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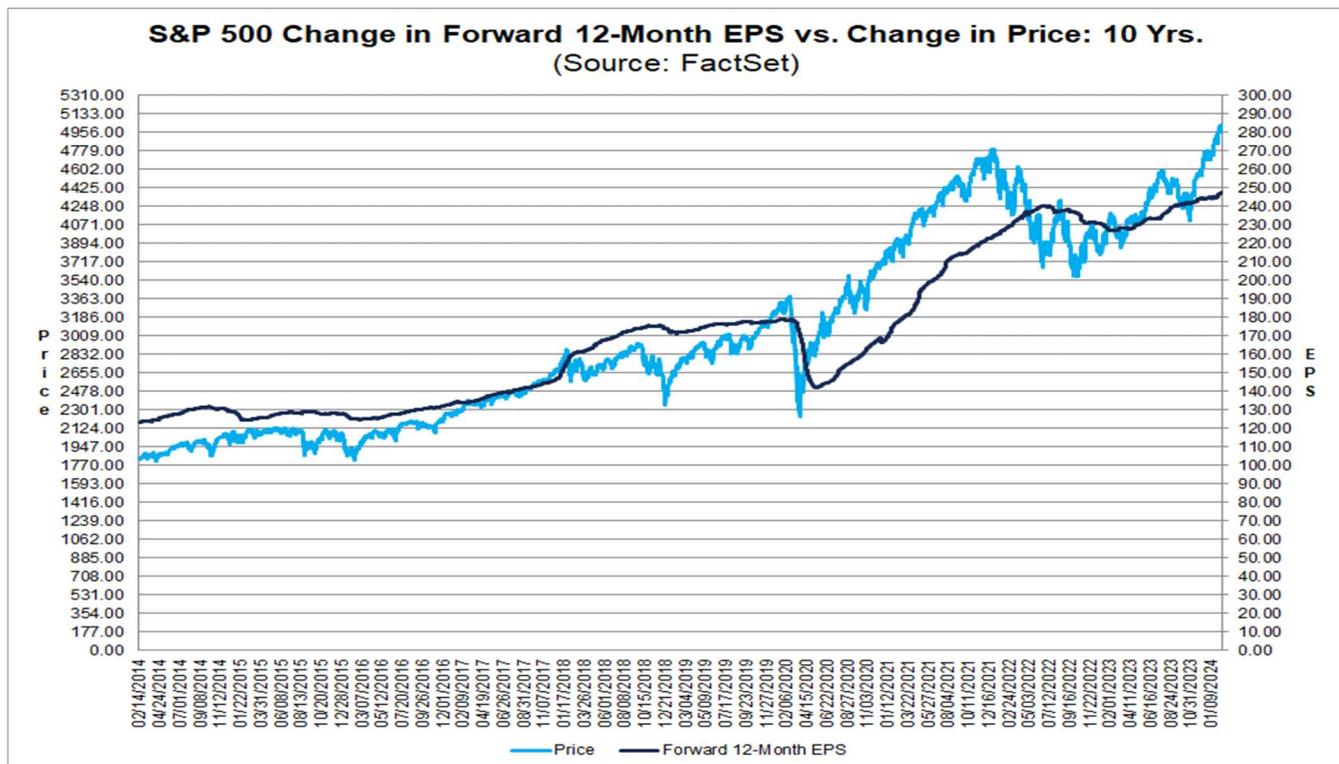
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February 16, 2024

**Author’s Note:** *The FactSet Earnings Insight report will not be published on February 23. The next edition of the report will be published on March 1.*

## Key Metrics

- **Earnings Scorecard:** For Q4 2023 (with 79% of S&P 500 companies reporting actual results), 75% of S&P 500 companies have reported a positive EPS surprise and 65% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q4 2023, the blended (year-over-year) earnings growth rate for the S&P 500 is 3.2%. If 3.2% is the actual growth rate for the quarter, it will mark the second-straight quarter that the index has reported earnings growth.
- **Earnings Guidance:** For Q1 2024, 59 S&P 500 companies have issued negative EPS guidance and 26 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 20.4. This P/E ratio is above the 5-year average (19.0) and above the 10-year average (17.7).



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Topic of the Week:

S&P 500 Reporting Year-over-Year Revenue Growth for 13<sup>th</sup> Straight Quarter

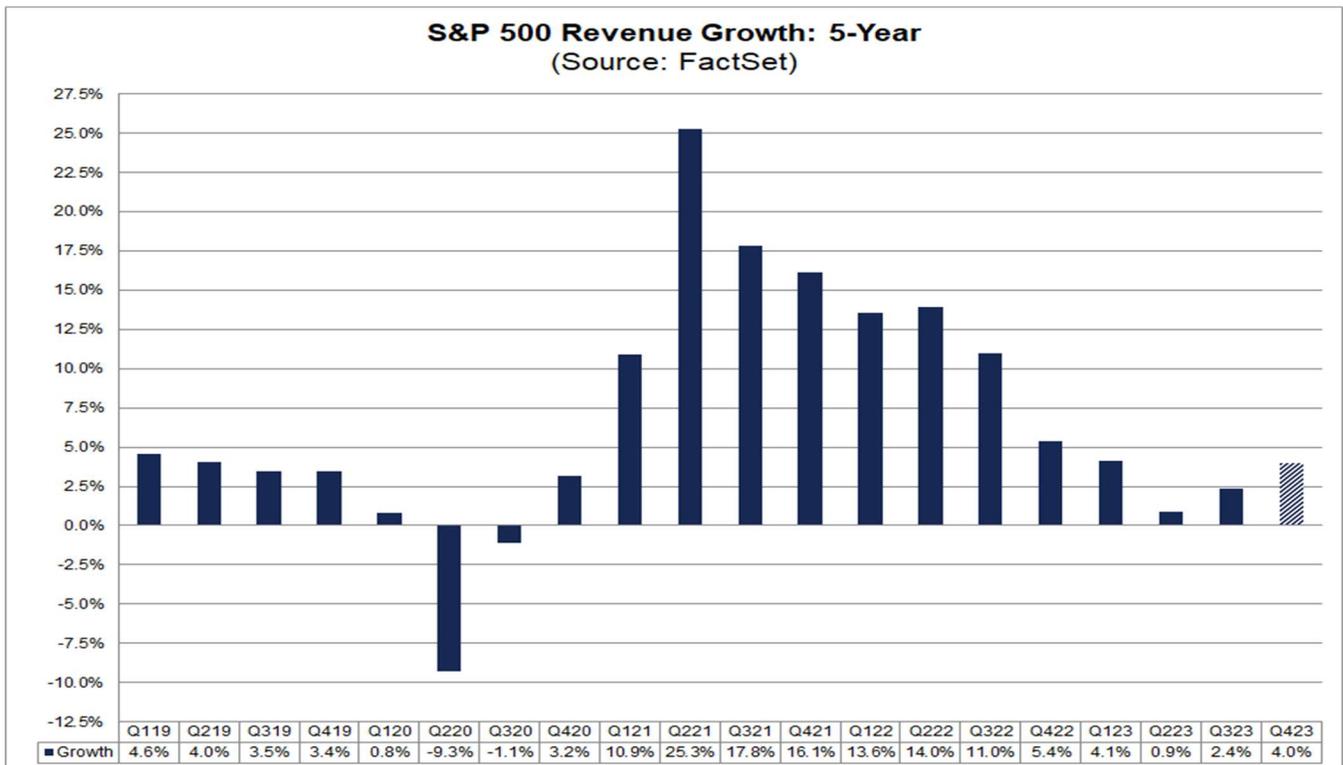
The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings growth rate for the S&P 500 for Q4 2023 is 3.2%. If 3.2% is the actual growth rate for the quarter, it will mark the second consecutive quarter that the index has reported year-over-year growth in earnings. Given the growth in earnings, what is the S&P 500 reporting for revenue growth?

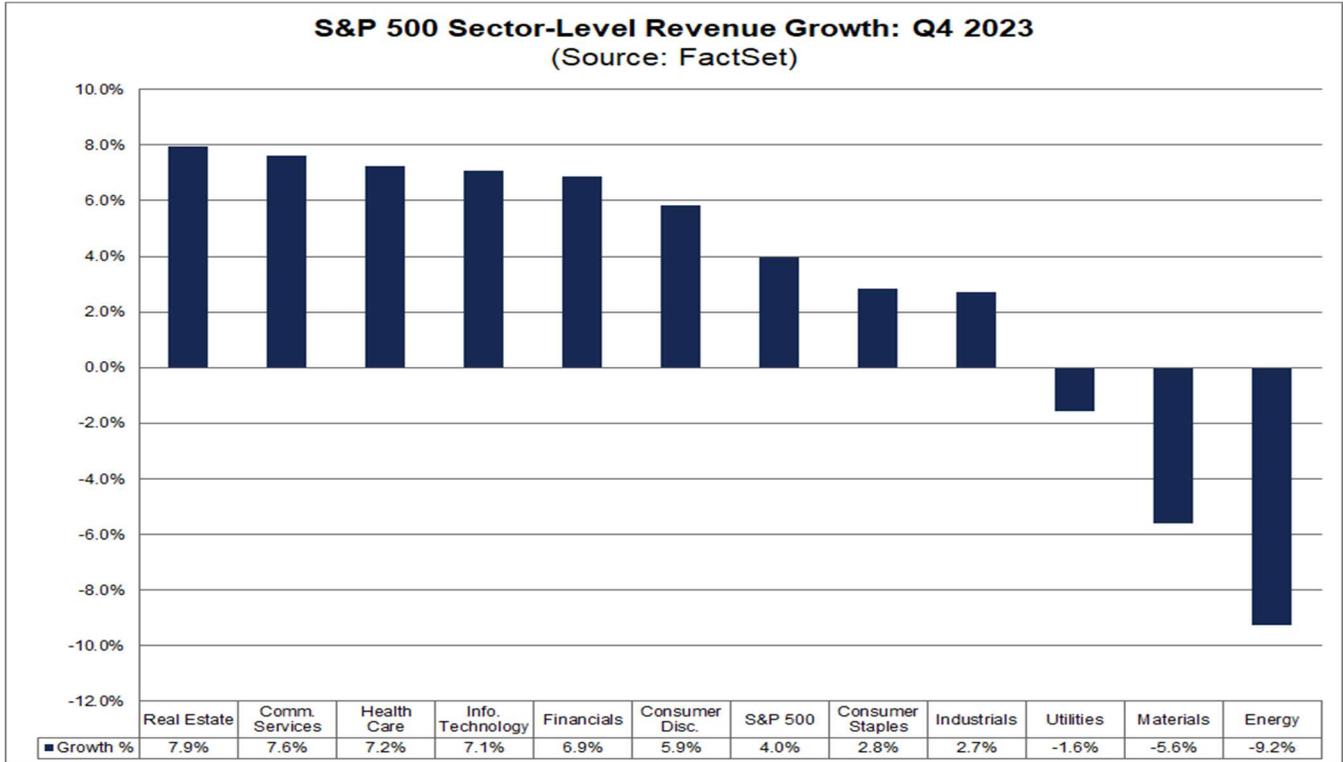
The blended (year-over-year) revenue growth rate for the S&P 500 for Q4 2023 is 4.0%. This growth rate is below the 5-year average revenue growth rate of 6.9% and below the 10-year average revenue growth rate of 5.0%.

However, if 4.0% is the actual revenue growth rate for the quarter, it will mark the 13<sup>th</sup> consecutive quarter of revenue growth for the index. This would mark the second-longest period of consecutive quarters of (year-over-year) revenue growth for the S&P 500 since FactSet began tracking this metric in 2008. The current record for the S&P 500 since 2008 is 15 straight quarters of revenue growth, which occurred from Q3 2016 though Q1 2020.

It should be noted that analysts are currently projecting (year-over-year) revenue growth for all four quarters of 2024. For Q1 2024 through Q4 2024, the current estimates for revenue growth are 3.5%, 4.6%, 5.0%, and 5.7%, respectively. Assuming these estimates hold up, the index is on pace to break the current record (since 2008) for consecutive quarters of revenue growth in Q3 2024.

At the sector level for Q4 2023, eight sectors are reporting year-over-year growth in revenues, led by the Real Estate and Communication Services sectors. On the other hand, three sectors are reporting a year-over-year decline in revenues, led by the Energy and Materials sectors.





## Q4 Earnings Season: By The Numbers

### Overview

At this stage of the Q4 earnings season, the overall performance of the S&P 500 relative to earnings estimates is mixed. The percentage of S&P 500 companies reporting positive earnings surprises is above the 10-year average, while the magnitude of earnings surprises is still below the 10-year average. Due to the stronger performance of companies compared to estimates in recent weeks, the index is reporting higher earnings for the fourth quarter today relative to the end of last week and relative to the end of the quarter. On a year-over-year basis, the index is reporting earnings growth for the second consecutive quarter.

Overall, 79% of the companies in the S&P 500 have reported actual results for Q4 2023 to date. Of these companies, 75% have reported actual EPS above estimates, which is below the 5-year average of 77% but above the 10-year average of 74%. In aggregate, companies are reporting earnings that are 3.9% above estimates, which is below the 5-year average of 8.5% and below the 10-year average of 6.7%. 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 index is reporting higher earnings for the fourth 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 fourth quarter is 3.2% today, compared to an earnings growth rate of 2.8% last week and an earnings growth rate of 1.5% at the end of the fourth quarter (December 31).

Positive earnings surprises reported by companies in multiple sectors (led by the Industrials and Information Technology sectors) were the largest contributors to the increase in overall earnings for the index during the past week. Positive earnings surprises reported by companies in multiple sectors (led by the Information Technology, Industrials, Consumer Discretionary, and Health Care sectors), partially offset by negative earnings surprises reported by companies in the Financials sector, have been the largest contributors to the increase in overall earnings for the index since the end of the quarter.

If 3.2% is the actual growth rate for the quarter, it will mark the second consecutive quarter that the index has reported year-over-year growth in earnings.

Seven of the eleven sectors are reporting year-over-year earnings growth, led by the Communication Services, Consumer Discretionary, Utilities, and Information Technology sectors. On the other hand, four sectors are reporting a year-over-year decline in earnings: Energy, Materials, Health Care, and Financials.

In terms of revenues, 65% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 68% but above the 10-year average of 64%. In aggregate, companies are reporting revenues that are 1.2% above estimates, which is below the 5-year average of 2.0% and below the 10-year average of 1.3%. 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.

The blended revenue growth rate for the fourth quarter is 4.0% today, compared to a revenue growth rate of 3.9% last week and a revenue growth rate of 3.1% at the end of the fourth quarter (December 31).

Positive revenue surprises reported by companies in multiple sectors (led by the Financials sector), partially offset by negative revenue surprises reported by companies in the Utilities sector, were the largest contributors to the small increase in overall revenues for the index over the past week. Positive revenue surprises reported by companies in the Health Care and Consumer Discretionary sectors, partially offset by downward revisions to revenue estimates and negative revenue surprises in the Energy sector, have been the largest contributors to the increase in overall revenues for the index since the end of the quarter.

If 4.0% is the actual revenue growth rate for the quarter, it will mark the 13<sup>th</sup> consecutive quarter of revenue growth for the index.

Eight sectors are reporting year-over-year growth in revenues, led by the Real Estate and Communication Services sectors. On the other hand, three sectors are reporting a year-over-year decline in revenues, led by the Energy and Materials sectors.

Looking ahead, analysts expect (year-over-year) earnings growth of 3.9% for Q1 2024 and 9.0% for Q2 2024. For CY 2024, analysts are calling for (year-over-year) earnings growth of 10.9%.

The forward 12-month P/E ratio is 20.4, which is above the 5-year average (19.0) and above the 10-year average (17.7). It is also above the forward P/E ratio of 19.5 recorded at the end of the fourth quarter (December 31).

During the upcoming week, 54 S&P 500 companies (including 2 Dow 30 components) are scheduled to report results for the fourth quarter.

## Scorecard: Number and Magnitude of Positive EPS Surprises Are Below 5-Year Average

### Percentage of Companies Beating EPS Estimates (75%) is Below 5-Year Average

Overall, 79% of the companies in the S&P 500 have reported earnings to date for the fourth quarter. Of these companies, 75% have reported actual EPS above the mean EPS estimate, 6% have reported actual EPS equal to the mean EPS estimate, and 19% 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 (77%) and below the 5-year average (77%), but above the 10-year average (74%). 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 (88%) and Energy (87%) sectors have the highest percentages of companies reporting earnings above estimates, while the Real Estate (55%) and Financials (61%) sectors have the lowest percentages of companies reporting earnings above estimates.

### Earnings Surprise Percentage (+3.9%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 3.9% above expectations. This surprise percentage is below the 1-year average (+5.7%), below the 5-year average (+8.5%), and below the 10-year average (+6.7%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

The Energy (+13.6%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Marathon Petroleum (\$3.98 vs. \$2.19), Phillips 66 (\$3.09 vs. \$2.35), Valero Energy (\$3.55 vs. \$2.95), and Hess Corporation (\$1.63 vs. \$1.36) have reported the largest positive EPS surprises.

The Consumer Discretionary (+12.6%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Ford Motor (\$0.29 vs. \$0.12), Marriott International (\$3.57 vs. \$2.12), Wynn Resorts (\$1.91 vs. \$1.15), MGM International (\$1.06 vs. \$0.71), Carnival (-\$0.07 vs. -\$0.13), and Amazon.com (\$1.00 vs. \$0.79) have reported the largest positive EPS surprises.

The Industrials (+9.9%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Uber Technologies (\$0.66 vs. \$0.16), Southwest Airlines (\$0.37 vs. \$0.12), and American Airlines (\$0.29 vs. \$0.11) have reported the largest positive EPS surprises.

The Health Care (+7.3%) sector is reporting the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Illumina (\$0.14 vs. \$0.02), Pfizer (\$0.10 vs. -\$0.16), Merck (\$0.03 vs. -\$0.11), HCA Healthcare (\$5.90 vs. \$5.05), and DexCom (\$0.50 vs. \$0.43) have reported the largest positive EPS surprises.

On the other hand, the Financials (-11.2%) sector is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Citigroup (-\$1.16 vs. \$0.11), Truist Financial (-\$3.85 vs. \$0.68), Comerica (\$0.20 vs. \$0.87), and Bank of New York Mellon (\$0.33 vs. \$0.85) have reported the largest negative EPS surprises. Actual results for these four companies included FDIC special assessments, which had a negative impact on earnings for the quarter.

### **Market Rewarding Positive EPS Surprises More Than Average**

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

Companies that have reported positive earnings surprises for Q4 2023 have seen an average price increase of +1.5% two days before the earnings release through two days after the earnings release. This percentage increase is larger than 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 Q4 2023 have seen an average price decrease of -1.8% two days before the earnings release through two days after the earnings. This percentage decrease is smaller than the 5-year average price decrease of -2.3% during this same window for companies reporting negative earnings surprises.

### **Percentage of Companies Beating Revenue Estimates (65%) is Below 5-Year Average**

In terms of revenues, 65% of companies have reported actual revenues above estimated revenues and 35% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (67%) and below the 5-year average (68%), but above the 10-year average (64%). 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 Health Care (87%) and Communication Services (79%) sectors have the highest percentages of companies reporting revenues above estimates, while the Utilities (29%) and Consumer Staples (38%) sectors have the lowest percentages of companies reporting revenues above estimates.

### **Revenue Surprise Percentage (+1.2%) is Below 5-Year Average**

In aggregate, companies are reporting revenues that are 1.2% above expectations. This surprise percentage is below the 1-year average (+1.6%), below the 5-year average (+2.0%), and below the 10-year average (+1.3%). 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 Health Care (+3.1%) and Consumer Discretionary (+2.6%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Utilities (-7.2%) and Energy (-2.0%), sectors are reporting the largest negative (aggregate) differences between actual revenues and estimated revenues.

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

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

The blended (year-over-year) earnings growth rate for the fourth quarter is 3.2%, which is above the earnings growth rate of 2.8% last week. Positive earnings surprises reported by companies in multiple sectors (led by the Industrials and Information Technology sectors) were the largest contributors to the increase in earnings for the index during the past week.

In the Information Technology sector, the positive EPS surprises reported by Applied Materials (\$2.13 vs. \$1.90), Cisco Systems (\$0.87 vs. \$0.84), and Arista Networks (\$2.08 vs. \$1.70) were substantial contributors to the increase in earnings for the index during the week. As a result, the blended earnings growth rate for the Information Technology sector improved to 20.8% from 20.2% over this period.

In the Industrials sector, the positive EPS surprises reported by Deere & Company (\$6.23 vs. \$5.24) and Waste Management (\$1.74 vs. \$1.53) were significant contributors to the increase in earnings for the index during the week. As a result, the blended earnings growth rate for the Industrials sector increased to 6.4% from 5.3% over this period.

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

The blended (year-over-year) revenue growth rate for the fourth quarter is 4.0%, which is above the revenue growth rate of 3.9% last week. Positive revenue surprises reported by companies in multiple sectors (led by the Financials sector), partially offset by negative revenue surprises reported by companies in the Utilities sector, were the largest contributors to the small increase in overall revenues for the index over the past week.

### Information Technology Sector Has Seen Largest Increase in Earnings since December 31

The blended (year-over-year) earnings growth rate for Q4 2023 of 3.2% is above the estimate of 1.5% at the end of the fourth quarter (December 31). Eight 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 Consumer Discretionary (to 32.8% from 22.8%) and Industrials (to 6.4% from -2.7%) sectors. The Information Technology, Industrials, Consumer Discretionary, and Health Care sectors have been the largest contributors to the increase in earnings for the index since December 31. On the other hand, three sectors have recorded a decrease in their earnings growth rate or an increase in their earnings decline since the end of the quarter due to downward revisions to earnings estimates and negative earnings surprises, led by the Financials (to -15.0% from -2.2%) sector. This sector has also been the largest detractor to the increase in earnings for the index since December 31.

In the Information Technology sector, the positive EPS surprises reported by Microsoft (\$2.93 vs. \$2.77), Apple (\$2.18 vs. \$2.10), QUALCOMM (\$2.75 vs. \$2.37), and Intel (\$0.54 vs. \$0.45) have been significant contributors to the increase in earnings for the index since December 31. As a result, the blended earnings growth rate for the Information Technology sector increased to 20.8% from 15.7% over this period.

