EARNINGS INSIGHT

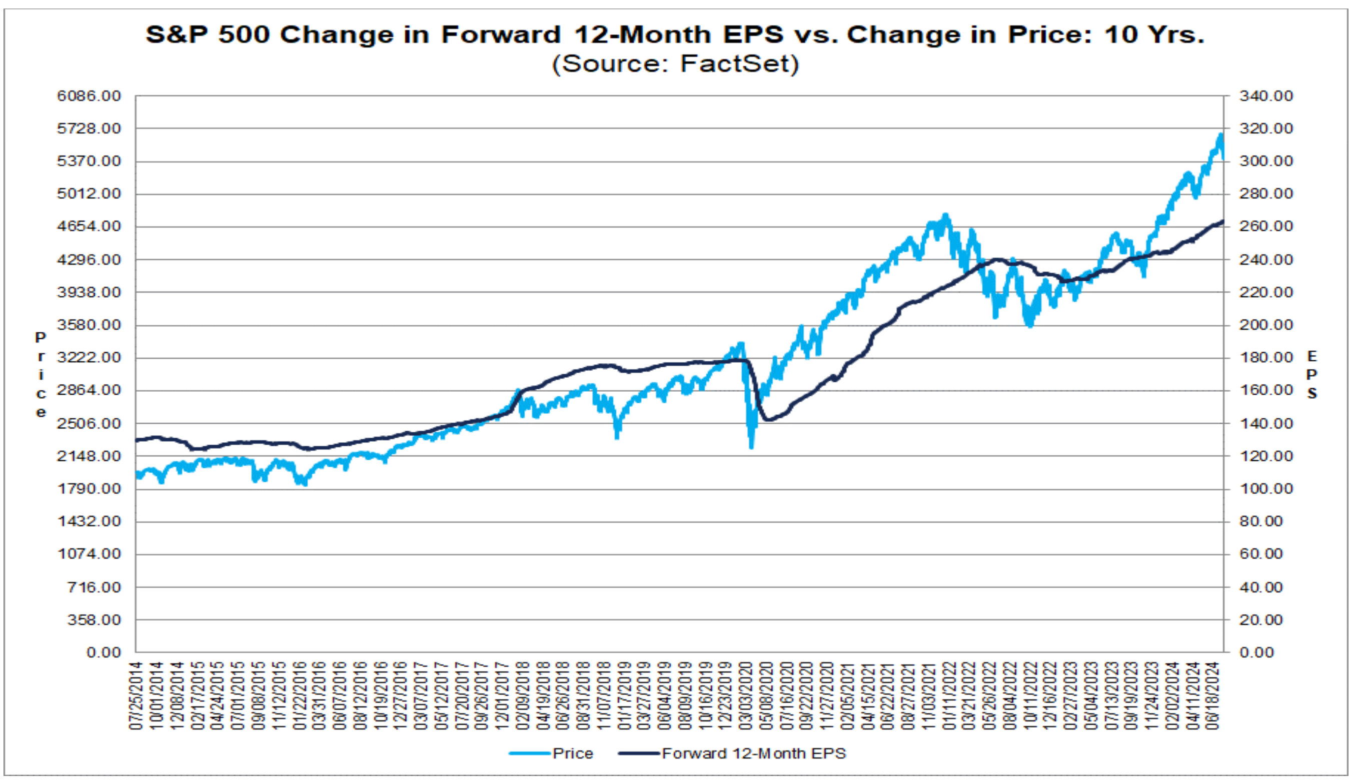
John Butters
VP, Senior Earnings Analyst
jbutters@factset.com

Media Questions/Requests
media_request@factset.com

July 26, 2024

Key Metrics

- **Earnings Scorecard:** For Q2 2024 (with 41% of S&P 500 companies reporting actual results), 78% of S&P 500 companies have reported a positive EPS surprise and 60% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q2 2024, the blended (year-over-year) earnings growth rate for the S&P 500 is 9.8%. If 9.8% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth rate reported by the index since Q4 2021 (31.4%).
- **Earnings Revisions:** On June 30, the estimated (year-over-year) earnings growth rate for the S&P 500 for Q2 2024 was 8.9%. Six sectors are reporting higher earnings today (compared to June 30) due to upward revisions to EPS estimates and positive EPS surprises.
- **Earnings Guidance:** For Q3 2024, 16 S&P 500 companies have issued negative EPS guidance and 16 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 20.6. This P/E ratio is above the 5-year average (19.3) and above the 10-year average (17.9).



To receive this report via e-mail or view other articles with FactSet content, please go to: https://insight.factset.com/
To learn more about the FactSet difference ("Why FactSet?"), please go to: https://www.factset.com/why-factset

Table of Contents

Commentary

Charts

Topic of the Week: 1

S&P 500 Reporting Net Profit Margin Above 12% for the 2nd Time Since Q2 2022

Given continuing concerns in the market about inflation, what is the S&P 500 reporting for a net profit margin for Q2?

The (blended) net profit margin for the S&P 500 for Q2 2024 is 12.1%, which is above with the year-ago net profit margin (11.6%), above the 5-year average net profit margin (11.5%), and above the previous quarter's net profit margin (11.8%).

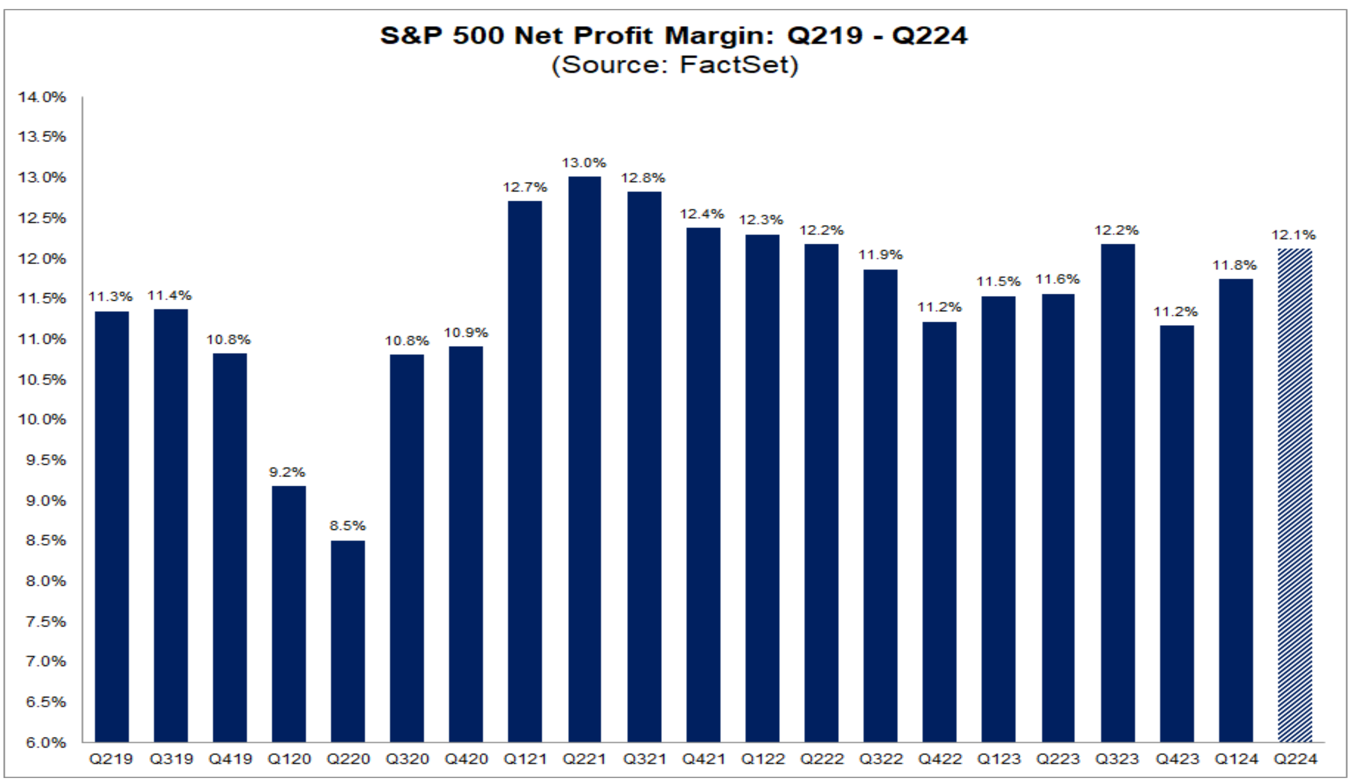
In fact, this quarter marks just the second time that the S&P 500 is reporting a net profit margin above 12% since Q2 2022.

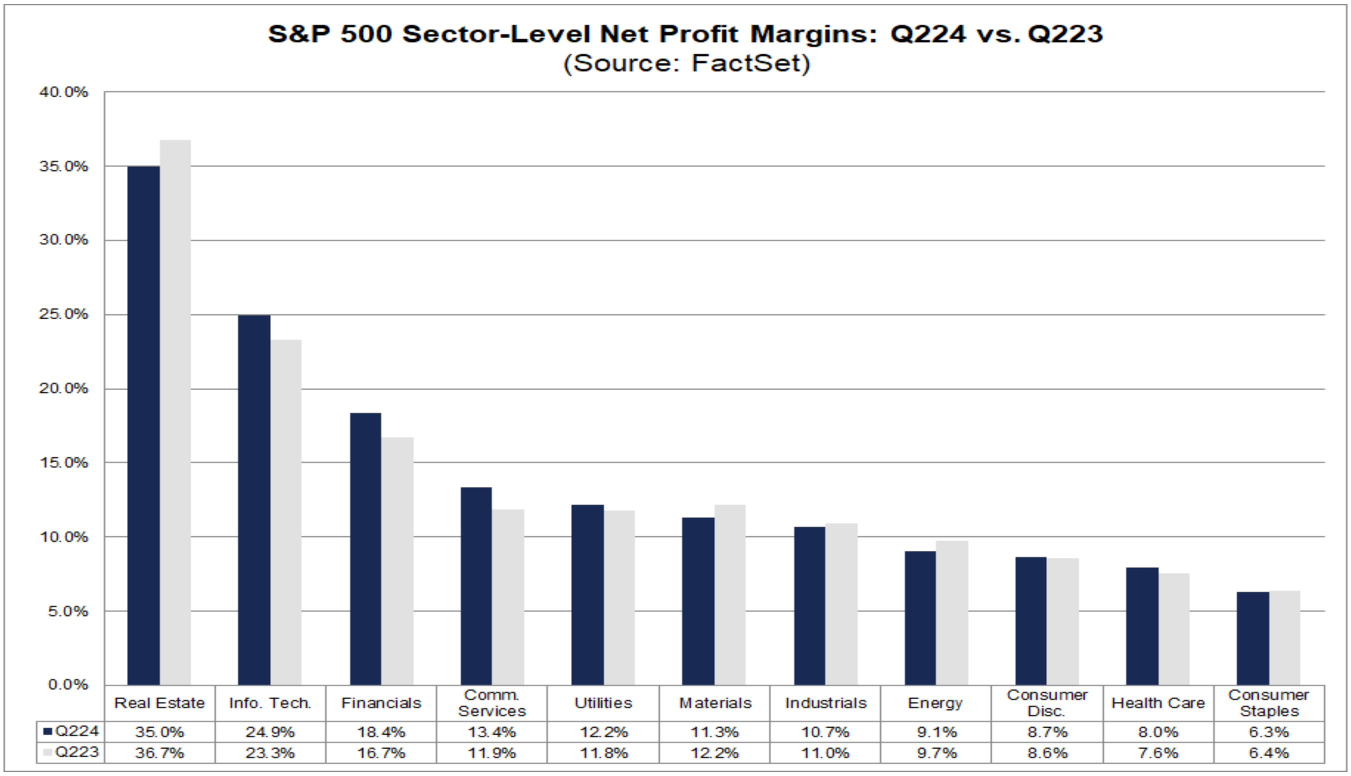
At the sector level, six sectors are reporting a year-over-year increase in their net profit margins in Q2 2024 compared to Q2 2023, led by the Financials (18.4% vs. 16.7%), Information Technology (24.9% vs. 23.3%), and Communication Services (13.4% vs. 11.9%) sectors. On the other hand, five sectors are reporting a year-over-year decrease in their net profit margins in Q2 2024 compared to Q2 2023, led by the Real Estate (35.0% vs. 36.7%) sector.

Six sectors are reporting net profit margins in Q2 2024 that are above their 5-year averages, led by the Industrials (10.7% vs. 8.2%) and Consumer Discretionary (8.7% vs. 6.6%) sectors. On the other hand, four sectors are reporting net profit margins in Q2 2024 that are below their 5-year averages, led by the Health Care (8.0% vs. 9.8%) sector.

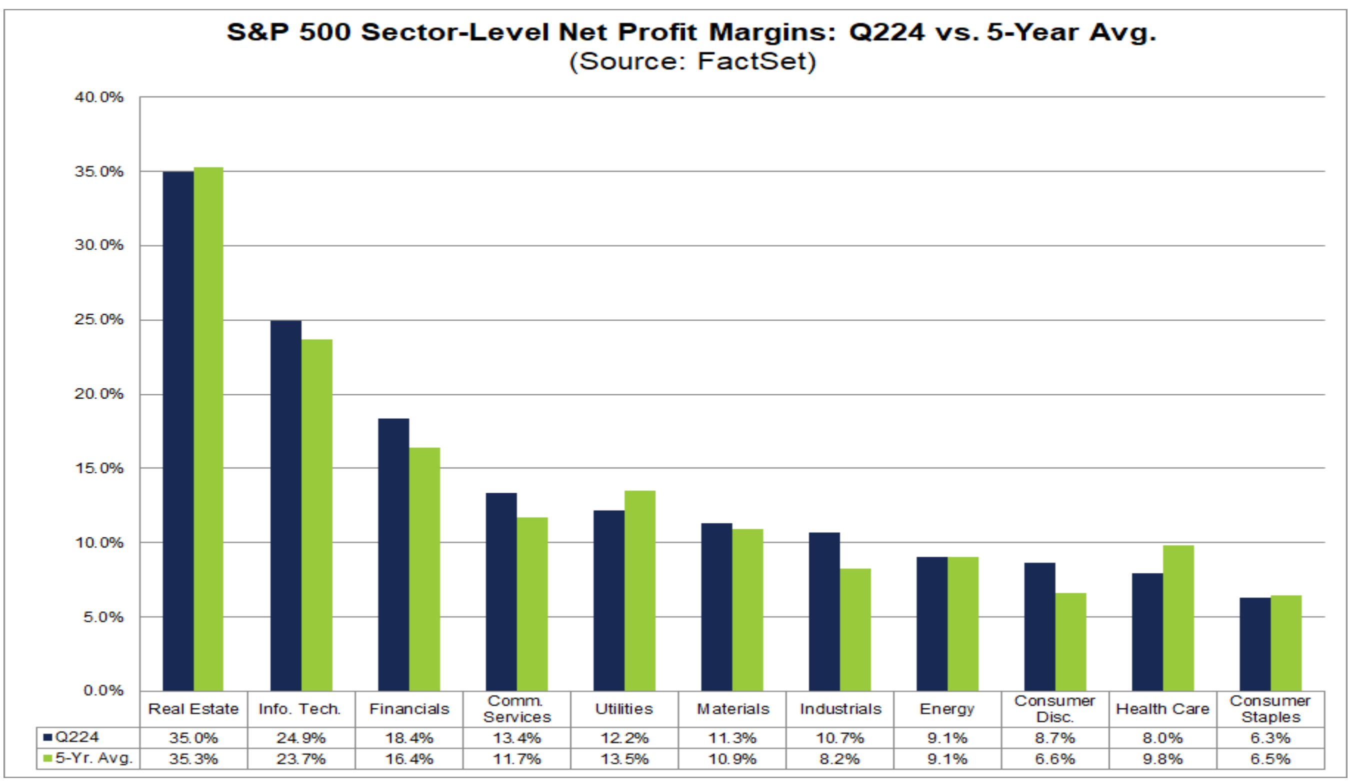
Five sectors are reporting a quarter-over-quarter increase in their net profit margins in Q2 2024 compared to Q1 2024, led by the Materials (11.3% vs. 9.4%), Industrials (10.7% vs. 9.2%), and Health Care (8.0% vs. 6.5%) sectors. On the other hand, five sectors are reporting a quarter-over-quarter decrease net profit margins in Q2 2024 compared to Q1 2024, led by the Utilities (12.2% vs. 14.7%) sector.

It is interesting to note that analysts believe net profit margins for the S&P 500 will be above 12.0% for the rest of 2024. As of today, the estimated net profit margins for Q3 2024 and Q4 2024 are 12.4% and 12.4%, respectively.

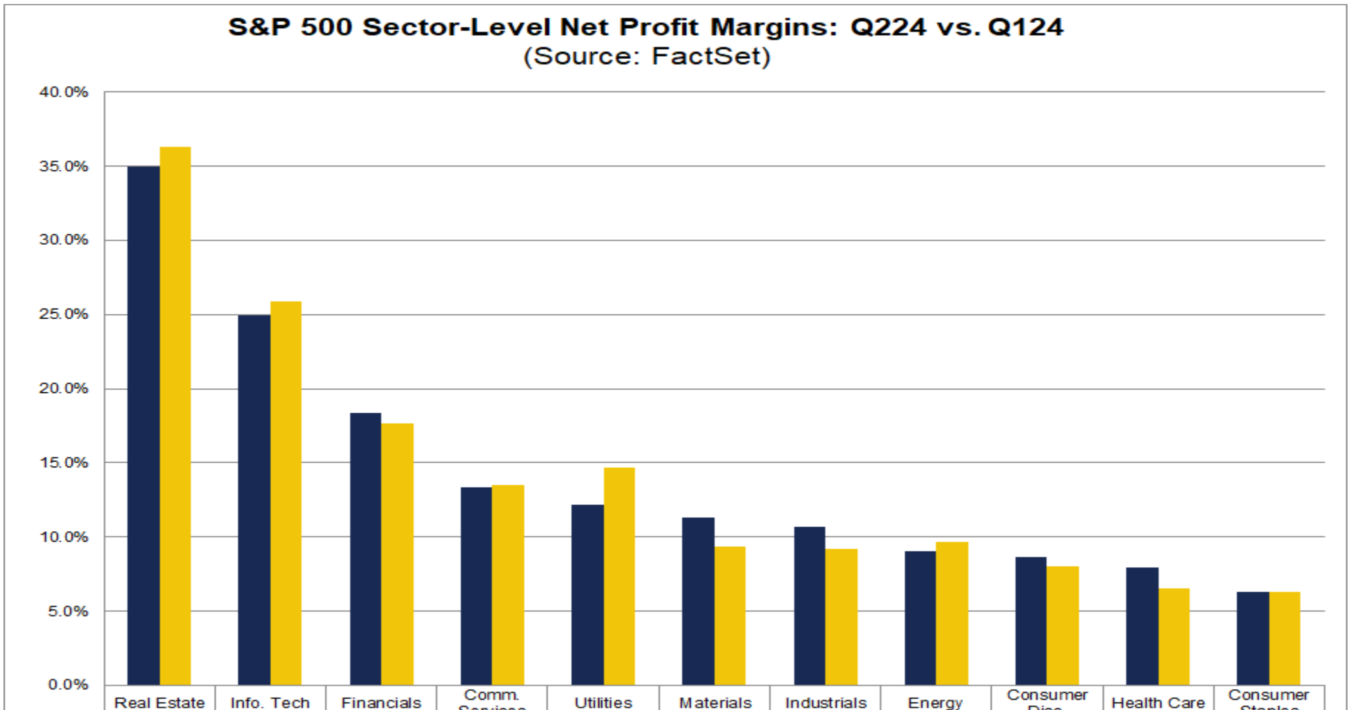




	Real Estate	Info. Tech.	Financials	Comm. Services	Utilities	Materials	Industrials	Energy	Consumer Disc.	Health Care	Consumer Staples
Q224	35.0%	24.9%	18.4%	13.4%	12.2%	11.3%	10.7%	9.1%	8.7%	8.0%	6.3%
Q223	36.7%	23.3%	16.7%	11.9%	11.8%	12.2%	11.0%	9.7%	8.6%	7.6%	6.4%



	Real Estate	Info. Tech.	Financials	Comm. Services	Utilities	Materials	Industrials	Energy	Consumer Disc.	Health Care	Consumer Staples
Q224	35.0%	24.9%	18.4%	13.4%	12.2%	11.3%	10.7%	9.1%	8.7%	8.0%	6.3%
5-Yr. Avg.	35.3%	23.7%	16.4%	11.7%	13.5%	10.9%	8.2%	9.1%	6.6%	9.8%	6.5%



	Real Estate	Info. Tech	Financials	Comm. Services	Utilities	Materials	Industrials	Energy	Consumer Disc.	Health Care	Consumer Staples
Q224	35.0%	24.9%	18.4%	13.4%	12.2%	11.3%	10.7%	9.1%	8.7%	8.0%	6.3%
Q124	36.3%	25.9%	17.6%	13.5%	14.7%	9.4%	9.2%	9.6%	8.0%	6.5%	6.3%

Topic of the Week: 2

S&P 500 Q2 Energy Sector Earnings Preview: Largest Decline in Q2 Earnings Since June 30

The Energy sector will be a focus for the market this week, as Exxon Mobil and Chevron are scheduled to report earnings on August 2. Despite a 9.7% year-over-year increase in the average price of oil in Q2 2024 relative to Q2 2023 ($80.66 vs. $73.56), the Energy sector is reporting the third-largest (year-over-year) earnings decline of all eleven sectors in the S&P 500 for Q2 2024 at -0.8%.

It is interesting to note the Energy sector has also seen the largest decline in earnings of all 11 sectors since the end of the second quarter. On June 30, the estimated earnings growth for the Energy sector for Q2 was 13.3%. Today, the sector is reporting a year-over-year decline in earnings of -0.8%. This decrease in earnings is mainly due to analysts lowering Q2 earnings estimates for companies in the Energy sector since June 30, led by Exxon Mobil (to $2.03 from $2.37), Marathon Petroleum (to $3.22 from $5.07) and Chevron (to $2.93 from $3.27).

Despite the decline in earnings over the past month, four of the five sub-industries in the sector are reporting year-over-year growth in earnings: Oil & Gas Exploration & Production (21%), Oil & Gas Equipment & Services (18%), Oil & Gas Storage & Transportation (8%), and Integrated Oil & Gas (7%). On the other hand, the Oil & Gas Refining & Marketing (-52%) sub-industry is the only sub-industry in the sector reporting a year-over-year decline in earnings for the quarter.

Looking ahead for the sector, analysts are predicting earnings growth starting in 2025. For Q3 2024 and Q4 2024, analysts are calling for earnings declines of -7.1% and -1.6%, respectively. For Q1 2025 and Q2 2025, analysts are expecting earnings growth rates of 14.4% and 24.8%, respectively.

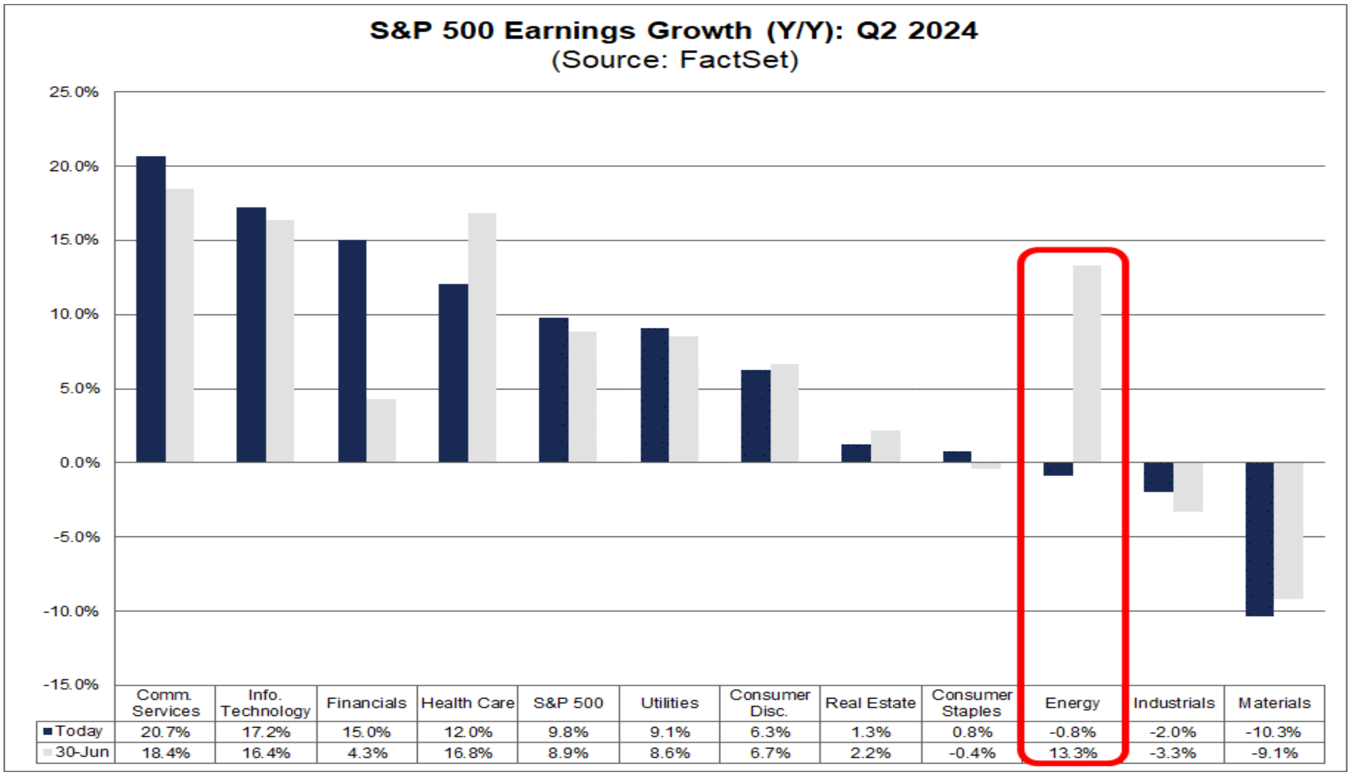
FactSet Senior Energy Analysts Connor McLean and Trevor Fugita provided commentary on key trends to watch during this earnings season related to the energy sector.

