issued negative EPS guidance and 32 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 15.8. This P/E ratio is below the 5-year average (18.6) and below the 10-year average (16.9).
- **Earnings Scorecard:** For Q2 2022 (with 11 S&P 500 companies reporting actual results), 7 S&P 500 companies have reported a positive EPS surprise and 9 S&P 500 companies have reported a positive revenue surprise.



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Topic of the Week:

Bottom-Up Target Price For S&P 500 Drops Below 5,000 For First Time Since August 2021

The price of the S&P 500 has decreased by 20% since December 31. Where do industry analysts believe the price of the index will go from here?

In conjunction with the decline in the price of the S&P 500 since the start of the year, industry analysts have also been lowering their target prices on S&P 500 companies in recent months. Since peaking at 5,344.26 on January 20, 2022, the bottom-up target price for the S&P 500 has declined by 7% to 4,987.28 on June 23, 2022. The bottom-up target price is calculated by aggregating the median target price estimates (based on company-level estimates submitted by industry analysts) for all the companies in the index.

This week marked the first time the bottom-up target price for the index has dipped below 5,000 since August 23, 2021.

However, it should be noted that the bottom-up target price of 4,987.28 on June 23 was still 31.4% above the closing price of 3,795.73 on the same day. Thus, even with the recent decrease in the bottom-up target price, industry analysts still believe the value of the index will increase by more than 30% in the next 12 months.

At the sector level, the Communication Services (+42.6%), Consumer Discretionary (+40.2%), and Information Technology (+36.5%) sectors are expected to see the largest price increases, as these three sectors had the largest upside differences between the bottom-up target price and the closing price on June 23. On the other hand, the Consumer Staples (+14.8%) and Utilities (+16.1%) sectors are expected to see the smallest price increases, as these two sectors had the smallest upside differences between the bottom-up target price and the closing price on June 23.

At the company level, the ten stocks in the S&P 500 with the largest upside and downside differences between their median target price and closing price (on June 23) can be found on page 4. It is interesting to note that only six S&P 500 companies had a target price below their closing price on June 23.

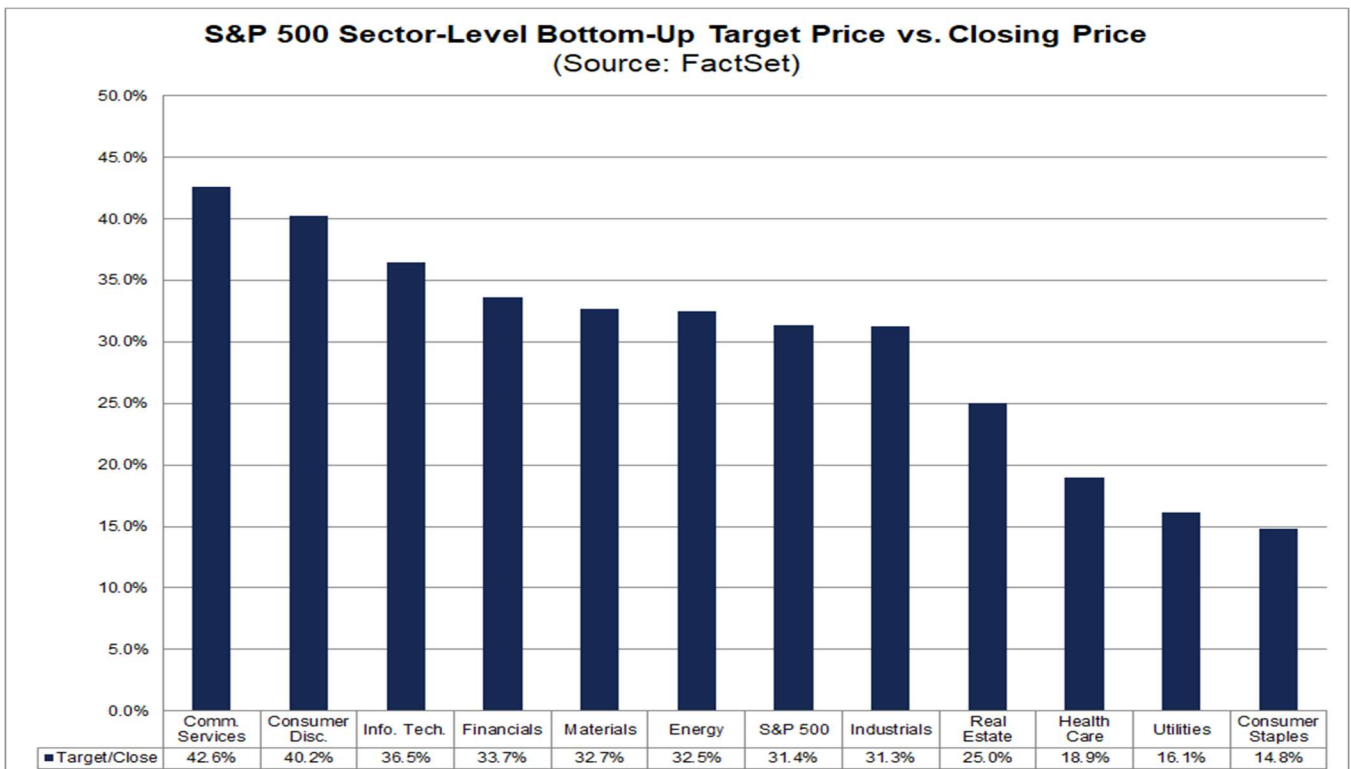
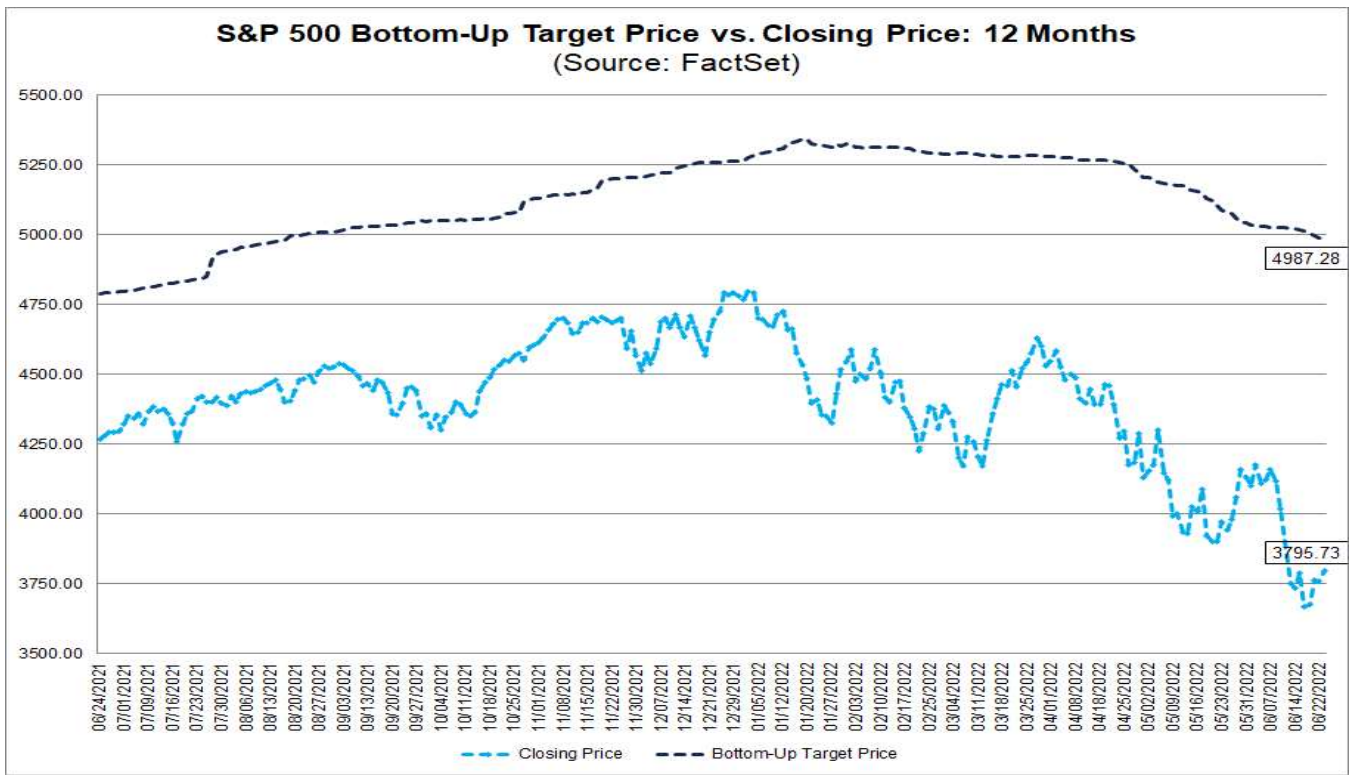
How accurate have the industry analysts been in predicting the future value of the S&P 500?

In recent time periods, industry analysts have underestimated the closing price of the index 12 months later using month-end values. Over the past five years, industry analysts have underestimated the price of the index by 2.1% on average (using month-end values). Over the past ten years, industry analysts have underestimated the price of the index by 0.2% on average (using month-end values).

However, over longer time periods, analysts have typically overestimated the closing price 12 months later. Over the past fifteen years, industry analysts have overestimated the price of the index by 7.7% on average (using month-end values).

On June 30, 2021, the bottom-up target price was 4,795.55. Nearly one year later (on June 23, 2022), the S&P 500 closing price was 3,795.73. Based on yesterday's closing price, industry analysts overestimated the closing price at the end of June 2022 by 26.3% nearly one-year ago.

It is interesting to note that as analysts have lowered their target prices on S&P 500 companies over the past few months, they have maintained an unusually high number of Buy ratings on S&P 500 stocks during this same period. As of today, 57.0% of all ratings on stocks in the S&P 500 are Buy ratings, which is above the 5-year (month-end) average of 53.3%. In fact, prior to the recent surge in Buy ratings, the last time the (month-end) percentage of Buy ratings was above 55% was September 2011. For more details on ratings on S&P 500 stocks, please see our recent article on this topic: <https://insight.factset.com/analysts-continue-to-have-an-unusually-high-number-of-buy-ratings-on-sp-500-stocks>

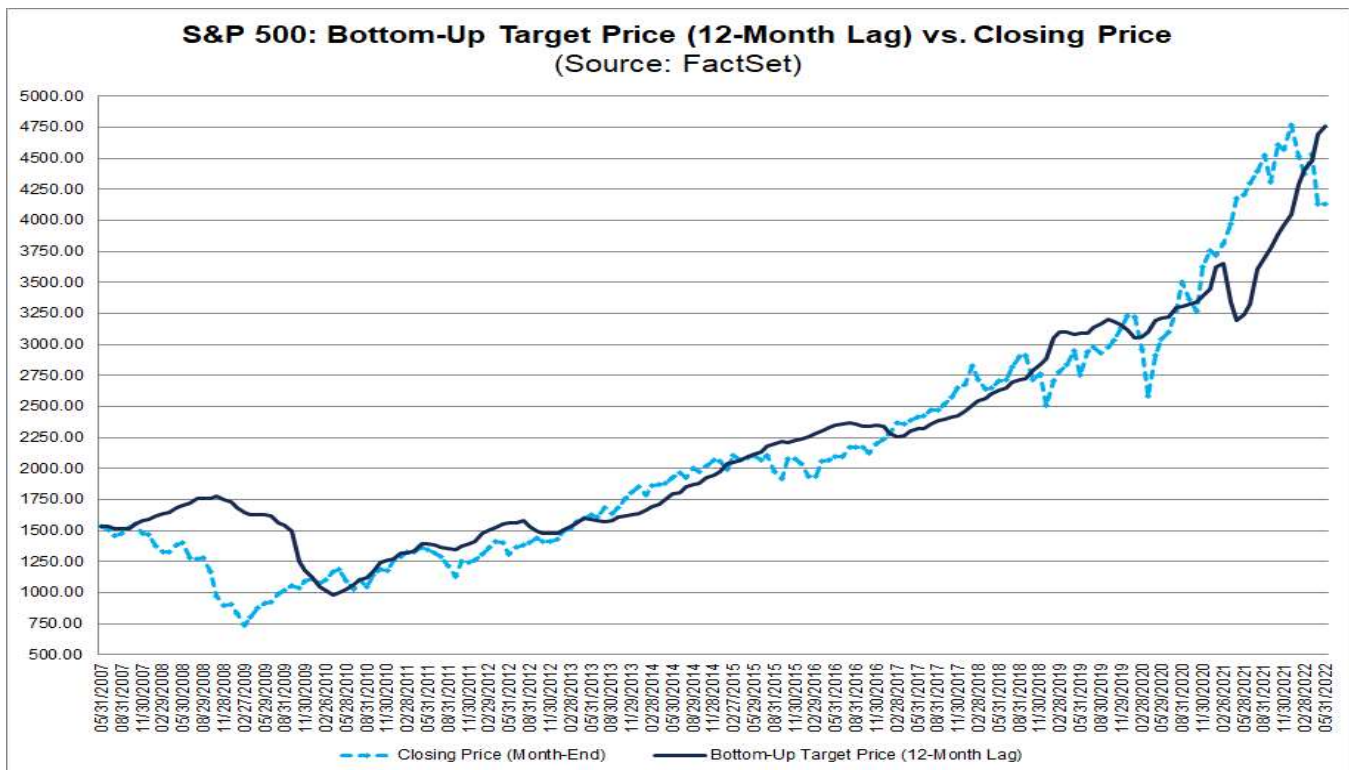


S&P 500: Difference Between Median Target Price & Closing Price: Top 10 (Source: FactSet)

| Company | Target | Closing | Diff (\$) | Diff (%) |
|----------------------------------|--------|---------|-----------|---------------|
| Caesars Entertainment Inc | 105.00 | 39.52 | 65.48 | 165.7% |
| DISH Network Corporation Class A | 40.00 | 16.89 | 23.11 | 136.8% |
| Bath & Body Works, Inc. | 63.50 | 29.54 | 33.96 | 115.0% |
| Carnival Corporation | 20.07 | 9.65 | 10.42 | 108.0% |
| Penn National Gaming, Inc. | 59.00 | 28.51 | 30.49 | 106.9% |
| Royal Caribbean Group | 72.50 | 36.07 | 36.43 | 101.0% |
| Warner Bros. Discovery, Inc. | 28.00 | 14.12 | 13.88 | 98.3% |
| Expedia Group, Inc. | 185.00 | 94.02 | 90.98 | 96.8% |
| MGM Resorts International | 53.00 | 27.17 | 25.83 | 95.1% |
| Alaska Air Group, Inc. | 75.00 | 39.90 | 35.10 | 88.0% |

S&P 500: Difference Between Median Target Price & Closing Price: Bottom 10 (Source: FactSet)

| Company | Target | Closing | Diff (\$) | Diff (%) |
|--------------------------------|--------|---------|-----------|--------------|
| Lumen Technologies, Inc. | 10.50 | 10.95 | -0.45 | -4.1% |
| Clorox Company | 134.50 | 140.11 | -5.61 | -4.0% |
| Campbell Soup Company | 46.50 | 47.40 | -0.90 | -1.9% |
| Consolidated Edison, Inc. | 90.00 | 91.31 | -1.31 | -1.4% |
| General Mills, Inc. | 68.00 | 68.98 | -0.98 | -1.4% |
| Kimberly-Clark Corporation | 131.00 | 132.08 | -1.08 | -0.8% |
| Domino's Pizza, Inc. | 400.00 | 398.13 | 1.87 | 0.5% |
| Progressive Corporation | 110.50 | 109.75 | 0.75 | 0.7% |
| Amgen Inc. | 245.00 | 243.09 | 1.91 | 0.8% |
| Brown-Forman Corporation Cl. B | 70.50 | 69.50 | 1.00 | 1.4% |



Q2 Earnings Season: By The Numbers

Overview

Analysts and companies have lowered their earnings expectations for the second quarter to date. As a result, estimated earnings for the S&P 500 for the second quarter are below expectations at the start of the quarter. The index is predicted to report its lowest earnings growth since Q4 2020.

In terms of earnings estimate revisions for companies in the S&P 500, analysts have decreased earnings estimates in aggregate for Q2 2022. On a per-share basis, estimated earnings for the second quarter have decreased by 1.0% since March 31. While this decline is smaller than the 5-year average (-2.3%), 10-year average (-3.3%), and the 15-year average (-4.7%) for a quarter, it is also tied (with Q1 2022) for the largest decline in the quarterly EPS estimate since Q2 2020 (-37.0%).

More S&P 500 companies have issued negative EPS guidance for Q2 2022 compared to recent quarters as well. At this point in time, 103 companies in the index have issued EPS guidance for Q2 2022. Of these 103 companies, 71 have issued negative EPS guidance and 32 have issued positive EPS guidance. This is the highest number of S&P 500 companies issuing negative EPS guidance for a quarter since Q4 2019 (73). The percentage of companies issuing negative EPS guidance for Q2 2022 is 69% (71 out of 103), which is above the 5-year average of 60% and above the 10-year average of 67%.

Because of the higher number of companies issuing negative EPS guidance and the net downward revisions to earnings estimates, the estimated (year-over-year) earnings growth rate for Q2 2022 is lower now relative to the start of the second quarter. As of today, the S&P 500 is expected to report (year-over-year) earnings growth of 4.3%, compared to the estimated (year-over-year) earnings growth rate of 5.9% on March 31.

If 4.3% is the actual growth rate for the quarter, it will mark the lowest earnings growth rate reported by the index since Q4 2020 (3.8%). Six of the eleven sectors are projected to report year-over-year earnings growth, led by the Energy, Industrials, and Materials sectors. On the other hand, five sectors are predicted to report a year-over-year decline in earnings, led by the Financials sector.

In terms of revenues, analysts have continued to be more optimistic than normal in their revenue estimate revisions. Because of the net upward revisions to revenue estimates, the estimated (year-over-year) revenue growth rate for Q2 2022 is higher now relative to the start of the second quarter. As of today, the S&P 500 is expected to report (year-over-year) revenue growth of 10.2%, compared to the estimated (year-over-year) revenue growth rate of 9.6% on March 31.

If 10.2% is the actual growth rate for the quarter, it will mark the sixth-straight quarter of year-over-year revenue growth above 10% for the index. All eleven sectors are projected to report year-over-year growth in revenues, led by the Energy and Materials sectors.

Looking ahead, analysts expect earnings growth of 10.8% for Q3 2022, and 10.0% for Q4 2022. For CY 2022, analysts are predicting earnings growth of 10.4%.

The forward 12-month P/E ratio is 15.8, which is below the 5-year average (18.6) and below the 10-year average (16.8). It is also below the forward P/E ratio of 19.4 recorded at the end of the first quarter (March 31), as prices have decreased while the forward 12-month EPS estimate has increased since March 31.

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

Earnings Revisions: Consumer Discretionary Sector Sees Largest Estimate Decreases To Date

No Change in Estimated Earnings Growth Rate for Q2 This Week

During the past week, the estimated earnings growth rate for the S&P 500 for Q2 2022 remained unchanged at 4.3%.

The estimated earnings growth rate for the S&P 500 for Q2 2022 of 4.3% today is below the estimate of 5.9% at the start of the quarter (March 31), as estimated earnings for the index of \$480.9 billion today are 1.6% below the estimate of \$488.6 billion at the start of the quarter. Seven sectors have recorded a decrease in expected (dollar-level) earnings due to downward revisions to earnings estimates, led by the Consumer Discretionary and Communication Services sectors. On the other hand, four sectors have recorded an increase in expected (dollar-level) earnings due to upward revisions to earnings estimates, led by the Energy and Materials sectors.

Consumer Discretionary: Amazon and Target Lead Earnings Decrease Since March 31

The Consumer Discretionary sector has recorded the largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -20.1% (to \$32.4 billion from \$40.6 billion). As a result, the estimated (year-over-year) earnings decline for this sector is now -9.3% compared to an earnings growth rate of 13.5% on March 31. This sector has also witnessed the largest decrease in price (-24.0%) of all eleven sectors since March 31. Overall, 42 of the 58 companies (72%) in the Consumer Discretionary sector have seen a decrease in their mean EPS estimate during this time. Of these 42 companies, 21 have recorded a decrease in their mean EPS estimate of more than 10%, led by Las Vegas Sands (to -\$0.23 from -\$0.05), Wynn Resorts (to -\$1.16 from -\$0.37), and Norwegian Cruise Line Holdings (to -0.88 from -\$0.46). However, Amazon.com (to \$0.17 from \$0.56) and Target (to \$0.91 from \$3.93) have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since March 31.

