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

Media Questions/Requests
media_request@factset.com

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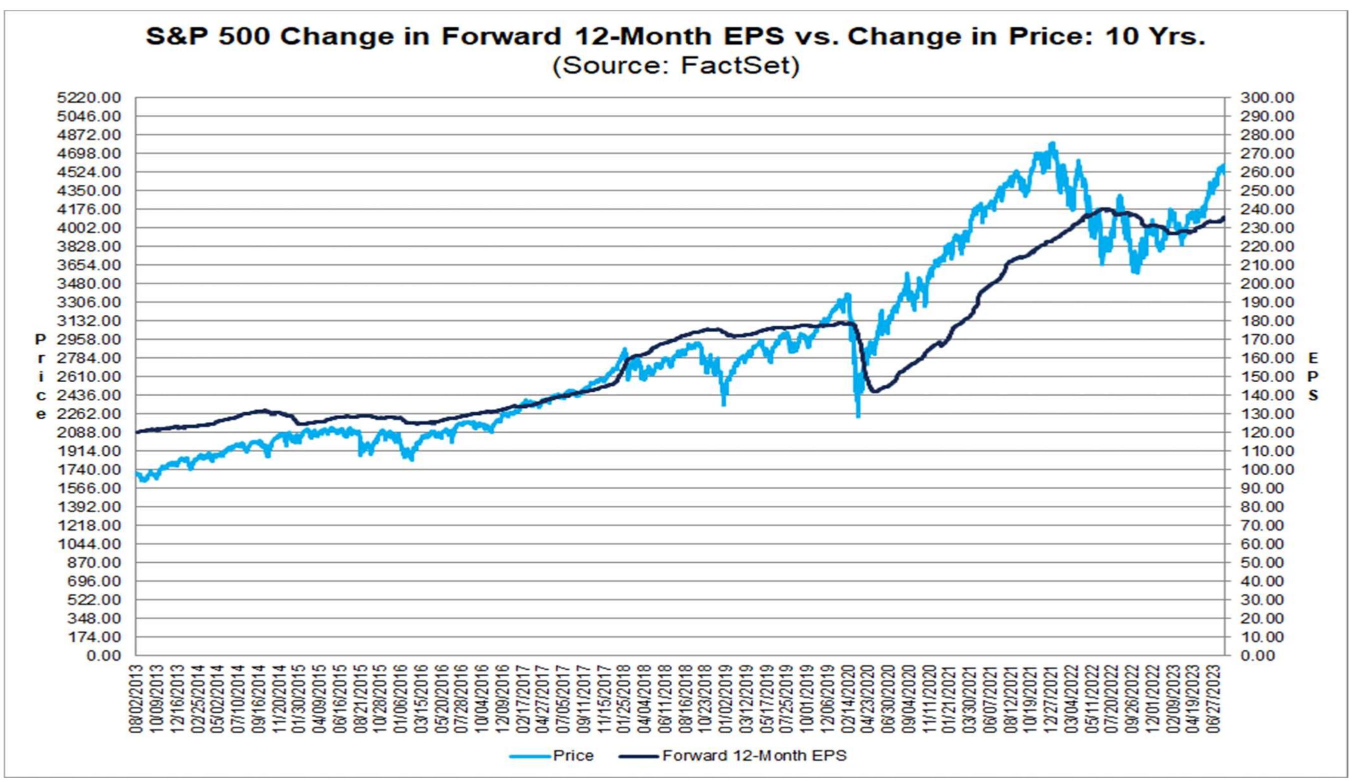
Author's Note: ***The FactSet Earnings Insight report will not be published on August 11, August 18, and August 25. The next edition of the report will be published on September 1.***

Key Metrics

- **Earnings Scorecard:** For Q2 2023 (with 84% of S&P 500 companies reporting actual results), 79% of S&P 500 companies have reported a positive EPS surprise and 65% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Decline:** For Q2 2023, the blended (year-over-year) earnings decline for the S&P 500 is -5.2%. If -5.2% is the actual decline for the quarter, it will mark the largest earnings decline reported by the index since Q3 2020 (-5.7%).
- **Earnings Guidance:** For Q3 2023, 49 S&P 500 companies have issued negative EPS guidance and 30 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 19.2. This P/E ratio is above the 5-year average (18.6) and above the 10-year average (17.4).



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Topic of the Week:

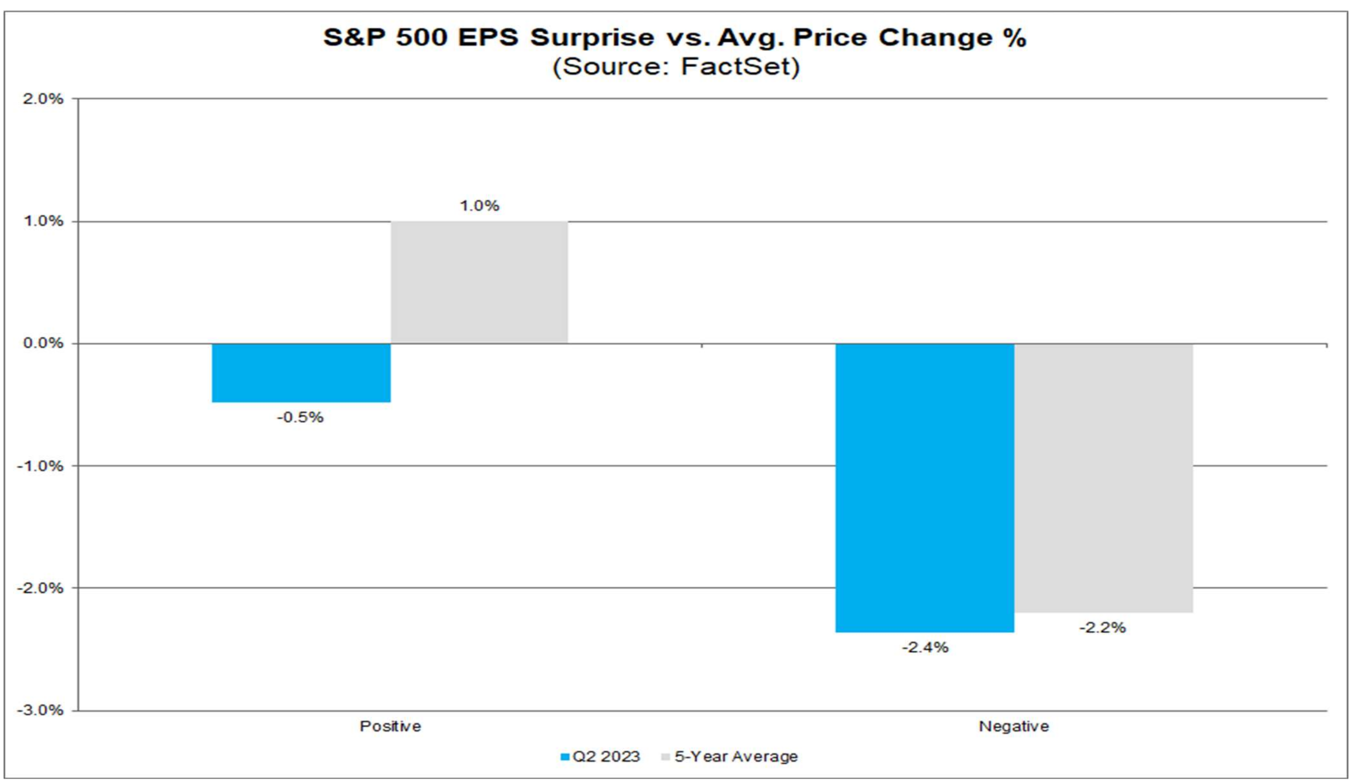
S&P 500 Companies See Largest Negative Price Reaction to Positive EPS Surprises Since 2011

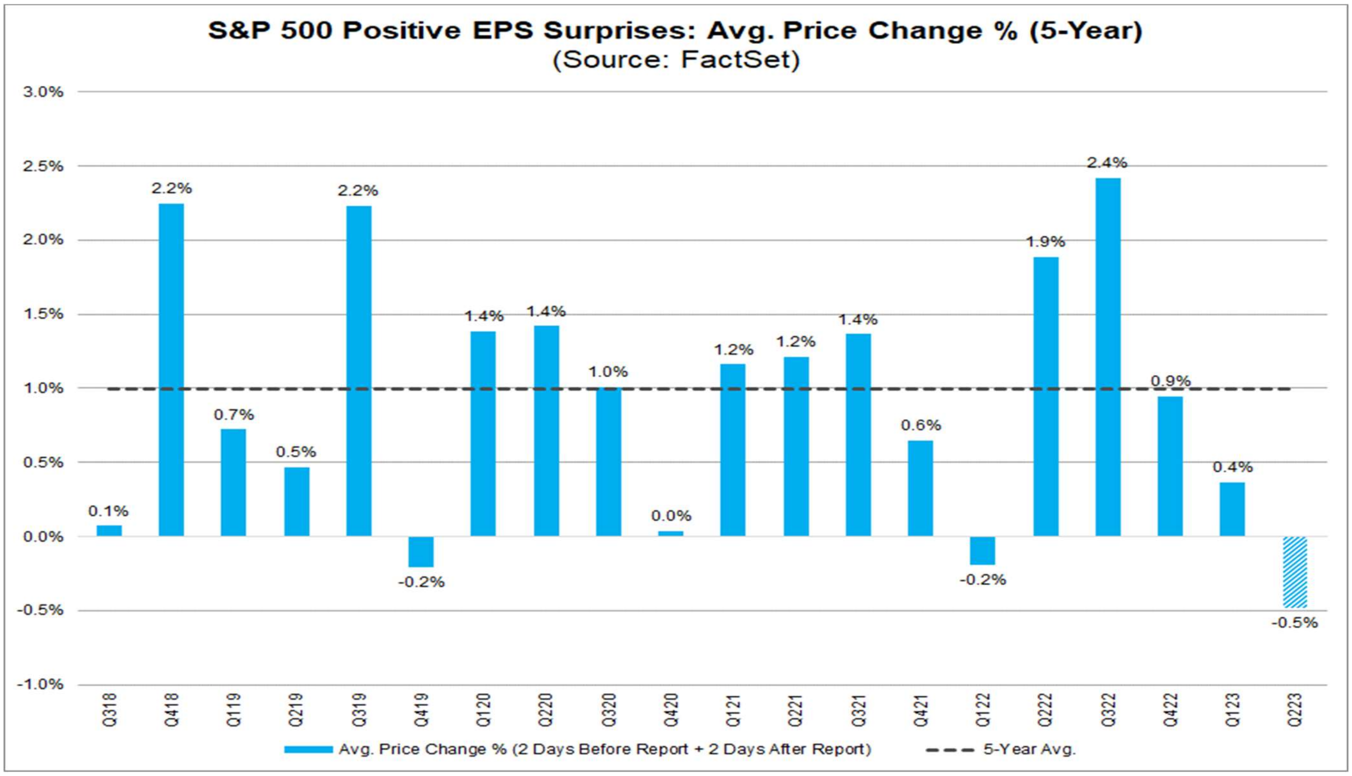
To date, 84% of the companies in the S&P 500 have reported earnings for the second quarter. Of these companies, 79% have reported actual EPS above the mean EPS estimate, which is above the 5-year average of 77% and above the 10-year average of 73%. In aggregate, earnings have exceeded estimates by 7.2%, which is below the 5-year average of 8.4% but above the 10-year average of 6.4%. Given this strong performance relative to the 10-year averages, how has the market responded to positive EPS surprises reported by S&P 500 companies during the Q2 earnings season?

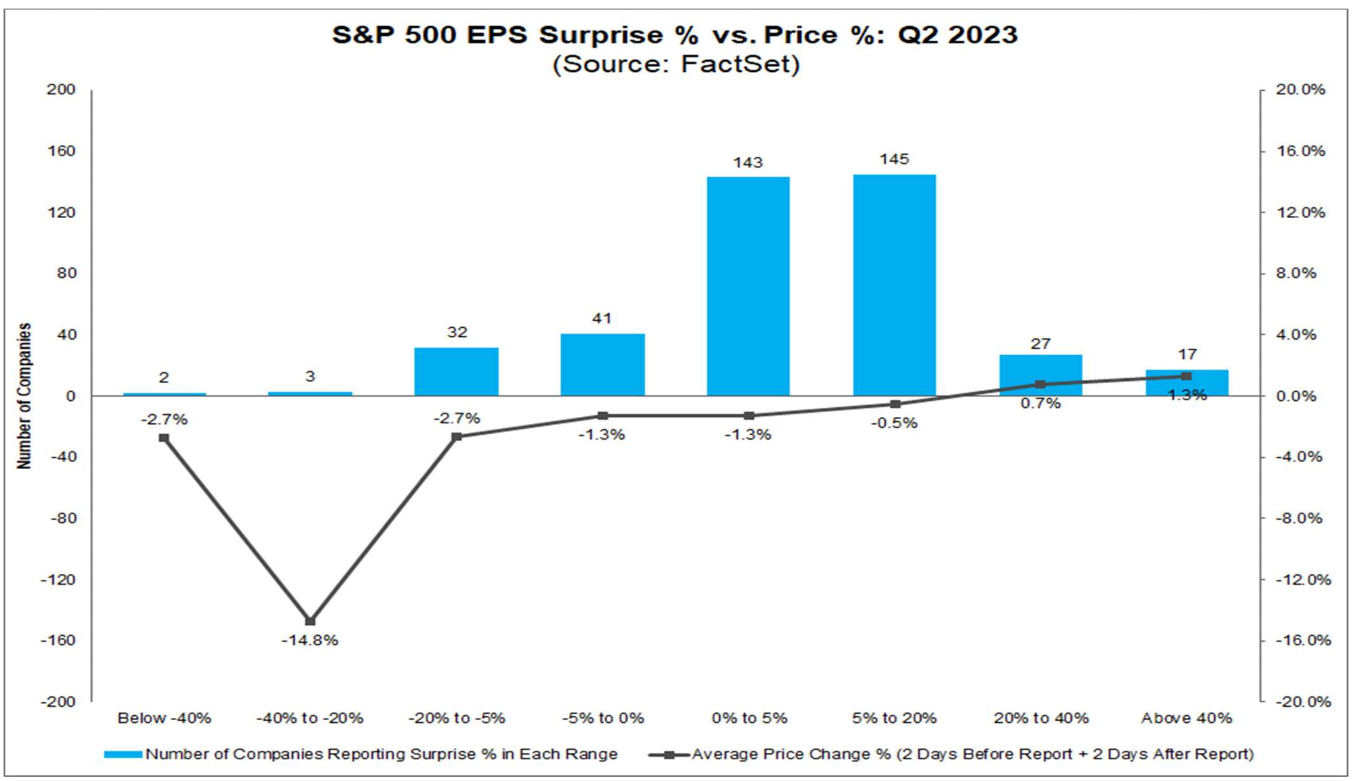
Companies that have reported positive earnings surprises for Q2 2023 have seen an average price decrease of 0.5% two days before the earnings release through two days after the earnings release. This percentage decrease is well below the 5-year average price increase of 1.0% during this same window for companies reporting positive earnings surprises. In fact, if this is the final percentage for the quarter, it will mark the largest average negative price reaction to positive EPS surprises reported by S&P 500 companies for a quarter since Q2 2011 (-2.1%).

One example of a company that reported a positive EPS surprise in Q2 but witnessed a negative stock price reaction is Tesla. On July 19, the company reported actual non-GAAP EPS of $0.91 for Q2, which was above the mean non-GAAP EPS estimate of $0.81. However, from July 17 to July 21, the stock price for Tesla decreased by 10.5% (to $260.02 from $290.38).

Why is the market punishing positive EPS surprises? It is likely not due to the earnings outlooks from companies and analysts for the third quarter, which have not been more negative than normal. In terms of earnings guidance from corporations, 62% of the S&P 500 companies (49 out of 79) that have issued EPS guidance for Q3 2023 have issued negative guidance. This percentage is between the 5-year average of 59% and the 10-year average of 64%. In terms of revisions to EPS estimates, industry analysts basically left EPS estimates for Q3 2023 unchanged in aggregate during the month of July. The bottom-up EPS estimate for Q3 only declined to $55.84 from $55.87 from June 30 to July 31.




S&P 500 Positive EPS Surprises: Avg. Price Change % (5-Year)
(Source: FactSet)
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%
-0.5%
-1.0%
0.1%
2.2%
0.7%
0.5%
2.2%
-0.2%
1.4%
1.4%
1.0%
0.0%
1.2%
1.2%
1.4%
0.6%
-0.2%
1.9%
2.4%
0.9%
0.4%
-0.5%
Q318
Q418
Q119
Q219
Q319
Q419
Q120
Q220
Q320
Q420
Q121
Q221
Q321
Q421
Q122
Q222
Q322
Q422
Q123
Q223
Avg. Price Change % (2 Days Before Report + 2 Days After Report)
5-Year Avg.


S&P 500 EPS Surprise % vs. Price %: Q2 2023
(Source: FactSet)
Number of Companies
200
160
120
80
40
0
-40
-80
-120
-160
-200
20.0%
16.0%
12.0%
8.0%
4.0%
0.0%
-4.0%
-8.0%
-12.0%
-16.0%
-20.0%
2
3
32
41
143
145
27
17
-2.7%
-14.8%
-2.7%
-1.3%
-1.3%
-0.5%
0.7%
1.3%
Below -40%
-40% to -20%
-20% to -5%
-5% to 0%
0% to 5%
5% to 20%
20% to 40%
Above 40%
Number of Companies Reporting Surprise % in Each Range
Average Price Change % (2 Days Before Report + 2 Days After Report)

Q2 Earnings Season: By The Numbers

Overview

At this late stage of the Q2 earnings season for the S&P 500, both the number of companies reporting positive earnings surprises and the magnitude of these earnings surprises are above their 10-year averages. 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. However, the index is also reporting its largest year-over-year decline in earnings since Q3 2020.

Overall, 84% of the companies in the S&P 500 have reported actual results for Q2 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%. This number also marks the highest percentage of S&P 500 companies reporting a positive EPS surprise since Q3 2021 (82%). In aggregate, companies are reporting earnings that are 7.2% above estimates, which is below the 5-year average of 8.4% but above the 10-year average of 6.4%.

During the past week, positive earnings surprises reported by companies in multiple sectors (led by the Consumer Discretionary, Health Care, and Information Technology sectors) were responsible for the decrease in the overall earnings decline for the index over this period. Since June 30, positive earnings surprises reported by companies in multiple sectors (led by the Consumer Discretionary and Information Technology sectors), partially offset by downward revisions to EPS estimates for a company in the Health Care sector, have been responsible for the decrease in the earnings decline for the index during 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), year-over-year earnings decline for the second quarter is -5.2% today, compared to an earnings decline of -7.4% last week and an earnings decline of -7.0% at the end of the second quarter (June 30).

If -5.2% is the actual decline for the quarter, it will mark the largest year-over-year earnings decline reported by the index since Q3 2020 (-5.7%). It will also mark the third straight quarter in which the index has reported a year-over-year decrease in earnings.

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

In terms of revenues, 65% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 69% but above the 10-year average of 63%. In aggregate, companies are reporting revenues that are 1.6% above the estimates, which is below the 5-year average of 2.0% but above the 10-year average of 1.3%.

During the past week, positive revenue surprises reported by companies in multiple sectors (led by the Health Care sector) were responsible for the increase in overall revenues for the index over this period. Since June 30, positive revenue surprises reported by S&P 500 companies in multiple sectors (led by the Health Care and Consumer Discretionary sectors), partially offset by downward revisions to revenue estimates for companies in the Energy sector, have been responsible for the increase in revenues for the index during 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 (year-over-year) revenue growth rate for the second quarter is 0.6% today, compared to a revenue growth rate of 0.1% last week and a revenue decline of -0.4% at the end of the second quarter (June 30).

If 0.6% is the actual growth rate for the quarter, it will mark the lowest year-over-year revenue growth rate reported by the index since Q3 2020 (-1.1%).

Seven sectors are reporting year-over-year growth in revenues, led by the Consumer Discretionary and Financials sectors. On the other hand, four sectors are reporting a year-over-year decline in revenues, led by the Energy and Materials sectors.

Looking ahead, analysts still expect earnings growth for the second half of 2023. For Q3 2023 and Q4 2023, analysts are projecting earnings growth of 0.2% and 7.6%, respectively. For all of CY 2023, analysts predict earnings growth of 0.8%.

The forward 12-month P/E ratio is 19.2, which is above the 5-year average (18.6) and above the 10-year average (17.4). It is also slightly above the forward P/E ratio of 19.1 recorded at the end of the second quarter (June 30).

During the upcoming week, 34 S&P 500 companies (including one Dow 30 component) are scheduled to report results for the second quarter.

Scorecard: More Companies Beating EPS Estimates, But By Smaller Margins Than 5-Year Average

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

Overall, 84% of the companies in the S&P 500 have reported earnings to date for the second quarter. Of these companies, 79% have reported actual EPS above the mean EPS estimate, 5% 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 above the 1-year average (73%), above the 5-year average (77%), and above the 10-year average (73%).

If 79% if the final percentage for the quarter, it will mark the highest percentage of S&P 500 companies reporting a positive EPS surprise since Q3 2021 (82%).

At the sector level, the Information Technology (92%) sector has the highest percentage of companies reporting earnings above estimates, while the Utilities (64%) sector has the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (+7.2%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 7.2% above expectations. This surprise percentage is above the 1-year average (+3.2%), below the 5-year average (+8.4%), and above the 10-year average (6.4%).

If 7.2% if the final percentage for the quarter, it will mark the highest percentage of S&P 500 companies reporting a positive EPS surprise since Q4 2021 (8.1%).

The Consumer Discretionary (+26.7%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Caesars Entertainment ($4.26 vs. $0.33), Amazon.com ($0.65 vs. $0.33), CarMax ($1.44 vs. $0.79), Newell Brands ($0.24 vs. $0.13), D.R. Horton ($3.90 vs. $2.82), and Ford Motor ($0.72 vs. $0.54) have reported the largest positive EPS surprises.

