

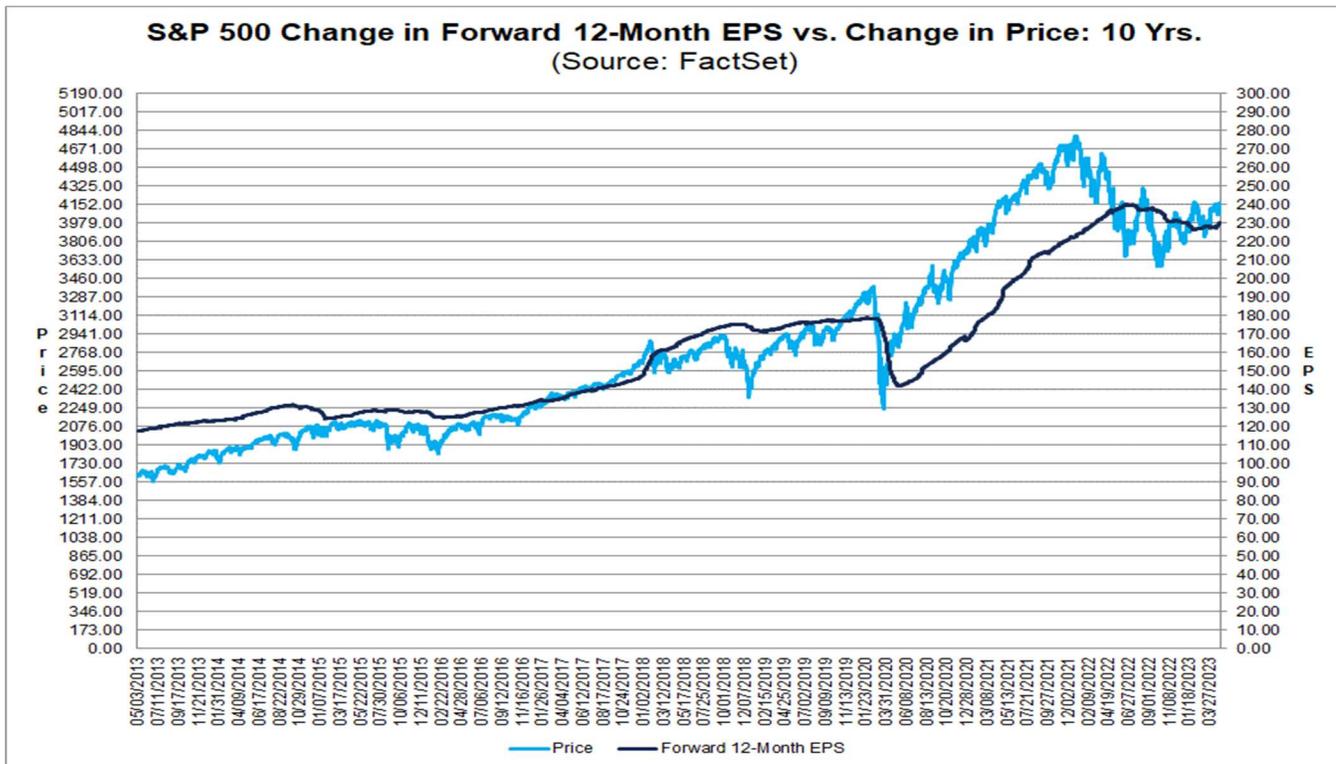
John Butters
 VP, Senior Earnings Analyst
jbutters@factset.com

Media Questions/Requests
media_request@factset.com

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Key Metrics

- **Earnings Scorecard:** For Q1 2023 (with 85% of S&P 500 companies reporting actual results), 79% of S&P 500 companies has reported a positive EPS surprise and 75% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Decline:** For Q1 2023, the blended earnings decline for the S&P 500 is -2.2%. If -2.2% is the actual decline for the quarter, it will mark the second straight quarter that the index has reported a decline in earnings.
- **Earnings Revisions:** On March 31, the estimated earnings decline for Q1 2023 was -6.7%. Ten sectors are reporting higher earnings today (compared to Mar. 31) due to positive EPS surprises.
- **Earnings Guidance:** For Q2 2023, 44 S&P 500 companies have issued negative EPS guidance and 35 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 17.7. This P/E ratio is below the 5-year average (18.6) but above the 10-year average (17.3).



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Topic of the Week:

S&P 500 Companies With More International Exposure Reporting Revenue Decline for Q1

Given the weaker U.S. dollar in recent months, are S&P 500 companies with more international revenue exposure reporting higher (year-over-year) earnings and revenues for Q1 2023 compared to S&P 500 companies with more domestic revenue exposure?

The answer is no. FactSet Geographic Revenue Exposure data (based on the most recently reported fiscal year data for each company in the index) was used to answer this question. For this analysis, the index was divided into two groups: companies that generate more than 50% of sales inside the U.S. (more domestic exposure) and companies that generate more than 50% of sales outside the U.S. (more international exposure). Aggregate earnings and revenue growth rates were then calculated based on these two groups.

The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings decline for the S&P 500 for Q1 2023 is -2.2%. For companies that generate more than 50% of sales inside the U.S., the blended earnings growth rate is 2.7%. For companies that generate more than 50% of sales outside the U.S., the blended earnings decline is -10.2%.

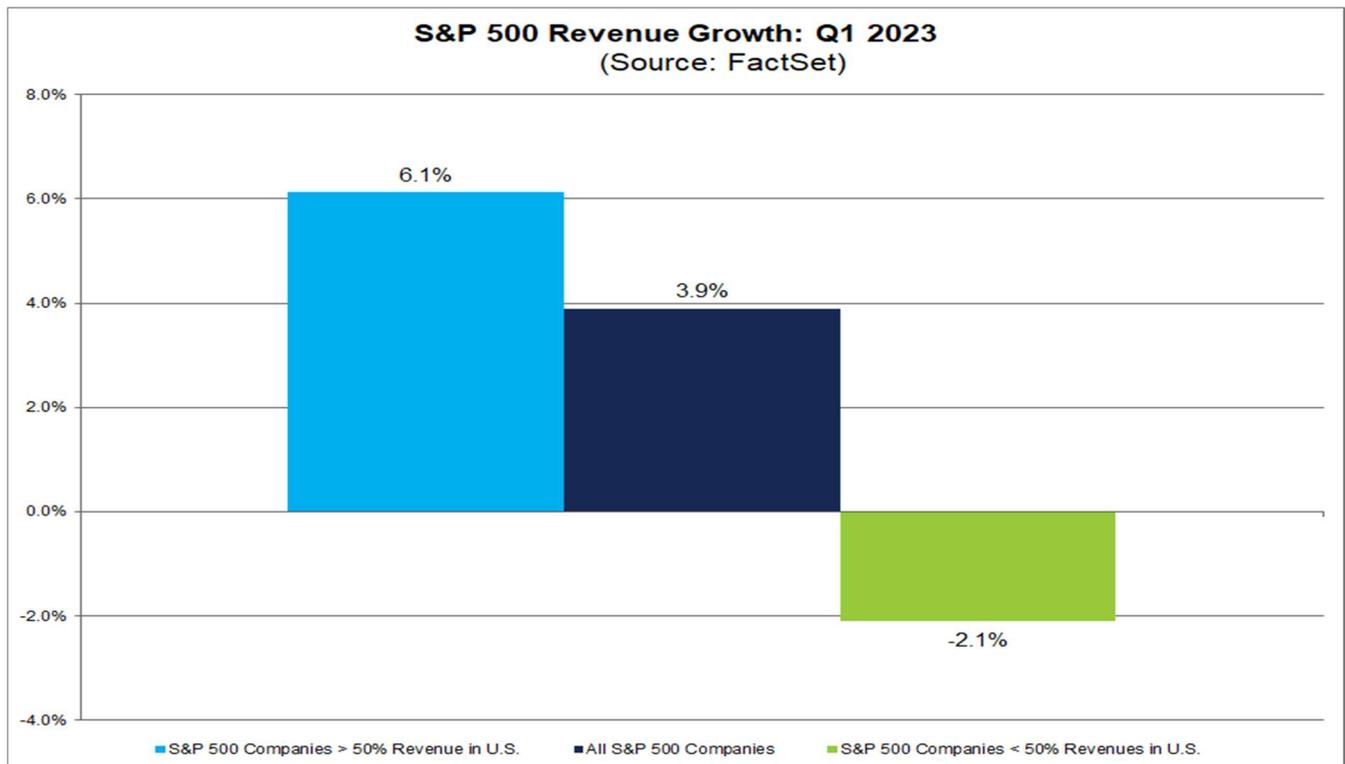
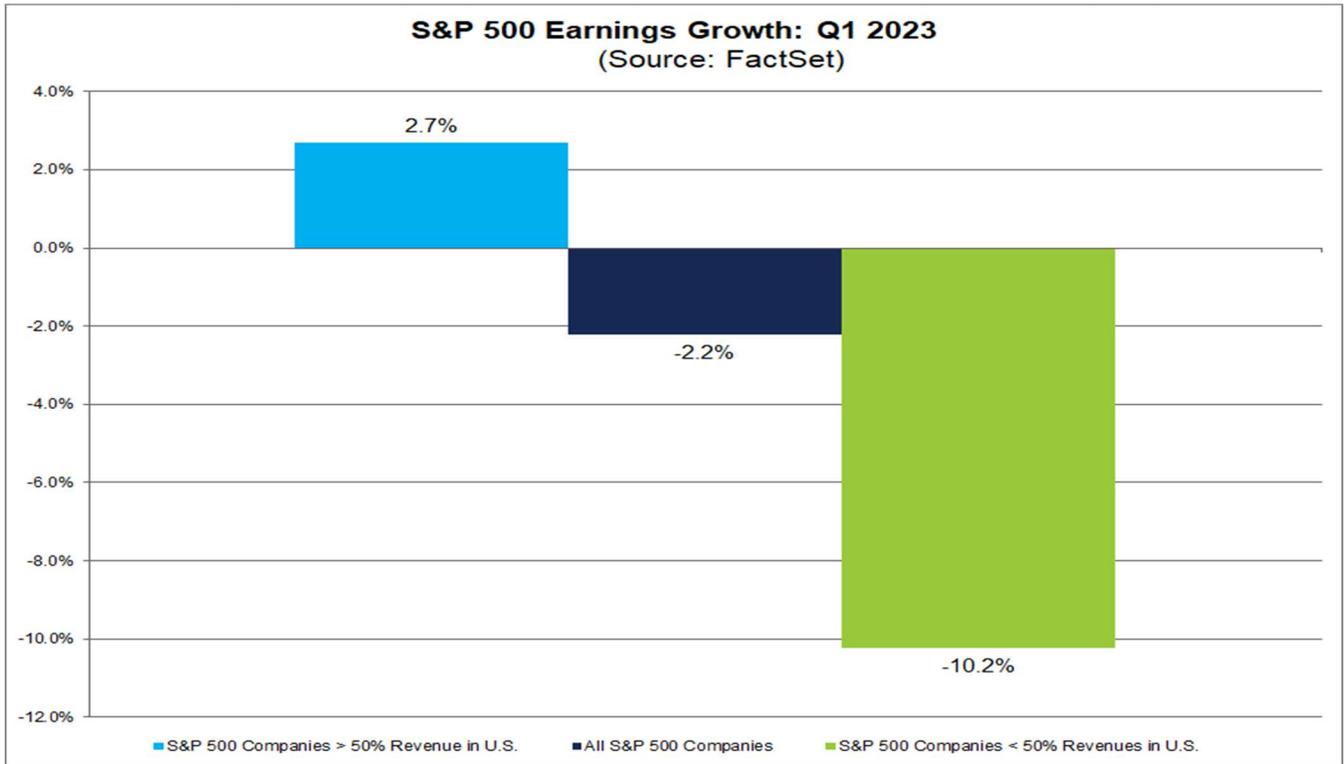
The blended revenue growth rate for the S&P 500 for Q1 2023 is 3.9%. For companies that generate more than 50% of sales inside the U.S., the blended revenue growth rate is 6.1%. For companies that generate more than 50% of sales outside the U.S., the blended revenue decline is -2.1%.

What is driving the underperformance of S&P 500 companies with higher international revenue exposure?

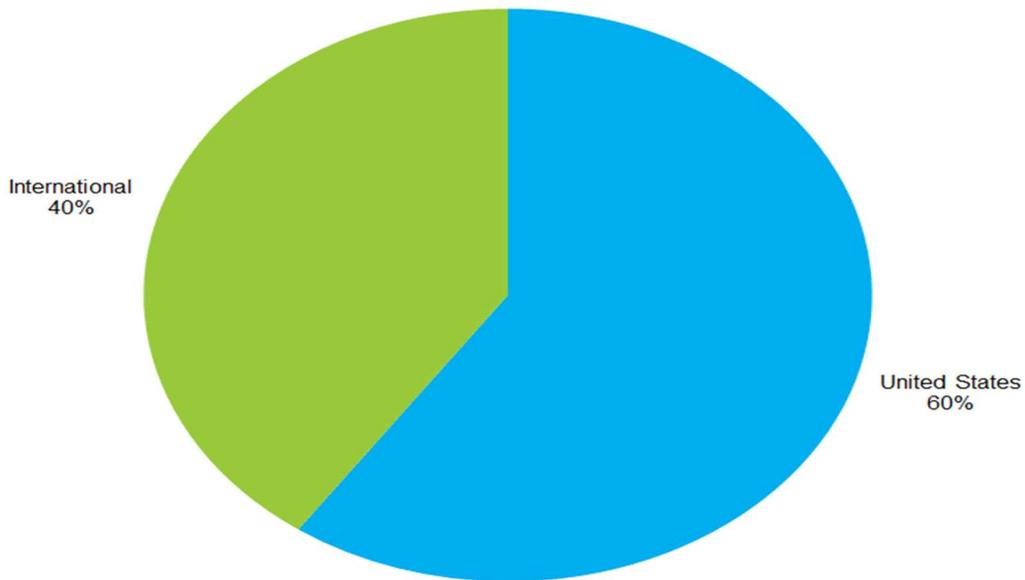
In terms of earnings and revenues at the sector level, the Health Care and Information Technology sectors are the top contributors to the earnings and revenue declines for S&P 500 companies with more international revenue exposure. Within these two sectors, Intel, Moderna, and Pfizer are the largest contributors to the earnings and revenue declines for S&P 500 companies with more international revenue exposure. All three companies reported year-over-year decreases in earnings and revenues of more than 20% for Q1 2023. Both Intel and Moderna generate more than 70% of revenues outside the U.S., while Pfizer generates just under 60% of revenues outside the U.S. If these three companies were excluded, the blended earnings decline for S&P 500 companies that generate more than 50% of revenues outside the U.S. would improve to -5.6% from -10.2%, while the blended revenue decline for S&P 500 companies that generate more than 50% of revenues outside the U.S. would improve to -0.4% from -2.1%.

What is driving the outperformance of S&P 500 companies with higher domestic revenue exposure?

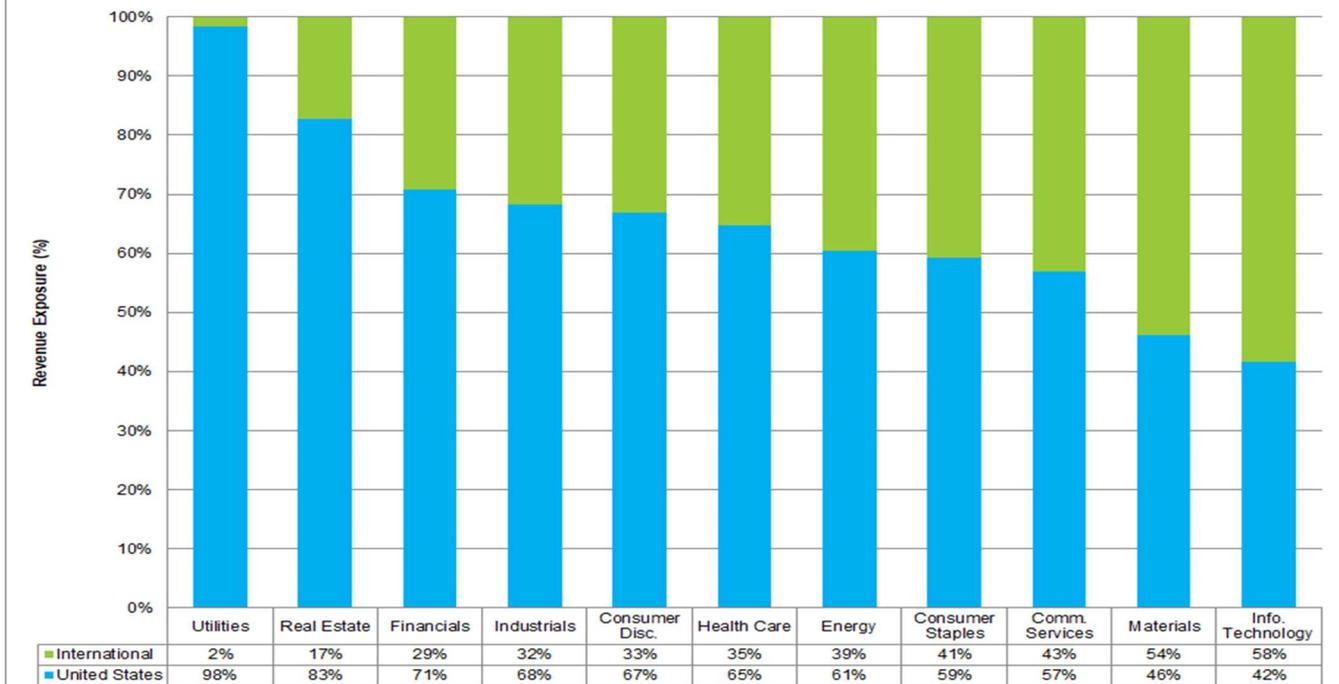
In terms of earnings, the Consumer Discretionary sector is the top contributor to earnings growth for S&P 500 companies with more domestic revenue exposure. Within this sector, Amazon.com is the largest contributor to earnings growth for S&P 500 companies with more domestic revenue exposure. The company reported EPS of \$0.31 for Q1 2023 compared to EPS of -\$0.38 for Q1 2022. Amazon.com generates nearly 70% of revenues inside the U.S. If this company were excluded, the blended earnings growth rate for S&P 500 companies that generate more than 50% of revenues inside the U.S. would fall to 0.2% from 2.7%. For more details on the impact of Amazon.com on earnings for the S&P 500 for Q1 2023 and CY 2023, please see the article at this link: <https://insight.factset.com/amazon-is-largest-contributor-to-expected-earnings-growth-for-the-sp-500-for-2023>



S&P 500: Aggregate Geographic Revenue Exposure (%)
(Source: FactSet)



S&P 500: Aggregate Sector Geographic Revenue Exposure (%)
(Source: FactSet)



Q1 Earnings Season: By The Numbers

Overview

At this late stage of the Q1 2023 earnings season, S&P 500 companies are recording their best performance relative to analyst expectations since Q4 2021. Both the number of companies reporting positive EPS surprises and the magnitude of these earnings surprises are above their 10-year averages. The index is reporting higher earnings for the first quarter today relative to the end of last week and relative to the end of the quarter. However, the index is still reporting a year-over-year decline in earnings for the second straight quarter.

Overall, 85% of the companies in the S&P 500 have reported actual results for Q1 2023 to date. Of these companies, 79% have reported actual EPS above estimates, which is above the 5-year average of 77% and above the 10-year average of 73%. In aggregate, companies are reporting earnings that are 7.0% above estimates, which is below the 5-year average of 8.4% but above the 10-year average of 6.4%.

As a result, the index is reporting higher earnings for the first quarter today relative to the end of last week and relative to the end of the quarter. The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings decline for the first quarter is -2.2% today, compared to an earnings decline of -3.7% last week and an earnings decline of -6.7% at the end of the first quarter (March 31).

Positive earnings surprises reported by companies in the multiple sectors (led by the Health Care and Information Technology sectors) were the largest contributors to the decrease in the overall earnings decline for the index over the past week. Positive earnings surprises reported by companies in multiple sectors (led by the Information Technology, Consumer Discretionary, and Health Care sectors) have been the largest contributors to the decrease in the overall earnings decline for the index since March 31.

If -2.2% is the actual decline for the quarter, it will mark the second straight quarter in which the index has reported a decrease in earnings.

Five of the eleven sectors are reporting year-over-year earnings growth, led by the Consumer Discretionary and Industrials sectors. On the other hand, six sectors are reporting a year-over-year decline in earnings, led by the Materials and Utilities sectors.

In terms of revenues, 75% of S&P 500 companies have reported actual revenues above estimates, which is above the 5-year average of 69% and above the 10-year average of 63%. In aggregate, companies are reporting revenues that are 2.7% above the estimates, which is above the 5-year average of 2.0% and above the 10-year average of 1.3%.

The index is also reporting higher revenues for the first quarter today relative to the end of last week and relative to the end of the quarter. The blended revenue growth rate for the first quarter is 3.9% today, compared to a revenue growth rate of 2.9% last week and a revenue growth rate of 1.9% at the end of the first quarter (March 31).

Positive revenue surprises reported by companies in the multiple sectors (led by the Utilities and Health Care sectors) were the largest contributors to the increase in the overall revenue growth rate for the index over the past week. Positive revenue surprises reported by companies in multiple sectors (led by the Health Care, Utilities, Financials, and Consumer Discretionary sectors) have been the largest contributors to the increase in the overall revenue growth rate for the index since March 31.

If 3.9% 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%).

Eight sectors are reporting year-over-year growth in revenues, led by the Utilities, Financials, and Consumer Discretionary sectors. On the other hand, three sectors are reporting a year-over-year decline in revenues, led by the Materials sector.

