

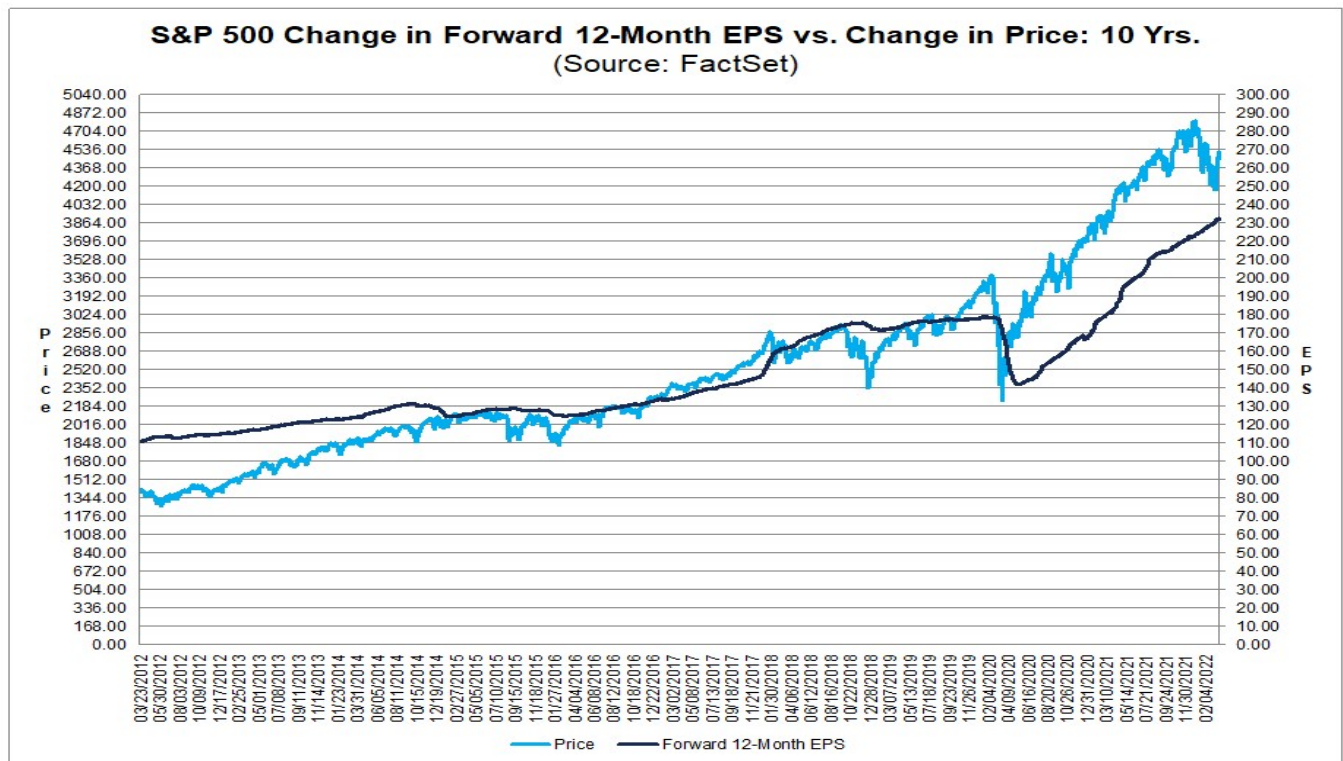
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Key Metrics

- **Earnings Growth:** For Q1 2022, the estimated earnings growth rate for the S&P 500 is 4.8%. If 4.8% 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 December 31, the estimated earnings growth rate for Q1 2022 was 5.7%. Seven sectors are expected to report lower earnings today (compared to December 31) due to downward revisions to EPS estimates.
- **Earnings Guidance:** For Q1 2022, 66 S&P 500 companies have issued negative EPS guidance and 29 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 19.5. This P/E ratio is above the 5-year average (18.6) and above the 10-year average (16.8).
- **Earnings Scorecard:** For Q1 2022 (with 13 S&P 500 companies reporting actual results), 8 S&P 500 companies have reported a positive EPS surprise and 10 S&P 500 companies have reported a positive revenue surprise.



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Topic of the Week: 1

Highest Number of S&P 500 Companies Issuing Negative EPS Guidance Since Q4 2019

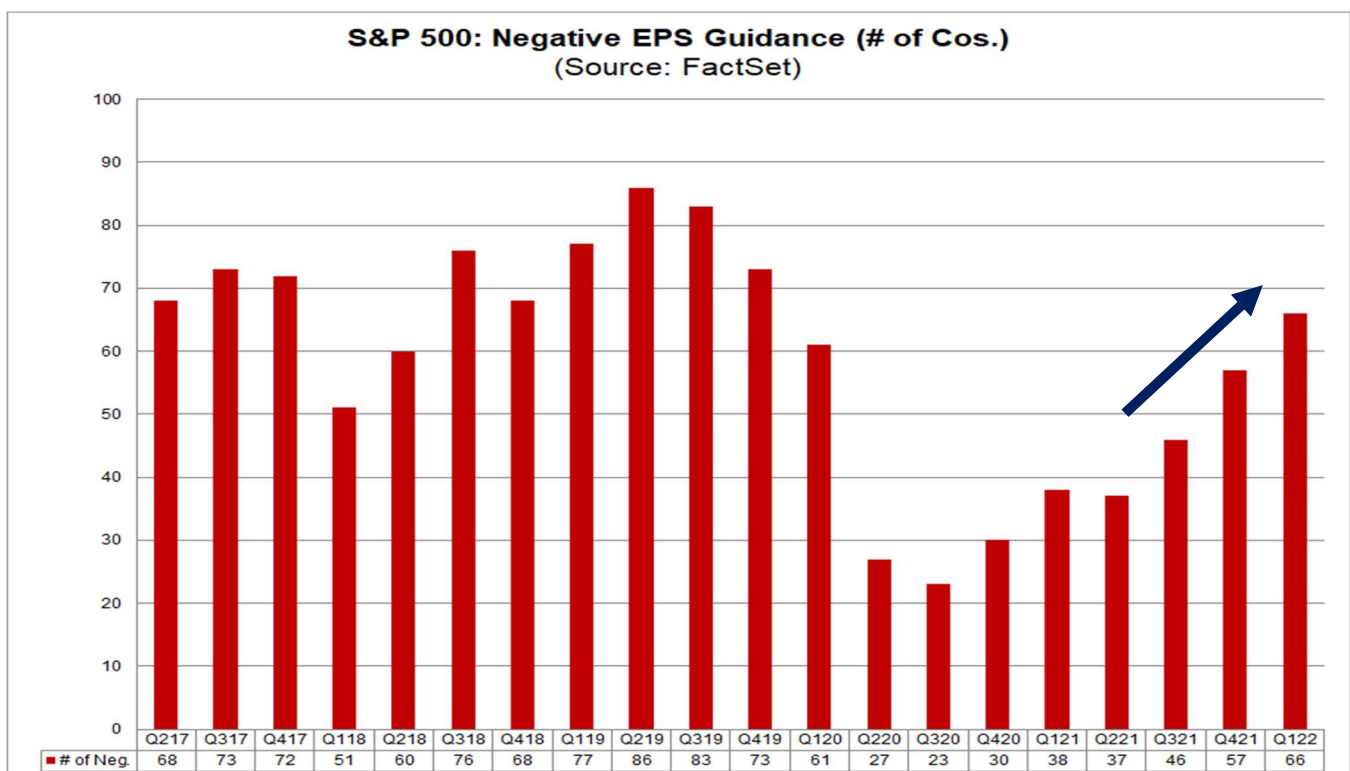
As of today, 95 S&P 500 companies have issued EPS guidance for the first quarter. This number is slightly below the 5-year average and 10-year average of 99. Of these 95 companies, 66 have issued negative EPS guidance and 29 have issued positive EPS guidance. The number of companies issuing negative EPS guidance is above the 5-year average of 59, but equal to the 10-year average of 66. The number of companies issuing positive EPS guidance is below the 5-year average of 40 and below the 10-year average of 33.

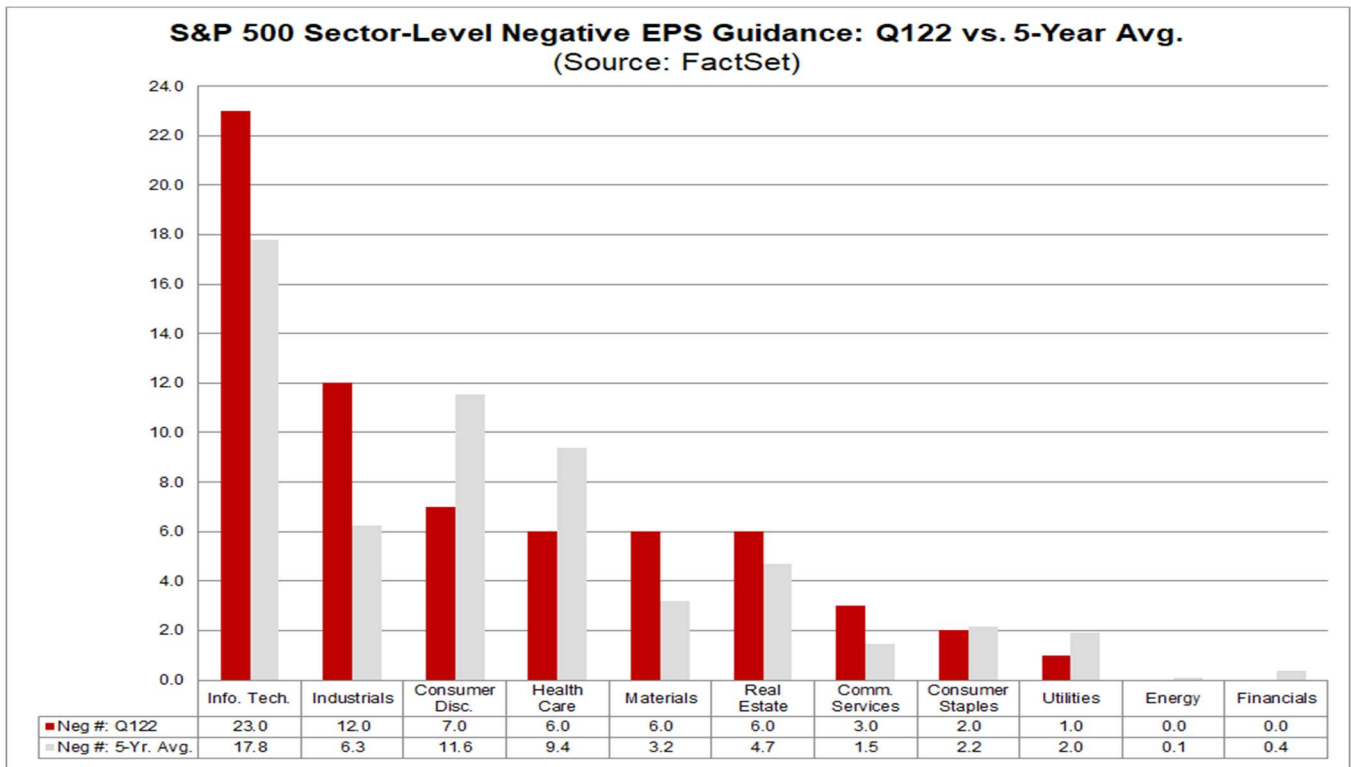
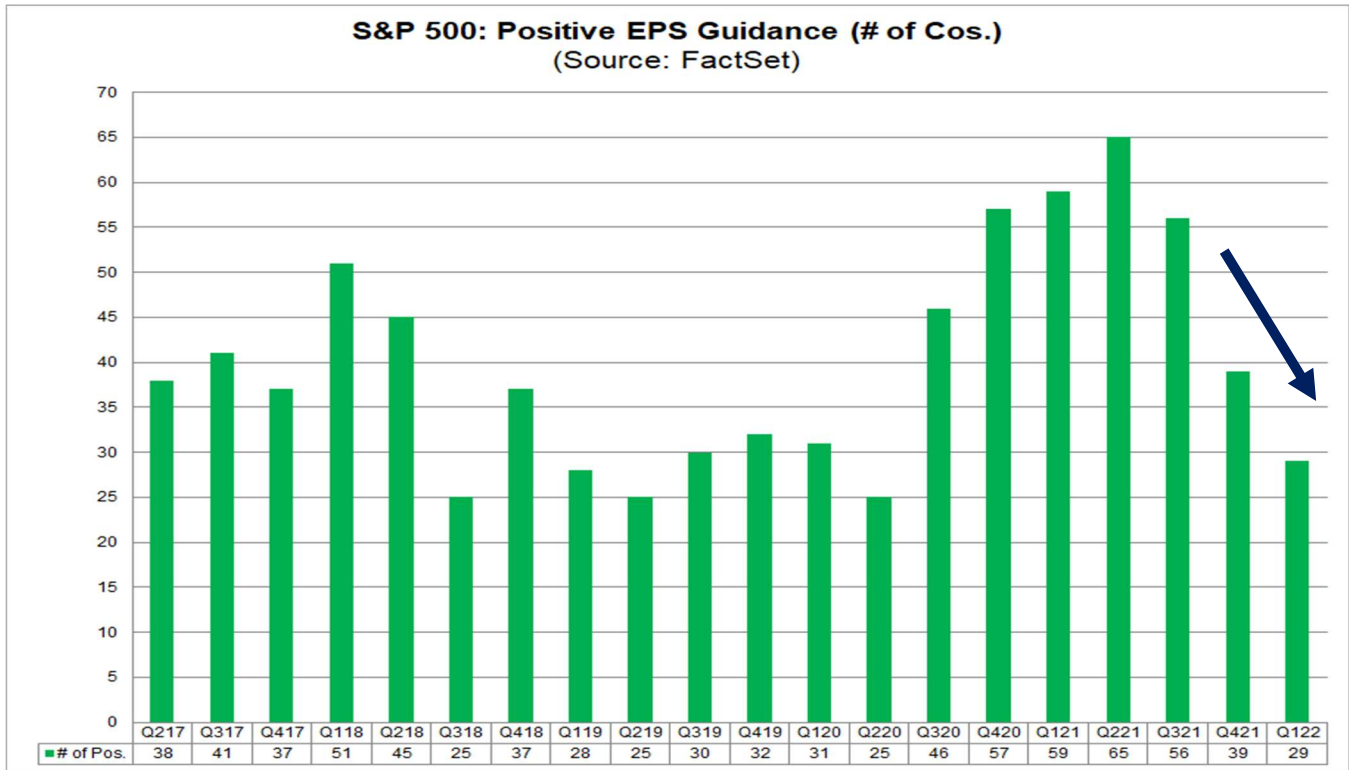
However, the first quarter has seen the highest number of S&P 500 companies issuing negative EPS guidance for a quarter since Q4 2019 (73), and the lowest number of S&P 500 companies issuing positive EPS guidance for a quarter since Q2 2020 (25). In addition, the first quarter marks the third consecutive quarter in which the number of S&P 500 companies issuing negative EPS guidance has increased, and the third consecutive quarter in which the number of S&P 500 companies issuing positive EPS guidance has decreased.

At the sector level, the Industrials (+6) and Information Technology (+5) sectors have seen the largest increases in the number of S&P 500 companies issuing negative EPS guidance for Q1 2022 compared to their 5-year averages. It is interesting to note that these two sectors also had the highest number of companies cite “supply chain” on earnings calls for Q4. For more details, please see our recent article: <https://insight.factset.com/second-highest-number-of-sp-500-cos.-citing-supply-chain-on-q4-earnings-calls-in-over-10-years>

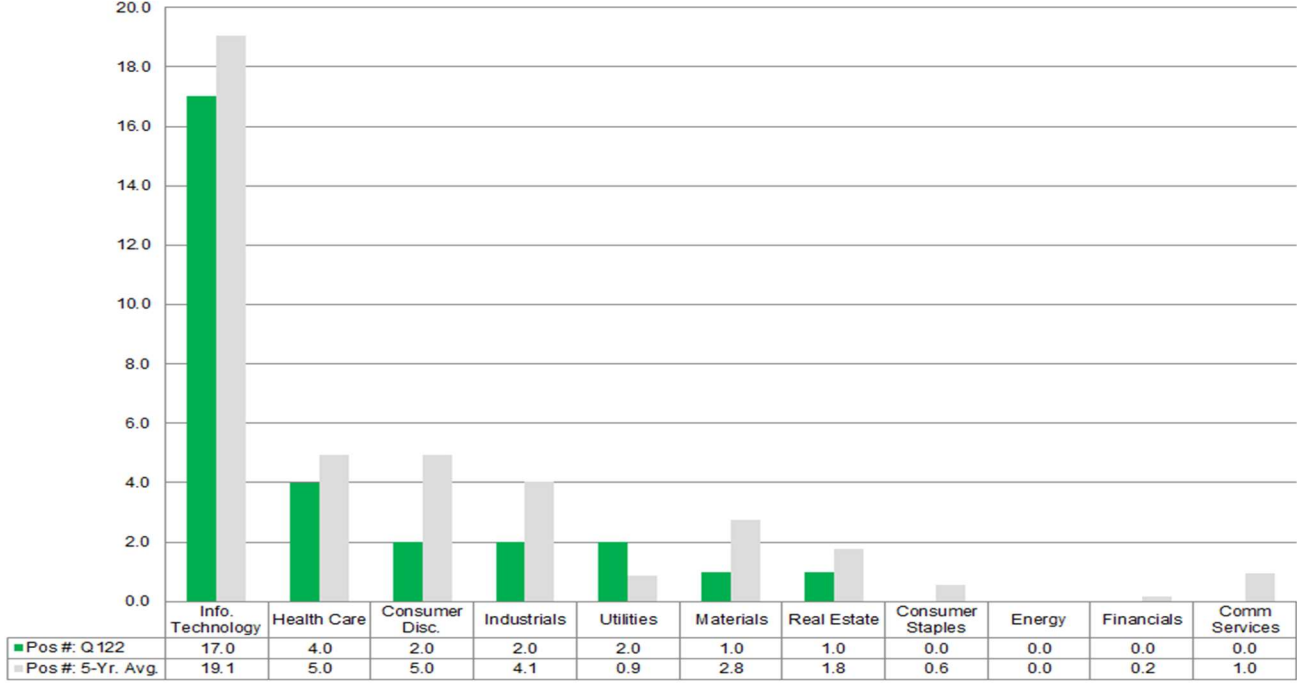
Given the recent rise in oil prices and interest rates, one might expect to see more companies in the Energy and Financials sectors issuing positive EPS guidance for the first quarter. However, these two sectors historically have seen few (in any) companies provide quarterly EPS guidance.

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





S&P 500 Sector-Level Positive EPS Guidance: Q122 vs. 5-Year Avg.
(Source: FactSet)



Topic of the Week: 2

Industry Analysts Still Predict the S&P 500 Price Will Close Above 5,000 in the Next 12 Months

The price of the S&P 500 has decreased by 5.2% since December 31. Where do industry analysts believe the price of the index will go from here?

Industry analysts in aggregate predict the S&P 500 will see a price increase of 16.8% over the next twelve months. This percentage is based on the difference between the bottom-up target price and the closing price for the index as of yesterday (March 24). 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. On March 24, the bottom-up target price for the S&P 500 was 5278.60, which was 16.8% above the closing price of 4520.16.

At the sector level, the Communication Services (+27.9%), Consumer Discretionary (+21.1%), and Information Technology (+19.9%) 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 March 24. On the other hand, the Energy (+4.5%) and Utilities (+5.0%) 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 March 24.

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 March 24) can be found on page 7. It is interesting to note that six of the ten stocks expected to see the largest price increases are in the Consumer Discretionary sector, while four of the ten stocks expected to see the largest price decreases are in the Materials sector.

