

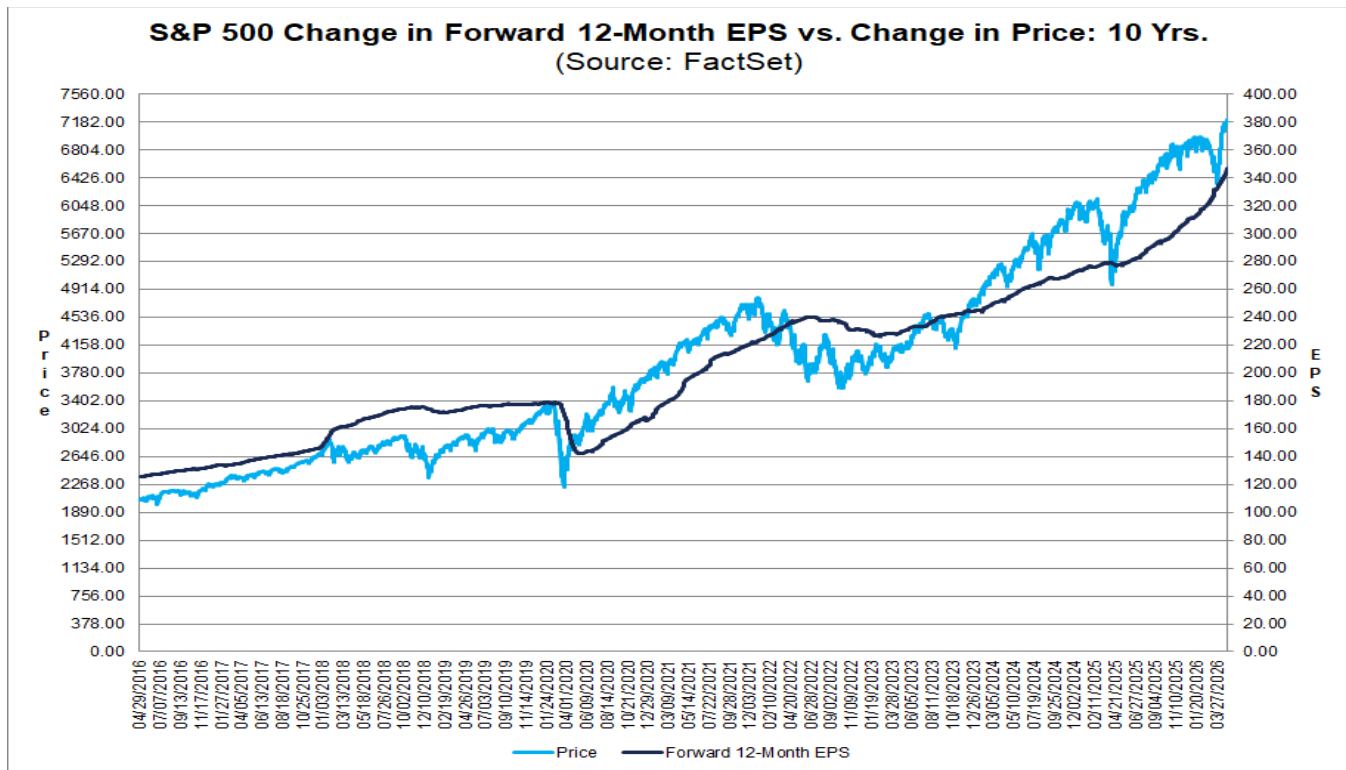
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## Key Metrics

- **Earnings Scorecard:** For Q1 2026 (with 63% 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 27.1%. If 27.1% is the actual growth rate for the quarter, it will mark the highest earnings growth rate reported by the index since Q4 2021 (32.0%).
- **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%. Ten 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, 28 S&P 500 companies have issued negative EPS guidance and 23 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

### Three “Magnificent 7” Companies Push S&P 500 Earnings Growth to Highest Level Since 2021

During the past week, the (blended) earnings growth rate for the S&P 500 for the first quarter increased to 27.1% from 15.0%. If 27.1% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth rate reported by the index since Q4 2021 (32.0%). Seven sectors are now reporting double-digit earnings growth for Q1 2026, led by the Communication Services (53.2%), Information Technology (50.0%), and Consumer Discretionary (39.0%) sectors.

Given the substantial increase in the Q1 earnings growth for the S&P 500 during the past week, which companies were the largest contributors to this increase?

At the company level, the positive EPS surprises reported by Alphabet, Amazon.com, and Meta Platforms were the largest contributors to the increase in the earnings growth rate for the S&P 500 for Q1 during the past week. Combined, these three companies accounted for 71% of the net dollar-level increase in earnings for the S&P 500 over this period.

The positive EPS surprises reported by all three companies for Q1 exceeded their 5-year averages. Alphabet reported a positive EPS surprise above 90% for Q1 (\$5.11 vs. \$2.68), compared to the 5-year average of 12.4% for this company. Amazon.com reported a positive EPS surprise above 70% for Q1 (\$2.78 vs. \$1.63), compared to the 5-year average of 29.3% for this company. Meta Platforms reported a positive EPS surprise above 56% for Q1 (\$10.44 vs. \$6.67), compared to the 5-year average of 4.3% for this company.

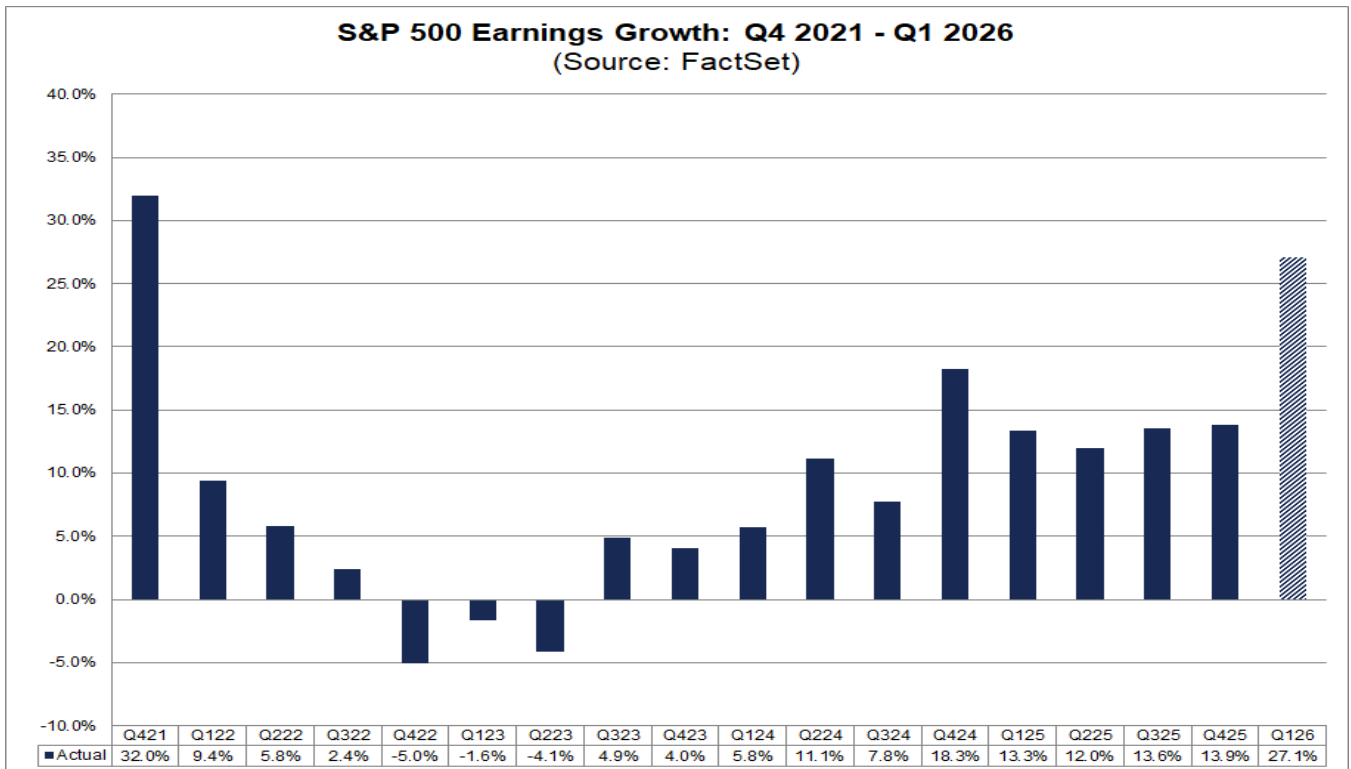
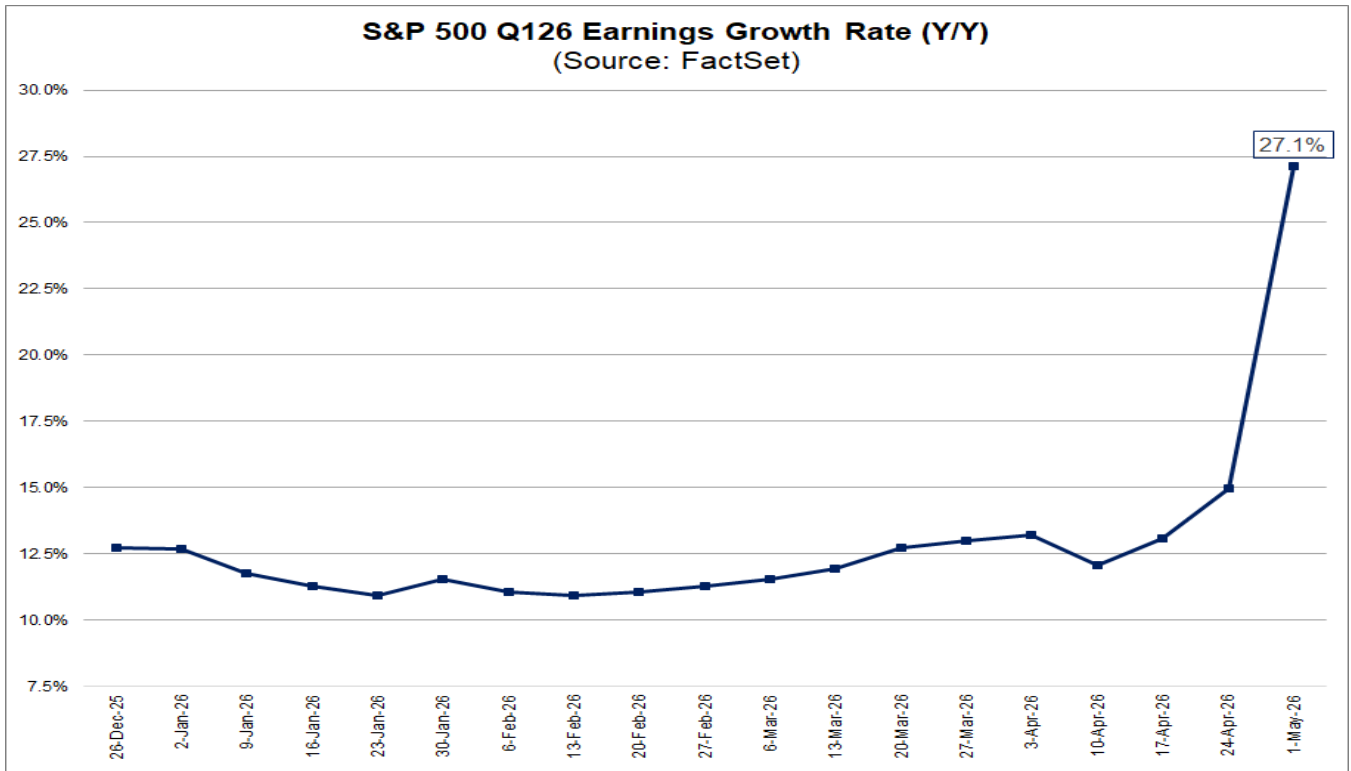
As a result, the blended earnings growth rate for the Communication Services sector (which includes Alphabet and Meta Platforms) has increased to 53.2% today from -3.8% on March 31, while the blended earnings growth rate for the Consumer Discretionary sector (which includes Amazon.com) has increased to 39.0% today from 1.7% on March 31

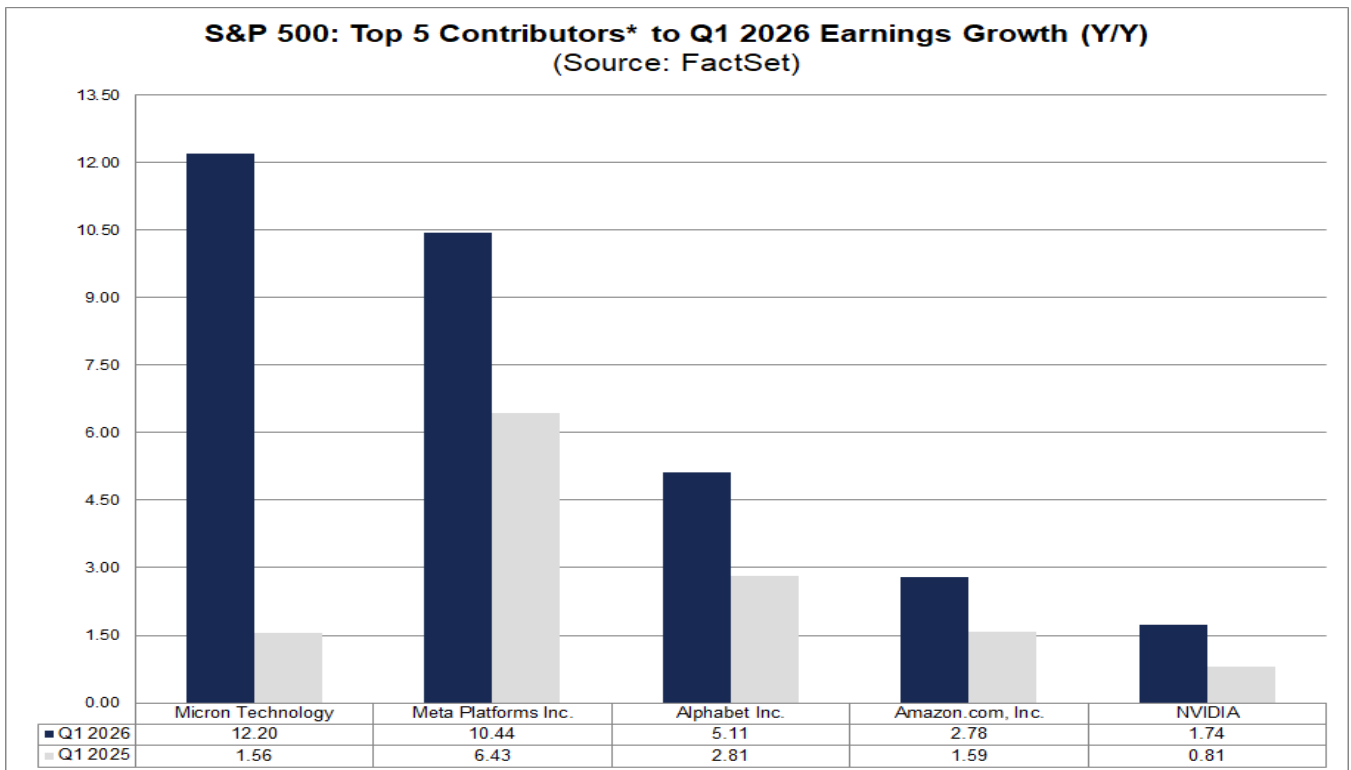
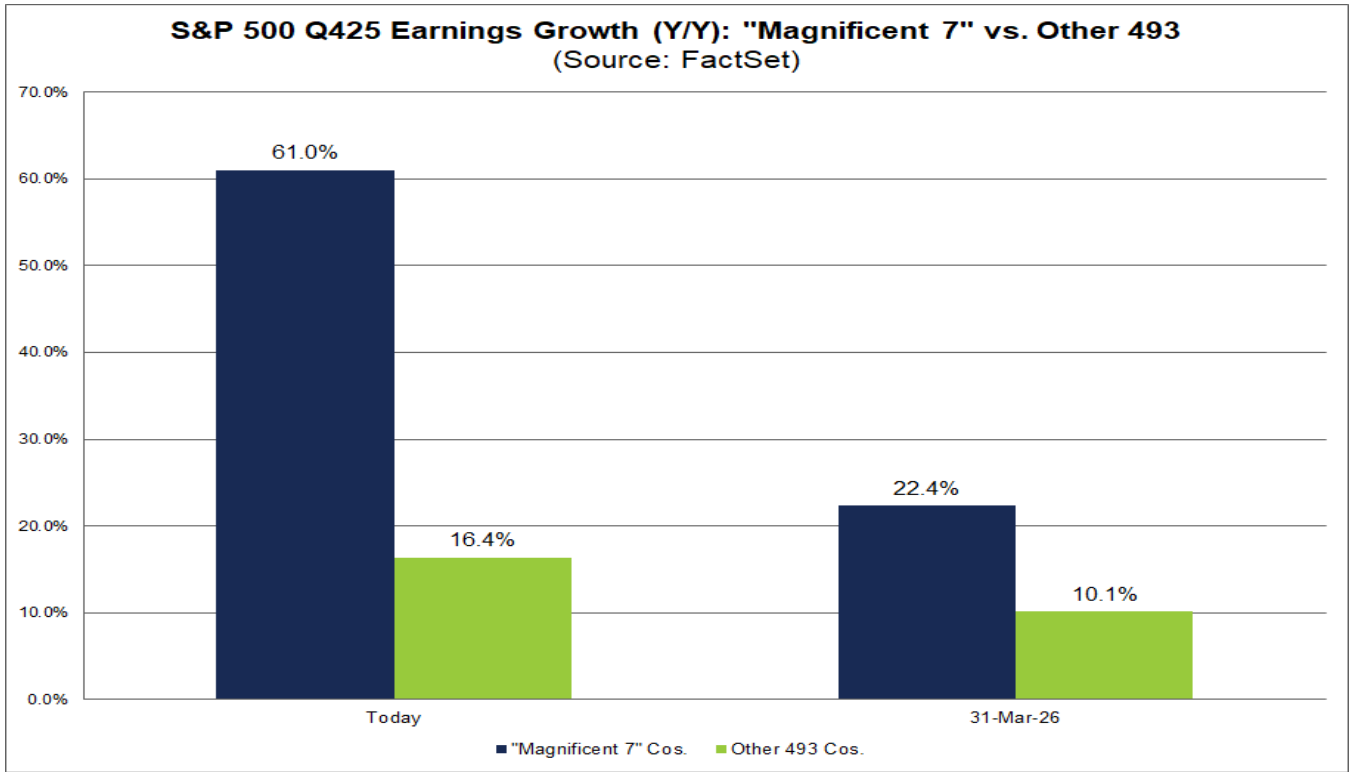
In addition, the blended earnings growth rate for the “Magnificent 7” companies has increased to 61.0% today from expectations for 22.4% earnings growth on March 31. Overall, 4 of the top 5 contributors to year-over-year earnings growth for the S&P 500 for Q1 2026 are now “Magnificent 7” companies: Alphabet, NVIDIA, Amazon.com, and Meta Platforms.

It is important to note that EPS reported on a GAAP basis by Alphabet, Amazon.com, and Meta Platforms was used for both the earnings surprise and the earnings growth rate calculations, as the majority of analysts contributing EPS estimates to FactSet for these three companies are providing EPS estimates on a GAAP basis. Alphabet, Amazon.com, and Meta Platforms historically have only reported EPS numbers on a GAAP basis.

It is interesting to note that all three companies highlighted items in their Q1 earnings releases that had a positive impact on GAAP earnings for the quarter. The (GAAP) EPS actual for Alphabet for Q1 2026 included a net gain of \$37.7 billion primarily due to net unrealized gains on non-marketable equity securities. The (GAAP) EPS actual for Amazon.com for Q1 2026 included pre-tax gains of \$16.8 billion included in non-operating income from investments in Anthropic. The (GAAP) EPS actual for Meta Platforms for Q1 2026 included an \$8.03 billion income tax benefit. Meta Platforms also stated that EPS excluding the tax benefit for the first quarter would have been \$3.13 lower.

While all publicly traded U.S. companies report EPS on a GAAP (generally accepted accounting principles) basis, many U.S. companies also choose to report EPS on a non-GAAP basis. There are mixed opinions in the market about the use of non-GAAP EPS. Supporters of the practice argue that it provides the market with a more accurate picture of earnings from the day-to-day operations of companies, as items that companies deem to be one-time events or nonoperating in nature are typically excluded from the non-GAAP EPS numbers. Critics of the practice argue that there is no industry-standard definition of non-GAAP EPS, and companies can take advantage of the lack of standards to exclude items that (more often than not) have a negative impact on earnings to boost non-GAAP EPS.





\*Not in order of contribution

Topic of the Week: 2

Analysts Making Largest Increases in Quarterly EPS Estimates for S&P 500 in 5 Years

Given concerns in the market about higher oil prices, have analysts lowered EPS estimates more than normal for S&P 500 companies for the second quarter?

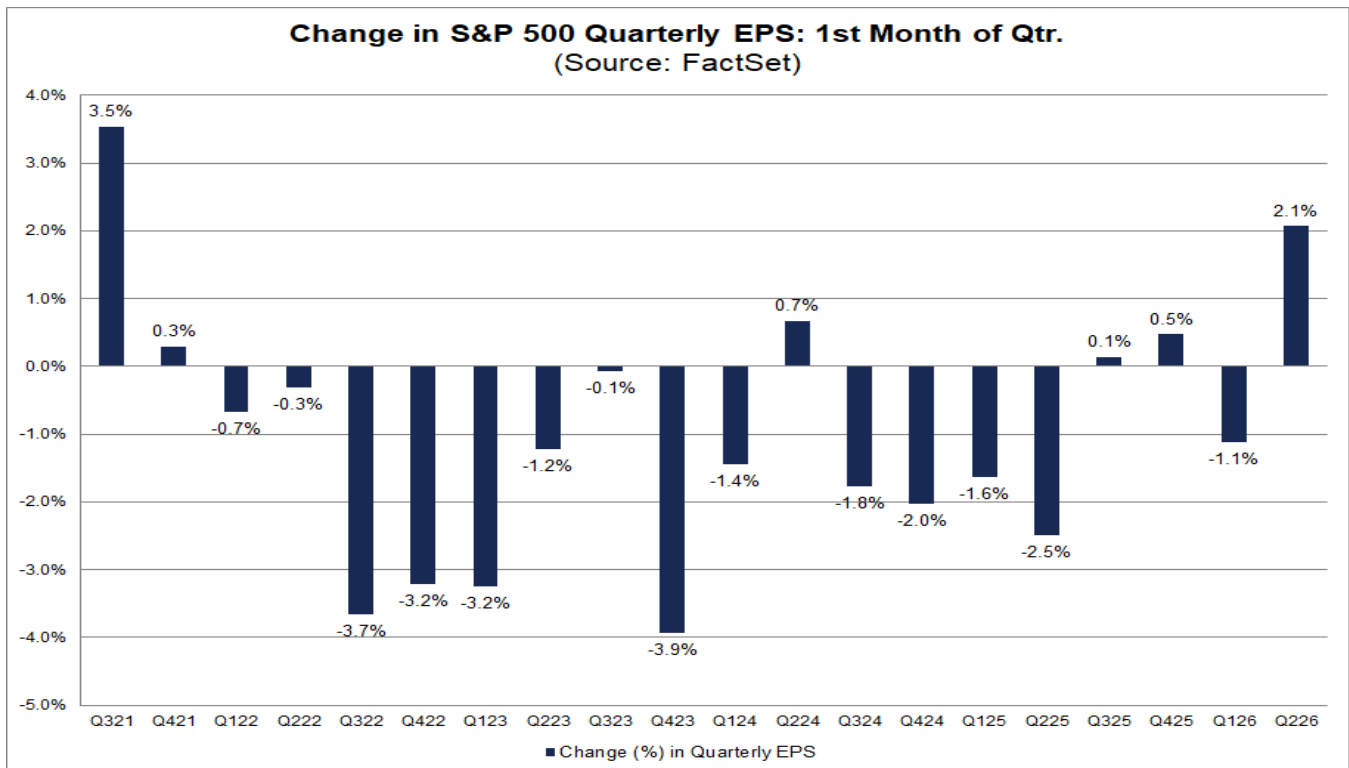
The answer is no. During the month of April, analysts increased EPS estimates for S&P 500 companies for the second quarter. The Q2 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for Q2 for all the companies in the index) increased by 2.1% (to \$80.47 from \$78.84) from March 31 to April 30.

