

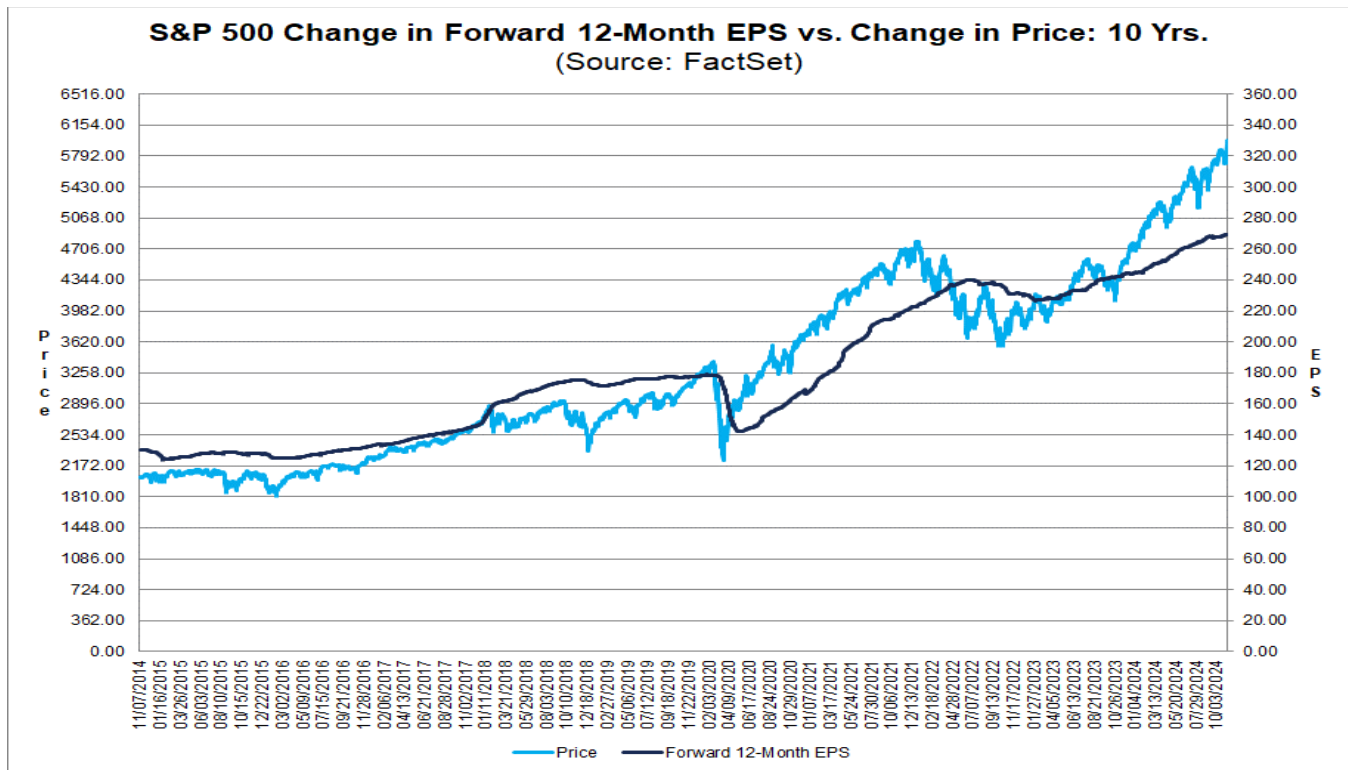
John Butters  
 VP, Senior Earnings Analyst  
[jbutters@factset.com](mailto:jbutters@factset.com)

Media Questions/Requests  
[media\\_request@factset.com](mailto:media_request@factset.com)

November 8, 2024

## Key Metrics

- Earnings Scorecard:** For Q3 2024 (with 91% of S&P 500 companies reporting actual results), 75% of S&P 500 companies have reported a positive EPS surprise and 60% of S&P 500 companies have reported a positive revenue surprise.
- Earnings Growth:** For Q3 2024, the blended (year-over-year) earnings growth rate for the S&P 500 is 5.3%. If 5.3% is the actual growth rate for the quarter, it will mark the 5<sup>th</sup> straight quarter of year-over-year earnings growth for the index.
- Earnings Revisions:** On September 30, the estimated (year-over-year) earnings growth rate for the S&P 500 for Q3 2024 was 4.3%. Six sectors are reporting higher earnings today (compared to September 30) due to positive EPS surprises.
- Earnings Guidance:** For Q4 2024, 53 S&P 500 companies have issued negative EPS guidance and 24 S&P 500 companies have issued positive EPS guidance.
- Valuation:** The forward 12-month P/E ratio for the S&P 500 is 22.2. This P/E ratio is above the 5-year average (19.6) and above the 10-year average (18.1).



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Topic of the Week: 1

Highest Forward 12-Month P/E Ratio For the S&P 500 in More Than 3 Years

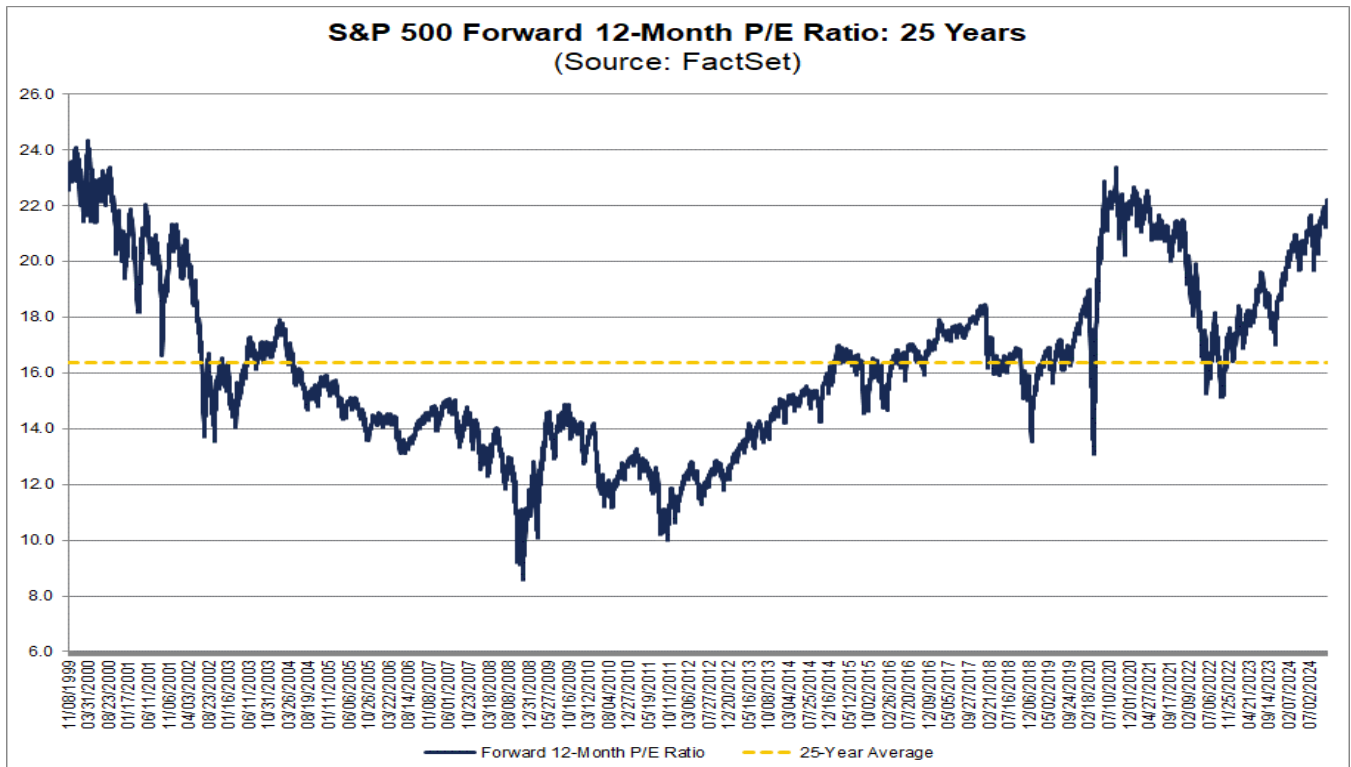
On November 7, the forward 12-month P/E ratio for the S&P 500 was 22.2, which marked the second straight day the P/E ratio for the index was above 22.0. This forward 12-month P/E ratio was based on a closing price of 5973.10 and a forward 12-month EPS estimate of \$269.44. How does this 22.2 P/E ratio compare to historical averages? What is driving the recent increase in the P/E ratio?

The forward 12-month P/E ratio of 22.2 on November 7 was above the five most recent historical averages for the S&P 500: 5-year (19.6), 10-year (18.1), 15-year (16.4), 20-year (15.8), and 25-year (16.4). In fact, prior to the past two days, the last time the forward 12-month P/E ratio was above 22.0 was April 27, 2021 (22.2). However, it is important to note that even at 22.2, the forward 12-month P/E ratio is still below the peak P/E ratio of the past 25 years for the index of 24.4 recorded on March 23, 2000.

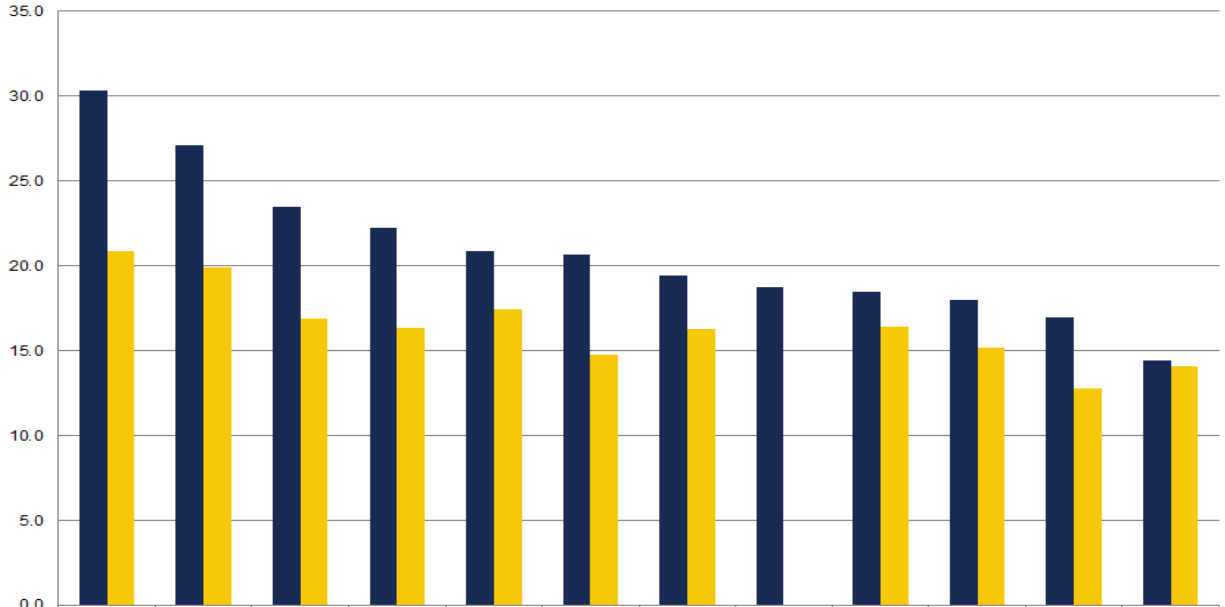
At the sector level, ten sectors had forward 12-month P/E ratios on November 7 that exceeded their 25-year averages, led by the Information Technology (30.3 vs. 20.9), Materials (20.7 vs. 14.8), Industrials (23.5 vs. 16.9), and Consumer Discretionary (27.1 vs. 19.9) sectors. A 25-year average P/E ratio is not available for the Real Estate sector.

What is driving the rise in the forward 12-month P/E ratio? On August 7 (about 3 months ago), the forward 12-month P/E ratio was 19.7. Since August 7, the price of the S&P 500 has increased by 14.9%, while the forward 12-month EPS estimate has increased by 1.9%. Thus, the increase in the “P” has been the main driver of the increase in the P/E ratio over the past few months.

It is interesting to note that analysts were projecting record-high EPS for the S&P 500 of \$239.69 in CY 2024 and \$274.59 in CY 2025 on November 7. If not, the forward 12-month P/E ratio would have been even higher than 22.2.



**S&P 500 Sector Forward 12-Month P/E Ratios: Nov. 7 vs. 25-Year Avg.**  
(Source: FactSet)



	Info. Technology	Consumer Disc.	Industrials	S&P 500	Consumer Staples	Materials	Comm. Services	Real Estate	Health Care	Utilities	Financials	Energy
■ 07-Nov-24	30.3	27.1	23.5	22.2	20.9	20.7	19.4	18.8	18.5	18.0	17.0	14.4
■ 25-Year Avg.	20.9	19.9	16.9	16.4	17.5	14.8	16.3		16.4	15.2	12.8	14.1

## Topic of the Week: 2

### Market Is Punishing Negative EPS Surprises More Than Average for Q3

To date, 91% of the companies in the S&P 500 have reported earnings for the third quarter. Of these companies, 75% have reported actual EPS above the mean EPS estimate, which is below the 5-year average of 77% but equal to the 10-year average of 75%. In aggregate, earnings have exceeded estimates by 4.3%, which is below the 5-year average of 8.5% and below the 10-year average of 6.8%. Given this mixed performance relative to the averages, how has the market responded to EPS surprises reported by S&P 500 companies during the Q3 earnings season?

To date, the market is rewarding positive earnings surprises reported by S&P 500 companies more than average for the third quarter.

Companies that have reported positive earnings surprises for Q3 2024 have seen an average price increase of 1.3% two days before the earnings release through two days after the earnings release. This percentage increase is larger than the 5-year average price increase of 1.0% during this same window for companies reporting positive earnings surprises.

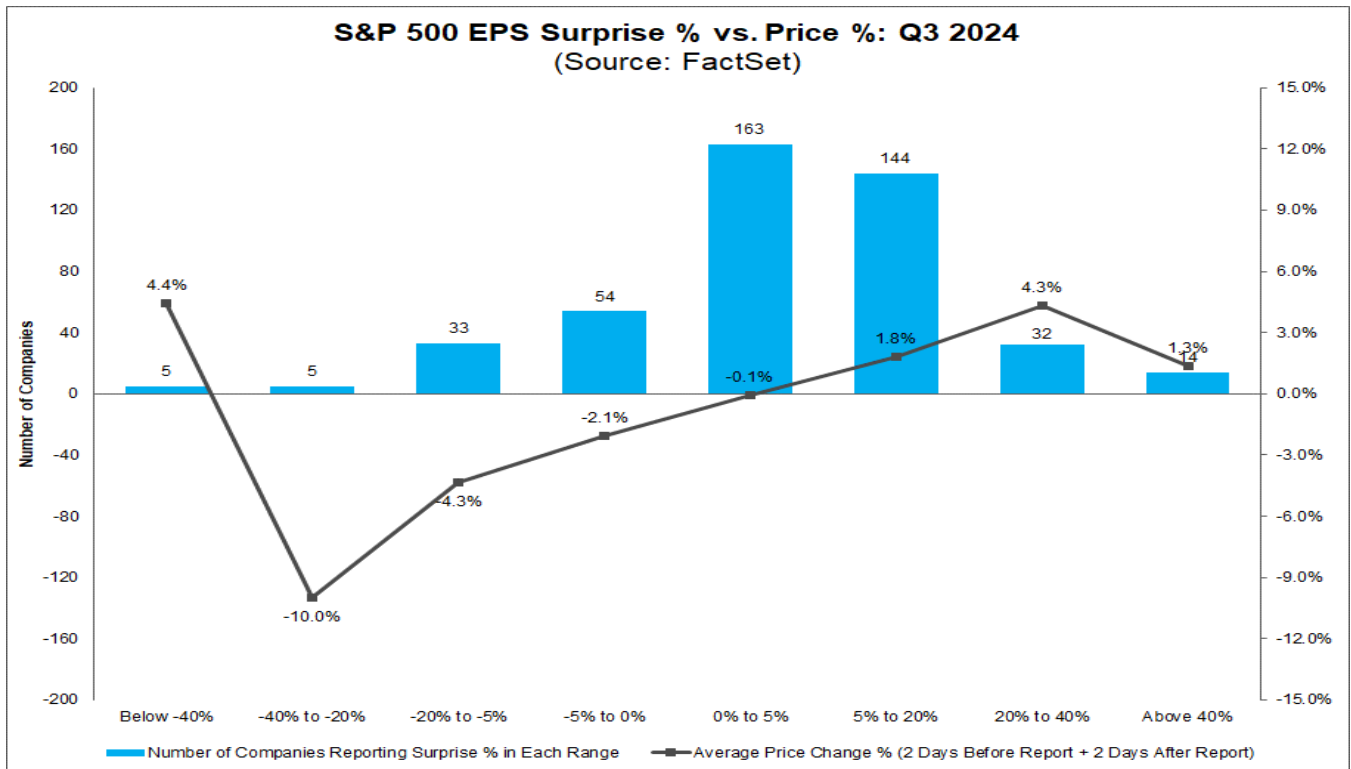
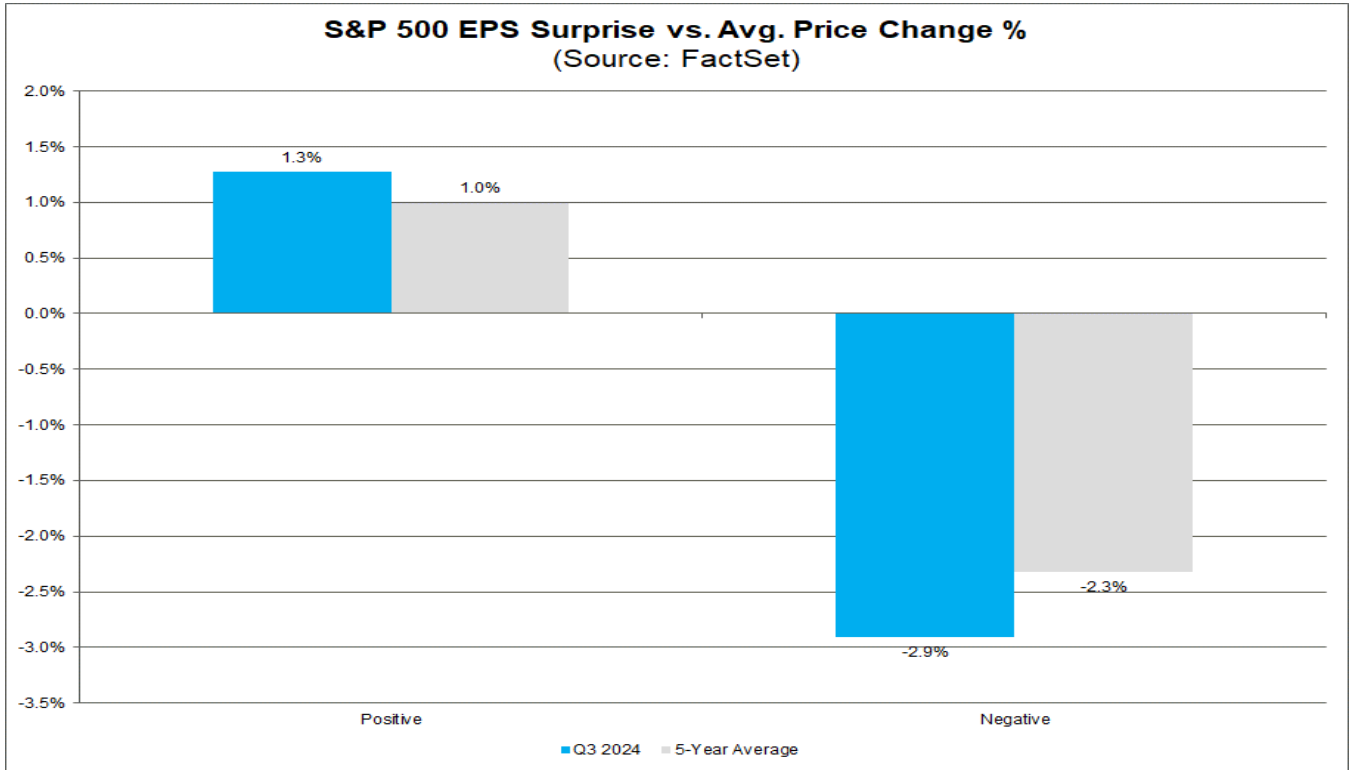
One example of a company that reported a positive EPS surprise for Q3 and witnessed a significant increase in stock price is Tesla. On October 19, the company reported actual (non-GAAP) EPS of \$0.72 for Q3, which was above the mean (non-GAAP) EPS estimate of \$0.59. From October 21 to October 23, the stock price for Tesla increased by 23.0% (to \$269.19 from \$218.85).

