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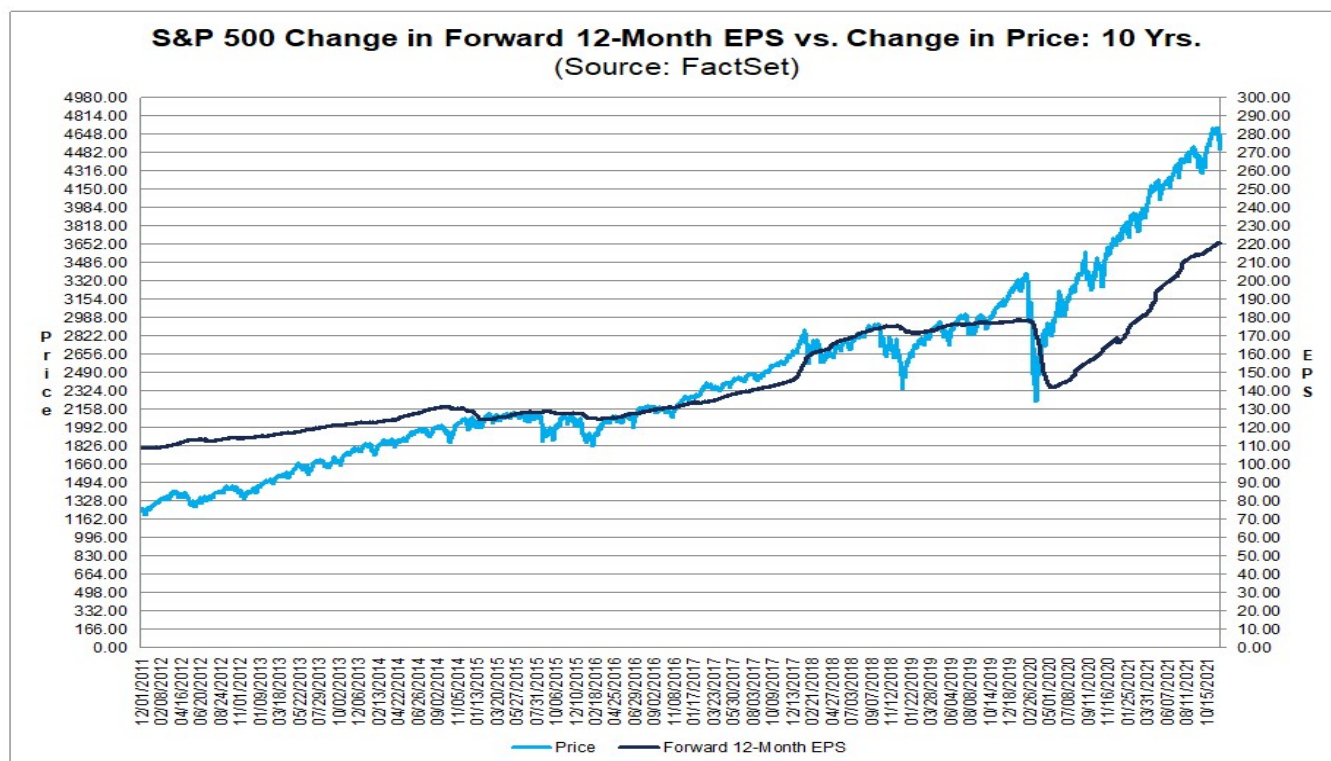
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**Author's Note:** *The FactSet Earnings Insight report is being published one day early this week due to a schedule issue tomorrow for the author. The next edition of the report will be published on December 10.*

## Key Metrics

- **Earnings Growth:** For Q4 2021, the estimated earnings growth rate for the S&P 500 is 20.9%. If 20.9% is the actual growth rate for the quarter, it will mark the fourth straight quarter of earnings growth above 20%.
- **Earnings Revisions:** On September 30, the estimated earnings growth rate for Q4 2021 was also 20.9%. Six sectors are expected to report higher earnings today (compared to September 30) due to upward revisions to EPS estimates.
- **Earnings Guidance:** For Q4 2021, 55 S&P 500 companies have issued negative EPS guidance and 37 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 20.4. This P/E ratio is above the 5-year average (18.4) and above the 10-year average (16.6).



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## Topic of the Week: 1

### Industry Analysts Expect S&P 500 To Report the Record-High EPS in 2022

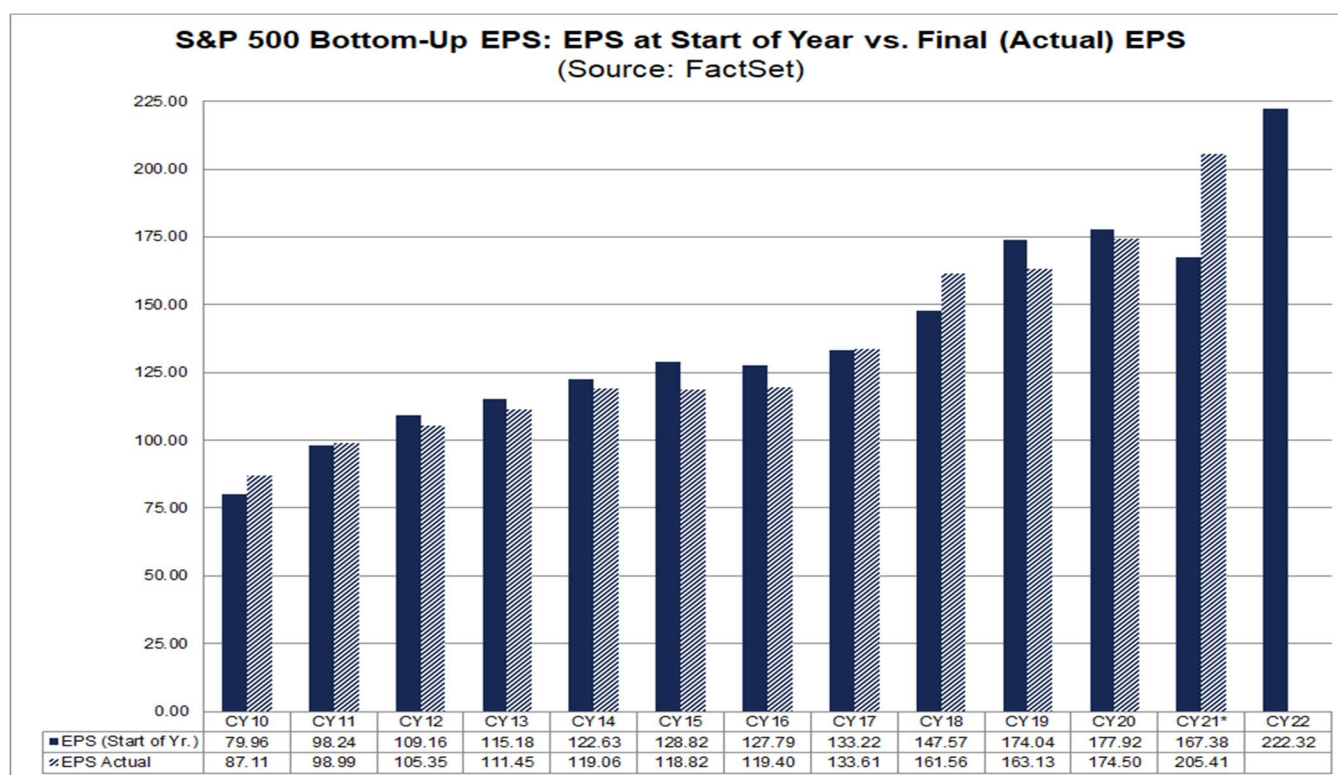
For 2022, the bottom-up EPS estimate for the S&P 500 (which reflects an aggregation of the median EPS estimates for CY 2022 for all of the companies in the index) is \$222.32. If \$222.32 is the final number for the year, it will mark the highest (annual) EPS number for the index since FactSet began tracking this metric in 1996. However, what is the likelihood that \$222.32 will be the final EPS value for the S&P 500 in 2022?

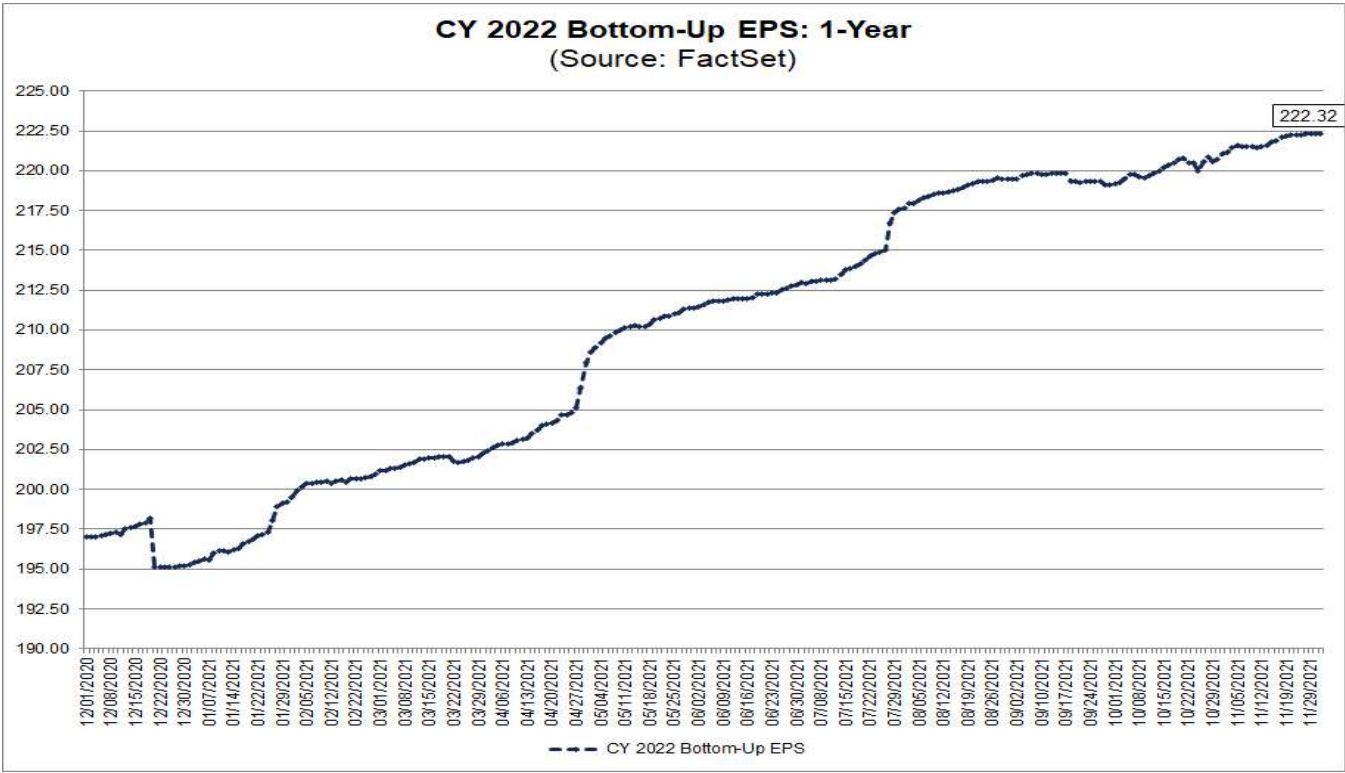
How accurate is the bottom-up EPS estimate for the S&P 500 one year in advance?

Over the past 25 years (1996 – 2020), the average difference between the bottom-up EPS estimate at the beginning of the year (December 31) and the final EPS number for that same year has been 7.2%. In other words, industry analysts on average have overestimated the final EPS number by 7.2% one year in advance. Analysts overestimated the final value (the final value finished below the estimate) in 18 of the 25 years and underestimated the final value (the final value finished above the estimate) in the other 7 years. For the purposes of this analysis, the final EPS number for a year is the EPS number recorded two months after the end of each calendar year (February 28) to capture the actual annual EPS results reported by most companies during the fourth quarter earnings season.

However, this 7.2% average includes three years in which there were substantial differences between the bottom-up EPS estimate at the start of the year and the final EPS number: 2001 (+36%), 2008 (+43%), and 2009 (+28%). These large differences can be attributed to events that may have been difficult for analysts to predict at the start of the year. In 2001, the country endured the 9/11 attacks. In 2008 and 2009, the country was in the midst of economic recession. If these three years were excluded, the average difference between the bottom-up EPS estimate one year prior to the end of that year and the final EPS number for that year would be 3.3%.

If one applies the average overestimation of 7.2% to the current 2022 EPS estimate (assuming the estimate changes little between now and December 31), the final value for 2022 would be \$206.32. If one applies the average overestimation of 3.3% (excluding the years 2001, 2008, and 2009) to the current 2022 EPS estimate, the final value for 2022 would be \$215.00. Based on current estimates, EPS of either \$206.32 or \$215.00 would reflect a new record-high (annual) EPS number for the S&P 500.





## Topic of the Week: 2

### Analysts Are Not Raising Quarterly S&P 500 EPS Estimates For First Time Since Q2 2020

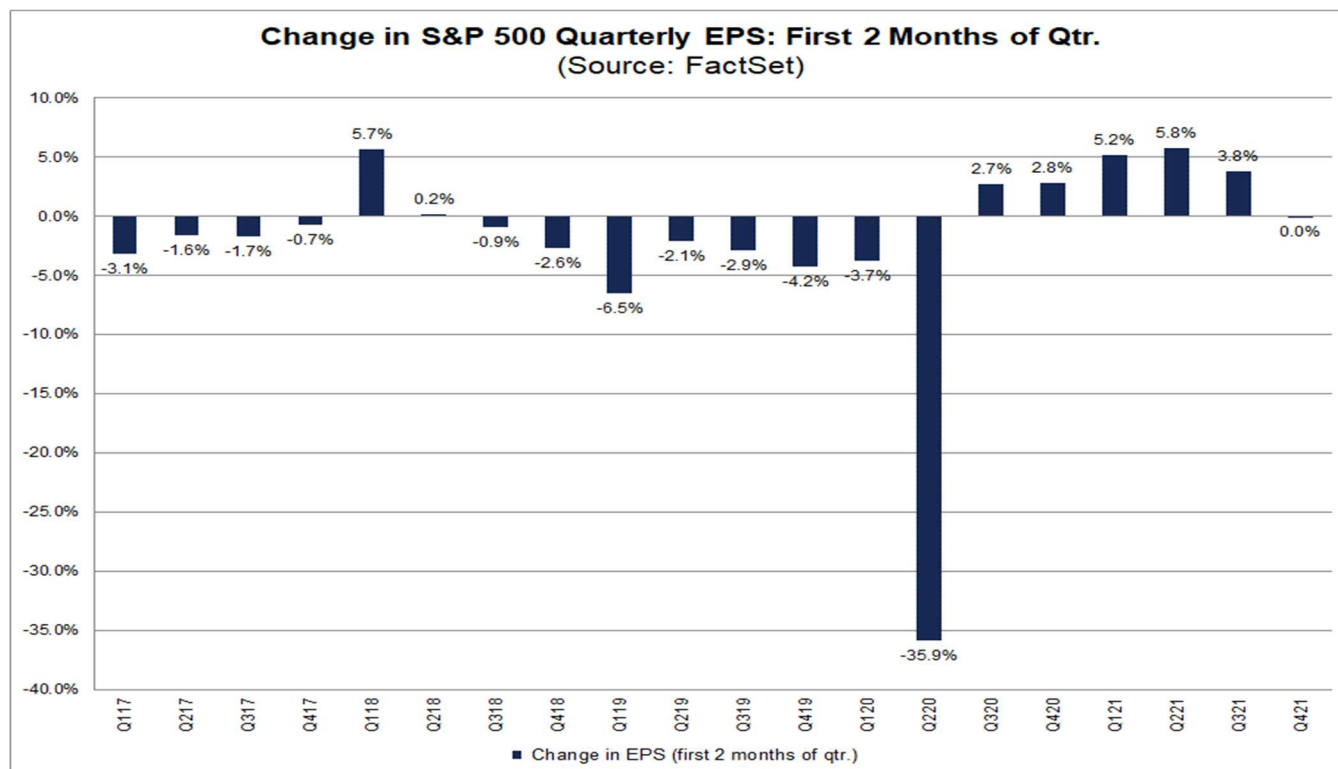
During the first two months of the fourth quarter, upward and downward revisions to earnings estimates for companies in the S&P 500 have mostly offset each other in aggregate for the quarter. The Q4 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for Q4 for all the companies in the index) decreased by less than 0.1% (to \$51.04 from \$51.06) during this period. How significant is a slight decrease in the bottom-up EPS estimate during the first two months of a quarter? How does this slight decrease compare to recent quarters?

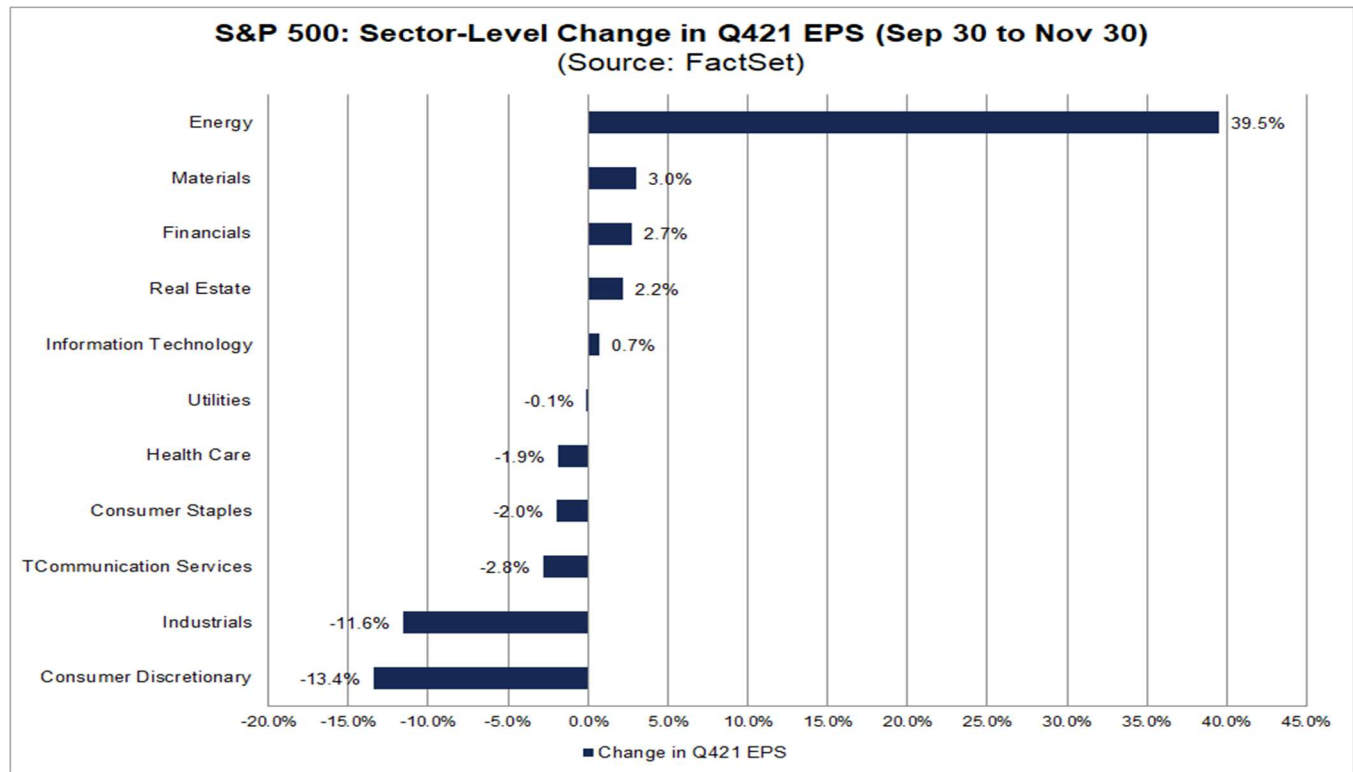
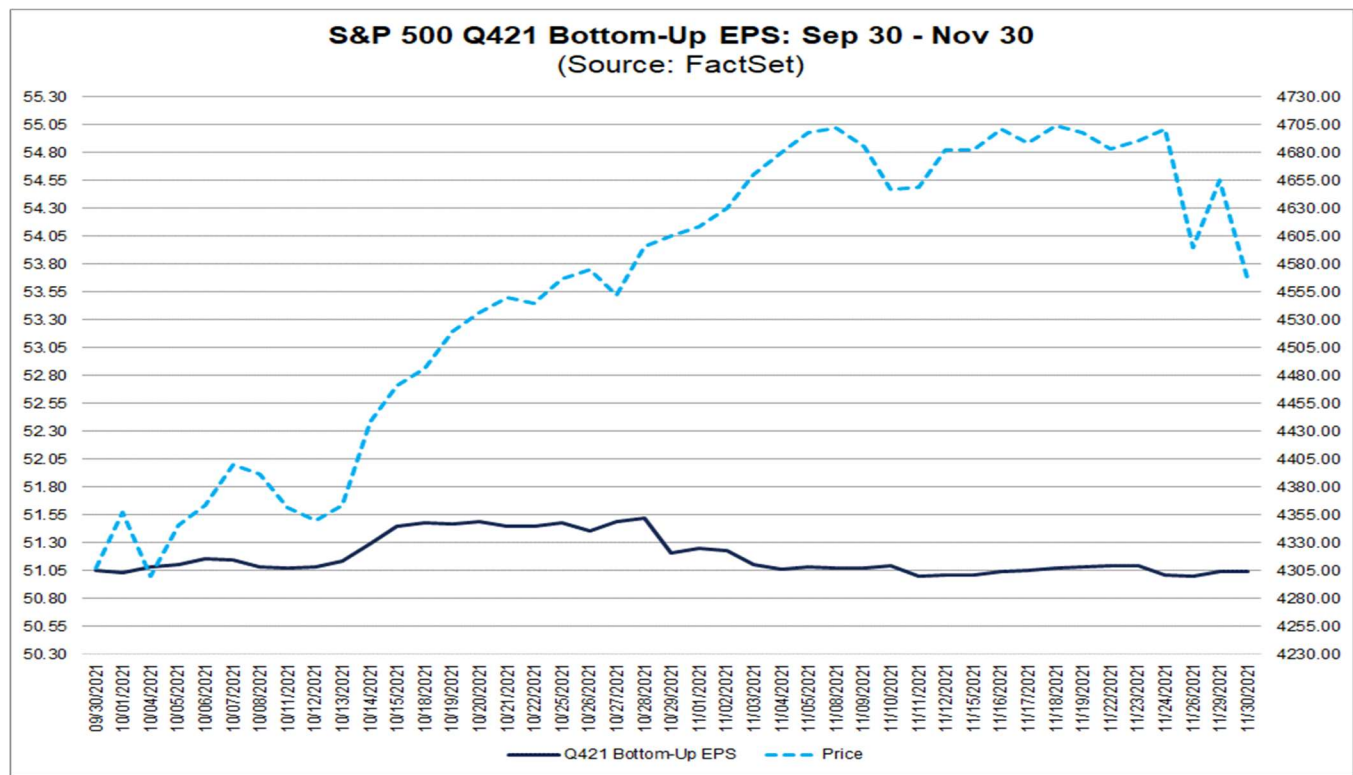
The slim decline in the bottom-up EPS estimate for Q4 over the first two months of the quarter was much smaller than recent historical averages. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 2.1%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 2.9%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 3.5%.