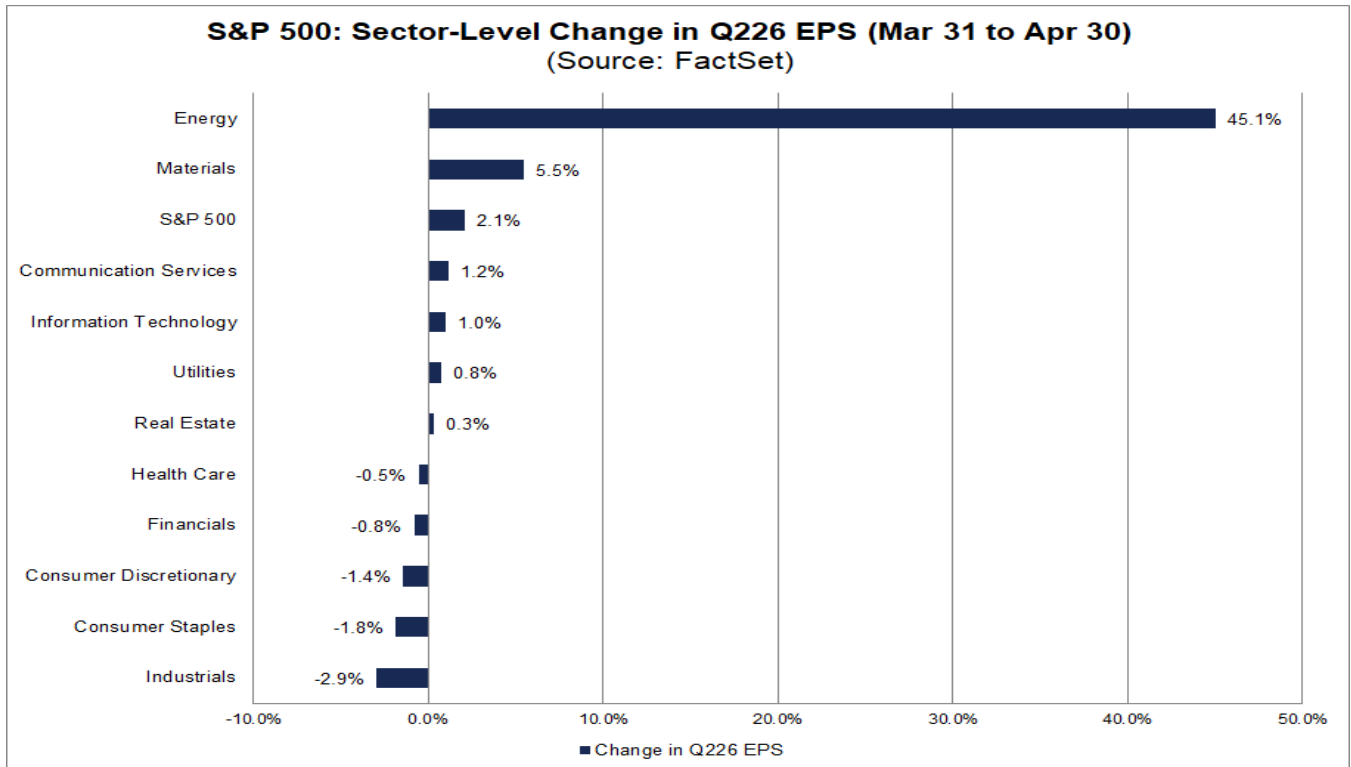
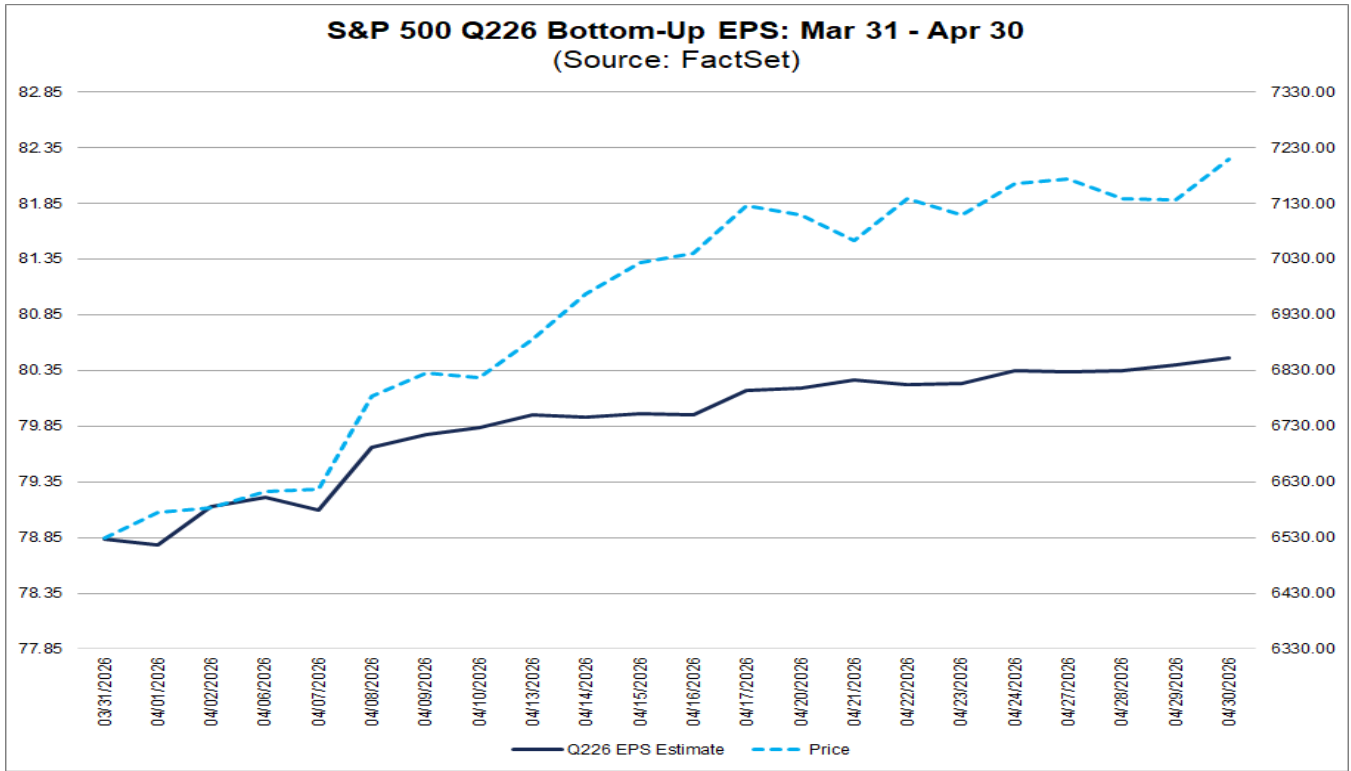
In a typical quarter, analysts usually reduce earnings estimates during the first month of a quarter. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 0.9%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 1.4%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has also been 1.7%. During the past 20 years (80 quarters), the average decline in the bottom-up EPS estimate during the first month of a quarter has been 1.9%.

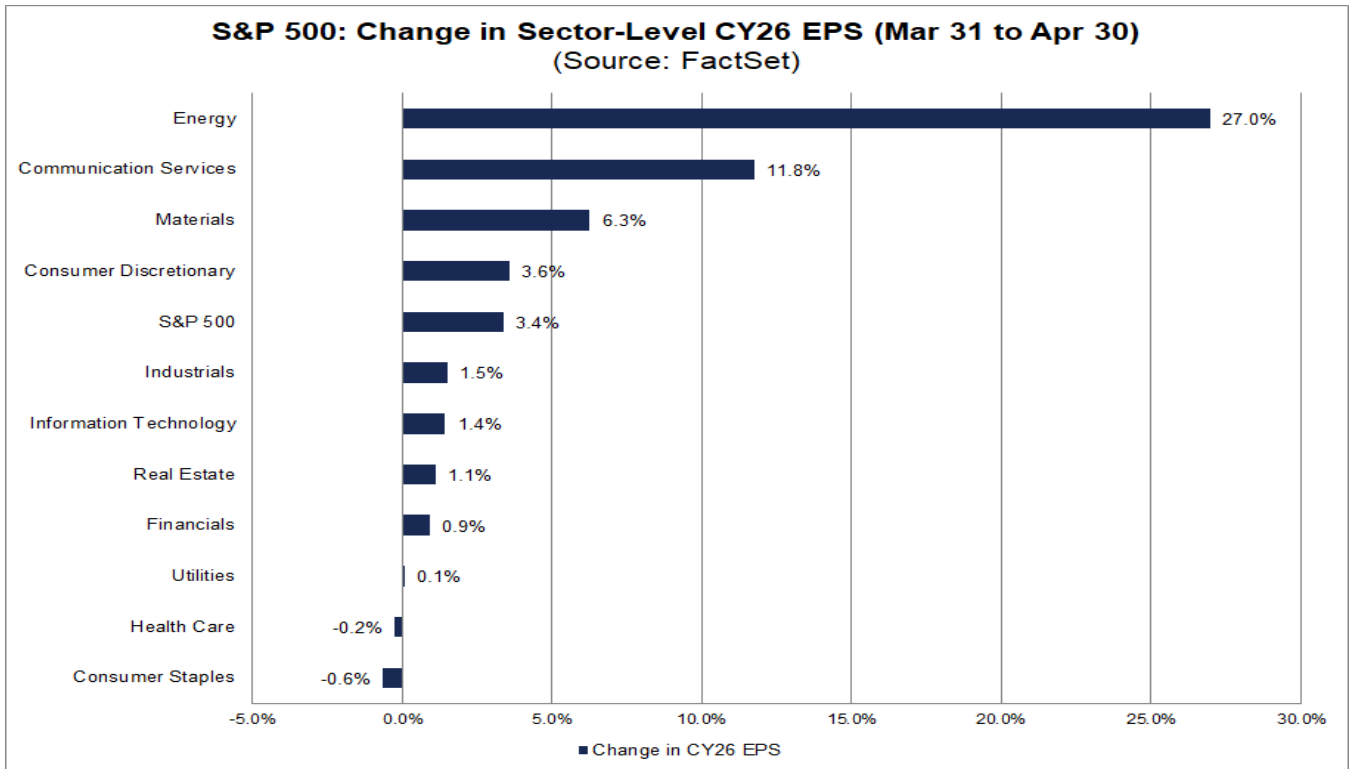
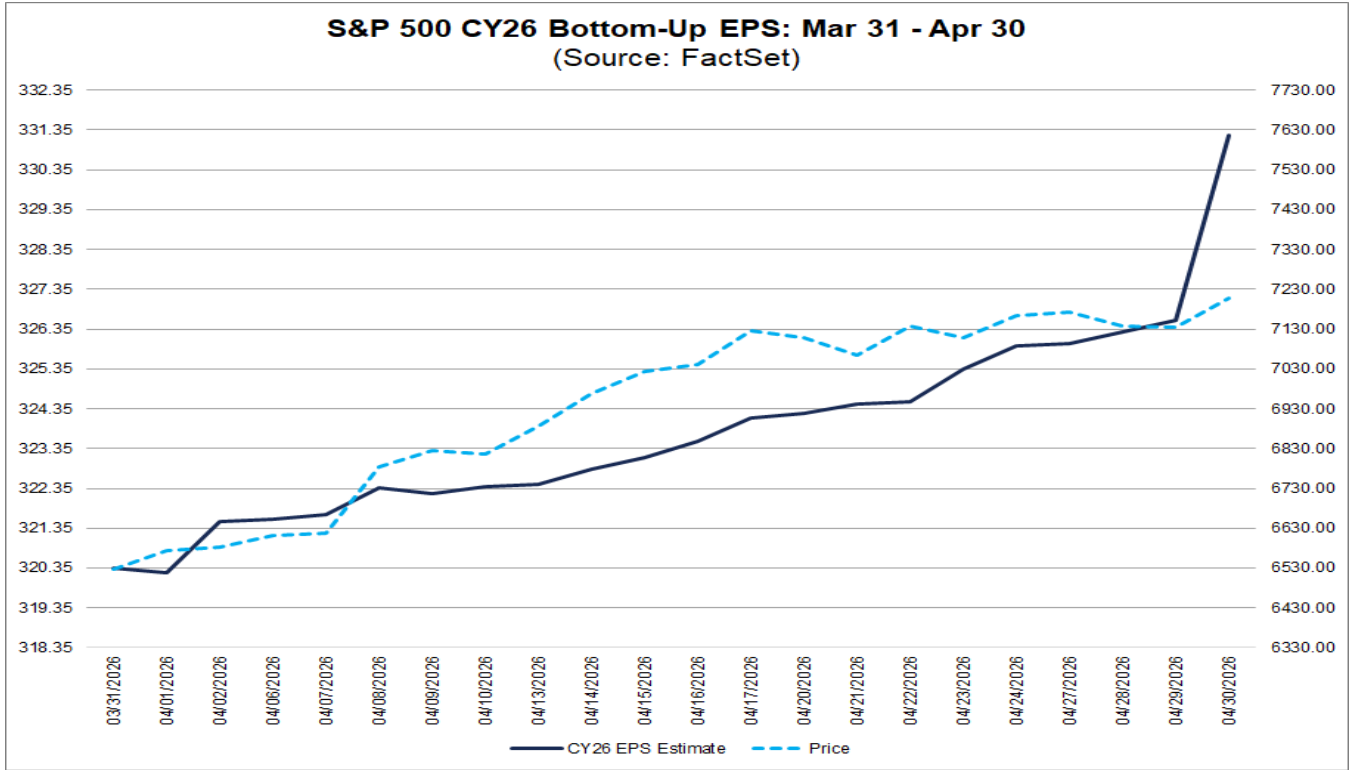
The second quarter marks the largest increase in the bottom-EPS estimate during the first month of a quarter since Q2 2021 (+3.5%).

At the sector level, six of the eleven sectors witnessed an increase in their bottom-up EPS estimate for Q2 2026 from March 31 to April 30, led by the Energy (+45.1%) sector. On the other hand, five sectors recorded a decrease in their bottom-up EPS estimate for Q2 2026 during this period, led by the Industrials (-2.9%) sector.

Analysts also increased earnings estimates for the full year during the month of April (again led by the Energy sector at 27%). From March 31 through April 30, the CY 2026 bottom-up EPS estimate increased by 3.4% (to \$331.23 from \$320.34).







## Q1 Earnings Season: By The Numbers

### Overview

Nearly two-thirds of the way through the earnings season, the S&P 500 is reporting impressive 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 its highest earnings growth rate since Q4 2021.

Overall, 63% 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%. If 84% is the actual number for the quarter, it will mark the highest percentage of S&P 500 companies reporting a positive EPS surprise since Q2 2021 (87%). In aggregate, companies are reporting earnings that are 20.7% above estimates, which is also above the 5-year average of 7.3% and above the 10-year average of 7.1%. If 20.7% is the actual number for the quarter, it will mark the highest surprise percentage reported by the index since Q1 2021 (22.2%). 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, the positive EPS surprises reported by three of the “Magnificent 7” companies (Alphabet, Amazon.com, and Meta Platforms) were the largest contributors to the increase in the overall earnings growth rate for the index over this period. Since March 31, the positive EPS surprises reported by these same three “Magnificent 7” companies (Alphabet, Amazon.com, and Meta Platforms) have also 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 27.1% today, compared to an earnings growth rate of 15.0% last week and an earnings growth rate of 13.1% at the end of the first quarter (March 31).

If 27.1% is the actual growth rate for the quarter, it will mark the highest earnings growth rate reported by the index since Q4 2021 (32.0%) and the 6<sup>th</sup> consecutive quarter of double-digit (year-over-year) earnings growth for the index.

Nine of the eleven sectors are reporting year-over-year earnings growth. Seven of these nine sectors are reporting double-digit earnings growth, led by the Communication Services, Information Technology, Consumer Discretionary, and Materials sectors. On the other hand, two sectors are reporting a year-over-year decline in earnings: Health Care and Energy.

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%. If 81% is the actual number for the quarter, it will mark the highest percentage of S&P 500 companies reporting a positive revenue surprise since Q2 2021 (87%). In aggregate, companies are reporting revenues that are 1.9% above the estimates, which is below 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 11.1% today, compared to a revenue growth rate of 10.3% 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 and Communication Services 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 multiple sectors (led by the Health Care, Communication Services, Information Technology, and Industrials sectors) have been the largest contributors to the increase in the overall revenue growth rate for the index over this period.

If 11.1% is the actual revenue growth rate for the quarter, it will mark the highest revenue growth rate reported by the index since Q2 2022 (13.9%).

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

For Q2 2026 through Q4 2026, analysts are calling for earnings growth rates of 21.3%, 23.0%, and 20.6%, respectively. For CY 2026, analysts are predicting (year-over-year) earnings growth of 21.3%.

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, 126 S&P 500 companies (including 2 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, 63% 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, 5% have reported actual EPS equal to the mean EPS estimate, and 11% 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.

If 84% is the actual number for the quarter, it will mark the highest percentage of S&P 500 companies reporting a positive EPS surprise since Q2 2021 (87%).

At the sector level, the Information Technology (97%), Health Care (94%), Energy (92%), and Communication Services (90%) sectors have the highest percentages of companies reporting earnings above estimates, while the Utilities (69%) sector has the lowest percentage of companies reporting earnings above estimates.

### Earnings Surprise Percentage (+20.7%) is Above 5-Year Average

In aggregate, companies are reporting earnings that are 20.7% 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.

If 20.7% is the actual number for the quarter, it will mark the highest surprise percentage reported by the index since Q1 2021 (22.2%).

The Communication Services (+60.6%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Alphabet (\$5.11 vs. \$2.68), Netflix (\$1.23 vs. \$0.76), and Meta Platforms (\$10.44 vs. \$6.67) have reported the largest positive EPS surprises. The (GAAP) EPS actual for Alphabet for Q1 2026 included a net gain of \$37.7 billion primarily due to net unrealized gains on non-marketable equity securities. The (GAAP) EPS actual for Netflix for Q1 2026 included a \$2.8 billion termination fee related to the Warner Bros. transaction. The (GAAP) EPS actual for Meta Platforms for Q1 2026 included an \$8.03 billion income tax benefit.

The Consumer Discretionary (+51.1%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Ford Motor (\$0.66 vs. \$0.18), Amazon.com (\$2.78 vs. \$1.63), and General Motors (\$3.70 vs. \$2.66) have reported the largest positive EPS surprises. The (non-GAAP) EPS actual for Ford Motor for Q1 2026 included a \$1.3 billion one-time IEEPA tariff benefit. The (GAAP) EPS actual for Amazon.com for Q1 2026 included pre-tax gains of \$16.8 billion included in non-operating income from investments in Anthropic.

The Industrials (+22.4%) sector is reporting the third-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), and Comfort Systems USA (\$10.51 vs. \$6.81) 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 Energy (+21.5%) sector is reporting the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Phillips 66 (\$0.49 vs. -\$0.54), Chevron (\$1.41 vs. \$0.97), Valero Energy (\$4.22 vs. \$3.16), and Kinder Morgan (\$0.48 vs. \$0.40) have reported the largest positive EPS surprises.

### **Market Punishing Negative EPS Surprises More Than Average**

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

Companies that have reported positive earnings surprises for Q1 2026 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 +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 -4.2% 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 -2.9% 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.

If 81% is the actual number for the quarter, it will mark the highest percentage of S&P 500 companies reporting a positive revenue surprise since Q2 2021 (87%).

At the sector level, the Information Technology (94%), Health Care (93%), Consumer Staples (90%), and Communication Services (90%) sectors have the highest percentages of companies reporting revenues above estimates, while the Financials (65%) sector has the lowest percentage of companies reporting revenues above estimates.

### **Revenue Surprise Percentage (+1.9%) is Below 5-Year Average**

In aggregate, companies are reporting revenues that are 1.9% above expectations. This surprise percentage is above the 1-year average (+1.6%), below 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 Utilities (+4.0%), Information Technology (+3.4%) and Materials (+2.9%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Consumer Staples sector (+0.7%) sector is reporting the smallest positive (aggregate) difference between actual revenues and estimated revenues.

## Revisions: Increase in Blended Earnings This Week Due to Three “Magnificent 7” Companies

### Increase in Blended Earnings This Week Due to Three “Magnificent 7” Companies

The blended (year-over-year) earnings growth rate for the first quarter is 27.1%, which is above the earnings growth rate of 15.0% last week. The positive EPS surprises reported by Alphabet (\$5.11 vs. \$2.68), Amazon.com (\$2.78 vs. \$1.63), and Meta Platforms (\$10.44 vs. \$6.67) were the largest contributors to the increase in the overall earnings growth rate for the index over this period. The (GAAP) EPS actual for Alphabet for Q1 2026 included a net gain of \$37.7 billion primarily due to net unrealized gains on non-marketable equity securities. The (GAAP) EPS actual for Amazon.com for Q1 2026 included pre-tax gains of \$16.8 billion included in non-operating income from investments in Anthropic. The (GAAP) EPS actual for Meta Platforms for Q1 2026 included an \$8.03 billion income tax benefit.

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

The blended (year-over-year) revenue growth rate for the first quarter is 11.1%, which is above the revenue growth rate of 10.3% last week. Positive revenue surprises reported by companies in multiples sectors (led by the Health Care and Communication Services sectors) were the largest contributors to the increase in the overall revenue growth rate for the index during the past week.

### Three “Magnificent 7” Companies Have Led Increase in Earnings since March 31

The blended (year-over-year) earnings growth rate for Q1 2026 of 27.1% is above the estimate of 13.1% at the end of the first quarter (March 31). Ten 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 Communication Services (to 53.2% vs. -3.8%) and Consumer Discretionary (to 39.0% from 1.7%) sectors. These two sectors have also been the largest contributors to the increase in the overall earnings growth rate for the index since March 31, led by Alphabet, Amazon.com., and Meta Platforms. On the other hand, the Energy (to -3.9% from 8.3%) sector is the only sector that has recorded a decrease in its earnings growth rate since the end of the quarter due to downward revisions to earnings estimates and negative earnings surprises.