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

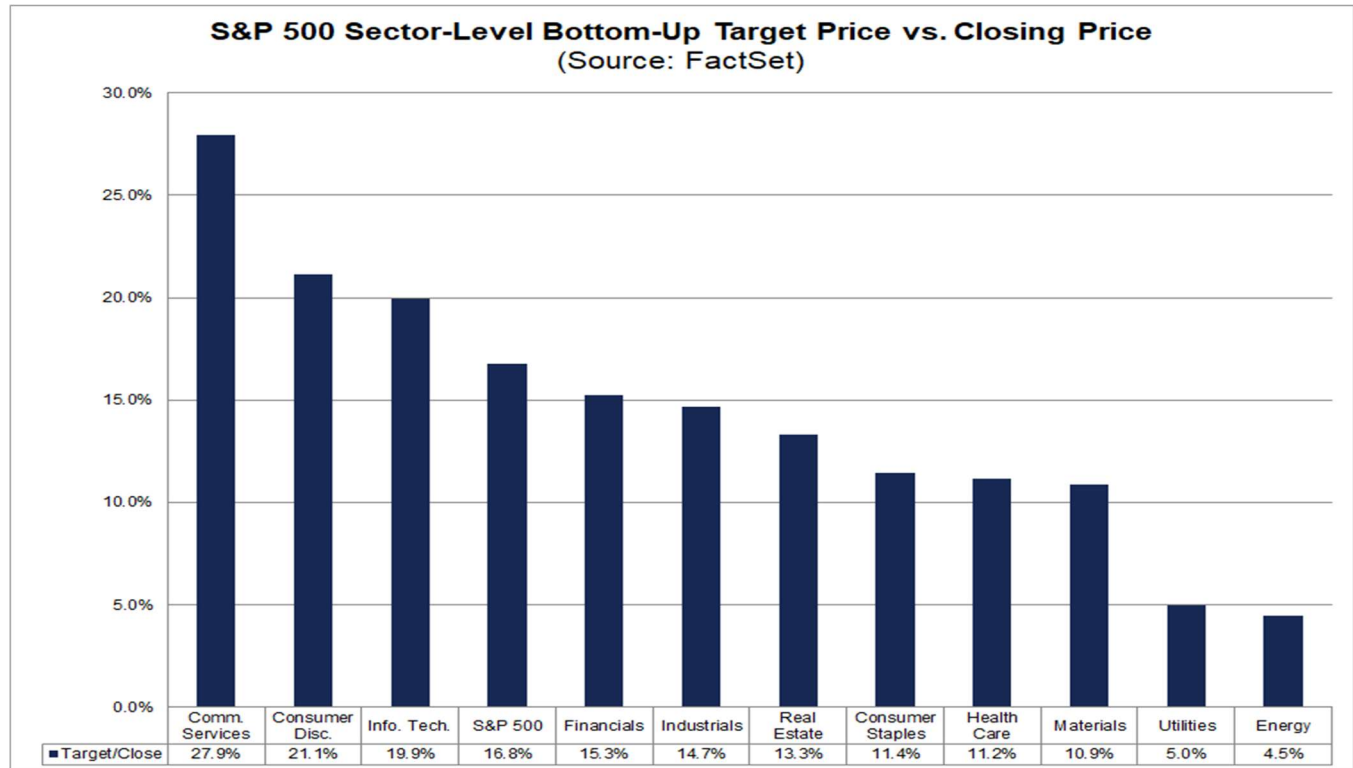
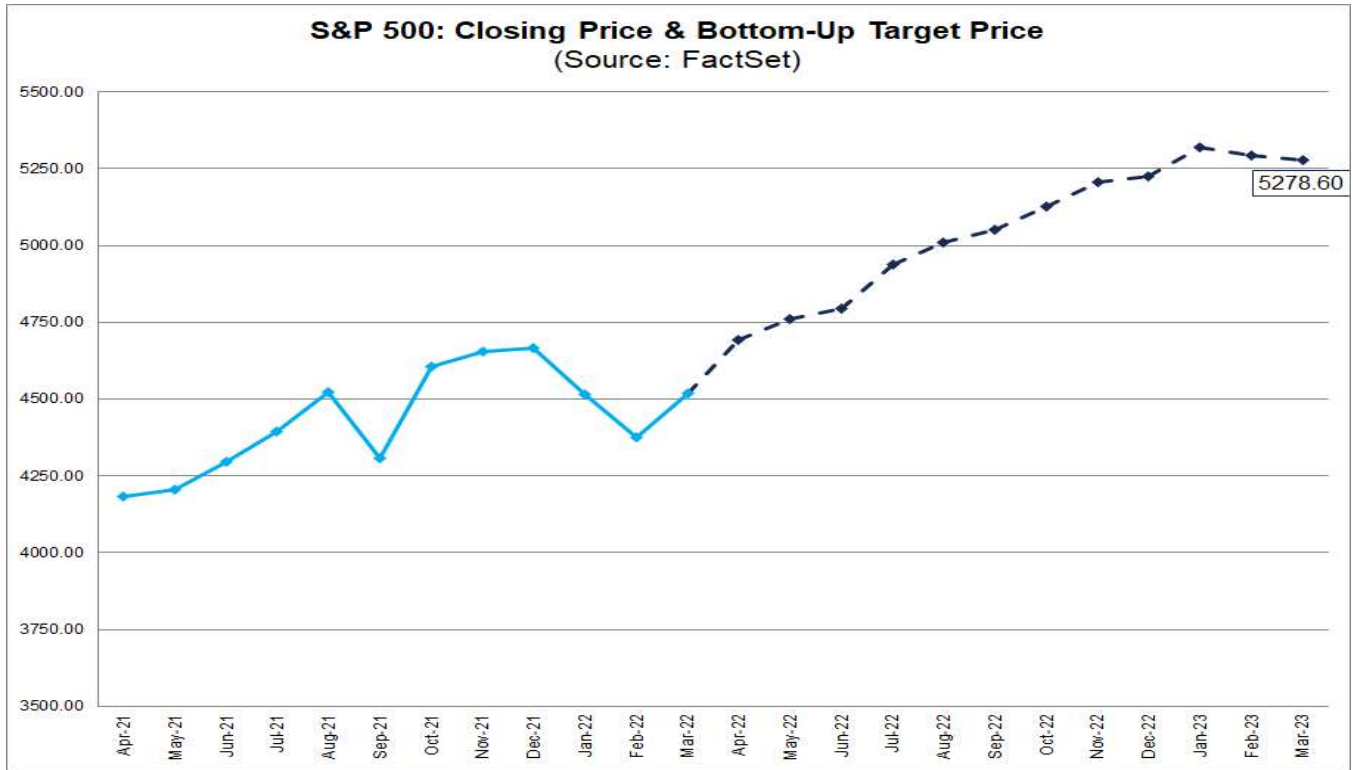
In recent time periods, industry analysts have underestimated the closing price of the index 12 months later. Over the past five years, industry analysts have underestimated the price of the index by 2.8% on average (using month-end values). Over the past ten years, industry analysts have underestimated the price of the index by 0.1% on average (using month-end values).

On March 31, 2020, the bottom-up target price was 4477.71. Nearly one year later (on March 24, 2021), the S&P 500 closing price was 4520.16. Based on yesterday's closing price, industry analysts underestimated the closing price at the end of March 2021 by about 1% nearly one-year ago.

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).

It is interesting to note that after rising for 21 straight months (using month-end values), the bottom-up target price has declined over the past two months. Since January 31, the bottom-up target price has decreased by 0.8% (to 5278.75 from 5319.31). Despite the recent decrease, industry analysts still predict the index will close above 5,000 in 12 months.

However, the movement in the index price and the movement in bottom-up target price have a high positive correlation. Thus, if there is a continuation in the decline in the price of the index, there will likely be a continuation in the decline in the bottom-up target price.



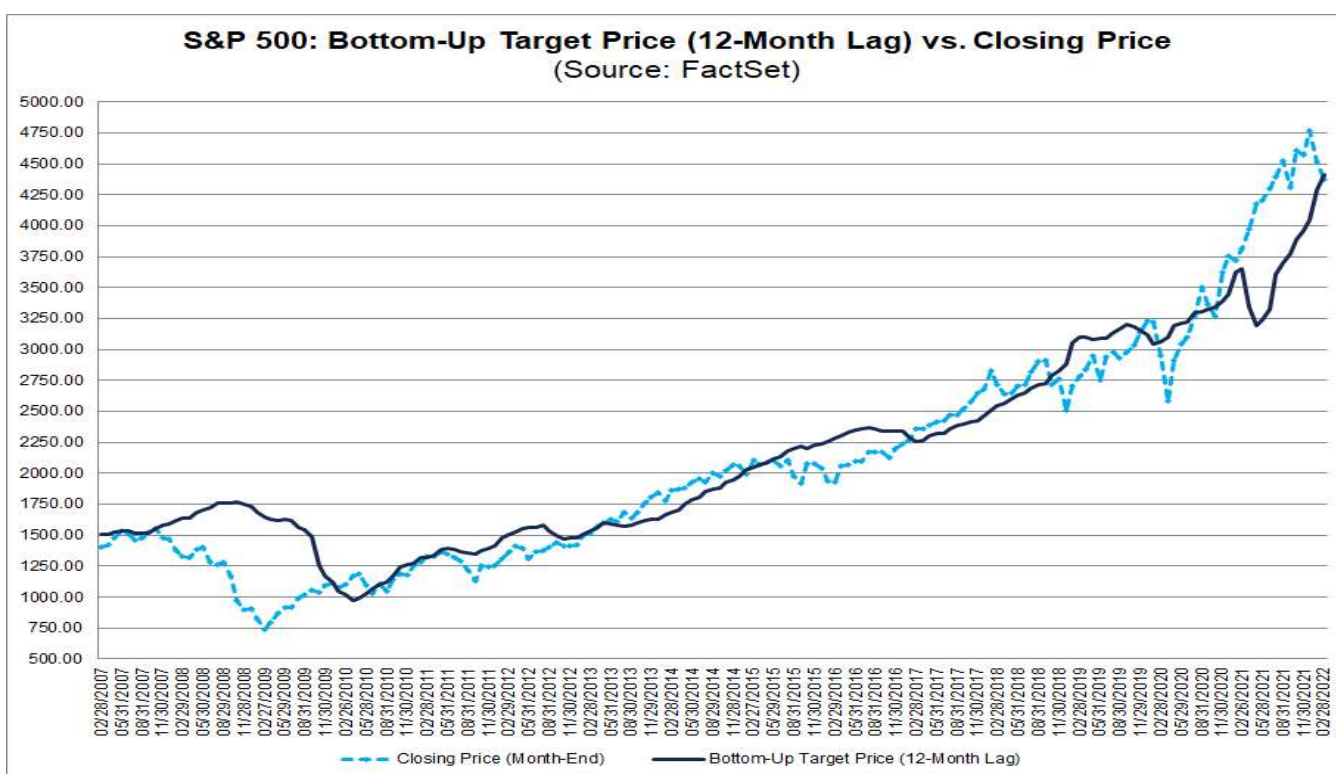
S&P 500: Difference Between Median Target Price & Closing Price: Top 10 (Source: FactSet)

Company	Target	Closing	Diff (\$)	Diff (%)
General Motors Company	75.00	44.35	30.65	69.1%
Bath & Body Works, Inc.	84.00	49.78	34.22	68.7%
PayPal Holdings, Inc.	187.50	116.05	71.45	61.6%
Under Armour, Inc. Class C	25.00	15.53	9.47	61.0%
Stanley Black & Decker, Inc.	221.00	138.74	82.26	59.3%
DISH Network Corp. Class A	49.00	30.90	18.10	58.6%
Whirlpool Corporation	280.00	182.79	97.21	53.2%
D.R. Horton, Inc.	120.00	78.83	41.17	52.2%
PVH Corp.	123.50	81.49	42.01	51.6%
Fortune Brands Home & Security	115.00	77.57	37.43	48.3%

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

Company	Target	Closing	Diff (\$)	Diff (%)
Nucor Corporation	124.70	153.52	-28.83	-18.8%
Archer-Daniels-Midland Co.	75.00	90.43	-15.43	-17.1%
Mosaic Company	61.00	68.57	-7.57	-11.0%
CF Industries Holdings, Inc.	95.00	106.40	-11.40	-10.7%
Newmont Corporation	70.00	78.23	-8.23	-10.5%
Occidental Petroleum Corp.	52.00	57.75	-5.75	-10.0%
Consolidated Edison, Inc.	83.00	91.41	-8.41	-9.2%
Baker Hughes Company Class A	34.80	38.29	-3.49	-9.1%
Pinnacle West Capital Corp.	68.00	73.94	-5.94	-8.0%
Halliburton Company	35.50	37.68	-2.18	-5.8%

S&P 500: Bottom-Up Target Price (12-Month Lag) vs. Closing Price
(Source: FactSet)



Q1 Earnings Season: By The Numbers

Overview

Analysts and companies have been more pessimistic compared to recent quarters in their earnings estimate revisions and earnings outlooks for the first quarter to date. As a result, expected earnings for the S&P 500 for the first quarter are lower today compared to expectations at the start of the quarter. The index is expected to report single-digit earnings growth for the first quarter for the first time since Q4 2020.

In terms of earnings estimate revisions for companies in the S&P 500, analysts have decreased earnings estimates in aggregate for Q1 2022. On a per-share basis, estimated earnings for the first quarter have decreased by 0.7% since December 31. Over the past four quarters, analysts increased EPS estimates by 4.2% 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 2.5% on average during a quarter. Over the past ten years, (40 quarters), earnings estimates have fallen by 3.4% on average during a quarter. Over the past fifteen years, (60 quarters), earnings estimates have fallen by 4.8% on average during a quarter.

More S&P 500 companies have issued negative EPS guidance for Q1 2022 compared to recent quarters as well. At this point in time, 95 companies in the index have issued EPS guidance for Q1 2022. Of these 95 companies, 66 have issued negative EPS guidance and 29 have issued positive EPS guidance. Over the past four quarters, 45 S&P 500 companies issued negative EPS guidance on average for the quarter. The percentage of companies issuing negative EPS guidance for Q1 2022 is 69% (66 out of 95), which is above the 5-year average of 60%.

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 Q1 2022 is lower now relative to the start of the first quarter. As of today, the S&P 500 is expected to report (year-over-year) earnings growth of 4.8%, compared to the estimated (year-over-year) earnings growth rate of 5.7% on December 31.

If 4.8% 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%). Seven of the eleven sectors are projected to report year-over-year earnings growth, led by the Energy, Industrials, and Materials sectors. Four sectors are predicted to report a year-over-year decline in earnings, led by the Financials and Consumer Discretionary sectors.

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 Q1 2022 is higher now relative to the start of the first quarter. As of today, the S&P 500 is expected to report (year-over-year) revenue growth of 10.7%, compared to the estimated (year-over-year) revenue growth rate of 9.7% on December 31.

If 10.7% is the actual growth rate for the quarter, it will mark the fifth-straight quarter of year-over-year revenue growth above 10% for the index. Ten of the eleven sectors are projected to report year-over-year growth in revenues, led by the Energy and Materials sectors.

The forward 12-month P/E ratio is 19.5, which is above the 5-year average (18.6) and above the 10-year average (16.8). However, it is also below the forward P/E ratio of 21.3 recorded at the end of the fourth quarter (December 31), as prices have decreased while the forward 12-month EPS estimate has increased since December 31.

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

Earnings Revisions: Industrials Sector Sees Largest Estimate Decreases

Slight Decline in Estimated Earnings Growth Rate for Q1 This Week

During the past week, the estimated earnings growth rate for the S&P 500 for Q1 2022 decreased slightly to 4.8% from 4.9%.

The estimated earnings growth rate for the S&P 500 for Q1 2022 of 4.8% today is below the estimate of 5.7% at the start of the quarter (December 31), as estimated earnings for the index of \$450.4 billion today are 0.9% below the estimate of \$454.5 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 Industrials, 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 sector.

Industrials: Airlines Lead Earnings Decrease Since December 31

The Industrials sector has recorded the largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -11.7% (to \$27.9 billion from \$31.6 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has fallen to 32.3% from 49.8% during this time. This sector has also witnessed a decrease in price of 2.6% since December 31. Overall, 52 of the 72 companies (72%) in the Industrials sector have seen a decrease in their mean EPS estimate during this time. Of these 52 companies, 13 have recorded a decrease in their mean EPS estimate of more than 10%, led by Alaska Air Group (to -\$1.59 from -\$0.55), Southwest Airlines (to -\$0.48 from -\$0.22), Boeing (to -\$0.07 from \$0.45), Delta Air Lines (to -\$1.37 from -\$0.68), American Airlines Group (to -\$2.48 from -\$1.35), and United Airlines Holdings (to -\$3.99 from -\$2.35). American Airlines Group, United Airlines Holdings, and Delta Air Lines have also been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since December 31.

Consumer Discretionary: Amazon.com Leads Earnings Decrease Since December 31

The Consumer Discretionary sector has recorded the second-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -11.4% (to \$28.5 billion from \$32.2 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -14.3% from -3.2% during this time. This sector has also witnessed the third-largest decrease in price (-9.7%) of all eleven sectors since December 31. Overall, 43 of the 59 companies (73%) in the Consumer Discretionary sector have seen a decrease in their mean EPS estimate during this time. Of these 43 companies, 26 have recorded a decrease in their mean EPS estimate of more than 10%, led by Las Vegas Sands (to -\$0.21 from -\$0.01), Caesars Entertainment (to -\$2.04 from -\$0.31), MGM Resorts (to -\$0.10 from \$0.06), and Wynn Resorts (to -\$1.14 from -\$0.49). However, Amazon.com (to \$8.55 from \$10.35), Carnival (to -\$1.65 from -\$1.04), and Royal Caribbean Group (to -\$4.39 from -\$2.46) have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since December 31.

Communication Services: Meta Platforms Leads Earnings Decrease Since December 31

The Communication Services sector has recorded the third-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -5.4% (to \$45.5 billion from \$48.2 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -5.9% from -0.5% during this time. This sector has also witnessed the largest decrease in price (-11.6%) of all eleven sectors since December 31. Overall, 19 of the 23 companies (83%) in the Communication Services sector have seen a decrease in their mean EPS estimate during this time. Of these 19 companies, 7 have recorded a decrease in their mean EPS estimate of more than 10%, led by Live Nation Entertainment (to -\$0.67 from -\$0.21), Twitter (to \$0.05 from \$0.16), Paramount Global (to \$0.54 from \$1.14), and T-Mobile (to \$0.49 from \$0.80). However, Meta Platforms (to \$2.59 from \$3.07) has been the largest contributor to the decrease in expected (dollar-level) earnings for this sector since December 31.

Energy: Exxon Mobil and Chevron Lead Earnings Increase Since December 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 27.2% (to \$32.5 billion from \$25.6 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has increased to 237.4% from 165.2% during this time. This sector has also witnessed the largest increase in price (+39.1%) of all eleven sectors since December 31. Rising oil prices are helping to drive the increase in expected earnings for this sector, as the price of oil has increased by 49% since December 31 (to \$112.34 from \$75.21). Overall, 16 of the 21 companies (76%) in the Energy sector have seen an increase in their mean EPS estimate during this time. Of these 16 companies, 12 have recorded an increase in their mean EPS estimate of more than 10%, led by Marathon Petroleum (to \$1.15 from \$0.28), Occidental Petroleum (to \$1.62 from \$0.86), Valero Energy (to \$1.63 from \$1.03), Marathon Oil (to \$0.84 from \$0.59), and Phillips 66 (to \$1.79 from \$1.26). However, Exxon Mobil (to \$2.10 from \$1.59), Chevron (to \$3.32 from \$2.60), ConocoPhillips (to \$2.78 from \$2.11), and Occidental Petroleum have been the largest contributors to the increase in estimated (dollar-level) earnings for this sector since December 31.

Index-Level EPS Estimate: 0.7% Decrease Since December 31

The Q1 bottom-up EPS estimate (which is an aggregation of the median Q1 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 0.7% (to \$51.85 from \$52.22) since December 31. In a typical quarter, analysts usually reduce earnings estimates. Over the past five years (20 quarters), earnings expectations have fallen by 2.5% on average during a quarter. Over the past ten years, (40 quarters), earnings expectations have fallen by 3.4% 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: Highest # of S&P 500 Companies Issuing Negative EPS Guidance Since Q419

At this point in time, 95 companies in the index have issued EPS guidance for Q1 2022. Of these 95 companies, 66 have issued negative EPS guidance and 29 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 69% (66 out of 95), which is above the 5-year average of 60%.

The first quarter has seen the highest number of S&P 500 companies issuing negative EPS guidance for a quarter since Q4 2019 (73) and the lowest number of S&P 500 companies issuing positive EPS guidance since Q2 2020 (25). In addition, the first quarter is the third consecutive quarter in which the number of S&P 500 companies issuing negative EPS guidance has increased and the third consecutive quarter in which the number of S&P 500 companies have decreased.

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: 4.8%

The estimated (year-over-year) earnings growth rate for Q1 2021 is 4.8%, which is below the 5-year average earnings growth rate of 13.7%. If 4.8% 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%). Seven 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, four sectors are expected to report a (year-over-year) decline in earnings, led by the Financials and Consumer Discretionary sectors.

Energy: 3 of 5 Sub-Industries Expected to Report Year-Over-Year Growth Above 80%

The Energy sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 237.4%. 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 to date in Q1 2022 (\$94.01) is 62% above the average price for oil in Q1 2021 (\$58.14). At the sub-industry level, four of the 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 the Oil & Gas Refining & Marketing sub-industry due to the loss reported by the sub-industry in the year-ago quarter. However, this sub-industry is projected to report a profit in Q1 2022 (\$2.2 billion) compared to a loss in Q1 2021 (-\$1.3 billion). The other three sub-industries that are projected to report (year-over-year) earnings growth are the Integrated Oil & Gas (288%), Oil & Gas Exploration & Production (182%), and Oil & Gas Equipment & Services (81%) sub-industries. On the other hand, the Oil & Gas Storage & Transportation (-34%) sub-industry is the only sub-industry predicted to report a (year-over-year) loss in 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 32.3%. At the industry level, 10 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 Airlines industry due to the loss reported by the industry in the year-ago quarter. However, this industry is predicted to report a smaller loss in Q1 2022 (-\$4.3 billion) compared to Q1 2021 (-\$8.9 billion). Six of the remaining nine industries are expected to report earnings growth above 10%: Construction & Engineering (72%), Trading Companies & Distributors (32%), Road & Rail (20%), Air Freight & Logistics (14%), Aerospace & Defense (14%), and Electrical Equipment (11%). On the other hand, two industries are predicted to report a (year-over-year) decline in earnings, led by the Industrial Conglomerates (-6%) industry. Boeing and the five companies in the Airlines industry are the largest contributors to earnings growth for the sector. If these six companies were excluded, the estimated earnings growth rate for the Industrials sector would fall to 4.2% from 32.3%.

Materials: Metals & Mining Industry Leads Year-over-Year Growth

The Materials sector is expected to report the third-highest (year-over-year) earnings growth rate of all eleven sectors at 31.3%. At the industry level, three of the four industries in this sector are projected to report (year-over-year) earnings growth above 10%: Metals & Mining (70%), Chemicals (25%), and Containers & Packaging (10%). On the other hand, the Construction Materials industry (-4%) is the only industry predicted to report a (year-over-year) decline in earnings.

Financials: Banks Industry Leads Year-Over-Year Decline

The Financials sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -23.5%. At the industry level, all five industries in this sector are projected to report a (year-over-year) earnings decline. Four of these five industries are predicted to report a (year-over-year) decrease in earnings of 10% or more: Banks (-32%), Consumer Finance (-26%), Capital Markets (-18%), and Insurance (-10%).

Consumer Discretionary: Amazon and Ford Are Largest Contributors to Year-Over-Year Decline

The Consumer Discretionary sector is expected to report the second-largest (year-over-year) earnings decline of all eleven sectors at -14.3%. At the industry level, 8 of the 10 industries in the sector are expected to report a (year-over-year) decrease in earnings. Five of these eight industries are projected to report a double-digit decline in earnings: Internet & Direct Marketing Retail (-43%), Leisure Products (-35%), Auto Components (-29%), Automobiles (-18%), and Multiline Retail (-17%). On the other hand, two sectors are projected to report (year-over-year) earnings growth. A growth rate is not being calculated for the Hotels, Restaurants, & Leisure industry due to the loss reported in the year-ago quarter. This industry is expected to report a smaller loss in Q1 2022 (-\$455 million) compared to Q1 2021 (-\$2.4 billion). The other industry predicted to report earnings growth is the Distributors (5%) industry. At the company level, Amazon.com and Ford Motor are the largest contributors to the decline in earnings for the sector. If these two companies were excluded, the Consumer Discretionary sector would be expected to report earnings growth of 3.7% rather than an earnings decline of 14.3%.

