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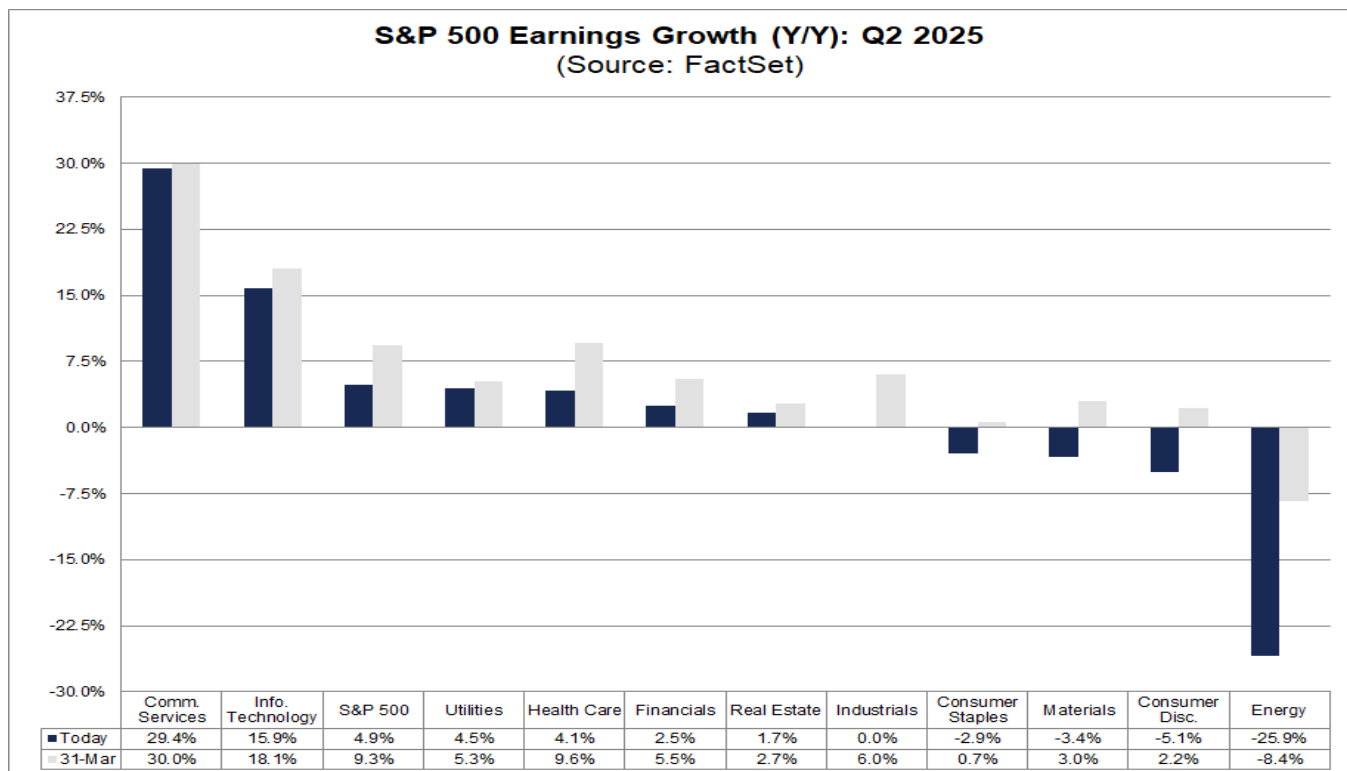
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**Author's Note:** Some of the charts and commentary normally published in the FactSet Earnings Insight report are not available in this week's report. We apologize for any inconvenience.

## Key Metrics

- **Earnings Growth:** For Q2 2025, the estimated (year-over-year) earnings growth rate for the S&P 500 is 4.9%. If 4.9% is the actual growth rate for the quarter, it will mark the lowest earnings growth reported by the index since Q4 2023 (4.0%).
- **Earnings Revisions:** On March 31, the estimated (year-over-year) earnings growth rate for the S&P 500 for Q2 2025 was 9.3%. All 11 sectors are expected to report lower earnings today (compared to March 31) due to downward revisions to EPS estimates.
- **Earnings Scorecard:** For Q1 2025 (with more than 99% of S&P 500 companies reporting actual results), 78% of S&P 500 companies have reported a positive EPS surprise and 64% of S&P 500 companies have reported a positive revenue surprise.



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## Table of Contents

### Commentary

<b>Key Metrics</b>	<b>1</b>
<b>Table of Contents</b>	<b>2</b>
<b>Topic of the Week</b>	<b>3</b>
<b>Overview</b>	<b>5</b>
<b>Earnings Revisions</b>	<b>5</b>
<b>Earnings Growth</b>	<b>6</b>
<b>Revenue Growth</b>	<b>7</b>
<b>Forward Estimates</b>	<b>8</b>

### Charts

<b>Q125 Earnings &amp; Revenue Scorecard</b>	<b>9</b>
<b>Q125 Earnings &amp; Revenue Surprises</b>	<b>10</b>
<b>Q125 Earnings &amp; Revenue Growth</b>	<b>13</b>
<b>Q225 Earnings &amp; Revenue Growth</b>	<b>14</b>
<b>CY25 Earnings &amp; Revenue Growth</b>	<b>15</b>

## Topic of the Week:

### More Than 40% of S&P 500 Companies Have Cited “AI” on Earnings Calls for 5<sup>th</sup> Straight Quarter

Artificial intelligence has been a focus topic for the market. Given the heightened interest, have more S&P 500 companies than normal commented on “AI” during their earnings conference calls for the first quarter?

The answer is yes. FactSet Document Search (which allows users to search for key words or phrases across multiple document types) was used to answer this question. Through Document Search, FactSet searched for the term “AI” in the conference call transcripts of all the S&P 500 companies that conducted earnings conference calls from March 15 through June 4.

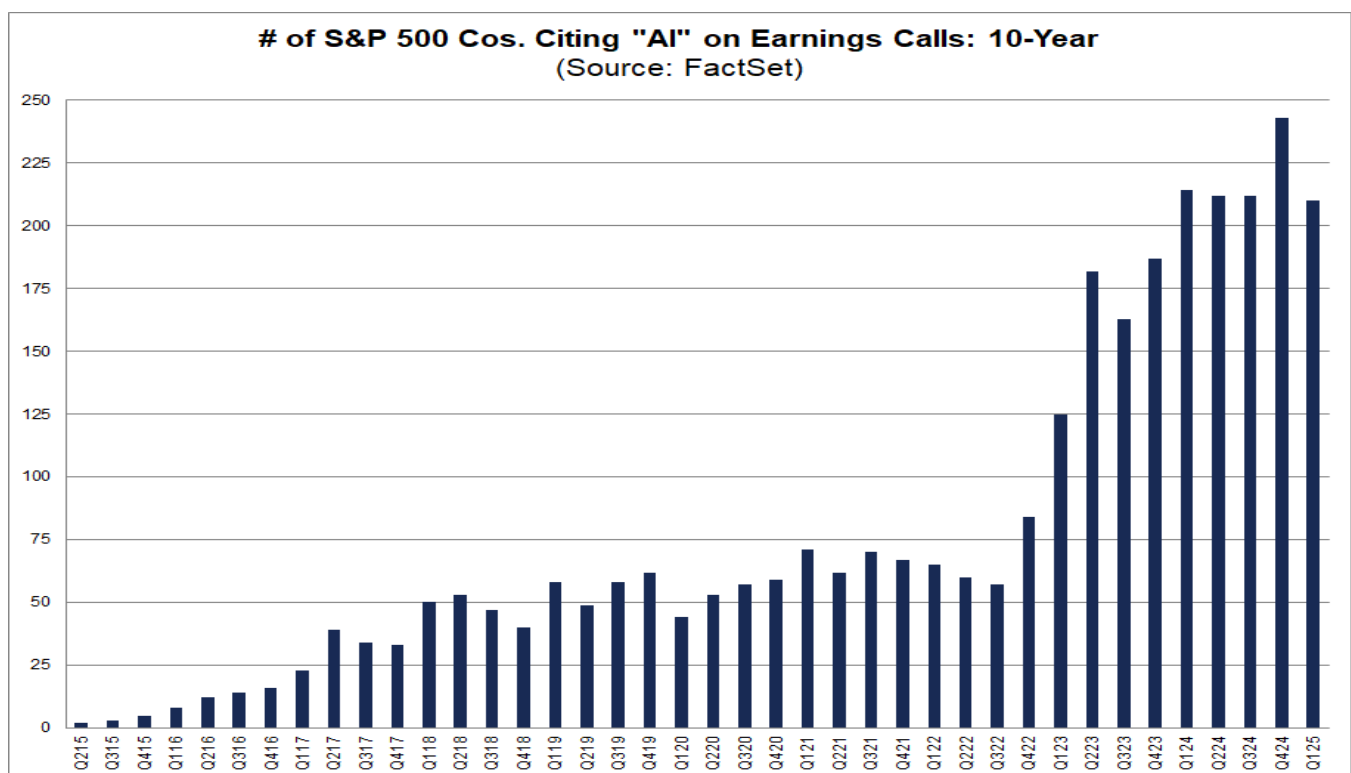
Of these companies, 210 cited the term “AI” during their earnings calls for the first quarter. This number is well above the 5-year average of 114 and the 10-year average of 72.

