Key Metrics

- **Earnings Scorecard:** For Q3 2021 (with 89% of S&P 500 companies reporting actual results), 81% of S&P 500 companies have reported a positive EPS surprise and 75% of S&P 500 companies have reported a positive revenue surprise.

- **Earnings Growth:** For Q3 2021, the blended earnings growth rate for the S&P 500 is 39.1%. If 39.1% is the actual growth rate for the quarter, it will mark the third-highest (year-over-year) earnings growth rate reported by the index since 2010.

- **Earnings Revisions:** On September 30, the estimated earnings growth rate for Q3 2021 was 27.4%. Nine sectors have higher earnings growth rates today (compared to September 30) due to positive EPS surprises and upward revisions to estimates.

- **Earnings Guidance:** For Q4 2021, 41 S&P 500 companies have issued negative EPS guidance and 26 S&P 500 companies have issued positive EPS guidance.

- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 21.4. This P/E ratio is above the 5-year average (18.4) and above the 10-year average (16.5).

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Earnings Insight

Topic of the Week:

S&P 500 Is Reporting 2nd Highest Revenue Growth Since (At Least) 2008

As of today, the blended (combines actual results for companies that have reported and estimated results for companies that have yet to report), year-over-year revenue growth rate for Q3 2021 is 17.3%, which is above the estimate of 12.6% on June 30 and the estimate of 14.9% on September 30. How does this growth rate compare to recent quarters? What sectors and companies are reporting the highest growth in revenues?

The Q3 revenue growth rate of 17.3% is well above the 5-year average growth rate of 5.8% and the 10-year average growth rate of 3.5%. In fact, if 17.3% is the actual growth rate for the quarter, it will mark the second-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. The unusually high growth rate is due to a combination of higher revenues in Q3 2021 and an easier comparison to lower revenues in Q3 2020 due to the negative impact of COVID-19.

At the sector level, all eleven sectors are reporting year-over-year growth in revenues. On a percentage basis, eight of the eleven sectors are reporting double-digit revenue growth, led by the Energy (74.5%) and Materials (32.0%) sectors. On a dollar-level basis, seven of the eleven sectors are reporting a year-over-year increase in revenues of at least $40 billion, led by the Energy (+$118.0 billion) and Health Care (+$84.4 billion) sectors.

At the company level, Moderna (+3,047%), Norwegian Cruise Line (+2,249%), Carnival Corporation (+1,661%), and Live Nation Entertainment (+1,367%) have reported the largest year-over-year increases in revenues on a percentage basis, while Exxon Mobil (+$27.6 billion), Chevron (+$20.3 billion), Alphabet (+$18.9 billion), and Apple (+$18.7 billion) have reported the largest year-over-year increases in revenues on a dollar-level basis.

Analysts expect year-over-year growth in revenues to continue for the next few quarters, but at lower levels compared to Q3 2021. The estimated revenue growth rates for Q4 2021, Q1 2022, and Q2 2022 are 12.1%, 8.9%, and 7.0%, respectively.
Q3 Earnings Season: By The Numbers

**Overview**

At this point in time, more S&P 500 companies are beating EPS estimates for the third quarter than average, and beating EPS estimates by a wider margin than average. Due to these positive surprises, the index is reporting higher earnings for the third quarter today relative to the end of last week and relative to the end of the quarter. The index is now reporting the third-highest (year-over-year) growth in earnings since Q2 2010. Analysts also expect earnings growth of more than 20% for the fourth quarter and 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 a number of industries.

Overall, 89% of the companies in the S&P 500 have reported actual results for Q3 2021 to date. Of these companies, 81% have reported actual EPS above estimates, which is above the 5-year average of 76%. If 81% is the final percentage for the quarter, it will mark a tie with Q2 2018 for the fourth-highest percentage of S&P 500 companies reporting a positive earnings surprise since FactSet began tracking this metric in 2008. In aggregate, companies are reporting earnings that are 10.3% above estimates, which is also above the 5-year average of 8.4%.