Revenue Growth: 10.7%

The estimated (year-over-year) revenue growth rate for Q1 2022 is 10.7%, which is above the 5-year average revenue growth rate of 6.5%. If 10.7% is the actual growth rate for the quarter, it will mark the fifth-straight quarter of (year-over-year) revenue growth above 10%. Ten of the 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 35%

The Energy sector is expected to report the highest (year-over-year) revenue growth rate of all eleven sectors at 42.8%. 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 to date in Q1 2022 (\$94.01) is 62% above the average price for oil in Q1 2021 (\$58.14). At the sub-industry level, all five sub-industries in the sector are predicted to report (year-over-year) revenue growth. Four of the five sub-industries are projected to report double-digit growth: Oil & Gas Exploration & Production (62%), Integrated Oil & Gas (49%), Oil & Gas Refining & Marketing (39%), and Oil & Gas Equipment & Services (13%).

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 20.2%. 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 (34%), Construction Materials (28%), and Chemicals (21%).

Net Profit Margin: 12.2%

The estimated net profit margin for the S&P 500 for Q1 2022 is 12.2%, which is above the 5-year average of 11.0%, but below the year-ago net profit margin of 12.8% and the previous quarter's net profit margin of 12.4%.

At the sector level, four sectors are projected to report a (year-over-year) increase in their net profit margins in Q1 2022 compared to Q1 2021, led by the Energy (to 10.8% vs. 4.6%) sector. On the other hand, seven sectors are projected to report a (year-over-year) decrease in their net profit margins, led by the Financials (17.1% vs. 22.7%) sector.

Six sectors are projected to report net profit margins in Q1 2022 that are above their 5-year averages, led by the Energy (10.8% vs. 5.3%) sector. On the other hand, four sectors are projected to report net profit margins in Q1 2022 that are below their 5-year averages, led by the Consumer Discretionary (to 6.0% from 6.6%) sector. One sector (Real Estate) is predicted to report a net profit margin (37.1%) equal to its 5-year average.

Looking Ahead: Forward Estimates and Valuation

Earnings: S&P 500 Expected to Report Earnings Growth of 9% for CY 2022

For the fourth quarter, S&P 500 companies reported earnings growth of 31.2% and revenue growth of 16.1%. For CY 2021, the index reported earnings growth of 47.7% and revenue growth of 16.5%.

For Q1 2022, analysts are projecting earnings growth of 4.8% and revenue growth of 10.7%.

For Q2 2022, analysts are projecting earnings growth of 5.6% and revenue growth of 9.7%.

For CY 2022, analysts are projecting earnings growth of 9.4% and revenue growth of 9.0%.

Valuation: Forward P/E Ratio is 19.5, Above the 10-Year Average (16.8)

The forward 12-month P/E ratio is 19.5. This P/E ratio is above the 5-year average of 18.6 and above the 10-year average of 16.8. However, it is below the forward 12-month P/E ratio of 21.3 recorded at the end of the fourth quarter (December 31). Since the end of the fourth quarter (December 31), the price of the index has decreased by 5.2%, while the forward 12-month EPS estimate has increased by 4.0%. At the sector level, the Consumer Discretionary (27.6) and Information Technology (24.4) sectors have the highest forward 12-month P/E ratios, while the Energy (12.0) and Financials (14.6) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 22.1, which is below the 5-year average of 23.1 but above the 10-year average of 20.1.

Targets & Ratings: Analysts Project 17% Increase in Price Over Next 12 Months

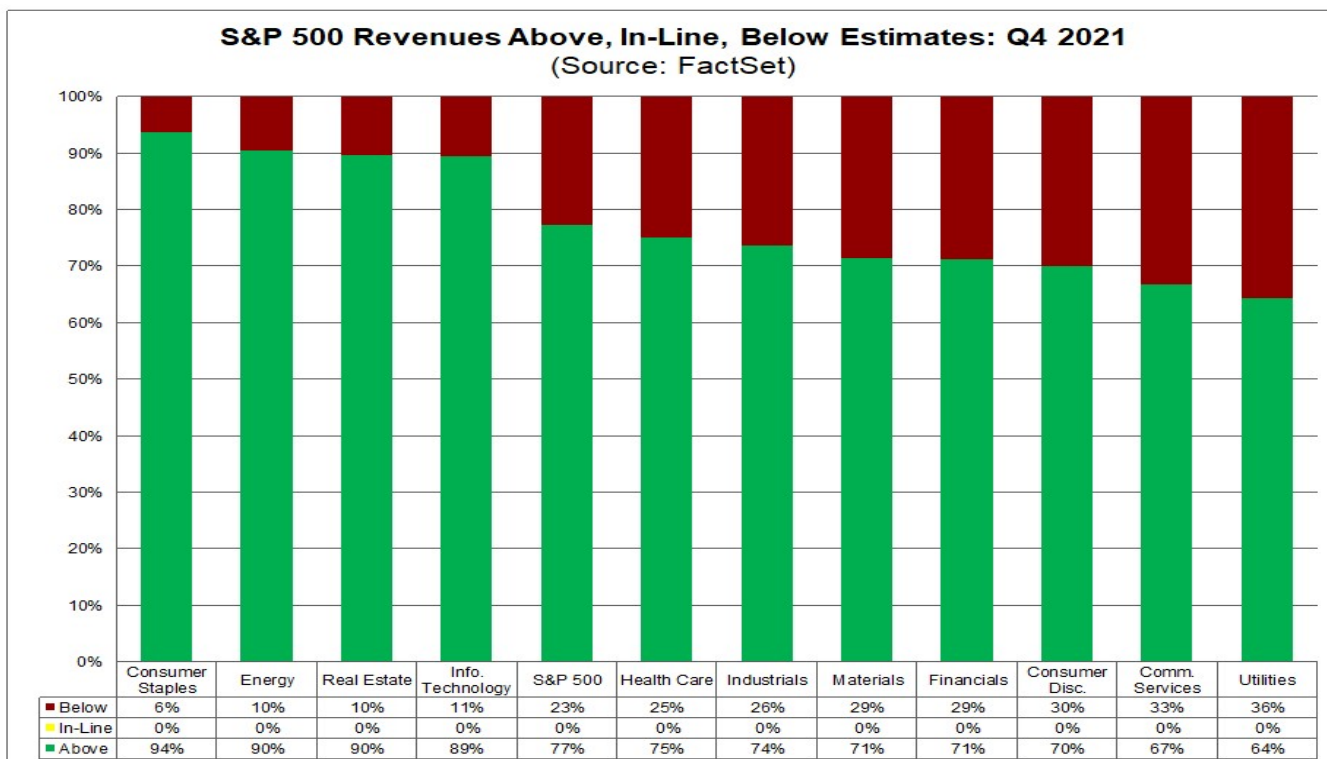
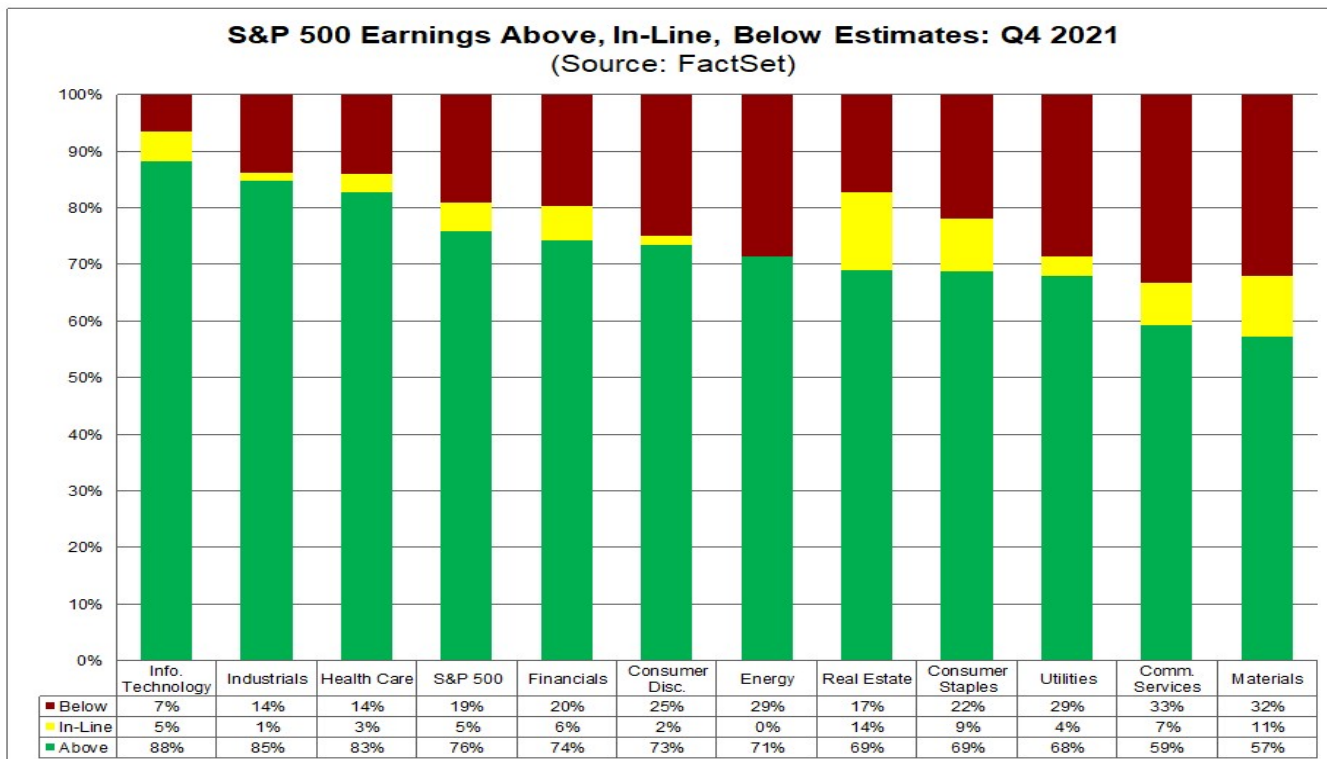
The bottom-up target price for the S&P 500 is 5278.60, which is 16.8% above the closing price of 4520.16. At the sector level, the Communication Services (+27.9%), Consumer Discretionary (+21.1%), and Information Technology (+19.9%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Energy (+4.5%) and Utilities (+5.0%) sectors are expected to see the smallest price increases, as these sectors have the smallest upside differences between the bottom-up target price and the closing price.

Overall, there are 10,891 ratings on stocks in the S&P 500. Of these 10,891 ratings, 57.5% are Buy ratings, 37.1% are Hold ratings, and 5.5% are Sell ratings. At the sector level, the Energy (66%) and Information Technology (64%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (42%) sector has the lowest percentage of Buy ratings.

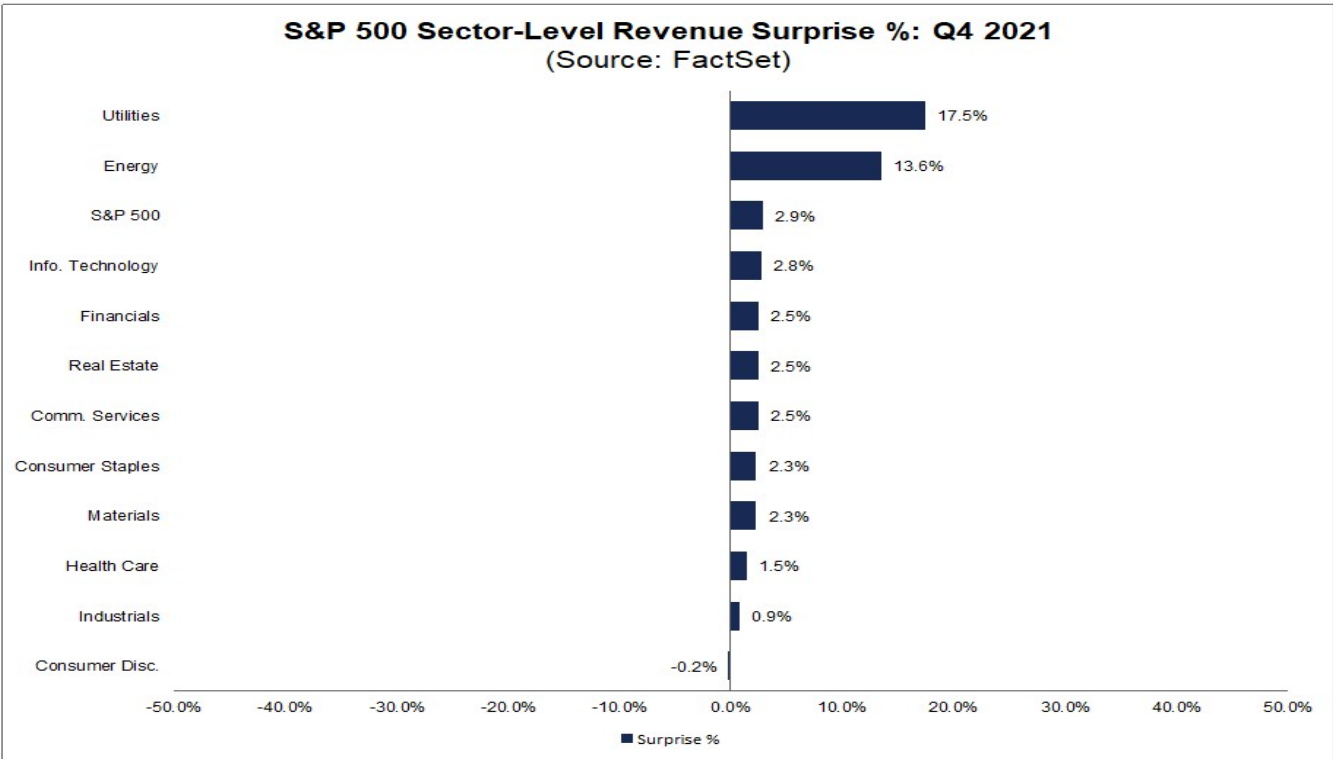
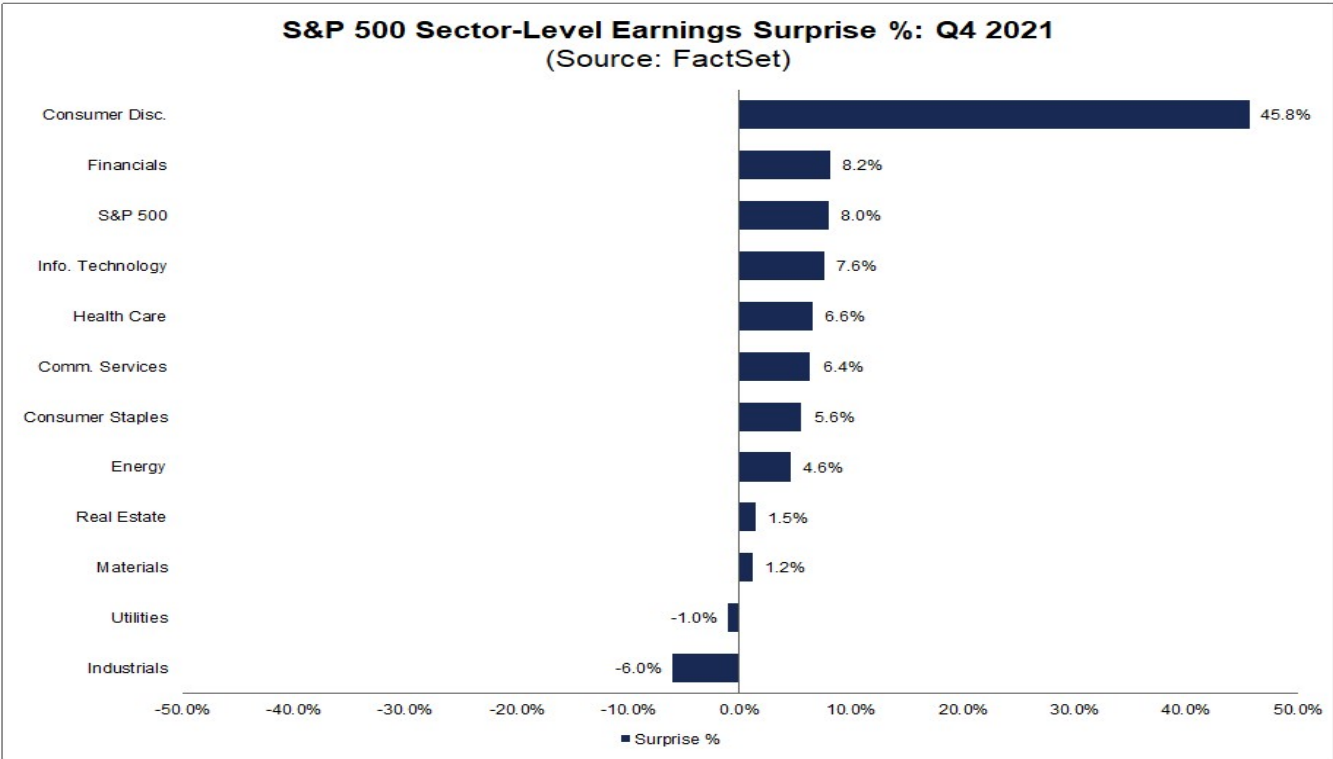
Companies Reporting Next Week: 5

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

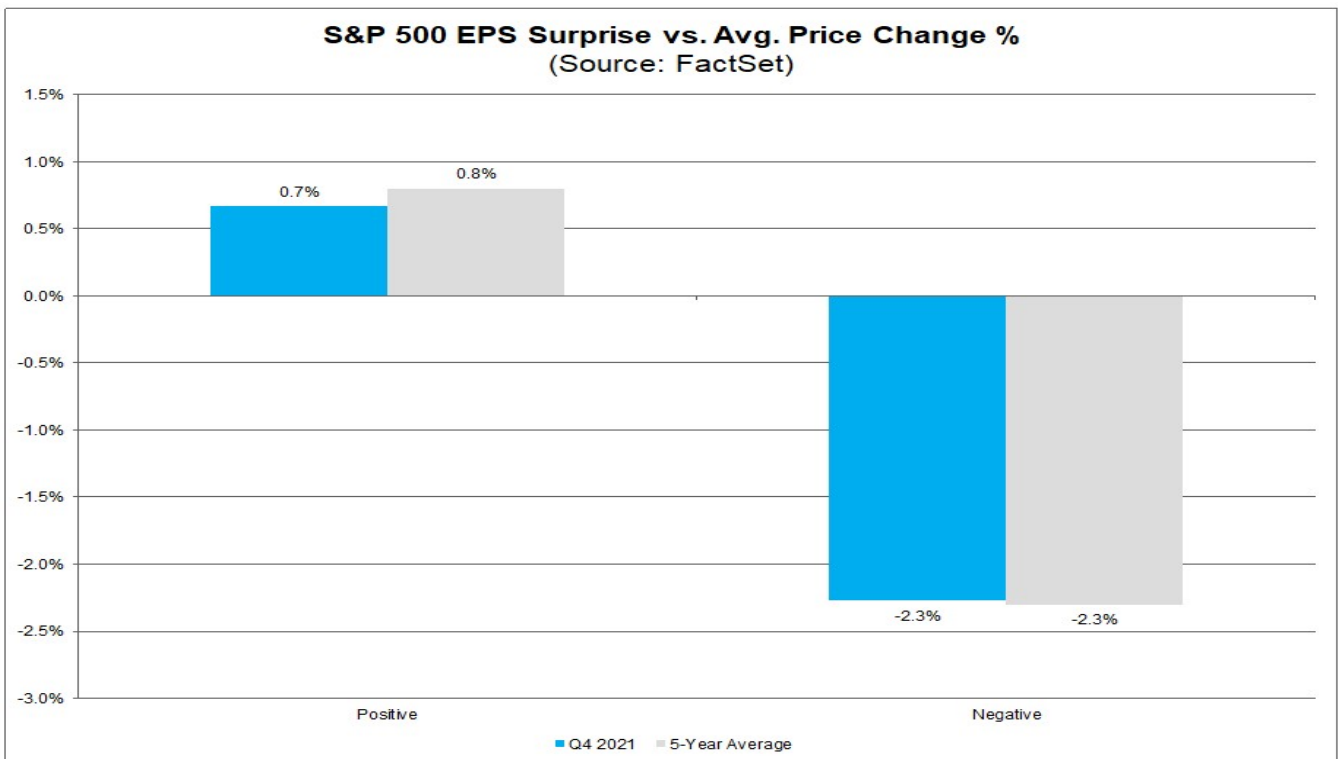
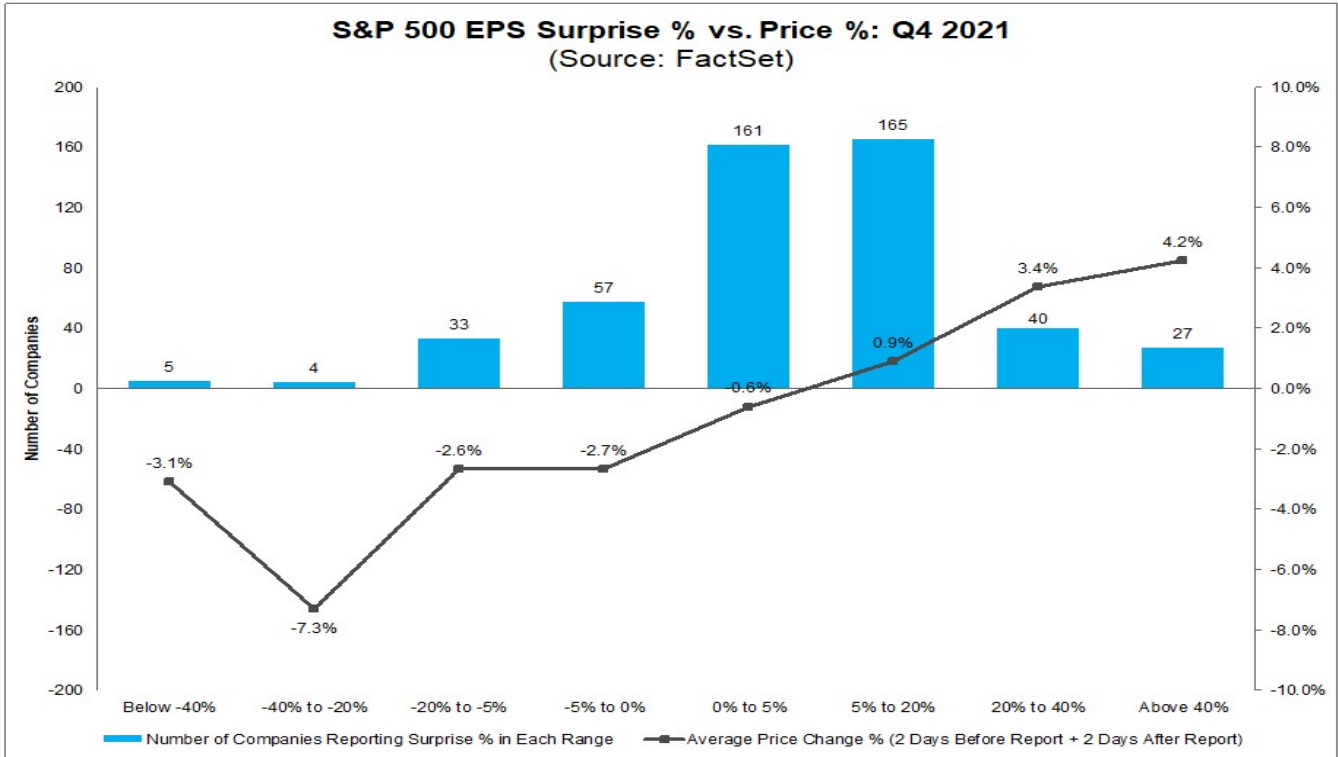
Q4 2021: Scorecard



