

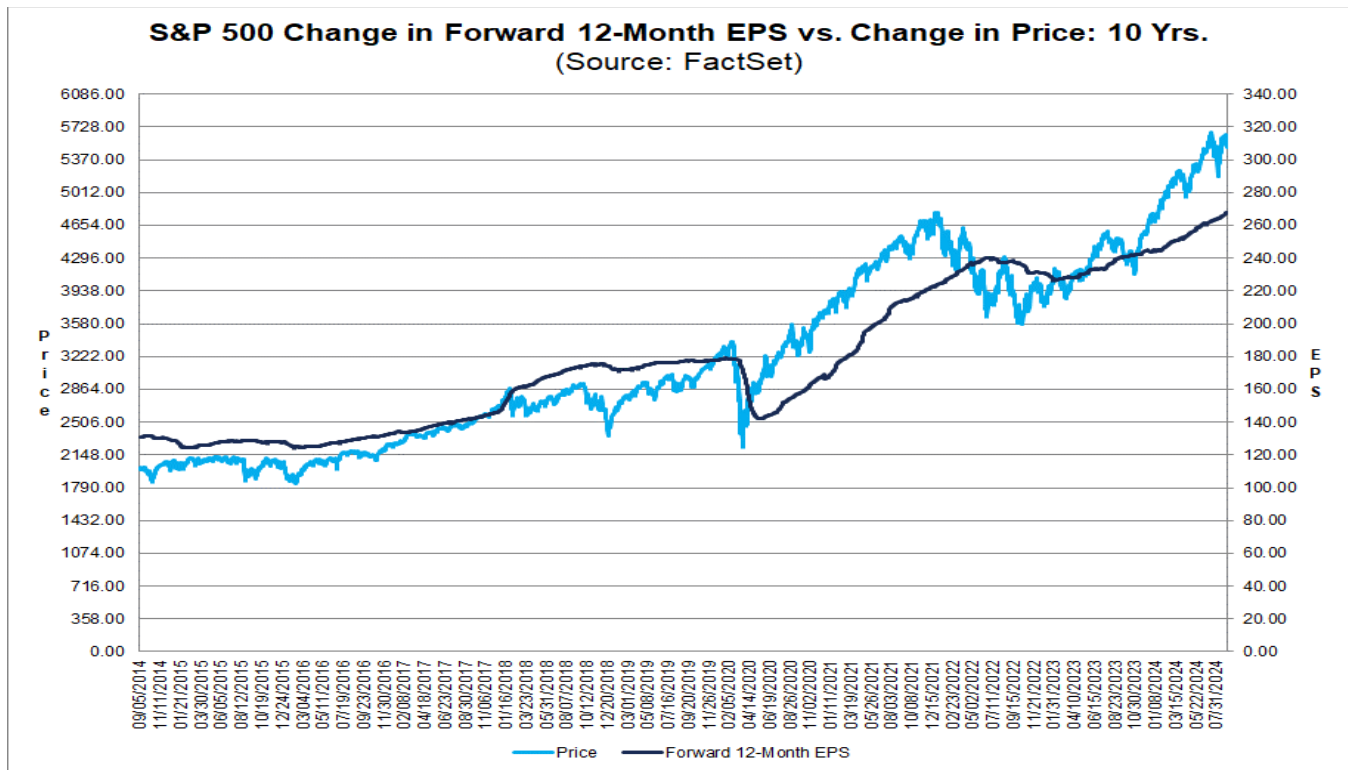
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Key Metrics

- Earnings Scorecard:** For Q2 2024 (with more than 99% of S&P 500 companies reporting actual results), 79% of S&P 500 companies have reported a positive EPS surprise and 60% of S&P 500 companies have reported a positive revenue surprise.
- Earnings Growth:** For Q2 2024, the blended (year-over-year) earnings growth rate for the S&P 500 is 11.3%. The second quarter will mark the highest year-over-year earnings growth rate reported by the index since Q4 2021 (31.4%).
- Earnings Revisions:** On June 30, the estimated (year-over-year) earnings growth rate for the S&P 500 for Q2 2024 was 8.9%. Nine 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 2024, 59 S&P 500 companies have issued negative EPS guidance and 50 S&P 500 companies have issued positive EPS guidance.
- Valuation:** The forward 12-month P/E ratio for the S&P 500 is 20.6. This P/E ratio is above the 5-year average (19.4) and above the 10-year average (18.0).



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Table of Contents

Commentary

Key Metrics	1
Table of Contents	2
Topic of the Week	3
Overview	6
Earnings & Revenue Scorecard	7
Earnings Revisions	9
Earnings Growth	10
Revenue Growth	11
Net Profit Margin	12
Forward Estimates & Valuation	13

Charts

Q224 Earnings & Revenue Scorecard	15
Q224 Earnings & Revenue Surprises	16
Q224 Earnings & Revenue Growth	19
Q224 Net Profit Margin	21
Q324 EPS Guidance	22
Q324 EPS Revisions	23
Q324 Earnings & Revenue Growth	24
FY24 / FY25 EPS Guidance	25
CY24 Earnings & Revenue Growth	26
CY25 Earnings & Revenue Growth	27
Geographic Revenue Exposure	28
Bottom-Up EPS Estimates	29
Forward 12-Month P/E Ratio	31
Trailing 12-Month P/E Ratio	33
Target & Ratings	34

Topic of the Week:

Are Analysts Cutting EPS Estimates More Than Average for S&P 500 Companies for Q3?

Given concerns in the market about a possible economic slowdown, have analysts lowered EPS estimates more than normal for S&P 500 companies for the third quarter?

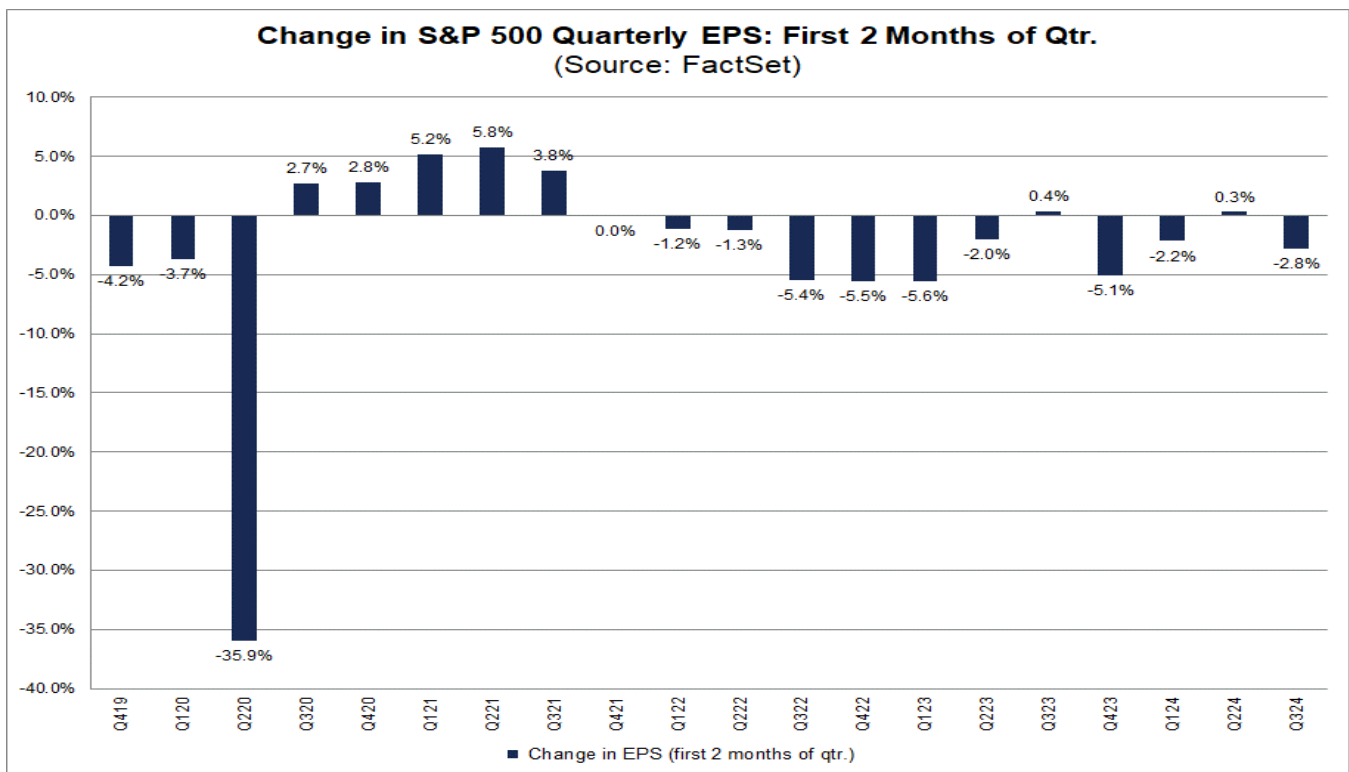
During the months of July and August, analysts lowered EPS estimates for the third quarter within the range of recent averages. The Q3 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for Q3 for all the companies in the index) decreased by 2.8% (to \$61.44 from \$63.20) from June 30 to August 31.

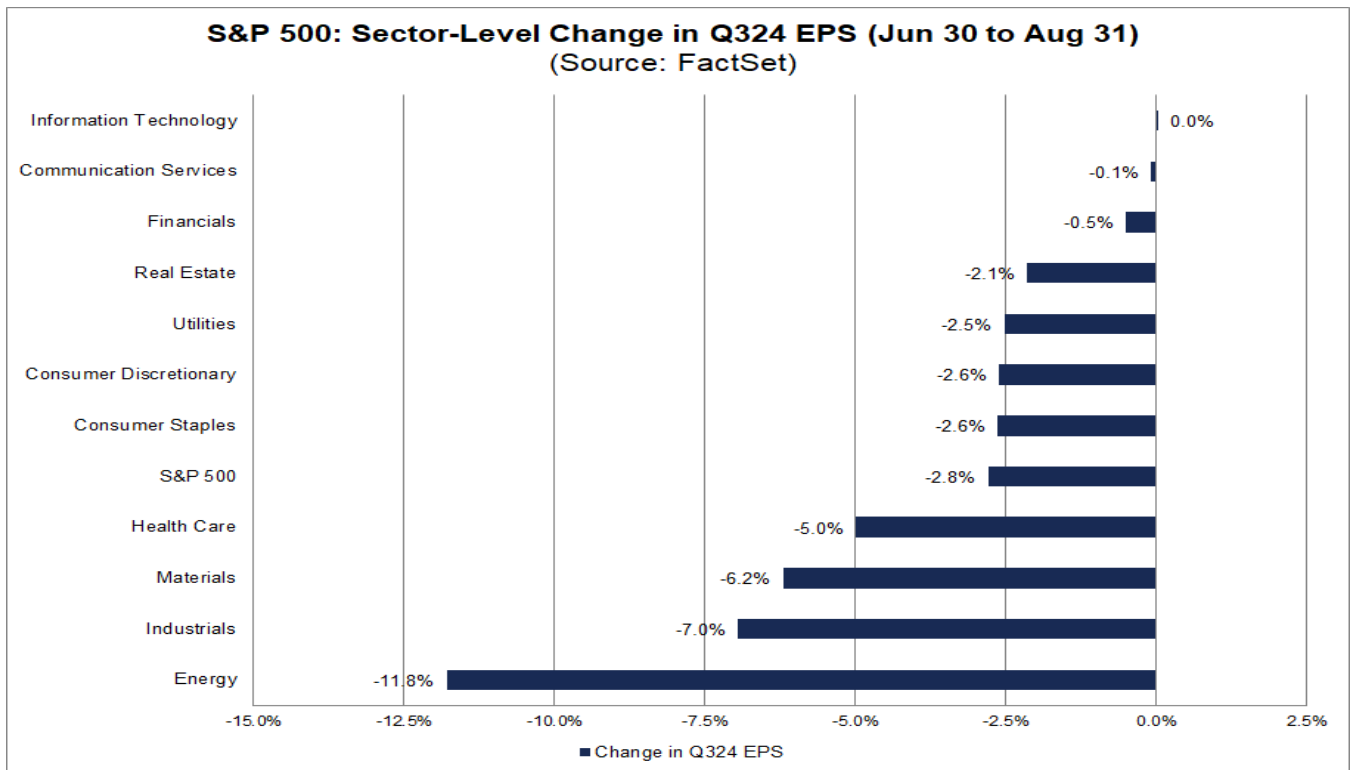
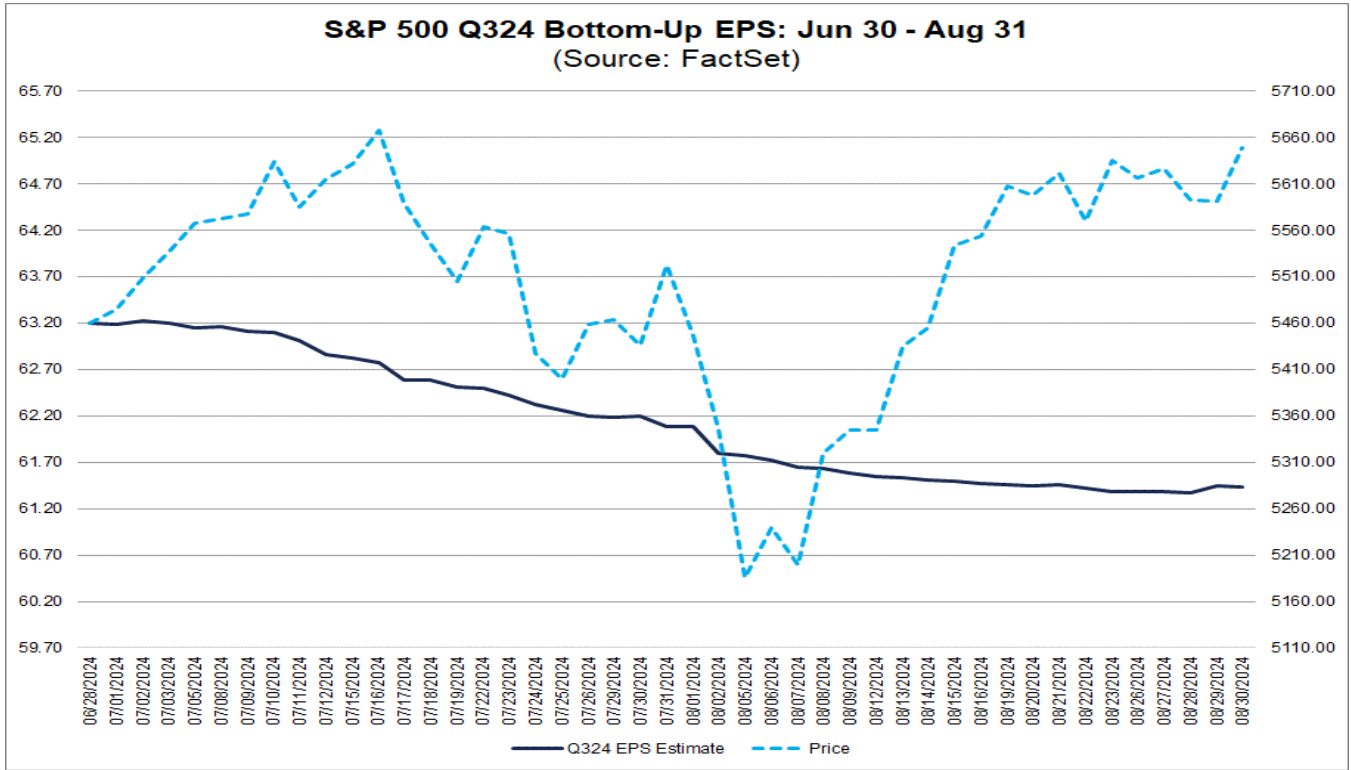
In a typical quarter, analysts usually reduce earnings estimates during the first two months of a quarter. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 2.7%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 2.6%. 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 2.3%. 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 3.0%.

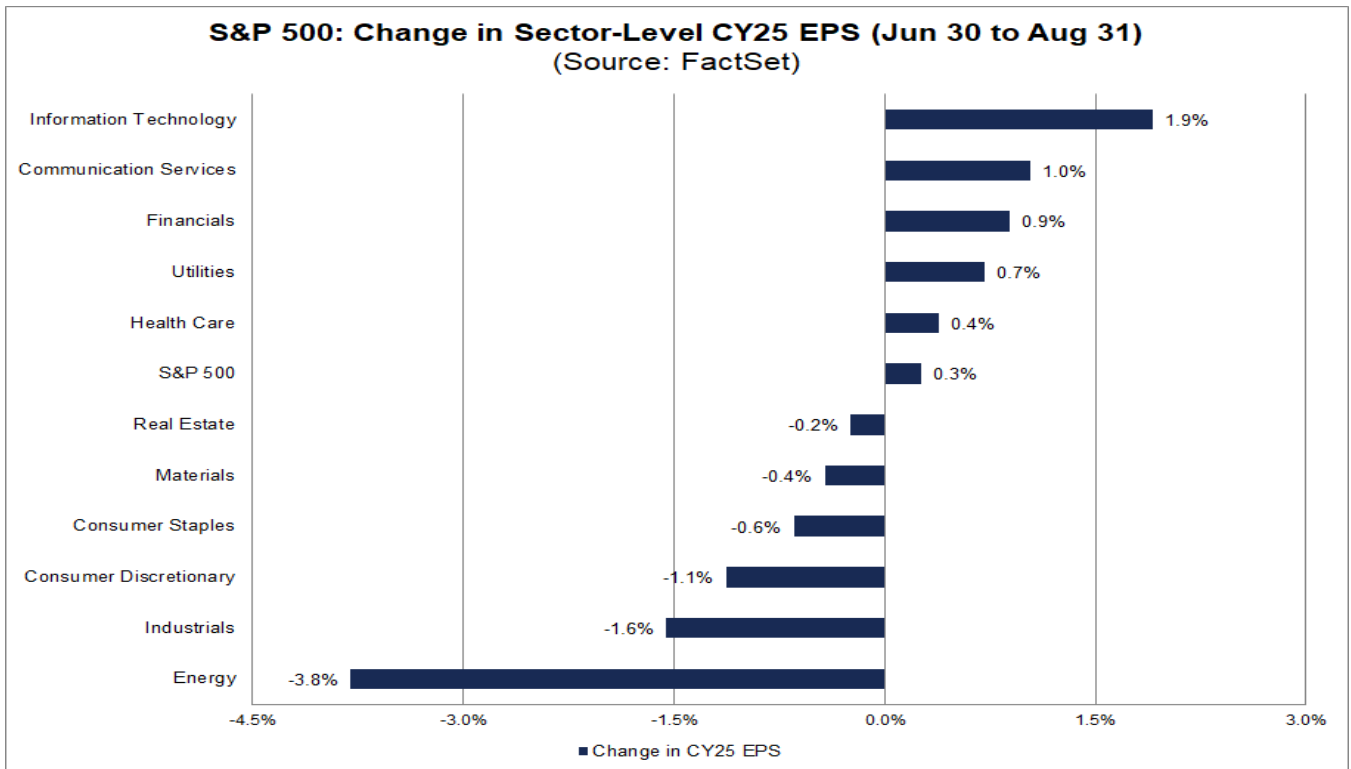
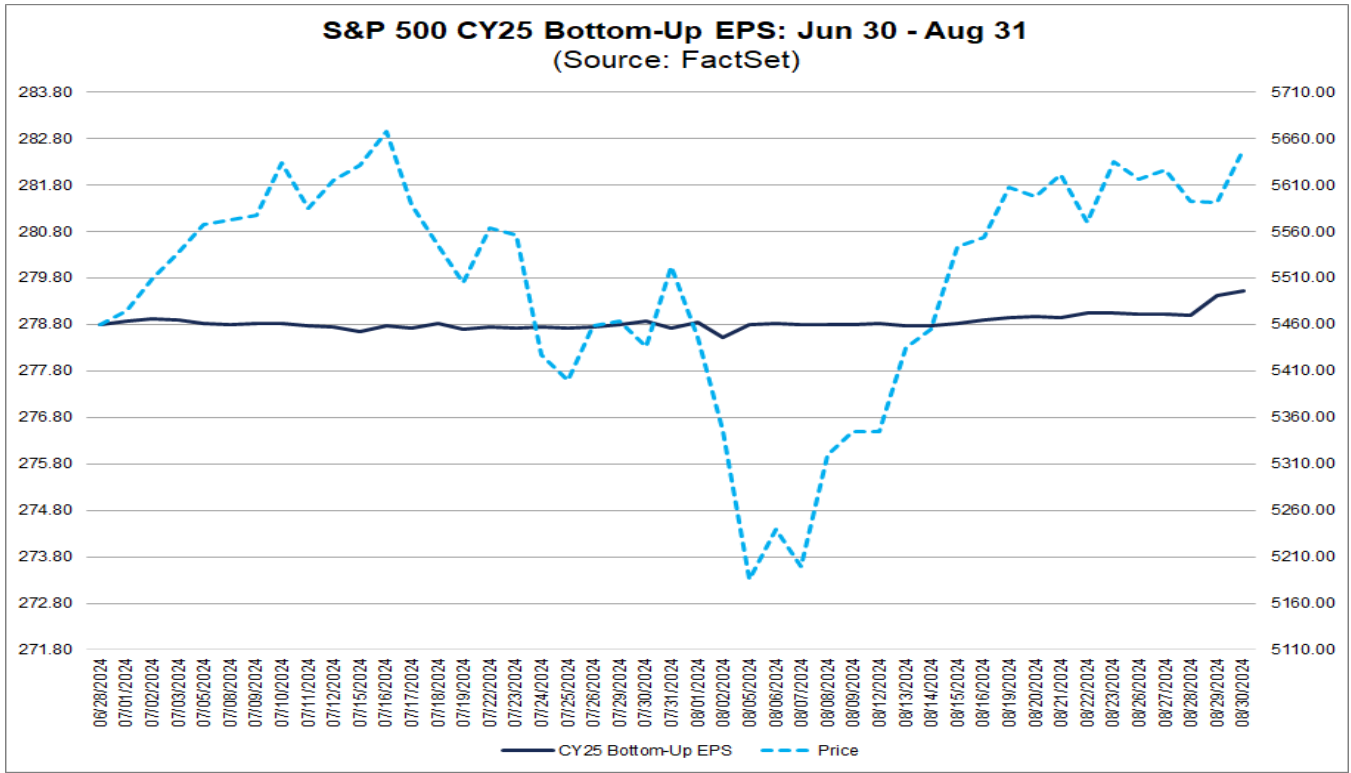
Thus, the decline in the Q3 bottom-up EPS estimate during this period was between the low end and the high end of the four most recent averages (-2.3% to -3.0%).