In fact, this is the fifth consecutive quarter in which more than 200 S&P 500 companies have cited “AI” on their earnings calls.

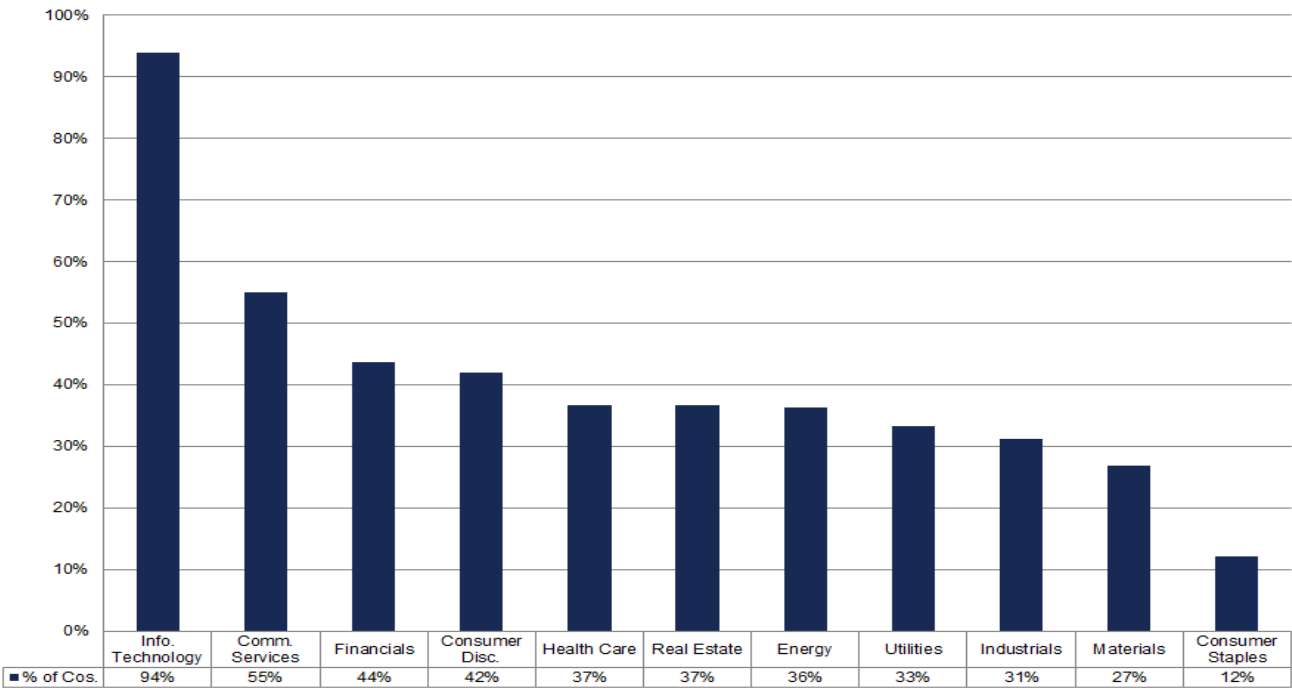
At the sector level, the Information Technology sector has the highest number (61) and percentage (94%) of companies citing “AI” on Q1 earnings calls.

It is interesting to note the number of S&P 500 companies citing “AI” on earnings calls declined by 14% quarter-over-quarter (210 vs. 243). Eight of the eleven sectors recorded a quarter-over-quarter decrease in the number of companies citing “AI” on their earnings calls, led by the Industrials (-7) and Consumer Staples (-6) sectors.

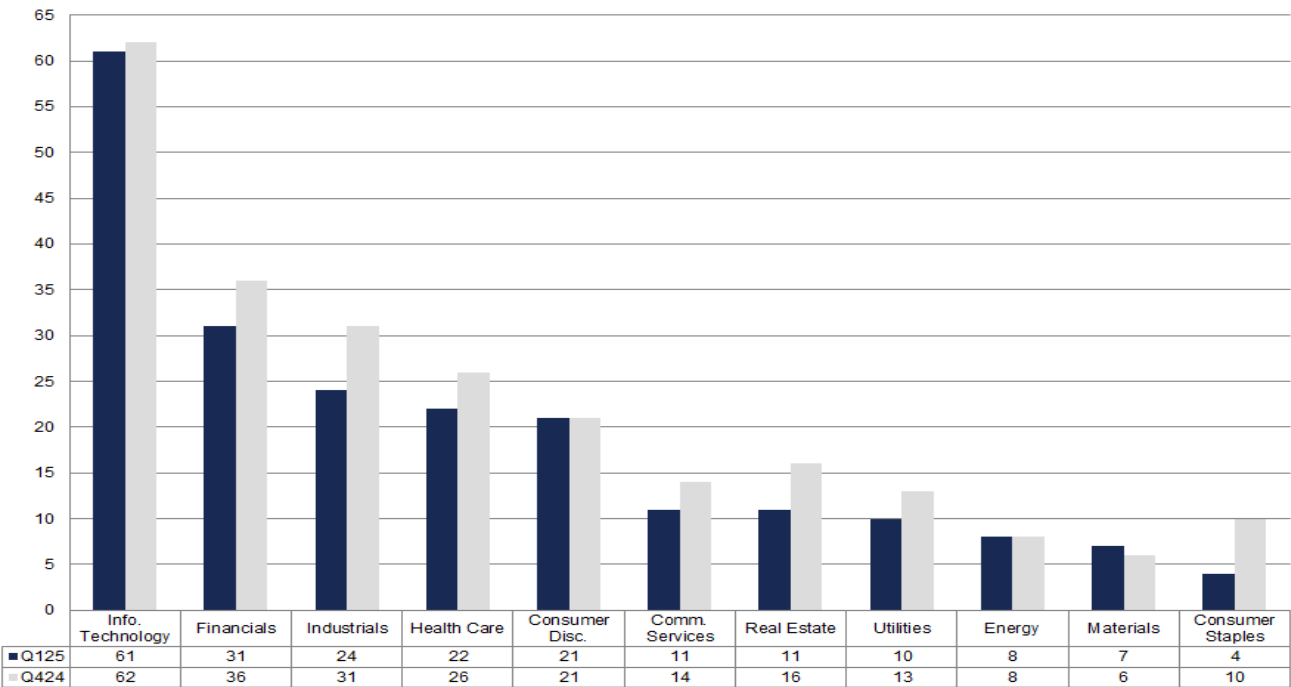
However, the previous quarter also marked the highest number of S&P 500 companies citing “AI” on earnings calls going back at least 10 years. The number recorded for Q1 2025 (210) was consistent with the numbers recorded for Q3 2024 (212), Q2 2024 (212), and Q1 2024 (214).



% of S&P 500 Cos. Citing "AI" on Earnings Calls: Q125  
(Source: FactSet)



# of S&P 500 Cos. Citing "AI" on Earnings Calls: Q125 vs. Q424  
(Source: FactSet)



## Q2 Earnings Season: By The Numbers

### Overview

Heading into the final weeks of the quarter, analysts have reduced earnings estimates for S&P 500 companies for the second quarter. As a result, the estimated (year-over-year) earnings growth rate for Q2 2025 is lower today relative to the start of the quarter. As of today, the S&P 500 is expected to report (year-over-year) earnings growth of 4.9%, compared to the estimated (year-over-year) earnings growth rate of 9.3% on March 31.

If 4.9% is the actual growth rate for the quarter, it will mark the lowest earnings growth reported by the index since Q4 2023 (4.0%). However, it will also mark the eighth consecutive quarter of year-over-year earnings growth for the index.

Six of the eleven sectors are projected to report year-over-year growth, led by the Communication Services and Information Technology sectors. On the other hand, four sectors are predicted to report a year-over-year decline in earnings, led by the Energy sector. The Industrials sector is expected to report flat year-over-year earnings.

In terms of revenues, analysts have also lowered their estimates for the second quarter as well. As of today, the S&P 500 is expected to report (year-over-year) revenue growth of 4.1%, compared to expectations for revenue growth of 4.7% on March 31.

If 4.1% is the actual revenue growth rate for the quarter, it will mark the 19th consecutive quarter of revenue growth for the index.

Ten sectors are projected to report year-over-year growth in revenues, led by the Information Technology sector. On the other hand, the Energy sector is the only sector predicted to report a year-over-year decline in revenues.

For Q3 2025 and Q4 2025, analysts are calling for earnings growth rates of 7.2% and 6.3%, respectively. For CY 2025 analysts are predicting (year-over-year) earnings growth of 9.1%.

During the upcoming week, 2 S&P 500 companies are scheduled to report results for the first quarter and 2 S&P 500 companies are scheduled to report results for the second quarter.

### Earnings Revisions: Energy Sector Has Seen Largest Decrease in EPS Estimates

#### No Change In Estimated Earnings Growth Rate for Q2 This Week

During the past week, the estimated earnings growth rate for the S&P 500 for Q2 2025 remained unchanged at 4.9%.