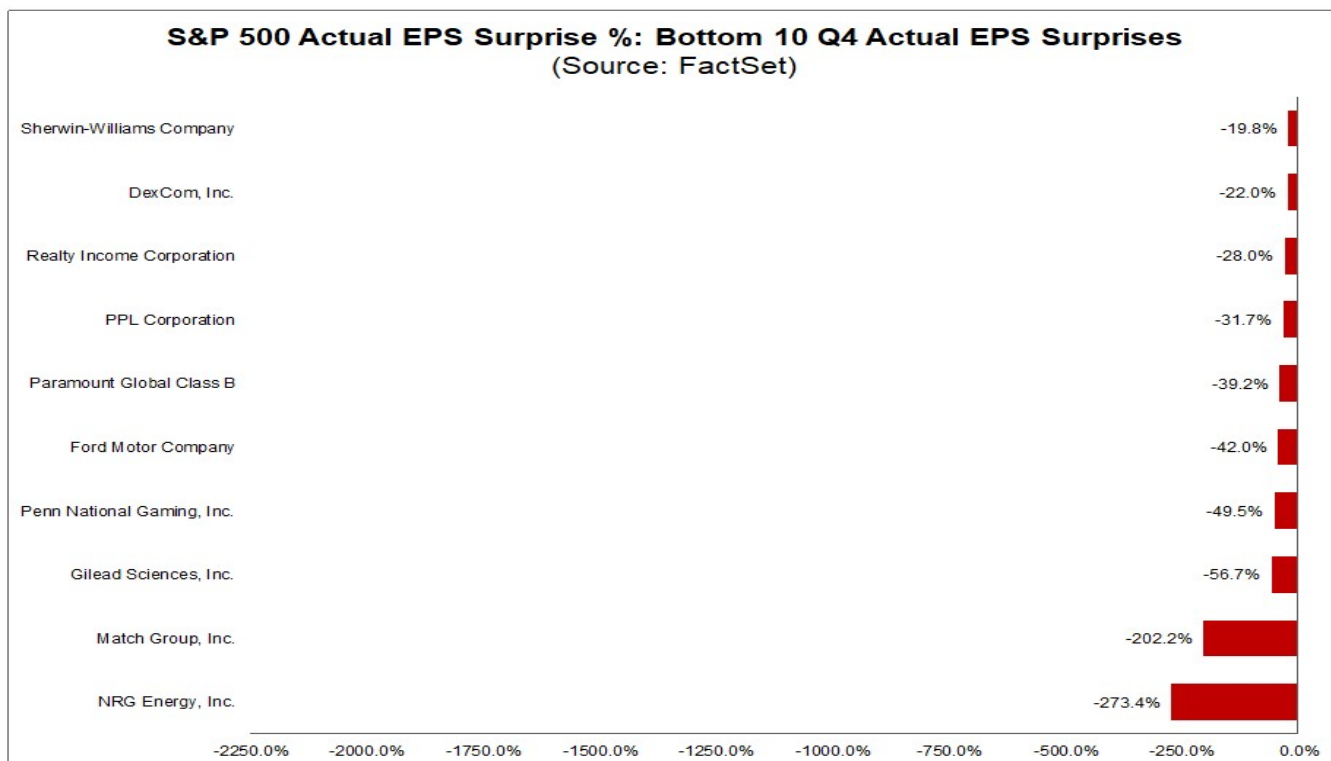
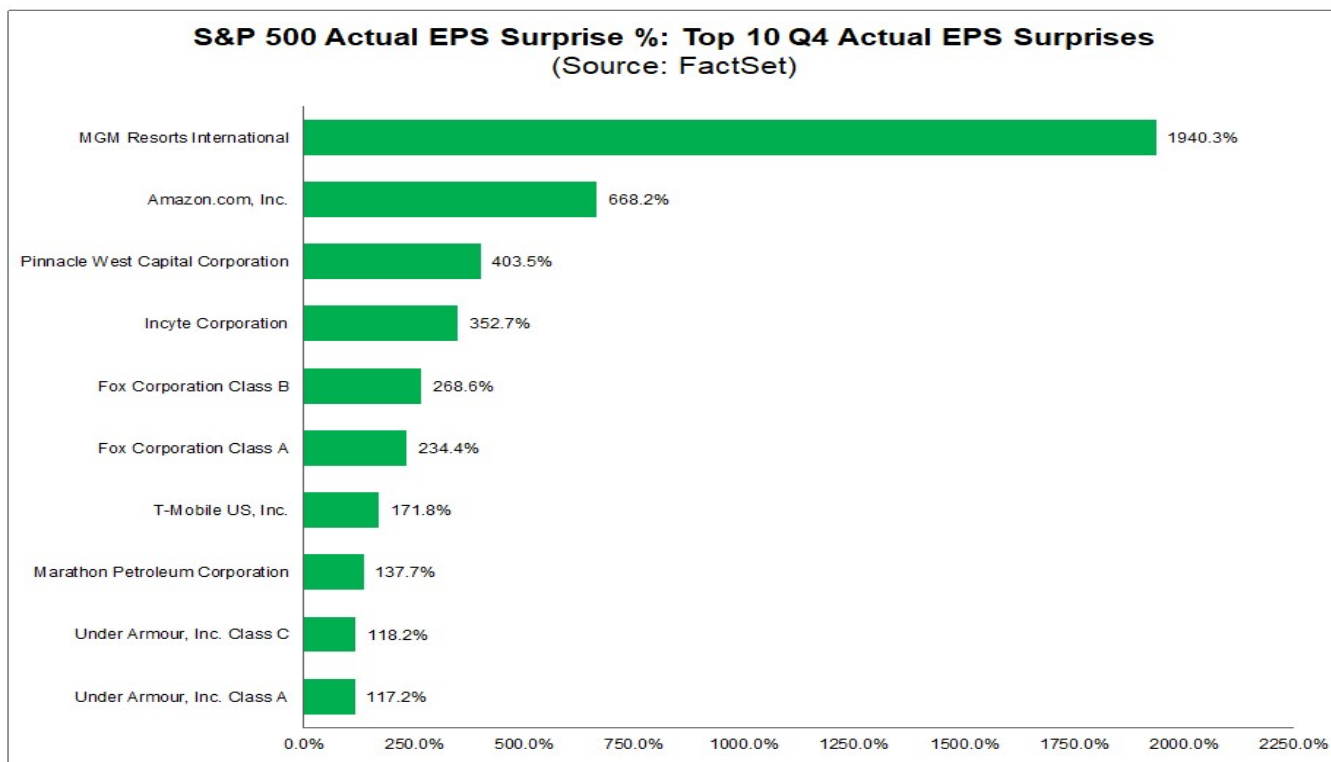
Q4 2021: Scorecard



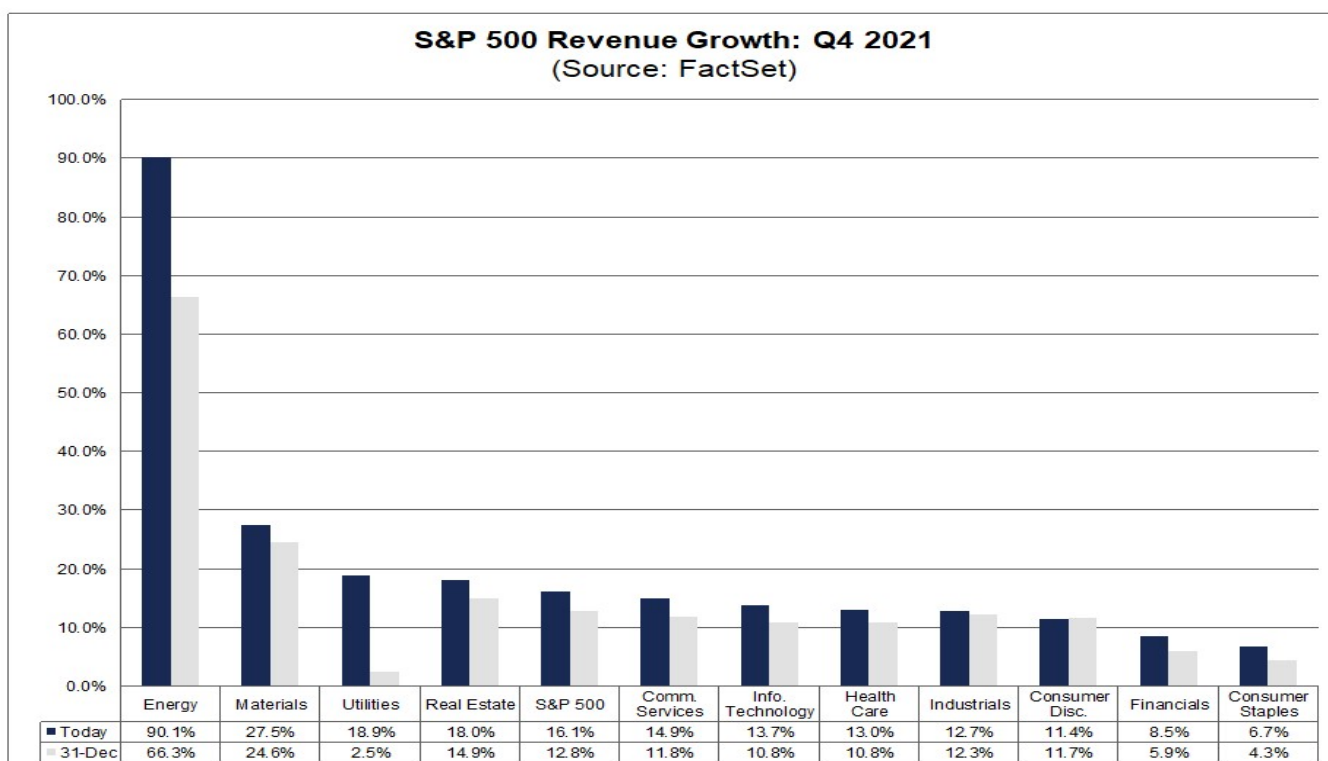
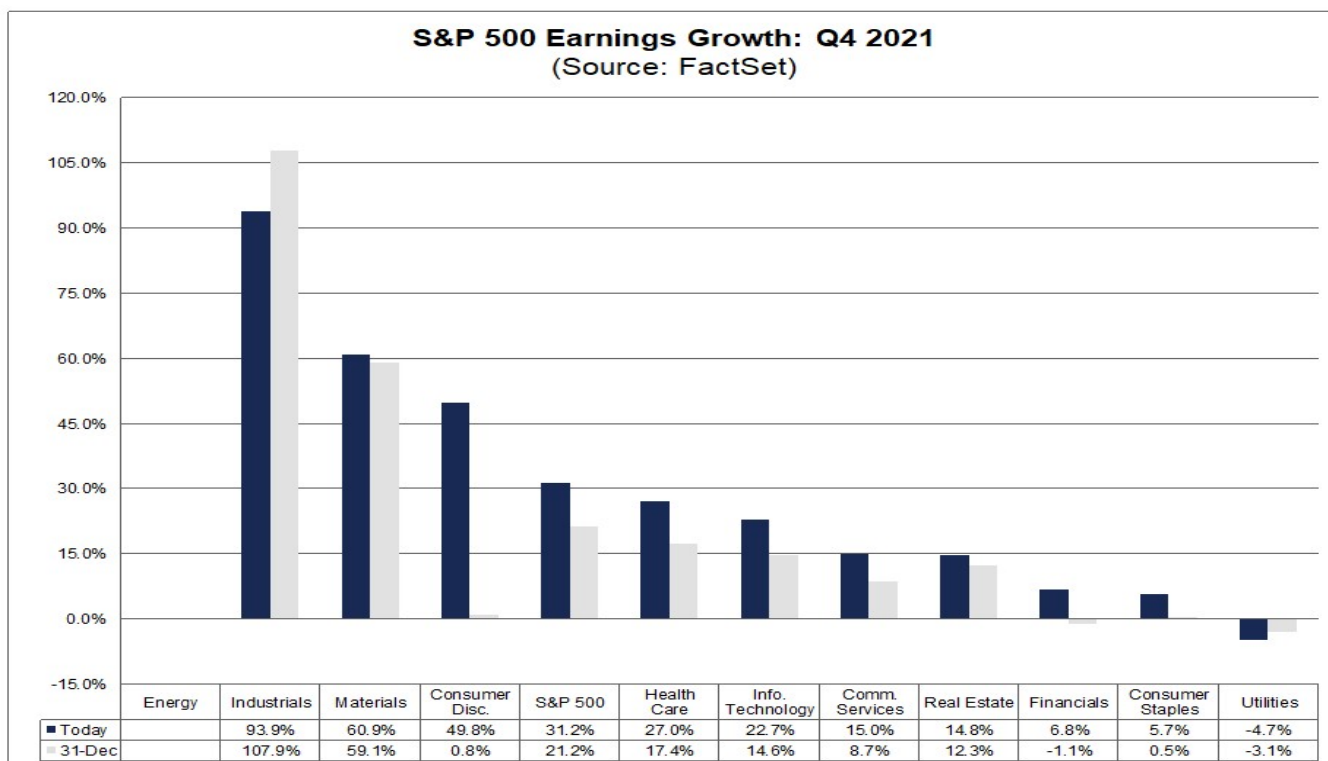
Q4 2021: Scorecard



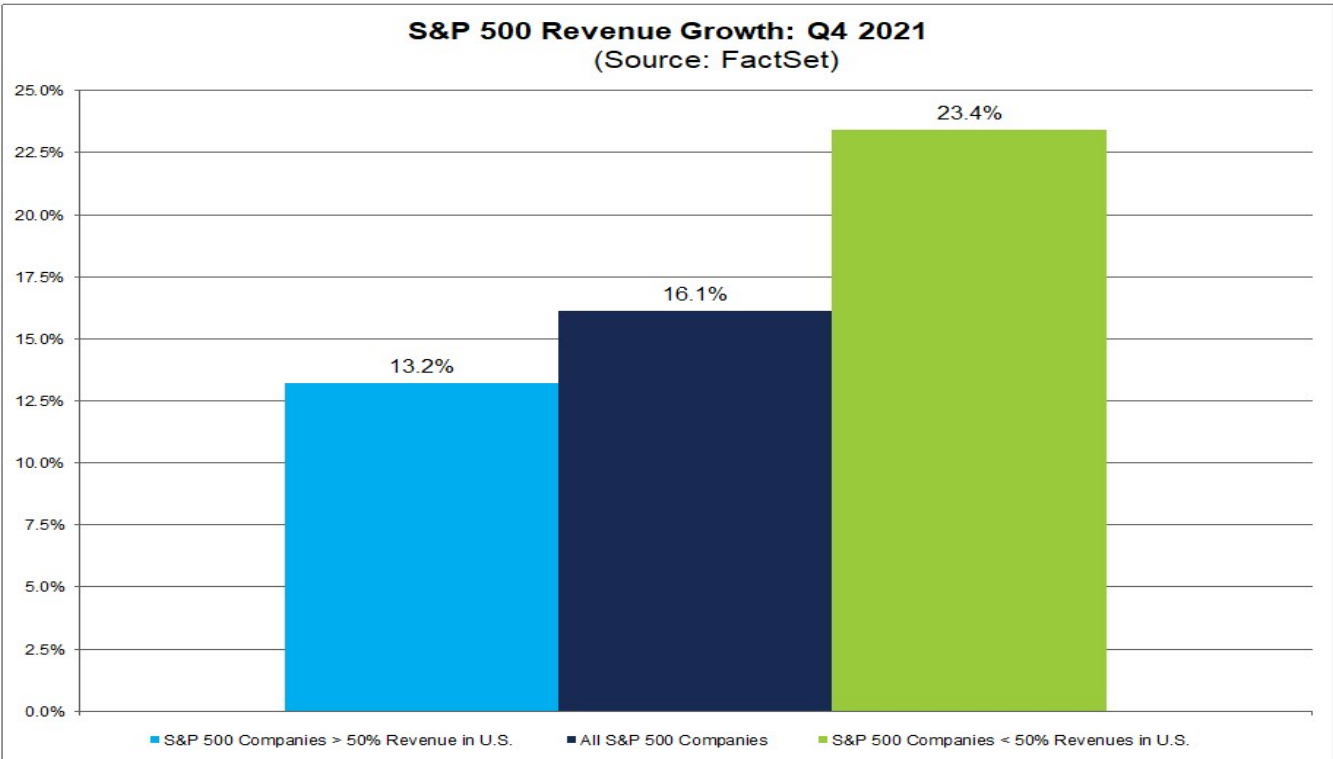
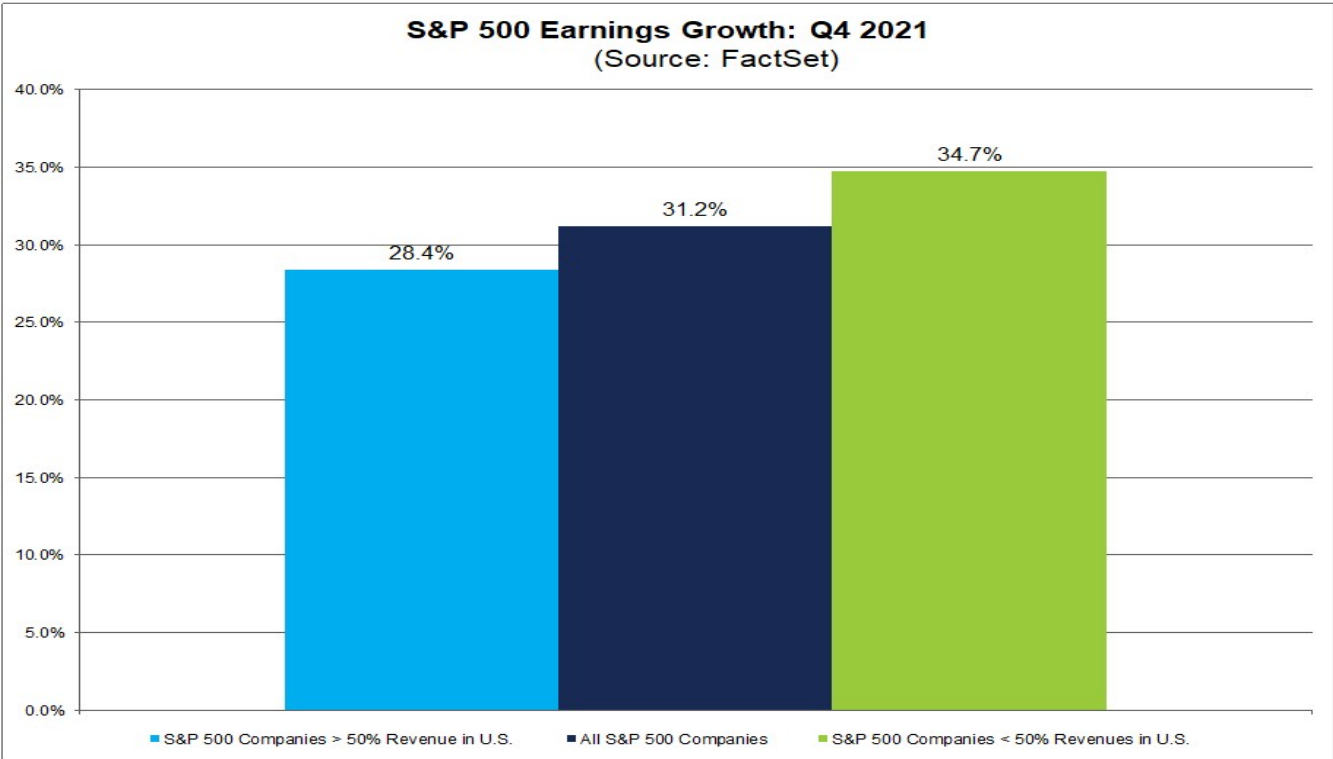
Q4 2021: Scorecard



