

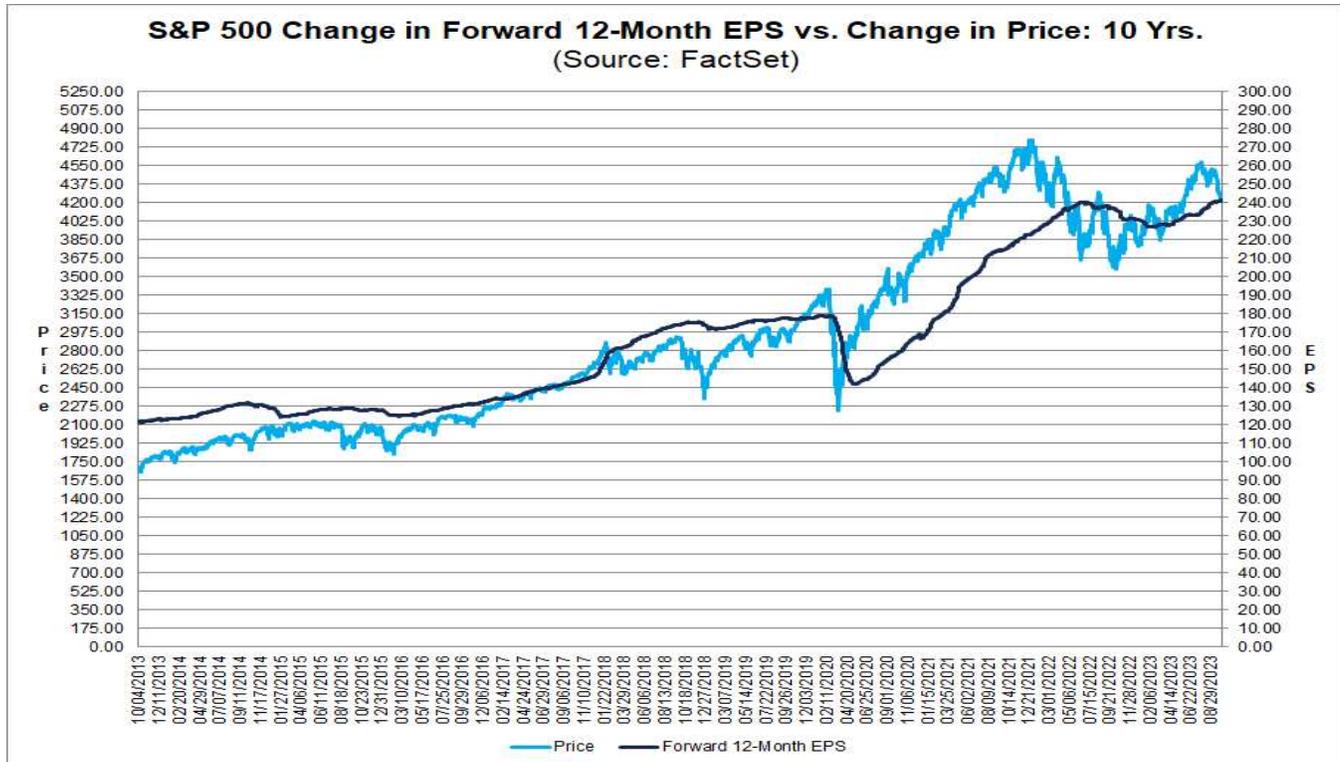
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October 6, 2023

## Key Metrics

- **Earnings Decline:** For Q3 2023, the estimated (year-over-year) earnings decline for the S&P 500 is -0.3%. If -0.3% is the actual decline for the quarter, it will mark the fourth straight quarter of (year-over-year) earnings declines reported by the index.
- **Earnings Revisions:** On June 30, the estimated (year-over-year) earnings decline for the S&P 500 for Q3 2023 was -0.4%. Four sectors are expected to report higher earnings today (compared to June 30) due to upward revisions to EPS estimates.
- **Earnings Guidance:** For Q3 2023, 76 S&P 500 companies have issued negative EPS guidance and 42 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 17.7. This P/E ratio is below the 5-year average (18.7) but above the 10-year average (17.5).
- **Earnings Scorecard:** For Q3 2023 (with 20 S&P 500 companies reporting actual results), 17 S&P 500 companies have reported a positive EPS surprise and 14 S&P 500 companies have reported a positive revenue surprise.



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## Topic of the Week:

### S&P 500 Financials Sector Earnings Preview: Q3 2023

The Financials sector will be a sector in focus for the market during the next two weeks, as more than 40% of the S&P 500 companies that are scheduled to report earnings for the third quarter over this period are part of this sector. Companies in this sector expected to report earnings during these two weeks include American Express, Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase, Morgan Stanley, and Wells Fargo. The Financials sector is predicted to report the fourth-highest (year-over-year) earnings growth rate of all eleven sectors for Q3 at 8.7%.

At the industry level, three of the five industries in the sector are expected to report year-over-year earnings growth, led by the Insurance industry at 64%. This industry is also expected to be the largest contributor to earnings growth for the sector. If the Insurance industry were excluded, the estimated earnings growth rate for the Financials sector would fall to 2.1% from 8.7%. At the sub-industry level, the Property & Casualty Insurance (113%) and Multi-line Insurance (77%) sub-industries are predicted to report the highest earnings growth rates within this industry. The Reinsurance sub-industry is expected to report a profit in Q3 2023 after reporting a loss in Q3 2022.

The Financial Services industry is projected to report the second-highest (year-over-year) earnings growth rate in this sector at 12%. Both sub-industries in this sector are expected to report double-digit earnings growth: Multi-Sector Holdings (18%) and Transaction & Payment Processing Services (10%).

The Banks industry is predicted to report the third highest (year-over-year) earnings growth rate in the sector at 4%. At the sub-industry level, the Diversified Banks sub-industry is expected to report earnings growth of 7%, while the Regional Banks sub-industry is expected to report a decline in earnings of -15%.

Sean Ryan, VP/Associate Director for the banking and specialty finance sector at FactSet, highlighted a number of key themes and metrics to watch for banks in the S&P 500 during this earnings season:

*"Bank earnings kick off on Friday the 13th, which may prove all too appropriate. The primary foci are likely to be 1) the effect of the 76bps Q3 increase in the 10 year Treasury yield on capital levels, and 2) the degree of stabilization in deposits. We would anticipate some deceleration in the flow of demand deposits to money market accounts and CDs, which carries implications not just for banks but for brokers as well. Deposit betas will grind higher, pressuring NIMs, but if the Fed Funds futures market is to be believed then this is more of a lagging indicator at this point. As consumers have largely dissipated the above-trend savings accumulated during COVID, it will be interesting to see whether overdraft fee revenue begins to pick up. Overall loan growth should remain very sluggish, though loan loss provisions should continue rising reflecting both current and prospective credit quality deterioration.*

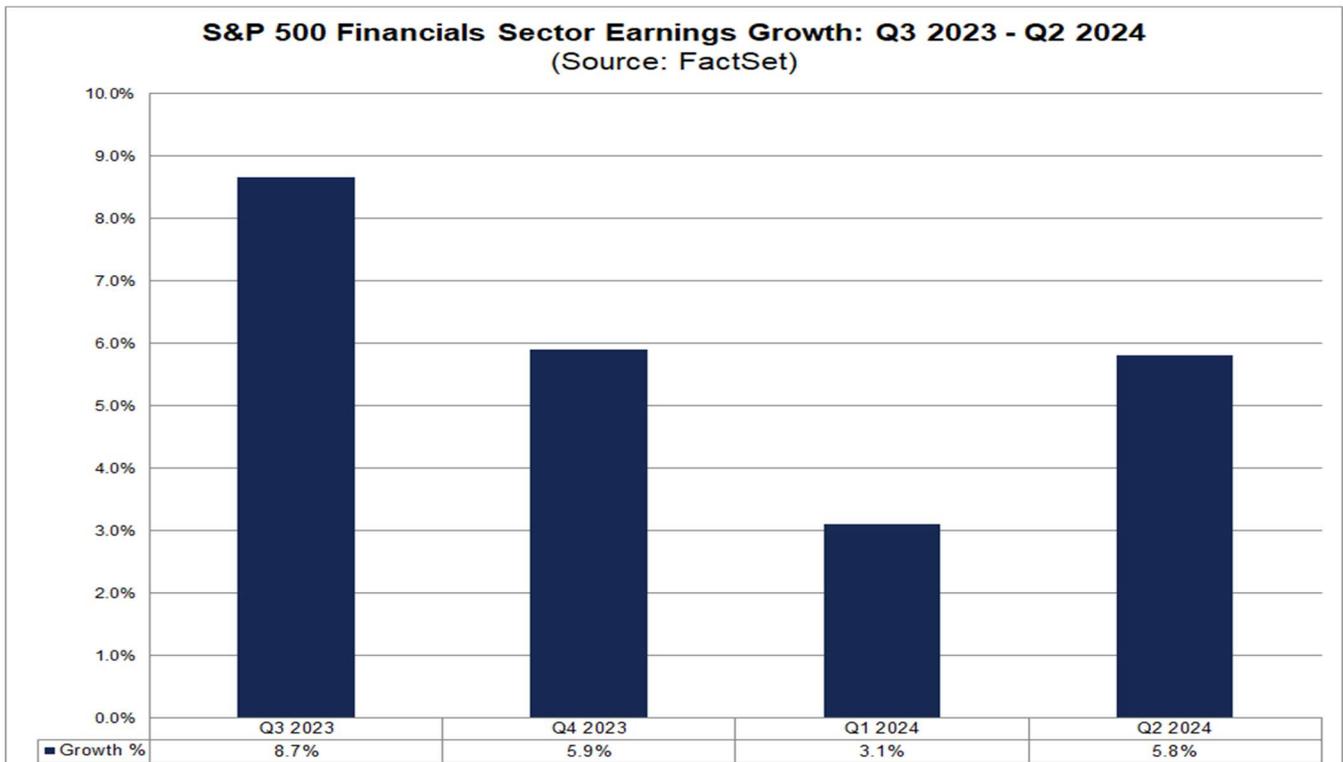
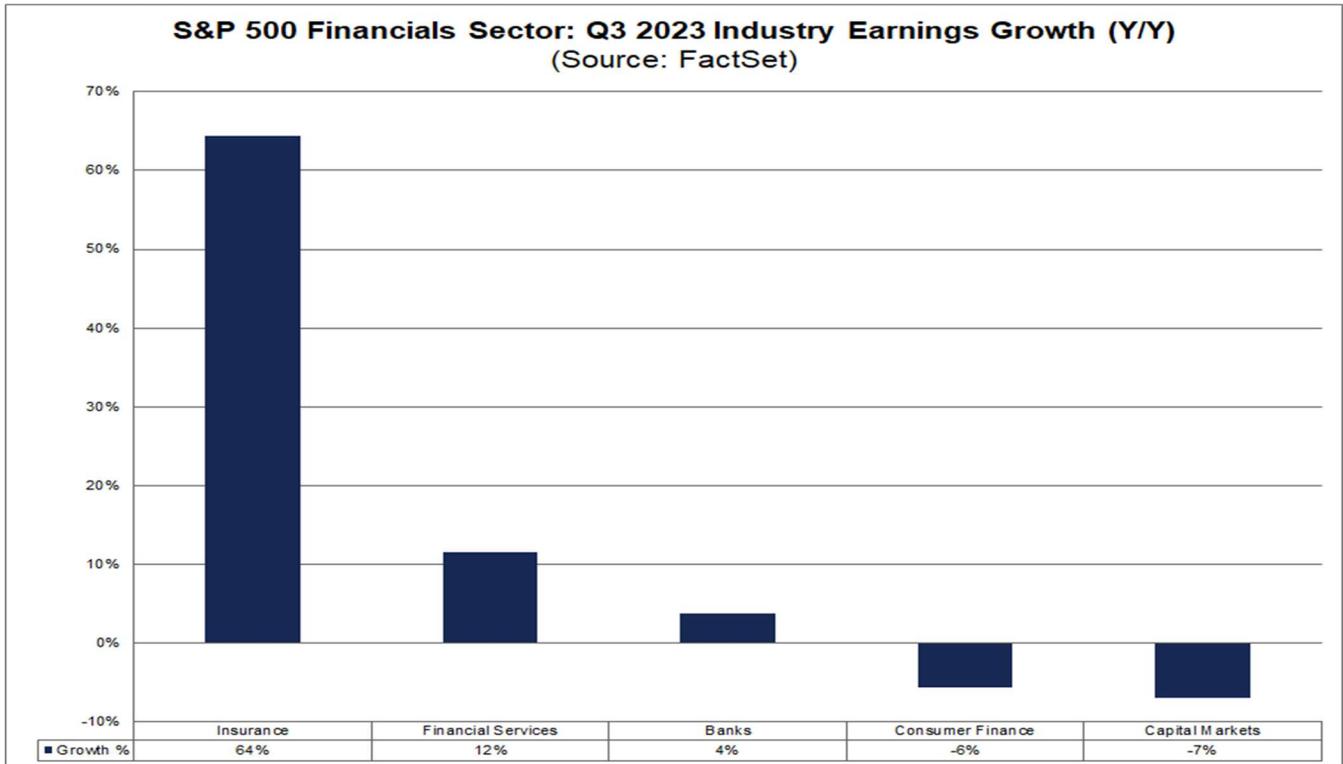
*Among non-interest revenues, mortgage volumes will of course be very weak, reflecting low purchase volume and de minimis refinancing activity. Credit card spend seems to be holding up though credit is worsening, particularly in the private label segment. Investment banking revenues should see a bounce from Q2 levels. Advisory fees will remain depressed but last quarter several managements remained positive on the medium-term outlook; it will be interesting to see whether that persists. Asset management revenues will reflect the market driven decline in AUM in equities and fixed income, while flows will likely continue to reflect shifts from equity to fixed income, and into alternatives.*

*On expenses, while we would anticipate some continued opportunistic hiring, we would also anticipate more draconian cost control programs, since that is among the few levels bank managements can control with much certainty at the moment. Overall, in light of the constellation of negative trends confronting banks, perhaps the most positive thing one might say about the upcoming earnings season is that it may not take much for banks to produce an upside surprise."*

For more commentary and analysis on the banking industry, please see Sean's articles on the FactSet Insight blog at this link: <https://insight.factset.com/author/sean-ryan>

On the other hand, the Capital Markets (-7%) and Consumer Finance (-6%) industries are predicted to report (year-over-year) declines in earnings. Within the Capital Markets industry, the Investment Banking & Brokerage (-23%) sub-industry is expected to report a decline in earnings, while the Financial Data & Exchanges (8%) and Asset Management & Custody Banks (7%) sub-industries are both expected to report growth in earnings.

Looking ahead, analysts are predicting earnings growth rates of 5.9%, 3.1%, and 5.8% for Q4 2023, Q1 2024, and Q2 2024, respectively.



## Q3 Earnings Season: By The Numbers

### Overview

The earnings outlook for the S&P 500 for the third quarter is less negative relative to recent quarters. The percentage of companies issuing negative earnings guidance is equal to the 10-year average. Overall, the index is expected to report a year-over-year decline in earnings in the third quarter for the fourth straight quarter. However, the estimated decrease in earnings for the third quarter would be the smallest decline during this four-quarter streak.

In terms of guidance, the percentage of S&P 500 companies issuing negative EPS guidance for Q3 2023 is equal to the 10-year average. At this point in time, 118 companies in the index have issued EPS guidance for Q3 2023. Of these 118 companies, 76 have issued negative EPS guidance and 42 have issued positive EPS guidance. The percentage of S&P 500 companies issuing negative EPS guidance for Q3 2023 is 64% (76 out of 118), which is above the 5-year average of 59% but equal to the 10-year average of 64%.

Overall, the S&P 500 is expected to report a (year-over-year) decline in earnings of -0.3% for the third quarter. If -0.3% is the actual decline for the quarter, it will mark the fourth straight quarter that the index has reported a decline in earnings. However, it will also mark the smallest (year-over-year) decrease in earnings during this streak.

Eight of the eleven sectors are projected to report year-over-year earnings growth, led by the Communication Services and Consumer Discretionary sectors. On the other hand, three sectors are predicted to report a year-over-year decline in earnings, led by the Energy and Materials sectors.

In terms of revenues, the S&P 500 is expected to report (year-over-year) revenue growth of 1.7%. If 1.7% is the actual revenue growth rate for the quarter, it will mark the 11<sup>th</sup> consecutive quarter of revenue growth for the index.

Nine sectors are projected to report year-over-year growth in revenues, led by the Consumer Discretionary sector. On the other hand, two sectors are predicted to report a year-over-year decline in revenues: Energy and Materials.

Looking ahead, analysts expect (year-over-year) earnings growth of 7.8% for Q4 2023. For CY 2023, analysts predict (year-over-year) earnings growth of 0.9%. For CY 2024, analysts are calling for (year-over-year) earnings growth of 12.2%.

The forward 12-month P/E ratio is 17.7, which is below the 5-year average (18.7) but above the 10-year average (17.5). It is also below the forward P/E ratio of 19.1 recorded at the end of the second quarter (June 30).

During the upcoming week, 12 S&P 500 companies (including three Dow 30 components) are scheduled to report results for the third quarter.

### Earnings Revisions: Consumer Discretionary Sector Has Seen Largest Increase in EPS Estimates

#### No Change in Estimated Earnings Decline for Q3 This Week

During the past week, the estimated earnings decline for the S&P 500 for Q3 2023 remained unchanged at -0.3%.

The estimated earnings decline for the S&P 500 for Q3 2023 of -0.3% today is slightly smaller than the estimate of -0.4% at the start of the quarter (June 30), as estimated earnings for the index of \$482.8 billion today are slightly above the estimate of \$482.7 billion at the start of the quarter. Four sectors have recorded an increase in expected (dollar-level) earnings due upward revisions to earnings estimates: Consumer Discretionary, Energy, Communication Services, and Information Technology. On the other hand, seven sectors have recorded a decrease in dollar-level earnings due to downward revisions to earnings estimates, led by the Materials, Industrials, and Health Care sectors.

It should be noted that the earnings decline for June 30 published in this week's Earnings Insight report (-0.4%) is different than the earnings decline for June 30 published in the Earnings Insight report on September 15 (0.0%). The main reason for the discrepancy is the change in constituents for the S&P 500 that occurred on September 18, with Airbnb and Blackstone added to the index and Lincoln National and Newell Brands removed from the index. FactSet retroactively applies constituent changes to the historical earnings growth data for current and future quarters. Thus, the earnings decline of -0.4% for June 30 for the third quarter includes Airbnb and Blackstone as if these companies were in the index on those dates.

Unlike the earnings growth rate, FactSet does not retroactively apply constituent changes to the historical earnings data for the bottom-up EPS estimate. Thus, The bottom-up EPS estimate for Q3 on June 30 reflects the constituents in the index on that date (includes Lincoln National and Newell Brands). Because the constituents for the earnings growth rate and the bottom-up EPS estimate are different on June 30, the earnings growth rate (decline) for Q3 showed a slight improvement during the quarter (to -0.3% from -0.4%), while the bottom-up EPS estimate for Q3 showed a slight decrease during the quarter (to \$55.72 from \$55.86).

### **Consumer Discretionary: Amazon Leads Earnings Increase Since June 30**

The Consumer Discretionary sector has recorded the largest percentage increase in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at 8.5% (to \$42.3 billion from \$39.0 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has increased to 22.0% today from 12.5% on June 30. Despite the increase in expected earnings, this sector has witnessed a decrease in price of -5.9% since June 30. Overall, 28 of the 52 companies (54%) in the Consumer Discretionary sector have seen an increase in their mean EPS estimate during this time. Of these 28 companies, 12 have recorded an increase in their mean EPS estimate of more than 10%, led by Amazon.com (to \$0.57 from \$0.41), D.R. Horton (to \$3.93 from \$2.95), and PulteGroup (to \$2.83 from \$2.17). Amazon.com, General Motors (to \$1.90 from \$1.55), D.R. Horton, and Ford Motor (to \$0.45 from \$0.37) have been the largest contributors to the increase in estimated (dollar-level) earnings for this sector since June 30.

### **Energy: Marathon Petroleum and Valero Energy Lead Earnings Increase Since June 30**

The Energy sector has recorded the second-largest percentage increase in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at 5.7% (to \$37.0 billion from \$35.0 billion). As a result, the estimated (year-over-year) earnings decline for this sector has decreased to -37.7% today from -41.0% on June 30. This sector has also witnessed the largest increase in price (+4.9%) of all eleven sectors since June 30. Overall, 7 of the 23 companies (30%) in the Energy sector have seen an increase in their mean EPS estimate during this time. Of these 7 companies, 3 have recorded an increase in their mean EPS estimate of more than 10%: Marathon Petroleum (to \$7.48 from \$4.84), Valero Energy (to \$7.29 from \$4.89), and Phillips 66 (to \$4.78 from \$3.59). These three companies along with Exxon Mobil (to \$2.33 from \$2.25) have been the largest contributors to the increase in estimated (dollar-level) earnings for this sector since June 30.