At the sector level, ten of the eleven sectors witnessed a decrease in their bottom-up EPS estimate for Q3 2024 from June 30 to August 31, led by the Energy (-11.8%) sector. On the other hand, no sector recorded an increase in its bottom-up EPS estimate for Q3 2024 during this period.

However, it is interesting to note that while analysts decreased EPS estimates in aggregate for Q3 2024 during the past two months, they increased EPS estimates for CY 2025 by 0.3% (to \$279.52 from \$278.79) over this same period.







Q2 Earnings Season: By The Numbers

Overview

During the second quarter earnings season, the performance of S&P 500 companies relative to expectations was mixed. On the one hand, the percentage of S&P 500 companies reporting positive earnings surprises was above average. On the other hand, the magnitude of earnings surprises was below average. However, the index did report higher earnings relative to the end of the quarter. In fact, the index reported its highest (year-over-year) earnings growth rate since Q4 2021.

Overall, more than 99% of the companies in the S&P 500 have reported actual results for Q2 2024 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 74%. In aggregate, companies are reporting earnings that are 3.6% above estimates, which is below the 5-year average of 8.6% and below the 10-year average of 6.8%. Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

Upward revisions to EPS estimates and positive EPS surprises reported by companies in the Financials, Information Technology, and Consumer Discretionary sectors, partially offset by downward revisions to EPS estimates and negative EPS surprises reported by companies in the Communication Services and Energy sectors, were the largest contributors to the increase in the overall earnings growth rate for the index since June 30.

As a result, the index is reporting higher earnings for the second quarter today relative to the end of the quarter. The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings growth rate for the second quarter is 11.3% today, compared to an earnings growth rate of 8.9% at the end of the second quarter (June 30).

The second quarter will mark the highest year-over-year earnings growth rate reported by the index since Q4 2021 (31.4%). It will also mark the fourth consecutive quarter of year-over-year earnings growth for the index.

Nine of the eleven sectors are reporting (or have reported) year-over-year growth for Q2. Five of these nine sectors reported double-digit growth: Utilities, Information Technology, Financials, Health Care, and Consumer Discretionary. On the other hand, two sectors reported a year-over-year decline in earnings, led by the Materials sector.

In terms of revenues, 60% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 69% and below the 10-year average of 64%. In aggregate, companies are reporting revenues that are 0.7% above the estimates, which is below the 5-year average of 2.0% and below the 10-year average of 1.4%. Again, historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

Positive revenue surprises reported by companies in the Financials and Health Care sectors have been the largest contributors to the increase in the overall revenue growth rate for the index since June 30.

As a result, the index is reporting higher revenues today relative to the end of the quarter. The blended revenue growth rate for the second quarter is 5.3% today, compared to a revenue growth rate of 4.7% at the end of the second quarter (June 30).

The second quarter will mark the highest revenue growth rate reported by the index since Q4 2022 (5.4%). It will also mark the 15th consecutive quarter of revenue growth for the index.

Ten sectors are reporting (or have reported) year-over-year growth in revenues, led by the Information Technology, Energy, and Communication Services sectors. On the other hand, the Materials sectors is the only sector that reported a year-over-year decline in revenues.

Looking ahead, analysts expect (year-over-year) earnings growth rates of 4.9% and 15.4% for Q3 2024 and Q4 2024, respectively. For CY 2024, analysts are calling for (year-over-year) earnings growth of 10.1%.

The forward 12-month P/E ratio is 20.6, which is above the 5-year average (19.4) and above the 10-year average (18.0). However, this P/E ratio is below the forward P/E ratio of 21.0 recorded at the end of the second quarter (June 30).

During the upcoming week, 1 S&P 500 company is scheduled to report results for the second quarter and 2 S&P 500 companies are scheduled to report results for the third quarter.

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

Percentage of Companies Beating EPS Estimates (79%) is Above 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, 79% have reported actual EPS above the mean EPS estimate, 4% 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 (78%), above the 5-year average (77%), and above the 10-year average (74%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Health Care (87%) and Real Estate (84%) sectors have the highest percentages of companies reporting earnings (or FFO for Real Estate) above estimates, while the Consumer Staples (70%) sector has the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (+3.6%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 3.6% above expectations. This surprise percentage is below the 1-year average (+6.5%), below the 5-year average (+8.6%), and below the 10-year average (+6.8%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

The Utilities (+9.5%) sector reported the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, NRG Energy (\$3.37 vs. \$1.55), Pinnacle West Capital Corporation (\$1.76 vs. \$1.28), and NiSource (\$0.21 vs. \$0.16) reported the largest positive EPS surprises.

The Health Care (+8.6%) sector reported the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Insulet Corporation (\$2.59 vs. \$0.55), Bio-Rad Laboratories (\$3.11 vs. \$2.01), Eli Lilly & Company (\$3.92 vs. \$2.72), Catalent (\$0.65 vs. \$0.47), and Pfizer (\$0.60 vs. \$0.46) reported the largest positive EPS surprises.

The Financials (+7.5%) sector reported the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Allstate (\$1.61 vs. \$0.28), Discover Financial Services (\$6.06 vs. \$3.10), Cincinnati Financial (\$1.29 vs. \$0.96), Progressive Corporation (\$2.65 vs. \$2.05), American Express (\$4.15 vs. \$3.26), Travelers Companies (\$2.51 vs. \$2.01), and Berkshire Hathaway (\$5.38 vs. \$4.36) reported the largest positive EPS surprises.

The Consumer Discretionary (+6.9%) sector reported the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Carnival Corporation (\$0.11 vs. -\$0.01), Hasbro (\$1.22 vs. \$0.78), MGM Resorts (\$0.86 vs. \$0.60), Deckers Outdoor Corporation (\$4.52 vs. \$3.48), Amazon.com (\$1.26 vs. \$1.03), and NIKE (\$1.01 vs. \$0.84) reported the largest positive EPS surprises.

On the other hand, the Communication Services (-12.0%) sector reported the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Warner Bros. Discovery (-\$4.07 vs. -\$0.27) reported the largest negative EPS surprise. The (GAAP) EPS actual for Warner Bros. Discovery for Q2 2024 included a \$9.1 billion non-cash goodwill impairment charge and \$2.1 billion in other charges.

Market Punishing Negative EPS Surprises More Than Average

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

Companies that have reported positive earnings surprises for Q2 2024 have seen an average price increase of +0.9% two days before the earnings release through two days after the earnings release. This percentage increase is slightly below the 5-year average price increase of +1.0% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q2 2024 have seen an average price decrease of -4.4% two days before the earnings release through two days after the earnings release. This percentage decrease is larger than the 5-year average price decrease of -2.3% during this same window for companies reporting negative earnings surprises.

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

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

At the sector level, the Information Technology (81%) and Health Care (79%) sectors have the highest percentages of companies reporting revenues above estimates, while the Consumer Staples (41%) and Utilities (42%) sectors have the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+0.7%) is Below 5-Year Average

In aggregate, companies are reporting revenues that are 0.7% above expectations. This surprise percentage is below the 1-year average (+1.1%), below the 5-year average (+2.0%), and above the 10-year average (+1.4%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Health Care (+1.3%) and Information Technology (+1.2%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Utilities (-2.5%) and Consumer Staples (-0.1%) sectors are reporting the largest negative (aggregate) differences between actual revenues and estimated revenues.

Revisions: Financials Sector Has Seen Largest Increase in Earnings and Revenues Since June 30

Financials Sector Has Seen Largest Increase in Earnings since June 30

The blended (year-over-year) earnings growth rate for Q2 2024 of 11.3% is larger than the estimate of 8.9% 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 EPS estimates and positive earnings surprises, led by the Financials (to 17.6% from 4.3%) and Utilities (to 21.0% from 8.6%) sectors. The Financials, Information Technology, and Consumer Discretionary sectors have been the largest contributors to the increase in earnings 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 earnings estimates and negative earnings surprises: Communication Services (to 4.3% from 18.5%) and Energy (to 1.7% from 13.3%) These two sectors have also been the largest detractors to the increase in earnings for the index since June 30.

In the Financials sector, the upward revisions to (GAAP) EPS estimates (to \$5.88 from \$4.20) and the positive (GAAP) EPS surprise (\$6.12 vs. \$5.88) reported by JPMorgan Chase, as well as the positive EPS surprises reported by Berkshire Hathaway (\$5.38 vs. \$4.36), Discover Financial Services (\$6.06 vs. \$3.10) and American Express (\$4.14 vs. \$3.26), have been substantial contributors to the increase in the overall earnings growth rate for the index since June 30. The (GAAP) EPS actual for JPMorgan Chase for Q2 2024 included a net gain of \$2.04 related to Visa shares. As a result, the blended earnings growth rate for the Financials sector has increased to 17.6% from 4.3% over this period.

In the Information Technology sector, the positive EPS surprises reported by NVIDIA (\$0.68 vs. \$0.65) and Apple (\$1.40 vs. \$1.34) have been substantial contributors to the increase in the earnings growth rate for the index since June 30. As a result, the blended earnings growth rate for the Information Technology sector increased to 20.3% from 16.4% over this period.

In the Consumer Discretionary sector, the positive EPS surprise reported by Amazon.com (\$1.26 vs. \$1.03) has been a substantial contributor to the increase in the earnings growth rate for the index since June 30. As a result, the blended earnings growth rate for the Consumer Discretionary sector has increased to 12.9% from 6.7% over this period.

In the Communication Services sector, the negative EPS surprise reported by Warner Bros. Discovery (-\$4.07 vs. -\$0.26) has been the largest detractor to the increase in the earnings growth rate for the index since June 30. The (GAAP) EPS actual for Warner Bros. Discovery for Q2 2024 included a \$9.1 billion non-cash goodwill impairment charge and \$2.1 billion in other charges. As a result, the blended earnings growth rate for the Communication Services sector has decreased to 4.3% from 18.5% over this period.

In the Energy sector, the downward revisions to EPS estimates (to \$2.93 from \$3.27) and the negative EPS surprise (\$2.55 vs. \$2.93) reported by Chevron and the downward revisions to EPS estimates (to \$2.02 from \$2.37) for Exxon Mobil (which were partially offset by the company's positive EPS surprise) have been significant detractors 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 has decreased to 1.7% from 13.3% over this period.

Financials and Health Care Sectors Have Seen Largest Increases in Revenues since June 30

The blended (year-over-year) revenue growth rate for Q2 2024 of 5.3% is above the estimate of 4.7% at the end of the second quarter (June 30). Eight sectors have recorded an increase in their revenue growth rate or a decrease in their revenue decline since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Financials (to 4.5% from 2.9%) and Health Care (to 7.1% from 5.8%) sectors. These two sectors have also been the largest contributors to the increase in the revenue growth rate for the index since the end of the quarter. On the other hand, 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 Utilities sector (to 3.0% from 4.9%).

In the Financials sector, the positive revenue surprises reported by JPMorgan Chase (\$51.00 billion vs. \$42.23 billion) and Berkshire Hathaway (\$93.65 billion vs. \$91.09 billion) have been the largest contributors to the increase in revenues for the index since June 30. As a result, the blended revenue growth rate for the Financials sector has increased to 4.5% from 2.9% over this period.

In the Health Care sector, the positive revenue surprises reported by Centene Corporation (\$39.84 billion vs. \$36.83 billion), and Cigna Group (\$60.47 billion vs. \$58.30 billion) have been substantial contributors to the increase in revenues for the index since June 30. As a result, the blended revenue growth rate for the Health Care sector has increased to 7.1% from 5.8% over this period.

Earnings Growth: 11.3%

The blended (year-over-year) earnings growth rate for Q2 2024 is 11.3%, which is above the 5-year average earnings growth rate of 9.4% and above the 10-year average earnings growth rate of 8.4%. The second quarter will mark the highest (year-over-year) earnings growth rate for the index since Q4 2021 (31.4%). It will also mark the fourth consecutive quarter of year-over-year earnings growth.

Nine of the eleven sectors are reporting (or have reported) year-over-year earnings growth, led by the Utilities, Information Technology, Financials, Health Care, and Consumer Discretionary sectors. On the other hand, two sectors reported a year-over-year decline in earnings, led by the Materials sector.

Utilities: 4 of 5 Industries Reported Year-Over-Year Growth

The Utilities sector reported the highest (year-over-year) earnings growth rate of all eleven sectors for Q2 2024 at 21.0%. At the industry level, four of five industries in the sector reported year-over-year earnings growth: Independent Power and Renewable Electricity Producers (45%), Electric Utilities (26%), Gas Utilities (23%), and Multi-Utilities (5%). On the other hand, the Water Utilities (-1%) industry is the only industry that reported a year-over-year decline in earnings. The Electric Utilities industry was the largest contributor to year-over-year earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Utilities sector would fall to 11.3% from 21.0%.

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

The Information Technology sector reported the second-highest (year-over-year) earnings growth rate of all eleven sectors at 20.3%. At the industry level, 4 of the 6 industries in the sector reported year-over-year earnings growth: Semiconductors & Semiconductor Equipment (56%), Technology Hardware, Storage, & Peripherals (15%), Software (10%), and IT Services (6%). On the other hand, two industries reported a year-over-year decline in earnings: Communications Equipment (-16%) and Electronic Equipment, Instruments, & Components (-1%) .

At the company level, NVIDIA (\$0.68 vs. \$0.27) was the largest contributor to earnings growth for the sector. If this company were excluded, the blended (year-over-year) earnings growth rate for the Information Technology sector would fall to 9.9% from 20.3%.

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

The Financials sector reported the third-highest (year-over-year) earnings growth rate of all eleven sectors for Q2 2024 at 17.6%. At the industry level, all five industries in the sector reported year-over-year earnings growth: Insurance (36%), Capital Markets (28%), Consumer Finance (27%), Financial Services (12%), and Banks (8%). The Insurance and Capital Markets industries were the largest contributors to year-over-year earnings growth for the sector. If these two industries were excluded, the blended earnings growth rate for the Financials sector would fall to 11.0% from 17.6%.

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

The Health Care sector reported the fourth-largest (year-over-year) earnings growth rate of all eleven sectors at 17.1%. At the industry level, 3 of the 5 industries in the sector reported year-over-year earnings growth. Two of these three industries reported a double-digit increase: Pharmaceuticals (95%) and Health Care Equipment & Supplies (11%). On the other hand, two industries reported a year-over-year decline in earnings, led by the Biotechnology (-37%) industry.

At the company level, Merck (\$2.28 vs. -\$2.06) was the largest contributor to earnings growth for the sector. If this company were excluded, the Health Care sector would have reported a (year-over-year) decline in earnings of -1.6% instead of (year-over-year) earnings growth of 17.1%.

On the other hand, Vertex Pharmaceuticals (-\$12.83 vs. \$3.89) was the largest detractor to earnings growth for the sector. If this company were excluded, the blended earnings growth rate for the Health Care sector would improve to 25.0% from 17.1%.

Consumer Discretionary: Amazon.com Was Largest Contributor to Year-Over-Year Growth

The Consumer Discretionary sector reported the fifth-largest (year-over-year) earnings growth rate of all eleven sectors at 12.9%. At the industry level, 5 of the 9 industries in the sector reported year-over-year earnings growth. Four of these five industries reported a double-digit increase: Leisure Products (150%), Broadline Retail (90%), Textiles, Apparel, & Luxury Good (34%), and Automobile Components (15%). On the other hand, four industries reported a year-over-year decline in earnings. However, the Automobiles (-17%) industry was the only industry that reported a double-digit decline in earnings.

At the company level, Amazon.com (\$1.26 vs. \$0.65) was the largest contributor to earnings growth for the sector. If this company were excluded, the Consumer Discretionary sector would have reported a (year-over-year) decline in earnings of -2.6% instead of (year-over-year) earnings growth of 12.9%.

Materials: All 4 Industries Reported Year-Over-Year Decline

The Materials sector reported the largest (year-over-year) earnings decline of all eleven sectors at -8.4%. At the industry level, all four industries in this sector reported a year-over-year decline in earnings: Metals & Mining (-16%), Containers & Packaging (-10%), Construction Materials (-7%), and Chemicals (-6%).

Revenue Growth: 5.3%

The blended (year-over-year) revenue growth rate for Q2 2024 is 5.3%, which is below the 5-year average revenue growth rate of 6.7% but above the 10-year average revenue growth rate of 5.1%. The second quarter will mark the highest revenue growth rate reported by the index since Q4 2022 (5.4%). It will also mark the 15th consecutive quarter of revenue growth for the index.

At the sector level, ten sectors are reporting (or have reported) year-over-year growth in revenues, led by the Information Technology, Energy, and Communication Services sectors. On the other hand, the Materials sector is the only sector that reported a year-over-year decline in revenues.

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

The Information Technology sector reported the highest (year-over-year) revenue growth rate of all eleven sectors at 11.0%. At the industry level, 4 of the 6 industries in the sector reported year-over-year revenue growth. Two of these four industries reported double-digit growth: Semiconductors & Semiconductor Equipment (27%) and Software (12%). On the other hand, two industries reported a year-over-year decline in revenue: Communications Equipment (-6%) and Electronic Equipment, Instruments, & Components (-5%).

At the company level, NVIDIA (\$30.04 billion vs. \$13.51 billion) was the largest contributor to revenue growth for the sector. If this company were excluded, the blended (year-over-year) revenue growth rate for the Information Technology sector would fall to 7.0% from 11.0%.

Energy: All 5 Sub-Industries Reported Year-Over-Year Growth

The Energy sector reported the second-highest (year-over-year) revenue growth rate of all eleven sectors at 8.1%. At the sub-industry level, all 5 sub-industries in the sector reported year-over-year revenue growth. Oil & Gas Exploration & Production (15%), Oil & Gas Storage & Transportation (10%), Oil & Gas Equipment & Services (9%), Integrated Oil & Gas (9%), and Oil & Gas Refining & Marketing (4%).

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

The Communication Services sector reported the third-highest (year-over-year) revenue growth rate of all eleven sectors at 7.5%. At the industry level, 4 of the 5 industries in the sector reported year-over-year revenue growth. Only one of these four industries reported double-digit growth: Interactive Media & Services (15%). On the other hand, the Media (-1%) industry is the only industry that reported a year-over-year decline in revenue.

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

The Materials sector reported the largest (year-over-year) revenue decline of all eleven sectors at -1.5%. At the industry level, three of the four industries in this sector are reported a year-over-year decline in revenues: Construction Materials (-4%), Containers & Packaging (-3%), and Chemicals (-3%). On the other hand, the Metals & Mining (3%) industry is the only industry that reported year-over-year revenue growth.

Net Profit Margin: 12.3%

The blended net profit margin for the S&P 500 for Q2 2024 is 12.3%, which is above the previous quarter's net profit margin of 11.8%, above the year-ago net profit margin of 11.6%, and above the 5-year average of 11.5%.

At the sector level, five sectors reported a year-over-year increase in their net profit margins in Q2 2024 compared to Q2 2023, led by the Financials (18.7% vs. 16.6%), Utilities (13.8% vs. 11.8%), and Information Technology (25.3% vs. 23.3%) sectors. On the other hand, five sectors reported a year-over-year decrease in their net profit margins in Q2 2024 compared to Q2 2023, led by the Real Estate (35.8% vs. 36.7%) sector. One sector (Consumer Staples) is reporting no change in net profit margin (6.4% vs. 6.4%) compared to the year-ago quarter.

Eight sectors reported net profit margins in Q2 2024 that were above their 5-year averages, led by the Industrials (10.9% vs. 8.2%), Consumer Discretionary (9.2% vs. 6.6%), and Financials (18.7% vs. 16.4%) sectors. On the other hand, three sectors are reporting (or have reported) net profit margins in Q2 2024 that are below their 5-year averages, led by the Health Care (8.3% vs. 9.8%) sector.

Forward Estimates and Valuation

Guidance: % of S&P 500 Companies Issuing Negative Guidance for Q3 Is Below Average

At this point in time, 109 companies in the index have issued EPS guidance for Q3 2024. Of these 109 companies, 59 have issued negative EPS guidance and 50 have issued positive EPS guidance. The number of companies issuing negative EPS guidance for Q3 2024 is above the 5-year average of 58 but below the 10-year average of 62. The percentage of companies issuing negative EPS guidance for Q3 2024 is 54% (50 out of 109), which is also below the 5-year average of 59% and below the 10-year average of 63%.

At this point in time, 271 companies in the index have issued EPS guidance for the current fiscal year (FY 2024 or FY 2025). Of these 271 companies, 128 have issued negative EPS guidance and 143 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 47% (128 out of 271).

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

Earnings: S&P 500 Expected to Report Earnings Growth of 10% for CY 2024

For the second quarter, S&P 500 companies are reporting year-over-year growth in earnings of 11.3% and year-over-year growth in revenues of 5.3%.

For Q3 2024, analysts are projecting earnings growth of 4.9% and revenue growth of 4.8%.

For Q4 2024, analysts are projecting earnings growth of 15.4% and revenue growth of 5.4%.

For CY 2024, analysts are projecting earnings growth of 10.1% and revenue growth of 5.1%.

For Q1 2025, analysts are projecting earnings growth of 15.0% and revenue growth of 5.9%.

For Q2 2025, analysts are projecting earnings growth of 14.1% and revenue growth of 5.7%.

For CY 2025, analysts are projecting earnings growth of 15.4% and revenue growth of 6.0%.

Valuation: Forward P/E Ratio is 20.6, Above the 10-Year Average (18.0)

The forward 12-month P/E ratio for the S&P 500 is 20.6. This P/E ratio is above the 5-year average of 19.4 and above the 10-year average of 18.0. However, it is below the forward 12-month P/E ratio of 21.0 recorded at the end of the second quarter (June 30). Since the end of the second quarter (June 30), the price of the index has increased by 0.8%, while the forward 12-month EPS estimate has increased by 2.6%. At the sector level, the Information Technology (27.3) sector has the highest forward 12-month P/E ratio, while the Energy (11.8) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 25.7, which is above the 5-year average of 23.7 and above the 10-year average of 21.7.