However, the fourth quarter did mark the first time the bottom-up EPS estimate has not increased over the first two months of a quarter since Q2 2020 (-35.9%).

At the sector level, six sectors recorded a decline in their bottom-up EPS estimates for Q4 during the first two months of the quarter, led by the Consumer Discretionary (-13.4%) and Industrials (-11.6%) sectors. On the other hand, five sectors recorded an increase in their bottom-up EPS estimates for Q4 during this period, led by the Energy (+39.5%) sector.

As the bottom-up EPS estimate for the index decreased during the first two months of the quarter, the value of the S&P 500 increased during this same period. From September 30 through November 30, the value of the index increased by 6.0% (to 4567.00 from 4307.54). The fourth quarter marked the ninth time in the past 20 quarters (5 years) in which the bottom-up EPS estimate for the index decreased over the first two months of the quarter while the value of the index increased during this period.





## Topic of the Week: 3

### 12% Decline in Number of S&P 500 Companies Citing “ESG” on Earnings Calls in Q3 vs. Q2

During each corporate earnings season, it is not unusual for companies to comment on their ongoing corporate goals and initiatives. Given the growing focus on environmental, social, and governance factors by investors, did companies in the S&P 500 comment on these factors during their earnings conference calls for the third quarter?

#### How Many S&P 500 Companies Commented on “ESG” on Q3 Earnings Calls?

FactSet Document Search (which allows users to search for key words or phrases across multiple document types) was used to answer this question. Through Document Search, FactSet searched for the term “ESG” in the conference call transcripts of all the S&P 500 companies that conducted earnings conference calls from September 15 through December 1.

Of these companies, 134 cited the term “ESG” (in reference to environmental, social, and governance factors) during their earnings calls. This number marks the third-highest overall number of S&P 500 companies citing “ESG” on earnings calls going back at least ten years. At the sector level, the Financials (25) and Industrials (25) sectors have the highest number of S&P 500 companies citing “ESG” on earnings calls for Q3. However, the Energy (52%) and Utilities (46%) sectors have the highest percentages of companies that have cited “ESG” on their Q3 earnings calls during this period.

On a quarter-over-quarter basis, there was a 12% decline (134 vs. 152) in the overall number of S&P 500 companies citing “ESG” on earnings calls in Q3 2021 relative to Q2 2021. At the sector level, six of the eleven sectors recorded a decrease in the number of companies citing “ESG” on a quarter-over-quarter basis, led by the Consumer Staples (-6), Real Estate (-5), and Industrials (-4) sectors.

What drove the decrease in citations for “ESG” during earnings calls in Q3 relative to Q2? During the third-quarter earnings season, a record-high number of S&P 500 companies discussed “inflation” and “supply chain” on earnings calls for the third quarter. As a result, some companies may have placed a higher priority on discussing the impact of inflation and supply chains rather than ESG initiatives on their earnings calls for Q3, which potentially could have contributed to the sequential decrease. As noted above, the Consumer Staples and Industrials are two of the three sectors that saw the largest declines on a sequential basis. The Industrials sector had the highest number of companies citing “inflation” and “supply chain” on Q3 earnings calls, while the Consumer Staples sector had the highest percentage of companies citing “inflation” and “supply chain” on Q3 earnings calls.

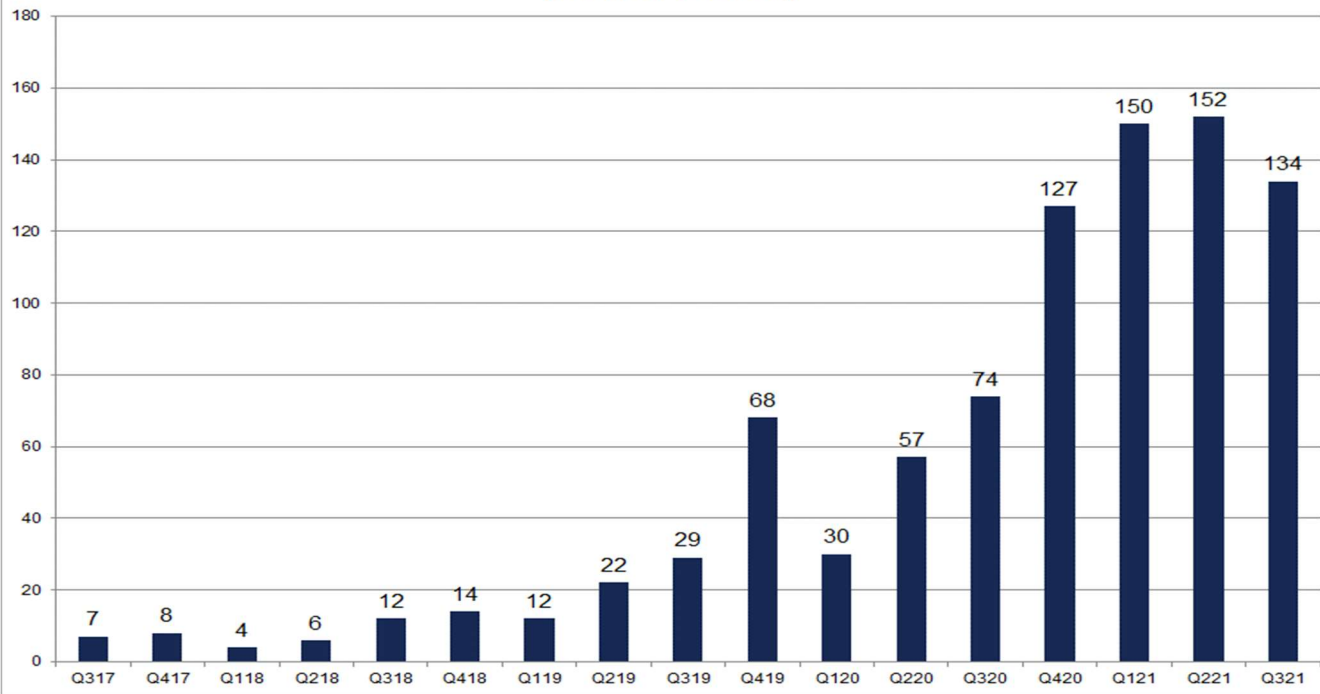
Again, it should be noted that although there was a sequential decline in the number of S&P 500 companies citing “ESG” on earnings calls in Q3 2021 relative to Q2 2021, there was still a substantial year-over-year increase (81%) in the number of S&P 500 companies citing “ESG” on earnings calls in Q3 2021 relative to Q3 2020.

It is also interesting to note that S&P 500 companies that cited “ESG” on their earnings calls for Q3 have higher ESG ratings on average relative to S&P 500 companies that did not cite “ESG” on their earnings calls for Q3.

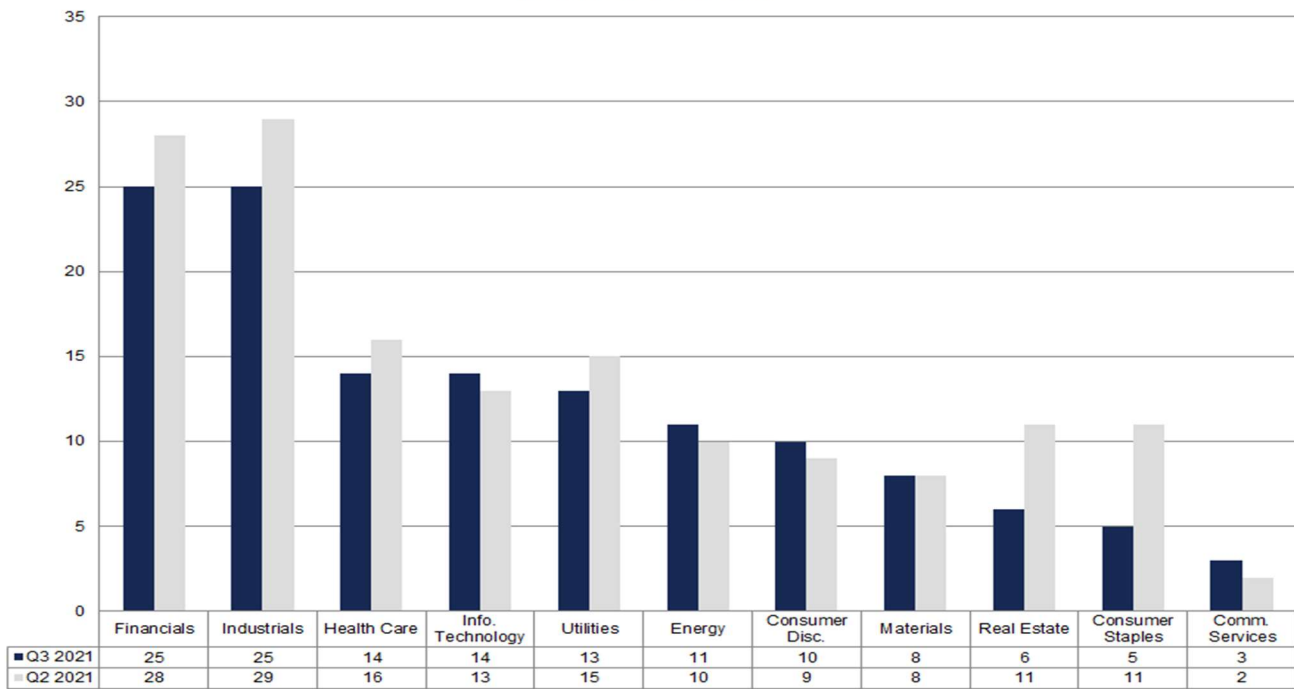
Using Truvalue Labs SASB scores (which are derived from a natural language analysis of a range of data sources regarding company performance and sorted into 26 ESG categories defined by SASB) for each S&P 500 company, FactSet calculated an average Insight score (which measures a company’s longer term ESG track record) and an average Momentum score (which measures the trend of a company’s performance over a trailing 12-month period) for these two groups of companies. The companies that cited “ESG” on their Q3 earnings calls have a higher average Insight score (57.1 vs. 54.7) and a higher average Momentum score (60.3 vs. 54.5) than the companies that did not cite “ESG” on their Q3 earnings calls. These companies also had higher median Insight and Momentum scores as well.

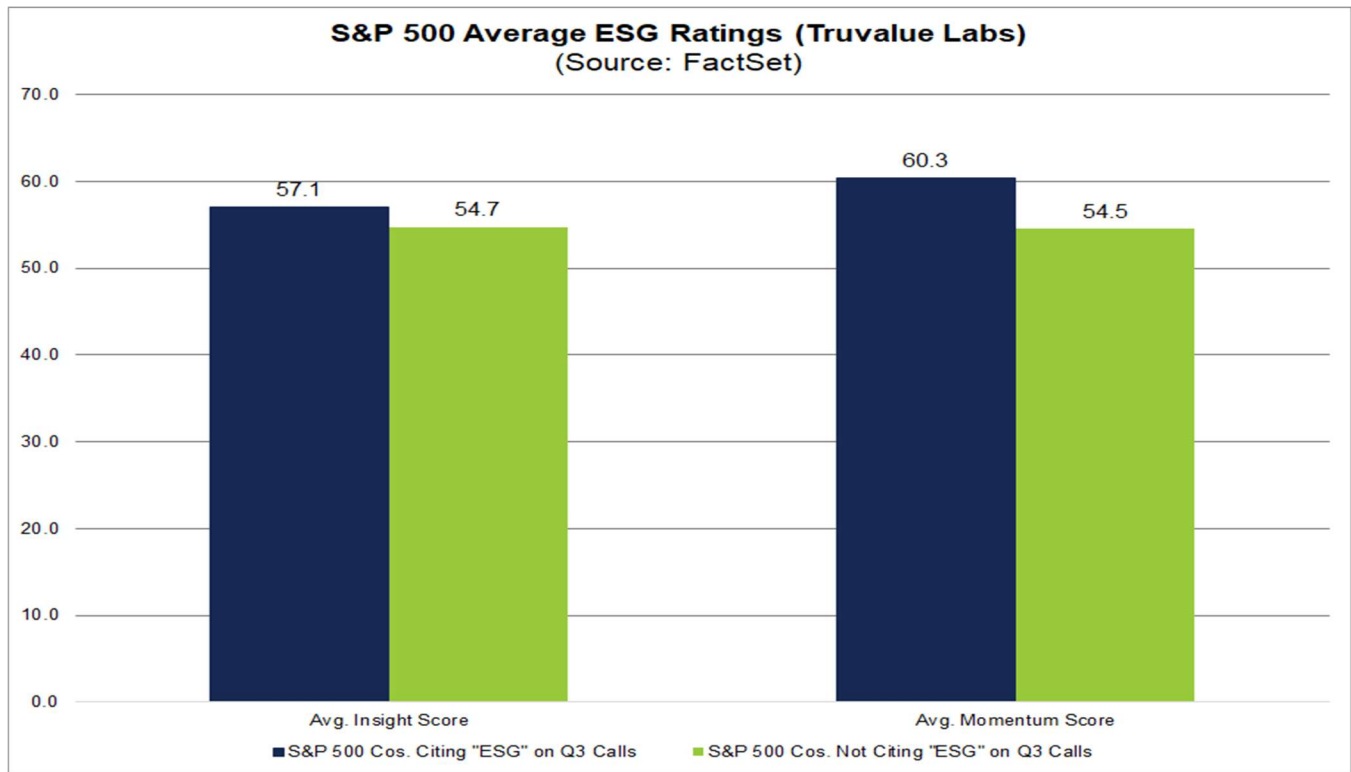
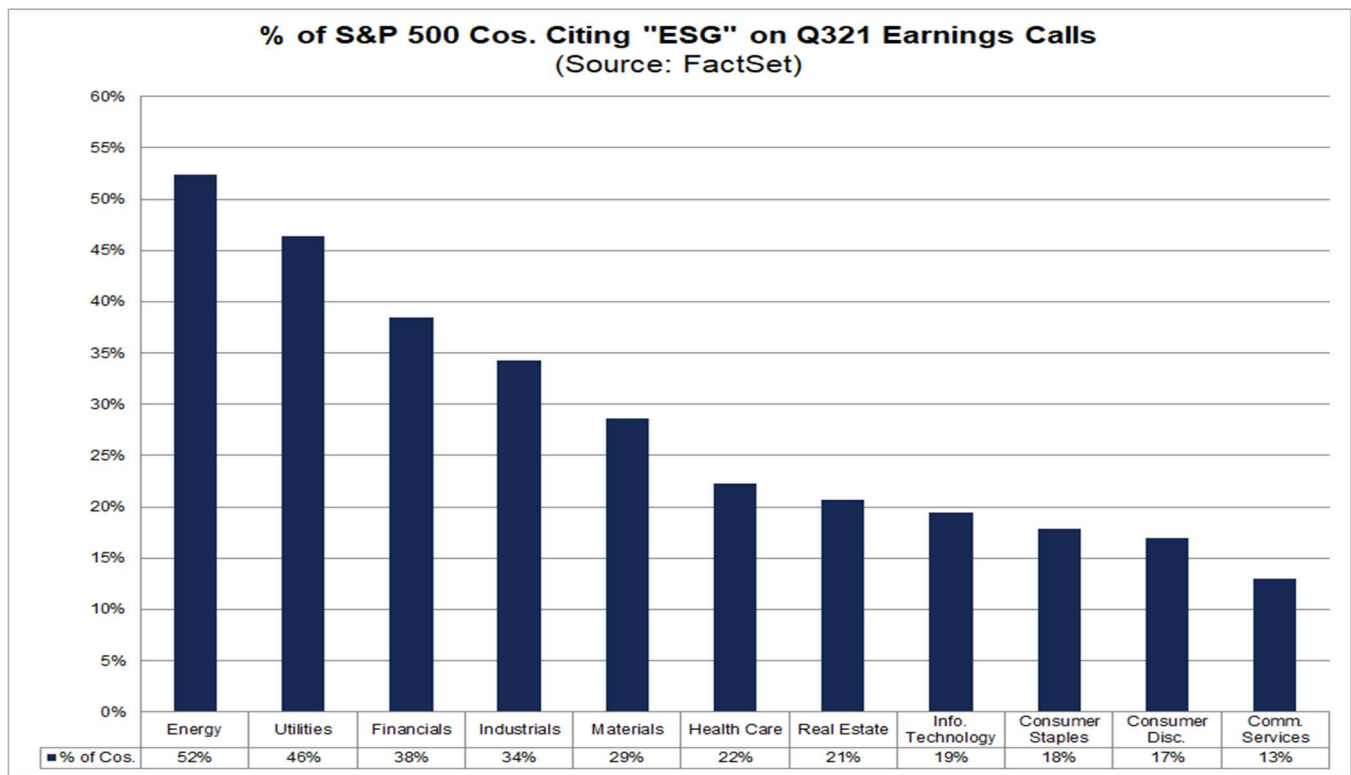
Thus, it would appear that companies that are making more progress on their ESG initiatives and scoring higher on ESG ratings may be more prone to discuss their ESG initiatives and their progress during their earnings calls. FactSet will continue to monitor the ESG scores of these two groups of companies going forward to see if these higher scores are consistent over time.

**# of S&P 500 Cos. Citing "ESG" on Earnings Calls**  
(Source: FactSet)



**# of S&P 500 Cos. Citing "ESG" on Earnings Calls: Q321 vs. Q221**  
(Source: FactSet)





## Q3 Earnings Season: By The Numbers

### Overview

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

In terms of earnings estimate revisions for companies in the S&P 500, upward and downward revisions to estimates by analysts have largely offset each other in aggregate for Q4 2021 to date. Thus, on a per-share basis, estimated earnings for the fourth quarter are less than 0.1% below expectations on September 30. Over the past four quarters, analysts increased EPS estimates by 4.7% on average during the quarter. However, over longer time periods, analysts have usually reduced earnings estimates during the quarter. Over the past five years (20 quarters), earnings estimates have fallen by 2.6% on average during a quarter. Over the past ten years, (40 quarters), earnings estimates have fallen by 3.6% on average during a quarter. Over the past fifteen years, (60 quarters), earnings estimates have fallen by 4.8% on average during a quarter.

Fewer S&P 500 companies have issued positive EPS guidance for Q4 2021 compared to recent quarters as well. At this point in time, 92 companies in the index have issued EPS guidance for Q3 2021. Of these 92 companies, 55 have issued negative EPS guidance and 37 have issued positive EPS guidance. Over the past four quarters, 60 S&P 500 companies issued positive guidance on average for the quarter. However, over longer time periods, fewer companies typically issue positive EPS guidance than negative EPS guidance. The percentage of companies issuing positive EPS guidance for Q4 2021 is 40% (37 out of 92), which is slightly above the 5-year average of 39%.

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

If 20.9% is the actual growth rate for the quarter, it will mark the fourth straight quarter of year-over-year earnings growth above 20%. The unusually high growth rate is due to a combination of higher earnings for Q4 2021 and a comparison to weaker earnings in Q4 2020 due to the negative impact of COVID-19 on a number of industries. Nine of the eleven sectors are projected to report year-over-year earnings growth, led by the Energy, Materials, and Industrials sectors.

In terms of revenues, however, analysts have continued to be more optimistic than normal in their revenue estimate revisions. Because of the net upward revisions to revenue estimates, the estimated (year-over-year) revenue growth rate for Q4 2021 is higher now relative to the start of the fourth quarter. As of today, the S&P 500 is expected to report (year-over-year) revenue growth of 12.7%, compared to the estimated (year-over-year) revenue growth rate of 11.4% on September 30.

If 12.7% is the actual growth rate for the quarter, it will tie the mark (with Q2 2011) for the third-highest year-over-year revenue growth rate reported by the index since FactSet began tracking this metric in 2008. All eleven sectors are projected to report year-over-year growth in revenues, led by the Energy and Materials sectors.

