Earnings Insight

FACTSET

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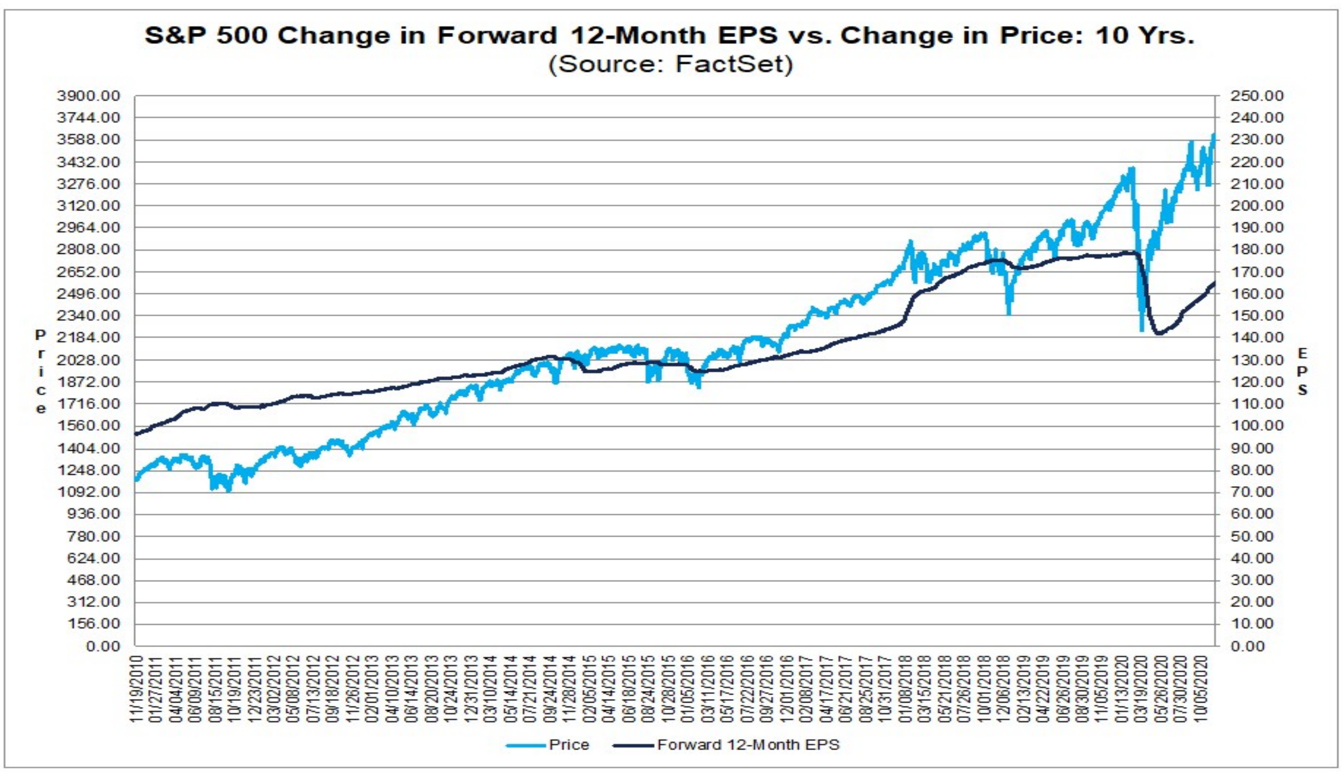
November 20, 2020

Author's Note: ***The FactSet Earnings Insight report will not be published next Friday (November 27). The next edition of the report will be published on December 4.***

Key Metrics

- **Earnings Scorecard:** For Q3 2020 (with 95% of the companies in the S&P 500 reporting actual results), 84% of S&P 500 companies have reported a positive EPS surprise and 78% have reported a positive revenue surprise. If 84% is the final percentage, it will tie the mark for the highest percentage of S&P 500 companies reporting a positive EPS surprise.
- **Earnings Growth:** For Q3 2020, the blended earnings decline for the S&P 500 is -6.3%. If -6.3% is the actual decline for the quarter, it will mark the fourth-largest (year-over-year) decline in earnings reported by the index since Q3 2009 (-15.8%).
- **Earnings Guidance:** For Q4 2020, 20 S&P 500 companies have issued negative EPS guidance and 46 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 21.7. This P/E ratio is above the 5-year average (17.4) and above the 10-year average (15.6).



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Topic of the Week:

Excluding Just 3 Industries, S&P 500 Would Be Reporting Earnings Growth of 4% for Q3

The S&P 500 is reporting a year-over-year decline in earnings of -6.3% for the third quarter. There are 63 industries within the S&P 500. Of these 63 industries, 27 are reporting a year-over-year decline in earnings for the third quarter. However, 36 are reporting year-over-year growth in earnings for the third quarter. The industries reporting the largest (year-over-year) dollar-level increases in earnings for the third quarter are the Interactive Media & Services (+$5.2 billion), Software (+$4.1 billion), and Automobiles (+$2.8 billion) industries.

Given that more industries are reporting year-over-year growth in earnings than year-over-year declines in earnings, what is driving the year-over-year earnings decline of -6.3% for the entire index?

The index is reporting a year-over-year decline in earnings because three industries are reporting unusually large year-over-year declines in earnings for the quarter. These three industries are the Oil, Gas, & Consumable Fuels industry, the Airlines industry, and the Hotels, Restaurants, & Leisure industry. All three industries have seen significant negative impacts to revenues and earnings due to COVID-19.

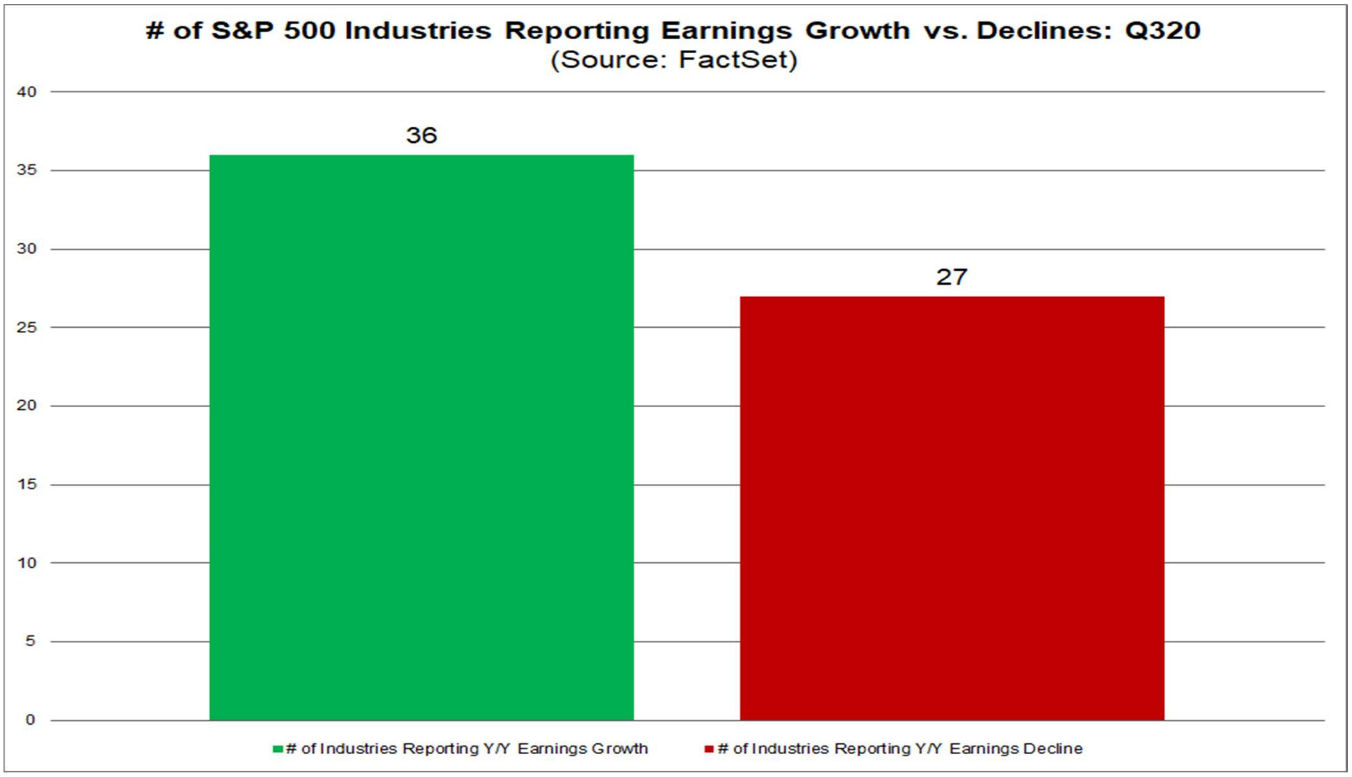
The Oil, Gas, & Consumable Fuels industry is reporting the largest (year-over-year) decline on a dollar-level basis (-$14.3 billion) and the third-largest (year-over-year) decline on a percentage basis (-113%) of all 63 industries. The Airlines industry is reporting the second-largest (year-over-year) decline on a dollar-level basis (-$13.0 billion) and the largest (year-over-year) decline on a percentage basis (-313%) of all 63 industries. The Hotels, Restaurants, & Leisure industry is reporting the third-largest (year-over-year) decline on a dollar-level basis (-$9.7 billion) and the second-largest (year-over-year) decline on a percentage basis (-133%) of all 63 industries.

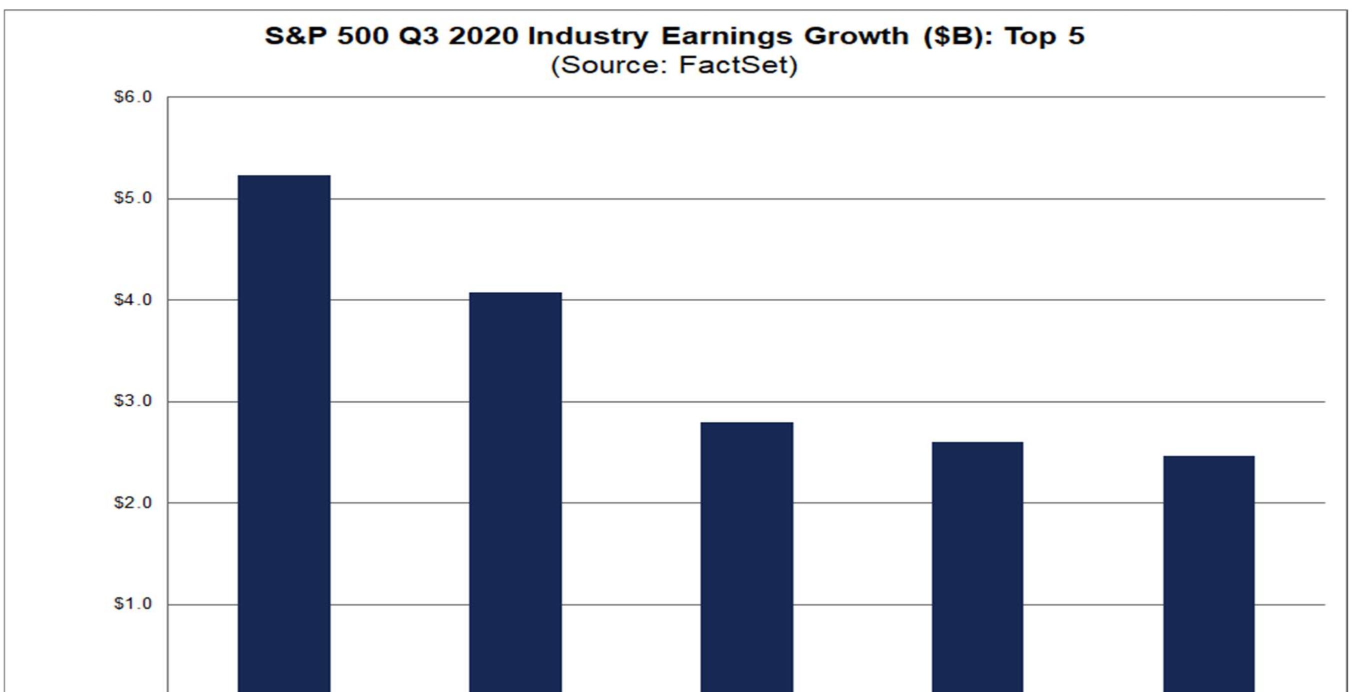
These three industries are the largest contributors at the industry level to the year-over-year earnings decline for the S&P 500 as a whole. Combined, these three industries are reporting a larger decline in earnings (-$37.1 billion) than the aggregate earnings decline for the entire S&P 500 (-$22.7 billion). As a result, if these three industries were excluded, the S&P 500 would be reporting year-over-year growth in earnings of 4.3% instead of a year-over-year decline in earnings of -6.3%.

One sector that exemplifies the outsized impact on earnings growth of just one of these three industries is the Consumer Discretionary sector. Overall, the Consumer Discretionary sector is reporting a year-over-year decline in earnings of -4.2% for the third quarter. However, only three of the ten industries in this sector are reporting a year-over-year decline in earnings, led by the Hotels, Restaurants, & Leisure industry. The other seven industries in this sector are reporting double-digit (year-over-year) earnings growth, led by the Automobiles (74%), Multiline Retail (65%), and Internet & Direct Marketing Retail (45%) industries. If the Hotels, Restaurants, & Leisure industry were excluded, the Consumer Discretionary sector would be reporting year-over-year earnings growth of 36.0% for the third quarter rather than a year-over-year decline in earnings of -4.2%.

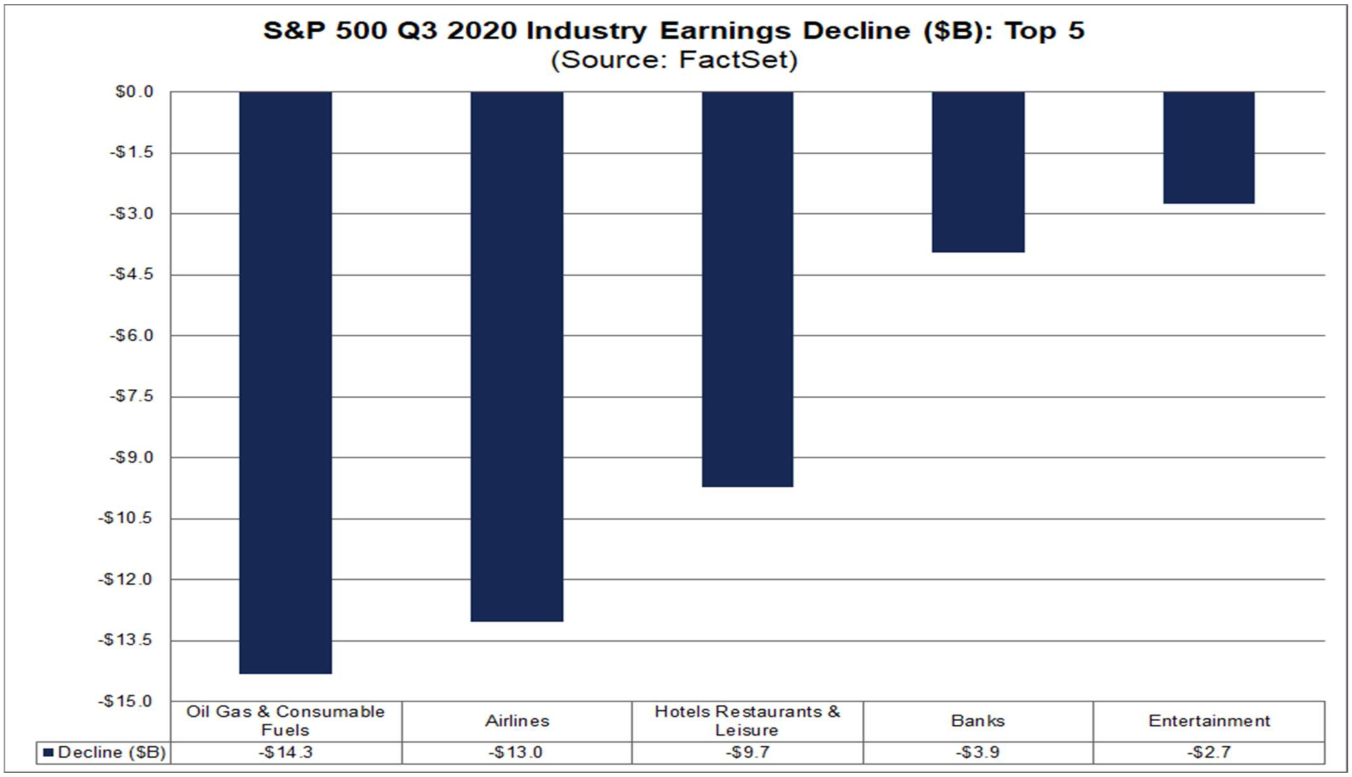
Looking ahead to the fourth quarter, these three industries are again predicted to have the largest year-over-year declines in earnings on a dollar-level basis and on a percentage basis. These three industries are also expected to be the largest contributors to the year-over-year decline in earnings for the entire index for the quarter. As of today, the S&P 500 is projected to report a year-over-year decline in earnings of -10.6% in the fourth quarter. If the Oil, Gas, & Consumable Fuels, Airlines, and Hotels, Restaurants, & Leisure industries were excluded, the estimated year-over-year decline for the S&P 500 for Q4 would decrease to -3.2% from -10.6%.

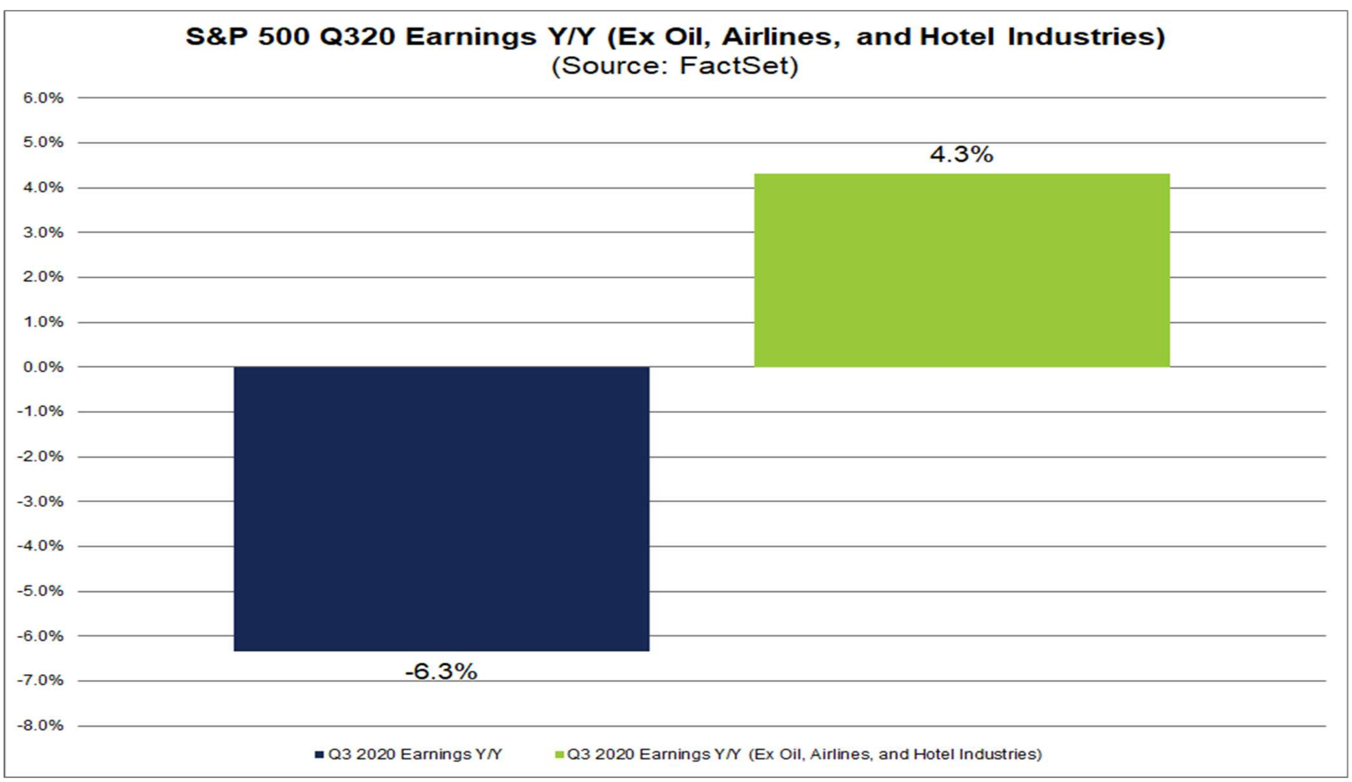
However, it is interesting to note that analysts believe all three industries will see year-over-year improvements in dollar-level earnings in 2021 relative to 2020. Because of the expected losses in 2020 for all three industries, year-over-year growth rates for 2021 can't be calculated on a percentage basis. On a dollar-level basis, the Oil, Gas, & Consumable Fuels industry is projected to report a $24.9 billion year-over-year increase in earnings in 2021 relative to 2020. The Airlines industry is projected to report a $26.1 billion year-over-year increase in earnings in 2021 relative to 2020 (though the industry is still projected to report an overall loss in 2021). The Hotels, Restaurants, & Leisure industry is projected to report a $15.5 billion year-over-year increase in earnings in 2021 relative to 2020.





