

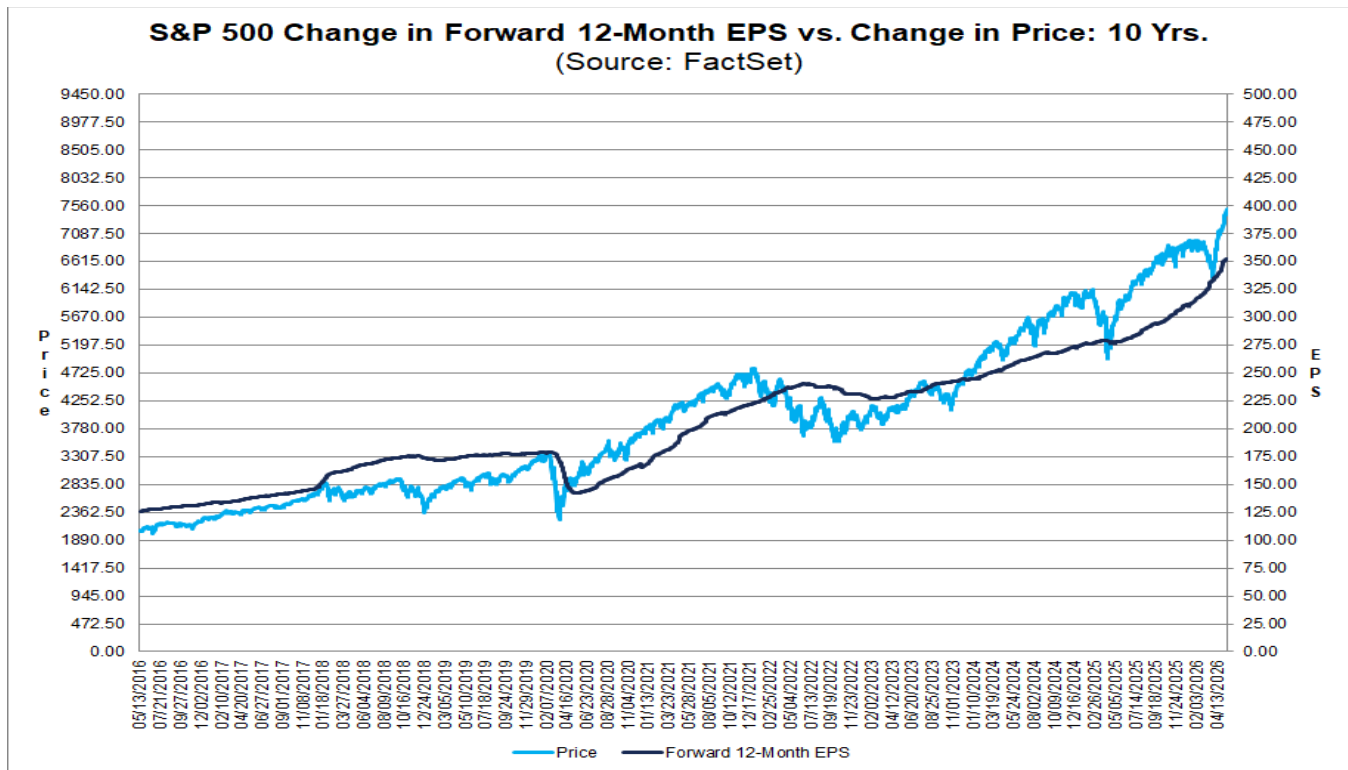
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Key Metrics

- **Earnings Scorecard:** For Q1 2026 (with 91% of S&P 500 companies reporting actual results), 84% of S&P 500 companies have reported a positive EPS surprise and 80% 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 27.7%. If 27.7% 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 13.0%. Ten sectors are reporting (or have reported) higher earnings today (compared to March 31) due to positive EPS surprises and upward revisions to EPS estimates.
- **Earnings Guidance:** For Q2 2026, 38 S&P 500 companies have issued negative EPS guidance and 42 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 21.4. This P/E ratio is above the 5-year average (19.9) and above the 10-year average (18.9).



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Topic of the Week: 1

S&P 500 Reporting Highest Revenue Growth Since 2022

At this late stage of the earnings season, the (blended) revenue growth rate for the S&P 500 for Q1 is 11.4%. If 11.4% 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%).

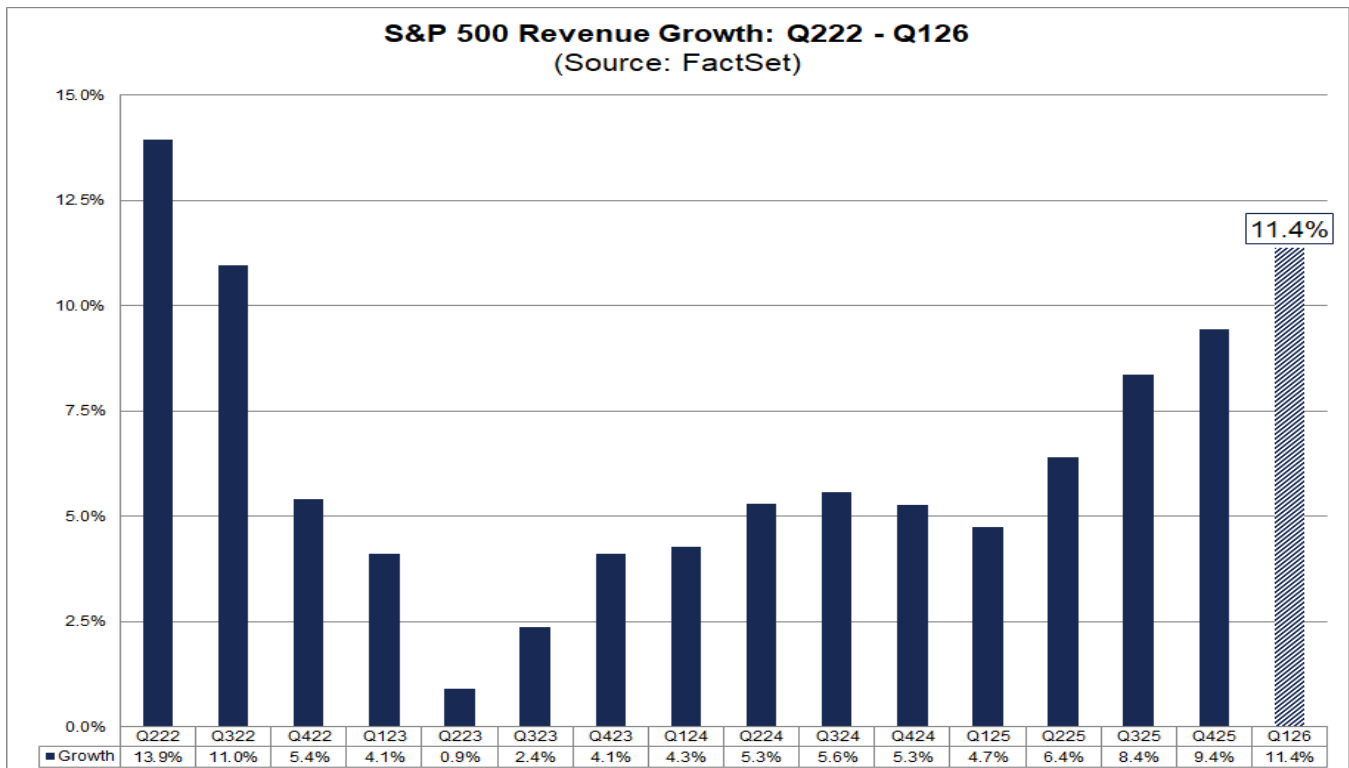
However, the Q1 revenue growth rate for the S&P 500 has been increasing over a longer period. On December 31, the estimated revenue growth rate for Q1 was 8.2%. On March 31, the estimated revenue growth rate for Q1 was 9.9%. Today, the (blended) revenue growth rate is 11.4%.

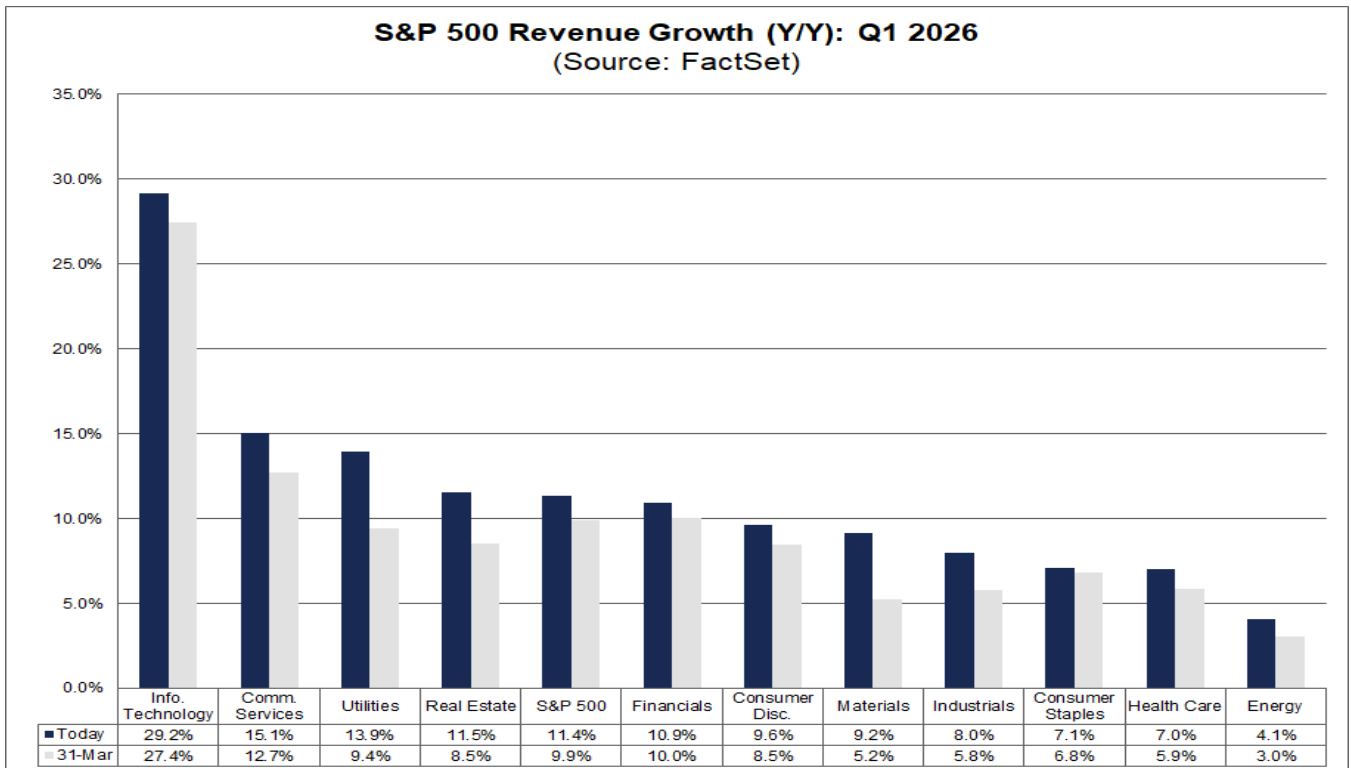
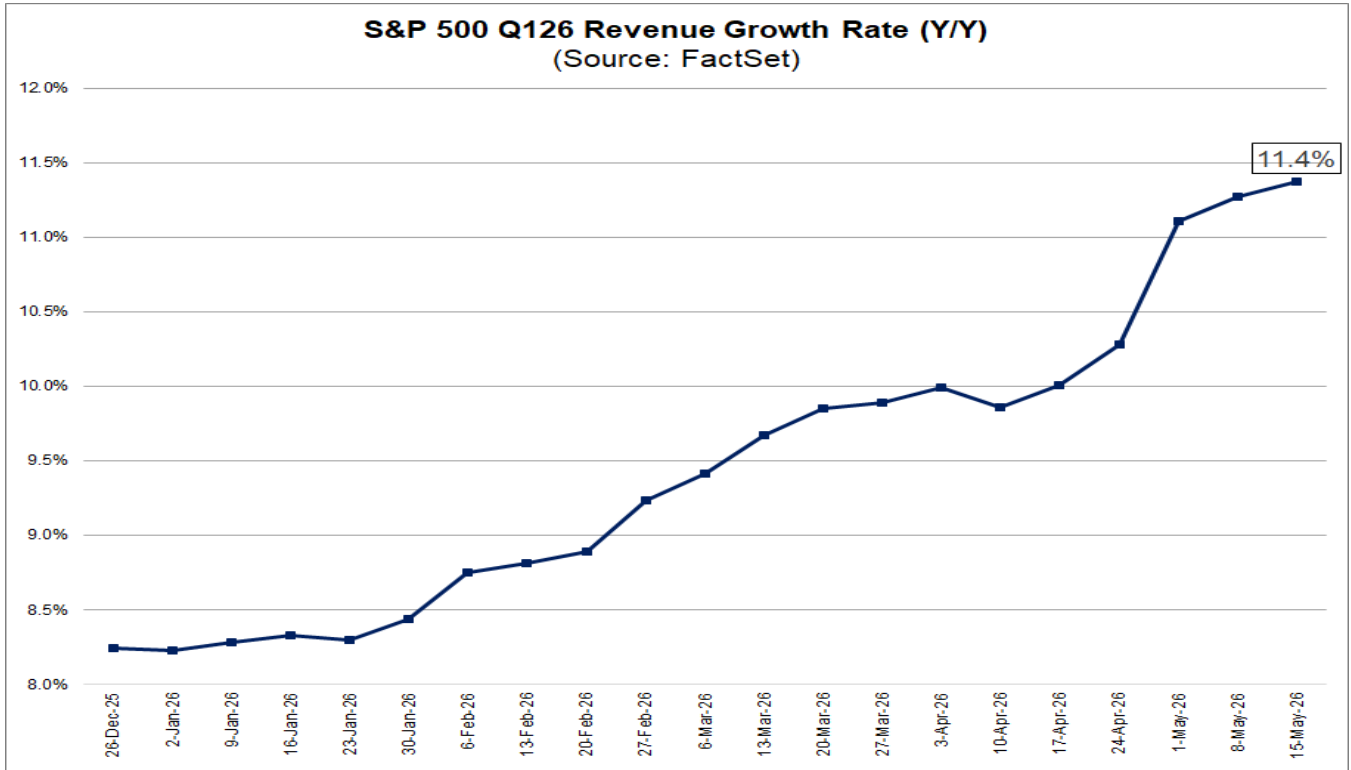
At the sector level, all eleven sectors are reporting (or have reported) year-over-year revenue growth. Five of these eleven sectors are reporting (or have reported) double-digit revenue growth: Information Technology, Communication Services, Utilities, Real Estate, and Financials.

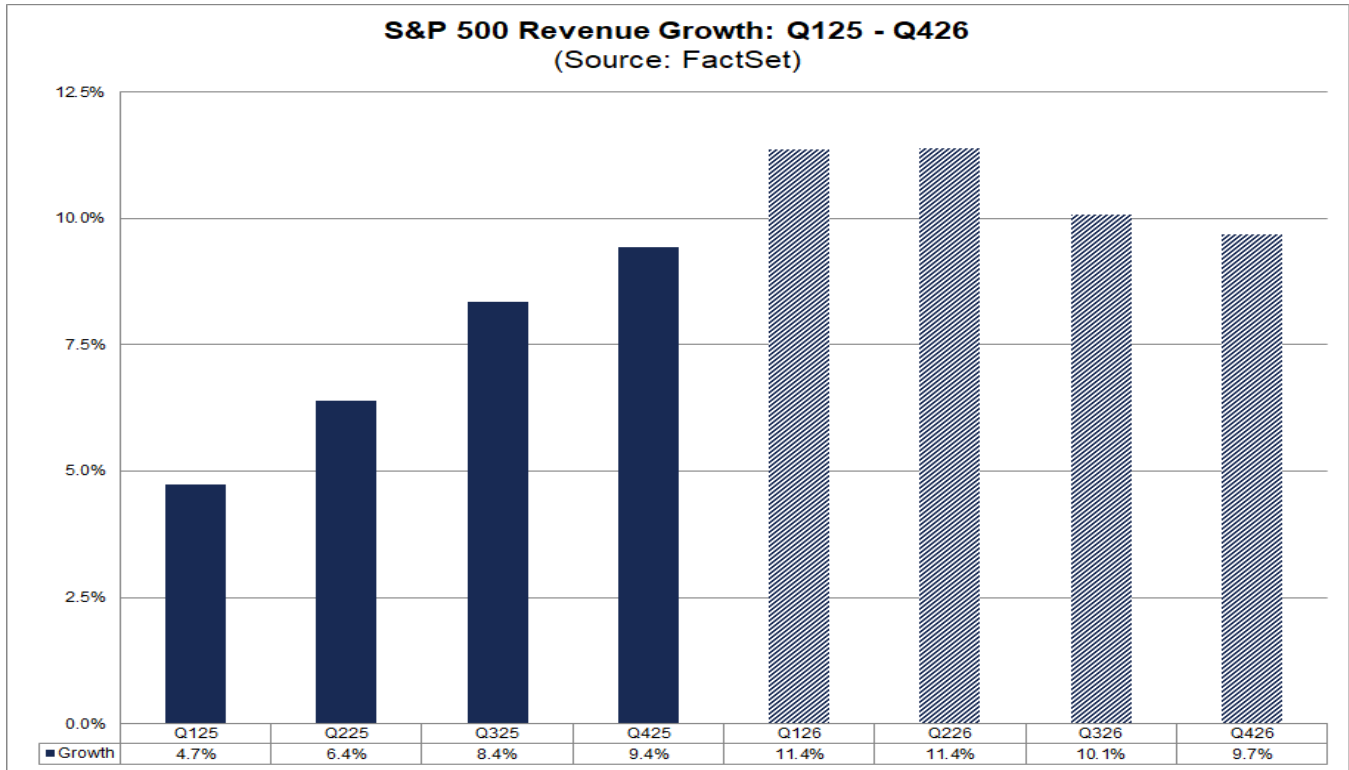
The Information Technology sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 29.2%. At the industry level, all 6 industries in the sector are reporting (or have reported) year-over-year revenue growth: Semiconductors & Semiconductor Equipment (52%), Technology Hardware, Storage, & Peripherals (28%), Electronic Equipment, Instruments, & Components (24%), Software (19%), Communication Equipment (16%), and IT Services (8%).

The Information Technology sector is also the largest contributor to revenue growth for the index as a whole. If this sector were excluded, the blended revenue growth rate for the S&P 500 for Q1 would fall to 9.0% from 11.4%.

Looking ahead, analysts expect lower revenue growth for the S&P 500 for the 2nd half of 2026. For Q2 2026 through Q4 2026, the estimated revenue growth rates for the index are 11.4%, 10.1%, and 9.7%, respectively.







Topic of the Week: 2

Highest Number of S&P 500 Earnings Calls Citing “Middle East” Going Back At Least 10 Years

During each corporate earnings season, companies may comment on geopolitical events that had an impact on their earnings or revenues in a given quarter or may have an impact on earnings and revenues in future quarters. As a result, have S&P 500 companies commented on the situation in the Middle East on their earnings calls for the first quarter?

The answer is yes. FactSet searched for the term “Middle East” in the conference call transcripts of all the S&P 500 companies that conducted earnings conference calls from March 15 through May 15.

Overall, the term “Middle East” was cited on 211 earnings calls conducted by S&P 500 companies during this period. This number reflects the highest number of S&P 500 earnings calls where the term “Middle East” was cited over the past 10 years (using current index constituents going back in time). The previous record for the highest number of earnings calls where the term “Middle East” was cited over this period was 85 in Q2 2023. This number (211) also reflects 47% of the earnings calls conducted by S&P 500 companies from March 15 to May 15.

At the sector level, the Industrials (50) sector has the highest number of earnings calls where the term “Middle East” was cited, while the Energy (90%) sector has the highest percentage of earning calls where the term “Middle East” was cited.

A number of the companies citing “Middle East” on earnings calls for Q1 discussed some of the macroeconomic impacts of the situation, including higher oil prices and higher freight costs. However, it is interesting to note that only a small number of the companies that cited “Middle East” on Q1 earnings calls also lowered EPS guidance for 2026.

