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Key Metrics

- **Earnings Scorecard:** For Q3 2023 (with 17% of S&P 500 companies reporting actual results), 73% of S&P 500 companies have reported a positive EPS surprise and 66% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Decline:** For Q3 2023, the blended (year-over-year) earnings decline for the S&P 500 is -0.4%. If -0.4% 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 September 30, the estimated (year-over-year) earnings decline for the S&P 500 for Q3 2023 was -0.3%. Five sectors are reporting lower earnings today compared to September 30 due to negative EPS surprises and downward revisions to EPS estimates.
- **Earnings Guidance:** For Q4 2023, 7 S&P 500 companies have issued negative EPS guidance and 6 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).

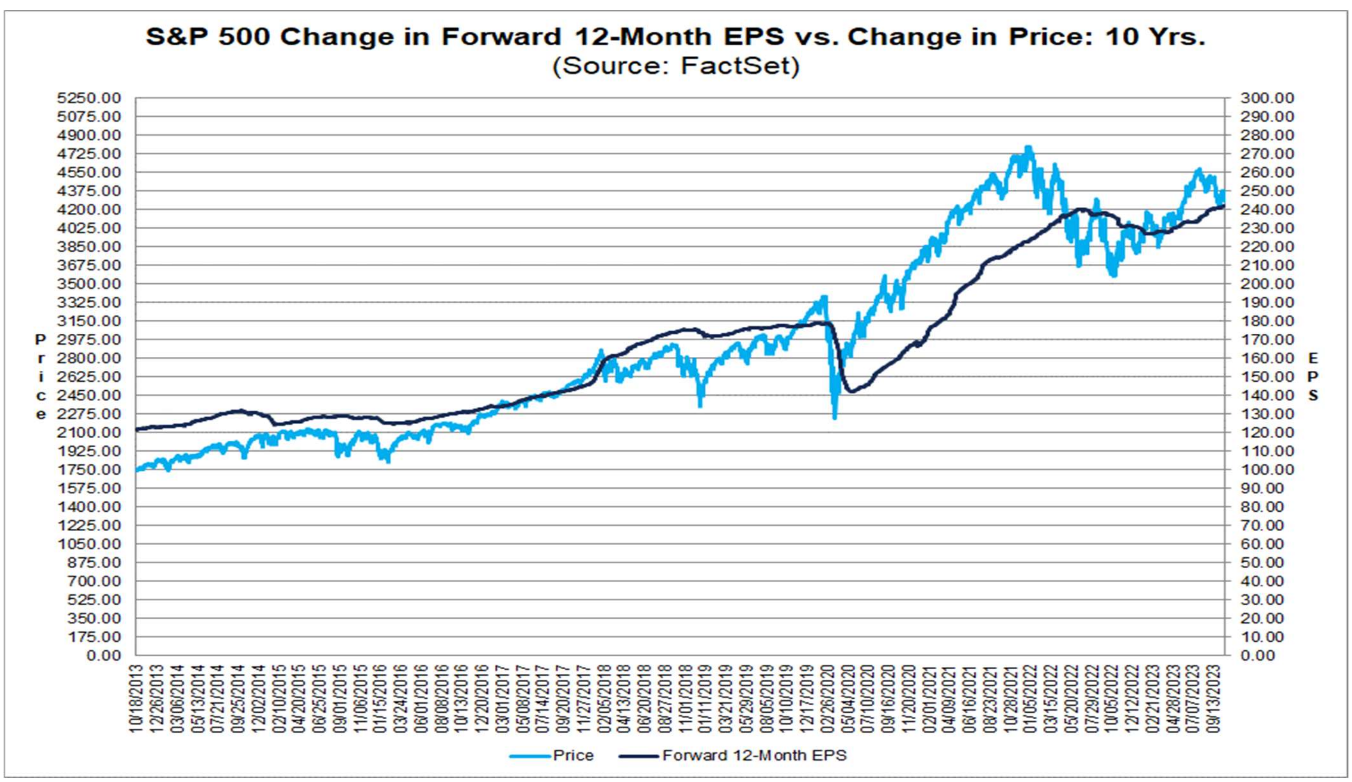


Table of Contents

Commentary

Charts

Topic of the Week: 1

S&P 500 Information Technology Sector Earnings Preview: Q3 2023

The Information Technology sector will be in focus for the market over the next two weeks, as Apple, IBM, Intel, and Microsoft are all scheduled to report earnings during this period.

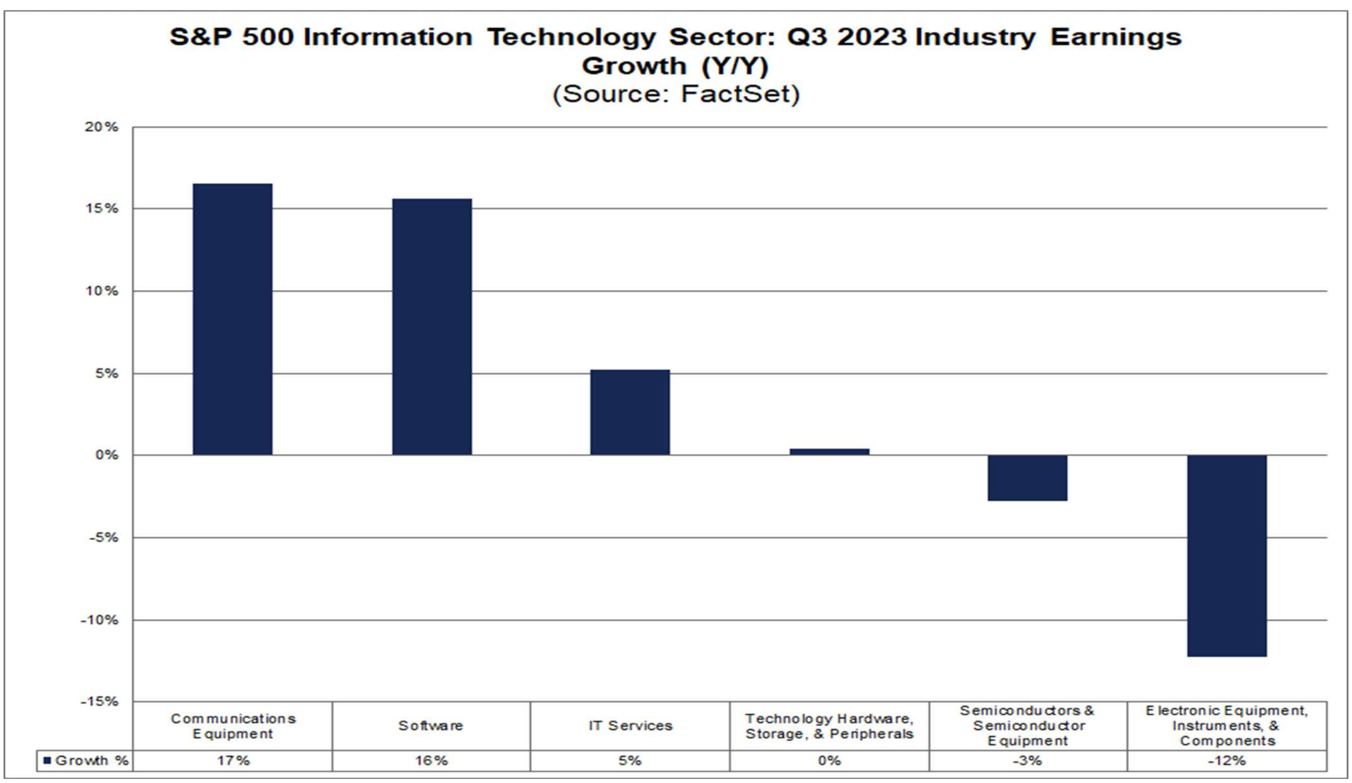
Coming into the earning season, nearly 50% (22 out of 45) of the companies in the Information Technology sector that issued EPS guidance for the third quarter issued positive EPS guidance. In aggregate, analysts increased earnings estimates for companies in this sector by 4.1% during the quarter. As a result, the Information Technology is reporting year-over-year earnings growth of 4.8% for Q3 today, compared to expectations for earnings growth of 0.4% on June 30.

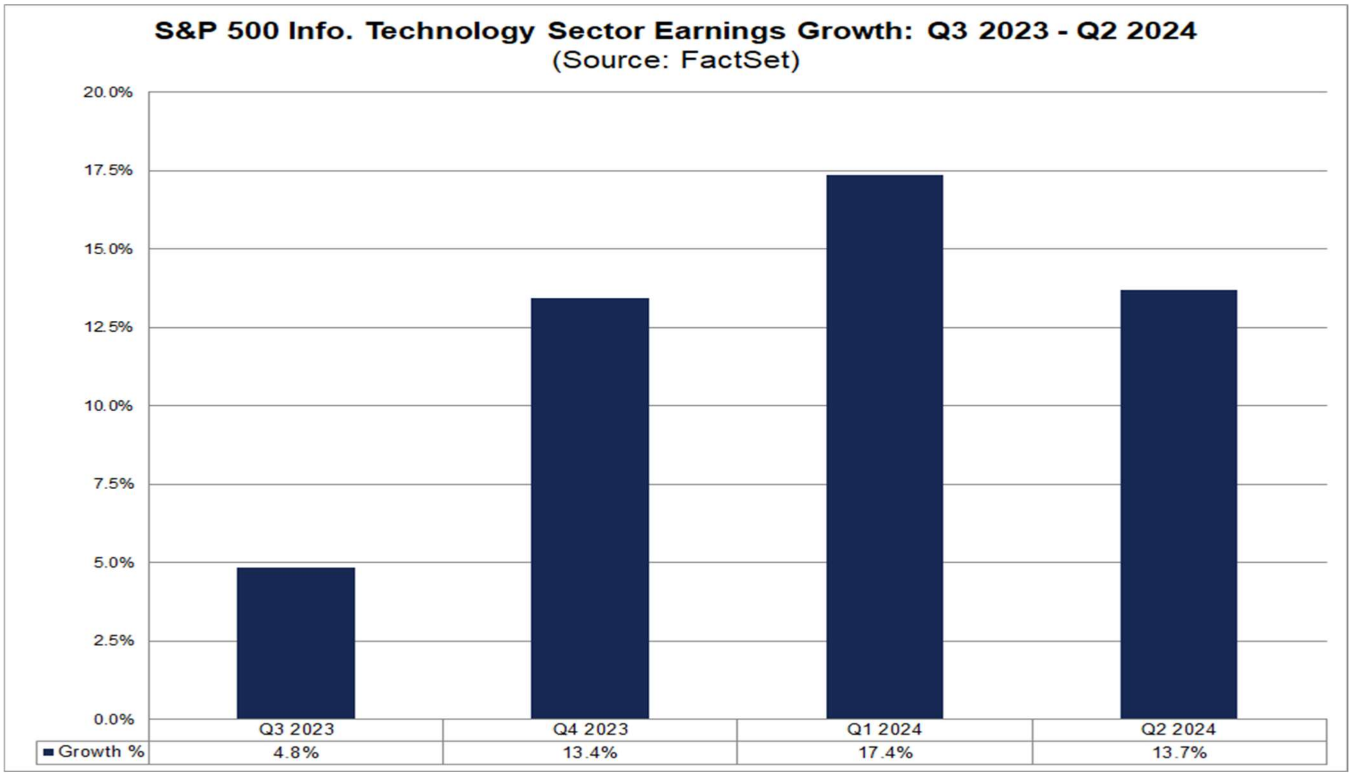
At the industry level, four of the six industries in the sector are reporting (or are expected to report) a year-over-year increase in earnings: Communications Equipment (17%), Software (16%), IT Services (5%), and Technology Hardware, Storage, & Peripherals (<1%). On the other hand, two industries are reporting (or are predicted to report) a year-over-year decline in earnings: Electronic Equipment, Instruments, & Components (-12%) and Semiconductors & Semiconductor Equipment (-3%).

At the company level, NVIDIA is projected to be the largest contributor to earnings growth for the sector. The company is expected to report EPS of $3.32 for Q3 2023 compared to EPS of $0.58 in Q3 2022. If NVIDIA were excluded, the Information Technology sector would be reporting a year-over-year earnings decline of -2.9% instead of earnings growth of 4.8%. NVIDIA is scheduled to report earnings on November 21.

NVIDIA is also expected to be the largest contributor to earnings growth for the entire S&P 500 for Q3. If this company were excluded, the blended earnings decline for the S&P 500 for Q3 would increase to -1.8% from -0.4%.

Looking ahead for the sector, analysts are predicting earnings growth rates of 13.4%, 17.4%, and 13.7% for Q4 2023, Q1 2024, and Q2 2024, respectively.




S&P 500 Info. Technology Sector Earnings Growth: Q3 2023 - Q2 2024
(Source: FactSet)
20.0%
17.5%
15.0%
12.5%
10.0%
7.5%
5.0%
2.5%
0.0%
Q3 2023
Q4 2023
Q1 2024
Q2 2024
Growth %
4.8%
13.4%
17.4%
13.7%

Topic of the Week: 2

S&P 500 Reporting A Lower Year-Over-Year Net Profit Margin For the 7th Straight Quarter

Given continuing concerns in the market about inflation, what is the S&P 500 reporting for a net profit margin for Q3?

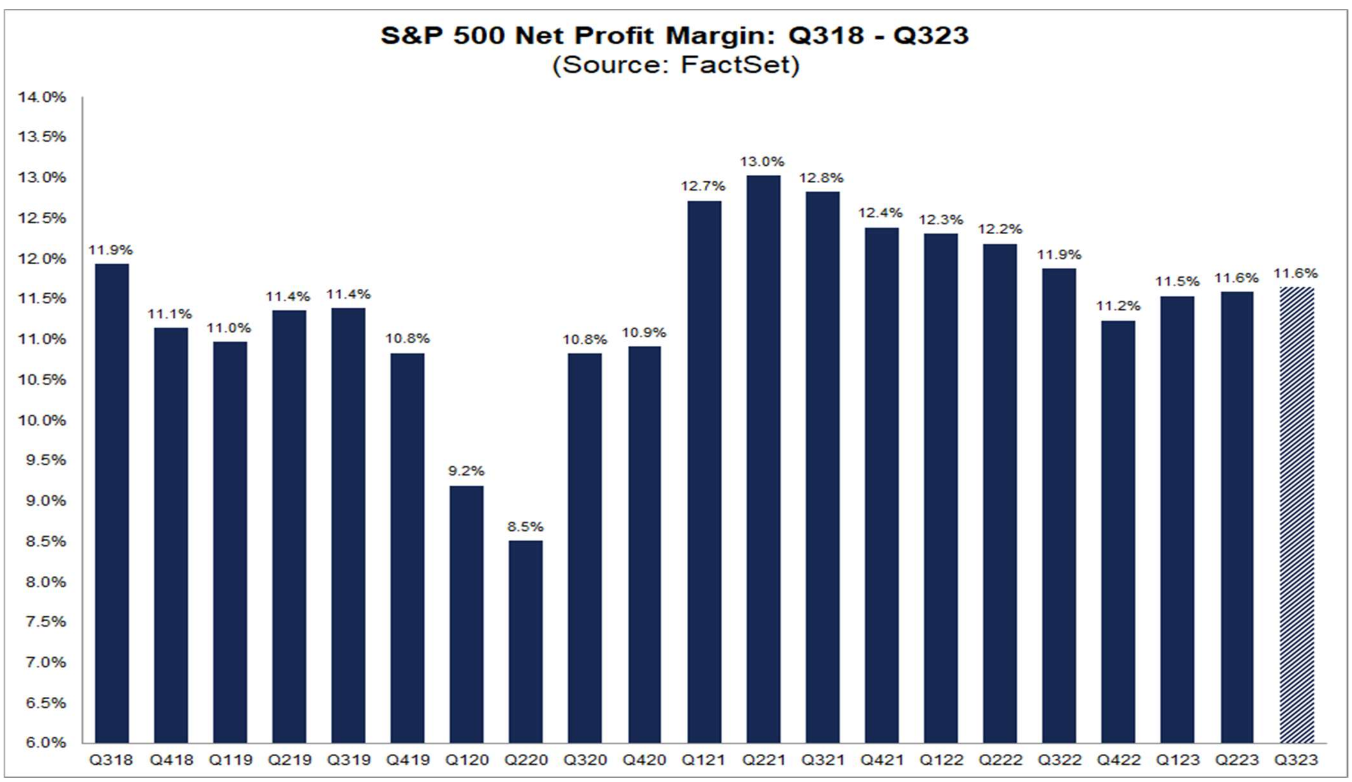
The (blended) net profit margin for the S&P 500 for Q3 2023 is 11.6%, which is below the year-ago net profit margin (11.9%), equal to the previous quarter's net profit margin (11.6%), and above the 5-year average (11.4%). If 11.6% is the actual net profit margin for the quarter, it will mark the seventh straight quarter in which the net profit margin has declined year-over-year.

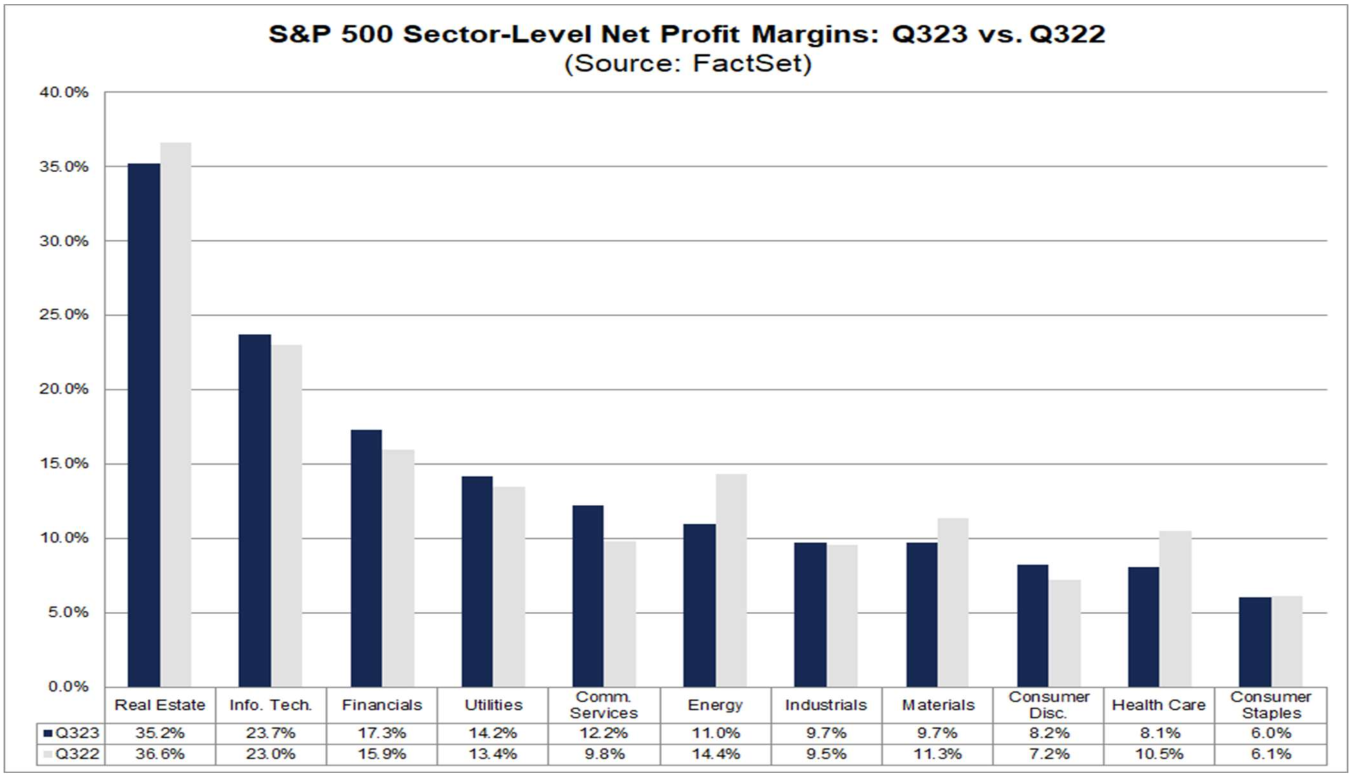
At the sector level, six sectors are reporting a year-over-year increase in their net profit margins in Q3 2023 compared to Q3 2022, led by the Communication Services (12.2% vs. 9.8%) sector. On the other hand, five sectors are reporting a year-over-year decrease in their net profit margins in Q3 2023 compared to Q3 2022, led by the Energy (11.0% vs. 14.4%) and Health Care (8,1% vs. 10.5%) sectors.

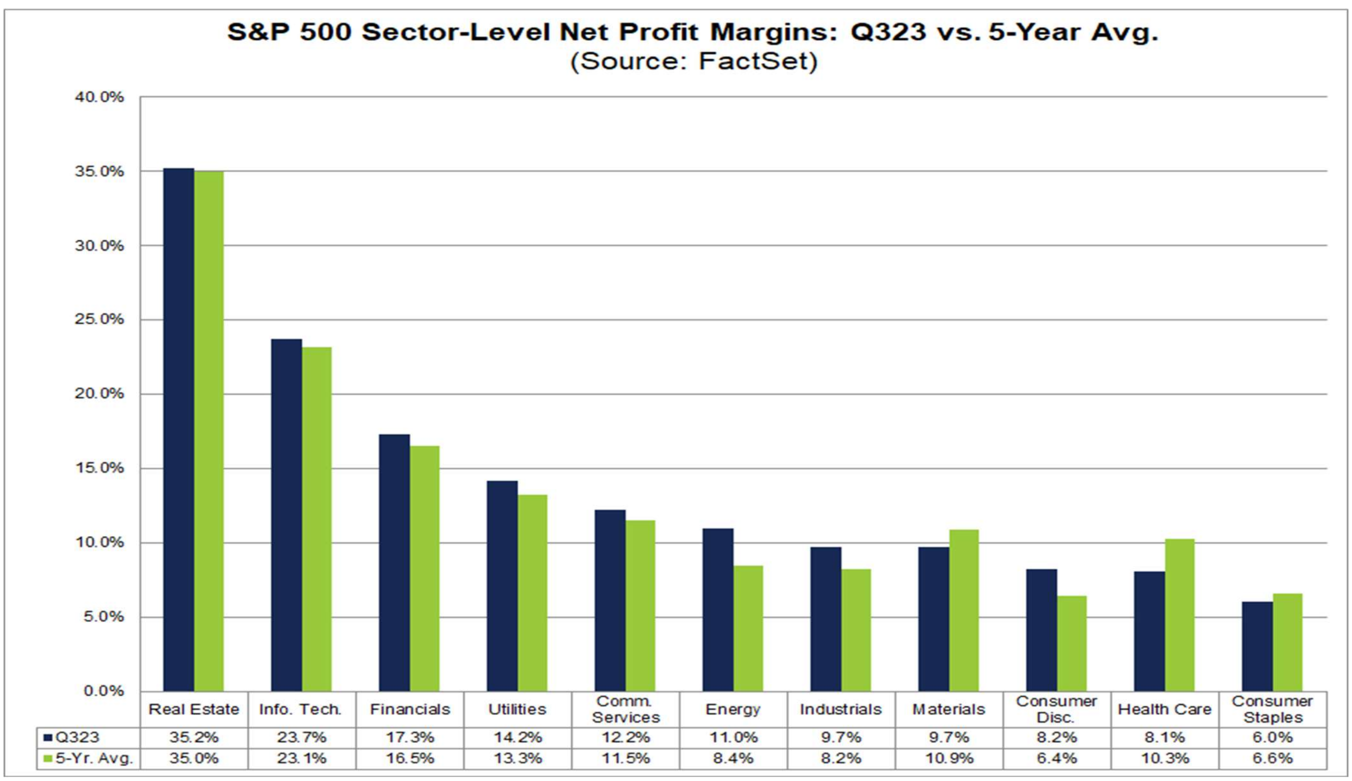
Eight sectors are reporting net profit margins in Q3 2023 that are above their 5-year averages, led by the Energy (11.0% vs. 8.4%) sector. On the other hand, three sectors are reporting net profit margins in Q3 2023 that are below their 5-year averages, led by the Health Care (8.1% vs. 10.3%) sector.