Due to the number and magnitude of these positive EPS surprises, the index is reporting higher earnings for the third quarter today relative to the end of last week and relative to the end of the third quarter. The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings growth rate for the third quarter is 39.1% today, compared to an earnings growth rate of 36.5% last week and an earnings growth rate of 27.4% at the end of the third quarter (September 30). Positive earnings surprises reported by companies in multiple sectors, led by the Health Care sector, were mainly responsible for the improvement in overall earnings for the index during the past week. Positive earnings surprises reported by companies in the Financials and Health Care sectors have been the top contributors to the overall increase in earnings for the index since the end of the third quarter.

If 39.1% is the actual growth rate for the quarter, it will mark the third-highest (year-over-year) earnings growth rate reported by the index since Q2 2010 (41.5%), trailing only the previous two quarters. The unusually high growth rate is due to a combination of higher earnings in Q3 2021 and an easier comparison to lower earnings in Q3 2020 due to the negative impact of COVID-19 on a number of industries. All eleven sectors are reporting year-over-year earnings growth, led by the Energy, Materials, and Industrials sectors.

In terms of revenues, 75% of S&P 500 companies have reported actual revenues above estimates, which is above the 5-year average of 67%. In aggregate, companies are reporting revenues that are 2.9% above the estimates, which is also above the 5-year average of 1.4%. If 2.9% is the final percentage for the quarter, it will mark the third-highest revenue surprise percentage reported by the index since FactSet began tracking this metric in 2008.

Due to the number and magnitude of these positive revenue surprises, the index is reporting higher revenues for the third quarter today relative to the end of last week and relative to the end of the third quarter. The blended revenue growth rate for the third quarter is 17.3% today, compared to a revenue growth rate of 16.0% last week and a revenue growth rate of 14.9% at the end of the third quarter (September 30). Positive revenue surprises reported by companies in multiple sectors, led by the Energy, Health Care, and Financials sectors, were responsible for the increase in overall revenues for the index over the past week. Positive revenue surprises reported by companies in the Energy, Financials, and Health Care sectors sector have also been the largest contributors to the increase in overall revenues for the index since the end of the third quarter.

If 17.3% is the actual growth rate for the quarter, it will mark the second-highest (year-over-year) revenue growth rate reported by the index since FactSet began tracking this metric in 2008, trailing only the previous quarter. All eleven sectors are reporting year-over-year growth in revenues, led by the Energy and Materials sectors.

Looking ahead, analysts project earnings growth of more than 20% for Q4 2021 and more than 40% for CY 2021.

The forward 12-month P/E ratio is 21.4, which is above the 5-year average and above the 10-year average. It is also above the forward P/E ratio of 20.1 at the end of the third quarter (September 30), as price increases have outpaced upward revisions to EPS estimates over the past month.
During the upcoming week, 13 S&P 500 companies (including one Dow 30 component) are scheduled to report results for the third quarter.

**Scorecard: More Companies Beating EPS and Sales Estimates vs. 5-Year Averages**

Percentage of Companies Beating EPS Estimates (81%) is Near Record-High

Overall, 89% of the companies in the S&P 500 have reported earnings to date for the third quarter. Of these companies, 81% have reported actual EPS above the mean EPS estimate, 5% have reported actual EPS equal to the mean EPS estimate, and 14% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is below the 1-year average (84%) but above the 5-year average (76%).

If 81% is the final percentage for the quarter, it will mark a tie with Q2 2018 for the fourth-highest percentage of S&P 500 companies reporting a positive earnings surprise since FactSet began tracking this metric in 2008. The current record is 87%, which occurred in Q2 2021.

At the sector level, the Health Care (93%) and Information Technology (92%) sectors have the highest percentages of companies reporting earnings above estimates, while the Materials (62%) and Utilities (63%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (+10.3%) is Above 5-Year Average

In aggregate, companies are reporting earnings that are 10.3% above expectations. This surprise percentage is below the 1-year average (+18.0%) but above the 5-year average (+8.4%).

The Financials (+18.3%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Goldman Sachs ($14.93 vs. $10.14), Cincinnati Financial ($1.28 vs. $0.87), Franklin Resources ($1.26 vs. $0.86), Hartford Financial Services ($1.26 vs. $0.86), and Travelers Companies ($2.60 vs. $1.63) have reported the largest positive EPS surprises.

