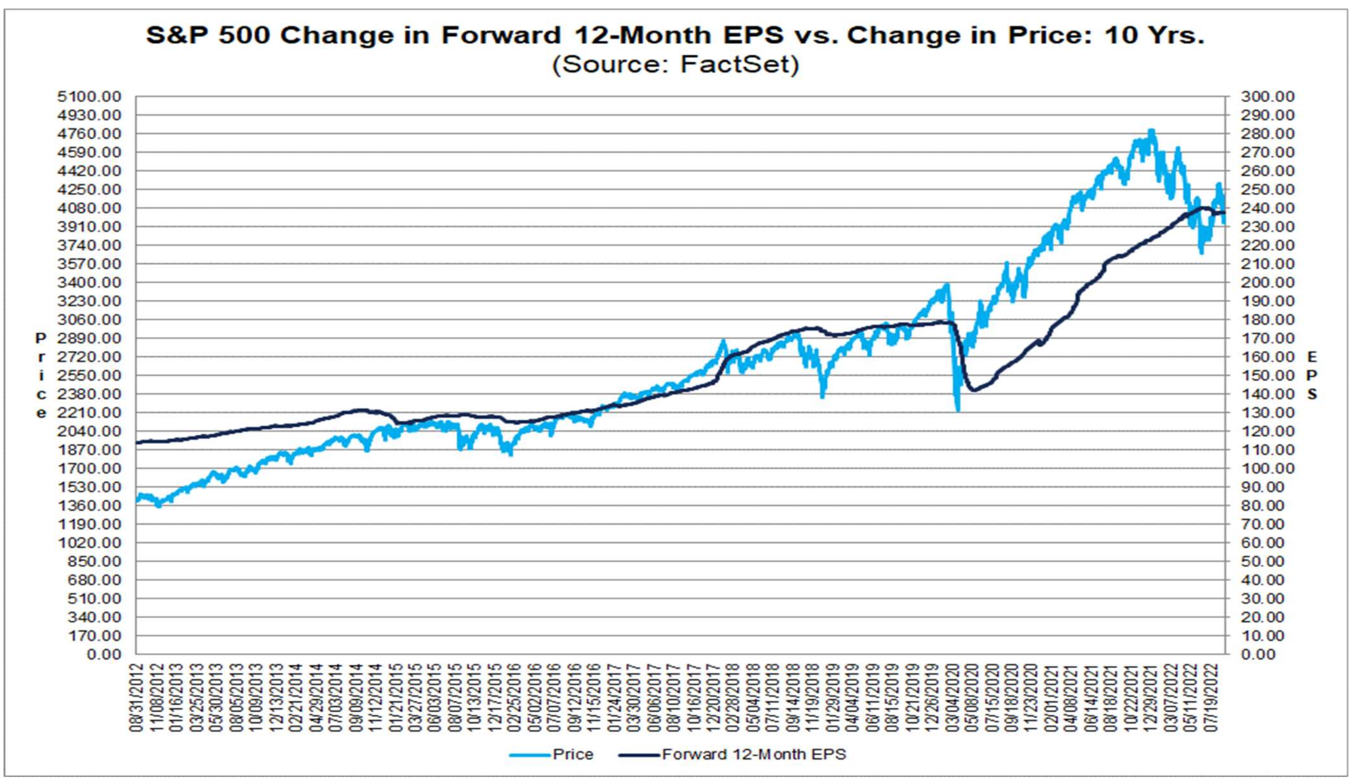
John Butters
VP, Senior Earnings Analyst
jbutters@factset.com

Media Questions/Requests
media_request@factset.com

September 2, 2022

Key Metrics

- **Earnings Scorecard:** For Q2 2022 (with >99% S&P 500 companies reporting actual results), 75% of S&P 500 companies have reported a positive EPS surprise and 70% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q2 2022, the blended earnings growth rate for the S&P 500 is 6.3%. This is the lowest earnings growth rate reported by the index since Q4 2020 (4.0%).
- **Earnings Revisions:** On June 30, the estimated earnings growth rate for Q2 2022 was 3.9%. Seven sectors are reporting (or have reported) higher earnings today (compared to June 30) due to upward revisions to EPS estimates and positive EPS surprises.
- **Earnings Guidance:** For Q3 2022, 62 S&P 500 companies have issued negative EPS guidance and 40 S&P 500 company has issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 16.7. This P/E ratio is below the 5-year average (18.6) and below the 10-year average (17.0).



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Topic of the Week:

Larger Cuts Than Average to EPS Estimates for S&P 500 Cos. in July & August for Q3

Given the decline in U.S. GDP in the first quarter and the second quarter, are analysts lowering EPS estimates more than normal for S&P 500 companies for the third quarter?

The answer is yes. During the months of July and August, analysts lowered EPS estimates for the third quarter by a larger margin than average. The Q3 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for Q3 for all the companies in the index) decreased by 5.4% (to $56.21 from $59.44) from June 30 to August 31.

In a typical quarter, analysts usually reduce earnings estimates during the first two months of a quarter. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 1.9%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 2.7%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 3.5%. During the past 20 years (80 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 2.9%.

Thus, the decline in the bottom-up EPS estimate recorded during the first two months of the third quarter was larger than the 5-year average, the 10-year average, the 15-year average, and the 20-year average. The third quarter also marked the largest decrease in the bottom-up EPS estimate during the first two months of a quarter since Q2 2020 (-35.9%).

At the sector level, nine of the eleven sectors witnessed a decrease in their bottom-up EPS estimate for Q3 2022 from June 30 to August 31, led by the Communication Services (-12.8%) and Information Technology (-9.1%) sectors. On the other hand, two sectors recorded an increase in their bottom-up EPS estimate for Q3 2022 during this period, led by the Energy (+9.6%) sector.

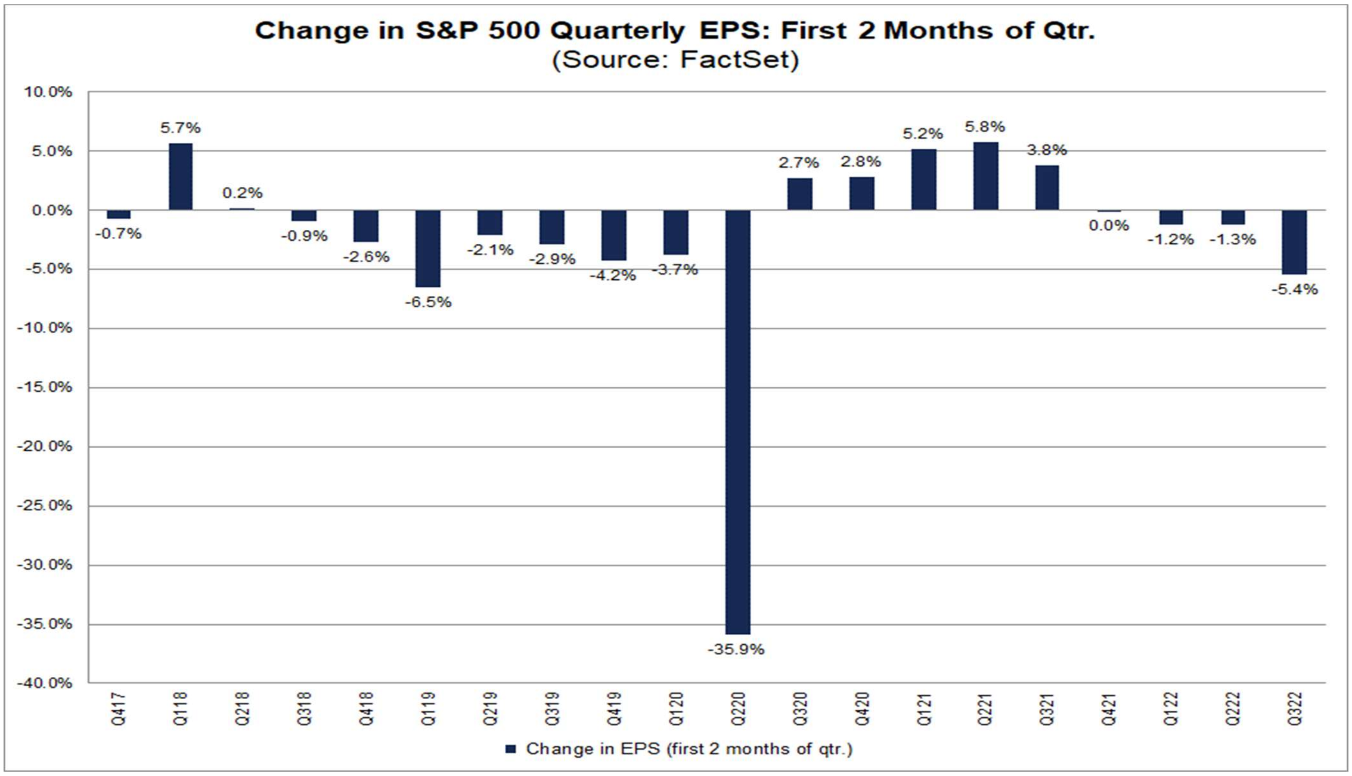
While analysts were decreasing EPS estimates in aggregate for the third quarter, they were also decreasing EPS estimates in aggregate for the fourth quarter. The bottom-up EPS estimate for the fourth quarter declined by 3.5% (to $58.60 from $60.73) from June 30 to August 31.

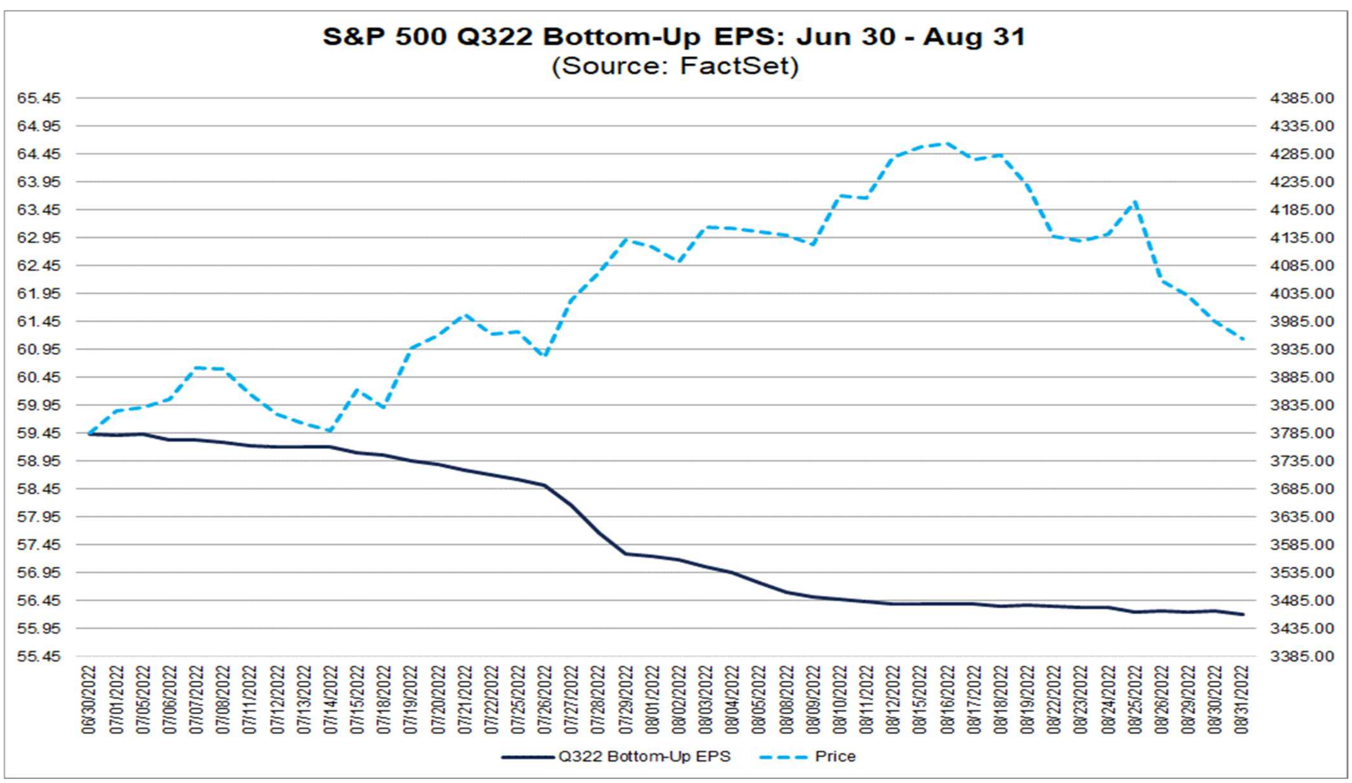
Given the decrease in the bottom-up EPS estimates for the third quarter and the fourth quarter, which was partially offset by the increase in the bottom-up EPS estimate for the second quarter (due to upward revisions to EPS estimates and positive EPS surprises) analysts also decreased EPS estimates for all of 2022 during this period. The CY 2022 bottom-up EPS estimate declined by 1.5% (to $226.15 from $229.60) from June 30 to August 31.

At the sector level, nine sectors witnessed a decrease in their bottom-up EPS estimate for CY 2022 from June 30 to August 31, led by the Communication Services (-8.3%) and Consumer Discretionary (-6.9%) sectors. On the other hand, two sectors witnessed an increase in their bottom-up EPS estimate for CY 2022 during this time, led by the Energy (+12.3%) sector.

In addition, analysts lowered earnings estimates for CY 2023 during this time, as the bottom-up EPS estimate for CY 2023 decreased by 2.8% (to $243.68 from $250.61) from June 30 to August 31.

It is interesting to note that the forward 12-month P/E ratio for the S&P 500 has increased to 16.7 from 15.8 since June 30, as the price of the index has increased by 4.8% while EPS estimates for CY 2022 and CY 2023 have decreased during this time.


Change in S&P 500 Quarterly EPS: First 2 Months of Qtr.
(Source: FactSet)
10.0%
5.0%
0.0%
-5.0%
-10.0%
-15.0%
-20.0%
-25.0%
-30.0%
-35.0%
-40.0%
-0.7%
5.7%
0.2%
-0.9%
-2.6%
-6.5%
-2.1%
-2.9%
-4.2%
-3.7%
-35.9%
2.7%
2.8%
5.2%
5.8%
3.8%
0.0%
-1.2%
-1.3%
-5.4%
Q417
Q118
Q218
Q318
Q418
Q119
Q219
Q319
Q419
Q120
Q220
Q320
Q420
Q121
Q221
Q321
Q421
Q122
Q222
Q322
Change in EPS (first 2 months of qtr.)


S&P 500 Q322 Bottom-Up EPS: Jun 30 - Aug 31
(Source: FactSet)
65.45
64.95
64.45
63.95
63.45
62.95
62.45
61.95
61.45
60.95
60.45
59.95
59.45
58.95
58.45
57.95
57.45
56.95
56.45
55.95
55.45
4385.00
4335.00
4285.00
4235.00
4185.00
4135.00
4085.00
4035.00
3985.00
3935.00
3885.00
3835.00
3785.00
3735.00
3685.00
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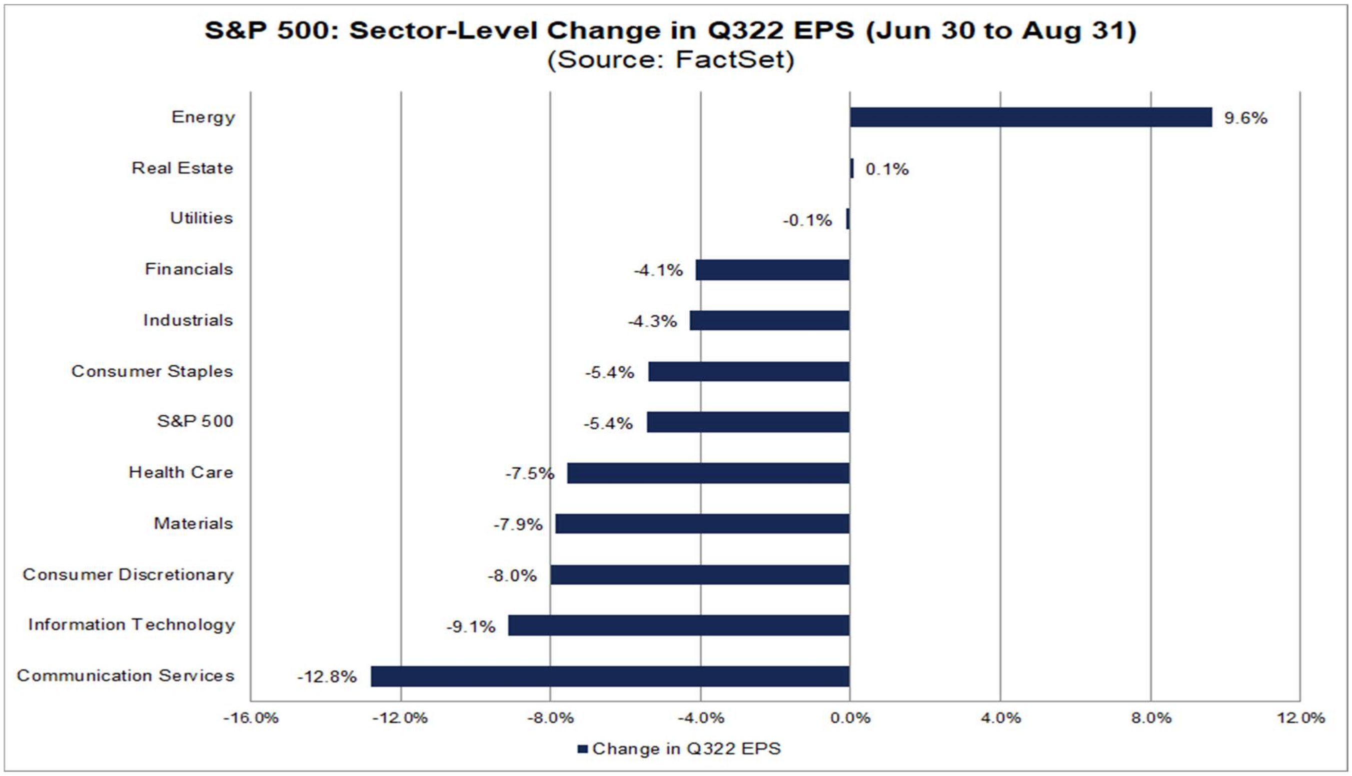
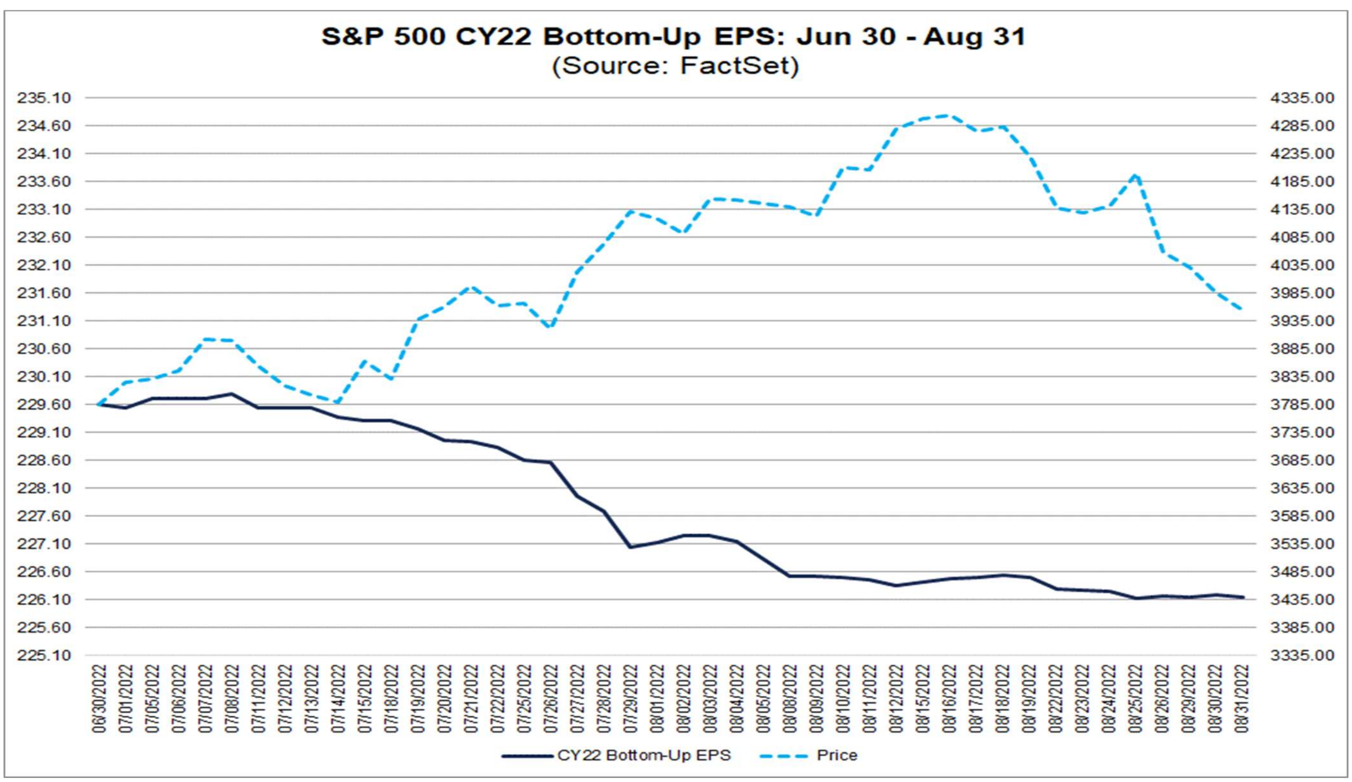
3585.00
3535.00
3485.00
3435.00
3385.00
Q322 Bottom-Up EPS
Price


S&P 500: Sector-Level Change in Q322 EPS (Jun 30 to Aug 31)
(Source: FactSet)
Energy
Real Estate
Utilities
Financials
Industrials
Consumer Staples
S&P 500
Health Care
Materials
Consumer Discretionary
Information Technology
Communication Services
9.6%
0.1%
-0.1%
-4.1%
-4.3%
-5.4%
-5.4%
-7.5%
-7.9%
-8.0%
-9.1%
-12.8%
-16.0%
-12.0%
-8.0%
-4.0%
0.0%
4.0%
8.0%
12.0%
Change in Q322 EPS


