December 1, 2023

Key Metrics

- **Earnings Scorecard:** For Q3 2023 (with 98% of S&P 500 companies reporting actual results), 82% of S&P 500 companies have reported a positive EPS surprise and 62% of S&P 500 companies have reported a positive revenue surprise.

- **Earnings Growth:** For Q3 2023, the blended (year-over-year) earnings growth rate for the S&P 500 is 4.8%. The third quarter will mark the first quarter of year-over-year earnings growth reported by the index since Q3 2022.

- **Earnings Revisions:** On September 30, the estimated (year-over-year) earnings decline for the S&P 500 for Q3 2023 was -0.3%. Nine sectors are reporting (or have reported) higher earnings today compared to September 30 due to positive EPS surprises and upward revisions to EPS estimates.

- **Earnings Guidance:** For Q4 2023, 69 S&P 500 companies have issued negative EPS guidance and 38 S&P 500 companies have issued positive EPS guidance.

- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 18.7. This P/E ratio is below the 5-year average (18.8) but above the 10-year average (17.6).
# Table of Contents

## Commentary

- **Key Metrics**
- **Table of Contents**
- **Topic of the Week: 1**
- **Topic of the Week: 2**
- **Topic of the Week: 3**
- **Overview**
- **Earnings & Revenue Scorecard**
- **Earnings Revisions**
- **Earnings Growth**
- **Revenue Growth**
- **Net Profit Margin**
- **Forward Estimates & Valuation**

## Charts

- **Q323 Earnings & Revenue Scorecard**
- **Q323 Earnings & Revenue Surprises**
- **Q323 Earnings & Revenue Growth**
- **Q323 Net Profit Margin**
- **Q423 EPS Guidance**
- **Q423 EPS Revisions**
- **Q423 Earnings & Revenue Growth**
- **FY23 / FY24 EPS Guidance**
- **CY23 Earnings & Revenue Growth**
- **CY24 Earnings & Revenue Growth**
- **Geographic Revenue Exposure**
- **Bottom-Up EPS Estimates**
- **Forward 12-Month P/E Ratio**
- **Trailing 12-Month P/E Ratio**
- **Target & Ratings**
Topic of the Week: 1

Have Industry Analysts Overestimated S&P 500 EPS For 2024?

For 2024, the bottom-up EPS estimate for the S&P 500 (which reflects an aggregation of the median EPS estimates for CY 2024 for all of the companies in the index) is $246.30. If $246.30 is the final number for the year, it will mark the highest (annual) EPS number reported by the index since FactSet began tracking this metric in 1996. However, what is the likelihood that $246.30 will be the final EPS value for the S&P 500 in 2024?

In other words, how accurate is the bottom-up EPS estimate for the S&P 500 one year in advance?

Over the past 25 years (1998 – 2022), the average difference between the bottom-up EPS estimate at the beginning of the year (December 31) and the final EPS number for that same year has been 6.9%. In other words, industry analysts on average have overestimated the final EPS number by 6.9% one year in advance.

Analysts overestimated the final value (the final value finished below the estimate) in 17 of the 25 years and underestimated the final value (the final value finished above the estimate) in the other 8 years.

For the purposes of this analysis, the final EPS number for a year is the EPS number recorded two months after the end of each calendar year (February 28) to capture the actual annual EPS results reported by most companies during the fourth quarter earnings season.

However, this 6.9% average includes four years in which the difference between the bottom-up EPS estimate at the start of the year and the final EPS number for that same year exceeded 25%; 2001 (+36%), 2008 (+43%), 2009 (+28%), and 2020 (+27%). These large differences can be attributed to events that may have been difficult for analysts to predict at the start of the year. In 2001, the country endured the 9/11 attacks. In 2008 and 2009, the country was in the midst of economic recession. In 2020, economic lockdowns were implemented due to the COVID-19 pandemic. If these four years with unusual circumstances were excluded, the average difference between the bottom-up EPS estimate at the start of the year and the final EPS number for that year would be 2.0%.

If one applies the average overestimation of 6.9% to the current 2024 EPS estimate (assuming the estimate changes little between now and December 31), the final value for 2024 would be $229.25. Based on current estimates, this number would still reflect the highest annual EPS number reported by the index since FactSet began tracking this metric in 1996.

If one applies the average overestimation of 2.0% (excluding the years 2001, 2008, 2009, and 2020) to the current 2024 EPS estimate (again assuming the estimate changes little between now and December 31), the final value for 2024 would be $241.38. Based on current estimates, this number would also still reflect the highest annual EPS number reported by the index since FactSet began tracking this metric in 1996.
*EPS Actual for CY23 and EPS (Start of Yr.) for CY24 reflect values as of Nov. 30
EARNINGS INSIGHT

Topic of the Week: 2
Analysts Making Larger Cuts Than Average to EPS Estimates for S&P 500 Companies for Q4

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

The answer is yes. During the months of October and November, analysts lowered EPS estimates for the fourth quarter by a larger margin than average. The Q4 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for Q4 for all the companies in the index) decreased by 5.0% (to $54.95 from $57.86) from September 30 to November 30.

In a typical quarter, analysts usually reduce earnings estimates during the first two months of a quarter. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 2.9%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 2.7%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 3.2%. During the past 20 years (80 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 2.9%.

