

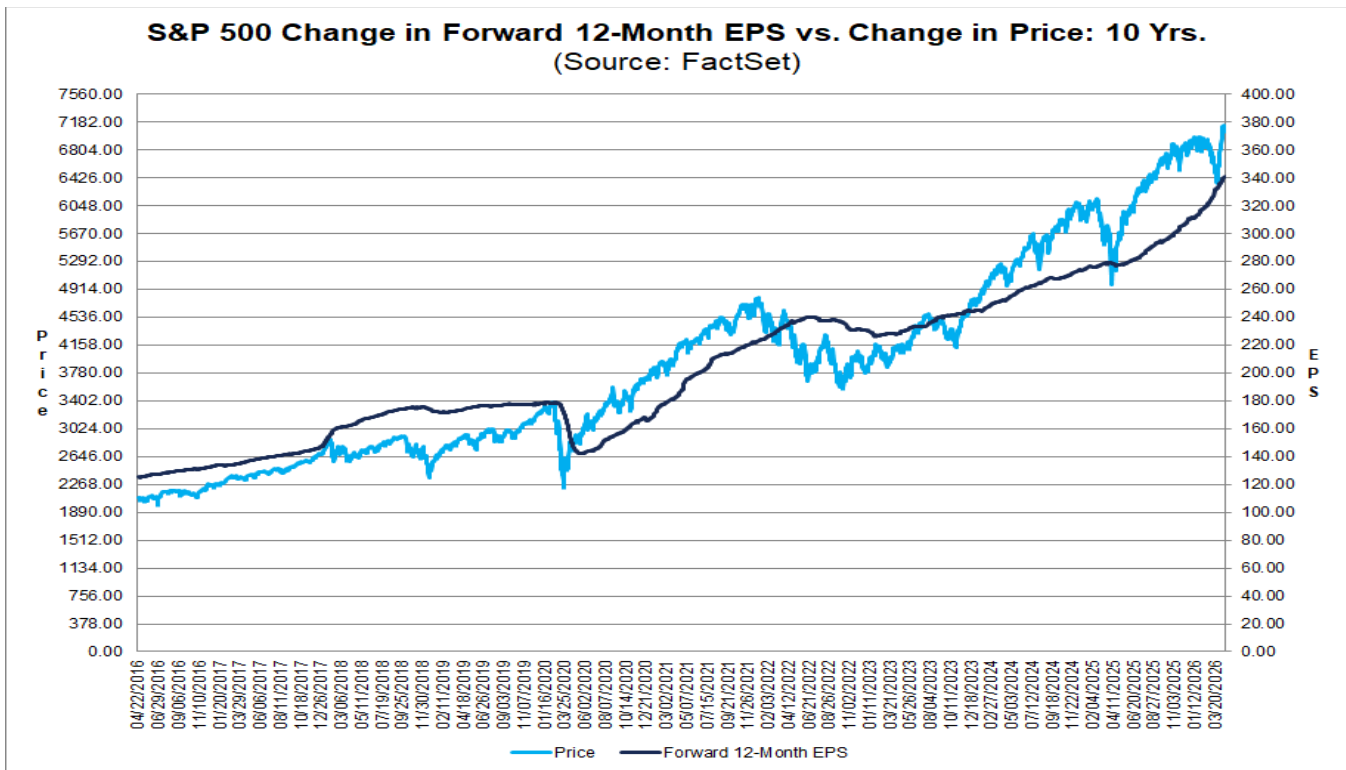
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## Key Metrics

- **Earnings Scorecard:** For Q1 2026 (with 28% of S&P 500 companies reporting actual results), 84% of S&P 500 companies have reported a positive EPS surprise and 81% of S&P 500 companies has reported a positive revenue surprise.
- **Earnings Growth:** For Q1 2026, the blended (year-over-year) earnings growth rate for the S&P 500 is 15.1%. If 15.1% is the actual growth rate for the quarter, it will mark the sixth-straight quarter of double-digit (year-over-year) earnings growth reported by the index.
- **Earnings Revisions:** On March 31, the estimated (year-over-year) earnings growth rate for the S&P 500 for Q1 2026 was also 13.1%. Nine sectors are reporting higher earnings today (compared to March 31) due to positive EPS surprises and upward revisions to EPS estimates.
- **Earnings Guidance:** For Q2 2026, 11 S&P 500 companies have issued negative EPS guidance and 9 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 20.9. This P/E ratio is above the 5-year average (19.9) and above the 10-year average (18.9).



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Topic of the Week: 1

S&P 500 Reporting Highest Net Profit Margin in More Than 15 Years

Given concerns in the market about higher oil prices, what is the S&P 500 reporting for a net profit margin for Q1?

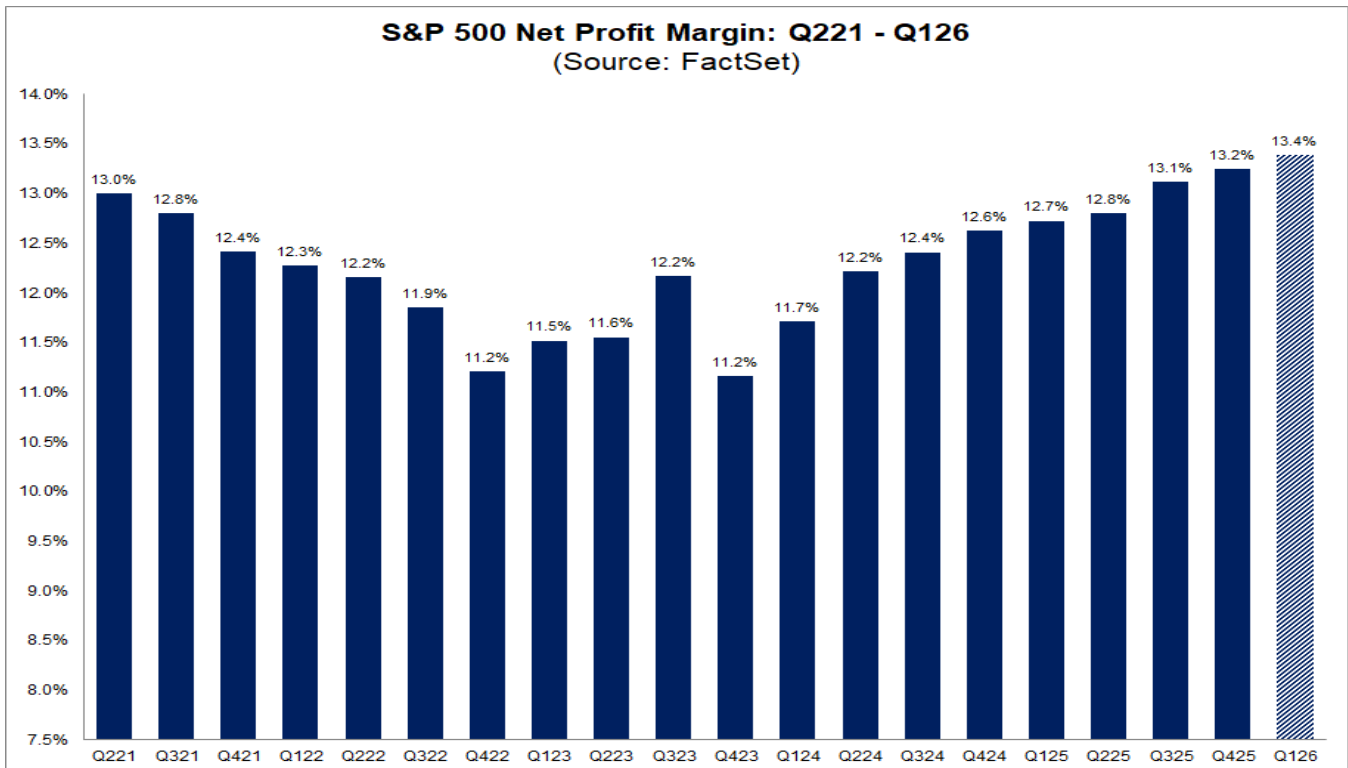
The blended net profit margin for the S&P 500 for Q1 2026 is 13.4%. If 13.4% is the actual net profit margin for the quarter, it will mark the highest net profit margin reported by the index since FactSet began tracking this metric in 2009. The current record (going back to 2009) is 13.2%, which occurred in the previous quarter.

At the sector level, five sectors are reporting a year-over-year increase in their net profit margins in Q1 2026 compared to Q1 2025, led by the Information Technology (29.1% vs. 25.4%) sector. On the other hand, six sectors are reporting a year-over-year decrease in their net profit margins in Q1 2026 compared to Q1 2025, led by the Communication Services (14.1% vs. 16.0%) sector.

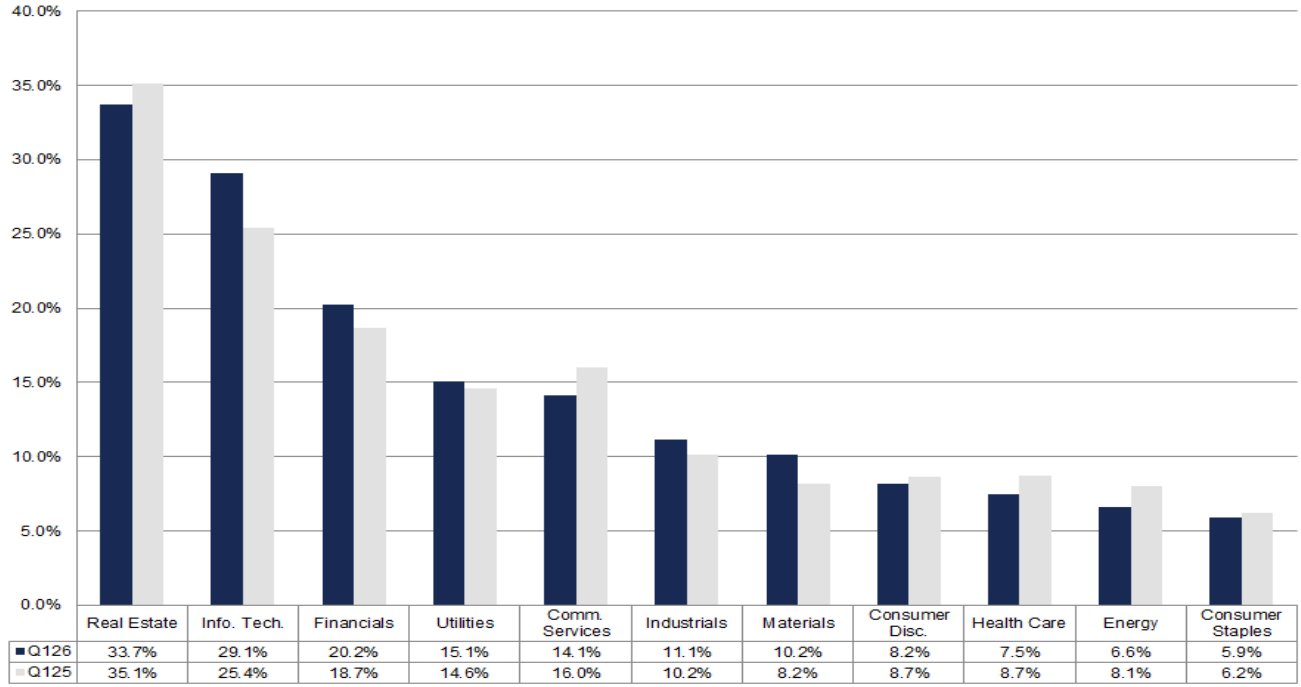
Six sectors are reporting net profit margins in Q1 2026 that are above their 5-year averages, again led by the Information Technology (29.2% vs. 25.3%) sector. On the other hand, five sectors are reporting net profit margins in Q1 2026 that are below their 5-year averages, led by the Energy (6.6% vs. 9.6%) sector.

Five sectors are reporting a quarter-over-quarter increase in their net profit margins in Q1 2026 compared to Q4 2025, led by the Utilities (15.1% vs. 12.1%) sector. On the other hand, six sectors are reporting a quarter-over-quarter decrease in their net profit margins in Q1 2026 compared to Q4 2025, led by the Energy (6.6% vs. 7.9%) and Industrials (11.1% vs. 12.3%) sectors.

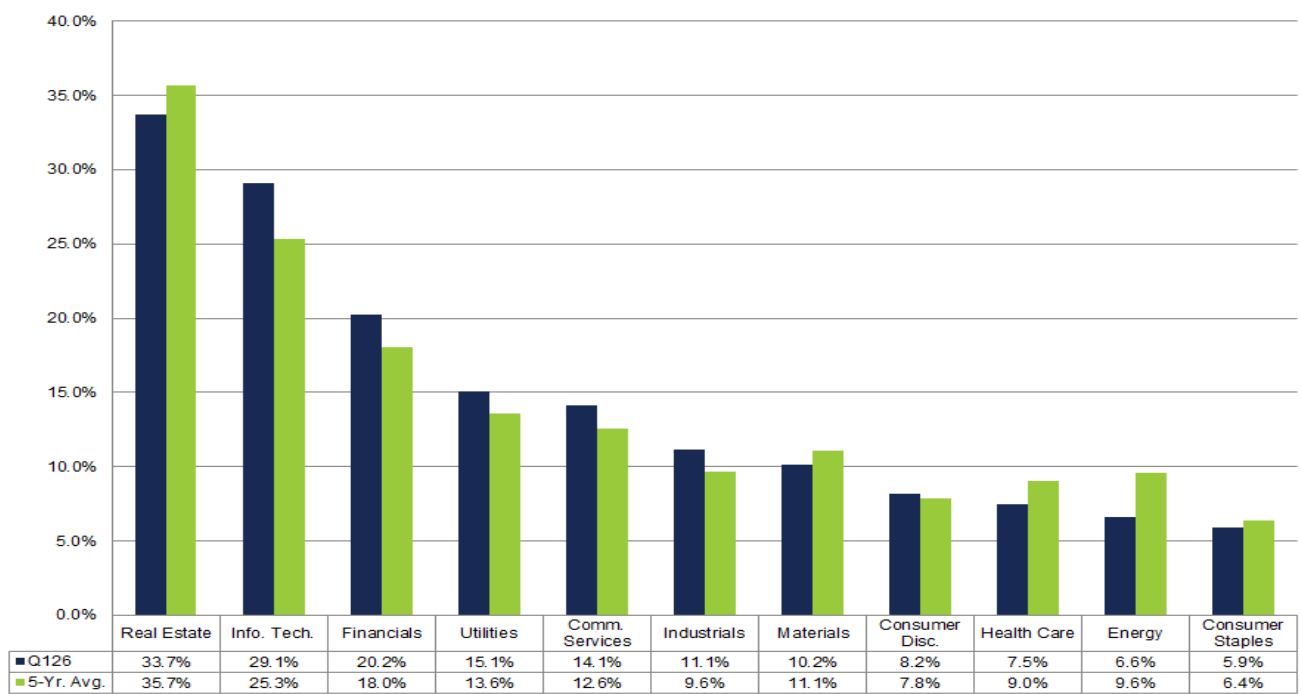
It is interesting to note that analysts believe net profit margins for the S&P 500 will be even higher for the rest of 2026. As of today, the estimated net profit margins for Q2 2026 through Q4 2026 are 14.1%, 14.6%, and 14.6%, respectively.



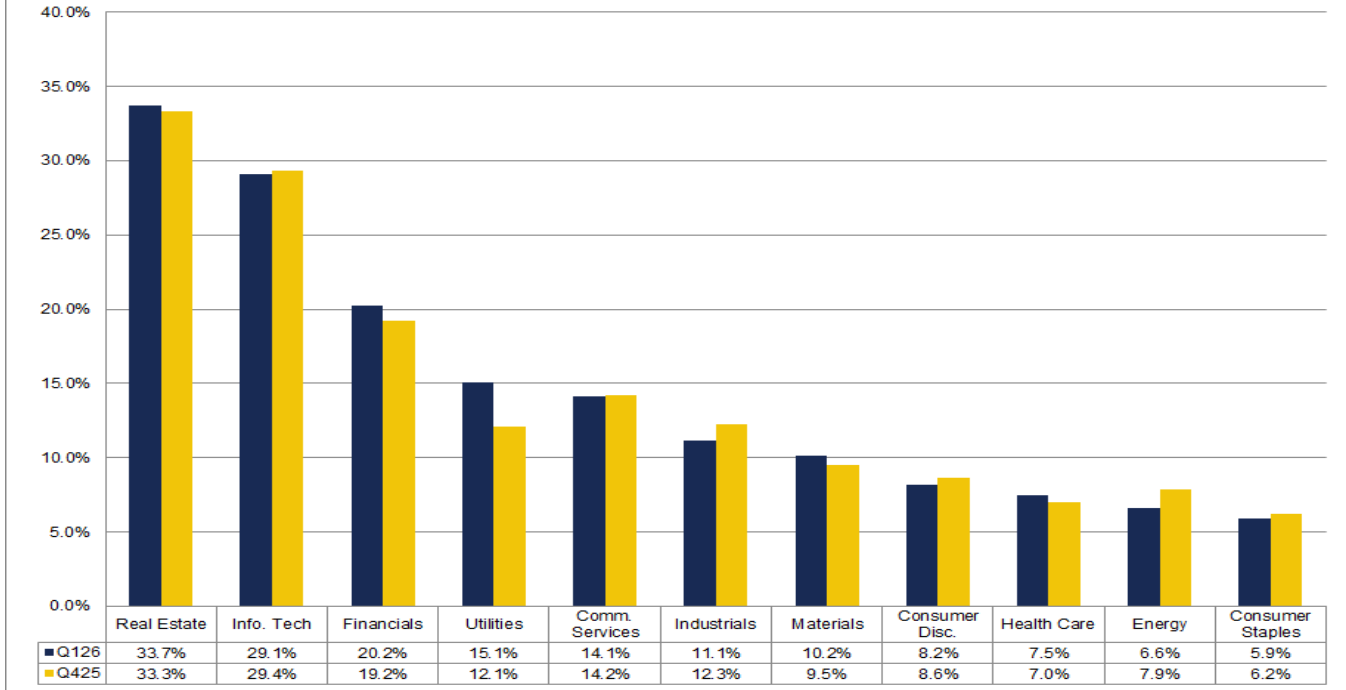
**S&P 500 Sector-Level Net Profit Margins: Q126 vs. Q125**  
(Source: FactSet)



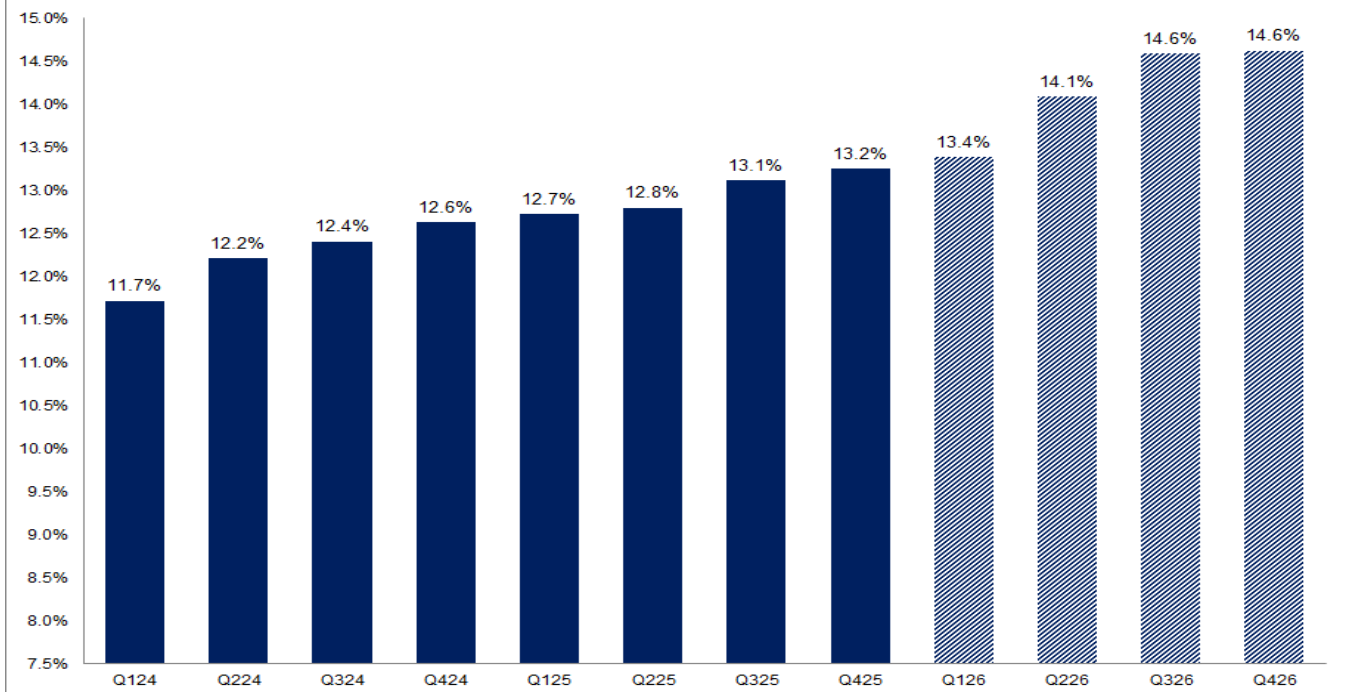
**S&P 500 Sector-Level Net Profit Margins: Q126 vs. 5-Year Avg.**  
(Source: FactSet)



**S&P 500 Sector-Level Net Profit Margins: Q126 vs. Q425**  
(Source: FactSet)



**S&P 500 Net Profit Margin: Q124 - Q426**  
(Source: FactSet)



## Q1 Earnings Season: By The Numbers

### Overview

Over one-quarter of the way through the earnings season, the S&P 500 is reporting strong results. Both the percentage of S&P 500 companies reporting positive earnings surprises and the magnitude of earnings surprises are above recent averages. As a result, the index is reporting higher earnings for the first quarter today relative to the end of last week and relative to the end of the quarter. In addition, the index is reporting double-digit (year-over-year) earnings growth for the 6<sup>th</sup> straight quarter.

Overall, 28% of the companies in the S&P 500 have reported actual results for Q1 2026 to date. Of these companies, 84% have reported actual EPS above estimates, which is above the 5-year average of 78% and above the 10-year average of 76%. In aggregate, companies are reporting earnings that are 12.3% above estimates, which is above the 5-year average of 7.3% and above the 10-year average of 7.1%. Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

During the past week, positive EPS surprises reported by companies in multiple sectors (led by the Industrials, Information Technology, Health Care, and Materials sectors) were the largest contributors to the increase in the overall earnings growth rate for the index over this period. Since March 31, positive EPS surprises reported by companies in the Industrials, Financials, Communication Services, and Information Technology sectors, partially offset by downward revisions to EPS estimates for companies in the Energy sector, have been the largest contributors to the increase in the overall earnings growth rate for the index over this period.