	Interactive Media & Services	Software	Automobiles	Pharmaceuticals	Biotechnology
Growth ($B)	$5.2	$4.1	$2.8	$2.6	$2.5


S&P 500 Q3 2020 Industry Earnings Decline ($B): Top 5
(Source: FactSet)
$0.0
-$1.5
-$3.0
-$4.5
-$6.0
-$7.5
-$9.0
-$10.5
-$12.0
-$13.5
-$15.0
Oil Gas & Consumable Fuels
Airlines
Hotels Restaurants & Leisure
Banks
Entertainment
Decline ($B)
-$14.3
-$13.0
-$9.7
-$3.9
-$2.7


S&P 500 Q320 Earnings Y/Y (Ex Oil, Airlines, and Hotel Industries)
(Source: FactSet)
6.0%
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
-1.0%
-2.0%
-3.0%
-4.0%
-5.0%
-6.0%
-7.0%
-8.0%
4.3%
-6.3%
Q3 2020 Earnings Y/Y
Q3 2020 Earnings Y/Y (Ex Oil, Airlines, and Hotel Industries)

Q3 Earnings Season: By The Numbers

Overview

The third quarter earnings season is nearly finished, as 95% of S&P 500 companies have reported actual results for the quarter as of today. The remaining companies that have yet to report will do so over the next few weeks. The percentage of S&P 500 companies that have beaten EPS estimates for the third quarter and the magnitude of the earnings beats are at or near record levels. As a result, the index has reported much higher earnings relative to expectations at the end of the third quarter. Despite the increase in earnings, the index is still reporting the fourth-largest year-over-year decline in earnings since Q3 2009, mainly due to the negative impact of COVID-19 on a number of industries within the index. However, the S&P 500 is projected to report year-over-year earnings growth starting in Q1 2021.

Overall, 95% of the companies in the S&P 500 have reported actual results for Q3 2020 to date. Of these companies, 84% have reported actual EPS above estimates, which is well above the 5-year average of 73%. If 84% is the final percentage for the quarter, it will tie the mark with Q2 2020 for the highest percentage of S&P 500 companies reporting a positive EPS surprise since FactSet began tracking this metric in 2008. In aggregate, companies are reporting earnings that are 19.5% above the estimates, which is also well above the 5-year average of 5.6%. If 19.5% is the final percentage for the quarter, it will mark the second largest earnings surprise percentage reported by the index since FactSet began tracking this metric in 2008, trailing only the 23.1% earnings surprise percentage recorded in the previous quarter.

Due to the number and magnitude of these positive EPS surprises, the blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings decline for the third quarter is smaller now relative to the end of last week and relative to the end of the third quarter. As of today, the S&P 500 is reporting a year-over-year decline in earnings of -6.3%, compared to a year-over-year decline in earnings of -7.1% last week and a year-over-year decline in earnings of -21.2% at the end of the third quarter. Positive earnings surprises reported by companies in the Consumer Discretionary and Consumer Staples sectors were mainly responsible for the decrease in the overall earnings decline during the past week.

If -6.3% is the actual decline for the quarter, it will mark the fourth-largest (year-over-year) decline in earnings reported by the index since Q3 2009 (-15.8%). It will also mark the sixth time in the past seven quarters in which the index has reported a year-over-year decline in earnings. Five sectors are reporting (or have reported) year-over-year earnings growth, led by the Health Care sector. Six sectors are reporting (or have reported) a year-over-year decline in earnings, led by the Energy and Industrials sectors.

In terms of revenues, 78% of S&P 500 companies have reported actual revenues above estimates, which is above the 5-year average of 61%. If 78% is the final percentage for the quarter, it will tie the mark with Q4 2017 for the highest percentage of S&P 500 companies reporting a positive revenue surprise since FactSet began tracking this metric in 2008. In aggregate, companies are reporting revenues that are 2.6% above the estimates, which is also above the 5-year average of 0.7%. If 2.6% is the final percentage for the quarter, it will mark the largest revenue surprise percentage reported by the index since FactSet began tracking this metric in 2008. The current record is 2.2%, which occurred in Q4 2012.

Due to the number and magnitude of these revenue surprises, the blended revenue decline for the third quarter is smaller now relative to the end of last week and relative to the end of the third quarter. As of today, the S&P 500 is reporting a year-over-year decline in revenues of -1.3%, compared to a year-over-year decline in revenues of -1.6% last week and a year-over-year decline in earnings of -3.6% at the end of the third quarter. Positive revenue surprises reported by companies in the Consumer Discretionary and Consumer Staples sectors were mainly responsible for the decrease in the overall revenue decline during the past week.

If -1.3% is the actual decline for the quarter, it will mark the first time the index has reported two consecutive quarters of year-over-year revenue declines since Q1 2016 and Q2 2016. Five sectors are reporting (or have reported) year-over-year growth in revenues, led by the Health Care sector. Six sectors are reporting (or have reported) a year-over-year decline in revenues, led by the Energy and Industrials sectors.

Looking at future quarters, analysts predict a (year-over-year) decline in earnings in the fourth quarter (-10.6%) of 2020. However, they are also project a return to earnings growth starting in Q1 2021 (14.6%).

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

During the upcoming week, 13 S&P 500 companies are scheduled to report results for the third quarter.

Scorecard: Companies Reporting Record or Near-Record Performances vs. Estimates

Percentage of Companies Beating EPS Estimates (84%) is at Record-High Level

Overall, 95% of the companies in the S&P 500 have reported earnings to date for the third quarter. Of these companies, 84% have reported actual EPS above the mean EPS estimate, 4% have reported actual EPS equal to the mean EPS estimate, and 12% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is above the 1-year (73%) average and above the 5-year (73%) average.

If 84% is the final percentage for the quarter, it will tie the mark with Q2 2020 for the highest percentage of S&P 500 companies reporting a positive EPS surprise since FactSet began tracking this metric in 2008.

At the sector level, the Consumer Staples (96%), Health Care (95%), and Industrials (92%) sectors have the highest percentages of companies reporting earnings above estimates, while the Utilities (64%), Real Estate (65%) and Energy (68%) sectors have the lowest percentages of companies reporting earnings (or FFO for Real Estate) above estimates.

Earnings Surprise Percentage (+19.5%) is Near Record-Level

In aggregate, companies are reporting earnings that are 19.5% above expectations. This surprise percentage is above the 1-year (+8.0%) average and above the 5-year (+5.6%) average.

If 19.5% is the final percentage for the quarter, it will mark the second largest earnings surprise percentage reported by the index since FactSet began tracking this metric in 2008, trailing only the 23.1% earnings surprise percentage recorded in the previous quarter.

The Energy sector (+66.0%) sector reported the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Chevron ($0.11 vs. -$0.26), Phillips 66 (-$0.01 vs. -$0.80), EOG Resources ($0.43 vs. $0.18), and Diamondback Energy ($0.62 vs. $0.35) reported some of the largest positive EPS surprises.

The Consumer Discretionary sector (+59.6%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Darden Restaurants ($0.56 vs. $0.05), Under Armour ($0.26 vs. $0.03), L Brands ($1.13 vs. $0.14), Ford Motor ($0.65 vs. $0.22), Tapestry ($0.58 vs. $0.22), NIKE ($0.95 vs. $0.47), and General Motors ($2.83 vs. $1.43) have reported some of the largest positive EPS surprises.

The Industrials sector (+36.2%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, General Electric ($0.06 vs.-$0.04), FedEx ($4.87 vs. $2.70), and Snap-on ($3.28 vs. $2.16) have reported some of the largest positive EPS surprises.

The Communication Services sector (+30.5%) sector reported the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Electronic Arts ($0.21 vs. $0.03), Twitter ($0.19 vs. $0.06), T-Mobile US ($1.00 vs. $0.46), and Walt Disney (-$0.20 vs. -$0.71) reported some of the largest positive EPS surprises.

Market Punishing Negative Surprises Less Than Average

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

Companies that have reported positive earnings surprises for Q3 2020 have seen an average price increase of +1.0% two days before the earnings release through two days after the earnings release. This percentage increase is almost equal to the 5-year average price increase of +0.9% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q3 2020 have seen an average price decrease of -0.2% two days before the earnings release through two days after the earnings. This percentage decrease is much smaller than the 5-year average price decrease of -2.6% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (78%) is at Record-High Level

In terms of revenues, 78% of companies have reported actual revenues above estimated revenues and 22% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is above the 1-year average (61%) and above the 5-year average (61%).

If 78% is the final percentage for the quarter, it will tie the mark with Q4 2017 for the highest percentage of S&P 500 companies reporting a positive revenue surprise since FactSet began tracking this metric in 2008.

At the sector level, the Information Technology (94%) and Consumer Staples (93%) sectors have the highest percentages of companies reporting revenues above estimates, while the Utilities (25%) and Energy (52%) sectors have the lowest percentages of companies reporting revenues above estimates.

Revenue Surprise Percentage (+2.6%) is at Record-High Level

In aggregate, companies are reporting revenues that are 2.6% above expectations. This surprise percentage is above the 1-year (+0.9%) average and above the 5-year (+0.7%) average.

If 2.6% is the final percentage for the quarter, it will mark the largest revenue surprise percentage reported by the index since FactSet began tracking this metric in 2008. The current record is 2.2%, which occurred in Q4 2012.

At the sector level, the Communication Services (+4.9%) and Consumer Discretionary (+4.7%) and sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Utilities (-3.5%) and Energy (-2.3%) sectors reported the largest negative (aggregate) differences between actual revenues and estimated revenues.

Revisions: Decrease in Blended Earnings Decline this Week

Decrease in Blended Earnings Decline This Week

The blended (year-over-year) earnings decline for the third quarter is -6.3%, which is smaller than the earnings decline of -7.1% last week. Positive surprises reported by companies in the Consumer Discretionary and Consumer Staples sectors were mainly responsible for the decrease in the overall earnings decline for the index during the week.

In the Consumer Discretionary sector, the positive EPS surprises reported by Target ($2.79 vs. $1.60), TJX Companies ($0.71 vs. $0.40), L Brands ($1.13 vs. $0.14), Ross Stores ($1.02 vs. $0.61), and Home Depot ($3.18 vs. $3.05) were substantial contributors to the decrease in the earnings decline for the index during the week. As a result, the blended earnings decline for the Consumer Discretionary sector decreased to -4.2% from -9.3% over this period.

In the Consumer Staples sector, the positive EPS surprises reported by Walmart ($1.34 vs. $1.18) and Tyson Foods ($1.81 vs. $1.19) were significant contributors to the decrease in the earnings decline for the index during the week. As a result, the blended earnings growth rate for the Consumer Staples sector increased to 6.3% from 4.0% over this period.

Decrease in Blended Revenue Decline This Week

The blended (year-over-year) revenue decline for the third quarter is -1.3%, which is smaller than the revenue decline of -1.6% last week. Positive surprises reported by companies in the Consumer Discretionary and Consumer Staples sectors were mainly responsible for the small decrease in the overall revenue decline for the index during the week.

Consumer Discretionary Sector Has Seen Largest Increase in Earnings since September 30

The blended (year-over-year) earnings decline for Q3 2020 of -6.3% is smaller than the estimate of -21.2% at the end of the third quarter (September 30). All eleven sectors have recorded a decrease in their earnings decline or an increase in earnings growth since the end of the quarter due to upward revisions to earnings estimates and positive earnings surprises, led by the Consumer Discretionary (to -4.2% from -36.8%), Communication Services (to 5.1% from -20.5%), and Financials (to -4.5% from -22.9%) sectors.

Communication Services Sector Has Seen Largest Increase in Revenues since September 30

The blended (year-over-year) revenue decline for Q3 2020 of -1.3% is smaller than the estimate of -3.6% at the end of the third quarter (September 30). Nine sectors have recorded a decrease in their revenue decline or an increase in revenue growth since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Communication Services (to 5.2% from 0.3%) and Consumer Discretionary (to 4.8% from -0.1%) sectors. Two sectors have recorded an increase in their revenue decline or a decrease in revenue growth during this time due to downward revisions to revenue estimates and negative revenue surprises: Utilities (to -3.1% from 0.9%) and Energy (to -34.8% from -30.9%).

Earnings Decline: -6.3%

The blended (year-over-year) earnings decline for Q3 2020 is -6.3%, which is below the 5-year average earnings growth rate of 4.0%. If -6.3% is the actual decline for the quarter, it will mark the fourth-largest (year-over-year) decline in earnings for the index since Q3 2009. It will also mark the sixth time in the past seven quarters in which the index has reported a year-over-year decline in earnings. Five sectors are reporting (or have reported) a year-over-year earnings growth, led by the Health Care sector. Six sectors are reporting (or have reported) a year-over-year decline in earnings, led by the Energy and Industrials sectors.

Health Care: Bristol-Myers Squibb and AbbVie Largest Contributors to Year-Over-Year Growth

The Health Care sector is reporting the highest (year-over-year) earnings growth of all eleven sectors at 12.9%. At the industry level, all six industries in this sector are reporting (or have reported) year-over-year growth in earnings: Life Sciences Tools & Services (44%), Biotechnology (22%), Pharmaceuticals (15%), Health Care Equipment & Supplies (6%), Health Care Technology (5%), and Health Care Providers & Services (2%).

At the company level, Bristol-Myers Squibb and AbbVie are the largest contributors to earnings growth for the sector. However, the earnings growth rates for both companies are being boosted by apples-to-oranges comparisons of post-merger earnings in Q3 2020 to pre-merger earnings in Q3 2019. If these two companies were excluded, the blended earnings growth rate for the sector would fall to 7.5% from 12.9%

Energy: 3 of 5 Sub-Industries Reported Year-Over-Year Decline of More Than 100%

The Energy sector reported the largest (year-over-year) decline in earnings of all eleven sectors at -109.1%. Lower year-over-year oil prices contributed to the earnings decline for this sector, as the average price of oil for Q3 2020 ($40.92) was 27% below the average price for oil in Q3 2019 ($56.44). At the sub-industry level, four of the five sub-industries in the sector reported a decline in earnings. Three of these four sub-industries reported a decline in earnings of more than 100%: Oil & Gas Refining & Marketing (-136%), Integrated Oil & Gas (-122%), and Oil & Gas Exploration & Production (-109%). The only sub-industry in the sector that reported year-over-year growth in earnings is the Oil & Gas Storage & Transportation (9%) sub-industry.

Industrials: Airlines Industry Largest Contributor To Year-Over-Year Decline

The Industrials sector is reporting the second largest (year-over-year) earnings decline of all eleven sectors at -49.1%. At the industry level, seven of the twelve industries in this sector are reporting (or have reported) a decline in earnings. Five of these seven industries are reporting (or have reported) a double-digit decline in earnings: Airlines (-313%), Aerospace & Defense (-30%), Industrial Conglomerates (-27%), Machinery (-17%), and Electrical Equipment (-11%). On the other hand, five industries are reporting (or have reported) earnings growth in this sector, led by the Air Freight & Logistics (27%) industry.

The Airlines industry is also the largest contributor to the year-over-year decline in earnings for the sector. If the five companies in this industry were excluded, the blended earnings decline for the sector would improve to -13.0% from -49.1%.

Revenue Decline: -1.3%

The blended (year-over-year) revenue decline for Q3 2020 is -1.3%, which is below the 5-year average revenue growth rate of 3.4%. If -1.3% is the actual decline for the quarter, it will mark the first time the index has reported two consecutive quarters of year-over-year revenue declines since Q1 2016 and Q2 2016. Five sectors are reporting (or have reported) year-over-year growth in revenues, led by Health Care sector. Six sectors are reporting (or have reported) a year-over-year decline in revenues, led by the Energy and Industrials sectors.

Health Care: 5 of 6 Industries Reporting Year-Over-Year Growth

The Health Care sector is reporting the highest (year-over-year) revenue growth of all eleven sectors at 10.5%. At the industry level, five of the six industries in this sector are reporting (or have reported) year-over-year growth in revenues: Biotechnology (25%), Life Sciences Tools & Services (19%), Health Care Providers & Services (10%), Pharmaceuticals (8%) and Health Care Equipment & Supplies (5%). On the other hand, the only industry that reported a decline in revenue is the Health Care Technology (-4%) industry.

It should be noted that the revenue growth rates of some of the companies that are the largest contributors to revenue growth for this sector (including Centene, Bristol Myers Squibb, and AbbVie) are being boosted by apples-to-oranges comparisons of post-merger revenues in Q3 2020 to pre-merger revenues in Q3 2019.

Energy: 4 of 5 Sub-Industries Reported Year-Over-Year Decline of More Than 25%

The Energy sector reported the largest (year-over-year) decline in revenue of all eleven sectors at -34.8%. Lower year-over-year oil prices contributed to the revenue decline for this sector, as the average price of oil for Q3 2020 ($40.92) was 27% below the average price for oil in Q3 2019 ($56.44). At the sub-industry level, all five sub-industries in the sector reported a year-over-year decline in revenue. Four sub-industries reported a decline in revenue of more than 25%: Oil & Gas Refining & Marketing (-42%), Oil & Gas Exploration & Production (-42%), Integrated Oil & Gas (-30%), and Oil & Gas Equipment & Services (-29%).

Industrials: Airlines Industry Largest Contributor to Year-Over-Year Decline

The Industrials sector is reporting the second largest (year-over-year) revenue decline of all eleven sectors at -15.1%. At the industry level, eleven of the twelve industries in this sector are reporting (or have reported) a decline in revenues. Five of these eleven industries are reporting (or have reported) a double-digit decline in revenues, led by the Airlines (-74%) industry. On the other hand, the Air Freight & Logistics (14%) industry is the only industry in the sector reporting year-over-year revenue growth for the quarter.

The Airlines industry is also the largest contributor to the year-over-year decline in revenue for the sector. If the five companies in this industry were excluded, the blended revenue decline for the sector would improve to -6.4% from -15.1%.

Looking Ahead: Forward Estimates and Valuation

Guidance: More S&P 500 Companies Issuing Positive EPS Guidance for Q4 to Date

To date, more S&P 500 companies are issuing positive earnings guidance than average. At this point in time, 66 companies in the index have issued EPS guidance for Q4 2020. Of these 66 companies, 20 have issued negative EPS guidance and 46 have issued positive EPS guidance. The percentage of companies issuing positive EPS guidance is 70% (46 out of 66), which is well above the 5-year average of 32%. However, the total number of companies issuing EPS guidance to date for Q4 2020 of 66 is well below the 5-year average for a quarter of 104.

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

Earnings: Analysts Expect Earnings Decline of -14% for CY 2020

For the third quarter, S&P 500 companies are reporting a decline in earnings of -6.3% and a decline in revenues of -1.3%. Analysts expect an earnings decline of -14.2% and a revenue decline of -2.0% for CY 2020.

For Q4 2020, analysts are projecting an earnings decline of -10.6% and a revenue decline of -0.2%.

For CY 2020, analysts are projecting an earnings decline of -14.2% and a revenue decline of -2.0%.

For Q1 2021, analysts are projecting earnings growth of 14.6% and revenue growth of 3.4%.

For Q2 2021, analysts are projecting earnings growth of 44.0% and revenue growth of 13.5%.

For CY 2021, analysts are projecting earnings growth of 21.9% and revenue growth of 7.7%.

Valuation: Forward P/E Ratio is 21.7, Above the 10-Year Average (15.6)

The forward 12-month P/E ratio is 21.7. This P/E ratio is above the 5-year average of 17.4 and above the 10-year average of 15.6. It is also slightly above the forward 12-month P/E ratio of 21.5 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 decreased by 6.5%, while the forward 12-month EPS estimate has increased by 5.0%.

At the sector level, the Consumer Discretionary (32.9) sector has the highest forward 12-month P/E ratio, while the Financials (14.3) sector has the lowest forward 12-month P/E ratio.