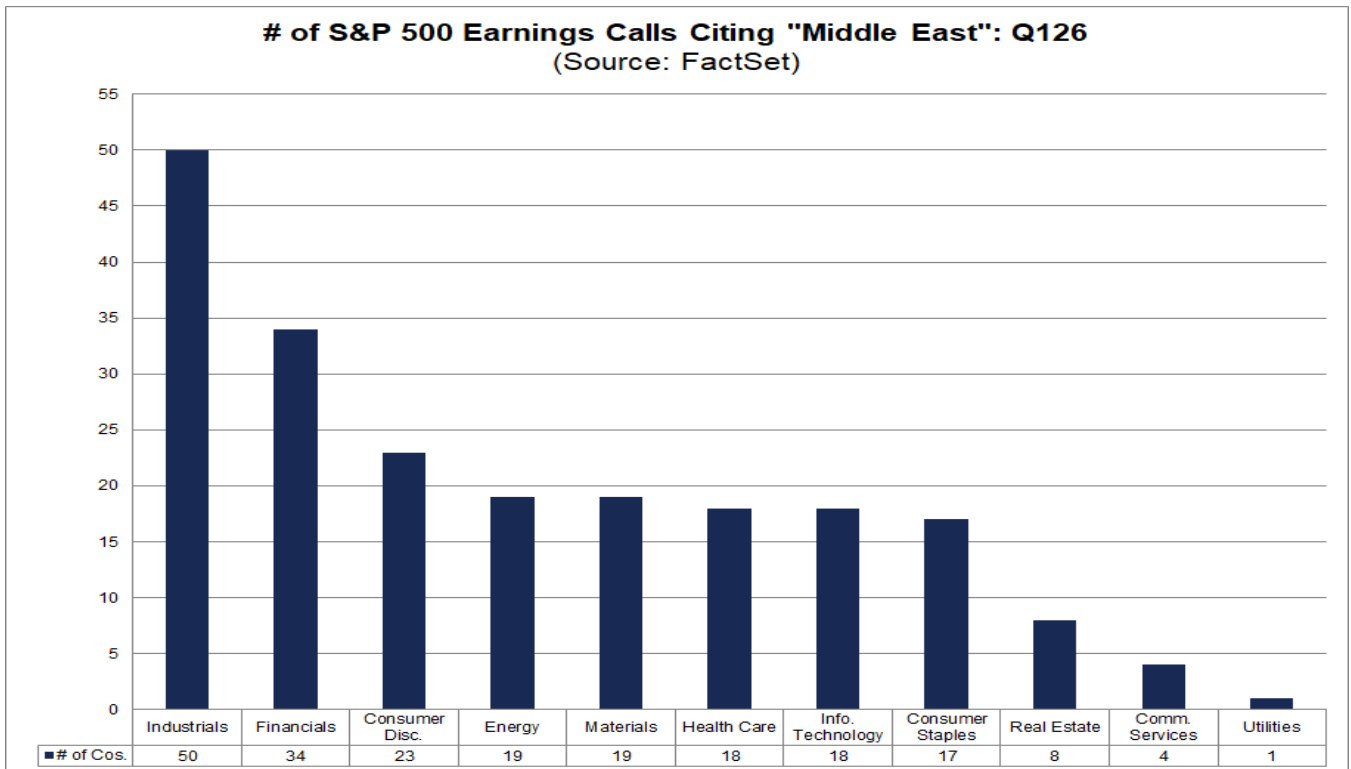
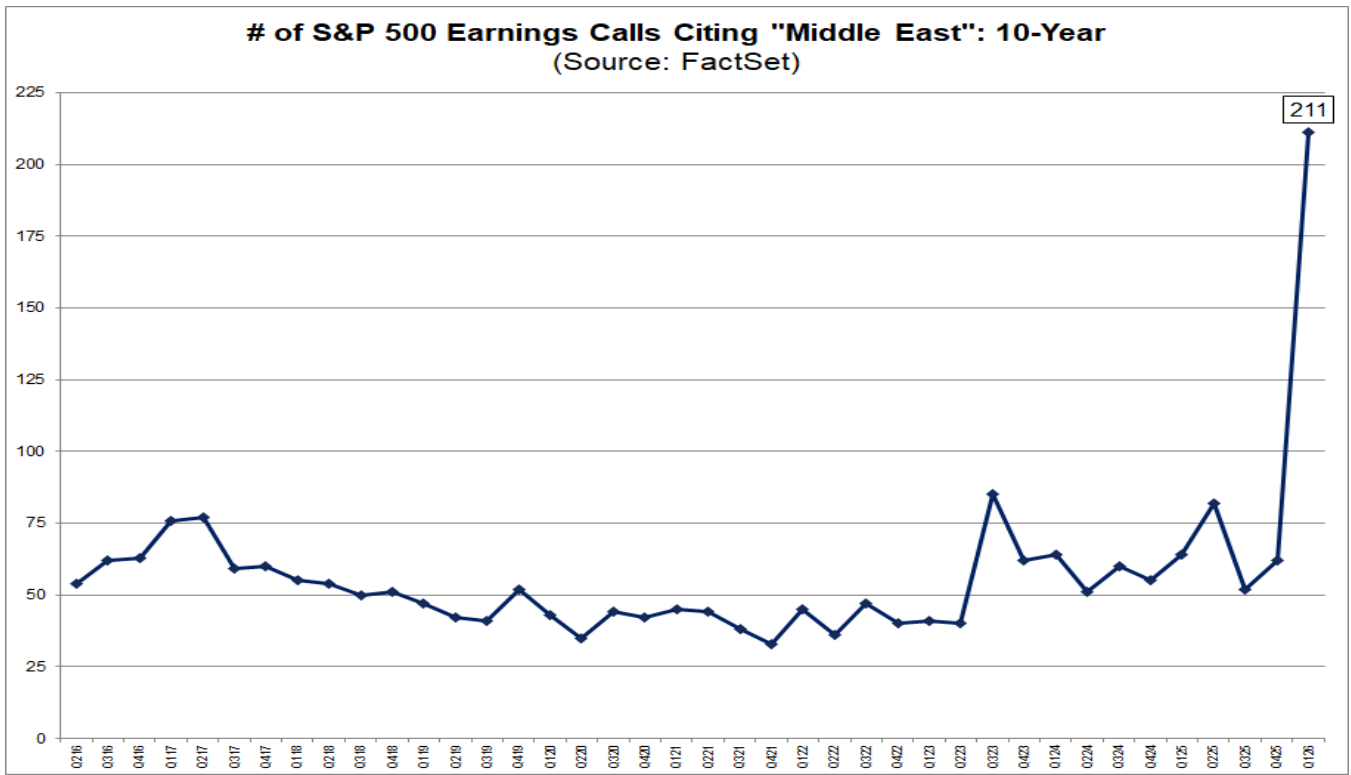
Of the 211 S&P 500 companies that cited “Middle East” on their Q1 earnings calls, 117 (or 55%) also provided annual EPS guidance for 2026. This percentage (55%) is consistent with the overall percentage of S&P 500 companies providing annual EPS guidance for 2026 (53%).

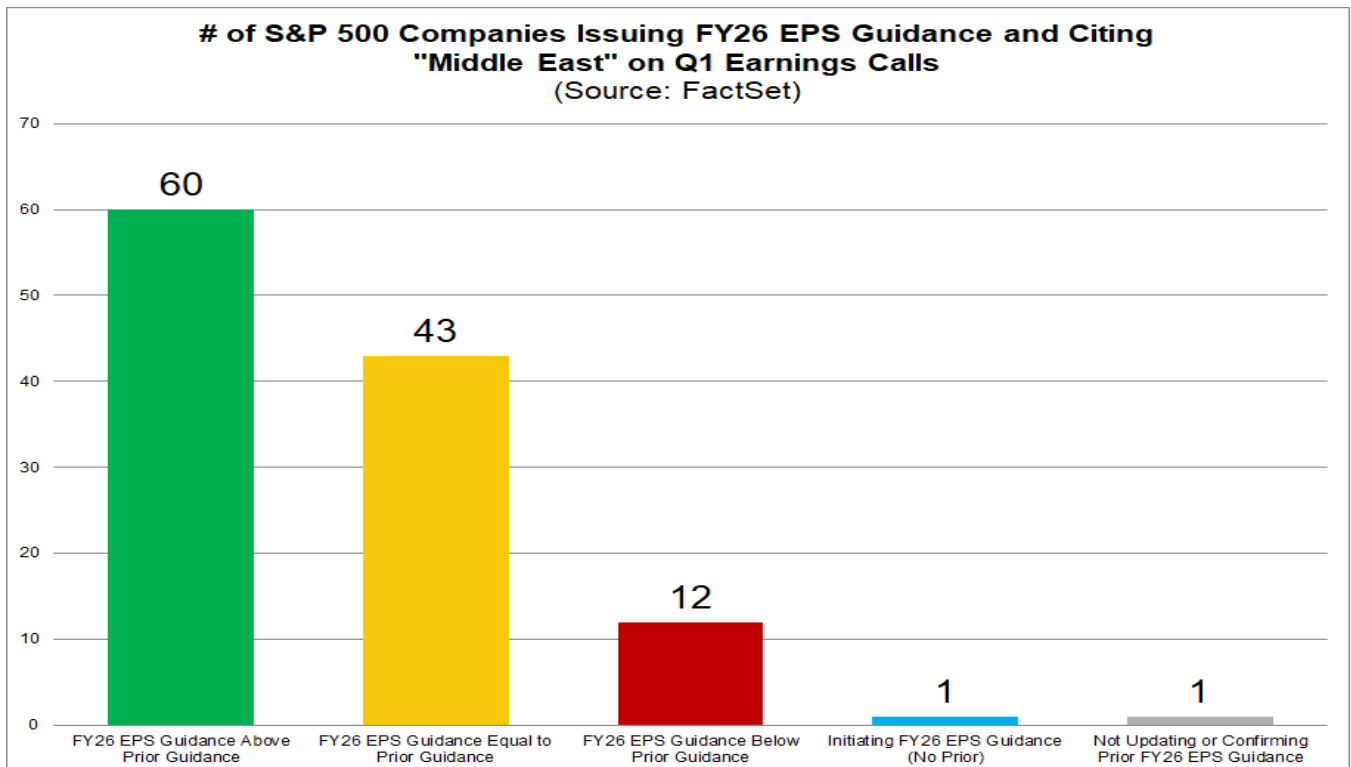
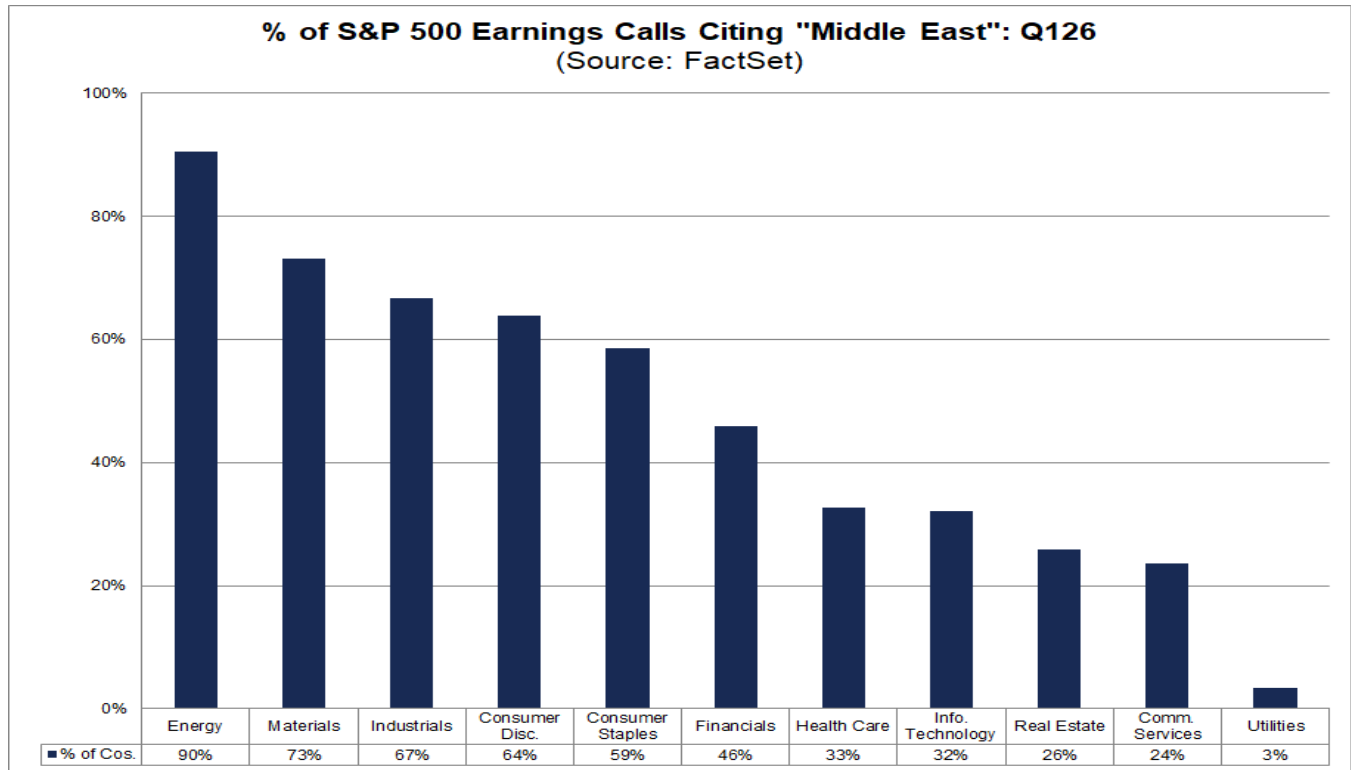
Of these 117 companies, 60 provided annual EPS guidance that was higher than the previous (annual) guidance issued by the company, 43 maintained previous (annual) EPS guidance, 12 provided annual EPS guidance that was lower than the previous (annual) guidance issued by the company, 1 initiated new annual EPS guidance (no prior guidance), and 1 did not provide an update relative to previous (annual) guidance.

Therefore, 88% (103 out of 117) of the S&P 500 companies that cited “Middle East” on their Q1 earnings calls and provided annual EPS guidance either increased or maintained prior EPS guidance for 2026. On the other hand, 11% (13 out of 117) of the S&P 500 companies that cited “Middle East” on their earnings calls and provided annual EPS guidance either lowered annual EPS guidance or did not provide an update relative to previous EPS guidance for 2026.

Of these 13 companies, seven cited direct or indirect impacts from the situation in the Middle East as a reason for either lowering or not updating annual EPS guidance. The other six companies either cited other factors for lowering annual EPS guidance or stated they did not expect the situation in the Middle East to have a material impact on earnings for the full year. A list of these 13 companies and their comments can be found in Appendix 1 starting on page 38.

As a result, 6% (7 out of 117) of the companies that cited “Middle East” on their Q1 earnings calls and provided annual EPS guidance cited direct or indirect impacts from the situation in the Middle East as a reason or factor for either lowering or not updating annual EPS guidance. Six of these seven companies are in industries related to travel. Four companies are in the Hotels, Resorts, & Cruise Lines sub-industry and two companies are in the Passenger Airlines sub-industry.





Q1 Earnings Season: By The Numbers

Overview

At this late stage of the Q1 earnings season, the S&P 500 continues to report 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, 91% 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 17.9% above estimates, which is also above the 5-year average of 7.3% and above the 10-year average of 7.1%. If 17.9% 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, positive EPS surprises and upward revisions to EPS estimates for companies in the Information Technology sector were the largest contributors to the slight increase in the overall earnings growth rate for the index over this period. Since March 31, the positive EPS surprises reported by three of the “Magnificent 7” companies (Alphabet, Amazon.com, and Meta Platforms) 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 27.7% today, compared to an earnings growth rate of 27.6% last week and an earnings growth rate of 13.0% at the end of the first quarter (March 31).

If 27.7% 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 6th consecutive quarter of double-digit (year-over-year) earnings growth for the index.

Ten of the eleven sectors are reporting (or have reported) year-over-year earnings growth. Seven of these ten sectors are reporting (or have reported) double-digit earnings growth, led by the Information Technology, Communication Services, Materials, and Consumer Discretionary sectors. On the other hand, the Health Care sector is the only sector reporting a year-over-year decline in earnings.

In terms of revenues, 80% 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 1.8% 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 11.4% today, compared to a revenue growth rate of 11.3% 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 Utilities sector) were the largest contributors to the slight 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 Communication Services, Financials, Industrials, Information Technology, and Health Car sectors) have been the largest contributors to the increase in the overall revenue growth rate for the index over this period.

If 11.4% 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 (or have reported) year-over-year growth in revenues, led by the Information Technology, Communication Services, and Utilities sectors.

For Q2 2026 through Q4 2026, analysts are calling for earnings growth rates of 20.5%, 23.6%, and 21.1%, respectively. For CY 2026, analysts are predicting (year-over-year) earnings growth of 21.5%.

The forward 12-month P/E ratio is 21.4, 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, 18 S&P 500 companies (including 3 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, 91% 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 (96%), Health Care (89%), and Consumer Staples (88%) sectors have the highest percentages of companies reporting earnings above estimates, while the Communication Services (73%), Materials (73%), and Real Estate (74%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (+17.9%) is Above 5-Year Average

In aggregate, companies are reporting earnings that are 17.9% 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 17.9% 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 (+53.0%) 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), Meta Platforms (\$10.44 vs. \$6.67), and Paramount Skydance (\$0.23 vs. \$0.15) 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 (+46.3%) 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), Norwegian Cruise Line Holdings (\$0.23 vs. \$0.14), Expedia (\$1.96 vs. \$1.41), 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 Energy (+19.9%) sector reported the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Phillips 66 (\$0.49 vs. -\$0.54), Marathon Petroleum (\$1.65 vs. \$0.74), Occidental Petroleum (\$1.06 vs. \$0.60), Chevron (\$1.41 vs. \$0.97), and Valero Energy (\$4.22 vs. \$3.16) reported the largest positive EPS surprises.

The Industrials (+19.2%) sector is reporting the fourth-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 Materials (+17.3%) sector reported the fifth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Albemarle Corporation (\$2.95 vs. \$1.19), LyondellBasell Industries (\$0.49 vs. \$0.28), Dow (-\$0.14 vs. -\$0.29), and CF Industries Holdings (\$4.10 vs. \$2.70) 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 slightly more than average and punishing negative EPS surprises reported by S&P 500 companies for Q1 much more than average.

Companies that have reported positive earnings surprises for Q1 2026 have seen an average price increase of +1.1% two days before the earnings release through two days after the earnings release. This percentage increase is slightly 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 -4.6% two days before the earnings release through two days after the earnings. This percentage decrease is much 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 (80%) is Above 5-Year Average

In terms of revenues, 80% of the companies have reported actual revenues above estimated revenues, 0% of the companies have reported actual revenues equal to estimated revenues, and 20% 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 Information Technology (91%) and Communication Services (91%) sectors have the highest percentages of companies reporting revenues above estimates, while the Financials (65%) and Energy (68%) sectors have the lowest percentages of companies reporting revenues above estimates.

Revenue Surprise Percentage (+1.8%) is Below 5-Year Average

In aggregate, companies are reporting revenues that are 1.8% 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 (+7.3%) and Materials (+3.3%) sectors reported the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Consumer Staples sector (+0.4%) sector is reporting the smallest positive (aggregate) difference between actual revenues and estimated revenues.

Revisions: Slight Increase in Blended Earnings This Week Due to Information Technology

Slight Increase in Blended Earnings This Week Due to Information Technology Sector

The blended (year-over-year) earnings growth rate for the first quarter is 27.7%, which is slightly above the earnings growth rate of 27.6% last week. Positive EPS surprises and upward revisions to EPS estimates for companies in the Information Technology sector were the largest contributors to the slight increase in the overall earnings growth rate for the index over this period.

Slight Increase in Blended Revenues This Week Due to Utilities Sector

The blended (year-over-year) revenue growth rate for the first quarter is 11.4%, which is slightly above the revenue growth rate of 11.3% last week. Positive revenue surprises reported by companies in multiples sectors (led by the Utilities sector) were the largest contributors to the slight increase in the overall revenue growth rate for the index over this period.

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

The blended (year-over-year) earnings growth rate for Q1 2026 of 27.7% is above the estimate of 13.0% 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 48.9% vs. -3.7%) and Consumer Discretionary (to 39.8% 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 0.6% from 8.2%) 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 48.9% compared to expectations for a decline in earnings of -3.7% 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 39.8% from 1.7% over this period.

Outside of these two sectors, the Information Technology, Financials, and Industrials sectors have also been substantial contributors to the increase in the overall earnings growth rate for the S&P 500 since the end of the quarter.

In the Information Technology sector, the positive EPS surprises reported by Microsoft (\$4.27 vs. \$4.06), Sandisk (\$23.41 vs. \$14.62), Intel (\$0.29 vs. \$0.02), and Apple (\$2.01 vs. \$1.95) 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 Information Technology sector has increased to 51.0% from 44.6% 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 21.7% from 14.8% 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 20.3% from 3.1% over this period.

Communication Services Sector Has Seen Largest Increase in Revenues since March 31

The blended (year-over-year) revenue growth rate for Q1 2026 of 11.4% is above the estimate of 9.9% at the end of the first quarter (March 31). All 11 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 Utilities (to 13.9% from 9.4%) and Materials (to 9.2% from 5.2%) sectors. However, the Communication Services (to 15.1% from 12.7%), Financials (to 10.9% from 10.0%), Industrials (to 8.0% from 5.8%), Information Technology (to 29.2% from 27.4%), and Health Care (to 7.0% from 5.9%) sectors have been the largest contributors to the increase in the overall revenue growth rate for the index since March 31.

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 15.1% from 12.7% over this period.

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 10.9% from 10.0% 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 8.0% from 5.8% over this period.

In the Health Care sector, the positive revenue surprises reported by CVS Health (\$100.43 billion vs. \$94.99 billion), 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 7.0% from 5.9% 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.

Earnings Growth: 27.7%

The blended (year-over-year) earnings growth rate for Q1 2026 is 27.7%, 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 27.7% 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 6th consecutive quarter of double-digit (year-over-year) earnings growth for the index.

Ten of the eleven sectors are reporting (or have reported) year-over-year earnings growth. Seven of these ten sectors are reporting (or have reported) double-digit growth, led by the Information Technology, Communication Services, Materials, and Consumer Discretionary sectors. On the other hand, the Health Care sector is the only sector reporting a year-over-year decline in earnings.

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

The Information Technology sector is reporting the highest (year-over-year) earnings growth rate of all eleven sectors at 51.0%. At the industry level, all 6 industries in the sector are reporting (or have reported) year-over-year earnings growth: Semiconductors & Semiconductor Equipment (100%), Electronic Equipment, Instruments, & Components (38%), Technology Hardware, Storage, & Peripherals (36%), Software (23%), Communication Services (18%), and IT Services (8%).

At the company level, NVIDIA (\$1.75 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 28.8% from 51.0%.

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

The Communication Services sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 48.9%. At the industry level, 2 of the 5 industries in the sector reported year-over-year earnings growth: Interactive Media & Services (76%) and Media (14%). On the other hand, 3 of the 5 industries in the sector are reporting (or have reported) a year-over-year decline in earnings: Wireless Telecommunication Services (-17%), Entertainment (-7%), 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 Communication Services sector would be reporting a year-over-year decline in earnings of -4.3% rather than year-over-year earnings growth of 48.9%.

Materials: Metals & Mining Industry Was Largest Contributor to (Y/Y) Growth

The Materials sector reported the third-largest (year-over-year) earnings growth of all eleven sectors at 42.5%. At the industry level, 2 of the 4 industries in the sector reported year-over-year earnings growth: Metals & Mining (136%) and Chemicals (19%). On the other hand, 2 of the 4 industries in the sector reported a year-over-year decline in earnings: Construction Materials (-24%) and Containers & Packaging (-1%).

The Metals & Mining industry was also the largest contributor to earnings growth for the sector. If this industry were excluded, the actual earnings growth rate for the Materials sector would fall to 14.6% from 42.5%.

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

The Consumer Discretionary sector is reporting the fourth-highest (year-over-year) earnings growth rate of all eleven sectors at 39.8%. At the industry level, 7 of the 9 industries in the sector are reporting (or have reported) year-over-year earnings growth. Five of these 7 industries are reporting (or have reported) double-digit growth: Automobiles (78%), Broadline Retail (75%), Leisure Products (16%), Hotels, Restaurants, & Leisure (15%), and Automobile Components (10%). On the other hand, 2 of the 9 industries in the sector are reporting (or have reported) a year-over-year decline in earnings: Household Durables (-26%) and Textiles, Apparel, and Luxury Goods (-17%).

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 14.9% from 39.8%.

Revenue Growth: 11.4%

The blended (year-over-year) revenue growth rate for Q1 2026 is 11.4%, 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 11.4% 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 (or have reported) year-over-year growth in revenues, led by the Information Technology, Communication Services, and Utilities 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 (or have reported) year-over-year revenue growth: Semiconductors & Semiconductor Equipment (52%), Technology Hardware, Storage, & Peripherals (28%), Electronic Equipment, Instruments, & Components (24%), Software (19%), Communication Equipment (16%), 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 15.1%. At the industry level, all 5 industries in the sector are reporting (or have reported) year-over-year revenue growth: Interactive Media & Services (24%), Wireless Telecommunication Services (11%), Entertainment (8%), Media (5%), and Diversified Telecommunication Services (4%).

Utilities: All 5 Industries Reported Year-Over-Year Growth

The Utilities sector reported the third-highest (year-over-year) revenue growth rate of all eleven sectors at 13.9%. At the industry level, all 5 industries in the sector reported year-over-year revenue growth: Independent Power & Renewable Electricity Producers (29%), Electric Utilities (15%), Multi-Utilities (9%), Water Utilities (6%), and Gas Utilities (1%).

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 (20.7% vs. 16.0%) and Information Technology (29.7% vs. 25.4%) sectors. On the other hand, three 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. One sector (Consumer Staples) is reporting flat (year-over-year) net profit margins (6.2% vs. 6.2%).