The Utilities (+10.4%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Constellation Energy ($2.56 vs. $0.73), Ameren Corporation ($0.90 vs. $0.79), Dominion Energy ($0.53 vs. $0.47), and DTE Energy ($0.99 vs. $0.88) have reported the largest positive EPS surprises.

The Materials (+8.3%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, WestRock ($0.89 vs.-$0.49), Albemarle Corporation ($7.33 vs. $4.48), International Paper ($0.58 vs. $0.46), and CF Industries ($2.71 vs. $2.18) have reported the largest positive EPS surprises.

The Industrials (+7.7%) sector is reporting the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Stanley Black & Decker (-$0.11 vs. -$0.36), General Electric ($0.68 vs. $0.46), 3M ($2.17 vs. $1.73), United Airlines Holdings ($5.03 vs. $4.03), and Masco ($1.19 vs. $0.96) have reported the largest positive EPS surprises.

The Information Technology (+7.5%) sector is reporting the fifth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Intel ($0.13 vs. -$0.04), Qorvo ($0.34 vs. $0.15), First Solar ($1.59 vs. $1.00), and Seagate Technology (-$0.18 vs. -$0.27) have reported the largest positive EPS surprises.

Market Punishing Positive EPS Surprises on Average

To date, the market is punishing positive earnings surprises reported by S&P 500 companies on average.

Companies that have reported positive earnings surprises for Q2 2023 have seen an average price decrease of -0.5% two days before the earnings release through two days after the earnings release. This percentage decrease is much 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 2023 have seen an average price decrease of -2.4% two days before the earnings release through two days after the earnings. This percentage decrease is also 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 (65%) is Below 5-Year Average

In terms of revenues, 65% of companies have reported actual revenues above estimated revenues and 35% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (71%) and below the 5-year average (69%), but above the 10-year average (63%).

At the sector level, the Health Care (82%) and Information Technology (78%) sectors have the highest percentages of companies reporting revenues above estimates, while the Materials (32%) sector has the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+1.6%) is Below 5-Year Average

In aggregate, companies are reporting revenues that are 1.6% above expectations. This surprise percentage is below the 1-year average (+2.5%) and below the 5-year average (+2.0%), but above the 10-year average (+1.3%).

At the sector level, the Consumer Discretionary (+3.0%) and Health Care (+2.7%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Materials (-2.1%) and Utilities (-1.5%) sectors are reporting the largest negative (aggregate) differences 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 second quarter is -5.2%, which is smaller than the earnings decline of -7.4% last week. Positive earnings surprises reported by companies in multiple sectors (led by the Consumer Discretionary, Health Care, and Information Technology sectors) were responsible for the decrease in the overall earnings decline for the index during the week.

In the Consumer Discretionary sector, the positive EPS surprises reported by Amazon.com ($0.65 vs. $0.33) and Caesars Entertainment ($4.26 vs. $0.33) were significant contributors to the decrease in the earnings decline for the index during the week. As a result, the blended earnings growth rate for the Consumer Discretionary sector increased to 52.1% from 36.0% over this period.

In the Health Care sector, the positive EPS surprises reported by Pfizer ($0.67 vs. $0.57) 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 Health Care sector improved to -27.7% from -29.7% over this period.

In the Information Technology sector, the positive EPS surprise reported by Apple ($1.26 vs. $1.20) was a significant contributor to the decrease in the earnings decline for the index during the week. As a result, the blended earnings growth rate for the Information Technology sector increased to 1.1% from -0.6% over this period.

Increase in Blended Revenue Growth This Week Due to Multiple Sectors

The blended (year-over-year) revenue growth rate for the second quarter is 0.6%, which is larger than the revenue growth rate of 0.1% last week. Positive revenue surprises reported by companies in multiple sectors (led by the Health Care sector) were responsible for the improvement to revenue growth for the index during the week.

Consumer Discretionary Sector Has Seen Largest Increase in Earnings since June 30

The blended (year-over-year) earnings decline for Q2 2023 of -5.2% is smaller than the estimate of -7.0% at the end of the second quarter (June 30). Nine 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 52.1% from 26.2%) sector. The Consumer Discretionary and Information Technology sectors have been the largest contributors to the decrease in the earnings decline for the index since June 30. On the other hand, two 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 EPS estimates or negative earnings surprises: Health Care (to -27.7% from -16.8%) and Energy (to -51.3% from -47.8%). The Health Care sector has also been the largest detractor to the decrease in the earnings decline for the index since June 30.

In the Consumer Discretionary sector, the positive EPS surprises reported by Amazon.com ($0.65 vs. $0.33), Ford Motor ($0.72 vs. $0.54), and Caesars Entertainment ($4.26 vs. $0.33) have been significant contributors to the decrease in the earnings decline for the index since June 30. As a result, the blended earnings growth rate for the Consumer Discretionary sector has increased to 52.1% from 26.2% over this period.

In the Information Technology sector, the positive EPS surprises reported by Apple ($1.26 vs. $1.20), Microsoft ($2.69 vs. $2.55), and Intel ($0.13 vs. -$0.04) have been substantial contributors to the decrease in the earnings decline for the index since June 30. As a result, the blended earnings growth rate for the Information Technology sector has improved to 1.1% from -3.5% over this period.

In the Health Care sector, downward revisions to EPS estimates (partially offset by a positive EPS surprise) for Merck & Co. have been the largest detractor to the decrease in the earnings decline for the index since June 30. During the week of July 17, the majority of analysts covering Merck & Co. elected to include a $4.00 charge related to the acquisition of Prometheus in their non-GAAP EPS estimates for the company for the second quarter. As a result, the company reported actual EPS of -$2.06 compared to mean EPS estimate of -$2.18 on August 1 and compared to the mean EPS estimate of $1.83 on July 14. Mainly due to the decrease in the mean EPS estimate for Merck, the blended earnings decline for the Health Care sector has increased to -27.7% today from -16.8% on June 30.

Health Care Sector Has Seen Largest Increase in Revenues since June 30

The blended (year-over-year) revenue growth rate for Q2 2023 of 0.6% is above the estimate of -0.4% at the end of the second quarter (June 30). Seven sectors have recorded an increase in their revenue growth rate or a decrease in their revenue decline since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Consumer Discretionary (to 9.7% from 6.7%), Health Care (to 5.1% from 2.5%), and Industrials (to 4.5% from 2.1%) sectors. The Health Care and Consumer Discretionary sectors have also been the largest contributors to the increase in the revenues for the index since the end of the quarter. On the other hand, three sectors have recorded a decrease in their revenue growth rate or an increase in their revenue decline since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises, led by the Materials (to -12.4% from -9.0%) sector. However, the Energy sector has been the largest detractor to the increase revenues for the index since the end of the quarter.

In the Health Care sector, the positive revenue surprises reported by McKesson (to $74.48 billion from $70.28 billion), AmerisourceBergen (to $66.95 billion from $63.93 billion), CVS Health ($88.92 billion vs. $86.53 billion), UnitedHealth Group (to $92.90 billion from $90.97 billion), and Elevance Health ($43.38 billion vs. $41.64 billion) have been significant positive contributors to revenues for the index since June 30. As a result, the blended revenue growth rate for the Health Care sector has increased to 5.1% from 2.5% over this period.

In the Consumer Discretionary sector, the upward revisions to revenue estimates and positive revenue surprises reported by Ford Motor (to $44.95 billion from $42.64 billion) and General Motors (to $44.75 billion from $41.06 billion), and the positive revenue surprises reported by Amazon.com ($134.38 billion vs. $129.47 billion) and D.R. Horton ($9.73 billion vs. $8.27 billion), have been substantial positive contributors to revenues for the index since June 30. As a result, the blended revenue growth rate for the Consumer Discretionary sector has increased to 9.7% from 6.7% over this period.

In the Energy sector, the downward revisions to revenue estimates (partially offset by a positive revenue surprise) for Exxon Mobil (to $82.91 billion from $91.07 billion) and the negative revenue surprise reported by ConocoPhillips ($12.88 billion vs. $14.74 billion) have been substantial negative contributors to revenues for the index since June 30. As a result, the blended revenue decline for the Energy sector has increased to -28.6% from -26.3% over this period.

Earnings Decline: -5.2%

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 Q2 2023 is -5.2%, which is below the 5-year average earnings growth rate of 12.0% and below the 10-year average earnings growth rate of 8.5%. If -5.7% is the actual decline for the quarter, it will mark the largest (year-over-year) earnings decline reported by the index since Q3 2020 (-5.7%). It will also mark the third consecutive quarter in which earnings have declined year-over-year.

Eight of the eleven sectors are reporting year-over-year earnings growth, led by the Consumer Discretionary and Communication Services sectors. On the other hand, three sectors are reporting a year-over-year decline in earnings, led by the Energy, 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 52.1%. 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 Broadline Retail industry due to the loss reported by the industry in the year-ago quarter. However, this industry reported a profit of $7.3 billion in Q2 2023 compared to a loss of -$1.4 billion in Q2 2022. The other three industries that are reporting year-over-year earnings growth are the Hotels, Restaurants, & Leisure (246%), Automobile Components (114%), and Automobiles (25%) industries. On the other hand, five industries are reporting a year-over-year decline in earnings. Three of these five industries are reporting a decrease in earnings 20% or more: Leisure Products (-58%), Textiles, Apparel, & Luxury Goods (-27%), and Household Durables (-20%).

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 -2.9% instead of year-over-year earnings growth of 52.1%.

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 19.5% from 52.1%.

Communication Services: 3 of 5 Industries Reporting Year-Over-Year Growth

The Communication Services sector is reporting the second-largest (year-over-year) earnings growth rate of all eleven sectors at 18.7%. At the industry level, 3 of the 5 industries in the sector are reporting a year-over-year increase in earnings. A growth rate is not being calculated for the Wireless Telecommunication Services industry due to the loss reported by the industry in the year-ago quarter. However, this industry reported a profit of $2.2 billion in Q2 2023 compared to a loss of -$113 million in Q2 2022. The other two industries that are reporting year-over-year earnings growth are the Entertainment (545%) and Interactive Media & Services (15%) industries. On the other hand, two industries are reporting a year-over-year decline in earnings: Media (-8%) and Diversified Telecommunication Services (-6%).

At the company level, Warner Bros. Discovery and T-Mobile are the largest contributors to earnings growth for the sector. If these two companies were excluded, the blended earnings growth rate for the sector would fall to 5.9% from 18.7%.

Energy: 3 of 5 Sub-Industries Reporting Year-Over-Year Decline of More Than 50%

The Energy sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -51.4%. 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 in Q2 2023 ($73.56) was 32% below the average price for oil in Q2 2022 ($108.52). At the sub-industry level, four of the five sub-industries in the sector are reporting a year-over-year decrease in earnings. Three of these four sub-industries are reporting year-over-year earnings declines above -50%: Oil & Gas Refining & Marketing (-57%), Integrated Oil & Gas (-55%), and Oil & Gas Exploration & Production (-55%). On the other hand, the Oil & Gas Equipment & Services (68%) sub-industry is the only sub-industry that reported (year-over-year) earnings growth in the sector.

Materials: 3 of 4 Industries Reporting Year-Over-Year Decline of More Than 25%

The Materials sector is reporting the second-largest (year-over-year) earnings decline of all eleven sectors at -28.7%. At the industry level, three of the four industries in this sector are reporting a year-over-year decline in earnings of more than 25%: Metals & Mining (-39%), Containers & Packaging (-37%), and Chemicals (-26%). On the other hand, the Construction Materials (45%) industry is the only industry in the sector that reported (year-over-year) earnings growth.

Health Care: Merck, Pfizer, and Moderna are Largest Contributors to Year-Over-Year Decline

The Health Care sector is reporting the third-largest (year-over-year) earnings decline of all eleven sectors at -27.7%. At the industry level, four of the five industries in this sector are reporting a year-over-year decline in earnings. Three of these four industries are reporting year-over-year declines in earnings above -10%: Pharmaceuticals (-57%), Biotechnology (-29%), and Life Sciences, Tools, and Services (-15%). On the other hand, the Health Care Providers & Services (3%) industry is the only industry in the sector reporting (year-over-year) earnings growth.

At the company level, Merck & Co., Pfizer, and Moderna are the largest contributors to the decline in earnings for the sector. If these three companies were excluded, the blended earnings decline for the Health Care sector would improve to -1.9% from -27.7%.

Revenue Growth: 0.6%

The blended (year-over-year) revenue growth rate for Q2 2023 is 0.6%, which is below the 5-year average revenue growth rate of 7.7% and below the 10-year average revenue growth rate of 5.0%. If 0.6% is the actual decline for the quarter, it will mark the lowest year-over-year revenue growth rate reported by the index since Q3 2020 (-1.1%).

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

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

The Consumer Discretionary sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 9.7%. At the industry level, 6 of the 9 industries in the sector are reporting a year-over-year increase in revenues. Four of these six industries are reporting revenue growth above 10%: Hotels, Restaurants, & Leisure (25%), Automobile Components (24%), Automobiles (23%), and Broadline Retail (11%).

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

The Financials sector is reporting the second-highest (year-over-year) revenue growth rate of all eleven sectors at 9.1%. At the industry level, all five industries in the sector are reporting year-over-year growth in revenues. Two of these five industries reported revenue growth above 10%: Banks (16%) and Consumer Finance (13%).

Energy: 4 of 5 Sub-Industries Reporting Year-Over-Year Decline of 25% or More

The Energy sector is reporting the largest (year-over-year) revenue decline of all eleven sectors at -28.6%. 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 in Q2 2023 ($73.56) was 32% below the average price for oil in Q2 2022 ($108.52). At the sub-industry level, four of the five sub-industries in the sector are reporting a year-over-year decrease in revenues of more than 25%: Oil & Gas Exploration & Production (-35%), Oil & Gas Refining & Marketing (-31%), Integrated Oil & Gas (-29%), and Oil & Gas Storage & Transportation (-29%). On the other hand, the Oil & Gas Equipment & Services (20%) sub-industry is the only sub-industry that reported (year-over-year) revenue growth in the sector.

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

The Materials sector is reporting the second-highest (year-over-year) decline in revenues at -12.4%. At the industry level, three of the four industries in the sector are reporting a year-over-year decrease in revenues: Chemicals (-14%), Metals & Mining (-13%), and Containers & Packaging (-9%). On the other hand, the Construction Materials (13%) industry is the only industry that reported a year-over-year growth in revenues.

Net Profit Margin: 11.5%

The blended net profit margin for the S&P 500 for Q2 2023 is 11.5%, which is below the year-ago net profit margin of 12.2%, equal to the previous quarter's net profit margin of 11.5%, and above the 5-year average net profit margin of 11.4%.

At the sector level, seven sectors are reporting a year-over-year increase in their net profit margins in Q2 2023 compared to Q2 2022, led by the Consumer Discretionary (8.3% vs. 6.0%) and Real Estate (to 37.2% vs. 35.3%) sectors. On the other hand, four sectors are reporting a year-over-year decrease in their net profit margins in Q2 2023 compared to Q2 2022, led by the Energy (9.8% vs. 14.4%) and Health Care (7.5% vs. 11.0%) sectors.

Eight sectors are reporting net profit margins in Q2 2023 that are above their 5-year averages, led by the Industrials (11.0% vs. 8.2%) sector. On the other hand, three sectors are reporting net profit margins in Q2 2023 that are below their 5-year averages, led by the Health Care (7.5% vs. 10.4%) sector.

Looking Ahead: Forward Estimates and Valuation

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

At this point in time, 79 companies in the index have issued EPS guidance for Q3 2023. Of these 79 companies, 49 have issued negative EPS guidance and 30 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q3 2023 is 62% (49 out of 79), which is above the 5-year average of 59% but below the 10-year average of 64%.

At this point in time, 269 companies in the index have issued EPS guidance for the current fiscal year (FY 2023 or FY 2024). Of these 269 companies, 107 have issued negative EPS guidance and 162 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 40% (107 out of 269).

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 second quarter, S&P 500 companies are reporting a year-over-year earnings decline of -5.2% and a year-over-year revenue growth of 0.6%.

For Q3 2023, analysts are projecting earnings growth of 0.2% and revenue growth of 1.3%.

For Q4 2023, analysts are projecting earnings growth of 7.6% and revenue growth of 3.4%.

For CY 2023, analysts are projecting earnings growth of 0.8% and revenue growth of 2.5%.

For CY 2024, analysts are projecting earnings growth of 12.2% and revenue growth of 5.1%.

Valuation: Forward P/E Ratio is 19.2, Above the 10-Year Average (17.4)

The forward 12-month P/E ratio for the S&P 500 is 19.2. This P/E ratio is above the 5-year average of 18.6 and above the 10-year average of 17.4. It is also slightly above the forward 12-month P/E ratio of 19.1 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 increased by 1.2%, while the forward 12-month EPS estimate has increased by 1.0%. At the sector level, the Information Technology (27.0) and Consumer Discretionary (25.7) sectors have the highest forward 12-month P/E ratios, while the Energy (11.9) and Financials (13.9) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 22.9, which is above the 5-year average of 22.6 and above the 10-year average of 20.8.

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

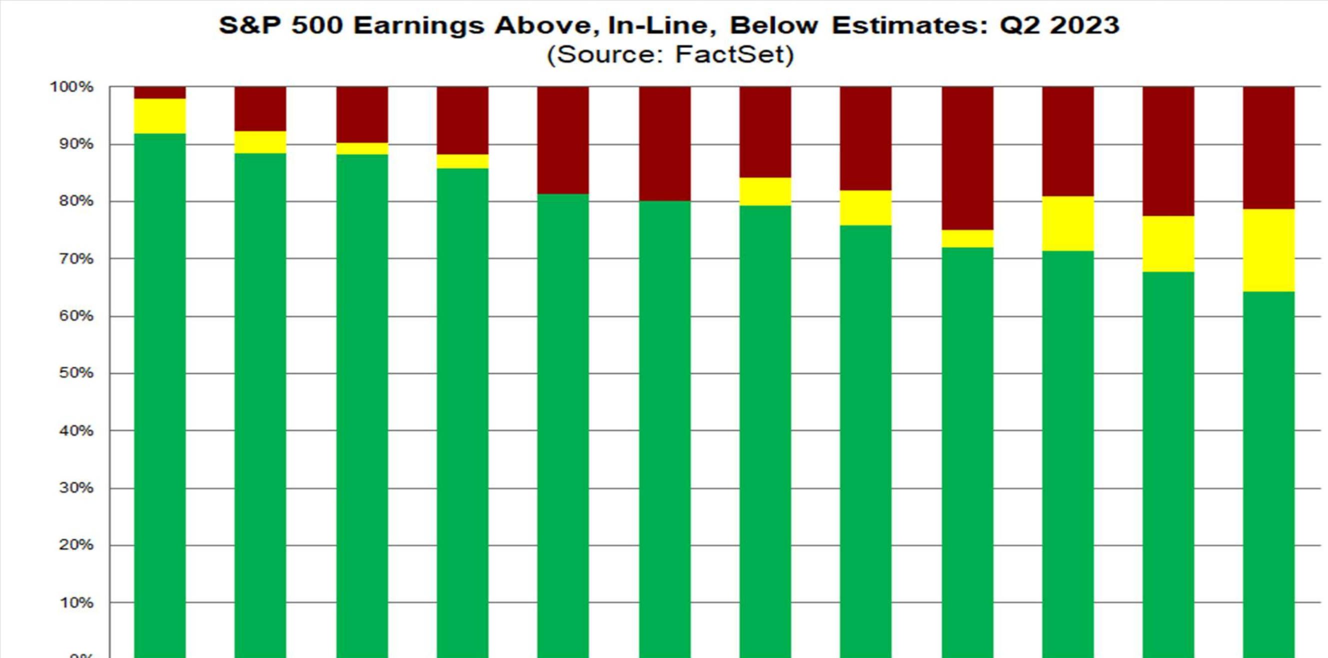
The bottom-up target price for the S&P 500 is 5034.70, which is 11.8% above the closing price of 4501.89. At the sector level, the Communication Services (+18.3%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Industrials (+9.1%) sector is expected to see the smallest price increase, as this sector has the smallest upside difference between the bottom-up target price and the closing price.

Overall, there are 11,047 ratings on stocks in the S&P 500. Of these 11,047 ratings, 53.9% are Buy ratings, 40.5% are Hold ratings, and 5.6% are Sell ratings. At the sector level, the Energy (65%) sector has the highest percentage of Buy ratings, while the Consumer Staples (45%) sector has the lowest percentage of Buy ratings.

