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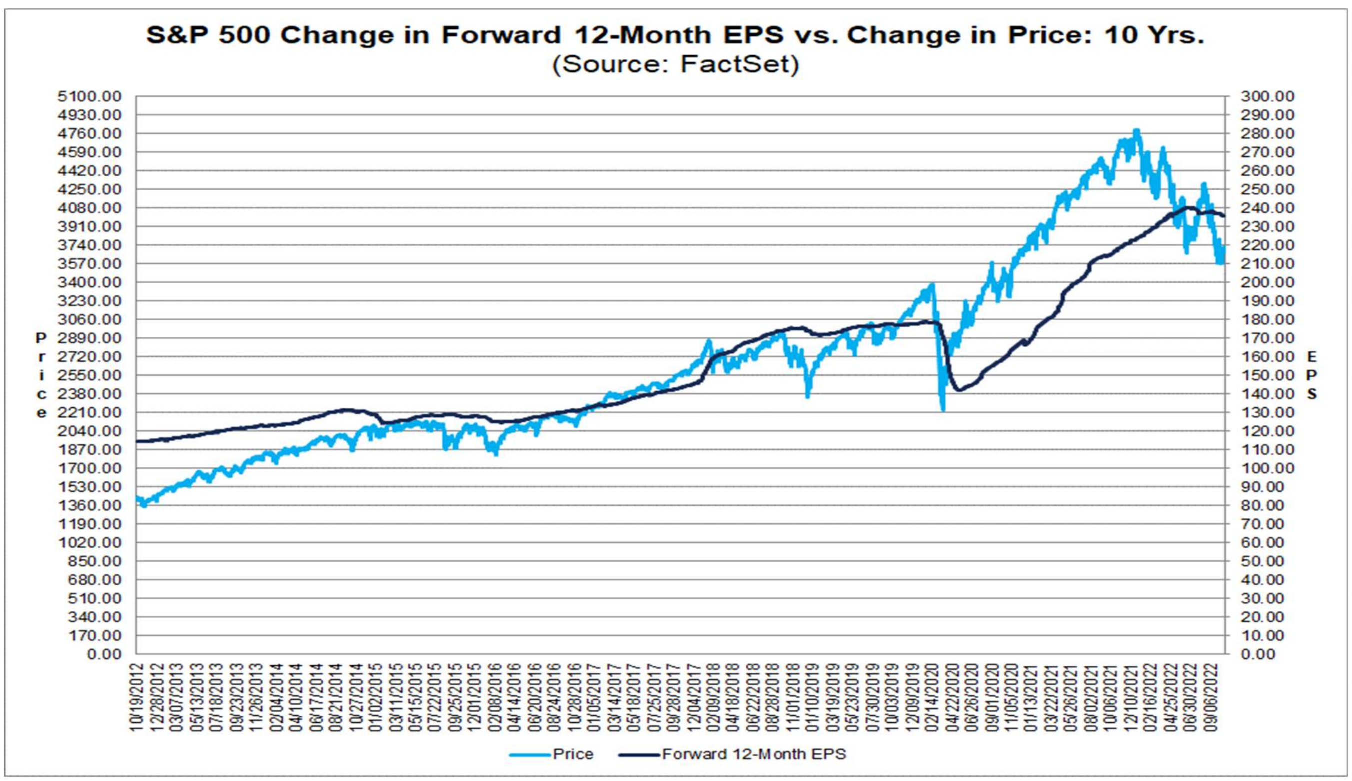
October 21, 2022

Key Metrics

- **Earnings Scorecard:** For Q3 2022 (with 20% of S&P 500 companies reporting actual results), 72% of S&P 500 companies have reported a positive EPS surprise and 70% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q3 2022, the blended earnings growth rate for the S&P 500 is 1.5%. If 1.5% is the actual growth rate for the quarter, it will mark the lowest earnings growth rate reported by the index since Q3 2020 (-5.7%).
- **Earnings Revisions:** On September 30, the estimated earnings growth rate for Q3 2022 was 2.8%. Six sectors are reporting lower earnings today (compared to September 30) due to downward revisions to EPS estimates and negative EPS surprises.
- **Earnings Guidance:** For Q4 2022, 9 S&P 500 companies have issued negative EPS guidance and 6 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 15.6. This P/E ratio is below the 5-year average (18.5) and below the 10-year average (17.1).



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Topic of the Week:

S&P 500 Reporting A Lower Net Profit Margin For 5th Straight Quarter

The market continues to be concerned about higher inflation. Consumer prices increased by 8.2% in September, which marked the 7th consecutive month the percentage exceeded 8% (year-over-year). Given these concerns, what is the S&P 500 reporting for a net profit margin for the third quarter?

The (blended) net profit margin for the S&P 500 for Q3 2022 is 12.0%, which is below the previous quarter's net profit margin and below the year-ago net profit margin. However, it is above the 5-year average net profit margin (11.3%).

If 12.0% is the actual net profit margin for the quarter, it will mark the fifth straight quarter in which the net profit margin for the index has declined quarter-over-quarter. On the other hand, it will also mark the 7th consecutive quarter that the net profit margin has been 12% or higher. Prior to the current streak, the net profit margin only hit 12% in one other quarter (Q3 2018) in the previous 10 years.

At the sector level, three sectors are reporting a year-over-year increase in their net profit margins in Q3 2022 compared to Q3 2021, led by the Energy (to 14.6% vs. 8.9%) sector. On the other hand, eight sectors are reporting a year-over-year decrease in their net profit margins in Q3 2022 compared to Q3 2021, led by the Financials (14.9% vs. 18.8%) sector.

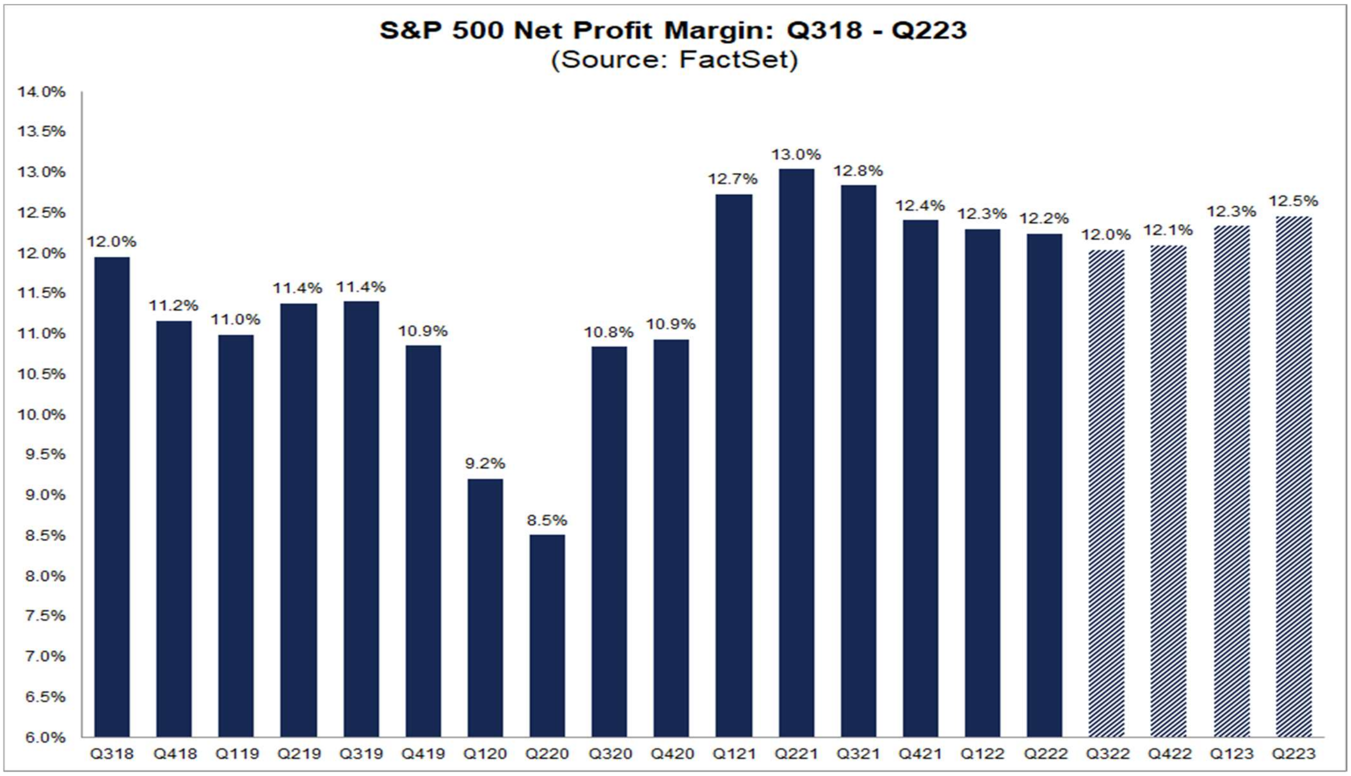
Seven sectors are reporting net profit margins in Q3 2022 that are above their 5-year averages, led by the Energy (14.6% vs. 6.8%) sector. On the other hand, fours sectors are reporting net profit margins in Q3 2022 that are below their 5-year averages, led by the Financials (14.9% vs. 16.5%) sector.

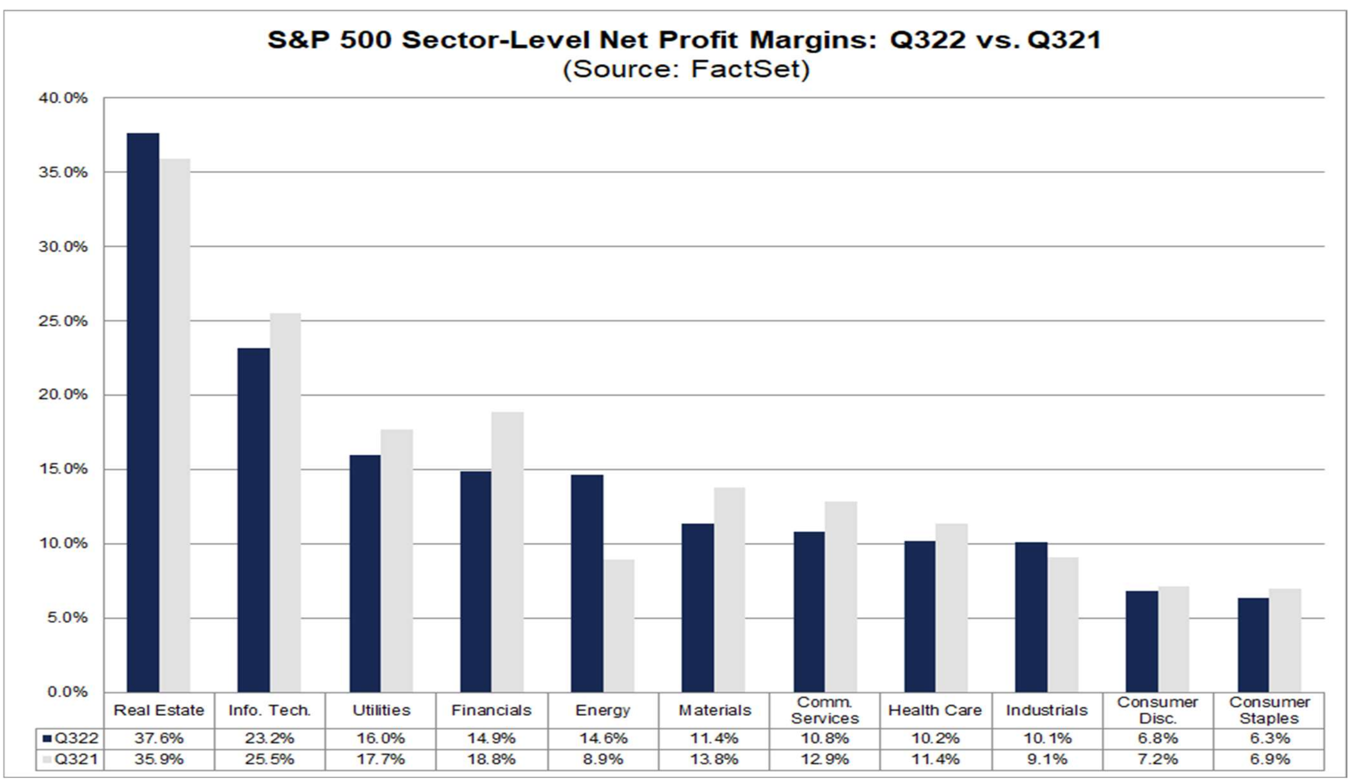
Five sectors are reporting a quarter-over-quarter increase in their net profit margins in Q3 2022 compared to Q2 2022, led by the Utilities (to 16.0% vs. 12.7%) sector. On the other hand, five sectors are reporting a quarter-over-quarter decrease in their net profit margins in Q3 2022 compared to Q2 2022, led by the Materials (11.4% vs. 14.2%) sector. One sector (Industrials) is reporting no change in its net profit margin (10.1%) quarter-over-quarter.

What is driving the continuing decline in net profit margins for the S&P 500? Higher costs are likely having a negative impact on net profit margins. Producer prices increased by 8.5% in September, which marked the 14th straight quarter that the percentage exceeded 8.0% (year-over-year). During the previous earnings season, 412 S&P 500 companies cited "inflation" on earnings calls for the second quarter, which was the second-highest number in more than 10 years. However, companies are also raising prices to offset these higher costs, as the S&P 500 is projected to report revenue growth above 8% for the seventh straight quarter.

In addition, companies are facing a difficult year-over-year comparison to unusually high net profit margins in 2021. In Q3 2021, the S&P 500 recorded the second-highest net profit margin reported by the index since FactSet began tracking this metric in 2008.

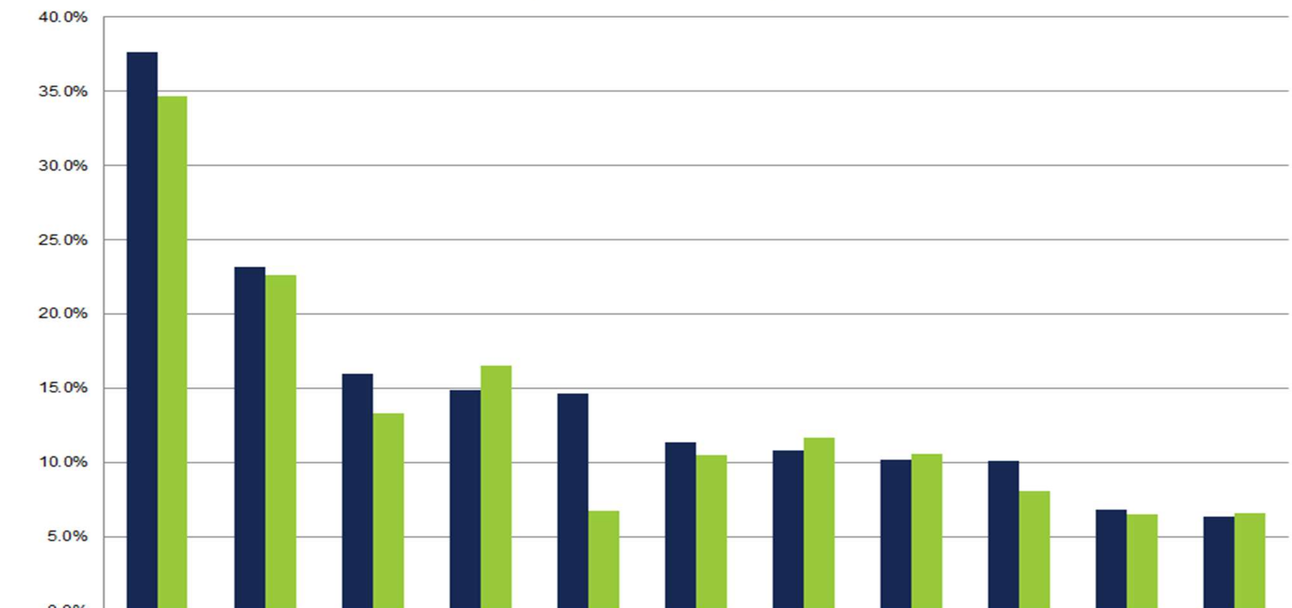
Despite continuing high inflation, it is interesting to note that analysts believe net profit margins for the S&P 500 will be higher than Q3 2022 for the rest of this year and for the first half of next year. As of today, the estimated net profit margins for Q4 2022, Q1 2023 and Q2 2023 are 12.1%, 12.3%, and 12.5%, respectively.





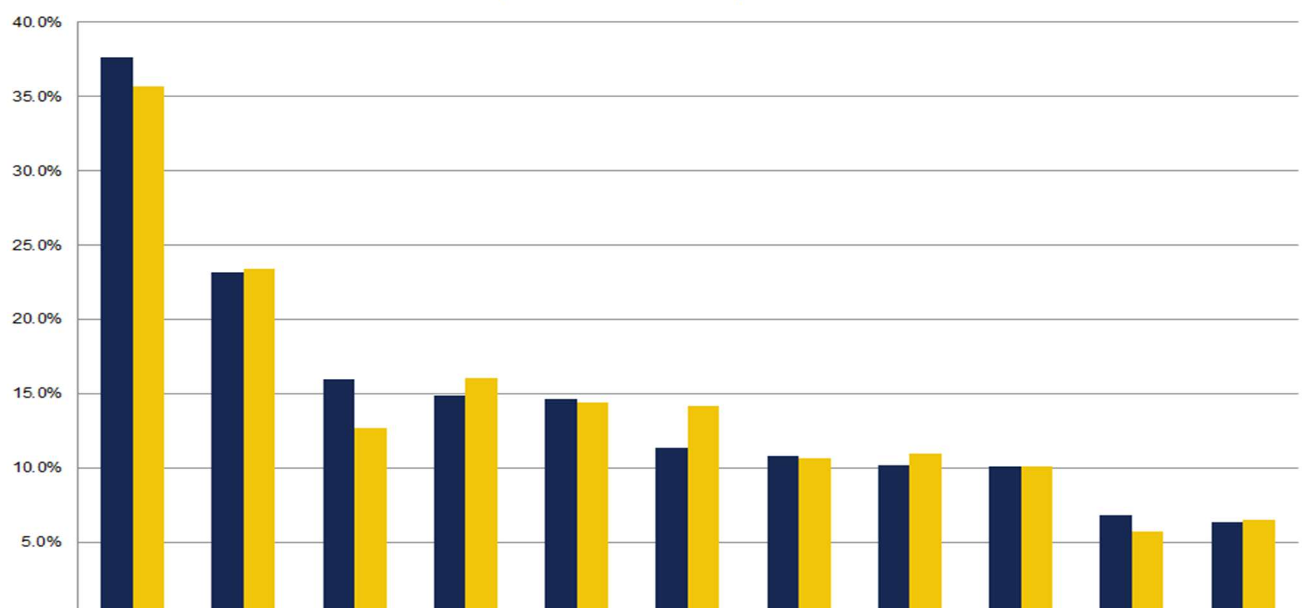
	Real Estate	Info. Tech.	Utilities	Financials	Energy	Materials	Comm. Services	Health Care	Industrials	Consumer Disc.	Consumer Staples
Q322	37.6%	23.2%	16.0%	14.9%	14.6%	11.4%	10.8%	10.2%	10.1%	6.8%	6.3%
Q321	35.9%	25.5%	17.7%	18.8%	8.9%	13.8%	12.9%	11.4%	9.1%	7.2%	6.9%

S&P 500 Sector-Level Net Profit Margins: Q322 vs. 5-Year Avg.
(Source: FactSet)



	Real Estate	Info. Tech.	Utilities	Financials	Energy	Materials	TComm. Services	Health Care	Industrials	Consumer Disc.	Consumer Staples
Q322	37.6%	23.2%	16.0%	14.9%	14.6%	11.4%	10.8%	10.2%	10.1%	6.8%	6.3%
5-Yr. Avg.	34.7%	22.6%	13.3%	16.5%	6.8%	10.5%	11.7%	10.6%	8.1%	6.5%	6.6%

S&P 500 Sector-Level Net Profit Margins: Q322 vs. Q222
(Source: FactSet)



	Real Estate	Info. Tech	Utilities	Financials	Energy	Materials	Comm. Services	Health Care	Industrials	Consumer Disc.	Consumer Staples
Q322	37.6%	23.2%	16.0%	14.9%	14.6%	11.4%	10.8%	10.2%	10.1%	6.8%	6.3%
Q222	35.7%	23.4%	12.7%	16.1%	14.4%	14.2%	10.7%	11.0%	10.1%	5.7%	6.5%

Q3 Earnings Season: By The Numbers

Overview

The number of S&P 500 companies reporting positive earnings surprises and the magnitude of these earnings surprises increased over the past week. As a result, the earnings growth rate for the third quarter is higher today compared to the end of last week, but still below the estimated earnings growth rate at the end of the quarter. However, both the number and magnitude of positive earnings surprises are below their 5-year and 10-year averages. On a year-over-year basis, the S&P 500 is reporting its lowest earnings growth since Q3 2020.

Overall, 20% of the companies in the S&P 500 have reported actual results for Q3 2022 to date. Of these companies, 72% have reported actual EPS above estimates, which is below the 5-year average of 77% and below the 10-year average of 73%. In aggregate, companies are reporting earnings that are 2.3% above estimates, which is below the 5-year average of 8.7% and below the 10-year average of 6.5%.

As a result, the index is reporting higher earnings for the third quarter today relative to the end of last week, but lower earnings today 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 third quarter is 1.5% today, compared to an earnings growth rate of 1.3% last week and an earnings growth rate of 2.8% at the end of the third quarter (September 30).

Positive earnings surprises reported by companies in the Communication Services and Health Care sectors (partially offset by negative earnings surprises and downward revisions to earnings estimates for companies in the Financials sector) have been the largest contributors to the increase in the overall earnings growth rate for the index during the past week. Downward revisions to earnings estimates and negative earnings surprises reported by companies in the Financials sector have been the largest contributors to the decrease in the overall earnings growth rate since September 30.