Communication Services: Warner Bros. Discovery Leads Earnings Decrease Since March 31

The Communication Services sector has recorded the second-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -8.9% (to \$44.4 billion from \$48.7 billion). As a result, the estimated (year-over-year) earnings decline for this sector is now -8.6% compared to an earnings growth rate of 0.3% on March 31. This sector has also witnessed the second-largest decrease in price (-19.7%) of all eleven sectors since March 31. Overall, 20 of the 23 companies (87%) in the Communication Services sector have seen a decrease in their mean EPS estimate during this time. Of these 20 companies, 8 have recorded a decrease in their mean EPS estimate of more than 10%, led by Warner Bros. Discovery (to \$0.25 from \$0.81), Electronic Arts (to \$0.33 from \$0.90), and T-Mobile (to \$0.33 from \$0.60). Warner Bros. Discovery, Alphabet (to \$25.65 from \$27.71), Meta Platforms (to \$2.61 from \$2.86), and Walt Disney (to \$1.00 from \$1.29), and have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since March 31.

Energy: Exxon Mobil Leads Earnings Increase Since March 31

The Energy sector has recorded the largest percentage increase in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at 32.8% (to \$50.3 billion from \$37.8 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has increased to 215.4% from 137.4% during this time. Despite the increase in expected earnings, this sector has witnessed a decrease in price (-7.4%) since March 31. Rising oil prices are helping to drive the increase in expected earnings for this sector, as the price of oil has increased by 4% since March 31 (to \$104.27 from \$100.28). Overall, 18 of the 21 companies (86%) in the Energy sector have seen an increase in their mean EPS estimate during this time. Of these 18 companies, 16 have recorded an increase in their mean EPS estimate of more than 10%, led by Marathon Petroleum (to \$5.52 from \$1.83), Valero Energy (to \$6.39 from \$2.48), and Phillips 66 (to \$4.37 from \$2.27). Exxon Mobil (to \$2.94 from \$2.30), Marathon Petroleum, Chevron (to \$4.76 from \$3.79), and Valero Energy have been the largest contributors to the increase in estimated (dollar-level) earnings for this sector since March 31.

Materials: Nucor Leads Earnings Decrease Since March 31

The Materials sector has recorded the second-largest percentage increase in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at 7.2% (to \$19.4 billion from \$18.1 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has increased to 13.5% from 5.9% during this time. Despite the increase in expected earnings, this sector has witnessed a decrease in increase in price (-16.4%) since March 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, 8 have recorded an increase in their mean EPS estimate of more than 10%, led by Albemarle Corporation (to \$2.90 from \$1.35), Nucor (to \$8.28 from \$5.69), and Mosaic (to \$4.05 from \$3.32). Nucor has also been the largest contributor to the increase in estimated (dollar-level) earnings for this sector since March 31.

Index-Level EPS Estimate: 1.0% Decrease Since March 31

The Q2 bottom-up EPS estimate (which is an aggregation of the median Q2 earnings estimates for all 500 companies in the index and can be used as a proxy for the earnings of the index) has decreased by 1.0% (to \$55.52 from \$56.06) since March 31. In a typical quarter, analysts usually reduce earnings estimates. Over the past five years (20 quarters), earnings expectations have fallen by 2.4% on average during a quarter. Over the past ten years, (40 quarters), earnings expectations have fallen by 3.3% on average during a quarter. Over the past fifteen years (60 quarters), earnings expectations have fallen by 4.7% on average during a quarter.

Thus, the decline in the bottom-up EPS estimate for the second quarter to date has been smaller than the 5-year average, the 10-year average, and the 15-year average. However, it is also tied (with Q1 2022) for the largest decrease in the bottom-up EPS estimate for a quarter since Q2 2020 (-37.0%).

Guidance: % of S&P 500 Companies Issuing Negative EPS Guidance for Q2 is Above Average

At this point in time, 103 companies in the index have issued EPS guidance for Q2 2022. Of these 103 companies, 71 have issued negative EPS guidance and 32 have issued positive EPS guidance. This is the highest number of S&P 500 companies issuing negative EPS guidance for a quarter since Q4 2019 (73). The percentage of companies issuing negative EPS guidance for Q2 2022 is 69% (71 out of 103), which is above the 5-year average of 60% and above the 10-year average of 67%.

At this point in time, 243 companies in the index have issued EPS guidance for their current fiscal year (FY 2022 or FY 2023). Of these 243 companies, 136 have issued negative EPS guidance and 107 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 56% (136 out of 243).

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: 4.3%

The estimated (year-over-year) earnings growth rate for Q2 2022 is 4.3%, which is below the 5-year average earnings growth rate of 15.0% and below the 10-year average earnings growth rate of 8.8%. If 4.3% is the actual growth rate for the quarter, it will mark the lowest (year-over-year) earnings growth rate reported by the index since Q4 2020 (3.8%).

The lower earnings growth rate for Q2 2022 relative to recent quarters can be attributed to both a difficult comparison to unusually high earnings growth in Q2 2021 and continuing macroeconomic headwinds. In Q2 2022, the S&P 500 reported (year-over-year) earnings growth of 91.1%, which is the second-highest year-over-year earnings growth rate reported by the index since 2008. Companies also continue to face macroeconomic headwinds, including higher costs, supply chain disruptions, labor shortages, and the military conflict in Ukraine. During the earnings season for Q1 2022, 85% of S&P 500 companies cited “inflation” on their earnings calls from March 15 to June 14, while 74% of S&P 500 companies cited “supply chain” on their earnings calls from March 15 to June 14. These are the highest percentages of S&P 500 companies citing “inflation” and “supply chain” on earnings calls going back to at least 2010.

Six of the eleven sectors are expected to report year-over-year earnings growth, led by the Energy, Industrials, and Materials sectors. On the other hand, five sectors are expected to report a year-over-year decline in earnings, led by the Financials sector.

Energy: Largest Contributor to Year-Over-Year Earnings Growth for S&P 500 For Q2

The Energy sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 215.4%. 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 Q2 2022 to date (\$108.49) is 64% above the average price for oil in Q2 2021 (\$66.17). At the sub-industry level, all five sub-industries in the sector are expected to report a year-over-year increase in earnings of more than 20%. Three of these five sub-industries are projected to report a year-over-year increase in earnings of more than 195%: Oil & Gas Refining & Marketing (704%), Oil & Gas Exploration & Production (223%), and Integrated Oil & Gas (196%).

The Energy sector is also expected to be the largest contributor to earnings growth for the S&P 500 for the second quarter. If this sector were excluded, the index would be expected to report a decline in earnings of 3.3% rather than growth in earnings of 4.3%.

Industrials: Airlines Industry Is Largest Contributor to Year-Over-Year Growth

The Industrials sector is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 27.1%. At the industry level, 10 of the 12 industries in the sector are expected to report a year-over-year increase in earnings. A growth rate is not being calculated for the Airlines industry due to the loss reported by the industry in the year-ago quarter. However, this industry is projected to report a profit of \$3.0 billion in Q2 2022 compared to a loss of -\$3.3 billion in Q2 2021. Four of the remaining nine industries are predicted to report earnings growth above 10%: Construction & Engineering (50%), Trading Companies & Distributors (35%), Air Freight & Logistics (16%), and Electrical Equipment (12%). On the other hand, two sectors are projected to a year-over-year decline in earnings: Aerospace & Defense (-4%) and Industrials Conglomerates (-1%).

At the industry level, the Airlines industry is predicted to be the largest contributor to earnings growth for the sector. If the five companies in this industry were excluded, the estimated earnings growth rate for the Industrials sector would fall to 6.1% from 27.1%.

Materials: All 4 Industries To Report Year-Over-Year Growth At or Above 10%

The Materials sector is expected to report the third-highest (year-over-year) earnings growth rate of all eleven sectors at 13.5%. At the industry level, all four industries in this sector are predicted to report year-over-year earnings growth at or above 10%: Metals & Mining (26%), Construction Materials (15%), Chemicals (10%), and Containers & Packaging (10%).

Financials: 4 of 5 Industries To Report Year-Over-Year Decline of More Than 10%

The Financials sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -21.7%. At the industry level, four of the five industries in this sector are predicted to report a year-over-year earnings decline of 10% or more: Consumer Finance (-34%), Banks (-25%), Insurance (-25%), and Capital Markets (-12%). On the other hand, the Diversified Financial Services (2%) is the only industry in the sector projected to report (year-over-year) earnings growth.

The Financials sector is also expected to be the largest detractor to earnings growth for the S&P 500 for the second quarter. If this sector were excluded, the estimated earnings growth rate for the index would improve to 10.4% from 4.3%.

Revenue Growth: 10.2%

The estimated (year-over-year) revenue growth rate for Q2 2022 is 10.2%, which is above the 5-year average revenue growth rate of 7.1% and above the 10-year average revenue growth rate of 4.0%. If 10.2% is the actual growth rate for the quarter, it will mark the sixth-straight quarter of (year-over-year) revenue growth above 10% for the index.

All eleven sectors are expected to report year-over-year growth in revenues. Five sectors are predicted to report double-digit revenue growth, led by the Energy and Materials sectors.

Energy: All 5 Sub-Industries To Report Year-Over-Year Growth Above 10%

The Energy sector is expected to report the highest (year-over-year) revenue growth rate of all eleven sectors at 44.5%. 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 Q2 2022 to date (\$108.49) is 64% above the average price for oil in Q2 2021 (\$66.17). At the sub-industry level, all five sub-industries in the sector are predicted to report double-digit (year-over-year) growth in revenues: Oil & Gas Exploration & Production (81%), Oil & Gas Refining & Marketing (46%), Integrated Oil & Gas (40%), Oil & Gas Storage & Transportation (28%), and Oil & Gas Equipment & Services (13%).

Materials: 3 of 4 Industries To Report Year-Over-Year Growth Above 15%

The Materials sector is expected to report the second-highest (year-over-year) revenue growth of all eleven sectors at 16.2%. At the industry level, all four industries in this sector are predicted to report year-over-year growth in revenues. Three of these four industries are projected to report revenue growth above 15%: Construction Materials (28%), Metals & Mining (21%), and Chemicals (17%).

Net Profit Margin: 12.4%

The estimated net profit margin for the S&P 500 for Q2 2022 is 12.4%, which is above the 5-year average of 11.1% and the previous quarter's net profit margin of 12.3, but below the year-ago net profit margin of 13.1%. If 12.4% is the actual net profit margin for the quarter, it will tie the mark (with Q4 2021) for the fourth-highest net profit margin reported by the index since FactSet began tracking this metric in 2008.

At the sector level, two sectors are expected to report a year-over-year increase in their net profit margins in Q2 2022 compared to Q2 2021, led by the Energy (to 14.2% vs. 6.5%) sector. On the other hand, nine sectors are expected to report a year-over-year decrease in their net profit margins in Q2 2022 compared to Q2 2021, led by the Financials (16.6% vs. 21.9%) sector.

Nine sectors are expected to report net profit margins in Q2 2022 that are above their 5-year averages, led by the Energy (14.2% vs. 5.7%) and Materials (14.4% vs. 10.1%) sectors. On the other hand, the Consumer Discretionary (6.4% vs. 6.7%) is the only sector expected to report a net profit margin in Q2 2022 that is below its 5-year average. The Consumer Staples (6.5% vs. 6.5%) sector is projected to a net profit margin in Q2 2022 that is equal to its 5-year average.

Looking Ahead: Forward Estimates and Valuation

Earnings: S&P 500 Expected to Report Earnings Growth of 10% for CY 2022

For the second quarter, S&P 500 companies are expected to report earnings growth of 4.3% and revenue growth of 10.2%.

For Q3 2022, analysts are projecting earnings growth of 10.8% and revenue growth of 9.8%.

For Q4 2022, analysts are projecting earnings growth of 10.0% and revenue growth of 7.5%.

For CY 2022, analysts are projecting earnings growth of 10.4% and revenue growth of 10.7%.

Valuation: Forward P/E Ratio is 15.8, Below the 10-Year Average (16.9)

The forward 12-month P/E ratio for the S&P 500 is 15.8. This P/E ratio is below the 5-year average of 18.6 and below the 10-year average of 16.9. It is also below the forward 12-month P/E ratio of 19.4 recorded at the end of the first quarter (March 31). Since the end of the first quarter (March 31), the price of the index has decreased by 16.2%, while the forward 12-month EPS estimate has increased by 2.9%. At the sector level, the Consumer Discretionary (22.4) has the highest forward 12-month P/E ratio, while the Energy (8.4) and Financials (11.2) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 17.6, which is below the 5-year average of 23.0 and below the 10-year average of 20.3.

Targets & Ratings: Analysts Project 31% Increase in Price Over Next 12 Months

The bottom-up target price for the S&P 500 is 4987.28, which is 31.4% above the closing price of 3795.73. At the sector level, the Communication Services (+42.6%), Consumer Discretionary (+40.2%), and Information Technology (+36.5%) 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 Consumer Staples (+14.8%) and Utilities (+16.1%) 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 10,674 ratings on stocks in the S&P 500. Of these 10,674 ratings, 57.0% are Buy ratings, 37.6% are Hold ratings, and 5.4% are Sell ratings. At the sector level, the Information Technology (65%) and Energy (64%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (40%) sector has the lowest percentage of Buy ratings.

Companies Reporting Next Week: 7

During the upcoming week, seven S&P 500 companies (including 2 Dow 30 components) are scheduled to report results for the second quarter.

Sector Spotlight

Information Technology

Analysts and companies in the Information Technology sector have lowered their earnings expectations for the second quarter to date. As a result, estimated earnings for the Information Technology sector for the second quarter are below expectations at the start of the quarter. The sector is predicted to report its lowest earnings growth since Q3 2019 (-5.1%).

In terms of earnings estimate revisions for companies in the Information Technology sector, analysts have decreased earnings estimates in aggregate for Q2 2022. On a per-share basis, estimated earnings for the second quarter have decreased by 3.5% since March 31. This decline is larger than the 5-year average (+0.8%), 10-year average (-1.7%), and the 15-year average (-1.5%) for a quarter. It is also the largest decline in the quarterly EPS estimate for the sector since Q2 2020 (-12.0%).

More companies in the Information Technology sector have issued negative EPS guidance for Q2 2022 compared to recent quarters as well. At this point in time, 45 companies in the Information Technology sector have issued EPS guidance for Q2 2022. Of these 45 companies, 27 have issued negative EPS guidance and 18 have issued positive EPS guidance. This is the highest number of companies in this sector issuing negative EPS guidance since Q3 2019 (a28). The percentage of companies in this sector issuing negative EPS guidance for Q2 2022 is 60% (27 out of 45), which is above the 5-year average of 48%.

Because of the higher number of companies in this sector issuing negative EPS guidance and the net downward revisions to earnings estimates, the estimated (year-over-year) earnings growth rate for Q2 2022 for the sector is lower now relative to the start of the second quarter. As of today, the Information Technology is expected to report (year-over-year) earnings growth of 1.3%, compared to the estimated (year-over-year) earnings growth rate of 4.1% on March 31.

If 1.3% is the actual growth rate for the quarter, it will mark the lowest earnings growth rate reported by the sector since Q3 2019 (-5.1%). Four of the six industries in this sector are projected to report year-over-year earnings growth, led by the Semiconductors & Semiconductor Equipment (12%), Electronic Equipment, Instruments, & Components (9%), and IT Services (7%) industries. On the other hand, two industries are predicted to report a year-over-year decline in earnings, led by the Technology Hardware, Storage, & Peripherals (-13%) industry.

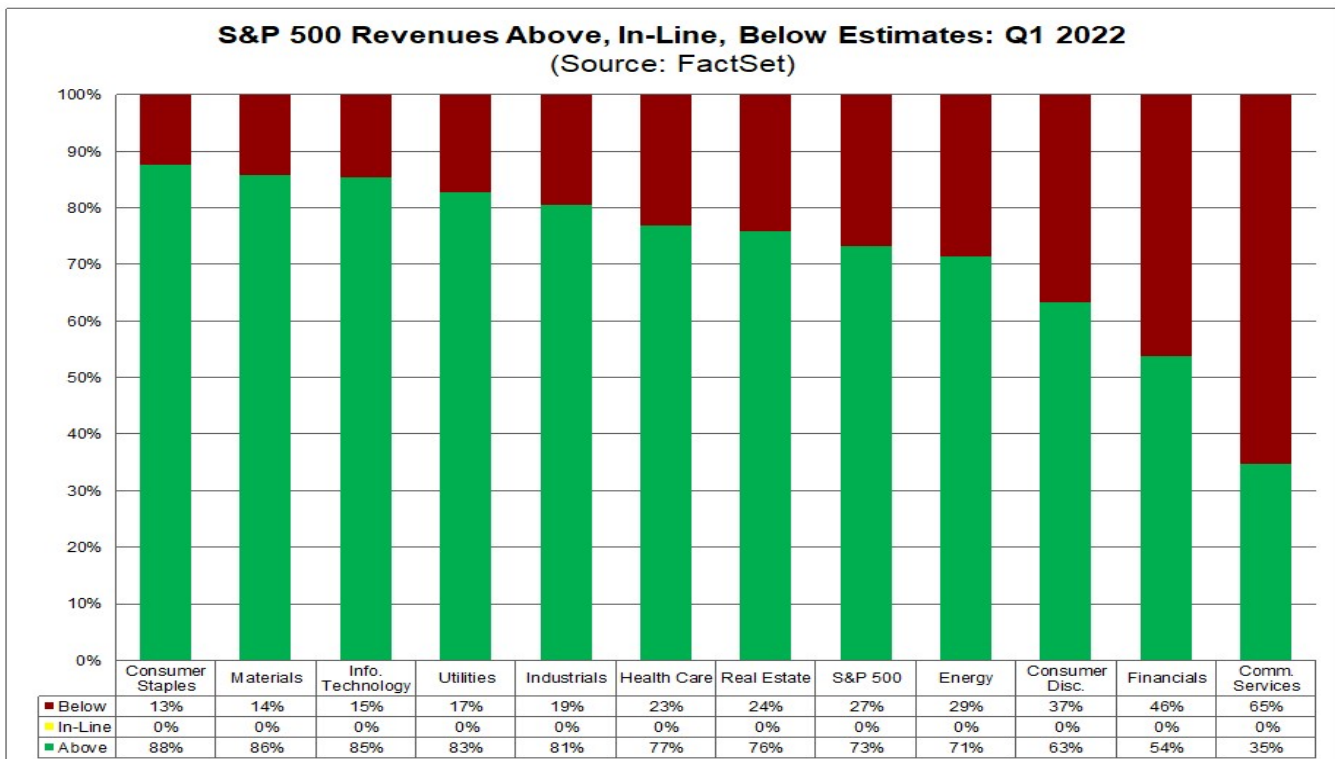
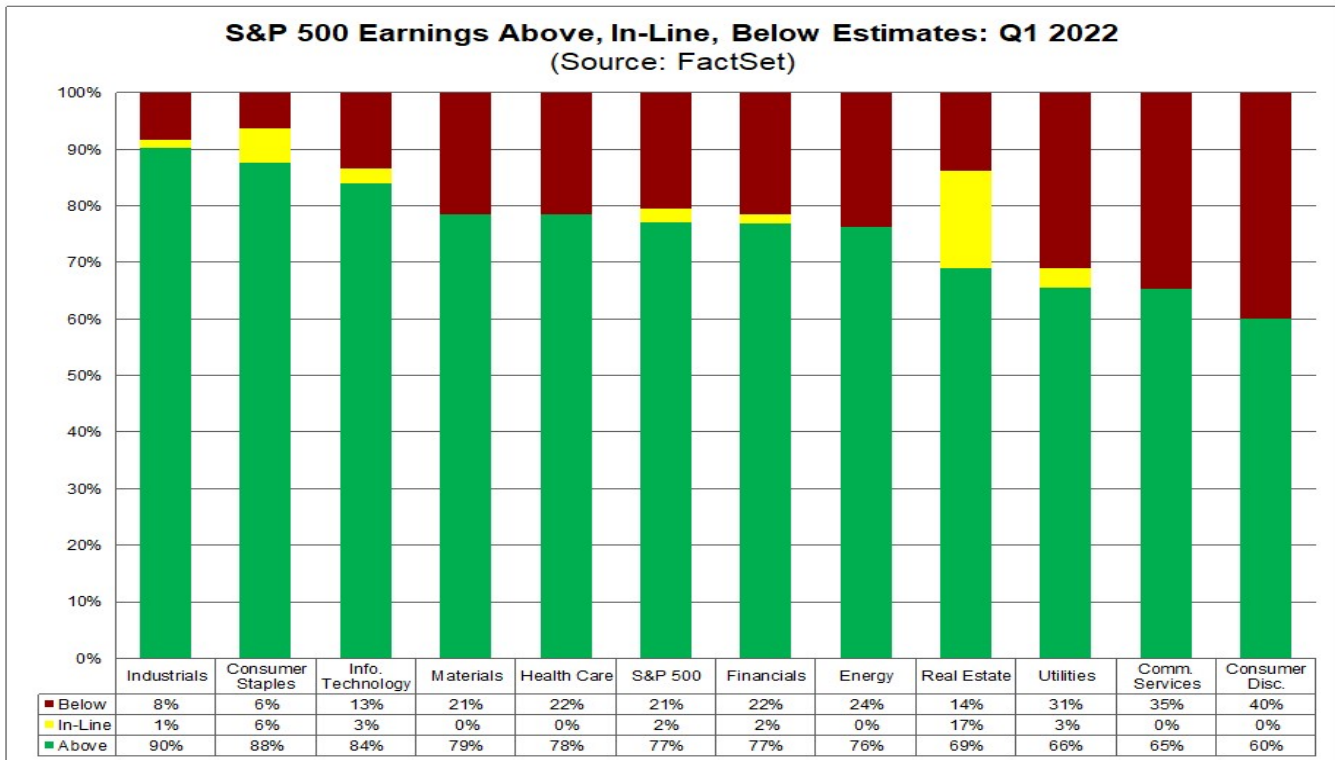
Because of the net downward revisions to revenue estimates, the estimated (year-over-year) revenue growth rate for Q2 2022 for the sector is also lower now relative to the start of the second quarter. As of today, the Information Technology is expected to report (year-over-year) revenue growth of 7.7%, compared to the estimated (year-over-year) revenue growth rate of 8.8% on March 31.