Targets & Ratings: Analysts Project 10% Increase in Price Over Next 12 Months

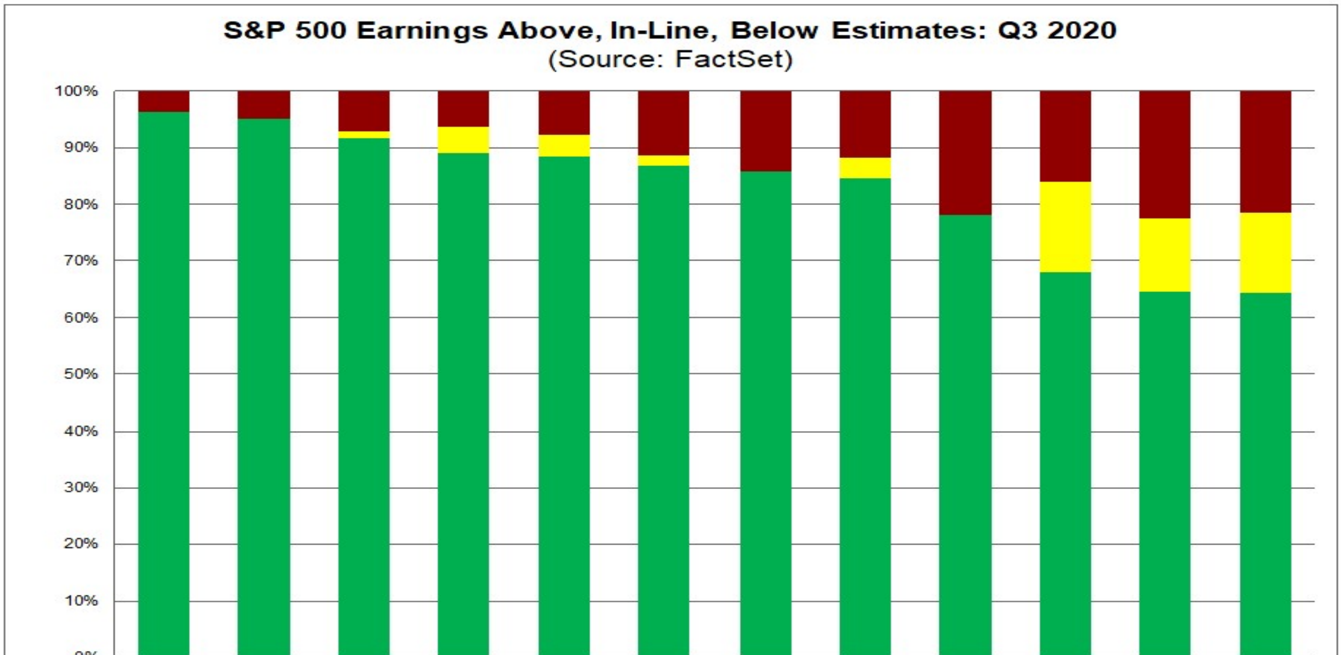
The bottom-up target price for the S&P 500 is 3936.43, which is 9.9% above the closing price of 3581.87. At the sector level, the Energy (+14.8%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Industrials (+2.5%) sector is expected to see the smallest price increase, as this sector has the smallest upside difference between the bottom-up target price and the closing price.

Overall, there are 10,300 ratings on stocks in the S&P 500. Of these 10,300 ratings, 53.6% are Buy ratings, 39.9% are Hold ratings, and 6.6% are Sell ratings. At the sector level, the Energy (63%) and Health Care (60%) sectors have the highest percentages of Buy ratings, while the Real Estate (46%) and Financials (47%) sectors have the lowest percentages of Buy ratings.

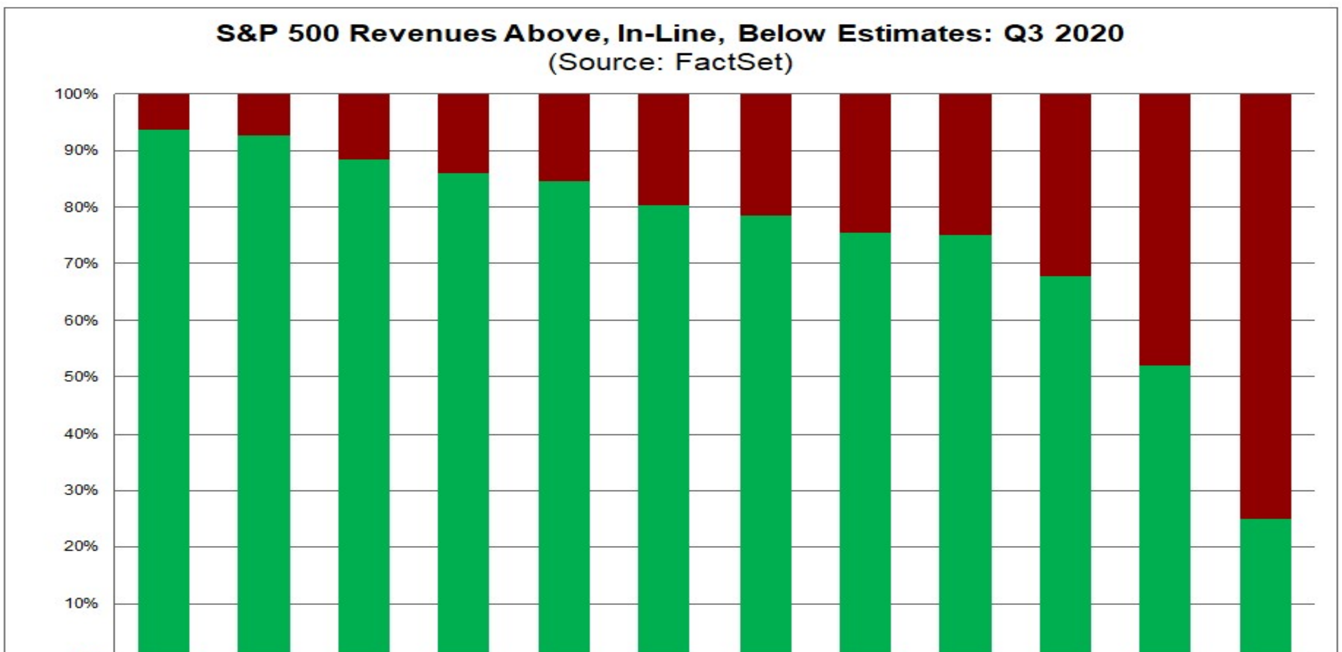
Companies Reporting Next Week: 13

During the upcoming week, 13 S&P 500 companies are scheduled to report results for the third quarter.

Q3 2020: Scorecard

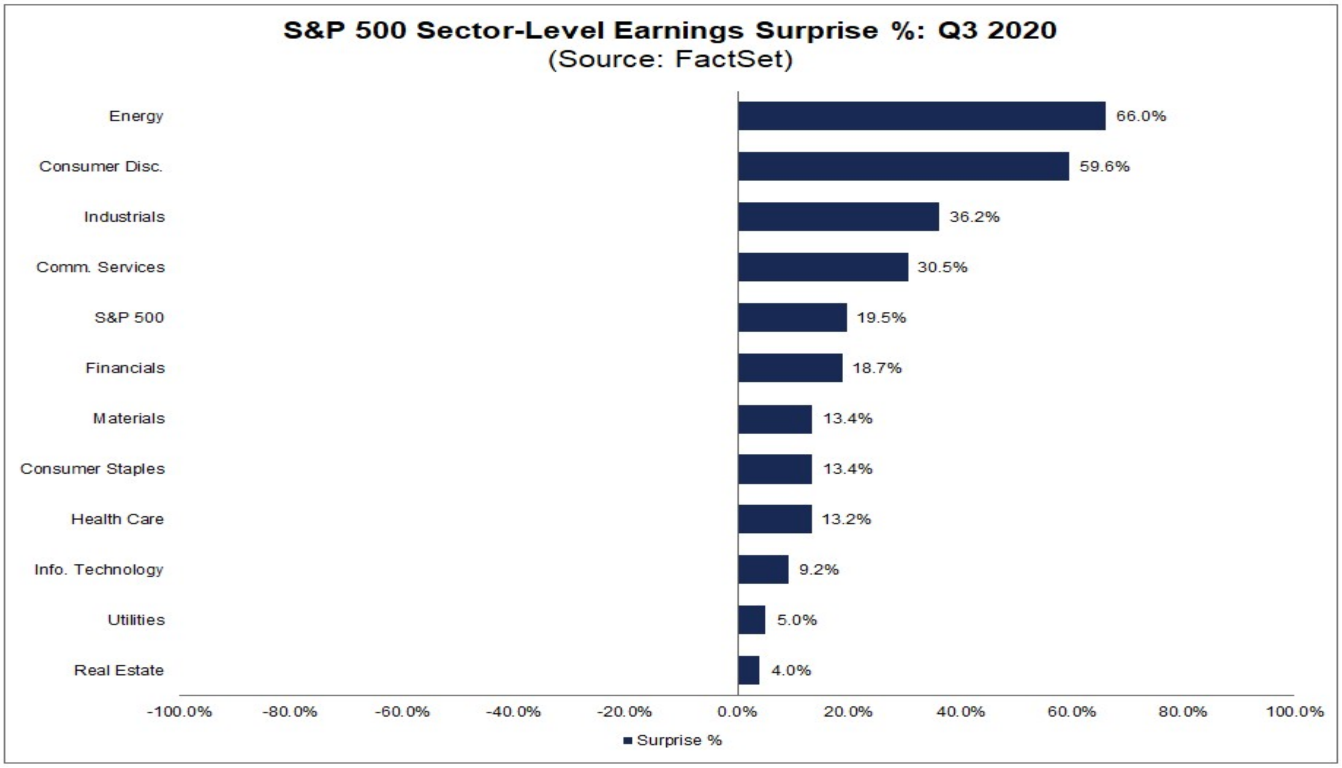


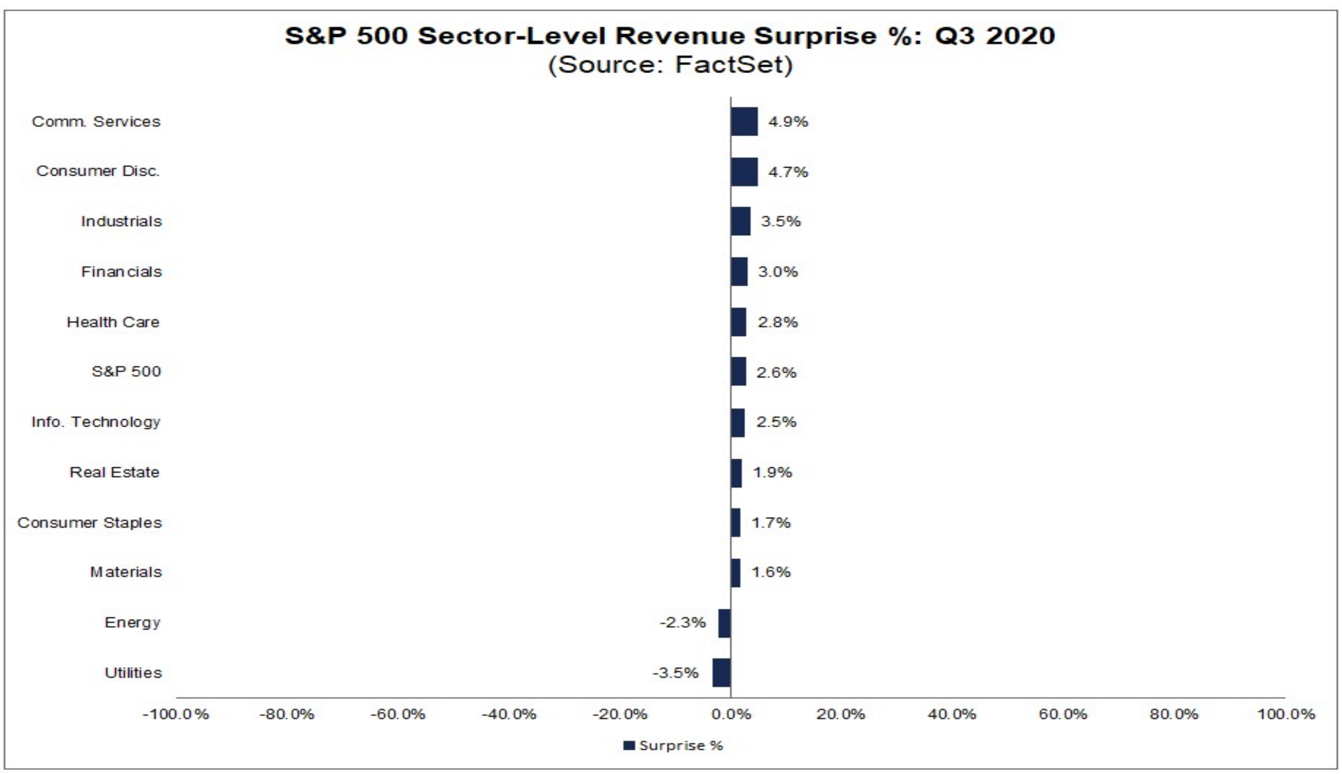
	Consumer Staples	Health Care	Industrials	Info. Technology	Comm. Services	Consumer Disc.	Materials	S&P 500	Financials	Energy	Real Estate	Utilities
Below	4%	5%	7%	6%	8%	11%	14%	12%	22%	16%	23%	21%
In-Line	0%	0%	1%	5%	4%	2%	0%	4%	0%	16%	13%	14%
Above	96%	95%	92%	89%	88%	87%	86%	84%	78%	68%	65%	64%



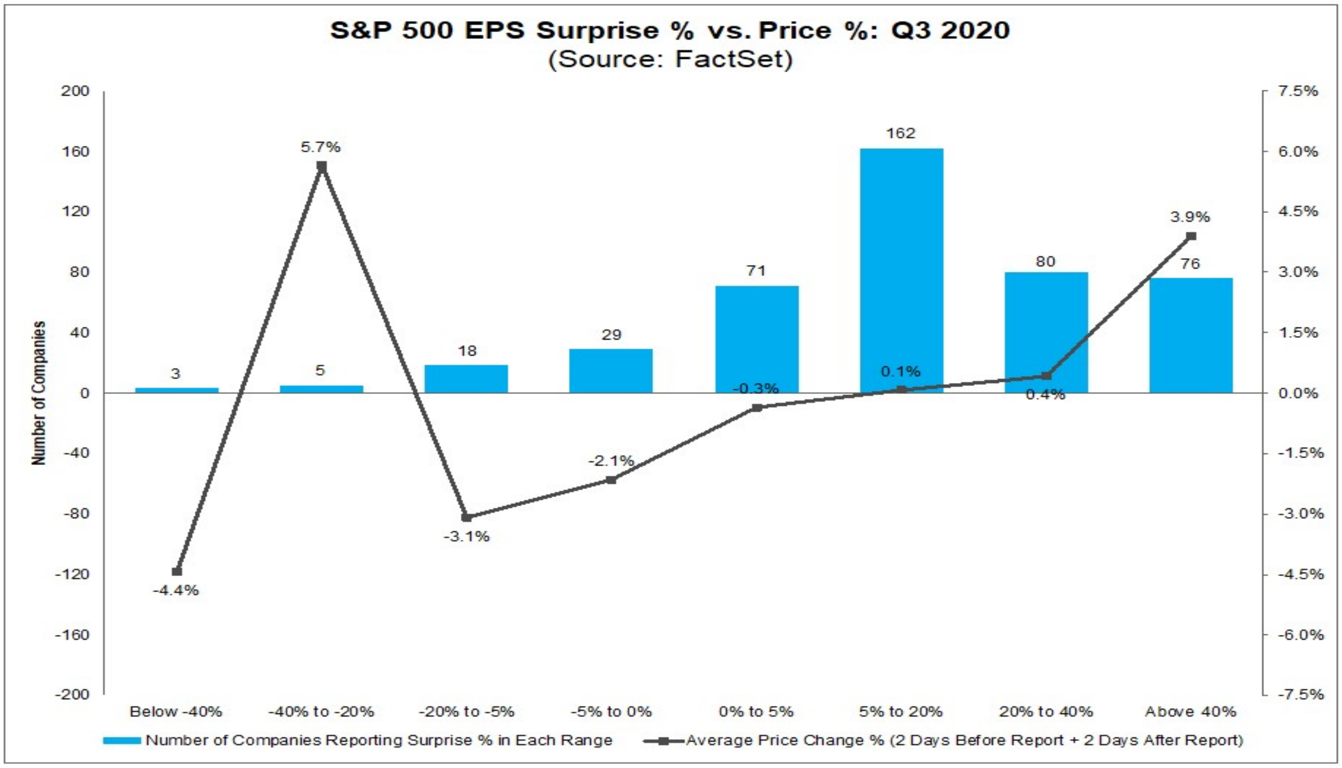
	Info. Technology	Consumer Staples	Health Care	Financials	Comm. Services	Industrials	S&P 500	Consumer Disc.	Materials	Real Estate	Energy	Utilities
Below	6%	7%	12%	14%	15%	20%	22%	25%	25%	32%	48%	75%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	94%	93%	88%	86%	85%	80%	78%	75%	75%	68%	52%	25%