The estimated earnings growth rate for the S&P 500 for Q2 2025 of 4.9% today is below the estimate of 9.3% at the start of the quarter (March 31), as estimated earnings for the index of \$550.7 billion today are 4.1% below the estimate of \$574.0 billion at the start of the quarter. All eleven sectors have recorded a decrease in dollar-level earnings due to downward revisions to earnings estimates, led by the Energy, Consumer Discretionary, Materials, and Industrials sectors.

#### Energy: Chevron and Exxon Mobil Lead Earnings Decrease Since March 31

The Energy sector has recorded the largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at 19.1% (to \$22.6 billion from \$27.9 billion). Lower oil prices are contributing to the decline in earnings expectations, as the price of oil has decreased by 11% (to \$63.37 from \$71.48) since March 31. As a result, the estimated (year-over-year) earnings decline for this sector has increased to -25.9% today from -8.4% on March 31. Chevron (to \$1.75 from \$2.53), Exxon Mobil (to \$1.49 from \$1.78), and ConocoPhillips (to \$1.37 from \$1.84) have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since March 31.

**Consumer Discretionary: Amazon Leads Earnings Decrease Since March 31**

The Consumer Discretionary sector has recorded the second-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -7.2% (to \$46.2 billion from \$49.8 billion). As a result, the estimated (year-over-year) earnings decline for the sector is -5.1% today compared to expected earnings growth of 2.2% on March 31. Amazon.com (to \$1.32 from \$1.42), General Motors (to \$2.44 from \$3.09), and Tesla (to \$0.47 from \$0.65) have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since March 31.

**Materials: Dow Leads Decrease In Earnings Since March 31**

The Materials sector has recorded the third-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -6.2% (to \$12.6 billion from \$13.4 billion). As a result, the estimated (year-over-year) earnings decline for the sector is -3.4% today compared to expected earnings growth of 3.0% on March 31. Dow (to \$0.00 from \$0.45) has been the largest contributor to the decrease in expected (dollar-level) earnings for this sector since March 31.

**Industrials: Delta Air Lines Leads Decrease In Earnings Since March 31**

The Industrials sector has recorded the fourth-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -5.7% (to \$45.0 billion from \$47.7 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has decreased to 0.0% today from 6.0% on March 31. Delta Air Lines (to \$1.99 from \$2.69) has been the largest contributor to the decrease in expected (dollar-level) earnings for this sector since March 31.

**Earnings Growth: 4.9%**

The estimated (year-over-year) earnings growth rate for Q2 2025 is 4.9%, which is below the 5-year average earnings growth rate of 11.3% and below the 10-year average earnings growth rate of 8.9%. If 4.9% is the actual growth rate for the quarter, it will mark the lowest earnings growth reported by the index since Q4 2023 (4.0%). However, it will also mark the eighth consecutive quarter of year-over-year earnings growth for the index.

Six of the eleven sectors are expected to report year-over-year earnings growth, led by the Communication Services and Information Technology sectors. On the other hand, four sectors are projected to report year-over-year decline in earnings, led by the Energy sector. The Industrials sector is expected to report flat year-over-year earnings.

**Communication Services: Warner Bros. Discovery Is Largest Contributor to Year-Over-Year Growth**

The Communication Services sector is expected to report the highest (year-over-year) earnings growth rate of all eleven sectors at 29.4%. At the industry level, 3 of the 5 industries in the sector are expected to report year-over-year earnings growth: Entertainment (\$5.4 billion vs. -\$4.9 billion), Interactive Media & Services (12%), and Wireless Telecommunication Services (5%). On the other hand, two industries are projected to report a year-over-year decline in earnings: Media (-5%) and Diversified Telecommunication Services (-1%).

At the company level, Warner Bros. Discovery (-\$0.25 vs. -\$4.07) is expected to be the largest contributor to earnings growth for the sector. The company is benefitting from an easy comparison to weaker earnings reported in the year-ago quarter due to a \$9.1 billion non-cash goodwill impairment charge and other expenses that were included in their GAAP EPS for Q2 2024. If this company were excluded, the estimated earnings growth rate for the Communication Services sector would fall to 8.0% from 29.4%.

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

The Information Technology sector is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 15.9%. At the industry level, all 6 industries in the sector are projected to report year-over-year earnings growth: Semiconductors & Semiconductor Equipment (33%), Electronic Equipment, Instruments, & Components (15%), Software (12%), Communication Equipment (12%), IT Services (7%), and Technology Hardware, Storage, & Peripherals (less than 1%).

The Semiconductors & Semiconductor Equipment industry is also expected to be the largest contributor to earnings growth for the sector. If this industry were excluded, the estimated earnings growth rate for the Information Technology sector would fall to 8.0% from 15.9%.

**Energy: 4 of 5 Sub-Industries Expected to Report Year-Over-Year Decline**

The Energy sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -25.9%. Lower year-over-year oil prices are contributing to the year-over-year decrease in earnings for this sector, as the average price of oil to date in Q2 2025 (\$62.04) is 23% below the average price for oil in Q2 2024 (\$80.66). At the sub-industry level, 4 of the 5 sub-industries in the sector are predicted to report a year-over-year decline in earnings. All 4 are projected to report a double-digit decline: Integrated Oil & Gas (-35%), Oil & Gas Refining & Marketing (-30%), Oil & Gas Exploration & Production (-20%), and Oil & Gas Equipment & Services (-17%). On the other hand, the Oil & Gas Storage & Transportation (14%) sub-industry is the only sub-industry predicted to report year-over-year growth in earnings.

**Revenue Growth: 4.1%**

The estimated (year-over-year) revenue growth rate for Q2 2025 is 4.1%, which is below the 5-year average revenue growth rate of 7.0% and below the 10-year average revenue growth rate of 5.2%. If 4.1% is the actual growth rate for the quarter, it will mark the 19<sup>th</sup> consecutive quarter of revenue growth for the index.

At the sector level, ten sectors are expected to report year-over-year growth in revenues, led by the Information sector. On the other hand, the Energy sector is the only sector that is projected to report a year-over-year decline in revenues.

**Information Technology: All 6 Industries Expected to Report Year-Over-Year Growth**

The Information Technology sector is expected to report the highest (year-over-year) revenue growth rate of all eleven sectors at 11.7%. At the industry level, all 6 industries in the sector are projected to report year-over-year revenue growth: Semiconductors & Semiconductor Equipment (23%), Software (13%), Electronic Equipment, Instruments, & Components (9%), Communication Equipment (9%), IT Services (5%), and Technology Hardware, Storage, & Peripherals (5%).

**Energy: 3 of 5 Sub-Industries Expected to Report Year-Over-Year Decline**

The Energy sector is expected to report the largest (year-over-year) revenue decline of all eleven sectors at -10.0%. Lower year-over-year oil prices are contributing to the year-over-year decrease in revenues for this sector, as the average price of oil to date in Q2 2025 (\$62.04) is 23% below the average price for oil in Q2 2024 (\$80.66). At the sub-industry level, 3 of the 5 sub-industries in the sector are predicted to report a year-over-year decline in revenues: Oil & Gas Refining & Marketing (-15%), Integrated Oil & Gas (-14%), and Oil & Gas Equipment & Services (-7%). On the other hand, two sub-industries are projected to report year-over-year growth in revenues: Oil & Gas Storage & Transportation (24%) and Oil & Gas Exploration & Production (9%).

## Forward Estimates

### Earnings: S&P 500 Expected to Report Earnings Growth of 9% for CY 2025

For the second quarter, S&P 500 companies are expected to report year-over-year growth in earnings of 4.9% and year-over-year growth in revenues of 4.1%.

For Q3 2025, analysts are projecting earnings growth of 7.2% and revenue growth of 4.7%.