In the Industrials sector, the positive EPS surprise reported by Uber Technologies (\$0.66 vs. \$0.16) has been a substantial contributors to the increase in earnings for the index since December 31. As a result, the blended earnings growth rate for the Industrials sector improved to 6.4% from -2.7% over this period.

In the Consumer Discretionary sector, the positive EPS surprises reported by Amazon.com (\$1.00 vs. \$0.79), Ford Motor (\$0.29 vs. \$0.12), and Marriott International (\$3.57 vs. \$2.12) have been significant contributors to the increase in earnings for the index since December 31. As a result, the blended earnings growth rate for the Consumer Discretionary sector improved to 32.8% from 22.8% over this period.

In the Health Care sector, the positive EPS surprise reported by Pfizer (\$0.10 vs. -\$0.16) has been a substantial contributor to the increase in earnings for the index since December 31. As a result, the blended earnings decline for the Health Care sector improved to -16.7% from -20.1% over this period.

In the Energy sector, the positive EPS surprises reported by Exxon Mobil (\$2.48 vs. \$2.20) and Marathon Petroleum (\$3.98 vs. \$2.19) have been significant contributors to the increase in earnings for the index since December 31. As a result, the blended earnings decline for the Energy sector improved to -25.1% from -29.0% over this period.

In the Communication Services sector, the positive EPS surprise reported by Meta Platforms (\$5.33 vs. \$4.82) has been a substantial contributor to the increase in earnings for the index since December 31. As a result, the blended earnings growth rate for the Communication Services sector improved to 45.1% from 41.4% over this period.

In the Financials sector, the negative EPS surprises reported by Truist Financial (-\$3.85 vs. \$0.68), Citigroup (-\$1.16 vs. \$0.11), Bank of America (\$0.35 vs. \$0.53), and JPMorgan Chase (\$3.04 vs. \$3.35) have been the largest detractors to the increase in earnings for the index since December 31. Actual results for all four companies included FDIC special assessments, which had a negative impact on earnings for the quarter. In addition, actual results for Truist Financial also included a non-cash goodwill impairment of \$4.53, which also had a negative impact on earnings for the quarter. As a result, the blended earnings decline for the Financials sector increased to -15.0% from -2.2% over this period.

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

The blended (year-over-year) revenue growth rate for Q4 2023 of 4.0% is above the estimate of 3.1% at the end of the fourth quarter (December 31). Eight 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 Health Care (to 7.2% from 4.0%) and Consumer Discretionary (to 5.9% from 3.7%) sectors. These two sectors have also been the largest contributors to the increase in revenues for the index since the end of the quarter. On the other hand, three sectors have recorded a decrease in their revenue growth rate or an increase in their revenue decline since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises, led by the Energy (to -9.2% from -6.1%) sector. The Energy sector has also been the largest detractor to the increase in revenues for the index since the end of the quarter.

In the Health Care sector, the positive revenue surprises reported by CVS Health (\$93.81 billion vs. \$90.56 billion), Celene Corporation (\$39.46 billion vs. \$36.14 billion), McKesson Corporation (\$80.90 billion vs. \$77.93 billion), Cencora (\$72.25 billion vs. \$69.25 billion), UnitedHealth Group (\$94.43 billion vs. \$92.13 billion), and Cigna (\$51.15 billion vs. \$48.91 billion) have been substantial contributors to the increase in revenues for the index since December 31. As a result, the blended revenue growth rate for the Health Care sector has increased to 7.2% from 4.0% over this period.

In the Consumer Discretionary sector, the positive revenue surprises reported by General Motors (\$42.98 billion vs. \$38.73 billion), Amazon.com (\$169.96 billion vs. \$164.89 billion), and Ford Motor (\$46.00 billion vs. \$43.06 billion) have been significant contributors to the increase in revenues for the index since December 31. As a result, the blended revenue growth rate for the Consumer Discretionary sector has increased to 5.9% from 3.7% over this period.

In the Energy sector, the downward revisions to revenue estimates and negative revenue surprises for Chevron (to \$47.18 billion from \$52.28 billion), Exxon Mobil (to \$84.34 billion from \$89.40 billion), and Phillips 66 (to \$38.60 billion from \$40.06 billion), and the downward revisions to revenue estimates for Valero Energy (to \$35.41 billion from \$36.73 billion) have been substantial detractors to the increase in revenues for the index since December 31. As a result, the blended revenue decline for the Energy sector has increased to -9.2% from -6.1% over this period.

## Earnings Growth: 3.2%

The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report), year-over-year earnings growth rate for Q4 2023 is 3.2%, which is below the 5-year average earnings growth rate of 9.5% and below the 10-year average earnings growth rate of 8.4%. If 3.2% is the actual growth rate for the quarter, it will mark the second consecutive quarter that the index has reported year-over-year earnings growth.

Seven of the eleven sectors are reporting year-over-year earnings growth, led by the Communication Services, Consumer Discretionary, Utilities, and Information Technology sectors. On the other hand, four sectors are reporting a year-over-year decline in earnings: Energy, Materials, Health Care, and Financials.

### **Communication Services: Meta Platforms is Largest Contributor to Year-Over-Year Growth**

The Communication Services sector is reporting the largest (year-over-year) earnings growth rate of all eleven sectors at 45.1%. At the industry level, 3 of the 5 industries in the sector are reporting a year-over-year increase in earnings of 30% or more: Entertainment (190%), Interactive Media & Services (85%), and Wireless Telecommunication Services (32%). On the other hand, two industries are reporting a (year-over-year) decline in earnings: Diversified Telecommunication Services (-10%) and Media (-7%).

At the company level, Meta Platforms (\$5.33 vs. \$1.76) is the largest contributor to earnings growth for the sector. If this company were excluded, the estimated earnings growth rate for Communication Services sector would fall to 25.7% from 45.1%.

### **Consumer Discretionary: Amazon Is Largest Contributor to Year-Over-Year Growth**

The Consumer Discretionary sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 32.8%. At the industry level, 4 of the 9 industries in the sector are reporting year-over-year earnings growth. Two of these four industries are reporting a year-over-year increase in earnings of more than 100%: Broadline Retail (1,020%) and Hotels, Restaurants, & Leisure (131%). On the other hand, five industries are reporting a year-over-year decline in earnings. Two of these five industries are reporting a decrease in earnings of 10% or more: Leisure Products (-71%) and Automobiles (-45%) and Leisure Products.

At the industry level, the Broadline Retail and Hotels, Restaurants, & Leisure industries are the largest contributors to earnings growth for the sector. If these two industries were excluded, the Consumer Discretionary sector would be reporting a (year-over-year) decline in earnings of -18.3% instead of year-over-year earnings growth of 32.8%. On the other hand, the Automobiles industry is the largest detractor to earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Consumer Discretionary sector would improve to 65.1% from 32.8%.

At the company level, Amazon.com (\$1.00 vs. \$0.03) is the largest contributor to earnings growth for the sector. If this company were excluded, the Consumer Discretionary sector would be reporting a (year-over-year) decline in earnings of -1.0% instead of earnings growth of 32.8%.

### **Utilities: Electric Utilities Industry Is Largest Contributor to Year-Over-Year Growth**

The Utilities sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors at 30.5%. At the industry level, 4 of the 5 industries in this sector are reporting year-over-year earnings growth of more than 10%. Electric Utilities (53%), Independent Power and Renewable Electricity Producers (37%), Gas Utilities (17%), and Water Utilities (16%). On the other hand, the Multi-Utilities (-5%) industry is the only industry reporting a (year-over-year) decline in earnings.

At the industry level, the Electric Utilities industry is the largest contributor to earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Utilities sector would fall to 0.3% from 30.5%.

**Information Technology: NVIDIA Is Largest Contributor to Year-Over-Year Growth**

The Information Technology sector is reporting the fourth-highest (year-over-year) earnings growth rate of all eleven sectors at 20.8%. At the industry level, 5 of the 6 industries in the sector are reporting year-over-year earnings growth. Three of these five industries are reporting double-digit growth: Semiconductors & Semiconductor Equipment (43%), Software (23%), and Technology Hardware, Storage & Peripherals (11%). On the other hand, the Electronic Equipment, Instruments, & Components (-3%) industry is the only industry reporting a year-over-year decline in earnings.

At the company level, NVIDIA (\$4.59 vs. \$0.88) is the largest contributor to earnings growth for the sector. If this company were excluded, the blended (year-over-year) earnings growth rate for the Information Technology sector would drop to 11.5% from 20.8%.

**Energy: 3 of 5 Sub-Industries Reporting Year-Over-Year Decline of 15% or More**

The Energy sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -25.1%. At the sub-industry level, three of the five sub-industries in the sector are reporting a (year-over-year) decrease in earnings: Oil & Gas Refining & Marketing (-51%), Integrated Oil & Gas (-27%), and Oil & Gas Exploration & Production (-17%). On the other hand, two sub-industries are reporting year-over-year earnings growth: Oil & Gas Equipment & Services (23%) and Oil & Gas Storage & Transportation (4%).

**Materials: 3 of 4 Industries Reporting Year-Over-Year Decline of 15% or More**

The Materials sector is reporting the second-largest (year-over-year) earnings decline of all eleven sectors at -20.3%. At the industry level, three of the four industries in this sector are reporting a year-over-year decline in earnings of 15% or more: Metals & Mining (-33%), Chemicals (-19%), and Containers & Packaging (-15%). On the other hand, the Construction Materials (45%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.

**Health Care: Pfizer and Merck Are Largest Contributors to Year-Over-Year Decline**

The Health Care sector is reporting the third-largest (year-over-year) earnings decline of all eleven sectors at -16.7%. At the industry level, three of the five industries in this sector are reporting a year-over-year decline in earnings: Pharmaceuticals (-45%), Biotechnology (-18%), and Life Sciences, Tools, & Services (-8%). On the other hand, two industries are reporting year-over-year earnings growth: Health Care Providers & Services (8%) and Health Care Equipment & Supplies (8%).

At the company level, Pfizer (-\$0.10 vs. \$1.14) and Merck (-\$0.03 vs. \$1.62) are the largest contributors to the earnings decline for the sector. If these two companies were excluded, the blended earnings decline for the Health Care sector would improve to -3.2% from -16.7%.

**Financials: Banks Industry Leads Year-Over-Year Decline**

The Financials sector is reporting the fourth-largest (year-over-year) earnings decline of all eleven sectors at -15.0%. At the industry level, three of the five industries in this sector are reporting a year-over-year decline in earnings: Banks (-64%), Consumer Finance (-15%), and Capital Markets (-3%). On the other hand, the other two industries in the sector are reporting earnings growth: Insurance (53%) and Financial Services (11%).

At the industry level, the Banks industry is the largest contributor to the year-over-year decline in earnings for the sector. Actual results for most of the companies in the Banks industry include FDIC special assessments, which had a negative impact on earnings for the quarter. If this industry were excluded, the Financials sector would be reporting would be reporting (year-over-year) growth in earnings of 16.5% instead of a year-over-year earnings decline of -15.0%.

## Revenue Growth: 4.0%

The blended (year-over-year) revenue growth rate for Q4 2023 is 4.0%, which is below the 5-year average revenue growth rate of 6.9% and below the 10-year average revenue growth rate of 5.0%. If 4.0% is the actual revenue growth rate for the quarter, it will mark the 13<sup>th</sup> consecutive quarter of revenue growth for the index.

At the sector level, eight sectors are reporting year-over-year growth in revenues, led by the Real Estate and Communication Services sectors. On the other hand, three sectors are reporting a year-over-year decline in revenues, led by the Energy and Materials sectors.

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

The Real Estate sector is reporting the highest (year-over-year) revenue growth rate at 7.9%. All eight industries in the sector are reporting year-over-year growth in revenues. Three of these eight industries are reporting double-digit revenue growth: Health Care REITs (12%), Retail REITs (11%), and Industrial REITs (10%).

### **Communication Services: Interactive Media & Services Industry Leads Year-Over-Year Growth**

The Communications Services sector is reporting the second-highest (year-over-year) revenue growth rate at 7.6%. At the industry level, all five industries in the sector are reporting (year-over-year) growth in revenues. However, the Interactive Media & Services (15%) industry is the only industry reporting double-digit growth.

### **Energy: 3 of 5 Sub-Industries Reporting Year-Over-Year Decline**

The Energy sector is reporting the largest (year-over-year) revenue decline of all eleven sectors at -9.2%. At the sub-industry level, three of the five sub-industries in the sector are reporting a year-over-year decrease in revenues: Integrated Oil & Gas (-12%), Oil & Gas Exploration & Production (-10%), and Oil & Gas Refining & Marketing (-9%). On the other hand, two sub-industries are reporting (year-over-year) revenue growth: Oil & Gas Equipment & Services (11%) and Oil & Gas Storage & Transportation (less than 1%).

### **Materials: 3 of 4 Industries Reporting Year-Over-Year Decline**

The Materials sector is reporting the second-highest (year-over-year) decline in revenues at -5.6%. At the industry level, three of the four industries in the sector are reporting a year-over-year decrease in revenues: Containers & Packaging (-6%), Chemicals (-6%), and Metals & Mining (-6%). On the other hand, the Construction Materials (11%) industry is the only industry reporting year-over-year growth in revenues.

## Net Profit Margin: 11.1%

The blended net profit margin for the S&P 500 for Q4 2023 is 11.1%, which is below the previous quarter's net profit margin of 12.2%, below the 5-year average of 11.5%, and below the year-ago net profit margin of 11.2%.

At the sector level, five sectors are reporting a year-over-year increase in their net profit margins in Q4 2023 compared to Q4 2022, led by the Communication Services (11.8% vs. 8.8%), Utilities (12.1% vs. 9.1%), and Information Technology (26.0% vs. 23.1%) sectors. On the other hand, six sectors are reporting a year-over-year decrease in their net profit margins in Q4 2023 compared to Q4 2022, led by the Financials (13.1% vs. 16.5%) sector.

Five sectors are reporting net profit margins in Q4 2023 that are above their 5-year averages, led by the Information Technology (26.0% vs. 23.3%) sector. On the other hand, six sectors are reporting net profit margins in Q4 2023 that are below their 5-year averages, led by the Financials (13.1% vs. 16.6%) and Health Care (7.3% vs. 10.1%) sectors.

## Forward Estimates and Valuation

### Quarterly Guidance: % of S&P 500 Companies Issuing Negative Guidance for Q1 Above 5-Year Average

At this point in time, 85 companies in the index have issued EPS guidance for Q1 2024. Of these 85 companies, 59 have issued negative EPS guidance and 26 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q1 2024 is 69% (59 out of 85), which is above the 5-year average of 59% and above the 10-year average of 63%.

At this point in time, 266 companies in the index have issued EPS guidance for the current fiscal year (FY 2023 or FY 2024). Of these 266 companies, 139 have issued negative EPS guidance and 127 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 52% (139 out of 266).

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 11% for CY 2024

For the fourth quarter, S&P 500 companies are reporting a year-over-year growth in earnings of 3.2% and year-over-year growth in revenues of 4.0%. For CY 2023, S&P 500 companies are reporting year-over-year growth in earnings of 0.9% and year-over-year growth in revenues of 2.4%

For Q1 2024, analysts are projecting earnings growth of 3.9% and revenue growth of 3.5%.

For Q2 2024, analysts are projecting earnings growth of 9.0% and revenue growth of 4.6%.

For Q3 2024, analysts are projecting earnings growth of 8.0% and revenue growth of 5.0%.

For Q4 2024, analysts are projecting earnings growth of 17.6% and revenue growth of 5.7%.

For CY 2024, analysts are projecting earnings growth of 10.9% and revenue growth of 5.4%.

### Valuation: Forward P/E Ratio is 20.4, Above the 10-Year Average (17.7)

The forward 12-month P/E ratio for the S&P 500 is 20.4. This P/E ratio is above the 5-year average of 19.0 and above the 10-year average of 17.7. It is also above the forward 12-month P/E ratio of 19.5 recorded at the end of the fourth quarter (December 31). Since the end of the fourth quarter (December 31), the price of the index has increased by 5.4%, while the forward 12-month EPS estimate has increased by 1.2%. At the sector level, the Information Technology (28.5) and Consumer Discretionary (24.9) sectors have the highest forward 12-month P/E ratios, while the Energy (11.8) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 24.5, which is above the 5-year average of 22.9 and above the 10-year average of 21.1.

### Targets & Ratings: Analysts Project 9% Increase in Price Over Next 12 Months

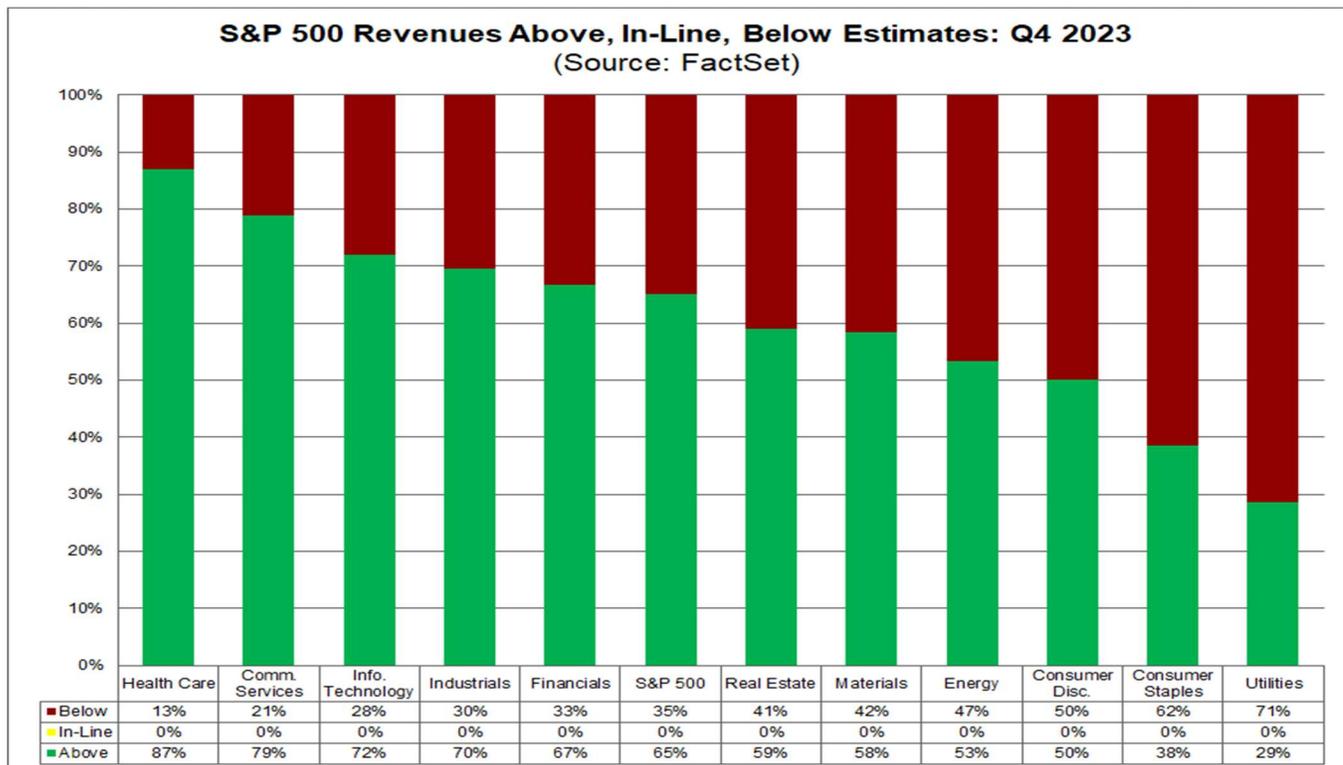
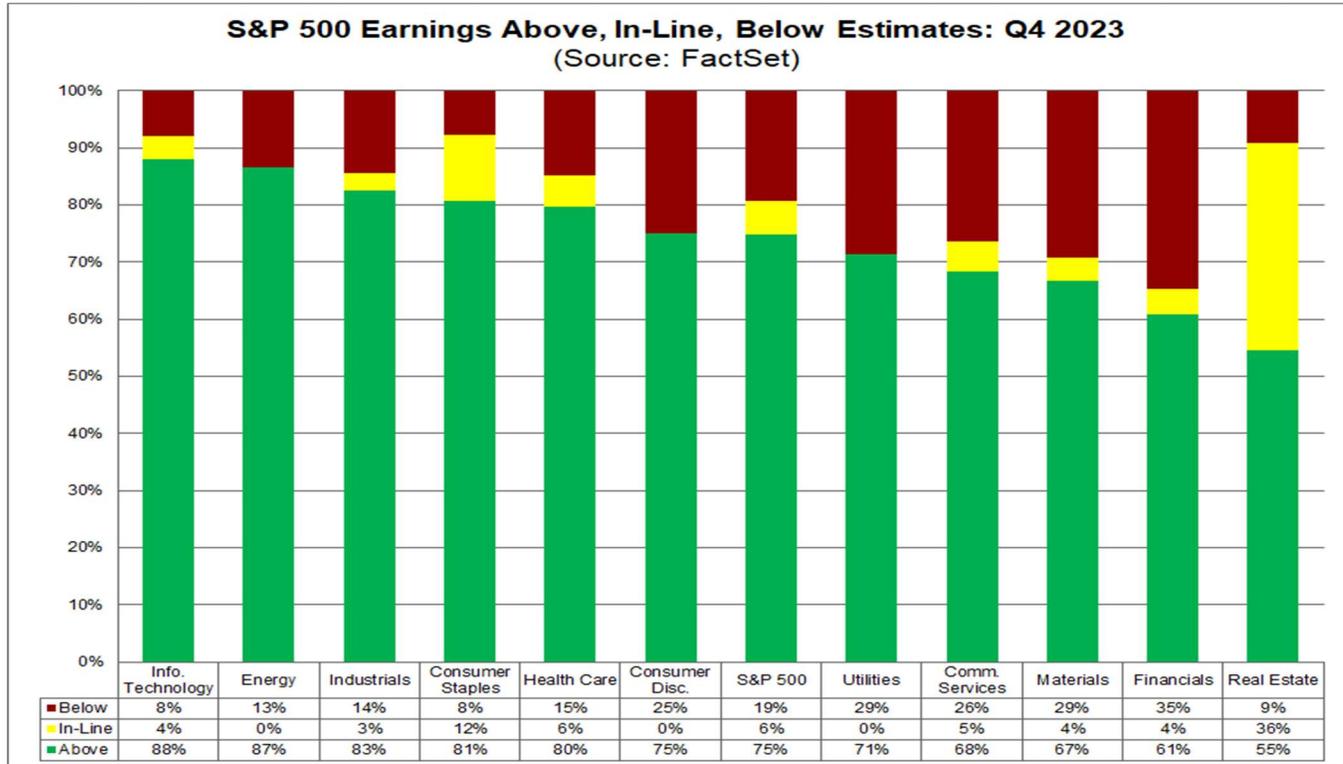
The bottom-up target price for the S&P 500 is 5486.99, which is 9.1% above the closing price of 5029.73. At the sector level, the Energy (+17.8%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Industrials (+6.3%) and Information Technology (+6.8%) 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 11,482 ratings on stocks in the S&P 500. Of these 11,482 ratings, 53.9% are Buy ratings, 40.5% are Hold ratings, and 5.7% are Sell ratings. At the sector level, the Energy (64%) and Communication Service (62%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (44%) and Materials (46%) sectors have the lowest percentages of Buy ratings.