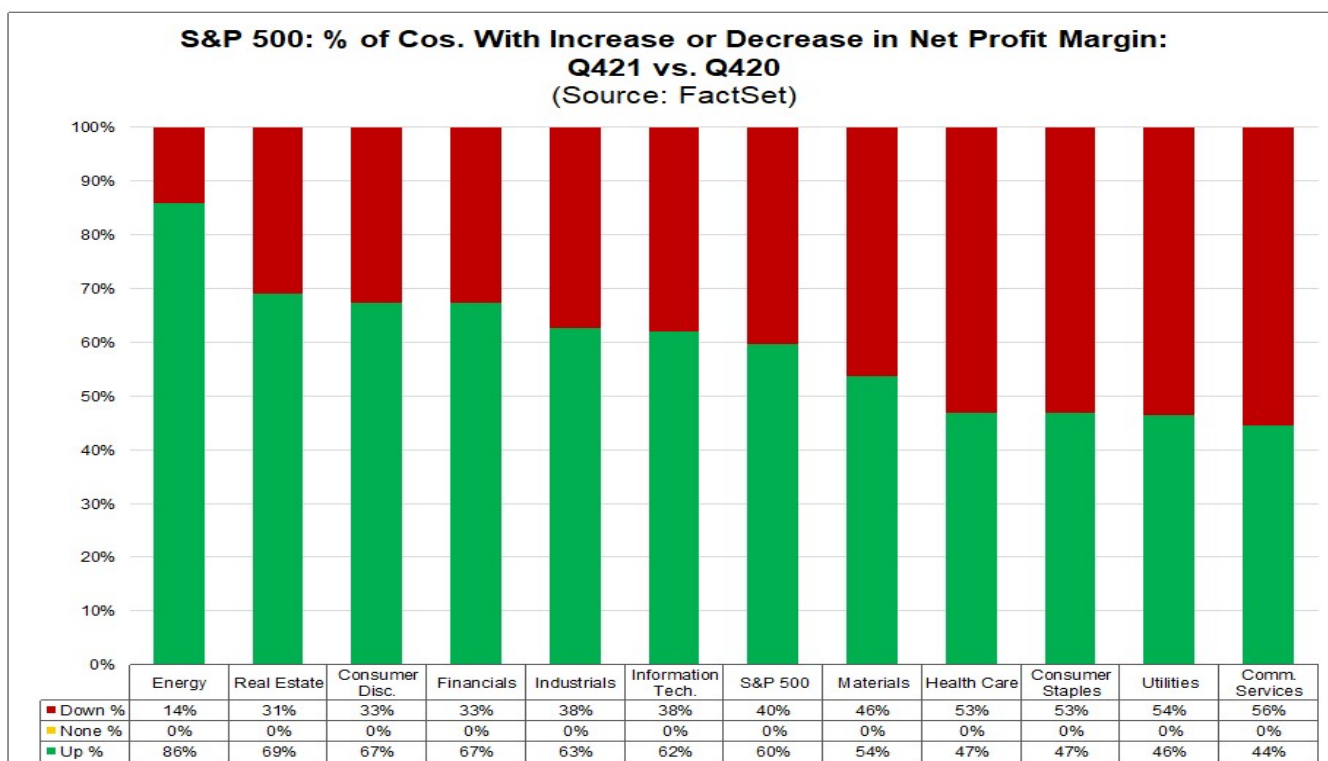
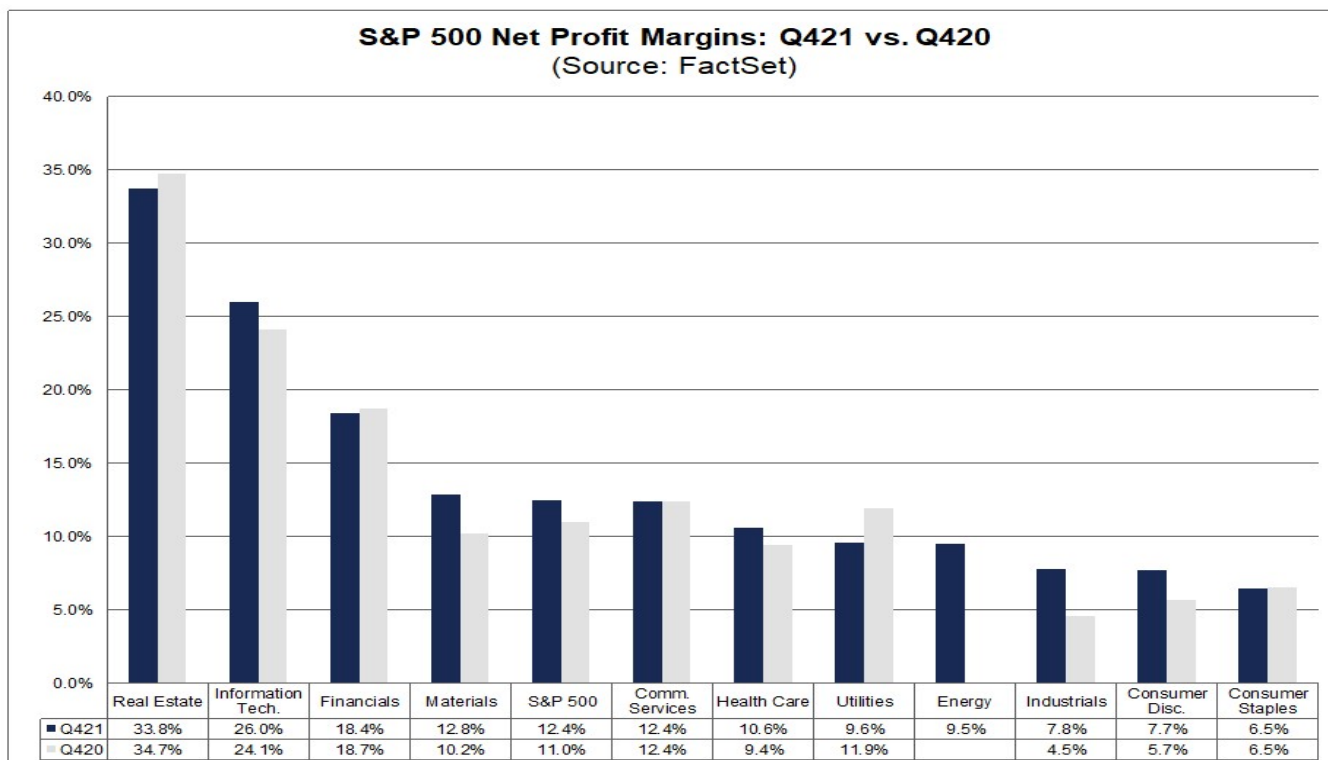
Q4 2021: Growth



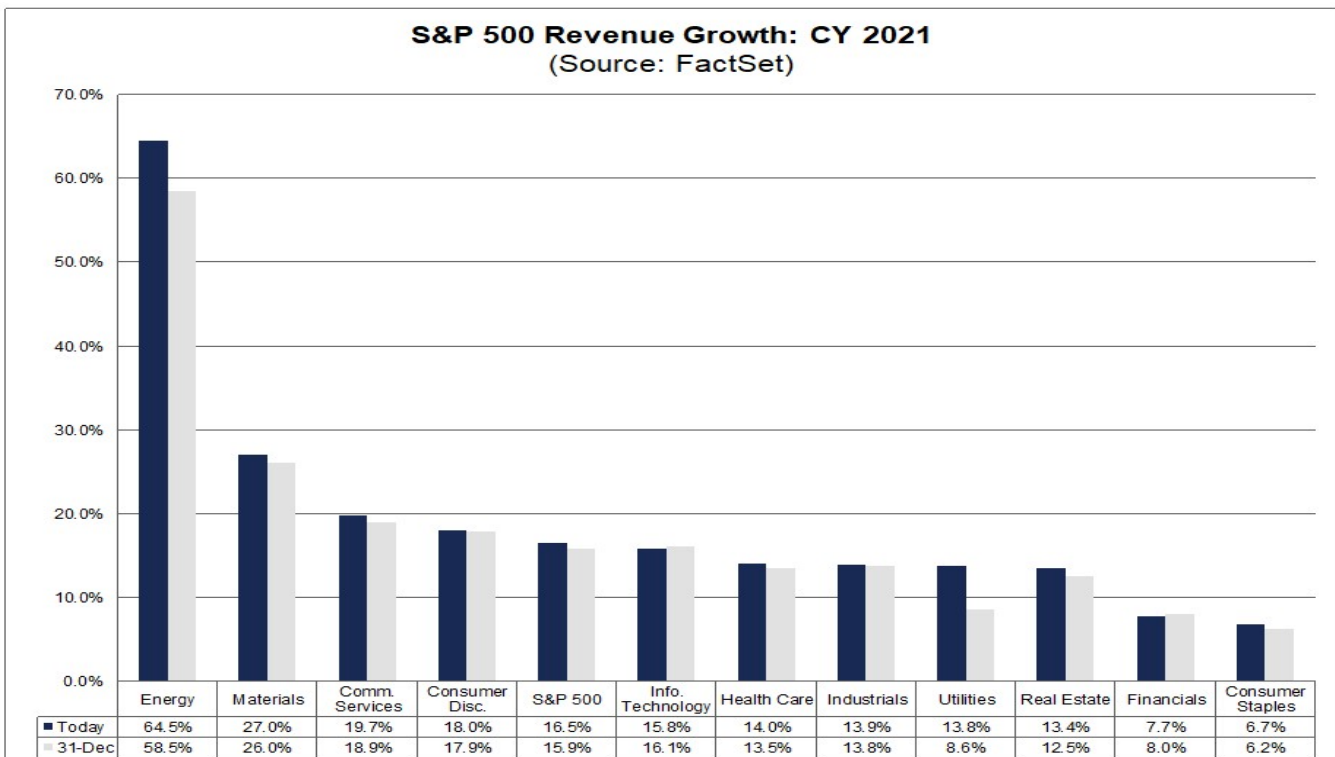
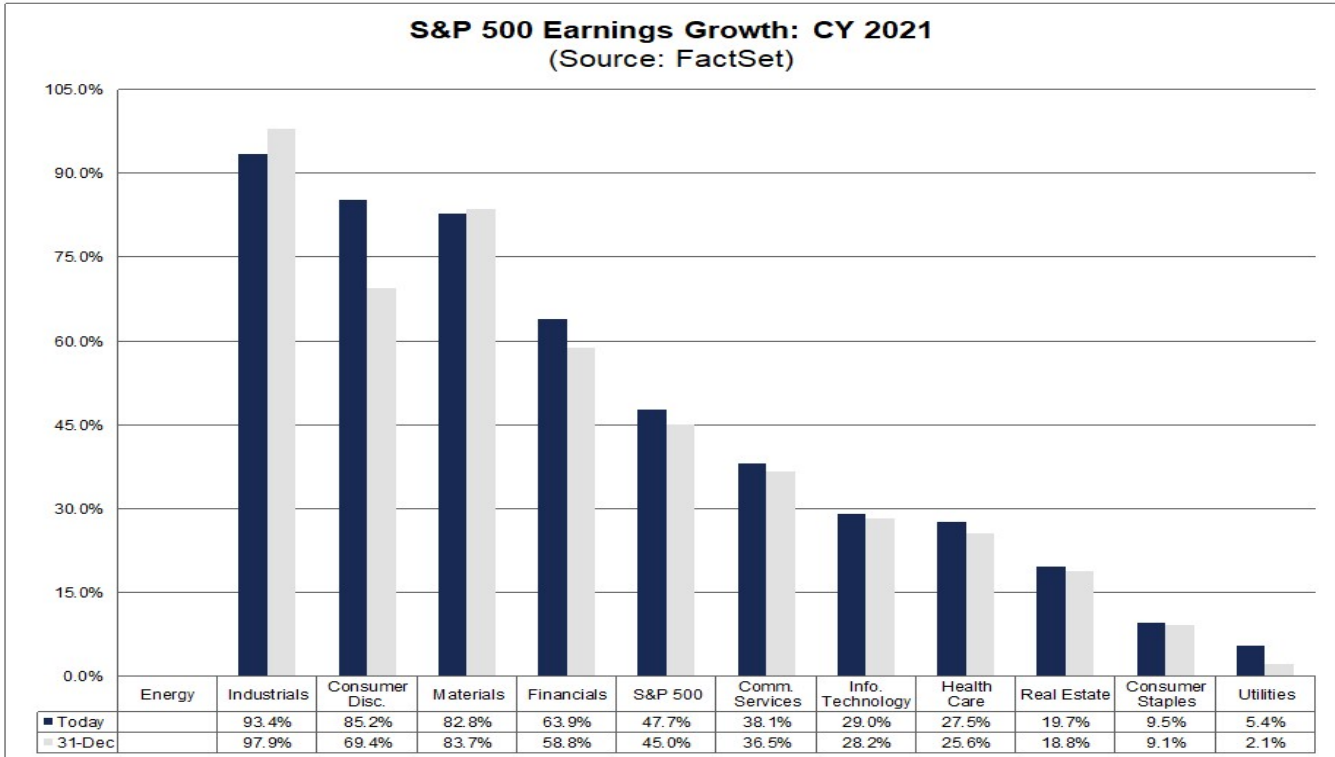
Q4 2021: Growth



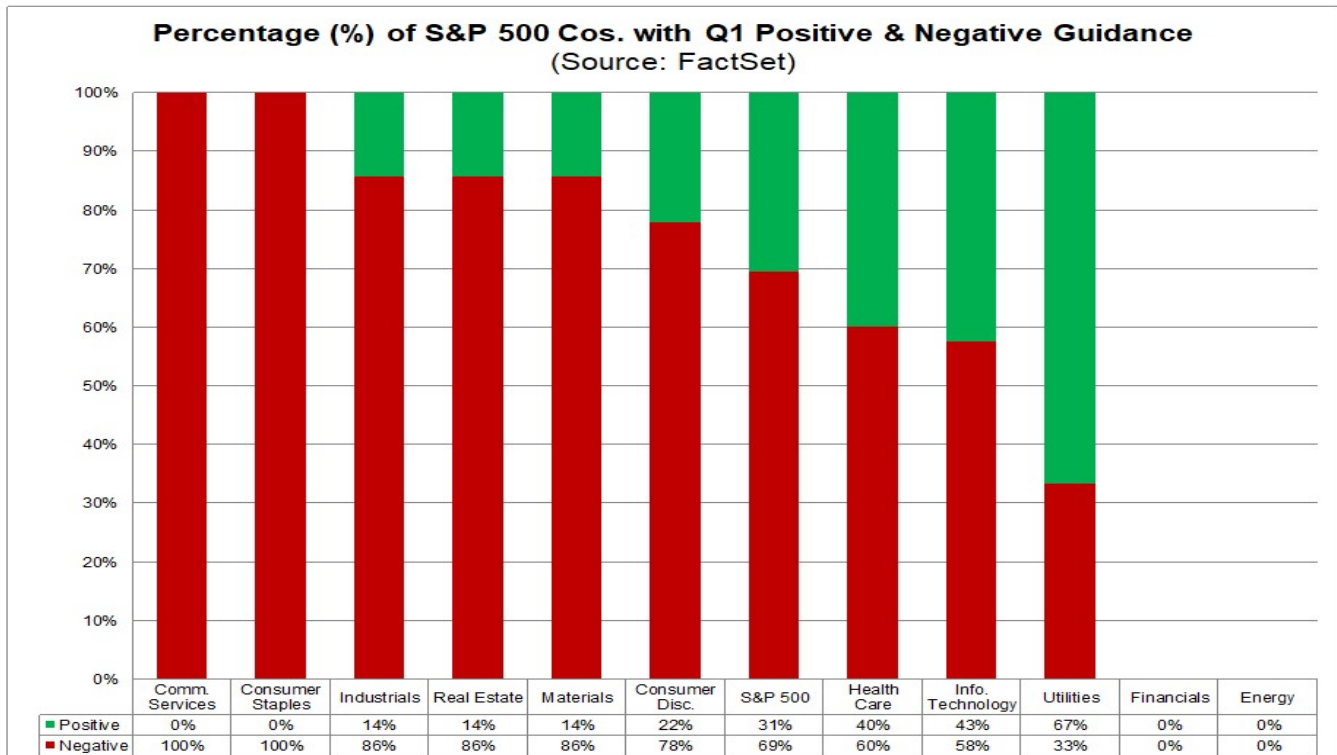
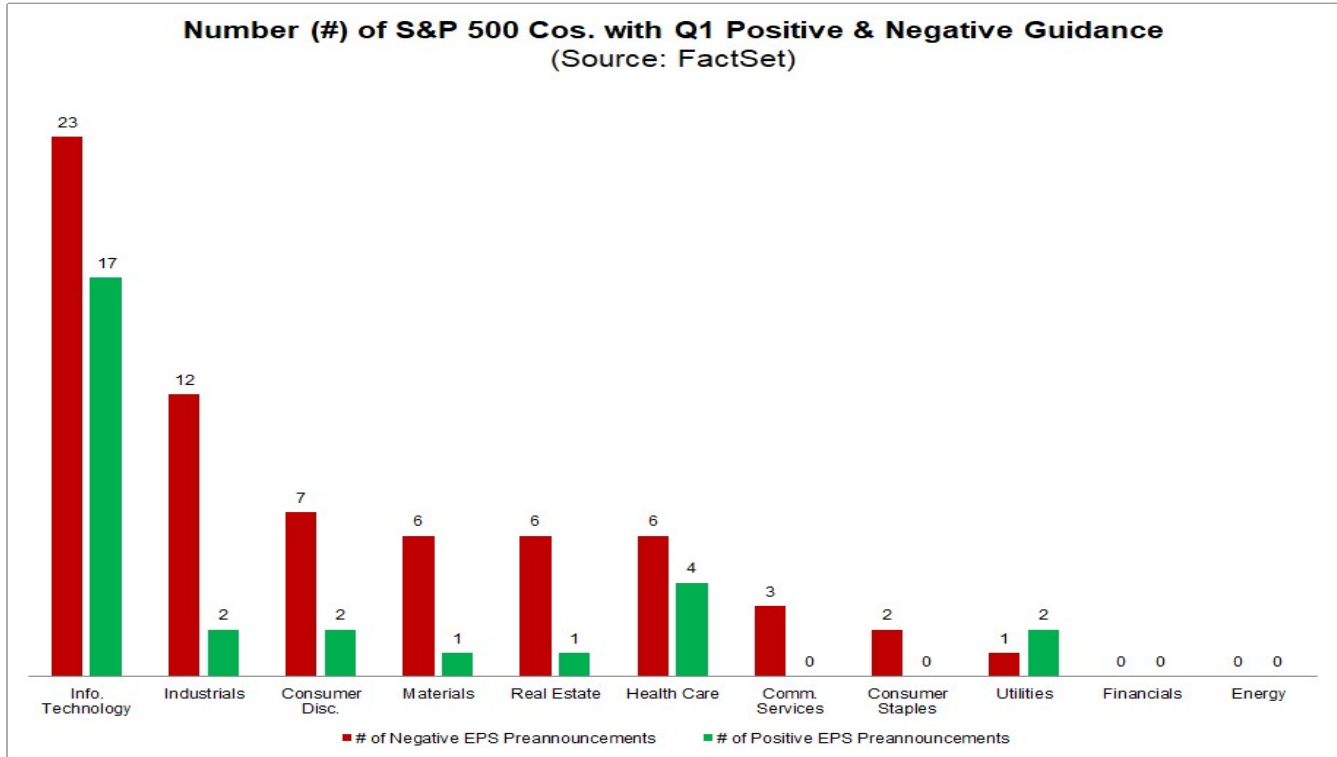
Q4 2021: Net Profit Margin