Thus, the decline in the bottom-up EPS estimate recorded during the first two months of the fourth quarter was larger than the 5-year average, the 10-year average, the 15-year average, and the 20-year average. In fact, this quarter marked the largest decrease in the bottom-up EPS estimate over the first two months of a quarter since Q1 2023 (-5.6%).

At the sector level, ten of the eleven sectors witnessed a decrease in their bottom-up EPS estimate for Q4 2023 from September 30 to November 30, led by the Health Care (-19.9%) sector. On the other hand, the Information Technology sector (+1.5%) is the only sector that recorded an increase in its bottom-up EPS estimate for Q4 2023 during this period.

It is interesting to note that while the bottom-up EPS estimate for Q4 2023 declined by 5% during the past two months, the bottom-up EPS estimate for CY 2024 declined by just 0.5% (to $246.30 from $247.66) during this same period.
Topic of the Week: 3
Fewer S&P 500 Companies Discussing “AI” on Earnings Calls For Q3 Compared to Q2

Artificial intelligence has been a focus topic for the market in recent months. Given the heightened interest, did more S&P 500 companies comment on “AI” during their earnings conference calls in the third quarter relative to the second quarter?

The answer is no. FactSet Document Search (which allows users to search for key words or phrases across multiple document types) was used to answer this question. Through Document Search, FactSet searched for the term “AI” in the conference call transcripts of all the S&P 500 companies that conducted earnings conference calls from September 15 through November 30.

Of these companies, 152 cited the term “AI” during their earnings call for the third quarter. This number is 16% below the number of S&P 500 companies that cited “AI” on earnings calls for Q2 2023 (180).

However, it should be noted that this number is still well above the 5-year average of 67 and the 10-year average of 41. In fact, this is the second-highest number of S&P 500 companies citing “AI” on earnings calls going back at least 10 years (using current index constituents going back in time), trailing only the previous quarter’s number of 180. It should also be noted that there are a small number of S&P 500 companies that have not reported earnings for the third quarter. Thus, while the final number of companies citing “AI” for Q3 will likely be higher than the current 152, it will not finish above the previous quarter’s number of 180.

At the sector level, nine of the eleven sectors have recorded a quarter-over-quarter decline in the number of companies citing “AI” on earnings calls for Q3 2023 relative to Q2 2023, led by the Information Technology (-8) and Financials (-7) sectors. The Communication Services (+4) and Energy (+1) sectors are the only two sectors that witnessed a quarter-over-quarter increase in the number of companies citing “AI” on earnings calls. Despite the quarter-over-quarter decline, the Information Technology sector still had the highest number (48) and percentage (79%) of S&P 500 companies citing “AI” on earnings calls for Q3.
Q3 Earnings Season: By The Numbers

Overview

At this late stage of the Q3 earnings season for the S&P 500, both the number of positive earnings surprises and the magnitude of these earnings surprises are above their 10-year averages. As a result, the index is reporting higher earnings for the third quarter today relative to the end of the quarter. The S&P 500 will report year-over-year growth in earnings for the first time since Q3 2022.

Overall, 98% of the companies in the S&P 500 have reported actual results for Q3 2023 to date. Of these companies, 82% have reported actual EPS above estimates, which is above the 5-year average of 77% and above the 10-year average of 74%. If 82% is the final number for the quarter, it will mark the highest percentage of S&P 500 companies reporting a positive EPS surprise since Q3 2021 (82%). In aggregate, companies are reporting earnings that are 7.2% above estimates, which is below the 5-year average of 8.5% but above the 10-year average of 6.6%. 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.

Since September 30, positive earnings surprises reported by companies in the Information Technology, Financials, and Consumer Discretionary sectors, partially offset by downward revisions to EPS estimates and negative earnings surprises reported by companies in the Health Care sector, have been the largest contributors to the increase in the earnings for the index during this period.

As a result, the index is reporting higher earnings for the third quarter today relative to the end of the quarter. The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings growth for the third quarter is 4.8% today, compared to an earnings decline of -0.3% at the end of the third quarter (September 30).

The third quarter will mark the first quarter of year-over-year earnings growth reported by the index since Q3 2022.

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

In terms of revenues, 62% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 68% and below the 10-year average of 64%. If 62% is the final number for the quarter, it will mark lowest percentage of S&P 500 companies reporting a positive revenue surprise since Q1 2020 (56%). 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%. If 0.7% is the final number for the quarter, it will mark lowest revenue surprise percentage reported by the index since Q1 2020 (0.9%). 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.

Since September 30, upward revisions and positive revenue surprises reported by companies in the Energy and Health Care sectors, partially offset by negative revenue surprises reported by companies in the Utilities sector, have been the largest contributors to the increase in the overall revenue growth rate for the index during this period.

As a result, the blended revenue growth rate for the third quarter is 2.4% today, compared to a revenue growth rate of 1.6% at the end of the third quarter (September 30).

The third quarter will mark the 11th consecutive quarter of revenue growth for the index.
Eight sectors are reporting (or have reported) year-over-year growth in revenues, led by the Real Estate, Consumer Discretionary, and Communication Services sectors. On the other hand, three sectors reported a year-over-year decline in revenues, led by the Energy and Materials sectors.

Looking ahead, analysts expect (year-over-year) earnings growth of 3.0% for Q4 2023, which is below the estimate of 8.1% on September 30. For CY 2023, analysts predict (year-over-year) earnings growth of 0.8%, which is below the estimate of 0.9% on September 30. For CY 2024, analysts are calling for (year-over-year) earnings growth of 11.7%, which is below the estimate of 12.2% on September 30.

