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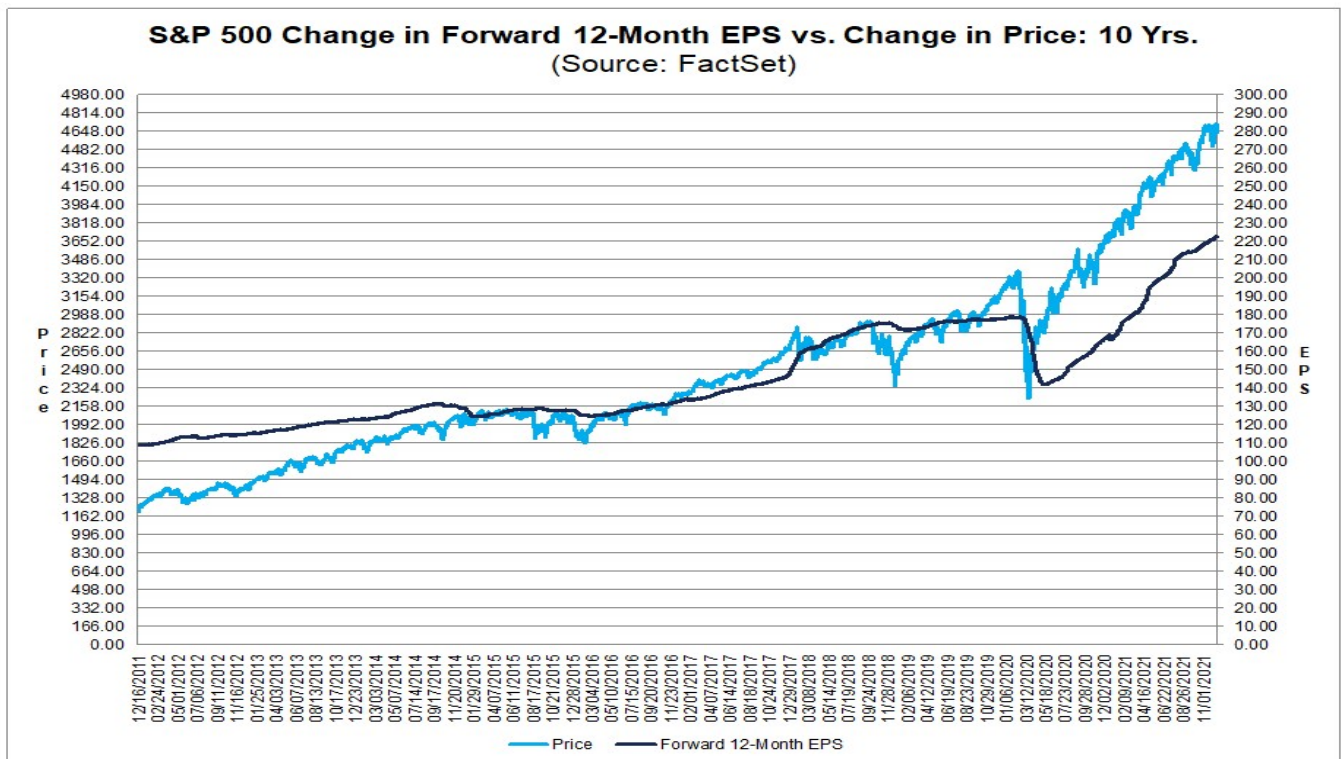
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**Author's Note: The FactSet Earnings Insight report will not be published on December 24 and December 31. The next edition of the report will be published on January 7.**

## Key Metrics

- **Earnings Growth:** For Q4 2021, the estimated earnings growth rate for the S&P 500 is 21.3%. If 21.3% is the actual growth rate for the quarter, it will mark the fourth straight quarter of earnings growth above 20%.
- **Earnings Revisions:** On September 30, the estimated earnings growth rate for Q4 2021 was also 20.9%. Six sectors are expected to report higher earnings today (compared to September 30) due to upward revisions to EPS estimates.
- **Earnings Guidance:** For Q4 2021, 57 S&P 500 companies have issued negative EPS guidance and 38 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 21.2. This P/E ratio is above the 5-year average (18.5) and above the 10-year average (16.6).

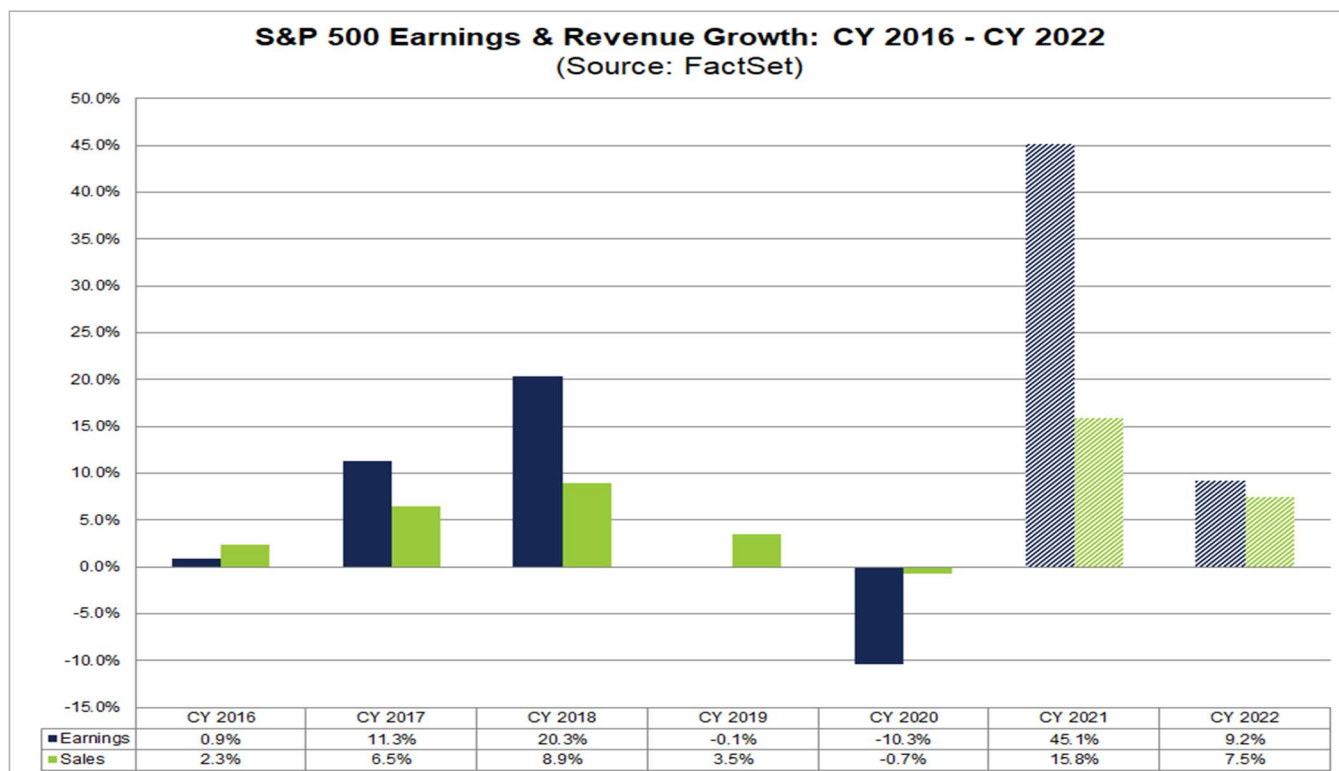


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## Topic of the Week: 1

### S&P 500 CY 2021 Earnings Preview: Record-High Earnings and Sales Growth in CY 2021



#### CY 2021 Earnings Growth: 45.1%

The estimated (year-over-year) earnings growth rate for CY 2021 is 45.1%, which is above the trailing 10-year average (annual) earnings growth rate of 5.0% (2011 – 2020). If 45.1% is the actual growth rate for the year, it will mark the highest annual earnings growth rate reported by the index since FactSet began tracking this metric in 2008. The current record is 39.6%, which occurred in CY 2010. The unusually high growth rate for the year is due to a combination of higher earnings for 2021 and an easier comparison to weaker earnings in 2020 due to the negative impact of COVID-19 on a number of industries. All eleven sectors are projected to report year-over-year growth in earnings, led by the Energy, Industrials, Materials, Consumer Discretionary, and Financials sectors.

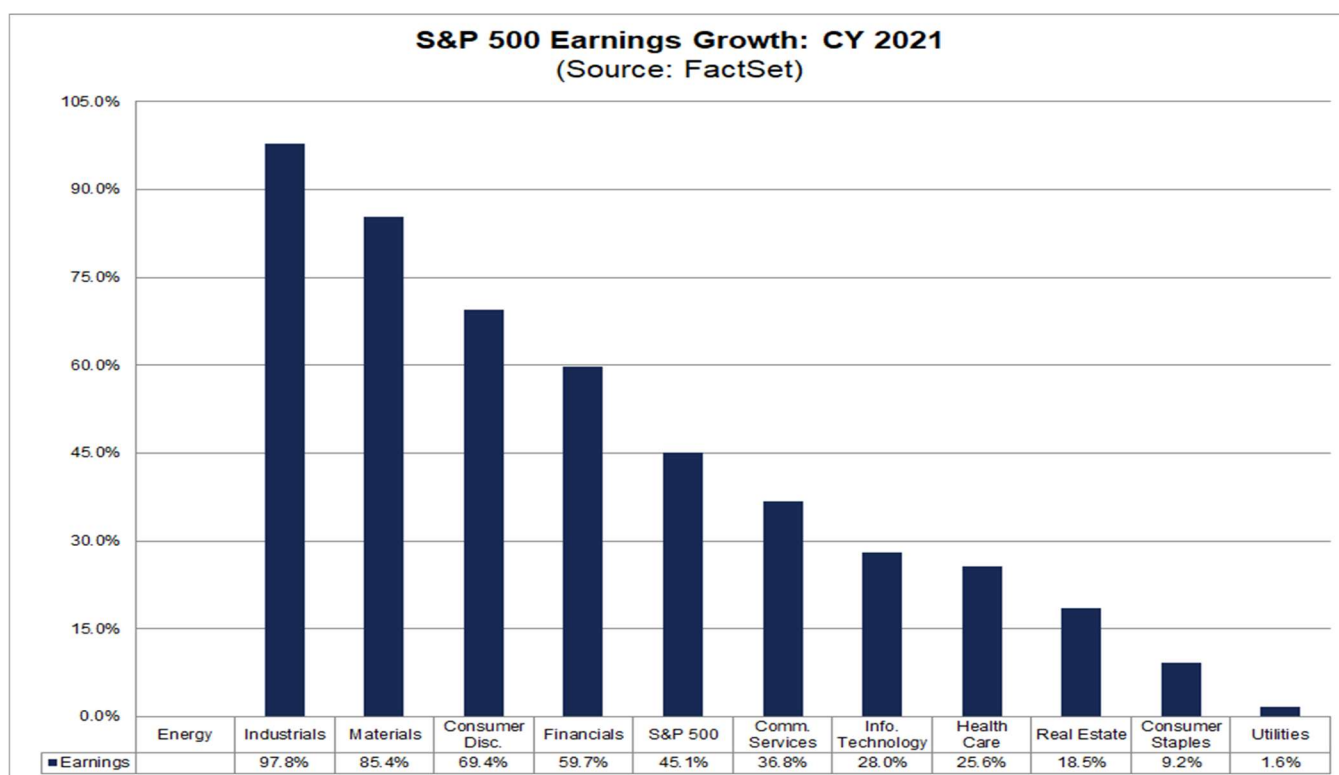
The Energy sector is expected to report earnings of \$77.6 billion for CY 2021 compared to a loss of -\$5.2 billion in CY 2020. Thus, a year-over-year growth rate is not being calculated for the Energy sector due to the loss reported by the sector in CY 2020. Higher year-over-year oil prices are contributing to the year-over-year improvement in earnings for this sector, as the average price of oil to date in CY 2021 (\$67.87) is 73% above the average price for oil in CY 2020 (\$39.34). At the sub-industry level, all five sub-industries in the sector are expected to report a year-over-year increase in earnings. A growth rate is not being calculated for three of these five sub-industries due to losses reported last year. However, all three are expected to report profits in CY 2021: Integrated Oil & Gas, Oil & Gas Exploration & Production, and Oil & Gas Refining & Marketing. The other two sub-industries that are expected to report year-over-year growth are the Oil & Gas Equipment & Services (116%) and the Oil & Gas Storage & Transportation (51%) sub-industries. At the company level, Exxon Mobil and Chevron are expected to be the largest contributors to the year-over-year improvement in earnings for the sector. Combined, these two companies account for \$39.2 billion of the projected \$82.8 billion year-over-year increase in earnings for the sector.

The Industrials sector is expected to report the highest (year-over-year) earnings growth rate of all eleven sectors at 97.8%. At the industry level, all twelve industries in the sector are projected to report a year-over-year improvement in earnings. A growth rate is not being calculated for the Airlines industry due to the loss reported by the industry in the previous year. However, the Airlines industry is predicted to report a smaller loss in CY 2021 (-\$14.7 billion) relative to the loss in CY 2020 (-\$32.6 billion). The remaining eleven industries are predicted to report double-digit growth, led by the Aerospace & Defense (145%), Air Freight & Logistics (44%), and Machinery (40%) industries. The Airlines industry is also the expected to be the largest contributor to earnings growth for the sector in CY 2021. If this industry were excluded, the estimated earnings growth rate for the Industrials sector would fall to 43.0% from 97.8%.

The Materials sector is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 85.4%. At the industry level, all four industries in this sector are projected to report a year-over-year increase in earnings. Three of these four industries are predicted to report double-digit earnings growth: Metals & Mining (252%), Chemicals (75%), and Containers & Packaging (27%). At the company level, Nucor, Dow, LyondellBasell Industries, and Freeport-McMoRan are expected to be the largest contributors to year-over-year earnings growth for the sector. If these four companies were excluded, the estimated earnings growth rate for the Materials sector would fall to 30.6% from 85.4%.

The Consumer Discretionary sector is expected to report the third-highest (year-over-year) earnings growth rate of all eleven sectors at 69.4%. At the industry level, all ten industries in this sector are projected to report a year-over-year increase in earnings. A growth rate is not being calculated for the Hotels, Restaurants, & Leisure industry due to the loss reported by the industry in the previous year. However, the Hotels, Restaurants, & Leisure industry is predicted to report a profit in CY 2021 (\$1.9 billion) relative to the loss in CY 2020 (-\$15.2 billion). Eight of the remaining nine industries are predicted to report double-digit growth, led by the Automobiles (117%) and Textiles, Apparel, & Luxury Good (61%) industries. The Hotels, Restaurants, & Leisure industry is also the expected to be the largest contributor to earnings growth for the sector in CY 2021. If this industry were excluded, the estimated earnings growth rate for the Consumer Discretionary sector would fall to 38.9% from 69.4%.

The Financials sector is expected to report the fourth-highest (year-over-year) earnings growth rate of all eleven sectors at 59.7%. At the industry level, all five industries in this sector are projected to report a year-over-year increase in earnings of 15% or more: Consumer Finance (247%), Banks (85%), Capital Markets (37%), Diversified Financial Services (21%), and Insurance (19%).

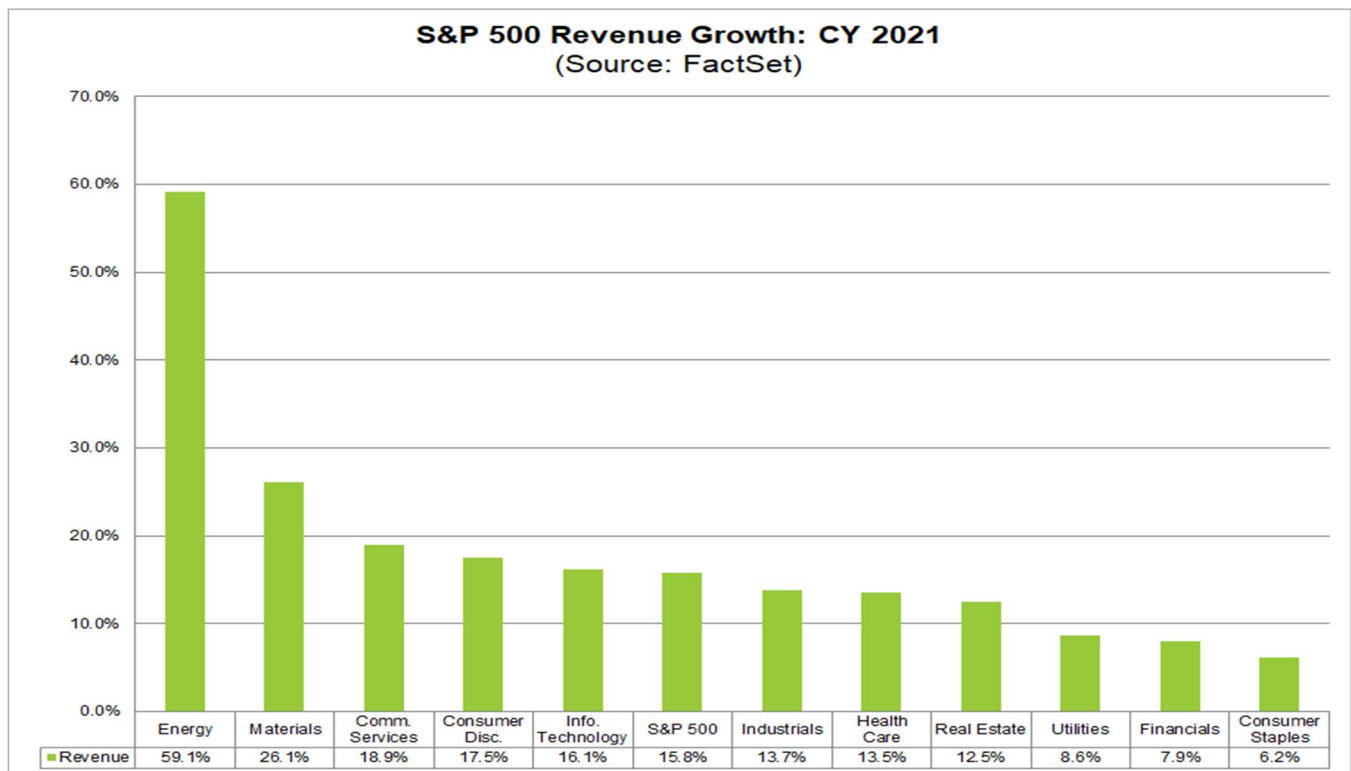


CY 2021 Revenue Growth: 15.8%

The estimated (year-over-year) revenue growth rate for CY 2021 is 15.8%, which is above the trailing 10-year average (annual) revenue growth rate of 3.5% (2011 – 2020). If 15.8% is the actual growth rate for the year, it will mark the highest annual revenue growth rate reported by the index since FactSet began tracking this metric in 2008. The current record is 10.6%, which occurred in CY 2011. Again, the unusually high growth rate for the year is due to a combination of higher revenues for 2021 and an easier comparison to weaker revenues in 2020 due to the negative impact of COVID-19 on a number of industries. All eleven sectors are projected to report year-over-year growth in revenues, led by the Energy and Materials sectors.

The Energy sector is expected to report the highest revenue growth of all eleven sectors at 59.1%. 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 to date in CY 2021 (\$67.87) is 73% above the average price for oil in CY 2020 (\$39.34). At the sub-industry level, four of the five sub-industries in the sector are expected to report double-digit growth in revenues: Oil & Gas Exploration & Production (109%), Integrated Oil & Gas (62%), Oil & Gas Refining & Marketing (60%), and Oil & Gas Storage & Transportation (45%). The Oil & Gas Equipment & Services (-1%) is the only sub-industry expected to report a year-over-year decline in revenues.

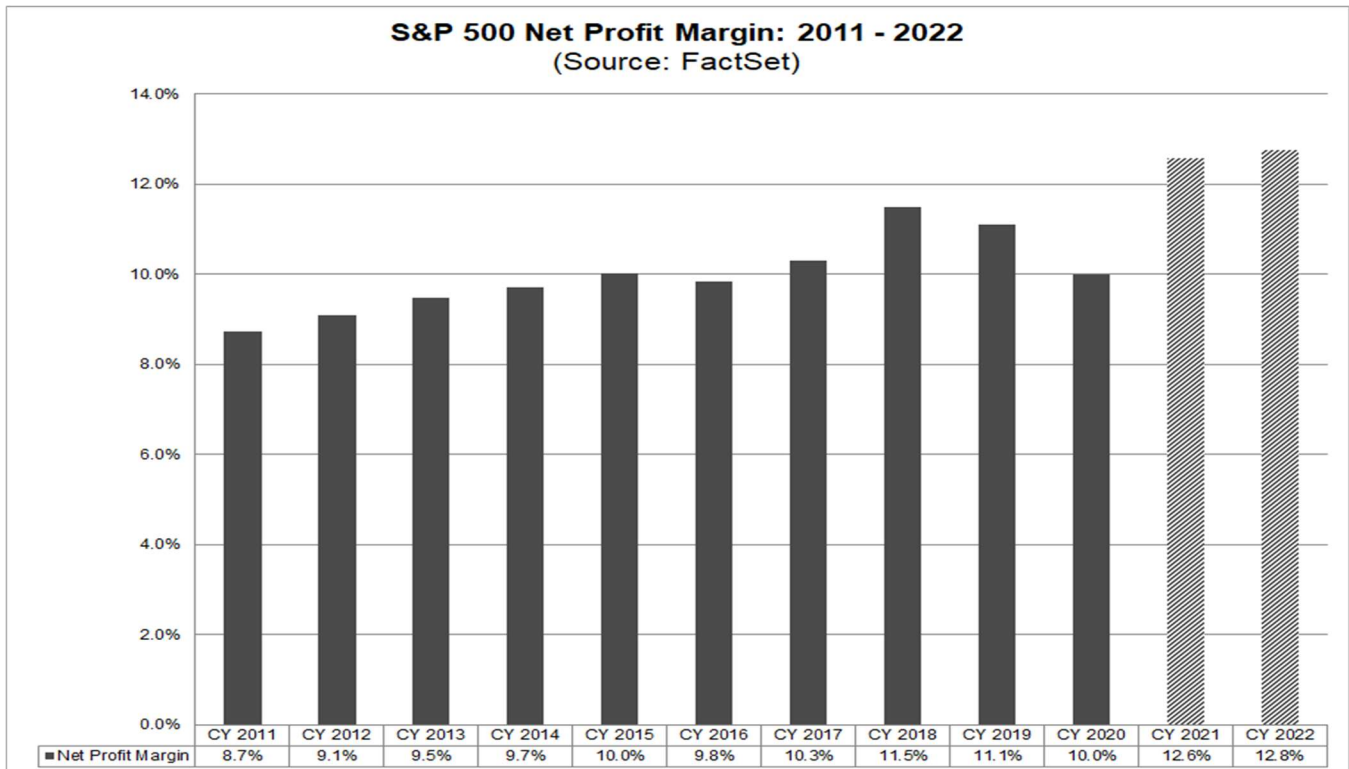
The Materials sector is expected to report the second-highest (year-over-year) revenue growth rate of all eleven sectors at 26.1%. At the industry level, all four industries in this sector are projected to report a year-over-year increase in revenues of 10% or more: Metals & Mining (57%), Chemicals (26%), Construction Materials (14%), and Containers & Packaging (10%).



