December 9, 2022

Author’s Note: *The next edition of the FactSet Earnings Insight report will be published on December 15 – one day earlier than normal.*

Key Metrics

- **Earnings Growth:** For Q4 2022, the estimated earnings decline for the S&P 500 is -2.5%. If -2.5% is the actual decline for the quarter, it will mark the first time the index has reported a (year-over-year) earnings decline since Q3 2020 (-5.7%).

- **Earnings Revisions:** On September 30, the estimated earnings growth rate for Q4 2022 was 3.7%. Ten sectors are expected to report lower earnings today (compared to September 30) due to downward revisions to EPS estimates.

- **Earnings Guidance:** For Q4 2022, 63 S&P 500 companies have issued negative EPS guidance and 34 S&P 500 companies have issued positive EPS guidance.

- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 17.1. This P/E ratio is below the 5-year average (18.5) but equal to the 10-year average (17.1).

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Topic of the Week: 1
S&P 500 CY 2023 Earnings Preview: Consumer Discretionary Sector Leads Earnings Growth

CY 2023 Earnings Growth: 5.5%

Despite concerns about a possible recession next year, analysts still expect the S&P 500 to report single-digit earnings growth in CY 2023. The estimated (year-over-year) earnings growth rate for CY 2023 is 5.5%, which is below the trailing 10-year average (annual) earnings growth rate of 8.5% (2012 – 2021). It is also below the estimates of 9.6% on June 30 and 8.2% on September 30, as analysts have lowered CY 2023 earnings estimates in aggregate over the past few months.

Analysts are expecting most of the earnings growth to occur in the second half of the 2023. For Q1 2023 and Q2 2023, analysts are projecting earnings growth of 1.1% and 0.6%. For Q3 2023 and Q4 2023, analysts are projecting earnings growth of 6.4% and 10.4%.

Eight of the eleven sectors are predicted to report year-over-year growth in earnings in CY 2023, led by the Consumer Discretionary, Industrials, Financials, and Communication Services sectors. On the other hand, three sectors are projected to report a year-over-year decline in earnings, led by the Energy and Materials sectors.

The Consumer Discretionary sector is expected to report the highest (year-over-year) earnings growth rate of all eleven sectors at 35.8%. At the industry level, nine of the ten industries in this sector are projected to report a year-over-year increase in earnings. Five of these nine industries are predicted to report double-digit earnings growth: Internet & Direct Marketing Retail (3,547%), Hotels, Restaurants, & Leisure (160%), Multiline Retail (26%), Auto Components (25%), and Leisure Products (12%). On the other hand, the Household Durables (-25%) industry is the only industry projected to report a year-over-year decline in earnings for the year. The Internet & Direct Marketing Retail and Hotels, Restaurants, & Leisure industries are also projected to be the largest contributors to earnings growth for the sector for the year. If these two industries were excluded, the estimated earnings growth rate for the Consumer Discretionary sector would fall to 2.9% from 35.8%.
At the company level, Amazon.com is expected to be the largest contributor to earnings growth for the sector for the year, accounting for almost half of the projected earnings growth for the sector. The company is expected to report of EPS of $1.86 in CY 2023 relative to estimated EPS of -$0.10 in CY 2022. If this company were excluded, the estimated earnings growth rate for the Consumer Discretionary sector would fall to 18.6% from 35.8%.

The Consumer Discretionary sector is also projected to be the largest contributor to earnings growth for the index in CY 2023. If this sector were excluded, the estimated earnings growth rate for the S&P 500 for CY 2023 would fall to 3.5% from 5.5%.

The Industrials sector (along with the Financials sector) is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 13.9%. At the industry level, ten of the twelve industries in the sector are projected to report a year-over-year increase in earnings. Four of these ten industries are expected to report double-digit earnings growth: Airlines (98%), Aerospace & Defense (45%), Industrials Conglomerates (17%), and Construction & Engineering (10%). On the other hand, two industries are predicted to report a year-over-year decline in earnings, led by the Air Freight & Logistics (-9%) industry. At the company level, Boeing is expected to be the largest contributor to earnings growth for the sector for the year. The company is expected to report EPS of $3.73 in CY 2023 relative to estimated EPS of -$7.92 in CY 2022. If this company were excluded, the estimated earnings growth rate for the Industrials sector would fall to 8.7% from 13.9%.

The Financials sector (along with the Industrials sector) is expected to report the second-highest (year-over-year) earnings growth rates of all eleven sectors also at 13.9%. At the industry level, four of five industries in this sector are projected to report a year-over-year increase in earnings. Three of these four industries are expected to report double-digit earnings growth: Insurance (29%), Banks (14%), and Capital Markets (12%). On the other hand, the Consumer Finance (-5%) industry is the only industry in the sector predicted to report a year-over-year decline in earnings for the year.

The Communication Services sector is expected to report the fourth-highest (year-over-year) earnings growth rate of all eleven sectors at 10.3%. At the industry level, four of the five industries in the sector are projected to report a year-over-year increase in earnings, led by the Wireless Telecommunication Services (233%) and Entertainment (61%) industries. On the other hand, the Diversified Telecommunication Services (-4%) industry is the only industry in the sector predicted to report a year-over-year decline in earnings for the year. At the company level, T-Mobile and Warner Bros. Discovery are expected to be the largest contributors to earnings growth for the sector for the year. If these two companies were excluded, the estimated earnings growth rate for the Communication Services sector would fall to 3.8% from 10.3%.

The Energy sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -12.4%. At the sub-industry level, three of the five sub-industries in the sector are projected to report a decrease in earnings: Oil & Gas Refining & Marketing (-37%), Integrated Oil & Gas (-15%), and Oil & Gas Exploration & Production (<-1%). The other two sub-industries in the sector are predicted to report (year-over-year) earnings growth: Oil & Gas Equipment & Services (46%) and Oil & Gas Storage & Transportation (11%).

The Energy sector is also projected to be the largest detractor to earnings growth for the index in CY 2023. If this sector were excluded, the estimated earnings growth rate for the S&P 500 for CY 2023 would improve to 7.6% from 5.5%.