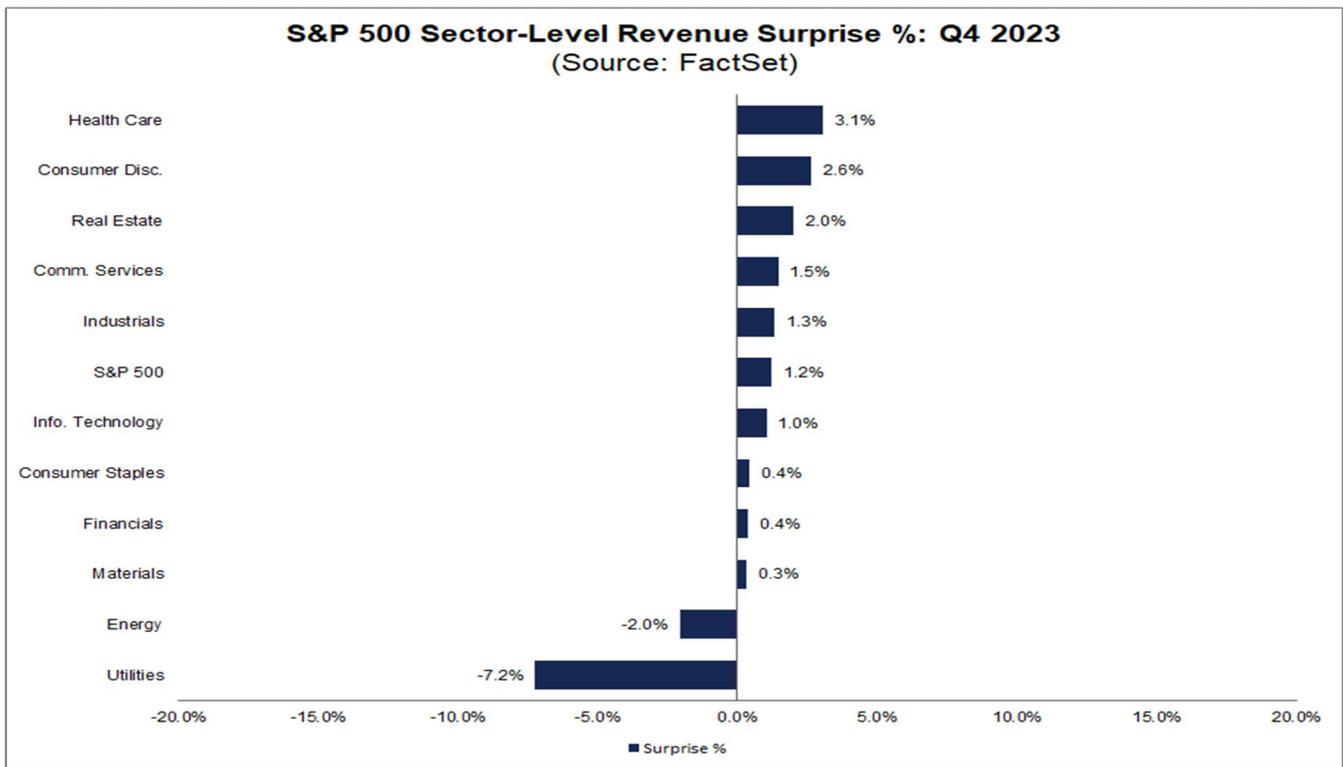
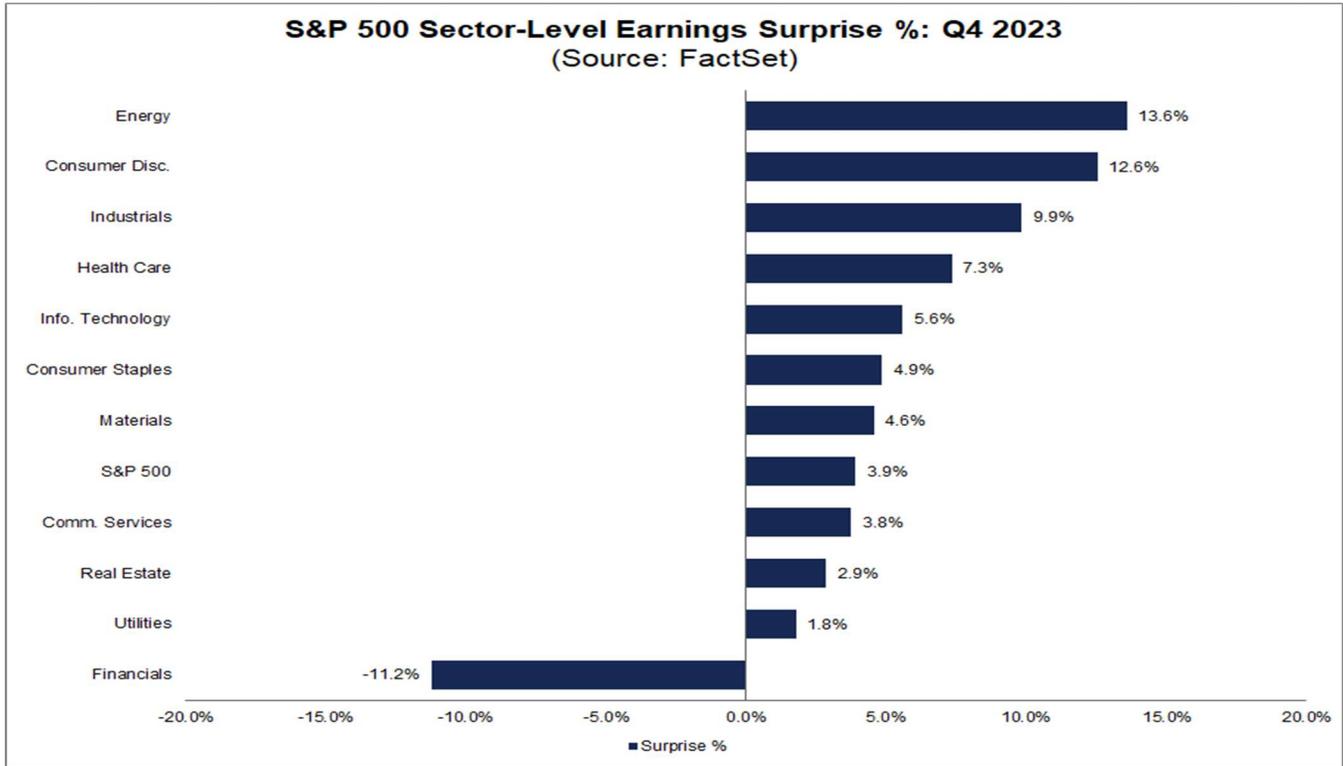
### **Companies Reporting Next Week: 54**

During the upcoming week, 54 S&P 500 companies (including 2 Dow 30 components) are scheduled to report results for the fourth quarter.

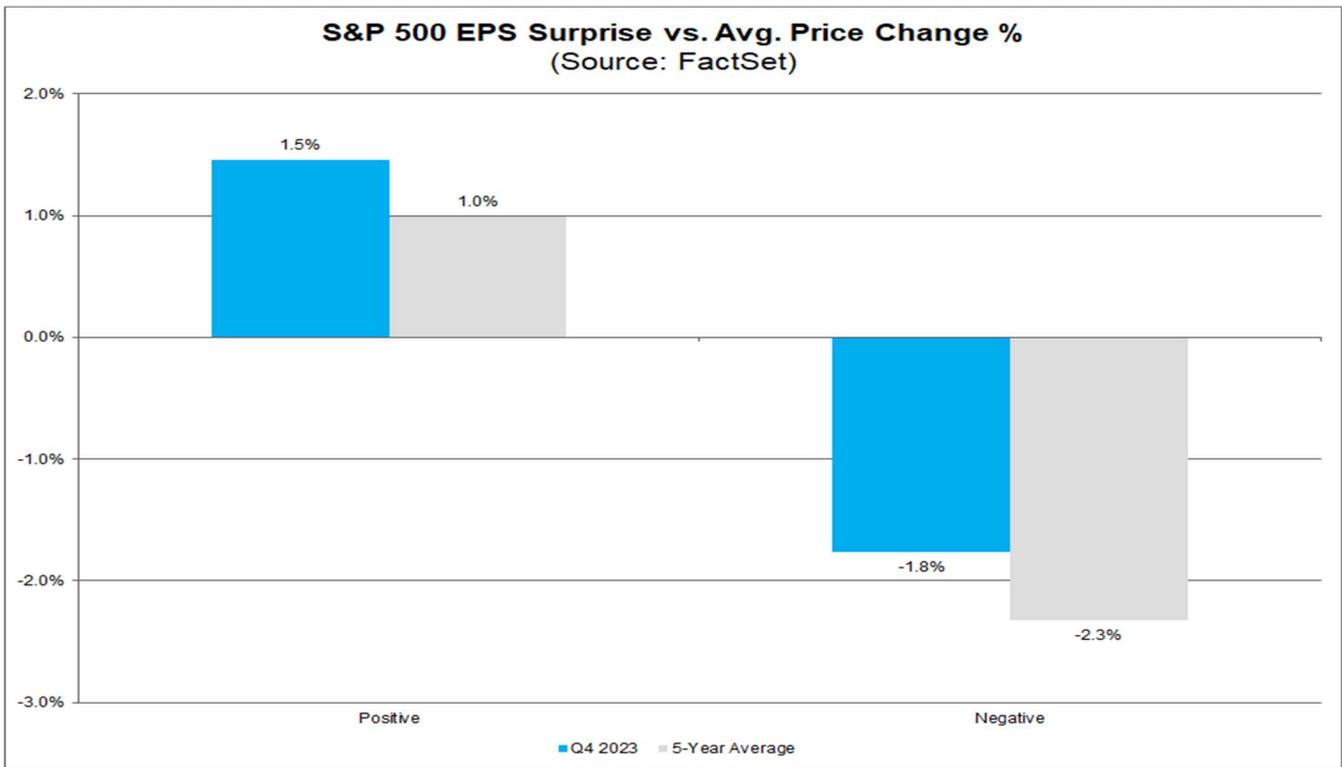
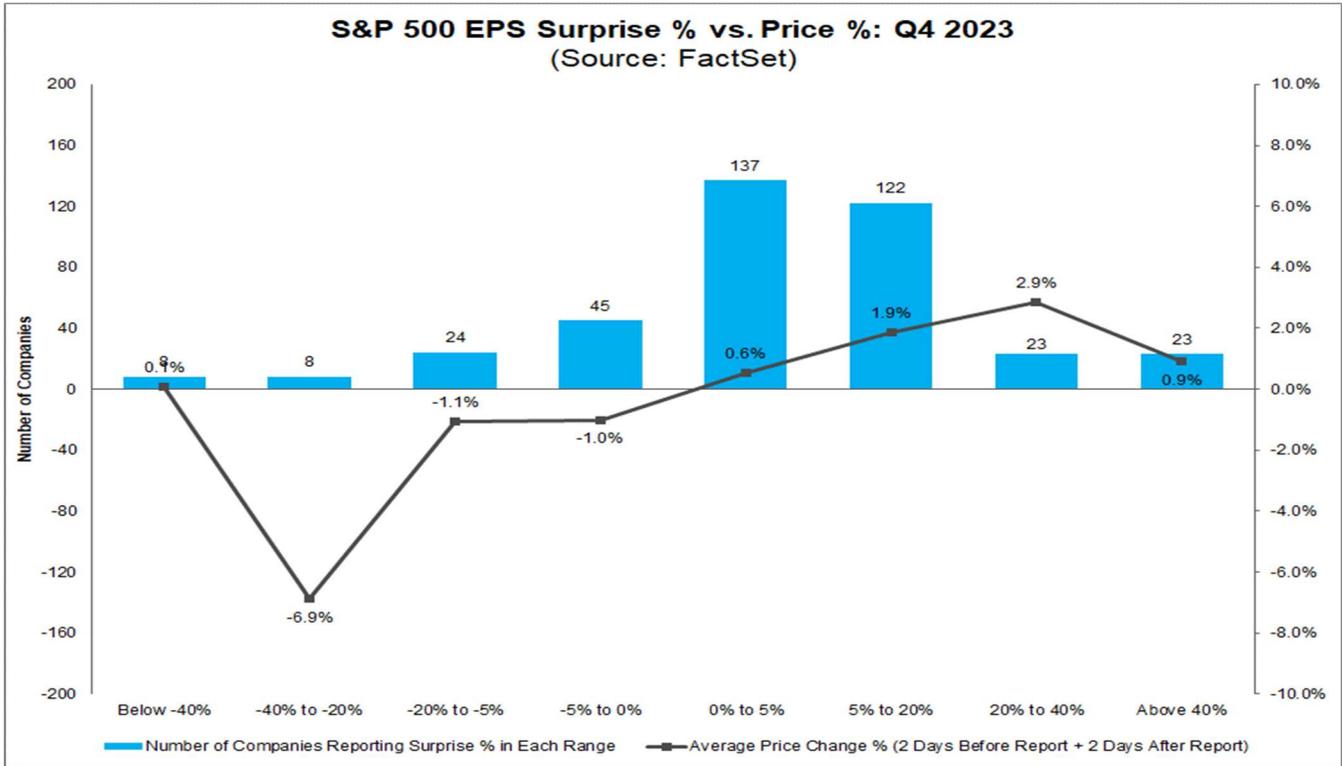
Q4 2023: Scorecard



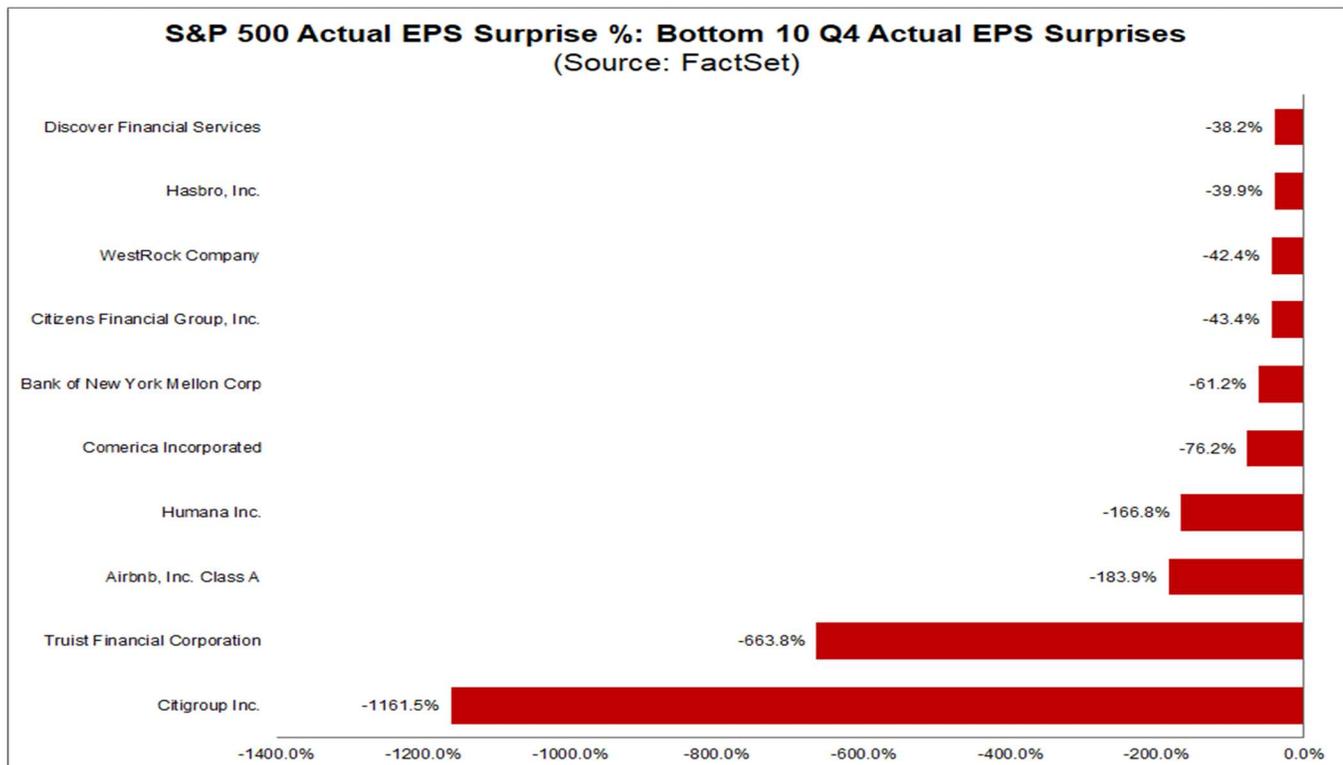
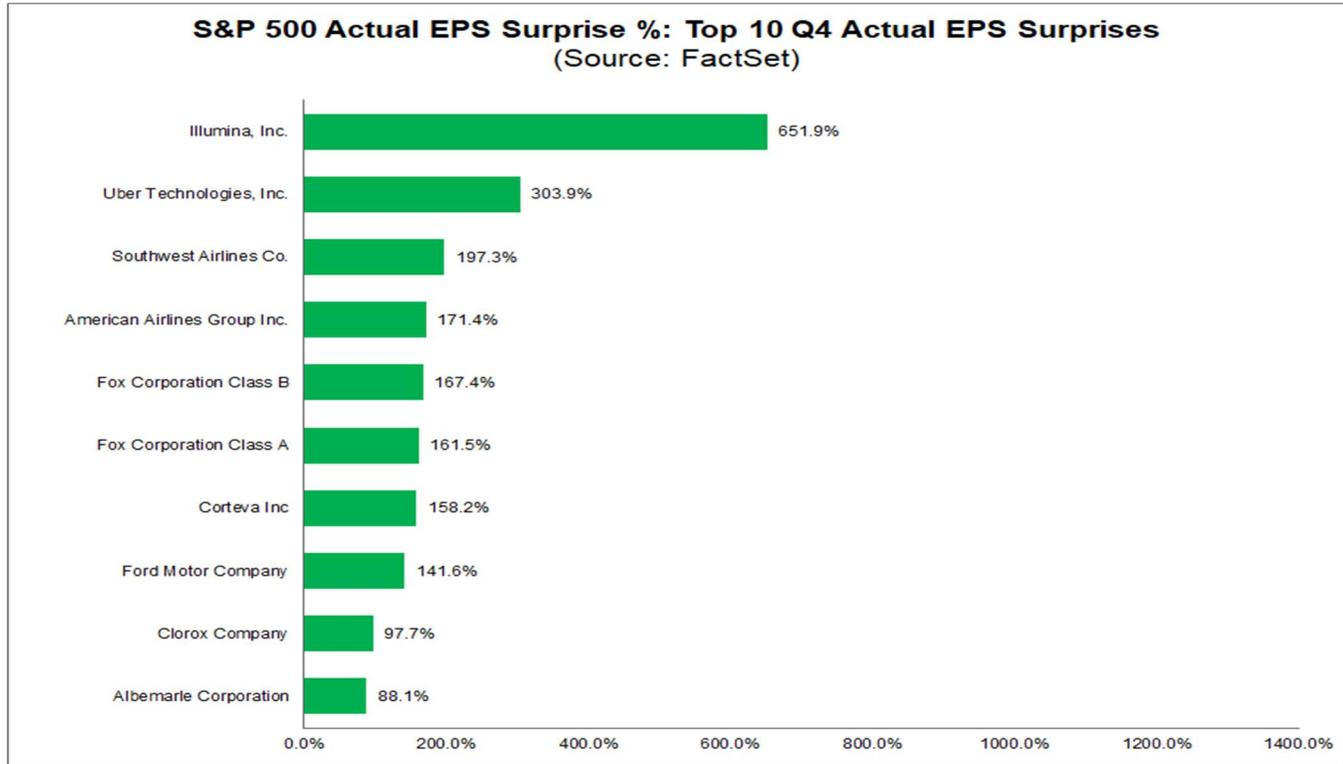
Q4 2023: Surprise