If 1.5% is the actual growth rate for the quarter, it will mark the lowest earnings growth rate reported by the index since Q3 2020 (-5.7%). Four of the eleven sectors are reporting year-over-year earnings growth, led by the Energy, Industrials, and Real Estate sectors. On the other hand, seven sectors are reporting a year-over-year decline in earnings, led by the Financials, Materials, and Communication Services sectors.

In terms of revenues, 70% of S&P 500 companies have reported actual revenues above estimates, which is above the 5-year average of 69% and above the 10-year average of 62%. In aggregate, companies are reporting revenues that are 1.3% above the estimates, which is below the 5-year average of 1.9% but above the 10-year average of 1.2%.

As a result, the index is reporting higher revenues for the third quarter today relative to the end of last week, but lower revenues today relative to the end of the quarter. The blended revenue growth rate for the third quarter is 8.5% today, compared to a revenue growth rate of 8.4% last week and a revenue growth rate of 8.7% at the end of the third quarter (September 30).

Positive revenue surprises reported by companies in the Financials and Health Care sectors (partially offset by downward revisions to revenue estimates for companies in the Energy sector) have been the largest contributors to the increase in the overall revenue growth rate during the past week. Downward revisions to revenue estimates for companies in the Energy sector have been the largest contributor to the decline in the overall revenue growth rate for the index since September 30.

If 8.5% is the actual growth rate for the quarter, it will mark the first time the index has reported revenue growth below 10% since Q4 2020 (3.2%). All eleven sectors are reporting year-over-year growth in revenues, led by the Energy sector.

Looking ahead, analysts expect earnings growth of 2.7% for Q4 2022 and 6.7% for CY 2022. For Q1 2023 and Q2 2023, analysts are projecting earnings growth of 5.1% and 3.5%. For CY 2023, analysts predict earnings growth of 7.3%.

The forward 12-month P/E ratio is 15.6, which is below the 5-year average (18.5) and below the 10-year average (17.1). However, it is above the forward P/E ratio of 15.2 recorded at the end of the third quarter (September 30), as the price of the index has increased while the forward 12-month EPS estimate has decreased since September 30.

During the upcoming week, 165 S&P 500 companies (including 12 Dow 30 components) are scheduled to report results for the third quarter.

Scorecard: Number And Magnitude of Positive Earnings Surprises Are Below Average

Percentage of Companies Beating EPS Estimates (72%) is Below 5-Year Average

Overall, 20% of the companies in the S&P 500 have reported earnings to date for the third quarter. Of these companies, 72% have reported actual EPS above the mean EPS estimate, 3% have reported actual EPS equal to the mean EPS estimate, and 25% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is below the 1-year average (78%), below the 5-year average (77%), and below the 10-year average (73%).

At the sector level, the Communication Services (100%), Health Care (100%), and Real Estate (100%) sectors have the highest percentages of companies reporting earnings above estimates, while the Consumer Discretionary (50%) and Materials (50%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (+2.3%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 2.3% above expectations. This surprise percentage is below the 1-year average (+6.5%), below the 5-year average (+8.7%), and below the 10-year average (6.5%).

The Communication Services (+9.9%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Netflix ($3.10 vs. $2.14) and AT&T ($0.68 vs. $0.61) have reported the largest positive EPS surprises.

The Health Care (+6.9%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Abbott Laboratories ($1.15 vs. $0.94) and Danaher ($2.56 vs. $2.26) have reported the largest positive EPS surprises.

The Consumer Discretionary (-4.4%) sector is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Carnival (-$0.58 vs. -$0.06), CarMax ($0.79 vs, $1.39), Whirlpool ($4.49 vs. $5.35), and Las Vegas Sands (-$0.27 vs. -$0.24) have reported the largest negative EPS surprises.

The Industrials (-0.3%) sector is reporting the second-largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Generac ($1.75 vs. $3.22), FedEx ($3.44 vs. $5.14) and A.O. Smith ($0.69 vs. $0.87) have reported the largest negative EPS surprises.

Market Rewarding Positive Surprises Less Than Average

To date, the market is rewarding positive earnings surprises less than average and punishing negative earnings surprises more than average.

Companies that have reported positive earnings surprises for Q3 2022 have seen an average price increase of +0.2% two days before the earnings release through two days after the earnings release. This percentage increase is below the 5-year average price increase of +0.9% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q3 2022 have seen an average price decrease of -5.6% 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 -2.2% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (70%) is Above 5-Year Average

In terms of revenues, 70% of companies have reported actual revenues above estimated revenues and 30% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (74%), but above the 5-year average (69%) and above the 10-year average (62%).

At the sector level, the Communication Services (100%), Materials (100%), and Real Estate (100%) sectors have the highest percentages of companies reporting revenues above estimates, while the Consumer Discretionary (57%), Industrials (59%), and Financials (61%) sectors have the lowest percentages of companies reporting revenues above estimates.

Revenue Surprise Percentage (+1.3%) is Below 5-Year Average

In aggregate, companies are reporting revenues that are 1.3% above expectations. This surprise percentage is below the 1-year average (+2.9%) and below the 5-year average (+1.9%), but above the 10-year average (+1.2%).

At the sector level, the Energy (+4.5%) and Materials (+4.5%) sectors are reporting the largest positive (aggregate) difference between actual revenues and estimated revenues, while the Industrials (-0.2%) sector is reporting the largest negative (aggregate) differences between actual revenues and estimated revenues.

Revisions: Increase in Blended Earnings Growth Rate This Week

Increase in Blended Earnings Growth Rate This Week Due to Comm. Services and Health Care

The blended (year-over-year) earnings growth rate for the third quarter is 1.5%, which is above the earnings growth rate of 1.3% last week. Positive earnings surprises reported by companies in the Health Care and Communication Services sectors (partially offset by negative earnings surprises and downward revisions to earnings estimates for companies in the Financials sector) were the largest contributors to the increase in the overall earnings growth rate during the week.

In the Communication Services sector, the positive EPS surprises reported by AT&T ($0.68 vs. $0.61) and Netflix ($3.10 vs. $2.14) were significant contributors to the increase in the earnings growth rate for the index during the week. As a result, the blended earnings decline for the Communication Services sector improved to -12.5% from -14.4% over this period.

In the Health Care sector, the positive EPS surprises reported by Abbott Laboratories ($1.15 vs. $0.94), Danaher ($2.56 vs. $2.26), and Johnson & Johnson ($2.55 vs. $2.48) were substantial contributors to the increase in the earnings growth rate for the index during the week. As a result, the blended earnings decline for the Health Care sector improved to -6.9% from -7.8% over this period.

In the Financials sector, the negative EPS surprises reported by Bank of New York Mellon ($0.39 vs. $1.10) and Regions Financial ($0.43 vs. $0.59), along with downward revisions to EPS estimates for Allstate (to -$1.29 from $0.21) and Berkshire Hathaway (to $2.81 vs. $2.95), were substantial contributors to the decrease in the earnings growth rate for the index during the week. These negative surprises and downward revisions were partially offset by the positive earnings surprises reported by Bank of America ($0.81 vs. $0.78), Goldman Sachs ($8.25 vs. $7.75), and Travelers ($2.20 vs. $1.54). As a result, the blended earnings decline for the Financials sector increased to -17.7% from -16.6% over this period.

Increase in Blended Revenue Growth Rate This Week Due to Financials and Health Care

The blended (year-over-year) revenue growth rate for the third quarter is 8.5%, which is above the revenue growth rate of 8.4% last week. Positive revenue surprises reported by companies in the Financials and Health Care sectors (partially offset by downward revisions to estimates for companies in the Energy sector) were the largest contributors to the increase in the overall revenue growth rate during the past week.

Financials Sector Has Seen Largest Decrease in Earnings since September 30

The blended (year-over-year) earnings growth rate for Q3 2022 of 1.5% is below the estimate of 2.8% at the end of the third quarter (September 30). Five 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 earnings estimates and positive earnings surprises, led by the Real Estate (to 18.1% from 15.8%) sector. On the other hand, six sectors have recorded a decrease in their earnings growth rate or an increase in their earnings decline during this period, led by the Materials (to -13.5% from -7.0%) and Financials (to -17.7% from -12.0%) sectors. The Financials sector is also the largest contributor to the decrease in earnings for the index since September 30.

In the Financials sector, the negative EPS surprises reported by Wells Fargo ($0.85 vs. $1.09), Progressive ($0.49 vs. $0.99), and Bank of New York Mellon (to $0.39 from $1.10), along with downward revisions to EPS estimates for Berkshire Hathaway (to $2.81 from $3.43), Allstate (to -$1.29 from $0.92), Chubb (to $2.62 from $3.76), and AIG (to $0.53 from $1.08), have been substantial contributors to the decrease in the earnings growth rate for the index since September 30. As a result, the blended earnings decline for the Financials sector increased to -17.7% from -12.0% over this period.

Energy Sector Has Seen Largest Decrease in Revenues since September 30

The blended (year-over-year) revenue growth rate for Q3 2022 of 8.5% is slightly below the estimate of 8.7% at the end of the third quarter (September 30). Three sectors have recorded an increase in revenue growth since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Financials (to 4.1% from 2.7%) sector. On the other hand, eight sectors have recorded a decrease in their revenue growth rate since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises, led by the Energy (to 32.2% from 35.5%) sector. This sector has also been the largest contributor to the decrease in revenues for the index since September 30.

In the Energy sector, downward revisions to revenue estimates for Chevron (to $57.4 billion from $60.8 billion), ConocoPhillips (to $18.0 billion from $19.8 billion), Exxon Mobil (to $104.6 billion from $106.0 billion), and Phillips 66 (to $39.4 billion from $40.5 billion) have been substantial contributors to the decrease in the revenue growth rate for the index since September 30. As a result, the blended revenue growth rate for the Energy sector has decreased to 32.2% from 35.5%.

Earnings Growth: 1.5%

The blended (year-over-year) earnings growth rate for Q3 2022 is 1.5%, which is below the 5-year average earnings growth rate of 14.6% and below the 10-year average earnings growth rate of 8.8%. If 1.5% is the actual growth rate for the quarter, it will mark the lowest (year-over-year) earnings growth rate reported by the index since Q3 2020 (-5.7%).

Four of the eleven sectors are reporting year-over-year earnings growth, led by the Energy, Industrials, and Real Estate sectors. On the other hand, seven sectors are reporting a year-over-year decline in earnings, led by the Financials, Communication Services, and Materials sectors.

Energy: Largest Contributor to Year-Over-Year Earnings Growth for S&P 500 For Q3

The Energy sector is reporting the highest (year-over-year) earnings growth of all eleven sectors at 116.4%. Higher year-over-year oil prices are contributing to the year-over-year improvement in earnings for this sector, as the average price of oil in Q3 2022 ($91.43) was 30% above the average price for oil in Q3 2021 ($70.52). At the sub-industry level, all five sub-industries in the sector are reporting (or are expected to report) a year-over-year increase in earnings of more than 15%: Oil & Gas Refining & Marketing (263%), Integrated Oil & Gas (108%), Oil & Gas Exploration & Production (105%), Oil & Gas Equipment & Services (87%), and Oil & Gas Storage & Transportation (18%).

The Energy sector is also the largest contributor to earnings growth for the S&P 500 for the third quarter. If this sector were excluded, the index would be reporting a decline in earnings of 4.9% rather than growth in earnings of 1.5%.

Industrials: Airlines Industry Is Largest Contributor to Year-Over-Year Growth

The Industrials sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 24.7%. At the industry level, 10 of the 12 industries in the sector are reporting (or are expected to report) a year-over-year increase in earnings. A growth rate is not being calculated for the Airlines industry due to the loss reported by the industry in the year-ago quarter. However, the Airlines industry is reporting a profit of $2.9 billion in Q3 2022 compared to a loss of -$731 million in Q3 2021. Seven of the remaining nine industries are reporting (or are predicted to report) earnings growth above 10%: Trading Companies & Distributors (28%), Aerospace & Defense (26%), Construction & Engineering (23%), Machinery (20%), Road & Rail (18%), Electrical Equipment (12%), and Commercial Services & Supplies (11%). On the other hand, the Air Freight & Logistics (-4%) and Professional Services (-2%) industries are the only industries in the sector reporting a year-over-year decline in earnings.

At the industry level, the Airlines industry is the largest contributor to earnings growth for the sector. If the five companies in this industry were excluded, the blended earnings growth rate for the Industrials sector would fall to 12.8% from 24.7%.

Real Estate: 7 of 8 Sub-Industries Reporting Year-Over-Year Growth

The Real Estate sector is reporting the third-highest (year-over-year) earnings (FFO) growth of all eleven sectors at 18.1%. At the sub-industry level, seven of the eight sub-industries in the sector are reporting (or are expected to report) a year-over-year increase in earnings (FFO), led by the Hotel & Resort REITs (99%) and Industrial REITs (90%) sub-industries. On the other hand, the Real Estate Services (-14%) sub-industry is the only sub-industry predict to report a year-over-year decline in earnings.

Financials: 4 of 5 Industries Reporting Year-Over-Year Decline of More Than 10%

The Financials sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -17.7%. At the industry level, all five industries in this sector are reporting (or are predicted to report) a year-over-year decline in earnings. Four of these five industries are reporting an earnings decline of more than 10%: Insurance (-30%), Consumer Finance (-21%), Capital Markets (-21%), and Banks (-13%).

Materials: Metals & Mining Industry Leads Year-Over-Year Decline

The Materials sector is reporting the second-largest (year-over-year) earnings decline of all eleven sectors at -13.5%. At the industry level, three of the four industries in this sector are reporting (or are predicted to report) a year-over-year earnings decline: Metals & Mining (-39%), Chemicals (-6%), and Containers & Packaging (-5%). On the other hand, the Construction Materials (10%) is the only industry in the sector projected to report (year-over-year) earnings growth.

At the company level, Dow, Freeport-McMoRan, and LyondellBasell Industries are the largest contributors to the earnings decline for this sector. If these three companies were excluded, the Materials sector would be reporting earnings growth of 7.2% rather than an earnings decline of -13.5%.

Communication Services: All 5 Industries Reporting Year-Over-Year Decline

The Communication Services sector is reporting the third-largest (year-over-year) earnings decline of all eleven sectors at -12.5%. At the industry level, all five industries in this sector are reporting (or are predicted to report) a year-over-year decline in earnings, led by the Wireless Telecommunication Services (-44%), Interactive Media & Services (-20%) and Entertainment (-9%) industries.

At the company level, Meta Platforms and Alphabet are the largest contributors to the earnings decline for the sector. If these two companies were excluded, the blended earnings decline for the sector would improve to -2.7% from -12.5%.

Revenue Growth: 8.5%

The blended (year-over-year) revenue growth rate for Q3 2022 is 8.5%, which is above the 5-year average revenue growth rate of 7.8% and above the 10-year average revenue growth rate of 4.6%. However, if 8.5% is the actual growth rate for the quarter, it will mark the first time the index has reported (year-over-year) revenue growth below 10% since Q4 2020 (3.2%).

All eleven sectors are reporting year-over-year growth in revenues. Four sectors are reporting double-digit revenue growth, led by the Energy sector.

Energy: All 5 Sub-Industries Reporting Year-Over-Year Growth Above 20%

The Energy sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 32.2%. Higher year-over-year oil prices are contributing to the year-over-year improvement in earnings for this sector, as the average price of oil in Q3 2022 ($91.43) was 30% above the average price for oil in Q3 2021 ($70.52). At the sub-industry level, all five sub-industries in the sector are reporting (or are predicted to report) year-over-year growth in revenues above 20%: Oil & Gas Exploration & Production (49%), Integrated Oil & Gas (37%), Oil & Gas Storage & Transportation (32%), Oil & Gas Equipment & Services (23%), and Oil & Gas Refining & Marketing (22%).

The Energy sector is also the largest contributor to revenue growth for the S&P 500 for the third quarter. If this sector were excluded, the expected revenue growth rate for the index would fall to 6.6% from 8.5%.

Net Profit Margin: 12.0%

The blended net profit margin for the S&P 500 for Q3 2022 is 12.0%, which is above the 5-year average of 11.3%, but below the previous quarter's net profit margin of 12.2% and below the year-ago net profit margin of 12.9%.

At the sector level, three sectors are reporting a year-over-year increase in their net profit margins in Q3 2022 compared to Q3 2021, led by the Energy (to 14.6% vs. 8.9%) sector. On the other hand, eight sectors are reporting a year-over-year decrease in their net profit margins in Q3 2022 compared to Q3 2021, led by the Financials (14.9% vs. 18.8%).

Seven sectors are reporting net profit margins in Q3 2022 that are above their 5-year averages, led by the Energy (14.6% vs. 6.8%) sector. On the other hand, fours sectors are reporting net profit margins in Q3 2022 that are below their 5-year averages, led by the Financials (14.9% vs. 16.5%) sector.

Looking Ahead: Forward Estimates and Valuation

Guidance: % of S&P 500 Companies Issuing Negative EPS Guidance for Q4 Equals 5-Yr. Average

At this point in time, 15 companies in the index have issued EPS guidance for Q4 2022. Of these 15 companies, 9 have issued negative EPS guidance and 6 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q4 2022 is 60% (9 out of 15), which is equal to the 5-year average of 60% but below the 10-year average of 67%.

At this point in time, 247 companies in the index have issued EPS guidance for the current fiscal year (FY 2022 or FY 2023). Of these 247 companies, 127 have issued negative EPS guidance and 120 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 51% (127 out of 247).

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 7% for CY 2022

For the third quarter, S&P 500 companies are reporting earnings growth of 1.5% and revenue growth of 8.5%.

For Q4 2022, analysts are projecting earnings growth of 2.7% and revenue growth of 5.4%.

For CY 2022, analysts are projecting earnings growth of 6.7% and revenue growth of 10.4%.

For Q1 2023, analysts are projecting earnings growth of 5.1% and revenue growth of 4.7%.

For Q2 2023, analysts are projecting earnings growth of 3.5% and revenue growth of 1.9%.

For CY 2023, analysts are projecting earnings growth of 7.3% and revenue growth of 4.0%.

Valuation: Forward P/E Ratio is 15.6, Below the 10-Year Average (17.1)

The forward 12-month P/E ratio for the S&P 500 is 15.6. This P/E ratio is below the 5-year average of 18.5 and below the 10-year average of 17.1. However, it is above the forward 12-month P/E ratio of 15.2 recorded at the end of the third quarter (September 30). Since the end of the third quarter (September 30), the price of the index has increased by 2.2%, while the forward 12-month EPS estimate has decreased by 0.5%. At the sector level, the Consumer Discretionary (22.3) sector has the highest forward 12-month P/E ratio, while the Energy (9.3) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 17.6, which is below the 5-year average of 22.8 and below the 10-year average of 20.4.

Targets & Ratings: Analysts Project 26% Increase in Price Over Next 12 Months

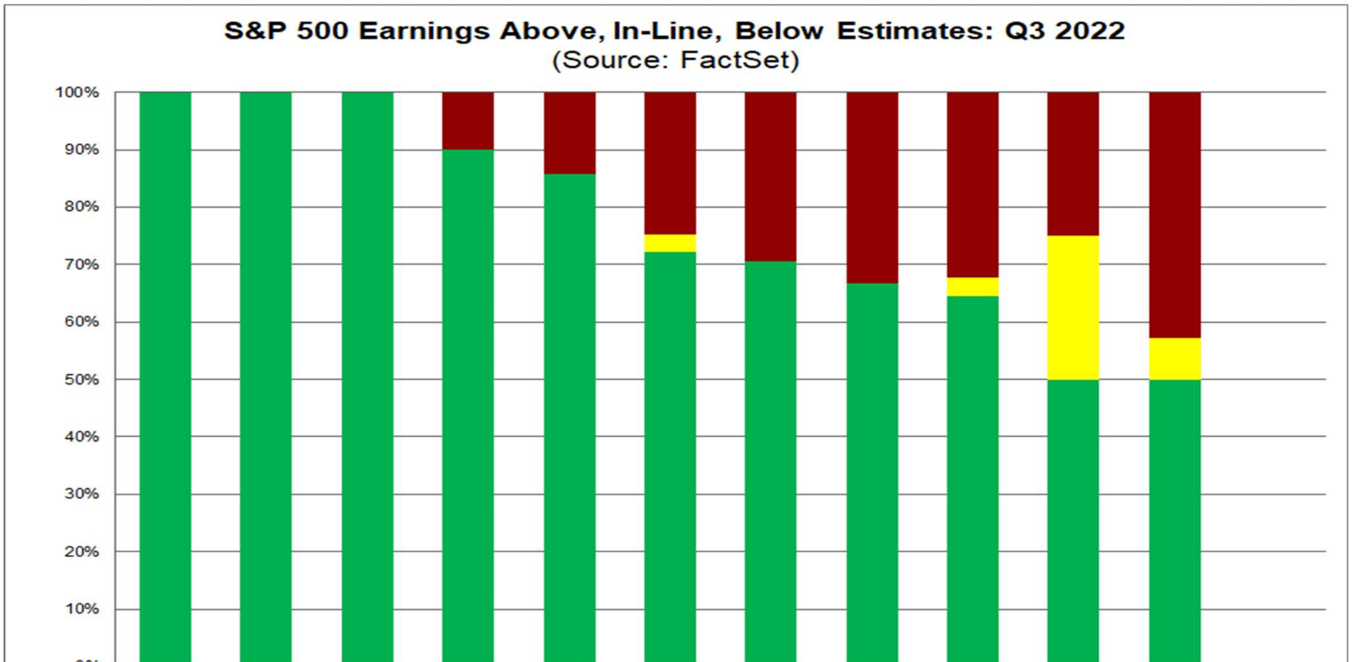
The bottom-up target price for the S&P 500 is 4604.46, which is 25.6% above the closing price of 3665.78. At the sector level, the Communication Services (+38.1%) and Consumer Discretionary (+34.3%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Energy (+11.4%) and Consumer Staples (+15.4%) sectors are expected to see the smallest price increases, as these sectors have the smallest upside differences between the bottom-up target price and the closing price.