For the full year, analysts project earnings growth of 45% for CY 2021. Looking ahead to the first half of CY 2022, analysts expected earnings growth of 5.6% for Q1 2022 and 3.7% for Q2 2022.

The forward 12-month P/E ratio is 20.4, which is above the 5-year average (18.4) and above the 10-year average (16.6). It is also slightly above the forward P/E ratio of 20.1 recorded at the end of the third quarter (September 30), as price increases have outpaced upward revisions to EPS estimates over the past two months.

During the upcoming week, four S&P 500 companies are scheduled to report results for the third quarter and two S&P 500 companies are scheduled to report results for the fourth quarter.

## Earnings Revisions: Energy Sector Sees Largest Estimate Increases

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

During the past week, the estimated earnings growth rate for the S&P 500 for Q4 2021 increased slightly to 20.9% from 20.8%.

The estimated earnings growth rate for the S&P 500 for Q4 2021 of 20.9% today is equal to the estimate of 20.9% at the start of the quarter (September 30). Estimated earnings for the index of \$446.3 billion today are also equal to the estimate of \$446.3 billion at the start of the quarter. Six sectors have recorded an increase in expected (dollar-level) earnings due to upward revisions to earnings estimates, led by the Energy sector. On the other hand, five sectors have recorded a decrease in expected (dollar-level) earnings due to downward revisions to earnings estimates, led by the Consumer Discretionary and Industrials sectors.

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

The Energy sector has recorded the largest percentage increase in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at 37.3% (to \$27.4 billion from \$20.0 billion). A year-over-year growth rate is not being calculated for the Energy sector due to the loss reported by the sector in Q4 2020. This sector has also witnessed an increase in price of 2.8% since September 30. Overall, 18 of the 21 companies (86%) in the Energy sector have seen an increase in their mean EPS estimate during this time. Of these 18 companies, 15 have recorded an increase in their mean EPS estimate of more than 10%, led by Marathon Petroleum (to \$0.58 from -\$0.01), Valero Energy (to \$1.44 from \$0.42), Phillips 66 (to \$1.65 from \$0.65), and Occidental Petroleum (to \$1.02 from \$0.45). However, Exxon Mobil (to \$1.74 from \$1.34), Chevron (to \$2.96 from \$2.19), and ConocoPhillips (to \$2.13 from \$1.49) have been the largest contributors to the increase in estimated (dollar-level) earnings for this sector since September 30.

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

The Consumer Discretionary sector has recorded the largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -16.0% (to \$27.1 billion from \$32.3 billion). As a result, the estimated earnings growth rate for this sector has fallen to 0.5% from 19.7% during this time. Despite the decrease in estimated earnings, this sector has witnessed the second-largest increase in price (+10.9%) of all eleven sectors since September 30. Overall, 39 of the 62 companies (63%) in the Consumer Discretionary sector have seen a decrease in their mean EPS estimate during this time. Of these 39 companies, 17 have recorded a decrease in their mean EPS estimate of more than 10%, led by Caesars Entertainment (to -\$0.73 from -\$0.09), Las Vegas Sands (to -\$0.21 from \$0.04), Gap (to -\$0.12 from \$0.50), and Amazon.com (to \$3.89 from \$12.59). Amazon.com is also the largest contributor to the decrease in expected (dollar-level) earnings for this sector since September 30.

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

The Industrials sector has recorded the second-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -11.0% (to \$30.3 billion from \$34.0 billion). As a result, the estimated earnings growth rate for this sector has fallen to 103.6% from 128.8% during this time. This sector has also witnessed an increase in price of 1.4% since September 30. Overall, 47 of the 73 companies (64%) in the Industrials sector have seen a decrease in their mean EPS estimate during this time. Of these 47 companies, 22 have recorded a decrease in their mean EPS estimate of more than 10%, led by Southwest Airlines (to -\$0.40 from \$0.09), United Airlines Holdings (to -\$2.04 from -\$0.42), American Airlines Group (to -\$1.64 from -\$0.65), Delta Air Lines (to -\$0.24 from \$0.45), and Boeing (to -\$0.19 from \$0.52). These five companies along with Deere & Company (to \$2.38 from \$4.44) have also been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since September 30.

### Index-Level (Bottom-Up) EPS Estimate: No Change (0.0%) Since September 30

The Q4 bottom-up EPS estimate (which is an aggregation of the median Q4 earnings estimates for all 500 companies in the index and can be used as a proxy for the earnings of the index) has decreased by less than 0.1% (to \$51.04 from \$51.06) since September 30. In a typical quarter, analysts usually reduce earnings estimates. Over the past five years (20 quarters), earnings expectations have fallen by 2.6% on average during a quarter. Over the past ten years, (40 quarters), earnings expectations have fallen by 3.6% on average during a quarter. Over the past fifteen years (60 quarters), earnings expectations have fallen by 4.8% on average during a quarter.

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

At this point in time, 92 companies in the index have issued EPS guidance for Q4 2021. Of these 92 companies, 55 have issued negative EPS guidance and 37 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 60% (55 out of 92), which is slightly below the 5-year average of 61%.

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

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

### Earnings Growth: 20.9%

The estimated (year-over-year) earnings growth rate for Q4 2021 is 20.9%, which is well above the 5-year average earnings growth rate of 11.8%. If 20.9% is the actual growth rate for the quarter, it will mark the fourth straight quarter of year-over-year earnings growth above 20%. The unusually high growth rate is due to a combination of higher earnings in Q4 2021 and an easier comparison to lower earnings in Q4 2020 due to the negative impact of COVID-19 on a number of industries. Nine of the eleven sectors are expected to year-over-year earnings growth, led by the Energy, Materials, and Industrials sectors.

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

The Energy sector is expected to report earnings of \$27.4 billion for Q4 2021 compared to a loss of -\$0.1 billion in Q4 2020. Thus, a year-over-year growth rate is not being calculated for the Energy sector due to the loss reported by the sector in Q4 2020. Higher year-over-year oil prices are contributing to the year-over-year improvement in earnings for this sector, as the average price of oil in Q4 2021 to date (\$79.60) is 95% above the average price for oil in Q4 2020 (\$40.92). At the sub-industry level, all five sub-industries in the sector are projected to report a year-over-year increase in earnings. A growth rate is not being calculated for two of these five sub-industries due to losses reported in the year-ago quarter. However, both are predicted to report profits in Q4 2021: Integrated Oil & Gas and Oil & Gas Refining & Marketing. The other three sub-industries that are expected to report year-over-year growth are the Oil & Gas Exploration & Production (2,729%), Oil & Gas Equipment & Services (161%), and the Oil & Gas Storage & Transportation (6%) sub-industries. At the company level, Exxon Mobil, Chevron, and ConocoPhillips are expected to be the largest contributors to the year-over-year improvement in earnings for the sector. Combined, these three companies account for \$16.0 billion of the \$27.6 billion year-over-year increase in earnings for the sector.

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

The Industrials sector is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 103.6%. At the industry level, 11 of the 12 industries in the sector are projected to report a year-over-year increase in earnings. A growth rate is not being calculated for the two of these industries due to losses reported in the year-ago quarter: Airlines and Aerospace & Defense. The Aerospace & Defense industry is predicted to report a profit in Q4 2021 (\$6.6 billion) compared to a loss in Q4 2020 (-\$2.3 billion), while the Airlines industry is predicted to report a smaller loss in Q4 2021 (-\$2.1 billion) compared to Q4 2020 (-\$7.3 billion). Five of the remaining ten industries are predicted to report earnings growth above 10%: Trading Companies & Distributors (29%), Electrical Equipment (18%), Construction & Engineering (16%), Road & Rail (14%), and Air Freight & Logistics (11%). The Machinery (-7%) industry is the only industry projected to report a year-over-year decline in earnings in the sector. Boeing and the five companies in the Airlines industry are the largest contributors to earnings growth for the sector. If this company and industry were excluded, the estimated earnings growth rate for the Industrials sector would fall to 5.6% from 103.6%.

### Materials: Nucor and Dow Are Largest Contributors to Year-over-Year Growth

The Materials sector is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 60.7%. At the industry level, all four industries in this sector are expected to report year-over-year earnings growth, led by the Metals & Mining (130%) and Chemicals (52%) industries. At the company level, Nucor and Dow are expected to be the largest contributors to year-over-year earnings growth for the sector. If these two companies were excluded, the estimated earnings growth rate for the Materials sector would fall to 34.7% from 60.7%.

### Revenue Growth: 12.7%

The estimated (year-over-year) revenue growth rate for Q4 2021 is 12.7%, which is well above the 5-year average revenue growth rate of 5.8%. If 12.7% is the actual growth rate for the quarter, it will tie the mark (with Q2 2011) for the third-highest year-over-year revenue growth rate reported by the index since FactSet began tracking this metric in 2008. The current record is 25.3%, which occurred in Q2 2021. All eleven sectors are expected to report year-over-year growth in revenues, led by the Energy and Materials sectors.

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

The Energy sector is expected to report the highest (year-over-year) revenue growth rate of all eleven sectors at 67.7%. Higher year-over-year oil prices are contributing to the year-over-year improvement in revenues for this sector, as the average price of oil in Q4 2021 to date (\$79.60) is 95% above the average price for oil in Q4 2020 (\$40.92). At the sub-industry level, all five sub-industries in the sector are projected to report double-digit (year-over-year) growth in revenues: Oil & Gas Exploration & Production (120%), Integrated Oil & Gas (79%), Oil & Gas Refining & Marketing (55%), Oil & Gas Storage & Transportation (31%), and Oil & Gas Equipment & Services (10%).

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

The Materials sector is expected to report the second-highest (year-over-year) revenue growth of all eleven sectors at 24.1%. 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 (54%), Construction Materials (26%), and Chemicals (23%).

### Net Profit Margin: 11.8%

The estimated net profit margin for the S&P 500 for Q4 2021 is 11.8%, which is above the 5-year average of 10.9% and the year-ago net profit margin of 11.0%, but below the previous quarter's net profit margin of 12.9%.

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

At the sector level, five sectors are expected to report a year-over-year increase in their net profit margins in Q4 2021 compared to Q4 2020, led by the Energy (9.9% vs. N/A), Industrials (8.3% vs. 4.6%), and Materials (13.2% vs. 10.2%) sectors. Five sectors are expected to report net profit margins in Q4 2021 that are above their 5-year averages, led by the Energy (9.9% vs. 4.9%), Materials (13.2% vs. 9.5%), and Information Technology (24.8% vs. 21.5%) sectors.

## Looking Ahead: Forward Estimates and Valuation

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

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

For Q4 2021, analysts are projecting earnings growth of 20.9% and revenue growth of 12.7%.

For CY 2021, analysts are projecting earnings growth of 45.0% and revenue growth of 15.7%.

For Q1 2022, analysts are projecting earnings growth of 5.6% and revenue growth of 9.4%.

For Q2 2022, analysts are projecting earnings growth of 3.7% and revenue growth of 7.3%.

For CY 2022, analysts are projecting earnings growth of 8.8% and revenue growth of 7.3%.

### Valuation: Forward P/E Ratio is 20.4, Above the 10-Year Average (16.6)

The forward 12-month P/E ratio is 20.4. This P/E ratio is above the 5-year average of 18.4 and above the 10-year average of 16.6. It is also above the forward 12-month P/E ratio of 20.1 recorded at the end of the third quarter (September 30). Since the end of the third quarter (September 30), the price of the index has increased by 4.8%, while the forward 12-month EPS estimate has increased by 3.0%. At the sector level, the Consumer Discretionary (31.5) and Information Technology (27.2) sectors have the highest forward 12-month P/E ratios, while the Energy (10.8) and Financials (14.1) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 24.0, which is above the 5-year average of 22.9 and above the 10-year average of 19.8.

### Targets & Ratings: Analysts Project 15% Increase in Price Over Next 12 Months

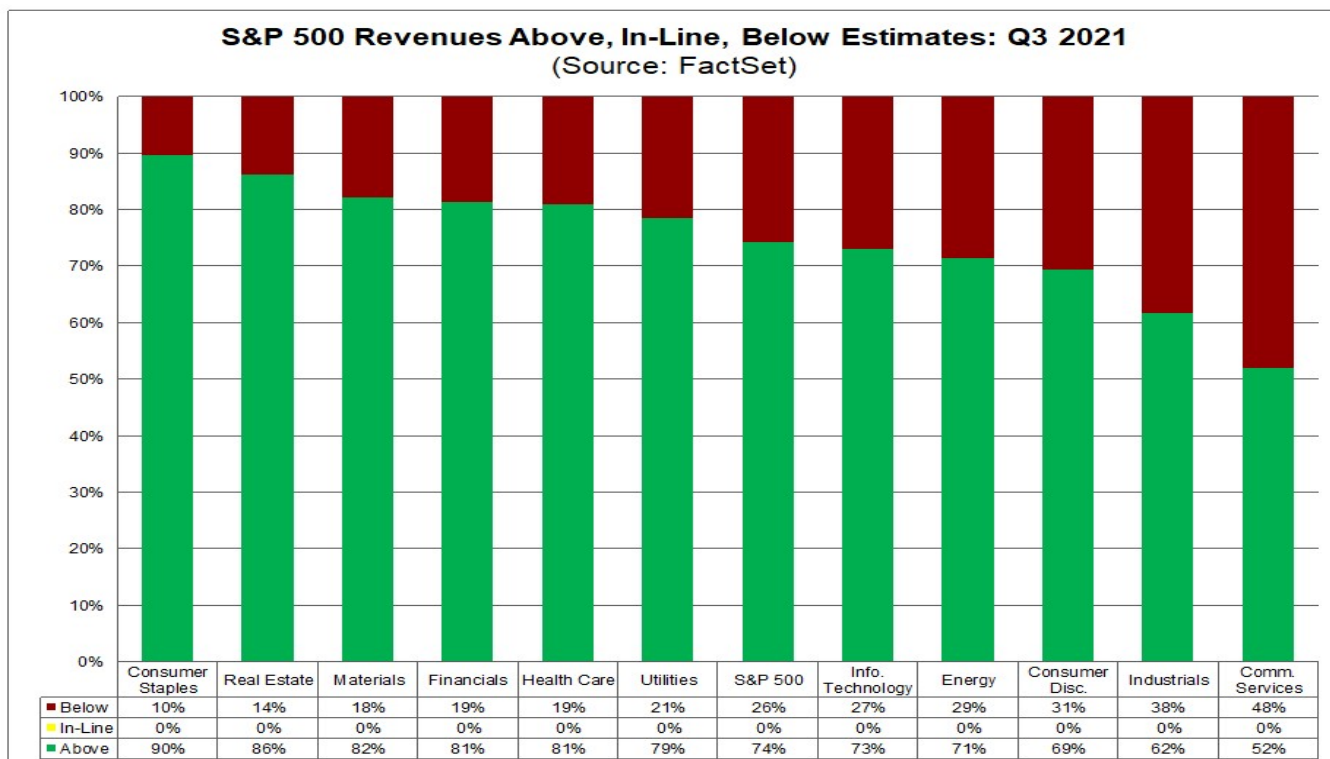
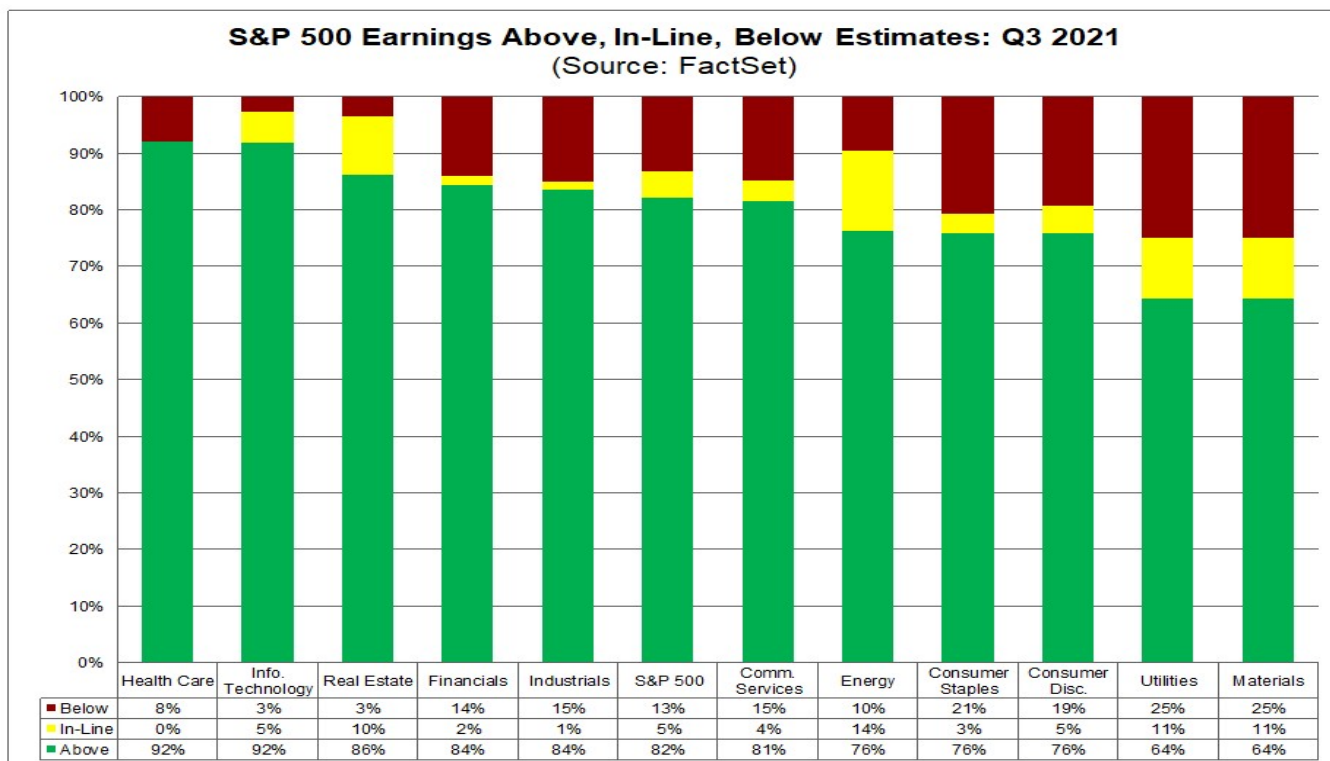
The bottom-up target price for the S&P 500 is 5203.39, which is 15.3% above the closing price of 4513.04. At the sector level, the Communication Services (27.0%) and Energy (24.7%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Consumer Discretionary (+9.4%) and Utilities (+10.4%) 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 10,648 ratings on stocks in the S&P 500. Of these 10,648 ratings, 56.9% are Buy ratings, 37.1% are Hold ratings, and 6.0% are Sell ratings. At the sector level, the Energy (67%), Communication Services (62%), Health Care (62%), and Information Technology (62%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (43%) sector has the lowest percentage of Buy ratings.