In the Communication Services sector, the positive EPS surprises reported by Alphabet (\$5.11 vs. \$2.68), Meta Platforms (\$10.44 vs. \$6.67), and Netflix (\$1.23 vs. \$0.76) have been substantial contributors to the increase in the overall earnings growth rate for the index since March 31. The (GAAP) EPS actual for Alphabet for Q1 2026 included a net gain of \$37.7 billion primarily due to net unrealized gains on non-marketable equity securities. The (GAAP) EPS actual for Meta Platforms for Q1 2026 included an \$8.03 billion income tax benefit. 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 Communication Services sector is now reporting earnings growth of 53.2% compared to expectations for a decline in earnings of -3.8% on March 31.

In the Consumer Discretionary sector, the positive EPS surprises reported by Amazon.com (\$2.78 vs. \$1.63), Ford Motor (\$0.66 vs. \$0.18), and General Motors (\$3.70 vs. \$2.66) have been significant contributors to the increase in the overall earnings growth rate for the index since March 31. The (GAAP) EPS actual for Amazon.com for Q1 2026 included pre-tax gains of \$16.8 billion included in non-operating income from investments in Anthropic. The (non-GAAP) EPS actual for Ford Motor for Q1 2026 included a \$1.3 billion one-time IEEPA tariff benefit. As a result, the blended earnings growth rate for the Consumer Discretionary sector has increased to 39.0% from 1.7% over this period.

In the Information Technology sector, the positive EPS surprises reported by Microsoft (\$4.27 vs. \$4.06), Intel (\$0.29 vs. \$0.02), Sandisk (\$23.41 vs. \$14.62), and Apple (\$2.01 vs. \$1.95) have been solid contributors 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 50.0% from 44.6% over this period.

In the Industrials sector, the positive EPS surprise reported by GE Vernova (\$17.44 vs. \$1.95) has been a significant 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 19.3% from 3.2% over this period.

In the Financials sector, the positive EPS surprises reported by JPMorgan Chase (\$5.94 vs. \$5.47), Allstate (\$10.65 vs. \$7.31), Citigroup (\$3.06 vs. \$2.65), Bank of America (\$1.11 vs. \$1.01), and Morgan Stanley (\$3.43 vs. \$3.02) have been solid 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 21.5% from 14.9% over this period.

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

The blended (year-over-year) revenue growth rate for Q1 2026 of 11.1% is above the estimate of 9.9% at the end of the first quarter (March 31). Ten 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 8.1% from 5.2%) sector. However, the Health Care (to 7.2% from 5.9%), Communication Services (to 14.8% from 12.7%), Information Technology (to 29.2% from 27.4%), and Industrials to 7.7% from 5.8%) 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, the Utilities (to 8.0% from 9.4%) sector is the only sector that has recorded a decrease in its revenue growth rate since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises.

In the Health Care sector, the positive revenue surprises reported by Centene Corporation (\$49.94 billion vs. \$47.53 billion), UnitedHealth Group (\$111.72 billion vs. \$109.43 billion), Eli Lilly and Company (\$19.80 billion vs. \$17.82 billion), Cigna (\$68.49 billion vs. \$66.29 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 7.2% from 5.9% over this period.

In the Communication Services sector, the positive revenue surprises reported by Alphabet (\$109.90 billion vs. \$107.00 billion), Comcast (31.46 billion vs. \$30.41 billion), and Meta Platforms (\$56.31 billion vs. \$55.56 billion) have been significant 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 Communication Services sector has increased to 14.8% from 12.7% over this period.

In the Information Technology sector, the positive revenue surprises reported by Apple (\$111.18 billion vs. \$109.46 billion), Microsoft (82.89 billion vs. \$81.44 billion), Sandisk (\$5.95 billion vs. \$4.72 billion), and Intel (\$13.58 billion vs. \$12.42 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 Information Technology sector has increased to 29.2% from 27.4% over this period.

In the Industrials sector, the positive revenue surprises reported by Caterpillar (\$17.42 billion vs. \$16.53 billion) and GE Aerospace (\$11.61 billion vs. \$10.71 billion) have been solid 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 Industrials sector has increased to 7.7% from 5.8% over this period.

## Earnings Growth: 27.1%

The blended (year-over-year) earnings growth rate for Q1 2026 is 27.1%, which is above the 5-year average earnings growth rate of 16.4% and above the 10-year average earnings growth rate of 10.3%. If 27.1% is the actual growth rate for the quarter, it will mark the highest earnings growth rate reported by the index since Q4 2021 (32.0%) and the 6<sup>th</sup> consecutive quarter of double-digit (year-over-year) earnings growth for the index.

Nine of the eleven sectors are reporting year-over-year earnings growth. Seven of these nine sectors are reporting double-digit growth, led by the Communication Services, Information Technology, Consumer Discretionary, and Materials sectors. On the other hand, two sectors are reporting a year-over-year decline in earnings: Health Care and Energy.

### **Communication Services: Alphabet and Meta Platforms Are Largest Contributors to (Y/Y) Growth**

The Communication Services sector is reporting the highest (year-over-year) earnings growth rate of all eleven sectors at 53.2%. At the industry level, 3 of the 5 industries in the sector are reporting year-over-year earnings growth: Interactive Media & Services (76%), Entertainment (50%), and Media (4%). On the other hand, 2 of the 5 industries in the sector are reporting a year-over-year decline in earnings: Wireless Telecommunication Services (-17%) and Diversified Telecommunication Services (-3%).

At the company level, Alphabet (\$5.11 vs. \$2.81) and Meta Platforms (\$10.44 vs. \$6.43) are the largest contributors to earnings growth for the sector. If these two companies were excluded, the blended earnings growth rate for the Communication Services sector would fall to 8.6% from 53.2%.

### **Information Technology: NVIDIA and Micron Technology Are Largest Contributors to (Y/Y) Growth**

The Information Technology sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 50.0%. At the industry level, all 6 industries in the sector are reporting year-over-year earnings growth: Semiconductors & Semiconductor Equipment (99%), Electronic Equipment, Instruments, & Components (37%), Technology Hardware, Storage, & Peripherals (36%), Software (22%), Communication Services (14%), and IT Services (8%).

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 27.6% from 50.0%.

### **Consumer Discretionary: Amazon.com Is Largest Contributor to (Y/Y) Growth**

The Consumer Discretionary sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors at 39.0%. At the industry level, 7 of the 9 industries in the sector are reporting year-over-year earnings growth. Four of these 7 industries are reporting double-digit growth: Automobiles (78%), Broadline Retail (75%), Hotels, Restaurants, & Leisure (12%), and Leisure Products (10%). On the other hand, 2 of the 9 industries in the sector are reporting a year-over-year decline in earnings: Household Durables (-26%) and Textiles, Apparel, and Luxury Goods (-22%).

At the company level, Amazon.com (\$2.78 vs. \$1.59) is the largest contributor to earnings growth for the sector. If this company were excluded, the blended earnings growth rate for the Consumer Discretionary sector would fall to 13.7% from 39.0%.

### **Materials: Metals & Mining Industry is Largest Contributor to (Y/Y) Growth**

The Materials sector is reporting the fourth-largest (year-over-year) earnings growth of all eleven sectors at 35.2%. At the industry level, 2 of the 4 industries in the sector are reporting year-over-year earnings growth: Metals & Mining (136%) and Chemicals (8%). On the other hand, 2 of the 4 industries in the sector are reporting a year-over-year decline in earnings: Construction Materials (-23%) and Containers & Packaging (-3%).

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 5.1% from 35.2%.

### Revenue Growth: 11.1%

The blended (year-over-year) revenue growth rate for Q1 2026 is 11.1%, 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 11.1% is the actual growth rate for the quarter, it will mark the highest revenue growth rate reported by the index since Q2 2022 (13.9%).

At the sector level, all 11 sectors are reporting year-over-year growth in revenues, led by the Information Technology, Communication Services, Financials, and Real Estate 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 29.2%. 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 (29%), Electronic Equipment, Instruments, & Components (23%), Software (18%), 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 14.8%. At the industry level, all 5 industries in the sector are reporting year-over-year revenue growth: Interactive Media & Services (24%), Wireless Telecommunication Services (11%), Entertainment (7%), Diversified Telecommunication Services (4%), and Media (3%).

### 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 10.7%. 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 (12%), Banks (10%), and Insurance (5%).

### Real Estate: All 8 Industries Reporting Year-Over-Year Growth

The Real Estate sector is also reporting the third-highest (year-over-year) revenue growth rate of all eleven sectors at 10.7%. At the industry level, all 8 industries in the sector are reporting year-over-year revenue growth. Two of these industries are reporting double-digit growth: Health Care REITs (22%) and Real Estate Management & Development (18%).

### Net Profit Margin: 14.7%

The blended net profit margin for the S&P 500 for Q1 2026 is 14.7%, 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 14.7% 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, seven sectors are reporting a year-over-year increase in their net profit margins in Q1 2026 compared to Q1 2025, led by the Communication Services (21.4% vs. 16.0%) and Information Technology (29.5% vs. 25.4%) sectors. On the other hand, four sectors are reporting a year-over-year decrease in their net profit margins in Q1 2026 compared to Q1 2025, led by the Real Estate (33.5% vs. 35.1%) sector.

Six sectors are reporting net profit margins in Q1 2026 that are above their 5-year averages, led by the Communication Services (21.4% vs. 12.6%) 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 (7.4% vs. 9.6%) and Real Estate (33.5% vs. 35.7%) sectors.

## Forward Estimates & Valuation

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

At this point in time, 51 companies in the index have issued EPS guidance for Q2 2026. Of these 51 companies, 28 have issued negative EPS guidance and 23 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q2 2026 is 55% (28 out of 51), 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, 120 have issued negative EPS guidance and 142 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 46% (120 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 21% for CY 2026

For the first quarter, S&P 500 companies are reporting year-over-year growth in earnings of 27.1% and year-over-year growth in revenues of 11.1%.

For Q2 2026, analysts are projecting earnings growth of 21.3% and revenue growth of 11.0%.

For Q3 2026, analysts are projecting earnings growth of 23.0% and revenue growth of 9.7%.

For Q4 2026, analysts are projecting earnings growth of 20.6% and revenue growth of 9.3%.

For CY 2026, analysts are projecting earnings growth of 20.6% and revenue growth of 9.7%.

### 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 10.4%, while the forward 12-month EPS estimate has increased by 4.1%. At the sector level, the Consumer Discretionary (27.5) sector has the highest forward 12-month P/E ratio, while the Financials (14.9) and Energy (15.1) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 28.5, which is above the 5-year average of 24.6 and above the 10-year average of 23.3.

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

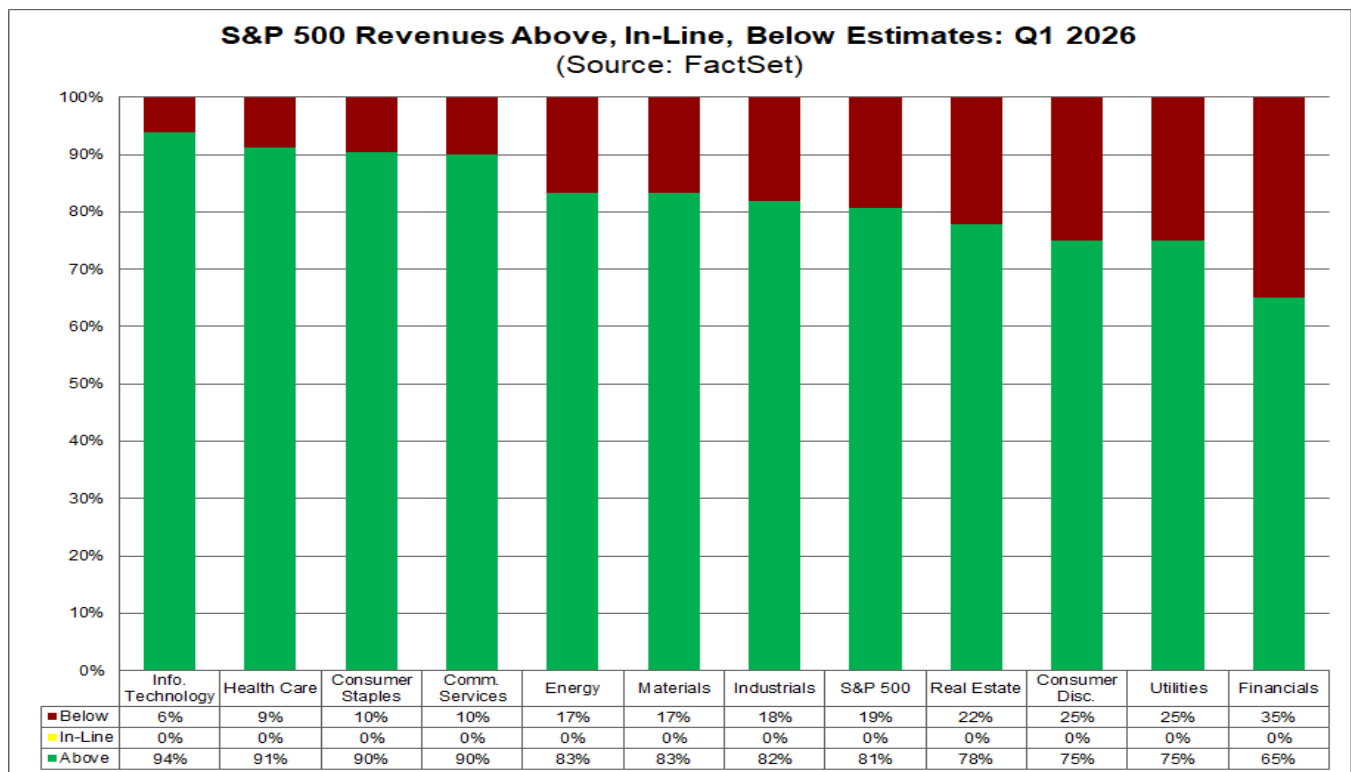
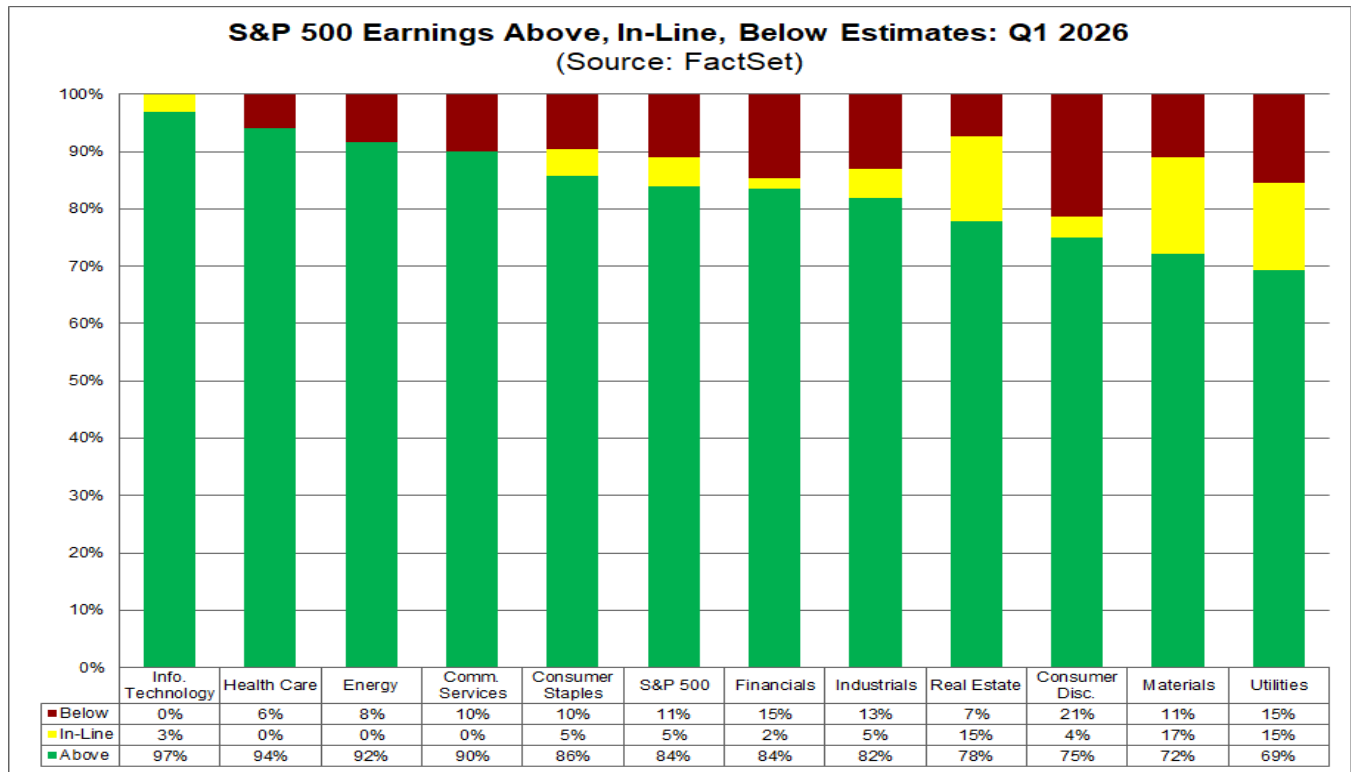
The bottom-up target price for the S&P 500 is 8441.86, which is 17.1% above the closing price of 7209.01. At the sector level, the Health Care (+23.1%) and Information Technology (+20.4%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Energy (+7.8%) 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 12,954 ratings on stocks in the S&P 500. Of these 12,954 ratings, 58.5% are Buy ratings, 36.2% are Hold ratings, and 5.2% are Sell ratings. At the sector level, the Information Technology (69%), Communication Services (65%), and Health Care (64%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (43%) and Utilities (49%) sectors have the lowest percentages of Buy ratings.

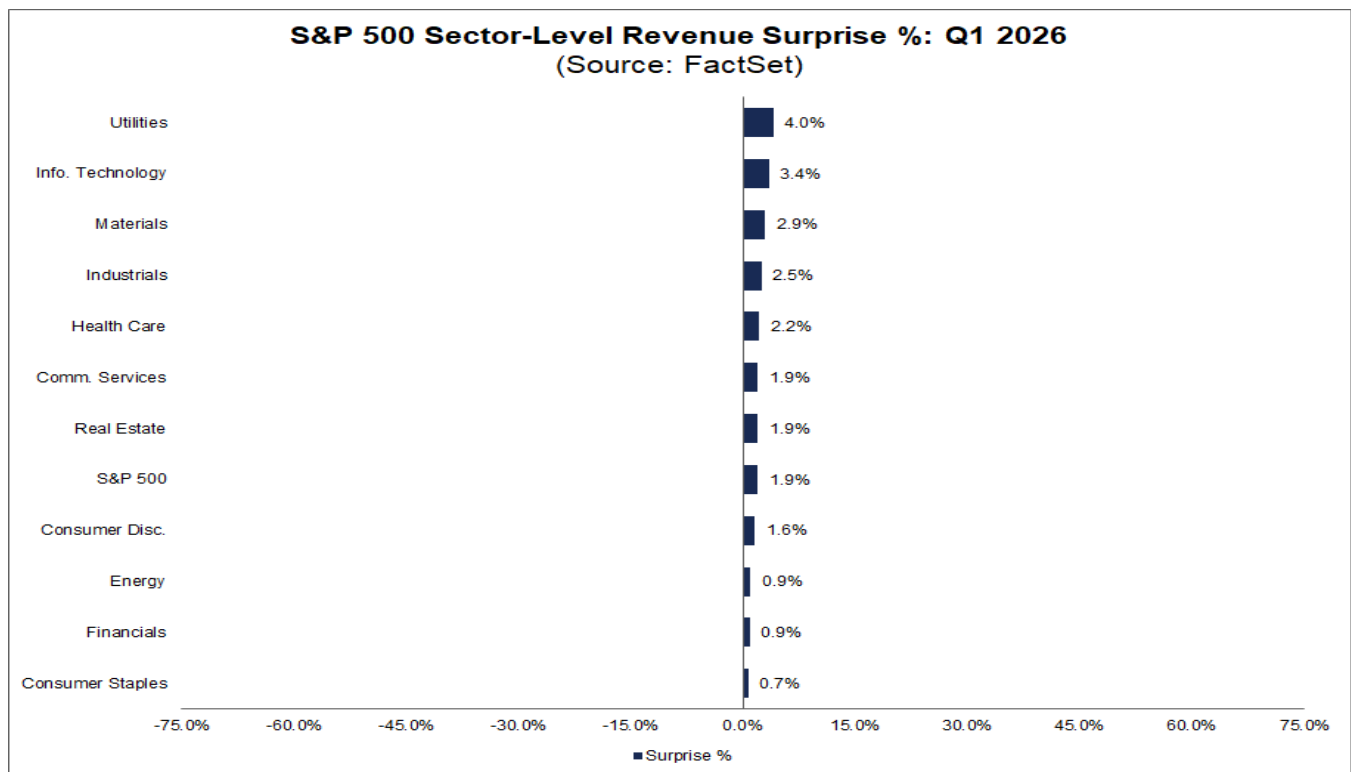
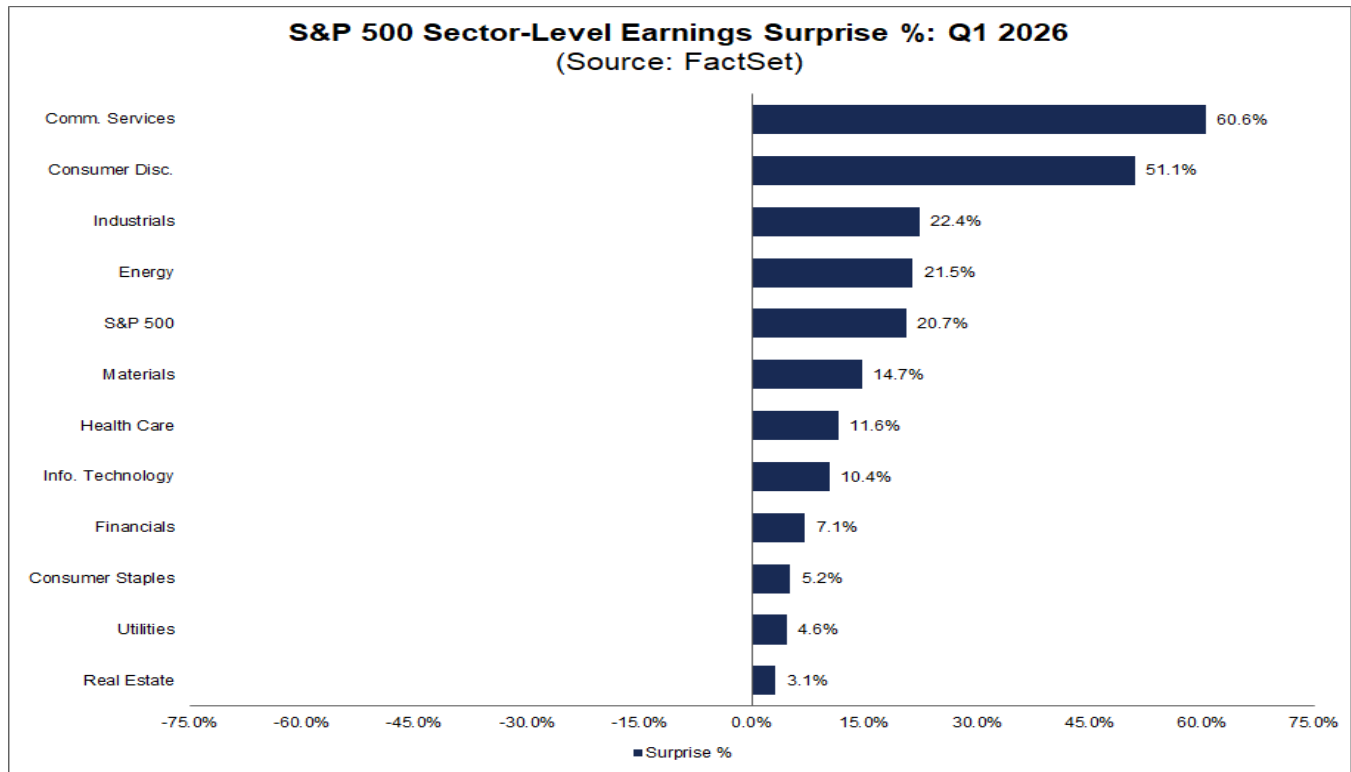
### **Companies Reporting Next Week: 126**

During the upcoming week, 126 S&P 500 companies (including 2 Dow 30 components) are scheduled to report results for the first quarter.