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

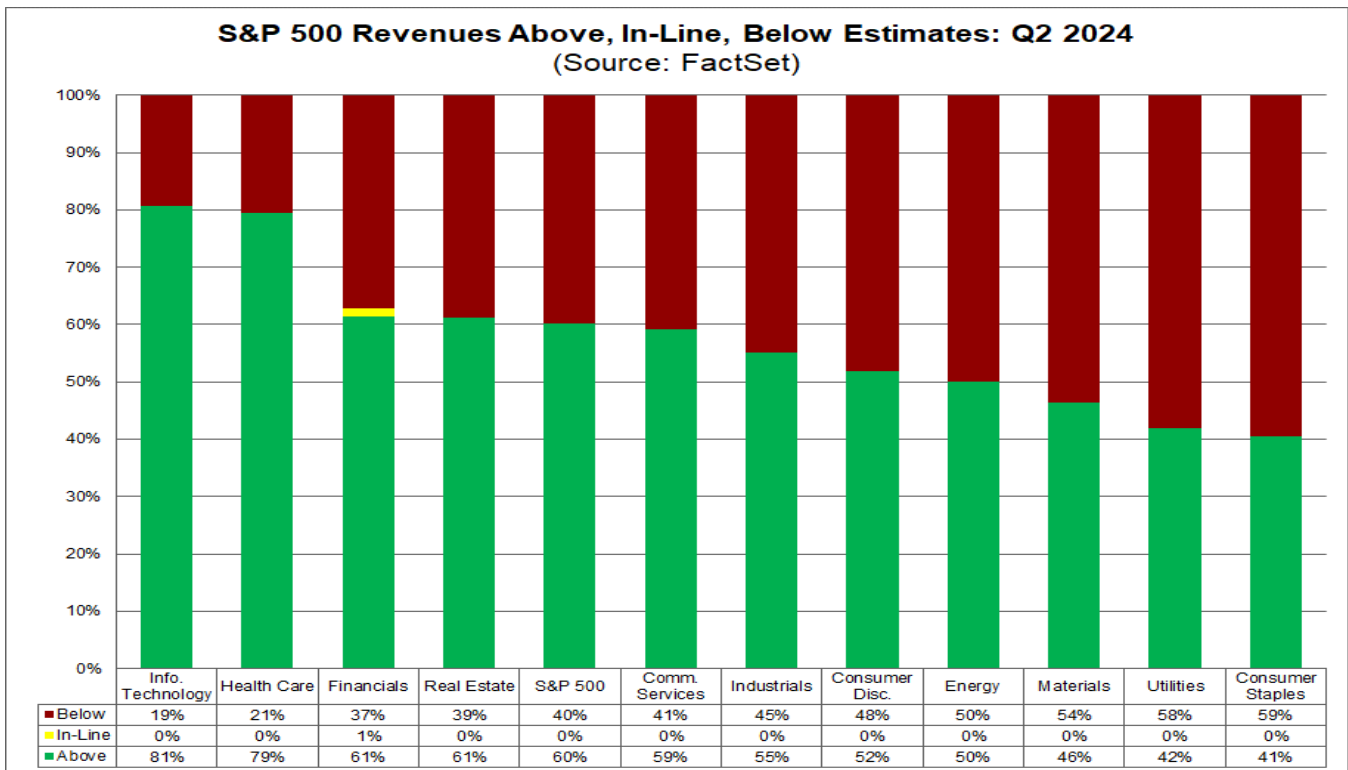
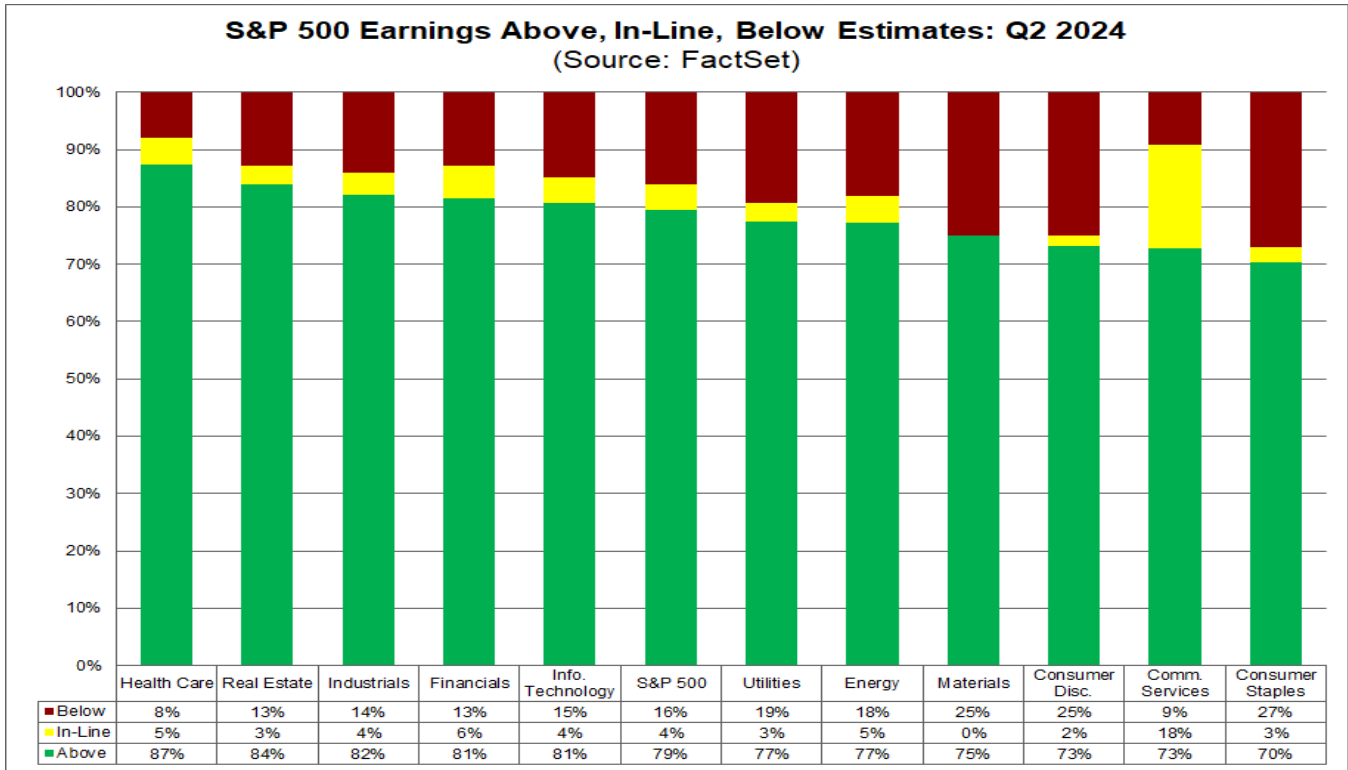
The bottom-up target price for the S&P 500 is 6275.52, which is 14.0% above the closing price of 5503.41. At the sector level, the Information Technology (+22.5%) and Energy (+21.3%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Consumer Staples (+2.3%) 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 11,826 ratings on stocks in the S&P 500. Of these 11,826 ratings, 54.8% are Buy ratings, 40.1% are Hold ratings, and 5.1% are Sell ratings. At the sector level, the Communication Services (64%), Energy (63%), and Information Technology (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (44%), Utilities (47%), and Materials (49%) sectors have the lowest percentages of Buy ratings.

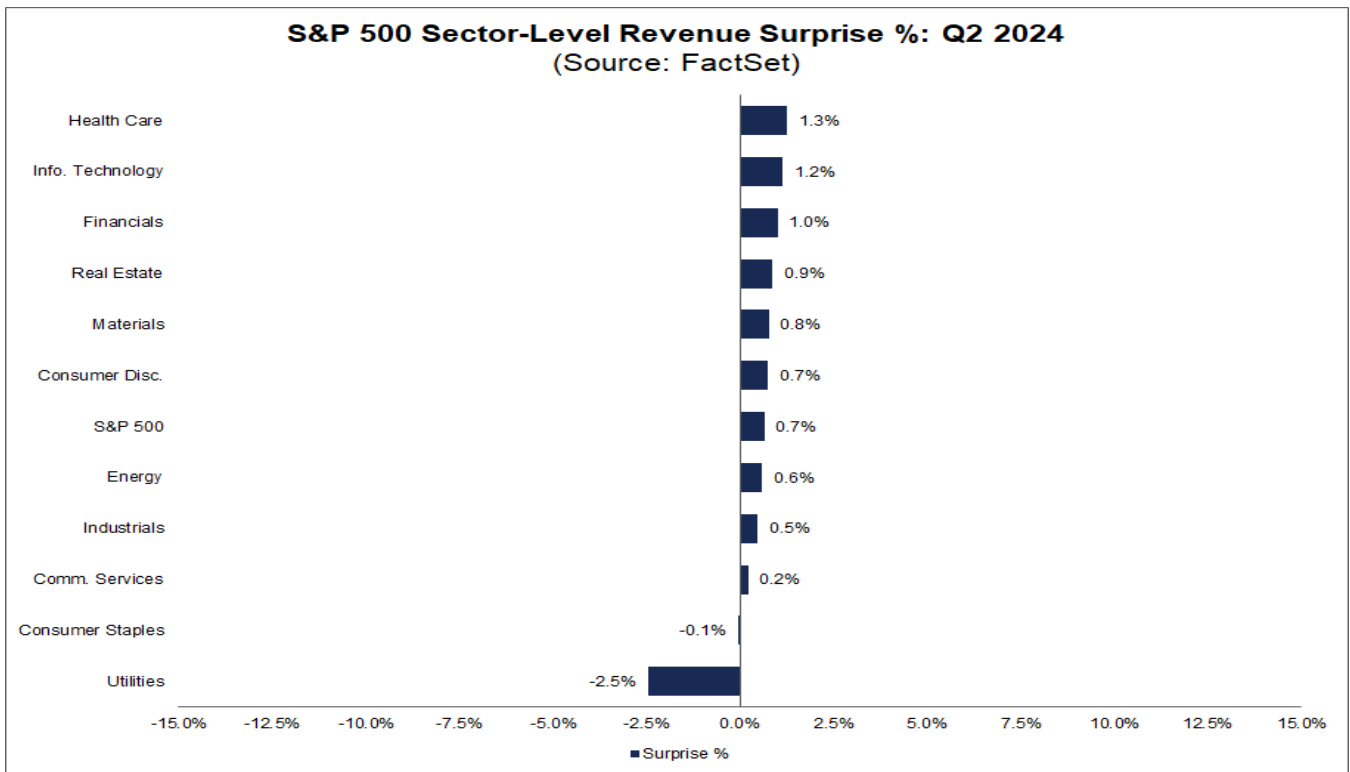
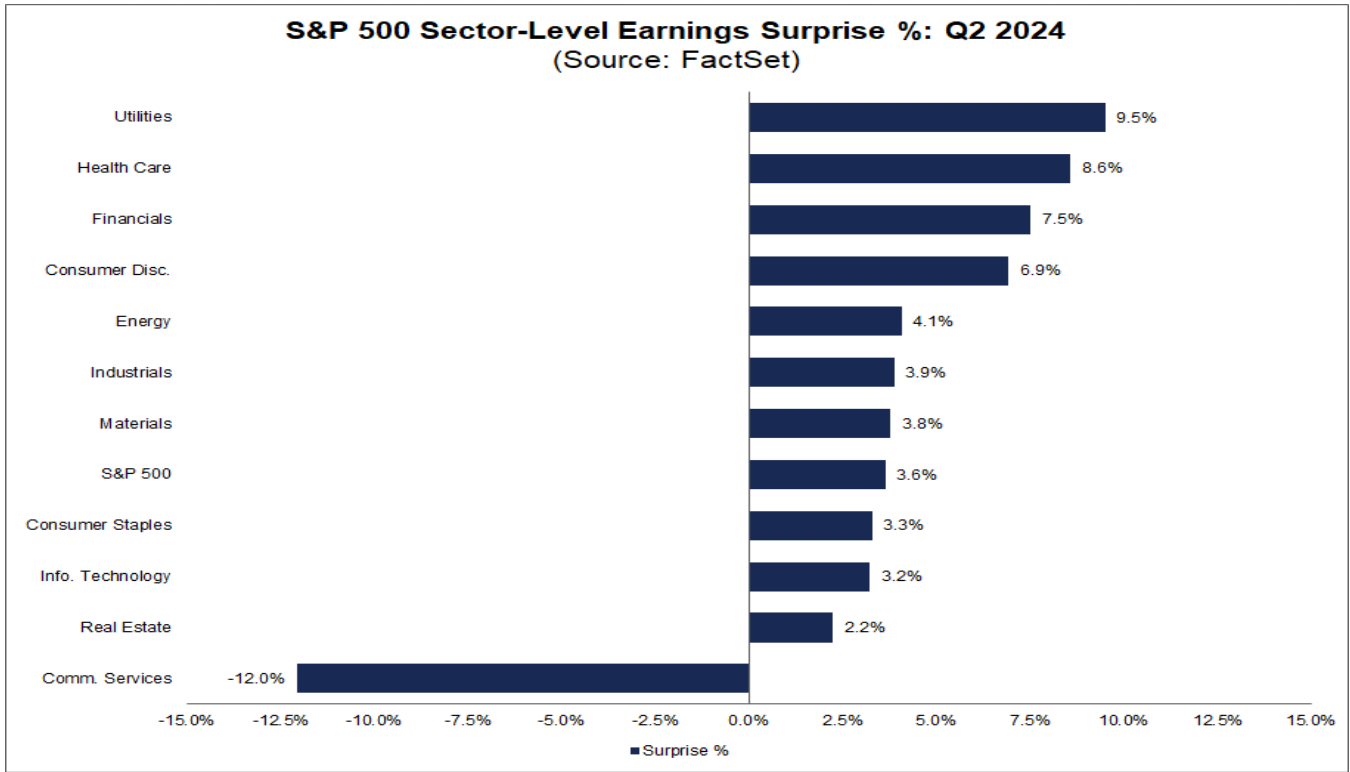
Companies Reporting Next Week: 3

During the upcoming week, 1 S&P 500 company is scheduled to report results for the second quarter and 2 S&P 500 companies are scheduled to report results for the third quarter.

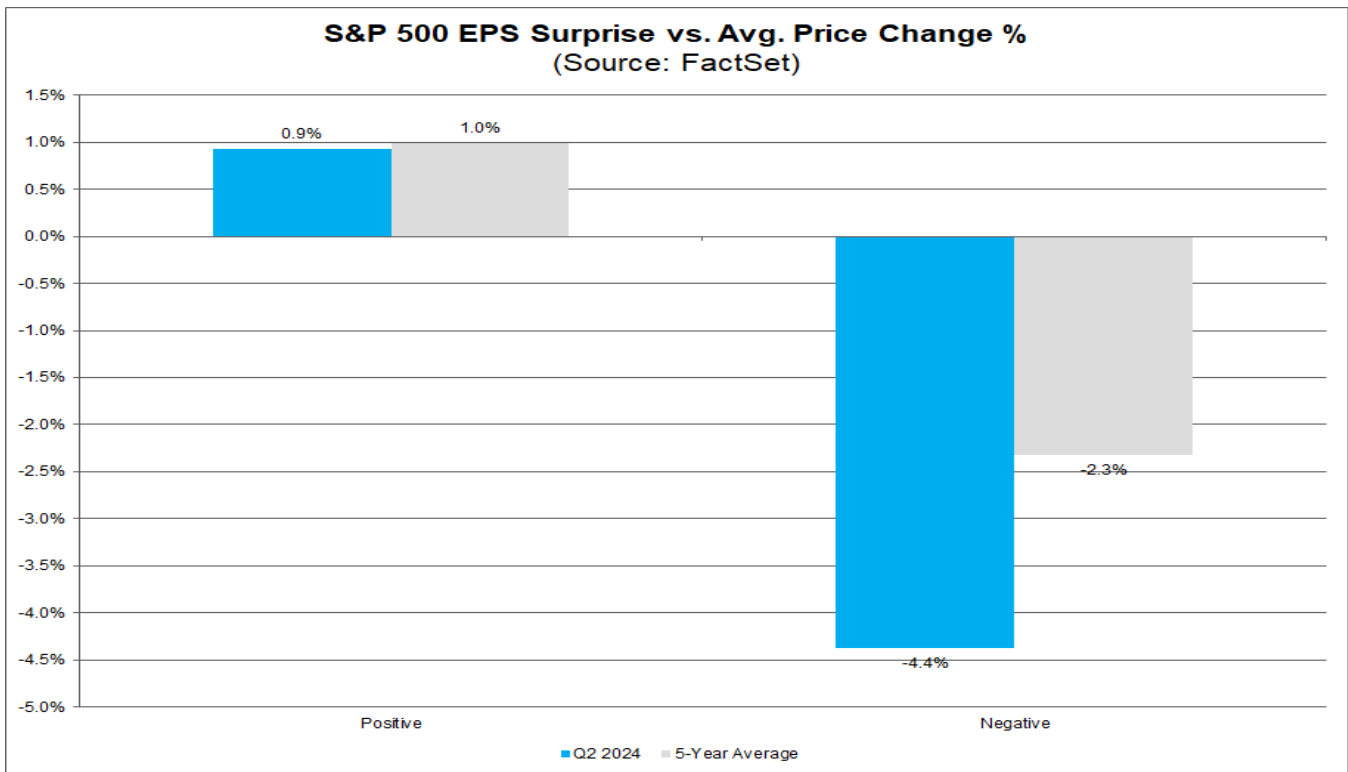
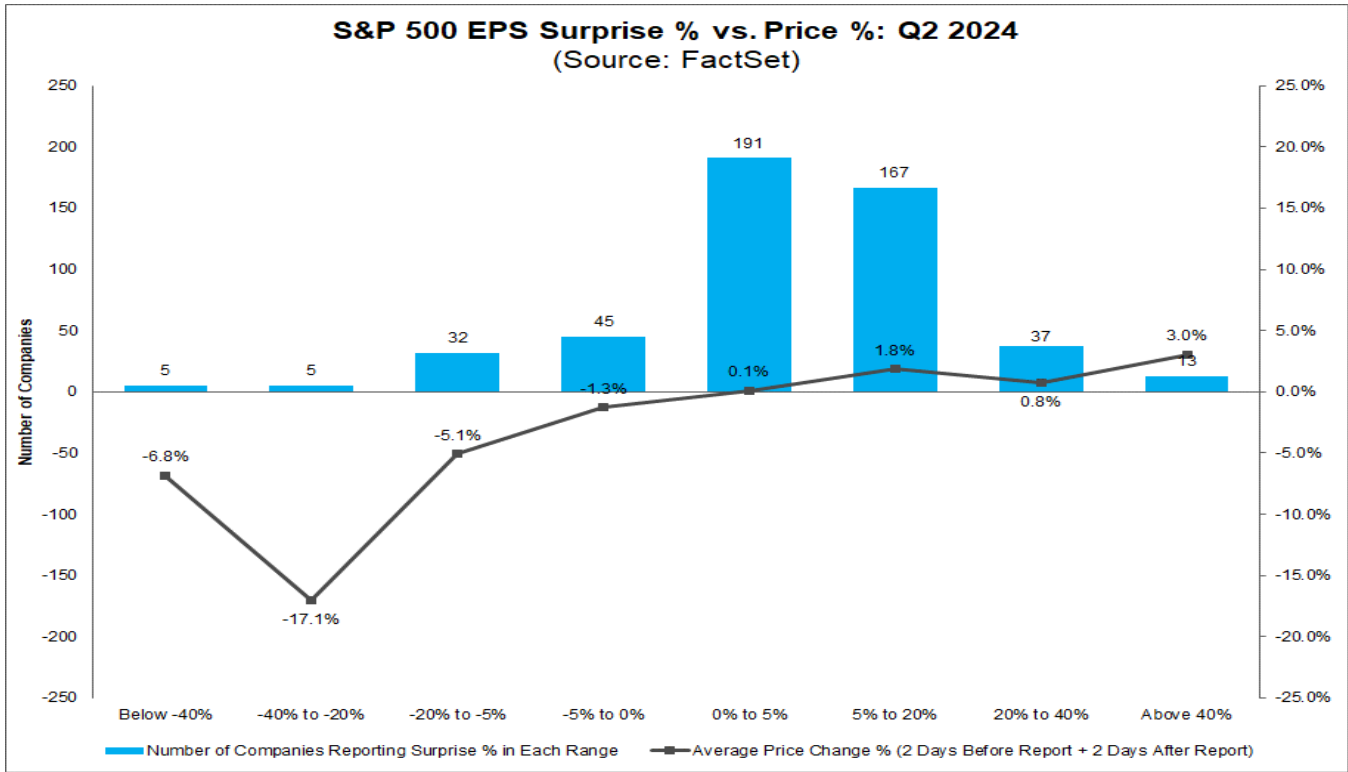
Q2 2024: Scorecard



