John Butters
VP, Senior Earnings Analyst
jbutters@factset.com

Media Questions/Requests
media_request@factset.com

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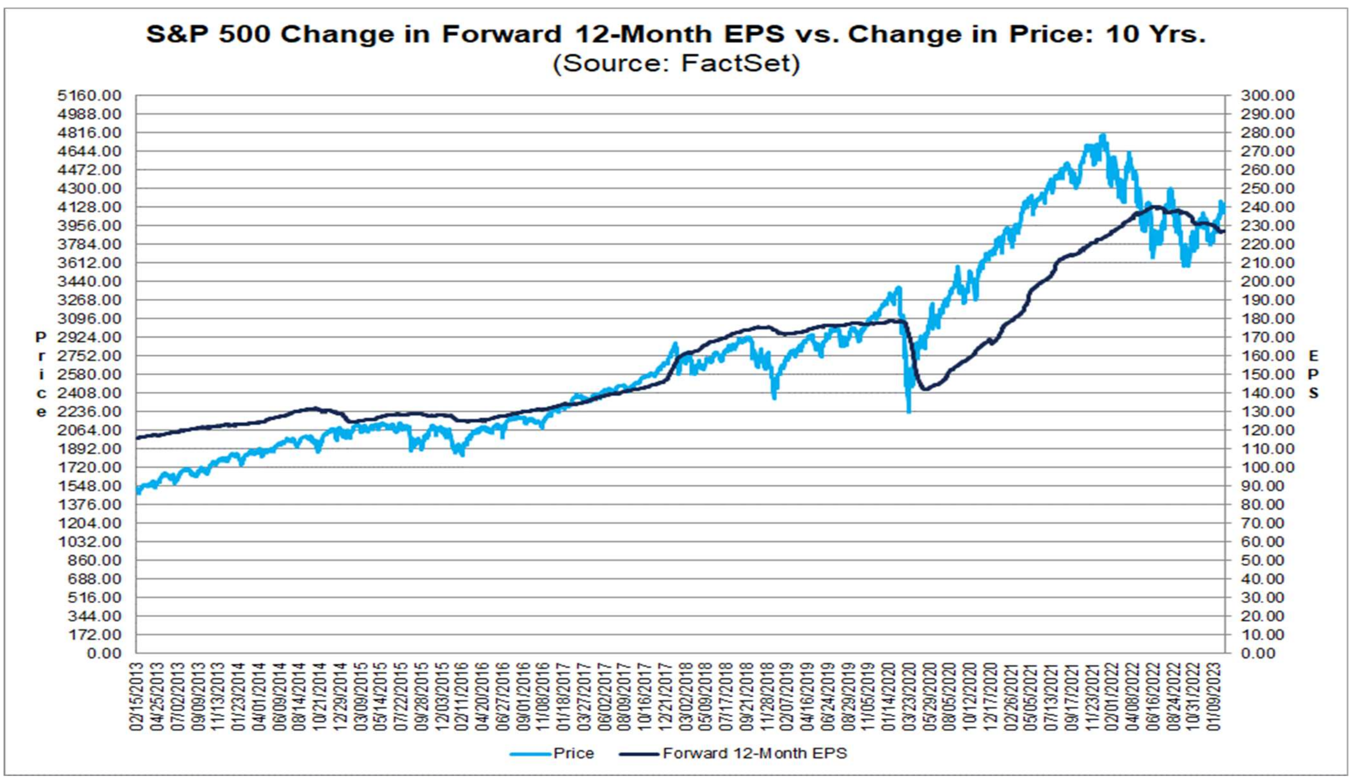
Key Metrics

- **Earnings Scorecard:** For Q4 2022 (with 82% of S&P 500 companies reporting actual results), 68% 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 2022, the blended earnings decline for the S&P 500 is -4.7%. If -4.7% is the actual decline for the quarter, it will mark the first time the index has reported a year-over-year decline in earnings since Q3 2020 (-5.7%).
- **Earnings Revisions:** On December 31, the estimated earnings decline for Q4 2022 was -3.3%. Seven sectors are reporting lower earnings today (compared to December 31) due to downward revisions to EPS estimates and negative EPS surprises.
- **Earnings Guidance:** For Q1 2023, 65 S&P 500 companies have issued negative EPS guidance and 20 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 18.0. This P/E ratio is below the 5-year average (18.5) but above the 10-year average (17.2).



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Topic of the Week:

S&P 500 Companies Are Reporting Smaller EPS Surprises for 7th Straight Quarter in Q4

With 82% of S&P 500 companies reporting results for Q4 2022 to date, aggregate earnings reported by these companies have exceeded estimated earnings by 1.3%. How does this earnings surprise percentage compare to recent averages?

The earnings surprise percentage for Q4 2022 is below the 1-year average (+3.7%), below the 5-year average (+8.6%), and below the 10-year average (+6.4%).

In fact, the fourth quarter currently marks the second-lowest earnings surprise percentage reported by the index since Q4 2008, trailing only Q1 2020 (+1.1%). It also marks the 7th consecutive quarter in which the EPS surprise percentage for the index has decreased.

What is driving the continuing decline in the earnings surprise percentage for the S&P 500?

In early 2021, analysts underestimated the earnings recovery from the COVID-19 lockdowns, which resulted in more S&P 500 companies beating EPS estimates than average and by wider margins than average. From Q1 2021 through Q3 2021, 85% of S&P 500 companies on average reported a positive EPS surprise, and no sector reported a negative earnings surprise percentage during these three quarters. Thus, the earnings surprise percentages for these early quarters were much higher than normal.

In more recent quarters, analysts have overestimated earnings for companies in specific sectors and industries, as economic growth has been slower and inflation has been higher relative to early 2021. This has resulted in fewer companies beating EPS estimates than average and some of the larger companies in the index missing EPS estimates during this period. Over the past three quarters (Q2 2022 through Q4 2022), 71% of S&P 500 companies on average have reported a positive EPS surprise, and at least two sectors have reported a negative earnings surprise percentage in each of these three quarters. Thus, the earnings surprise percentages for these more recent quarters have been much lower than normal.

For Q4 2022, two sectors are currently reporting a negative earnings surprise percentage: Communication Services (-4.1%) and Consumer Discretionary (-0.4%).

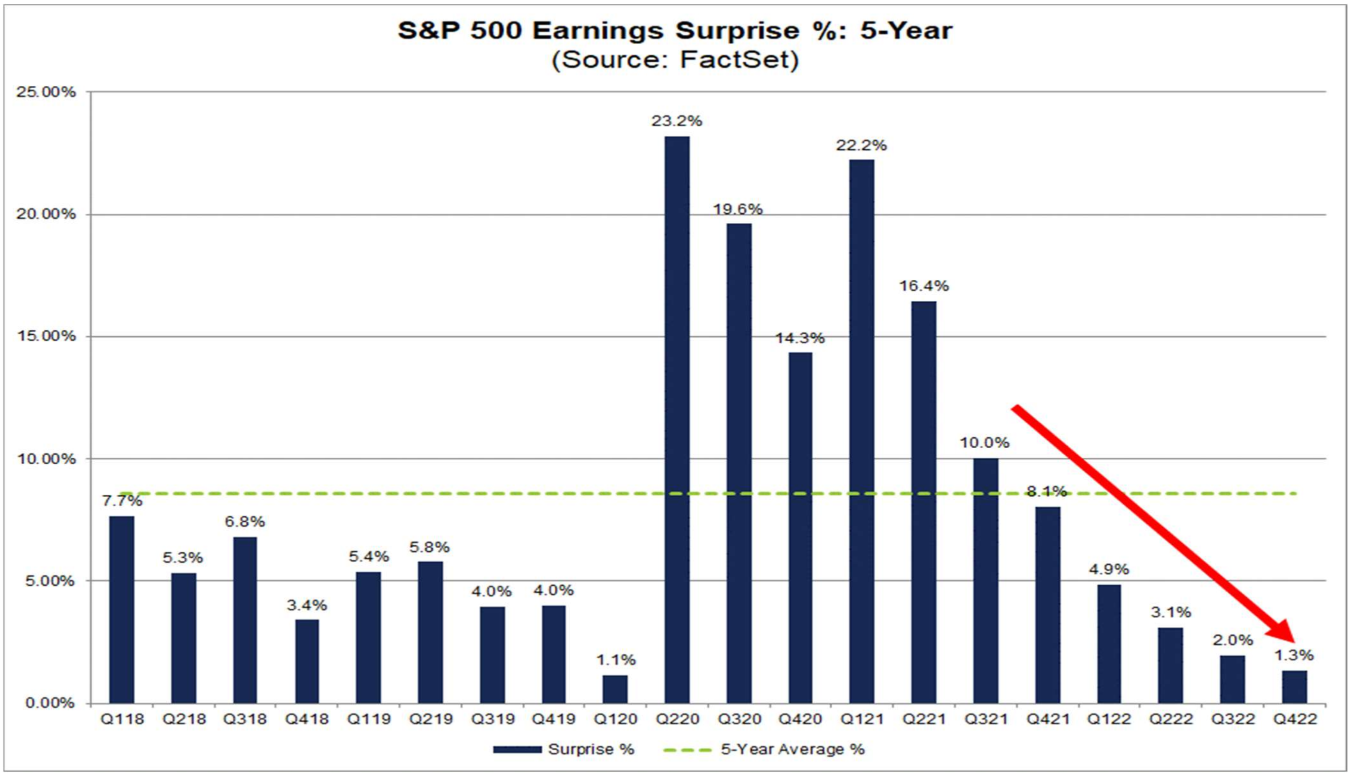
In the Communications Services sector, the negative EPS surprises reported by Alphabet ($1.05 vs. $1.18) and Facebook ($1.76 vs. $2.26) are significant contributors to the negative surprise percentage for the sector.

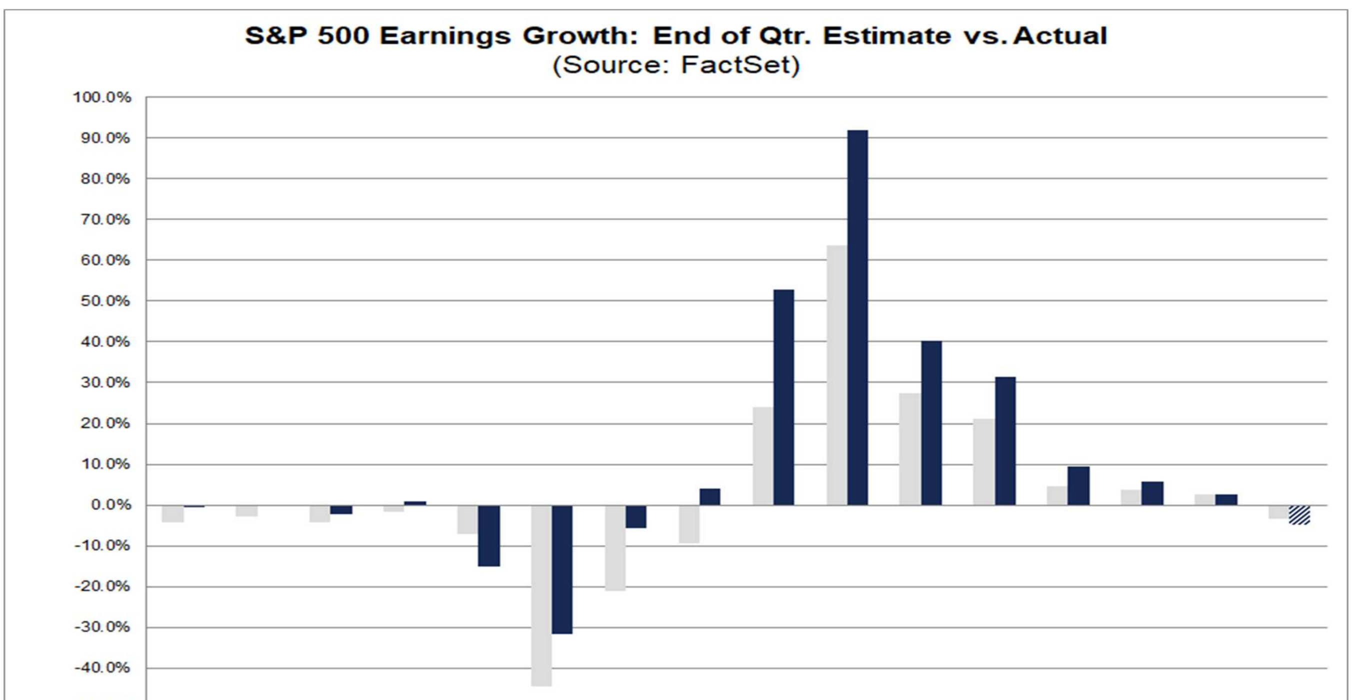
In the Consumer Discretionary sector, the negative EPS surprise reported by Amazon.com ($0.03 vs. $0.17) is a substantial contributor to the negative surprise percentage for the sector.

Outside of these two sectors, other companies that have reported negative EPS surprises that have lowered the overall EPS surprise percentage for the index include Apple ($1.88 vs. $1.94), Boeing (-$1.75 vs. $0.18), and Goldman Sachs ($3.32 vs. $5.56).

Due to a combination of the lower earnings surprise percentage and continued downward revisions to EPS estimates after the end of the quarter, the S&P 500 is reporting a larger earnings decline today (-4.7%) relative to expectations at the end of the quarter (-3.3%) on December 31. If -4.7% is the actual earnings decline for the quarter, it would mark just the third time in 10 years, but also the second straight quarter, in which actual earnings for the index finished lower than estimated earnings for the index at the end of the quarter.

Despite the below-average surprise percentage for the quarter, the market is punishing S&P 500 companies that report negative EPS surprises for Q4 less than average. For more details, please see our recent article at the link below: https://insight.factset.com/market-punishing-negative-eps-surprises-less-than-average-for-sp-500-companies-for-q4





	Q119	Q219	Q319	Q419	Q120	Q220	Q320	Q420	Q121	Q221	Q321	Q421	Q122	Q222	Q322	Q422
End of Qtr.	-4.3%	-2.8%	-4.3%	-1.8%	-7.0%	-44.4%	-21.2%	-9.4%	24.0%	63.6%	27.5%	21.2%	4.6%	3.9%	2.6%	-3.3%
Actual	-0.4%	-0.3%	-2.2%	0.8%	-15.0%	-31.8%	-5.7%	4.0%	52.9%	91.8%	40.2%	31.3%	9.4%	5.8%	2.5%	-4.7%

Q4 Earnings Season: By The Numbers

Overview

The earnings performance of S&P 500 companies during the Q4 earnings season continues to be subpar. Although the percentage of S&P 500 companies reporting positive earnings surprises declined over the past week, the magnitude of these earnings surprises increased during this time. However, both metrics are below their 5-year and 10-year averages. As a result, the earnings decline for the fourth quarter is smaller today compared to the end of last week, but still larger today compared to the end of the quarter. If the index reports an actual decline in earnings for Q4 2022, it will mark the first year-over-year decline in earnings reported by the index since Q3 2020.

Overall, 82% of the companies in the S&P 500 have reported actual results for Q4 2022 to date. Of these companies, 68% have reported actual EPS above estimates, which is below the percentage of 69% at the end of last week, below the 5-year average of 77%, and below the 10-year average of 73%. In aggregate, companies are reporting earnings that are 1.3% above estimates, which is above the percentage of 1.1% at the end of last week, but below the 5-year average of 8.6% and below the 10-year average of 6.4%. If 1.3% is the actual surprise percentage for the quarter, it will mark the second-lowest surprise percentage reported by the index since 2008.

As a result, the index is reporting higher earnings for the fourth quarter today relative to the end of last week, but lower earnings 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 decline for the fourth quarter is -4.7% today, compared to an earnings decline of -5.0% last week and an earnings decline of -3.3% at the end of the fourth quarter (December 31).

Positive earnings surprises reported by companies in multiple sectors were the top contributors to the decrease in the earnings decline for the index during the past week. Negative earnings surprises and downward revisions to earnings estimates for companies in the Financials and Communication Services sectors, partially offset by positive earnings surprises reported by companies in the Health Care sector, have been the largest contributors to the increase in the overall earnings decline for the index since December 31.

If -4.7% is the actual decline for the quarter, it will mark the first time the index has reported a year-over-year decrease in earnings since Q3 2020 (-5.7%). Four of the eleven sectors are reporting year-over-year earnings growth, led by the Energy and Industrials sectors. On the other hand, seven sectors are reporting a year-over-year decline in earnings, led by the Communication Services, Materials, and Consumer Discretionary sectors.

The revenue performance of S&P companies during the Q4 earning season has been more positive than the earnings performance. Overall, 65% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 69%, but above the 10-year average of 63%. In aggregate, companies are reporting revenues that are 1.9% above the estimates, which is equal to the 5-year average of 1.9%, but above the 10-year average of 1.3%.

As a result, the index is reporting higher revenues for the fourth quarter today relative to the end of last week and relative to the end of the quarter. The blended revenue growth rate for the fourth quarter is 5.1% today, compared to a revenue growth rate of 4.6% last week and a revenue growth rate of 3.9% at the end of the fourth quarter (December 31).

Positive revenue surprises reported by companies in the Utilities sector were the largest contributors to the increase in the revenue growth rate for the index during the past week. Positive revenue surprises reported by companies in the Utilities, Health Care, and Consumer Discretionary sectors have been the top contributors to the increase in the overall revenue growth rate since December 31.

If 5.1% is the actual growth rate for the quarter, it will mark the lowest revenue growth rate reported by the index since Q4 2020 (3.2%). Nine sectors are reporting year-over-year growth in revenues, led by the Energy, Consumer Discretionary, and Industrials sectors. On the other hand, two sectors are reporting a year-over-year decline in revenues: Materials and Information Technology.

Looking ahead, analysts expect earnings declines for the first half of 2023, but earnings growth for the second half of 2023. For Q1 2023 and Q2 2023, analysts are projecting earnings declines of -5.4% and -3.4%, respectively. For Q3 2023 and Q4 2023, analysts are projecting earnings growth of 3.3% and 9.7%, respectively. For all of CY 2023, analysts predict earnings growth of 2.3%.

The forward 12-month P/E ratio is 18.0, which is below the 5-year average (18.5) but above the 10-year average (17.2). It is also above the forward P/E ratio of 16.7 recorded at the end of the fourth quarter (December 31), as the price of the index has increased while the forward 12-month EPS estimate has decreased since December 31.

During the upcoming week, 61 S&P 500 companies (including two Dow 30 components) are scheduled to report results for the fourth quarter.

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

Percentage of Companies Beating EPS Estimates (68%) is Below 5-Year Average

Overall, 82% of the companies in the S&P 500 have reported earnings to date for the fourth quarter. Of these companies, 68% have reported actual EPS above the mean EPS estimate, 5% have reported actual EPS equal to the mean EPS estimate, and 27% 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 (75%), below the 5-year average (77%), and below the 10-year average (73%).

At the sector level, the Information Technology (79%) and Health Care (74%) sectors have the highest percentages of companies reporting earnings above estimates, while the Communication Services (45%) sector has the lowest percentage of companies reporting earnings above estimates.

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

In aggregate, companies are reporting earnings that are 1.3% above expectations. This surprise percentage is below the 1-year average (+4.5%), below the 5-year average (+8.6%), and below the 10-year average (6.4%).

If 1.3% is the actual surprise percentage for the quarter, it will mark the second-lowest surprise percentage reported by the index since Q4 2008, trailing only Q1 2020 (+1.1%).

The Health Care (+5.3%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, West Pharmaceutical Services ($1.77 vs. $1.38), DexCom ($0.34 vs. $0.27), and Regeneron Pharmaceuticals ($12.56 vs. $10.17) have reported the largest positive EPS surprises.

The Materials (+5.2%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Corteva ($0.16 vs. $0.05), International Paper ($0.87 vs. $0.73), Nucor ($4.89 vs. $4.16), and Steel Dynamics ($4.37 vs. $3.76) have reported the largest positive EPS surprises.

The Communication Services (-4.1%) sector is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Netflix ($0.12 vs. $0.55), Paramount Global ($0.08 vs. $0.24), Match Group ($0.30 vs. $0.46), News Corporation ($0.14 vs. $0.20), and Meta Platforms ($1.76 vs. $2.26) have reported the largest negative EPS surprises.

The Consumer Discretionary (-0.4%) sector is reporting the second-largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Las Vegas Sands (-$0.19 vs. -$0.09), Amazon.com ($0.03 vs. $0.17), CarMax ($0.24 vs. $0.65), Expedia Group ($1.26 vs. $1.71), and Ford Motor (0.51 vs. $0.62) have reported the largest negative EPS surprises.

Market Punishing Negative EPS Surprises Less Than Average

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

Companies that have reported positive earnings surprises for Q4 2022 have seen an average price increase of +1.2% two days before the earnings release through two days after the earnings release. This percentage increase is larger than 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 Q4 2022 have seen an average price decrease of -0.6% two days before the earnings release through two days after the earnings. This percentage decrease is much smaller 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 (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 (73%) and below the 5-year average (69%), but above the 10-year average (63%).

At the sector level, the Utilities (94%) sector has the highest percentage of companies reporting revenues above estimates, while the Materials (35%) and Communication Services (45%) sectors have the lowest percentages of companies reporting revenues above estimates.

Revenue Surprise Percentage (+1.9%) is Equal to 5-Year Average

In aggregate, companies are reporting revenues that are 1.9% above expectations. This surprise percentage is below the 1-year average (+2.8%), equal to the 5-year average (+1.9%), and above the 10-year average (+1.3%).

At the sector level, the Utilities (+43.8%) sector is reporting the largest positive (aggregate) difference between actual revenues and estimated revenues, while the Materials (-1.3%) and Information Technology (-0.7%) sectors are reporting the largest negative (aggregate) differences between actual revenues and estimated revenues.

Revisions: Decrease in Blended Earnings Decline Due to Multiple Sectors

Decrease in Blended Earnings Decline This Week Due to Multiple Sectors

The blended (year-over-year) earnings decline for the fourth quarter is -4.7%, which is smaller than the earnings decline of -5.0% last week. Positive earnings surprises reported by companies in the multiple sectors were the top contributors to the decrease in the earnings decline for the index during the past week.

Increase in Blended Revenue Growth Rate This Week Due to Utilities Sector

The blended (year-over-year) revenue growth rate for the fourth quarter is 5.1%, which is above the revenue growth rate of 4.6% last week. Positive revenue surprises reported by companies in the Utilities sector were the largest contributors to the increase in the revenue growth rate for the index during the past week.