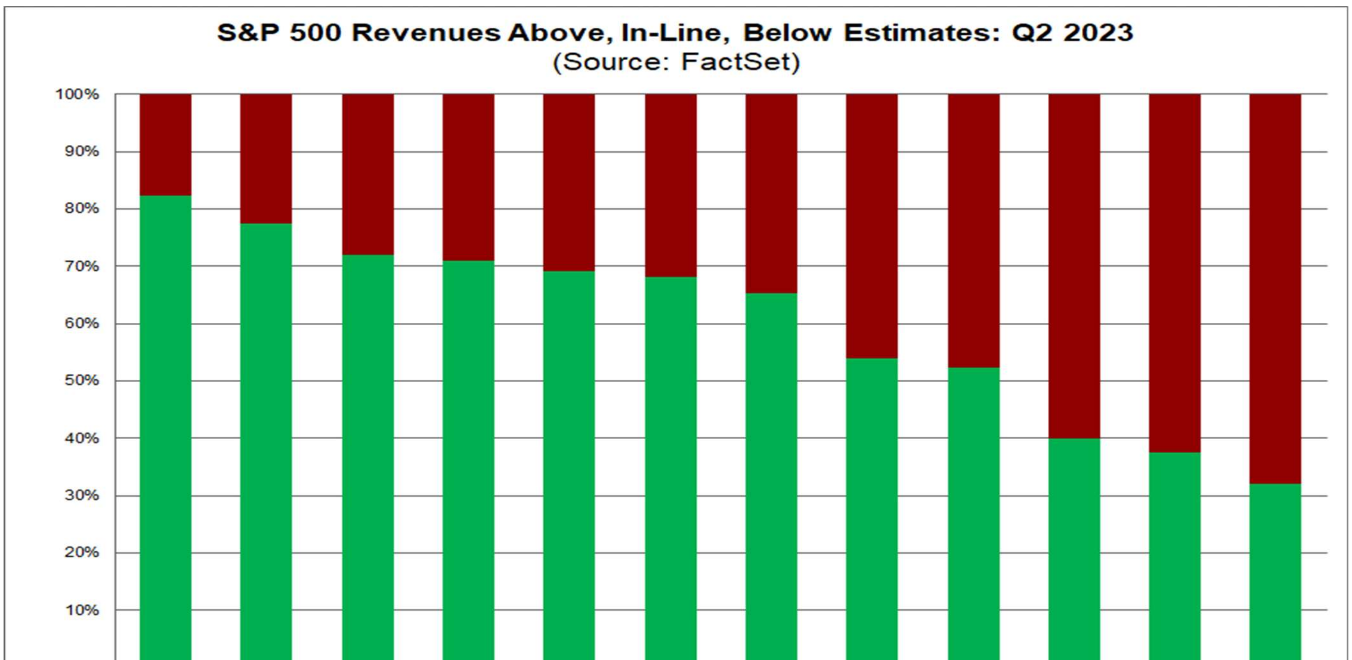
Companies Reporting Next Week: 34

During the upcoming week, 34 S&P 500 companies (including one Dow 30 component) are scheduled to report results for the second quarter.

Q2 2023: Scorecard

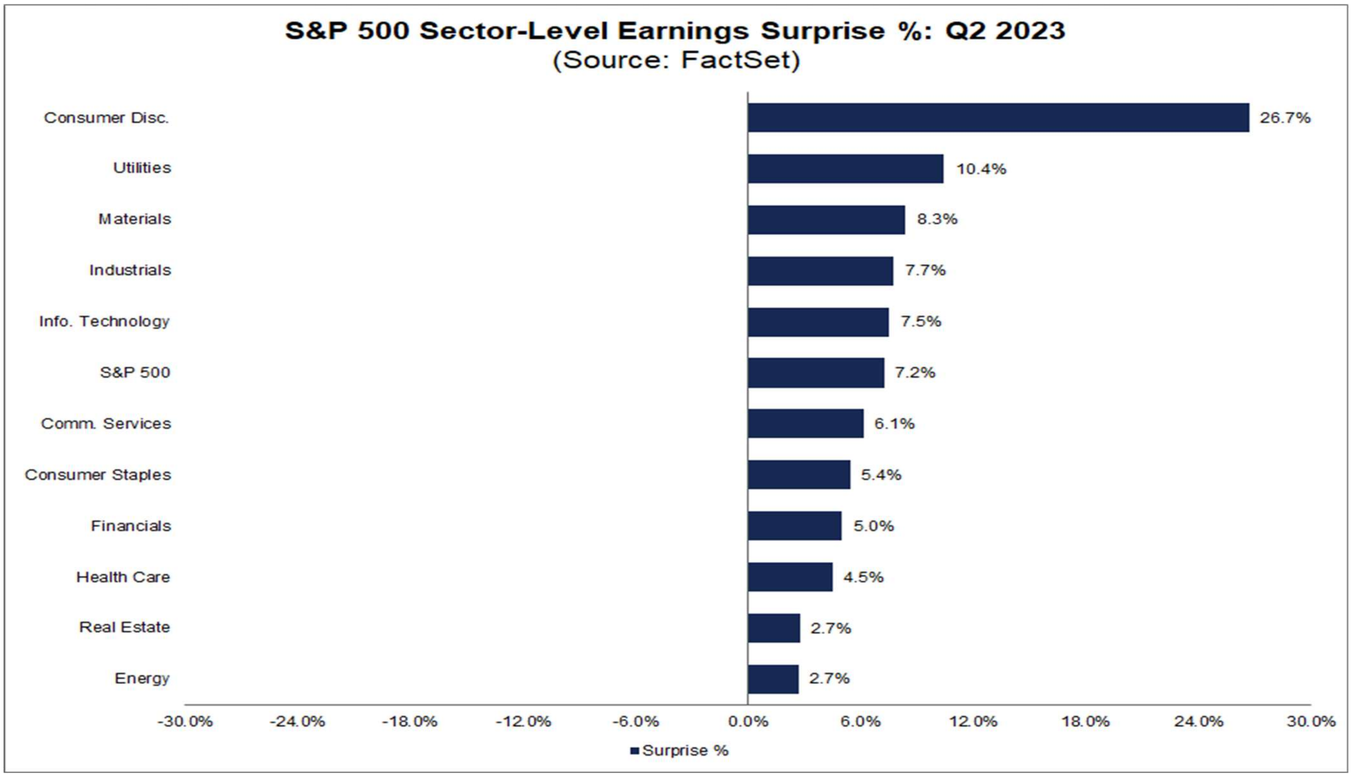


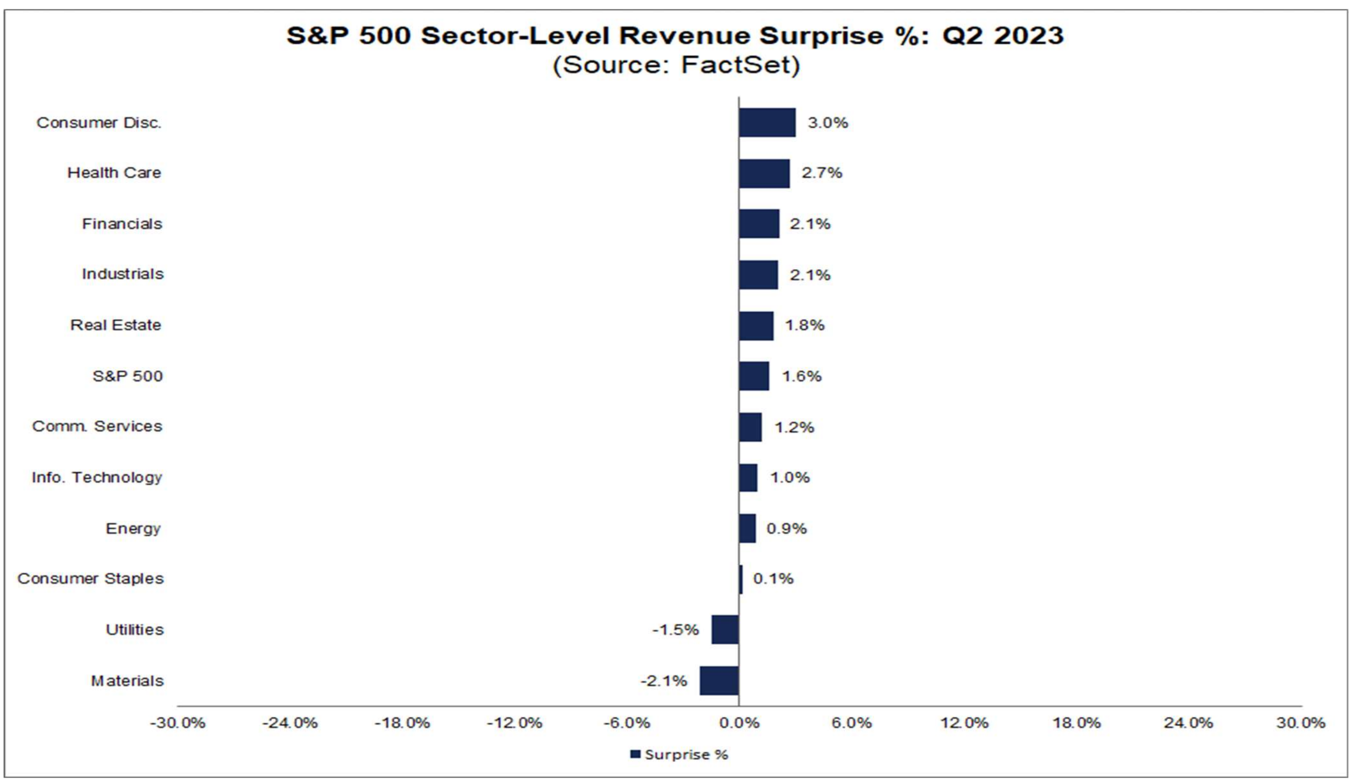
	Info. Technology	Consumer Staples	Health Care	Consumer Disc.	Comm. Services	Materials	S&P 500	Industrials	Financials	Energy	Real Estate	Utilities
Below	2%	8%	10%	12%	19%	20%	16%	18%	25%	19%	23%	21%
In-Line	6%	4%	2%	2%	0%	0%	5%	6%	3%	10%	10%	14%
Above	92%	88%	88%	86%	81%	80%	79%	76%	72%	71%	68%	64%



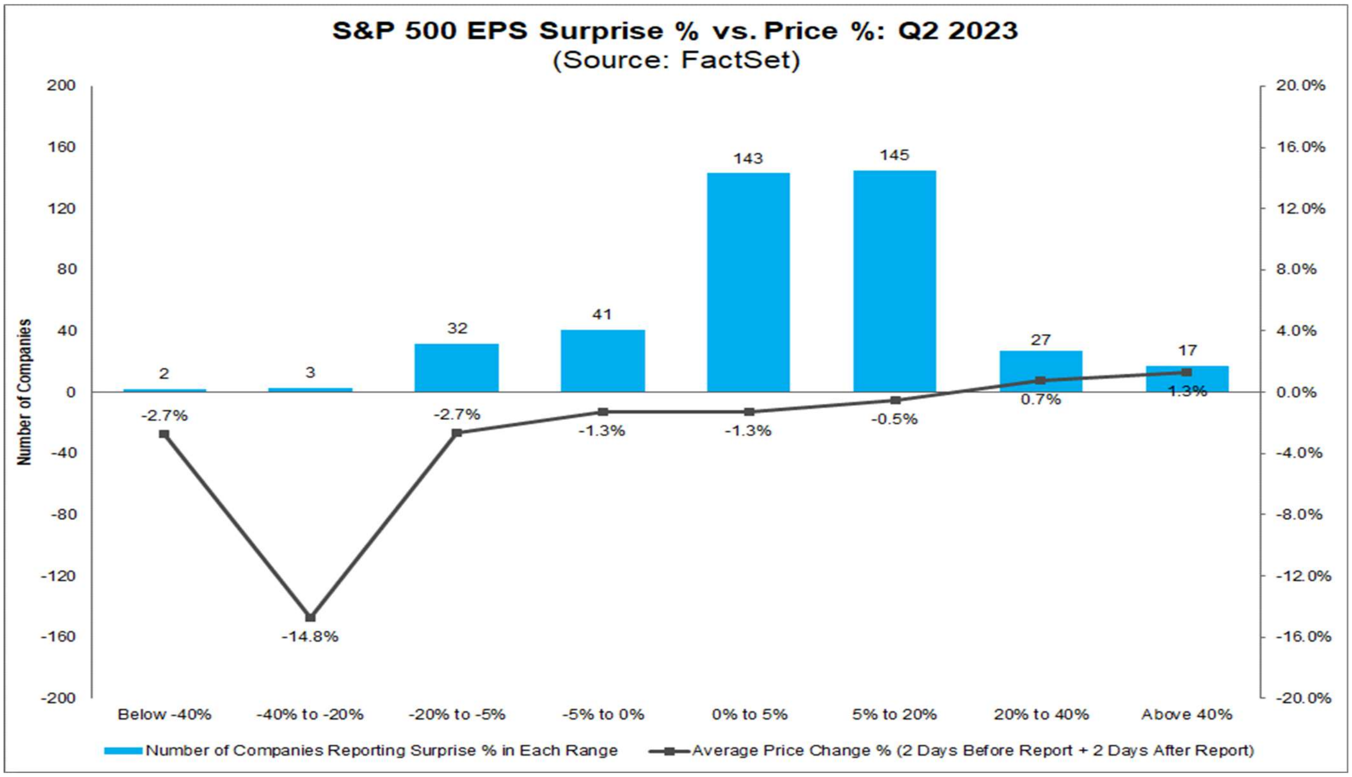
	Health Care	Info. Technology	Financials	Real Estate	Consumer Disc.	Industrials	S&P 500	Consumer Staples	Energy	Utilities	Comm. Services	Materials
Below	18%	22%	28%	29%	31%	32%	35%	46%	48%	60%	63%	68%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	82%	78%	72%	71%	69%	68%	65%	54%	52%	40%	38%	32%