S&P 500 CY22 Bottom-Up EPS: Jun 30 - Aug 31
(Source: FactSet)
235.10
234.60
234.10
233.60
233.10
232.60
232.10
231.60
231.10
230.60
230.10
229.60
229.10
228.60
228.10
227.60
227.10
226.60
226.10
225.60
225.10
4335.00
4285.00
4235.00
4185.00
4135.00
4085.00
4035.00
3985.00
3935.00
3885.00
3835.00
3785.00
3735.00
3685.00
3635.00
3585.00
3535.00
3485.00
3435.00
3385.00
3335.00
06/30/2022
07/01/2022
07/05/2022
07/06/2022
07/07/2022
07/08/2022
07/11/2022
07/12/2022
07/13/2022
07/14/2022
07/15/2022
07/18/2022
07/19/2022
07/20/2022
07/21/2022
07/22/2022
07/25/2022
07/26/2022
07/27/2022
07/28/2022
07/29/2022
08/01/2022
08/02/2022
08/03/2022
08/04/2022
08/05/2022
08/08/2022
08/09/2022
08/10/2022
08/11/2022
08/12/2022
08/15/2022
08/16/2022
08/17/2022
08/18/2022
08/19/2022
08/22/2022
08/23/2022
08/24/2022
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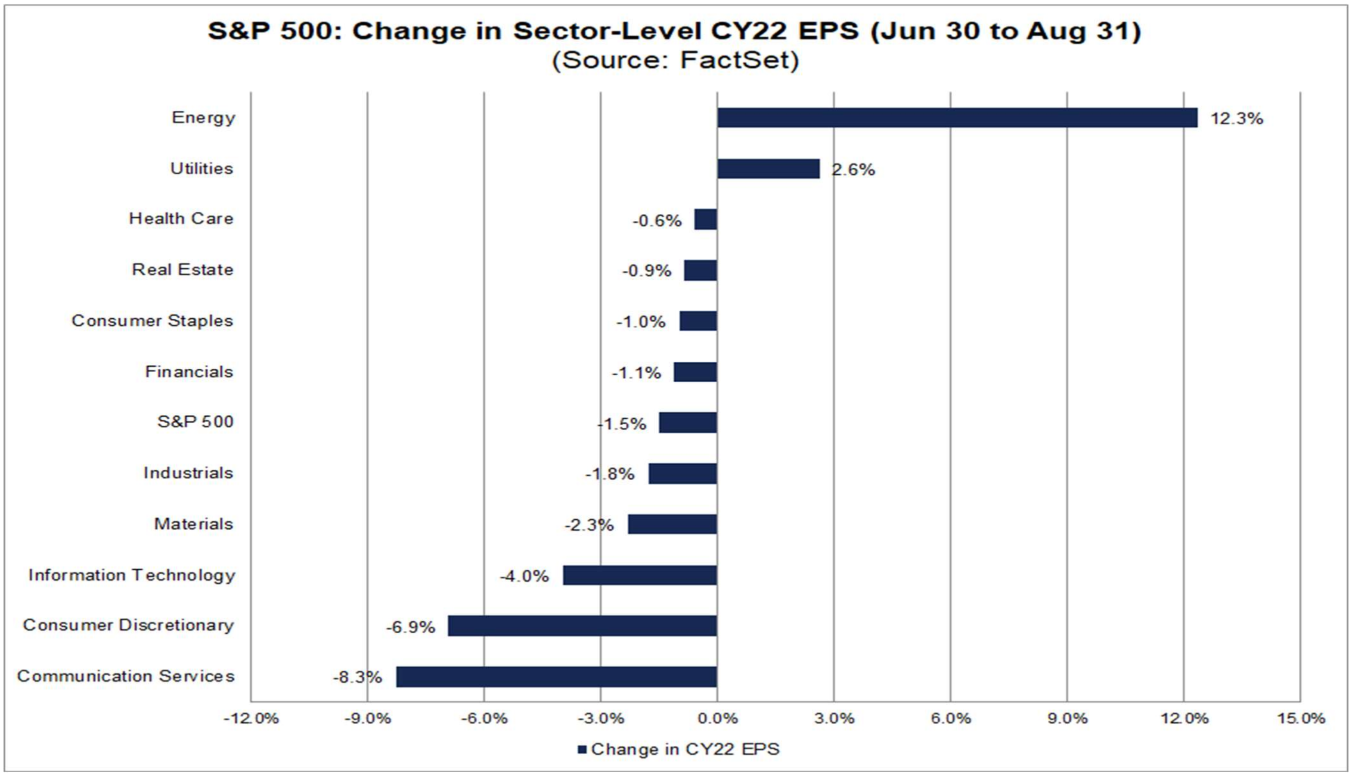
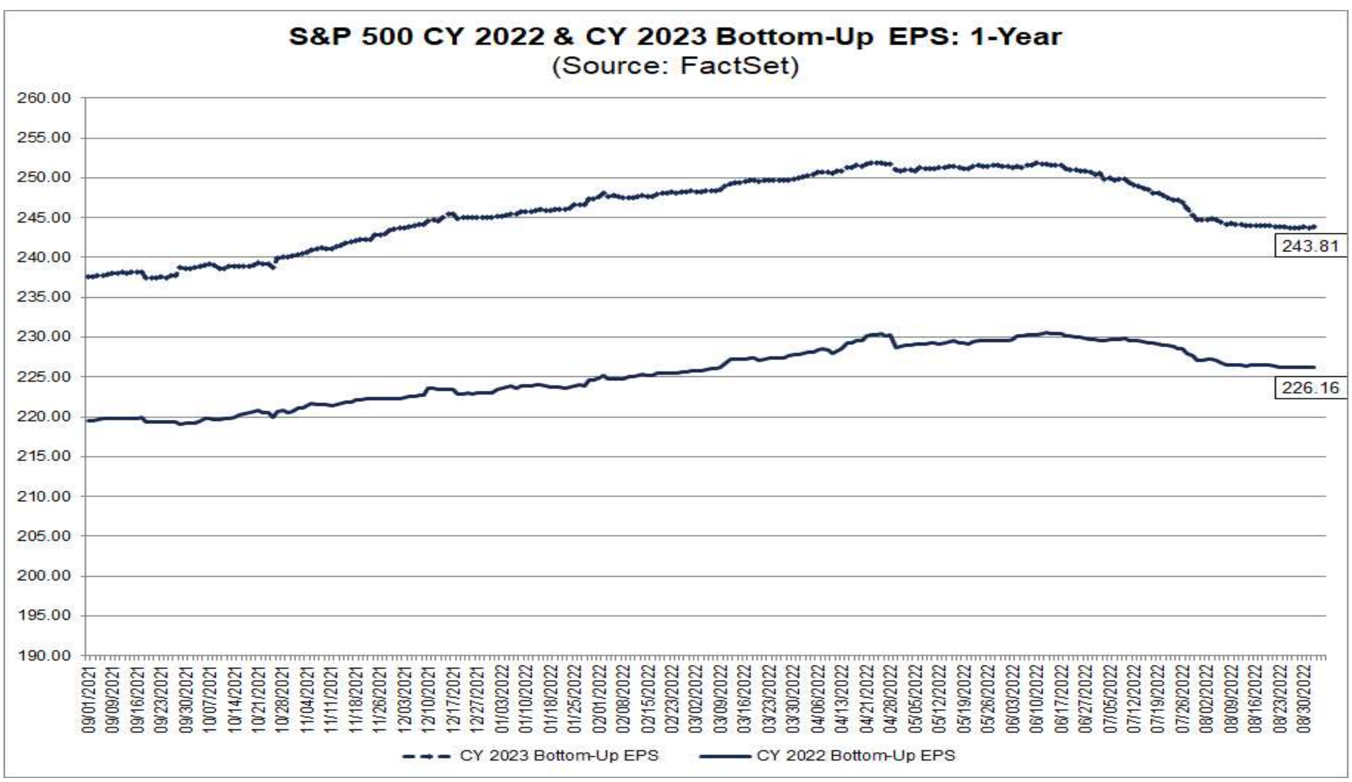
08/26/2022
08/29/2022
08/30/2022
08/31/2022
CY22 Bottom-Up EPS
Price


S&P 500: Change in Sector-Level CY22 EPS (Jun 30 to Aug 31)
(Source: FactSet)
Energy 12.3%
Utilities 2.6%
Health Care -0.6%
Real Estate -0.9%
Consumer Staples -1.0%
Financials -1.1%
S&P 500 -1.5%
Industrials -1.8%
Materials -2.3%
Information Technology -4.0%
Consumer Discretionary -6.9%
Communication Services -8.3%
-12.0% -9.0% -6.0% -3.0% 0.0% 3.0% 6.0% 9.0% 12.0% 15.0%
Change in CY22 EPS


S&P 500 CY 2022 & CY 2023 Bottom-Up EPS: 1-Year
(Source: FactSet)
260.00
255.00
250.00
245.00
240.00
235.00
230.00
225.00
220.00
215.00
210.00
205.00
200.00
195.00
190.00
243.81
226.16
CY 2023 Bottom-Up EPS
CY 2022 Bottom-Up EPS

Q2 Earnings Season: By The Numbers

Overview

The number of S&P 500 companies that reported positive earnings surprises for Q2 2022 and the magnitude of earnings surprises will finish below their 5-year averages. On a year-over-year basis, the S&P 500 reported its lowest earnings growth since Q4 2020. The lower earnings growth rate for Q2 2022 relative to recent quarters can be attributed to both a difficult comparison to unusually high earnings growth in Q2 2021 and continuing macroeconomic headwinds.

Overall, more than 99% of the companies in the S&P 500 have reported actual results for Q2 2022 to date. Of these companies, 75% have reported actual EPS above estimates, which is below the 5-year average of 77%. In aggregate, companies reported earnings that were 3.4% above estimates, which is also below the 5-year average of 8.8%. This quarter marked the lowest earnings surprise percentage reported by the index since Q1 2020 (1.1%).

Despite the below-average performance relative to earnings estimates, the index will finish the earnings season with a higher earnings growth rate for Q2 2022 relative to the end of the quarter (June 30). 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 6.3% today, compared to an earnings growth rate of 3.9% at the end of the second quarter (June 30). Upward revisions to EPS estimates and positive earnings surprises for companies in the Energy sector were the largest contributors to the overall increase in the earnings growth rate for the index since the end of the second quarter (June 30).

The second quarter marked the lowest earnings growth rate reported by the index since Q4 2020 (4.0%). Seven of the eleven sectors are reporting (or have reported) year-over-year earnings growth, led by the Energy and Industrials sectors. On the other hand, four sectors are reporting (or have reported) a year-over-year decline in earnings, led by the Financials, Consumer Discretionary, and Communication Services sectors.

In terms of revenues, 70% of S&P 500 companies reported actual revenues above estimates, which is above the 5-year average of 69%. In aggregate, companies reported revenues that were 3.2% above the estimates, which is also above the 5-year average of 1.8%. This quarter marked the third-highest revenue surprise percentage reported by the index since FactSet began tracking this metric in 2008.

The index will also finish the earnings season with a higher revenue growth rate for Q2 2022 relative to the end of the quarter. The blended revenue growth rate for the second quarter is 13.9% today, compared to a revenue growth rate of 10.1% at the end of the second quarter (June 30). Again, upward revisions to revenue estimates and positive revenue surprises for companies in the Energy sector were the largest contributors to the overall increase in the revenue growth rate for the index since the end of the quarter (June 30).

The second quarter marked the sixth-straight quarter of year-over-year revenue growth above 10% for the index. All eleven sectors are reporting (or have reported) year-over-year growth in revenues, led by the Energy sector.

Looking ahead, analysts expect earnings growth of 3.8% for Q3 2022 and 4.9% for Q4 2022. For CY 2022, analysts are predicting earnings growth of 7.9%.

The forward 12-month P/E ratio is 16.7, which is below the 5-year average (18.6) and below the 10-year average (17.0). However, it is above the forward P/E ratio of 15.8 recorded at the end of the second quarter (June 30), as the price of the index has increased while the forward EPS estimate has decreased since June 30.

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

Scorecard: Below-Average Performance for EPS, But Above-Average Performance for Revenues

Percentage of Companies Beating EPS Estimates (75%) is Below 5-Year Average

Overall, more than 99% of the companies in the S&P 500 have reported earnings to date for the second quarter. Of these companies, 75% have reported actual EPS above the mean EPS estimate, 5% have reported actual EPS equal to the mean EPS estimate, and 20% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is below the 1-year average (81%) and below the 5-year average (77%), but above the 10-year average (72%).

At the sector level, the Energy (90%) and Information Technology (87%) sectors had the highest percentages of companies reporting earnings above estimates, while the Communication Services (50%) sector had the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (+3.4%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 3.4% above expectations. This surprise percentage is below the 1-year average (+9.8%), below the 5-year average (+8.8%), and below the 10-year average (6.5%). This quarter marked the lowest earnings surprise percentage reporting by the index since Q1 2020 (+1.1%).

The Utilities (+9.9%) sector reported the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, NRG Energy ($2.74 vs. $0.25), Entergy ($1.78 vs. $1.37), and Southern Company ($1.07 vs. $0.84) reported the largest positive EPS surprises.

The Energy (+9.1%) sector reported the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Schlumberger ($0.50 vs. $0.40), Valero Energy ($11.36 vs. $9.26), and Marathon Petroleum ($10.61 vs. $8.91) reported the largest positive EPS surprises.

The Health Care (+8.0%) sector reported the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Hologic ($0.95 vs. $0.71), Biogen ($5.25 vs. $4.06), Incyte Corporation ($0.72 vs. $0.56), and Abbott Laboratories ($1.43 vs. $1.14) reported the largest positive EPS surprises.

The Communication Services (-5.5%) sector reported the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Warner Bros. Discovery (-$0.83 vs. $0.08), Twitter (-$0.08 vs. $0.14), T-Mobile (-$0.09 vs. $0.22), and Match Group (-$0.11 vs. $0.57) reported the largest negative EPS surprises.

The Consumer Discretionary (-5.2%) sector reported the second-largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Caesars Entertainment (-$0.57 vs. $0.18) and Amazon.com (-$0.20 vs. $0.12) reported the largest negative EPS surprises. It should be noted that the GAAP EPS number for Amazon.com of -$0.20 included a pre-tax (valuation) loss of $3.9 billion. The majority of analysts provide estimates for Amazon.com on a GAAP basis.

Market Rewarded Positive EPS Surprises More Than Average

During the Q2 earnings season, the market rewarded positive earnings surprises more than average and punished negative earnings surprises less than average.

Companies that have reported positive earnings surprises for Q2 2022 have seen an average price increase of +1.9% two days before the earnings release through two days after the earnings release. This percentage increase is well above the 5-year average price increase of +0.8% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q2 2022 have seen an average price decrease of -0.1% two days before the earnings release through two days after the earnings. This percentage decline is well below the 5-year average price decrease of -2.4% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (70%) is Above 5-Year Average

In terms of revenues, 70% of companies have reported actual revenues above the mean revenue estimate and 30% of companies have reported actual revenues below the mean revenue estimate. The percentage of companies reporting revenues above estimates is below the 1-year average (78%), but above the 5-year average (69%) and above the 10-year average (61%). This quarter marked the lowest percentage of S&P 500 companies reporting a positive revenue surprise since Q2 2020 (65%).

At the sector level, the Utilities (93%) and Energy (86%) sectors had the highest percentages of companies reporting revenues above estimates, while the Communication Services (54%) and Financials (57%) sectors had the lowest percentages of companies reporting revenues above estimates.

Revenue Surprise Percentage (+3.2%) is Above 5-Year Average

In aggregate, companies are reporting revenues that are 3.2% above expectations. This surprise percentage is equal to the 1-year average (+3.2%), but above the 5-year average (+1.8%) and above the 10-year average (1.1%). This quarter marked the third-highest revenue surprise percentage reported by the index since FactSet began tracking this metric in 2008.

At the sector level, the Utilities (+15.9%) and Energy (+14.4%) sectors reported the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Communication Services (+0.1%), Information Technology (+0.1%), and Industrials (+0.2%) sectors reported the smallest positive (aggregate) difference between actual revenues and estimated revenues.

Revisions: Increase in Earnings and Revenue Growth for Q2 Due to Energy Sector

Energy Sector Has Seen Largest Increase in Earnings since June 30

The blended (year-over-year) earnings growth rate for Q2 2022 of 6.3% is larger than the estimate of 3.9% at the end of the second quarter (June 30). Seven sectors have recorded an increase in their earnings growth rate since the end of the quarter due to upward revisions to earnings estimates and positive earnings surprises, led by the Energy (to 293.0% from 218.4%) sector. The Energy sector has also been the largest contributor to the increase in the earnings growth rate for the index during this period. On the other hand, four sectors have recorded a decrease in their earnings growth rate or an increase in their earnings decline during this period, led by the Consumer Discretionary (to -18.1% from -9.4%) sector.

In the Energy sector, upward revisions to EPS estimates and positive EPS surprises for Exxon Mobil ($4.14 vs. $3.94), Marathon Petroleum (to $10.61 vs $8.91), Chevron ($5.82 vs. $5.08), and Valero Energy (to $11.36 from $9.26) were the largest contributors to the increase in the overall earnings growth rate for the index since June 30. As a result, the blended earnings growth rate for the Energy sector increased to 293.0% from 218.4% during this period.

Energy Sector Has Seen Largest Increase in Revenues since June 30

The blended (year-over-year) revenue growth rate for Q2 2022 of 13.9% is larger than the estimate of 10.1% at the end of the second quarter (June 30). Ten sectors have recorded an increase in revenue growth since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Energy (to 77.5% from 44.7%) and Utilities (to 16.3% from 1.3%) sectors. The Energy sector has also been the largest contributor to the increase in the revenue growth rate for the index during this period. On the other hand, the Information Technology (to 7.2% from 7.7%) sector is the only sector that has recorded a decrease in its revenue growth rate since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises.

Earnings Growth: 6.3%

The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report), year-over-year earnings growth rate for Q2 2022 is 6.3%, which is below the 5-year average earnings growth rate of 14.8% and below the 10-year average earnings growth rate of 8.9%. This quarter marked the lowest (year-over-year) earnings growth rate reported by the index since Q4 2020 (4.0%).

The lower earnings growth rate for Q2 2022 relative to recent quarters can be attributed to both a difficult comparison to unusually high earnings growth in Q2 2021 and continuing macroeconomic headwinds. In Q2 2021, the S&P 500 reported (year-over-year) earnings growth of 91.7%, which is the second-highest year-over-year earnings growth rate reported by the index since 2008. Companies also continue to face macroeconomic headwinds, including higher costs, supply chain disruptions, labor shortages, and the military conflict in Ukraine. During the earnings season for Q1 2022, 85% of S&P 500 companies cited “inflation” on their earnings calls from March 15 to June 14, while 74% of S&P 500 companies cited “supply chain” on their earnings calls from March 15 to June 14. These are the highest percentages of S&P 500 companies citing “inflation” and “supply chain” on earnings calls going back to at least 2010.

Seven of the eleven sectors are reporting (or have reported) year-over-year earnings growth, led by the Energy and Industrials sectors. On the other hand, four sectors are reporting (or have reported) a year-over-year decline in earnings, led by the Financials, Consumer Discretionary, and Communication Services sectors.

Energy: Largest Contributor to Year-Over-Year Earnings Growth for S&P 500 For Q2

The Energy sector reported the highest (year-over-year) earnings growth of all eleven sectors at 293.0%. Higher year-over-year oil prices contributed to the large year-over-year improvement in earnings for this sector, as the average price of oil in Q2 2022 ($108.52) was 64% above the average price for oil in Q2 2021 ($66.17). At the sub-industry level, all five sub-industries in the sector reported a year-over-year increase in earnings of 25% or more. Three of these five sub-industries reported a year-over-year increase in earnings of 215% or more: Oil & Gas Refining & Marketing (1,260%), Integrated Oil & Gas (283%), and Oil & Gas Exploration & Production (217%).

The Energy sector is also the largest contributor to earnings growth for the S&P 500 for the second quarter. If this sector were excluded, the index would be reporting a decline in earnings of 4.0% rather than growth in earnings of 6.3%.

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

The Industrials sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 27.0%. At the industry level, 11 of the 12 industries in the sector are reporting (or have reported) a year-over-year increase in earnings. A growth rate is not being calculated for the Airlines industry due to the loss reported by the industry in the year-ago quarter. However, this industry reported a profit of $2.9 billion in Q2 2022 compared to a loss of -$3.3 billion in Q2 2021. Nine of the remaining ten industries are reporting (or have reported) earnings growth at or above 10%: Trading Companies & Distributors (50%), Construction & Engineering (50%), Air Freight & Logistics (21%), Electrical Equipment (18%), Road & Rail (12%), Commercial Services & Supplies (12%), Machinery (11%), Professional Services (11%), and Industrial Conglomerates (10%). On the other hand, the Aerospace & Defense (-26%) industry is the only industry that reported a year-over-year decline in earnings.

At the industry level, the Airlines industry is the largest contributor to earnings growth for the sector. If the five companies in this industry were excluded, the blended earnings growth rate for the Industrials sector would fall to 6.1% from 27.0%.

Financials: Largest Detractor to Year-Over-Year Earnings Growth for S&P 500 For Q2

The Financials sector reported the largest (year-over-year) earnings decline of all eleven sectors at -22.9%. At the industry level, four of the five industries in this sector reported a year-over-year earnings decline of 20% or more: Consumer Finance (-33%), Banks (-28%), Insurance (-24%), and Capital Markets (-20%). Higher provisions for loan losses had a negative impact on earnings growth for companies in the Banks industry. On the other hand, the Diversified Financial Services (40%) industry is the only industry in the sector that reported (year-over-year) earnings growth.

The Financials sector is also the largest detractor to earnings growth for the S&P 500 for the second quarter. If this sector were excluded, the blended earnings growth rate for the index would improve to 13.2% from 6.3%.

Consumer Discretionary: Amazon Was Largest Contributor to Year-Over-Year Decline

The Consumer Discretionary sector reported the second-largest (year-over-year) earnings decline of all eleven sectors at -18.1%. At the industry level, 5 of the 10 industries in the sector reported a year-over-year decrease in earnings. Four of these five industries reported a double-digit decline in earnings: Internet & Direct Marketing Retail (-117%), Multiline Retail (-55%), Auto Components (-27%), and Textiles, Apparel, & Luxury Goods (-12%). On the other hand, five industries reported year-over-year earnings growth of 10% or more: Hotels, Restaurants, & Leisure (1,958%), Automobiles (41%), Household Durables (26%), Leisure Products (11%), and Distributors (10%).

At the company level, Amazon.com was the largest contributor to the decline in earnings for the sector. If this company were excluded, the Consumer Discretionary sector would be reporting earnings growth of 11.3% rather than an earnings decline of 18.1%.

Communication Services: 4 of 5 Industries Reported Year-Over-Year Decline

The Communication Services sector reported the third-largest (year-over-year) earnings decline of all eleven sectors at -16.2%. At the industry level, four of the five industries in this sector reported a year-over-year decline in earnings, led by the Wireless Telecommunication Services (-112%), Entertainment (-39%) and Interactive Media & Services (-22%) industries. On the other hand, the Media (13%) industry is the only industry that reported year-over-year earnings growth in the sector.

Revenue Growth: 13.9%

The blended, year-over-year revenue growth rate for Q2 2022 is 13.9%, which is above the 5-year average revenue growth rate of 7.4% and above the 10-year average revenue growth rate of 4.3%. The second quarter marked the sixth-straight quarter of (year-over-year) revenue growth above 10% for the index.

All eleven sectors are reporting (or have reported) year-over-year growth in revenues. Six sectors are reporting (or have reported) double-digit revenue growth, led by the Energy sector.

Energy: Largest Contributor to Year-Over-Year Revenue Growth for S&P 500 For Q2

The Energy sector reported the highest (year-over-year) revenue growth rate of all eleven sectors at 77.5%. Higher year-over-year oil prices contributed to the year-over-year improvement in earnings for this sector, as the average price of oil in Q2 2022 ($108.52) was 64% above the average price for oil in Q2 2021 ($66.17). At the sub-industry level, all five sub-industries in the sector reported (year-over-year) growth in revenues of more than 15%: Oil & Gas Exploration & Production (106%), Oil & Gas Refining & Marketing (84%), Integrated Oil & Gas (75%), Oil & Gas Storage & Transportation (55%), and Oil & Gas Equipment & Services (17%).