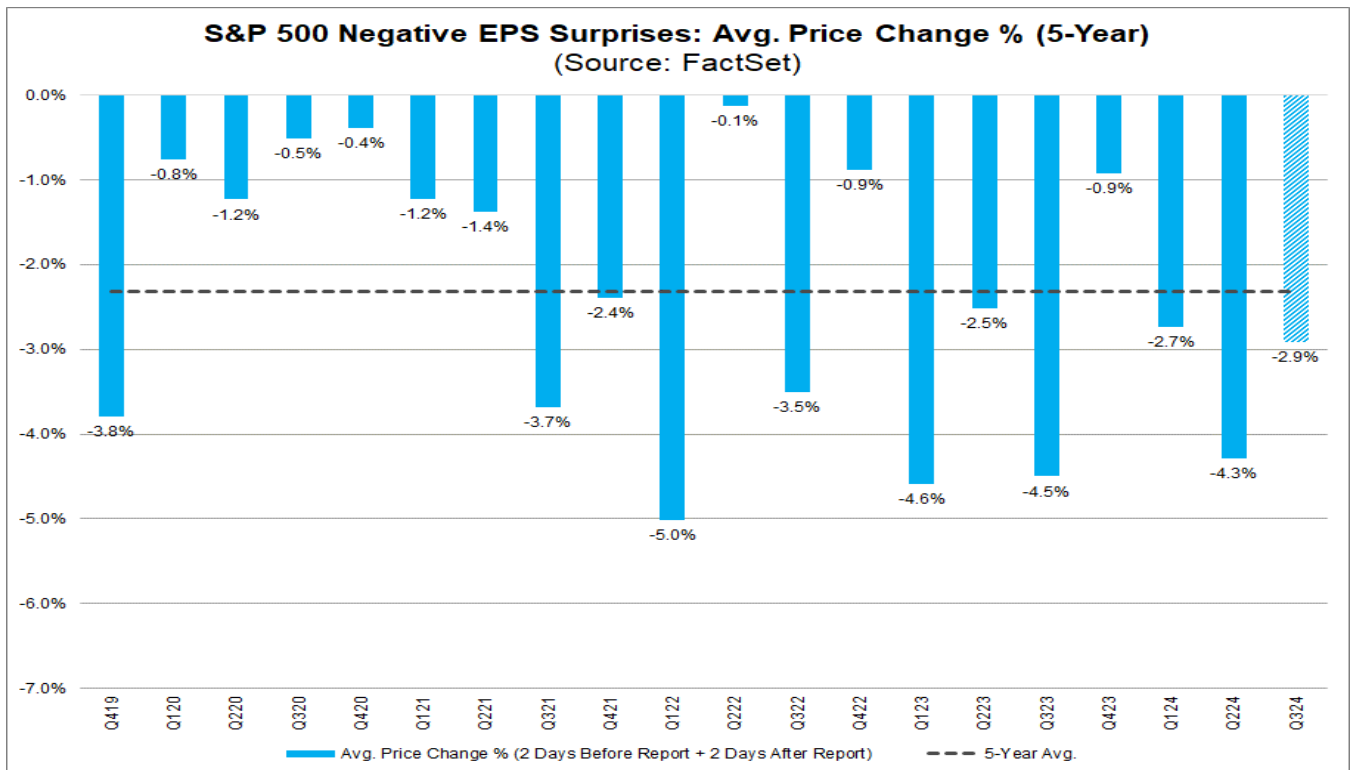
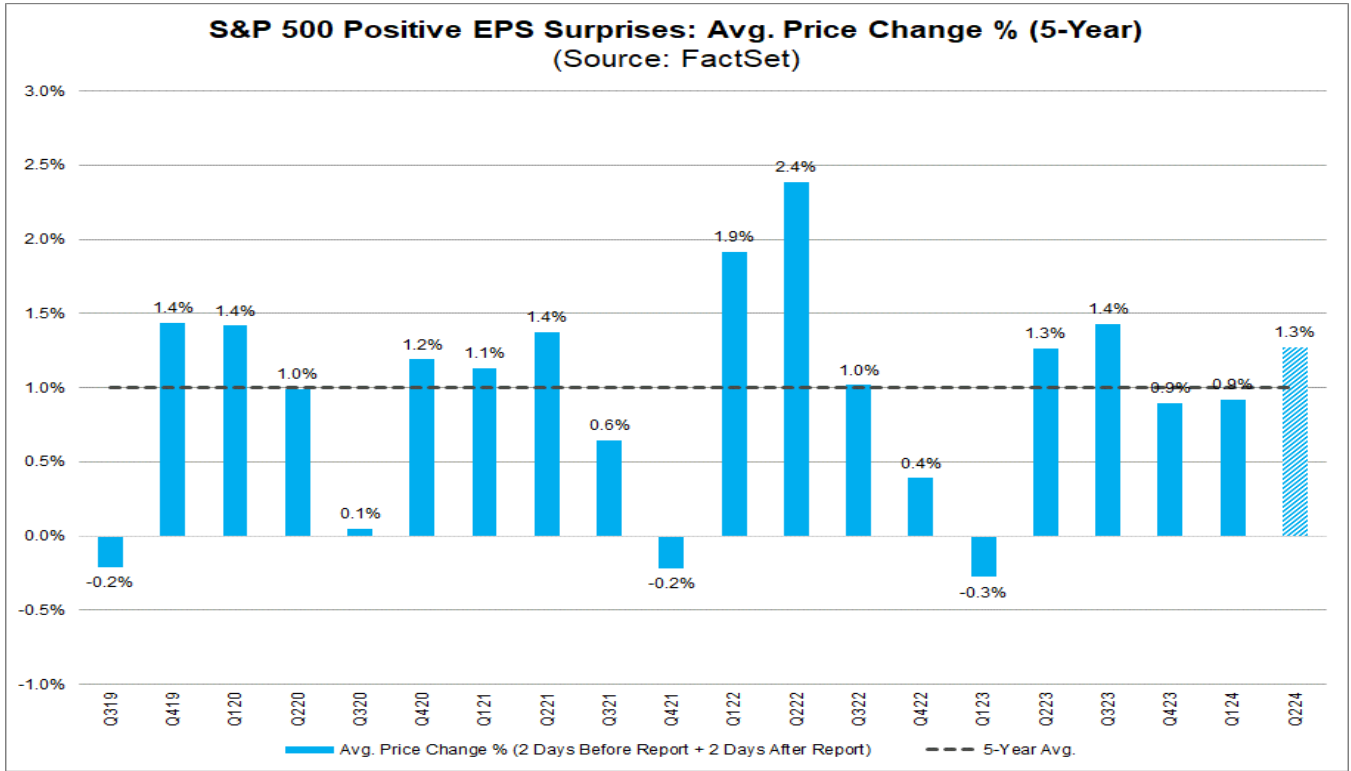
However, the market is also punishing negative earnings surprises reported by S&P 500 companies more than average for the third quarter.

Companies that have reported negative earnings surprises for Q3 2024 have seen an average price decrease of 2.9% two days before the earnings release through two days after the earnings release. This percentage decrease is larger than the 5-year average price decrease of 2.3% during this same window for companies reporting negative earnings surprises.

If -2.9% is the final average price change for the quarter, this will mark the third consecutive quarter in which companies reporting negative EPS surprises have seen a larger price decrease than average.

One example of a company that reported a negative EPS surprise in Q3 and witnessed a significant decline in stock price is FedEx. On September 19, the company reported actual (non-GAAP) EPS of \$3.60 for Q3, which was below the mean (non-GAAP) EPS estimate of \$4.40. From September 17 to September 23, the stock price for FedEx decreased by 13.0% (to \$258.79 from \$297.34).





## Q3 Earnings Season: By The Numbers

### Overview

At this late stage of the Q3 earnings season, the S&P 500 is continuing to report mixed results. Relative to estimates, both the number and magnitude of positive earnings surprises are below their 5-year averages. However, the index is still reporting higher earnings for Q3 relative to the end of last week and relative to the end of the quarter. On a year-over-year basis, the index is reporting earnings growth for the fifth-straight quarter.

Overall, 91% of the companies in the S&P 500 have reported actual results for Q3 2024 to date. Of these companies, 75% have reported actual EPS above estimates, which is below the 5-year average of 77% but equal to the 10-year average of 75%. In aggregate, companies are reporting earnings that are 4.3% above estimates, which is below the 5-year average of 8.5% and below the 10-year average of 6.8%. Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

During the past week, positive EPS surprises reported by companies in the Health Care sector and other sectors, partially offset by negative EPS surprises reported by companies in the Utilities sector, were the largest contributors to the increase in the overall earnings growth rate for the index over this period. Since September 30, positive EPS surprises reported by companies in the Financials, Communication Services, and Consumer Discretionary sectors, partially offset by negative EPS surprises reported by companies in the Information Technology sector, have been the largest contributors to the increase in the overall earnings growth rate for the index over this period.

As a result, the index is reporting higher 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 growth rate for the third quarter is 5.3% today, compared to an earnings growth rate of 5.0% last week and an earnings growth rate of 4.3% at the end of the third quarter (September 30).

If 5.3% is the actual growth rate for the quarter, it will mark the fifth consecutive quarter of year-over-year earnings growth for the index.

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

In terms of revenues, 60% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 69% and below the 10-year average of 64%. In aggregate, companies are reporting revenues that are 1.2% above the estimates, which is below the 5-year average of 2.0% and below the 10-year average of 1.4%. Again, historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

During the past week, positive revenue surprises reported by companies in the Health Care sector were the largest contributors to the increase in the overall revenue growth rate for the index over this period. Since September 30, positive revenue surprises reported by companies in the Health Care sector, partially offset by downward revisions to revenue estimates and negative revenue surprises for companies in the Energy sector, have been the largest contributors to the increase in the overall revenue growth rate for the index over this period.

As a result, the blended revenue growth rate for the third quarter is 5.5% today, compared to a revenue growth rate of 5.3% last week and a revenue growth rate of 4.7% at the end of the third quarter (September 30).

If 5.5% is the actual revenue growth rate for the quarter, it will mark the 16<sup>th</sup> consecutive quarter of revenue growth for the index. It will also mark the highest revenue growth rate reported by the index since Q3 2022 (11.0%).



Nine sectors are reporting year-over-year growth in revenues, led by the Information Technology, Health Care, and Communication Services sectors. On the other hand, two sectors are reporting a year-over-year decline in revenues, led by the Energy sector.

Looking ahead, analysts expect (year-over-year) earnings growth rates of 12.2%, 12.7%, and 11.9% for Q4 2024, Q1 2025, and Q2 2025, respectively. For CY 2024, analysts are calling for (year-over-year) earnings growth of 9.4%. For CY 2025, analysts are predicting (year-over-year) earnings growth of 14.8%.

The forward 12-month P/E ratio is 22.2, which is above the 5-year average (19.6) and above the 10-year average (18.1). This P/E ratio is also above the forward P/E ratio of 21.6 recorded at the end of the third quarter (September 30).

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

## Scorecard: Percentage of Positive EPS Surprises Is Below 5-Year Average

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

Overall, 91% of the companies in the S&P 500 have reported earnings to date for the third quarter. Of these companies, 75% have reported actual EPS above the mean EPS estimate, 5% have reported actual EPS equal to the mean EPS estimate, and 20% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is below the 1-year average (78%) and below the 5-year average (77%), but equal to the 10-year average (75%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Communication Service (95%) sector has the highest percentage of companies reporting earnings above estimates, while the Materials (52%) sector has the lowest percentage of companies reporting earnings above estimates.

### Earnings Surprise Percentage (+4.3%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 4.3% above expectations. This surprise percentage is below the 1-year average (+5.5%), below the 5-year average (+8.5%), and below the 10-year average (+6.8%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

The Communication Services (+12.2%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Paramount Global (\$0.49 vs. \$0.24), Take-Two Interactive Software (\$0.66 vs. \$0.42), Fox Corporation (\$1.45 vs. \$1.13), News Corporation (\$0.21 vs. \$0.17), Alphabet (\$2.12 vs. \$1.84), Meta Platforms (\$6.03 vs. \$5.25), and Electronic Arts (\$2.26 vs. \$2.03) have reported the largest positive EPS surprises.

The Consumer Discretionary (+12.1%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Garmin (\$1.99 vs. \$1.45), NIKE (\$0.70 vs. \$0.52), Hasbro (\$1.73 vs. \$1.29), Deckers Outdoor Corporation (\$1.59 vs. \$1.24), Amazon.com (\$1.43 vs. \$1.14), General Motors (\$2.96 vs. \$2.38), and Tesla (\$0.72 vs. \$0.59) have reported the largest positive EPS surprises.

The Health Care (+9.5%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Moderna (\$0.03 vs. -\$1.94), Pfizer (\$1.06 vs. \$0.61), Insulet Corporation (\$1.08 vs. \$0.78), Gilead Sciences (\$2.02 vs. \$1.53), West Pharmaceutical Services (\$1.85 vs. \$1.50), Humana (\$4.16 vs. \$3.41), and Bristol Myers Squibb (\$1.80 vs. \$1.49) have reported the largest positive EPS surprises.

The Industrials (+8.8%) sector is reporting the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Uber Technologies (\$1.20 vs. \$0.37), Southwest Airlines (\$0.15 vs. \$0.05), Illinois Tool Works (\$3.91 vs. \$2.52), and Leidos Holdings (\$2.93 vs. \$2.01) have reported the largest positive EPS surprises.

The Financials (+7.9%) sector is reporting the fifth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Allstate (\$3.91 vs. \$2.38), Travelers Companies (\$5.24 vs. \$3.66), Aflac (\$2.16 vs. \$1.69), Northern Trust Corporation (\$2.22 vs. \$1.74), Raymond James Financial (\$2.95 vs. \$2.41) and Goldman Sachs (\$8.40 vs. \$6.89) have reported the largest positive EPS surprises.

On the other hand, the Information Technology (-10.8%) sector is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Apple (\$0.97 vs. \$1.60) has reported the largest negative EPS surprise. The actual (GAAP) EPS for Apple of \$0.97 included a net charge of \$10.2 billion related to the impact of the reversal of the European General Court's State Aid decision. The majority of analysts provided EPS estimates for Apple on a GAAP basis.

The Materials (-6.6%) sector is reporting the second-largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Albemarle Corporation (-\$1.55 vs. -\$0.44), Smurfit Westrock (-\$0.30 vs. \$0.73) and Corteva (-\$0.49 vs. -\$0.30) have reported the largest negative EPS surprises.

### **Market Punishing Negative EPS Surprises More Than Average**

To date, the market is rewarding positive earnings surprises reported by S&P 500 companies for Q3 more than average and punishing negative earnings surprises reported by S&P 500 companies for Q3 more than average.

Companies that have reported positive earnings surprises for Q3 2024 have seen an average price increase of +1.3% two days before the earnings release through two days after the earnings release. This percentage increase is above the 5-year average price increase of +1.0% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q3 2024 have seen an average price decrease of -2.9% two days before the earnings release through two days after the earnings release. This percentage decrease is larger than the 5-year average price decrease of -2.3% during this same window for companies reporting negative earnings surprises.

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

In terms of revenues, 60% of the companies have reported actual revenues above estimated revenues, 0% of the companies have reported actual revenues equal to estimated revenues, and 40% of the companies have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (62%), below the 5-year average (69%), and below the 10-year average (64%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Information Technology (85%) and Health Care (80%) sectors have the highest percentages of companies reporting revenues above estimates, while the Utilities (37%) and Materials (37%) sectors have the lowest percentages of companies reporting revenues above estimates.

### **Revenue Surprise Percentage (+1.2%) is Below 5-Year Average**

In aggregate, companies are reporting revenues that are 1.2% above expectations. This surprise percentage is above the 1-year average (+0.8%), but below the 5-year average (+2.0%) and below the 10-year average (+1.4%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

At the sector level, the Health Care (+3.2%), Financials (+1.9%), and Consumer Discretionary (+1.5%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Utilities (-2.9%) sector is reporting the largest negative (aggregate) differences between actual revenues and estimated revenues.

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

### Increase in Blended Earnings This Week Due to Health Care Sector

The blended (year-over-year) earnings growth rate for the third quarter is 5.3%, which is above the earnings growth rate of 5.0% last week. Positive EPS surprises reported by companies in the Health Care sector and other sectors, partially offset by negative EPS surprises reported by companies in the Utilities sector, were the largest contributors to the increase in the overall earnings growth rate during the past week.

In the Health Care sector, the positive EPS surprises reported by Moderna (\$0.03 vs. -\$0.94) and Gilead Sciences (\$2.02 vs. \$1.53) were the largest contributors to the increase in the earnings growth rate for the index during the past week. As a result, the blended earnings growth rate for the Health Care sector increased to 13.9% from 11.9% over this period.

In the Utilities sector, the negative EPS surprise reported by NRG Energy (-\$3.79 vs. \$2.00) was the largest detractor to the increase in the earnings growth rate for the index during the past week. As a result, the blended earnings decline for the Utilities sector increased to -1.4% from 5.3% over this period.

### Increase in Blended Revenues This Week Due to Health Care Sector

The blended (year-over-year) revenue growth rate for the third quarter is 5.5%, which is above the revenue growth rate of 5.3% last week. During the past week, positive revenue surprises reported by companies in the Health Care sector were the largest contributors to the increase in the overall revenue growth rate for the index over this period.

### Financials Sector Has Seen Largest Increase in Earnings since September 30

The blended (year-over-year) earnings growth rate for Q3 2024 of 5.3% is above the estimate of 4.3% at the end of the third quarter (September 30). 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 earnings estimates and positive earnings surprises, led by the Communications Services (to 23.0% from 10.3%), Consumer Discretionary (to 8.8% from -0.1%), and Financials (to 7.1% from -0.7%) sectors. These three sectors have also been the largest contributors to the increase in the earnings growth rate for the index since September 30. On the other hand, 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 EPS estimates and negative earnings surprises, led by the Information Technology (to 6.9% from 15.6%) and Materials (to -10.9% from -2.6%) sectors. The Information Technology sector has also been the largest detractor to the increase in the earnings growth rate for the index since September 30.

In the Financials sector, the positive EPS surprises reported by JPMorgan Chase (\$4.37 vs. \$3.99), Progressive Corporation (\$4.46 vs. \$3.69), Well Fargo (\$1.42 vs. \$1.28), and Morgan Stanley (\$1.88 vs. \$1.59) have been substantial contributors to the increase in the earnings growth rate for the index since September 30. As a result, the blended earnings growth rate for the Financials sector has increased to 7.1% from -0.7% over this period.

In the Communication Services sector, the positive EPS surprises reported by Alphabet (\$2.12 vs. \$1.84) and Meta Platforms (\$6.03 vs. \$5.25) have been significant contributors to the increase in the earnings growth rate for the index since September 30. As a result, the blended earnings growth rate for the Communication Services sector has increased to 23.0% from 10.3% over this period.

In the Consumer Discretionary sector, the positive EPS surprises reported by Amazon.com (\$1.43 vs. \$1.14) and General Motors (\$2.96 vs. \$2.38) have been substantial contributors to the increase in the earnings growth rate for the index since September 30. As a result, the blended earnings growth rate for the Consumer Discretionary sector has increased to 8.8% from -0.1% over this period.

In the Information Technology sector, the negative EPS surprise reported by Apple (\$0.97 vs. \$1.60) has been the largest detractor to the increase in the earnings growth rate for the index since September 30. The actual (GAAP) EPS for Apple of \$0.97 included a net charge of \$10.2 billion related to the impact of the reversal of the European General Court's State Aid decision. The majority of analysts provided EPS estimates for Apple on a GAAP basis. As a result, the blended earnings growth rate for the Information Technology sector has decreased to 6.9% from 15.6% over this period.

### Health Care Sector Has Seen Largest Increase in Revenues since September 30

The blended (year-over-year) revenue growth rate for Q3 2024 of 5.5% is above the estimate of 4.7% at the end of the third quarter (September 30). Seven sectors have recorded an increase in their revenue growth rate or a decrease in their revenue decline since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Health Care (to 10.3% from 6.9%) sector. This sector has also been the largest contributor to the increase in the revenue growth rate since the end of the quarter. On the other hand, four 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 4.0% from 6.7%) and Energy (to -5.4% from -2.8%) sectors. The Energy sector has also been the largest detractor to the increase in the revenue growth rate for the index since the end of the quarter.

In the Health Care sector, the positive revenue surprises reported by McKesson Corporation (\$93.65 billion vs. \$89.33 billion), Cigna Group (\$63.70 billion vs. \$59.58 billion), Centene Corporation (\$42.02 billion vs. \$37.91 billion), CVS Healthcare (\$95.43 billion vs. \$92.70 billion), and Pfizer (\$17.70 billion vs. \$14.92 billion) have been significant contributors to the increase in the revenue growth rate for the index since September 30. As a result, the blended revenue growth rate for the Health Care sector has increased to 10.3% from 6.9% over this period.

In the Energy sector, the downward revisions to revenue estimates (to \$93.98 billion from \$96.31 billion) and negative revenue surprise (\$90.01 billion vs. \$93.98 billion) for Exxon Mobil have been the largest detractors to the increase in the revenue growth rate for the index since September 30. As a result, the blended revenue decline for the Energy sector has increased to -5.4% from -2.8% over this period.

### Earnings Growth: 5.3%

The blended (year-over-year) earnings growth rate for the S&P 500 for Q3 2024 is 5.3%, which is below the 5-year average earnings growth rate of 10.0% and below the 10-year average earnings growth rate of 8.5%. If 5.3% is the actual growth rate for the quarter, it will mark the fifth consecutive quarter of year-over-year earnings growth for the index.

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

### Communication Services: Alphabet and Meta Platforms Lead Year-Over-Year Growth

The Communication Services sector is reporting the highest (year-over-year) earnings growth rate of all eleven sectors at 23.0%. At the industry level, 4 of the 5 industries in the sector are reporting year-over-year earnings growth: Entertainment (47%), Wireless Telecommunication Services (41%), Interactive Media & Services (33%), and Media (2%). On the other hand, the Diversified Telecommunication Services (-4%) industry is the only industry in the sector that reported a year-over-year decline in earnings.

At the company level, Alphabet (\$2.12 vs. \$1.55) and Meta Platforms (\$6.03 vs. \$4.39) are the largest contributors to earnings growth for the sector. If these companies were excluded, the blended (year-over-year) earnings growth rate for Communication Services sector would fall to 10.4% from 23.0%.

### Health Care: Pfizer Is Largest Contributor to Year-Over-Year Growth

The Health Care sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 13.9%. At the industry level, 3 of the 5 industries in the sector are reporting year-over-year earnings growth: Biotechnology (38%), Pharmaceuticals (33%), and Health Care Equipment & Supplies (9%). On the other hand, two industries are reporting a year-over-year decline in earnings: Life Sciences Tools & Services (-7%) and Health Care Providers & Services (-7%).

At the company level, Pfizer (\$1.06 vs. -\$0.17) is the largest contributor to earnings growth for the sector. If this company were excluded, the blended (year-over-year) earnings growth rate for the Health Care sector would fall to 2.6% from 13.9%.

### Energy: 3 of 5 Sub-Industries Reporting Year-Over-Year Decline

The Energy sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -25.2%. Lower year-over-year oil prices are contributing to the year-over-year decrease in earnings for this sector, as the average price of oil in Q3 2024 (\$75.27) was 8% below the average price for oil in Q3 2023 (\$82.22). At the sub-industry level, 3 of the 5 sub-industries in the sector are reporting a year-over-year decline in earnings: Oil & Gas Refining & Marketing (-77%), Oil & Gas Exploration & Production (-16%), and Integrated Oil & Gas (-14%). On the other hand, two sub-industries reported year-over-year growth in earnings: Oil & Gas Equipment & Services (14%) and Oil & Gas Storage & Transportation (13%). The Oil & Gas Refining & Marketing sub-industry is also the largest contributor to the earnings decline for this sector. If this sub-industry were excluded, the blended (year-over-year) earnings decline for the Energy sector would improve to -10.7% from -25.2%.

### Materials: Nucor Is Largest Contributor to Year-Over-Year Decline

The Materials sector is reporting the second-largest (year-over-year) earnings decline of all eleven sectors at -10.9%. At the industry level, all 4 industries in the sector are reporting a year-over-year decline in earnings: Containers & Packaging (-29%), Metals & Mining (-17%), Construction Materials (-11%), and Chemicals (-6%).

At the company level, Nucor (\$1.49 vs. \$4.57) is the largest contributor to the earnings decline for the sector. If this company were excluded, the blended (year-over-year) earnings decline for the Materials sector would improve to -4.7% from -10.9%.

### Revenue Growth: 5.5%

The blended (year-over-year) revenue growth rate for Q3 2024 is 5.5%, which is below the 5-year average revenue growth rate of 6.8% but above the 10-year average revenue growth rate of 5.1%. If 5.5% is the actual growth rate for the quarter, it will mark the 16<sup>th</sup> consecutive quarter of revenue growth for the index. It will also mark the highest revenue growth rate reported by the index since Q3 2022 (11.0%).

At the sector level, nine sectors are reporting year-over-year growth in revenues, led by the Information Technology, Health Care, and Communication Services sectors. On the other hand, two sectors are reporting a year-over-year decline in revenues, led by the Energy sector.

**Information Technology: 4 of 6 Industries Reporting Year-Over-Year Growth**

The Information Technology sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 12.4%. At the industry level, 4 of the 6 industries in the sector are reporting year-over-year revenue growth: Semiconductors & Semiconductor Equipment (26%), Software (13%), Technology Hardware, Storage, & Peripherals (11%), and IT Services (2%). On the other hand, two industries are reporting a year-over-year decline in revenue: Communications Equipment (-2%) and Electronic Equipment, Instruments, & Components (-1%).