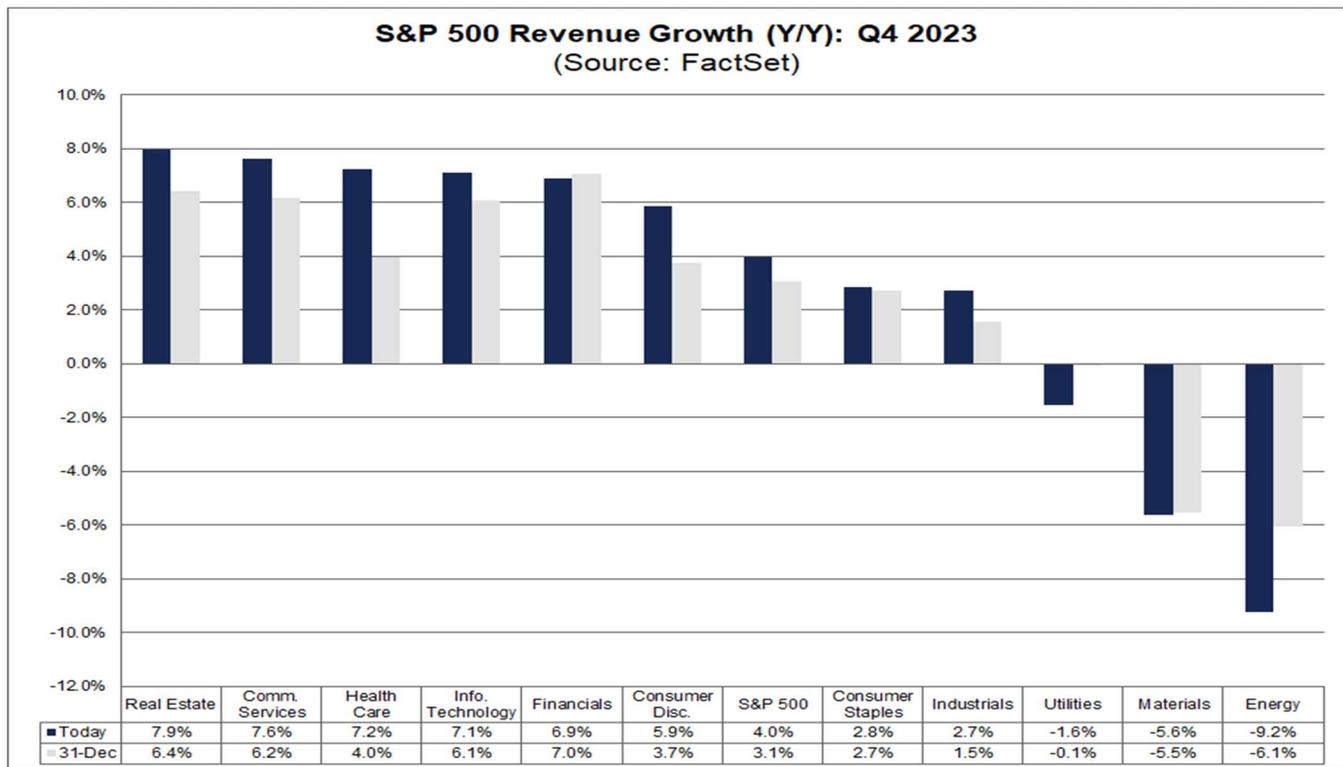
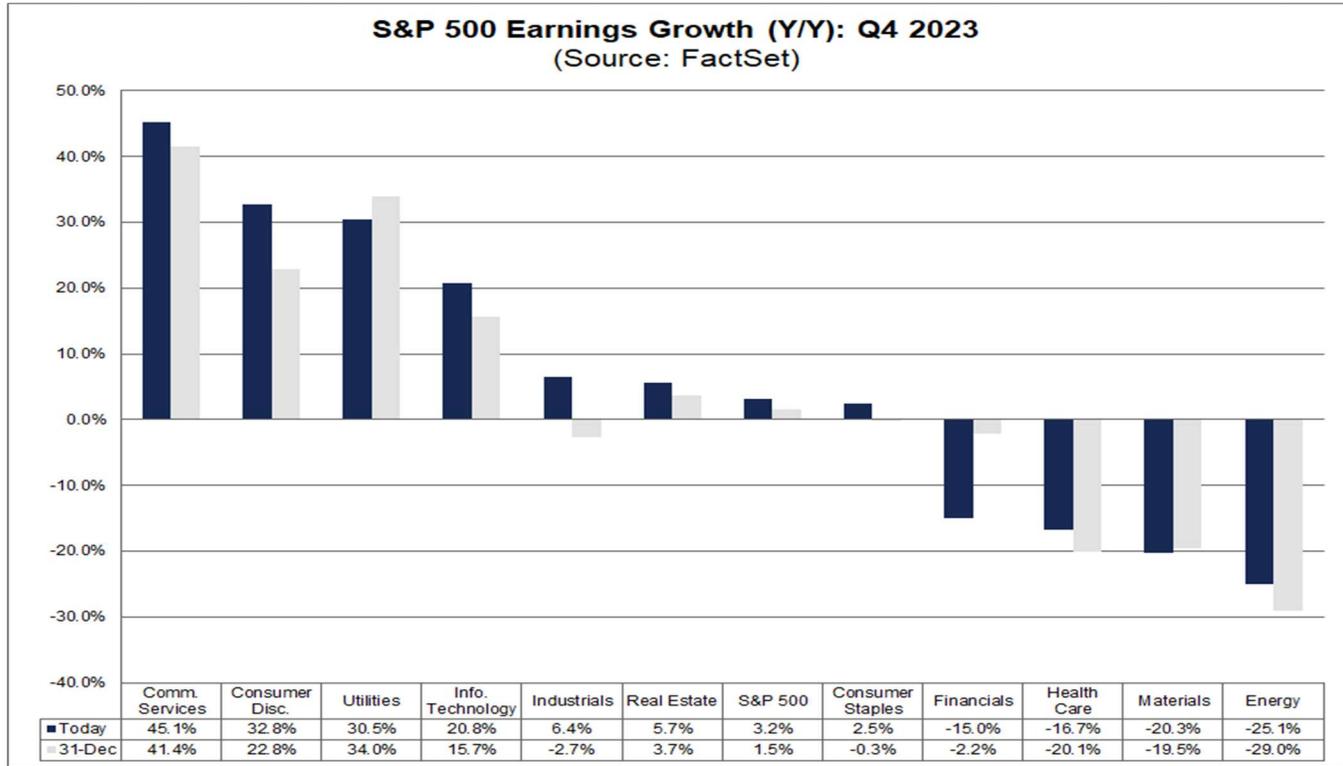
Q4 2023: Surprise



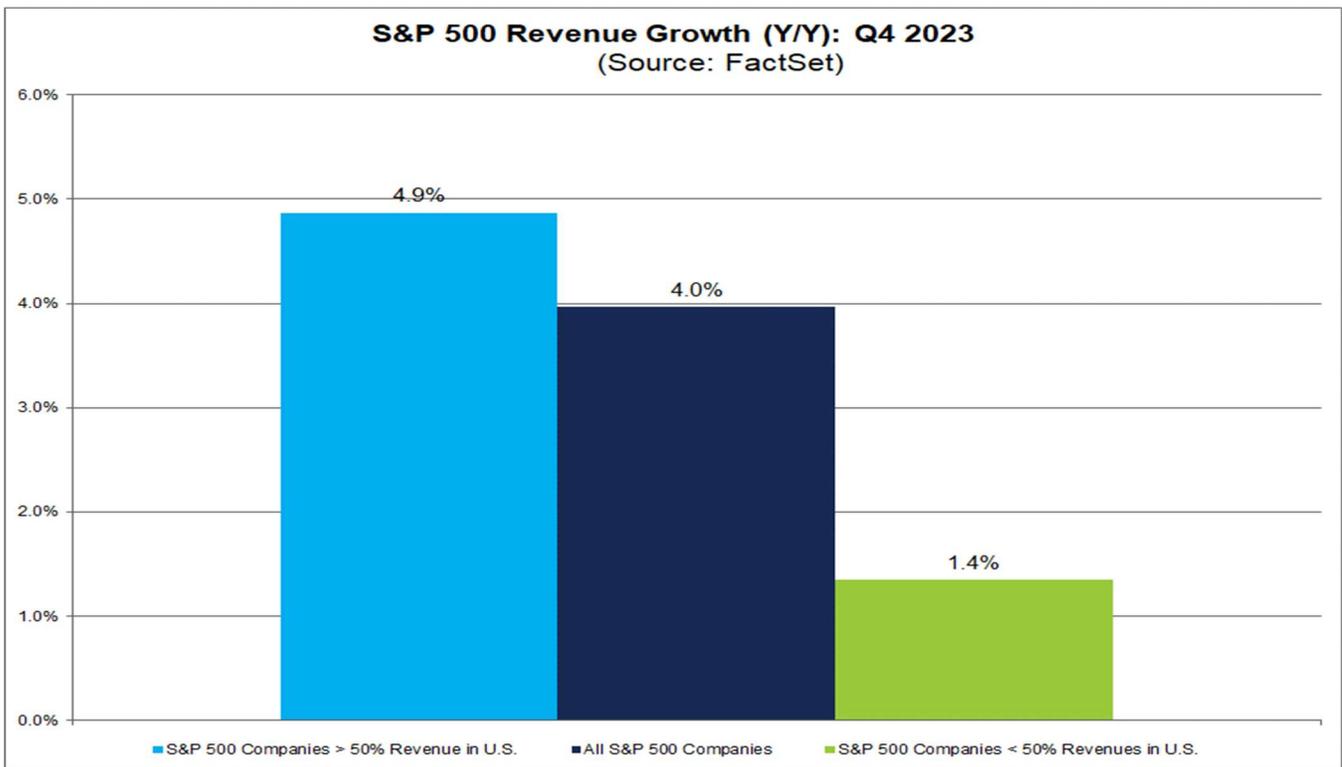
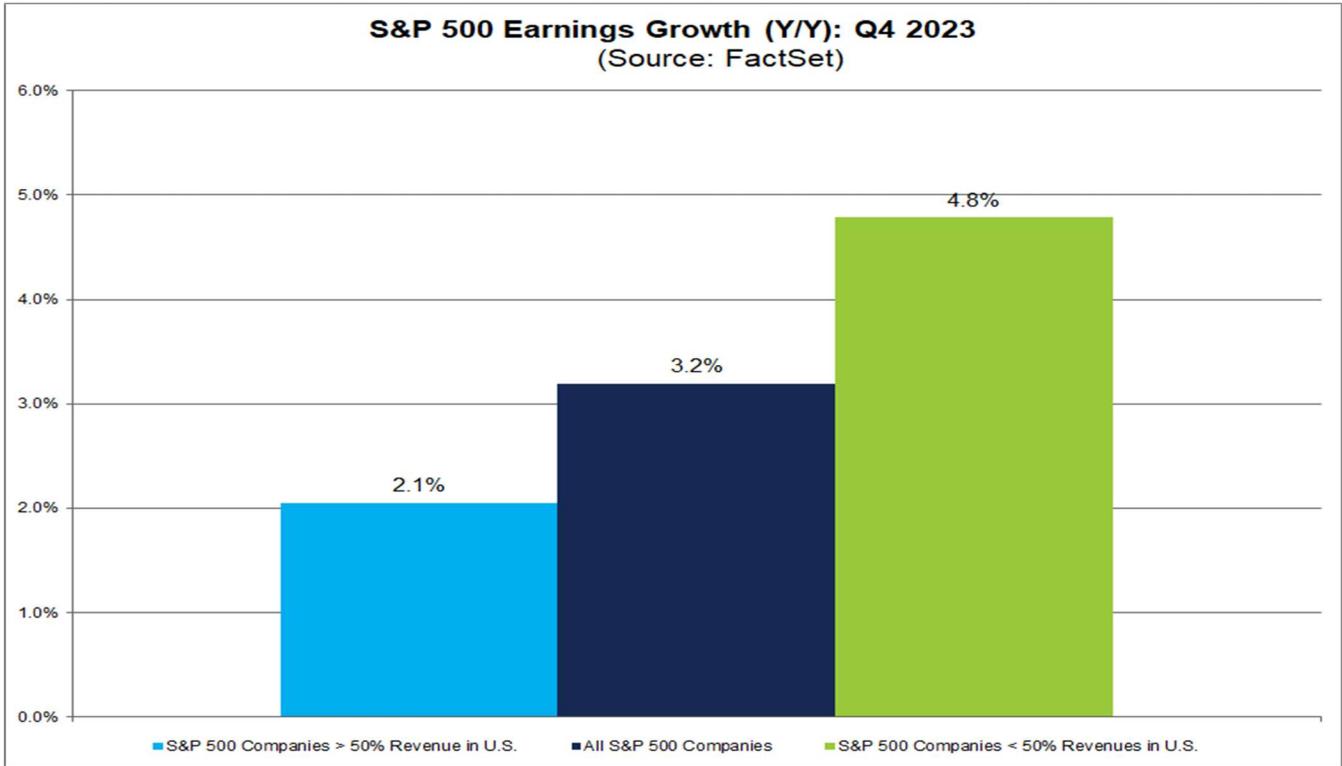
Q4 2023: Surprise



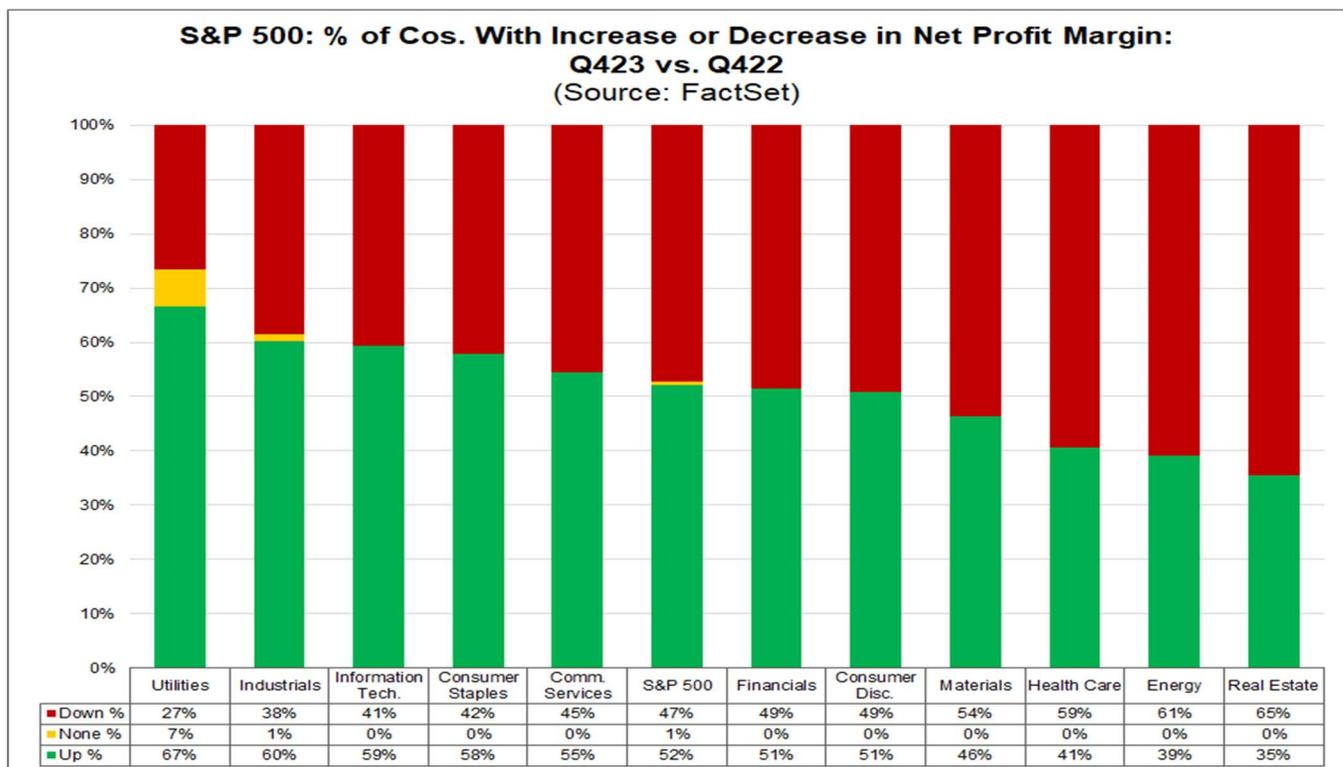
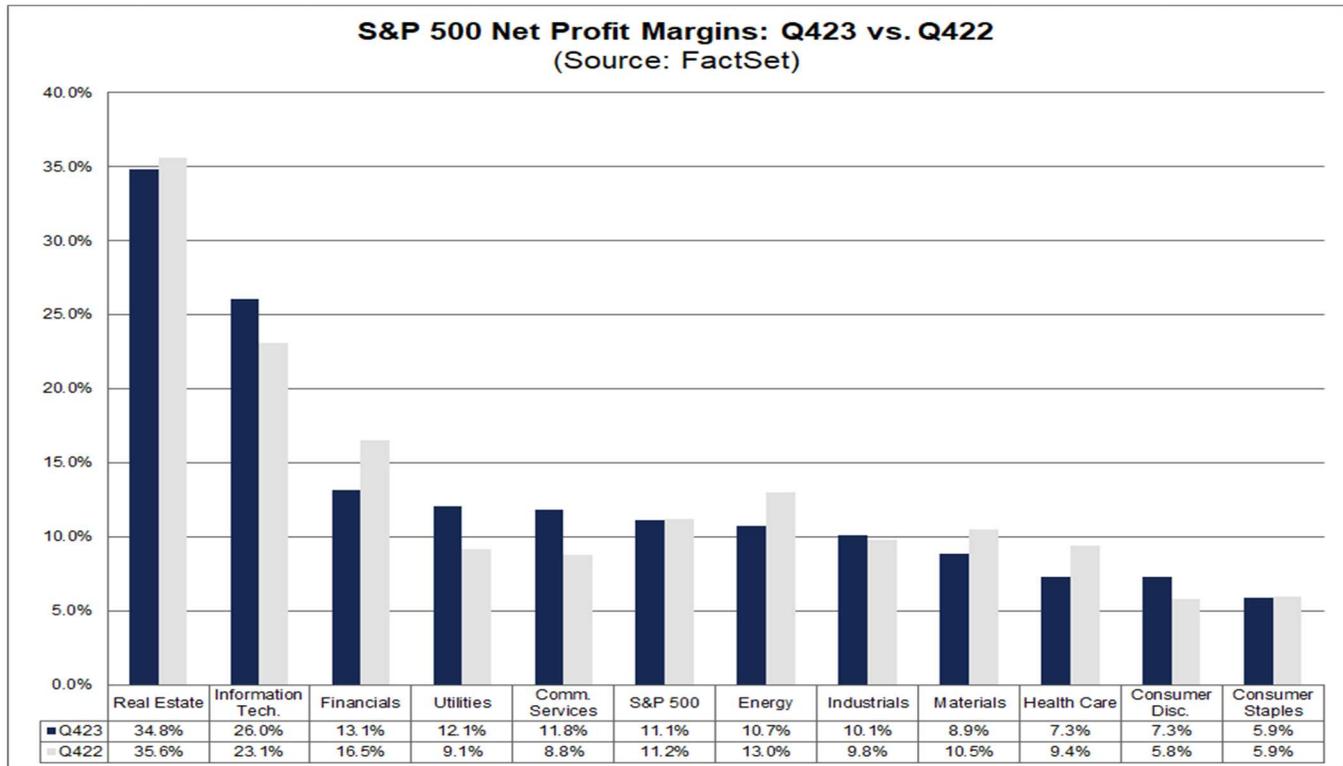
Q4 2023: Growth



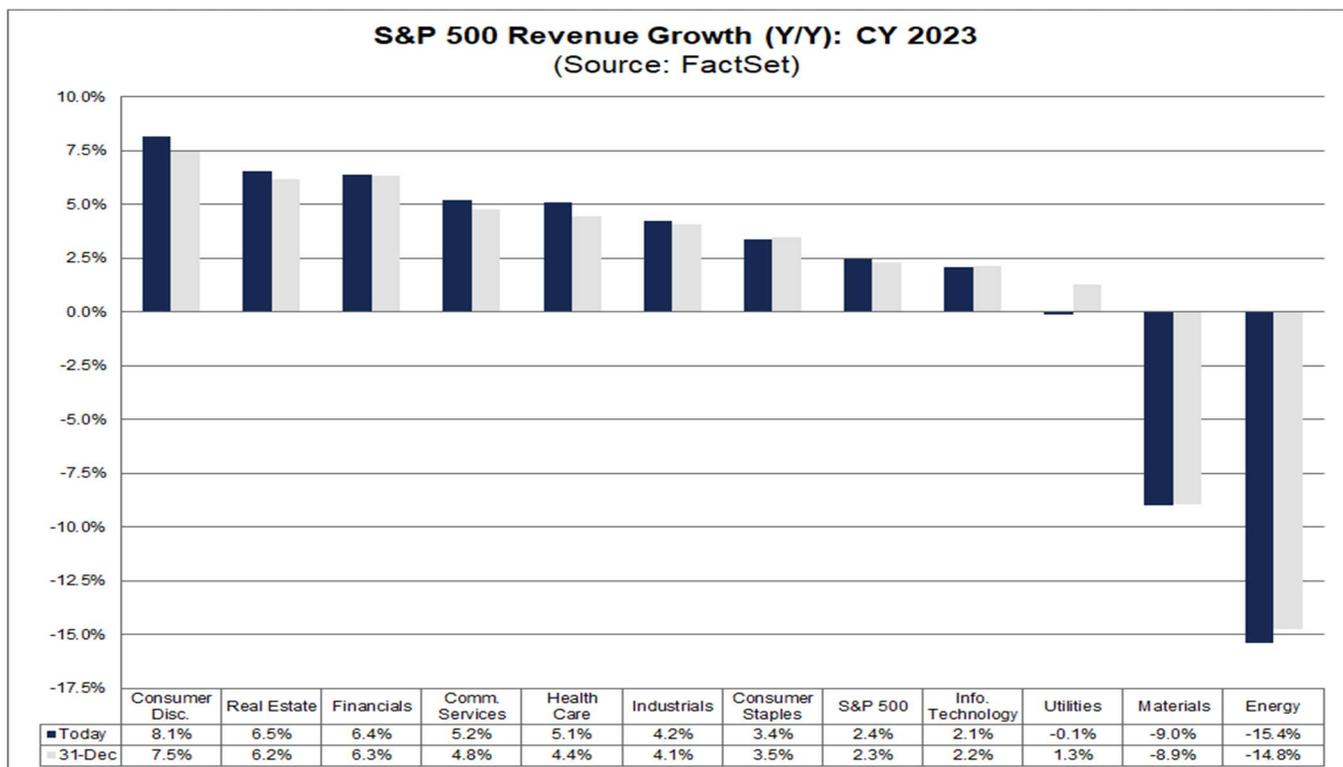
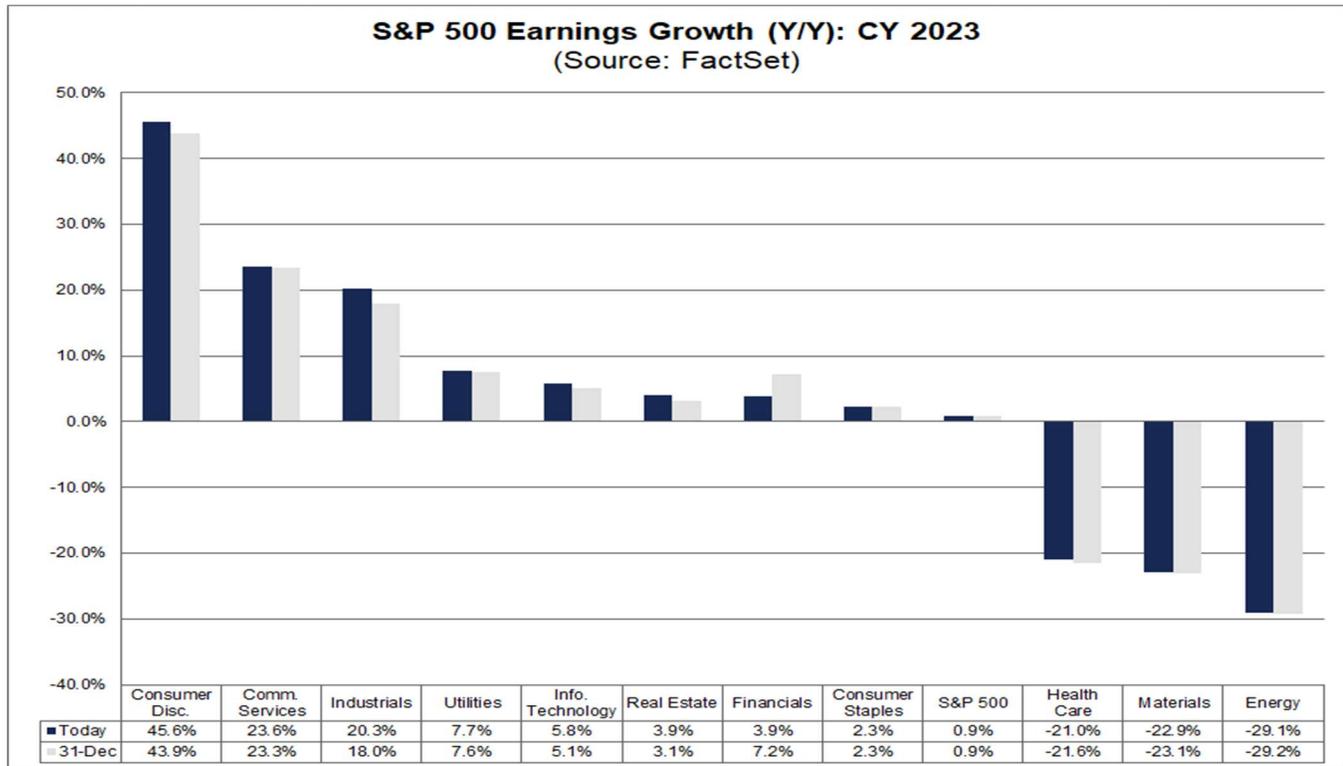
Q4 2023: Growth