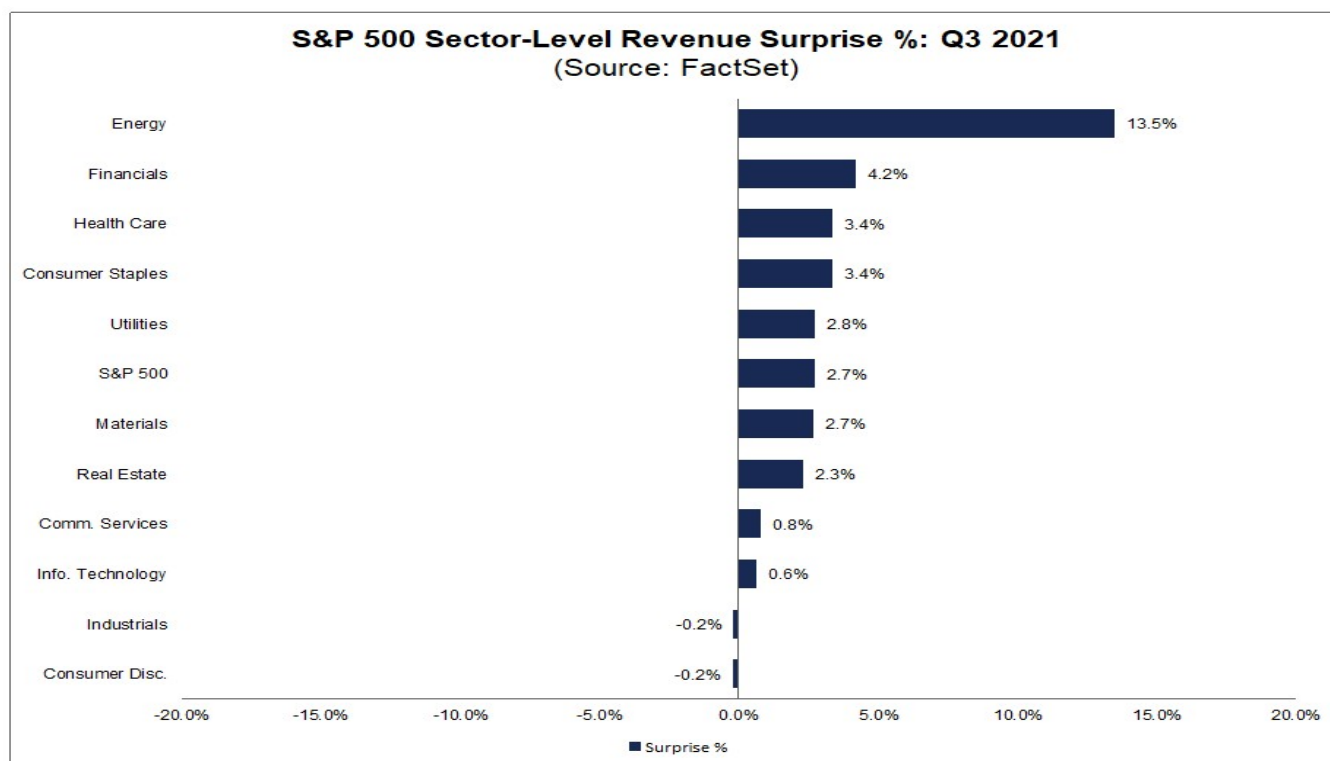
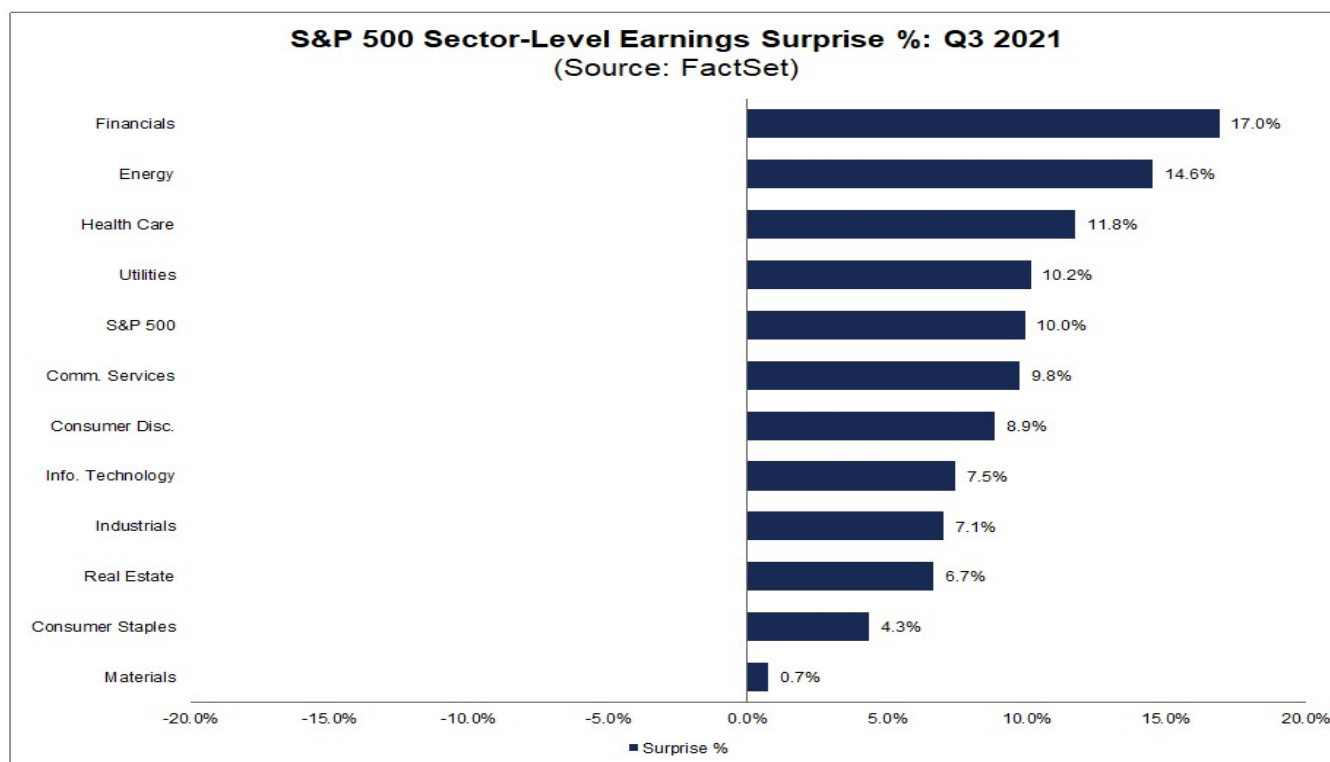
### Companies Reporting Next Week: 6

During the upcoming week, 4 S&P 500 companies are scheduled to report results for the third quarter and 2 S&P 500 companies are scheduled to report results for the fourth quarter.

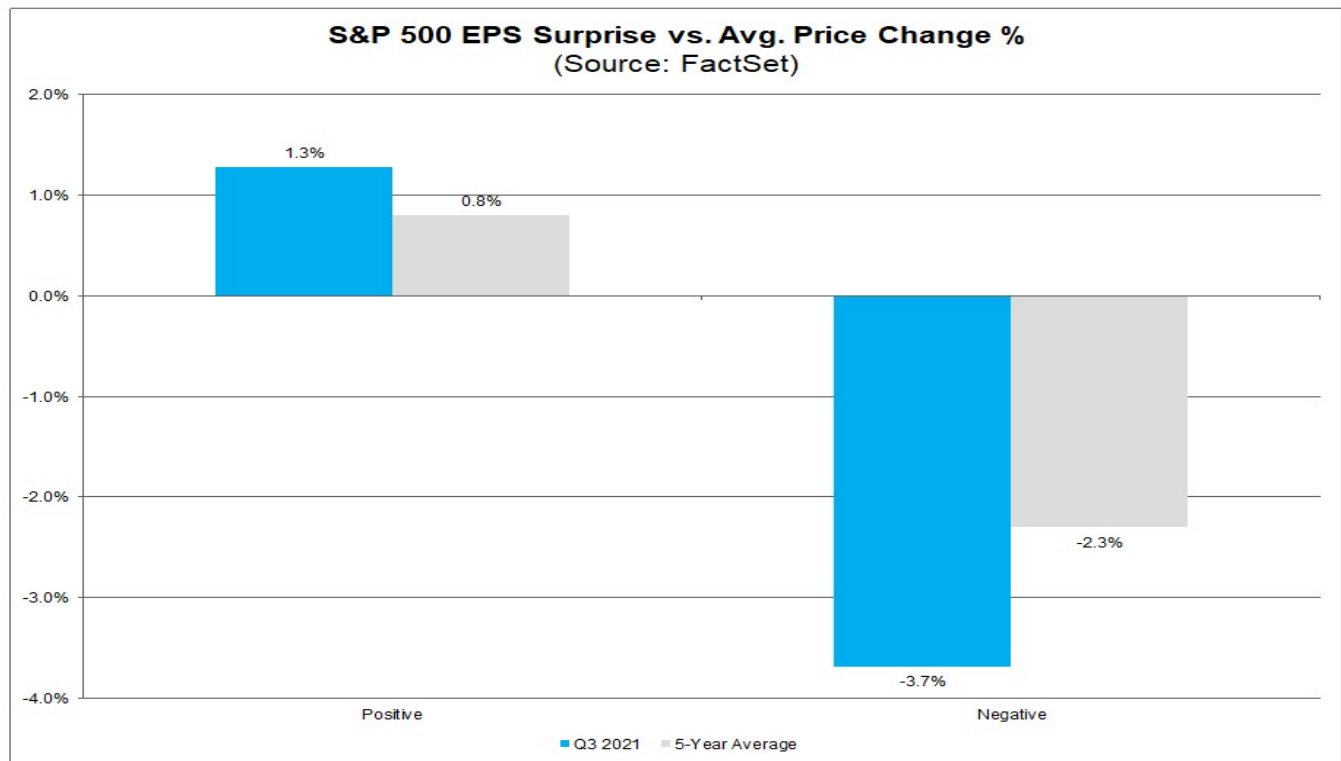
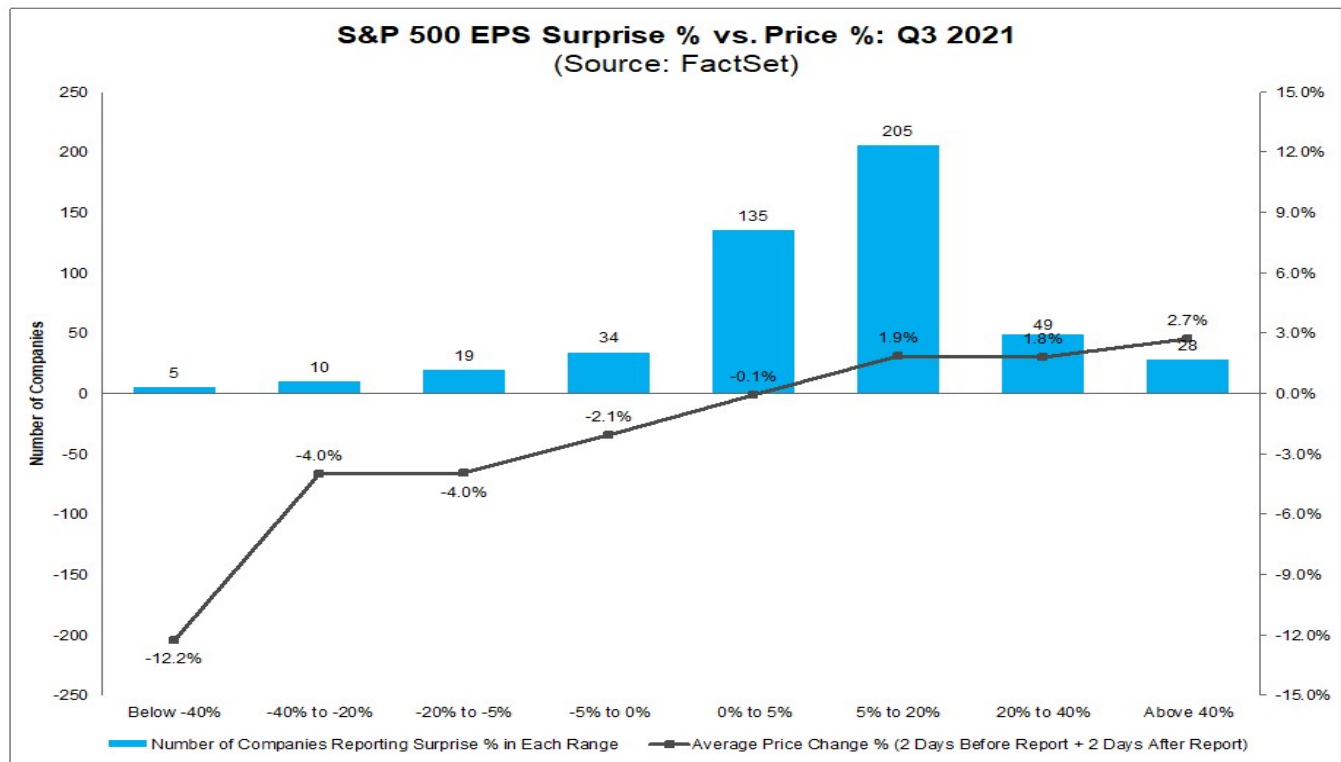
## Q3 2021: Scorecard