**Health Care: 4 of 5 Industries Reporting Year-Over-Year Growth**

The Health Care sector is reporting the second-highest (year-over-year) revenue growth rate of all eleven sectors at 10.3%. At the industry level, 4 of the 5 industries in the sector are reporting year-over-year revenue growth: Pharmaceuticals (12%), Health Care Providers & Services (11%), Biotechnology (9%), and Health Care Equipment & Supplies (4%). The Life Sciences Tools & Services (-3%) industry is the only industry reporting a year-over-year decline in revenue.

**Communication Services: 4 of 5 Industries Reporting Year-Over-Year Growth**

The Communication Services sector is reporting the third-highest (year-over-year) revenue growth rate of all eleven sectors at 9.0%. At the industry level, 4 of the 5 industries in the sector are reporting year-over-year revenue growth: Interactive Media & Services (16%), Wireless Telecommunication Services (5%), Media (4%), and Entertainment (4%). On the other hand, the Diversified Telecommunication Services (less than -1%) is the only sector that reported a year-over-year decline in revenue.

**Energy: 3 of 5 Sub-Industries Reporting Year-Over-Year Decline**

The Energy sector is reporting the largest (year-over-year) revenue decline of all eleven sectors at -5.4%. At the sub-industry level, three sub-industries are reporting a year-over-year decline in revenue: Oil & Gas Refining & Marketing (-13%), Integrated Oil & Gas (-3%), and Oil & Gas Exploration & Production (-1%). On the other hand, 2 sub-industries in the sector reported year-over-year revenue growth: Oil & Gas Equipment & Services (5%) and Oil & Gas Storage & Transportation (5%).

**Net Profit Margin: 12.1%**

The blended net profit margin for the S&P 500 for Q3 2024 is 12.1%, which is below the previous quarter's net profit margin of 12.2%, below the year-ago net profit margin of 12.2%, and above the 5-year average of 11.5%.

At the sector level, four sectors are reporting a year-over-year increase in their net profit margins in Q3 2024 compared to Q3 2023, led by the Communication Services (14.7% vs. 13.0%) sector. On the other hand, six sectors are reporting a year-over-year decrease in their net profit margins in Q3 2024 compared to Q3 2023, led by the Energy (8.4% vs. 10.6%) sector. The Consumer Staples (6.3% vs. 6.3%) sector is reporting no change in its net profit margin compared to last year.

Five sectors are reporting net profit margins in Q3 2024 that are above their 5-year averages, led by the Consumer Discretionary (9.9% vs. 6.7%) and Communication Services (14.7% vs. 11.7%) sectors. On the other hand, six sectors are reporting net profit margins in Q3 2024 that are below their 5-year averages, led by the Materials (8.8% vs. 11.2%) sector.

## Forward Estimates

### Guidance: Negative Guidance Percentage for Q4 is Above 5-Year and 10-Year Averages

At this point in time, 77 companies in the index have issued EPS guidance for Q4 2024. Of these 77 companies, 53 have issued negative EPS guidance and 24 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q4 2024 is 69% (53 out of 77), which is above the 5-year average of 58% and above the 10-year average of 62%.

At this point in time, 269 companies in the index have issued EPS guidance for the current fiscal year (FY 2024 or FY 2025). Of these 269 companies, 130 have issued negative EPS guidance and 139 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 48% (130 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 9% for CY 2024

For the third quarter, S&P 500 companies are reporting year-over-year growth in earnings of 5.3% and year-over-year growth in revenues of 5.5%.

For Q4 2024, analysts are projecting earnings growth of 12.2% and revenue growth of 4.8%.

For CY 2024, analysts are projecting earnings growth of 9.4% and revenue growth of 5.1%.

For Q1 2025, analysts are projecting earnings growth of 12.7% and revenue growth of 5.3%.

For Q2 2025, analysts are projecting earnings growth of 11.9% and revenue growth of 5.5%.

For CY 2025, analysts are projecting earnings growth of 14.8% and revenue growth of 5.7%.

### Valuation: Forward P/E Ratio is 22.2, Above the 10-Year Average (18.1)

The forward 12-month P/E ratio for the S&P 500 is 22.2. This P/E ratio is above the 5-year average of 19.6 and above the 10-year average of 18.1. It is also above the forward 12-month P/E ratio of 21.6 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 increased by 3.7%, while the forward 12-month EPS estimate has increased by 0.7%. At the sector level, the Information Technology (30.3) sector has the highest forward 12-month P/E ratio, while the Energy (14.4) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 27.9, which is above the 5-year average of 23.9 and above the 10-year average of 21.8.

### Targets & Ratings: Analysts Project 8% Increase in Price Over Next 12 Months

The bottom-up target price for the S&P 500 is 6444.18, which is 7.9% above the closing price of 5973.10. At the sector level, the Health Care (+13.1%) and Utilities (+11.5%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Consumer Discretionary (+3.9%) 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.

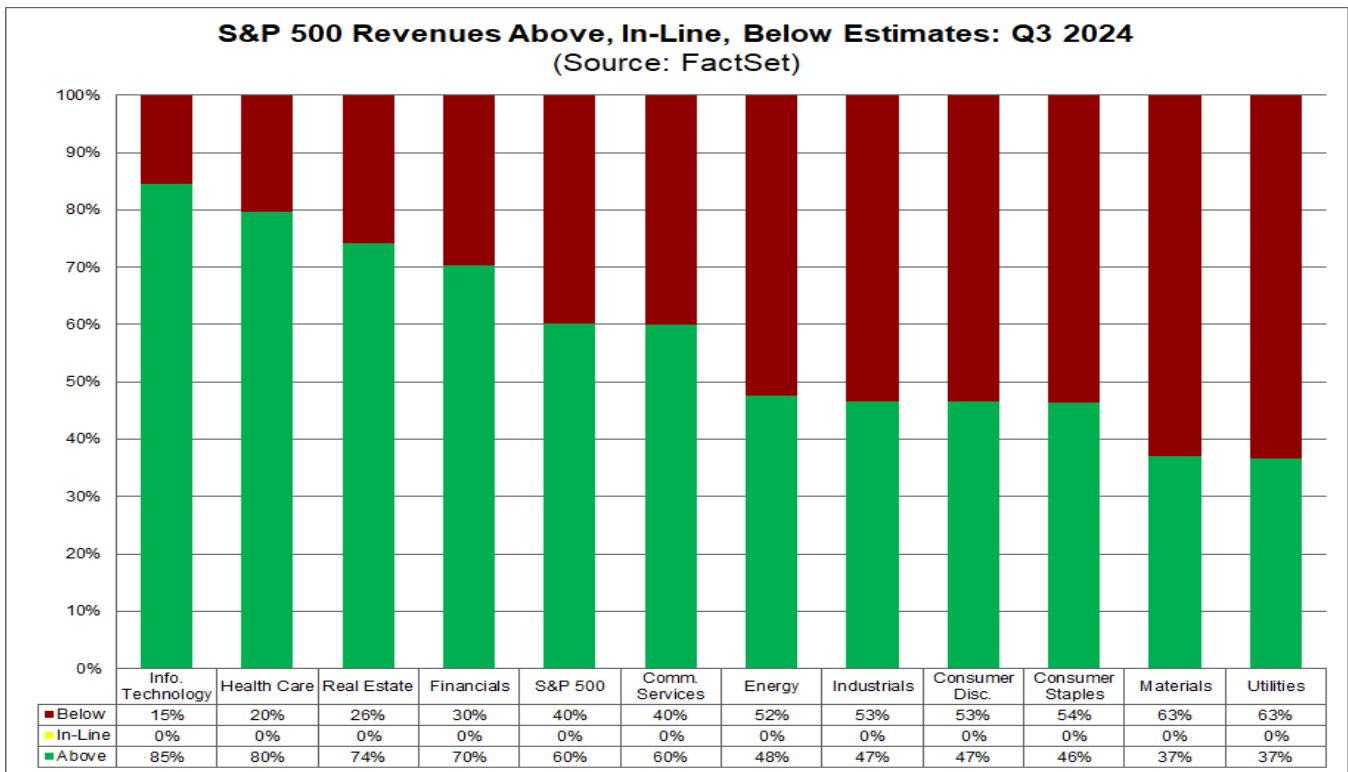
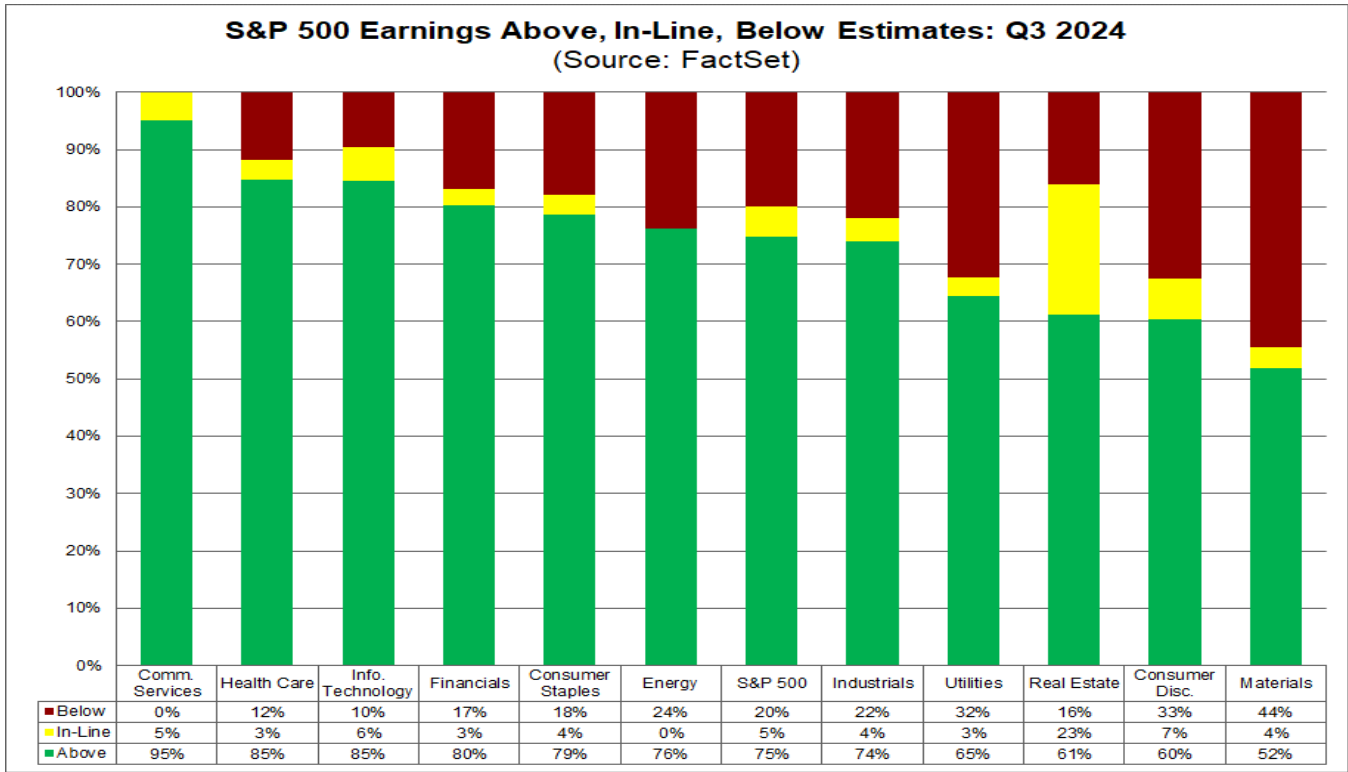
Overall, there are 12,026 ratings on stocks in the S&P 500. Of these 12,026 ratings, 53.6% are Buy ratings, 40.8% are Hold ratings, and 5.6% are Sell ratings. At the sector level, the Communication Services (63%), Energy (61%), and Information Technology (60%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (41%) sector has the lowest percentage of Buy ratings.

### **Companies Reporting Next Week: 12**

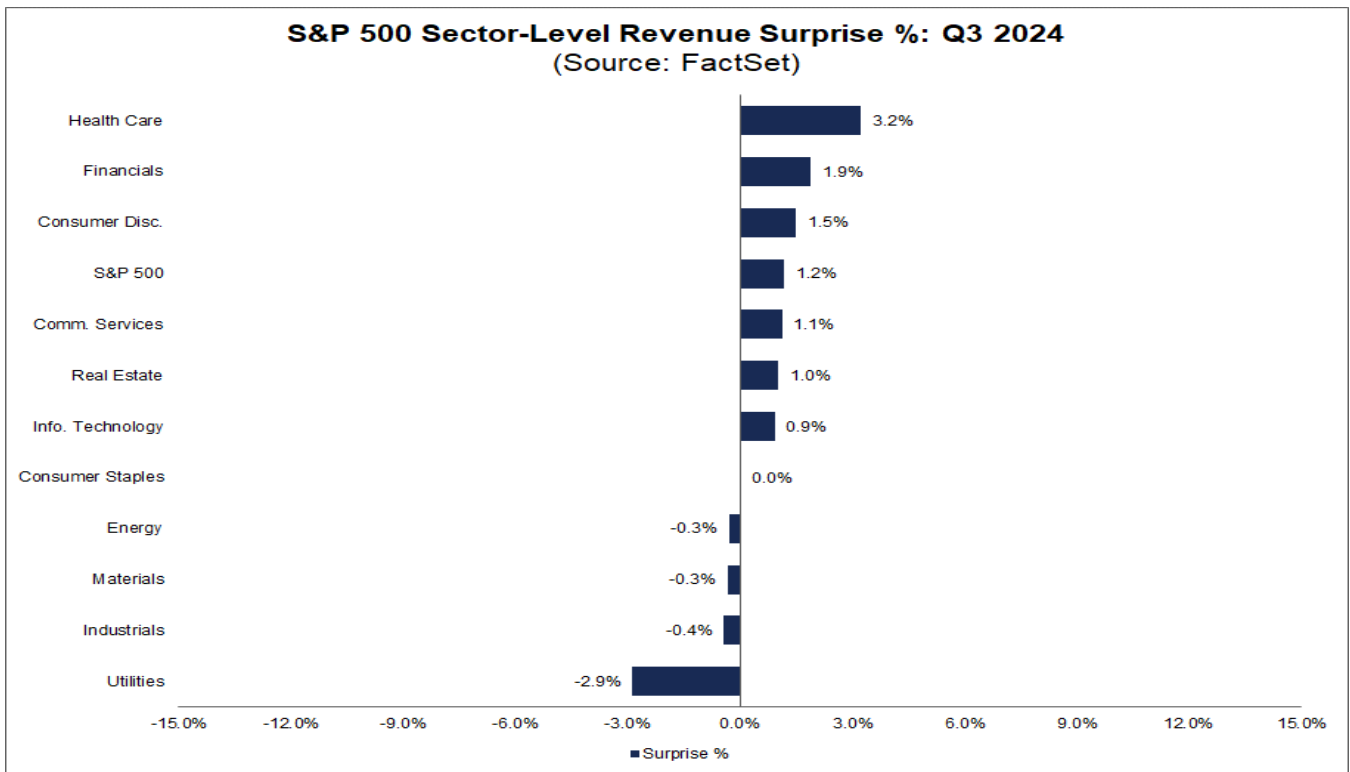
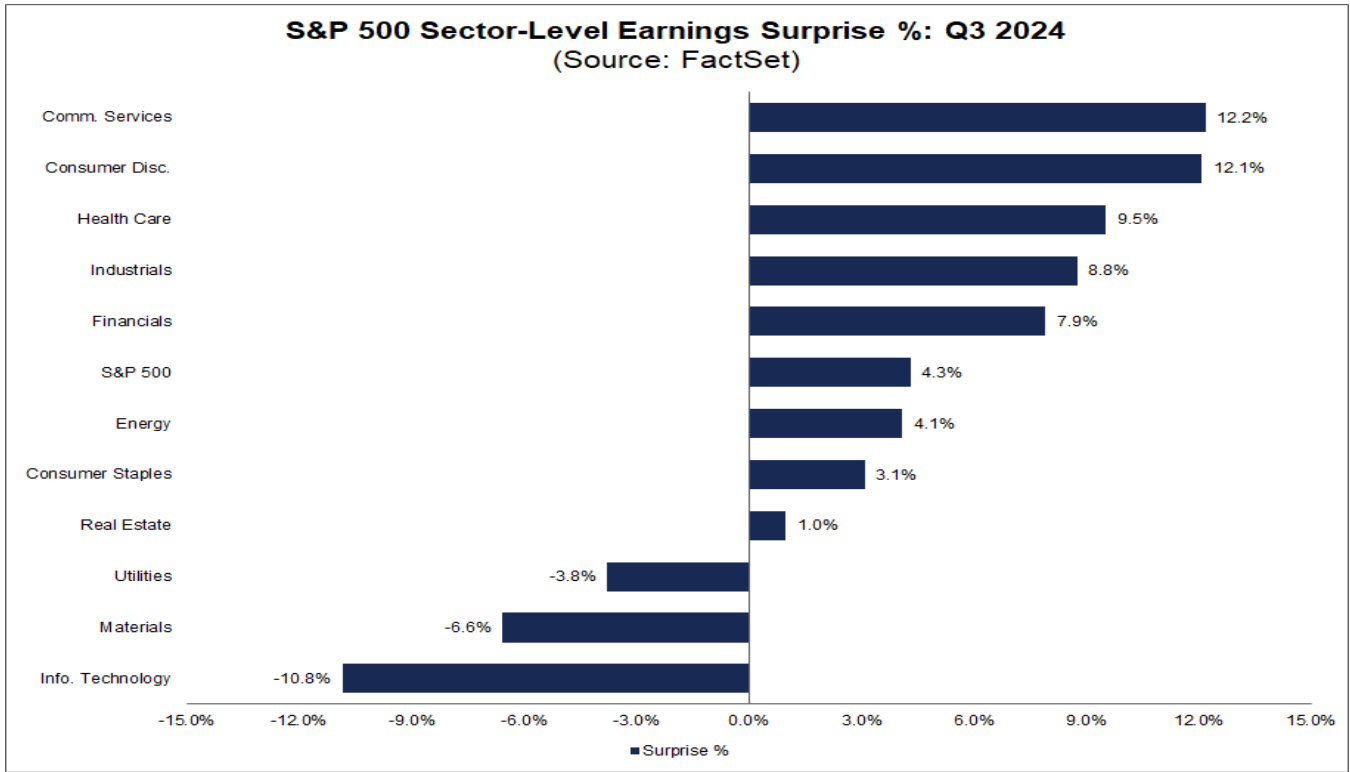
During the upcoming week, 12 S&P 500 companies (including 3 Dow 30 components) are scheduled to report results for the third quarter.



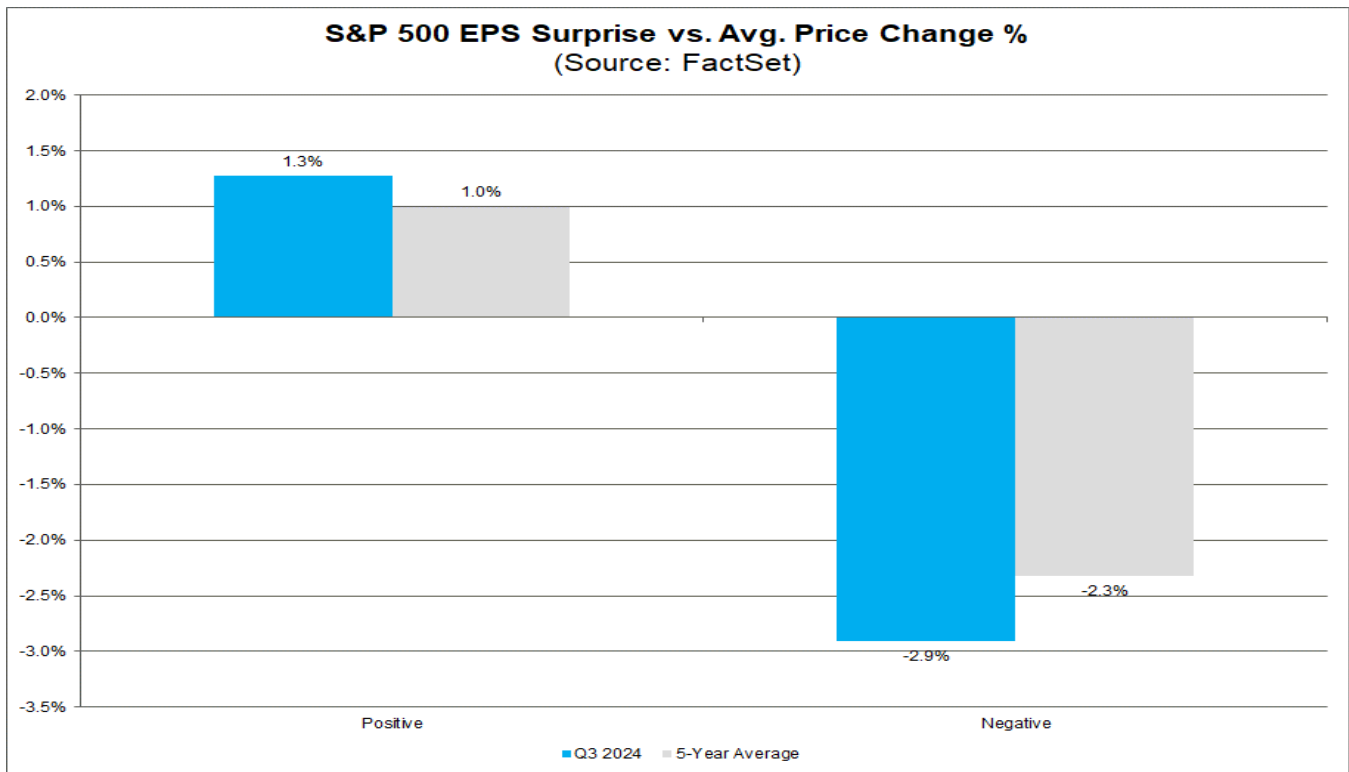
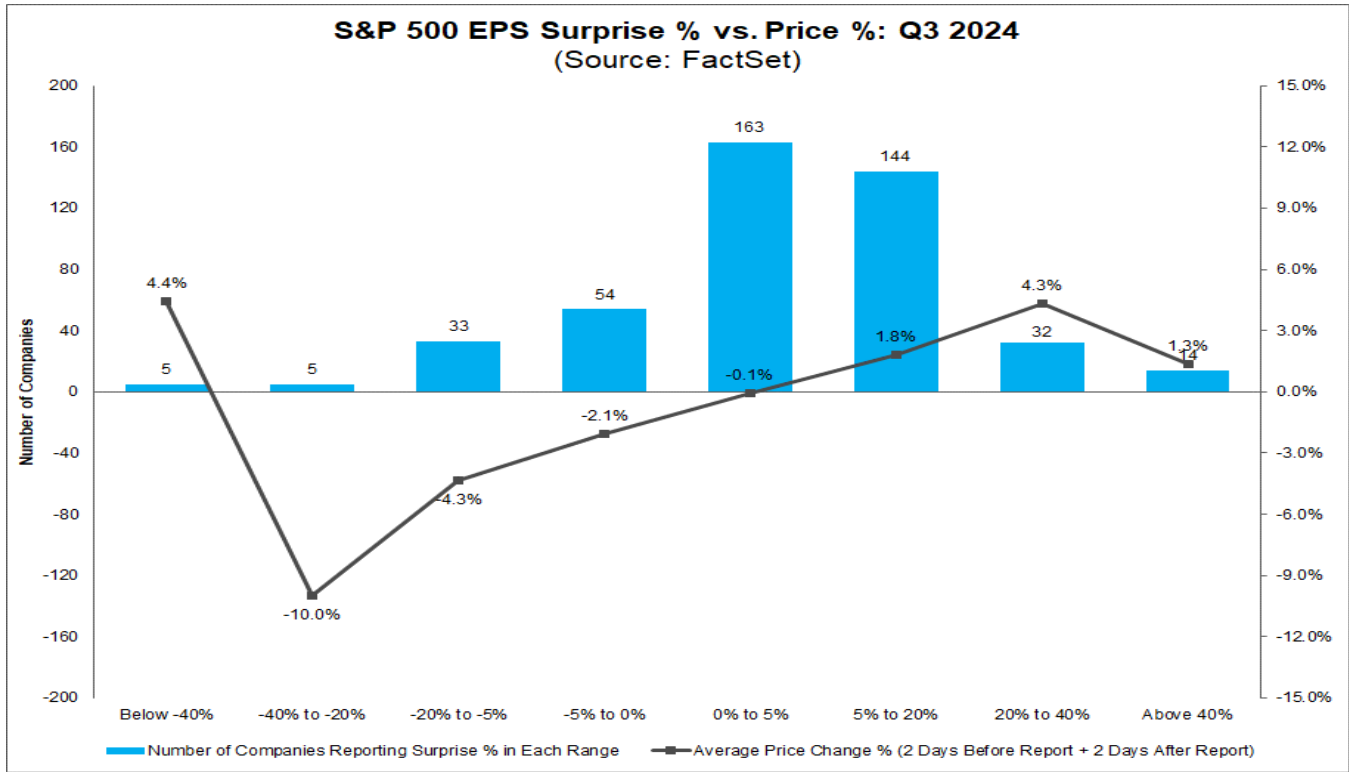
Q3 2024: Scorecard