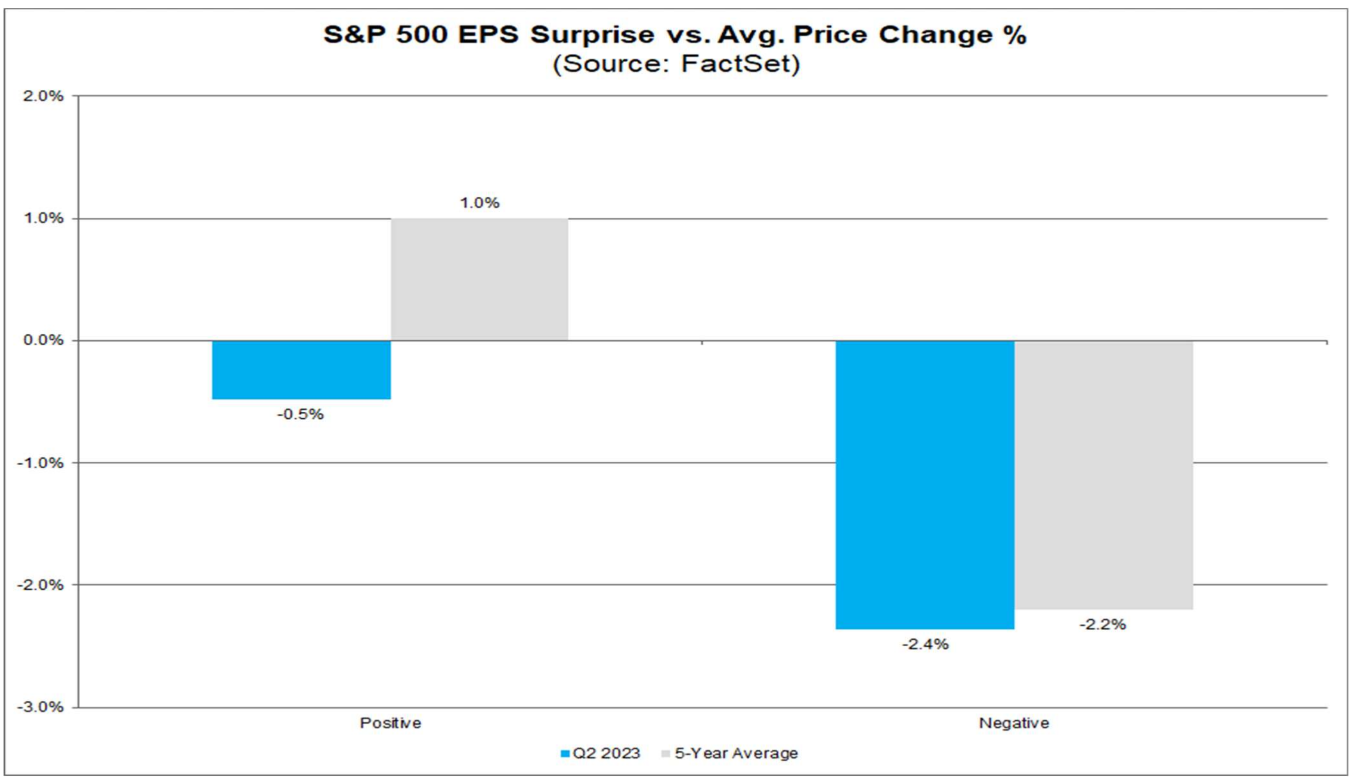
Q2 2023: Scorecard



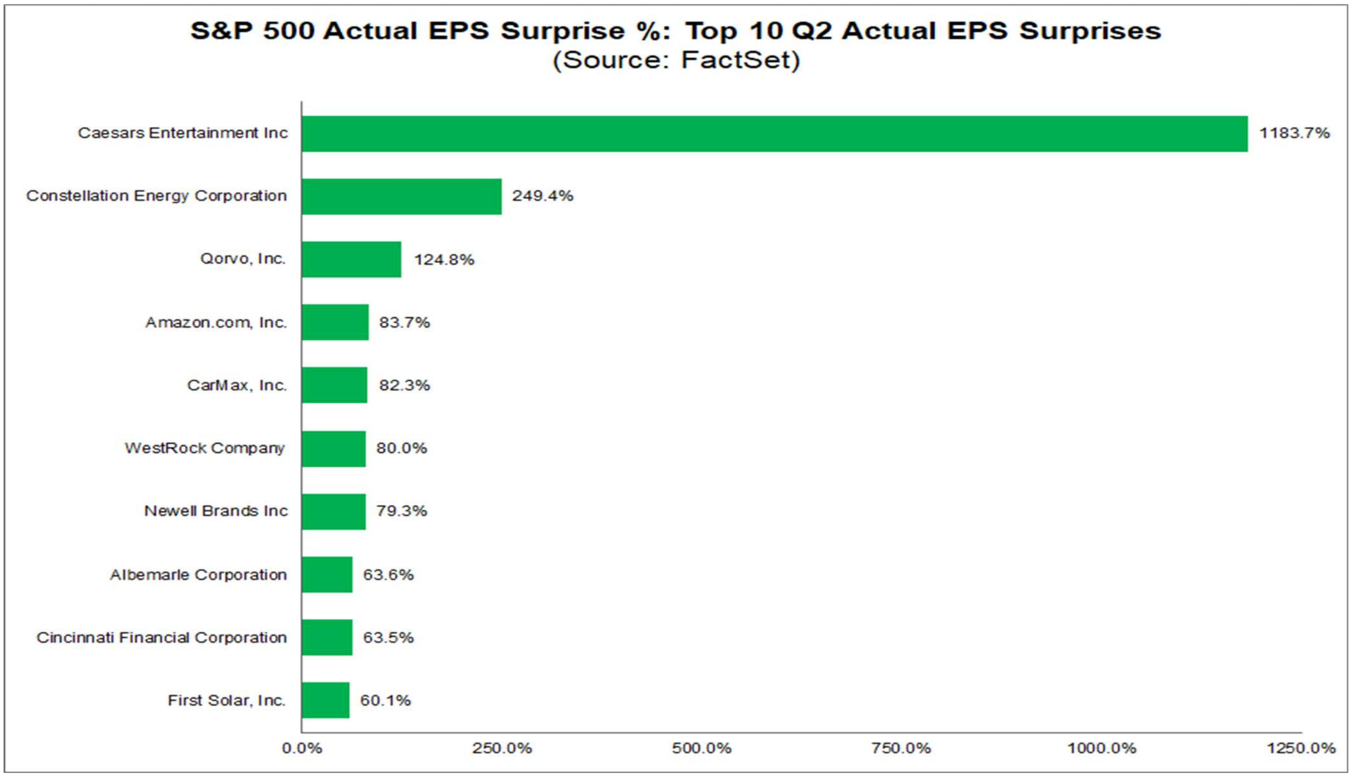


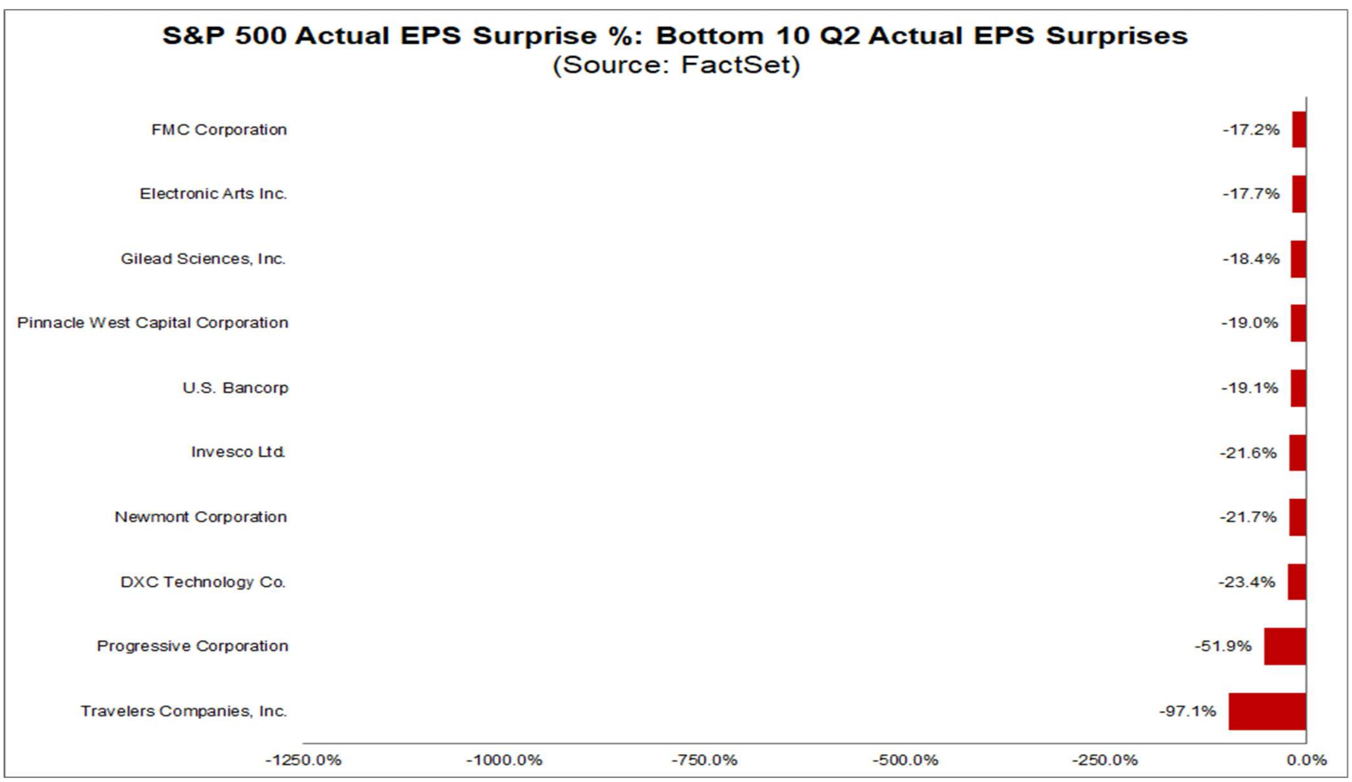
Q2 2023: Scorecard



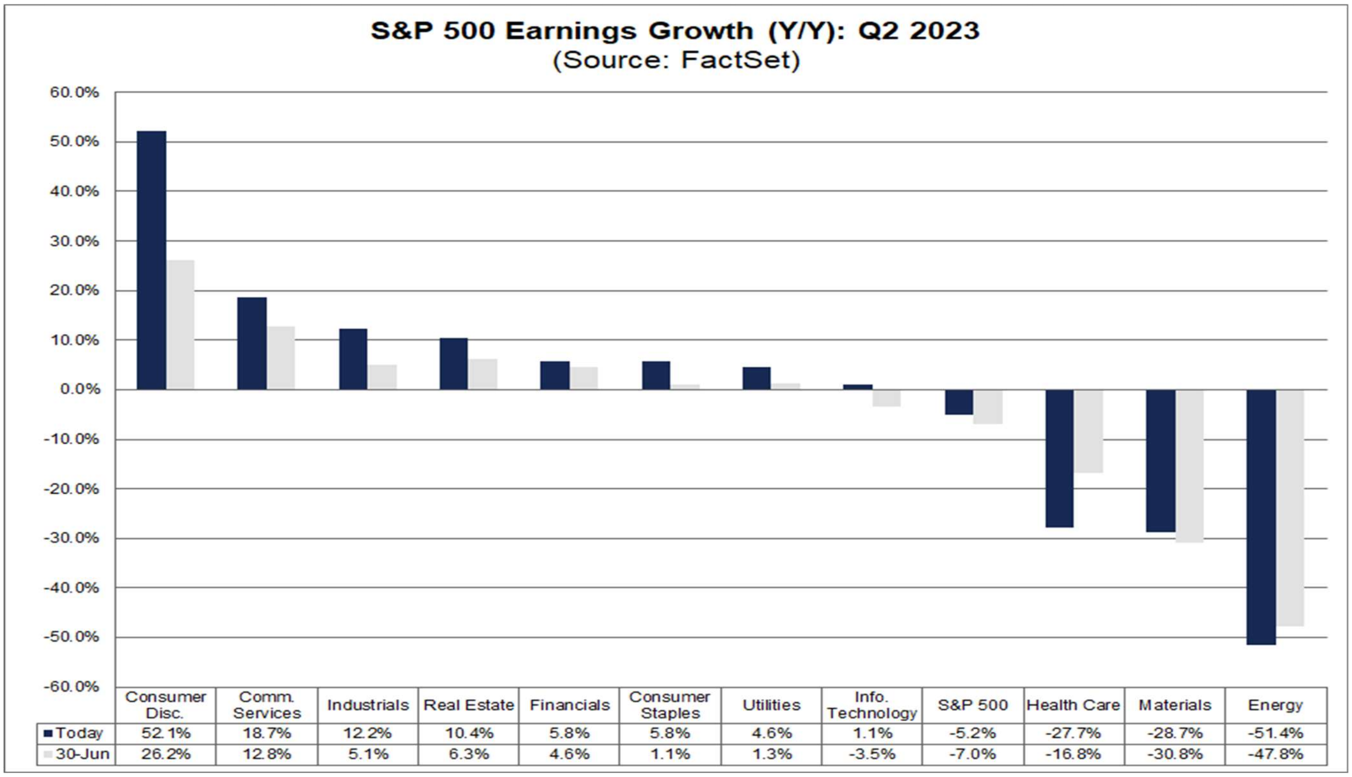


Q2 2023: Scorecard

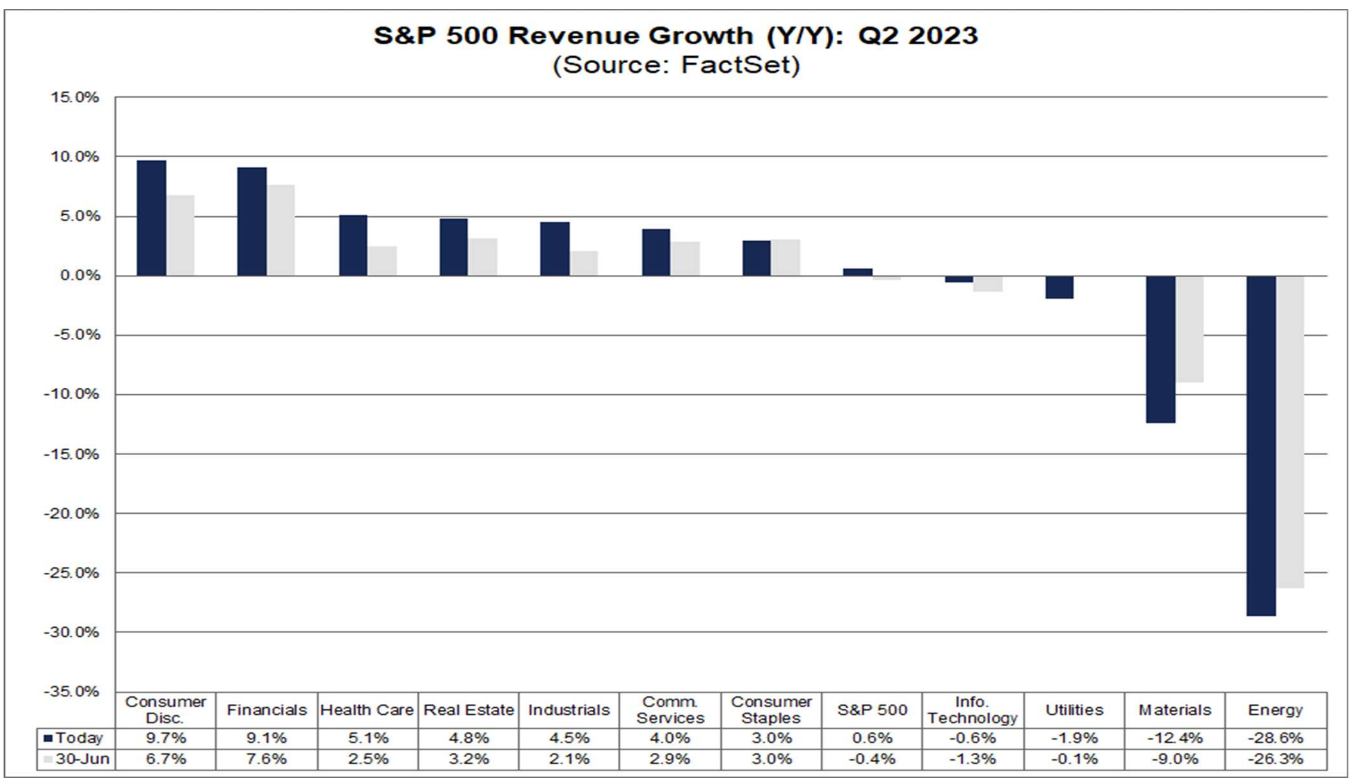




Q2 2023: Growth

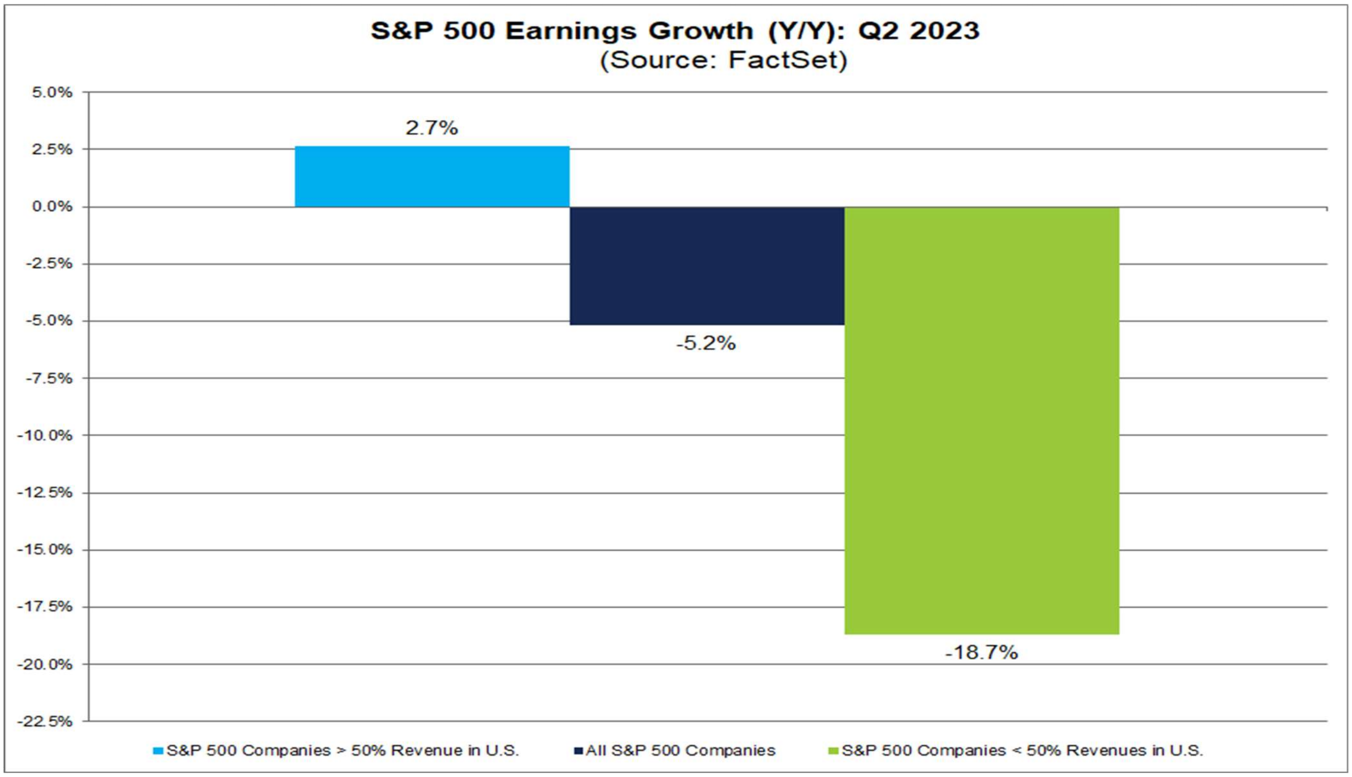


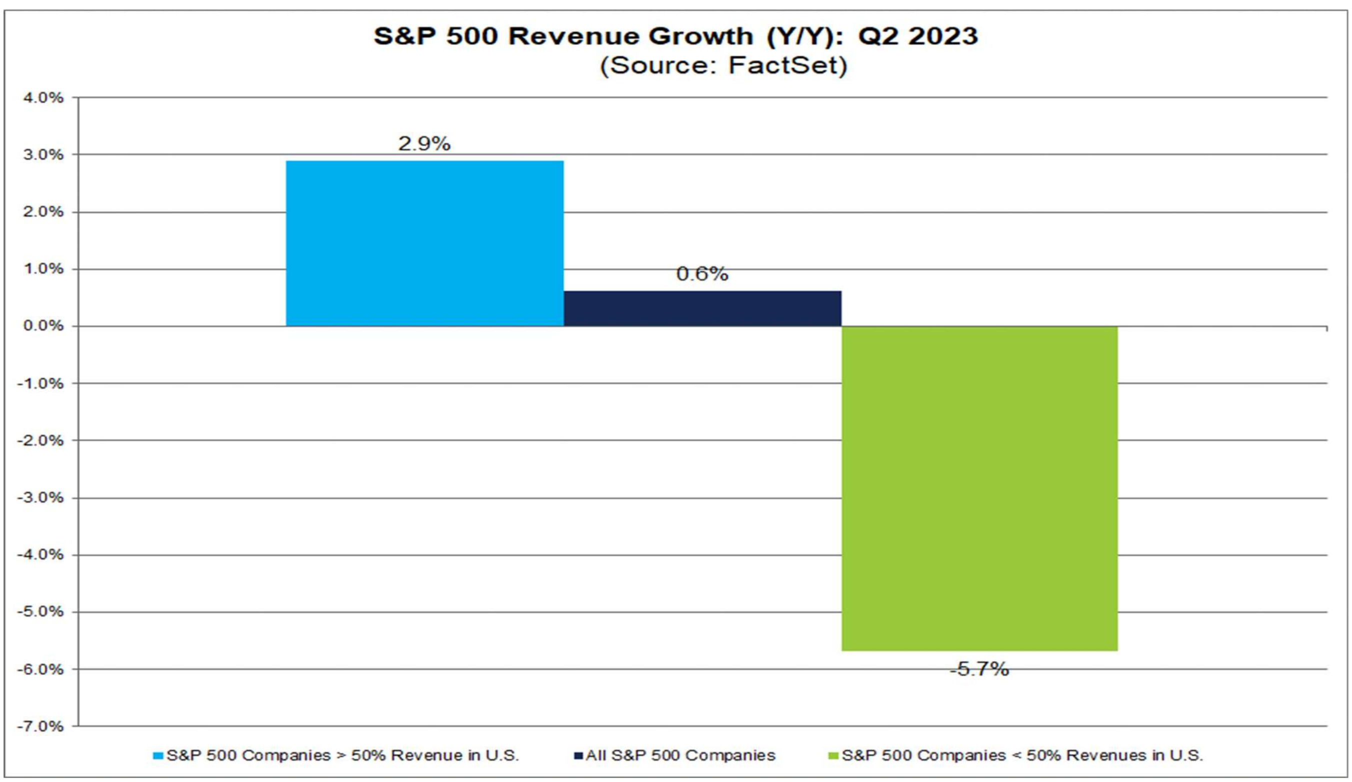
	Consumer Disc.	Comm. Services	Industrials	Real Estate	Financials	Consumer Staples	Utilities	Info. Technology	S&P 500	Health Care	Materials	Energy
Today	52.1%	18.7%	12.2%	10.4%	5.8%	5.8%	4.6%	1.1%	-5.2%	-27.7%	-28.7%	-51.4%
30-Jun	26.2%	12.8%	5.1%	6.3%	4.6%	1.1%	1.3%	-3.5%	-7.0%	-16.8%	-30.8%	-47.8%



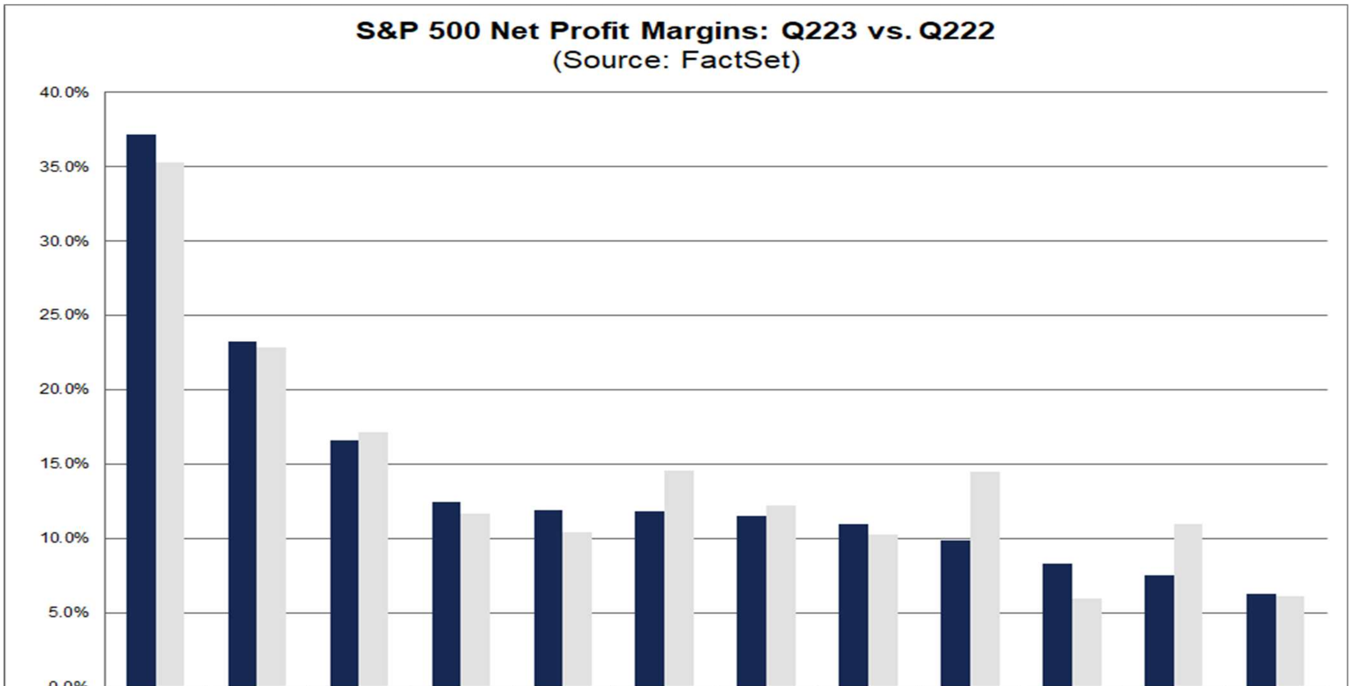
	Consumer Disc.	Financials	Health Care	Real Estate	Industrials	Comm. Services	Consumer Staples	S&P 500	Info. Technology	Utilities	Materials	Energy
Today	9.7%	9.1%	5.1%	4.8%	4.5%	4.0%	3.0%	0.6%	-0.6%	-1.9%	-12.4%	-28.6%
30-Jun	6.7%	7.6%	2.5%	3.2%	2.1%	2.9%	3.0%	-0.4%	-1.3%	-0.1%	-9.0%	-26.3%