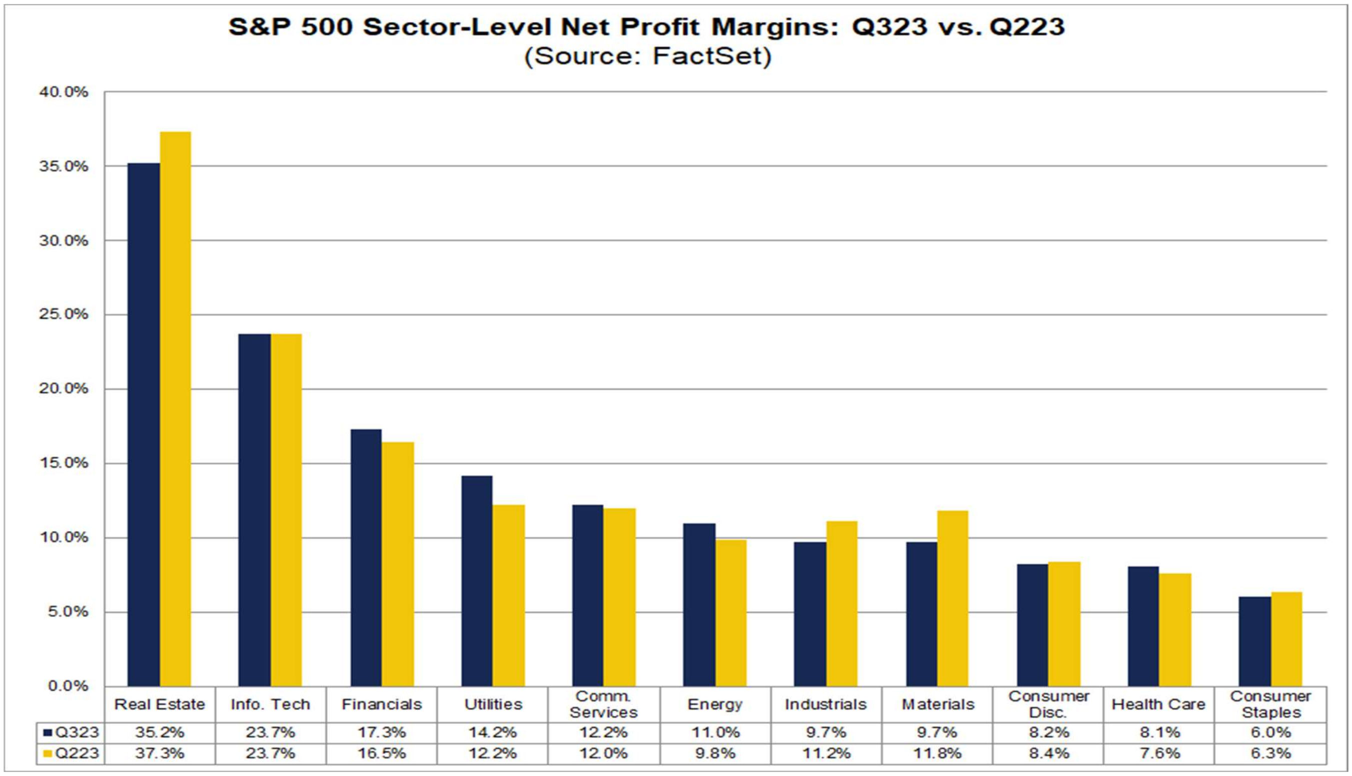
Five sectors are reporting a quarter-over-quarter increase in their net profit margins in Q3 2023 compared to Q2 2023, led by the Utilities (14.2% vs. 12.2%) sector. On the other hand, five sectors are reporting a quarter-over-quarter decrease in their net profit margins in Q3 2023 compared to Q2 2023, led by the Real Estate (35.2% vs. 37.3%) and Materials (9.7% vs. 11.8%) sectors.

It is interesting to note that analysts believe net profit margins for the S&P 500 will be higher in the first half of 2024. As of today, the estimated net profit margins for Q4 2023, Q1 2024, and Q2 2024 are 11.5%, 12.0%, and 12.3%, respectively.




S&P 500 Sector-Level Net Profit Margins: Q323 vs. Q322
(Source: FactSet)
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
Real Estate | Info. Tech. | Financials | Utilities | Comm. Services | Energy | Industrials | Materials | Consumer Disc. | Health Care | Consumer Staples
Q323 | 35.2% | 23.7% | 17.3% | 14.2% | 12.2% | 11.0% | 9.7% | 9.7% | 8.2% | 8.1% | 6.0%
Q322 | 36.6% | 23.0% | 15.9% | 13.4% | 9.8% | 14.4% | 9.5% | 11.3% | 7.2% | 10.5% | 6.1%


S&P 500 Sector-Level Net Profit Margins: Q323 vs. 5-Year Avg.
(Source: FactSet)
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
Real Estate | Info. Tech. | Financials | Utilities | Comm. Services | Energy | Industrials | Materials | Consumer Disc. | Health Care | Consumer Staples
Q323 | 35.2% | 23.7% | 17.3% | 14.2% | 12.2% | 11.0% | 9.7% | 9.7% | 8.2% | 8.1% | 6.0%
5-Yr. Avg. | 35.0% | 23.1% | 16.5% | 13.3% | 11.5% | 8.4% | 8.2% | 10.9% | 6.4% | 10.3% | 6.6%


S&P 500 Sector-Level Net Profit Margins: Q323 vs. Q223
(Source: FactSet)
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
Real Estate
Info. Tech
Financials
Utilities
Comm. Services
Energy
Industrials
Materials
Consumer Disc.
Health Care
Consumer Staples
Q323
35.2% 23.7% 17.3% 14.2% 12.2% 11.0% 9.7% 9.7% 8.2% 8.1% 6.0%
Q223
37.3% 23.7% 16.5% 12.2% 12.0% 9.8% 11.2% 11.8% 8.4% 7.6% 6.3%

Q3 Earnings Season: By The Numbers

Overview

At this early stage, the third quarter earnings season for the S&P 500 is off to an average start. Both the number of positive earnings surprises and the magnitude of these earnings surprises are near their 10-year averages. However, downward revisions to EPS estimates for two companies in the Health Care sector offset the positive EPS surprises reported during the past few weeks. As a result, the index is reporting lower earnings for the third quarter today relative to the end of last week and relative to the end of the quarter. The S&P 500 is currently reporting a year-over-year decline in earnings for the fourth straight quarter.

Overall, 17% of the companies in the S&P 500 have reported actual results for Q3 2023 to date. Of these companies, 73% have reported actual EPS above estimates, which is below the 5-year average of 77% and slightly below the 10-year average of 74%. In aggregate, companies are reporting earnings that are 6.6% above estimates, which is below the 5-year average of 8.5% but equal to the 10-year average of 6.6%.

However, downward revisions to EPS estimates for two companies in the Health Care sector offset the positive earnings surprises reported by companies during the past week. As a result, the index is reporting lower earnings for the third quarter today relative to the end of last week and relative to the end of the quarter. The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings decline for the third quarter is -0.4% today, compared to an earnings growth rate of 0.3% last week and an earnings decline of -0.3% at the end of the third quarter (September 30).

If -0.4% % is the actual decline for the quarter, it will mark the fourth straight quarter of year-over-year earnings declines reported by the index.

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

In terms of revenues, 66% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 68% but above 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 1.3%.

The blended revenue growth rate for the third quarter is 1.8% today, compared to a revenue growth rate of 1.9% last week and a revenue growth rate of 1.6% at the end of the third quarter (September 30).

Upward revisions to revenue estimates for companies in the Energy sector have been the largest contributor to the increase in the overall revenue growth rate for the index since the end of the quarter.

If 1.8% is the actual revenue growth rate for the quarter, it will mark the 11th consecutive quarter of revenue growth for the index.

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

Looking ahead, analysts expect (year-over-year) earnings growth of 6.7% for Q4 2023. For CY 2023, analysts predict (year-over-year) earnings growth of 0.7%. 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 17.8 recorded at the end of the third quarter (September 30).

During the upcoming week, 160 S&P 500 companies (including 12 Dow 30 components) are scheduled to report results for the third quarter.

Scorecard: Number of Positive EPS Surprises Are Below 5-Year and 10-Year Averages

Percentage of Companies Beating EPS Estimates (73%) is Below 5-Year Average

Overall, 17% of the companies in the S&P 500 have reported earnings to date for the third quarter. Of these companies, 73% have reported actual EPS above the mean EPS estimate, 5% have reported actual EPS equal to the mean EPS estimate, and 22% 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 (74%), below the 5-year average (77%), and below the 10-year average (74%).

At the sector level, the Health Care (100%) and Information Technology (100%) sectors have the highest percentages of companies reporting earnings above estimates, while the Energy (50%) and Real Estate (50%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (+6.6%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 6.6% above expectations. This surprise percentage is above the 1-year average (+4.4%), below the 5-year average (+8.5%), and equal to the 10-year average (6.6%).

The Financials (+9.1%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Citigroup ($1.63 vs. $1.23), BlackRock ($10.91 vs. $8.34), Progressive ($2.09 vs. $1.72), and Wells Fargo ($1.48 vs. $1.24) have reported the largest positive EPS surprises.

The Materials (+6.4%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Freeport McMoRan ($0.39 vs. $0.34) and PPG Industries ($2.07 vs. $1.94) have reported the largest positive EPS surprises.

The Information Technology (+6.0%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Lam Research ($6.85 vs. $6.15) has reported the largest positive EPS surprise.

Market Punishing Positive EPS Surprises On Average

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

Companies that have reported positive earnings surprises for Q3 2023 have seen an average price decrease of -1.0% two days before the earnings release through two days after the earnings release. This percentage decrease is much smaller than the 5-year average price increase of +0.9% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q3 2023 have seen an average price decrease of -4.2% two days before the earnings release through two days after the earnings. This percentage decrease is larger than the 5-year average price decrease of -2.3% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (66%) is Below 5-Year Average

In terms of revenues, 66% of companies have reported actual revenues above estimated revenues and 34% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (69%) and below the 5-year average (68%), but above the 10-year average (64%).

At the sector level, the Communication Services (100%) and Materials (100%) sectors have the highest percentages of companies reporting revenues above estimates, while the Energy (0%) and Industrials (43%) sectors have the lowest percentages 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 (+2.1%), below the 5-year average (+2.0%), and below the 10-year average (+1.3%).

At the sector level, the Materials (+3.5%) sector is reporting the largest positive (aggregate) difference between actual revenues and estimated revenues, while the Energy (-4.8%) sector is reporting the largest negative (aggregate) difference between actual revenues and estimated revenues.

Revisions: Decline in Blended Earnings This Week Due to Health Care Sector

Decline in Blended Earnings This Week Due to Health Care Sector

The blended (year-over-year) earnings decline for the third quarter is -0.4%, which is below the earnings growth rate of 0.3% last week. Downward revisions to EPS estimates for two companies in the Health Care sector were the largest contributors to the decrease in earnings for the index during the past week.

In the Health Care sector, downward revisions to EPS estimates for Pfizer and Eli Lilly were the largest contributors to the decrease in the earnings for the index during the past week. Pfizer issued (non-GAAP) EPS guidance for FY 2023 on October 13 that was below the previous (non-GAAP) EPS for FY 2023 issued on August 1. As a result, the mean EPS estimate for Pfizer for Q3 has fallen to -$0.08 today from $0.25 on October 13. During the week of October 16, the majority of analysts covering Eli Lilly revised (non-GAAP) EPS estimates lower due to increased IPR&D charges. As a result, the mean EPS estimate for Eli Lilly for Q3 has fallen to -$0.20 today from $2.99 on October 13. Mainly due to the decrease in the mean EPS estimates for Eli Lilly and Pfizer, the blended earnings decline for the Health Care sector has also increased to -19.8% today from -14.2% over this period.

Decline in Blended Revenues This Week Due to Consumer Discretionary and Energy Sectors

The blended (year-over-year) revenue growth rate for the third quarter is 1.8%, which is slightly below the revenue growth rate of 1.9% last week. Downward revisions to revenue estimates and negative revenue surprises for companies in the Consumer Discretionary and Energy sectors were the largest contributors to the small decline in the revenue growth rate for the index during the past week.

Health Care Sector Has Seen Largest Decrease in Earnings since September 30

The blended (year-over-year) earnings decline for Q3 2023 of -0.4% is slightly larger than the estimate of -0.3% at the end of the third quarter (September 30). Five sectors have recorded a decrease in their earnings growth rate or an increase in their earnings decline since the end of the quarter due to downward revisions to earnings estimates and negative earnings surprises, led by the Health Care (to -19.8% from -12.0%) sector. This sector has also been the largest contributor to the decrease in earnings for the index since September 30. On the other hand, six sectors have recorded an increase in their earnings growth rate or a decrease in their earnings decline since the end of the quarter due to upward revisions to EPS estimates and positive earnings surprises, led by the Financials (to 14.6% from 8.9%) and Energy (to -35.9% from -38.2%) sectors. These two sectors have also been the largest detractors to the decrease in the earnings for the index since September 30.

In the Health Care sector, downward revisions to EPS estimates for Pfizer and Eli Lilly have been the largest contributors to the decrease in earnings for the index since September 30. Pfizer issued (non-GAAP) EPS guidance for FY 2023 on October 13 that was below the previous (non-GAAP) EPS for FY 2023 issued on August 1. As a result, the mean EPS estimate for Pfizer for Q3 has fallen to -$0.08 today from $0.58 on September 30. During the week of October 16, the majority of analysts covering Eli Lilly revised (non-GAAP) EPS estimates lower due to increased IPR&D charges. As a result, the mean EPS estimate for Eli Lilly for Q3 has fallen to -$0.20 today from $2.90 on September 30. Mainly due to the decrease in the mean EPS estimates for Eli Lilly and Pfizer, the blended earnings decline for the Health Care sector has also increased to -19.8% today from -12.0% over this period.

In the Financials sector, the positive EPS surprises reported by JPMorgan Chase ($4.33 vs. $3.95), Wells Fargo ($1.48 vs. $1.24), Citigroup ($0.91 vs. $0.81), and Bank of America ($0.90 vs. $0.83) have been significant detractors to the decrease in earnings for the index since September 30. As a result, the blended earnings growth rate for the Financials sector increased to 14.6% from 8.9% over this period.

In the Energy sector, upward revisions to EPS estimates for Chevron (to $3.60 from $3.31) have been a significant detractor to the decrease in earnings for the index since September 30. As a result, the blended earnings decline for the Energy sector has decreased to -35.9% from -38.2% over this period.

Energy Sector Has Seen Largest Increase in Revenues since September 30

The blended (year-over-year) revenue growth rate for Q3 2023 of 1.8% is above the estimate of 1.6% at the end of the third quarter (September 30). Five 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 Energy (to -16.0% from -18.9%) sector. This sector has also been the largest positive contributor to revenues for the index since the end of the quarter. On the other hand, five 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 (to 4.4% from 5.2%) and Consumer Discretionary (6.6% from 7.2%) sectors.

In the Energy sector, upward revisions to revenue estimates for Exxon Mobil (to $93.41 billion from $85.60 billion) and Chevron (to $51.38 from $48.42 billion) have been significant contributors to the increase in revenues for the index since September 30. As a result, the blended revenue decline for the Energy sector has decreased to -16.0% from -18.9% over this period.

Earnings Decline: -0.4%

The blended (year-over-year) earnings decline for Q3 2023 is -0.4%, which is below the 5-year average earnings growth rate of 10.6% and below the 10-year average earnings growth rate of 8.4%. If -0.4% is the actual decline for the quarter, it will mark the fourth straight quarter of year-over-year earnings declines reported by the index.

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

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

The Communication Services sector is reporting the largest (year-over-year) earnings growth rate of all eleven sectors at 32.1%. At the industry level, 3 of the 5 industries in the sector are reporting (or are expected to report) a year-over-year increase in earnings of 50% or more: Wireless Telecommunication Services (300%), Entertainment (193%), and Interactive Media & Services (51%). On the other hand, two industries are reporting a (year-over-year) decline in earnings: Diversified Telecommunication Services (-8%) and Media (-7%).

At the company level, Meta Platforms ($3.64 vs. $1.64), Warner Bros. Discovery (-$0.09 vs. -$0.76), and T-Mobile ($1.70 vs. $0.40) are the largest contributors to earnings growth for the sector. If these three companies were excluded, the blended earnings growth rate for Communication Services sector would fall to 12.1% from 32.1%.

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

The Consumer Discretionary sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 21.5%. At the industry level, 3 of the 9 industries in the sector are reporting (or are expected to report) a year-over-year increase in earnings of 25% or more: Broadline Retail (169%), Hotels, Restaurants, & Leisure (92%), and Leisure Products (25%). On the other hand, six industries are reporting (or are expected to report) a year-over-year decline in earnings. Two of these six industries are reporting (or are predicted to report) a decrease in earnings of more than 10%: Automobiles (-16%) and Household Durables (-14%).

At the industry level, the Hotels, Restaurants, & Leisure and Broadline Retail industries are the largest contributors to earnings growth for the sector. If these two industries were excluded, the Consumer Discretionary sector would be reporting a (year-over-year) decline in earnings of -10.0% instead of year-over-year earnings growth if 21.5%.

At the company level, Amazon.com ($0.58 vs. $0.28) is the largest contributor to earnings growth for the sector. If this company were excluded, the blended earnings growth rate for the sector would fall to 13.6% from 21.5%

Financials: Insurance Industry is Largest Contributor to Year-Over-Year Growth

The Financials sector is reporting the third-largest (year-over-year) earnings growth rate of all eleven sectors at 14.6%. At the industry level, 3 of the 5 industries in the sector are reporting (or are expected to report) a year-over-year increase in earnings of more than 10%: Insurance (66%), Banks (16%) and Financial Services (14%). On the other hand, two industries are reporting a (year-over-year) decline in earnings: Capital Markets (-6%) and Consumer Finance (-4%).

At the industry level, the Insurance industry is the largest contributor to earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Financials sector would fall to 8.5% from 14.6%.

At the company level, JPMorgan Chase ($4.33 vs. $3.12) and Wells Fargo ($1.48 vs. $0.85) are the largest contributors to earnings growth for the sector. If these two companies were excluded, the blended earnings growth rate for the sector would fall to 8.5% from 14.3%

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

The Energy sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -35.9%. 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 reporting (or are expected to report) a year-over-year decrease in earnings of more than 15%: Integrated Oil & Gas (-46%), Oil & Gas Exploration & Production (-39%), and Oil & Gas Refining & Marketing (-19%). On the other hand, the other two sub-industries are reporting year-over-year earnings growth or more than 10%: Oil & Gas Equipment & Services (29%) and Oil & Gas Storage & Transportation (11%).

The Energy sector is also the largest contributor to overall earnings decline for the S&P 500. If this sector were excluded, the S&P 500 would be reporting growth in earnings of 4.6% rather than a decline in earnings of -0.4%.

Materials: 3 of 4 Industries Reporting Year-Over-Year Decline of More Than 20%

The Materials sector is reporting the second-largest (year-over-year) earnings decline of all eleven sectors at -22.6%. At the industry level, three of the four industries in this sector are reporting (or are predicted to report) a year-over-year decline in earnings of 20% or more: Containers & Packaging (-30%), Chemicals (-24%), and Metals & Mining (-23%). On the other hand, the Construction Materials (28%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.

Health Care: Pharmaceutical Industry Is Largest Contributor to Year-Over-Year Decline

The Health Care sector is reporting the third-largest (year-over-year) earnings decline of all eleven sectors at -19.8%. At the industry level, three of the five industries in this sector are reporting (or are predicted to report) a year-over-year decline in earnings: Pharmaceuticals (-45%), Biotechnology (-21%), and Life Sciences, Tools, & Services (-6%) industries. On the other hand, two industries are reporting year-over-year earnings growth: Health Care Providers & Services (7%) and Health Care Equipment & Supplies (5%).

At the industry level, the Pharmaceutical industry is the largest contributor to the earnings decline for the sector. If this industry were excluded, the blended earnings decline for the Health Care sector would improve to -4.1% from -19.8%.

Revenue Growth: 1.8%

The blended (year-over-year) revenue growth rate for Q3 2023 is 1.8%, which is below the 5-year average revenue growth rate of 7.2% and below the 10-year average revenue growth rate of 5.0%. If 1.8% is the actual revenue growth rate for the quarter, it will mark the 11th consecutive quarter of revenue growth for the index.

At the sector level, nine sectors are reporting (or 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: 6 of 9 Industries Reporting Year-Over-Year Growth

The Consumer Discretionary sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 6.6%. At the industry level, 6 of the 9 industries in the sector are reporting (or are expected to report) a year-over-year increase in revenues. Two of these six industries are reporting (or are projected to report) revenue growth at or above 10%: Hotels, Restaurants, & Leisure (21%) and Broadline Retail (11%).

Energy: 4 of 5 Sub-Industries Reporting Year-Over-Year Decline of More Than 10%

The Energy sector is reporting the largest (year-over-year) revenue decline of all eleven sectors at -16.0%. 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 reporting (or are expected to report) a year-over-year decrease in revenues of more than 10%: Oil & Gas Exploration & Production (-23%), Integrated Oil & Gas (-19%), Oil & Gas Storage & Transportation (-16%), and Oil & Gas Refining & Marketing (-13%). On the other hand, the Oil & Gas Equipment & Services (14%) sub-industry is the only sub-industry reporting (year-over-year) revenue growth in the sector.

Materials: Chemicals Industry Leads Year-Over-Year Decline

The Materials sector is reporting the second-highest (year-over-year) decline in revenues at -9.7%. At the industry level, three of the four industries in the sector are reporting (or are predicted to report) a year-over-year decrease in revenues: Chemicals (-12%), Metals & Mining (-9%), and Containers & Packaging (-7%). 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: 11.6%

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

At the sector level, six sectors are reporting (or 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 reporting a year-over-year decrease in their net profit margins in Q3 2023 compared to Q3 2022, led by the Energy (11.0% vs. 14.4%) and Health Care (8.1% vs. 10.5%) sectors.

Eight sectors are reporting (or are expected to report) net profit margins in Q3 2023 that are above their 5-year averages, led by the Energy (11.0% vs. 8.4%) sector. On the other hand, three sectors are reporting net profit margins in Q3 2023 that are below their 5-year averages, led by the Health Care (8.1% vs. 10.3%) sector.