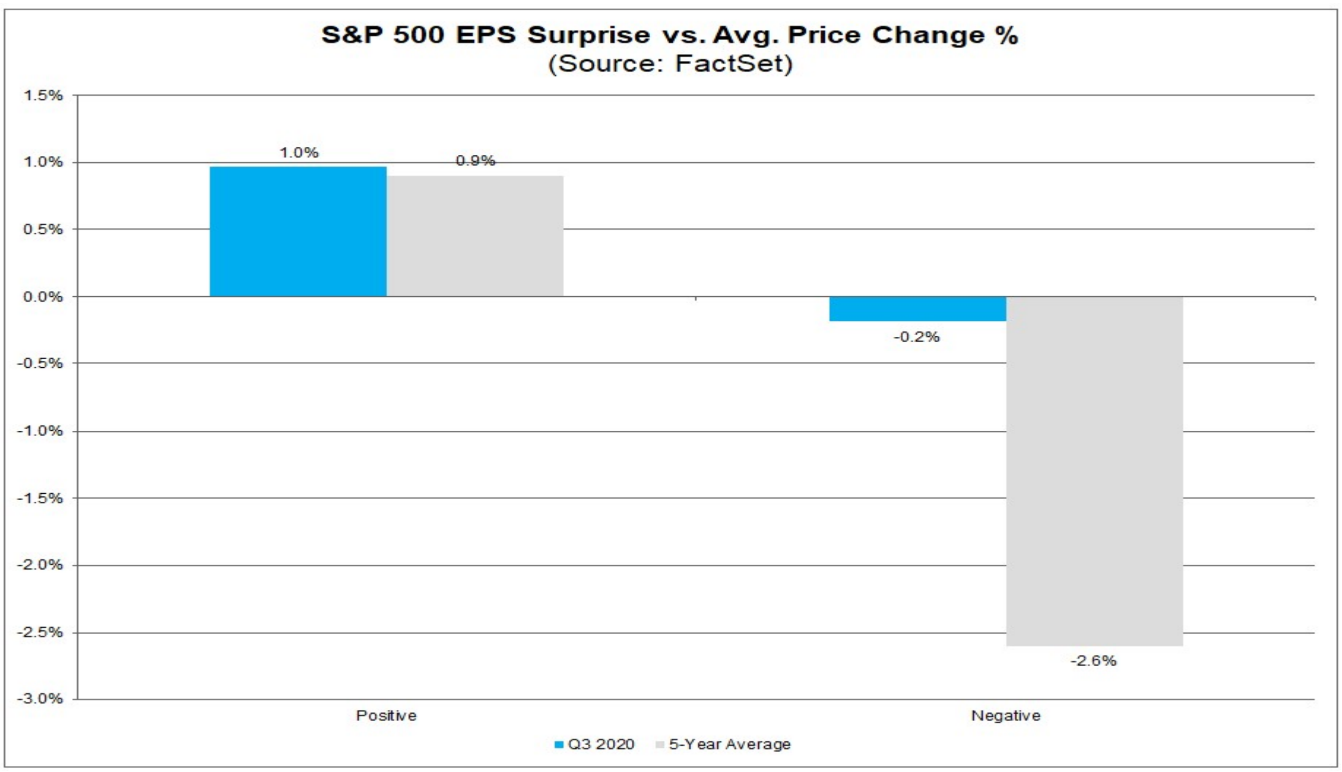
Q3 2020: Scorecard



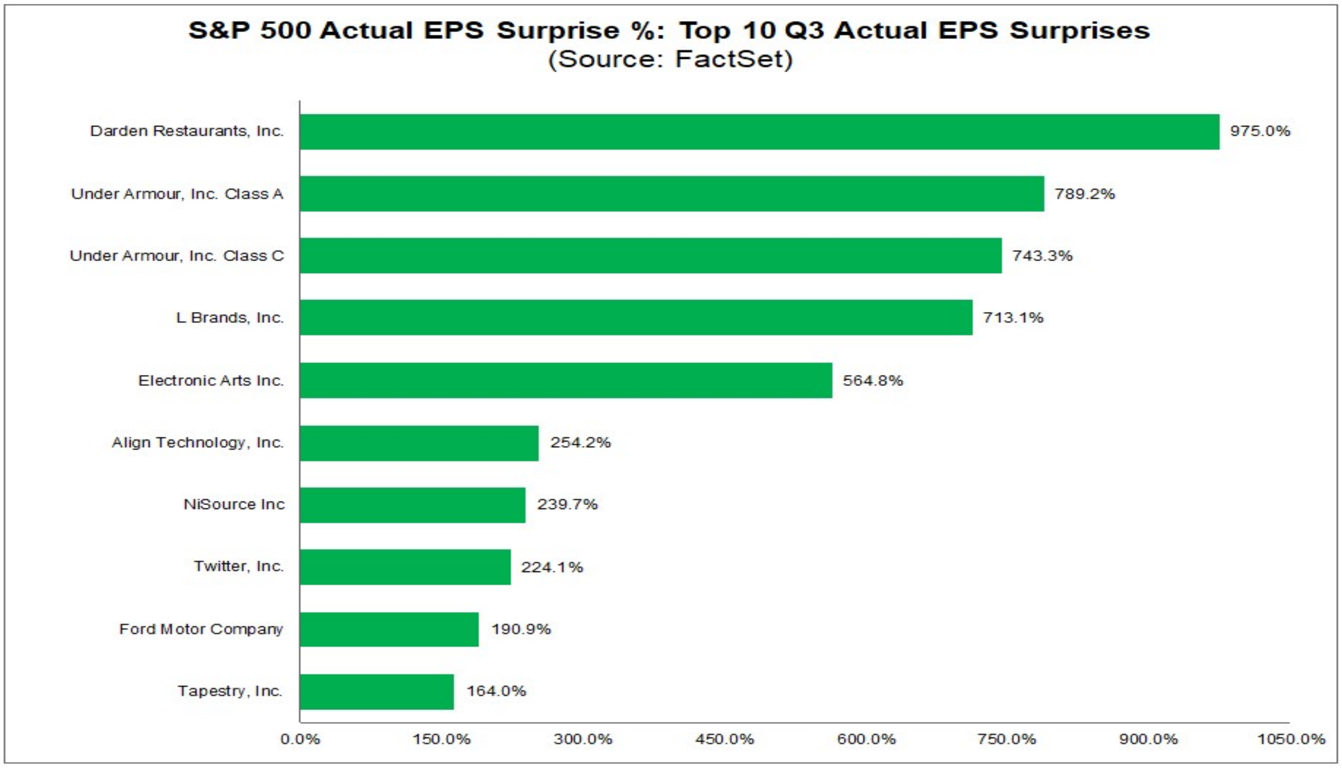


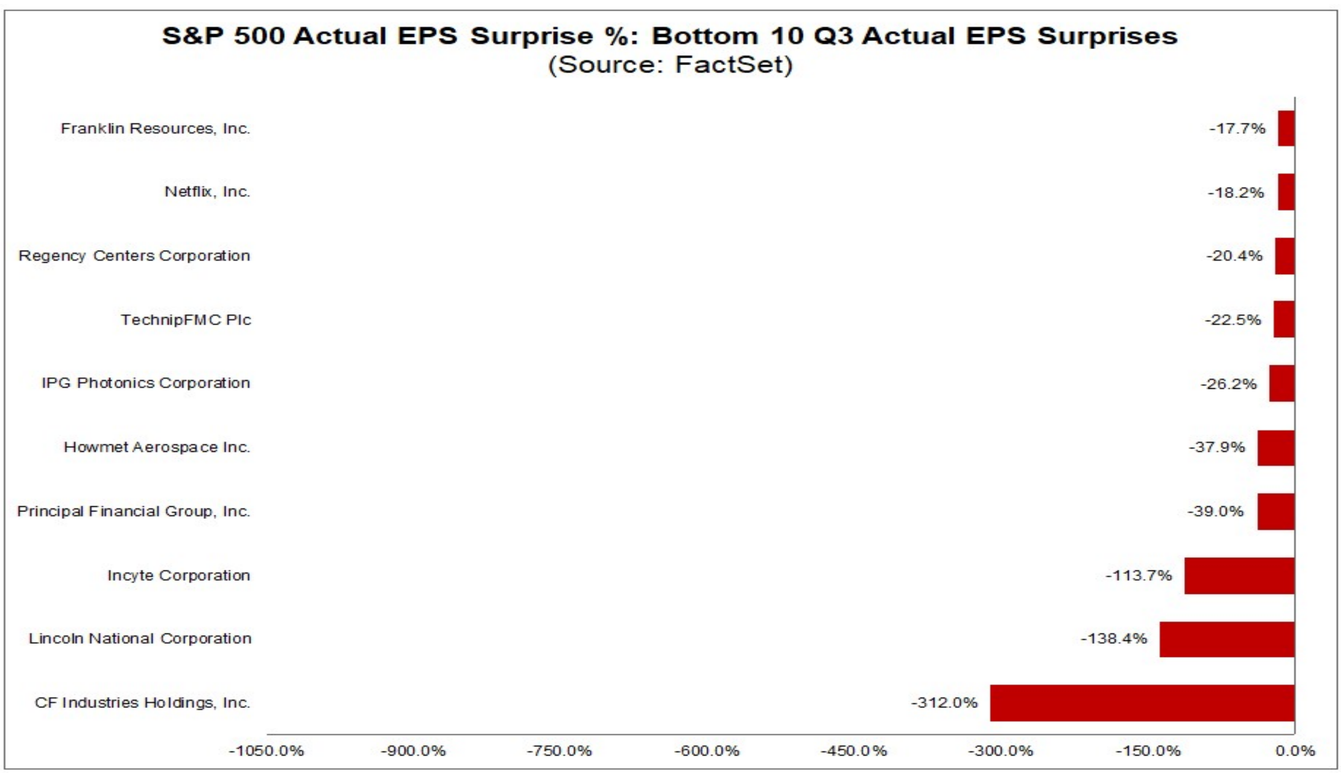
Q3 2020: Scorecard



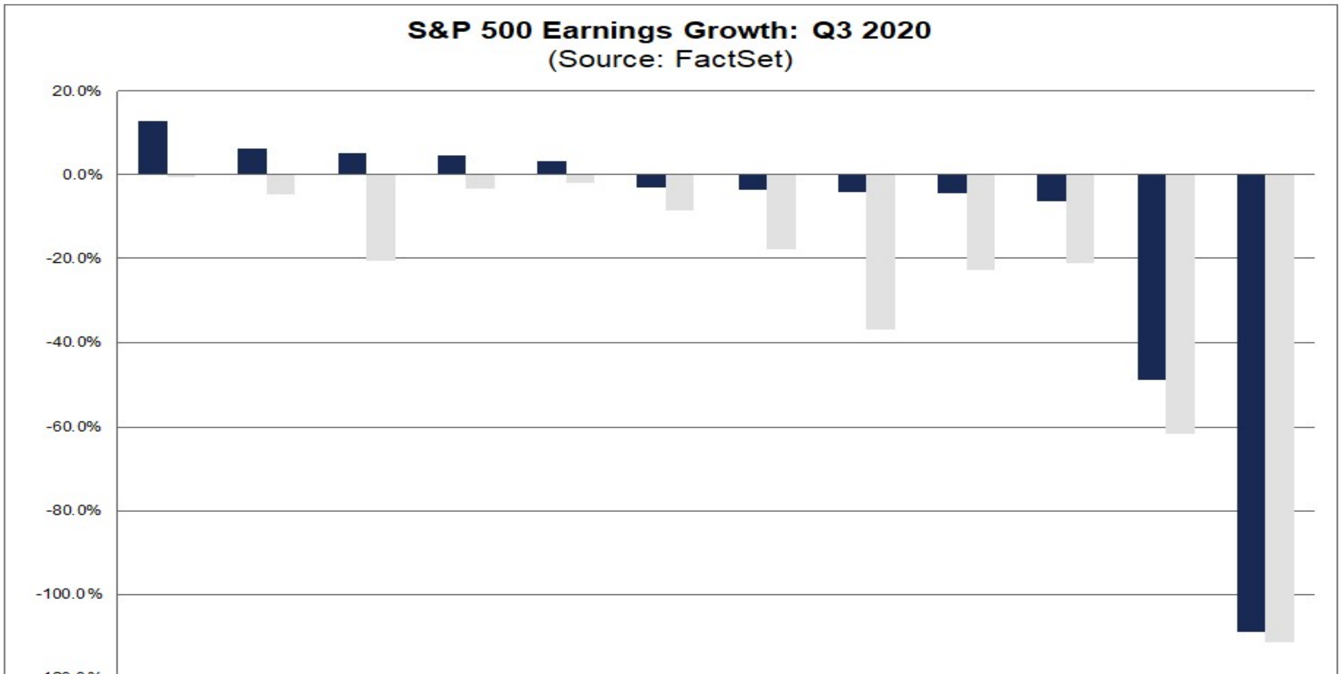


Q3 2020: Scorecard

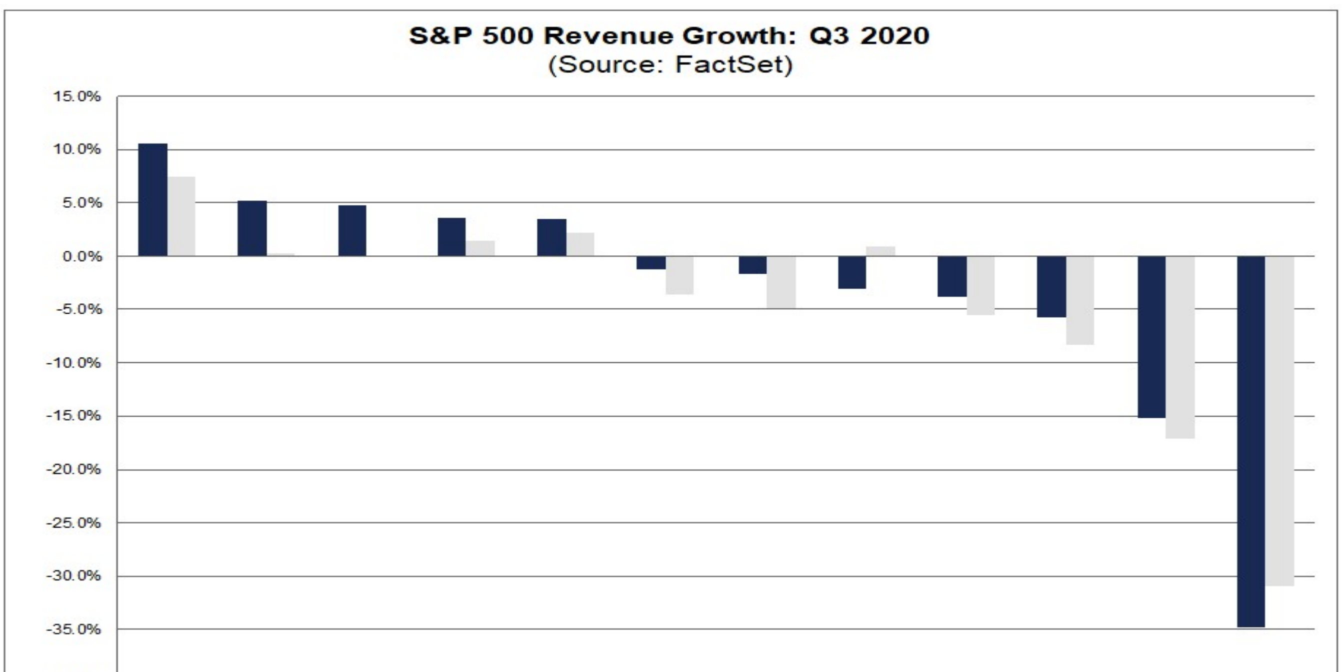




Q3 2020: Growth

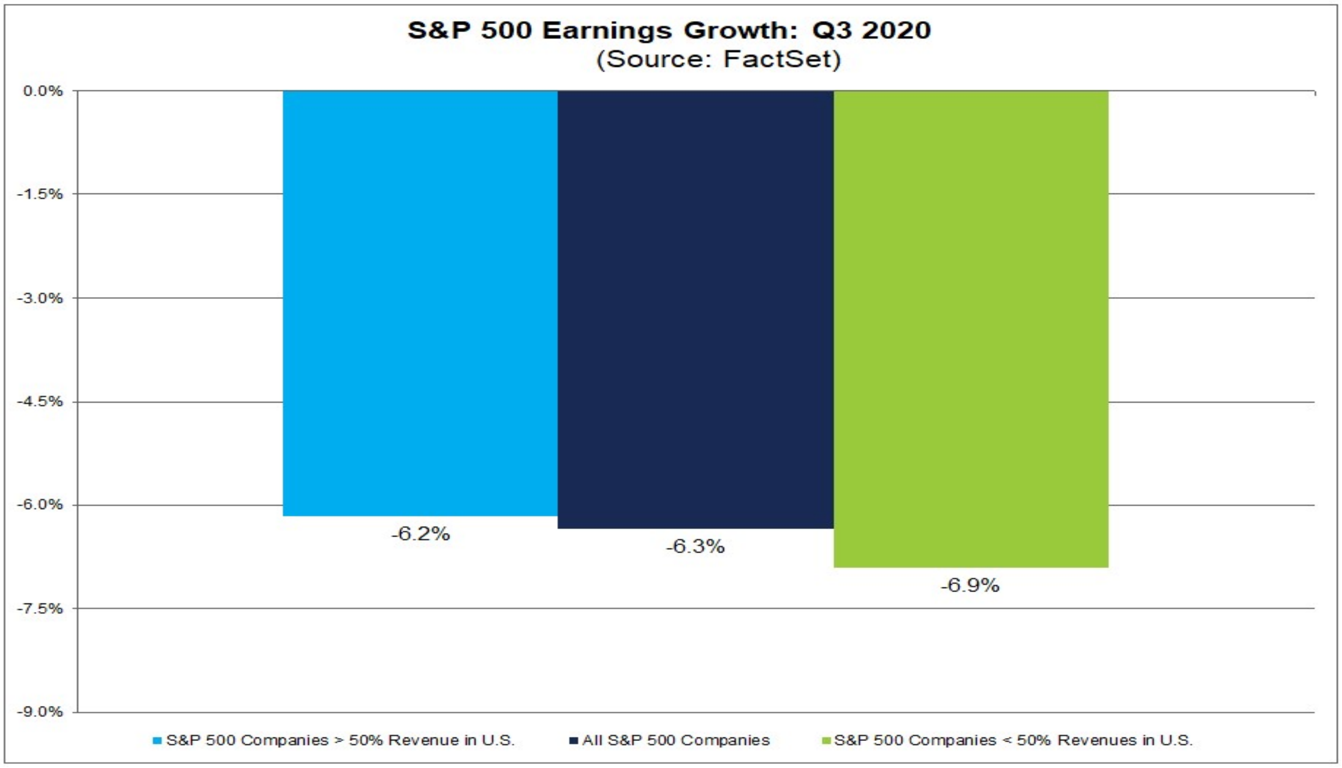


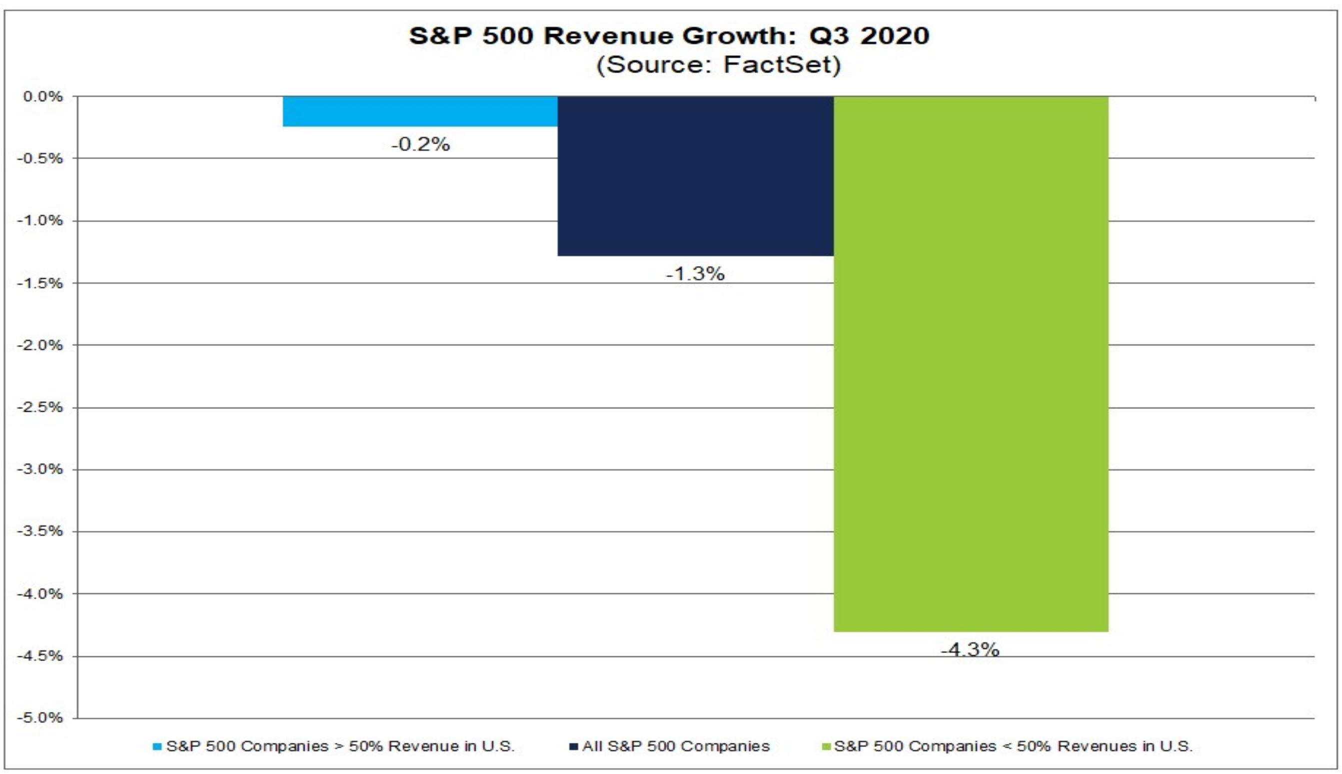
	Health Care	Consumer Staples	Comm. Services	Info. Technology	Utilities	Real Estate	Materials	Consumer Disc.	Financials	S&P 500	Industrials	Energy
Today	12.9%	6.3%	5.1%	4.6%	3.2%	-2.9%	-3.7%	-4.2%	-4.5%	-6.3%	-49.1%	-109.1%
30-Sep	-0.6%	-4.8%	-20.5%	-3.3%	-2.1%	-8.4%	-17.9%	-36.8%	-22.9%	-21.2%	-61.5%	-111.4%



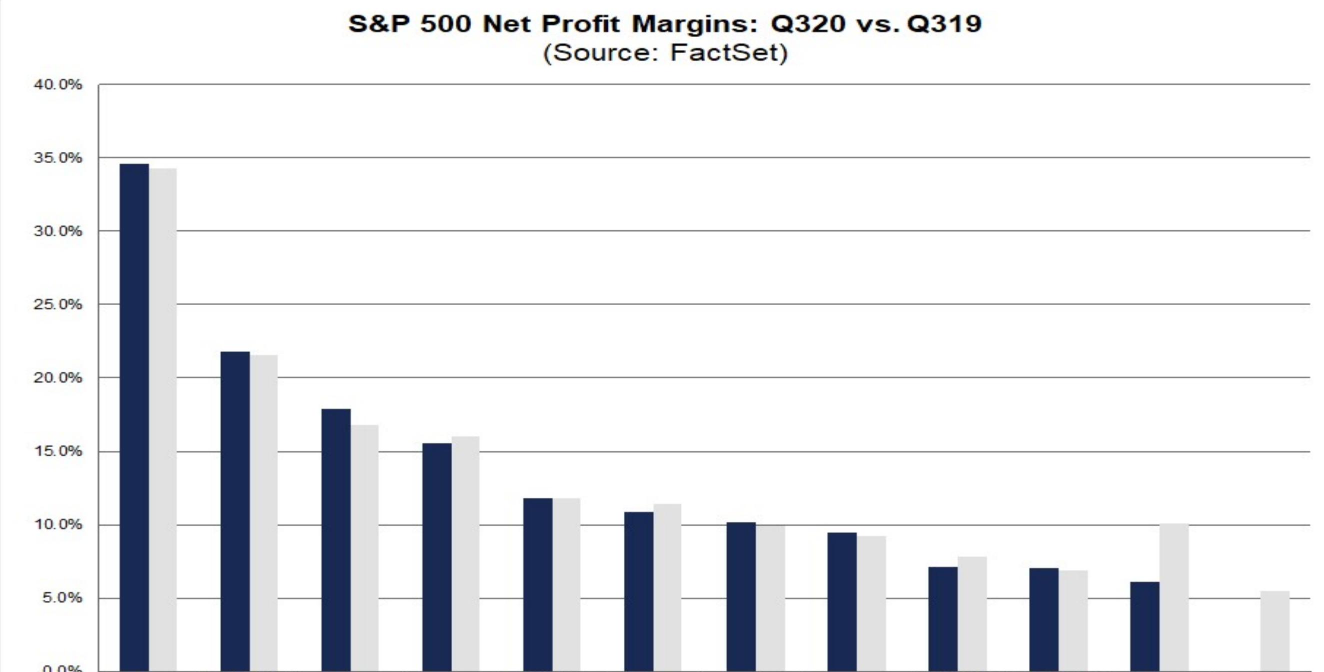
	Health Care	Comm. Services	Consumer Disc.	Info. Technology	Consumer Staples	S&P 500	Financials	Utilities	Real Estate	Materials	Industrials	Energy
Today	10.5%	5.2%	4.8%	3.6%	3.5%	-1.3%	-1.7%	-3.1%	-3.8%	-5.8%	-15.1%	-34.8%
30-Sep	7.4%	0.3%	-0.1%	1.4%	2.1%	-3.6%	-5.0%	0.9%	-5.5%	-8.4%	-17.1%	-30.9%