## Q3 2021: Scorecard

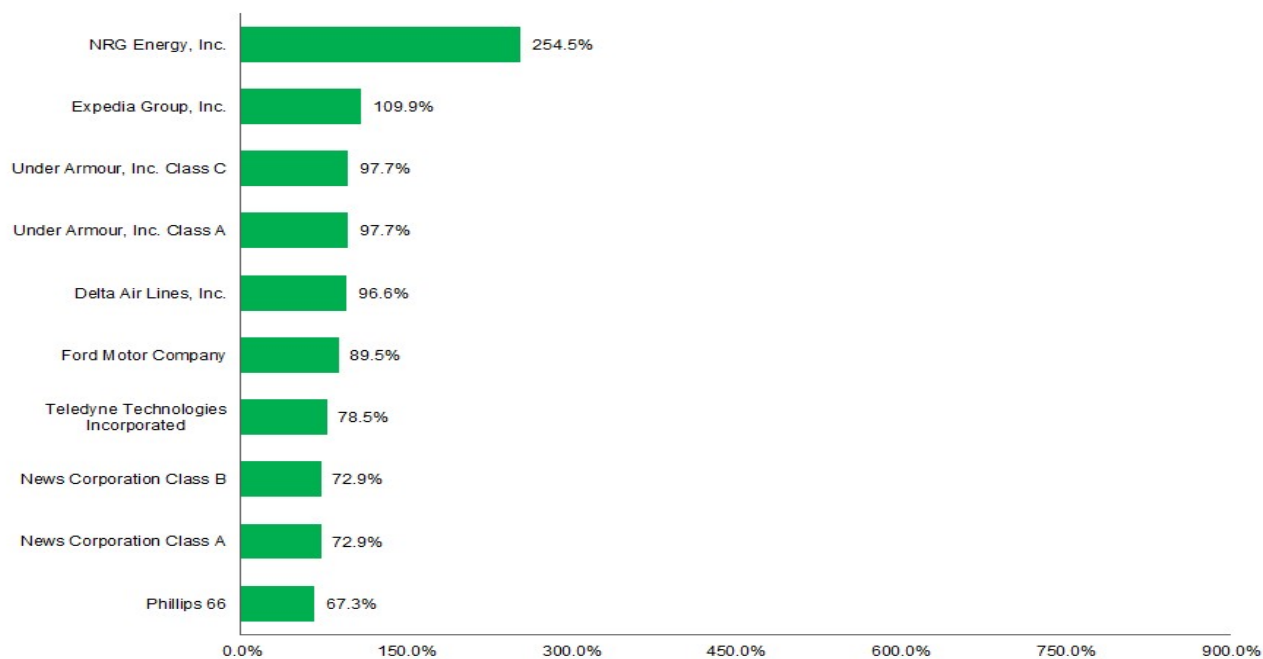


# Q3 2021: Scorecard

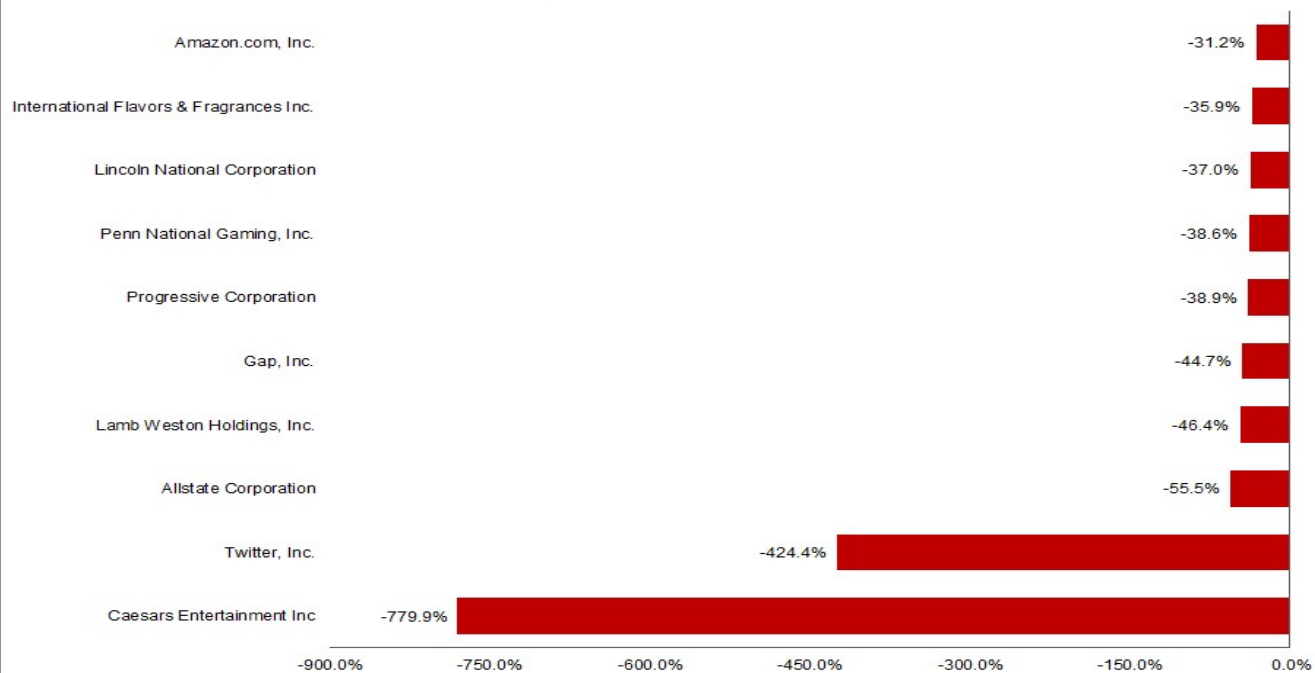


## Q3 2021: Scorecard

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

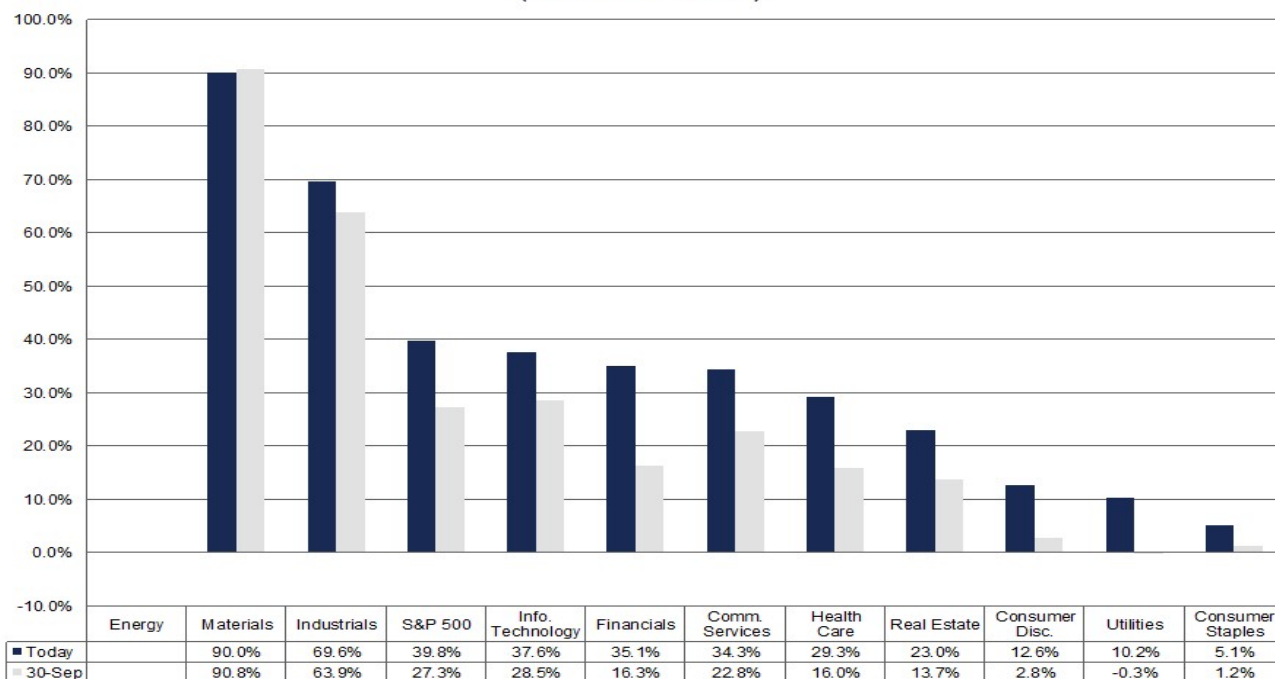


**S&P 500 Actual EPS Surprise %: Bottom 10 Q3 Actual EPS Surprises**  
(Source: FactSet)

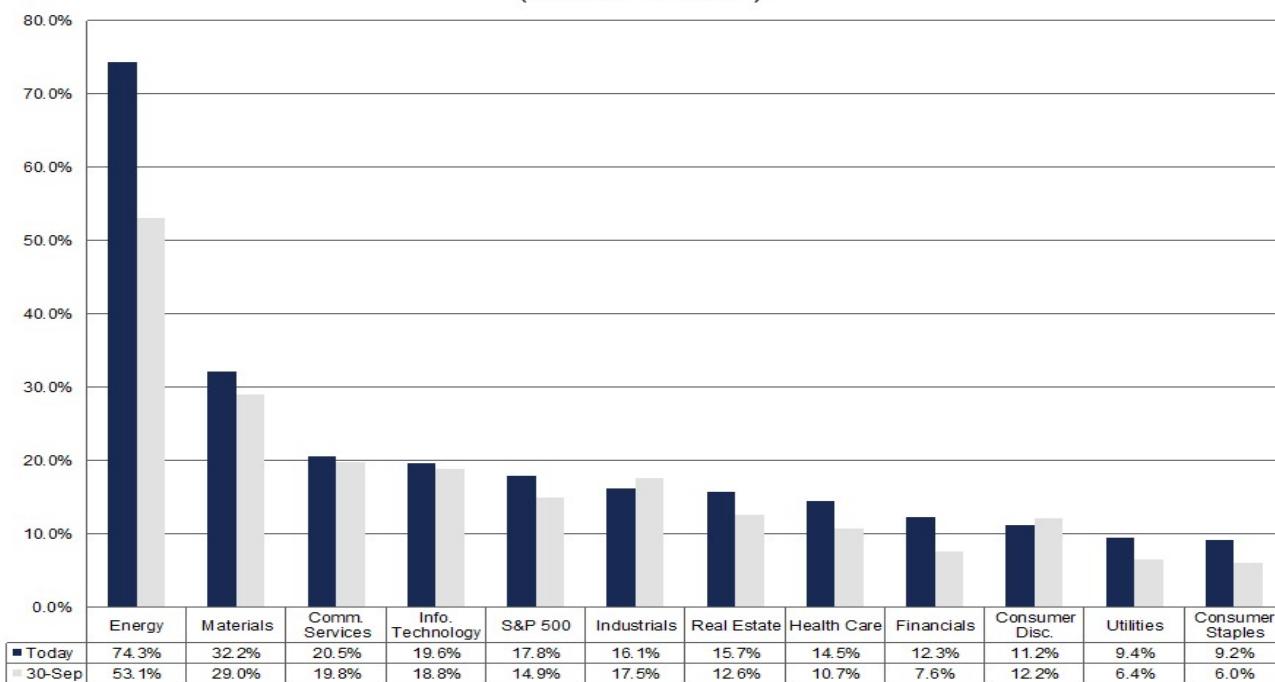


## Q3 2021: Growth

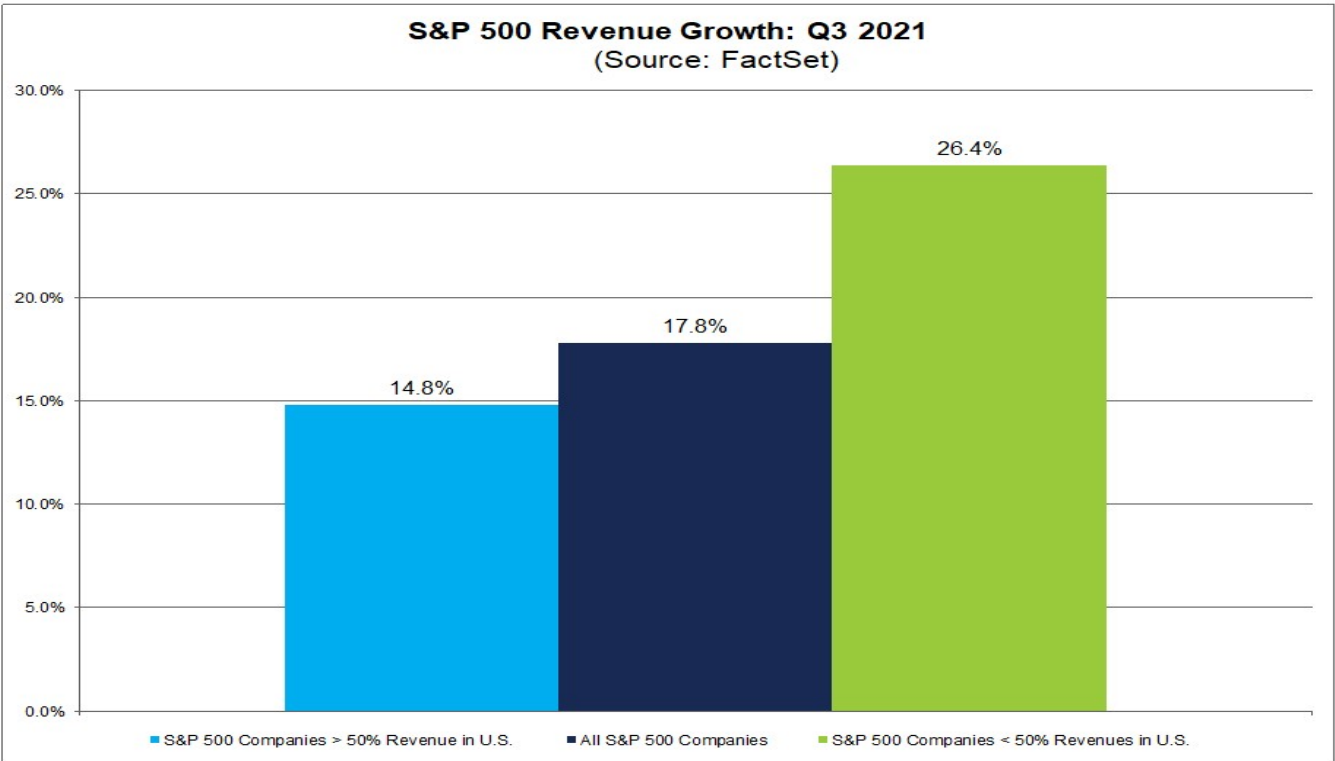
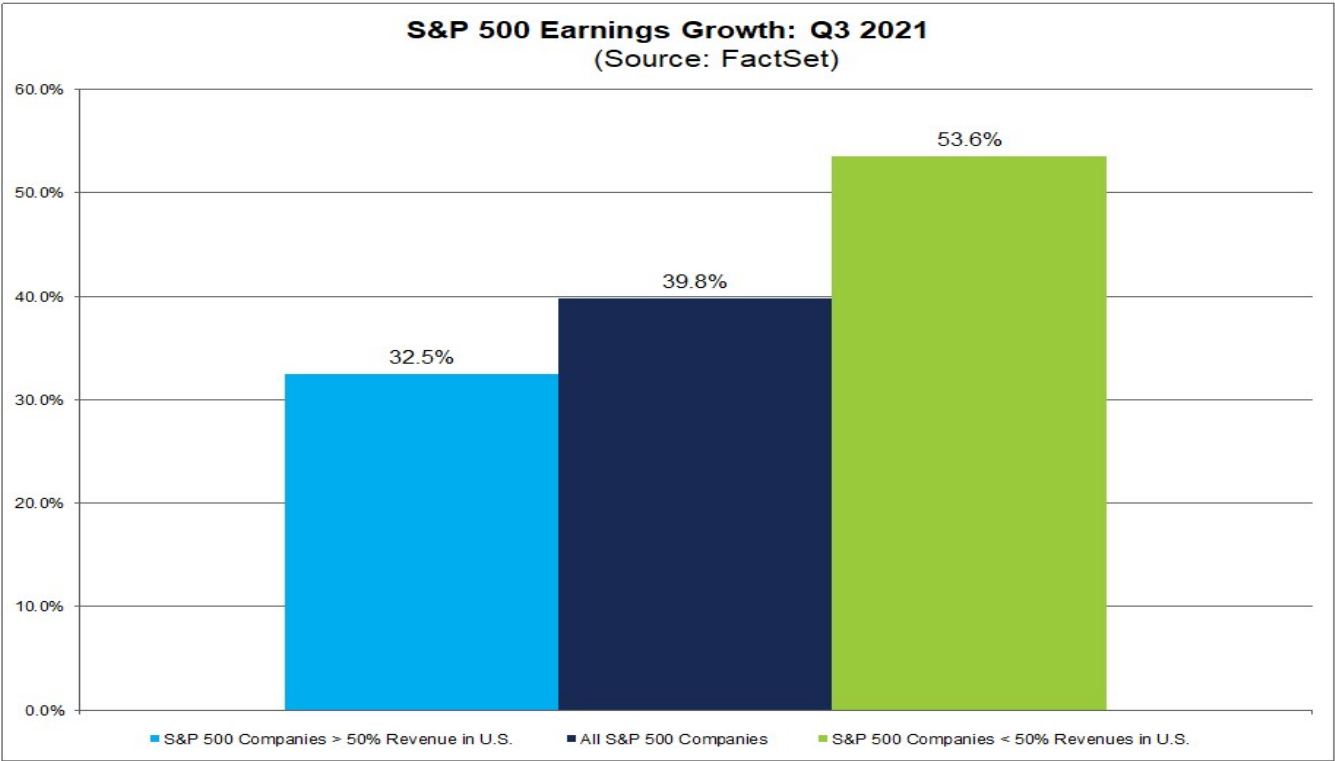
**S&P 500 Earnings Growth: Q3 2021**  
(Source: FactSet)



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



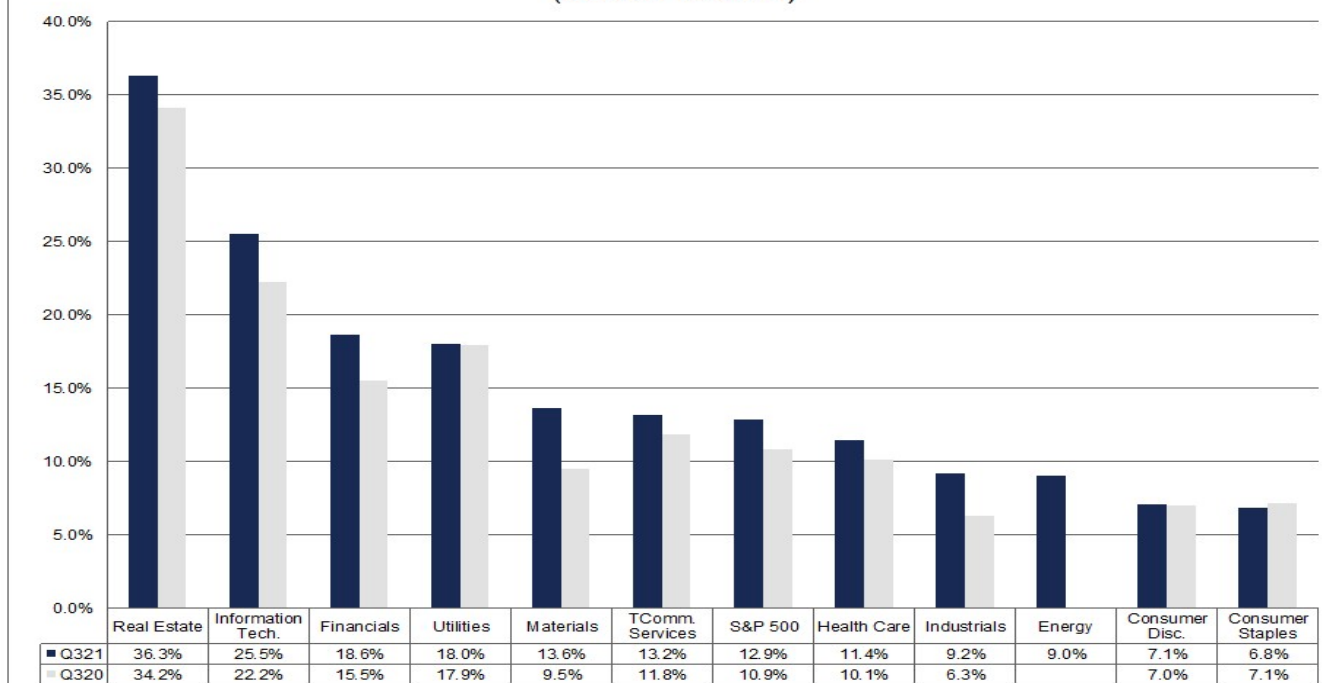
# Q3 2021: Growth



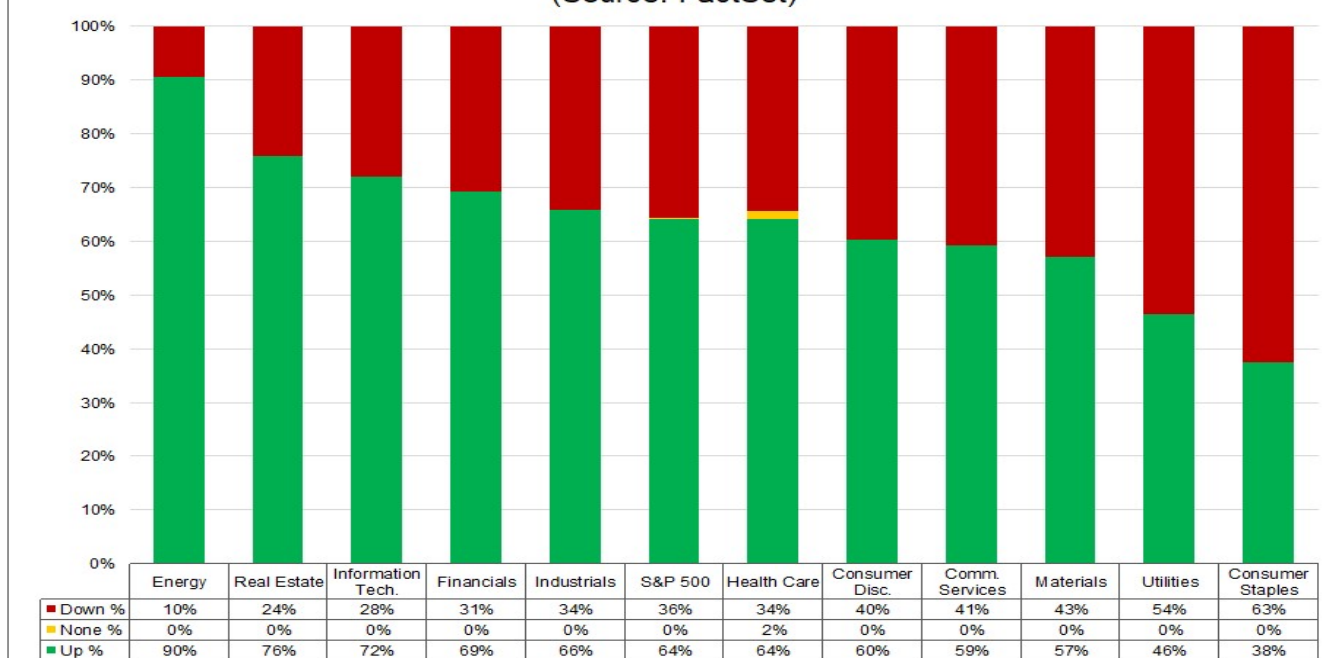
## Q3 2021: Net Profit Margin

**S&P 500 Net Profit Margins: Q321 vs. Q320**

(Source: FactSet)

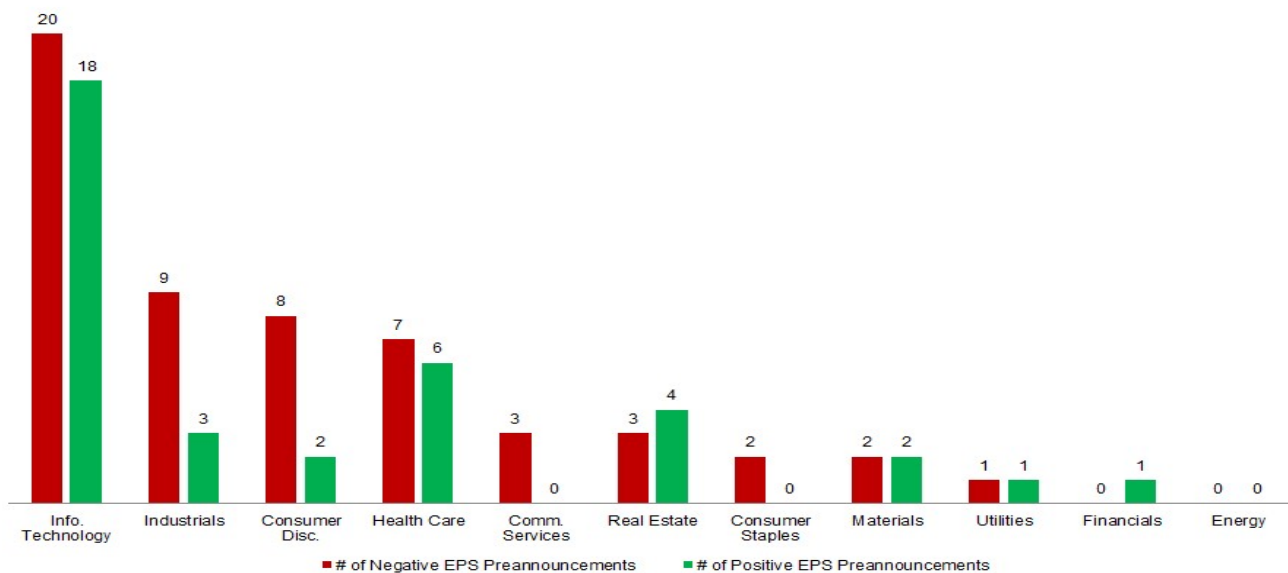
**S&P 500: % of Cos. With Increase or Decrease in Net Profit Margin: Q321 vs. Q320**

(Source: FactSet)