If 7.7% is the actual growth rate for the quarter, it will mark the lowest revenue growth reported by the Information Technology sector since Q3 2020 (4.0%). All six industries in the sector are projected to report year-over-year growth, with three industries projected to report double-digit growth: Semiconductors & Semiconductor Equipment (16%), Software (13%), and Electronic Equipment, Instruments, & Components (11%),

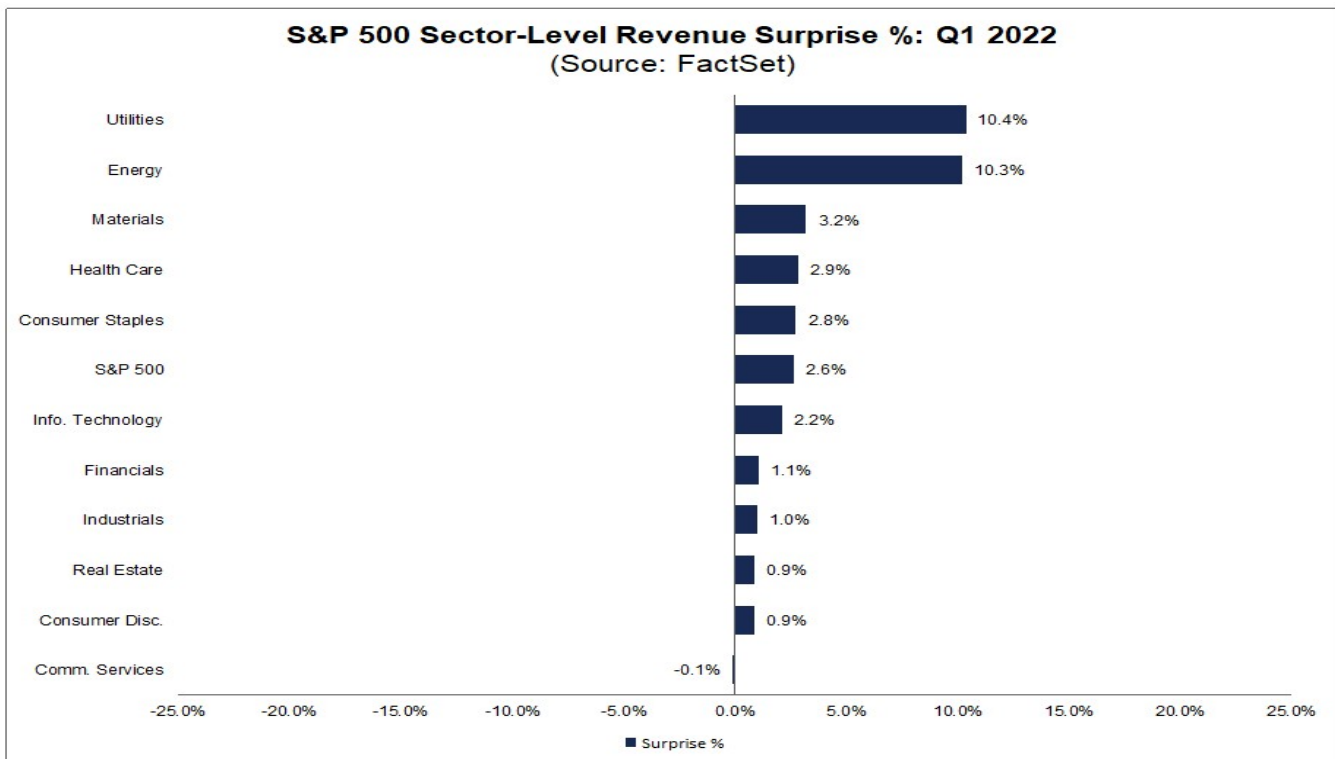
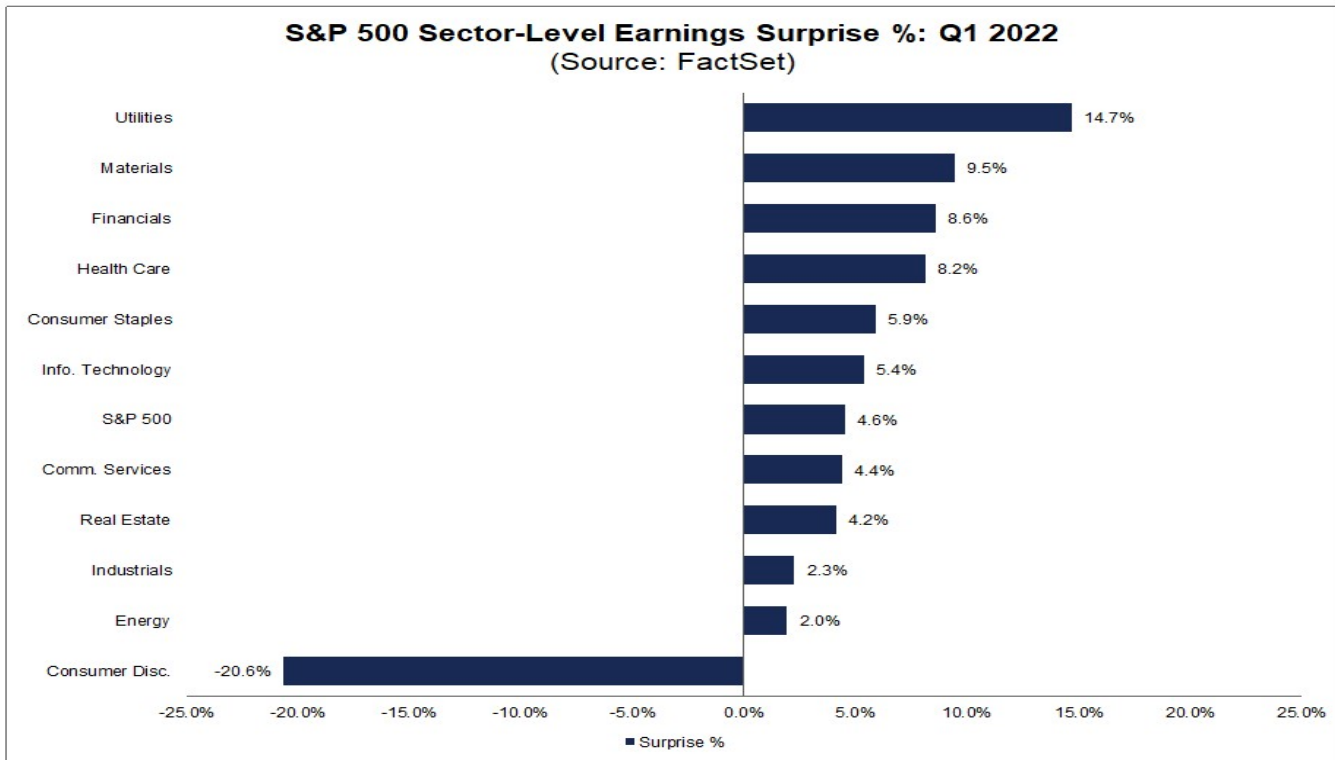
Looking ahead, analysts expect earnings growth of 5.8% for Q3 2022, and 8.5% for Q4 2022. For CY 2022, analysts are predicting earnings growth of 11.7%.

The forward 12-month P/E ratio for the sector is 19.2, which is below the 5-year average (21.7) but above the 10-year average (18.2). It is also below the forward P/E ratio of 24.4 recorded at the end of the first quarter (March 31), as the price of the sector has decreased by 19.4% while the forward 12-month EPS estimate for the sector has increased by 2.4% since March 31.

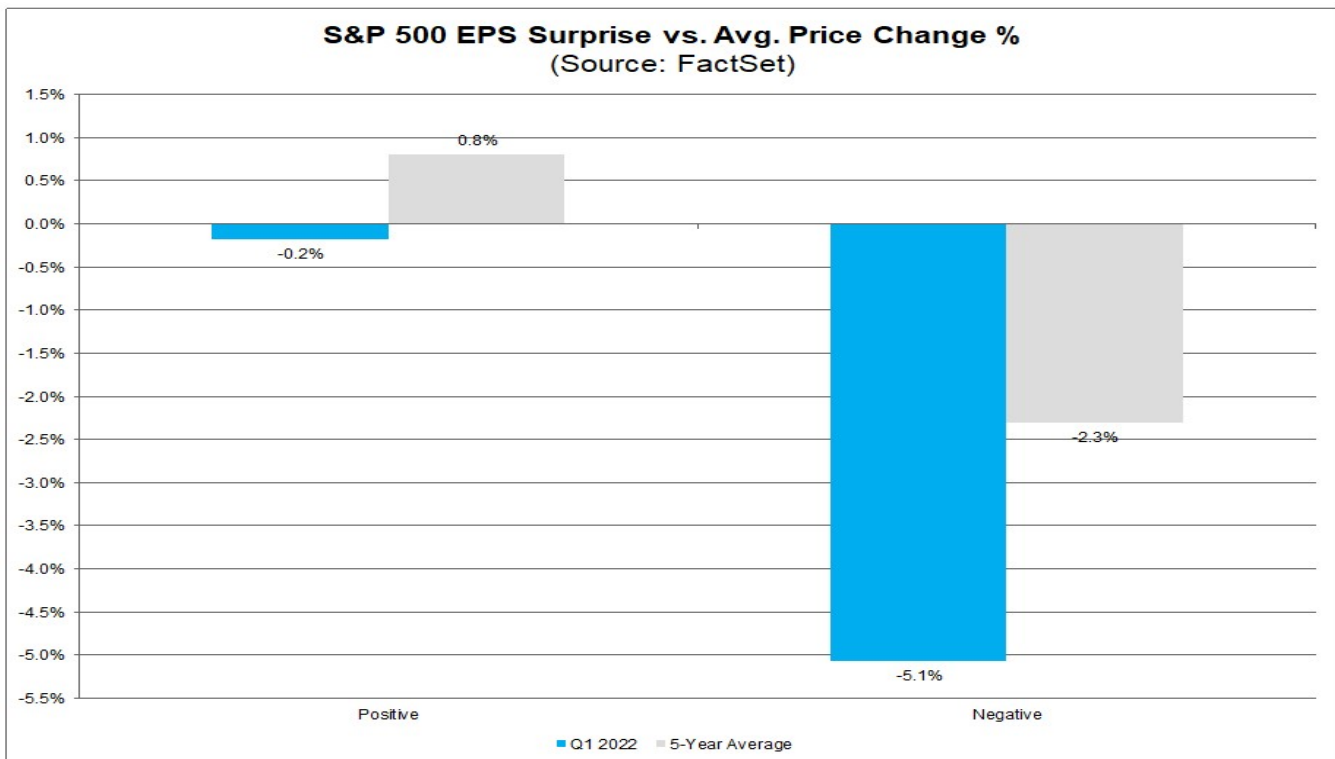
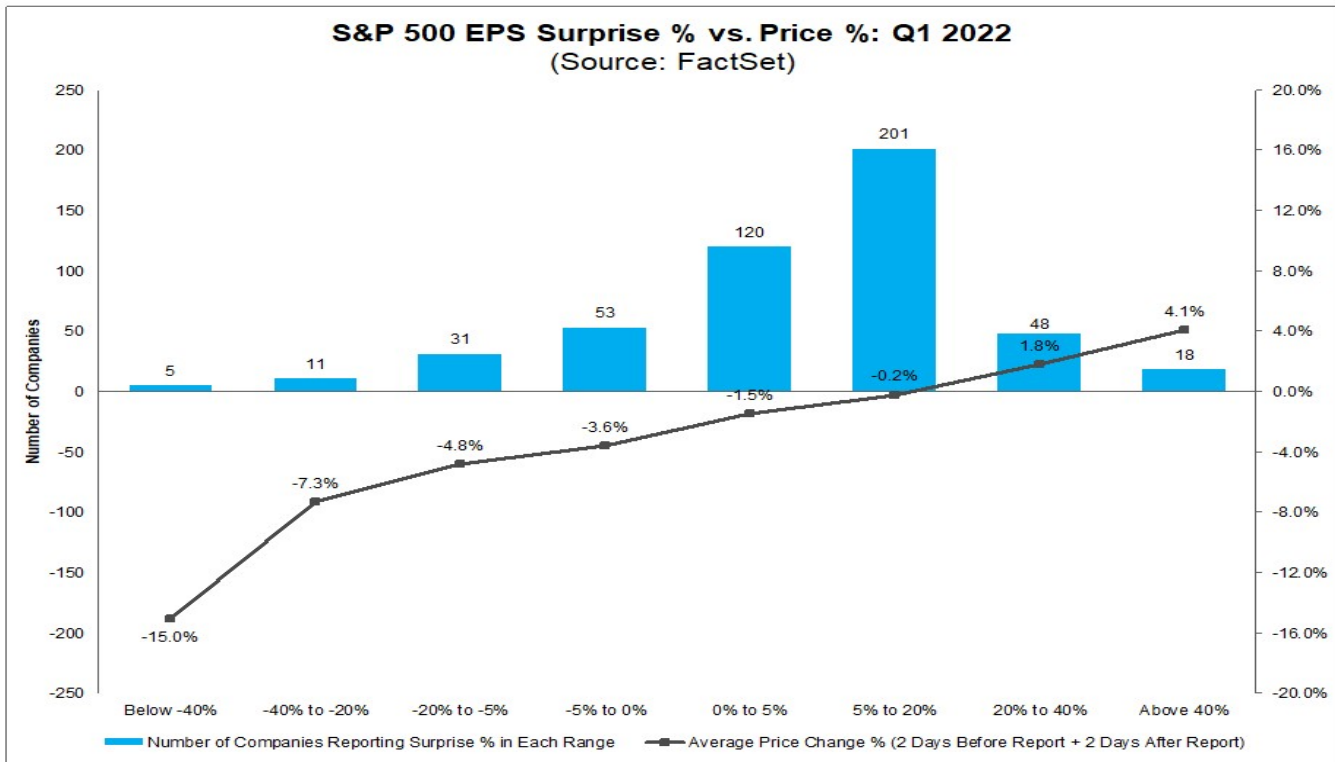
Q1 2022: Scorecard



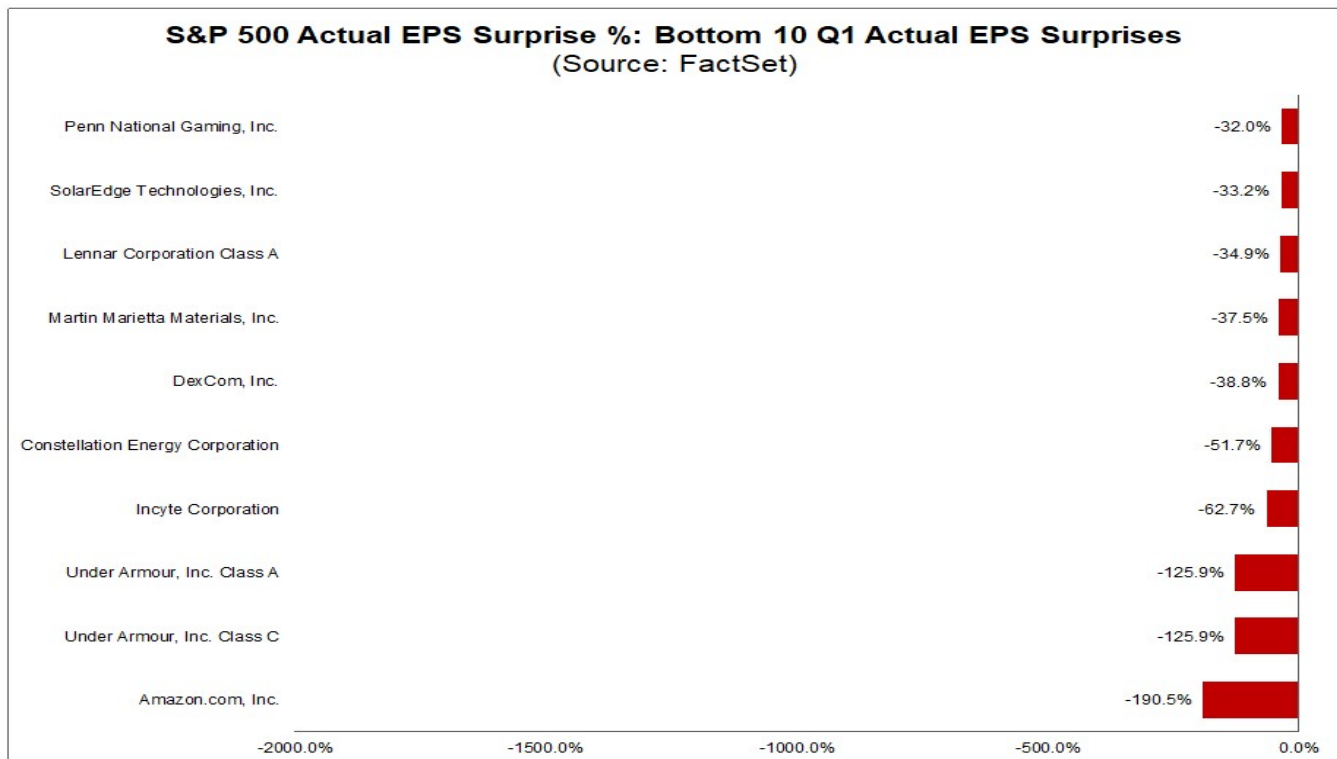
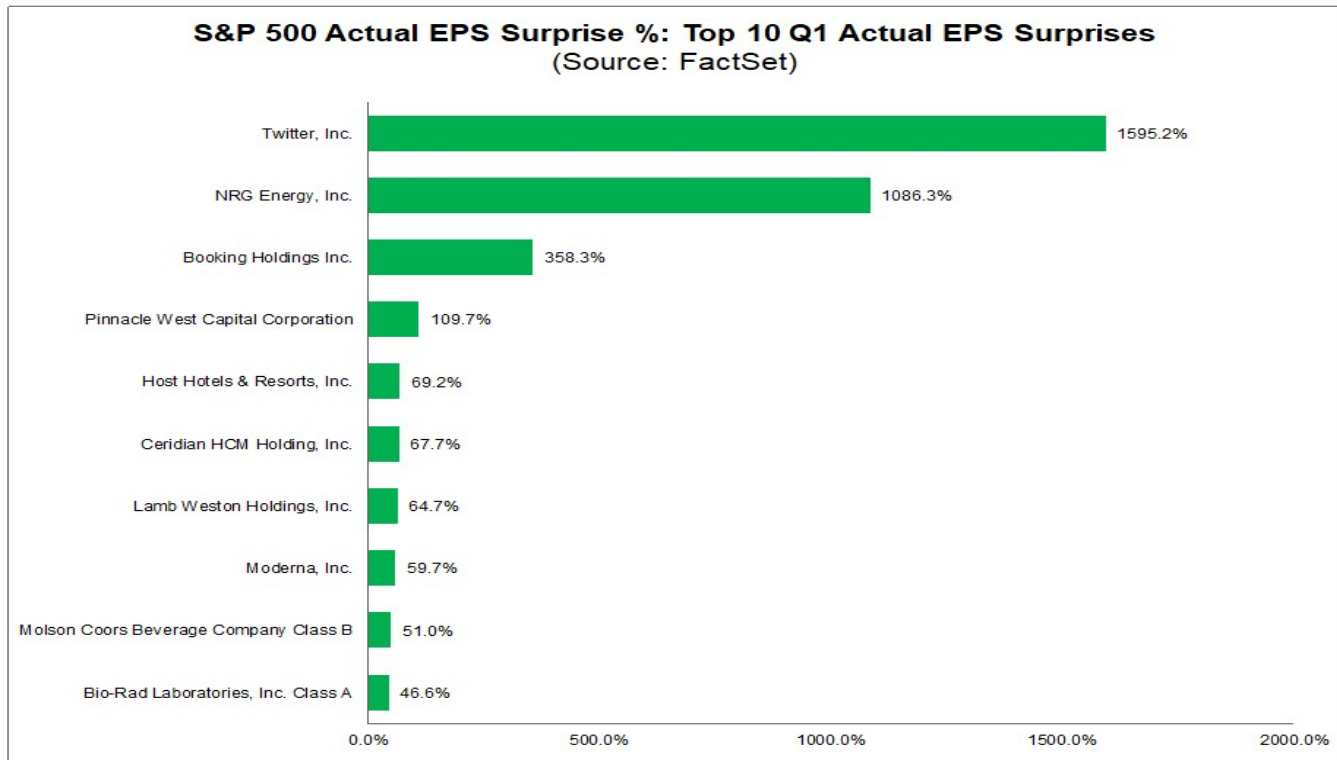
Q1 2022: Scorecard