The Energy (+14.6%) sector reported the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Phillips 66 ($3.18 vs. $1.90), Chevron ($2.96 vs. $2.20), Occidental Petroleum ($0.87 vs. $0.66) and Valero Energy ($1.22 vs. $0.92) reported the largest positive EPS surprises.

The Health Care (+12.1%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Hologic ($1.61 vs. $1.00), Bio-Rad Laboratories ($3.71 vs. $2.44), Gilead Sciences ($2.65 vs. $1.76), Regeneron Pharmaceuticals ($15.37 vs. $10.23), and Abbott Laboratories ($1.40 vs. $0.94) have reported the largest positive EPS surprises.

Market Rewarding Positive Earnings Surprises More Than Average

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

Companies that have reported positive earnings surprises for Q3 2021 have seen an average price increase of +1.2% two days before the earnings release through two days after the earnings release. This percentage increase is above the 5-year average price increase of +0.8% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q3 2021 have seen an average price decrease of -3.3% two days before the earnings release through two days after the earnings. This percentage decrease is larger than the 5-year average price decrease of -2.3% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (75%) is Above 5-Year Average

In terms of revenues, 75% of companies have reported actual revenues above estimated revenues and 25% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (80%) but above the 5-year average (67%).
At the sector level, the Consumer Staples (86%) and Real Estate (84%) sectors have the highest percentages of companies reporting revenues above estimates, while the Communication Services (54%) sector has the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+2.9%) is Above 5-Year Average
In aggregate, companies are reporting revenues that are 2.9% above expectations. This surprise percentage is below the 1-year average (+3.5%) but above the 5-year average (+1.4%).
If 2.9% is the final percentage for the quarter, it will mark the third-highest revenue surprise percentage reported by the index since FactSet began tracking this metric in 2008. The current record is 4.6%, which occurred in Q2 2021.

At the sector level, the Energy (+13.7%) and Financial (+5.7%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Consumer Discretionary (-1.6%) sector is reporting the largest negative (aggregate) difference between actual revenues and estimated revenues.

Revisions: Increase in Blended Earnings Growth Rate This Week Due to Multiple Sectors
Increase in Blended Earnings Growth Rate This Week Due to Multiple Sectors
The blended (year-over-year) earnings growth rate for the third quarter is 39.1%, which is larger than the earnings growth rate of 36.5% last week. Positive earnings surprises reported by companies in multiple sectors, led by the Health Care sector, were responsible for the increase in the overall earnings growth rate for the index during the week.

In the Health Care sector, the positive EPS surprises reported by Pfizer ($1.34 vs. $1.08) and Regeneron Pharmaceuticals ($15.37 vs. $10.23) were significant contributors to the increase in the earnings growth rate for the index during the week. As a result, the blended earnings growth rate for the Health Care sector increased to 29.1% from 24.2% over this period.

Increase in Blended Revenue Growth This Week Due to Multiple Sectors
The blended (year-over-year) revenue growth rate for the third quarter is 17.3%, which is larger than the revenue growth rate of 16.0% last week. Positive revenue surprises reported by companies in multiple sectors, led by the Energy, Health Care, and Financials sectors, were responsible for the increase in the overall revenue growth rate during the past week.

Financials Sector Has Seen Largest Increase in Earnings since September 30
The blended (year-over-year) earnings growth rate for Q3 2021 of 39.1% is larger than the estimate of 27.4% at the end of the third quarter (September 30). Nine sectors have recorded an increase in their earnings growth rate since the end of the quarter due to upward revisions to earnings estimates and positive earnings surprises, led by the Financials (to 36.0% from 16.5%), Health Care (to 29.1% from 15.9%), and Communication Services (to 35.0% from 22.8%) sectors. On the other hand, the Materials (to 86.4% from 90.8%) is the only sector that has recorded a decrease in its earnings growth rate due to downward revisions to earnings estimates and negative earnings surprises.

The Financials, Health Care, Information Technology, Energy, and Communication Services sectors have been the largest contributors to the increase in the earnings growth rate for the index since September 30.