The Materials sector is expected to report the second-largest (year-over-year) earnings decline of all eleven sectors at -9.1%. At the industry level, three of the four industries in the sector are projected to report a year-over-year decrease in earnings, led by the Metals & Mining (-41%) industry. On the other hand, the Construction Materials (24%) industry is the only industry in the sector predicted to report year-over-year growth in earnings for the year. The Metals & Mining industry is also expected to be the largest contributor to the earnings decline for the sector. If this industry were excluded, the estimated earnings decline for the Materials sector would improve to -1.3% from -9.1%.
Analysts also expect the S&P 500 will report low, single-digit revenue growth in CY 2023. The estimated (year-over-year) revenue growth rate for CY 2023 is 3.3%, which is below the trailing 10-year average (annual) revenue growth rate of 4.1% (2012 – 2021). It is also below the estimates of 4.7% on June 30 and 4.4% on September 30, as analysts have lowered revenue estimates in aggregate for CY 2023 over the past few months.

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

The Financials sector is expected to report the highest (year-over-year) revenue growth rate of all eleven sectors at 8.7%. At the industry level, all five industries in the sector are projected to report a year-over-year increase in revenues: Diversified Financial Services (27%), Consumer Finance (10%), Banks (9%), Capital Markets (5%), and Insurance (1%). At the company level, Berkshire Hathaway is expected to be the largest contributor to revenue growth for the sector for the year. The company is projected to report revenues of $333.7 billion in CY 2023, relative to estimated revenues of $262.2 billion in CY 2022. If this company were excluded, the estimated revenue growth rate for the Financials sector would fall to 5.2% from 8.7%.
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The Consumer Discretionary sector is expected to report the second-highest (year-over-year) revenue growth rate of all eleven sectors at 6.9%. At the industry level, nine of the ten industries in this sector are projected to report a year-over-year increase in revenues. Three of these nine industries are predicted to report double-digit revenue growth: Hotels, Restaurants, & Leisure (18%), Automobiles (12%), and Internet & Direct Marketing Retail (11%). On the other hand, the Household Durables (-10%) industry is the only industry in the sector predicted to report a year-over-year decline in revenues for the year. The Hotels, Restaurants, & Leisure, Automobiles, and Internet & Direct Marketing Retail industries are also the expected to be the largest contributors to revenue growth for the sector in CY 2023. If these three industries were excluded, the estimated revenue growth rate for the Consumer Discretionary sector would fall to 0.5% from 6.9%.

The Energy sector is expected to report the largest (year-over-year) revenue decline of all eleven sectors at -7.3%. At the sub-industry level, three of the five sub-industries in the sector are projected to report a decrease in revenues: Oil & Gas Refining & Marketing (-14%), Integrated Oil & Gas (-8%), and Oil & Gas Exploration & Production (-2%). The other two sub-industries in the sector are projected to report (year-over-year) revenue growth: Oil & Gas Equipment & Services (16%) and Oil & Gas Storage & Transportation (5%).

CY 2023 Net Profit Margin: 12.3%

The estimated net profit margin (based on aggregate estimates for revenues and earnings) for the S&P 500 for 2023 is 12.3%, which is above the estimated net profit margin of 12.0% for CY 2022 and above the 10-year average (annual) net profit margin of 10.3%. If 12.3% is the actual net profit margin for the year, it will mark the second-highest (annual) net profit margin reported by the index since FactSet began tracking this metric in 2008. The current record is 12.6%, which occurred in CY 2021.

At the sector level, six of the eleven sectors are projected to report higher net profit margins in CY 2023 relative to expectations for CY 2022, led by the Consumer Discretionary (7.3% vs. 5.8%) sector. On the other hand, four sectors are projected to report lower net profit margins in CY 2023 relative to expectations for CY 2022, led by the Materials (11.4% vs. 12.2%) sector.
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S&P 500 Net Profit Margin: 2012 - 2023
(Source: FactSet)

S&P 500 Net Profit Margin: CY 2023 vs. CY 2022
(Source: FactSet)
Industry Analysts Predict a 13% Price Increase for S&P 500 in 2023

With 2022 coming to a close, analysts are making predictions for the closing price of the S&P 500 for next year. These predictions vary widely, as market strategists (typically using a top-down approach) are divided as to whether believe the S&P 500 will close above or below 4,000 at the end of 2023.

Where do industry analysts (using a bottom-up approach) believe the S&P 500 will close at the end of 2023?

Industry analysts in aggregate predict the S&P 500 will have a closing price of 4,493.50 in 12 months. This bottom-up target price for the index is calculated by aggregating the median target price estimates (based on the company-level target prices submitted by industry analysts) for all the companies in the index. On December 8, the bottom-up target price for the S&P 500 was 4,493.50, which was 13.4% above the closing price of 3,963.51.

At the sector level, the Consumer Discretionary (+27.0%) and Communication Services (+25.2%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Consumer Staples (+3.4%), Materials (+4.2%), and Utilities (+4.7%) 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.

At the company level, the ten stocks in the S&P 500 with the largest upside and downside differences between their median target price and closing price (on December 8) can be found on page 9.

However, it is important to note that industry analysts have historically overestimated the closing price of the index at the start of the year.

At the end of last year (December 31, 2021), the bottom-up target price for the S&P 500 was 5,264.51. Based on yesterday’s closing price of 3,963.51, analysts overestimated the price of the index by 33% at the start of CY 2022 as of yesterday.

Over the previous 20 years (2002 – 2021), the average difference between the bottom-up target price estimate at the beginning of the year (December 31) and the final price for the index for that same year has been 8.3%. In other words, industry analysts on average have overestimated the final price of the index by about 8.3% one year in advance during the previous 20 years. Analysts overestimated the final value (the final value finished below the estimate) in 13 of the 20 years and underestimated the final value (the final value finished above the estimate) in the other 7 years. It is interesting to note that analysts have underestimated the final value in six of the past nine years (2013 – 2021).