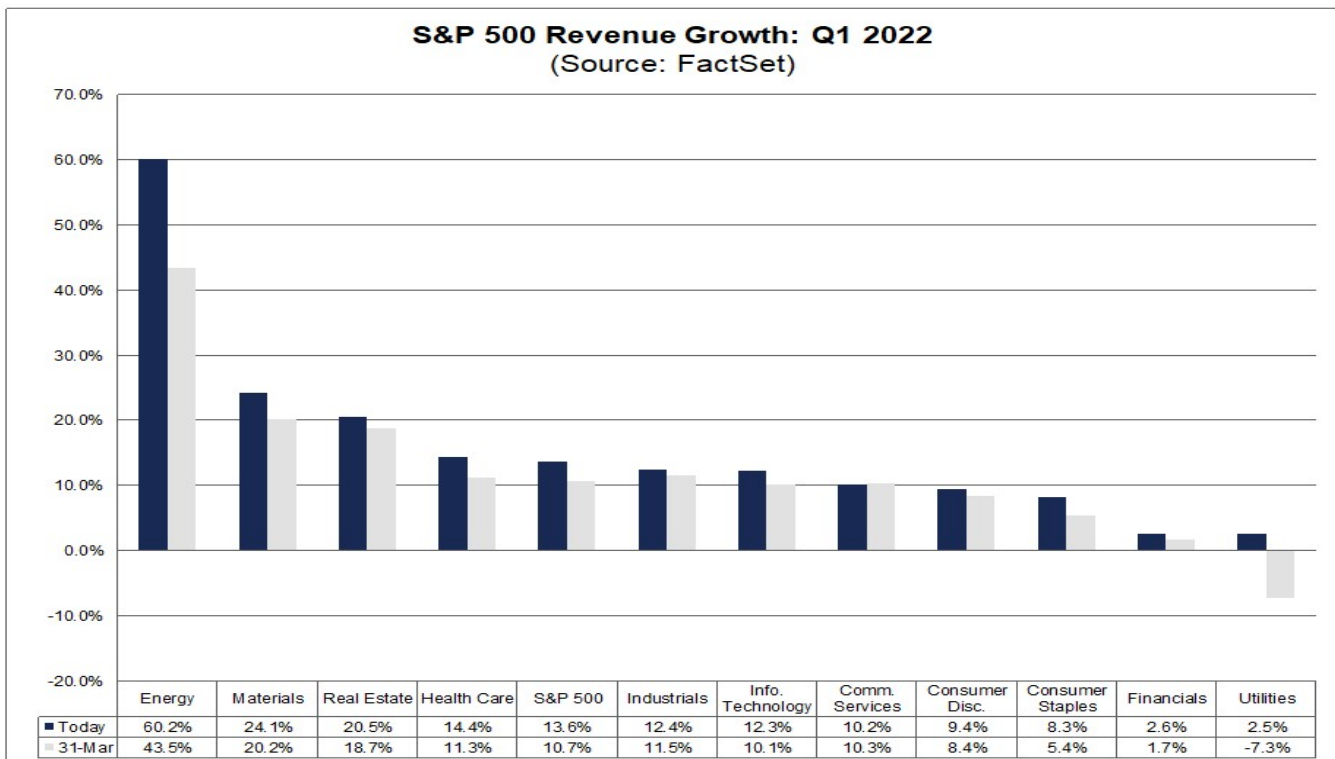
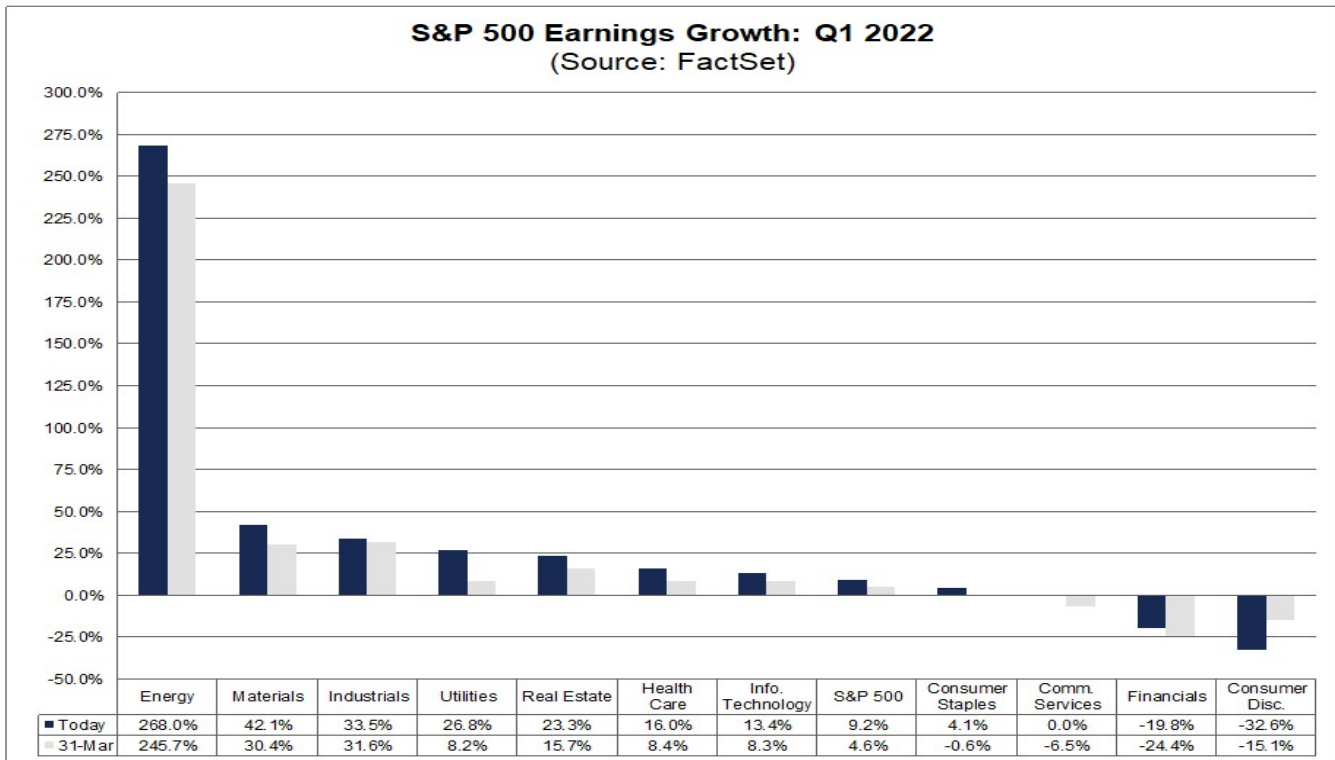
Q1 2022: Scorecard



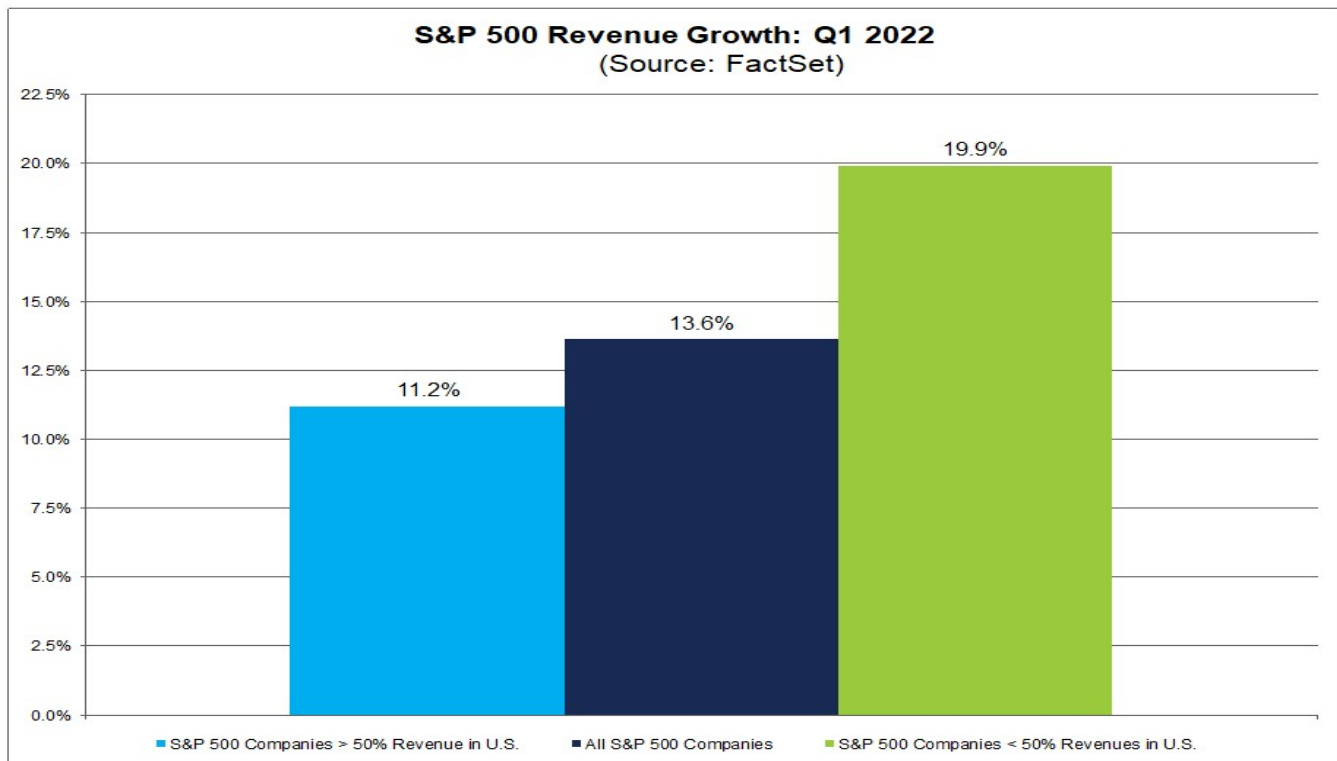
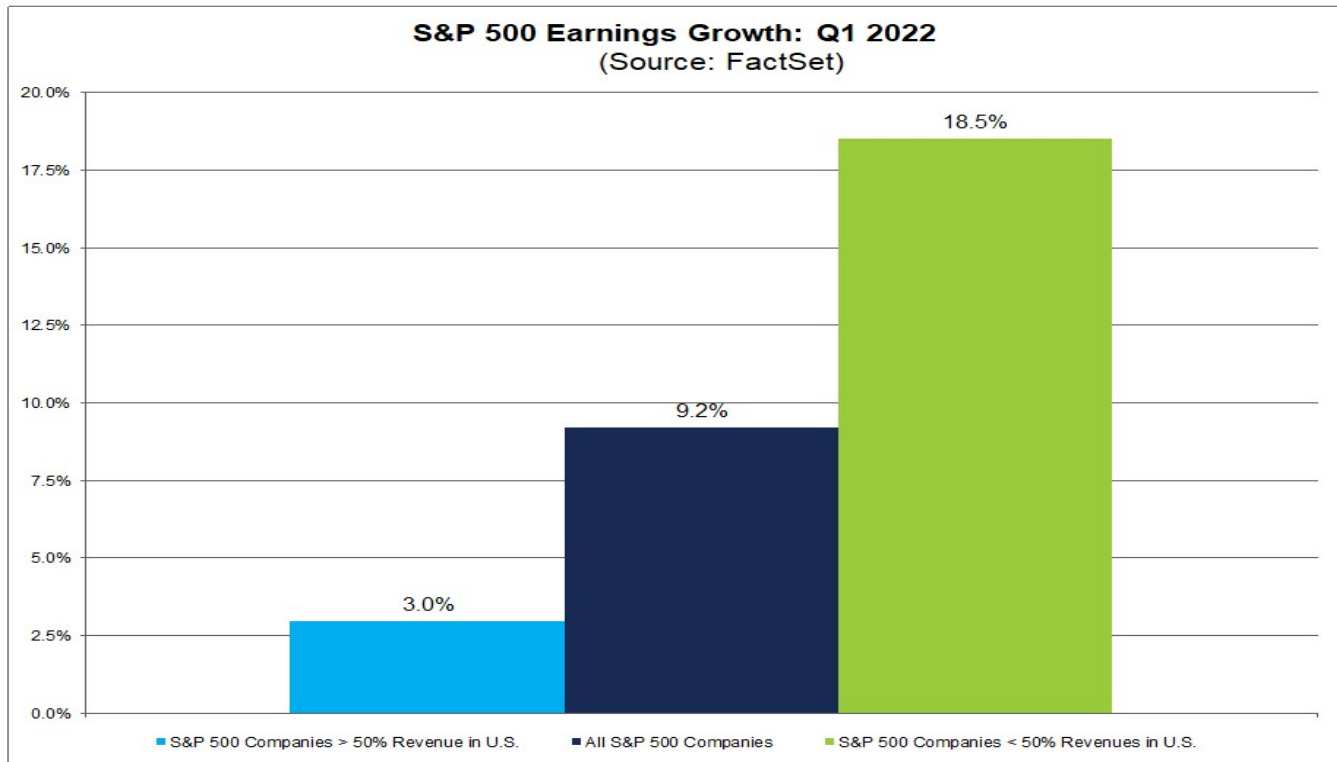
Q1 2022: Scorecard



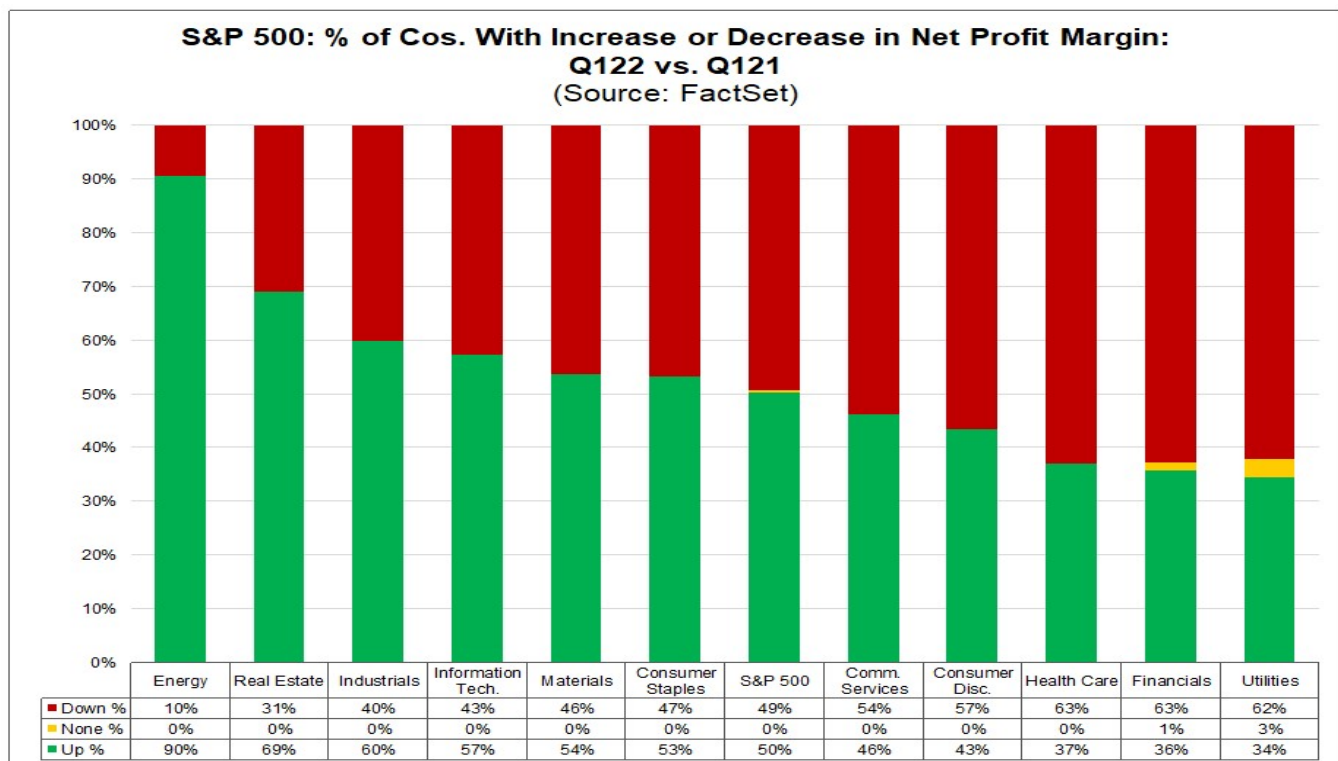
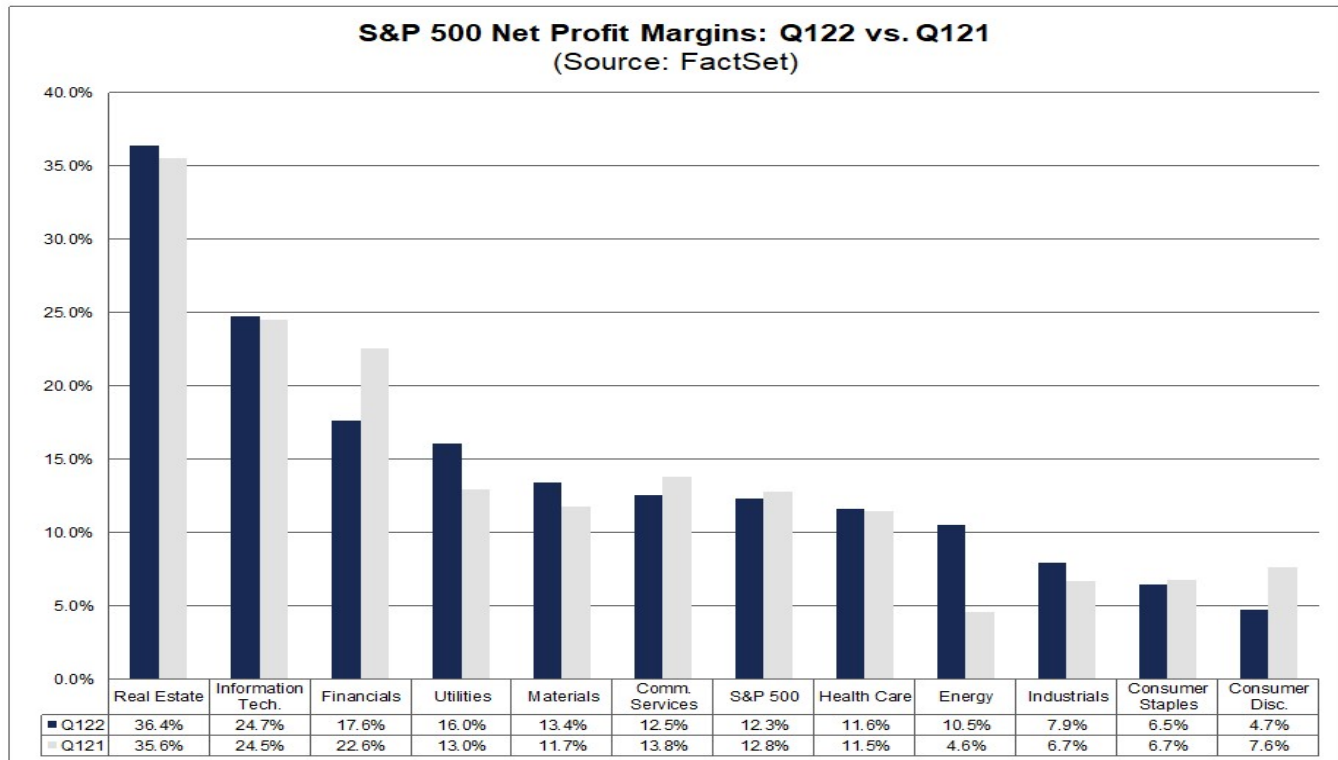
Q1 2022: Growth