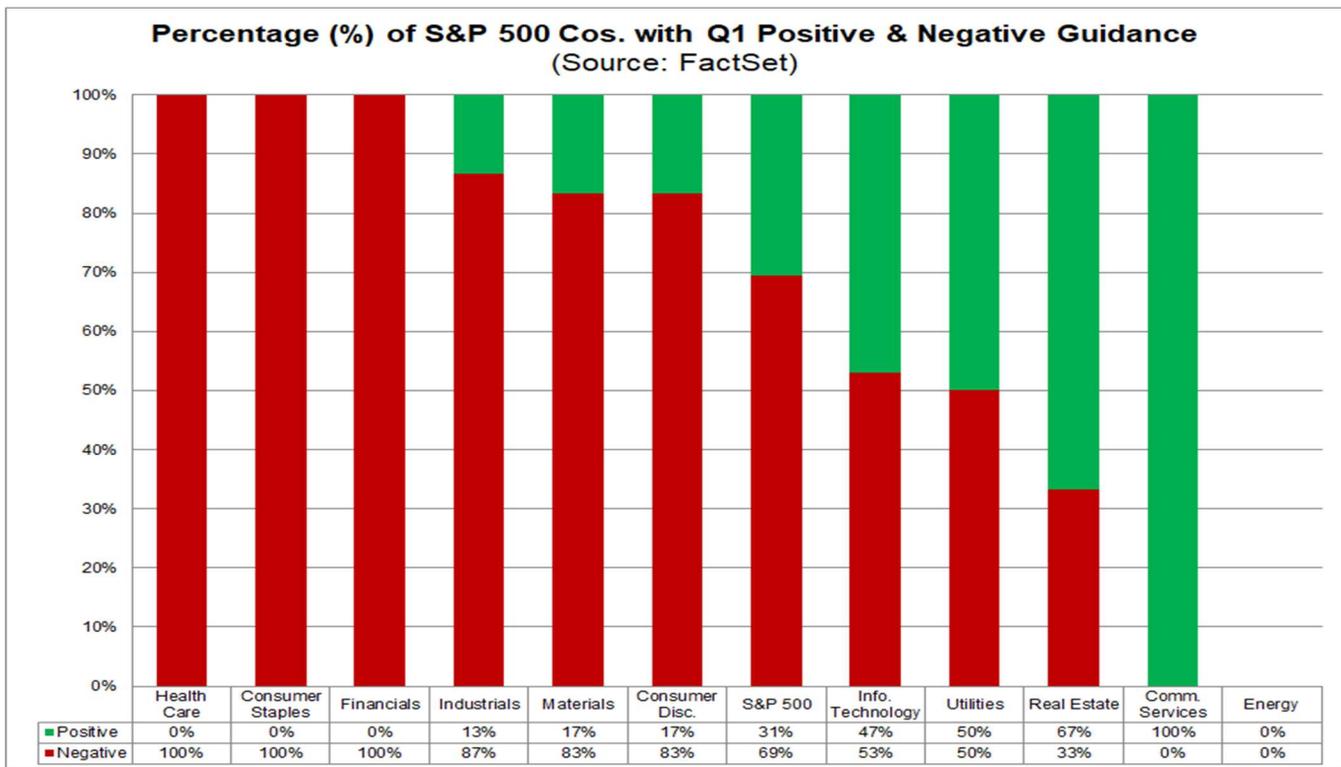
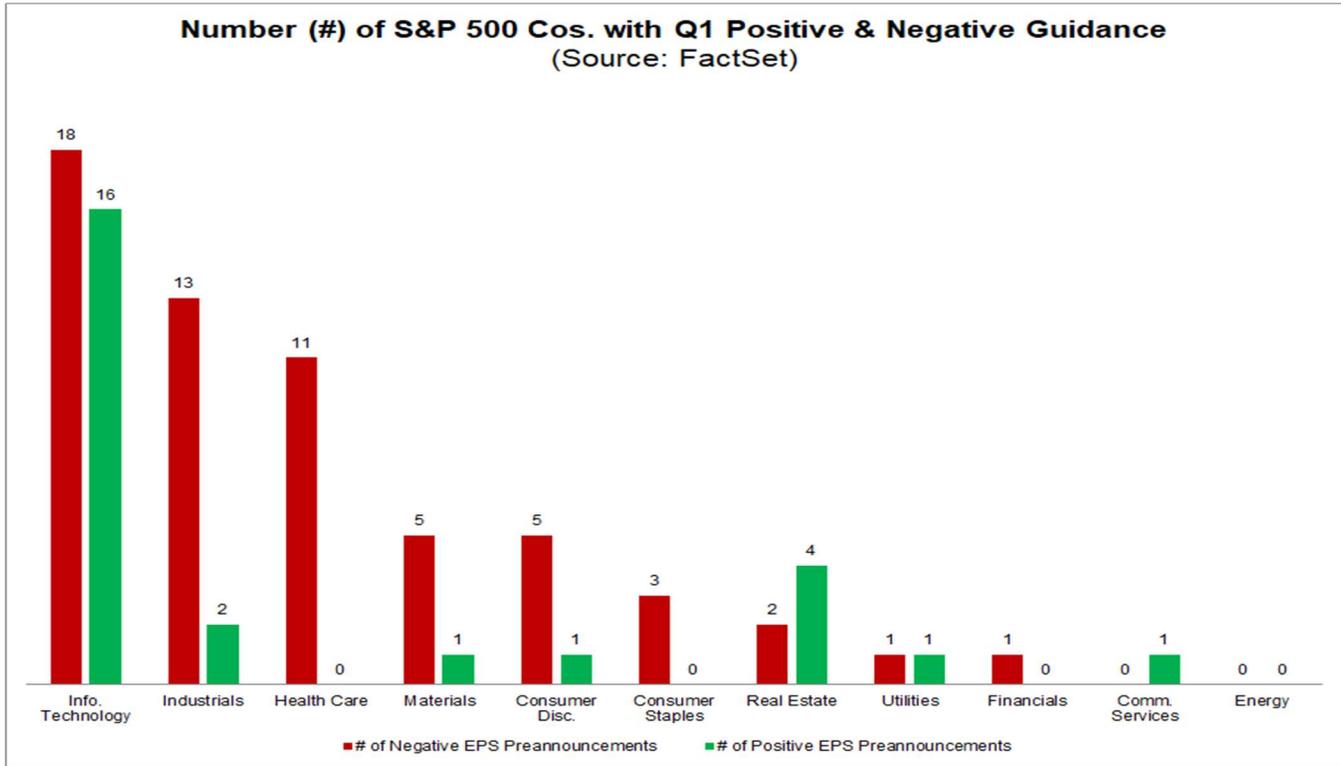
Q4 2023: Net Profit Margin



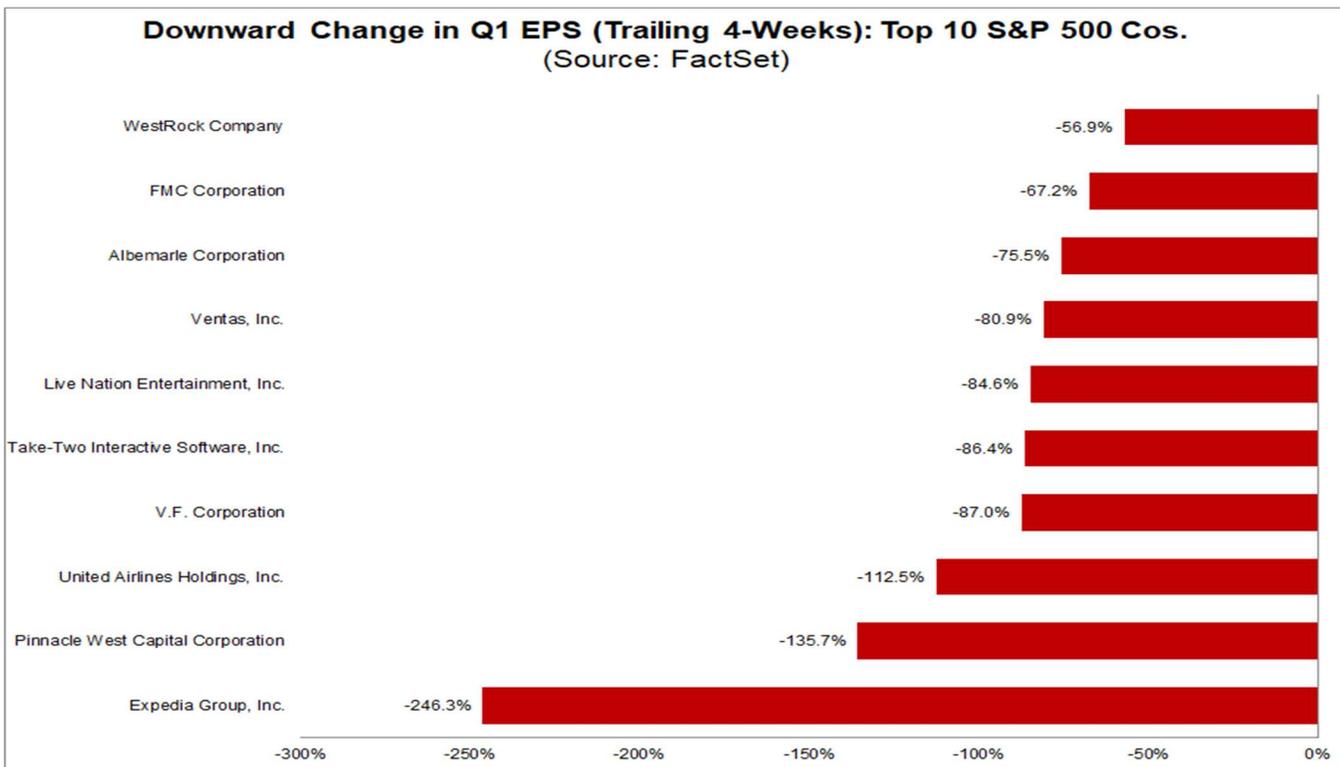
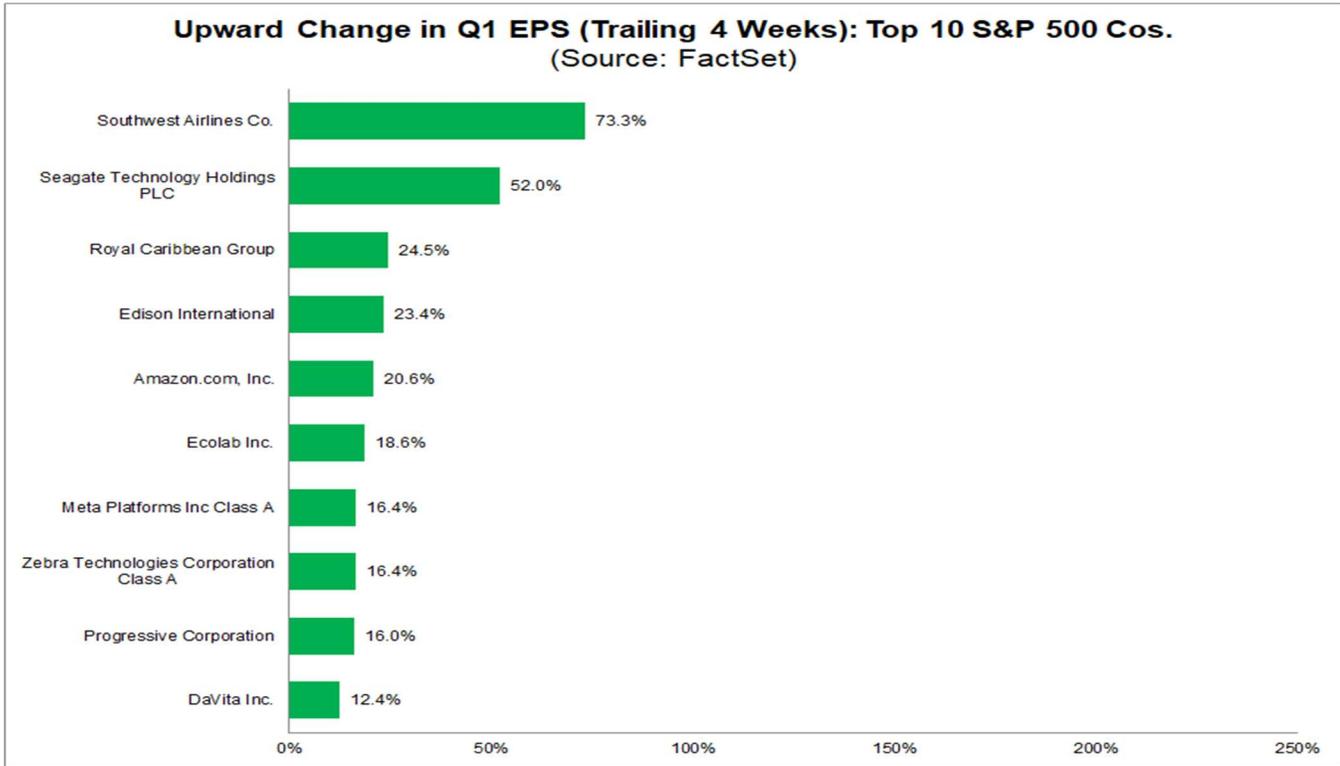
CY 2023: Growth



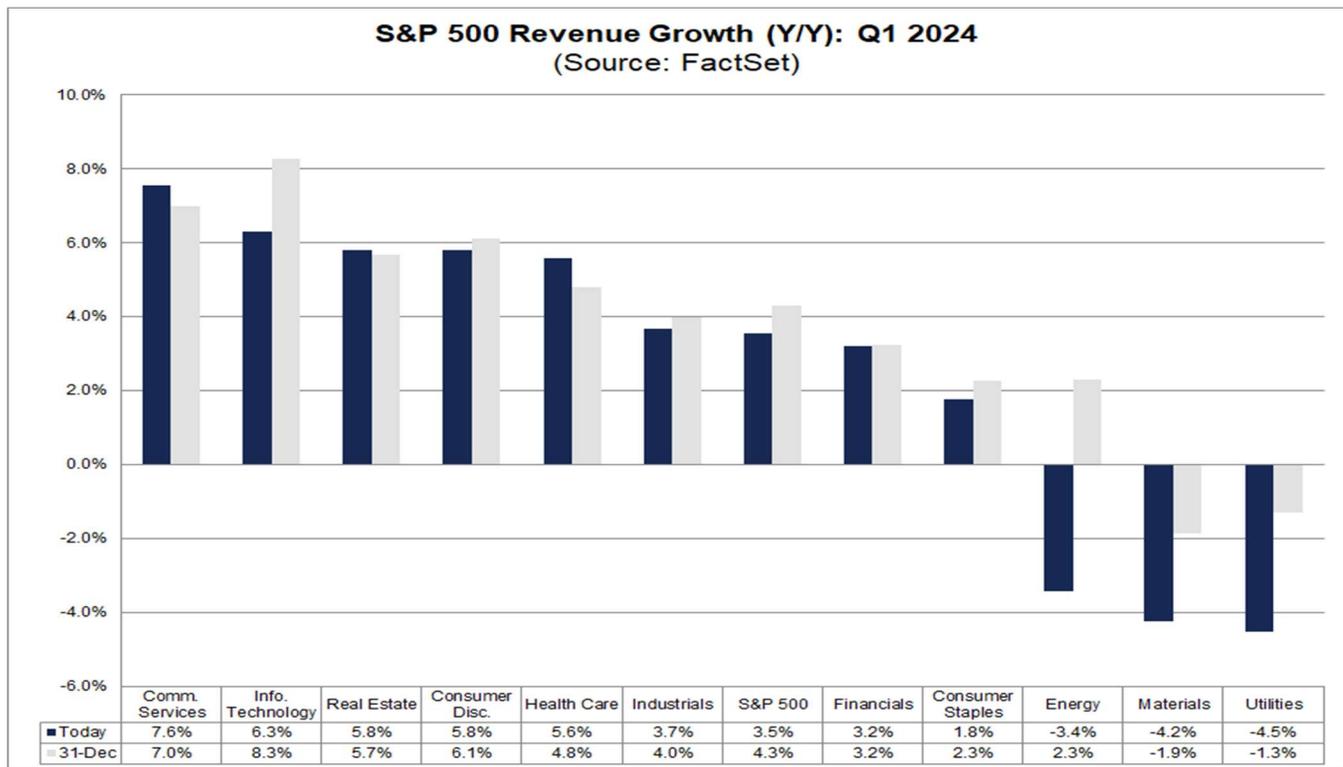
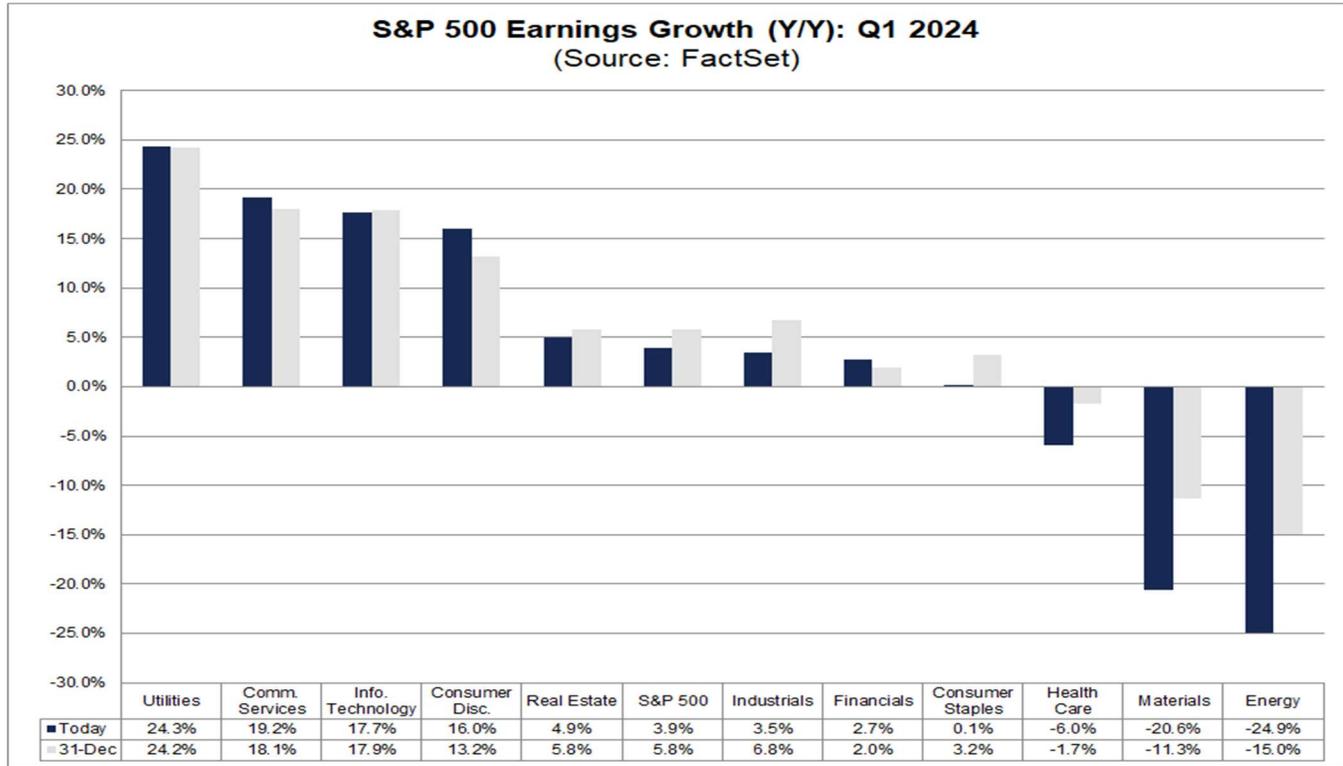
Q1 2024: Guidance