Q2 2023: Growth

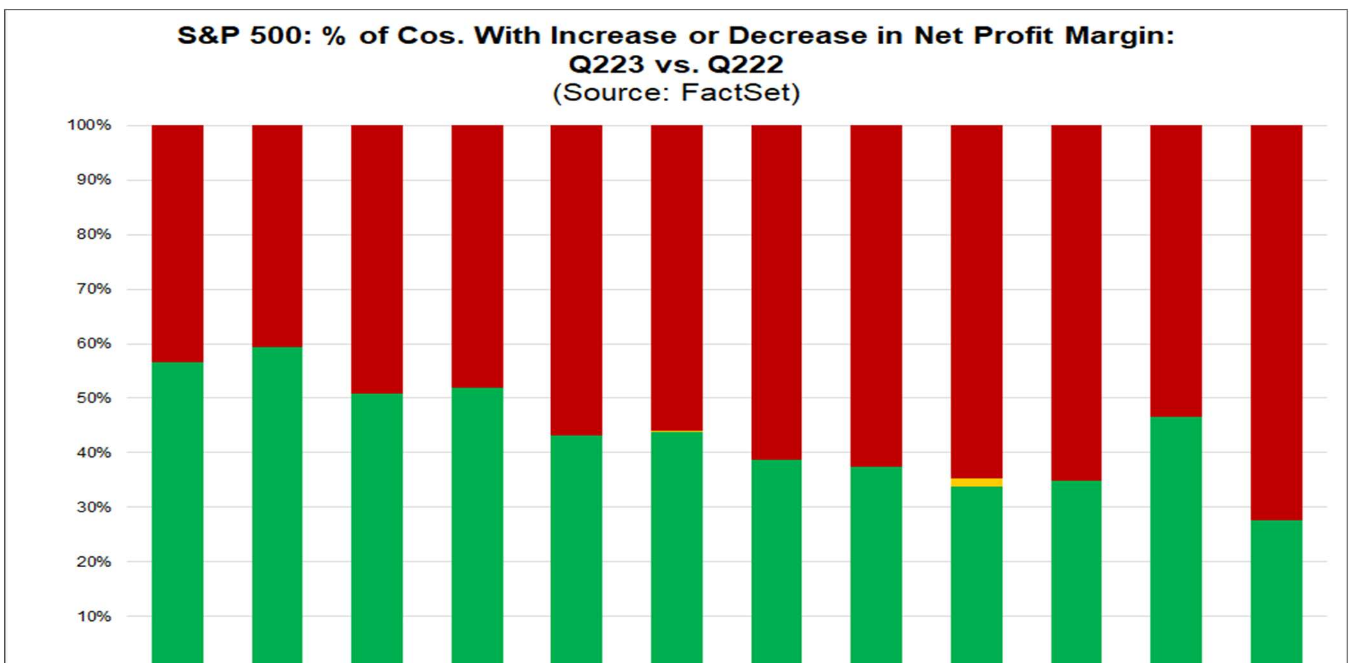




Q2 2023: Net Profit Margin

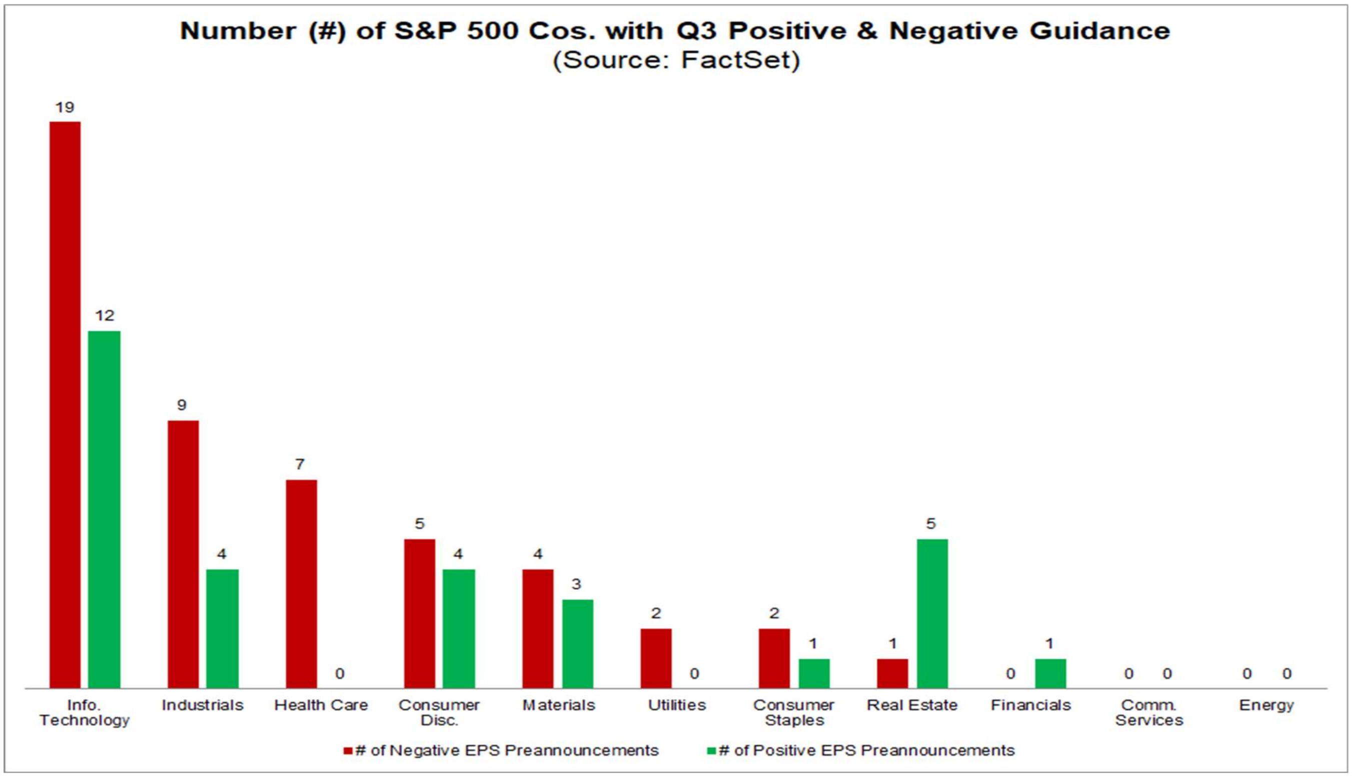


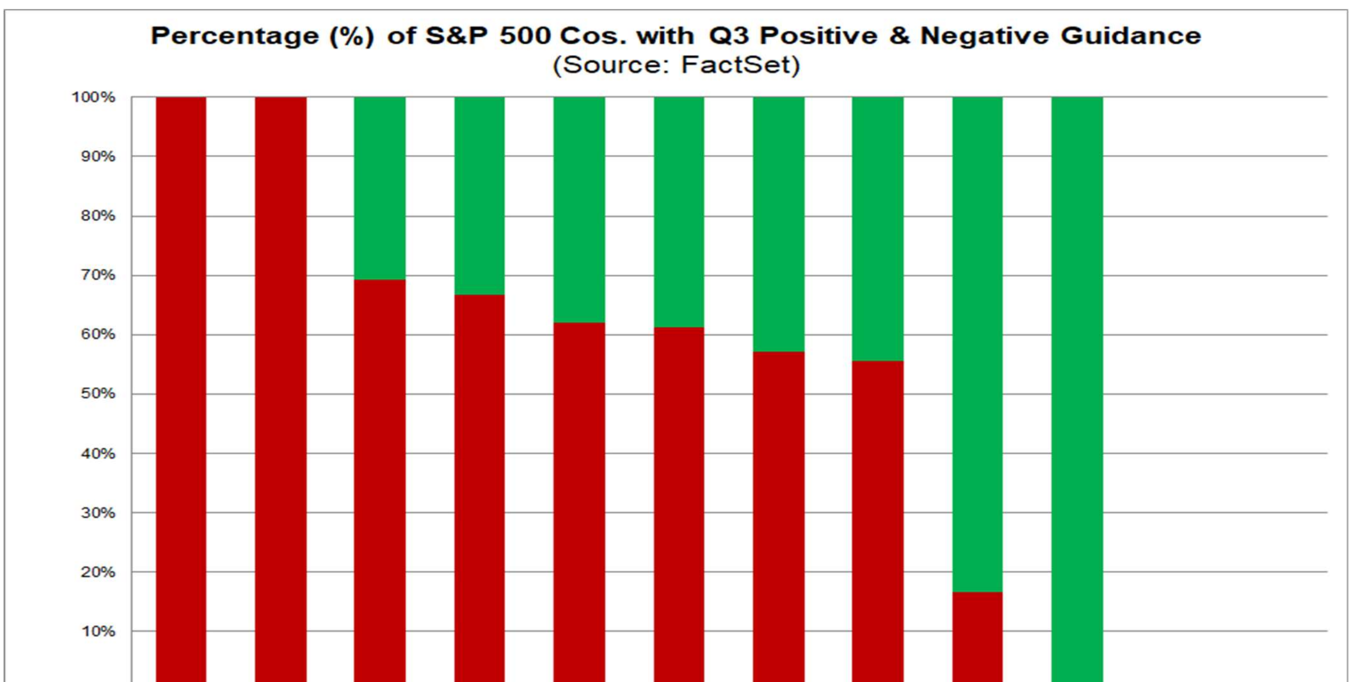
	Real Estate	Information Tech.	Financials	Utilities	Comm. Services	Materials	S&P 500	Industrials	Energy	Consumer Disc.	Health Care	Consumer Staples
Q223	37.2%	23.2%	16.6%	12.5%	11.9%	11.8%	11.5%	11.0%	9.8%	8.3%	7.5%	6.3%
Q222	35.3%	22.8%	17.1%	11.7%	10.4%	14.5%	12.2%	10.2%	14.4%	6.0%	11.0%	6.1%



	Comm. Services	Consumer Staples	Consumer Disc.	Industrials	Information Tech.	S&P 500	Real Estate	Financials	Health Care	Energy	Utilities	Materials
Down %	43%	41%	49%	48%	57%	56%	61%	63%	65%	65%	53%	72%
None %	0%	0%	0%	0%	0%	0%	0%	0%	2%	0%	0%	0%
Up %	57%	59%	51%	52%	43%	44%	39%	38%	34%	35%	47%	28%

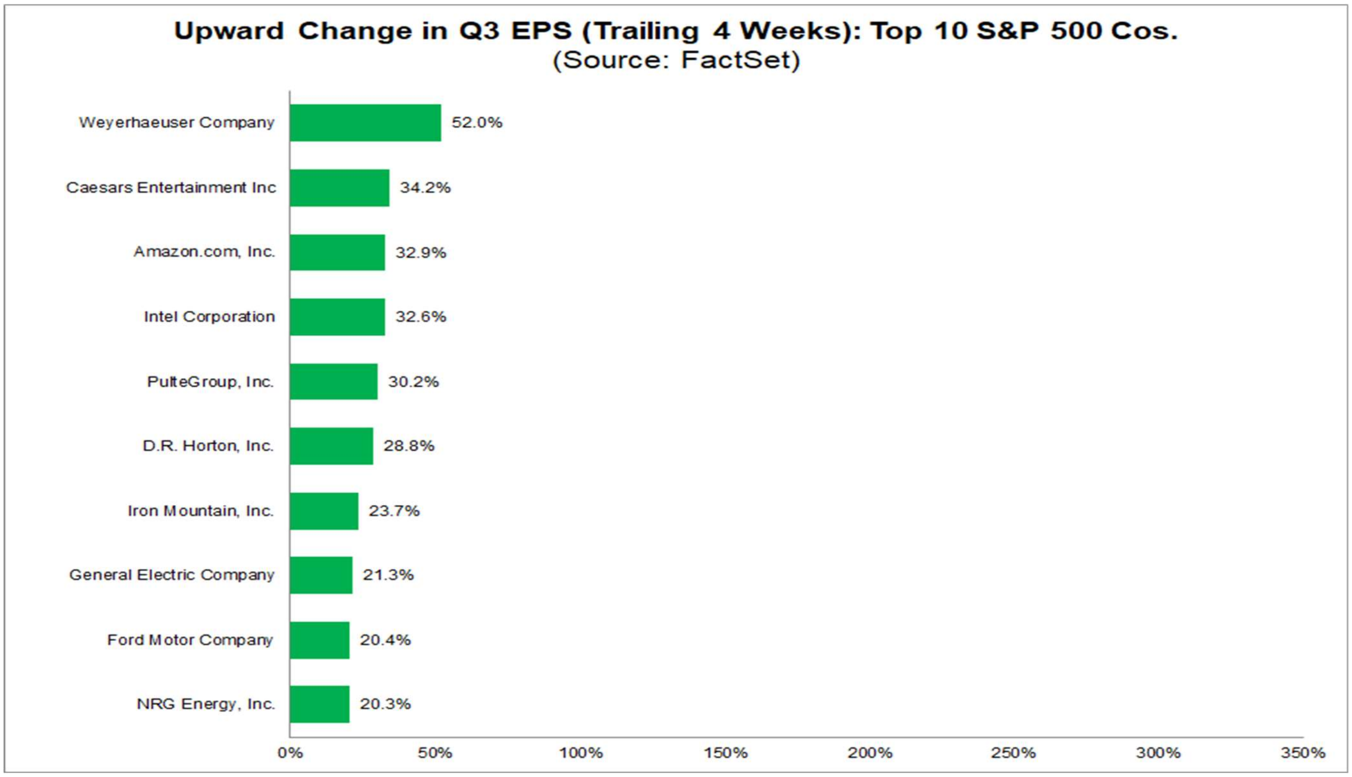
Q3 2023: Guidance

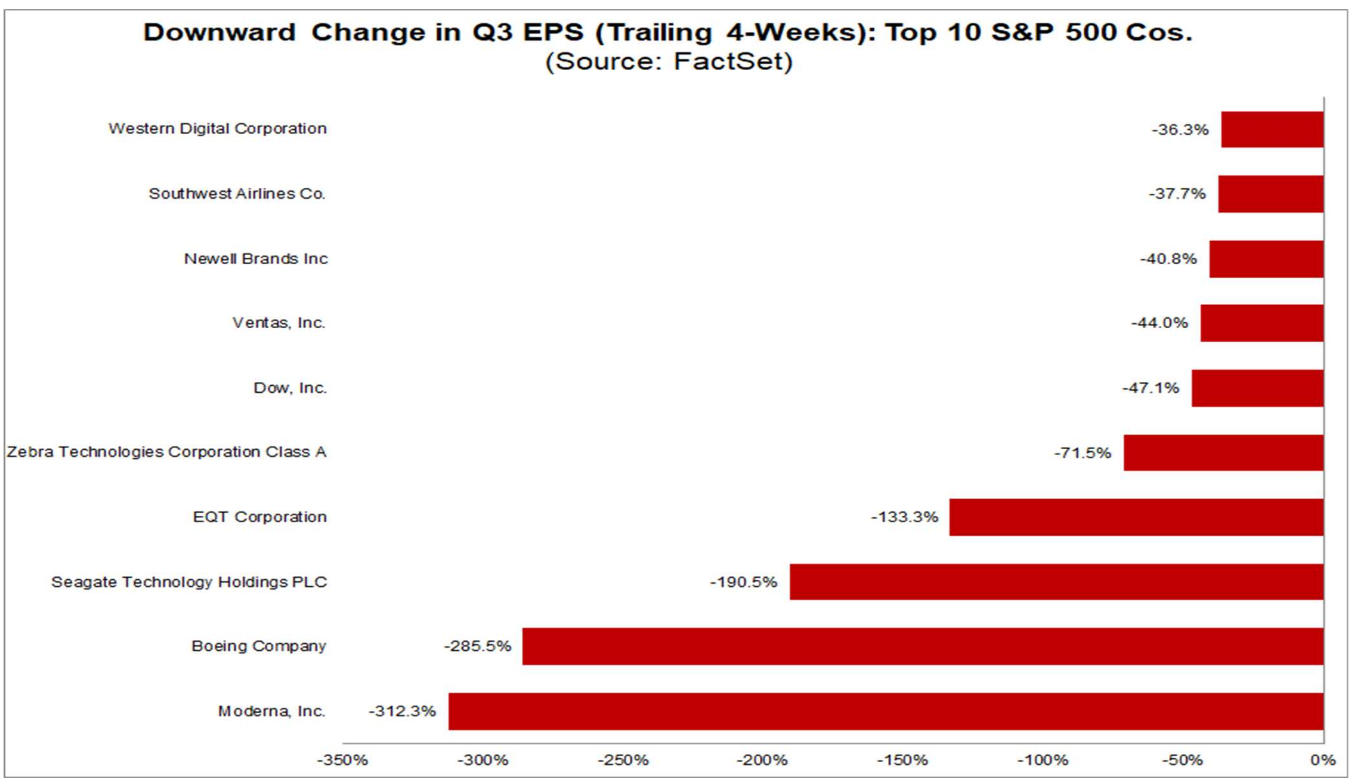




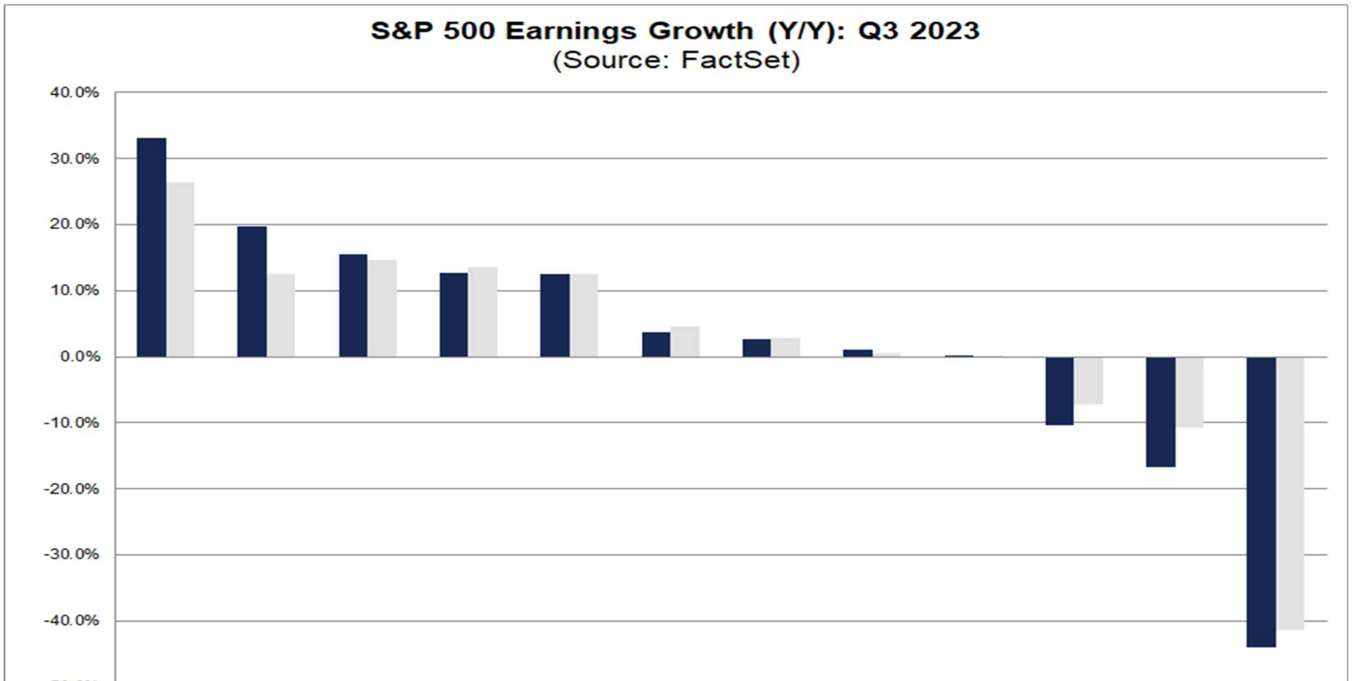
	Health Care	Utilities	Industrials	Consumer Staples	S&P 500	Info. Technology	Materials	Consumer Disc.	Real Estate	Financials	Comm. Services	Energy
Positive	0%	0%	31%	33%	38%	39%	43%	44%	83%	100%	0%	0%
Negative	100%	100%	69%	67%	62%	61%	57%	56%	17%	0%	0%	0%