In the Financials sector, the positive EPS surprises reported by JPMorgan Chase ($3.74 vs. $3.00), Goldman Sachs ($14.93 vs. $10.14), Bank of America ($0.85 vs. $0.71), Capital One Financial ($6.86 vs. $5.28), Citigroup ($2.15 vs. $1.71), and Morgan Stanley ($2.04 vs. $1.69) have been substantial contributors to the increase in the earnings growth rate for the index since September 30. As a result, the blended earnings growth rate for the Financials sector has increased to 36.0% from 16.5% over this period.

In the Health Care sector, the positive EPS surprises reported by Pfizer ($1.34 vs. $1.08), Gilead Sciences ($2.65 vs. $1.76), and Abbott Laboratories ($1.40 vs. $0.94) have been significant contributors to the increase in the earnings growth rate for the index since September 30. As a result, the blended earnings growth rate for the Health Care sector has increased to 29.1% from 15.9% over this period.
In the Information Technology sector, the positive EPS surprises reported by Intel ($1.71 vs. $1.11) and Microsoft ($2.27 vs. $2.08) have been substantial contributors to the increase in the earnings growth rate for the index since September 30. As a result, the blended earnings growth rate for the Information Technology sector has increased to 36.2% from 28.5% over this period.

In the Energy sector, the positive EPS surprises reported by Chevron ($2.96 vs. $2.20) and Phillips 66 ($3.18 vs. $1.90) have been significant contributors to the increase in the earnings growth rate for the index since September 30. As a result, aggregate earnings for the Energy sector for Q3 have increased to $24.9 billion from $20.0 billion over this period.

In the Communication Services sector, the positive EPS surprise reported by Alphabet ($27.99 vs. $23.83) has been a substantial contributor to the increase in the earnings growth rate for the index since September 30. As a result, the blended earnings growth rate for the Communication Services sector has increased to 35.8% from 22.8% over this period.

Energy Sector Has Seen Largest Increase in Revenues since September 30

The blended (year-over-year) revenue growth rate for Q3 2021 of 17.3% is larger than the estimate of 14.9% at the end of the third quarter (September 30). Nine sectors have recorded an increase in their revenue growth rate since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Energy (to 74.5% from 53.1%) sector. Two sectors have recorded a decrease in their revenue growth rates since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises, led by the Consumer Discretionary (to 9.9% from 12.2%) sector.

Earnings Growth: 39.1%

The blended (year-over-year) earnings growth rate for Q3 2021 is 39.1%, which is well above the 5-year average earnings growth rate of 11.8%. If 39.1% is the actual growth rate for the quarter, it will mark the third-highest year-over-year earnings growth rate reported by the index since Q2 2010 (41.5%). The unusually high growth rate is due to a combination of higher earnings in Q3 2021 and an easier comparison to lower earnings in Q3 2020 due to the negative impact of COVID-19 on a number of industries.

Companies with more international revenue exposure are reporting higher earnings growth than companies with more domestic revenue exposure. For companies that generate more than 50% of sales inside the U.S., the blended earnings growth rate is 32.1%. For companies that generate more than 50% of sales outside the U.S., the blended earnings growth rate is 52.2%.

All eleven sectors are reporting (or have reported) year-over-year earnings growth, led by the Energy, Materials, Industrials, Information Technology, Financials, and Communication Services sectors.

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

The Energy sector reported earnings of $24.9 billion for Q3 2021 compared to a loss of -$1.5 billion in Q3 2020. Thus, a year-over-year growth rate was not calculated for the Energy sector due to the loss reported by the sector in Q3 2020. Higher year-over-year oil prices contributed to the year-over-year improvement in earnings for this sector, as the average price of oil in Q3 2021 ($70.52) was 72% above the average price for oil in Q3 2020 ($40.92). At the sub-industry level, all five sub-industries in the sector reported a year-over-year increase in earnings. A growth rate was not calculated for three of these five sub-industries due to losses reported in the year-ago quarter. However, all three reported profits in Q3 2021: Integrated Oil & Gas, Oil & Gas Exploration & Production, and Oil & Gas Refining & Marketing. The other two sub-industries that reported year-over-year growth are the Oil & Gas Equipment & Services (159%) and the Oil & Gas Storage & Transportation (20%) sub-industries. At the company level, Exxon Mobil and Chevron were the largest contributors to the year-over-year improvement in earnings for the sector. Combined, these two companies accounted for $13.0 billion of the $26.3 billion year-over-year increase in earnings for the sector.
Earnings Insight

Materials: 2 of 4 Industries Reporting Year-over-Year Growth Above 80%.