Overall, there are 10,845 ratings on stocks in the S&P 500. Of these 10,845 ratings, 55.7% are Buy ratings, 38.6% are Hold ratings, and 5.8% are Sell ratings. At the sector level, the Energy (64%), Information Technology (62%), and Real Estate (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (41%) sector has the lowest percentage of Buy ratings.

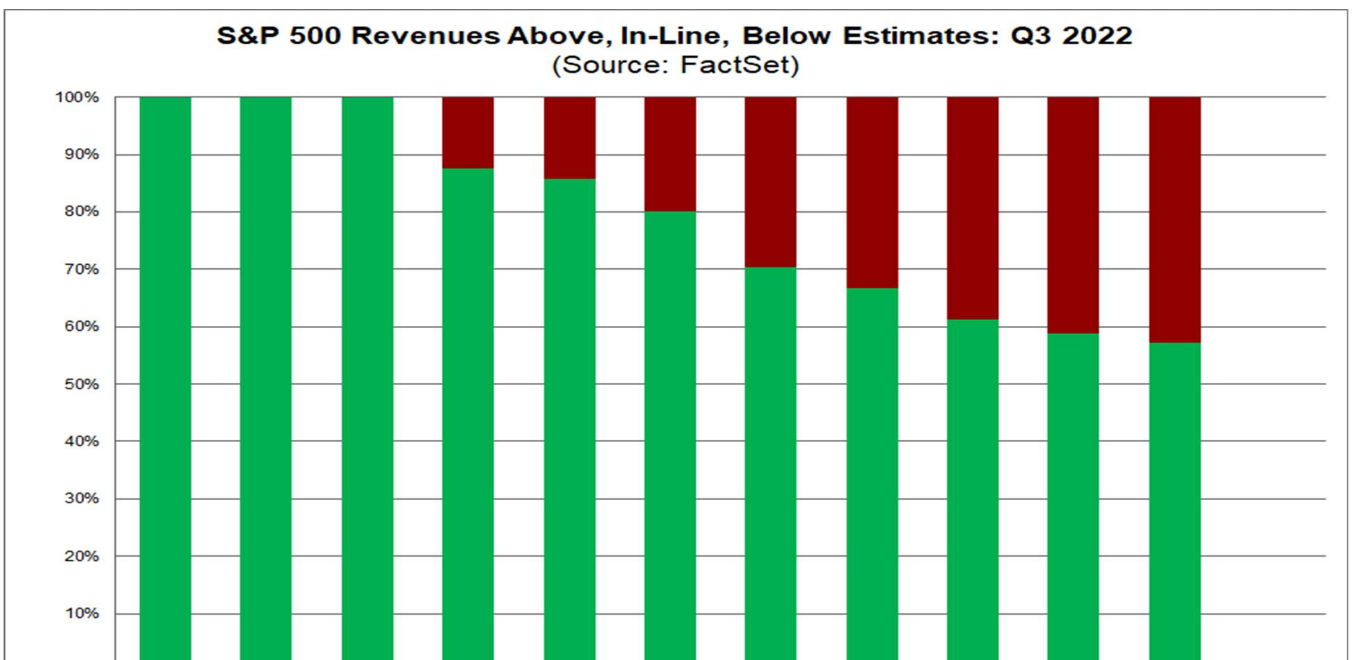
Companies Reporting Next Week: 165

During the upcoming week, 165 S&P 500 companies (including 12 Dow 30 components) are scheduled to report results for the third quarter.

Q3 2022: Scorecard

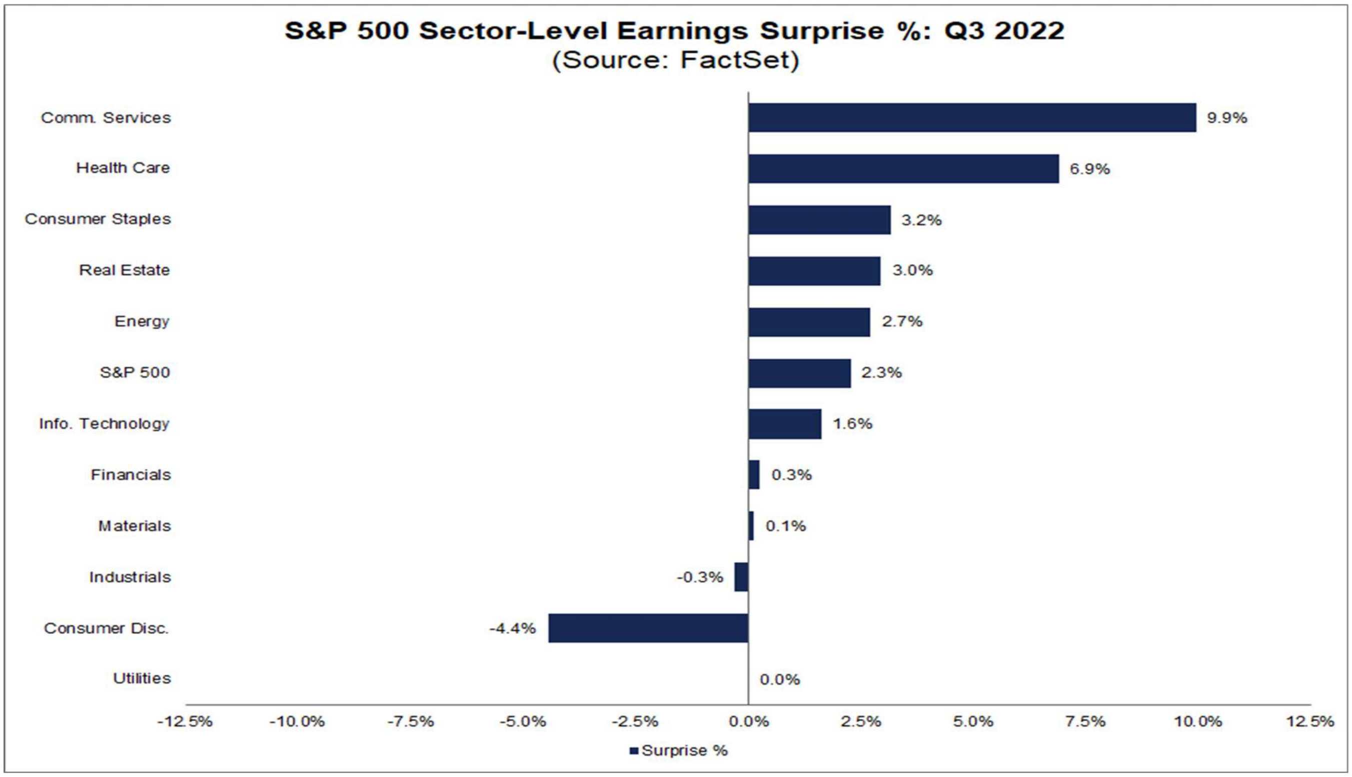


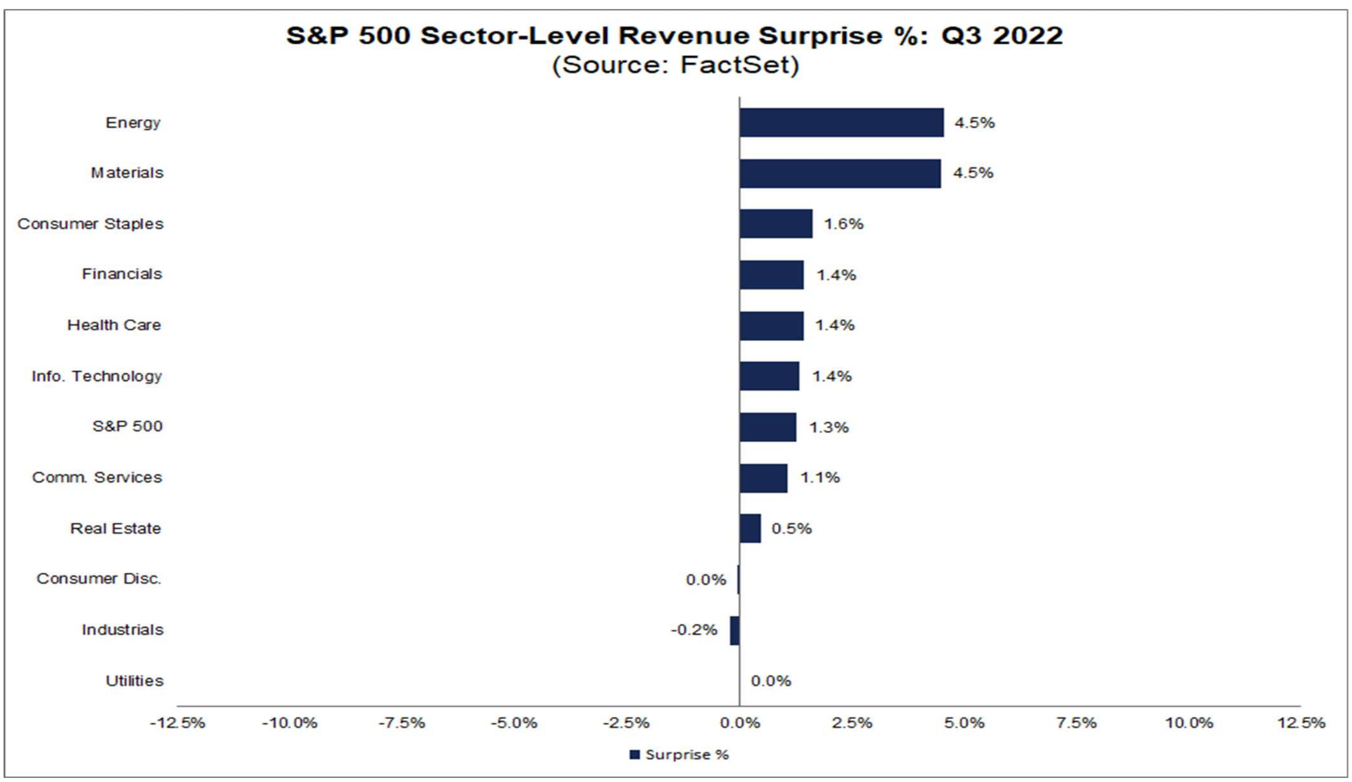
	Comm. Services	Health Care	Real Estate	Consumer Staples	Info. Technology	S&P 500	Industrials	Energy	Financials	Materials	Consumer Disc.	Utilities
Below	0%	0%	0%	10%	14%	25%	29%	33%	32%	25%	43%	0%
In-Line	0%	0%	0%	0%	0%	3%	0%	0%	3%	25%	7%	0%
Above	100%	100%	100%	90%	86%	72%	71%	67%	65%	50%	50%	0%



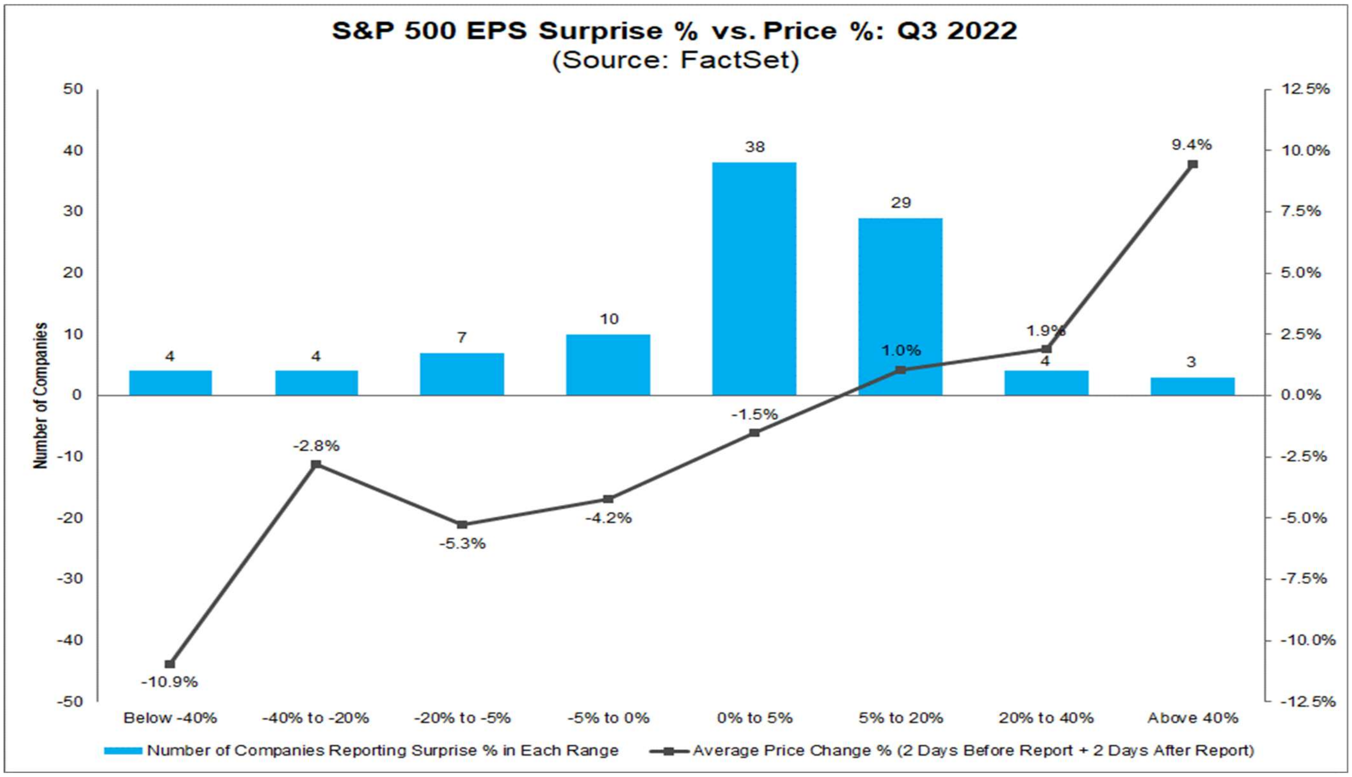
	Comm. Services	Materials	Real Estate	Health Care	Info. Technology	Consumer Staples	S&P 500	Energy	Financials	Industrials	Consumer Disc.	Utilities
Below	0%	0%	0%	13%	14%	20%	30%	33%	39%	41%	43%	0%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	100%	100%	100%	88%	86%	80%	70%	67%	61%	59%	57%	0%