Q3 2023: EPS Revisions

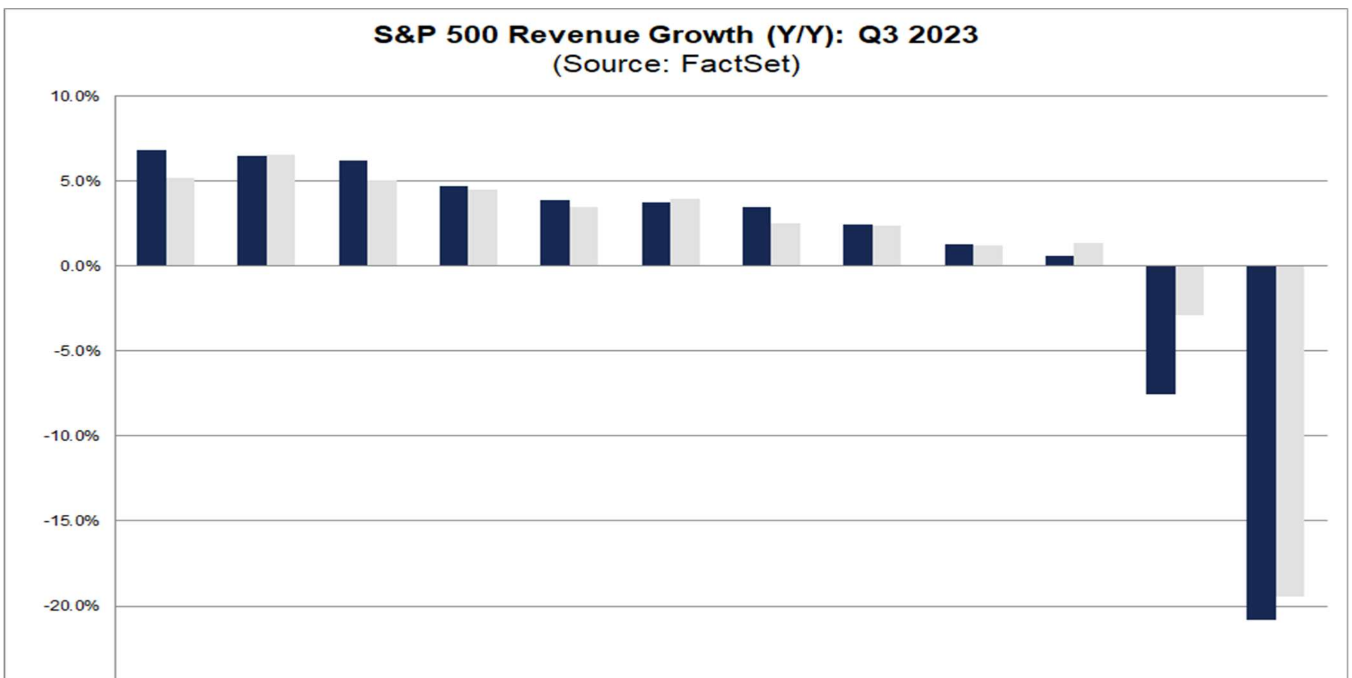




Q3 2023: Growth

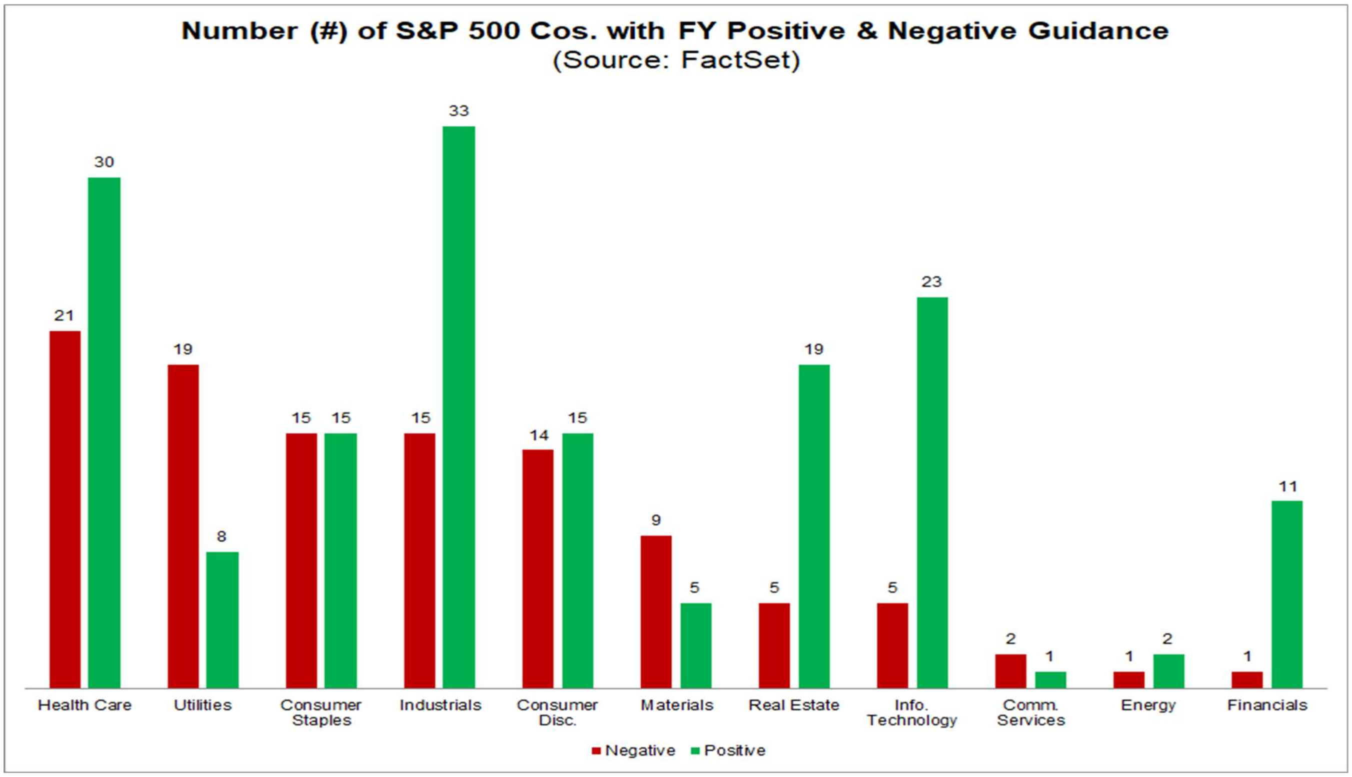


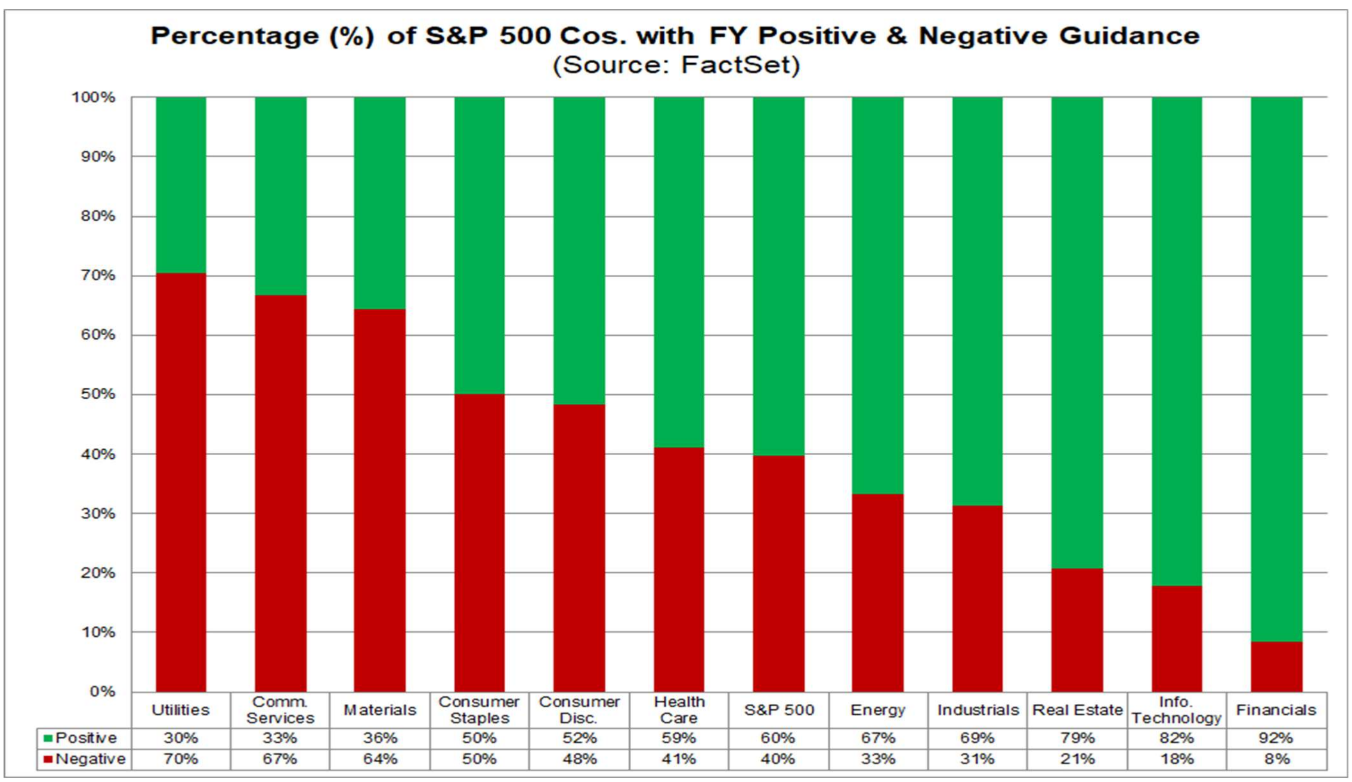
	Comm. Services	Consumer Disc.	Utilities	Industrials	Financials	Consumer Staples	Real Estate	Info. Technology	S&P 500	Health Care	Materials	Energy
Today	33.2%	19.8%	15.5%	12.7%	12.5%	3.6%	2.6%	1.1%	0.2%	-10.4%	-16.7%	-44.0%
30-Jun	26.4%	12.5%	14.7%	13.5%	12.5%	4.6%	2.8%	0.6%	0.2%	-7.1%	-10.7%	-41.3%



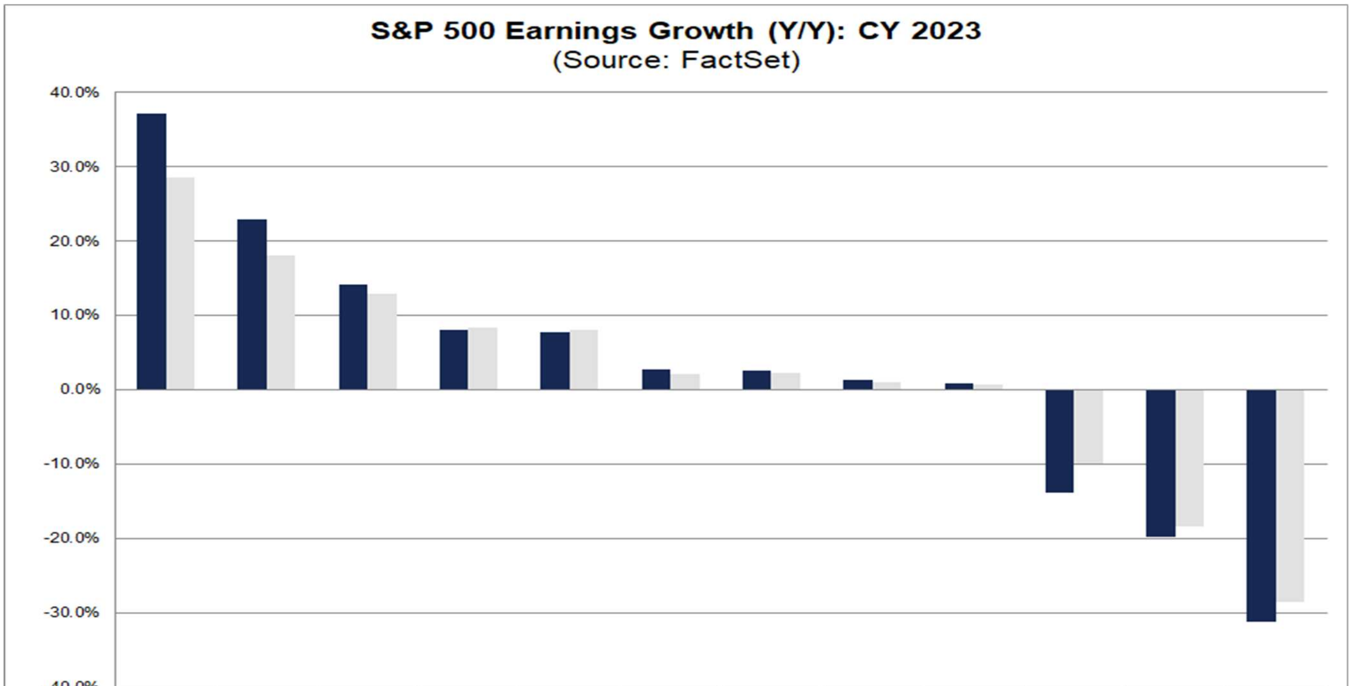
	Consumer Disc.	Real Estate	Comm. Services	Health Care	Financials	Consumer Staples	Utilities	Industrials	S&P 500	Info. Technology	Materials	Energy
Today	6.8%	6.5%	6.2%	4.7%	3.9%	3.7%	3.5%	2.4%	1.3%	0.6%	-7.5%	-20.8%
30-Jun	5.2%	6.5%	5.1%	4.5%	3.5%	3.9%	2.5%	2.4%	1.2%	1.3%	-2.9%	-19.4%

FY 2023 / 2024: EPS Guidance

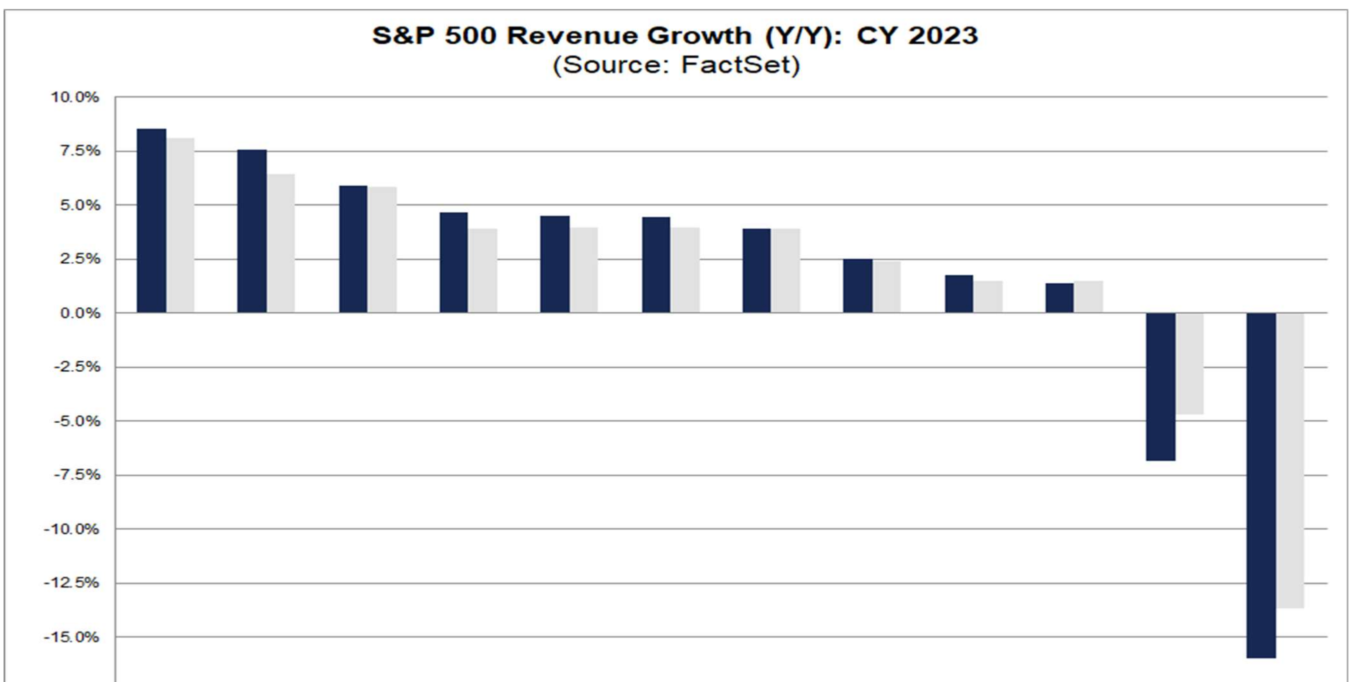




CY 2023: Growth

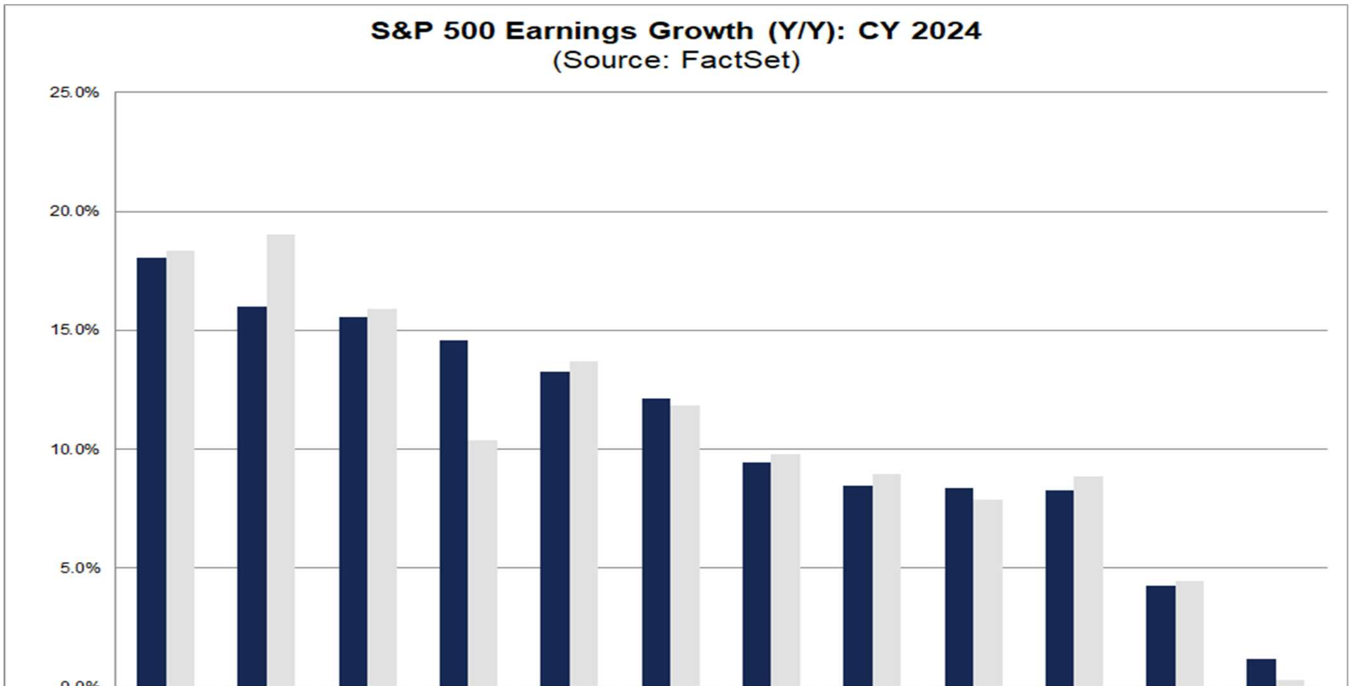


	Consumer Disc.	Comm. Services	Industrials	Financials	Utilities	Consumer Staples	Real Estate	Info. Technology	S&P 500	Health Care	Materials	Energy
Today	37.1%	22.8%	14.1%	8.1%	7.7%	2.8%	2.5%	1.3%	0.8%	-13.8%	-19.8%	-31.3%
30-Jun	28.6%	18.1%	12.8%	8.3%	8.1%	2.2%	2.2%	0.9%	0.7%	-9.9%	-18.4%	-28.5%

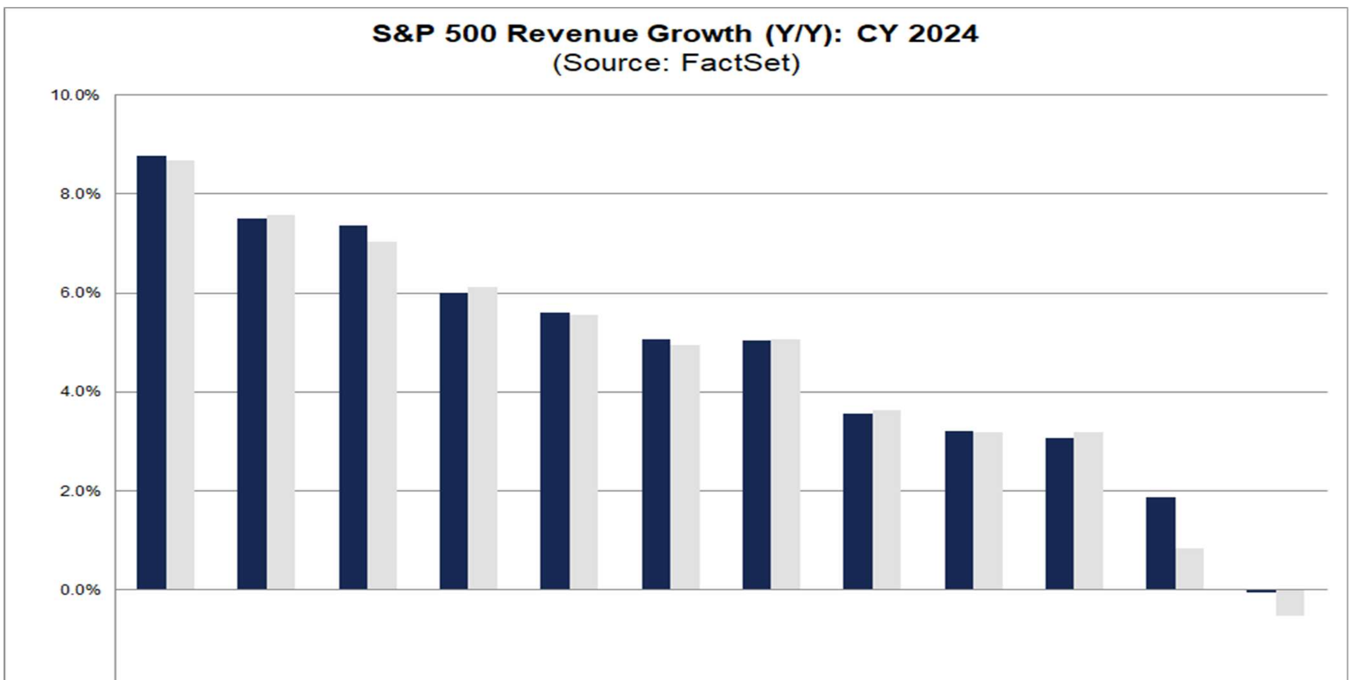


	Financials	Consumer Disc.	Real Estate	Comm. Services	Industrials	Health Care	Consumer Staples	S&P 500	Utilities	Info. Technology	Materials	Energy
Today	8.6%	7.6%	5.9%	4.7%	4.5%	4.4%	3.9%	2.5%	1.8%	1.4%	-6.8%	-16.0%
30-Jun	8.1%	6.4%	5.9%	3.9%	3.9%	3.9%	3.9%	2.4%	1.5%	1.5%	-4.7%	-13.7%