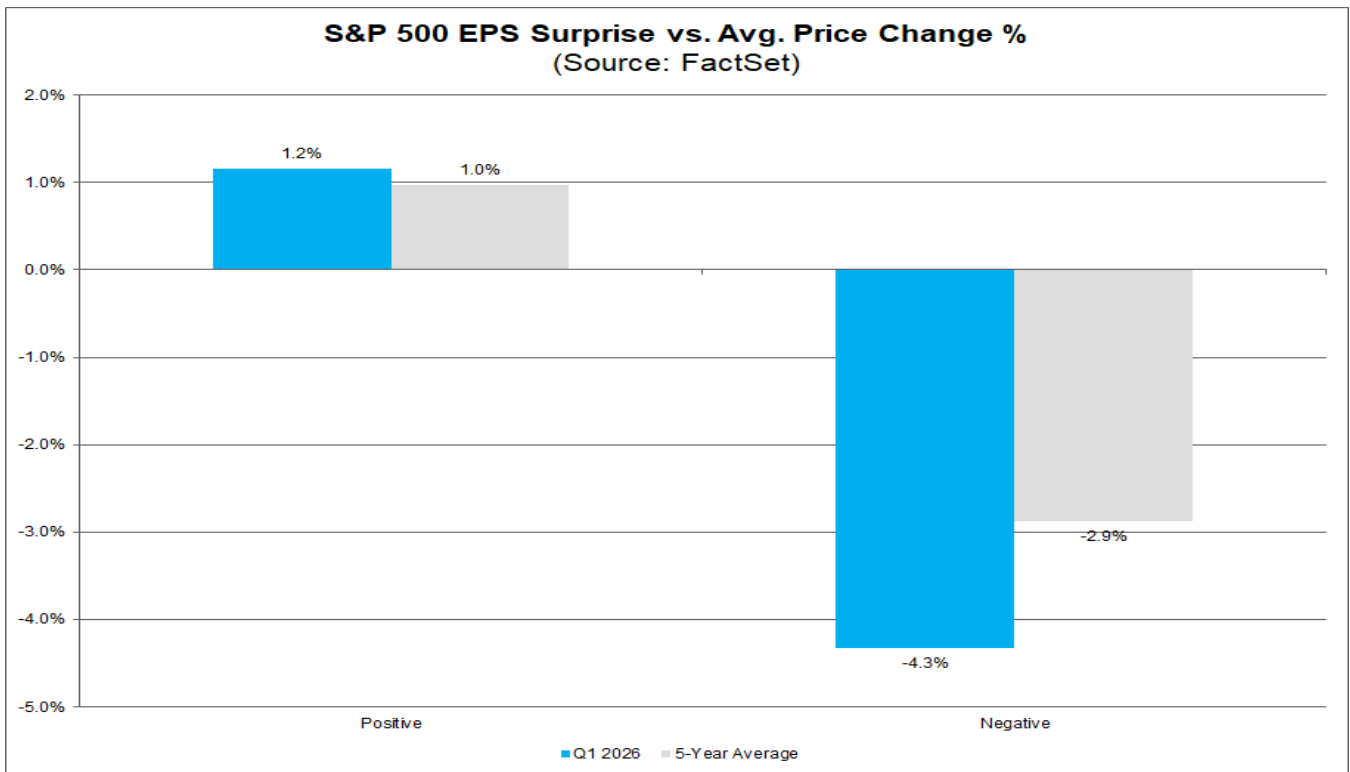
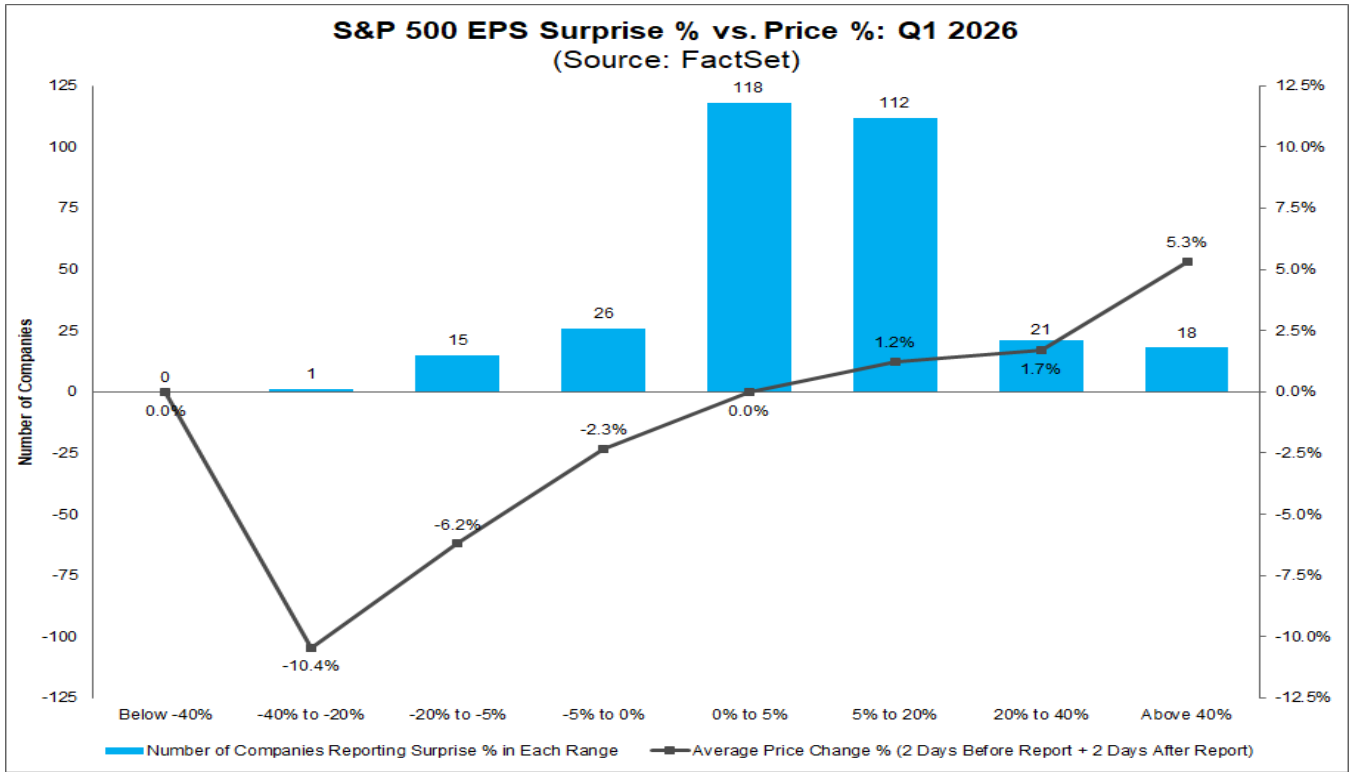
Q1 2026: Scorecard



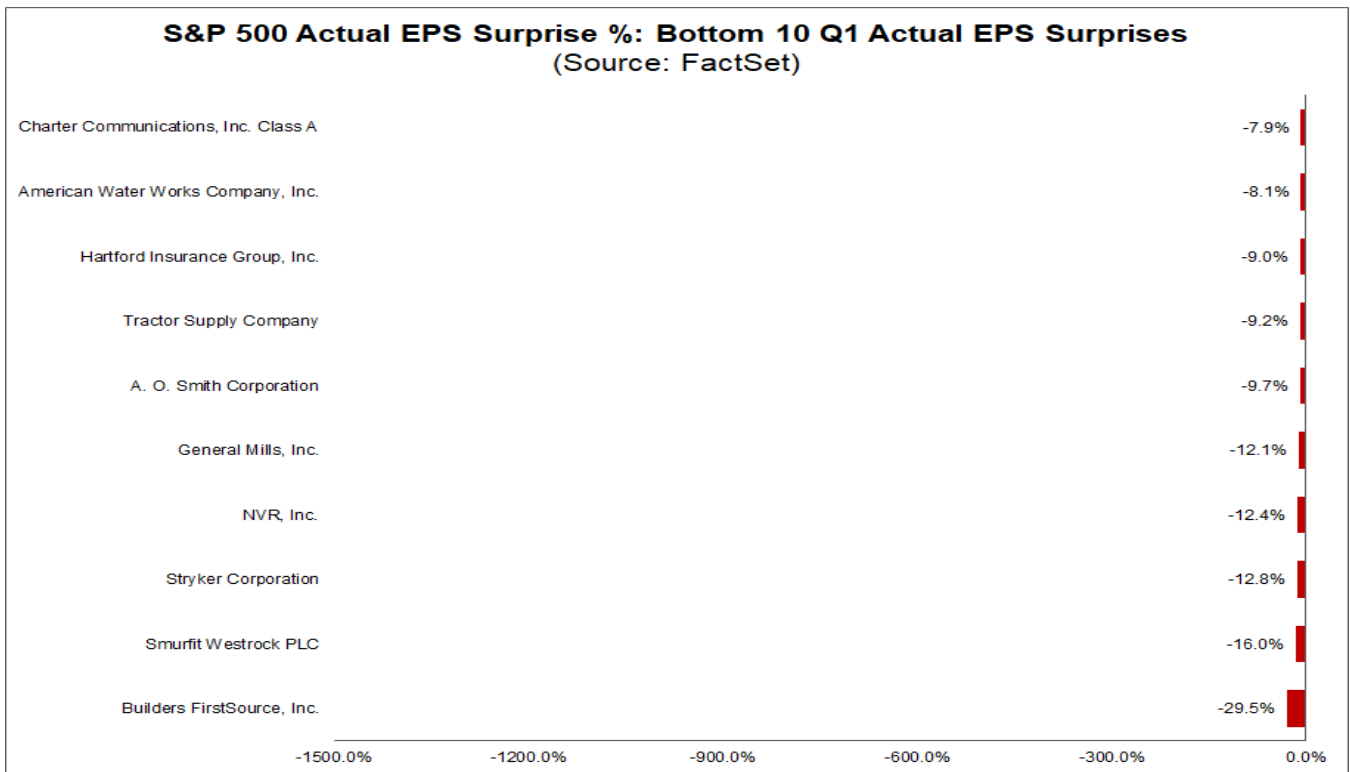
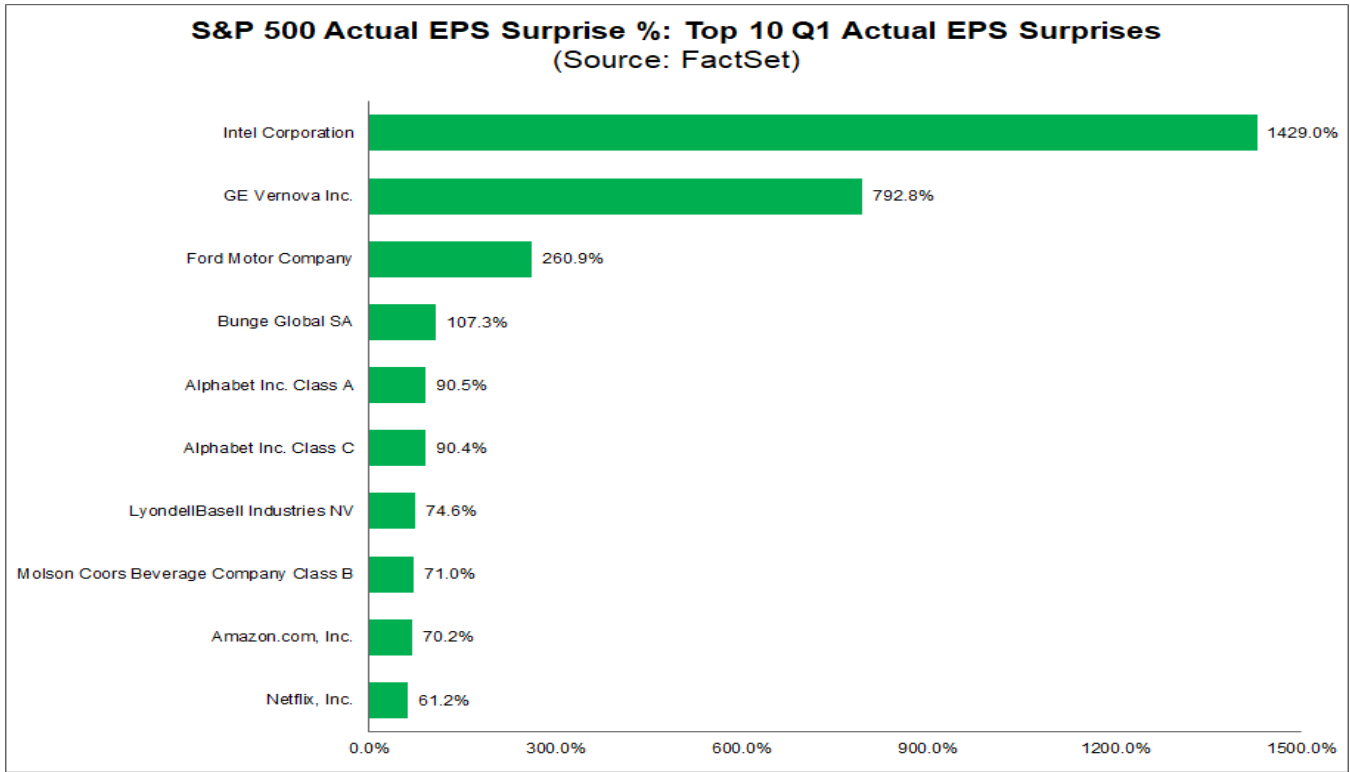
Q1 2026: Surprise



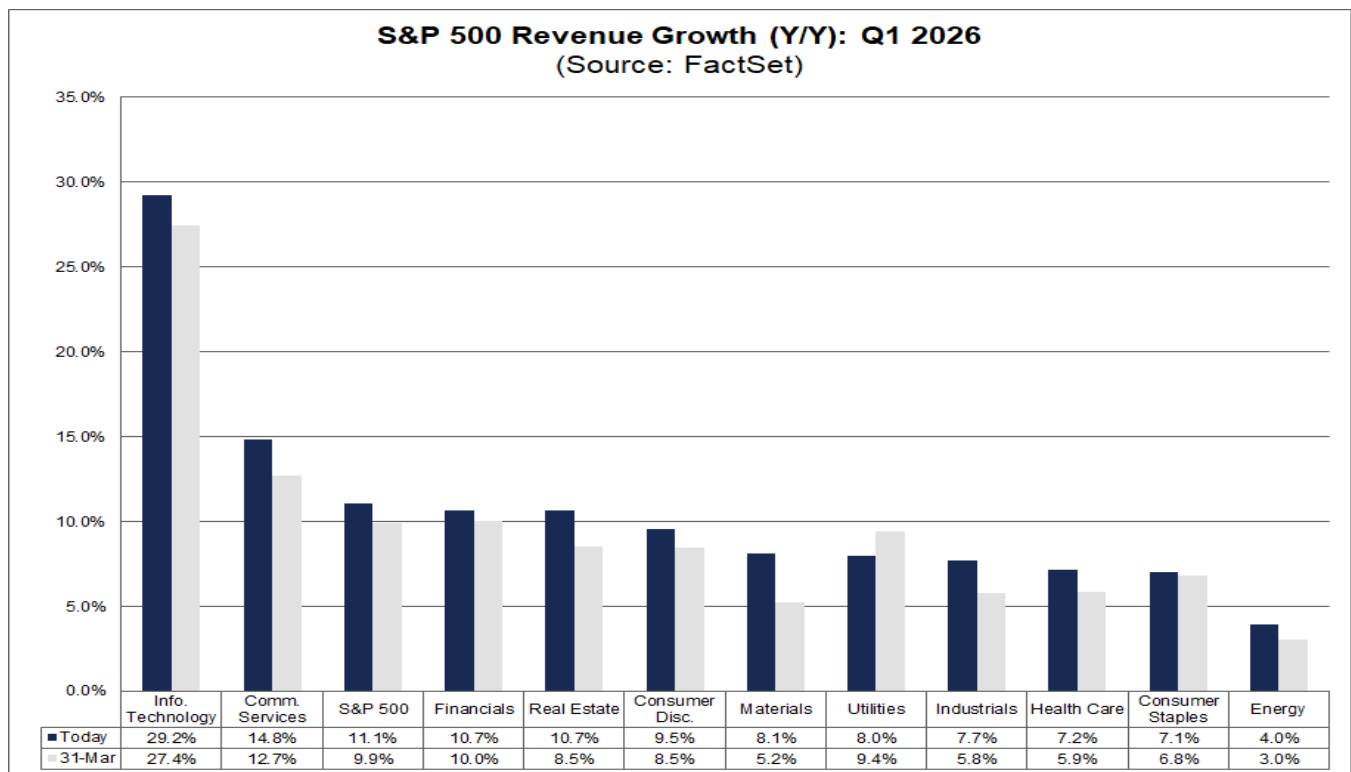
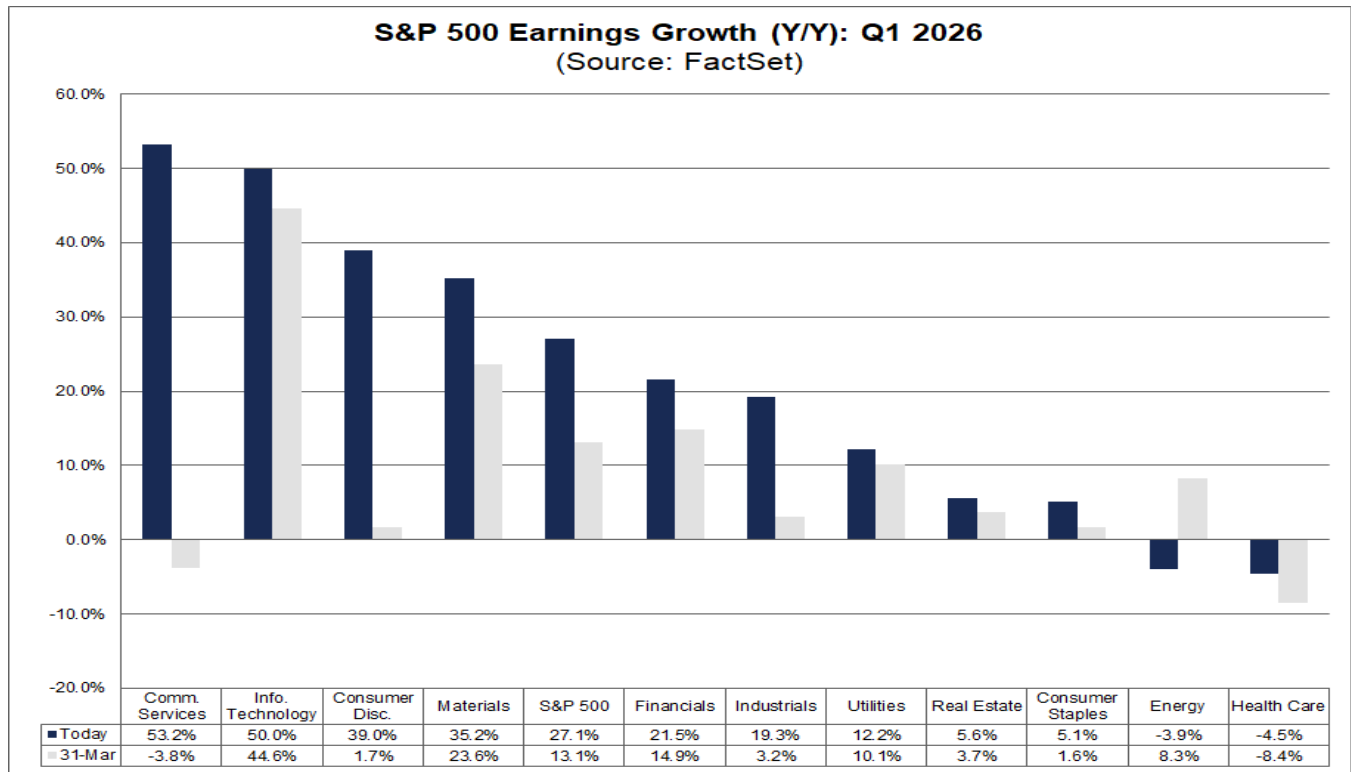
Q1 2026: Surprise