The Energy sector is also the largest contributor to revenue growth for the S&P 500 for the second quarter. If this sector were excluded, the blended revenue growth for the index would fall to 9.2% from 13.9%.

Net Profit Margin: 12.3%

The blended net profit margin for the S&P 500 for Q2 2022 is 12.3%, which is above the 5-year average of 11.2%, equal to the previous quarter's net profit margin of 12.3%, and below the year-ago net profit margin of 13.1%. The second quarter tied the mark (with Q1 2022) for the fifth-highest net profit margin reported by the index since FactSet began tracking this metric in 2008.

At the sector level, two sectors are reporting (or have reported) a year-over-year increase in their net profit margins in Q2 2022 compared to Q2 2021, led by the Energy (to 14.4% vs. 6.5%) sector. On the other hand, nine sectors are reporting (or have reported) a year-over-year decrease in their net profit margins in Q2 2022 compared to Q2 2021, led by the Financials (16.1% vs. 21.8%) sector.

Six sectors are reporting (or have reported) net profit margins in Q2 2022 that are above their 5-year averages, led by the Energy (14.4% vs. 6.1%) and Materials (14.2% vs. 10.3%) sectors. On the other hand, four sectors are reporting (or have reported) net profit margins in Q2 2022 that are below their 5-year averages, led by the Communication Services (10.7% vs. 11.7%) and Consumer Discretionary (5.7% vs. 6.6%) sectors. The Consumer Staples (6.5%) is reporting a net profit margin for Q2 2022 that is equal to its 5-year average.

Looking Ahead: Forward Estimates and Valuation

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

At this point in time, 102 companies in the index have issued EPS guidance for Q3 2022. Of these 102 companies, 62 have issued negative EPS guidance and 40 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q3 2022 is 61% (62 out of 102), which is slightly above the 5-year average of 60% but below the 10-year average of 67%.

At this point in time, 247 companies in the index have issued EPS guidance for their current fiscal year (FY 2022 or FY 2023). Of these 247 companies, 135 have issued negative EPS guidance and 112 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for their current fiscal year is 55% (135 out of 247).

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 8% for CY 2022

For the second quarter, S&P 500 companies are reporting earnings growth of 6.3% and revenue growth of 13.9%.

For Q3 2022, analysts are projecting earnings growth of 3.8% and revenue growth of 8.8%.

For Q4 2022, analysts are projecting earnings growth of 4.9% and revenue growth of 6.5%.

For CY 2022, analysts are projecting earnings growth of 7.9% and revenue growth of 10.8%.

Valuation: Forward P/E Ratio is 16.7, Below the 10-Year Average (17.0)

The forward 12-month P/E ratio for the S&P 500 is 16.7. This P/E ratio is below the 5-year average of 18.6 and below the 10-year average of 17.0. However, it is above the forward 12-month P/E ratio of 15.8 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 4.8%, while the forward 12-month EPS estimate has decreased by 0.9%. At the sector level, the Consumer Discretionary (25.3) sector has the highest forward 12-month P/E ratio, while the Energy (8.5) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 18.9, which is below the 5-year average of 22.9 and below the 10-year average of 20.3.

Targets & Ratings: Analysts Project 19.5% Increase in Price Over Next 12 Months

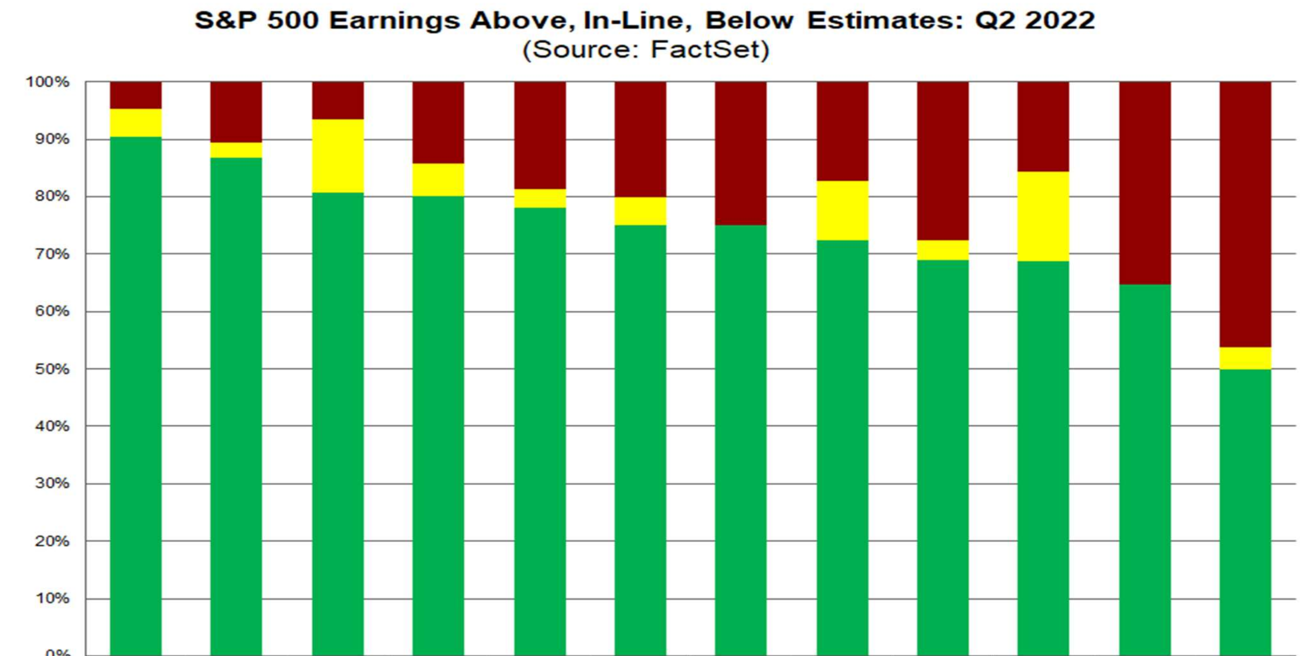
The bottom-up target price for the S&P 500 is 4739.07, which is 19.5% above the closing price of 3966.85.94. At the sector level, the Communication Services (+25.5%) and Information Technology (+24.1%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Utilities (+5.6%) sector is expected to see the smallest price increase, as this sector has the smallest upside difference between the bottom-up target price and the closing price.

Overall, there are 10,612 ratings on stocks in the S&P 500. Of these 10,612 ratings, 55.8% are Buy ratings, 38.5% are Hold ratings, and 5.7% are Sell ratings. At the sector level, the Energy (64%), Information Technology (63%) and Real Estate (62%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (40%) and Utilities (48%) sectors have the lowest percentages of Buy ratings.

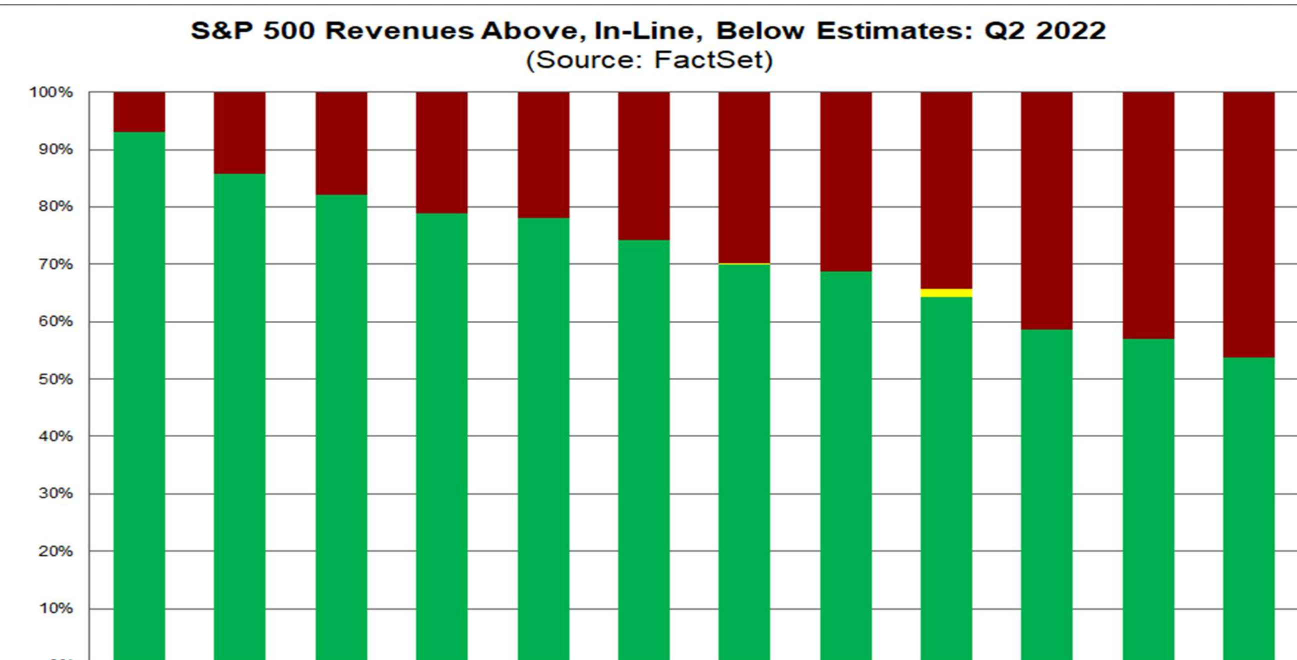
Companies Reporting Next Week: 2

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

Q2 2022: Scorecard

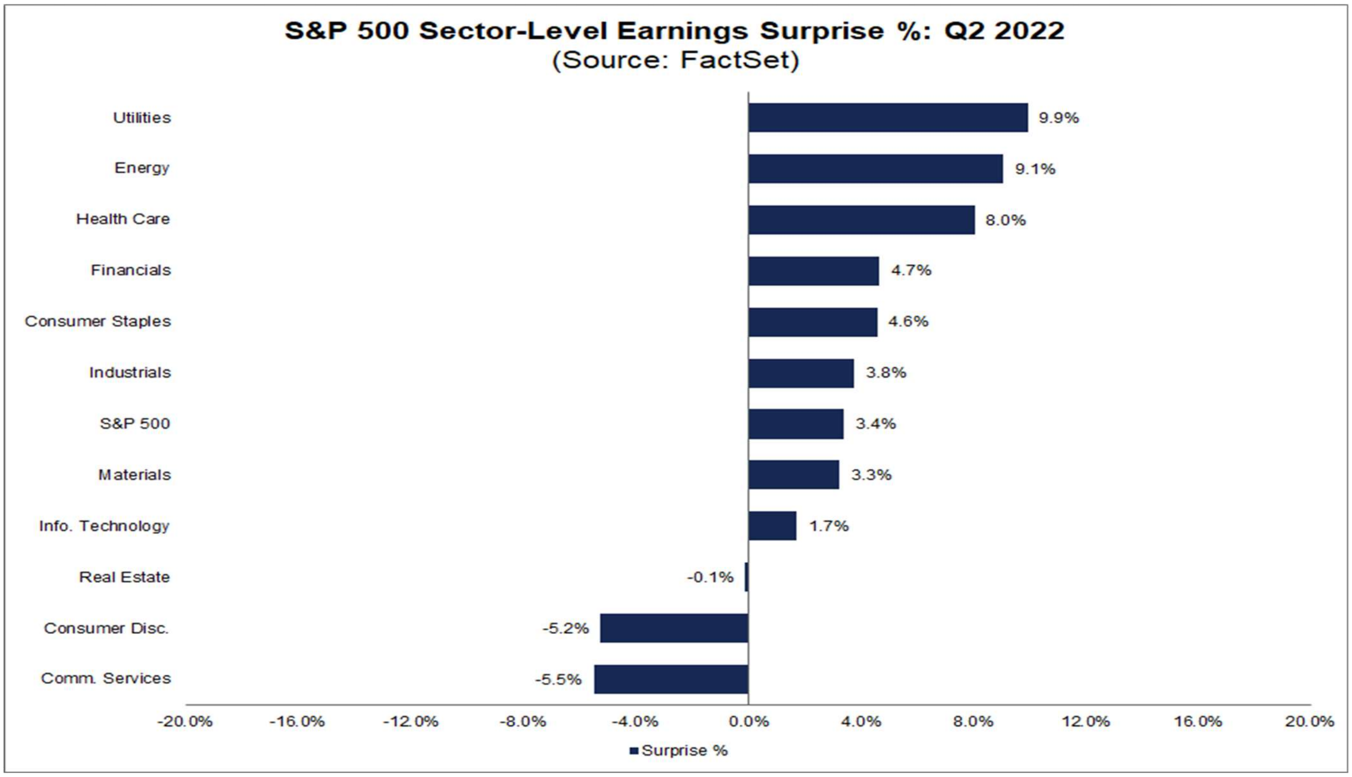


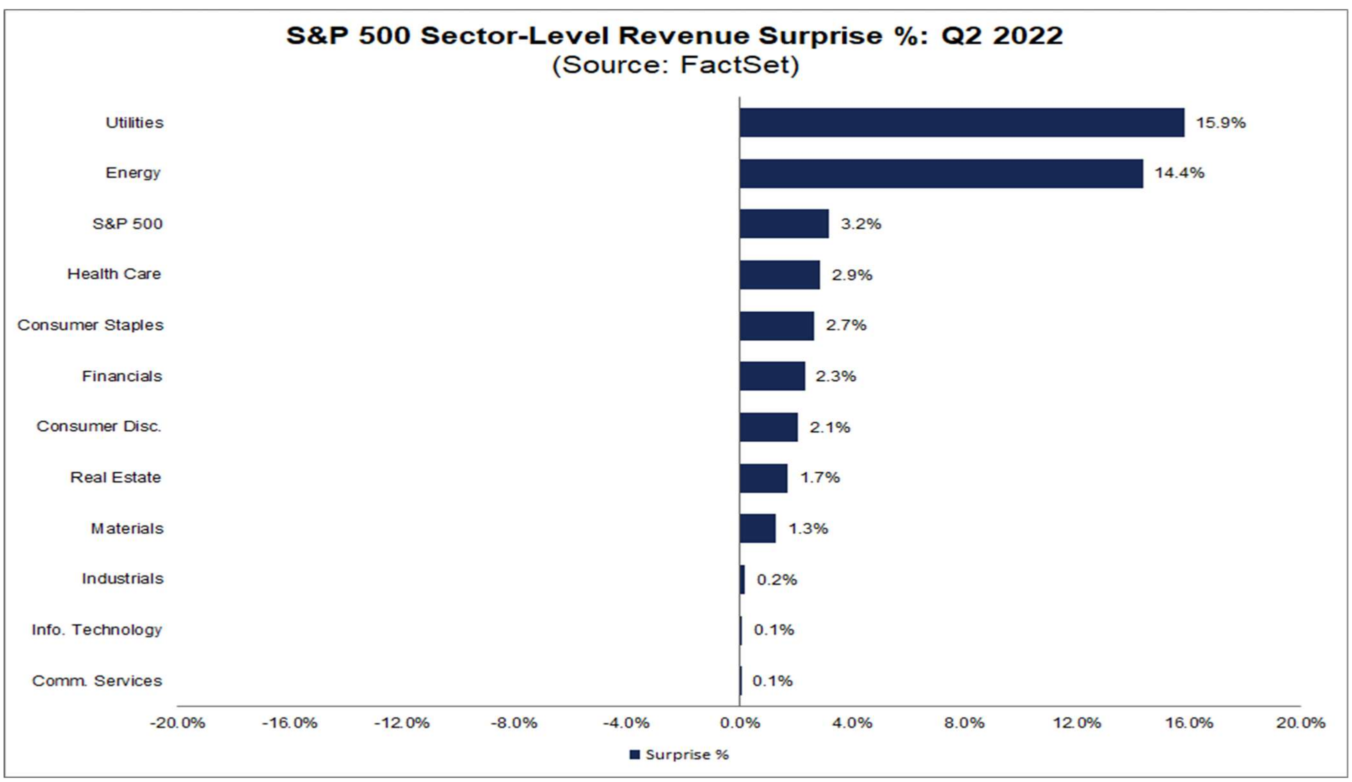
	Energy	Info. Technology	Real Estate	Industrials	Health Care	S&P 500	Materials	Utilities	Consumer Disc.	Consumer Staples	Financials	Comm. Services
Below	5%	11%	6%	14%	19%	20%	25%	17%	28%	16%	35%	46%
In-Line	5%	3%	13%	6%	3%	5%	0%	10%	3%	16%	0%	4%
Above	90%	87%	81%	80%	78%	75%	75%	72%	69%	69%	65%	50%



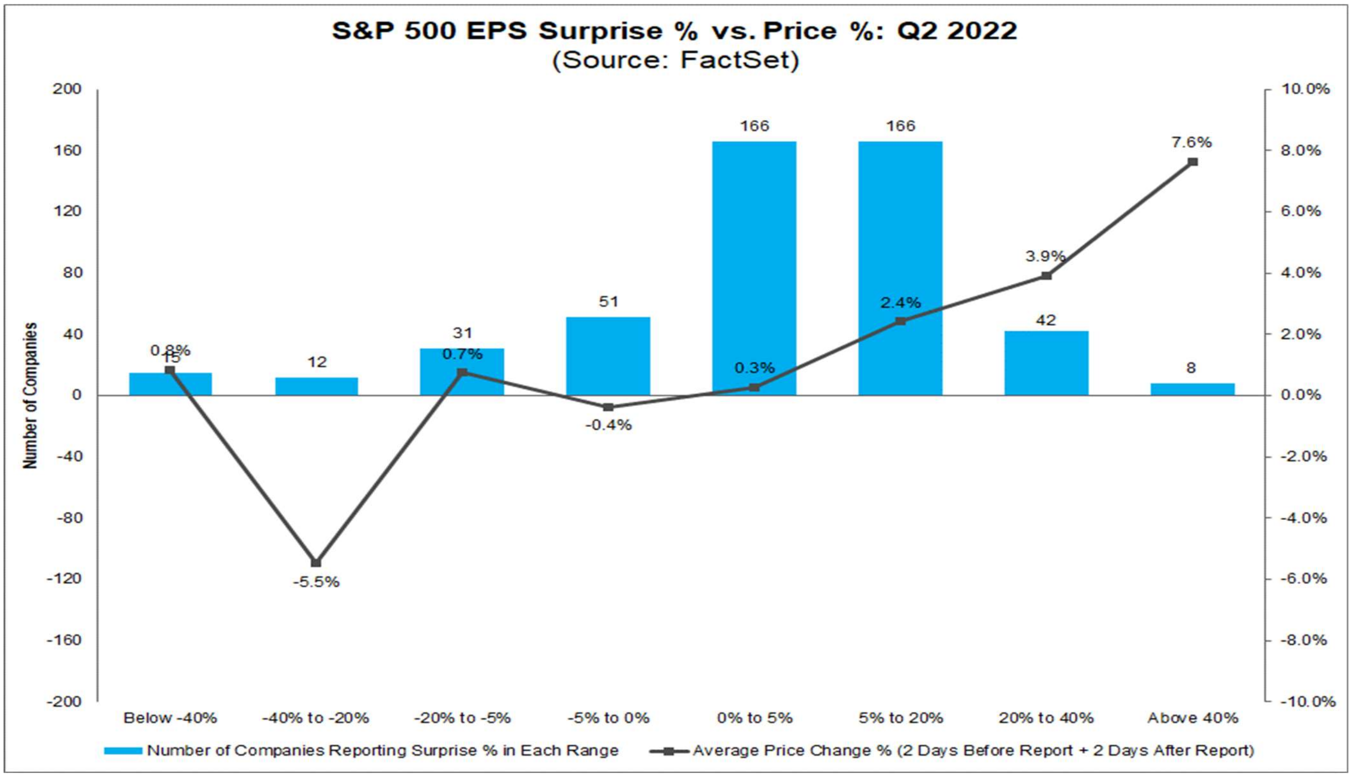
	Utilities	Energy	Materials	Info. Technology	Consumer Staples	Real Estate	S&P 500	Health Care	Industrials	Consumer Disc.	Financials	Comm. Services
Below	7%	14%	18%	21%	22%	26%	30%	31%	34%	41%	43%	46%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	1%	0%	0%	0%
Above	93%	86%	82%	79%	78%	74%	70%	69%	64%	59%	57%	54%