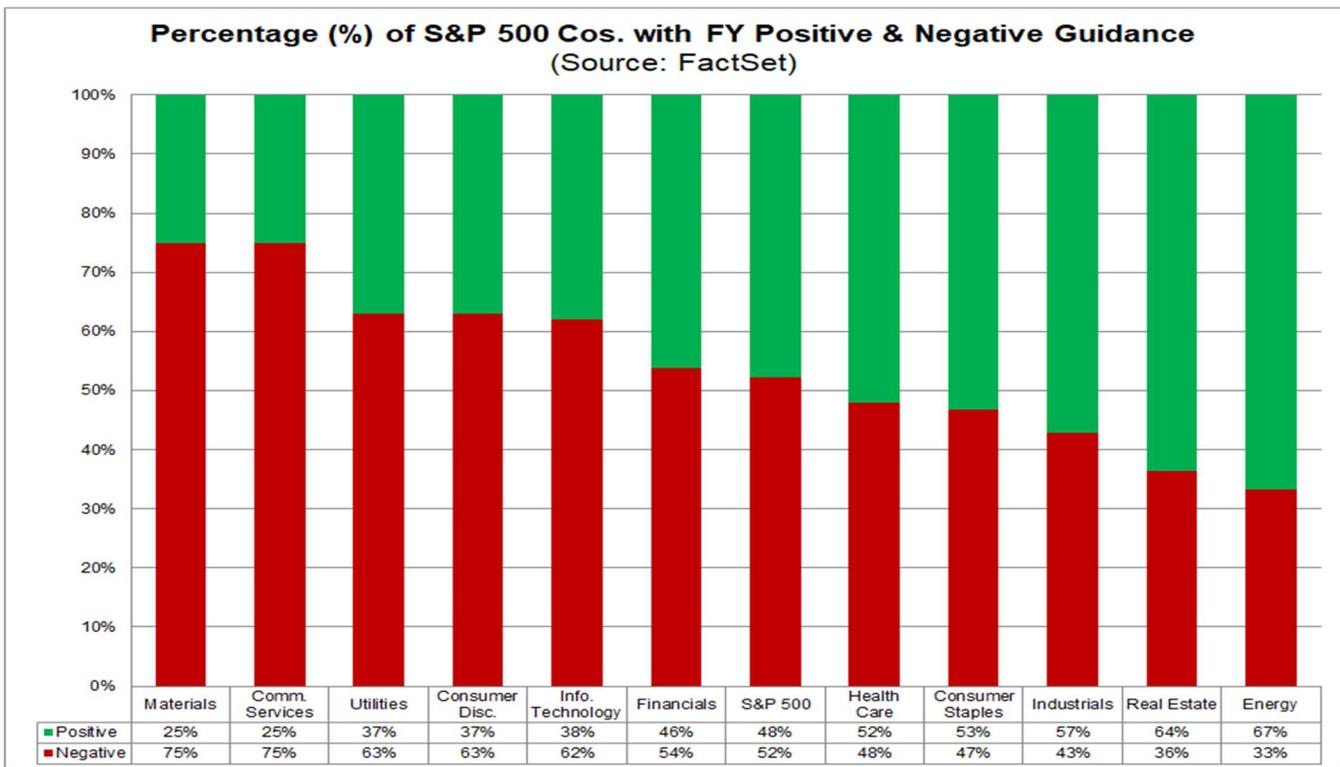
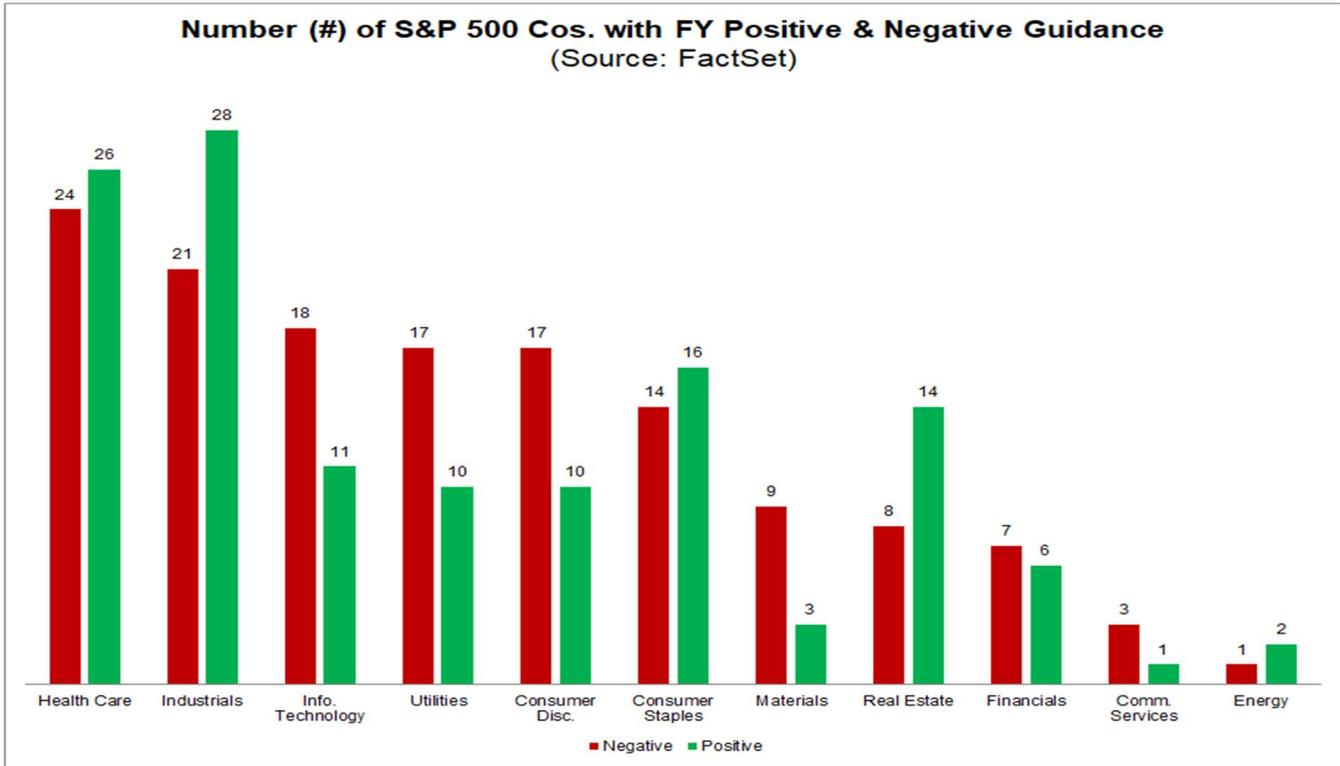
Q1 2024: EPS Revisions



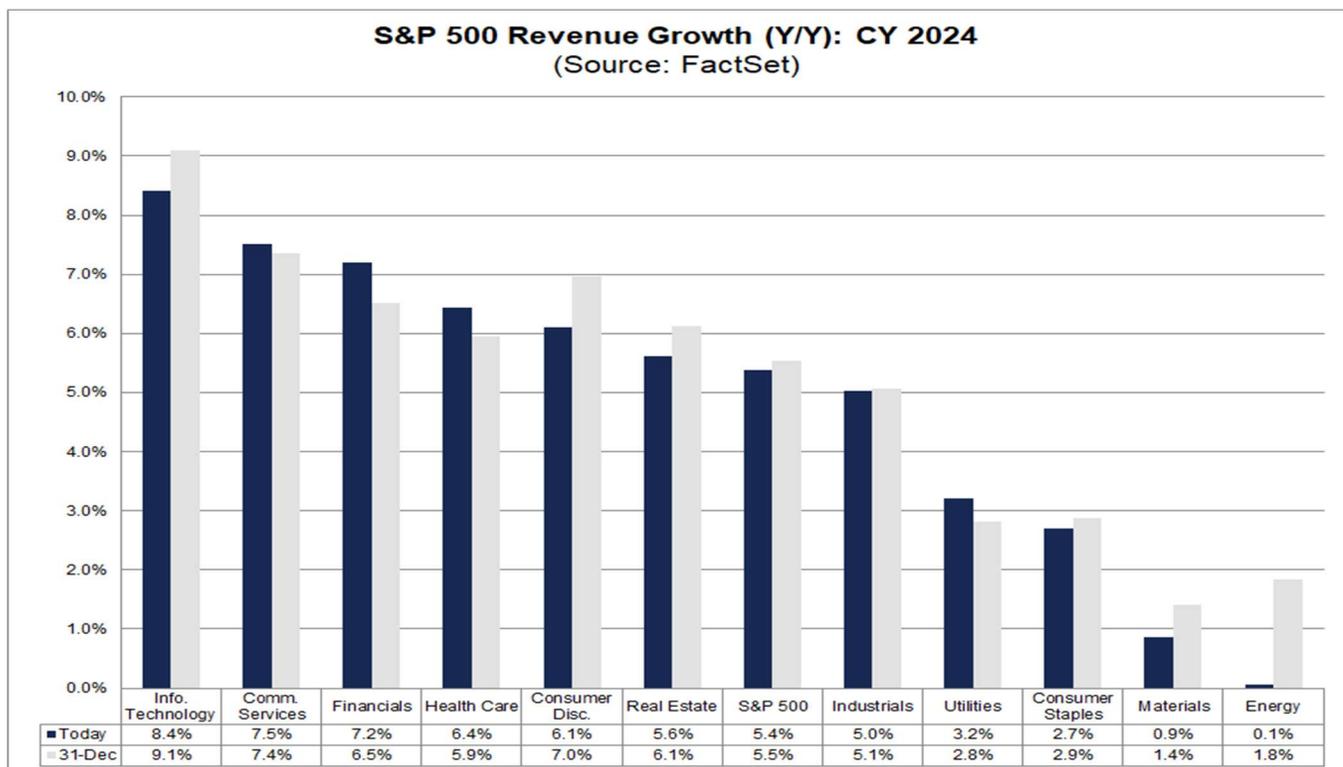
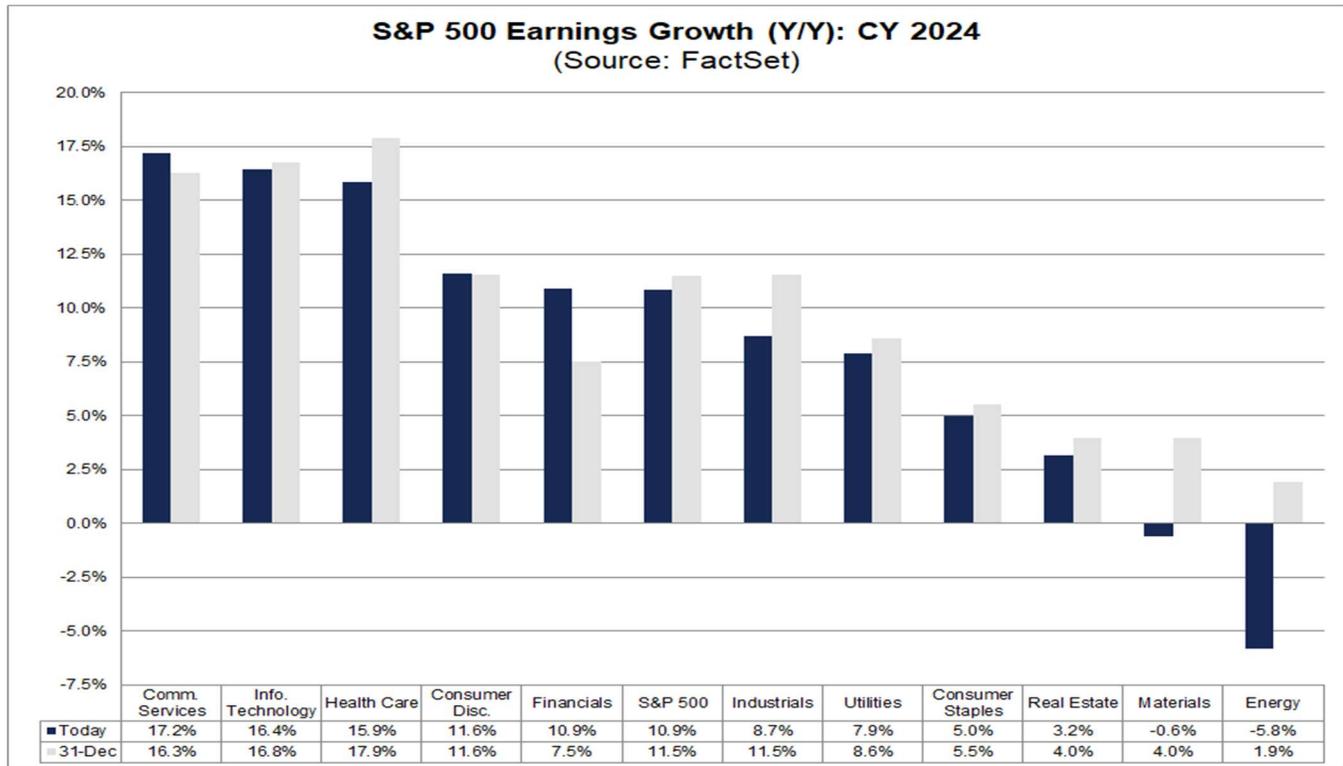
Q1 2024: Growth



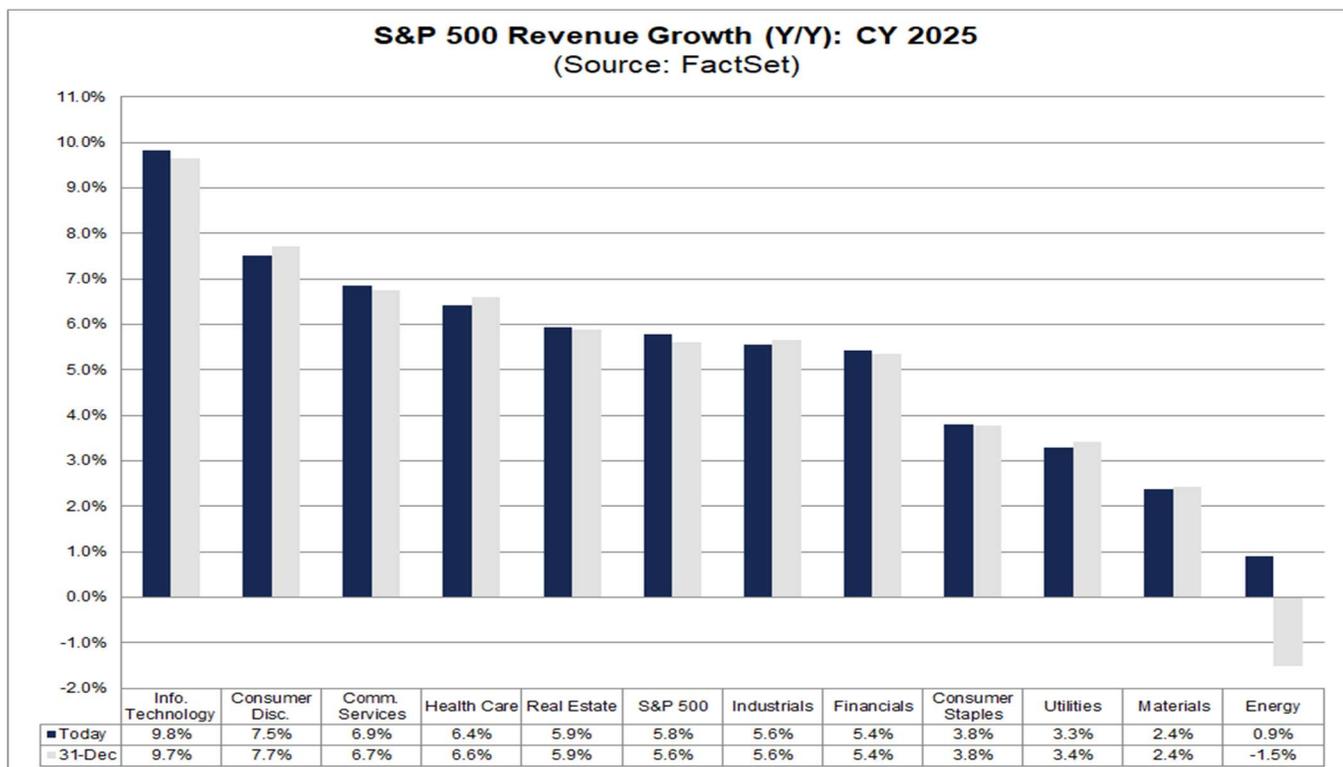
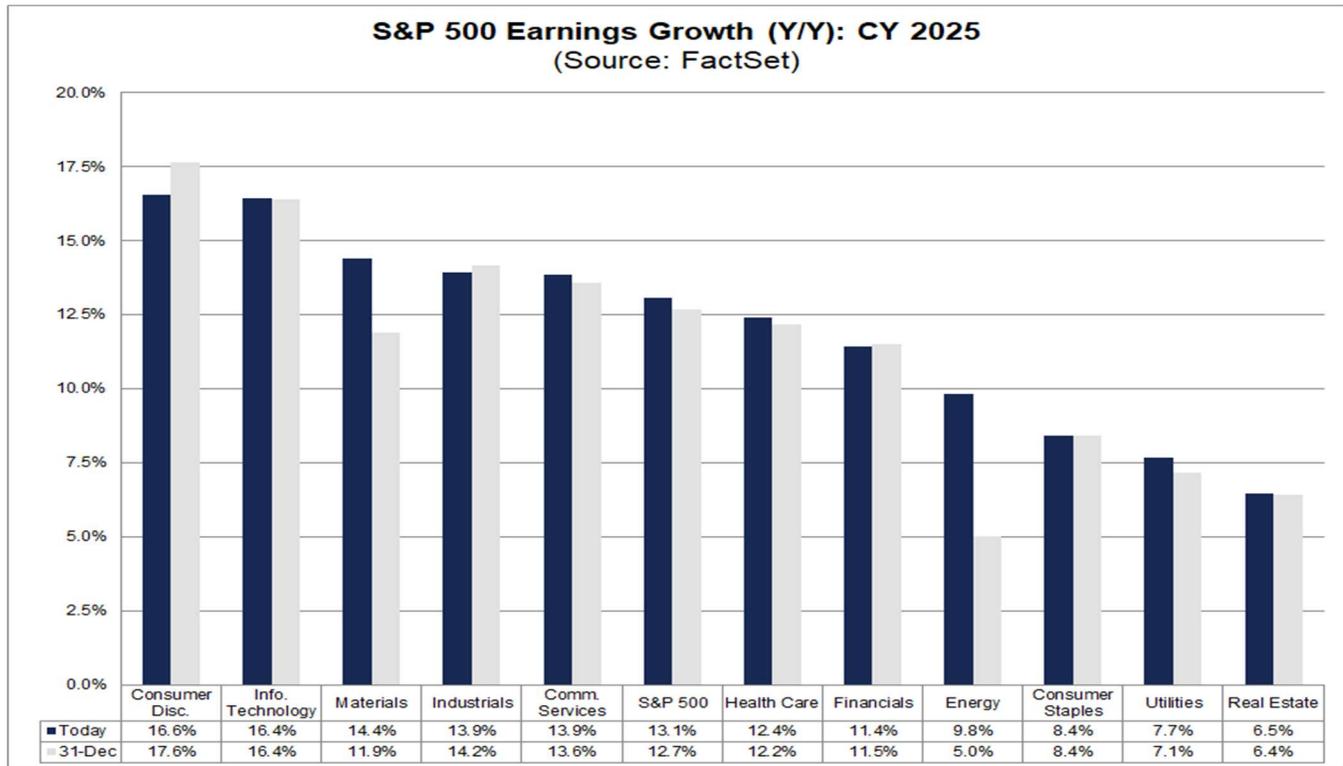
FY 2023 / 2024: EPS Guidance