CY 2021 Net Profit Margin: 12.6%

The estimated net profit margin (based on aggregate estimates for revenues and earnings) for the S&P 500 for CY 2021 is 12.6%. Despite concerns about labor shortages, higher inflation, and supply chain disruptions, if 12.6% is the actual net profit margin for the index, it will mark the highest (annual) net profit margin reported by the index since FactSet began tracking this metric in CY 2008. The current record is 11.5%, which occurred in CY 2018. However, it should be noted that analysts expect the index to report an even higher net profit margin (12.8%) in CY 2022.

At the sector level, ten of the eleven sectors are projected to report higher net profit margins in CY 2021 relative to CY 2020, led by the Energy (7.6% vs. N/A) and Financials (19.8% vs. 13.4%) sectors.



## Topic of the Week: 2

### Where Are Analysts Most Optimistic on Ratings for S&P 500 Companies for 2022?

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

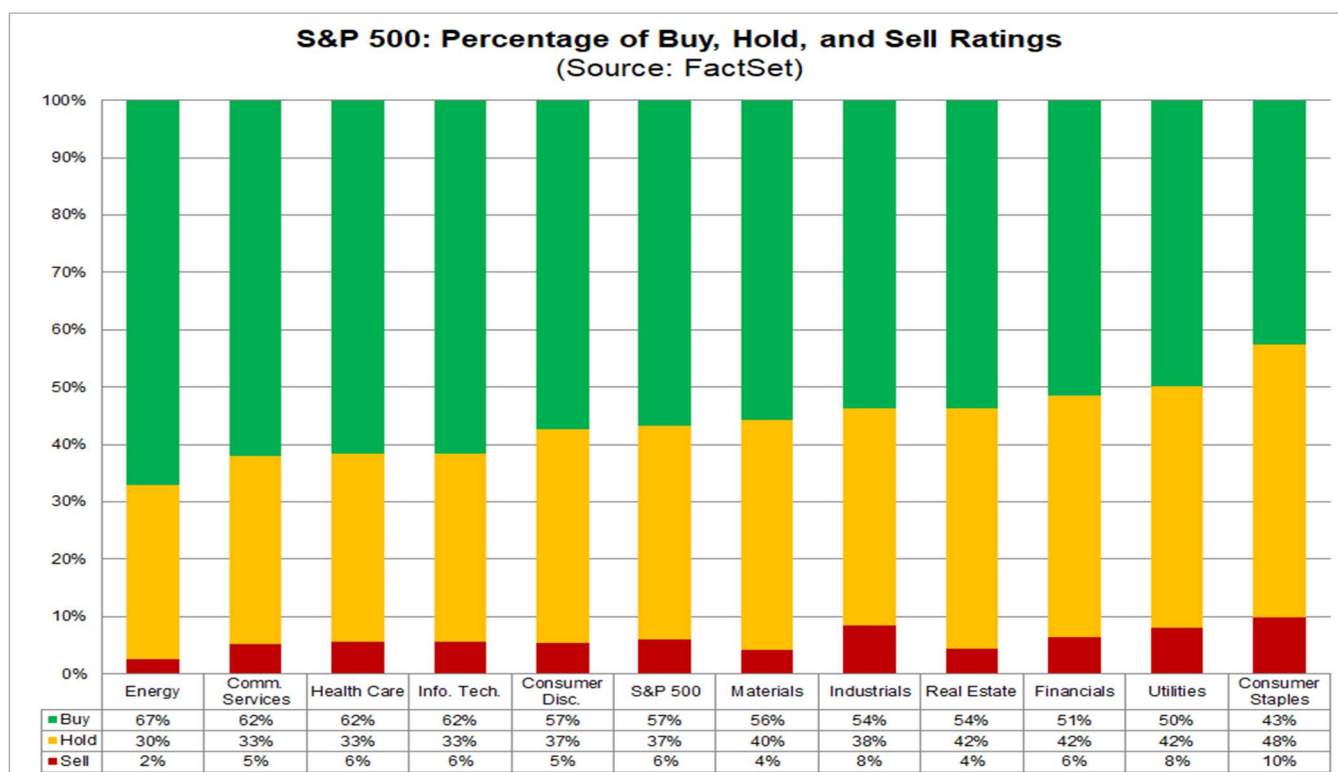
Overall, there are 10,785 ratings on stocks in the S&P 500. Of these 10,785 ratings, 56.8% are Buy ratings, 37.2% are Hold ratings, and 6.0% are Sell ratings.

At the sector level, analysts are most optimistic on the Energy (67%), Communication Services (62%), Information Technology (62%), and Health Care (61%) sectors, as these four sectors have the highest percentages of Buy ratings. On the other hand, analysts are most pessimistic on the Consumer Staples (42%) sector, as this sector has the lowest percentages of Buy ratings. This sector also has the highest percentage of Hold ratings (48%) and Sell ratings (10%).

The S&P 500 companies with the highest percentages of Buy ratings and Sell ratings can be found on page 7.

It is interesting to note that even with a 24% price increase since the end of last year (December 31, 2020), analysts are more optimistic on S&P 500 stocks today compared to December 31, 2020, based on the percentages of Buy ratings. On December 31 (2020), 53.7% of ratings on S&P 500 stocks were Buy ratings compared to 56.8% today. Nine sectors have a higher percentage Buy ratings now compared to December 31 (2020), led by the Real Estate (to 54% from 47%) and Materials (to 56% from 50%) sectors. Two sectors have a lower percentage of Buy ratings now compared to December 31 (2020): Consumer Staples (to 42% from 46%) and Utilities (to 49% from 51%).

However, there has been no change at the sector level in terms of the sectors with the highest percentages of Buy ratings. The same four sectors (Communication Services, Energy, Health Care, and Information Technology) that had the highest percentages of Buy ratings on December 31, 2020 also have the highest percentages of Buy ratings today. In terms of price performance, the Energy sector (+46.1%) has witnessed the largest price increase and the Information Technology sector (+29.4%) has seen the fourth-largest price increase of all eleven sectors since the end of last year, while the Health Care sector (+22.0%) has seen the sixth-largest price increase and the Communication Services sector (+19.3%) has seen the seventh-largest price increase of all eleven sectors over this time frame.



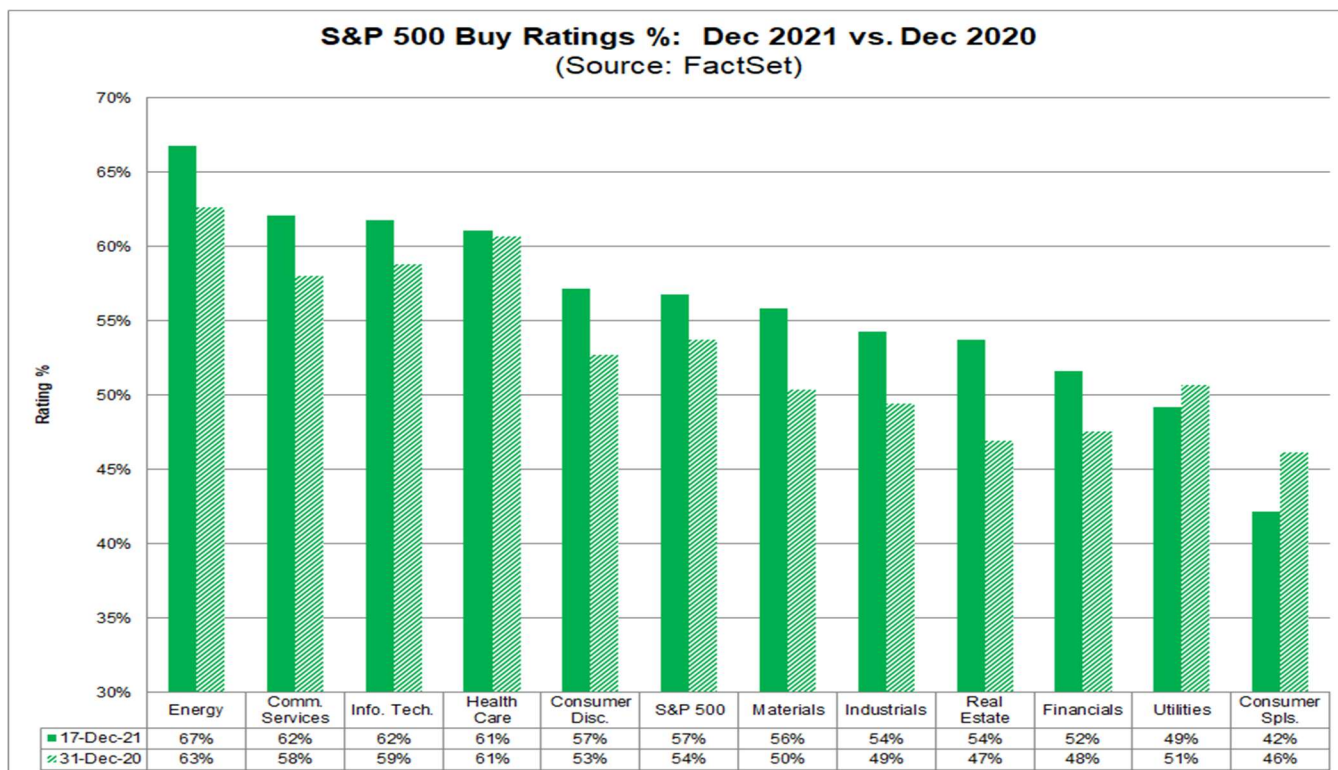
Highest % of Buy Ratings in S&P 500: Top 10 (Source: FactSet)

Company	Buy	Hold	Sell
Alexandria Real Estate Equities, Inc.	100%	0%	0%
Assurant, Inc.	100%	0%	0%
Amazon.com, Inc.	96%	4%	0%
Alphabet Inc. Class C	96%	4%	0%
Alphabet Inc. Class A	94%	6%	0%
Caesars Entertainment Inc	94%	6%	0%
Catalent Inc	93%	7%	0%
Alaska Air Group, Inc.	93%	7%	0%
Visa Inc. Class A	92%	8%	0%
AES Corporation	92%	8%	0%

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

Company	Buy	Hold	Sell
Consolidated Edison, Inc.	0%	35%	65%
Lumen Technologies, Inc.	14%	43%	43%
Clorox Company	17%	44%	39%
Robert Half International Inc.	38%	23%	38%
Expeditors Intl. of Washington, Inc.	13%	50%	38%
Progressive Corporation	32%	32%	37%
Snap-on Incorporated	36%	27%	36%
Brown-Forman Corporation Class B	6%	61%	33%
Fastenal Company	13%	53%	33%
American Airlines Group, Inc.	23%	45%	32%

S&P 500 Buy Ratings %: Dec 2021 vs. Dec 2020  
(Source: FactSet)



## Q4 Earnings Season: By The Numbers

### Overview

Analysts and companies have been less optimistic compared to recent quarters in their earnings estimate revisions and earnings outlooks for the fourth quarter to date. As a result, expected earnings for the S&P 500 for the fourth quarter are just slightly above expectations at the start of the quarter. However, the index is still expected to report growth in earnings of more than 20% for the fourth straight quarter. Analysts also project earnings growth of more than 40% for the full year. These above-average growth rates are due to a combination of higher earnings for 2021 and an easier comparison to weaker earnings in 2020 due to the negative impact of COVID-19 on numerous industries.

In terms of earnings estimate revisions for companies in the S&P 500, upward and downward revisions to estimates by analysts have largely offset each other in aggregate for Q4 2021 to date. Thus, on a per-share basis, estimated earnings for the fourth quarter are just 0.4% above the expectations on September 30. Over the past four quarters, analysts increased EPS estimates by 4.7% on average during the quarter. However, over longer time periods, analysts have usually reduced earnings estimates during the quarter. Over the past five years (20 quarters), earnings estimates have fallen by 2.6% on average during a quarter. Over the past ten years, (40 quarters), earnings estimates have fallen by 3.6% on average during a quarter. Over the past fifteen years, (60 quarters), earnings estimates have fallen by 4.8% on average during a quarter.

Fewer S&P 500 companies have issued positive EPS guidance for Q4 2021 compared to recent quarters as well. At this point in time, 95 companies in the index have issued EPS guidance for Q3 2021. Of these 95 companies, 57 have issued negative EPS guidance and 38 have issued positive EPS guidance. Over the past four quarters, 60 S&P 500 companies issued positive guidance on average for the quarter. However, over longer time periods, fewer companies typically issue positive EPS guidance than negative EPS guidance. The percentage of companies issuing positive EPS guidance for Q4 2021 is 40% (38 out of 95), which is equal to the 5-year average of 40%.

Given the smaller positive impact of estimate revisions, the estimated (year-over-year) earnings growth rate for Q4 2021 is just slightly above expectations at the start of the fourth quarter. As of today, the S&P 500 is expected to report (year-over-year) earnings growth of 21.3%, compared to the estimated (year-over-year) earnings growth rate of 20.9% on September 30.

If 21.3% is the actual growth rate for the quarter, it will mark the fourth straight quarter of year-over-year earnings growth above 20%. The unusually high growth rate is due to a combination of higher earnings for Q4 2021 and a comparison to weaker earnings in Q4 2020 due to the negative impact of COVID-19 on a number of industries. Nine of the eleven sectors are projected to report year-over-year earnings growth, led by the Energy, Materials, and Industrials sectors.

In terms of revenues, however, analysts have continued to be more optimistic than normal in their estimate revisions. Because of the net upward revisions to revenue estimates, the estimated (year-over-year) revenue growth rate for Q4 2021 is higher now relative to the start of the fourth quarter. As of today, the S&P 500 is expected to report (year-over-year) revenue growth of 12.8%, compared to the estimated (year-over-year) revenue growth rate of 11.4% on September 30.

If 12.8% is the actual growth rate for the quarter, it will mark the third-highest year-over-year revenue growth rate reported by the index since FactSet began tracking this metric in 2008. All eleven sectors are projected to report year-over-year growth in revenues, led by the Energy and Materials sectors.

For the full year, analysts project earnings growth of 45.1% for CY 2021. Looking ahead to the first half of CY 2022, analysts expected earnings growth of 6.2% for Q1 2022 and 4.1% for Q2 2022.

The forward 12-month P/E ratio is 21.2, which is above the 5-year average (18.5) and above the 10-year average (16.6). It is also above the forward P/E ratio of 20.1 recorded at the end of the third quarter (September 30), as price increases have outpaced upward revisions to EPS estimates over the past few months.

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



## Earnings Revisions: Energy Sector Sees Largest Estimate Increases

### Small Increase in Estimated Earnings Growth Rate for Q4 This Week

During the past week, the estimated earnings growth rate for the S&P 500 for Q4 2021 increased slightly to 21.3% from 21.2%.

The estimated earnings growth rate for the S&P 500 for Q4 2021 of 21.3% today is slightly above the estimate of 20.9% at the start of the quarter (September 30). Estimated earnings for the index of \$447.6 billion today are also slightly above the estimate of \$446.0 billion at the start of the quarter. Six sectors have recorded an increase in expected (dollar-level) earnings due to upward revisions to earnings estimates, led by the Energy sector. On the other hand, five sectors have recorded a decrease in expected (dollar-level) earnings due to downward revisions to earnings estimates, led by the Consumer Discretionary and Industrials sectors.

### Energy: Exxon Mobil and Chevron Lead Earnings Increase Since September 30

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 38.3% (to \$27.6 billion from \$20.0 billion). A year-over-year growth rate is not being calculated for the Energy sector due to the loss reported by the sector in Q4 2020. This sector has also witnessed an increase in price of 5.6% since September 30. 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, 15 have recorded an increase in their mean EPS estimate of more than 10%, led by Marathon Petroleum (to \$0.55 from -\$0.01), Valero Energy (to \$1.42 from \$0.42), Phillips 66 (to \$1.65 from \$0.65), and Occidental Petroleum (to \$1.05 from \$0.45). However, Exxon Mobil (to \$1.75 from \$1.34), Chevron (to \$2.99 from \$2.19), and ConocoPhillips (to \$2.13 from \$1.49) have been the largest contributors to the increase in estimated (dollar-level) earnings for this sector since September 30.

### Consumer Discretionary: Amazon.com Leads Earnings Decrease Since September 30

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 -16.1% (to \$27.1 billion from \$32.2 billion). As a result, the estimated earnings growth rate for this sector has fallen to 0.3% from 19.5% during this time. Despite the decrease in estimated earnings, this sector has witnessed an increase in price of 8.6% since September 30. Overall, 40 of the 62 companies (65%) in the Consumer Discretionary sector have seen a decrease in their mean EPS estimate during this time. Of these 40 companies, 16 have recorded a decrease in their mean EPS estimate of more than 10%, led by Caesars Entertainment (to -\$0.86 from -\$0.09), Las Vegas Sands (to -\$0.24 from \$0.04), Gap (to -\$0.12 from \$0.50), and Amazon.com (to \$3.75 from \$12.59). Amazon.com is also the largest contributor to the decrease in expected (dollar-level) earnings for this sector since September 30.

### Industrials: Boeing, Deere, and Airlines Lead Earnings Decrease Since September 30

The Industrials sector has recorded the second-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -9.8% (to \$30.5 billion from \$33.8 billion). As a result, the estimated earnings growth rate for this sector has fallen to 107.5% from 130.0% during this time. Despite the decrease in expected earnings, this sector has witnessed an increase in price of 6.8% since September 30. Overall, 45 of the 72 companies (63%) in the Industrials sector have seen a decrease in their mean EPS estimate during this time. Of these 45 companies, 22 have recorded a decrease in their mean EPS estimate of more than 10%, led by United Airlines Holdings (to -\$2.08 from -\$0.42), American Airlines Group (to -\$1.71 from -\$0.65), Boeing (to -\$0.21 from \$0.52), and Delta Air Lines (to -\$0.04 from \$0.45). These four companies, along with Deere & Company (to \$2.24 from \$4.44), have also been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since September 30.

### Index-Level (Bottom-Up) EPS Estimate: 0.4% Increase Since September 30

The Q4 bottom-up EPS estimate (which is an aggregation of the median Q4 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 0.4% (to \$51.25 from \$51.06) since September 30. In a typical quarter, analysts usually reduce earnings estimates. Over the past five years (20 quarters), earnings expectations have fallen by 2.6% on average during a quarter. Over the past ten years, (40 quarters), earnings expectations have fallen by 3.6% on average during a quarter. Over the past fifteen years (60 quarters), earnings expectations have fallen by 4.8% on average during a quarter.

### Guidance: % of S&P 500 Companies Issuing Negative EPS Guidance is Equal to 5-Year Average

At this point in time, 95 companies in the index have issued EPS guidance for Q4 2021. Of these 95 companies, 57 have issued negative EPS guidance and 38 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 60% (57 out of 95), which is equal to the 5-year average of 60%.

However, it should be noted that the fourth quarter is the first quarter since Q2 2020 in which more S&P 500 companies are issuing negative EPS guidance than positive EPS guidance.

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: 21.3%

The estimated (year-over-year) earnings growth rate for Q4 2021 is 21.3%, which is above the 5-year average earnings growth rate of 13.7%. If 21.3% is the actual growth rate for the quarter, it will mark the fourth straight quarter of year-over-year earnings growth above 20%. The unusually high growth rate is due to a combination of higher earnings in Q4 2021 and an easier comparison to lower earnings in Q4 2020 due to the negative impact of COVID-19 on a number of industries. Nine of the eleven sectors are expected to report year-over-year earnings growth, led by the Energy, Materials, and Industrials sectors.

### Energy: Exxon Mobil and Chevron Are Largest Contributors to Higher Year-Over-Year Earnings

The Energy sector is expected to report earnings of \$27.6 billion for Q4 2021 compared to a loss of -\$0.1 billion in Q4 2020. Thus, a year-over-year growth rate is not being calculated for the Energy sector due to the loss reported by the sector in Q4 2020. Higher year-over-year oil prices are contributing to the year-over-year improvement in earnings for this sector, as the average price of oil in Q4 2021 to date (\$77.73) is 90% above the average price for oil in Q4 2020 (\$40.92). At the sub-industry level, all five sub-industries in the sector are projected to report a year-over-year increase in earnings. A growth rate is not being calculated for two of these five sub-industries due to losses reported in the year-ago quarter. However, both are predicted to report profits in Q4 2021: Integrated Oil & Gas and Oil & Gas Refining & Marketing. The other three sub-industries that are expected to report year-over-year growth are the Oil & Gas Exploration & Production (2,746%), Oil & Gas Equipment & Services (161%), and Oil & Gas Storage & Transportation (7%) sub-industries. At the company level, Exxon Mobil, Chevron, and ConocoPhillips are expected to be the largest contributors to the year-over-year improvement in earnings for the sector. Combined, these three companies account for \$16.1 billion of the projected \$27.8 billion year-over-year increase in earnings for the sector.