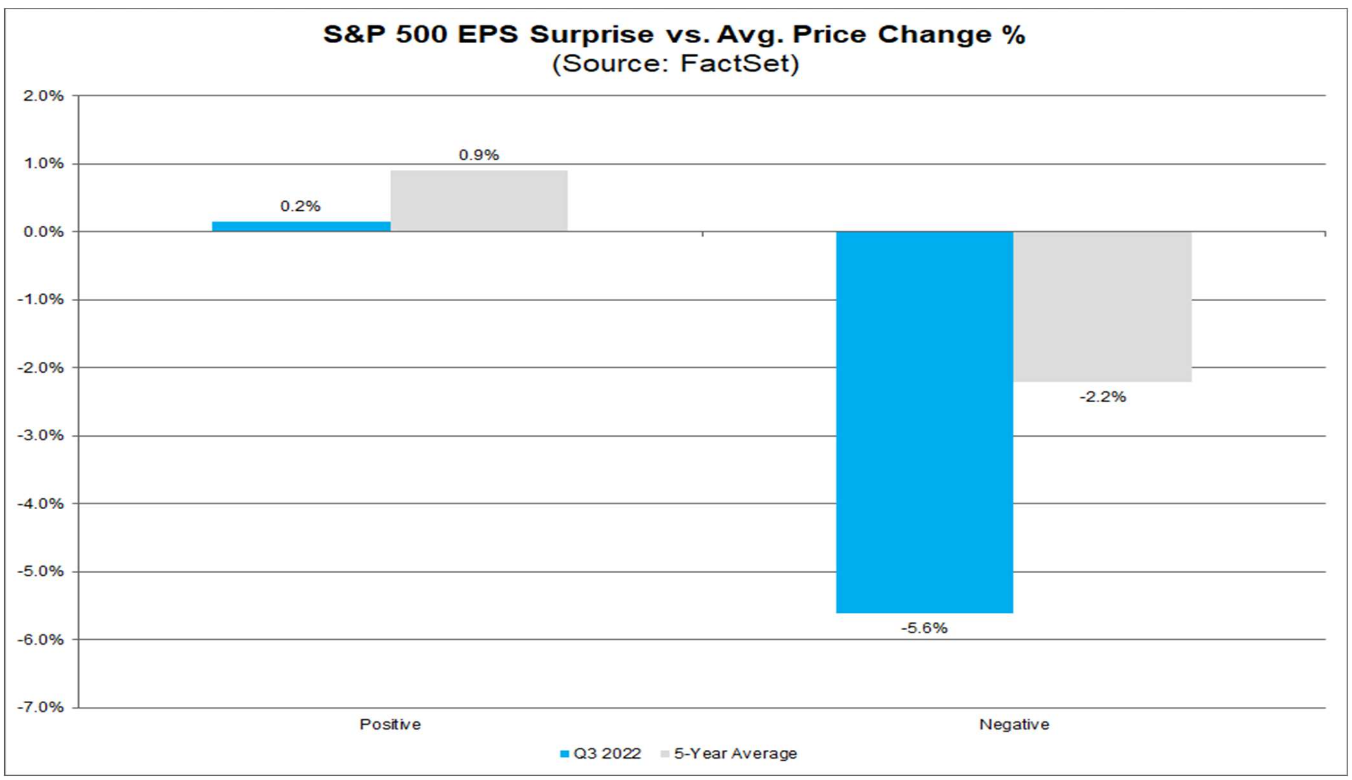
Q3 2022: Scorecard



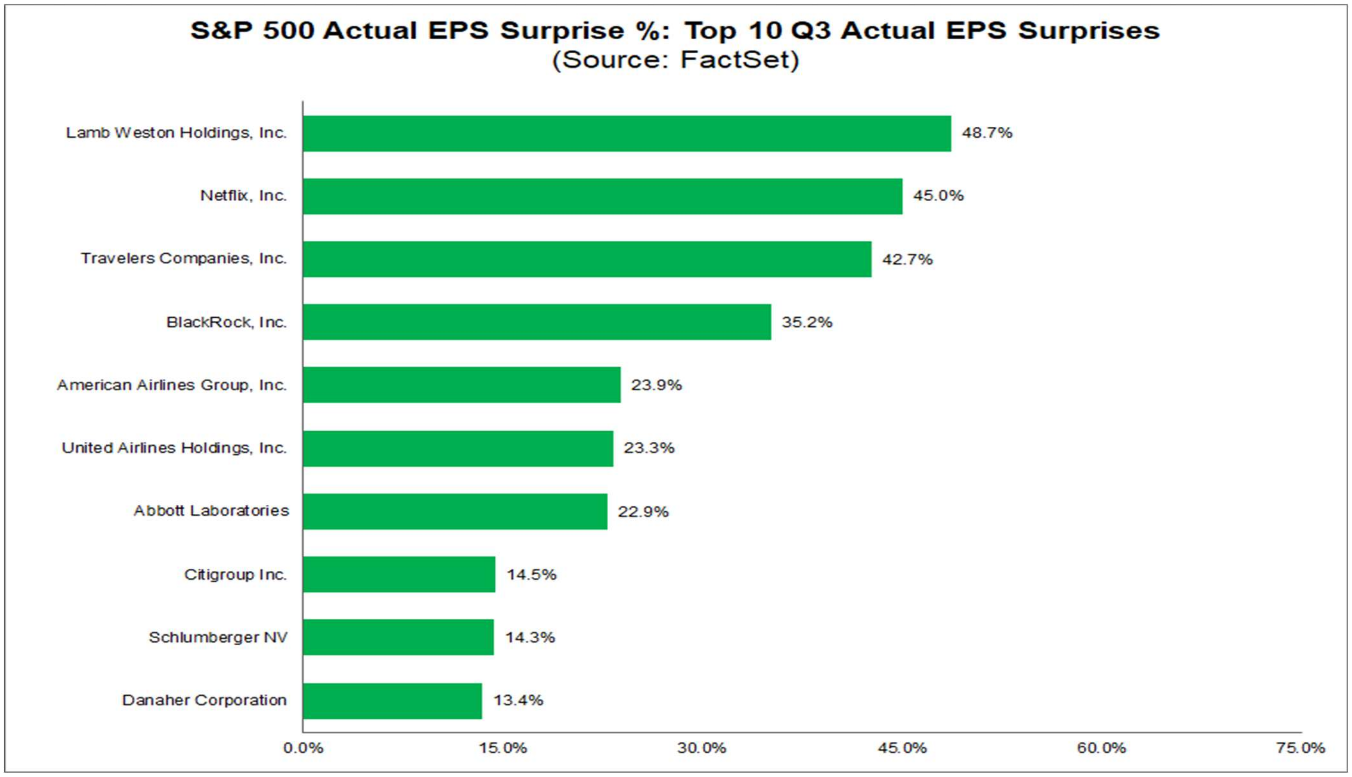


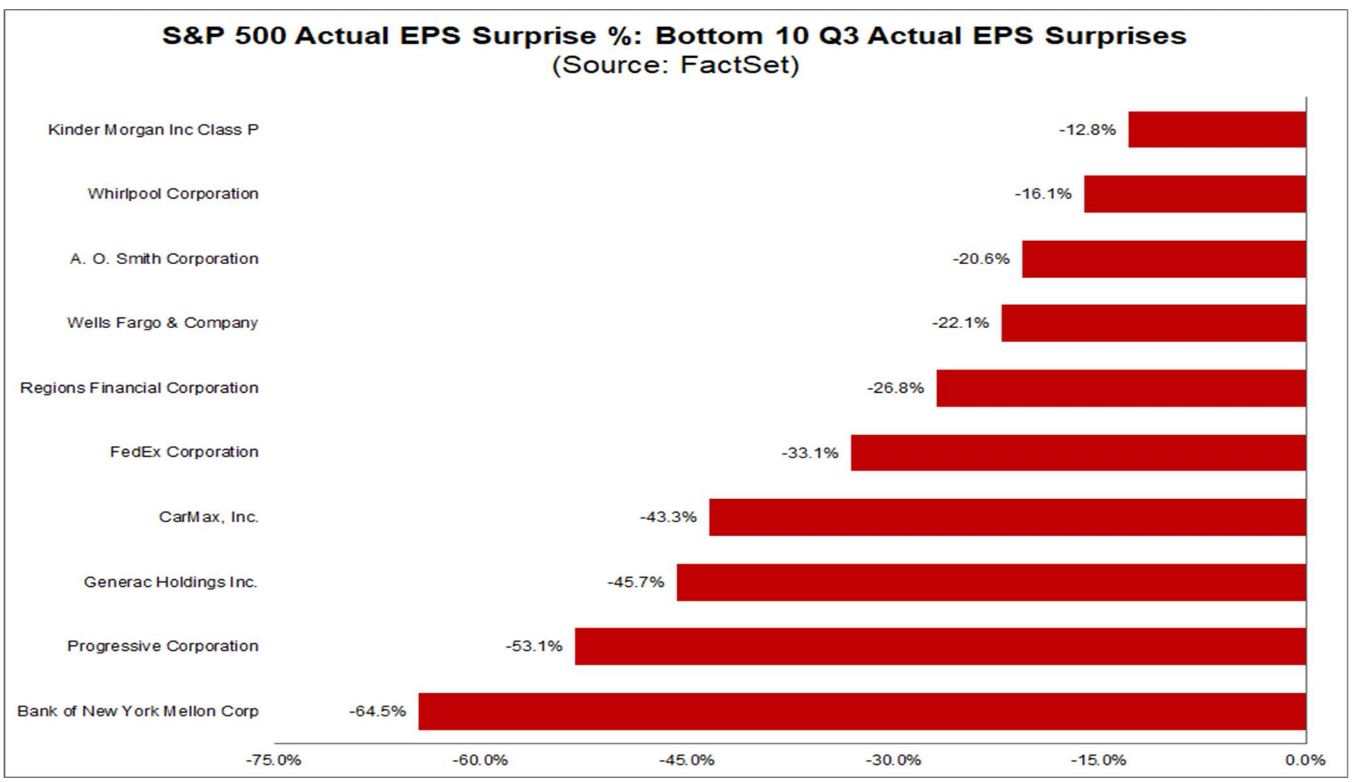
Q3 2022: Scorecard





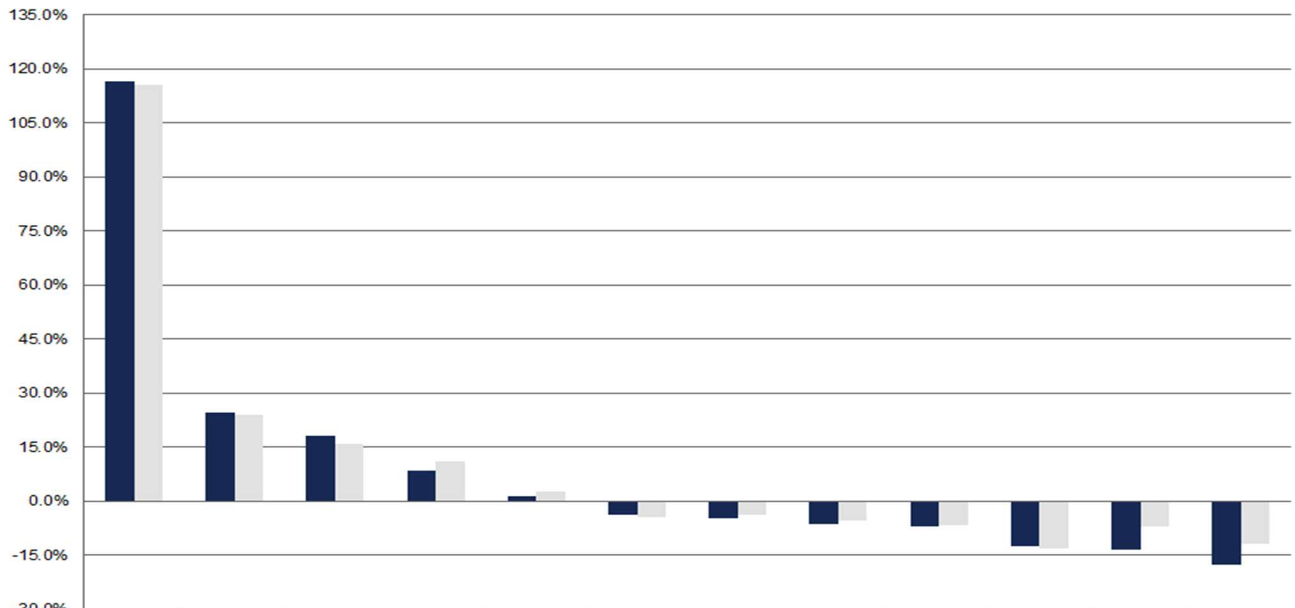
Q3 2022: Scorecard





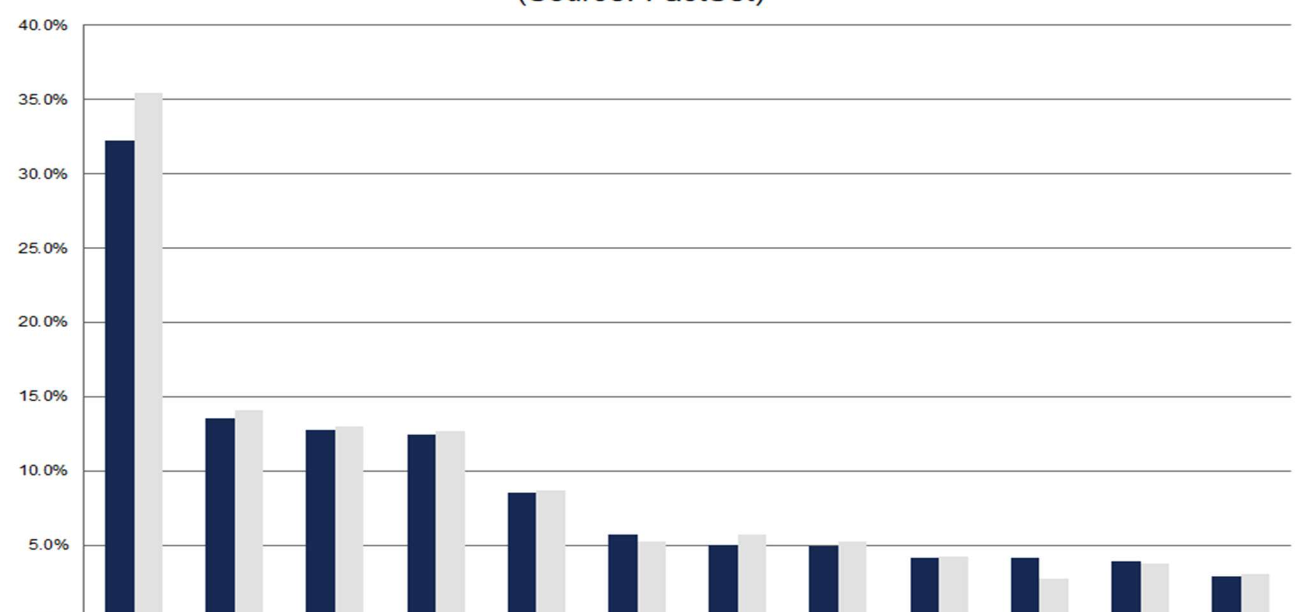
Q3 2022: Growth

S&P 500 Earnings Growth: Q3 2022
(Source: FactSet)



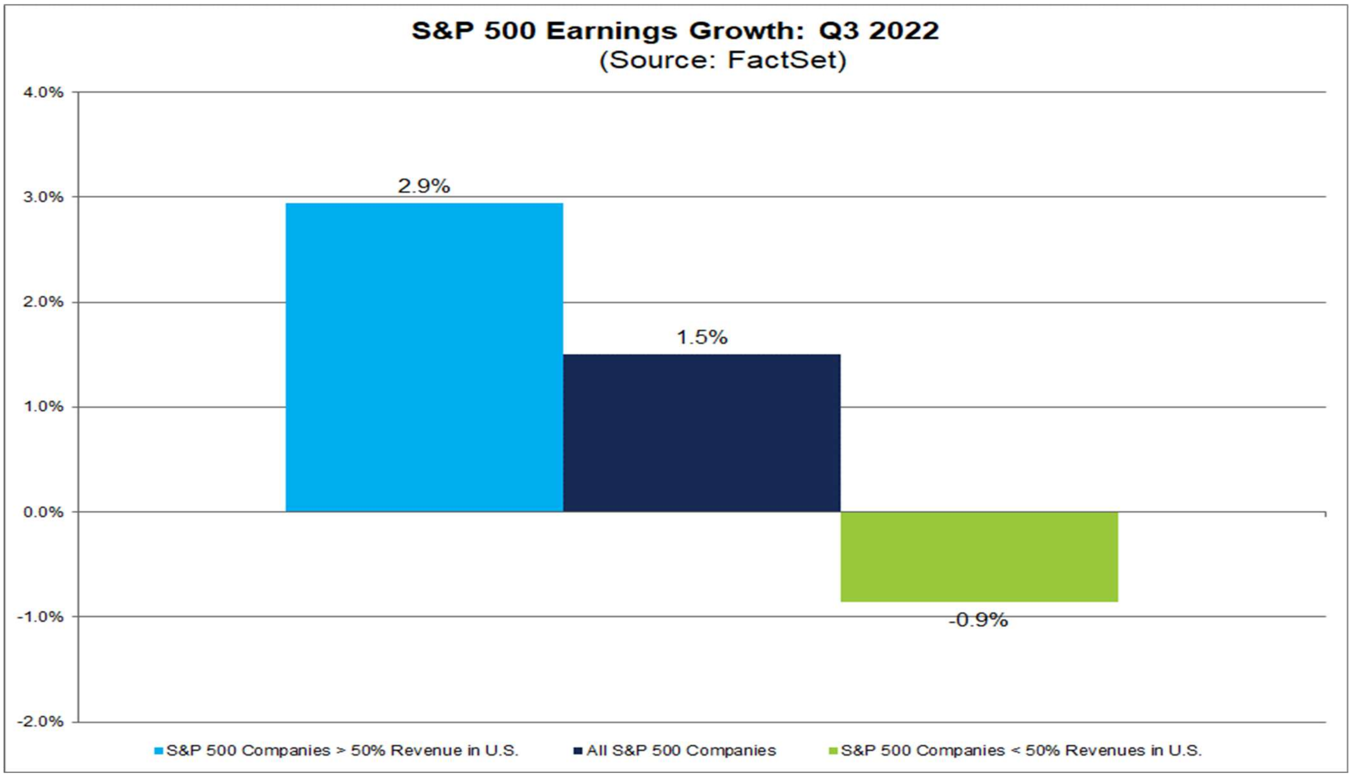
	Energy	Industrials	Real Estate	Consumer Disc.	S&P 500	Consumer Staples	Info. Technology	Utilities	Health Care	Comm. Services	Materials	Financials
Today	116.4%	24.7%	18.1%	8.5%	1.5%	-3.7%	-4.6%	-6.4%	-6.9%	-12.5%	-13.5%	-17.7%
30-Sep	115.4%	24.1%	15.8%	11.0%	2.8%	-4.4%	-3.8%	-5.4%	-6.8%	-13.2%	-7.0%	-12.0%

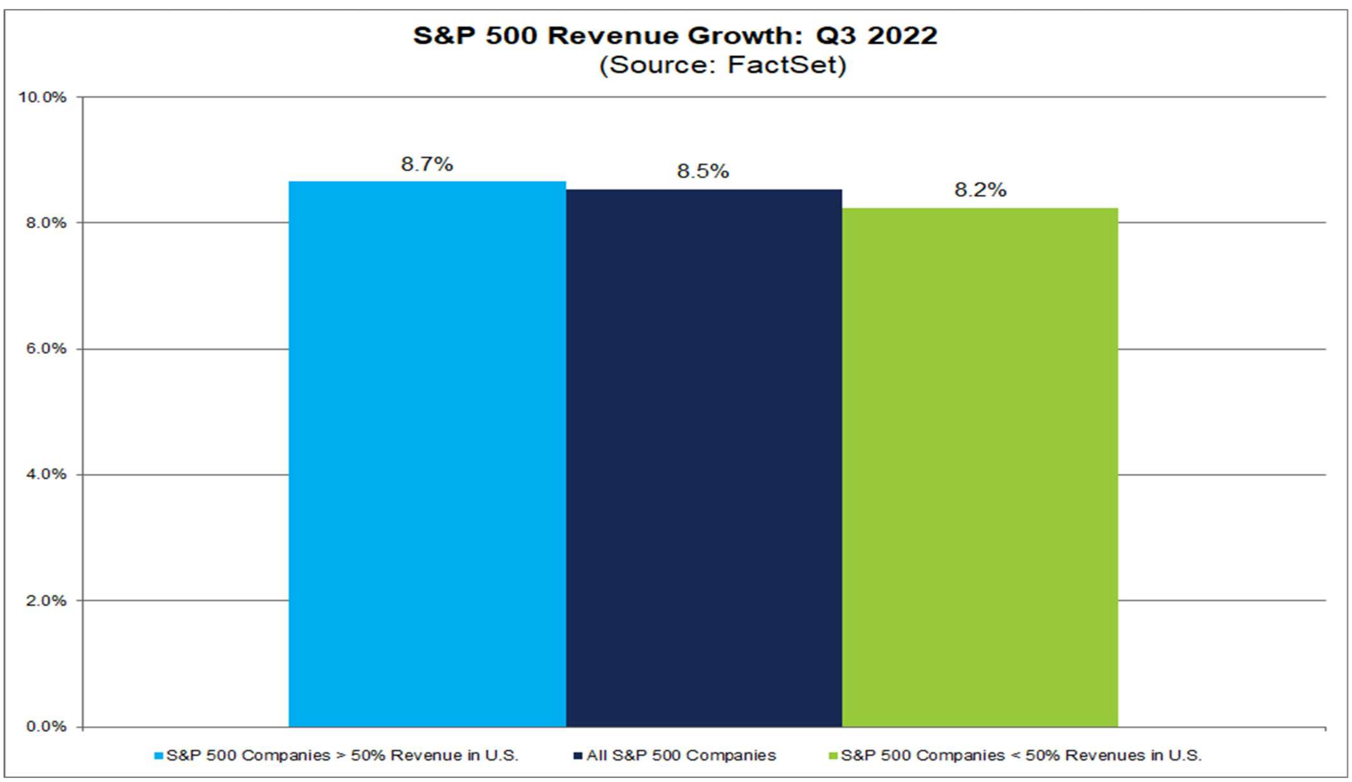
S&P 500 Revenue Growth: Q3 2022
(Source: FactSet)



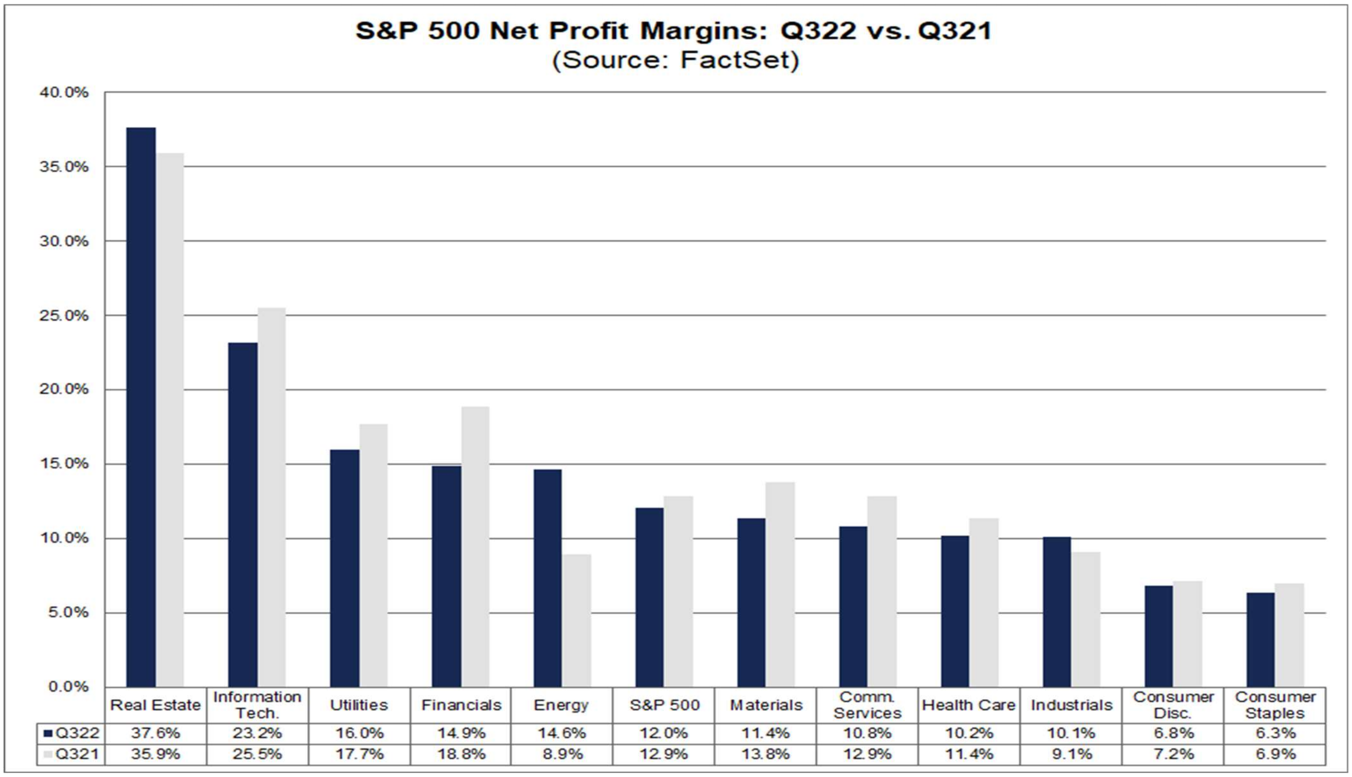
	Energy	Consumer Disc.	Real Estate	Industrials	S&P 500	Consumer Staples	Materials	Info. Technology	Comm. Services	Financials	Health Care	Utilities
Today	32.2%	13.5%	12.8%	12.4%	8.5%	5.7%	5.0%	4.9%	4.2%	4.1%	3.9%	2.9%
30-Sep	35.5%	14.1%	13.0%	12.7%	8.7%	5.2%	5.7%	5.2%	4.3%	2.7%	3.8%	3.1%