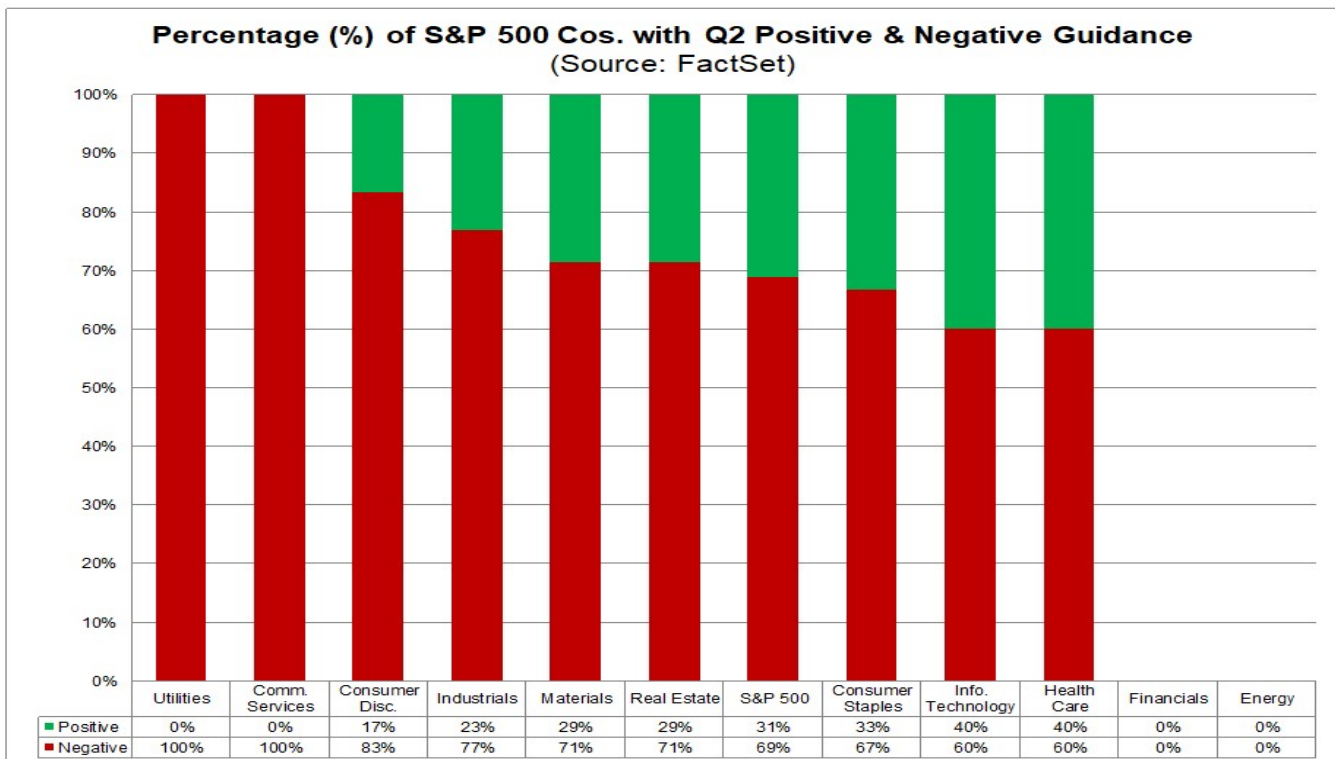
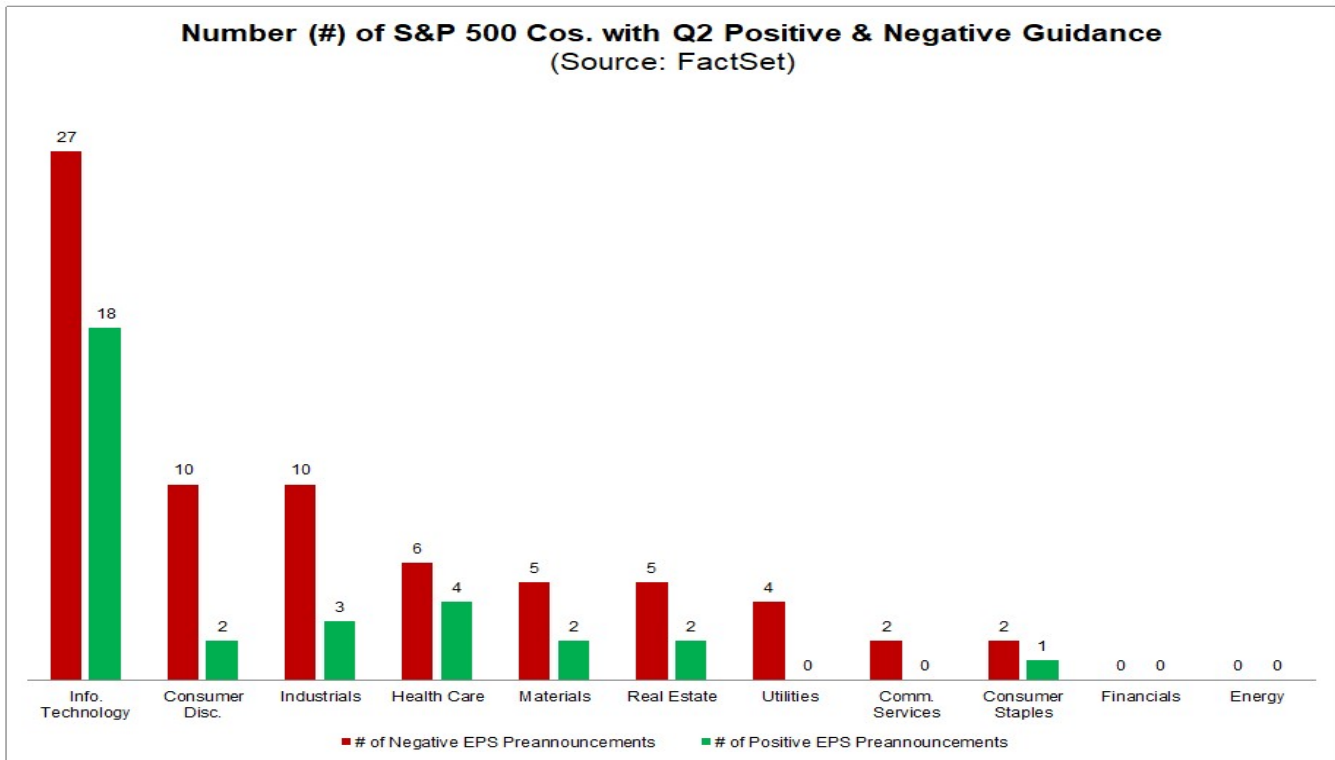
Q1 2022: Growth



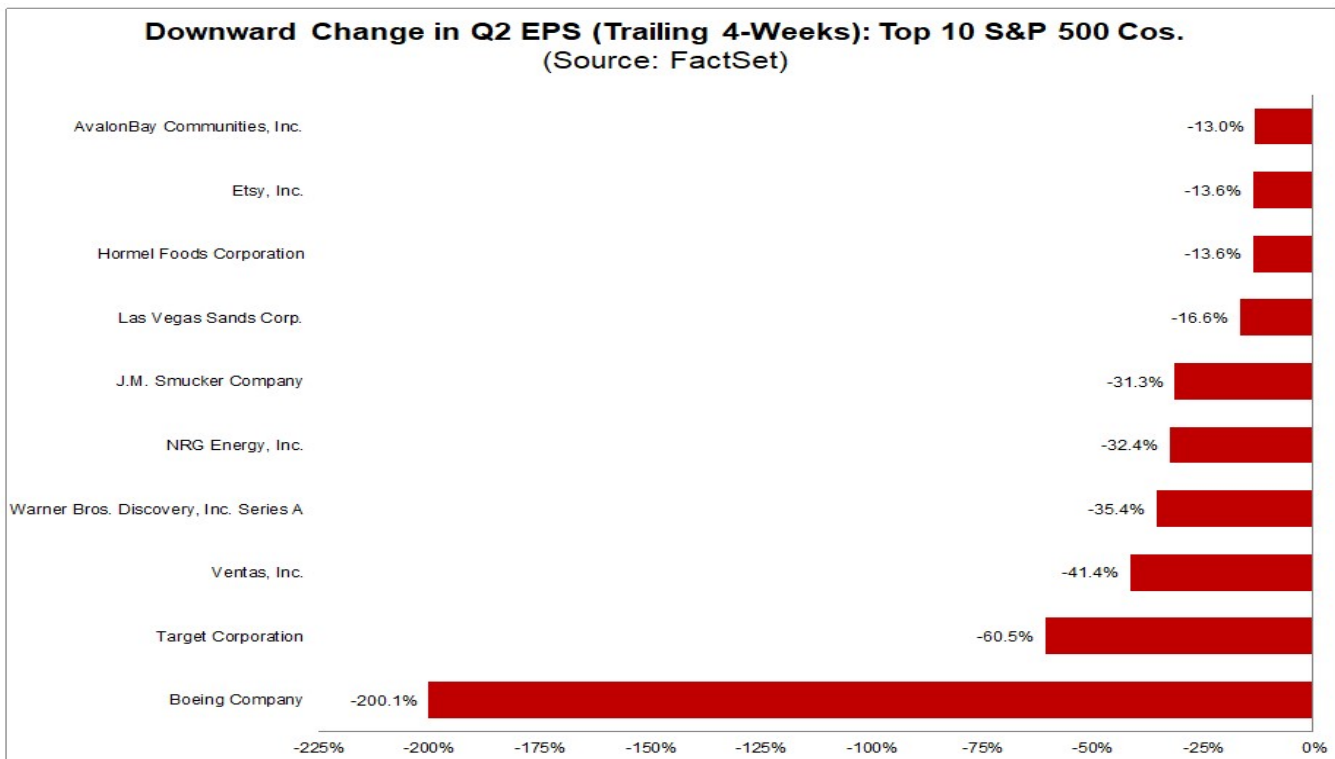
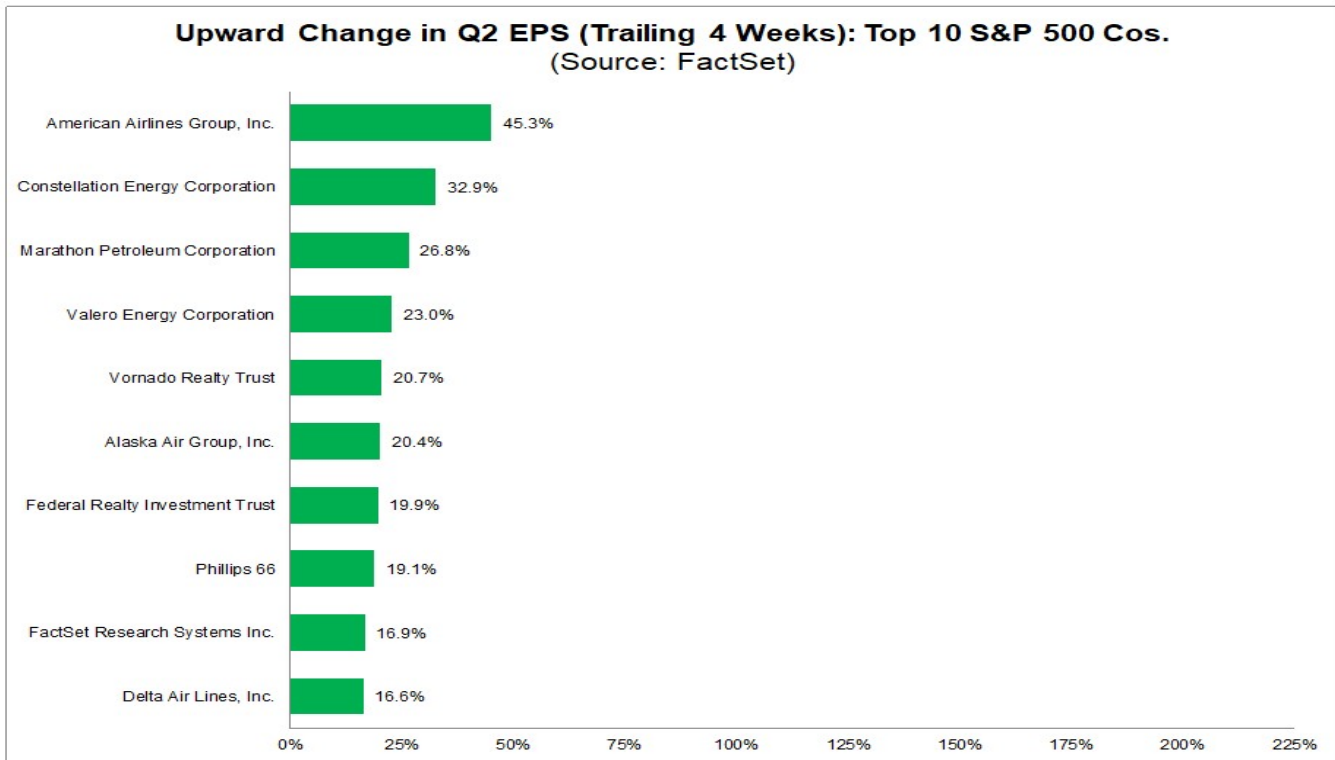
Q1 2022: Net Profit Margin



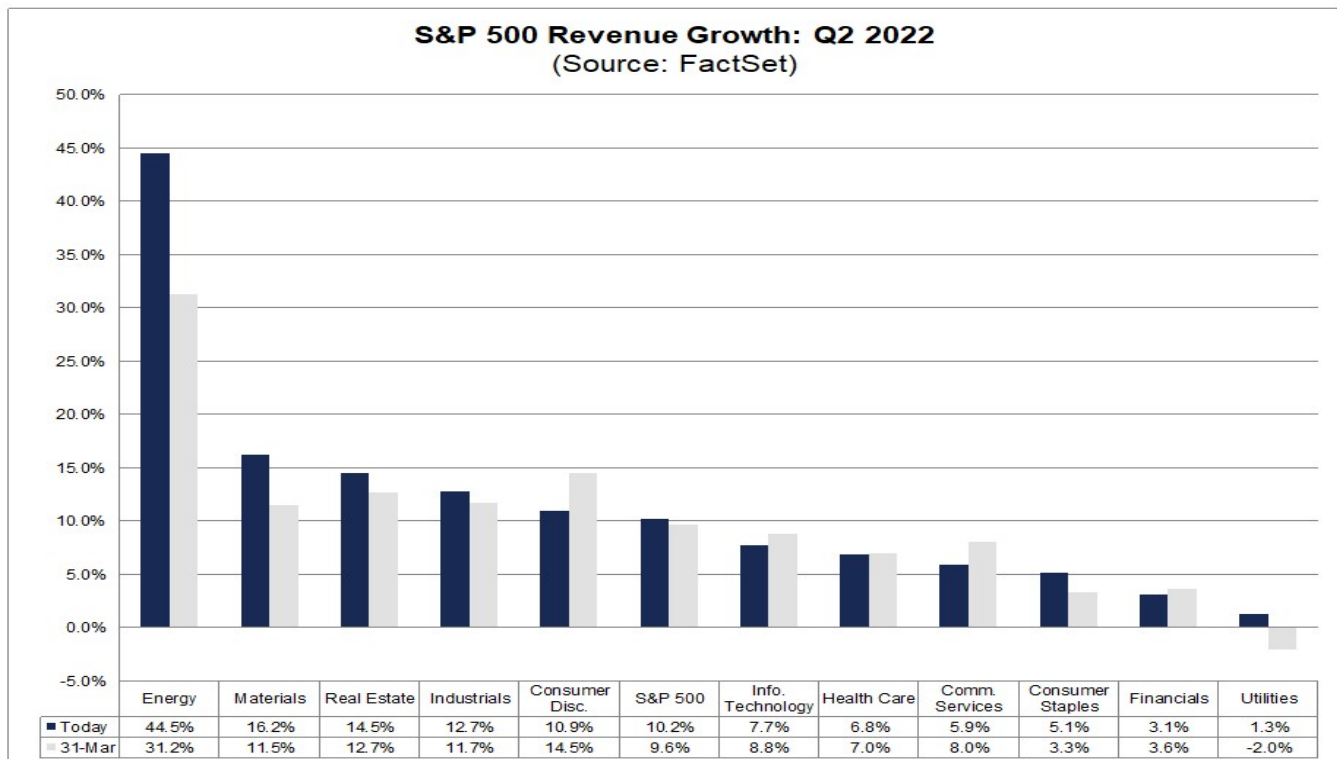
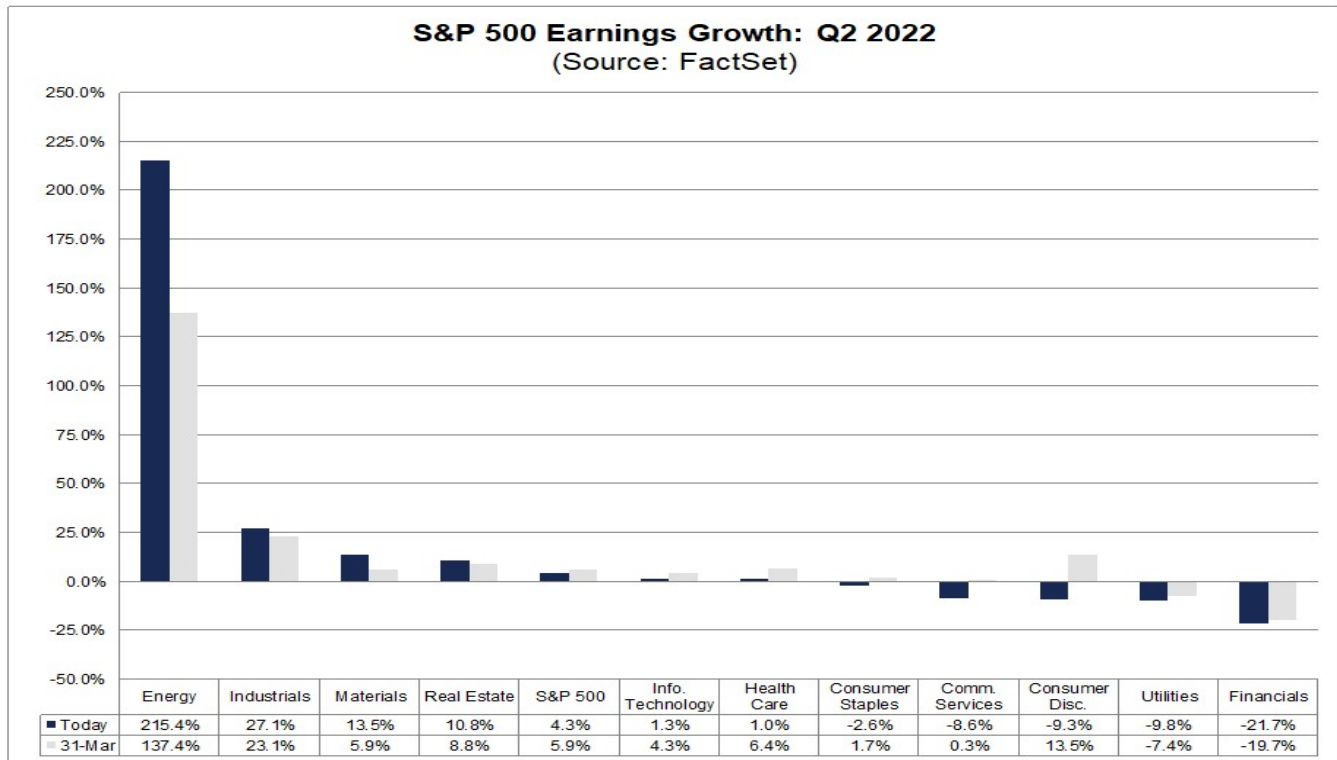
Q2 2022: Guidance