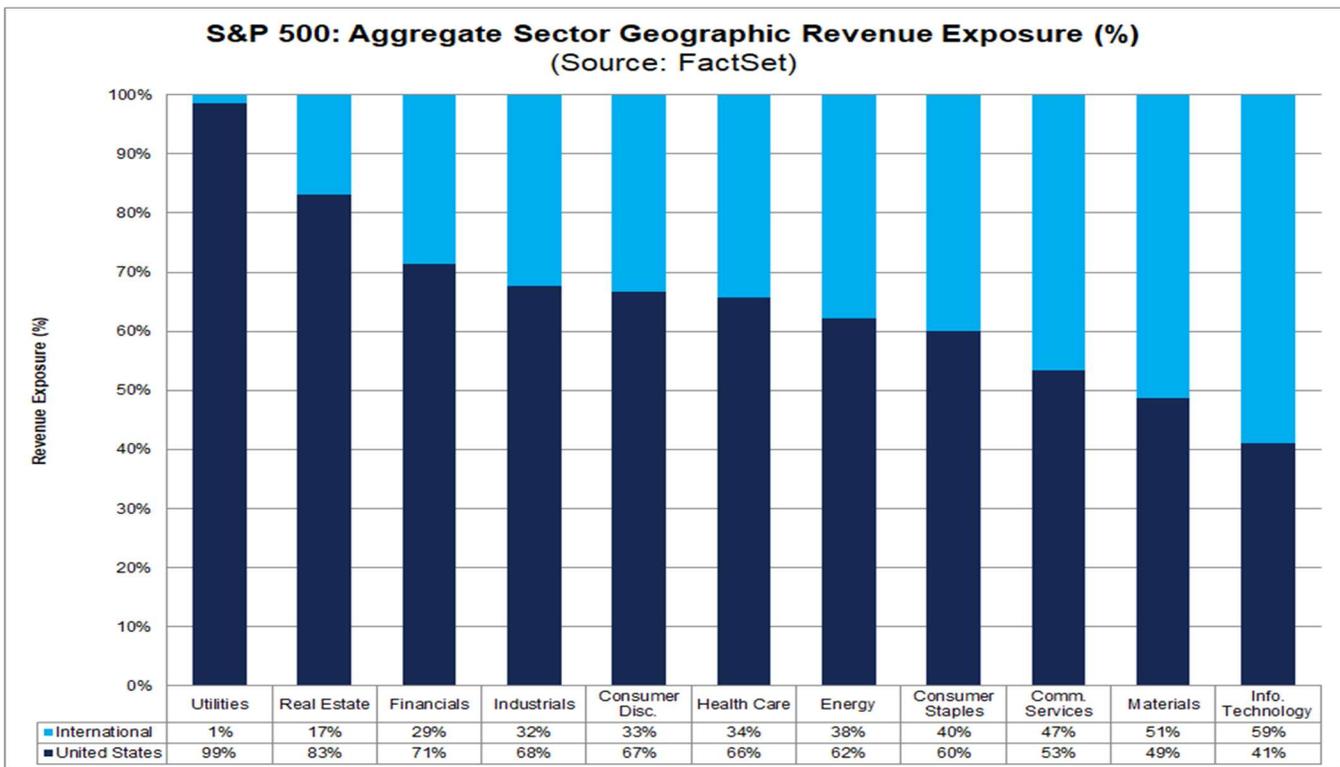
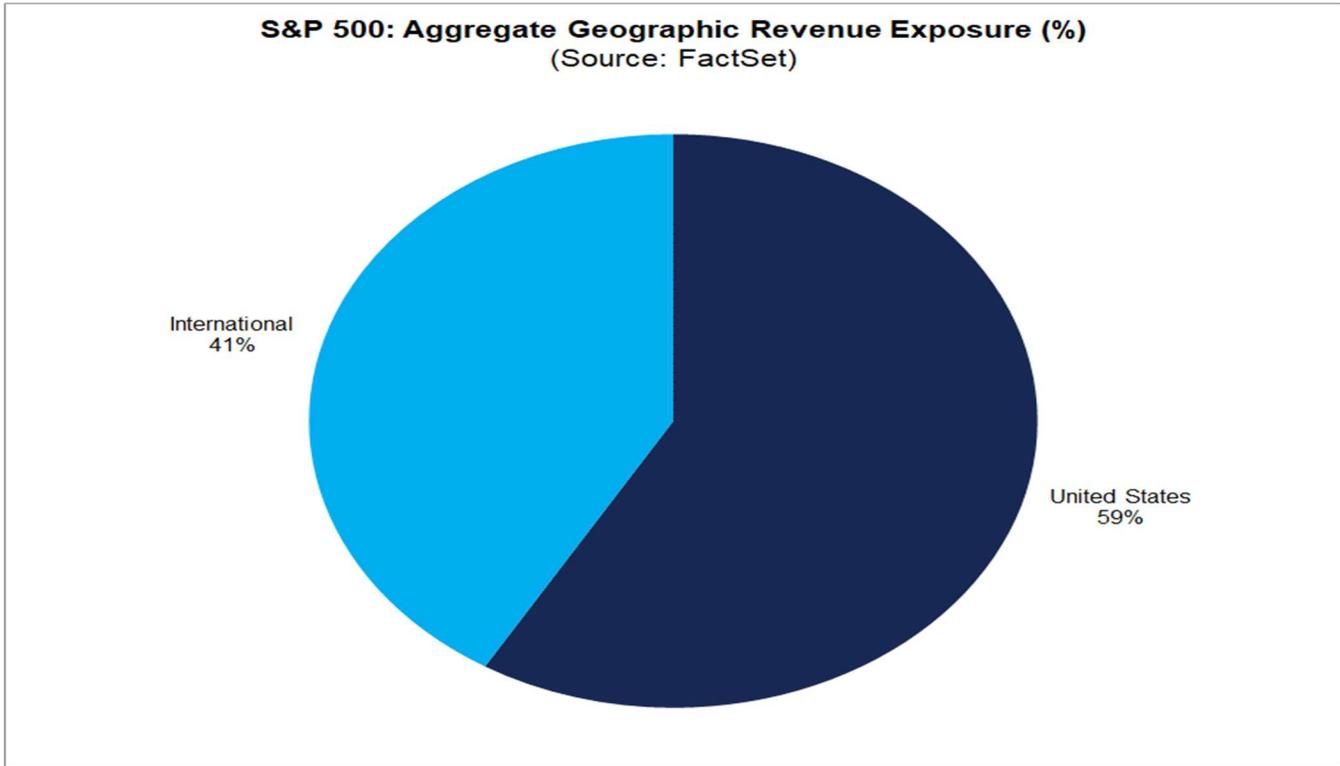
CY 2024: Growth



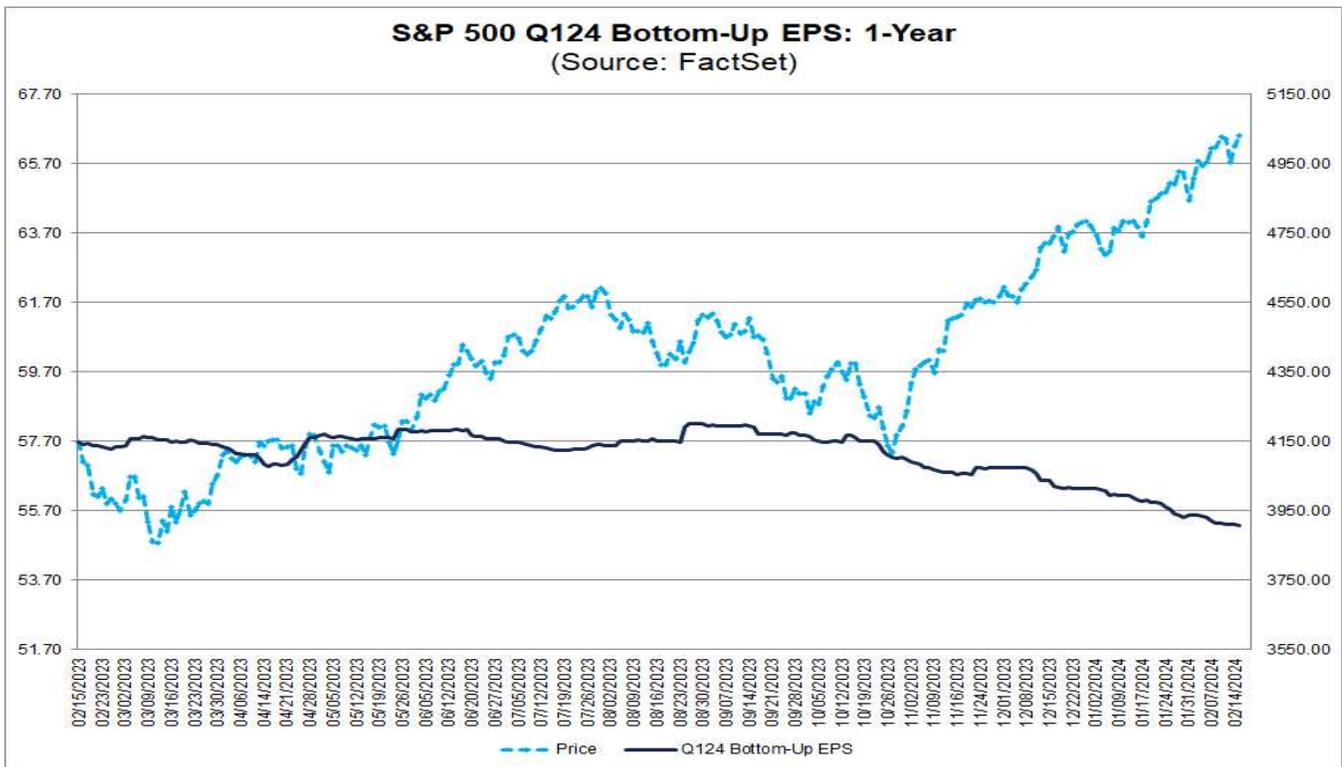
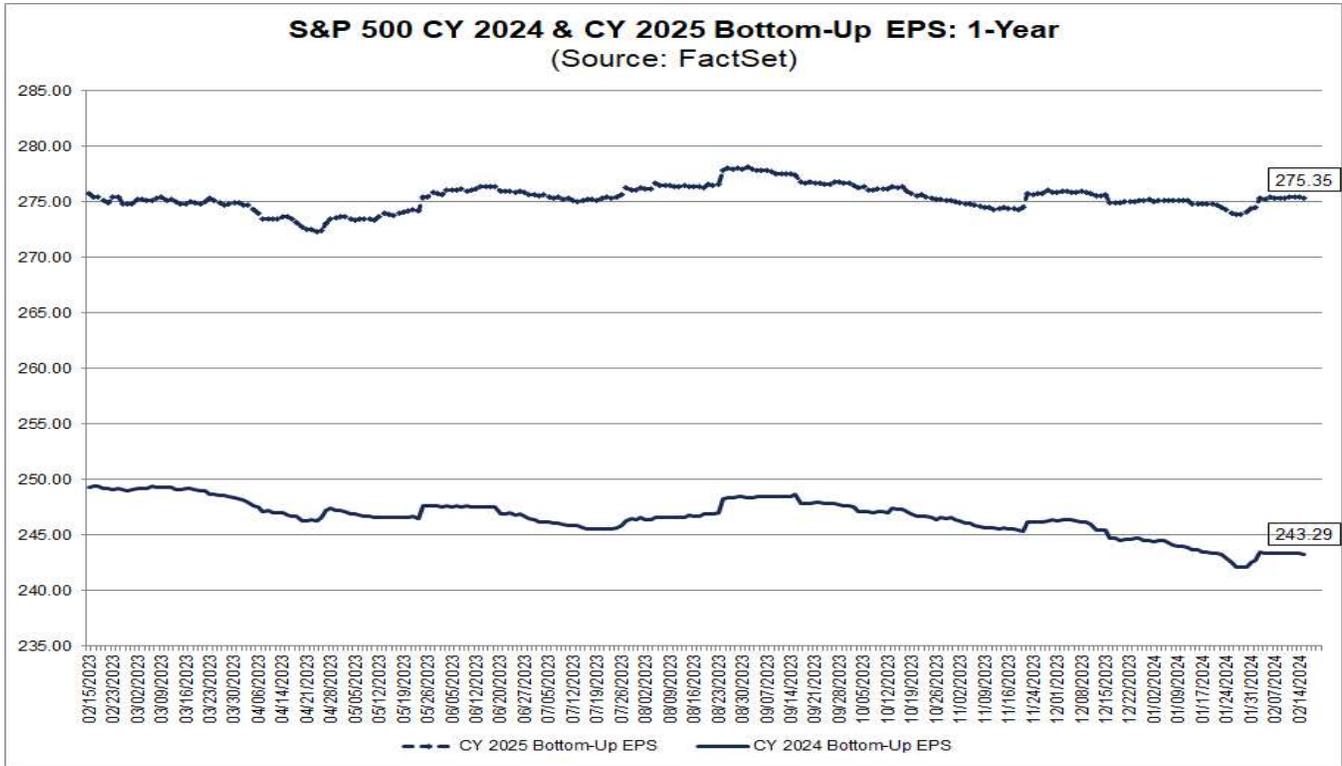
CY 2025: Growth



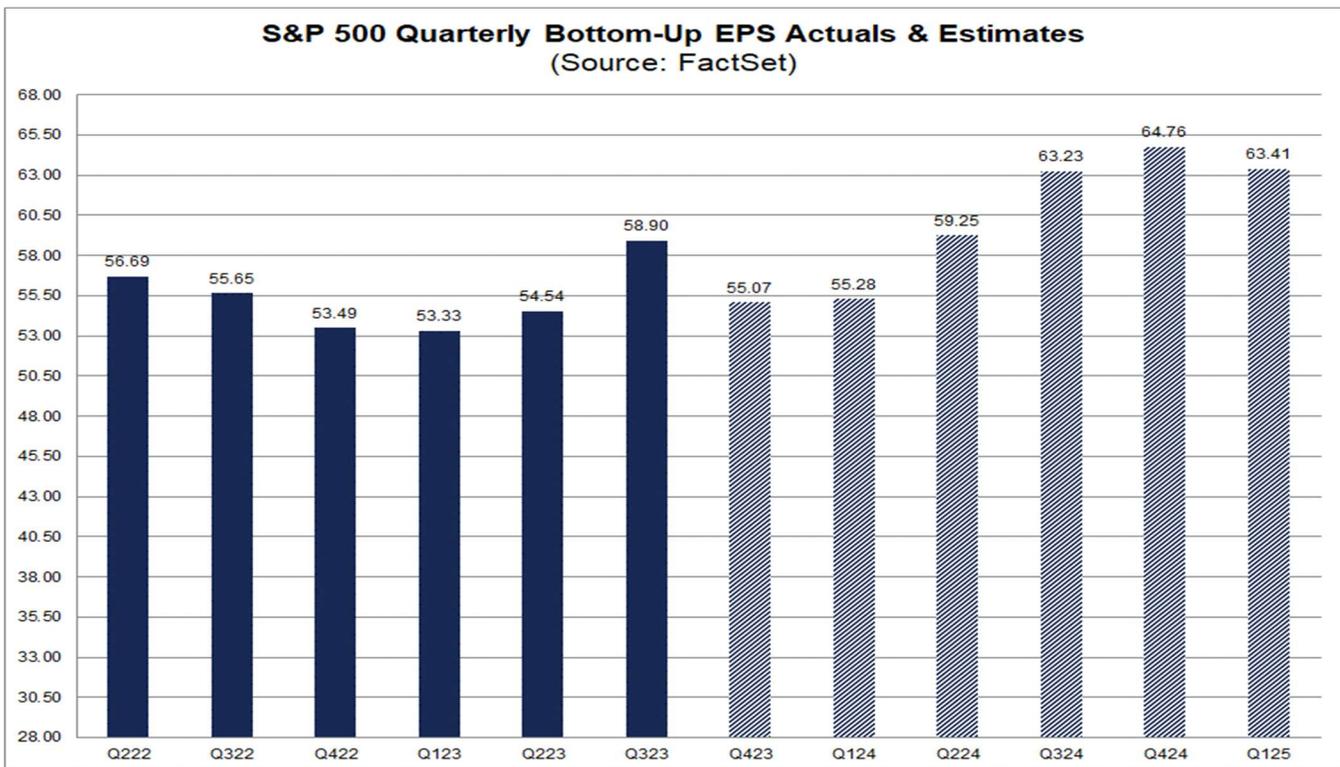
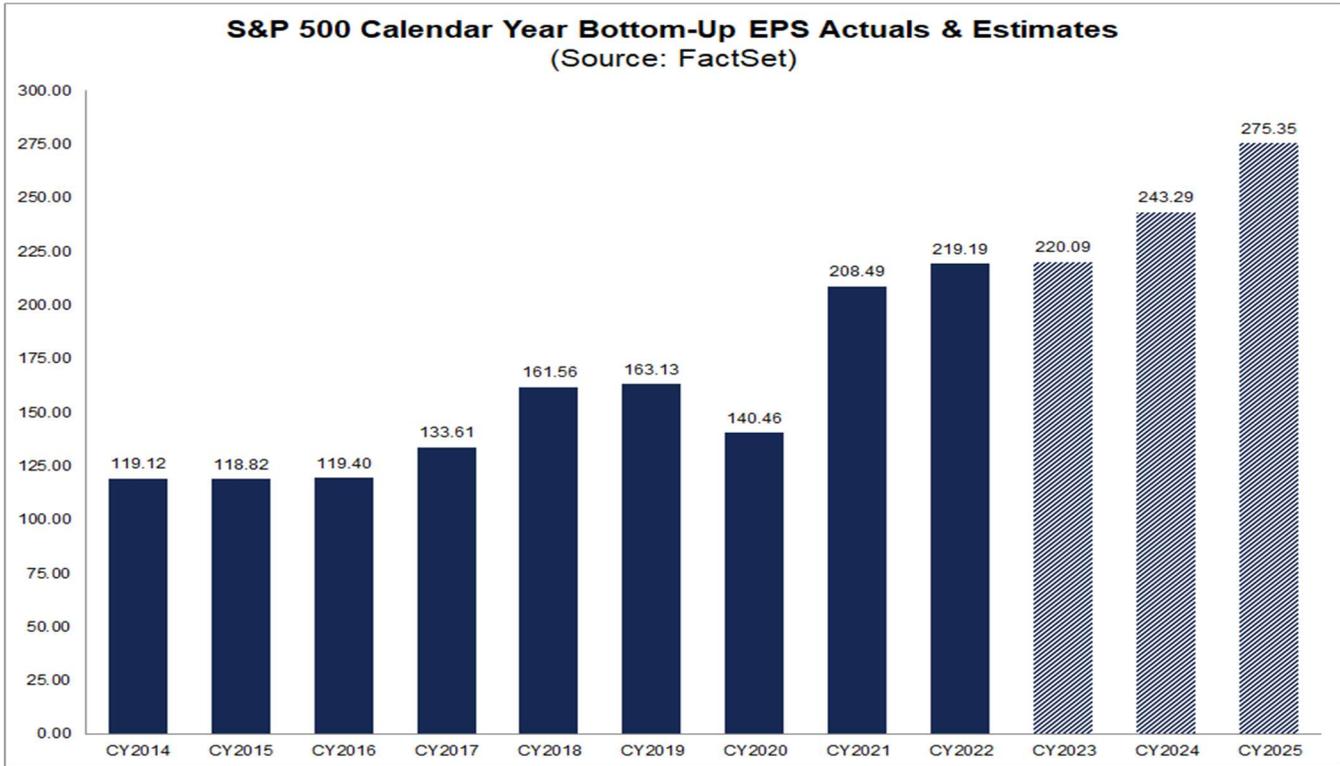
Geographic Revenue Exposure



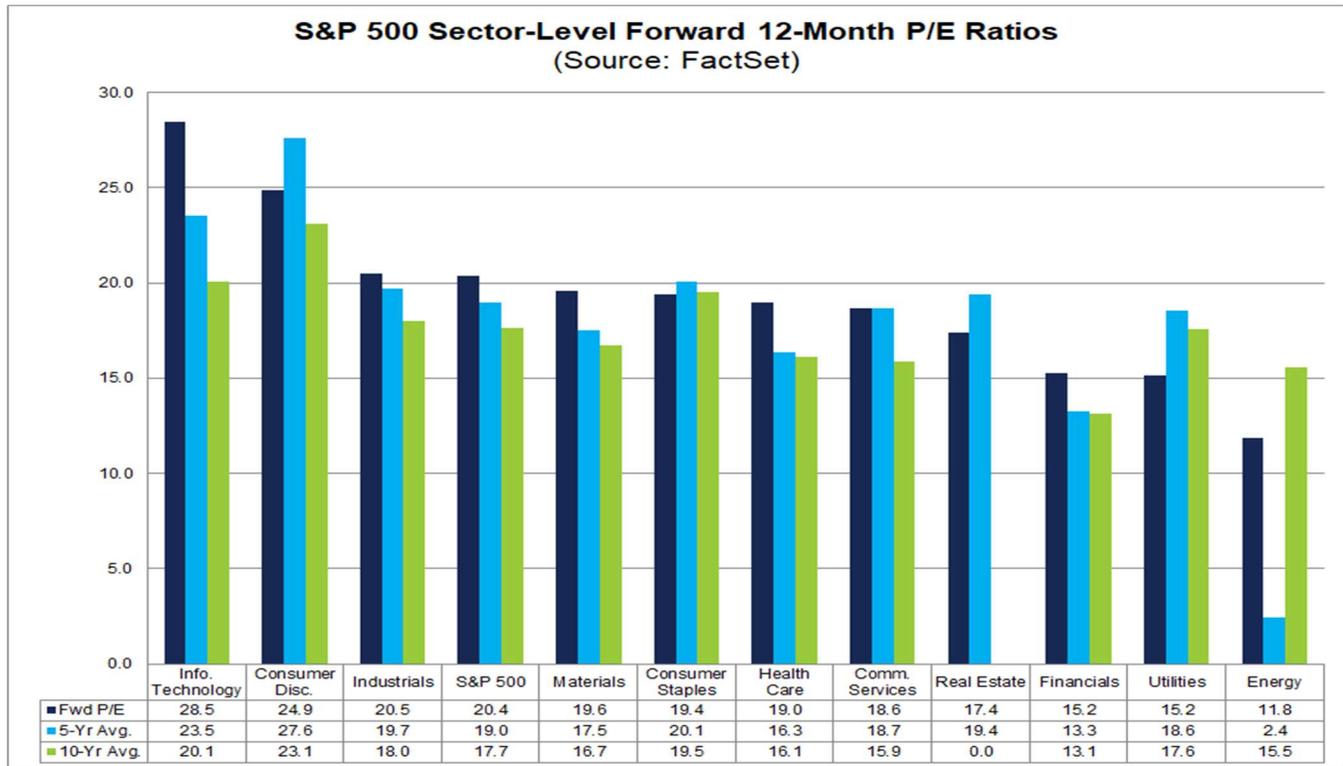
Bottom-Up EPS Estimates



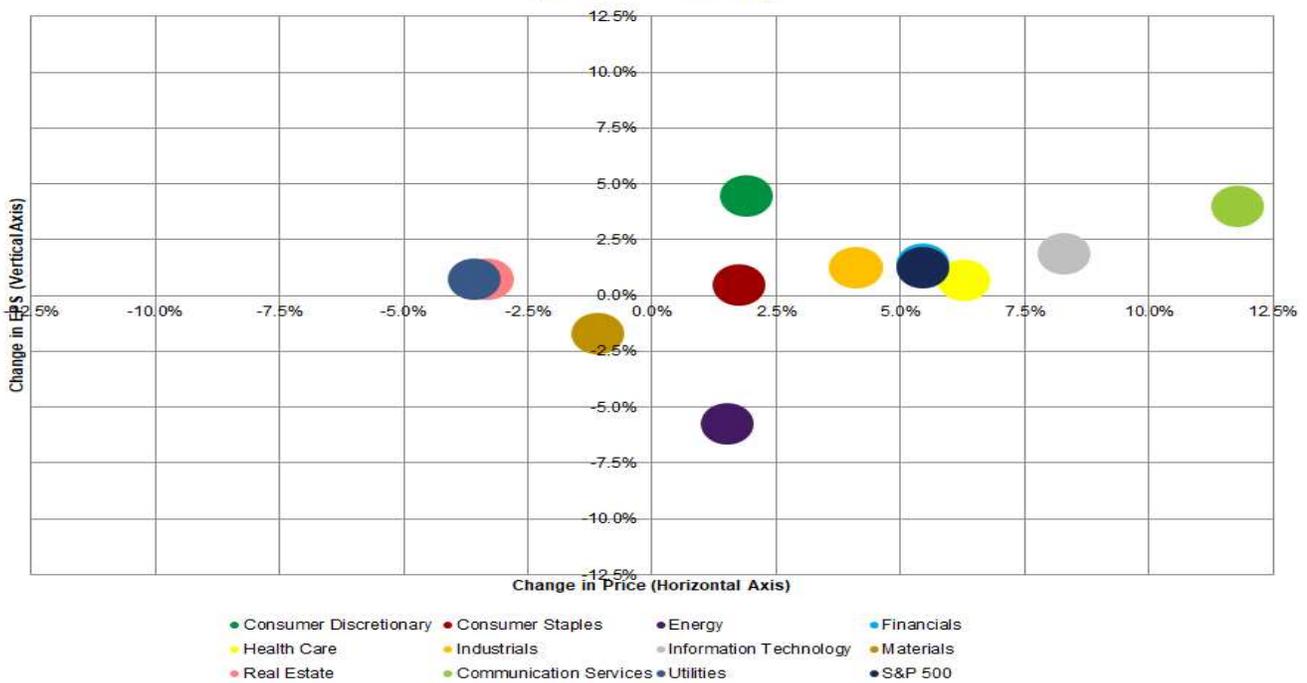
Bottom-Up EPS Estimates: Current & Historical