Looking ahead, analysts still expect earnings growth for the second half of 2023. For Q2 2023, analysts are projecting an earnings decline of -5.7%. For Q3 2023 and Q4 2023, analysts are projecting earnings growth of 1.2% and 8.5%, respectively. For all of CY 2023, analysts predict earnings growth of 1.2%.

The forward 12-month P/E ratio is 17.7, which is below the 5-year average (18.6) but above the 10-year average (17.3). It is also below the forward P/E ratio of 18.1 recorded at the end of the first quarter (March 31).

During the upcoming week, 32 S&P 500 companies (including one Dow 30 component) are scheduled to report results for the first quarter.

Scorecard: Number and Magnitude of Positive EPS Surprises Are Above 10-Year Averages

Percentage of Companies Beating EPS Estimates (79%) is Above 5-Year Average

Overall, 85% of the companies in the S&P 500 have reported earnings to date for the first quarter. Of these companies, 79% have reported actual EPS above the mean EPS estimate, 4% have reported actual EPS equal to the mean EPS estimate, and 17% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is above the 1-year average (73%), above the 5-year average (77%), and above the 10-year average (73%).

At the sector level, the Energy (90%), Information Technology (88%), and Communication Services (87%) sectors have the highest percentages of companies reporting earnings above estimates, while the Utilities (62%) and Financials (64%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (+7.0%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 7.0% above expectations. This surprise percentage is above the 1-year average (+2.8%), below the 5-year average (+8.4%), and above the 10-year average (6.4%).

The Consumer Discretionary (+23.5%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, MGM Resorts (\$0.44 vs. \$0.06), CarMax (\$0.44 vs. \$0.20), Royal Caribbean Group (-\$0.23 vs. -\$0.69), Ford Motor (\$0.63 vs. \$0.42), Amazon.com (\$0.31 vs. \$0.21), and NIKE (\$0.79 vs. \$0.56) have reported the largest positive EPS surprises.

The Materials (+18.7%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Martin Marietta Materials (\$2.16 vs. \$0.98), Dow (\$0.58 vs. \$0.36), Vulcan Materials (\$0.95 vs. \$0.61), and WestRock Company (\$0.77 vs. \$0.50) have reported the largest positive EPS surprises.

The Industrials (+10.7%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, General Electric (\$0.27 vs. \$0.14), Cummins (\$6.70 vs. \$4.72), Masco Corporation (\$0.87 vs. \$0.63), Generac Holdings (\$0.63 vs. \$0.48), American Airlines Group (\$0.05 vs. \$0.04), and Caterpillar (\$4.91 vs. \$3.80) have reported the largest positive EPS surprises.

The Energy (+9.4%) sector is reporting the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, EQT Corporation (\$1.70 vs. \$1.30), Coterra Energy (\$0.87 vs. \$0.70), Williams Companies (\$0.56 vs. \$0.47), and Phillips 66 (\$4.21 vs. \$3.56) have reported the largest positive EPS surprises.

On the other hand, the Utilities (-11.9%) sector is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, NRG Energy (-\$6.67 vs. \$0.49), Pinnacle West Capital (-\$0.03 vs. \$0.01), and Constellation Energy (\$0.29 vs. \$1.09) have reported the largest negative EPS surprises.

Market Punishing Positive and Negative EPS Surprises More Than Average

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

Companies that have reported positive earnings surprises for Q1 2023 have seen an average price decrease of -0.1% two days before the earnings release through two days after the earnings release. This percentage decrease is well below the 5-year average price increase of +1.0% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q1 2023 have seen an average price decrease of -3.9% two days before the earnings release through two days after the earnings. This percentage decrease is larger than the 5-year average price decrease of -2.2% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (75%) is Above 5-Year Average

In terms of revenues, 75% of companies have reported actual revenues above estimated revenues and 25% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is above the 1-year average (70%), above the 5-year average (69%), and above the 10-year average (63%).

At the sector level, the Utilities (88%) and Consumer Discretionary (88%) sectors have the highest percentages of companies reporting revenues above estimates, while the Materials (50%) and Communication Services (50%) sectors have the lowest percentages of companies reporting revenues above estimates.

Revenue Surprise Percentage (+2.7%) is Above 5-Year Average

In aggregate, companies are reporting revenues that are 2.7% above expectations. This surprise percentage is above the 1-year average (+2.5%), above the 5-year average (+2.0%) and above the 10-year average (+1.3%).

At the sector level, the Utilities (+15.6%) sector is reporting the largest positive (aggregate) difference between actual revenues and estimated revenues, while the Materials (+0.4%) sector is reporting the smallest positive (aggregate) difference between actual revenues and estimated revenues.

Revisions: Decrease in Blended Earnings Decline This Week Due to Multiple Sectors

Decrease in Blended Earnings Decline This Week Due to Multiple Sectors

The blended (year-over-year) earnings decline for the first quarter is -2.2%, which is smaller than the earnings decline of -3.7% last week. Positive earnings surprises reported by companies in multiple sectors (led by the Health Care and Information Technology sectors), partially offset by negative EPS surprises reported by companies in the Utilities sector, were the largest contributors to the decrease in the overall earnings decline during the past week.

In the Health Care sector, the positive EPS surprises reported by Pfizer (\$1.23 vs. \$0.98) and Moderna (\$0.19 vs. -\$1.75) were significant contributors to the decrease in the earnings decline for the index during the week. As a result, the blended earnings decline for the Health Care sector improved to -16.4% from -19.6% over this period.

In the Information Technology sector, the positive EPS surprise reported by Apple (\$1.52 vs. \$1.43) was a substantial contributor to the decrease in the earnings decline for the index during the week. As a result, the blended earnings decline for the Information Technology sector improved to -10.6% from -12.6% over this period.

In the Utilities sector, the negative EPS surprise reported by NRG Energy (-\$6.67 vs. \$0.49) was a substantial detractor to the decrease in the earnings decline for the index during the week. As a result, the blended earnings decline for the Utilities sector increased to -21.9% from -10.5% over this period.

Increase in Blended Revenue Growth Rate This Week Due to Multiple Sectors

The blended (year-over-year) revenue growth rate for the first quarter is 3.9%, which is above the revenue growth rate of 2.9% last week. Positive revenue surprises reported by companies in the multiple sectors (led by the Utilities and Health Care sectors) were the largest contributors to the increase in the overall revenue growth rate for the index over the past week.

Information Technology Sector Has Seen Largest Increase in Earnings since March 31

The blended (year-over-year) earnings decline for Q1 2023 of -2.2% is smaller than the estimate of -6.7% at the end of the first quarter (March 31). Ten sectors have recorded an increase in their earnings growth rate or a decrease in their earnings decline since the end of the quarter due to upward revisions to earnings estimates and positive earnings surprises, led by the Consumer Discretionary (to 53.6% from 33.8%) sector. The Information Technology, Consumer Discretionary, and Health Care sectors have been the largest contributors to the increase in earnings for the index since March 31. On the other hand, the Utilities (to -21.9% from -8.5%) is the only sector that has recorded a decrease in its earnings growth rate or an increase in its earnings decline during this period.

In the Information Technology sector, the positive EPS surprises reported by Microsoft (\$2.45 vs. \$2.24), Apple (\$1.52 vs. \$1.43), and Intel (-\$0.04 vs. -\$0.16) have been substantial contributors to the decrease in the earnings decline for the index since March 31. As a result, the blended earnings decline for the Information Technology sector improved to -10.6% from -15.1% over this period.

In the Consumer Discretionary sector, the positive EPS surprises reported by Amazon.com (\$0.31 vs. \$0.21), Ford Motor (\$0.63 vs. \$0.42), and General Motors (\$2.21 vs. \$1.72) have been significant contributors to the decrease in the earnings decline for the index since March 31. As a result, the blended earnings growth rate for the Consumer Discretionary sector has improved to 53.6% from 33.8% over this period.

In the Health Care sector, the positive EPS surprises reported by Pfizer (\$1.23 vs. \$0.98), Moderna (\$0.19 vs. -\$1.75), and Johnson & Johnson (\$2.68 vs. \$2.50) have been substantial contributors to the decrease in the earnings decline for the index since March 31. As a result, the blended earnings decline for the Health Care sector improved to -16.4% from -20.5% over this period.

In the Utilities sector, the negative EPS surprise reported by NRG Energy (-\$6.67 vs. \$0.49) has been a significant detractor to the decrease in the earnings decline for the index since March 31. As a result, the blended earnings decline for the Utilities sector increased to -21.9% from -8.5% over this period.

Health Care Sector Has Seen Largest Increase in Revenues since March 31

The blended (year-over-year) revenue growth rate for Q1 2023 of 3.9% is above the estimate of 1.9% at the end of the first quarter (March 31). All eleven 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 11.9% from -2.4%) sector. The Health Care, Utilities, Financials, and Consumer Discretionary sectors have been the largest contributors to the increase in revenues for the index since March 31.

In the Health Care sector, the positive revenue surprises reported by CVS Health (\$85.28 billion vs. \$80.69 billion), AmerisourceBergen (\$63.46 billion vs. \$60.46 billion), Centene Corporation (\$38.90 billion vs. \$36.14 billion), and UnitedHealth Group (\$91.93 billion vs. \$89.71 billion) have been substantial contributors to the increase in the revenue growth rate for the index since March 31. As a result, the blended revenue growth rate for the Health Care sector has increased to 3.8% from 0.9% over this period.

In the Utilities sector, the positive revenue surprises reported by NRG Energy (\$7.72 billion vs. \$2.65 billion) and Sempra Energy (\$6.56 billion vs. \$3.95 billion) have been significant contributors to the increase in the revenue growth rate for the index since March 31. As a result, the blended revenue growth rate for the Utilities sector has increased to 11.9% from -2.4% over this period.

In the Financials sector, the positive revenue surprise reported by JPMorgan Chase (\$38.35 billion vs. \$36.12 billion) has been a substantial contributor to the increase in the revenue growth rate for the index since March 31. As a result, the blended revenue growth rate for the Financials sector has increased to 11.0% from 9.2% over this period.

In the Consumer Discretionary sector, the positive revenue surprises reported by Amazon.com (\$127.36 billion vs. \$124.60 billion), General Motors (\$39.99 billion vs. \$38.55 billion), and Ford Motor (\$41.47 billion vs. \$39.25 billion) have been significant contributors to the increase in the revenue growth rate for the index since March 31. As a result, the blended revenue growth rate for the Consumer Discretionary sector has increased to 9.2% from 6.6% over this period.

Earnings Decline: -2.2%

The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report), year-over-year earnings decline for Q1 2023 is -2.2%, which is below the 5-year average earnings growth rate of 13.4% and below the 10-year average earnings growth rate of 8.7%. If -2.2% is the actual decline for the quarter, it will mark the second consecutive quarter in which earnings have declined year-over-year.

Five of the eleven sectors are reporting year-over-year earnings growth, led by the Consumer Discretionary and Industrials sectors. On the other hand, six sectors are reporting a year-over-year decline in earnings, led by the Materials and Health Care sectors.

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

The Consumer Discretionary sector is reporting the highest (year-over-year) earnings growth rate of all eleven sectors at 53.6%. At the industry level, 4 of the 9 industries in the sector are reporting a year-over-year increase in earnings. A growth rate is not being calculated for the Hotels, Restaurants, & Leisure and Broadline Retail industries due to the losses reported by both industries in the year-ago quarter. However, both industries are reporting profits in Q1 2023. The Hotels, Restaurants, & Leisure industry is reporting a profit of \$4.6 billion in Q1 2023 compared to a loss of -\$829 million in Q1 2022, while the Broadline Retail industry reported a profit of \$3.8 billion in Q1 2023 compared to a loss of -\$3.2 billion in Q1 2022. The other two industries that reported earnings growth are the Auto Components (19%) and Automobiles (5%) industries. On the other hand, 5 industries are reporting a year-over-year decline in earnings. Three of these five industries are reporting a decrease in earnings of more than 15%: Leisure Products (-98%), Household Durables (-24%), and Textiles, Apparel, & Luxury Goods (-16%).

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 -6.5% instead of year-over-year earnings growth of 53.6%.

At the company level, Amazon.com is the largest contributor to earnings growth for the sector. If this company were excluded, the blended earnings growth rate for the sector would fall to 15.7% from 53.6%.

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

The Industrials sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 21.1%. At the industry level, 8 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 Passenger Airlines industry due to the loss reported by the industry in the year-ago quarter. However, this industry reported a much smaller loss in Q1 2023 (-\$253 million) compared to Q1 2022 (-\$4.0 billion). Three of the remaining seven industries are reporting earnings growth above 10%: Machinery (28%), Trading Companies & Distributors (27%), and Aerospace & Defense (17%). On the other hand, 4 industries are reporting a year-over-year decline in earnings, led by the Air Freight & Logistics (-31%) industry.

At the industry level, the Passenger Airlines industry is the largest contributor to earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Industrials sector would fall to 7.2% from 21.1%.

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

The Materials sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -25.6%. At the industry level, three of the four industries in this sector are reporting a year-over-year decline in earnings of more than 15%: Metals & Mining (-46%), Containers & Packaging (-26%), and Chemicals (-17%). On the other hand, the Construction Materials (115%) industry is the only industry in the sector that reported (year-over-year) earnings growth.

Utilities: NRG Energy Is Largest Contributor to Year-Over-Year Decline

The Utilities sector is reporting the second-largest (year-over-year) earnings decline of all eleven sectors at -21.9%. At the industry level, two of the five industries in this sector are reporting a year-over-year decline in earnings: Electric Utilities (-33%) and Multi-Utilities (-6%). On the other hand, three industries reported year-over-year earnings growth: Water Utilities (12%), Gas Utilities (12%), and Independent Power And Renewable Electricity Producers (5%).

At the company level, NRG Energy is the largest contributor to the earnings decline for the sector. If this company were excluded, the blended earnings decline for the sector improves to -1.0% from -21.9%.

Revenue Growth: 3.9%

The blended (year-over-year) revenue growth rate for Q1 2023 is 3.9%, which is below the 5-year average revenue growth rate of 7.9% and below the 10-year average revenue growth rate of 4.9%. If 3.9% is the actual growth rate for the quarter, it will mark the lowest (year-over-year) revenue growth rate reported by the index since Q4 2020 (3.2%).

At the sector level, eight sectors are reporting year-over-year growth in revenues, led by the Financials, Utilities, and Consumer Discretionary sectors. On the other hand, three sectors are reporting a year-over-year decline in revenues, led by the Materials sector.

Utilities: 4 of 5 Industries Reporting Year-Over-Year Growth Above 10%

The Utilities sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 11.9%. At the industry level, four of the five industries in this sector are reporting year-over-year growth in revenues above 10%: Multi-Utilities (14%), Independent Power And Renewable Electricity Producers (14%), Water Utilities (11%), and Electric Utilities (11%). On the other hand, the Gas Utilities (-7%) industry is the only industry in the sector that reported a year-over-year decline in earnings.

At the company level, NRG Energy and Sempra Energy are the largest contributors to the revenue growth for the sector. If these two companies were excluded, the blended revenue growth rate for the sector decreases to 5.9% from 11.9%.

Financials: 3 of 5 Industries Reporting Year-Over-Year Growth At Or Above 15%

The Financials sector is reporting the second-highest (year-over-year) revenue growth rate of all eleven sectors at 11.0%. At the industry level, four of the five industries in the sector are reporting year-over-year growth in revenues. Three of these four industries are reporting revenue growth at or above 15%: Banks (18%), Consumer Finance (18%), and Financial Services (15%). On the other hand, the Capital Markets industry (-1%) is the only industry reporting a year-over-year decline in revenues.

Consumer Discretionary: 6 of 9 Industries Reporting Year-Over-Year Growth

The Consumer Discretionary sector is reporting the third-highest (year-over-year) revenue growth rate of all eleven sectors at 9.2%. At the industry level, six of the nine industries in the sector are reporting year-over-year growth in revenues, led by the Hotels, Restaurants, & Leisure (35%) and Automobiles (17%) industries. On the other hand, three industries are reporting a year-over-year decline in revenues, led by the Leisure Products (-14%) industry.

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

The Materials sector is reporting the highest (year-over-year) decline in revenues at -7.8%. At the industry level, three of the four industries in the sector are reporting a year-over-year decrease in revenues: Metals & Mining (-16%), Chemicals (-7%), and Containers & Packaging (-5%). On the other hand, the Construction Materials (11%) industry is the only industry that reported year-over-year growth in revenues.

Net Profit Margin: 11.5%

The blended net profit margin for the S&P 500 for Q1 2023 is 11.5%, which is above the previous quarter's net profit margin of 11.3% and above the 5-year average of 11.4%, but below the year-ago net profit margin of 12.2%.

At the sector level, three sectors are reporting a year-over-year increase in their net profit margins in Q1 2023 compared to Q1 2022, led by the Energy (to 12.5% vs. 10.4%) and Consumer Discretionary (6.6% vs. 4.7%) sectors. On the other hand, eight sectors are reporting a year-over-year decrease in their net profit margins in Q1 2023 compared to Q1 2022, led by the Utilities (10.4% vs. 15.0%) sector.

Six sectors are reporting net profit margins in Q1 2023 that are above their 5-year averages, led by the Energy (12.5% vs. 7.9%) sector. On the other hand, five sectors are reporting net profit margins in Q1 2023 that are below their 5-year averages, led by the Utilities (10.4% vs. 13.4%) sector.

Looking Ahead: Forward Estimates and Valuation

Quarterly Guidance: % of S&P 500 Companies Issuing Negative Guidance for Q2 Below 5-Yr. Avg.

At this point in time, 79 companies in the index have issued EPS guidance for Q2 2023. Of these 79 companies, 44 have issued negative EPS guidance and 35 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q2 2023 is 56% (44 out of 79), which is below the 5-year average of 59% and below the 10-year average of 66%.

At this point in time, 264 companies in the index have issued EPS guidance for the current fiscal year (FY 2023 or FY 2024). Of these 264 companies, 111 have issued negative EPS guidance and 153 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 42% (111 out of 264).

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 1% for CY 2023

For the first quarter, S&P 500 companies are reporting a year-over-year earnings decline of -2.2% and revenue growth of 3.9%.

For Q2 2023, analysts are projecting an earnings decline of -5.7% and a revenue decline of <-0.1%.

For Q3 2023, analysts are projecting earnings growth of 1.2% and revenue growth of 1.5%.

For Q4 2023, analysts are projecting earnings growth of 8.5% and revenue growth of 3.7%.

For CY 2023, analysts are projecting earnings growth of 1.2% and revenue growth of 2.4%.

Valuation: Forward P/E Ratio is 17.7, Above the 10-Year Average (17.3)

The forward 12-month P/E ratio for the S&P 500 is 17.7. This P/E ratio is below the 5-year average of 18.6 but above the 10-year average of 17.3. It is also below the forward 12-month P/E ratio of 18.1 recorded at the end of the first quarter (March 31). Since the end of the first quarter (March 31), the price of the index has decreased by 1.2%, while the forward 12-month EPS estimate has increased by 0.9%. At the sector level, the Information Technology (24.2) and Consumer Discretionary (23.4) sectors have the highest forward 12-month P/E ratios, while the Energy (9.8) and Financials (12.6) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 20.2, which is below the 5-year average of 22.5 and below the 10-year average of 20.7.