As a result, the index is reporting higher earnings for the first quarter today relative to the end of last week and relative to the end of the 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 first quarter is 15.1% today, compared to an earnings growth rate of 13.0% last week and an earnings growth rate of 13.1% at the end of the first quarter (March 31).

If 15.1% is the actual growth rate for the quarter, it will mark the 6<sup>th</sup> consecutive quarter of double-digit (year-over-year) earnings growth for the index.

Eight of the eleven sectors are reporting year-over-year earnings growth, led by the Information Technology, Materials, Financials, and Industrials sectors. On the other hand, three sectors are reporting a year-over-year decline in earnings, led by the Energy and Health Care sectors.

In terms of revenues, 81% of S&P 500 companies have reported actual revenues above estimates, which is above the 5-year average of 70% and above the 10-year average of 67%. In aggregate, companies are reporting revenues that are 2.0% above the estimates, which is equal to the 5-year average of 2.0% but above the 10-year average of 1.5%. Again, historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

As a result, the blended revenue growth rate for the first quarter is 10.3% today, compared to a revenue growth rate of 10.0% last week and a revenue growth rate of 9.9% at the end of the first quarter (March 31).

During the past week, positive revenue surprises reported by companies in multiples sectors (led by the Health Care, Industrials, and Information Technology sectors) were the largest contributors to the increase in the overall revenue growth rate for the index over this period. Since March 31, positive revenue surprises reported by companies in the Financials, Industrials, Health Care, and Information Technology sectors have been the largest contributors to the increase in the overall revenue growth rate for the index over this period.

If 10.3% is the actual revenue growth rate for the quarter, it will mark the highest revenue growth rate reported by the index since Q3 2022 (11.0%).

All eleven sectors are reporting year-over-year growth in revenues, led by the Information Technology, Communication Services, and Financials sectors.

For Q2 2026 through Q4 2026, analysts are calling for earnings growth rates of 20.6%, 22.7%, and 20.4%, respectively. For CY 2026, analysts are predicting (year-over-year) earnings growth of 18.6%.

The forward 12-month P/E ratio is 20.9, which is above the 5-year average (19.9) and above the 10-year average (18.9). This P/E ratio is also above the forward P/E ratio of 19.7 recorded at the end of the first quarter (March 31).

During the upcoming week, 180 S&P 500 companies (including 11 Dow 30 components) are scheduled to report results for the first quarter.

## Scorecard: Number & Magnitude of Positive EPS Surprises Are Above Average

### Percentage of Companies Beating EPS Estimates (84%) is Above 5-Year Average

Overall, 28% of the companies in the S&P 500 have reported earnings to date for the first quarter. Of these companies, 84% have reported actual EPS above the mean EPS estimate, 4% have reported actual EPS equal to the mean EPS estimate, and 12% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is above the 1-year average (79%), above the 5-year average (78%), and above the 10-year average (76%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Energy (100%), Health Care (100%), Real Estate (100%), Utilities (100%), and Information Technology (93%) sectors have the highest percentages of companies reporting earnings above estimates, while the Consumer Discretionary (69%) sector has the lowest percentage of companies reporting earnings above estimates.

### Earnings Surprise Percentage (+12.3%) is Above 5-Year Average

In aggregate, companies are reporting earnings that are 12.3% above expectations. This surprise percentage is above the 1-year average (+7.2%), above the 5-year average (+7.3%), and above the 10-year average (+7.1%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

The Industrials (+33.2%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, GE Vernova (\$17.44 vs. \$1.95), Boeing (-\$0.20 vs. -\$0.61), Comfort Systems USA (\$10.51 vs. \$6.81), and FedEx (\$5.25 vs. \$4.15) have reported the largest positive EPS surprises. The (GAAP) actual EPS for GE Vernova for Q1 2026 included \$4.5 billion in pre-tax M&A gains.

The Materials (+28.5%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Dow (-\$0.14 vs. -\$0.29), Newmont Corporation (\$2.90 vs. \$2.18), and Freeport-McMoRan (\$0.57 vs. \$0.47) have reported the largest positive EPS surprises.

The Information Technology (+21.1%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Intel (\$0.29 vs. \$0.02), Micron Technology (\$12.20 vs. \$9.19), and Texas Instruments (\$1.68 vs. \$1.36) have reported the largest positive EPS surprises.

The Communication Services (+20.6%) sector is reporting the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Netflix (\$1.23 vs. \$0.76) has reported the largest positive EPS surprise. The (GAAP) EPS actual for Netflix for Q1 2026 included a \$2.8 billion termination fee related to the Warner Bros. transaction.

The Energy (+12.7%) sector is reporting the fifth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Kinder Morgan (\$0.48 vs. \$0.40) and Baker Hughes (\$0.58 vs. \$0.49) have reported the largest positive EPS surprises.

### **Market Rewarding Positive EPS Surprises Slightly Less Than Average**

To date, the market is rewarding positive earnings surprises reported by S&P 500 companies for Q1 slightly less than average and also punishing negative EPS surprises reported by S&P 500 companies for Q1 less than average.

Companies that have reported positive earnings surprises for Q1 2026 have seen an average price increase of +0.9% two days before the earnings release through two days after the earnings release. This percentage increase is slightly below the 5-year average price increase of +1.0% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q1 2026 have seen an average price decrease of -2.6% two days before the earnings release through two days after the earnings. This percentage decrease is smaller than the 5-year average price decrease of -2.9% during this same window for companies reporting negative earnings surprises.

### **Percentage of Companies Beating Revenue Estimates (81%) is Above 5-Year Average**

In terms of revenues, 81% of the companies have reported actual revenues above estimated revenues, 0% of the companies have reported actual revenues equal to estimated revenues, and 19% of the companies have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is above the 1-year average (73%), above the 5-year average (70%), and above the 10-year average (67%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Communication Services (100%), Consumer Staples (100%), Energy (100%), and Real Estate (100%) sectors have the highest percentages of companies reporting revenues above estimates, while the Utilities (67%) and Consumer Discretionary (69%) sectors have the lowest percentages of companies reporting revenues above estimates.

### **Revenue Surprise Percentage (+2.0%) is Equal to 5-Year Average**

In aggregate, companies are reporting revenues that are 2.0% above expectations. This surprise percentage is above the 1-year average (+1.6%), equal to the 5-year average (+2.0%), and above the 10-year average (+1.5%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Information Technology (+5.8%) and Materials (+4.4%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Consumer Discretionary sector (+0.4%) sector is reporting the smallest positive (aggregate) difference between actual revenues and estimated revenues.

## Revisions: Increase in Blended Earnings This Week Due to Multiple Sectors

### Increase in Blended Earnings This Week Due to Multiple Sectors

The blended (year-over-year) earnings growth rate for the first quarter is 15.1%, which is above the earnings growth rate of 13.0% last week. Positive EPS surprises reported by companies in multiple sectors (led by the Industrials, Information Technology, Health Care, and Materials sectors) were the largest contributors to the increase in the overall earnings growth rate during the past week.

In the Industrials sector, the positive EPS surprise reported by GE Vernova (\$17.44 vs. \$1.95) was the largest contributor to the increase in the earnings growth rate for the index during the past week. The (GAAP) actual EPS for GE Vernova for Q1 2026 included \$4.5 billion in pre-tax M&A gains. Outside of GE Vernova, the positive EPS surprises reported by Boeing (-\$0.20 vs. -\$0.61), RTX Corporation (\$1.78 vs. \$1.51), and GE Aerospace (\$1.86 vs. \$1.60) were also 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 Industrials sector increased to 16.7% from 2.8% over this period.

In the Information Technology sector, the positive EPS surprise reported by Intel (\$0.29 vs. \$0.02) was the second-largest contributor to the increase in the earnings growth rate for the index during the past week. Outside of Intel, the positive EPS surprise reported by Texas Instruments (\$1.68 vs. \$1.36) was also a substantial contributor to the increase in the earnings growth rate for the index during the week. As a result, the blended earnings growth rate for the Information Technology sector increased to 46.3% from 44.8% over this period.

In the Health Care sector, the positive EPS surprises reported by UnitedHealth Group (\$7.23 vs. \$6.58) and Elevance Health (\$12.58 vs. \$11.03) were significant contributors to the increase in the earnings growth rate for the index during the past week. As a result, the blended earnings decline for the Health Care sector improved to -8.7% from -10.3% over this period.

In the Materials sector, the positive EPS surprise reported by Newmont Corporation (\$2.90 vs. \$2.18) was the third-largest contributor to the increase in the earnings growth rate for the index during the past week. As a result, the blended earnings growth rate for the Materials sector increased to 33.1% from 21.8% over this period.

### Increase in Blended Revenues This Week Due to Multiple Sectors

The blended (year-over-year) revenue growth rate for the first quarter is 10.3%, which is above the revenue growth rate of 10.0% last week. Positive revenue surprises reported by companies in multiple sectors (led by the Health Care, Industrials, and Information Technology sectors) were the largest contributors to the increase in the overall revenue growth rate during the past week.

### Industrials and Financials Sectors Have Seen Largest Increases in Earnings since March 31

The blended (year-over-year) earnings growth rate for Q1 2026 of 15.1% is above the estimate of 13.1% at the end of the first quarter (March 31). Nine sectors have recorded an increase in their earnings growth rate or a decrease in their earnings decline since the end of the quarter due to upward revisions to EPS estimates and positive earnings surprises, led by the Industrials (16.7% vs. 3.3%) and Materials (to 33.1% from 23.7%) sectors. However, the Industrials, Financials (to 19.8% from 14.9%), Communication Services (to -0.2% from -3.7%), and Information Technology (to 46.3% from 44.6%) sectors have been the largest contributors to the increase in the overall earnings growth rate for the index since March 31. On the other hand, two sectors have recorded a decrease in their earnings growth rate or an increase in their earnings decline since the end of the quarter due to downward revisions to earnings estimates and negative earnings surprises, led by the Energy (to -14.4% from 8.3%) sector. This sector has also been the largest detractor to the increase in the overall earnings growth rate for the index since March 31.

In the Industrials sector, the positive EPS surprise reported by GE Vernova (\$17.44 vs. \$1.95) has been the largest contributor to the increase in the overall earnings growth rate for the index since March 31. The (GAAP) actual EPS for GE Vernova for Q1 2026 included \$4.5 billion in pre-tax M&A gains. As a result, the blended earnings growth rate for the Industrials sector has increased to 16.7% from 3.3% over this period.

In the Financials sector, the positive EPS surprises reported by JPMorgan Chase (\$5.94 vs. \$5.47), Citigroup (\$3.06 vs. \$2.65), Bank of America (\$1.11 vs. \$1.01), and Morgan Stanley (\$3.43 vs. \$3.02) have been significant contributors to the increase in the overall earnings growth rate for the index since March 31. As a result, the blended earnings growth rate for the Financials sector has increased to 19.8% from 14.9% over this period.

In the Communication Services sector, the positive EPS surprise reported by Netflix (\$1.23 vs. \$0.76) has been the second-largest contributor to the increase in the overall earnings growth for the index since March 31. The (GAAP) EPS actual for Netflix for Q1 2026 included a \$2.8 billion termination fee related to the Warner Bros. transaction. As a result, the blended earnings decline for the Communication Services sector improved to -0.2% from -3.7% over this period.

In the Information Technology sector, the positive EPS surprise reported by Intel (\$0.29 vs. \$0.02) has been a substantial contributor to the increase in the overall earnings for the index since March 31. As a result, the blended earnings growth rate for the Information Technology sector has increased to 46.3% from 44.6% over this period.

In the Energy sector, downward revisions to EPS estimates for Exxon Mobil (to \$0.97 from \$1.83), Chevron (to \$0.97 from \$1.91), and Phillips 66 (to -\$0.53 from \$2.07) have been the largest detractors to the increase in the overall earnings growth rate for the index since March 31. As a result, the Energy sector is now expected to report a year-over-year decline in earnings of -14.4% compared to expectations for (year-over-year) earnings growth of 8.3% on March 31.

### **Financials Sector Has Seen Largest Increase in Revenues since March 31**

The blended (year-over-year) revenue growth rate for Q1 2026 of 10.3% is above the estimate of 9.9% at the end of the first quarter (March 31). Nine sectors have recorded an increase in their revenue growth rate or a decrease in their revenue decline since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Materials (to 6.9% from 5.2%) sector. However, the Financials (to 10.8% from 10.0%), Industrials (to 6.6% from 5.8%), Health Care (to 6.2% from 5.8%), and Information Technology (to 28.1% from 27.4%) sectors have been the largest contributors to the increase in the overall revenue growth rate for the index since March 31. On the other hand, two sectors have recorded a decrease in their revenue growth rate or an increase in their revenue decline since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises, led by the Utilities (to 8.2% from 9.4%) sector.

In the Financials sector, the positive revenue surprises reported by Citigroup (\$24.63 billion vs. \$23.60 billion), Morgan Stanley (\$20.58 billion vs. \$19.74 billion), and JPMorgan Chase (\$49.84 billion vs. \$49.18 billion) have been substantial contributors to the increase in the overall revenue growth rate for the index since March 31. As a result, the blended revenue growth rate for the Financials sector has increased to 10.8% from 10.0% over this period.

In the Industrials sector, the positive revenue surprise reported by GE Aerospace (\$11.61 billion vs. \$10.71 billion) has been a significant contributor to the increase in the overall revenue growth rate for the index since March 31. As a result, the blended revenue growth rate for the Industrials sector has increased to 6.9% from 5.2% over this period.

In the Health Care sector, the positive revenue surprises reported by UnitedHealth Group (\$111.72 billion vs. \$109.43 billion) and Elevance Health (\$49.49 billion vs. \$48.20 billion) have been substantial contributors to the increase in the overall revenue growth rate for the index since March 31. As a result, the blended revenue growth rate for the Health Care sector has increased to 6.2% from 5.8% over this period.

In the Information Technology sector, the positive revenue surprise reported by Intel (\$13.58 billion vs. \$12.42 billion) has been a significant contributor to the increase in the overall revenue growth rate for the index since March 31. As a result, the blended revenue growth rate for the Information Technology sector has increased to 28.1% from 27.4% over this period.

### Earnings Growth: 15.1%

The blended (year-over-year) earnings growth rate for Q1 2026 is 15.1%, which is below the 5-year average earnings growth rate of 16.4% but above the 10-year average earnings growth rate of 10.3%. If 15.1% is the actual growth rate for the quarter, it will mark the 11<sup>th</sup> consecutive quarter of year-over-year earnings growth and the 6<sup>th</sup> consecutive quarter of double-digit growth for the index.

Eight of the eleven sectors are reporting year-over-year earnings growth, led by the Information Technology, Materials, Financials, and Industrials sectors. On the other hand, three sectors are reporting a year-over-year decline in earnings, led by the Energy and Health Care sectors.

### Information Technology: NVIDIA is Largest Contributor to Year-Over-Year Growth

The Information Technology sector is reporting the highest (year-over-year) earnings growth rate of all eleven sectors at 46.3%. At the industry level, all 6 industries in the sector are reporting year-over-year earnings growth: Semiconductors & Semiconductor Equipment (98%), Electronic Equipment, Instruments, & Components (33%), Technology Hardware, Storage, & Peripherals (27%), Software (18%), Communication Services (14%), and IT Services (7%).

At the company level, NVIDIA (\$1.74 vs. \$0.81) and Micron Technology (\$12.20 vs. \$1.56) are the largest contributors to earnings growth for the sector. If these two companies were excluded, the blended earnings growth rate for the Information Technology sector would fall to 23.3% from 46.3%.

### Materials: Metals & Mining Industry is Largest Contributor to Year-Over-Year Growth

The Materials sector is reporting the second-largest (year-over-year) earnings growth of all eleven sectors at 33.1%. At the industry level, 2 of the 4 industries in the sector are reporting year-over-year earnings growth: Metals & Mining (133%) and Chemicals (5%). On the other hand, 2 of the 4 industries in the sector are reporting a year-over-year decline in earnings: Construction Materials (-24%) and Containers & Packaging (-1%).

The Metals & Mining industry is also the largest contributor to earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Materials sector would fall to 3.5% from 33.1%.

### Financials: All 5 Industries Reporting Year-Over-Year Growth

The Financials sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors at 19.8%. At the industry level, all 5 industries in the sector are reporting year-over-year earnings growth: Insurance (34%), Consumer Finance (33%), Capital Markets (21%), Banks (16%), and Financial Services (9%).

### Industrials: GE Vernova Is Largest Contributor to Year-Over-Year Growth

The Industrials sector is reporting the fourth-largest (year-over-year) earnings growth of all eleven sectors at 16.7%. At the industry level, 8 of the 12 industries in the sector are reporting year-over-year earnings growth. Four of these 8 industries are reporting double-digit growth: Electrical Equipment (140%), Passenger Airlines (96%), Construction & Engineering (38%), and Aerospace & Defense (16%). On the other hand, 4 industries in the sector are reporting a year-over-year decline in earnings, led by the Air Freight & Logistics (-7%) industry.

At the company level, GE Vernova (\$17.44 vs. \$1.07) is the largest contributor to earnings growth for the sector. The (GAAP) actual EPS for GE Vernova for Q1 2026 included \$4.5 billion in pre-tax M&A gains. If this company were excluded, the blended earnings growth rate for the Industrials sector would fall to 6.1% from 16.7%.

### **Energy Sector: Exxon Mobil is Largest Contributor to Earnings Decline**

On the other hand, the Energy sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -14.4%. At the sub-industry level, 2 of the 5 sub-industries are reporting a year-over-year decline in earnings: Integrated Oil & Gas (-46%) and Oil & Gas Equipment & Services (-9%). On the other hand, 3 of the 5 sub-industries in the sector are reporting year-over-year growth in earnings: Oil & Gas Refining & Marketing (\$979 million vs. -\$125 million), Oil & Gas Storage & Transportation (36%), and Oil & Gas Exploration & Production (4%).

At the company level, Exxon Mobil (\$0.97 vs. \$1.76) is the largest contributor to the earnings decline for the sector. If this company were excluded, the blended earnings decline for the Energy sector would improve to -0.2% from -14.4%.

### **Health Care: Merck & Company is Largest Contributor to Year-Over-Year Decline**

The Health Care sector is reporting the second-largest (year-over-year) decline in earnings at -8.7%. At the industry level, 2 of the 5 industries in the sector are reporting a year-over-year decline in earnings: Pharmaceuticals (-31%) and Health Care Providers & Services (less than -1%). On the other hand, 3 of the 5 industries are reporting year-over-year growth in earnings: Life Sciences, Tools, & Services (7%), Health Care Equipment & Supplies (5%), and Biotechnology (5%).

At the company level, Merck & Company (-\$1.47 vs. \$2.22) is the largest contributor to the earnings decline for the sector. If this company were excluded, the Health Care sector would be reporting earnings growth of 4.0% rather than an earnings decline of -8.7%.

### **Revenue Growth: 10.3%**

The blended (year-over-year) revenue growth rate for Q1 2026 is 10.3%, which is above the 5-year average revenue growth rate of 8.7% and above the 10-year average revenue growth rate of 6.3%. If 10.3% is the actual growth rate for the quarter, it will mark the highest revenue growth rate reported by the index since Q3 2022 (11.0%).

At the sector level, all 11 sectors are reporting year-over-year growth in revenues, led by the Information Technology, Communication Services, and Financials sectors.

### **Information Technology: All 6 Industries Reporting Year-Over-Year Growth**

The Information Technology sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 28.1%. At the industry level, all 6 industries in the sector are reporting year-over-year revenue growth: Semiconductors & Semiconductor Equipment (51%), Technology Hardware, Storage, & Peripherals (27%), Electronic Equipment, Instruments, & Components (21%), Software (17%), Communication Equipment (14%), and IT Services (8%).

### **Communication Services: All 5 Industries Reporting Year-Over-Year Growth**

The Communication Services sector is reporting the second-highest (year-over-year) revenue growth rate of all eleven sectors at 13.2%. At the industry level, all 5 industries in the sector are reporting year-over-year revenue growth: Interactive Media & Services (21%), Wireless Telecommunication Services (10%), Entertainment (7%), Diversified Telecommunication Services (4%), and Media (2%).

### **Financials: All 5 Industries Reporting Year-Over-Year Growth**

The Financials sector is reporting the third-highest (year-over-year) revenue growth rate of all eleven sectors at 10.8%. At the industry level, all 5 industries in the sector are reporting year-over-year revenue growth: Consumer Finance (23%), Capital Markets (15%), Financial Services (11%), Banks (10%), and Insurance (6%).

### Net Profit Margin: 13.4%

The blended net profit margin for the S&P 500 for Q1 2026 is 13.4%, which is above the previous quarter's net profit margin of 13.2%, above the year-ago net profit margin of 12.8%, and above the 5-year average of 12.3%.

If 13.4% is the actual net profit margin for the quarter, it will mark the highest net profit margin reported by the index since FactSet began tracking this metric in 2009. The current record (going back to 2009) is 13.2%, which occurred in the previous quarter.

At the sector level, five sectors are reporting a year-over-year increase in their net profit margins in Q1 2026 compared to Q1 2025, led by the Information Technology (29.1% vs. 25.4%) sector. On the other hand, six sectors are reporting a year-over-year decrease in their net profit margins in Q1 2026 compared to Q1 2025, led by the Communication Services (14.1% vs. 16.0%) sector.

Six sectors are reporting net profit margins in Q1 2026 that are above their 5-year averages, again led by the Information Technology (29.1% vs. 25.3%) sector. On the other hand, five sectors are reporting (or are expected to report) net profit margins in Q1 2026 that are below their 5-year averages, led by the Energy (6.6% vs. 9.6%) sector.

## Forward Estimates & Valuation

### Quarterly Guidance: % of Cos. Issuing Negative EPS Guidance for Q2 is Below Average

At this point in time, 20 companies in the index have issued EPS guidance for Q2 2026. Of these 20 companies, 11 have issued negative EPS guidance and 9 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q2 2026 is 55% (11 out of 20), which is below the 5-year average of 58% and below the 10-year average of 60%.

At this point in time, 262 companies in the index have issued EPS guidance for the current fiscal year (FY 2026 or FY 2027). Of these 262 companies, 138 have issued negative EPS guidance and 124 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 53% (138 out of 262).

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 19% for CY 2026

For the first quarter, S&P 500 companies are reporting year-over-year growth in earnings of 15.1% and year-over-year growth in revenues of 10.3%.

For Q2 2026, analysts are projecting earnings growth of 20.6% and revenue growth of 10.7%.