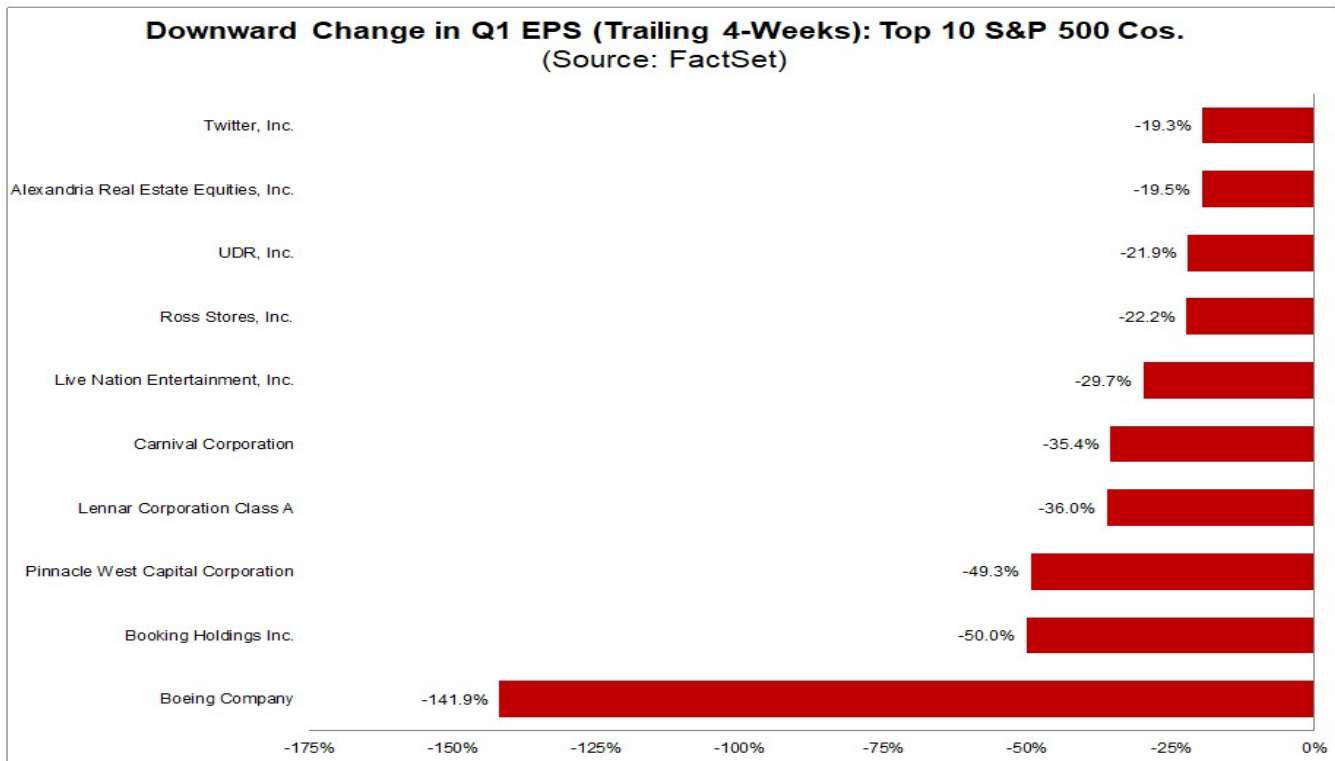
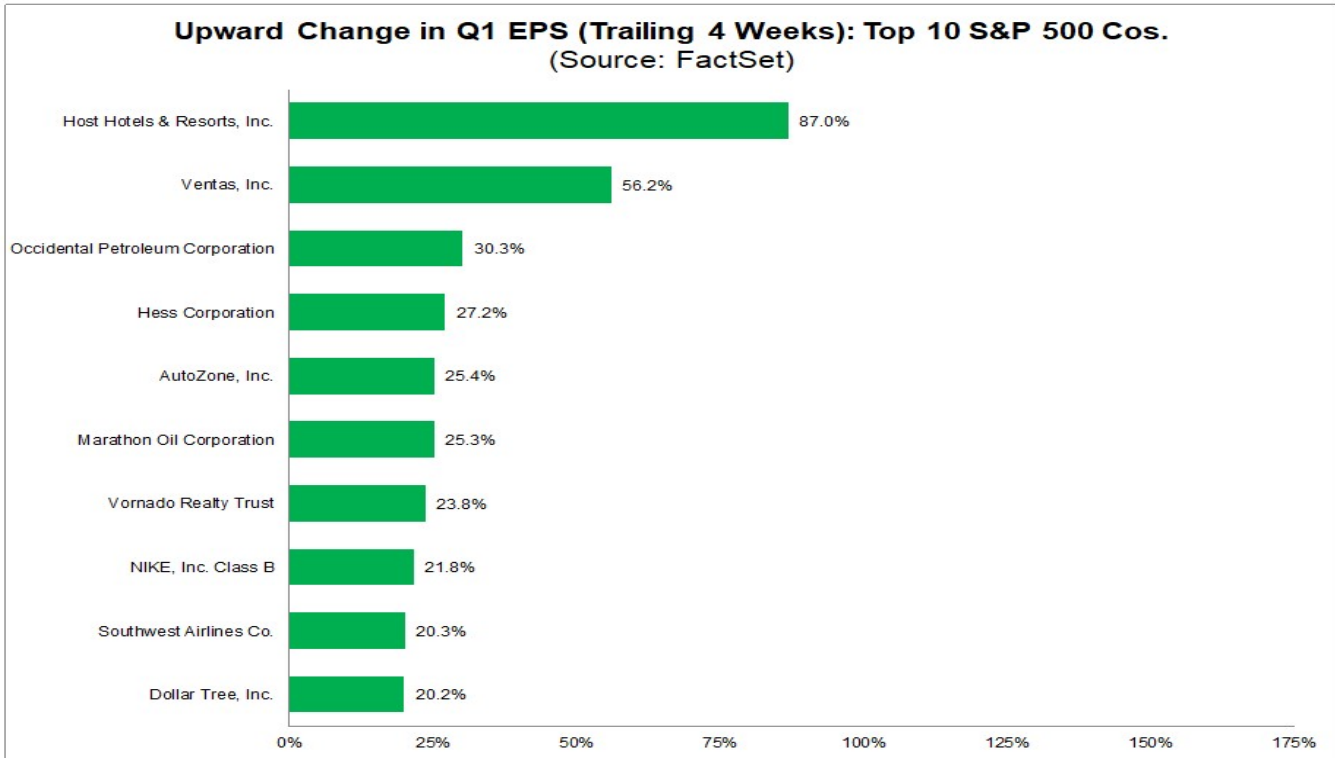
CY 2021: Growth



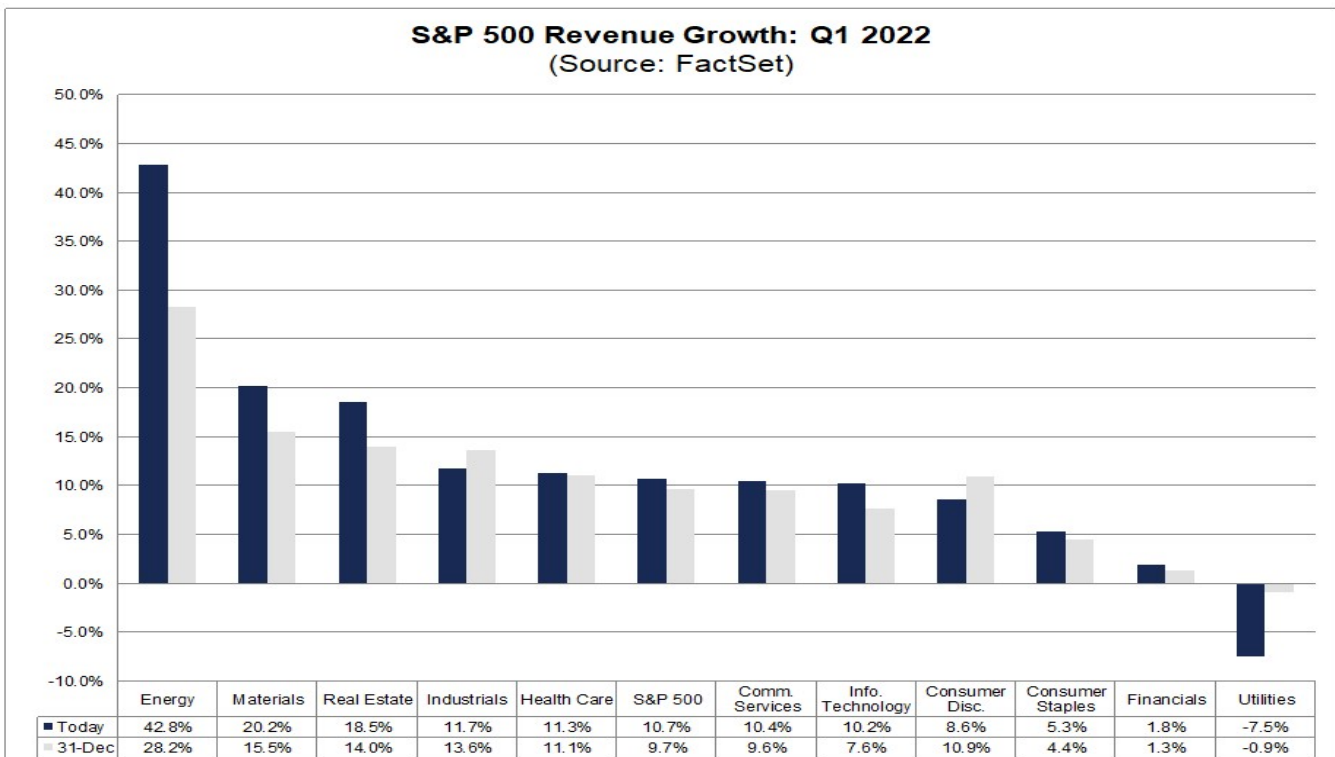
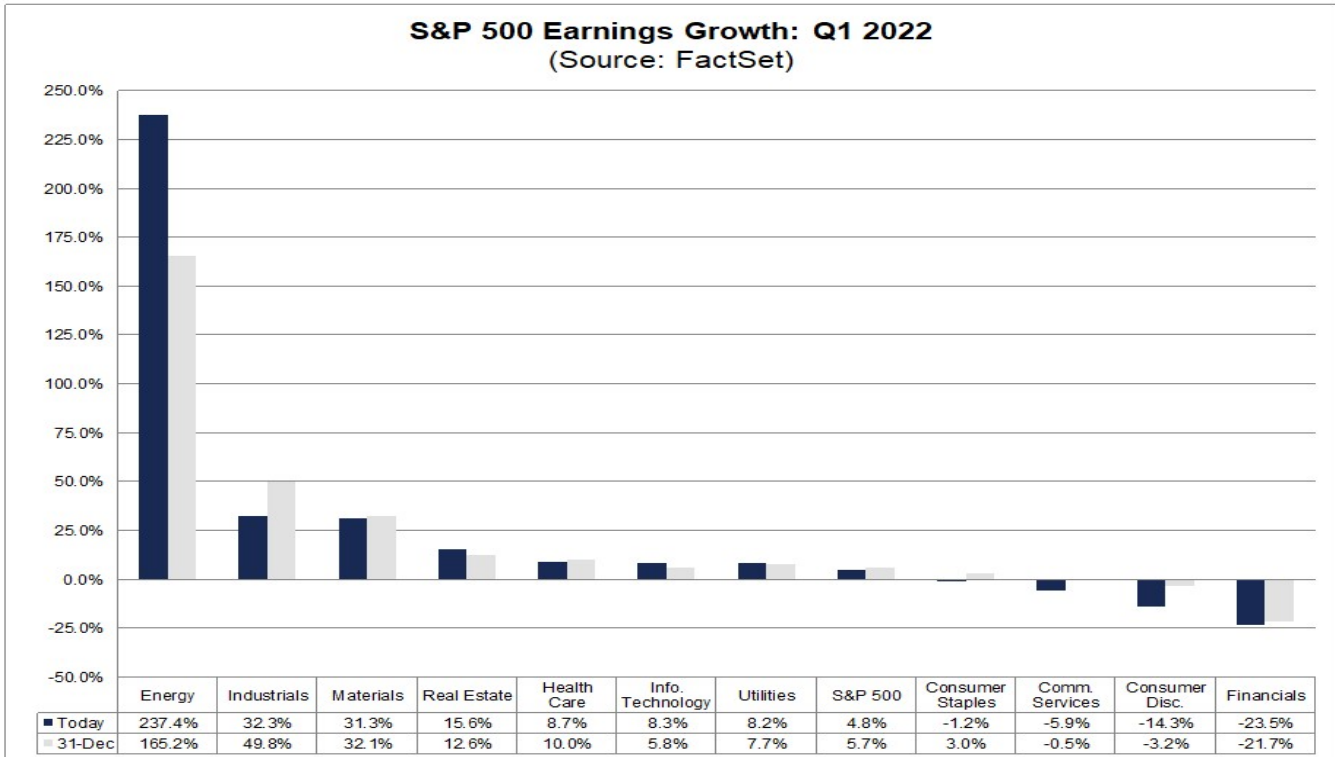
Q1 2022: EPS Guidance



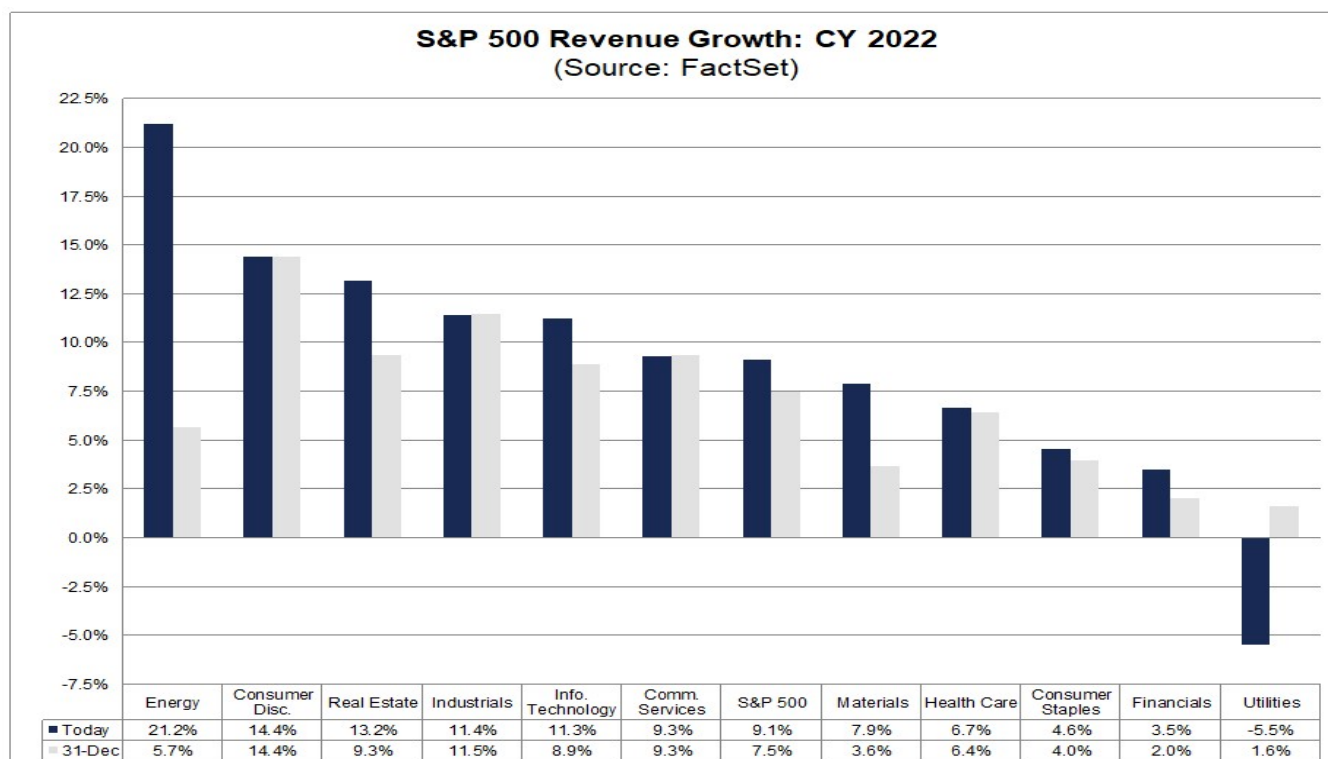
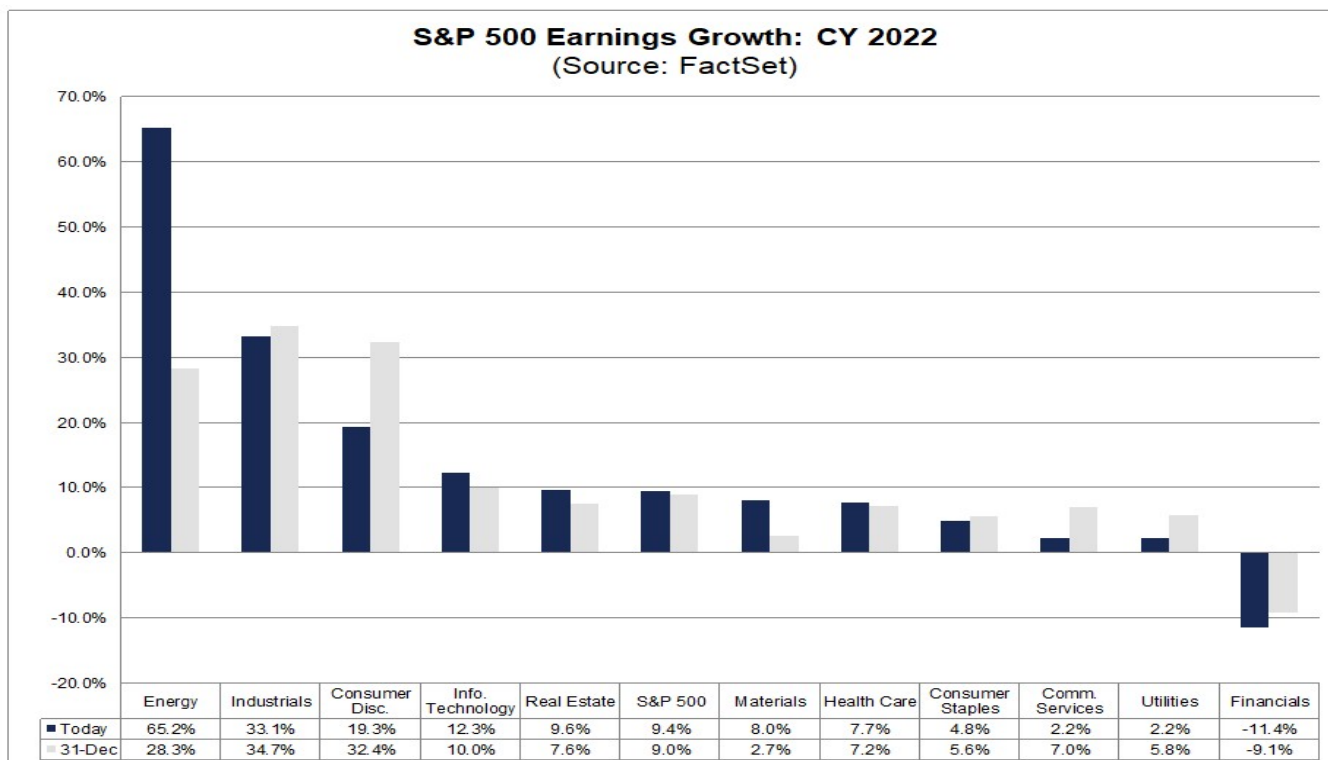
Q1 2022: EPS Revisions



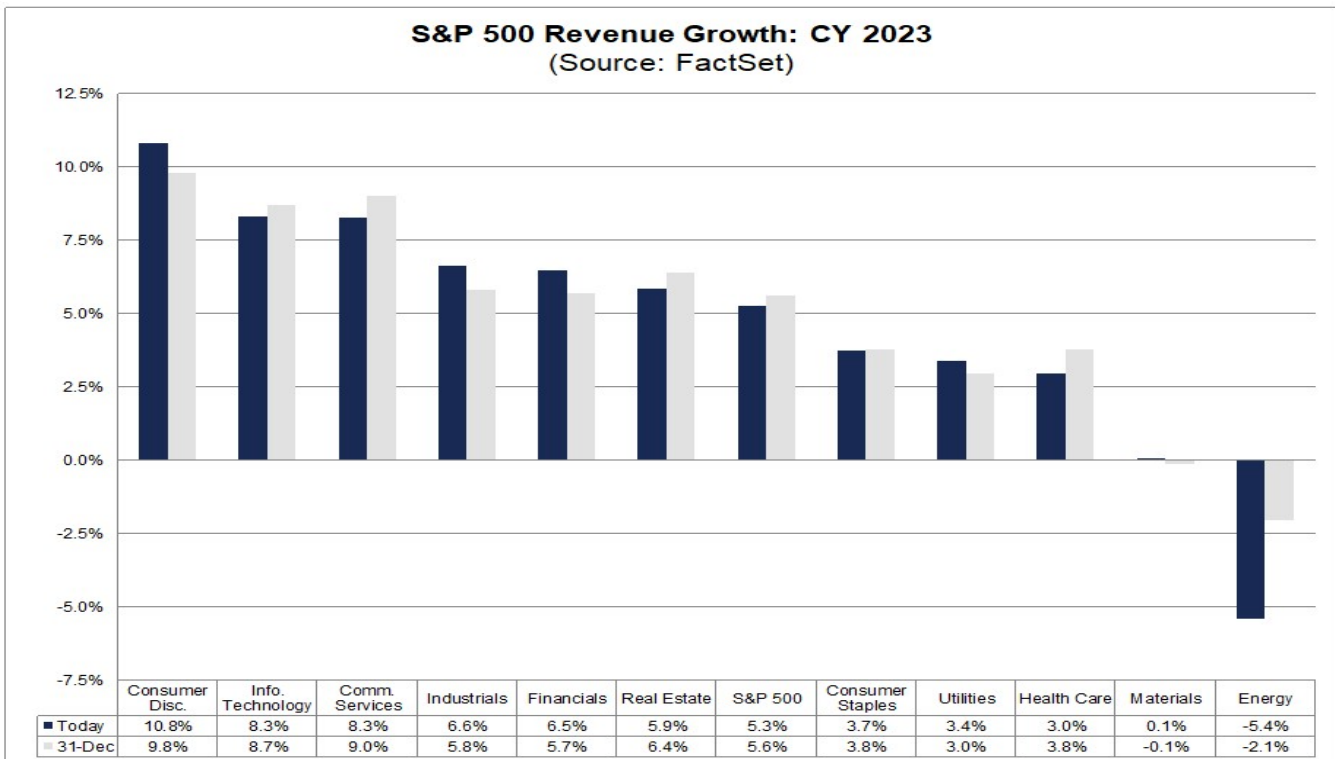
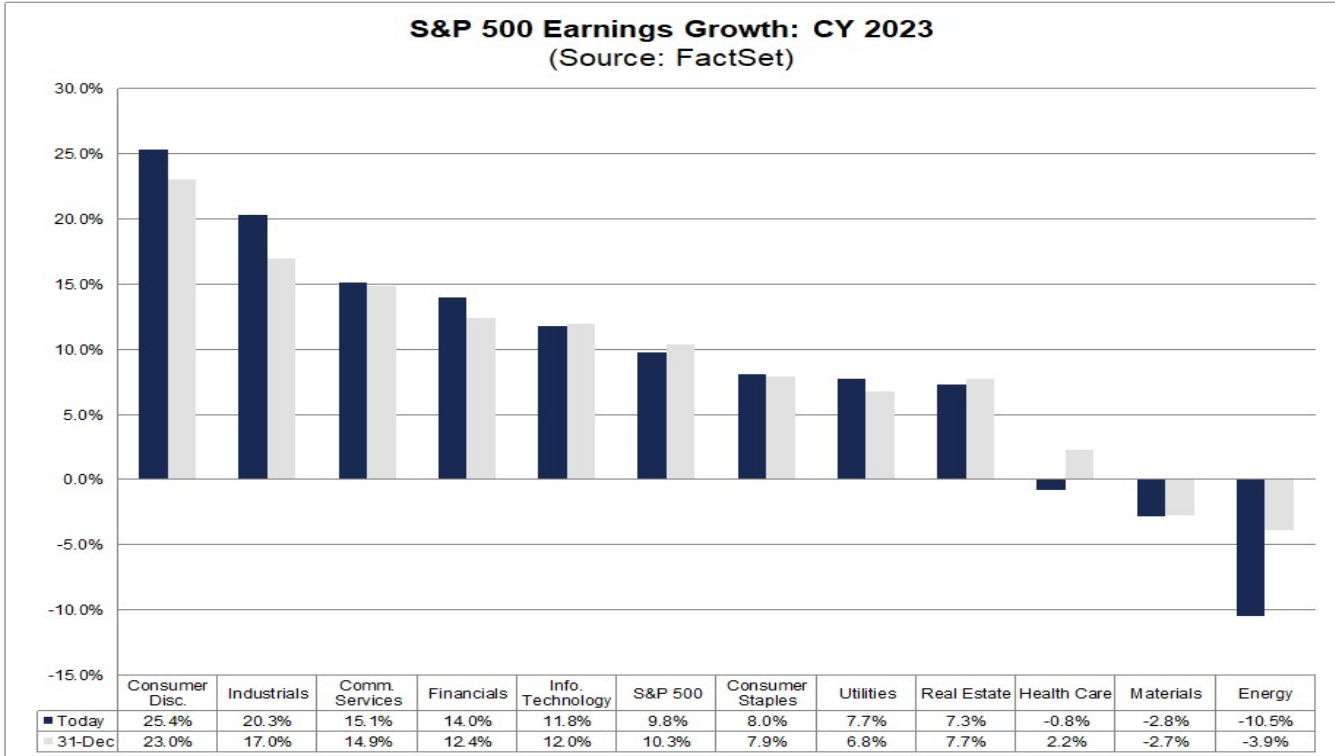
Q1 2022: Growth