The Materials sector is reporting the highest (year-over-year) earnings growth rate of all eleven sectors at 86.4%. At the industry level, two of the four industries in this sector are reporting year-over-year earnings growth above 80%: Metals & Mining (197%) and Chemicals (81%). On the other hand, the Construction Materials (-6%) industry is the only industry that reported a year-over-year decline in earnings. At the company level, Nucor, Dow, and LyondellBasell Industries are the largest contributors to year-over-year earnings growth for the sector. If these three companies were excluded, the blended earnings growth rate for the Materials sector would fall to 32.2% from 86.4%.

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

The Industrials sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 69.2%. At the industry level, all 12 industries in the sector are reporting (or have reported) a year-over-year increase in earnings. A growth rate is not being calculated for the Airlines industry due to a loss reported in the year-ago quarter. However, this industry reported a much smaller loss in Q3 2021 (~$731 million) relative to Q3 2020 (~$8.9 billion). Six of the remaining eleven industries are reporting (or have reported) earnings growth at or above 15%: Machinery (29%), Electrical Equipment (25%), Road & Rail (22%), Trading Companies & Distributors (19%), Air Freight & Logistics (16%), and Commercial Services & Supplies (15%). The Airlines industry is also the largest contributor to earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Industrials sector would fall to 17.9% from 69.2%.

Information Technology: 5 of 6 Industries Reporting Year-Over-Year Growth of 15% or More

The Information Technology sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors at 36.2%. At the industry level, all six industries in this sector are reporting year-over-year growth in earnings. Five of these six industries are reporting double-digit earnings growth: Technology Hardware, Storage, & Peripherals (65%), Semiconductors & Semiconductor Equipment (55%), Electronic Equipment, Instruments, & Components (28%), IT Services (22%), and Software (15%).

Financials: 4 of 5 Industries Reporting Year-Over-Year Growth of 25% or More

The Financials sector is reporting the fourth-highest (year-over-year) earnings growth rate of all eleven sectors at 36.0%. At the industry level, four of the five industries in this sector are reporting (or are expected to report) year-over-year earnings growth at or above 25%: Consumer Finance (56%), Capital Markets (44%), Banks (44%), and Diversified Financial Services (25%).

Communication Services: Interactive Media & Services Industry Leads Year-Over-Year Growth

The Communication Services sector is reporting the fifth-highest (year-over-year) earnings growth rate of all eleven sectors at 35.0%. At the industry level, four industries in this sector are reporting (or have reported) year-over-year earnings growth at or above 10%: Entertainment (452%), Interactive & Media Services (44%), Media (19%), and Diversified Telecommunication Services (14%). The Wireless Telecommunication Services (-45%) industry is the only industry that reported a year-over-year decline in earnings. The Interactive Media & Services industry is also the largest contributor to earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Communication Services sector would fall to 27.1% from 35.0%.

Revenue Growth: 17.3%

The blended (year-over-year) revenue growth rate for Q3 2021 is 17.3%, which is well above the 5-year average revenue growth rate of 5.8%. If 17.3% is the actual growth rate for the quarter, it will mark the second-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.

Companies with more international revenue exposure are reporting higher revenue growth than companies with more domestic revenue exposure. For companies that generate more than 50% of sales inside the U.S., the blended revenue growth rate is 14.3%. For companies that generate more than 50% of sales outside the U.S., the blended revenue growth rate is 26.2%.
All eleven sectors are reporting (or have reported) year-over-year growth in revenues, led by the Energy and Materials sectors.