### **Information Technology: NVIDIA Leads Earnings Increase Since June 30**

The Information Technology sector has recorded the third-largest percentage increase in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at 4.2% (to \$92.1 billion from \$88.4 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has increased to 4.6% today from 0.4% on June 30. Despite the increase in expected earnings, this sector has witnessed a decrease in price of -4.9% since June 30. Overall, 38 of the 65 companies (58%) in the Information Technology sector have seen an increase in their mean EPS estimate during this time. Of these 38 companies, 7 have recorded an increase in their mean EPS estimate of more than 10%, led by NVIDIA (to \$3.32 from \$2.25), Intel (to \$0.21 from \$0.15), and Applied Materials (to \$1.98 from \$1.58). NVIDIA, Apple (to \$1.39 from \$1.36), and Applied Materials have been the largest contributors to the increase in expected (dollar-level) earnings for this sector since June 30.

**Communication Services: Meta Platforms and Alphabet Lead Earnings Increase Since June 30**

The Communication Services sector has recorded the fourth-largest percentage increase in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at 4.1% (to \$47.4 billion from \$45.5 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has improved to 31.5% today from 26.3% on June 30. This sector has also witnessed the second-largest increase in price (+4.1%) of all eleven sectors since June 30. Overall, 7 of the 20 companies (35%) in the Communication Services sector have seen an increase in their mean EPS estimate during this time. Of these 7 companies, 1 has recorded an increase in its mean EPS estimate of more than 10%: Meta Platforms (to \$3.59 from \$2.98). Meta Platforms and Alphabet (to \$1.44 from \$1.35) have been the largest contributors to the increase in expected (dollar-level) earnings for this sector since June 30.

**Materials: Dow Leads Earnings Decrease Since June 30**

The Materials sector has recorded the largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -12.9% (to \$11.4 billion from \$13.1 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -22.4% today from -10.9% on June 30. This sector has also witnessed a decrease in price of -6.8% since June 30. Overall, 22 of the 29 companies (76%) in the Materials sector have seen a decrease in their mean EPS estimate during this time. Of these 22 companies, 16 have recorded a decrease in their mean EPS estimate of more than 10%, led by Corteva (to -\$0.21 from -\$0.08), Dow (to \$0.44 from \$0.88), International Flavors & Fragrances (to \$0.78 from \$1.41), and Mosaic (to \$0.76 from \$1.28). Dow has also been the largest contributor to the decrease in expected (dollar-level) earnings for this sector since June 30.

**Industrials: Boeing Leads Earnings Decrease Since June 30**

The Industrials sector has recorded the second-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -8.7% (to \$38.9 billion from \$42.6 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has decreased to 3.5% today from 13.3% on June 30. This sector has also witnessed a decrease in price of -7.4% since June 30. Overall, 44 of the 75 companies (59%) in the Industrials sector have seen a decrease in their mean EPS estimate during this time. Of these 44 companies, 14 have recorded a decrease in their mean EPS estimate of more than 10%, led by Boeing (to -\$3.18 from -\$0.11), American Airlines Group (to \$0.32 from \$0.82), Southwest Airlines (to \$0.39 from \$0.97), and United Parcel Service (to \$1.58 from \$2.66). These four companies have also been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since June 30.

**Health Care: Moderna Leads Earnings Decrease Since June 30**

The Health Care sector has recorded the third-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -4.4% (to \$68.2 billion from \$71.4 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -11.9% today from -7.8% on June 30. This sector has also witnessed a decrease in price of -3.1% since June 30. Overall, 49 of the 65 companies (75%) in the Health Care sector have seen a decrease in their mean EPS estimate during this time. Of these 49 companies, 12 have recorded a decrease in their mean EPS estimate of more than 10%, led by Catalent (to -\$0.14 from \$0.04), Moderna (to -\$1.62 from \$0.60), and Illumina (to \$0.13 from \$0.44). Moderna, Pfizer (to \$0.58 from \$0.71), Johnson & Johnson (to \$2.52 from \$2.72), and Bristol-Myers Squibb (to \$1.80 from \$1.99) have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since June 30.

**Index-Level EPS Estimate: 0.3% Decrease During Q3**

The Q3 bottom-up EPS estimate (which is an aggregation of the median Q3 earnings estimates for all 500 companies in the index and can be used as a proxy for the earnings of the index) decreased by 0.3% (to \$55.72 from \$55.86) from June 30 to September 30. In a typical quarter, analysts usually reduce earnings estimates. Over the past five years (20 quarters), earnings expectations have fallen by 3.6% on average during a quarter. Over the past ten years, (40 quarters), earnings expectations have also fallen by 3.4% on average during a quarter. Over the past fifteen years (60 quarters), earnings expectations have fallen by 4.4% on average during a quarter. Over the past twenty years (60 quarters), earnings expectations have fallen by 3.8% on average during a quarter.

Thus, the decline in the bottom-up EPS estimate for Q3 3023 to date was smaller than the 5-year, 10-year, 15-year, and 20-year averages for a quarter.

Unlike the earnings growth rate, FactSet does not retroactively apply constituent changes to the historical earnings data for the bottom-up EPS estimate. Thus, the bottom-up EPS estimate for Q3 on June 30 reflects the constituents in the index on that date (includes Lincoln National and Newell Brands). Because the constituents for the earnings growth rate and the bottom-up EPS estimate are different on June 30, the earnings growth rate (decline) for Q3 showed a slight improvement during the quarter (to -0.3% from -0.4%), while the bottom-up EPS estimate showed a slight decline during the quarter (to \$55.72 from \$55.86).

**Guidance: % of S&P 500 Companies Issuing Negative Guidance for Q3 Equals 10-Yr. Average**

**Quarterly Guidance: % of S&P 500 Companies Issuing Negative Guidance Equals 10-Year Average**

At this point in time, 118 companies in the index have issued EPS guidance for Q3 2023. This is the highest number of S&P 500 companies issuing EPS guidance for a quarter since FactSet began tracking this metric in 2006. The current record is 113, which occurred in the previous quarter (Q2 2023).

Of these 118 companies, 76 have issued negative EPS guidance and 42 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q3 2023 is 64% (76 out of 118), which is above the 5-year average of 59% but equal to the 10-year average of 64%.

**Annual Guidance: % of S&P 500 Companies Issuing Negative Guidance for Current Year is 40%**

At this point in time, 267 companies in the index have issued EPS guidance for the current fiscal year (FY 2023 or FY 2024). Of these 267 companies, 106 have issued negative EPS guidance and 161 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 40% (106 out of 267).

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 Decline: -0.3%**

The estimated (year-over-year) earnings decline for Q3 2023 is -0.3%, 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 -0.3% is the actual decline for the quarter, it will mark the fourth straight quarter that the index has reported a decline in earnings. However, it will also mark the smallest (year-over-year) decrease in earnings during this streak.

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

### **Communication Services: Meta Platforms is Largest Contributor to Year-Over-Year Growth**

The Communication Services sector is expected to report the largest (year-over-year) earnings growth rate of all eleven sectors at 31.5%. At the industry level, 3 of the 5 industries in the sector are expected to report a year-over-year increase in earnings of 45% or more: Wireless Telecommunication Services (321%), Entertainment (192%), and Interactive Media & Services (49%). On the other hand, two industries are expected to report a (year-over-year) decline in earnings: Diversified Telecommunication Services (-9%) and Media (-7%).

At the company level, Meta Platforms (\$3.59 vs. \$1.64), Warner Bros. Discovery (-\$0.03 vs. -\$0.76), and T-Mobile (\$1.80 vs. \$0.40) are predicted to be the largest contributors to earnings growth for the sector. If these three companies were excluded, the estimated earnings growth rate for Communication Services sector would fall to 11.0% from 31.5%.

### **Consumer Discretionary: Amazon Is Largest Contributor to Year-Over-Year Growth**

The Consumer Discretionary sector is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 22.0%. At the industry level, 3 of the 9 industries in the sector are expected to report a year-over-year increase in earnings of 25% or more: Broadline Retail (166%), Hotels, Restaurants, & Leisure (92%), and Leisure Products (27%). On the other hand, six industries are expected to report a (year-over-year) decline in earnings. Two of these six industries are predicted to report a decrease in earnings of more than 10%: Household Durables (-14%) and Automobiles (-13%).

At the industry level, the Hotels, Restaurants, & Leisure and Broadline Retail industries are predicted to be the largest contributors to earnings growth for the sector. If these two industries were excluded, the Consumer Discretionary sector would be projected to report a (year-over-year) decline in earnings of -9.0% instead of year-over-year earnings growth of 22.0%.

At the company level, Amazon.com (\$0.57 vs. \$0.28) is expected to be the largest contributor to earnings growth for the sector. If this company were excluded, the expected earnings growth rate for the sector would fall to 14.4% from 22.0%

### **Energy: Largest Contributor to Year-Over-Year Earnings Decline for S&P 500**

The Energy sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -37.7%. Lower year-over-year oil prices are contributing to the year-over-year decrease in earnings for this sector. Despite the rise in price during September, the average price of oil in Q3 2023 (\$82.22) was still 10% below the average price for oil in Q3 2022 (\$91.43). At the sub-industry level, three of the five sub-industries in the sector are expected to report a (year-over-year) decrease in earnings of more than 20%: Integrated Oil & Gas (-47%), Oil & Gas Exploration & Production (-42%), and Oil & Gas Refining & Marketing (-21%). On the other hand, the other two sub-industries are predicted to report (year-over-year) earnings growth or more than 10%: Oil & Gas Equipment & Services (29%) and Oil & Gas Storage & Transportation (12%).

The Energy sector is also expected to be the largest contributor to the overall earnings decline for the S&P 500. If this sector were excluded, the index would be projected to report (year-over-year) growth in earnings of 4.9% instead of a (year-over-year) decline in earnings of -0.3%.

**Materials: 3 of 4 Industries Expected To Report Year-Over-Year Decline of More Than 20%**

The Materials sector is expected to report the second-largest (year-over-year) earnings decline of all eleven sectors at -22.4%. At the industry level, three of the four industries in this sector are predicted to report a year-over-year decline in earnings of 20% or more: Containers & Packaging (-30%), Chemicals (-24%), and Metals & Mining (-21%). On the other hand, the Construction Materials (28%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.

**Revenue Growth: 1.7%**

The estimated (year-over-year) revenue growth rate for Q3 2023 is 1.7%, 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 1.7% is the actual revenue growth rate for the quarter, it will mark the 11<sup>th</sup> consecutive quarter of revenue growth for the index.

At the sector level, nine sectors are expected to report year-over-year growth in revenues, led by the Consumer Discretionary sector. On the other hand, two sectors are expected to report a year-over-year decline in revenues: Energy and Materials.

**Consumer Discretionary: 5 of 9 Industries Expected to Report Year-Over-Year Growth**

The Consumer Discretionary sector is expected to report the highest (year-over-year) revenue growth rate of all eleven sectors at 7.0%. At the industry level, 5 of the 9 industries in the sector are expected to report a year-over-year increase in revenues. Two of these five industries are projected to report revenue growth at or above 10%: Hotels, Restaurants, & Leisure (21%) and Broadline Retail (11%).

**Energy: 4 of 5 Sub-Industries Expected To Report Year-Over-Year Decline of More Than 10%**

The Energy sector is expected to report the largest (year-over-year) revenue decline of all eleven sectors at -17.6%. Lower year-over-year oil prices are contributing to the year-over-year decrease in revenues for this sector. Despite the rise in price during September, the average price of oil in Q3 2023 (\$82.22) was still 10% below the average price for oil in Q3 2022 (\$91.43). At the sub-industry level, four of the five sub-industries in the sector are expected to report a (year-over-year) decrease in revenues of more than 10%: Oil & Gas Exploration & Production (-25%), Integrated Oil & Gas (-23%), Oil & Gas Storage & Transportation (-12%), and Oil & Gas Refining & Marketing (-12%). On the other hand, the Oil & Gas Equipment & Services (14%) sub-industry is the only sub-industry predicted to report (year-over-year) revenue growth in the sector.

**Materials: Chemicals Industry Leads Year-Over-Year Decline**

The Materials sector is expected to report the second-highest (year-over-year) decline in revenues at -9.9%. At the industry level, three of the four industries in the sector are predicted to report a (year-over-year) decrease in revenues: Chemicals (-12%), Metals & Mining (-10%), and Containers & Packaging (-6%). On the other hand, the Construction Materials (10%) industry is the only industry expected to report a year-over-year growth in revenues.

**Net Profit Margin: 11.7%**

The estimated net profit margin for the S&P 500 for Q3 2023 is 11.7%, which is above the previous quarter's net profit margin of 11.6% and above the 5-year average of 11.4%, but below the year-ago net profit margin of 11.9%.

At the sector level, six sectors are expected to report a year-over-year increase in their net profit margins in Q3 2023 compared to Q3 2022, led by the Communication Services (12.2% vs. 9.8%) sector. On the other hand, five sectors are expected to report a year-over-year decrease in their net profit margins in Q3 2023 compared to Q3 2022, led by the Energy (10.9% vs. 14.4%) sector.

Seven sectors are expected to report net profit margins in Q3 2023 that are above their 5-year averages, led by the Energy (10.9% vs. 8.4%) sector. On the other hand, four sectors are expected to report net profit margins in Q3 2023 that are below their 5-year averages, led by the Health Care (8.9% vs. 10.3%) sector.

## Forward Estimates and Valuation

### Earnings: S&P 500 Expected to Report Earnings Growth of 1% for CY 2023

For the third quarter, S&P 500 companies are expected to report year-over-year earnings decline of -0.3% and a year-over-year revenue growth of 1.7%.

For Q4 2023, analysts are projecting earnings growth of 7.8% and revenue growth of 3.9%.

For CY 2023, analysts are projecting earnings growth of 0.9% and revenue growth of 2.4%.

For Q1 2024, analysts are projecting earnings growth of 8.2% and revenue growth of 4.6%.

For Q2 2024, analysts are projecting earnings growth of 11.8% and revenue growth of 5.5%.

For CY 2024, analysts are projecting earnings growth of 12.2% and revenue growth of 5.5%.

### Valuation: Forward P/E Ratio is 17.7, Above the 10-Year Average (17.5)

The forward 12-month P/E ratio for the S&P 500 is 17.7. This P/E ratio is below the 5-year average of 18.7 but above the 10-year average of 17.5. It is also below 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 decreased by 4.3%, while the forward 12-month EPS estimate has increased by 3.4%. At the sector level, the Information Technology (24.4) and Consumer Discretionary (23.3) sectors have the highest forward 12-month P/E ratios, while the Energy (11.0) and Financials (12.9) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 21.3, which is below the 5-year average of 22.6 but above the 10-year average of 20.9.

### Targets & Ratings: Analysts Project 21% Increase in Price Over Next 12 Months

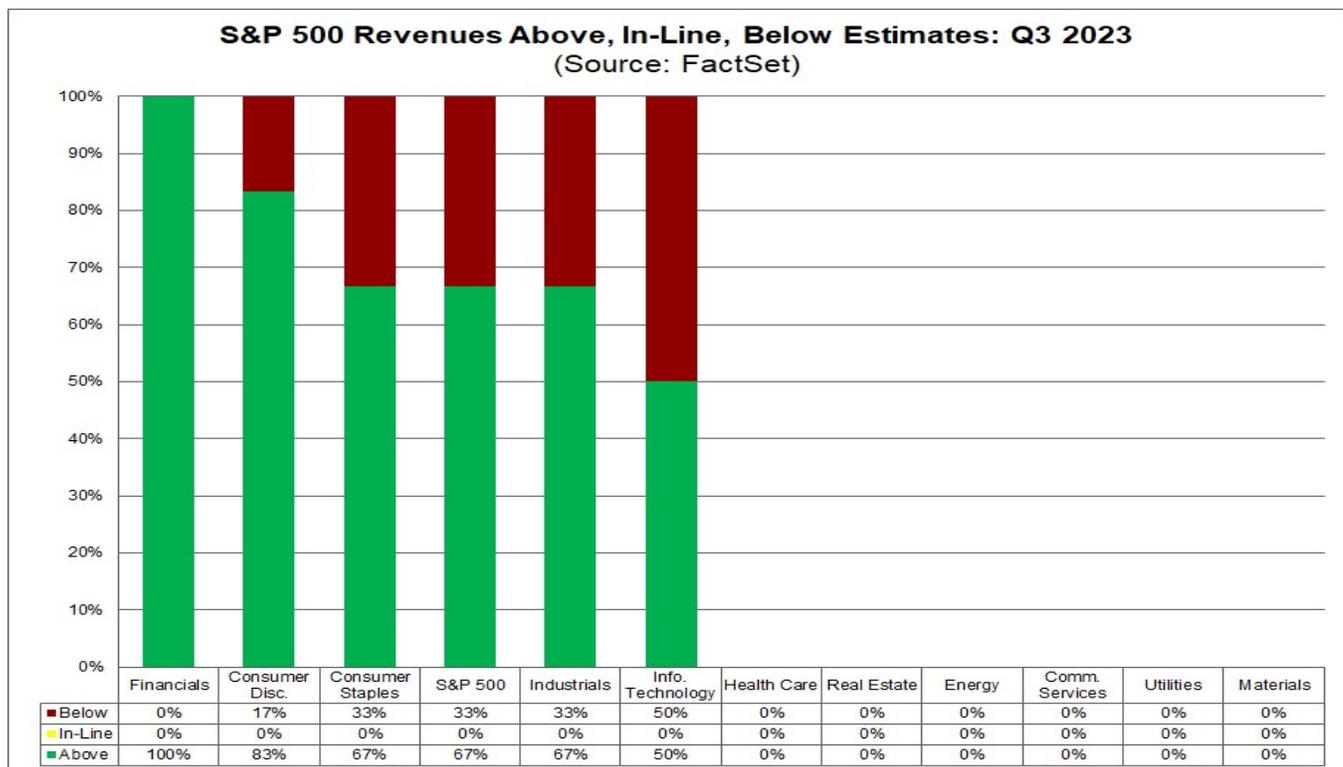
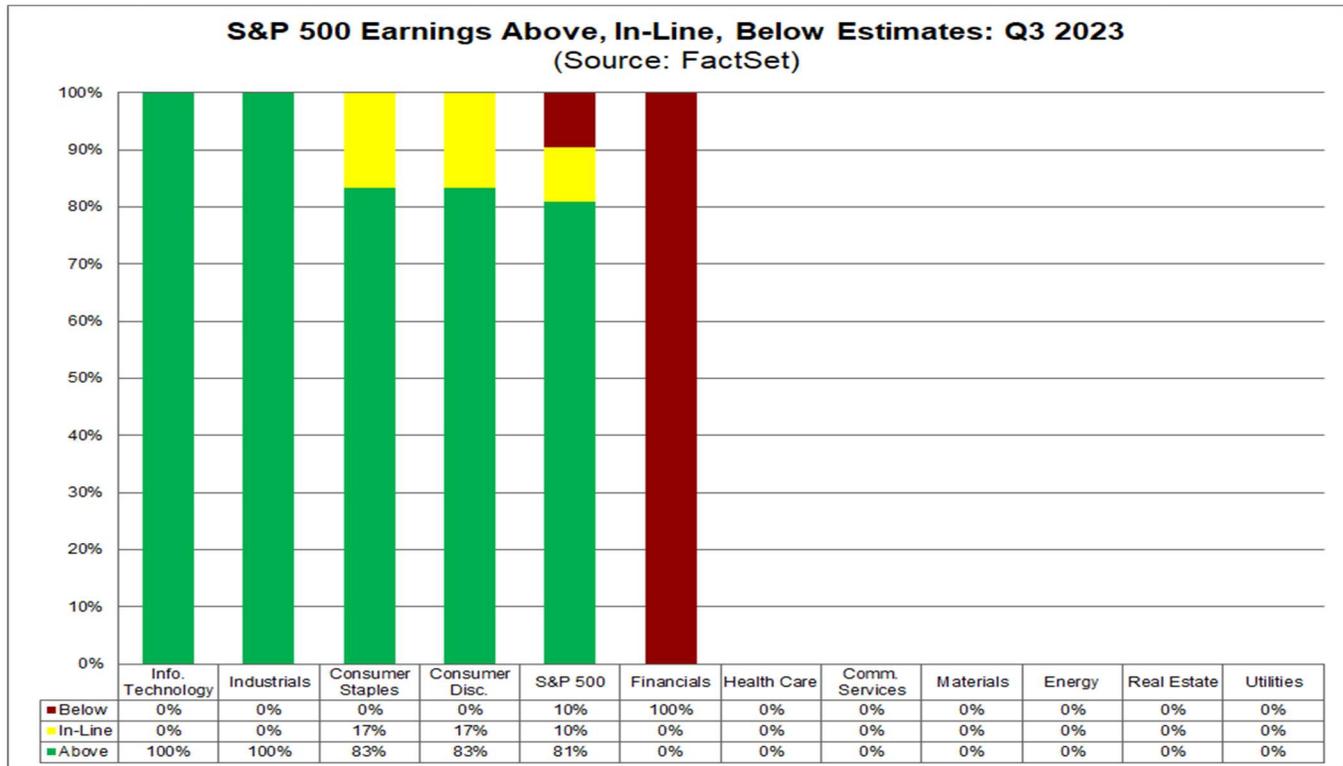
The bottom-up target price for the S&P 500 is 5136.01, which is 20.6% above the closing price of 4258.19. At the sector level, the Real Estate (+26.7%), Consumer Discretionary (+24.9%), and Utilities (24.8%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Energy (+16.3%) 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 11,111 ratings on stocks in the S&P 500. Of these 11,111 ratings, 54.7% are Buy ratings, 39.8% are Hold ratings, and 5.5% are Sell ratings. At the sector level, the Energy (64%) sector has the highest percentage of Buy ratings, while the Consumer Staples (45%) sector has the lowest percentage of Buy ratings.