CY 2024: Growth

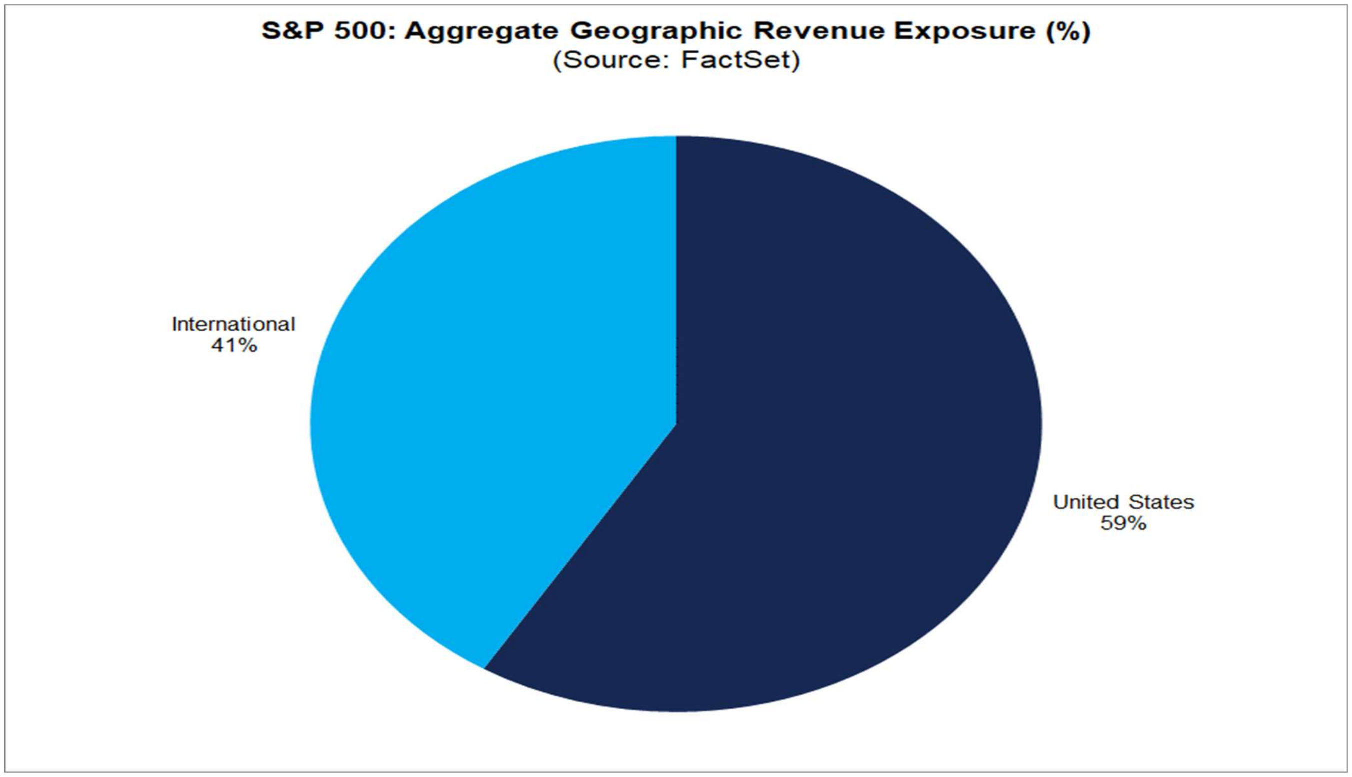


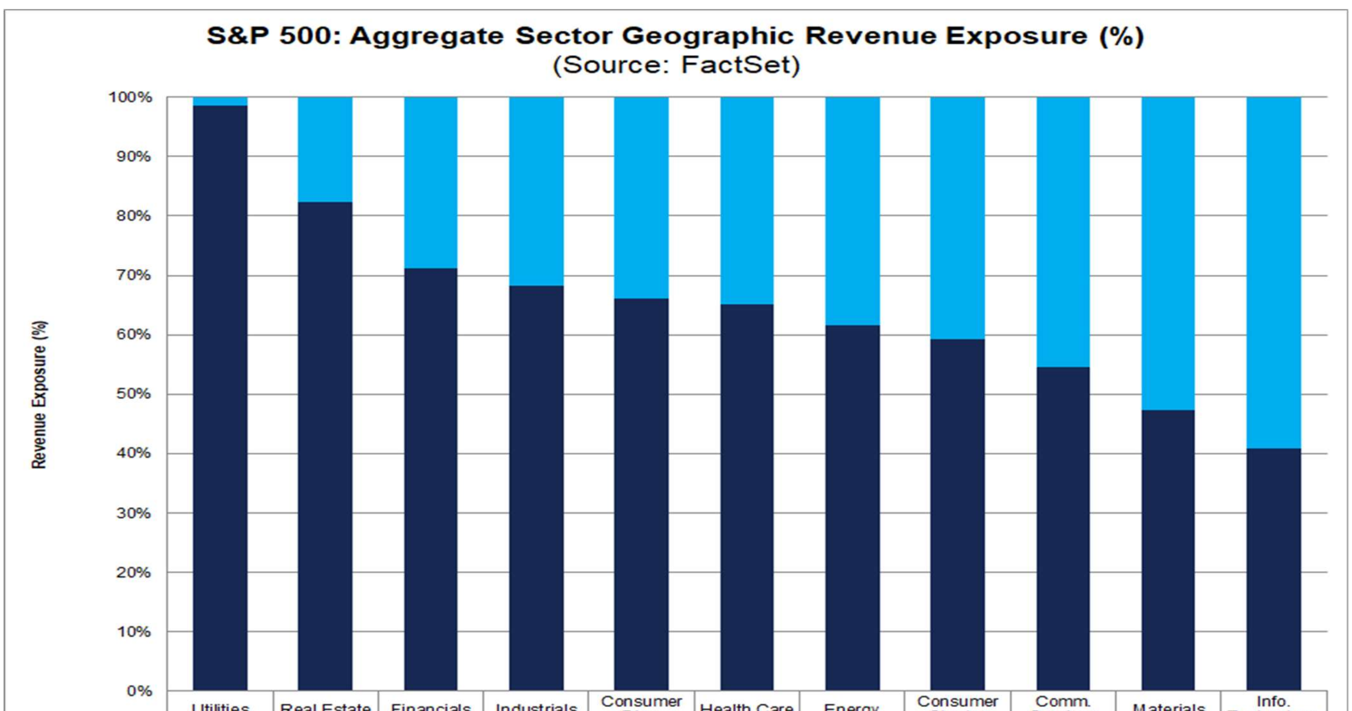
	Comm. Services	Consumer Disc.	Info. Technology	Health Care	Industrials	S&P 500	Financials	Real Estate	Utilities	Consumer Staples	Materials	Energy
Today	18.1%	16.0%	15.6%	14.6%	13.2%	12.2%	9.4%	8.5%	8.3%	8.3%	4.2%	1.2%
30-Jun	18.3%	19.0%	15.9%	10.4%	13.7%	11.9%	9.8%	9.0%	7.9%	8.9%	4.5%	0.3%



	Info. Technology	Consumer Disc.	Comm. Services	Real Estate	Health Care	S&P 500	Industrials	Consumer Staples	Utilities	Financials	Materials	Energy
Today	8.8%	7.5%	7.4%	6.0%	5.6%	5.1%	5.0%	3.6%	3.2%	3.1%	1.9%	-0.1%
30-Jun	8.7%	7.6%	7.0%	6.1%	5.6%	5.0%	5.1%	3.6%	3.2%	3.2%	0.8%	-0.5%

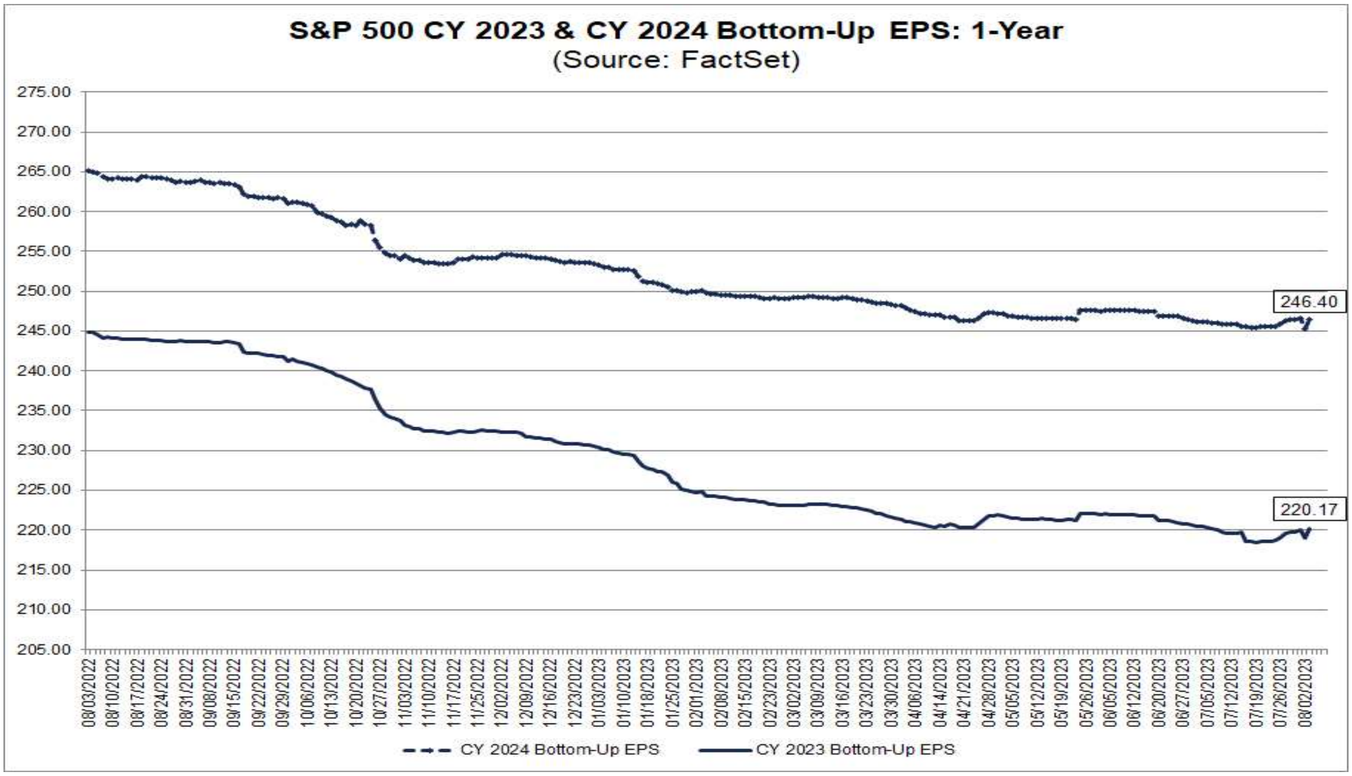
Geographic Revenue Exposure

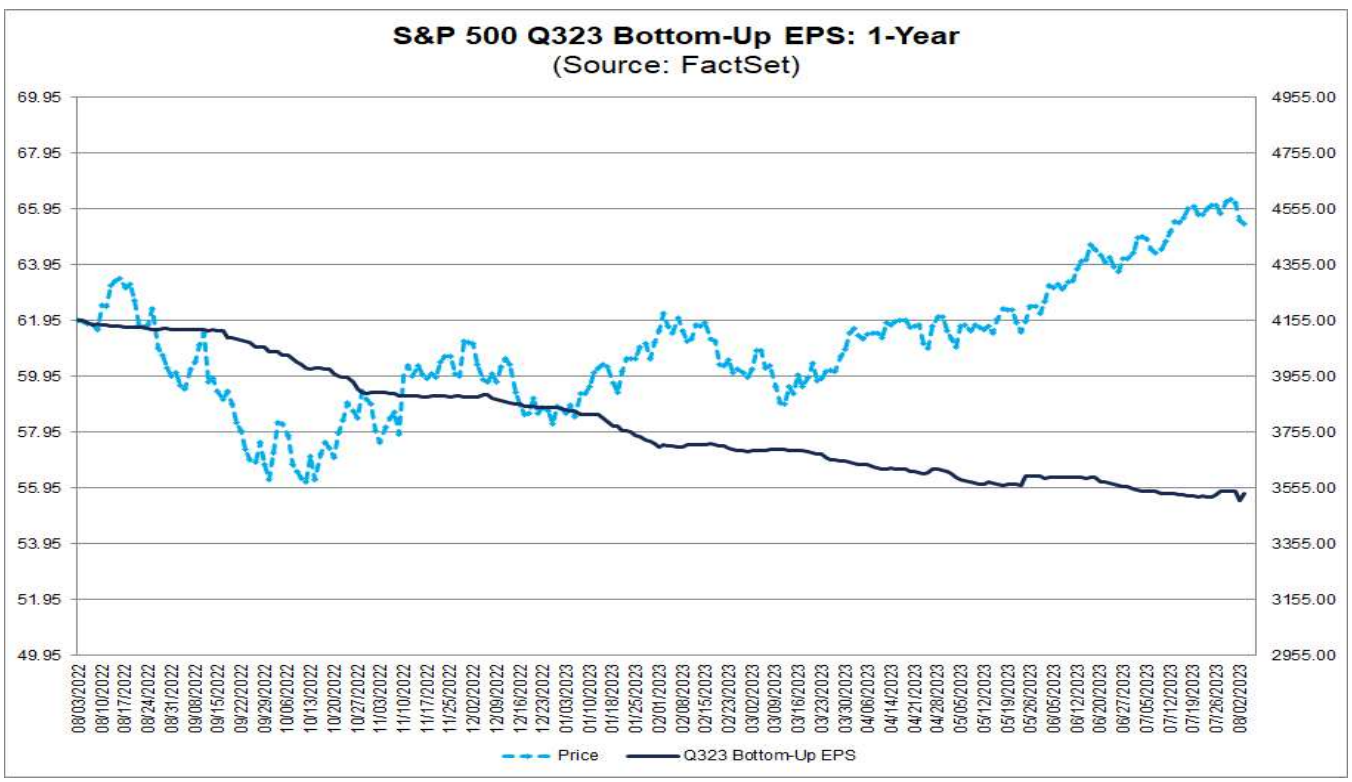




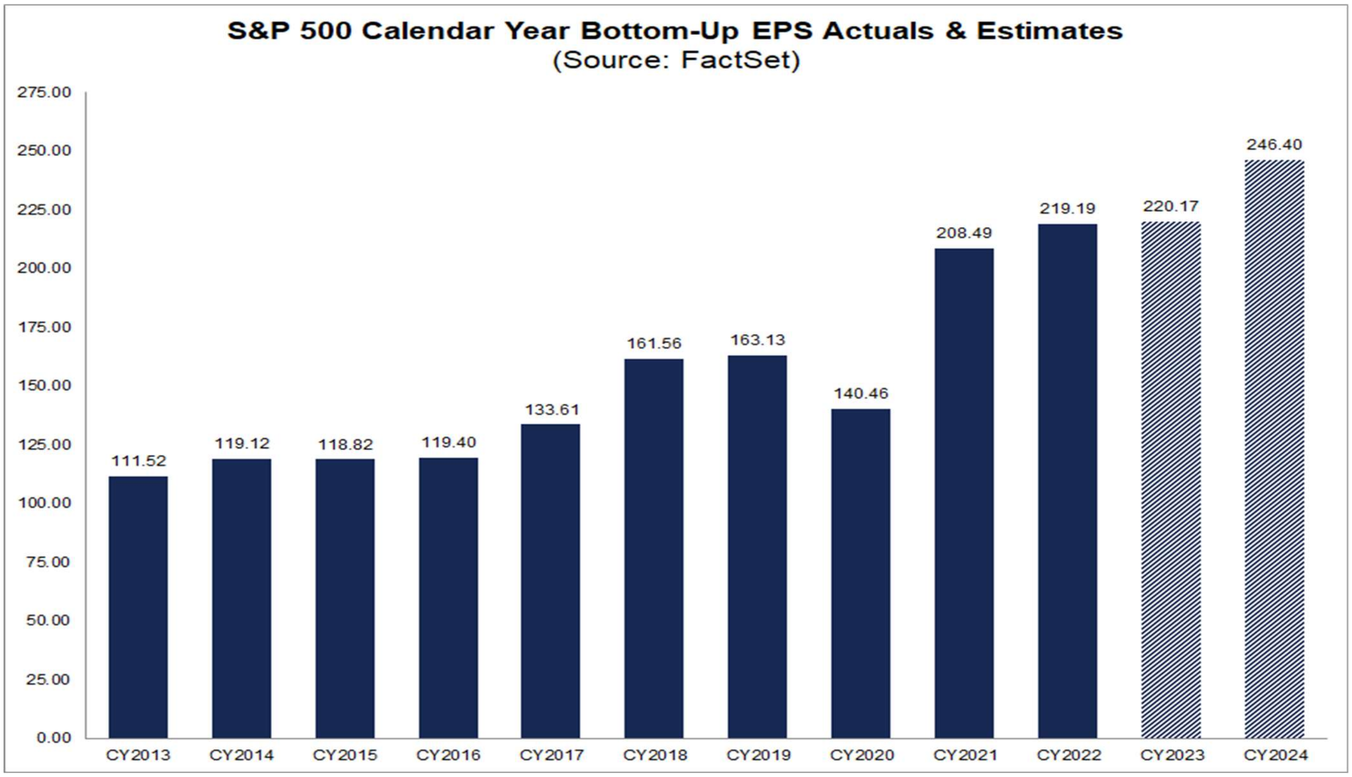
	Utilities	Real Estate	Financials	Industrials	Consumer Disc.	Health Care	Energy	Consumer Staples	Comm. Services	Materials	Info. Technology
International	2%	18%	29%	32%	34%	35%	38%	41%	45%	53%	59%
United States	98%	82%	71%	68%	66%	65%	62%	59%	55%	47%	41%