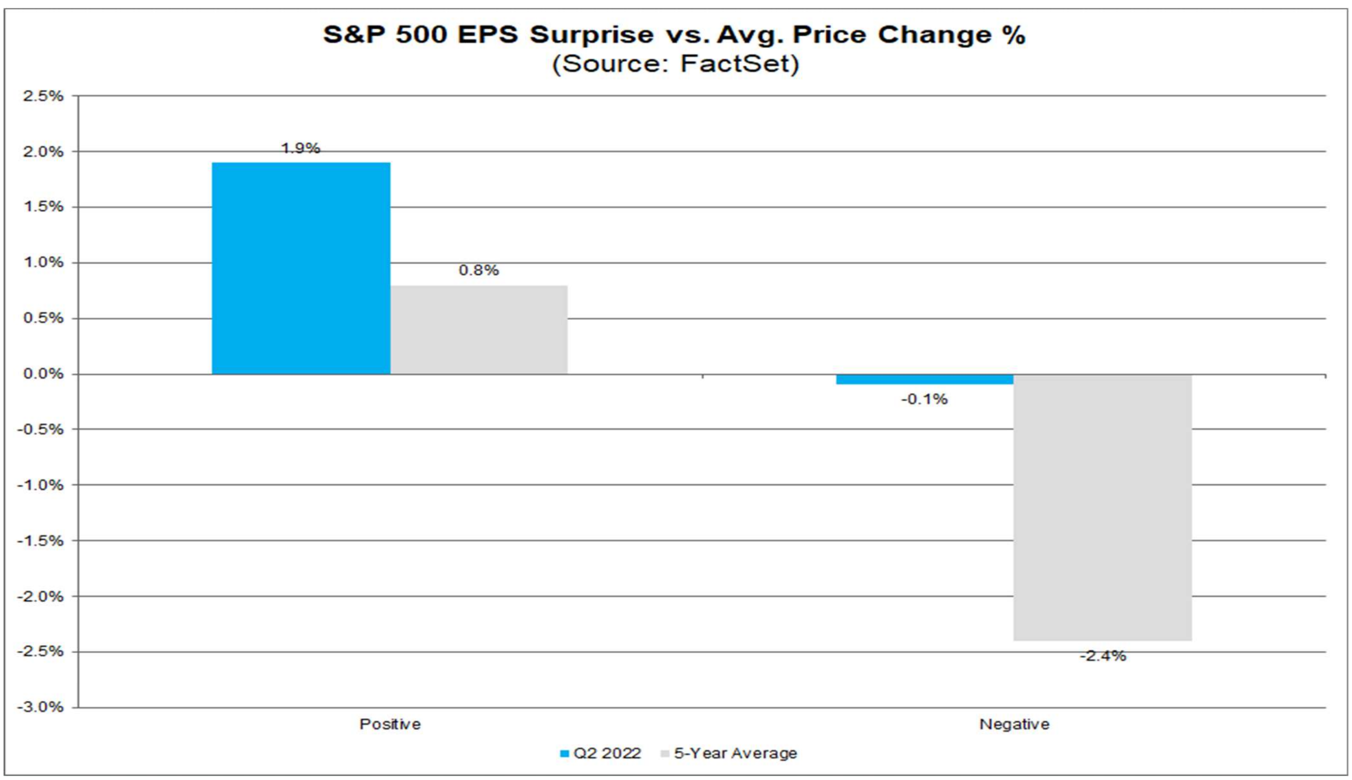
Q2 2022: Scorecard



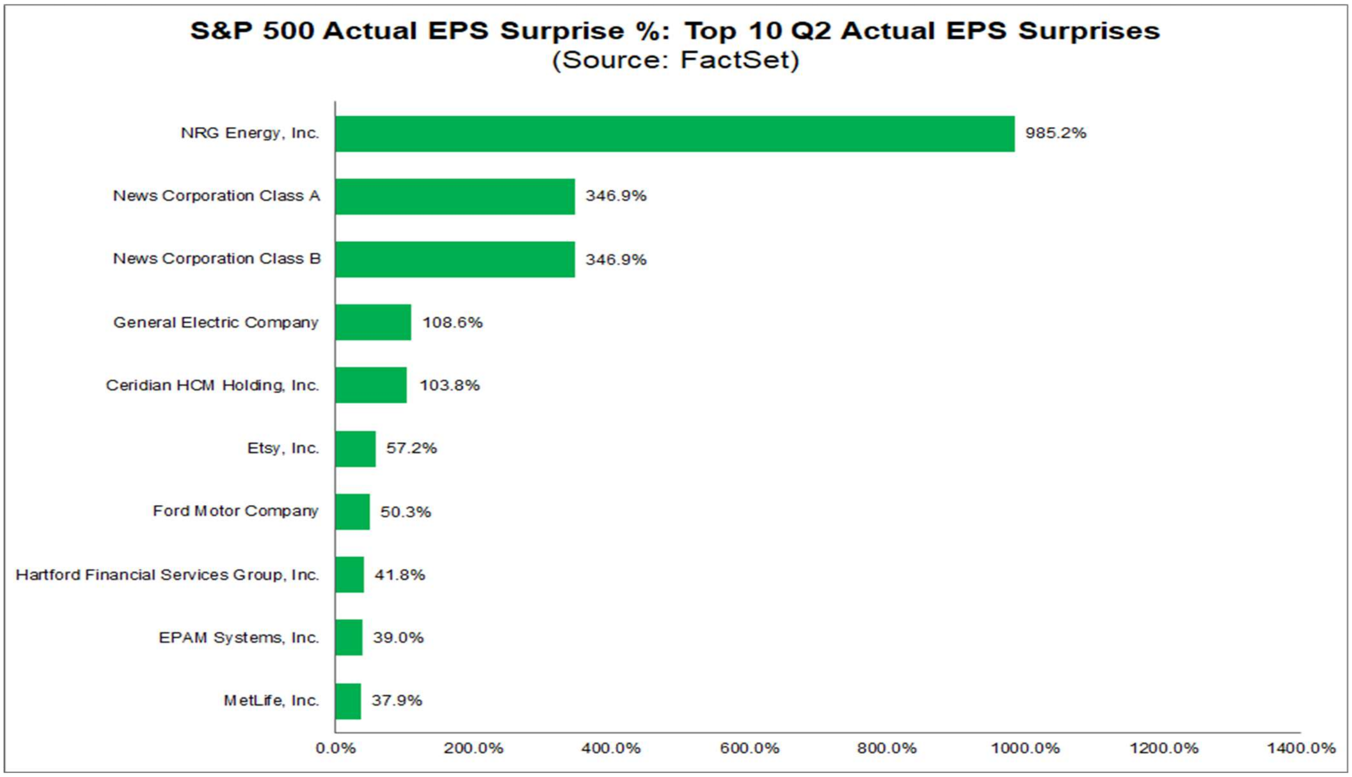


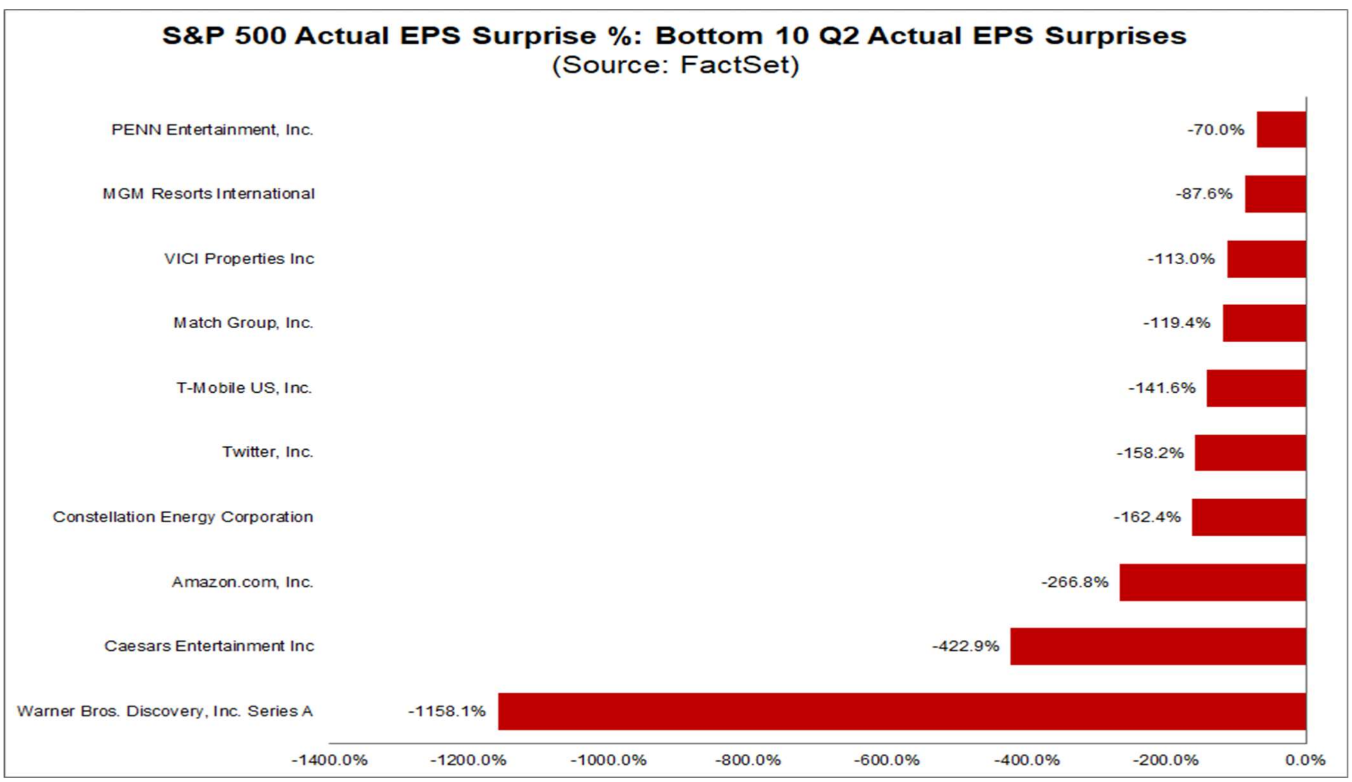
Q2 2022: Scorecard



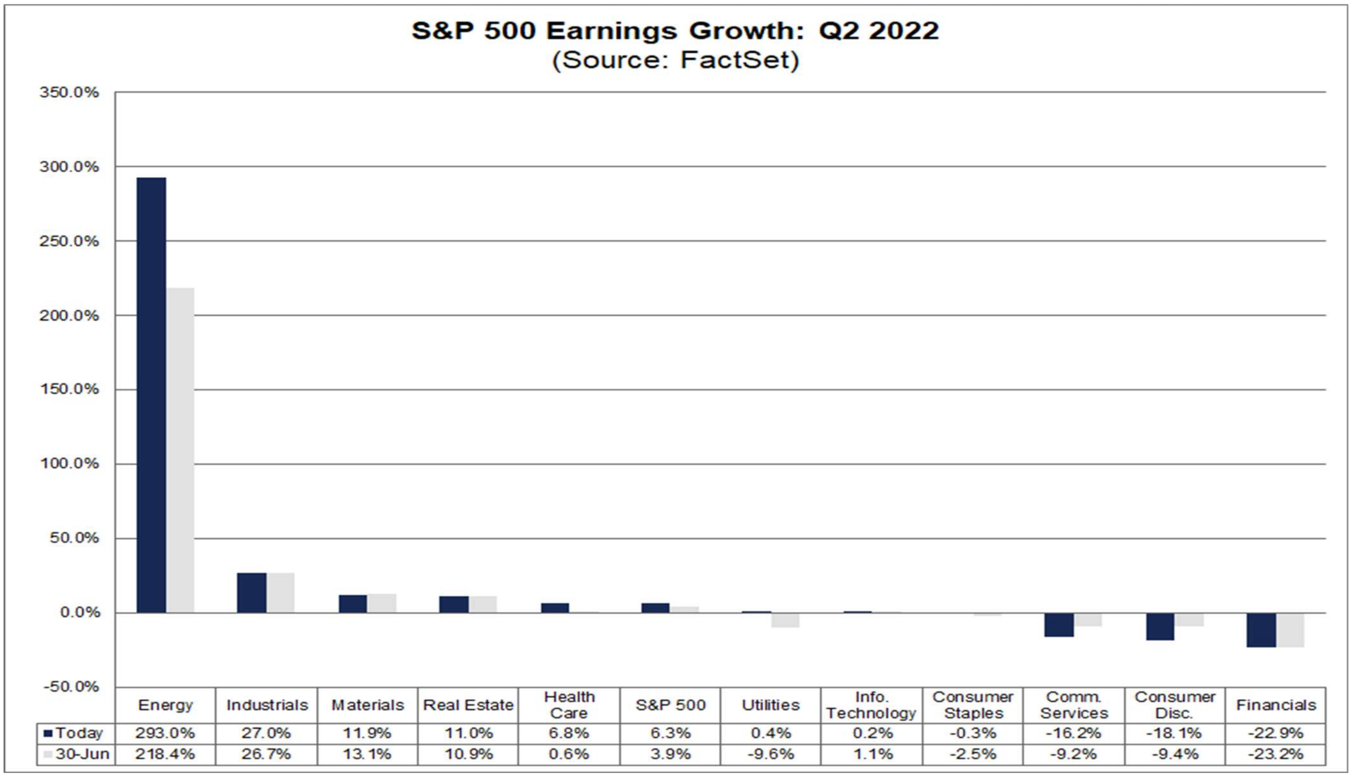


Q2 2022: Scorecard

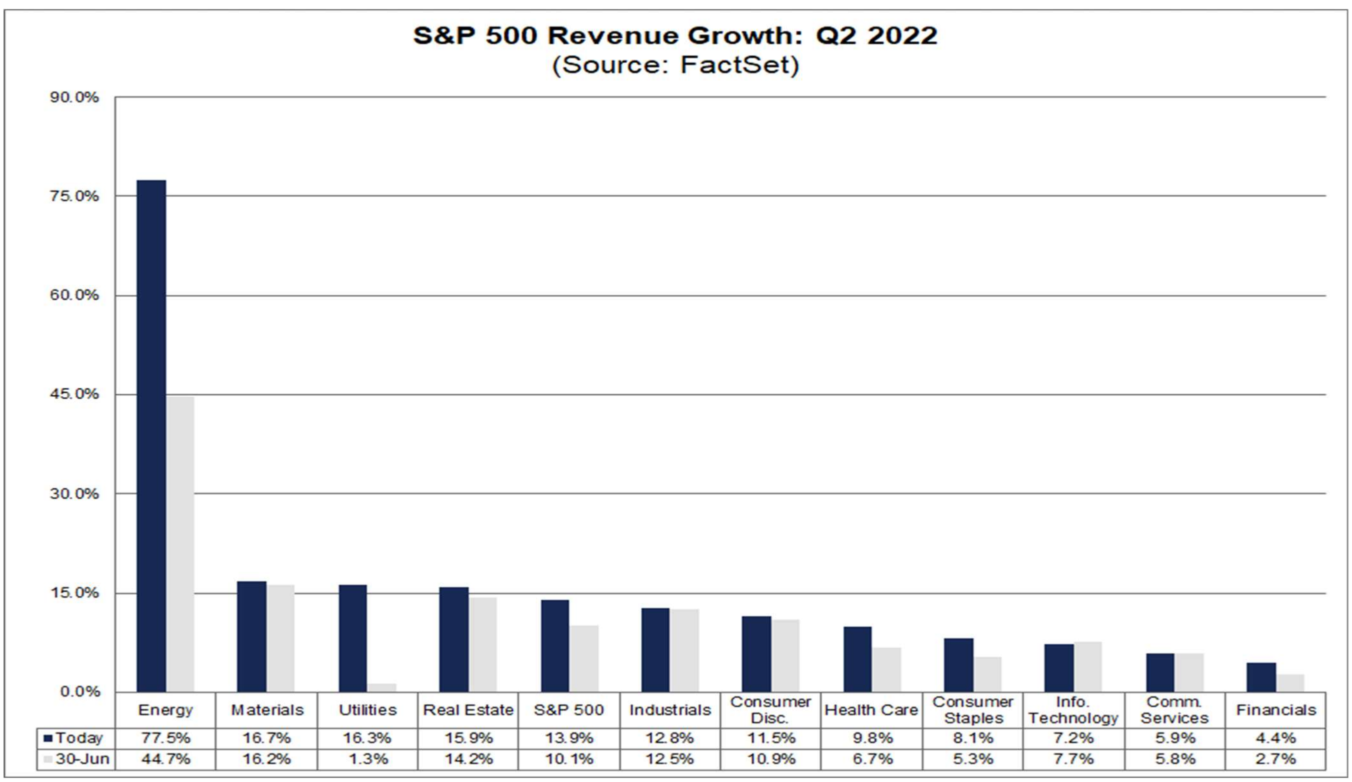




Q2 2022: Growth

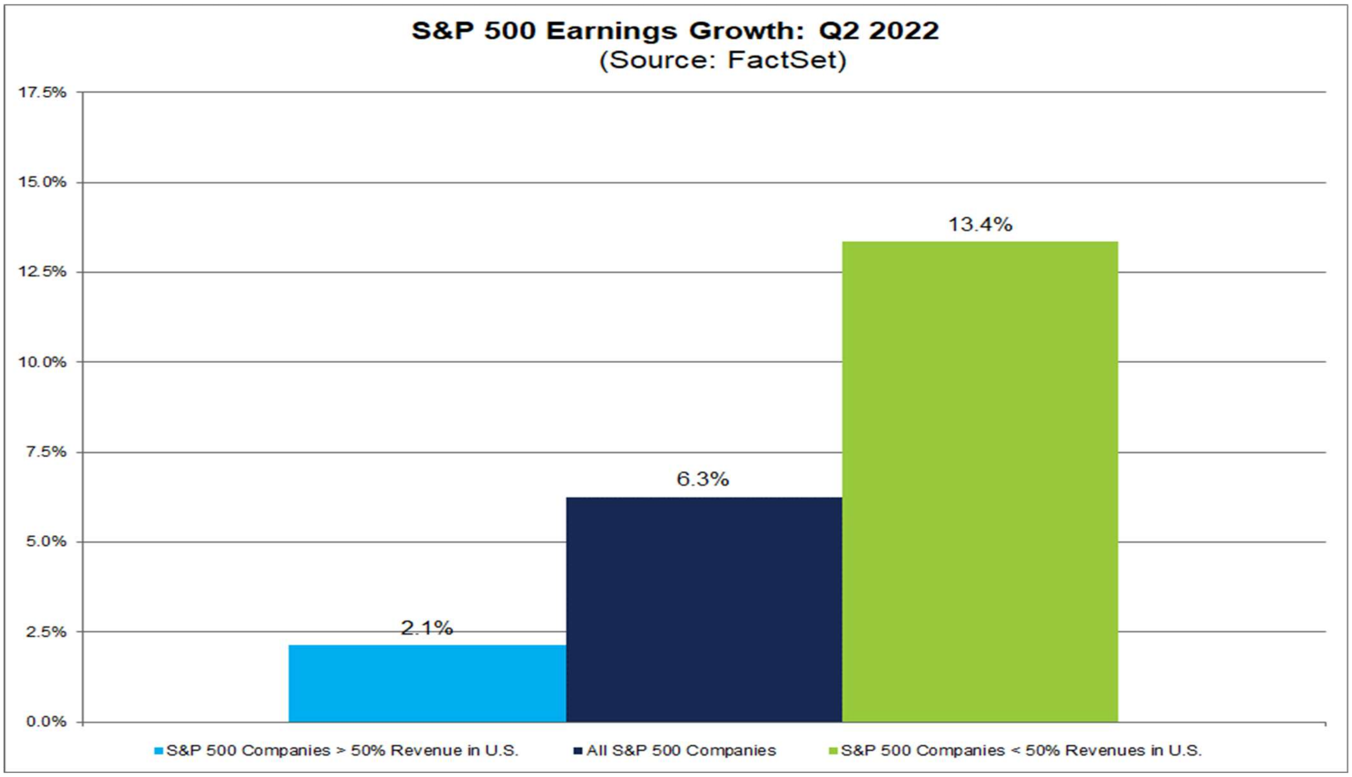


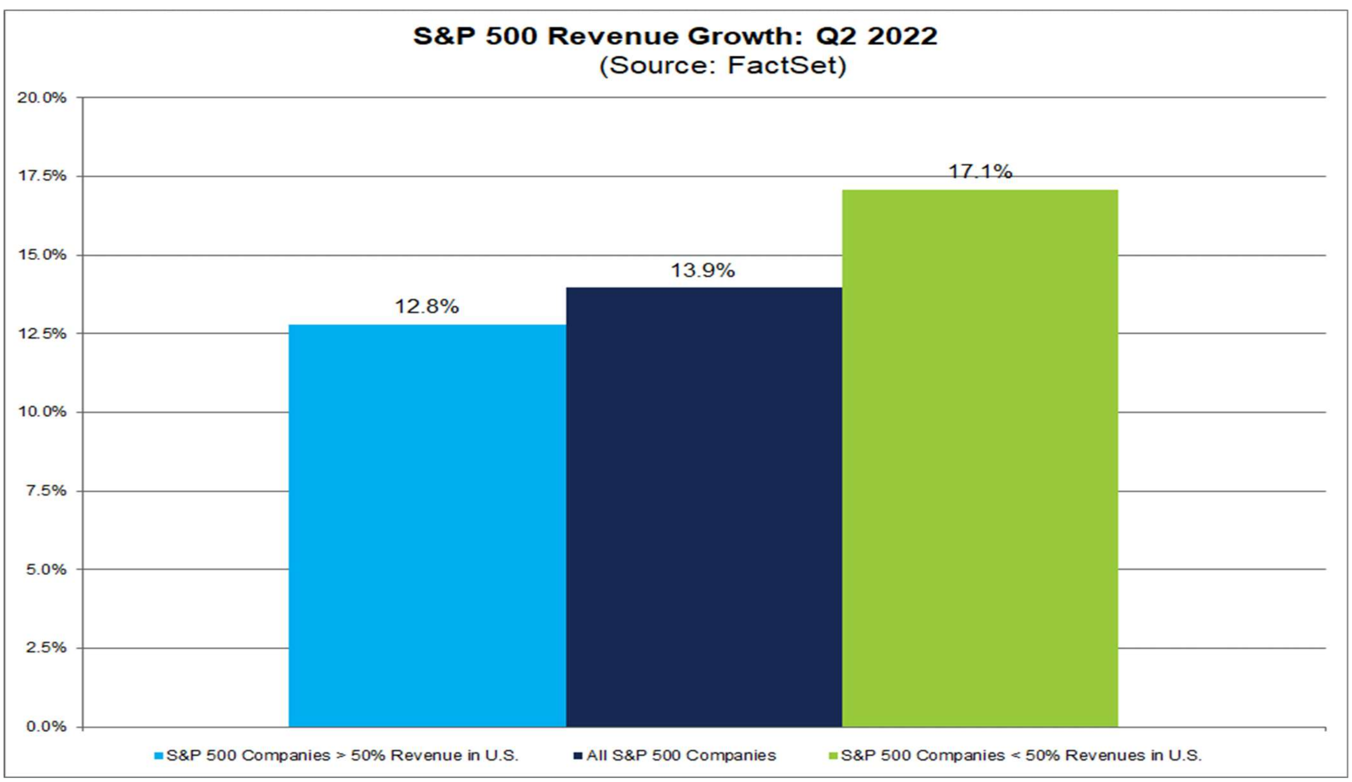
	Energy	Industrials	Materials	Real Estate	Health Care	S&P 500	Utilities	Info. Technology	Consumer Staples	Comm. Services	Consumer Disc.	Financials
Today	293.0%	27.0%	11.9%	11.0%	6.8%	6.3%	0.4%	0.2%	-0.3%	-16.2%	-18.1%	-22.9%
30-Jun	218.4%	26.7%	13.1%	10.9%	0.6%	3.9%	-9.6%	1.1%	-2.5%	-9.2%	-9.4%	-23.2%



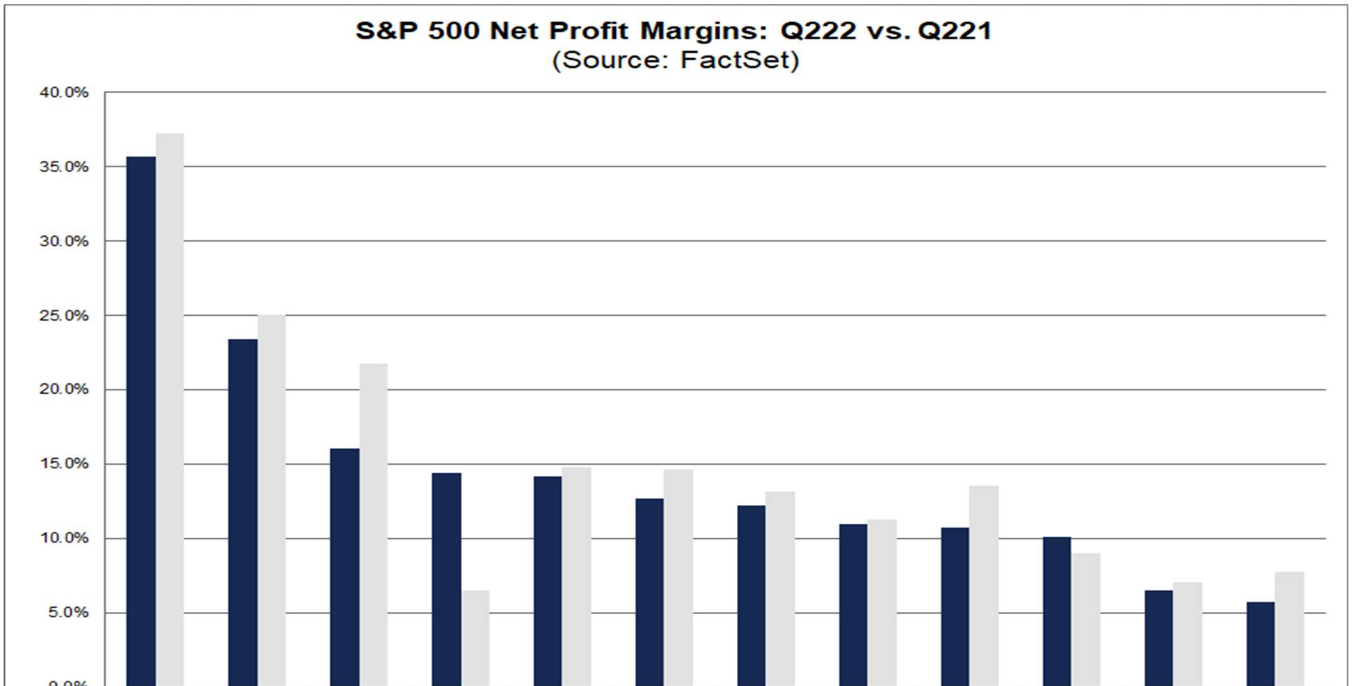
	Energy	Materials	Utilities	Real Estate	S&P 500	Industrials	Consumer Disc.	Health Care	Consumer Staples	Info. Technology	Comm. Services	Financials
Today	77.5%	16.7%	16.3%	15.9%	13.9%	12.8%	11.5%	9.8%	8.1%	7.2%	5.9%	4.4%
30-Jun	44.7%	16.2%	1.3%	14.2%	10.1%	12.5%	10.9%	6.7%	5.3%	7.7%	5.8%	2.7%