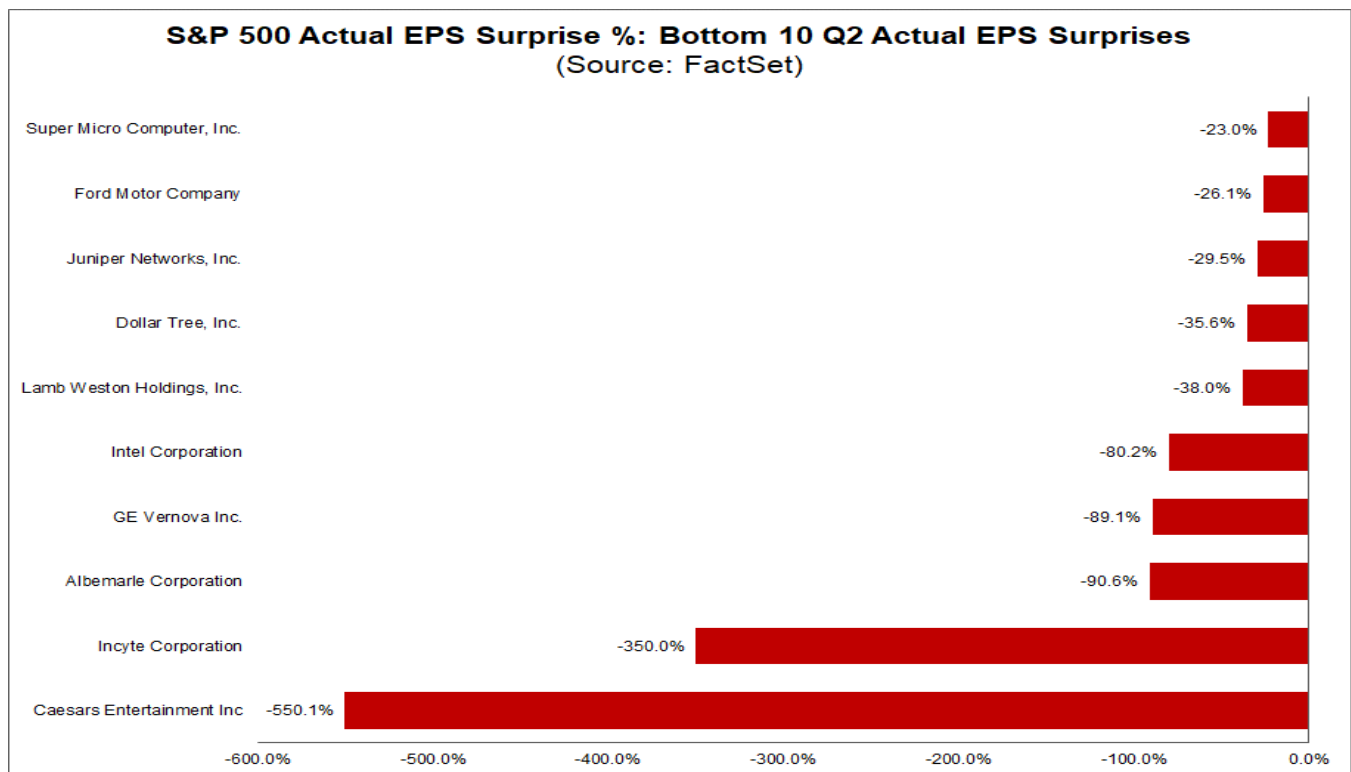
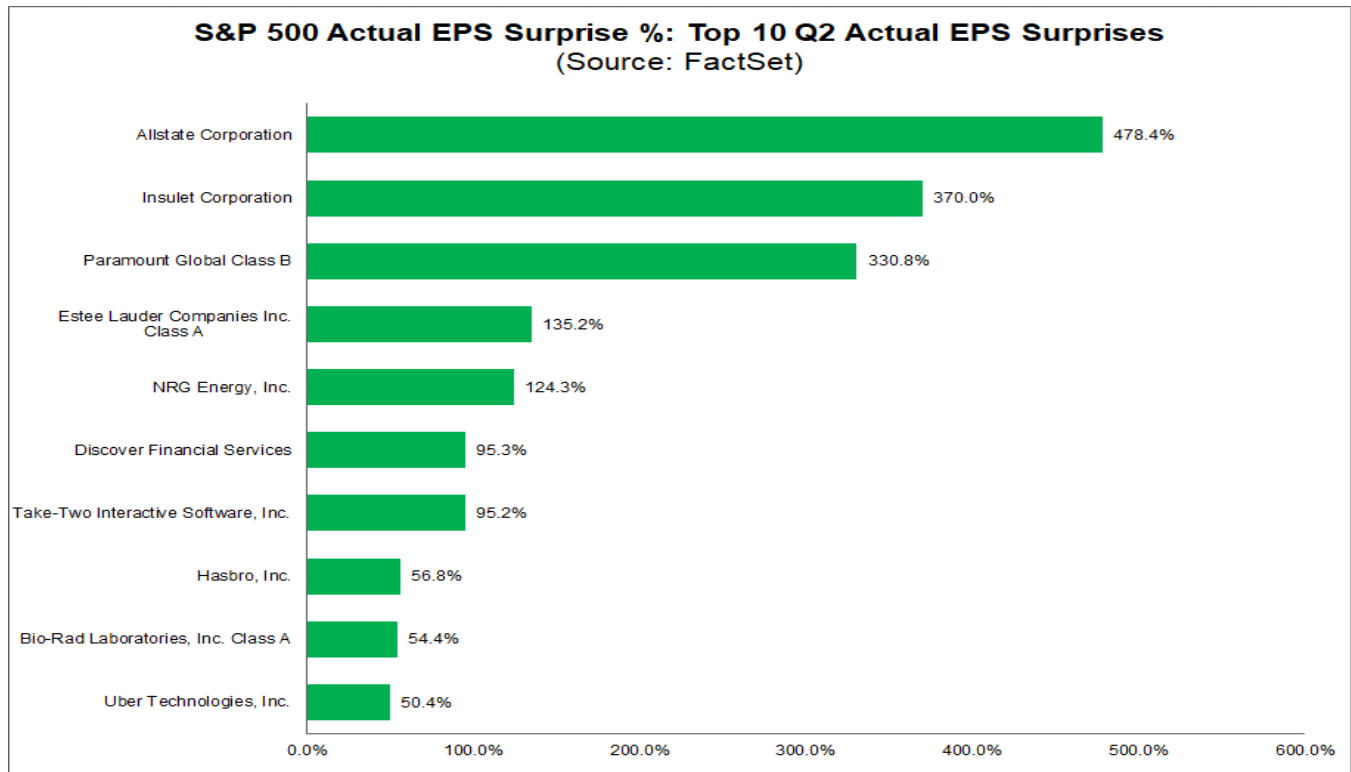
Q2 2024: Surprise



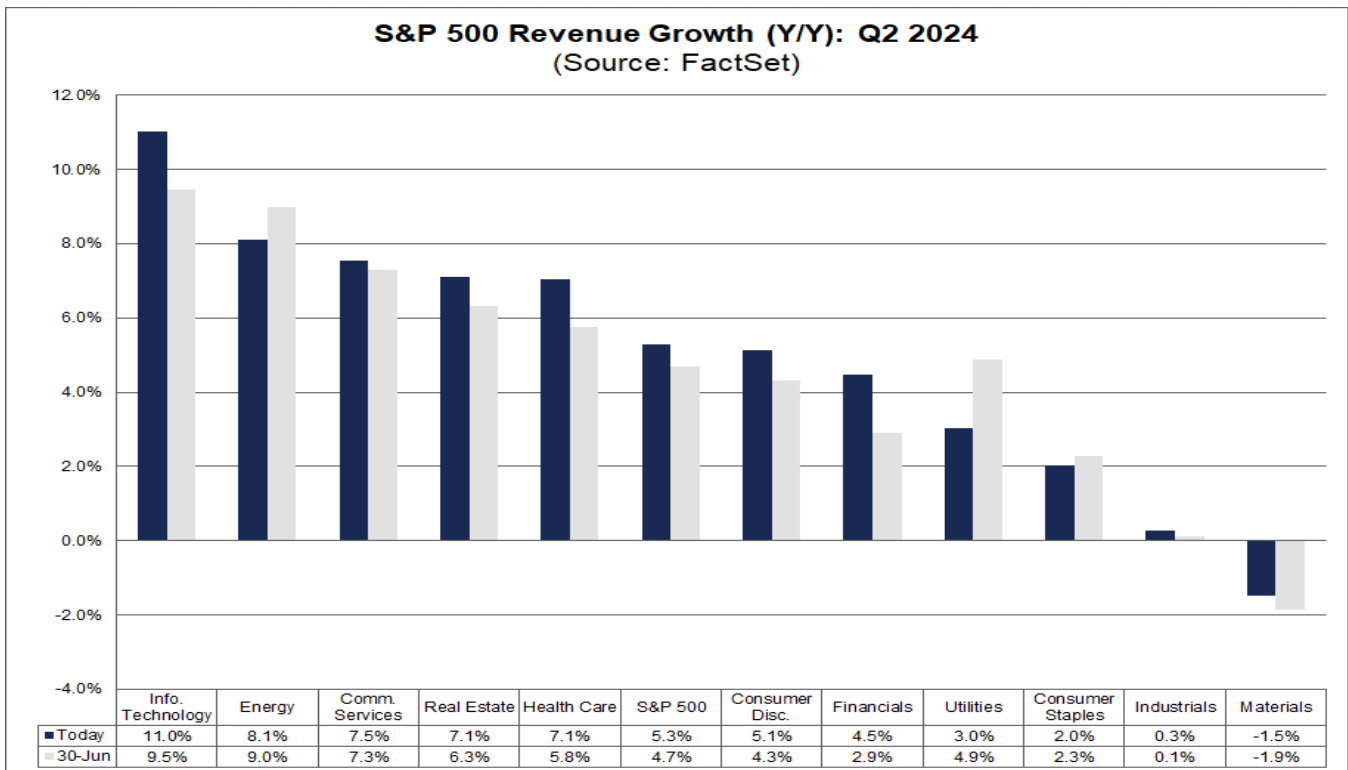
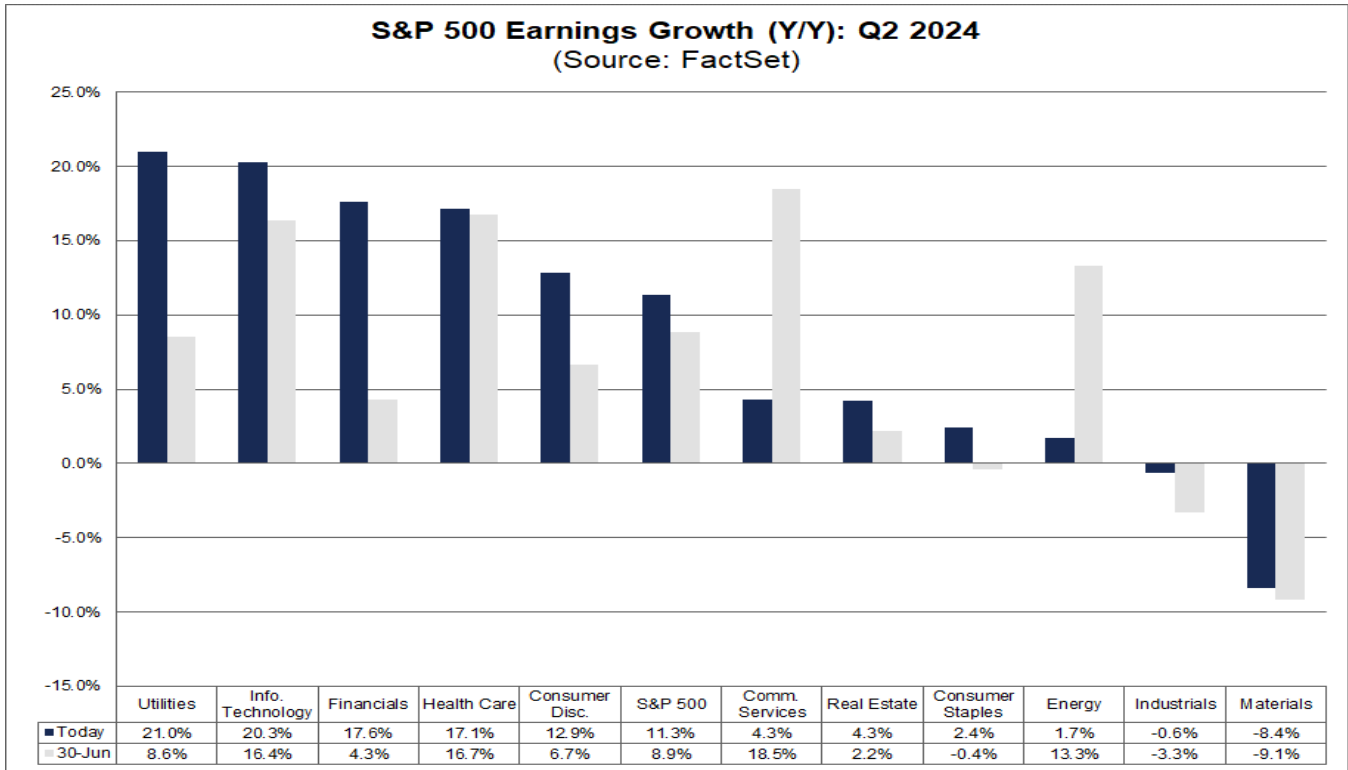
Q2 2024: Surprise



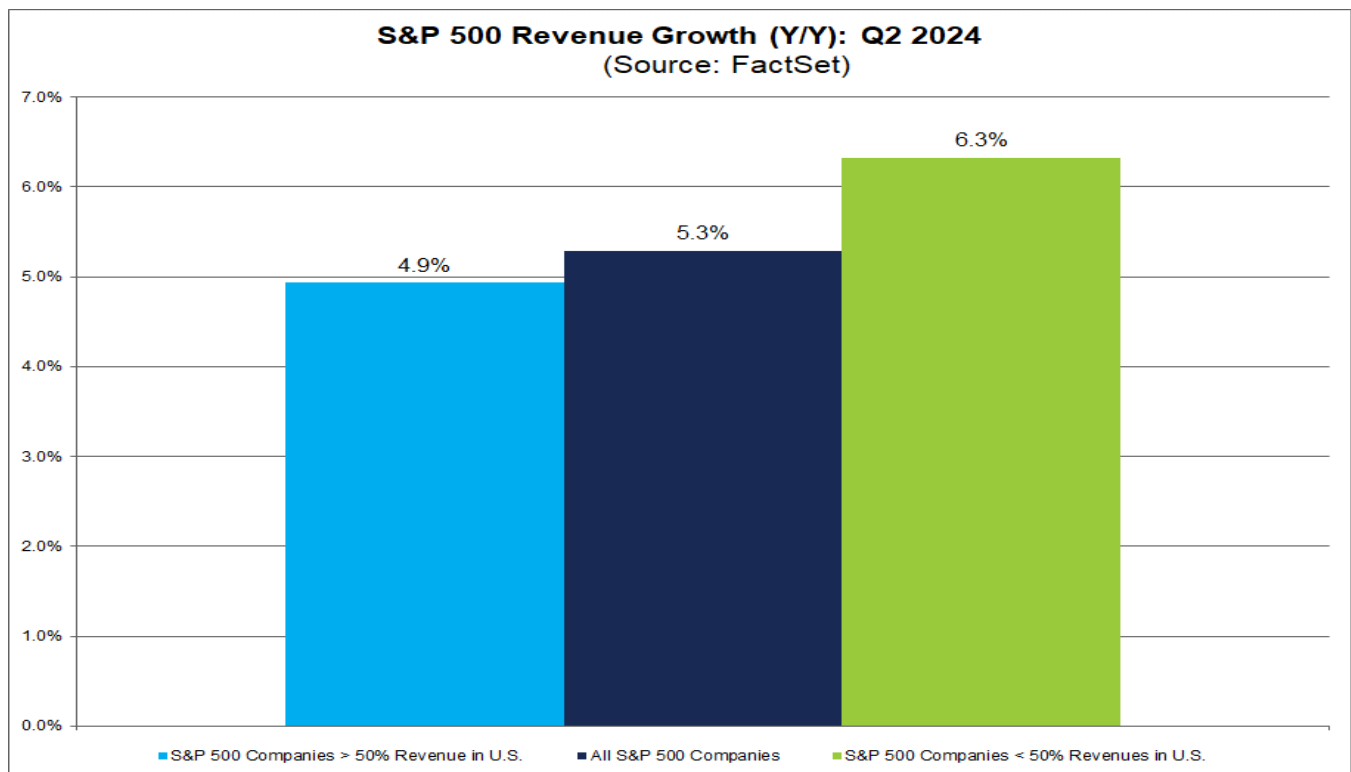
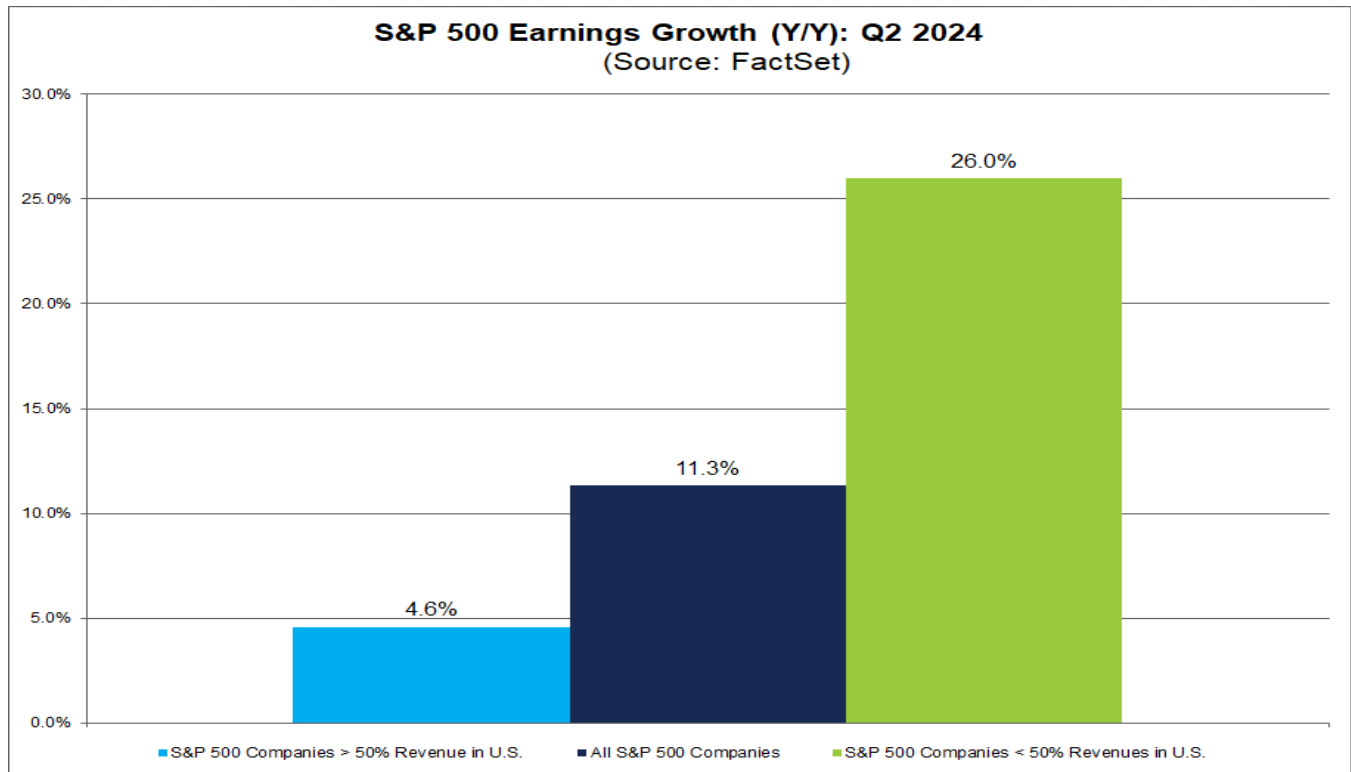
Q2 2024: Surprise



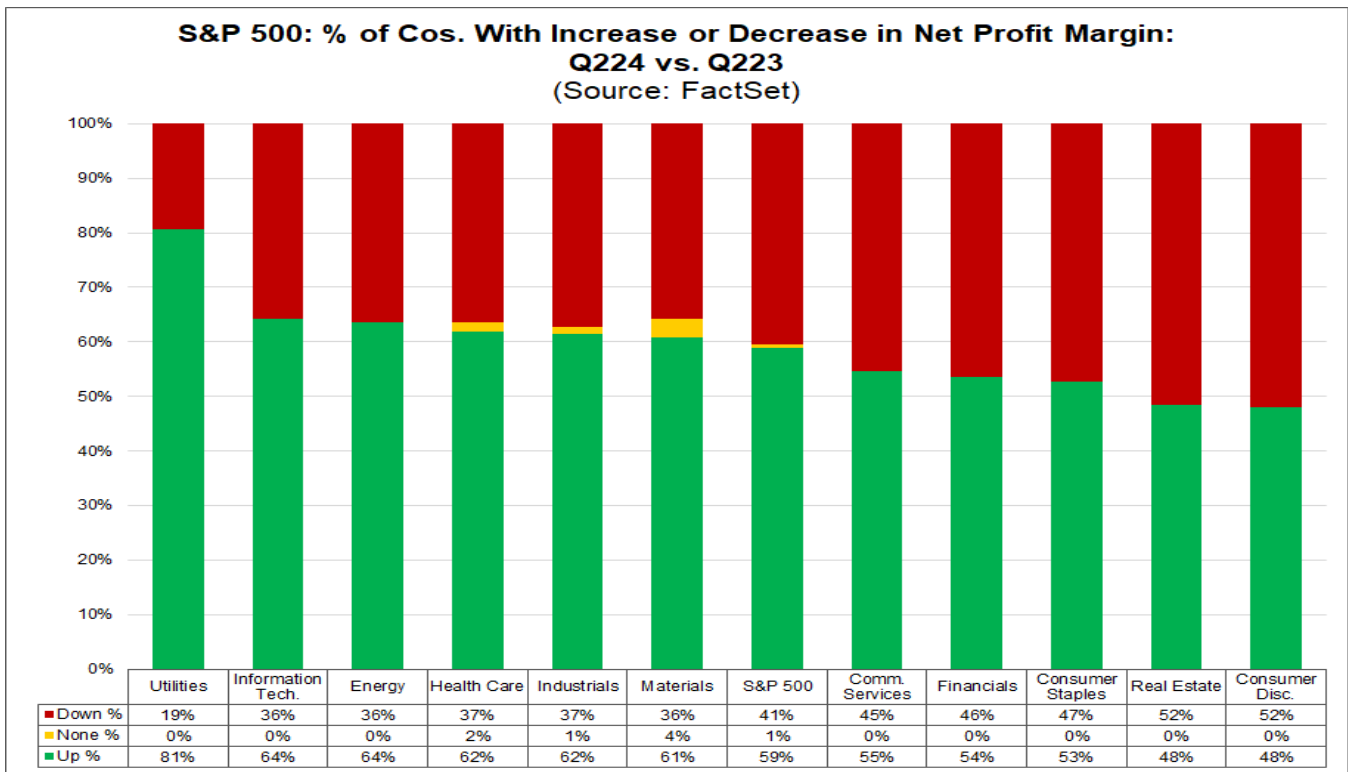
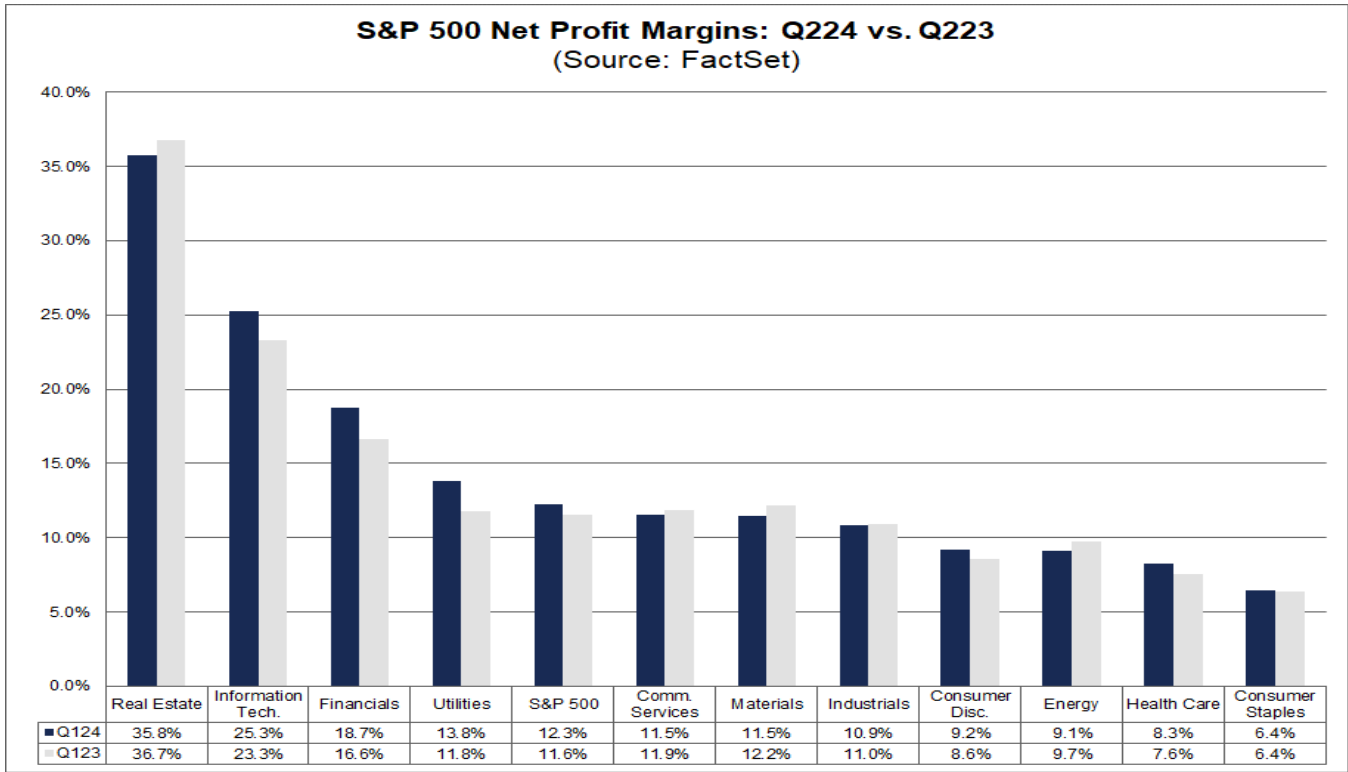
Q2 2024: Growth