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

The Industrials sector is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 107.5%. At the industry level, 11 of the 12 industries in the sector are projected to report a year-over-year increase in earnings. A growth rate is not being calculated for the two of these industries due to losses reported in the year-ago quarter: Airlines and Aerospace & Defense. The Aerospace & Defense industry is predicted to report a profit in Q4 2021 (\$6.5 billion) compared to a loss in Q4 2020 (-\$2.3 billion), while the Airlines industry is predicted to report a smaller loss in Q4 2021 (-\$1.7 billion) compared to Q4 2020 (-\$7.3 billion). Five of the remaining ten industries are predicted to report earnings growth above 10%: Trading Companies & Distributors (29%), Electrical Equipment (18%), Construction & Engineering (17%), Air Freight & Logistics (16%), and Road & Rail (14%). The Machinery (-7%) industry is the only industry projected to report a year-over-year decline in earnings in the sector. Boeing and the five companies in the Airlines industry are the largest contributors to earnings growth for the sector. If this company and industry were excluded, the estimated earnings growth rate for the Industrials sector would fall to 5.8% from 107.5%.

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

The Materials sector is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 62.1%. At the industry level, all four industries in this sector are expected to report year-over-year earnings growth, led by the Metals & Mining (135%) and Chemicals (53%) industries. At the company level, Nucor is expected to be the largest contributor to year-over-year earnings growth for the sector. If this company were excluded, the estimated earnings growth rate for the Materials sector would fall to 43.7% from 62.1%.

### Revenue Growth: 12.8%

The estimated (year-over-year) revenue growth rate for Q4 2021 is 12.8%, which is well above the 5-year average revenue growth rate of 6.5%. If 12.8% is the actual growth rate for the quarter, it will mark the third-highest year-over-year revenue growth rate reported by the index since FactSet began tracking this metric in 2008. The current record is 25.3%, which occurred in Q2 2021. All eleven sectors are expected to report year-over-year growth in revenues, led by the Energy and Materials sectors.

### Energy: 3 of 5 Sub-Industries Expected to Report Year-Over-Year Growth Above 50%

The Energy sector is expected to report the highest (year-over-year) revenue growth rate of all eleven sectors at 67.1%. Higher year-over-year oil prices are contributing to the year-over-year improvement in revenues for this sector, as the average price of oil in Q4 2021 to date (\$77.73) is 90% above the average price for oil in Q4 2020 (\$40.92). At the sub-industry level, all five sub-industries in the sector are projected to report double-digit (year-over-year) growth in revenues: Oil & Gas Exploration & Production (122%), Integrated Oil & Gas (79%), Oil & Gas Refining & Marketing (54%), Oil & Gas Storage & Transportation (31%), and Oil & Gas Equipment & Services (10%).

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

The Materials sector is expected to report the second-highest (year-over-year) revenue growth of all eleven sectors at 24.7%. At the industry level, all four industries in this sector are projected to report year-over-year growth in revenues. Three of these four industries are predicted to report revenue growth above 20%: Metals & Mining (57%), Construction Materials (28%), and Chemicals (24%).

### Net Profit Margin: 11.8%

The estimated net profit margin for the S&P 500 for Q4 2021 is 11.8%, which is above the 5-year average of 11.0% and the year-ago net profit margin of 11.0%, but below the previous quarter's net profit margin of 12.9%.

If 11.8% is the actual net profit margin for the quarter, it will mark the fifth-highest net profit margin reported by the index since FactSet began tracking this metric in 2008. The current record is 13.1%, which occurred in Q2 2021.

At the sector level, five sectors are expected to report a year-over-year increase in their net profit margins in Q4 2021 compared to Q4 2020, led by the Energy (10.0% vs. N/A) sector. Five sectors are expected to report net profit margins in Q4 2021 that are above their 5-year averages, also led by the Energy (10.0% vs. 5.3%) sector.

## Looking Ahead: Forward Estimates and Valuation

### Earnings: S&P 500 Expected to Report Earnings Growth of 45% for CY 2021

For the third quarter, S&P 500 companies reported earnings growth of 39.8% and revenue growth of 17.8%.

For Q4 2021, analysts are projecting earnings growth of 21.3% and revenue growth of 12.8%.

For CY 2021, analysts are projecting earnings growth of 45.1% and revenue growth of 15.8%.

For Q1 2022, analysts are projecting earnings growth of 6.2% and revenue growth of 9.5%.

For Q2 2022, analysts are projecting earnings growth of 4.1% and revenue growth of 7.5%.

For CY 2022, analysts are projecting earnings growth of 9.2% and revenue growth of 7.5%.

### Valuation: Forward P/E Ratio is 21.2, Above the 10-Year Average (16.6)

The forward 12-month P/E ratio is 21.2. This P/E ratio is above the 5-year average of 18.5 and above the 10-year average of 16.6. It is also above the forward 12-month P/E ratio of 20.1 recorded at the end of the third quarter (September 30). Since the end of the third quarter (September 30), the price of the index has increased by 8.4%, while the forward 12-month EPS estimate has increased by 3.9%. At the sector level, the Consumer Discretionary (31.1) and Information Technology (28.2) sectors have the highest forward 12-month P/E ratios, while the Energy (11.0) and Financials (14.6) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 24.8, which is above the 5-year average of 23.0 and above the 10-year average of 19.9.

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

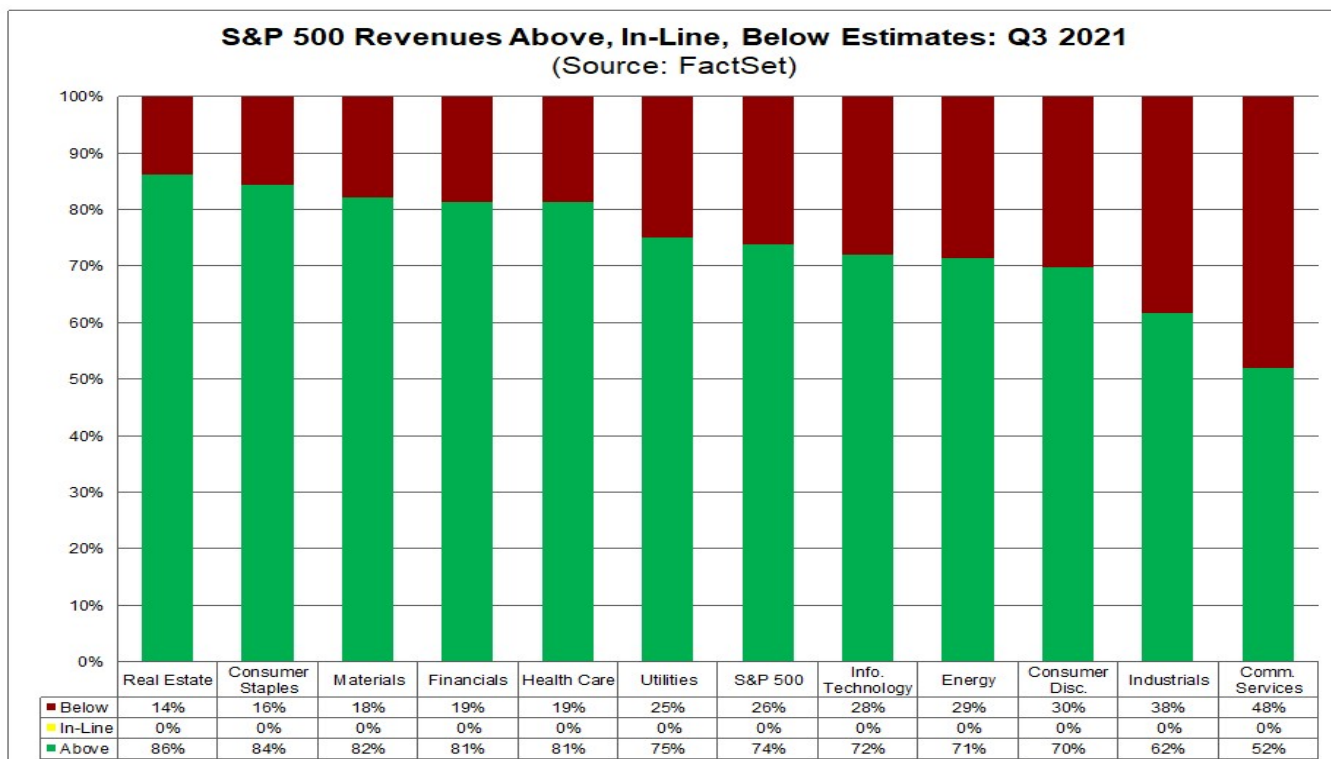
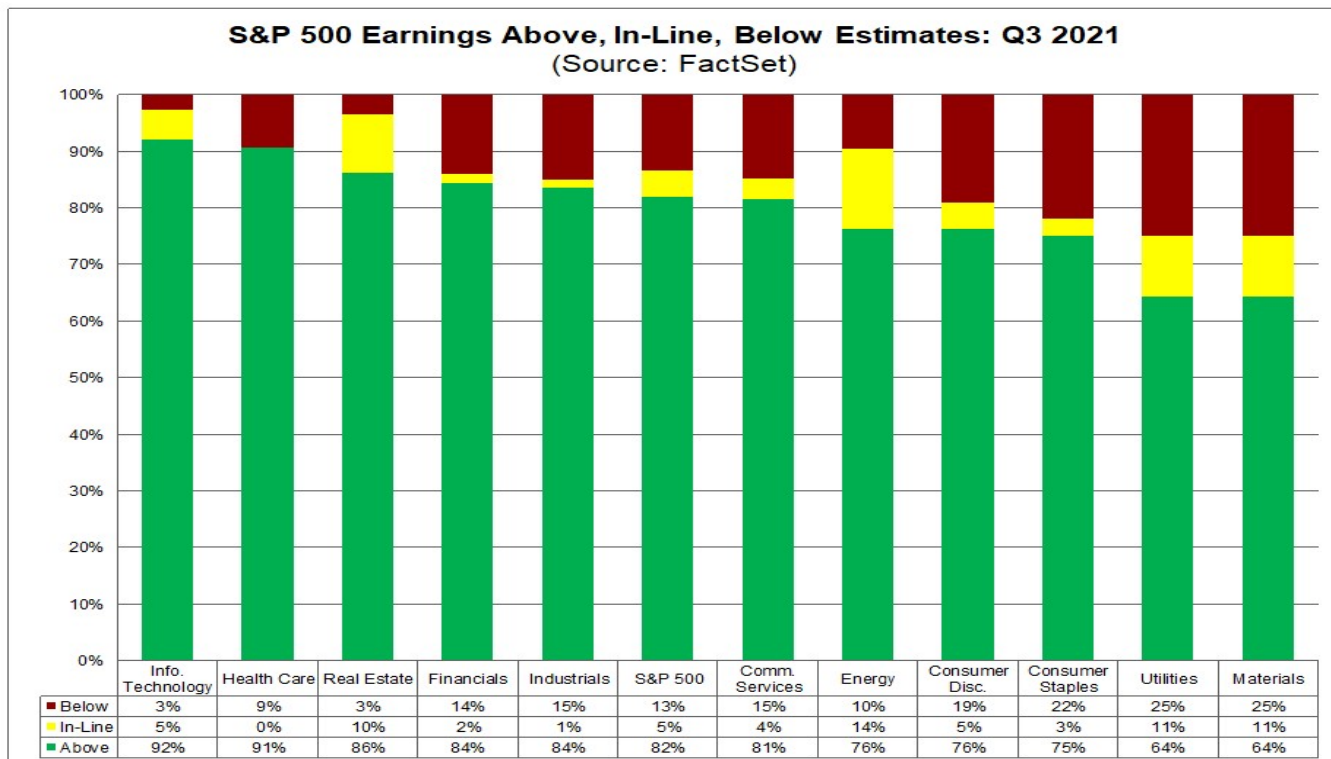
The bottom-up target price for the S&P 500 is 5248.09, which is 12.4% above the closing price of 4668.67. At the sector level, the Communication Services (22.3%) and Energy (22.1%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Utilities (+3.6%) and Consumer Staples (+4.5%) 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 10,785 ratings on stocks in the S&P 500. Of these 10,785 ratings, 56.8% are Buy ratings, 37.2% are Hold ratings, and 6.0% are Sell ratings. At the sector level, the Energy (67%), Communication Services (62%), Information Technology (62%), and Health Care (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (42%) sector has the lowest percentage of Buy ratings.

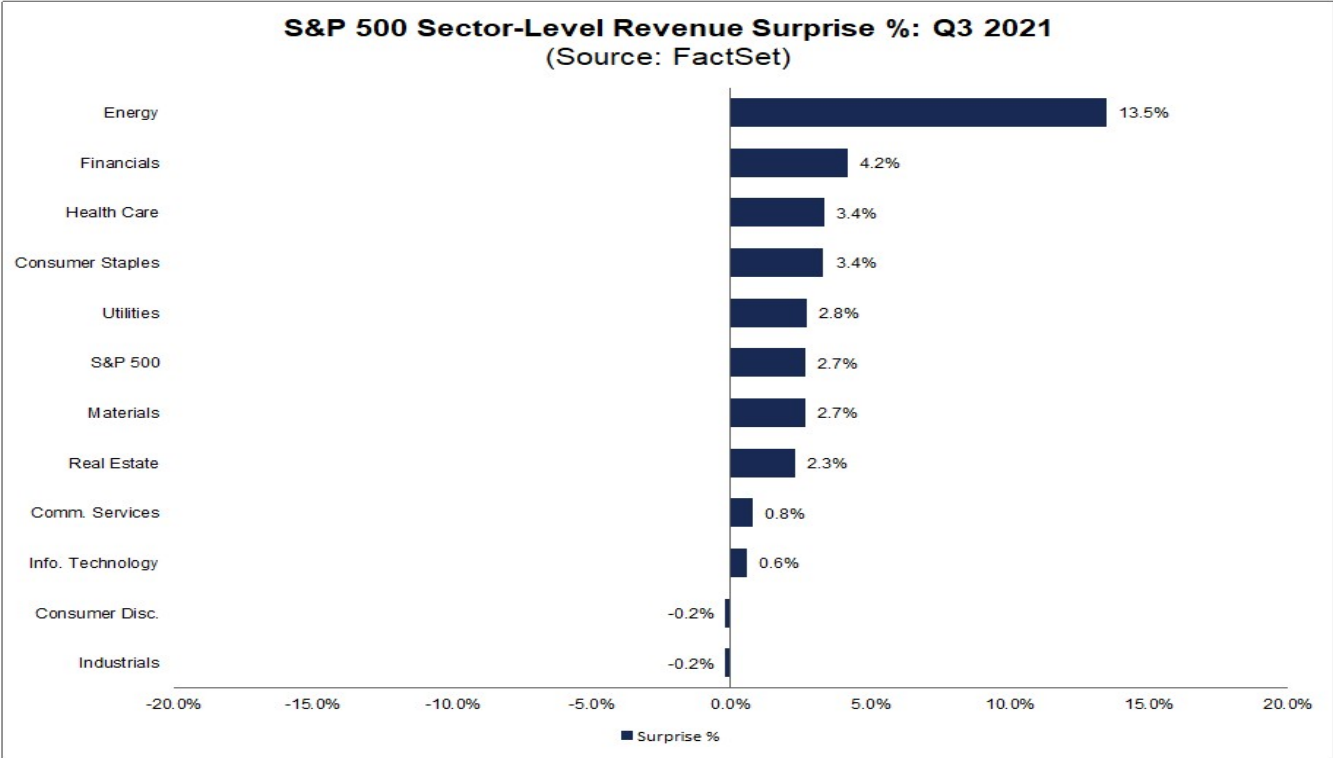
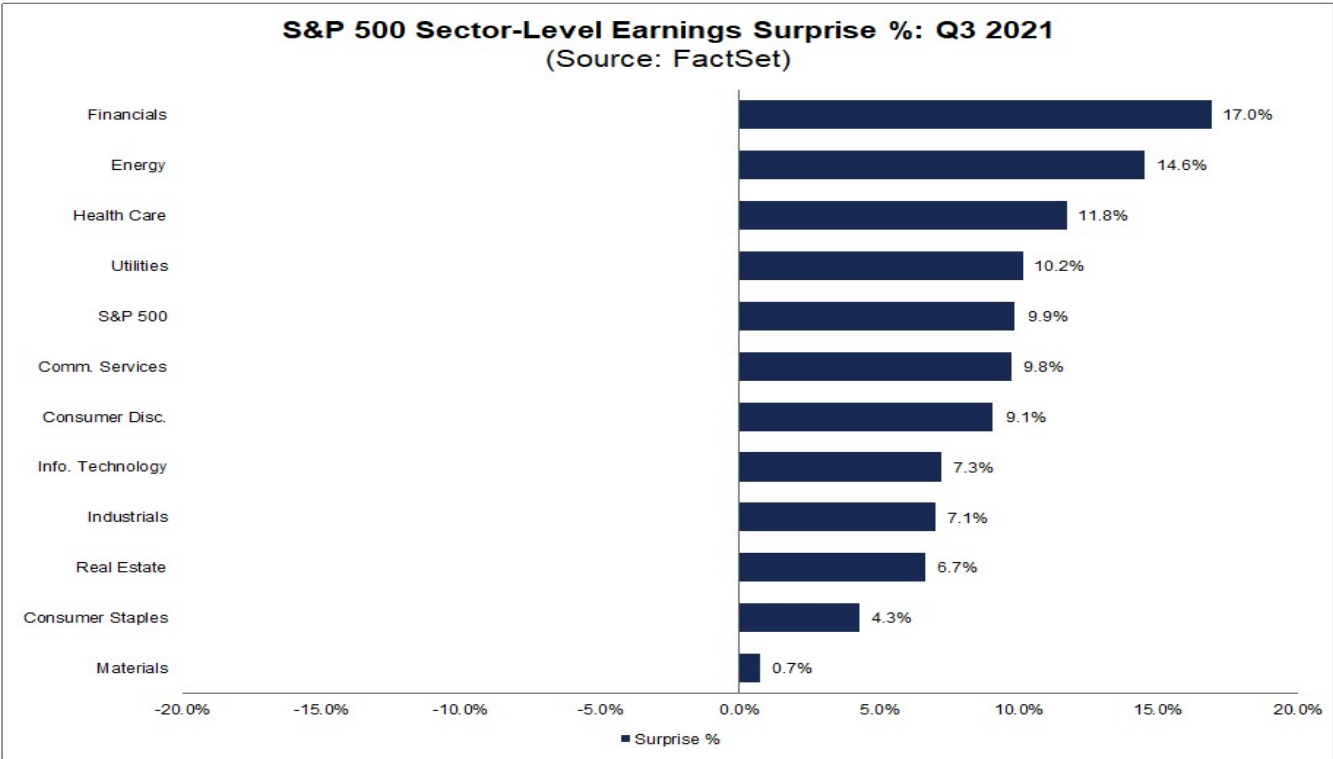
### Companies Reporting Next Week: 6

During the upcoming week, 6 S&P 500 companies (including one Dow 30 component) are scheduled to report results for the fourth quarter.