Financials Sector Has Seen Largest Decrease in Earnings since December 31

The blended (year-over-year) earnings decline for Q4 2022 of -4.7% is below the estimate of -3.3% at the end of the fourth quarter (December 31). Four 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 Health Care (to -6.3% from -9.6%) and Materials (to -23.6% from -26.4%) sectors. On the other hand, seven sectors have recorded a decrease in their earnings growth rate or an increase in their earnings decline during this period, led by the Financials (to -13.4% from -7.5%), Energy (to 57.2% from 62.7%), and Communication Services (to -24.0% from -19.0%) sectors. The Financials and Communication Services sectors, partially offset by the Health Care sector, have been the largest contributors to the decrease in earnings for the index since December 31.

In the Financials sector, the negative EPS surprises reported by Goldman Sachs ($3.32 vs. $5.56) and U.S. Bancorp ($0.57 vs. $1.12) and the downward revisions to EPS estimates for Wells Fargo (to $0.59 from $1.26) and Allstate (to -$1.36 from $1.94) have been substantial contributors to the increase in the earnings decline for the index since December 31. As a result, the blended earnings decline for the Financials sector has increased to -13.4% from -7.5% over this period.

In the Communication Services sector, the negative EPS surprises reported by Alphabet ($1.05 vs. $1.18) and Meta Platforms ($1.76 vs. $2.26) have been significant contributors to the increase in the earnings decline for the index since December 31. As a result, the blended earnings decline for the Communication Services sector has increased to -24.0% from -19.0% over this period.

In the Health Care sector, the positive EPS surprises reported by Pfizer ($1.14 vs. $1.05), Johnson & Johnson ($2.35 vs. $2.24), and Danaher Corporation ($2.87 vs. $2.55) have been substantial detractors to the increase in the earnings decline for the index since December 31. As a result, the blended earnings decline for the Health Care sector has decreased to -6.2% from -9.6% over this period.

Utilities Sector Has Seen Largest Increase in Revenues since December 31

The blended (year-over-year) revenue growth rate for Q4 2022 of 5.1% is above estimate of 3.9% at the end of the fourth quarter (December 31). Seven sectors have recorded an increase in their revenue growth rate or a decrease in their revenue decline since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Utilities (to 2.4% from -17.7%) sector. On the other hand, four 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 Materials (to -5.1% from -3.6%) and Information Technology (to -1.6% from -0.4%) sectors. The Utilities, Health Care, and Consumer Discretionary sectors have been the top contributors to the increase in the overall revenue growth rate since December 31.

In the Utilities sector, the positive revenue surprises reported by NRG Energy ($7.86 billion vs. $3.09 billion), Constellation Energy ($7.33 billion vs. $3.63 billion), Southern Company ($7.05 billion vs. $4.52 billion), and Duke Energy ($7.35 billion vs. $5.04 billion) have been significant contributors to the increase in the revenue growth rate for the index since December 31. As a result, the blended revenue growth rate for the Utilities sector has increased to 2.4% from -17.7% over this period.

In the Health Care sector, the positive revenue surprise reported by CVS Health ($83.85 billion vs. $76.43 billion) was a substantial contributor to the increase in the revenue growth rate for the index since December 31. As a result, the blended revenue growth rate for the Health Care sector has increased to 4.2% from 2.4% over this period.

In the Consumer Discretionary sector, the positive revenue surprises reported by Amazon.com ($149.20 billion vs. $145.71 billion), General Motors ($43.11 billion vs. $40.27 billion), and Ford Motor ($44.00 billion vs. $41.39 billion) have been significant contributors to the increase in the revenue growth rate for the index since December 31. As a result, the blended revenue growth rate for the Consumer Discretionary sector has increased to 9.9% from 8.1% over this period.

Earnings Decline: -4.7%

The blended (year-over-year) earnings decline for Q4 2022 is -4.7%, which is below the 5-year average earnings growth rate of 14.3% and below the 10-year average earnings growth rate of 8.9%. If -4.7% is the actual decline for the quarter, it will mark the first time the has reported a (year-over-year) decline in earnings since Q3 2020 (-5.7%).

S&P 500 companies with more international revenue exposure are reporting a larger (year-over-year) decline in earnings compared to S&P 500 companies with more domestic revenue exposure. For companies that generate more than 50% of sales outside the U.S., the blended earnings decline is -8.3%. For companies that generate more than 50% of sales inside the U.S., the blended earnings decline is -2.3%.

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

Energy: Largest Positive Contributor to Year-Over-Year Earnings for S&P 500 For Q4

The Energy sector is reporting the highest (year-over-year) earnings growth of all eleven sectors at 57.2%. 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 Q4 2022 ($82.64) was 7% above the average price for oil in Q4 2021 ($77.10). At the sub-industry level, all five sub-industries in the sector are reporting a year-over-year increase in earnings of 15% or more: Oil & Gas Refining & Marketing (167%), Oil & Gas Storage & Transportation (83%), Oil & Gas Equipment & Services (81%), Integrated Oil & Gas (57%), and Oil & Gas Exploration & Production (17%).

The Energy sector is also the largest positive contributor to year-over-year earnings for the S&P 500 for the fourth quarter. If this sector were excluded, the blended earnings decline for the index would increase to -8.8% from -4.7%.

Industrials: Boeing and Airlines Are Largest Contributors to Year-Over-Year Growth

The Industrials sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 38.2%. At the industry level, 9 of the 12 industries in the sector are reporting 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 reported a profit of $2.4 billion in Q4 2022 compared to a loss of -$1.2 billion in Q4 2021. Four of the remaining eight industries are reporting earnings growth above 20%: Aerospace & Defense (174%), Machinery (34%), Trading Companies & Distributors (23%), and Industrial Conglomerates (22%). On the other hand, three industries are reporting a year-over-year decline in earnings for the quarter, led by the Air Freight & Logistics (-15%) industry.

At the company level, Boeing, American Airlines Group, and United Airlines Holdings are the largest contributors to earnings growth for the sector. If these four companies were excluded, the blended earnings growth rate for the Industrials sector would fall to 11.9% from 38.2%.

Communication Services: Alphabet and Meta Platforms Lead Year-Over-Year Decline

The Communication Services sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -24.0%. At the industry level, four of the five industries in this sector are reporting a year-over-year decline in earnings, led by the Interactive Media & Services (-40%) and Entertainment (-23%) industries. On the other hand, the Wireless Telecommunication Services (246%) industry is the only industry in the sector that reported (year-over-year) earnings growth.

At the company level, Alphabet and Meta Platforms 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 -3.2% from -24.0%.

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

The Materials sector is reporting the second-largest (year-over-year) earnings decline of all eleven sectors at -23.6%. At the industry level, all four industries in this sector are reporting a year-over-year decline in earnings: Metals & Mining (-42%), Containers & Packaging (-18%), Chemicals (-15%), and Construction Materials (-8%).

Consumer Discretionary: Amazon Leads Year-Over-Year Earnings Decline

The Consumer Discretionary sector is reporting the third-largest (year-over-year) earnings decline of all eleven sectors at -22.0%. At the industry level, 6 of the 10 industries in the sector are reporting a year-over-year decrease in earnings. Two of these six industries are reporting a decline in earnings or more than 10%: Internet & Direct Marketing Retail (-93%), and Multiline Retail (-30%). On the other hand, four industries are reporting year-over-year earnings growth for the quarter. Three of these four industries are reporting earnings growth of 55% or more: Hotels, Restaurants, & Leisure (995%), Automobiles (59%), and Auto Components (58%).

At the company level, Amazon.com is the largest contributor to the earnings decline for the sector. If this company were excluded, the Consumer Discretionary sector would be reporting (year-over-year) earnings growth of 19.5% instead of an earnings decline of -22.0%.

On the other hand, the Automobiles and Hotels, Restaurants, & Leisure industries are the largest detractors to the earnings decline for the sector at the industry level. If these two industries were excluded, the blended earnings decline for the Consumer Discretionary sector would increase to -44.3% from -22.0%.

Revenue Growth: 5.1%

The blended (year-over-year) revenue growth rate for Q4 2022 is 5.1%, which is below the 5-year average revenue growth rate of 7.8%, but above the 10-year average revenue growth rate of 4.6%. If 5.1% is the actual growth rate for the quarter, it will mark the lowest (year-over-year) revenue growth reported by the index since Q4 2020 (3.2%).

S&P 500 companies with more international revenue exposure are reporting lower (year-over-year) revenue growth compared to S&P 500 companies with more domestic revenue exposure. For companies that generate more than 50% of sales outside the U.S., the blended revenue growth rate is 1.8%. For companies that generate more than 50% of sales inside the U.S., the blended revenue growth rate is 6.4%.

Nine of the eleven sectors are reporting year-over-year growth in revenues, led by the Energy, Consumer Discretionary, and Industrials sectors. On the other hand, two sectors are reporting a year-over-year decline in revenues: Materials and Information Technology.

Energy: All 5 Sub-Industries Reporting Year-Over-Year Growth

The Energy sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 14.1%. Higher year-over-year oil prices are contributing to the year-over-year improvement in earnings for this sector, as the average price in Q4 2022 ($82.64) was 7% above the average price for oil in Q4 2021 ($77.10). At the sub-industry level, all five sub-industries in the sector are reporting year-over-year growth in revenues: Oil & Gas Equipment & Services (21%), Oil & Gas Refining & Marketing (17%), Integrated Oil & Gas (14%), Oil & Gas Exploration & Production (10%), and Oil & Gas Storage & Transportation (3%).

Consumer Discretionary: Automobiles Industry Leads Year-Over-Year Growth

The Consumer Discretionary sector (along with the Industrials sector) is reporting the second-highest (year-over-year) revenue growth rate of all eleven sectors at 9.9%. At the industry level, 8 of the 10 industries in the sector are reporting year-over-year growth in revenues. Three of these eight industries are reporting revenue growth of 10% or more: Automobiles (25%), Hotels, Restaurants, & Leisure (24%), and Auto Components (12%).

Industrials: Airlines Industry Leads Year-Over-Year Growth

The Industrials sector (along with the Consumer Discretionary sector) is reporting the second-highest (year-over-year) revenue growth rate of all eleven sectors at 9.9%. At the industry level, 10 of the 12 industries in the sector are reporting year-over-year growth in revenues. Five of these ten industries are reporting revenue growth of 10% or more: Airlines (37%), Machinery (18%), Trading Companies & Distributors (15%), Aerospace & Defense (13%), and Commercial Services & Supplies (11%).

Net Profit Margin: 11.3%

The blended net profit margin for the S&P 500 for Q4 2022 is 11.3%, which is below the 5-year average of 11.4%, below the previous quarter's net profit margin of 11.9% and below the year-ago net profit margin of 12.4%. If 11.3% is the actual net profit margin for the quarter, it will mark the lowest net profit margin reported by the index since Q4 2020 (10.9%).

At the sector level, three sectors are reporting a year-over-year increase in their net profit margins in Q4 2022 compared to Q4 2021, led by the Energy (to 12.8% vs. 9.3%) sector. On the other hand, eight sectors are reporting a year-over-year decrease in their net profit margins in Q4 2022 compared to Q4 2021, led by the Financials (15.3% vs. 18.5%) and Communication Services (9.2% vs. 12.1%) sectors.

Five sectors are reporting net profit margins in Q4 2022 that are above their 5-year averages, led by the Energy (12.8% vs. 7.4%) sector. On the other hand, six sectors are reporting net profit margins in Q4 2022 that are below their 5-year averages, led by the Utilities (9.7% vs. 13.3%) and Communication Services (9.2% vs. 11.7%) sectors.

Looking Ahead: Forward Estimates and Valuation

Guidance: % of Companies Issuing Negative EPS Guidance for Q1 Above 10-Year Average

At this point in time, 85 companies in the index have issued EPS guidance for Q1 2023. Of these 85 companies, 65 have issued negative EPS guidance and 20 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q1 2023 is 76% (65 out of 85), which is above the 5-year average of 59% and above the 10-year average of 67%. At the sector level, the Information Technology (25) and Industrials (13) sectors have the highest number of companies issuing negative EPS guidance.

At this point in time, 249 companies in the index have issued EPS guidance for the current fiscal year (FY 2022 or FY 2023). Of these 249 companies, 142 have issued negative EPS guidance and 107 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 57% (142 out of 249).

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 2% for CY 2023

For the fourth quarter, S&P 500 companies are reporting a year-over-year earnings decline of -4.7% and revenue growth of 5.1%. For CY 2022, S&P 500 companies are reporting earnings growth of 4.1% and revenue growth of 10.7%.

For Q1 2023, analysts are projecting an earnings decline of -5.4% and revenue growth of 1.9%.

For Q2 2023, analysts are projecting an earnings decline of -3.4% and a revenue decline of -0.1%.

For Q3 2023, analysts are projecting earnings growth of 3.3% and revenue growth of 1.4%.

For Q4 2023, analysts are projecting earnings growth of 9.7% and revenue growth of 3.4%.

For CY 2023, analysts are projecting earnings growth of 2.3% and revenue growth of 2.3%.

Valuation: Forward P/E Ratio is 18.0, Above the 10-Year Average (17.2)

The forward 12-month P/E ratio for the S&P 500 is 18.0. This P/E ratio is below the 5-year average of 18.5 but above 10-year average of 17.2. It is also above the forward 12-month P/E ratio of 16.7 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 6.5%, while the forward 12-month EPS estimate has decreased by 1.5%. At the sector level, the Consumer Discretionary (24.9) and Information Technology (23.3) sectors have the highest forward 12-month P/E ratios, while the Energy (10.3) and Financials (13.0) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 20.6, which is below the 5-year average of 22.6 but equal to the 10-year average of 20.6.

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

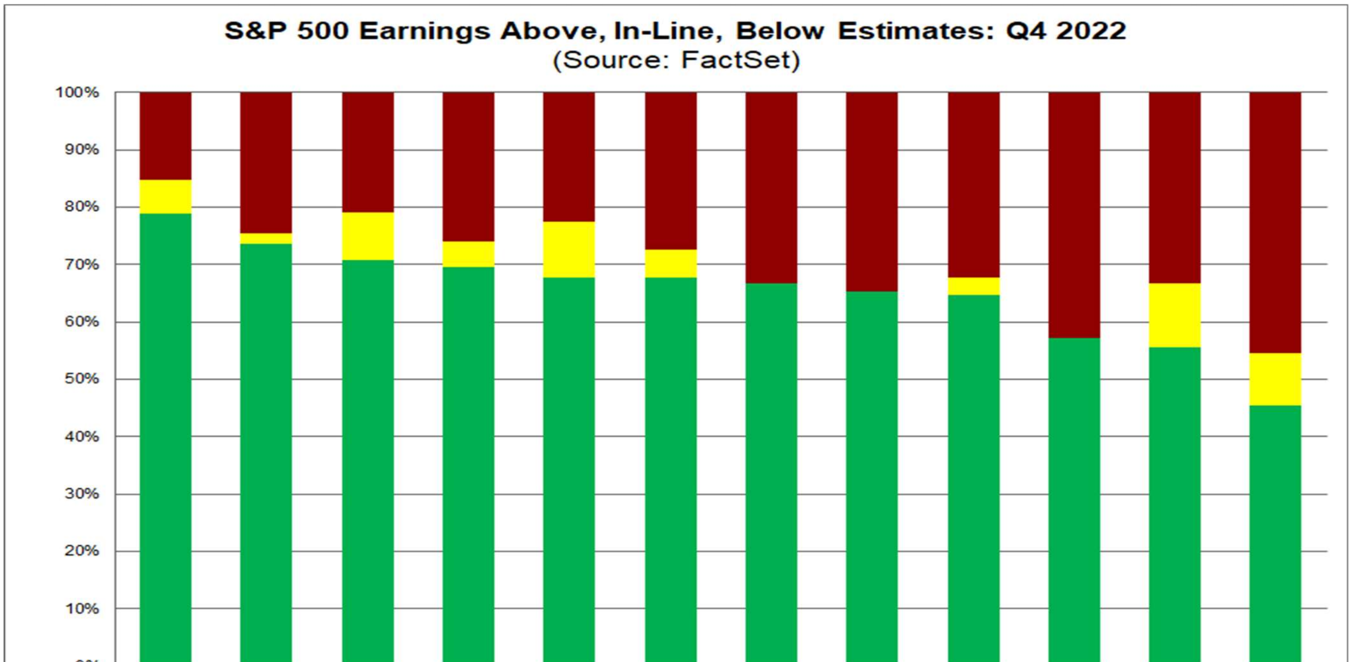
The bottom-up target price for the S&P 500 is 4598.42, which is 12.4% above the closing price of 4090.41. At the sector level, the Communication Services (+22.5%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Industrials (+7.8%) sector is expected to see the smallest price increase, as this sector has the smallest upside difference between the bottom-up target price and the closing price.

Overall, there are 10,989 ratings on stocks in the S&P 500. Of these 10,989 ratings, 53.4% are Buy ratings, 40.3% are Hold ratings, and 6.3% are Sell ratings. At the sector level, the Energy (63%) and Communication Services (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (43%) sector has the lowest percentage of Buy ratings.

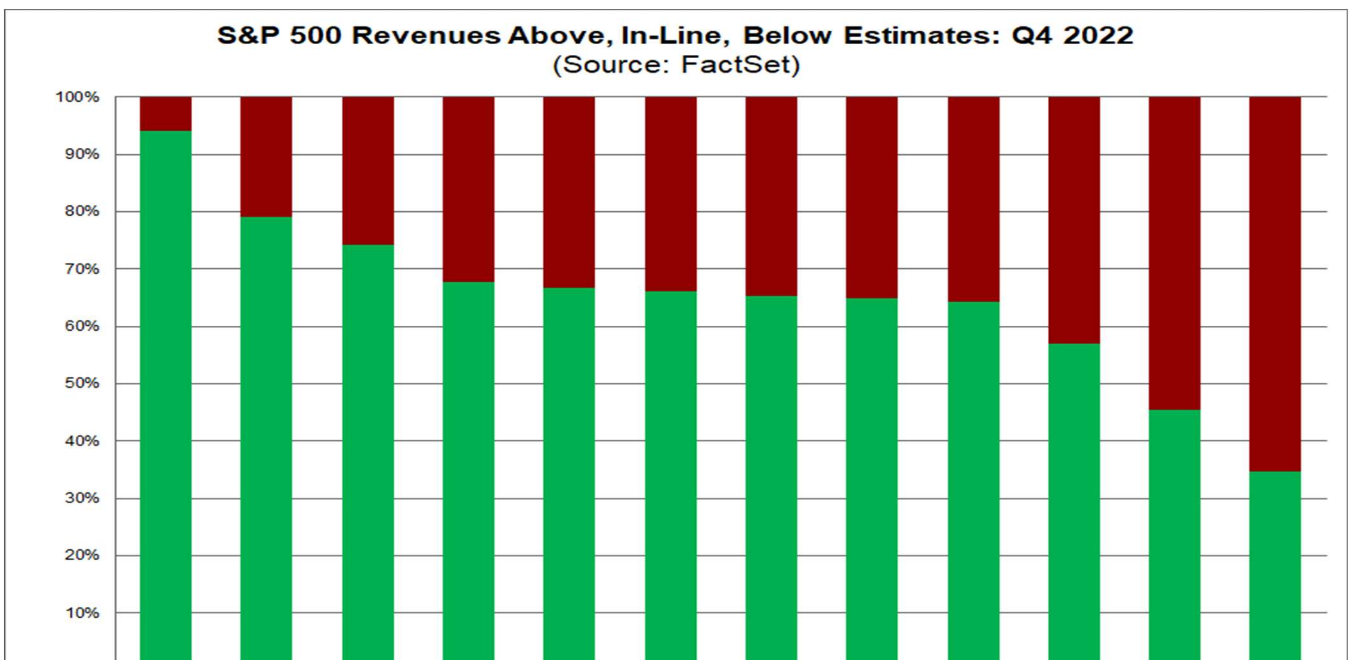
Companies Reporting Next Week: 61

During the upcoming week, 61 S&P 500 companies (including two Dow 30 components) are scheduled to report results for the fourth quarter.