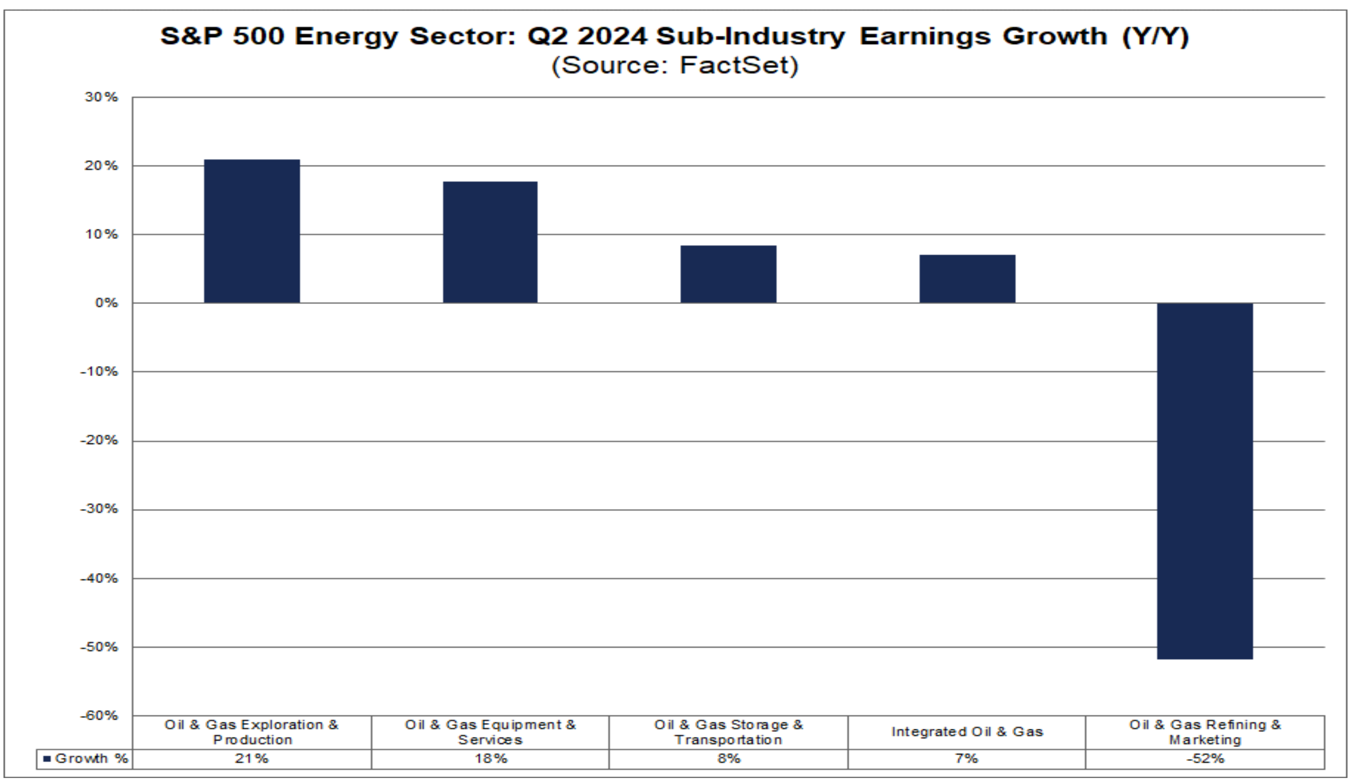
Connor McLean highlighted key themes related to oil and gas prices. For more commentary from Connor on energy, please go to: https://insight.factset.com/author/connor-mclean

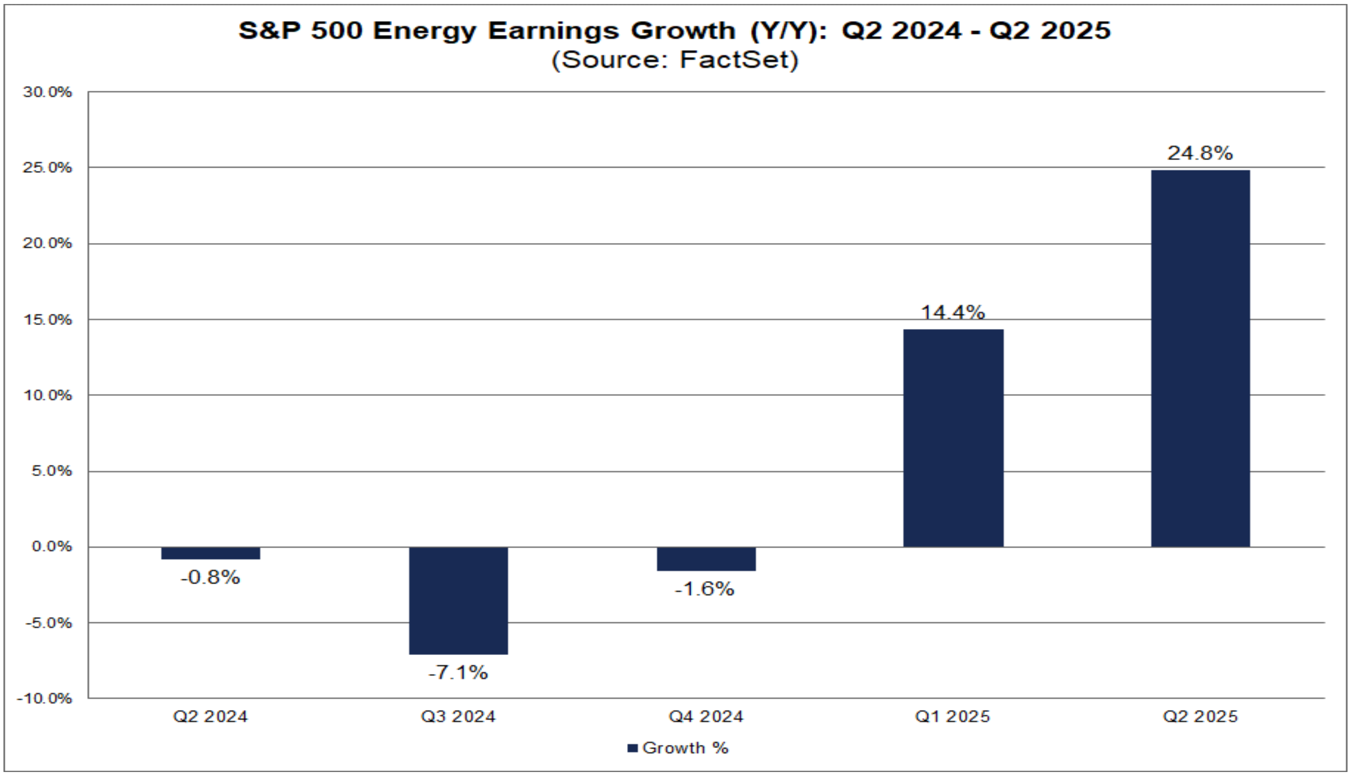
"Sentiment around natural gas pricing has become increasingly bearish as the US gas market struggles to shake off surplus storage inventories. Strong gas generation in the power sector driven by hot summer temperatures has been offset by underperformance in LNG exports and the return of gas production curtailed at the beginning of Q2. While new LNG demand (Plaquemines LNG and Corpus Christi Stage 3) is expected to provide some support for pricing this winter, excess gas in storage is likely to continue to weigh on cash pricing into 2025. Compounding the bearish outlook for US natural gas, US crude pricing is poised to remain strong entering the second half of 2024. Despite recent inventory builds, WTI continues to trade near $80/bbl supported by low storage inventories and global supply concerns. With global demand expected to pick up next year, pricing should remain constructive for increased domestic drilling activity in 2025 leading to an increase in both crude oil and associated gas production in the US."

Trevor Fugita discussed key trends to watch related to growing power generation and demand.

A 4% increase in load year-over-year has led to new milestones in the power sector. Most notably, the U.S. set a daily record for natural gas generation on July 9th at 6,907 TWh. Sustained hot temperatures should continue this trend of increased loads, improving the short-term outlook for natural gas consumption. Over the long-term, coal retirements continue to pose upside potential for natural gas generation, with 15.3 GW of operational coal-fired units planning to retire by the end of 2025. However, the buildout of new solar facilities is far outpacing the growth seen in 2023. 13.8 GW of new solar capacity has come online in 2024, compared to 19.1 GW in all of 2023. With an additional 24.0 GW of solar capacity under construction and scheduled to come online before the end of the year, solar generation should continue to rise and pose both short and long-term risks to the outlook of natural gas consumption.


S&P 500 Earnings Growth (Y/Y): Q2 2024
(Source: FactSet)
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
-5.0%
-10.0%
-15.0%
Comm. Services
Info. Technology
Financials
Health Care
S&P 500
Utilities
Consumer Disc.
Real Estate
Consumer Staples
Energy
Industrials
Materials
Today
20.7% 17.2% 15.0% 12.0% 9.8% 9.1% 6.3% 1.3% 0.8% -0.8% -2.0% -10.3%
30-Jun
18.4% 16.4% 4.3% 16.8% 8.9% 8.6% 6.7% 2.2% -0.4% 13.3% -3.3% -9.1%


S&P 500 Energy Sector: Q2 2024 Sub-Industry Earnings Growth (Y/Y)
(Source: FactSet)
30%
20%
10%
0%
-10%
-20%
-30%
-40%
-50%
-60%
Oil & Gas Exploration & Production
Oil & Gas Equipment & Services
Oil & Gas Storage & Transportation
Integrated Oil & Gas
Oil & Gas Refining & Marketing
Growth %
21% 18% 8% 7% -52%


S&P 500 Energy Earnings Growth (Y/Y): Q2 2024 - Q2 2025
(Source: FactSet)
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
-5.0%
-10.0%
-0.8%
-7.1%
-1.6%
14.4%
24.8%
Q2 2024
Q3 2024
Q4 2024
Q1 2025
Q2 2025
Growth %

Q2 Earnings Season: By The Numbers

Overview

At close to the mid-point of the second quarter earnings season, the S&P 500 is reporting mixed results. On the one hand, the percentage of S&P 500 companies reporting positive earnings surprises is above average levels. On the other hand, the magnitude of earnings surprises is below average levels. On the one hand, the index is reporting higher earnings for the second quarter today relative to the end of the quarter and reporting its highest (year-over-year) earnings growth rate since Q4 2021. On the other hand, the market is rewarding positive EPS surprises reported by S&P 500 companies less than average and punishing negative EPS surprises reported by S&P 500 companies more than average.

Overall, 41% of the companies in the S&P 500 have reported actual results for Q2 2024 to date. Of these companies, 78% have reported actual EPS above estimates, which is above the 5-year average of 77% and above the 10-year average of 74%. In aggregate, companies are reporting earnings that are 4.4% above estimates, which is below the 5-year average of 8.6% and below the 10-year average of 6.8%. Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

During the past week, positive EPS surprises reported by companies in multiple sectors (led by the Industrials and Communication Services sectors) were mostly offset by downward revisions to EPS estimates for a company in the Health Care sector, resulting in a small increase in the overall earnings growth rate for the index over this period. Since June 30, upward revisions to EPS estimates and positive EPS surprises reported by companies in the Financials sector, partially offset by downward revisions to EPS estimates for companies in the Energy and Health Care sectors, have been the largest contributors to the increase in the overall earnings growth rate for the index over this period.

As a result, the index is reporting higher earnings for the second quarter today relative to the end of last week and relative to the end of the quarter. The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings growth rate for the second quarter is 9.8% today, compared to an earnings growth rate of 9.6% last week and an earnings growth rate of 8.9% at the end of the second quarter (June 30).

Despite the rise in the earnings growth rate since June 30, the market is rewarding positive EPS surprises reported by S&P 500 companies less than average and punishing negative EPS surprises reported by S&P 500 companies more than average.

If 9.8% is the actual growth rate for the quarter, it will mark the highest year-over-year earnings growth rate reported by the index since Q4 2021 (31.4%). It will also mark the fourth consecutive quarter of year-over-year earnings growth for the index.

Eight of the eleven sectors are reporting year-over-year growth. Four of these eight sectors are reporting double-digit growth: Communication Services, Information Technology, Financials, and Health Care. On the other hand, three sectors are reporting a year-over-year decline in earnings, led by the Materials sector.

In terms of revenues, 60% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 69% and below the 10-year average of 64%. In aggregate, companies are reporting revenues that are 1.1% above the estimates, which is below the 5-year average of 2.0% and below the 10-year average of 1.4%. Again, historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

During the past week, positive revenue surprises reported by companies in multiple sectors (led by the Health Care and Consumer Discretionary sectors), partially offset by negative revenue surprises reported by companies in the Financials sector, were the largest contributors to the increase in the overall revenue growth rate for the index over this period. Since June 30, positive revenue surprises reported by companies in the Financials, Health Care, and Consumer Discretionary sectors, partially offset by downward revisions to revenue estimates for companies in the Energy sector, have been the largest contributors to the increase in the overall revenue growth rate for the index over this period.

As a result, the index is reporting higher revenues for the second quarter today relative to the end of last week and relative to the end of the quarter. The blended revenue growth rate for the second quarter is 5.0% today, compared to a revenue growth rate of 4.8% last week and a revenue growth rate of 4.7% at the end of the second quarter (June 30).

If 5.0% is the actual revenue growth rate for the quarter, it will mark the 15th consecutive quarter of revenue growth for the index.

Ten sectors are reporting year-over-year growth in revenues, led by the Information Technology sector. On the other hand, the Materials sectors is the only sector reporting a year-over-year decline in revenues.

Looking ahead, analysts expect (year-over-year) earnings growth rates of 6.8% and 16.7% for Q3 2024, and Q4 2024, respectively. For CY 2024, analysts are calling for (year-over-year) earnings growth of 10.9%.

The forward 12-month P/E ratio is 20.6, which is above the 5-year average (19.3) and above the 10-year average (17.9). However, this P/E ratio is below the forward P/E ratio of 21.0 recorded at the end of the second quarter (June 30).

During the upcoming week, 171 S&P 500 companies (including ten Dow 30 components) are scheduled to report results for the second quarter.

Scorecard: Number of Positive EPS Surprises Is Above 5-Year Average

Percentage of Companies Beating EPS Estimates (78%) is Above 5-Year Average

Overall, 41% of the companies in the S&P 500 have reported earnings to date for the second quarter. Of these companies, 78% have reported actual EPS above the mean EPS estimate, 6% have reported actual EPS equal to the mean EPS estimate, and 16% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is equal to the 1-year average (78%), above the 5-year average (77%), and above the 10-year average (74%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Utilities (100%), Health Care (95%), and Materials (91%) sectors have the highest percentages of companies reporting earnings above estimates, while the Energy (67%), Communication Services (67%), and Real Estate (67%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (+4.4%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 4.4% above expectations. This surprise percentage is below the 1-year average (+6.5%), below the 5-year average (+8.6%), and below the 10-year average (+6.8%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

The Materials (+7.5%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, International Paper ($0.55 vs. $0.41), Newmont Corporation ($0.72 vs, $0.62) and Freeport-McMoRan ($0.46 vs. $0.40) have reported the largest positive EPS surprises.

The Health Care (+6.8%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Universal Health Services ($4.31 vs. $3.30), Bristol Myers Squibb ($2.07 vs. $1.62, Intuitive Surgical ($1.78 vs, $1.54) and Centene Corporation ($2.42 vs. $2.12) have reported the largest positive EPS surprises.

The Financials (+6.1%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Discover Financial Services ($6.06 vs, $3.10), Cincinnati Financial ($1.29 vs. $0.96), Progressive Corporation ($2.65 vs. $2.05), American Express ($4.15 vs. $3.26), and Travelers Companies ($2.51 vs. $2.01) have reported the largest positive EPS surprises.

The Energy (+5.0%) sector is reporting the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, EQT Corporation (-$0.08 vs -$0.19) and Baker Hughes ($0.57 vs. $0.49) have reported the largest positive EPS surprises.

Market Rewarding Positive EPS Surprises Less Than Average

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

Companies that have reported positive earnings surprises for Q2 2024 have seen an average price increase of +0.3% two days before the earnings release through two days after the earnings release. This percentage increase is smaller than the 5-year average price increase of +1.0% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q2 2024 have seen an average price decrease of -3.8% 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 -2.3% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (60%) is Below 5-Year Average

In terms of revenues, 60% of the companies have reported actual revenues above estimated revenues, 0% of the companies have reported actual revenues equal to estimated revenues, and 40% of the companies have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (63%), below the 5-year average (69%), and below the 10-year average (64%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Health Care (80%) sector has the highest percentage of companies reporting revenues above estimates, while the Industrials (53%) sector has the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+1.1%) is Below 5-Year Average

In aggregate, companies are reporting revenues that are 1.1% above expectations. This surprise percentage is equal to the 1-year average (+1.1%), below the 5-year average (+2.0%), and above the 10-year average (+1.4%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Energy (+2.3%) and Materials (+2.3%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Utilities (-2.6%) sector is reporting the largest negative (aggregate) difference between actual revenues and estimated revenues.

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

Increase in Blended Earnings This Week Due to Multiple Sectors

The blended (year-over-year) earnings growth rate for the second quarter is 9.8%, which is above the earnings growth rate of 9.6% last week. Positive EPS surprises reported by companies in multiple sectors (led by the Industrials and Communication Services sectors) were mostly offset by downward revisions to EPS estimates for a company in the Health Care sector, resulting in a small increase in the overall earnings growth rate for the index over this period.

In the Industrials sector, the positive EPS surprises reported by GE Aerospace ($1.20 vs. $0.99), Lockheed Martin ($7.11 vs. $6.46), RTX Corporation ($1.41 vs. $1.30), and 3M ($1.93 vs. $1.68) were substantial contributors to the increase in the earnings growth rate for the index during the past week. As a result, the blended earnings decline for the Industrials sector improved to -2.0% from -4.0% over this period.

In the Communication Services sector, the positive EPS surprises reported by Alphabet ($1.89 vs. $1.85) and Comcast ($1.21 vs. $1.12) were the significant contributors to the increase in the earnings growth rate for the index during the past week. As a result, the blended earnings growth rate for the Communication Services sector increased to 20.7% from 18.7% over this period.

In the Health Care sector, downward revisions to EPS estimates for Vertex Pharmaceuticals were the largest detractor to the increase in the earnings growth rate for the index during the past week. During the week of July 22, the majority of analysts lowered non-GAAP EPS estimates for the company to incorporate AIPR&D charges related to the Alpine Immune Sciences acquisition. As a result, the mean EPS estimate for Vertex Pharmaceuticals for Q2 has fallen to -$11.70 today from $4.17 on July 19. Mainly due to the decrease in the mean EPS estimate for Vertex Pharmaceuticals, the blended earnings growth rate for the Health Care sector decreased to 12.0% from 16.1% over this period.

Increase in Blended Revenues This Week Due to Multiple Sectors

The blended (year-over-year) revenue growth rate for the second quarter is 5.0%, which is above the revenue growth rate of 4.8% last week. Positive revenue surprises reported by companies in multiple sectors (led by the Health Care and Consumer Discretionary sectors), partially offset by negative revenue surprises reported by companies in the Financials sector, were the largest contributors to the increase in the overall revenue growth rate for the index over this period.

Financials Sector Has Seen Largest Increase in Earnings since June 30

The blended (year-over-year) earnings growth rate for Q2 2024 of 9.8% is larger than the estimate of 8.9% at the end of the second quarter (June 30). Six sectors have recorded an increase in their earnings growth rate or a decrease in their earnings decline since the end of the quarter due to upward revisions to EPS estimates and positive earnings surprises, led by the Financials (to 15.0% from 4.3%) sector. The Financials sector has also been the largest contributor to the increase in earnings for the index since June 30. On the other hand, five sectors have recorded a decrease in their earnings growth rate or an increase in their earnings decline since the end of the quarter due to downward revisions to earnings estimates and negative earnings surprises, led by the Energy (to -0.8% from 13.3%) and Health Care (to 12.0% from 16.8%) sectors. The Energy and Health Care sectors have also been the largest detractors to the increase in earnings for the index since June 30.

In the Financials sector, the upward revisions to (GAAP) EPS estimates (to $5.88 from $4.20) and positive (GAAP) EPS surprise ($6.12 vs. $5.88) reported by JPMorgan Chase have been the largest contributors to the increase in the earnings growth rate for the index since June 30. The GAAP EPS numbers for JPMorgan Chase included a net gain of $2.04 related to Visa shares. In addition, the positive EPS surprises reported by Discover Financial Services ($6.06 vs. $3.10) and American Express ($4.14 vs. $3.26) have been substantial contributors to the overall rise in earnings growth as well. As a result, the blended earnings growth rate for the Financials sector has increased to 15.0% from 4.3% over this period.

In the Energy sector, downward revisions to EPS estimates for Exxon Mobil (to $2.03 from $2.37), Marathon Petroleum (to $3.22 from $5.07), and Chevron (to $2.93 from $3.27) have been significant detractors to the increase in the overall earnings growth rate for the index since June 30. As a result, the Energy sector is now reporting a year-over-year decline in earnings of -0.8% compared to earnings growth of 13.3% on June 30.

In the Health Care sector, downward revisions to EPS estimates for Vertex Pharmaceuticals have been the largest detractor to the increase in the overall earnings growth rate for the index since June 30. During the week of July 22, the majority of analysts lowered non-GAAP EPS estimates for the company to incorporate AIPR&D charges related to the Alpine Immune Sciences acquisition. As a result, the mean EPS estimate for Vertex Pharmaceuticals for Q2 has fallen to -$11.70 today from $4.16 on June 30. Mainly due to the decrease in the mean EPS estimate for Vertex Pharmaceuticals, the blended earnings growth rate for the Health Care sector decreased to 12.0% from 16.8% over this period.

Financials Sector Has Seen Largest Increase in Revenues since June 30

The blended (year-over-year) revenue growth rate for Q2 2024 of 5.0% is above the estimate of 4.7% at the end of the second quarter (June 30). Eight sectors have recorded an increase in their revenue growth rate or a decrease in their revenue decline since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Financials (to 4.5% from 2.9%) and Consumer Discretionary (to 5.3% from 4.3%) sectors. The Financials, Health Care, and Consumer Discretionary sectors have been the largest contributors to the increase in the revenue growth rate for the index since the end of the quarter. On the other hand, the Energy sector (to 6.3% from 9.0%) is the only sector that has recorded a decrease in its revenue growth rate or an increase in its revenue decline since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises. The Energy sector has also been the largest detractor to the increase in the revenue growth rate for the index since the end of the quarter. Two sectors (Industrials and Real Estate) have the same revenue growth rate today compared to June 30.

In the Financials sector, the positive revenue surprise reported by JPMorgan Chase ($51.00 billion vs. $42.23 billion) and the upward revisions to revenue estimates for Berkshire Hathaway ($91.09 billion from $89.16 billion) have been significant contributors to the increase in revenues for the index since June 30. As a result, the blended revenue growth rate for the Financials sector has increased to 4.5% from 2.9% over this period.

In the Health Care sector, the positive revenue surprise reported by Centene Corporation ($39.84 billion vs. $36.83 billion) has been a substantial contributor to the increase in revenues for the index since June 30. As a result, the blended revenue growth rate for the Health Care sector has increased to 6.5% from 5.8% over this period.