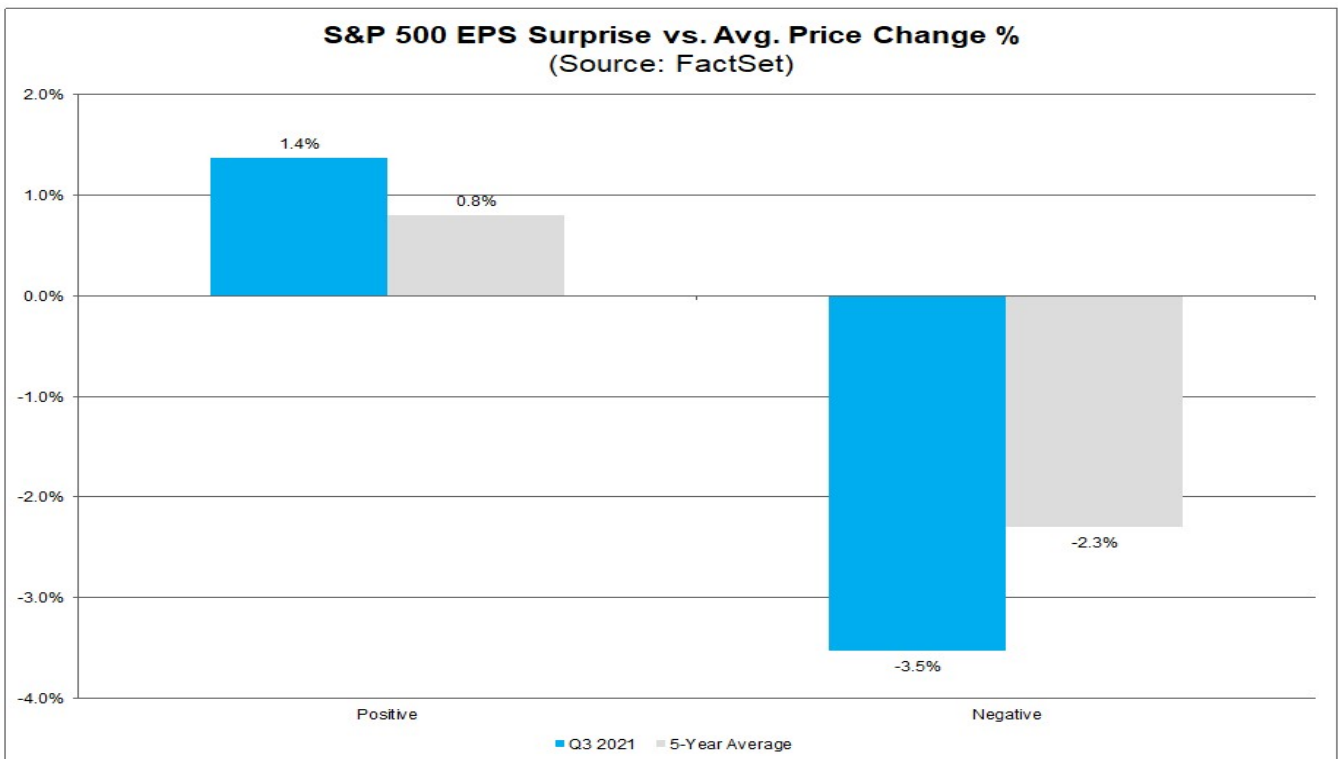
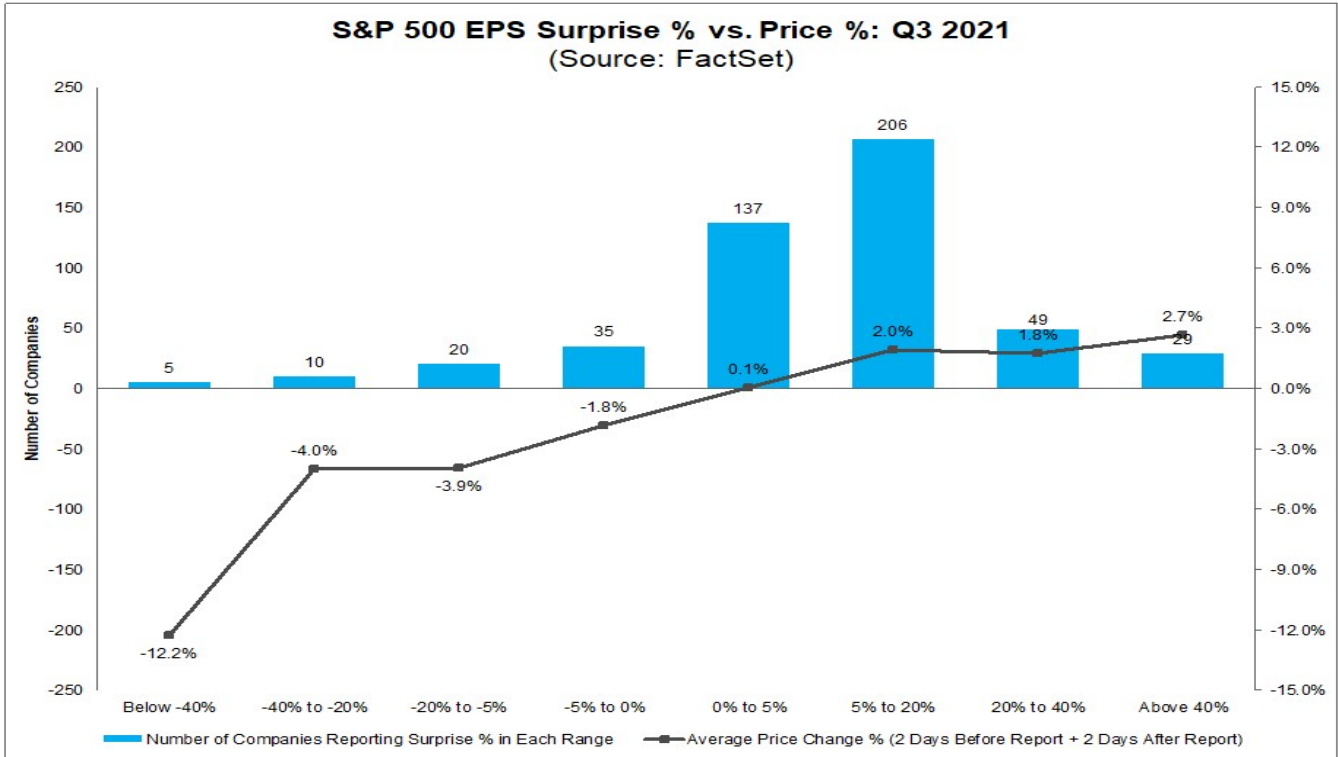
# Q3 2021: Scorecard



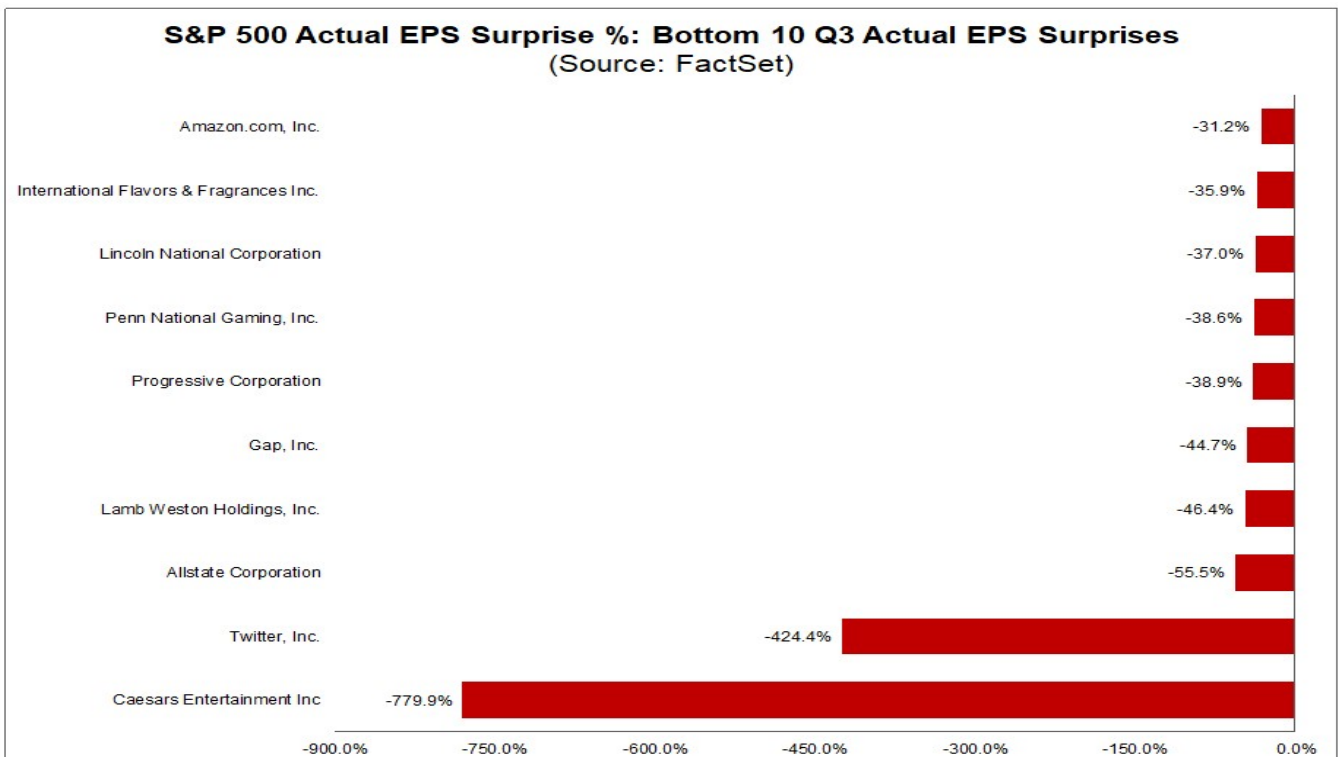
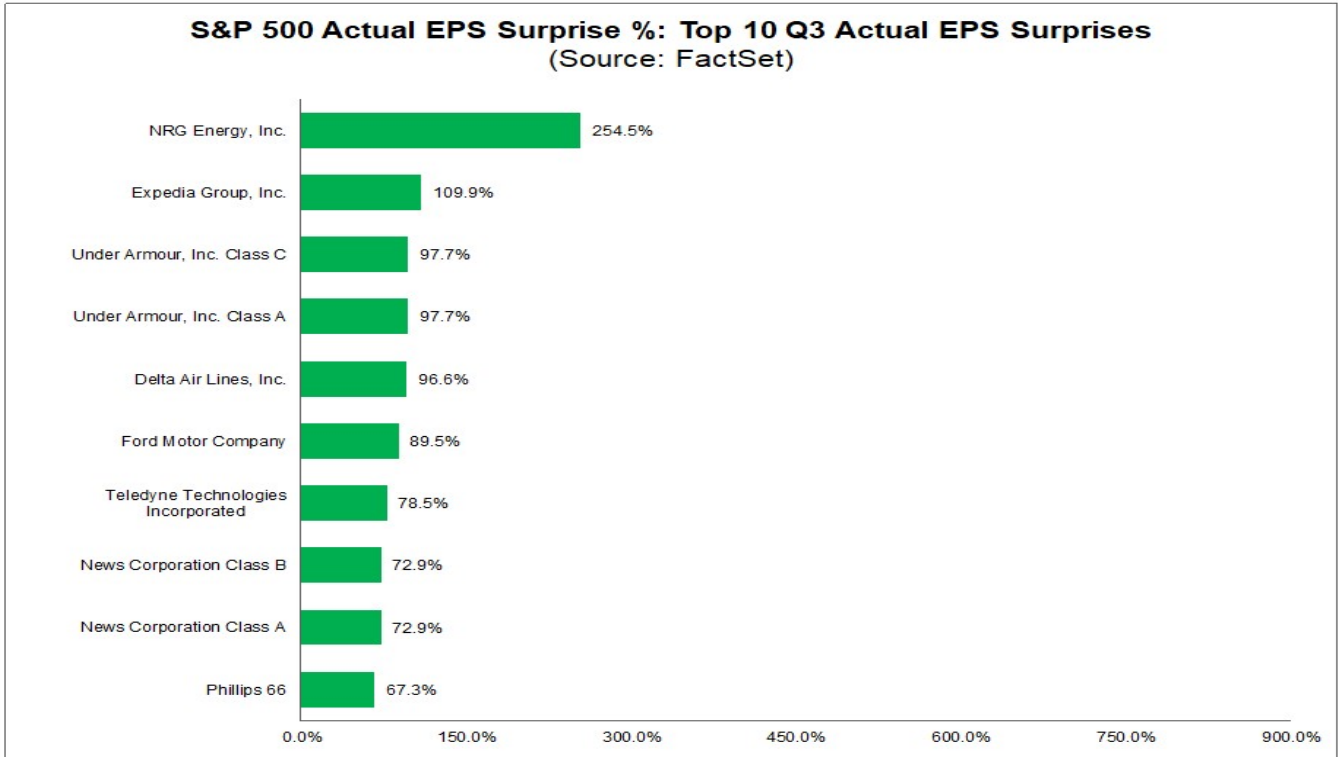
# Q3 2021: Scorecard



## Q3 2021: Scorecard

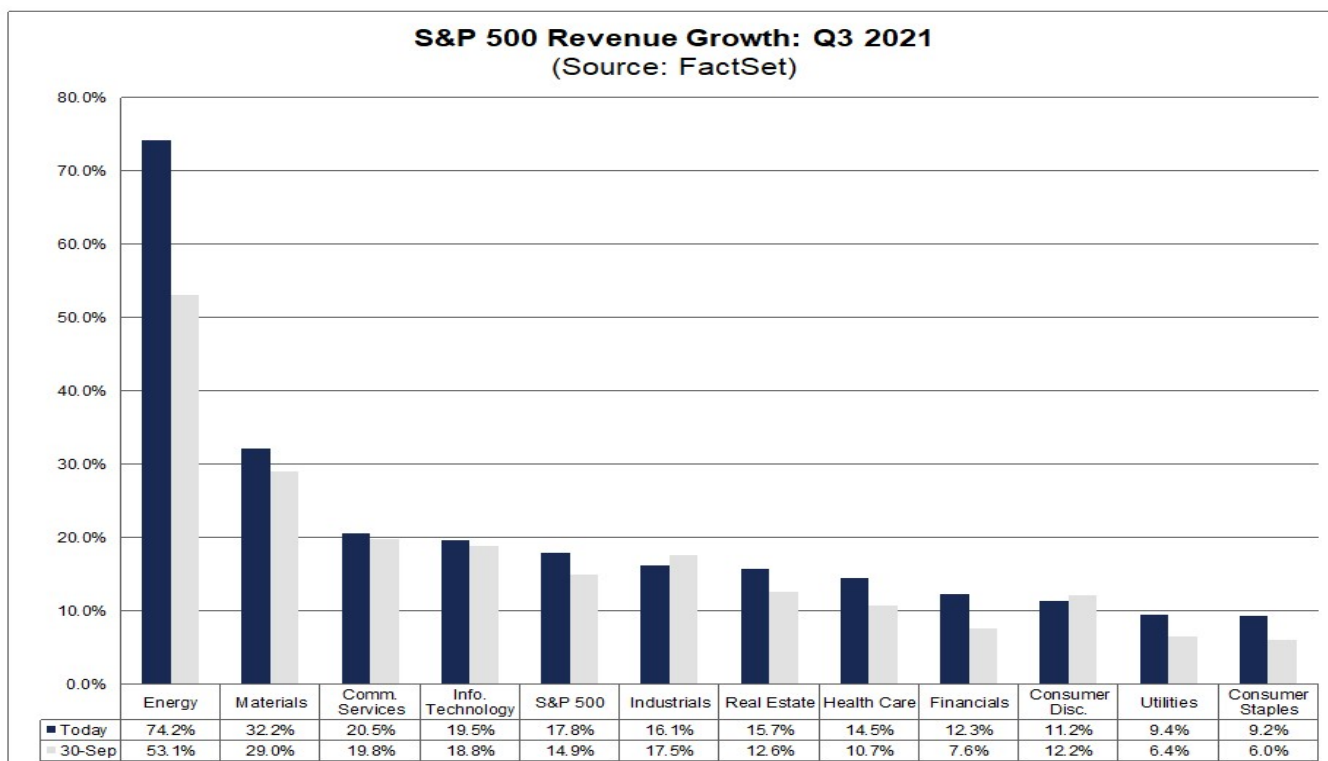
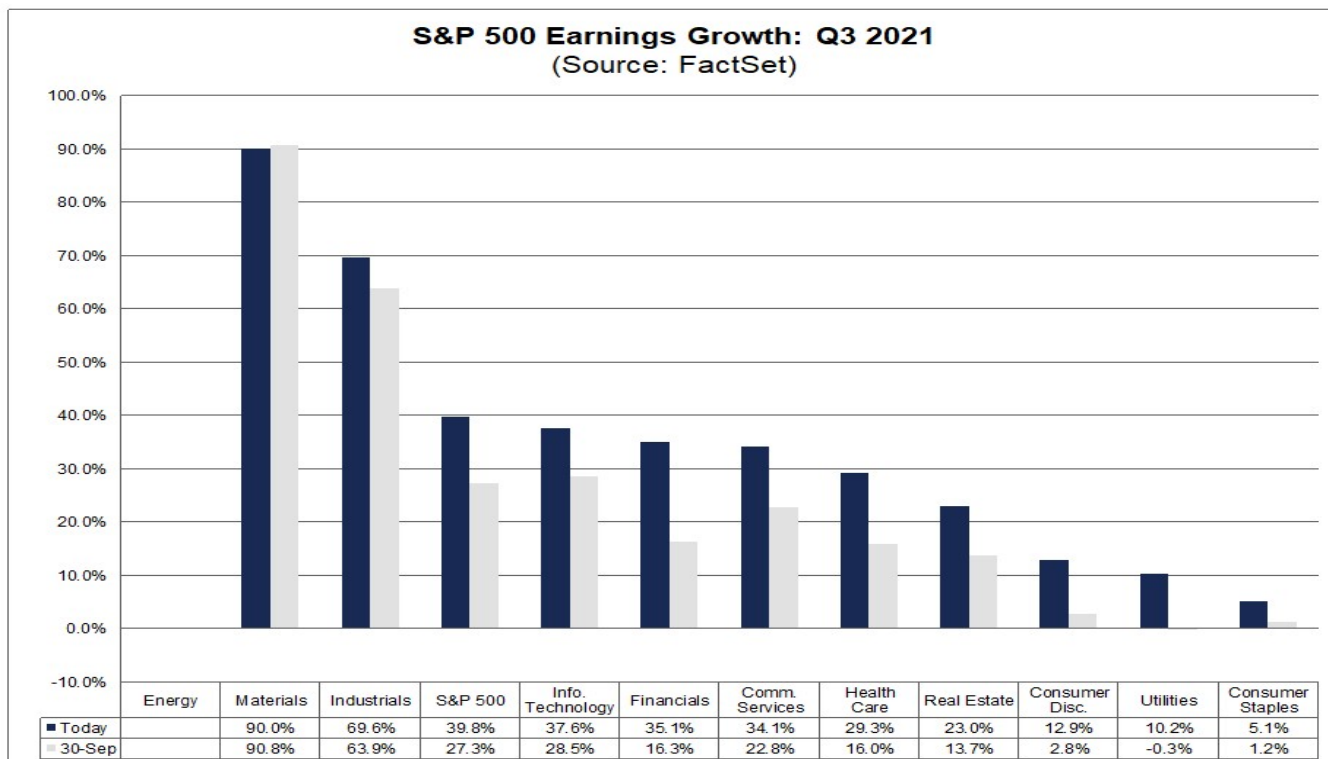


## Q3 2021: Scorecard

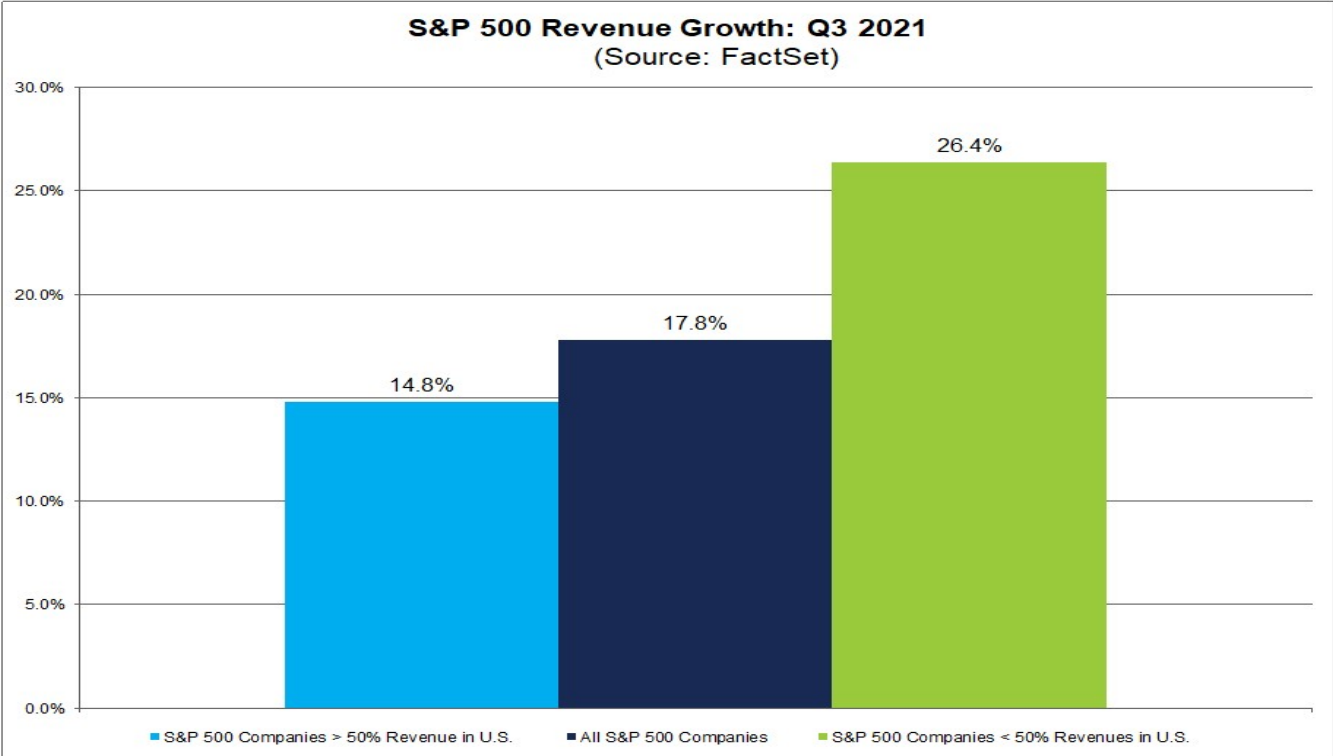
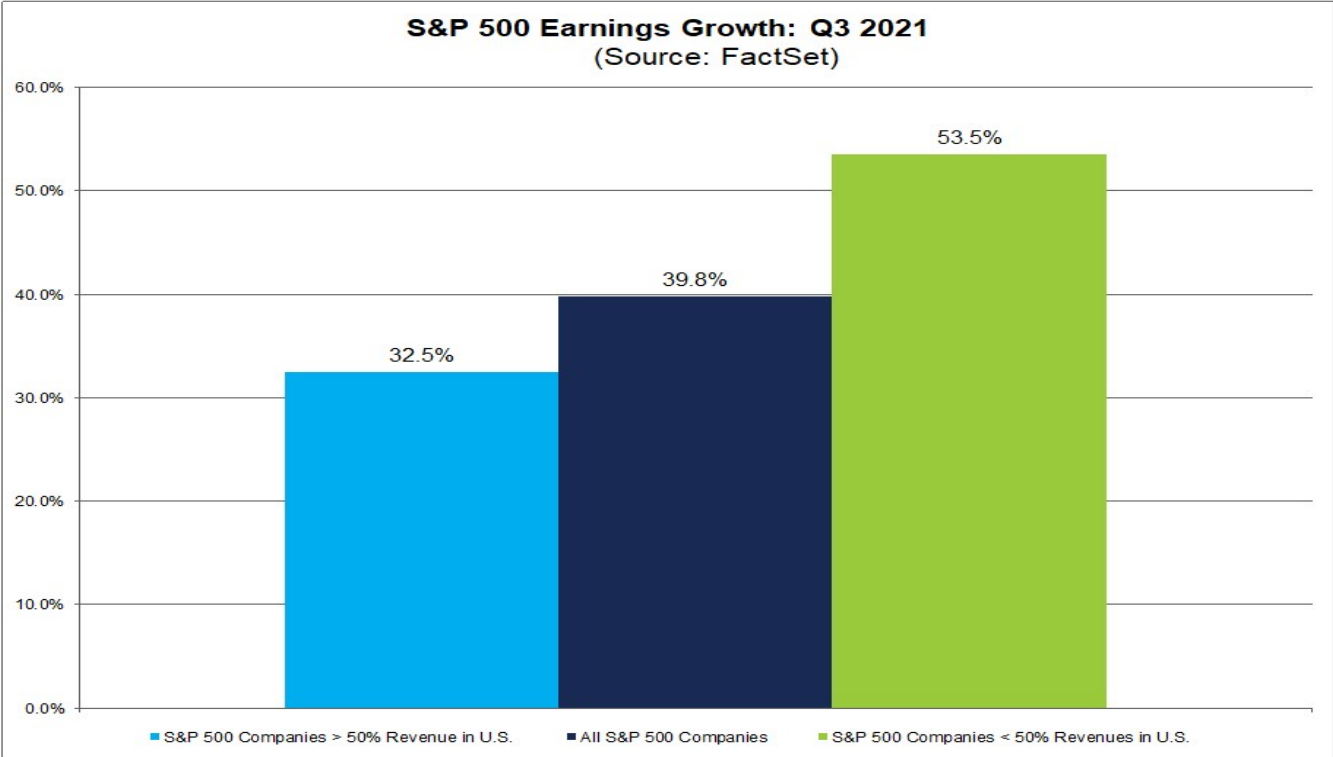