Q4 2022: Scorecard

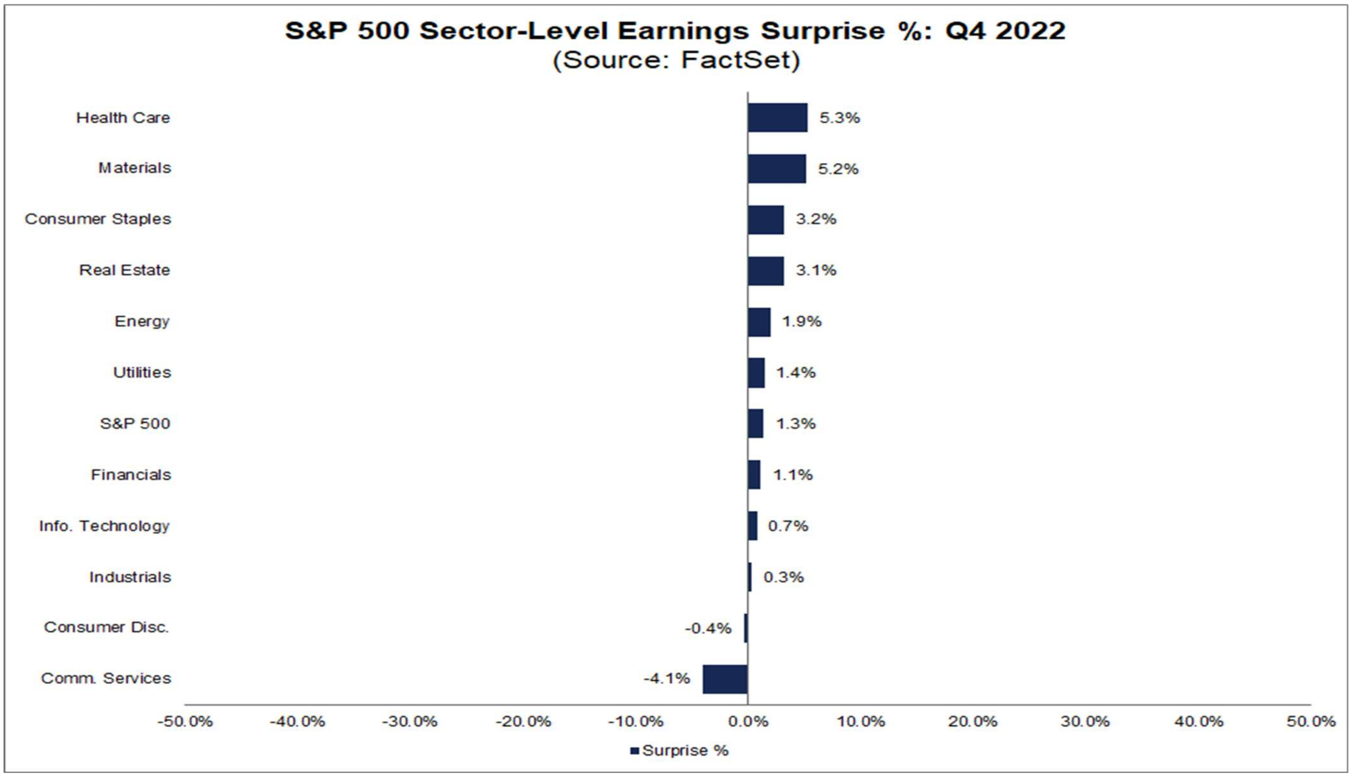


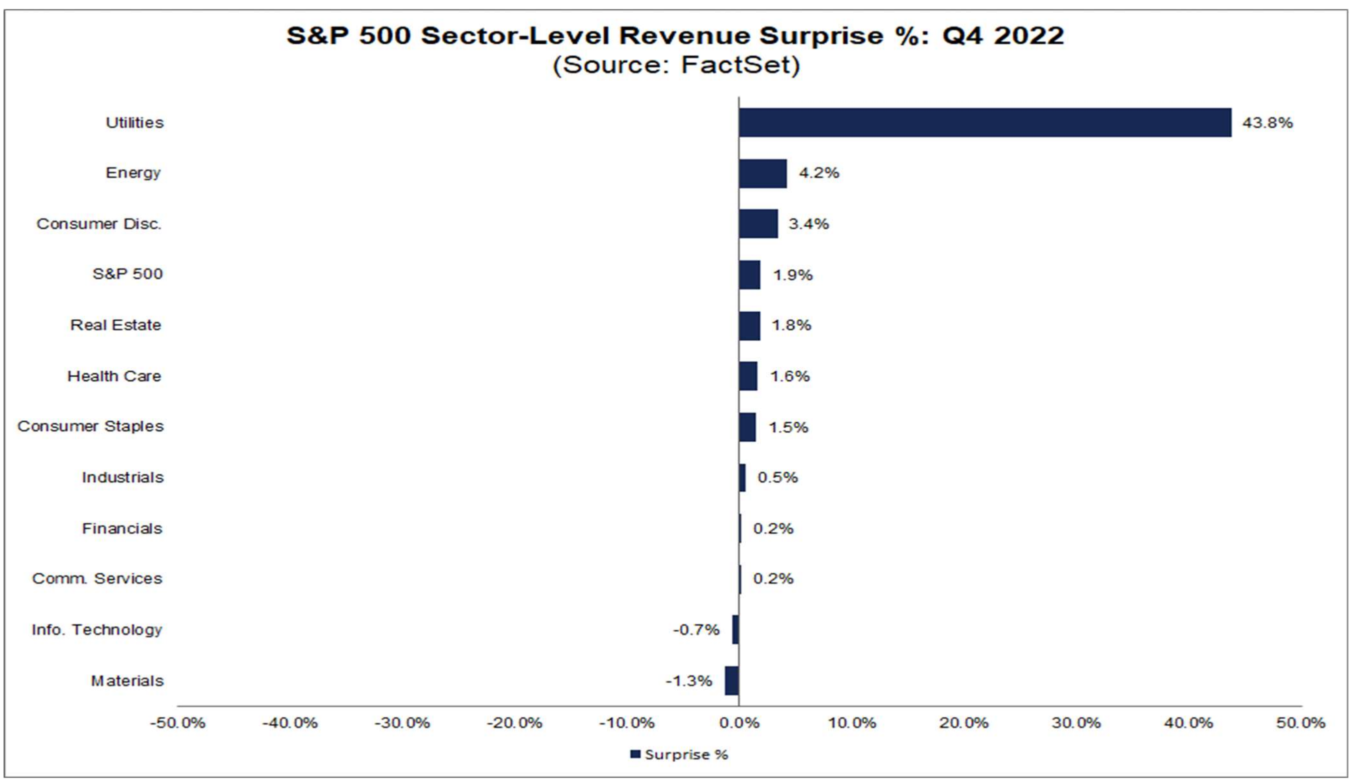
	Info. Technology	Health Care	Consumer Staples	Real Estate	Industrials	S&P 500	Consumer Disc.	Materials	Financials	Energy	Utilities	Comm. Services
Below	15%	25%	21%	26%	23%	27%	33%	35%	32%	43%	33%	45%
In-Line	6%	2%	8%	4%	10%	5%	0%	0%	3%	0%	11%	9%
Above	79%	74%	71%	70%	68%	68%	67%	65%	65%	57%	56%	45%



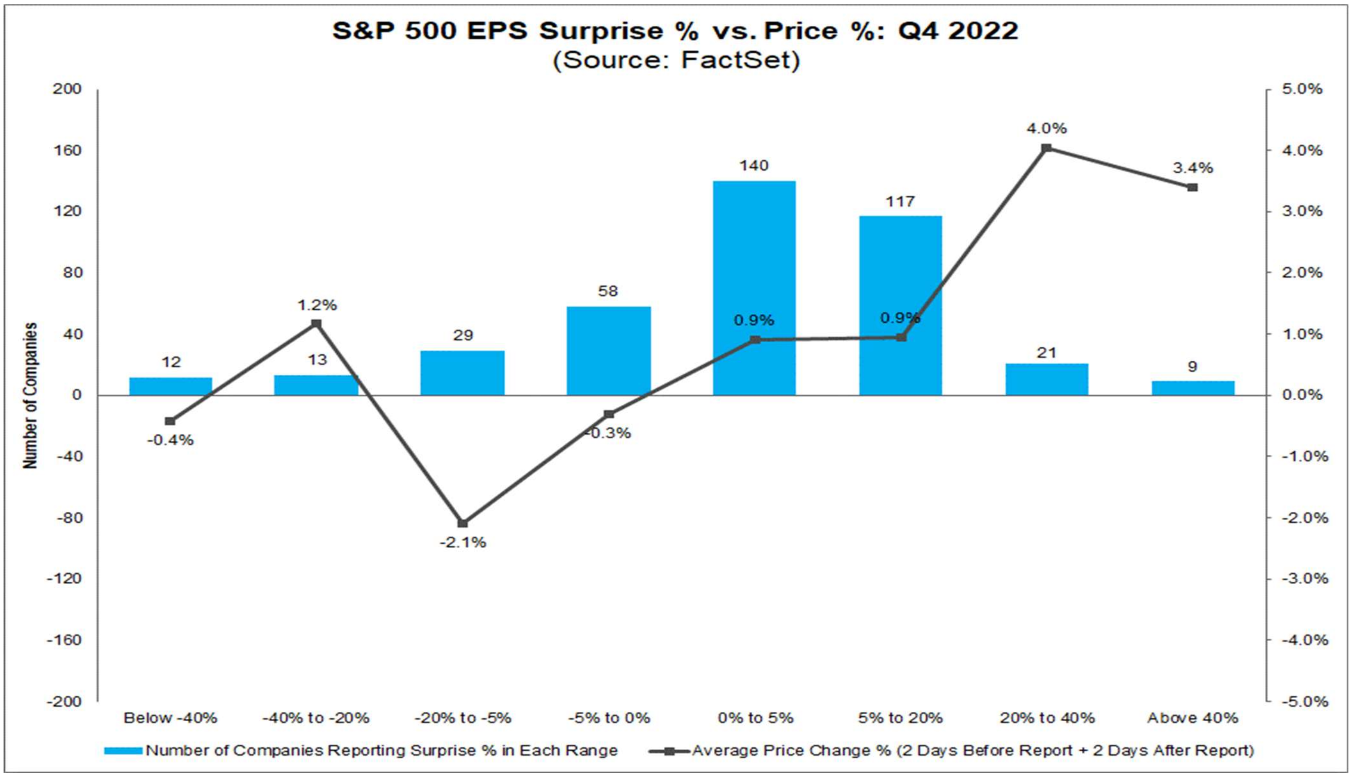
	Utilities	Consumer Staples	Info. Technology	Industrials	Consumer Disc.	Health Care	Real Estate	S&P 500	Energy	Financials	Comm. Services	Materials
Below	6%	21%	26%	32%	33%	34%	35%	35%	36%	43%	55%	65%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	94%	79%	74%	68%	67%	66%	65%	65%	64%	57%	45%	35%