In the Consumer Discretionary sector, the positive revenue surprises reported by General Motors ($47.09 billion vs. $45.41 billion) and Tesla ($25,50 billion vs. $24.54 billion) have been significant contributors to the increase in revenues for the index since June 30. As a result, the blended revenue growth rate for the Consumer Discretionary sector has increased to 5.3% from 4.3% over this period.

In the Energy sector, downward revisions to revenue estimates for Exxon Mobil (to $90.09 billion from $95.58 billion) and Chevron (to $48.68 billion from $51.37 billion) have been substantial detractors to the increase in the revenue growth rate for the index since June 30. As a result, the blended revenue growth rate for the Energy sector has decreased to 6.3% from 9.0% over this period.

Earnings Growth: 9.8%

The blended (year-over-year) earnings growth rate for Q2 2024 is 9.8%, which is above the 5-year average earnings growth rate of 9.4% and above the 10-year average earnings growth rate of 8.4%. If 9.8% is the actual growth rate for the quarter, it will mark the highest (year-over-year) earnings growth rate for the index since Q4 2021 (31.4%). It will also mark the fourth consecutive quarter of year-over-year earnings growth.

Eight of the eleven sectors are reporting year-over-year earnings growth, led by the Communication Services, Information Technology, Financials, and Health Care sectors. On the other hand, three sectors are reporting a year-over-year decline in earnings, led by the Materials sectors.

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

The Communication Services sector is reporting the highest (year-over-year) earnings growth rate of all eleven sectors at 20.7%. At the industry level, 3 of the 5 industries in the sector are reporting (or are predicted to report) year-over-year earnings growth. All three industries are reporting (or are projected to report) growth at or above 20%: Entertainment (48%) Interactive Media & Services (35%), and Wireless Telecommunication Services (20%). On the other hand, two industries are reporting a year-over-year decline in earnings: Diversified Telecommunication Services (-7%) and Media (-1%).

At the company level, Meta Platforms ($4.70 vs. $2.98) and Alphabet ($1.89 vs. $1.44) are the largest contributors to earnings growth for the sector. If these two companies were excluded, the blended (year-over-year) earnings growth rate for Communication Services sector would fall to 4.4% from 20.7%.

Information Technology: NVIDA Is Largest Contributor to Year-Over-Year Growth

The Information Technology sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 17.2%. At the industry level, 4 of the 6 industries in the sector are reporting year-over-year earnings growth, led by the Semiconductors & Semiconductor Equipment (51%), Technology Hardware, Storage, & Peripherals (11%), and Software (8%) industries. On the other hand, two industries are reporting a year-over-year decline in earnings, led by the Communications Equipment (-19%) industry.

At the company level, NVIDIA ($0.64 vs. $0.27) is the largest contributor to earnings growth for the sector. If this company were excluded, the estimated (year-over-year) earnings growth rate for the Information Technology sector would fall to 7.8% from 17.2%.

Financials: All 5 Industries Reporting Year-Over-Year Growth

The Financials sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors for Q2 2024 at 15.0%. At the industry level, all five industries in the sector are reporting year-over-year earnings growth: Insurance (32%), Consumer Finance (27%), Capital Markets (27%), Banks (8%), and Financial Services (3%). The Insurance and Capital Markets industries are also the largest contributors to year-over-year earnings growth for the sector. If these two industries were excluded, the blended earnings growth rate for Financials sector would fall to 8.4% from 15.0%.

Health Care: Merck Is Largest Contributor to Year-Over-Year Growth

The Health Care sector is reporting the fourth-largest (year-over-year) earnings growth rate of all eleven sectors at 12.0%. At the industry level, 3 of the 5 industries in the sector are reporting year-over-year earnings growth. One of these three industries is reporting a double-digit increase: Pharmaceuticals (78%). On the other hand, two industries are reporting a year-over-year decline in earnings, led by the Biotechnology (-36%) industry.

At the company level, Merck ($2.16 vs. -$2.06) is the largest contributor to earnings growth for the sector. If this company were excluded, the Health Care sector would be reporting a (year-over-year) decline in earnings of -5.8% instead of (year-over-year) earnings growth of 12.0%.

On the other hand, Vertex Pharmaceuticals (-$11.70 vs. $3.89) is the largest detractor to earnings growth for the sector. If this company were excluded, the blended earnings growth rate for the Health Care sector would improve to 19.3% from 12.0%.

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

The Materials sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -10.3%. At the industry level, three of the four industries in this sector are reporting a year-over-year decline in earnings: Containers & Packaging (-19%), Metals & Mining (-16%), and Chemicals (-8%), and. On the other hand, the Construction Materials (1%) industry is the only industry in the sector projected to report a year-over-year growth in earnings.

Revenue Growth: 5.0%

The blended (year-over-year) revenue growth rate for Q2 2024 is 5.0%, which is below the 5-year average revenue growth rate of 6.7% and below the 10-year average revenue growth rate of 5.1%. If 5.0% is the actual revenue growth rate for the quarter, it will mark the 15th consecutive quarter of revenue growth for the index.

At the sector level, ten sectors are reporting year-over-year growth in revenues, led by the Information Technology sector. On the other hand, the Materials sector is the only sector reporting a year-over-year decline in revenues.

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

The Information Technology sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 9.7%. At the industry level, 4 of the 6 industries in the sector are reporting year-over-year revenue growth. Two of these four industries are reporting double-digit growth: Semiconductors & Semiconductor Equipment (25%) and Software (12%). On the other hand, two industries are reporting a year-over-year decline in revenue: Communications Equipment (-7%) and Electronic Equipment, Instruments, & Components (-6%).

At the company level, NVIDIA ($28.56 billion vs. $13.51 billion) is the largest contributor to revenue growth for the sector. If this company were excluded, the blended (year-over-year) revenue growth rate for the Information Technology sector would fall to 6.1% from 9.7%.

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

The Materials sector is reporting the largest (year-over-year) revenue decline of all eleven sectors at -1.3%. At the industry level, three of the four industries in this sector are reporting (or are predicted to report) a year-over-year decline in revenues: Chemicals (-3%), Construction Materials (-2%), and Containers & Packaging (-1%). The Metals & Mining (3%) industry is the only industry reporting year-over-year revenue growth.

Net Profit Margin: 12.1%

The blended net profit margin for the S&P 500 for Q2 2024 is 12.1%, which is above the previous quarter's net profit margin of 11.8%, above the year-ago net profit margin of 11.6%, and above the 5-year average of 11.5%.

At the sector level, six sectors are reporting a year-over-year increase in their net profit margins in Q2 2024 compared to Q2 2023, led by the Financials (18.4% vs. 16.7%), Information Technology (24.9% vs. 23.3%), and Communication Services (13.4% vs. 11.9%) sectors. On the other hand, five sectors are reporting a year-over-year decrease in their net profit margins in Q2 2024 compared to Q2 2023, led by the Real Estate (35.0% vs. 36.7%) sector.

Six sectors are reporting net profit margins in Q2 2024 that are above their 5-year averages, led by the Industrials (10.7% vs. 8.2%) and Consumer Discretionary (8.7% vs. 6.6%) and sectors. On the other hand, four sectors are reporting net profit margins in Q2 2024 that are below their 5-year averages, led by the Health Care (8.0% vs. 9.8%) sector.

Forward Estimates and Valuation

Guidance: % of S&P 500 Companies Issuing Negative Guidance for Q3 Below 5-Year Average

At this point in time, 32 companies in the index have issued EPS guidance for Q3 2024. Of these 32 companies, 16 have issued negative EPS guidance and 16 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q3 2024 is 50% (16 out of 32), which is below the 5-year average of 59% and below the 10-year average of 63%.

At this point in time, 271 companies in the index have issued EPS guidance for the current fiscal year (FY 2024 or FY 2025). Of these 271 companies, 123 have issued negative EPS guidance and 148 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 45% (123 out of 271).

The term “guidance” (or “preannouncement”) is defined as a projection or estimate for EPS provided by a company in advance of the company reporting actual results. Guidance is classified as negative if the estimate (or mid-point of a range estimates) provided by a company is lower than the mean EPS estimate the day before the guidance was issued. Guidance is classified as positive if the estimate (or mid-point of a range of estimates) provided by the company is higher than the mean EPS estimate the day before the guidance was issued.

Earnings: S&P 500 Expected to Report Earnings Growth of 11% for CY 2024

For the second quarter, S&P 500 companies are reporting year-over-year growth in earnings of 9.8% and year-over-year growth in revenues of 5.0%.

For Q3 2024, analysts are projecting earnings growth of 6.8% and revenue growth of 5.0%.

For Q4 2024, analysts are projecting earnings growth of 16.7% and revenue growth of 5.5%.

For CY 2024, analysts are projecting earnings growth of 10.9% and revenue growth of 5.1%.

For Q1 2025, analysts are projecting earnings growth of 14.8% and revenue growth of 5.8%.

For Q2 2025, analysts are projecting earnings growth of 14.7% and revenue growth of 6.0%.

For CY 2025, analysts are projecting earnings growth of 14.8% and revenue growth of 6.0%.

Valuation: Forward P/E Ratio is 20.6, Above the 10-Year Average (17.9)

The forward 12-month P/E ratio for the S&P 500 is 20.6. This P/E ratio is above the 5-year average of 19.3 and above the 10-year average of 17.9. However, it is below the forward 12-month P/E ratio of 21.0 recorded at the end of the second quarter (June 30). Since the end of the second quarter (June 30), the price of the index has decreased by 1.1%, while the forward 12-month EPS estimate has increased by 0.9%. At the sector level, the Information Technology (28.5) sector has the highest forward 12-month P/E ratio, while the Energy (12.5) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 25.7, which is above the 5-year average of 23.5 and above the 10-year average of 21.5.

Targets & Ratings: Analysts Project 14% Increase in Price Over Next 12 Months

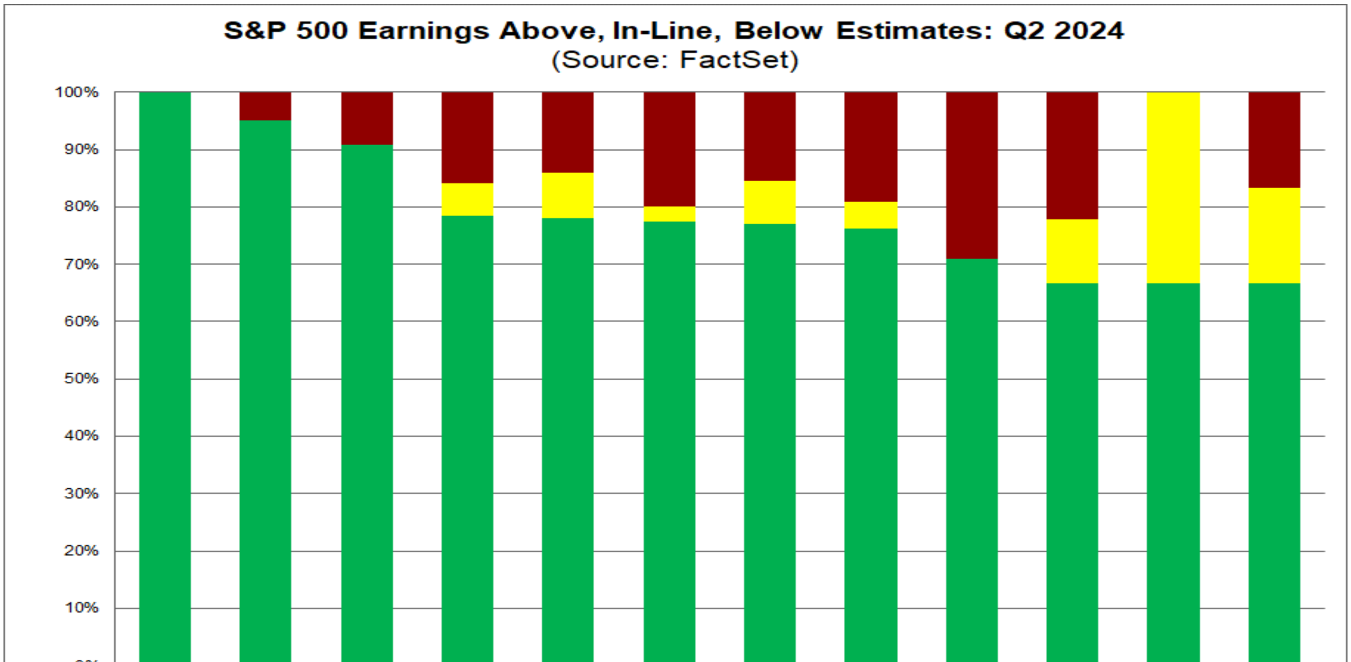
The bottom-up target price for the S&P 500 is 6133.00, which is 13.6% above the closing price of 5399.22. At the sector level, the Communication Services (+22.1%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Real Estate (+8.4%), Consumer Staples (+8.6%), and Financials (+8.7%) 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 11,860 ratings on stocks in the S&P 500. Of these 11,860 ratings, 55.0% are Buy ratings, 40.0% are Hold ratings, and 5.0% are Sell ratings. At the sector level, the Energy (63%), Communication Services (62%), and Information Technology (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (46%) and Materials (47%) sectors have the lowest percentages of Buy ratings.

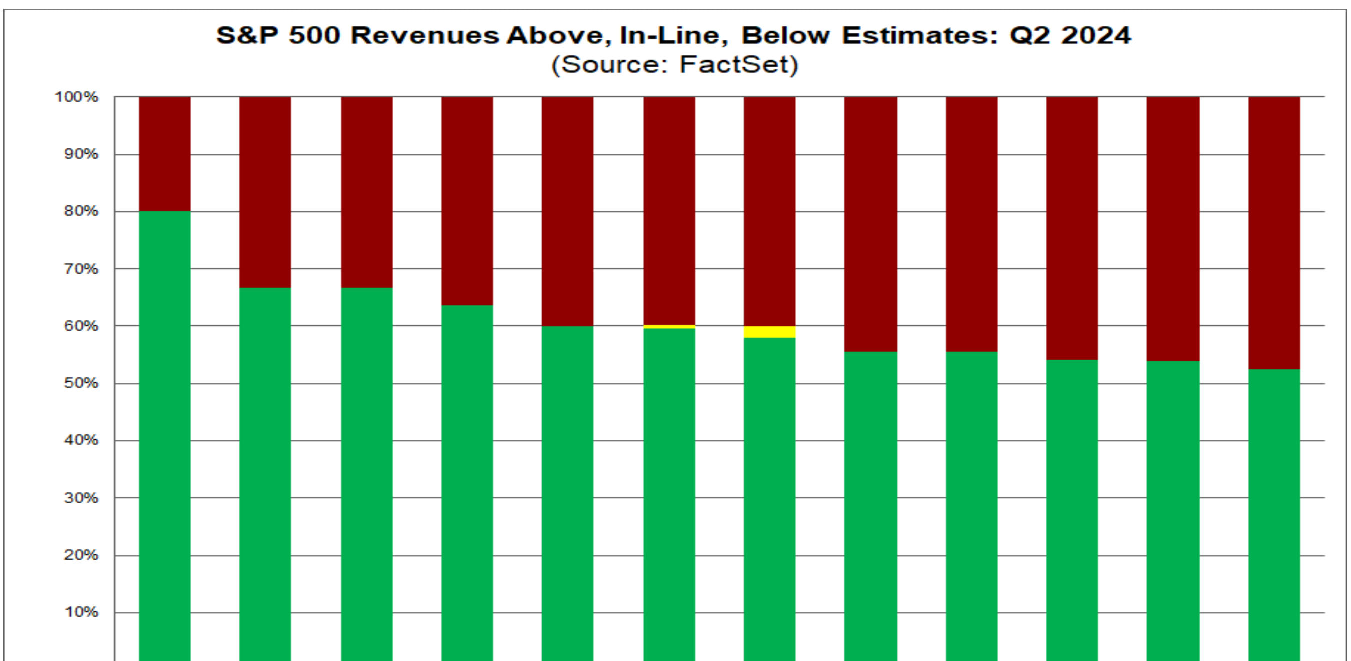
Companies Reporting Next Week: 171

During the upcoming week, 171 S&P 500 companies (including ten Dow 30 components) are scheduled to report results for the second quarter.

Q2 2024: Scorecard

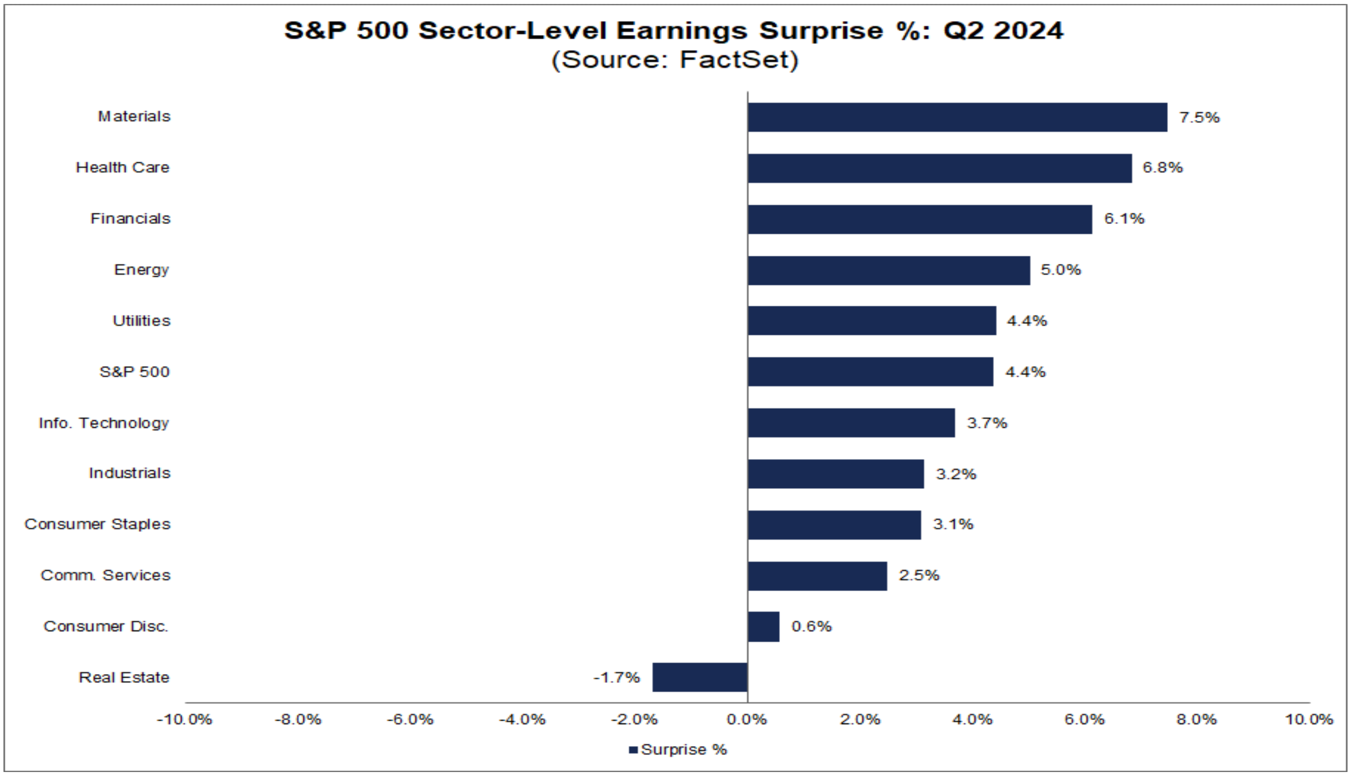


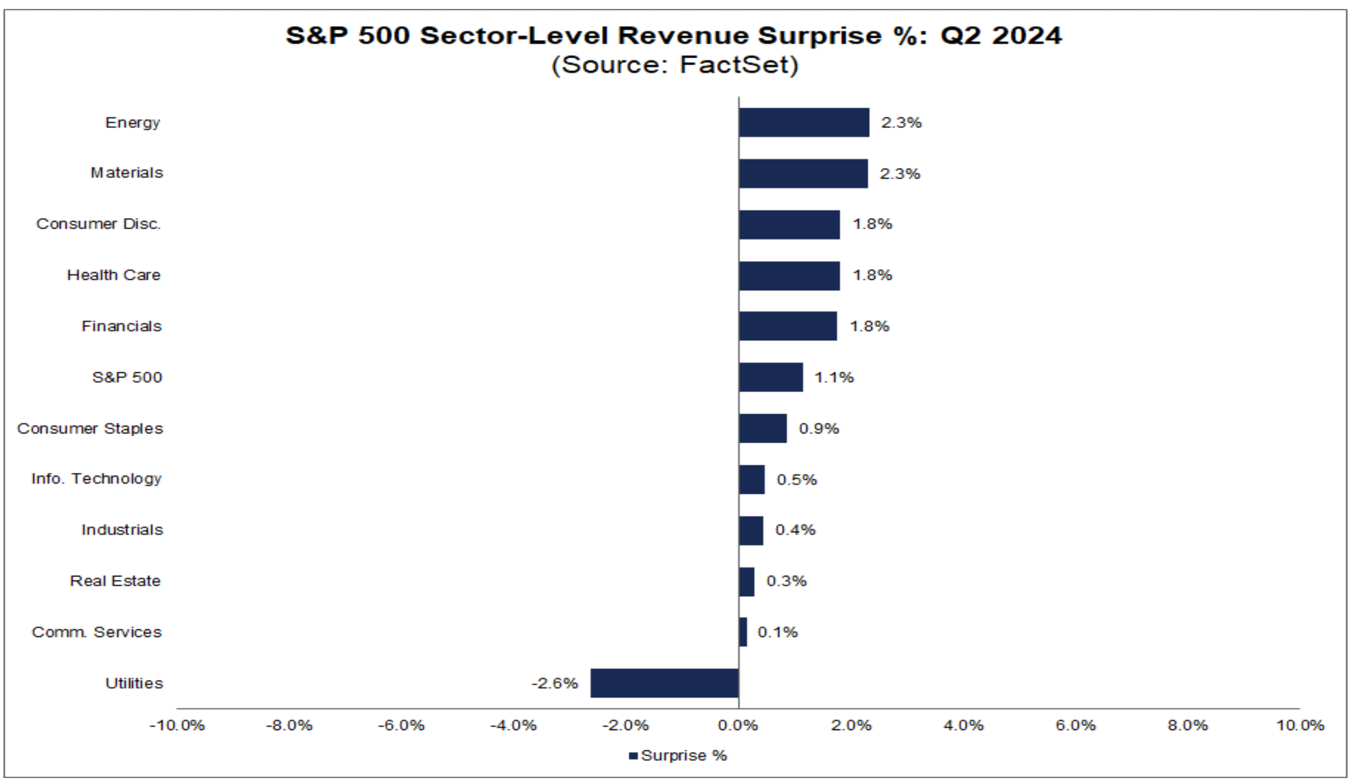
	Utilities	Health Care	Materials	S&P 500	Financials	Industrials	Consumer Staples	Info. Technology	Consumer Disc.	Real Estate	Comm. Services	Energy
Below	0%	5%	9%	16%	14%	20%	15%	19%	29%	22%	0%	17%
In-Line	0%	0%	0%	6%	8%	3%	8%	5%	0%	11%	33%	17%
Above	100%	95%	91%	78%	78%	78%	77%	76%	71%	67%	67%	67%