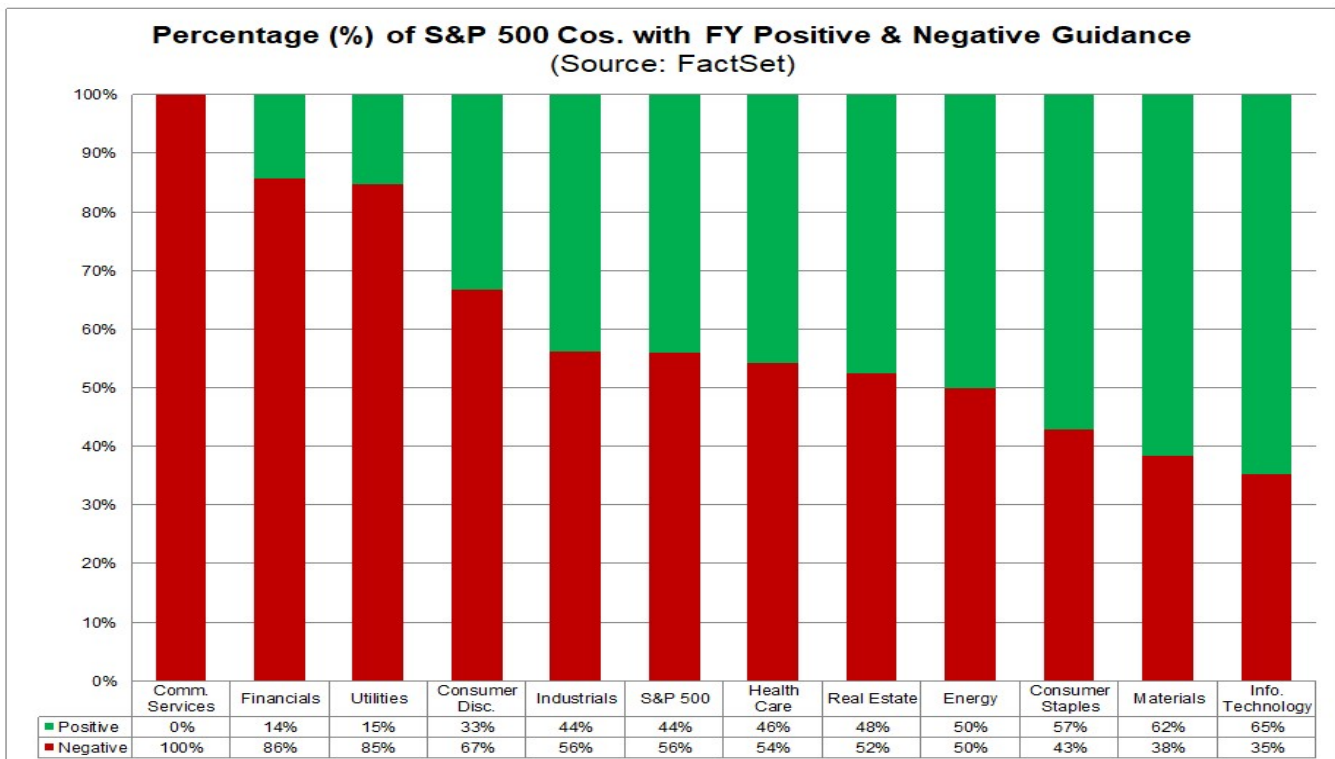
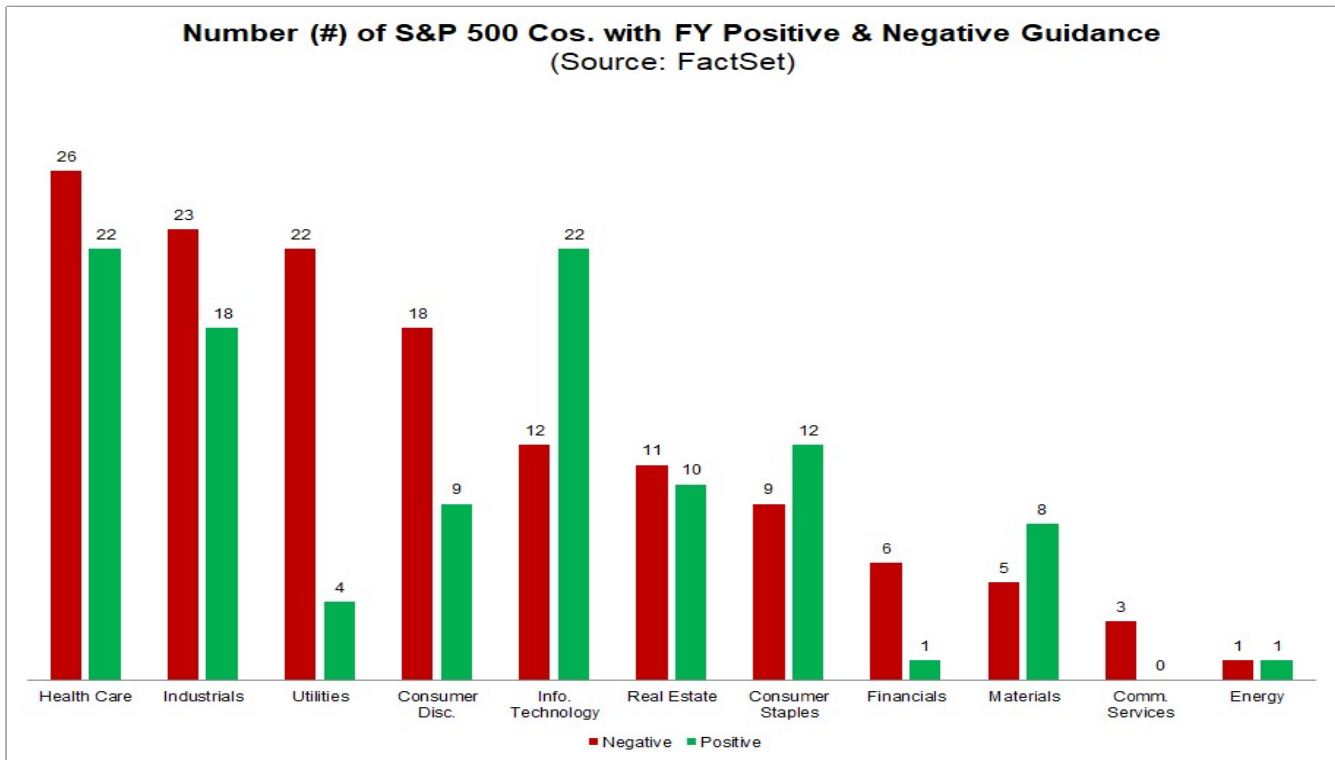
Q2 2022: EPS Revisions



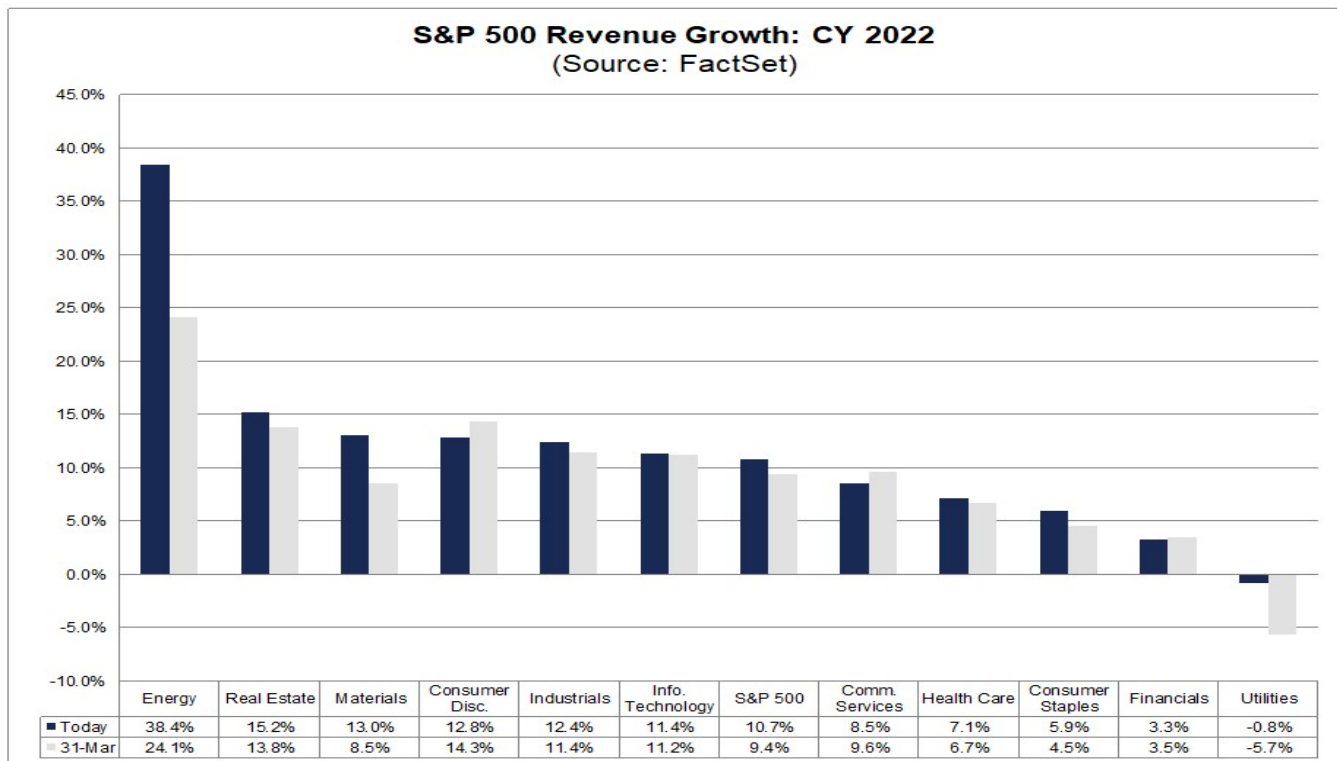
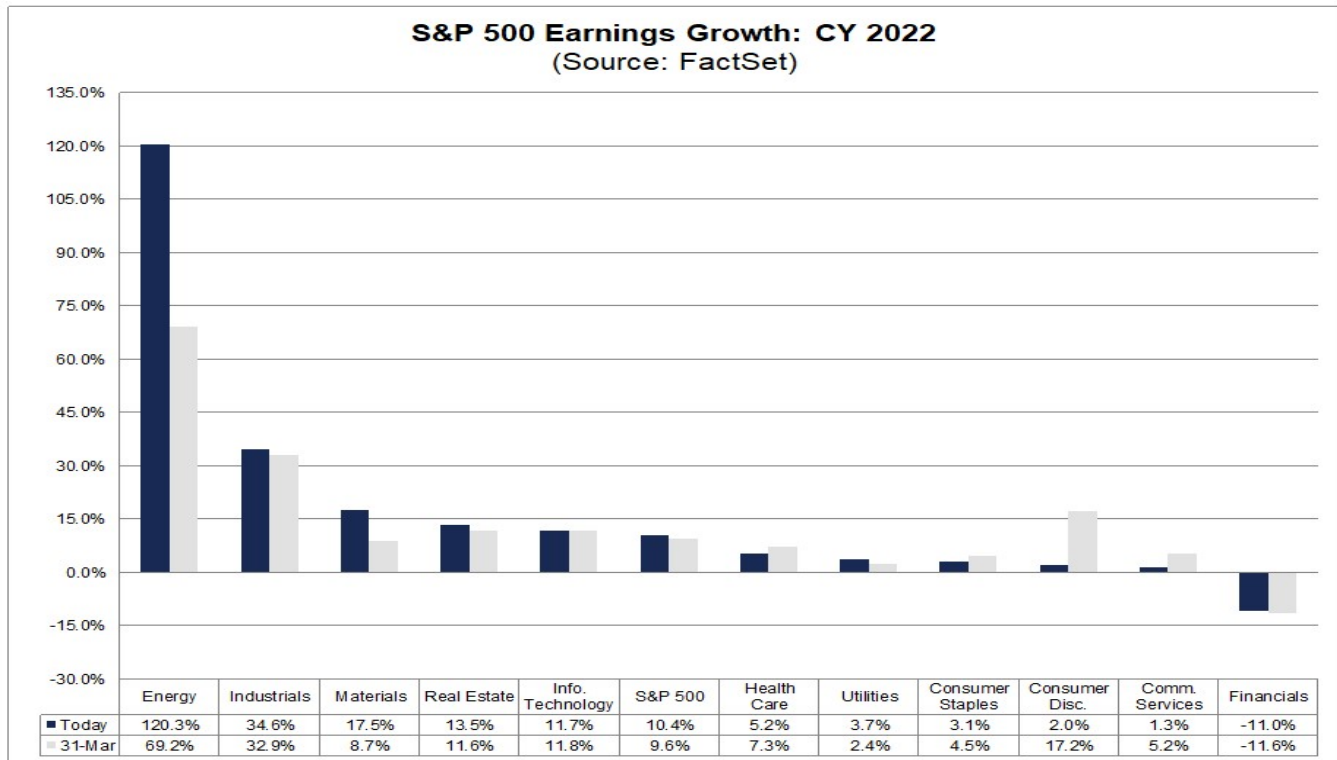
Q2 2022: Growth



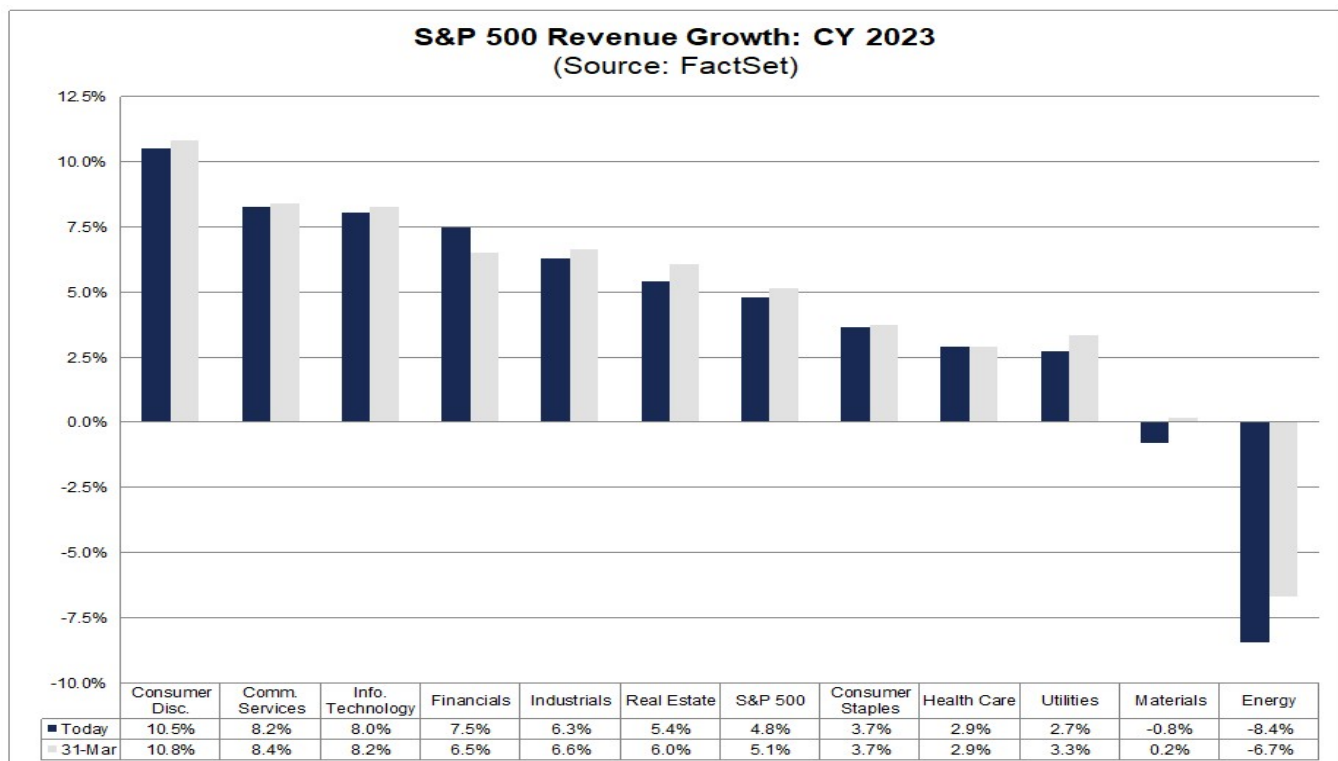
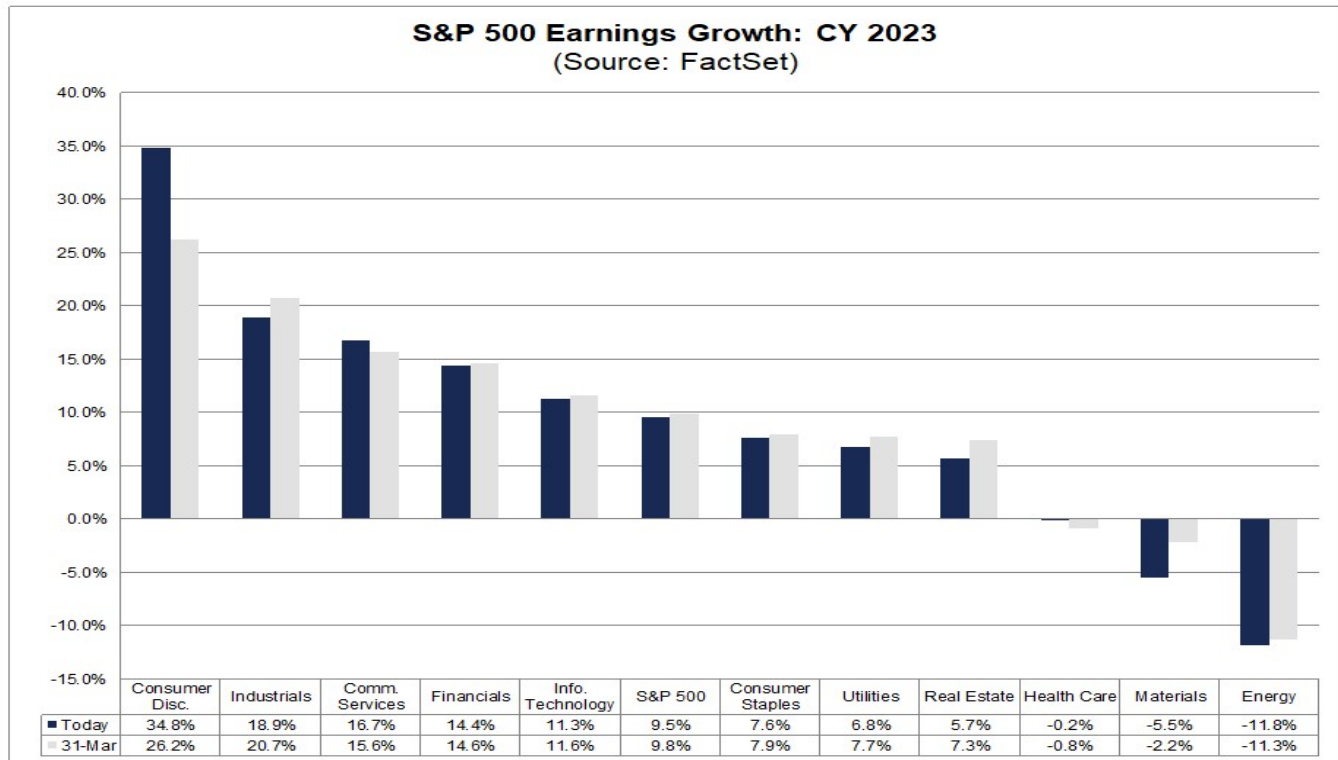
FY 2022 / 2023: EPS Guidance