Q3 2020: Growth

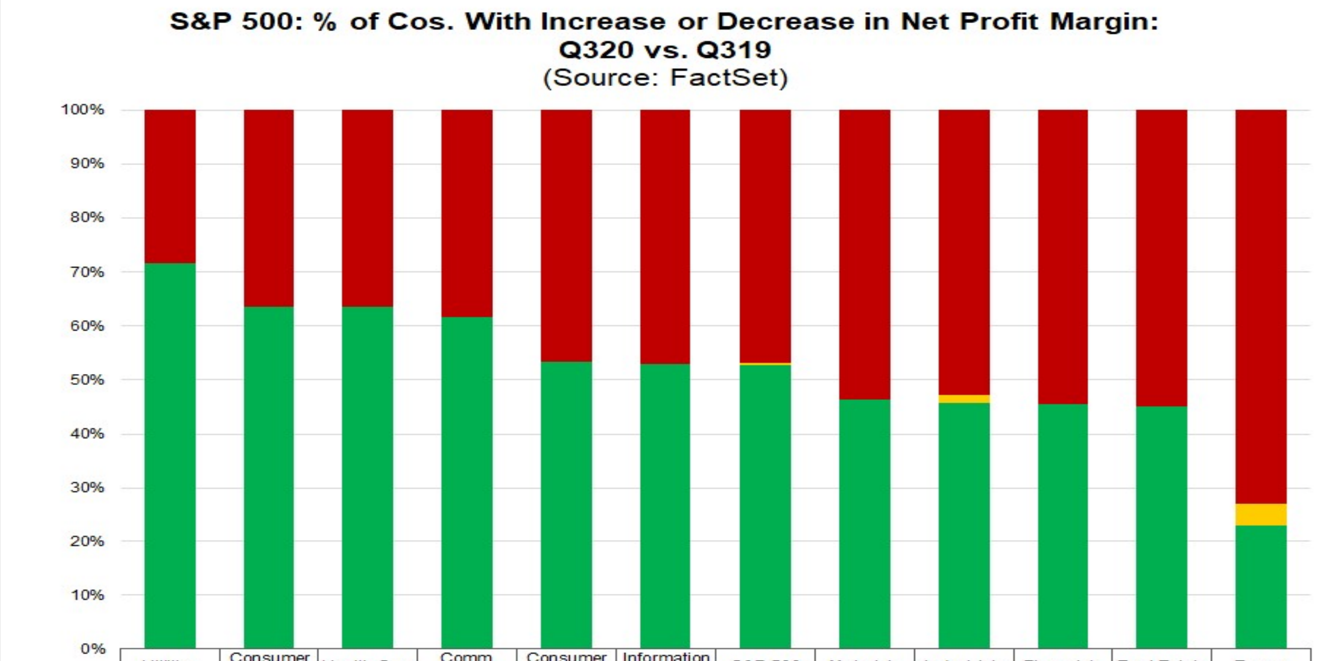




Q3 2020: Net Profit Margin

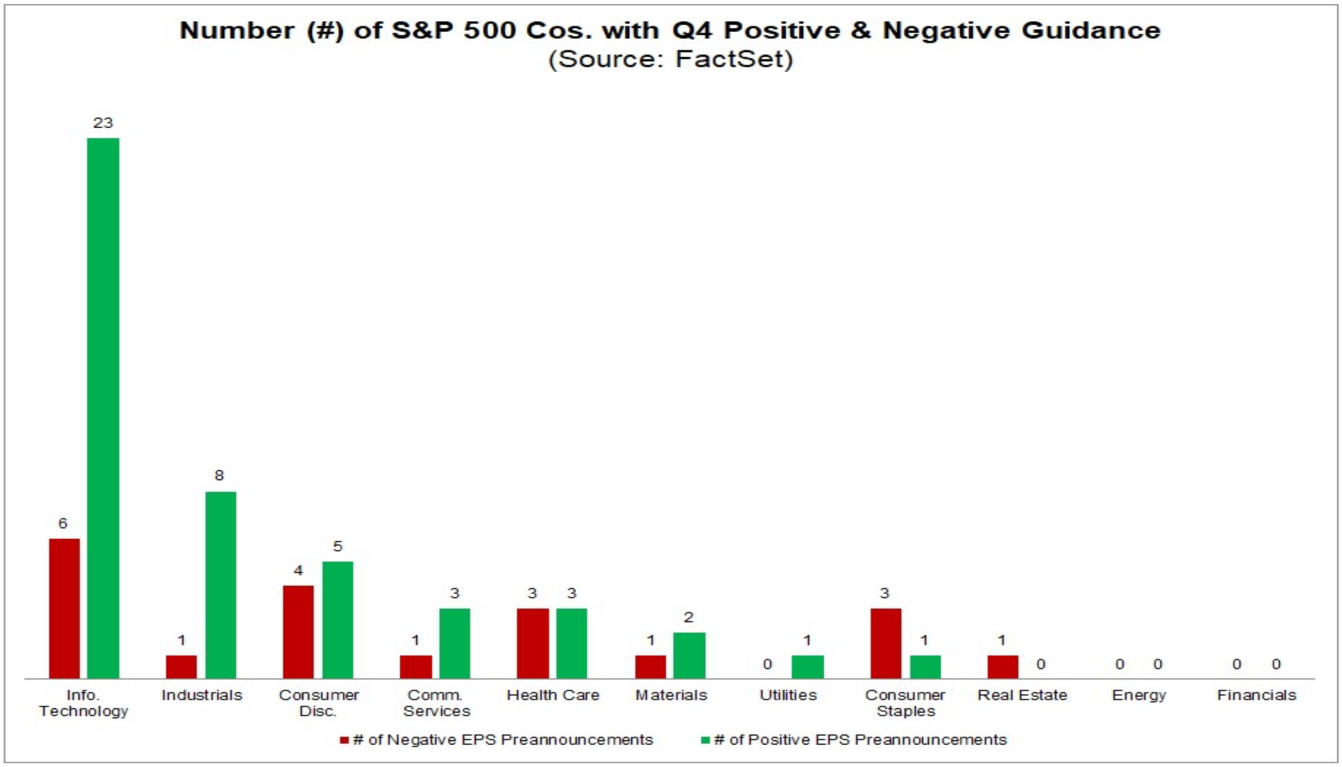


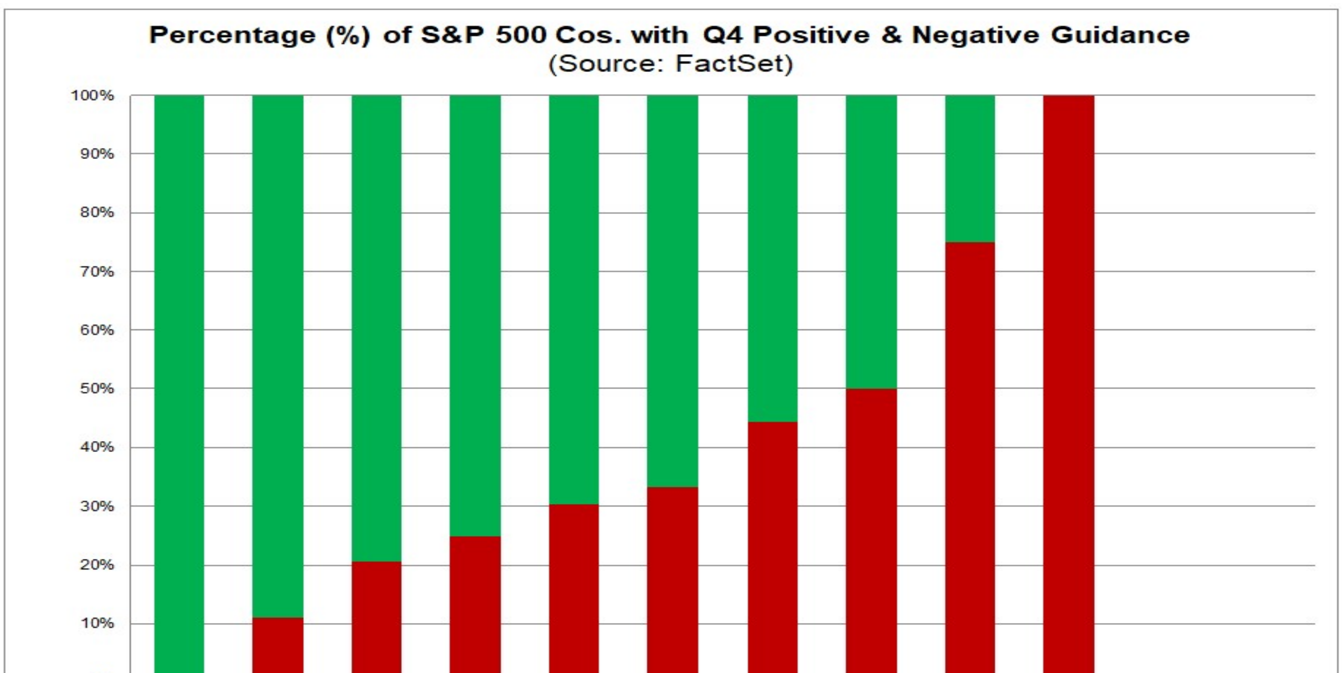
	Real Estate	Information Tech.	Utilities	Financials	Comm. Services	S&P 500	Health Care	Materials	Consumer Disc.	Consumer Staples	Industrials	Energy
Q320	34.6%	21.8%	17.9%	15.6%	11.8%	10.9%	10.2%	9.5%	7.1%	7.1%	6.1%	
Q319	34.3%	21.6%	16.8%	16.0%	11.8%	11.5%	10.0%	9.3%	7.8%	6.9%	10.1%	5.5%



	Utilities	Consumer Disc.	Health Care	Comm. Services	Consumer Staples	Information Tech.	S&P 500	Materials	Industrials	Financials	Real Estate	Energy
Down %	29%	37%	37%	38%	47%	47%	47%	54%	53%	55%	55%	73%
None %	0%	0%	0%	0%	0%	0%	0%	0%	1%	0%	0%	4%
Up %	71%	63%	63%	62%	53%	53%	53%	46%	46%	45%	45%	23%

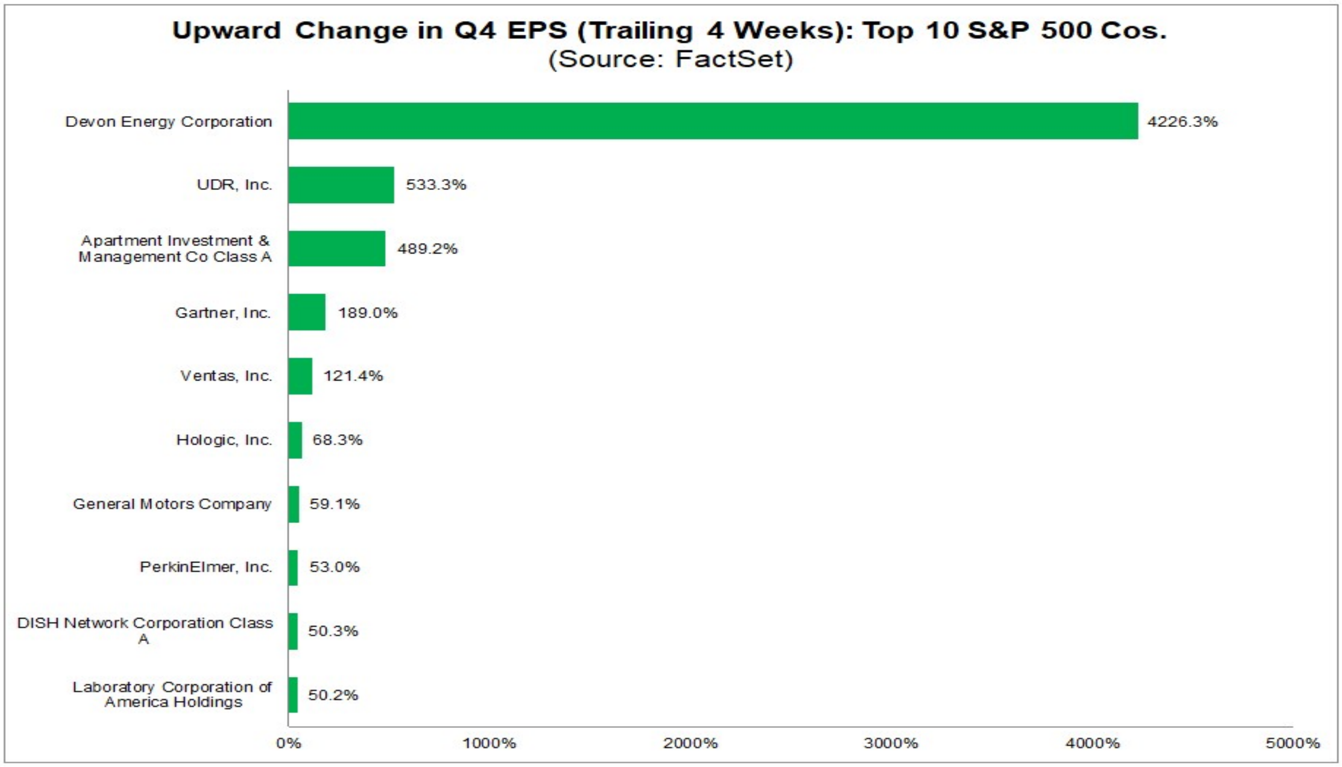
Q4 2020: EPS Guidance

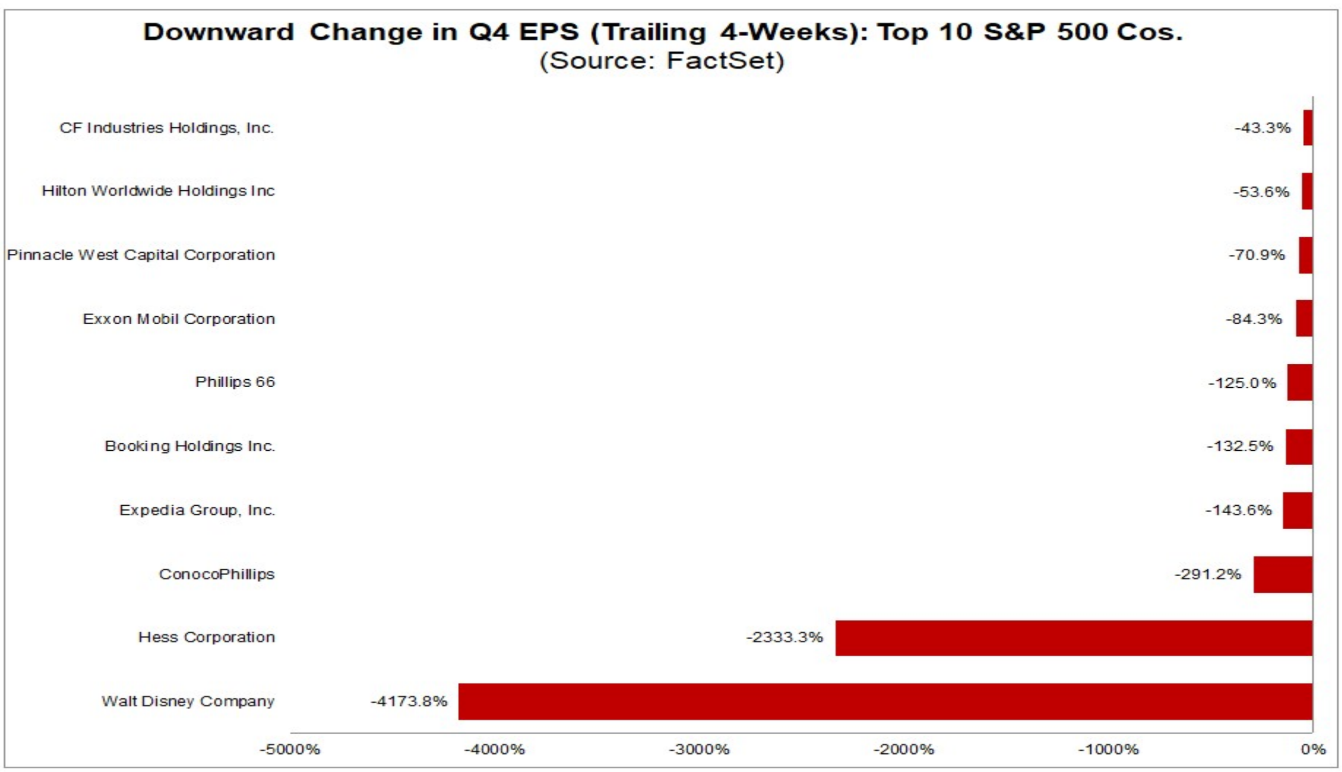




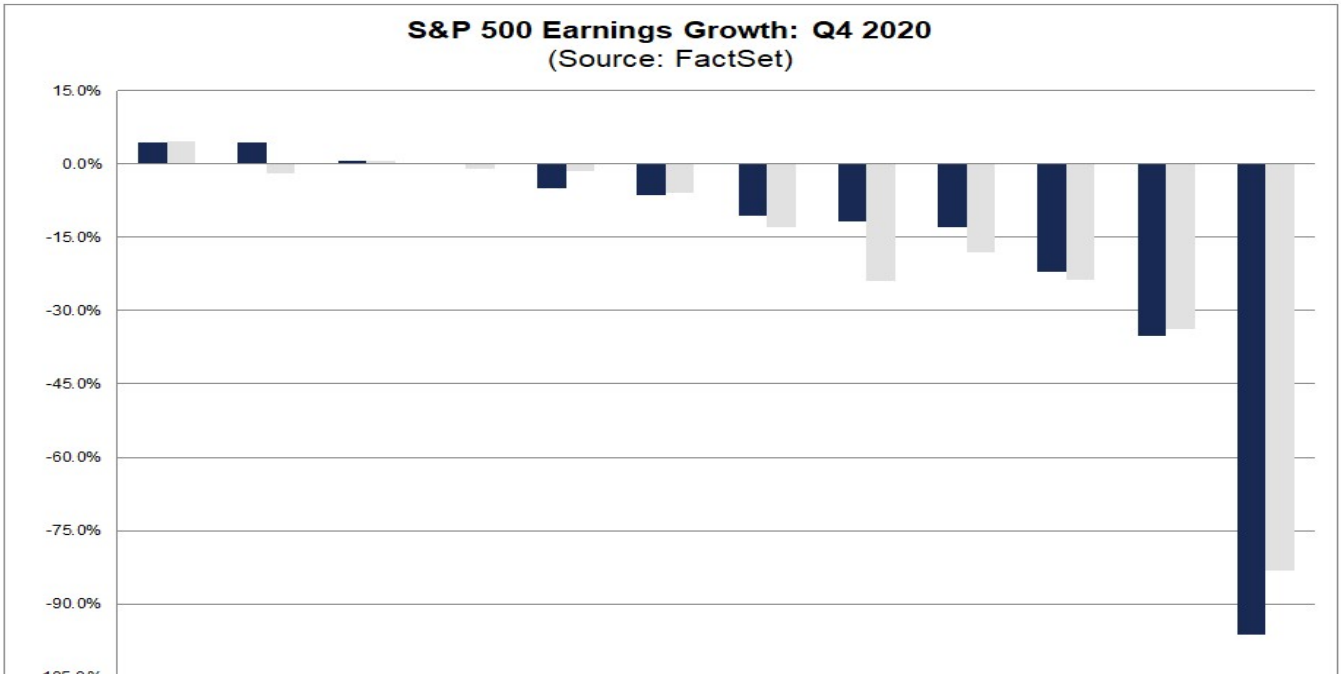
	Utilities	Industrials	Info. Technology	Comm. Services	S&P 500	Materials	Consumer Disc.	Health Care	Consumer Staples	Real Estate	Energy	Financials
Positive	100%	89%	79%	75%	70%	67%	56%	50%	25%	0%	0%	0%
Negative	0%	11%	21%	25%	30%	33%	44%	50%	75%	100%	0%	0%