Forward Estimates and Valuation

Quarterly Guidance: % of S&P 500 Companies Issuing Negative Guidance for Q4 Below 5-Year Average

At this point in time, 13 companies in the index have issued EPS guidance for Q4 2023. Of these 13 companies, 7 have issued negative EPS guidance and 6 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q4 2023 is 54% (7 out of 16), which is below the 5-year average of 59% and below the 10-year average of 64%.

At this point in time, 269 companies in the index have issued EPS guidance for the current fiscal year (FY 2023 or FY 2024). Of these 269 companies, 105 have issued negative EPS guidance and 164 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 39% (105 out of 269).

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

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

For the third quarter, S&P 500 companies are reporting a year-over-year decline in earnings of -0.4% and year-over-year growth in revenues of 1.8%.

For Q4 2023, analysts are projecting earnings growth of 6.7% and revenue growth of 3.9%.

For CY 2023, analysts are projecting earnings growth of 0.7% and revenue growth of 2.4%.

For Q1 2024, analysts are projecting earnings growth of 8.0% and revenue growth of 4.6%.

For Q2 2024, analysts are projecting earnings growth of 11.7% and revenue growth of 5.3%.

For CY 2024, analysts are projecting earnings growth of 12.2% and revenue growth of 5.6%.

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 slightly below the forward 12-month P/E ratio of 17.8 recorded at the end of the third quarter (September 30). Since the end of the third quarter (September 30), the price of the index has decreased by 0.2%, while the forward 12-month EPS estimate has increased by 0.3%. At the sector level, the Information Technology (24.5) and Consumer Discretionary (22.7) sectors have the highest forward 12-month P/E ratios, while the Energy (11.6) and Financials (12.8) 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 22.4 but above the 10-year average of 20.8.

Targets & Ratings: Analysts Project 19% Increase in Price Over Next 12 Months

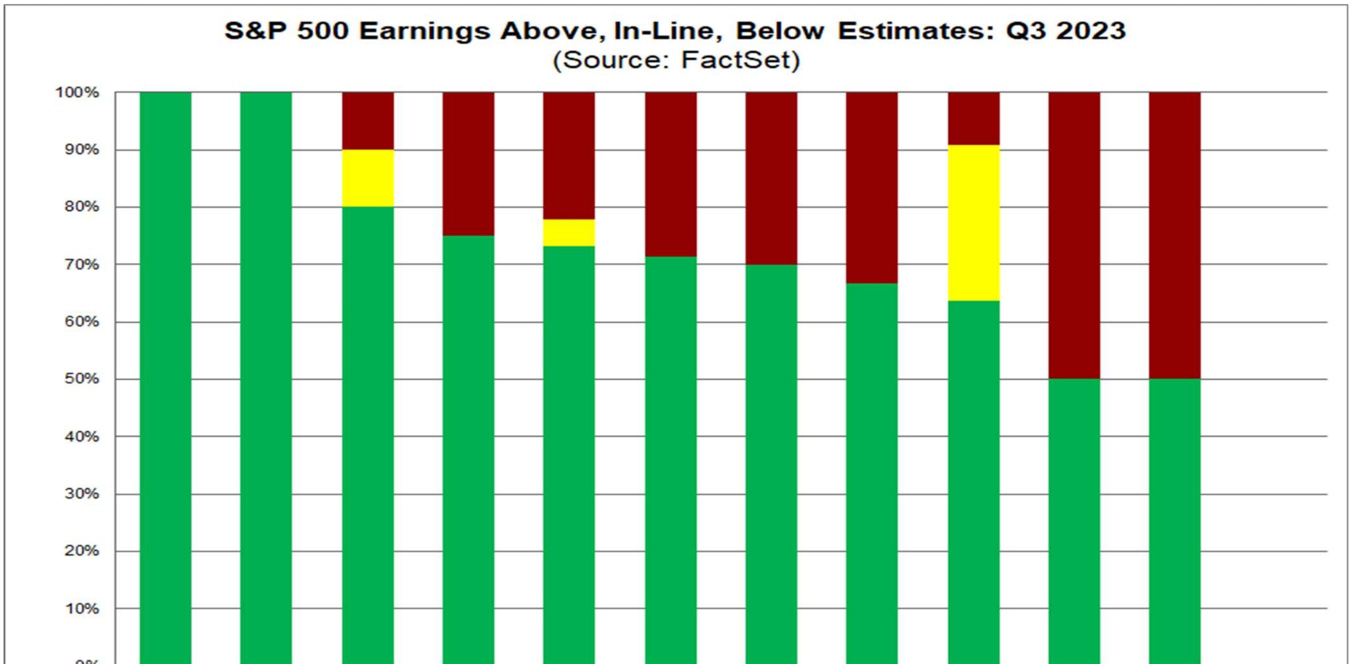
The bottom-up target price for the S&P 500 is 5103.78, which is 19.3% above the closing price of 4278.00. At the sector level, the Consumer Discretionary (+26.8%) and Real Estate (+24.8%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Energy (+9.1%) sector is expected to see the smallest price increase, as this sector has the smallest upside difference between the bottom-up target price and the closing price.

Overall, there are 11,264 ratings on stocks in the S&P 500. Of these 11,264 ratings, 54.9% are Buy ratings, 39.5% are Hold ratings, and 5.6% are Sell ratings. At the sector level, the Energy (63%) sector has the highest percentage of Buy ratings, while the Consumer Staples (47%) sector has the lowest percentage of Buy ratings.

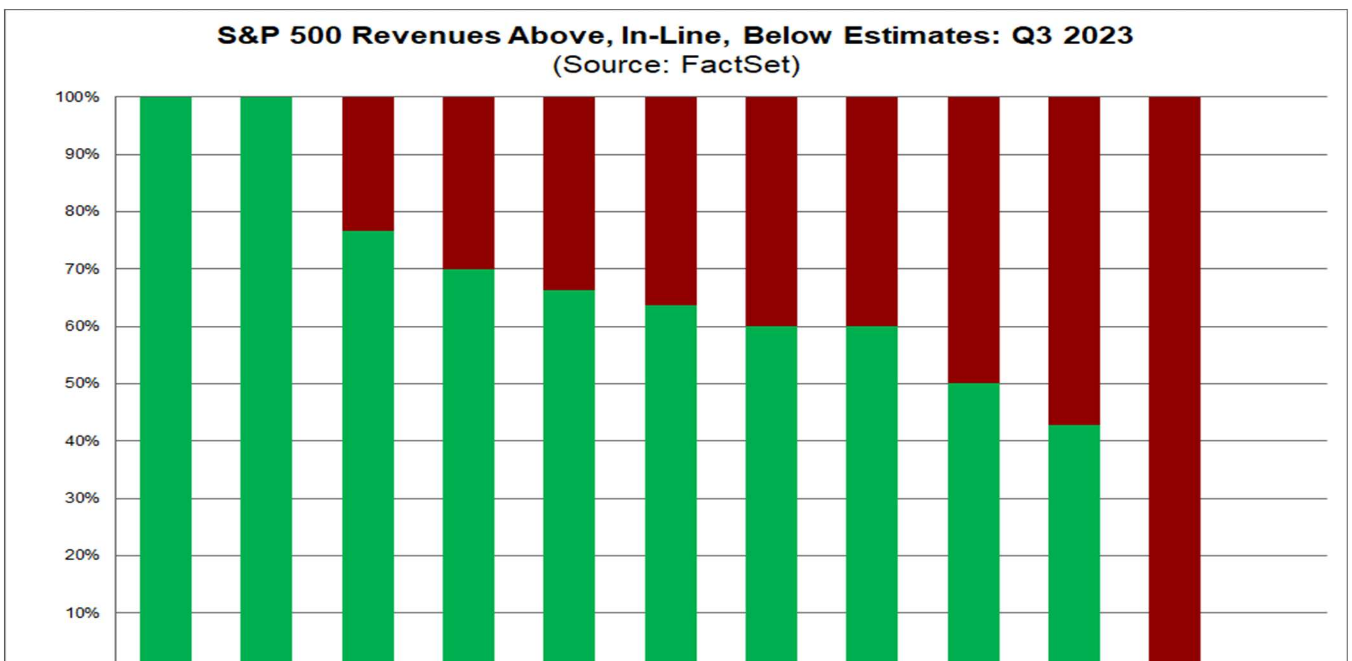
Companies Reporting Next Week: 160

During the upcoming week, 160 S&P 500 companies (including 12 Dow 30 components) are scheduled to report results for the third quarter.

Q3 2023: Scorecard

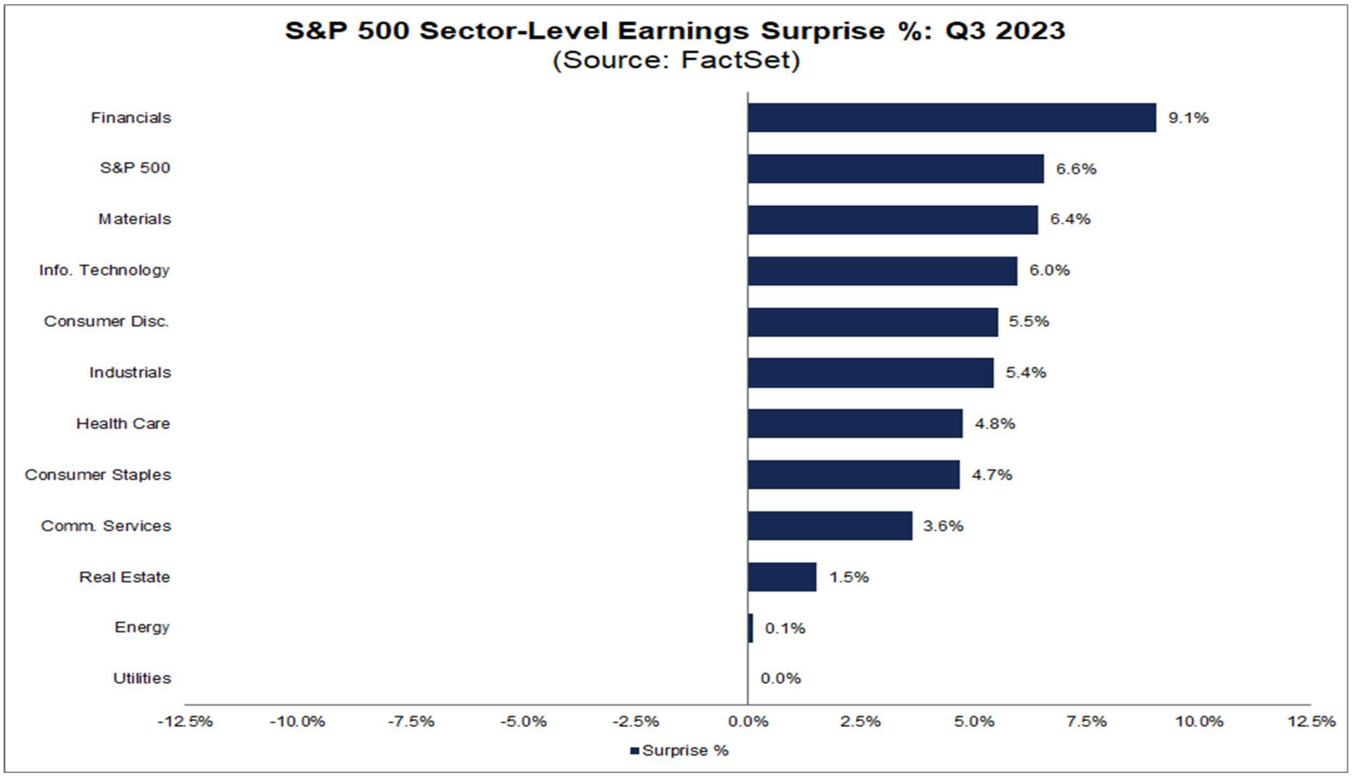


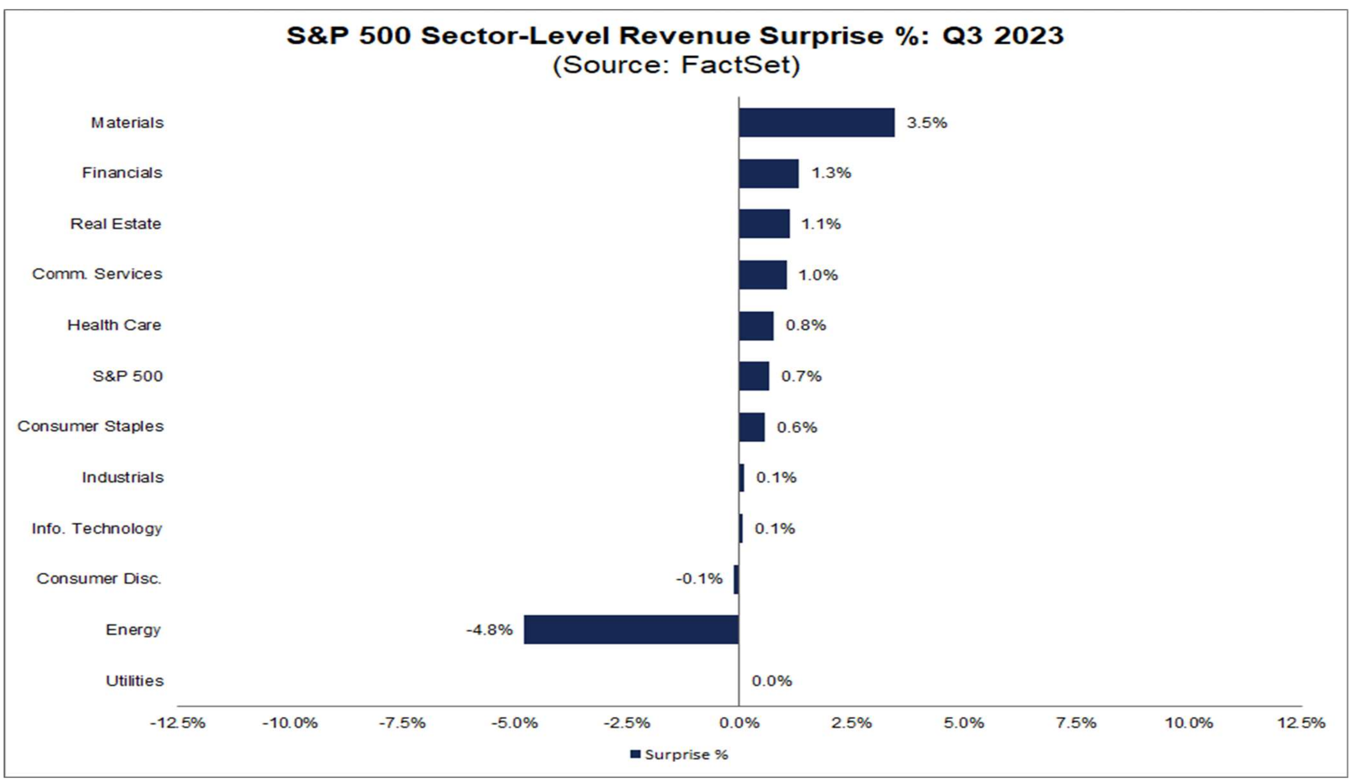
	Health Care	Info. Technology	Consumer Staples	Comm. Services	S&P 500	Industrials	Financials	Materials	Consumer Disc.	Real Estate	Energy	Utilities
Below	0%	0%	10%	25%	22%	29%	30%	33%	9%	50%	50%	0%
In-Line	0%	0%	10%	0%	5%	0%	0%	0%	27%	0%	0%	0%
Above	100%	100%	80%	75%	73%	71%	70%	67%	64%	50%	50%	0%



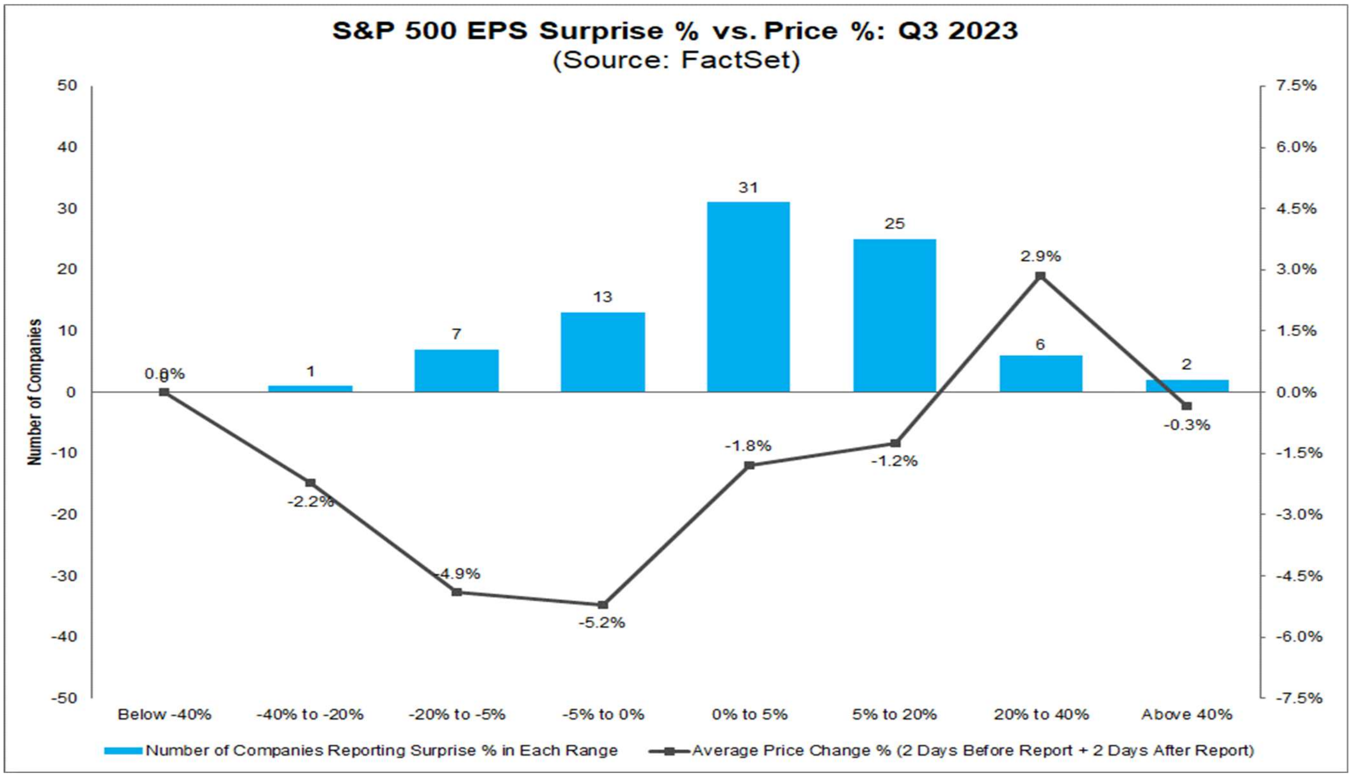
	Comm. Services	Materials	Financials	Consumer Staples	S&P 500	Consumer Disc.	Health Care	Info. Technology	Real Estate	Industrials	Energy	Utilities
Below	0%	0%	23%	30%	34%	36%	40%	40%	50%	57%	100%	0%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	100%	100%	77%	70%	66%	64%	60%	60%	50%	43%	0%	0%