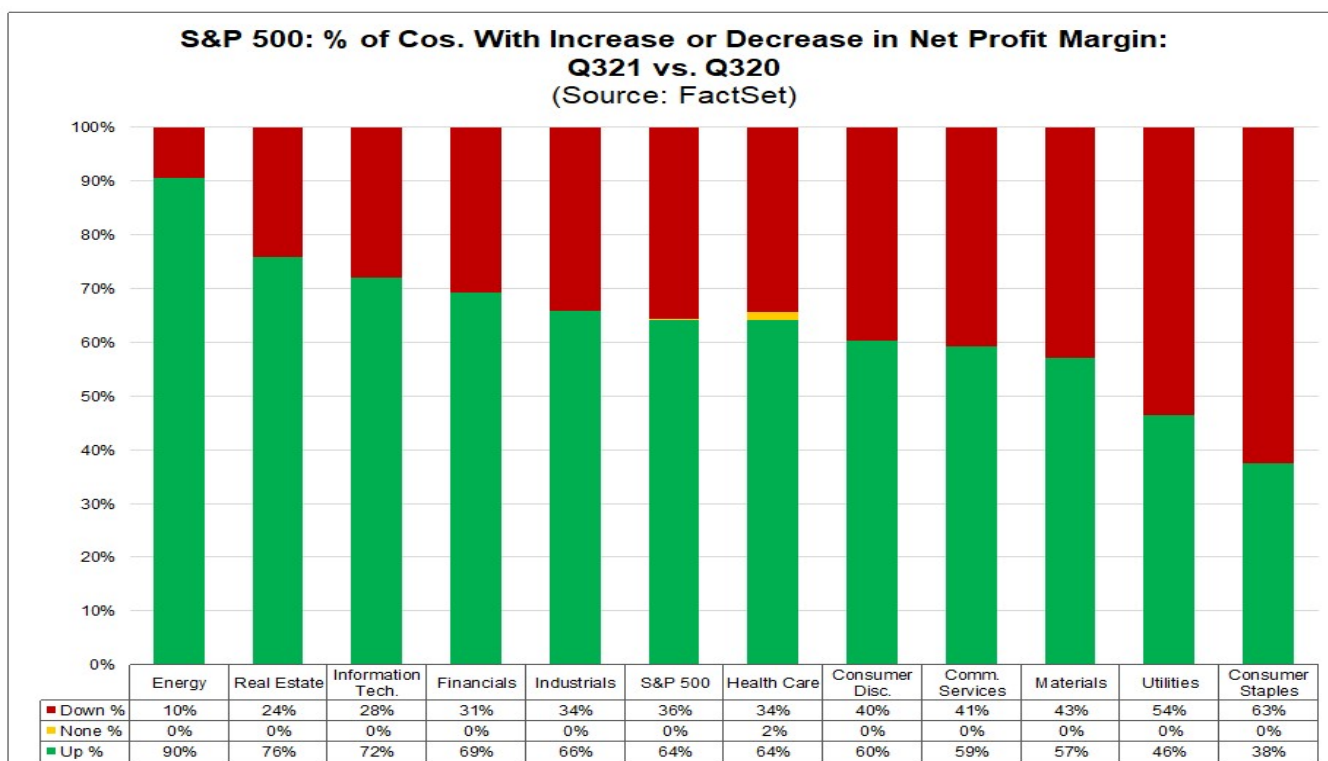
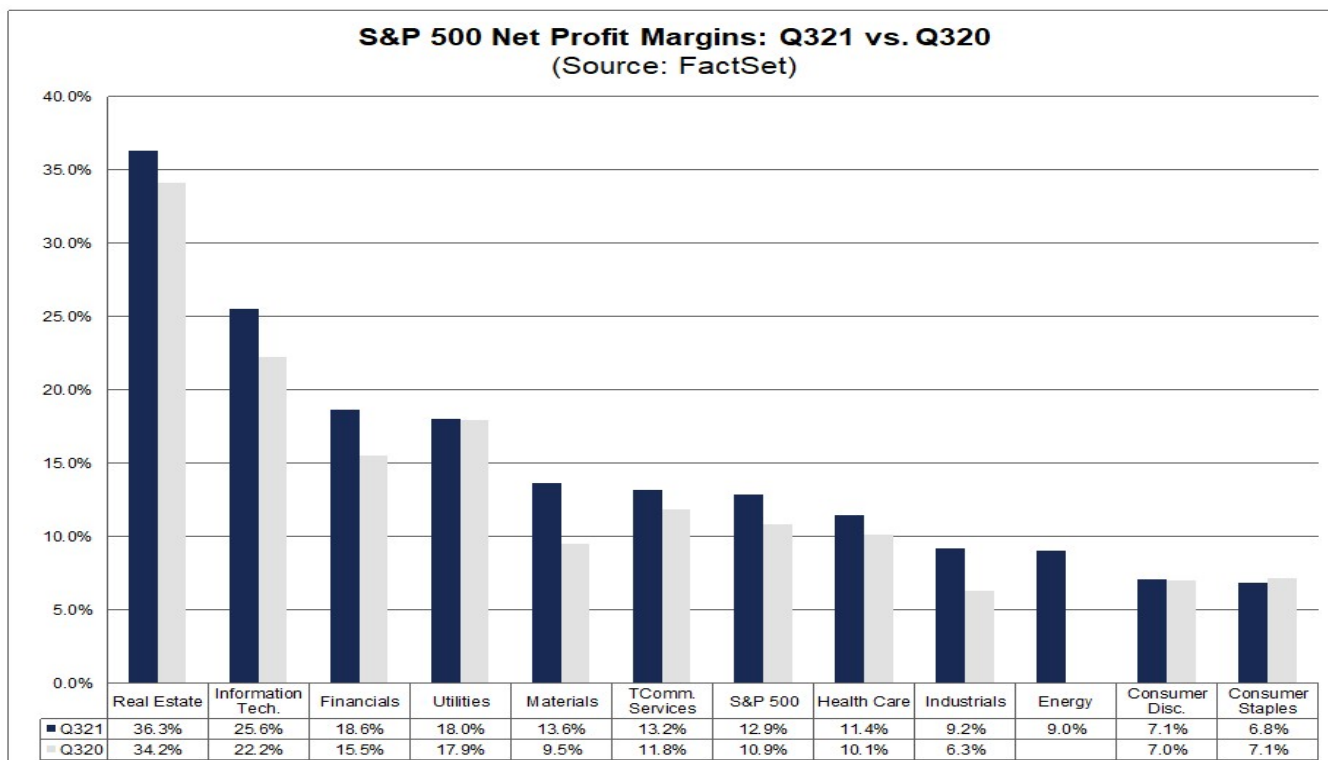
## Q3 2021: Growth



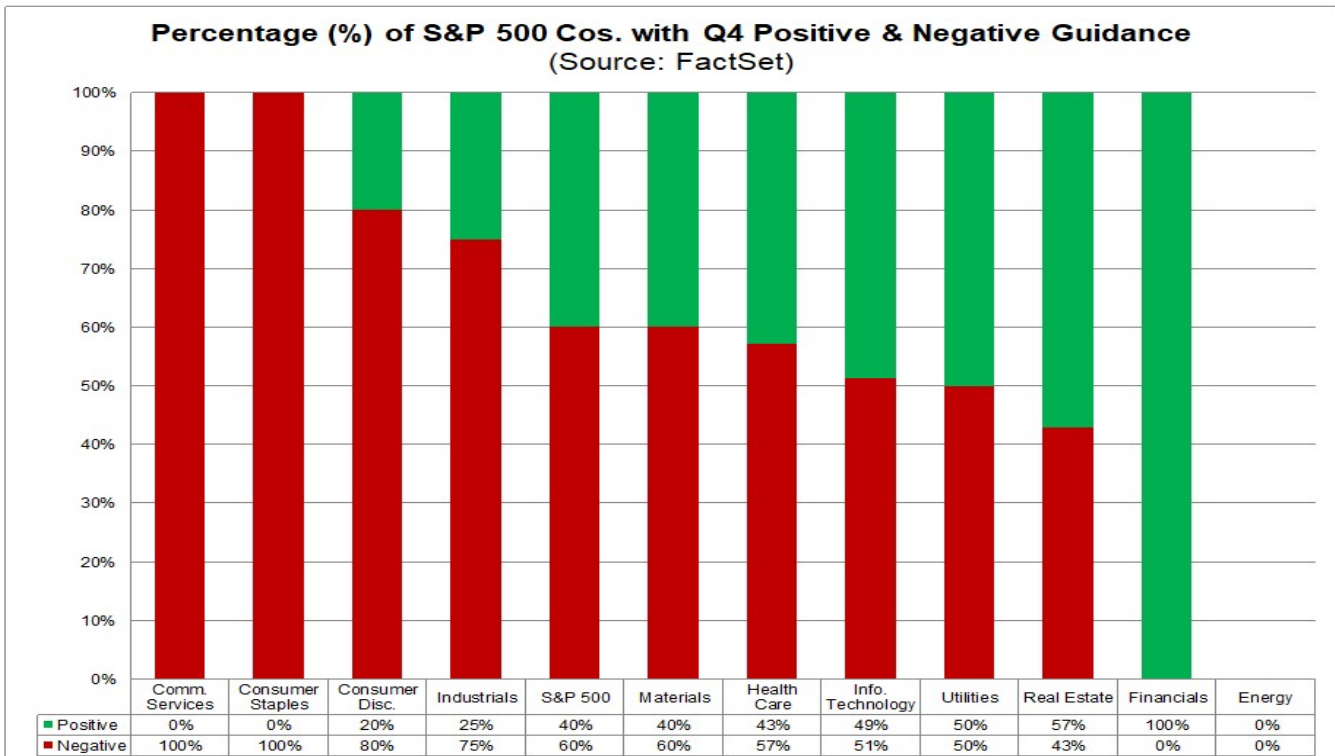
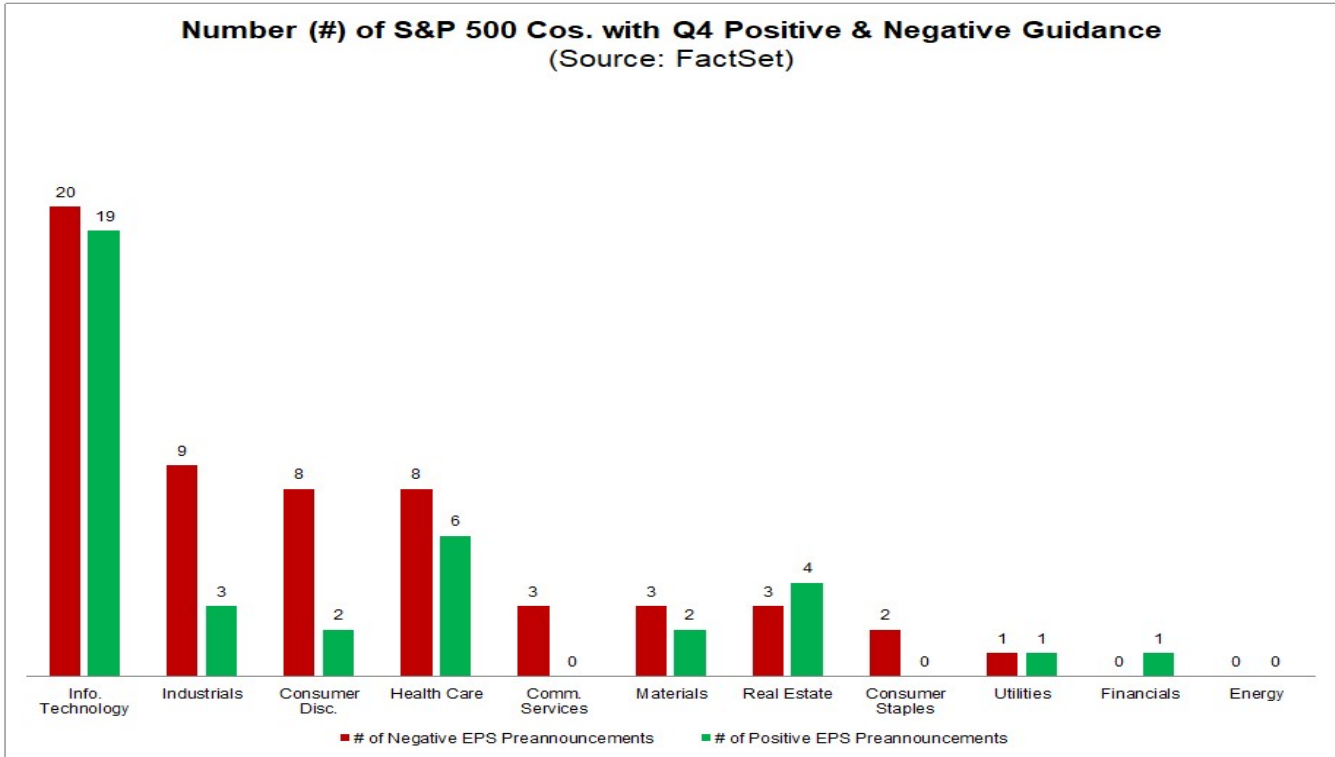
# Q3 2021: Growth



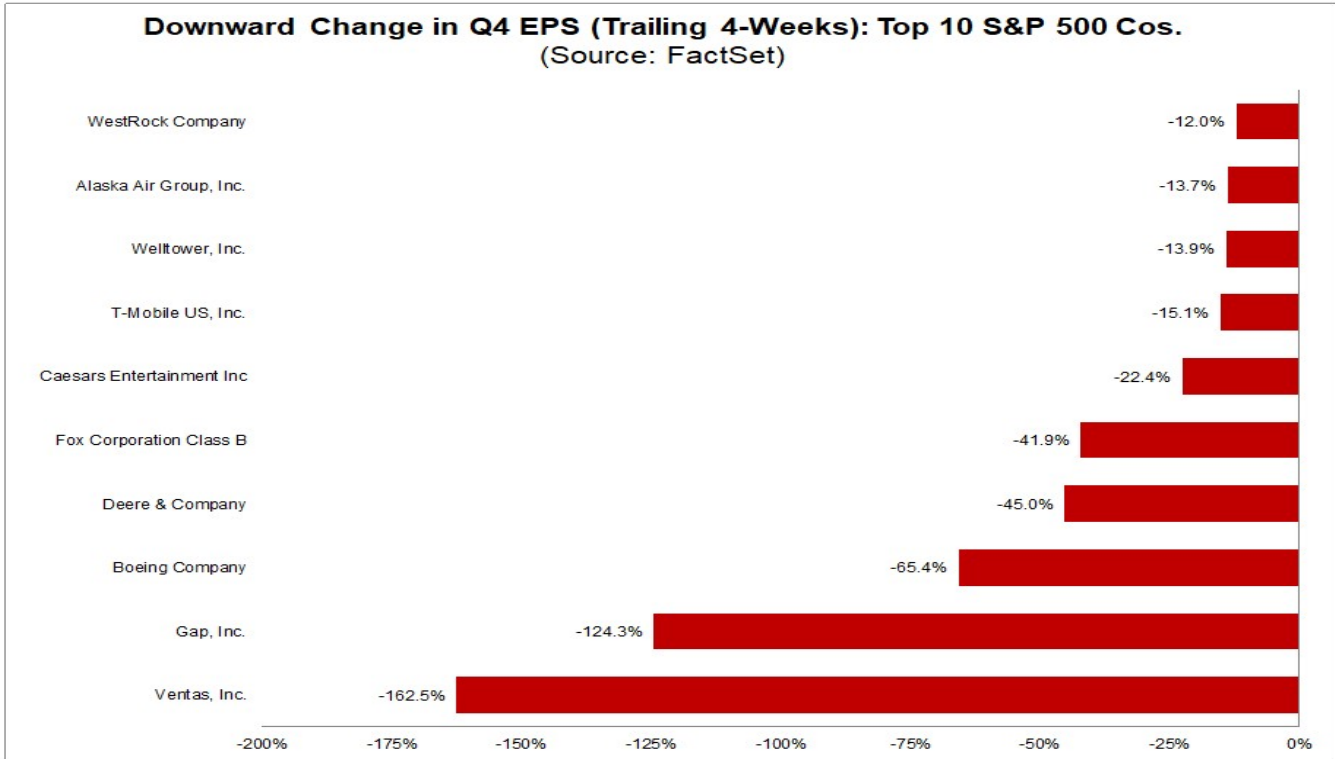
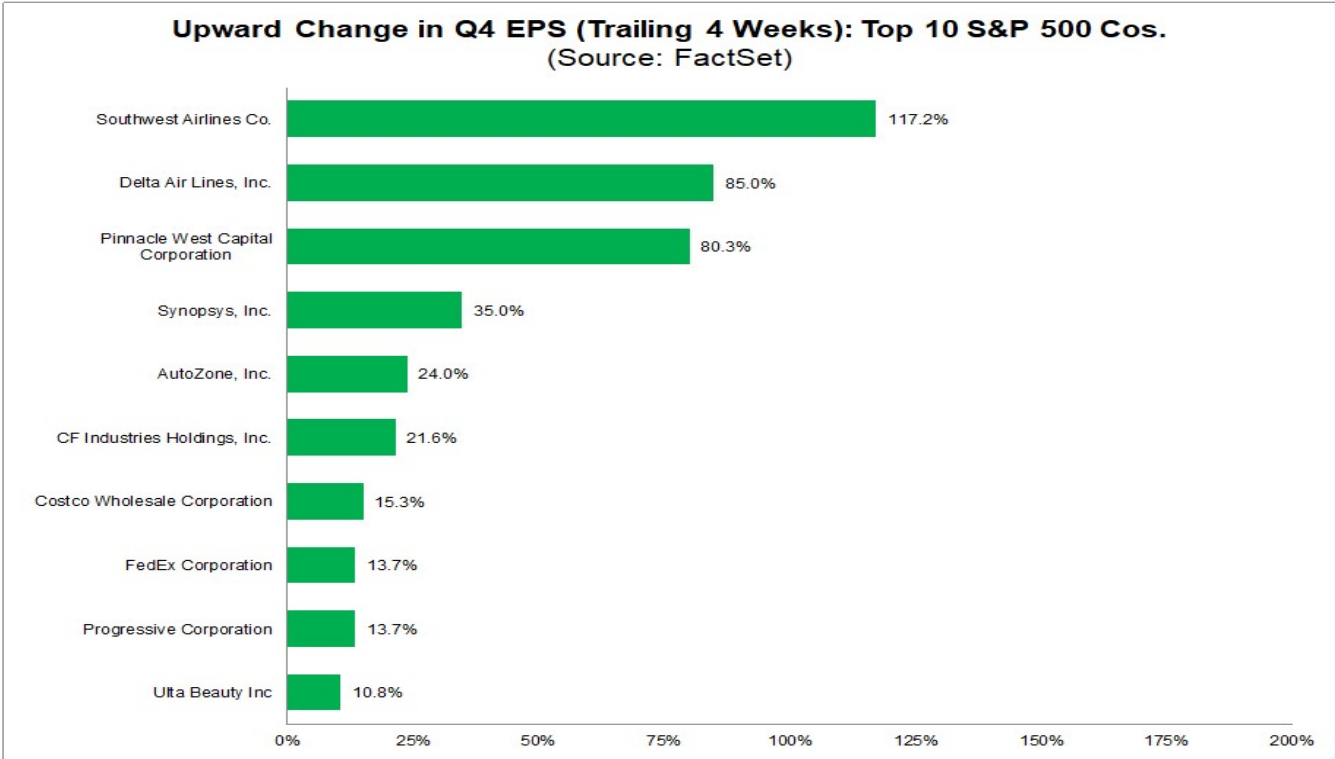
## Q3 2021: Net Profit Margin