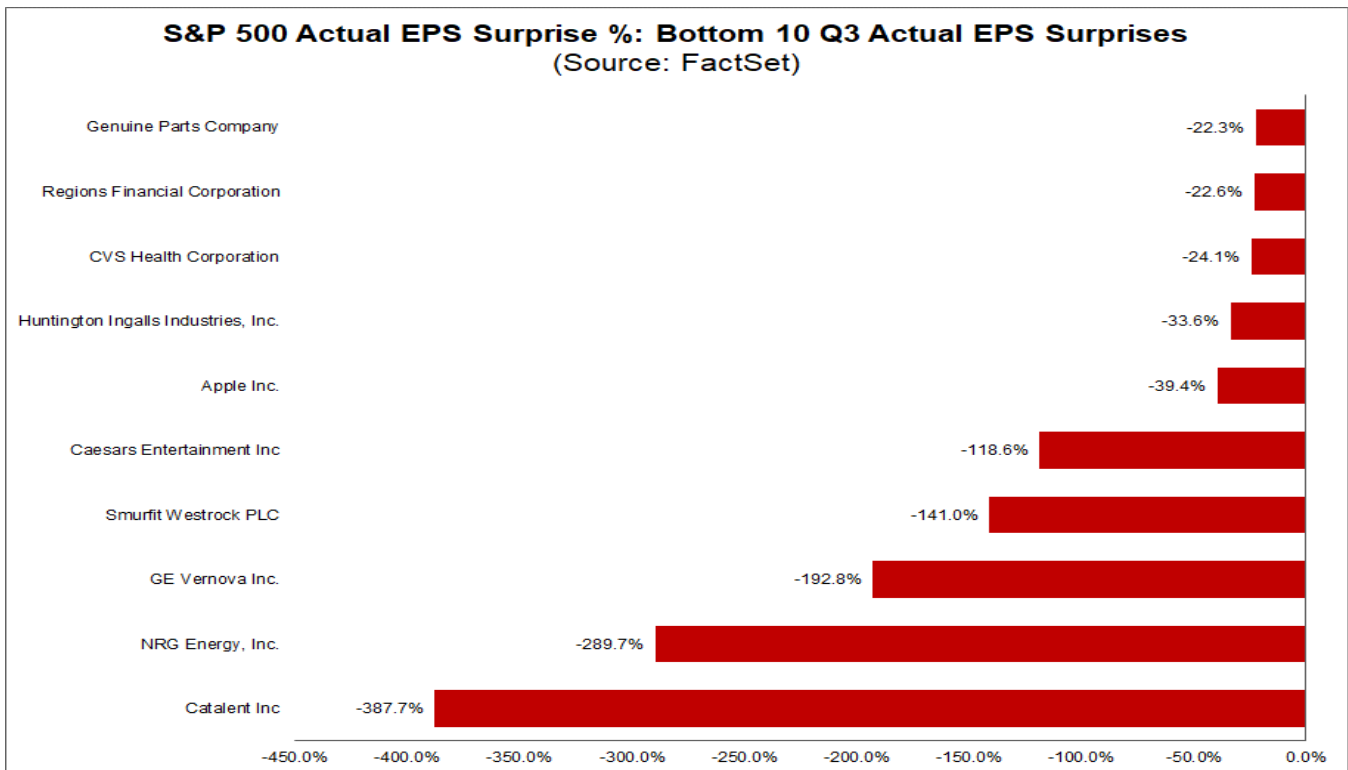
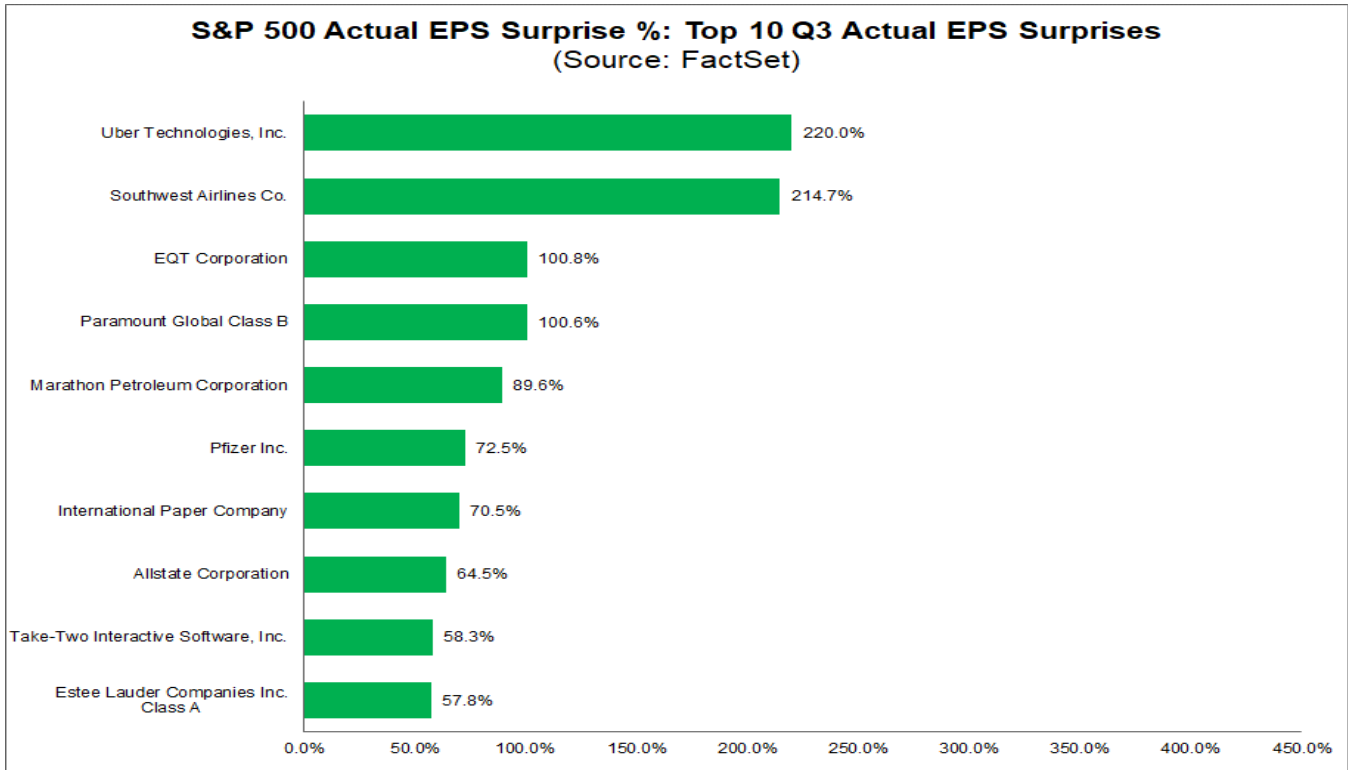
Q3 2024: Surprise



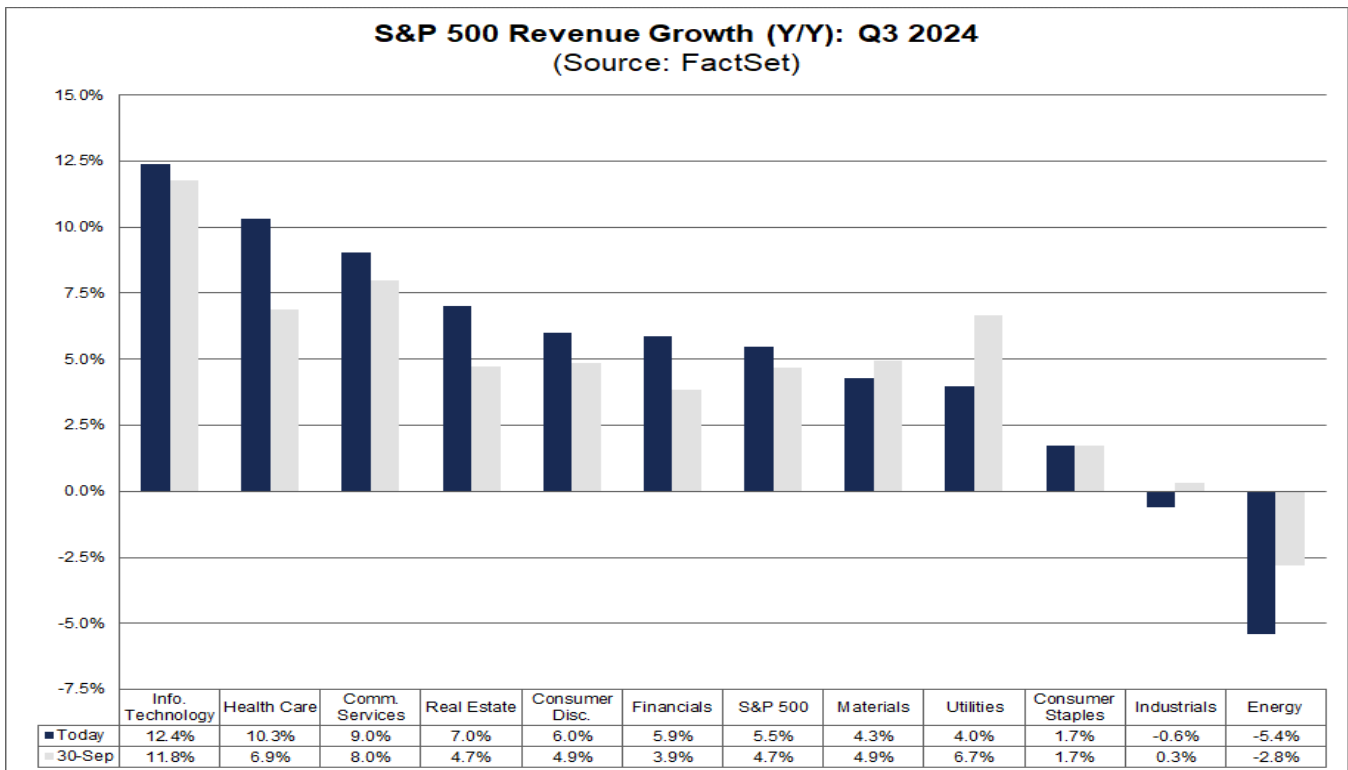
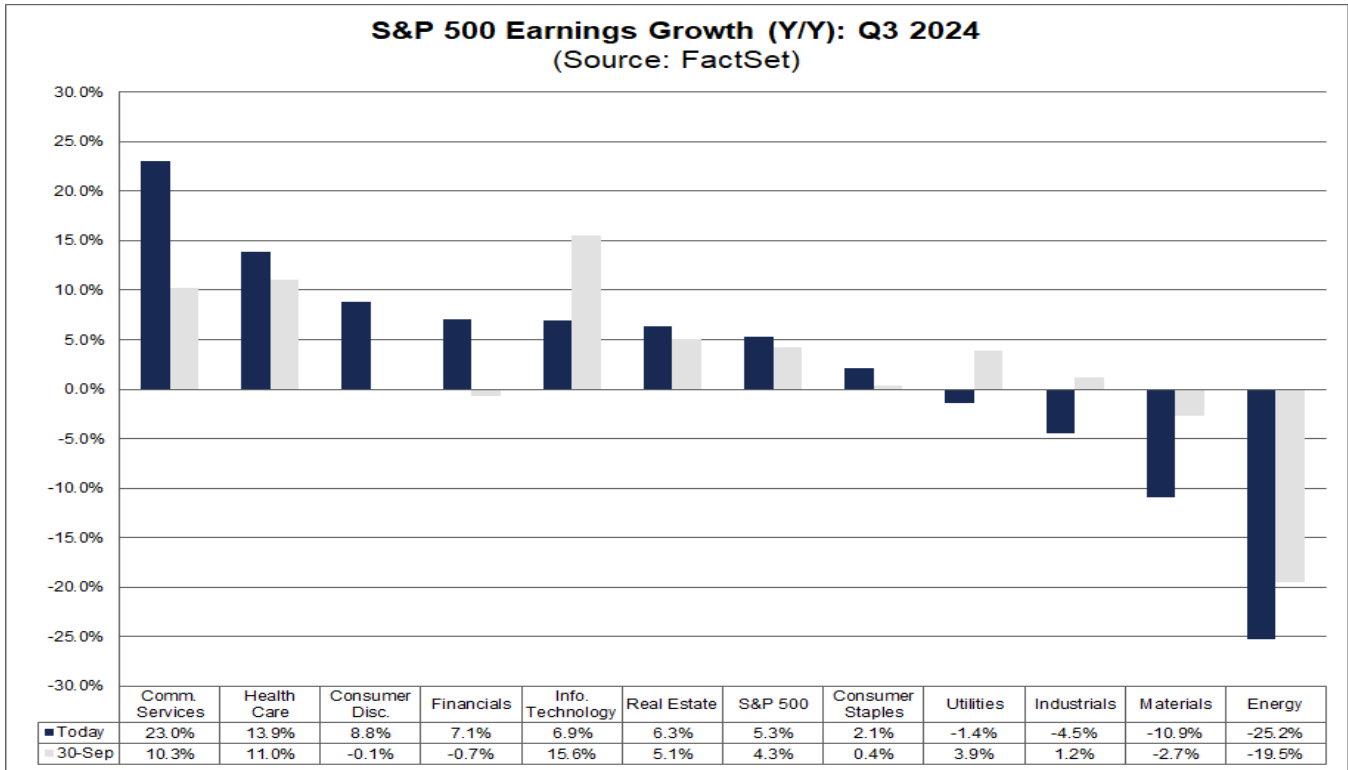
Q3 2024: Surprise



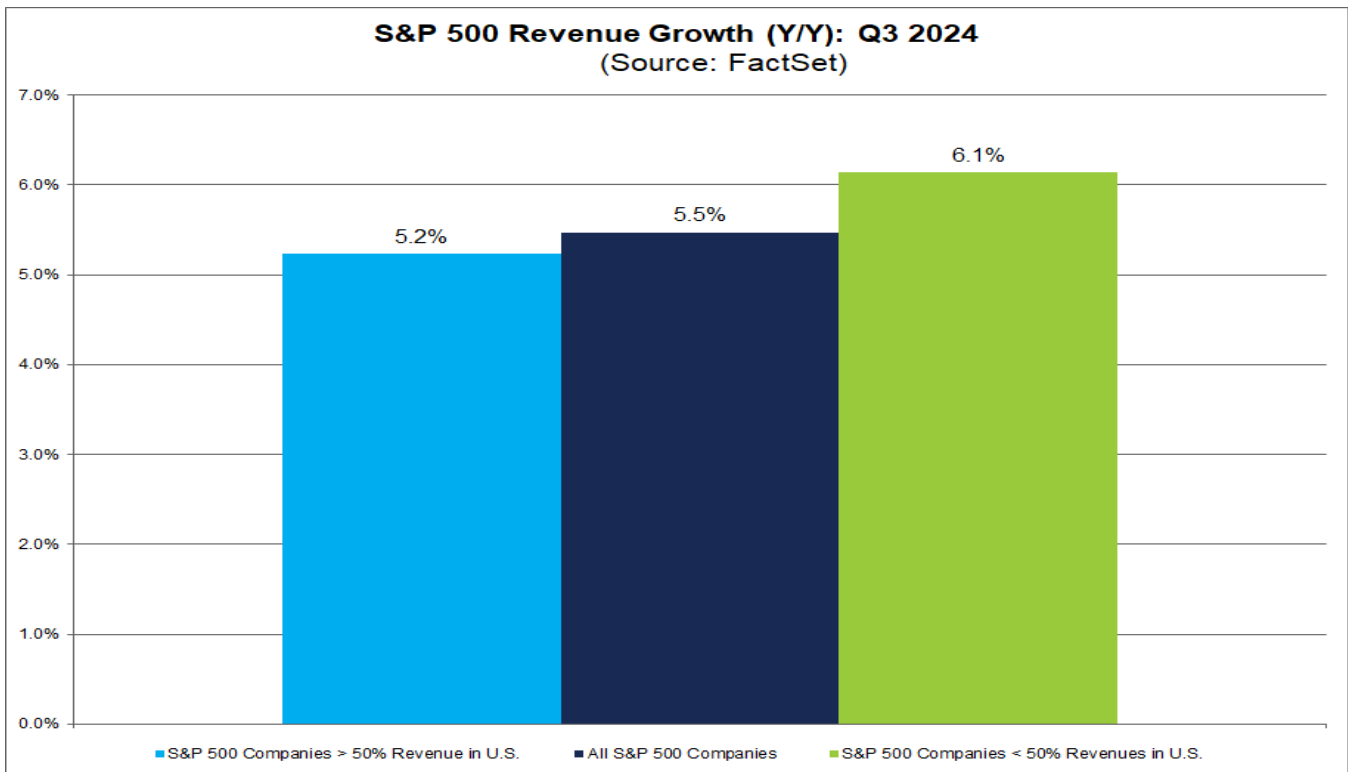
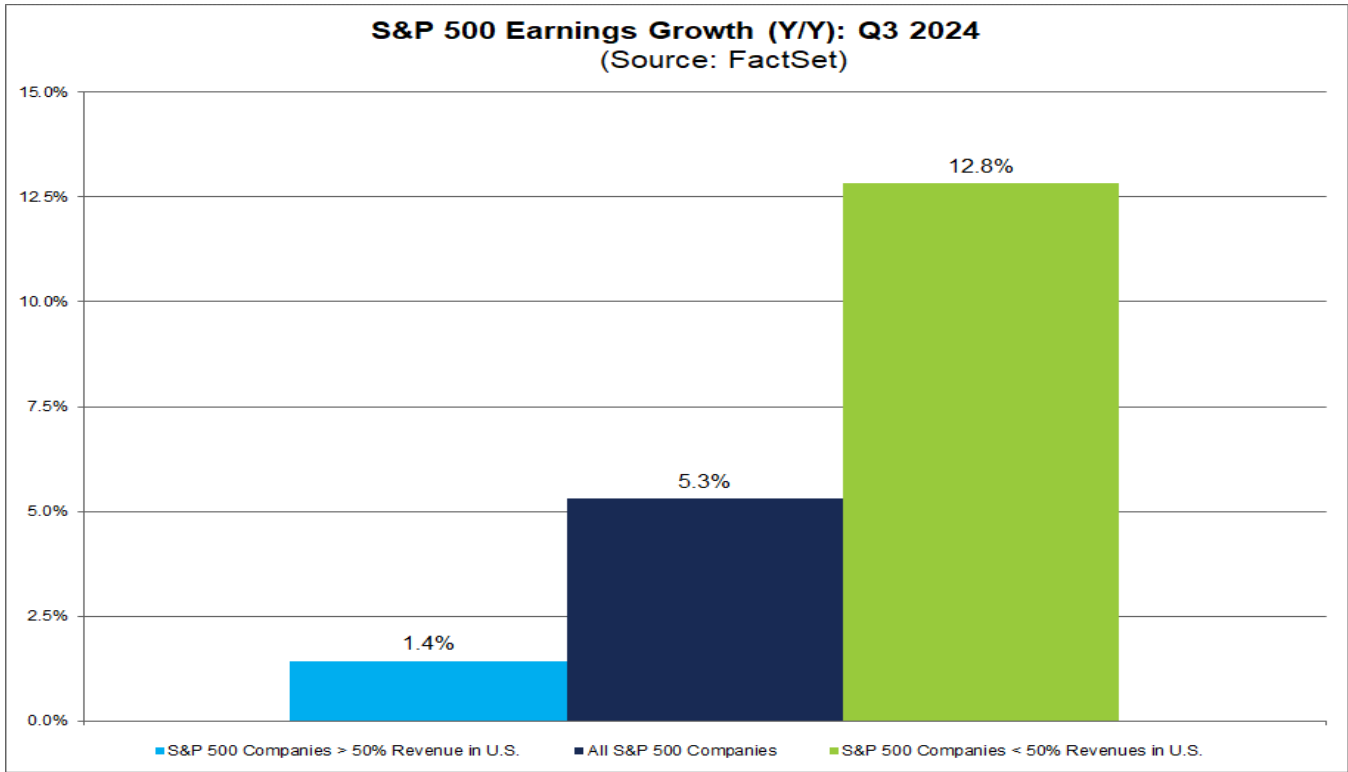
Q3 2024: Surprise