Q2 2022: Growth

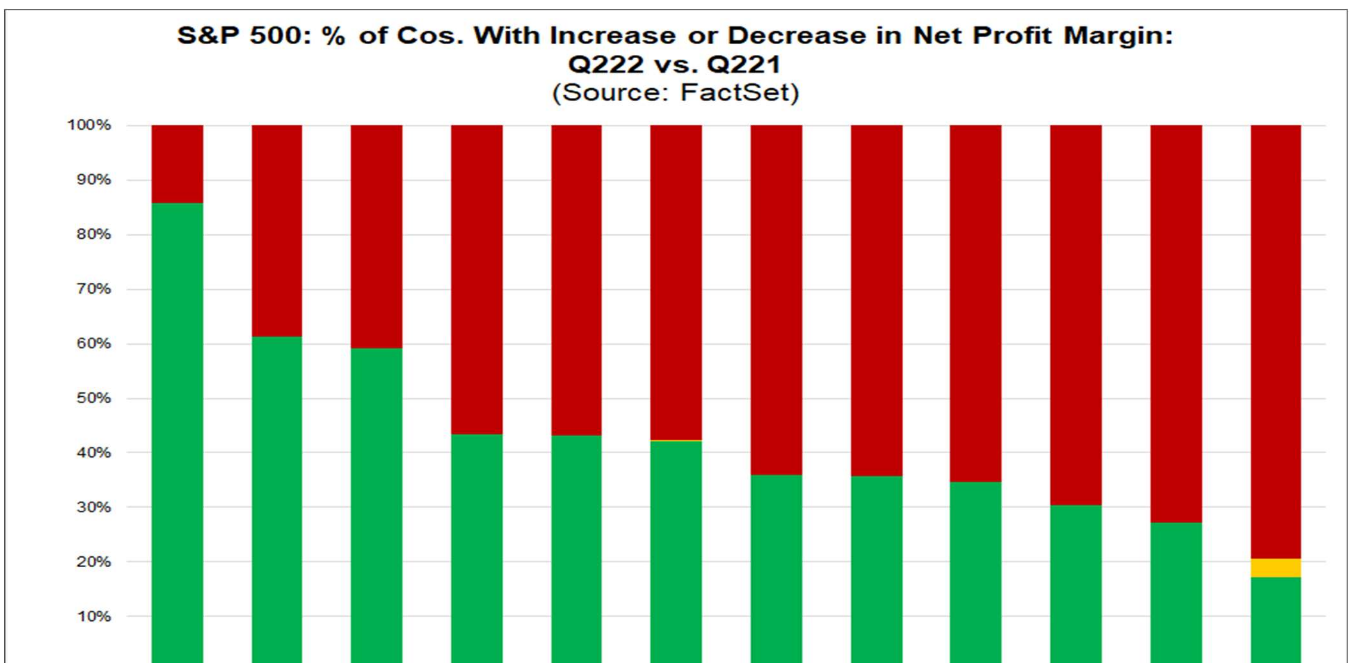




Q2 2022: Net Profit Margin

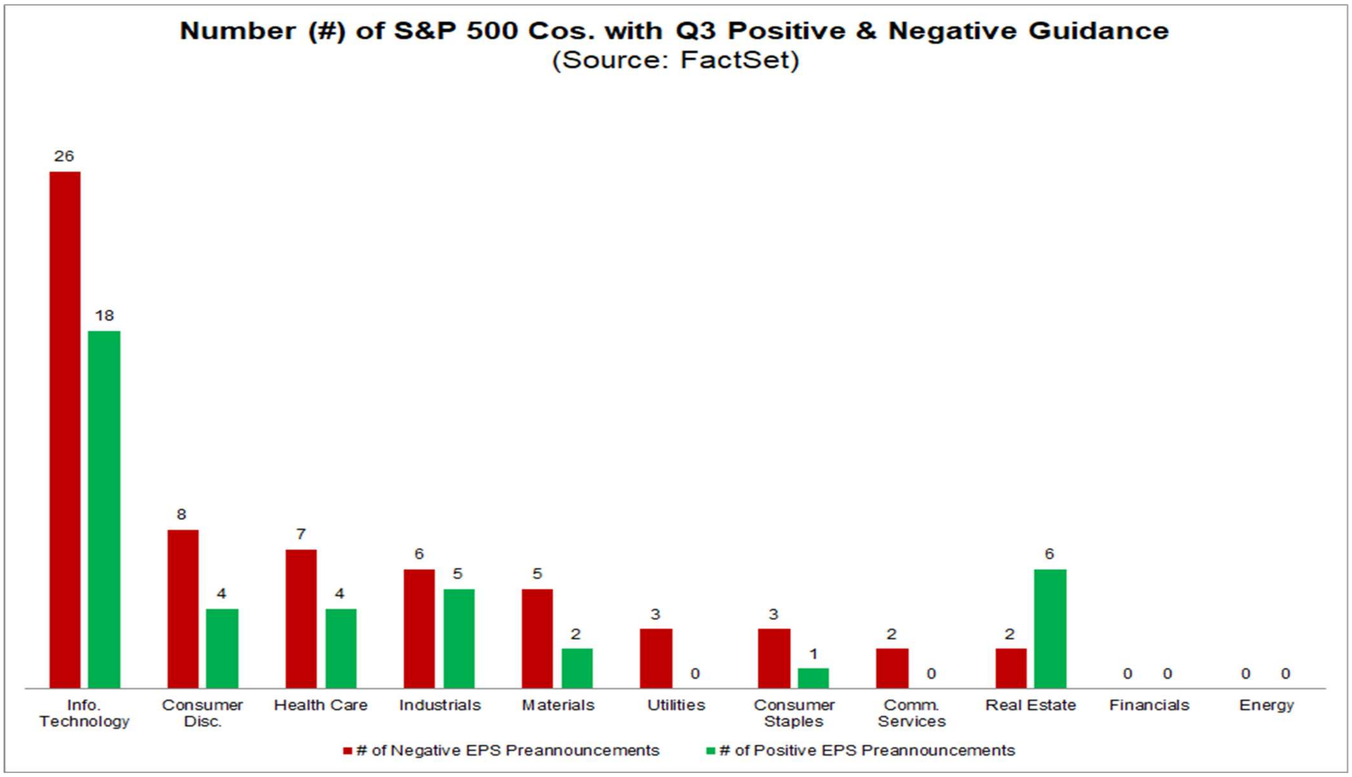


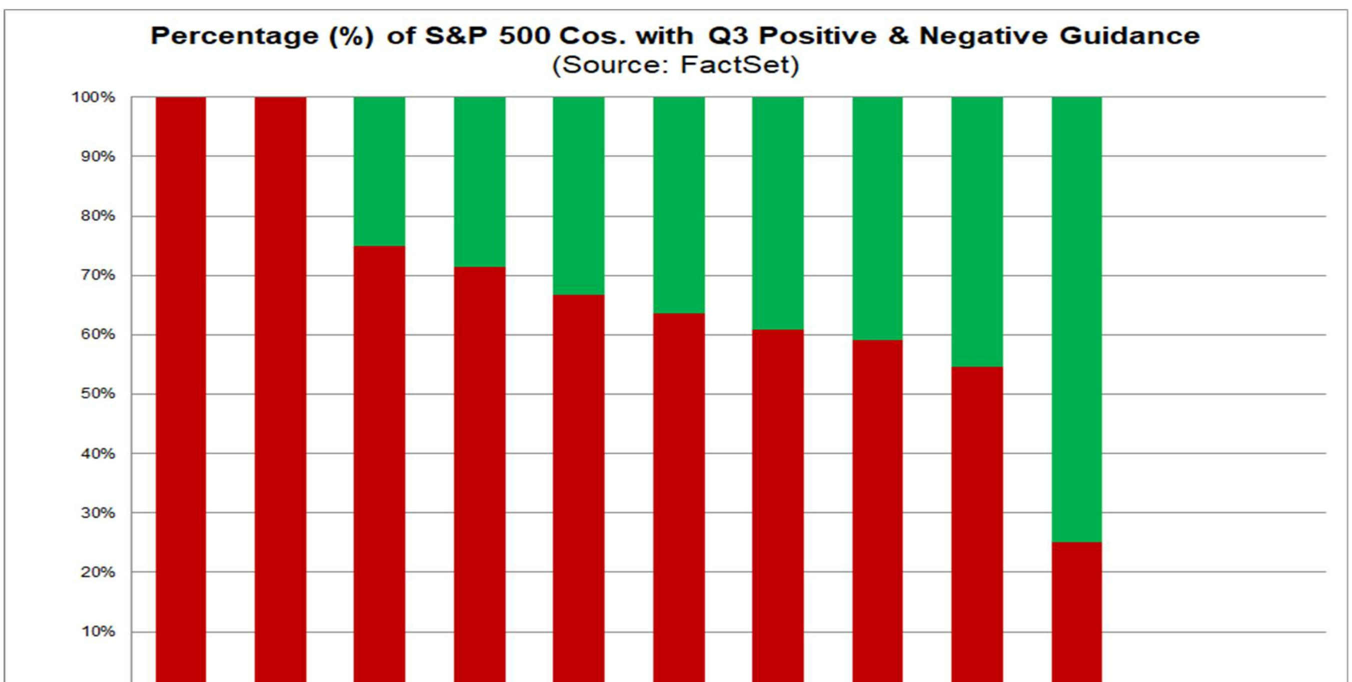
	Real Estate	Information Tech.	Financials	Energy	Materials	Utilities	S&P 500	Health Care	Comm. Services	Industrials	Consumer Staples	Consumer Disc.
Q222	35.7%	23.4%	16.1%	14.4%	14.2%	12.7%	12.3%	11.0%	10.7%	10.1%	6.5%	5.7%
Q221	37.3%	25.1%	21.8%	6.5%	14.8%	14.7%	13.1%	11.3%	13.5%	9.0%	7.1%	7.8%



	Energy	Real Estate	Industrials	Information Tech.	Consumer Disc.	S&P 500	Health Care	Materials	Comm. Services	Consumer Staples	Financials	Utilities
Down %	14%	39%	41%	57%	57%	58%	64%	64%	65%	70%	73%	79%
None %	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	3%
Up %	86%	61%	59%	43%	43%	42%	36%	36%	35%	30%	27%	17%

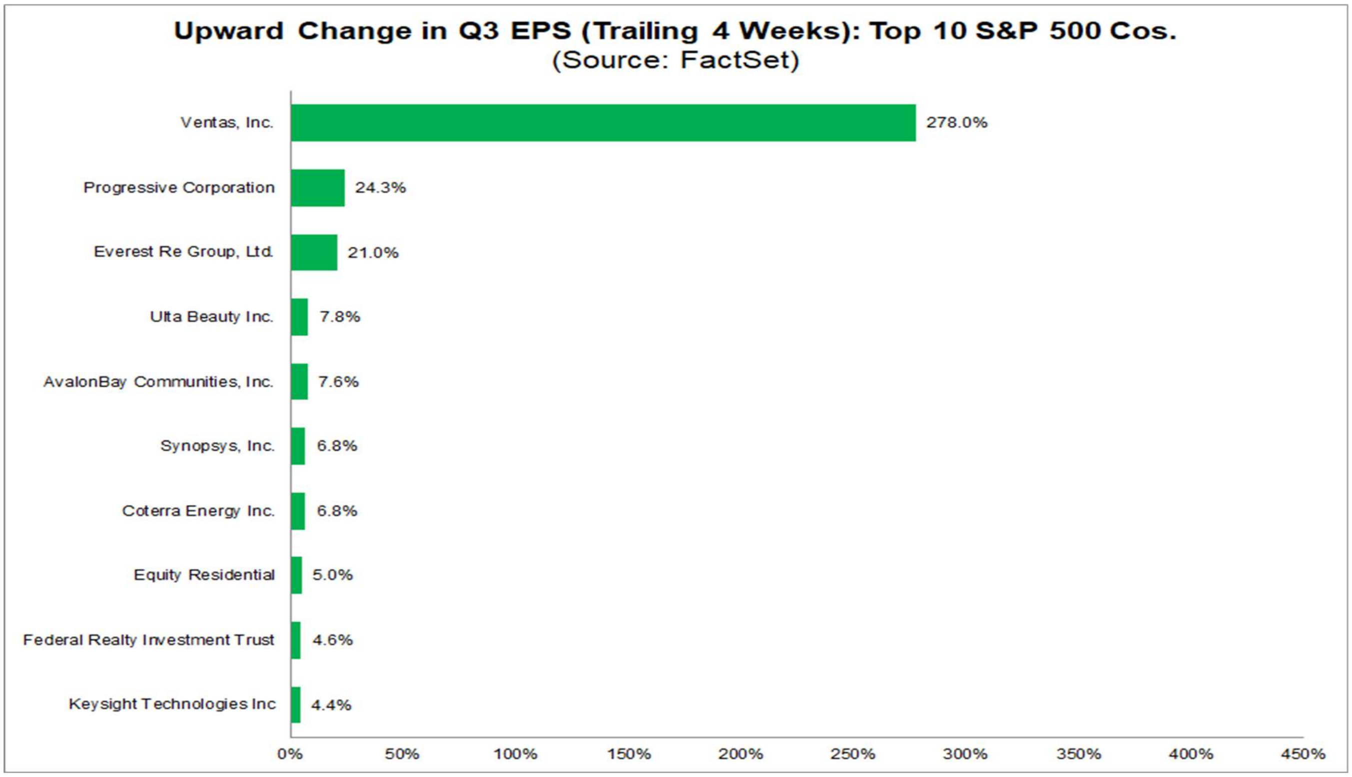
Q3 2022: Guidance

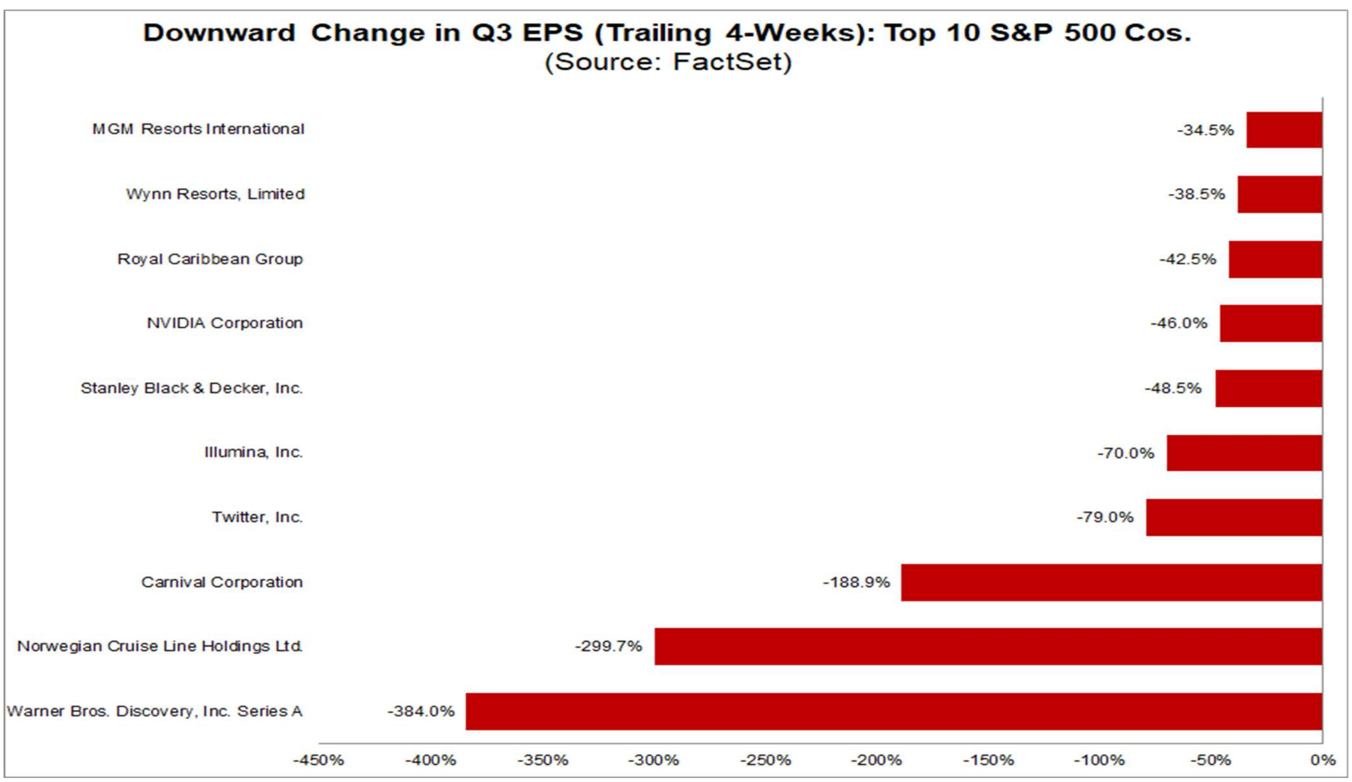




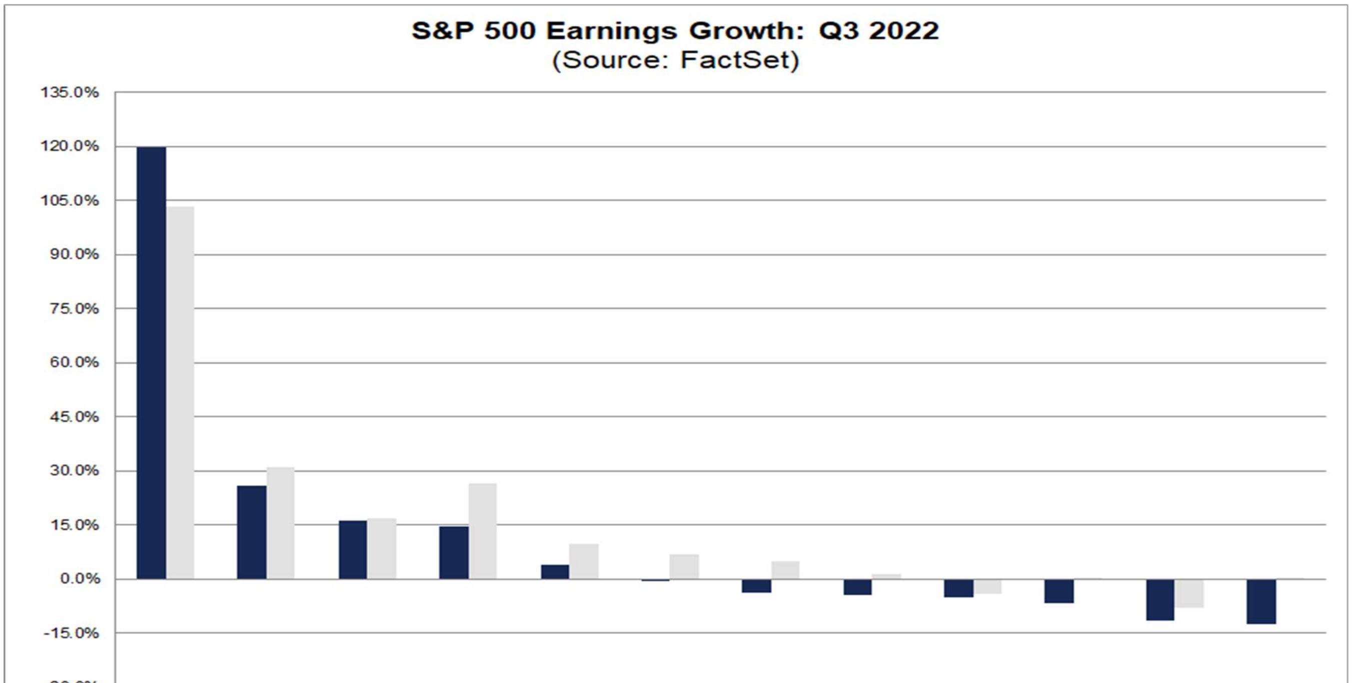
	Utilities	Comm. Services	Consumer Staples	Materials	Consumer Disc.	Health Care	S&P 500	Info. Technology	Industrials	Real Estate	Financials	Energy
Positive	0%	0%	25%	29%	33%	36%	39%	41%	45%	75%	0%	0%
Negative	100%	100%	75%	71%	67%	64%	61%	59%	55%	25%	0%	0%