Targets & Ratings: Analysts Project 15.5% Increase in Price Over Next 12 Months

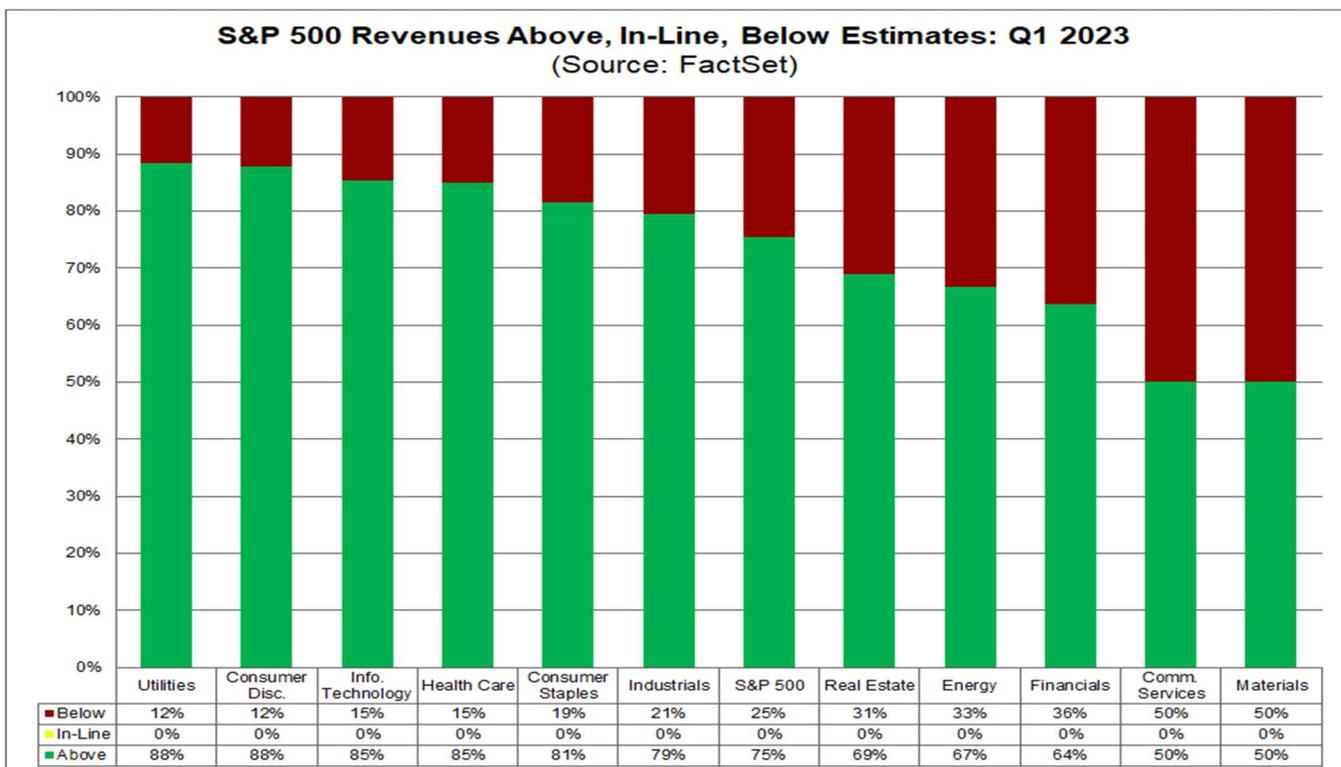
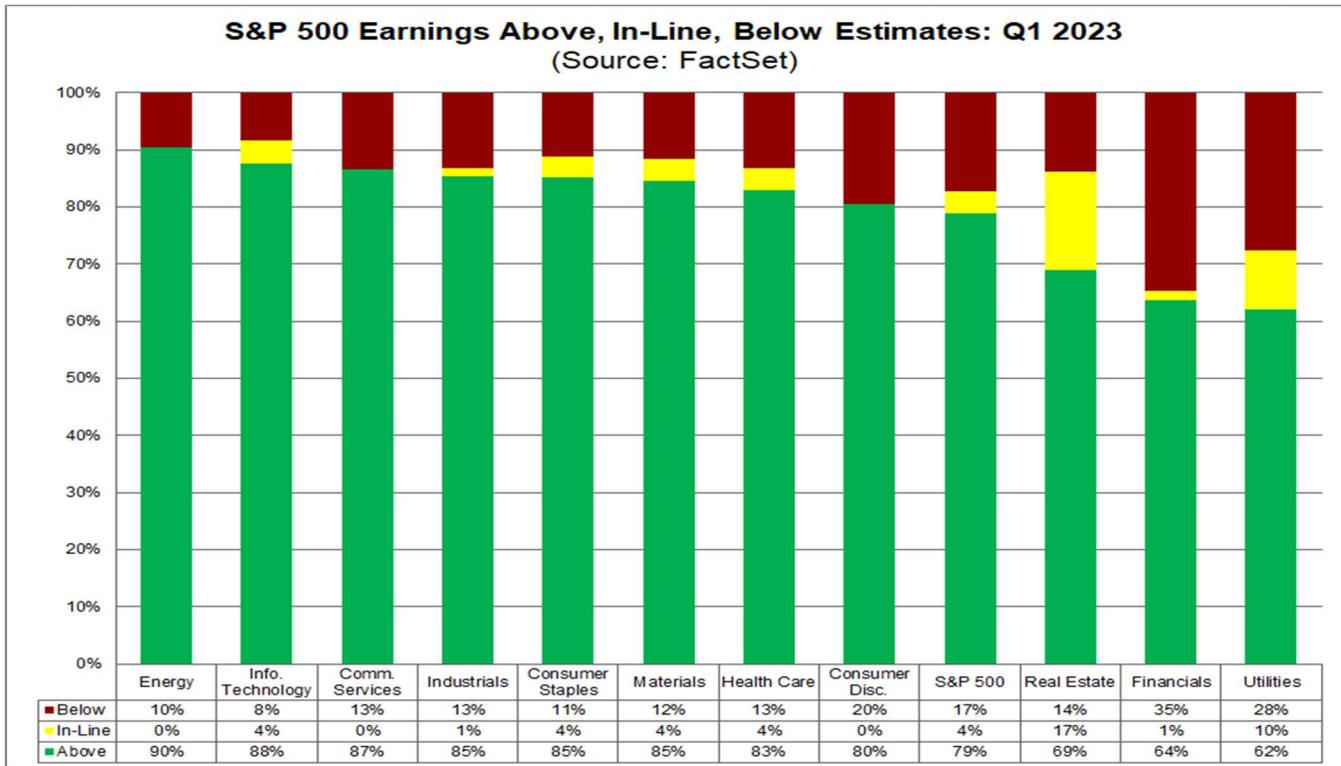
The bottom-up target price for the S&P 500 is 4688.98, which is 15.5% above the closing price of 4061.22. At the sector level, the Energy (+27.5%) and Communication Services (+22.5%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Consumer Staples (+9.2%) and Information Technology (+10.9%) 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 11,054 ratings on stocks in the S&P 500. Of these 11,054 ratings, 54.2% are Buy ratings, 40.0% are Hold ratings, and 5.9% are Sell ratings. At the sector level, the Energy (62%) and Communication Services (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (45%) sector has the lowest percentage of Buy ratings.

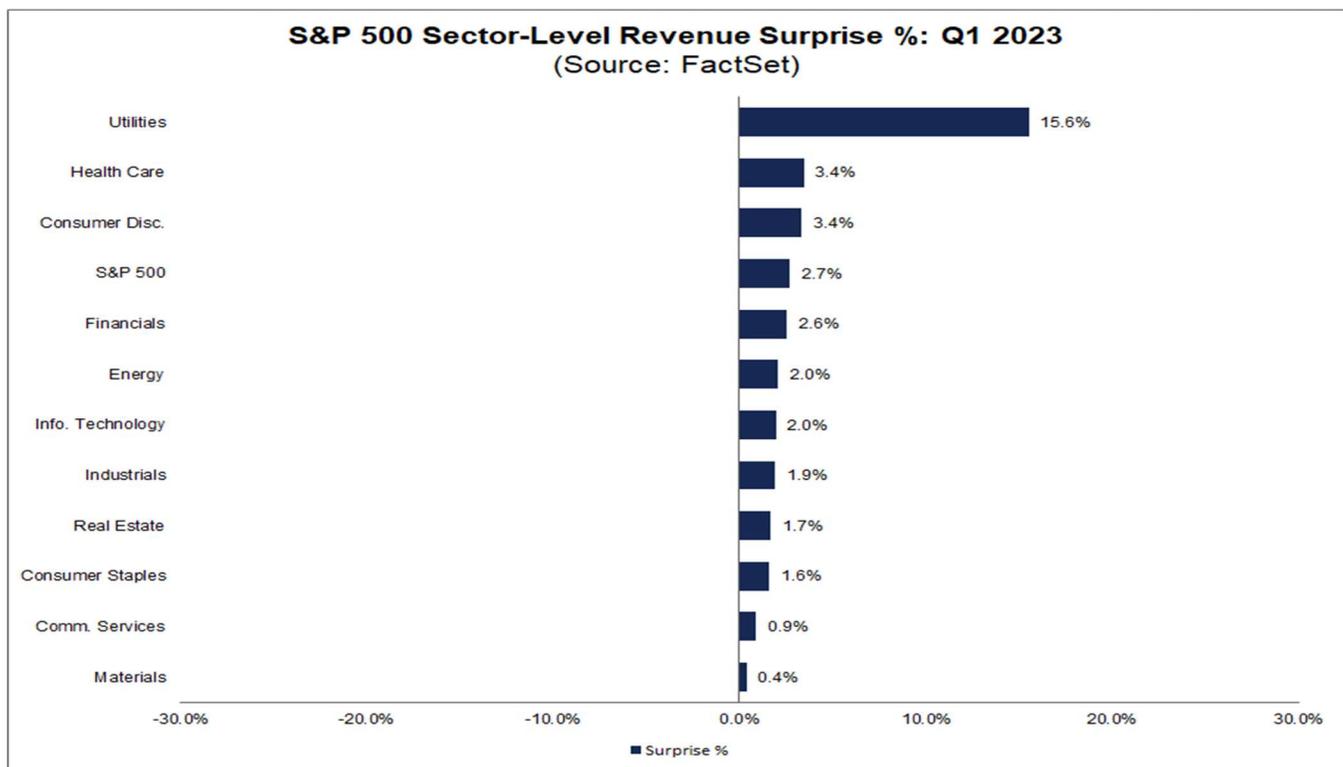
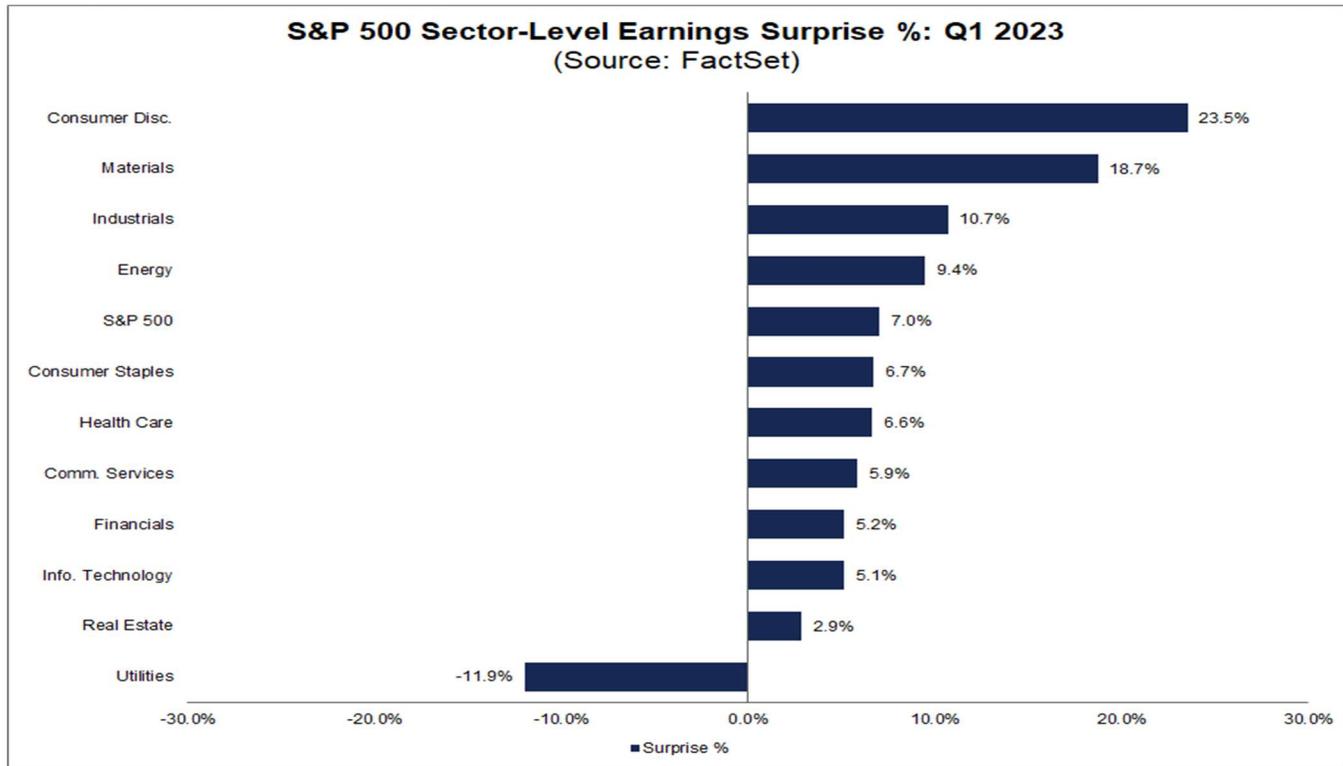
Companies Reporting Next Week: 32

During the upcoming week, 32 S&P 500 companies (including one Dow 30 component) are scheduled to report results for the first quarter.

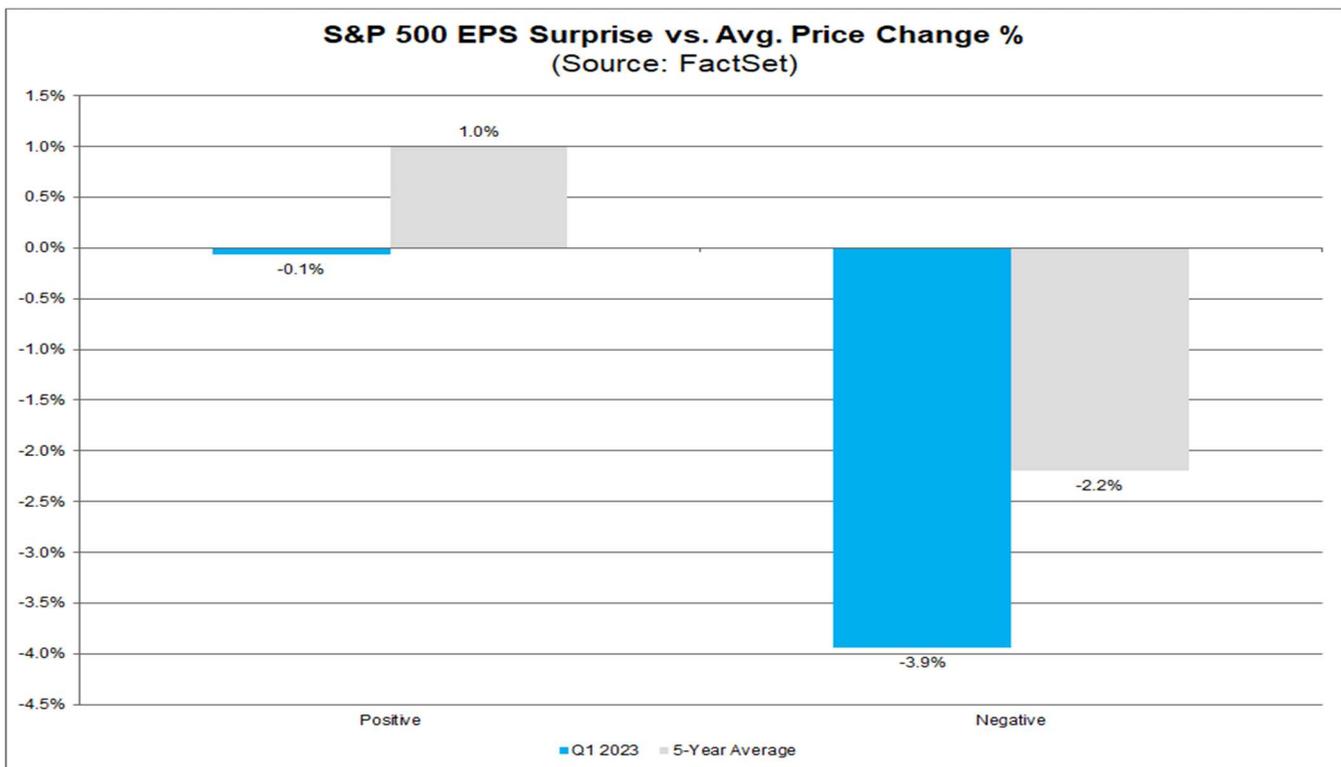
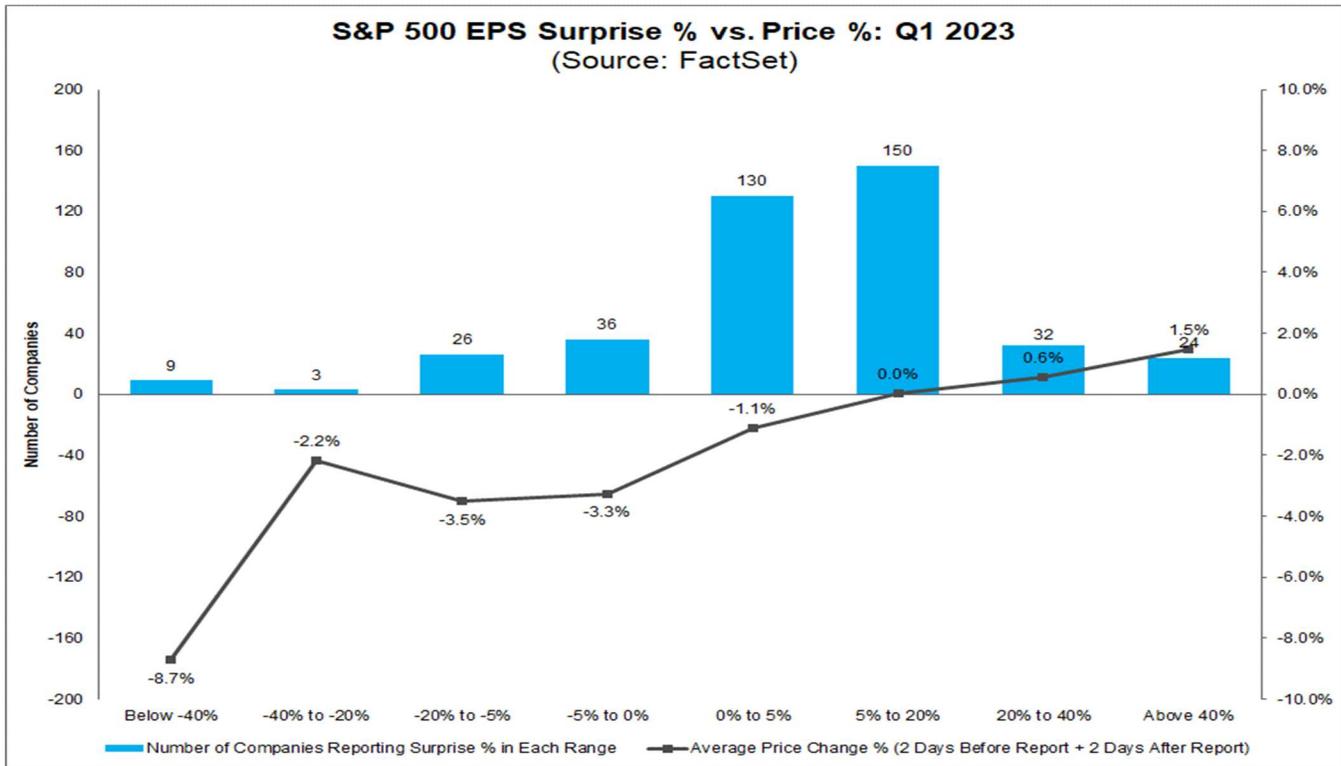
Q1 2023: Scorecard



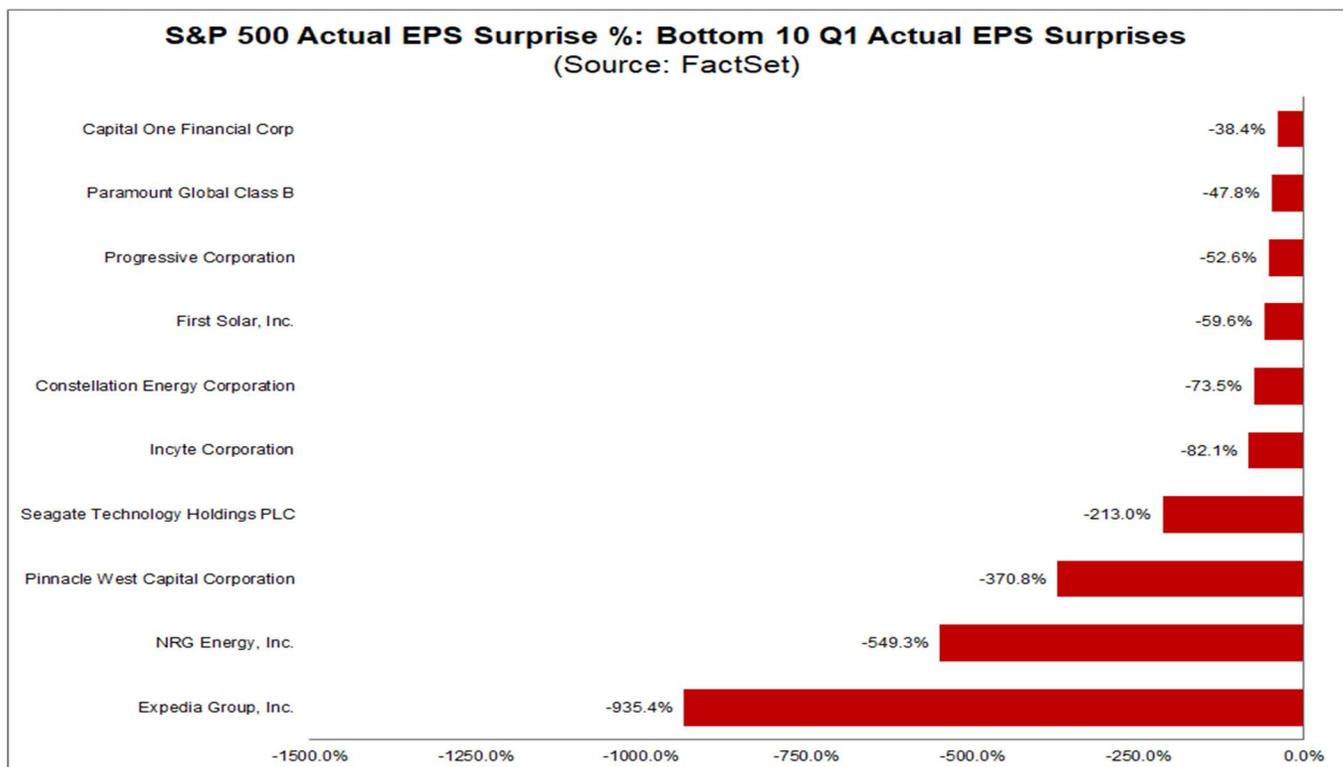
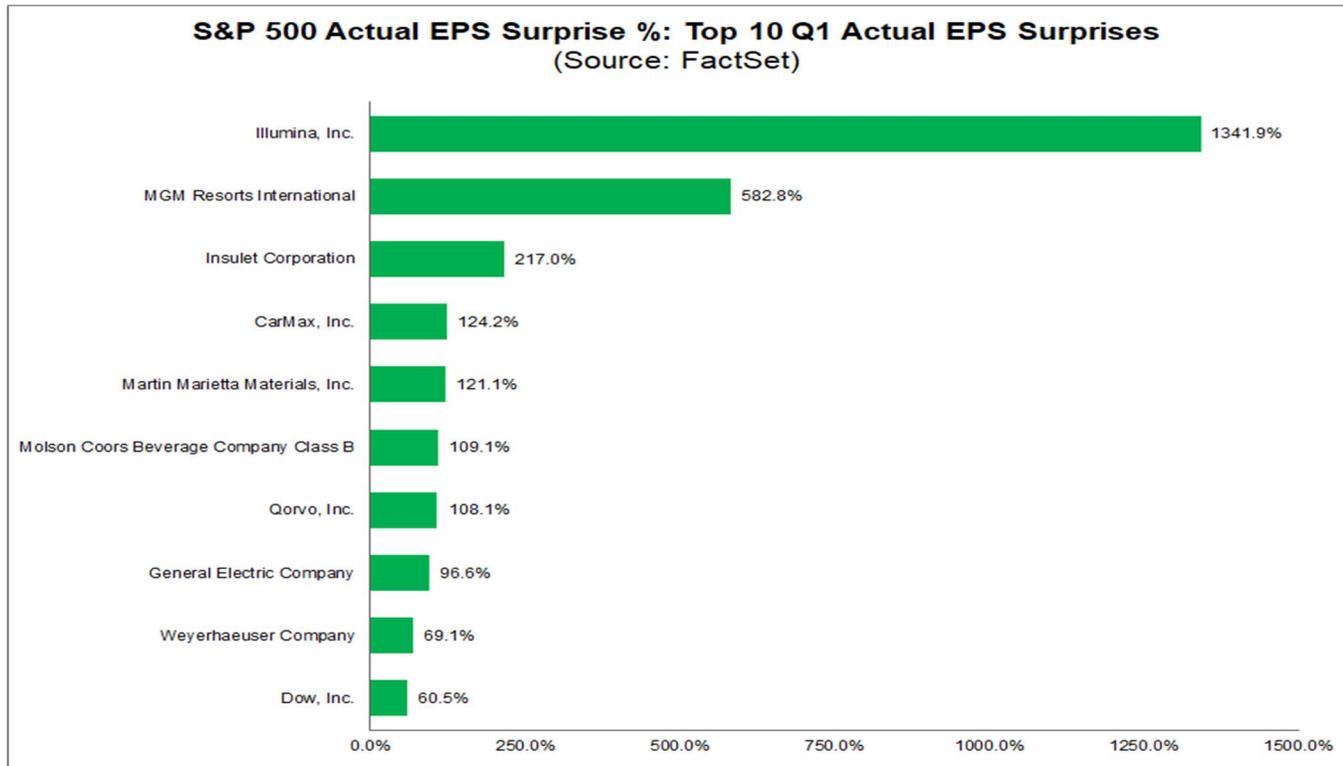
Q1 2023: Scorecard