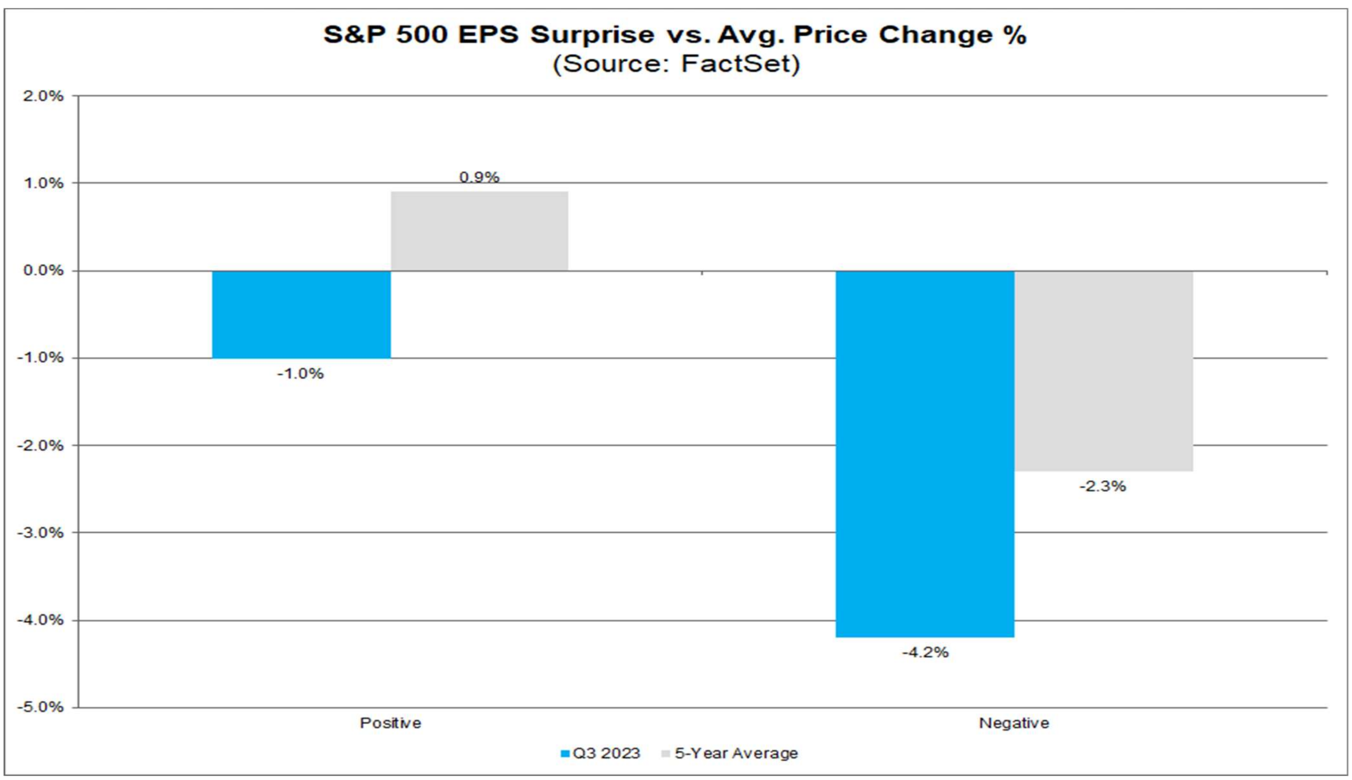
Q3 2023: Scorecard



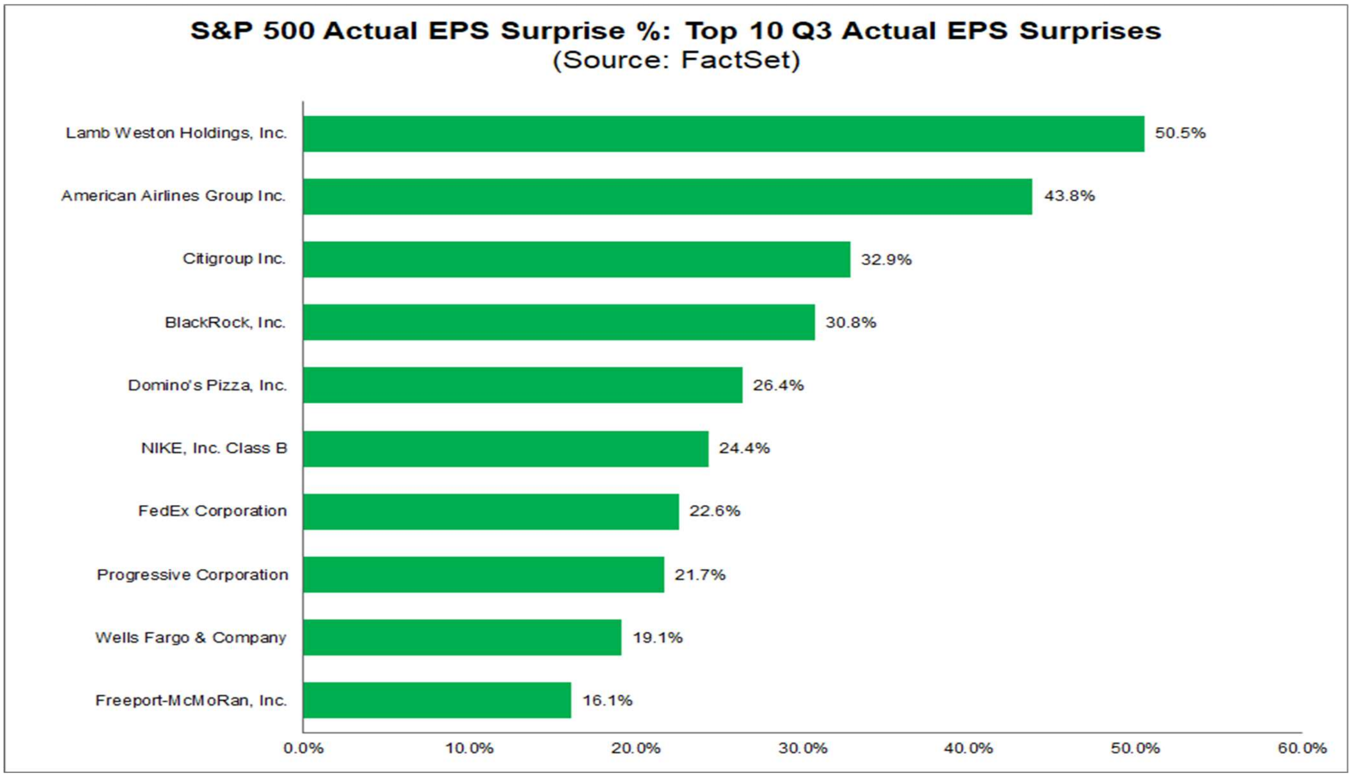


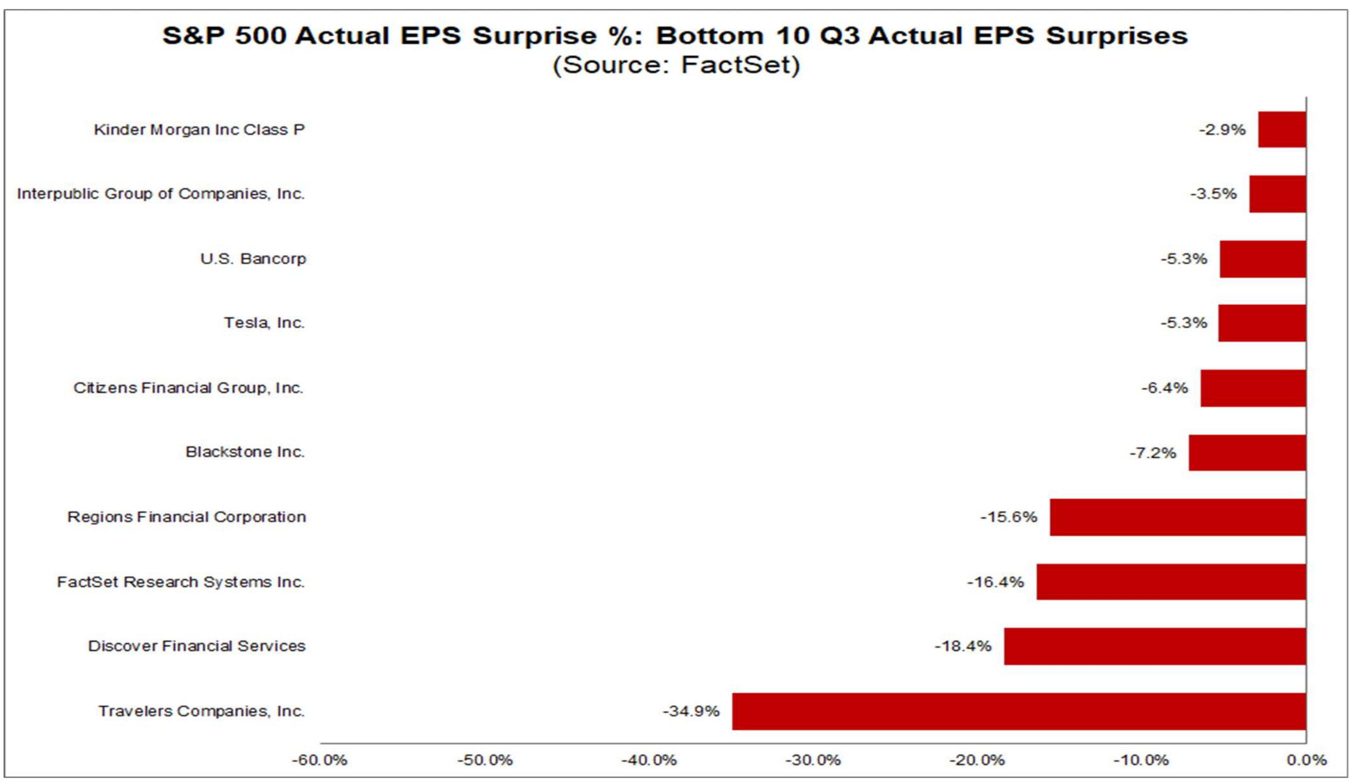
Q3 2023: Scorecard



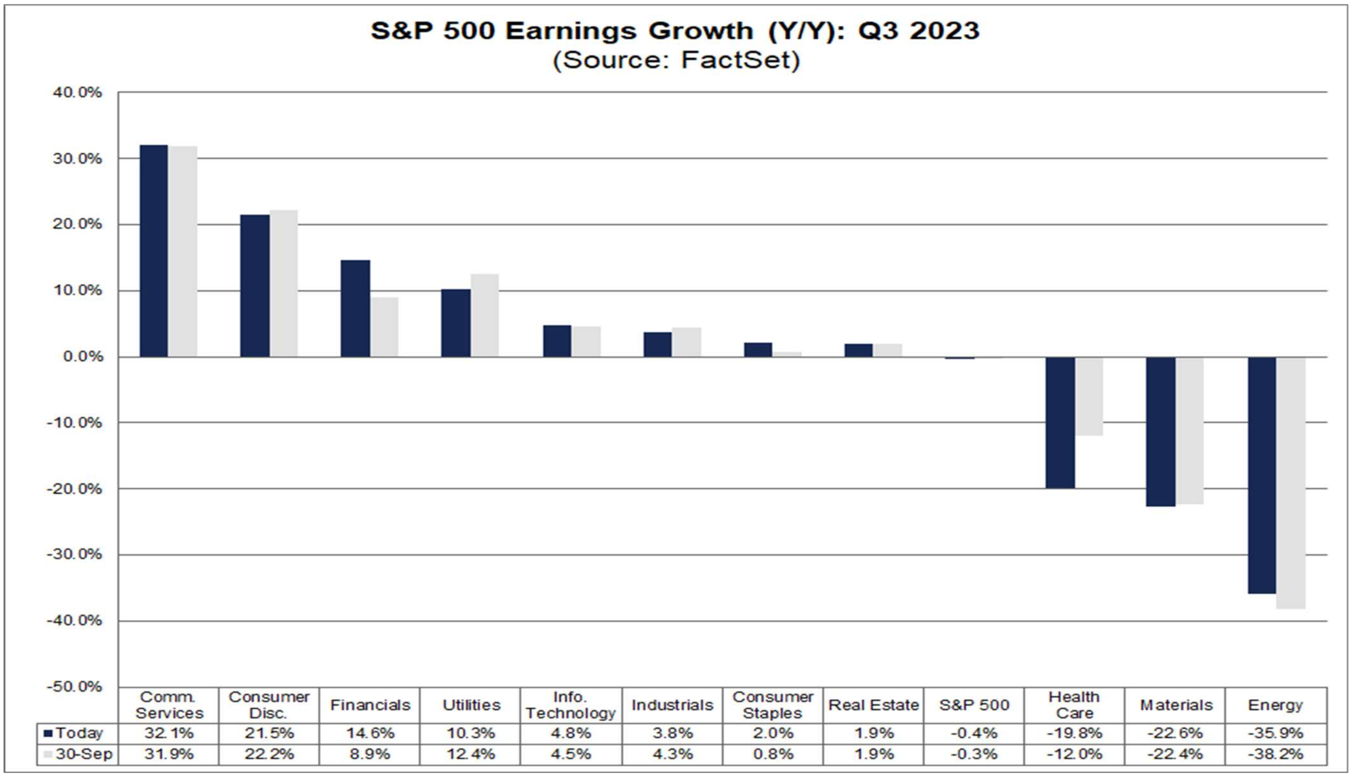


Q3 2023: Scorecard

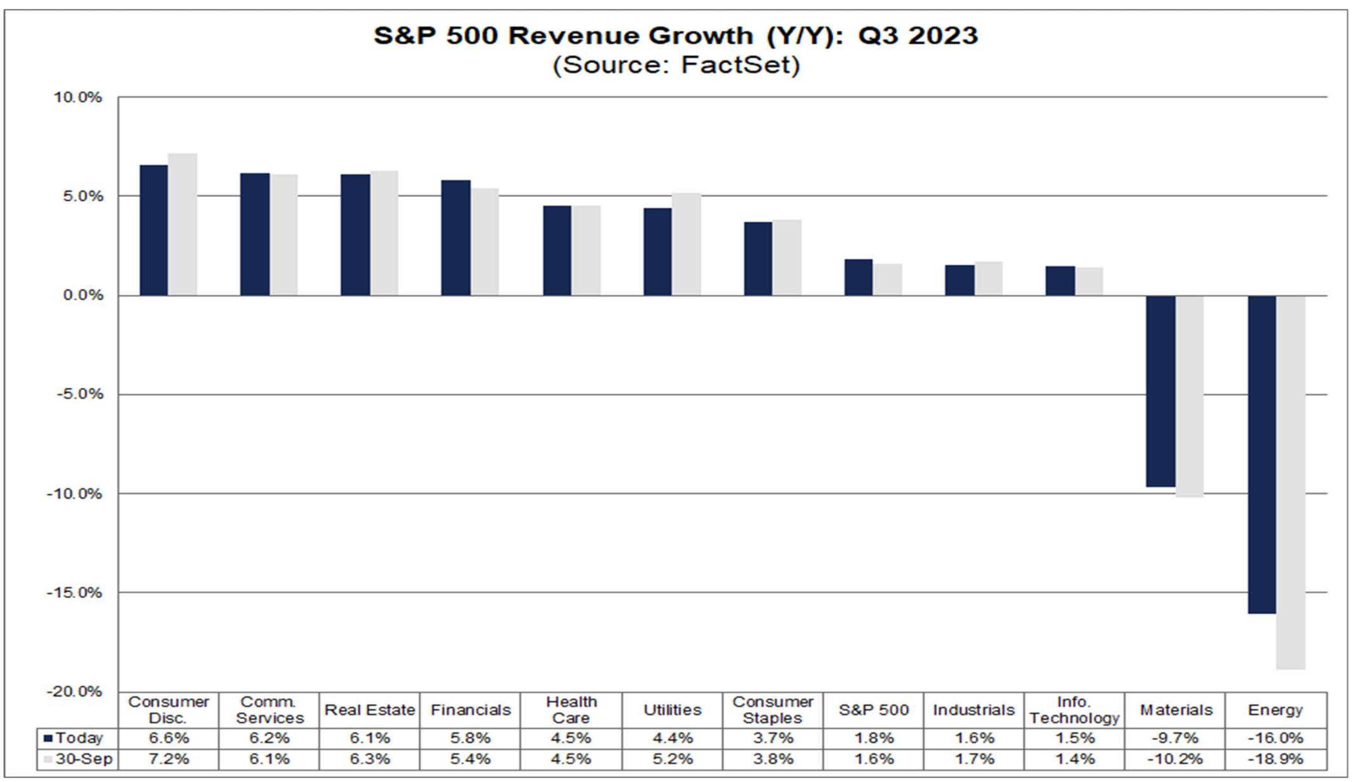




Q3 2023: Growth

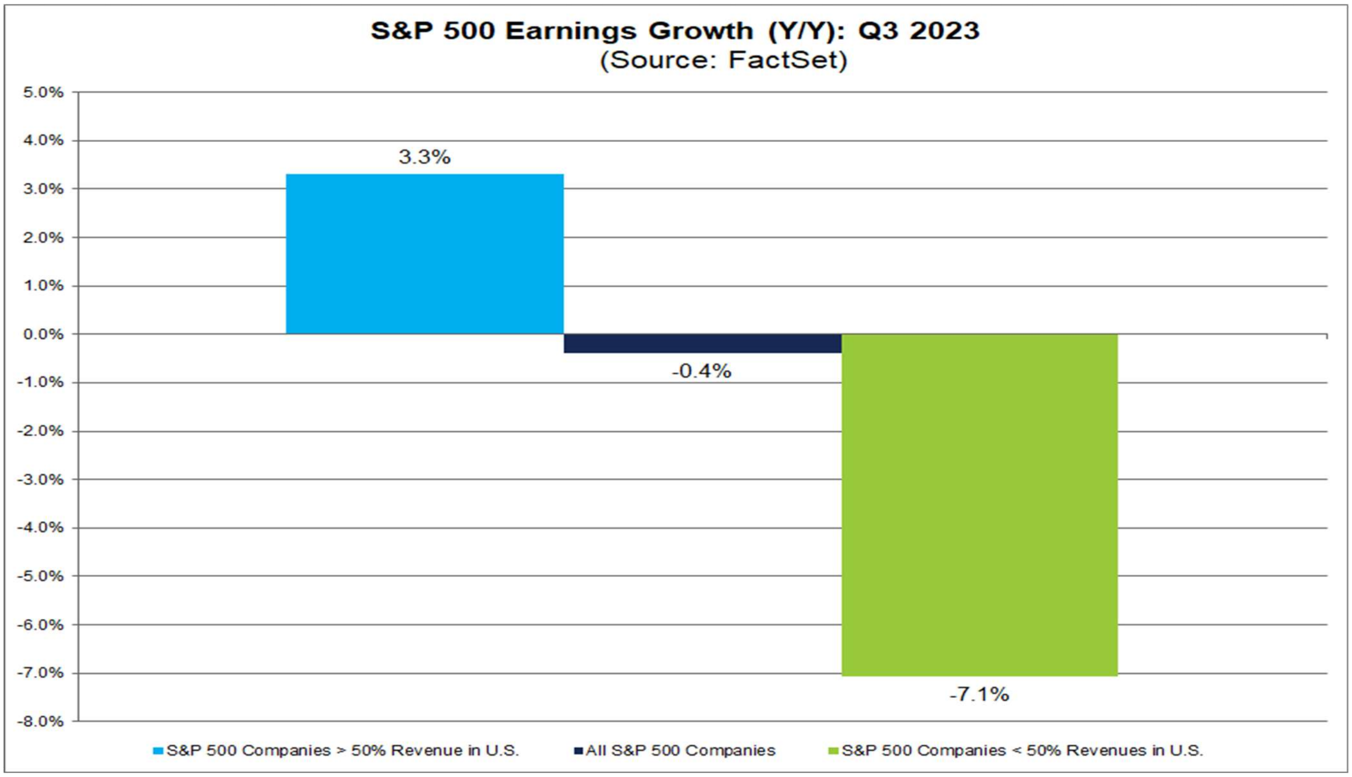


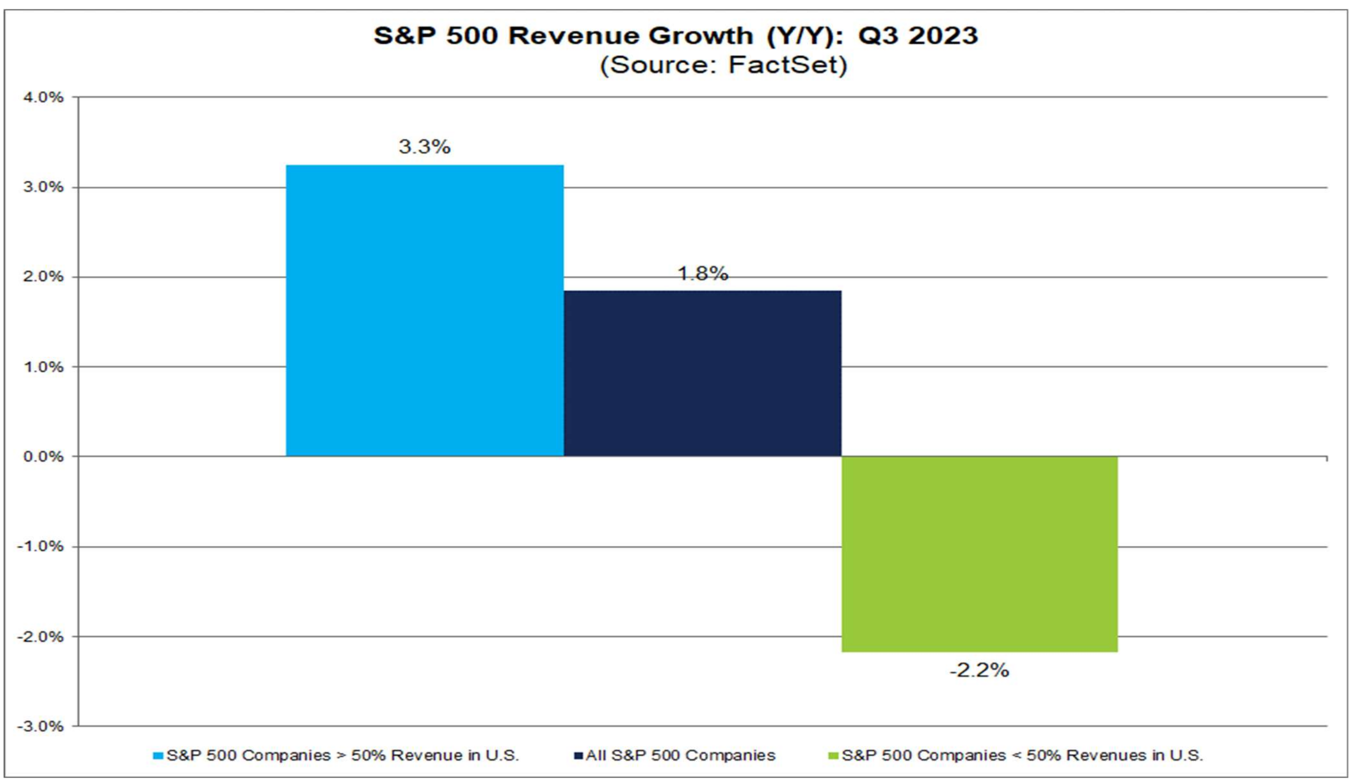
	Comm. Services	Consumer Disc.	Financials	Utilities	Info. Technology	Industrials	Consumer Staples	Real Estate	S&P 500	Health Care	Materials	Energy
Today	32.1%	21.5%	14.6%	10.3%	4.8%	3.8%	2.0%	1.9%	-0.4%	-19.8%	-22.6%	-35.9%
30-Sep	31.9%	22.2%	8.9%	12.4%	4.5%	4.3%	0.8%	1.9%	-0.3%	-12.0%	-22.4%	-38.2%



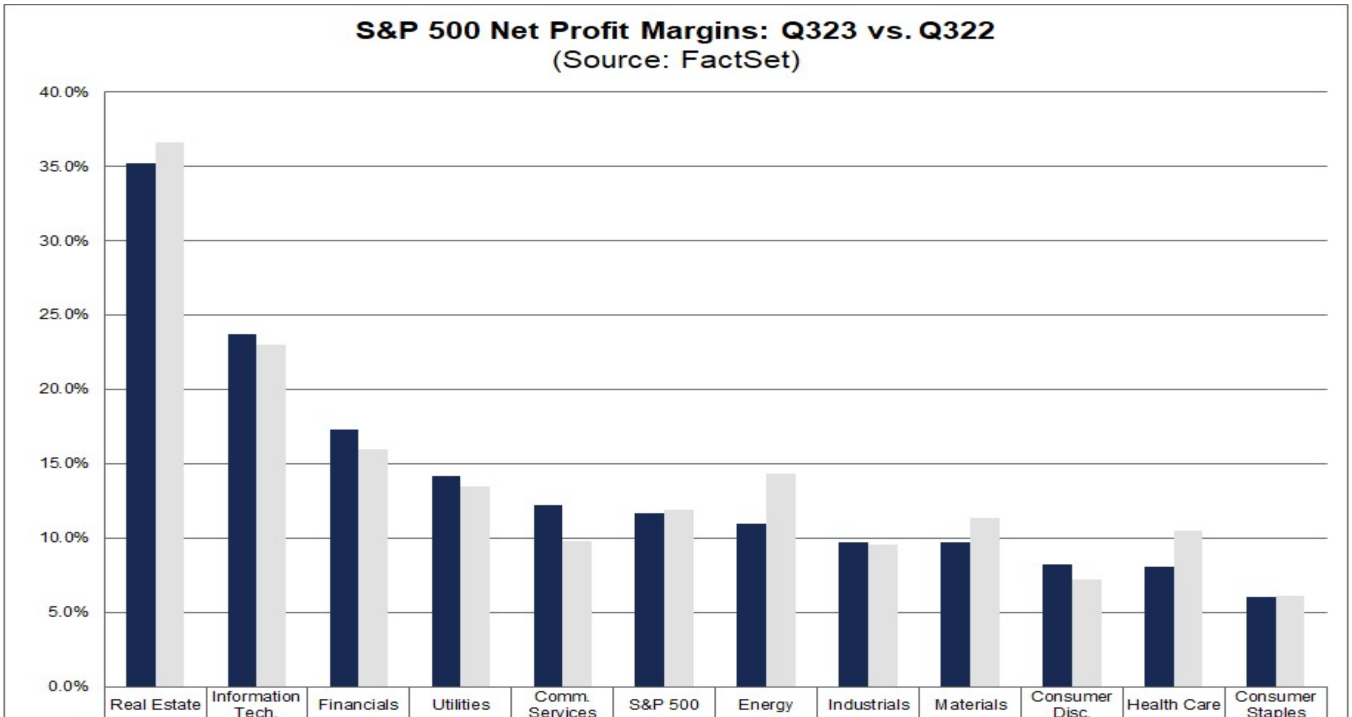
	Consumer Disc.	Comm. Services	Real Estate	Financials	Health Care	Utilities	Consumer Staples	S&P 500	Industrials	Info. Technology	Materials	Energy
Today	6.6%	6.2%	6.1%	5.8%	4.5%	4.4%	3.7%	1.8%	1.6%	1.5%	-9.7%	-16.0%
30-Sep	7.2%	6.1%	6.3%	5.4%	4.5%	5.2%	3.8%	1.6%	1.7%	1.4%	-10.2%	-18.9%