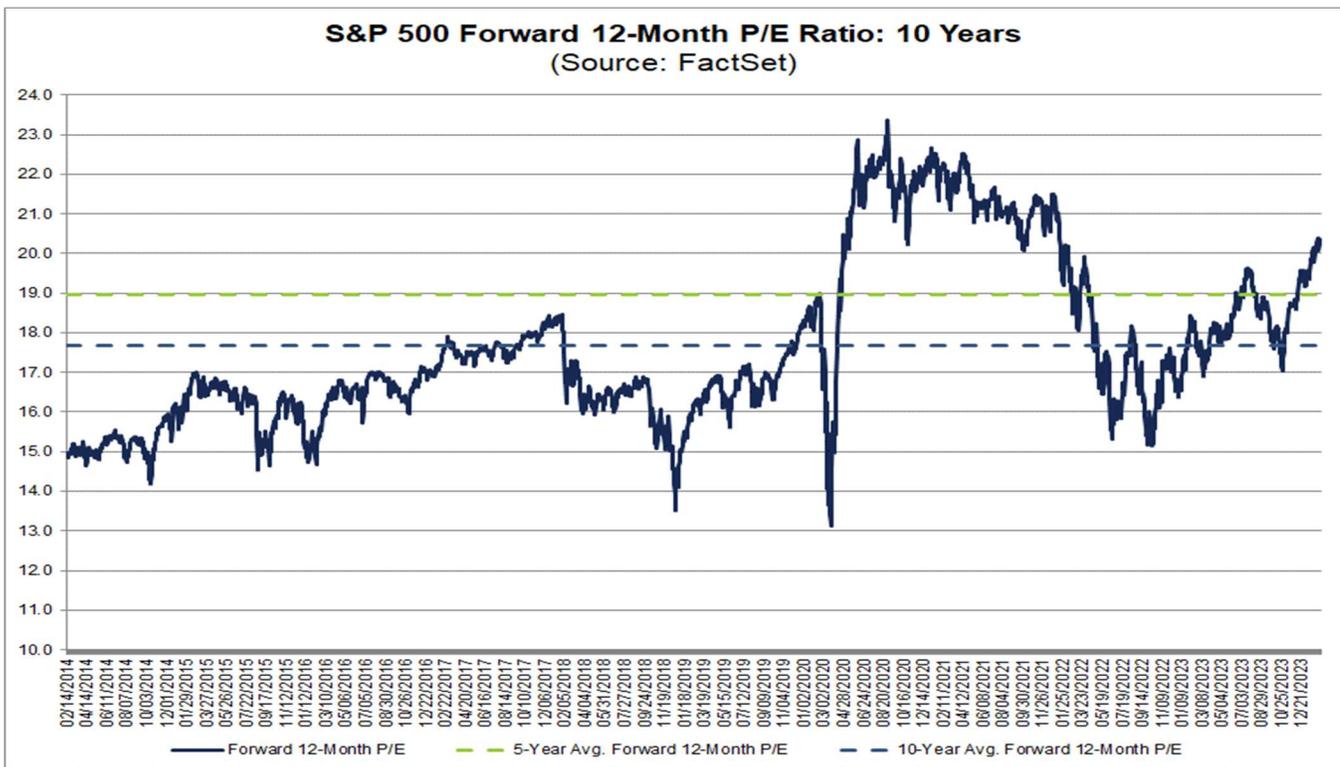
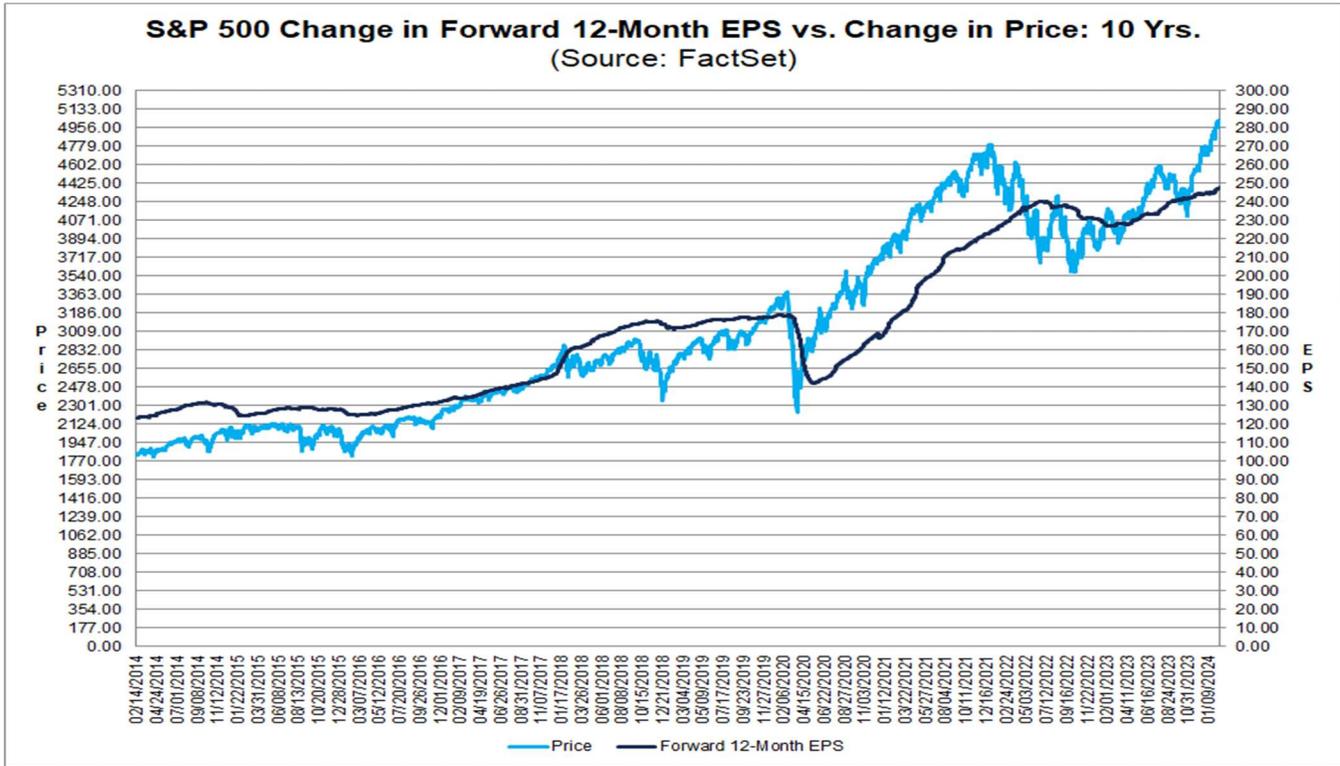
Forward 12M P/E Ratio: Sector Level



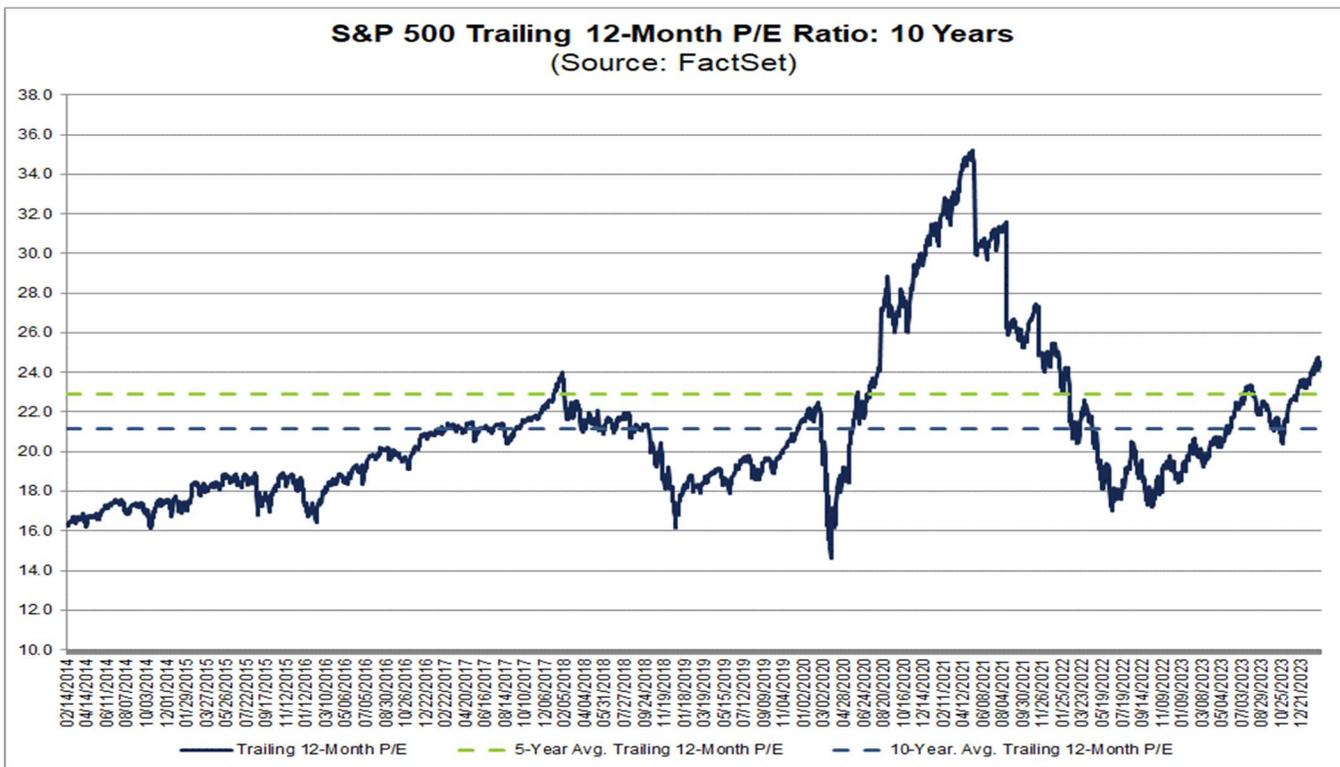
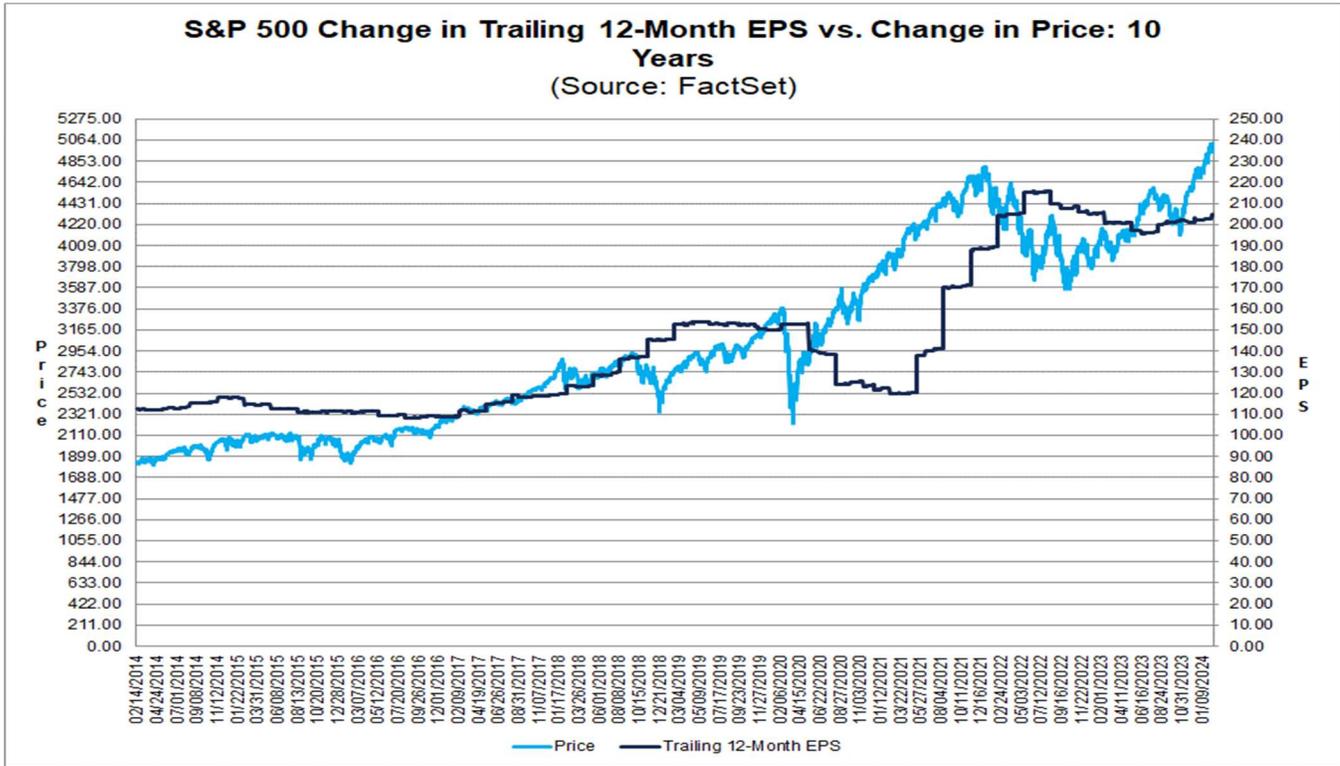
### Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Dec. 31 (Source: FactSet)



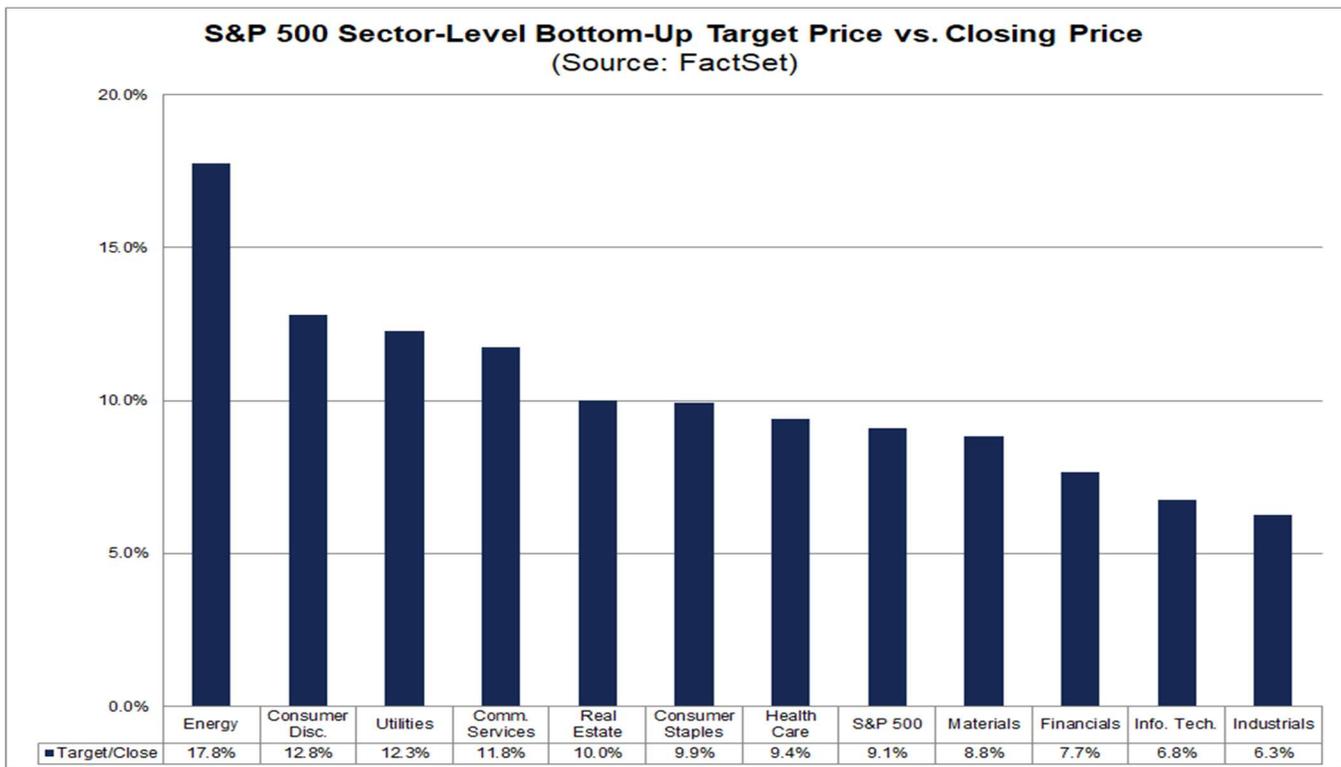
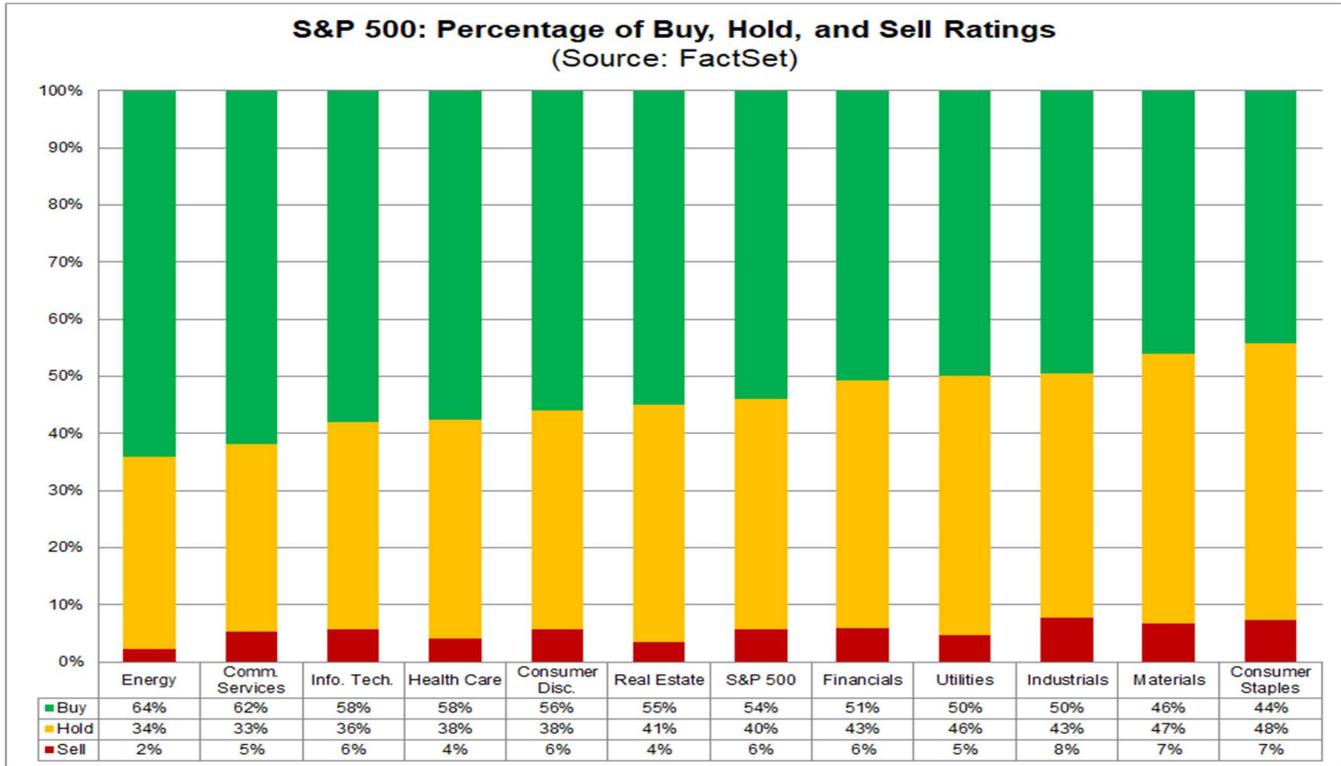
Forward 12M P/E Ratio: 10-Years



Trailing 12M P/E Ratio: 10-Years



Targets & Ratings



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