The forward 12-month P/E ratio is 18.7, which is below the 5-year average (18.8) but above the 10-year average (17.6). It is also above the forward P/E ratio of 17.8 recorded at the end of the third quarter (September 30).

During the upcoming week, 6 S&P 500 companies are scheduled to report results for the third quarter and 1 S&P 500 company is scheduled to report results for the fourth quarter.

Scorecard: Percentage of Positive EPS Surprises Are Above 5-Year and 10-Year Averages

Highest Percentage of Companies Beating EPS Estimates (82%) Since Q3 2021

Overall, 98% of the companies in the S&P 500 have reported earnings to date for the third quarter. Of these companies, 82% have reported actual EPS above the mean EPS estimate, 5% have reported actual EPS equal to the mean EPS estimate, and 13% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is above the 1-year average (74%), above the 5-year average (77%), and above the 10-year average (74%). Historical averages reflect actual results from all 500 companies, not the actual results from the percentage of companies that have reported through this point in time.

If 82% is the final number for the quarter, it will mark the highest percentage of S&P 500 companies reporting a positive EPS surprise since Q3 2021 (82%).

At the sector level, the Communication Services (91%) and Information Technology (91%) sectors have the highest percentages of companies reporting earnings above estimates, while the Real Estate (68%) sector has the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (+7.2%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 7.2% above expectations. This surprise percentage is above the 1-year average (+4.4%), below the 5-year average (+8.5%), and above the 10-year average (6.6%). 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 Consumer Discretionary (+18.2%) sector reported the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Airbnb ($6.63 vs. $2.11), Amazon.com ($0.94 vs. $0.59), Bath & Body Works ($0.48 vs. $0.35), Wynn Resorts ($0.99 vs. $0.74), Etsy ($0.64 vs. $0.50), Domino’s Pizza ($4.18 vs. $3.31), and NIKE ($0.94 vs. $0.76) reported the largest positive EPS surprises.

The Information Technology (+9.3%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Intel ($0.41 vs. $0.22), Qorvo ($2.39 vs. $1.77), Gartner ($2.56 vs. $1.96), Intuit ($2.47 vs. $1.98), First Solar ($2.50 vs. $2.05), and NVIDIA ($4.02 vs. $3.37) have reported the largest positive EPS surprises.
The Communication Services (+9.2%) reported the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Paramount Global ($0.30 vs. $0.15), Live Nation Entertainment ($1.78 vs. $1.26), News Corp. ($0.16 vs. $0.12), and Meta Platforms ($4.32 vs. $3.64) reported the largest positive EPS surprises.

The Financials (+9.0%) sector reported the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Allstate ($0.81 vs. $0.45), Assurant ($4.29 vs. $2.65), Cincinnati Financial ($1.66 vs. $1.15), Arch Capital Group ($2.31 vs. $1.61), and Franklin Resources ($0.84 vs. $0.59) reported the largest positive EPS surprises.

On the other hand, the Energy (-0.8%) sector reported the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Targa Resources ($0.98 vs. $1.19), Chevron ($3.05 vs. $3.70), ONEOK ($0.99 vs. $1.07), and Exxon Mobil ($2.27 vs. $2.37) 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 more than average, while also punishing negative earnings surprises reported by S&P 500 companies more than average.

Companies that have reported positive earnings surprises for Q3 2023 have seen an average price increase of +1.2% 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 +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 -4.5% two days before the earnings release through two days after the earnings. This percentage decrease is much larger than the 5-year average price decrease of -2.3% during this same window for companies reporting negative earnings surprises.

Lowest Percentage of Companies Beating Revenue Estimates (62%) Since Q1 2020

In terms of revenues, 62% of companies have reported actual revenues above estimated revenues and 38% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (69%), below the 5-year average (68%), 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.

If 62% is the final number for the quarter, it will mark lowest percentage of S&P 500 companies reporting a positive revenue surprise since Q1 2020 (56%).

At the sector level, the Communication Services (82%) and Financials (76%) sectors have the highest percentages of companies reporting revenues above estimates, while the Utilities (21%) and Materials (38%) sectors have the lowest percentages of companies reporting revenues above estimates.

Lowest Revenue Surprise Percentage (+0.7%) Since Q1 2020

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%). 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.

If 0.7% is the final number for the quarter, it will mark lowest revenue surprise percentage reported by the index since Q1 2020 (+0.9%).
At the sector level, the Real Estate (+1.9%) and Health Care (+1.8%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Utilities (-7.7%) sector reported the largest negative (aggregate) difference between actual revenues and estimated revenues.

Revisions: Information Technology Sector Leads Increase in Earnings Since September 30

Information Technology Sector Has Seen Largest Increase in Earnings since September 30

The blended (year-over-year) earnings growth for Q3 2023 of 4.8% is larger than the estimate of -0.3% at the end of the third quarter (September 30). Nine sectors have recorded an increase in their earnings growth rate or a decrease in their earnings decline since the end of the quarter due to upward revisions to EPS estimates and positive earnings surprises, led by the Consumer Discretionary (to 41.9% from 22.1%) sector. The Information Technology, Financials, and Consumer Discretionary sectors have been the largest contributors to the increase in earnings for the index since September 30. On the other hand, two sectors have recorded a decrease in their earnings growth rate or an increase in their earnings decline since the end of the quarter due to downward revisions to earnings estimates and negative earnings surprises: Health Care (to -19.9% from -12.0%) and Utilities (to 11.3% from 12.4%). The Health Care sector has also been the largest detractor to the increase in earnings for the index since September 30.