Q3 2023: Growth

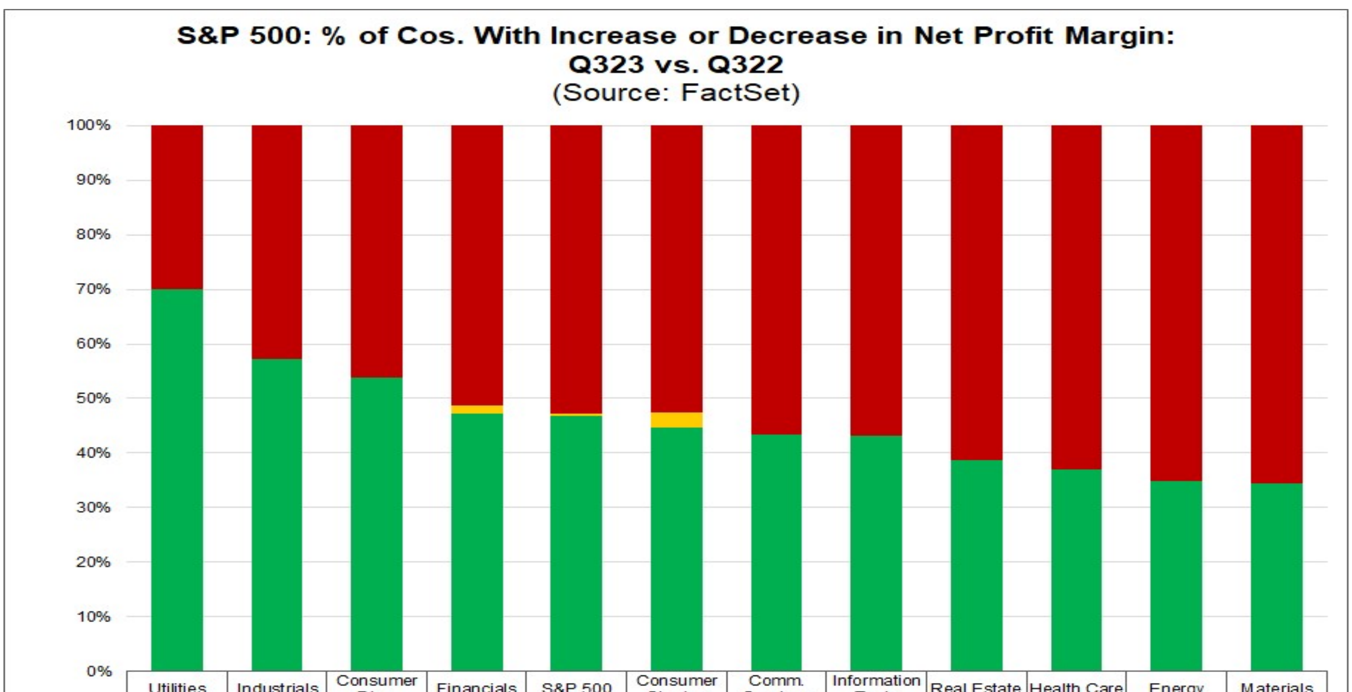




Q3 2023: Net Profit Margin

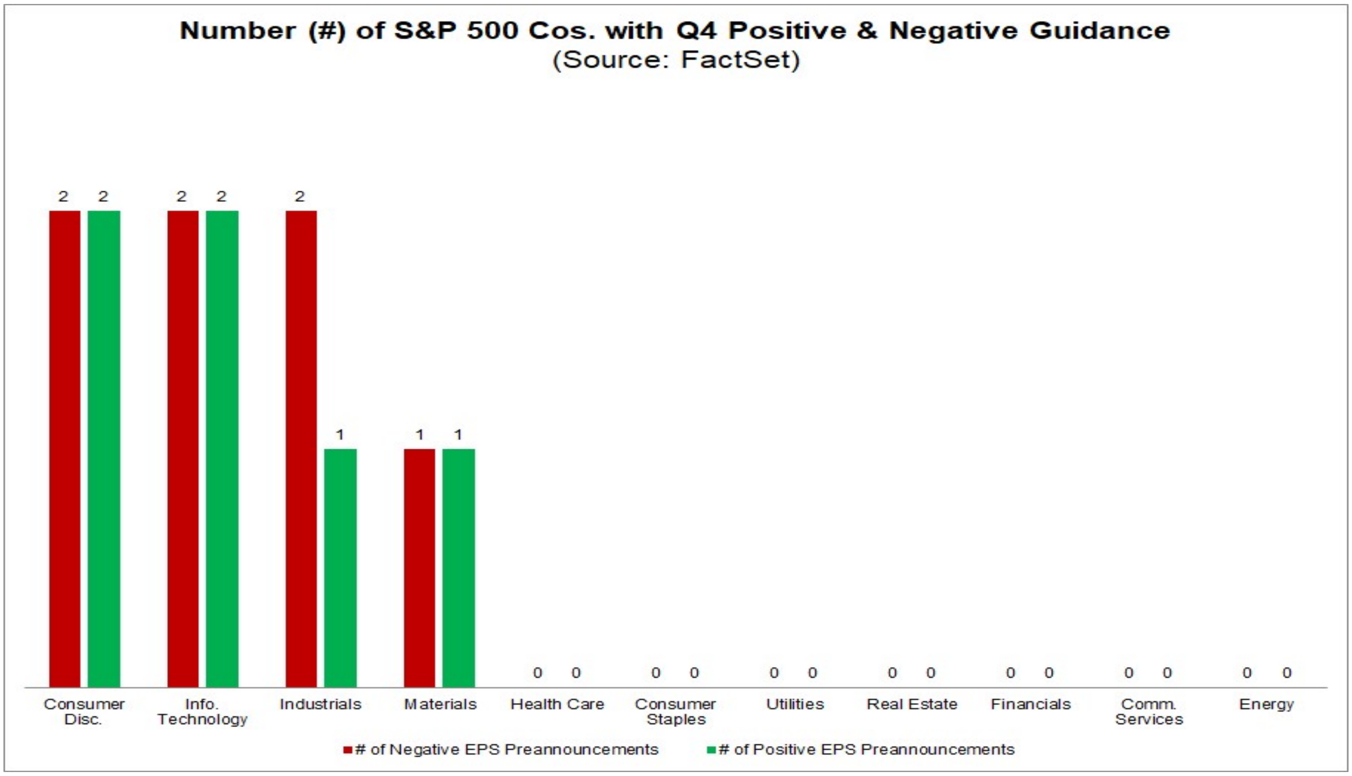


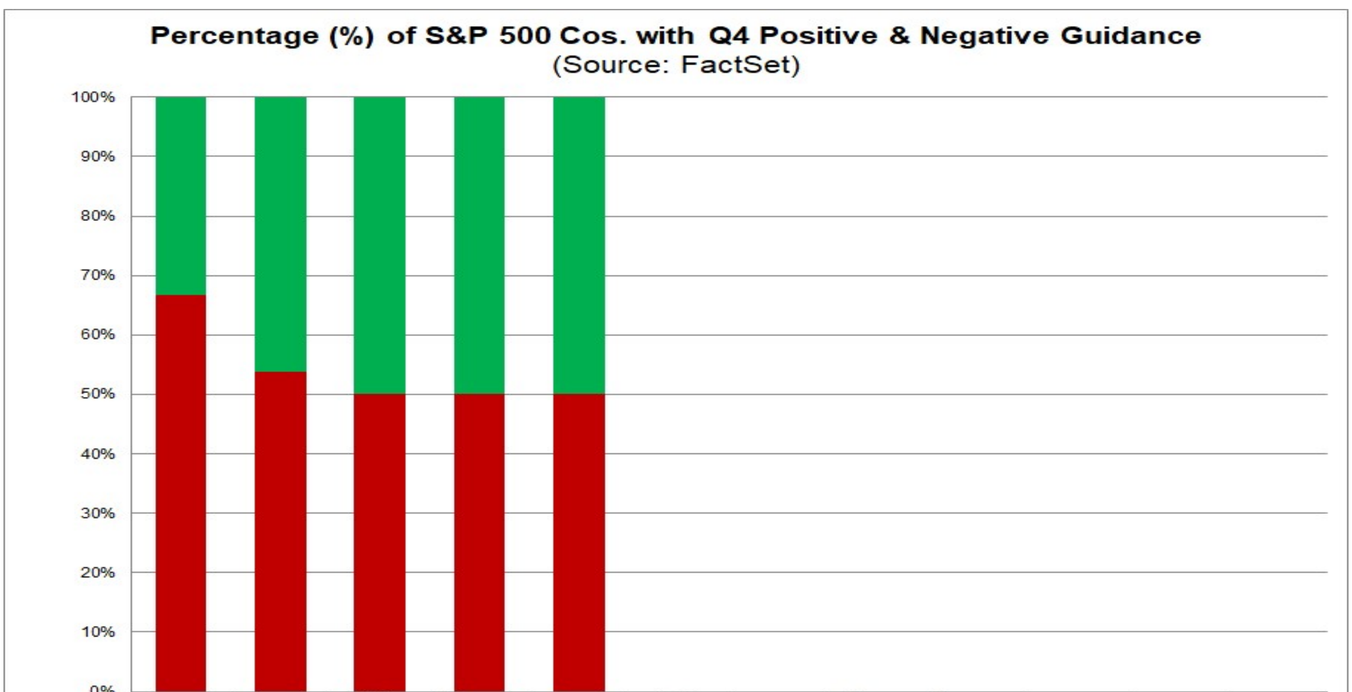
	Real Estate	Information Tech.	Financials	Utilities	Comm. Services	S&P 500	Energy	Industrials	Materials	Consumer Disc.	Health Care	Consumer Staples
Q323	35.2%	23.7%	17.3%	14.2%	12.2%	11.6%	11.0%	9.7%	9.7%	8.2%	8.1%	6.0%
Q322	36.6%	23.0%	15.9%	13.4%	9.8%	11.9%	14.4%	9.5%	11.3%	7.2%	10.5%	6.1%



	Utilities	Industrials	Consumer Disc.	Financials	S&P 500	Consumer Staples	Comm. Services	Information Tech.	Real Estate	Health Care	Energy	Materials
Down %	30%	43%	46%	51%	53%	53%	57%	57%	61%	63%	65%	66%
None %	0%	0%	0%	1%	0%	3%	0%	0%	0%	0%	0%	0%
Up %	70%	57%	54%	47%	47%	45%	43%	43%	39%	37%	35%	34%

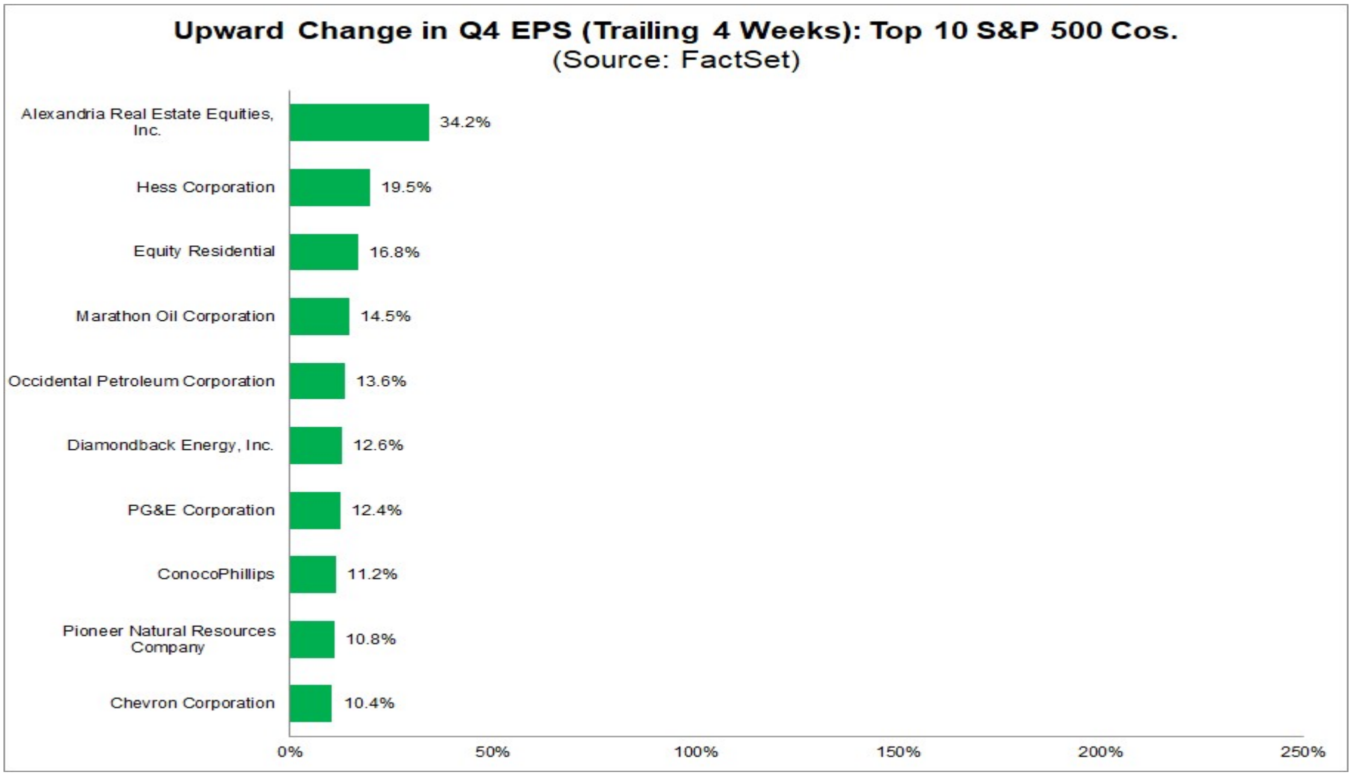
Q4 2023: Guidance

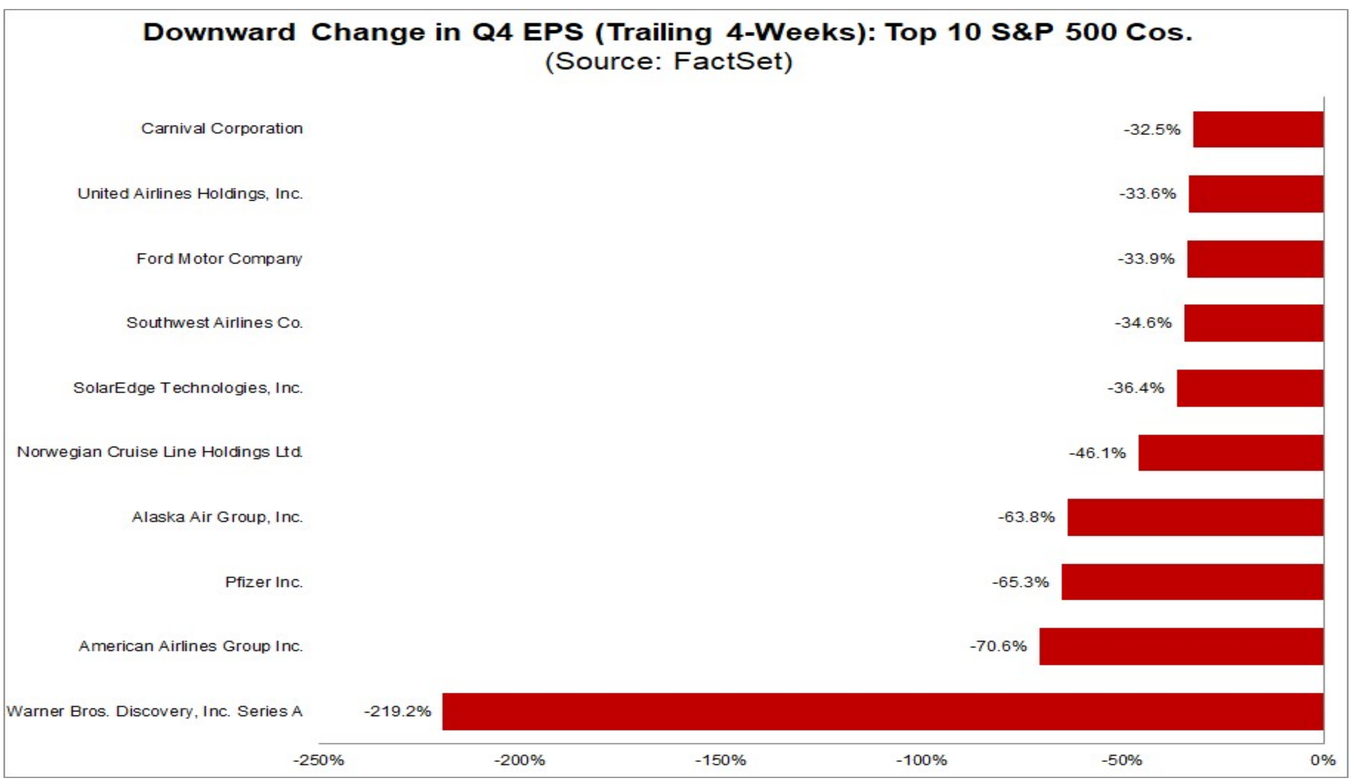




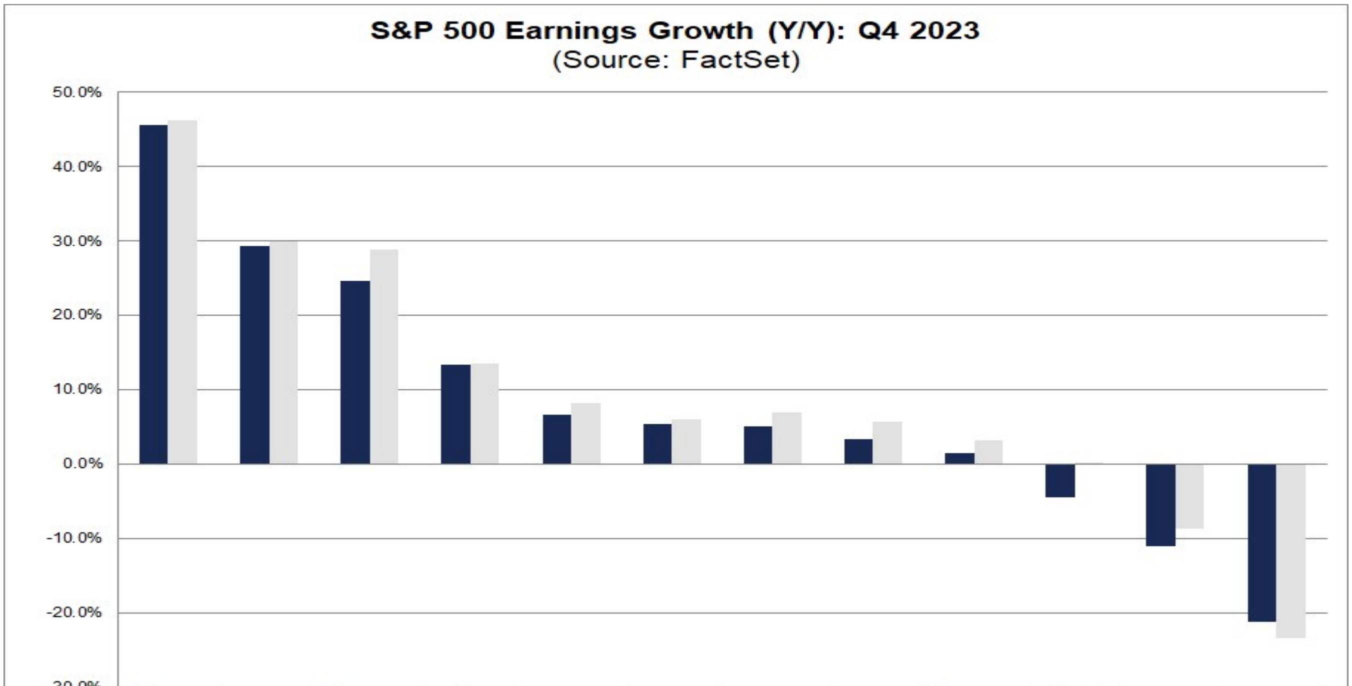
	Industrials	S&P 500	Info. Technology	Consumer Disc.	Materials	Health Care	Utilities	Comm. Services	Consumer Staples	Financials	Real Estate	Energy
Positive	33%	46%	50%	50%	50%	0%	0%	0%	0%	0%	0%	0%
Negative	67%	54%	50%	50%	50%	0%	0%	0%	0%	0%	0%	0%