However, this 8.3% average includes two years (2002 and 2008) in which there were substantial differences between the bottom-up target price estimate at the start of the year and the closing price for the index for that same year. In 2002, industry analysts at the start of the year overestimated the closing price for the end of the year by 59%. In 2008, industry analysts at the start of the year overestimated the closing price for the end of the year by 92%. If the years 2002 and 2008 were excluded, the average difference (over the other 18 years) between the bottom-up target price at the start of the year and the closing price of the index at the end of the year would be 0.8%.

If one applies the average overestimation of 8.3% to the current 2023 bottom-up target price estimate (assuming the estimate changes little between now and December 31), the expected closing value for 2023 would be 4,122.36, which is 4.0% above yesterday’s closing price of 3,963.51. If one applies the average overestimation of 0.8% (excluding 2002 and 2008) to the current 2023 bottom-up target price estimate, the expected closing value for 2023 would be 4,458.05, which is 12.5% above yesterday’s closing price of 3,963.51.
### S&P 500: Difference Between Median Target Price & Closing Price: Top 10 (Source: FactSet)

<table>
<thead>
<tr>
<th>Company</th>
<th>Target</th>
<th>Closing</th>
<th>Diff ($)</th>
<th>Diff (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DISH Network Corporation Class A</td>
<td>31.50</td>
<td>14.62</td>
<td>16.88</td>
<td>115.5%</td>
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<tr>
<td>Tesla Inc</td>
<td>302.00</td>
<td>173.44</td>
<td>128.56</td>
<td>74.1%</td>
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<tr>
<td>Warner Bros. Discovery, Inc.</td>
<td>18.00</td>
<td>10.76</td>
<td>7.24</td>
<td>67.3%</td>
</tr>
<tr>
<td>EQT Corporation</td>
<td>59.50</td>
<td>35.69</td>
<td>23.81</td>
<td>66.7%</td>
</tr>
<tr>
<td>Generac Holdings Inc.</td>
<td>154.00</td>
<td>92.71</td>
<td>61.29</td>
<td>66.1%</td>
</tr>
<tr>
<td>Signature Bank</td>
<td>185.00</td>
<td>119.30</td>
<td>65.70</td>
<td>55.1%</td>
</tr>
<tr>
<td>Salesforce, Inc.</td>
<td>200.00</td>
<td>130.13</td>
<td>69.87</td>
<td>53.7%</td>
</tr>
<tr>
<td>Catalent Inc</td>
<td>69.00</td>
<td>45.54</td>
<td>23.46</td>
<td>51.5%</td>
</tr>
<tr>
<td>Amazon.com, Inc.</td>
<td>136.00</td>
<td>90.35</td>
<td>45.65</td>
<td>50.5%</td>
</tr>
<tr>
<td>Live Nation Entertainment, Inc.</td>
<td>105.50</td>
<td>71.47</td>
<td>34.03</td>
<td>47.6%</td>
</tr>
</tbody>
</table>

### S&P 500: Difference Between Median Target Price & Closing Price: Bottom 10 (Source: FactSet)

<table>
<thead>
<tr>
<th>Company</th>
<th>Target</th>
<th>Closing</th>
<th>Diff ($)</th>
<th>Diff (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>T. Rowe Price Group</td>
<td>96.50</td>
<td>122.26</td>
<td>-25.76</td>
<td>-21.1%</td>
</tr>
<tr>
<td>Franklin Resources, Inc.</td>
<td>22.50</td>
<td>26.87</td>
<td>-4.37</td>
<td>-16.3%</td>
</tr>
<tr>
<td>Nucor Corporation</td>
<td>128.00</td>
<td>150.85</td>
<td>-22.85</td>
<td>-15.1%</td>
</tr>
<tr>
<td>Consolidated Edison, Inc.</td>
<td>83.50</td>
<td>97.59</td>
<td>-14.09</td>
<td>-14.4%</td>
</tr>
<tr>
<td>Invesco Ltd.</td>
<td>16.00</td>
<td>18.51</td>
<td>-2.51</td>
<td>-13.6%</td>
</tr>
<tr>
<td>Freeport-McMoRan, Inc.</td>
<td>35.00</td>
<td>39.86</td>
<td>-4.86</td>
<td>-12.2%</td>
</tr>
<tr>
<td>Principal Financial Group, Inc.</td>
<td>78.50</td>
<td>89.11</td>
<td>-10.61</td>
<td>-11.9%</td>
</tr>
<tr>
<td>Clorox Company</td>
<td>132.50</td>
<td>150.21</td>
<td>-17.71</td>
<td>-11.8%</td>
</tr>
<tr>
<td>Lam Research Corporation</td>
<td>404.00</td>
<td>455.00</td>
<td>-51.00</td>
<td>-11.2%</td>
</tr>
<tr>
<td>Etsy, Inc.</td>
<td>120.00</td>
<td>134.50</td>
<td>-14.50</td>
<td>-10.8%</td>
</tr>
</tbody>
</table>
Q4 Earnings Season: By The Numbers

Overview

Analysts and companies have been slightly less pessimistic in their earnings outlooks for S&P 500 companies for the fourth quarter compared to the third quarter, but more pessimistic in their outlooks compared to their 5-year averages. As a result, estimated earnings for the S&P 500 for the fourth quarter are lower today compared to expectations at the start of the quarter. On a year-over-year basis, the index is expected to report a decline in earnings for the first time since Q3 2020.

In terms of estimate revisions for companies in the S&P 500, analysts have lowered earnings estimates for Q4 2022 by a smaller margin compared to last quarter, but by a larger margin compared to the 5-year average. On a per-share basis, estimated earnings for the third quarter have decreased by 5.7% since September 30. This decline is smaller than the decline of -6.8% recorded in Q3 2022, but larger than the 5-year average of -2.5% and the 10-year average of -3.3% for a quarter.

The number of S&P 500 companies that have issued negative EPS guidance for Q3 2022 is smaller than the number for the previous quarter, but higher than the 5-year average. At this point in time, 97 companies in the index have issued EPS guidance for Q4 2022. Of these 97 companies, 63 have issued negative EPS guidance and 34 have issued positive EPS guidance. The number of S&P 500 companies issuing negative EPS guidance for Q4 2022 is lower than the numbers for Q3 2022 (66), Q2 2022 (72), and Q1 2022 (68). However, it is higher than the 5-year average of 58 (but lower than the 10-year average of 66).