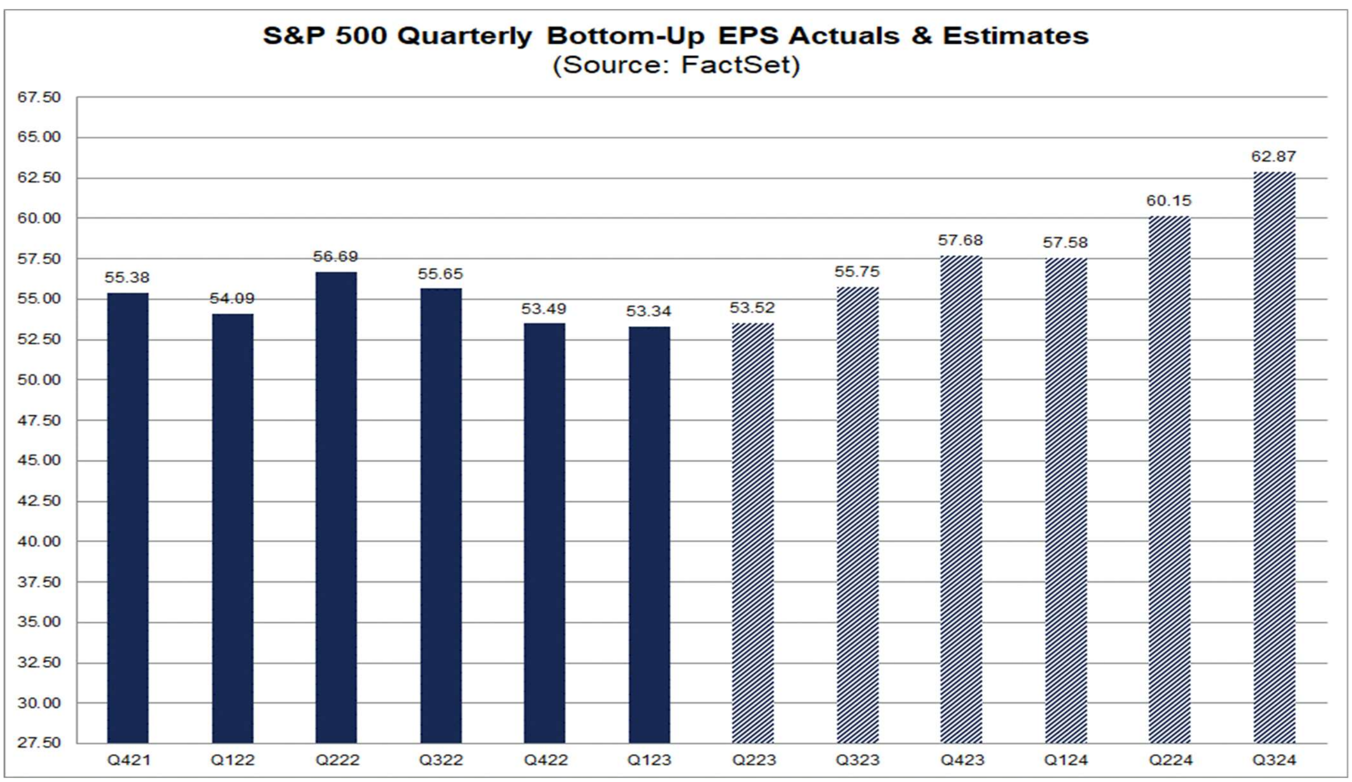
Bottom-Up EPS Estimates



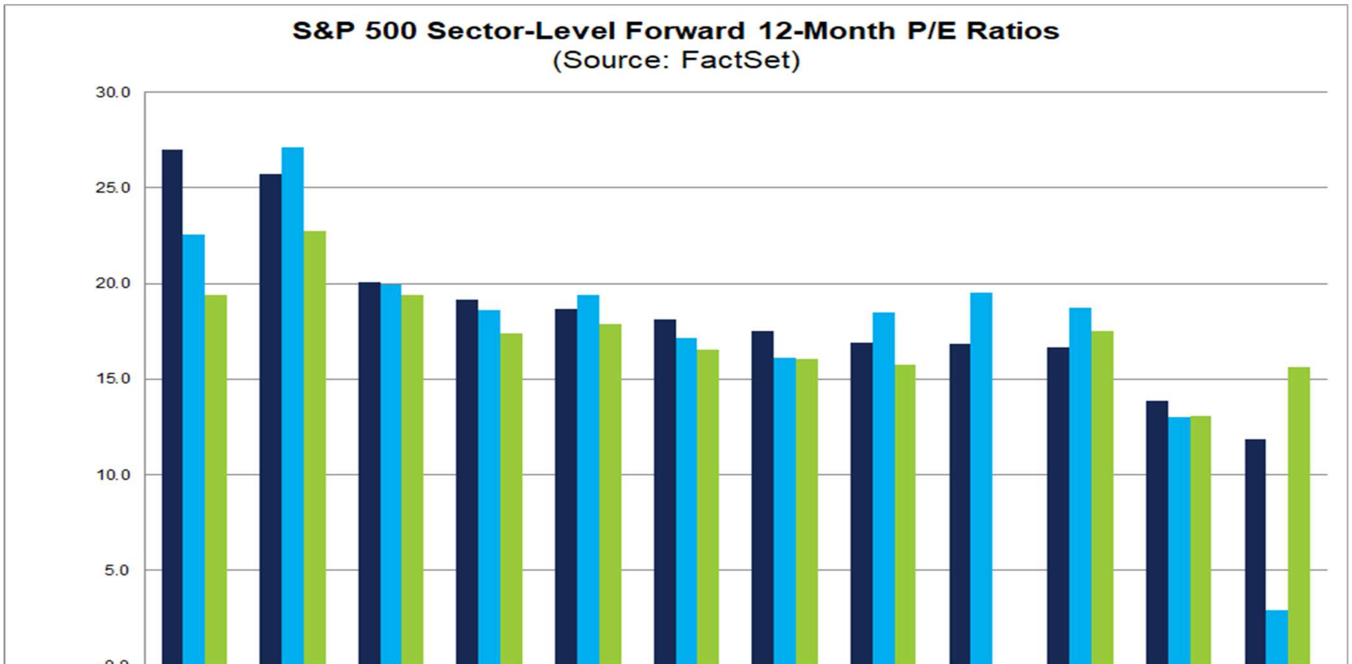


Bottom-Up EPS Estimates: Current & Historical

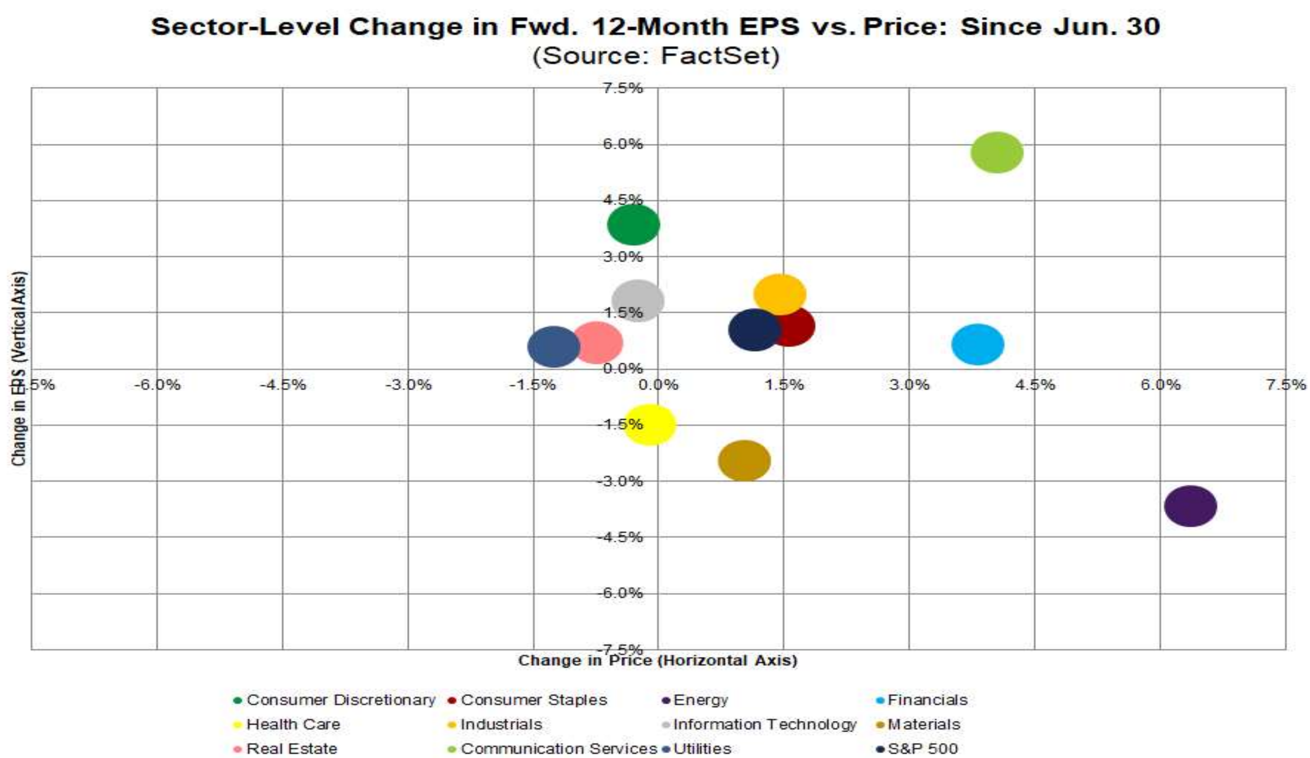




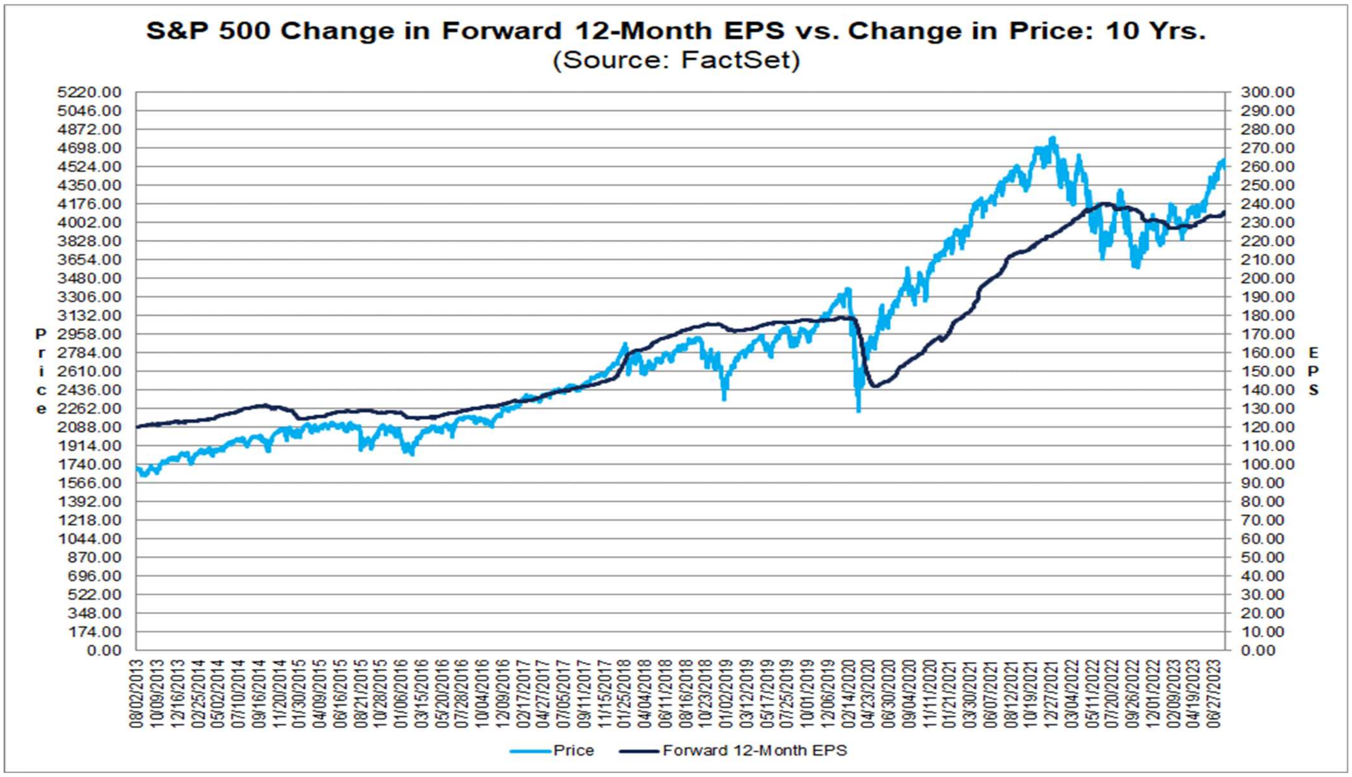
Forward 12M P/E Ratio: Sector Level

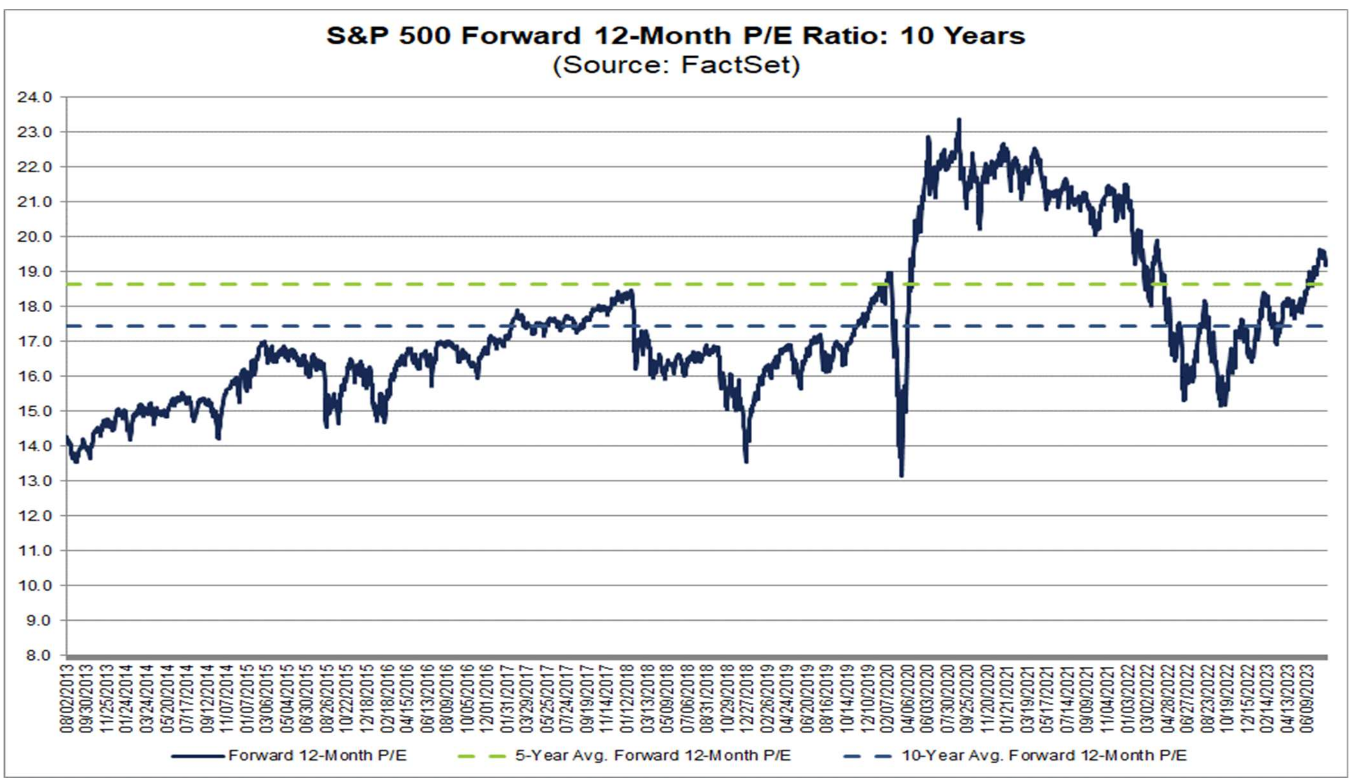


	Info. Technology	Consumer Disc.	Consumer Staples	S&P 500	Industrials	Materials	Health Care	Comm. Services	Real Estate	Utilities	Financials	Energy
Fwd P/E	27.0	25.7	20.0	19.2	18.7	18.1	17.5	16.9	16.8	16.6	13.9	11.9
5-Yr Avg.	22.6	27.1	19.9	18.6	19.4	17.2	16.1	18.5	19.5	18.7	13.0	2.9
10-Yr Avg.	19.4	22.8	19.4	17.4	17.9	16.6	16.1	15.7	0.0	17.5	13.1	15.6

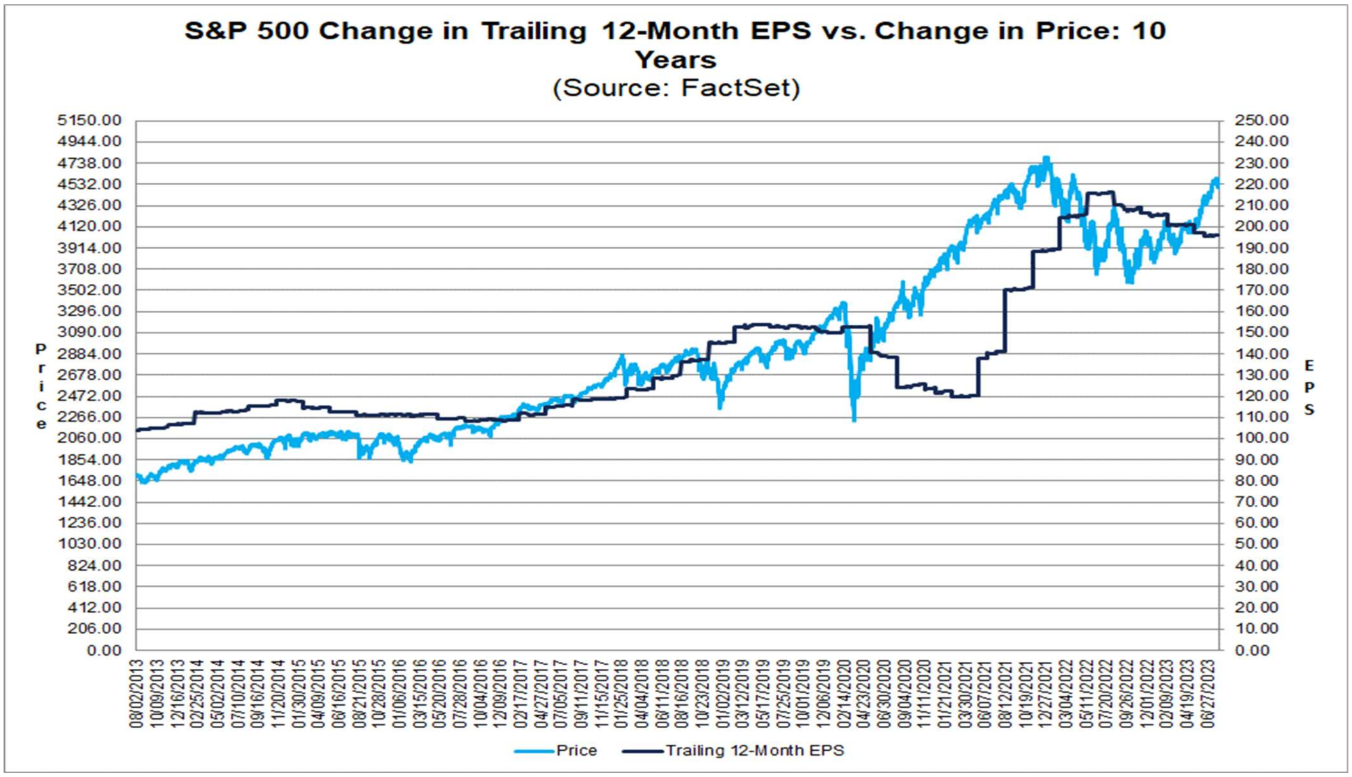


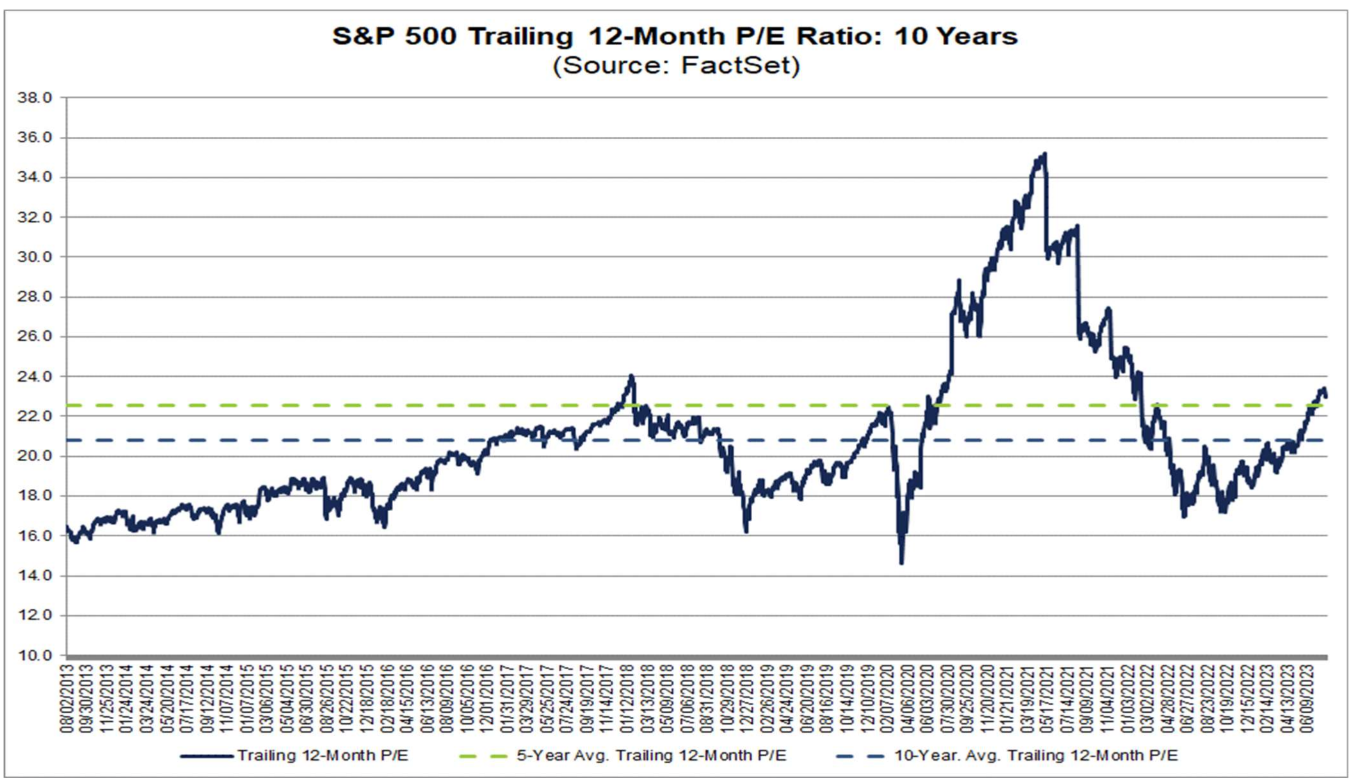
Forward 12M P/E Ratio: 10-Years





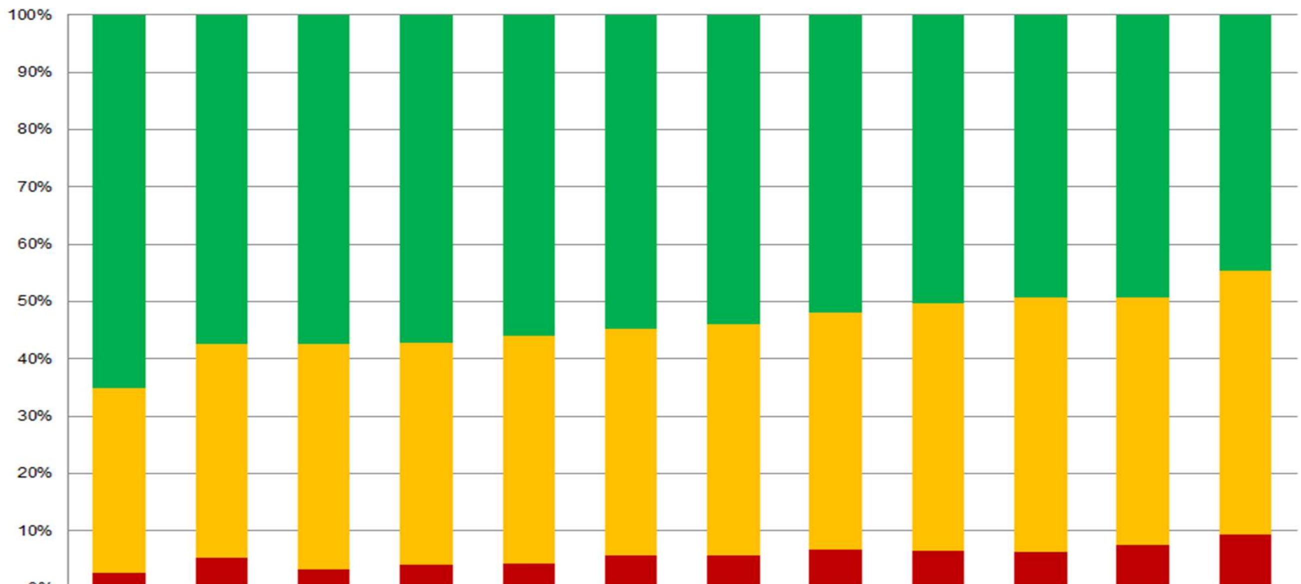
Trailing 12M P/E Ratio: 10-Years





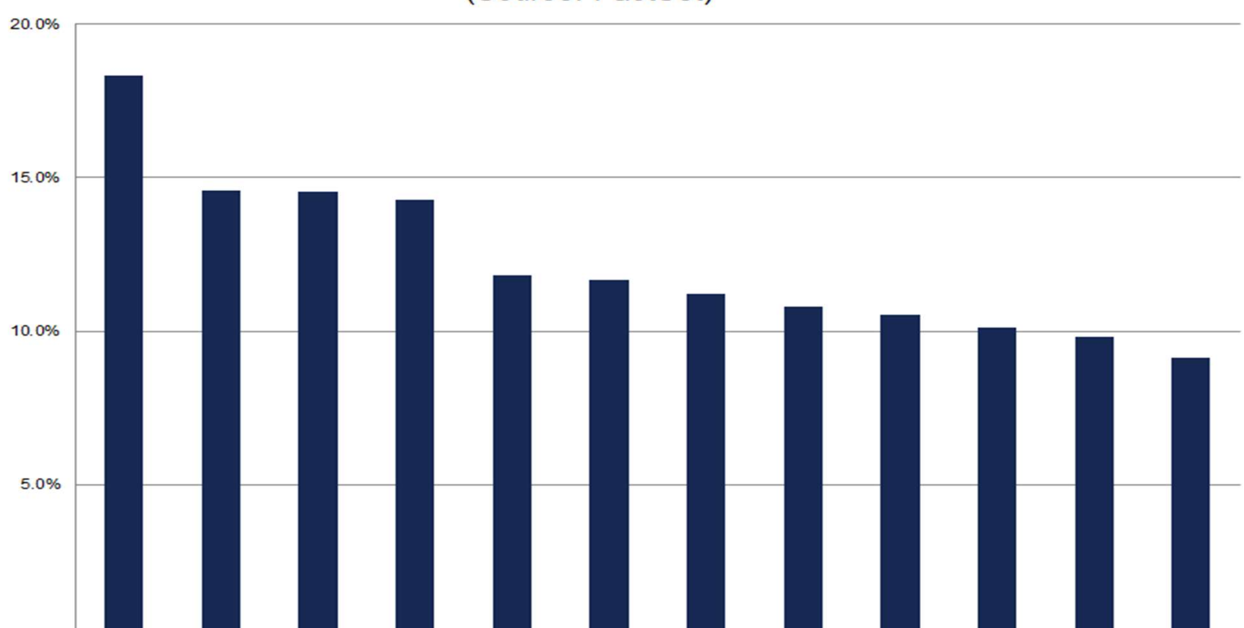
Targets & Ratings

S&P 500: Percentage of Buy, Hold, and Sell Ratings
(Source: FactSet)



	Energy	Comm. Services	Health Care	Info. Tech.	Real Estate	Consumer Disc.	S&P 500	Financials	Utilities	Materials	Industrials	Consumer Staples
Buy	65%	57%	57%	57%	56%	55%	54%	52%	50%	49%	49%	45%
Hold	32%	37%	39%	39%	40%	40%	40%	41%	43%	44%	43%	46%
Sell	3%	5%	3%	4%	4%	6%	6%	7%	7%	6%	8%	9%

S&P 500 Sector-Level Bottom-Up Target Price vs. Closing Price
(Source: FactSet)



	Comm. Services	Utilities	Real Estate	Health Care	S&P 500	Energy	Financials	Materials	Info. Tech.	Consumer Disc.	Consumer Staples	Industrials
Target/Close	18.3%	14.6%	14.6%	14.3%	11.8%	11.7%	11.2%	10.8%	10.5%	10.1%	9.8%	9.1%

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