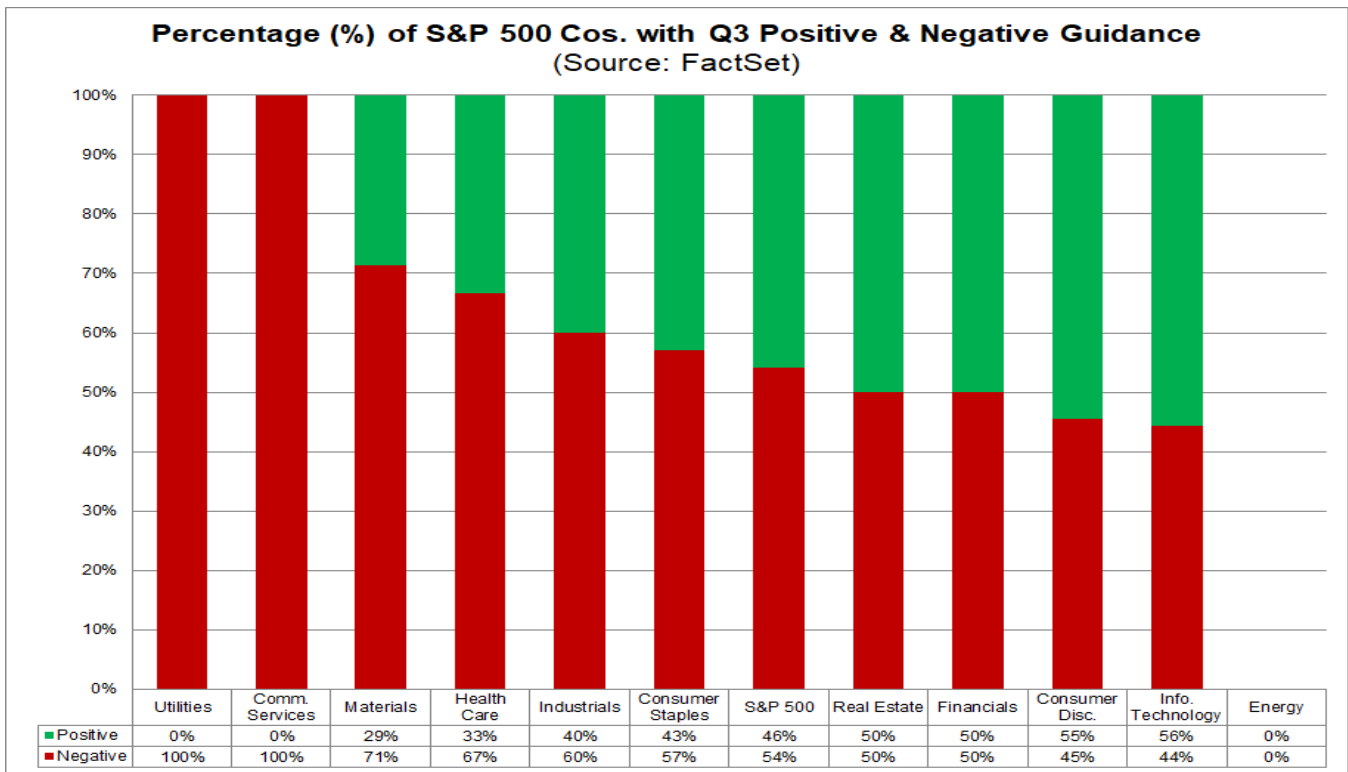
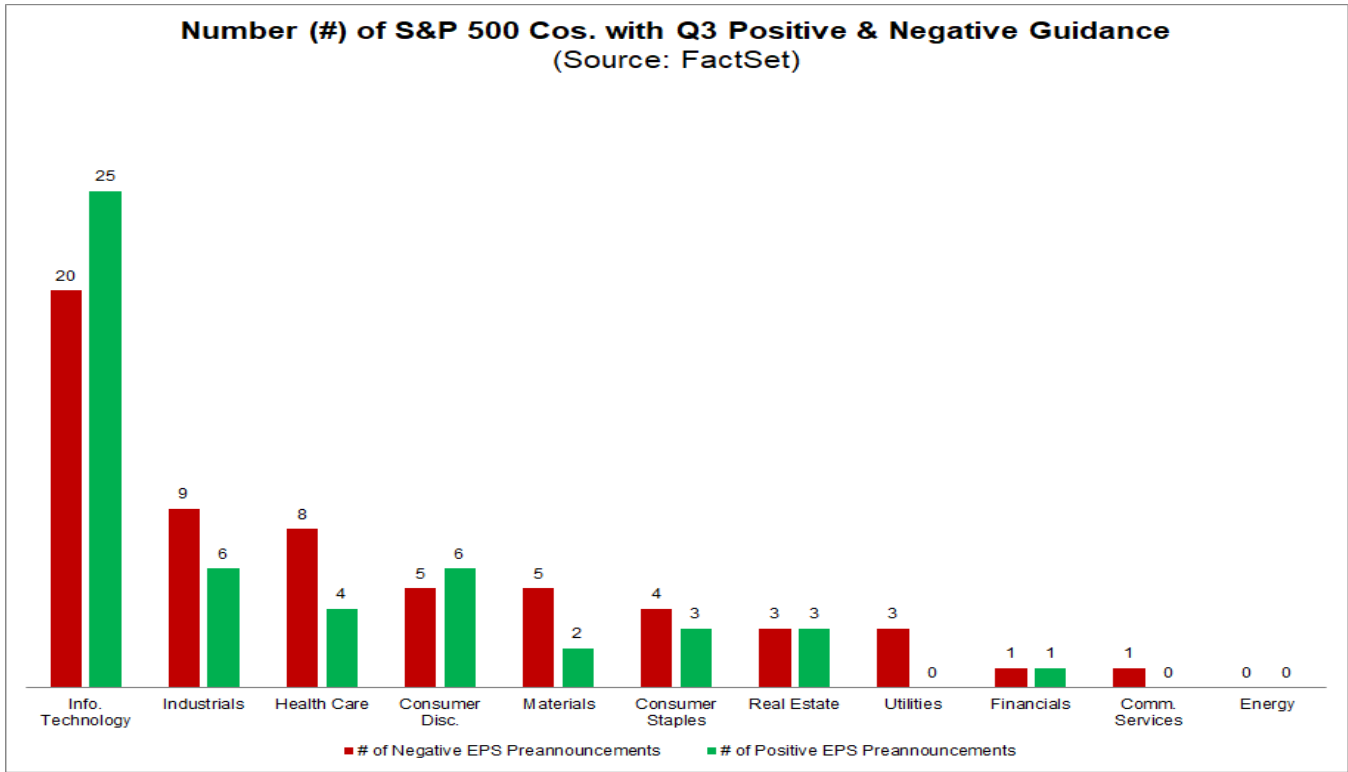
Q2 2024: Growth



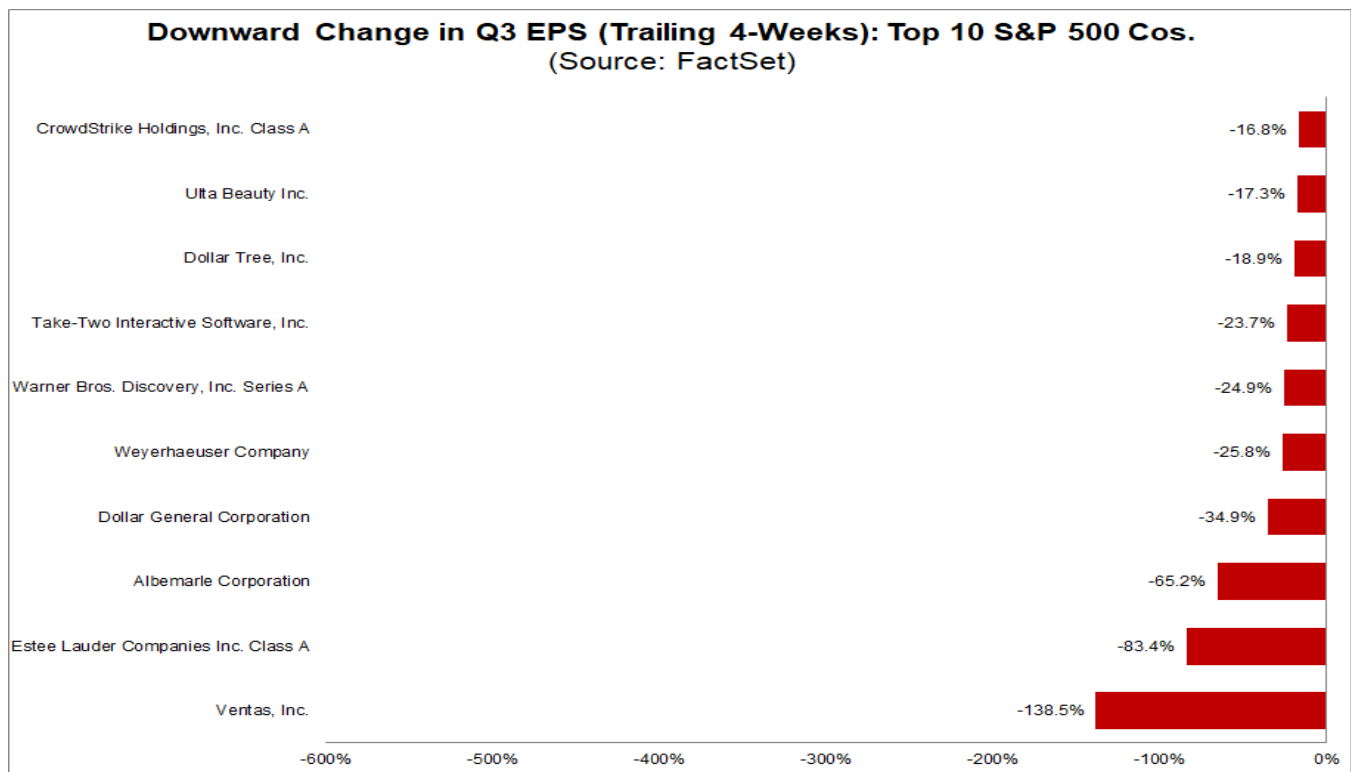
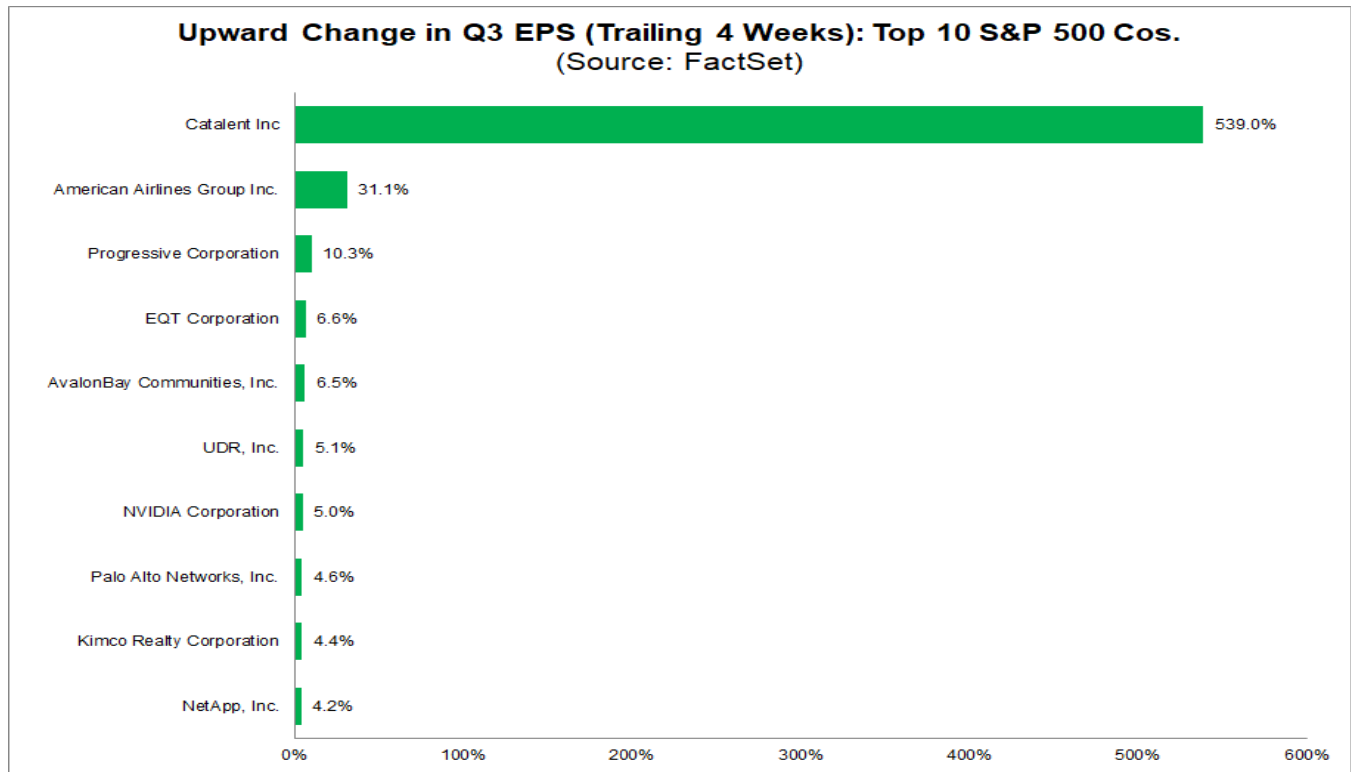
Q2 2024: Net Profit Margin



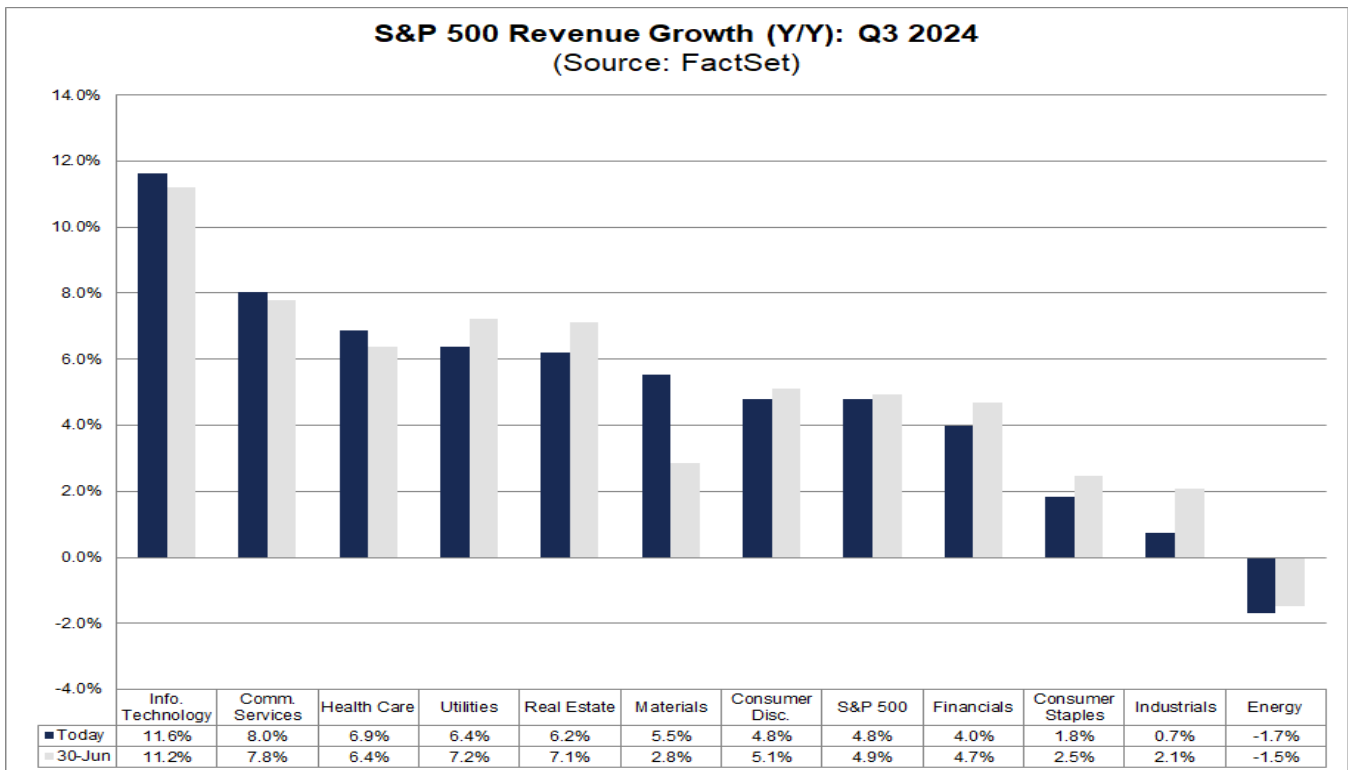
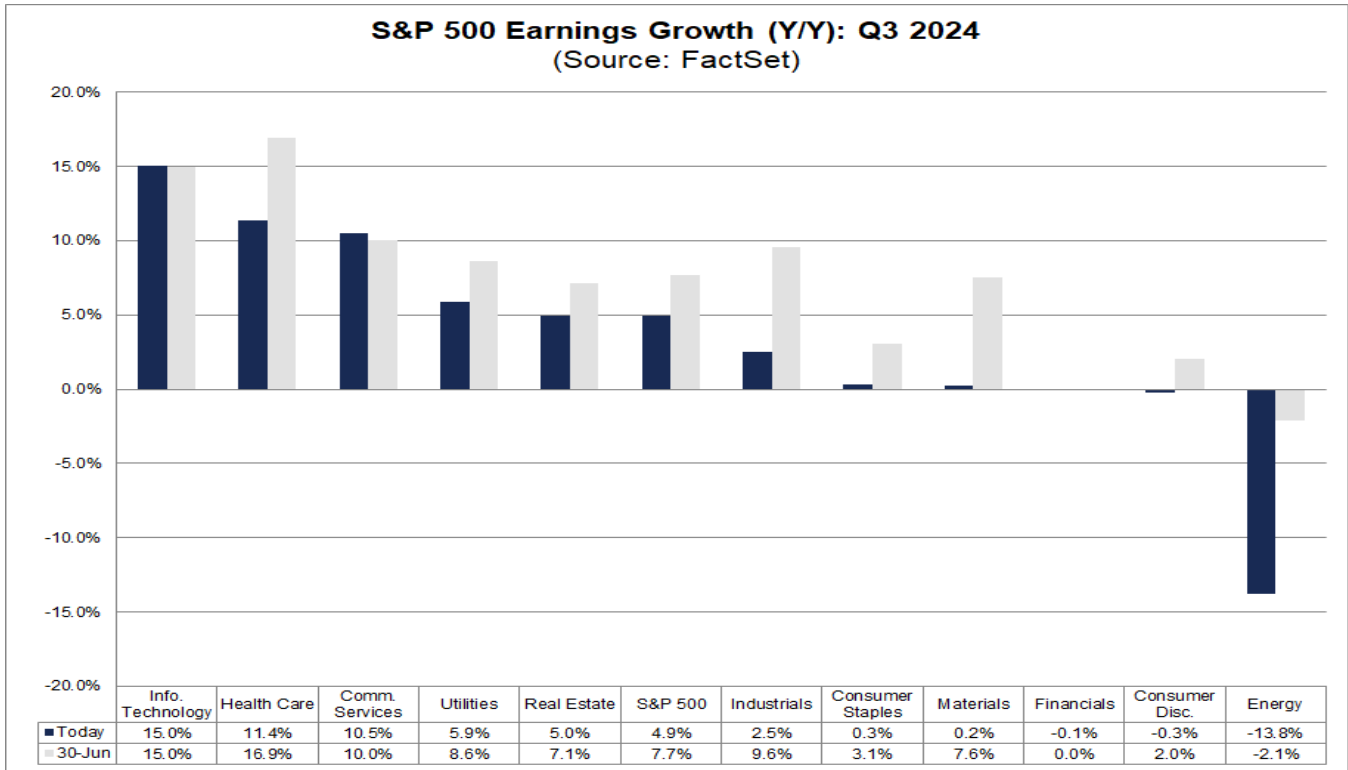
Q3 2024: Guidance