Because of the downward revisions to earnings estimates by analysts and the negative EPS guidance issued by companies, estimated earnings for Q4 2022 are lower now relative to the start of the fourth quarter. As of today, the S&P 500 is expected to report a (year-over-year) earnings decline of -2.5%, compared to estimated (year-over-year) earnings growth of 3.7% on September 30.

If -2.5% is the actual decline for the quarter, it will mark the first time the index has reported a (year-over-year) decline in earnings since Q3 2020 (-5.7%). Four of the eleven sectors are projected to report year-over-year earnings growth, led by the Energy and Industrials sectors. On the other hand, seven sectors are predicted to report a year-over-year decline in earnings, led by the Materials, Communication Services, and Consumer Discretionary sectors.

In terms of revenues, analysts have also lowered their estimates during the quarter. As a result, estimated revenues for Q4 2022 are lower now relative to the start of the fourth quarter. As of today, the S&P 500 is expected to report (year-over-year) revenue growth of 4.2%, compared to the estimated (year-over-year) revenue growth rate of 6.3% on September 30.

If 4.2% is the actual growth rate for the quarter, it will mark the lowest (year-over-year) revenue growth rate reported by the index since Q4 2020 (3.2%). Eight of the eleven sectors are projected to report year-over-year growth in revenues, led by the Energy, Industrials, and Consumer Discretionary sectors. On the other hand, three sectors are predicted to a report a year-over-year decline in revenues, led by the Utilities sector.

The forward 12-month P/E ratio is 17.1, which is below the 5-year average (18.5) but equal to the 10-year average (17.1). It is also above the forward P/E ratio of 15.2 recorded at the end of the third quarter (September 30), as the price of the index has increased while the forward 12-month EPS estimate has decreased since September 30.

During the upcoming week, five S&P 500 companies are scheduled to report results for the fourth quarter and one S&P 500 company is scheduled to report results for the third quarter.
Earnings Revisions: Materials Sector Sees Largest Estimate Decreases

Small Increase in Estimated Earnings Decline for Q4 This Week

During the past week, the estimated earnings decline for the S&P 500 for Q4 2022 increased slightly to -2.5% from -2.3%. Downward revisions to earnings estimates for companies in the Energy sector were the largest contributor to the small increase in the earnings decline during the week.

The estimated earnings decline for the S&P 500 for Q4 2022 of -2.5% today is below the estimated growth rate of 3.7% at the start of the quarter (September 30), as estimated earnings for the index of $472.0 billion today are 6.0% below the estimate of $502.4 billion at the start of the quarter. Ten sectors have recorded a decrease in expected (dollar-level) earnings due to downward revisions to earnings estimates, led by the Materials, Communication Services, Consumer Discretionary, and Information Technology sectors. On the other hand, the Energy sector is the only sector that has recorded an increase in expected (dollar-level) earnings due to upward revisions to earnings estimates.

Materials: All 28 Companies Have Recorded a Decrease in Earnings Since September 30

The Materials sector has recorded the largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -19.7% (to $11.8 billion from $14.8 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -24.0% today from -5.4% on September 30. Despite the decrease in expected earnings, this sector has witnessed the second-largest increase in price (+19.9%) of all 11 sectors since September 30. All 28 companies (100%) in the Materials sector have seen a decrease in their mean EPS estimate during this time. Of these 28 companies, 16 have recorded a decrease in their mean EPS estimate of more than 10%, led by Corteva (to $0.05 from $0.15), LyondellBasell Industries (to $1.31 from $2.77), Celanese (to $1.76 from $3.31), Dow (to $0.60 from $1.08), and International Paper (to $0.75 from $1.30). LyondellBasell Industries has also been the largest contributor to the decrease in expected (dollar-level) earnings for this sector since September 30.

Consumer Discretionary: Amazon Leads Earnings Decrease Since September 30

The Consumer Discretionary sector has recorded the second-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -12.4% (to $32.4 billion from $37.0 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -18.6% today from -7.1% on September 30. This sector has also witnessed the largest decrease in price (-3.3%) of all 11 sectors since September 30. Overall, 34 of the 56 companies (61%) in the Consumer Discretionary sector have seen a decrease in their mean EPS estimate during this time. Of these 34 companies, 18 have recorded a decrease in their mean EPS estimate of more than 10%, led by MGM Resorts (to -$1.04 from $0.17), Wynn Resorts (to -$1.17 from -$0.38), Las Vegas Sands (to -$0.09 from -$0.03), and Royal Caribbean (to -$1.29 from -$0.68). However, Amazon.com (to $0.22 from $0.38) and Target (to $1.48 from $3.33) have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since September 30.

Communication Services: Alphabet Leads Earnings Decrease Since September 30

The Communication Services sector has recorded the third-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -12.1% (to $40.1 billion from $45.6 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -18.1% today from -6.8% on September 30. This sector has also witnessed the smallest increase in price (+1.3%) of all 11 sectors since September 30. Overall, 16 of the 22 companies (73%) in the Communication Services sector have seen a decrease in their mean EPS estimate during this time. Of these 16 companies, 13 have recorded a decrease in their mean EPS estimate of more than 10%, led by Warner Bros. Discovery (to -$0.18 from $0.03), Netflix (to $0.62 from $1.20), and Paramount (to $0.34 from $0.58). However, Alphabet (to $1.20 from $1.41), Meta Platforms (to $2.27 from $2.67), and Walt Disney (to $0.83 from $1.29) have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since September 30.
Information Technology: Microsoft and Intel Lead Earnings Decrease Since September 30

The Information Technology sector has recorded the fourth-largest percentage decrease in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at -8.5% (to $107.2 billion from $117.2 billion). As a result, the estimated (year-over-year) earnings decline for this sector has increased to -9.3% today from -0.9% on September 30. Despite the decrease in expected earnings, this sector has witnessed an increase in price of 10.4% since September 30. Overall, 46 of the 75 companies (61%) in the Information Technology sector have seen a decrease in their mean EPS estimate during this time. Of these 46 companies, 20 have recorded a decrease in their mean EPS estimate of more than 10%, led by Western Digital (to -$0.10 from $0.47), Micron Technology (to $0.00 from $0.06), Seagate Technology (to $0.18 from $1.05), Intel (to $0.22 from $0.74), and Qorvo (to $0.63 from $1.73). However, Microsoft (to $2.30 from $2.59), Intel, Apple (to $2.01 from $2.13), and QUALCOMM (to $2.36 from $3.47) have been the largest contributors to the decrease in expected (dollar-level) earnings for this sector since September 30.