For Q3 2026, analysts are projecting earnings growth of 22.7% and revenue growth of 9.5%.

For Q4 2026, analysts are projecting earnings growth of 20.4% and revenue growth of 9.1%.

For CY 2026, analysts are projecting earnings growth of 18.6% and revenue growth of 9.5%.

### Valuation: Forward P/E Ratio is 20.9, Above the 10-Year Average (18.9)

The forward 12-month P/E ratio for the S&P 500 is 20.9. This P/E ratio is above the 5-year average of 19.9 and above the 10-year average of 18.9. It is also above the forward 12-month P/E ratio of 19.7 recorded at the end of the first quarter (March 31). Since the end of the first quarter (March 31), the price of the index has increased by 8.9%, while the forward 12-month EPS estimate has increased by 2.3%. At the sector level, the Consumer Discretionary (28.2) sector has the highest forward 12-month P/E ratio, while the Energy (14.6) and Financials (14.8) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 28.1, which is above the 5-year average of 24.6 and above the 10-year average of 23.3.

### Targets & Ratings: Analysts Project 18% Increase in Price Over Next 12 Months

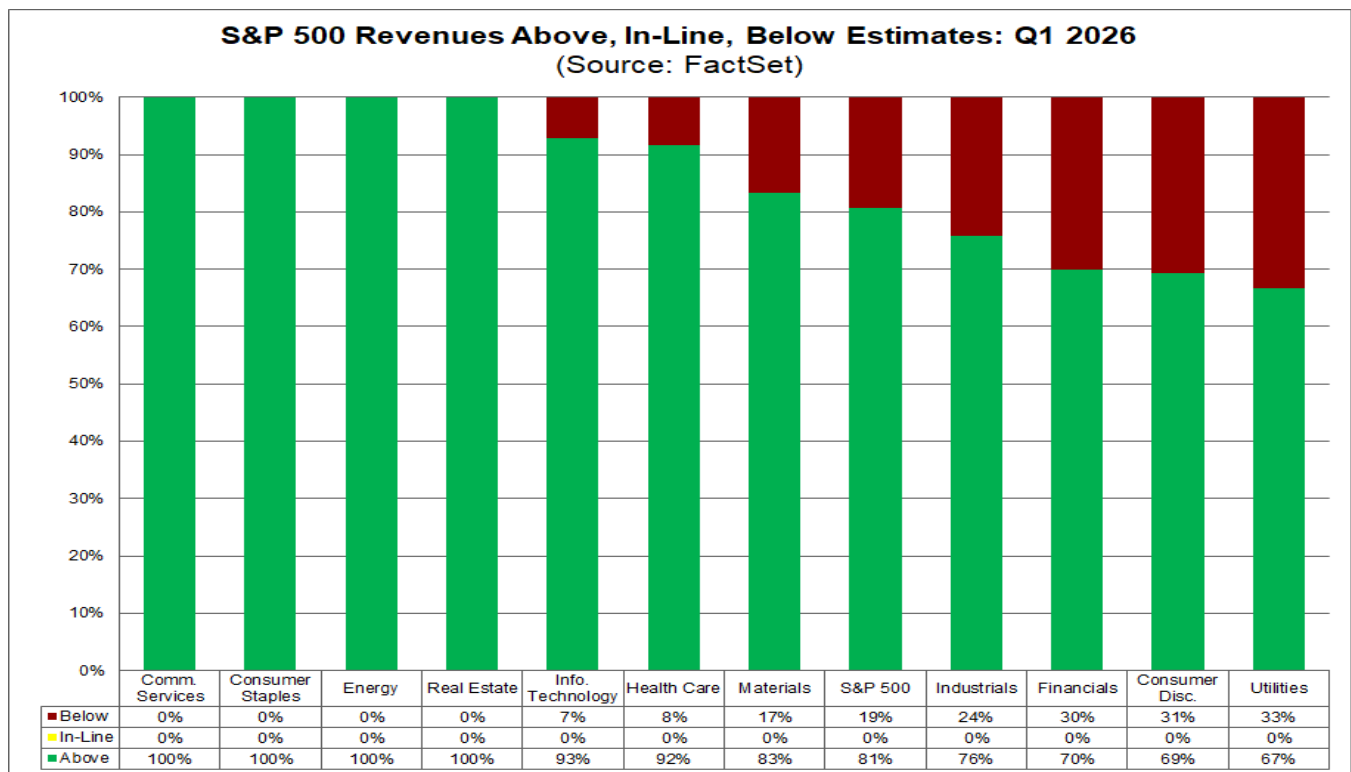
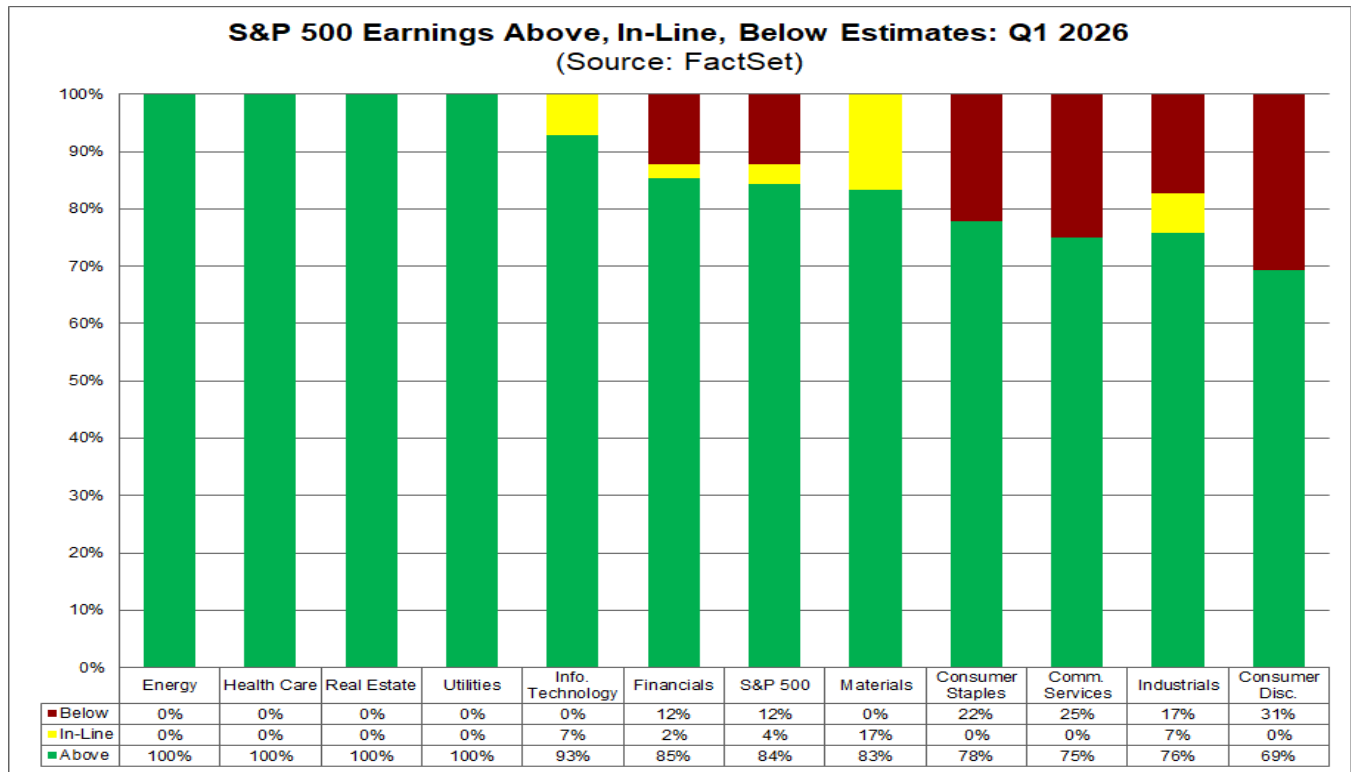
The bottom-up target price for the S&P 500 is 8362.16, which is 17.6% above the closing price of 7108.40. At the sector level, the Health Care (+23.0%) and Information Technology (+21.4%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Real Estate (+9.0%) and Consumer Staples (+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 12,941 ratings on stocks in the S&P 500. Of these 12,941 ratings, 58.4% are Buy ratings, 36.3% are Hold ratings, and 5.3% are Sell ratings. At the sector level, the Information Technology (68%), Communication Services (65%), and Health Care (63%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (43%) and Utilities (48%) sectors have the lowest percentages of Buy ratings.

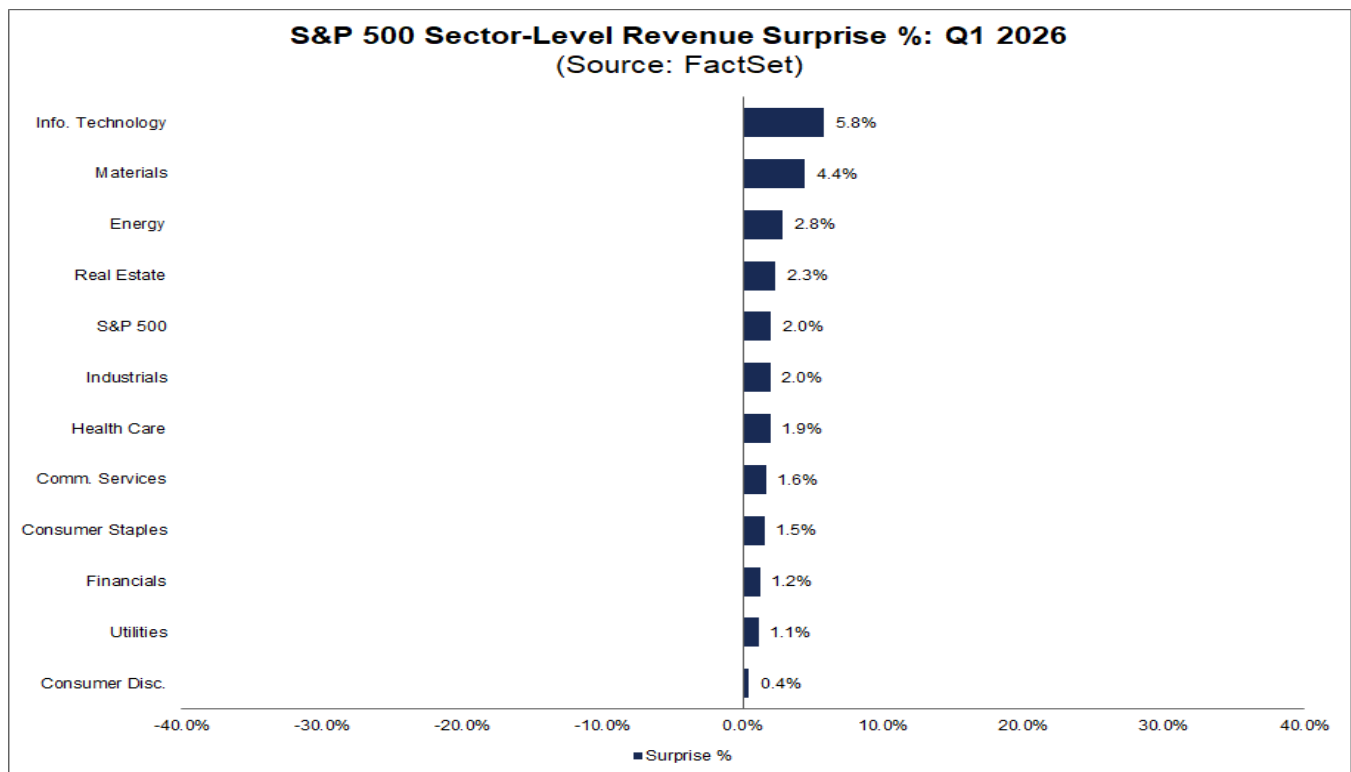
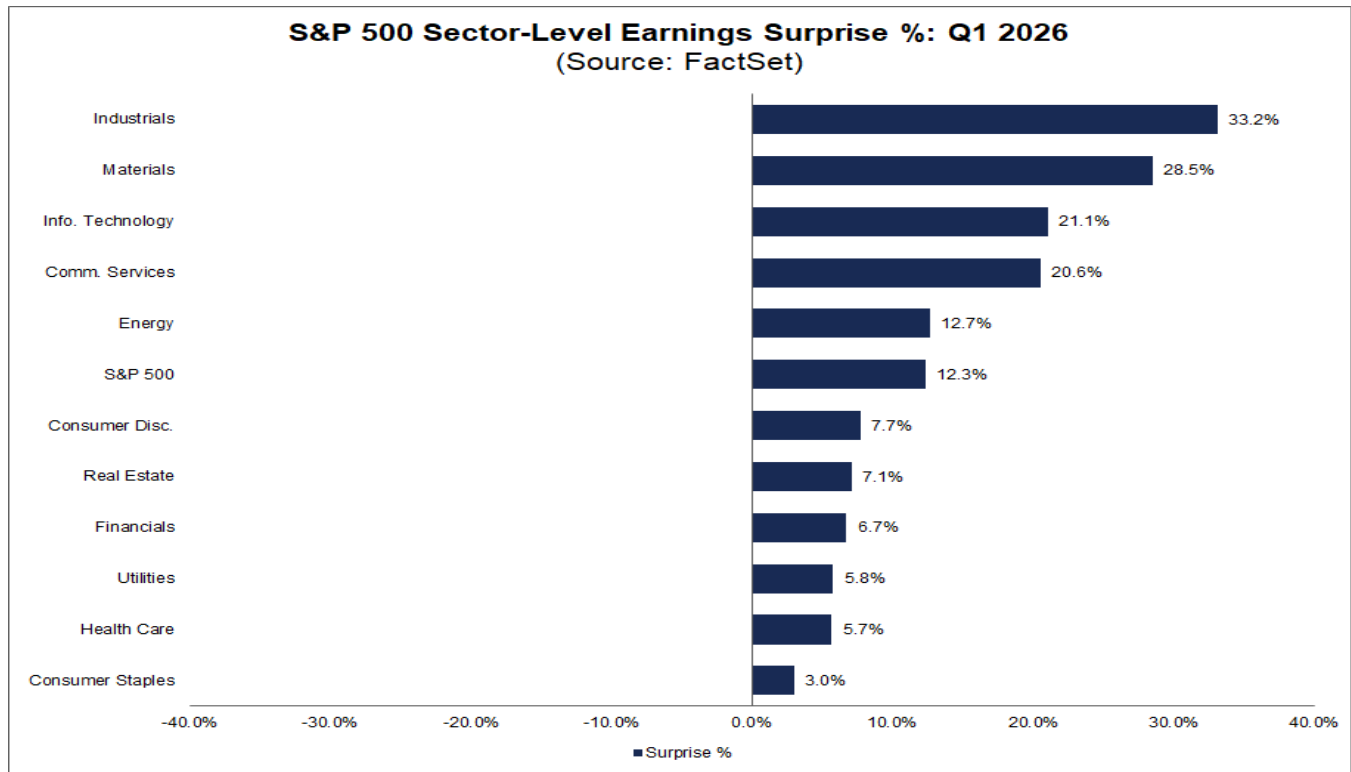
### **Companies Reporting Next Week: 180**

During the upcoming week, 181 S&P 500 companies (including 11 Dow 30 components) are scheduled to report results for the first quarter.

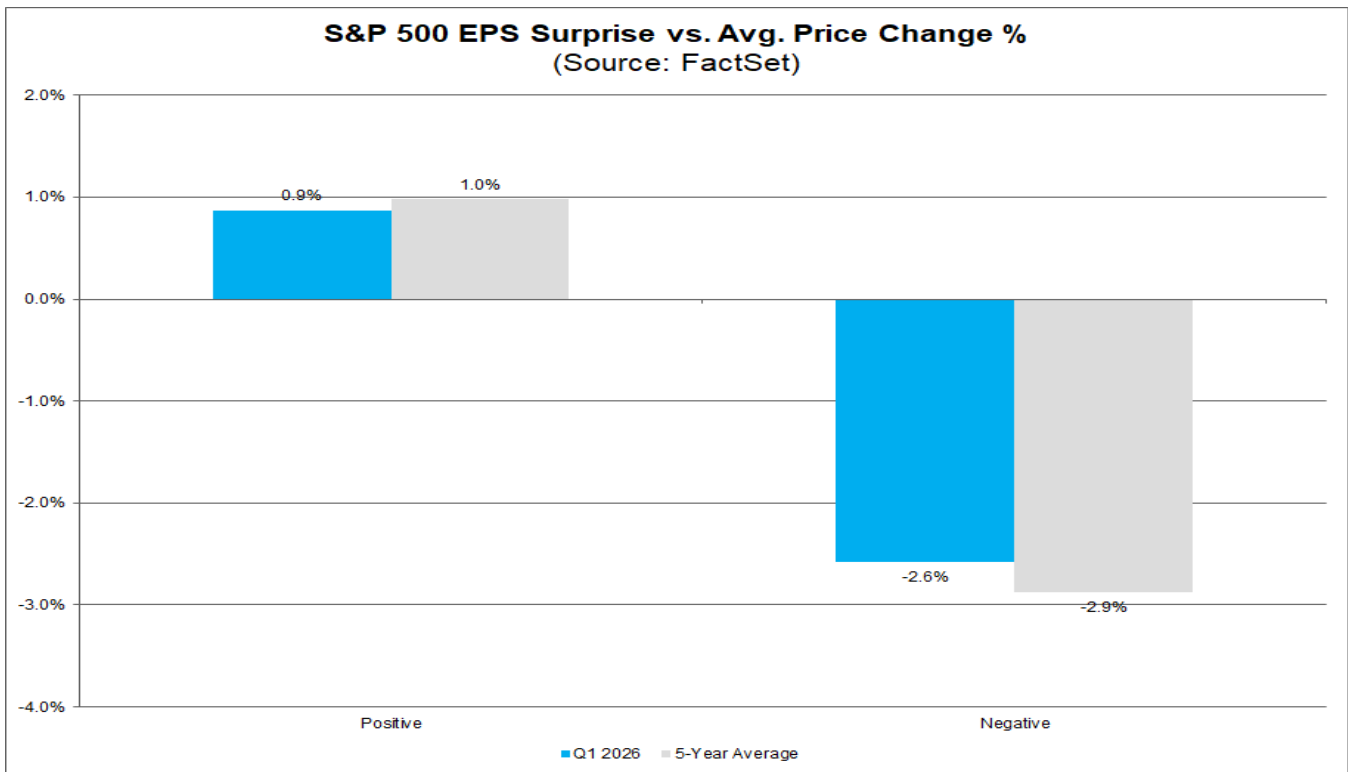
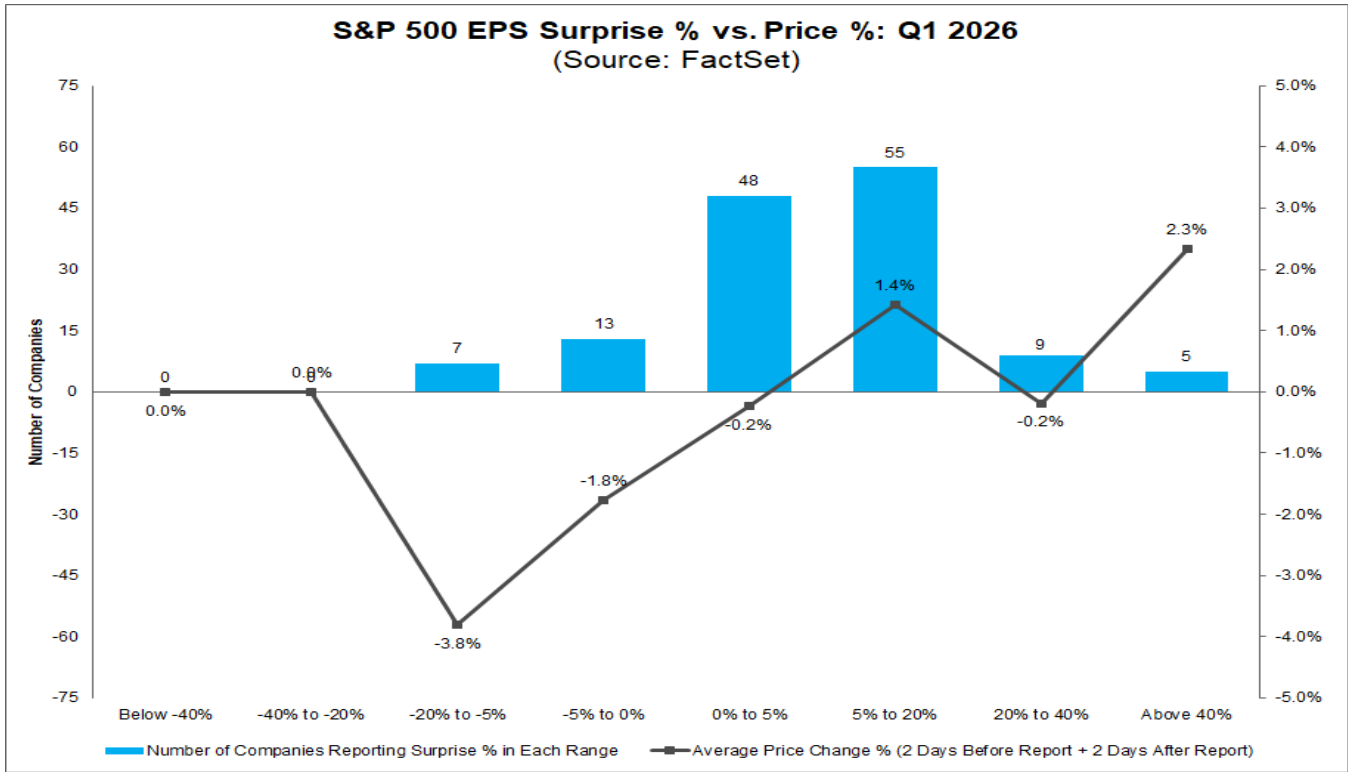
Q1 2026: Scorecard