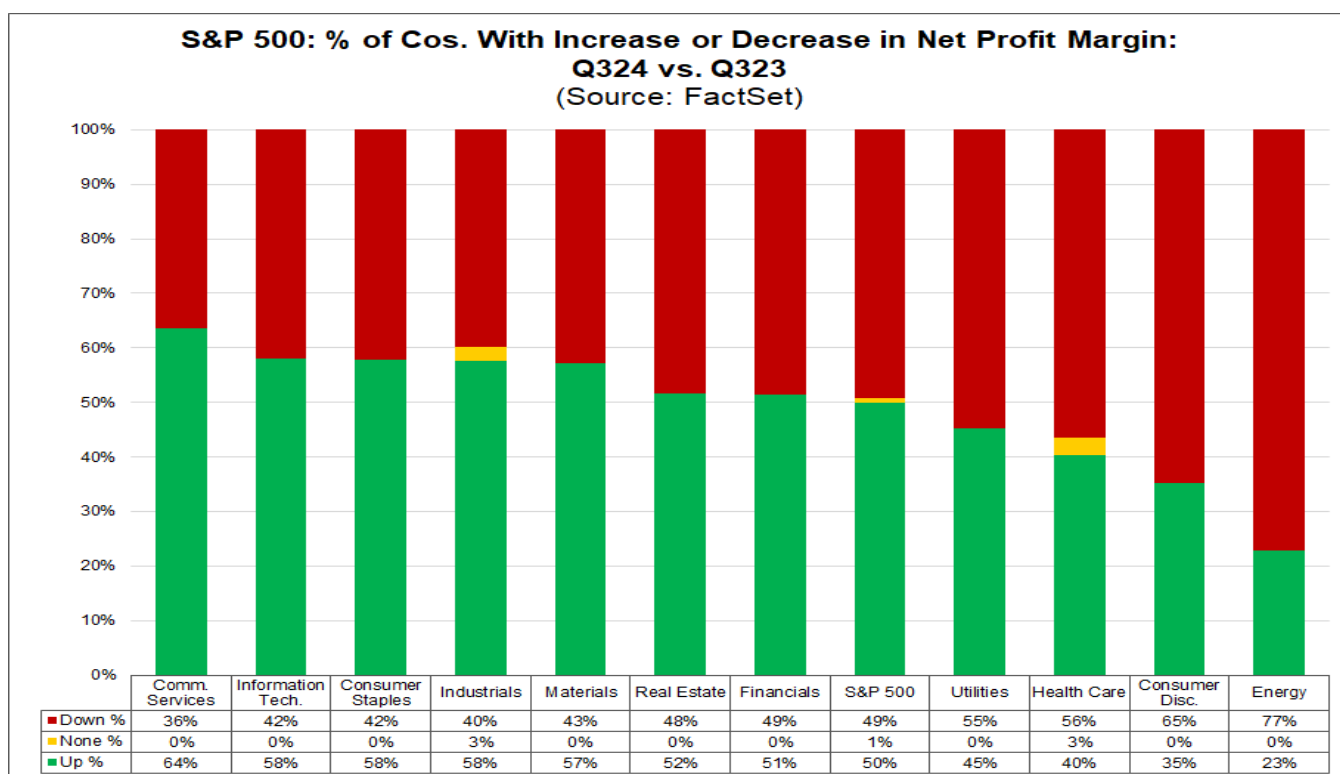
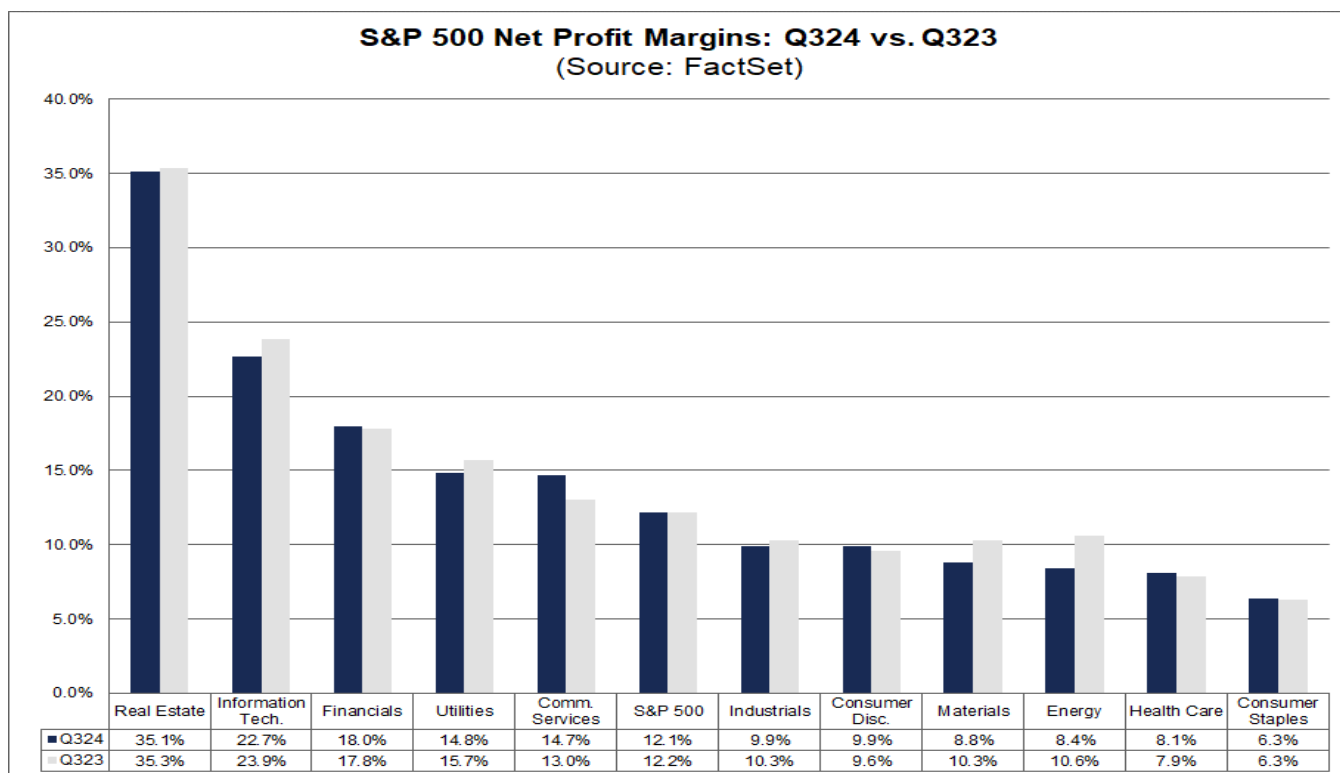
Q3 2024: Growth



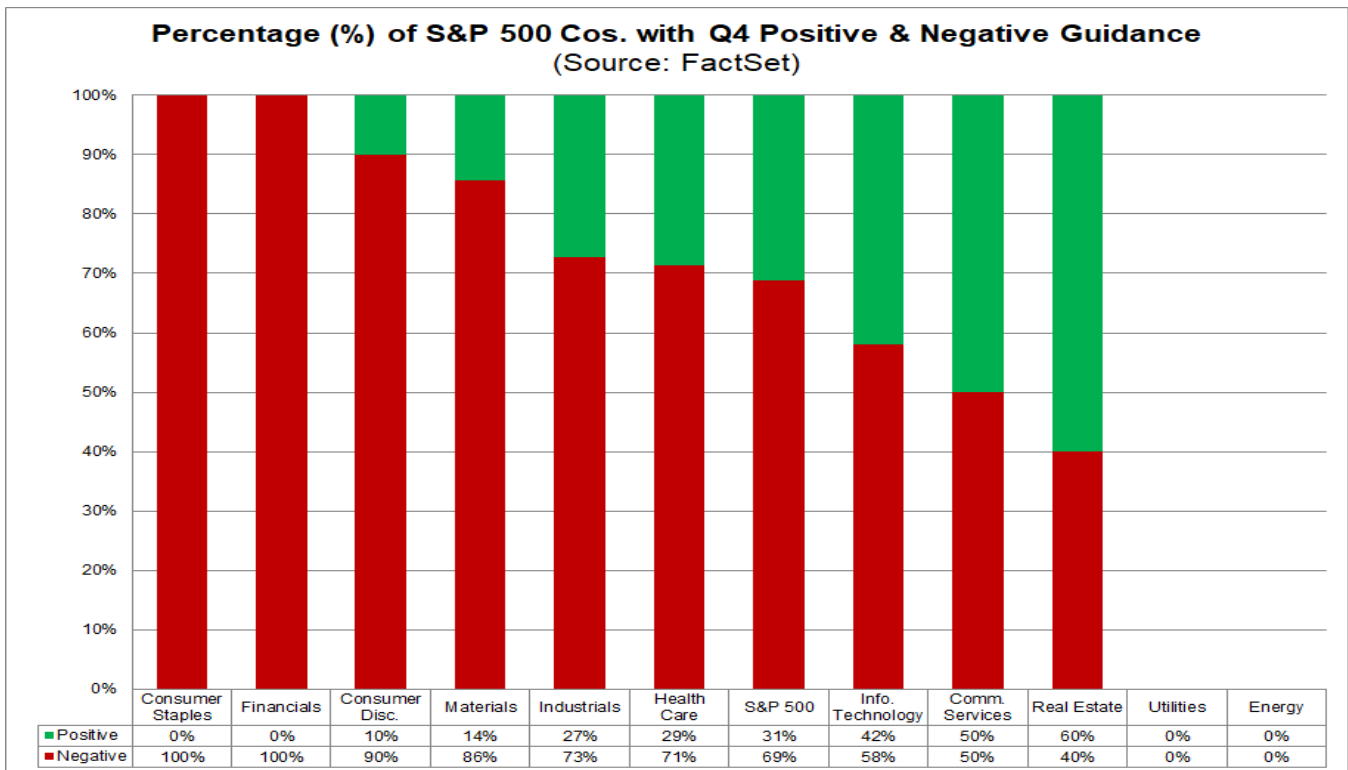
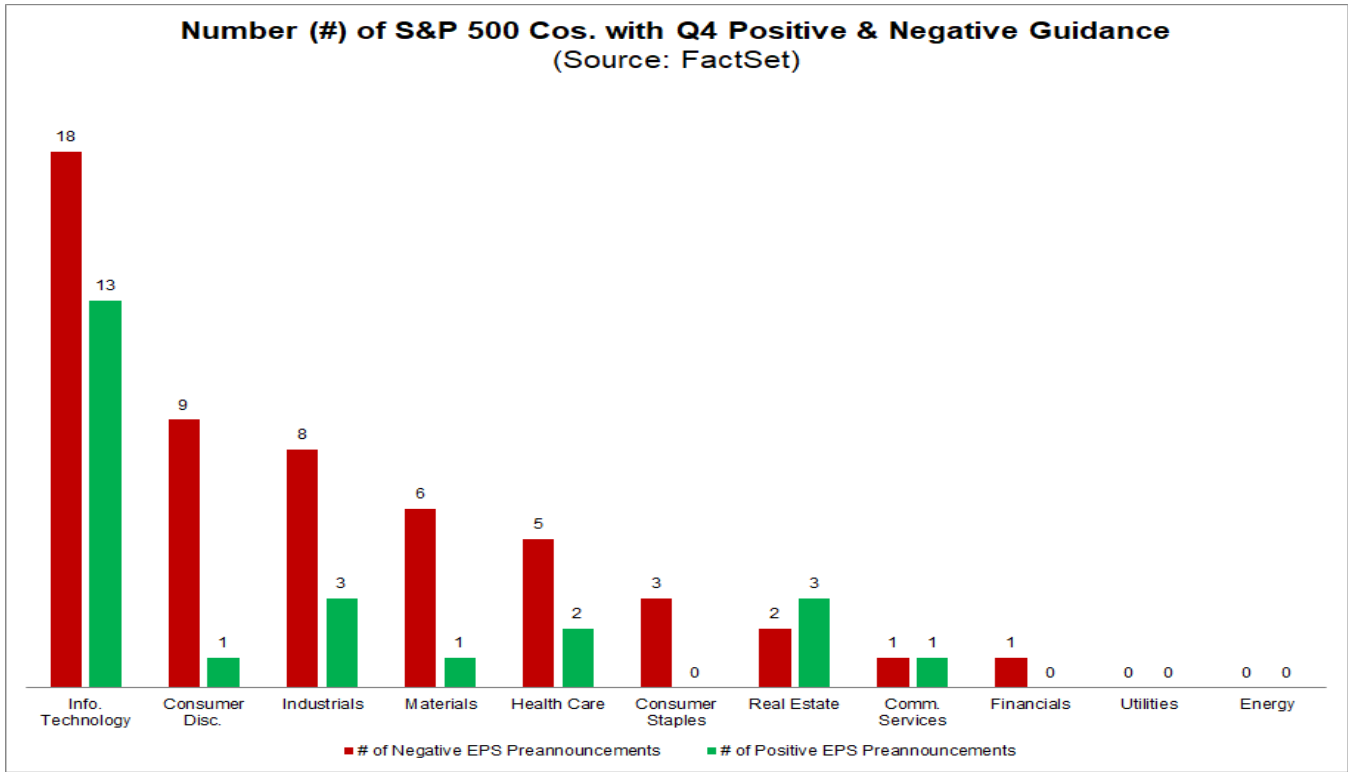
Q3 2024: Growth



Q3 2024: Net Profit Margin

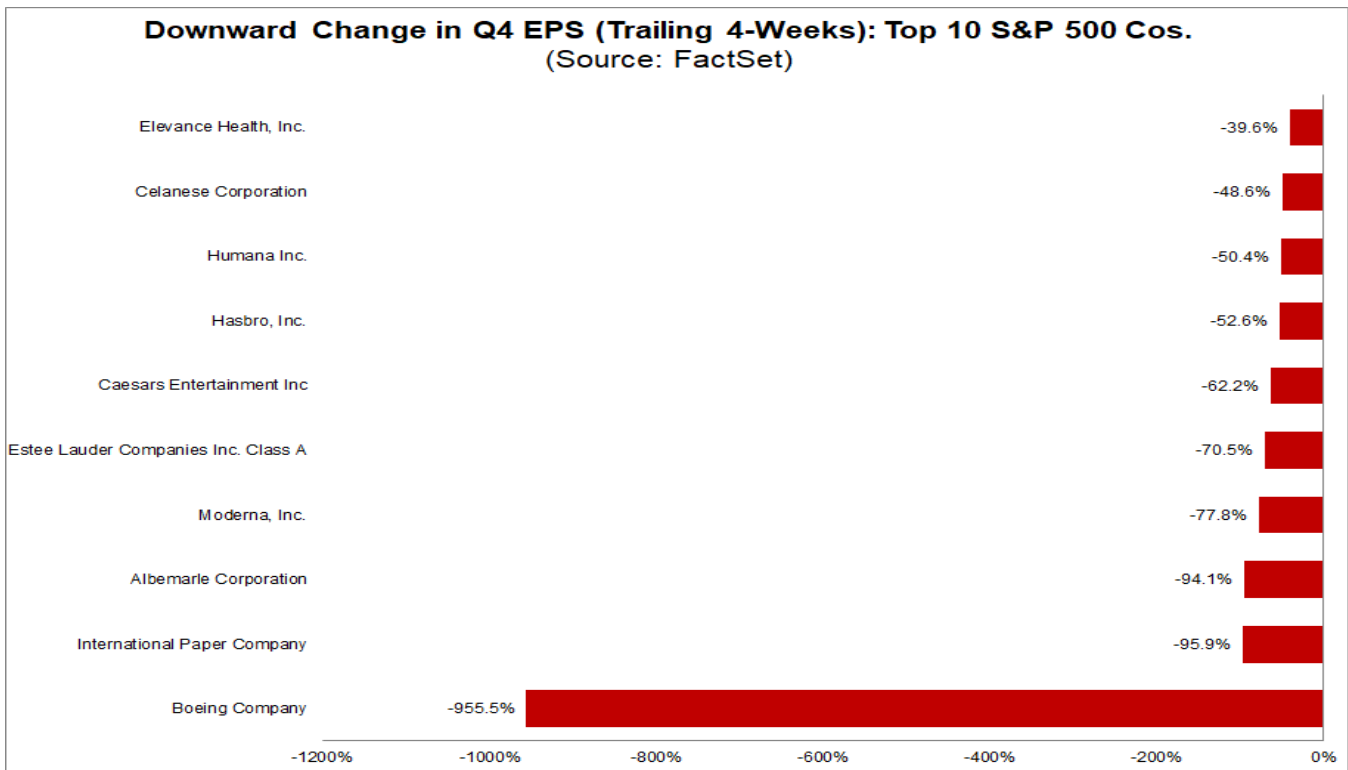
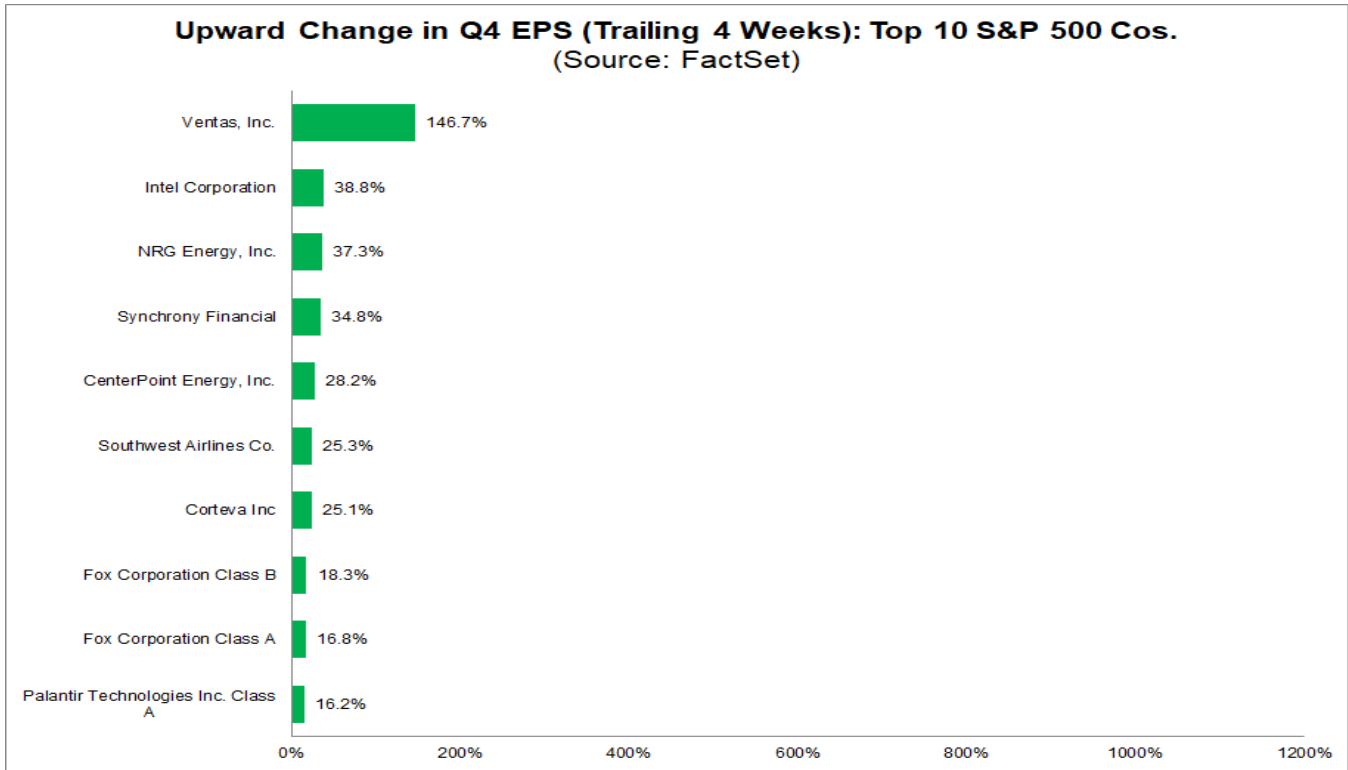


Q4 2024: Guidance

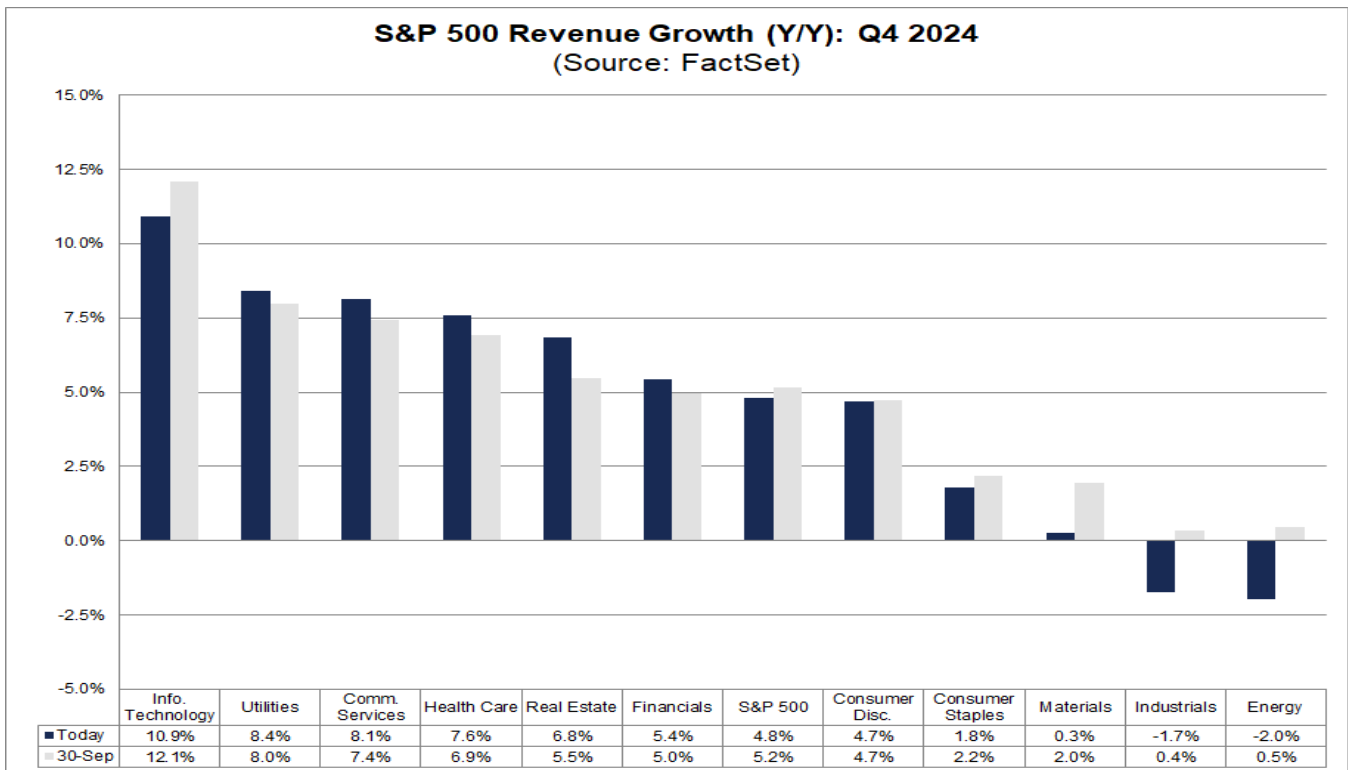
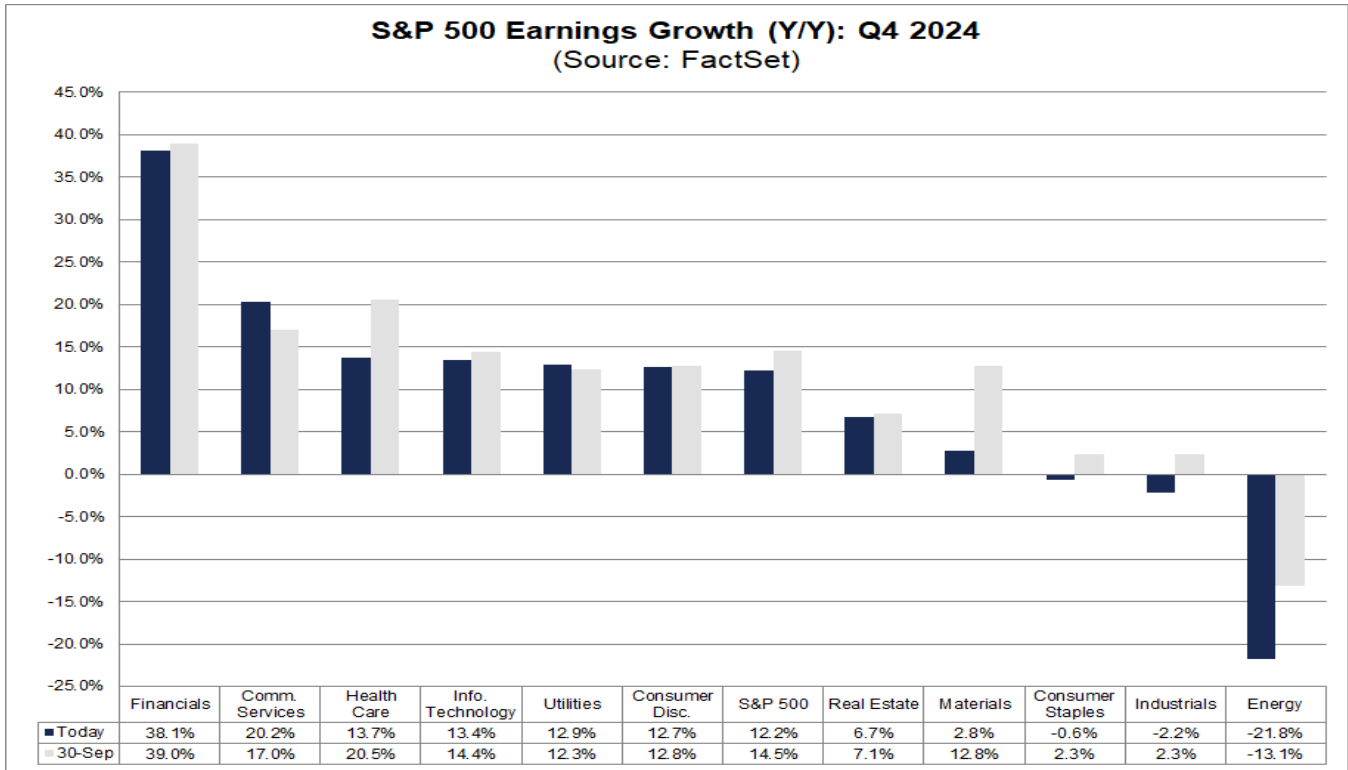