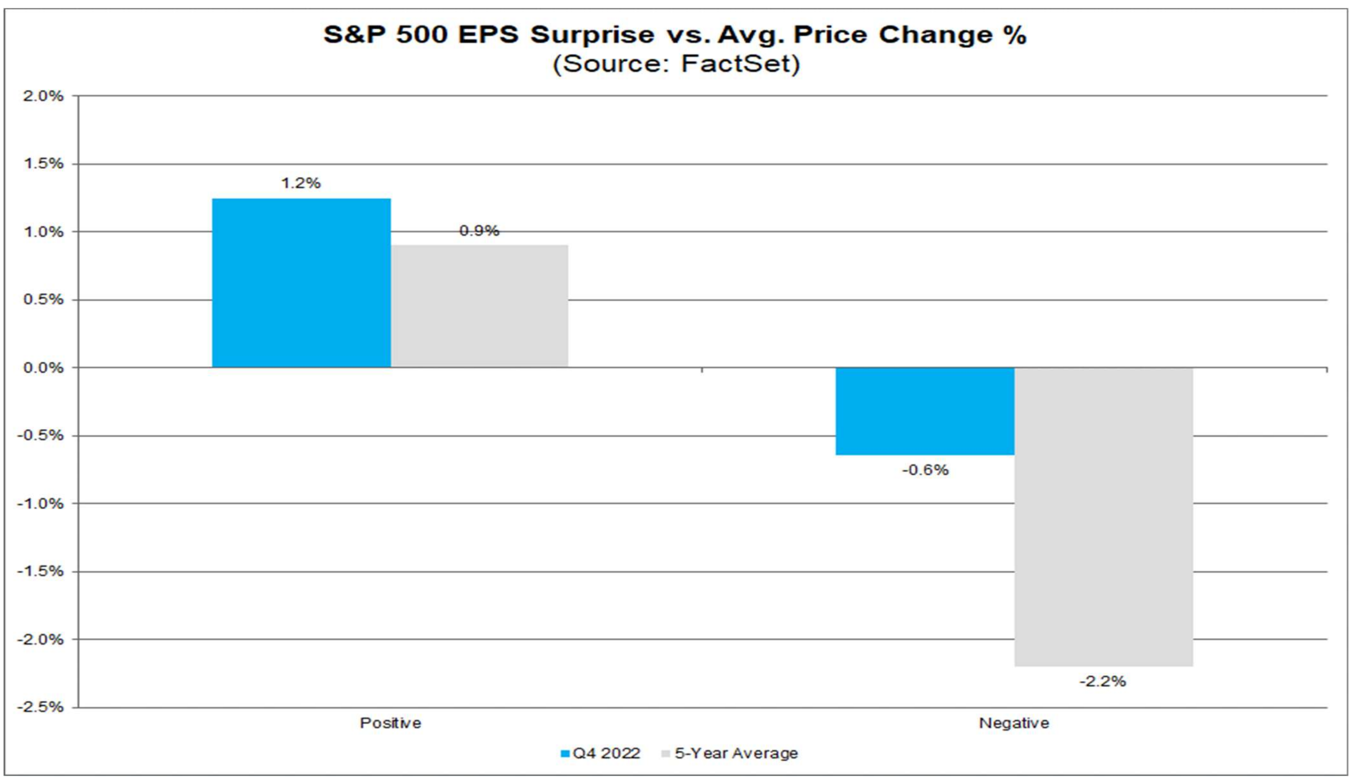
Q4 2022: Scorecard



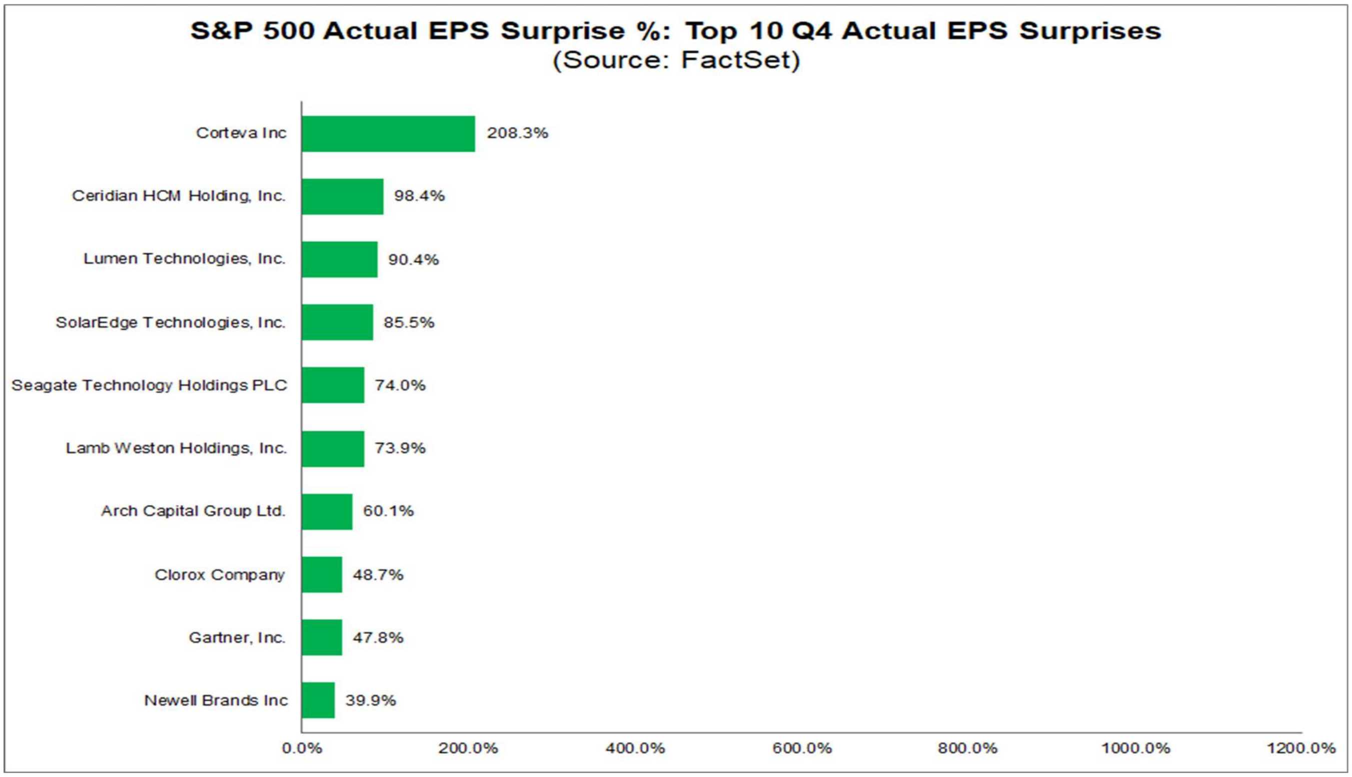


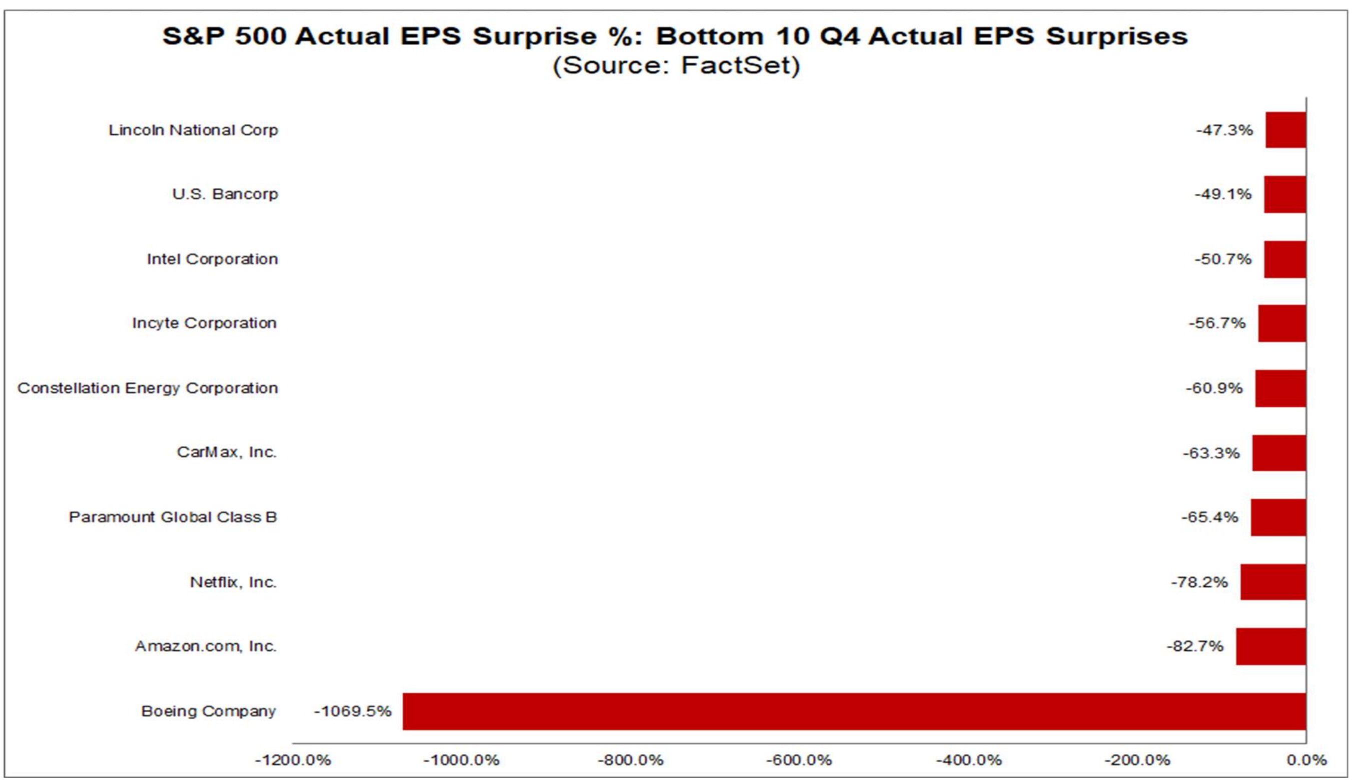
Q4 2022: Scorecard



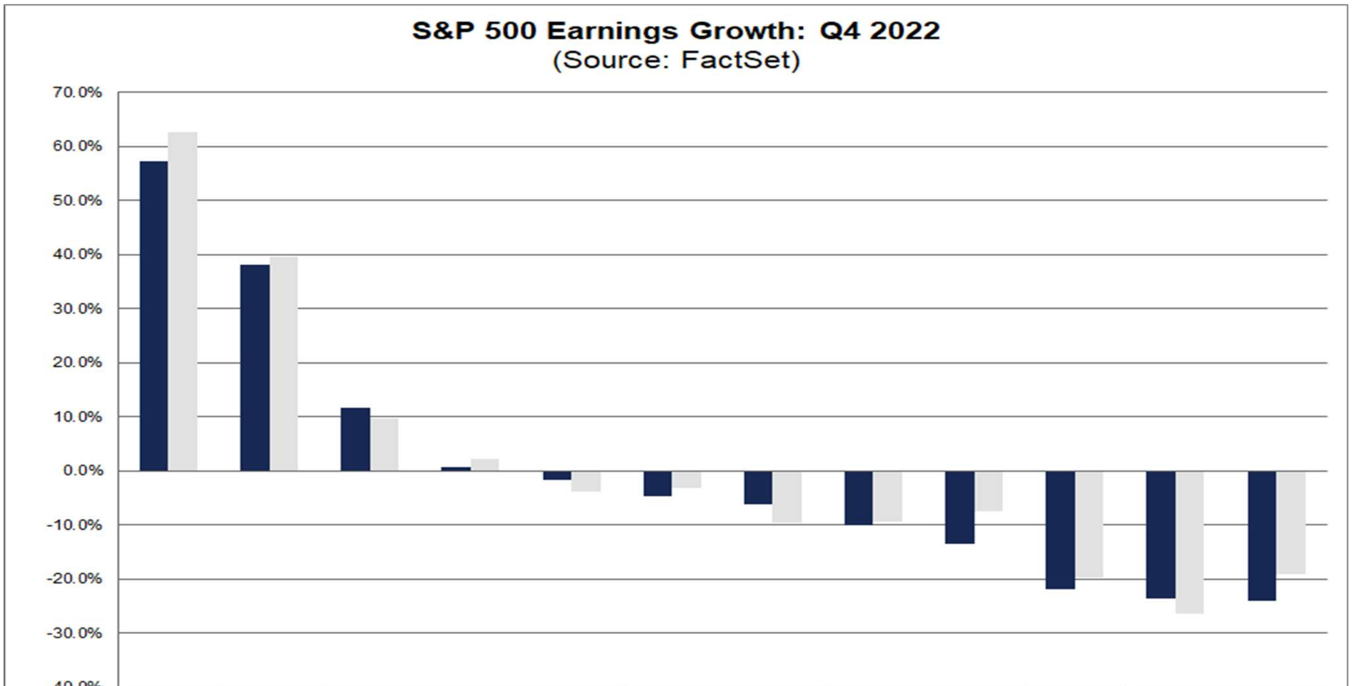


Q4 2022: Scorecard

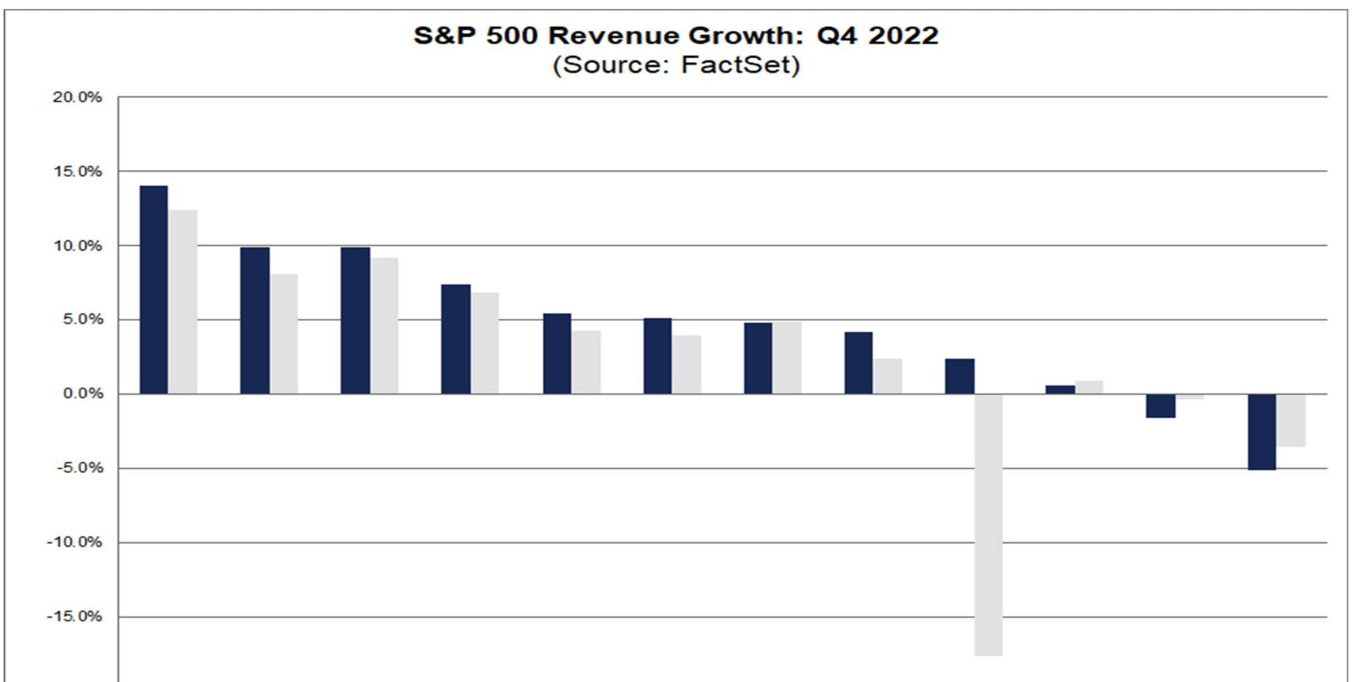




Q4 2022: Growth

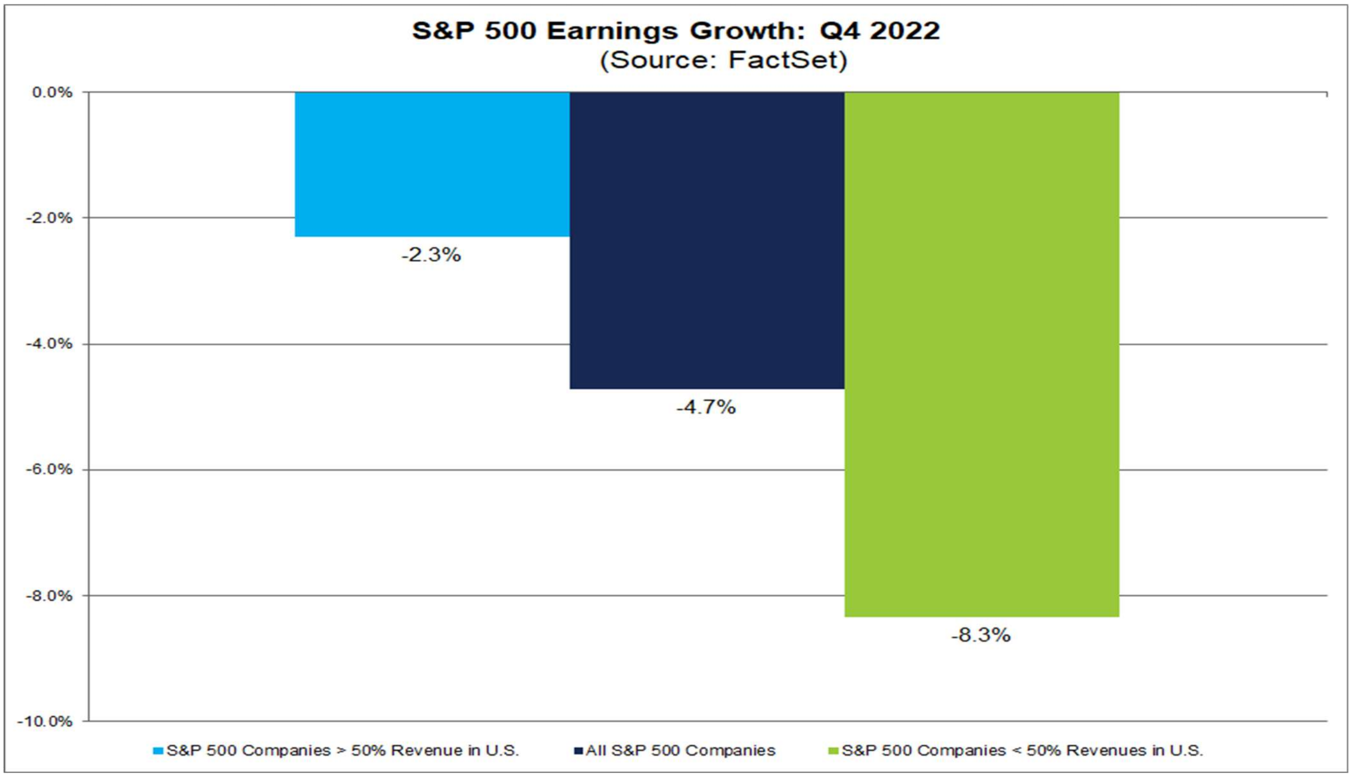


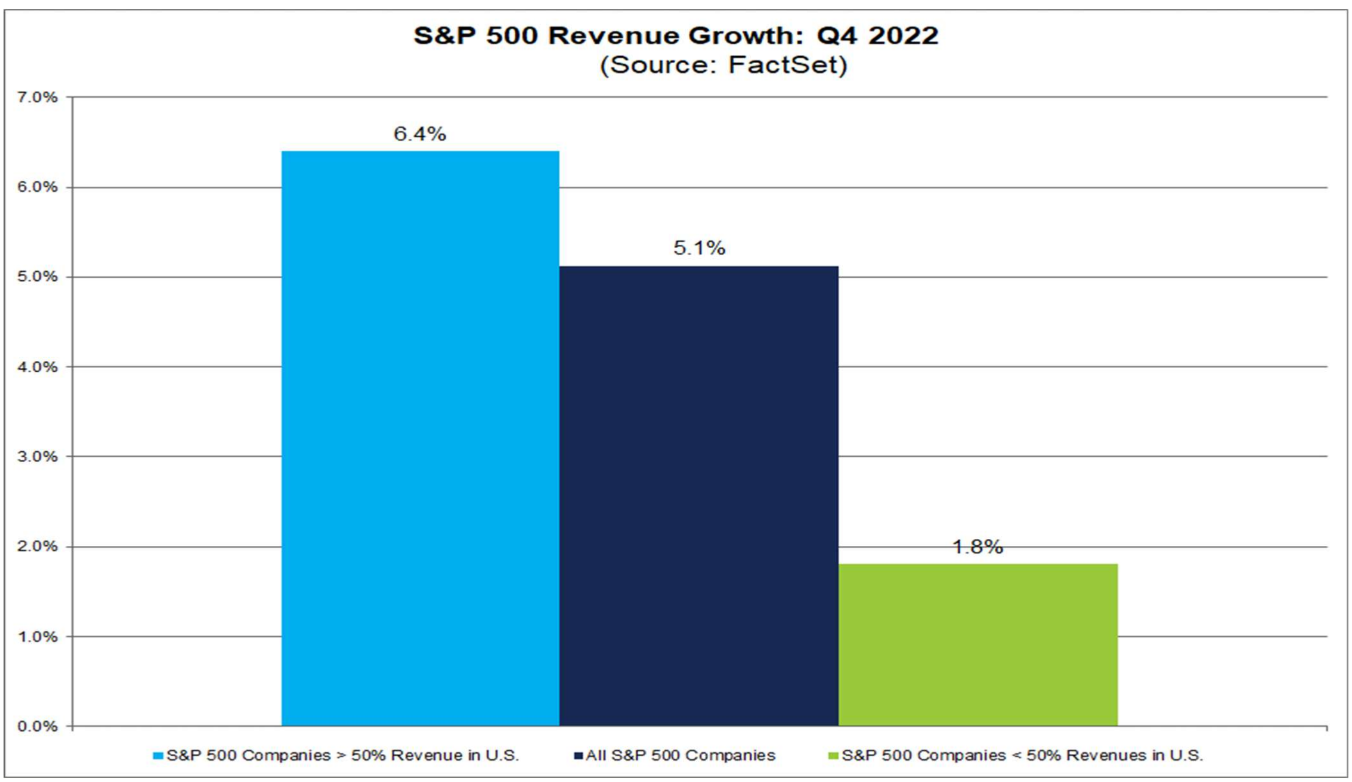
	Energy	Industrials	Real Estate	Utilities	Consumer Staples	S&P 500	Health Care	Info. Technology	Financials	Consumer Disc.	Materials	Comm. Services
Today	57.2%	38.2%	11.7%	0.6%	-1.6%	-4.7%	-6.3%	-10.0%	-13.4%	-22.0%	-23.6%	-24.0%
31-Dec	62.7%	39.5%	9.8%	2.2%	-3.9%	-3.3%	-9.6%	-9.4%	-7.5%	-19.7%	-26.4%	-19.0%



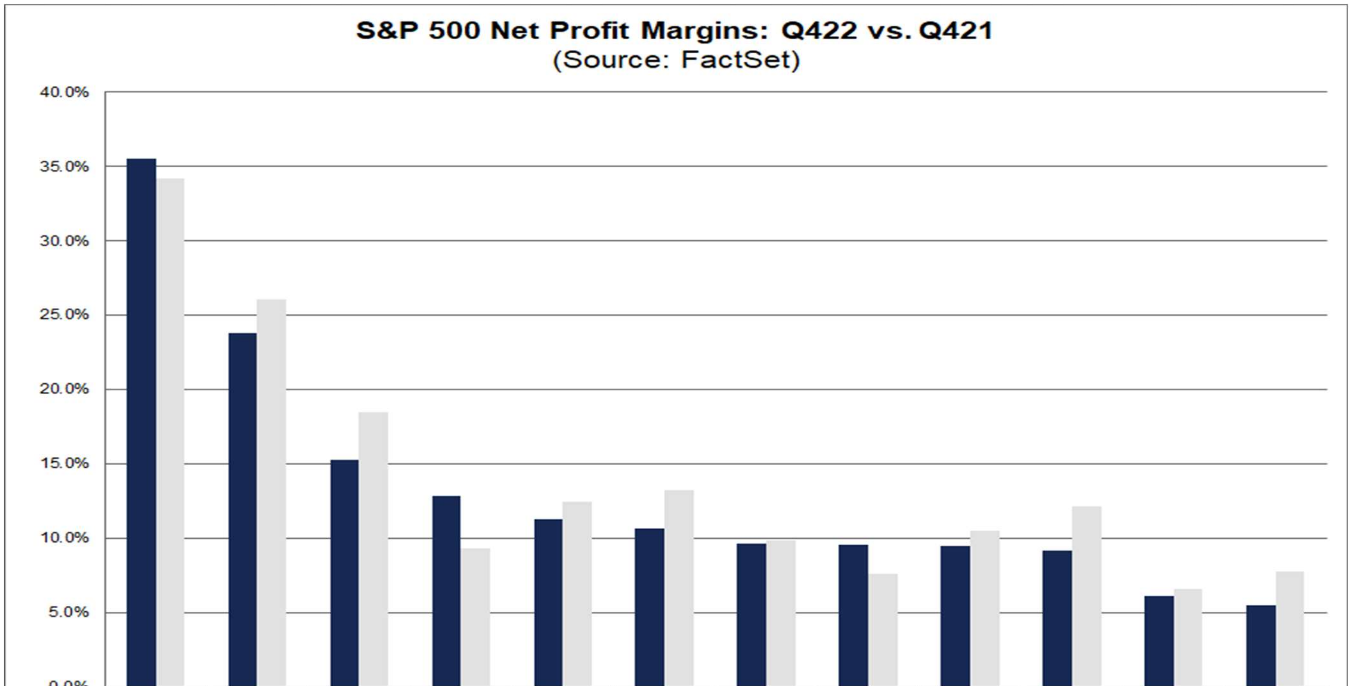
	Energy	Consumer Disc.	Industrials	Real Estate	Consumer Staples	S&P 500	Financials	Health Care	Utilities	Comm. Services	Info. Technology	Materials
Today	14.1%	9.9%	9.9%	7.4%	5.5%	5.1%	4.8%	4.2%	2.4%	0.6%	-1.6%	-5.1%
31-Dec	12.4%	8.1%	9.1%	6.8%	4.2%	3.9%	4.8%	2.4%	-17.7%	0.9%	-0.4%	-3.6%

Q4 2022: Growth

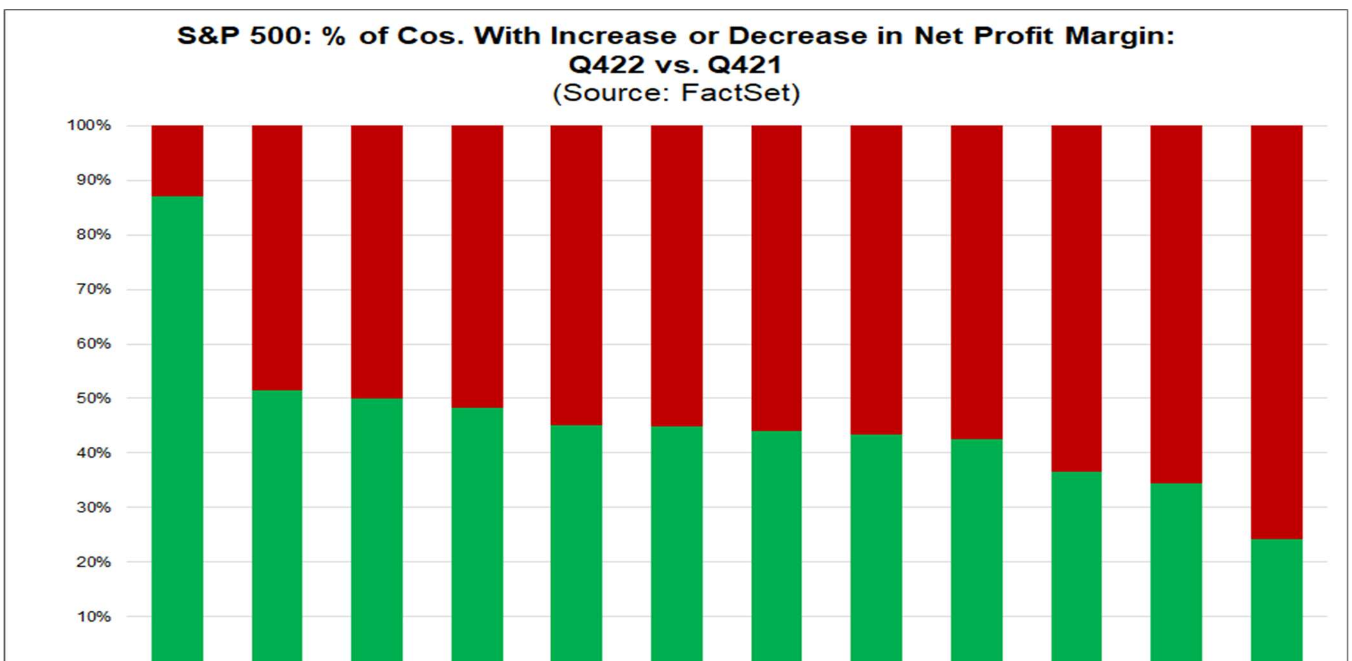




Q4 2022: Net Profit Margin

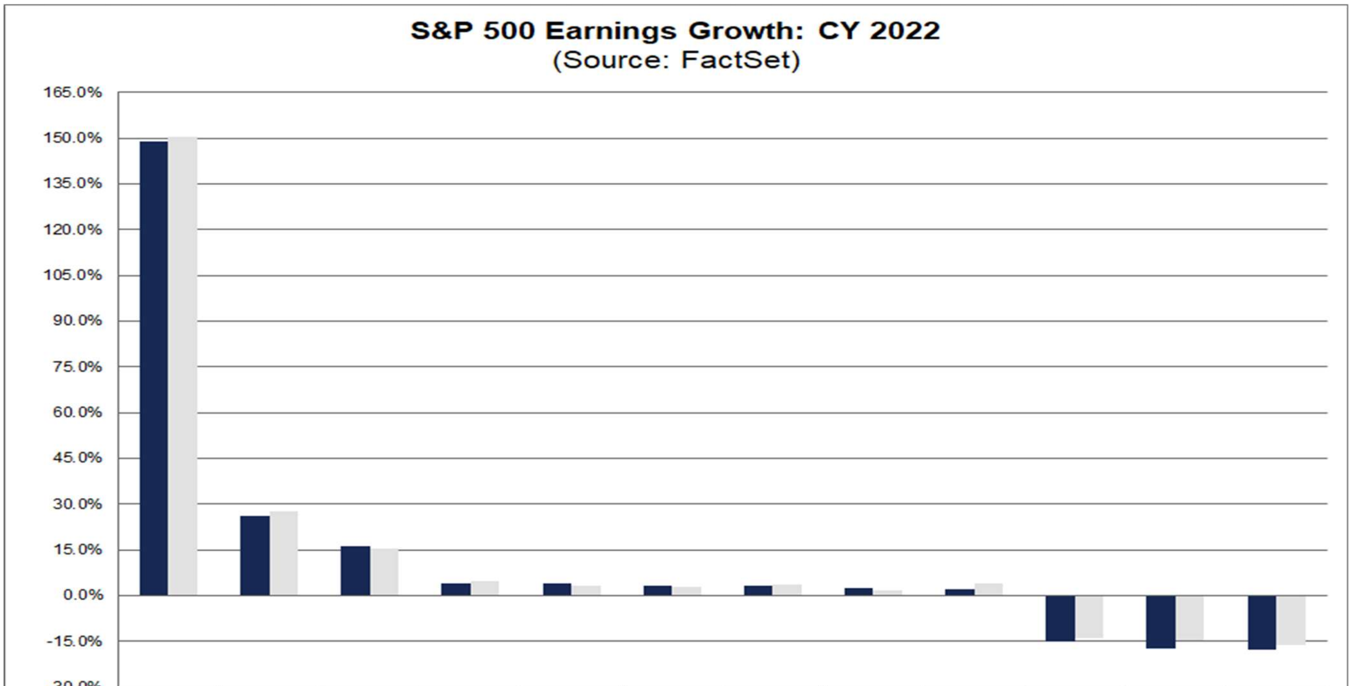


	Real Estate	Information Tech.	Financials	Energy	S&P 500	Materials	Utilities	Industrials	Health Care	Comm. Services	Consumer Staples	Consumer Disc.
Q422	35.5%	23.8%	15.3%	12.8%	11.3%	10.7%	9.7%	9.6%	9.4%	9.2%	6.1%	5.5%
Q421	34.2%	26.0%	18.5%	9.3%	12.4%	13.2%	9.8%	7.6%	10.5%	12.1%	6.6%	7.8%

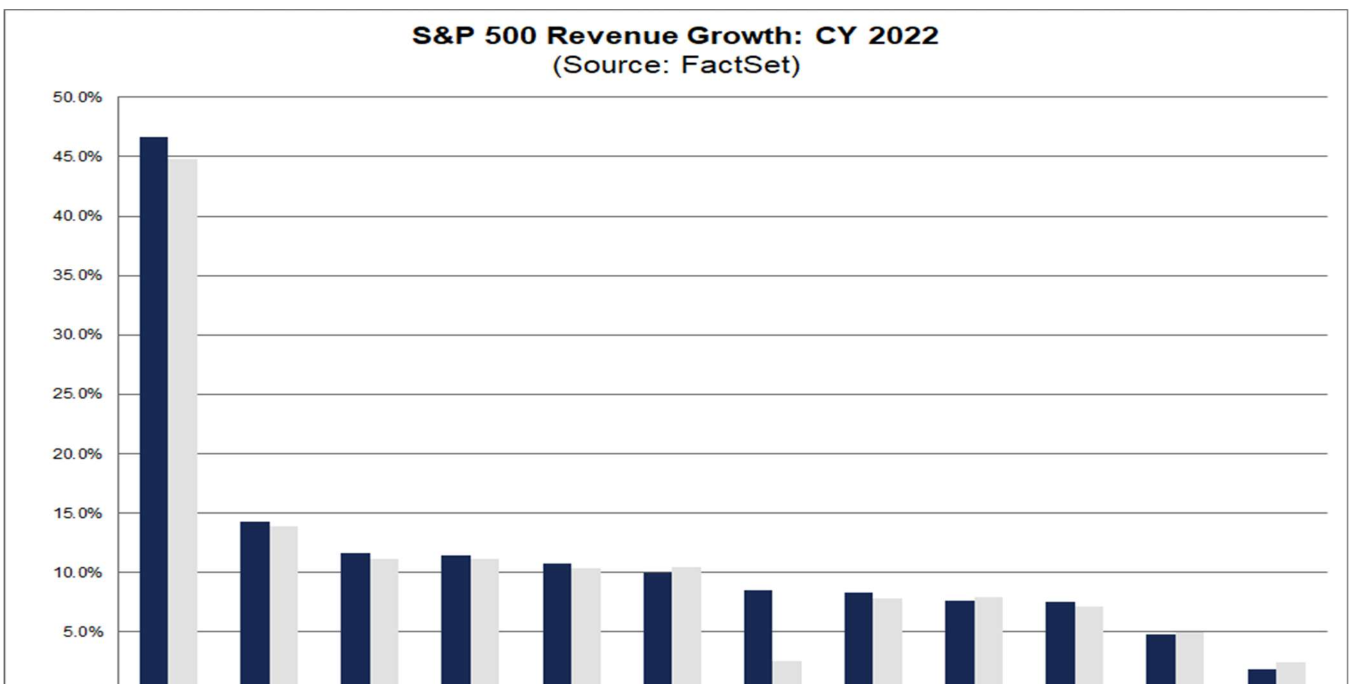


	Energy	Industrials	Information Tech.	Consumer Disc.	Real Estate	S&P 500	Comm. Services	Utilities	Consumer Staples	Health Care	Financials	Materials
Down %	13%	49%	50%	52%	55%	55%	56%	57%	58%	63%	66%	76%
None %	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Up %	87%	51%	50%	48%	45%	45%	44%	43%	42%	37%	34%	24%