Six sectors are reporting net profit margins in Q1 2026 that are above their 5-year averages, led by the Communication Services (20.7% 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 Real Estate (33.5% vs. 35.7%) and Energy (7.8% vs. 9.6%) sectors.

Forward Estimates & Valuation

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

At this point in time, 80 companies in the index have issued EPS guidance for Q2 2026. Of these 80 companies, 38 have issued negative EPS guidance and 42 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q2 2026 is 48% (38 out of 80), which is below the 5-year average of 58% and below the 10-year average of 60%.

At this point in time, 267 companies in the index have issued EPS guidance for the current fiscal year (FY 2026 or FY 2027). Of these 267 companies, 113 have issued negative EPS guidance and 154 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 42% (113 out of 267).

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 22% for CY 2026

For the first quarter, S&P 500 companies are reporting year-over-year growth in earnings of 27.7% and year-over-year growth in revenues of 11.4%.

For Q2 2026, analysts are projecting earnings growth of 20.5% and revenue growth of 11.4%.

For Q3 2026, analysts are projecting earnings growth of 23.6% and revenue growth of 10.1%.

For Q4 2026, analysts are projecting earnings growth of 21.1% and revenue growth of 9.7%.

For CY 2026, analysts are projecting earnings growth of 21.5% and revenue growth of 10.3%.

Valuation: Forward P/E Ratio is 21.4, Above the 10-Year Average (18.9)

The forward 12-month P/E ratio for the S&P 500 is 21.4. This P/E ratio is above the 5-year average 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 14.9%, while the forward 12-month EPS estimate has increased by 5.8%. At the sector level, the Consumer Discretionary (27.3) sector has the highest forward 12-month P/E ratio, while the Energy (14.1) and Financials (14.5) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 28.3, which is above the 5-year average of 24.6 and above the 10-year average of 23.3.

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

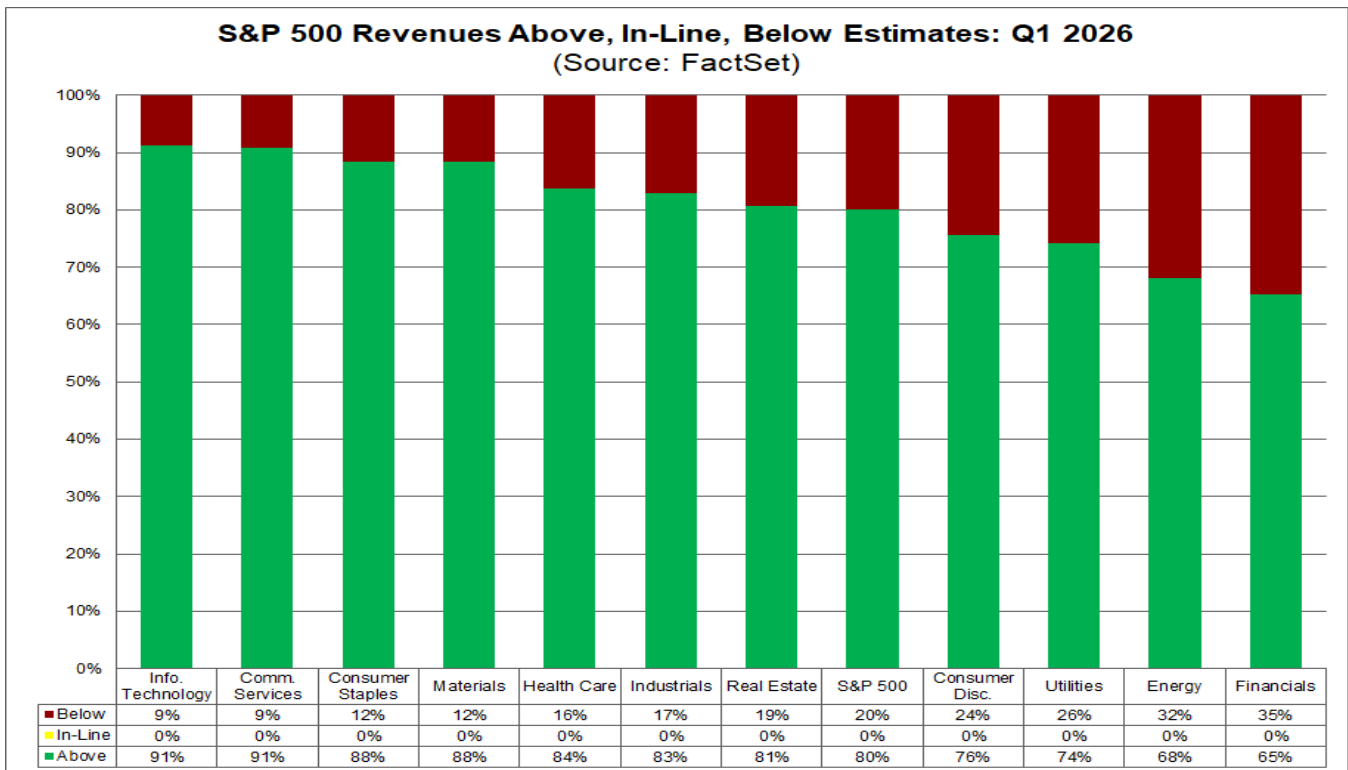
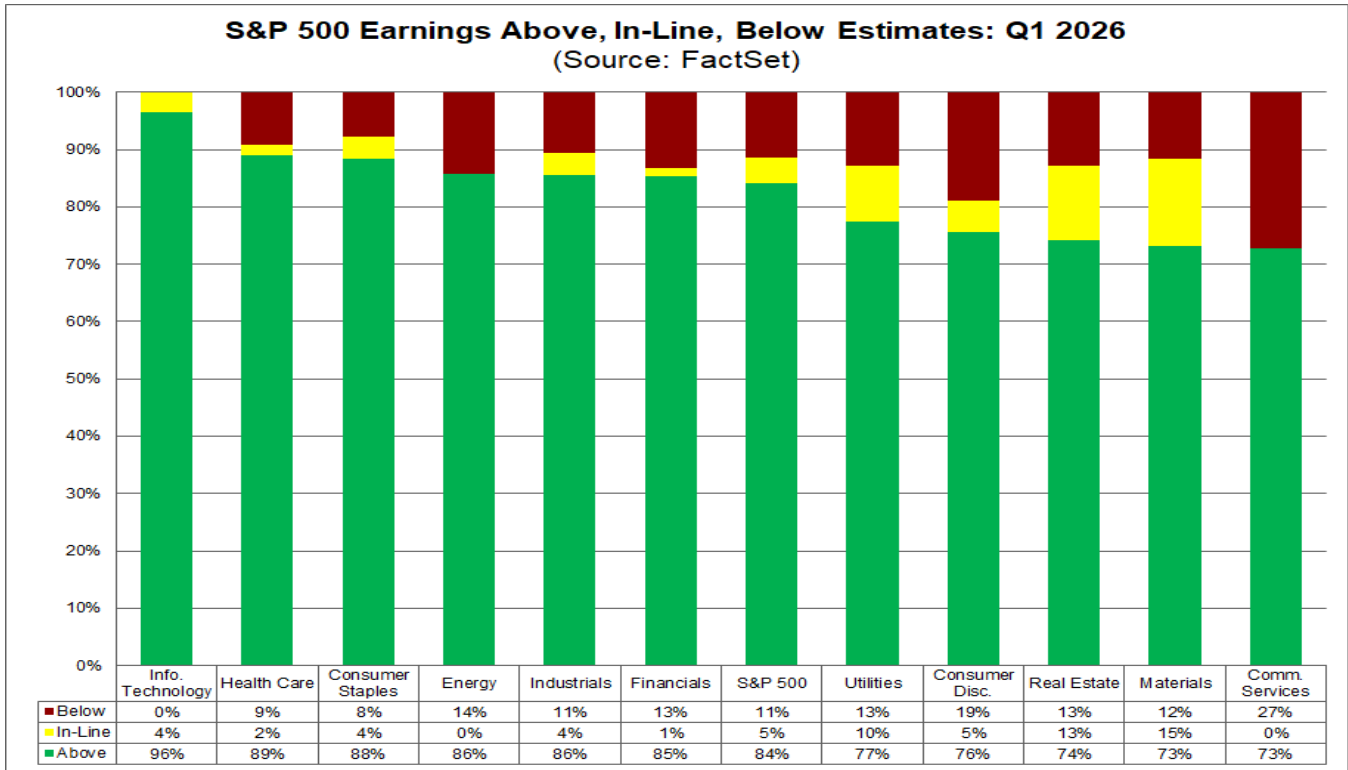
The bottom-up target price for the S&P 500 is 8598.87, which is 14.6% above the closing price of 7501.24. At the sector level, the Health Care (+22.2%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Consumer Staples (+8.6%) and Real Estate (+11.3%) 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 12,831 ratings on stocks in the S&P 500. Of these 12,831 ratings, 59.0% are Buy ratings, 35.8% are Hold ratings, and 5.2% are Sell ratings. At the sector level, the Information Technology (69%), Communication Services (65%), Health Care (64%), and Materials (62%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (43%) and Utilities (49%) sectors have the lowest percentages of Buy ratings.

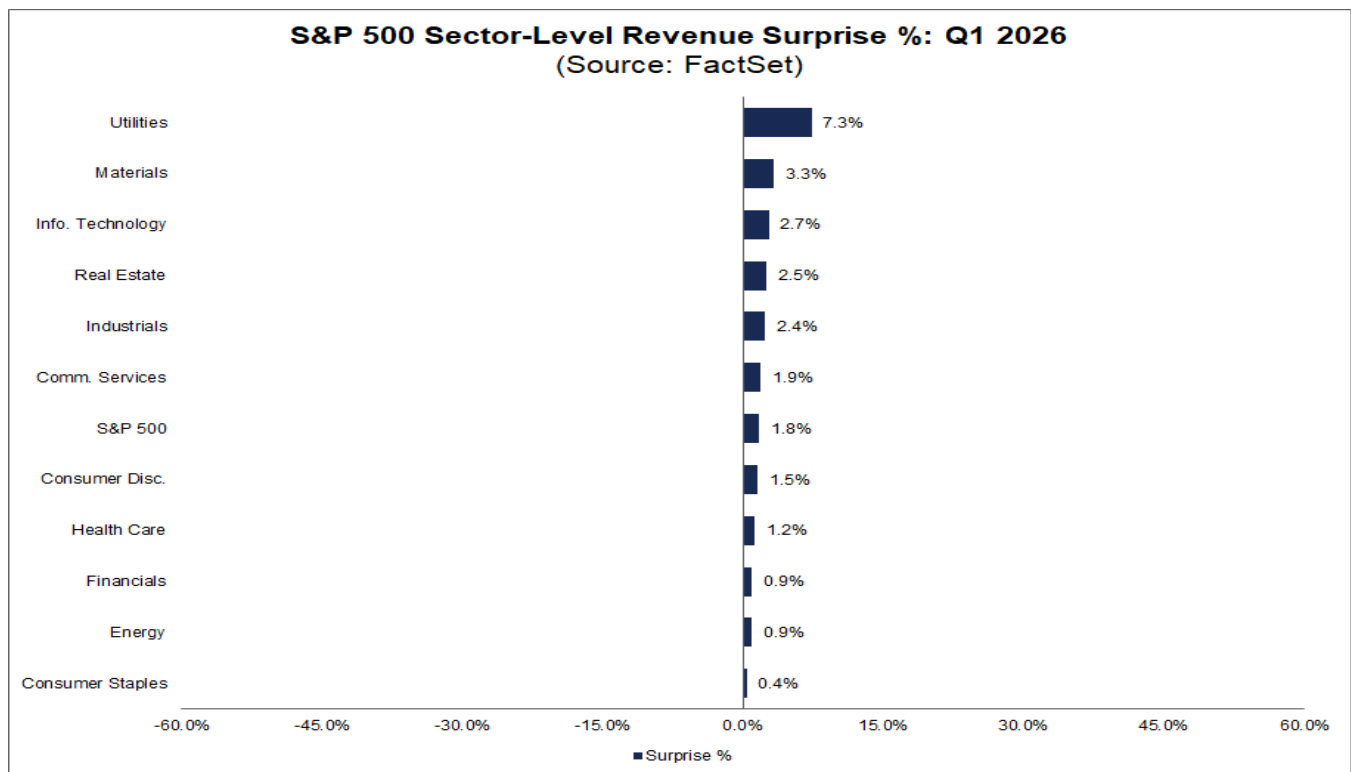
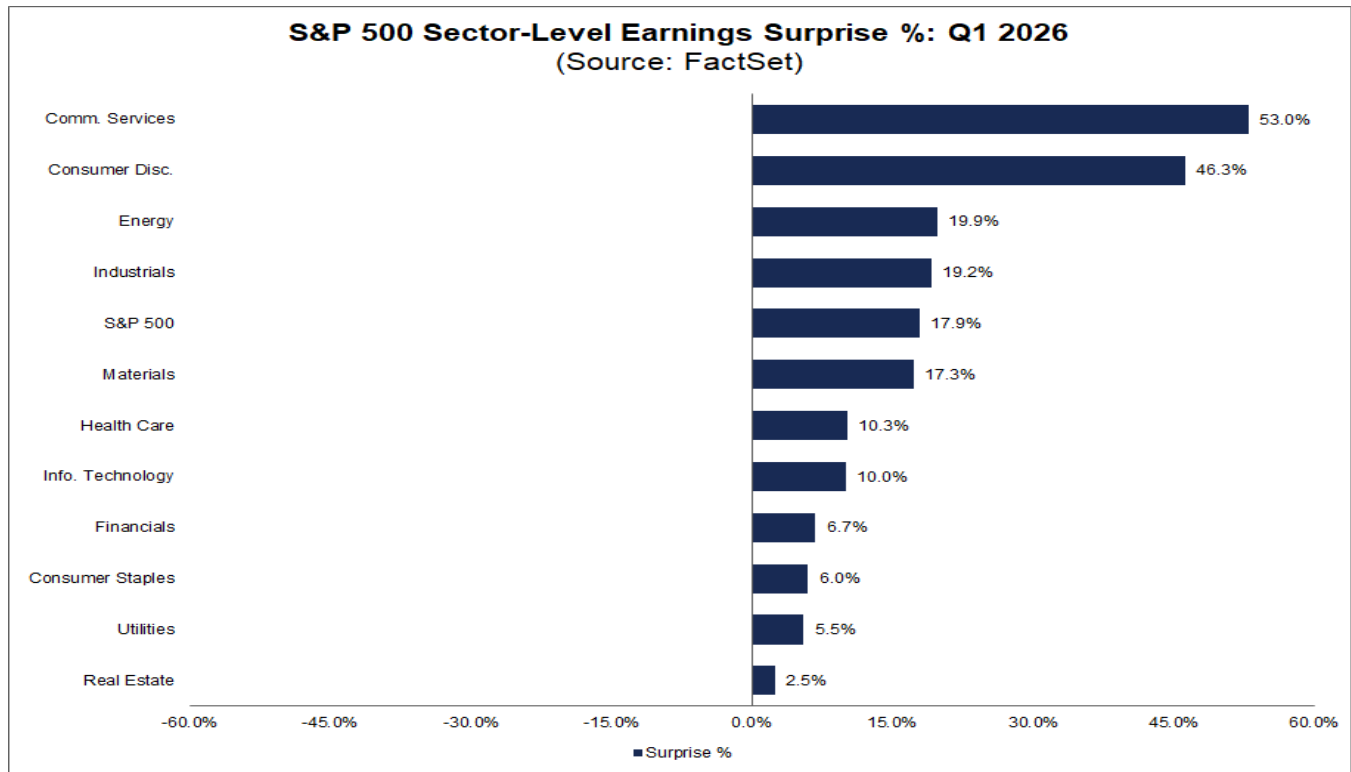
Companies Reporting Next Week: 18

During the upcoming week, 18 S&P 500 companies (including 3 Dow 30 components) are scheduled to report results for the first quarter.

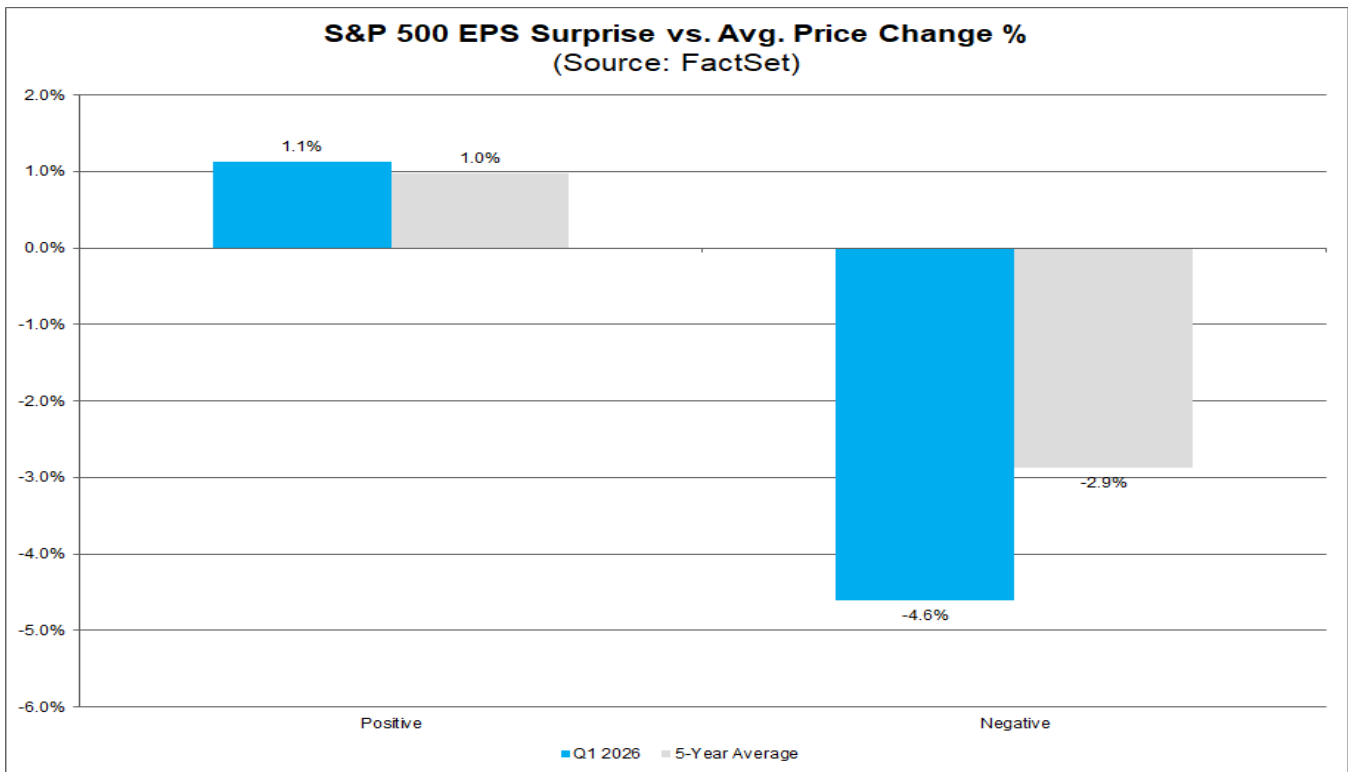
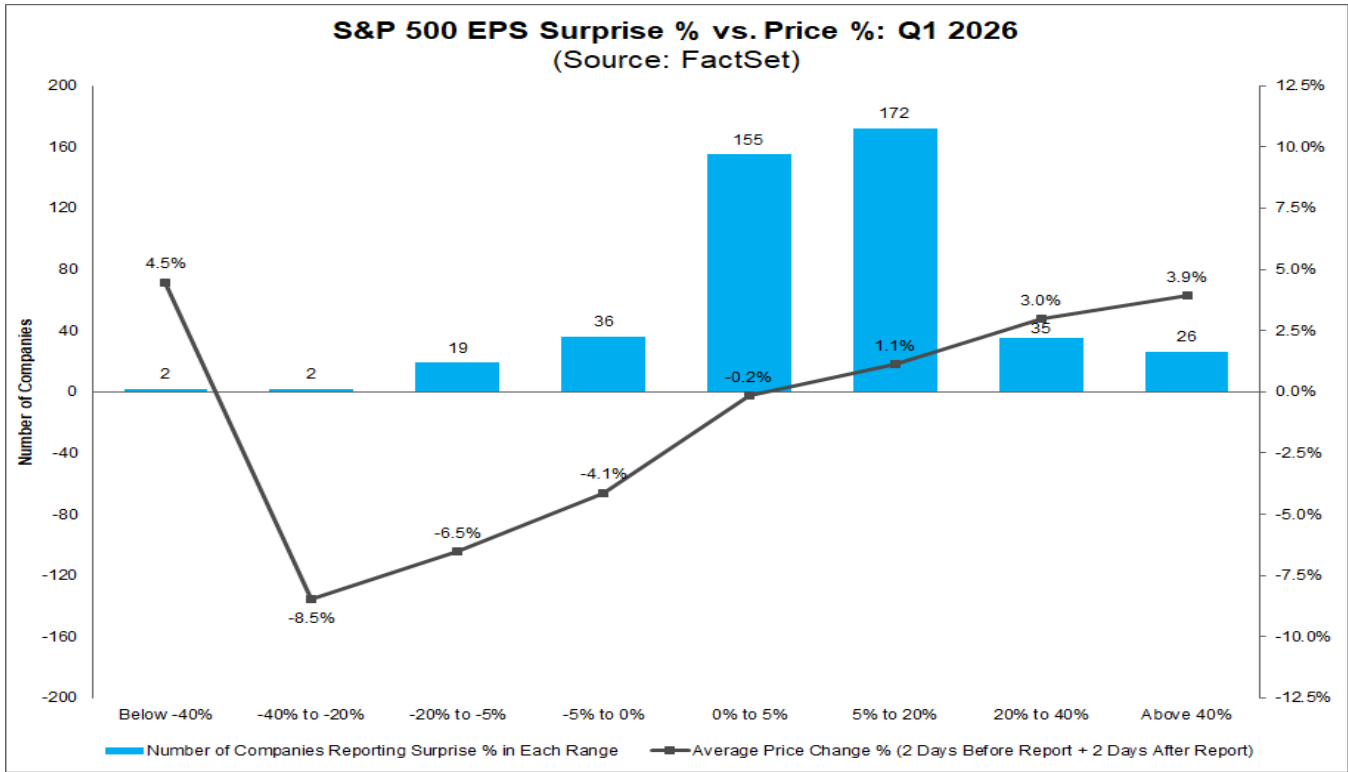
Q1 2026: Scorecard