Q3 2022: EPS Revisions

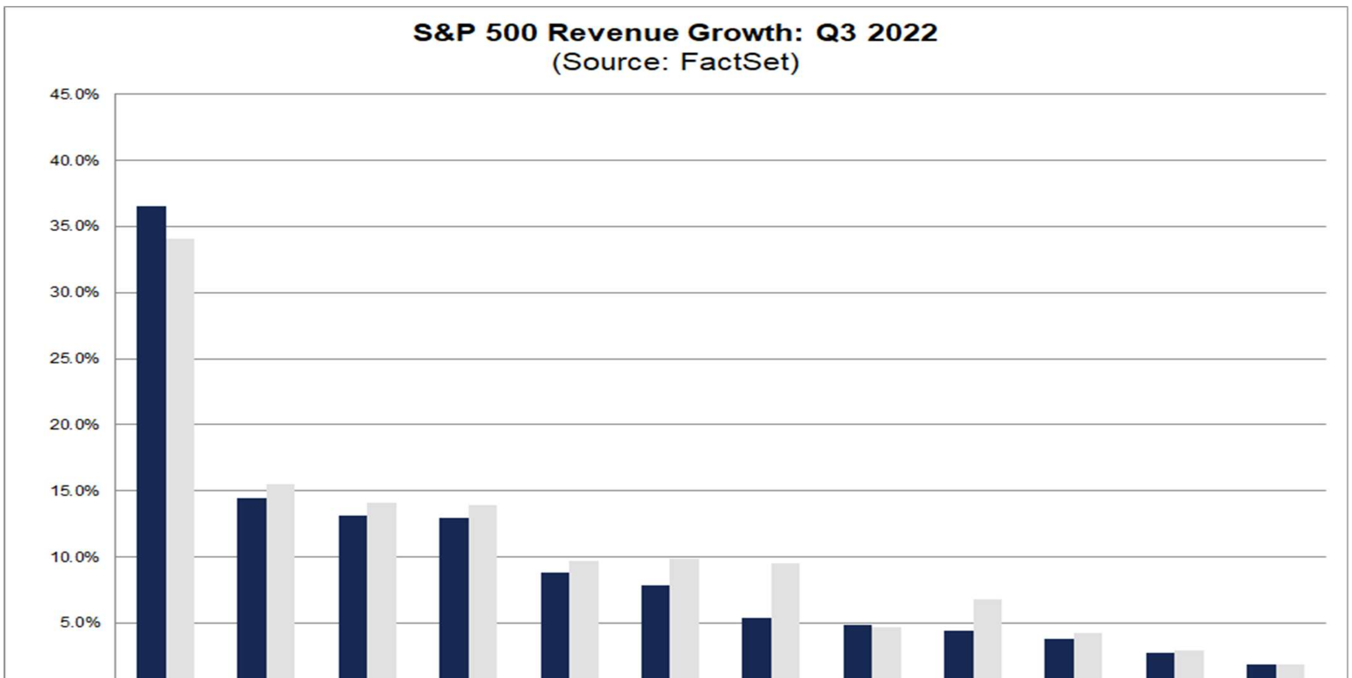




Q3 2022: Growth

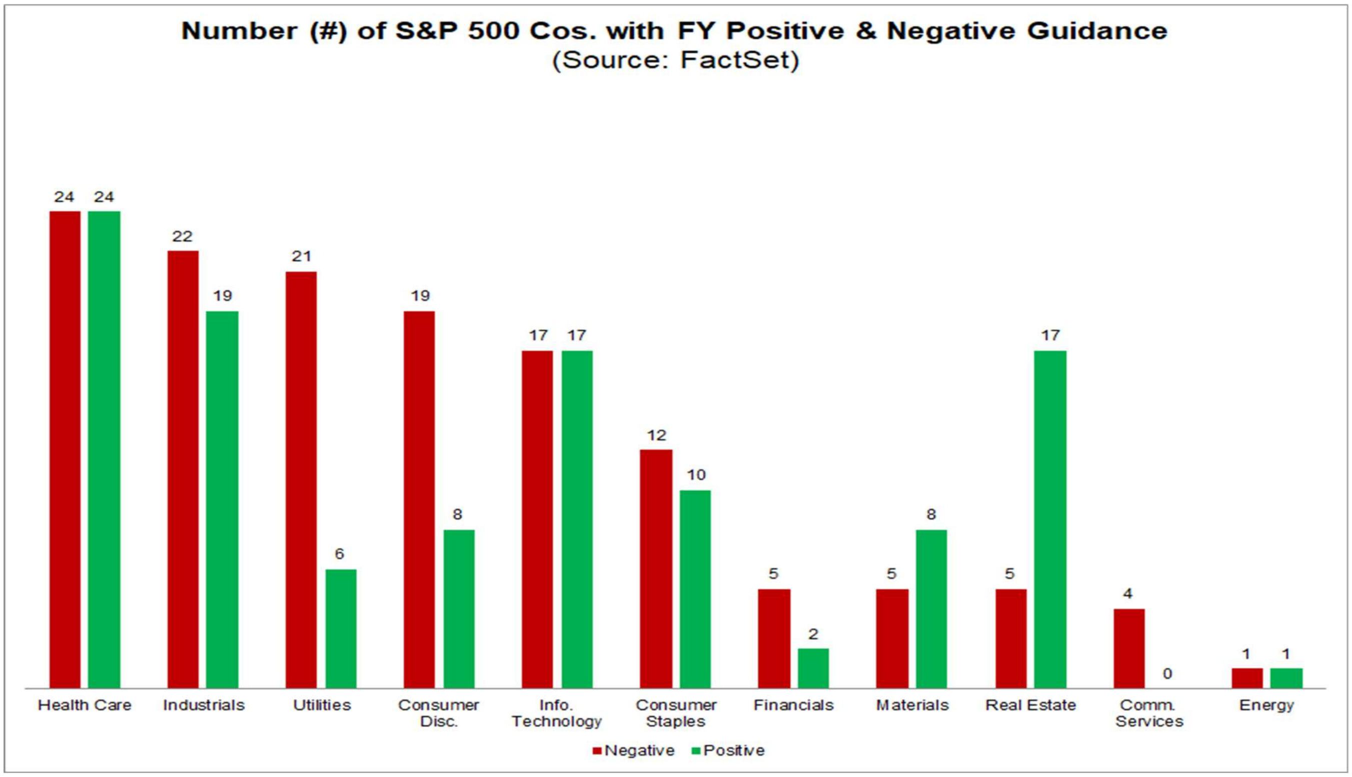


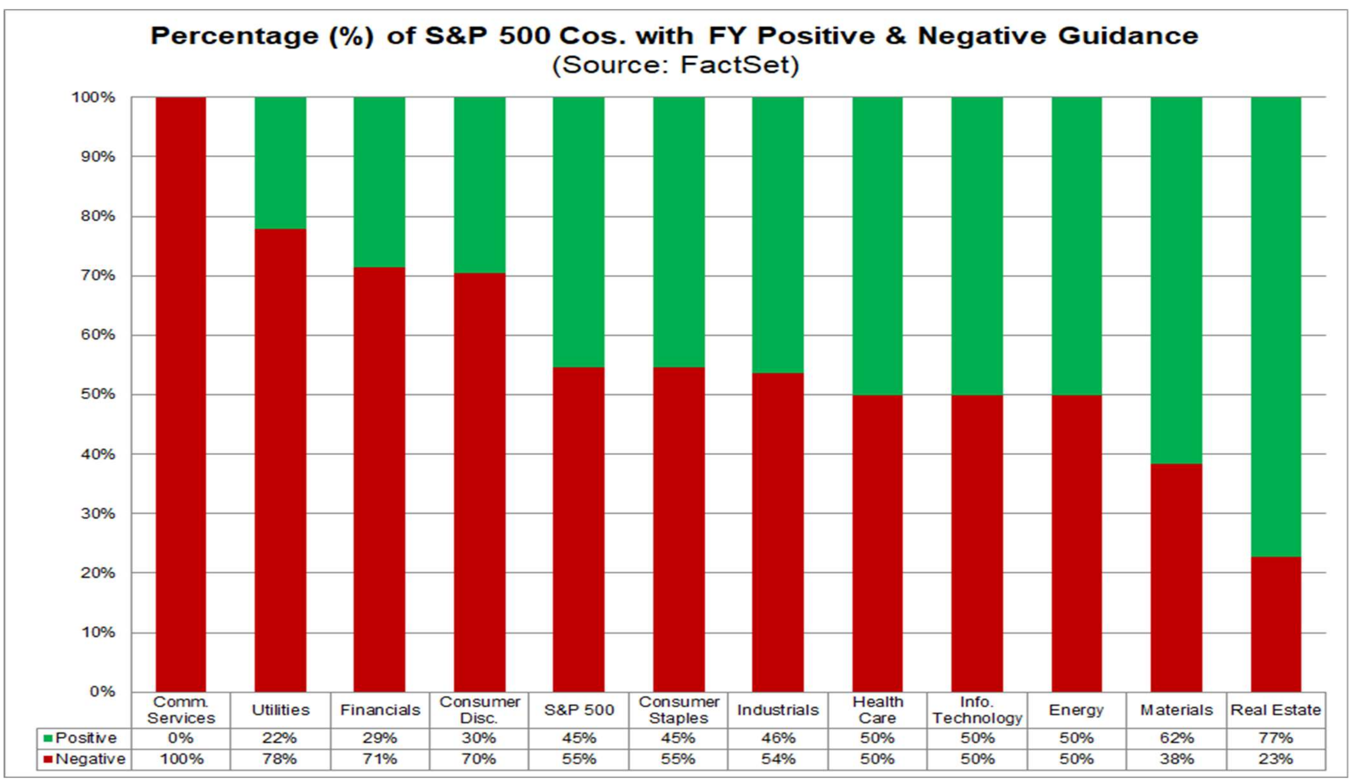
	Energy	Industrials	Real Estate	Consumer Disc.	S&P 500	Materials	Info. Technology	Consumer Staples	Utilities	Health Care	Financials	Comm. Services
Today	119.8%	26.0%	16.2%	14.7%	3.8%	-0.5%	-3.9%	-4.3%	-5.0%	-6.6%	-11.6%	-12.7%
30-Jun	103.4%	31.1%	16.8%	26.7%	9.8%	6.9%	5.1%	1.4%	-4.3%	0.4%	-7.8%	0.1%



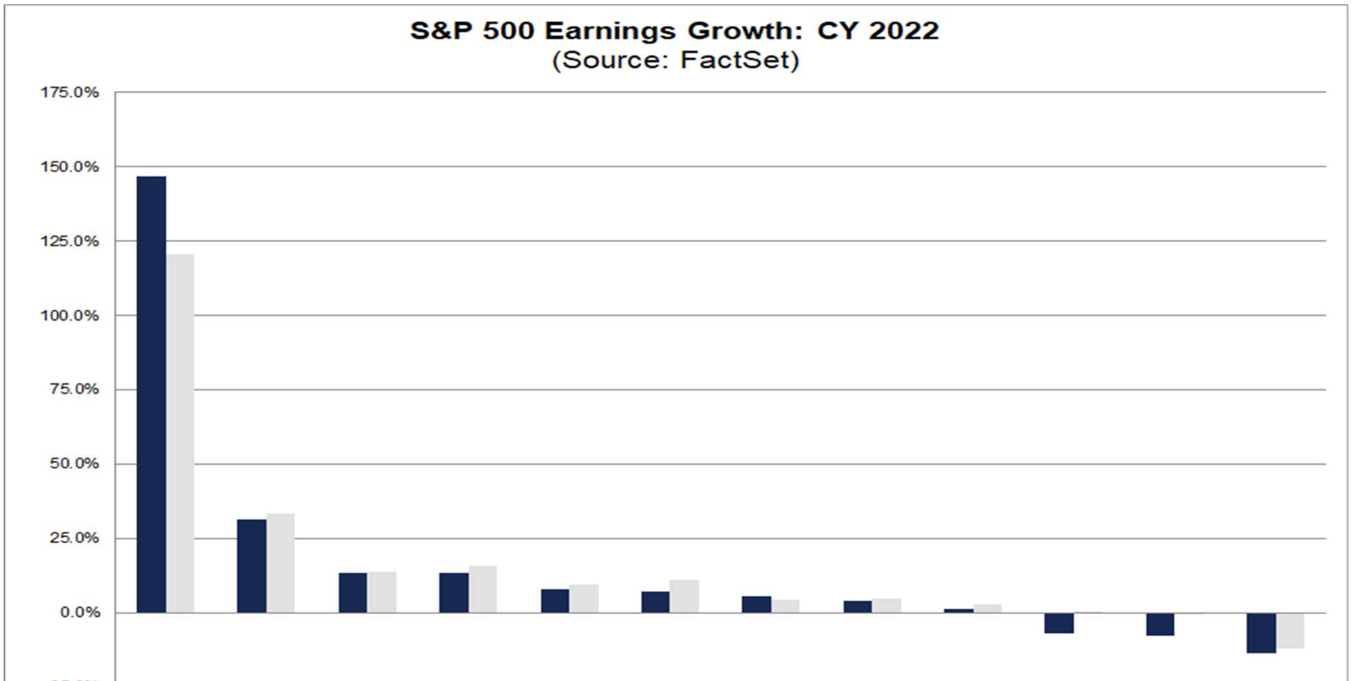
	Energy	Consumer Disc.	Real Estate	Industrials	S&P 500	Materials	Info. Technology	Consumer Staples	Comm. Services	Health Care	Utilities	Financials
Today	36.5%	14.4%	13.2%	13.0%	8.8%	7.8%	5.4%	4.9%	4.4%	3.8%	2.7%	1.9%
30-Jun	34.1%	15.5%	14.1%	13.9%	9.7%	9.9%	9.5%	4.7%	6.8%	4.2%	2.9%	1.9%

FY 2022 / 2023: EPS Guidance

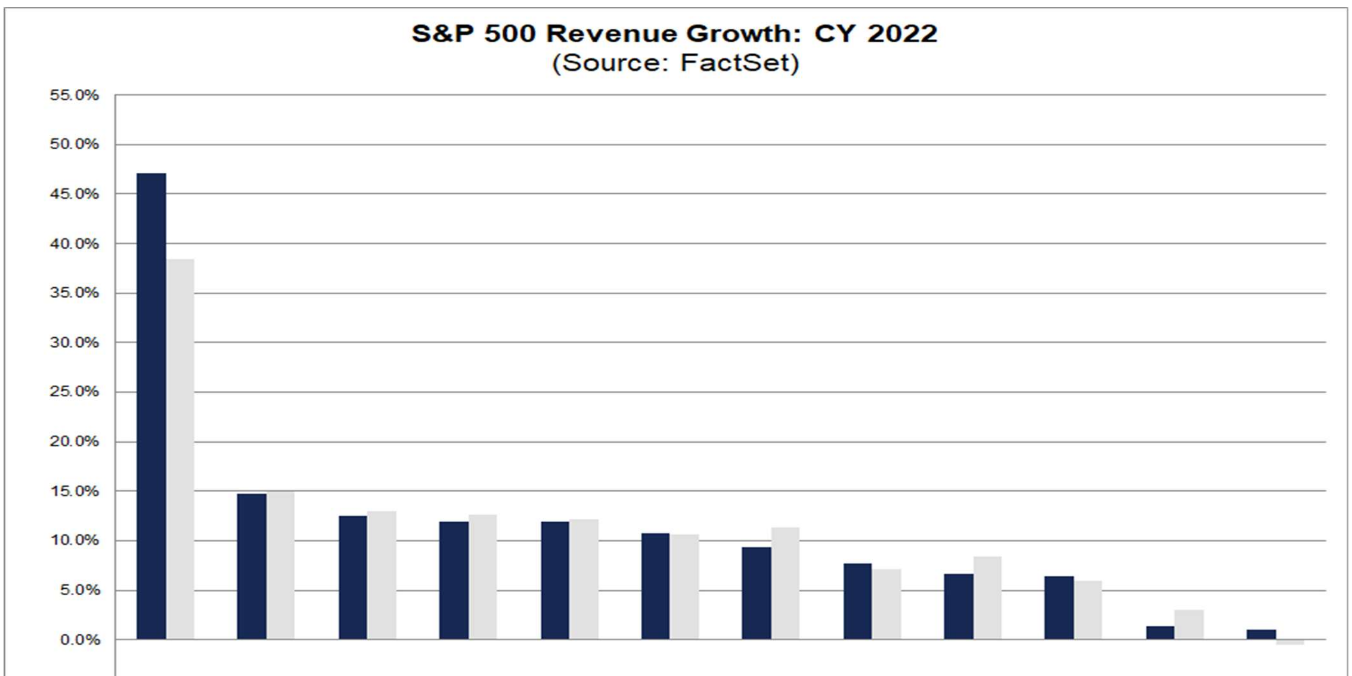




CY 2022: Growth

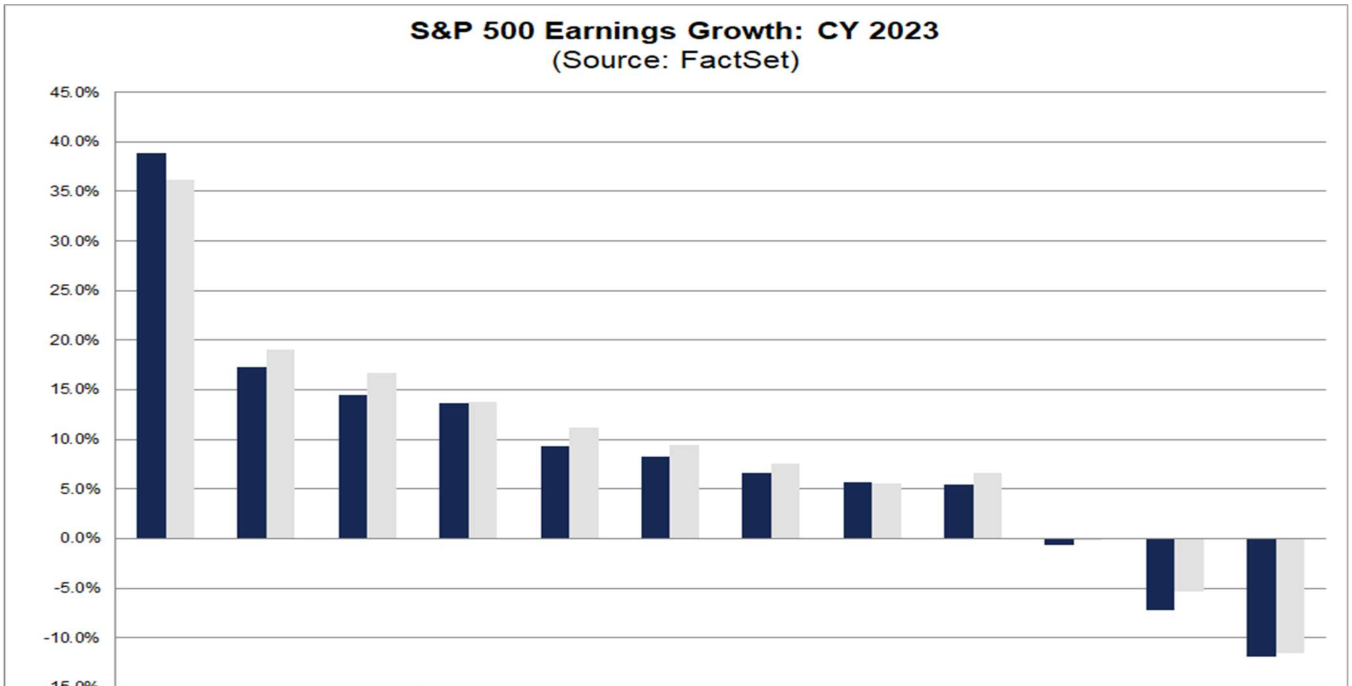


	Energy	Industrials	Real Estate	Materials	S&P 500	Info. Technology	Utilities	Health Care	Consumer Staples	Comm. Services	Consumer Disc.	Financials
Today	146.7%	31.5%	13.6%	13.3%	7.9%	7.0%	5.5%	3.9%	1.3%	-7.0%	-7.5%	-13.5%
30-Jun	120.5%	33.5%	13.9%	15.6%	9.6%	10.9%	4.2%	4.8%	2.7%	0.4%	-0.5%	-12.1%

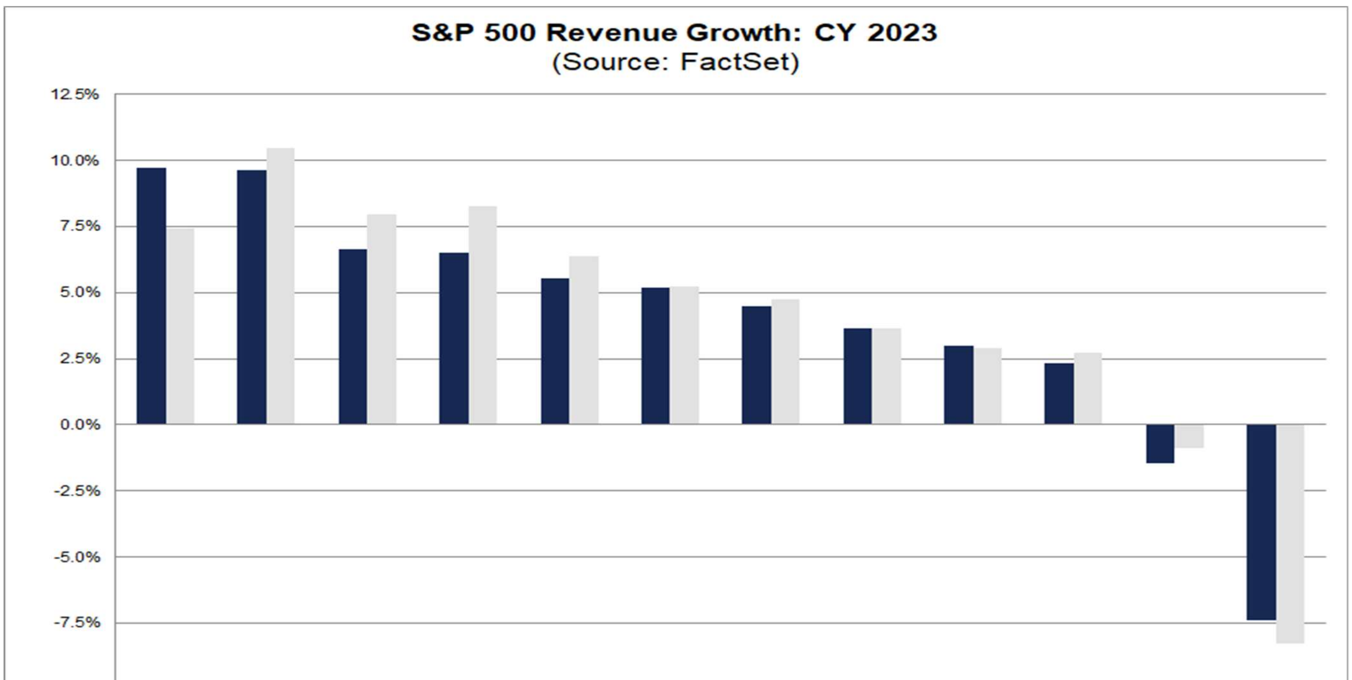


	Energy	Real Estate	Materials	Consumer Disc.	Industrials	S&P 500	Info. Technology	Health Care	Comm. Services	Consumer Staples	Financials	Utilities
Today	47.1%	14.8%	12.5%	11.9%	11.9%	10.8%	9.4%	7.7%	6.7%	6.4%	1.3%	1.0%
30-Jun	38.5%	15.0%	13.0%	12.6%	12.2%	10.6%	11.3%	7.1%	8.4%	5.9%	3.0%	-0.5%