Energy: Exxon Mobil Leads Earnings Increase Since September 30

The Energy sector has recorded the largest percentage increase in estimated (dollar-level) earnings of all eleven sectors since the start of the quarter at 3.6% (to $50.0 billion from $48.3 billion). As a result, the estimated (year-over-year) earnings growth rate for this sector has increased to 66.6% today from 60.8% on September 30. This increase in estimated earnings has occurred despite a 10% decline in the price of oil since September 30 (to $71.46 from $79.49). This sector has also witnessed the third-largest increase in price (+16.6%) of all eleven sectors since September 30. Overall, 9 of the 23 companies (39%) in the Energy sector have seen an increase in their mean EPS estimate during this time. Of these 9 companies, 3 have recorded an increase in their mean EPS estimate of more than 10%: Marathon Petroleum (to $5.95 from $3.48), Phillips 66 (to $5.03 from $3.09), and Valero Energy (to $7.05 from $4.71). Exxon Mobil (to $3.37 from $3.08) and these three companies have been the largest contributors to the increase in estimated (dollar-level) earnings for this sector since September 30.

Index-Level EPS Estimate: 5.7% Decrease Since September 30

The Q4 bottom-up EPS estimate (which is an aggregation of the median Q4 earnings estimates for all 500 companies in the index and can be used as a proxy for the earnings of the index) has decreased by 5.7% (to $54.50 from $57.78) since September 30. In a typical quarter, analysts usually reduce earnings estimates. Over the past five years (20 quarters), earnings expectations have fallen by 2.5% on average during a quarter. Over the past ten years, (40 quarters), earnings expectations have fallen by 3.3% on average during a quarter. Over the past fifteen years (60 quarters), earnings expectations have fallen by 4.8% on average during a quarter. Over the past twenty years (60 quarters), earnings expectations have fallen by 3.8% on average during a quarter.

Thus, the decline in the bottom-up EPS estimate for the third quarter to date has been larger than the 5-year average, the 10-year average, the 15-year average, and the 20-year average. It is also the second-largest decrease in the bottom-up EPS estimate for a quarter since Q2 2020 (-37.0%).

Guidance: Fewer S&P 500 Companies Issuing Negative EPS Guidance for Q4 vs. Recent Quarters

At this point in time, 97 companies in the index have issued EPS guidance for Q3 2022. Of these 97 companies, 63 have issued negative EPS guidance and 34 have issued positive EPS guidance. The number of S&P 500 companies issuing negative EPS guidance for Q4 2022 is lower than the numbers for Q3 2022 (66), Q2 2022 (72), and Q1 2022 (68). However, it is higher than the 5-year average of 58 (but lower than the 10-year average of 66). The percentage of companies issuing negative EPS guidance for Q4 2022 is 65% (63 out of 97), which is above the 5-year average of 60% but below the 10-year average of 67%.
At this point in time, 253 companies in the index have issued EPS guidance for the current fiscal year (FY 2022 or FY 2023). Of these 253 companies, 127 have issued negative EPS guidance and 126 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 50% (127 out of 253).

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 of estimates) provided by a company is lower than the mean EPS estimate the day before the guidance was issued. Guidance is classified as positive if the estimate (or mid-point of a range of estimates) provided by the company is higher than the mean EPS estimate the day before the guidance was issued.

Earnings Decline: -2.5%

The estimated (year-over-year) earnings decline for Q4 2022 is -2.5%, which is below the 5-year average earnings growth rate of 14.8% and below the 10-year average earnings growth rate of 8.9%. If -2.5% is the actual growth rate for the quarter, it will mark the first time the has reported a (year-over-year) decline in earnings since Q3 2020 (-5.7%).

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

Energy: Largest Contributor to Year-Over-Year Earnings Growth for S&P 500 For Q4

The Energy sector is expected to report the highest (year-over-year) earnings growth of all eleven sectors at 66.6%. Higher year-over-year oil prices are contributing to the year-over-year improvement in earnings for this sector, as the average price of oil in Q4 2022 to date ($84.49) is 9.6% above the average price for oil in Q4 2021 ($77.10). At the sub-industry level, all five sub-industries in the sector are expected to report a year-over-year increase in earnings of more than 40%: Oil & Gas Refining & Marketing (154%), Oil & Gas Storage & Transportation (82%), Oil & Gas Equipment & Services (75%), Integrated Oil & Gas (63%), and Oil & Gas Exploration & Production (41%).

The Energy sector is also expected to be the largest contributor to earnings growth for the S&P 500 for the third quarter. If this sector were excluded, the expected earnings decline for the index would increase to -7.1% from -2.5%.

Industrials: Boeing and Airlines Industry Are Largest Contributors to Year-Over-Year Growth

The Industrials sector is expected to report the second-highest (year-over-year) earnings growth rate of all eleven sectors at 38.1%. At the industry level, 9 of the 12 industries in the sector are expected to report a year-over-year increase in earnings. A growth rate is not being calculated for the Airlines industry due to the loss reported by the industry in the year-ago quarter. However, the Airlines industry is projected to report a profit of $2.3 billion in Q3 2022 compared to a loss of -$1.2 billion in Q4 2021. Four of the remaining eight industries are predicted to report earnings growth above 10%: Aerospace & Defense (217%), Machinery (25%), Trading Companies & Distributors (23%), and Industrial Conglomerates (14%). On the other hand, three industries are projected to report a (year-over-year) decline in earnings for the quarter, led by the Air Freight & Logistics (-15%) industry.