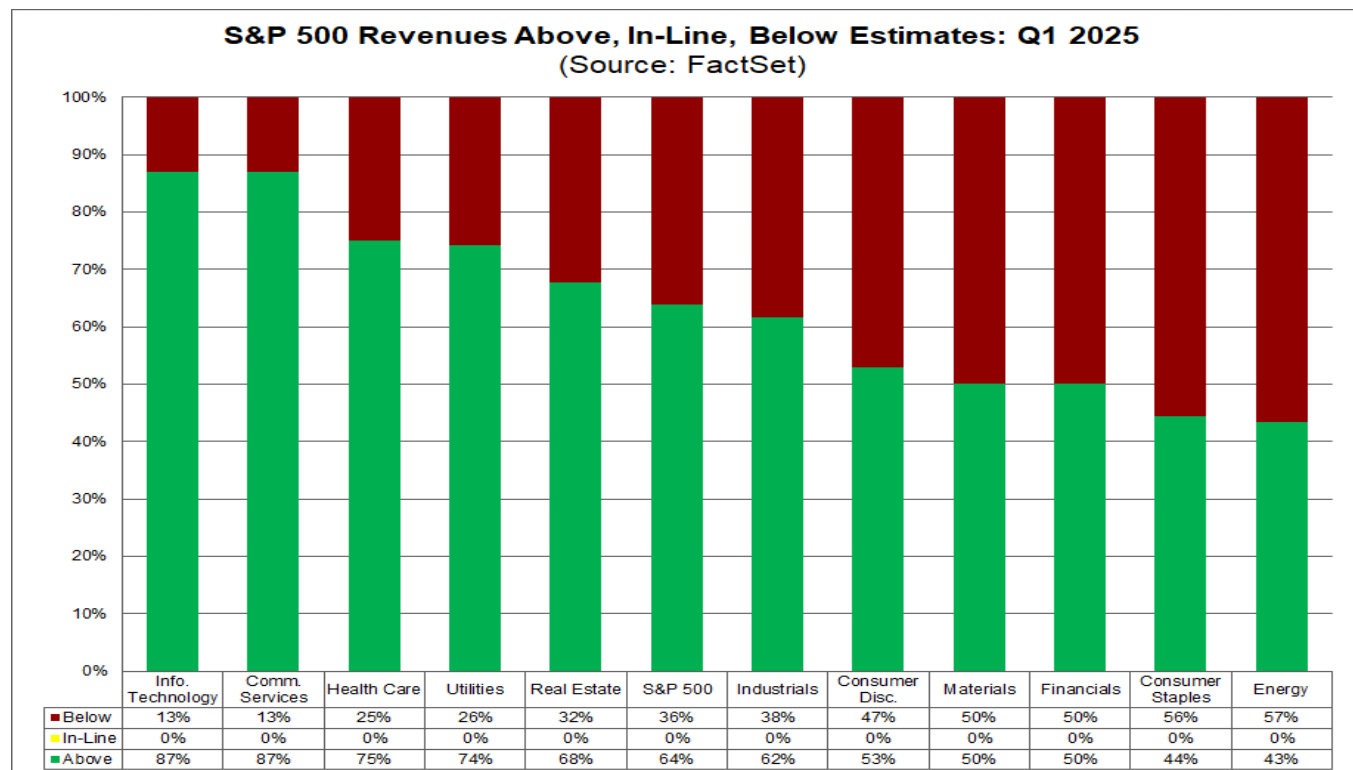
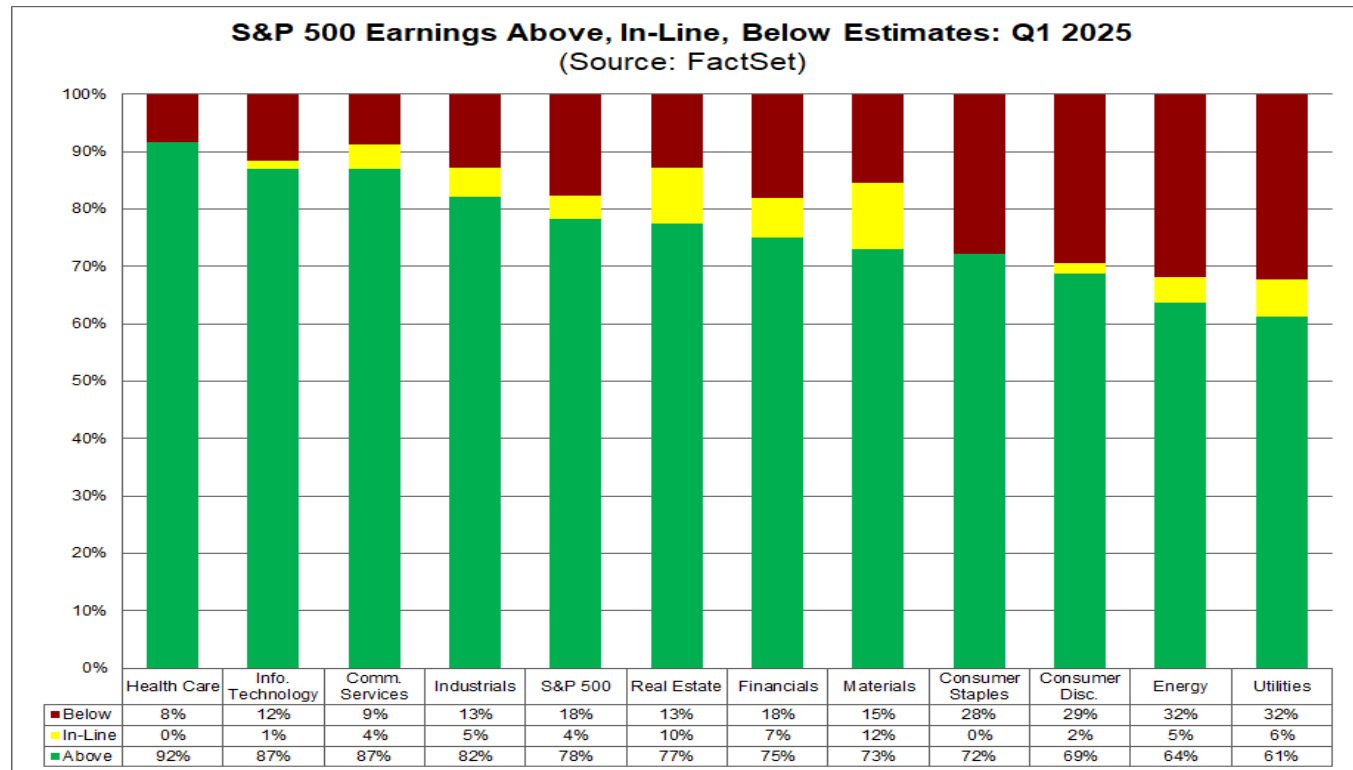
For Q4 2025, analysts are projecting earnings growth of 6.3% and revenue growth of 5.2%.

For CY 2025, analysts are projecting earnings growth of 9.1% and revenue growth of 4.9%.

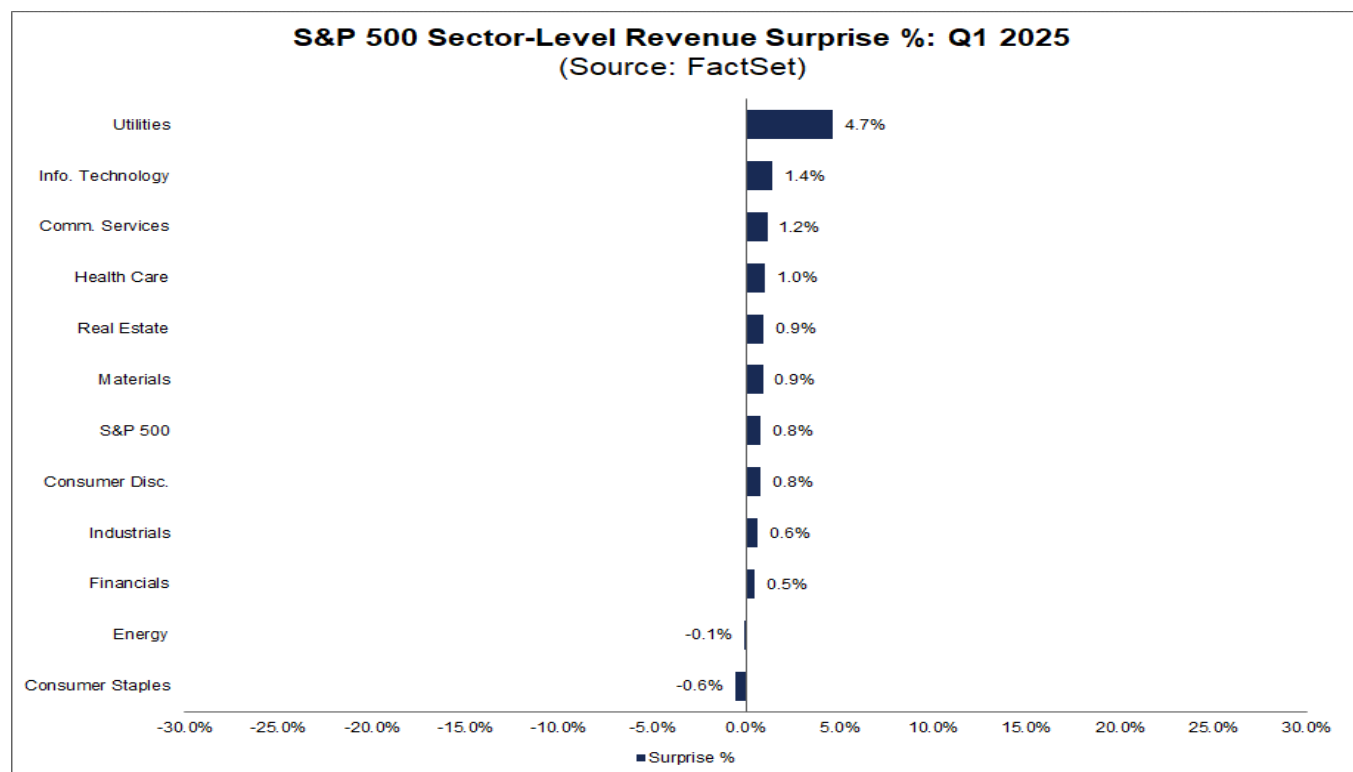
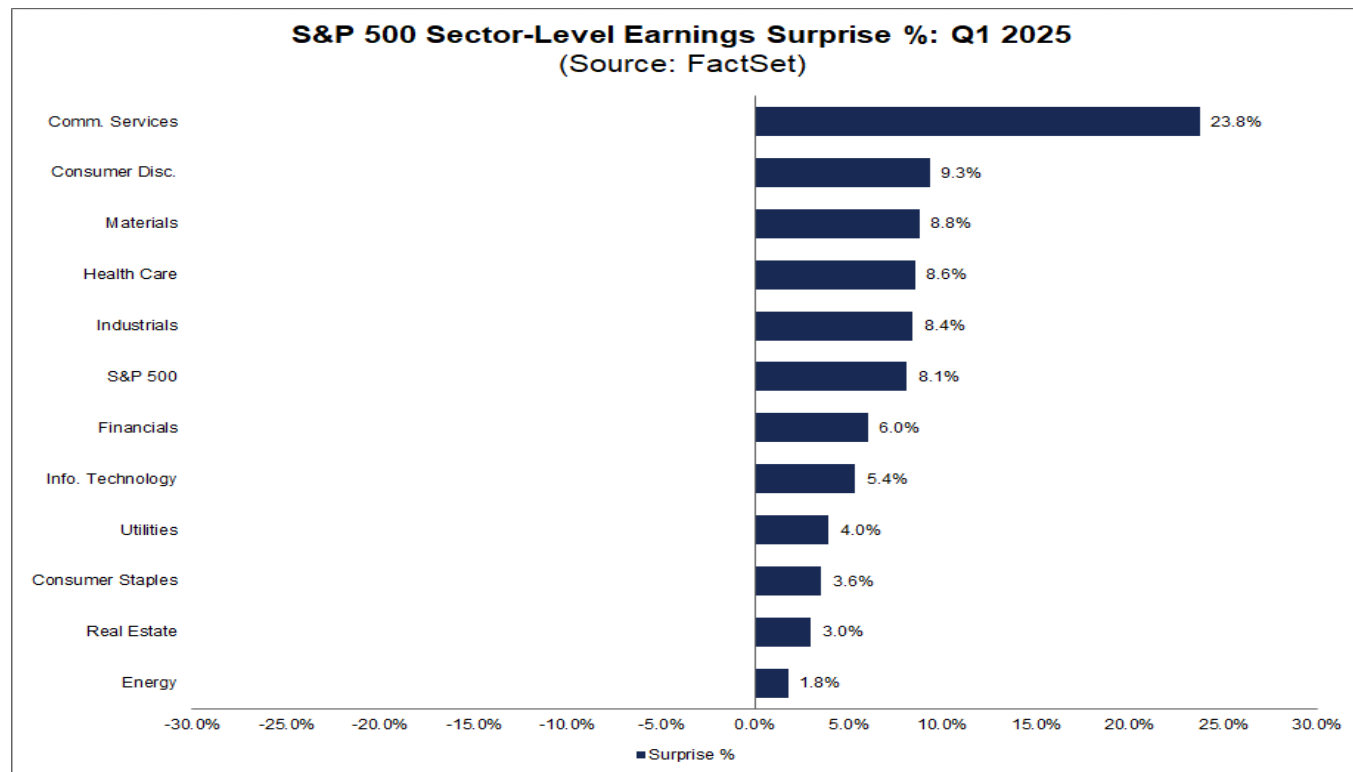
### Companies Reporting Next Week: 4