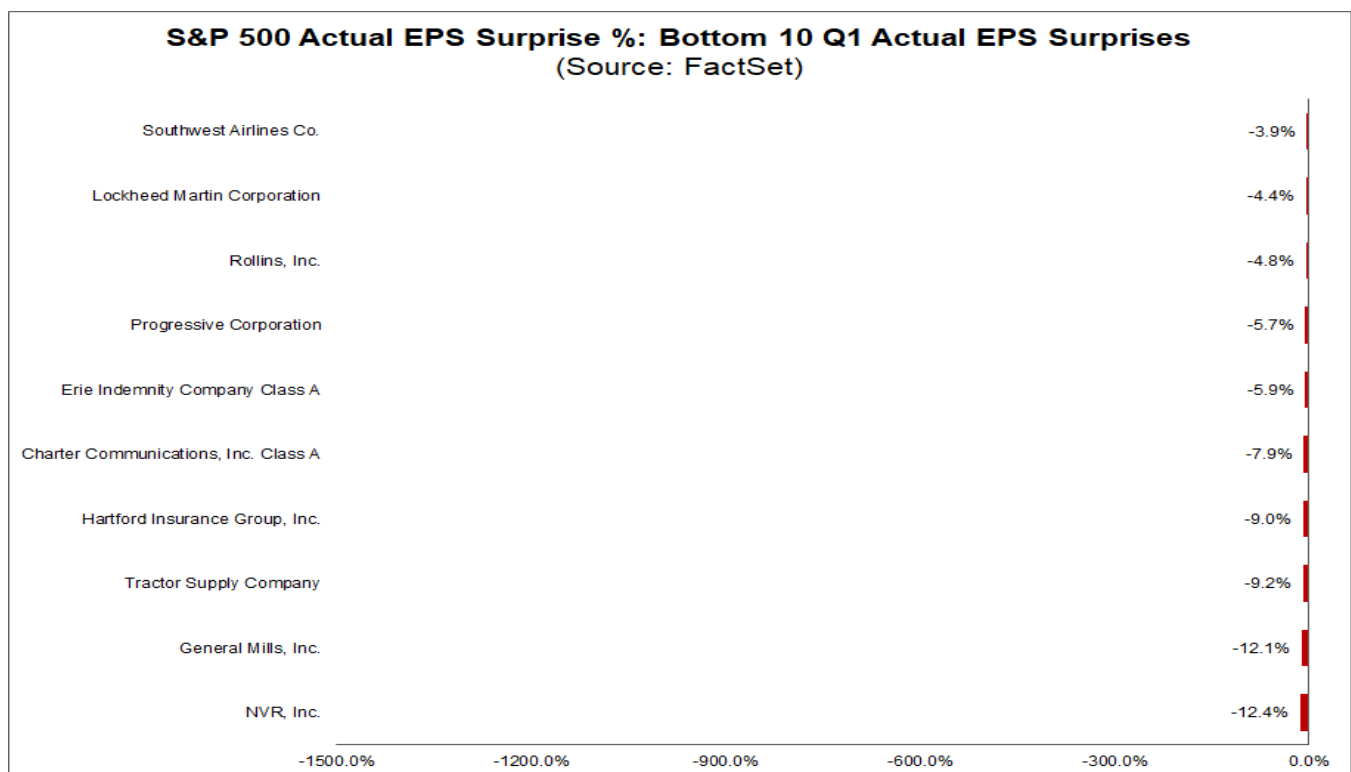
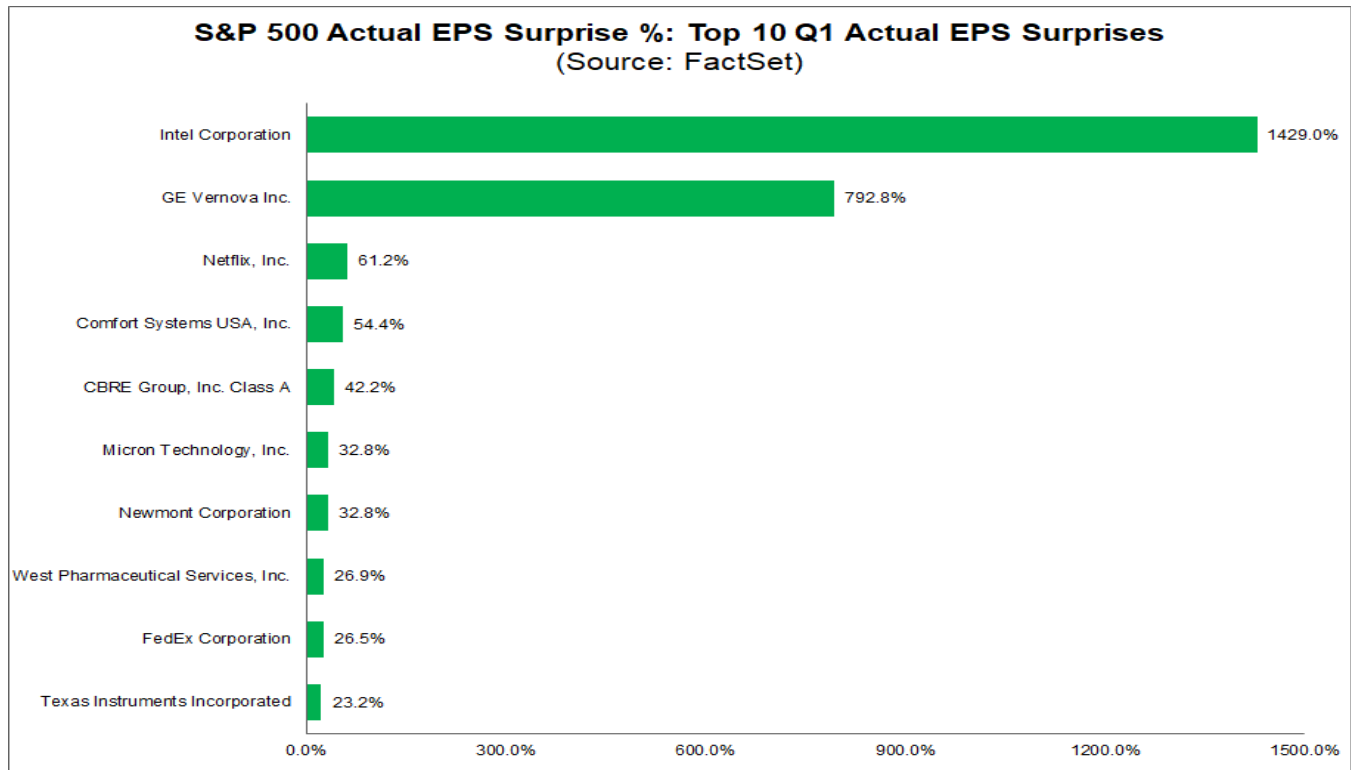
Q1 2026: Surprise



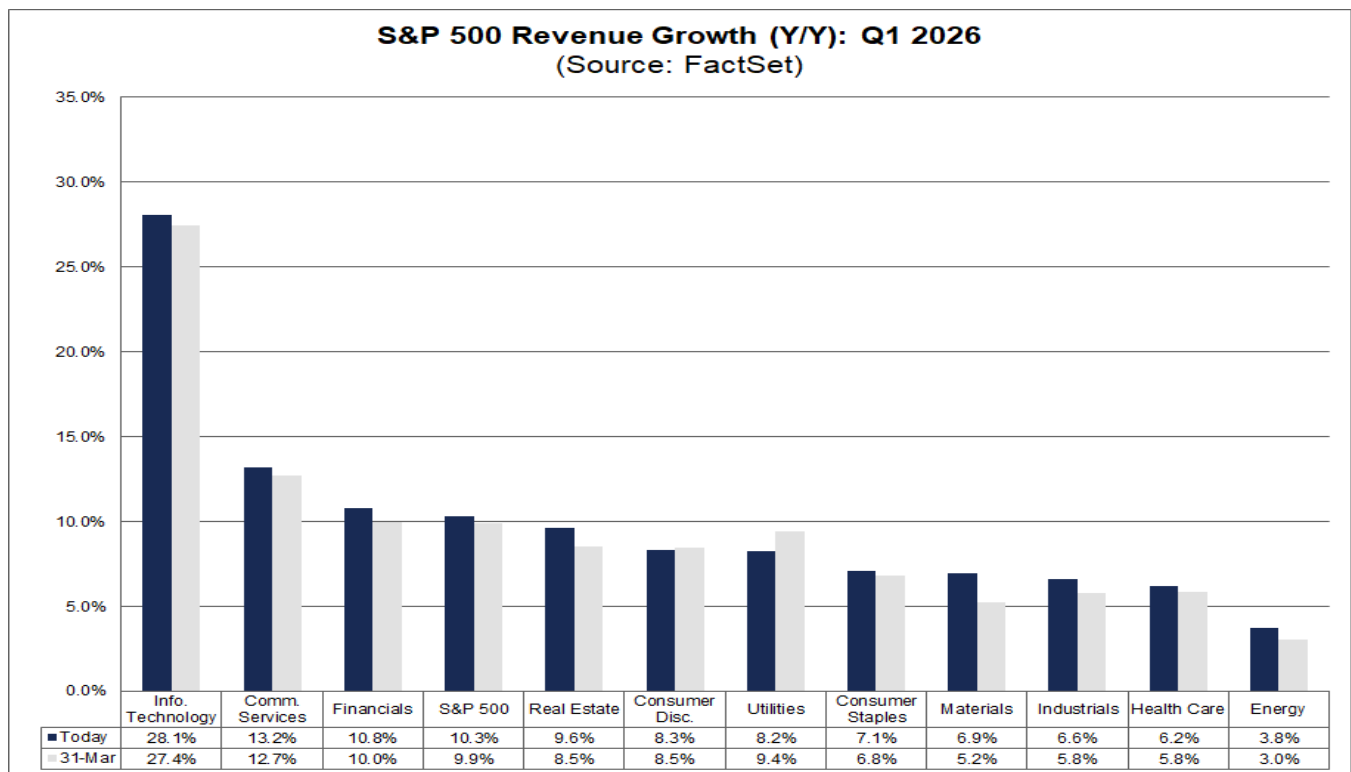
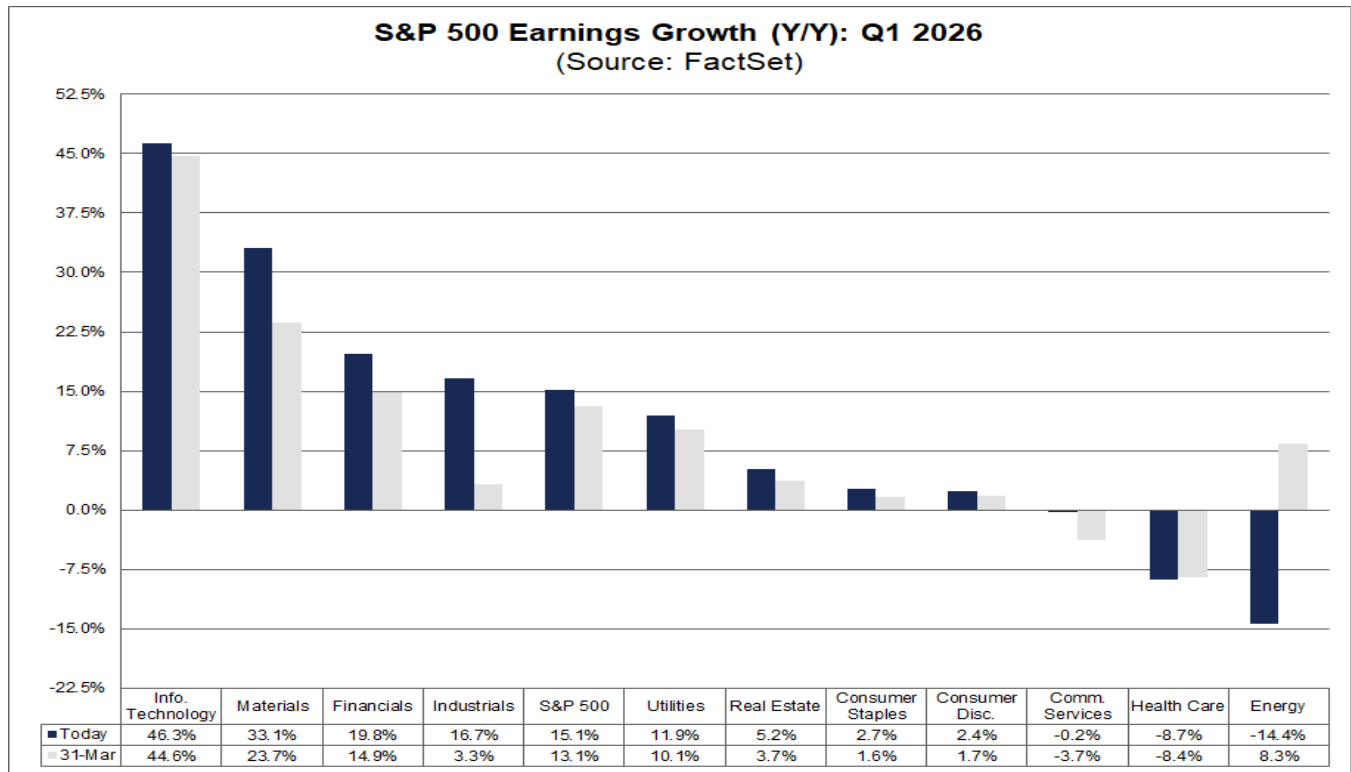
Q1 2026: Surprise



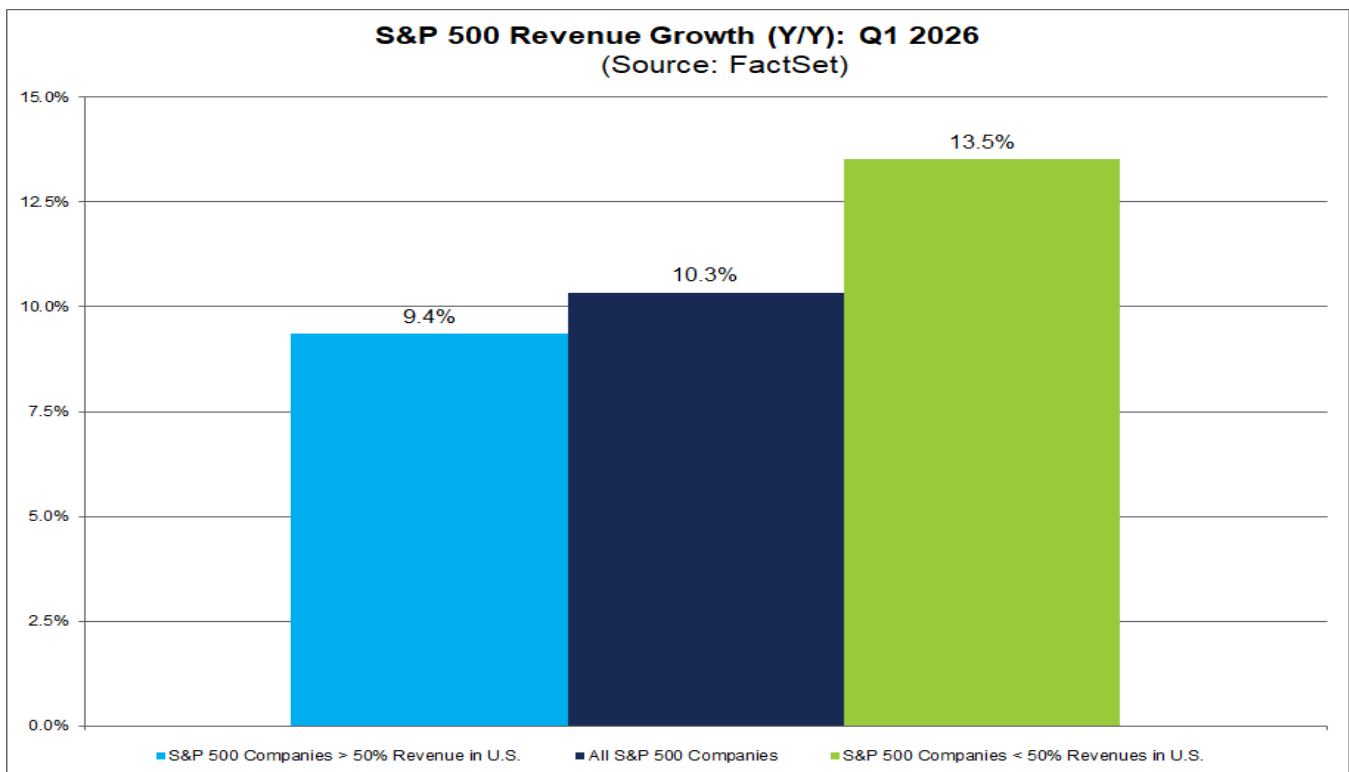
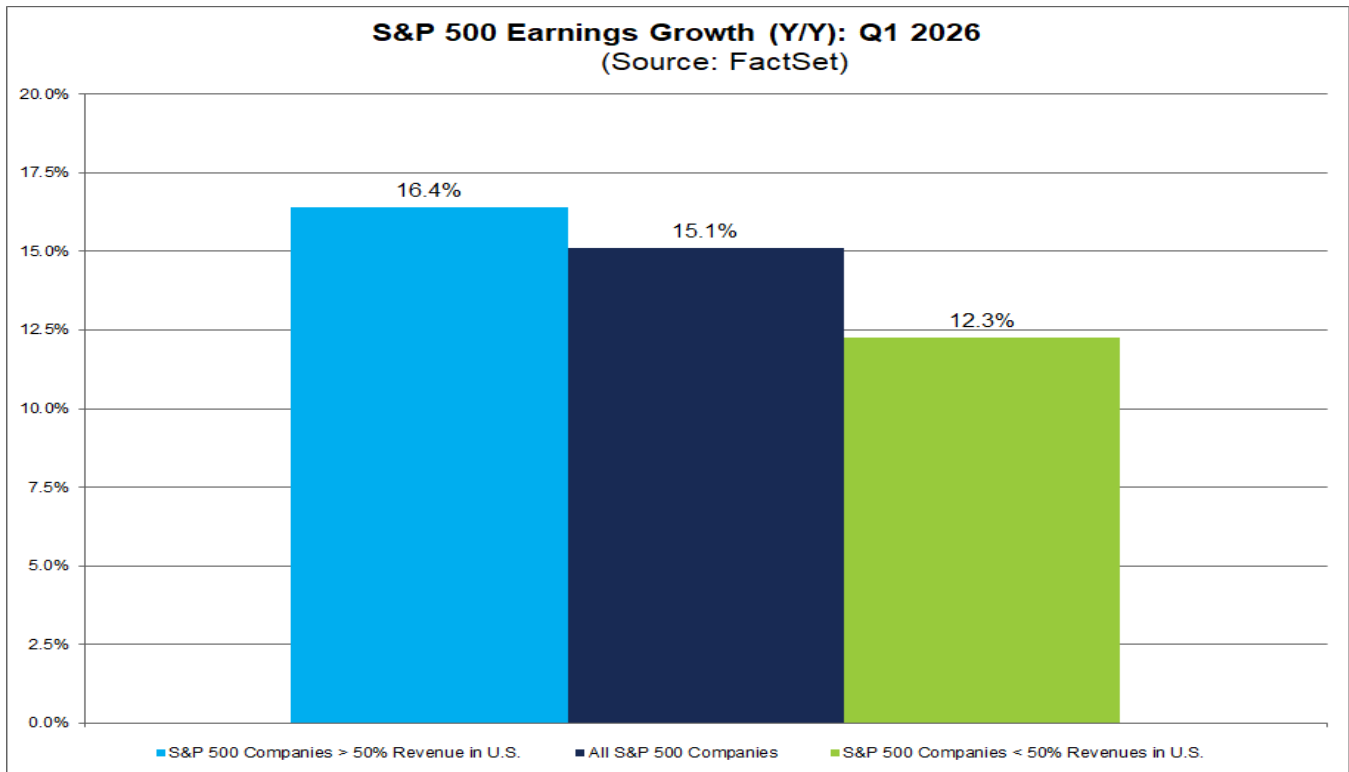
Q1 2026: Surprise