In the Information Technology sector, the positive EPS surprises reported by Microsoft ($2.69 vs. $2.55), NVIDIA ($4.02 vs. $3.37), Apple ($1.46 vs. $1.39), and Intel ($0.41 vs. $0.22) have been significant contributors to the increase in earnings for the index since September 30. As a result, the blended earnings growth rate for the Information Technology sector has improved to 13.8% from 4.6% over this period.

In the Financials sector, the positive EPS surprises reported by JPMorgan Chase ($4.33 vs. $3.95), Berkshire Hathaway ($4.96 vs. $4.36), Wells Fargo ($1.48 vs. $1.24), Citigroup ($0.91 vs. $0.81), and Bank of America ($0.90 vs. $0.83) were significant contributors to the increase in earnings for the index since September 30. As a result, the blended earnings growth rate for the Financials sector increased to 18.4% from 8.9% over this period.

In the Consumer Discretionary sector, the positive EPS surprises reported by Amazon.com ($0.94 vs. $0.57), Airbnb ($6.63 vs. $2.11), and General Motors ($2.28 vs. $1.87) were substantial contributors to the increase in earnings for the index since September 30. As a result, the blended earnings growth rate for the Consumer Discretionary sector increased to 41.9% from 22.1% over this period.

In the Health Care sector, downward revisions to EPS estimates for Pfizer and Eli Lilly and the negative EPS surprise reported by Moderna have been the largest detractors to the increase 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 fell to -$0.08 on October 31 from $0.58 on September 30. The company reported actual EPS of -$0.17 compared to the mean estimate of -$0.08. For Eli Lilly, the majority of analysts covering Eli Lilly revised (non-GAAP) EPS estimates lower during the week of October 16 due to increased IPR&D charges. As a result, the mean EPS estimate for Eli Lilly for Q3 fell to -$0.18 on November 2 from $2.90 on September 30. The company reported actual EPS of $0.10 compared to the mean estimate of -$0.18. Moderna reported actual EPS of -$9.53 compared to the mean EPS estimate of -$1.93. The actual EPS reported by Moderna included non-cash charges of $3.1 billion related to resizing and tax allowances. As a result, the blended earnings decline for the Health Care sector has increased to -19.9% today from -12.0% over this period.
Energy and Health Care Sectors Have Seen Largest Increases in Revenues since September 30

The blended (year-over-year) revenue growth rate for Q3 2023 of 2.4% is above the estimate of 1.6% at the end of the third quarter (September 30). Eight sectors have recorded an increase in their revenue growth rate or a decrease in their revenue decline since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Energy (to -15.5% from -18.9%) sector. The Energy and Health Care sectors have been the largest contributors to the increase in revenues for the index since the end of the quarter. On the other hand, two 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: Utilities (to -3.3% from 5.2%) and Consumer Staples (3.5% from 3.8%). The Utilities sector has also been the largest detractor to the increase in revenues for the index since September 30. The Materials sector reported a year-over-year decline in revenues of -10.2%, which is equal to the estimate on September 30.

In the Energy sector, Chevron, Exxon Mobil, and Marathon Petroleum were substantial contributors to the increase in revenues for the index since September 30, due to the upward revisions to revenues estimates for Chevron and Exxon Mobil and the positive revenue surprises reported by Chevron ($54.08 billion vs. $51.41 billion) and Marathon Petroleum ($41.58 billion vs. $37.67 billion). As a result, the blended revenue decline for the Energy sector decreased to -15.5% from -18.9% over this period.

In the Health Care sector, the positive revenue surprises reported by Cencora ($68.92 billion vs. $66.25 billion), Centene Corporation ($38.04 billion vs. $36.24 billion), CVS Health ($89.76 billion vs. $88.30 billion), and McKesson ($77.22 billion vs. $76.03 billion) have been the significant contributors to the increase in revenues for the index since September 30. As a result, the blended revenue growth rate for the Health Care sector has increased to 6.2% from 4.5% over this period.

In the Utilities sector, the negative revenue surprises reported by NRG Energy ($7.95 billion vs. $10.95 billion), Southern Company ($6.98 billion vs. $8.23 billion), and Edison International ($4.70 billion vs. $5.35 billion) were substantial detractors to the increase in revenues for the index since September 30. As a result, the Utilities sector reported a decline in revenues of -3.3% compared to expectations for revenue growth of 5.2% on September 30.

Earnings Growth: 4.8%

The blended (year-over-year) earnings growth rate for Q3 2023 is 4.8%, 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%. The third quarter will mark the first quarter of year-over-year earnings growth reported by the index since Q3 2022.

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

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

The Communication Services sector reported the largest (year-over-year) earnings growth rate of all eleven sectors at 42.4%. At the industry level, 4 of the 5 industries reported a year-over-year increase in earnings. Three of these four industries in the sector reported a year-over-year increase in earnings of 65% or more: Wireless Telecommunication Services (320%), Entertainment (289%), and Interactive Media & Services (67%). On the other hand, the Diversified Telecommunication Services (-7%) was the only industry that reported a year-over-year decline in earnings.