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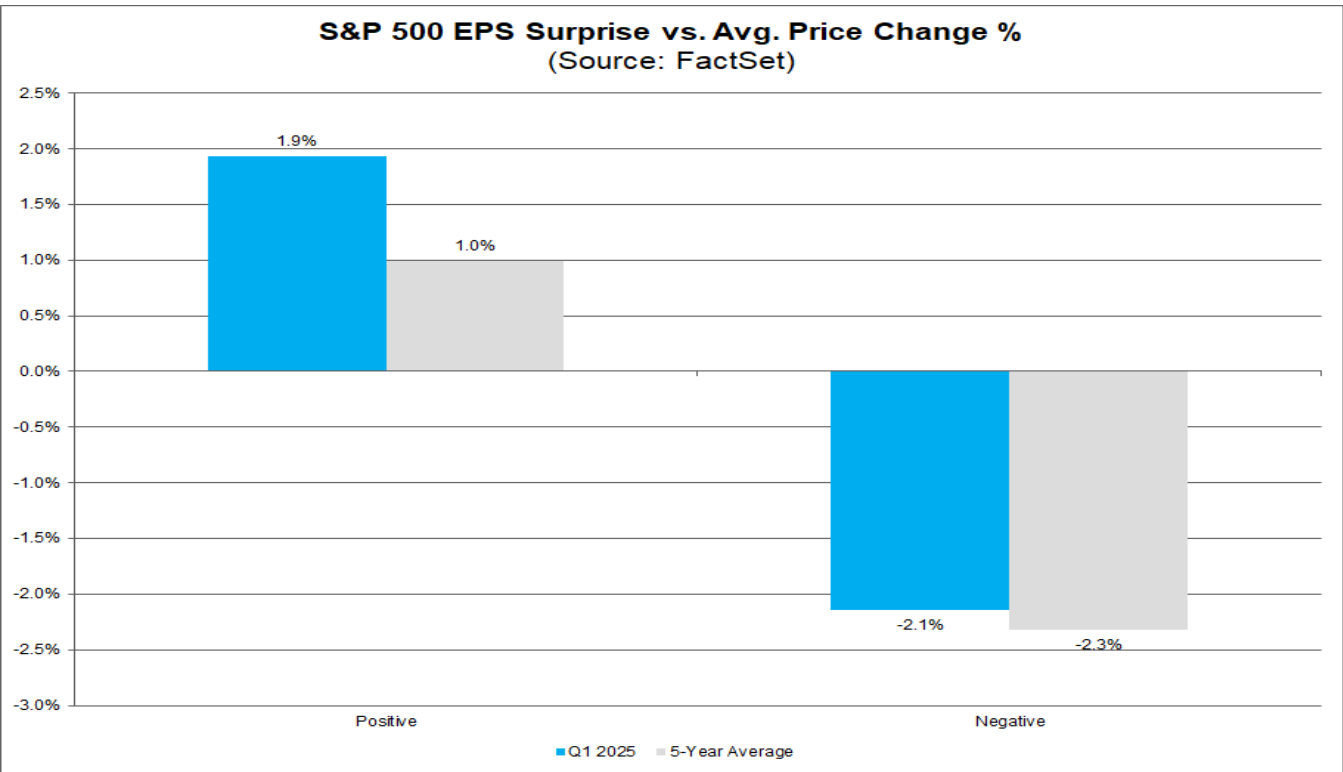
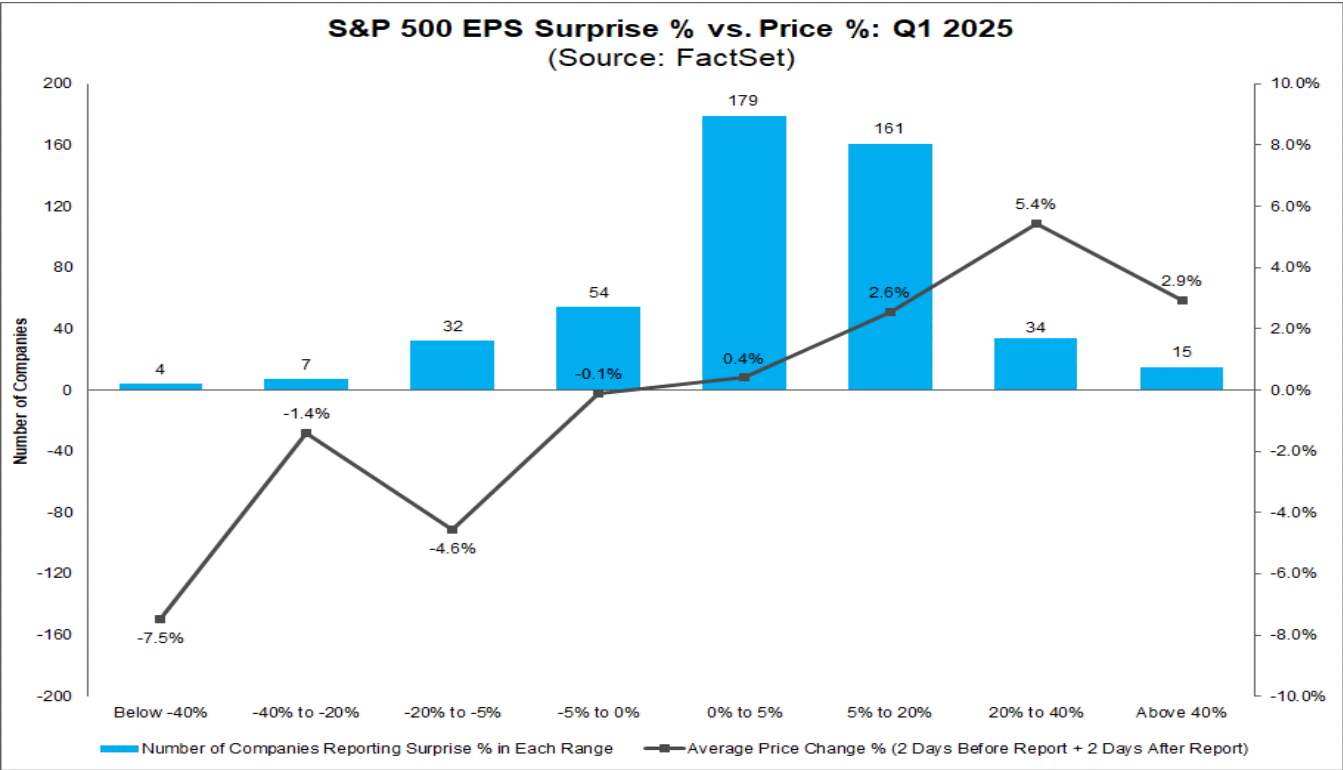
## Q1 2025: Scorecard