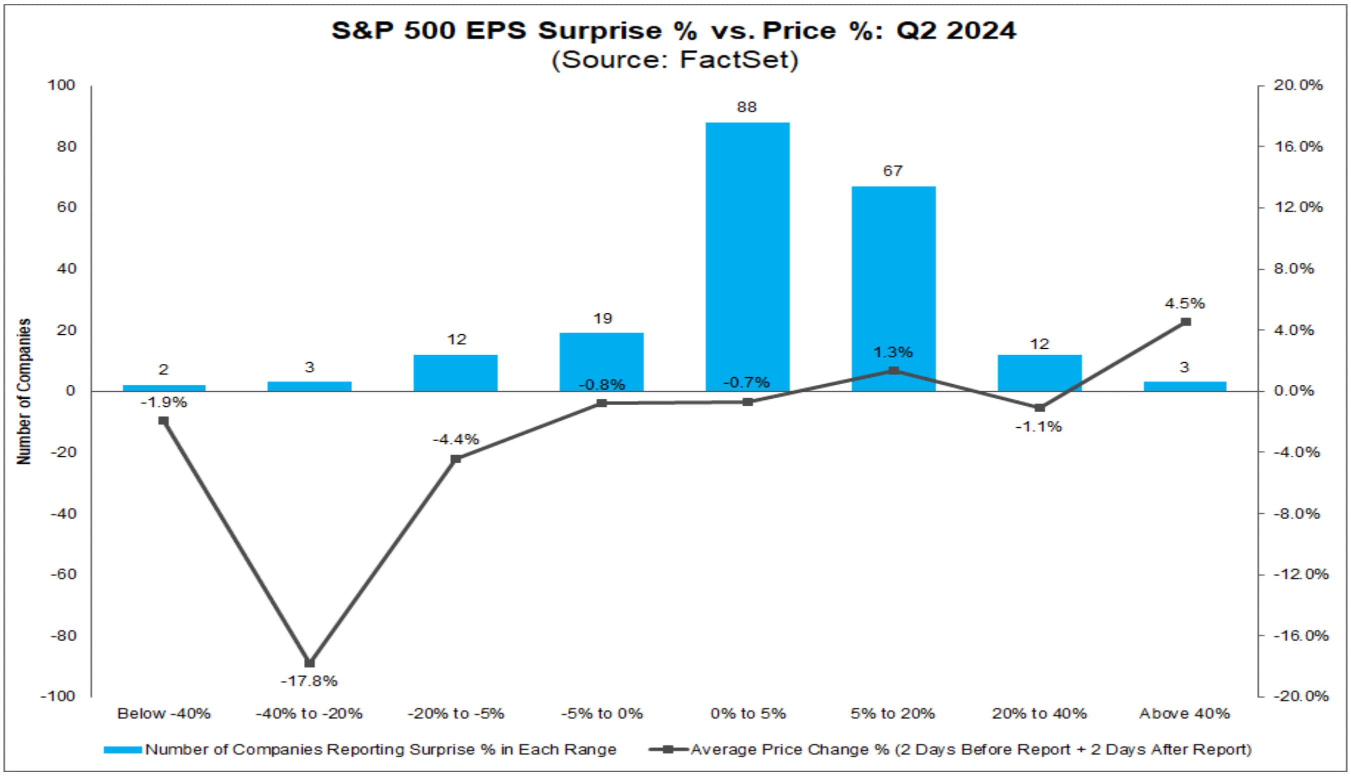
	Health Care	Info. Technology	Energy	Materials	Utilities	S&P 500	Financials	Comm. Services	Real Estate	Consumer Disc.	Consumer Staples	Industrials
Below	20%	33%	33%	36%	40%	40%	40%	44%	44%	46%	46%	48%
In-Line	0%	0%	0%	0%	0%	0%	2%	0%	0%	0%	0%	0%
Above	80%	67%	67%	64%	60%	60%	58%	56%	56%	54%	54%	53%

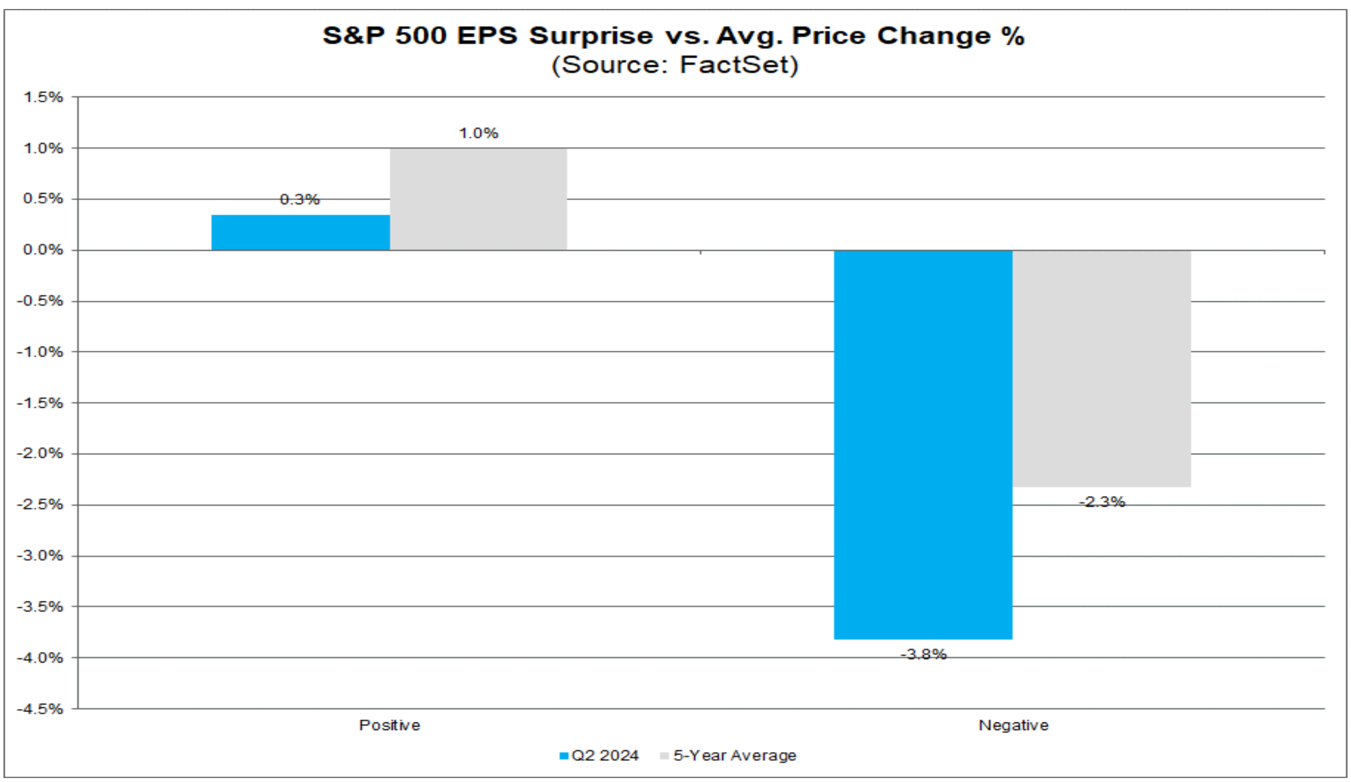
Q2 2024: Surprise



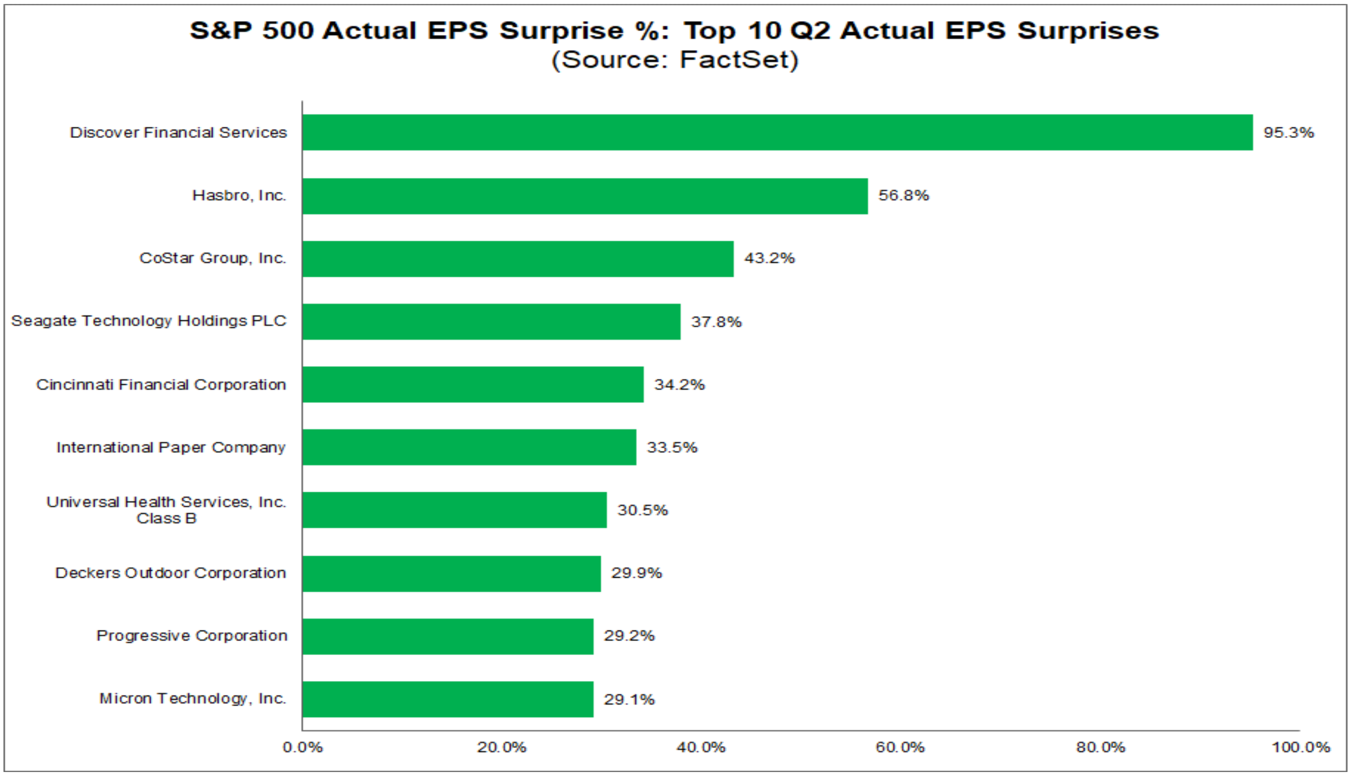


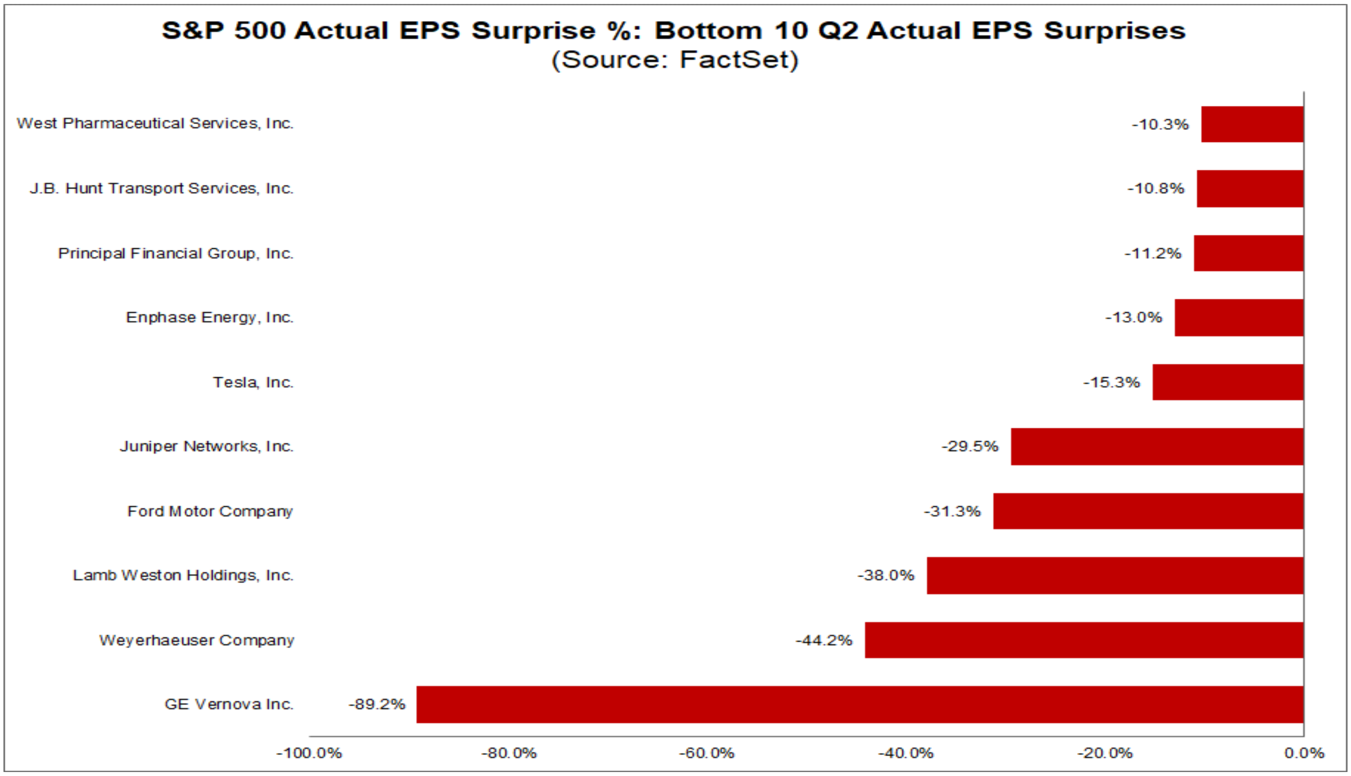
Q2 2024: Surprise



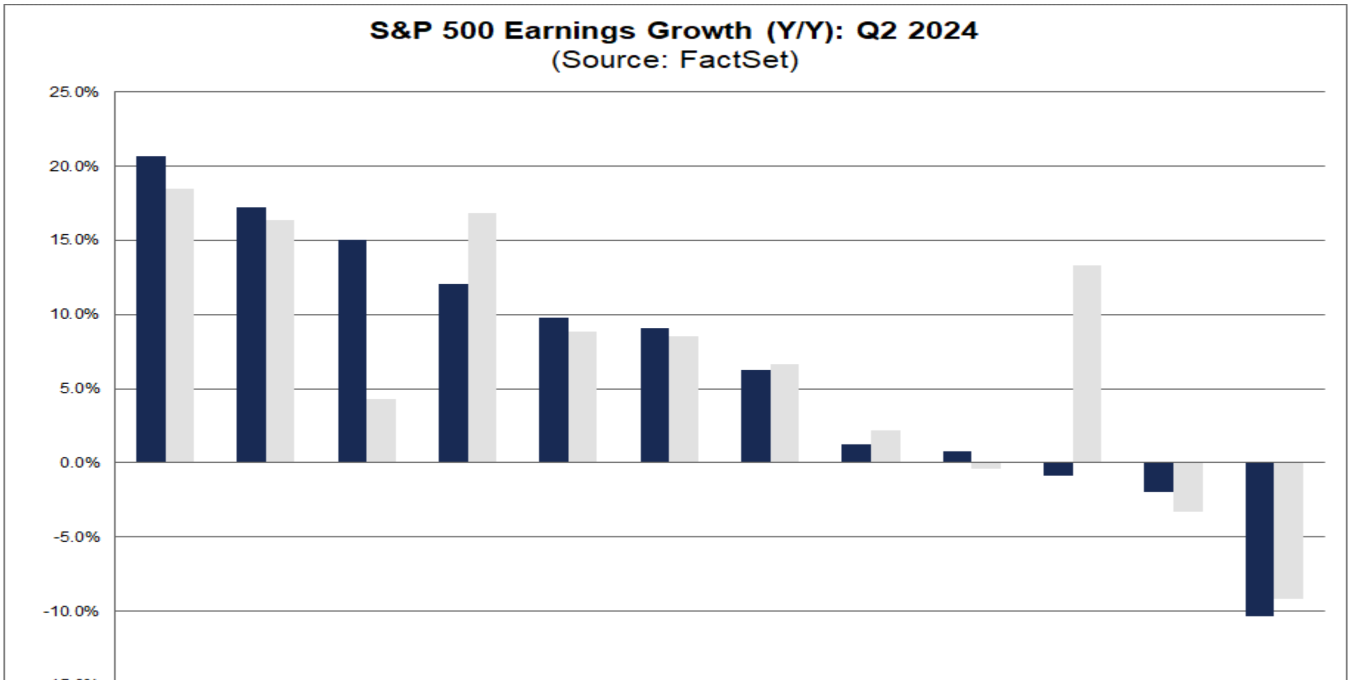


Q2 2024: Surprise

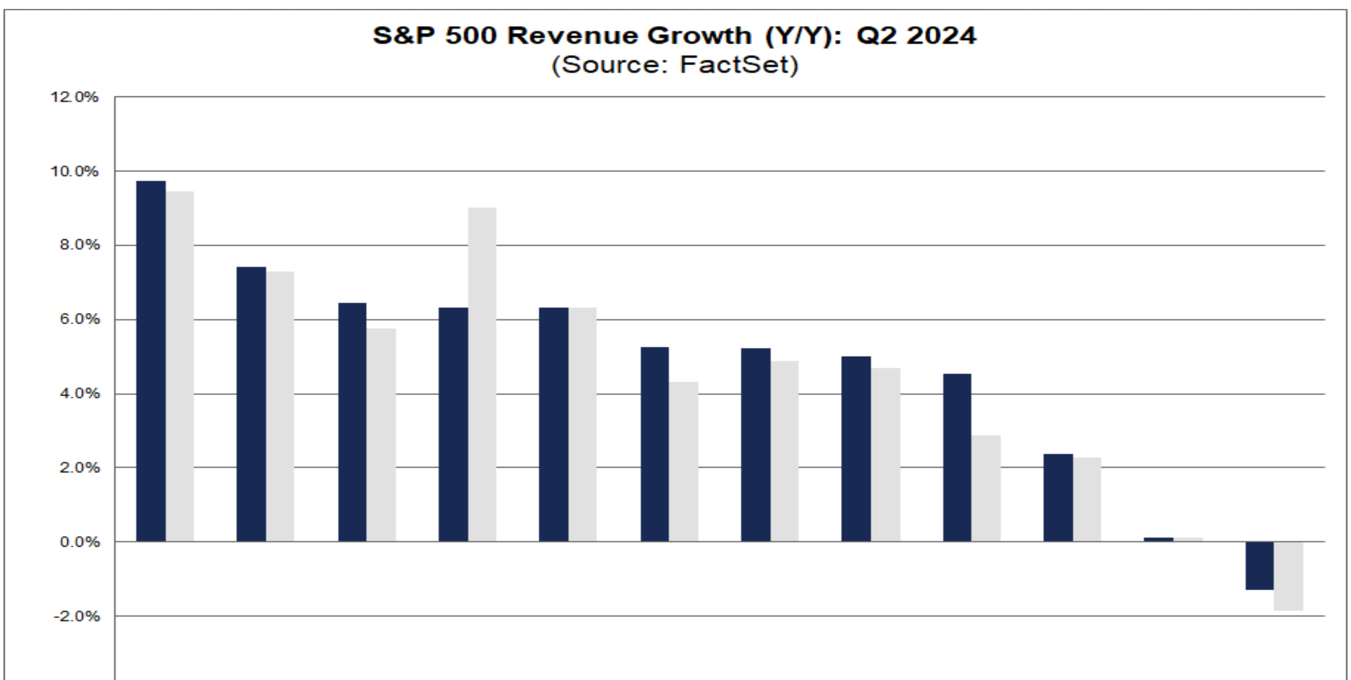




Q2 2024: Growth

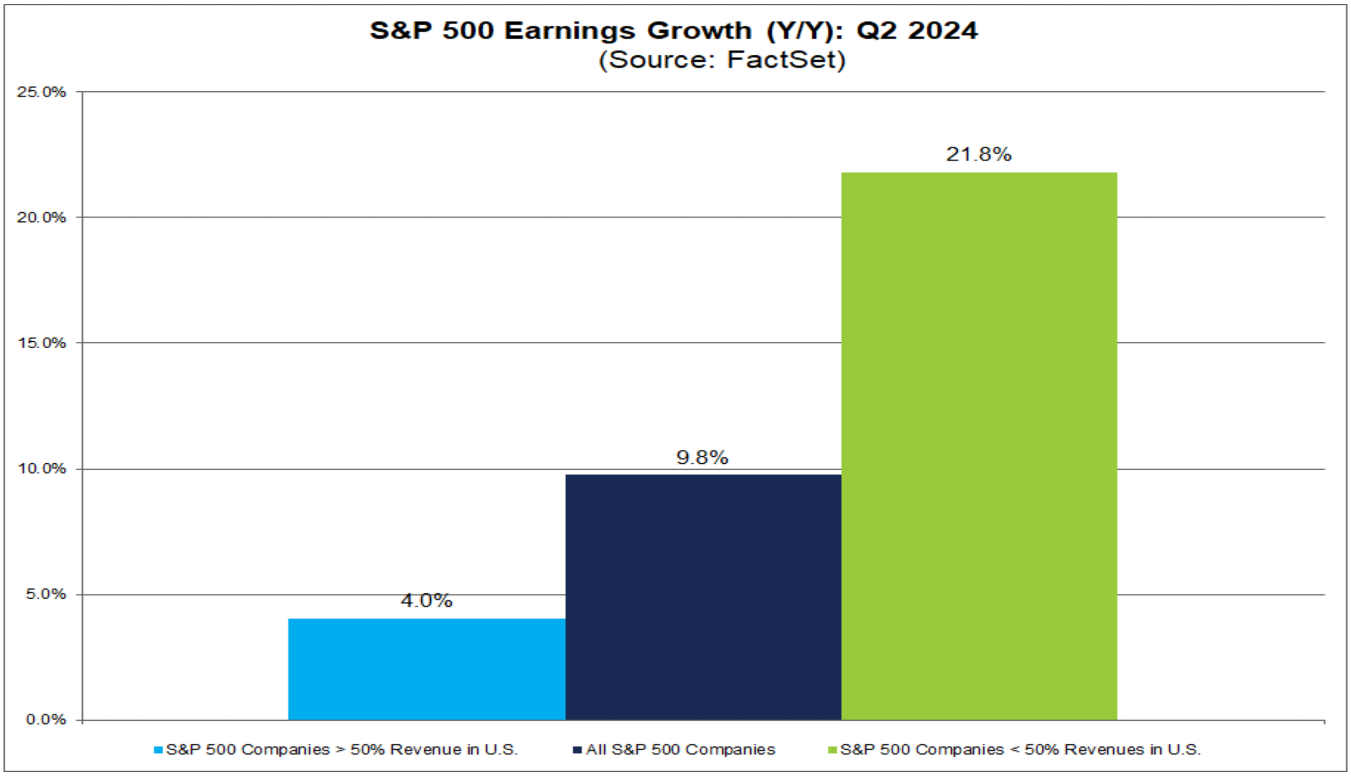


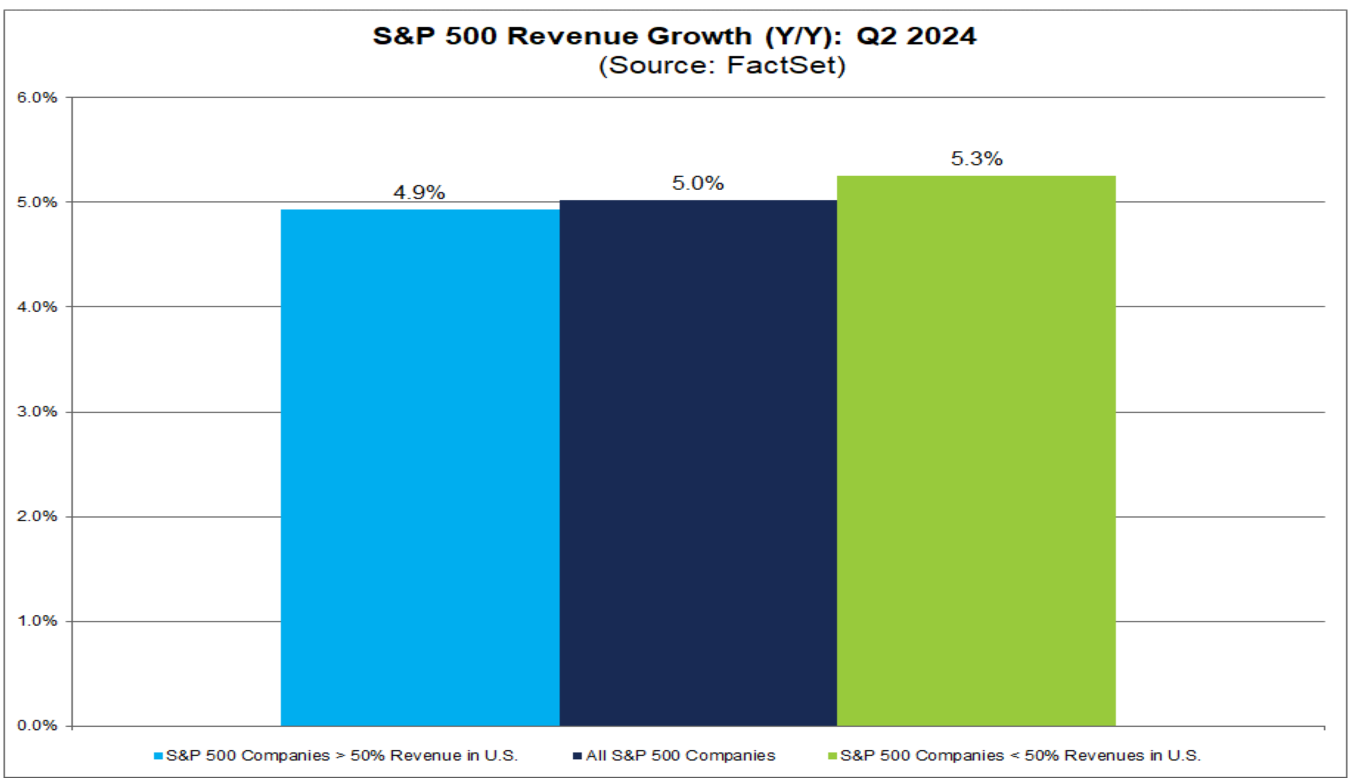
	Comm. Services	Info. Technology	Financials	Health Care	S&P 500	Utilities	Consumer Disc.	Real Estate	Consumer Staples	Energy	Industrials	Materials
Today	20.7%	17.2%	15.0%	12.0%	9.8%	9.1%	6.3%	1.3%	0.8%	-0.8%	-2.0%	-10.3%
30-Jun	18.4%	16.4%	4.3%	16.8%	8.9%	8.6%	6.7%	2.2%	-0.4%	13.3%	-3.3%	-9.1%