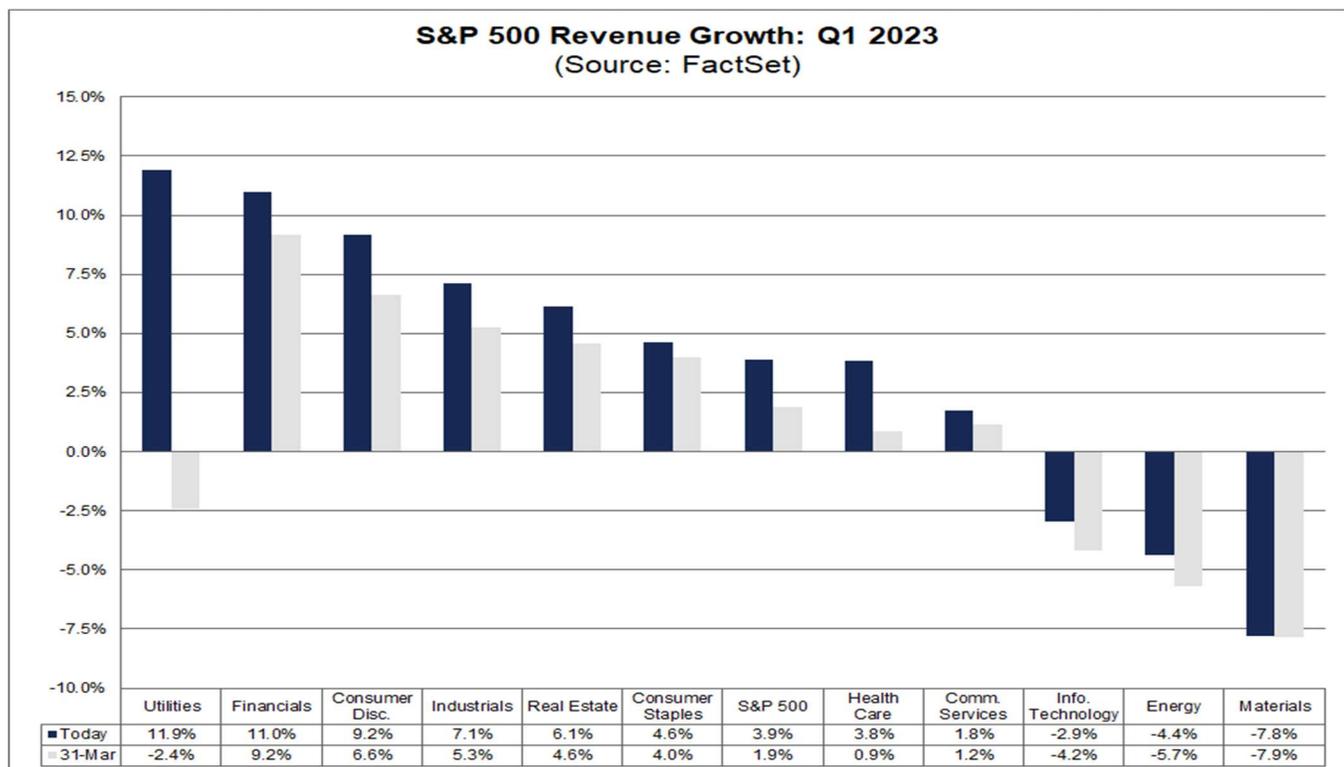
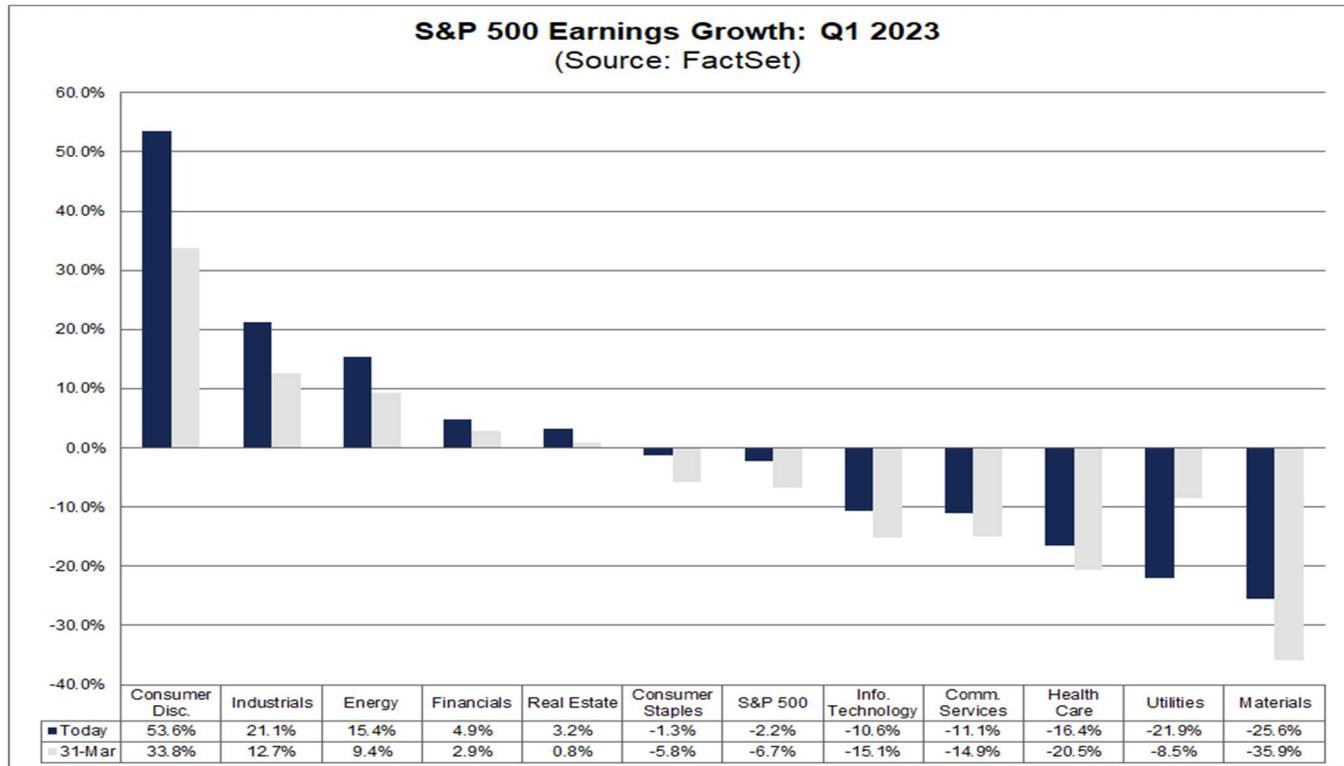
Q1 2023: Scorecard



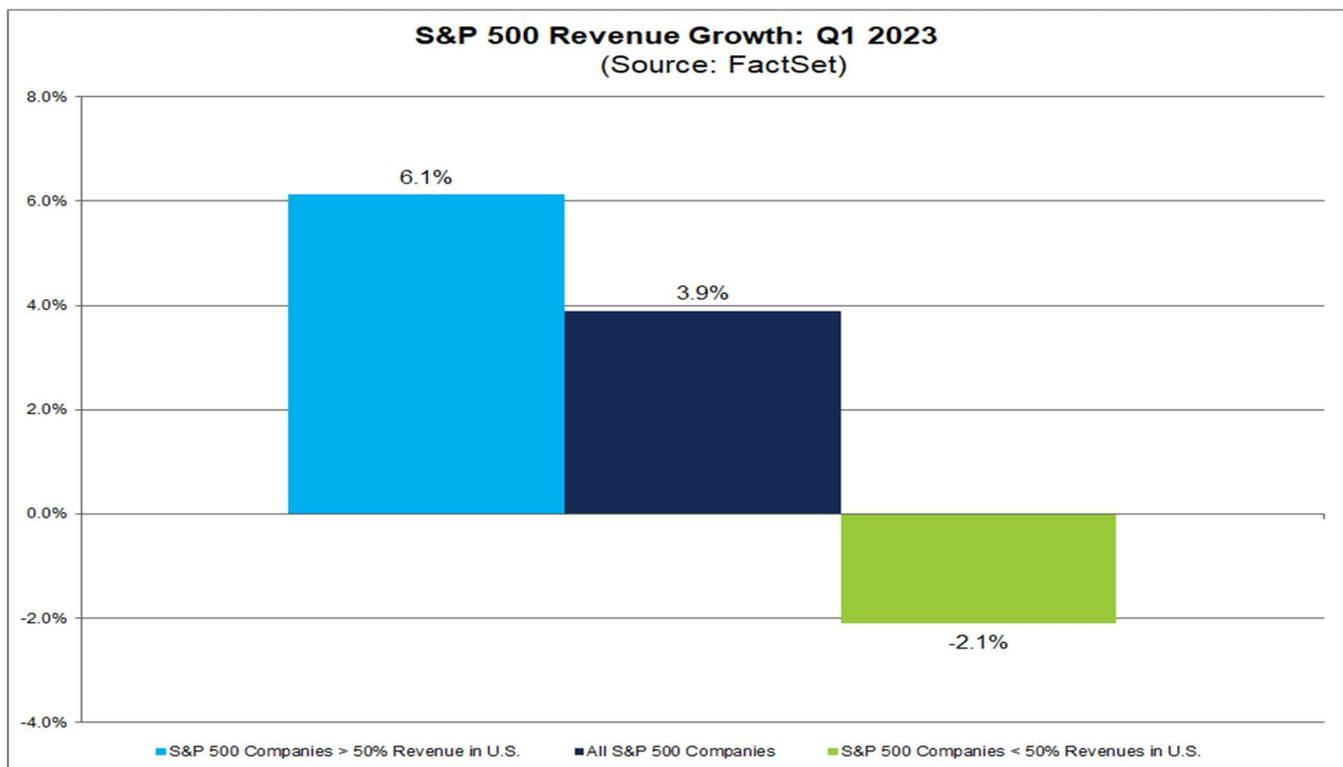
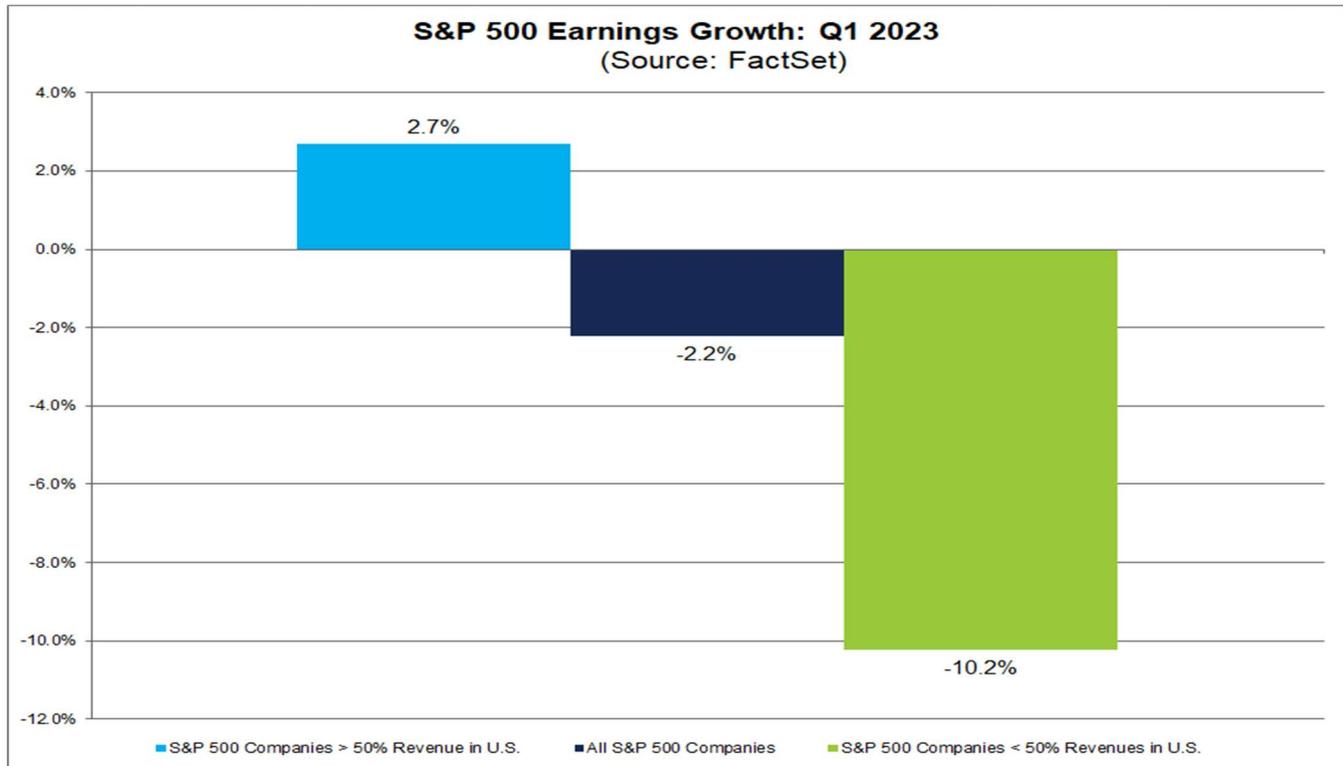
Q1 2023: Scorecard



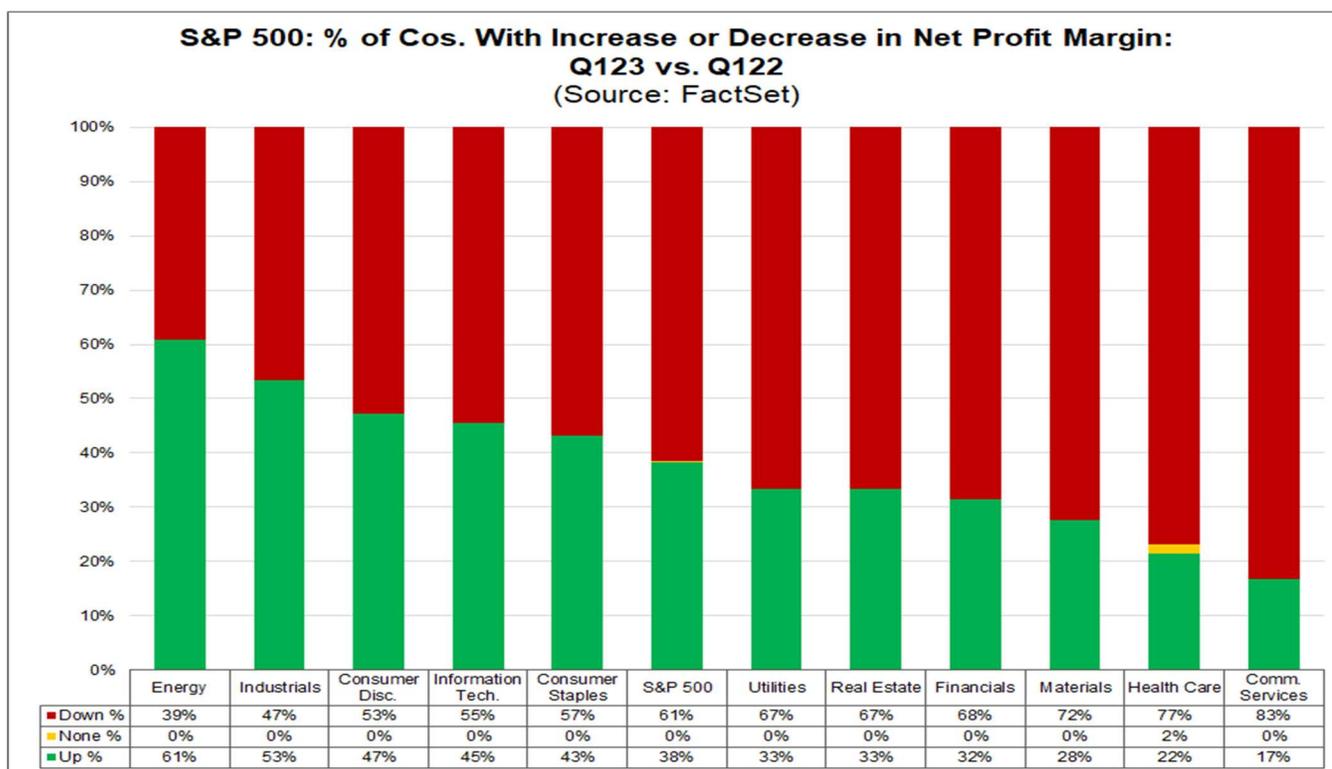
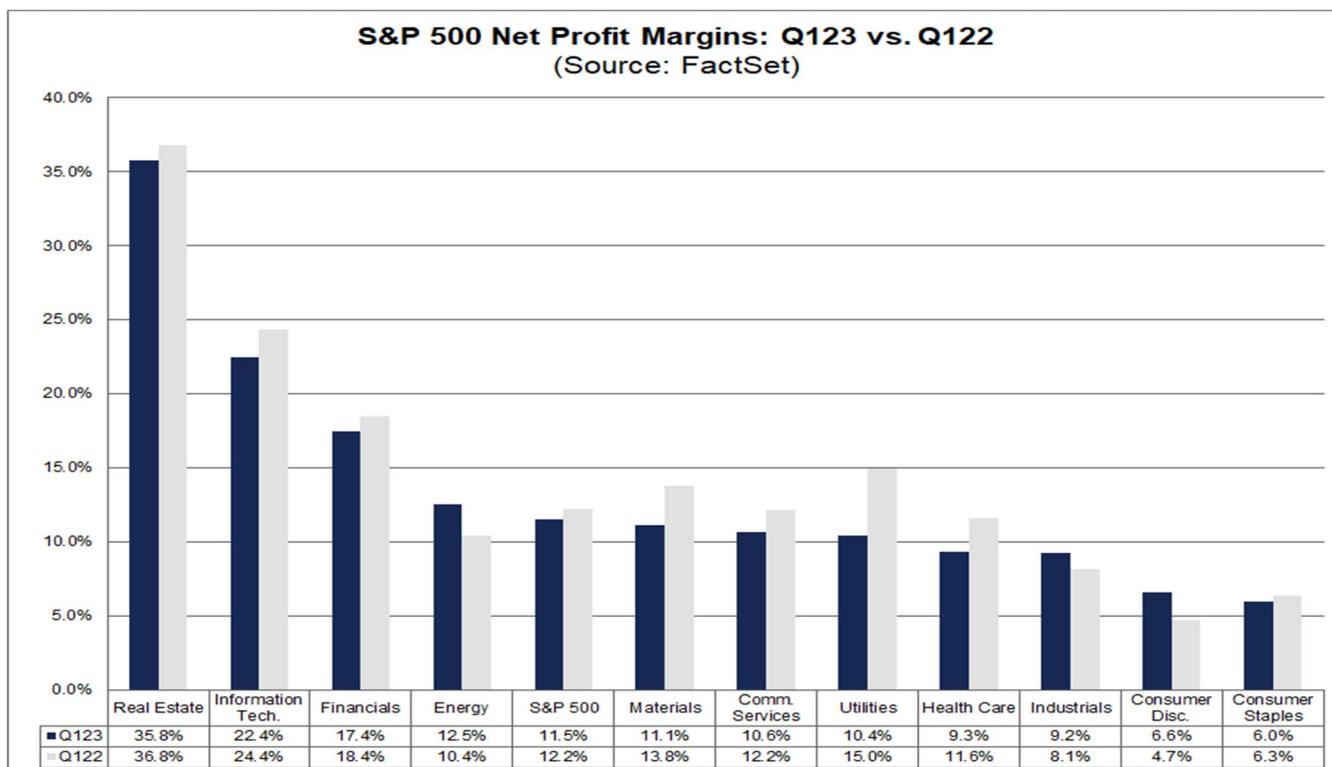
Q1 2023: Growth