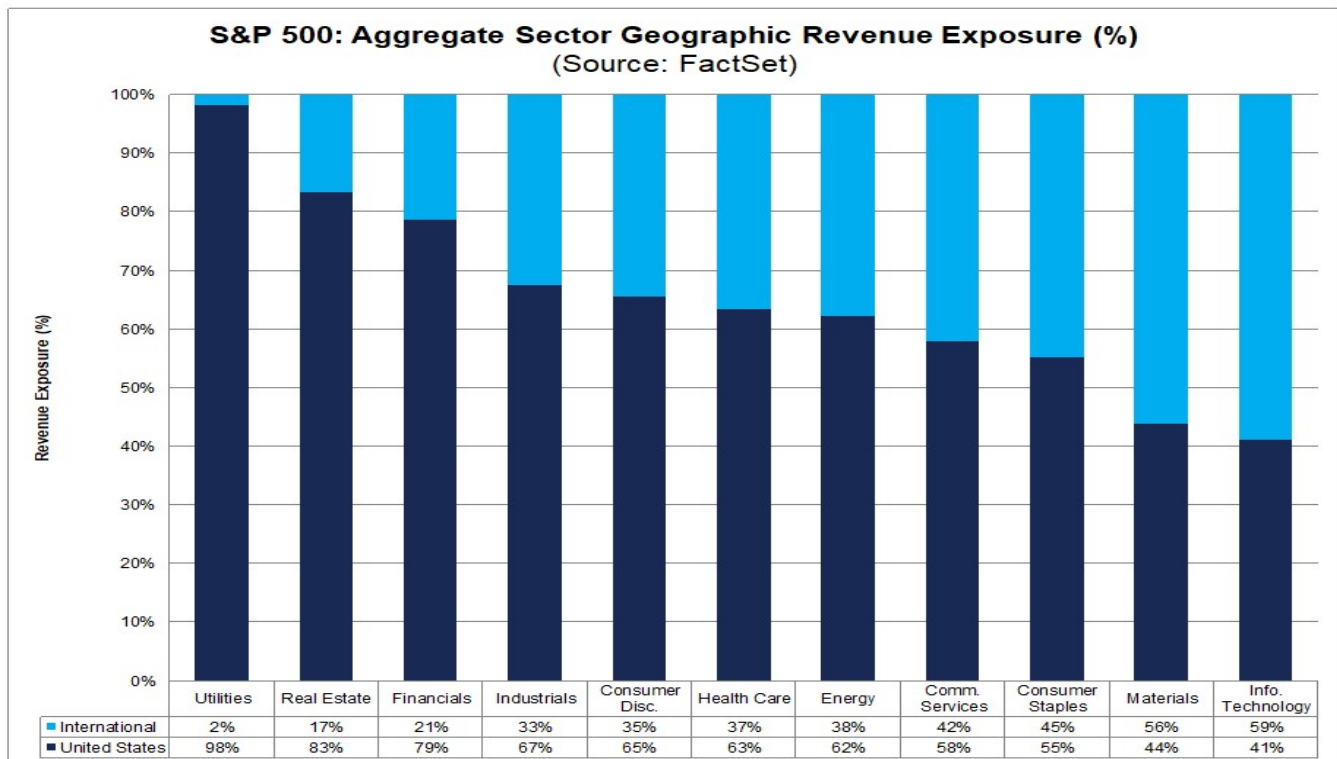
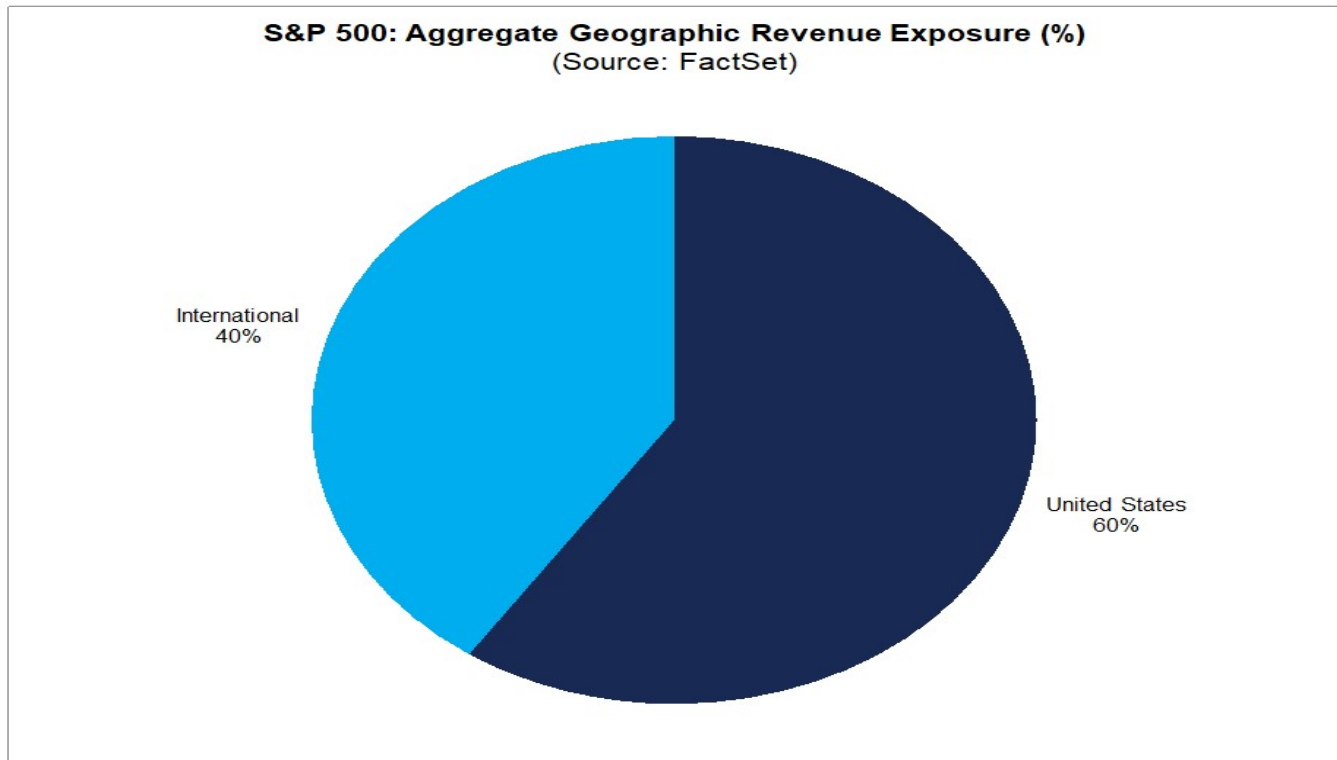
CY 2022: Growth



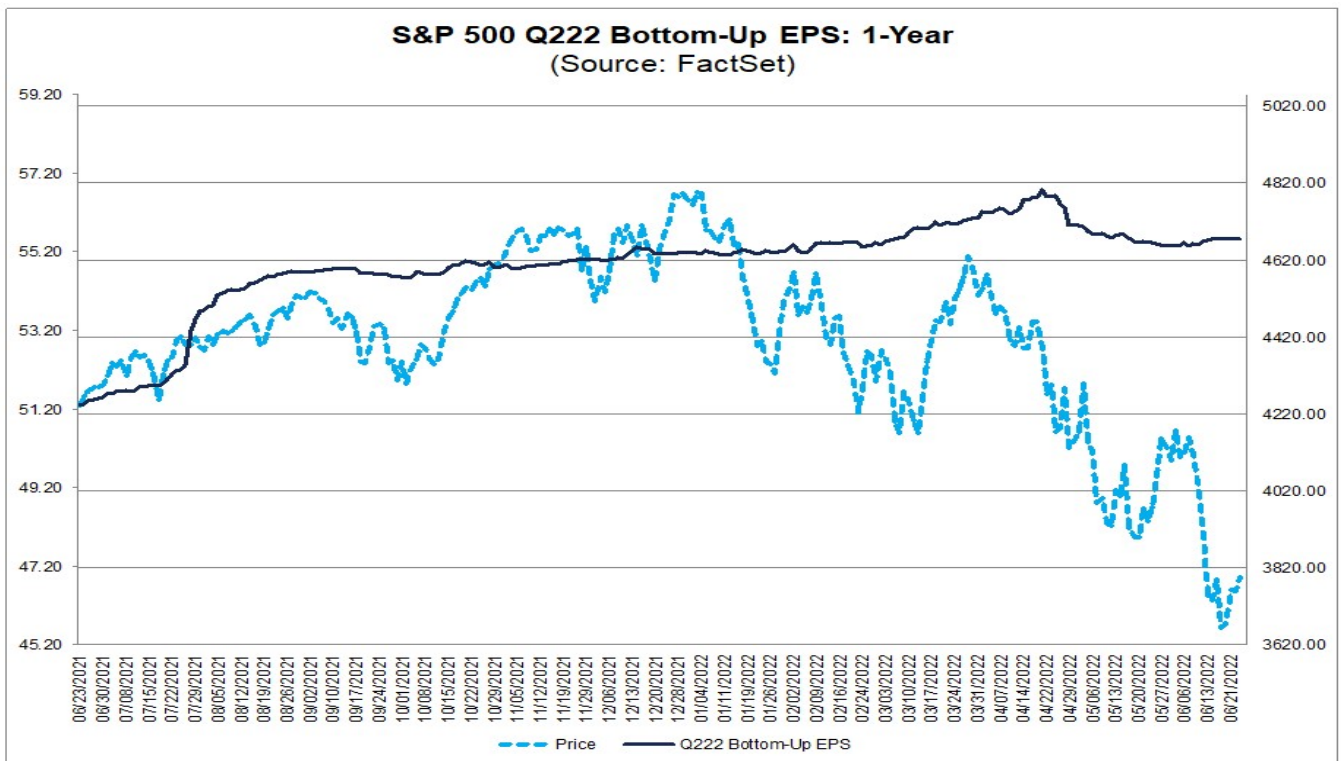
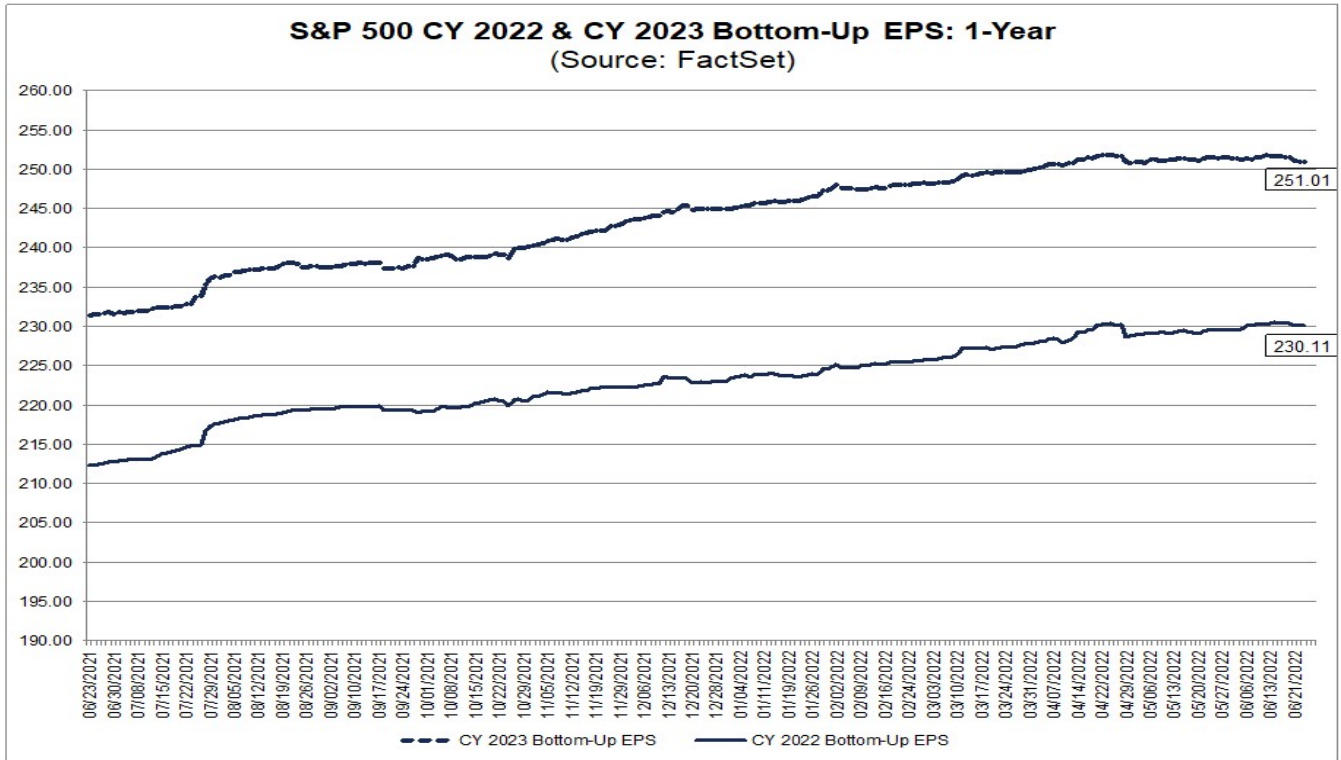
CY 2023: Growth



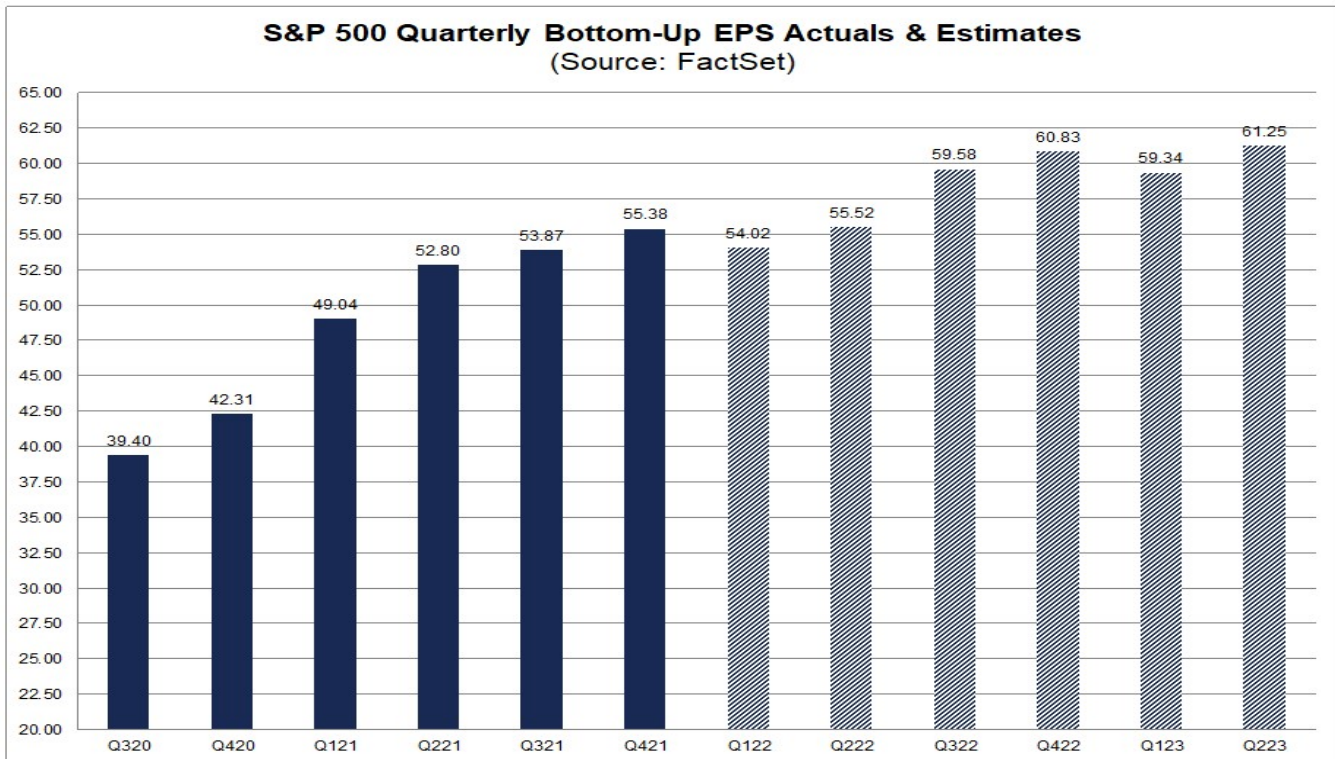
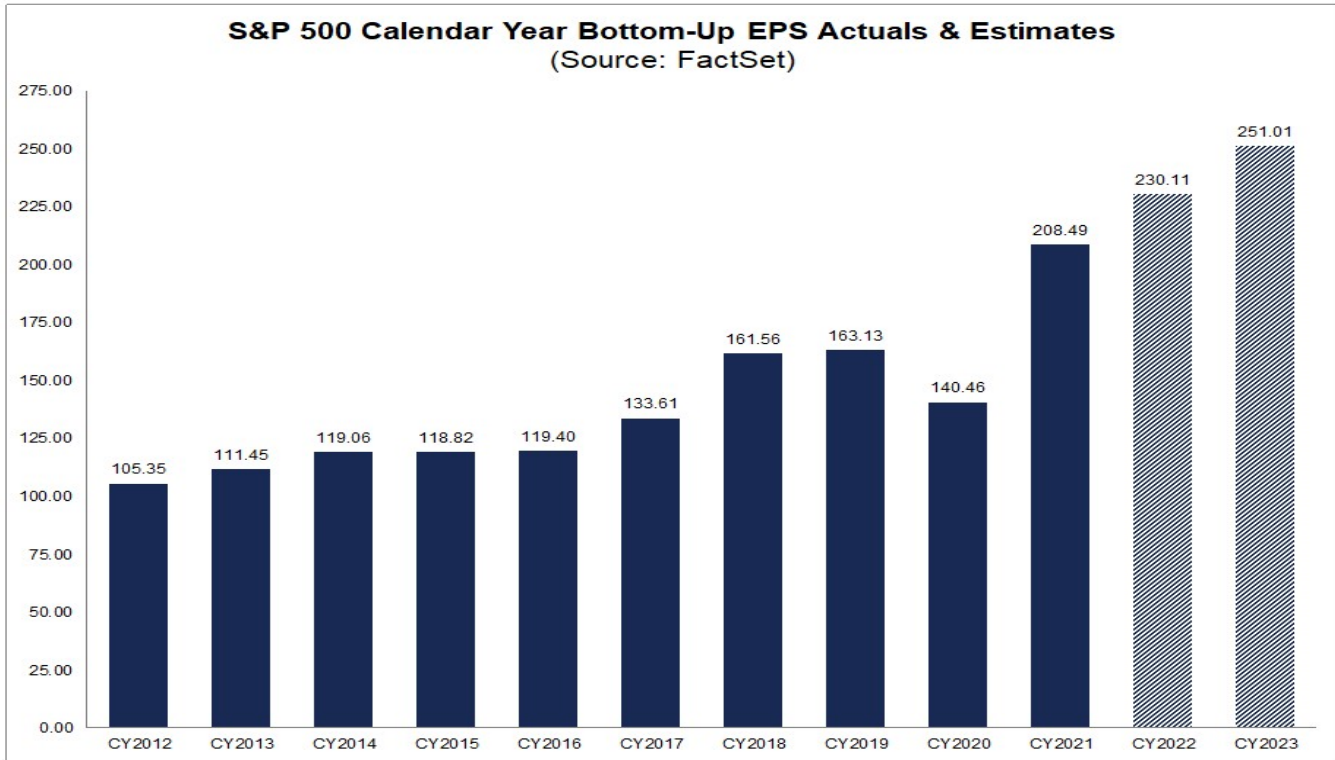
Geographic Revenue Exposure