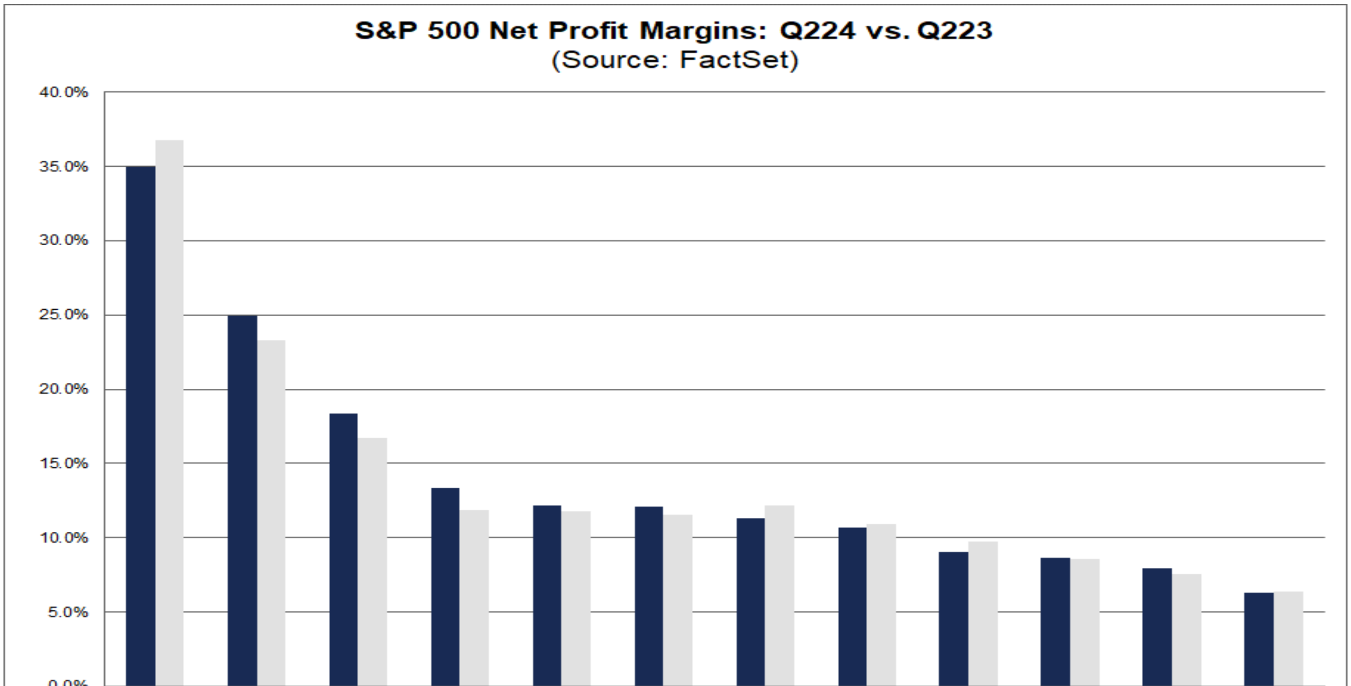
	Info. Technology	Comm. Services	Health Care	Energy	Real Estate	Consumer Disc.	Utilities	S&P 500	Financials	Consumer Staples	Industrials	Materials
Today	9.7%	7.4%	6.5%	6.3%	6.3%	5.3%	5.2%	5.0%	4.5%	2.4%	0.1%	-1.3%
30-Jun	9.5%	7.3%	5.8%	9.0%	6.3%	4.3%	4.9%	4.7%	2.9%	2.3%	0.1%	-1.9%

Q2 2024: Growth

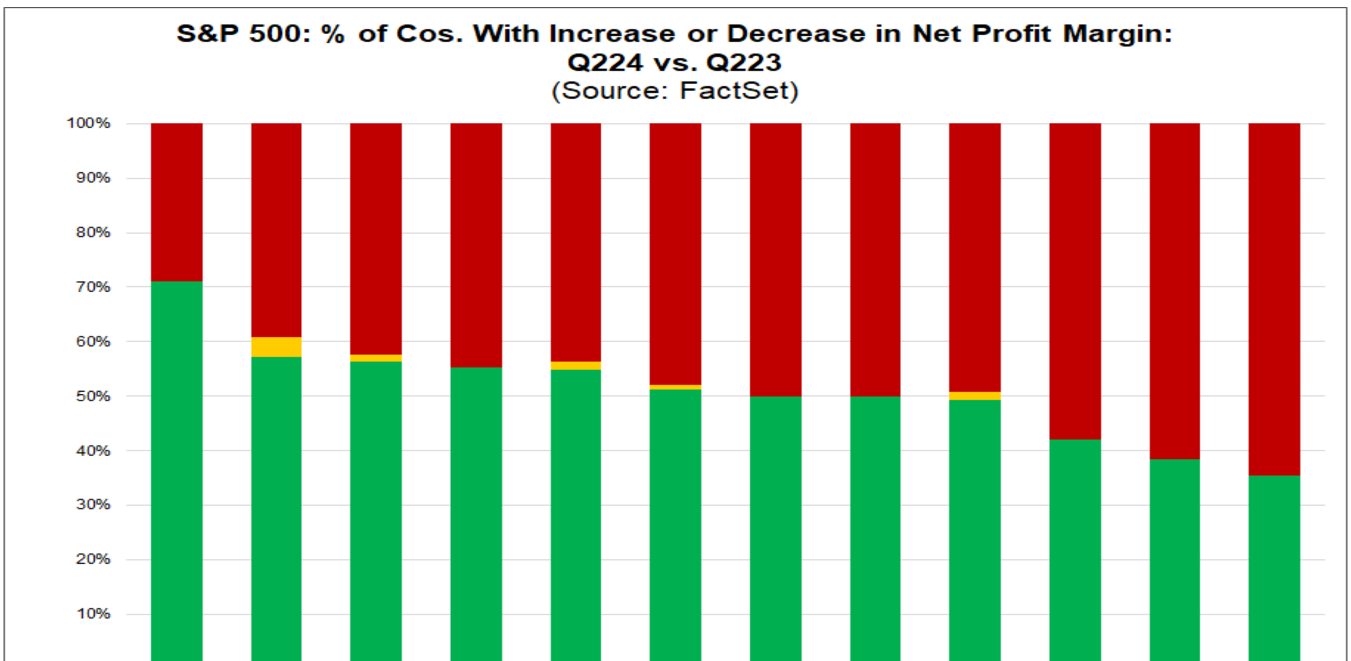




Q2 2024: Net Profit Margin

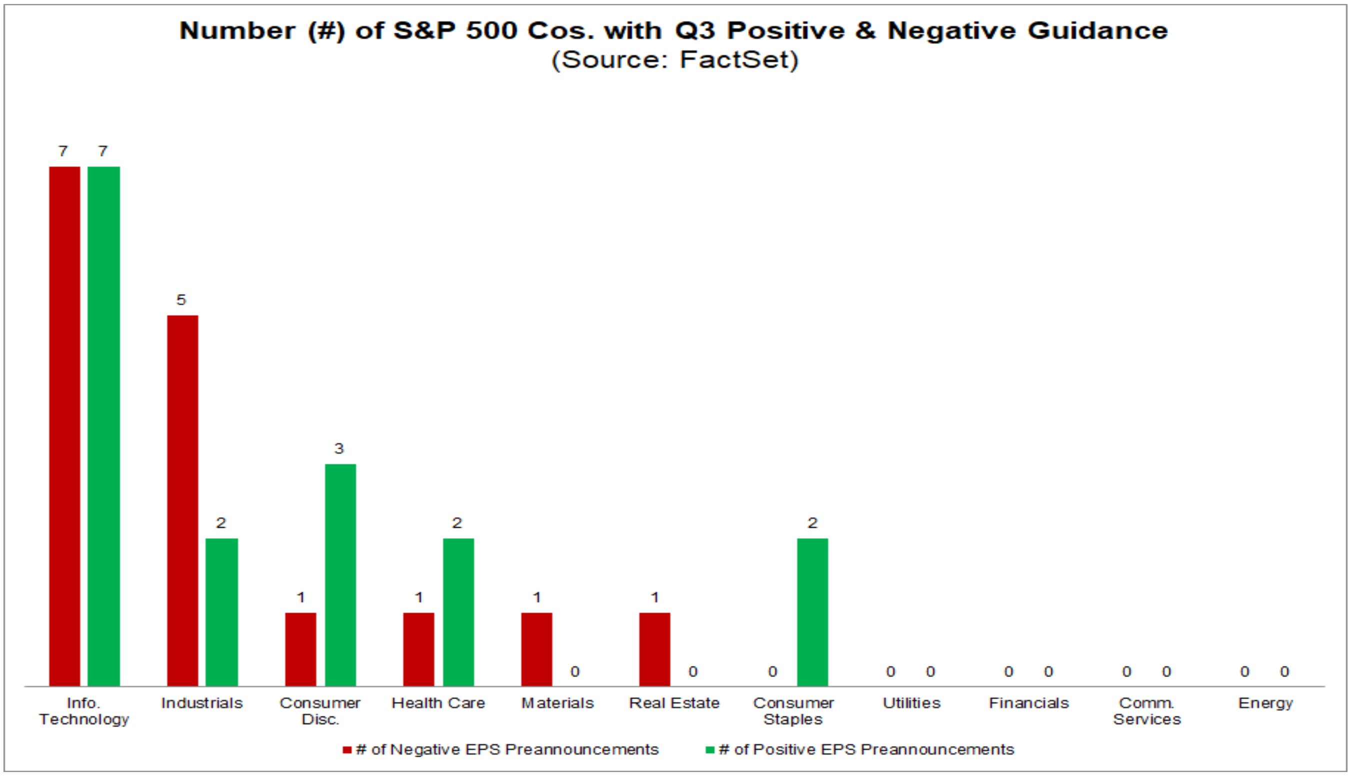


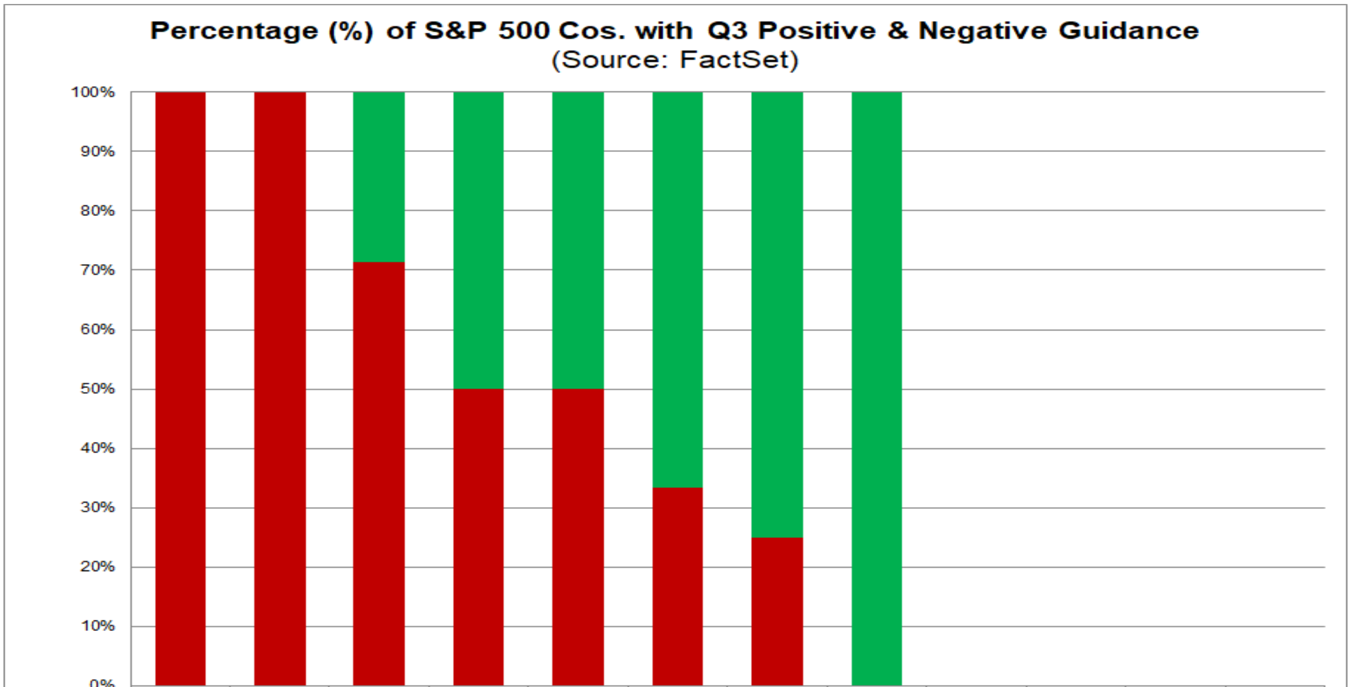
	Real Estate	Information Tech.	Financials	Comm. Services	Utilities	S&P 500	Materials	Industrials	Energy	Consumer Disc.	Health Care	Consumer Staples
Q124	35.0%	24.9%	18.4%	13.4%	12.2%	12.1%	11.3%	10.7%	9.1%	8.7%	8.0%	6.3%
Q123	36.7%	23.3%	16.7%	11.9%	11.8%	11.6%	12.2%	11.0%	9.7%	8.6%	7.6%	6.4%



	Utilities	Materials	Industrials	Information Tech.	Financials	S&P 500	Energy	Comm. Services	Health Care	Consumer Staples	Consumer Disc.	Real Estate
Down %	29%	39%	42%	45%	44%	48%	50%	50%	49%	58%	62%	65%
None %	0%	4%	1%	0%	1%	1%	0%	0%	2%	0%	0%	0%
Up %	71%	57%	56%	55%	55%	51%	50%	50%	49%	42%	38%	35%

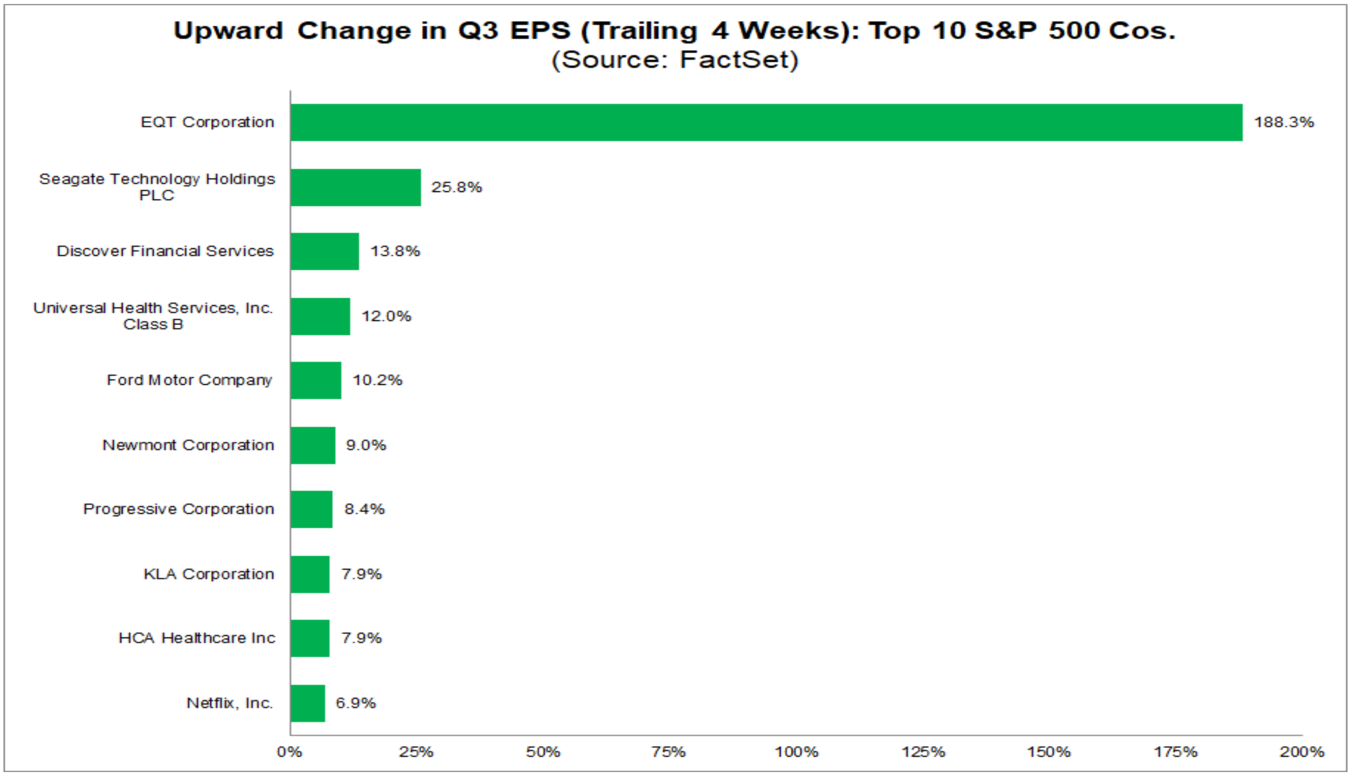
Q3 2024: Guidance

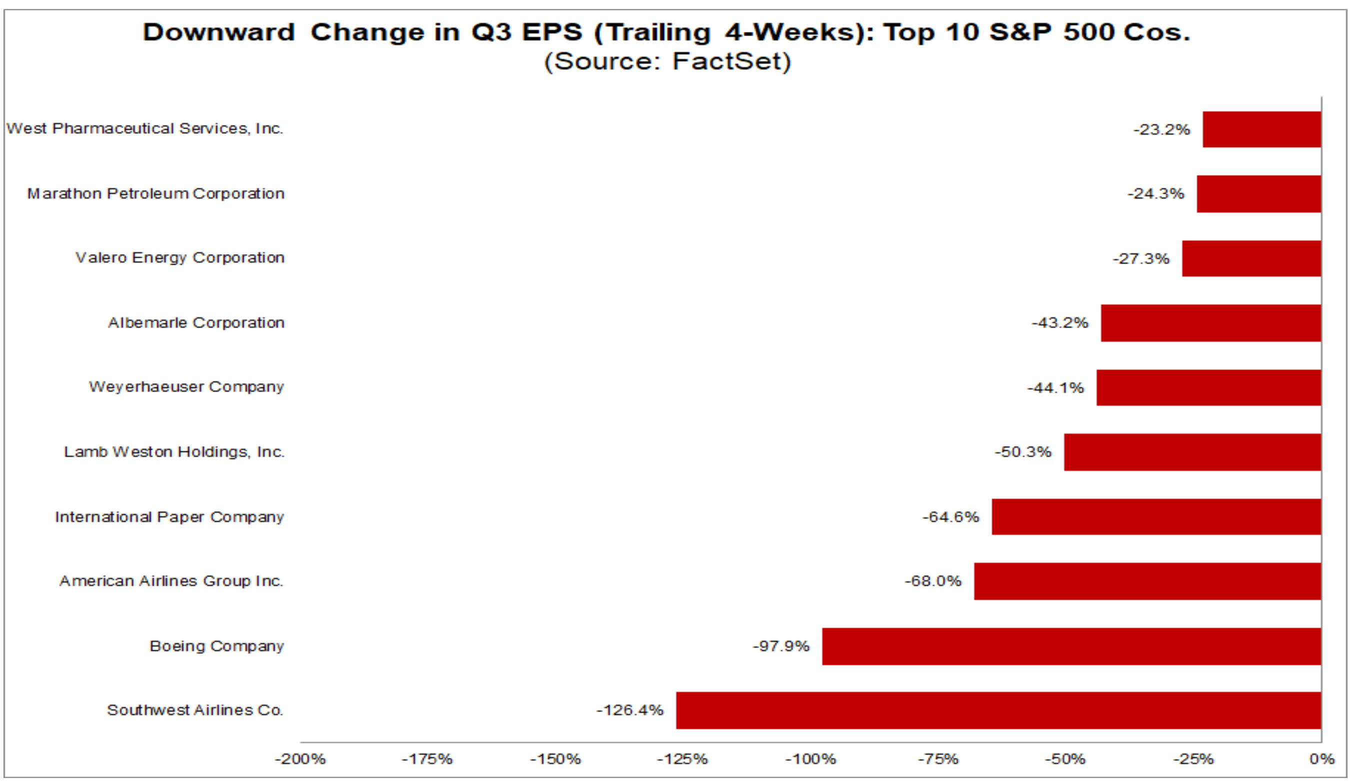




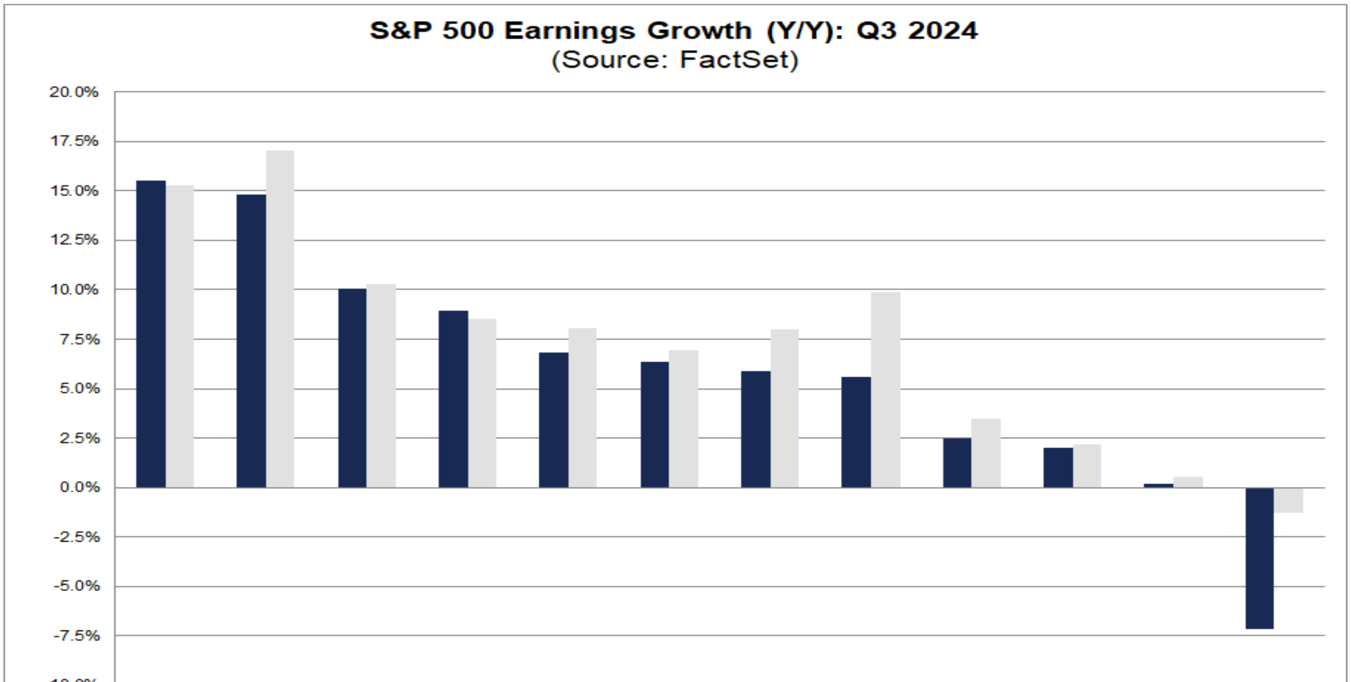
	Materials	Real Estate	Industrials	S&P 500	Info. Technology	Health Care	Consumer Disc.	Consumer Staples	Utilities	Financials	Comm. Services	Energy
Positive	0%	0%	29%	50%	50%	67%	75%	100%	0%	0%	0%	0%
Negative	100%	100%	71%	50%	50%	33%	25%	0%	0%	0%	0%	0%