Energy: 4 of 5 Sub-Industries Reported Year-Over-Year Growth Above 50%

The Energy sector reported the highest (year-over-year) revenue growth rate of all eleven sectors at 74.5%. Higher year-over-year oil prices contributed to the year-over-year improvement in revenues for this sector, as the average price of oil in Q3 2021 ($70.52) was 72% above the average price for oil in Q3 2020 ($40.92). At the sub-industry level, all five sub-industries in the sector reported double-digit (year-over-year) growth in revenues: Oil & Gas Exploration & Production (134%), Oil & Gas Refining & Marketing (88%), Integrated Oil & Gas (68%), Oil & Gas Storage & Transportation (54%), and Oil & Gas Equipment & Services (11%).

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

The Materials sector is reporting the second-highest (year-over-year) revenue growth of all eleven sectors at 32.0%. At the industry level, all four industries in this sector are reporting (or have reported) double-digit (year-over-year) growth in revenues: Metals & Mining (61%), Chemicals (33%), Construction Materials (17%), and Containers & Packaging (13%).

Net Profit Margin: 12.9%

The blended (combines actual results for companies that have reported and estimated results for companies yet to report) net profit margin for the S&P 500 for Q3 2021 is 12.9%, which is above the 5-year average of 10.9% and the year-ago net profit margin of 10.9%, but below the previous quarter’s record-high net profit margin of 13.1%.

If 12.9% is the actual net profit margin for the quarter, it will mark the second-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, nine sectors are reporting (or have reported) a year-over-year increase in their net profit margins in Q3 2021 compared to Q3 2020, led by the Energy (9.0% vs. N/A) and Materials (13.4% vs. 9.5%) sectors. All eleven sectors are reporting (or have reported) net profit margins in Q3 2021 that are above their 5-year averages, led by the Utilities (18.1% vs. 12.9%), Energy (9.0% vs. 4.9%), Information Technology (25.4% vs. 21.5%), and Materials (13.4% vs. 9.5%) sectors.
Looking Ahead: Forward Estimates and Valuation

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

At this point in time, 67 companies in the index have issued EPS guidance for Q4 2021. Of these 67 companies, 41 have issued negative EPS guidance and 26 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 61% (41 out of 67), which is equal to the 5-year average of 61%.

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

For the third quarter, S&P 500 companies are reporting earnings growth of 39.1% and revenue growth of 17.3%.
For Q4 2021, analysts are projecting earnings growth of 21.1% and revenue growth of 12.1%.
For CY 2021, analysts are projecting earnings growth of 44.6% and revenue growth of 15.5%.
For Q1 2022, analysts are projecting earnings growth of 5.8% and revenue growth of 8.9%.
For Q2 2022, analysts are projecting earnings growth of 3.6% and revenue growth of 7.0%.
For CY 2022, analysts are projecting earnings growth of 8.6% and revenue growth of 6.9%.

Valuation: Forward P/E Ratio is 21.4, Above the 10-Year Average (16.5)

The forward 12-month P/E ratio is 21.4. This P/E ratio is above the 5-year average of 18.4 and above the 10-year average of 16.5. 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 8.6%, while the forward 12-month EPS estimate has increased by 2.0%. At the sector level, the Consumer Discretionary (33.9) and Information Technology (27.5) sectors have the highest forward 12-month P/E ratios, while the Energy (12.2) and Financials (14.9) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 27.4, which is above the 5-year average of 22.9 and above the 10-year average of 19.7.

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

The bottom-up target price for the S&P 500 is 5137.51, which is 9.8% above the closing price of 4680.06. At the sector level, the Communication Services (17.7%) 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 Consumer Discretionary (+2.3%) 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 10,672 ratings on stocks in the S&P 500. Of these 10,672 ratings, 56.5% are Buy ratings, 37.4% are Hold ratings, and 6.1% are Sell ratings. At the sector level, the Energy (66%), Communication Services (62%), Health Care (62%), and Information Technology (62%) 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: 13

During the upcoming week, 13 S&P 500 companies (including one Dow 30 component) are scheduled to report results for the third quarter.
Q3 2021: Scorecard

S&P 500 Earnings Above, In-Line, Below Estimates: Q3 2021
(Source: FactSet)

S&P 500 Revenues Above, In-Line, Below Estimates: Q3 2021
(Source: FactSet)
Q3 2021: Scorecard

S&P 500 Sector-Level Earnings Surprise %: Q3 2021
(Source: FactSet)