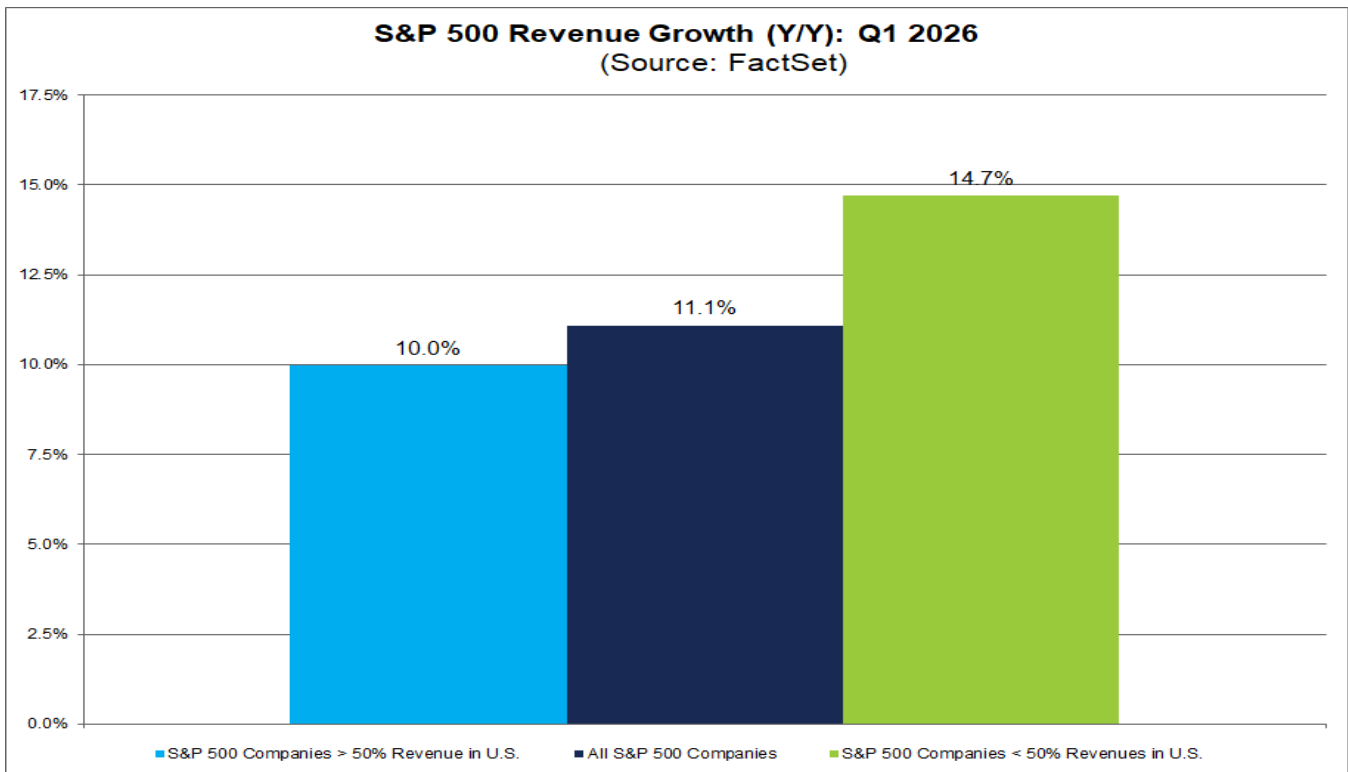
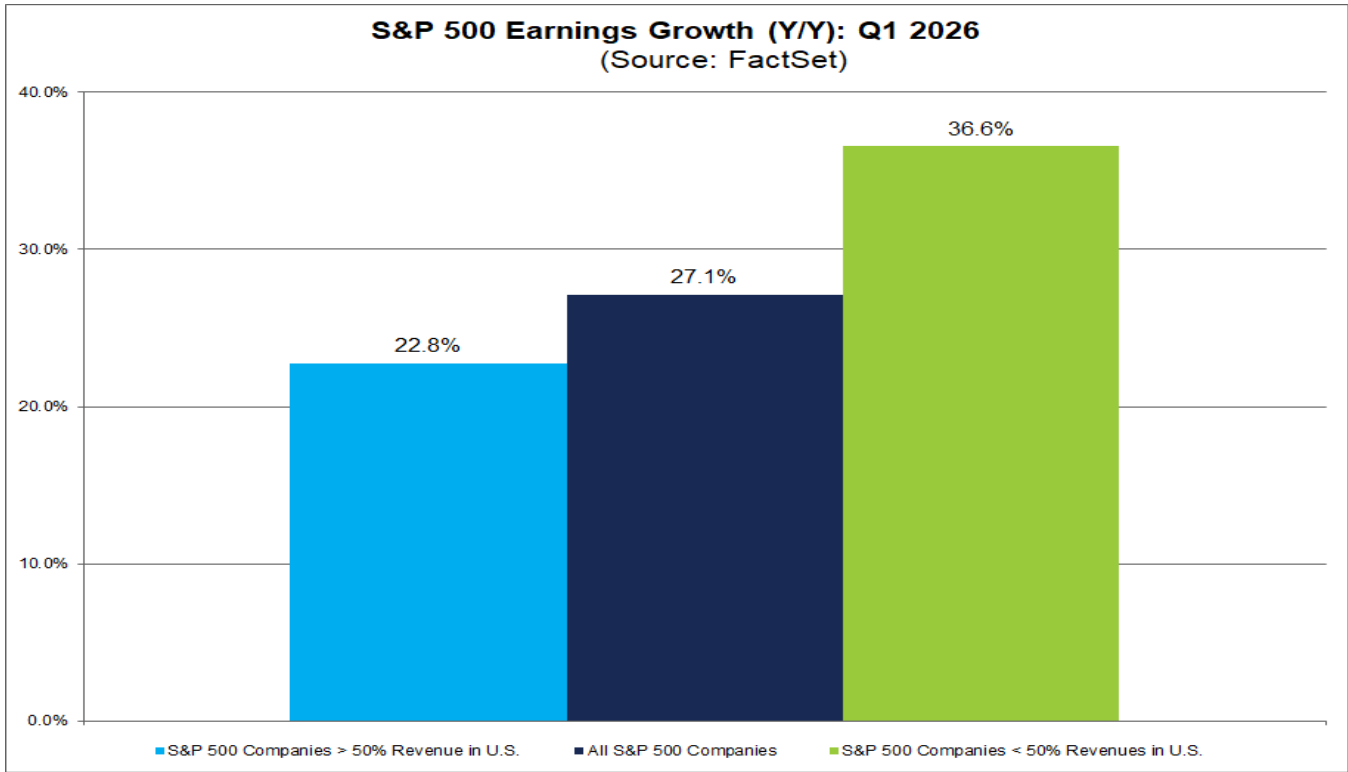
Q1 2026: Surprise



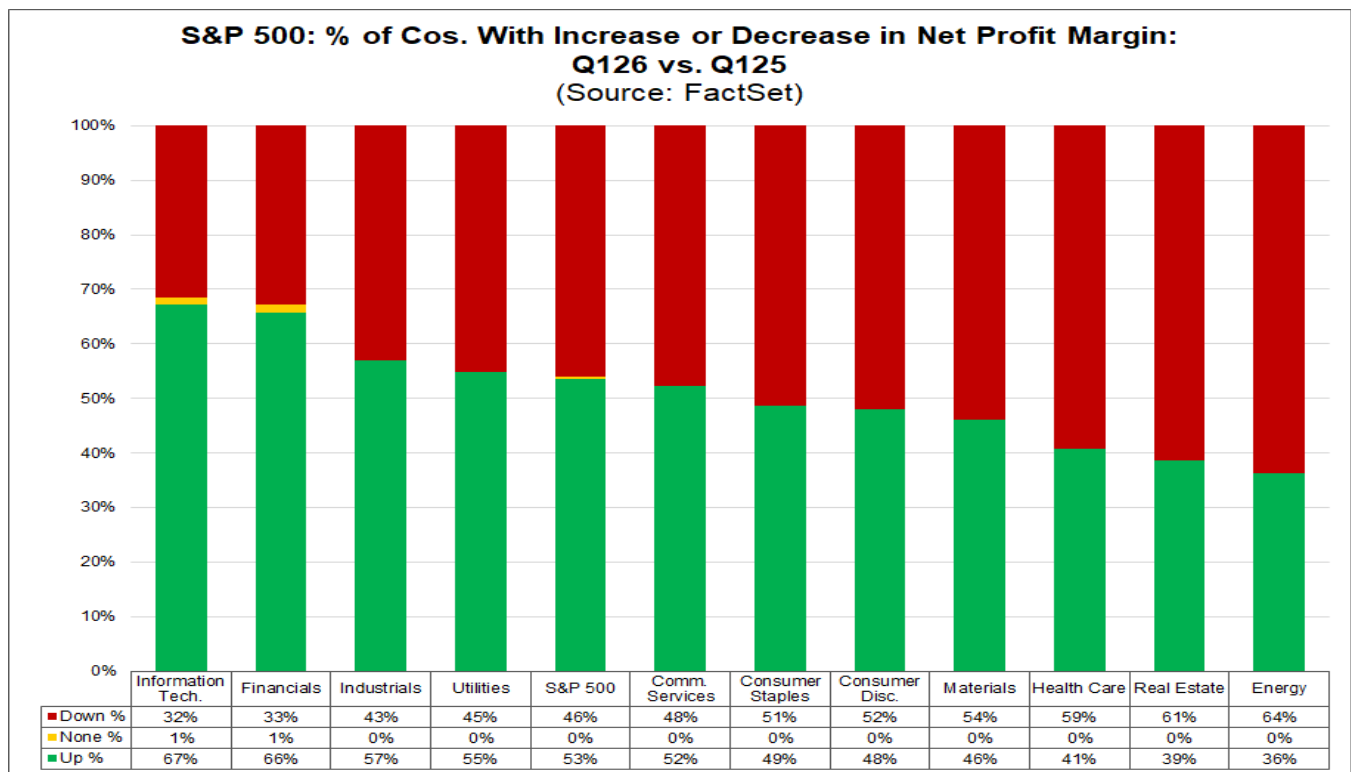
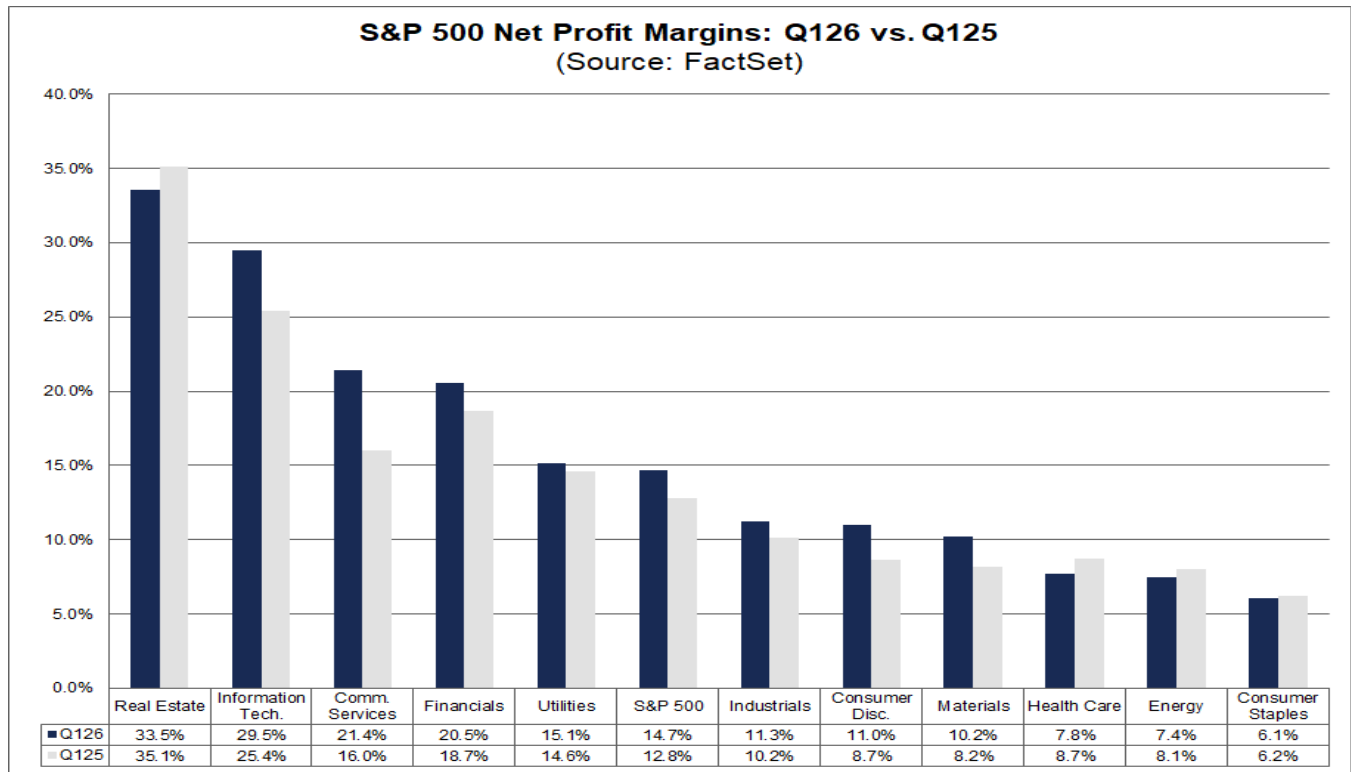
Q1 2026: Growth



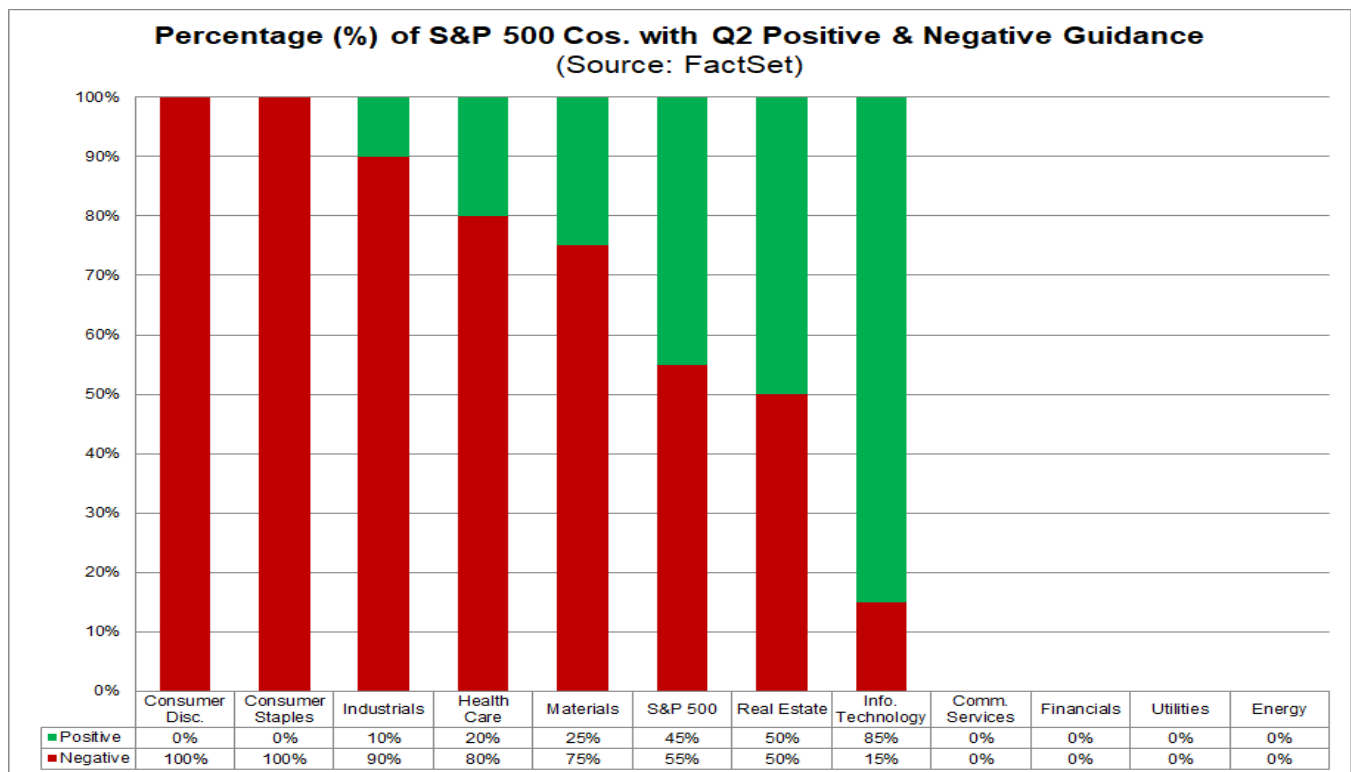
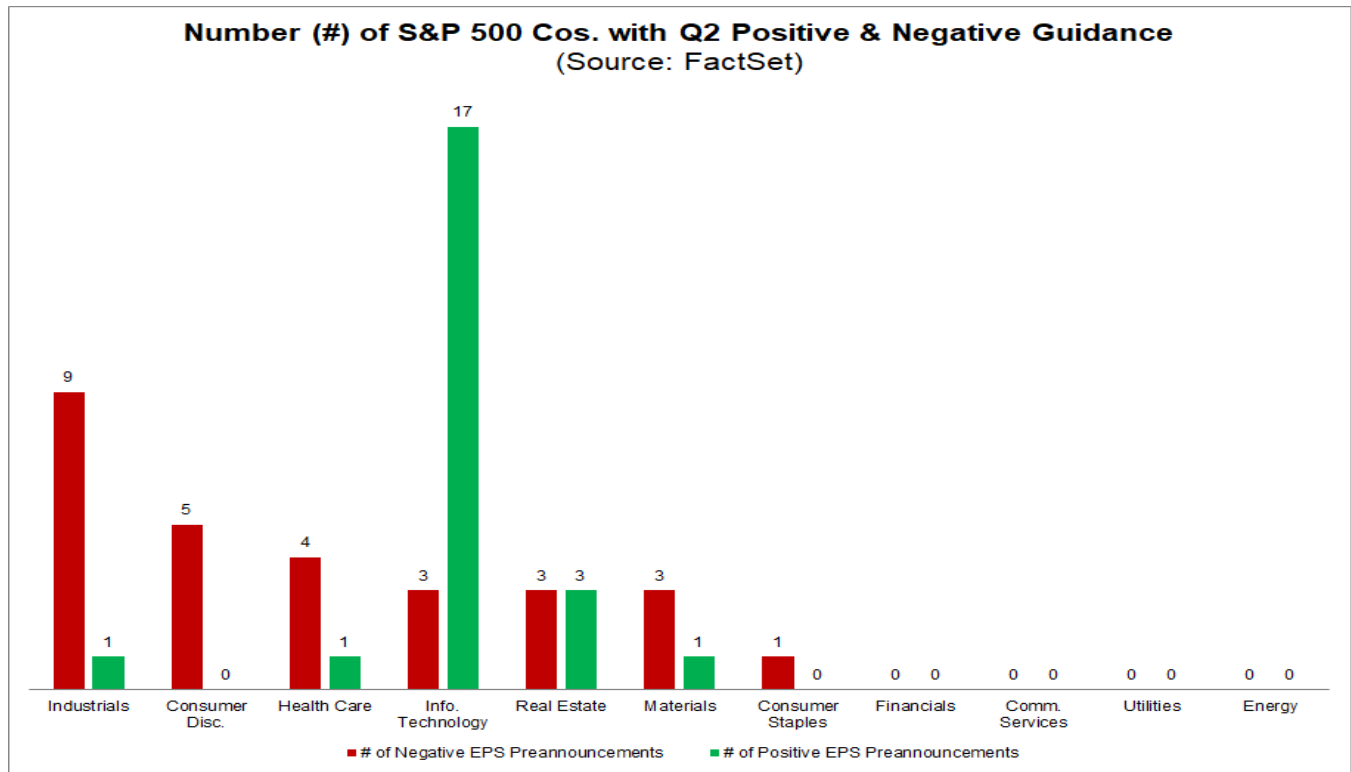
Q1 2026: Growth



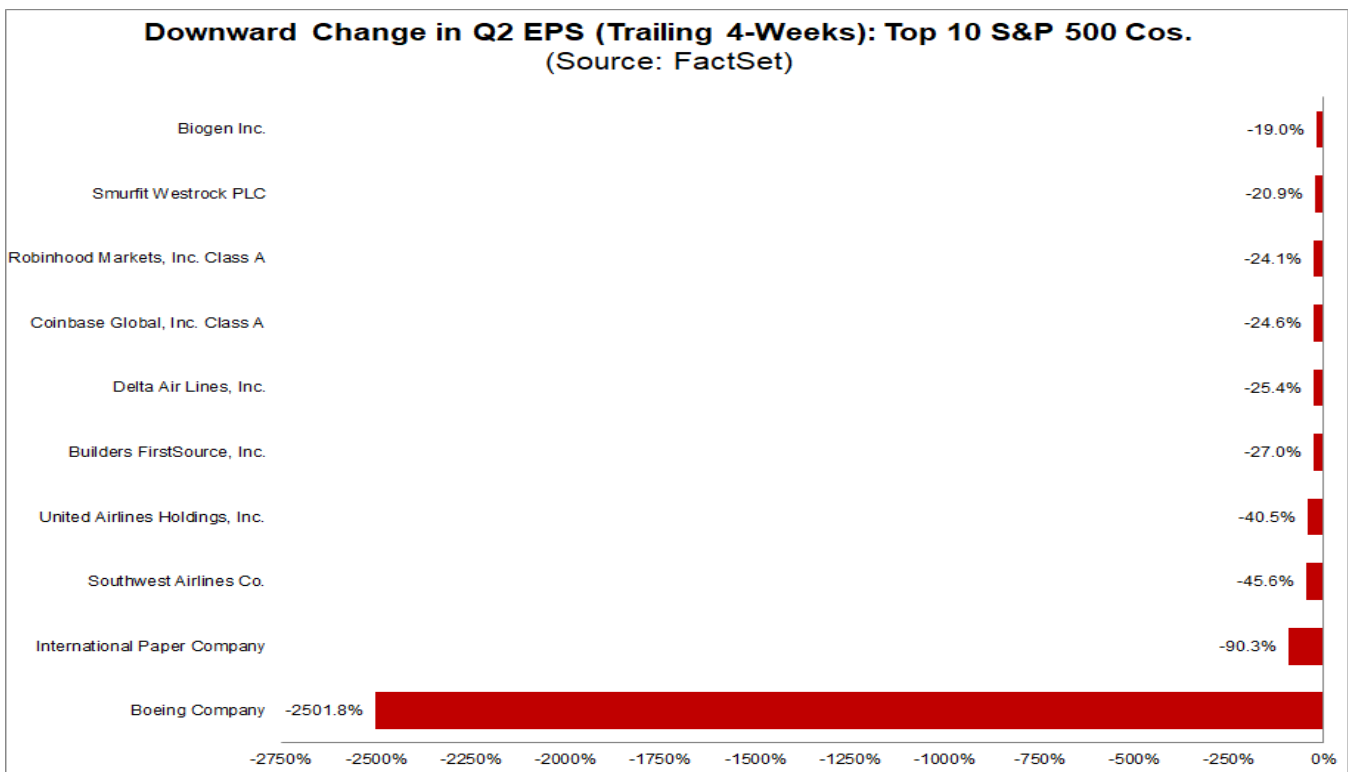
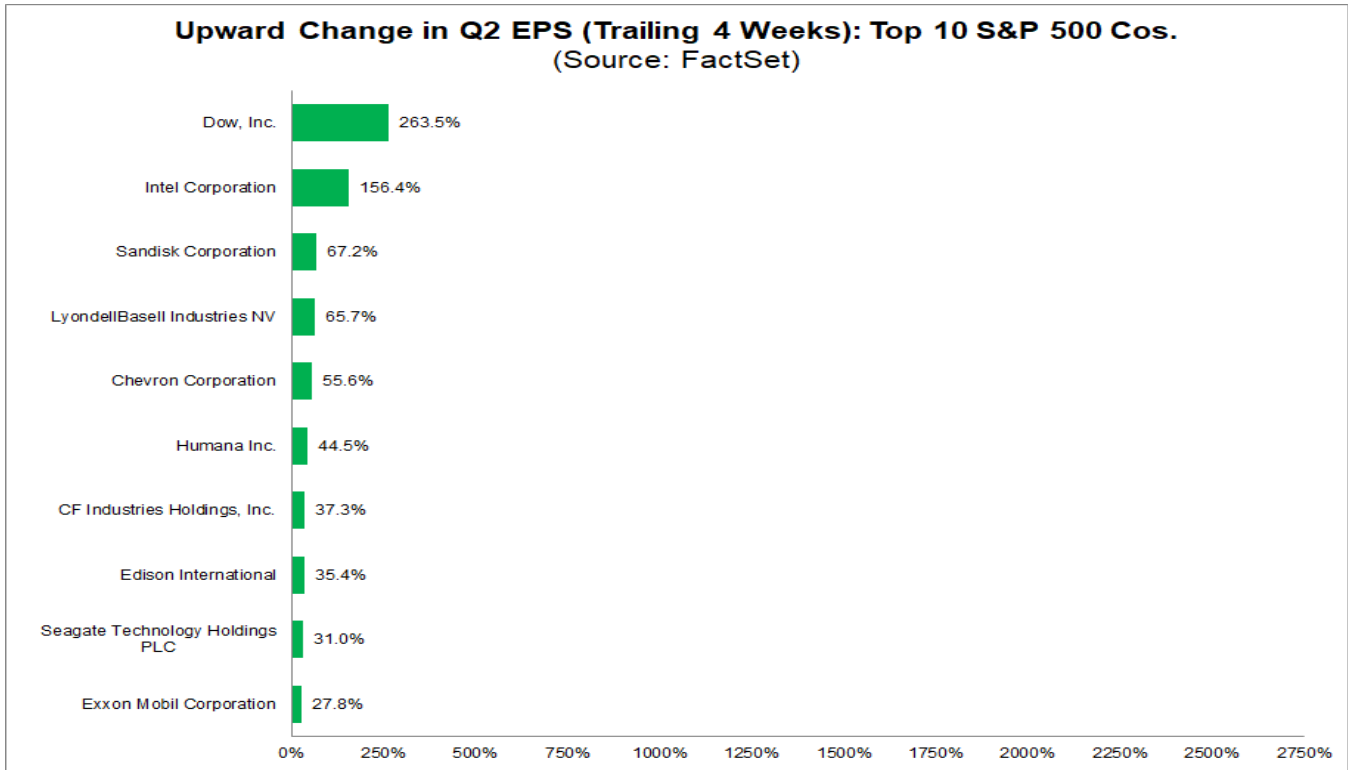
Q1 2026: Net Profit Margin