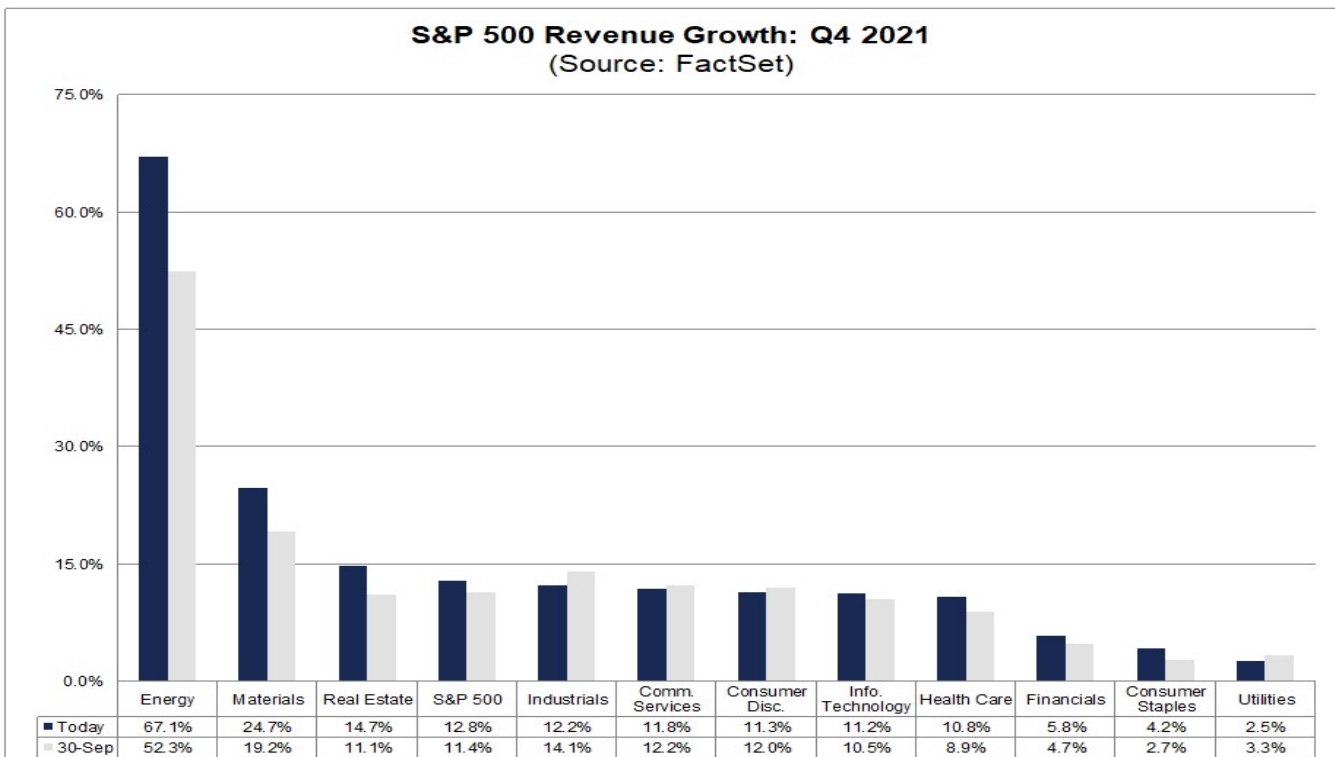
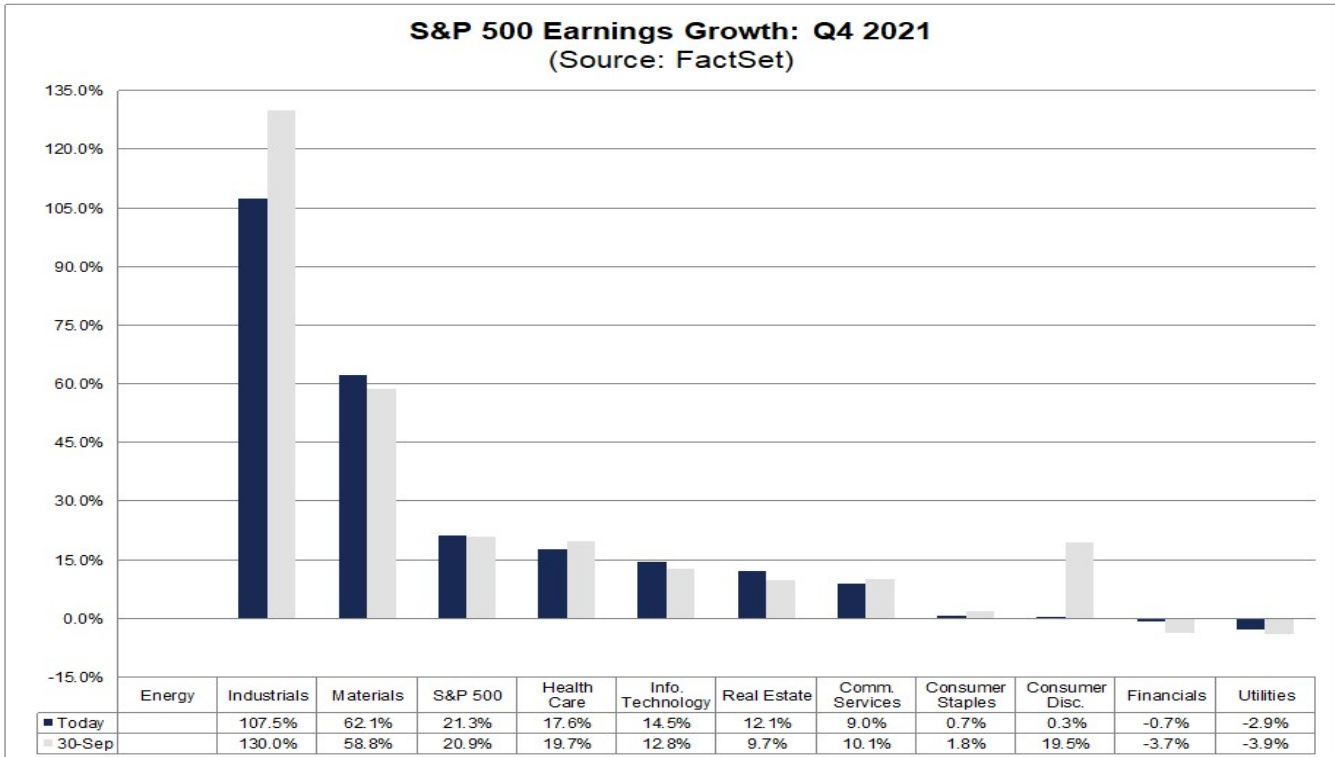
## Q4 2021: EPS Guidance



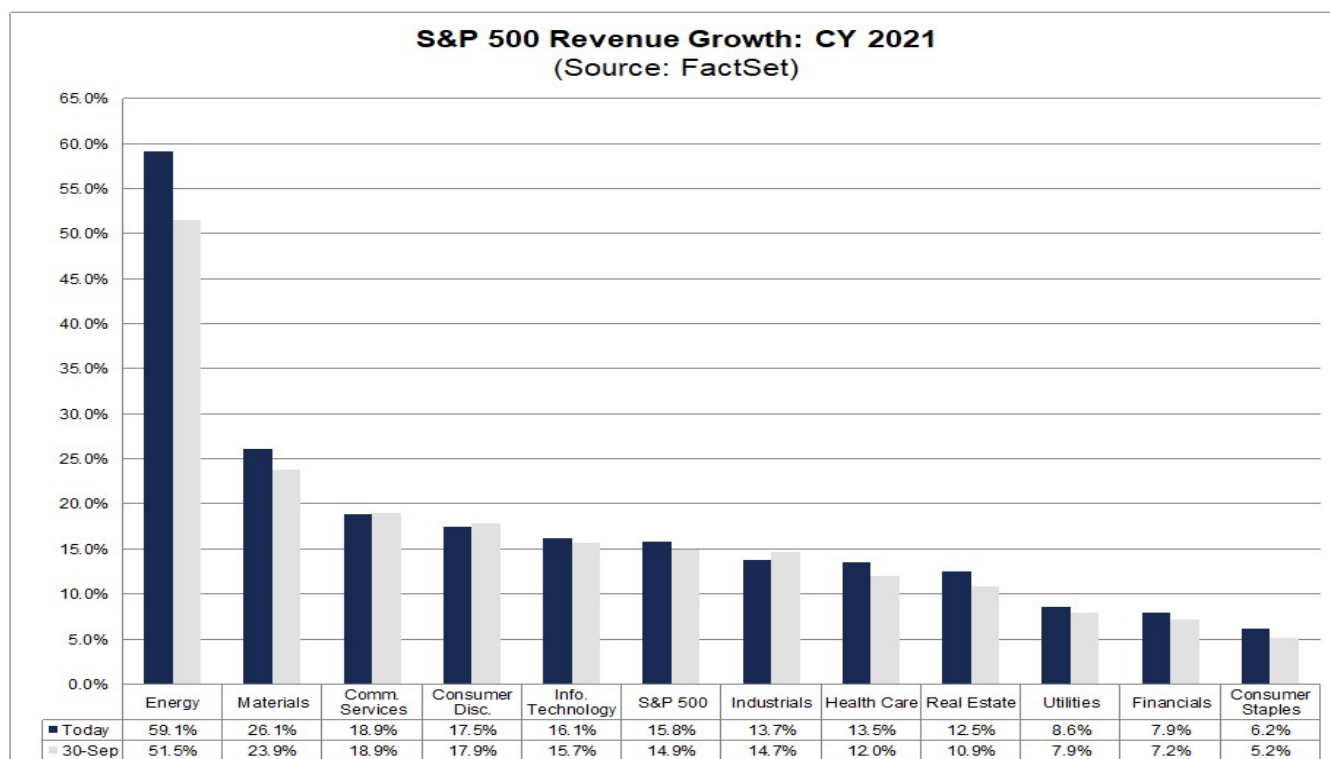
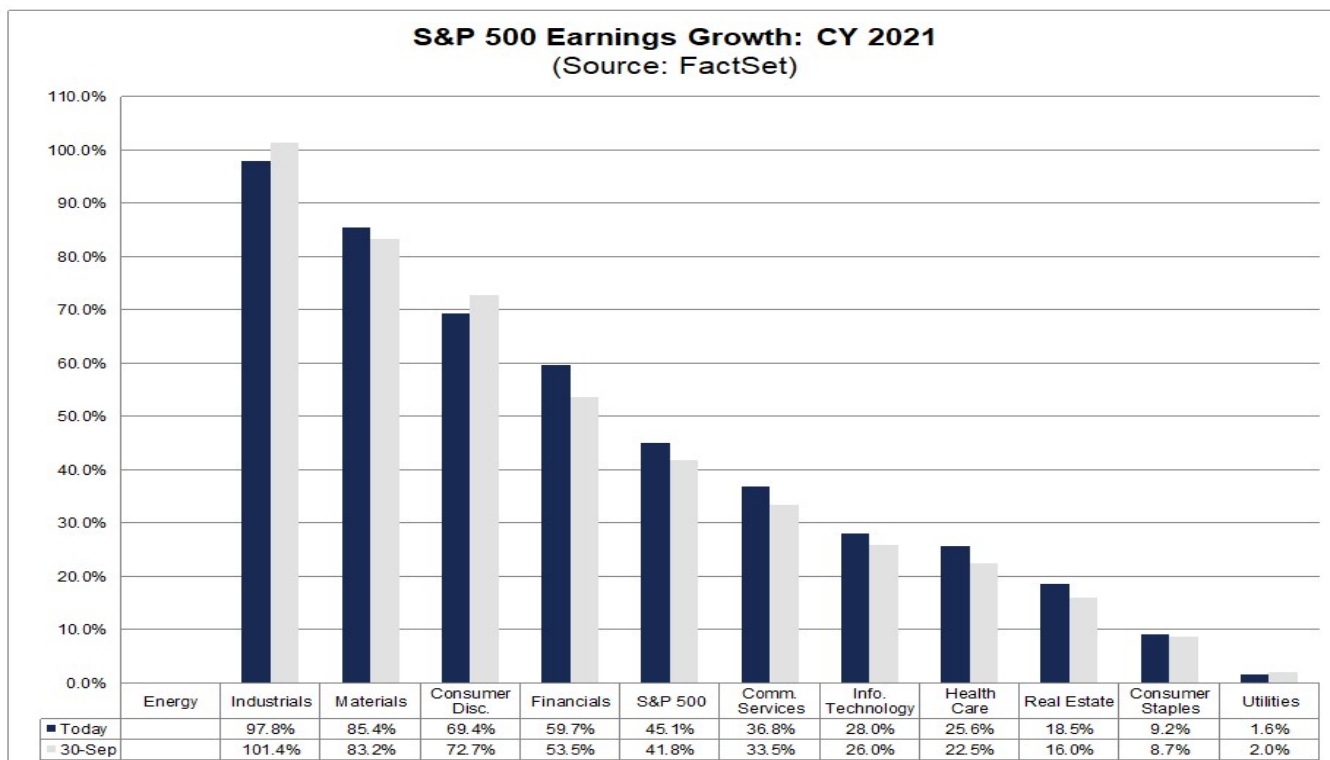
# Q4 2021: EPS Revisions



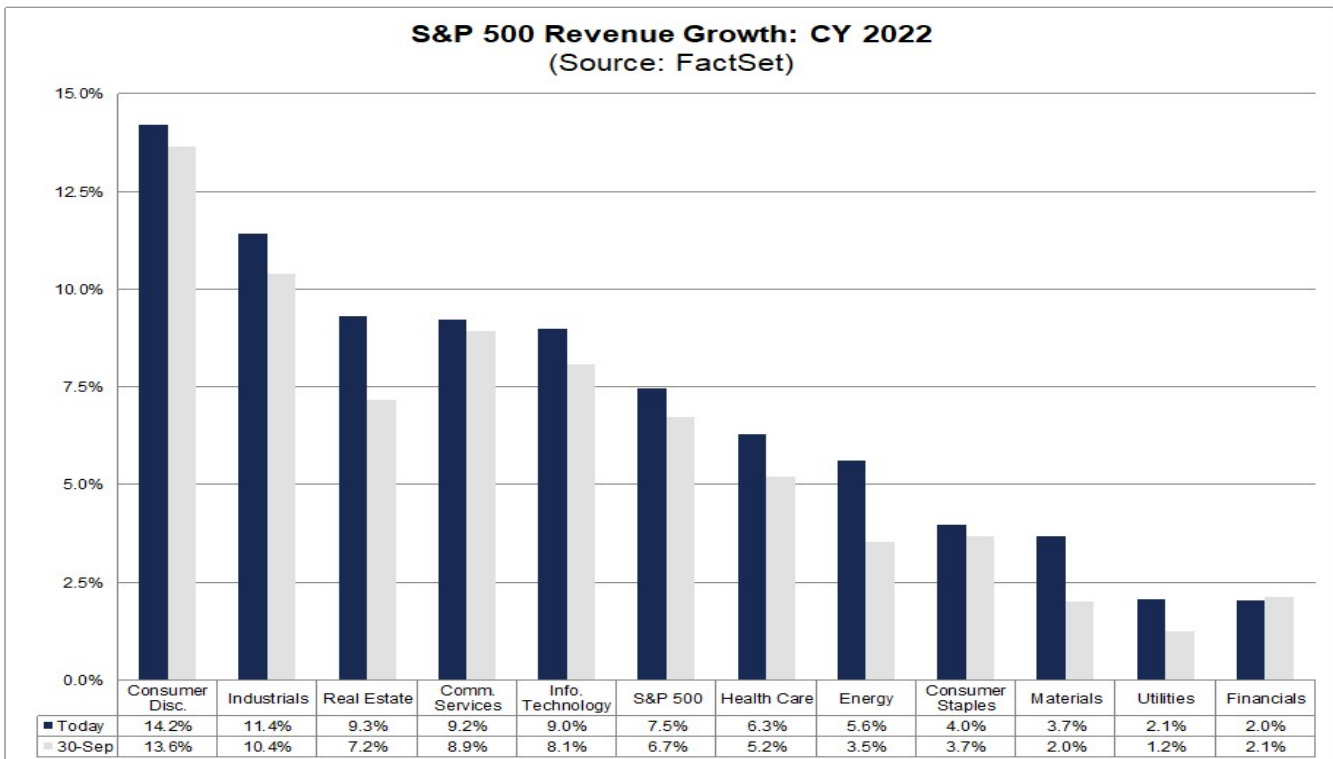
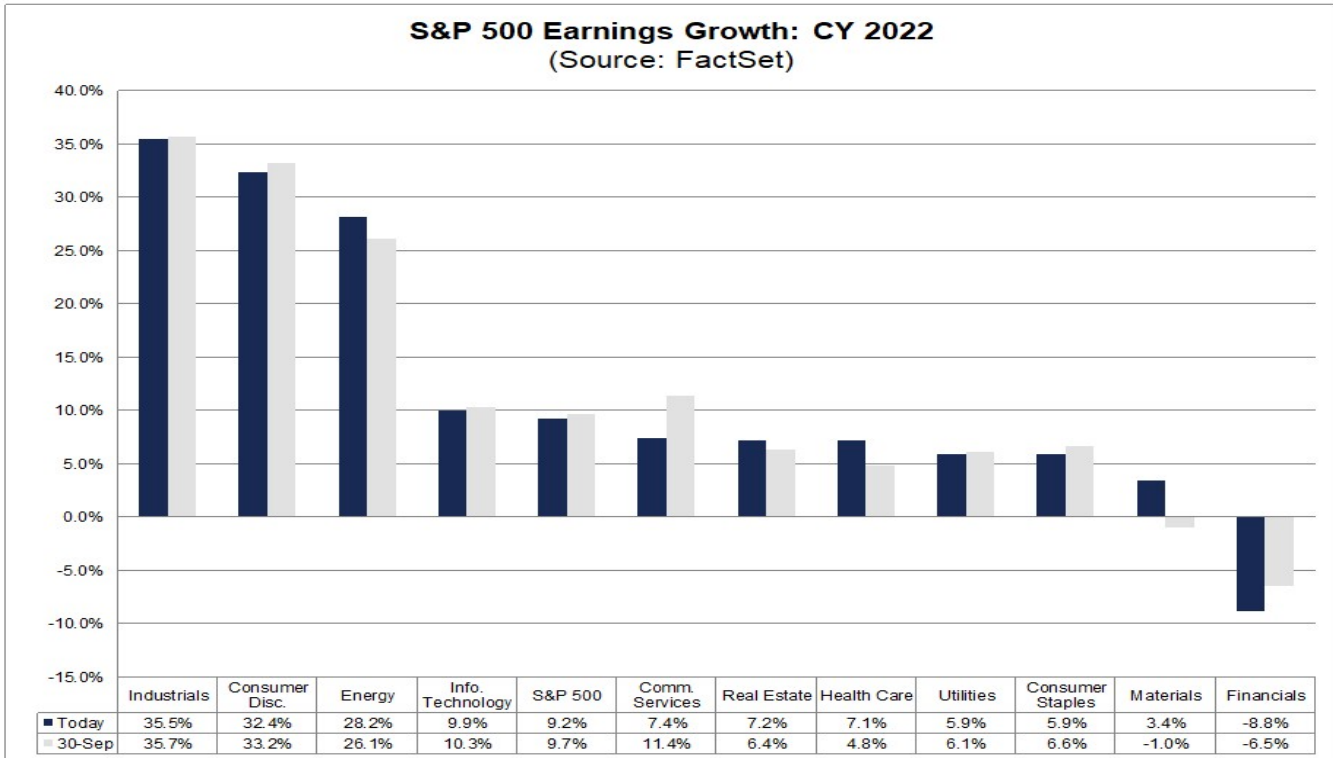
## Q4 2021: Growth