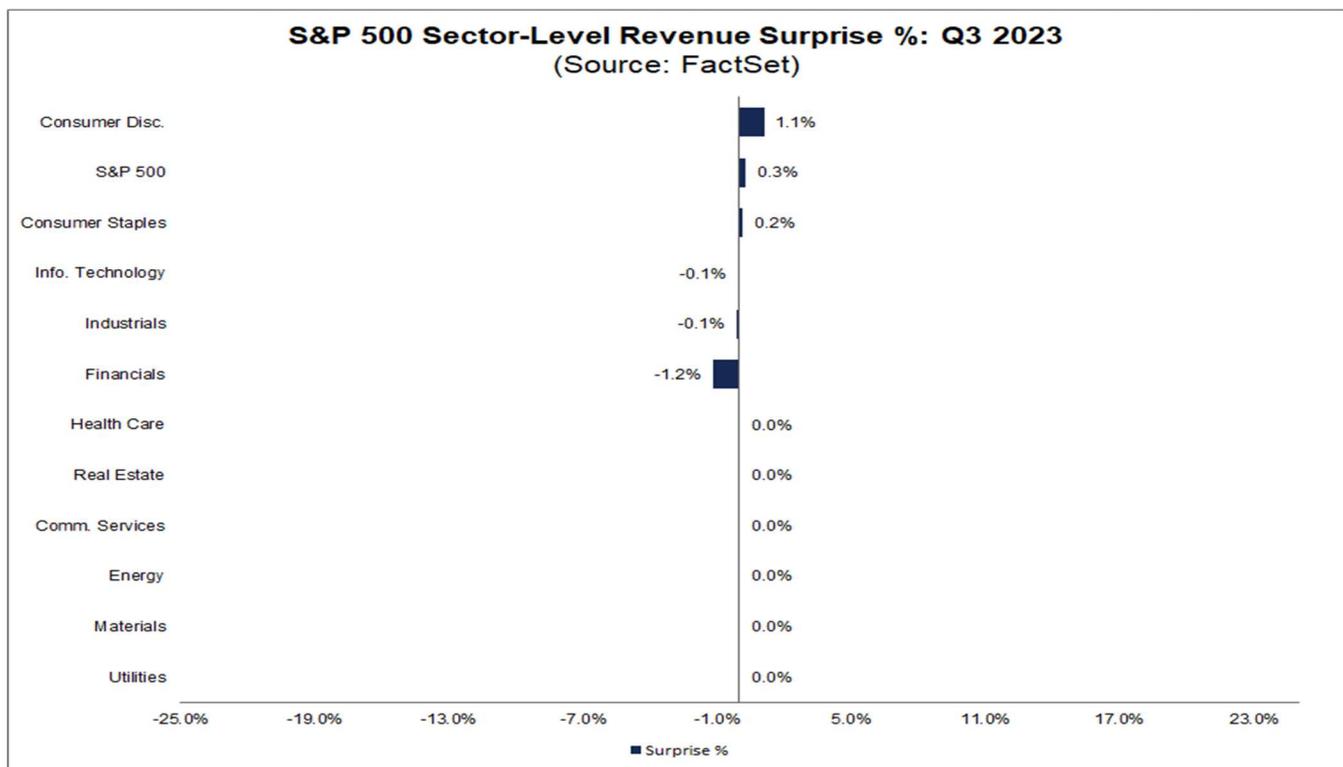
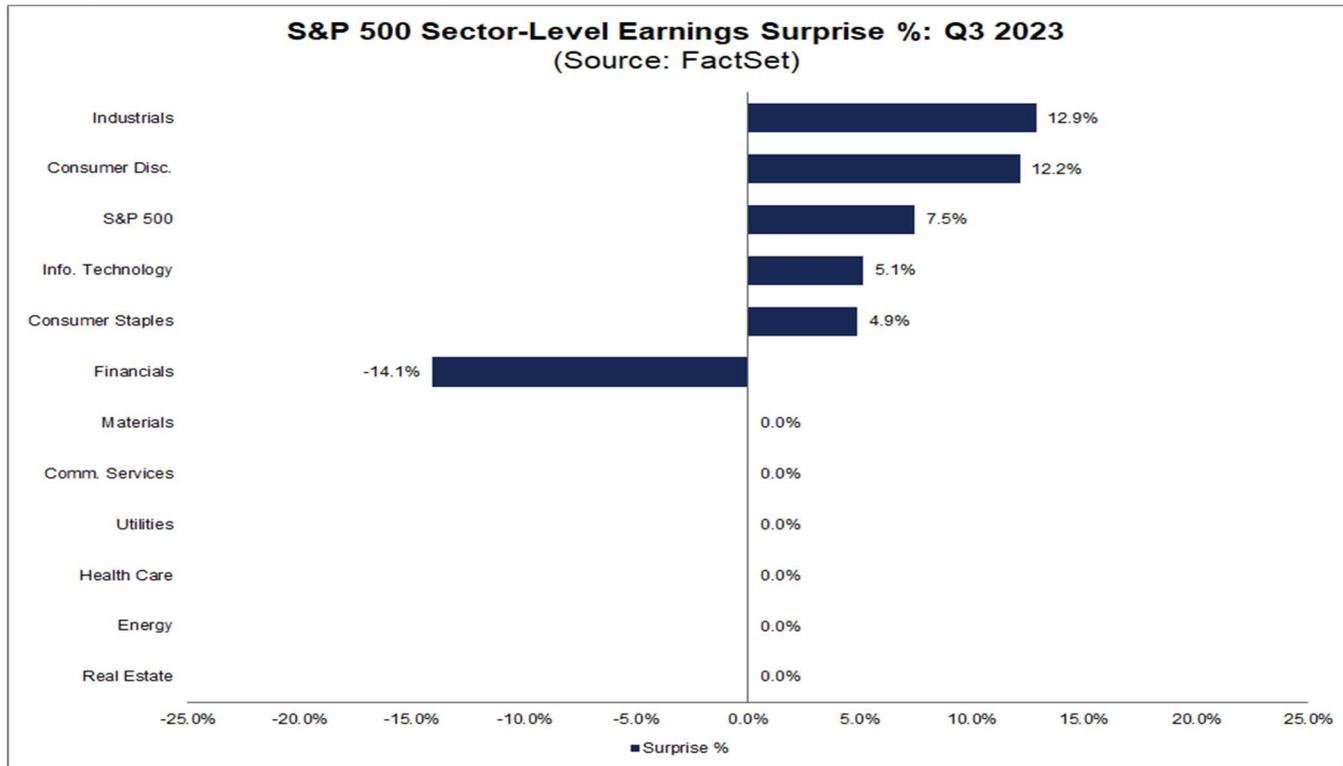
### Companies Reporting Next Week: 12

During the upcoming week, 12 S&P 500 companies (including 3 Dow 30 components) are scheduled to report results for the third quarter.

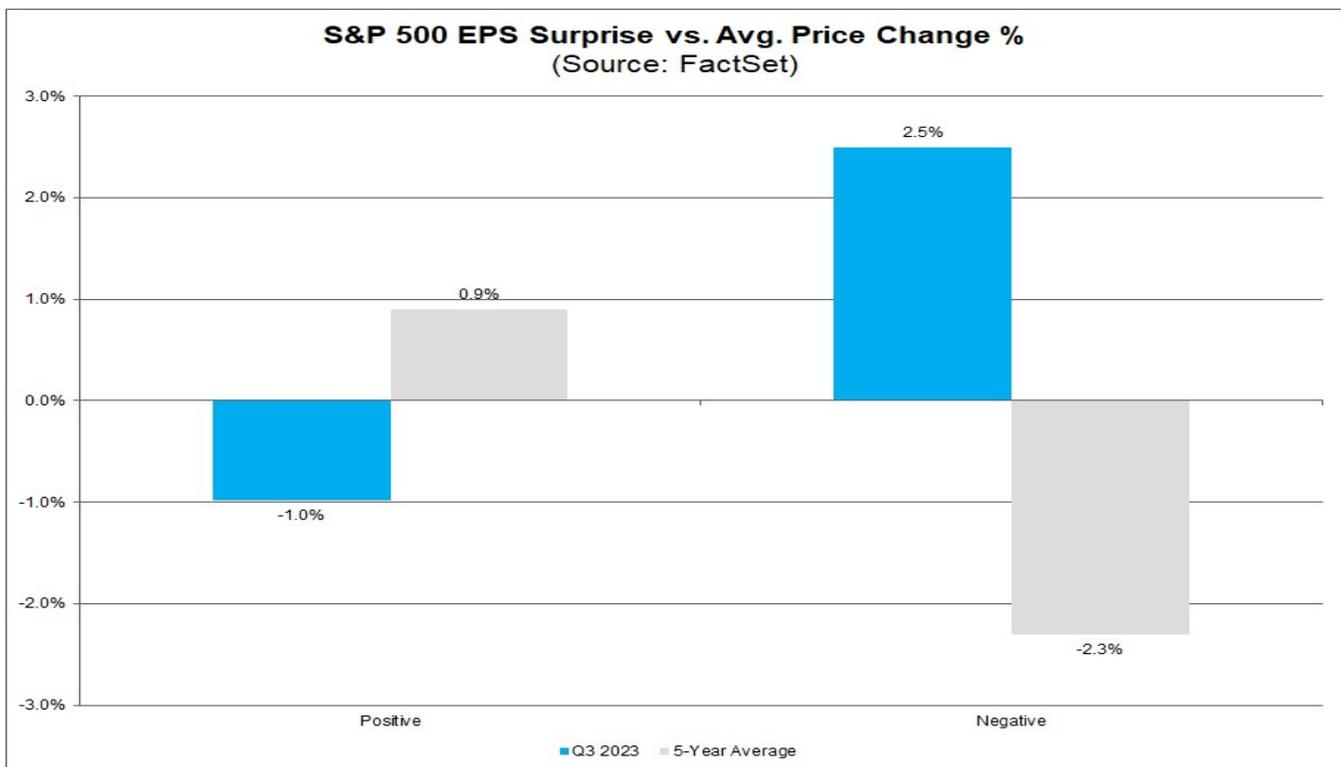
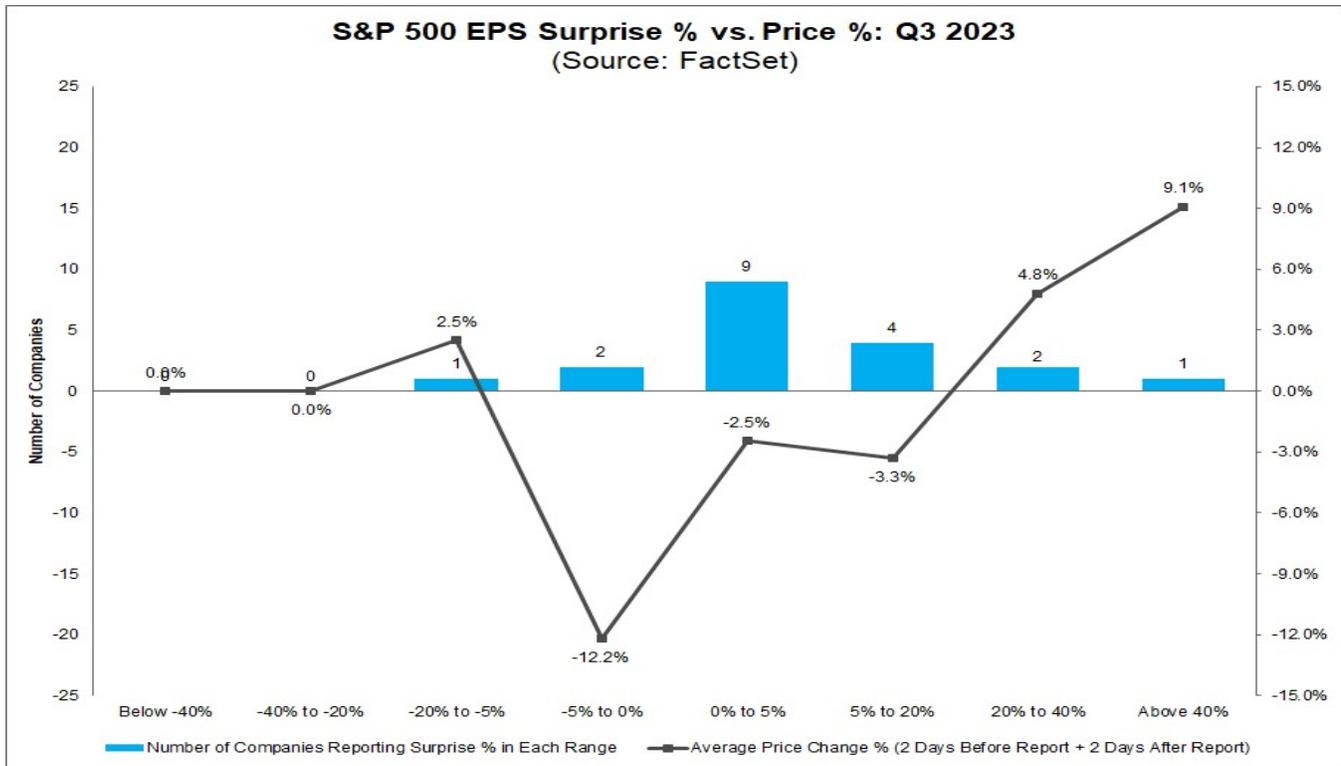
Q3 2023: Scorecard



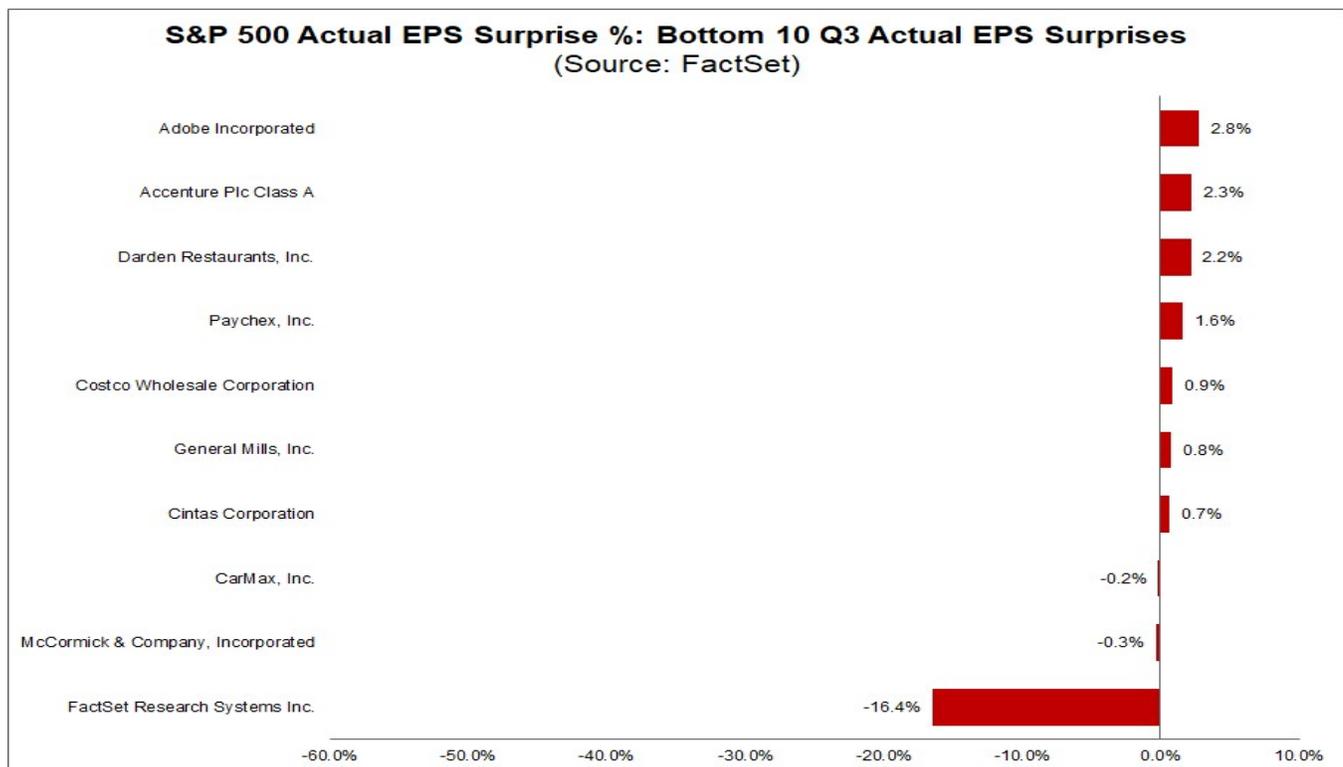
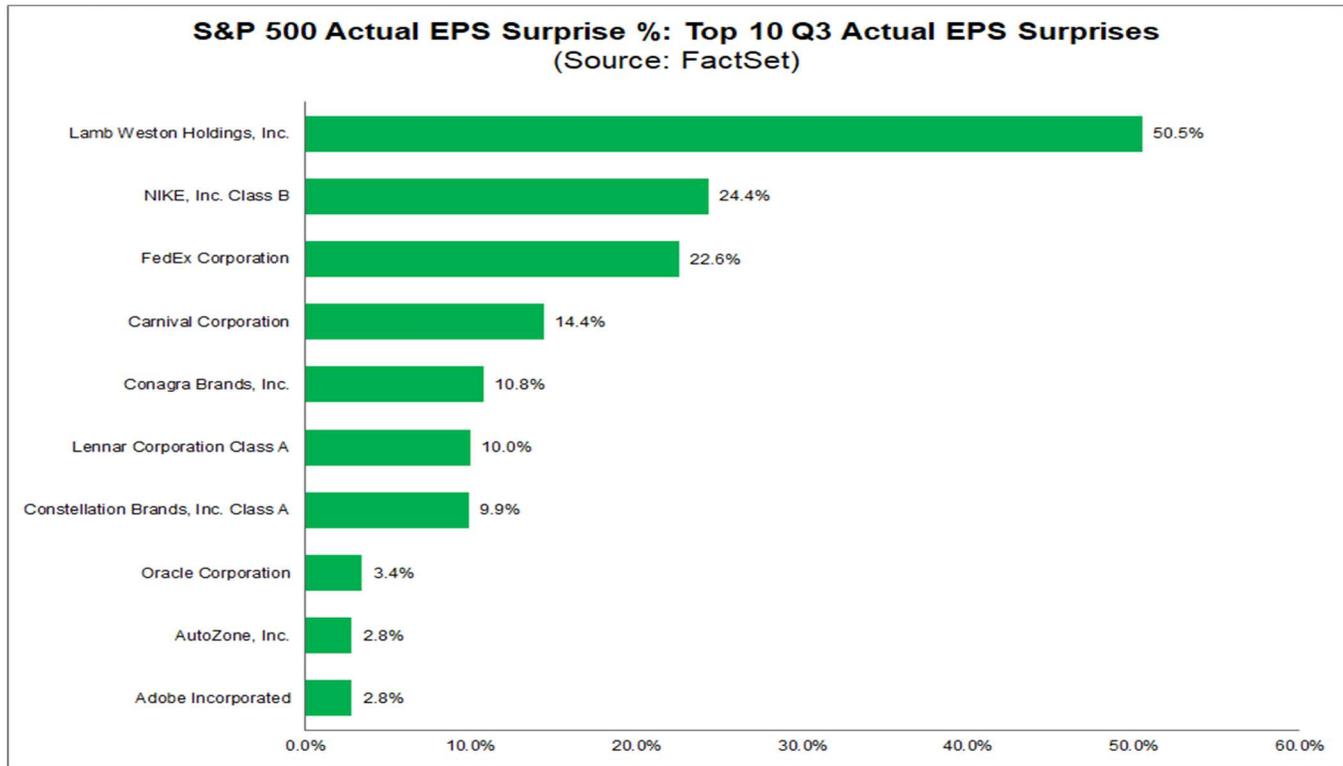
Q3 2023: Scorecard