S&P 500 Sector-Level Revenue Surprise %: Q3 2021
(Source: FactSet)
Q3 2021: Scorecard

S&P 500 EPS Surprise % vs. Price %: Q3 2021
(Source: FactSet)

S&P 500 EPS Surprise vs. Avg. Price Change %
(Source: FactSet)
Q3 2021: Scorecard

**S&P 500 Actual EPS Surprise %: Top 10 Q3 Actual EPS Surprises**
(Source: FactSet)

- NRG Energy, Inc: 254.6%
- Expedia Group, Inc: 109.9%
- Under Armour, Inc. Class C: 97.7%
- Under Armour, Inc. Class A: 97.7%
- Delta Air Lines, Inc: 96.6%
- Ford Motor Company: 89.5%
- News Corporation Class B: 72.2%
- News Corporation Class A: 72.2%
- Phillips 66: 57.8%
- FTC Inc: 57.1%

**S&P 500 Actual EPS Surprise %: Bottom 10 Q3 Actual EPS Surprises**
(Source: FactSet)

- Lincoln National Corporation: -779.9%
- Discovery, Inc. Class C: -779.9%
- Penn National Gaming, Inc: -779.9%
- Discovery, Inc. Class A: -779.9%
- Progressive Corporation: -779.9%
- Lamb Weston Holdings, Inc: -779.9%
- Allstate Corporation: -779.9%
- CF Industries Holdings, Inc: -779.9%
- Twitter, Inc: -779.9%
- Caesars Entertainment Inc: -779.9%
Q3 2021: Growth

S&P 500 Earnings Growth: Q3 2021
(Source: FactSet)

S&P 500 Revenue Growth: Q3 2021
(Source: FactSet)
Q3 2021: Growth

S&P 500 Earnings Growth: Q3 2021
(Source: FactSet)

- S&P 500 Companies > 50% Revenue in U.S.: 32.1%
- All S&P 500 Companies: 39.1%
- S&P 500 Companies < 50% Revenues in U.S.: 52.2%

S&P 500 Revenue Growth: Q3 2021
(Source: FactSet)

- S&P 500 Companies > 50% Revenue in U.S.: 14.3%
- All S&P 500 Companies: 17.3%
- S&P 500 Companies < 50% Revenues in U.S.: 26.2%
Q3 2021: Net Profit Margin

S&P 500 Net Profit Margins: Q3 2021 vs. Q3 2020
(Source: FactSet)

S&P 500: % of Cos. With Increase or Decrease in Net Profit Margin:
Q3 2021 vs. Q3 2020
(Source: FactSet)
Q4 2021: EPS Guidance

Number (#) of S&P 500 Cos. with Q4 Positive & Negative Guidance
(Source: FactSet)

Percentage (%) of S&P 500 Cos. with Q4 Positive & Negative Guidance
(Source: FactSet)
Q4 2021: EPS Revisions

Upward Change in Q4 EPS (Trailing 4 Weeks): Top 10 S&P 500 Cos. (Source: FactSet)

- Marathon Petroleum Corporation: 865.1%
- Under Armour, Inc. Class A: 493.1%
- Under Armour, Inc. Class C: 441.6%
- NRG Energy, Inc.: 177.5%
- Valero Energy Corporation: 138.9%
- MGM Resorts International: 88.5%
- Phillips 66: 56.4%
- Occidental Petroleum Corporation: 44.0%
- DTE Energy Company: 40.0%
- APA Corp.: 37.1%

Downward Change in Q4 EPS (Trailing 4-Weeks): Top 10 S&P 500 Cos. (Source: FactSet)

- Alaska Air Group, Inc.: -64.5%
- Fox Corporation Class A: -59.0%
- Fox Corporation Class B: -72.4%
- Pinnacle West Capital Corporation: -77.7%
- American Airlines Group, Inc.: -95.6%
- Boeing Company: -119.0%
- United Airlines Holdings, Inc.: -177.3%
- Delta Air Lines, Inc.: -180.8%
- Caesars Entertainment Inc.: -375.3%
- Las Vegas Sands Corp.: -614.9%
Earnings Insight

Q4 2021: Growth

S&P 500 Earnings Growth: Q4 2021
(Source: FactSet)