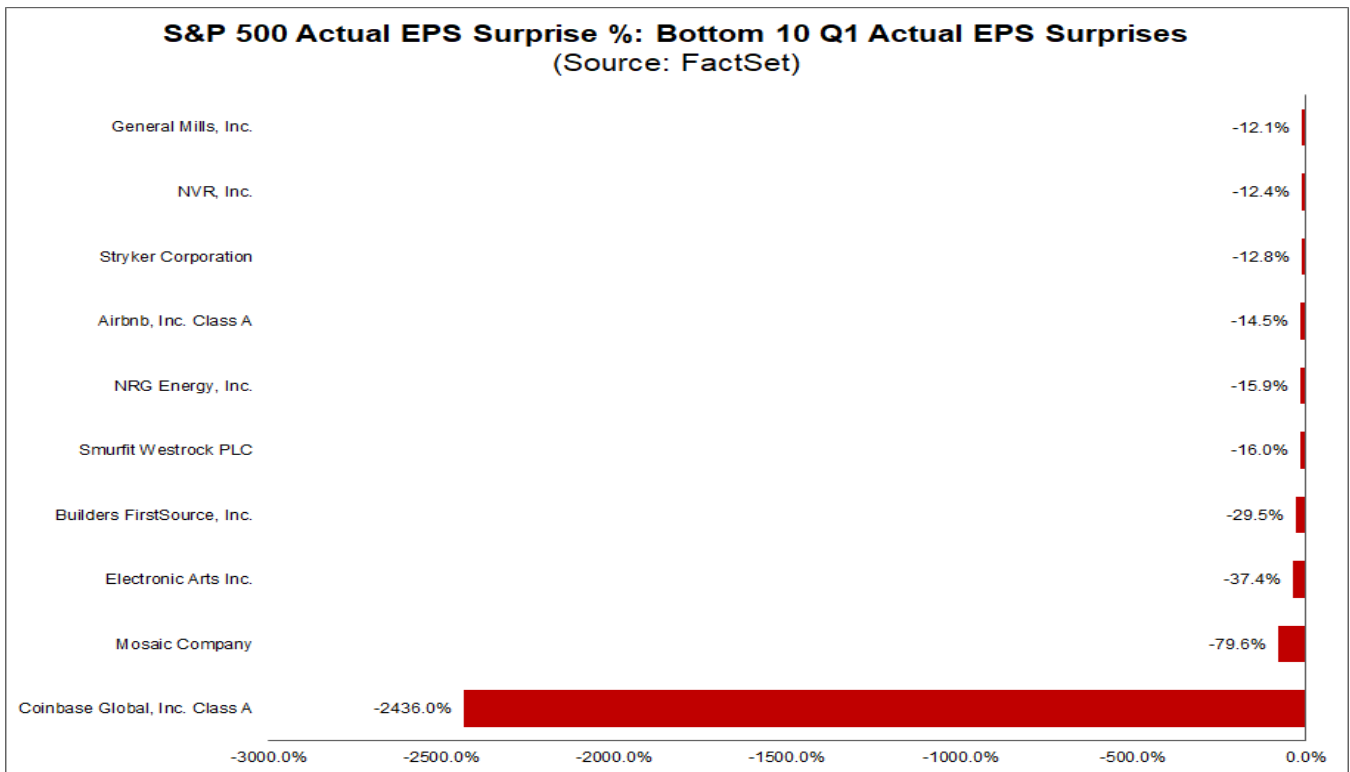
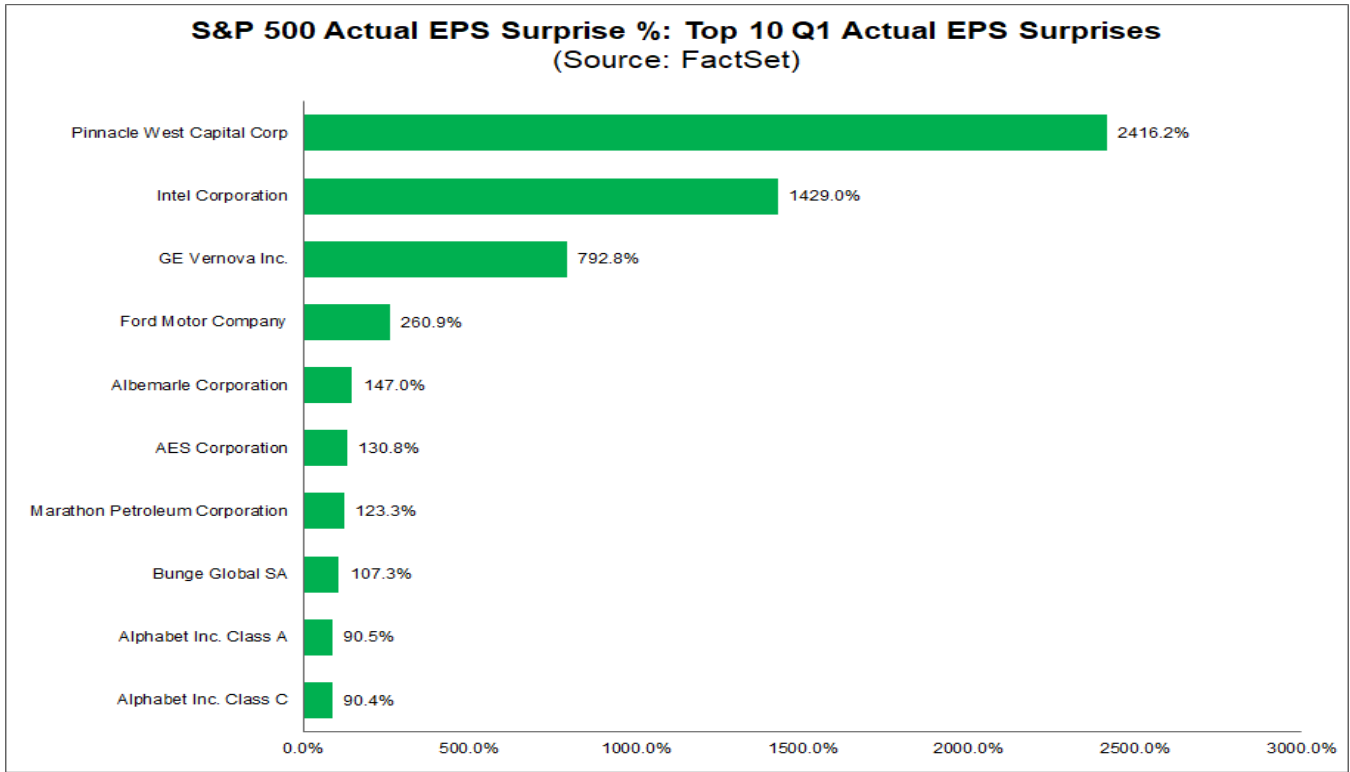
Q1 2026: Surprise



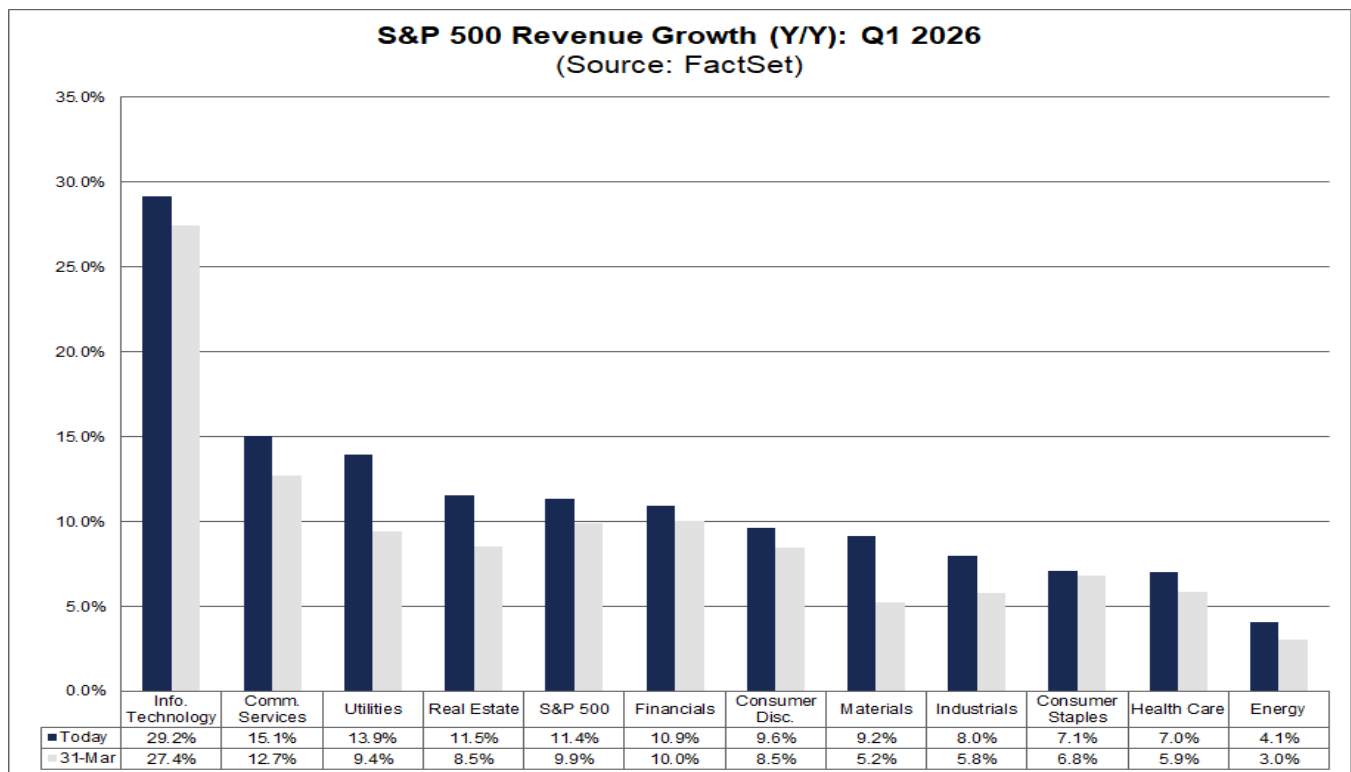
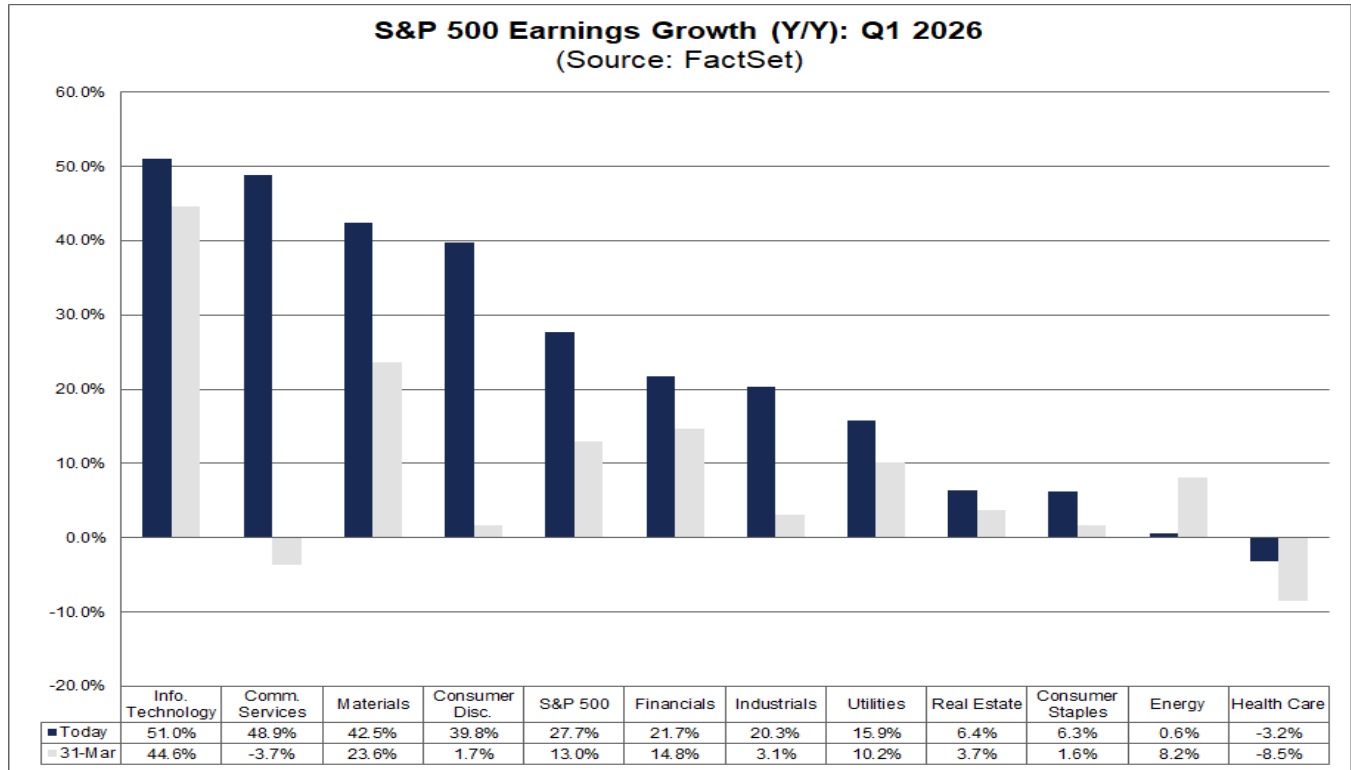
Q1 2026: Surprise



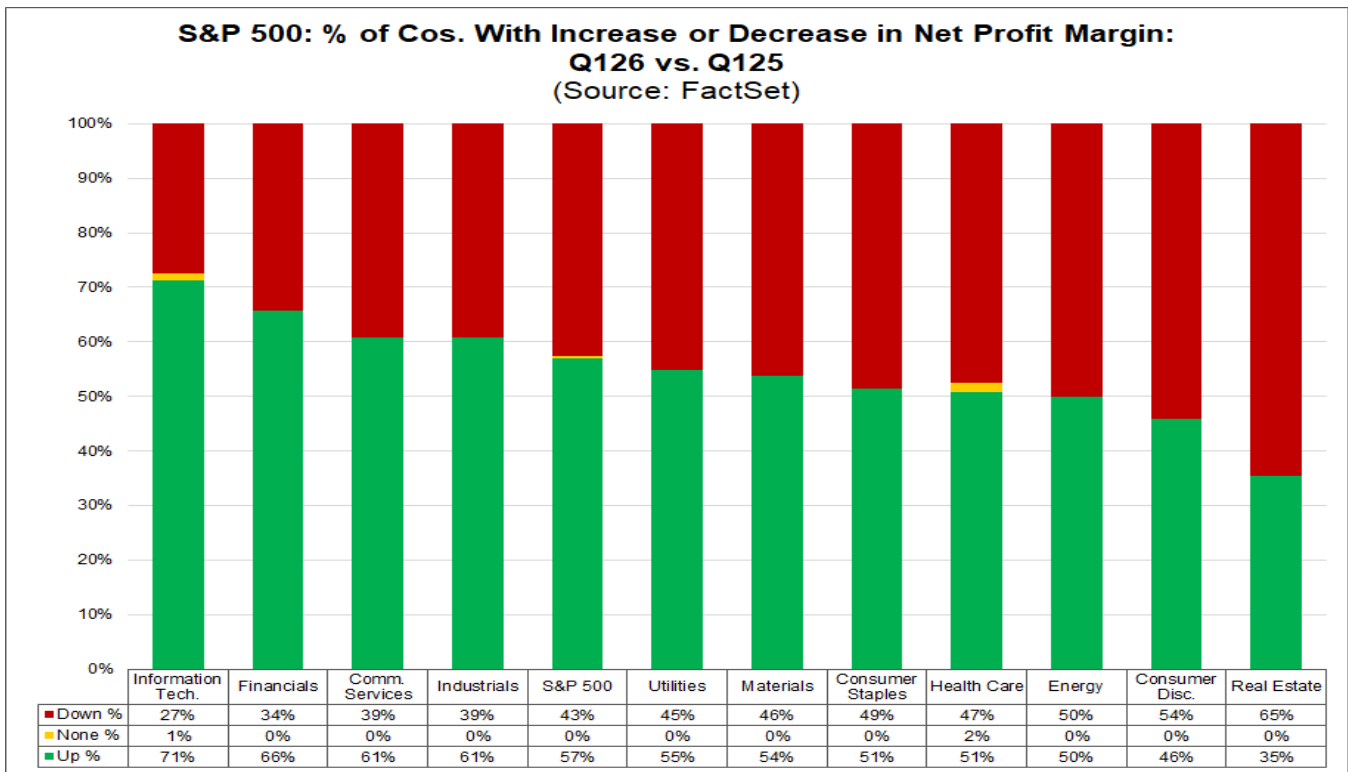
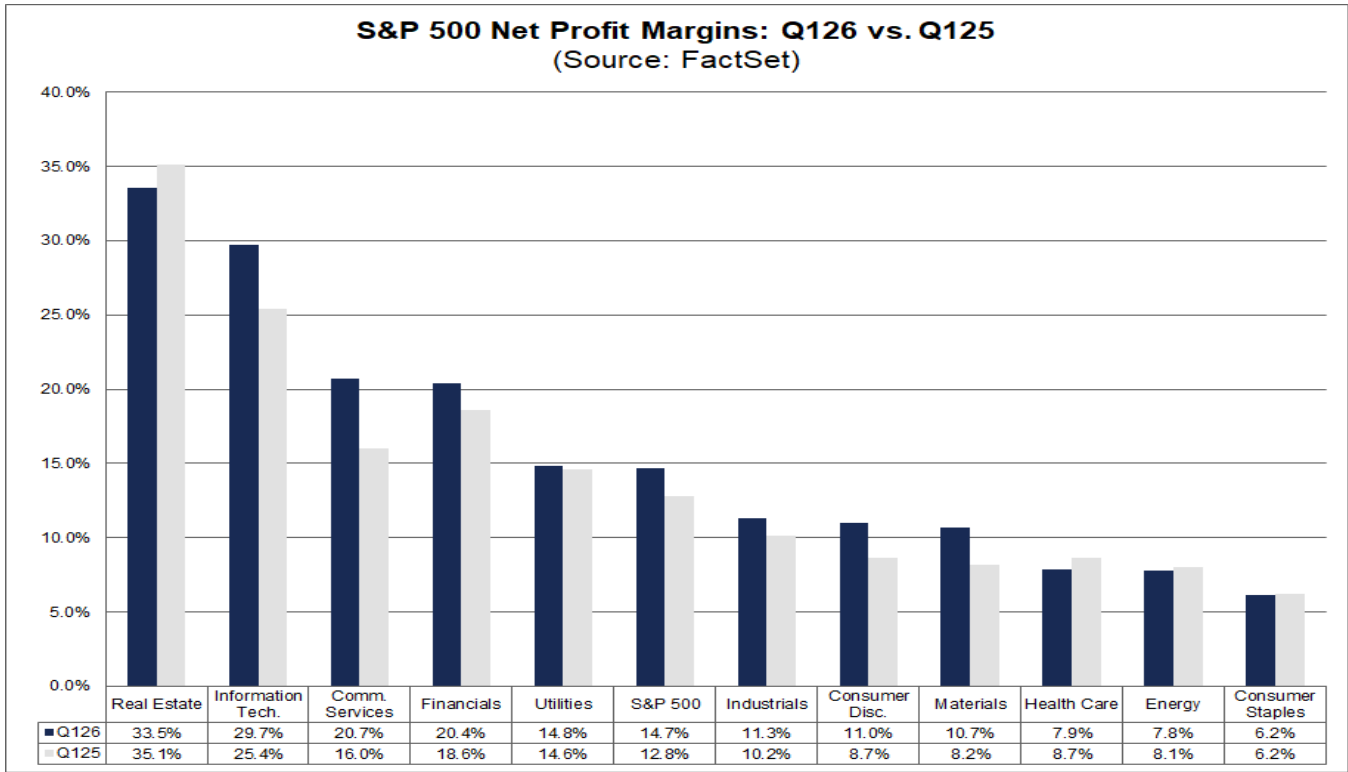
Q1 2026: Surprise



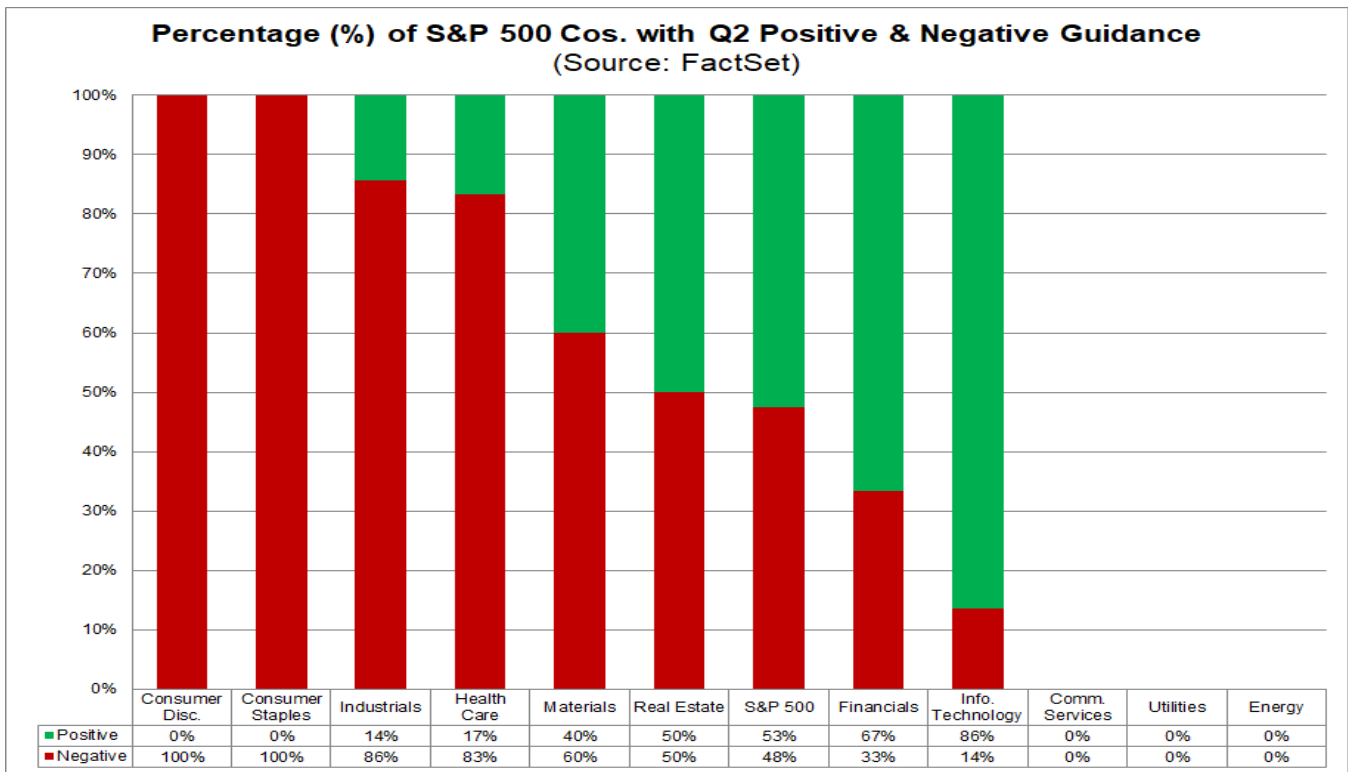
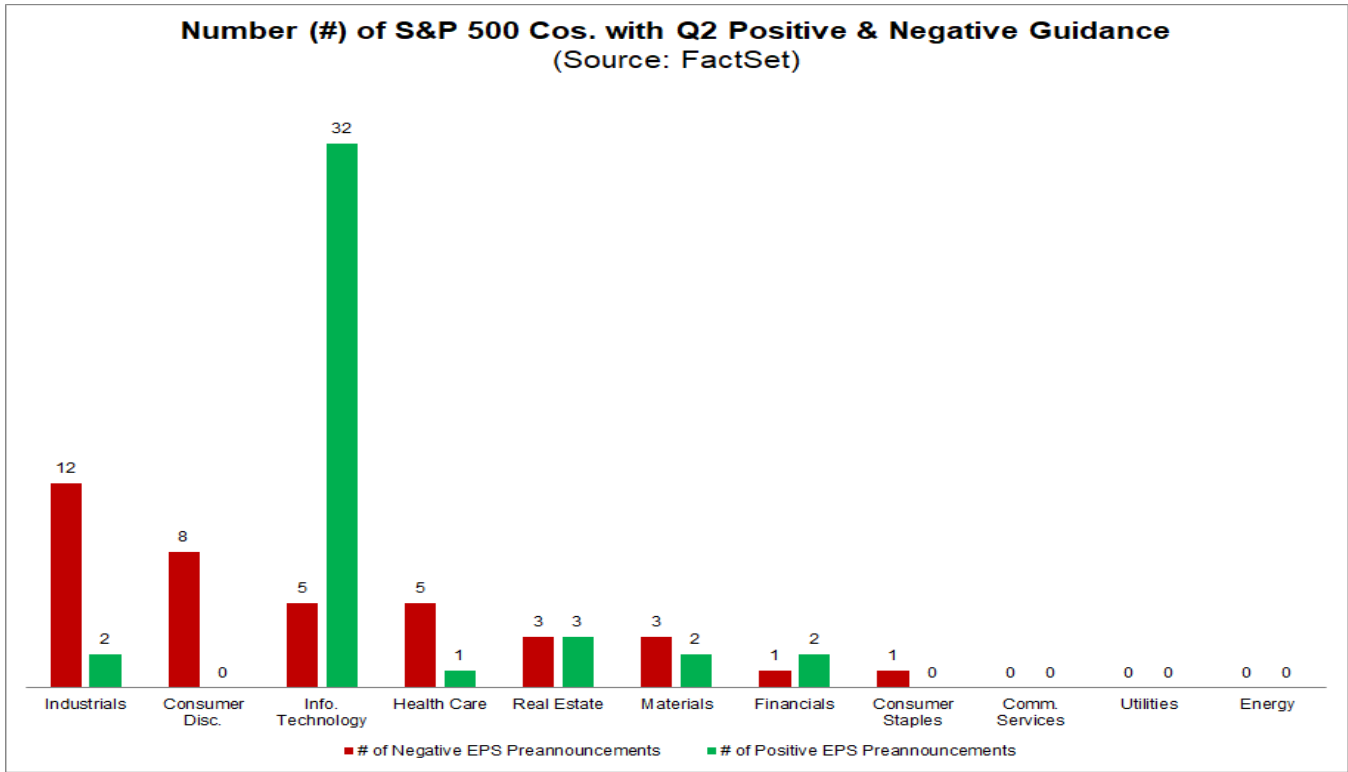
Q1 2026: Growth