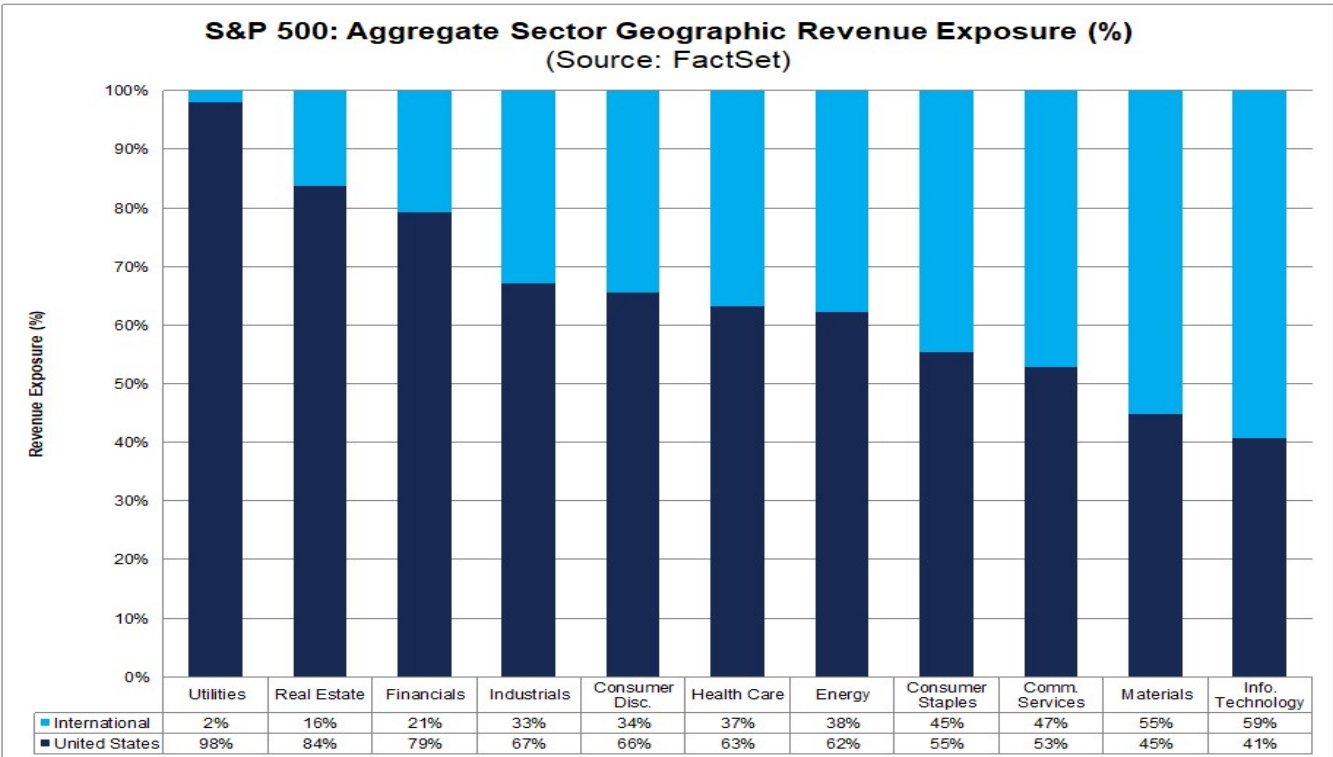
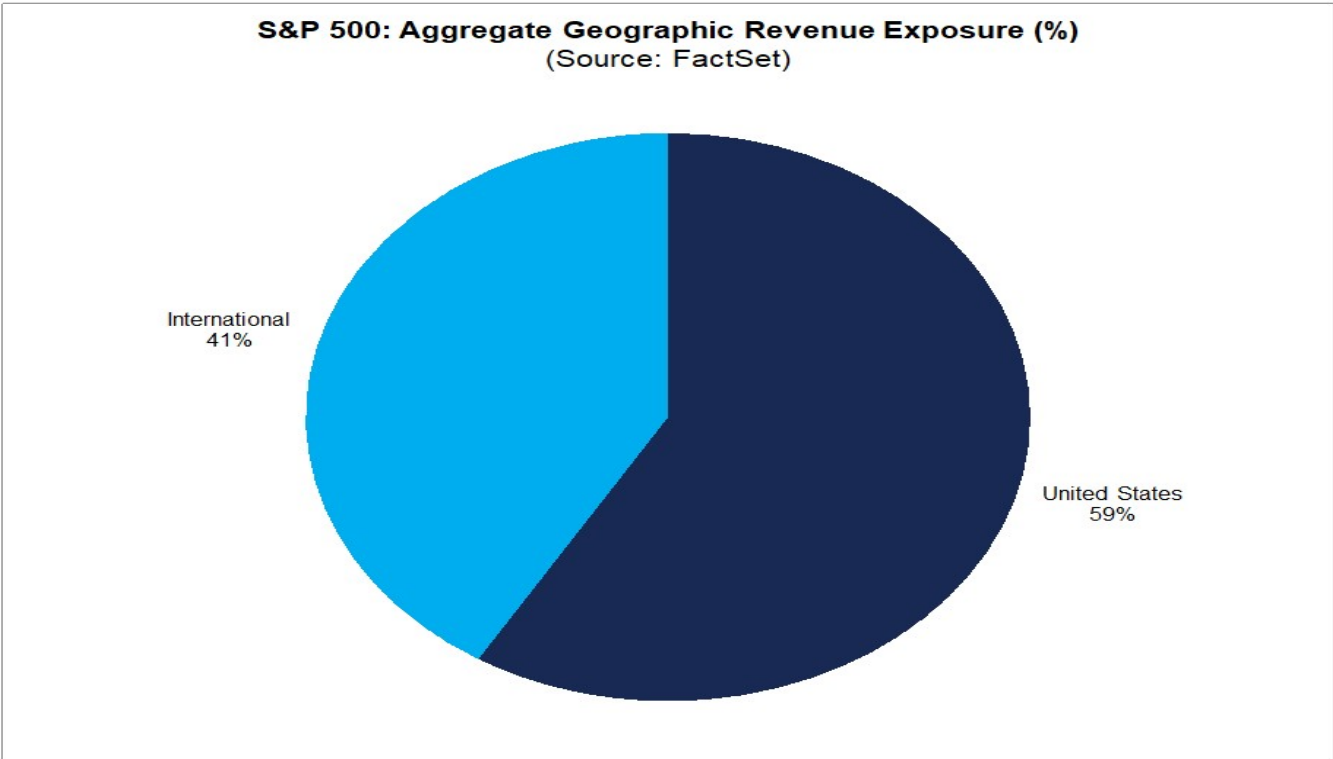
CY 2022: Growth



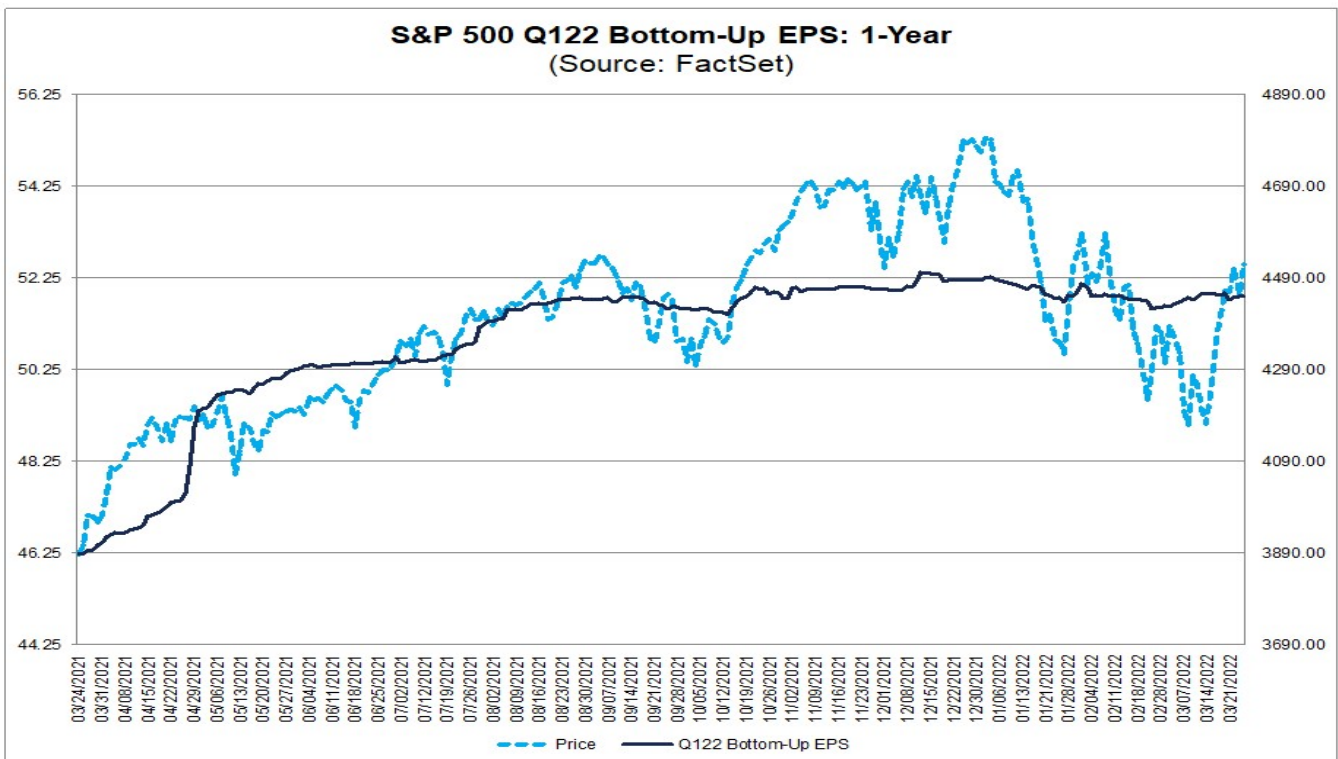
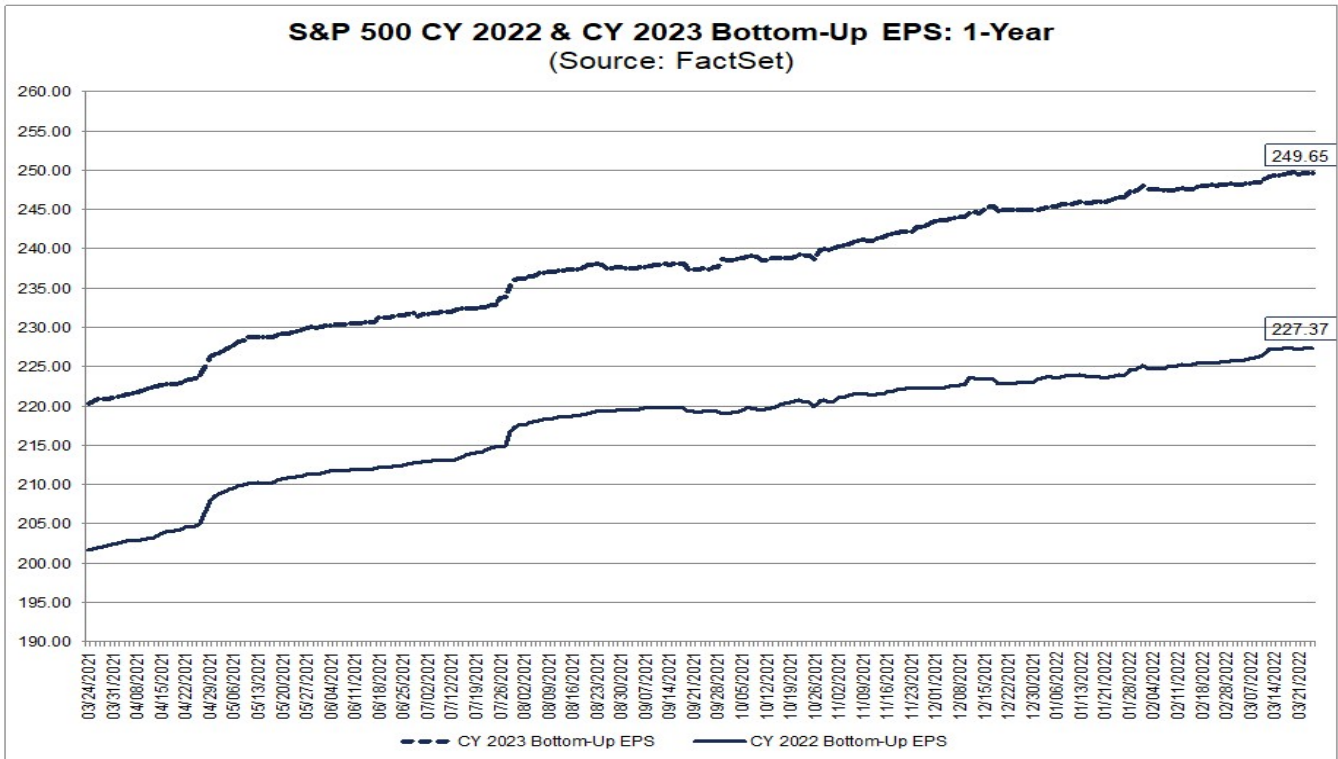
CY 2023: Growth



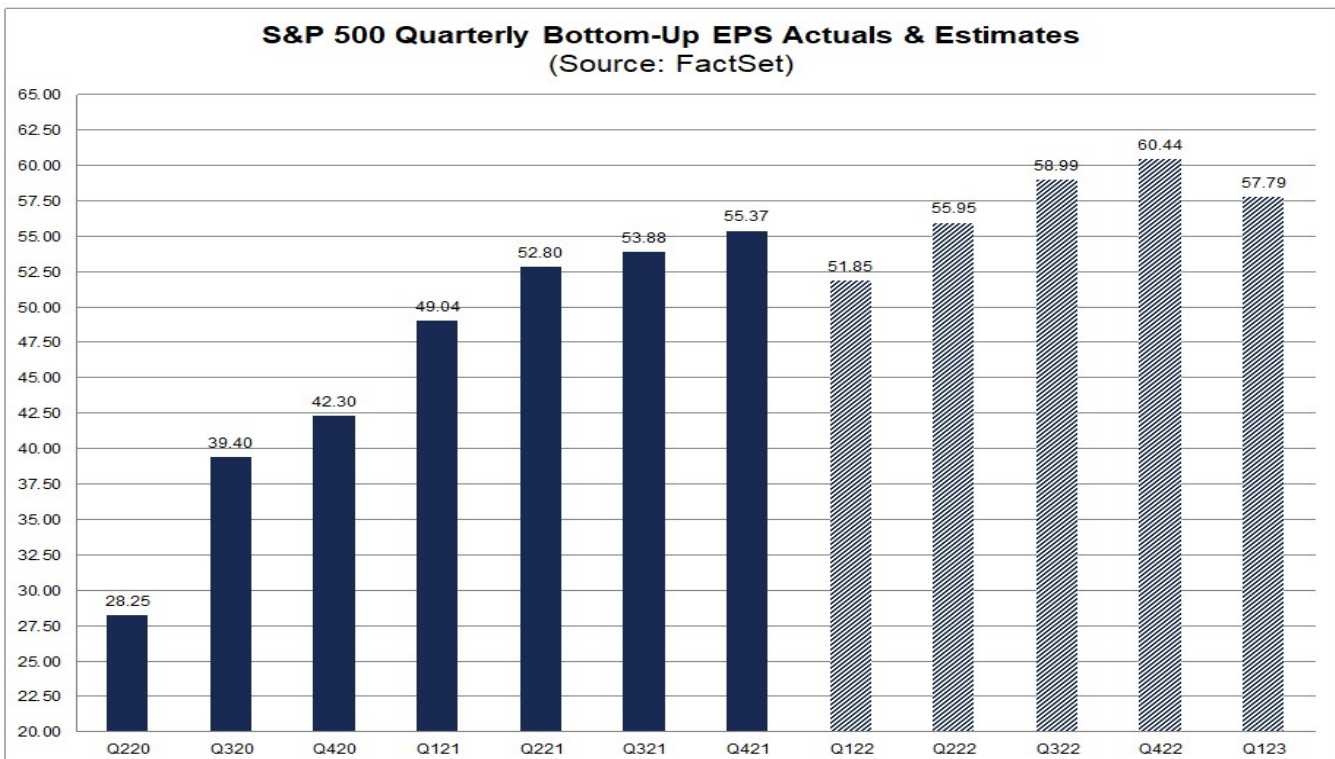
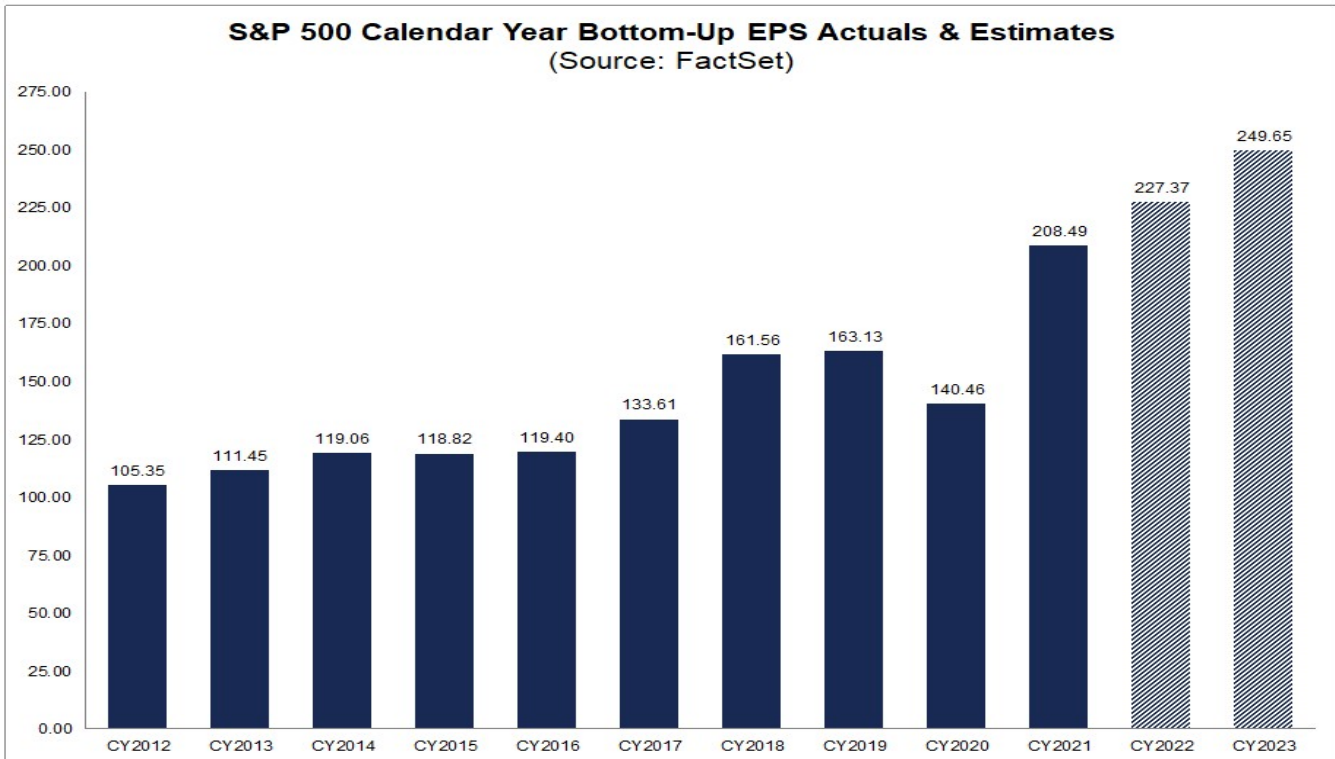
Geographic Revenue Exposure