Q3 2024: EPS Revisions

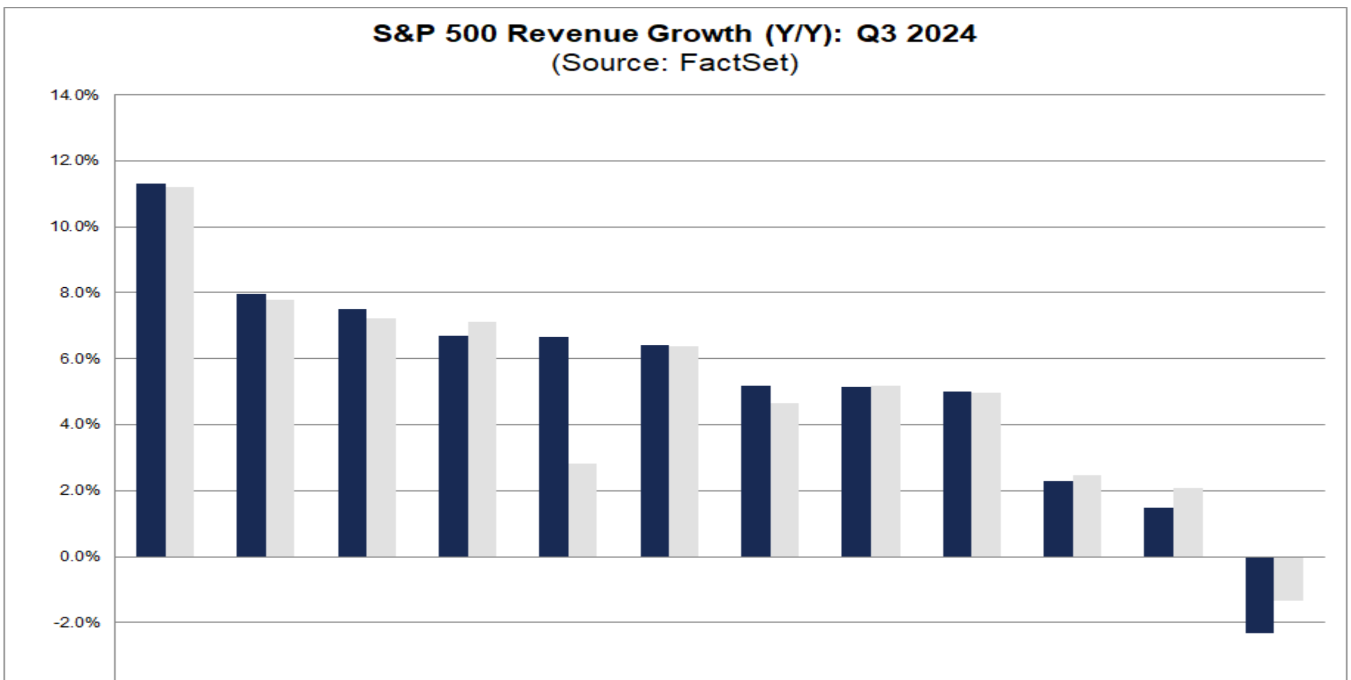




Q3 2024: Growth

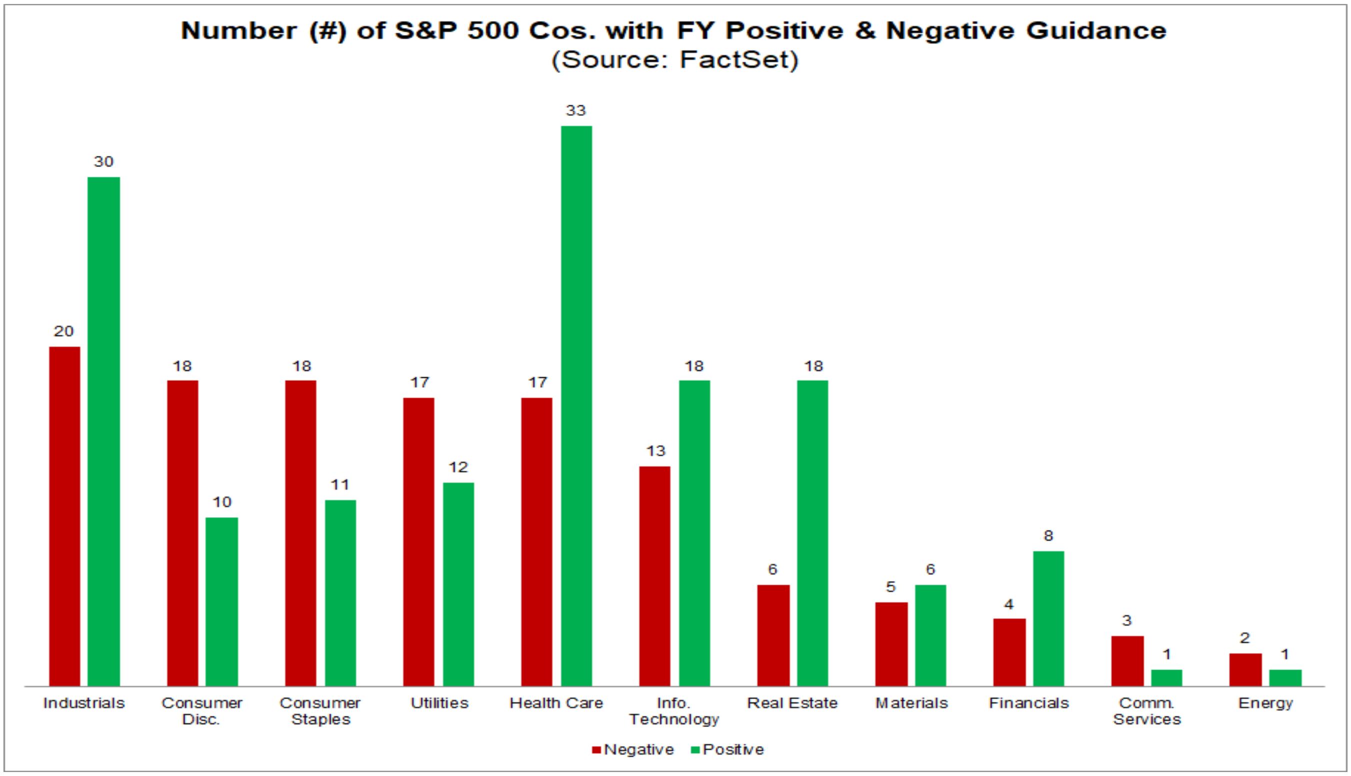


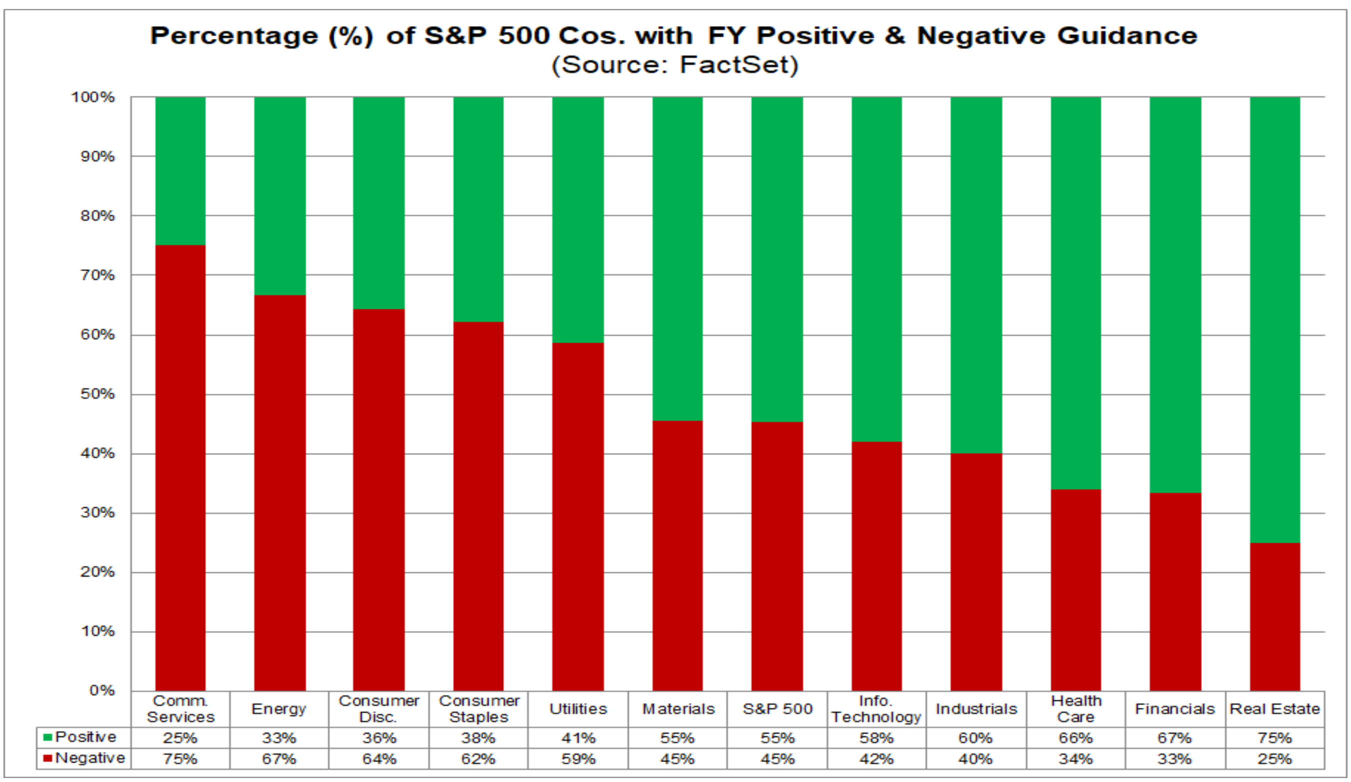
	Info. Technology	Health Care	Comm. Services	Utilities	S&P 500	Real Estate	Materials	Industrials	Consumer Staples	Consumer Disc.	Financials	Energy
Today	15.5%	14.8%	10.0%	9.0%	6.8%	6.3%	5.9%	5.6%	2.5%	2.0%	0.2%	-7.1%
30-Jun	15.3%	17.1%	10.3%	8.5%	8.1%	7.0%	8.0%	9.9%	3.5%	2.2%	0.5%	-1.3%



	Info. Technology	Comm. Services	Utilities	Real Estate	Materials	Health Care	Financials	Consumer Disc.	S&P 500	Consumer Staples	Industrials	Energy
Today	11.3%	8.0%	7.5%	6.7%	6.7%	6.4%	5.2%	5.1%	5.0%	2.3%	1.5%	-2.3%
30-Jun	11.2%	7.8%	7.2%	7.1%	2.8%	6.4%	4.6%	5.2%	5.0%	2.5%	2.1%	-1.3%

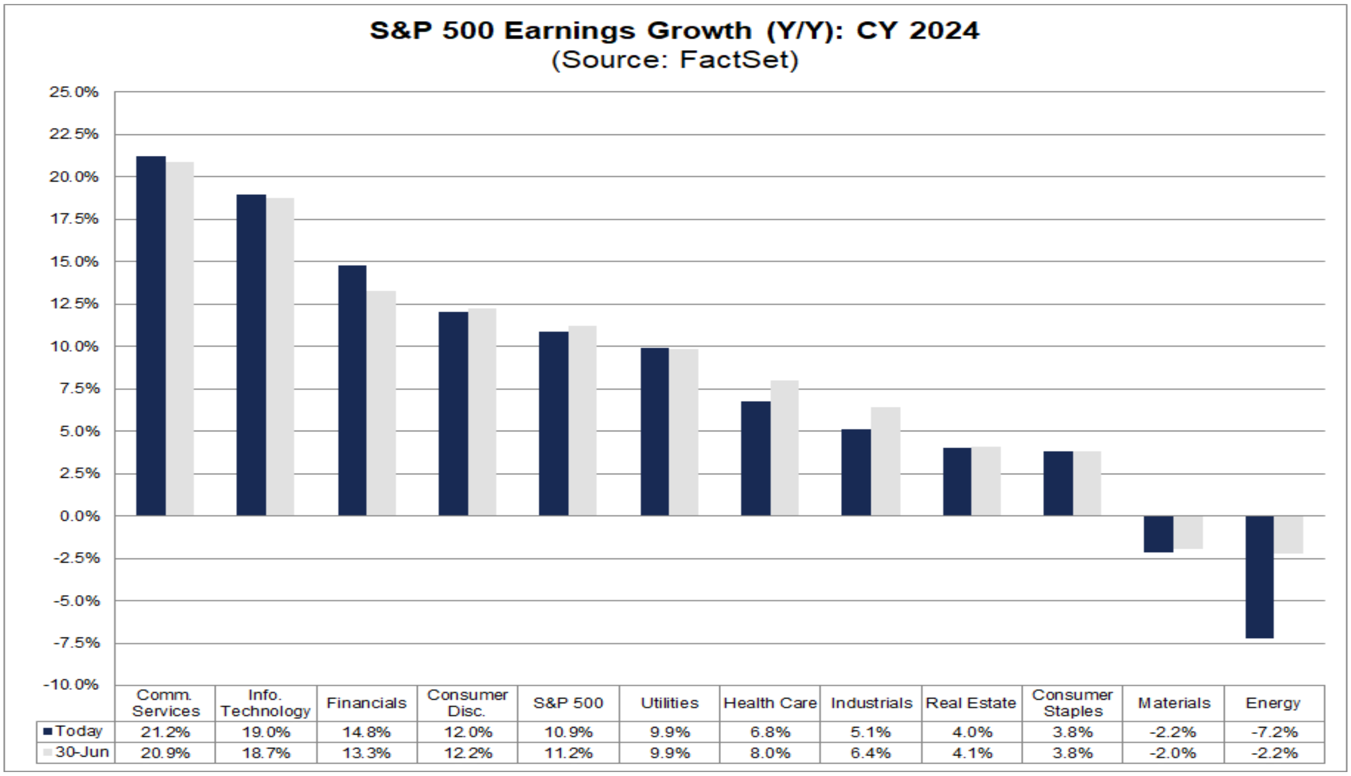
FY 2024 / 2025: EPS Guidance



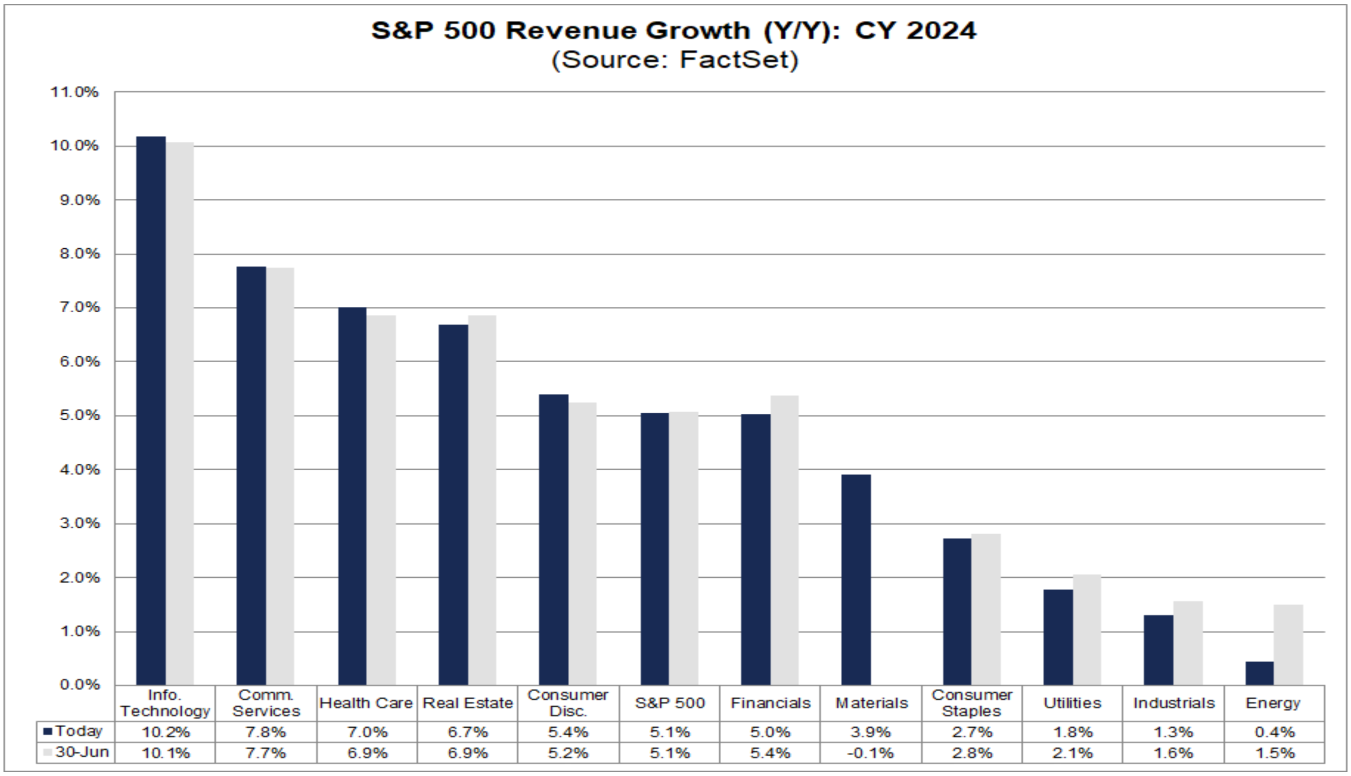


	Comm. Services	Energy	Consumer Disc.	Consumer Staples	Utilities	Materials	S&P 500	Info. Technology	Industrials	Health Care	Financials	Real Estate
Positive	25%	33%	36%	38%	41%	55%	55%	58%	60%	66%	67%	75%
Negative	75%	67%	64%	62%	59%	45%	45%	42%	40%	34%	33%	25%

CY 2024: Growth

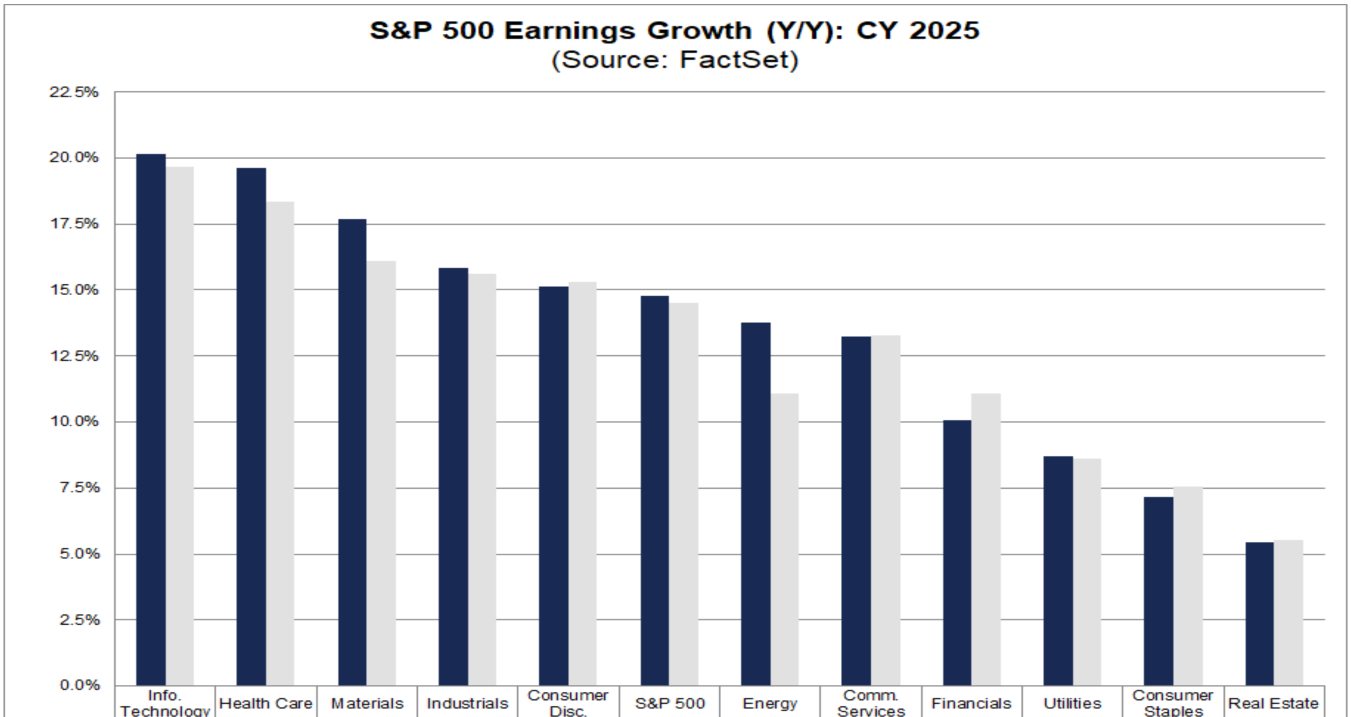


	Comm. Services	Info. Technology	Financials	Consumer Disc.	S&P 500	Utilities	Health Care	Industrials	Real Estate	Consumer Staples	Materials	Energy
Today	21.2%	19.0%	14.8%	12.0%	10.9%	9.9%	6.8%	5.1%	4.0%	3.8%	-2.2%	-7.2%
30-Jun	20.9%	18.7%	13.3%	12.2%	11.2%	9.9%	8.0%	6.4%	4.1%	3.8%	-2.0%	-2.2%

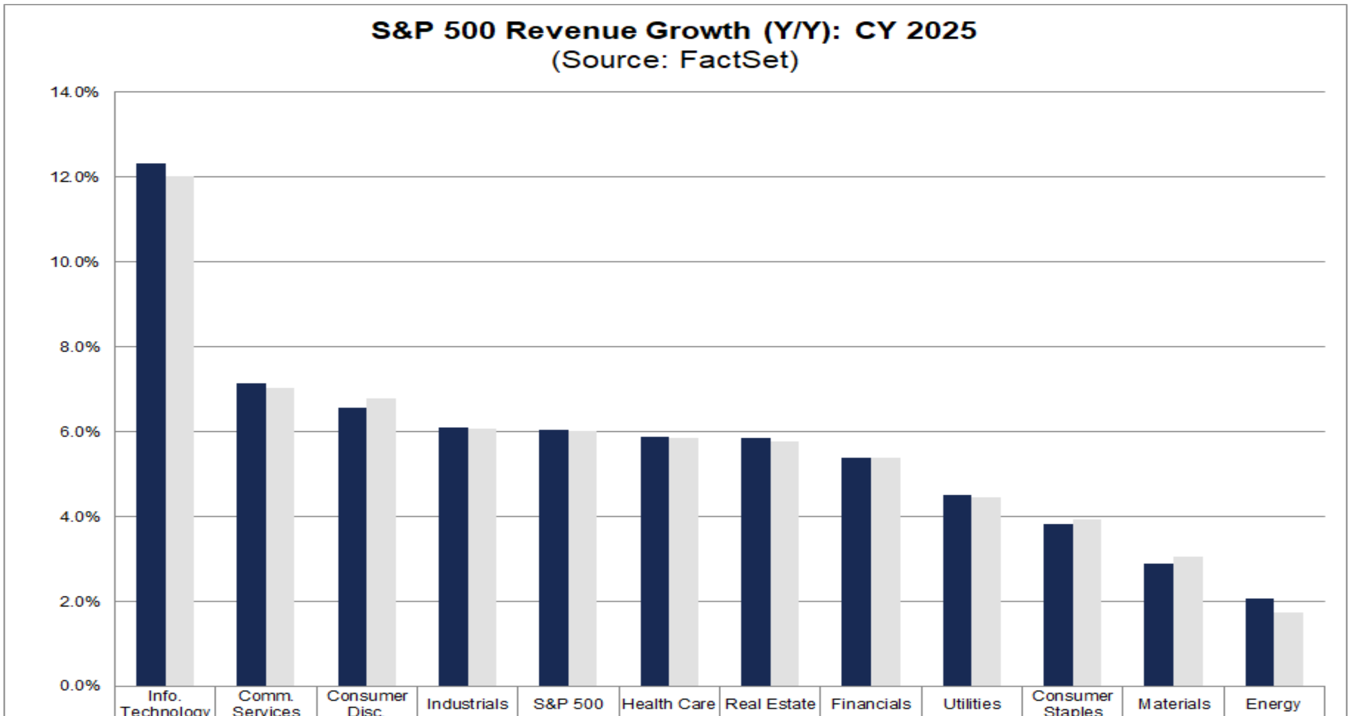


	Info. Technology	Comm. Services	Health Care	Real Estate	Consumer Disc.	S&P 500	Financials	Materials	Consumer Staples	Utilities	Industrials	Energy
Today	10.2%	7.8%	7.0%	6.7%	5.4%	5.1%	5.0%	3.9%	2.7%	1.8%	1.3%	0.4%
30-Jun	10.1%	7.7%	6.9%	6.9%	5.2%	5.1%	5.4%	-0.1%	2.8%	2.1%	1.6%	1.5%