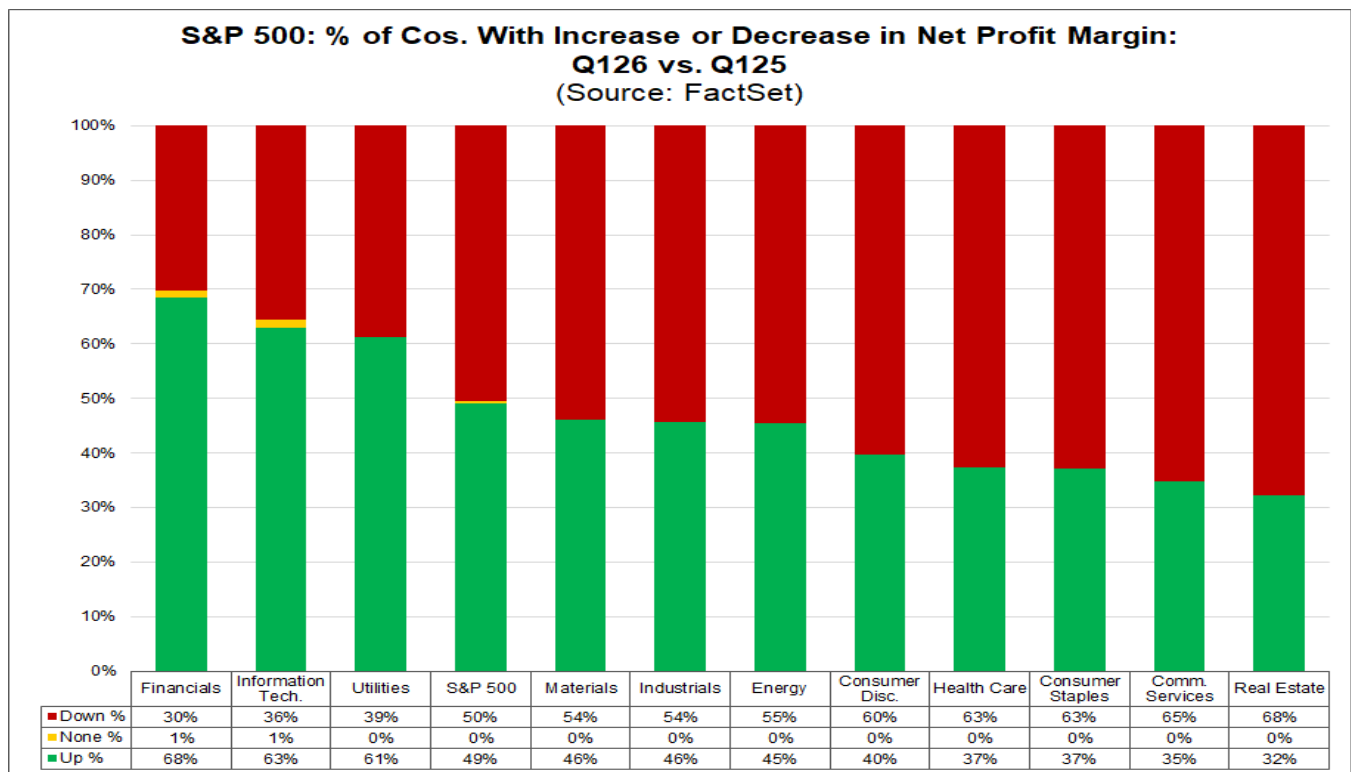
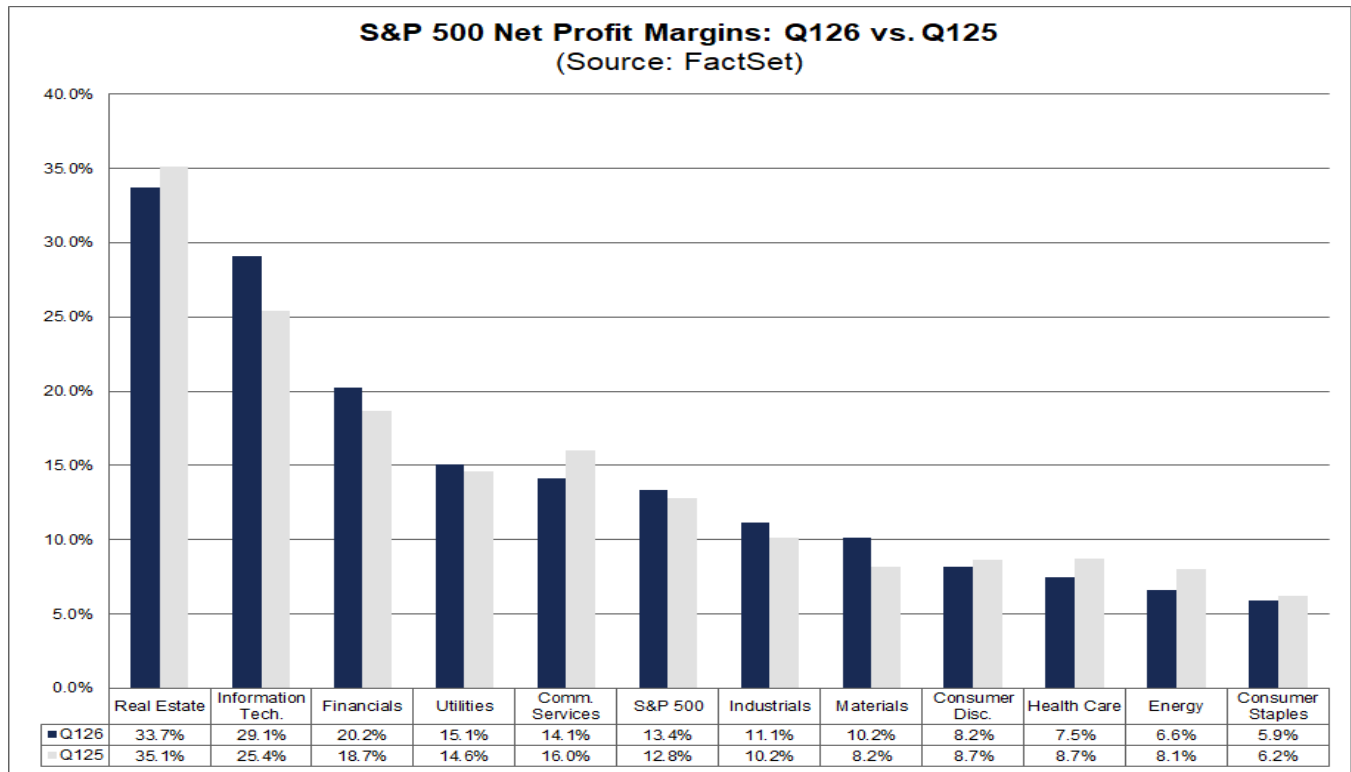
Q1 2026: Growth



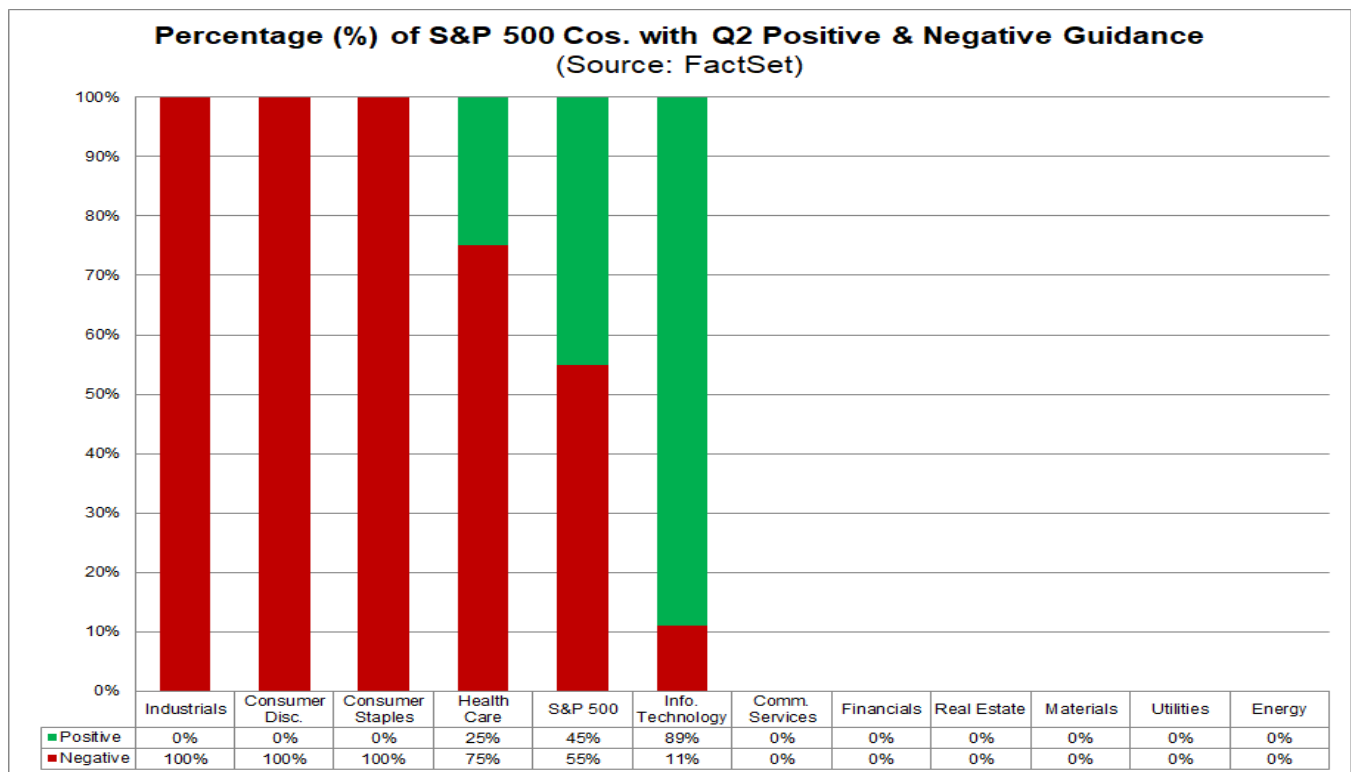
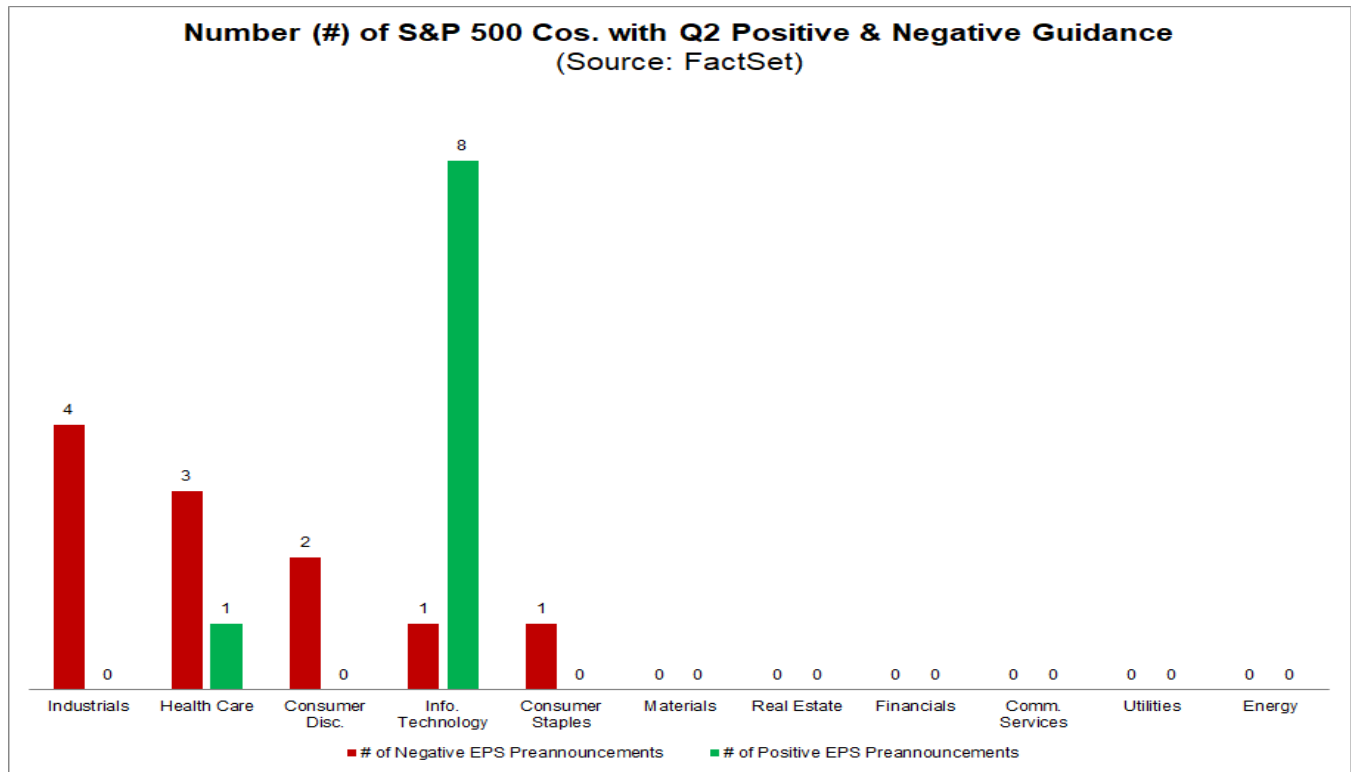
Q1 2026: Growth



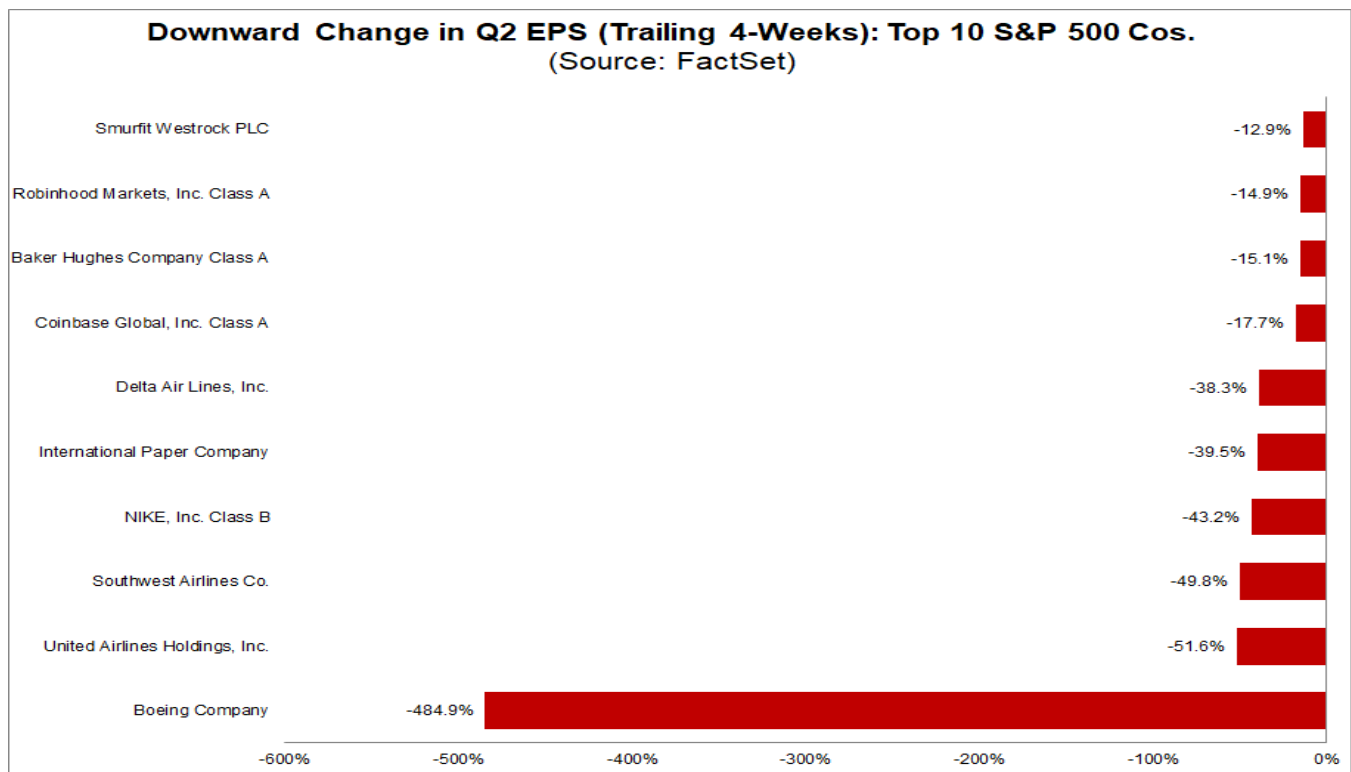
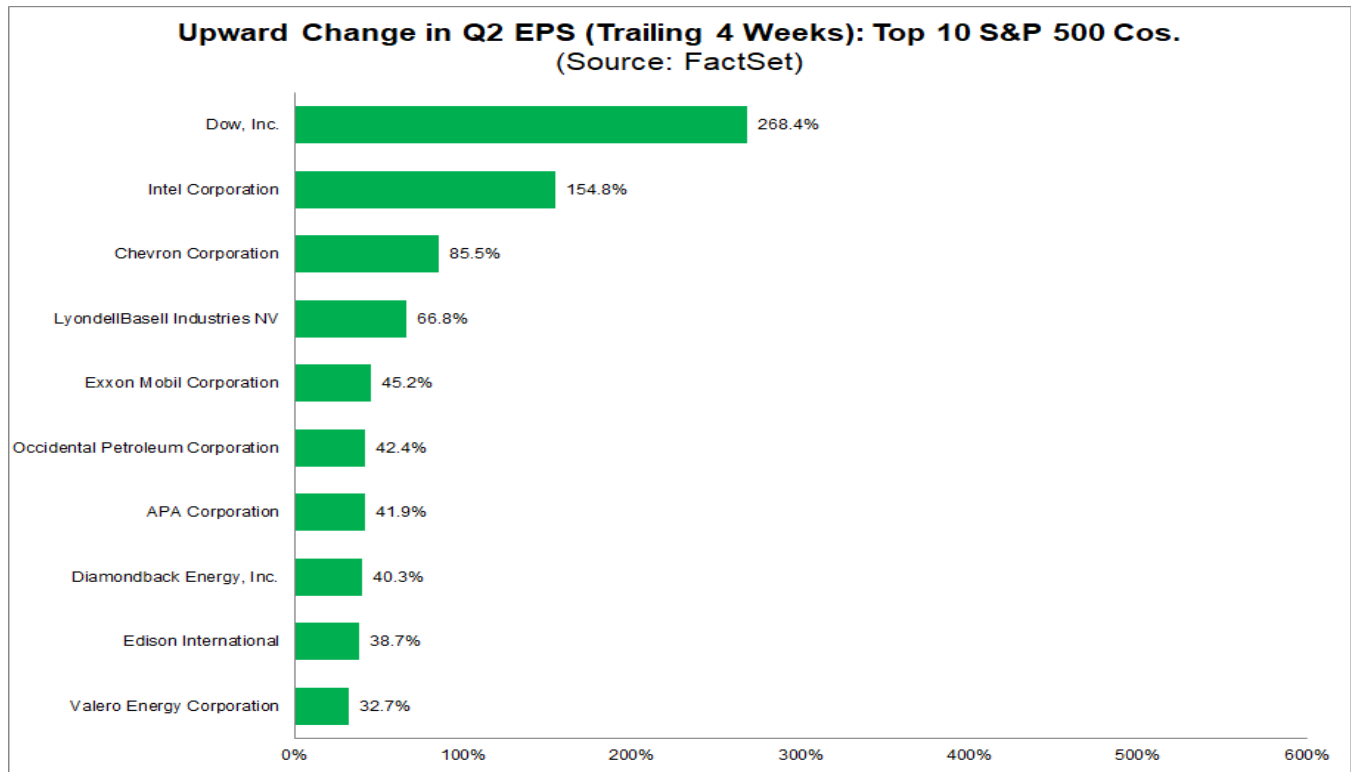
Q1 2026: Net Profit Margin



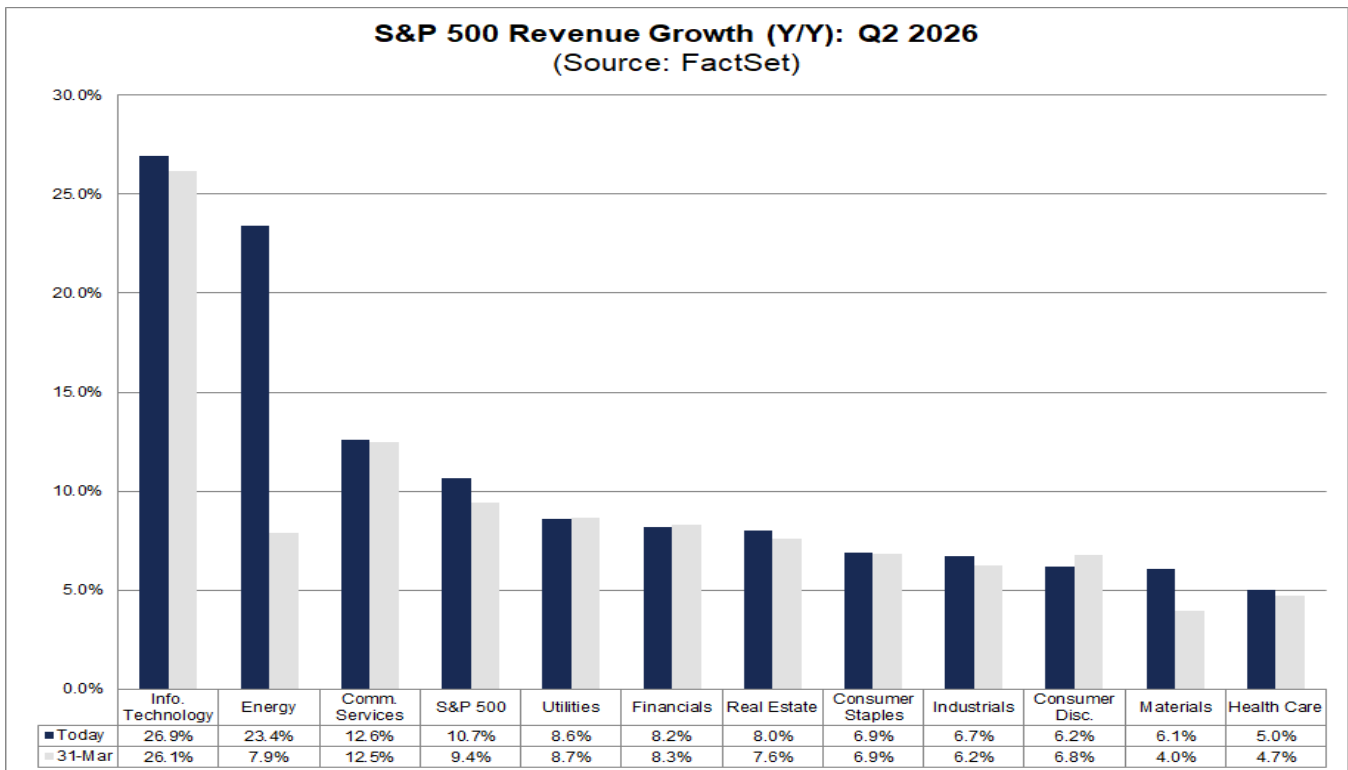
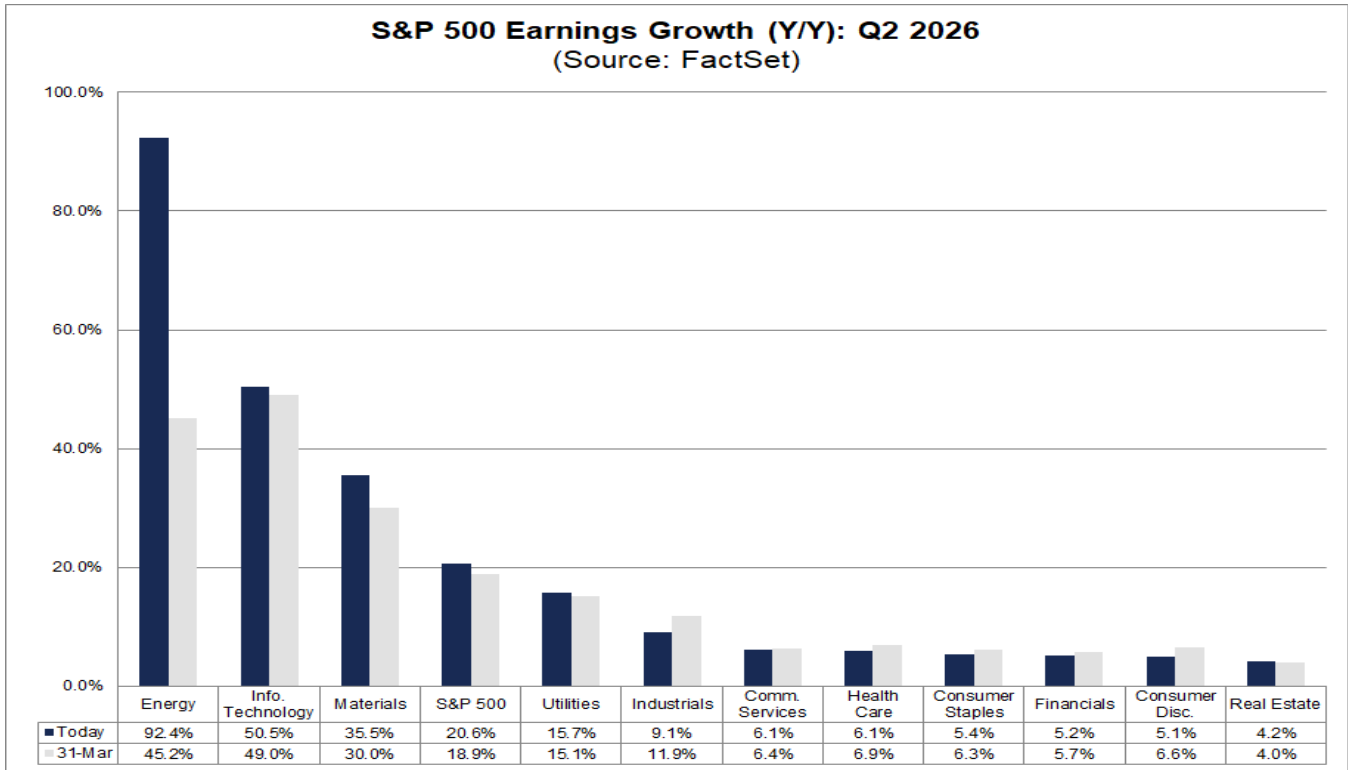
Q2 2026: Guidance