At the company level, Meta Platforms ($4.39 vs. $1.64) was the largest contributor to earnings growth for the sector. If this company were excluded, the blended earnings growth rate for Communication Services sector would fall to 28.5% from 42.4%.
Consumer Discretionary: Amazon Was Largest Contributor to Year-Over-Year Growth

The Consumer Discretionary sector reported the second-highest (year-over-year) earnings growth rate of all eleven sectors at 41.9%. At the industry level, 3 of the 9 industries in the sector reported a year-over-year increase in earnings of 15% or more: Broadline Retail (324%), Hotels, Restaurants, & Leisure (132%), and Leisure Products (16%). On the other hand, six industries reported a year-over-year decline in earnings. One of these six industries reported a decrease in earnings of more than 10%: Automobiles (-13%).

At the industry level, the Broadline Retail and Hotels, Restaurants, & Leisure industries were the largest contributors to earnings growth for the sector. If these two industries were excluded, the Consumer Discretionary sector would have reported a (year-over-year) decline in earnings of -7.2% instead of year-over-year earnings growth if 41.9%.

At the company level, Amazon.com ($0.94 vs. $0.28) was 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 24.1% from 41.9%

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

The Financials sector reported the third-largest (year-over-year) earnings growth rate of all eleven sectors at 18.4%. At the industry level, 4 of the 5 industries reported a year-over-year increase in earnings. Three of these four industries reported a year-over-year increase in earnings of 15% or more: Insurance (82%), Financial Services (20%), and Banks (16%). On the other hand, the Capital Markets (-4%) industry was the only industry that reported a (year-over-year) decline in earnings.

At the industry level, the Insurance industry was 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 10.7% from 18.4%.

Energy: Largest Detractor to Year-Over-Year Earnings Growth for S&P 500

The Energy sector reported the largest (year-over-year) earnings decline of all eleven sectors at -36.9%. Lower year-over-year oil prices contributed 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 reported a year-over-year decrease in earnings of more than 20%: Integrated Oil & Gas (-50%), Oil & Gas Exploration & Production (-33%), and Oil & Gas Refining & Marketing (-21%). On the other hand, the other two sub-industries reported year-over-year earnings growth: Oil & Gas Equipment & Services (32%) and Oil & Gas Storage & Transportation (8%).

The Energy sector is also the largest detractor to overall earnings growth for the S&P 500. If this sector were excluded, the blended earnings growth rate for S&P 500 would improve to 10.6% from 4.8%.

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

The Materials sector reported the second-largest (year-over-year) earnings decline of all eleven sectors at -20.3%. At the industry level, three of the four industries in this sector reported a year-over-year decline in earnings of more than 20%: Containers & Packaging (-25%), Metals & Mining (-23%), and Chemicals (-22%). On the other hand, the Construction Materials (39%) industry was the only industry in the sector that reported (year-over-year) earnings growth.

Health Care: Pfizer and Moderna Are Largest Contributors to Year-Over-Year Decline

The Health Care sector is reporting the third-largest (year-over-year) earnings decline of all eleven sectors at -19.9%. At the industry level, three of the five industries in this sector reported a year-over-year decline in earnings: Pharmaceuticals (-43%), Biotechnology (-33%), and Life Sciences, Tools, & Services (-1%) industries. On the other hand, two industries are reporting year-over-year earnings growth: Health Care Providers & Services (10%) and Health Care Equipment & Supplies (8%).
EARNINGS INSIGHT

At the company level, Pfizer (-$0.17 vs. $1.78) and Moderna (-$9.53 vs. $2.53) are the largest contributors to the earnings decline for the sector. If these two companies were excluded, the Health Care sector would be reporting year-over-year earnings growth of 0.2% rather than a year-over-year earnings decline of -19.9%.

Revenue Growth: 2.4%

The blended (year-over-year) revenue growth rate for Q3 2023 is 2.4%, 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%. The third quarter will mark the 11th consecutive quarter of revenue growth for the index.

At the sector level, eight sectors are reporting (or have reported) year-over-year growth in revenues, led by the Real Estate, Consumer Discretionary, and Communication Services sectors. On the other hand, three sectors reported a year-over-year decline in revenues, led by the Energy and Materials sectors.

Real Estate: All 8 Industries Reported Year-Over-Year Growth

The Real Estate sector reported the highest (year-over-year) revenue growth rate of all eleven sectors at 8.0%. At the industry level, all 8 industries in the sector reported a year-over-year increase in revenues. Three of these 8 industries reported revenue growth at or above 10%: Industrial REITs (54%), Health Care REITs (11%), and Retail REITs (11%).

Consumer Discretionary: 7 of 9 Industries Reported Year-Over-Year Growth

The Consumer Discretionary sector reported the second-highest (year-over-year) revenue growth rate of all eleven sectors at 7.4%. At the industry level, 7 of the 9 industries in the sector reported a year-over-year increase in revenues. Two of these seven industries reported revenue growth at or above 10%: Hotels, Restaurants, & Leisure (22%) and Broadline Retail (12%).

Communication Services: 3 of 5 Industries Reported Year-Over-Year Growth

The Communication Services sector reported the third-highest (year-over-year) revenue growth rate of all eleven sectors at 7.0%. At the industry level, 3 of the 5 industries in the sector reported a year-over-year increase in revenues. One of these 3 industries reported revenue growth at or above 10%: Interactive Media & Services (13%).