Q4 2023: EPS Revisions

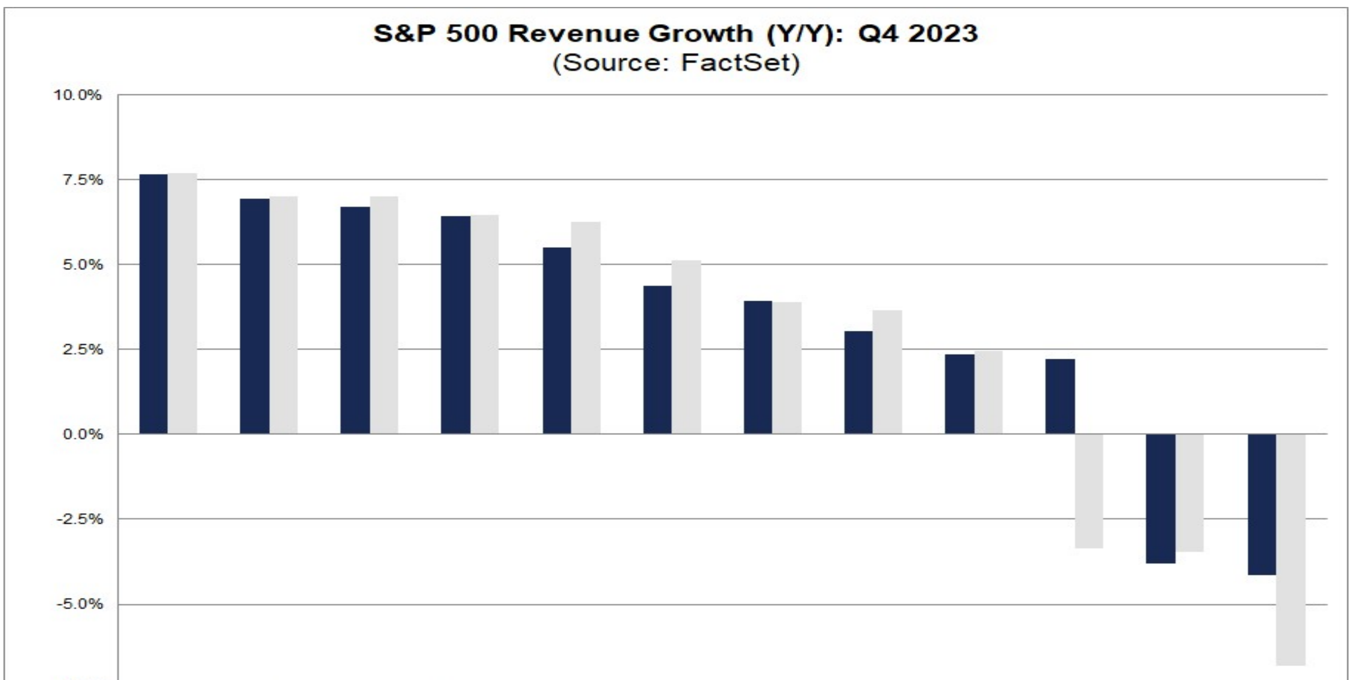




Q4 2023: Growth

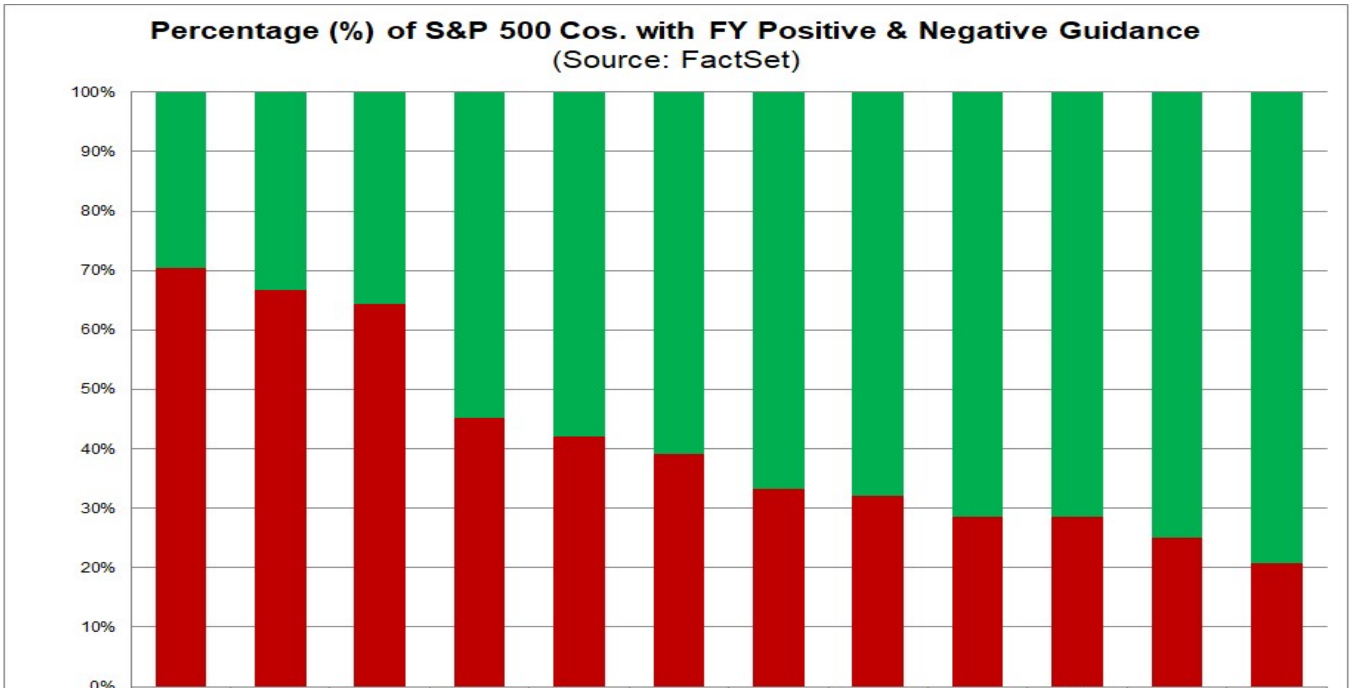


	Comm. Services	Utilities	Consumer Disc.	Info. Technology	S&P 500	Real Estate	Financials	Industrials	Consumer Staples	Health Care	Materials	Energy
Today	45.6%	29.3%	24.6%	13.4%	6.7%	5.4%	5.0%	3.4%	1.4%	-4.4%	-11.0%	-21.2%
30-Sep	46.3%	30.0%	28.8%	13.5%	8.2%	6.0%	7.0%	5.7%	3.2%	0.2%	-8.8%	-23.4%

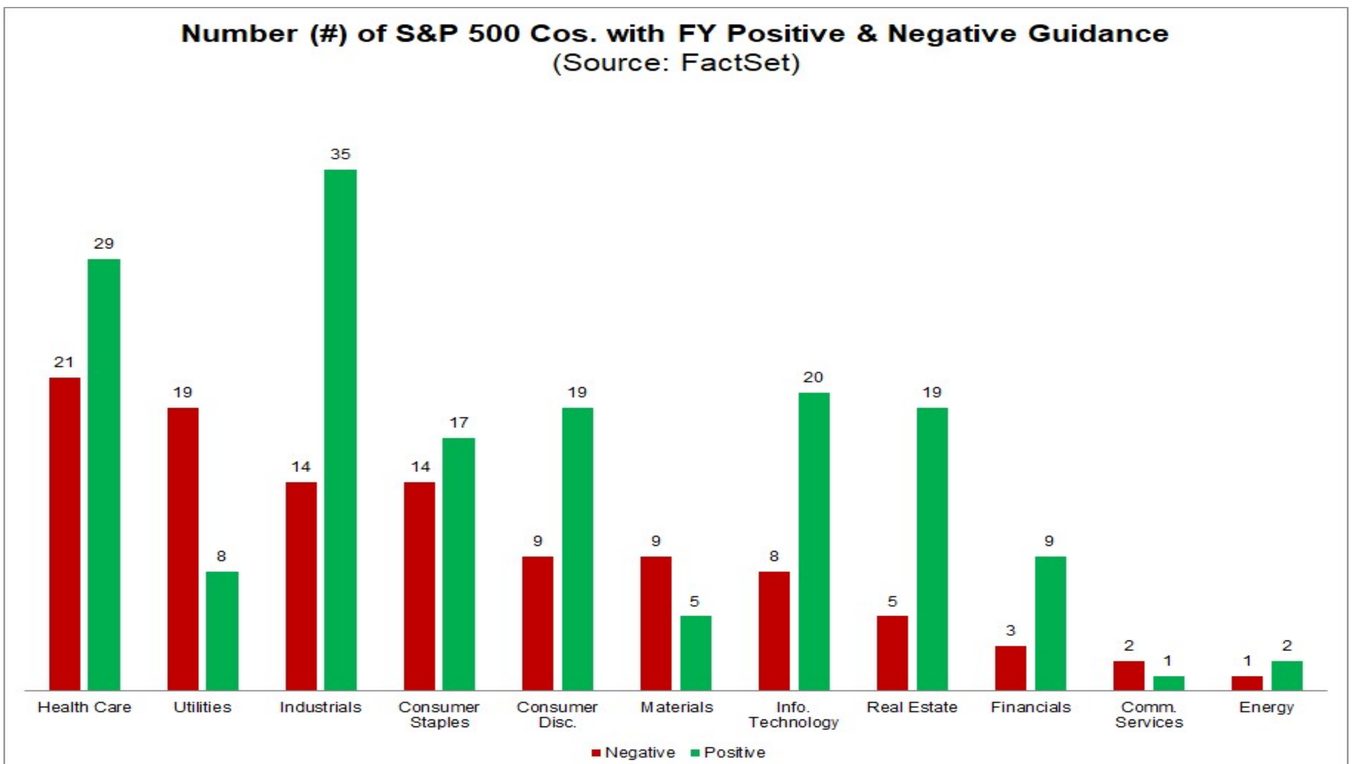


	Financials	Info. Technology	Real Estate	Comm. Services	Consumer Disc.	Health Care	S&P 500	Consumer Staples	Industrials	Utilities	Materials	Energy
Today	7.7%	6.9%	6.7%	6.4%	5.5%	4.4%	3.9%	3.0%	2.4%	2.2%	-3.8%	-4.1%
30-Sep	7.7%	7.0%	7.0%	6.5%	6.3%	5.1%	3.9%	3.7%	2.5%	-3.4%	-3.4%	-6.8%

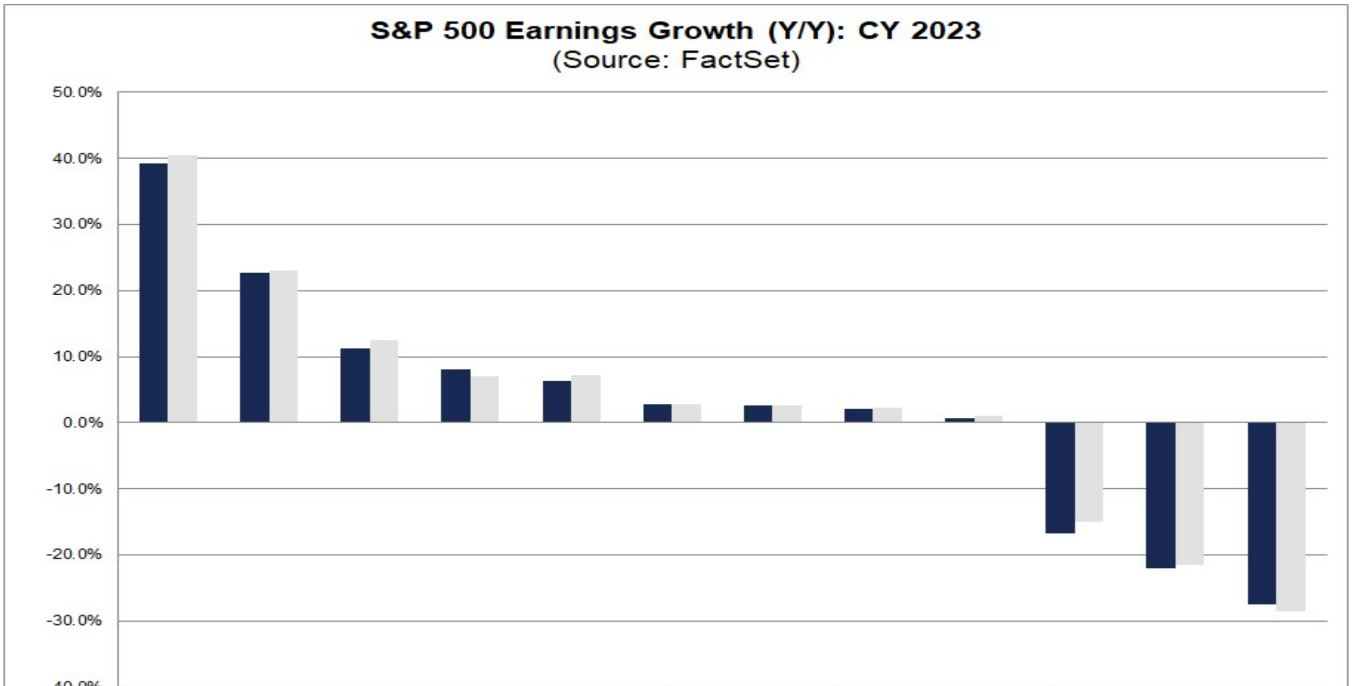
FY 2023 / 2024: EPS Guidance



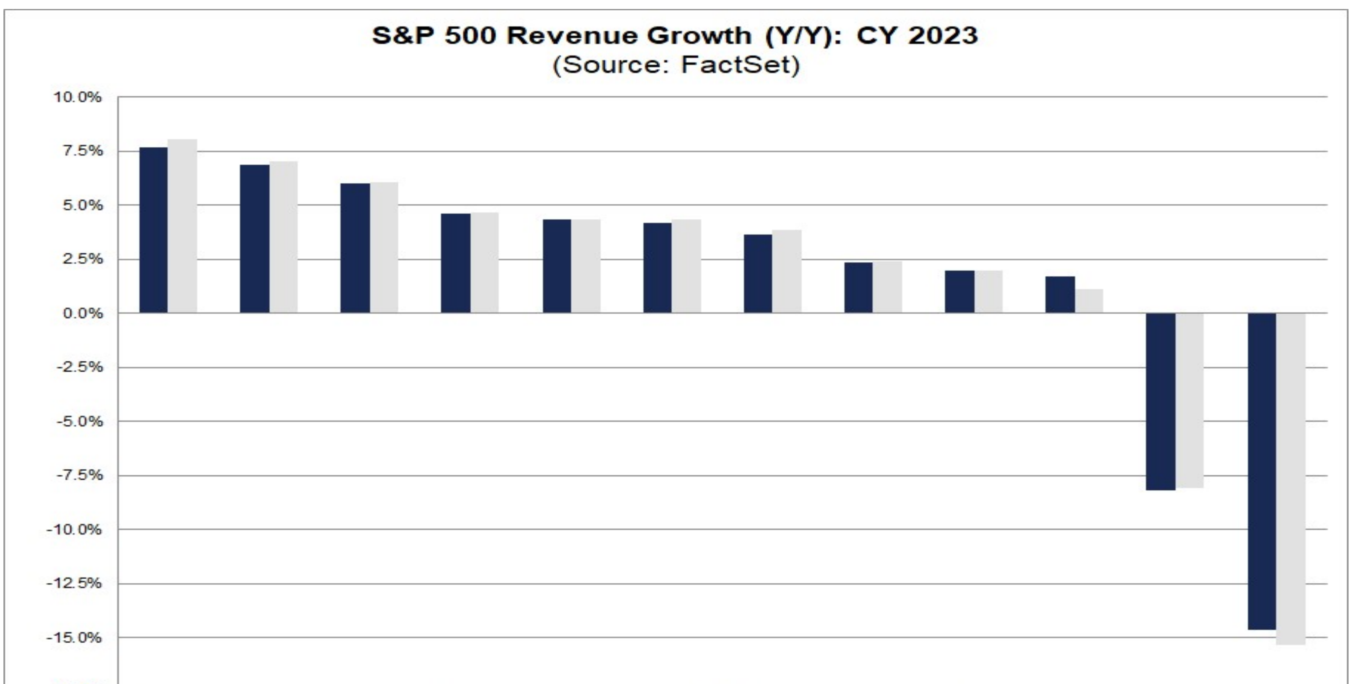
	Utilities	Comm. Services	Materials	Consumer Staples	Health Care	S&P 500	Energy	Consumer Disc.	Industrials	Info. Technology	Financials	Real Estate
Positive	30%	33%	36%	55%	58%	61%	67%	68%	71%	71%	75%	79%
Negative	70%	67%	64%	45%	42%	39%	33%	32%	29%	29%	25%	21%



CY 2023: Growth

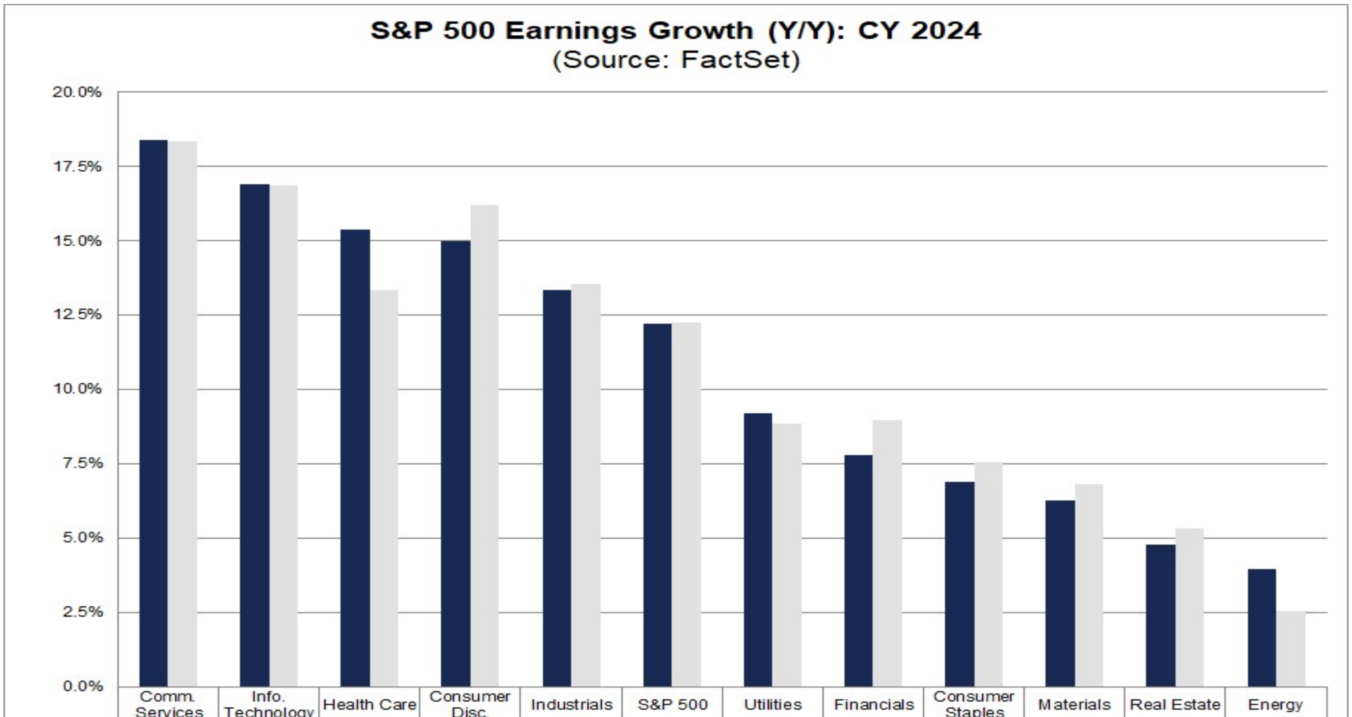


	Consumer Disc.	Comm. Services	Industrials	Financials	Utilities	Info. Technology	Real Estate	Consumer Staples	S&P 500	Health Care	Materials	Energy
Today	39.2%	22.7%	11.3%	8.0%	6.3%	2.9%	2.5%	2.0%	0.7%	-16.7%	-22.1%	-27.5%
30-Sep	40.4%	23.0%	12.5%	7.1%	7.1%	2.8%	2.7%	2.2%	1.0%	-14.9%	-21.6%	-28.5%

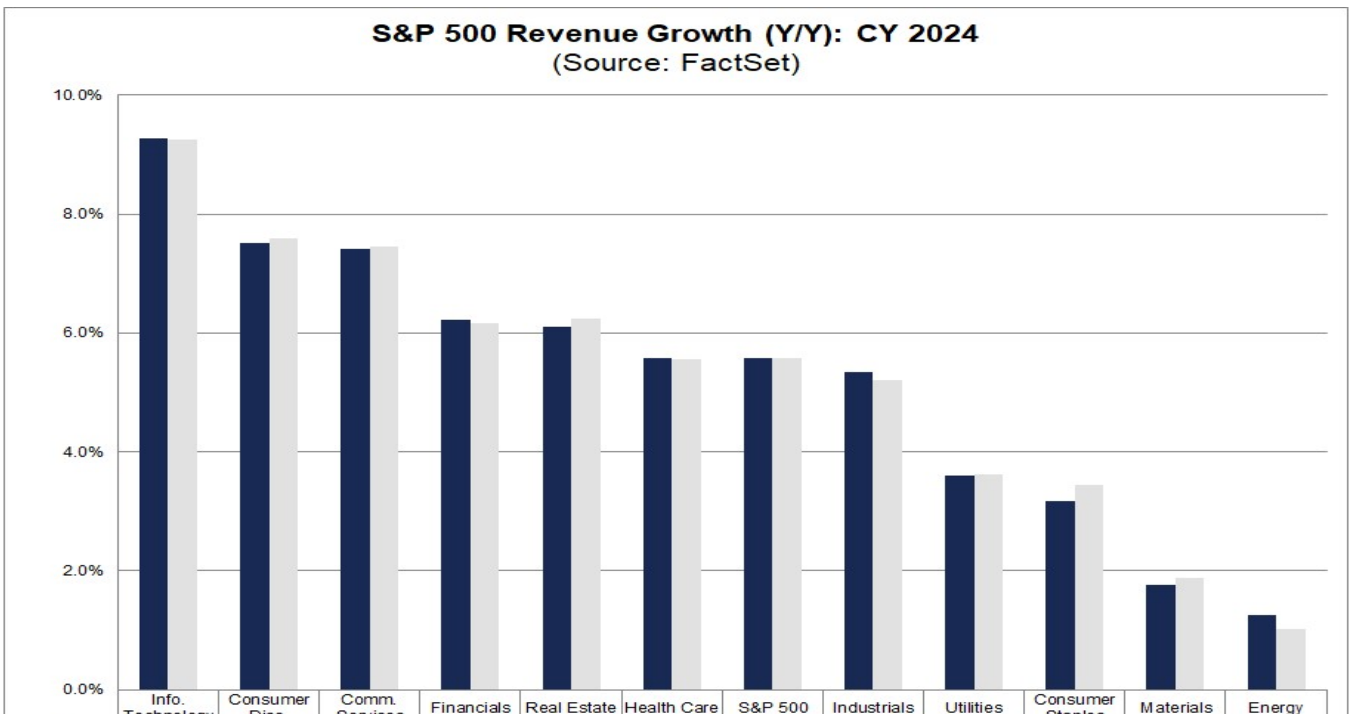


	Consumer Disc.	Financials	Real Estate	Comm. Services	Industrials	Health Care	Consumer Staples	S&P 500	Info. Technology	Utilities	Materials	Energy
Today	7.7%	6.9%	6.0%	4.6%	4.3%	4.2%	3.6%	2.4%	2.0%	1.7%	-8.2%	-14.6%
30-Sep	8.0%	7.0%	6.1%	4.6%	4.4%	4.3%	3.9%	2.4%	2.0%	1.1%	-8.1%	-15.4%