Q3 2022: Growth

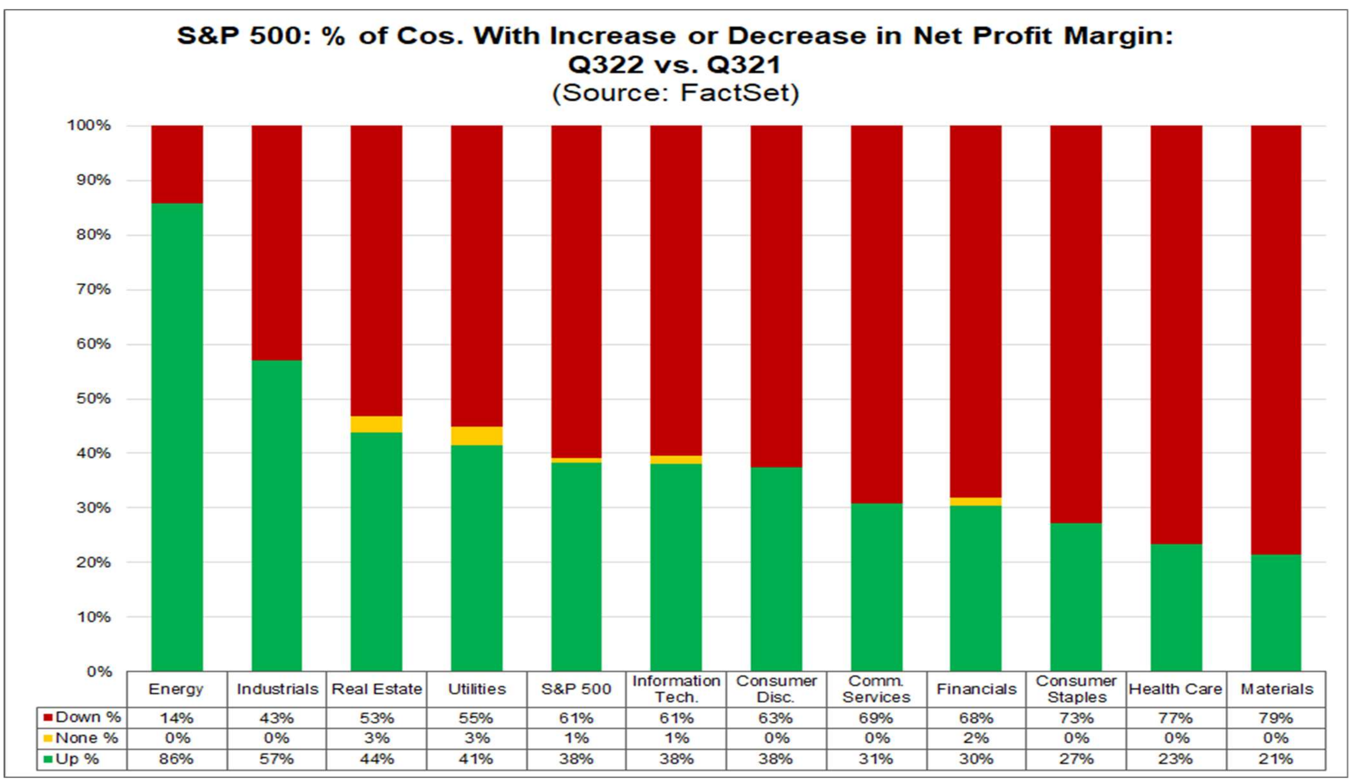




Q3 2022: Net Profit Margin

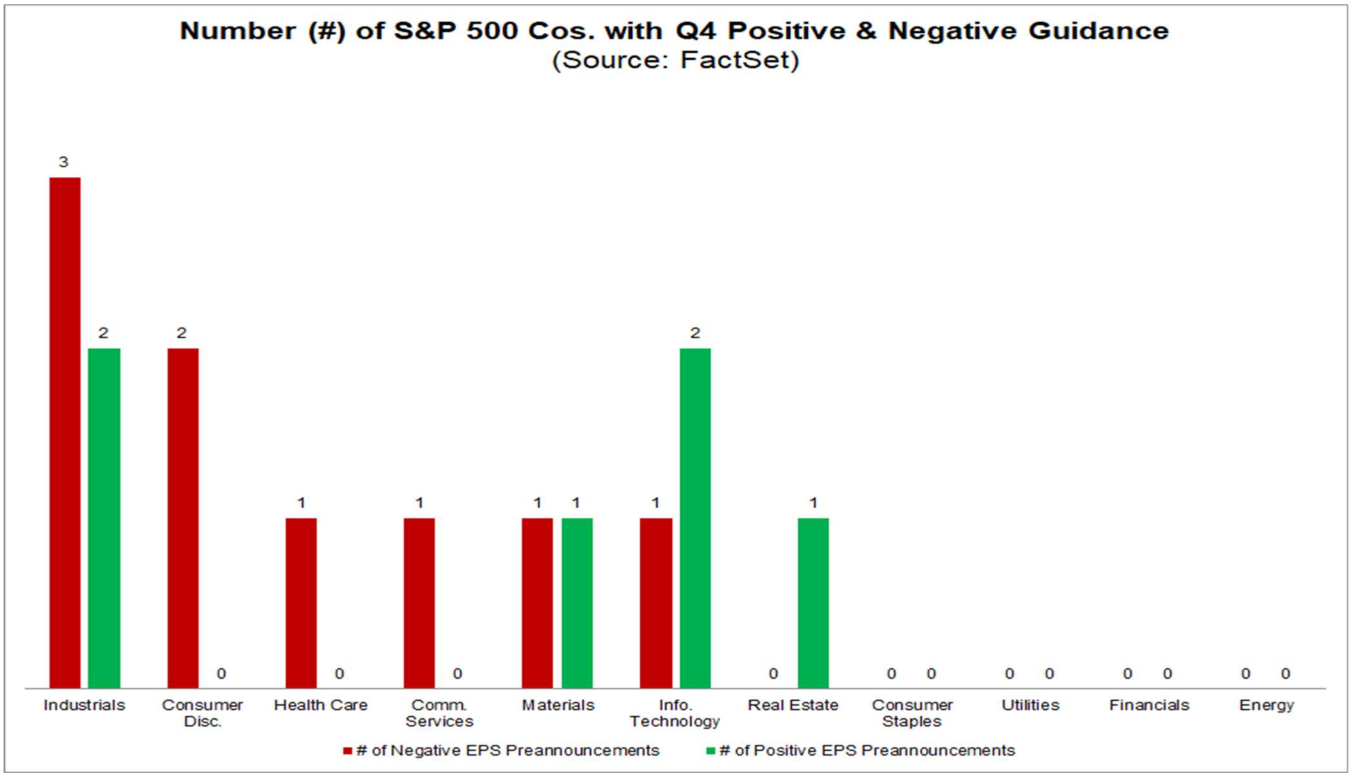


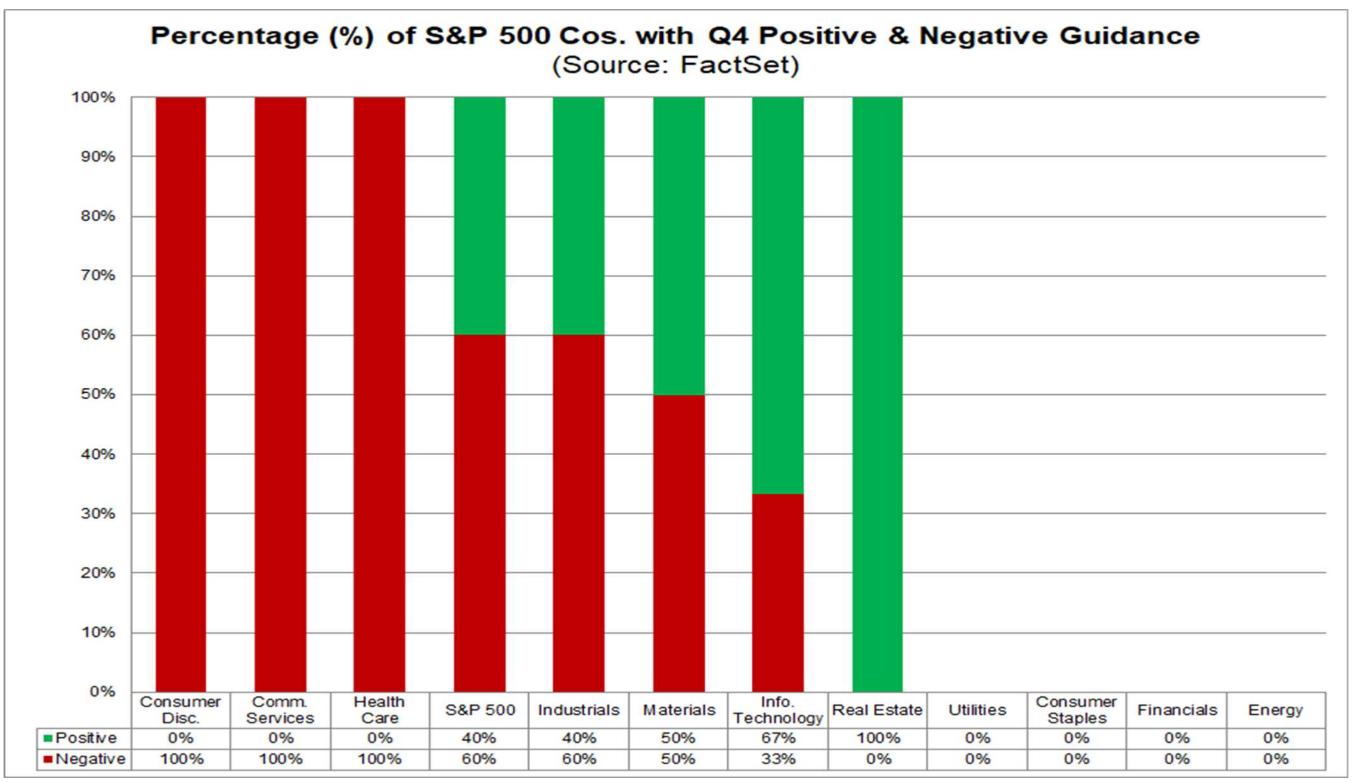
	Real Estate	Information Tech.	Utilities	Financials	Energy	S&P 500	Materials	Comm. Services	Health Care	Industrials	Consumer Disc.	Consumer Staples
Q322	37.6%	23.2%	16.0%	14.9%	14.6%	12.0%	11.4%	10.8%	10.2%	10.1%	6.8%	6.3%
Q321	35.9%	25.5%	17.7%	18.8%	8.9%	12.9%	13.8%	12.9%	11.4%	9.1%	7.2%	6.9%



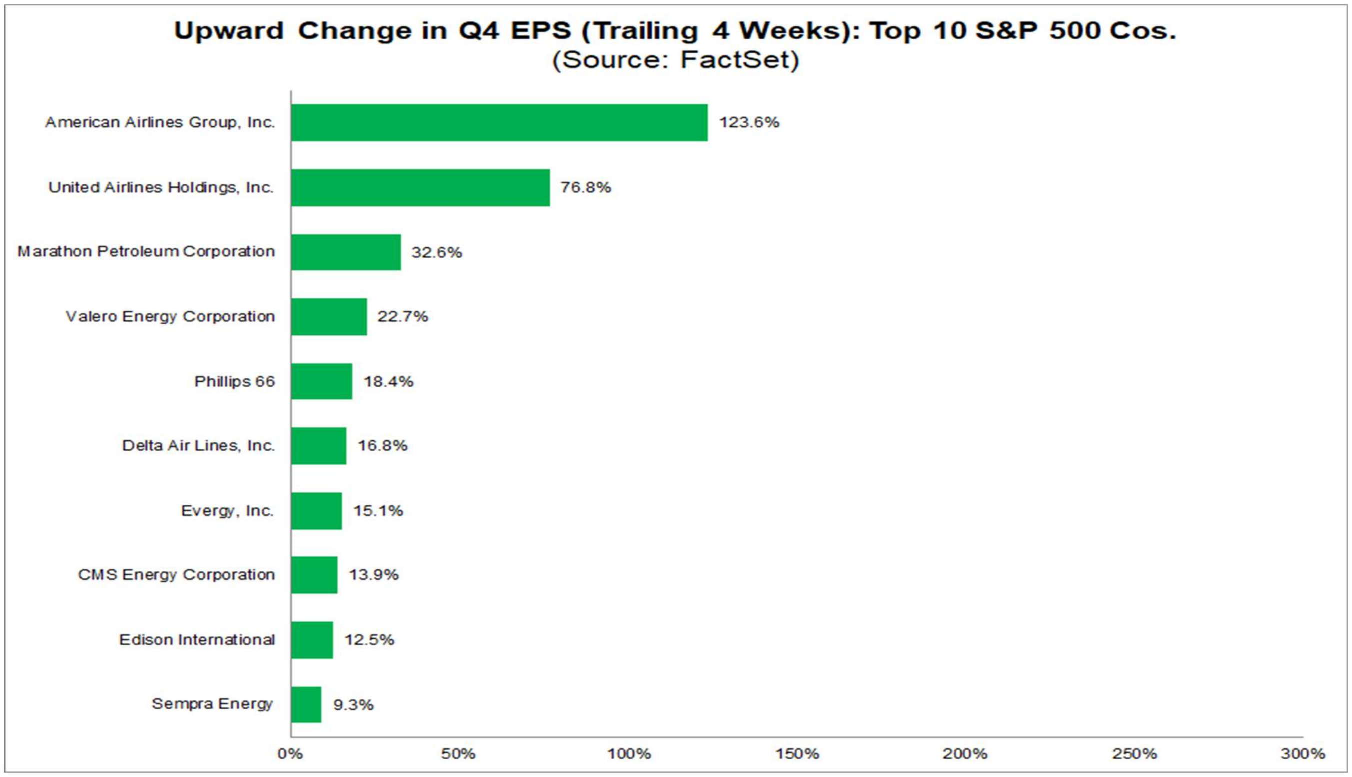
	Energy	Industrials	Real Estate	Utilities	S&P 500	Information Tech.	Consumer Disc.	Comm. Services	Financials	Consumer Staples	Health Care	Materials
Down %	14%	43%	53%	55%	61%	61%	63%	69%	68%	73%	77%	79%
None %	0%	0%	3%	3%	1%	1%	0%	0%	2%	0%	0%	0%
Up %	86%	57%	44%	41%	38%	38%	38%	31%	30%	27%	23%	21%

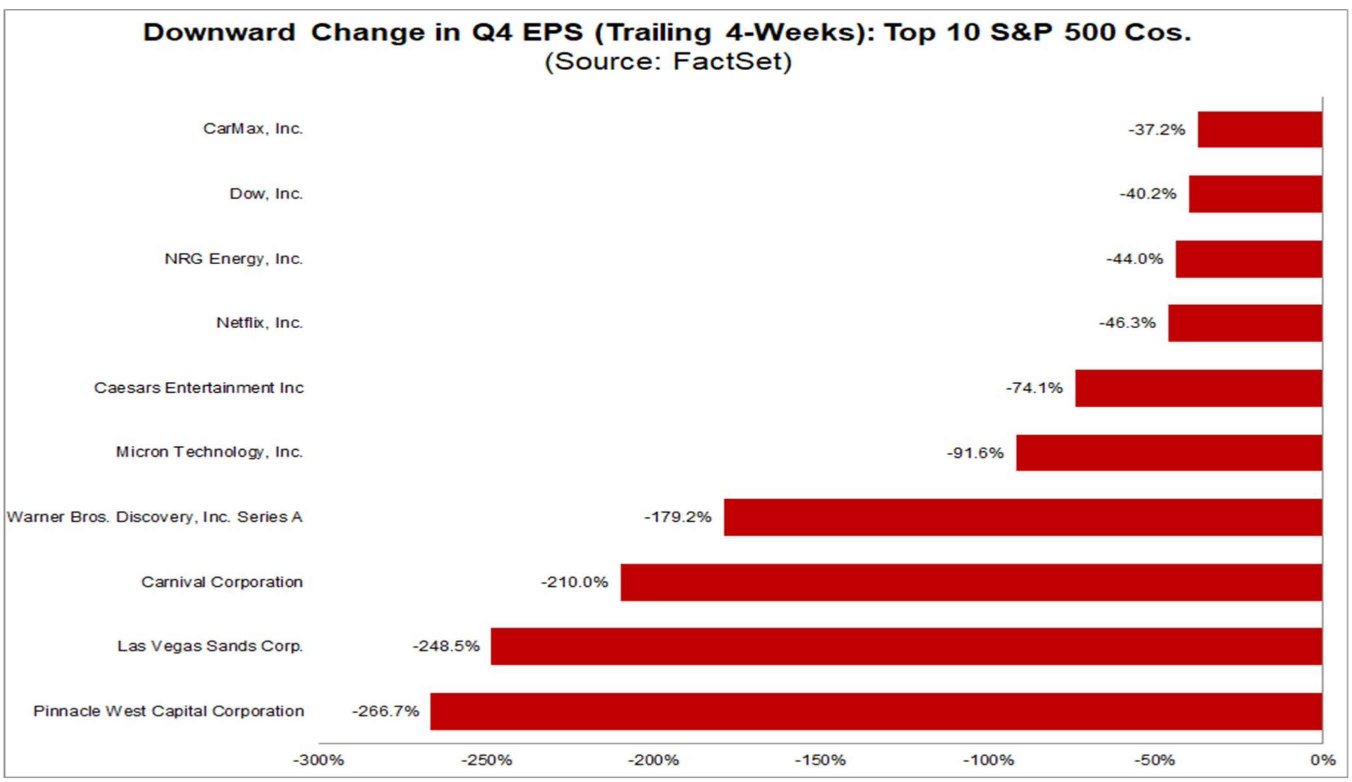
Q4 2022: Guidance





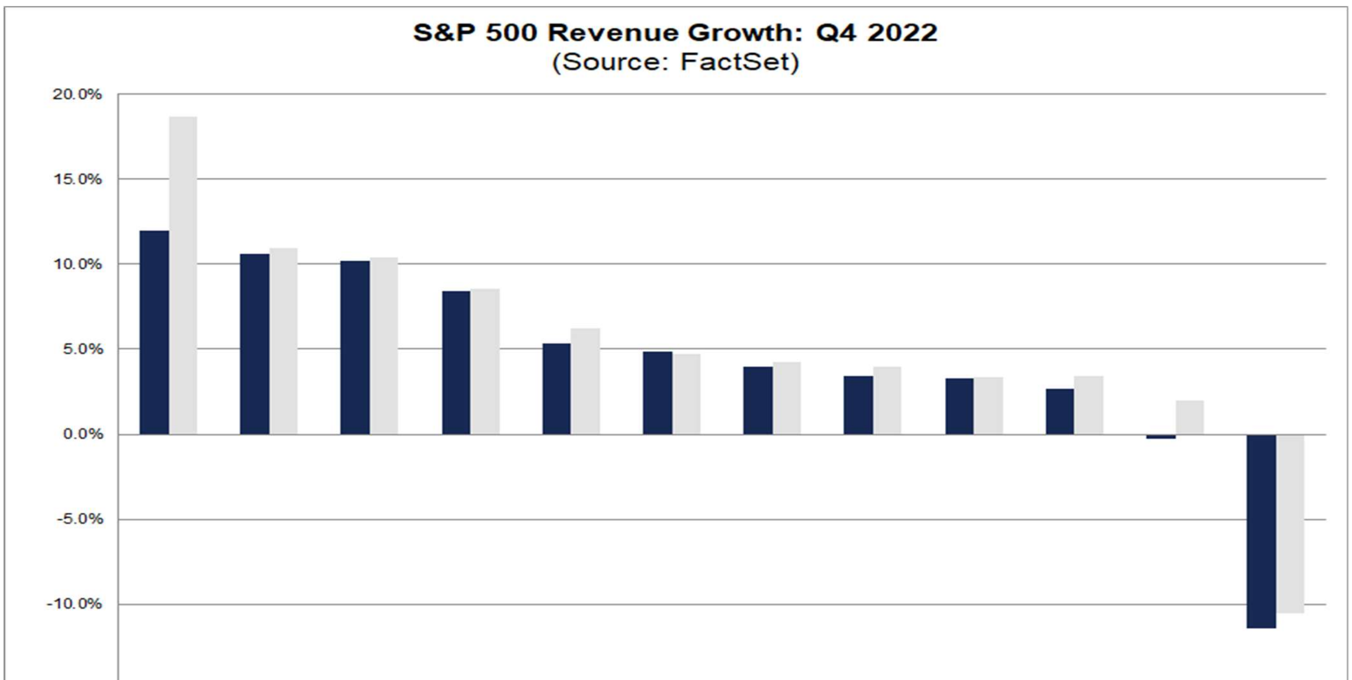
Q4 2022: EPS Revisions





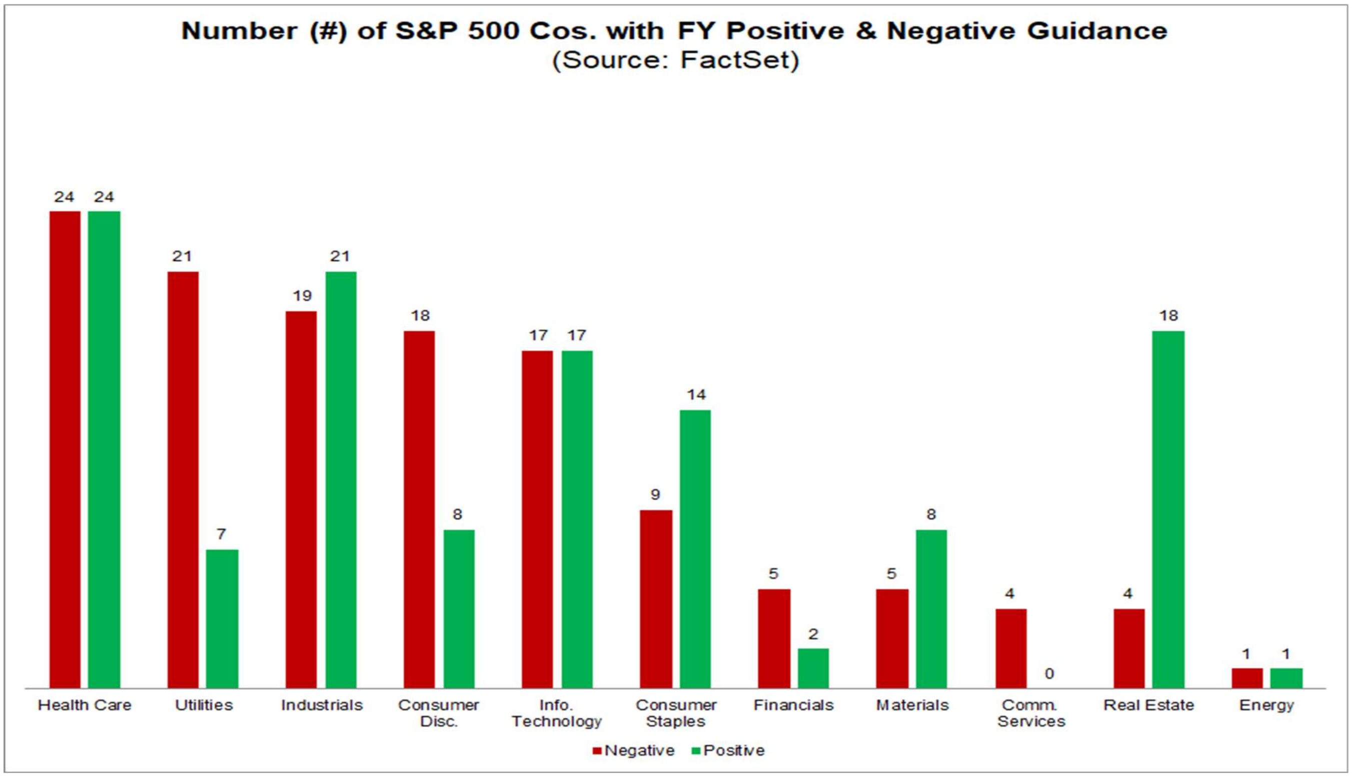
Q4 2022: Growth

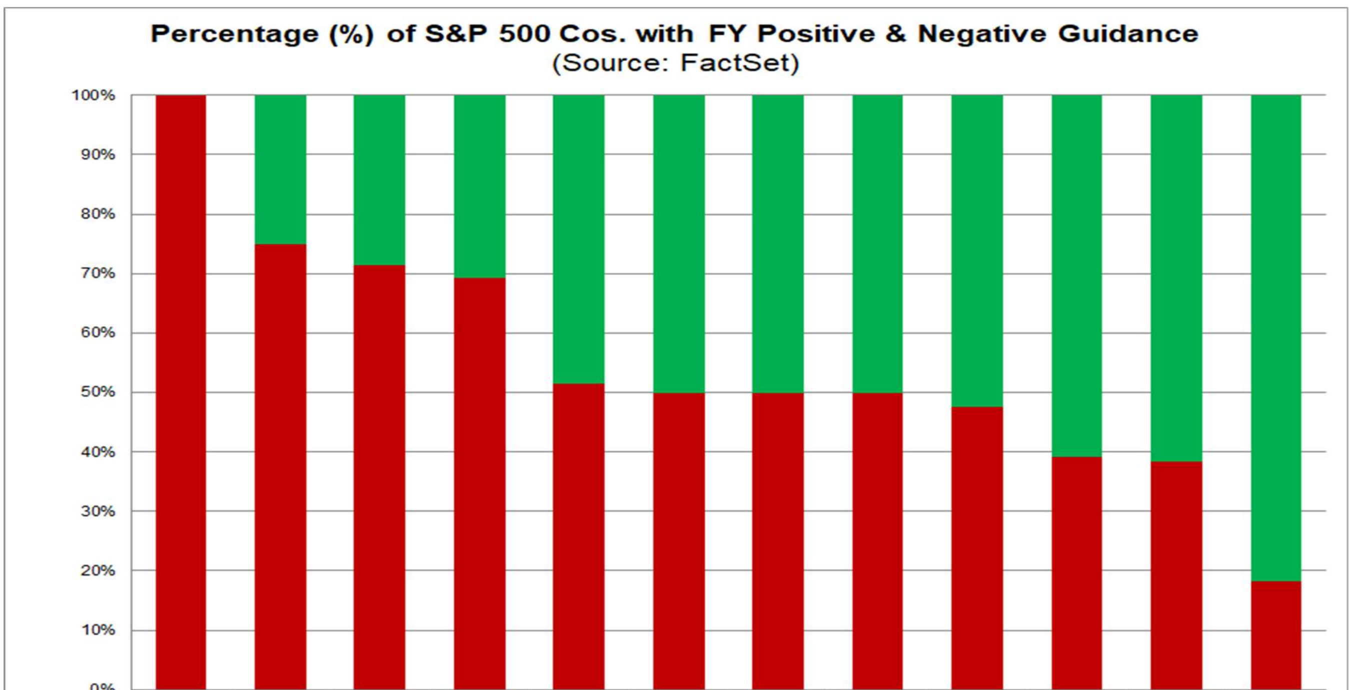
	Energy	Industrials	Real Estate	S&P 500	Info. Technology	Utilities	Consumer Staples	Health Care	Financials	Comm. Services	Consumer Disc.	Materials
Today	61.0%	40.4%	13.1%	2.7%	-1.8%	-1.9%	-2.6%	-3.3%	-5.2%	-7.6%	-7.7%	-11.3%
30-Sep	63.1%	41.3%	13.8%	4.1%	-0.6%	-0.1%	-0.8%	-2.6%	-3.8%	-6.2%	-6.4%	-4.7%