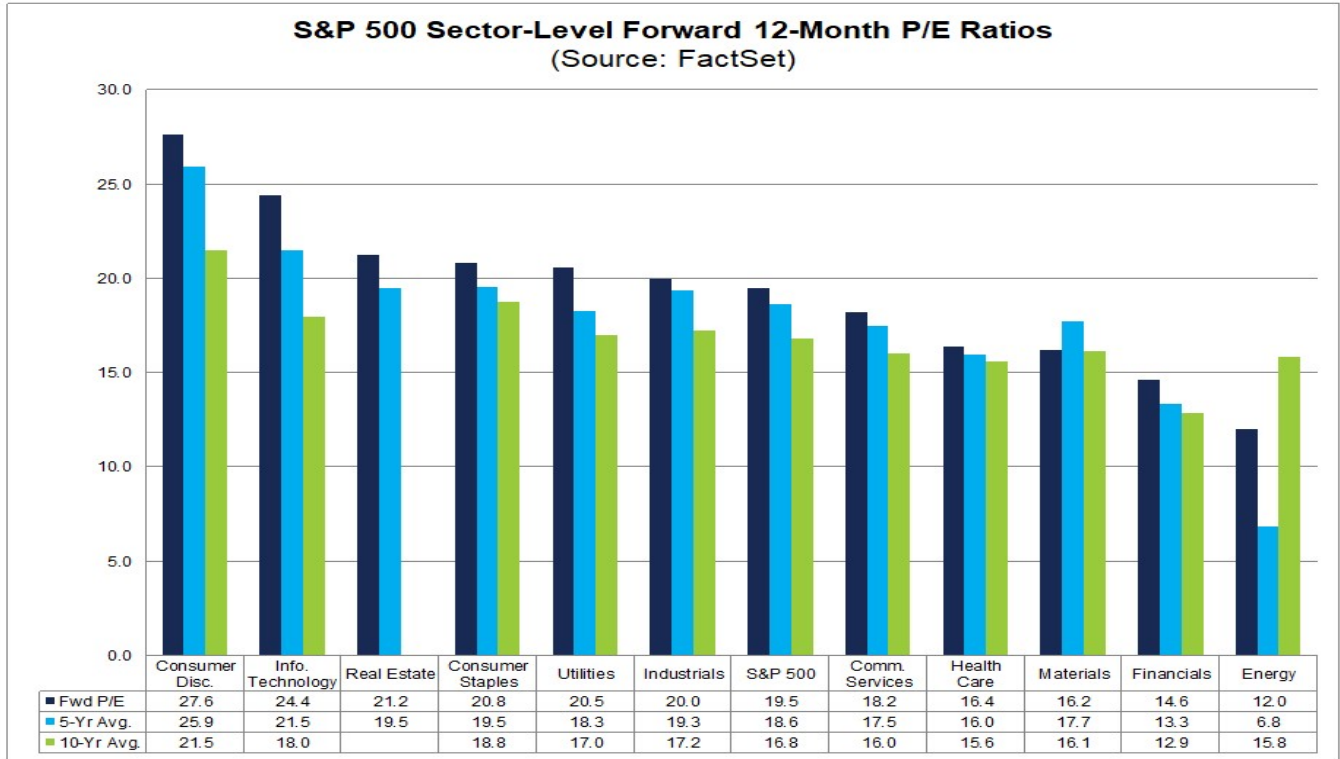
Bottom-up EPS Estimates: Revisions



Bottom-up EPS Estimates: Current & Historical

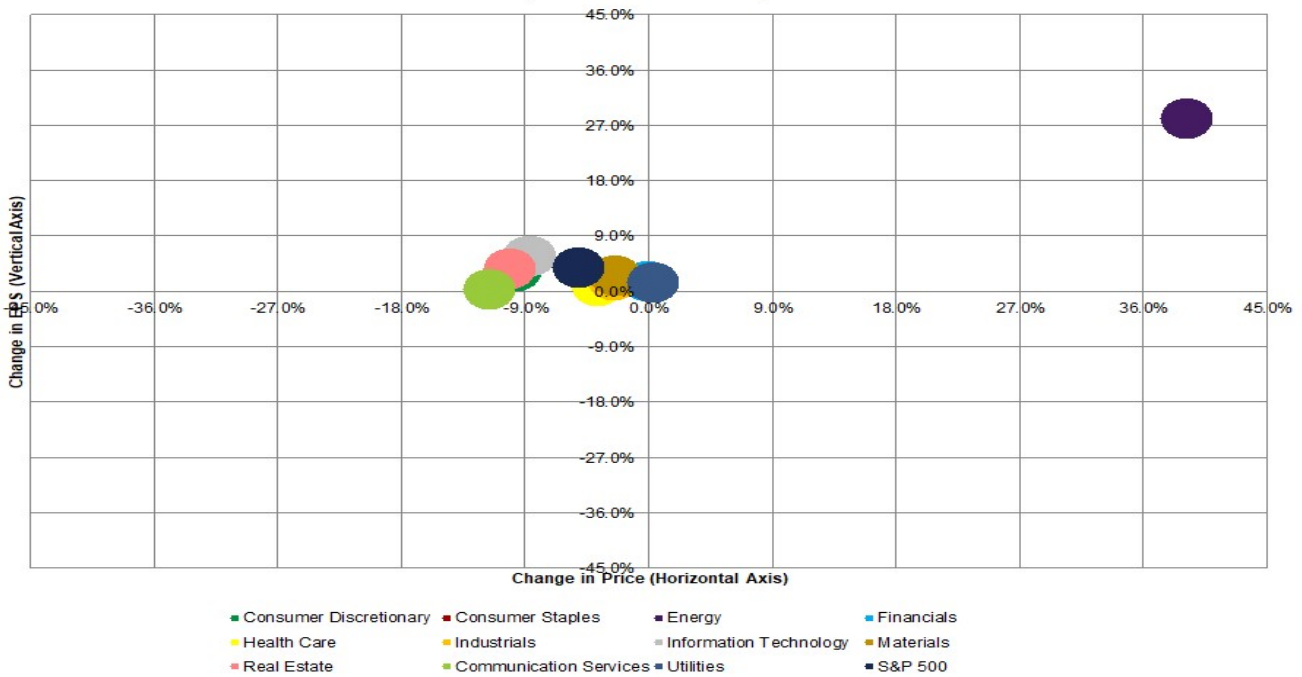


Forward 12M P/E Ratio: Sector Level

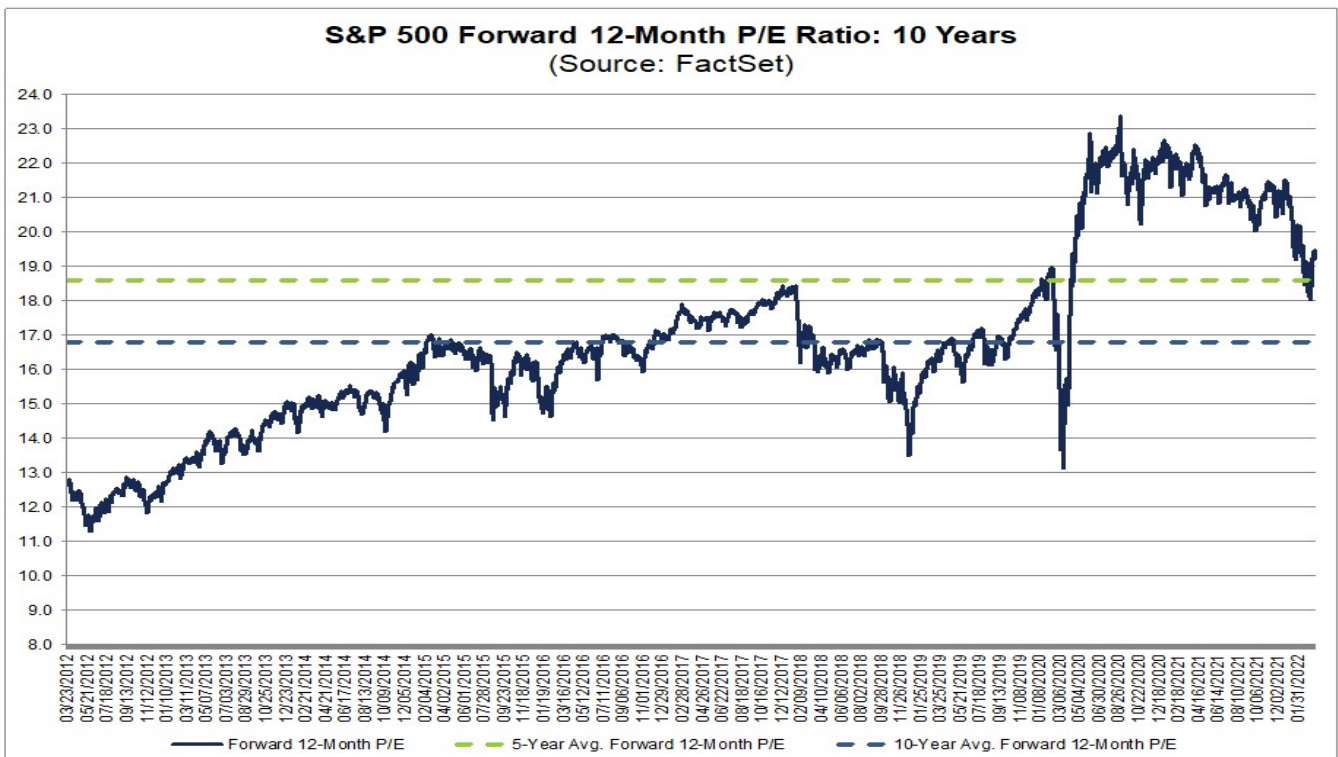
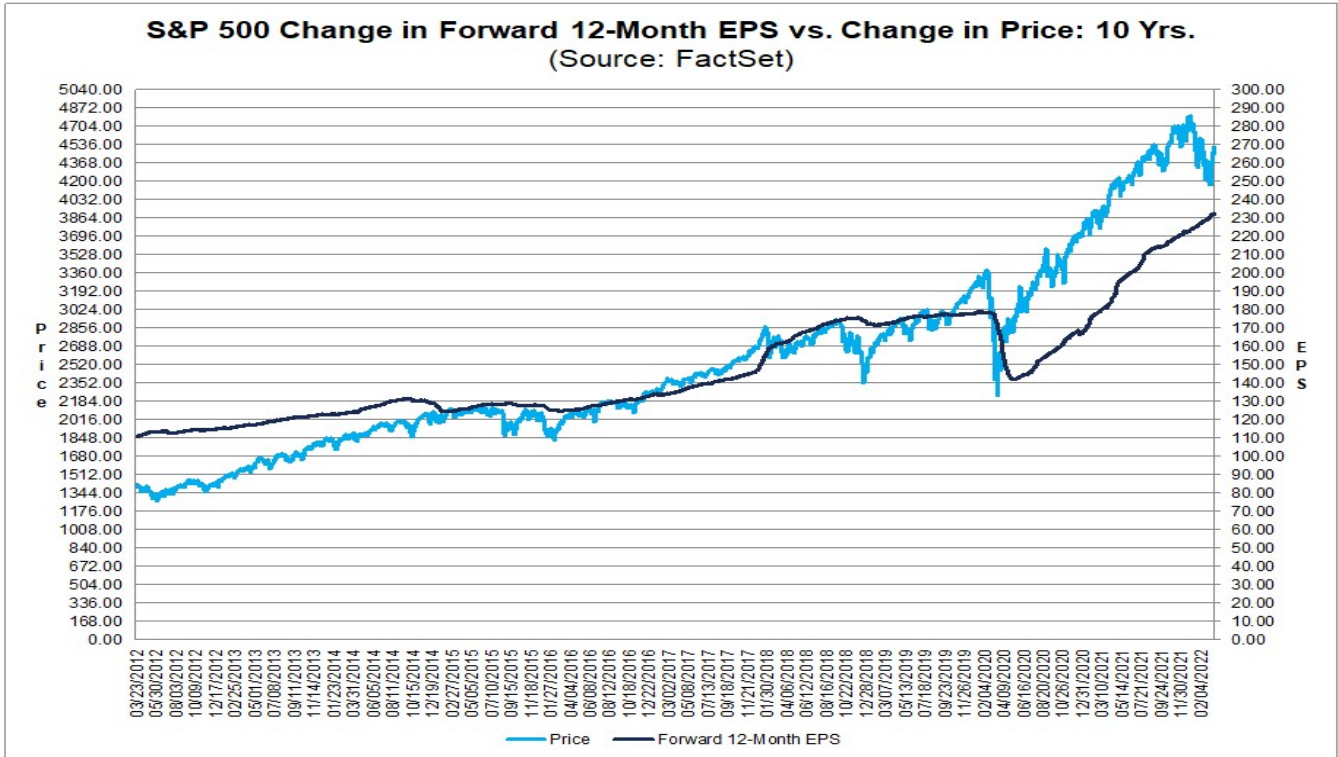


Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Dec. 31

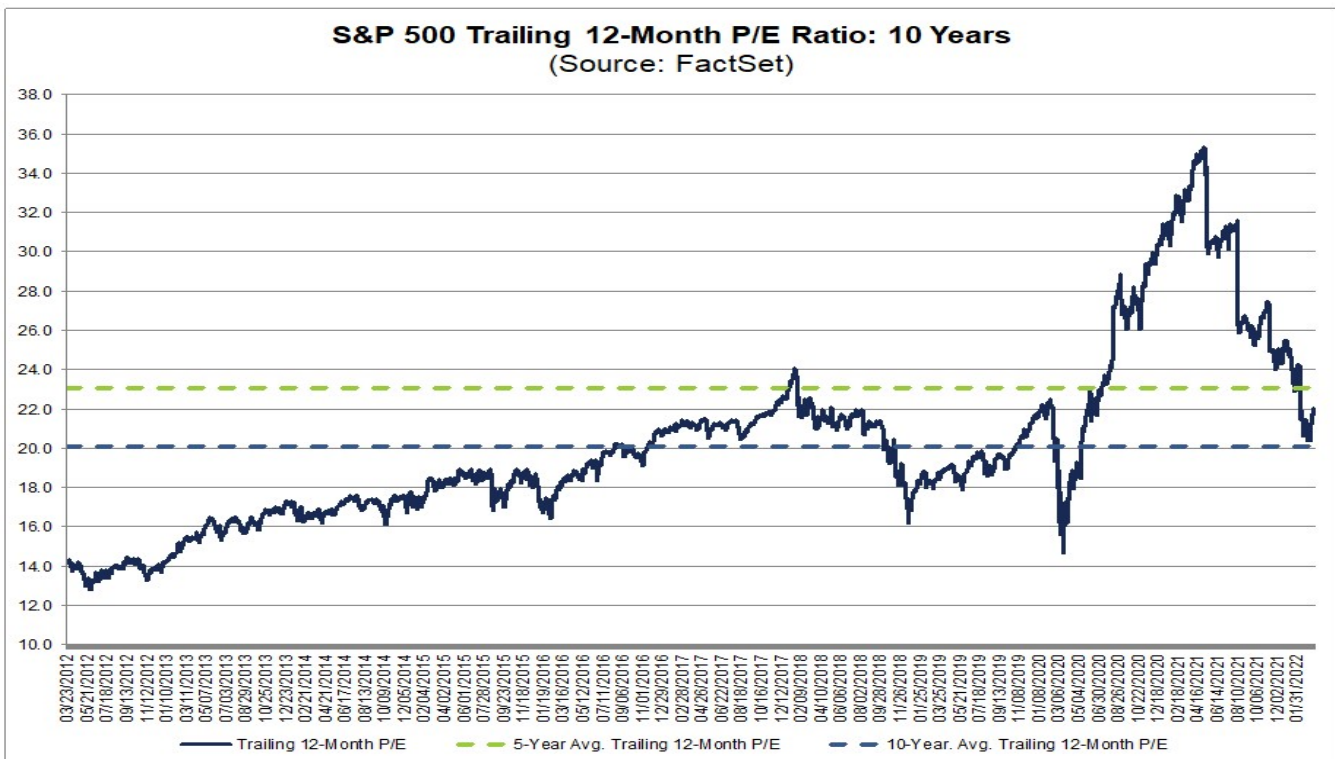
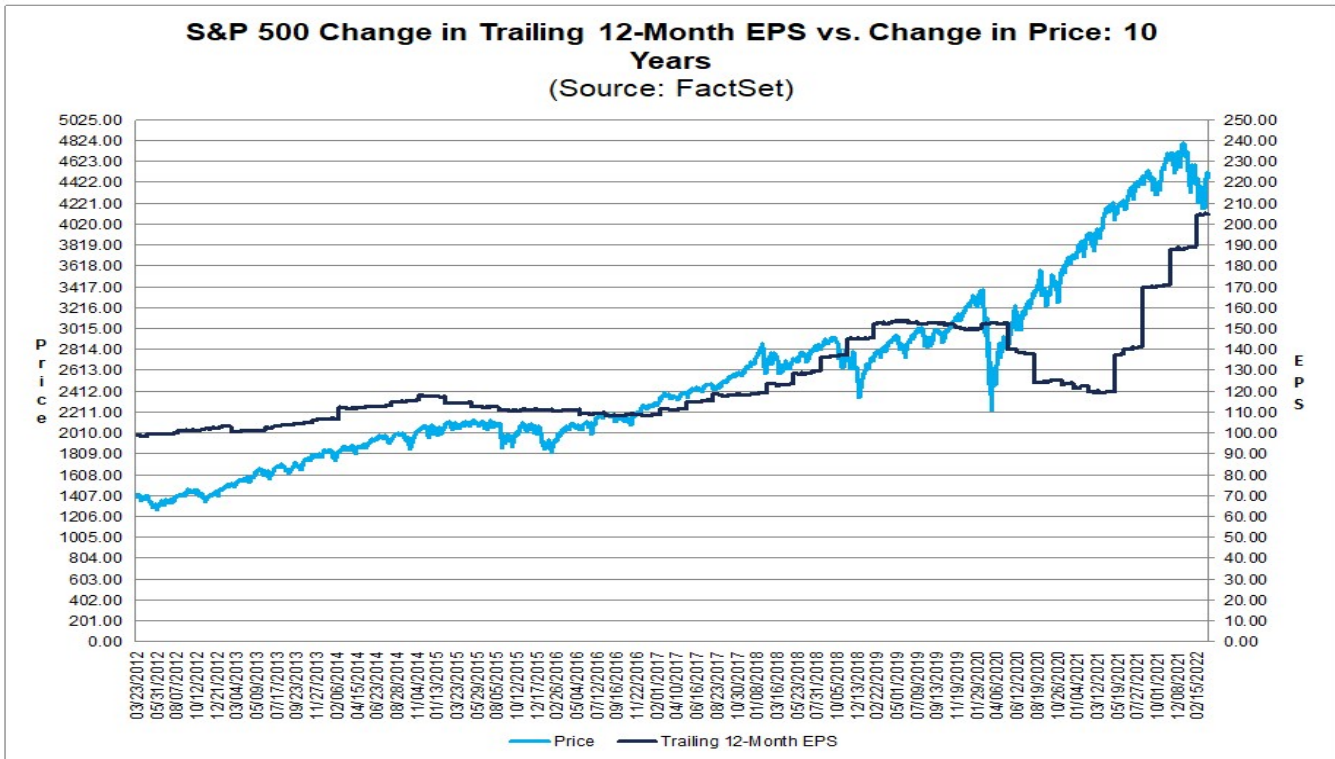
(Source: FactSet)



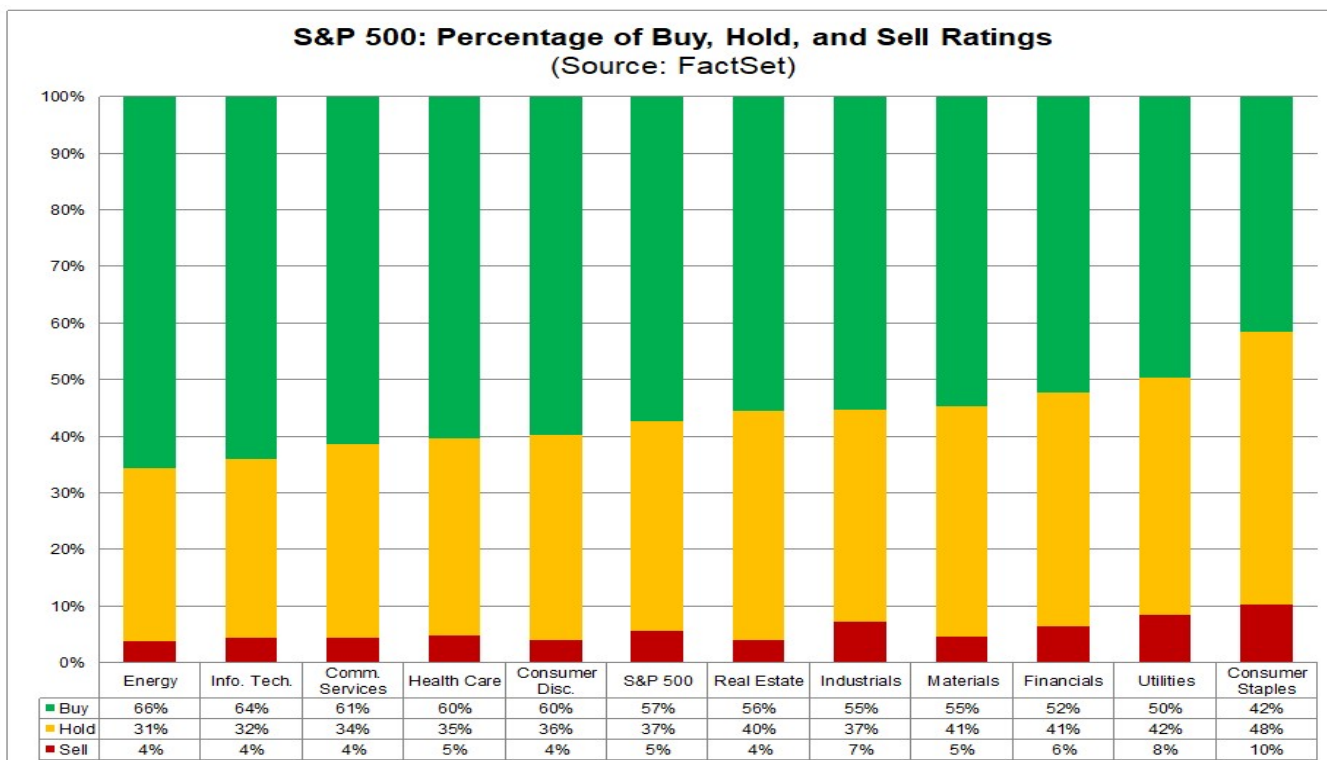
Forward 12M P/E Ratio: 10-Years



Trailing 12M P/E Ratio: 10-Years



Targets & Ratings



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