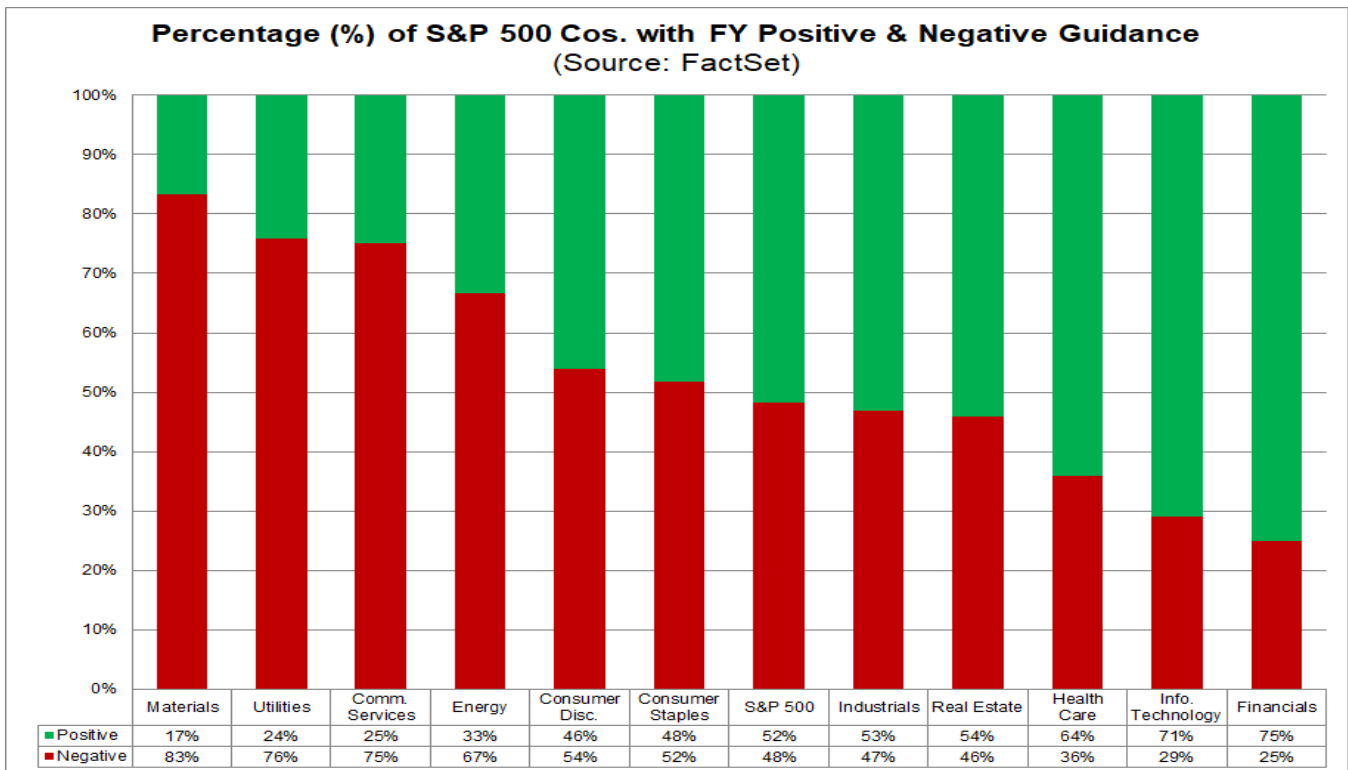
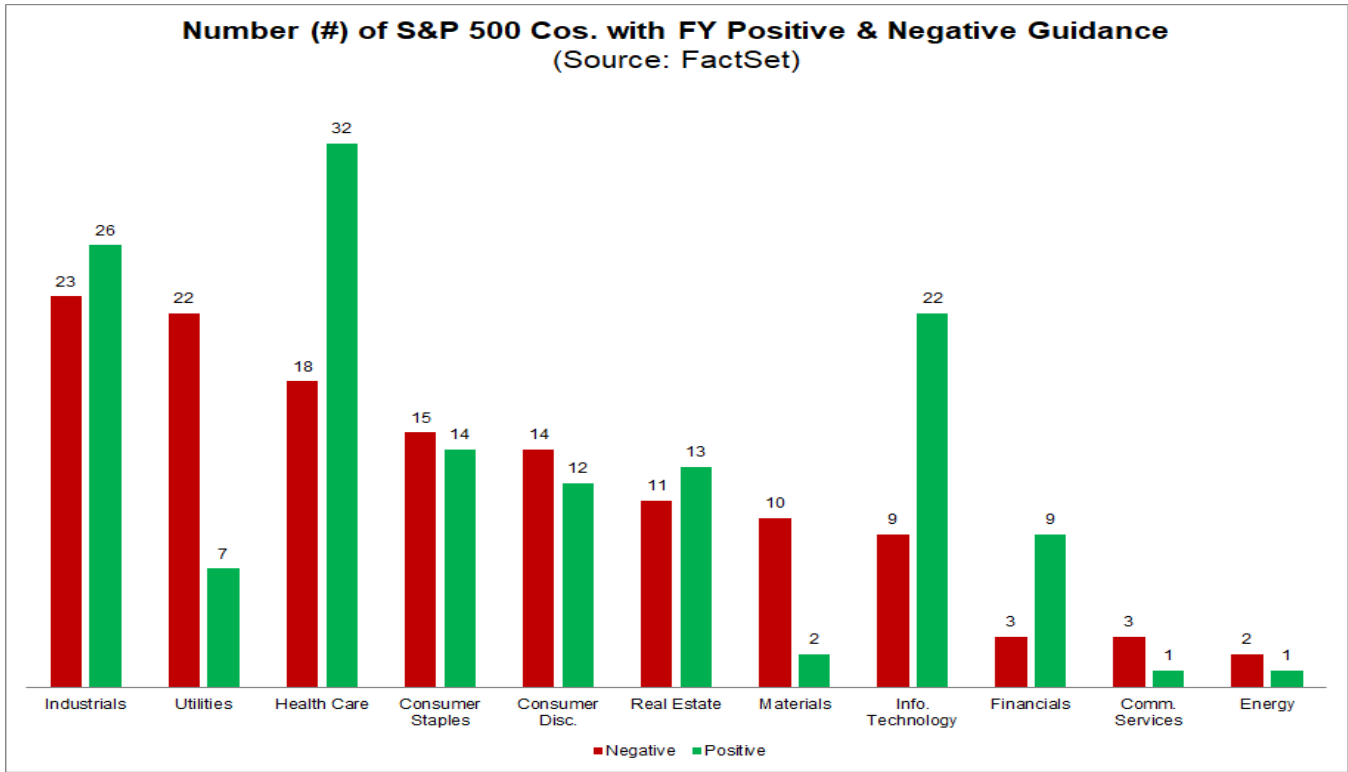
Q4 2024: EPS Revisions



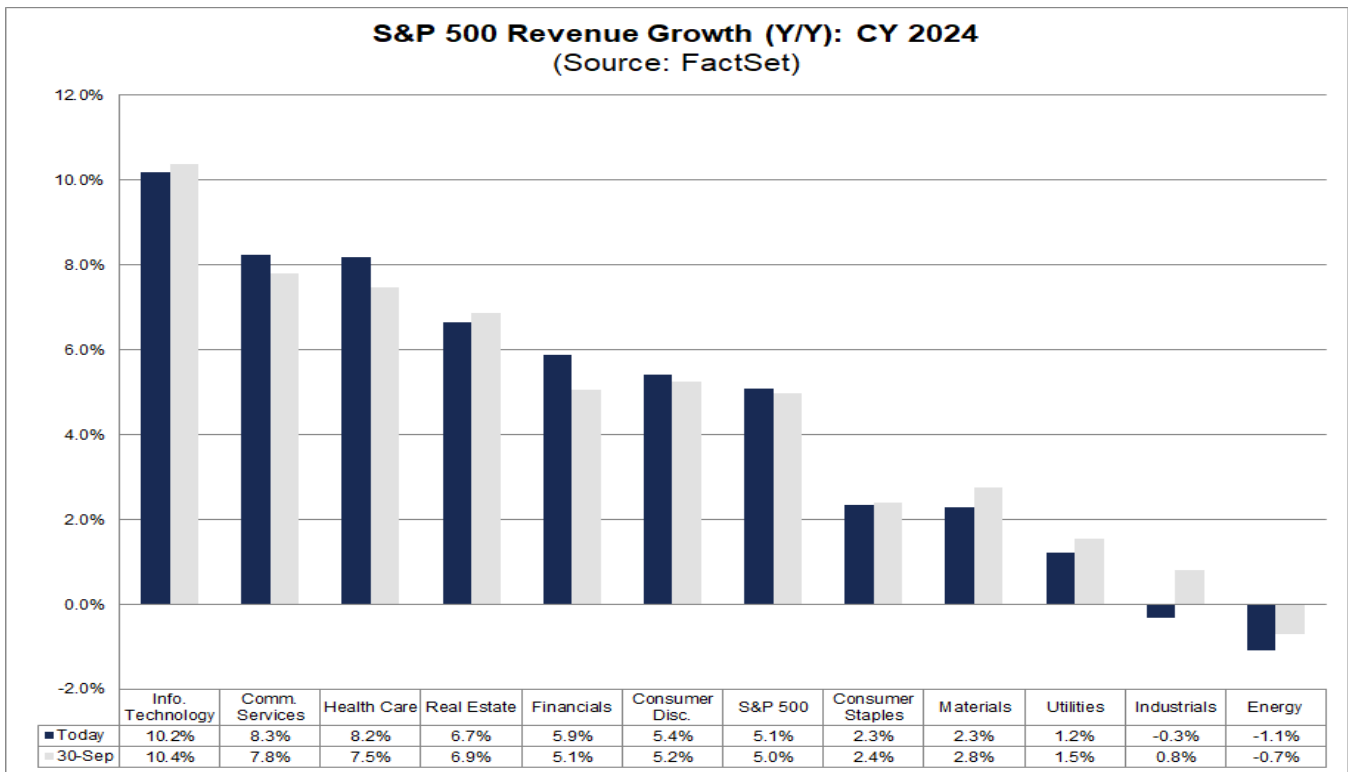
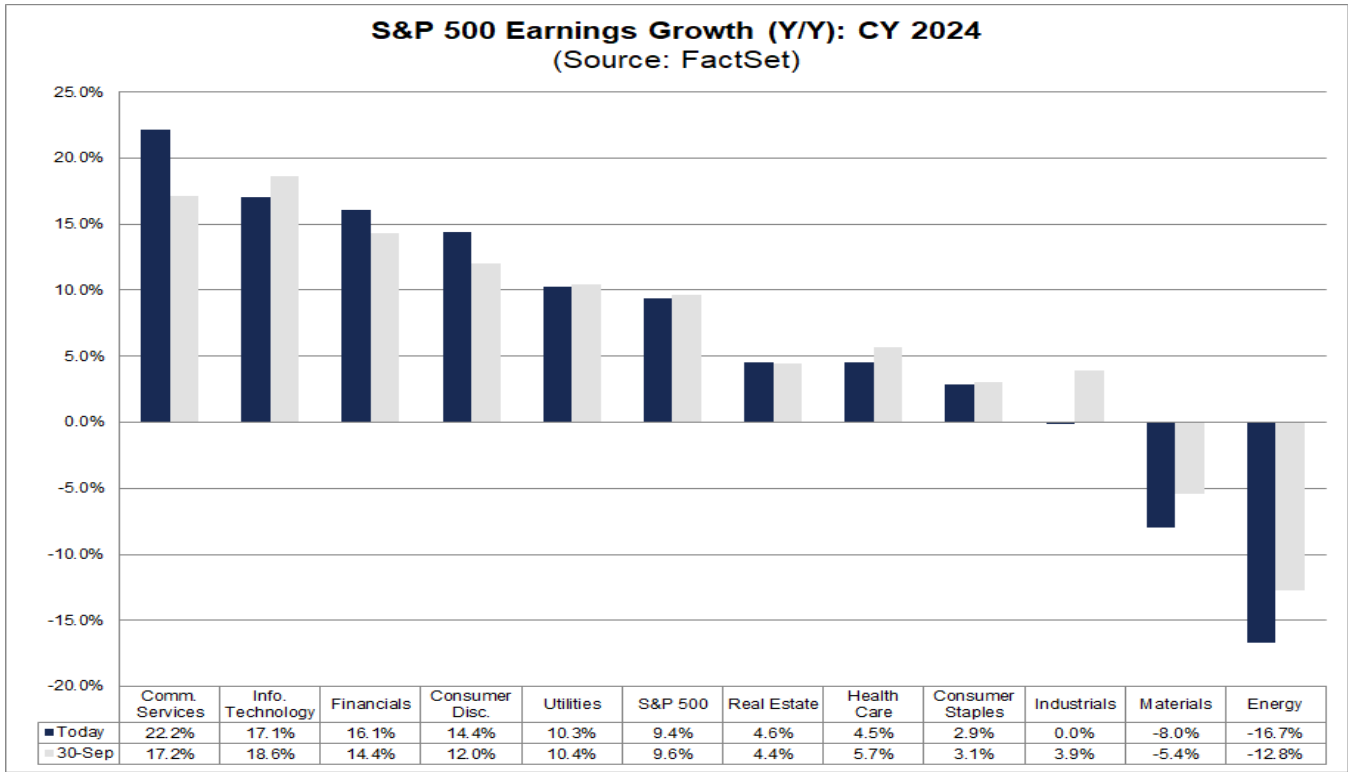
Q4 2024: Growth



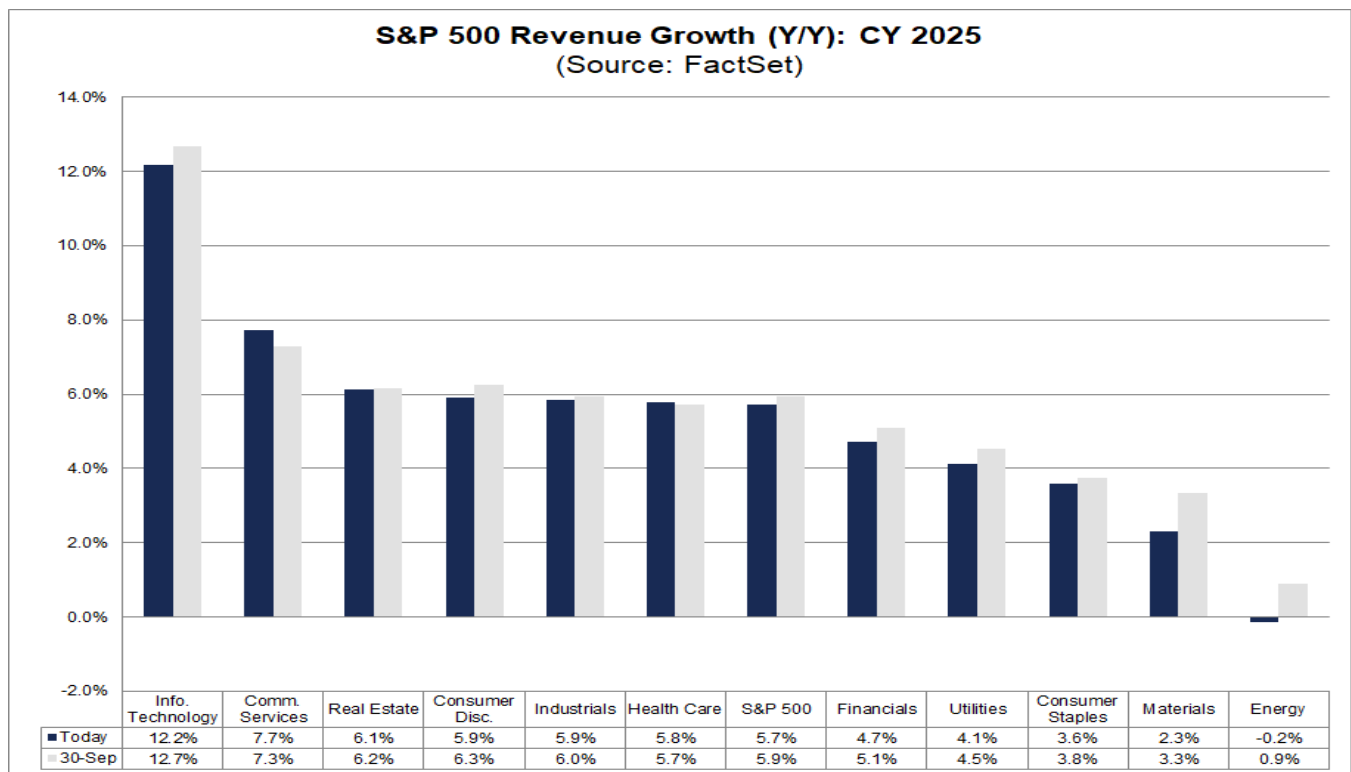
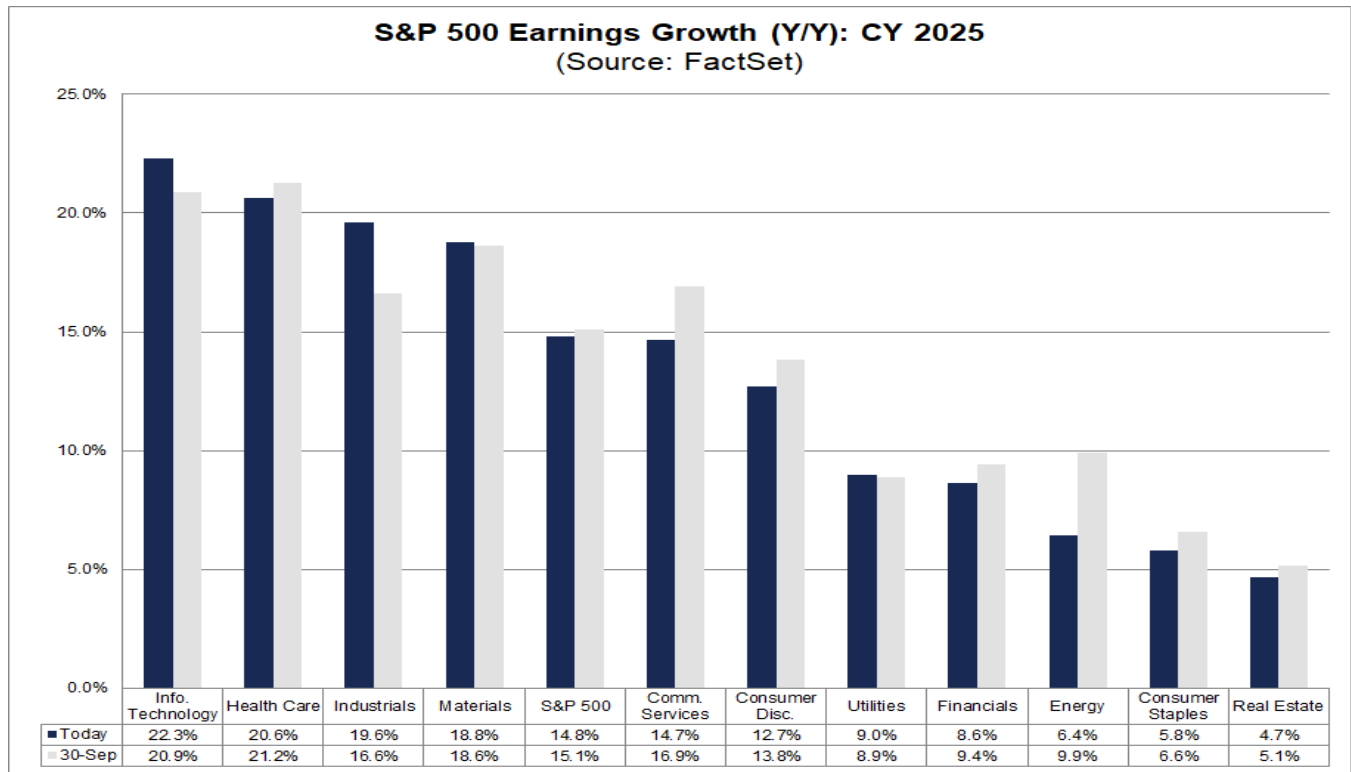
FY 2024 / 2025: EPS Guidance