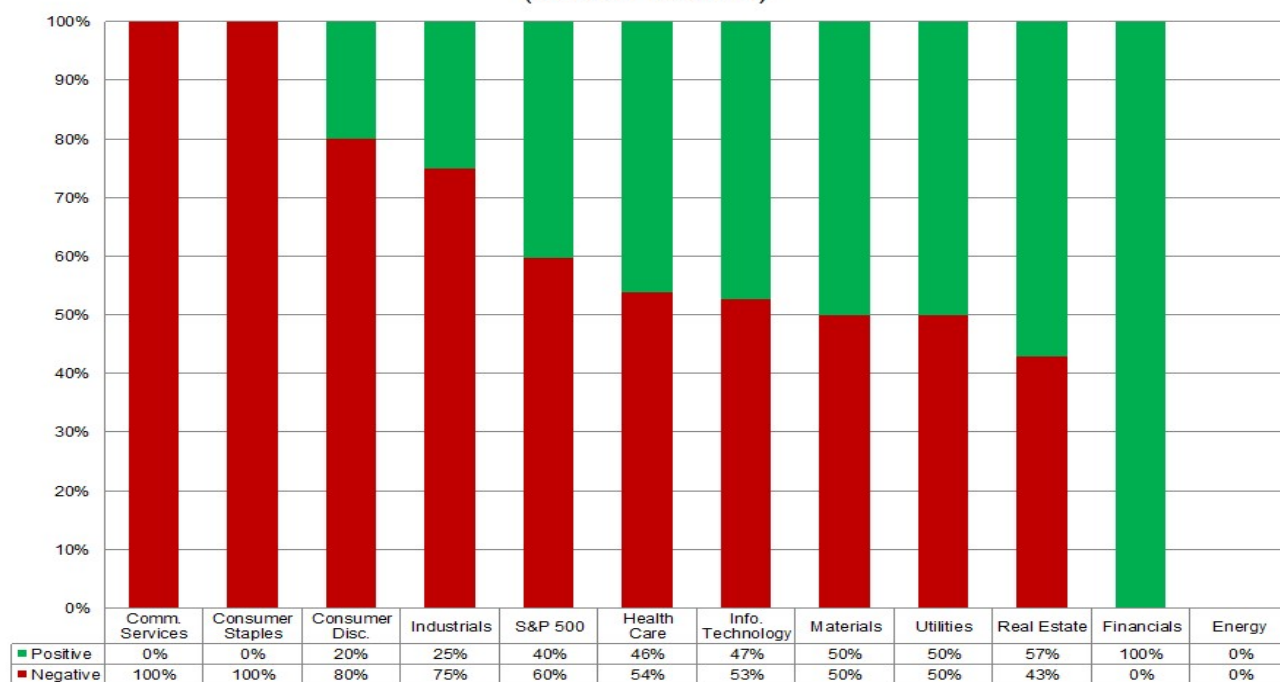


## Q4 2021: EPS Guidance

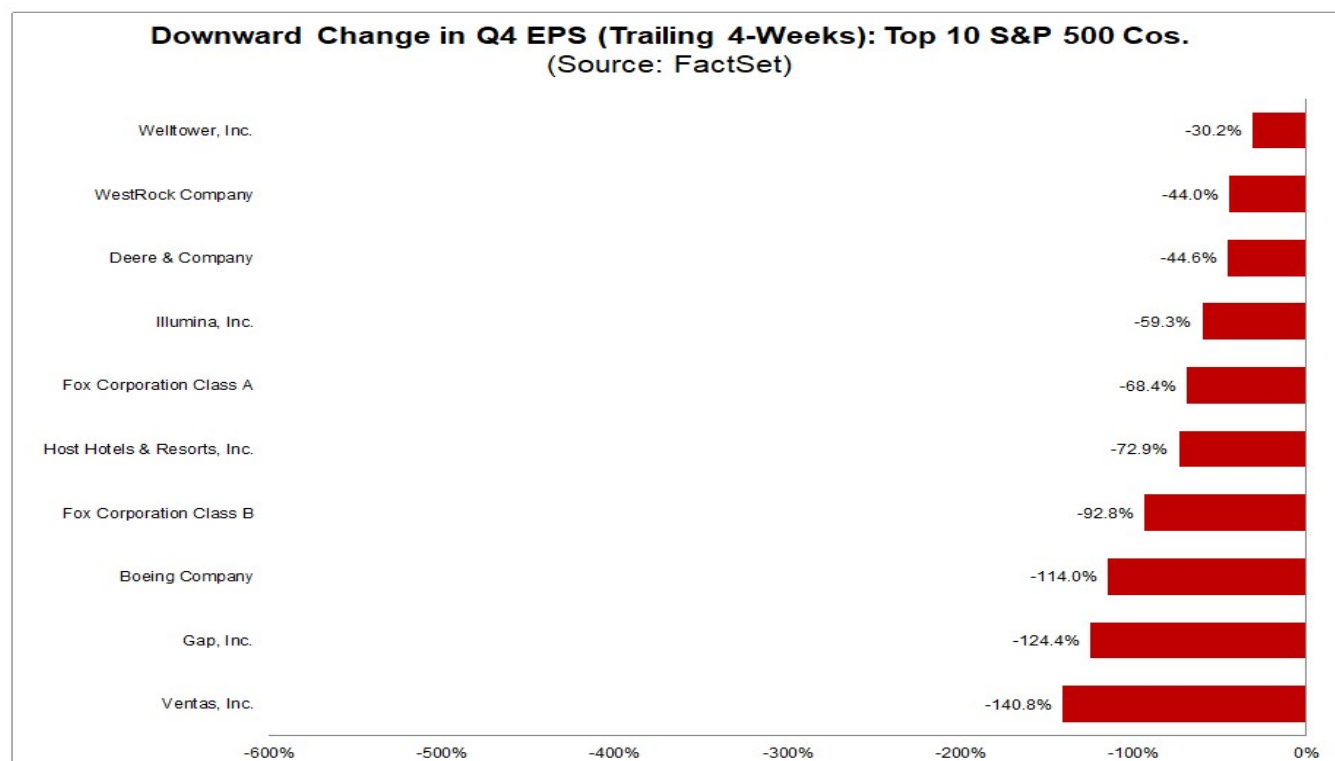
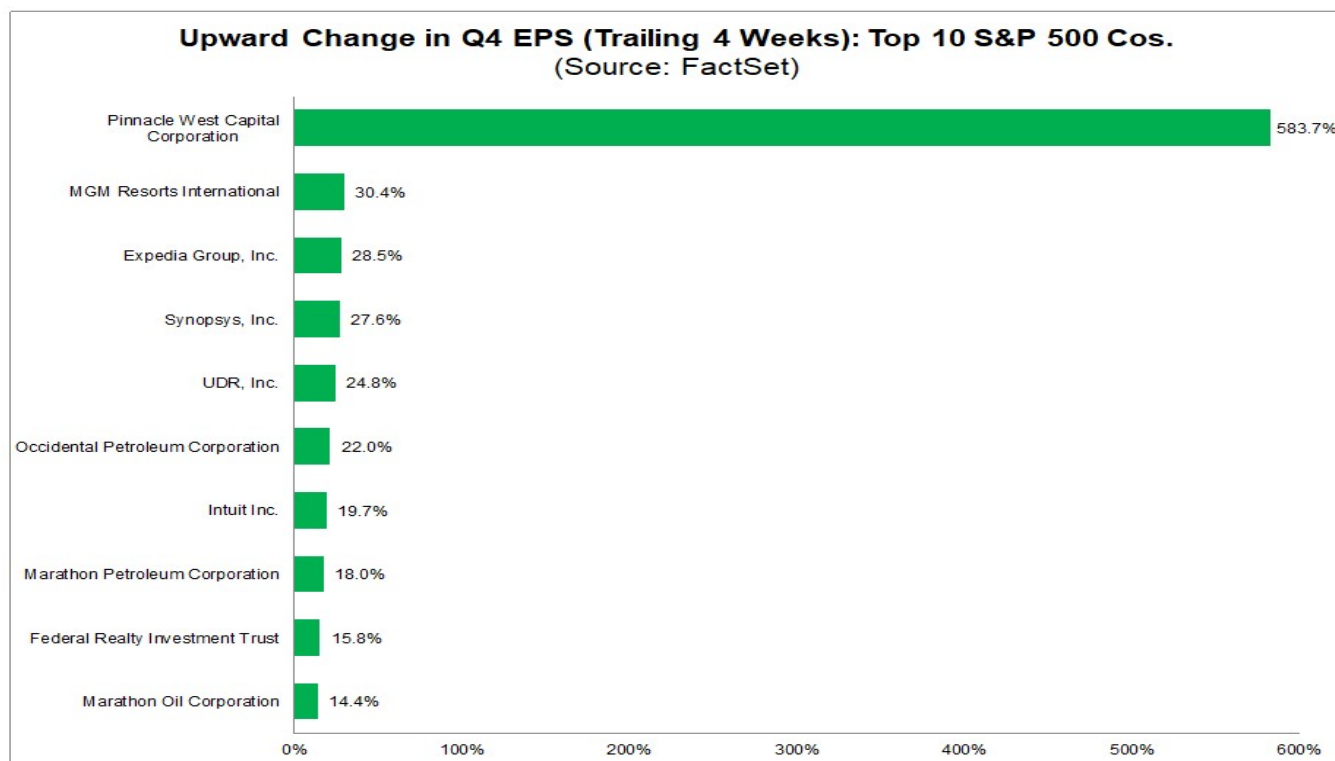
**Number (#) of S&P 500 Cos. with Q4 Positive & Negative Guidance**  
(Source: FactSet)