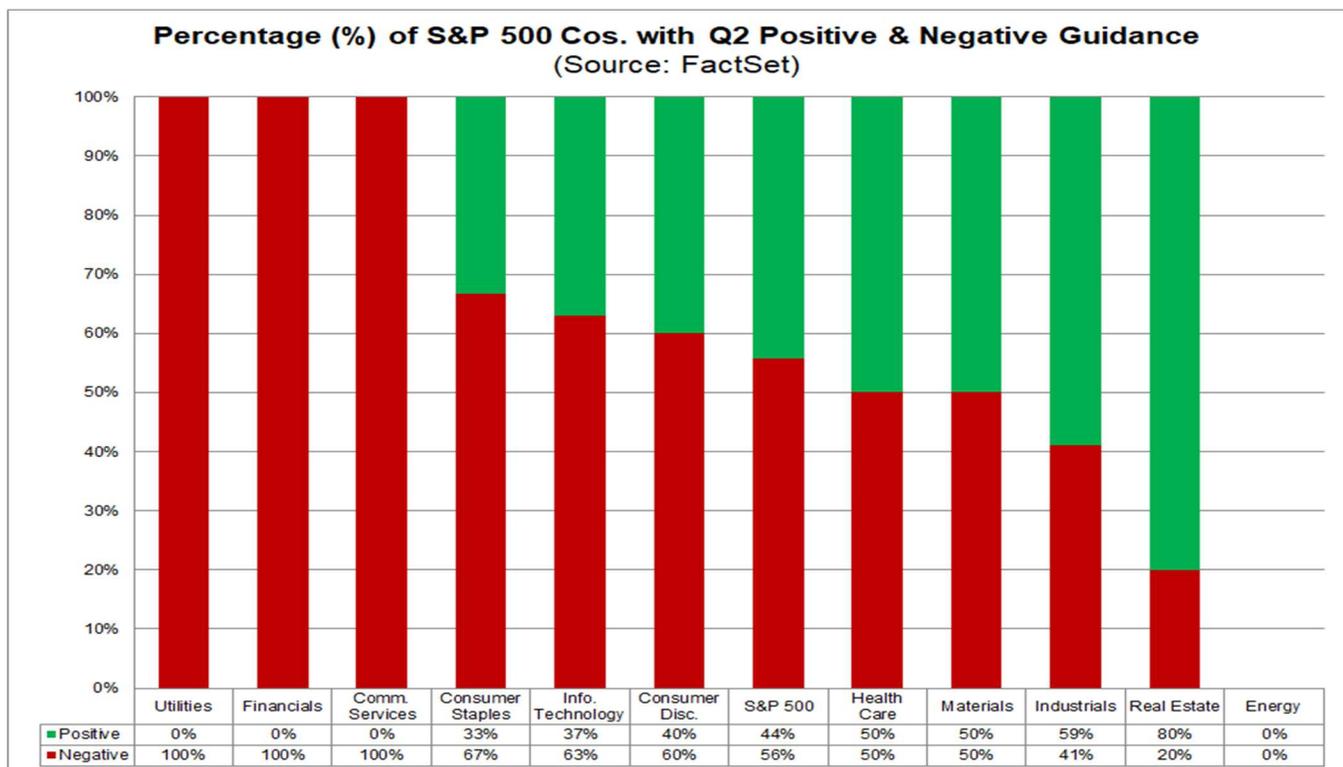
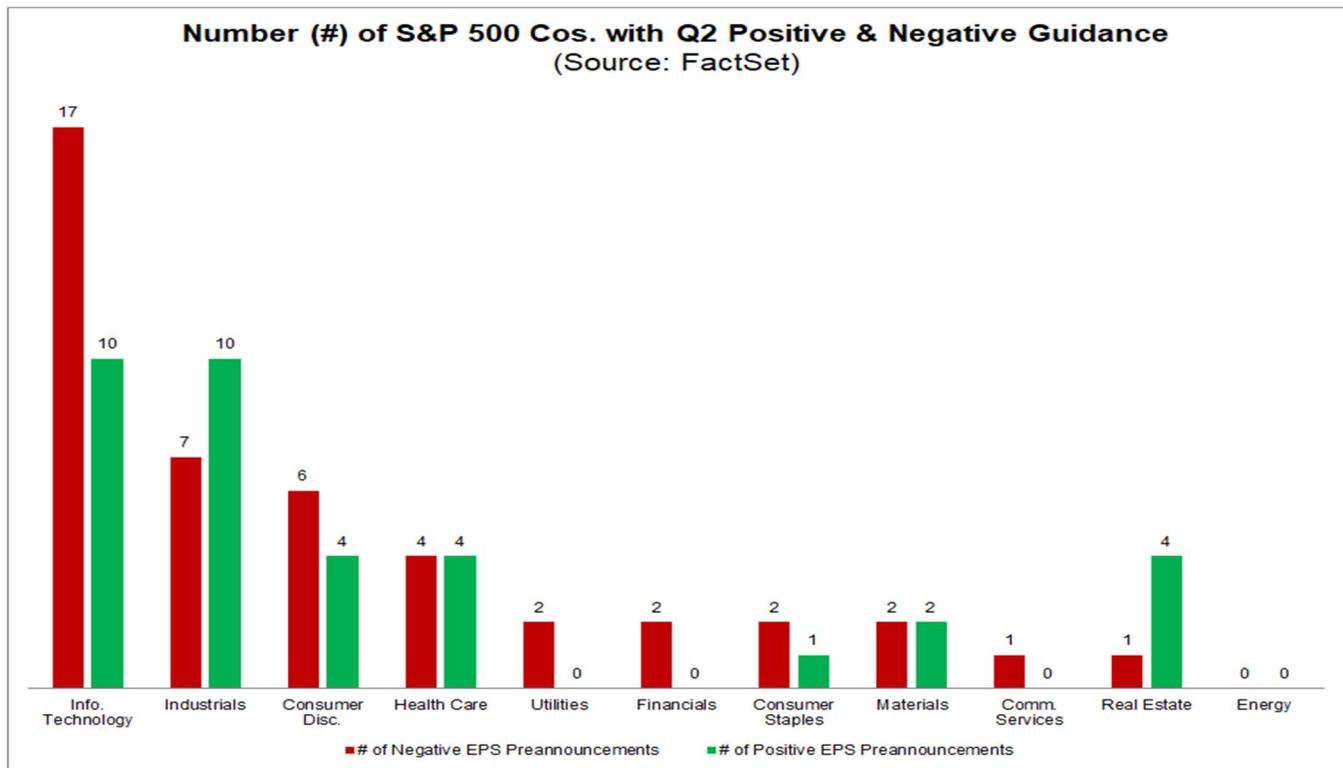
Q1 2023: Growth



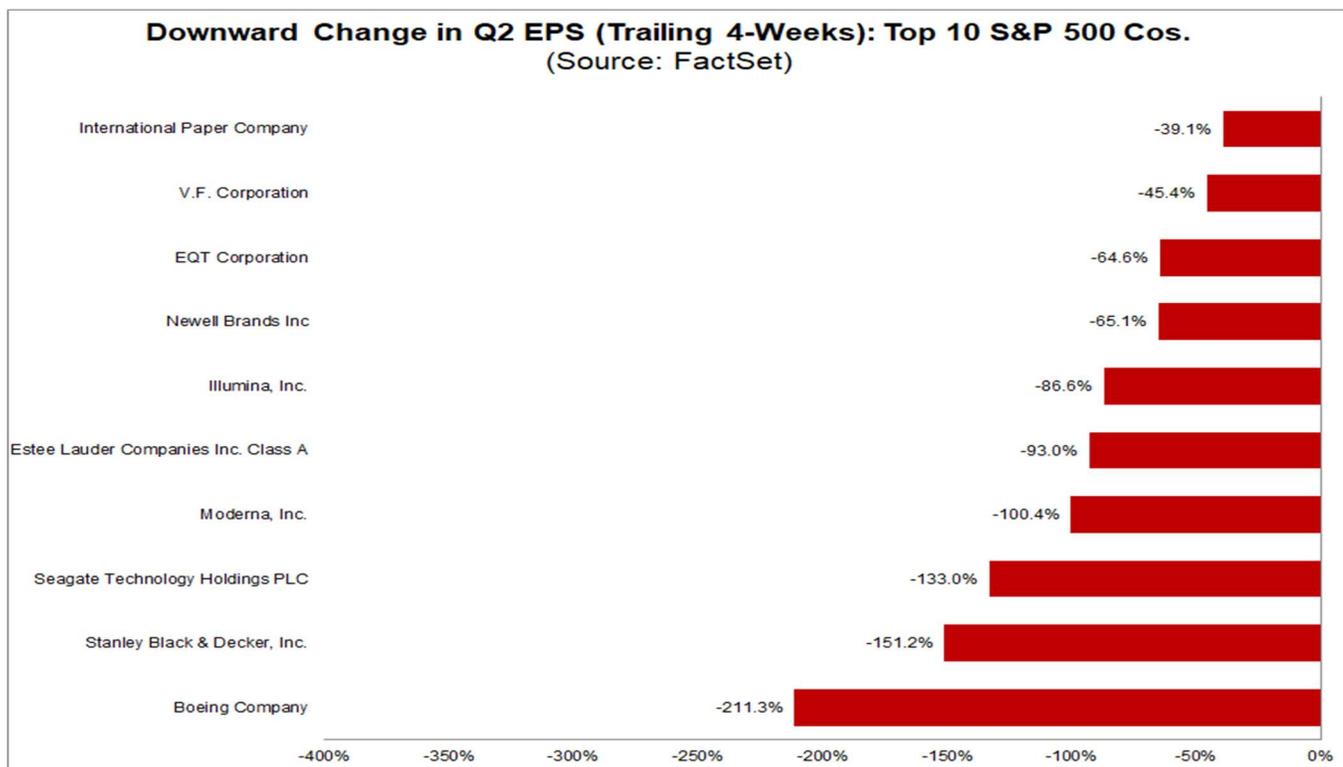
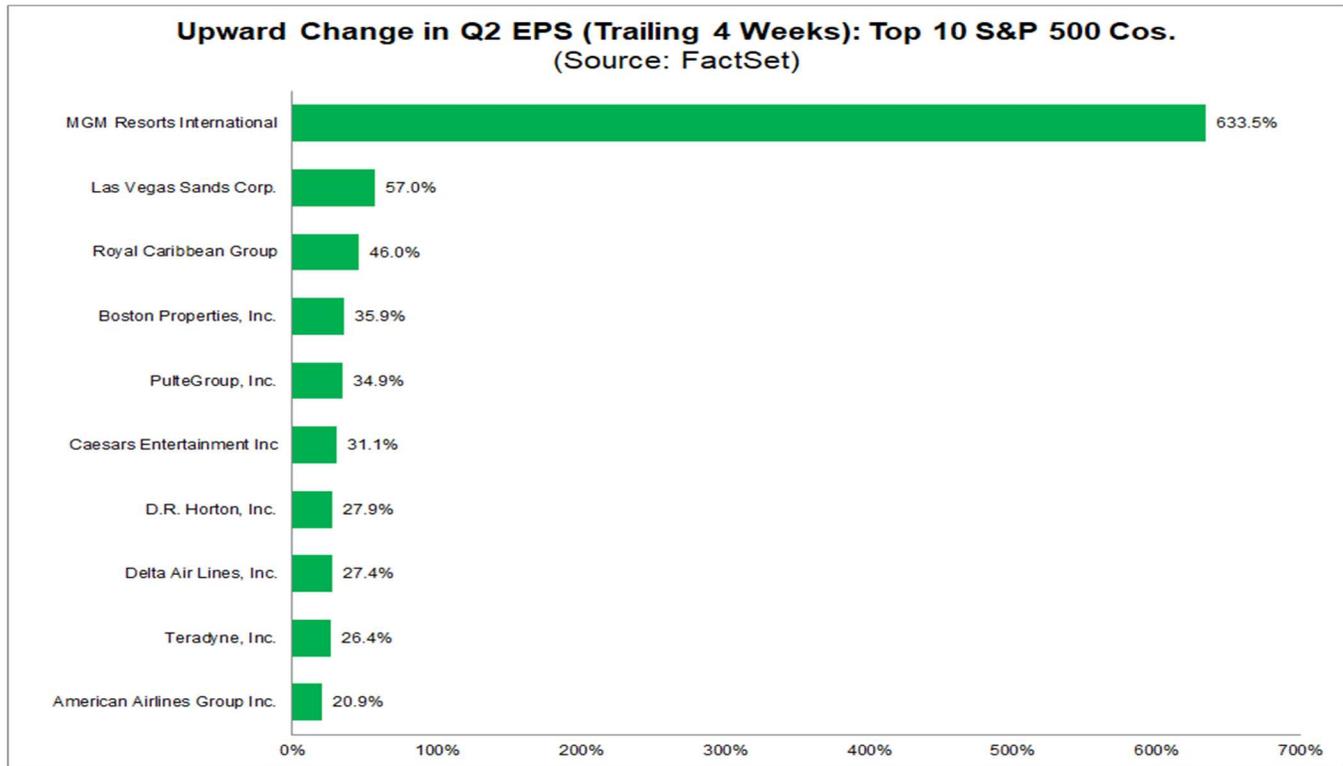
Q1 2023: Net Profit Margin



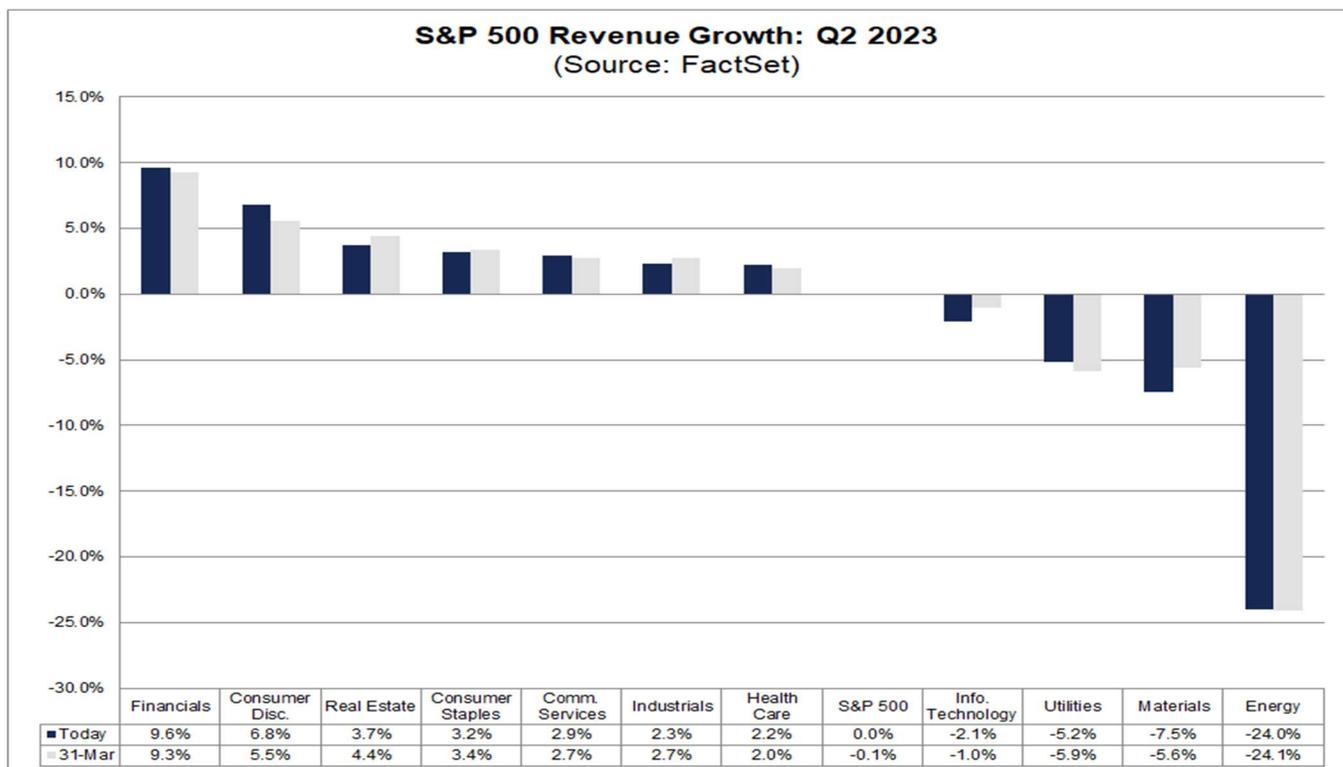
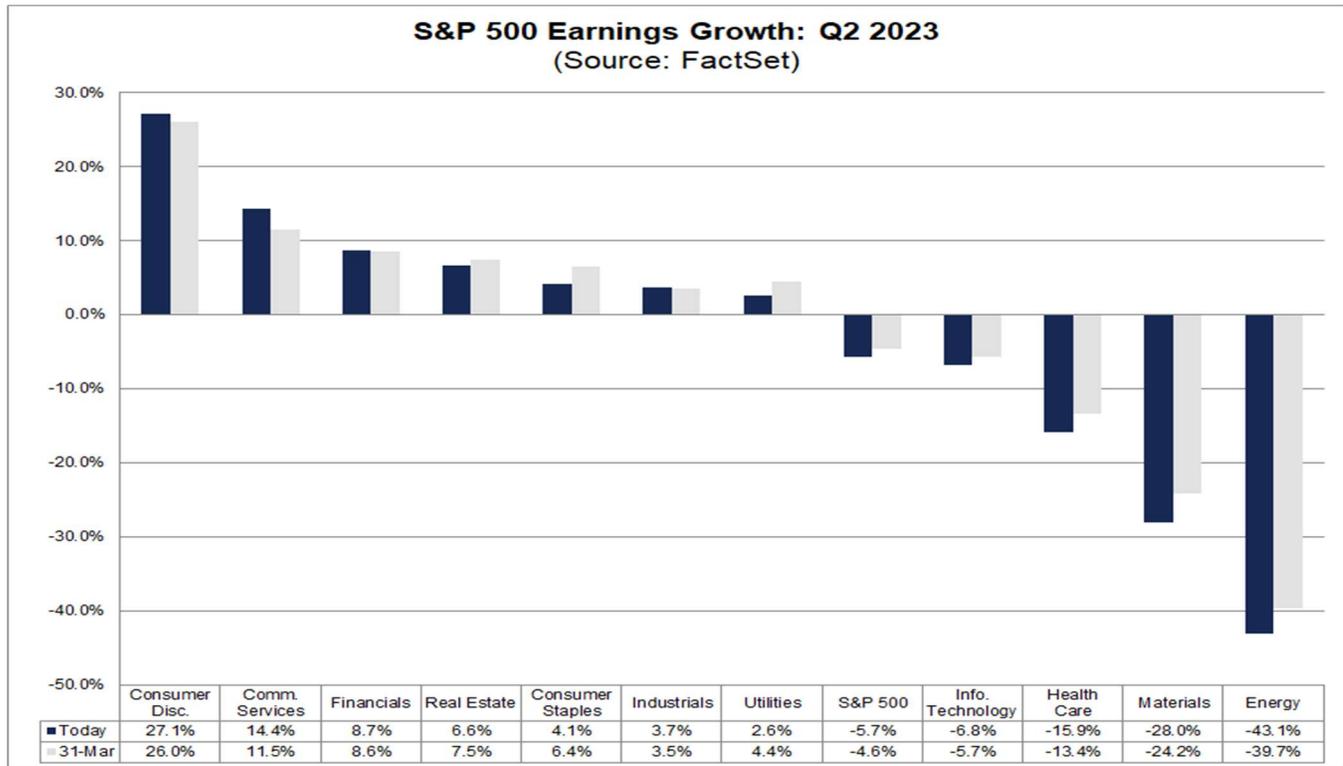
Q2 2023: Guidance