## CY 2021: Growth

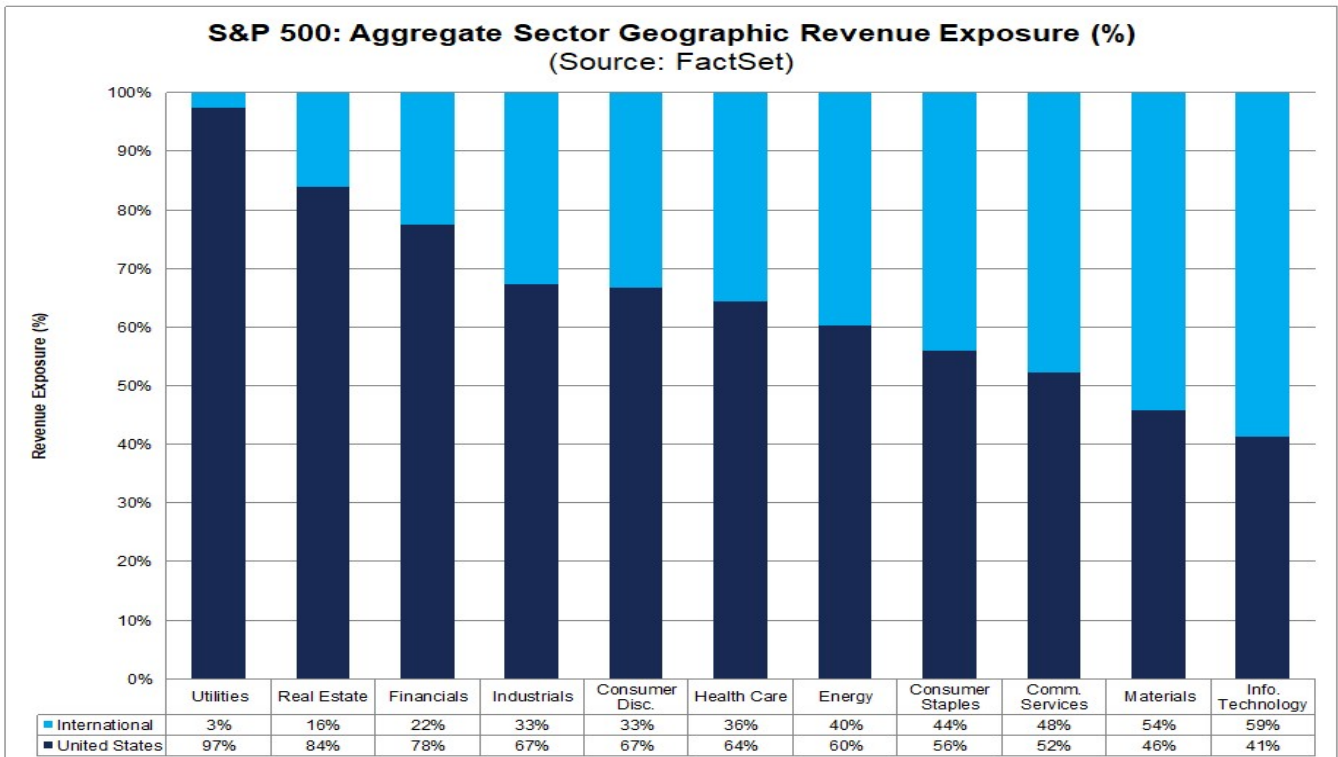
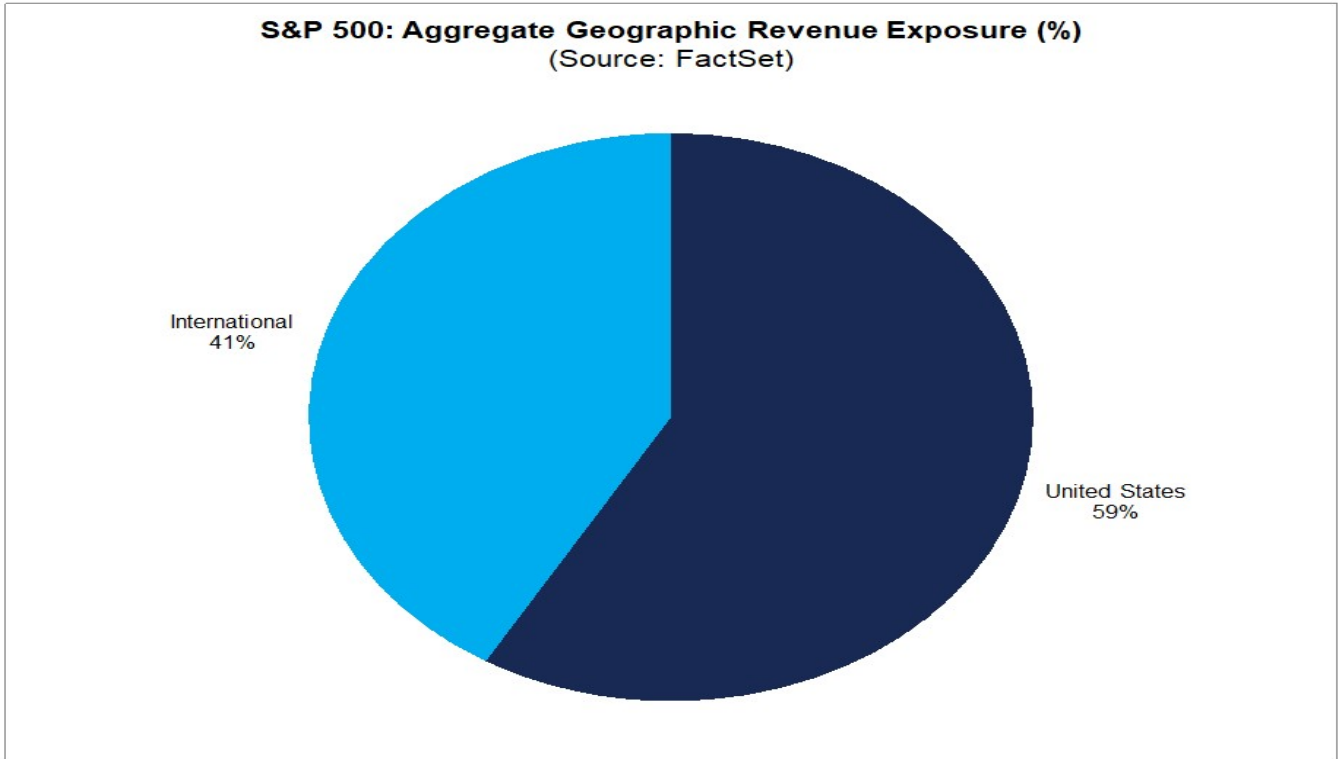


## CY 2022: Growth

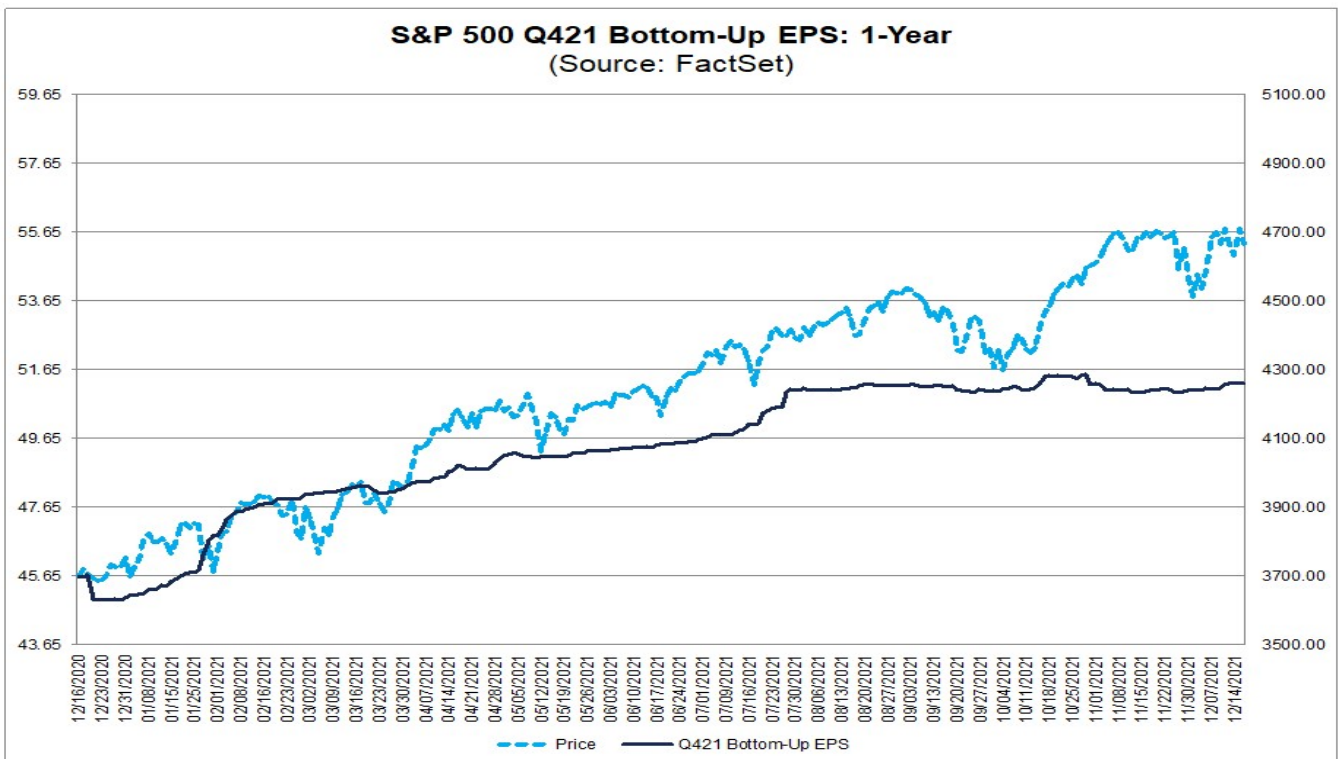
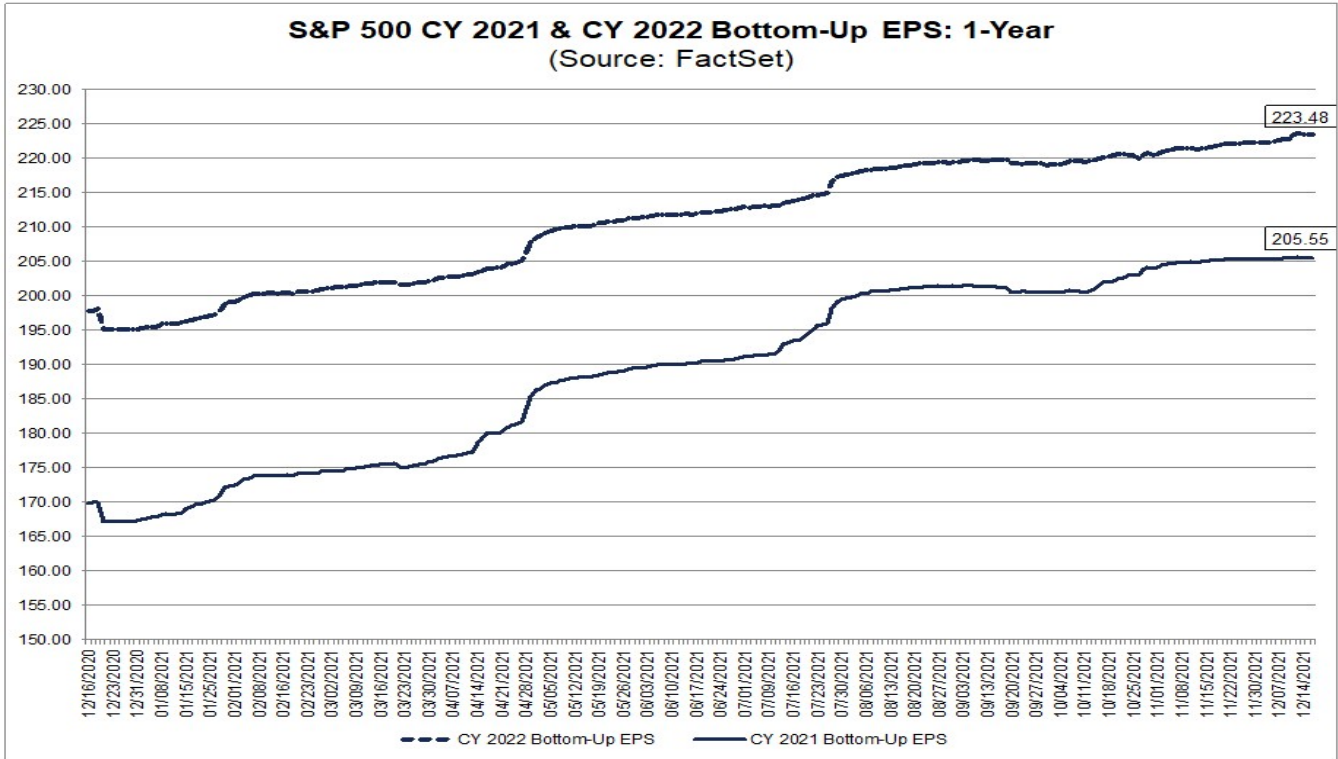




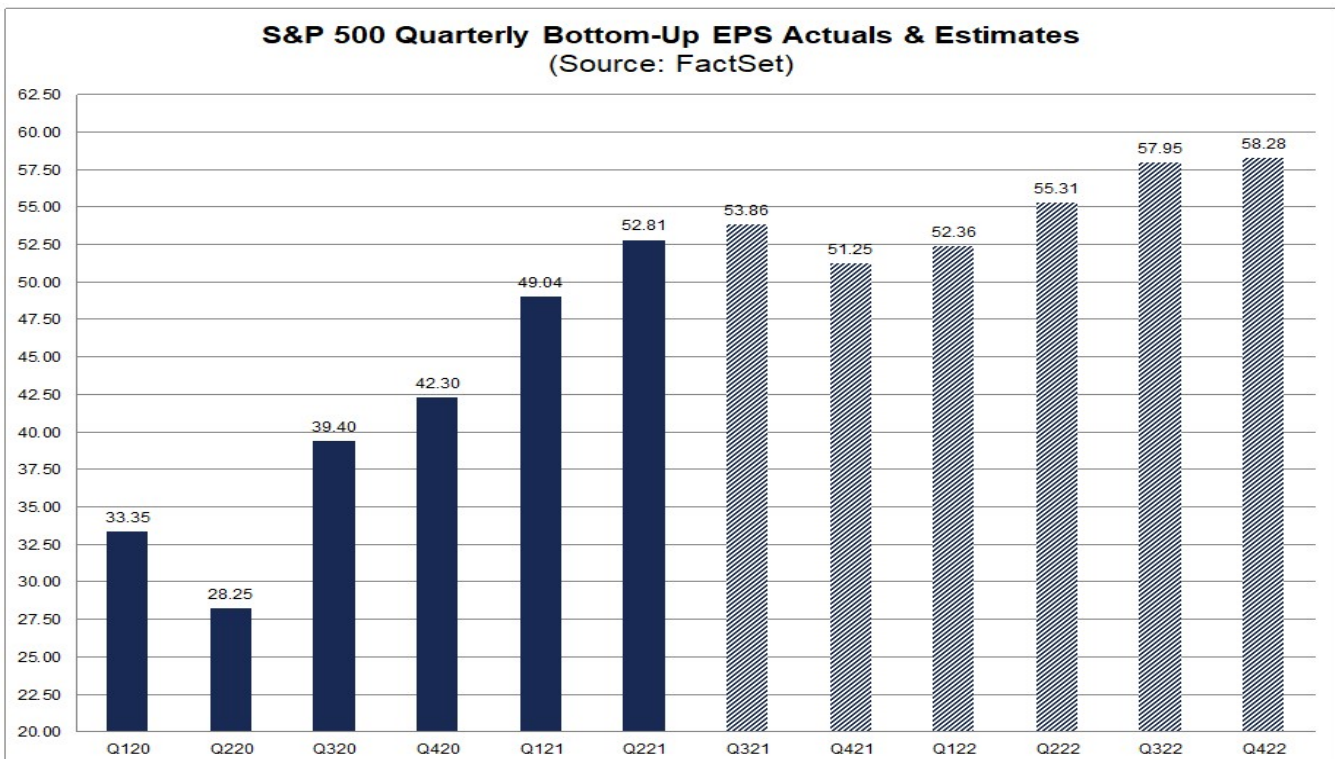
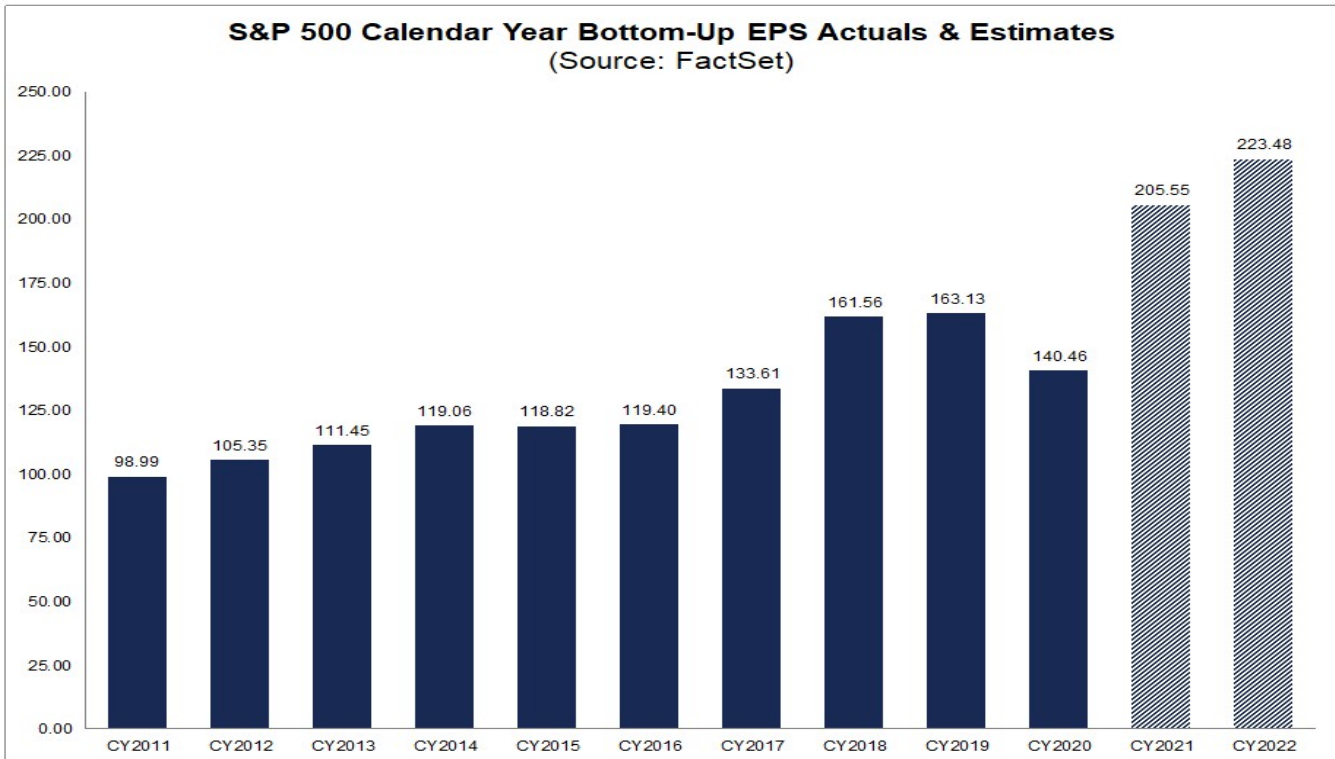
## Geographic Revenue Exposure