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

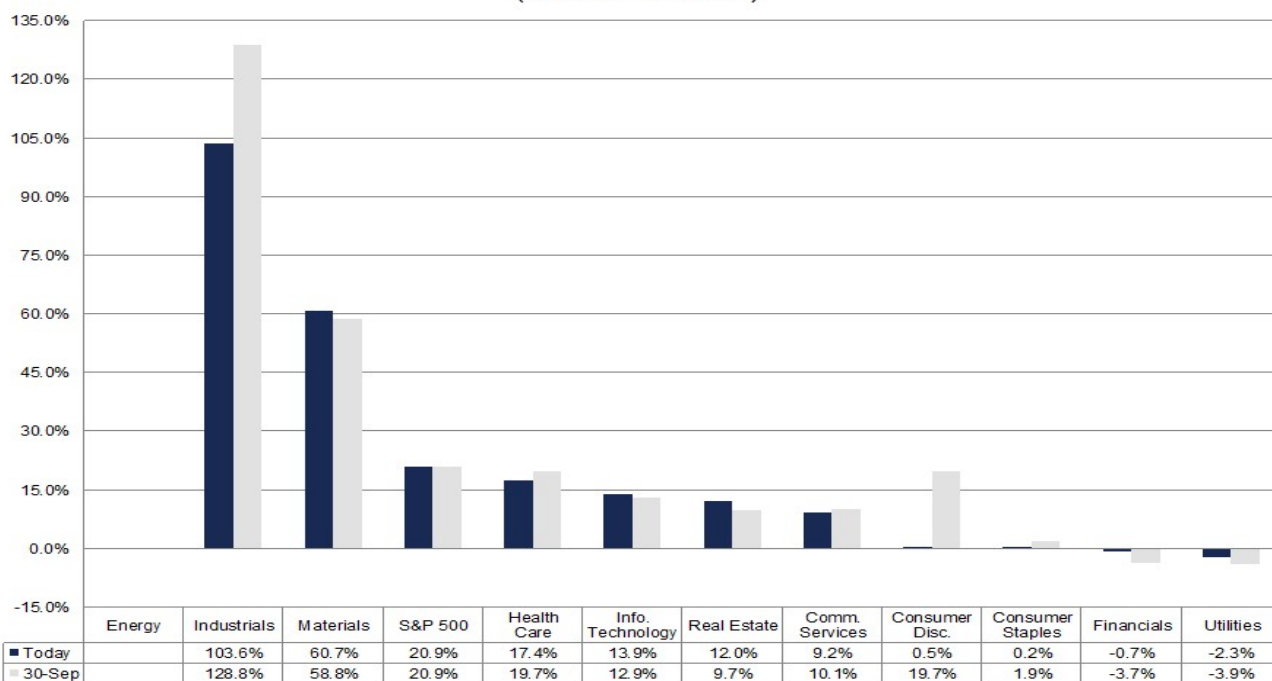


## Q4 2021: EPS Revisions

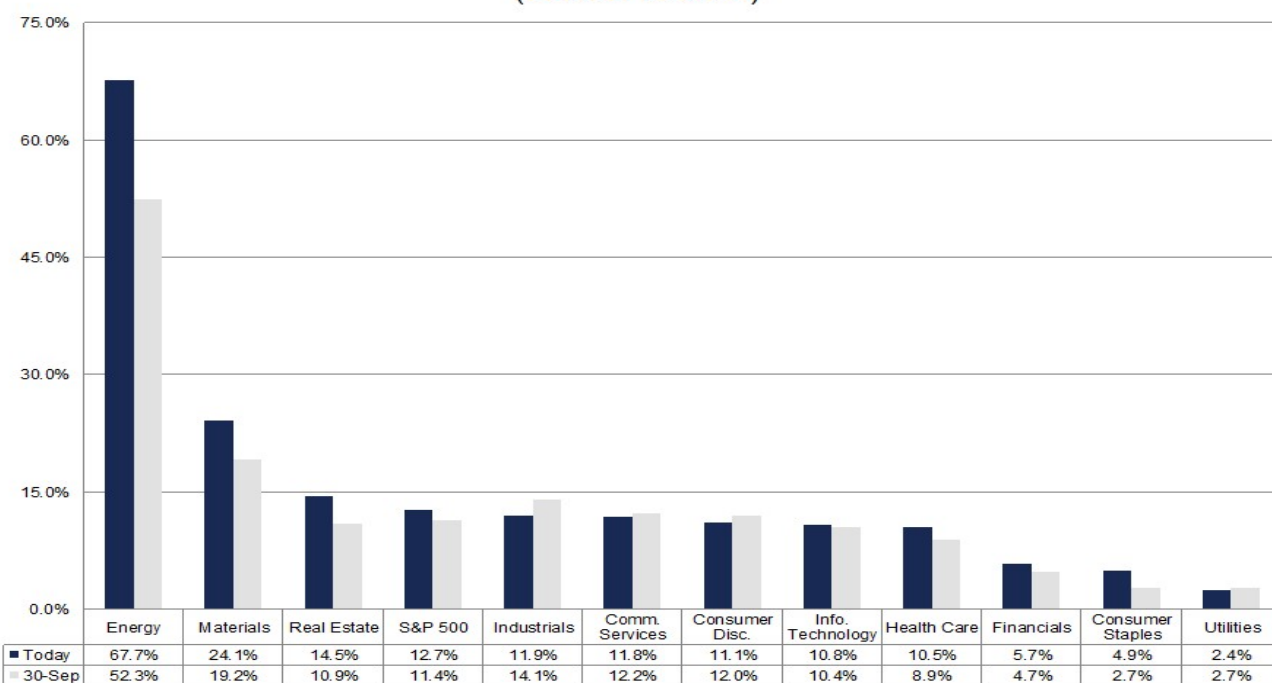


## Q4 2021: Growth

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

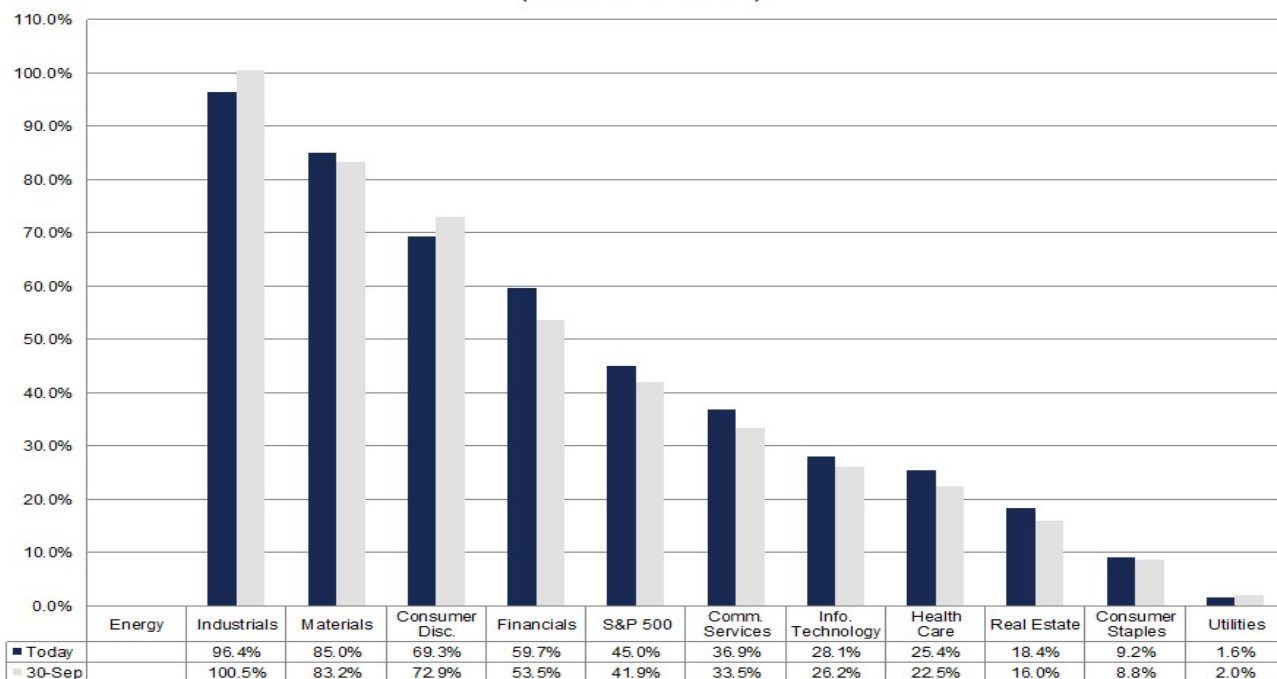


**S&P 500 Revenue Growth: Q4 2021**  
(Source: FactSet)

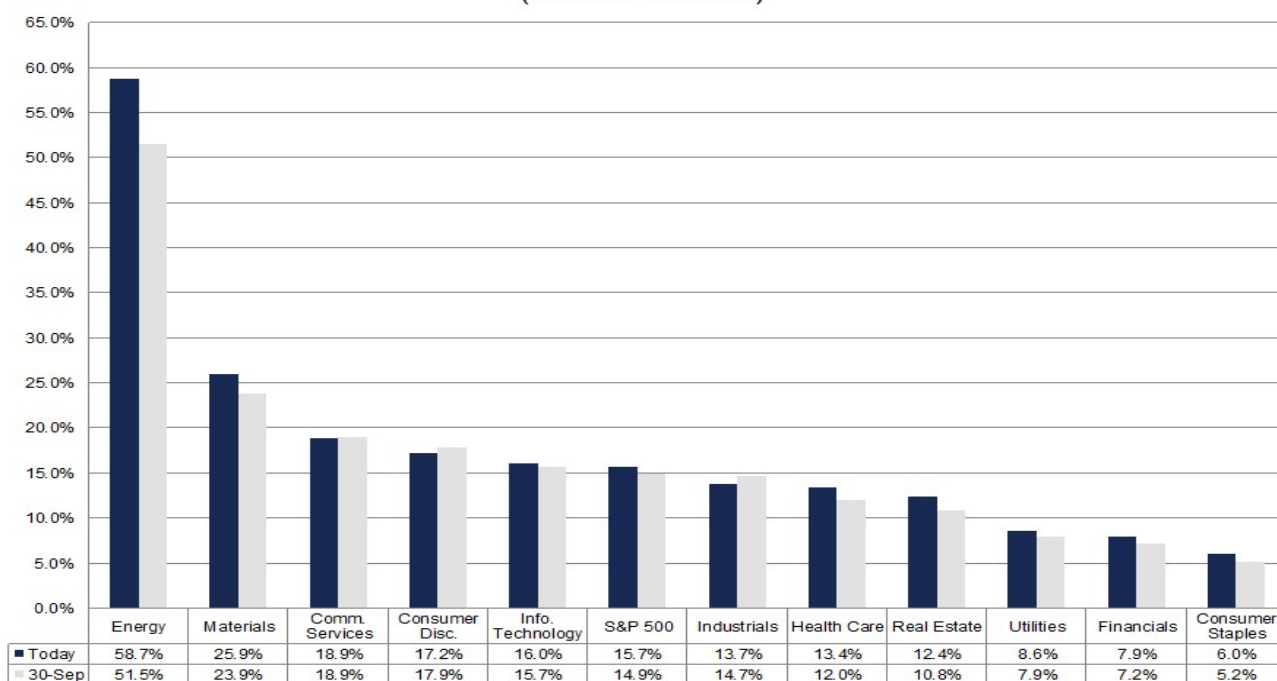


## CY 2021: Growth

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

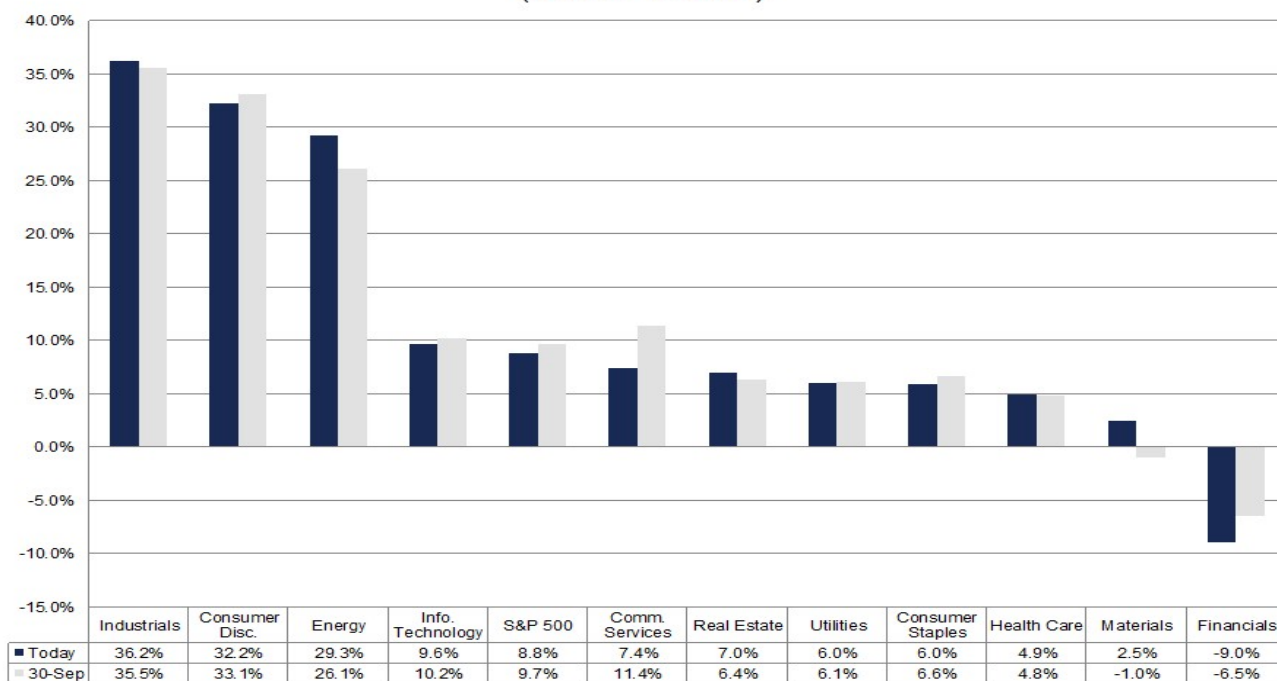


**S&P 500 Revenue Growth: CY 2021**  
(Source: FactSet)

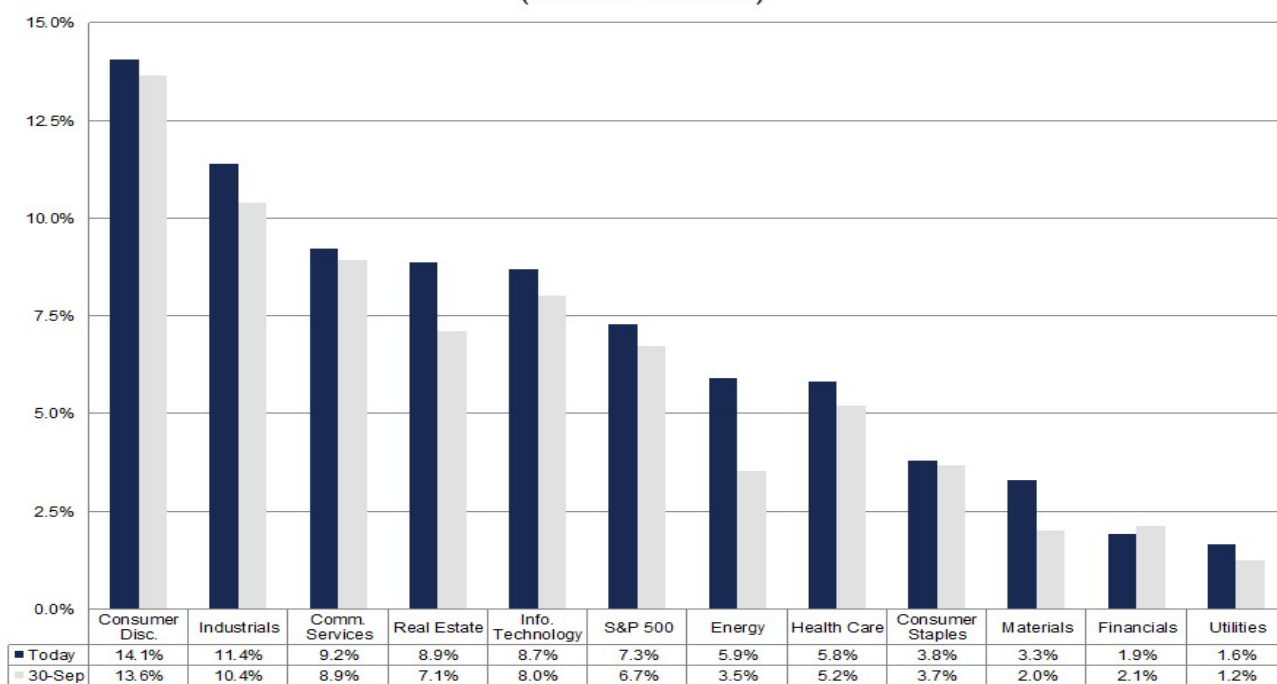


## CY 2022: Growth

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

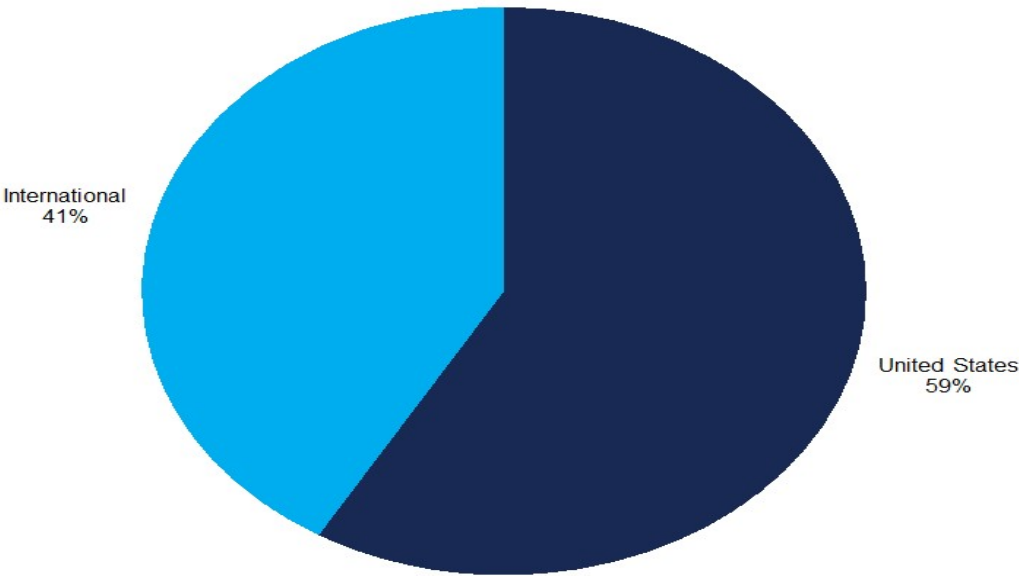


**S&P 500 Revenue Growth: CY 2022**  
(Source: FactSet)

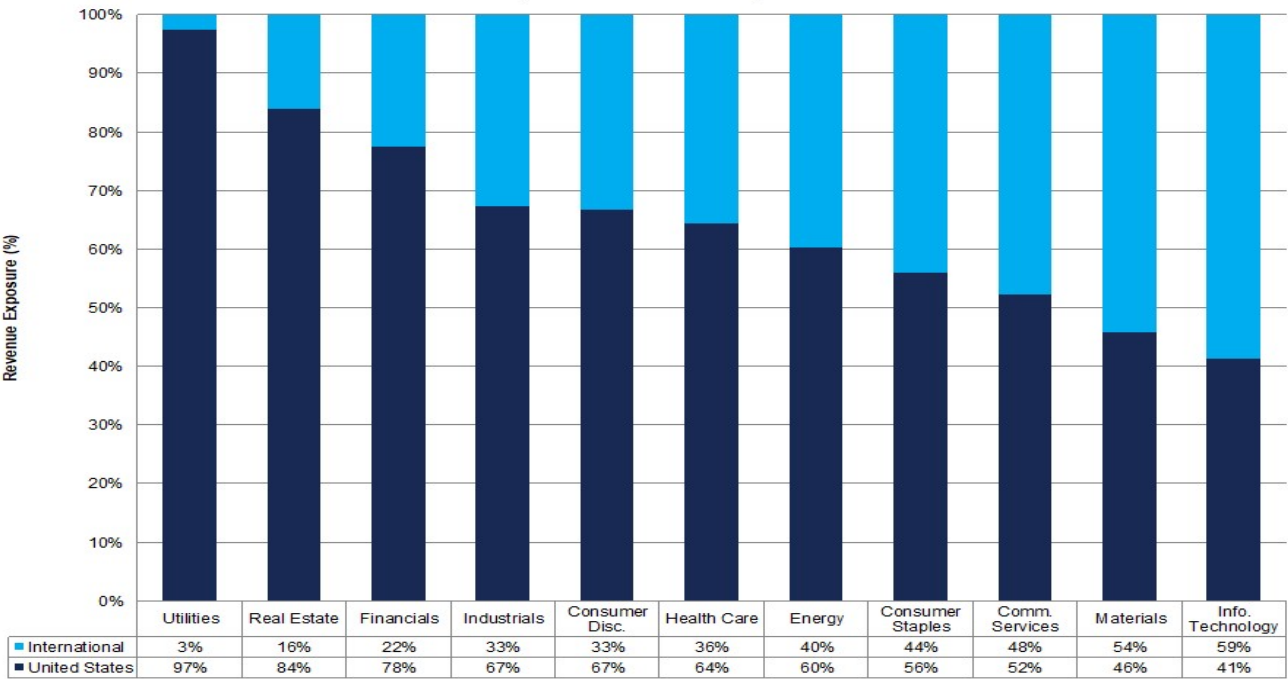


# Geographic Revenue Exposure

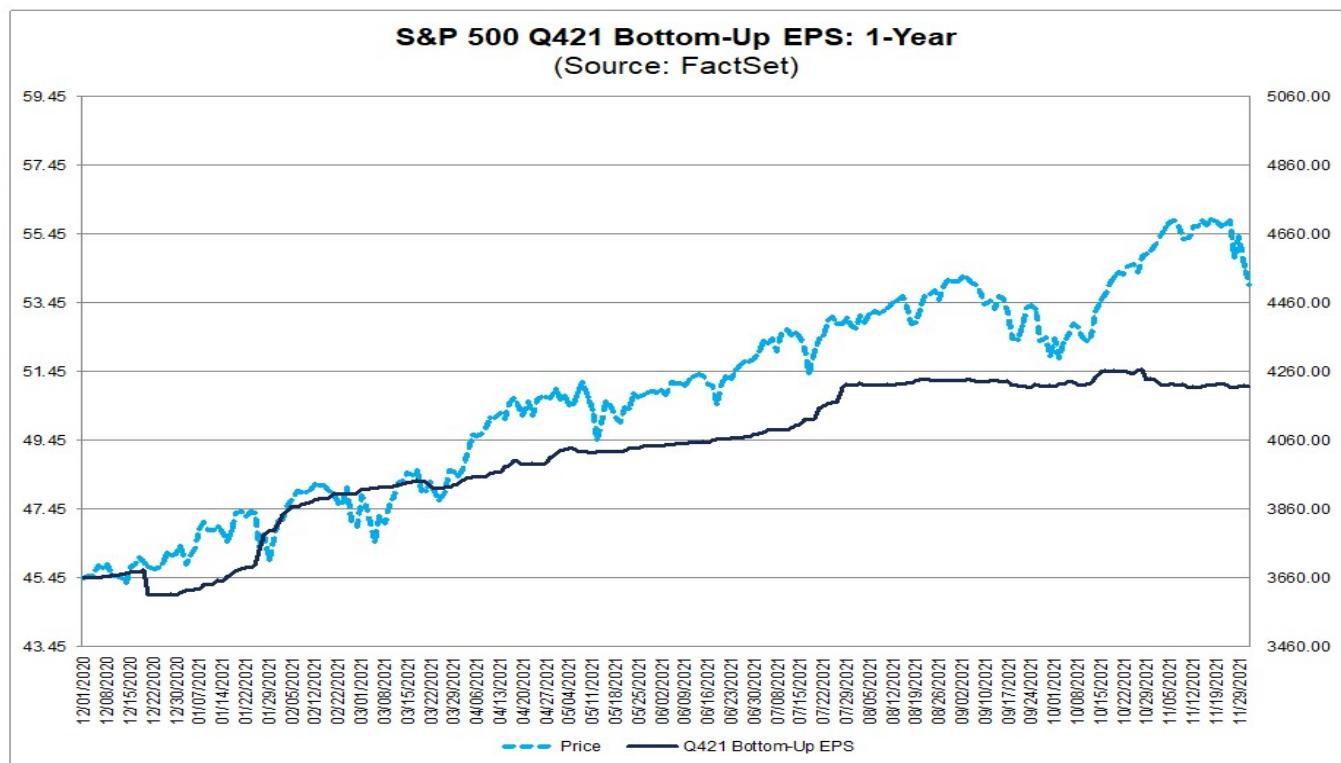
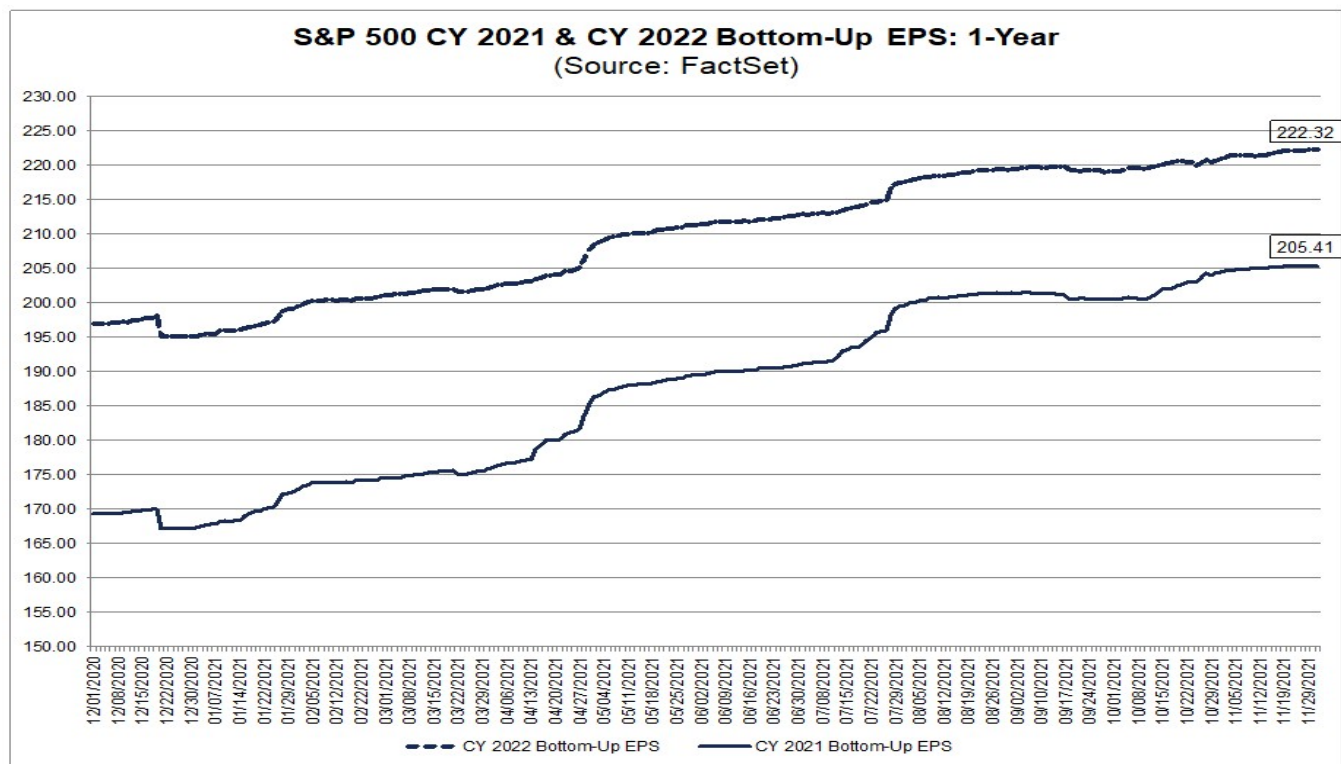
**S&P 500: Aggregate Geographic Revenue Exposure (%)**  
(Source: FactSet)



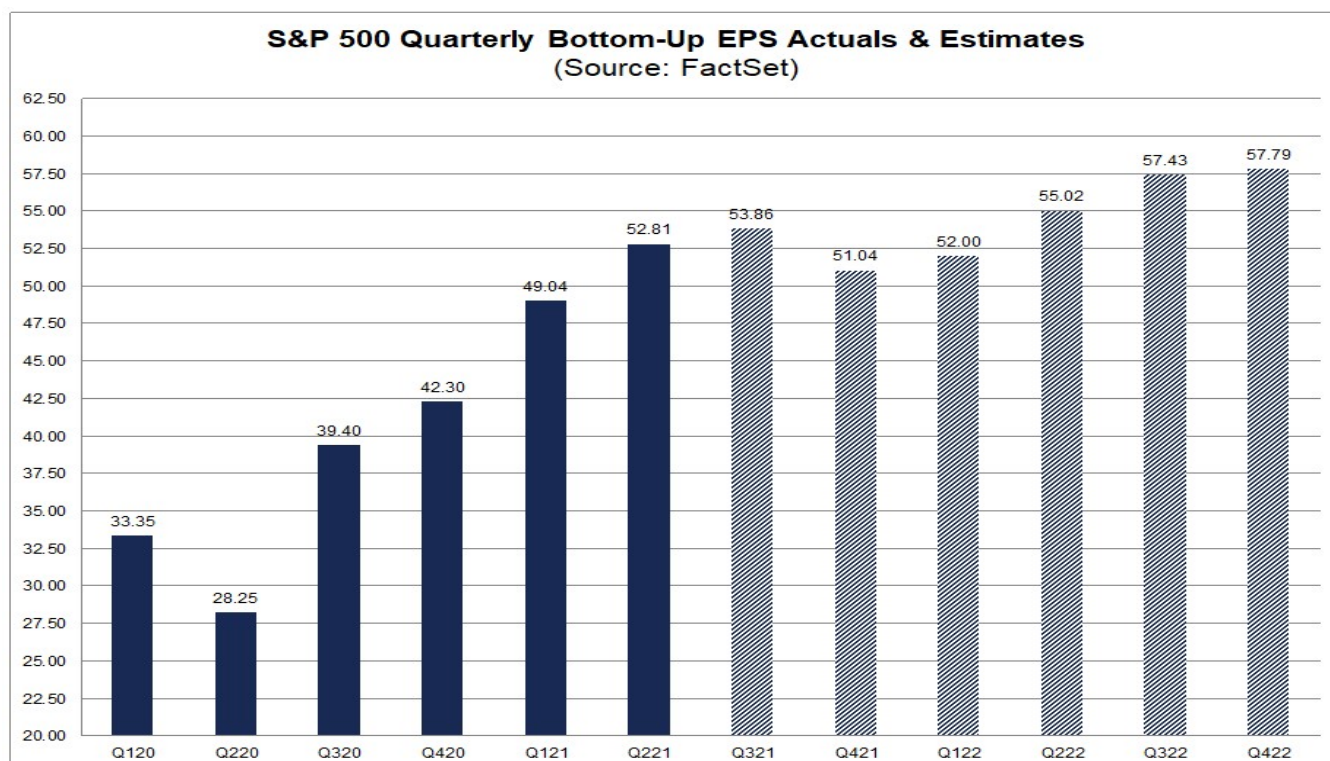
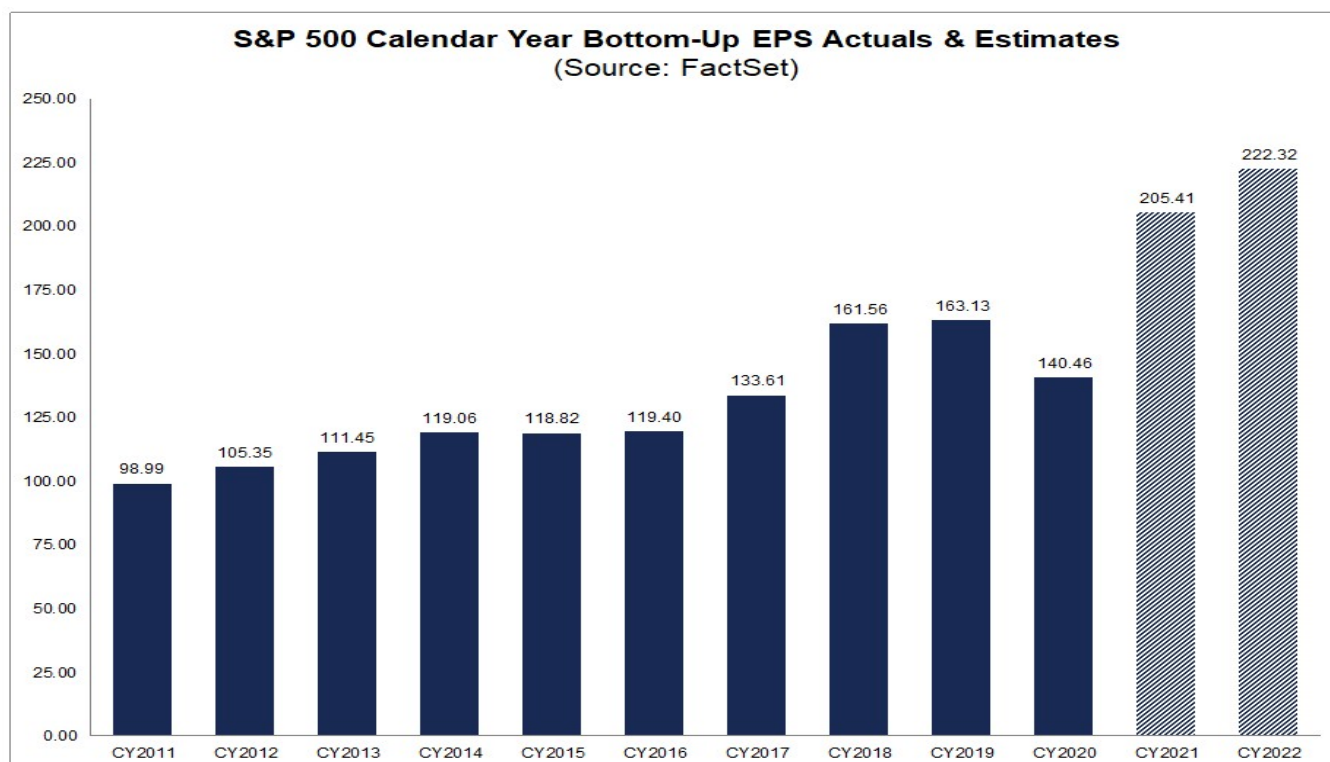
**S&P 500: Aggregate Sector Geographic Revenue Exposure (%)**  
(Source: FactSet)



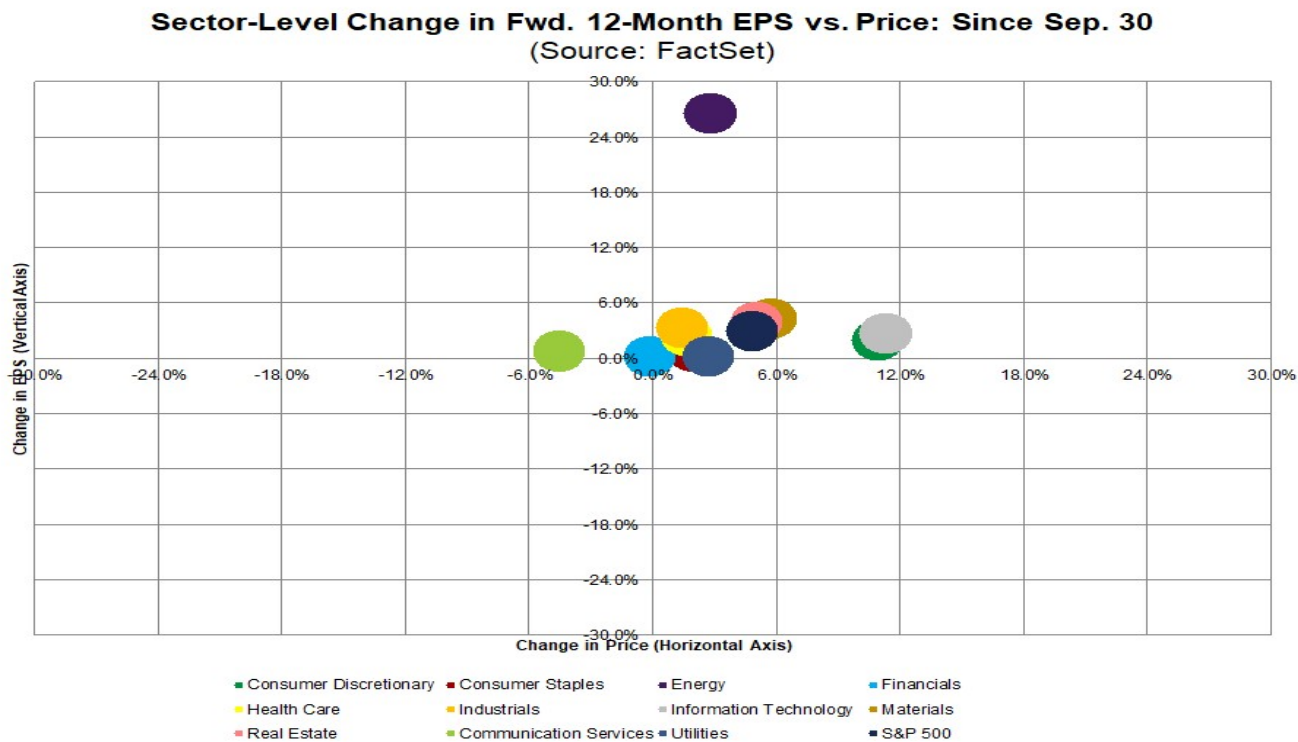
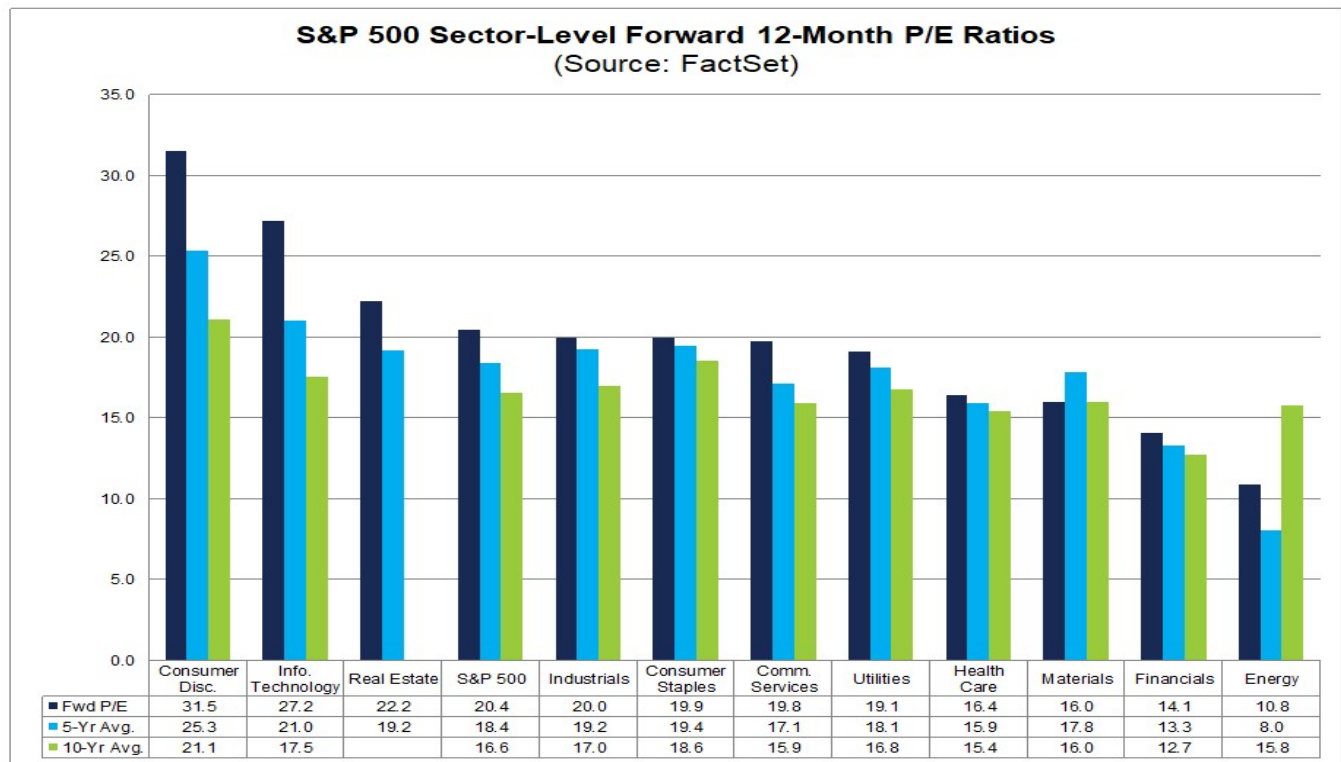
# Bottom-up EPS Estimates: Revisions