	Energy	Consumer Disc.	Industrials	Real Estate	S&P 500	Financials	Consumer Staples	Comm. Services	Health Care	Info. Technology	Materials	Utilities
Today	11.9%	10.6%	10.2%	8.4%	5.4%	4.9%	4.0%	3.4%	3.3%	2.6%	-0.3%	-11.4%
30-Sep	18.6%	11.0%	10.4%	8.6%	6.2%	4.7%	4.2%	4.0%	3.4%	3.4%	2.0%	-10.6%

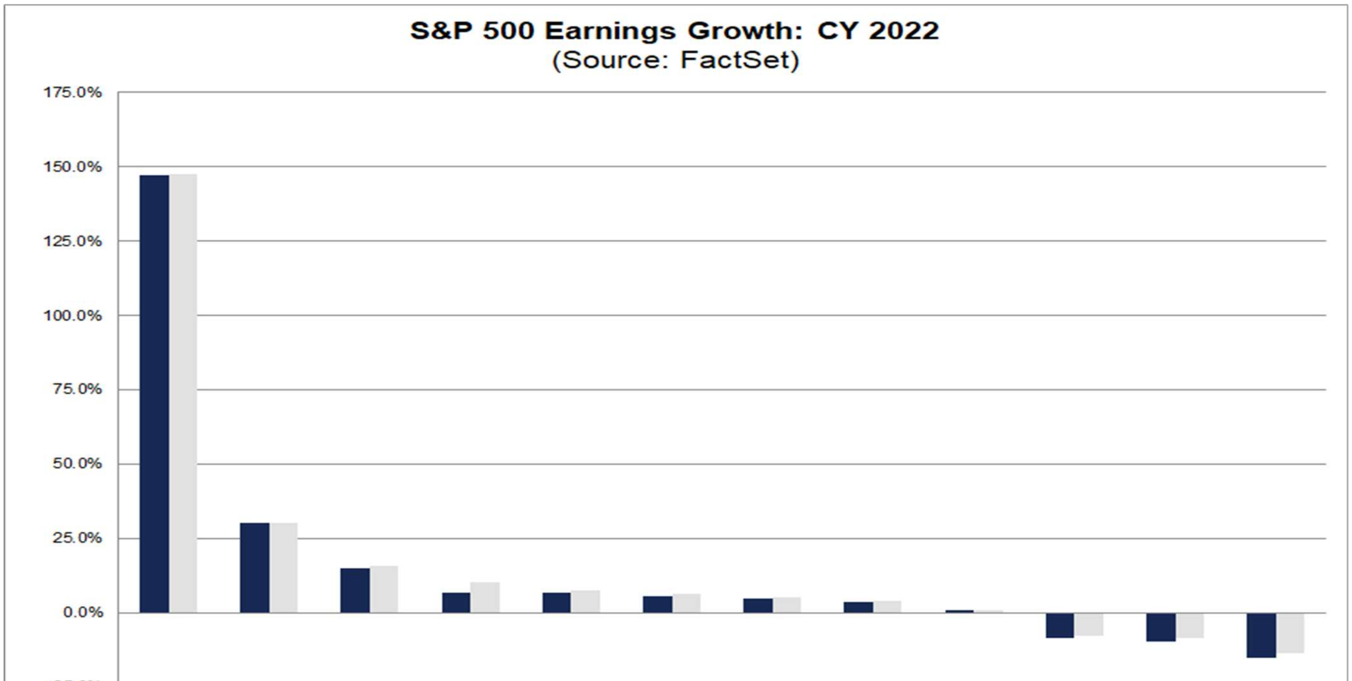
FY 2022 / 2023: EPS Guidance



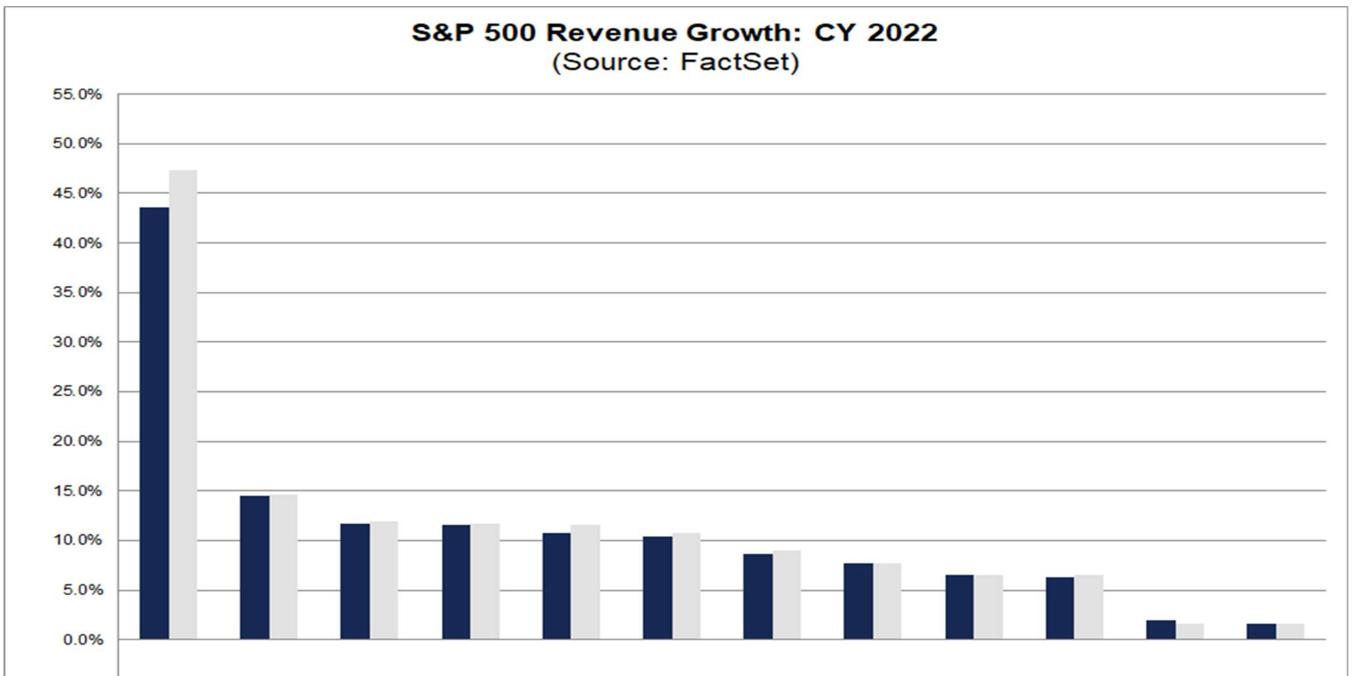


	Comm. Services	Utilities	Financials	Consumer Disc.	S&P 500	Health Care	Info. Technology	Energy	Industrials	Consumer Staples	Materials	Real Estate
Positive	0%	25%	29%	31%	49%	50%	50%	50%	53%	61%	62%	82%
Negative	100%	75%	71%	69%	51%	50%	50%	50%	48%	39%	38%	18%

CY 2022: Growth

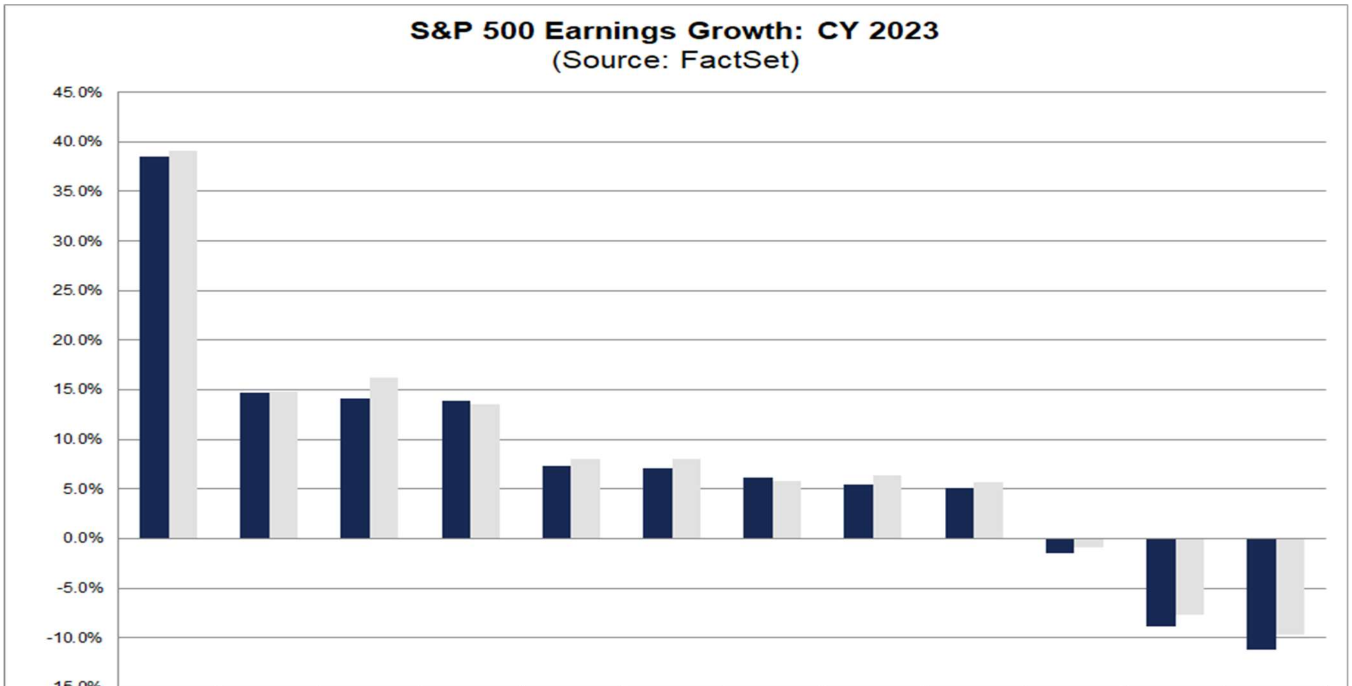


	Energy	Industrials	Real Estate	Materials	S&P 500	Info. Technology	Utilities	Health Care	Consumer Staples	Comm. Services	Consumer Disc.	Financials
Today	147.0%	30.3%	15.1%	6.9%	6.7%	5.7%	5.0%	3.7%	1.0%	-8.4%	-9.8%	-15.3%
30-Sep	147.6%	30.4%	15.6%	10.3%	7.5%	6.5%	5.3%	3.9%	1.1%	-7.8%	-8.5%	-13.6%

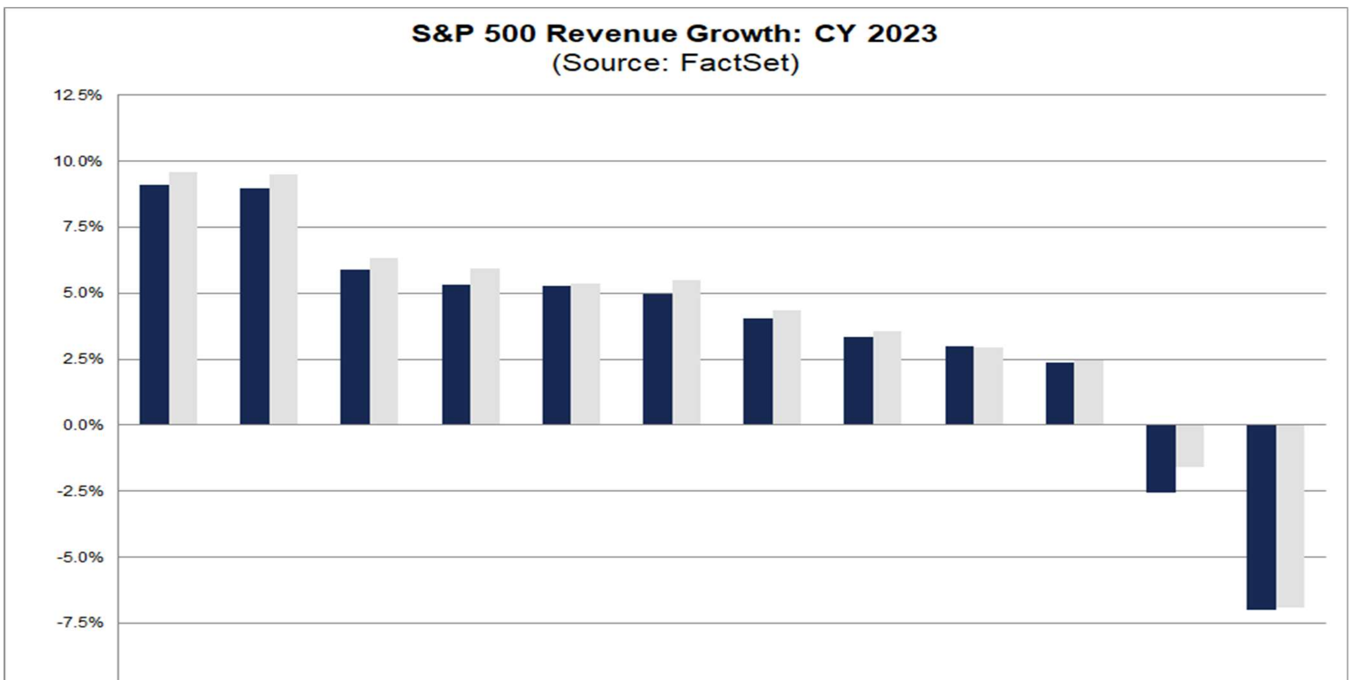


	Energy	Real Estate	Consumer Disc.	Industrials	Materials	S&P 500	Info. Technology	Health Care	Consumer Staples	Comm. Services	Financials	Utilities
Today	43.6%	14.5%	11.7%	11.5%	10.8%	10.4%	8.6%	7.7%	6.5%	6.3%	2.0%	1.6%
30-Sep	47.3%	14.6%	11.9%	11.7%	11.5%	10.8%	9.0%	7.7%	6.5%	6.5%	1.6%	1.7%

CY 2023: Growth

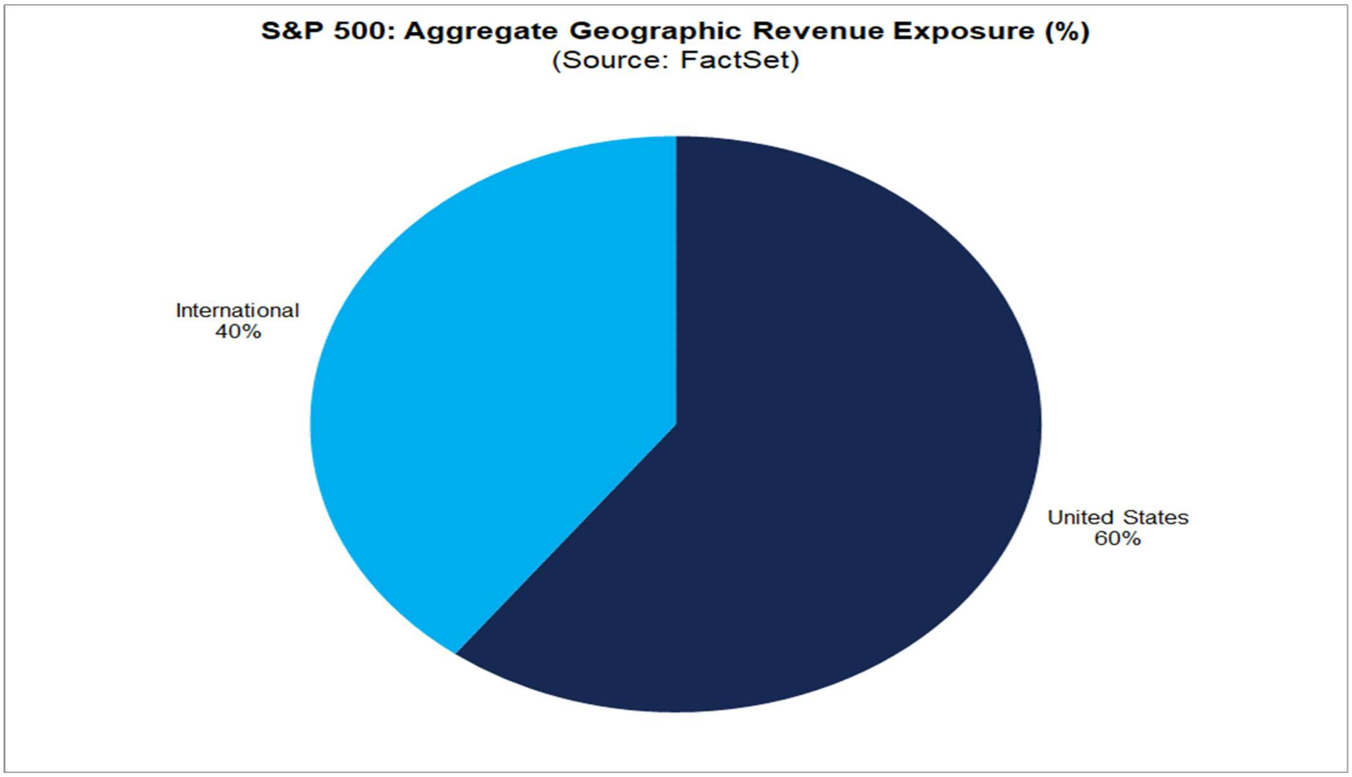


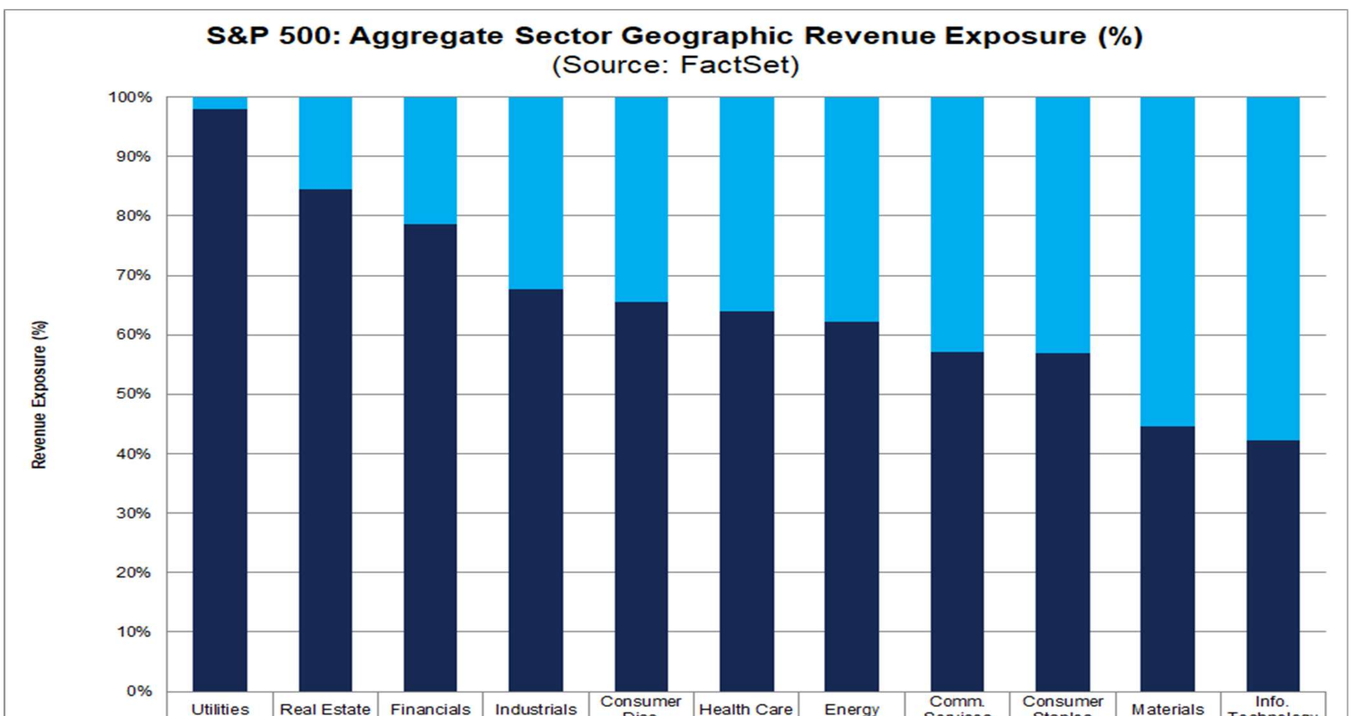
	Consumer Disc.	Comm. Services	Industrials	Financials	S&P 500	Info. Technology	Utilities	Consumer Staples	Real Estate	Health Care	Materials	Energy
Today	38.5%	14.7%	14.1%	13.9%	7.3%	7.1%	6.1%	5.5%	5.0%	-1.5%	-8.8%	-11.2%
30-Sep	39.1%	14.9%	16.2%	13.5%	8.0%	8.0%	5.8%	6.4%	5.7%	-0.9%	-7.7%	-9.7%