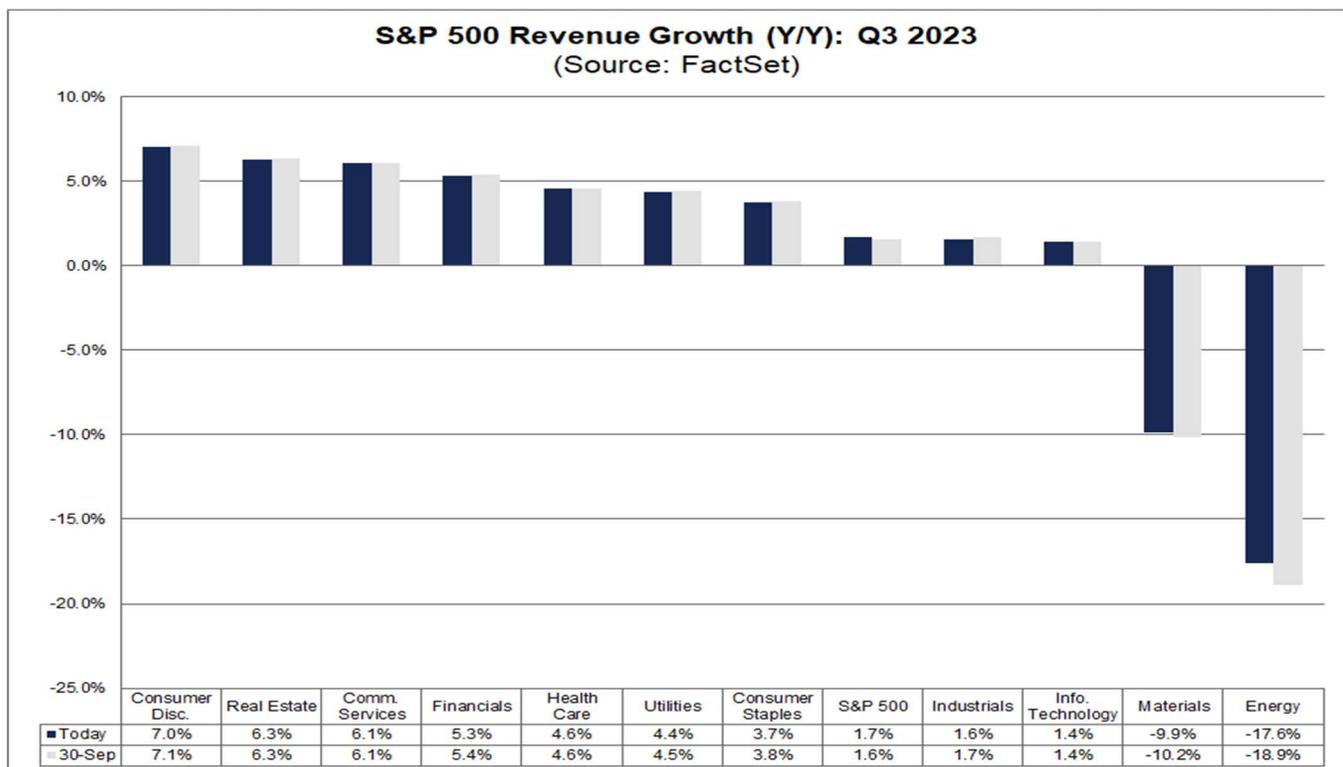
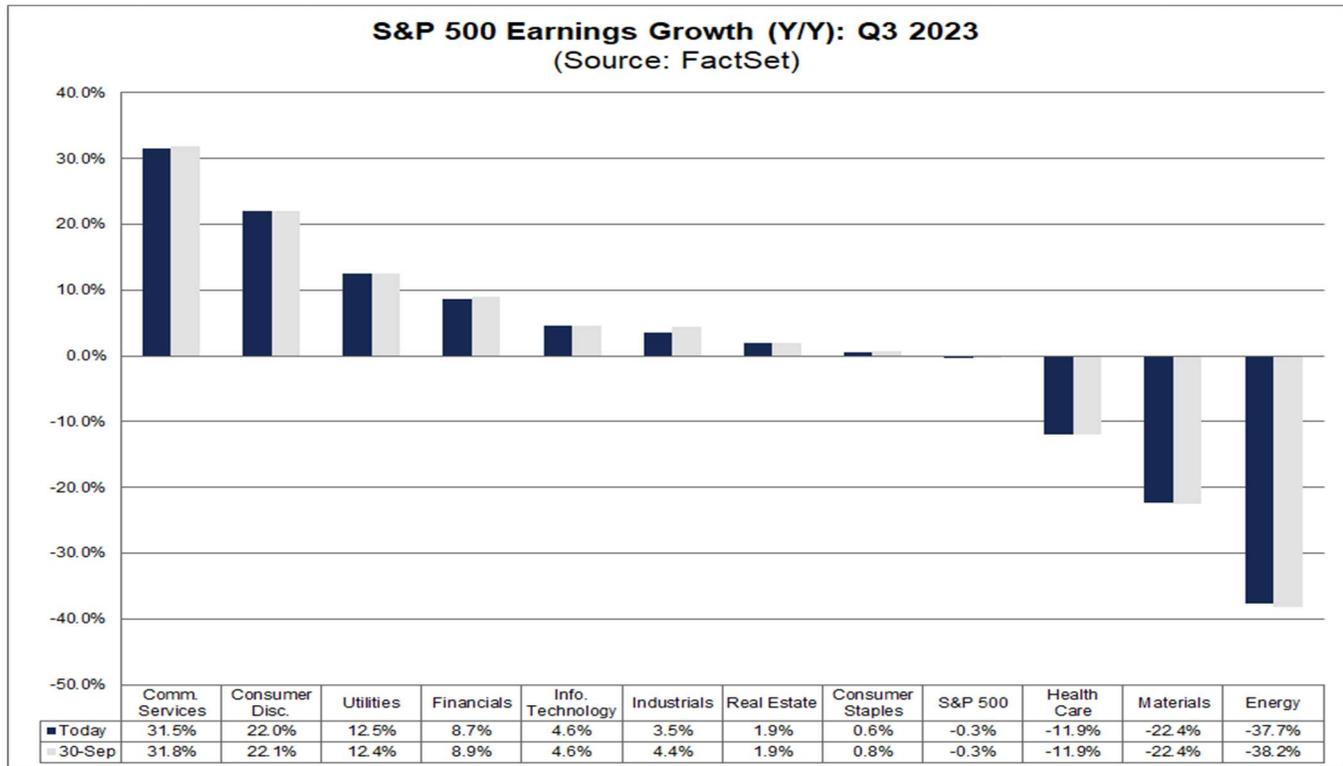
Q3 2023: Scorecard



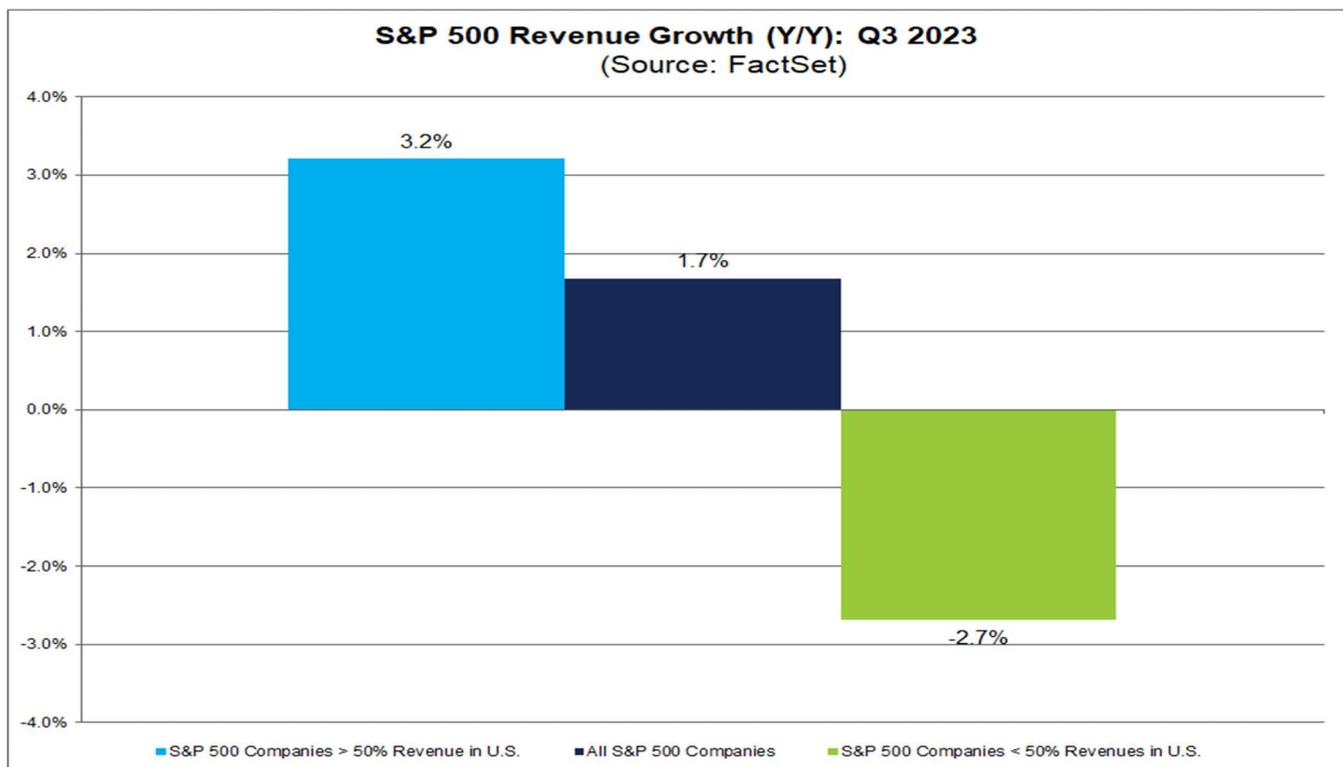
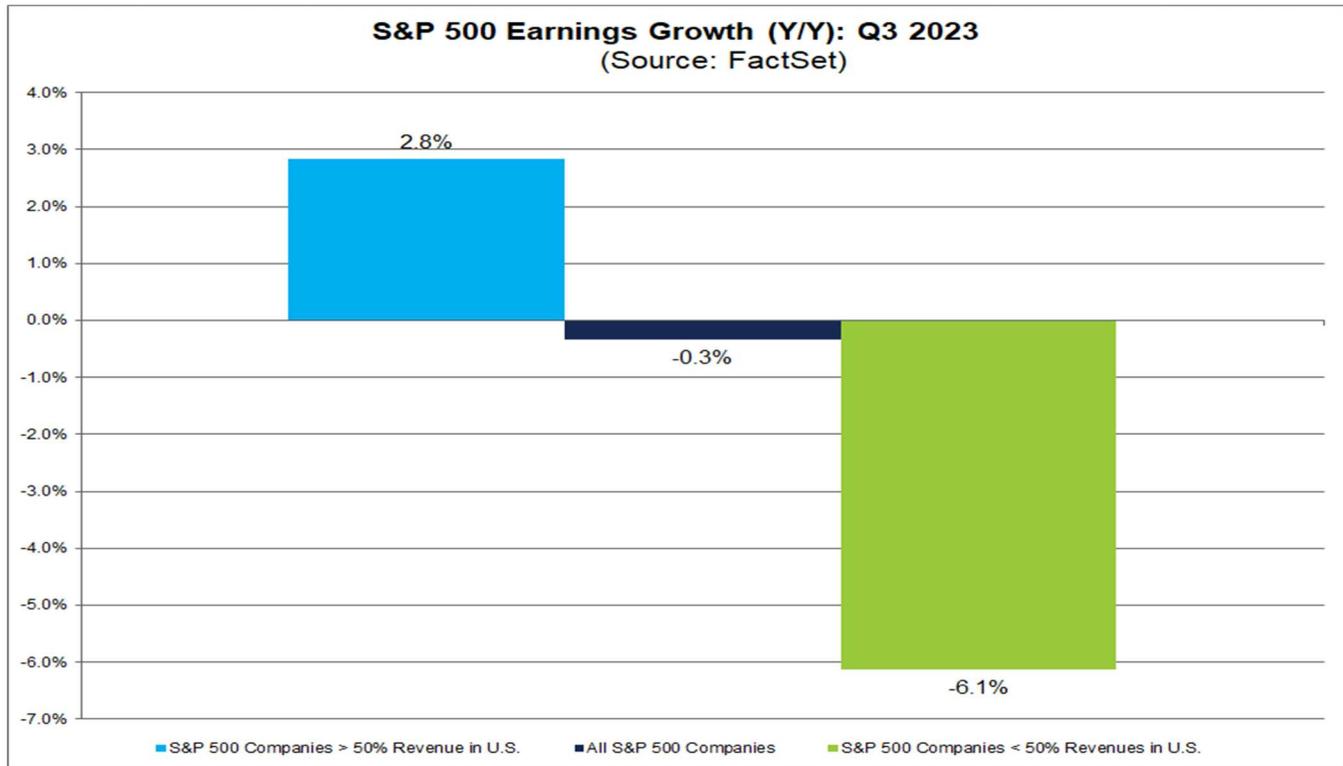
Q3 2023: Scorecard



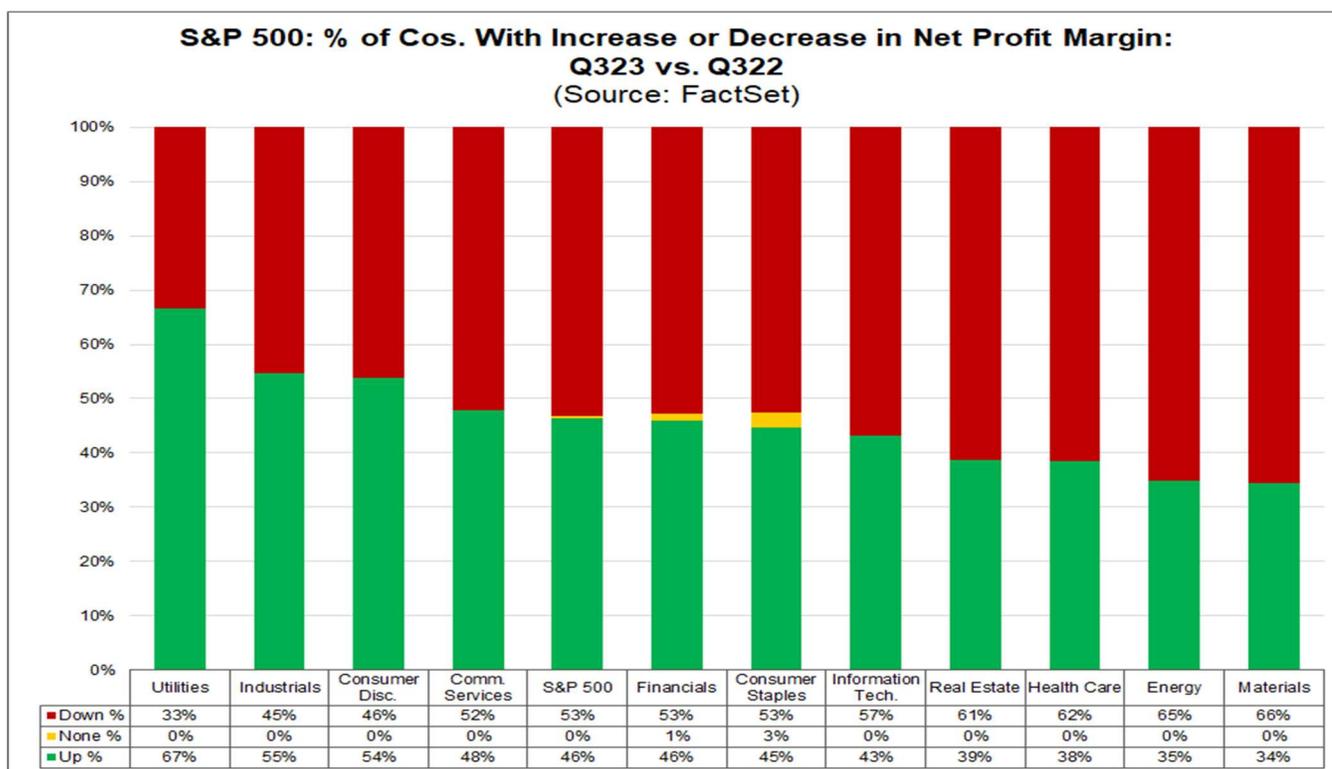
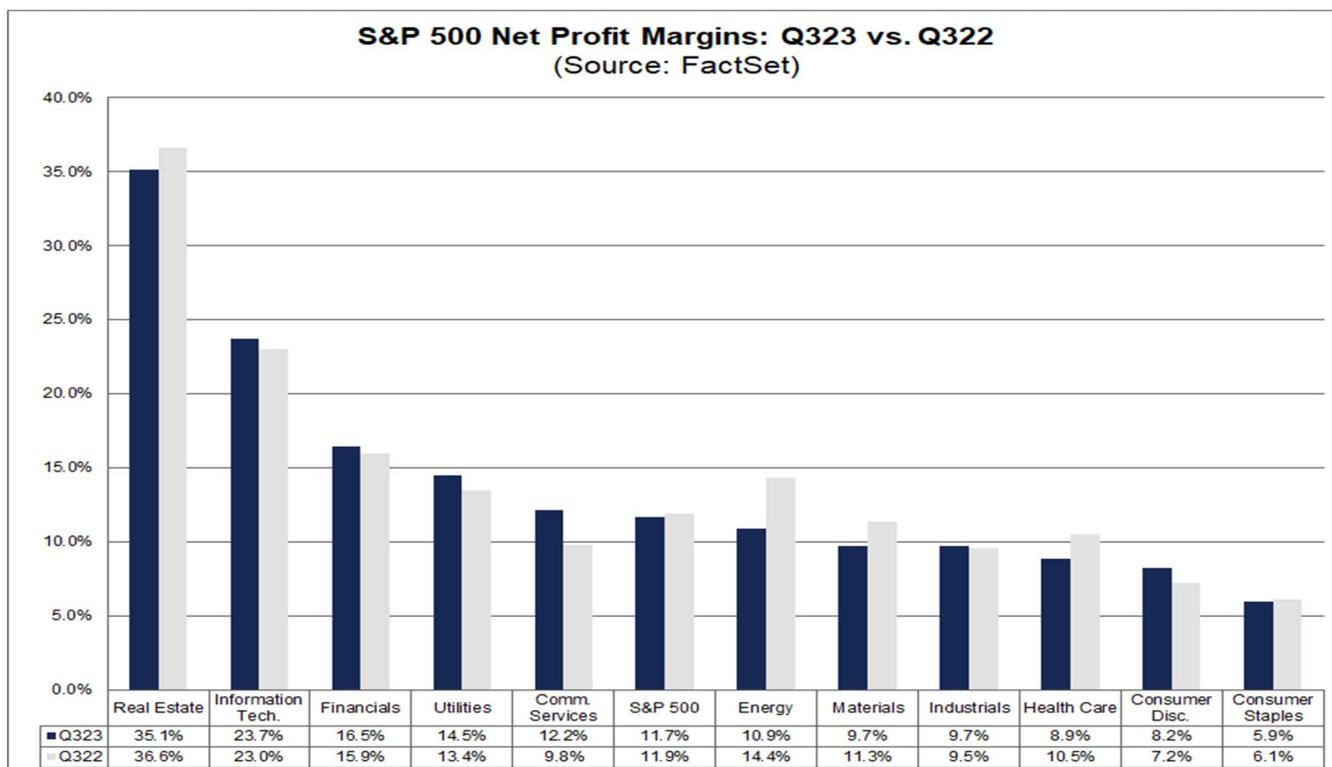
Q3 2023: Growth