CY 2025: Growth

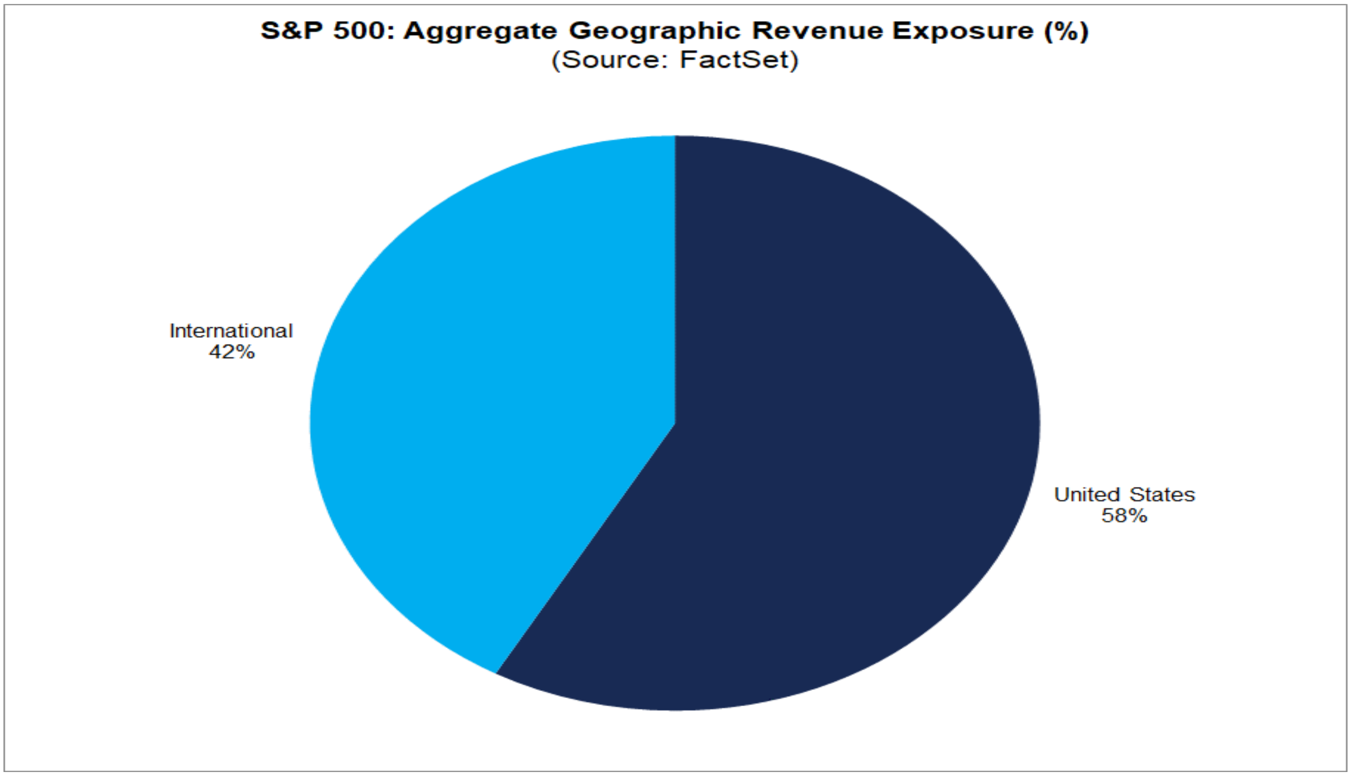


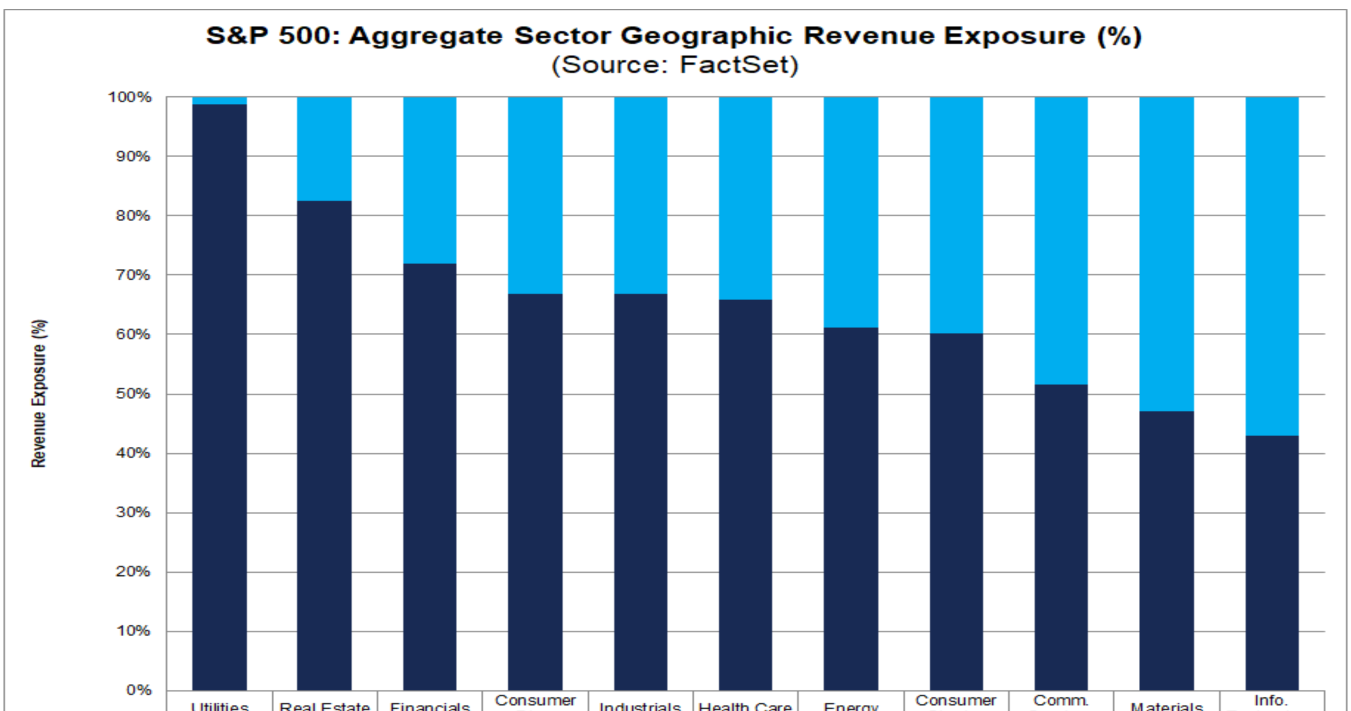
	Info. Technology	Health Care	Materials	Industrials	Consumer Disc.	S&P 500	Energy	Comm. Services	Financials	Utilities	Consumer Staples	Real Estate
Today	20.2%	19.6%	17.7%	15.8%	15.2%	14.8%	13.8%	13.2%	10.1%	8.7%	7.2%	5.5%
30-Jun	19.7%	18.4%	16.1%	15.6%	15.3%	14.5%	11.1%	13.3%	11.1%	8.6%	7.5%	5.5%



	Info. Technology	Comm. Services	Consumer Disc.	Industrials	S&P 500	Health Care	Real Estate	Financials	Utilities	Consumer Staples	Materials	Energy
Today	12.3%	7.1%	6.6%	6.1%	6.0%	5.9%	5.8%	5.4%	4.5%	3.8%	2.9%	2.1%
30-Jun	12.0%	7.0%	6.8%	6.1%	6.0%	5.8%	5.8%	5.4%	4.4%	3.9%	3.1%	1.7%

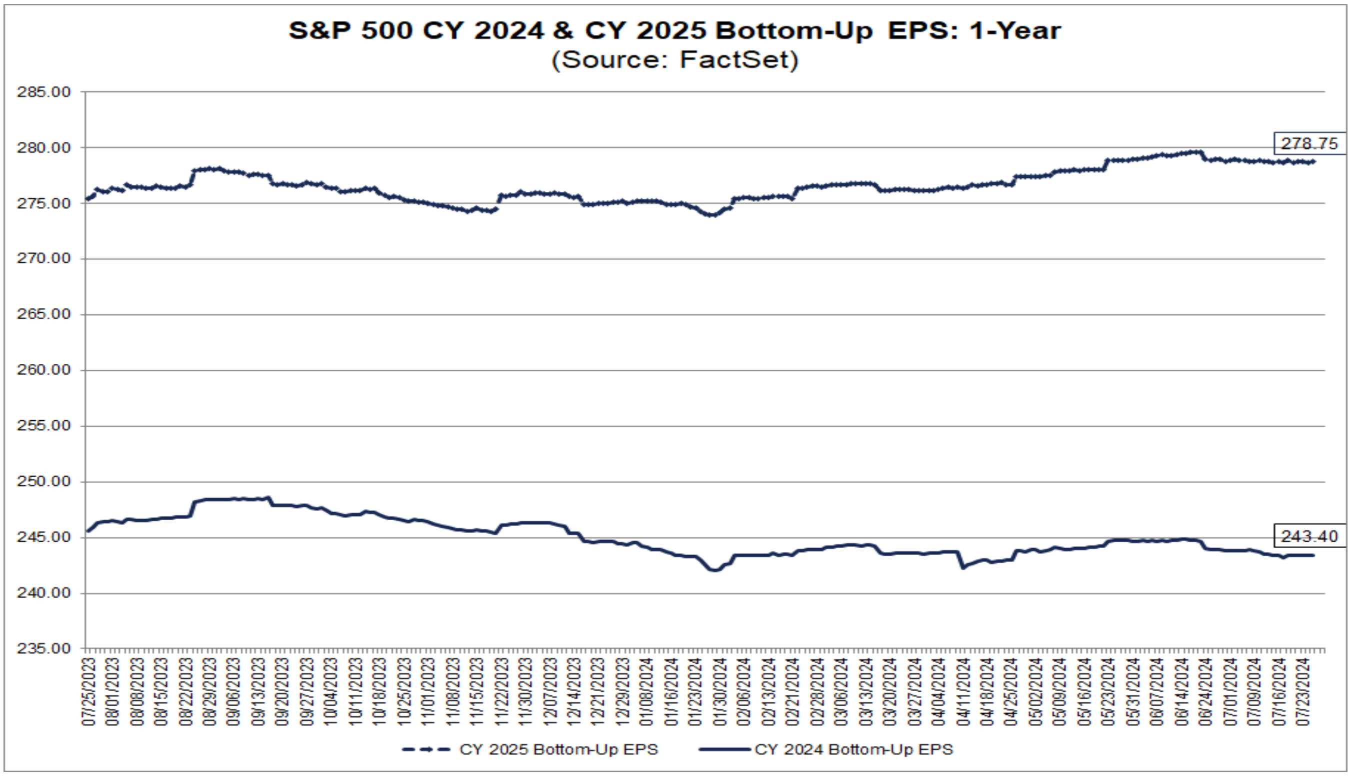
Geographic Revenue Exposure

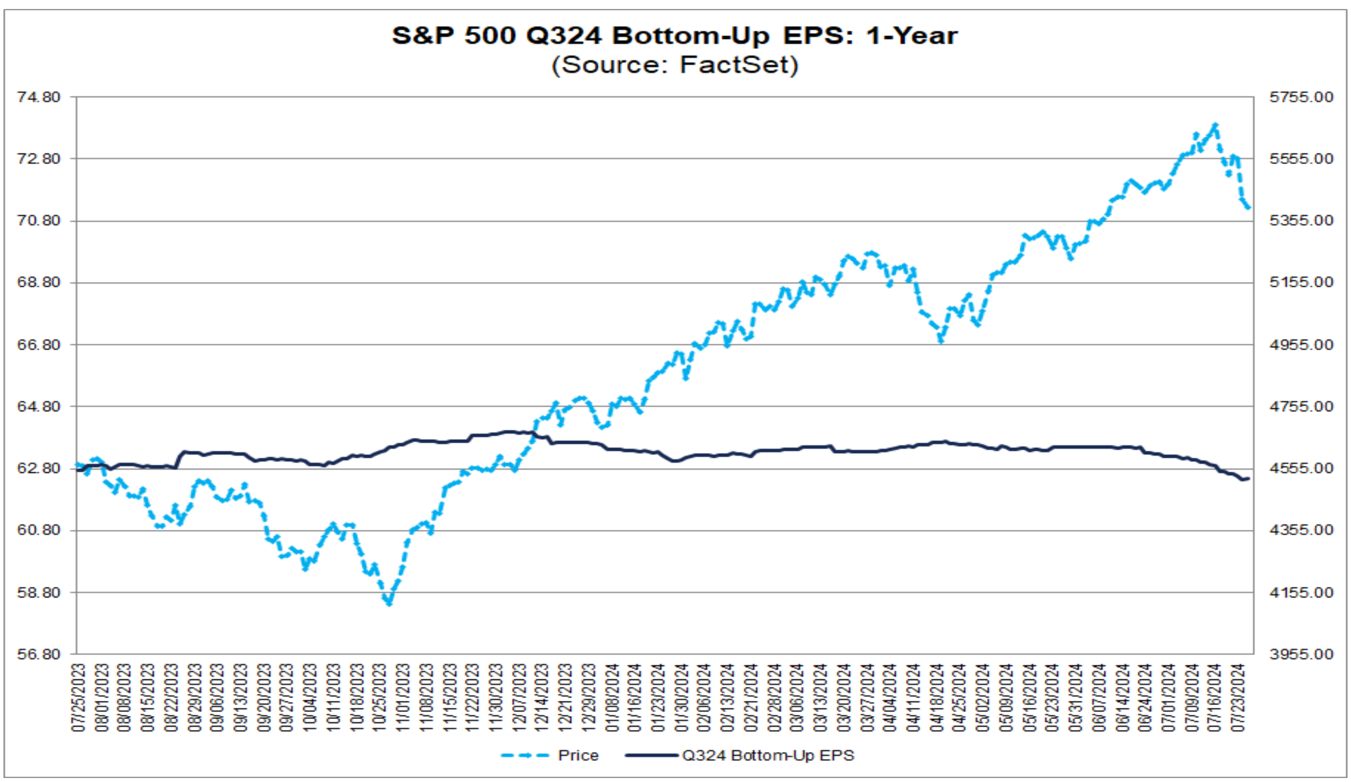




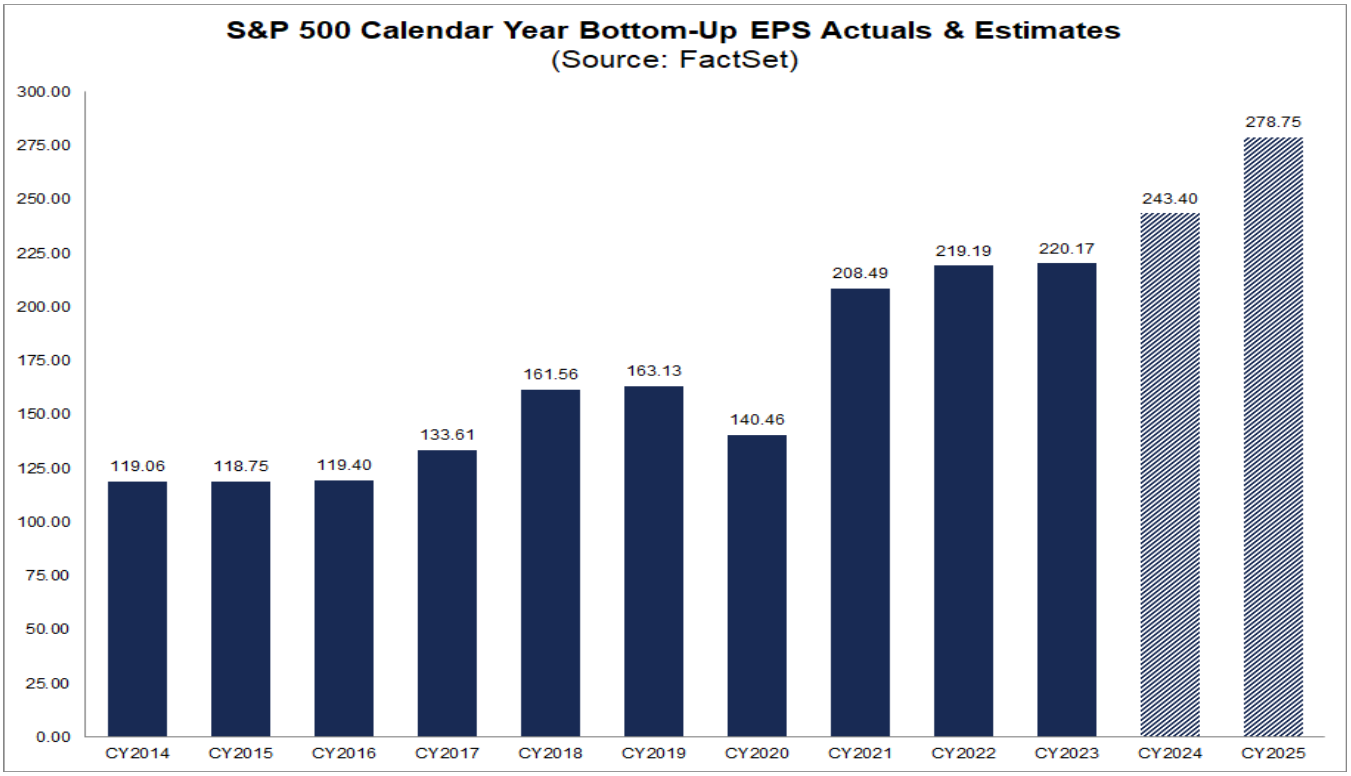
	Utilities	Real Estate	Financials	Consumer Disc.	Industrials	Health Care	Energy	Consumer Staples	Comm. Services	Materials	Info. Technology
International	1%	17%	28%	33%	33%	34%	39%	40%	49%	53%	57%
United States	99%	83%	72%	67%	67%	66%	61%	60%	51%	47%	43%