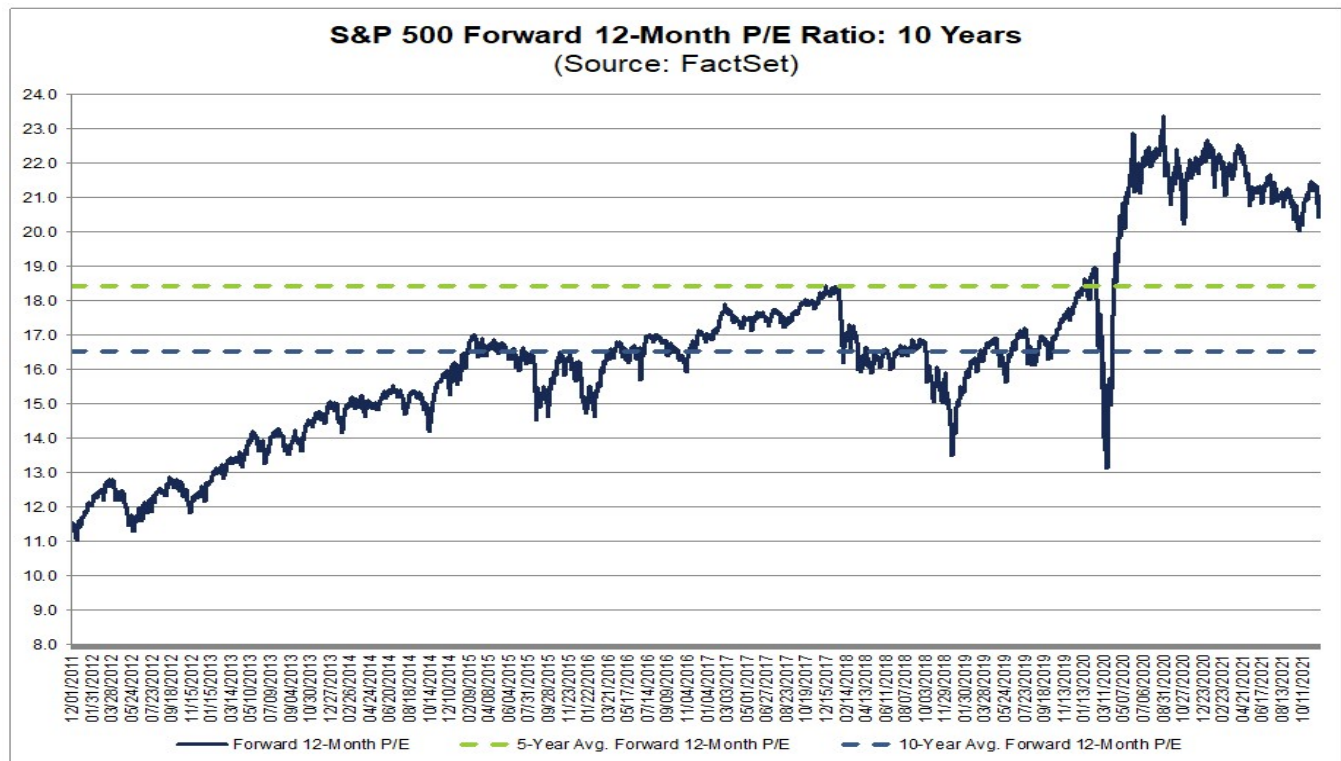
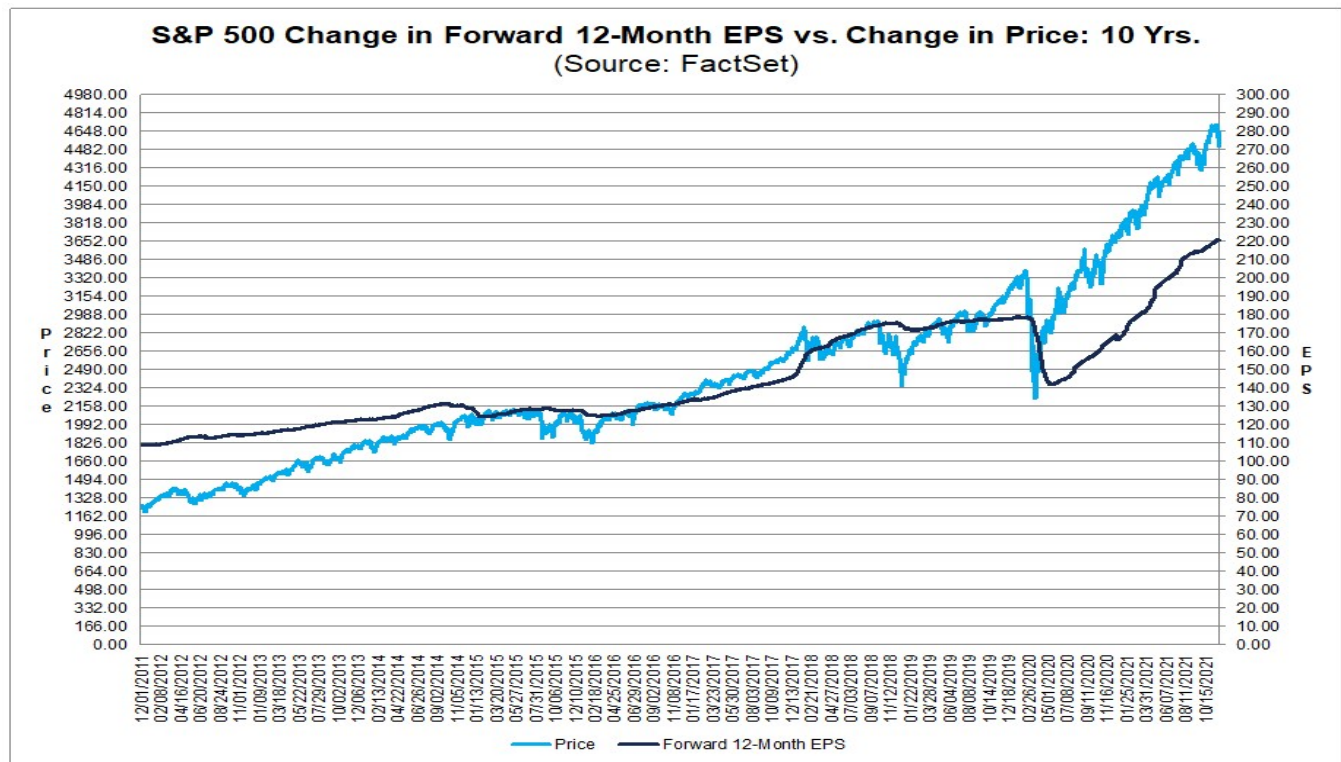
## Bottom-up EPS Estimates: Current & Historical



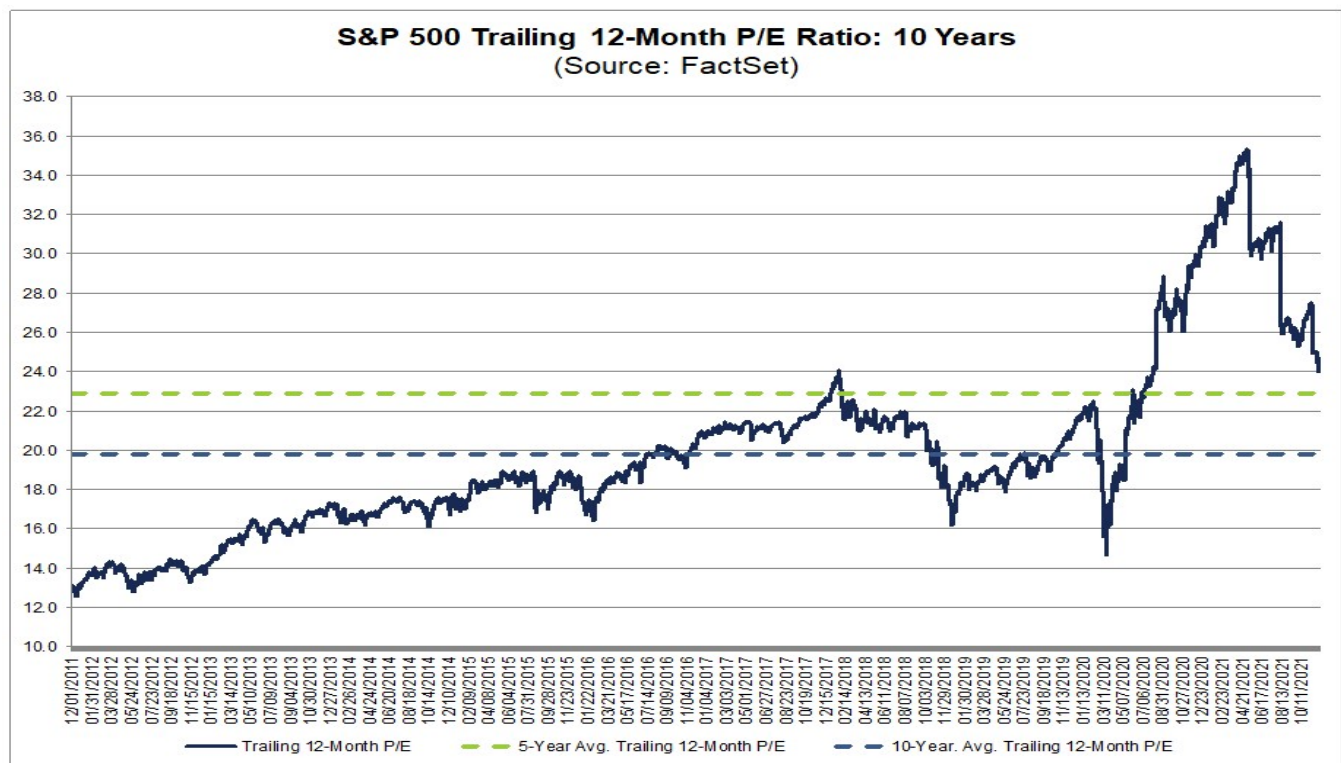
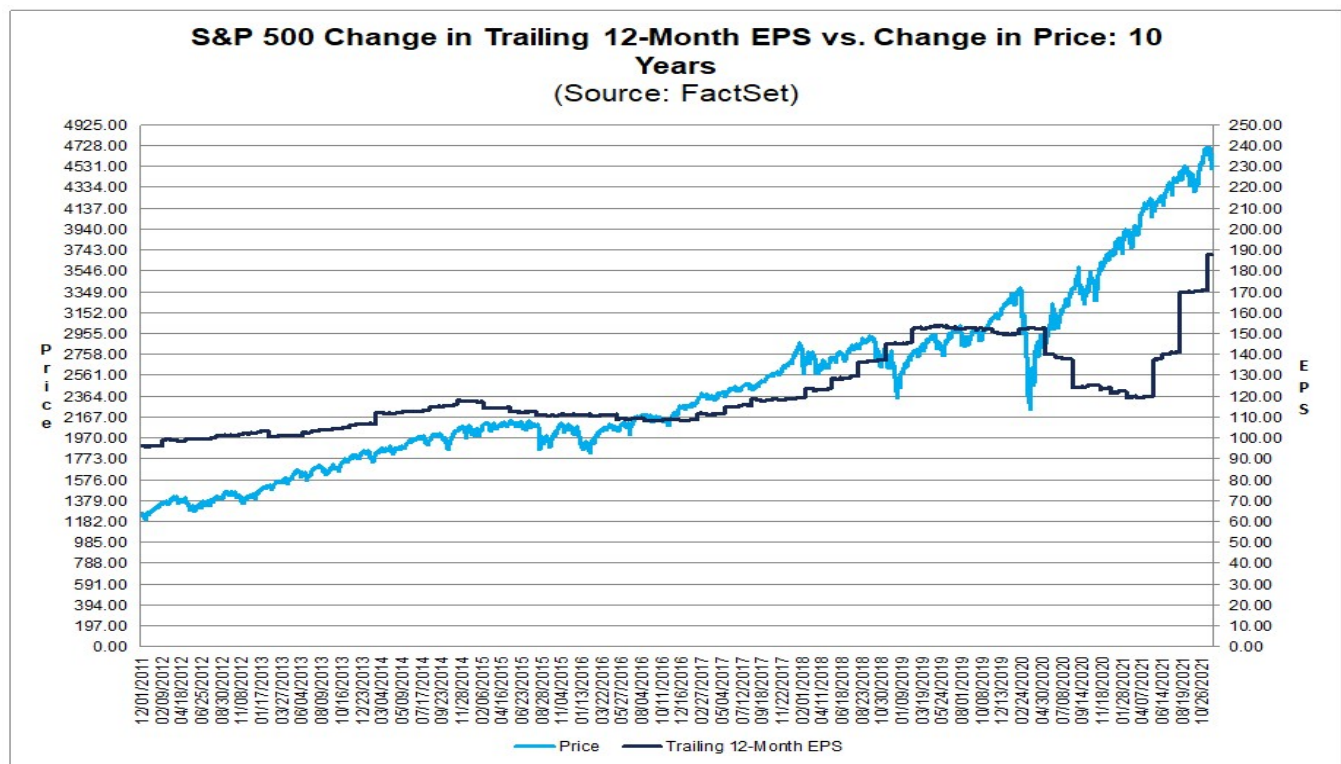
# Forward 12M P/E Ratio: Sector Level



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



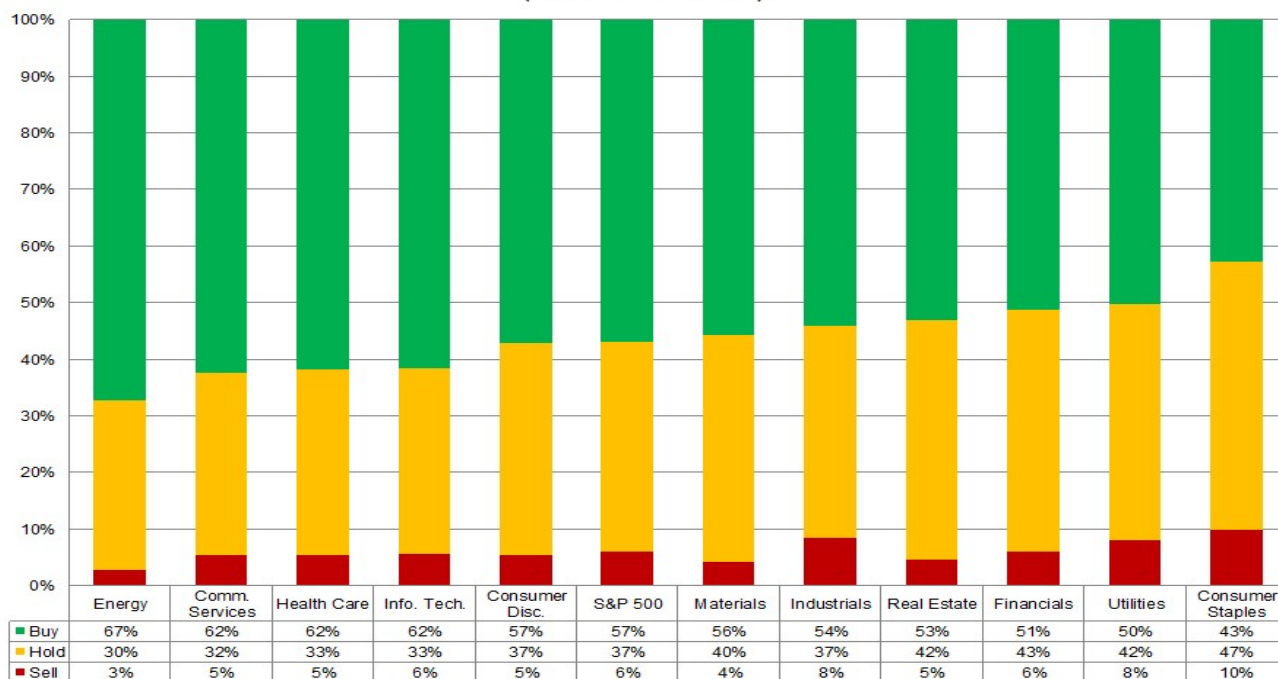
# Trailing 12M P/E Ratio: 10-Years



## Targets & Ratings

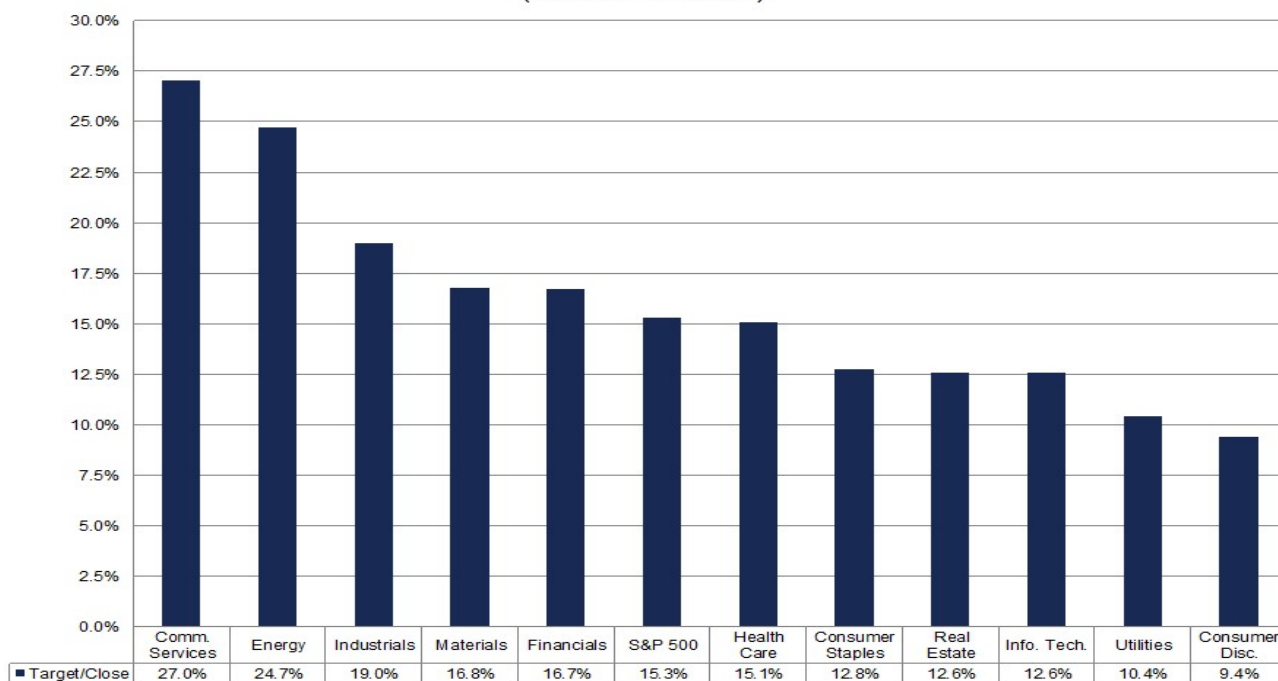
**S&P 500: Percentage of Buy, Hold, and Sell Ratings**

(Source: FactSet)



**S&P 500 Sector-Level Bottom-Up Target Price vs. Closing Price**

(Source: FactSet)



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