	Financials	Consumer Disc.	Comm. Services	Info. Technology	Real Estate	Industrials	S&P 500	Consumer Staples	Health Care	Utilities	Materials	Energy
Today	9.1%	9.0%	5.9%	5.3%	5.3%	5.0%	4.0%	3.3%	3.0%	2.4%	-2.6%	-7.0%
30-Sep	9.6%	9.5%	6.3%	5.9%	5.4%	5.5%	4.3%	3.6%	3.0%	2.5%	-1.6%	-6.9%

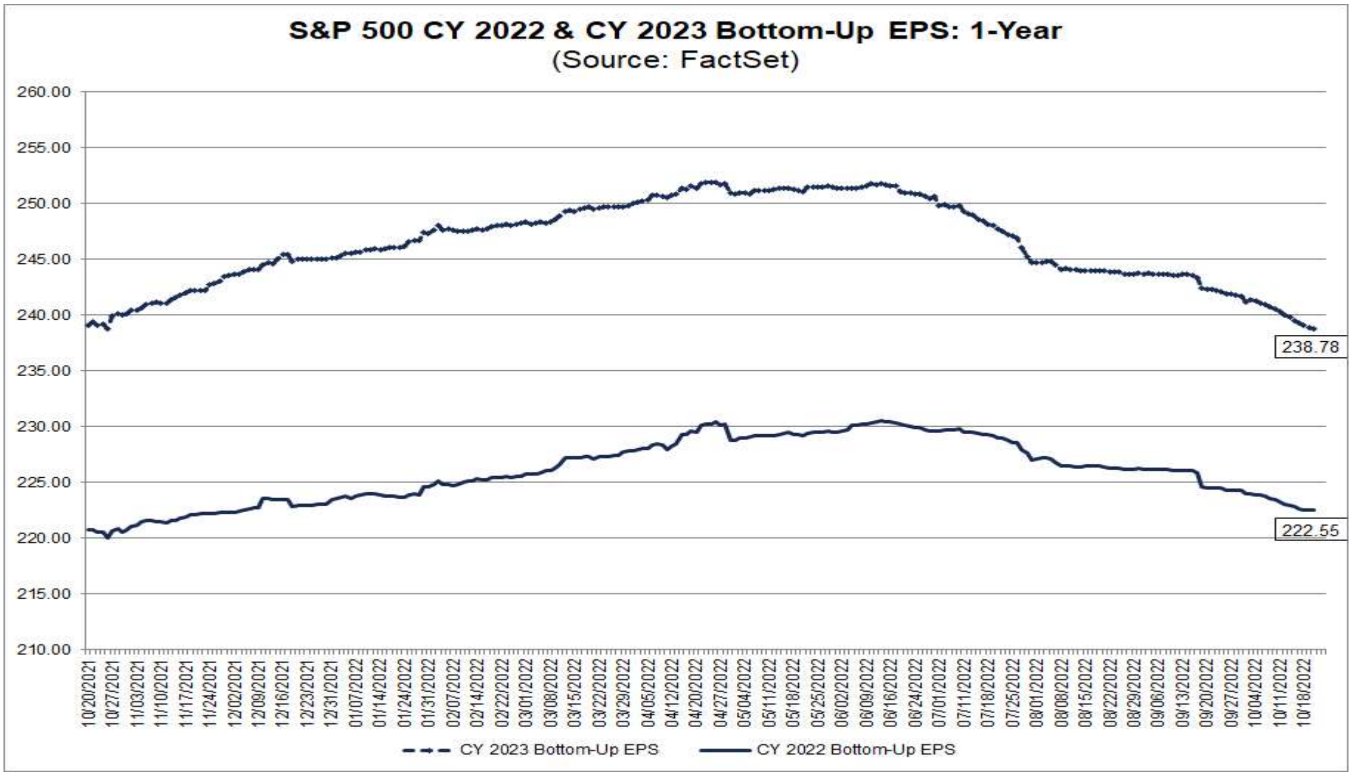
Geographic Revenue Exposure

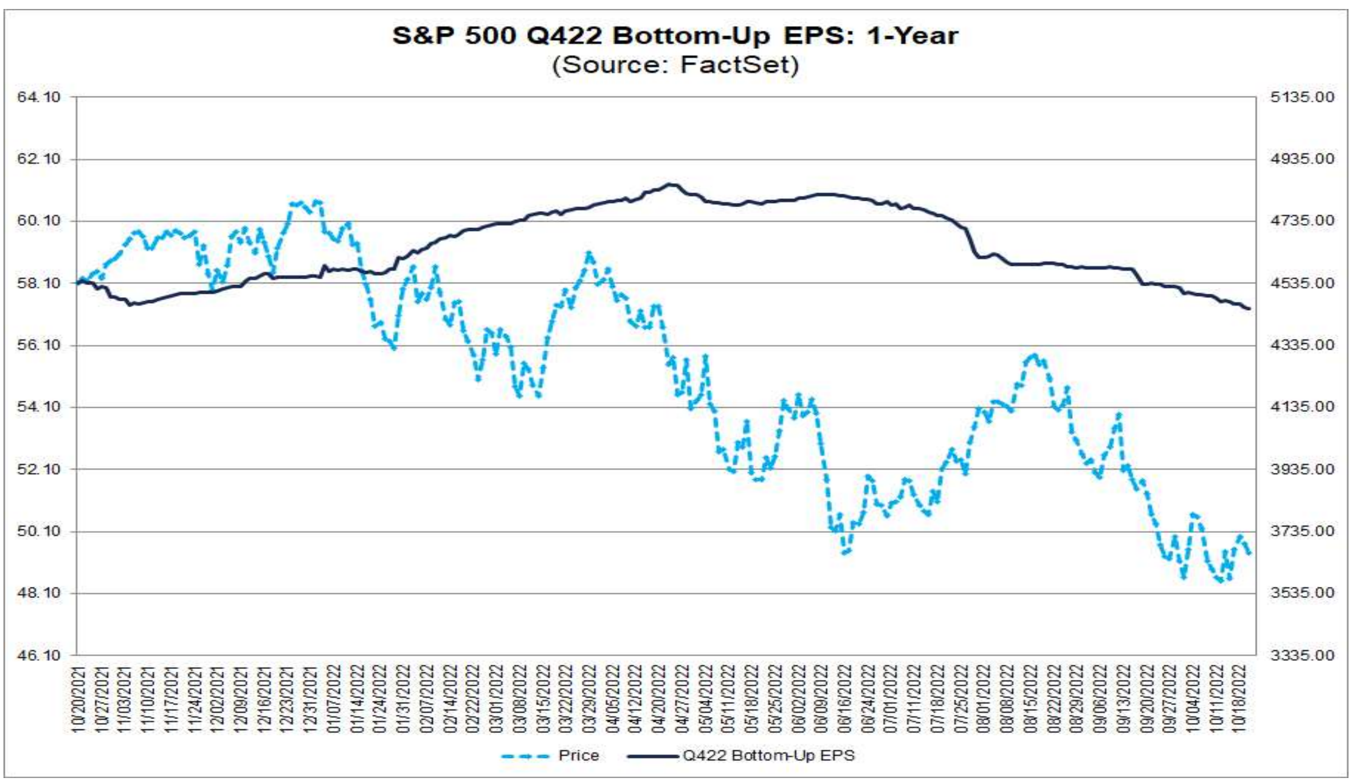




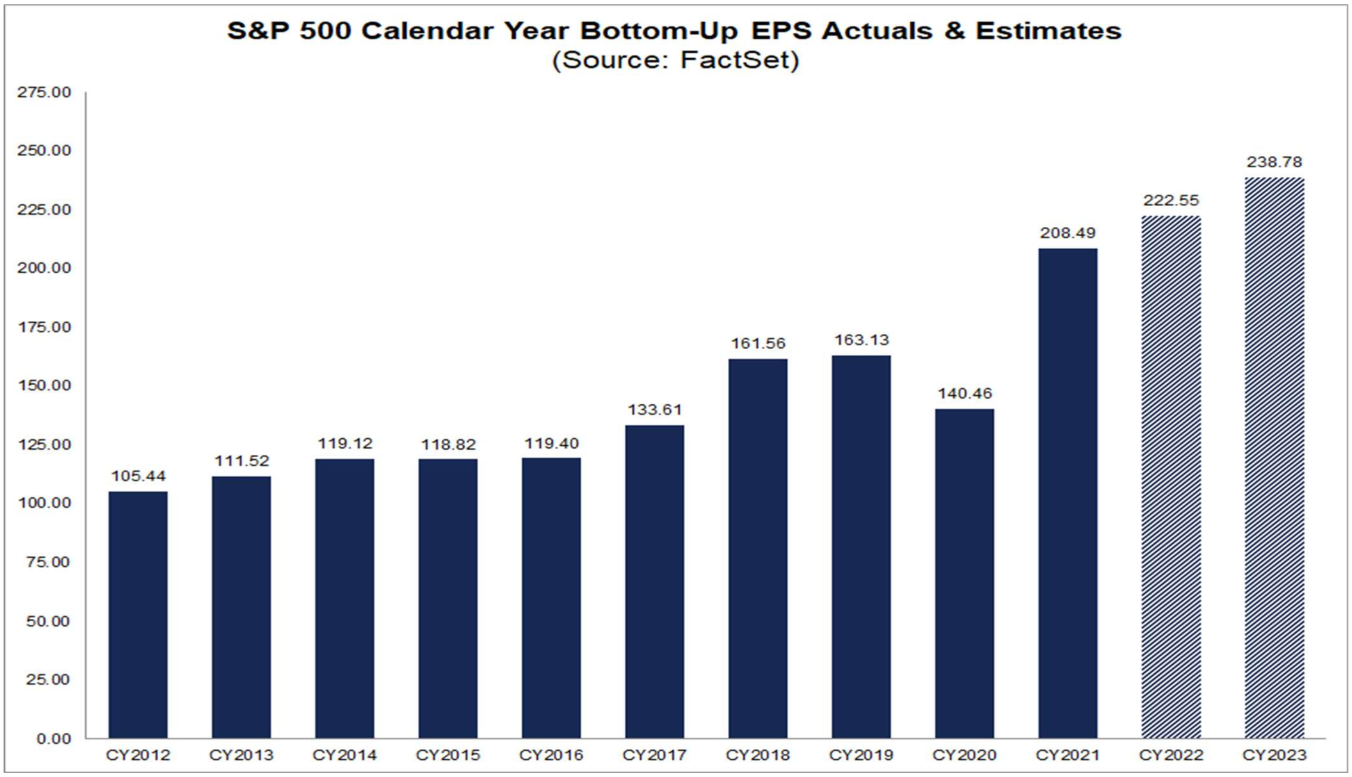
	Utilities	Real Estate	Financials	Industrials	Consumer Disc.	Health Care	Energy	Comm. Services	Consumer Staples	Materials	Info. Technology
International	2%	16%	21%	32%	34%	36%	38%	43%	43%	55%	58%
United States	98%	84%	79%	68%	66%	64%	62%	57%	57%	45%	42%