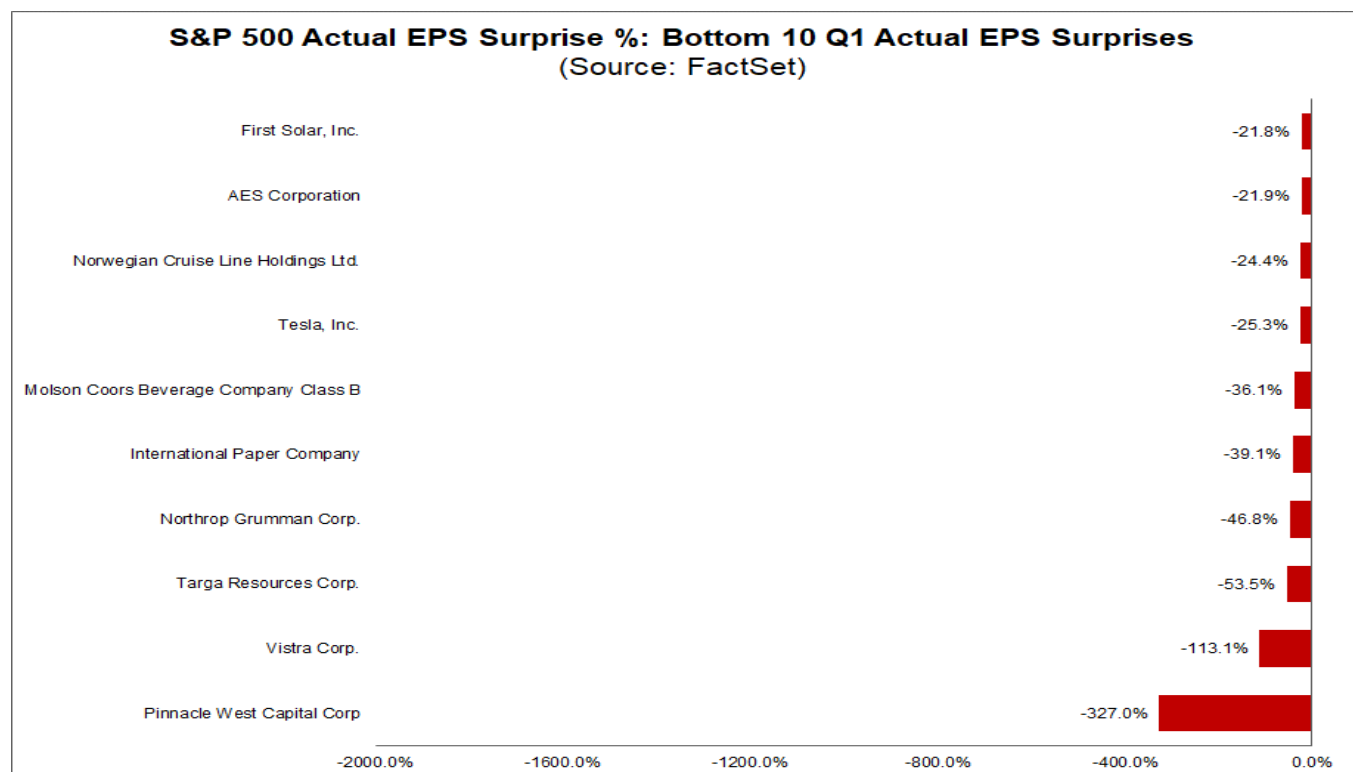
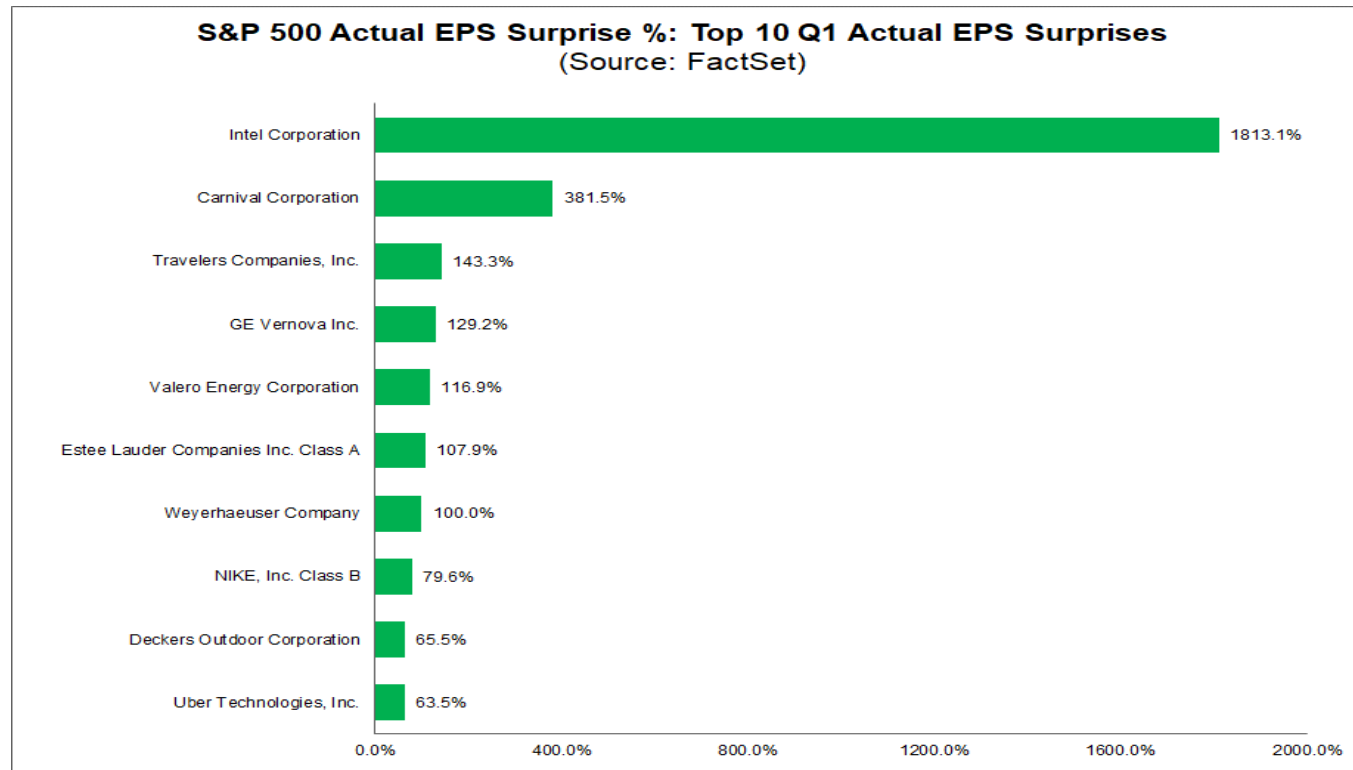
## Q1 2025: Surprise