CY 2024: Growth

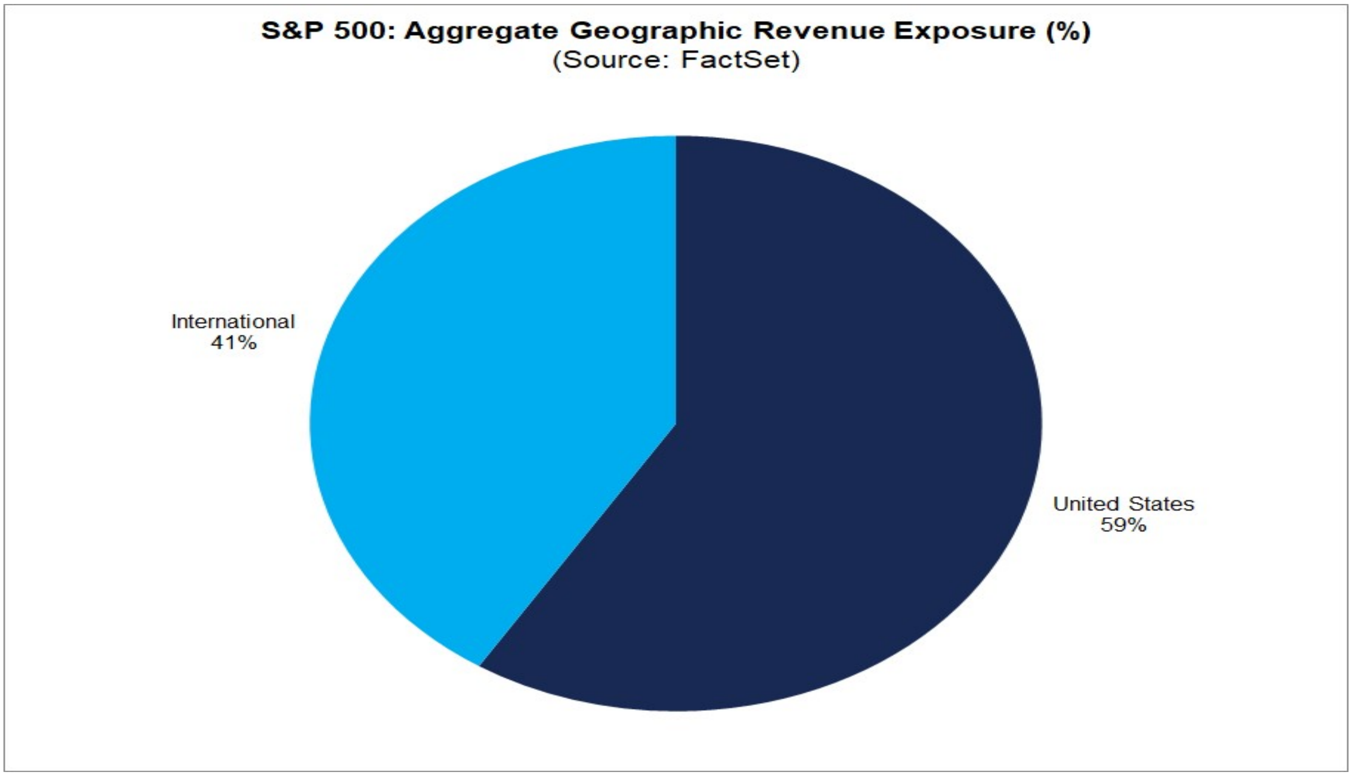


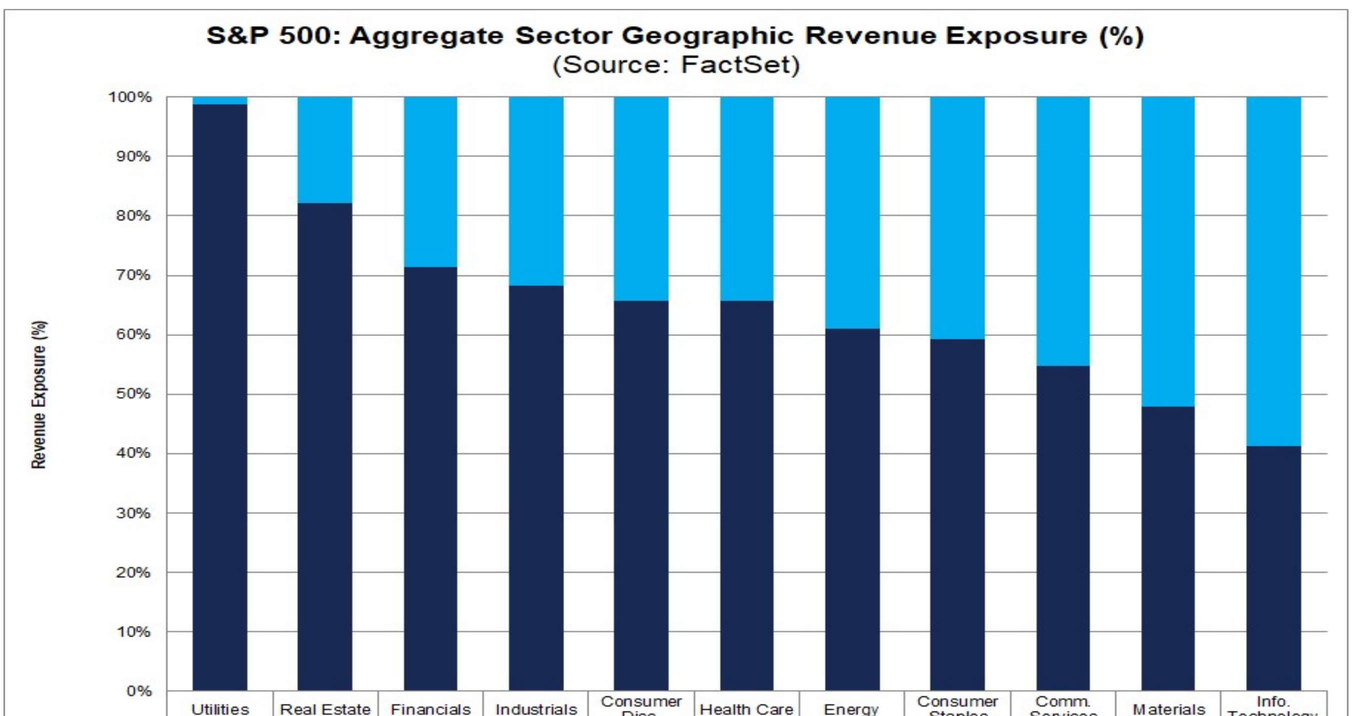
	Comm. Services	Info. Technology	Health Care	Consumer Disc.	Industrials	S&P 500	Utilities	Financials	Consumer Staples	Materials	Real Estate	Energy
Today	18.4%	16.9%	15.4%	15.0%	13.3%	12.2%	9.2%	7.8%	6.9%	6.3%	4.8%	3.9%
30-Sep	18.4%	16.9%	13.4%	16.2%	13.5%	12.2%	8.9%	9.0%	7.6%	6.8%	5.3%	2.6%



	Info. Technology	Consumer Disc.	Comm. Services	Financials	Real Estate	Health Care	S&P 500	Industrials	Utilities	Consumer Staples	Materials	Energy
Today	9.3%	7.5%	7.4%	6.2%	6.1%	5.6%	5.6%	5.3%	3.6%	3.2%	1.8%	1.3%
30-Sep	9.3%	7.6%	7.4%	6.2%	6.2%	5.6%	5.6%	5.2%	3.6%	3.4%	1.9%	1.0%

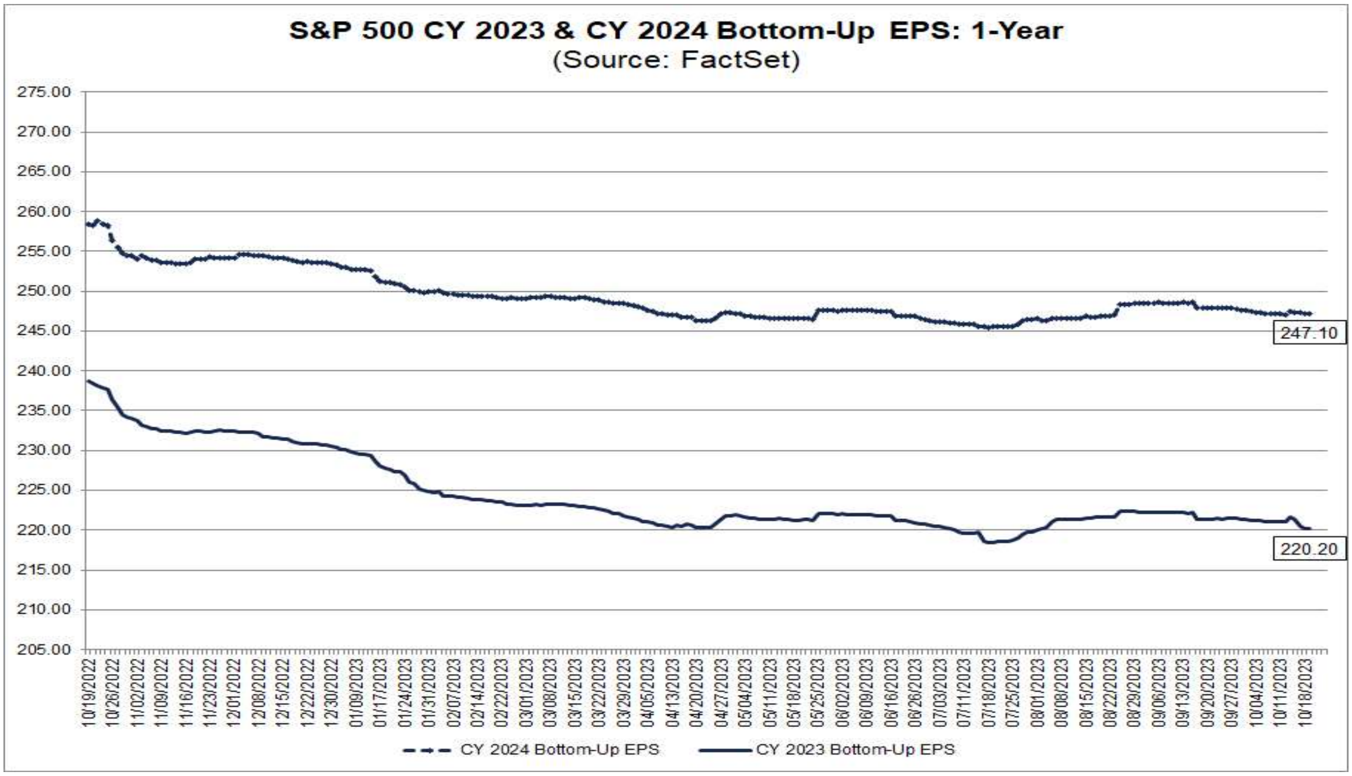
Geographic Revenue Exposure

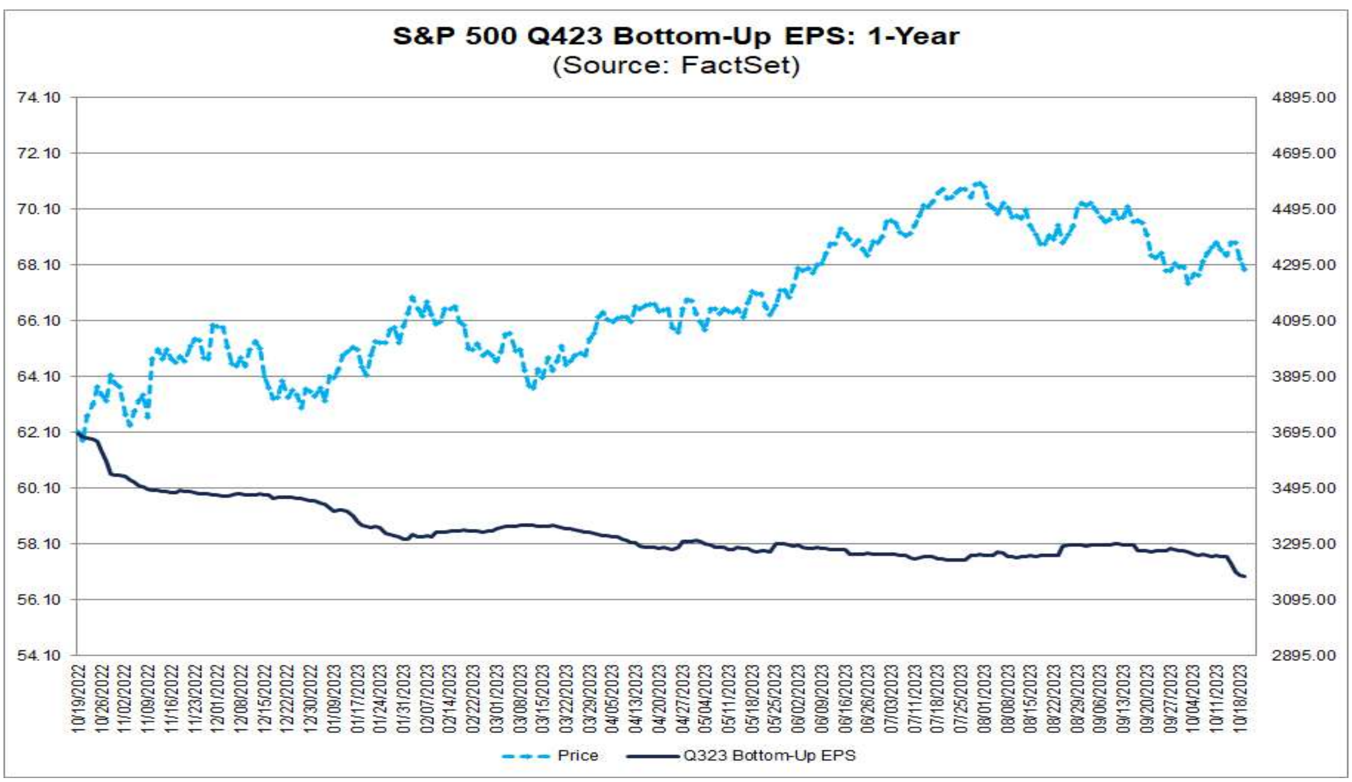




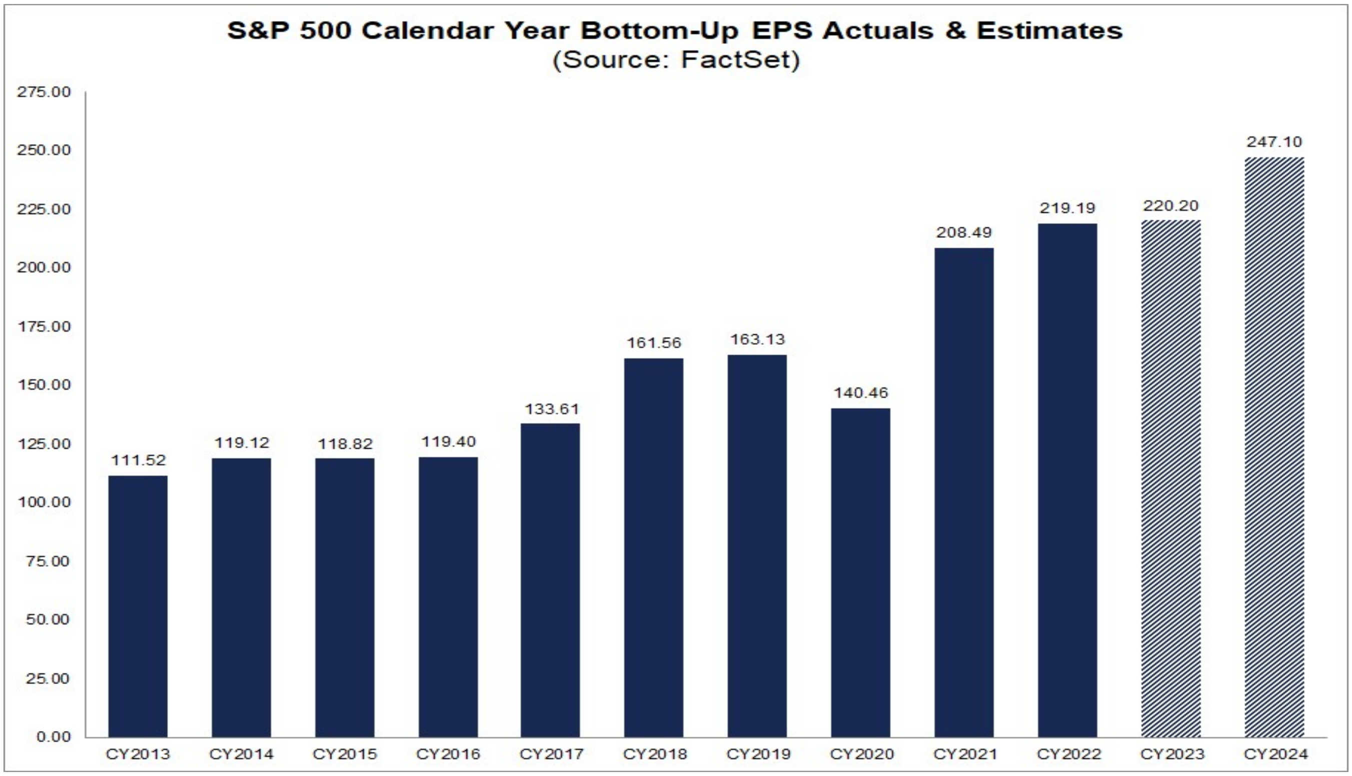
	Utilities	Real Estate	Financials	Industrials	Consumer Disc.	Health Care	Energy	Consumer Staples	Comm. Services	Materials	Info. Technology
International	1%	18%	29%	32%	34%	34%	39%	41%	45%	52%	59%
United States	99%	82%	71%	68%	66%	66%	61%	59%	55%	48%	41%