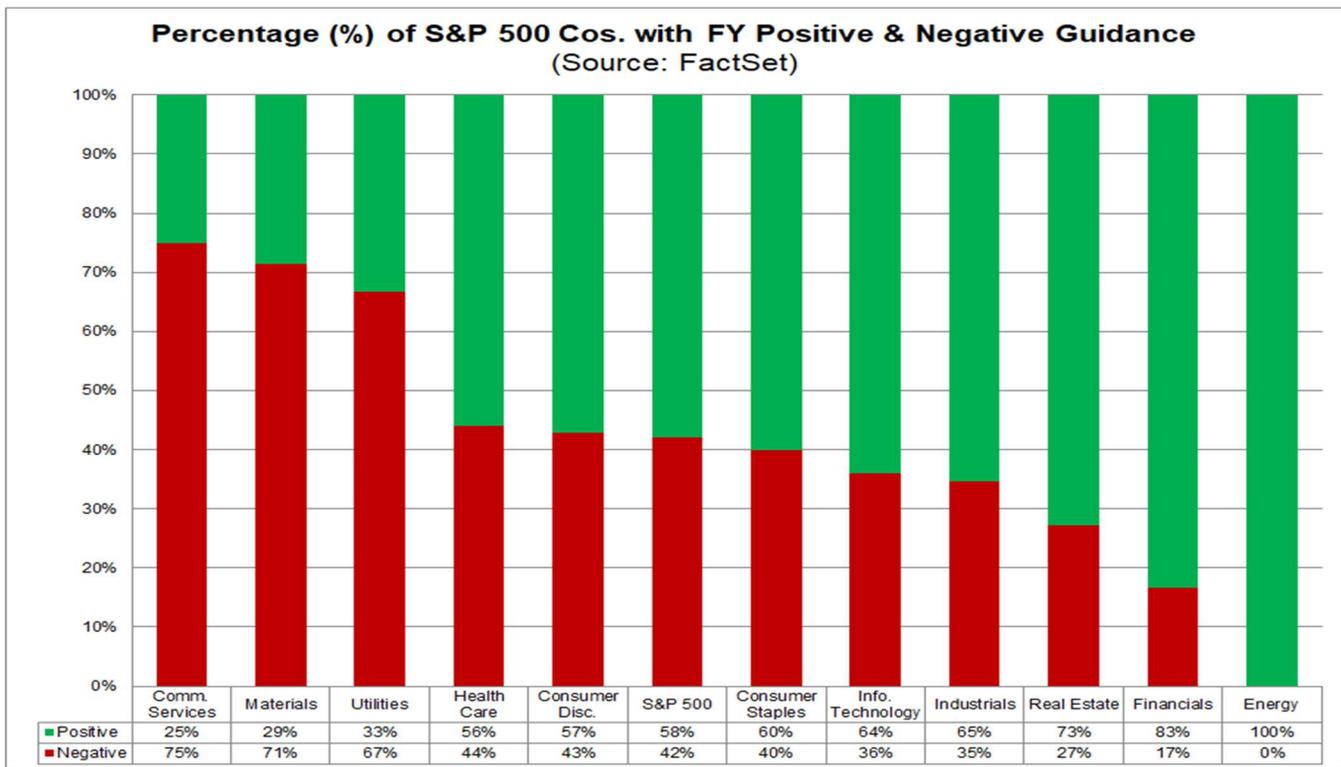
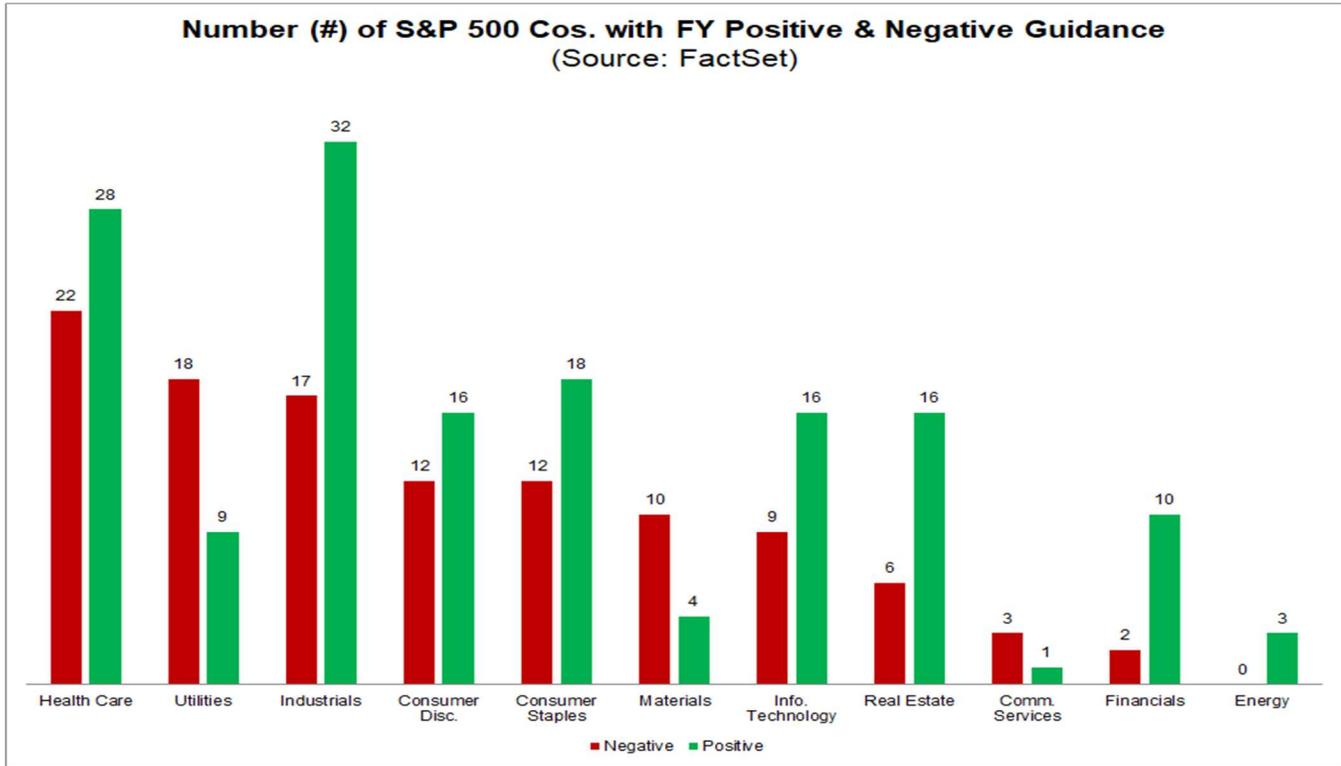
Q2 2023: EPS Revisions



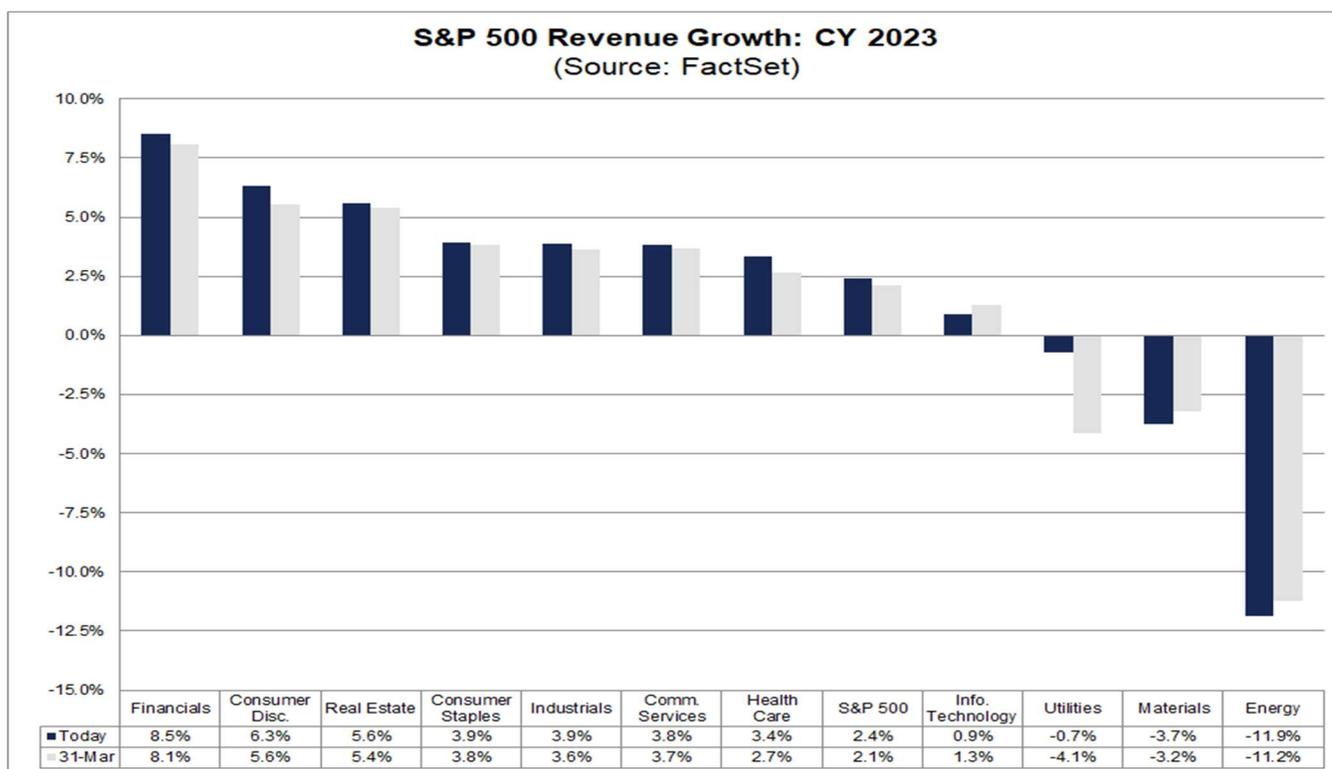
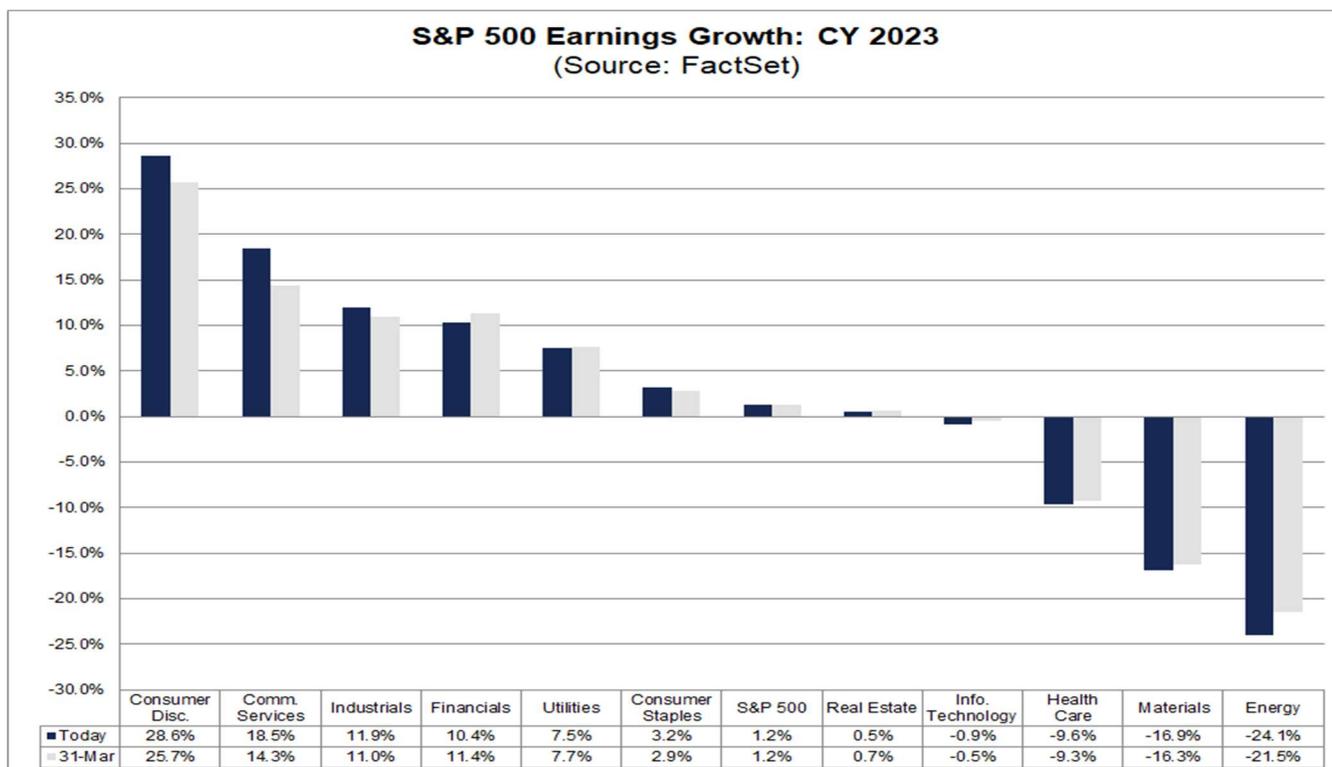
Q2 2023: Growth



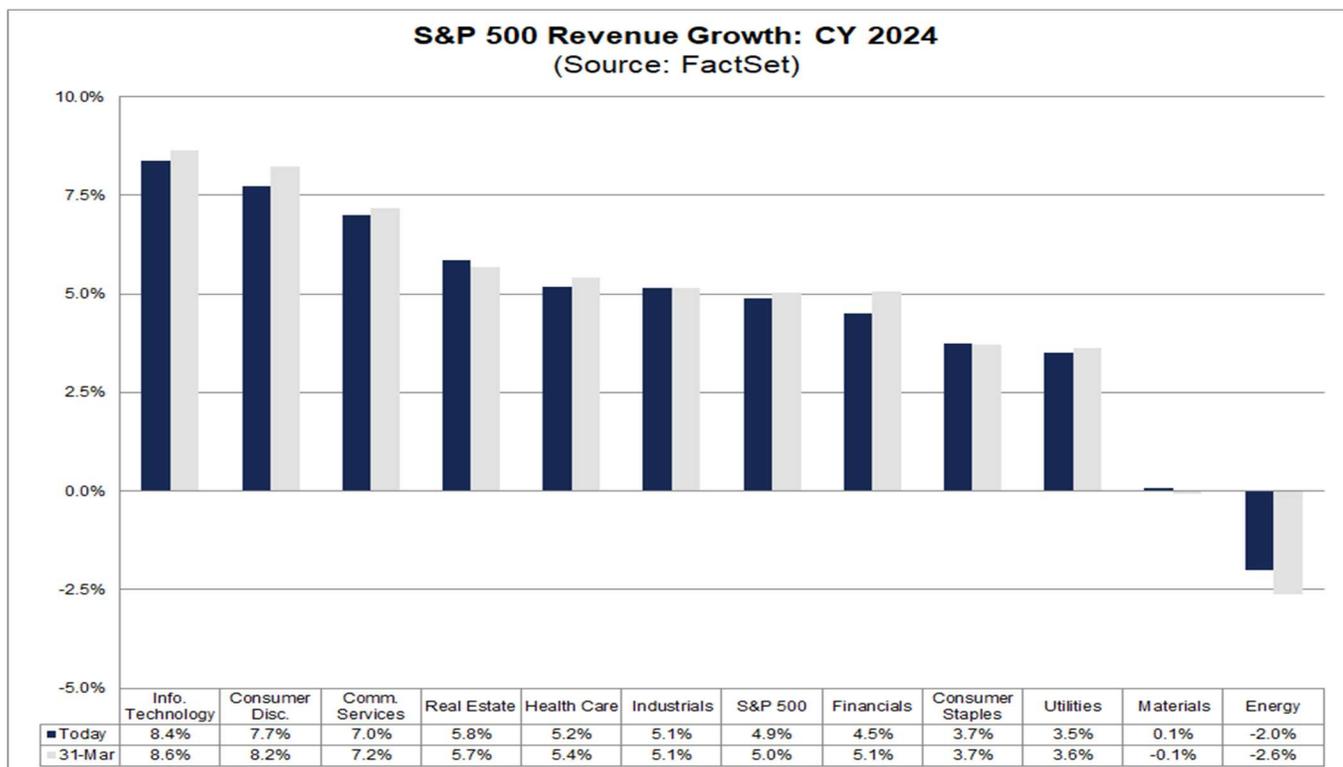
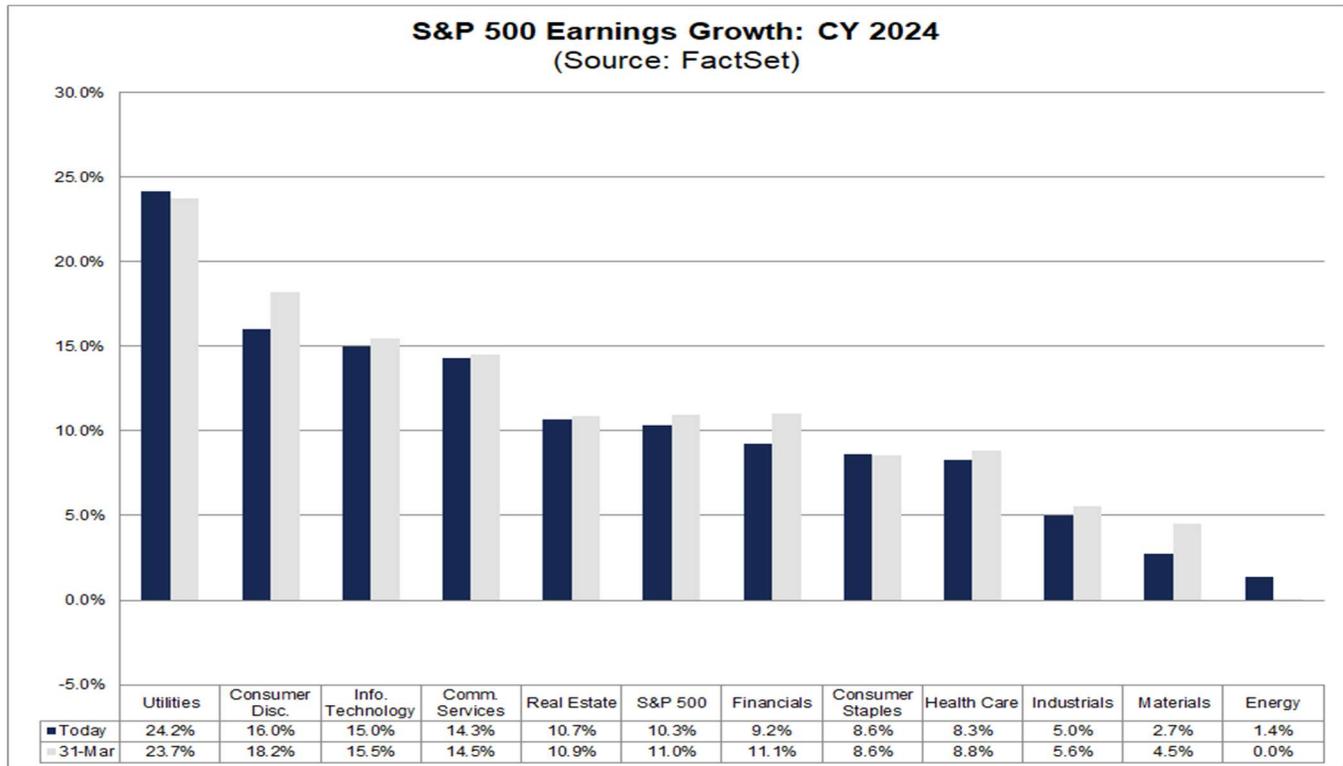
FY 2023 / 2024: EPS Guidance