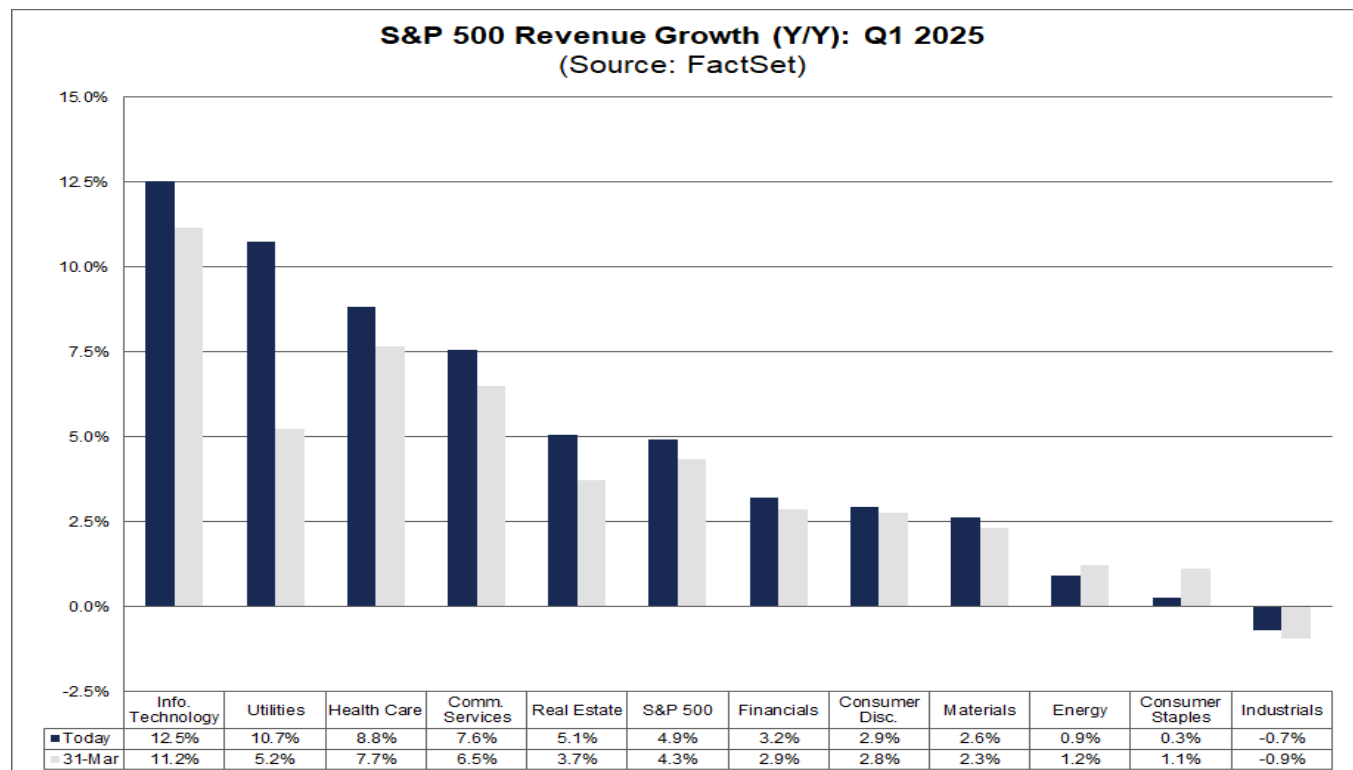
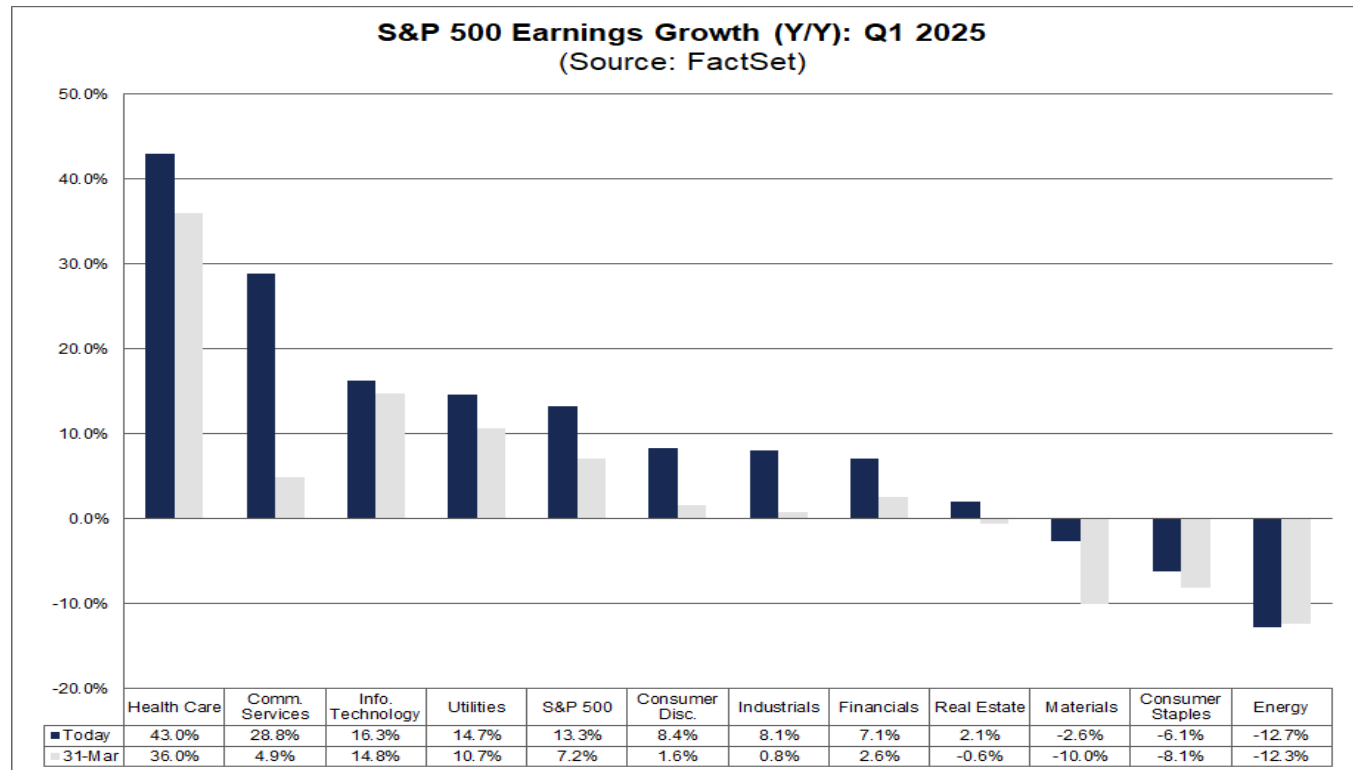
Q1 2025: Surprise



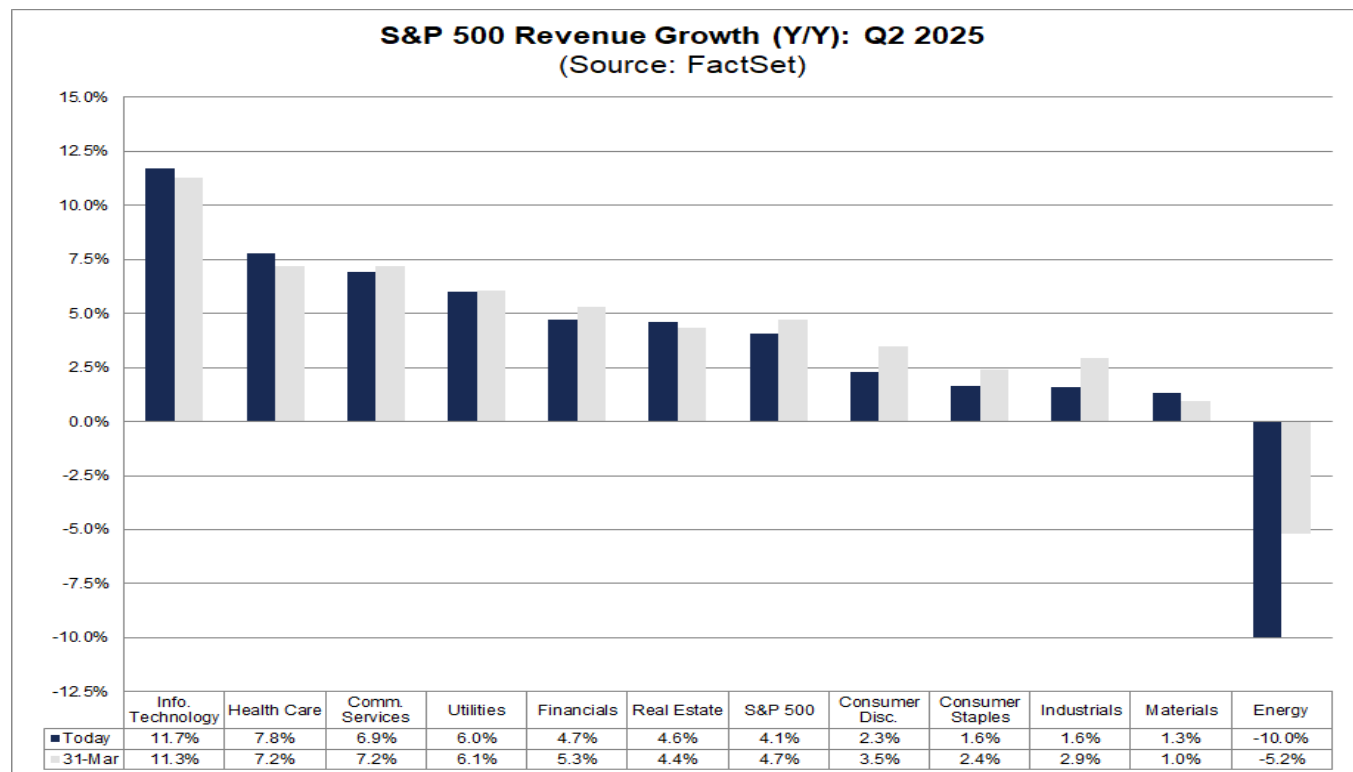
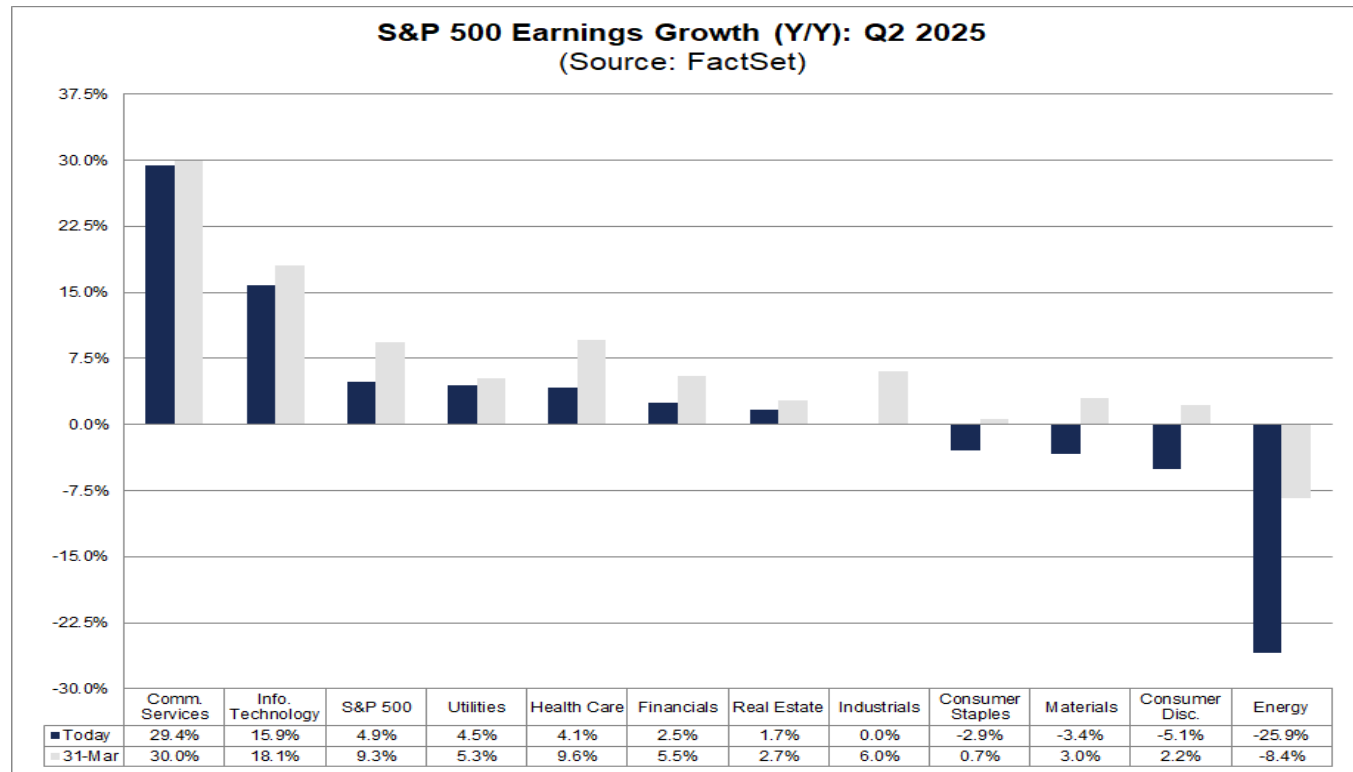
## Q1 2025: Surprise