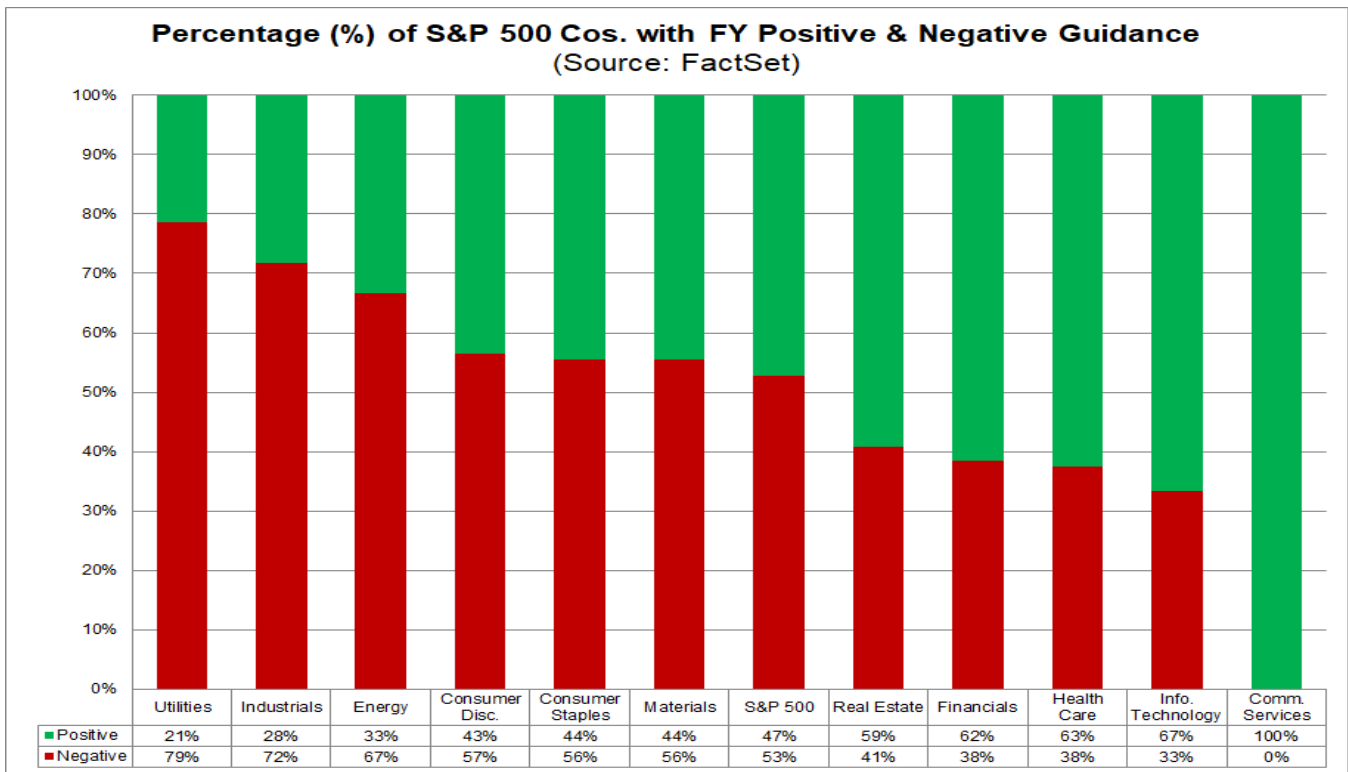
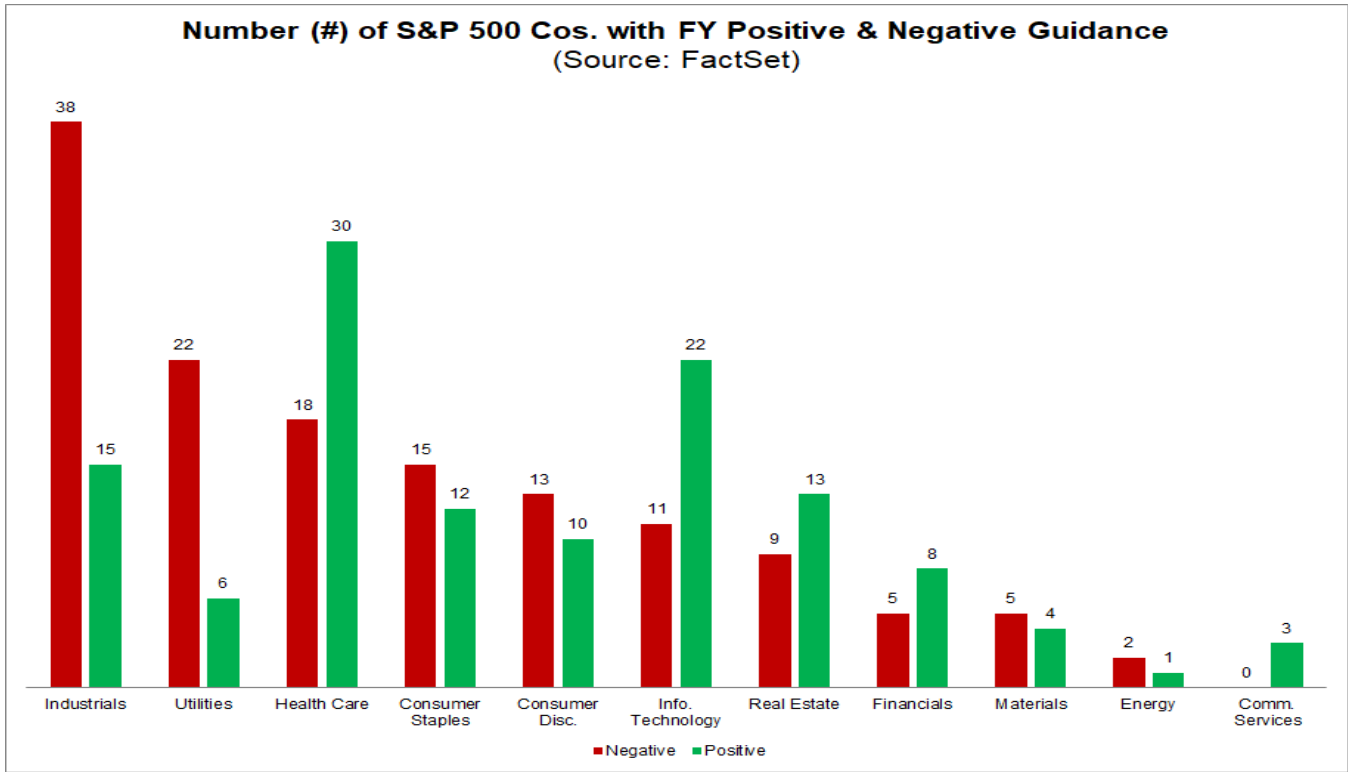
Q2 2026: EPS Revisions



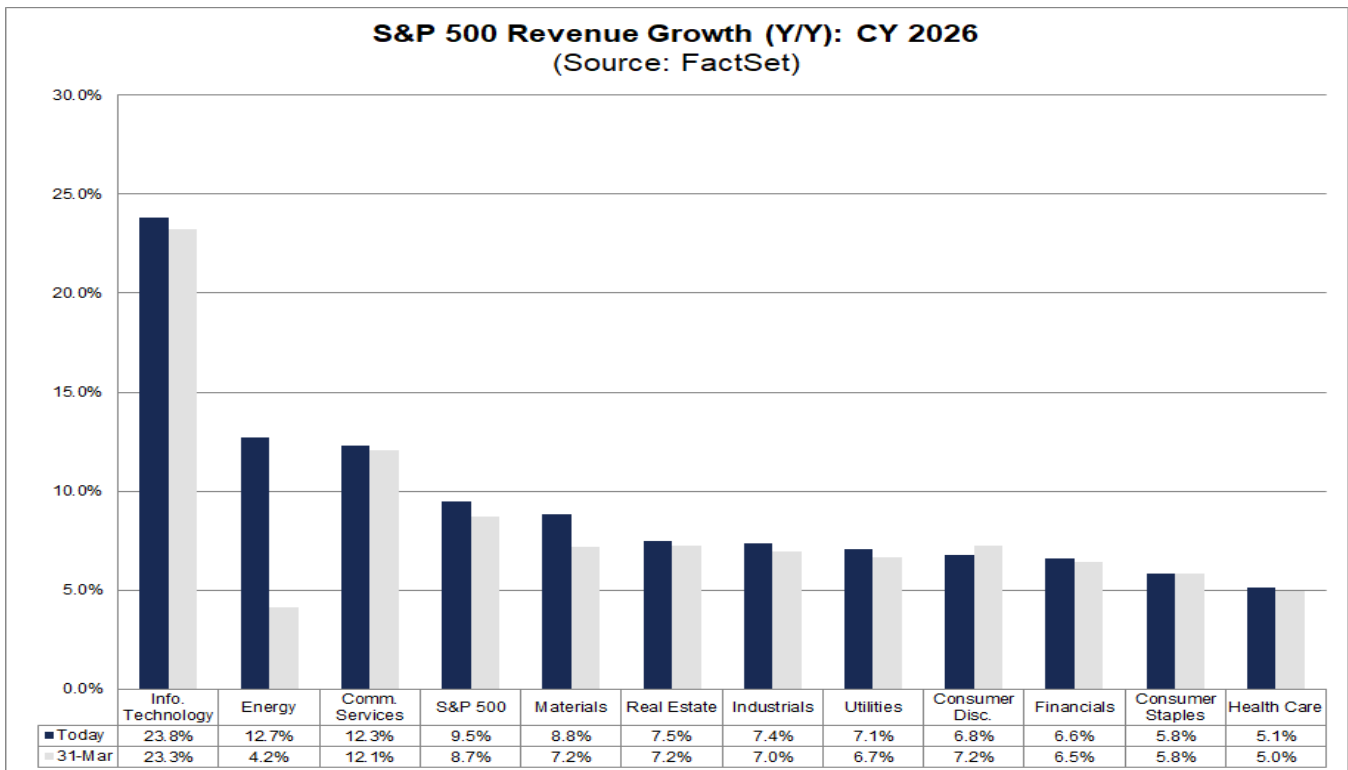
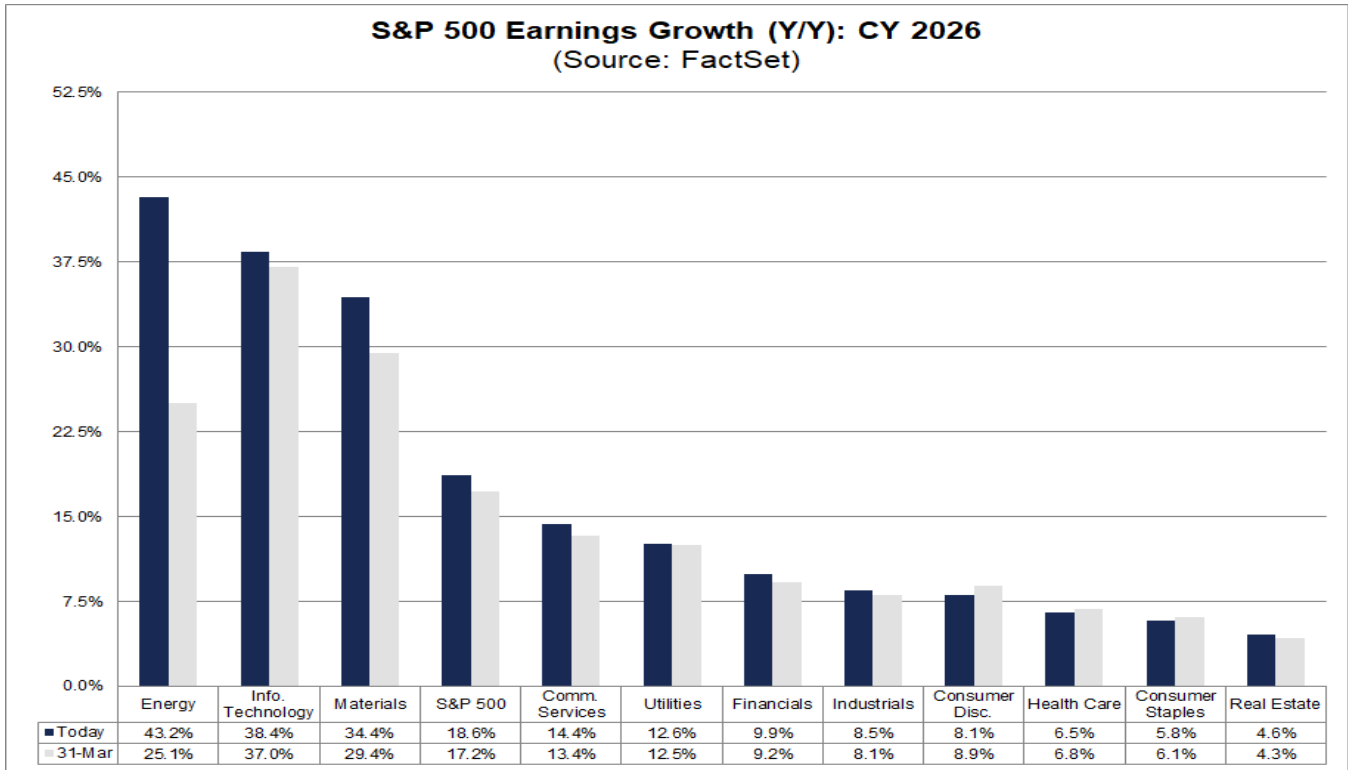
Q2 2026: Growth



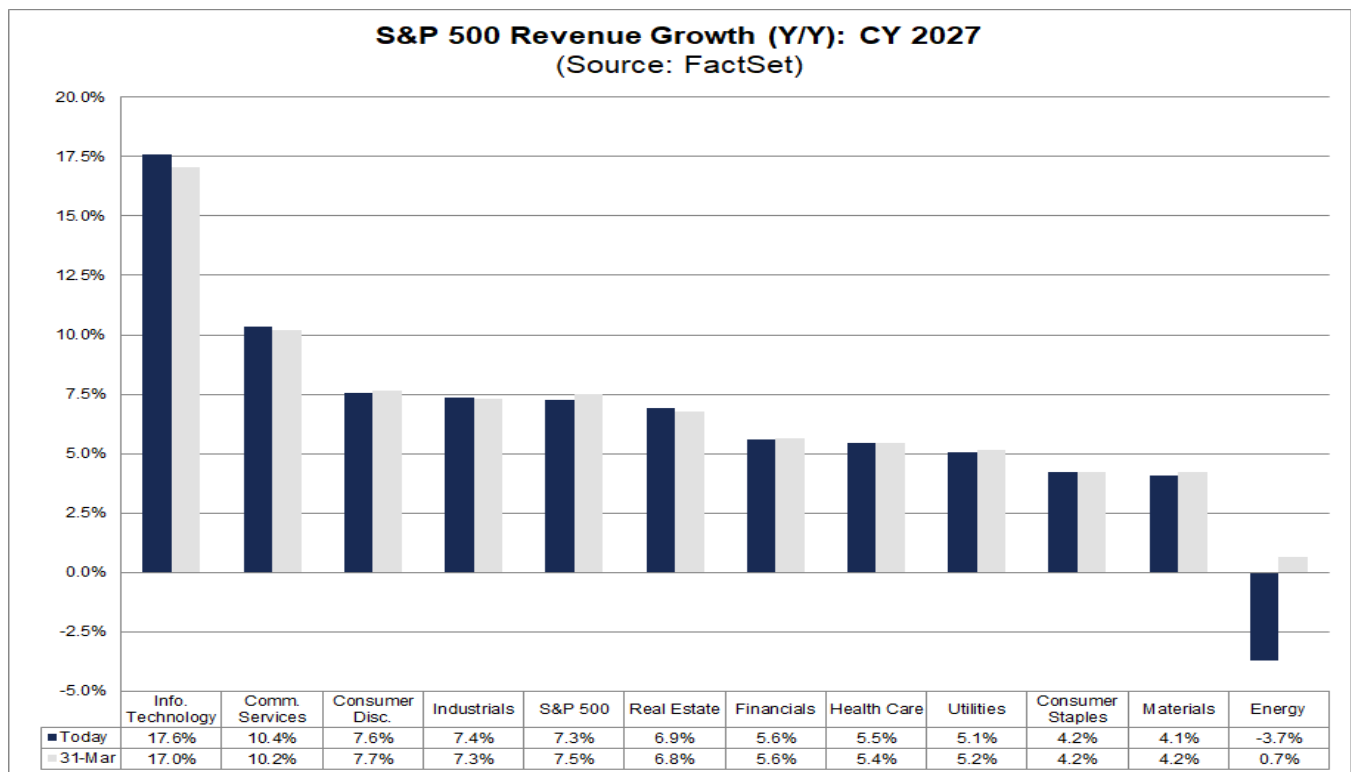
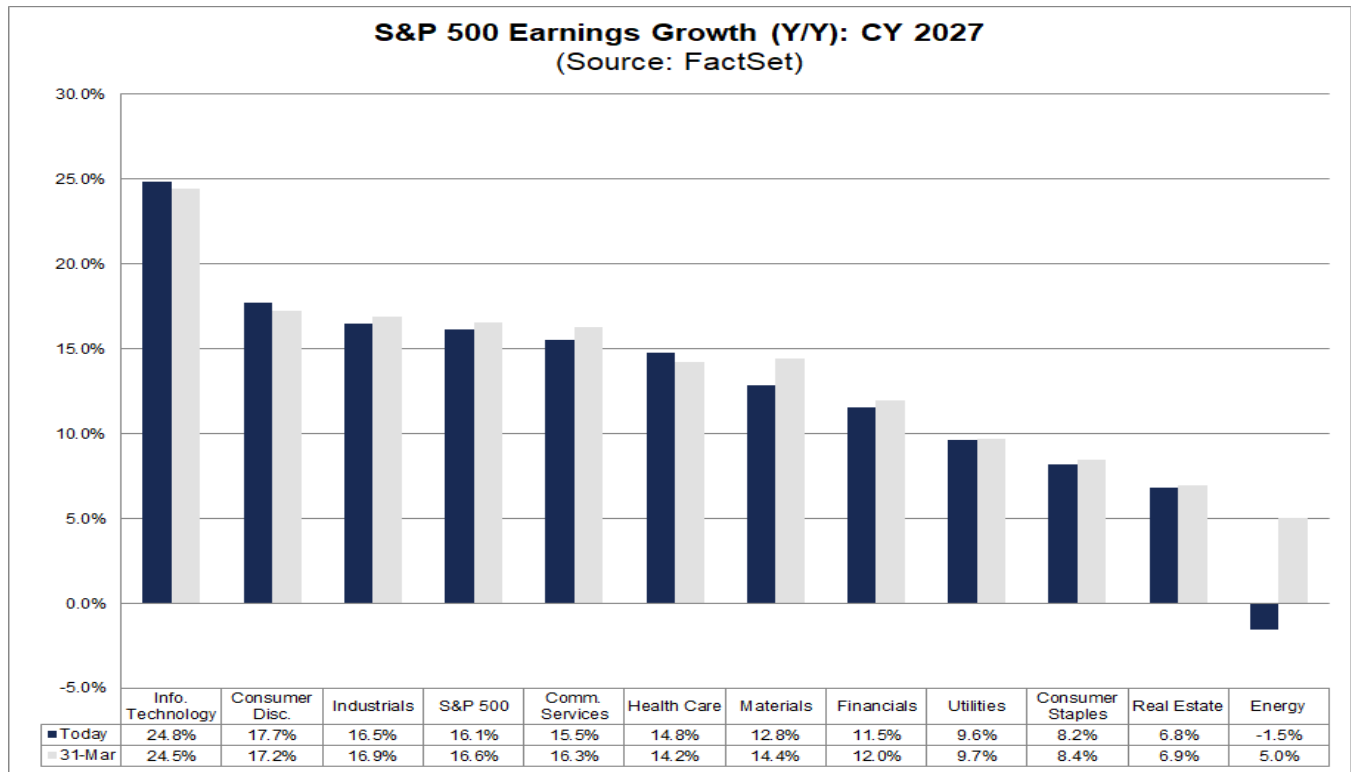
FY 2026 / 2027: EPS Guidance