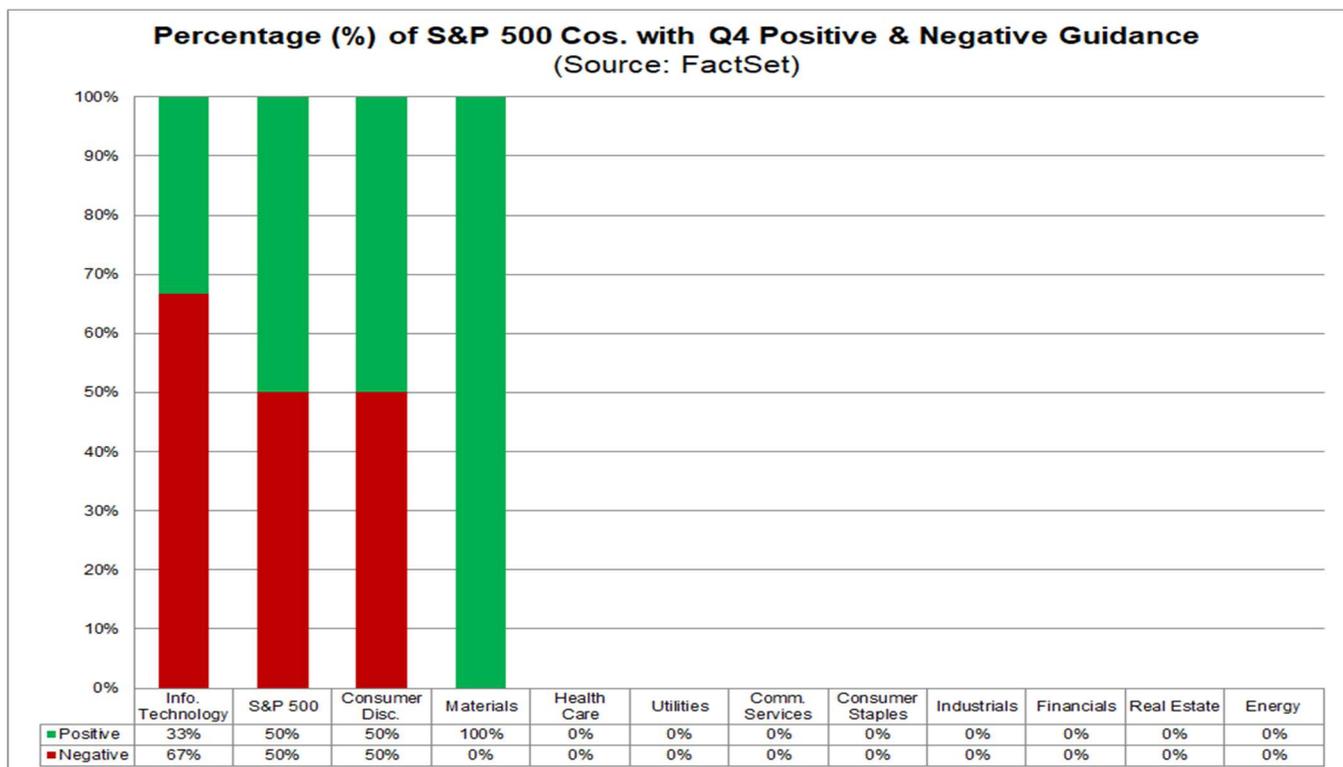
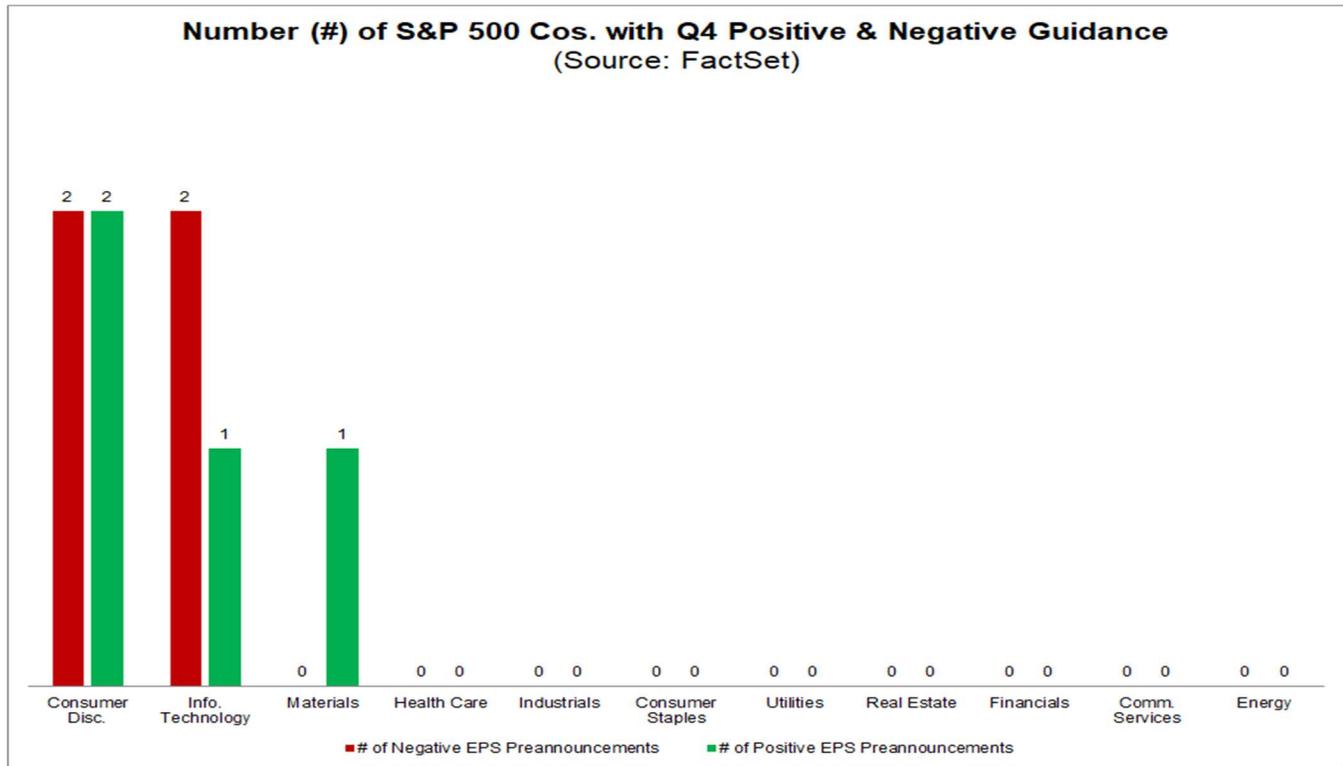
Q3 2023: Growth



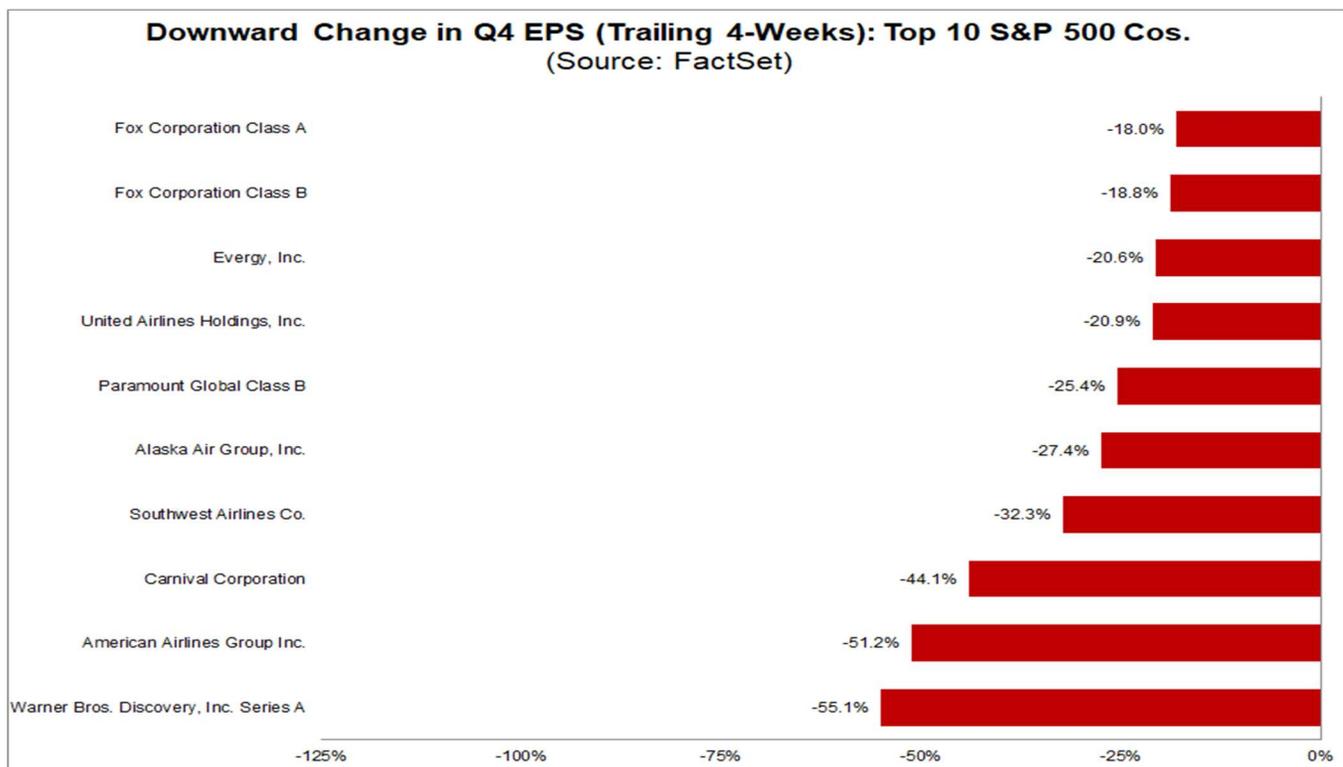
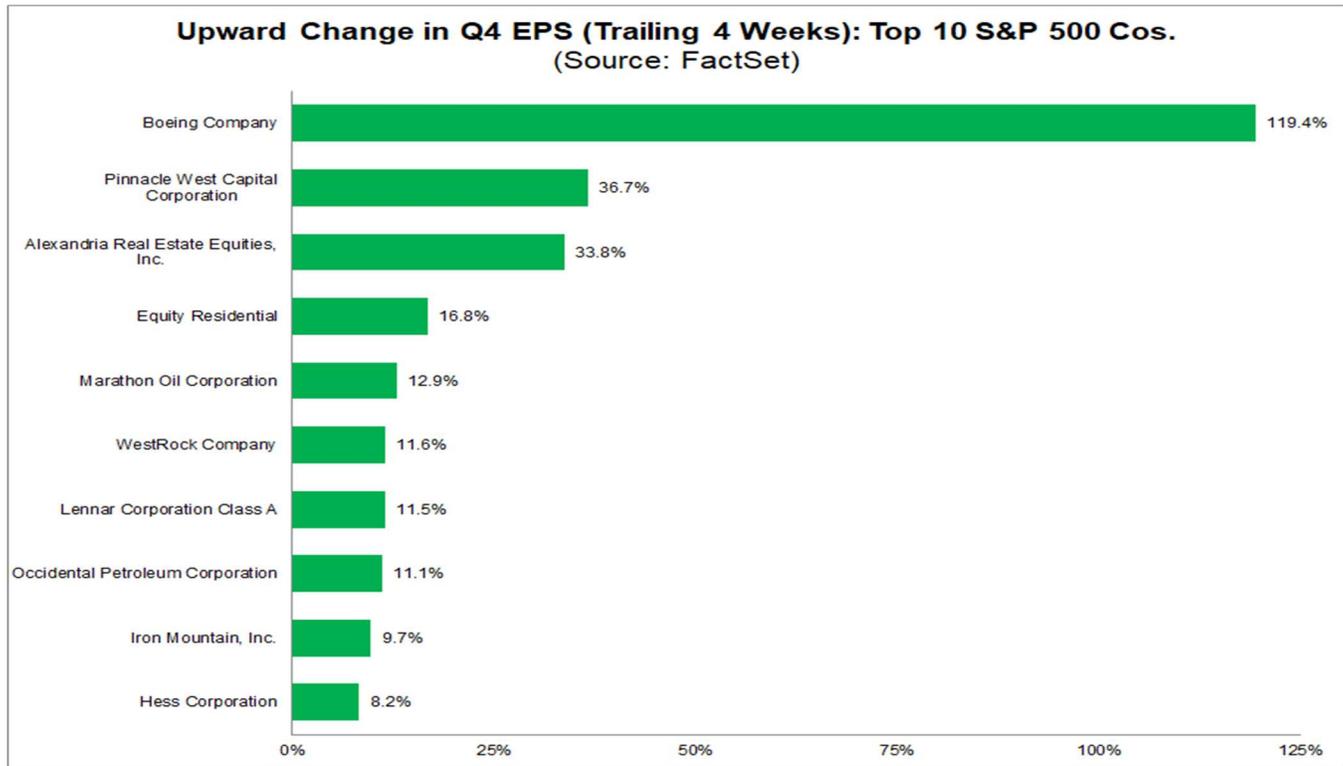
Q3 2023: Net Profit Margin



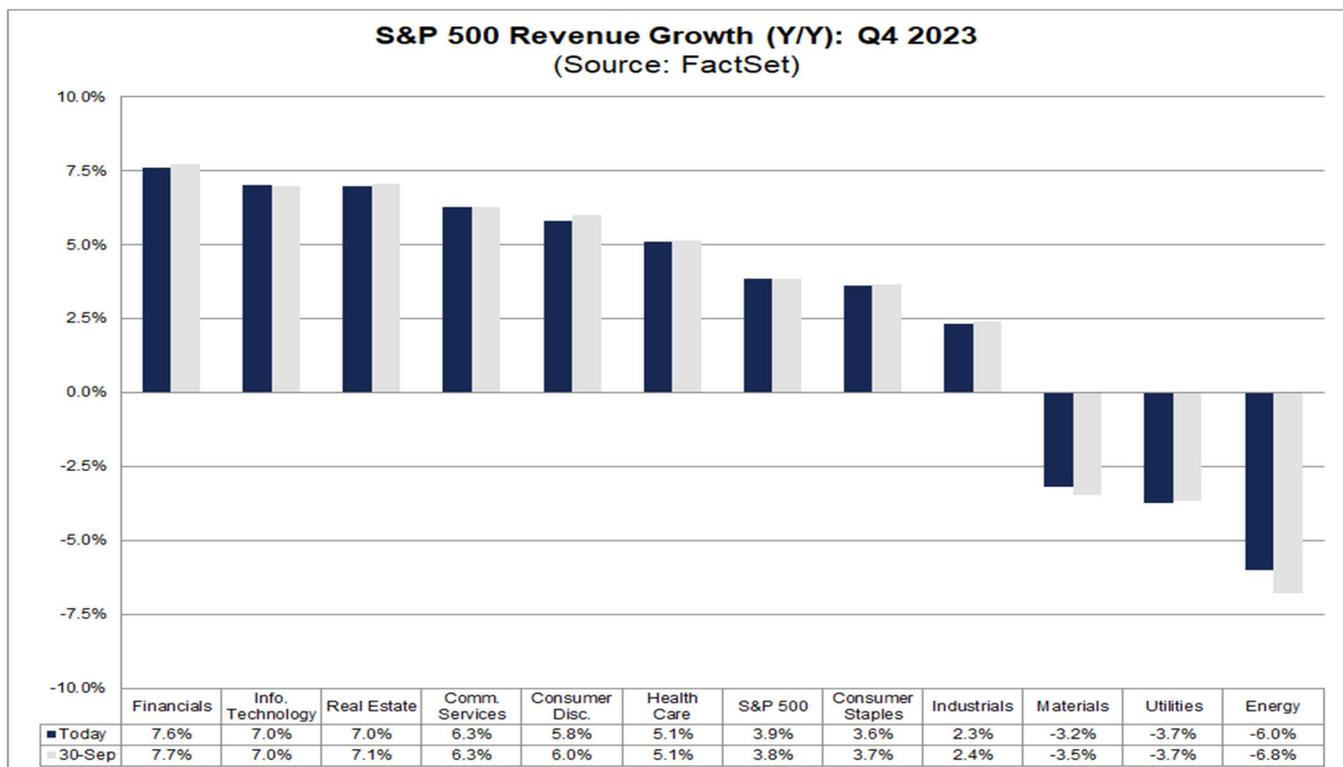
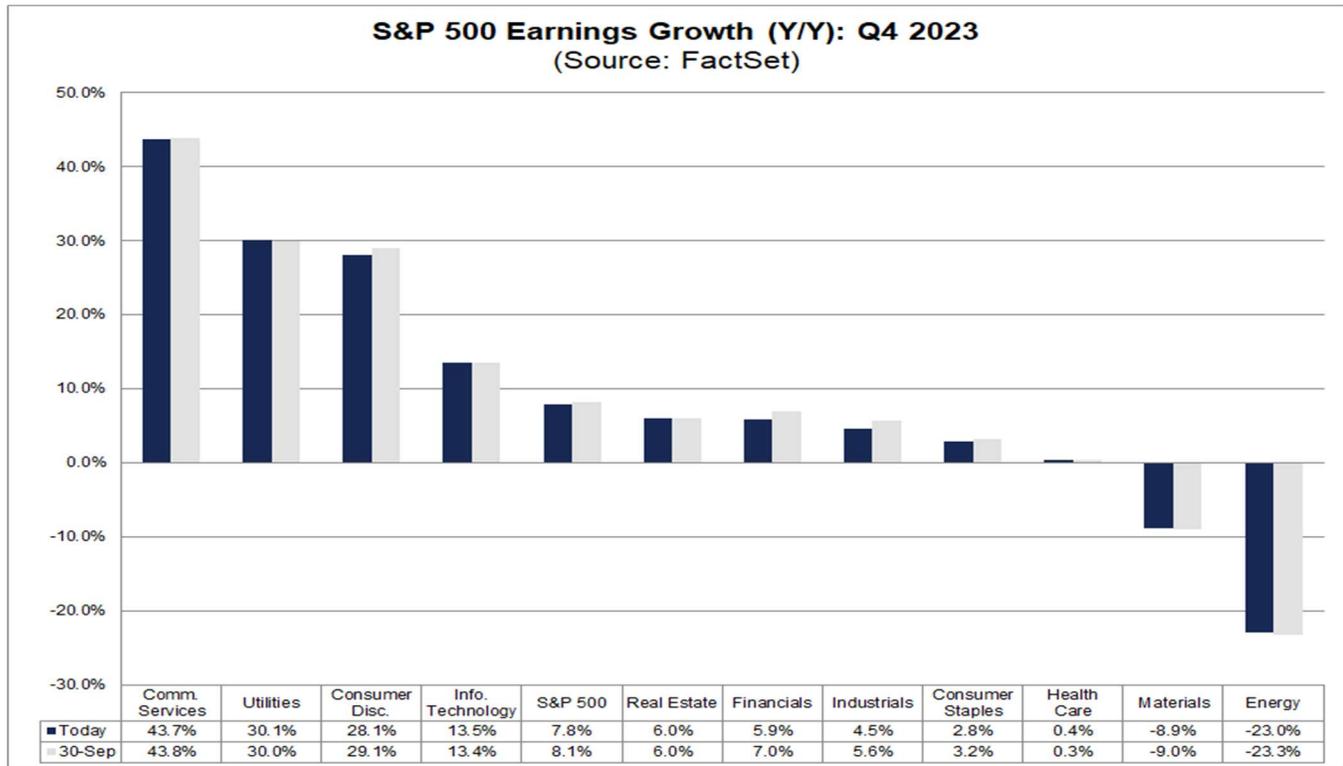
Q4 2023: Guidance