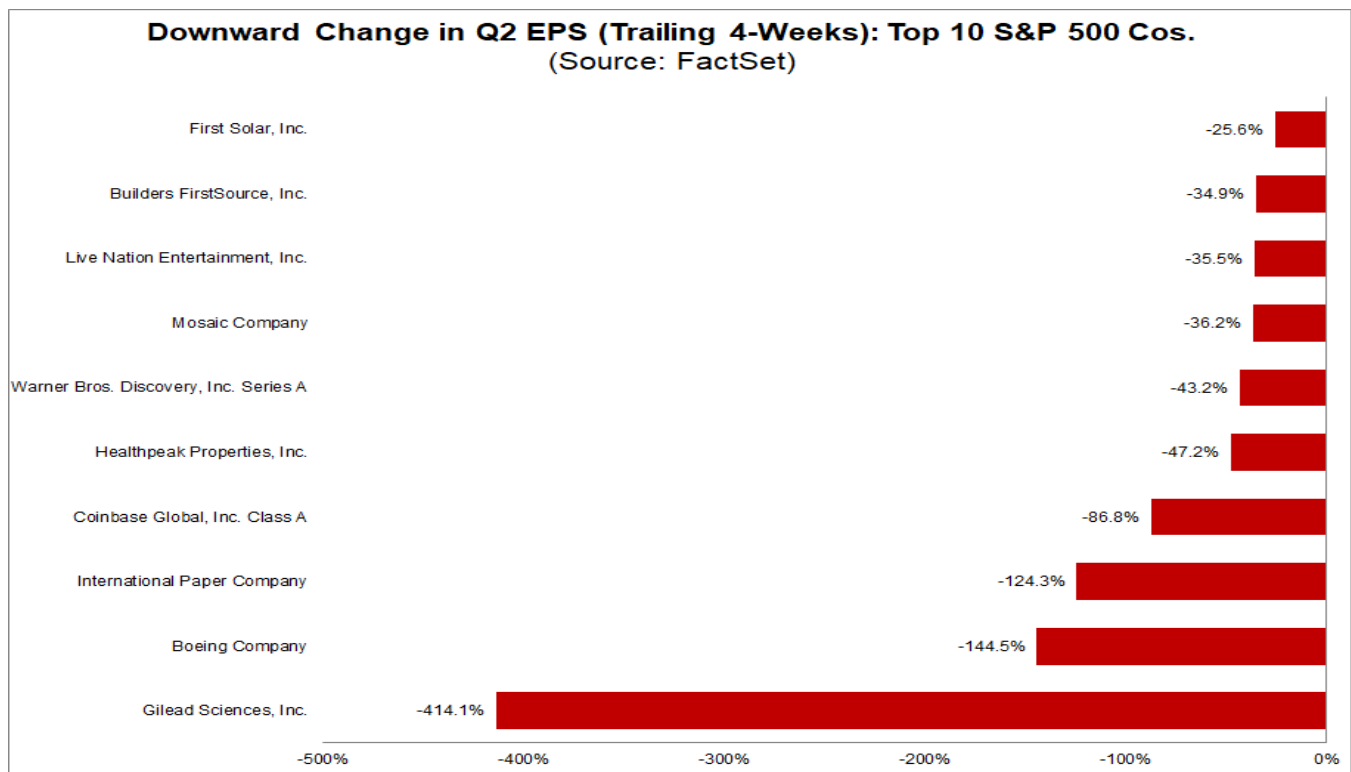
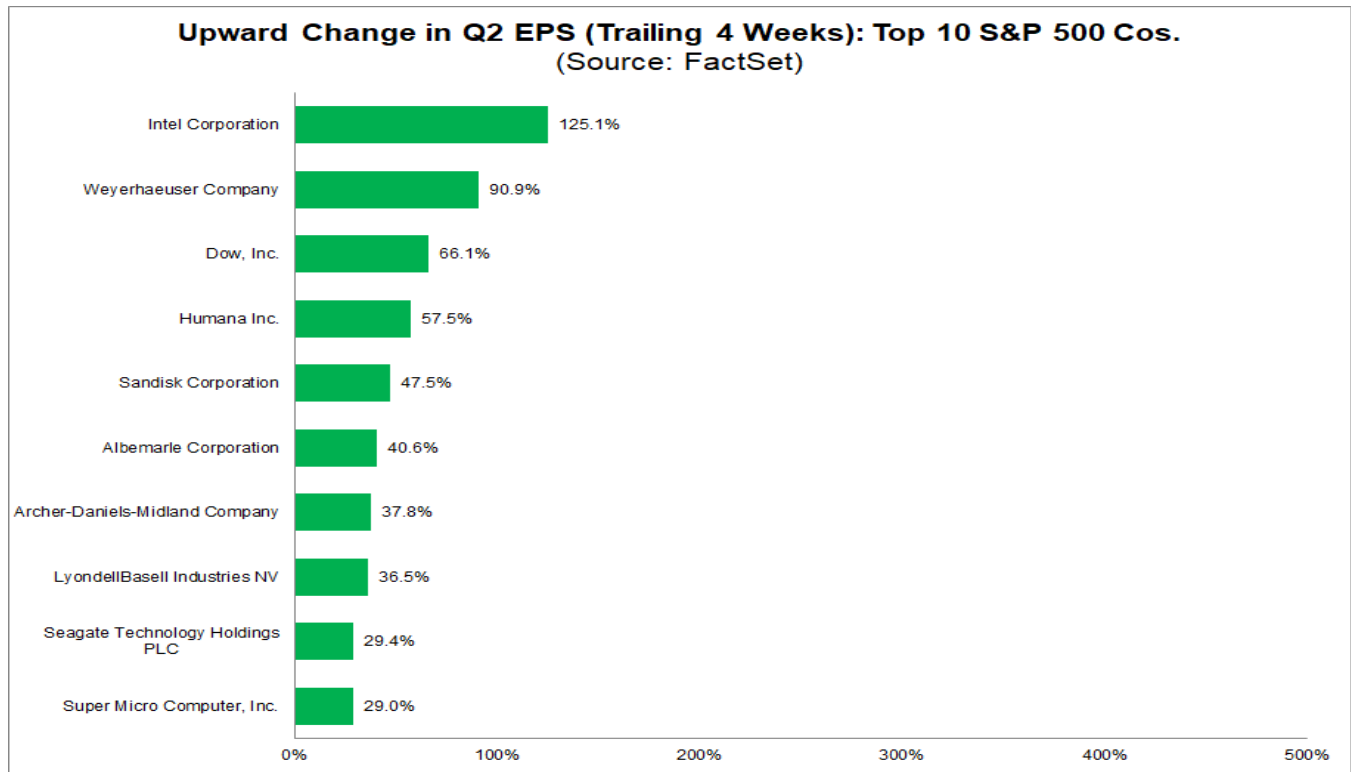
Q1 2026: Net Profit Margin



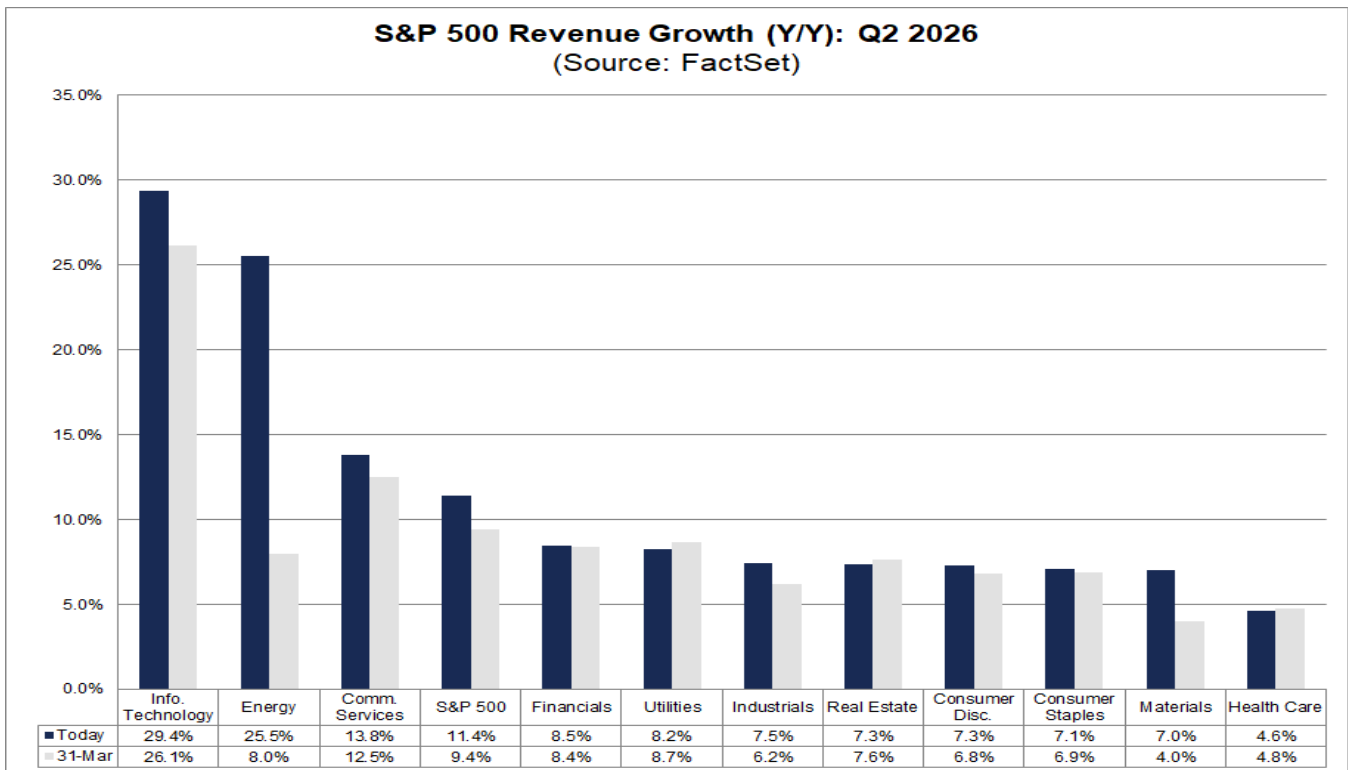
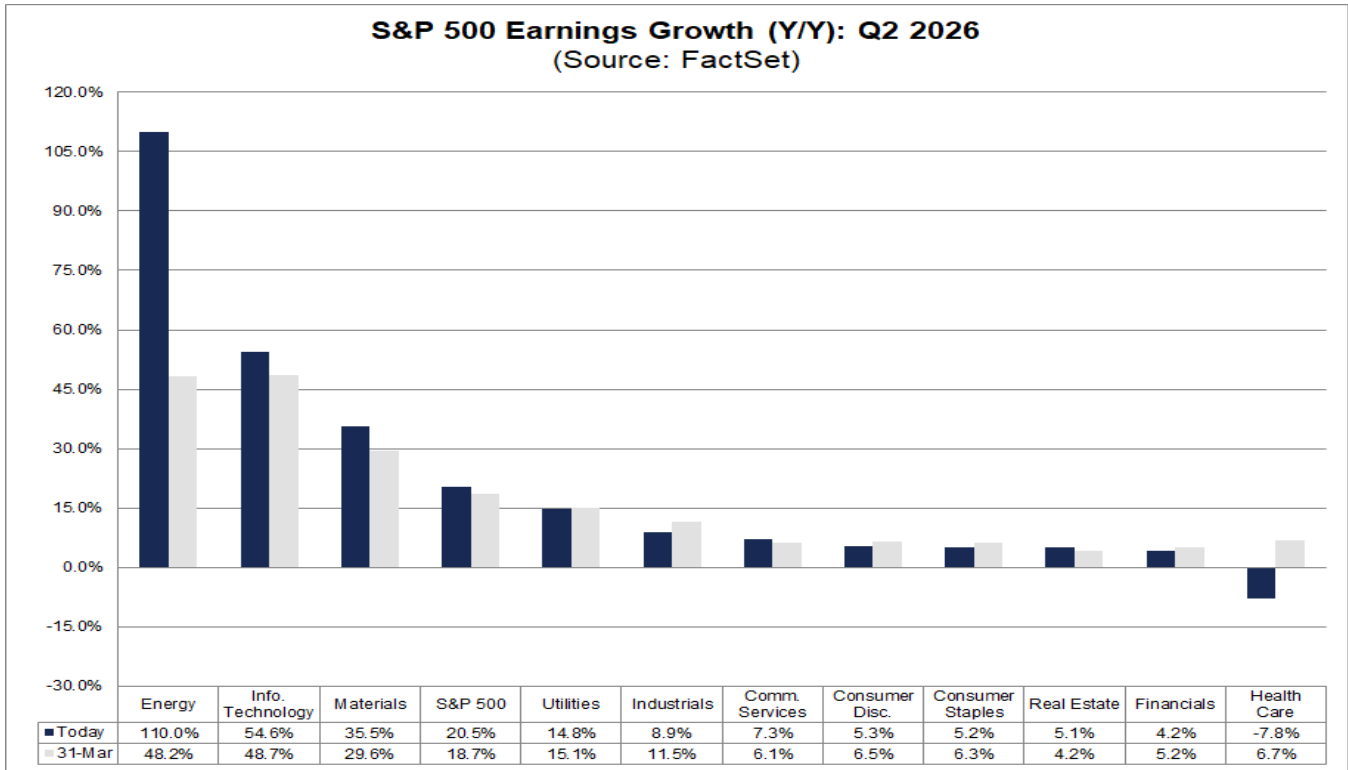
Q2 2026: Guidance



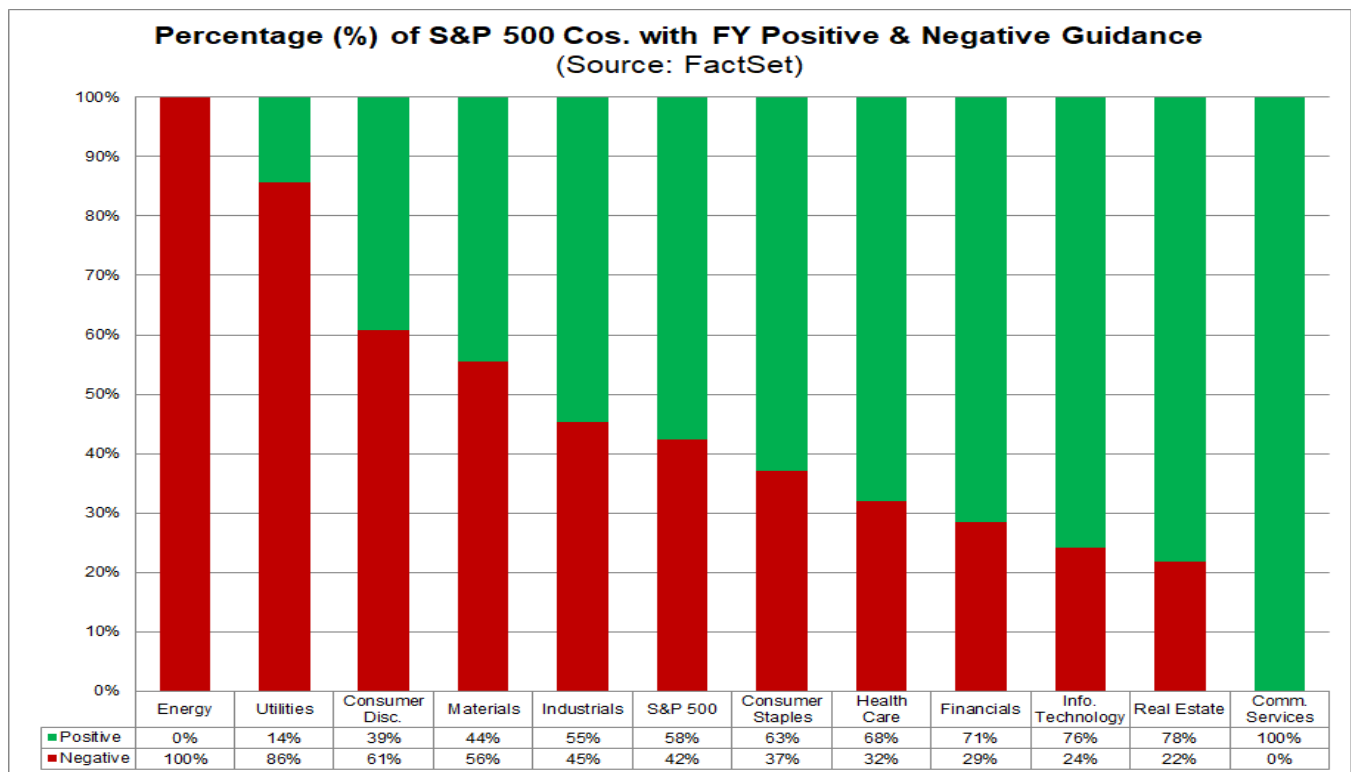
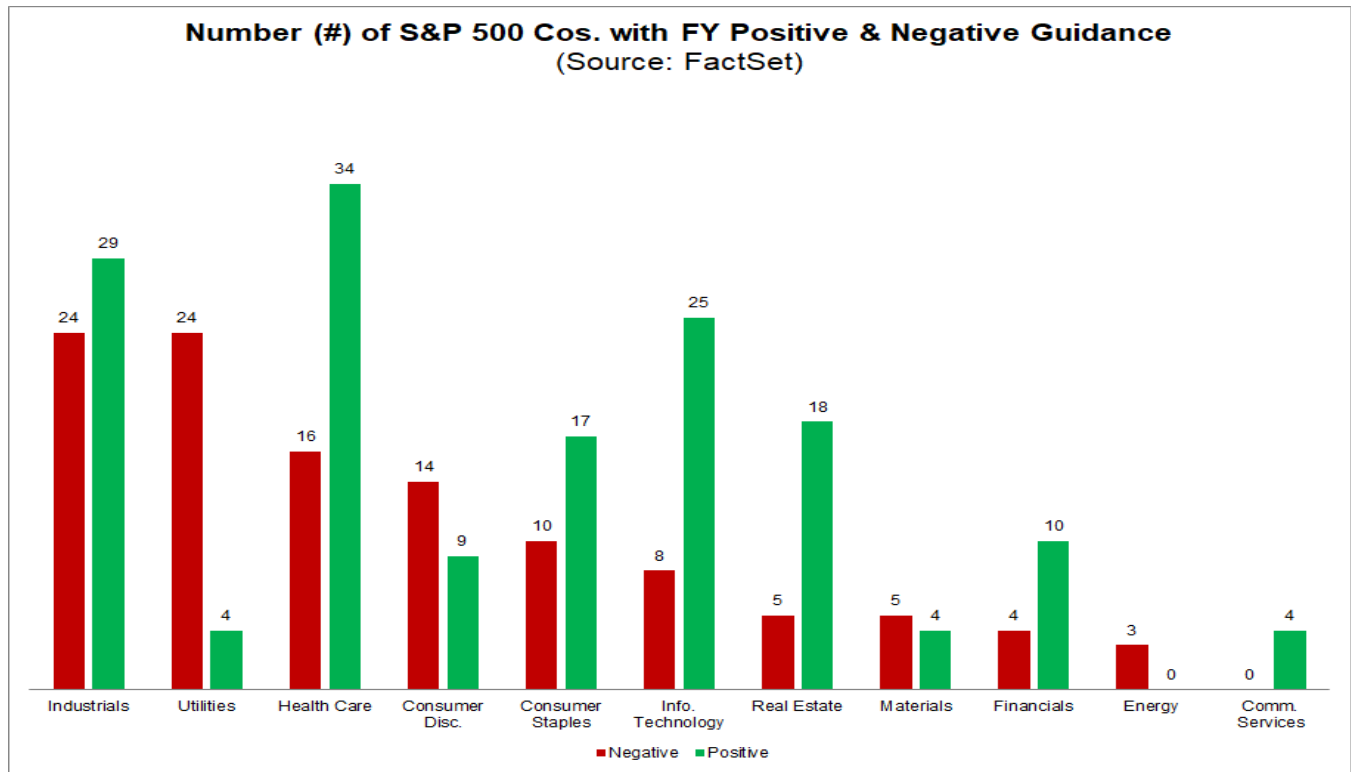
Q2 2026: EPS Revisions