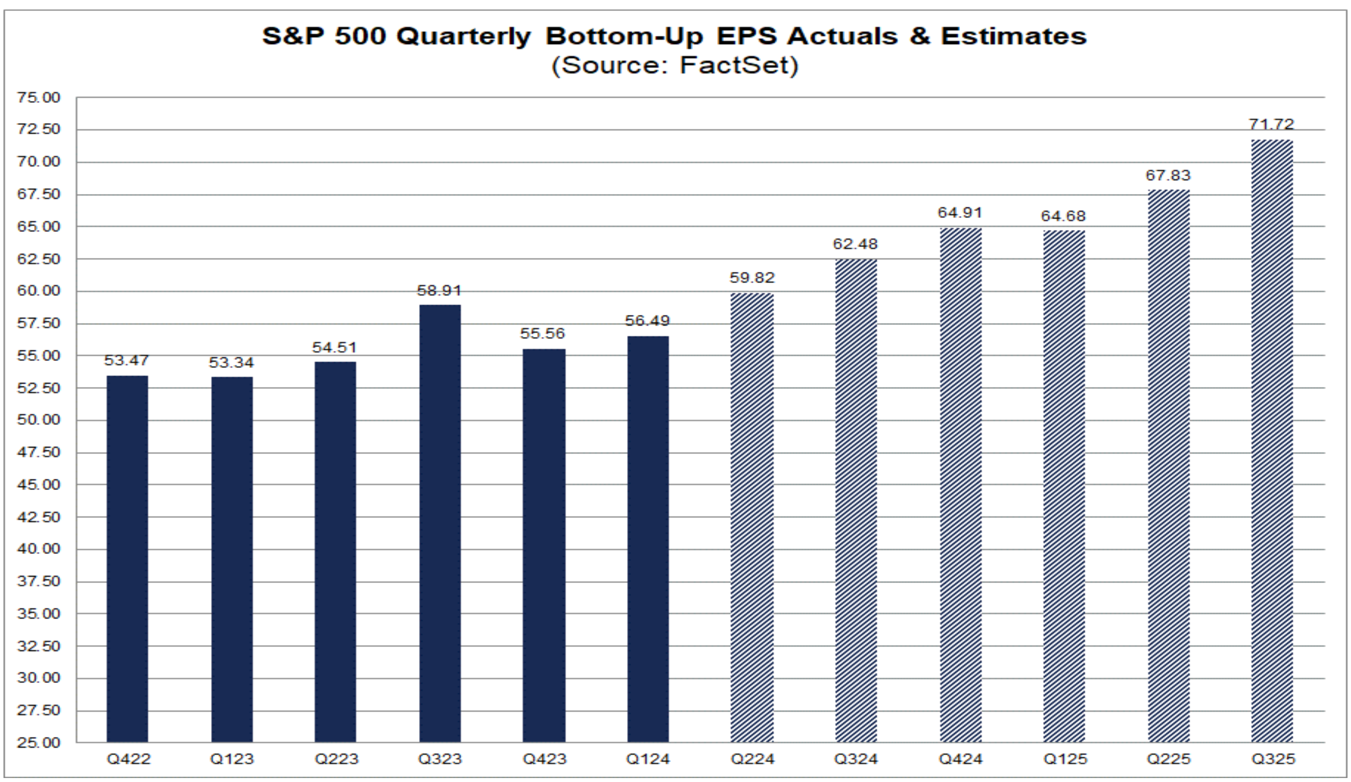
Bottom-Up EPS Estimates



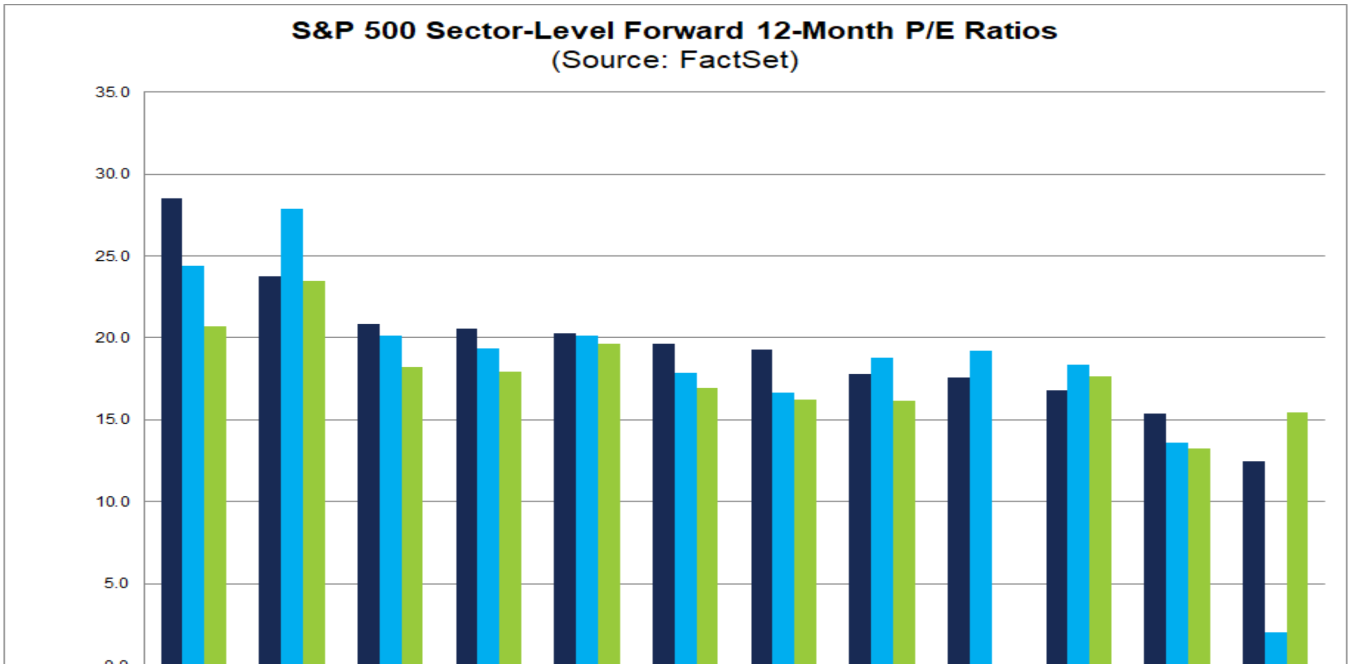


Bottom-Up EPS Estimates: Current & Historical

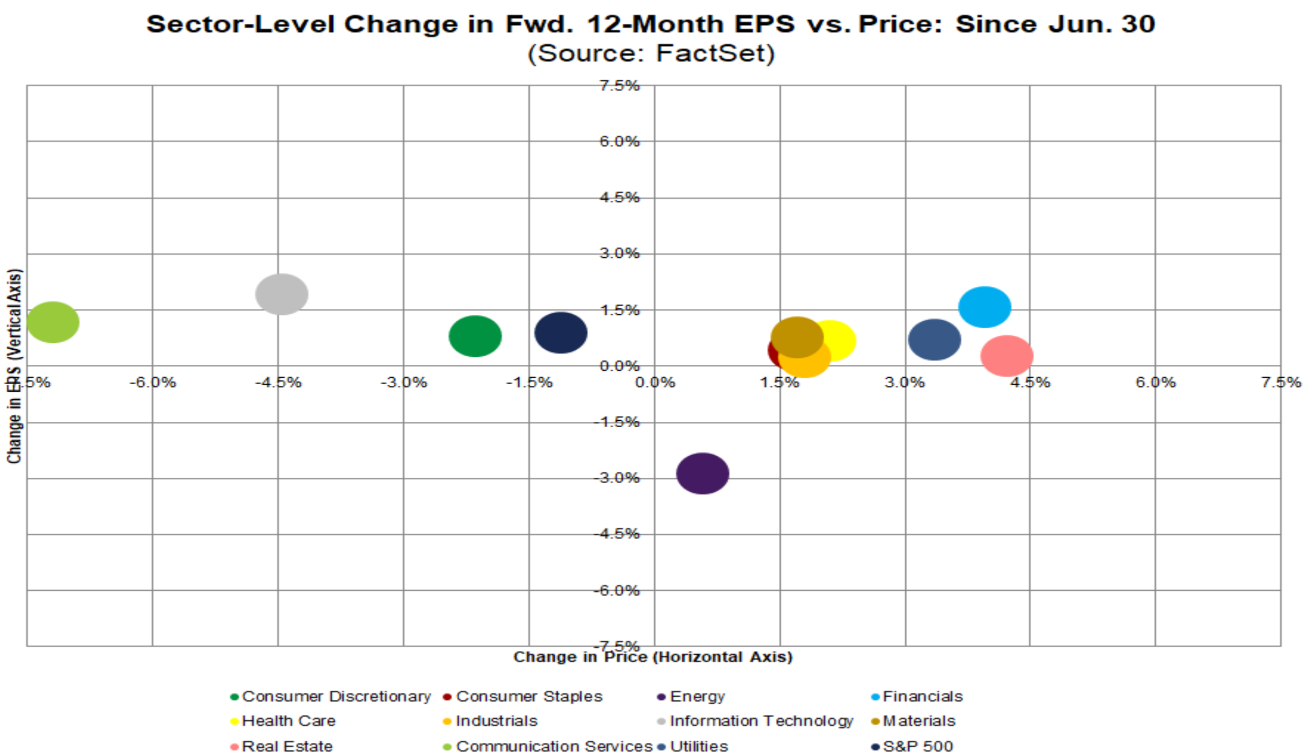




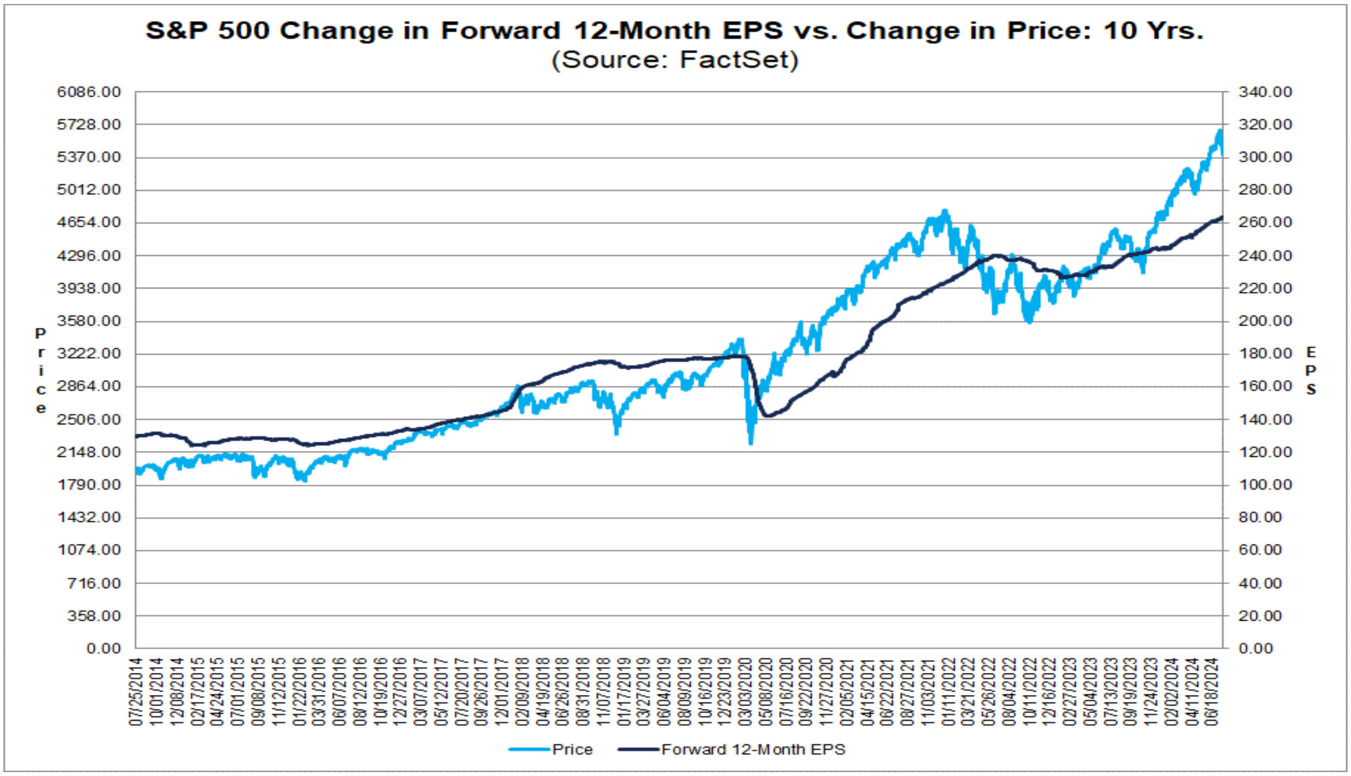
Forward 12M P/E Ratio: Sector Level

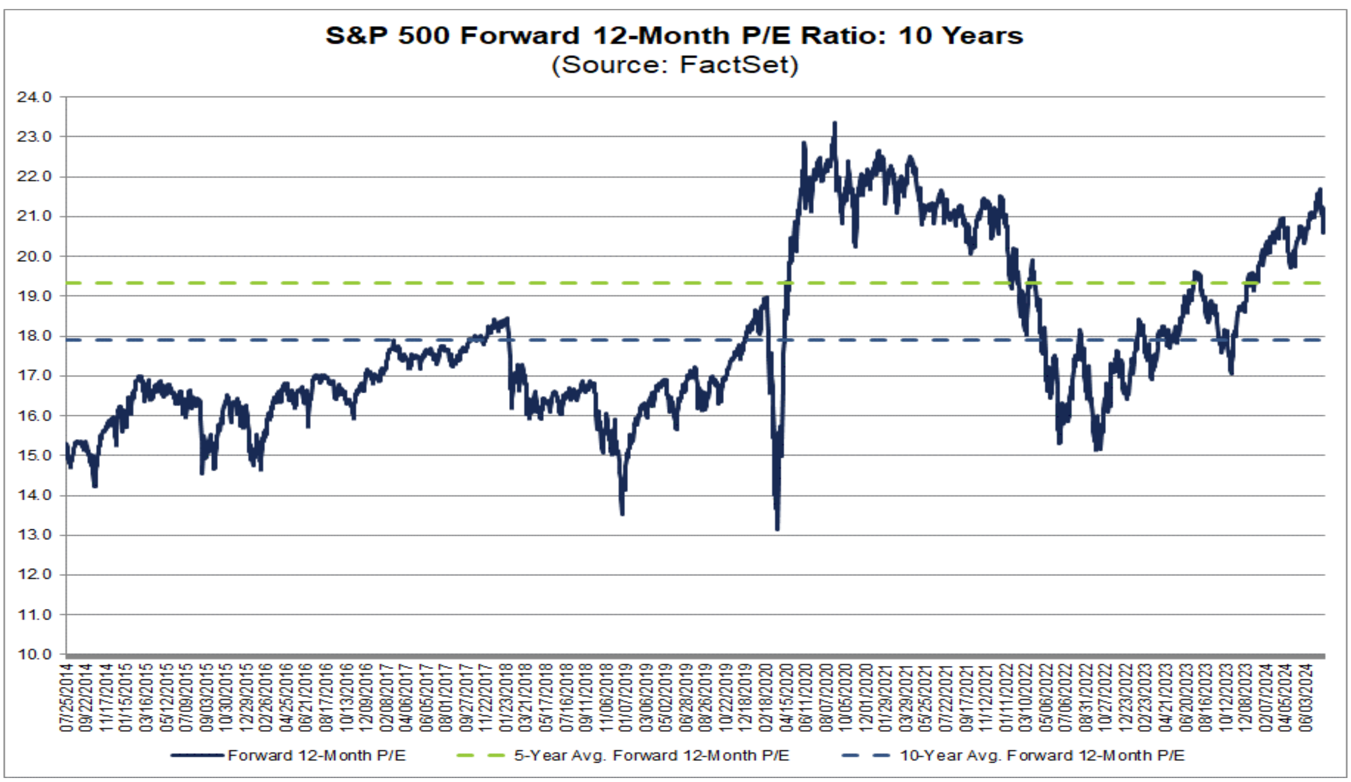


	Info. Technology	Consumer Disc.	Industrials	S&P 500	Consumer Staples	Materials	Health Care	Comm. Services	Real Estate	Utilities	Financials	Energy
Fwd P/E	28.5	23.8	20.8	20.6	20.3	19.7	19.3	17.8	17.6	16.8	15.4	12.5
5-Yr Avg.	24.4	27.9	20.2	19.3	20.2	17.9	16.7	18.8	19.2	18.4	13.6	2.0
10-Yr Avg.	20.7	23.4	18.2	17.9	19.6	16.9	16.3	16.1	0.0	17.6	13.3	15.5

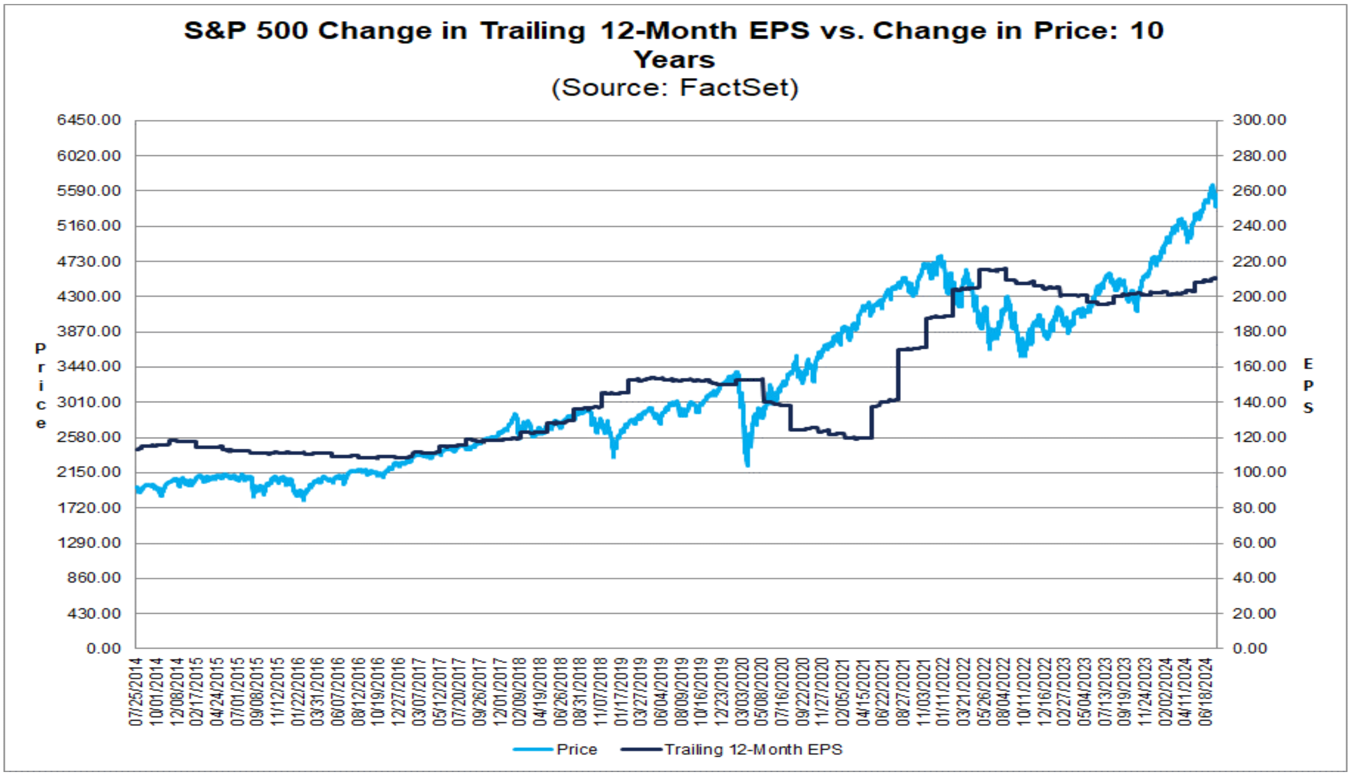


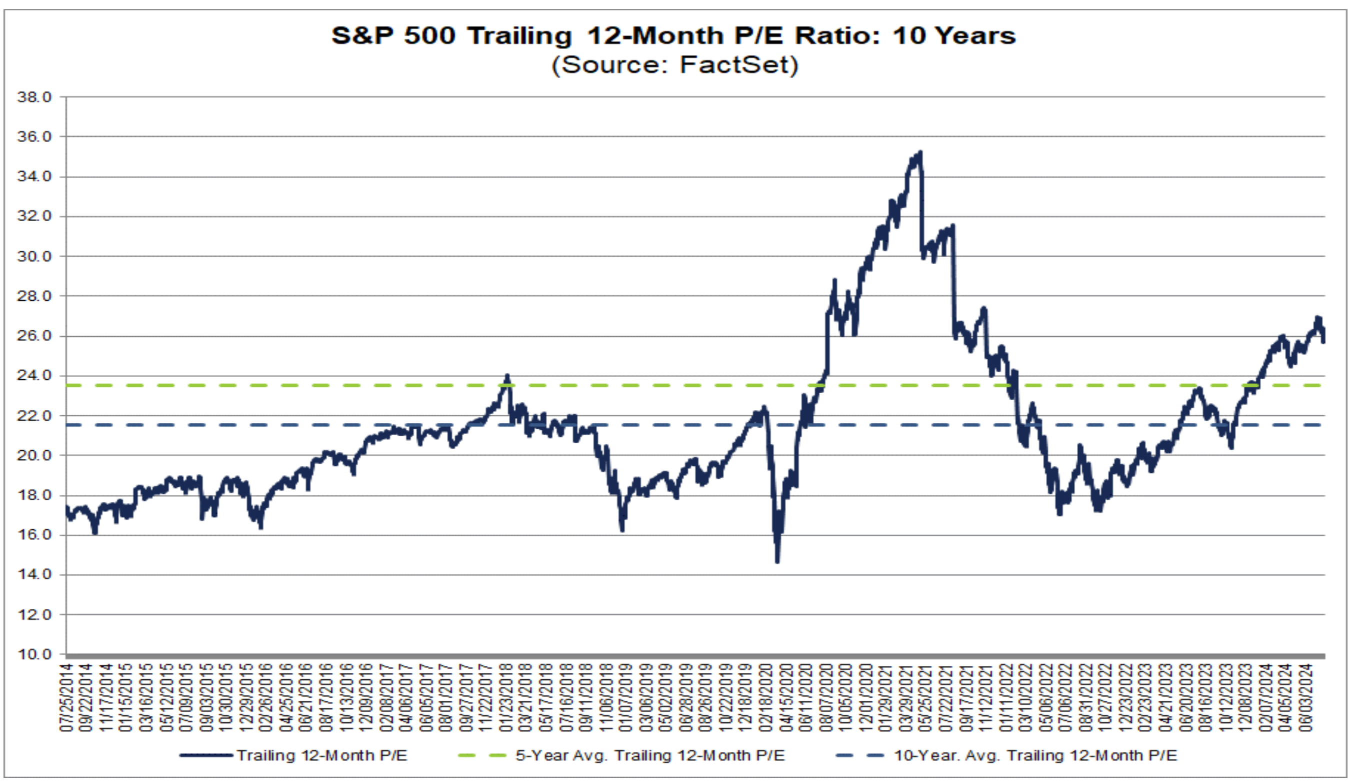
Forward 12M P/E Ratio: 10-Years



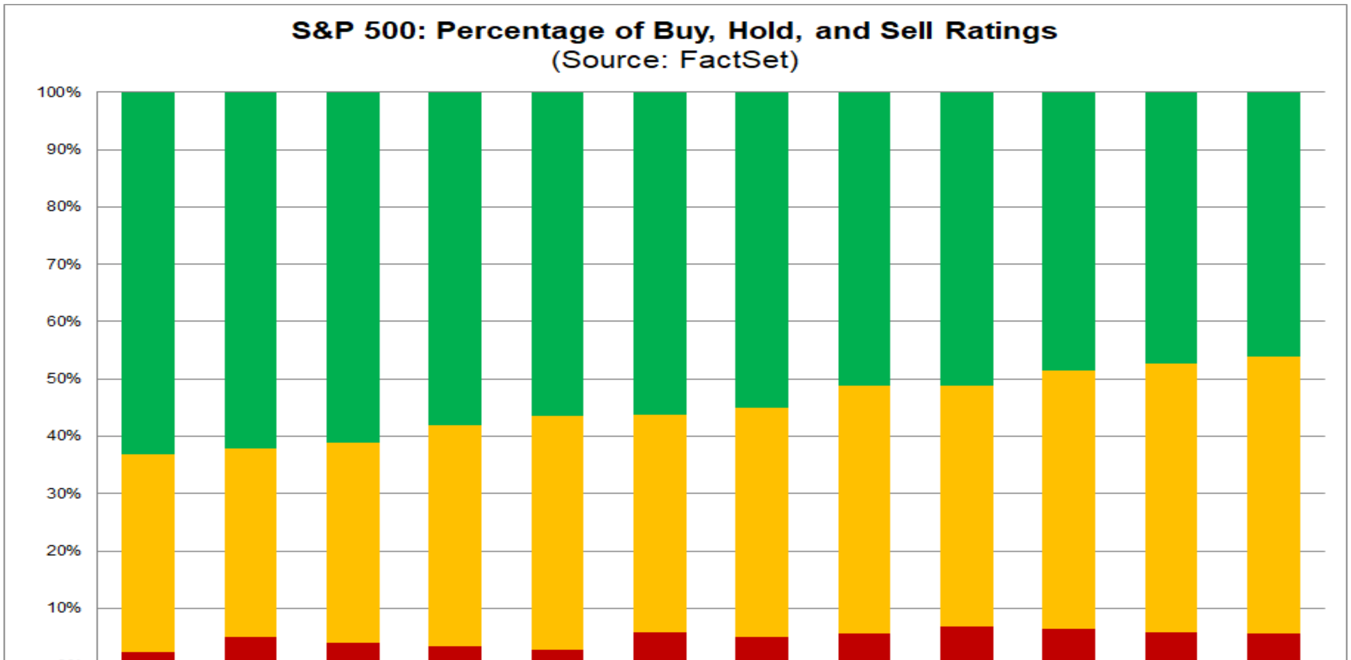


Trailing 12M P/E Ratio: 10-Years

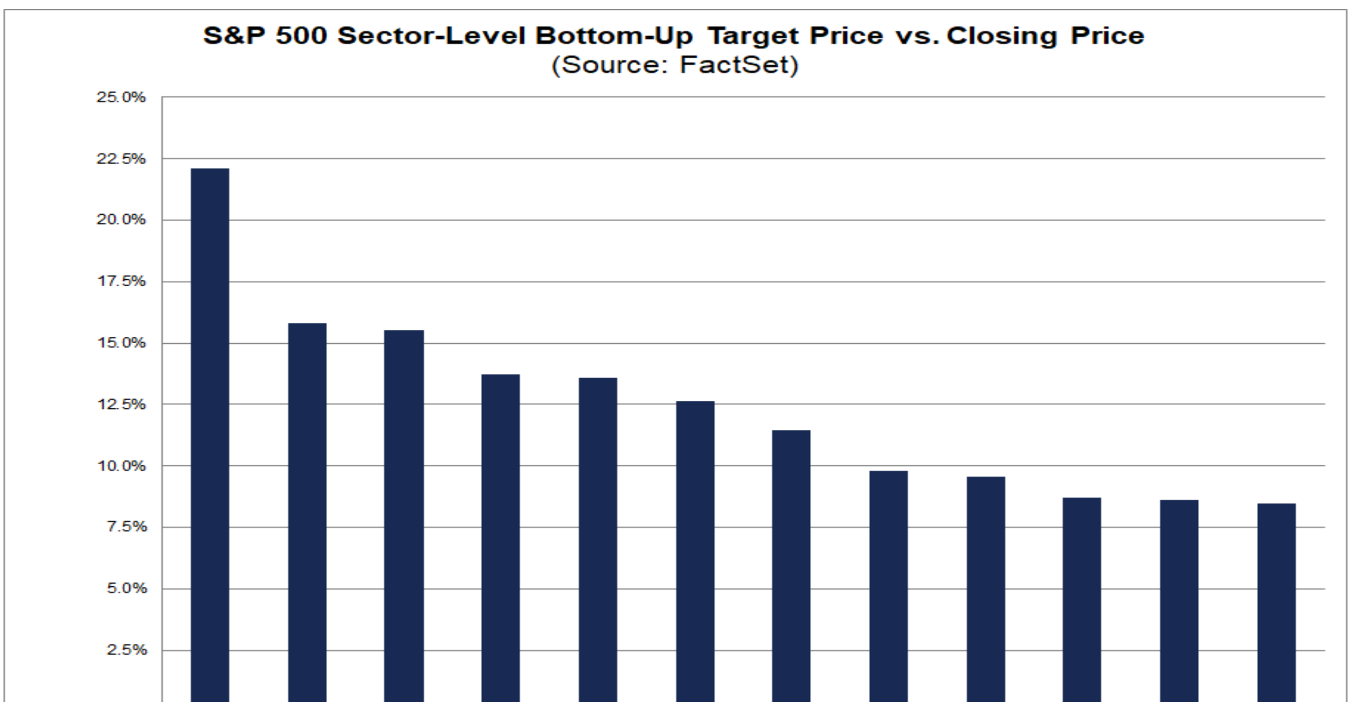




Targets & Ratings



	Energy	Comm. Services	Info. Tech.	Health Care	Real Estate	Consumer Disc.	S&P 500	Financials	Industrials	Utilities	Materials	Consumer Staples
Buy	63%	62%	61%	58%	56%	56%	55%	51%	51%	49%	47%	46%
Hold	35%	33%	35%	39%	41%	38%	40%	43%	42%	45%	47%	48%
Sell	2%	5%	4%	3%	3%	6%	5%	6%	7%	6%	6%	6%



	Comm. Services	Info. Tech.	Consumer Disc.	Energy	S&P 500	Health Care	Materials	Industrials	Utilities	Financials	Consumer Staples	Real Estate
Target/Close	22.1%	15.8%	15.5%	13.7%	13.6%	12.6%	11.5%	9.8%	9.5%	8.7%	8.6%	8.4%

Important Notice

The information contained in this report is provided “as is” and all representations, warranties, terms and conditions, oral or written, express or implied (by common law, statute or otherwise), in relation to the information are hereby excluded and disclaimed to the fullest extent permitted by law. In particular, FactSet, its affiliates and its suppliers disclaim implied warranties of merchantability and fitness for a particular purpose and make no warranty of accuracy, completeness or reliability of the information. This report is for informational purposes and does not constitute a solicitation or an offer to buy or sell any securities mentioned within it. The information in this report is not investment advice. FactSet, its affiliates and its suppliers assume no liability for any consequence relating directly or indirectly to any action or inaction taken based on the information contained in this report.

FactSet aggregates and redistributes estimates data and does not conduct any independent research. Nothing in our service constitutes investment advice or FactSet recommendations of any kind. Estimates data is provided for information purposes only.

FactSet has no relationship with creators of estimates that may reasonably be expected to impair its objective presentation of such estimate or recommendation. FactSet redistributes estimates as promptly as reasonably practicable from research providers.

About FactSet

FactSet (NYSE:FDS | NASDAQ:FDS) helps the financial community to see more, think bigger, and work better. Our digital platform and enterprise solutions deliver financial data, analytics, and open technology to more than 8,000 global clients, including over 208,000 individual users. Clients across the buy-side and sell-side as well as wealth managers, private equity firms, and corporations achieve more every day with our comprehensive and connected content, flexible next-generation workflow solutions, and client-centric specialized support. As a member of the S&P 500, we are committed to sustainable growth and have been recognized amongst the Best Places to Work in 2023 by Glassdoor as a Glassdoor Employees’ Choice Award winner. Learn more at www.factset.com and follow us on X and LinkedIn.