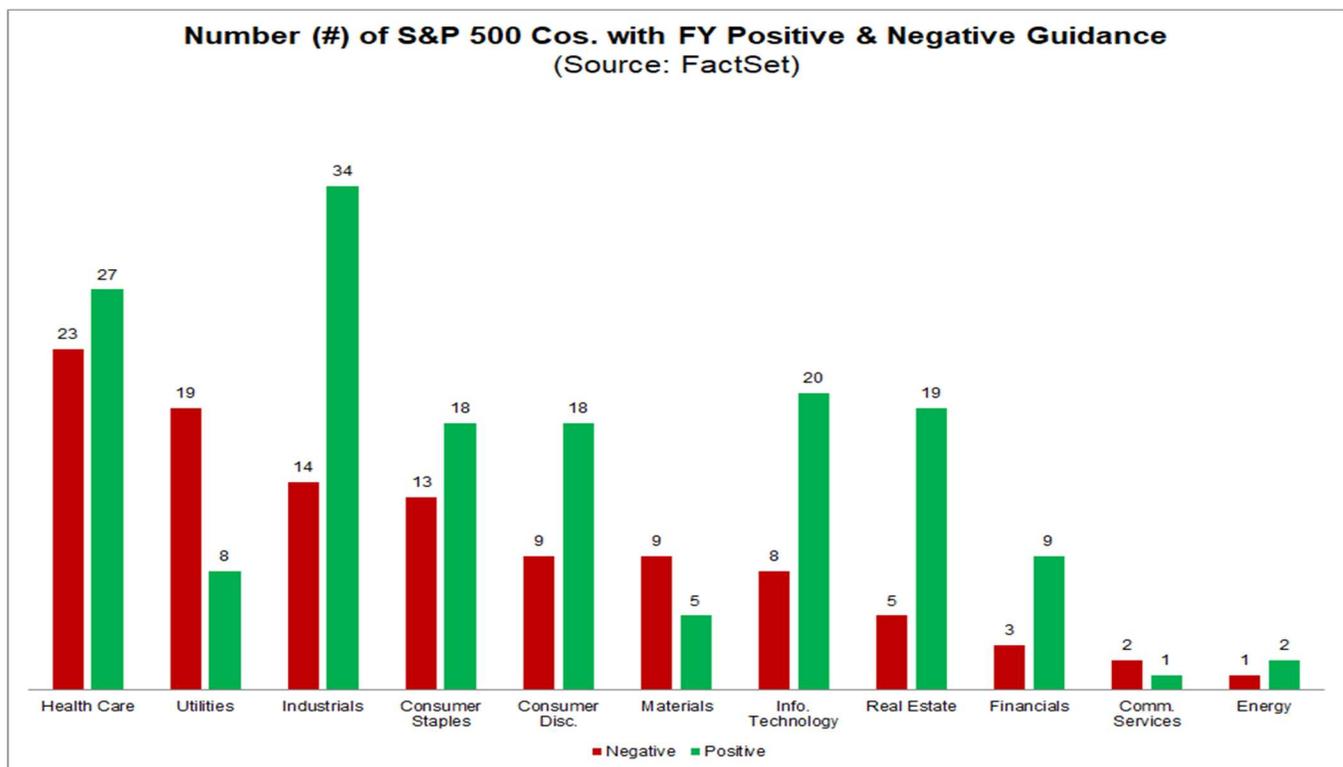
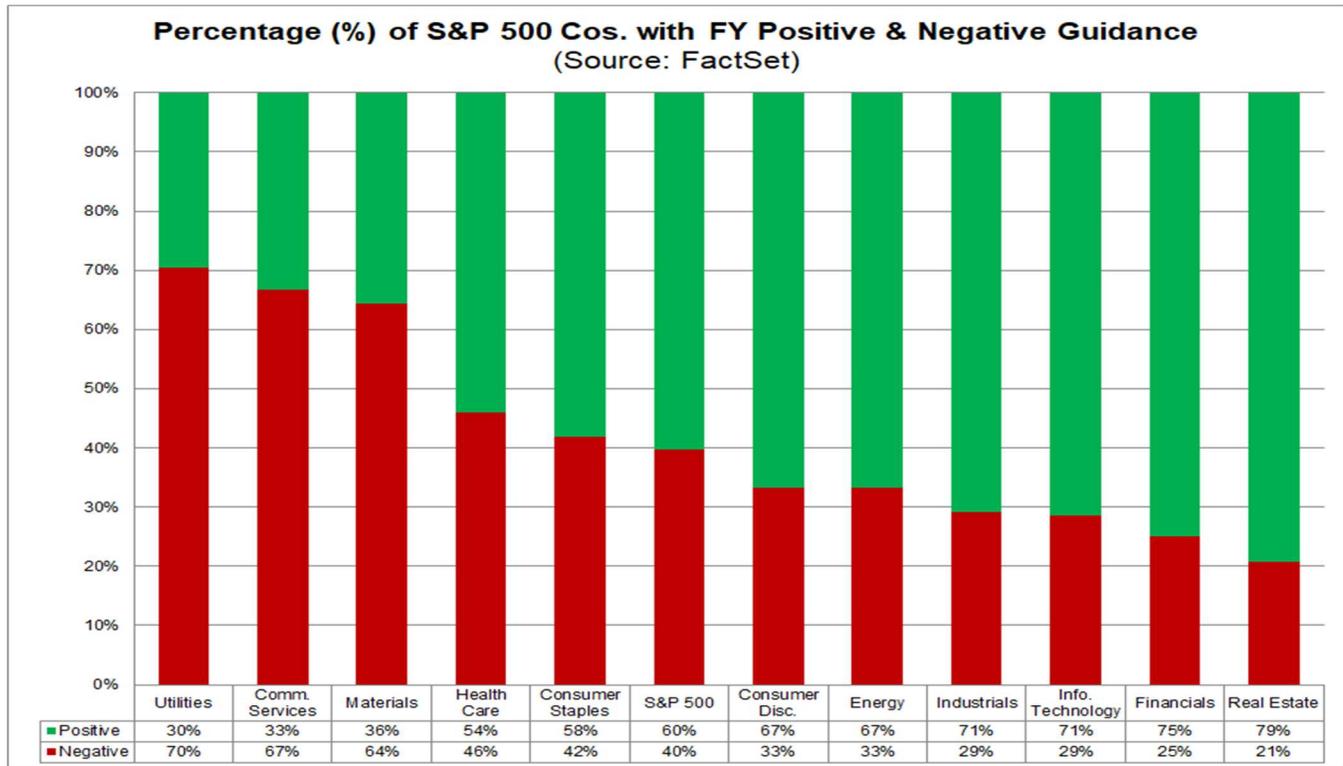
Q4 2023: EPS Revisions



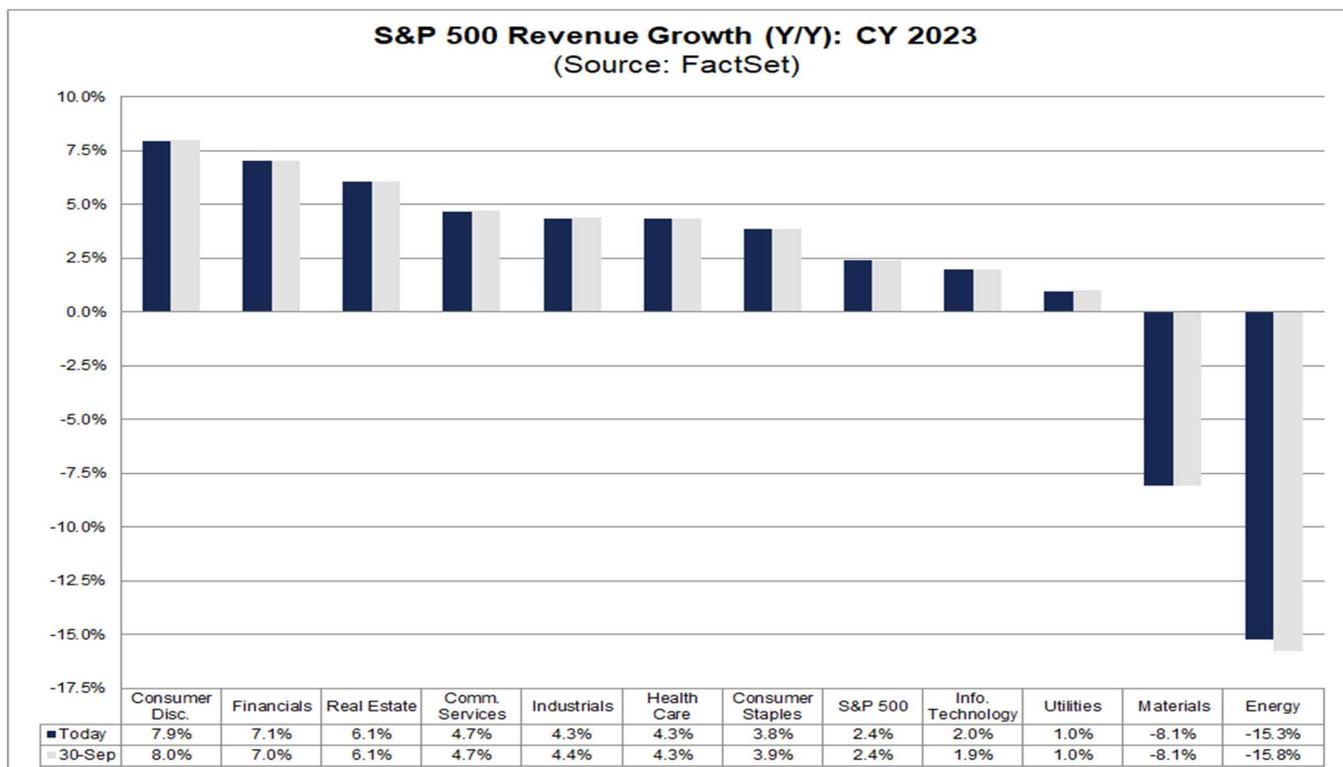
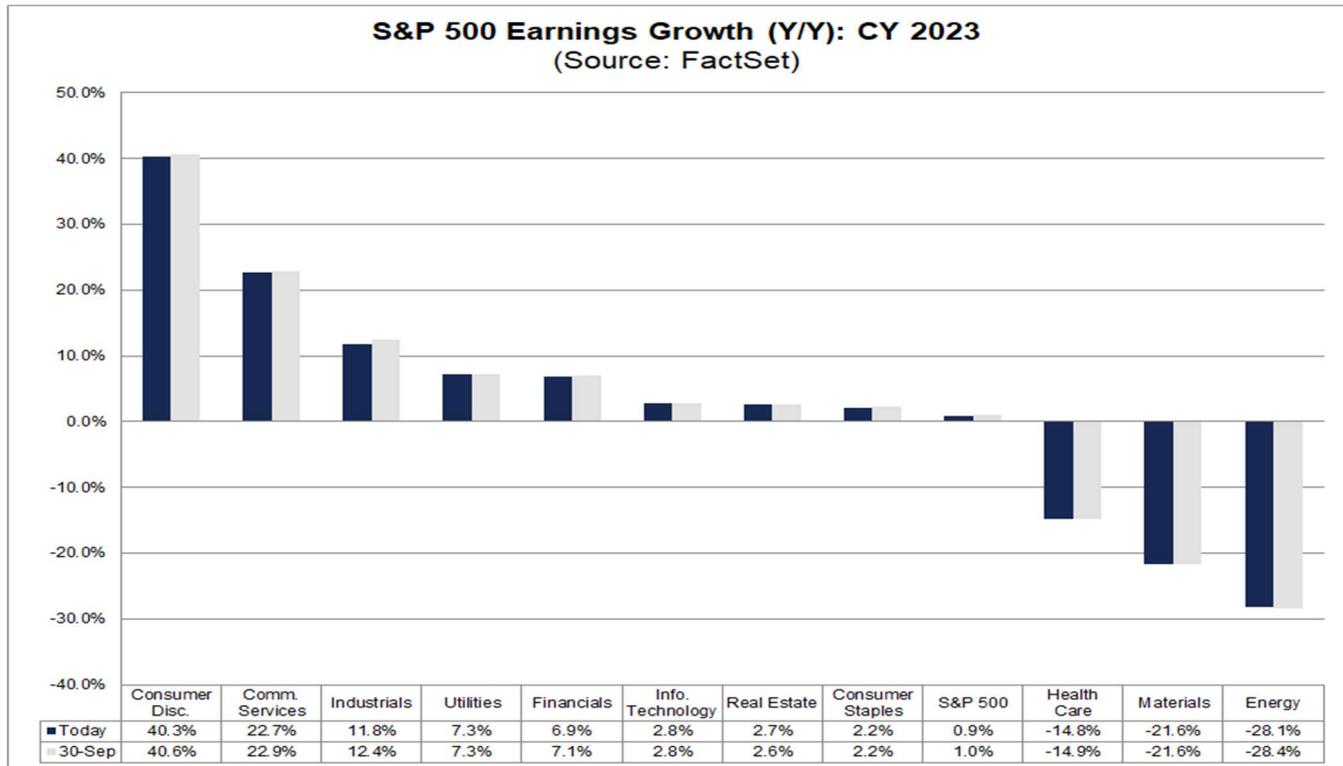
Q4 2023: Growth



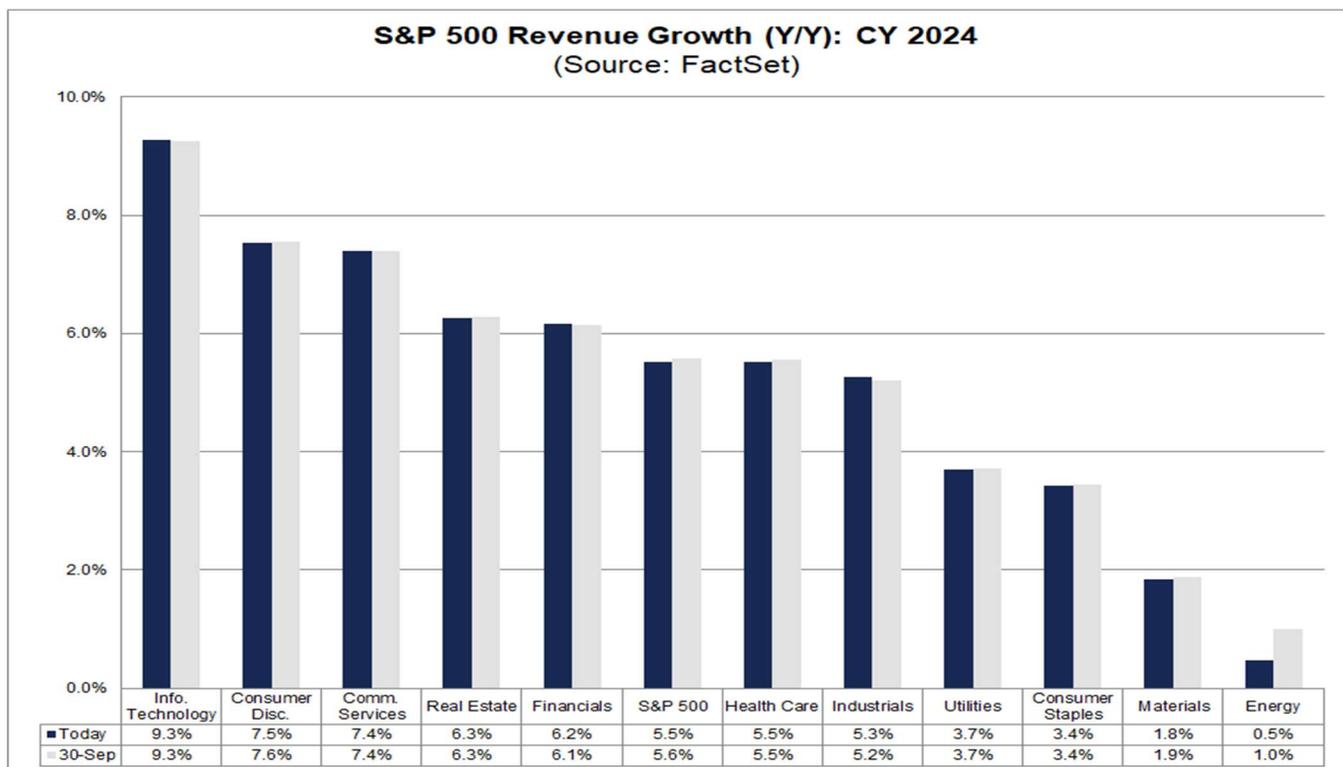
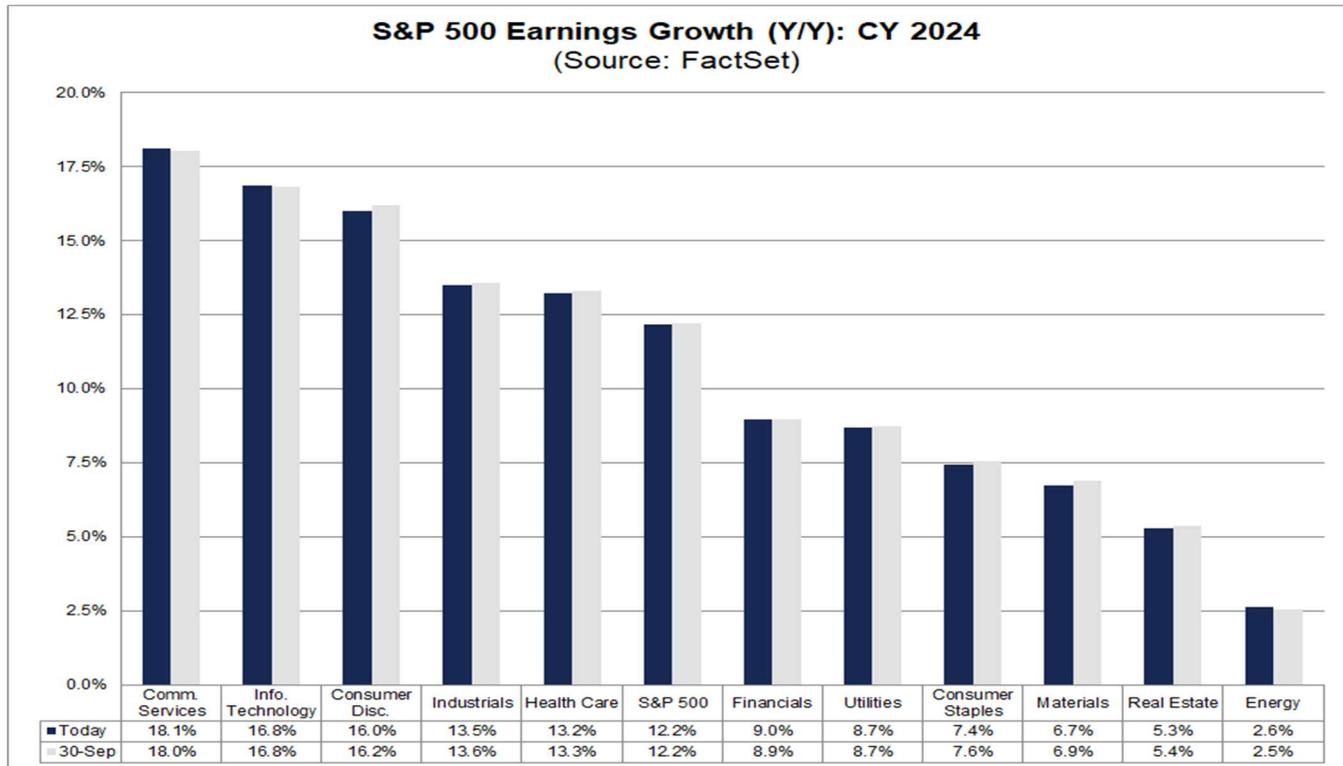
FY 2023 / 2024: EPS Guidance