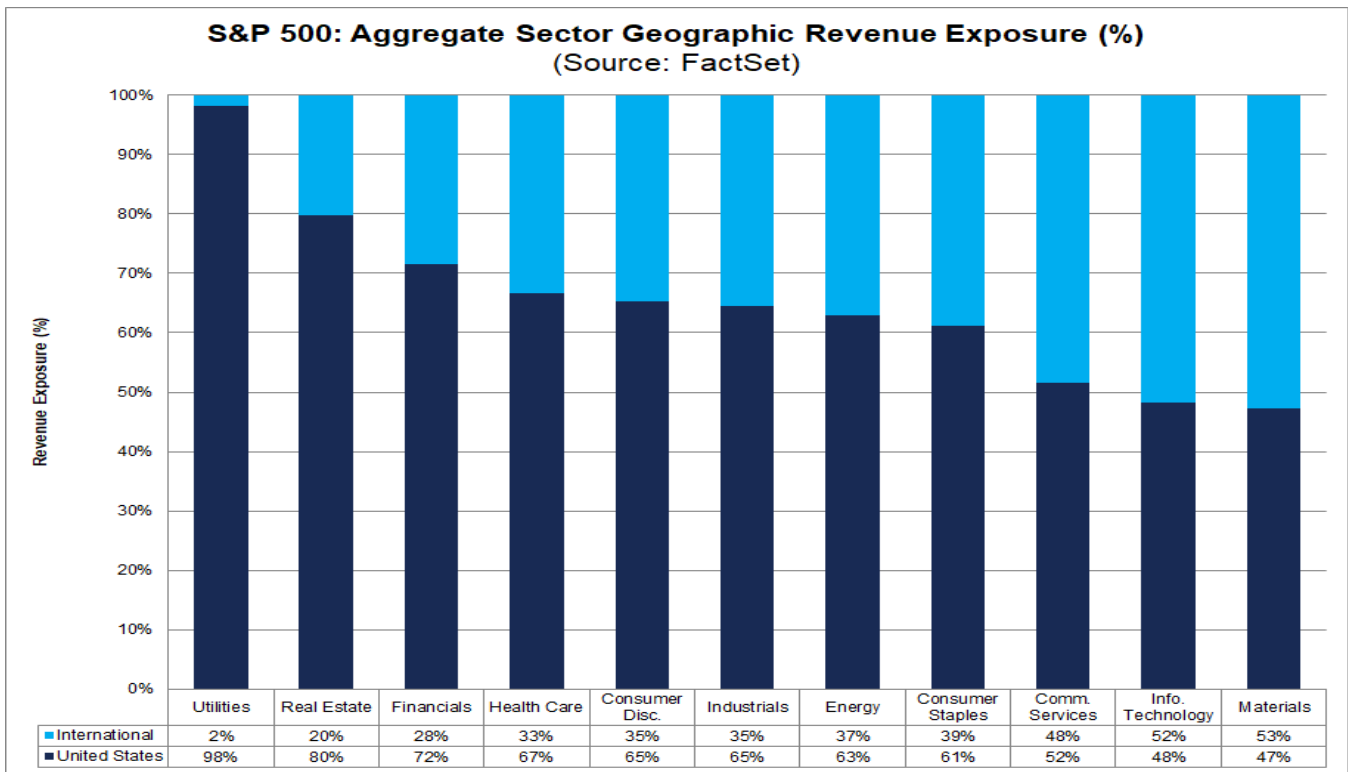
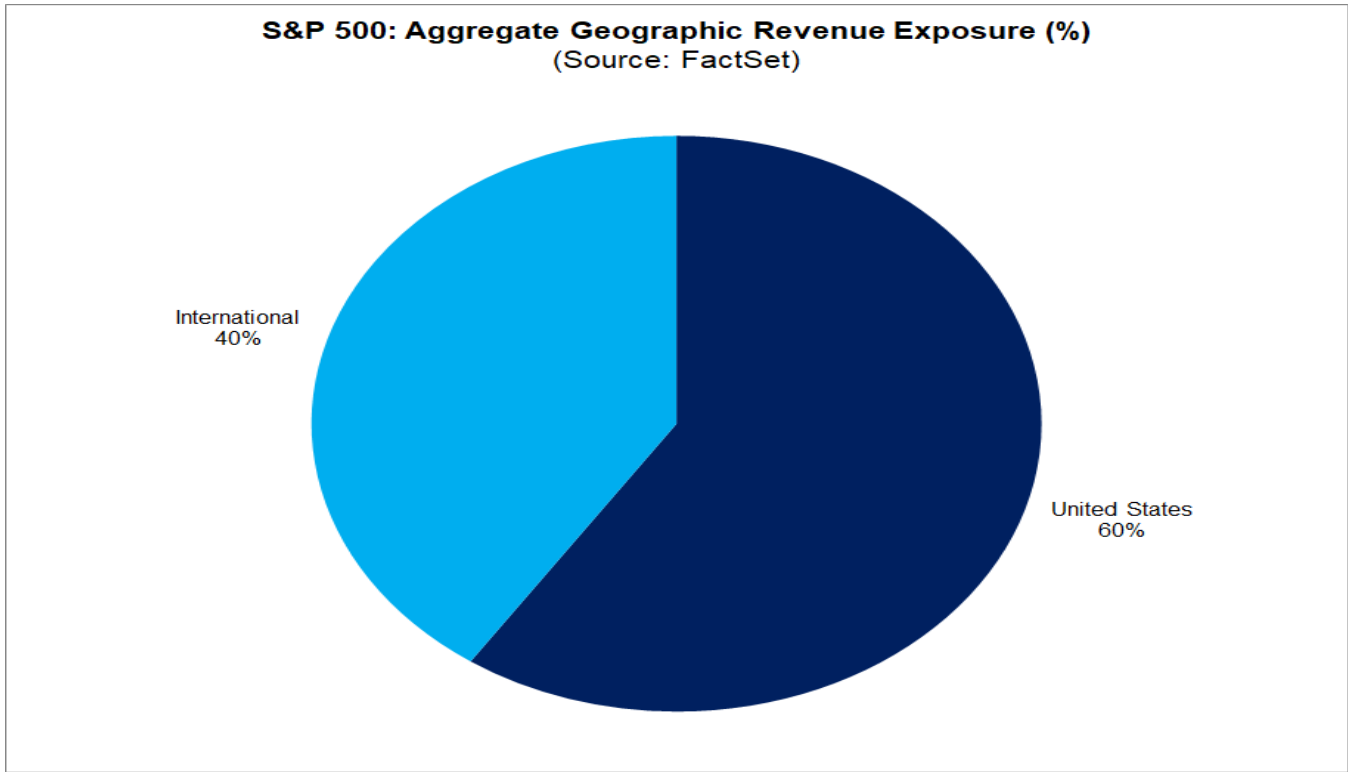
CY 2026: Growth



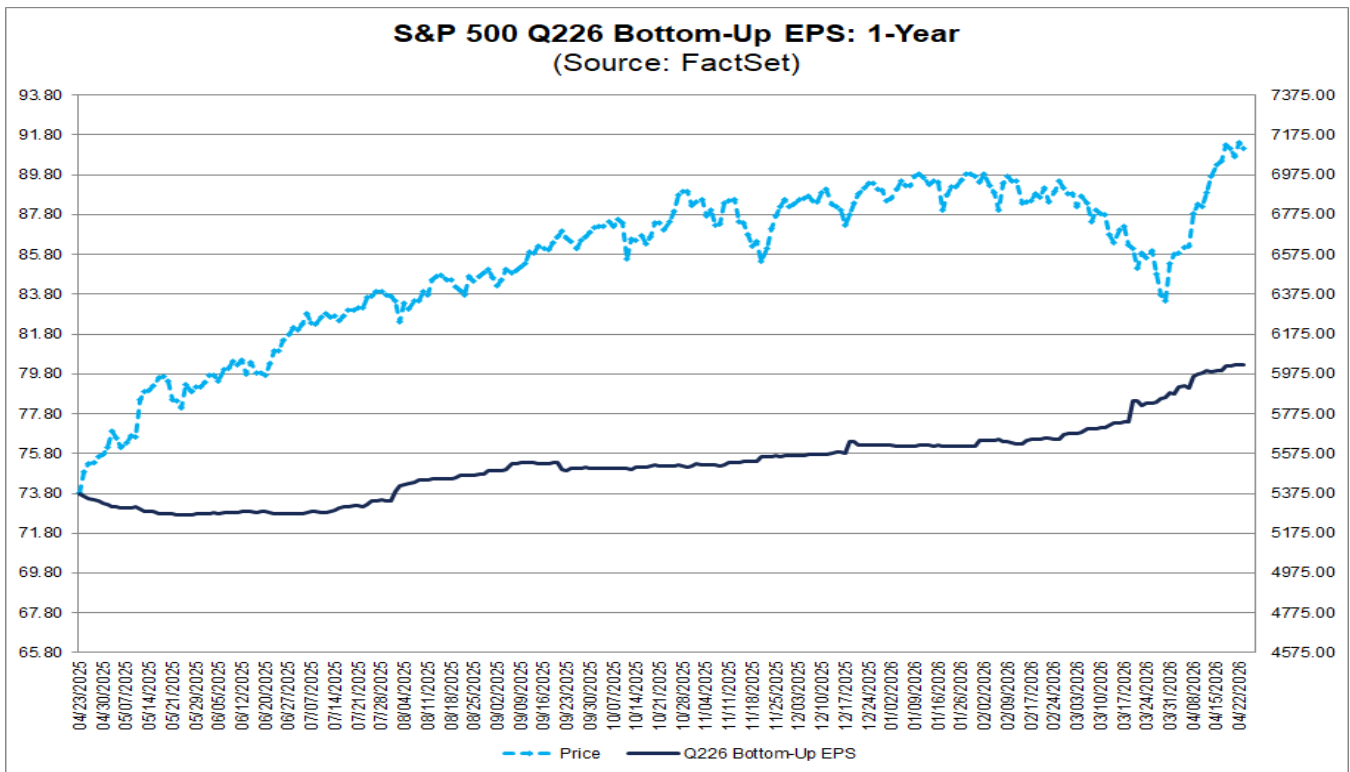
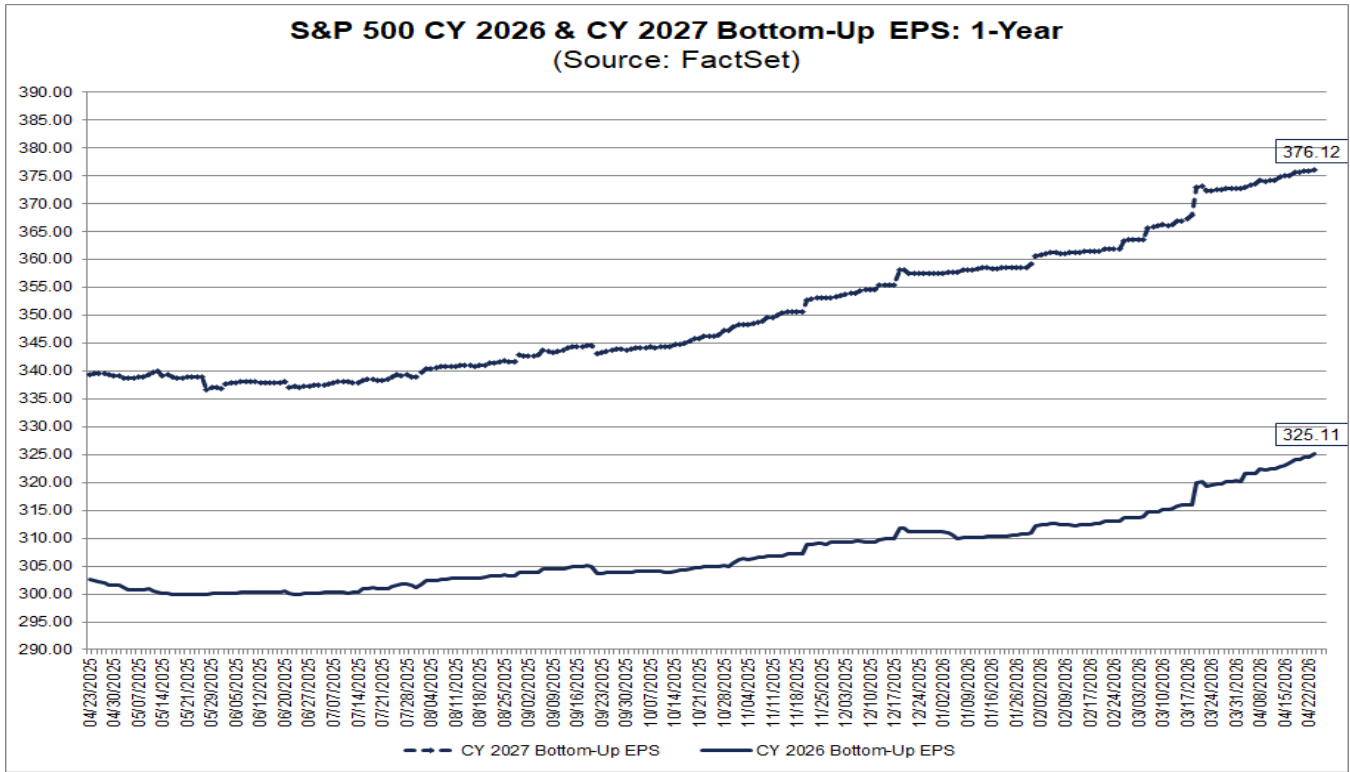
CY 2027: Growth



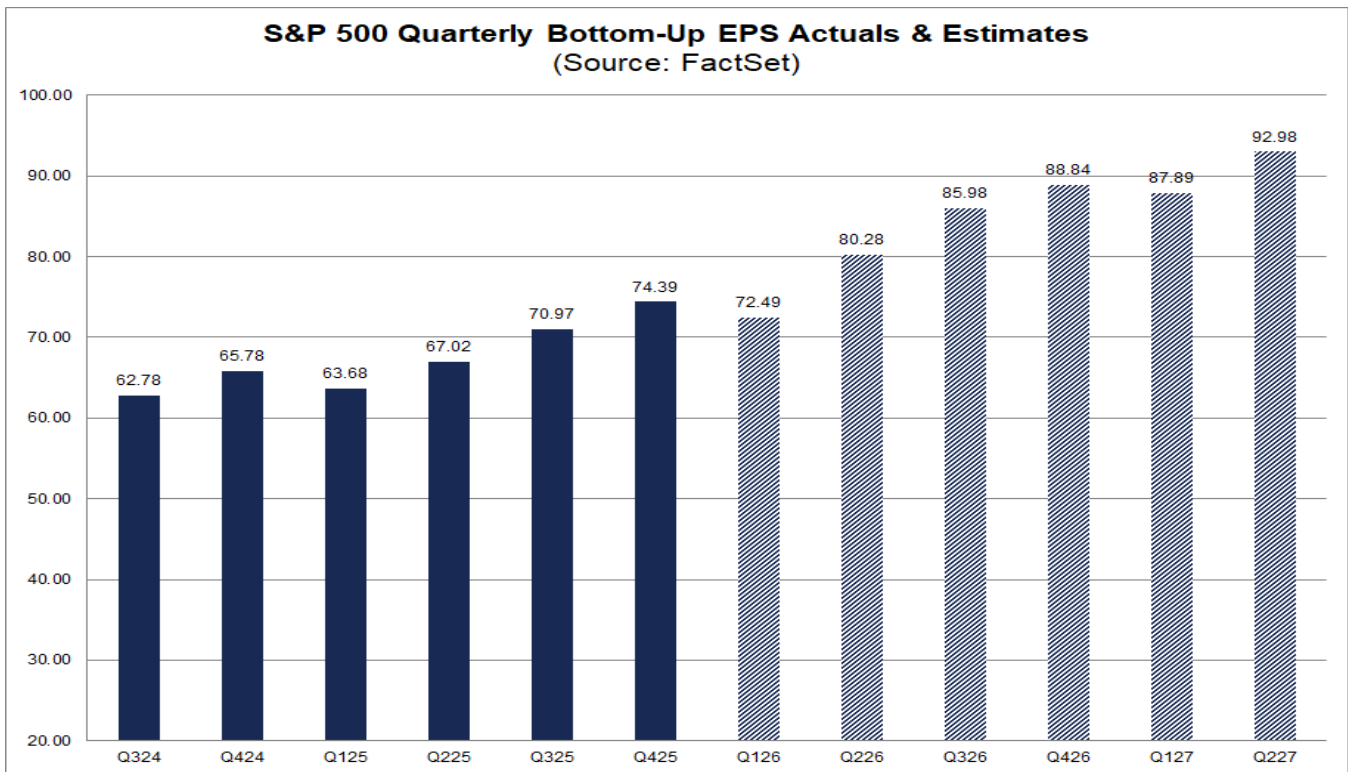
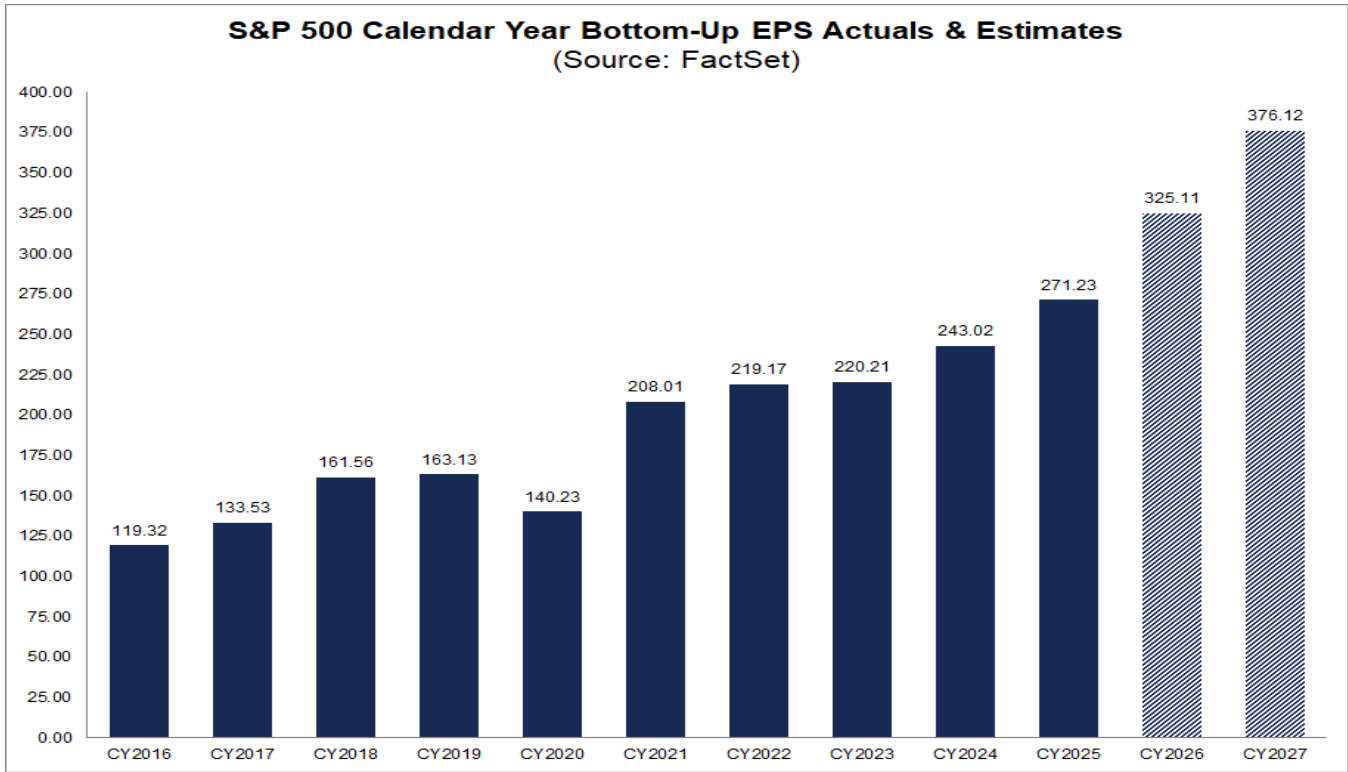
Geographic Revenue Exposure



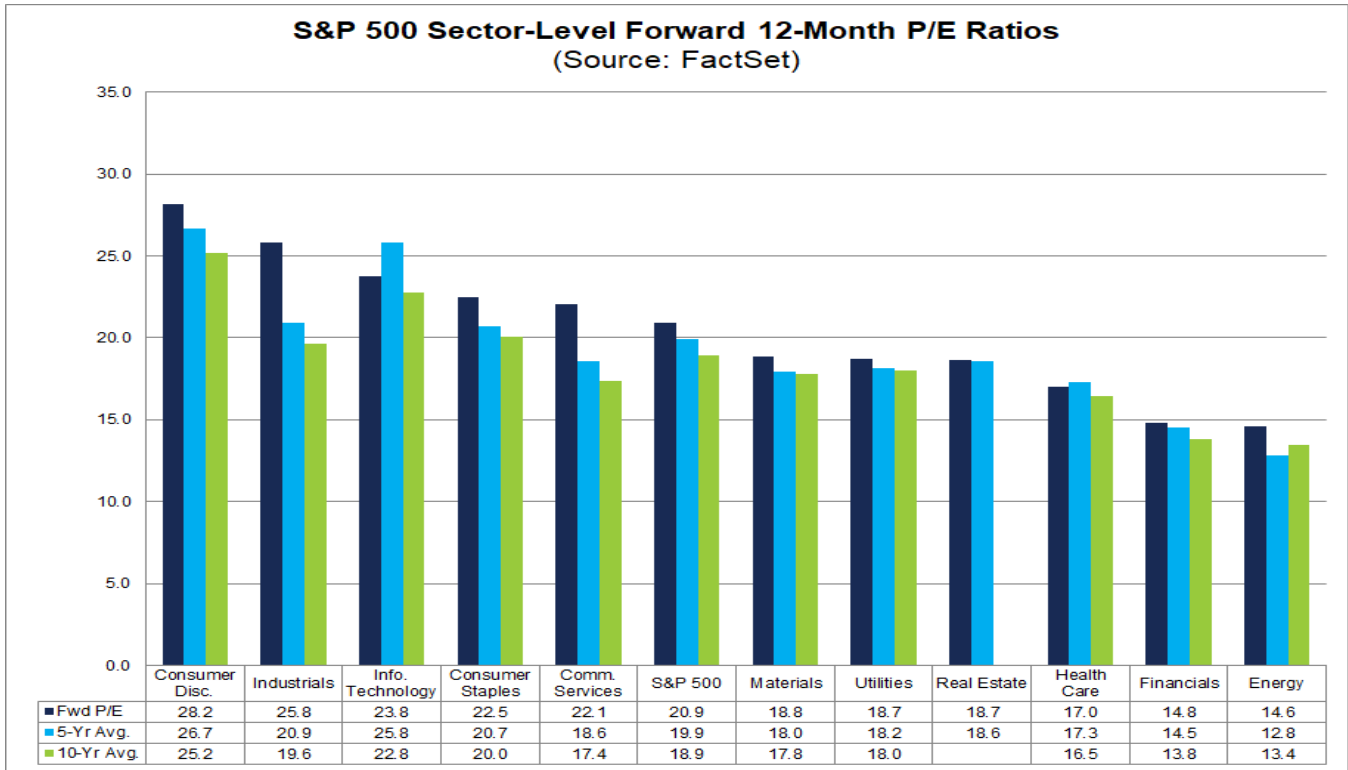
Bottom-Up EPS Estimates



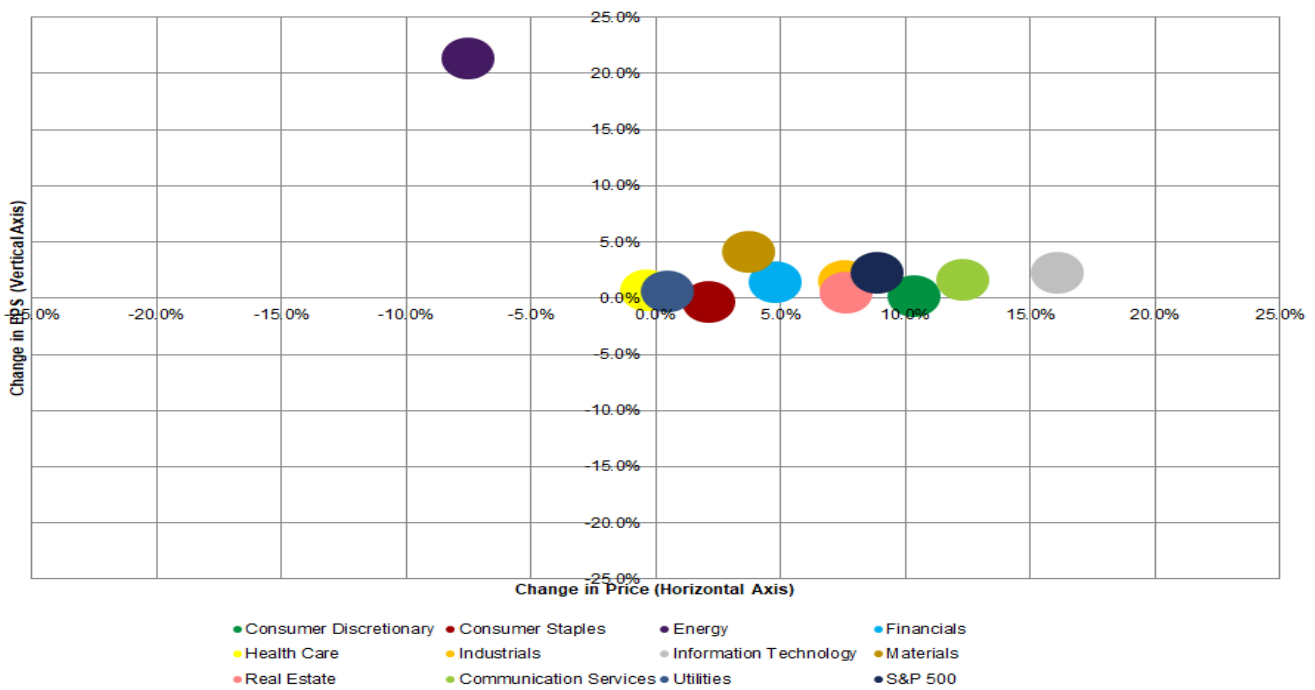
Bottom-Up EPS Estimates: Current & Historical