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

The Energy sector reported the largest (year-over-year) revenue decline of all eleven sectors at -15.5%. Lower year-over-year oil prices contributed 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 reported a year-over-year decrease in revenues of 10% or more: Oil & Gas Storage & Transportation (-25%), Oil & Gas Exploration & Production (-22%), Integrated Oil & Gas (-19%), and Oil & Gas Refining & Marketing (-11%). On the other hand, the Oil & Gas Equipment & Services (14%) sub-industry was the only sub-industry that reported (year-over-year) revenue growth in the sector.

Materials: Chemicals Industry Led Year-Over-Year Decline

The Materials sector reported the second-highest (year-over-year) decline in revenues at -10.2%. At the industry level, three of the four industries in the sector reported a year-over-year decrease in revenues: Chemicals (-12%), Containers & Packaging (-9%), and Metals & Mining (-9%). On the other hand, the Construction Materials (11%) industry was the only industry that reported year-over-year growth in revenues.
EARNINGS INSIGHT

Net Profit Margin: 12.2%

The blended net profit margin for the S&P 500 for Q3 2023 is 12.2%, which is above the previous quarter’s net profit margin of 11.6%, above the 5-year average of 11.4%, and above the year-ago net profit margin of 11.9%.

At the sector level, seven sectors are reporting (or have reported) a year-over-year increase in their net profit margins in Q3 2023 compared to Q3 2022, led by the Communication Services (12.9% vs. 9.7%) sector. On the other hand, four sectors are reporting (or have reported) a year-over-year decrease in their net profit margins in Q3 2023 compared to Q3 2022, led by the Energy (10.7% vs. 14.4%) sector.

Eight sectors are reporting (or have reported) net profit margins in Q3 2023 that are above their 5-year averages, led by the Consumer Discretionary (9.5% vs. 6.4%) sector. On the other hand, three sectors are reporting (or have reported) net profit margins in Q3 2023 that are below their 5-year averages, led by the Health Care (7.9% vs. 10.3%) sector.
Earnings Insight

Forward Estimates and Valuation

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

At this point in time, 107 companies in the index have issued EPS guidance for Q4 2023. Of these 107 companies, 69 have issued negative EPS guidance and 38 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q4 2023 is 64% (69 out of 107), which is above the 5-year average of 59% and above the 10-year average of 63%.

At this point in time, 273 companies in the index have issued EPS guidance for the current fiscal year (FY 2023 or FY 2024). Of these 273 companies, 129 have issued negative EPS guidance and 144 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 47% (129 out of 273).

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 growth in earnings of 4.8% and year-over-year growth in revenues of 2.4%.

For Q4 2023, analysts are projecting earnings growth of 3.0% and revenue growth of 3.1%.

For CY 2023, analysts are projecting earnings growth of 0.8% and revenue growth of 2.3%.

For Q1 2024, analysts are projecting earnings growth of 6.8% and revenue growth of 4.2%.

For Q2 2024, analysts are projecting earnings growth of 10.9% and revenue growth of 5.0%.

For CY 2024, analysts are projecting earnings growth of 11.7% and revenue growth of 5.4%.

Valuation: Forward P/E Ratio is 18.7, Above the 10-Year Average (17.6)

The forward 12-month P/E ratio for the S&P 500 is 18.7. This P/E ratio is below the 5-year average of 18.8 but above the 10-year average of 17.6. It is also above 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 increased by 6.5%, while the forward 12-month EPS estimate has increased by 1.3%. At the sector level, the Information Technology (26.2) and Consumer Discretionary (24.4) sectors have the highest forward 12-month P/E ratios, while the Energy (10.6) and Financials (13.9) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 22.7, which is above the 5-year average of 22.4 and above the 10-year average of 20.9.

Targets & Ratings: Analysts Project 11% Increase in Price Over Next 12 Months

The bottom-up target price for the S&P 500 is 5058.95, which is 10.8% above the closing price of 4567.80. At the sector level, the Energy (+21.1%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Real Estate (+6.6%) and Financials (+7.6%) sectors are expected to see the smallest price increases, as these sectors have the smallest upside differences between the bottom-up target price and the closing price.
Overall, there are 11,251 ratings on stocks in the S&P 500. Of these 11,251 ratings, 55.0% are Buy ratings, 39.6% are Hold ratings, and 5.4% are Sell ratings. At the sector level, the Energy (63%) and Communication Service (62%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (47%) sector has the lowest percentage of Buy ratings.

Companies Reporting Next Week: 7

During the upcoming week, 6 S&P 500 companies are scheduled to report results for the third quarter and 1 S&P 500 company is scheduled to report results for the fourth quarter.
Q3 2023: Scorecard

**S&P 500 Earnings Above, In-Line, Below Estimates: Q3 2023**

(Source: FactSet)

**S&P 500 Revenues Above, In-Line, Below Estimates: Q3 2023**

(Source: FactSet)
Q3 2023: Scorecard

**S&P 500 Sector-Level Earnings Surprise %: Q3 2023**
(Source: FactSet)

- Consumer Disc.: 18.2%
- Info. Technology: 9.3%
- Comm. Services: 9.2%
- Financials: 9.0%
- Industrials: 7.3%
- S&P 500: 7.2%
- Consumer Staples: 5.6%
- Materials: 5.2%
- Utilities: 3.1%
- Real Estate: 2.3%
- Health Care: 1.4%
- Energy: -0.8%