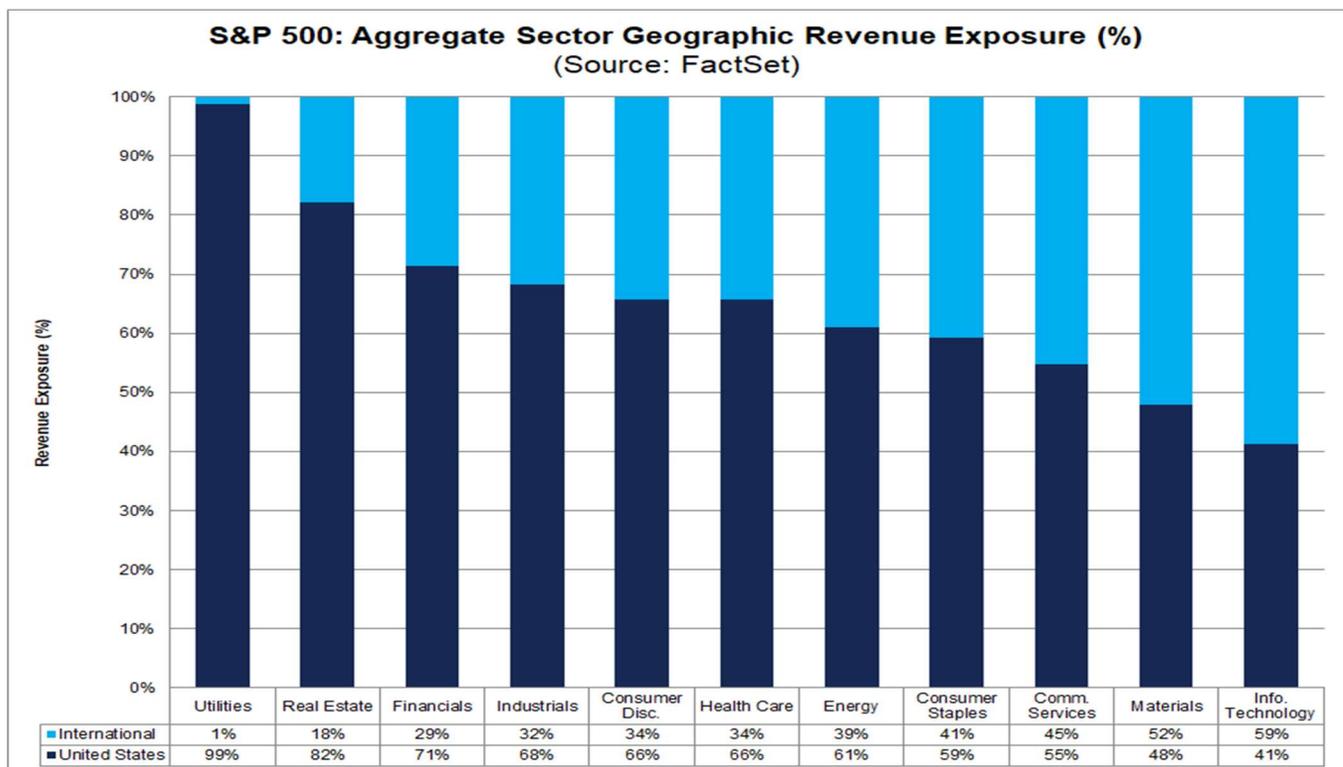
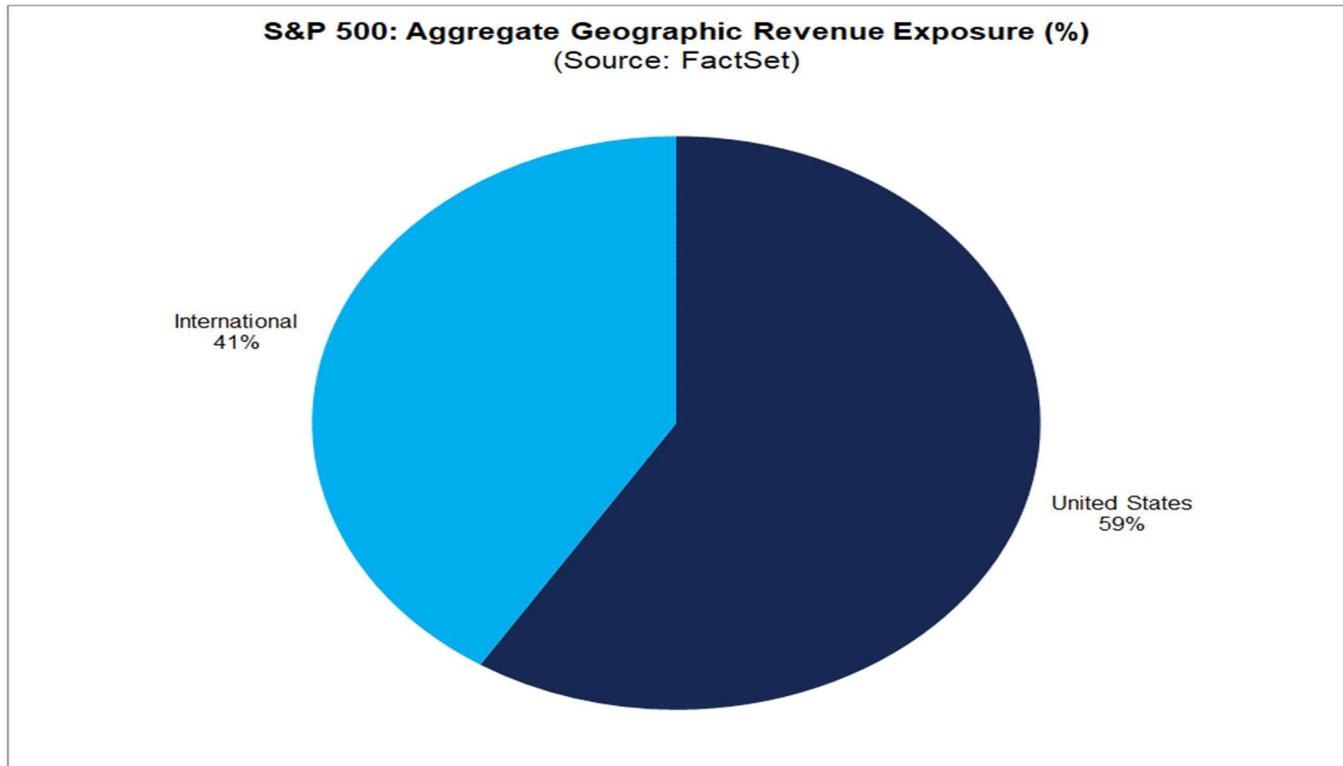
CY 2023: Growth



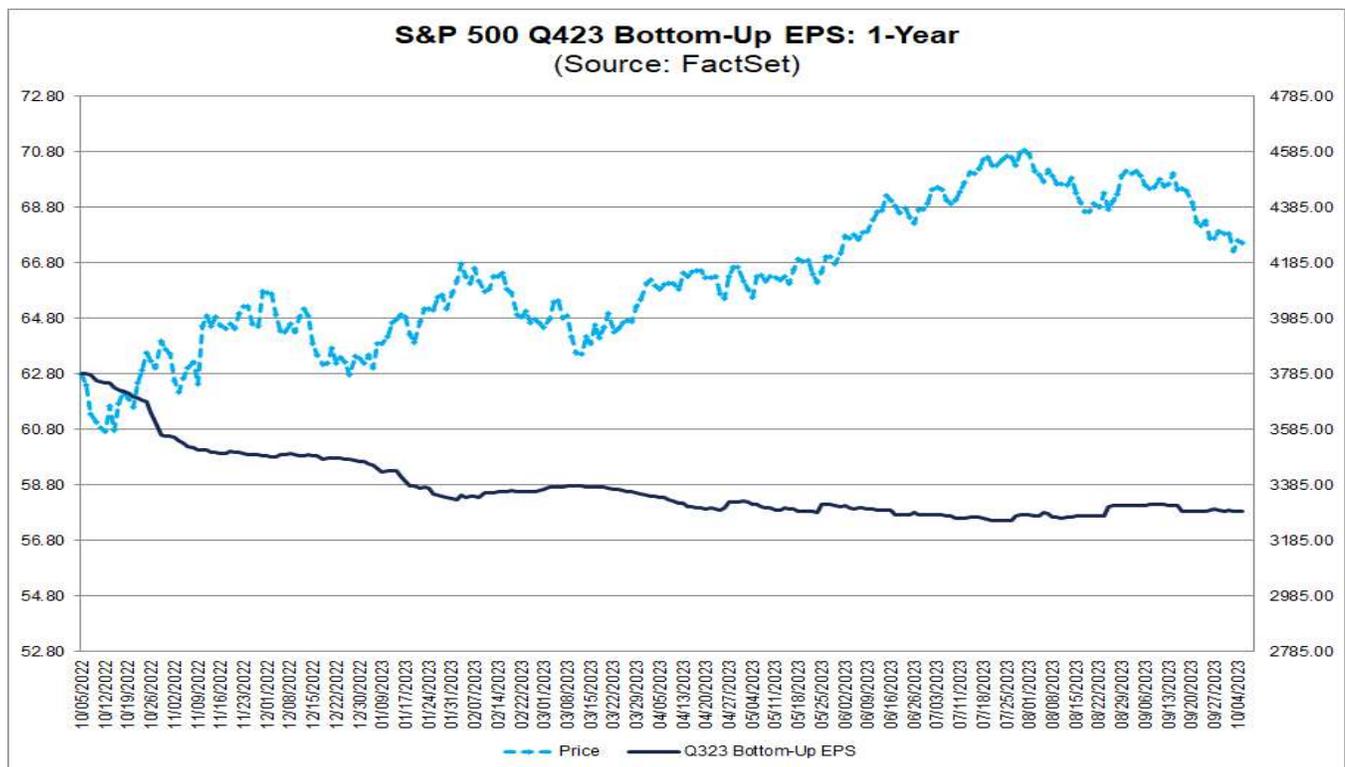
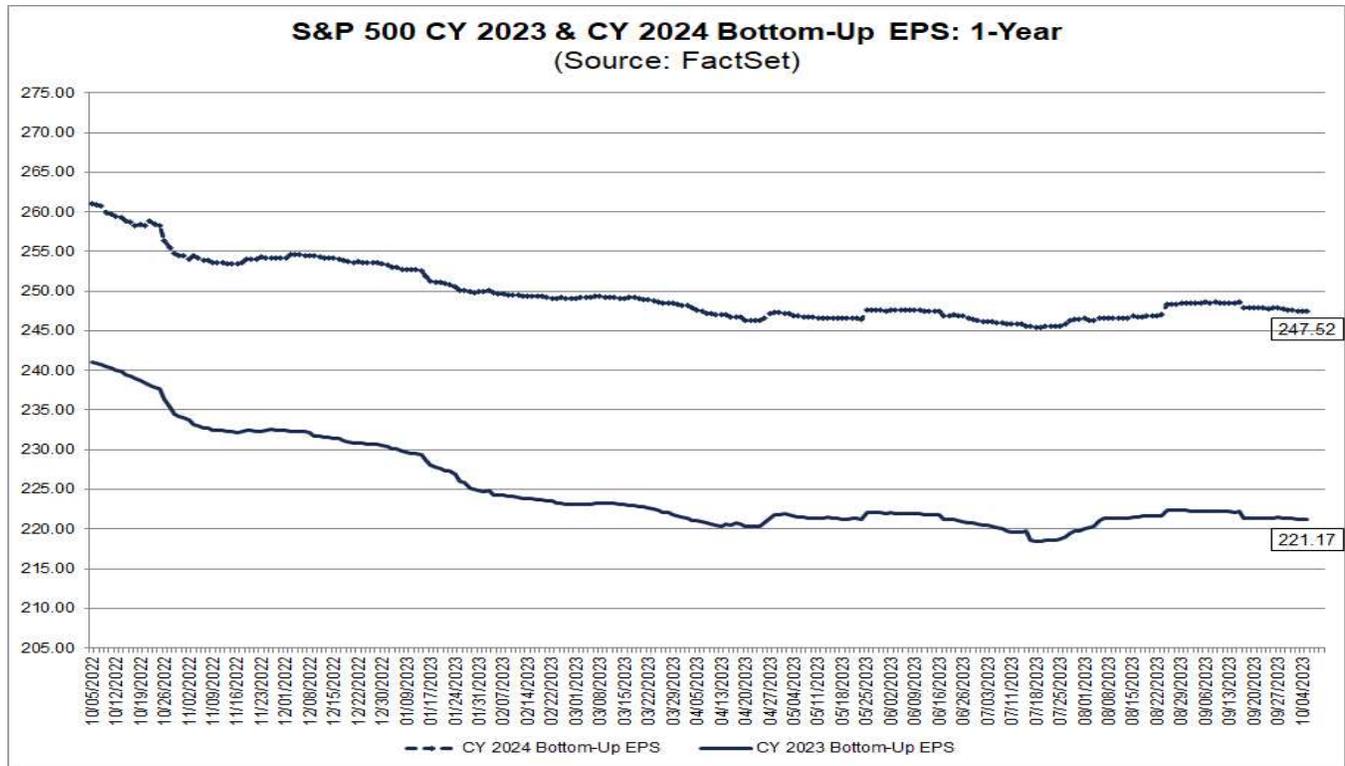
CY 2024: Growth



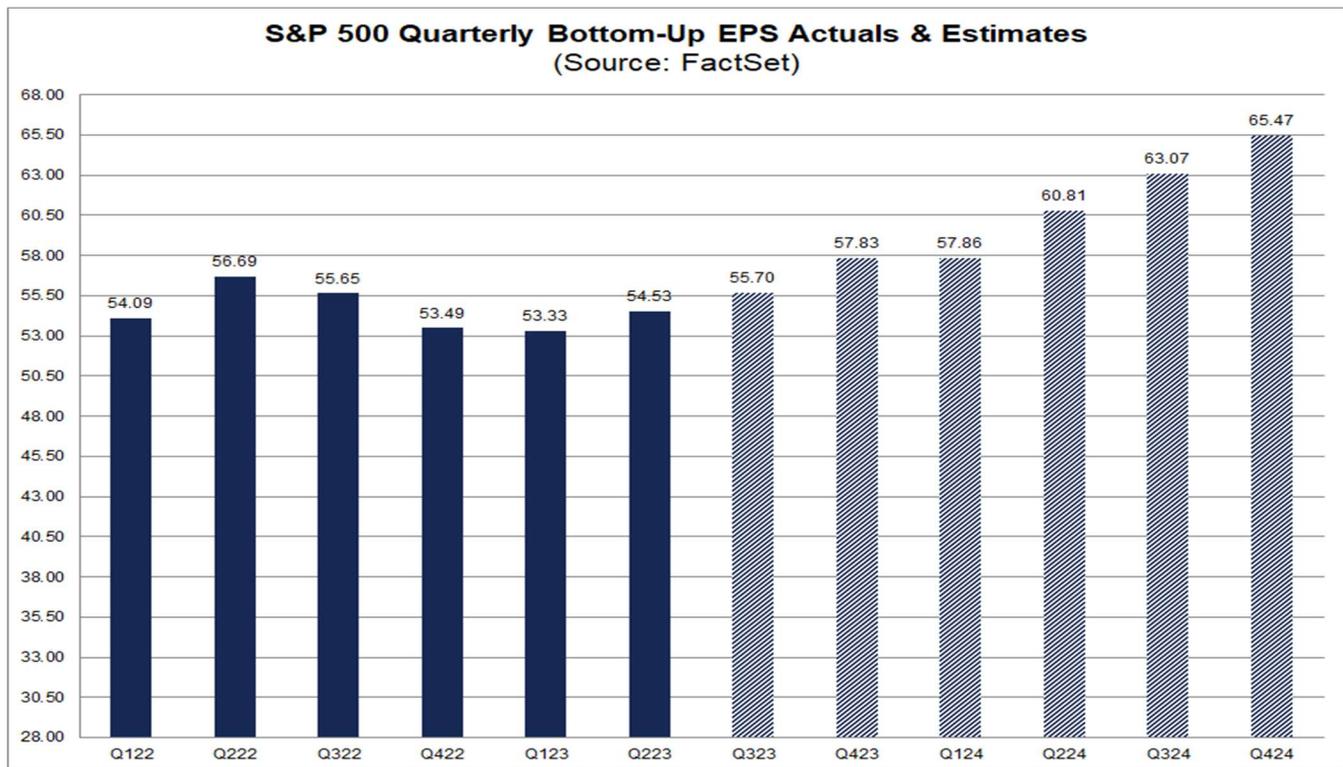
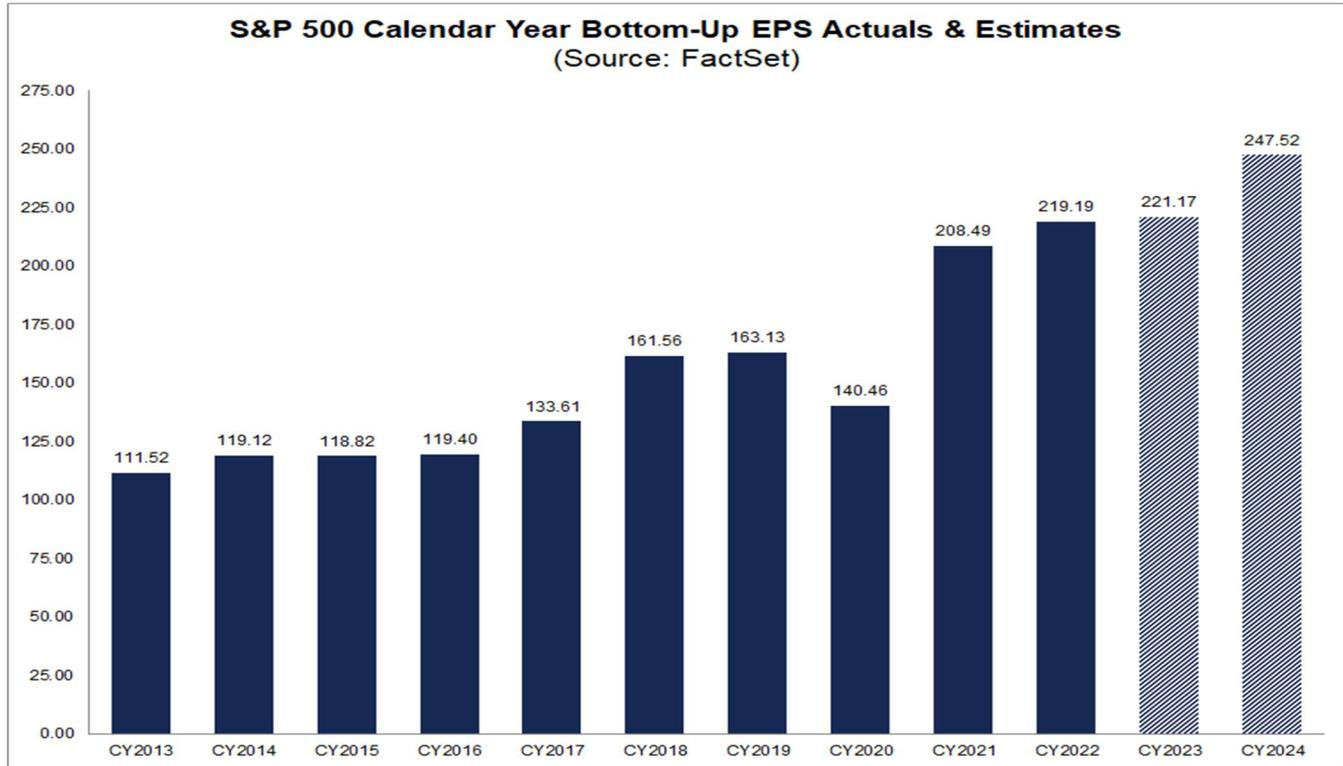
Geographic Revenue Exposure