CY 2022: Growth

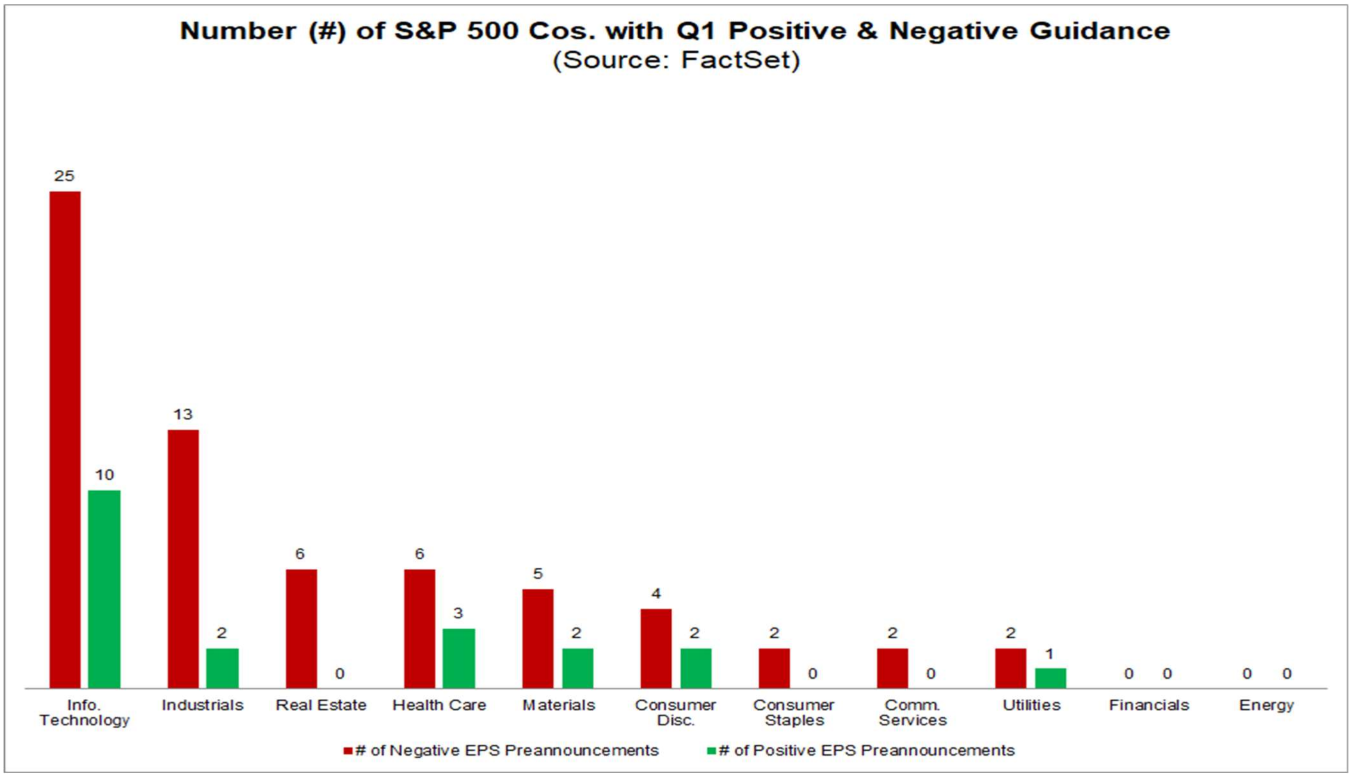


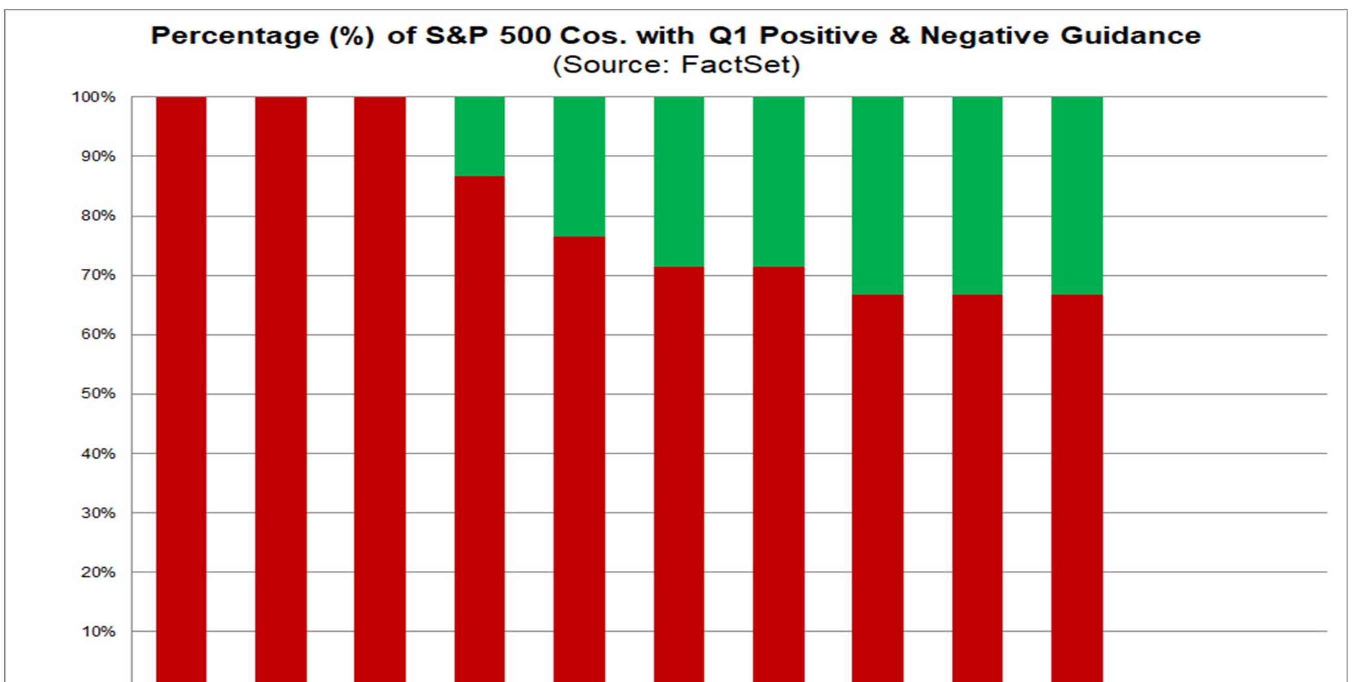
	Energy	Industrials	Real Estate	S&P 500	Health Care	Materials	Info. Technology	Consumer Staples	Utilities	Consumer Disc.	Comm. Services	Financials
Today	148.9%	26.2%	16.2%	4.1%	3.9%	3.2%	3.1%	2.3%	1.9%	-15.0%	-17.6%	-17.6%
31-Dec	150.5%	27.6%	15.5%	4.9%	3.2%	2.9%	3.6%	1.7%	3.9%	-13.9%	-14.8%	-16.2%



	Energy	Real Estate	Consumer Disc.	Industrials	S&P 500	Materials	Utilities	Health Care	Info. Technology	Consumer Staples	Comm. Services	Financials
Today	46.6%	14.3%	11.6%	11.5%	10.7%	10.0%	8.5%	8.3%	7.6%	7.6%	4.8%	1.8%
31-Dec	44.8%	13.8%	11.1%	11.2%	10.3%	10.5%	2.5%	7.8%	8.0%	7.2%	5.0%	2.4%

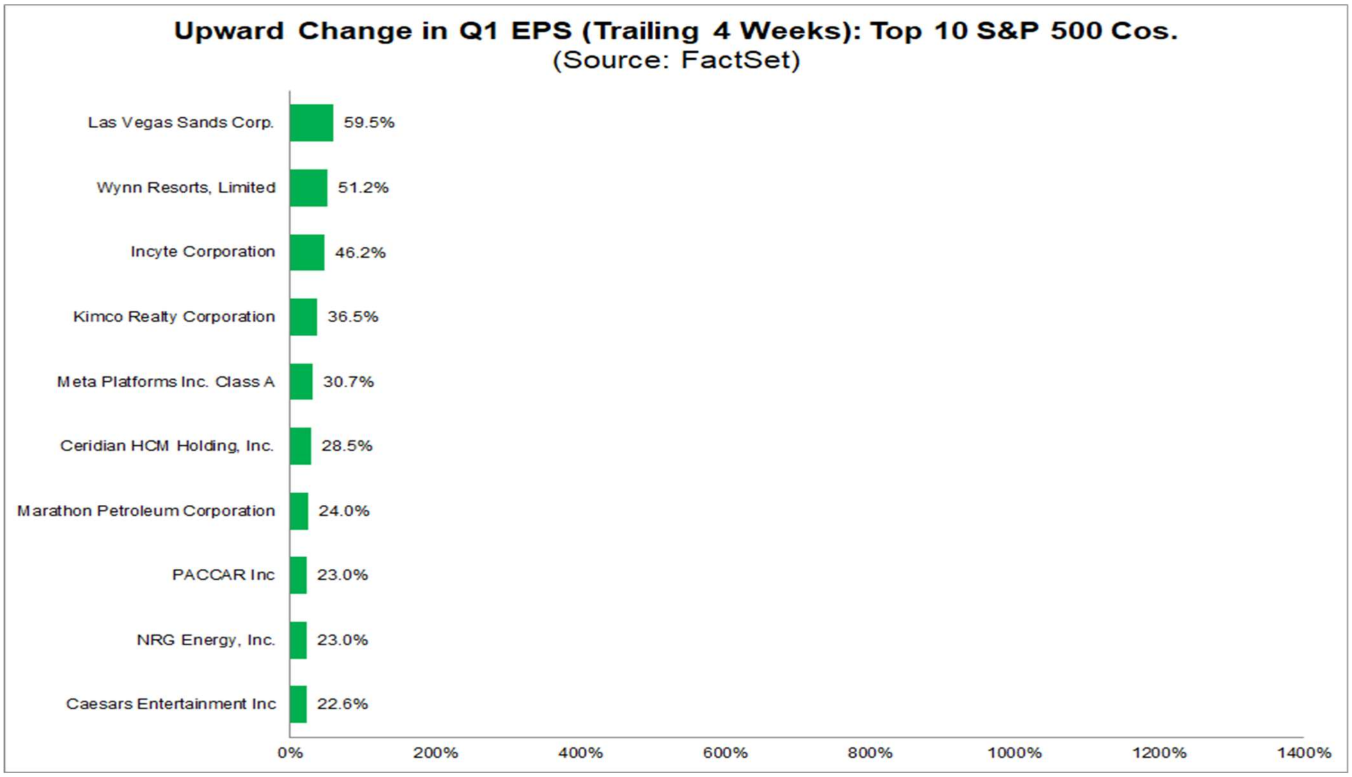
Q1 2023: Guidance

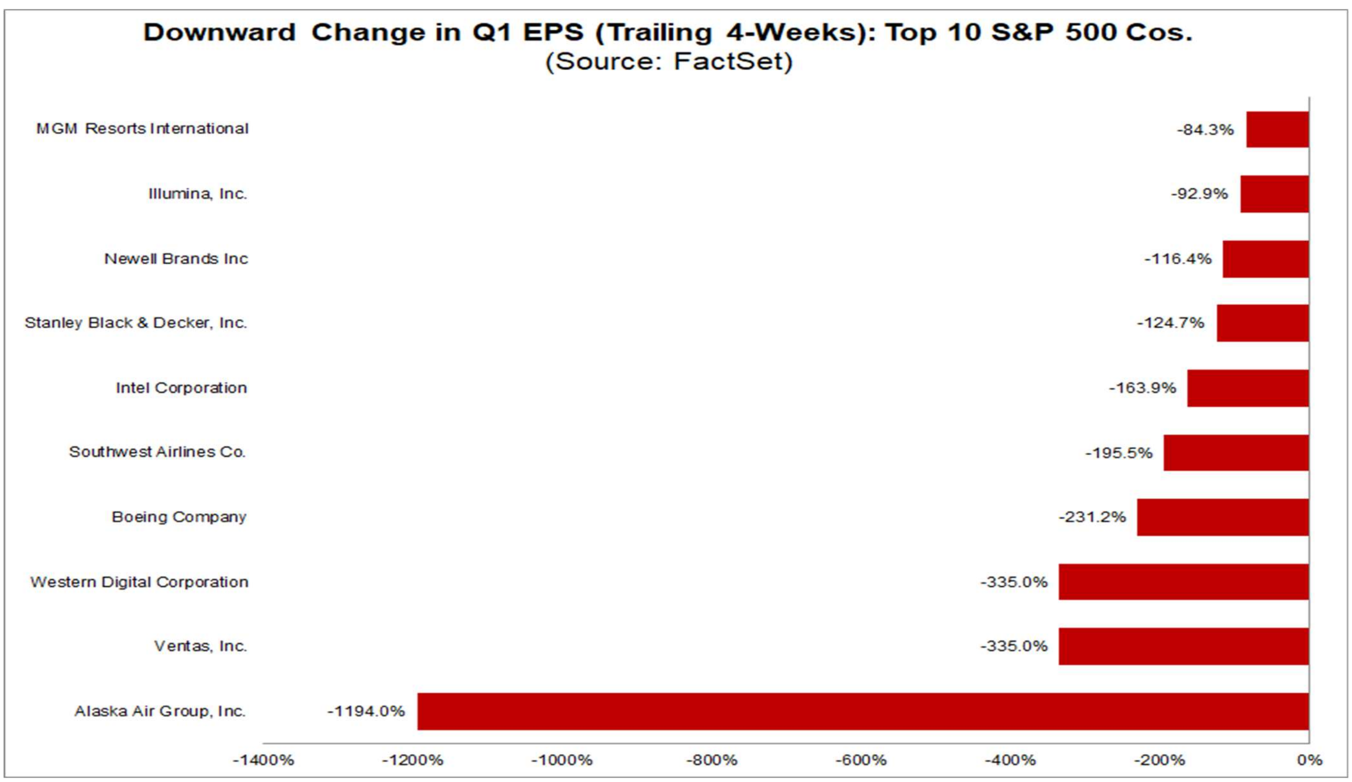




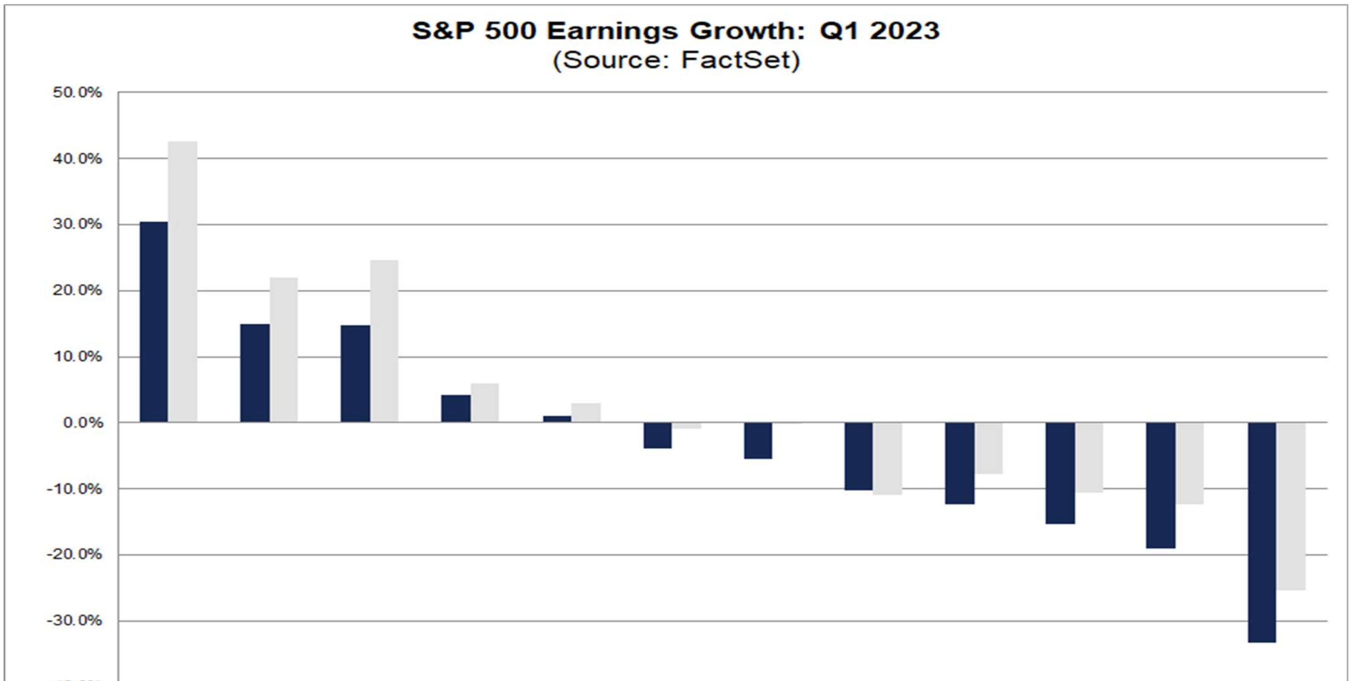
	Real Estate	Consumer Staples	Comm. Services	Industrials	S&P 500	Info. Technology	Materials	Health Care	Consumer Disc.	Utilities	Financials	Energy
Positive	0%	0%	0%	13%	24%	29%	29%	33%	33%	33%	0%	0%
Negative	100%	100%	100%	87%	76%	71%	71%	67%	67%	67%	0%	0%