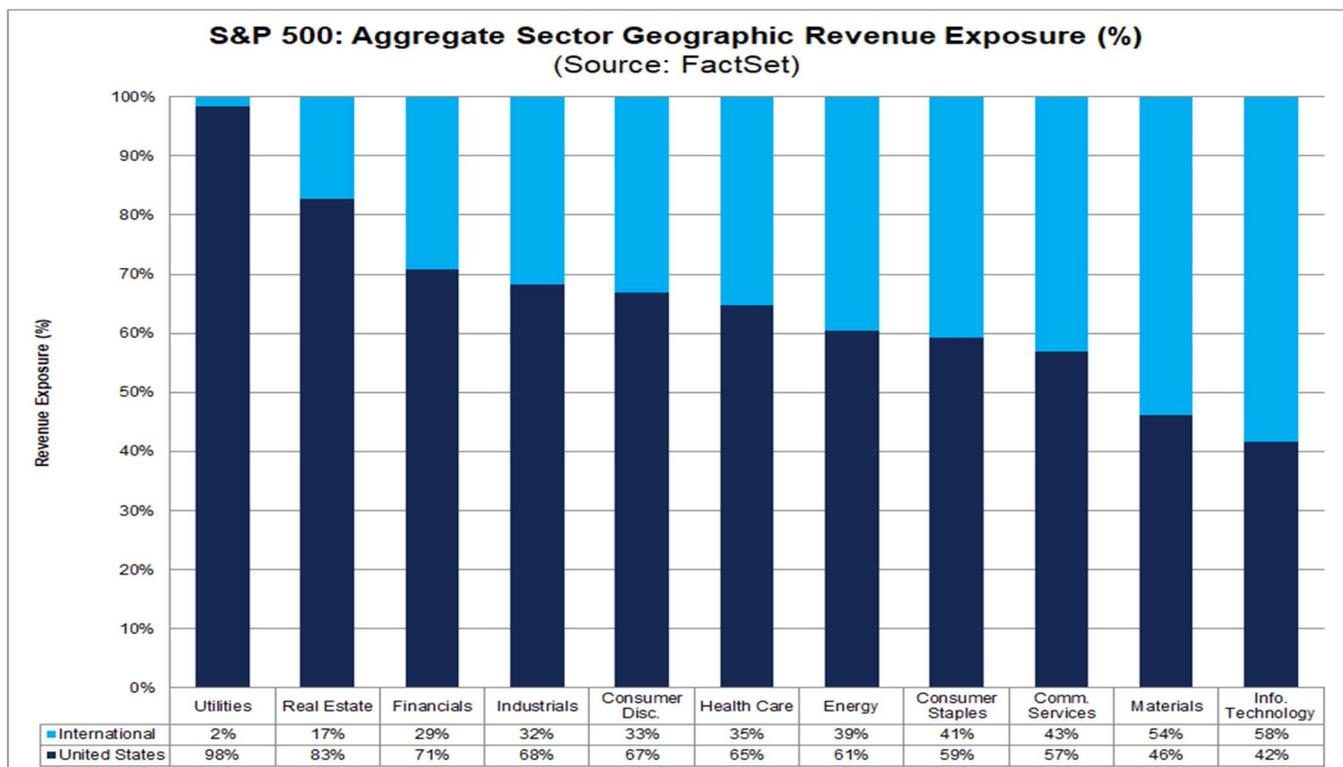
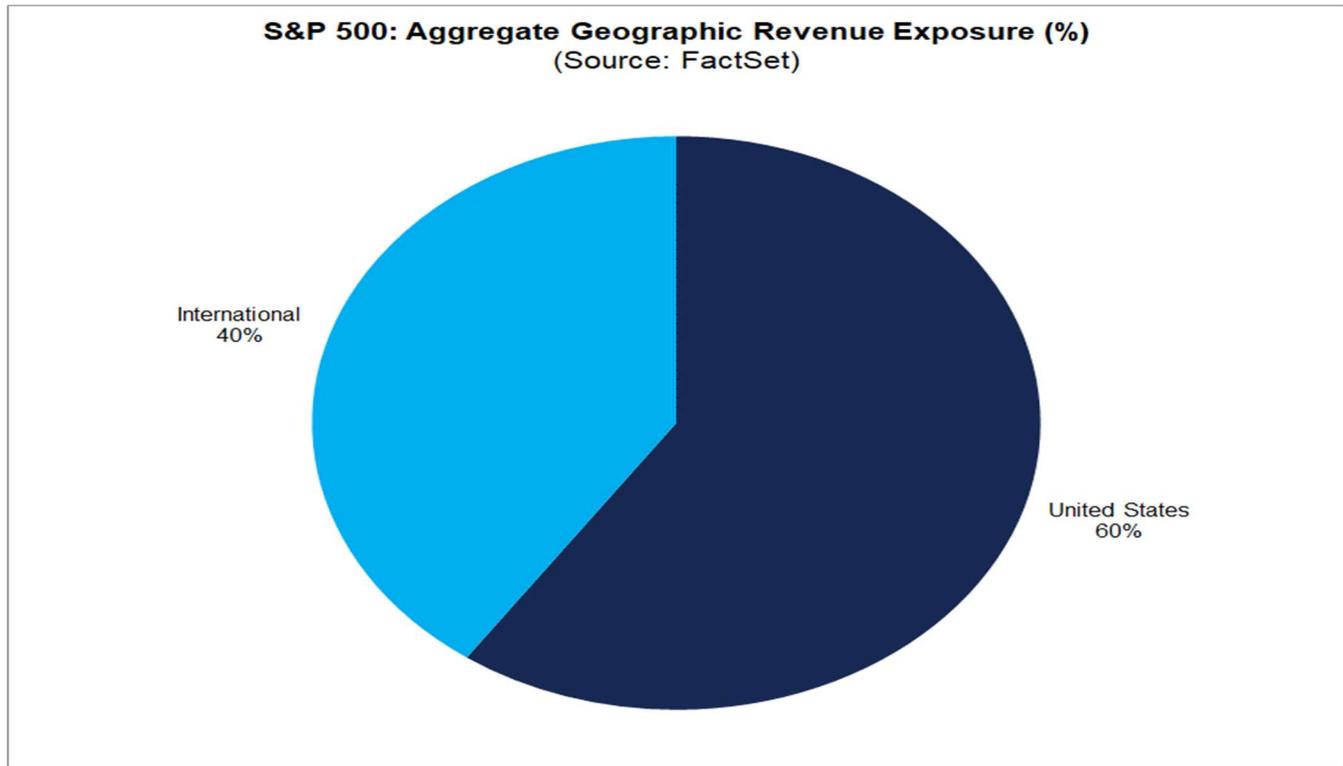
CY 2023: Growth



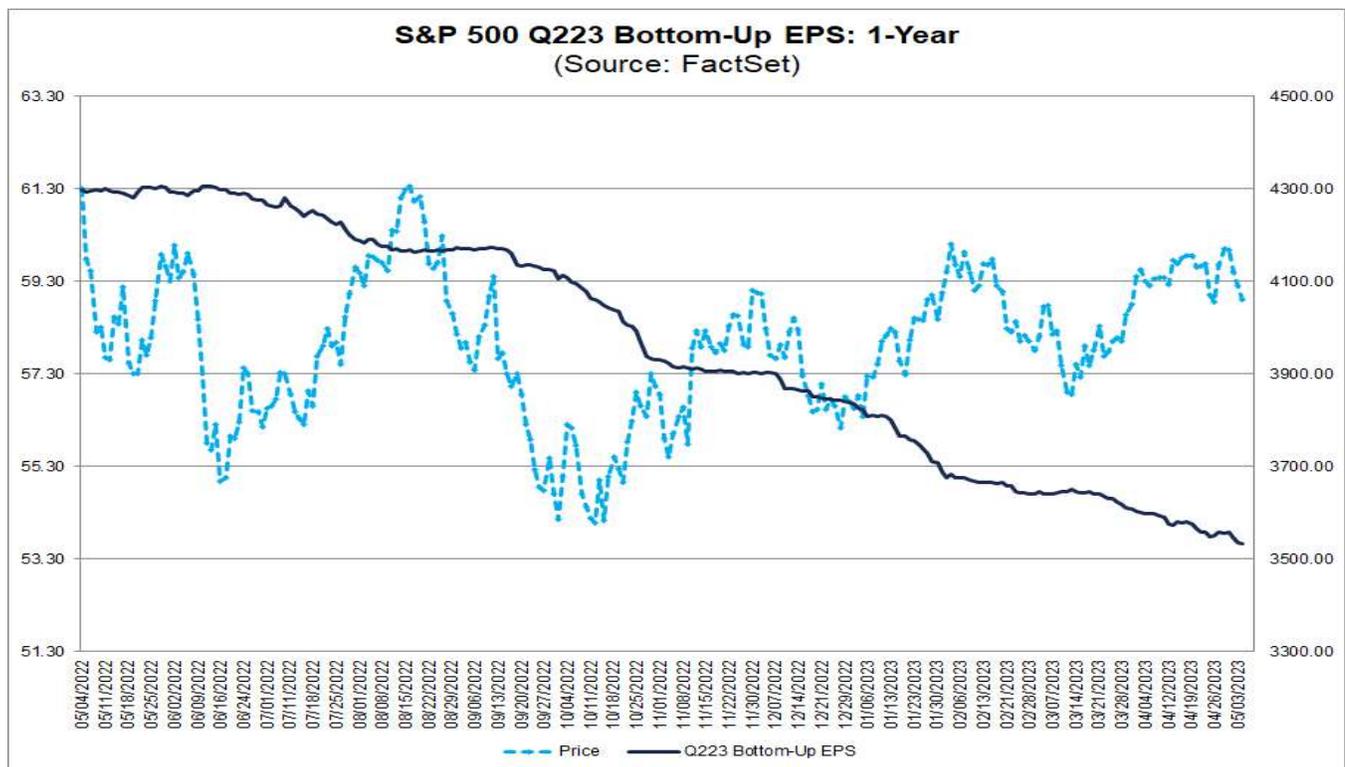
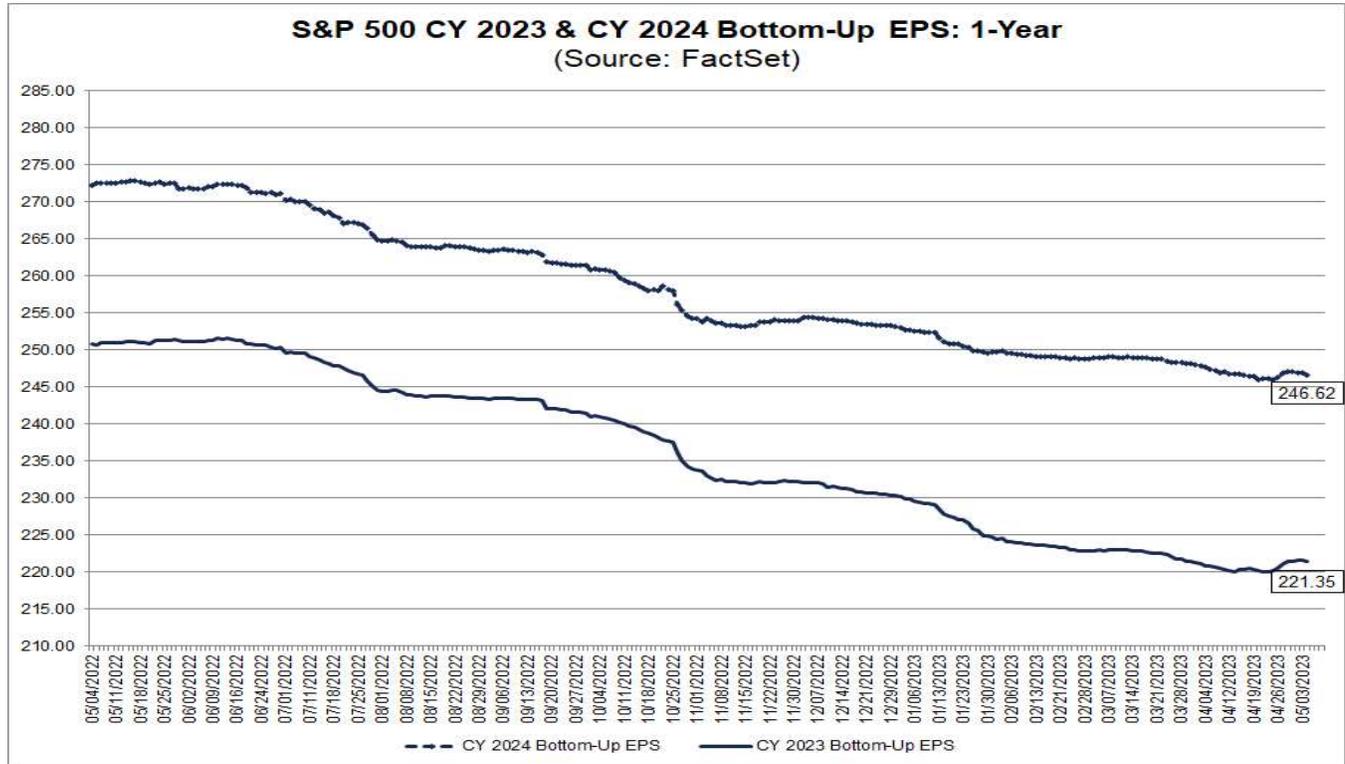
CY 2024: Growth



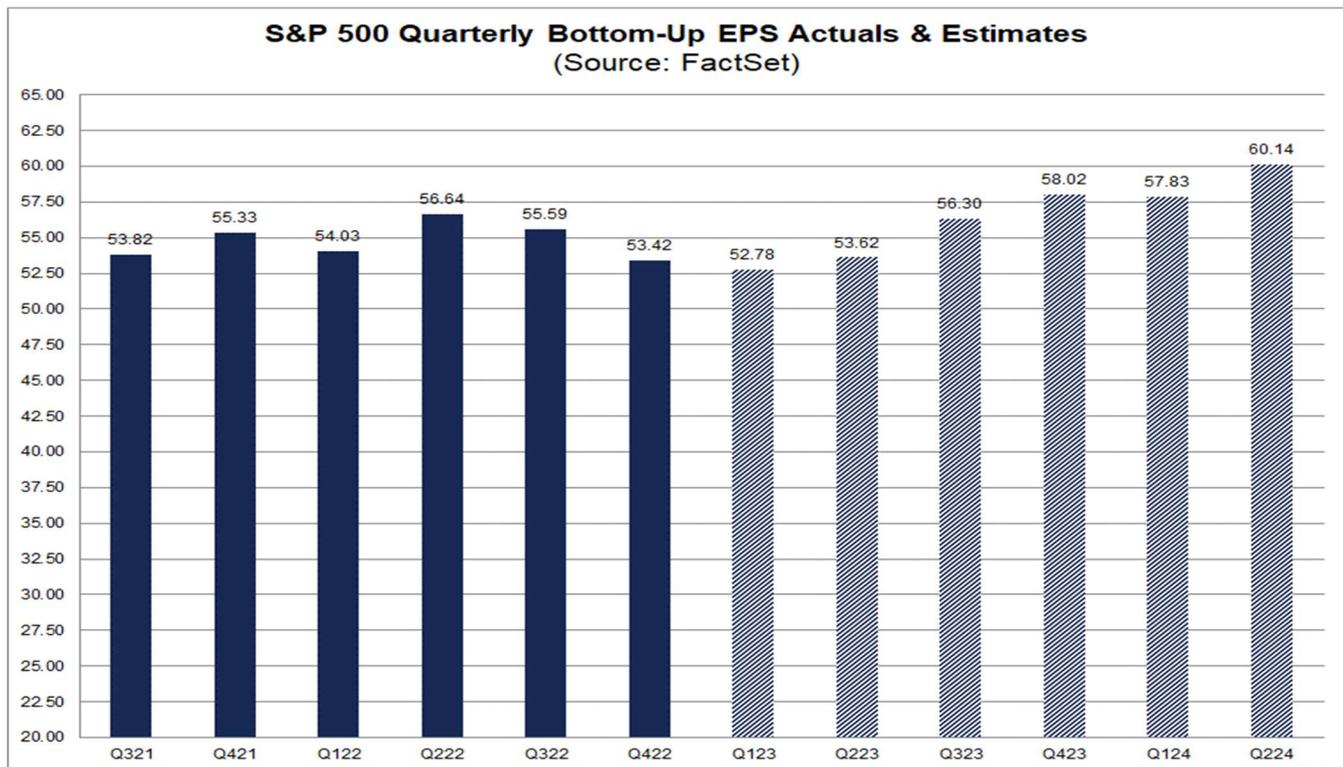
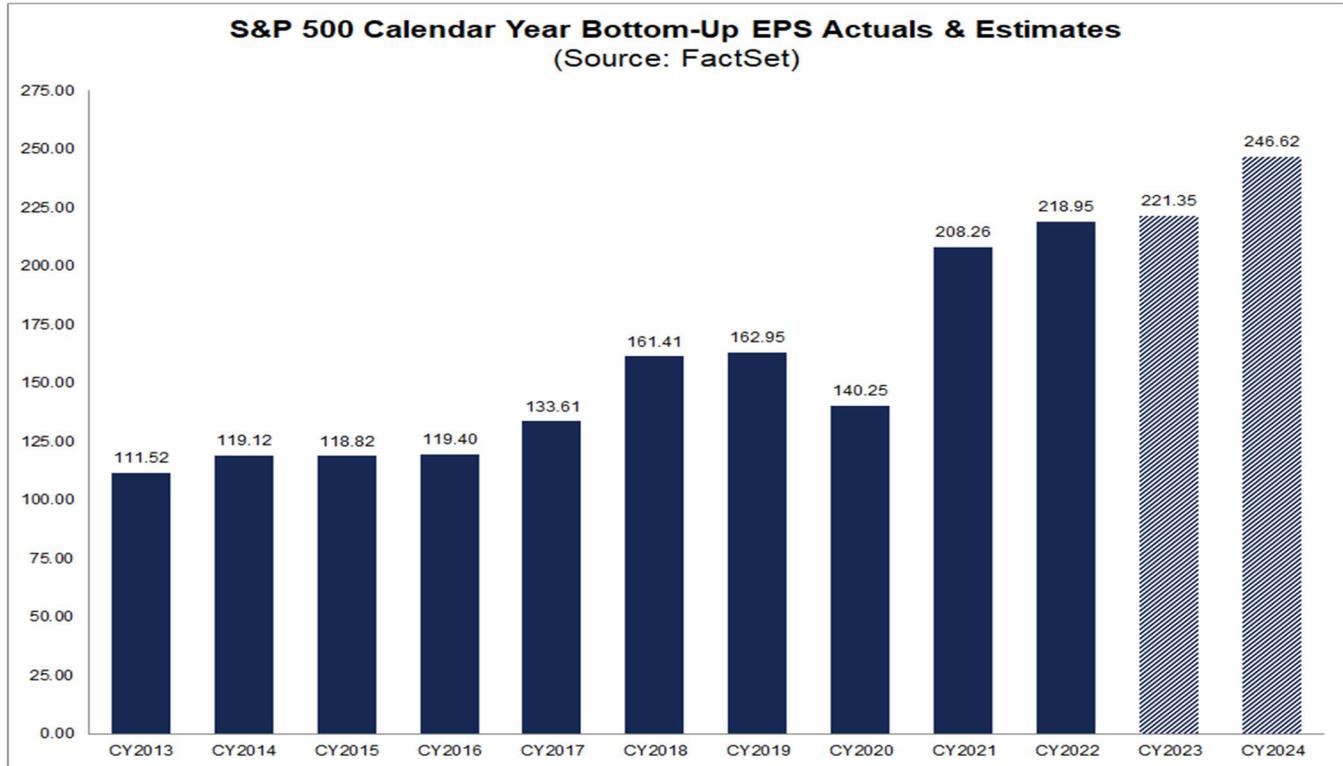
Geographic Revenue Exposure



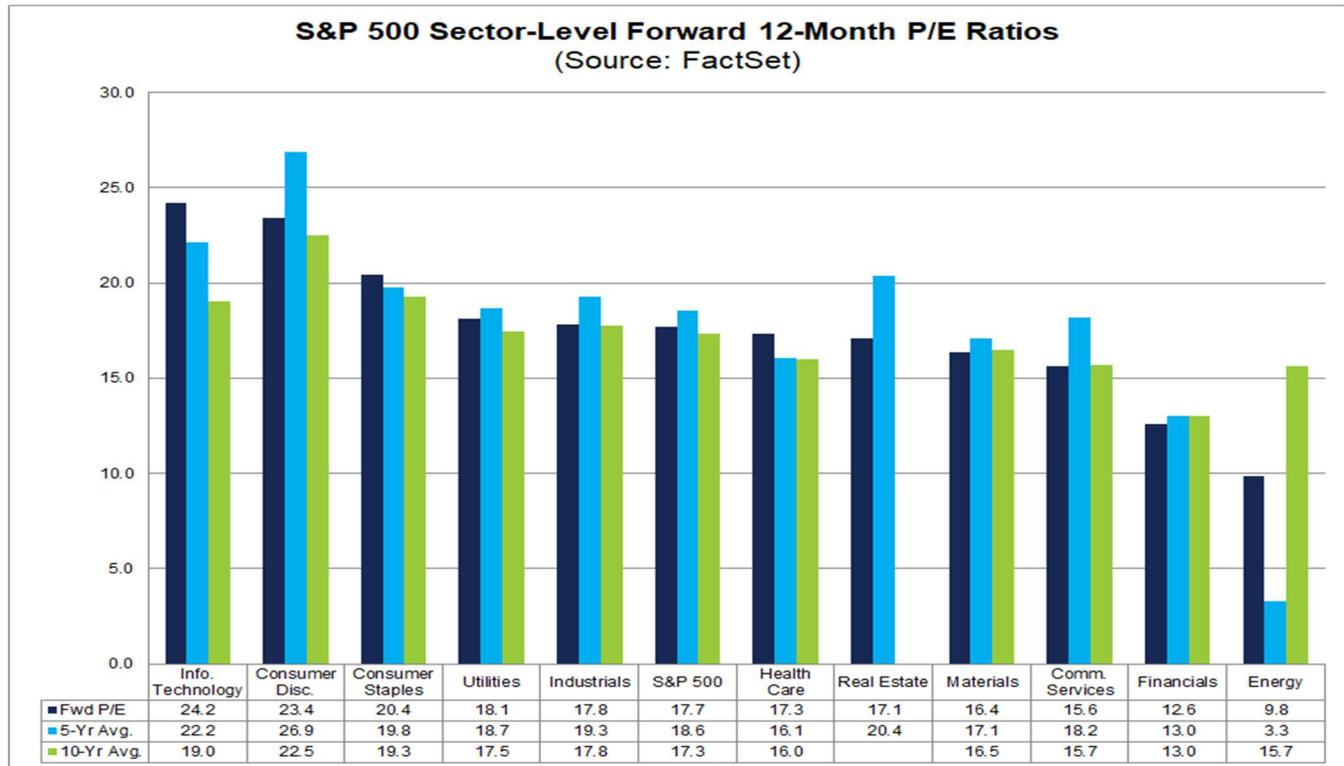
Bottom-Up EPS Estimates



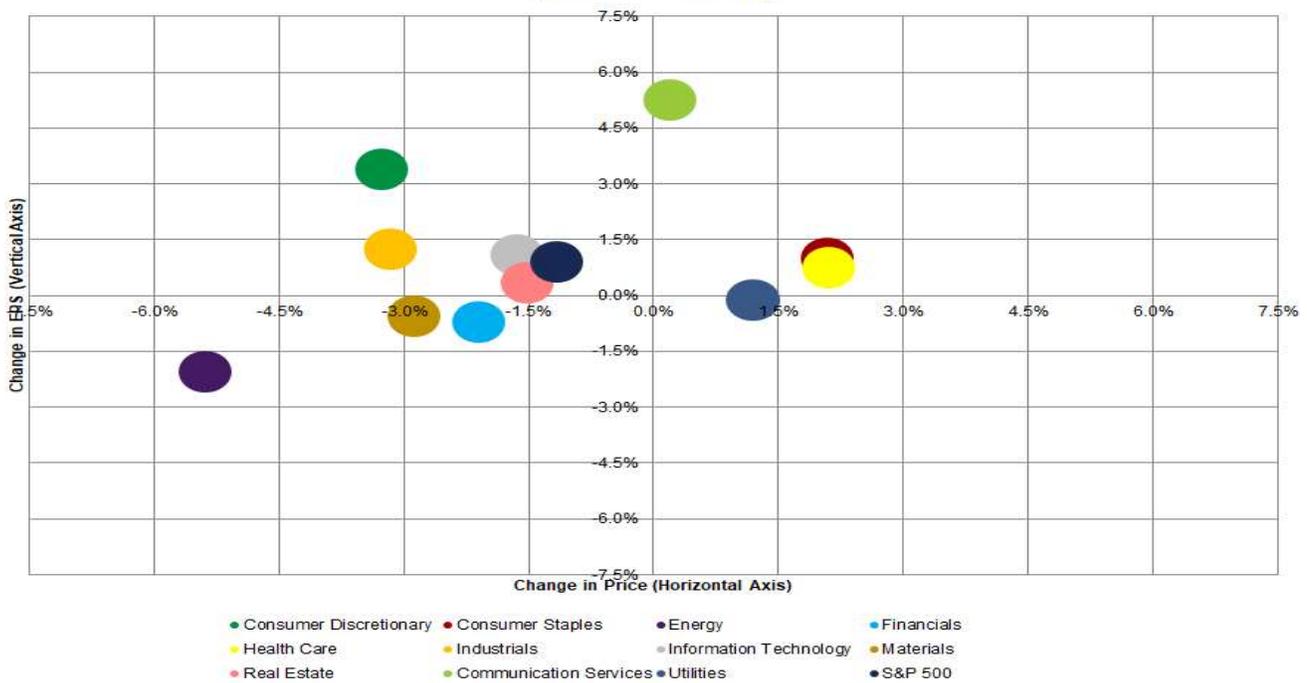
Bottom-Up EPS Estimates: Current & Historical



