

Special Update

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Q4 Earnings Report - Pleasant Surprises!

The Q4 2025 earnings season for the S&P 500 (covering the period ending December 31, 2025) is nearing completion as of February 26, 2026. The latest available comprehensive data from FactSet (primarily from the February 13, 2026, update, with confirmatory insights from Earnings Insight and other sources as of late February) shows the season concluding on a solid note. The blended earnings growth rate has stabilized at 13.2%, confirming the fifth consecutive quarter of double-digit year-over-year EPS growth. This outperforms initial quarter-end estimates of 8.3% and reflects positive surprises, particularly from sectors with international exposure. Revenue growth has reached its highest level in over three years. With most companies reported (around 74-85% based on cross-referenced sources), the focus shifts to final tallies, guidance, and implications for 2026. The season underscores corporate resilience, supporting elevated valuations amid ongoing economic strength.

Reporting Progress

As of February 13, 2026 (the most recent detailed FactSet weekly update), 74% of S&P 500 companies had reported actual Q4 2025 results. Subsequent sources indicate further progress, with estimates suggesting 85% or more reported by late February (e.g., only 15% remaining in mid-February updates, including some utilities and other names). The season's peak has passed, with late reporters including select heavyweights. No major weekly update appears post-February 13 (noting skips around holidays like Presidents' Day on February 16), but the trajectory points to near-completion by February 26, 2026.

Earnings Performance

The percentage of companies reporting actual EPS above estimates is 74%, below the 5-year average of 78% and the 10-year average of 76%. The magnitude of positive surprises remains in line with recent historical averages.

The blended year-over-year EPS growth rate for Q4 2025 stands at 13.2%, stable from the prior week (also 13.2%) but significantly higher than the 8.3% at quarter-end (December 31, 2025). This marks the fifth straight quarter of double-digit growth, the first such streak since Q4 2017–Q4 2018. Companies with higher international sales exposure (>50% outside the U.S.) contributed disproportionately higher growth (around 17.7% blended). If finalized at this level, it confirms strong outperformance driven by surprises in key sectors.

Revenue Performance

Revenue out-performance rates are approximately 72-73% in aggregated reports (e.g., 72.3% in one late-season tally), slightly below historical norms. The blended revenue growth rate has risen to 9.0%, the highest since Q3 2022 (11.0%). Ex-energy, growth is even stronger in some metrics. Ten of eleven sectors show positive year-over-year revenue growth, with three (Information Technology, Communication Services, Health Care) in double digits. This marks the strongest revenue expansion in three years, highlighting broad-based top-line strength.

Sector-Level Breakdown

Leadership remains in growth and internationally exposed areas, with ten sectors positive on revenue and most on EPS. The table below summarizes blended year-over-year changes based on late-season data (primarily through mid-February 2026):

| Sector | EPS Growth (%) | Revenue Growth (%) | Key Notes |
|------------------------|------------------------|------------------------|---|
| Information Technology | Double-digit (Leading) | Double-digit (Leading) | AI and tech investments driving outsized gains; strong beats. |
| Communication Services | Double-digit | Double-digit | Positive surprises; digital/ad recovery. |
| Industrials | Double-digit | Positive (Strong) | Resilient contributions; broad participation. |
| Health Care | Positive | Double-digit | Recent beats easing margin concerns. |
| Financials | Positive | Mixed | Supportive early results. |
| Consumer Discretionary | Mixed/Positive | Positive | Consumer trends variable. |
| Consumer Staples | Positive | Positive | Stable demand. |
| Utilities | Positive | Positive | Infrastructure tailwinds. |
| Real Estate | Positive | Positive | Rate dynamics aiding. |
| Materials | Mixed | Positive | Commodity effects. |
| Energy | Negative | Negative | Primary drag from oil volatility. |

Net profit margins remain elevated for reported companies, with broader participation beyond mega-cap tech supporting the index.

Key Surprises and Notable Companies

Positive surprises concentrated in Communication Services, Health Care, Information Technology, and Industrials fueled upward revisions. International exposure boosted growth differentials. Mixed results in some areas (e.g., select consumer or energy names) contrasted with tech/industrials strength. Beat rates for reported firms hovered around 75-76% on EPS in final tallies.

Forward Outlook

Q1 2026 EPS growth is projected at 11.1%, accelerating to 14.9% in Q2 2026. Full-year CY 2026 earnings growth estimates range from 14.4% to 15%, marking potential for continued double-digit expansion and record highs. Revenue growth is expected to moderate (e.g., 8.7% in Q1 2026, declining thereafter). The forward 12-month P/E ratio is around 21.5, above 5-year (20.0) and 10-year (18.8) averages, reflecting optimism tempered by valuation caution. Broader earnings breadth, AI momentum, and international factors could drive rotation and sustain momentum, though policy/geopolitical risks remain.

Conclusion

As of February 26, 2026, the Q4 2025 earnings season has wrapped up strongly, with a stabilized blended EPS growth of 13.2% and record revenue expansion confirming corporate resilience. The fifth consecutive double-digit EPS quarter, led by tech, industrials, and international exposure, outperforms expectations and supports the S&P 500 near highs. With reporting largely complete, attention turns to 2026 guidance and macro catalysts. The positive close bolsters fundamental justification for current valuations, though investors should monitor revisions and divergences.

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