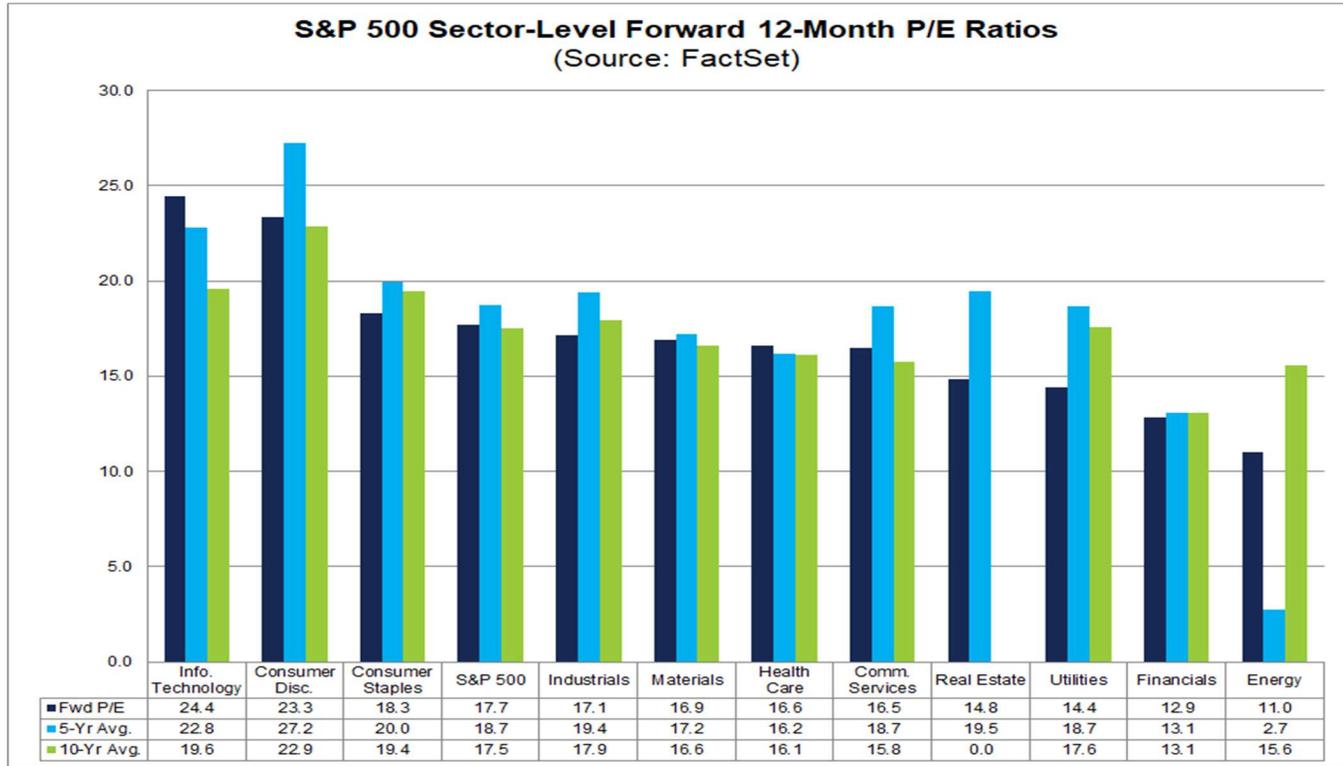
Bottom-Up EPS Estimates



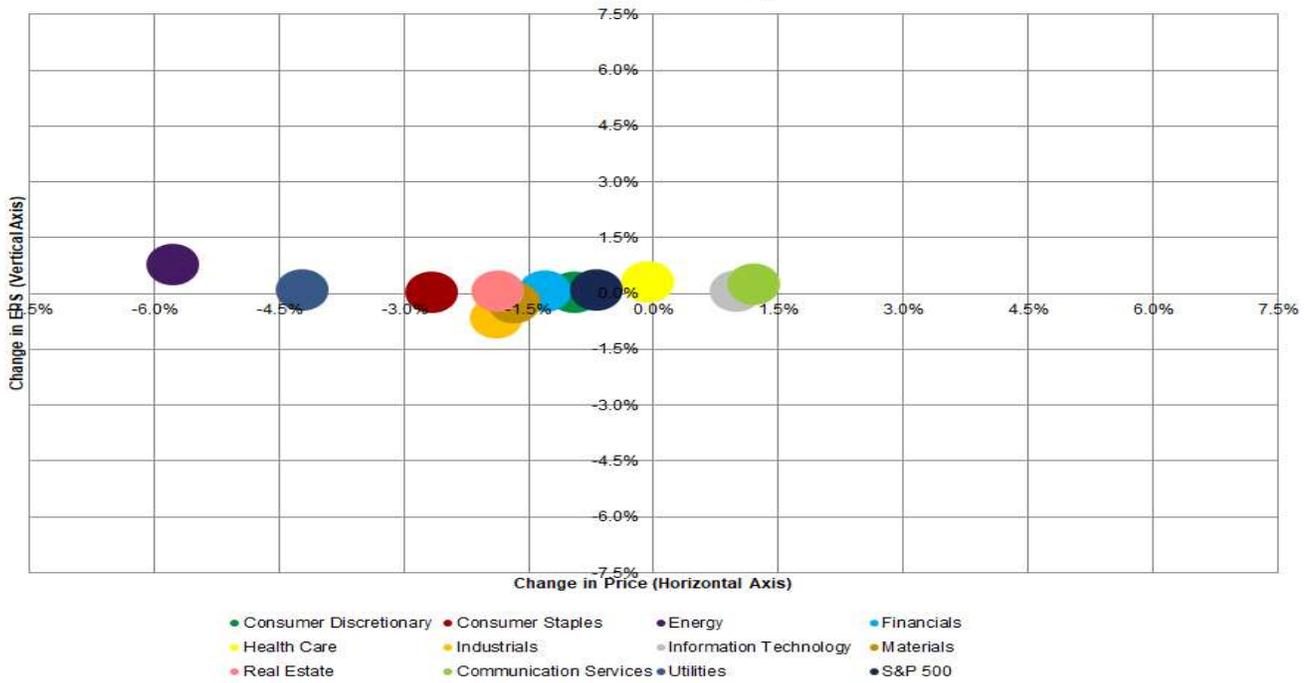
Bottom-Up EPS Estimates: Current & Historical



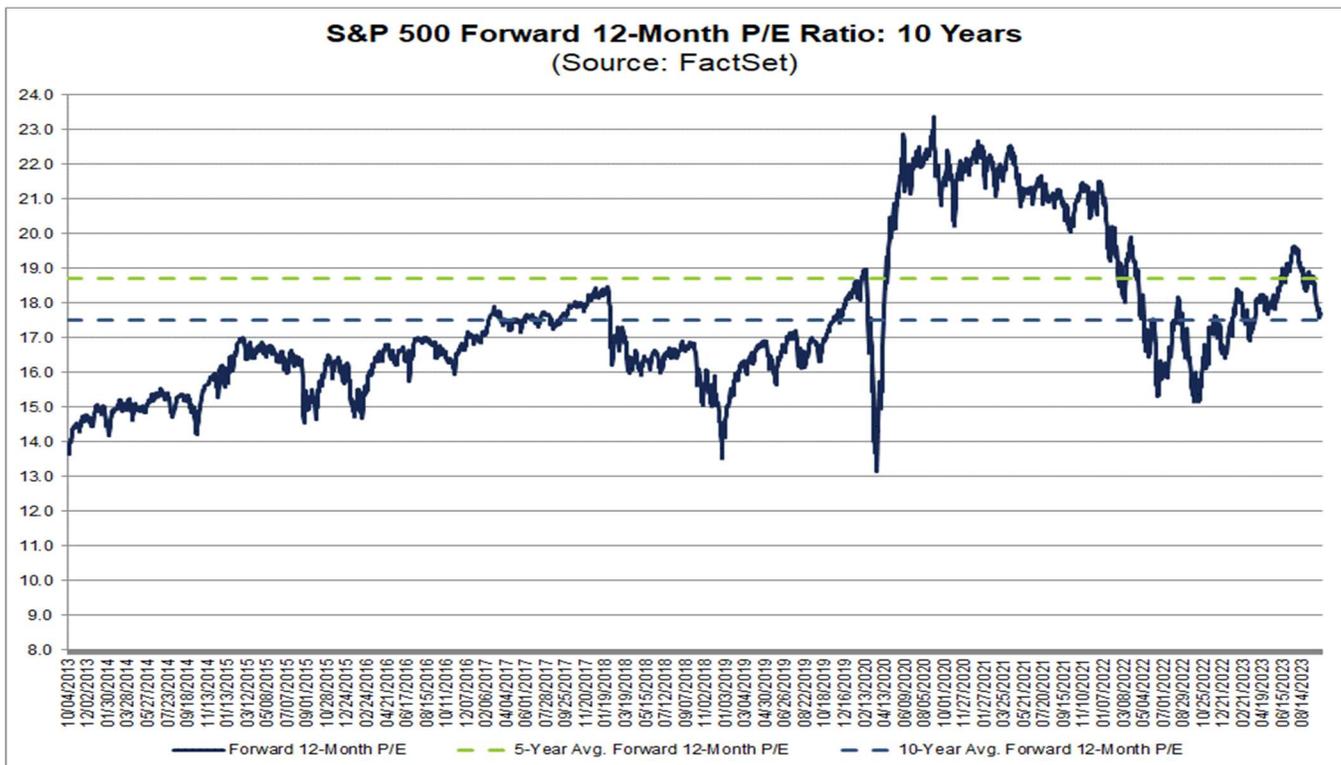
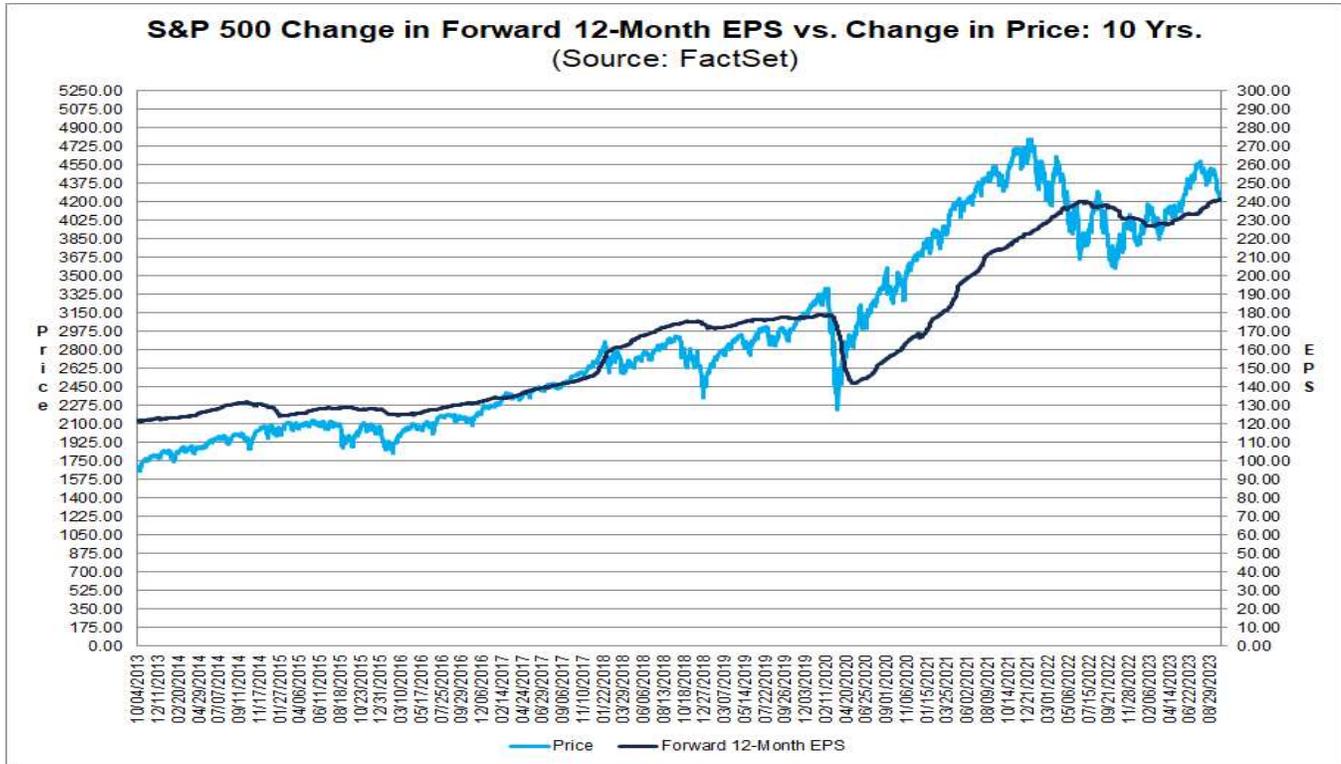
Forward 12M P/E Ratio: Sector Level



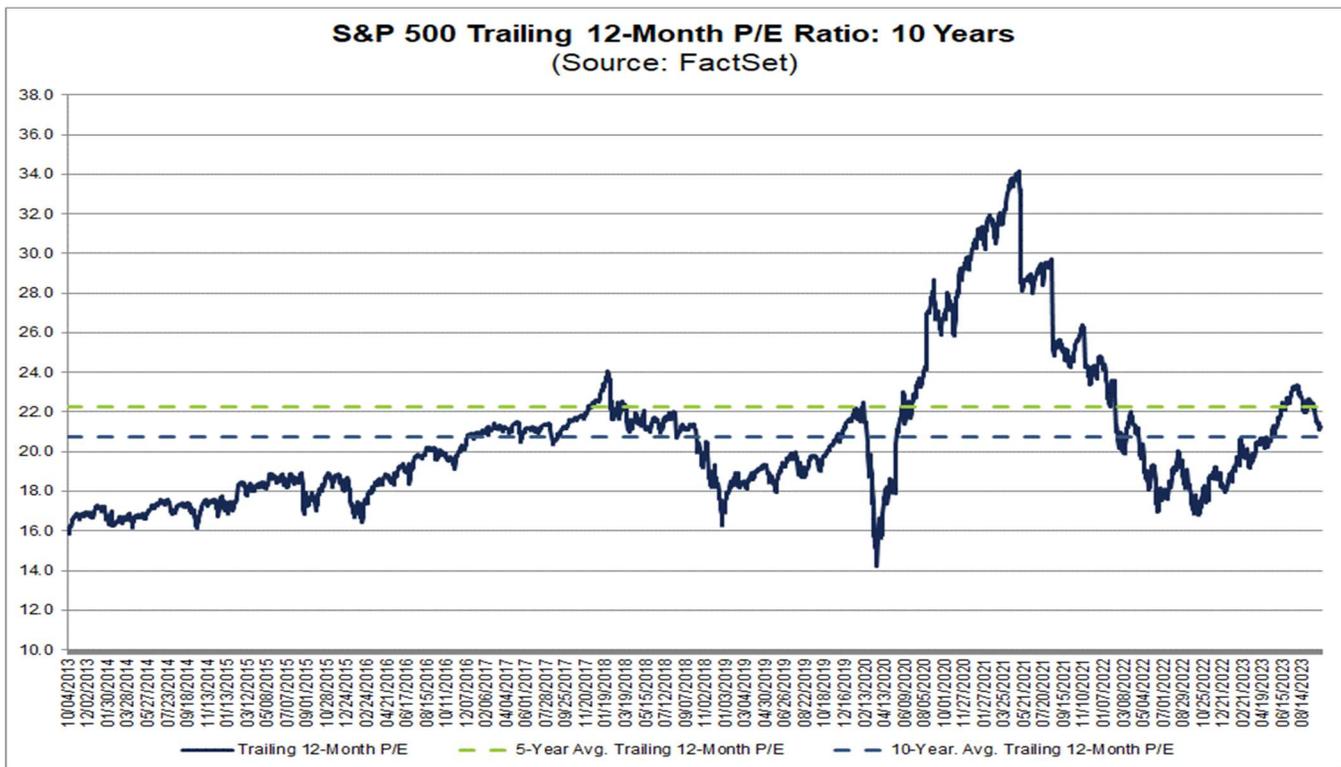
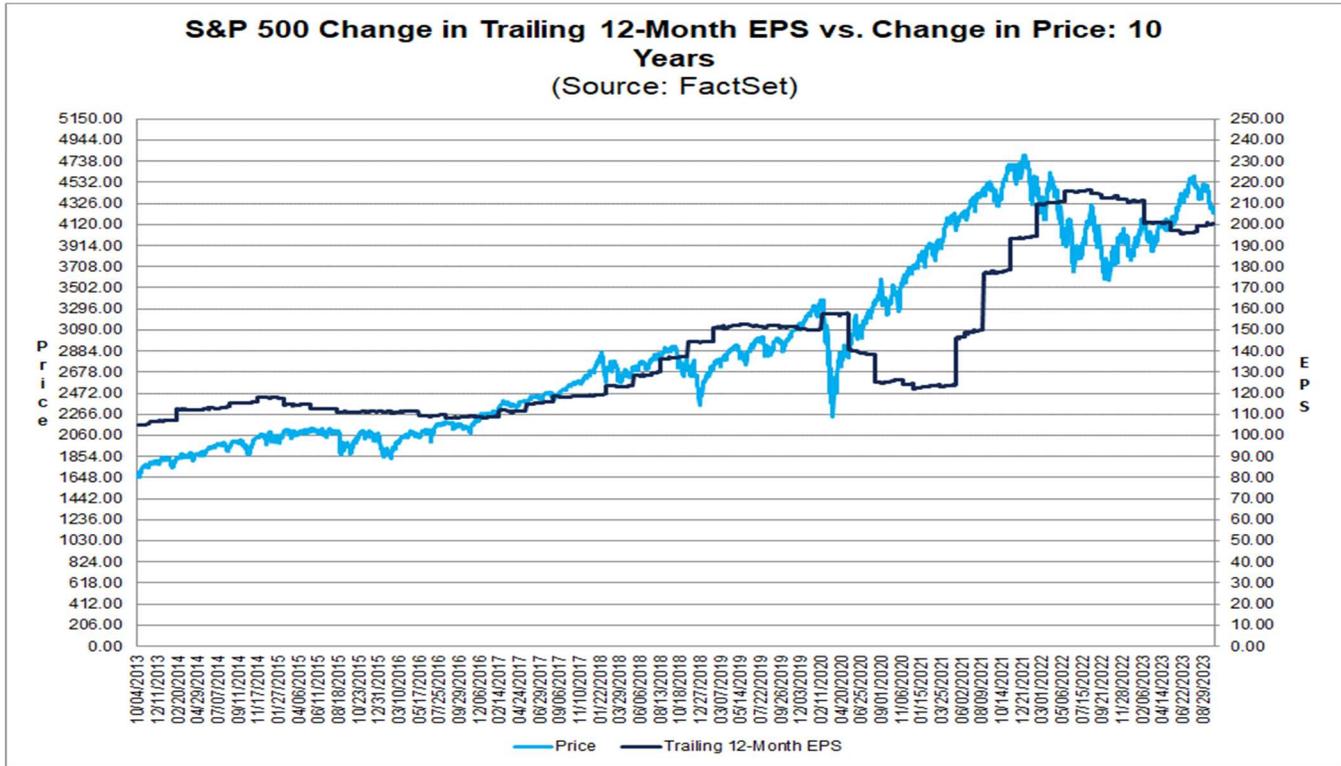
### Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Sep. 30 (Source: FactSet)



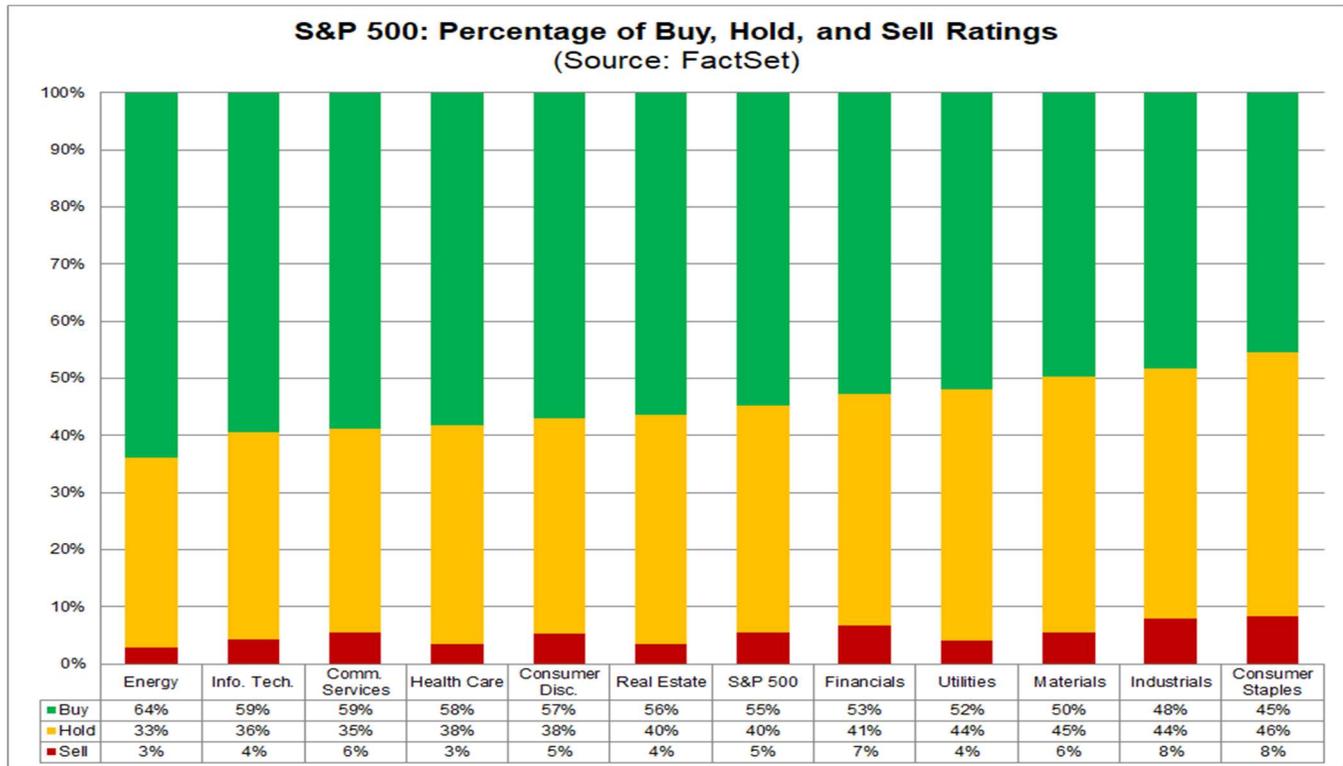
Forward 12M P/E Ratio: 10-Years



Trailing 12M P/E Ratio: 10-Years



Targets & Ratings



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