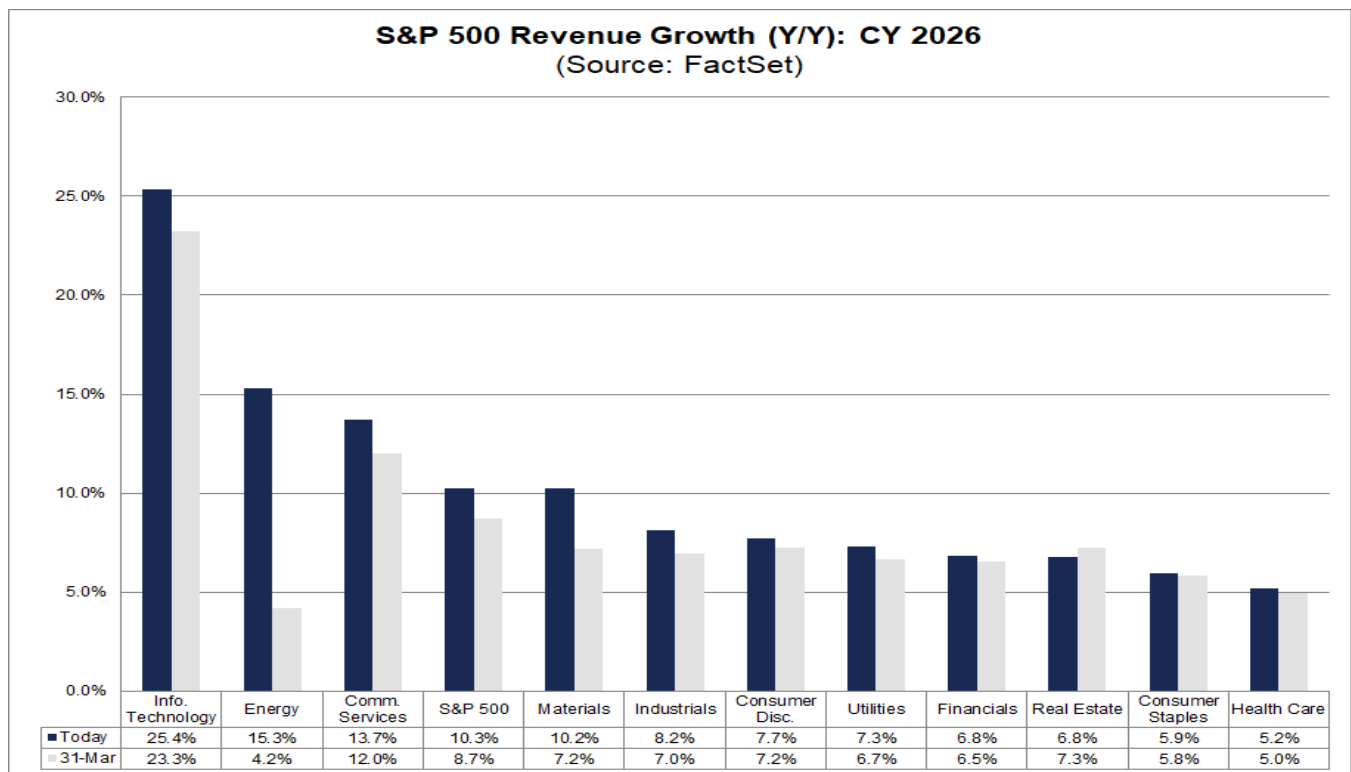
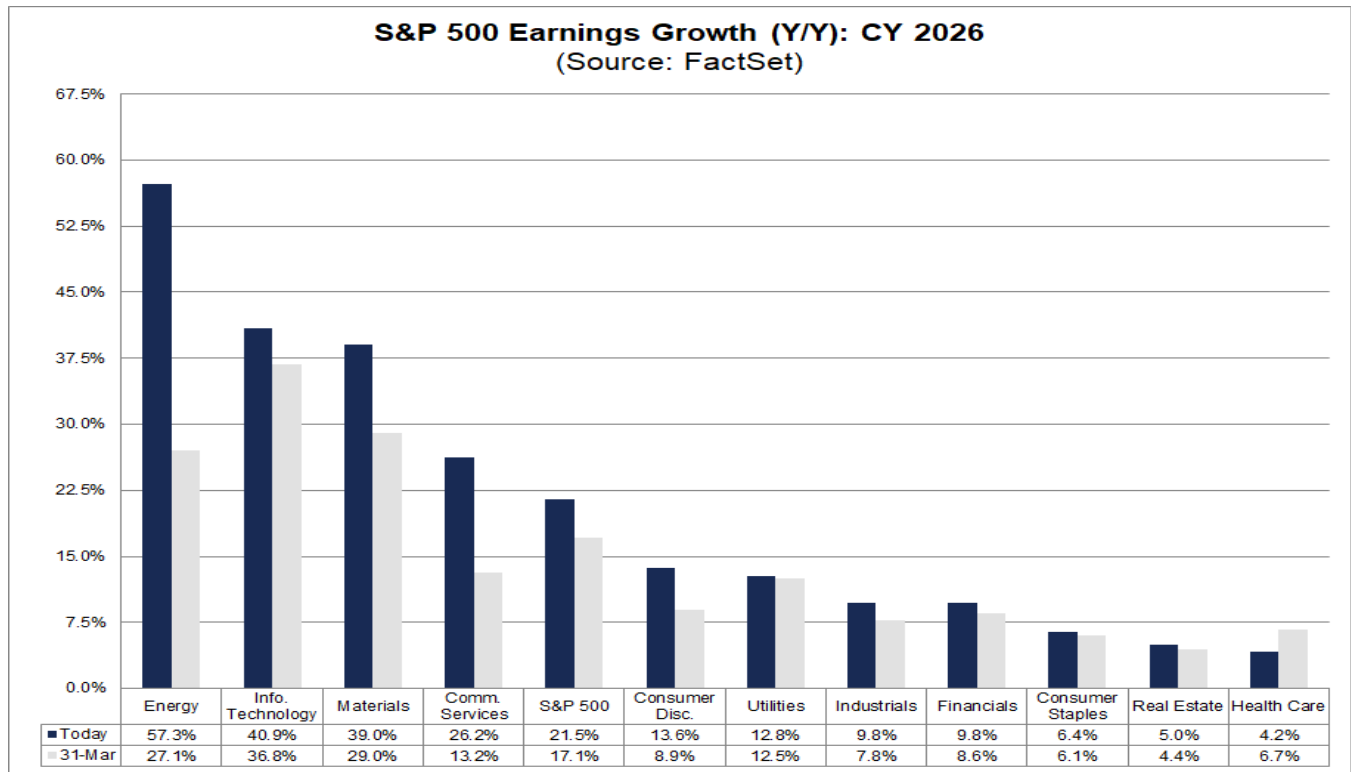
Q2 2026: Growth



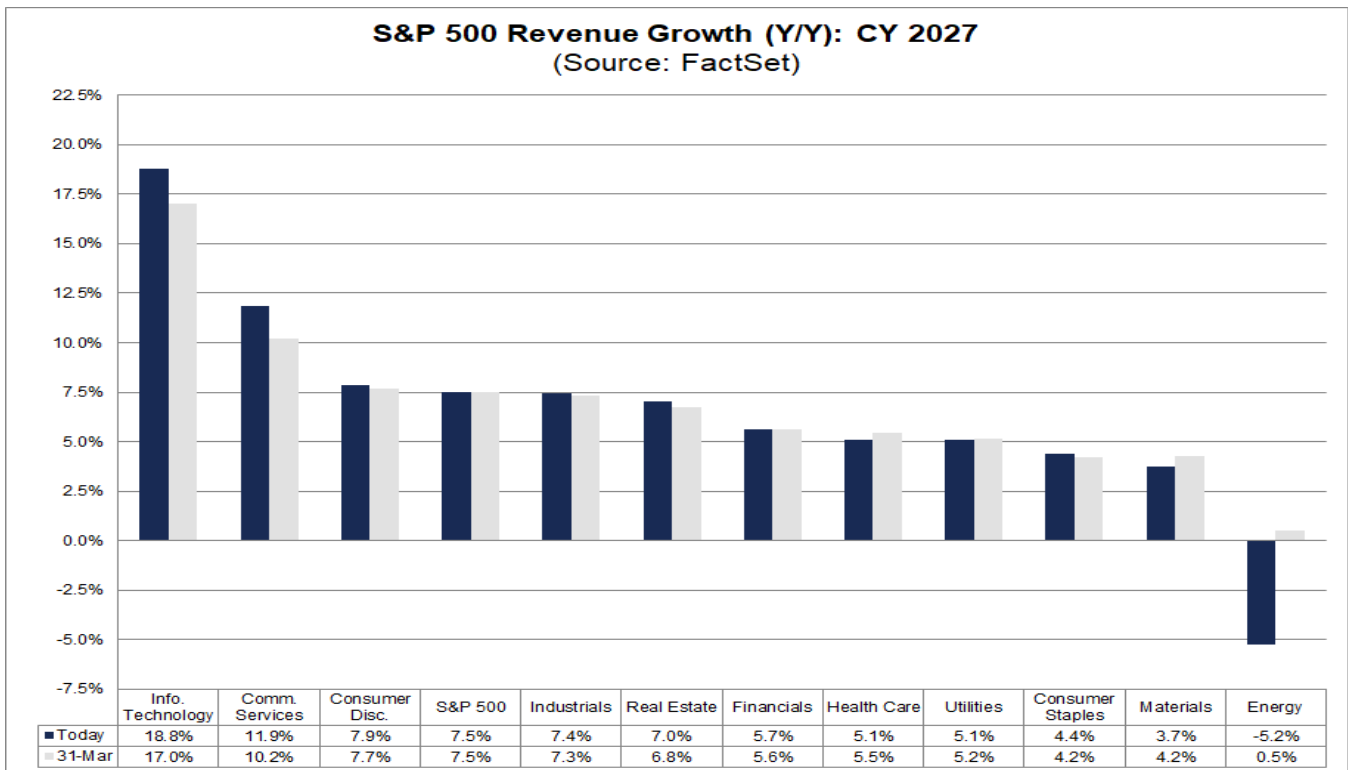
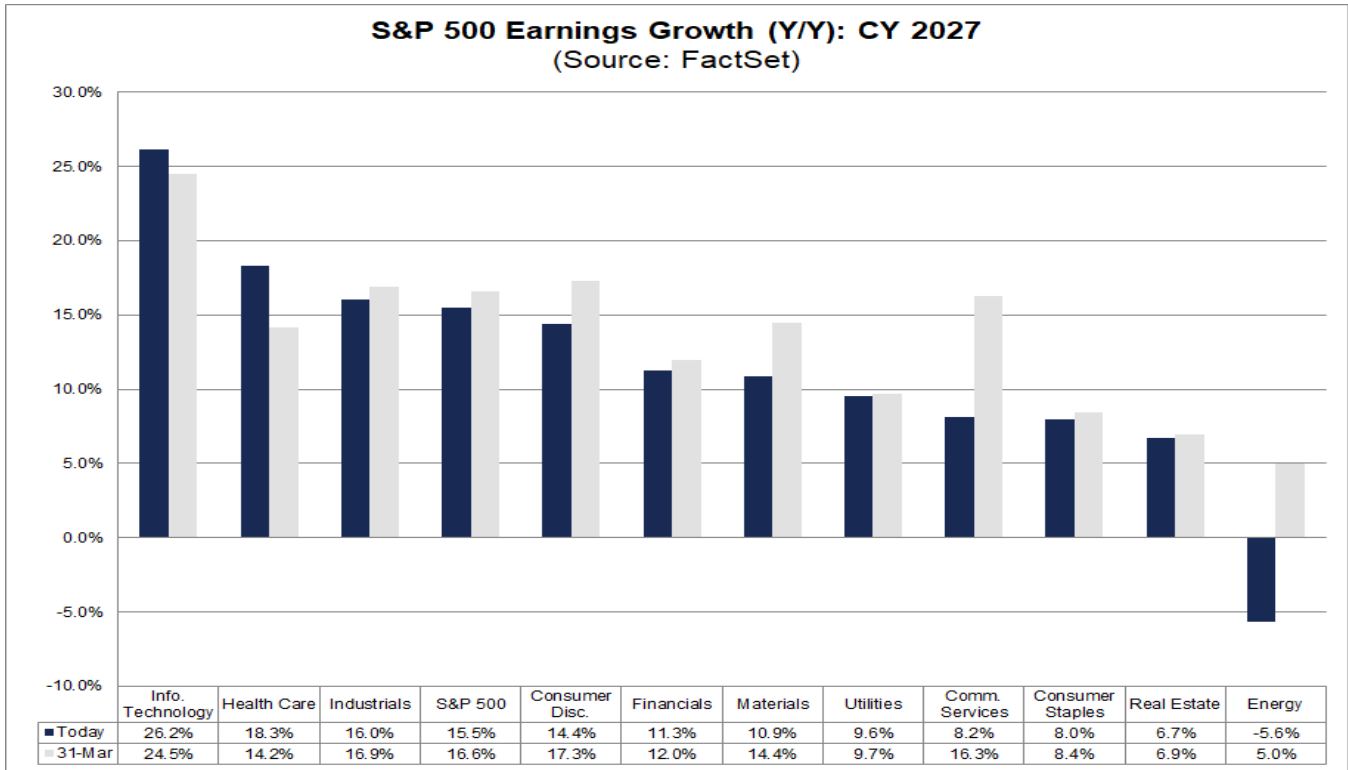
FY 2026 / 2027: EPS Guidance



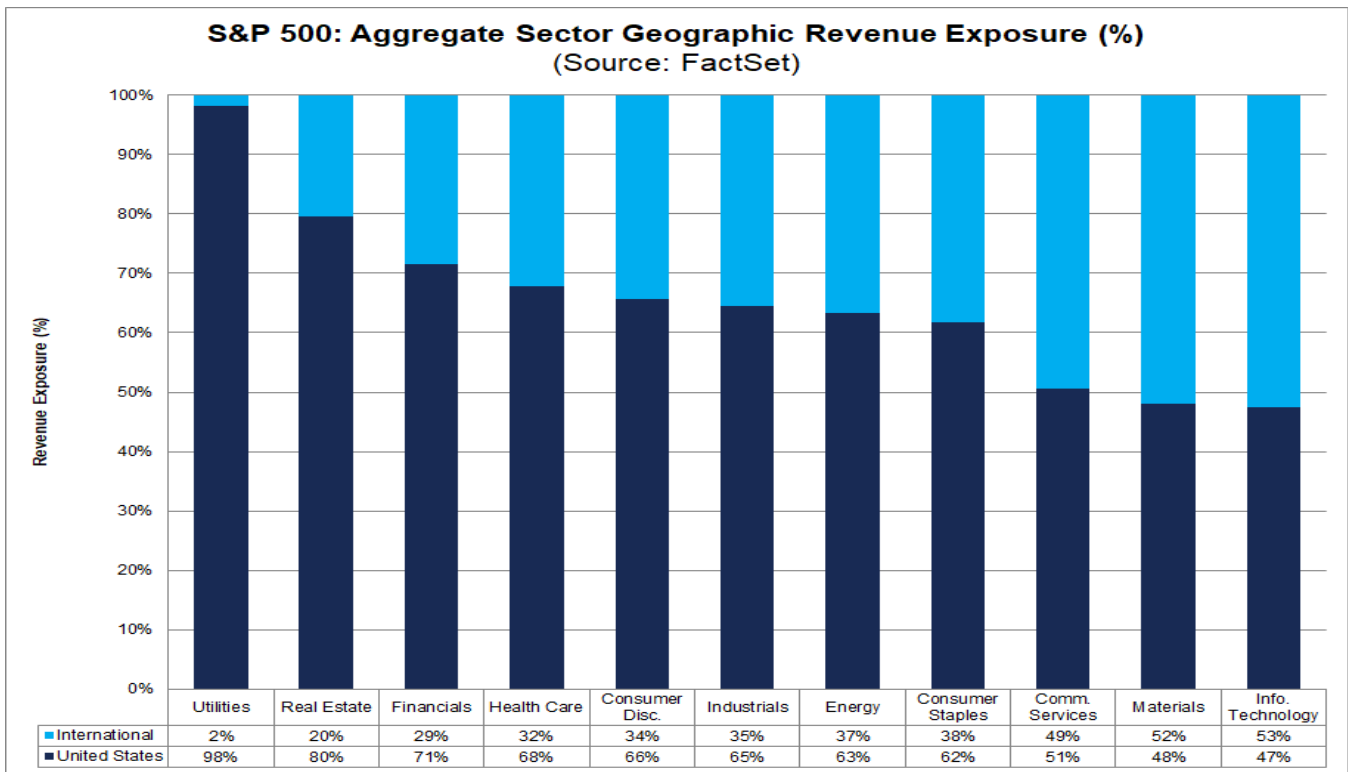
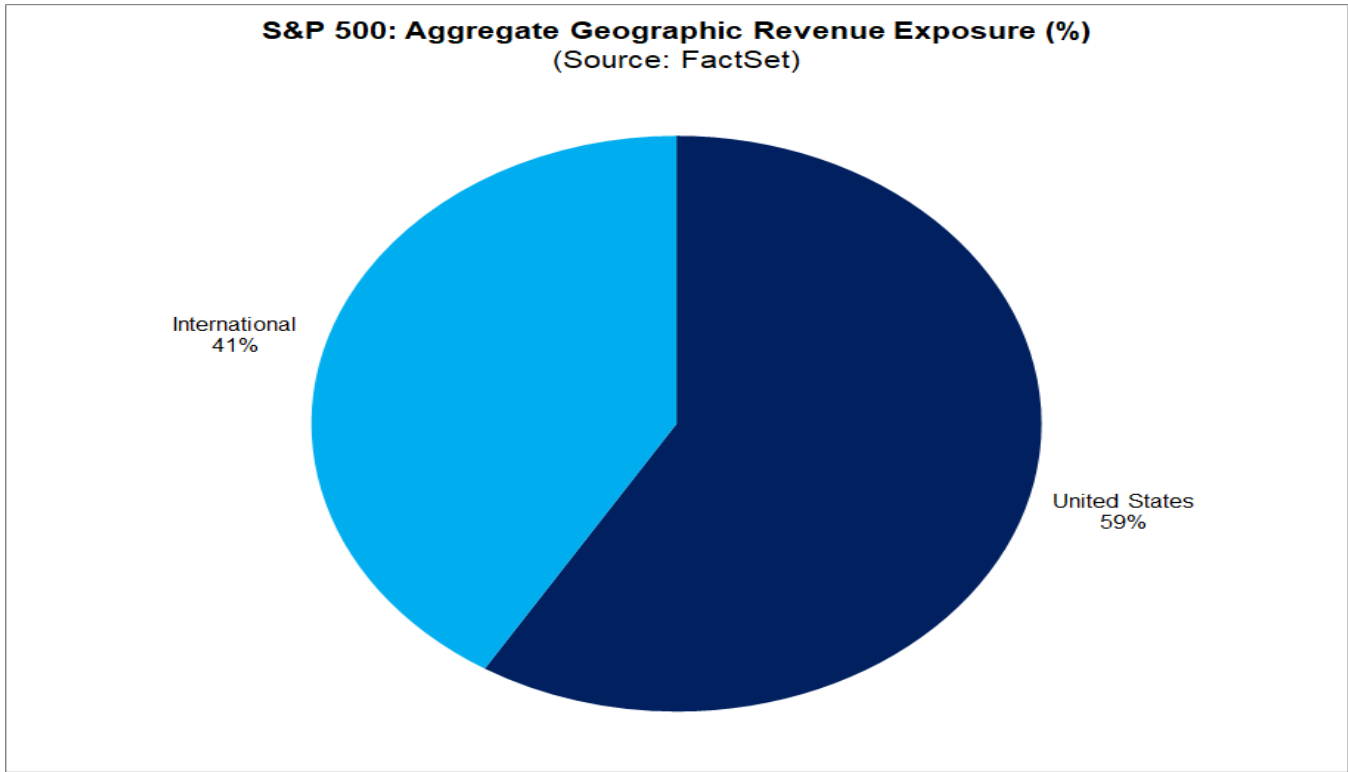
CY 2026: Growth