S&P 500 Revenue Growth: Q4 2021
(Source: FactSet)
CY 2021: Growth

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

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

CY 2022: Growth

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

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

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

United States 60%
International 40%

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

<table>
<thead>
<tr>
<th>Sector</th>
<th>International</th>
<th>United States</th>
</tr>
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<tbody>
<tr>
<td>Utilities</td>
<td>3%</td>
<td>97%</td>
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<tr>
<td>Real Estate</td>
<td>16%</td>
<td>84%</td>
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<tr>
<td>Financials</td>
<td>23%</td>
<td>77%</td>
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<tr>
<td>Consumer Disc.</td>
<td>34%</td>
<td>56%</td>
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<tr>
<td>Industrials</td>
<td>34%</td>
<td>45%</td>
</tr>
<tr>
<td>Health Care</td>
<td>36%</td>
<td>55%</td>
</tr>
<tr>
<td>Energy</td>
<td>40%</td>
<td>50%</td>
</tr>
<tr>
<td>Comm. Services</td>
<td>44%</td>
<td>49%</td>
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<tr>
<td>Consumer Staples</td>
<td>45%</td>
<td>54%</td>
</tr>
<tr>
<td>Materials</td>
<td>54%</td>
<td>58%</td>
</tr>
<tr>
<td>Info Technology</td>
<td>56%</td>
<td>62%</td>
</tr>
</tbody>
</table>
Bottom-up EPS Estimates: Revisions
Bottom-up EPS Estimates: Current & Historical

S&P 500 Calendar Year Bottom-Up EPS Actuals & Estimates
(Source: FactSet)

S&P 500 Quarterly Bottom-Up EPS Actuals & Estimates
(Source: FactSet)
Forward 12M P/E Ratio: Sector Level

S&P 500 Sector-Level Forward 12-Month P/E Ratios
(Source: FactSet)

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

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

<table>
<thead>
<tr>
<th>Sector</th>
<th>Buy</th>
<th>Hold</th>
<th>Sell</th>
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<tbody>
<tr>
<td>Energy</td>
<td>66%</td>
<td>31%</td>
<td>3%</td>
</tr>
<tr>
<td>Comm. Services</td>
<td>62%</td>
<td>32%</td>
<td>5%</td>
</tr>
<tr>
<td>Health Care</td>
<td>62%</td>
<td>32%</td>
<td>5%</td>
</tr>
<tr>
<td>Info. Tech</td>
<td>62%</td>
<td>33%</td>
<td>5%</td>
</tr>
<tr>
<td>Consumer Disc</td>
<td>57%</td>
<td>36%</td>
<td>5%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>57%</td>
<td>37%</td>
<td>5%</td>
</tr>
<tr>
<td>Materials</td>
<td>57%</td>
<td>37%</td>
<td>5%</td>
</tr>
<tr>
<td>Industrials</td>
<td>55%</td>
<td>39%</td>
<td>5%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>54%</td>
<td>40%</td>
<td>5%</td>
</tr>
<tr>
<td>Financials</td>
<td>62%</td>
<td>44%</td>
<td>4%</td>
</tr>
<tr>
<td>Utilities</td>
<td>57%</td>
<td>42%</td>
<td>8%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>42%</td>
<td>42%</td>
<td>10%</td>
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</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Sector</th>
<th>Target/Close</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comm. Services</td>
<td>17.7%</td>
</tr>
<tr>
<td>Energy</td>
<td>14.0%</td>
</tr>
<tr>
<td>Industrials</td>
<td>11.5%</td>
</tr>
<tr>
<td>Health Care</td>
<td>10.7%</td>
</tr>
<tr>
<td>Materials</td>
<td>10.9%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>9.9%</td>
</tr>
<tr>
<td>Info. Tech</td>
<td>9.9%</td>
</tr>
<tr>
<td>Financials</td>
<td>9.1%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>8.7%</td>
</tr>
<tr>
<td>Utilities</td>
<td>8.6%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>7.8%</td>
</tr>
<tr>
<td>Consumer Disc</td>
<td>2.3%</td>
</tr>
</tbody>
</table>
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