Q4 2020: EPS Revisions

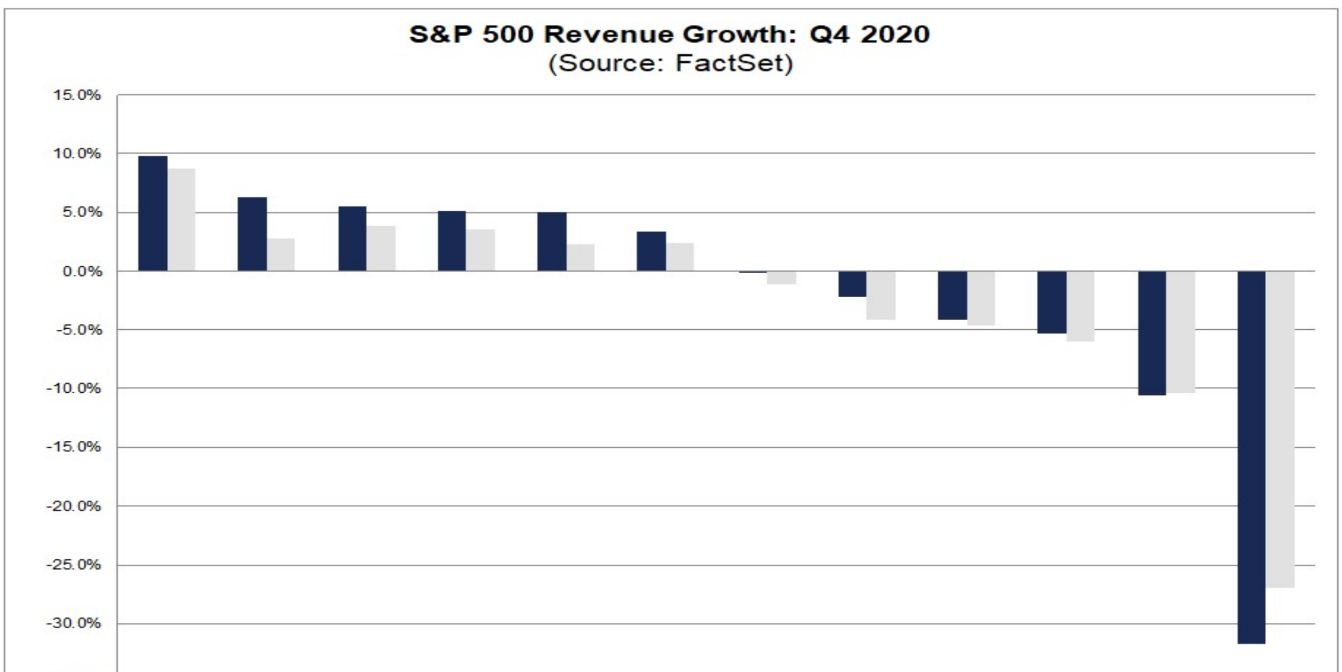




Q4 2020: Growth

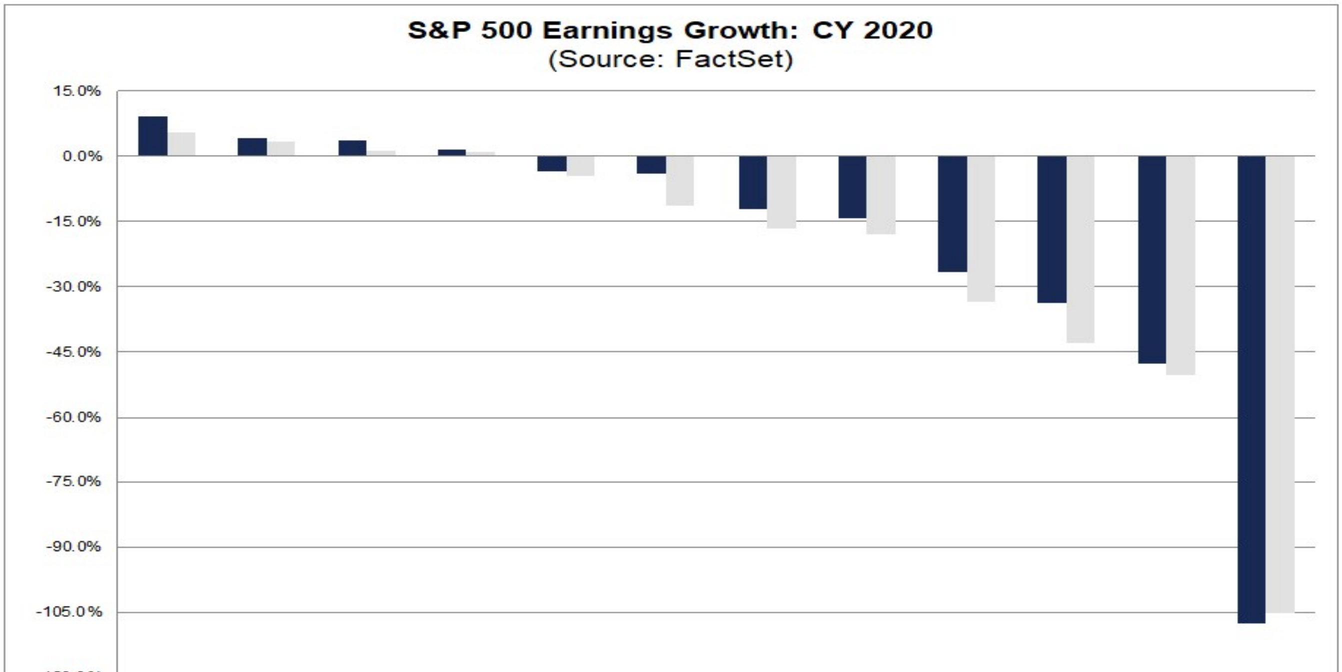


	Health Care	Materials	Info. Technology	Consumer Staples	Utilities	Real Estate	S&P 500	Financials	Comm. Services	Consumer Disc.	Industrials	Energy
Today	4.3%	4.3%	0.6%	0.2%	-5.1%	-6.3%	-10.6%	-11.8%	-12.9%	-22.0%	-35.2%	-96.3%
30-Sep	4.5%	-2.0%	0.7%	-1.0%	-1.4%	-5.9%	-12.9%	-24.1%	-18.2%	-23.8%	-33.8%	-83.0%

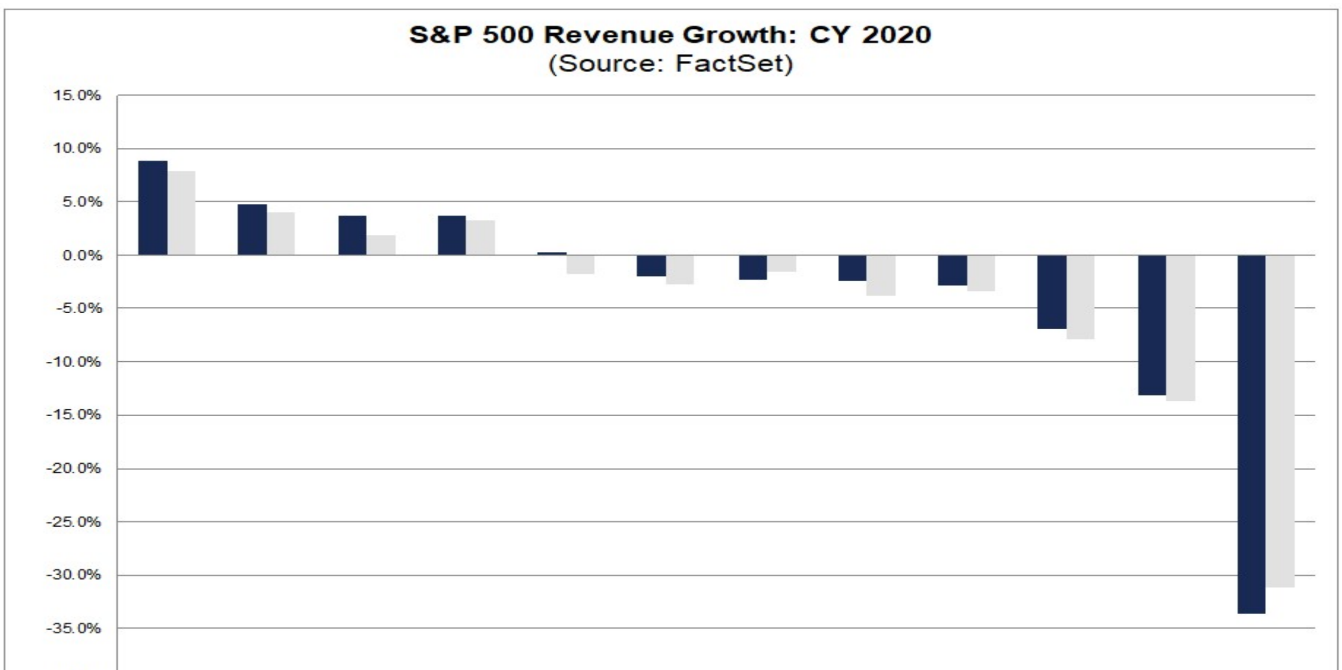


	Health Care	Consumer Disc.	Utilities	Info. Technology	Comm. Services	Consumer Staples	S&P 500	Materials	Financials	Real Estate	Industrials	Energy
Today	9.8%	6.3%	5.5%	5.1%	5.0%	3.3%	-0.2%	-2.2%	-4.2%	-5.3%	-10.6%	-31.8%
30-Sep	8.7%	2.8%	3.8%	3.6%	2.3%	2.4%	-1.1%	-4.2%	-4.6%	-6.0%	-10.4%	-26.9%

CY 2020: Growth

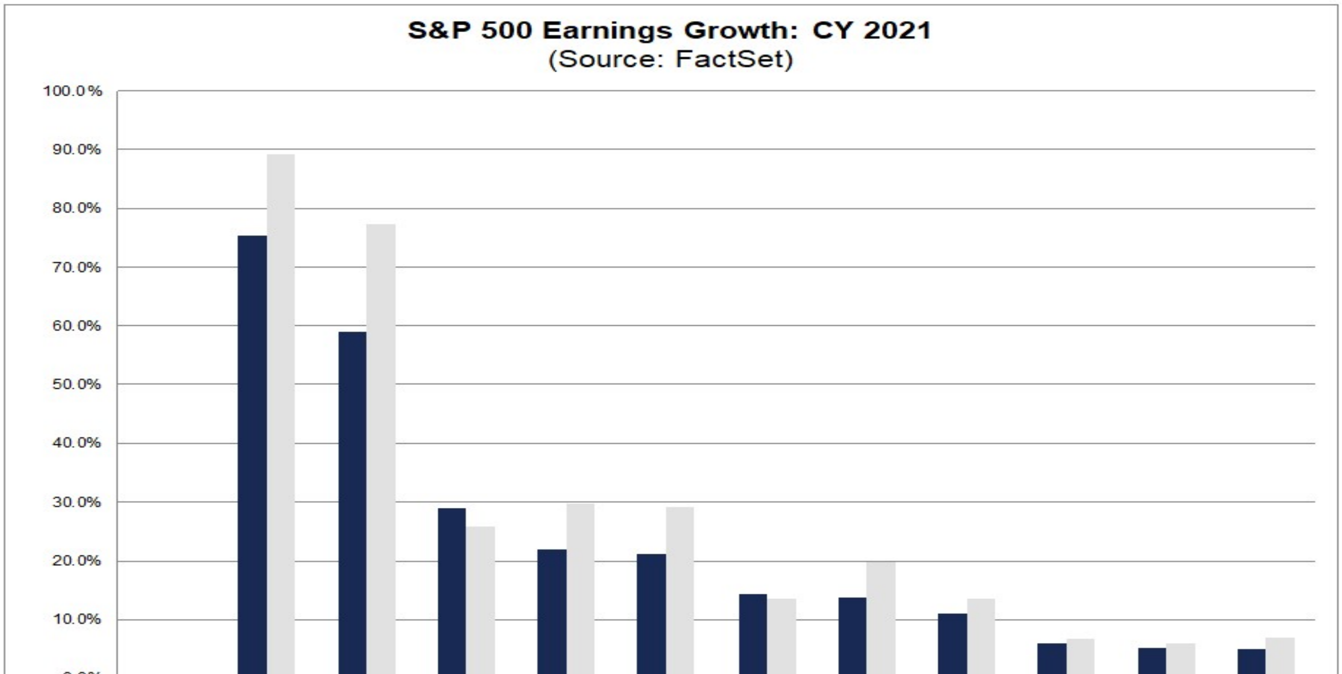


	Health Care	Info. Technology	Consumer Staples	Utilities	Real Estate	Comm. Services	Materials	S&P 500	Financials	Consumer Disc.	Industrials	Energy
Today	9.0%	4.2%	3.5%	1.6%	-3.4%	-4.1%	-12.1%	-14.2%	-26.8%	-33.9%	-48.0%	-107.6%
30-Sep	5.4%	3.3%	1.2%	0.9%	-4.6%	-11.4%	-16.8%	-18.2%	-33.6%	-43.2%	-50.6%	-105.2%

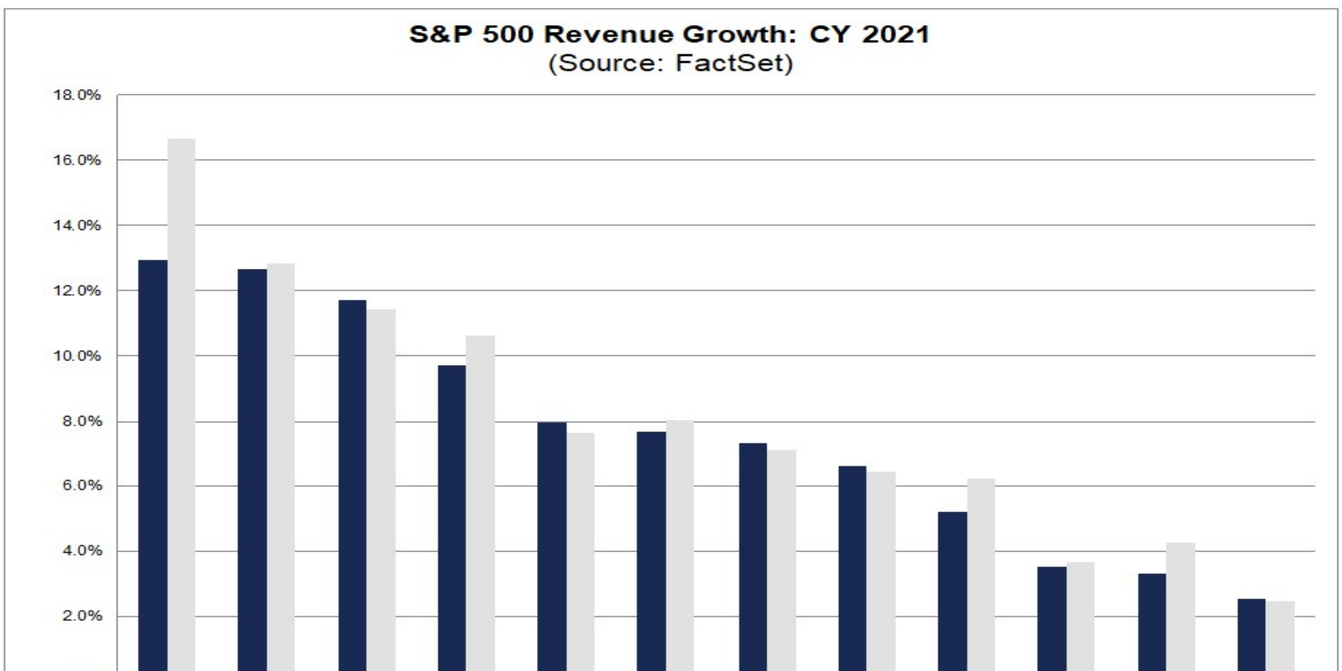


	Health Care	Info. Technology	Comm. Services	Consumer Staples	Consumer Disc.	S&P 500	Utilities	Financials	Real Estate	Materials	Industrials	Energy
Today	8.8%	4.8%	3.7%	3.7%	0.2%	-2.0%	-2.3%	-2.5%	-2.9%	-6.9%	-13.2%	-33.6%
30-Sep	7.9%	4.0%	1.9%	3.2%	-1.8%	-2.7%	-1.6%	-3.8%	-3.4%	-7.9%	-13.7%	-31.1%

CY 2021: Growth

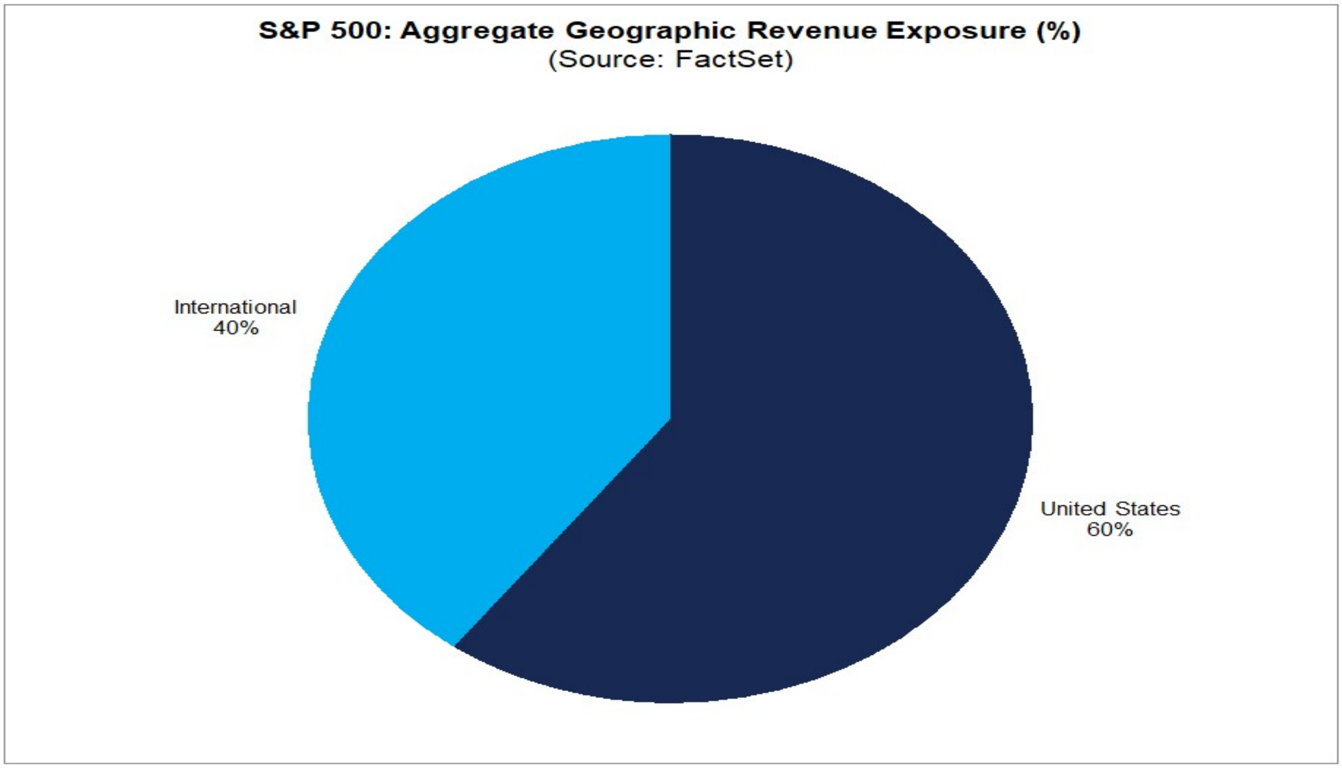


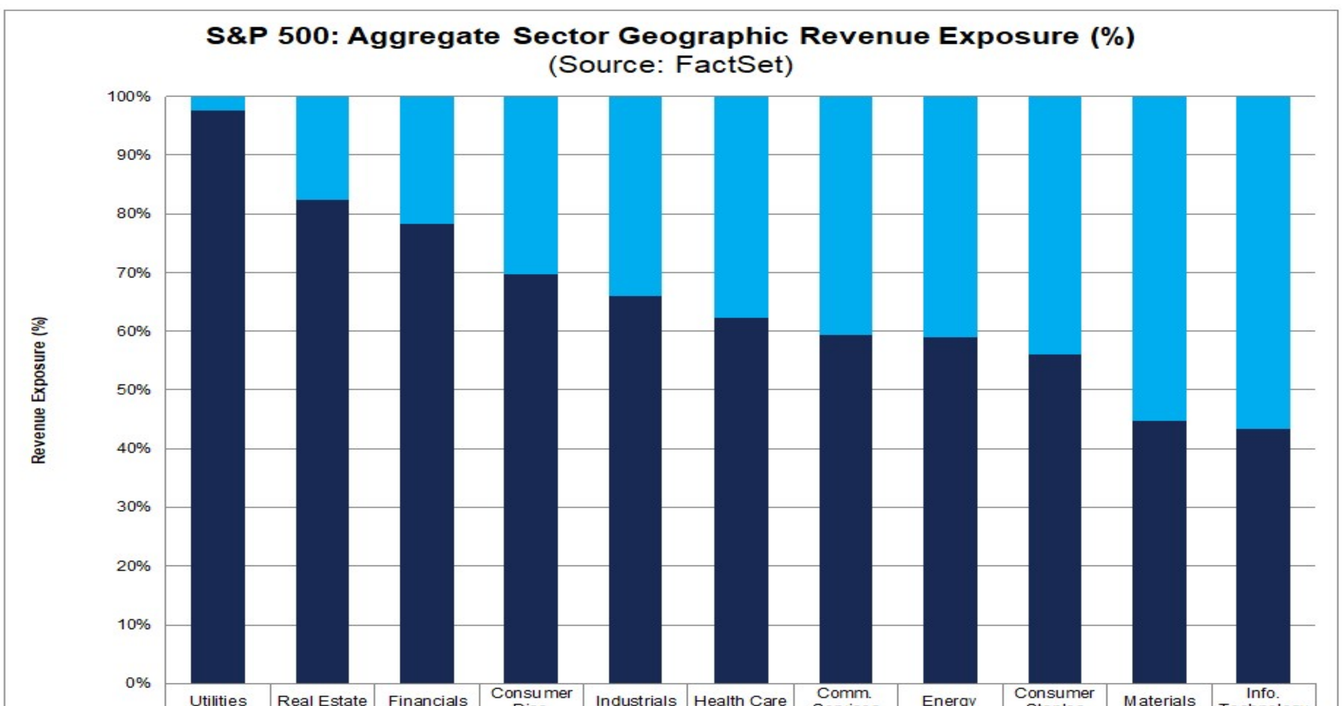
	Energy	Industrials	Consumer Disc.	Materials	S&P 500	Financials	Info. Technology	Comm. Services	Health Care	Consumer Staples	Utilities	Real Estate
Today		75.3%	58.9%	29.1%	21.9%	21.1%	14.4%	13.9%	11.0%	6.0%	5.1%	5.1%
30-Sep		89.2%	77.3%	25.9%	29.8%	29.1%	13.6%	19.9%	13.6%	6.8%	5.9%	7.0%