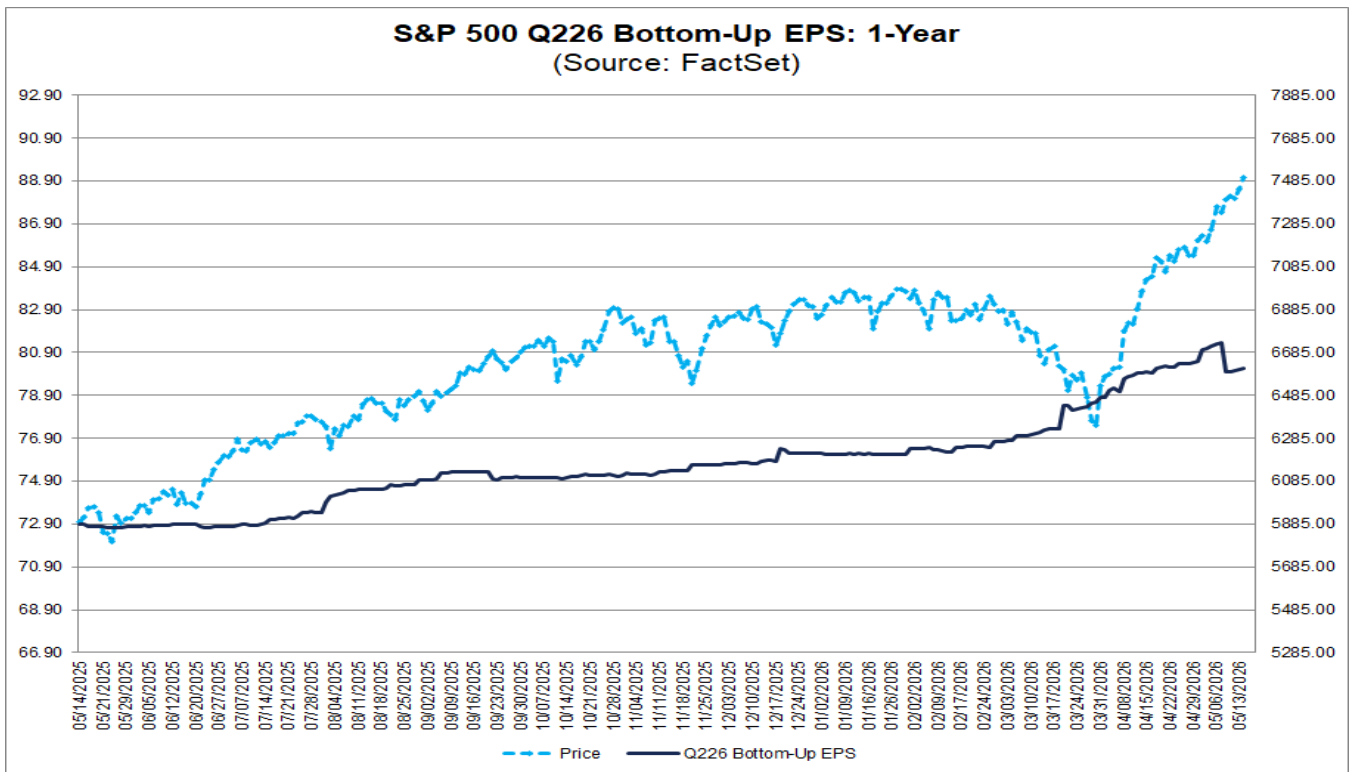
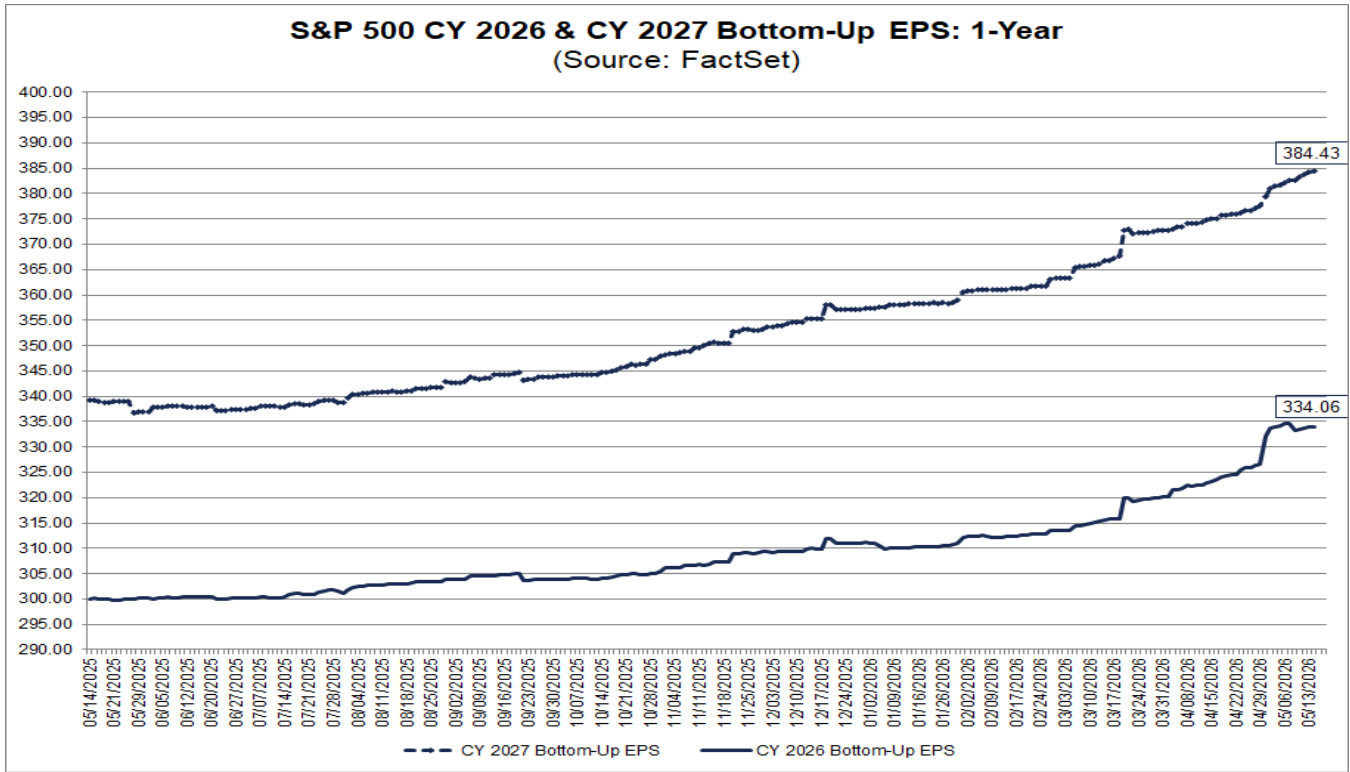
CY 2027: Growth



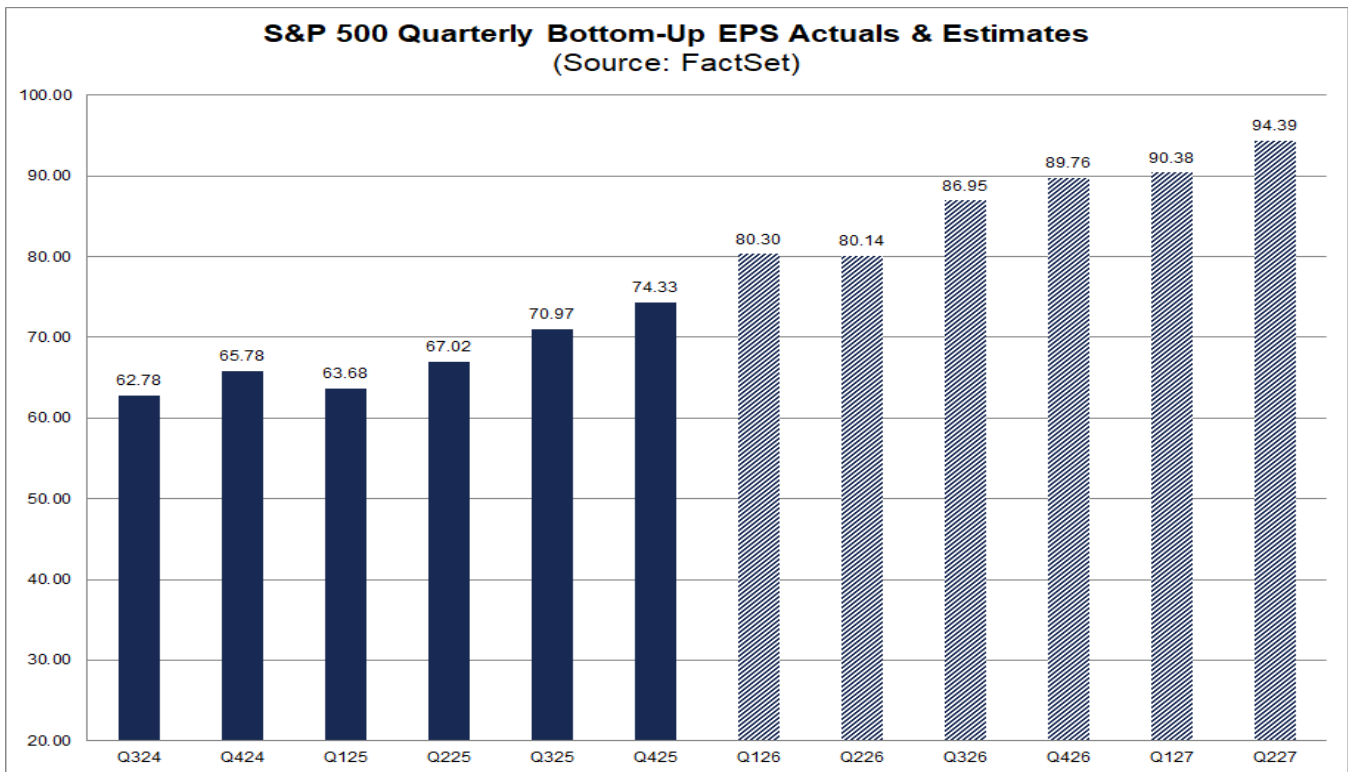
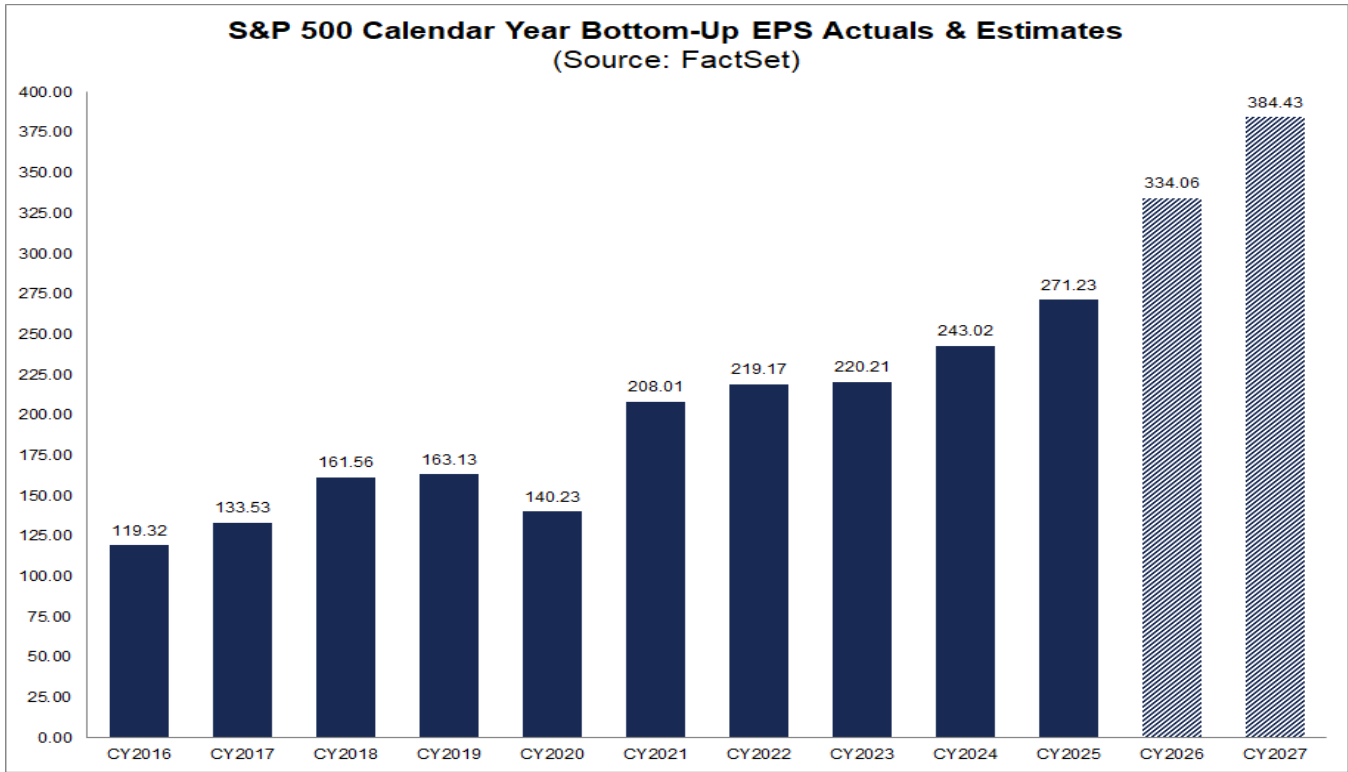
Geographic Revenue Exposure



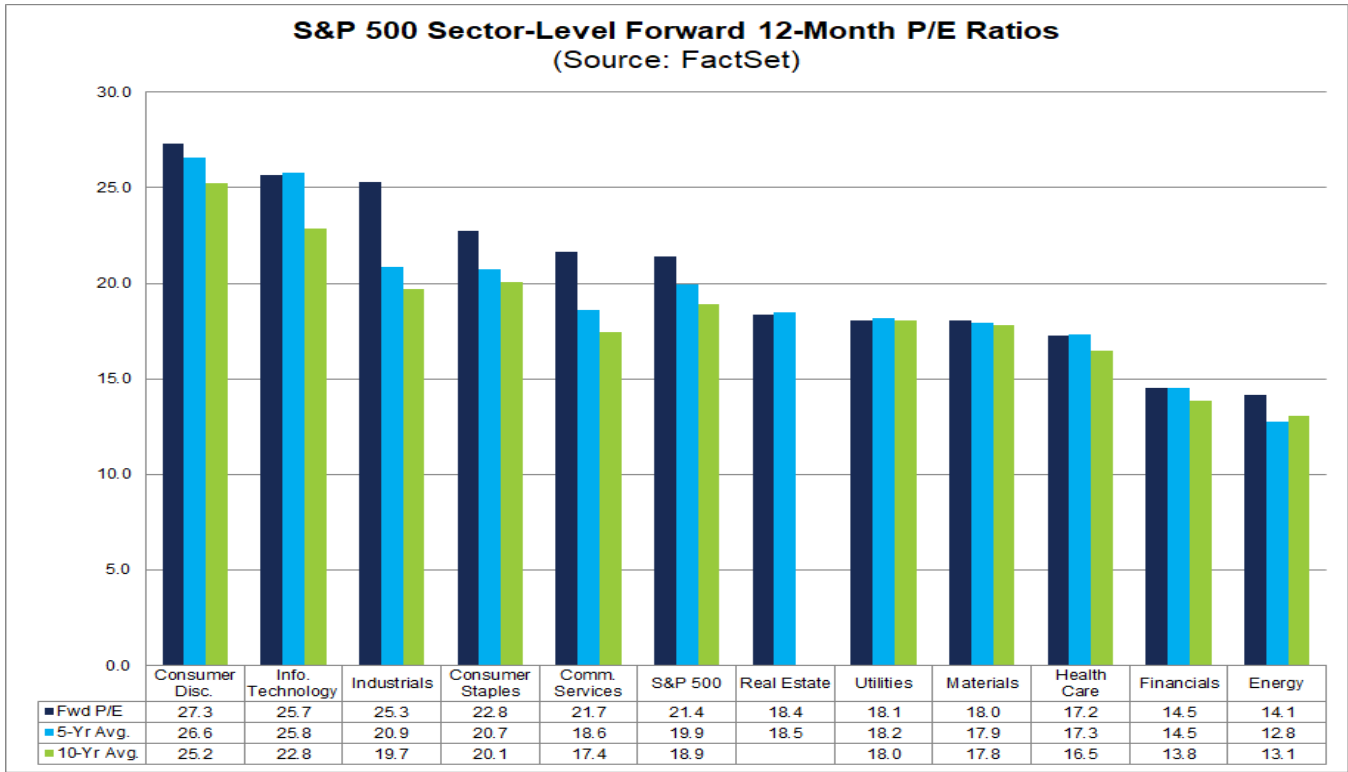
Bottom-Up EPS Estimates



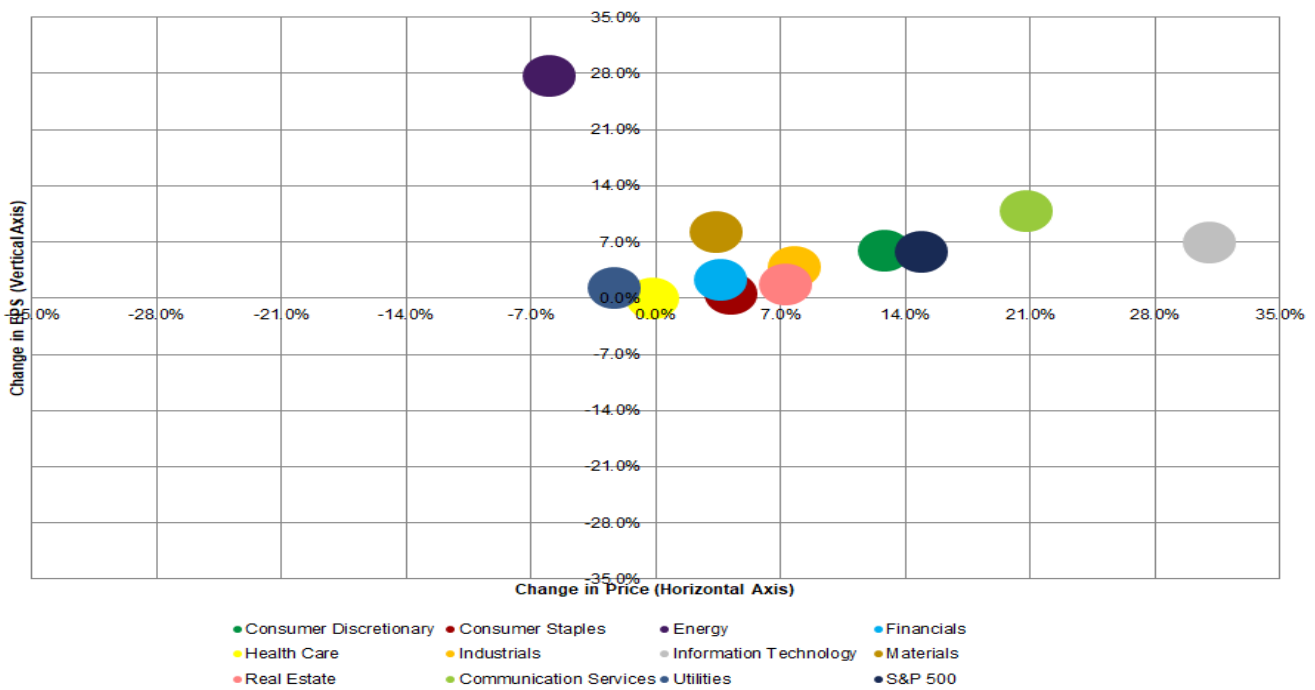
Bottom-Up EPS Estimates: Current & Historical



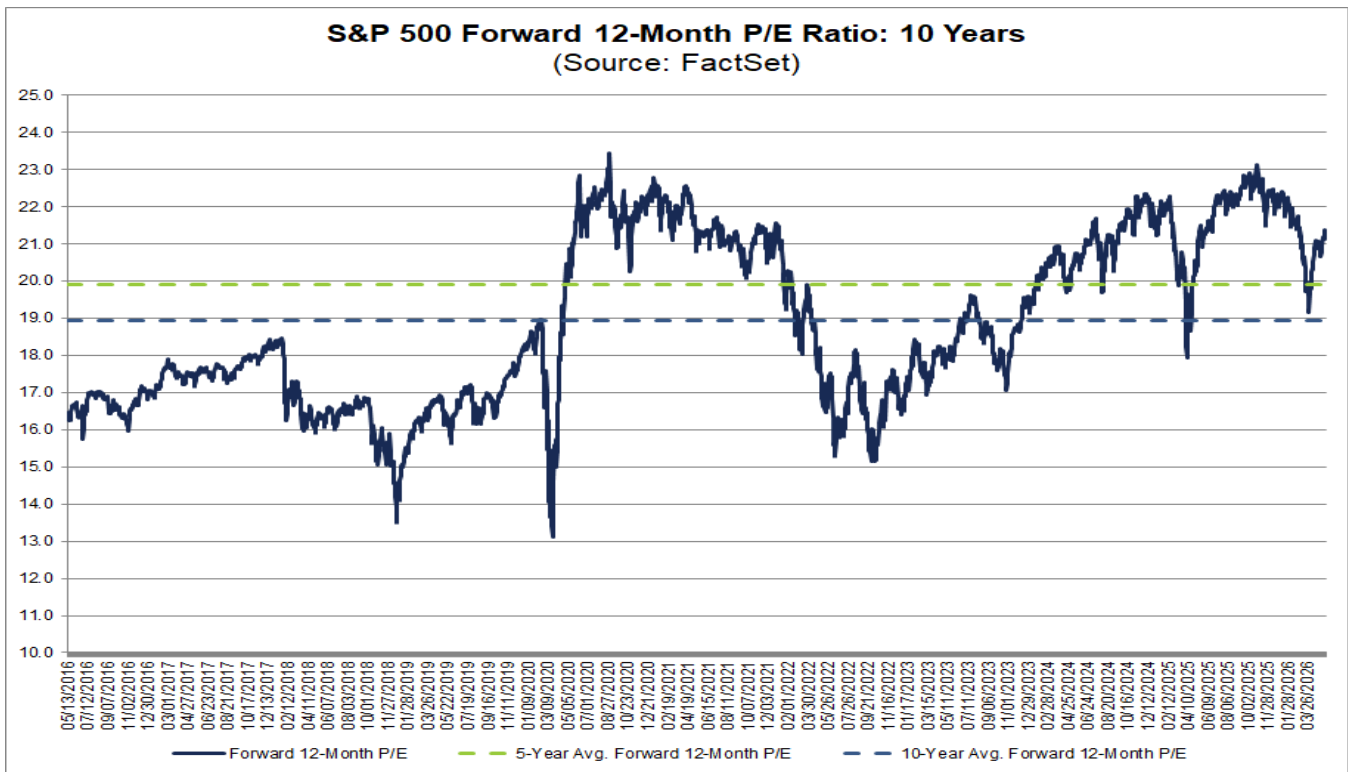
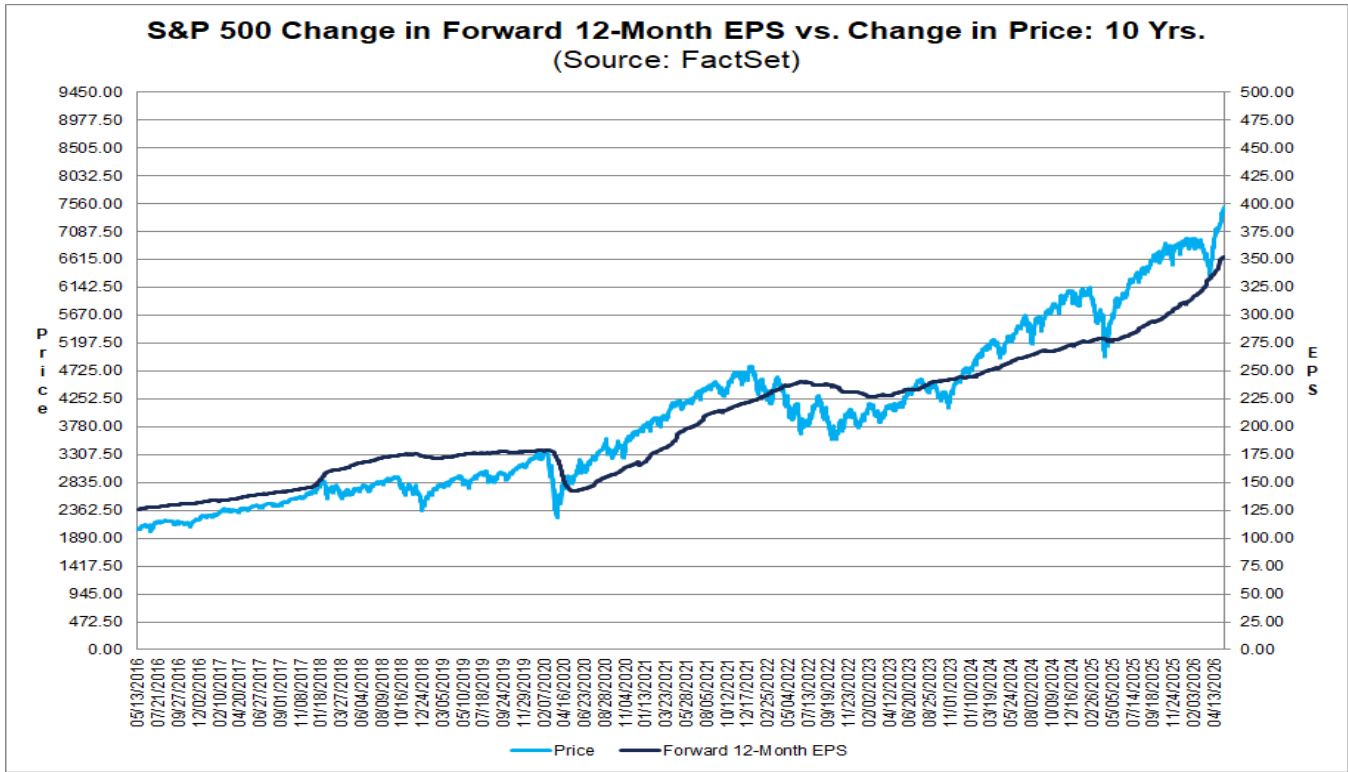
Forward 12M P/E Ratio: Sector Level