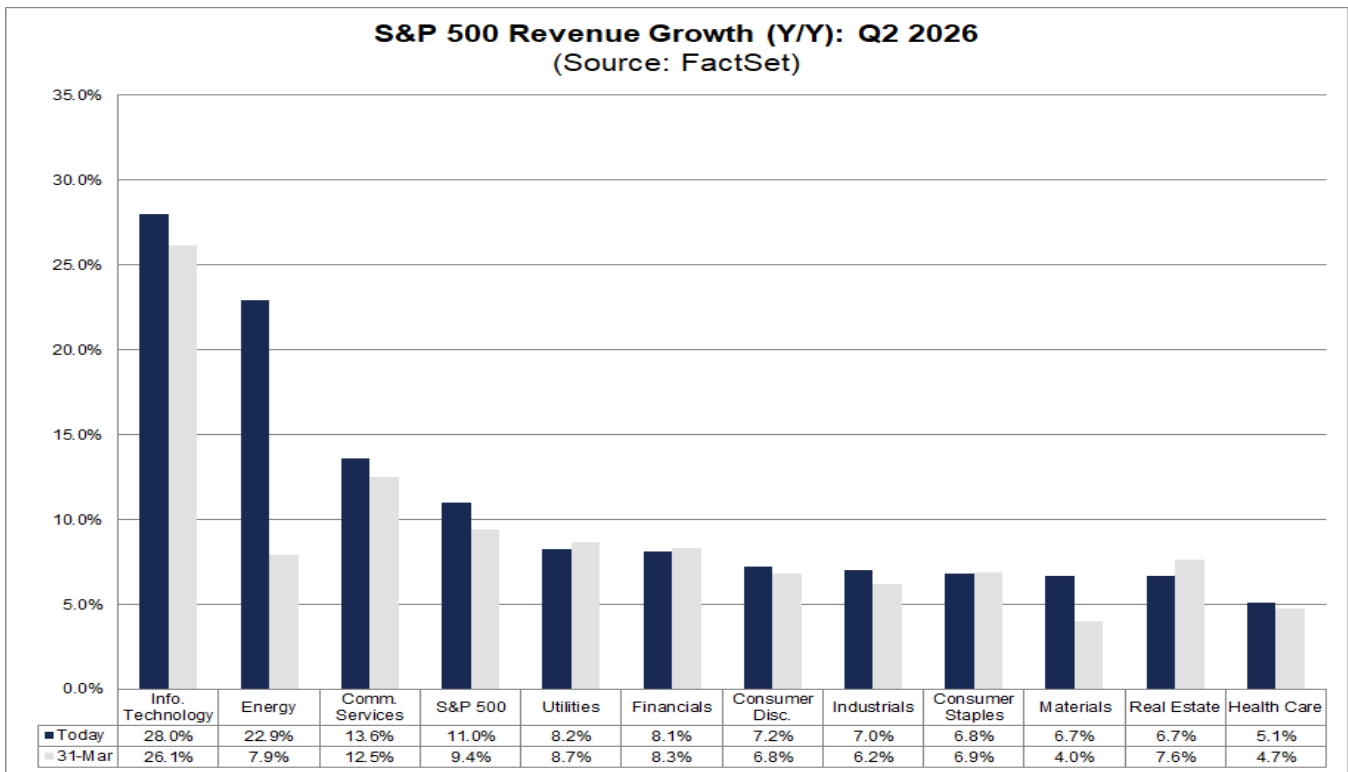
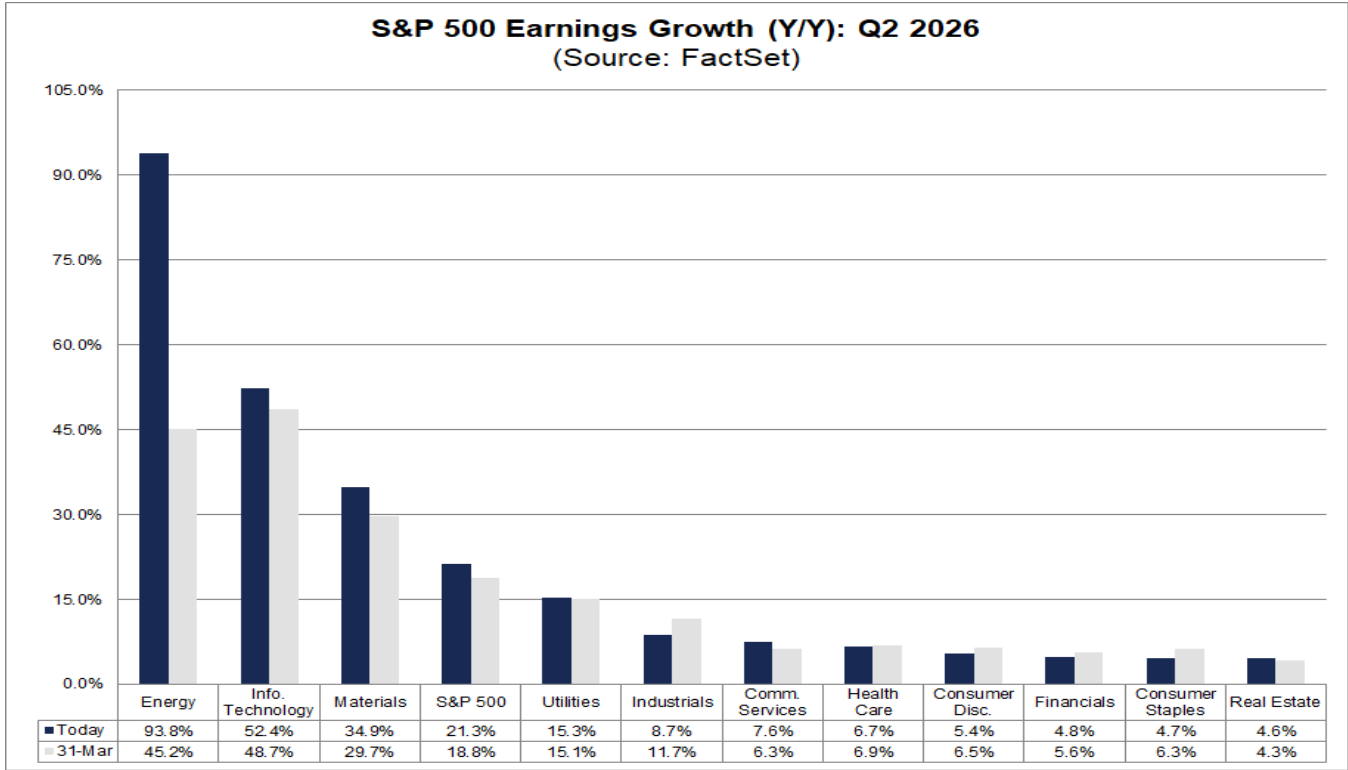
Q2 2026: Guidance



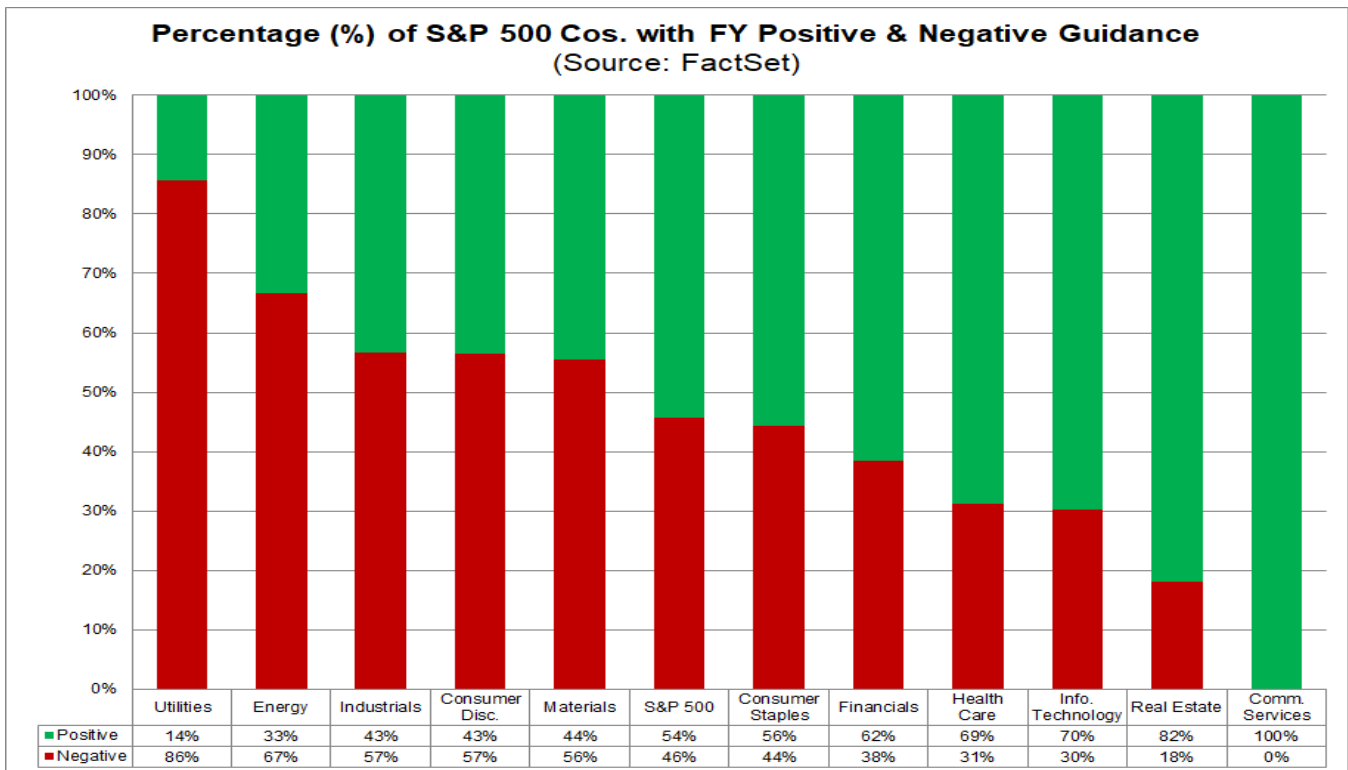
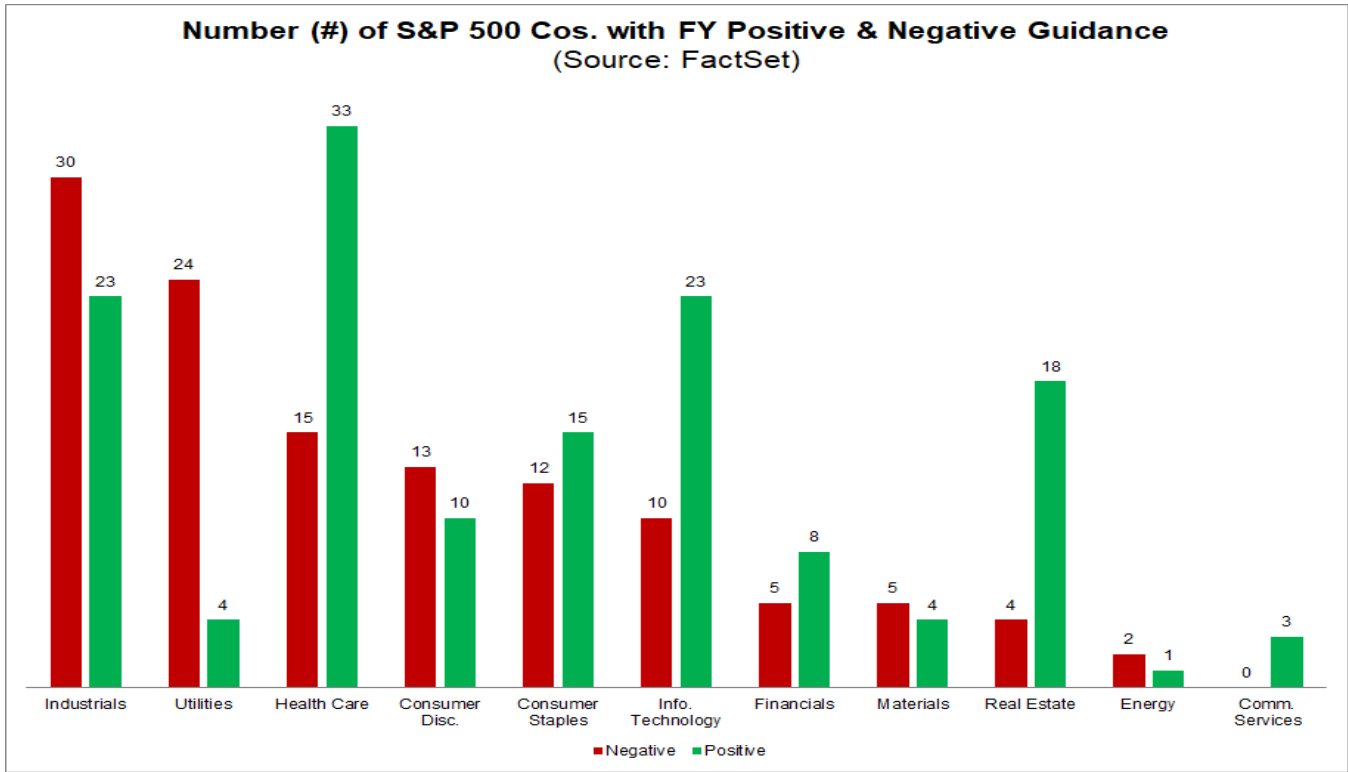
Q2 2026: EPS Revisions



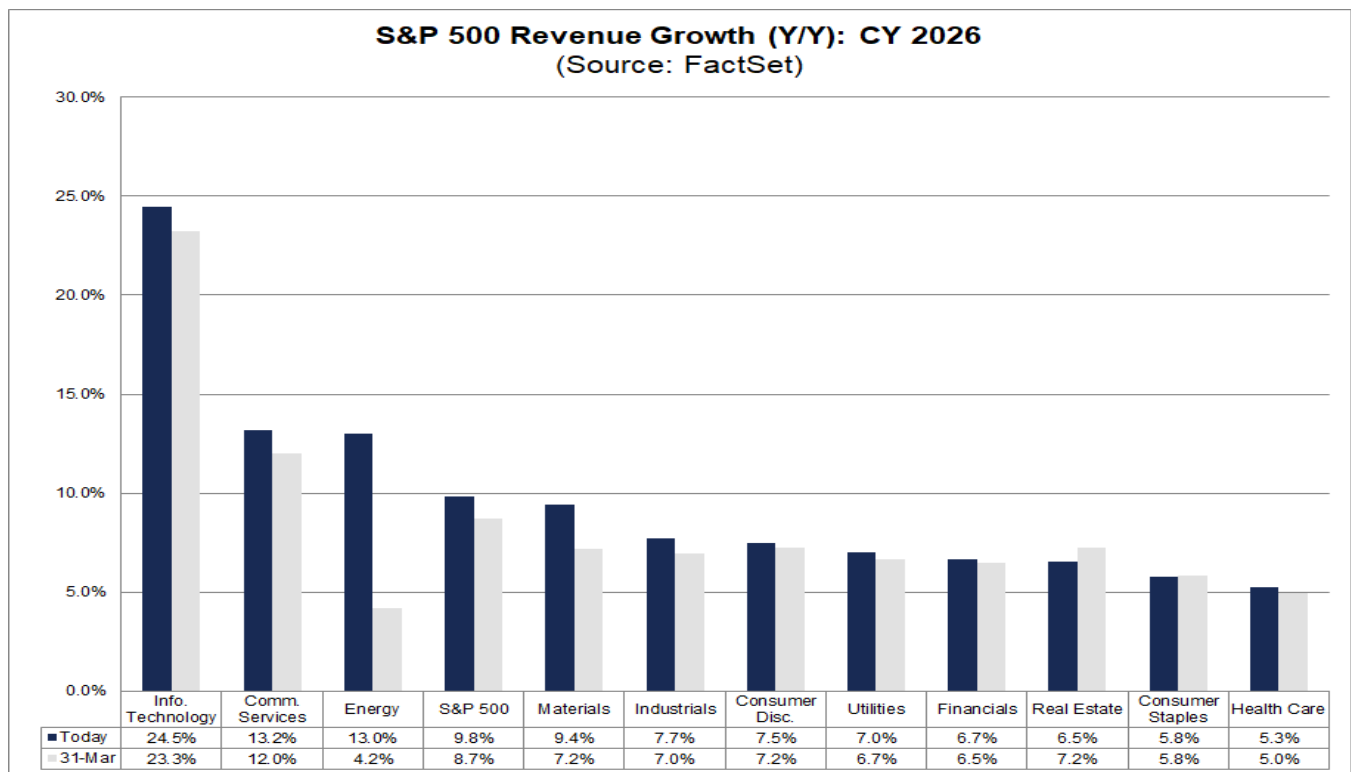
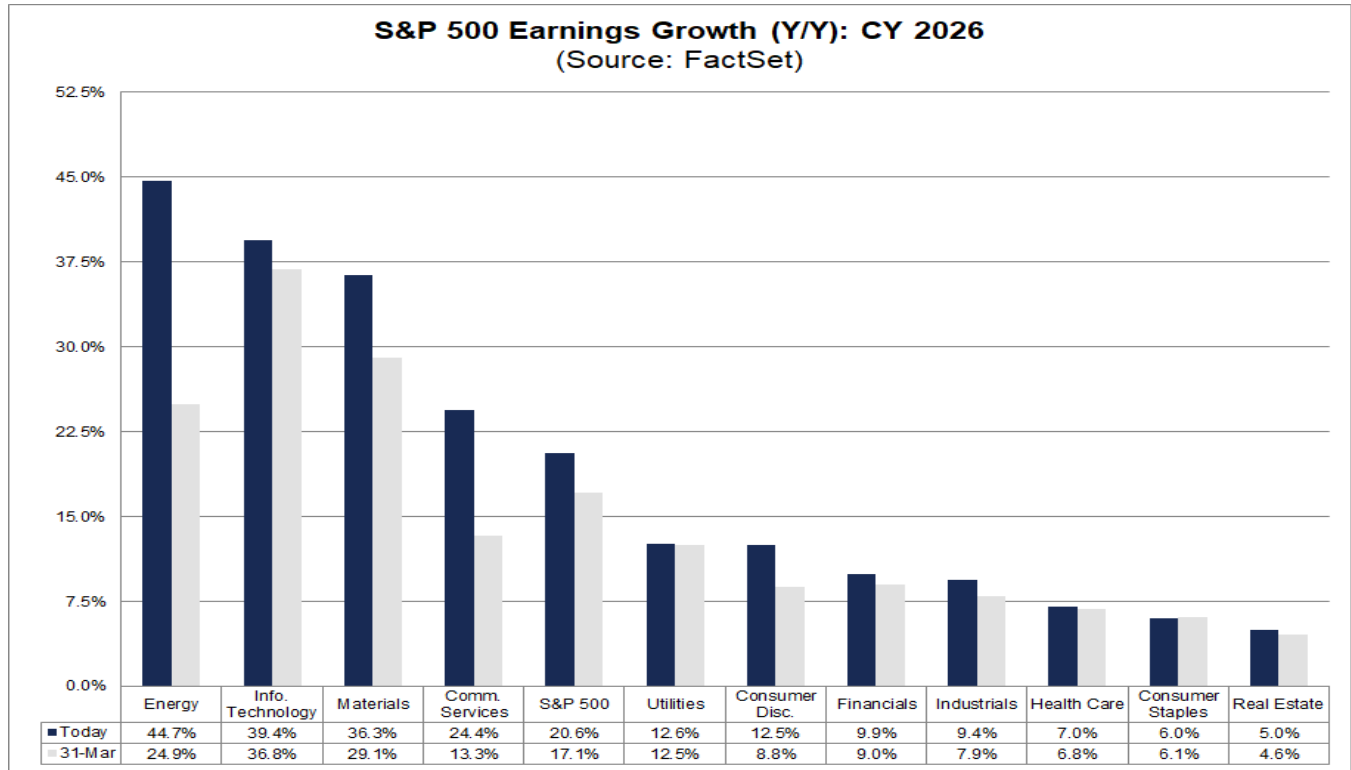
Q2 2026: Growth