Q1 2023: EPS Revisions

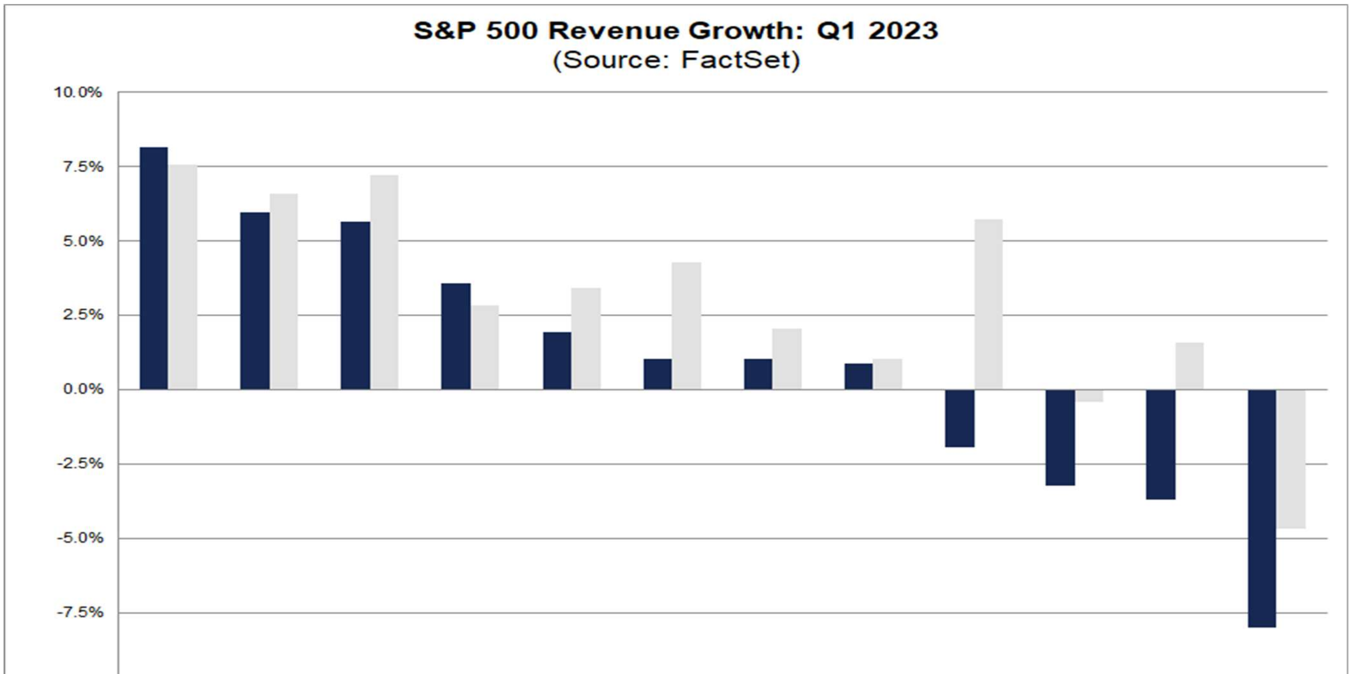




Q1 2023: Growth

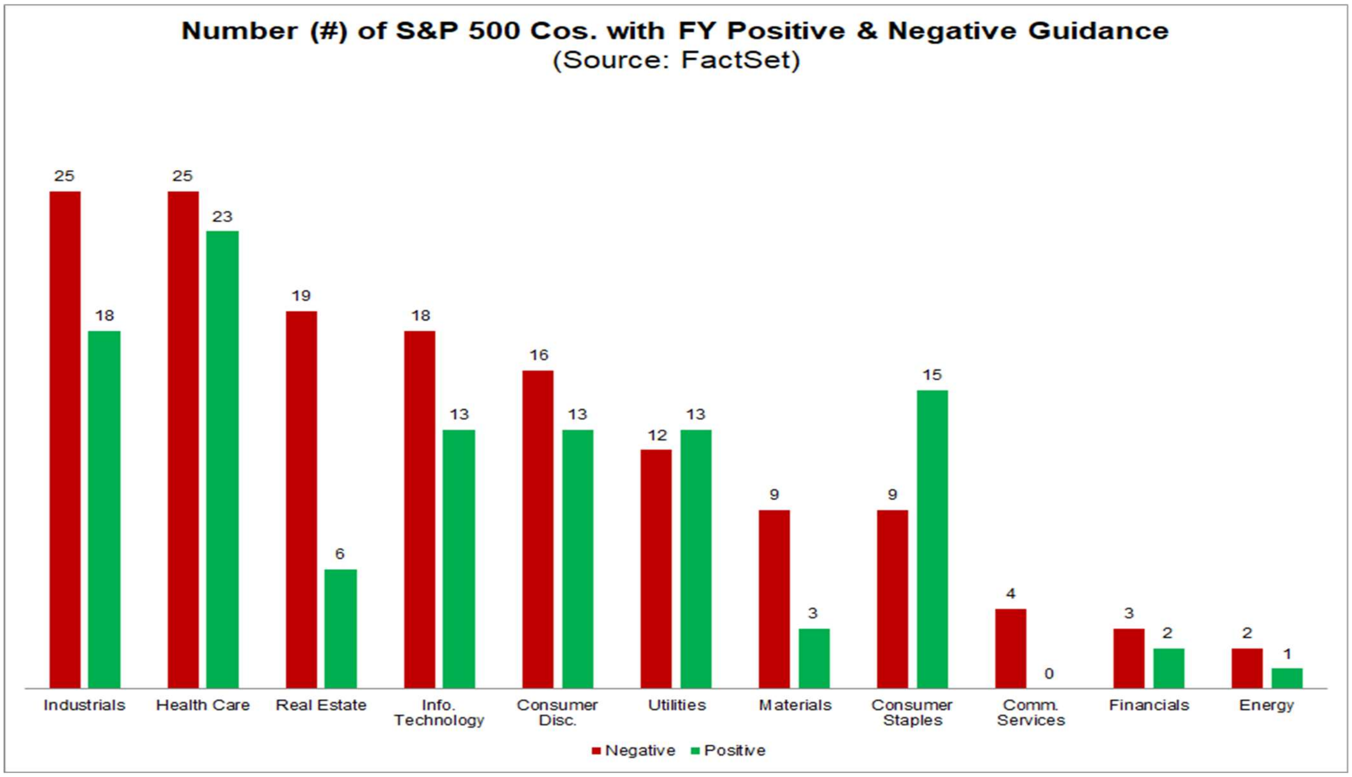


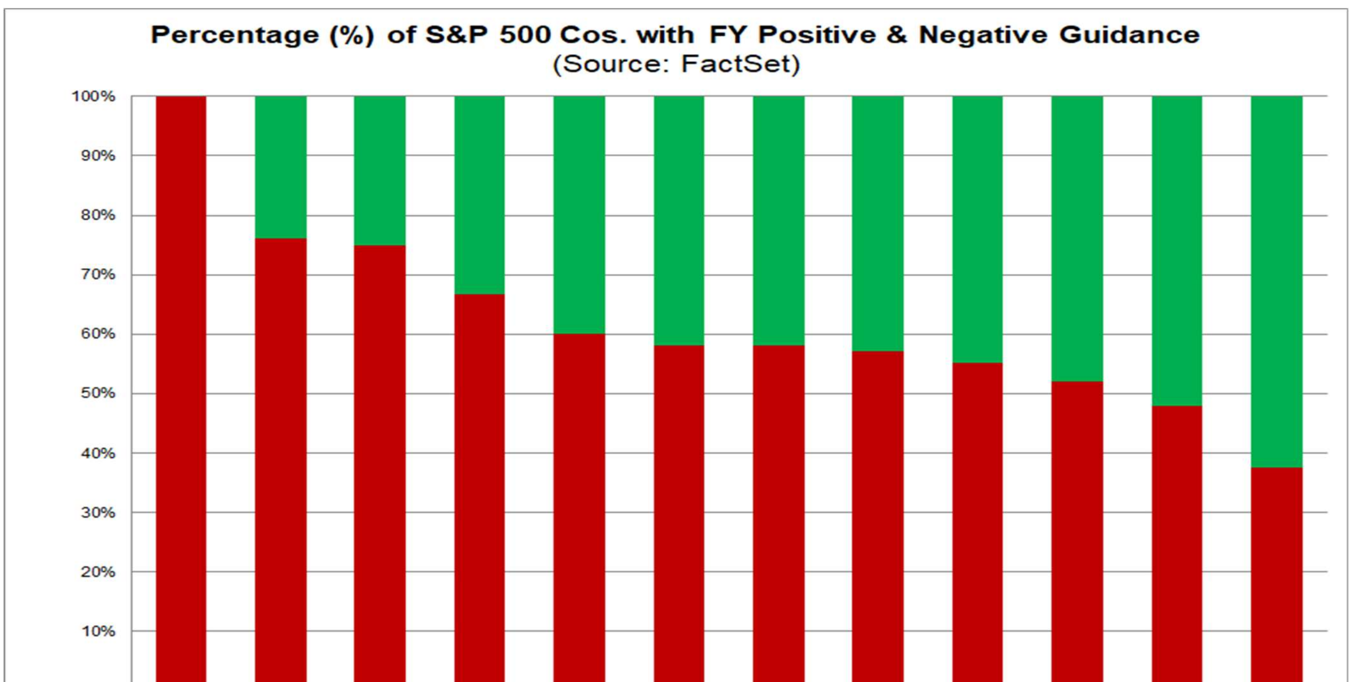
	Consumer Disc.	Energy	Industrials	Financials	Real Estate	Consumer Staples	S&P 500	Utilities	Info. Technology	Comm. Services	Health Care	Materials
Today	30.3%	14.9%	14.7%	4.1%	1.1%	-3.8%	-5.4%	-10.3%	-12.4%	-15.4%	-19.0%	-33.2%
31-Dec	42.5%	22.0%	24.5%	6.0%	3.0%	-1.0%	-0.2%	-10.9%	-7.7%	-10.6%	-12.4%	-25.3%



	Financials	Consumer Disc.	Industrials	Consumer Staples	S&P 500	Real Estate	Comm. Services	Health Care	Energy	Info. Technology	Utilities	Materials
Today	8.2%	5.9%	5.6%	3.6%	1.9%	1.0%	1.0%	0.9%	-1.9%	-3.2%	-3.7%	-8.0%
31-Dec	7.5%	6.6%	7.2%	2.8%	3.4%	4.3%	2.0%	1.0%	5.7%	-0.4%	1.6%	-4.7%

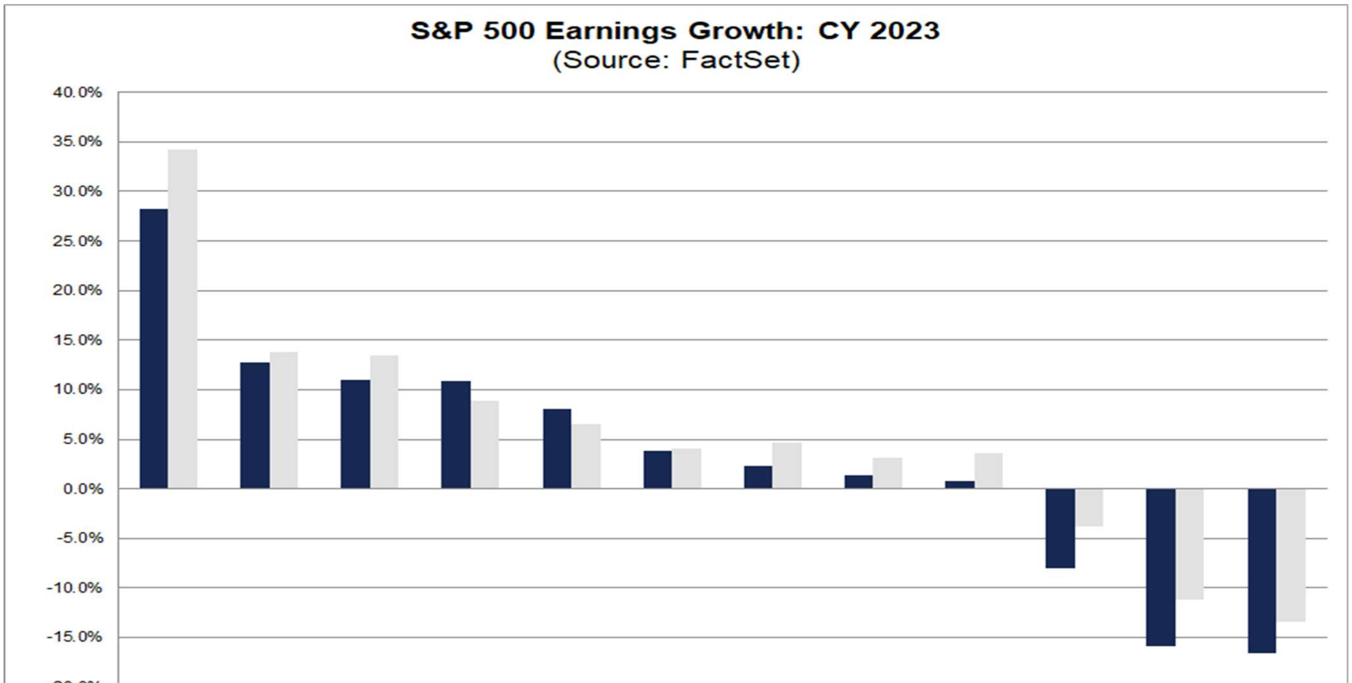
FY 2022 / 2023: EPS Guidance



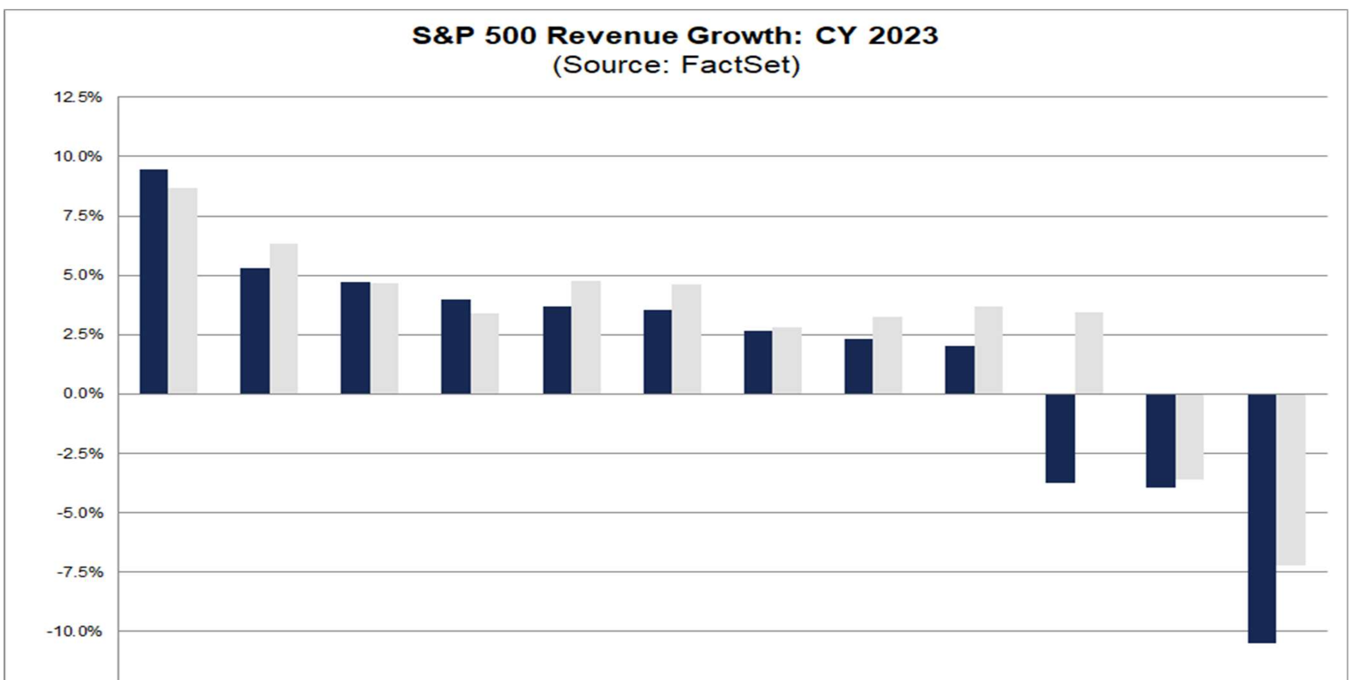


	Comm. Services	Real Estate	Materials	Energy	Financials	Industrials	Info. Technology	S&P 500	Consumer Disc.	Health Care	Utilities	Consumer Staples
Positive	0%	24%	25%	33%	40%	42%	42%	43%	45%	48%	52%	63%
Negative	100%	76%	75%	67%	60%	58%	58%	57%	55%	52%	48%	38%

CY 2023: Growth

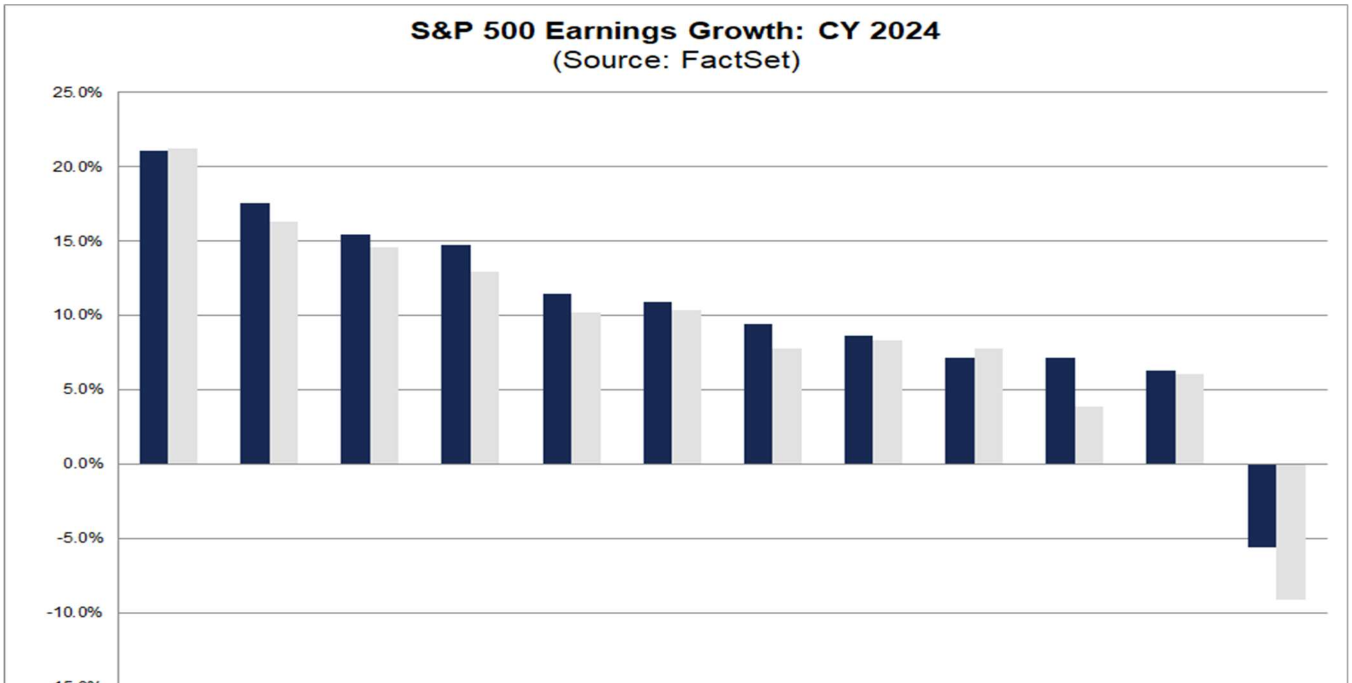


	Consumer Disc.	Financials	Industrials	Comm. Services	Utilities	Consumer Staples	S&P 500	Real Estate	Info. Technology	Health Care	Materials	Energy
Today	28.2%	12.7%	11.0%	10.9%	8.0%	3.8%	2.3%	1.3%	0.8%	-8.0%	-15.9%	-16.6%
31-Dec	34.3%	13.8%	13.5%	8.9%	6.5%	4.1%	4.7%	3.1%	3.6%	-3.8%	-11.2%	-13.4%

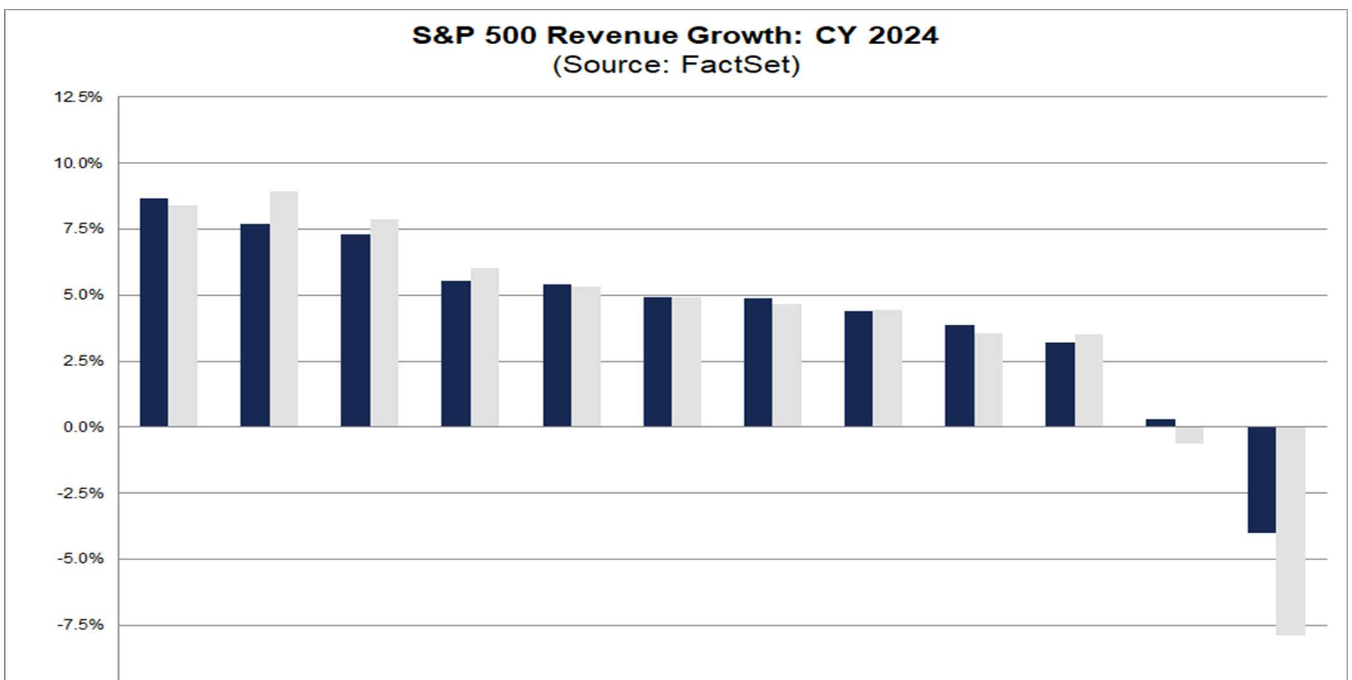


	Financials	Consumer Disc.	Real Estate	Consumer Staples	Comm. Services	Industrials	Health Care	S&P 500	Info. Technology	Utilities	Materials	Energy
Today	9.5%	5.3%	4.7%	4.0%	3.7%	3.5%	2.7%	2.3%	2.0%	-3.7%	-3.9%	-10.5%
31-Dec	8.6%	6.3%	4.7%	3.4%	4.7%	4.6%	2.8%	3.2%	3.7%	3.5%	-3.6%	-7.2%

CY 2024: Growth

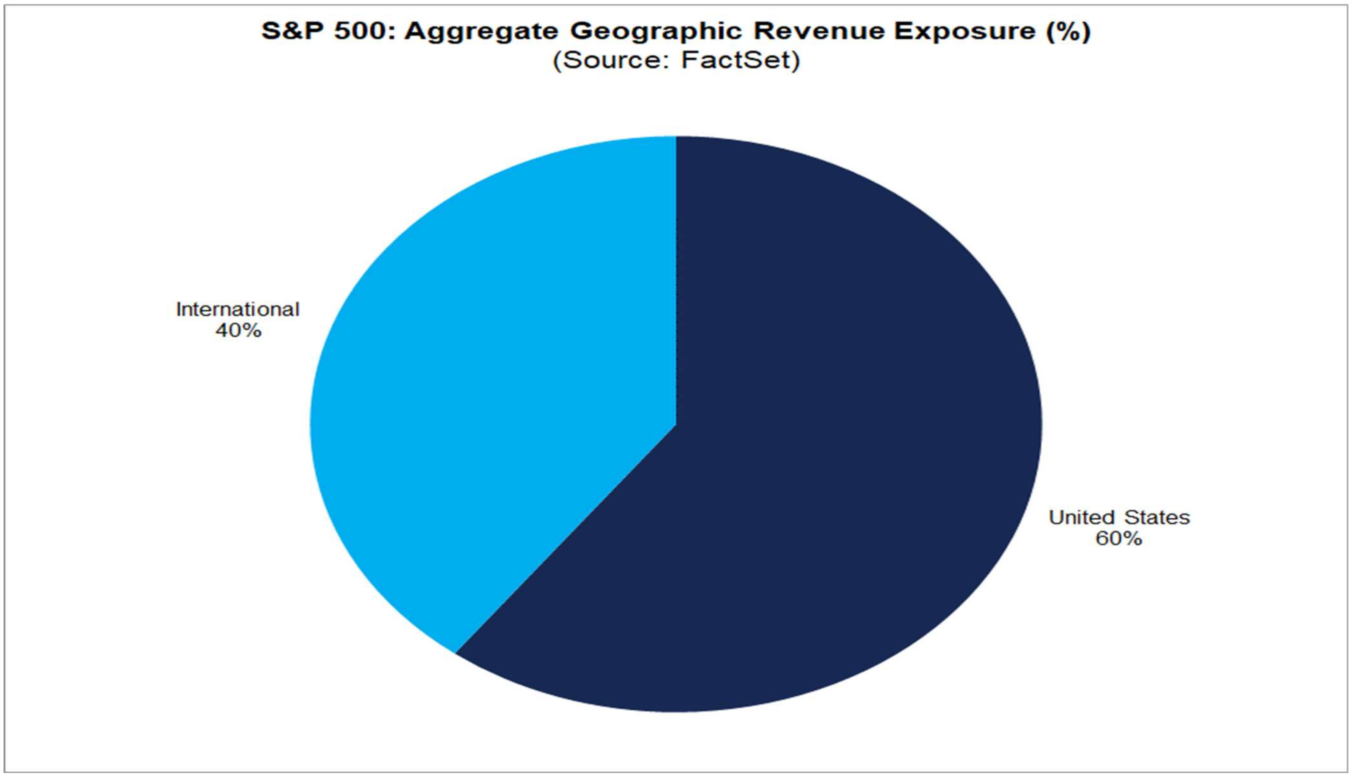


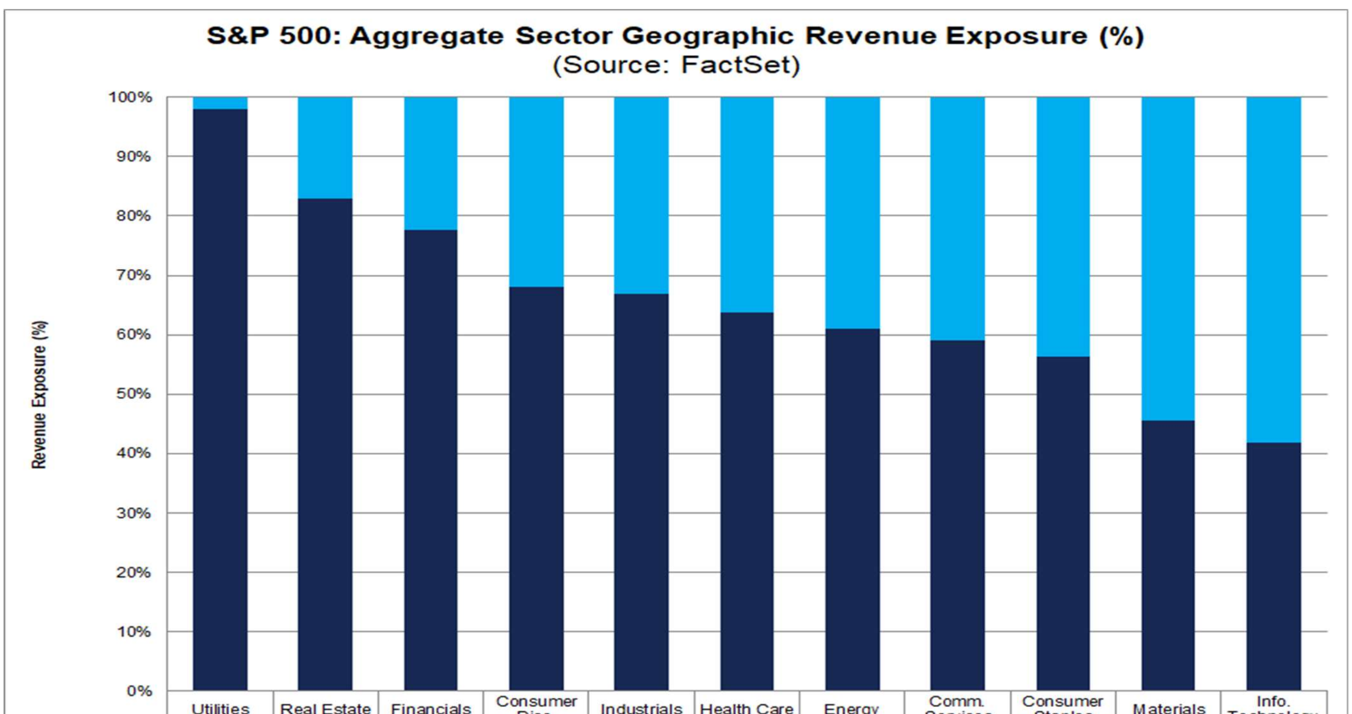
	Consumer Disc.	Comm. Services	Info. Technology	Industrials	S&P 500	Financials	Health Care	Consumer Staples	Utilities	Materials	Real Estate	Energy
Today	21.1%	17.6%	15.5%	14.7%	11.4%	10.9%	9.4%	8.6%	7.1%	7.1%	6.3%	-5.6%
31-Dec	21.2%	16.3%	14.6%	12.9%	10.2%	10.4%	7.8%	8.4%	7.8%	3.8%	6.1%	-9.1%