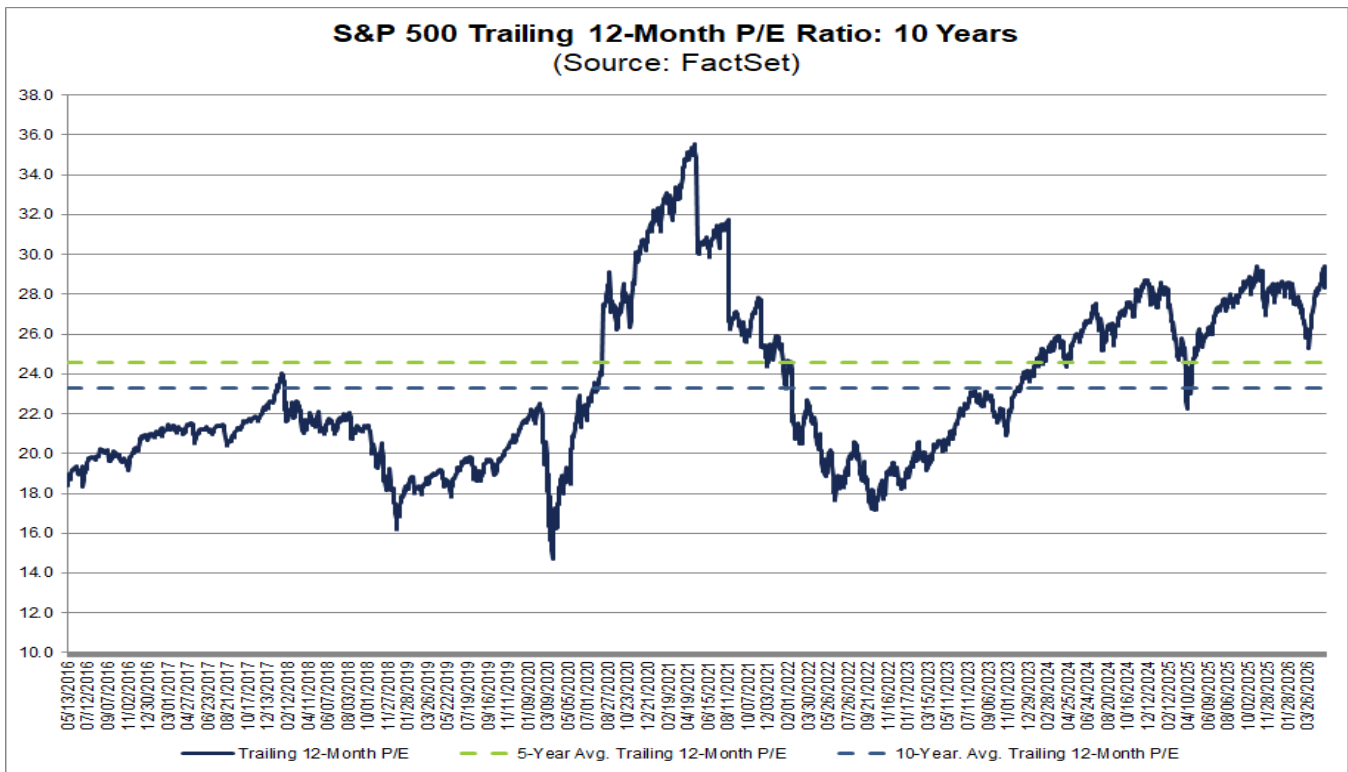
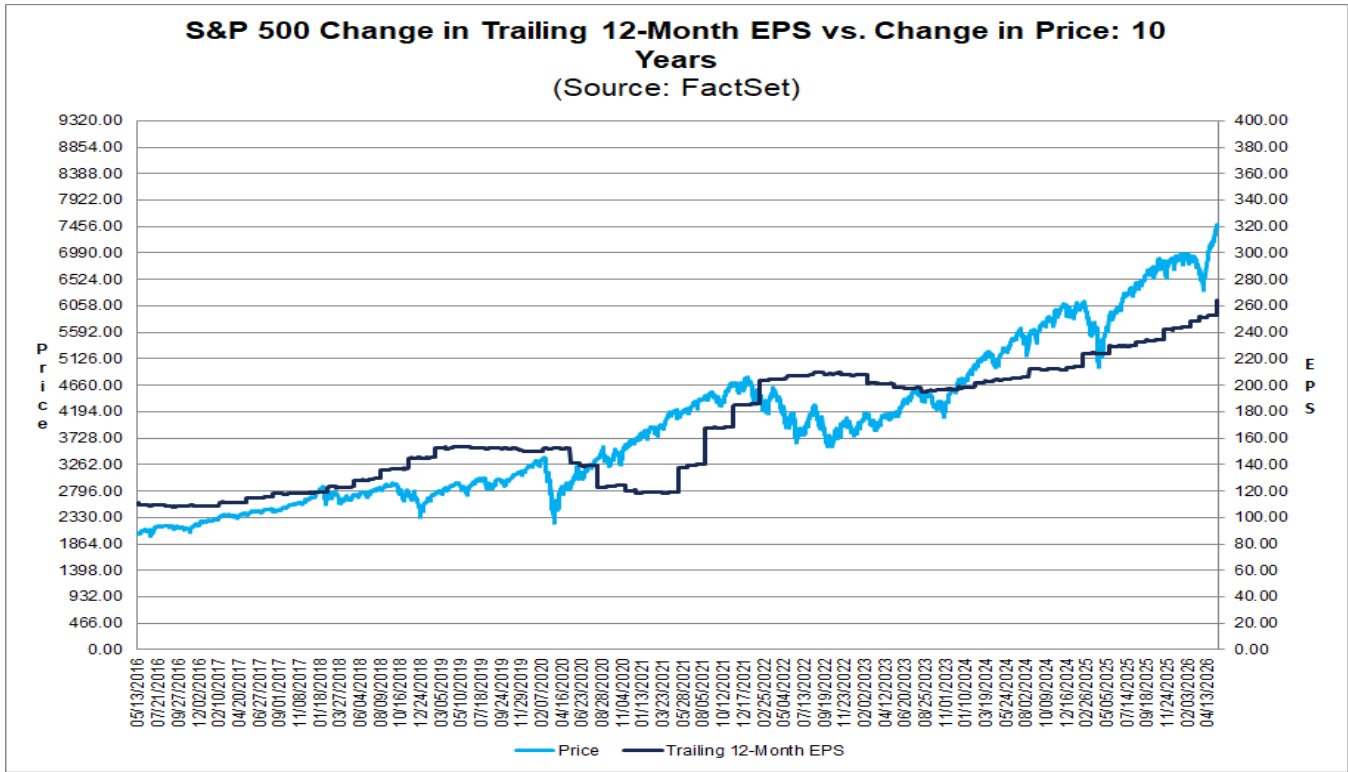
Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Mar 31 (Source: FactSet)



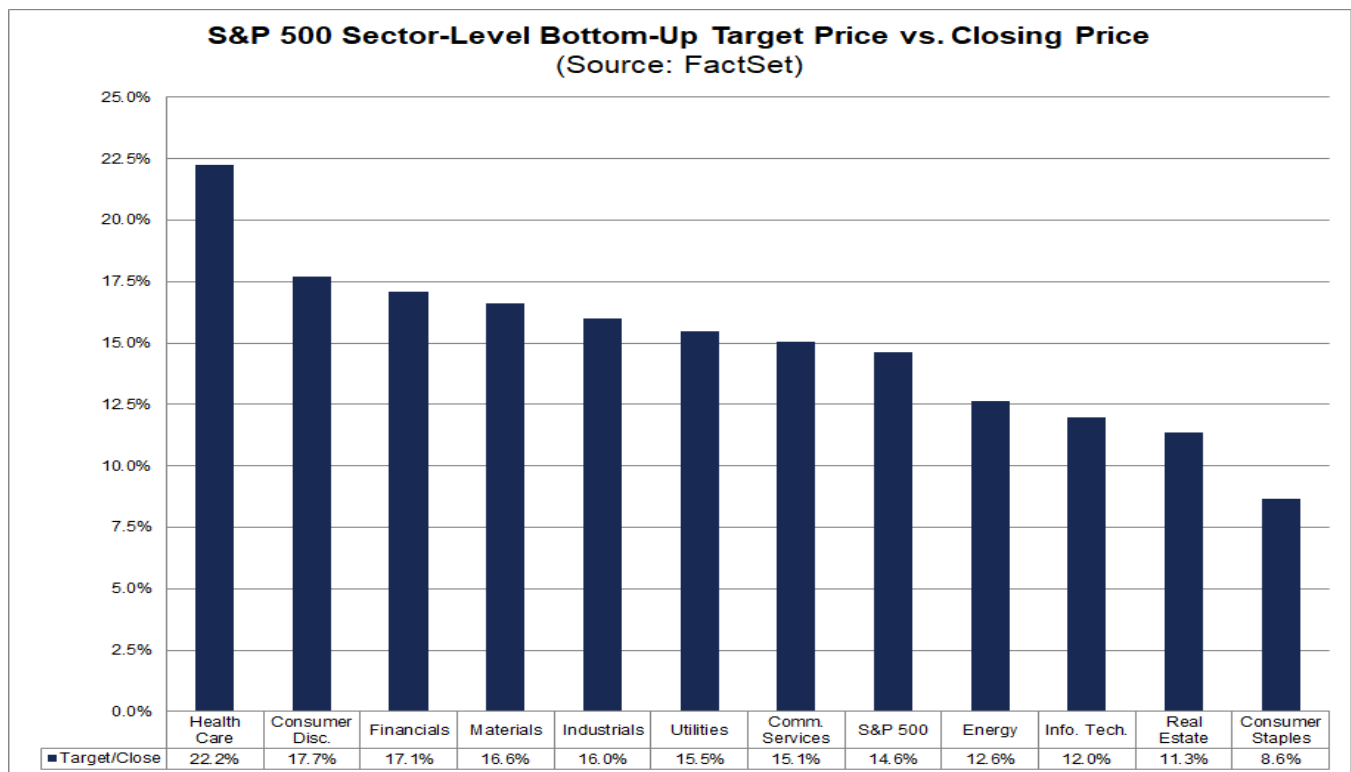
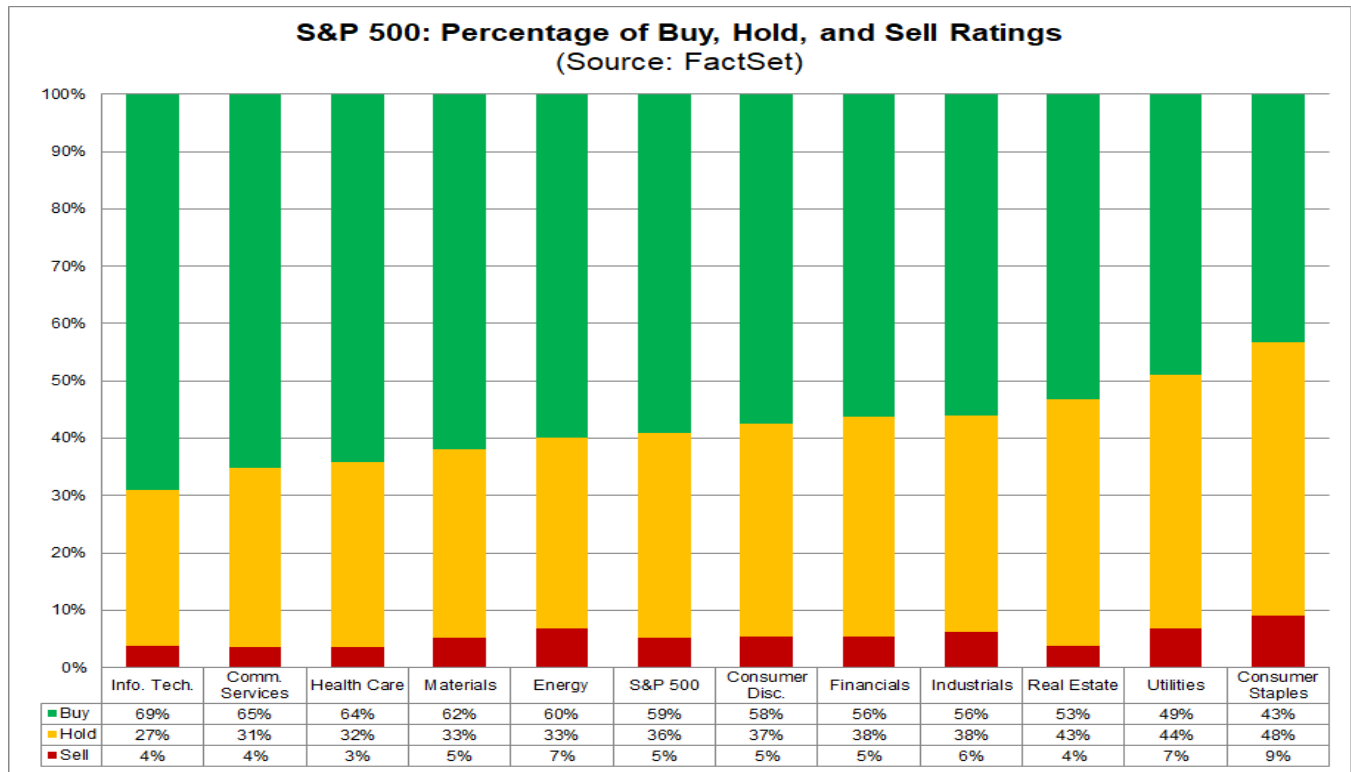
Forward 12M P/E Ratio: 10-Years



Trailing 12M P/E Ratio: 10-Years



Targets & Ratings



Appendix: 1: Earnings Call Citations – “Middle East” & Annual EPS Guidance

Lower Guidance (or No Update) Citing Middle East Impact: 7 (Statements in **bold** highlighted by author)

*Our full-year guidance calls for earnings per share of \$2.21. This includes the first quarter operational improvement of \$0.07 per share as well as an additional \$0.04 per share of improvement in depreciation expense, fuel consumption, net interest expense, and income tax expense over the remaining three quarters of 2026. **However, that \$0.11 per share operational improvement for 2026 will be more than offset by a \$0.38 per share headwind from higher fuel prices driven by recent geopolitical events and reflected in our March guidance.*** -Carnival (Mar. 27)

The war in the Middle East has driven an unprecedented spike in jet fuel, with prices roughly double what they were earlier in the year...And while it's still early to update the full year outlook, our structural advantages and execution keep us on track to achieve our long-term financial targets. So while higher fuel is a current impact to earnings, I'm confident this environment ultimately reinforces Delta's leadership and accelerates our long-term earnings power. -Delta Air Lines (Apr. 8)

The latest challenge to our industry is the massive run-up in fuel prices created by the conflict in Iran. Fuel prices remain volatile, and we're monitoring the situation closely...For the full year, we are providing an updated and widened guidance range to encompass multiple scenarios. As we've experienced over the last two months, the world can change quickly, but in both higher and lower fuel price scenarios, we expect to recapture 40% to 50% of the increased fuel cost in the second quarter, 70% to 80% in the third quarter, and 85% to 100% by the fourth quarter. We expect to deliver a full-year 2026 EPS in the \$7 to \$11 range. The demand environment to-date remains strong, and we expect will support a double-digit increase in RASM in the second quarter and for the full year. If fuel prices remain on a downward trend, we expect to be in the upper half of the guidance ranges. And if fuel re-escalates, we would expect to be in the lower half of the guidance ranges. -United Airlines Holdings (Apr. 22)

*Turning to the full year 2026, our planning assumption is that the direct and indirect impact from the conflict in the Middle East continues through the end of June followed by a recovery in bookings in the second half of the year. **Reflecting the assumption that the direct and indirect impacts from the situation in the Middle East continue for four months or one-third of the year and this is followed by a recovery period, we're lowering our guidance ranges at the midpoint.** The high end of the ranges for gross bookings and adjusted EPS remains in line with our prior expectations...Adjusted EPS to be up low- to mid-teens.* -Booking Holdings (Apr. 28)

We're also reducing our adjusted EPS guidance to a range of \$4.80 to \$5 per share, which represents approximately 5% to 9% growth year-over-year. In the wake of the current inflationary environment, we believe this is the right thing to do...So, Vijay, just maybe taking a second on the overall guidance. No change to sales guidance which we feel good about, as I mentioned earlier. The issue for us really relates to some dramatic changes to certain input costs that we saw during the first quarter of the year. And what it really comes down to is memory chips and then the geopolitical events impacting things like oil, freight and certain other commodity costs. What we have assumed for the rest of the year is that these commodity costs remain at elevated levels, the elevated levels they're at today, and we have included some level of cushion against that.. -GE Healthcare Technologies (Apr. 29)

Before diving into the first quarter results, I want to briefly touch on recent geopolitical developments, starting with the Middle East. From an operational standpoint, two of our TUI Cruise ships sailing in the Middle East region were directly impacted by the conflict and therefore had to temporarily pause operations. Both ships have since safely repositioned out of the area and are heading to the Mediterranean, where they will welcome guests beginning in the middle of May. **The most notable financial impact from the Middle East conflict has been on fuel costs. While we are approximately 60% hedged for 2026, fuel prices at current spot levels are expected to increase costs by roughly \$0.62 per share this year. In addition to fuel, we saw a short-term moderation in demand trends for 2026 for high yielding Mediterranean sailings, which modestly impacted our outlook for the upcoming summer season...Full year adjusted earnings per share is expected to grow double digits and be in the range of \$17.10 to \$17.50. This includes \$0.74 per share from fuel headwinds as well as lower income from joint ventures.** -Royal Caribbean Group (Apr. 30)

Turning to slide 8, you can see our second quarter and full year guidance. Our outlook reflects an extremely challenging backdrop for the balance of the year. **Keep in mind, our prior guidance did not include any impacts from the disruptions in the Middle East, which is creating incremental headwinds, including pressure on the top line and higher fuel expense.** These external pressures are occurring as we continue to calibrate our revenue management system, improved commercial execution, including marketing and demand generation, and work through the impact of entering the year behind our targeted booking curve... **As a result of softer-than-expected top line performance and higher fuel costs, partially offset by better cost performance, we are reducing our full year adjusted EBITDA guidance to between \$2.48 billion and \$2.64 billion, and our adjusted EPS guidance to between \$1.45 and \$1.79.** We recognize these results are significantly below expectations. -Norwegian Cruise Line Holdings (May 4).

Lower Guidance Citing Other Factors: 6 (Statements in bold highlighted by author)

Compared to our previous full year adjusted earnings per share guidance range midpoint of \$5.68, our new guidance range midpoint of \$5.48, reflects \$0.20 of dilution related to the Exact Sciences acquisition consistent with our assumption at the time of the announced transaction. -Abbott Laboratories (Apr. 16)

Turning to our outlook, 2026 has proven to be a more challenging year than we initially expected, and to that end, we are guiding to organic growth of 5% to 7% for second quarter and reducing our full year guidance to 6.5% to 8%, reflecting unanticipated headwinds and changing business patterns that I'll cover in more detail on this call. Our second quarter 2026 adjusted EPS guide is \$0.82 to \$0.84, **and we now expect our full year adjusted EPS to be \$3.34 to \$3.41, representing growth of 9% to 11%...Essentially, what we saw, there's really three main contributors to the takedown of the guide, which is not my happiest moment and very disappointed in that as we're a company that consistently delivers on our commitments...But we could talk about the future of the company, will speak in a minute, but talking about the takedown, and particularly it's really focused on the three areas, primarily, EP, WATCHMAN and Urology.** -Boston Scientific (Apr. 22)

Regarding the conflict in the Middle East, we expect neutral impact for the full year profit, as we anticipate we will be able to pass on higher costs for fuel, commodities, electronic components, and logistics...Moving to the 2026 EPS bridge on slide 12. We are reducing the high end and narrowing the range of our previous adjusted EPS guidance to \$4.20 to \$4.24, primarily reflecting our softer than anticipated first half due to operational headwinds and investments in Service described earlier. Note that our current guidance assumes the Middle East conflict ends in the second quarter. However, should it continue, we expect it to have a negative impact to profit of \$5 million to \$10 million per quarter due to project delays, logistic interruptions and increased cost. -Otis Worldwide (Apr. 22)

*This brings me to our outlook for 2026. The Middle East conflict had a small impact on our business in the first quarter, which affected shipment to Global Travel Retail and certain market in the region for both combustible and HTUs. While we have observed increased energy prices and some disruption in energy supply in a number of market, this has not, at this stage, translated into a discernible shift in consumer behavior. The situation remains uncertain in both duration and potential impact, and it is difficult to assess the broader implication for the consumer or the global cost environment. We have factored in some increases in transport, energy and other input cost, and we will continue to closely monitor development to assess the mid- to long-term impact across the main variables. **Acknowledging this uncertainty and following a good start to the year in Q1, we are reconfirming the currency-neutral growth outlook we provided in February. We continue to expect broadly stable shipment volumes, organic net revenue growth of plus 5% to plus 7%, organic operating income growth of plus 7% to plus 9%, and currency-neutral adjusted diluted earning per share growth of plus 7.5% to plus 9.5%. While exchange rates are volatile at present, we now forecast a currency tailwind of \$0.25 at prevailing rates. This results in an updated adjusted diluted EPS forecast of \$8.36 to \$8.51, or plus 10.9% to plus 12.9% growth in dollar term.** -Philip Morris International (Apr. 22)*

*Adjusted EPS is now expected to be between \$5.45 and \$5.65, or a decrease between 27% and 29%, respectively. **This includes about 2 to 4 cents of dilution from GOJO acquisition, which reflects sales and earnings contribution for one quarter, as well as the higher interest expense associated with the debt financial for the deal. This compares to its prior expectation at the low end of \$5.95 and \$6.30 range. This outlook also continues to include the negative impact of about 90 cents related to the reversal of the impact from incremental shipments associated with the ERP transition in the prior fiscal year.*** -Clorox (Apr. 30)

*And finally, we expect adjusted EPS to be in the range of \$3.98 to \$4.03 per share for fiscal year 2026, representing strong growth of roughly 12% at the midpoint, driven primarily by synergy realization. We have experience in successfully navigating supply disruptions and resulting inflation, **and we do not expect the current conflict in the Middle East to have a material impact on Q4 earnings.** The midpoint of our Q4 adjusted EPS implies more than 20% year-over-year growth, and reflects the near full lap of the Berry acquisition on May 1. With input cost inflation significantly exceeding historical norms, our teams have acted fast, implementing responsible price and cost actions to maintain expected dollar earnings as we have in the past.* -Amcor (May 5)

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