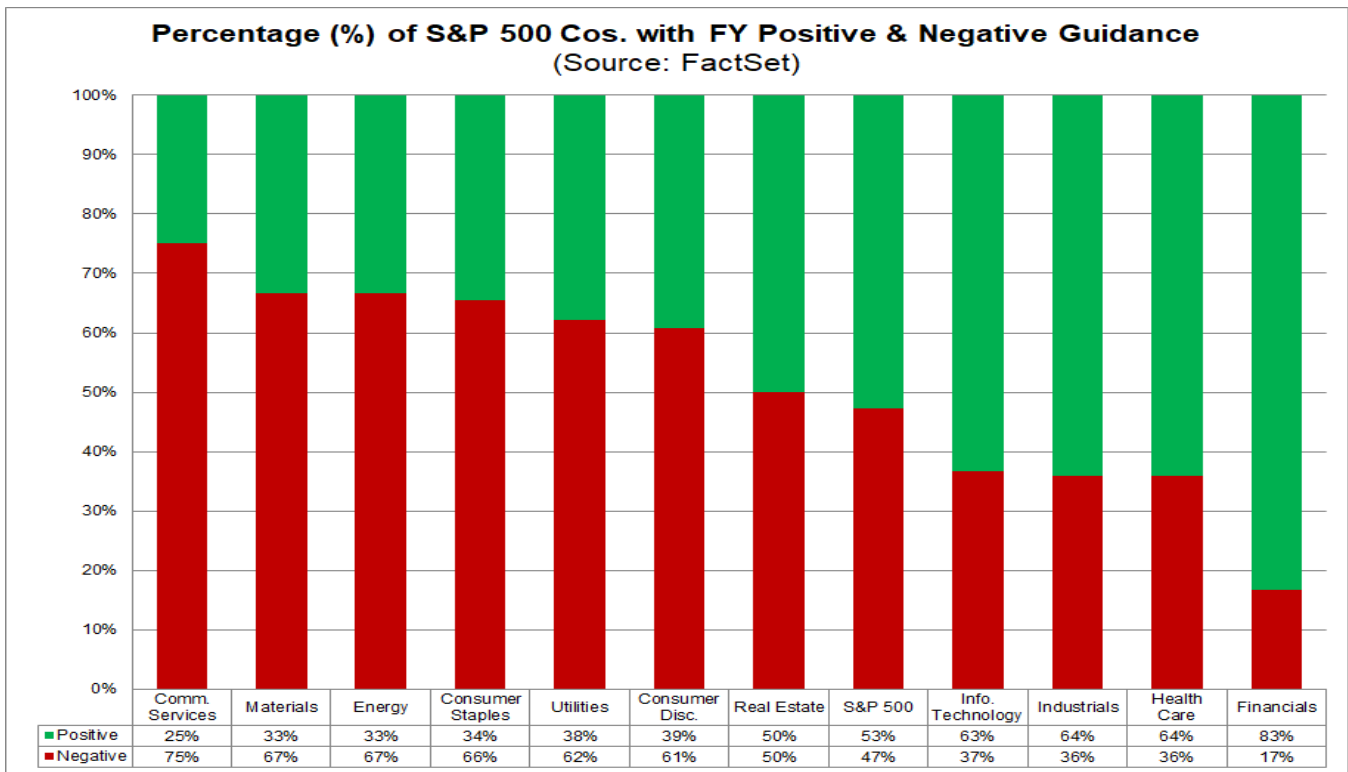
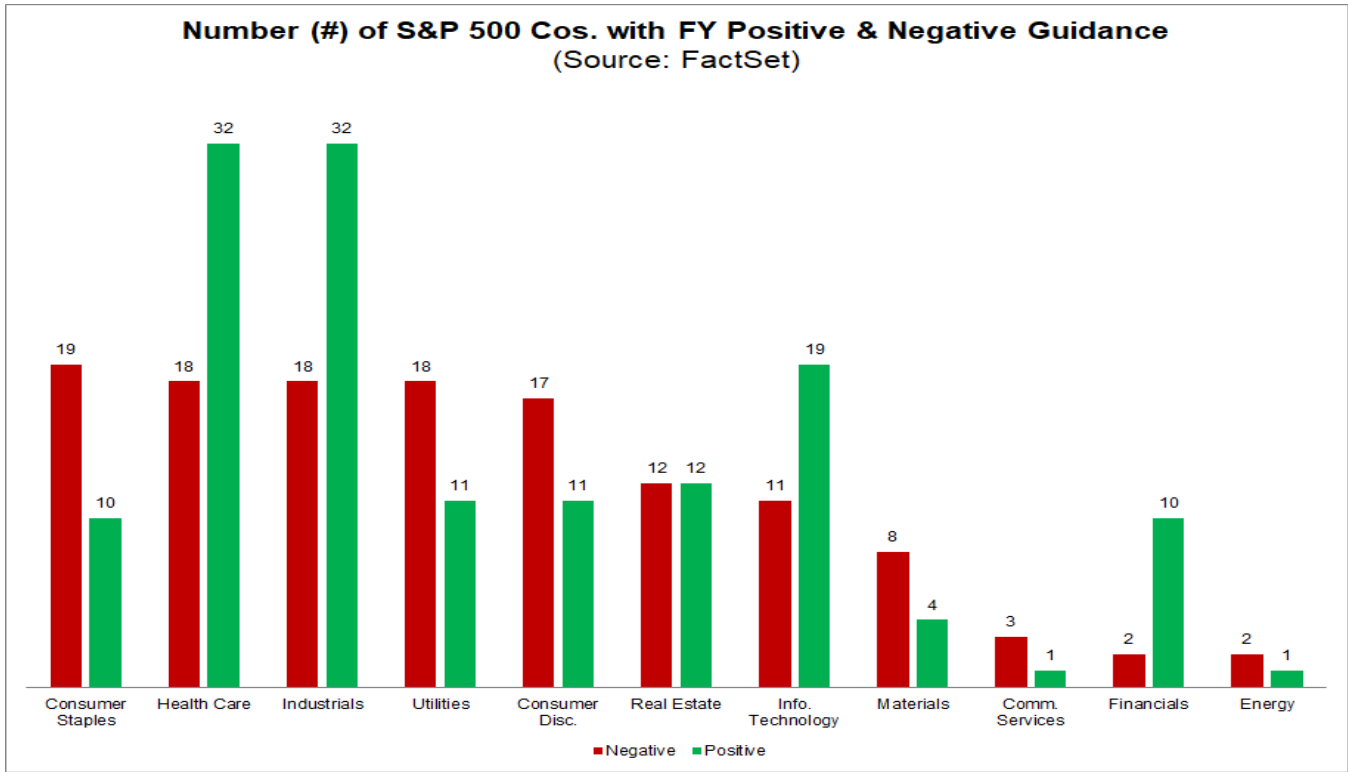
Q3 2024: EPS Revisions



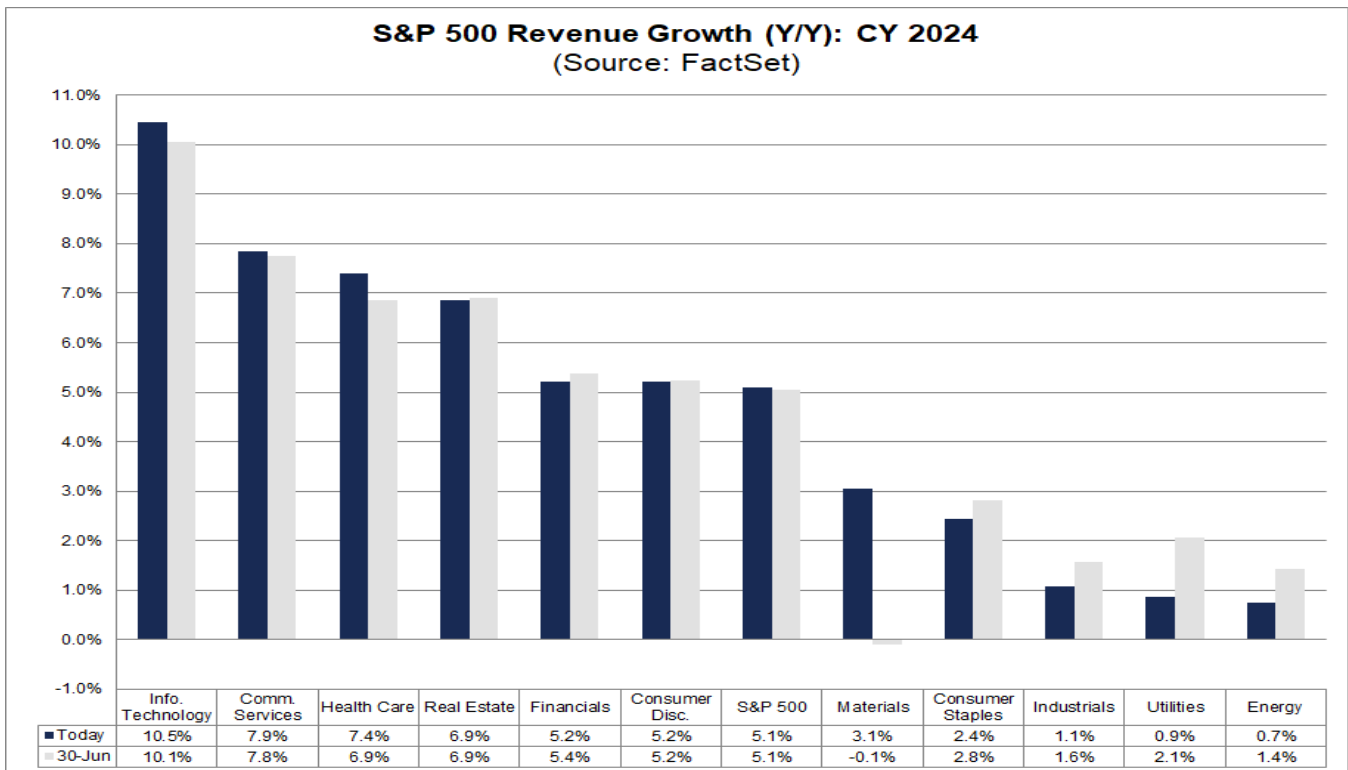
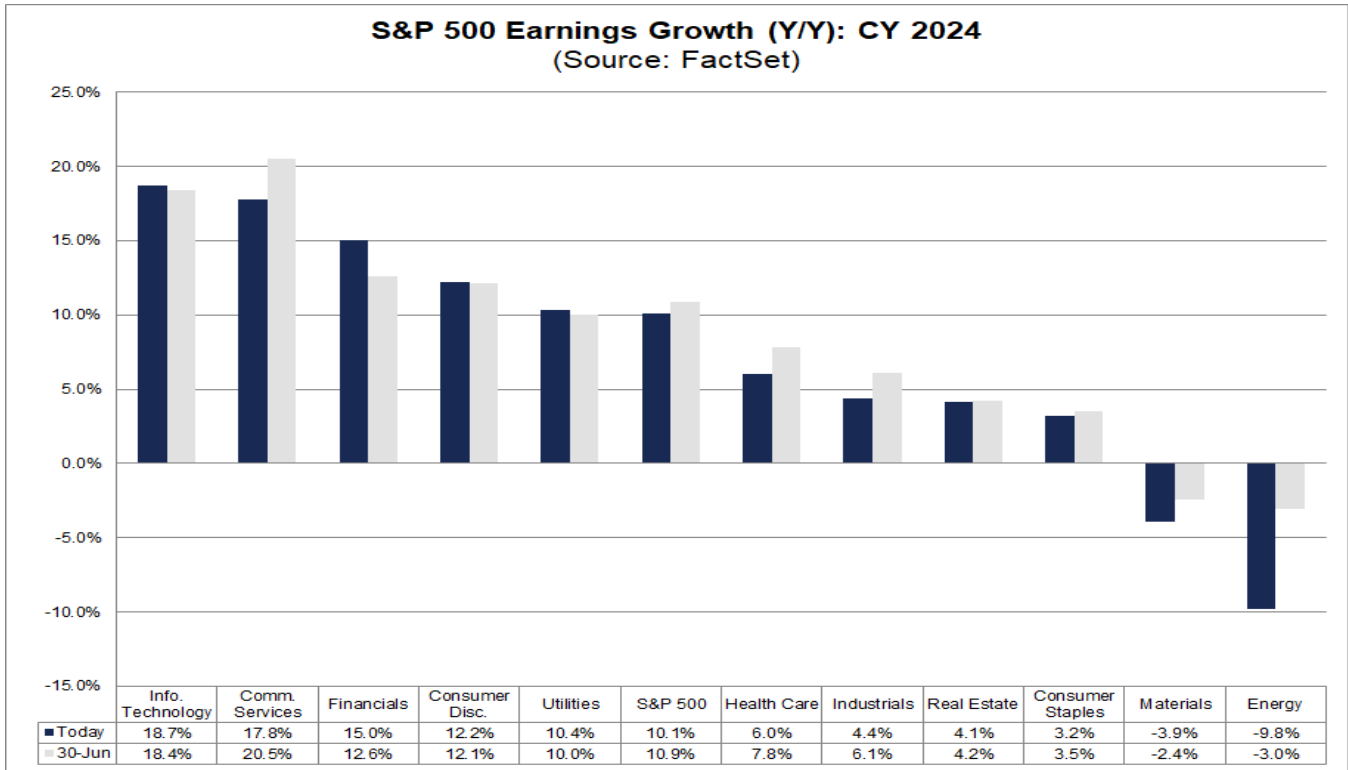
Q3 2024: Growth



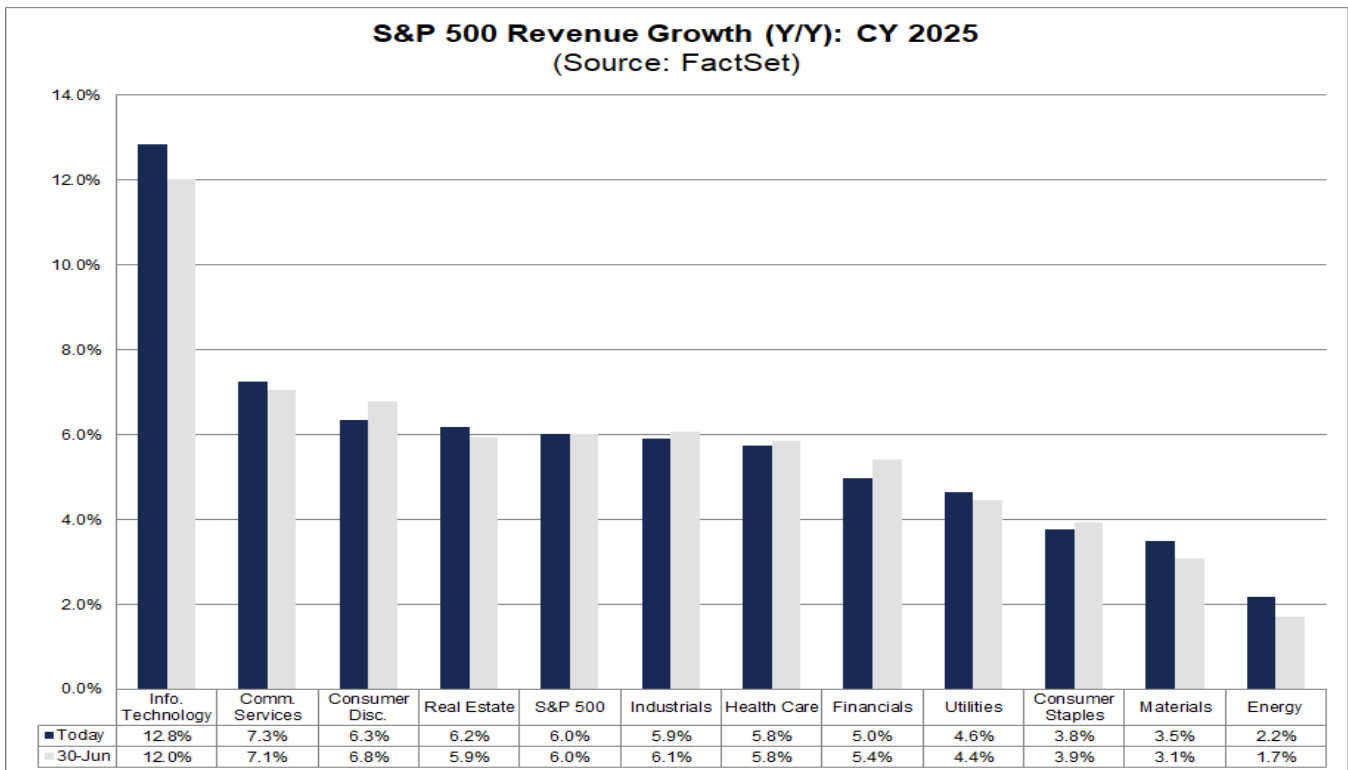
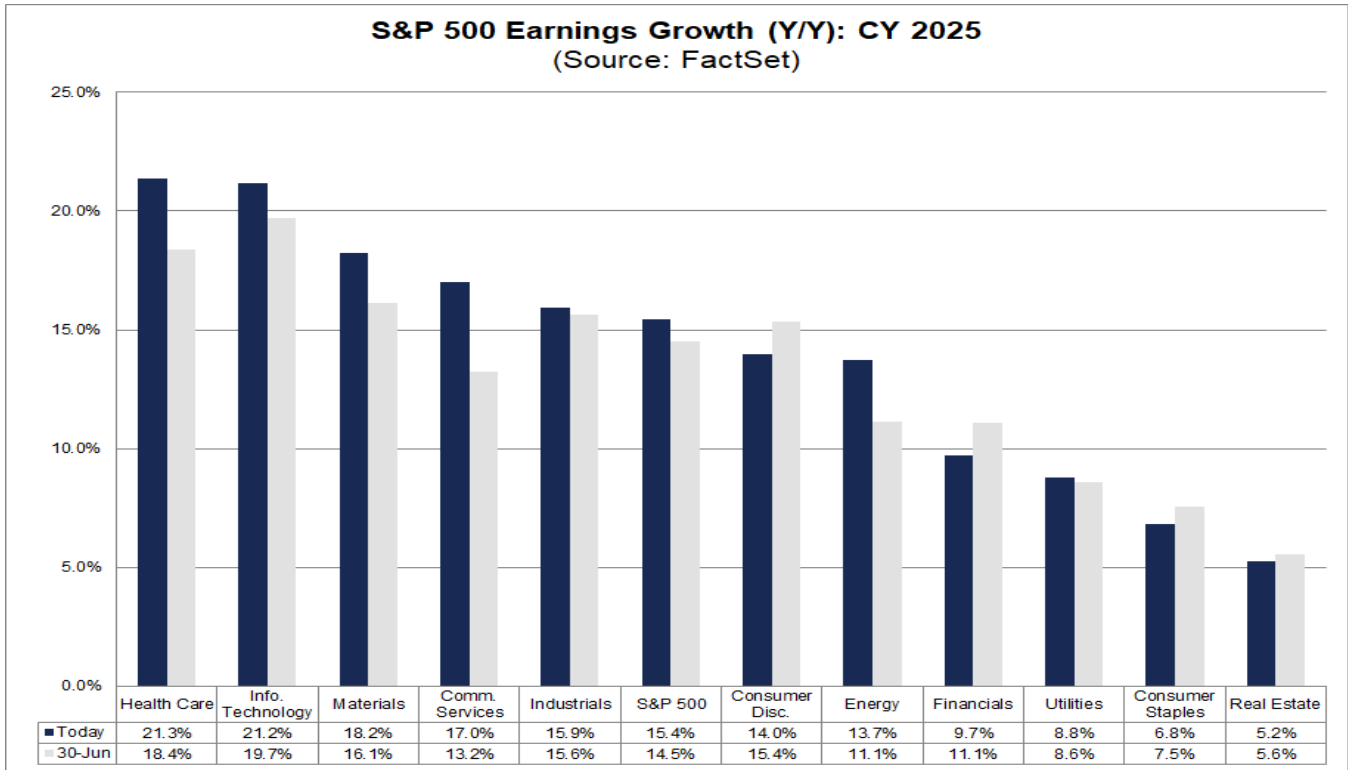
FY 2024 / 2025: EPS Guidance