**S&P 500 Sector-Level Revenue Surprise %: Q3 2023**
(Source: FactSet)

- Real Estate: 1.9%
- Health Care: 1.6%
- Info. Technology: 1.5%
- Financials: 1.0%
- Comm. Services: 0.9%
- Consumer Disc.: 0.9%
- Industrials: 0.9%
- S&P 500: 0.7%
- Materials: 0.2%
- Energy: 0.2%
- Consumer Staples: -0.1%
- Utilities: -7.7%
Q3 2023: Scorecard

**S&P 500 EPS Surprise % vs. Price %: Q3 2023**
(Source: FactSet)

Number of Companies Reporting Surprise % in Each Range
- Below -40%: 3
- -40% to -20%: 2
- -20% to -5%: 27
- -5% to -6%: 39
- 0% to 5%: 168
- 5% to 20%: 185
- 20% to 40%: 37
- Above 40%: 19

Average Price Change % (2 Days Before Report + 2 Days After Report)

**S&P 500 EPS Surprise vs. Avg. Price Change %**
(Source: FactSet)

Q3 2023 vs. 5-Year Average

Positive: 1.2% vs. 0.9%
Negative: -4.5% vs. -2.3%
EARNINGS INSIGHT

Q3 2023: Scorecard

**S&P 500 Actual EPS Surprise %: Top 10 Q3 Actual EPS Surprises**
(Source: FactSet)

- Airbnb, Inc. Class A: 214.2%
- Paramount Global Class B: 121.8%
- Illumina, Inc.: 121.3%
- Intel Corporation: 85.7%
- Insulet Corporation: 83.6%
- Allstate Corporation: 81.2%
- Assurant, Inc.: 62.0%
- Amazon.com, Inc.: 60.6%
- Constellation Energy Corporation: 52.8%
- Lamb Weston Holdings, Inc.: 50.5%

**S&P 500 Actual EPS Surprise %: Bottom 10 Q3 Actual EPS Surprises**
(Source: FactSet)

- FactSet Research Systems Inc.: -16.4%
- Organon & Co.: -17.2%
- Chevron Corporation: -17.6%
- Targa Resources Corp.: -18.0%
- Discover Financial Services: -18.4%
- Albemarle Corporation: -27.0%
- Travelers Companies, Inc.: -34.9%
- Fidelity National Information Services, Inc.: -40.7%
- NRG Energy, Inc.: -52.8%
- SolarEdge Technologies, Inc.: -262.6%
Q3 2023: Growth

**S&P 500 Earnings Growth (Y/Y): Q3 2023**
(Source: FactSet)

**S&P 500 Revenue Growth (Y/Y): Q3 2023**
(Source: FactSet)
Q3 2023: Growth

S&P 500 Earnings Growth (Y/Y): Q3 2023
(Source: FactSet)

S&P 500 Revenue Growth (Y/Y): Q3 2023
(Source: FactSet)
EARNINGS INSIGHT

Q3 2023: Net Profit Margin

S&P 500 Net Profit Margins: Q323 vs. Q322
(Source: FactSet)

S&P 500: % of Cos. With Increase or Decrease in Net Profit Margin:
Q323 vs. Q322
(Source: FactSet)
Q4 2023: Guidance

**Number (#) of S&P 500 Cos. with Q4 Positive & Negative Guidance**
(Source: FactSet)

**Percentage (%) of S&P 500 Cos. with Q4 Positive & Negative Guidance**
(Source: FactSet)
Q4 2023: EPS Revisions

**Upward Change in Q4 EPS (Trailing 4 Weeks): Top 10 S&P 500 Cos.**
(Source: FactSet)

<table>
<thead>
<tr>
<th>Company</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constellation Energy Corporation</td>
<td>33.7%</td>
</tr>
<tr>
<td>American Airlines Group Inc.</td>
<td>31.6%</td>
</tr>
<tr>
<td>NVIDIA Corporation</td>
<td>20.2%</td>
</tr>
<tr>
<td>Weil &amp; Partners Inc.</td>
<td>14.4%</td>
</tr>
<tr>
<td>Synopsys, Inc.</td>
<td>12.8%</td>
</tr>
<tr>
<td>Gartner, Inc.</td>
<td>9.9%</td>
</tr>
<tr>
<td>NetApp, Inc.</td>
<td>9.7%</td>
</tr>
<tr>
<td>Incyte Corporation</td>
<td>9.5%</td>
</tr>
<tr>
<td>Healthpeak Properties, Inc.</td>
<td>8.6%</td>
</tr>
<tr>
<td>D.R. Horton, Inc.</td>
<td>8.2%</td>
</tr>
</tbody>
</table>

**Downward Change in Q4 EPS (Trailing 4-Weeks): Top 10 S&P 500 Cos.**
(Source: FactSet)

<table>
<thead>
<tr>
<th>Company</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Henry Schein, Inc.</td>
<td>-48.0%</td>
</tr>
<tr>
<td>Moderna, Inc.</td>
<td>-49.4%</td>
</tr>
<tr>
<td>Merck &amp; Co., Inc.</td>
<td>-53.2%</td>
</tr>
<tr>
<td>Albemarle Corporation</td>
<td>-54.0%</td>
</tr>
<tr>
<td>Corteva Inc.</td>
<td>-58.9%</td>
</tr>
<tr>
<td>Illumina, Inc.</td>
<td>-119.7%</td>
</tr>
<tr>
<td>Catalent Inc.</td>
<td>-152.8%</td>
</tr>
<tr>
<td>SolarEdge Technologies, Inc.</td>
<td>-165.1%</td>
</tr>
<tr>
<td>Pfizer Inc.</td>
<td>-255.5%</td>
</tr>
<tr>
<td>Ventas, Inc.</td>
<td>-690.0%</td>
</tr>
</tbody>
</table>
EARNINGS INSIGHT