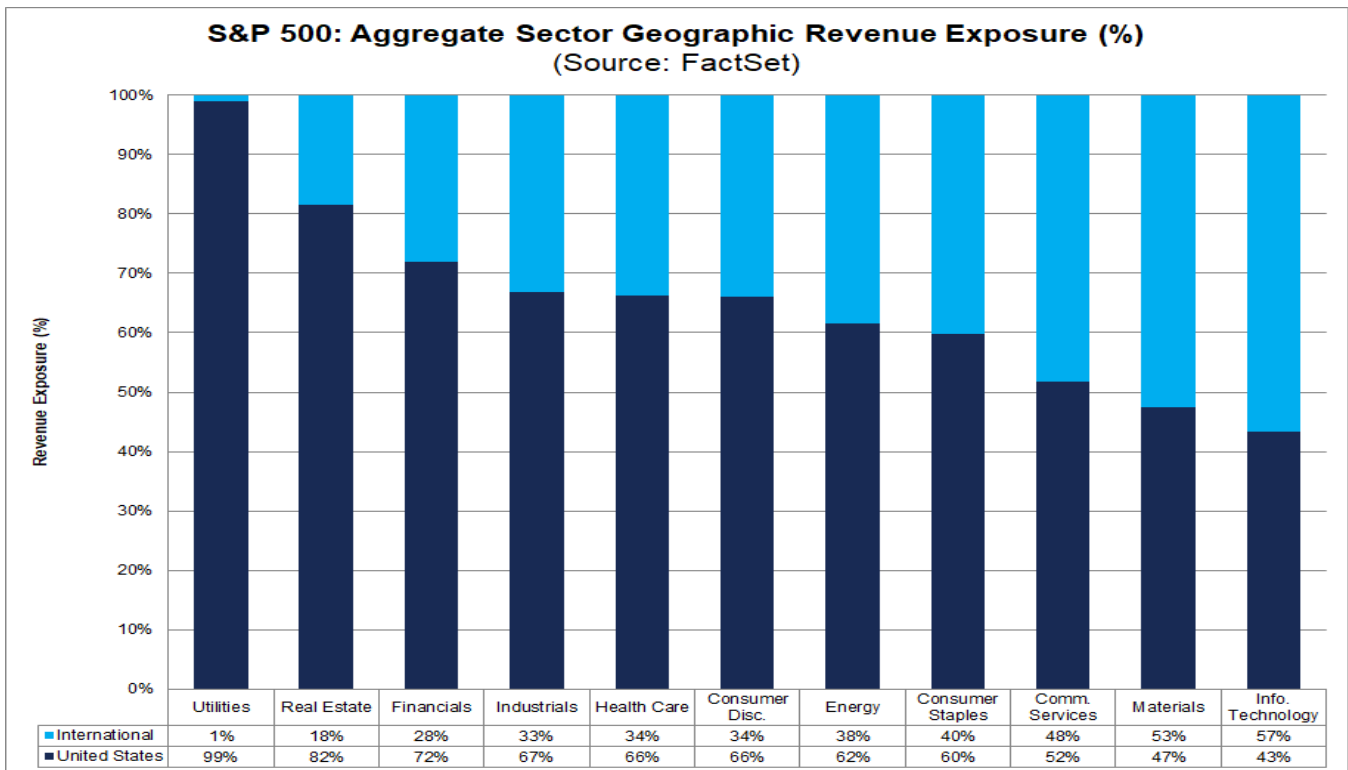
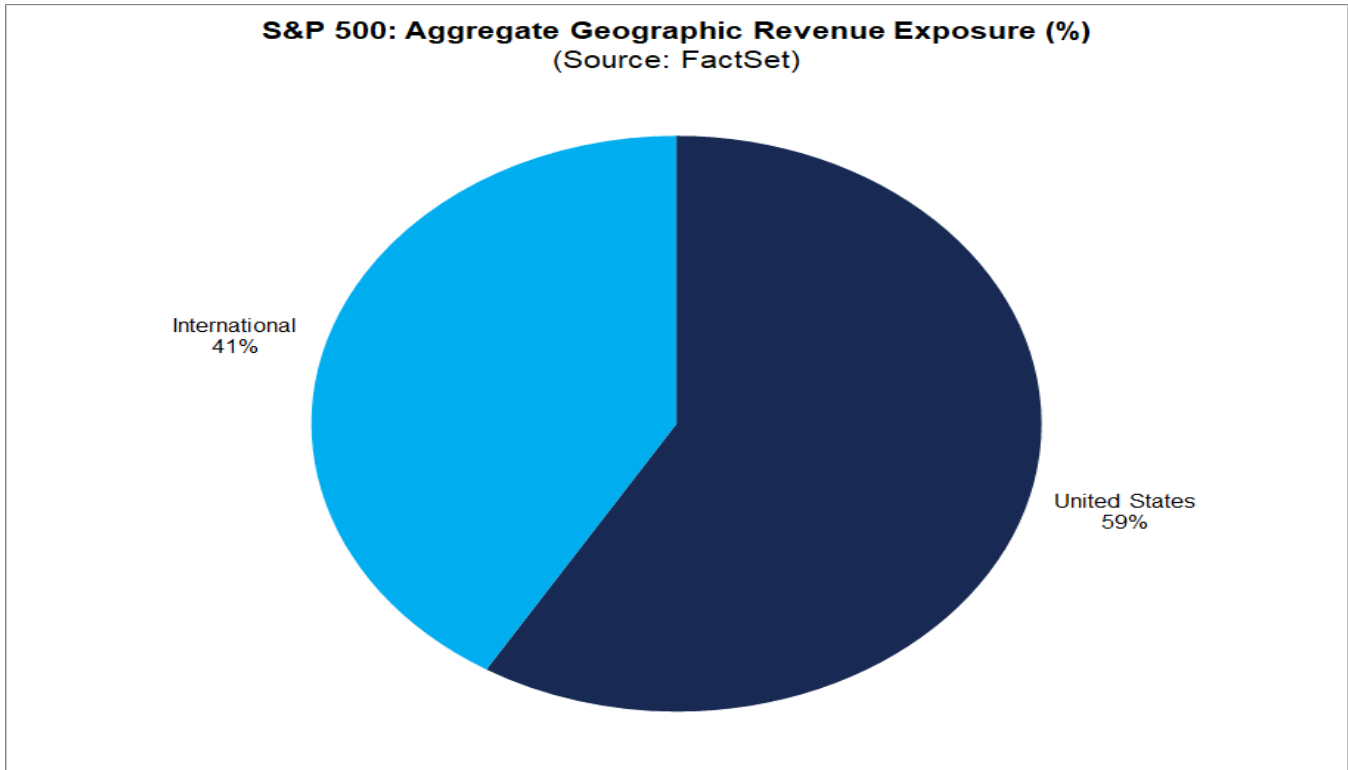
CY 2024: Growth



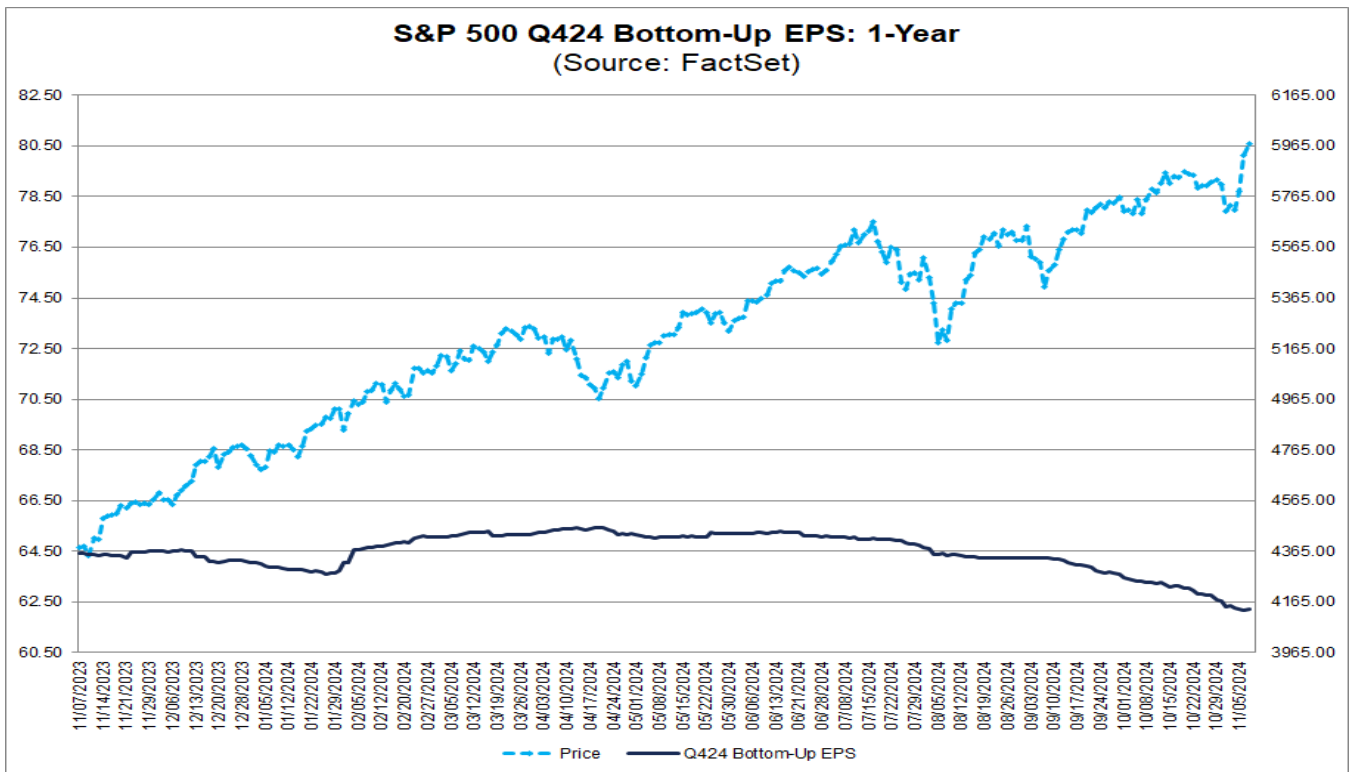
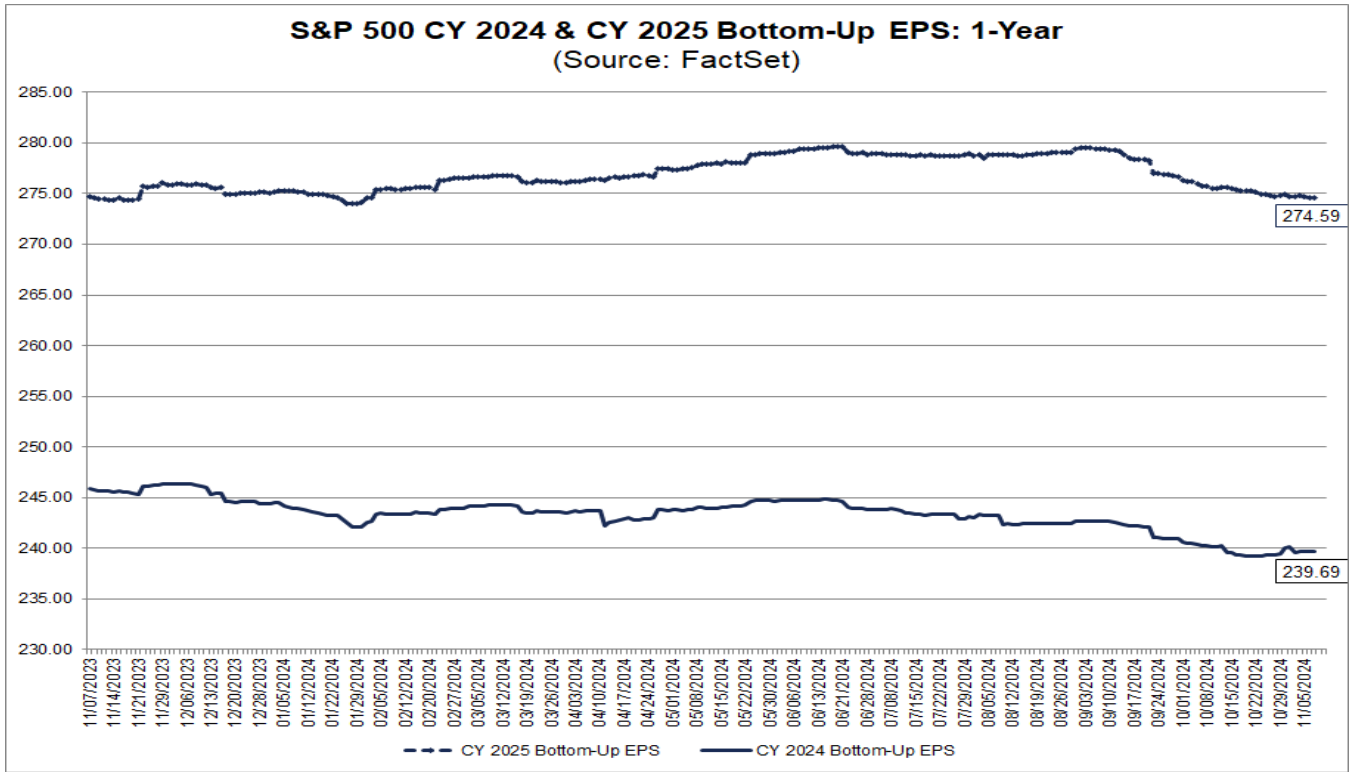
CY 2025: Growth



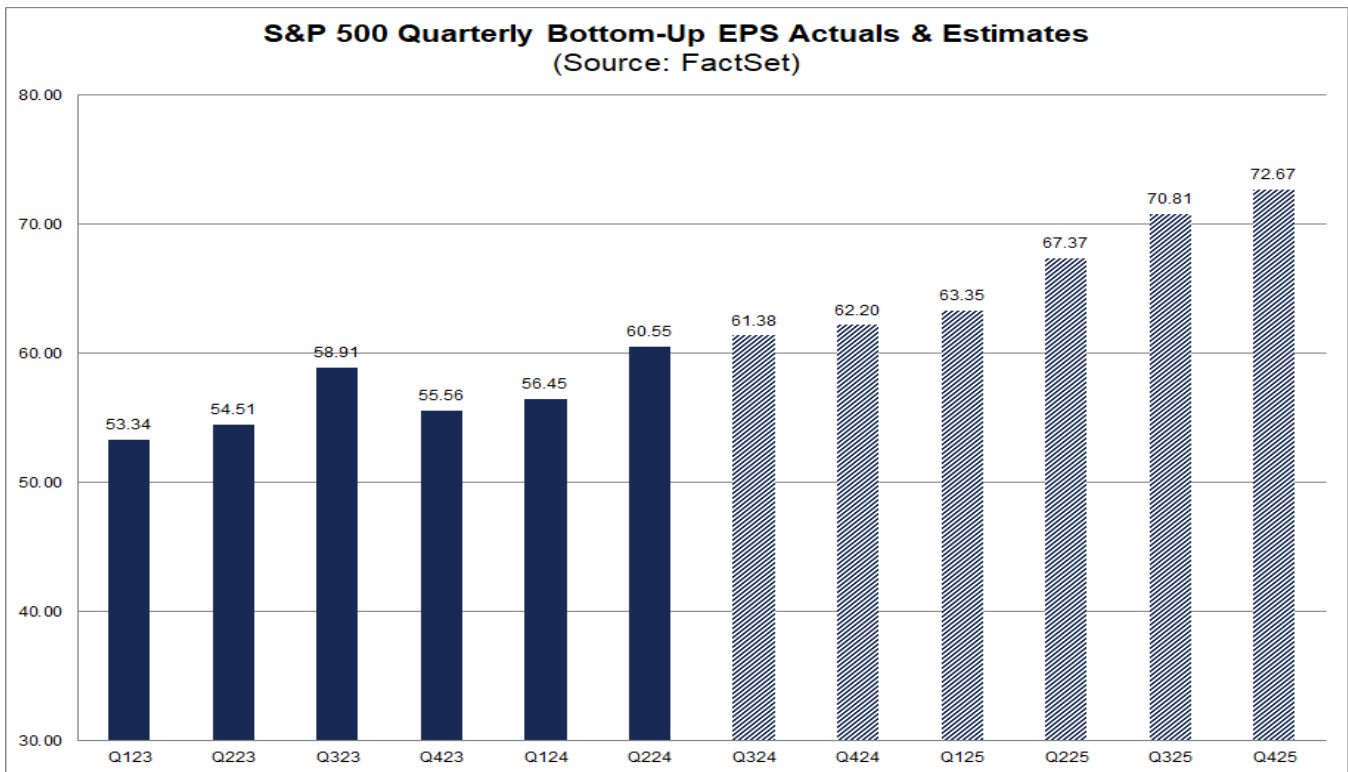
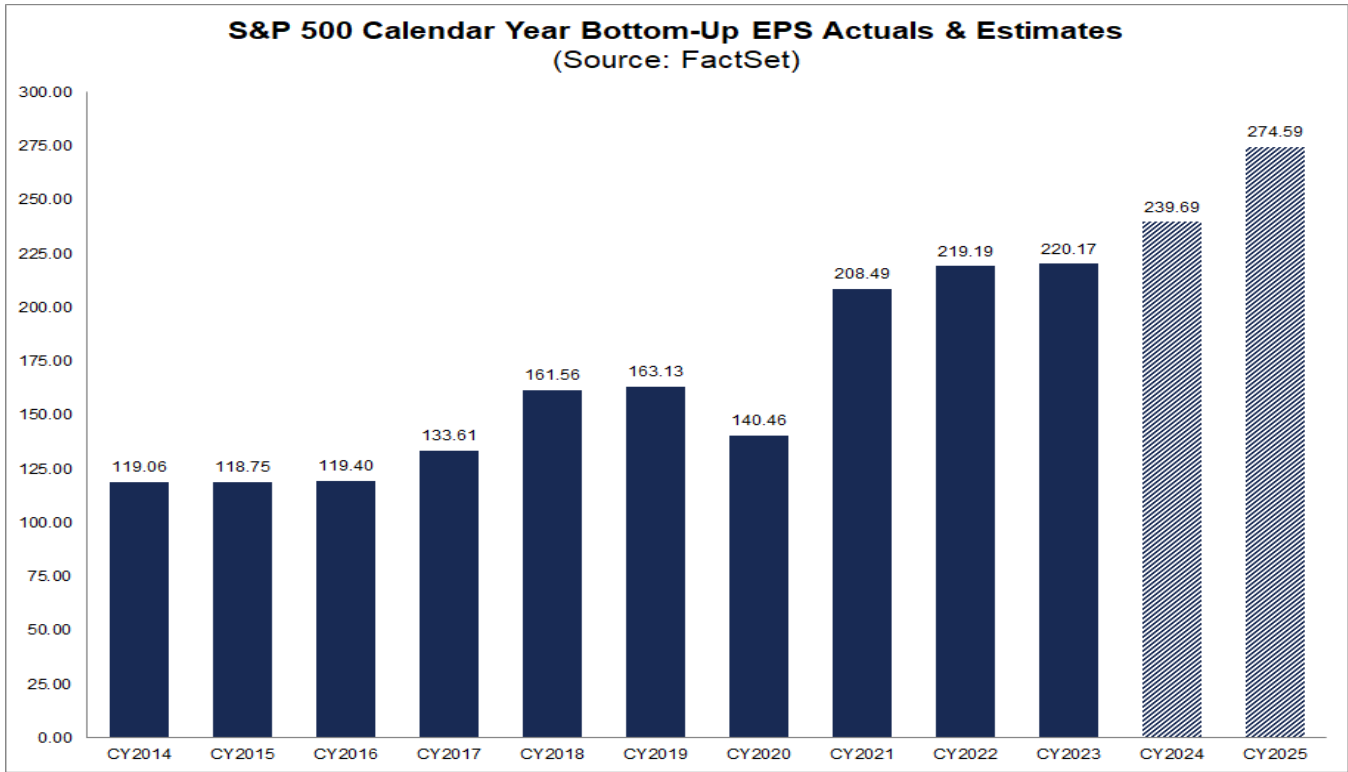
Geographic Revenue Exposure