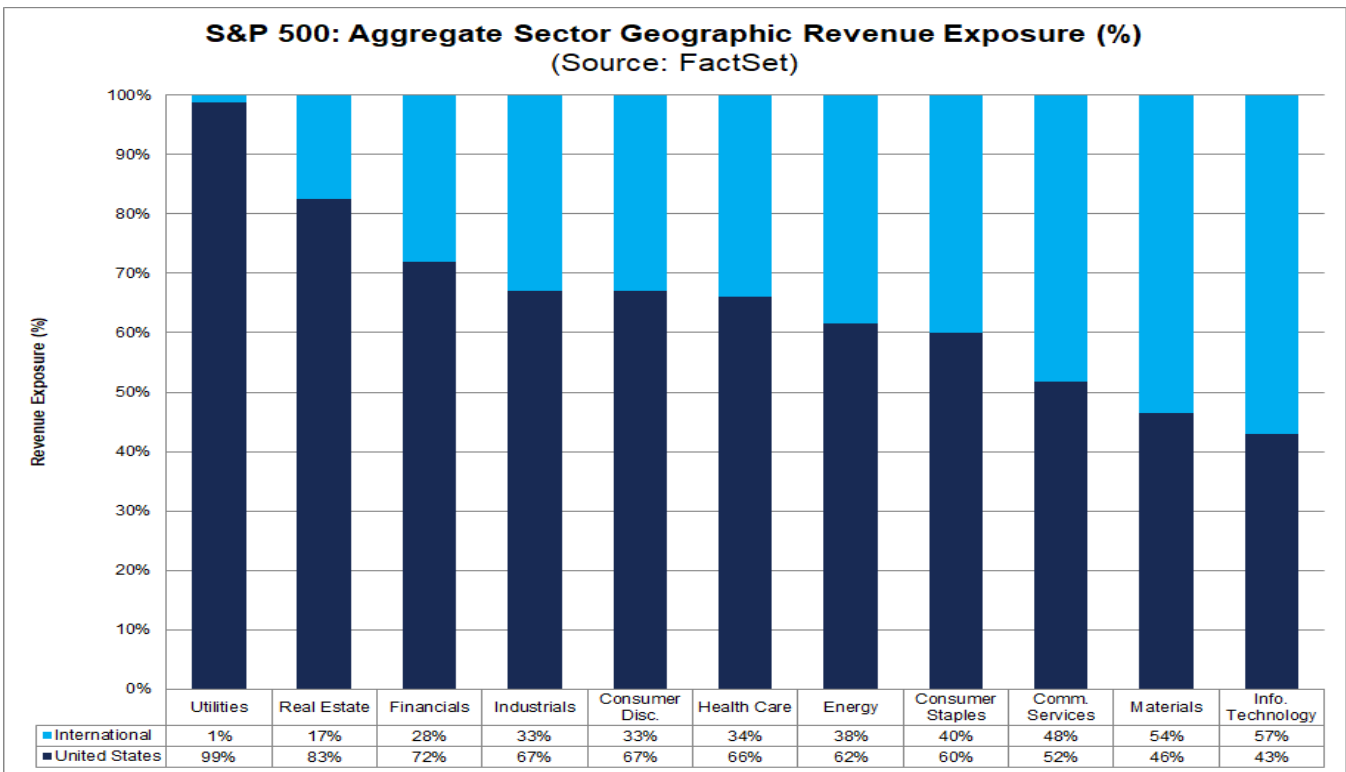
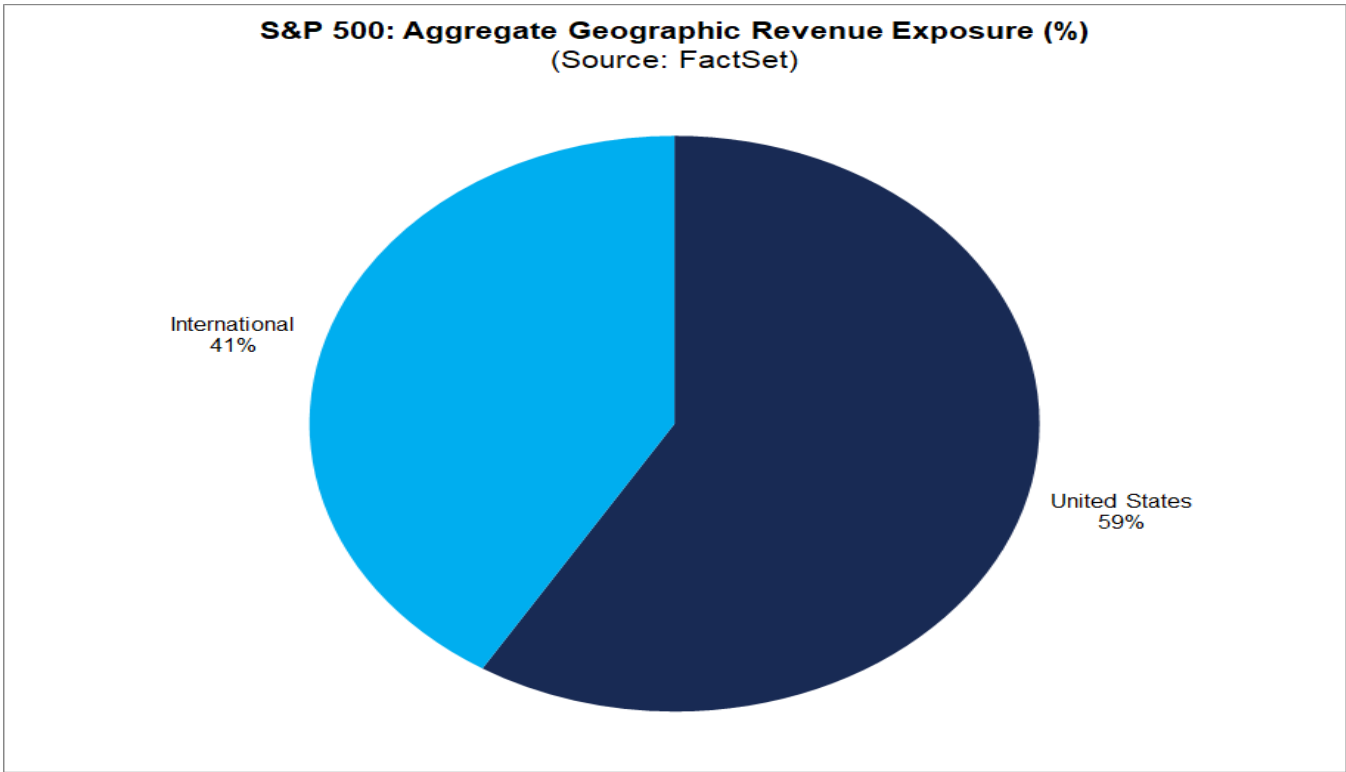
CY 2024: Growth



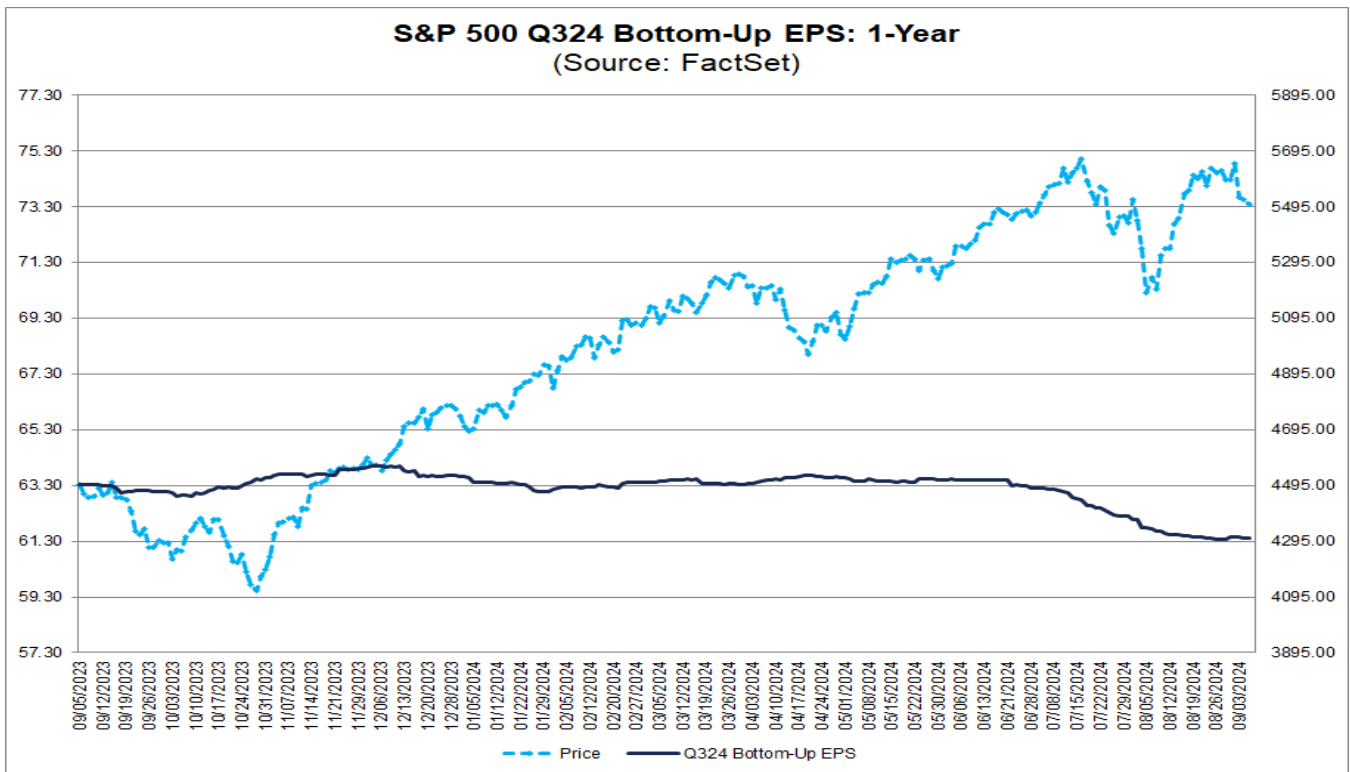
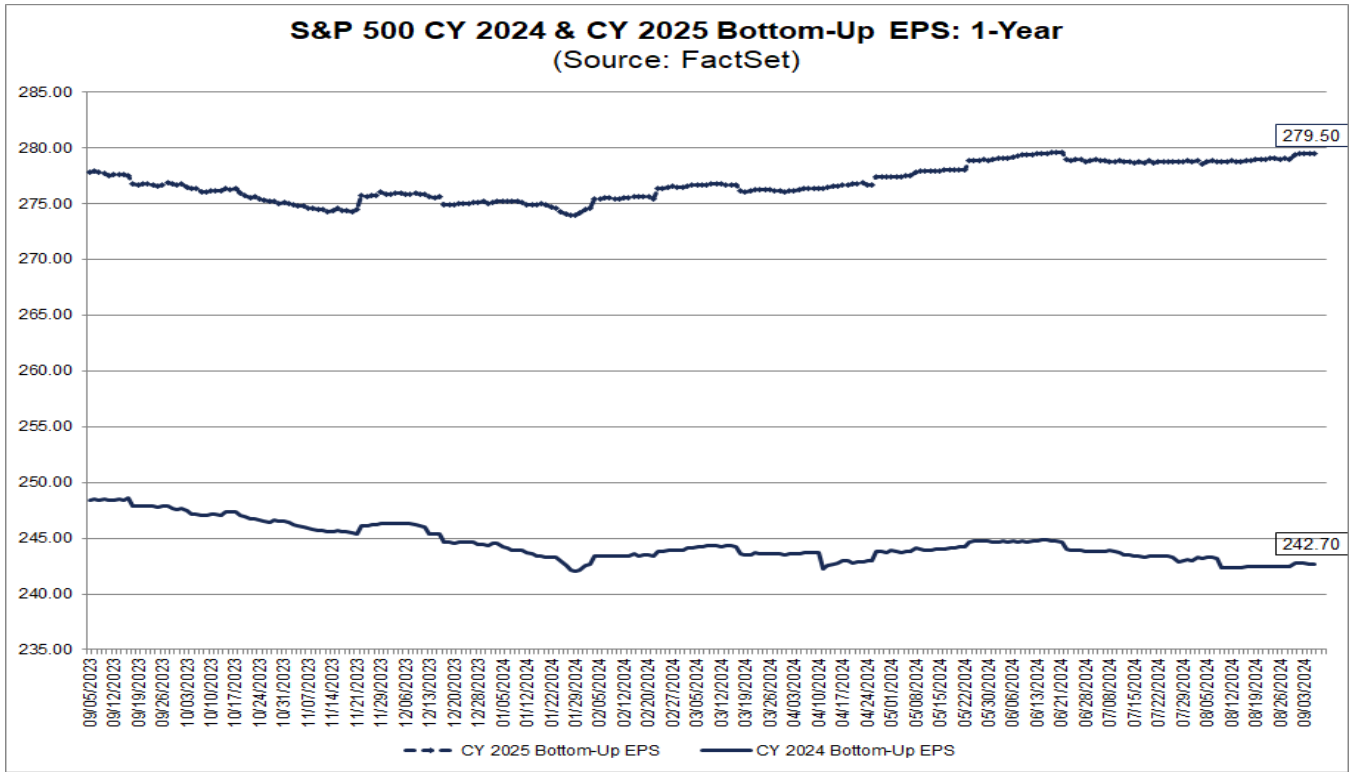
CY 2025: Growth



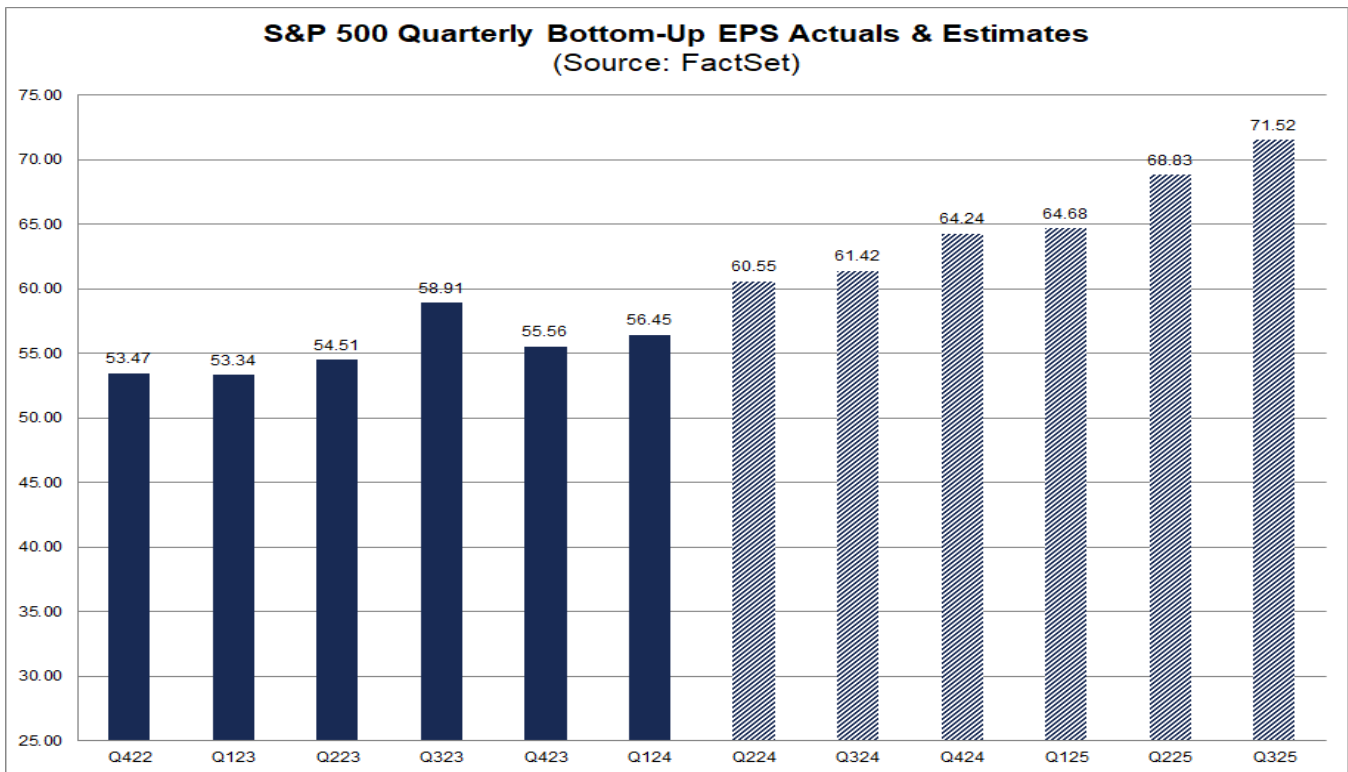
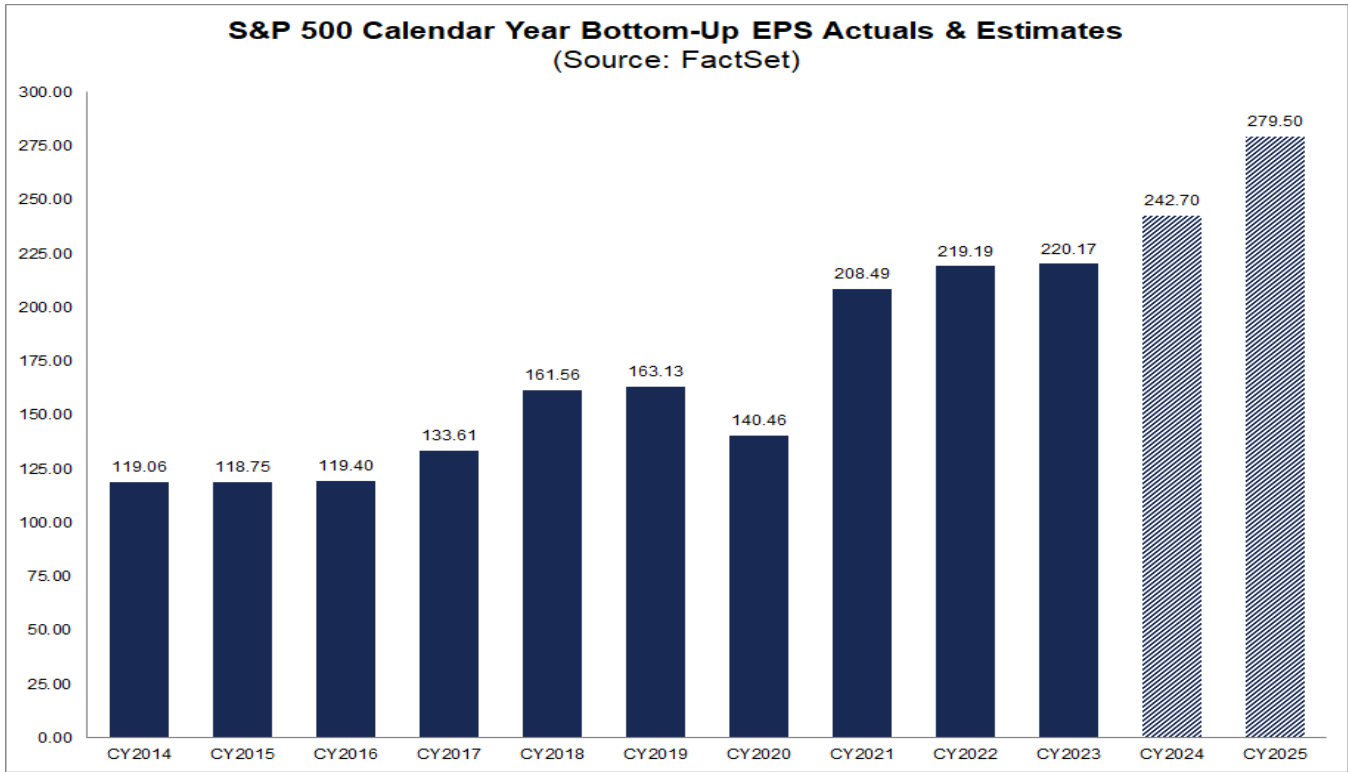
Geographic Revenue Exposure



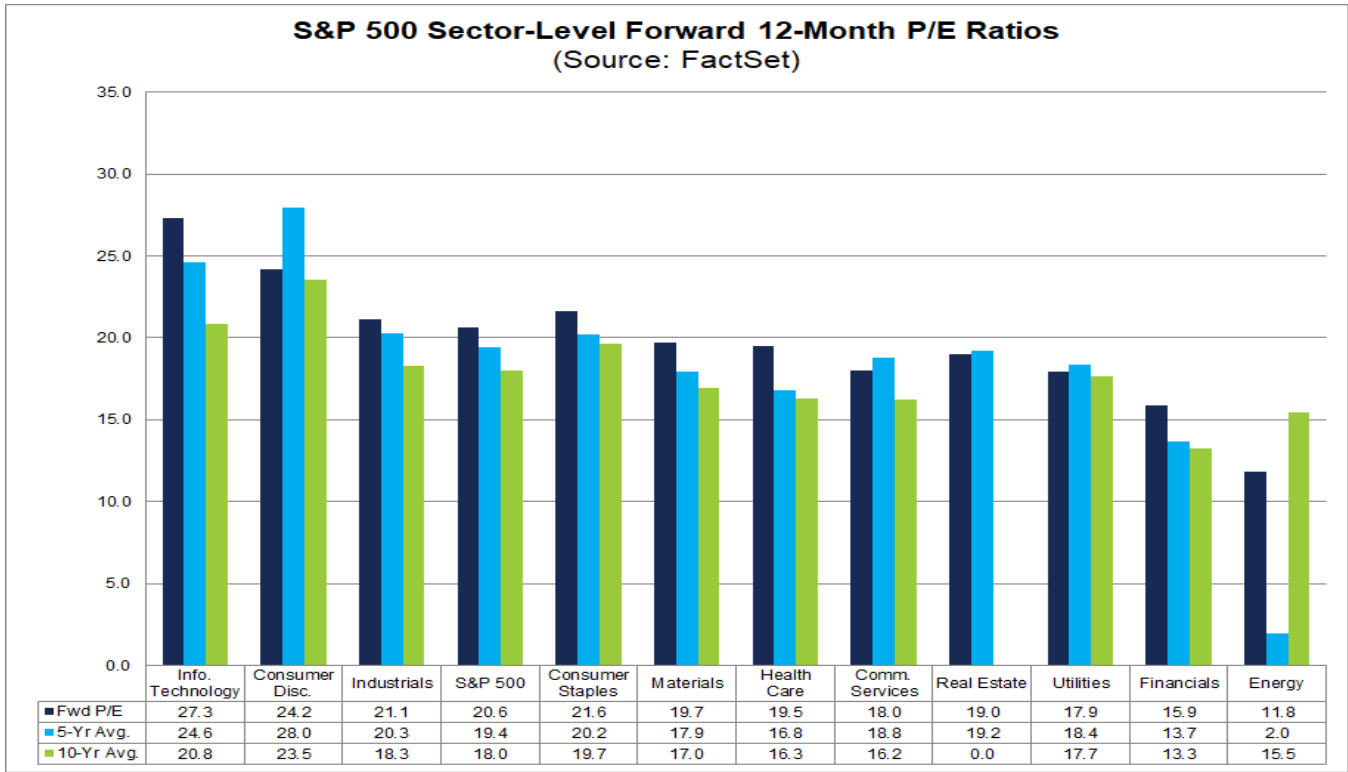
Bottom-Up EPS Estimates



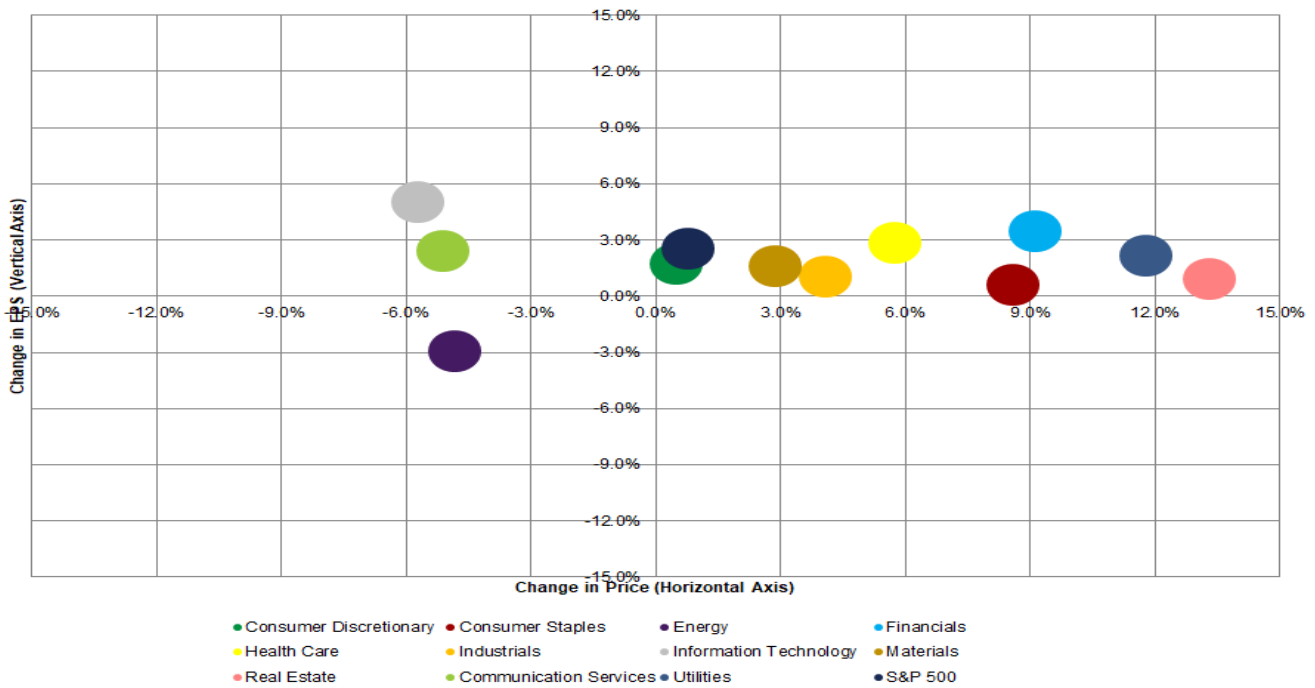
Bottom-Up EPS Estimates: Current & Historical