	Energy	Consumer Disc.	Comm. Services	Industrials	Info. Technology	S&P 500	Materials	Health Care	Real Estate	Utilities	Financials	Consumer Staples
Today	12.9%	12.7%	11.7%	9.7%	8.0%	7.7%	7.3%	6.6%	5.2%	3.5%	3.3%	2.6%
30-Sep	16.6%	12.8%	11.4%	10.6%	7.6%	8.0%	7.1%	6.5%	6.2%	3.7%	4.3%	2.5%

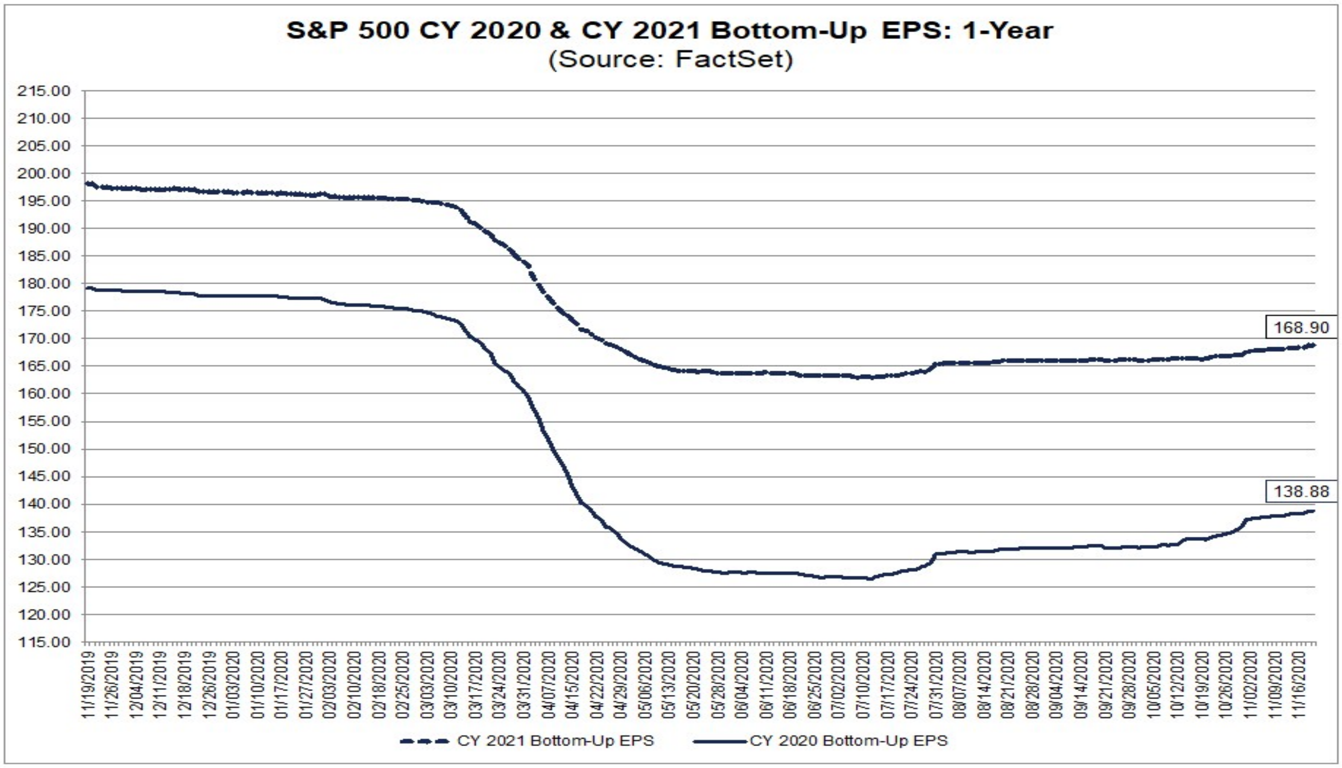
Geographic Revenue Exposure

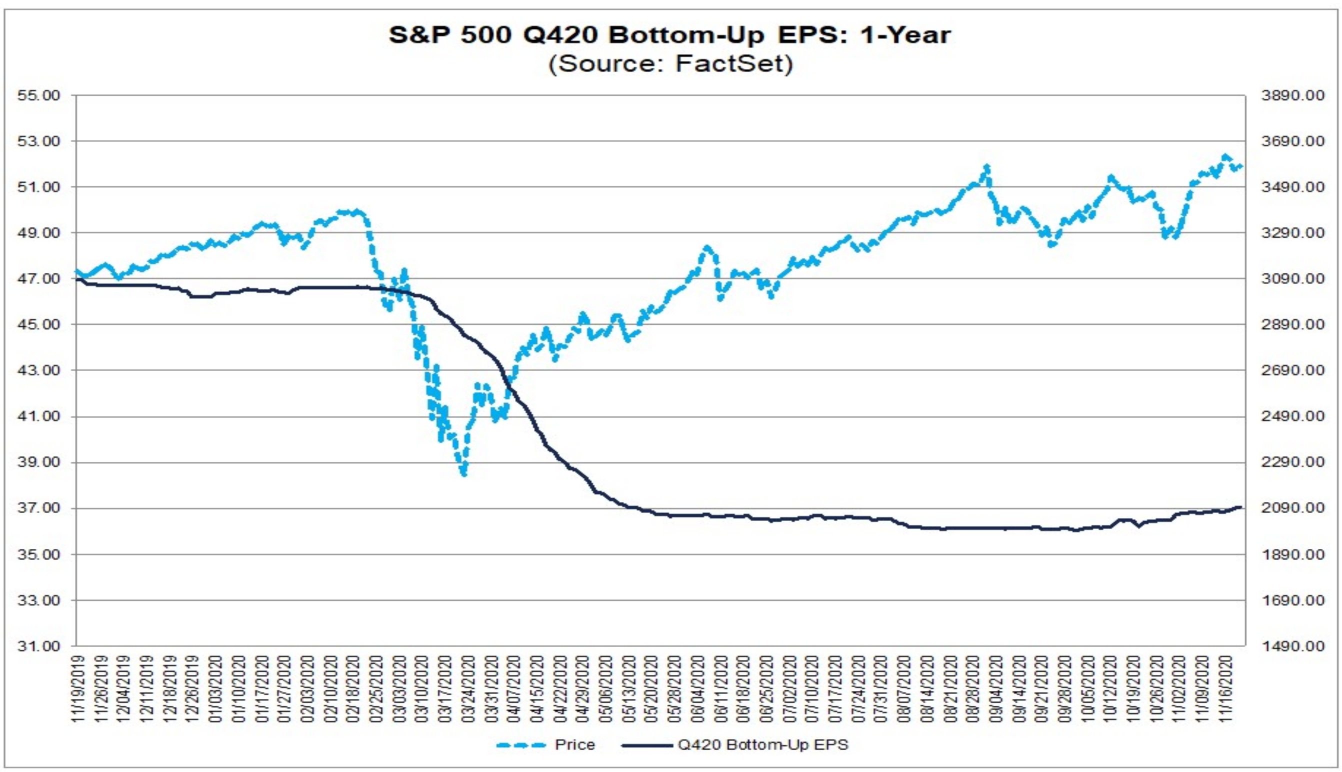




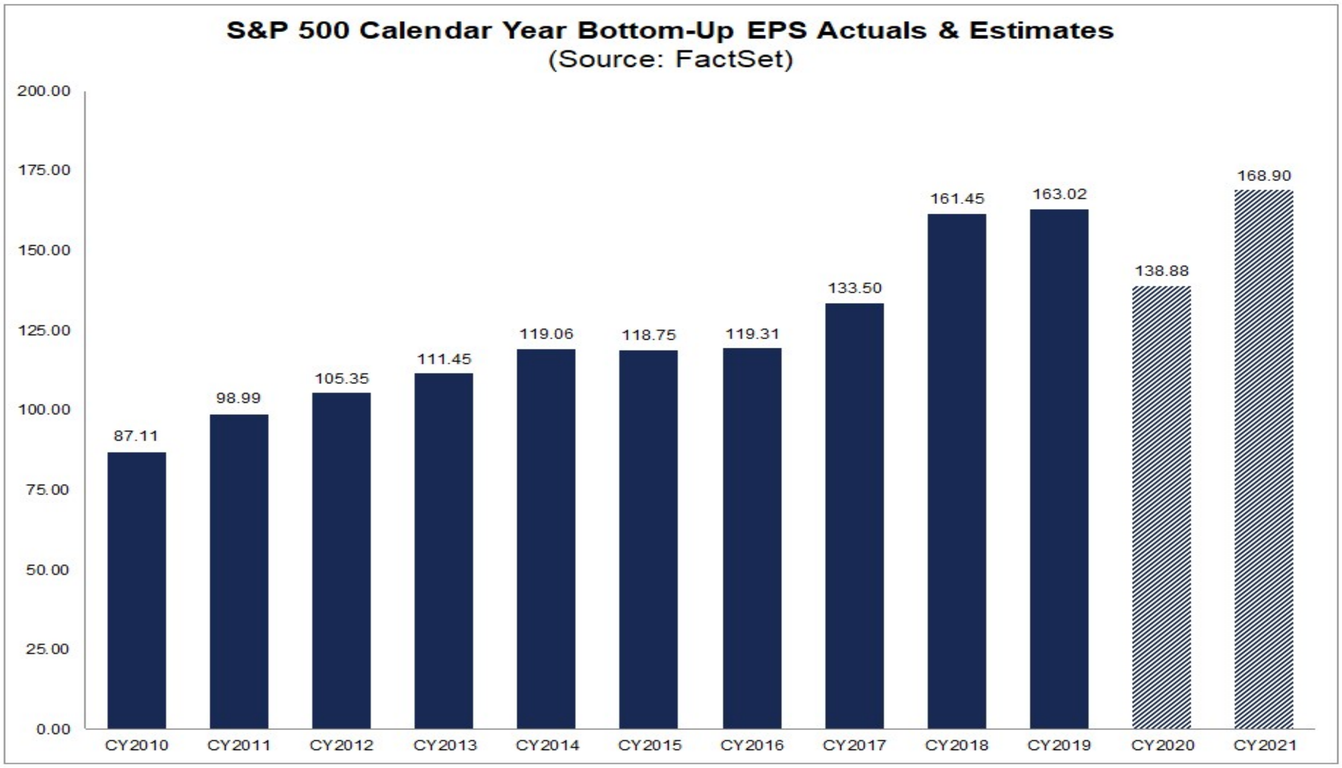
	Utilities	Real Estate	Financials	Consumer Disc.	Industrials	Health Care	Comm. Services	Energy	Consumer Staples	Materials	Info. Technology
International	2%	18%	22%	30%	34%	38%	41%	41%	44%	55%	57%
United States	98%	82%	78%	70%	66%	62%	59%	59%	56%	45%	43%