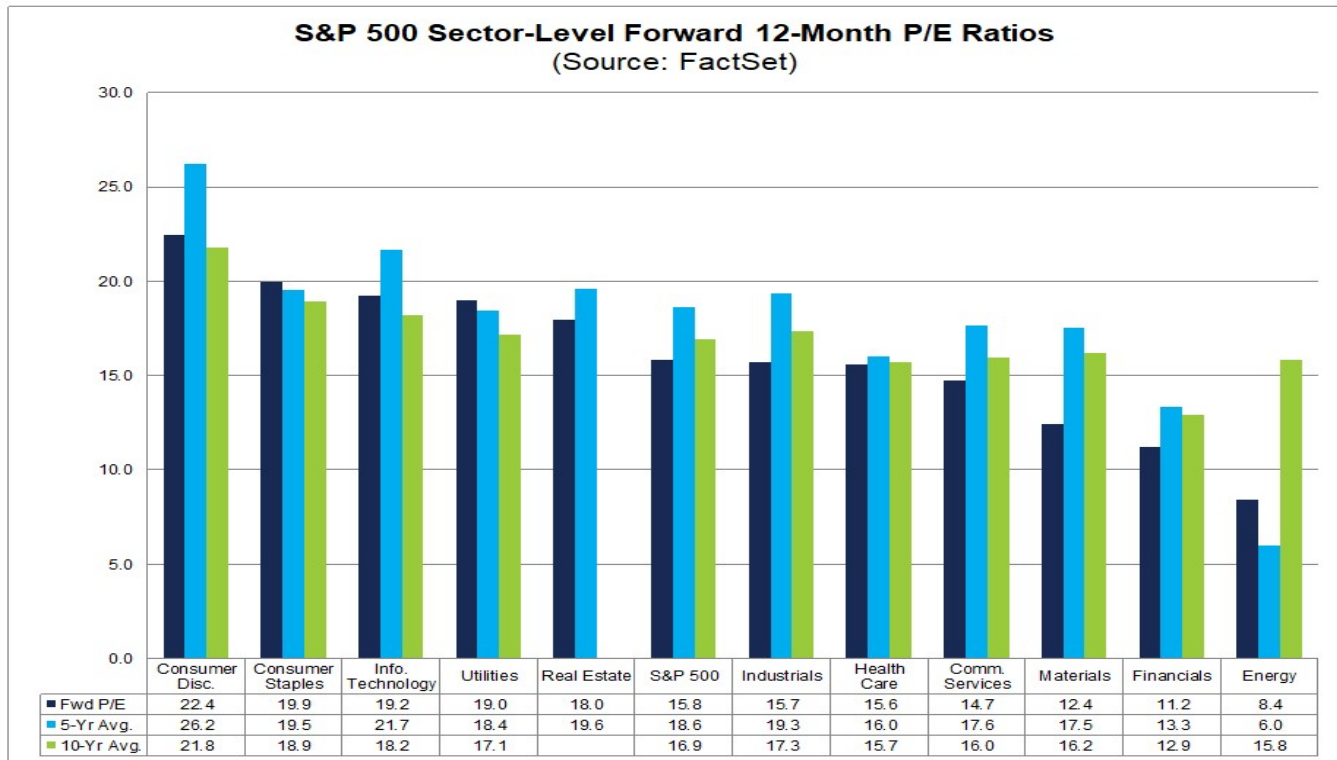
Bottom-Up EPS Estimates



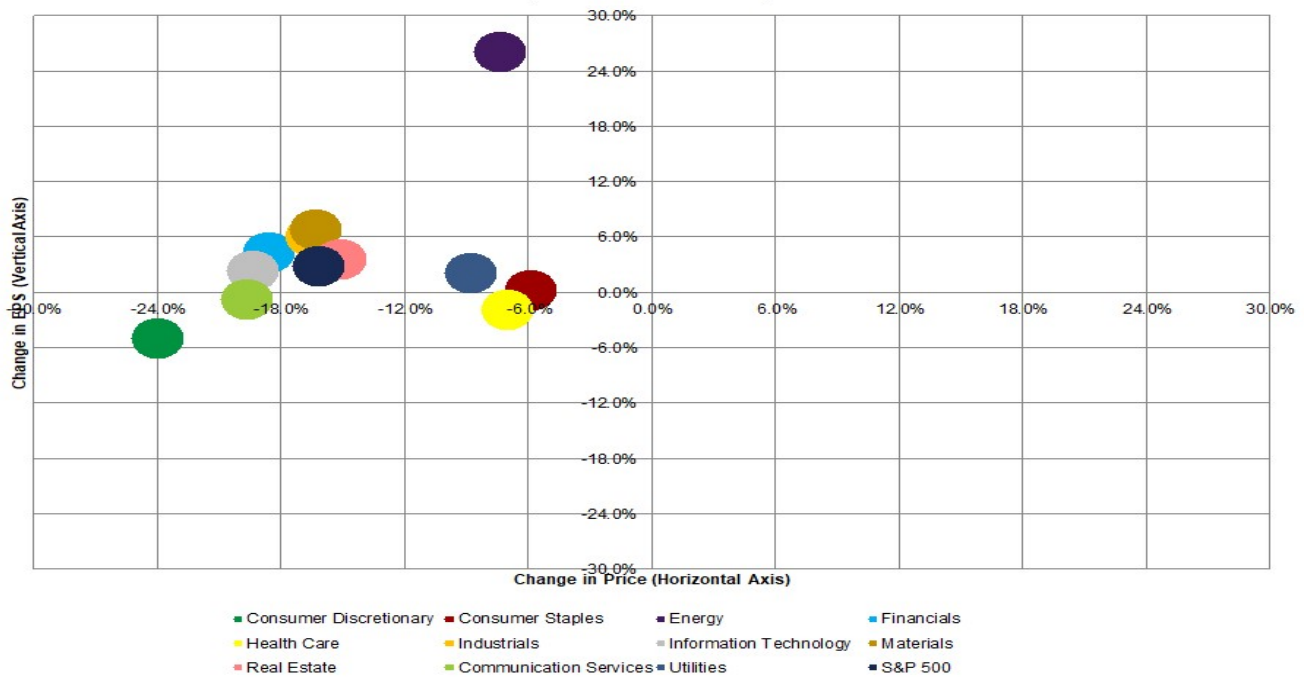
Bottom-Up EPS Estimates: Current & Historical



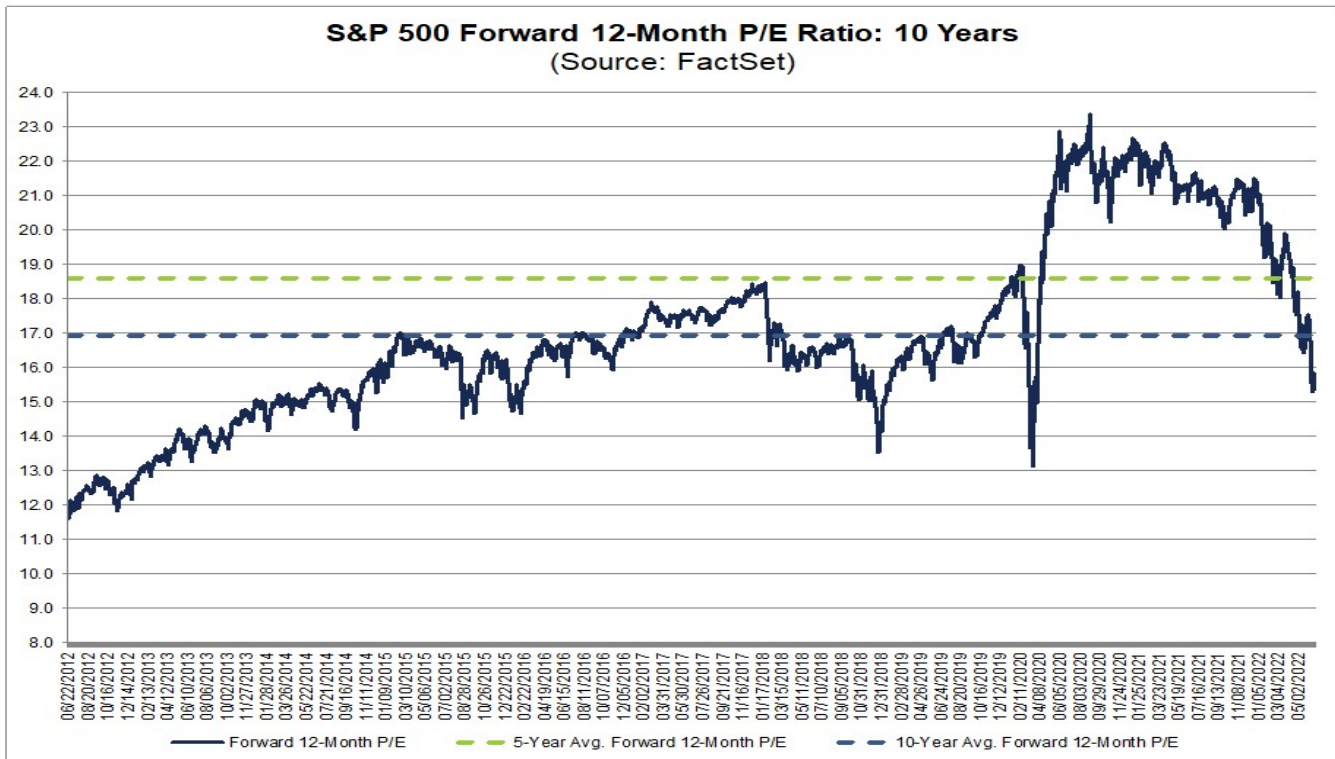
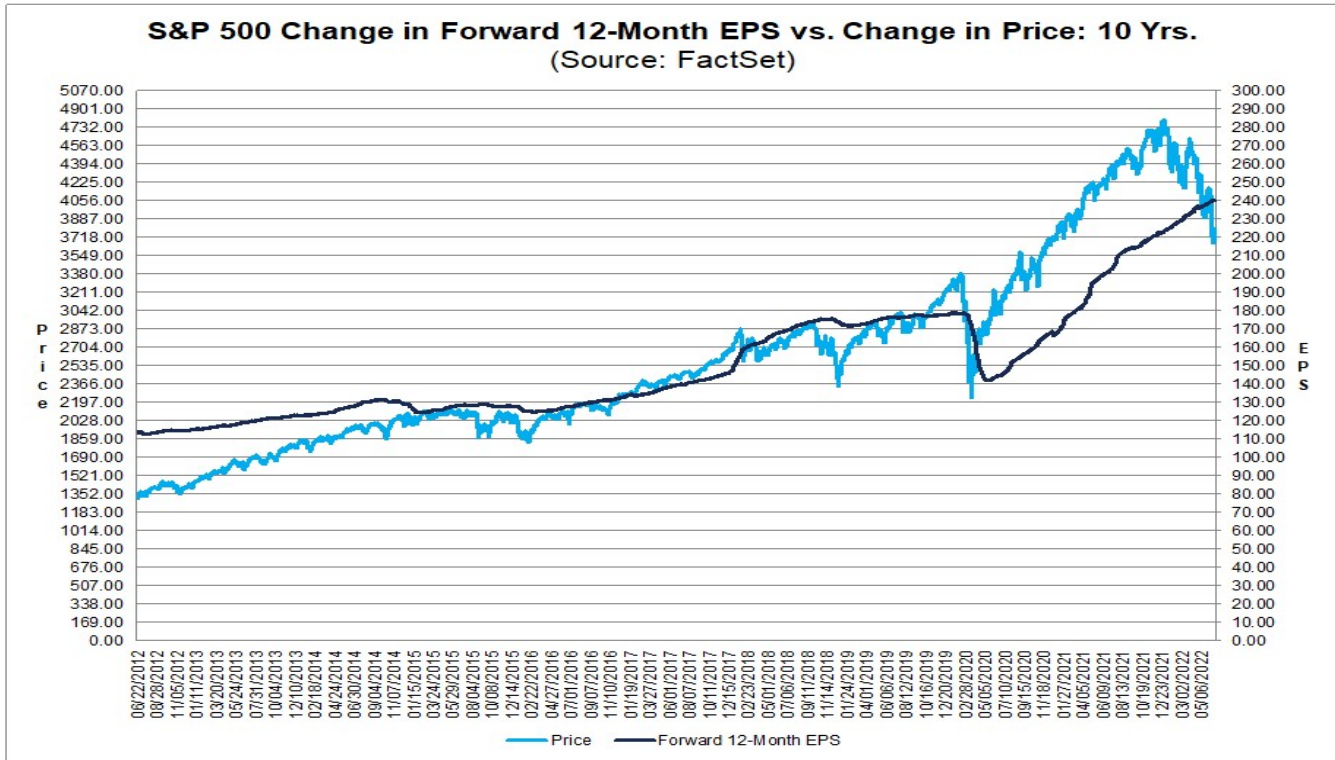
Forward 12M P/E Ratio: Sector Level



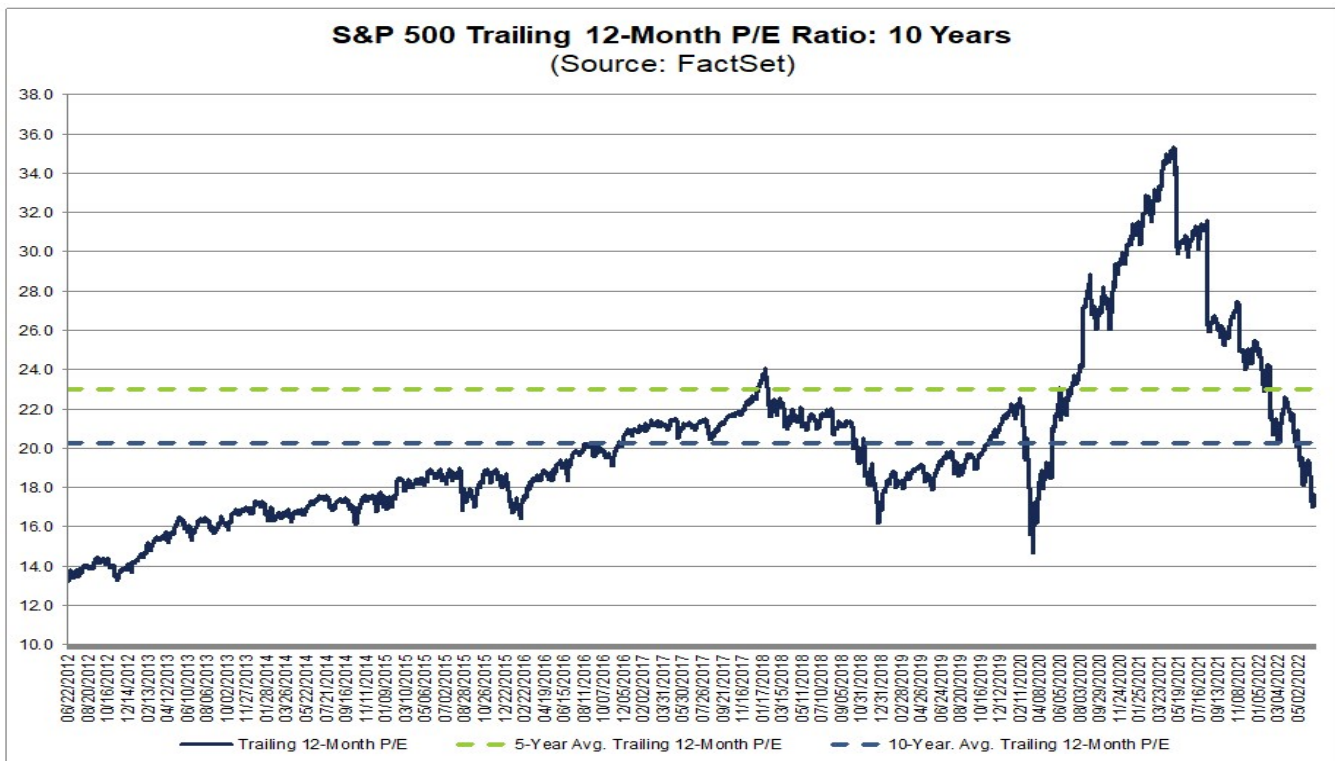
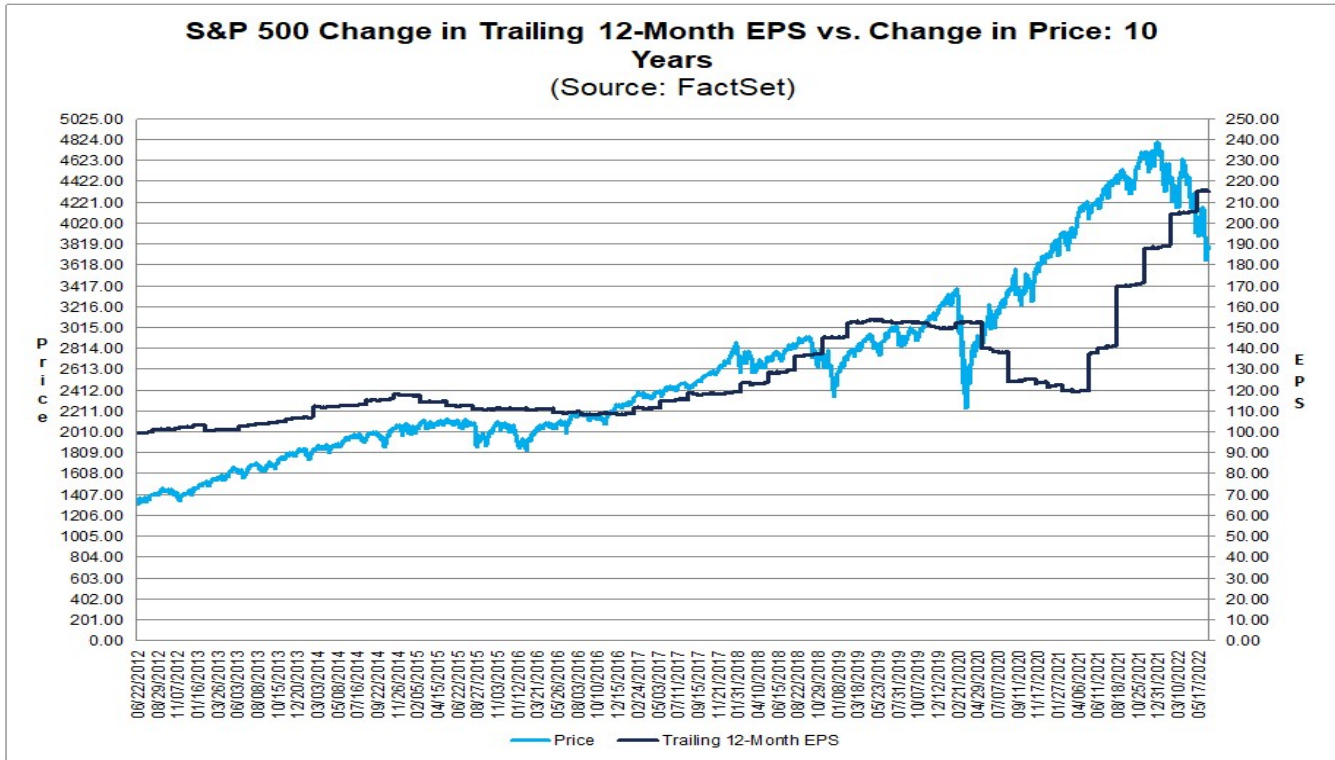
Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Mar. 31 (Source: FactSet)



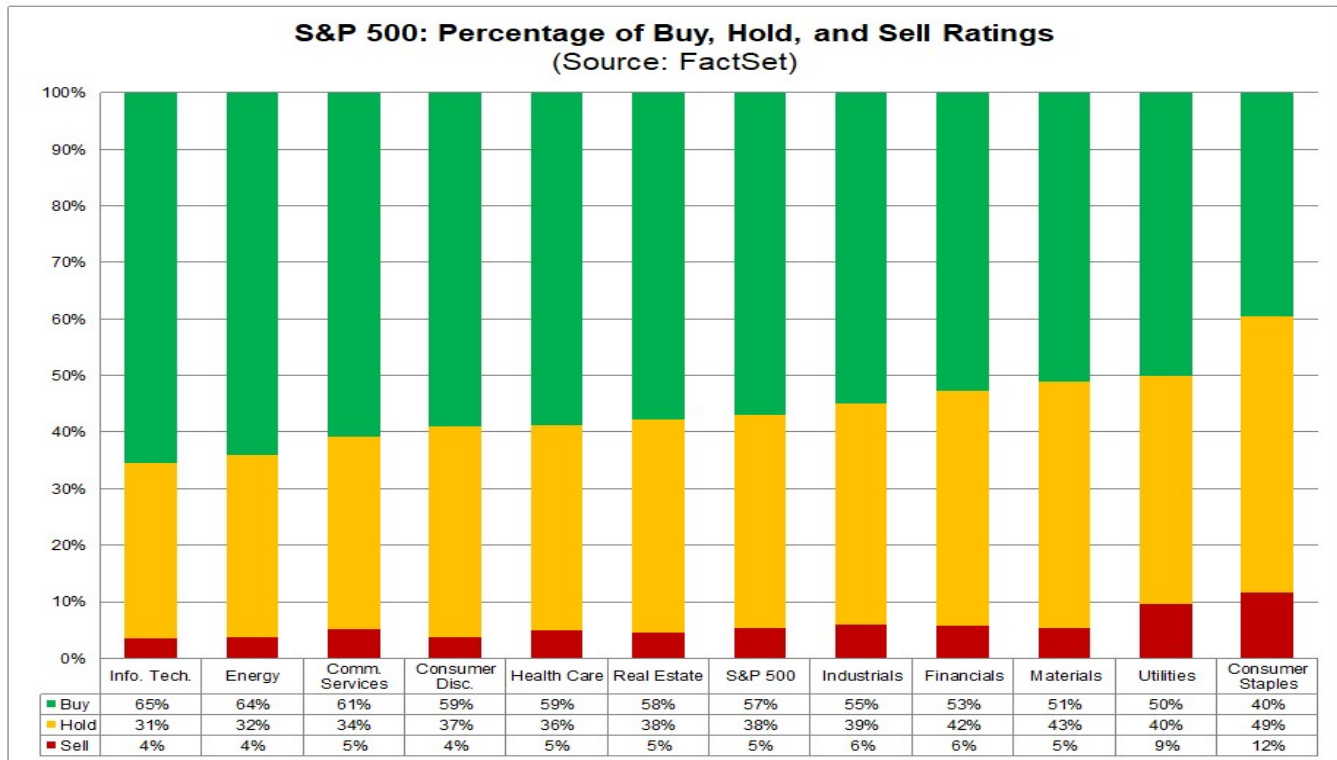
Forward 12M P/E Ratio: 10-Years



Trailing 12M P/E Ratio: 10-Years



Targets & Ratings



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