Bottom-Up EPS Estimates

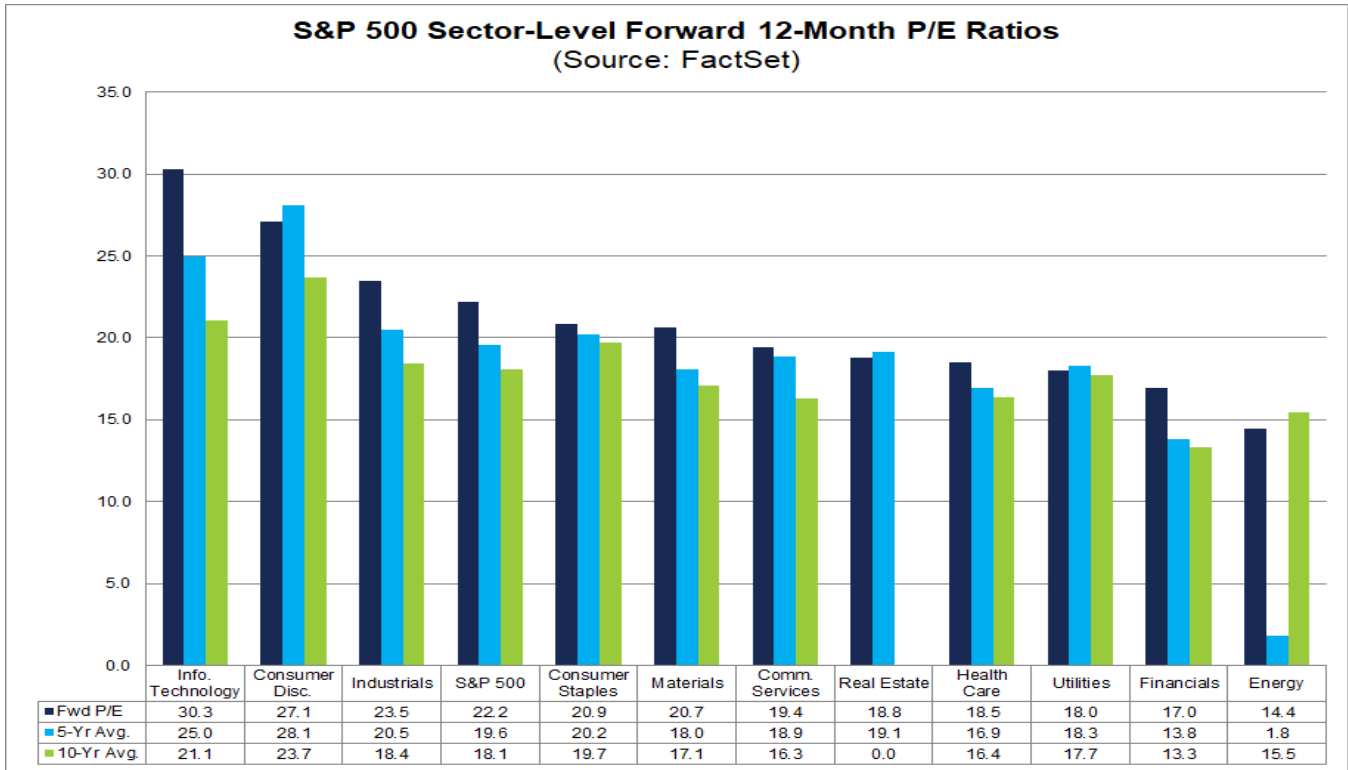


Bottom-Up EPS Estimates: Current & Historical

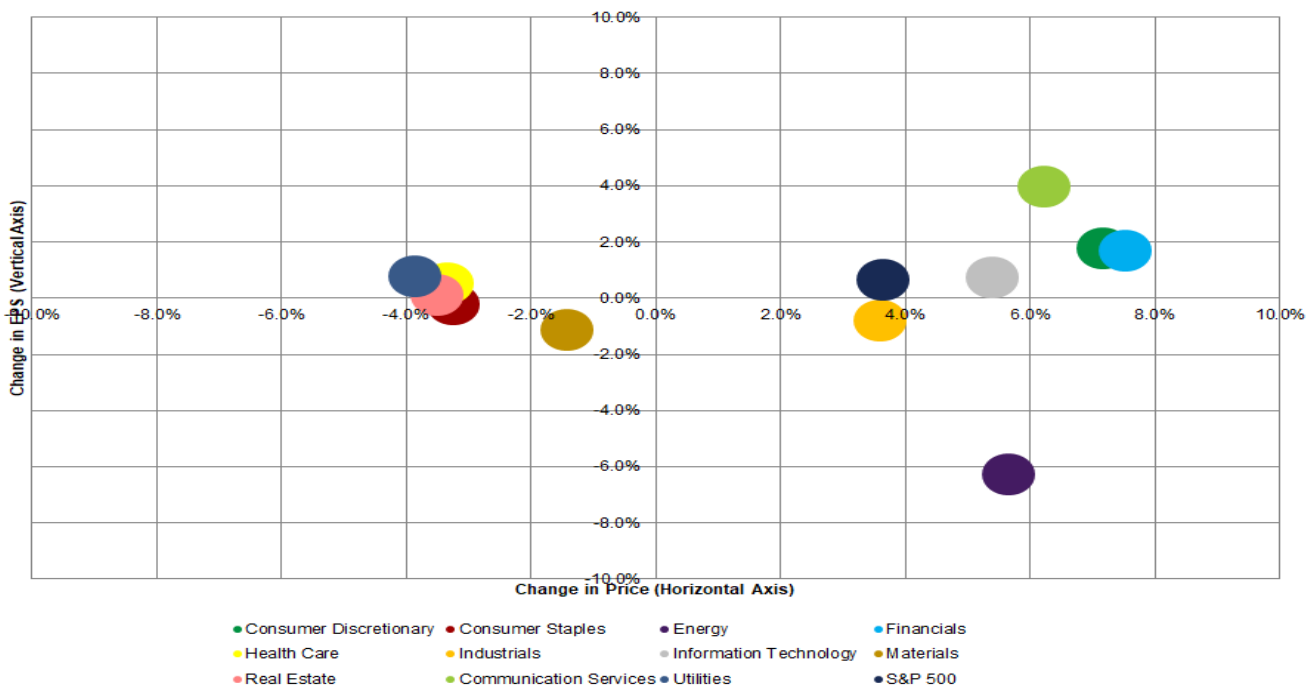




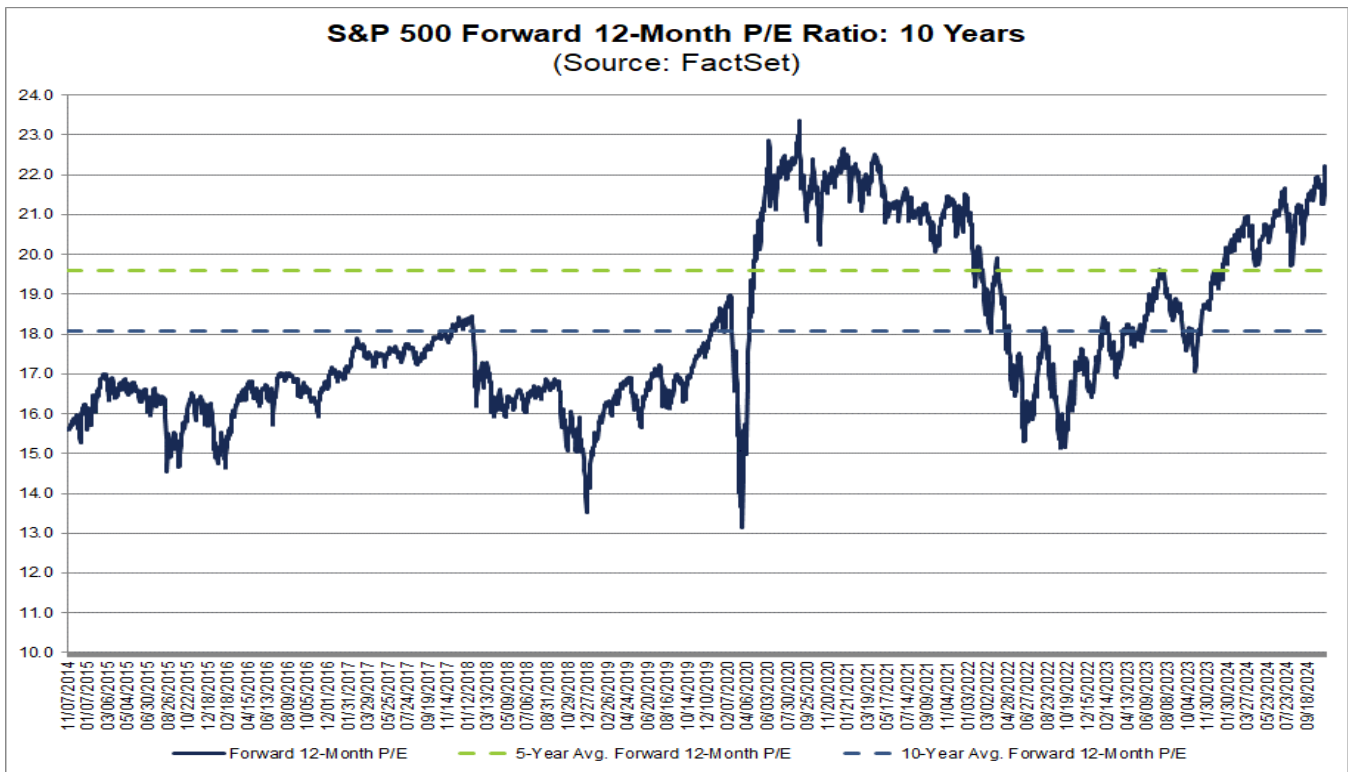
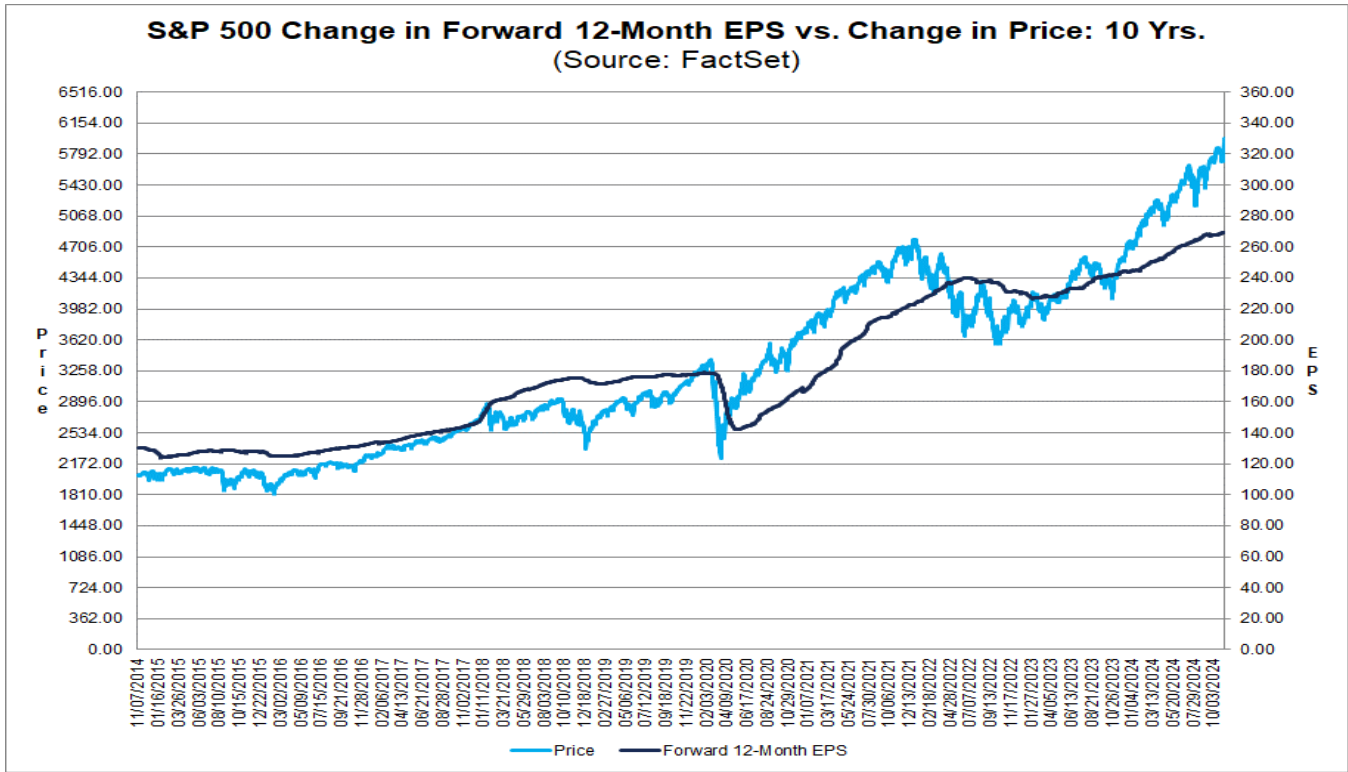
Forward 12M P/E Ratio: Sector Level



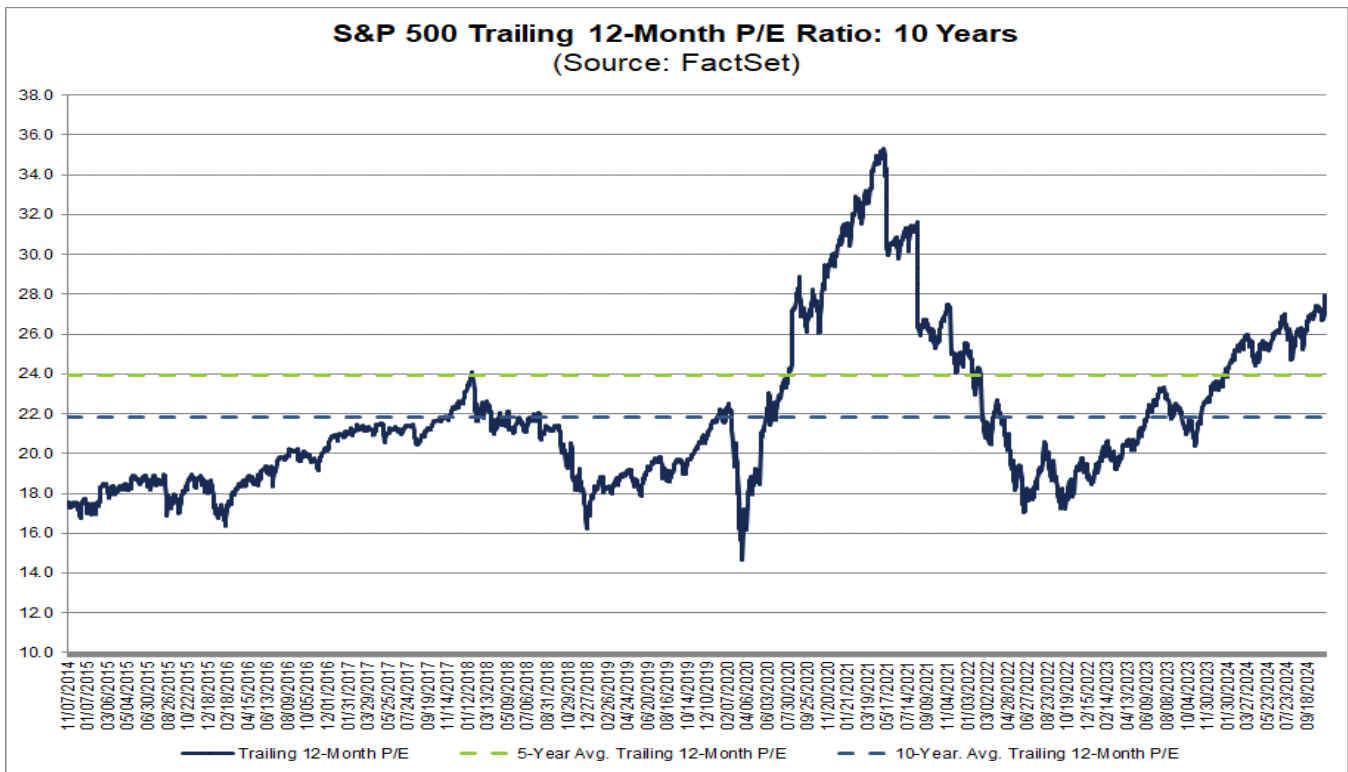
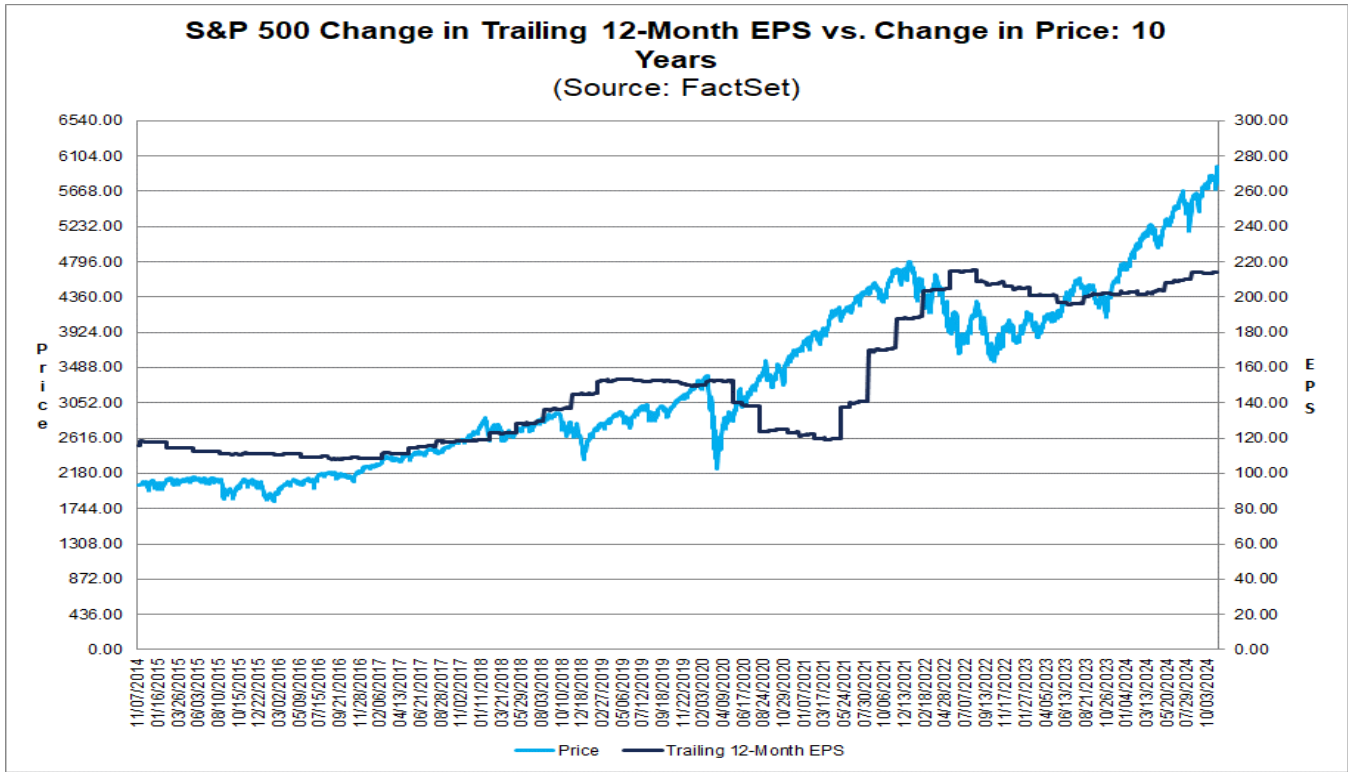
### Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Sep. 30 (Source: FactSet)



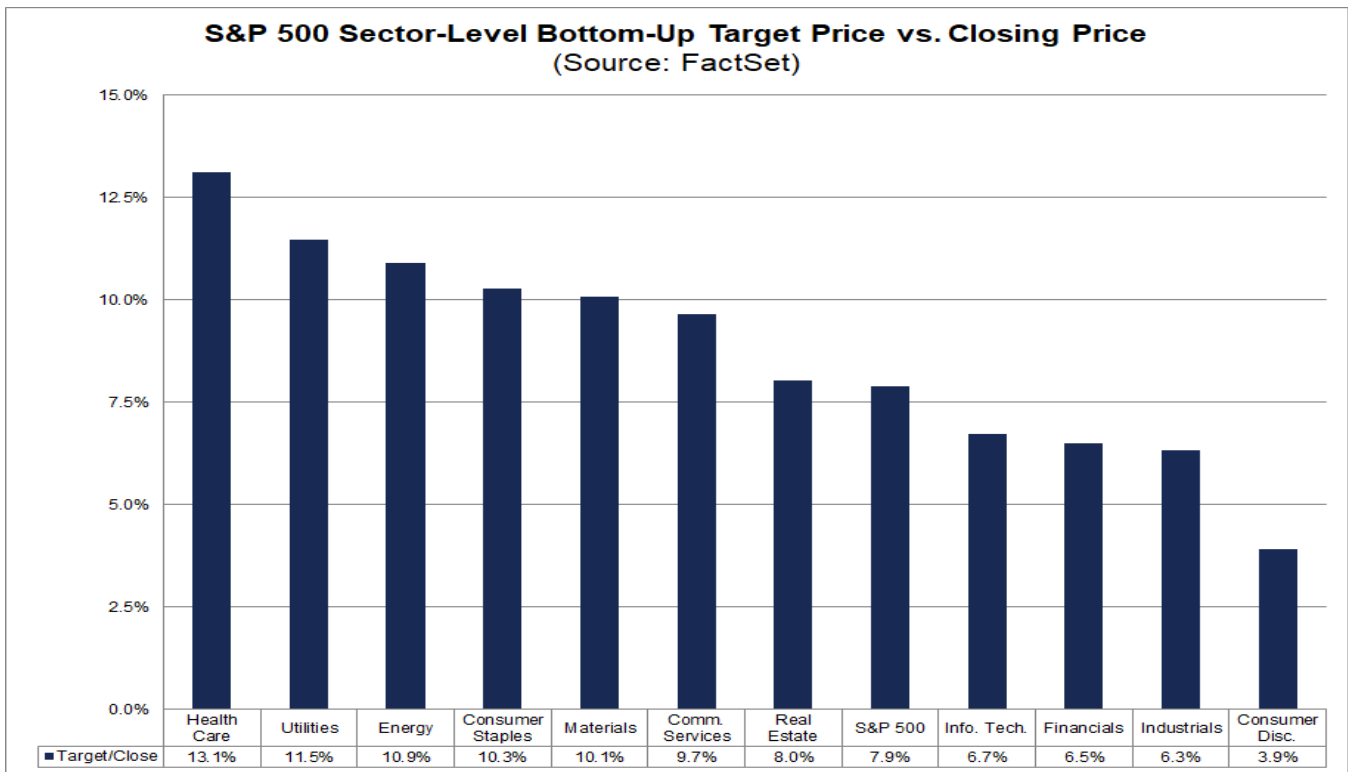
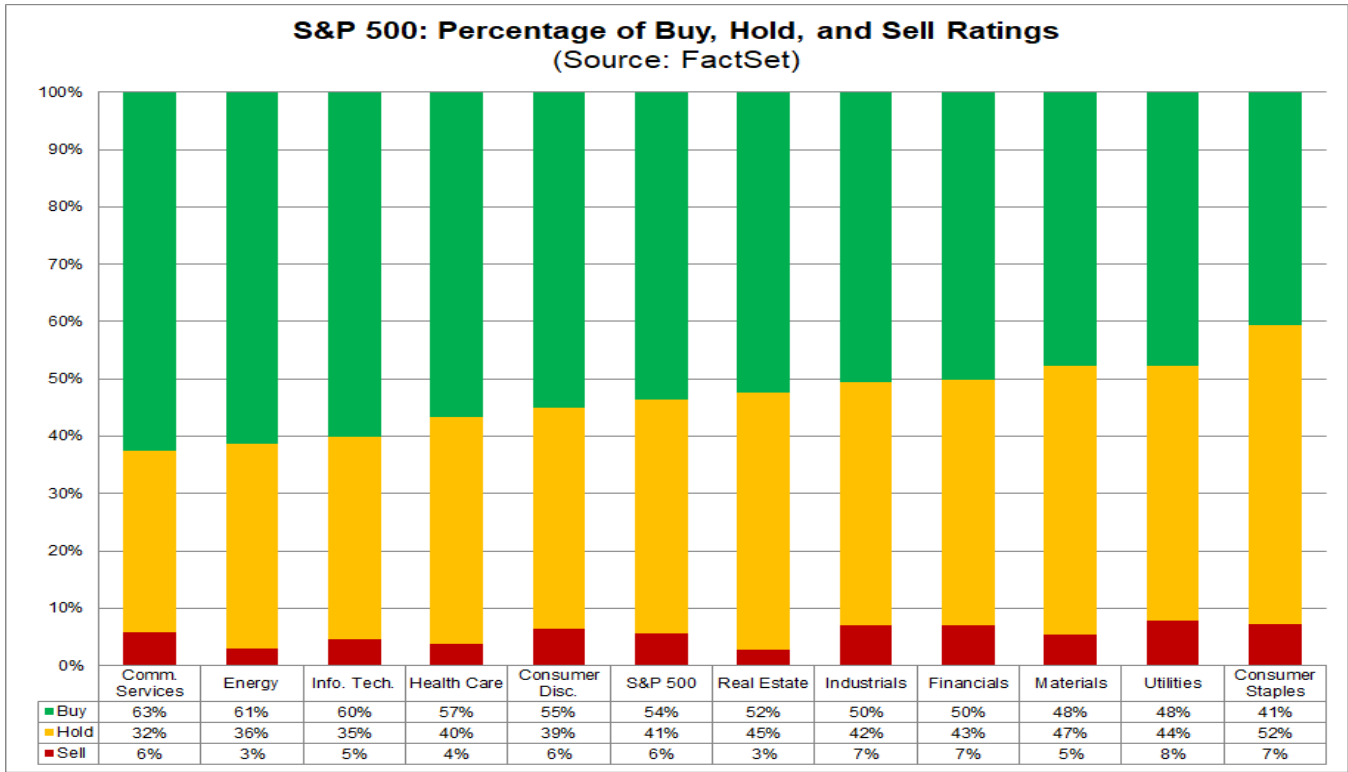
Forward 12M P/E Ratio: 10-Years



Trailing 12M P/E Ratio: 10-Years



Targets & Ratings



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