At the company level, Boeing and the five companies in the Airlines industry are predicted to be the largest contributors to earnings growth for the sector. If these six companies in this industry were excluded, the estimated earnings growth rate for the Industrials sector would fall to 7.0% from 38.1%.
EARNINGS INSIGHT

Materials: Metals & Mining Industry Leads Year-Over-Year Earnings Decline

The Materials sector is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -24.0%. At the industry level, three of the four industries in this sector are predicted to report a year-over-year decline in earnings of more than 10%: Metals & Mining (-52%), Chemicals (-15%), and Containers & Packaging (-14%). On the other hand, the Construction Materials (6%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.

The Metals & Mining industry is also the largest contributor to the expected earnings decline for the sector. If this industry were excluded, the estimated earnings decline for the Materials sector would improve to -13.9% from -24.0%.

Consumer Discretionary: Amazon Leads Year-Over-Year Earnings Decline

The Consumer Discretionary sector is expected to report the second-largest (year-over-year) earnings decline of all eleven sectors at -18.6%. At the industry level, 6 of the 10 industries in the sector are expected to report a year-over-year decrease in earnings. Four of these six industries are predicted to report a decline in earnings or more than 10%: Internet & Direct Marketing Retail (-81%), Multiline Retail (-28%), Textiles, Apparel, & Luxury Goods (-23%), and Household Durables (-14%). On the other hand, four industries are projected to report (year-over-year) earnings growth for the quarter. All four of these industries are expected to report earnings growth of more than 25%: Hotels, Restaurants, & Leisure (996%), Automobiles (62%), Auto Components (43%), and Leisure Products (29%).

At the company level, Amazon.com is predicted to be the largest contributor to the expected earnings decline for the sector. If this company were excluded, the Consumer Discretionary sector would be reporting (year-over-year) earnings growth of 17.4% instead of an earnings decline of -18.6%.

At the industry level, the Hotels, Restaurants, & Leisure and Automobiles industries are predicted to be the largest detractors to the expected earnings decline for the sector. If these two industries were excluded, the estimated earnings decline for the Consumer Discretionary sector would increase to -40.8% from -18.6%.

Communication Services: Alphabet and Meta Platforms Lead Year-Over-Year Decline

The Communication Services sector is expected to report the third-largest (year-over-year) earnings decline of all eleven sectors at -18.1%. At the industry level, four of the five industries in this sector are predicted to report a year-over-year decline in earnings, led by the Interactive Media & Services (-28%) and Entertainment (-25%) industries. On the other hand, the Wireless Telecommunication Services (212%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.

At the company level, Alphabet and Meta Platforms are predicted to be the largest contributors to the expected earnings decline for the sector. If these two companies were excluded, the estimated earnings decline for the sector would improve to -4.1% from -18.1%.

Revenue Growth: 4.2%

The estimated (year-over-year) revenue growth rate for Q3 2022 is 4.2%, which is below the 5-year average revenue growth rate of 7.4% but equal to the 10-year average revenue growth rate of 4.2%. If 4.2% is the actual growth rate for the quarter, it will mark the lowest (year-over-year) revenue growth reported by the index since Q4 2020 (3.2%).

Eight of the eleven sectors are expected to report year-over-year growth in revenues, led by the Energy, Industrials, and Consumer Discretionary sectors. On the other hand, three sectors are predicted to report a year-over-year decline in revenues, led by the Utilities sector.
**EARNINGS INSIGHT**

**Energy: All 5 Sub-Industries To Report Year-Over-Year Growth**

The Energy sector is expected to report the highest (year-over-year) revenue growth rate of all eleven sectors at 12.9%. Higher year-over-year oil prices are contributing to the year-over-year improvement in earnings for this sector, as the average price of oil in Q4 2022 to date ($84.49) is 9.6% above the average price for oil in Q4 2021 ($77.10). At the sub-industry level, all five sub-industries in the sector are predicted to report (year-over-year) growth in revenues: Oil & Gas Equipment & Services (21%), Integrated Oil & Gas (14%), Oil & Gas Exploration & Production (13%), Oil & Gas Storage & Transportation (10%), and Oil & Gas Refining & Marketing (10%).

**Industrials: Airlines Industry Leads Year-Over-Year Growth**

The Industrials sector is expected to report the second-highest (year-over-year) revenue growth rate of all eleven sectors at 9.4%. At the industry level, 10 of the 12 industries in the sector are expected to report (year-over-year) growth in revenues. Six of these ten industries are projected to report revenue growth of 10% or more: Airlines (36%), Trading Companies & Distributors (14%), Machinery (13%), Aerospace & Defense (11%), Road & Rail (11%), and Commercial Services & Supplies (10%).

**Consumer Discretionary: 9 of 10 Industries To Report Year-Over-Year Growth**

The Consumer Discretionary sector is expected to report the third-highest (year-over-year) revenue growth rate of all eleven sectors at 8.3%. At the industry level, 9 of the 10 industries in the sector are expected to report (year-over-year) growth in revenues. Two of these nine industries are projected to report revenue growth of 10% or more: Hotels, Restaurants, & Leisure (22%) and Automobiles (22%).

**Utilities: 3 of 5 Industries To Report Year-Over-Year Decline**

The Utilities sector is expected to report the largest (year-over-year) revenue decline of all eleven sectors at -14.4%. At the industry level, 3 of the 5 industries in the sector are expected to report (year-over-year) growth in revenues: Electric Utilities (-17%), Multi-Utilities (-13%), and Water Utilities (-5%). On the other hand, two industries are projected to report (year-over-year) growth in revenues: Gas Utilities (10%) and Independent Power & Renewable Electricity Producers (5%).

**Net Profit Margin: 11.6%**

The estimated net profit margin for the S&P 500 for Q4 2022 is 11.6%, which is above the 5-year average of 11.3%, but below the previous quarter’s net profit margin of 11.9% and below the year-ago net profit margin of 12.4%. If 11.6% is the actual net profit margin for the quarter, it will mark the lowest net profit margin reported by the index since Q4 2020 (10.9%).