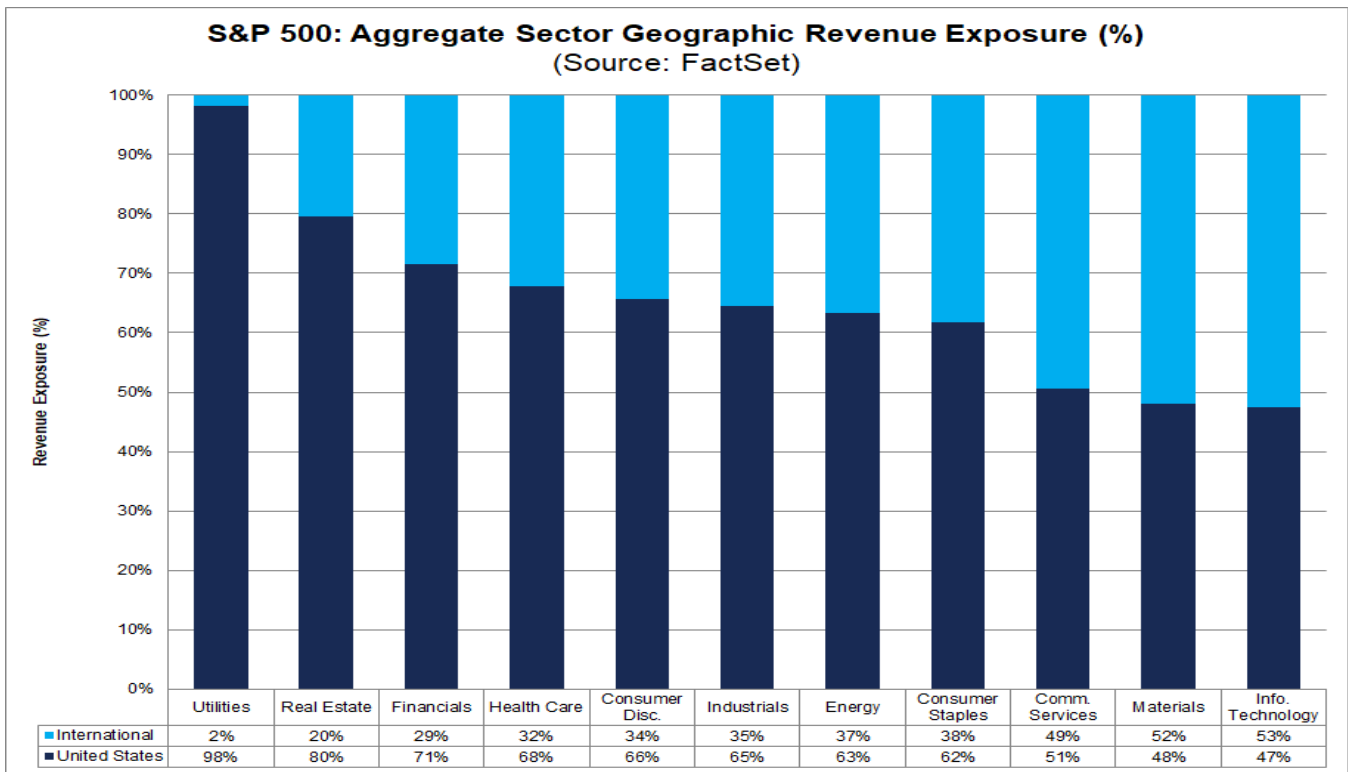
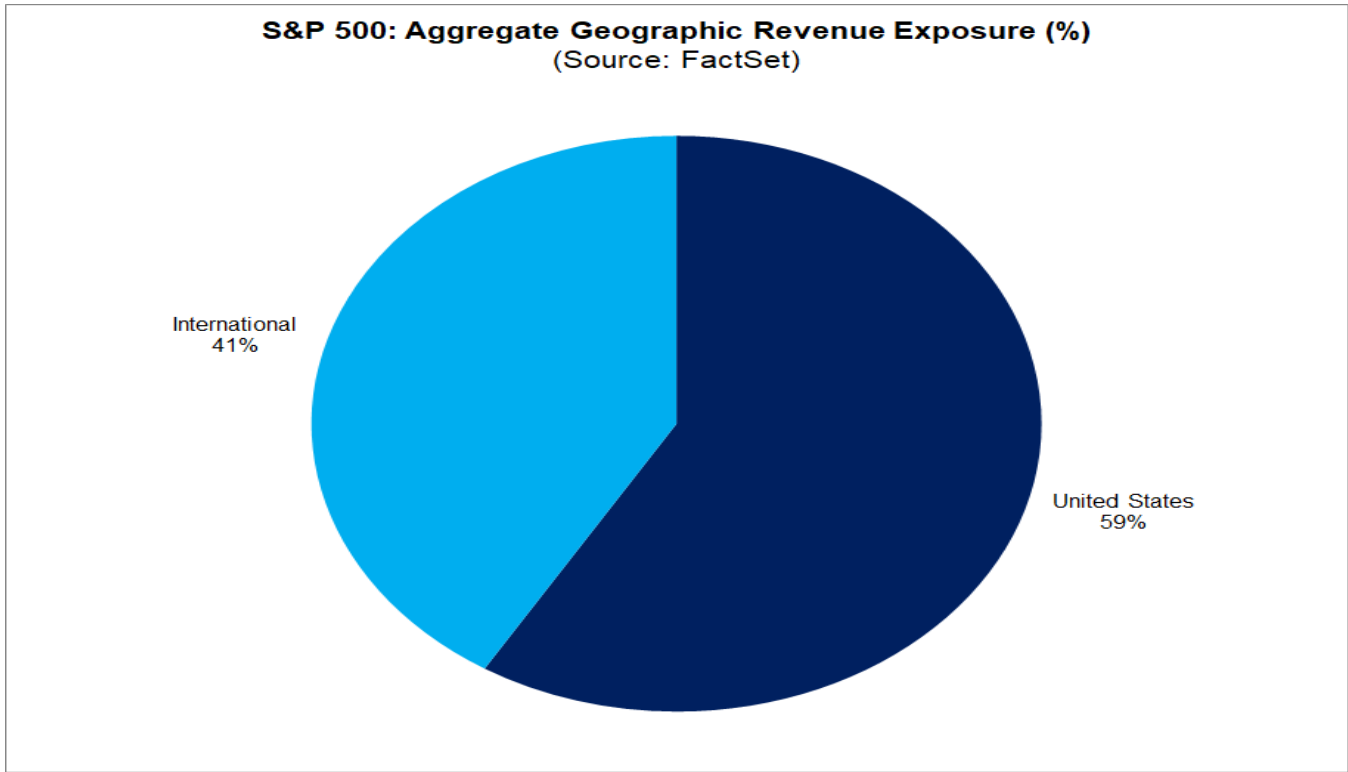
FY 2026 / 2027: EPS Guidance



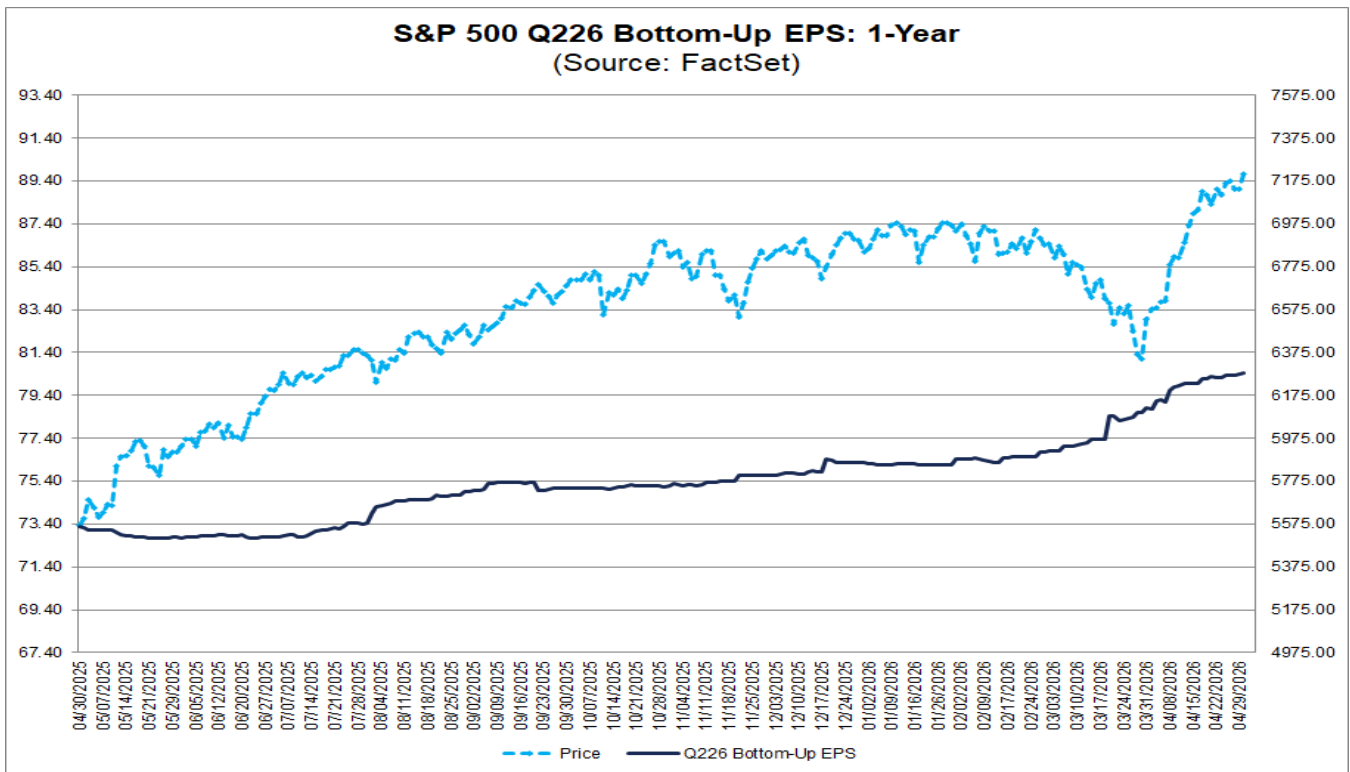
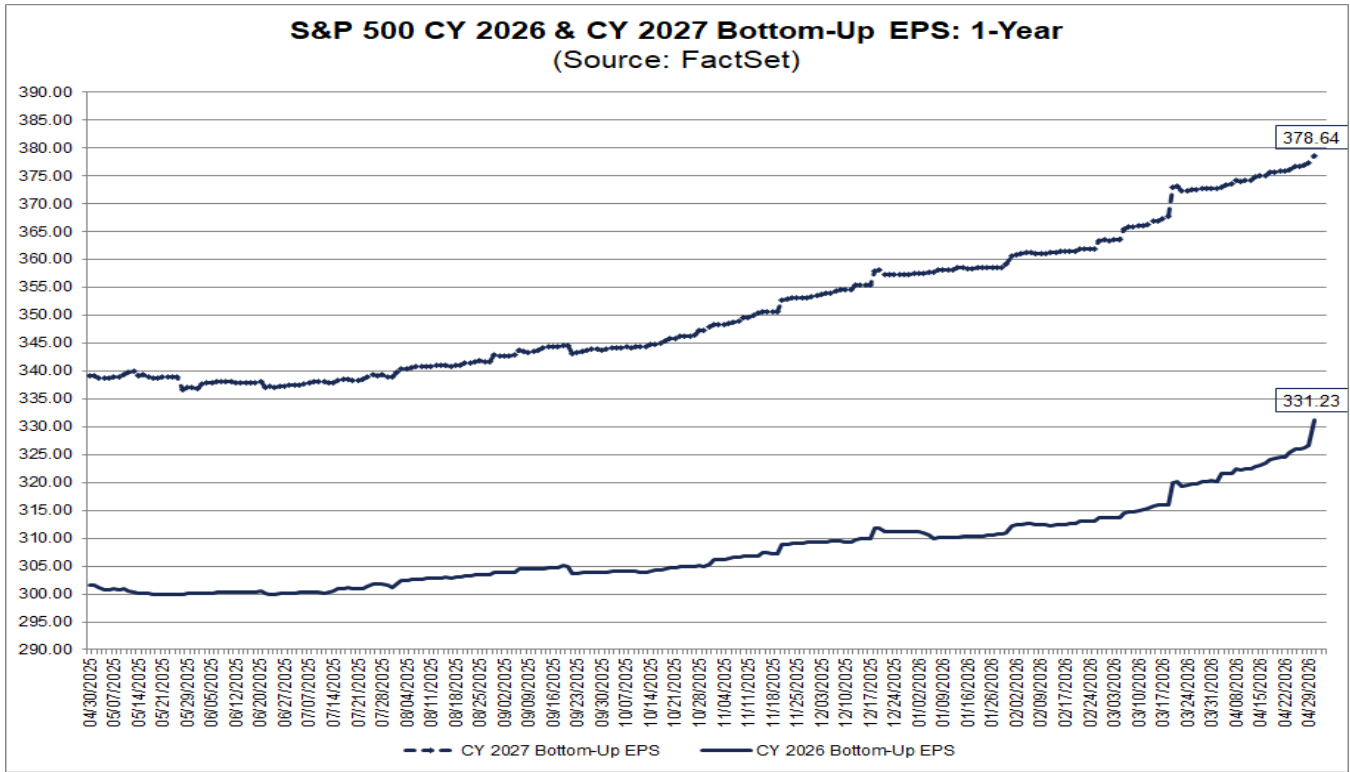
CY 2026: Growth



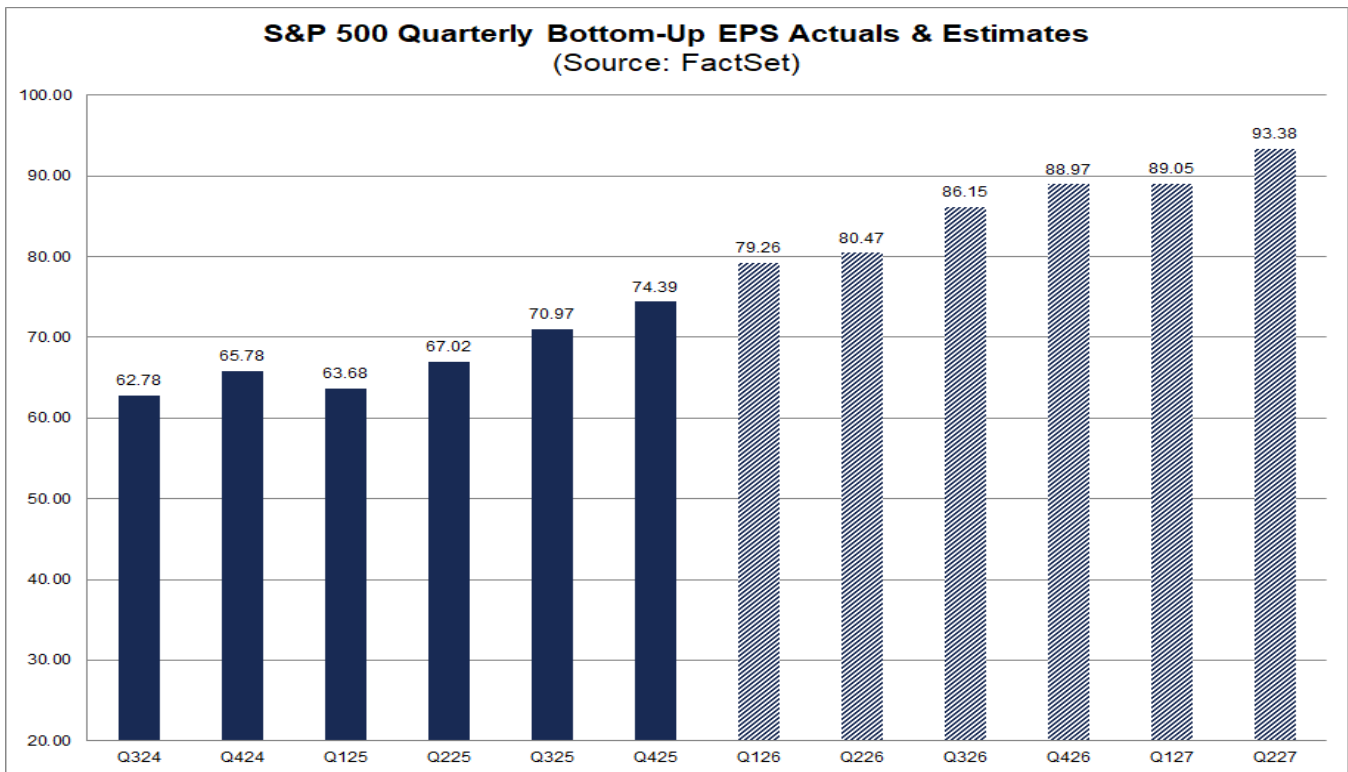
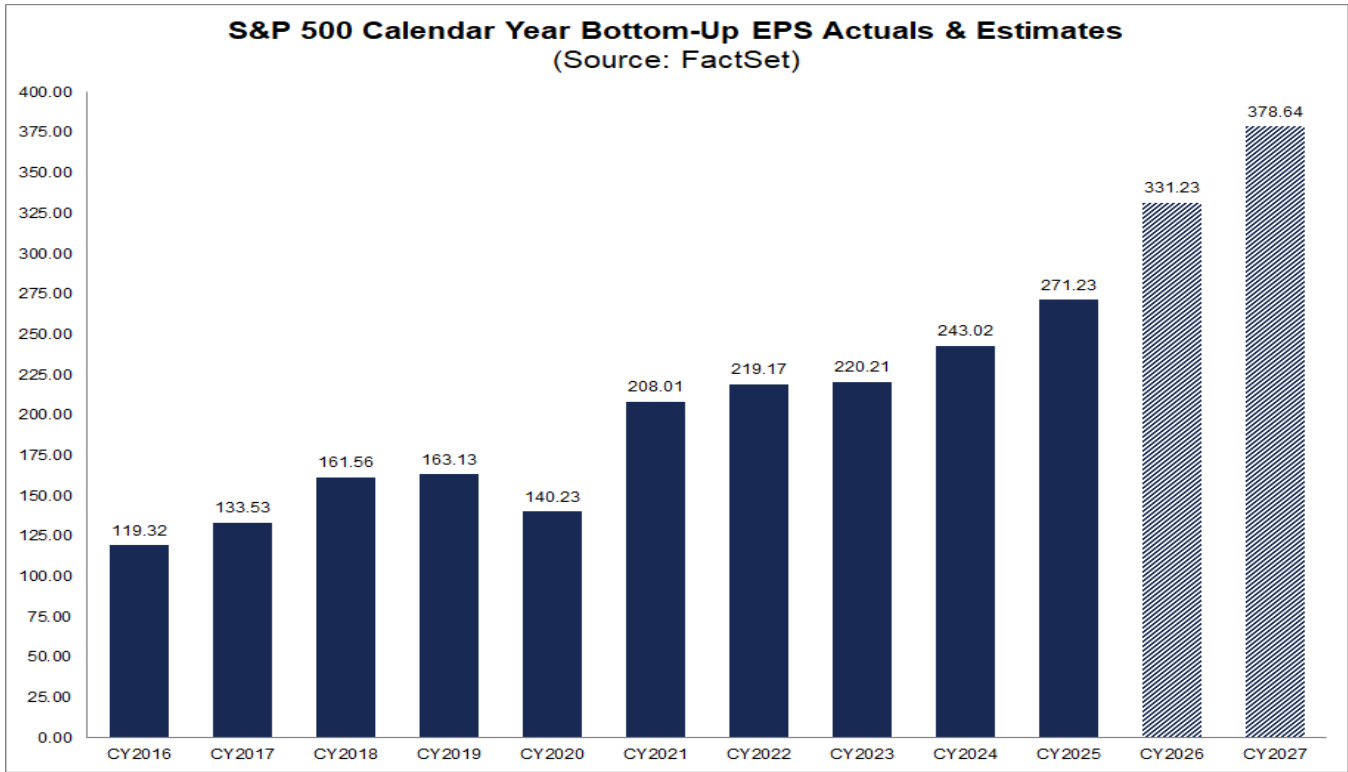
Geographic Revenue Exposure



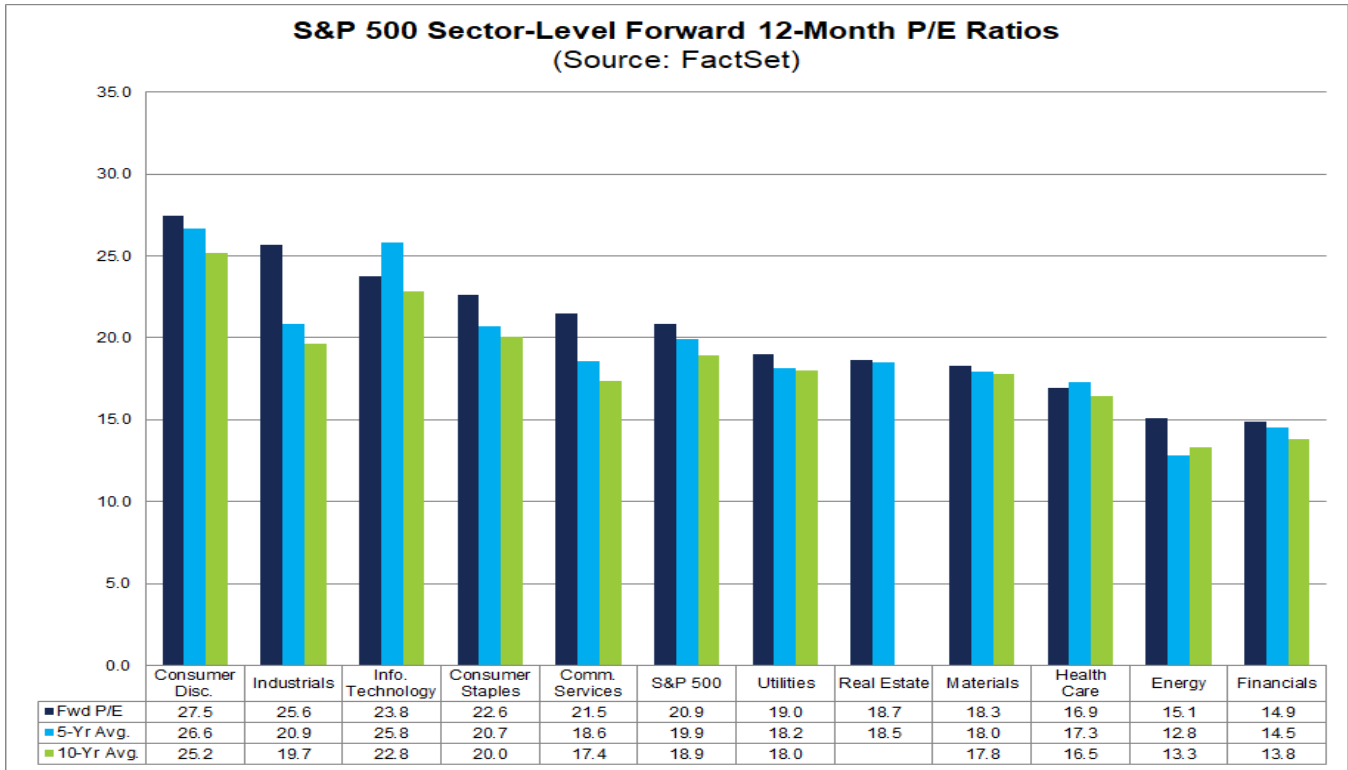
Bottom-Up EPS Estimates



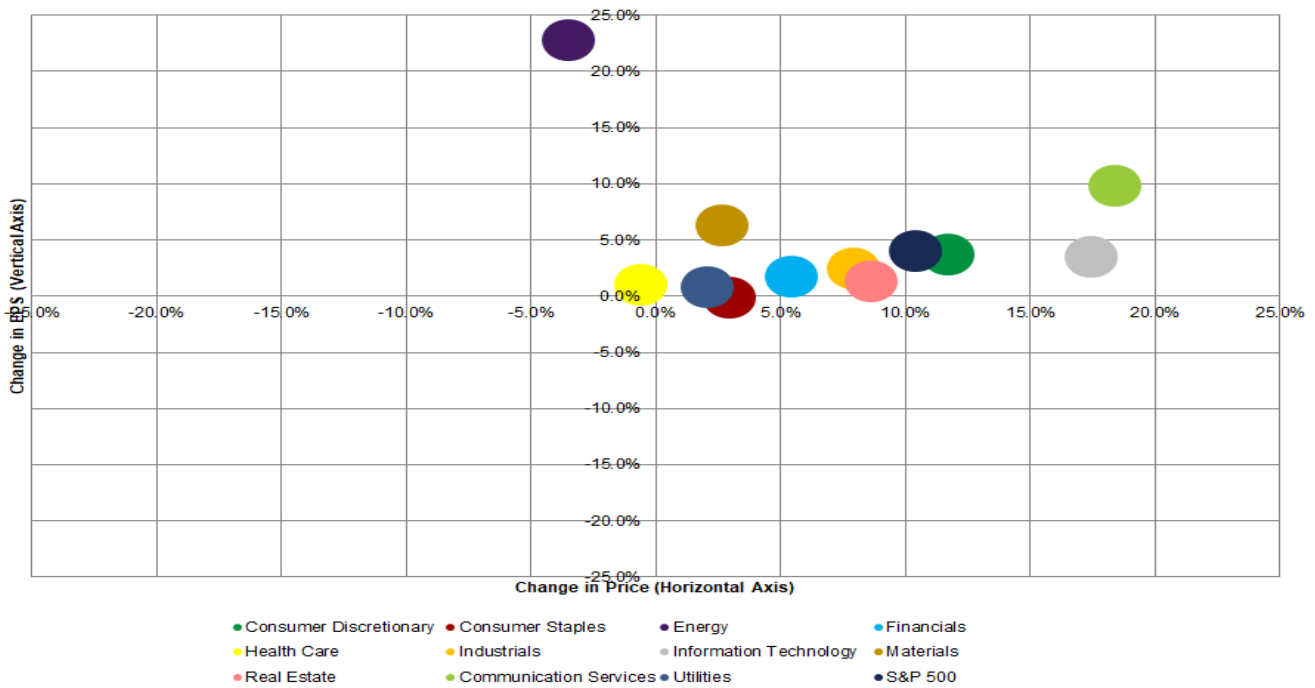
Bottom-Up EPS Estimates: Current & Historical