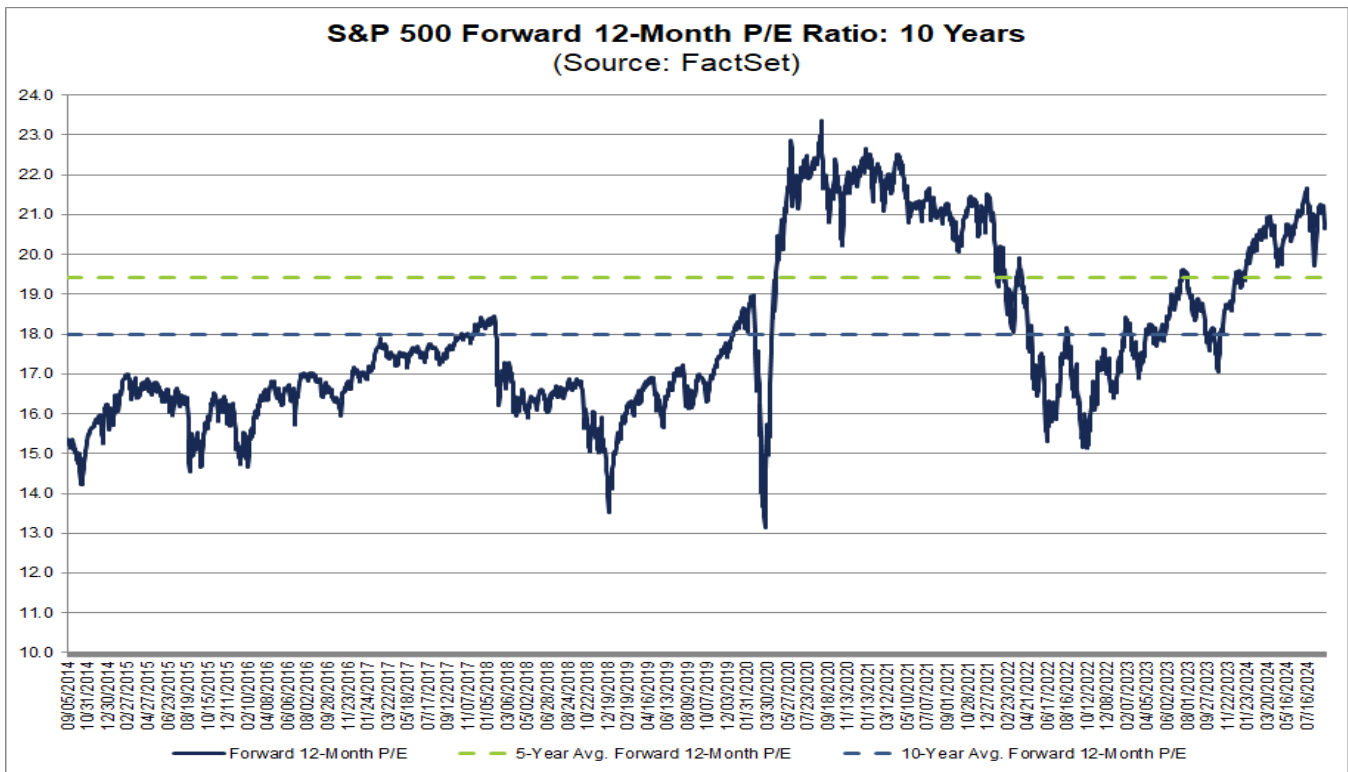
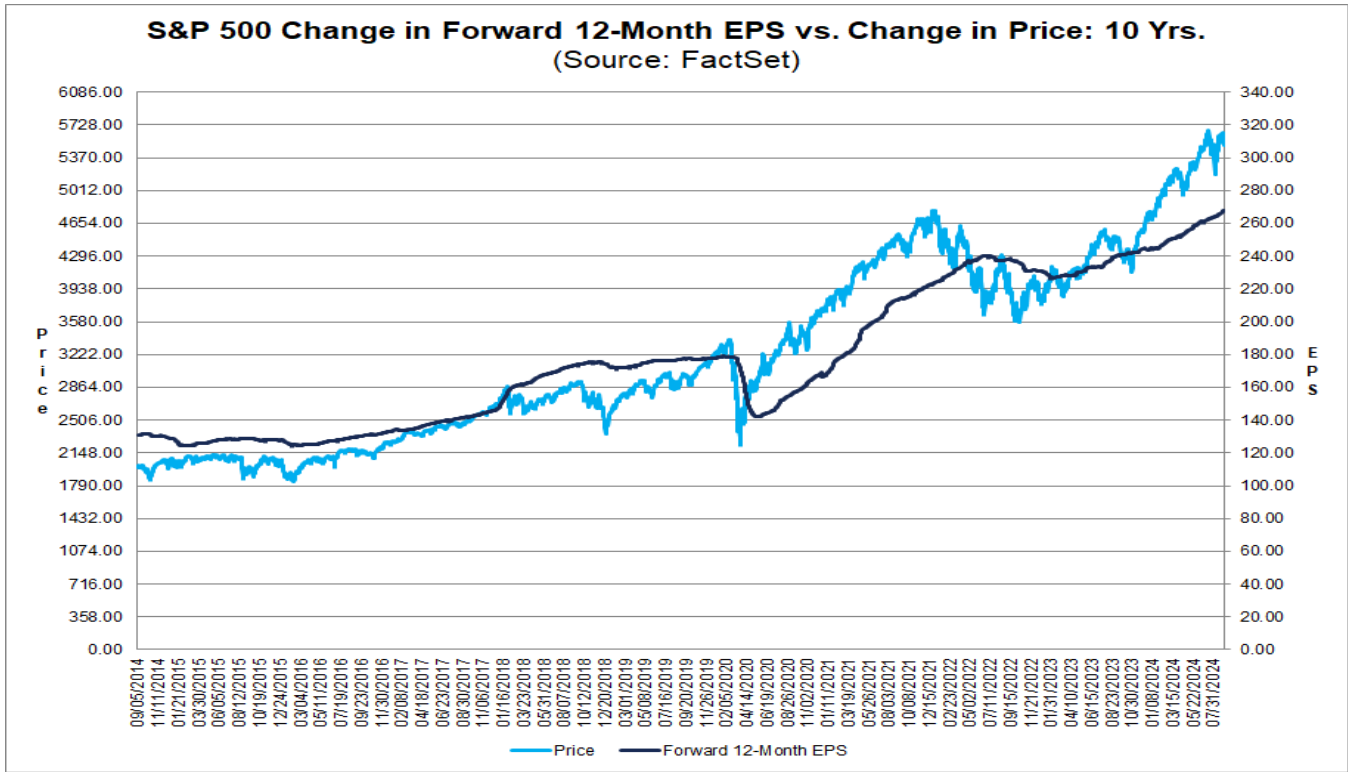
Forward 12M P/E Ratio: Sector Level



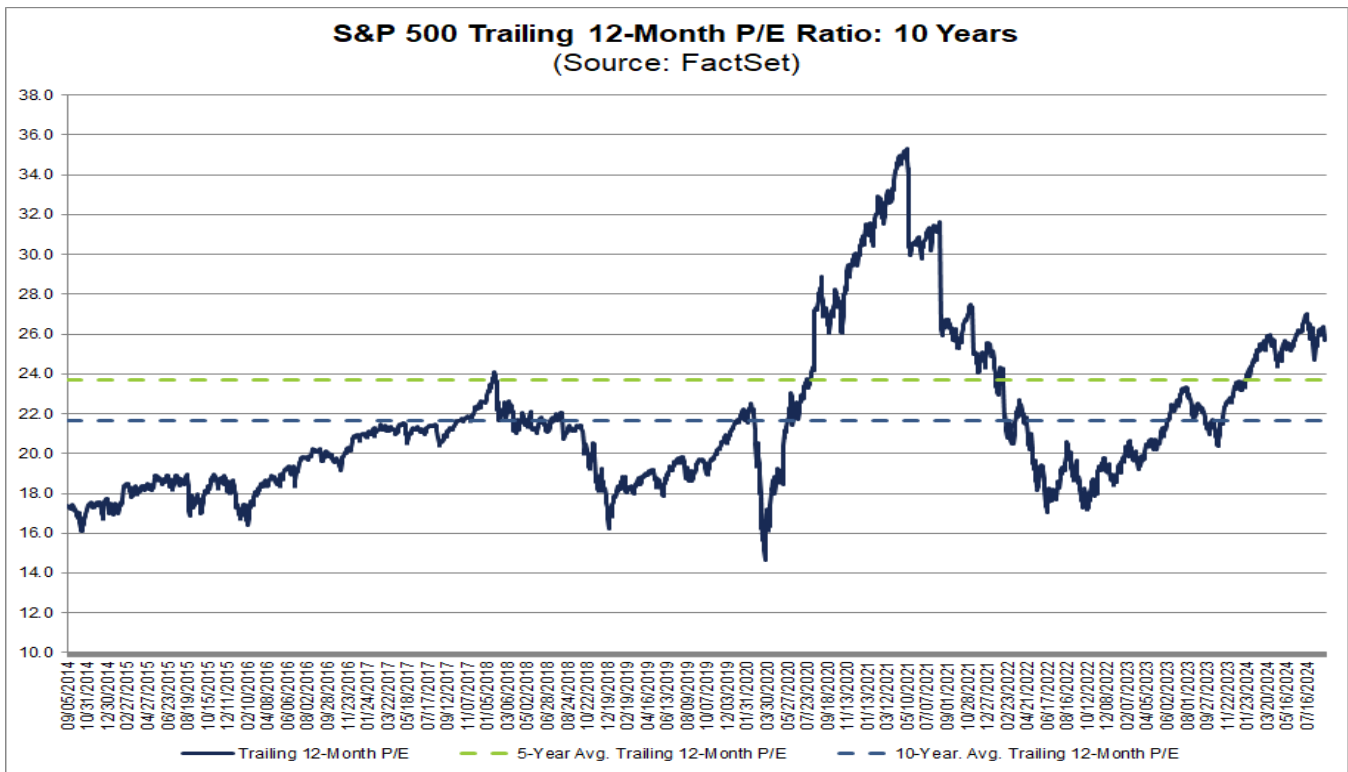
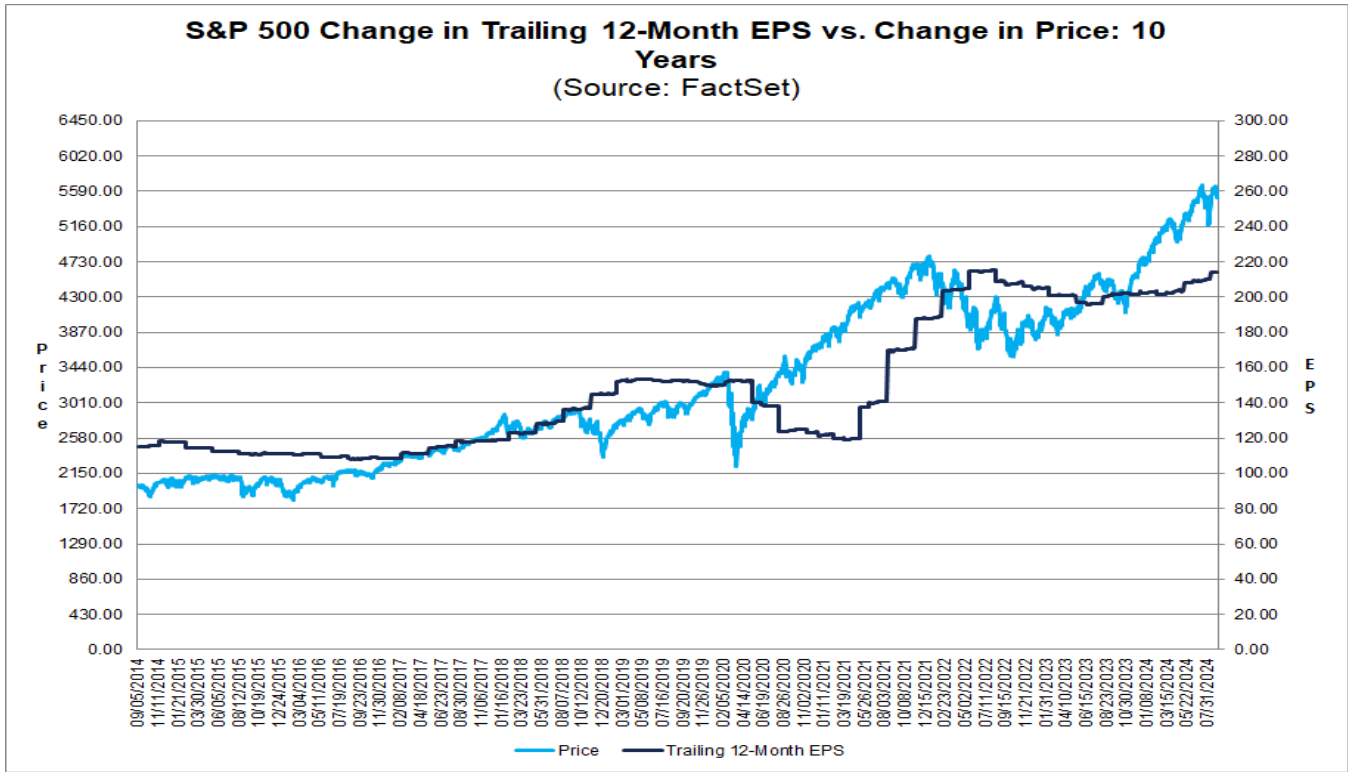
Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Jun. 30 (Source: FactSet)



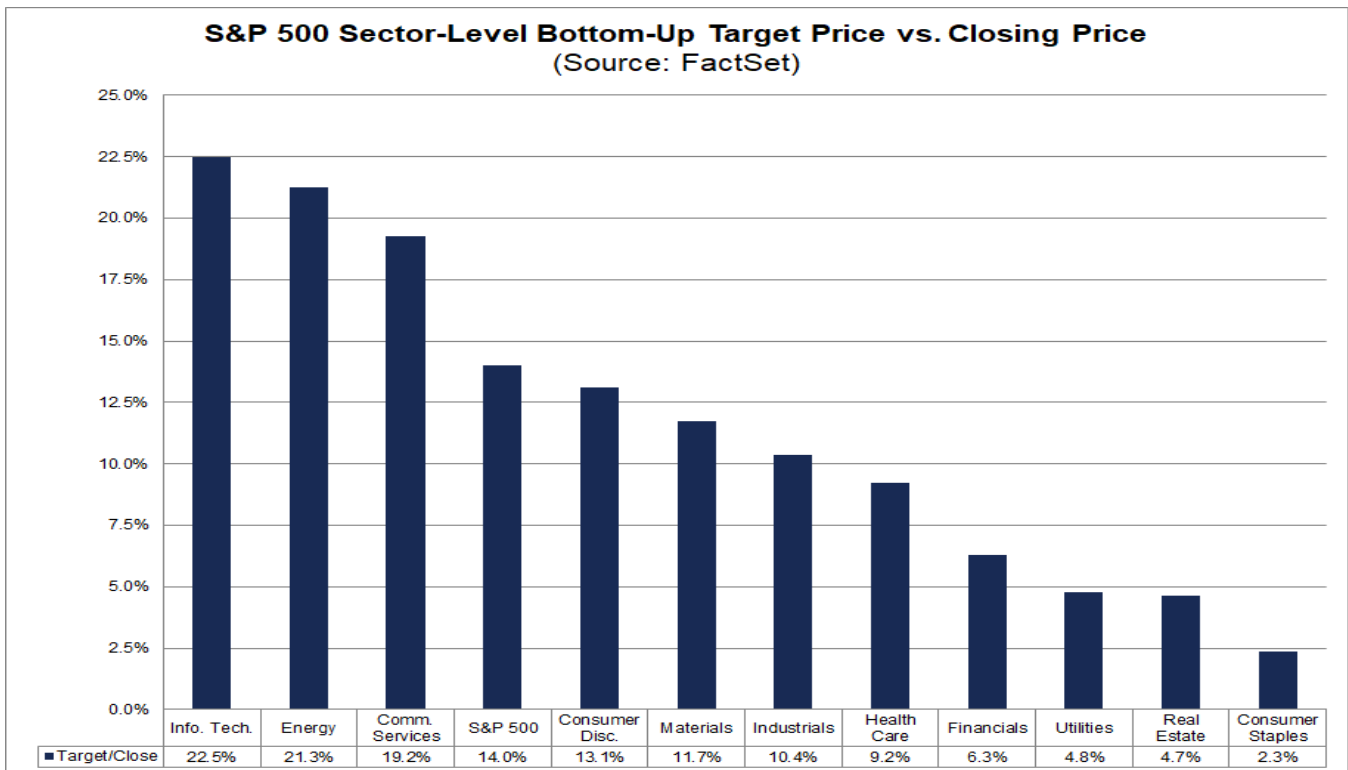
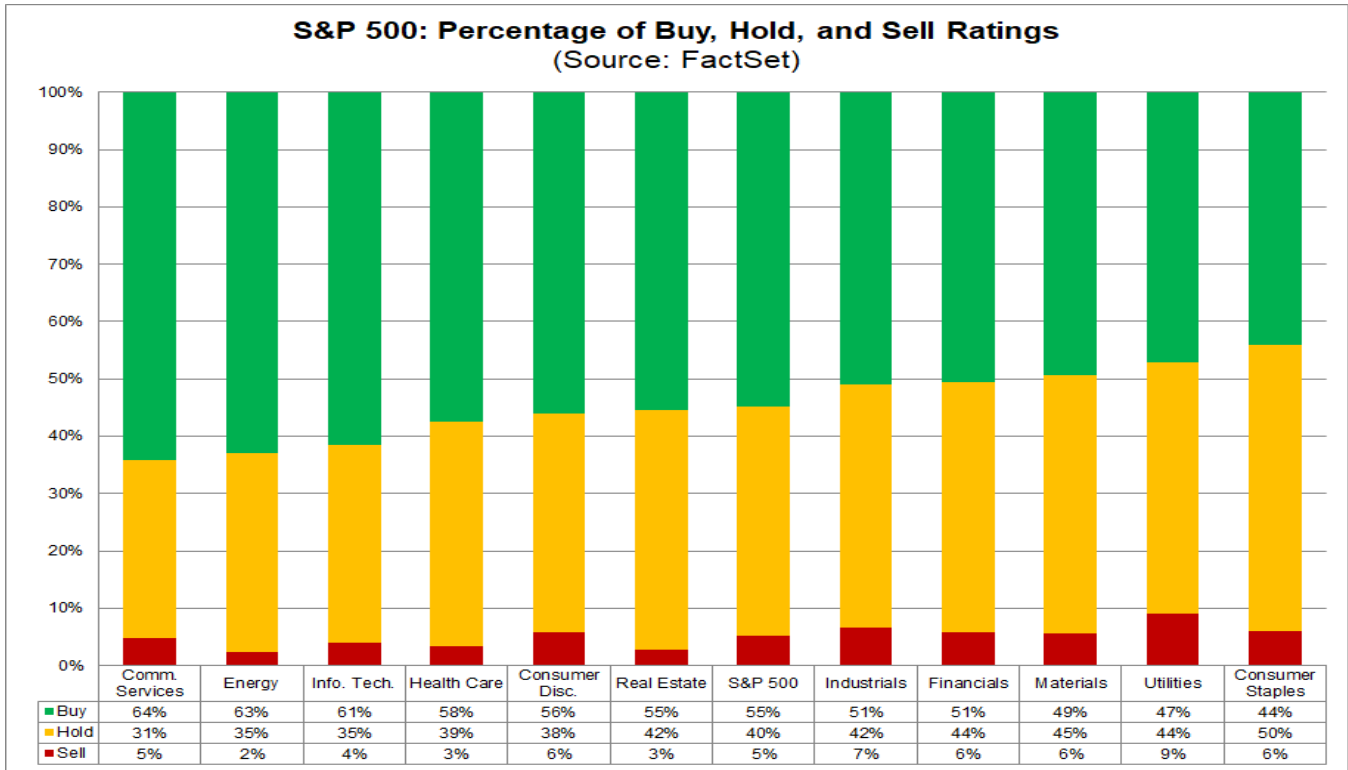
Forward 12M P/E Ratio: 10-Years



Trailing 12M P/E Ratio: 10-Years



Targets & Ratings



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