At the sector level, four sectors are expected to report a year-over-year increase in their net profit margins in Q4 2022 compared to Q4 2021, led by the Energy (to 13.7% vs. 9.3%) sector. On the other hand, seven sectors are expected to report a year-over-year decrease in their net profit margins in Q4 2022 compared to Q4 2021, led by the Materials (10.1% vs. 12.9%) sector.

Four sectors are expected to report net profit margins in Q4 2022 that are above their 5-year averages, led by the Energy (13.7% vs. 6.8%) sector. On the other hand, six sectors are expected to report net profit margins in Q4 2022 that are below their 5-year averages, led by the Communication Services (9.8% vs. 11.7%) sector.
Looking Ahead: Forward Estimates and Valuation

Earnings: S&P 500 Expected to Report Earnings Growth of 5% for CY 2022
For the third quarter, S&P 500 companies are reporting earnings growth of 2.5% and revenue growth of 11.0%.
For Q4 2022, analysts are projecting an earnings decline of -2.5% and revenue growth of 4.2%.
For CY 2022, analysts are projecting earnings growth of 5.1% and revenue growth of 10.4%.
For Q1 2023, analysts are projecting earnings growth of 5.1% and revenue growth of 1.1%.
For Q2 2023, analysts are projecting earnings growth of 0.6% and revenue growth of 1.0%.
For CY 2023, analysts are projecting earnings growth of 5.5% and revenue growth of 3.3%.

Valuation: Forward P/E Ratio is 17.1, Equal to 10-Year Average (17.1)
The forward 12-month P/E ratio for the S&P 500 is 17.1. This P/E ratio is below the 5-year average of 18.5 but equal to the 10-year average of 17.1. It is also above the forward 12-month P/E ratio of 15.2 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 10.5%, while the forward 12-month EPS estimate has decreased by 2.2%. At the sector level, the Consumer Discretionary (22.4) sector has the highest forward 12-month P/E ratio, while the Energy (9.1) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 19.2, which is below the 5-year average of 22.7 and below the 10-year average of 20.5.

Targets & Ratings: Analysts Project 13% Increase in Price Over Next 12 Months
The bottom-up target price for the S&P 500 is 4493.50, which is 13.4% above the closing price of 3963.51. At the sector level, the Consumer Discretionary (+27.0%) and Communication Services (+25.2%) sectors are expected to see the largest price increases, as these sectors have the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Consumer Staples (+3.4%) and Materials (+4.2%) 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 10,825 ratings on stocks in the S&P 500. Of these 10,825 ratings, 55.4% are Buy ratings, 38.7% are Hold ratings, and 5.9% are Sell ratings. At the sector level, the Energy (63%), Communication Services (61%), and Information Technology (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (43%) sector has the lowest percentage of Buy ratings.

Companies Reporting Next Week: 6
During the upcoming week, five S&P 500 companies are scheduled to report results for the fourth quarter and one S&P 500 company is scheduled to report results for the third quarter.
Q3 2022: Scorecard
Q3 2022: Scorecard

S&P 500 Sector-Level Earnings Surprise %: Q3 2022
(Source: FactSet)

S&P 500 Sector-Level Revenue Surprise %: Q3 2022
(Source: FactSet)
Q3 2022: Scorecard

S&P 500 EPS Surprise % vs. Price %: Q3 2022
(Source: FactSet)

Number of Companies Reporting Surprise % in Each Range vs. Average Price Change % (2 Days Before Report + 2 Days After Report)

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

Q3 2022 vs. 5-Year Average

Positive

-3.5%

Negative

-2.2%
Q3 2022: Scorecard

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

- Bath & Body Works, Inc.: 101.1%
- Cidelon HCM Holding, Inc.: 69.2%
- Intel Corporation: 59.2%
- Lamb Weston Holdings, Inc.: 48.7%
- Netflix, Inc.: 45.0%
- Travelers Companies, Inc.: 42.7%
- Intuit Inc.: 39.0%
- Activision Blizzard, Inc.: 36.6%
- Live Nation Entertainment, Inc.: 35.2%
- BlackRock, Inc.: 35.2%

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

- Walt Disney Company: -46.2%
- Western Digital Corporation: -47.2%
- Progressive Corporation: -53.0%
- Lumen Technologies, Inc.: -61.2%
- Bank of New York Mellon Corp: -64.5%
- Constellation Energy Corporation: -184.5%
- MGM Resorts International: -640.4%
- Lincoln National Corp: -664.3%
- Etsy, Inc.: -2171.0%
- Boeing Company: -4779.1%
Q3 2022: Growth

**S&P 500 Earnings Growth: Q3 2022**
(Source: FactSet)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Today</th>
<th>30-Sep</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>137.3%</td>
<td>114.1%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>18.7%</td>
<td>11.8%</td>
</tr>
<tr>
<td>Industrials</td>
<td>16.4%</td>
<td>23.8%</td>
</tr>
<tr>
<td>Consumer Disc.</td>
<td>9.0%</td>
<td>11.0%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>2.5%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>0.1%</td>
<td>-4.4%</td>
</tr>
<tr>
<td>Info. Technology</td>
<td>-1.6%</td>
<td>-3.9%</td>
</tr>
<tr>
<td>Health Care</td>
<td>-1.8%</td>
<td>-6.8%</td>
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<tr>
<td>Utilities</td>
<td>-5.3%</td>
<td>-5.4%</td>
</tr>
<tr>
<td>Materials</td>
<td>-16.2%</td>
<td>-7.0%</td>
</tr>
<tr>
<td>Financials</td>
<td>-18.1%</td>
<td>-12.1%</td>
</tr>
<tr>
<td>Comm. Services</td>
<td>-23.0%</td>
<td>-13.5%</td>
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</tbody>
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**S&P 500 Revenue Growth: Q3 2022**
(Source: FactSet)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Today</th>
<th>30-Sep</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>47.4%</td>
<td>35.5%</td>
</tr>
<tr>
<td>Utilities</td>
<td>16.5%</td>
<td>3.1%</td>
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<tr>
<td>Consumer Disc.</td>
<td>14.5%</td>
<td>14.0%</td>
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<tr>
<td>Real Estate</td>
<td>12.8%</td>
<td>13.0%</td>
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<tr>
<td>Industrials</td>
<td>12.6%</td>
<td>12.7%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>11.0%</td>
<td>8.7%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>8.1%</td>
<td>5.2%</td>
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<tr>
<td>Info. Technology</td>
<td>6.5%</td>
<td>2.7%</td>
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<tr>
<td>Financials</td>
<td>6.1%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Materials</td>
<td>5.5%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Health Care</td>
<td>5.4%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Comm. Services</td>
<td>2.9%</td>
<td>4.3%</td>
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</tbody>
</table>
Q3 2022: Growth