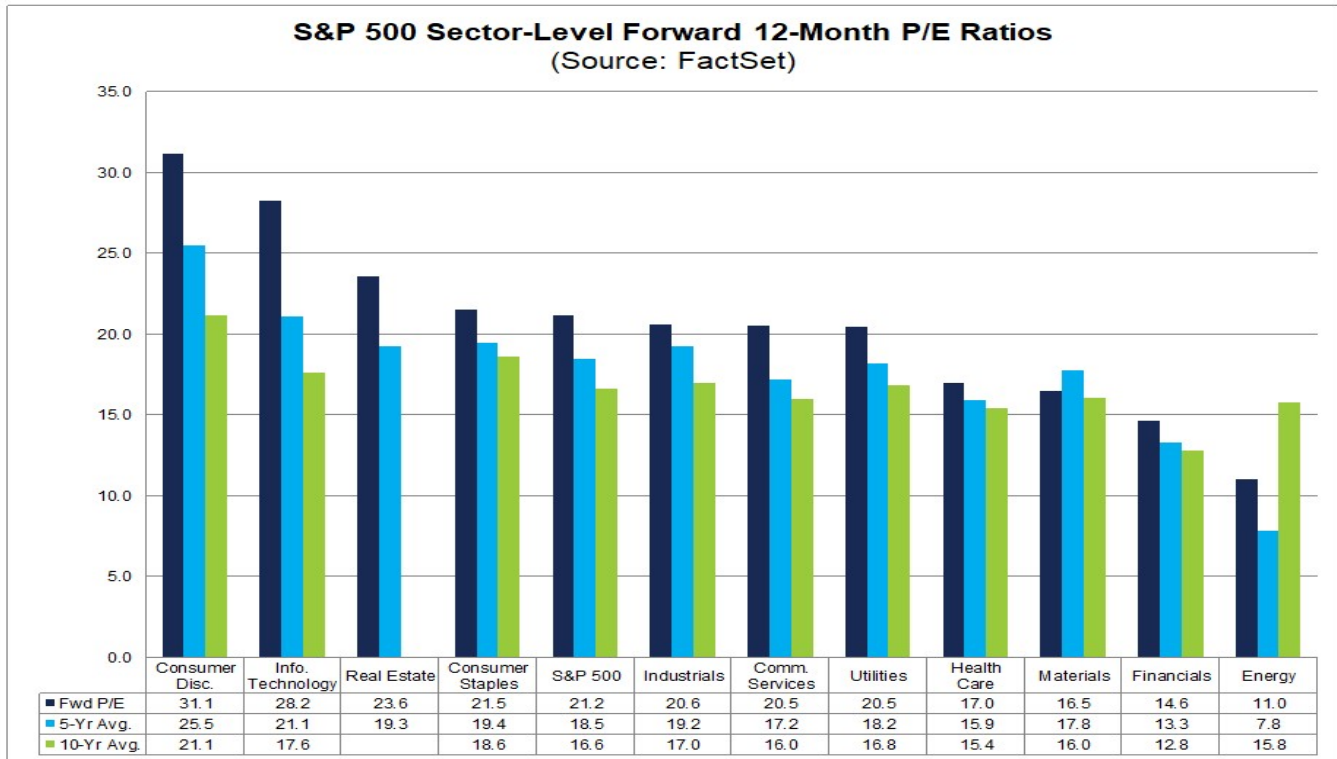
# Bottom-up EPS Estimates: Revisions



## Bottom-up EPS Estimates: Current & Historical

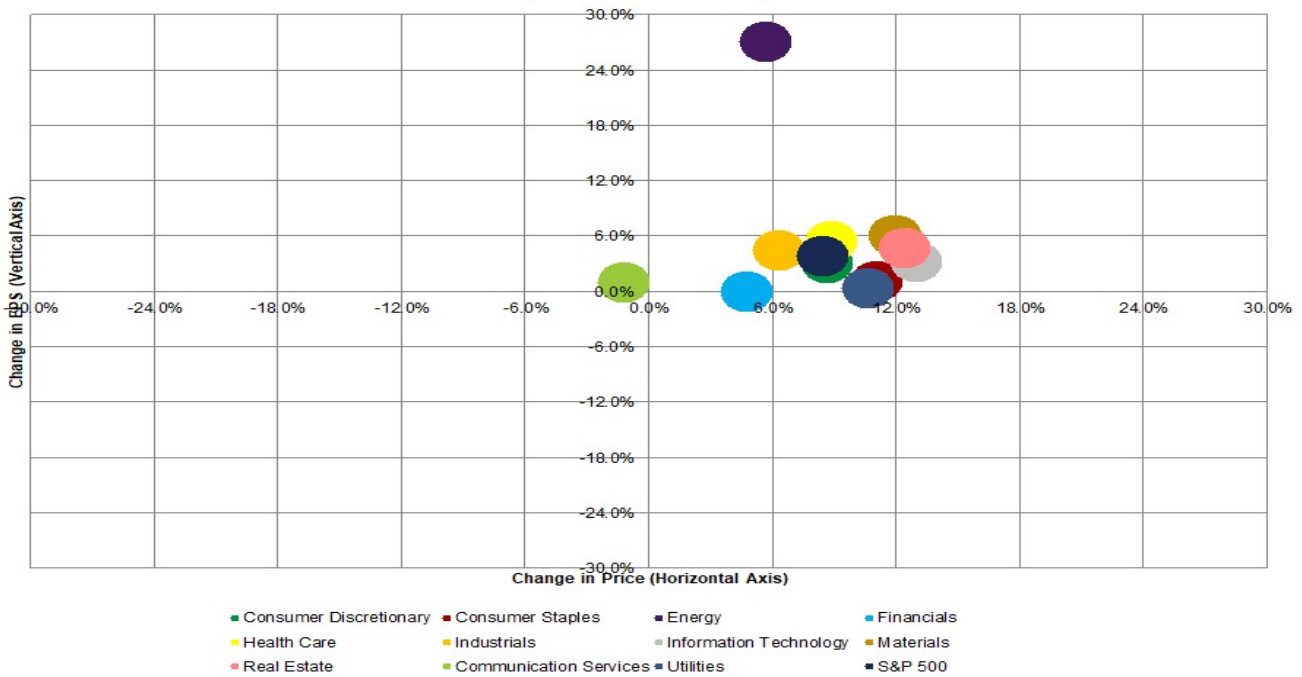


## Forward 12M P/E Ratio: Sector Level

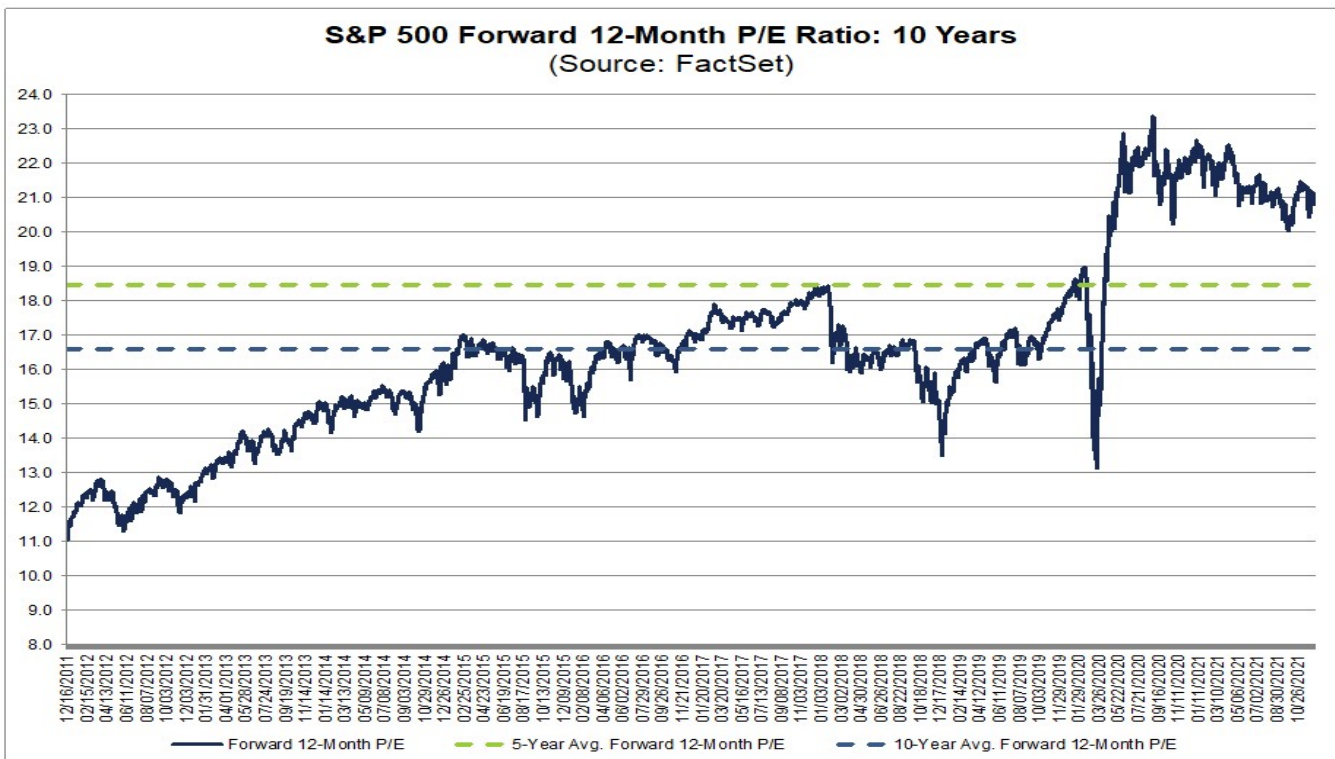
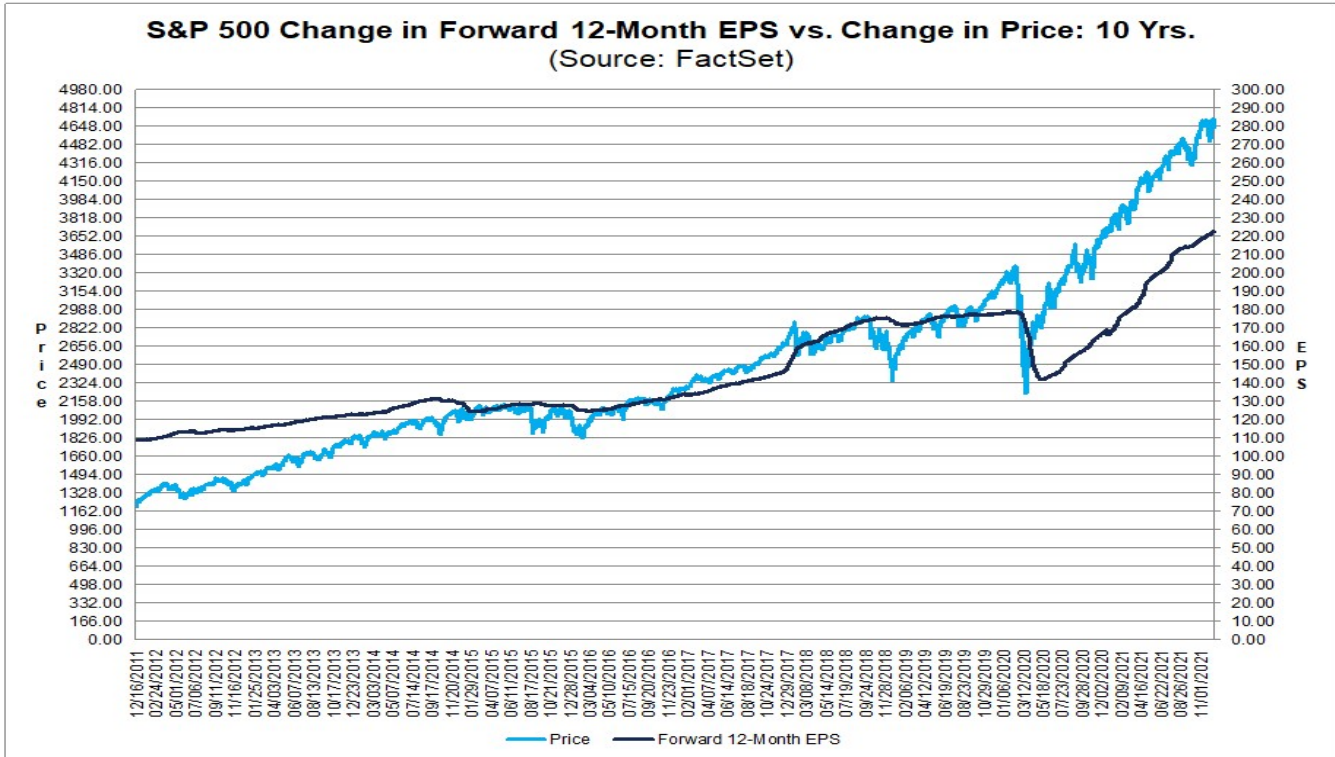


## Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Sep. 30

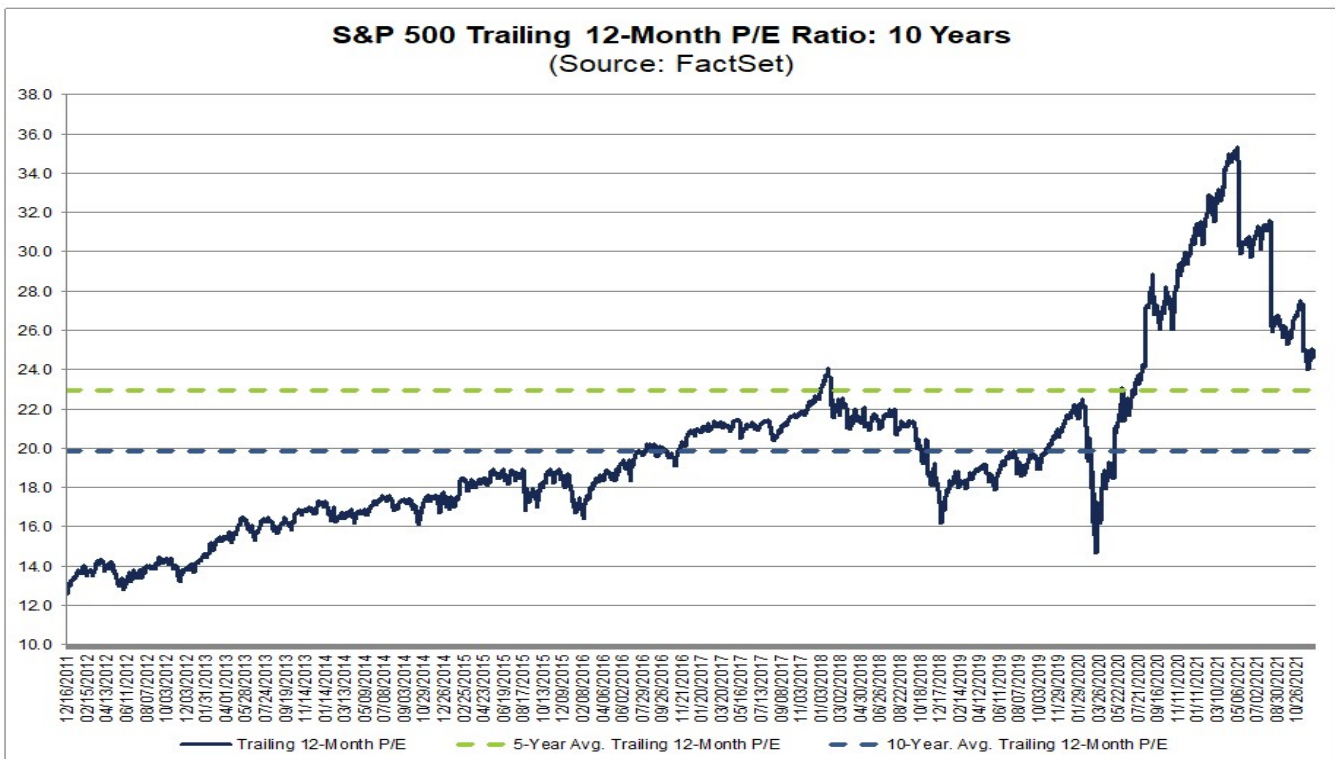
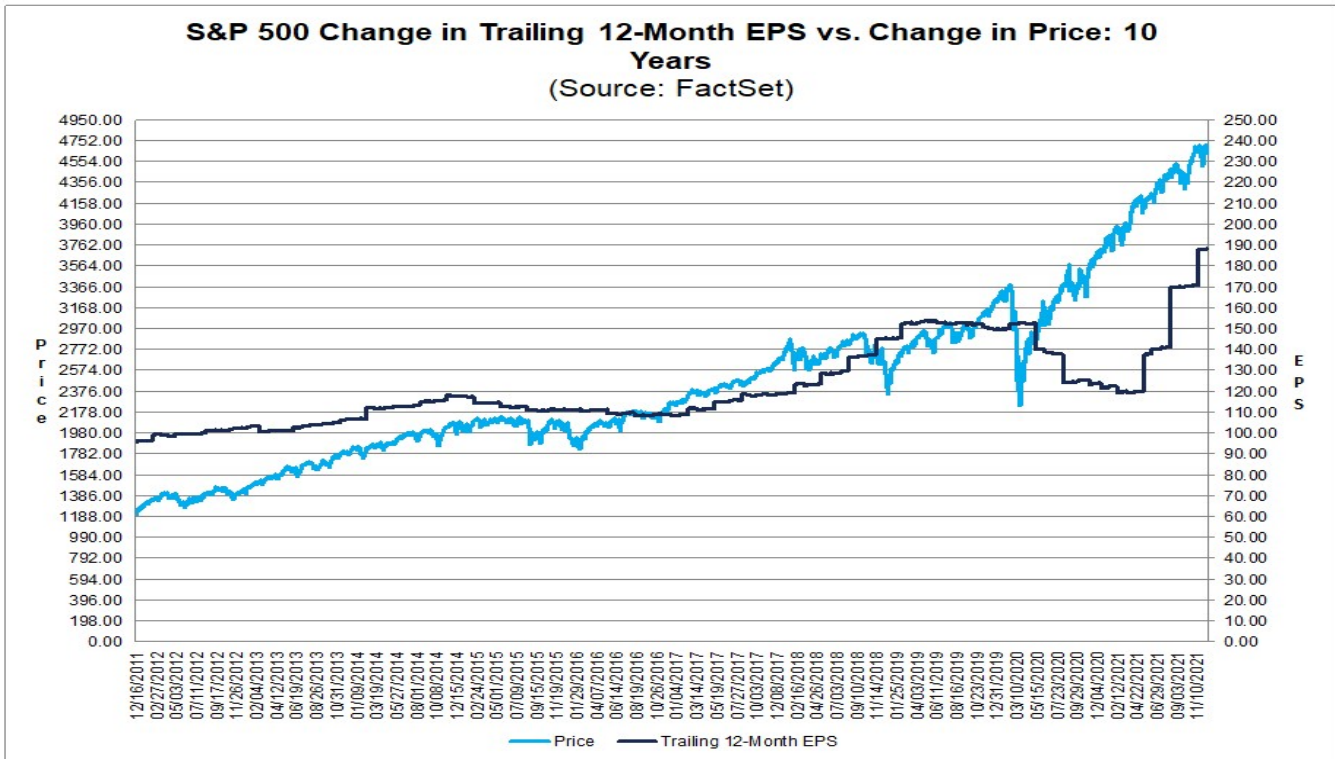
(Source: FactSet)



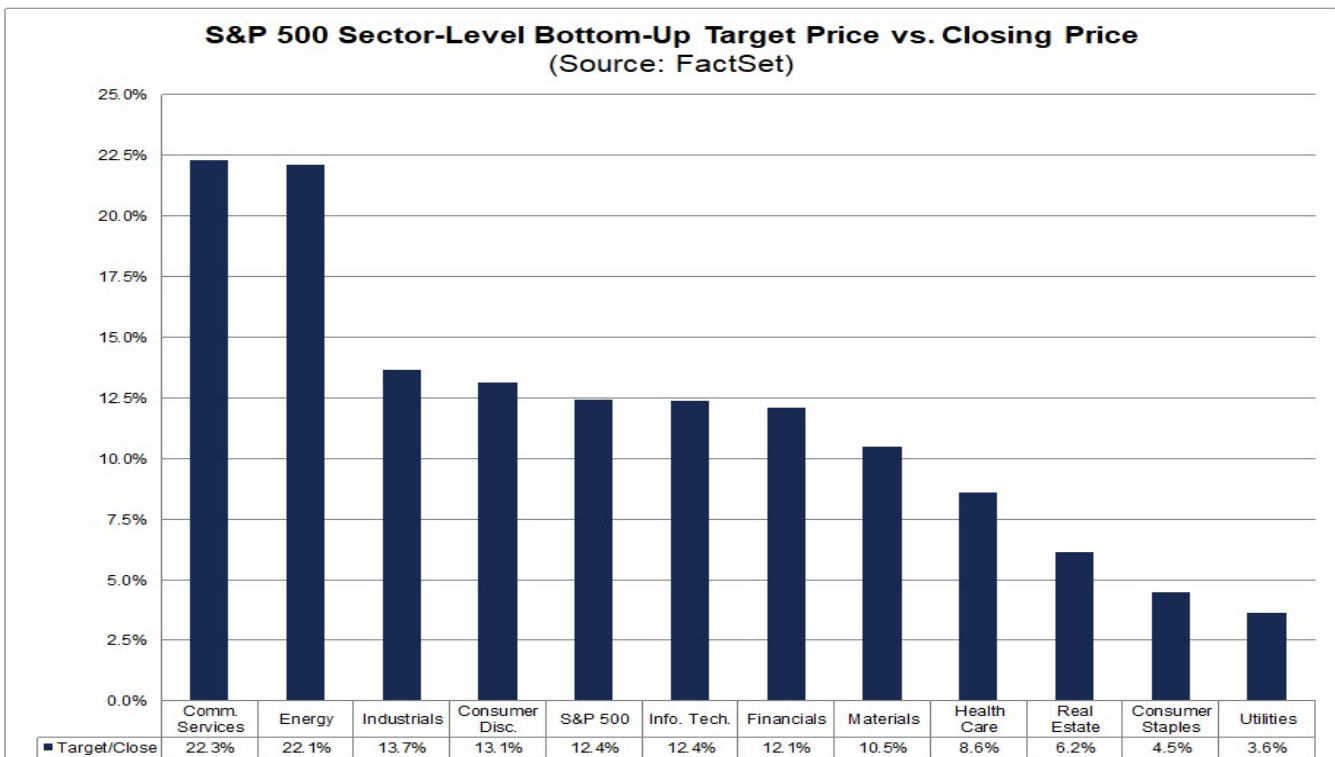
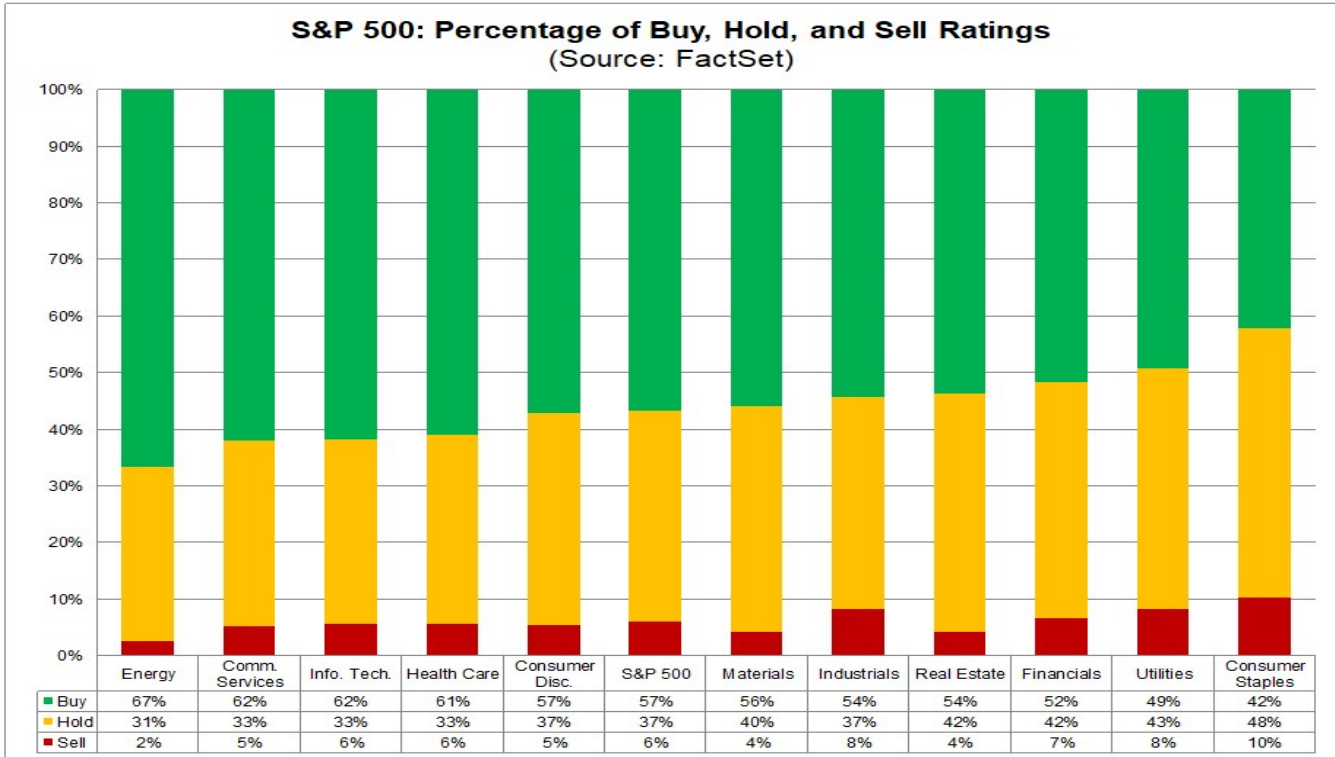
# Forward 12M P/E Ratio: 10-Years



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



## Targets & Ratings



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