CY 2023: Growth

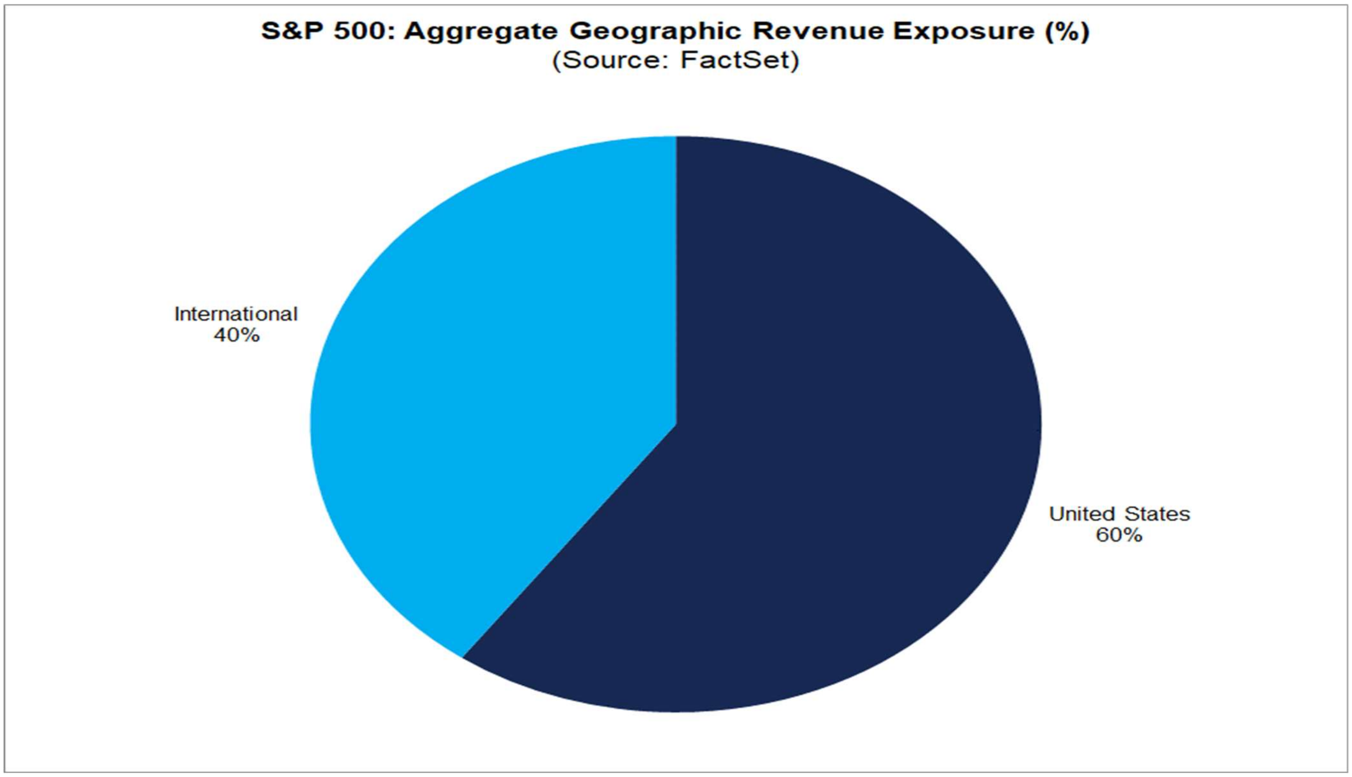


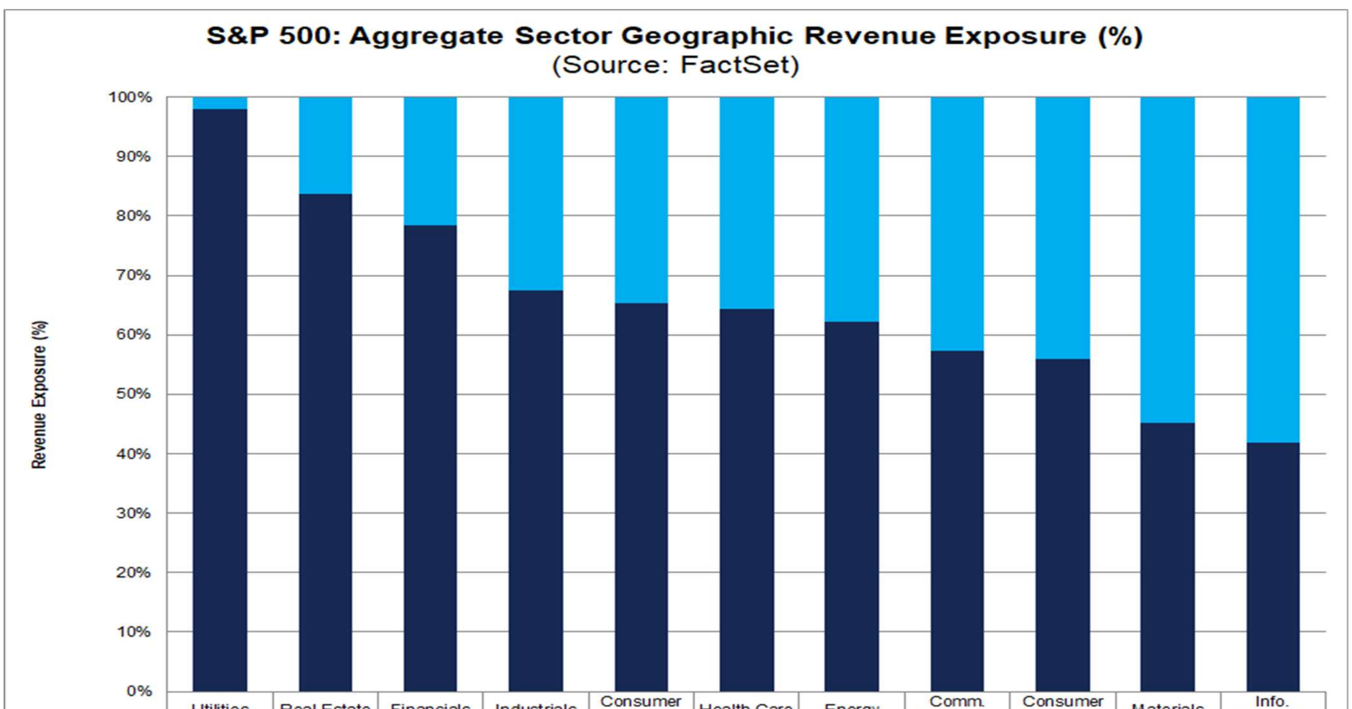
	Consumer Disc.	Industrials	Comm. Services	Financials	Info. Technology	S&P 500	Consumer Staples	Real Estate	Utilities	Health Care	Materials	Energy
Today	38.9%	17.3%	14.5%	13.6%	9.3%	8.2%	6.7%	5.7%	5.5%	-0.7%	-7.2%	-12.0%
30-Jun	36.2%	19.0%	16.7%	13.7%	11.1%	9.5%	7.5%	5.5%	6.7%	-0.1%	-5.4%	-11.5%



	Financials	Consumer Disc.	Info. Technology	Comm. Services	Industrials	Real Estate	S&P 500	Consumer Staples	Health Care	Utilities	Materials	Energy
Today	9.7%	9.6%	6.6%	6.5%	5.5%	5.2%	4.5%	3.6%	3.0%	2.3%	-1.5%	-7.4%
30-Jun	7.4%	10.5%	7.9%	8.3%	6.4%	5.2%	4.8%	3.6%	2.9%	2.7%	-0.9%	-8.3%

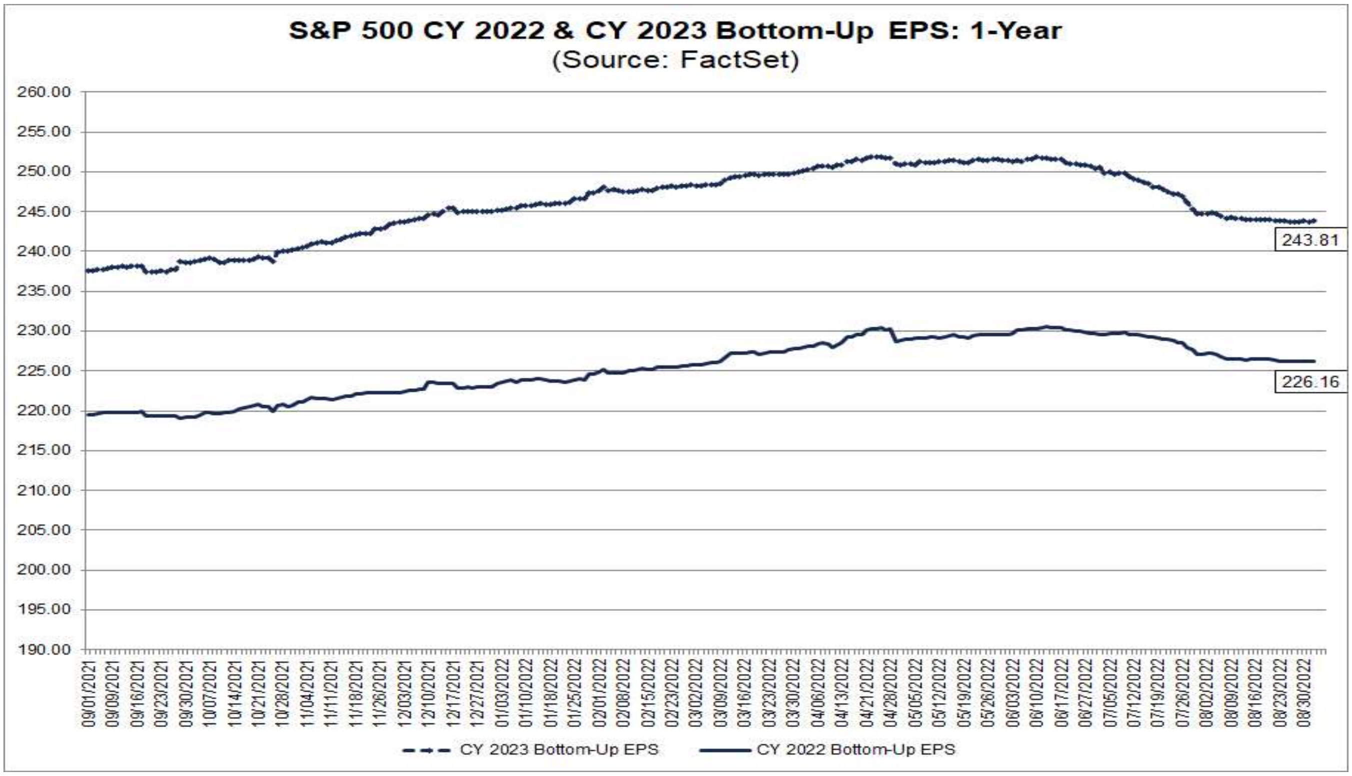
Geographic Revenue Exposure

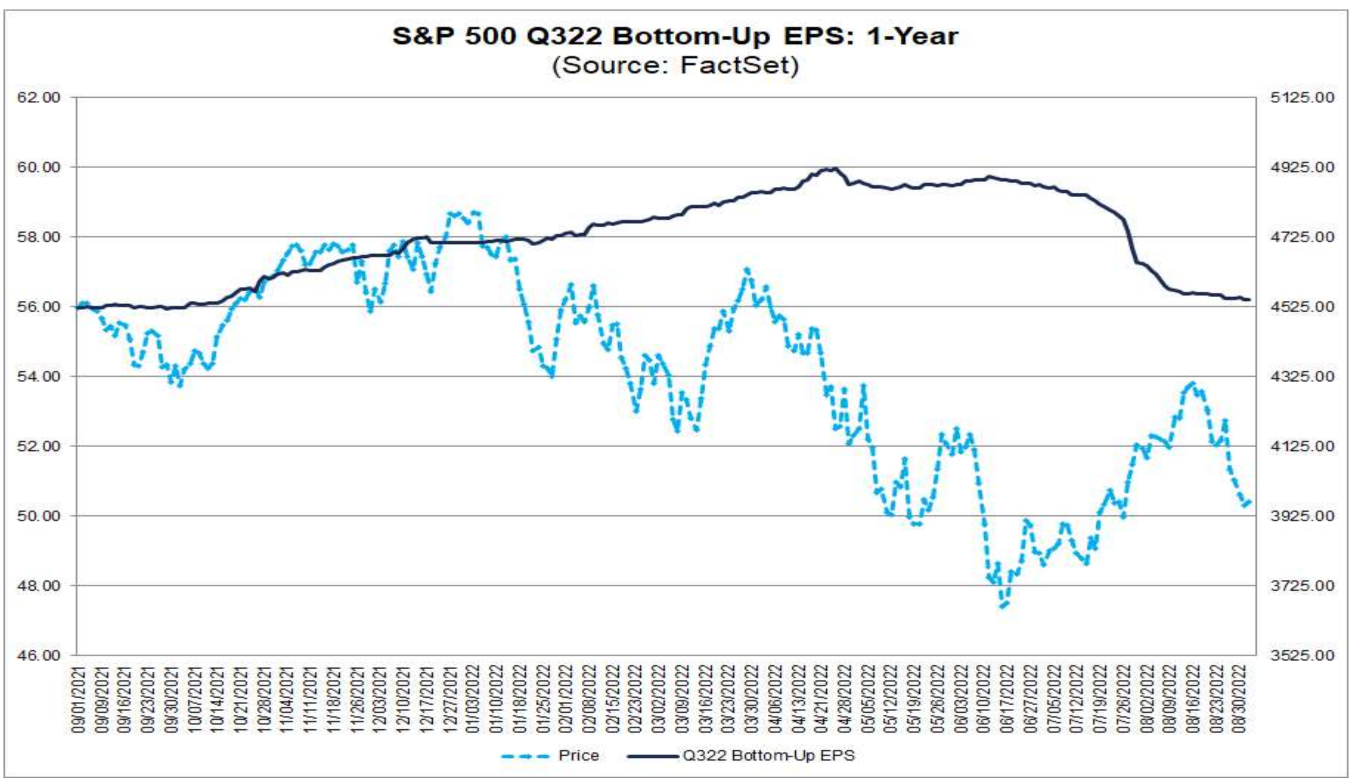




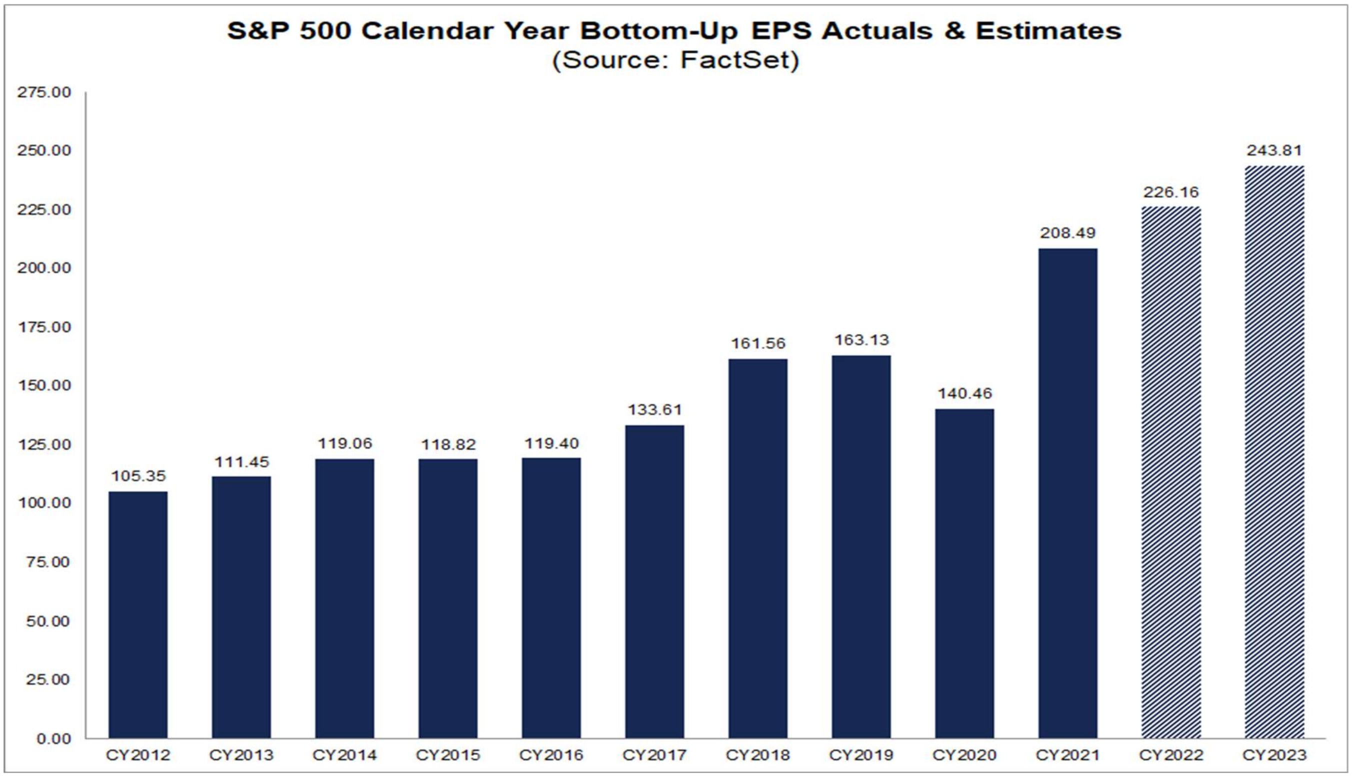
	Utilities	Real Estate	Financials	Industrials	Consumer Disc.	Health Care	Energy	Comm. Services	Consumer Staples	Materials	Info. Technology
International	2%	16%	22%	33%	35%	36%	38%	43%	44%	55%	58%
United States	98%	84%	78%	67%	65%	64%	62%	57%	56%	45%	42%