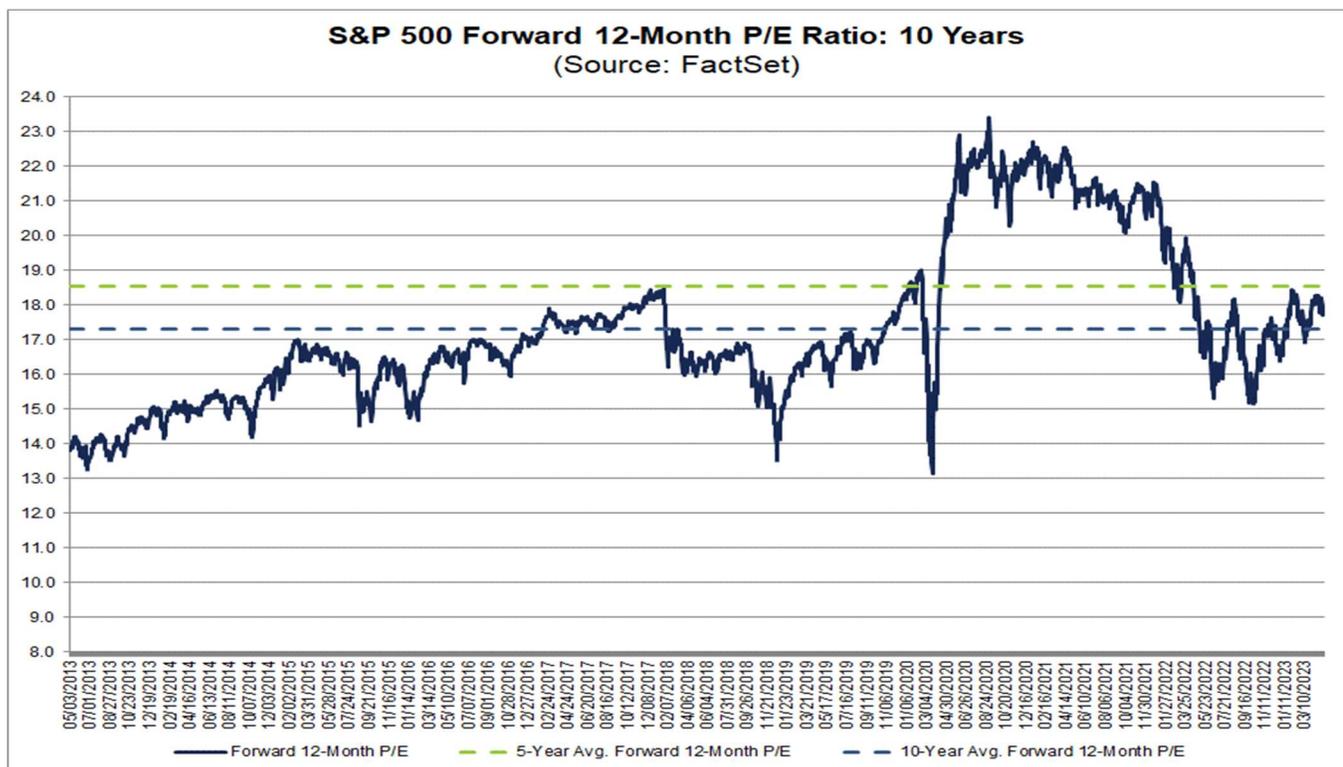
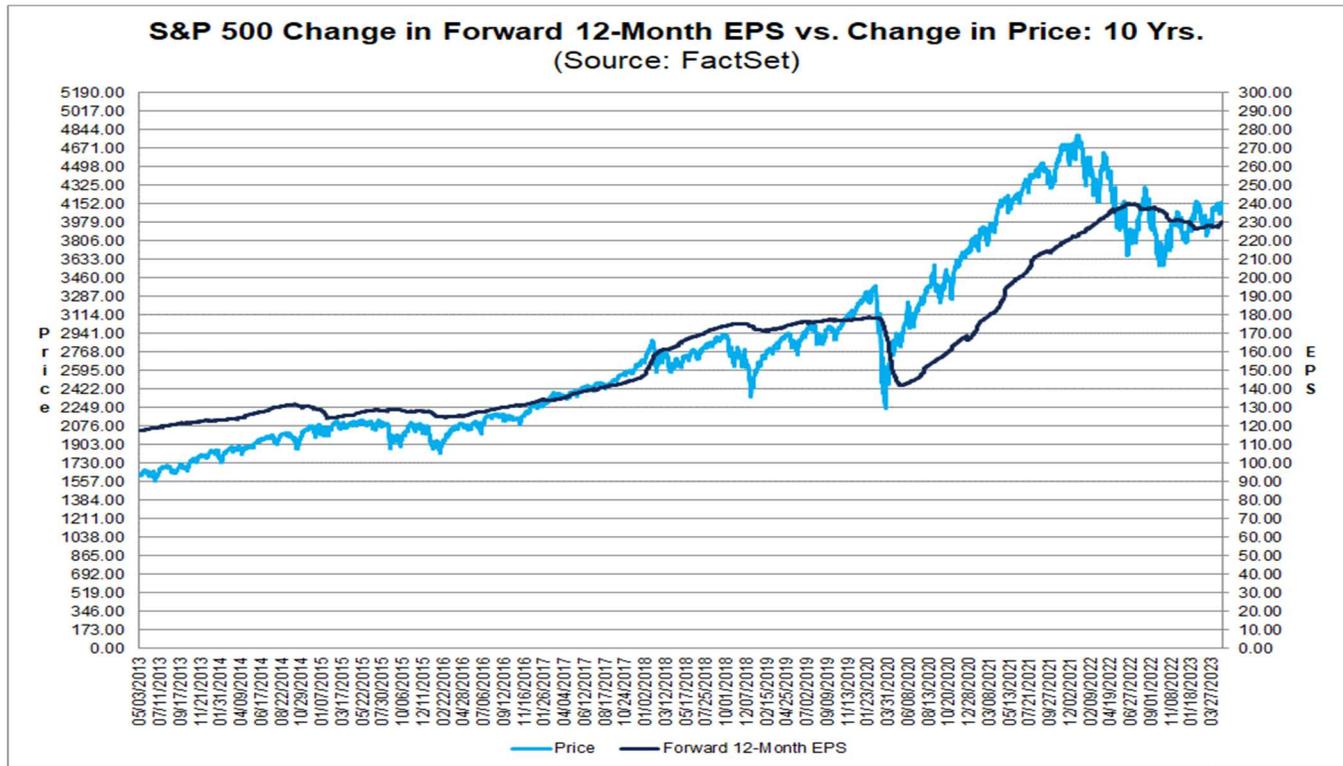
Forward 12M P/E Ratio: Sector Level



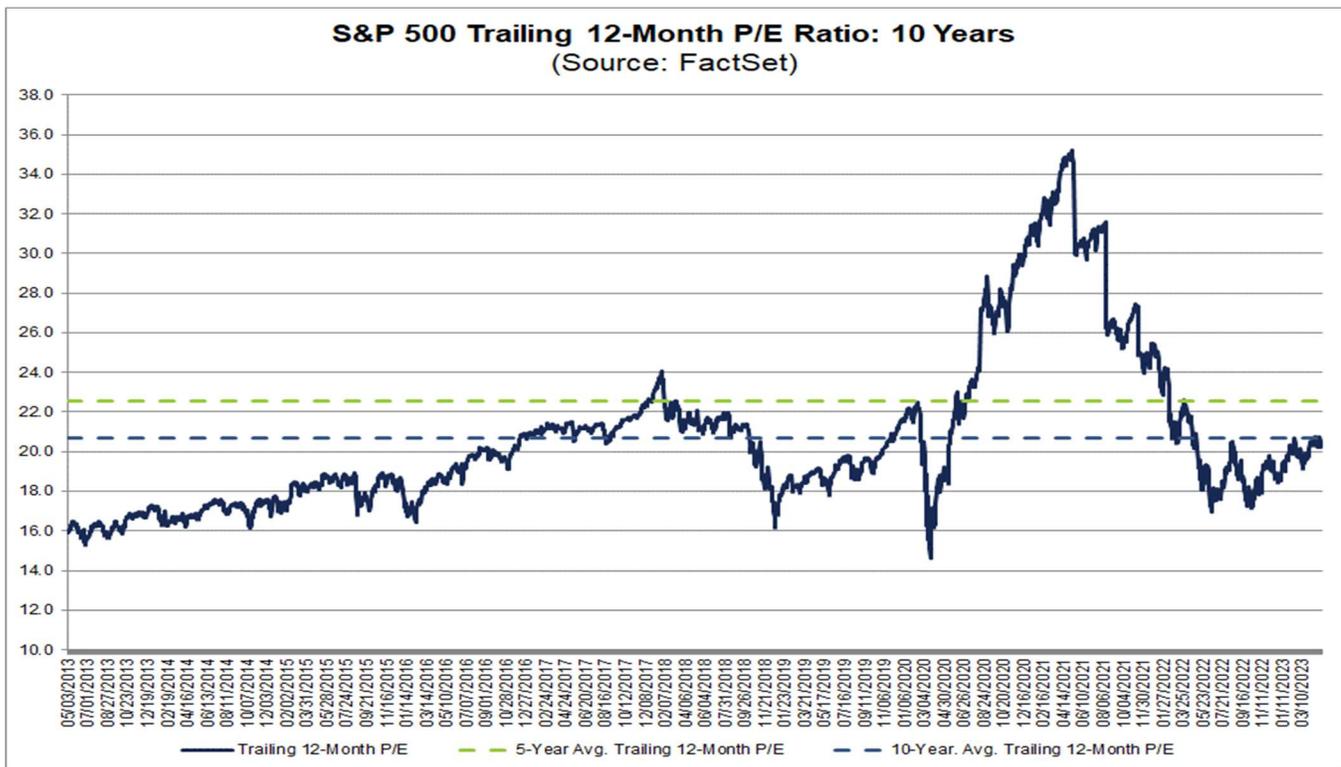
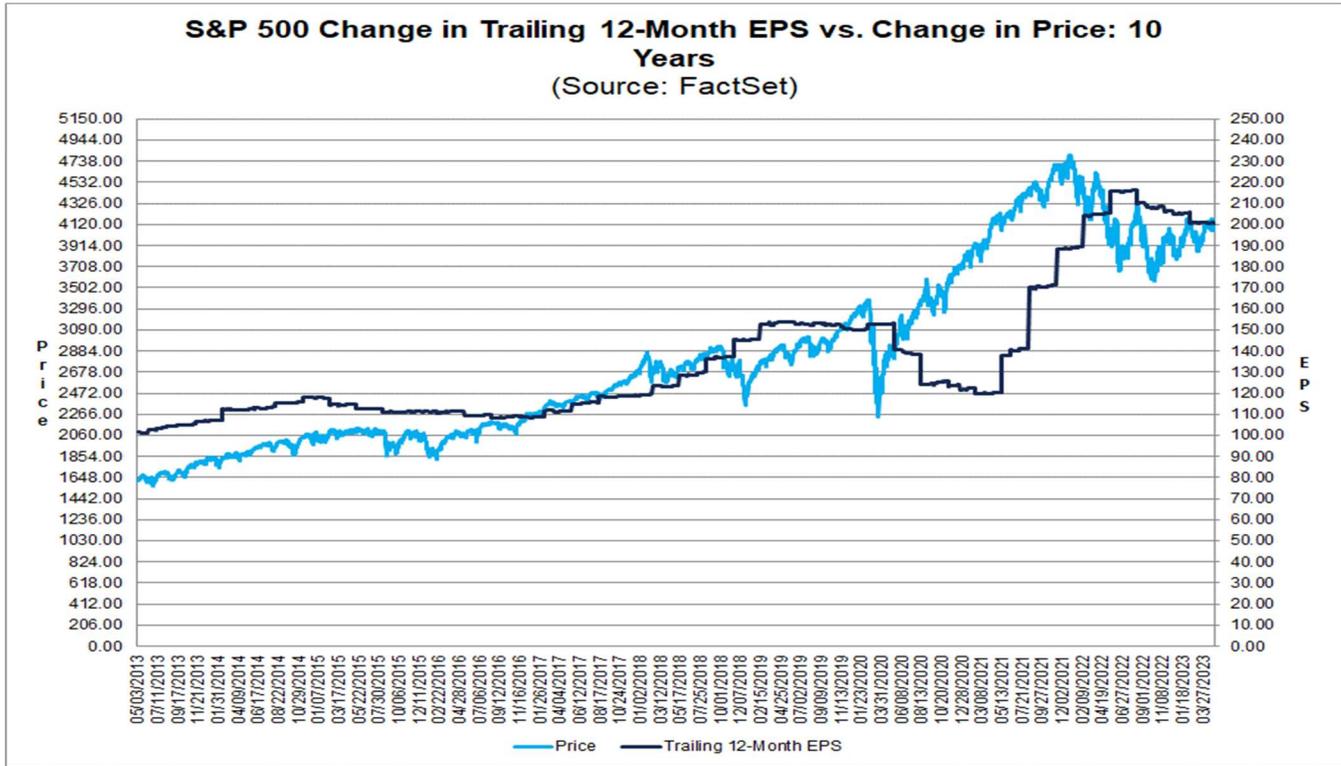
Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Mar. 31 (Source: FactSet)



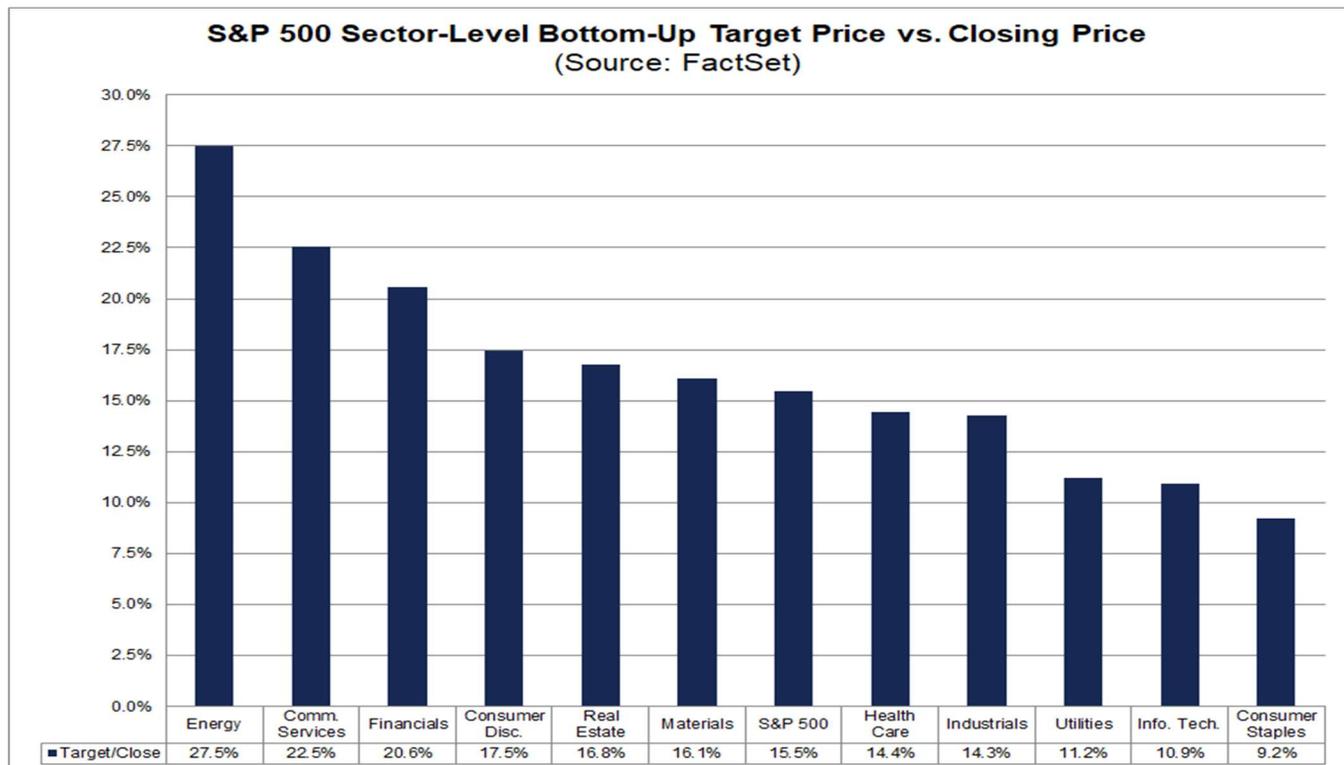
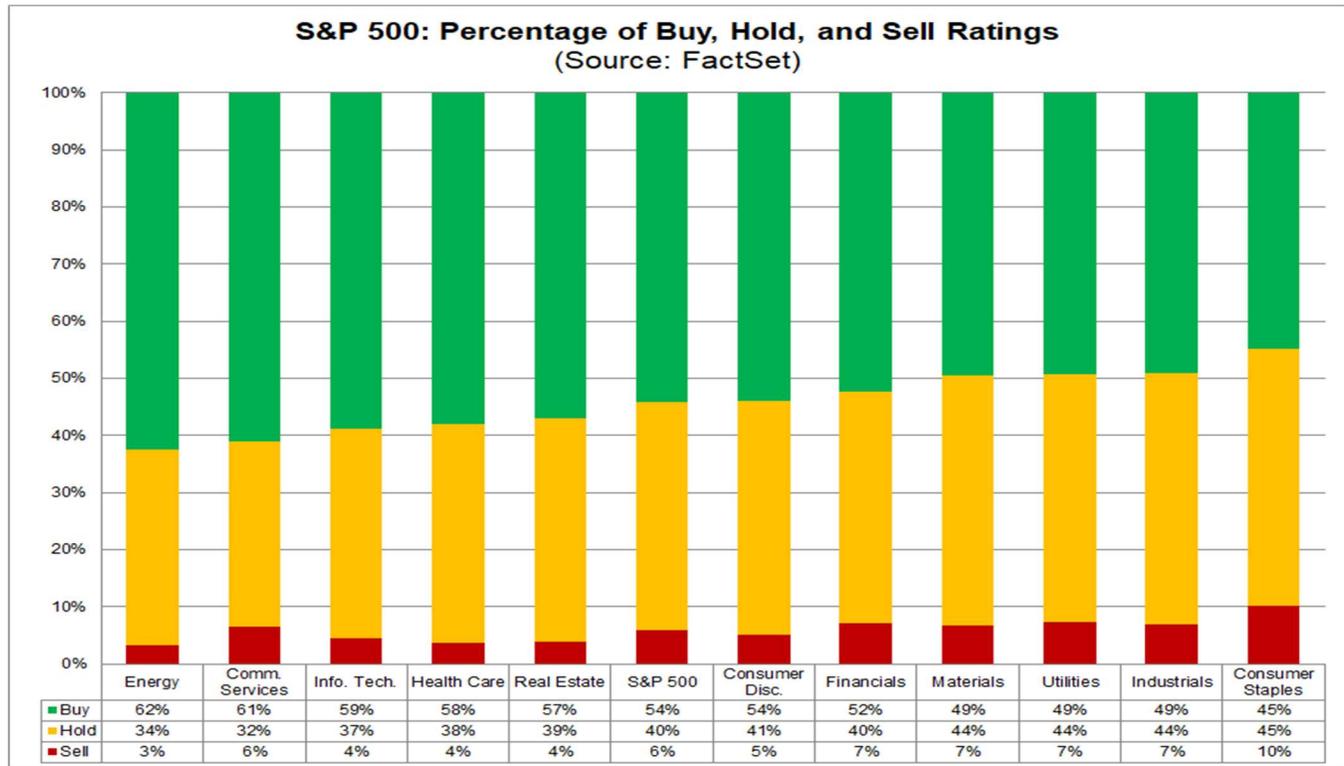
Forward 12M P/E Ratio: 10-Years



Trailing 12M P/E Ratio: 10-Years



Targets & Ratings



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