**S&P 500 Earnings Growth: Q3 2022**

- S&P 500 Companies > 50% Revenue in U.S.: 2.4%
- All S&P 500 Companies: 2.5%
- S&P 500 Companies < 50% Revenues in U.S.: 2.6%

**S&P 500 Revenue Growth: Q3 2022**

- S&P 500 Companies > 50% Revenue in U.S.: 11.2%
- All S&P 500 Companies: 11.0%
- S&P 500 Companies < 50% Revenues in U.S.: 10.7%
Q3 2022: Net Profit Margin

S&P 500 Net Profit Margins: Q322 vs. Q321
(Source: FactSet)

S&P 500: % of Cos. With Increase or Decrease in Net Profit Margin:
Q322 vs. Q321
(Source: FactSet)
Q4 2022: 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 2022: EPS Revisions

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

- Ventas, Inc.: 66.7%
- MGM Resorts International: 14.7%
- Ross Stores, Inc.: 9.1%
- Synopsys, Inc.: 8.9%
- Hewlett Packard Enterprise Co.: 8.8%
- AutoZone, Inc.: 8.8%
- Analog Devices, Inc.: 7.6%
- Applied Materials, Inc.: 6.5%
- Ulta Beauty Inc.: 6.3%
- Healthpeak Properties, Inc.: 6.0%

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

- Wells Fargo: -21.2%
- Intuit Inc.: -28.9%
- Vornado Realty Trust: -29.5%
- News Corporation Class B: -29.6%
- Corteva Inc.: -32.3%
- News Corporation Class A: -32.5%
- Evergy, Inc.: -33.7%
- DENTSPLY SIRONA, Inc.: -45.7%
- Target Corporation: -55.2%
- Micron Technology, Inc.: -95.6%
Q4 2022: Growth

**S&P 500 Earnings Growth: Q4 2022**
(Source: FactSet)

**S&P 500 Revenue Growth: Q4 2022**
(Source: FactSet)
EARNINGS INSIGHT

FY 2022 / 2023: 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)
CY 2022: Growth
EARNINGS INSIGHT

CY 2023: Growth

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

S&P 500 Revenue Growth: CY 2023
(Source: FactSet)
Geographic Revenue Exposure

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

- **International**: 40%
- **United States**: 60%

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

<table>
<thead>
<tr>
<th>Sector</th>
<th>International</th>
<th>United States</th>
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</thead>
<tbody>
<tr>
<td>Utilities</td>
<td>2%</td>
<td>98%</td>
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<tr>
<td>Real Estate</td>
<td>16%</td>
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<td>Financials</td>
<td>22%</td>
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<tr>
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<tr>
<td>Industrials</td>
<td>33%</td>
<td>67%</td>
</tr>
<tr>
<td>Health Care</td>
<td>36%</td>
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<tr>
<td>Energy</td>
<td>39%</td>
<td>62%</td>
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<tr>
<td>Consumer Staples</td>
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<td>57%</td>
</tr>
<tr>
<td>Comm. Services</td>
<td>44%</td>
<td>54%</td>
</tr>
<tr>
<td>Materials</td>
<td>55%</td>
<td>45%</td>
</tr>
<tr>
<td>Info. Technology</td>
<td>56%</td>
<td>42%</td>
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Bottom-Up EPS Estimates

S&P 500 CY 2022 & CY 2023 Bottom-Up EPS: 1-Year
(Source: FactSet)

S&P 500 Q422 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

S&P 500 Sector-Level Forward 12-Month P/E Ratios
(Source: FactSet)

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

<table>
<thead>
<tr>
<th>Sector</th>
<th>Buy</th>
<th>Hold</th>
<th>Sell</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>63%</td>
<td>32%</td>
<td>5%</td>
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<tr>
<td>Comm. Services</td>
<td>61%</td>
<td>38%</td>
<td>4%</td>
</tr>
<tr>
<td>Info. Tech</td>
<td>61%</td>
<td>38%</td>
<td>4%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>59%</td>
<td>38%</td>
<td>4%</td>
</tr>
<tr>
<td>Health Care</td>
<td>58%</td>
<td>38%</td>
<td>4%</td>
</tr>
<tr>
<td>Consumer Disc.</td>
<td>57%</td>
<td>38%</td>
<td>4%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>55%</td>
<td>39%</td>
<td>5%</td>
</tr>
<tr>
<td>Utilities</td>
<td>52%</td>
<td>39%</td>
<td>6%</td>
</tr>
<tr>
<td>Industrials</td>
<td>52%</td>
<td>39%</td>
<td>6%</td>
</tr>
<tr>
<td>Materials</td>
<td>49%</td>
<td>39%</td>
<td>6%</td>
</tr>
<tr>
<td>Financials</td>
<td>49%</td>
<td>39%</td>
<td>6%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>43%</td>
<td>39%</td>
<td>6%</td>
</tr>
</tbody>
</table>

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

- Target/Close:
  - Consumer Disc.: 27.0%
  - Comm. Services: 25.2%
  - Energy: 18.7%
  - Info. Tech.: 16.7%
  - S&P 500: 13.4%
  - Real Estate: 11.6%
  - Financials: 11.2%
  - Health Care: 5.7%
  - Industrials: 5.4%
  - Utilities: 4.7%
  - Materials: 4.2%
  - Consumer Staples: 3.4%
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