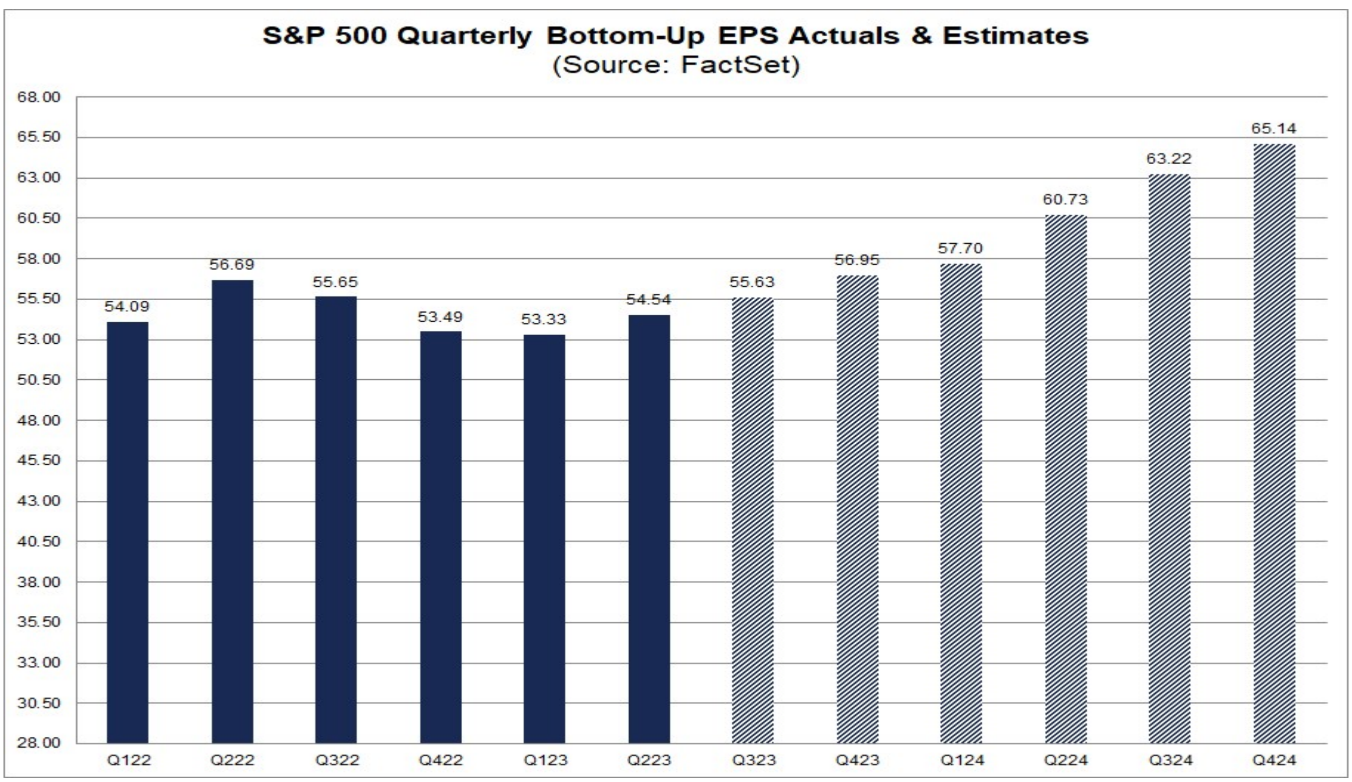
Bottom-Up EPS Estimates



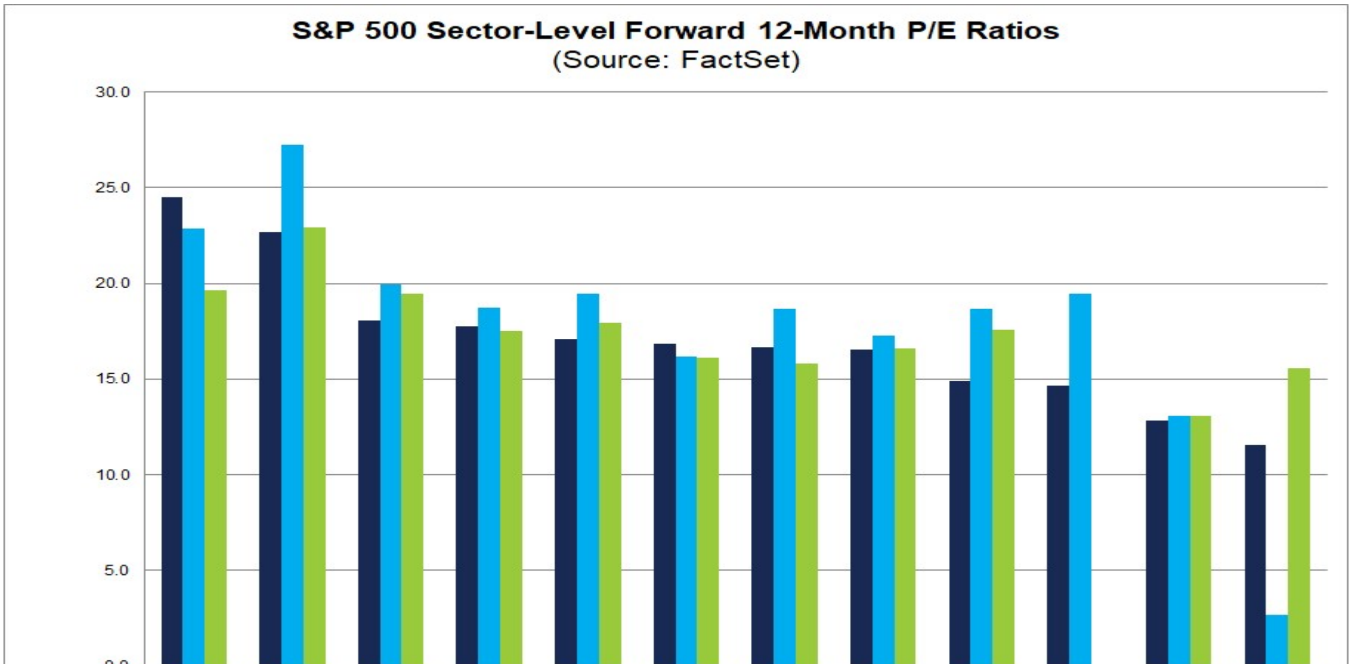


Bottom-Up EPS Estimates: Current & Historical

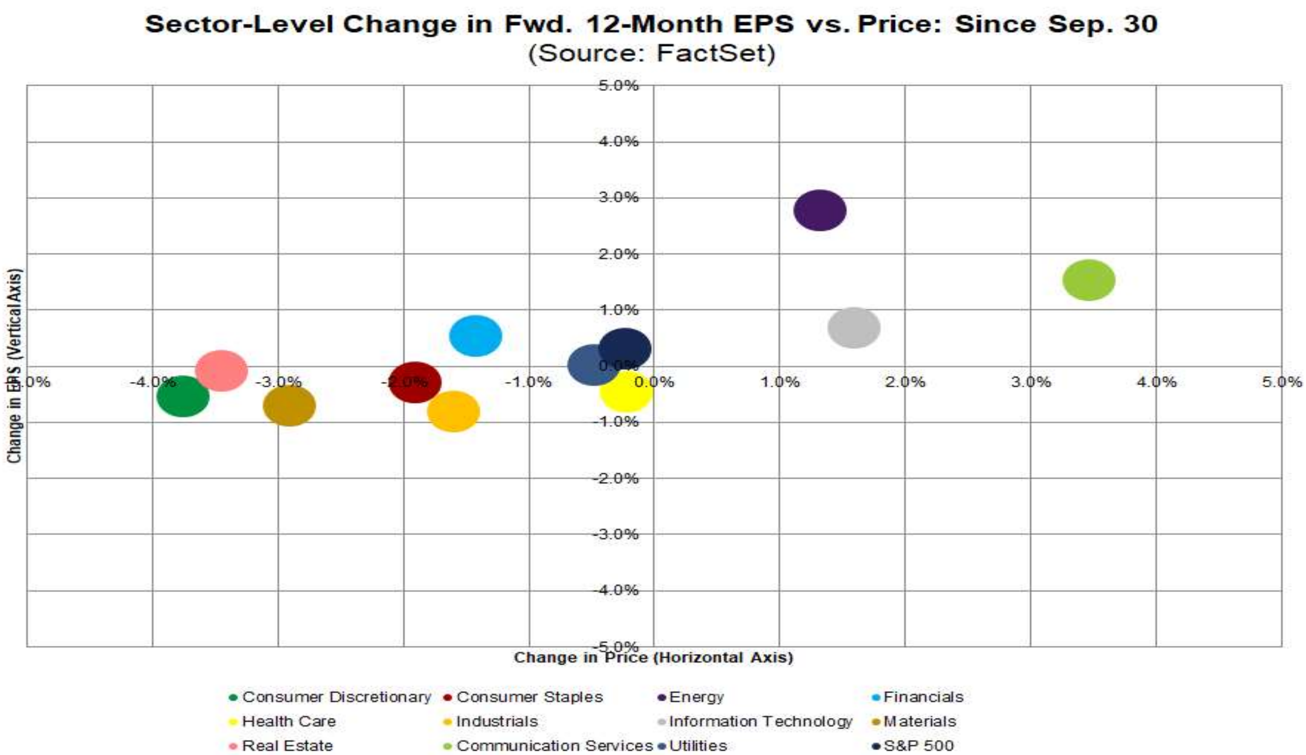




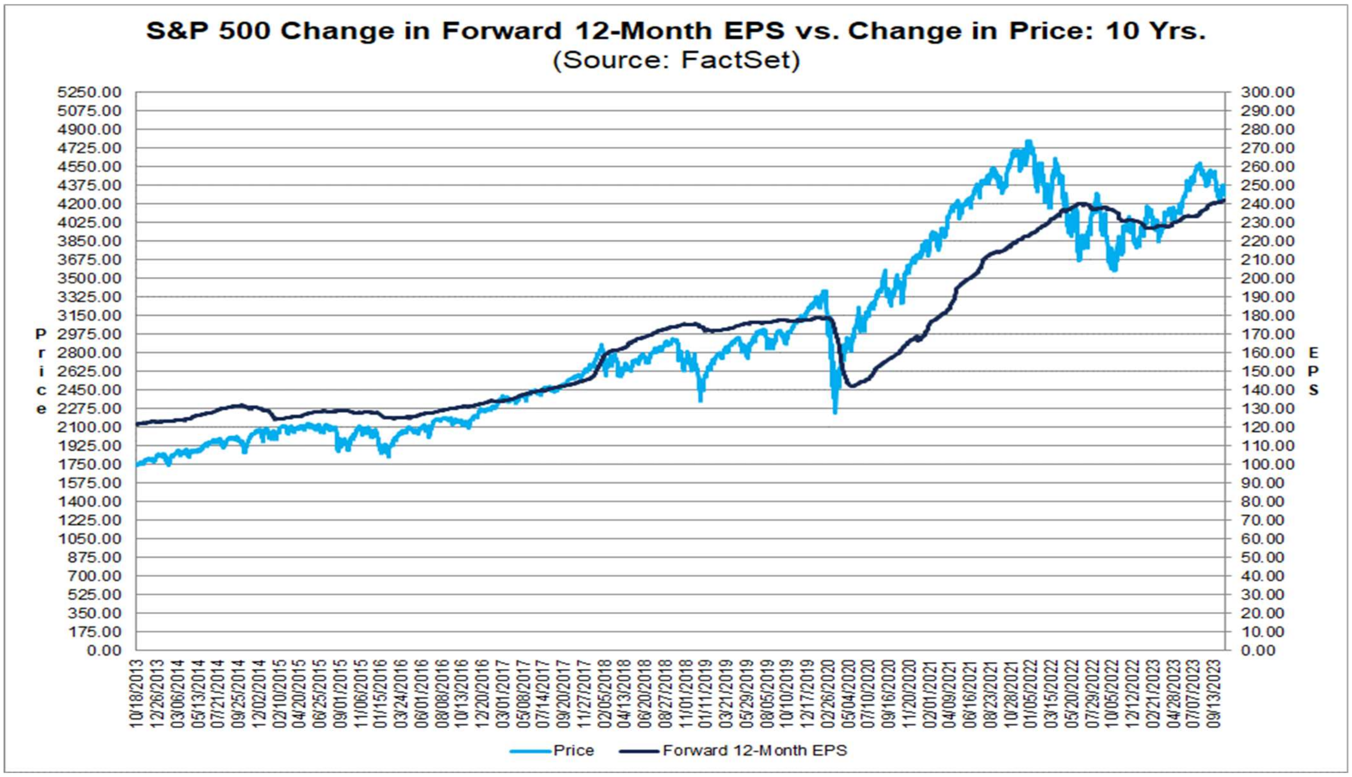
Forward 12M P/E Ratio: Sector Level

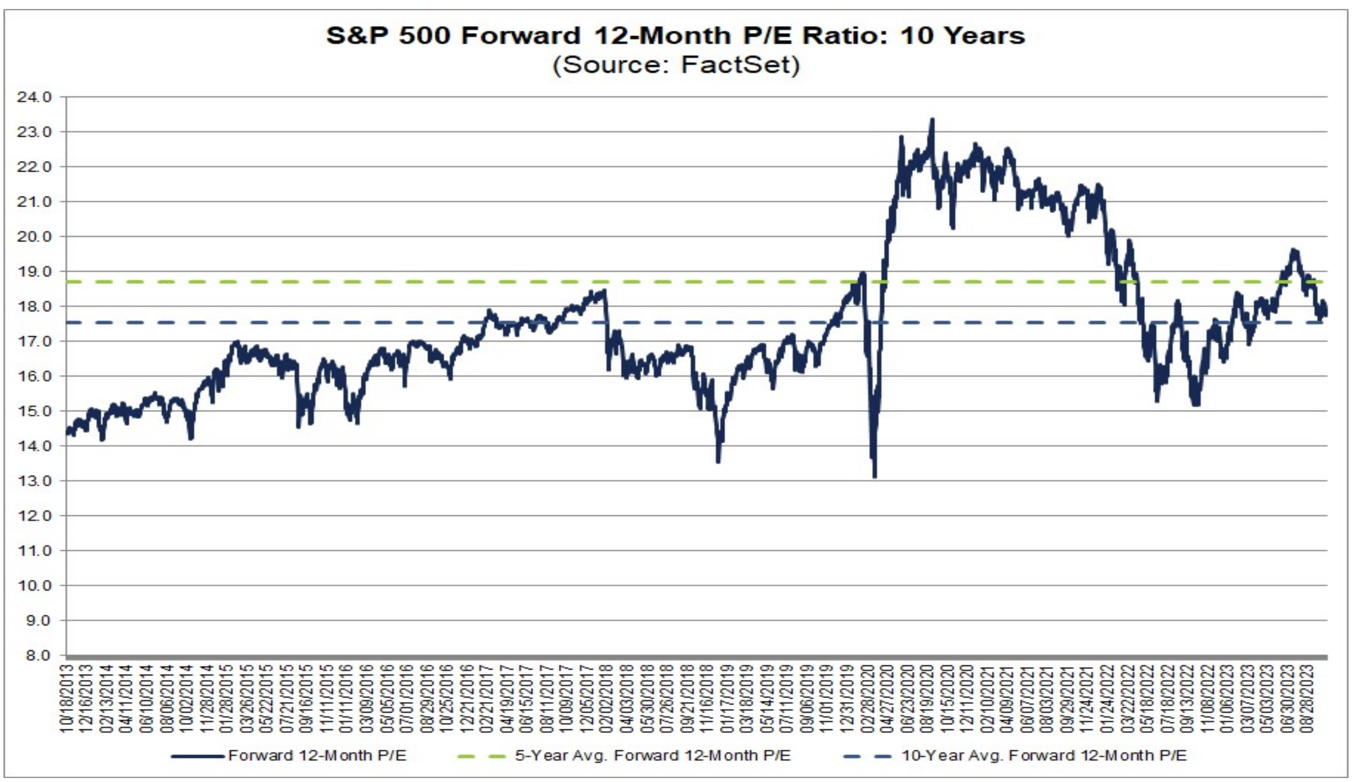


	Info. Technology	Consumer Disc.	Consumer Staples	S&P 500	Industrials	Health Care	Comm. Services	Materials	Utilities	Real Estate	Financials	Energy
Fwd P/E	24.5	22.7	18.1	17.7	17.1	16.8	16.6	16.5	14.9	14.7	12.8	11.6
5-Yr Avg.	22.9	27.3	20.0	18.7	19.4	16.2	18.7	17.3	18.7	19.5	13.1	2.7
10-Yr Avg.	19.7	22.9	19.4	17.5	17.9	16.1	15.8	16.6	17.6	0.0	13.1	15.6

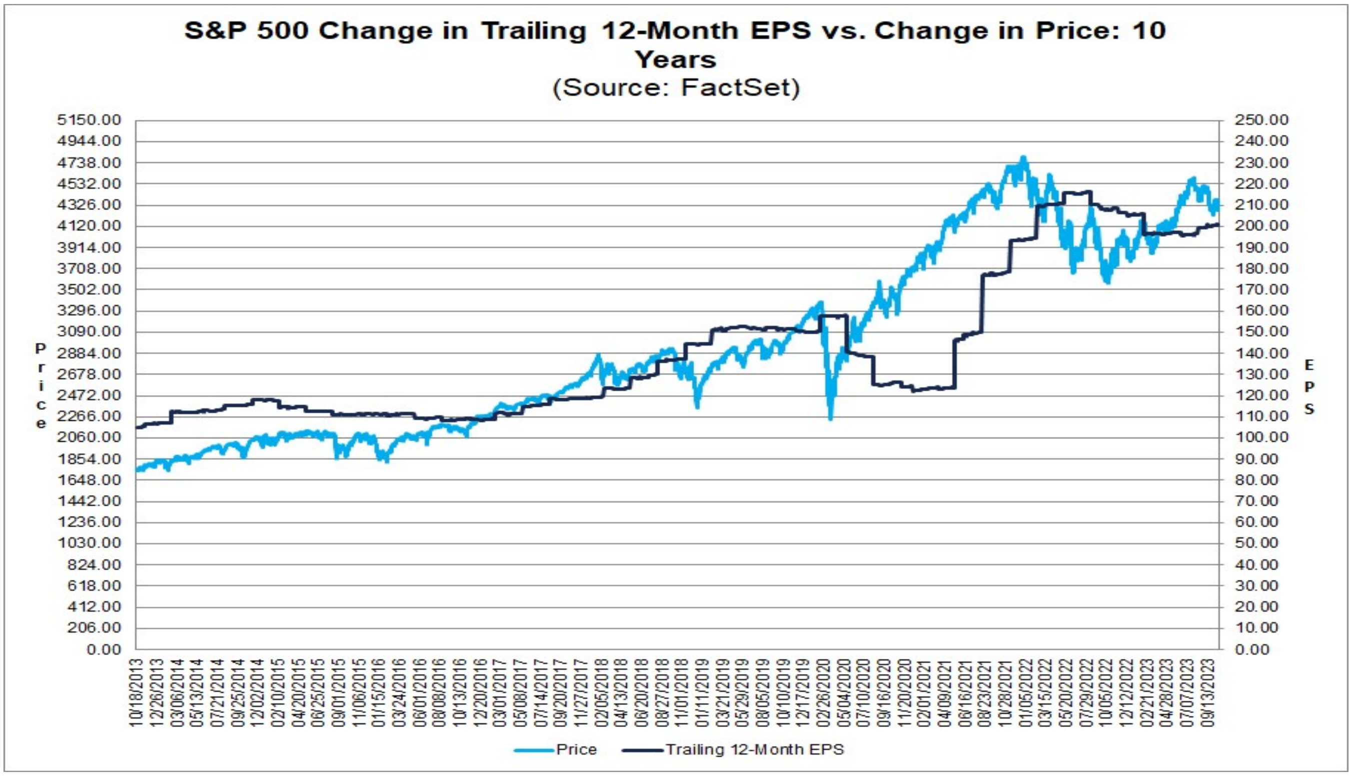


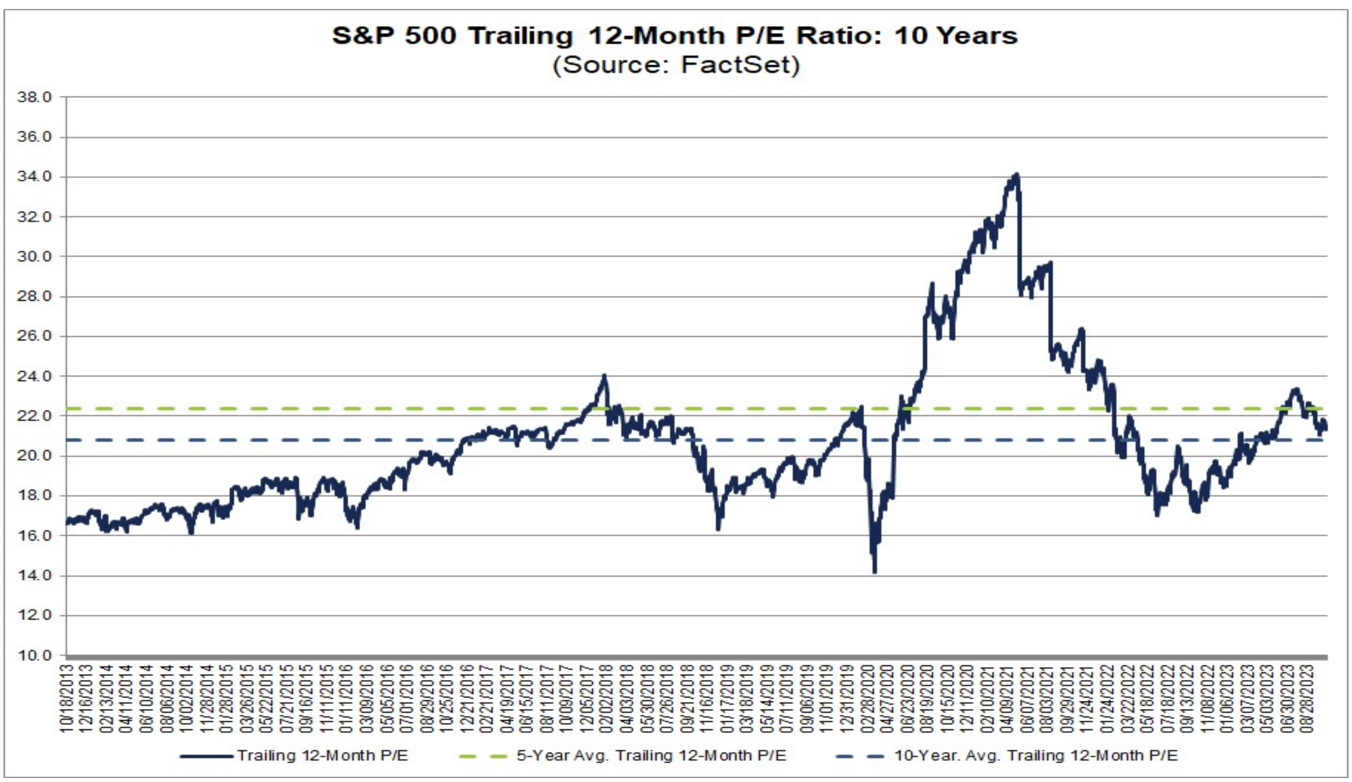
Forward 12M P/E Ratio: 10-Years



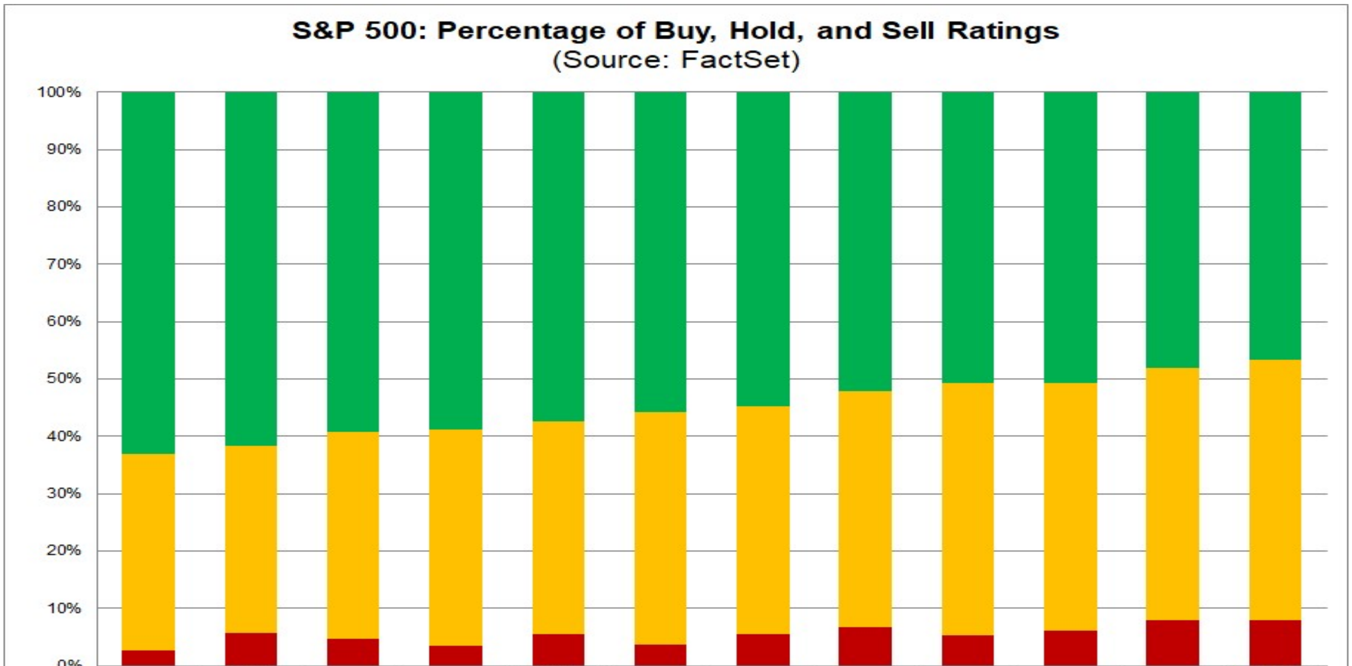


Trailing 12M P/E Ratio: 10-Years

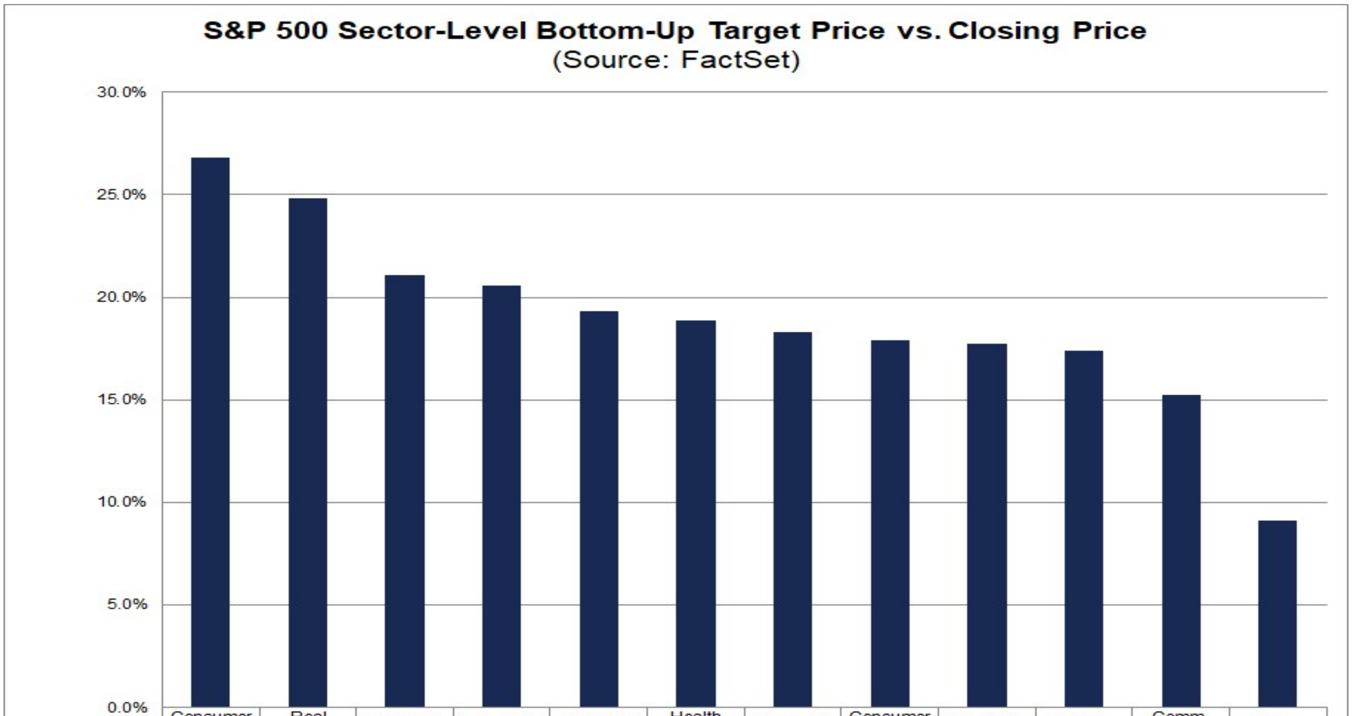




Targets & Ratings



	Energy	Comm. Services	Info. Tech.	Health Care	Consumer Disc.	Real Estate	S&P 500	Financials	Materials	Utilities	Industrials	Consumer Staples
Buy	63%	62%	59%	59%	57%	56%	55%	52%	51%	51%	48%	47%
Hold	34%	33%	36%	38%	37%	41%	40%	41%	44%	43%	44%	46%
Sell	3%	6%	5%	3%	6%	4%	6%	7%	5%	6%	8%	8%



	Consumer Disc.	Real Estate	Materials	Info. Tech.	S&P 500	Health Care	Financials	Consumer Staples	Industrials	Utilities	Comm. Services	Energy
Target/Close	26.8%	24.8%	21.1%	20.6%	19.3%	18.9%	18.3%	17.9%	17.7%	17.4%	15.2%	9.1%

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