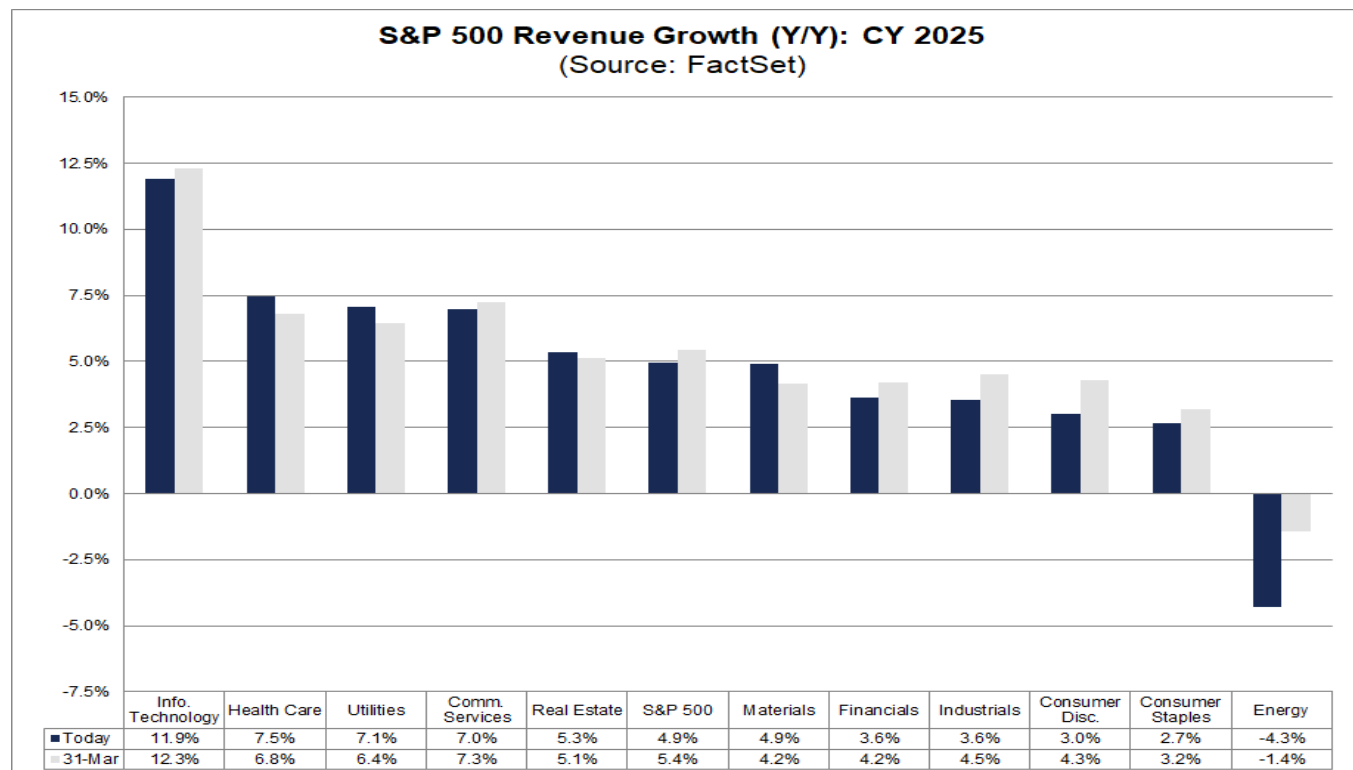
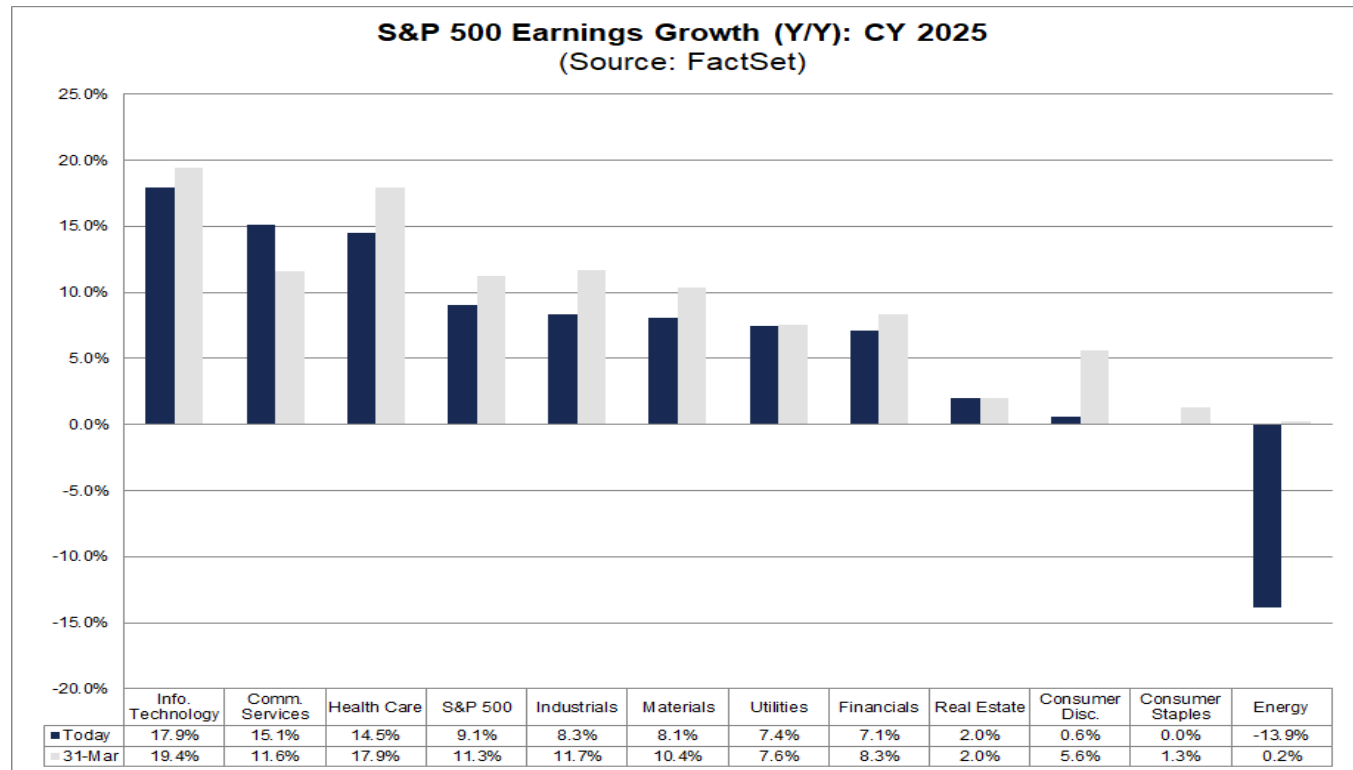
## Q1 2025: Growth



## Q2 2025: Growth



## CY 2025: Growth



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