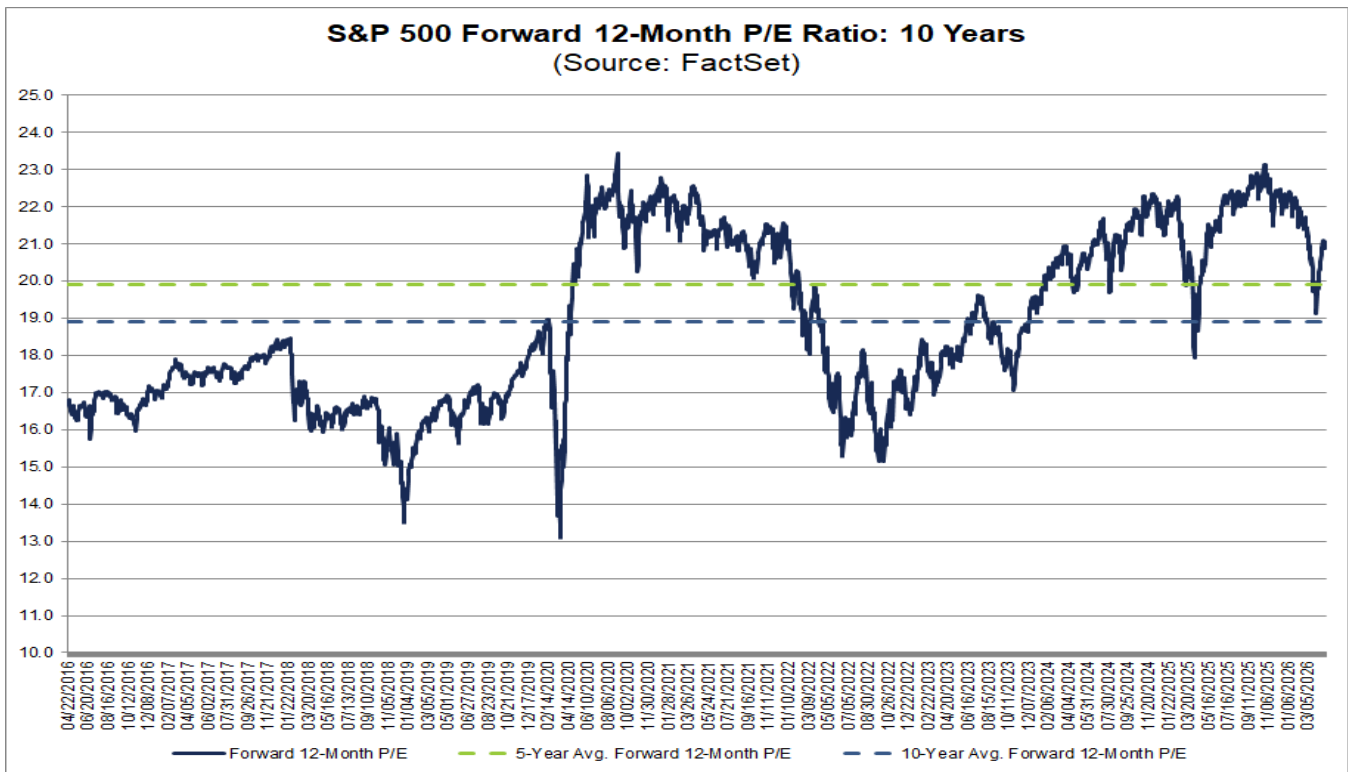
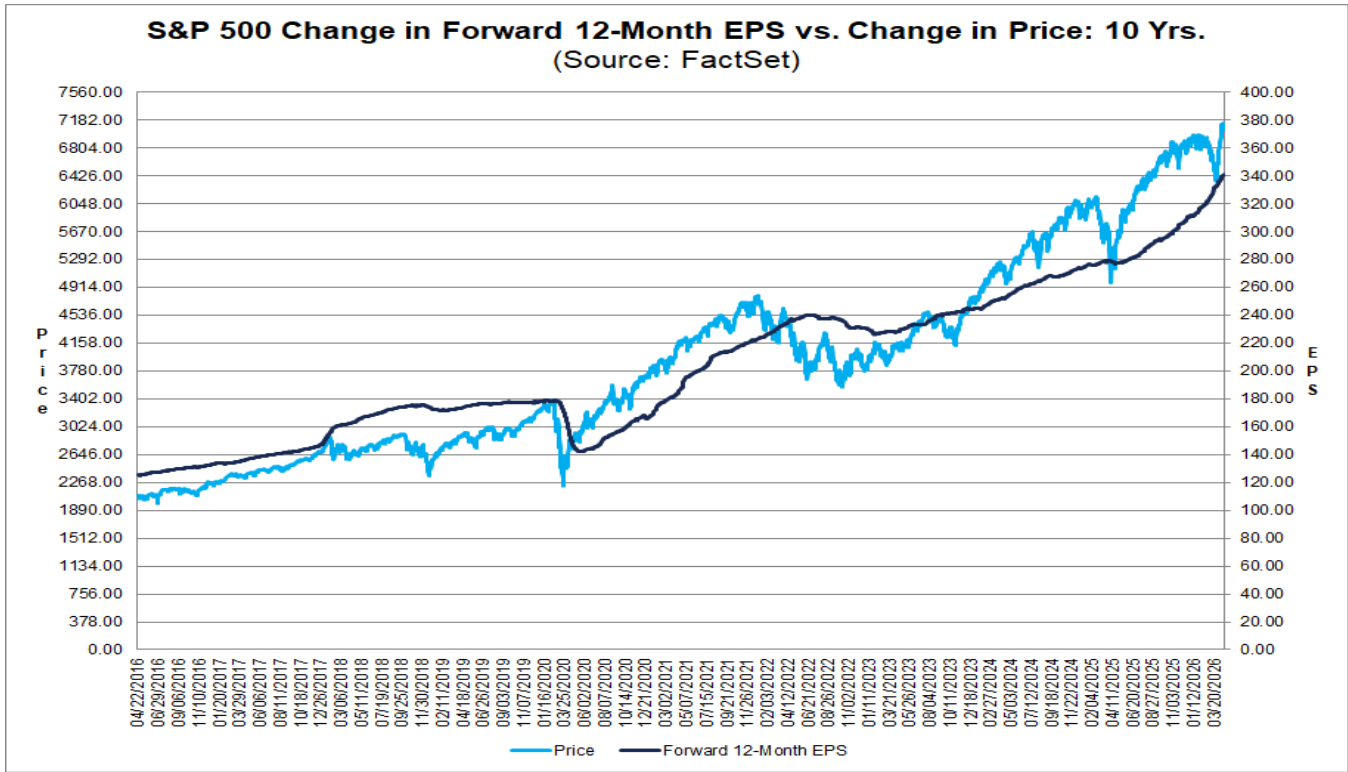
Forward 12M P/E Ratio: Sector Level



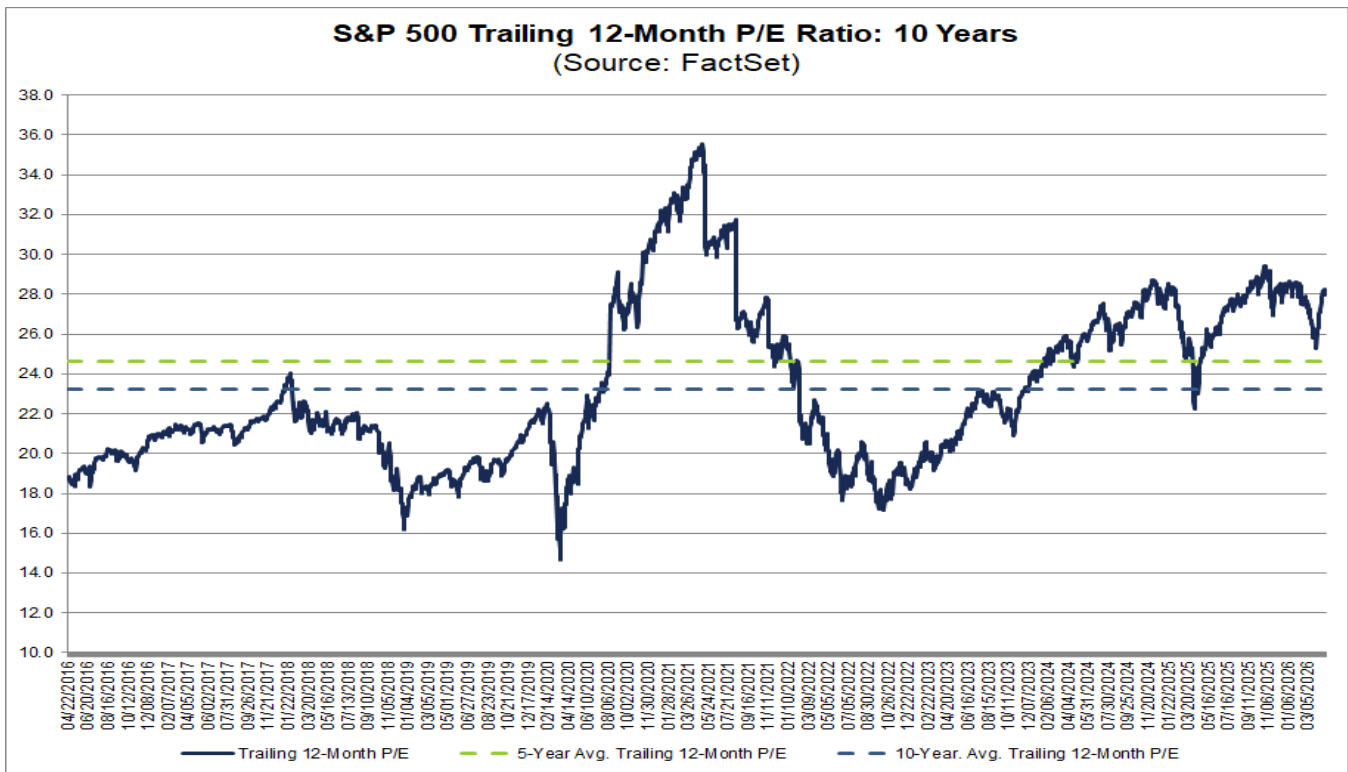
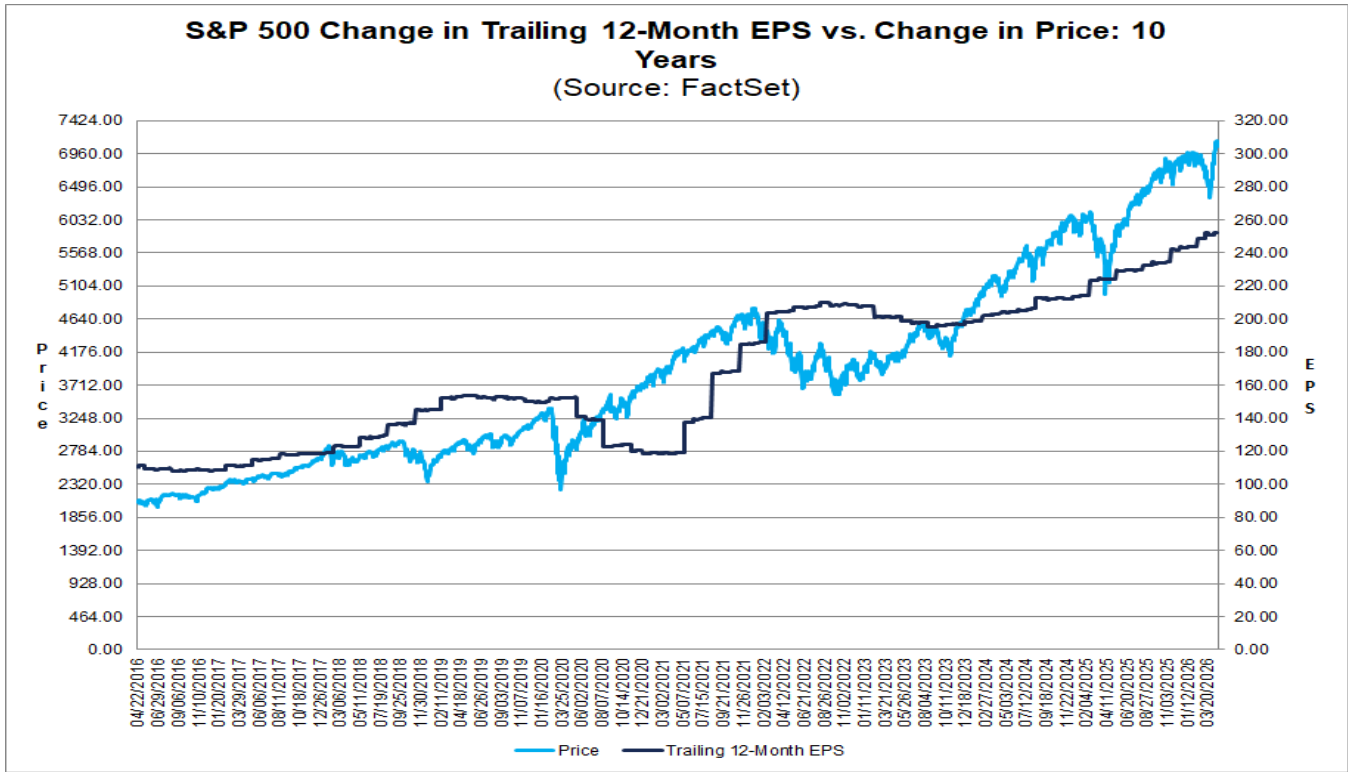
### Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Mar 31 (Source: FactSet)



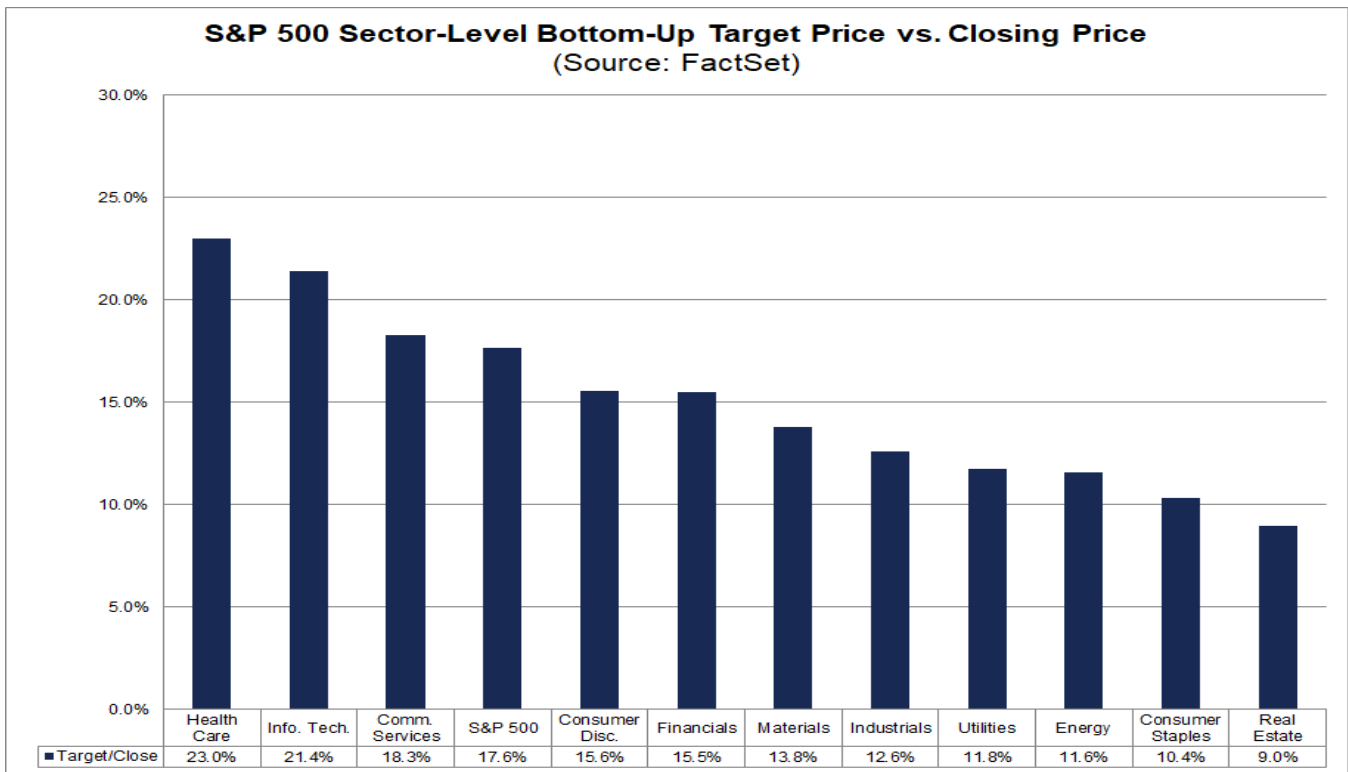
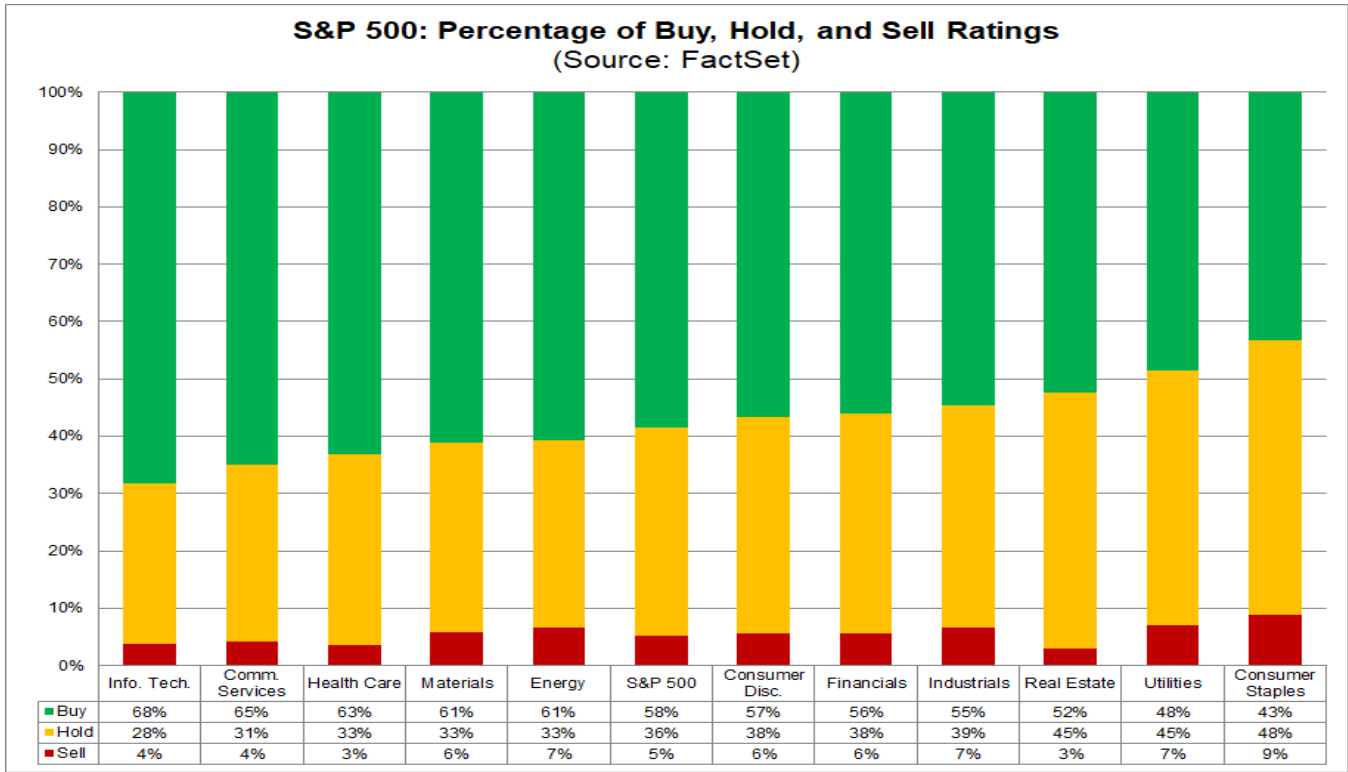
Forward 12M P/E Ratio: 10-Years



Trailing 12M P/E Ratio: 10-Years



Targets & Ratings



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