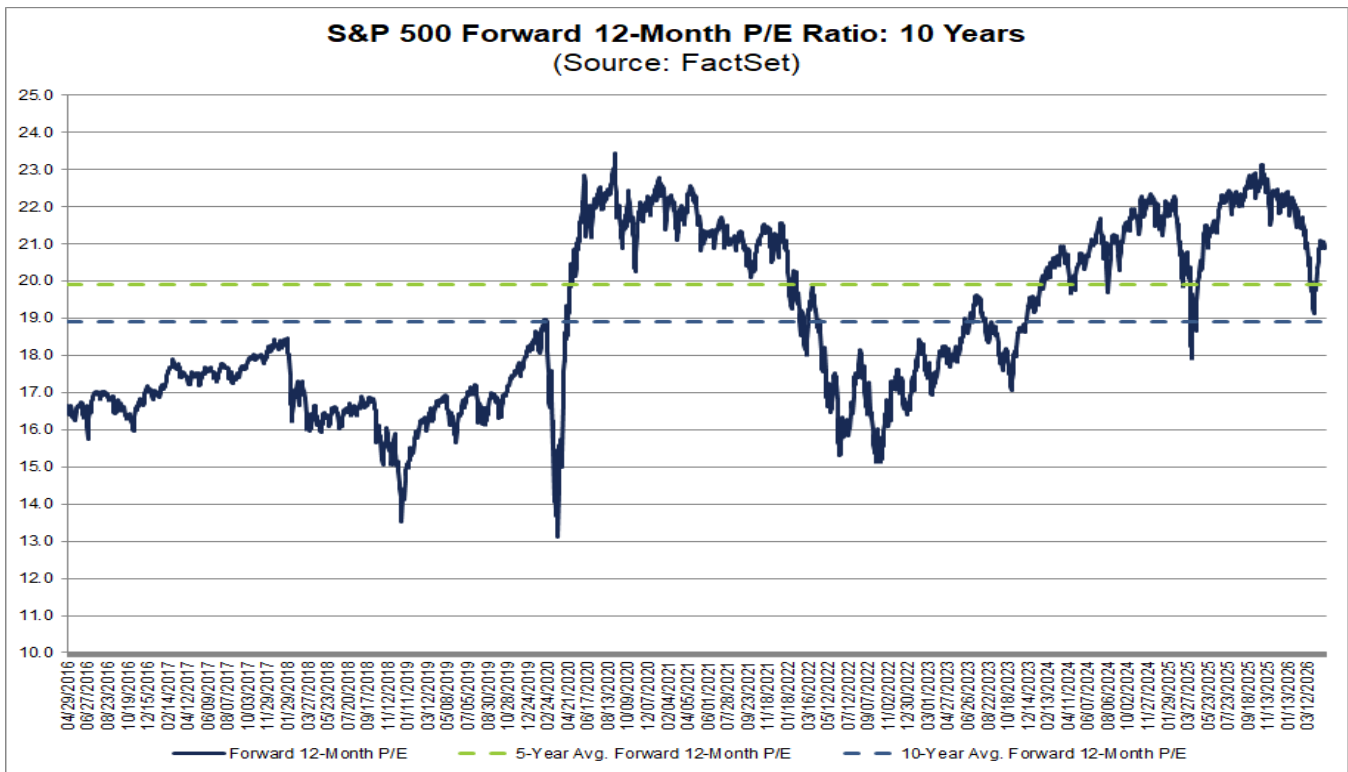
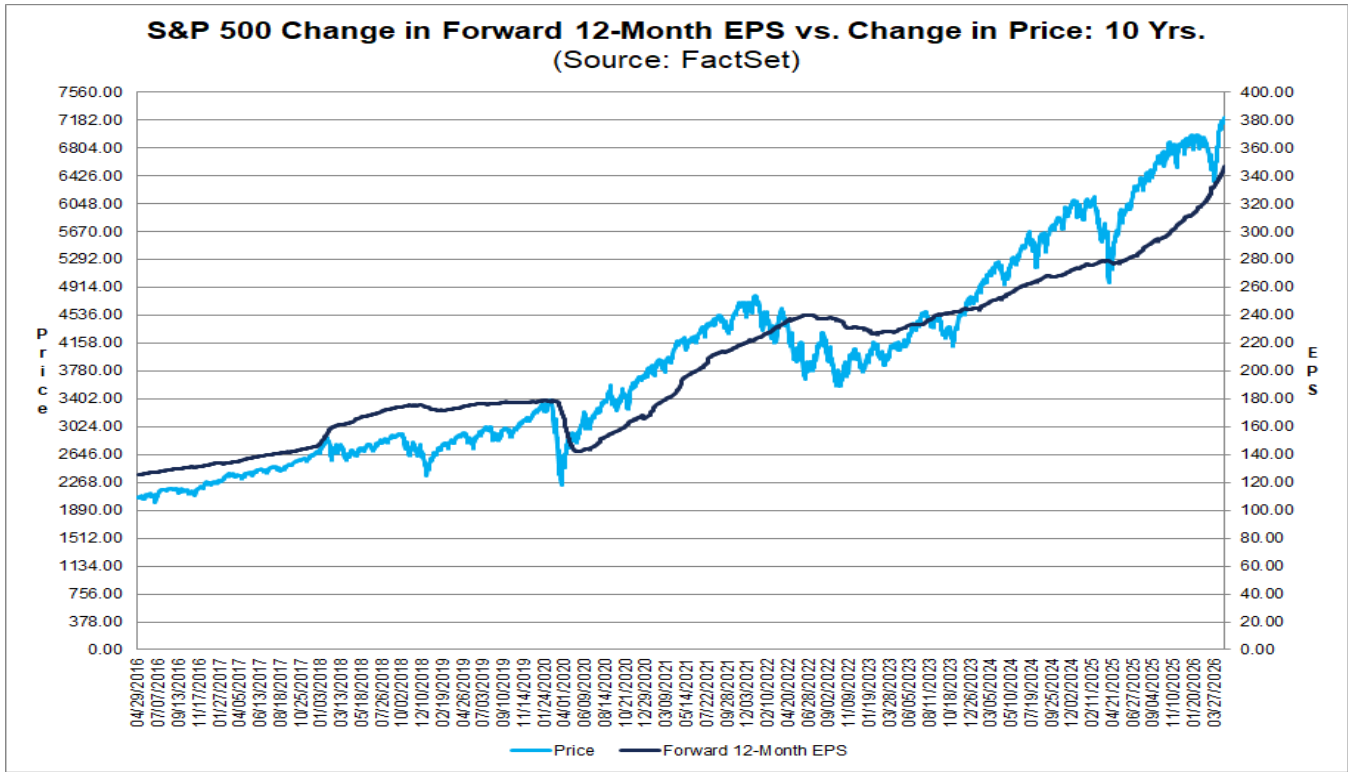
Forward 12M P/E Ratio: Sector Level



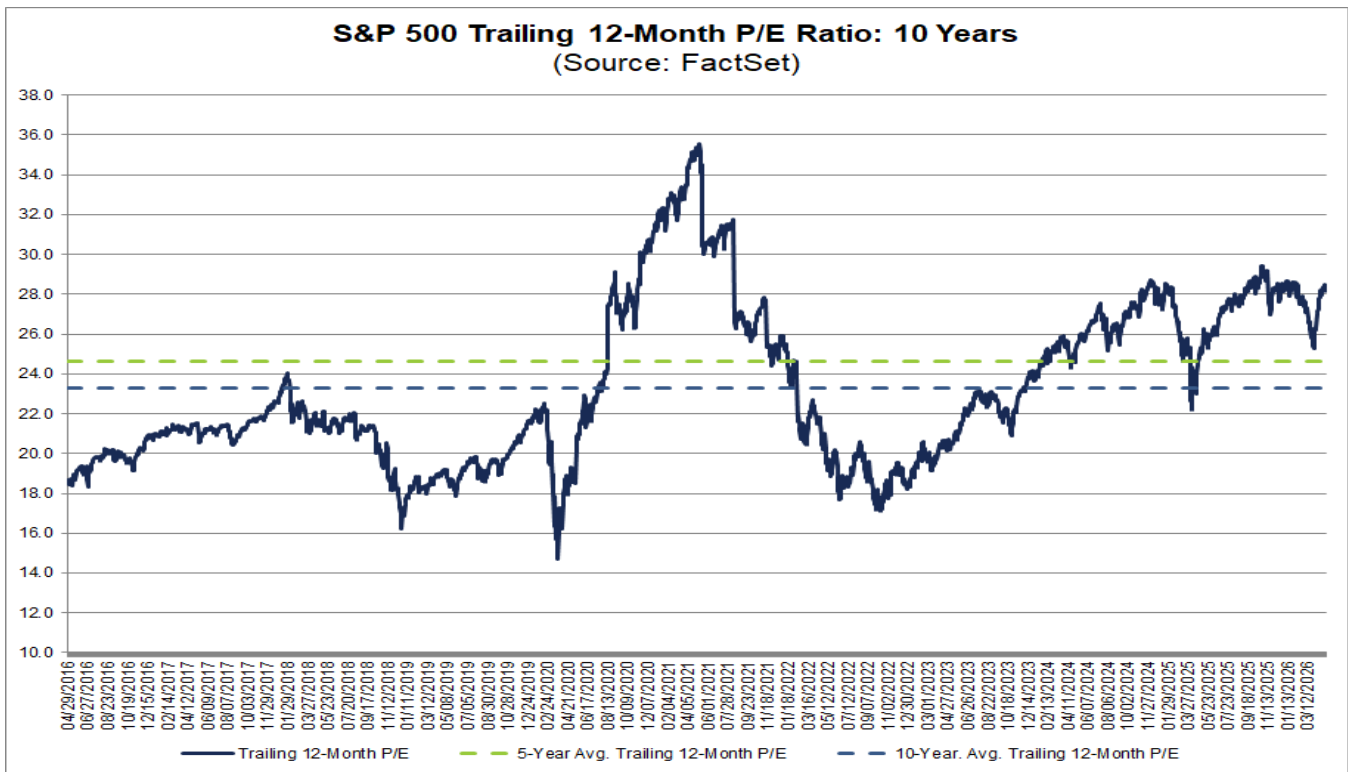
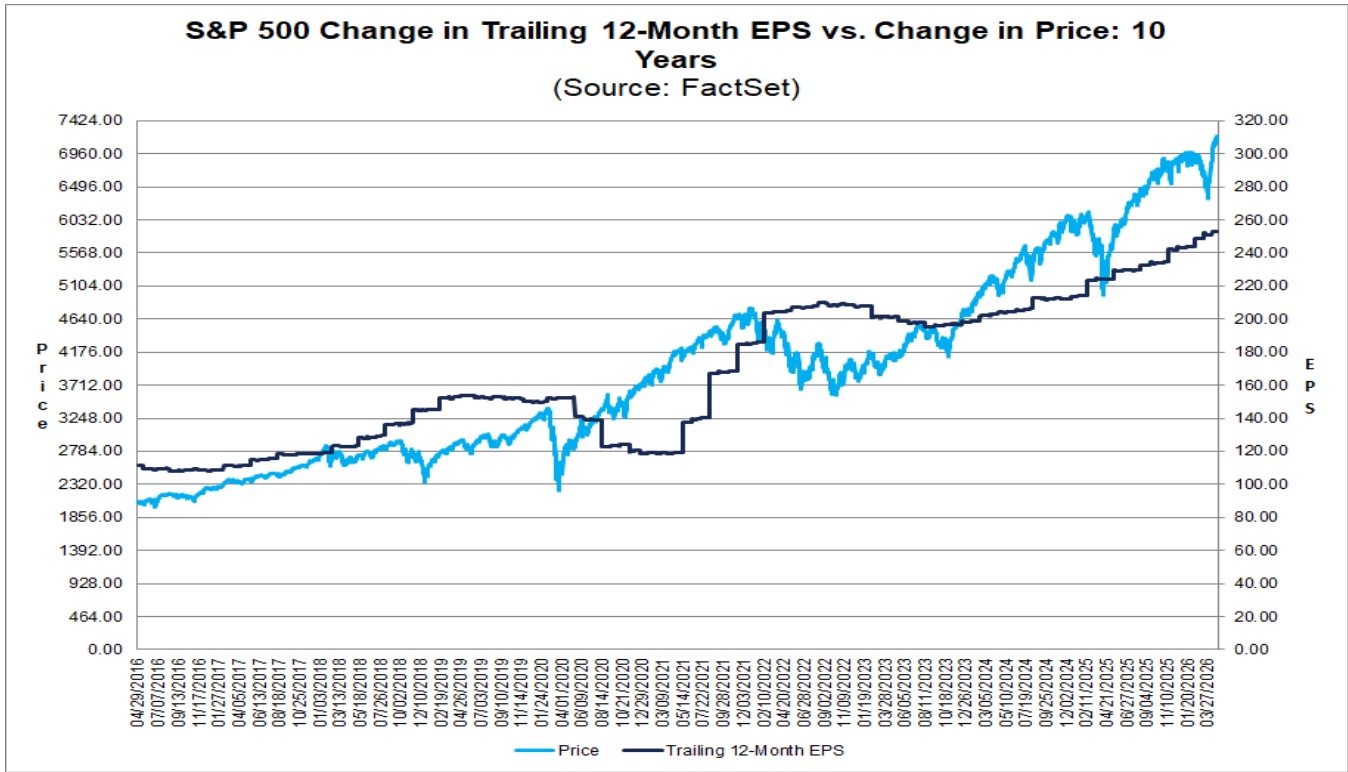
### Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Mar 31 (Source: FactSet)



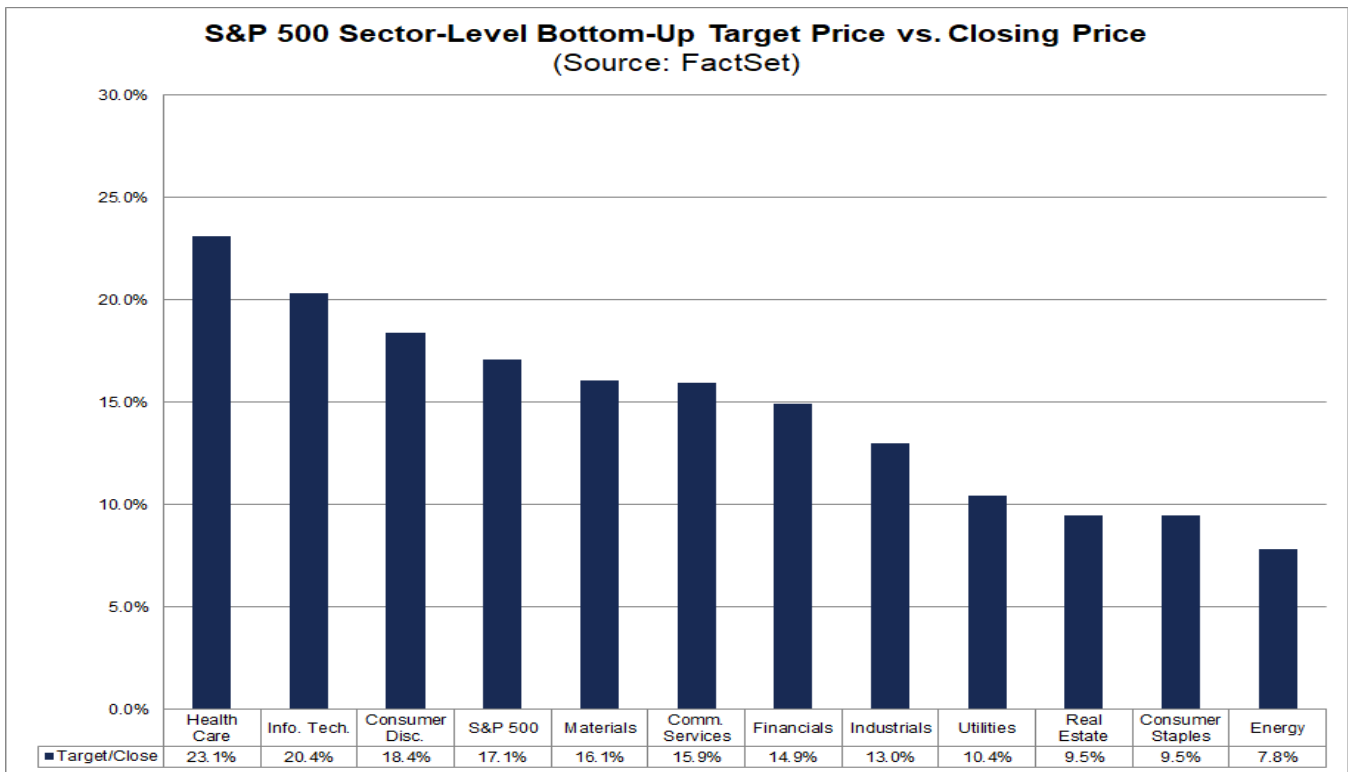
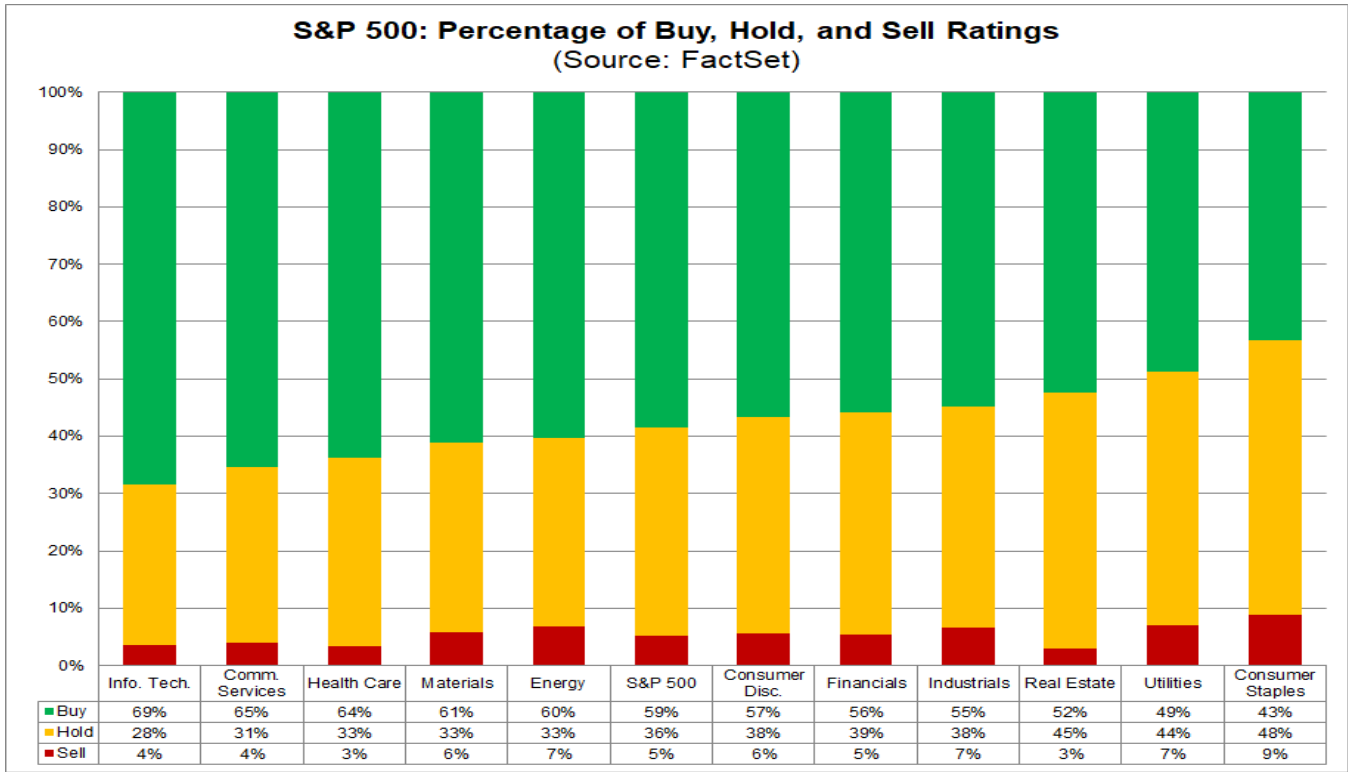
Forward 12M P/E Ratio: 10-Years



Trailing 12M P/E Ratio: 10-Years



Targets & Ratings



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