Q4 2023: Growth

S&P 500 Earnings Growth (Y/Y): Q4 2023
(Source: FactSet)

S&P 500 Revenue Growth (Y/Y): Q4 2023
(Source: FactSet)
FY 2023 / 2024: EPS Guidance

Number (#) of S&P 500 Cos. with FY Positive & Negative Guidance
(Source: FactSet)

Percentage (%) of S&P 500 Cos. with FY Positive & Negative Guidance
(Source: FactSet)
EARNINGS INSIGHT

CY 2023: Growth

S&P 500 Earnings Growth (Y/Y): CY 2023
(Source: FactSet)

S&P 500 Revenue Growth (Y/Y): CY 2023
(Source: FactSet)
CY 2024: Growth

S&P 500 Earnings Growth (Y/Y): CY 2024
(Source: FactSet)

S&P 500 Revenue Growth (Y/Y): CY 2024
(Source: FactSet)
Geographic Revenue Exposure

S&P 500: Aggregate Geographic Revenue Exposure (%)
(Source: FactSet)

International 41%
United States 59%

S&P 500: Aggregate Sector Geographic Revenue Exposure (%)
(Source: FactSet)

<table>
<thead>
<tr>
<th>Sector</th>
<th>International</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilities</td>
<td>1%</td>
<td>99%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>19%</td>
<td>81%</td>
</tr>
<tr>
<td>Financials</td>
<td>29%</td>
<td>71%</td>
</tr>
<tr>
<td>Industrials</td>
<td>32%</td>
<td>58%</td>
</tr>
<tr>
<td>Health Care</td>
<td>24%</td>
<td>66%</td>
</tr>
<tr>
<td>Consumer Disc</td>
<td>34%</td>
<td>66%</td>
</tr>
<tr>
<td>Energy</td>
<td>37%</td>
<td>63%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>41%</td>
<td>59%</td>
</tr>
<tr>
<td>Comm Services</td>
<td>48%</td>
<td>52%</td>
</tr>
<tr>
<td>Materials</td>
<td>54%</td>
<td>46%</td>
</tr>
<tr>
<td>Info Technology</td>
<td>59%</td>
<td>41%</td>
</tr>
</tbody>
</table>
Bottom-Up EPS Estimates

S&P 500 CY 2023 & CY 2024 Bottom-Up EPS: 1-Year
(Source: FactSet)

S&P 500 Q423 Bottom-Up EPS: 1-Year
(Source: FactSet)
Bottom-Up EPS Estimates: Current & Historical

**S&P 500 Calendar Year Bottom-Up EPS Actuals & Estimates**
(Source: FactSet)

**S&P 500 Quarterly Bottom-Up EPS Actuals & Estimates**
(Source: FactSet)
Forward 12M P/E Ratio: Sector Level

![Forward 12M P/E Ratio: Sector Level](image)

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

![Sector-Level Change in Fwd. 12-Month EPS vs. Price: Since Sep. 30](image)
EARNINGS INSIGHT

Forward 12M P/E Ratio: 10-Years
Trailing 12M P/E Ratio: 10-Years
Targets & Ratings

S&P 500: Percentage of Buy, Hold, and Sell Ratings
(Source: FactSet)

S&P 500 Sector-Level Bottom-Up Target Price vs. Closing Price
(Source: FactSet)
Important Notice

The information contained in this report is provided “as is” and all representations, warranties, terms and conditions, oral or written, express or implied (by common law, statute or otherwise), in relation to the information are hereby excluded and disclaimed to the fullest extent permitted by law. In particular, FactSet, its affiliates and its suppliers disclaim implied warranties of merchantability and fitness for a particular purpose and make no warranty of accuracy, completeness or reliability of the information. This report is for informational purposes and does not constitute a solicitation or an offer to buy or sell any securities mentioned within it. The information in this report is not investment advice. FactSet, its affiliates and its suppliers assume no liability for any consequence relating directly or indirectly to any action or inaction taken based on the information contained in this report.

FactSet aggregates and redistributes estimates data and does not conduct any independent research. Nothing in our service constitutes investment advice or FactSet recommendations of any kind. Estimates data is provided for information purposes only.

FactSet has no relationship with creators of estimates that may reasonably be expected to impair its objective presentation of such estimate or recommendation. FactSet redistributes estimates as promptly as reasonably practicable from research providers.

About FactSet

FactSet (NYSE:FDS | NASDAQ:FDS) helps the financial community to see more, think bigger, and work better. Our digital platform and enterprise solutions deliver financial data, analytics, and open technology to nearly 8,000 global clients, including almost 190,000 individual users. Clients across the buy-side and sell-side as well as wealth managers, private equity firms, and corporations achieve more every day with our comprehensive and connected content, flexible next-generation workflow solutions, and client-centric specialized support. As a member of the S&P 500, we are committed to sustainable growth and have repeatedly scored 100 on the Human Rights Campaign® Corporate Equality Index. We have been recognized amongst the Best Places to Work in 2023 by Glassdoor as a Glassdoor Employees’ Choice Award winner. Learn more at www.factset.com and follow us on Twitter and LinkedIn.