	Info. Technology	Consumer Disc.	Comm. Services	Real Estate	Health Care	Industrials	S&P 500	Financials	Consumer Staples	Utilities	Materials	Energy
Today	8.6%	7.7%	7.3%	5.5%	5.4%	4.9%	4.9%	4.4%	3.8%	3.2%	0.3%	-4.0%
31-Dec	8.4%	8.9%	7.9%	6.0%	5.3%	4.9%	4.7%	4.4%	3.6%	3.5%	-0.6%	-7.9%

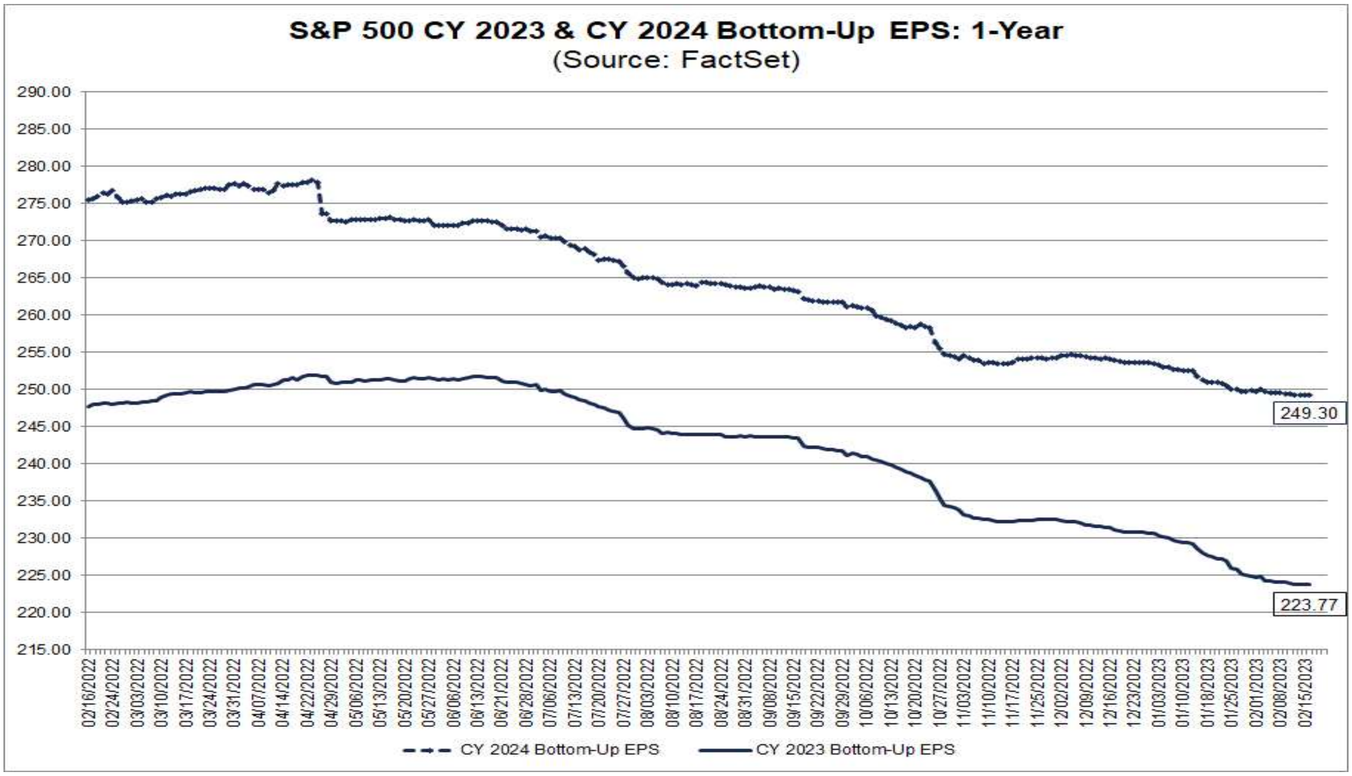
Geographic Revenue Exposure

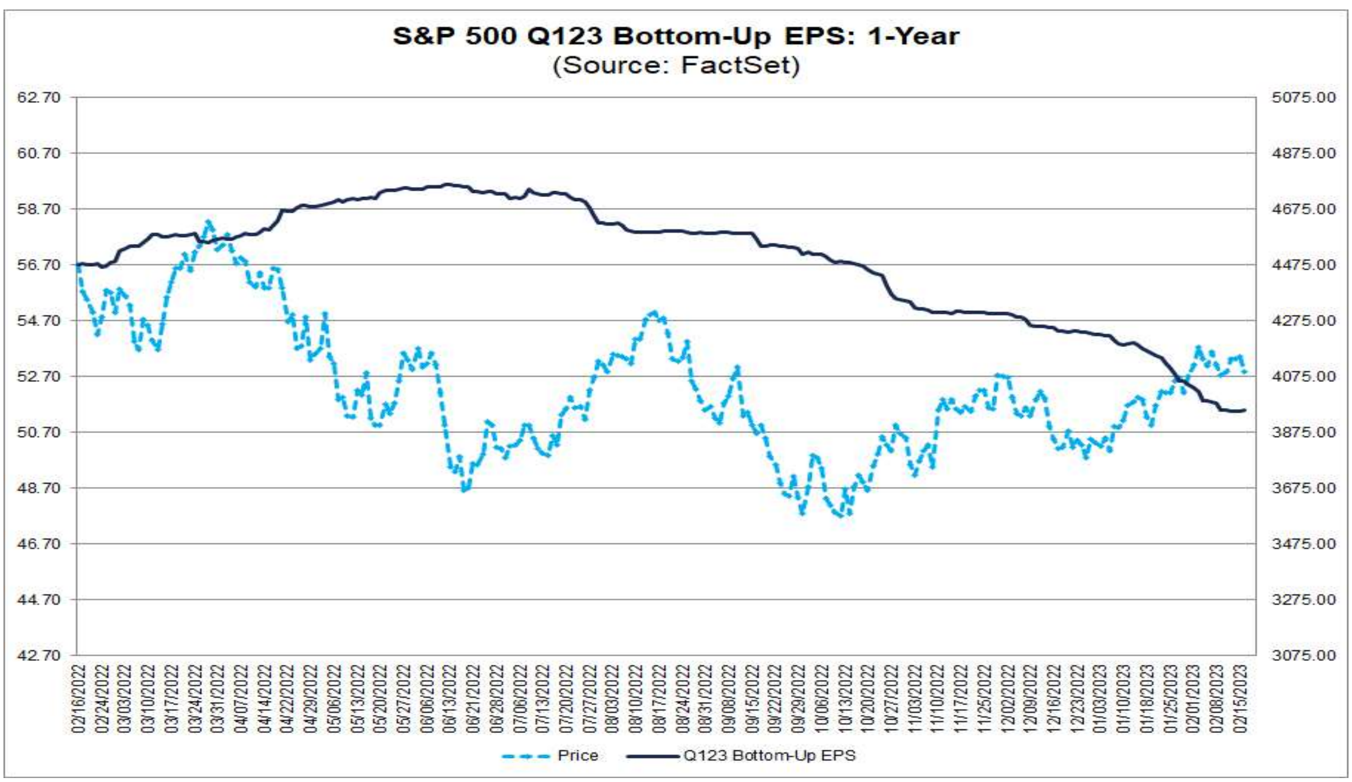




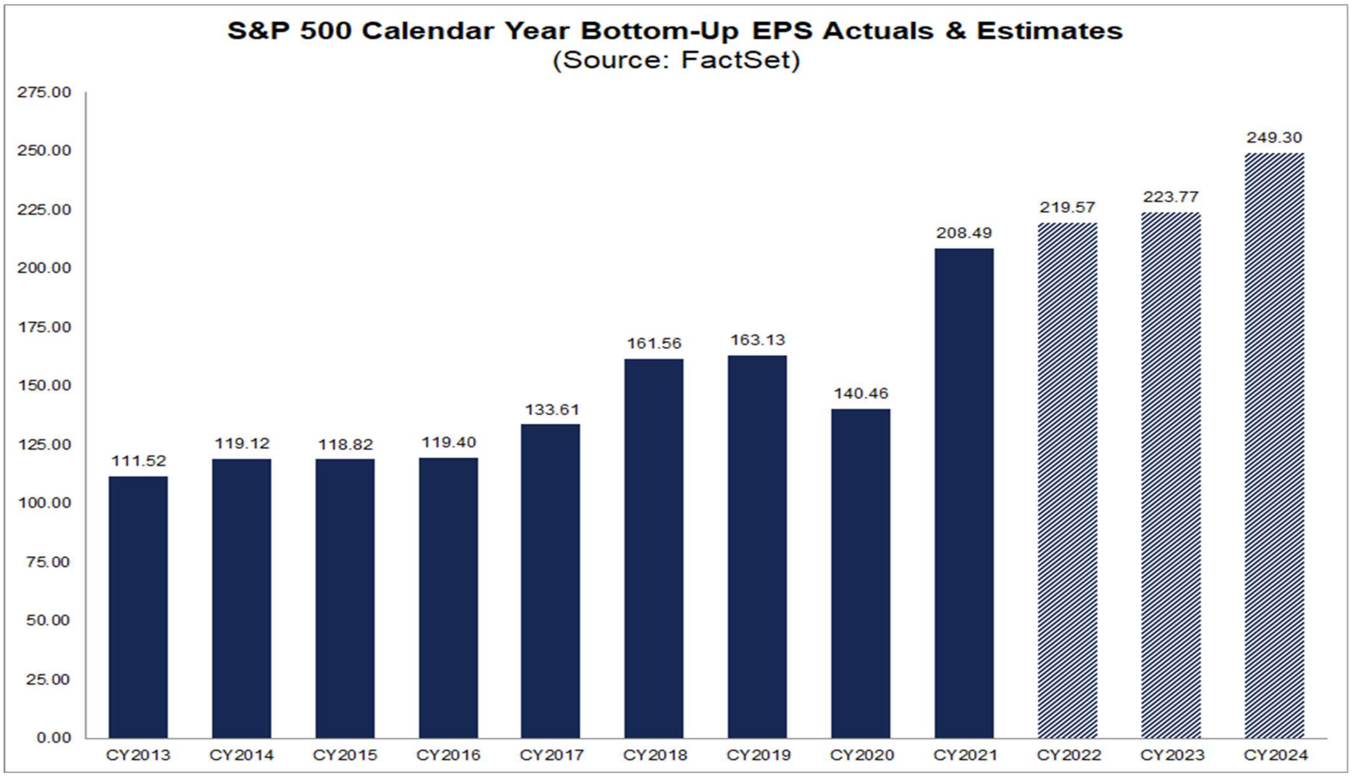
	Utilities	Real Estate	Financials	Consumer Disc.	Industrials	Health Care	Energy	Comm. Services	Consumer Staples	Materials	Info. Technology
International	2%	17%	22%	32%	33%	36%	39%	41%	44%	54%	58%
United States	98%	83%	78%	68%	67%	64%	61%	59%	56%	46%	42%