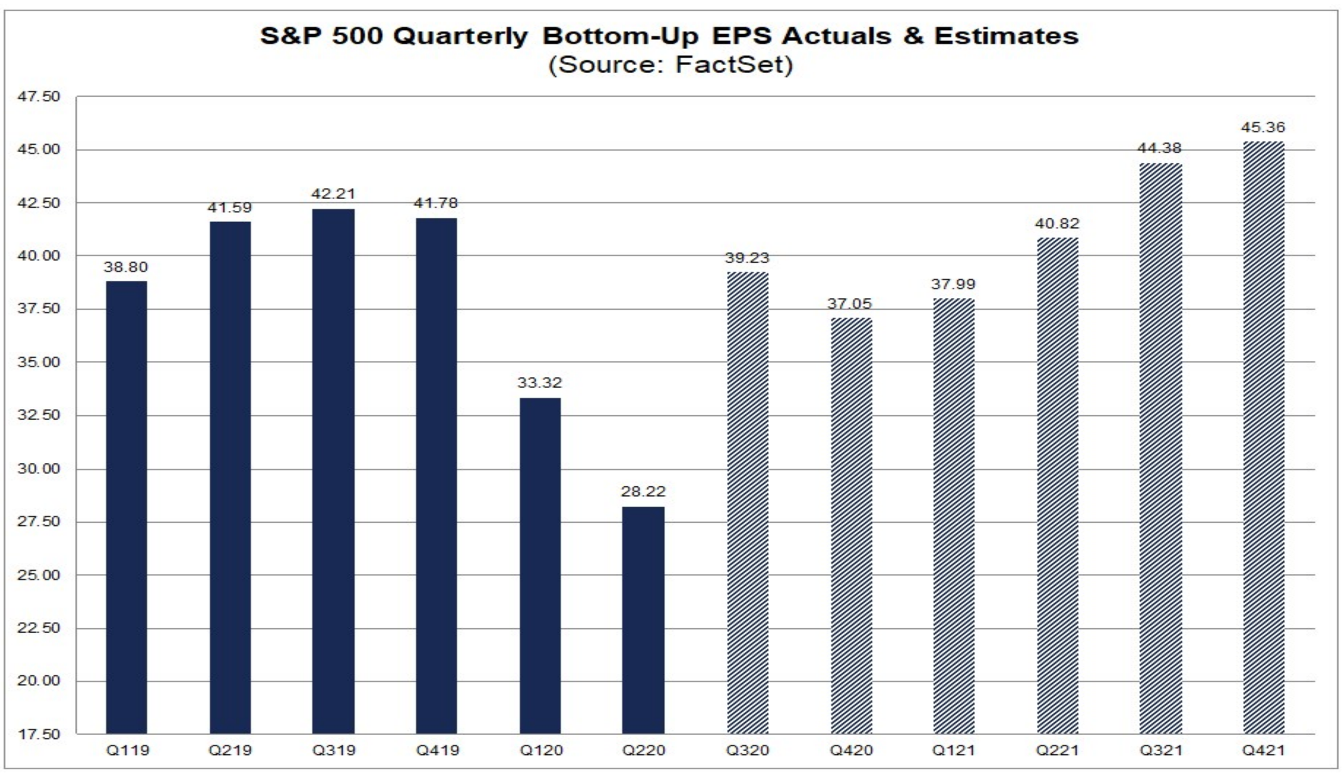
Bottom-up EPS Estimates: Revisions



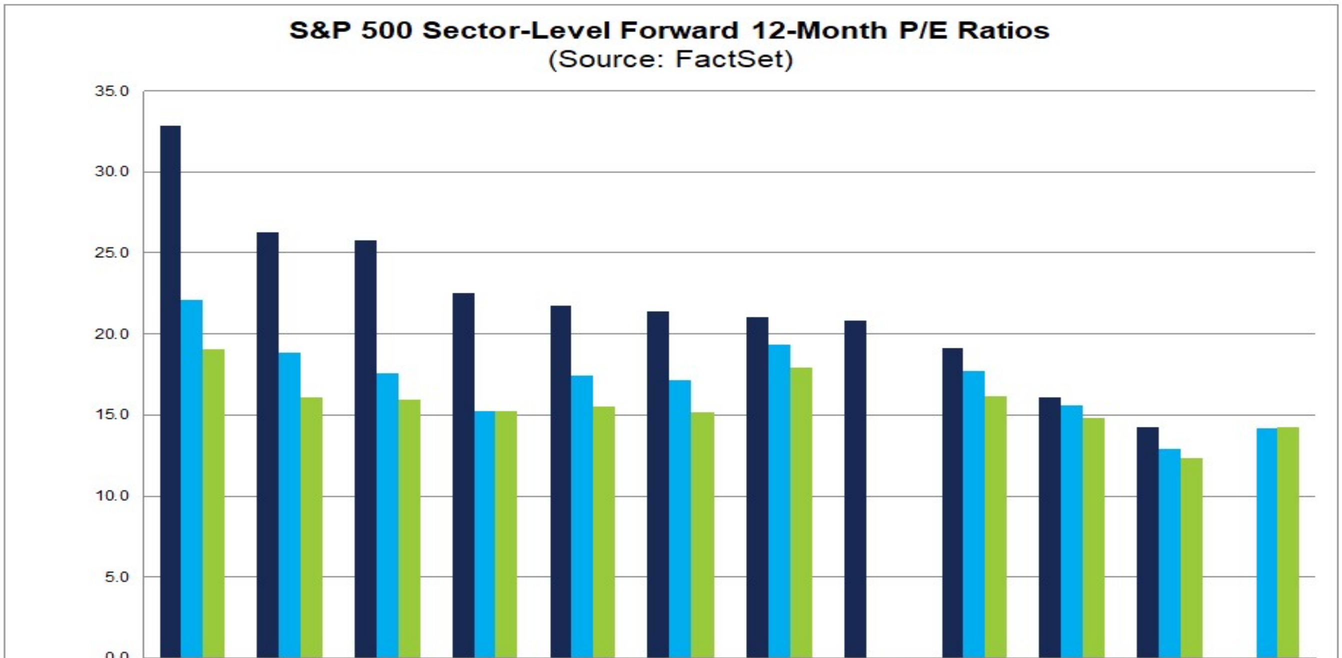


Bottom-up EPS Estimates: Current & Historical

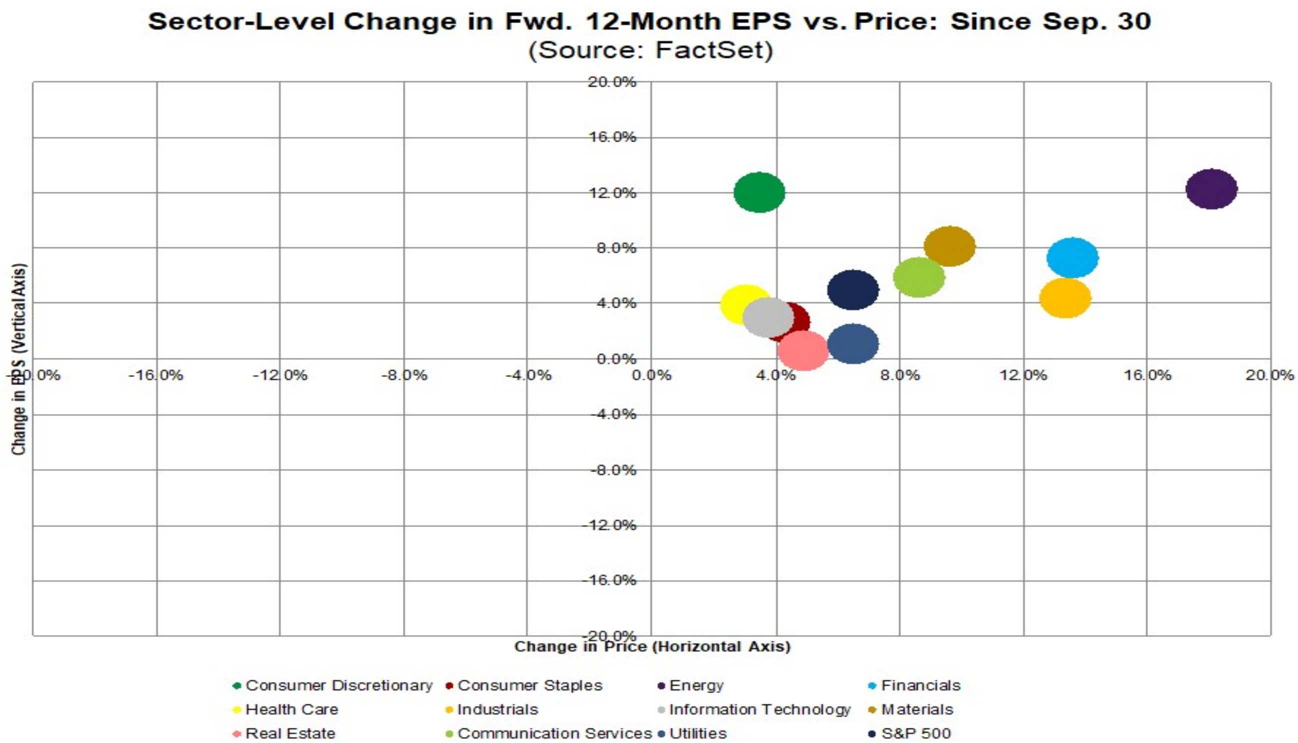




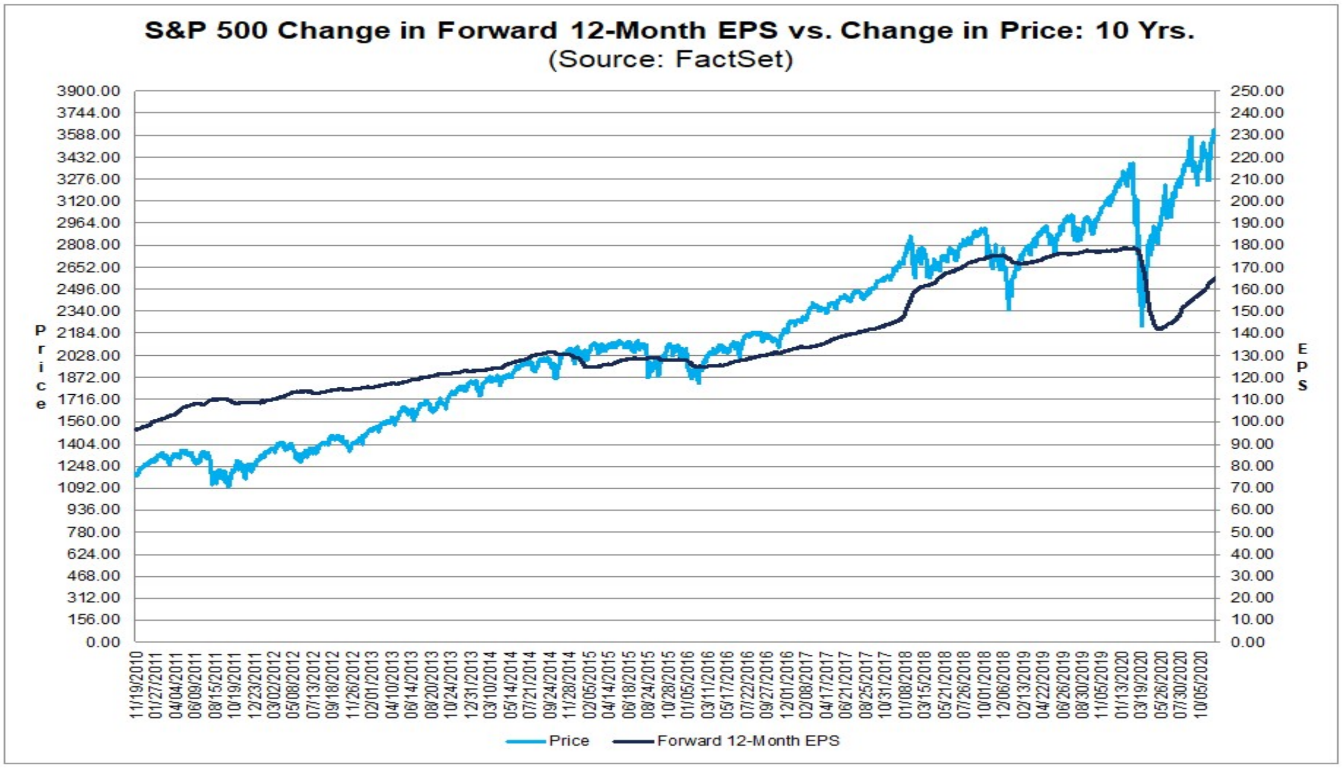
Forward 12M P/E Ratio: Sector Level

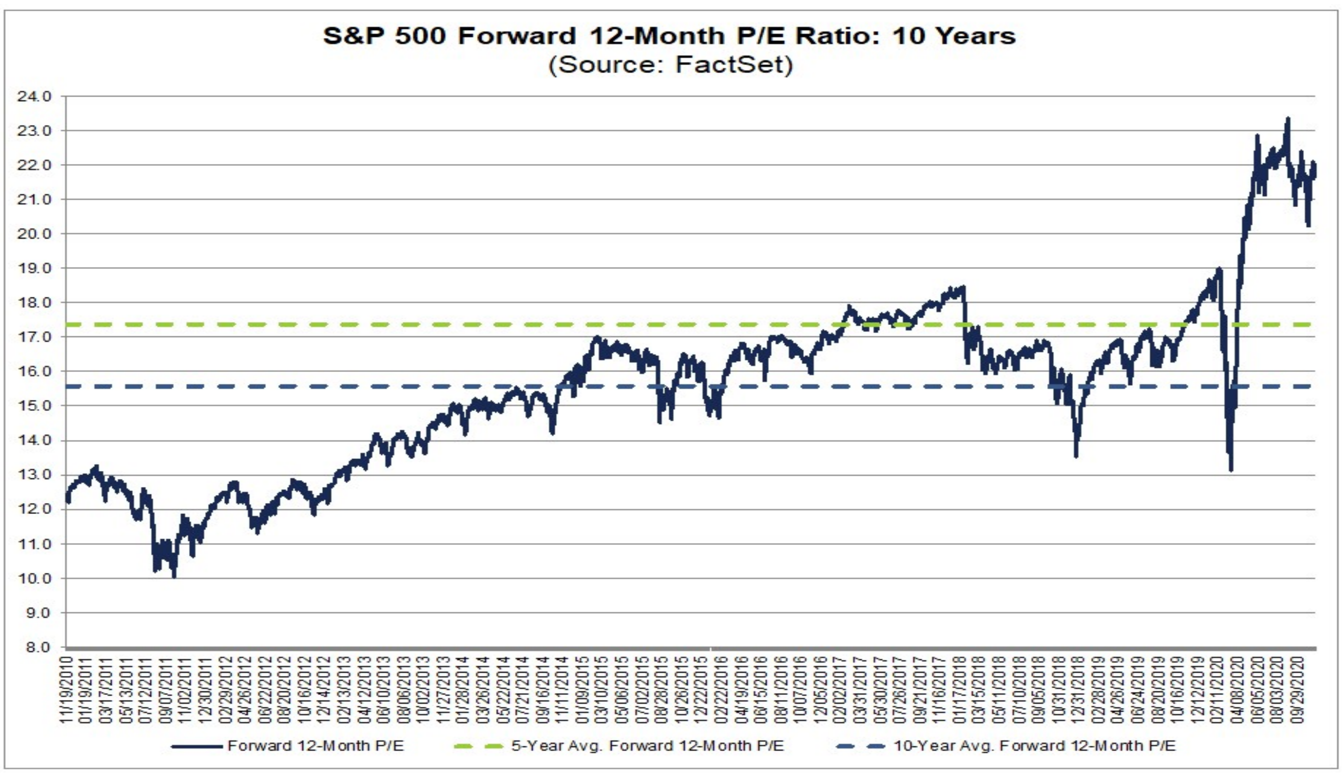


	Consumer Disc.	Info. Technology	Industrials	Comm. Services	S&P 500	Materials	Consumer Staples	Real Estate	Utilities	Health Care	Financials	Energy
Fwd P/E	32.9	26.3	25.8	22.5	21.7	21.4	21.0	20.8	19.1	16.0	14.3	
5-Yr Avg.	22.1	18.8	17.6	15.3	17.4	17.1	19.3		17.7	15.6	12.9	14.2
10-Yr Avg.	19.0	16.1	15.9	15.3	15.6	15.2	17.9		16.1	14.9	12.3	14.3

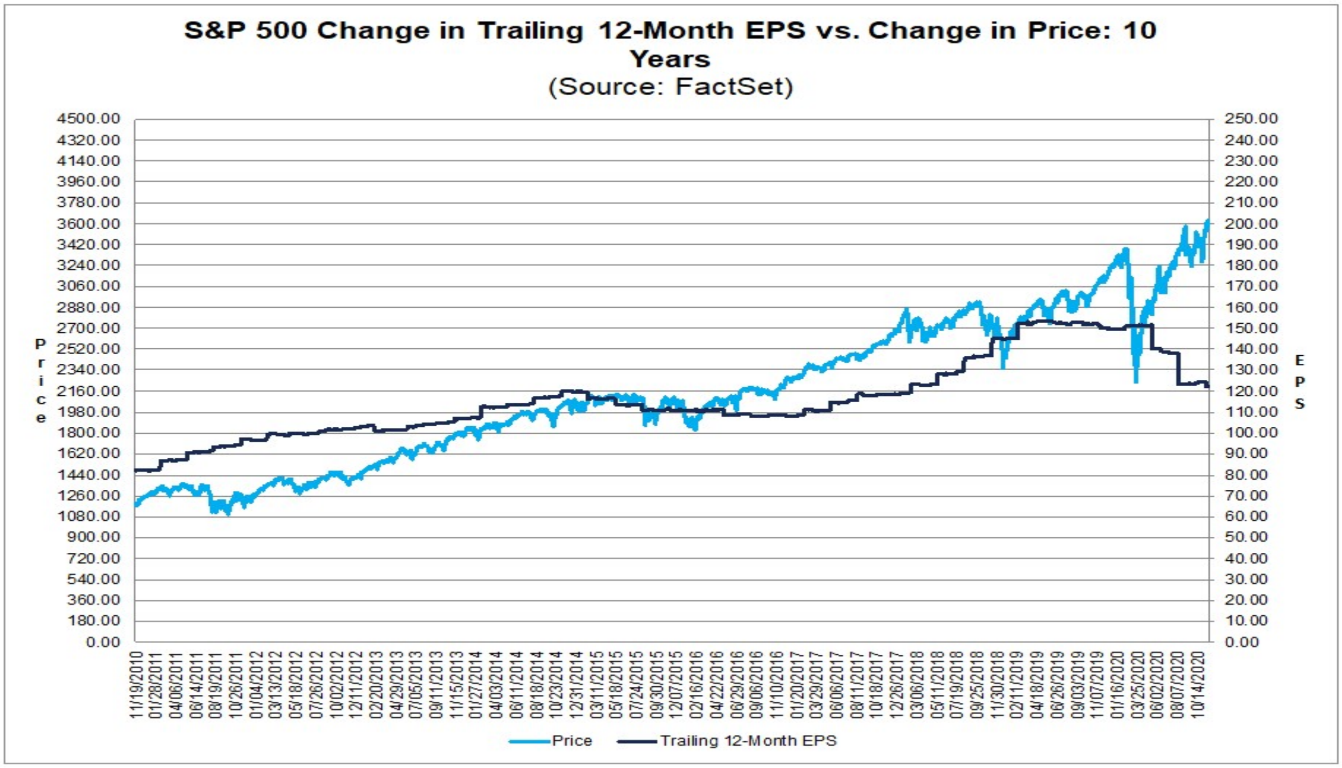


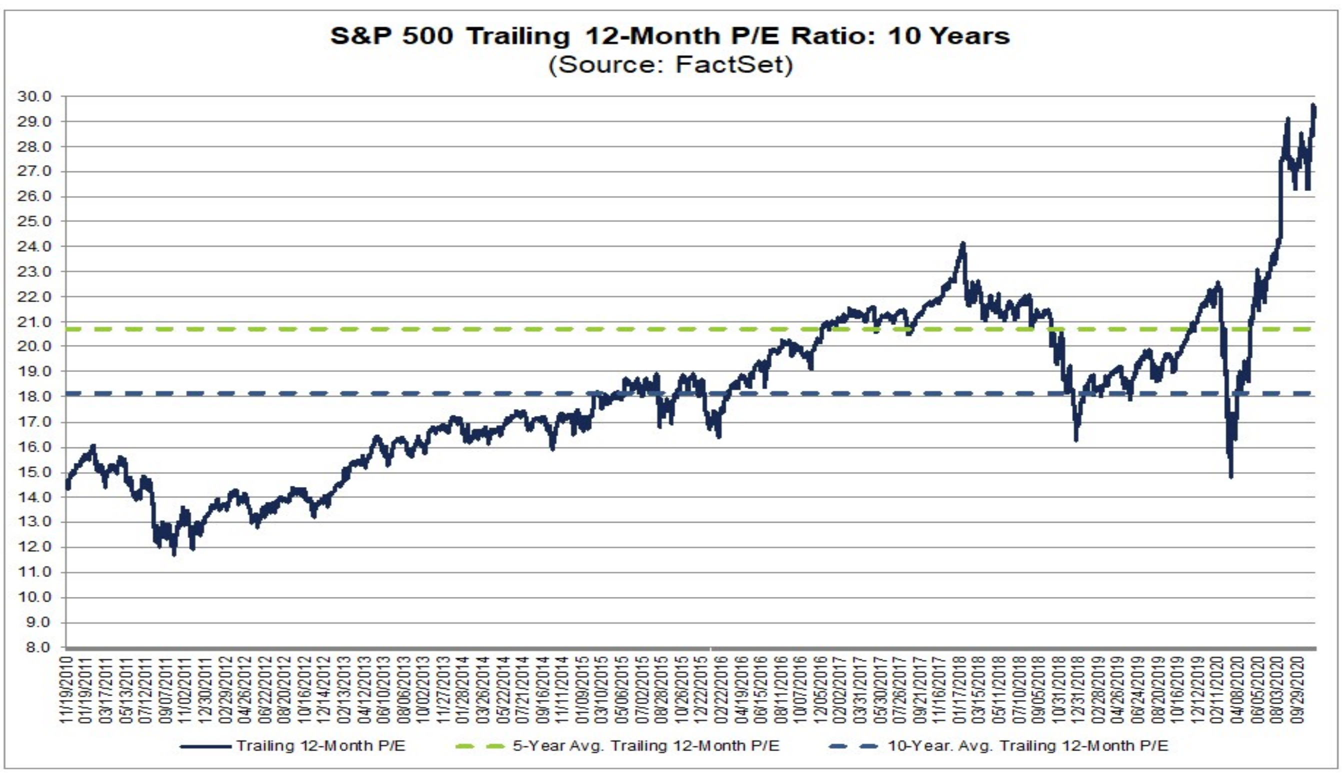
Forward 12M P/E Ratio: 10-Years





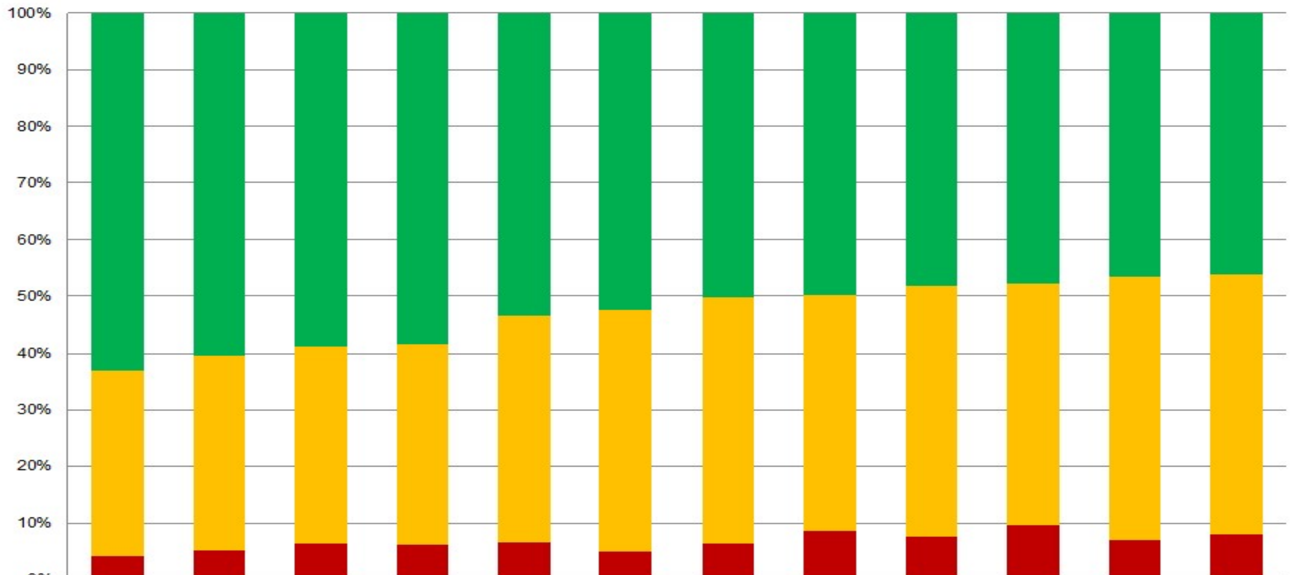
Trailing 12M P/E Ratio: 10-Years





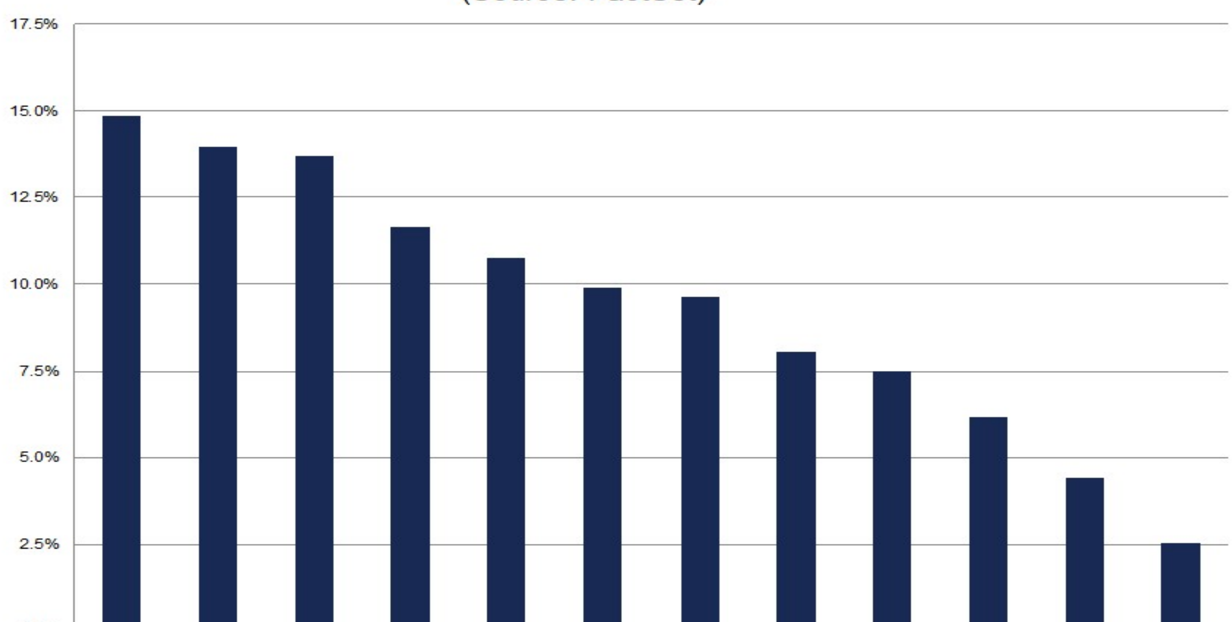
Targets & Ratings

S&P 500: Percentage of Buy, Hold, and Sell Ratings
(Source: FactSet)



	Energy	Health Care	Comm. Services	Info. Tech.	S&P 500	Consumer Disc.	Materials	Industrials	Utilities	Consumer Staples	Financials	Real Estate
Buy	63%	60%	59%	58%	54%	53%	50%	50%	48%	48%	47%	46%
Hold	33%	34%	35%	35%	40%	43%	43%	42%	44%	43%	46%	46%
Sell	4%	5%	6%	6%	7%	5%	6%	9%	8%	10%	7%	8%

S&P 500 Sector-Level Bottom-Up Target Price vs. Closing Price
(Source: FactSet)



	Energy	Consumer Disc.	Health Care	Comm. Services	Info. Tech.	S&P 500	Utilities	Consumer Staples	Real Estate	Materials	Financials	Industrials
Target/Close	14.8%	14.0%	13.7%	11.6%	10.7%	9.9%	9.6%	8.0%	7.5%	6.2%	4.4%	2.5%

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