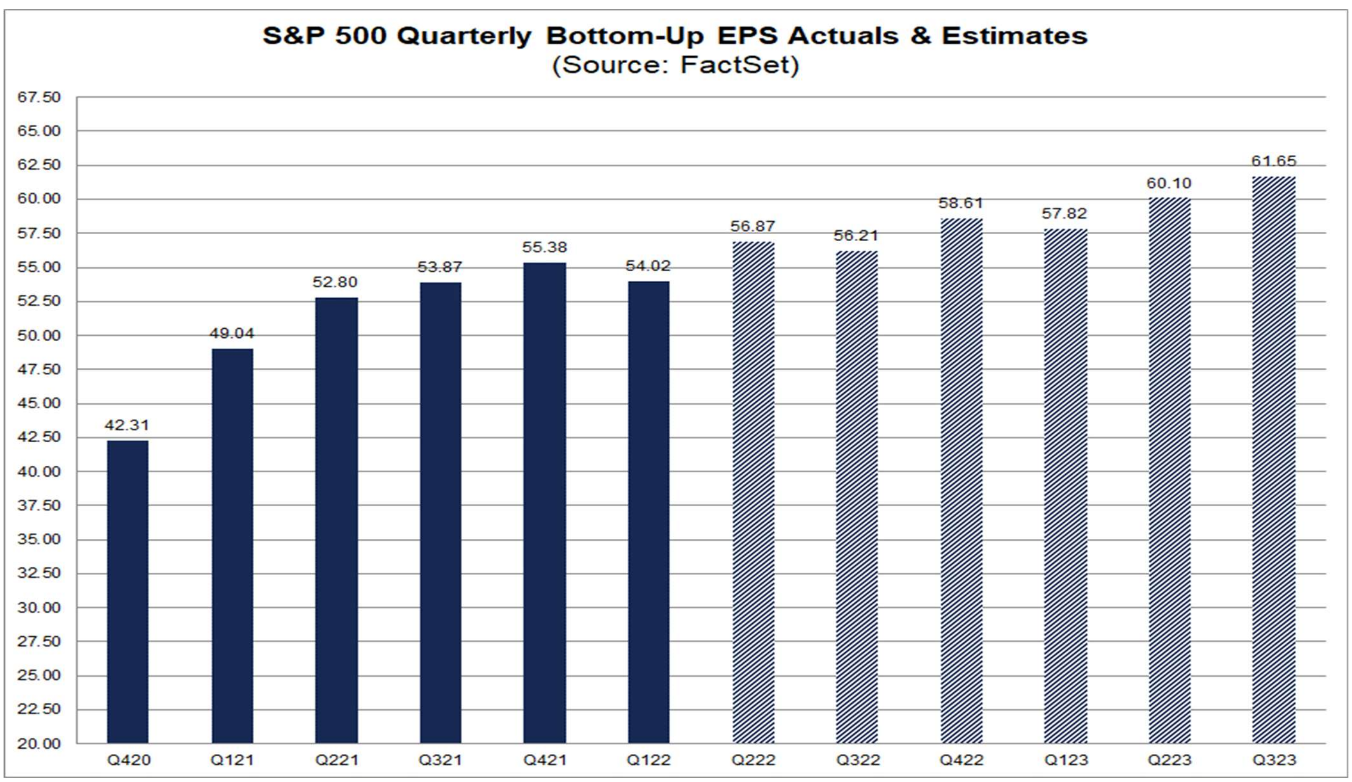
Bottom-Up EPS Estimates



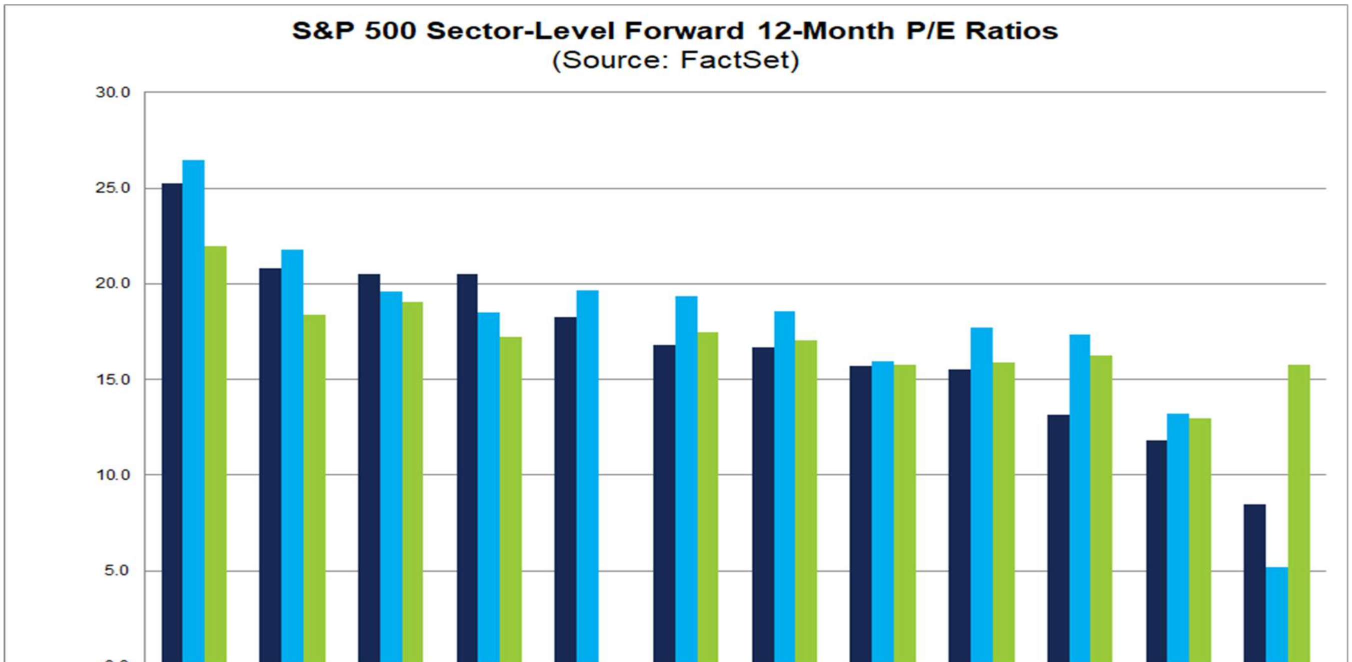


Bottom-Up EPS Estimates: Current & Historical

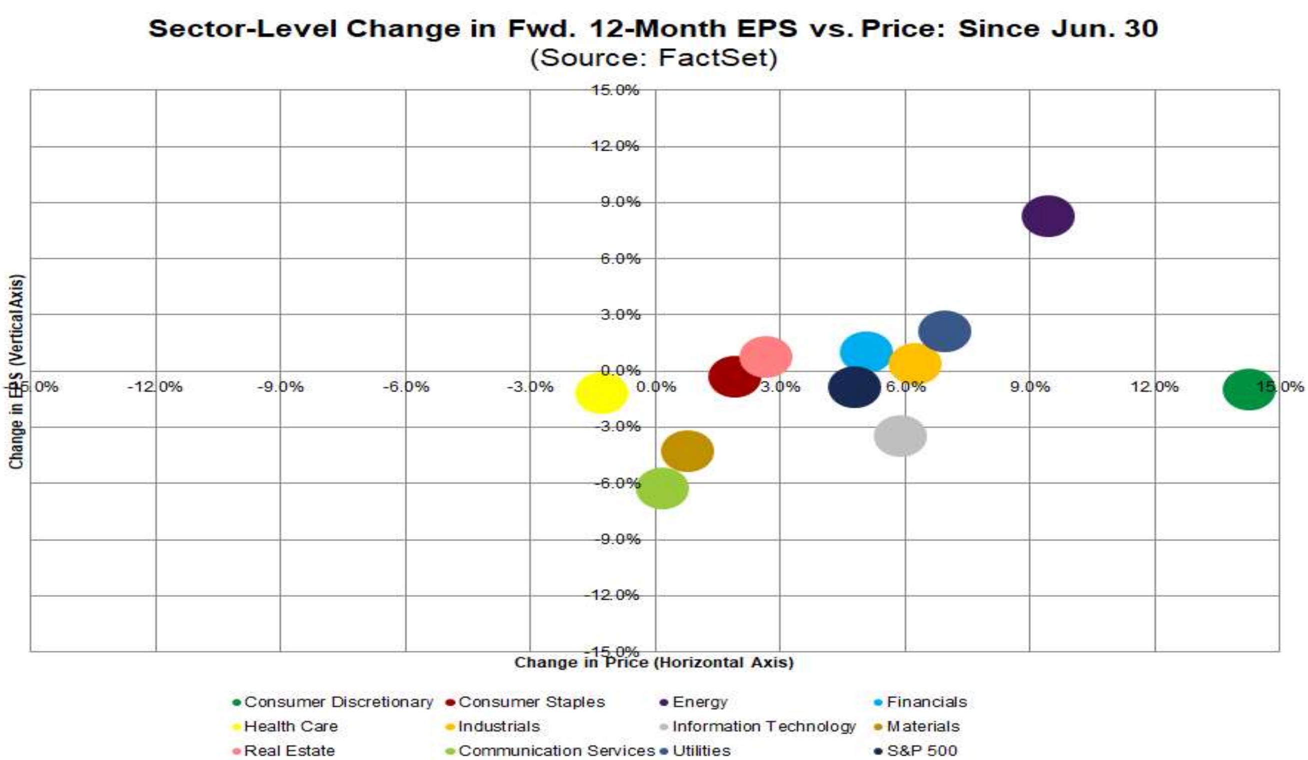




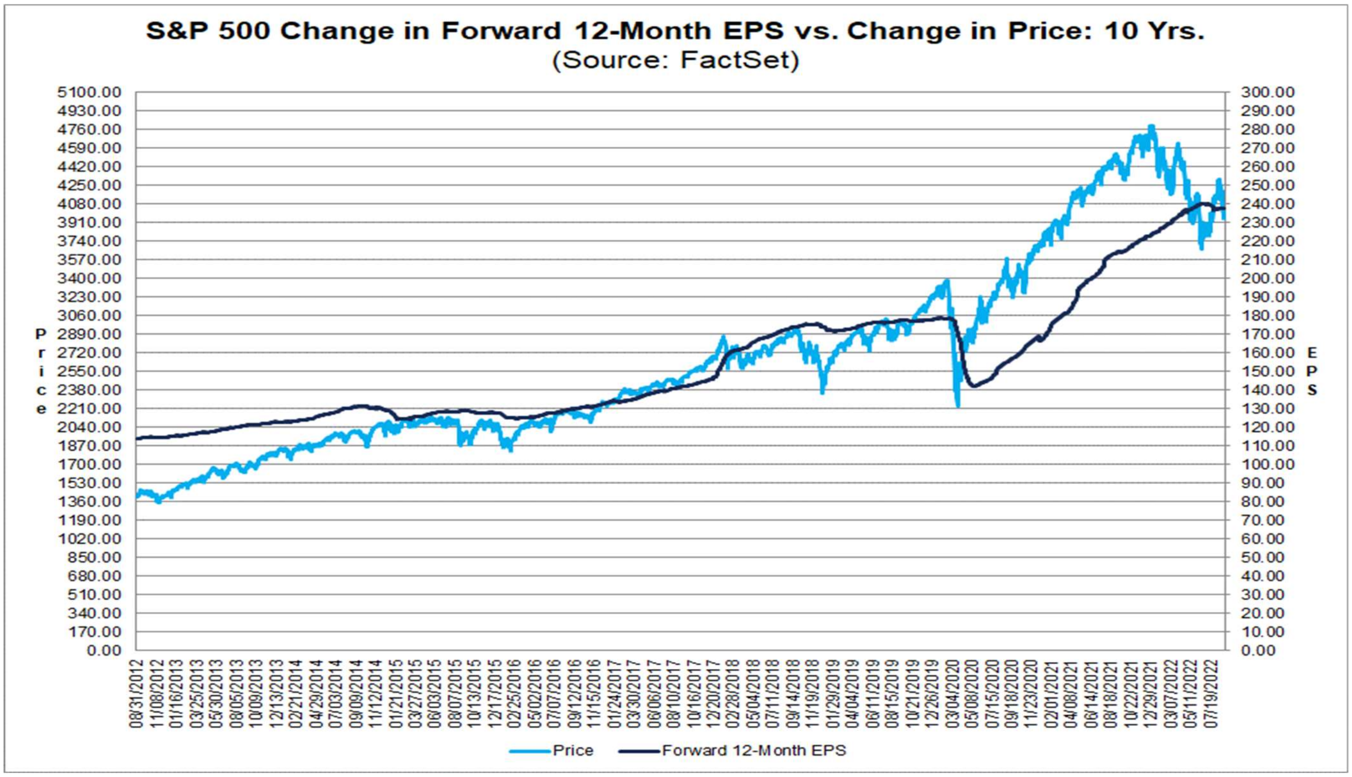
Forward 12M P/E Ratio: Sector Level

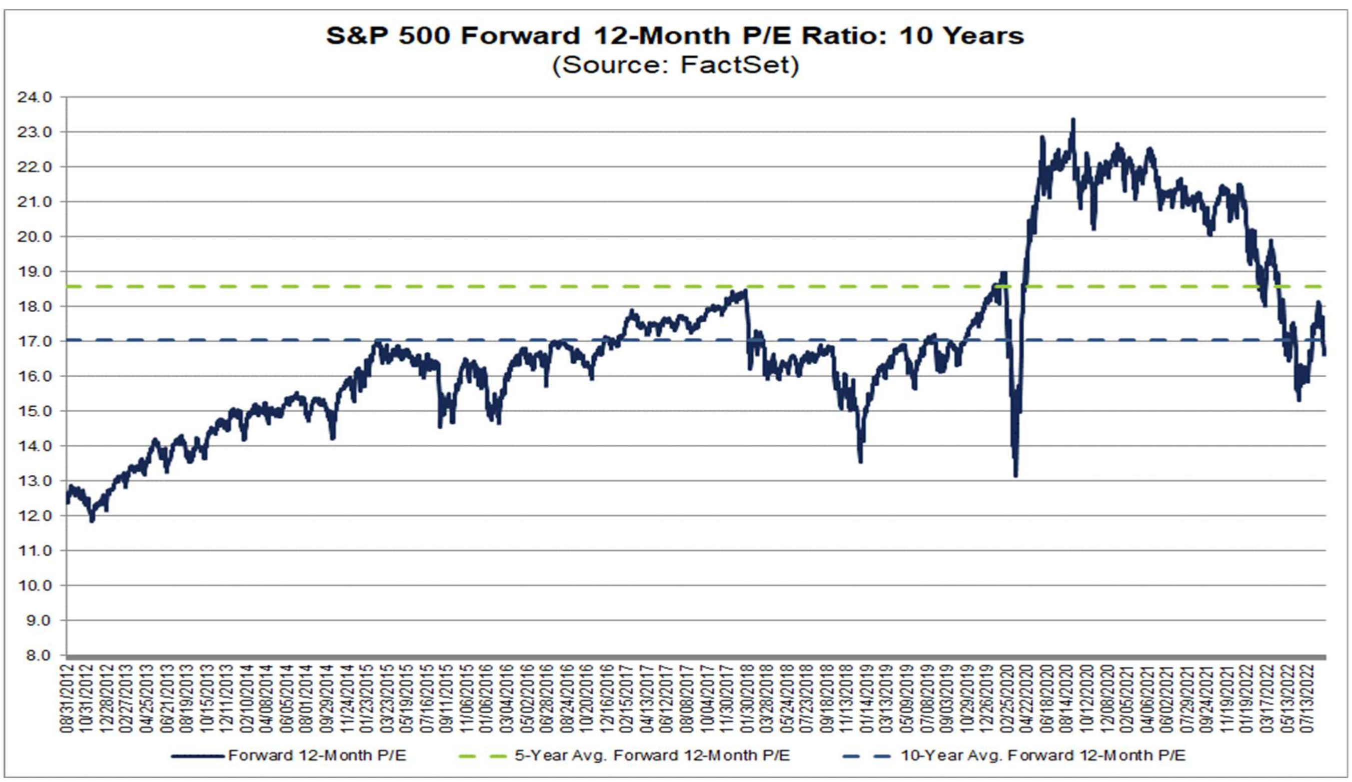


	Consumer Disc.	Info. Technology	Consumer Staples	Utilities	Real Estate	Industrials	S&P 500	Health Care	Comm. Services	Materials	Financials	Energy
Fwd P/E	25.3	20.8	20.5	20.5	18.3	16.8	16.7	15.7	15.5	13.1	11.8	8.5
5-Yr Avg.	26.5	21.8	19.6	18.5	19.6	19.3	18.6	16.0	17.7	17.3	13.2	5.2
10-Yr Avg.	22.0	18.4	19.0	17.2		17.4	17.0	15.8	15.9	16.2	13.0	15.8

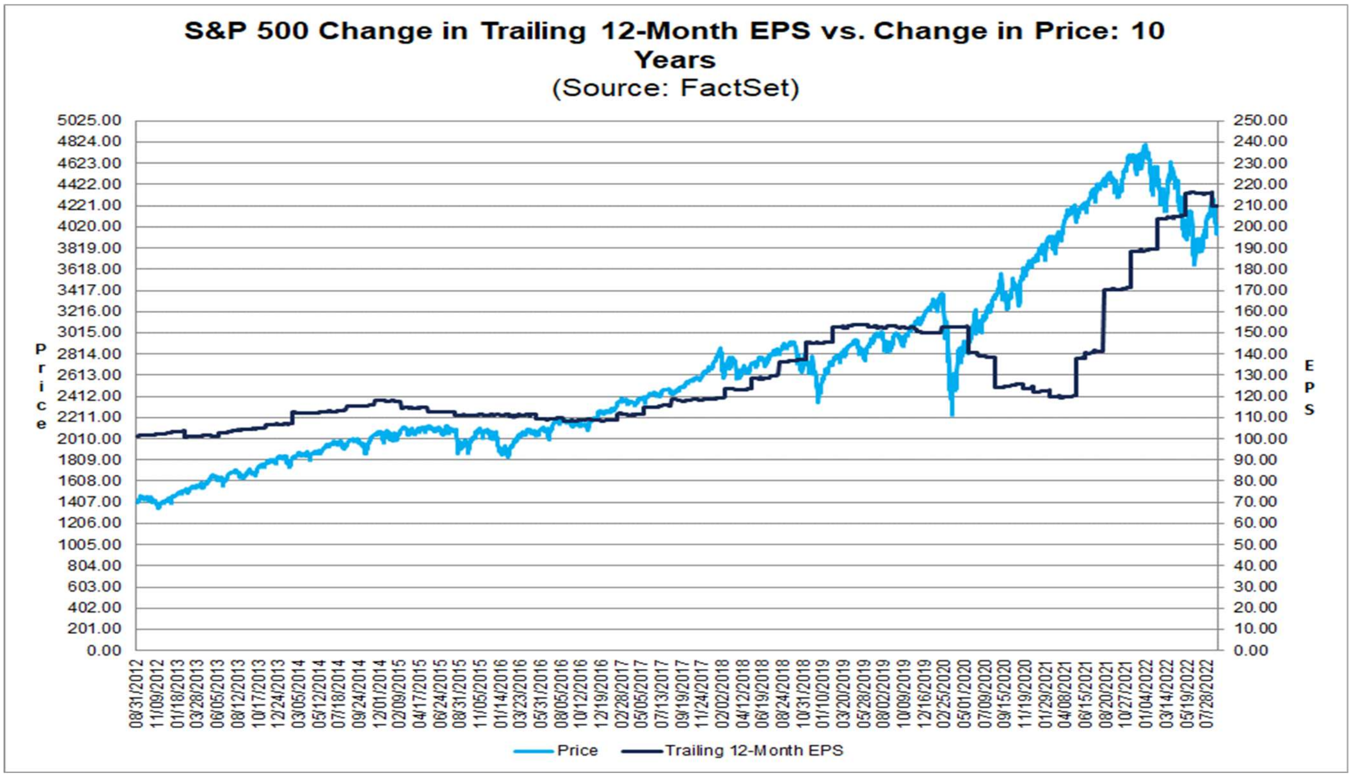


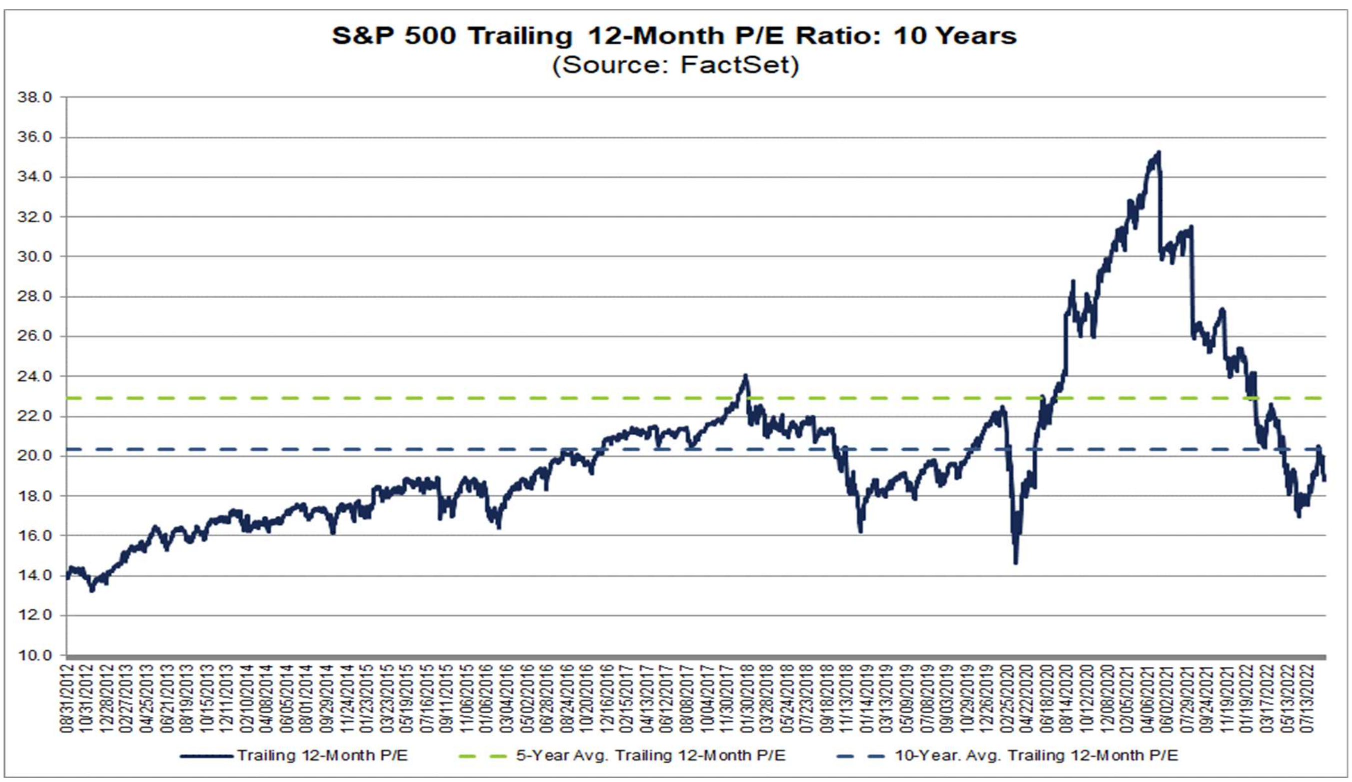
Forward 12M P/E Ratio: 10-Years



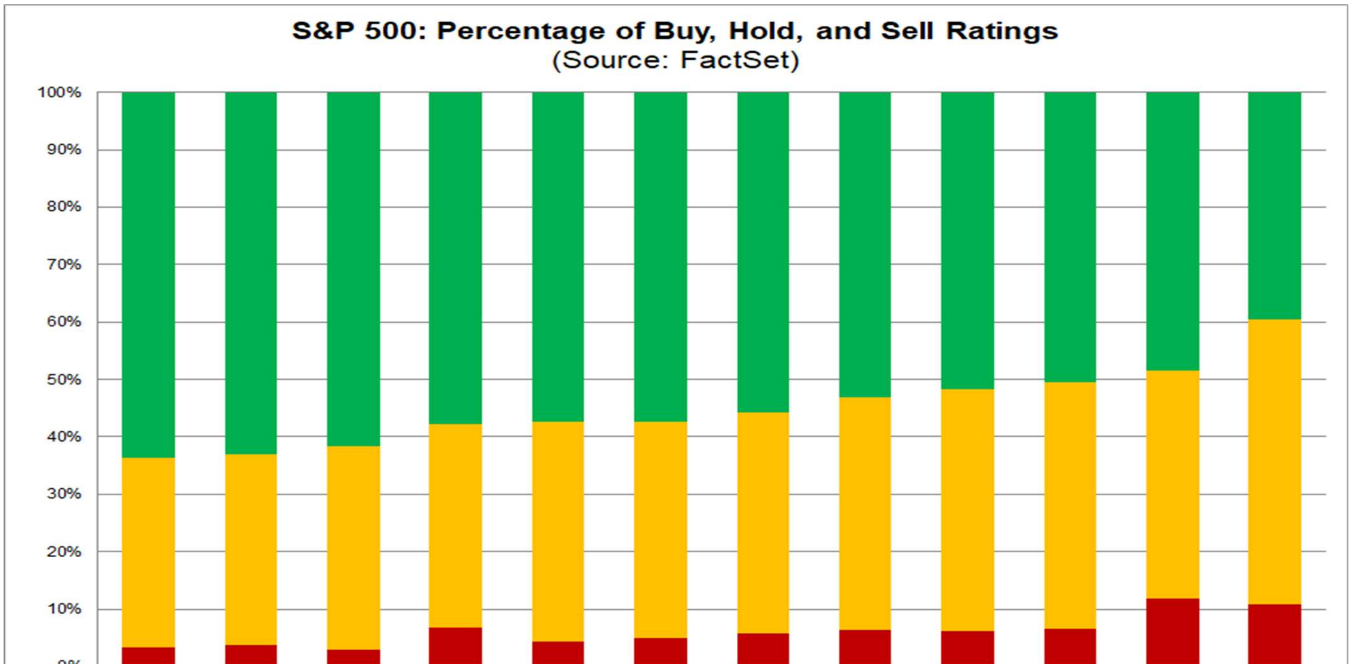


Trailing 12M P/E Ratio: 10-Years

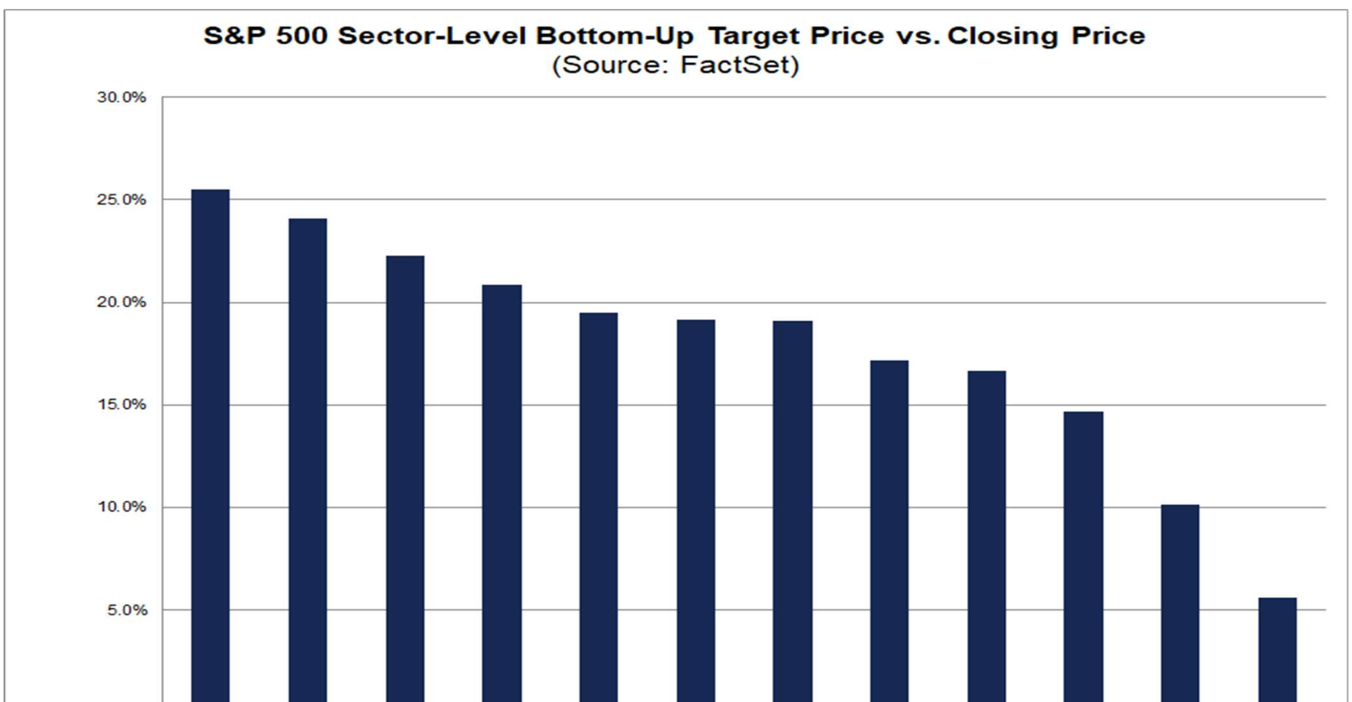




Targets & Ratings



	Energy	Info. Tech.	Real Estate	Comm. Services	Consumer Disc.	Health Care	S&P 500	Industrials	Financials	Materials	Utilities	Consumer Staples
Buy	64%	63%	62%	58%	57%	57%	56%	53%	52%	51%	48%	40%
Hold	33%	33%	36%	35%	38%	38%	39%	40%	42%	43%	40%	50%
Sell	3%	4%	3%	7%	4%	5%	6%	6%	6%	6%	12%	11%



	Comm. Services	Info. Tech.	Consumer Disc.	Materials	S&P 500	Real Estate	Energy	Financials	Health Care	Industrials	Consumer Staples	Utilities
Target/Close	25.5%	24.1%	22.3%	20.9%	19.5%	19.2%	19.1%	17.1%	16.6%	14.7%	10.2%	5.6%

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