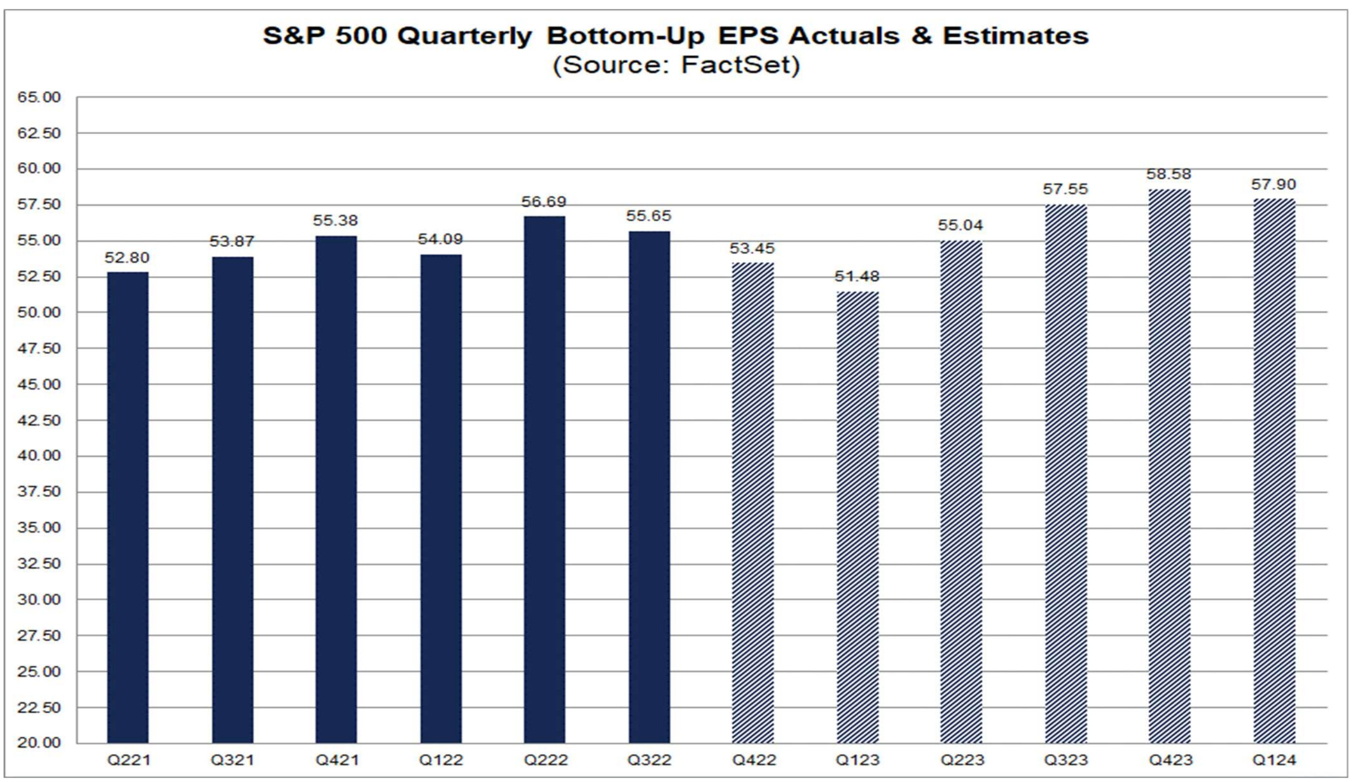
Bottom-Up EPS Estimates



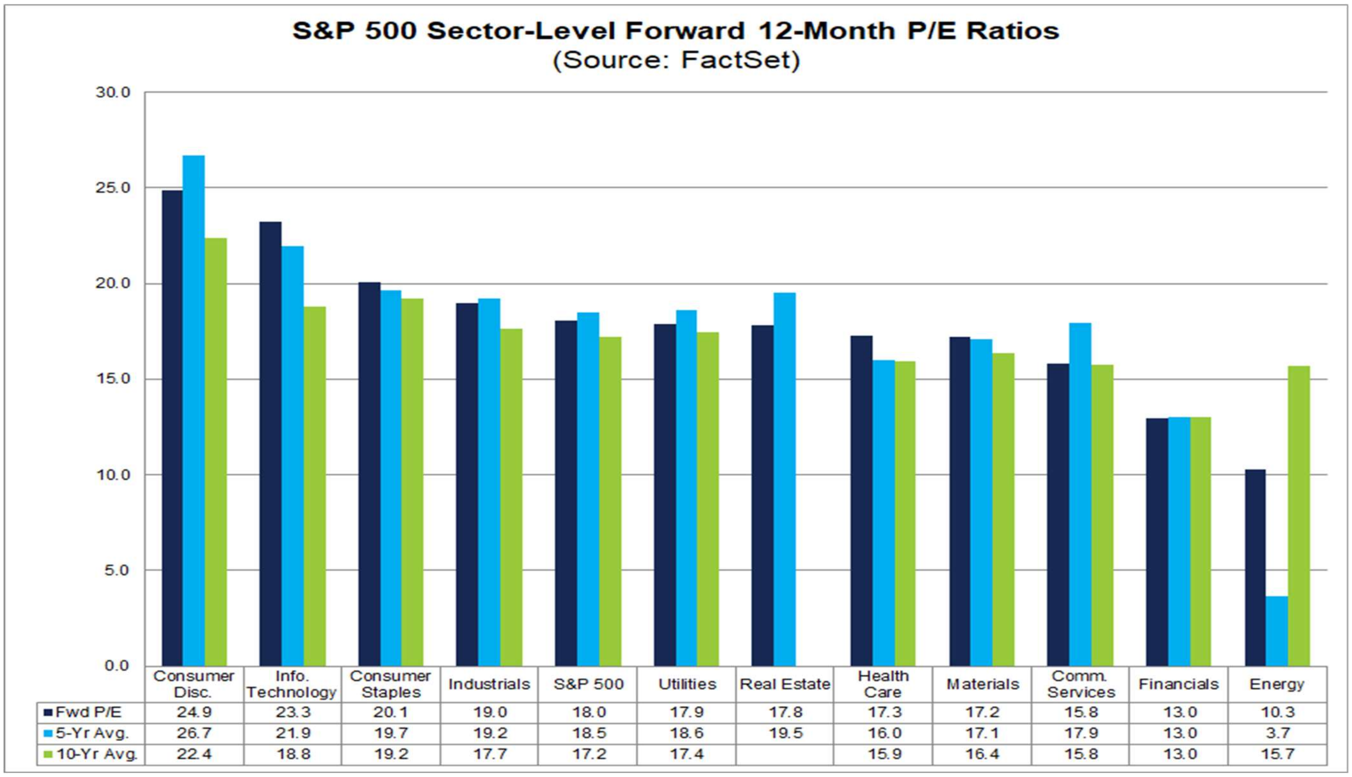


Bottom-Up EPS Estimates: Current & Historical

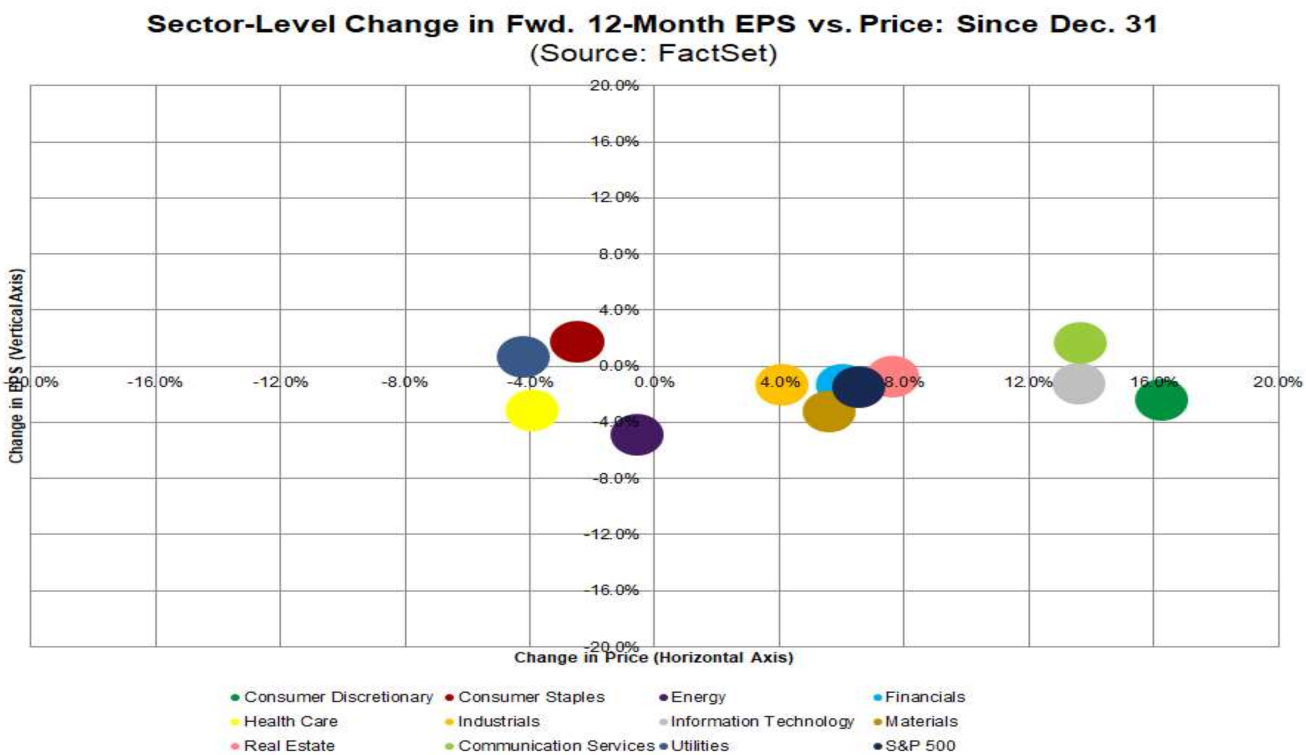




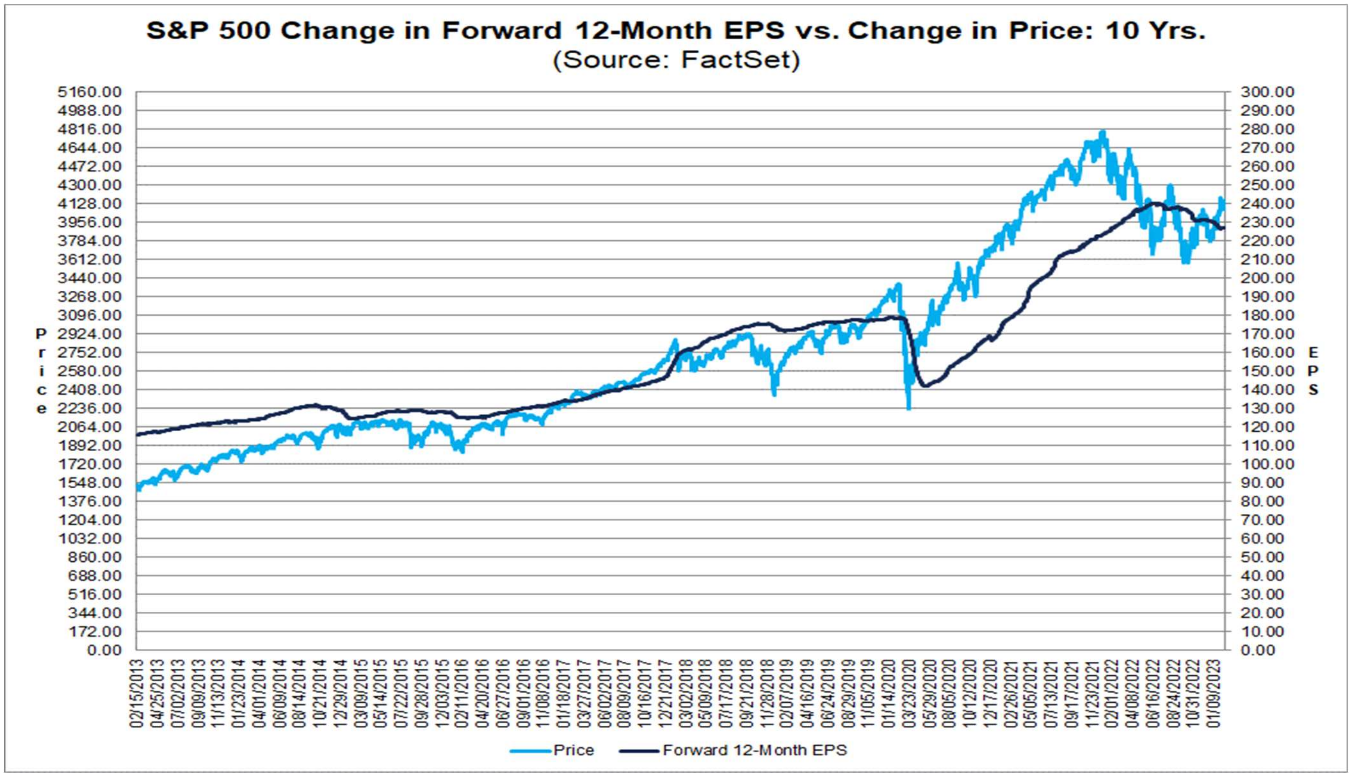
Forward 12M P/E Ratio: Sector Level

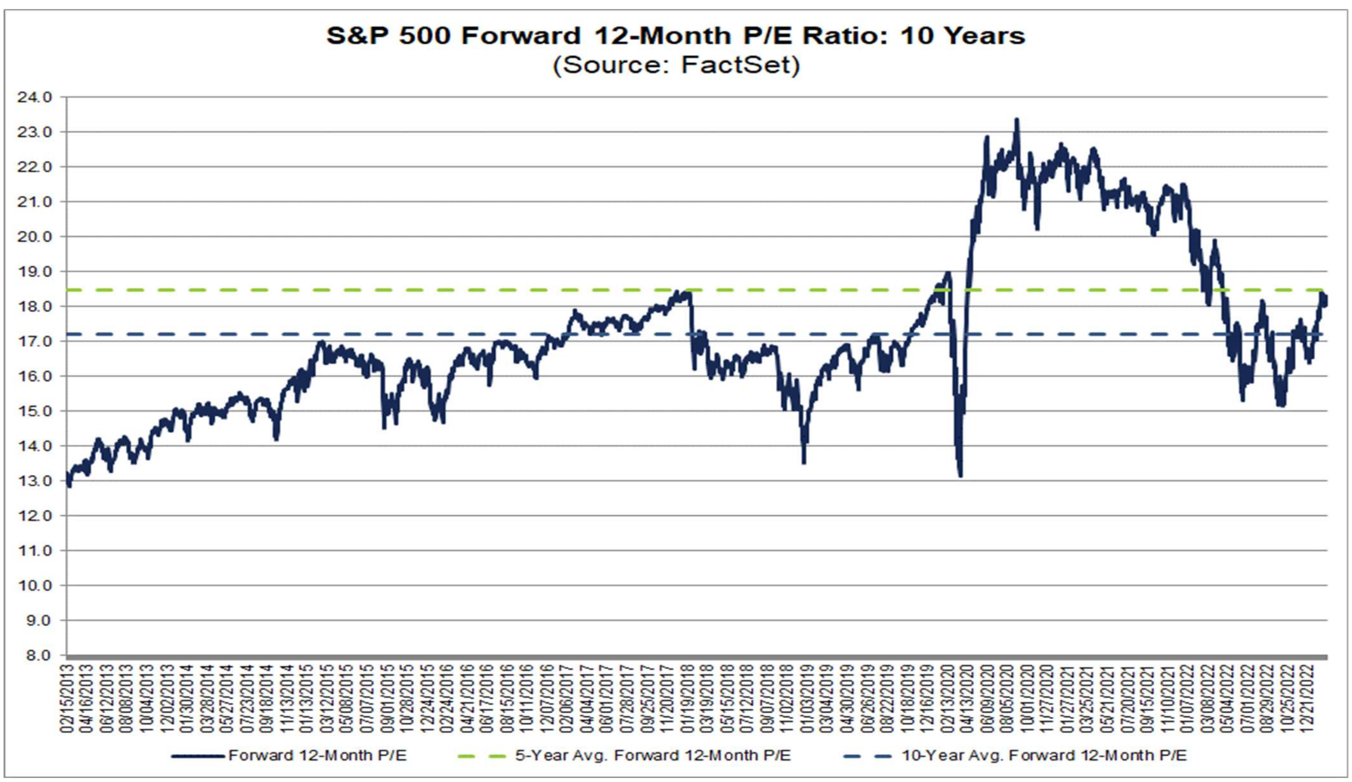


	Consumer Disc.	Info. Technology	Consumer Staples	Industrials	S&P 500	Utilities	Real Estate	Health Care	Materials	Comm. Services	Financials	Energy
Fwd P/E	24.9	23.3	20.1	19.0	18.0	17.9	17.8	17.3	17.2	15.8	13.0	10.3
5-Yr Avg.	26.7	21.9	19.7	19.2	18.5	18.6	19.5	16.0	17.1	17.9	13.0	3.7
10-Yr Avg.	22.4	18.8	19.2	17.7	17.2	17.4		15.9	16.4	15.8	13.0	15.7

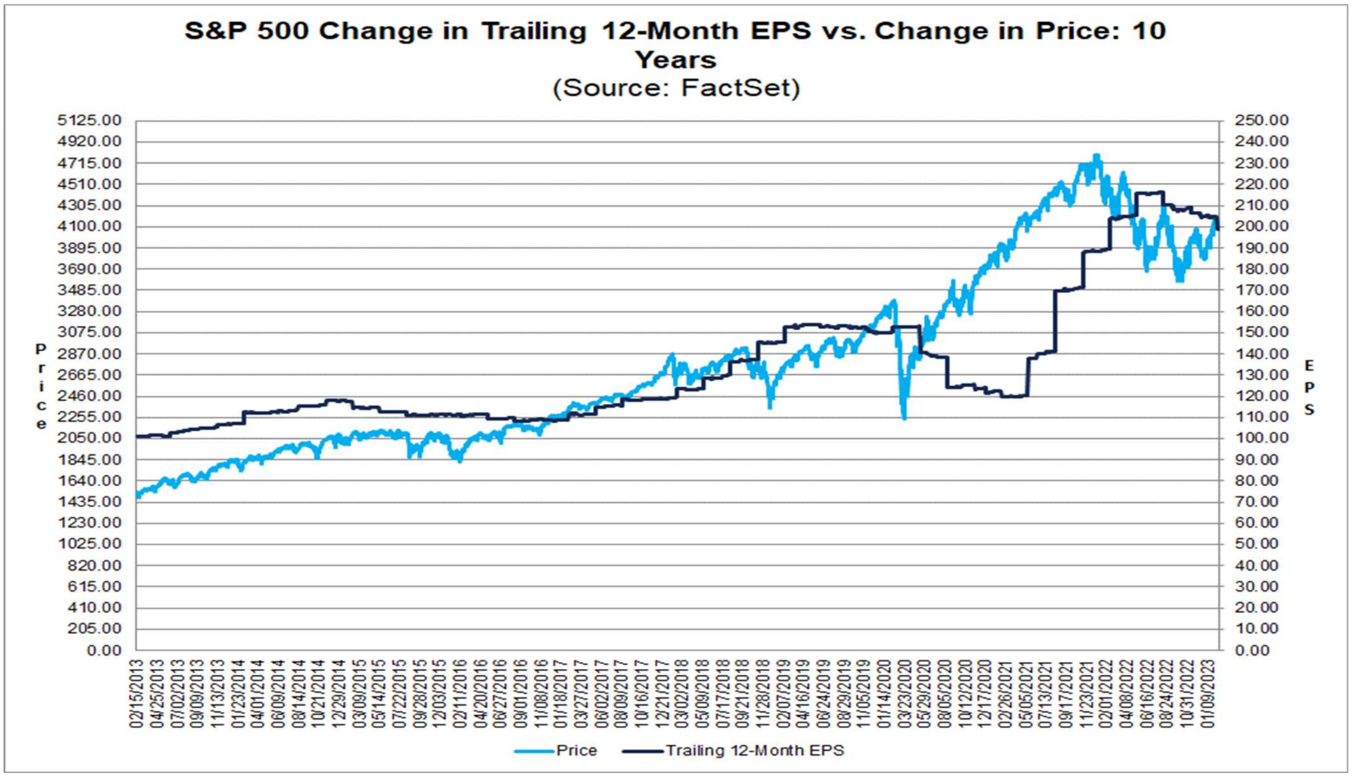


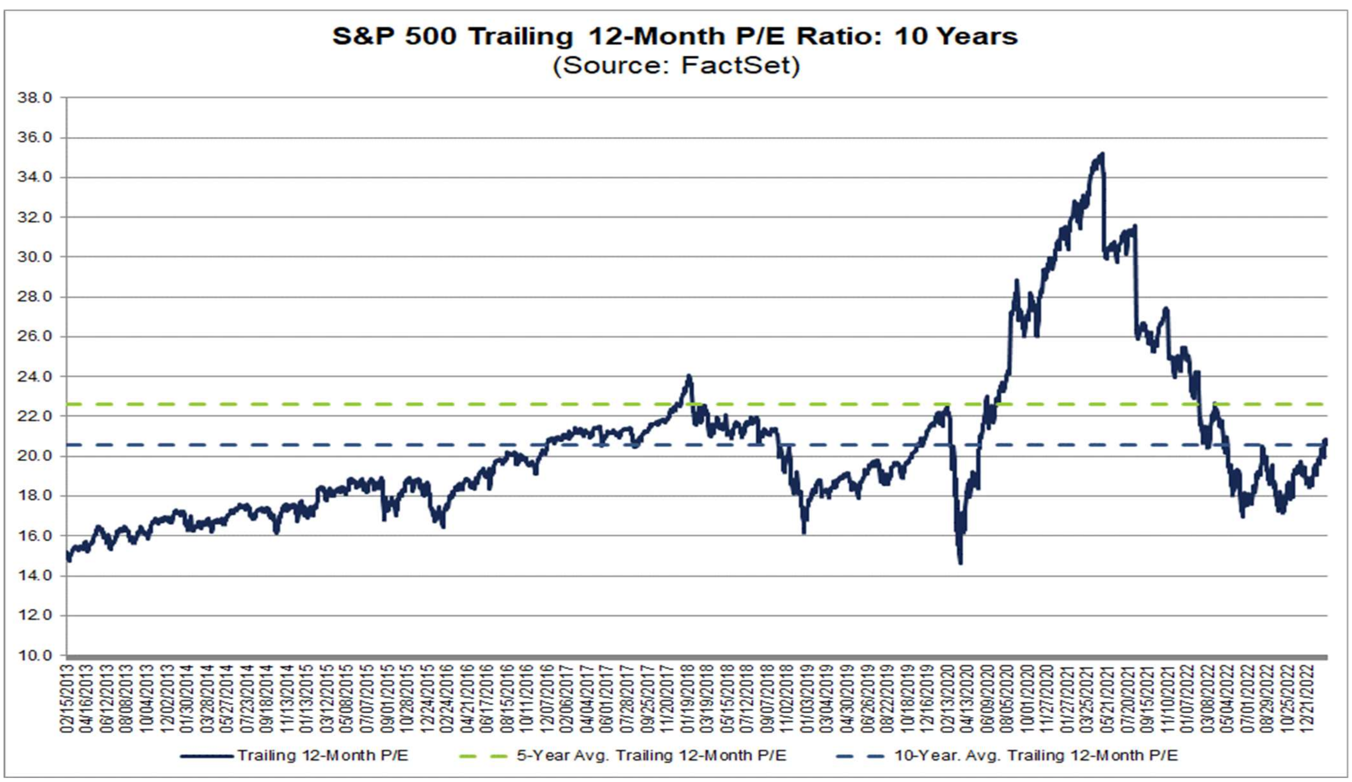
Forward 12M P/E Ratio: 10-Years



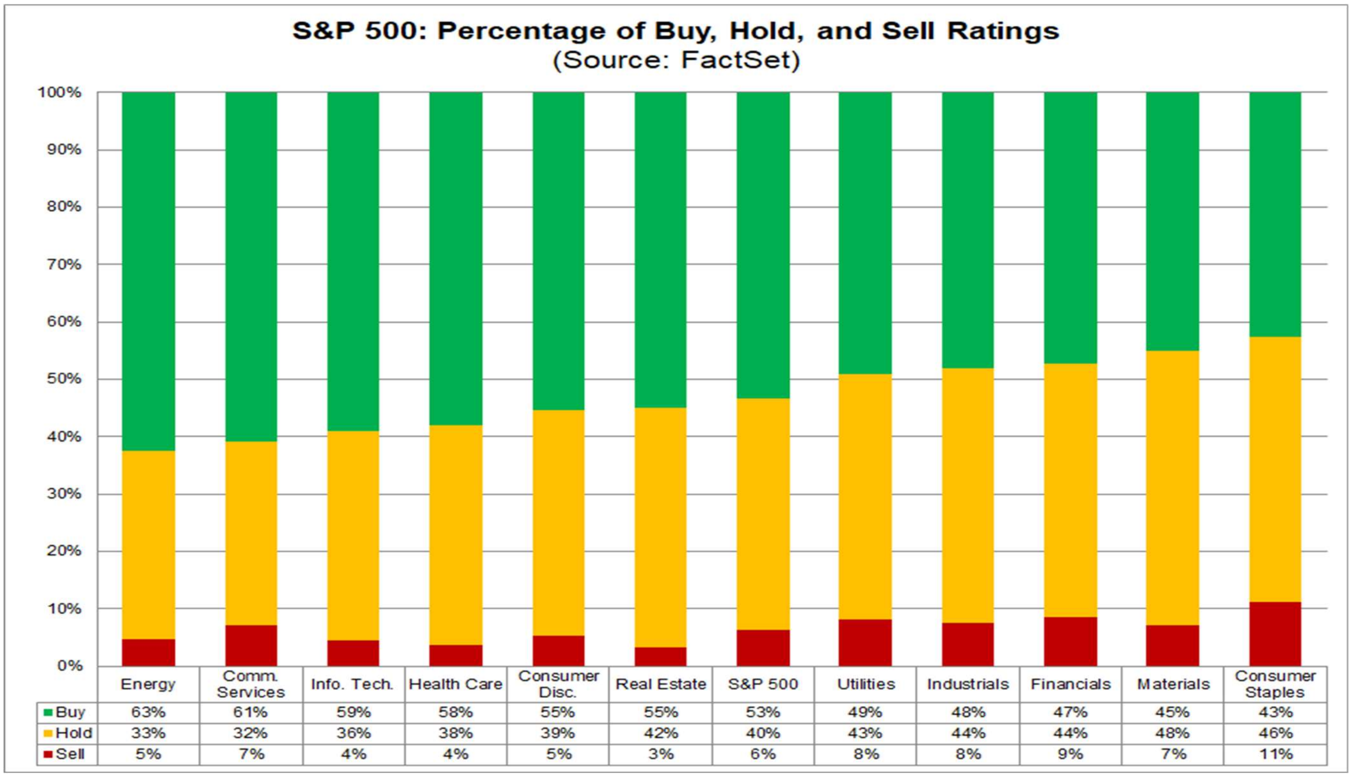


Trailing 12M P/E Ratio: 10-Years

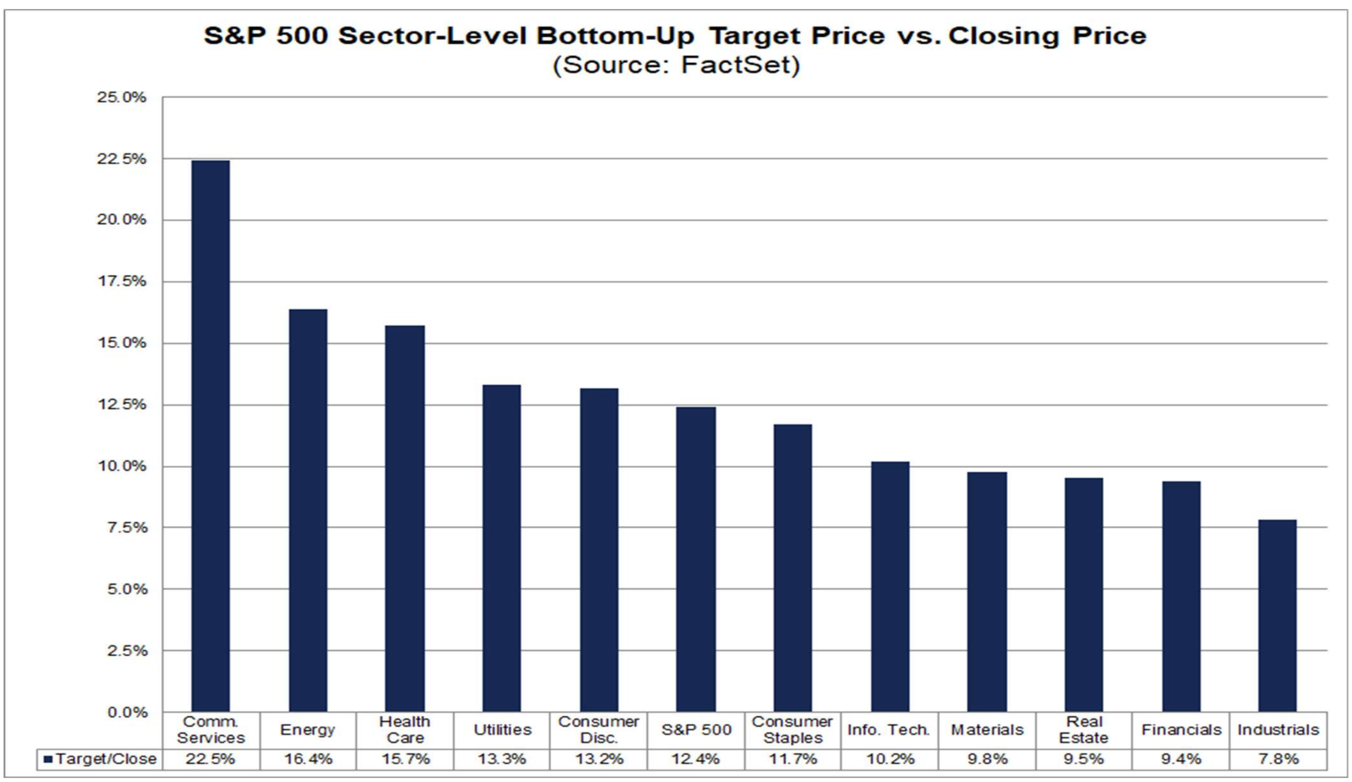




Targets & Ratings



	Energy	Comm. Services	Info. Tech.	Health Care	Consumer Disc.	Real Estate	S&P 500	Utilities	Industrials	Financials	Materials	Consumer Staples
Buy	63%	61%	59%	58%	55%	55%	53%	49%	48%	47%	45%	43%
Hold	33%	32%	36%	38%	39%	42%	40%	43%	44%	44%	48%	46%
Sell	5%	7%	4%	4%	5%	3%	6%	8%	8%	9%	7%	11%



	Comm. Services	Energy	Health Care	Utilities	Consumer Disc.	S&P 500	Consumer Staples	Info. Tech.	Materials	Real Estate	Financials	Industrials
Target/Close	22.5%	16.4%	15.7%	13.3%	13.2%	12.4%	11.7%	10.2%	9.8%	9.5%	9.4%	7.8%

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