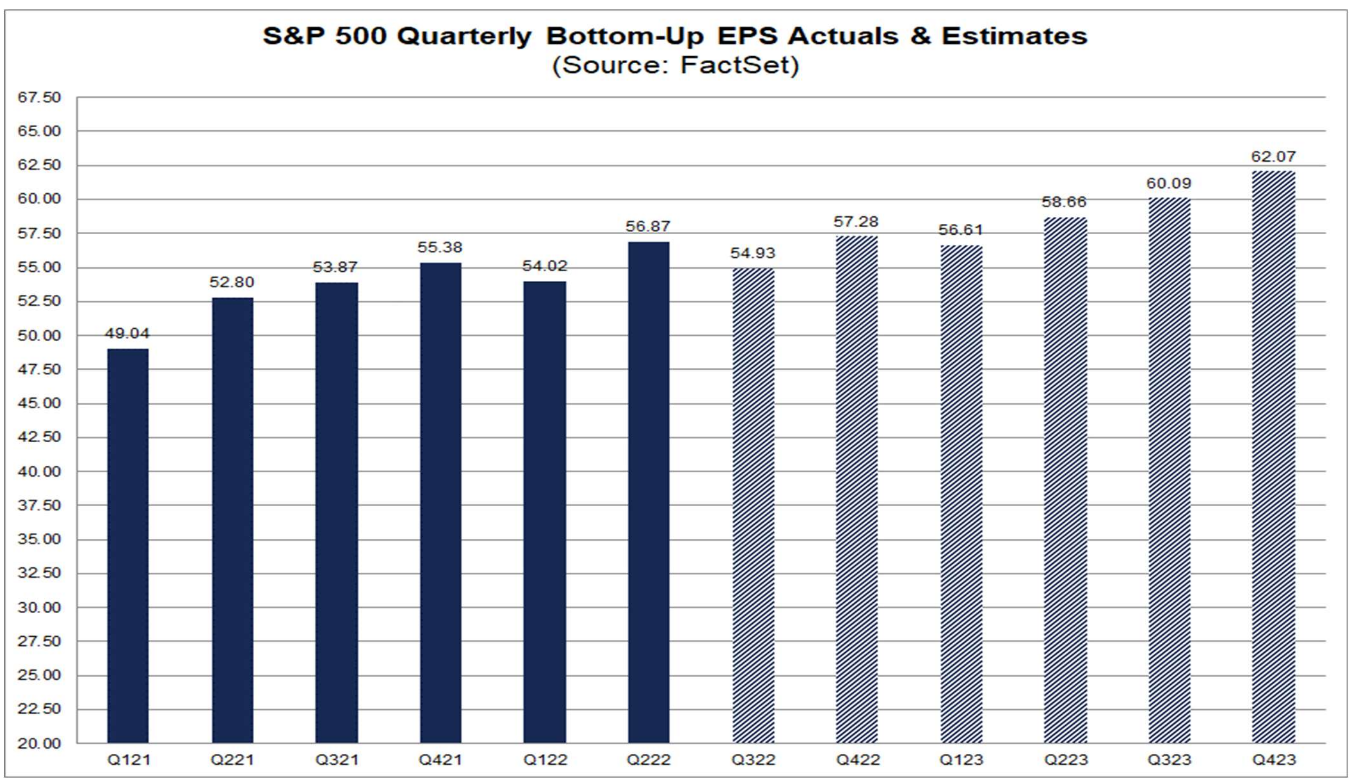
Bottom-Up EPS Estimates



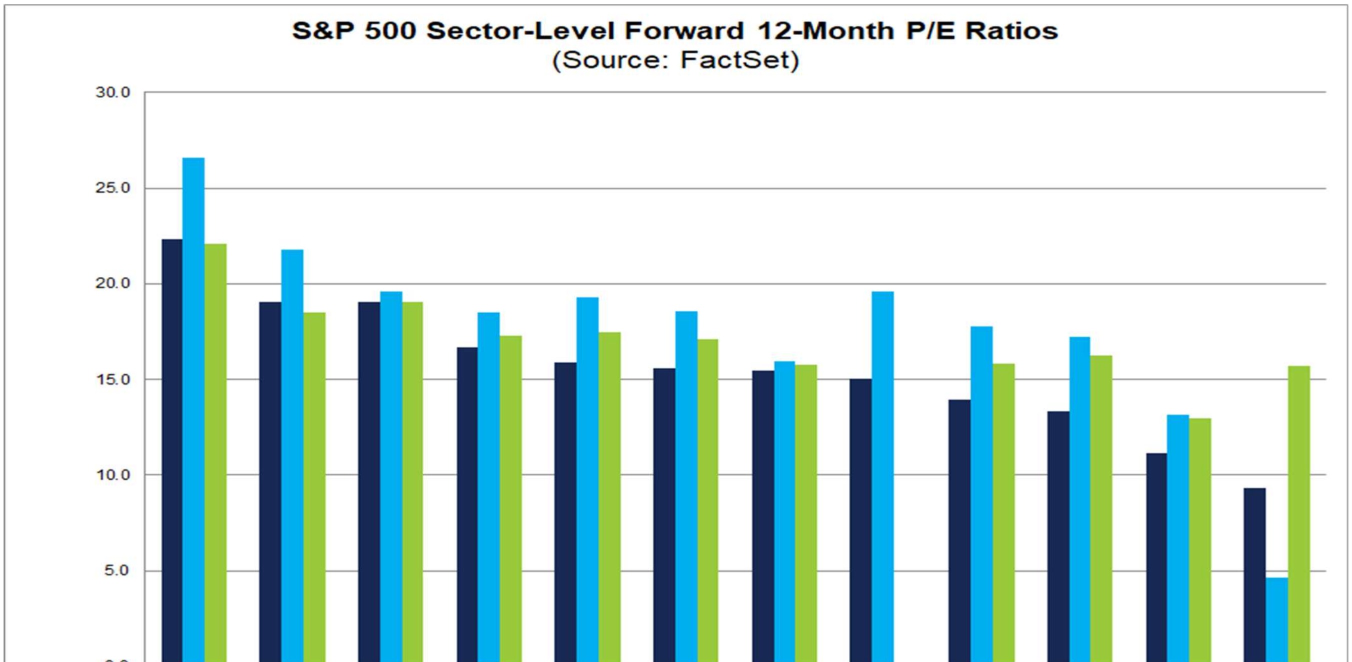


Bottom-Up EPS Estimates: Current & Historical

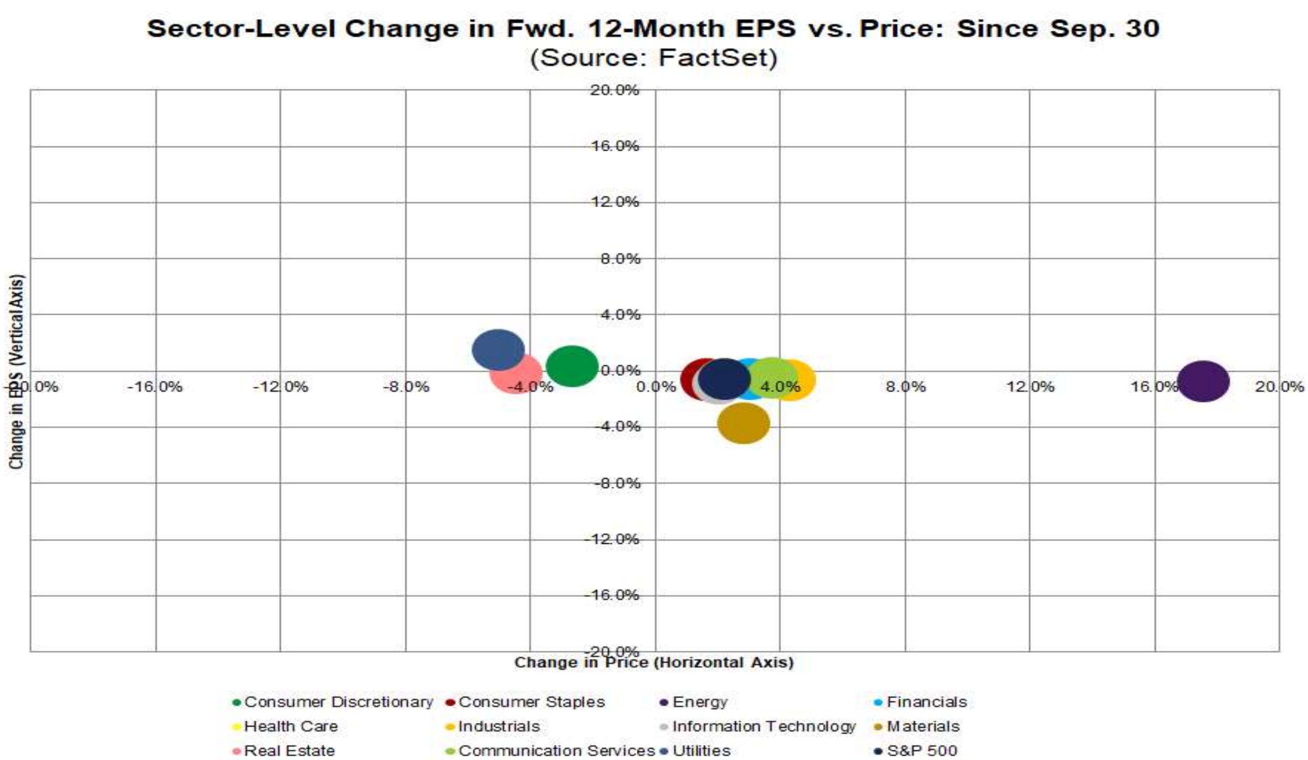




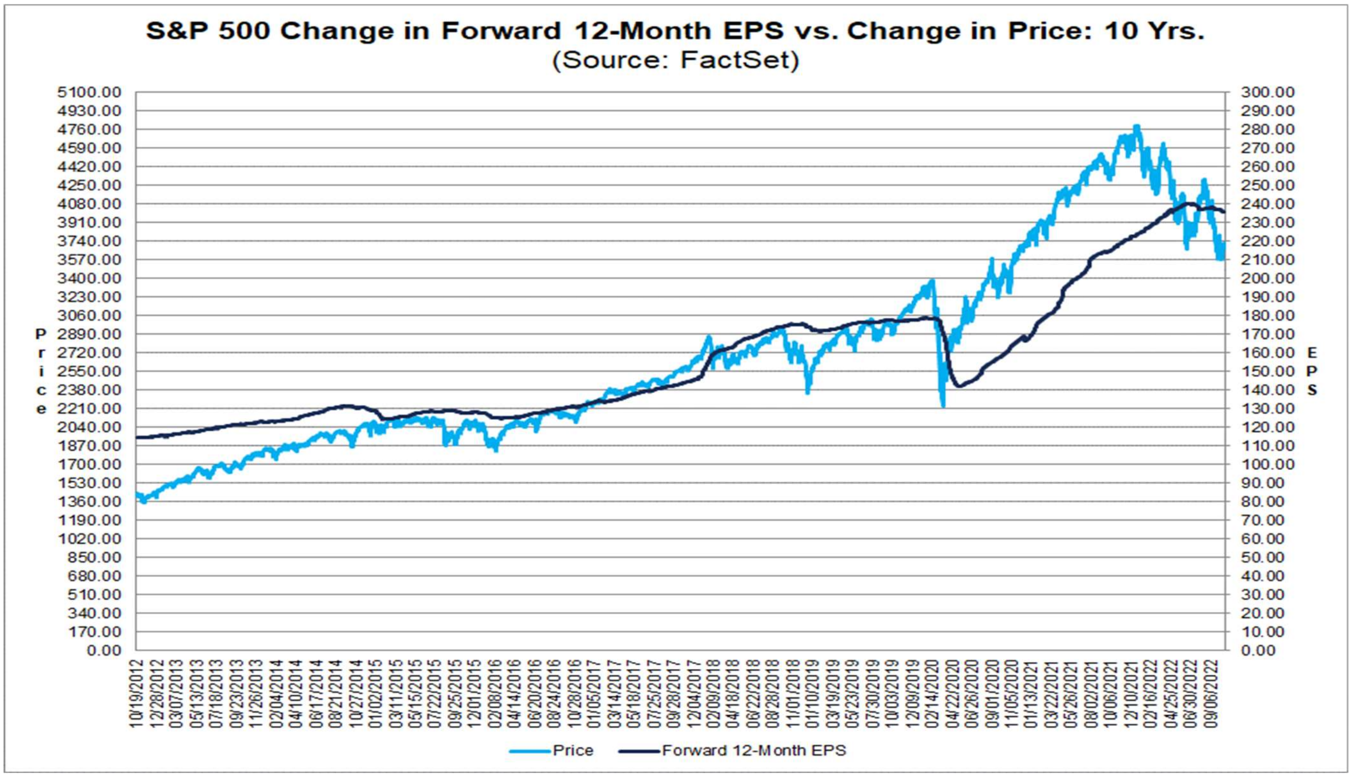
Forward 12M P/E Ratio: Sector Level

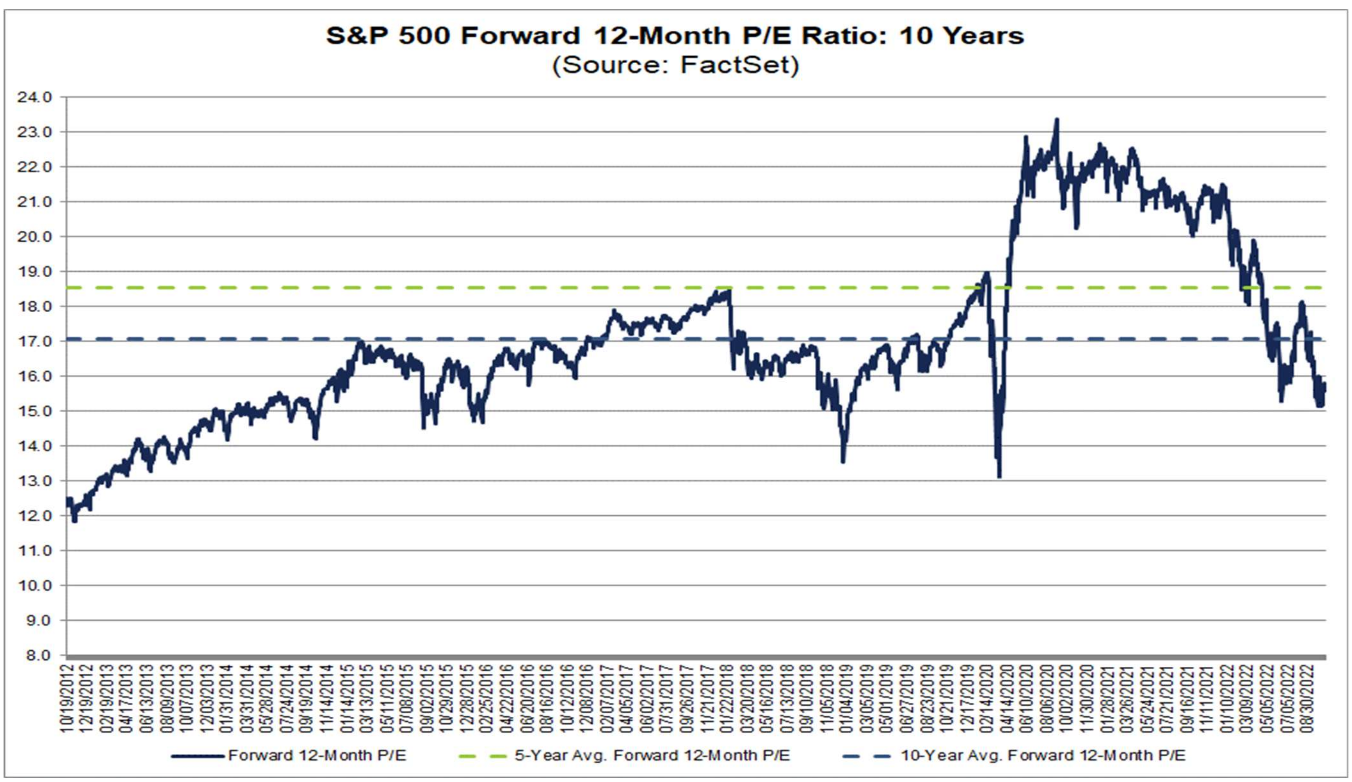


	Consumer Disc.	Info. Technology	Consumer Staples	Utilities	Industrials	S&P 500	Health Care	Real Estate	Comm. Services	Materials	Financials	Energy
Fwd P/E	22.3	19.0	19.0	16.7	15.9	15.6	15.5	15.0	13.9	13.3	11.2	9.3
5-Yr Avg.	26.6	21.8	19.6	18.5	19.3	18.5	15.9	19.6	17.8	17.2	13.2	4.6
10-Yr Avg.	22.1	18.5	19.1	17.3	17.5	17.1	15.8		15.8	16.3	13.0	15.7

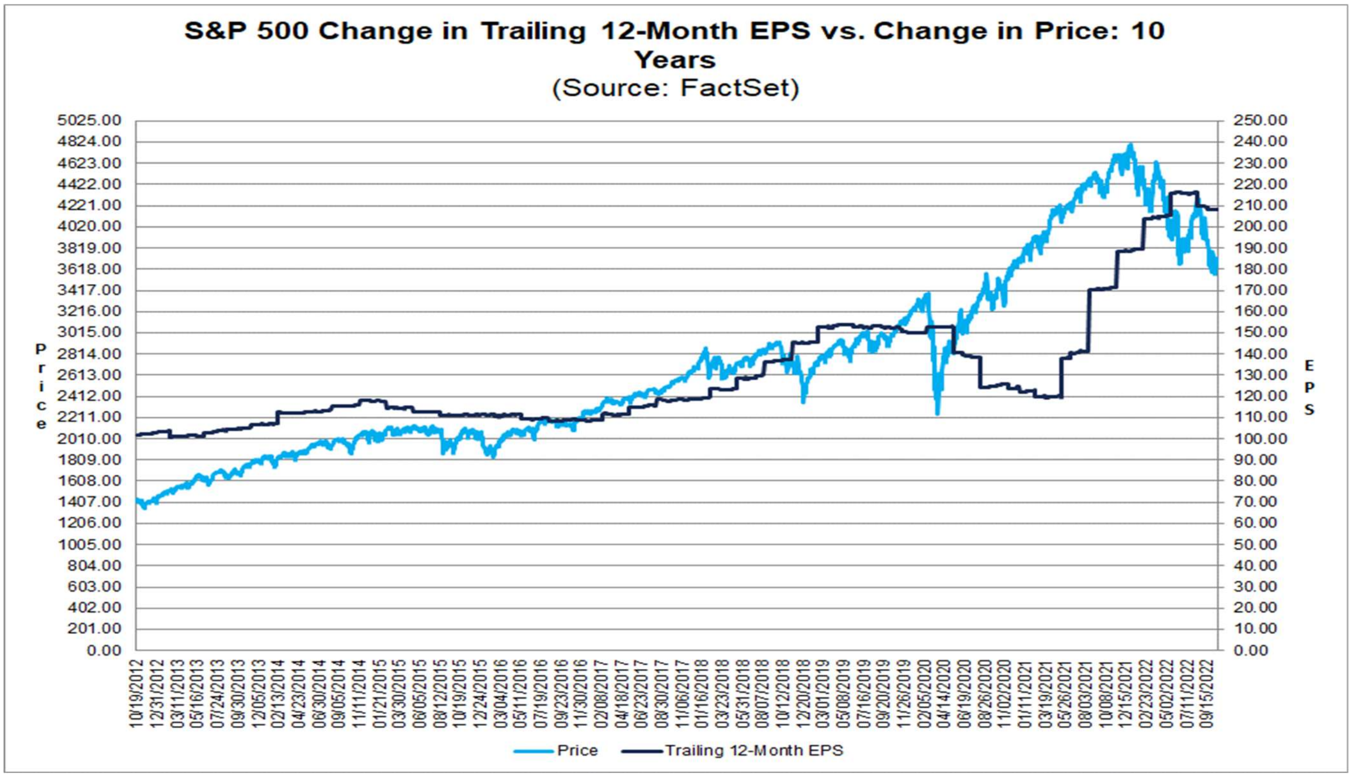


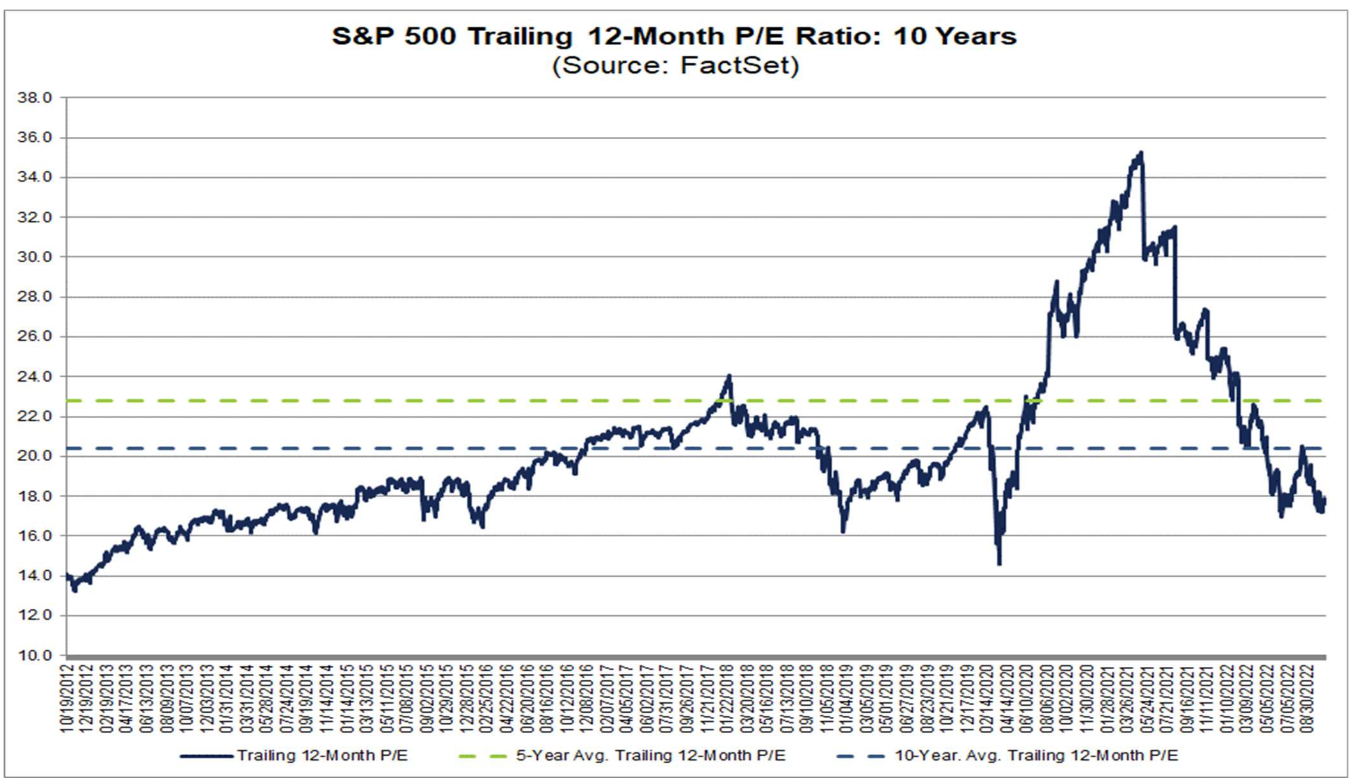
Forward 12M P/E Ratio: 10-Years



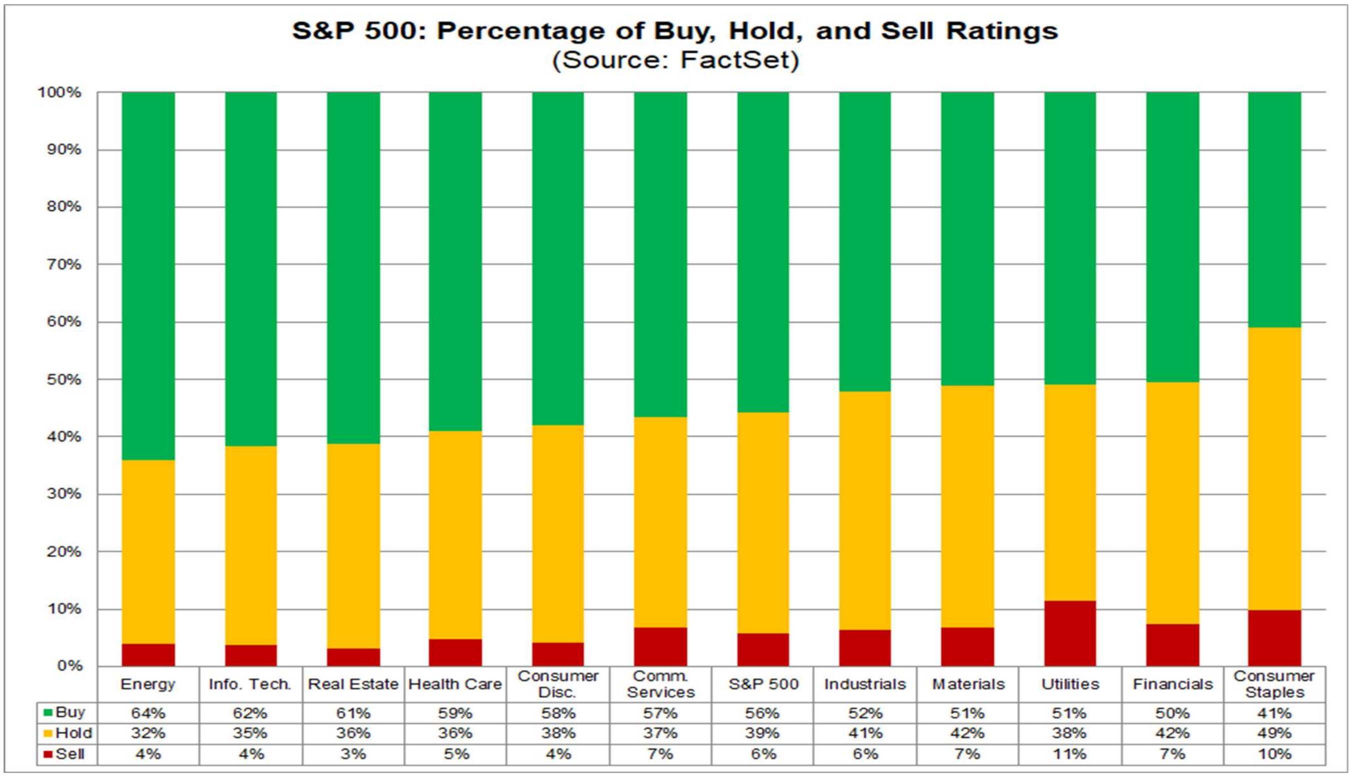


Trailing 12M P/E Ratio: 10-Years

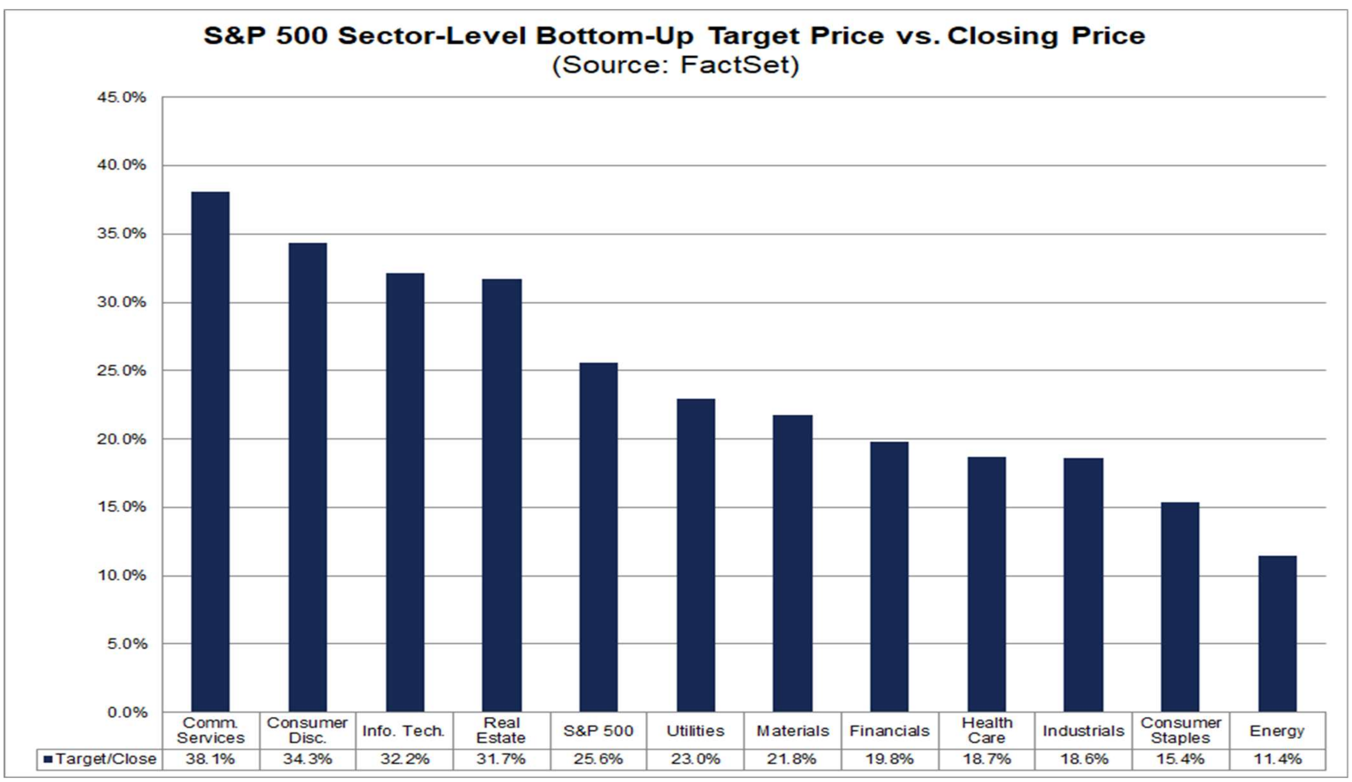




Targets & Ratings



	Energy	Info. Tech.	Real Estate	Health Care	Consumer Disc.	Comm. Services	S&P 500	Industrials	Materials	Utilities	Financials	Consumer Staples
Buy	64%	62%	61%	59%	58%	57%	56%	52%	51%	51%	50%	41%
Hold	32%	35%	36%	36%	38%	37%	39%	41%	42%	38%	42%	49%
Sell	4%	4%	3%	5%	4%	7%	6%	6%	7%	11%	7%	10%



	Comm. Services	Consumer Disc.	Info. Tech.	Real Estate	S&P 500	Utilities	Materials	Financials	Health Care	Industrials	Consumer Staples	Energy
Target/Close	38.1%	34.3%	32.2%	31.7%	25.6%	23.0%	21.8%	19.8%	18.7%	18.6%	15.4%	11.4%

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