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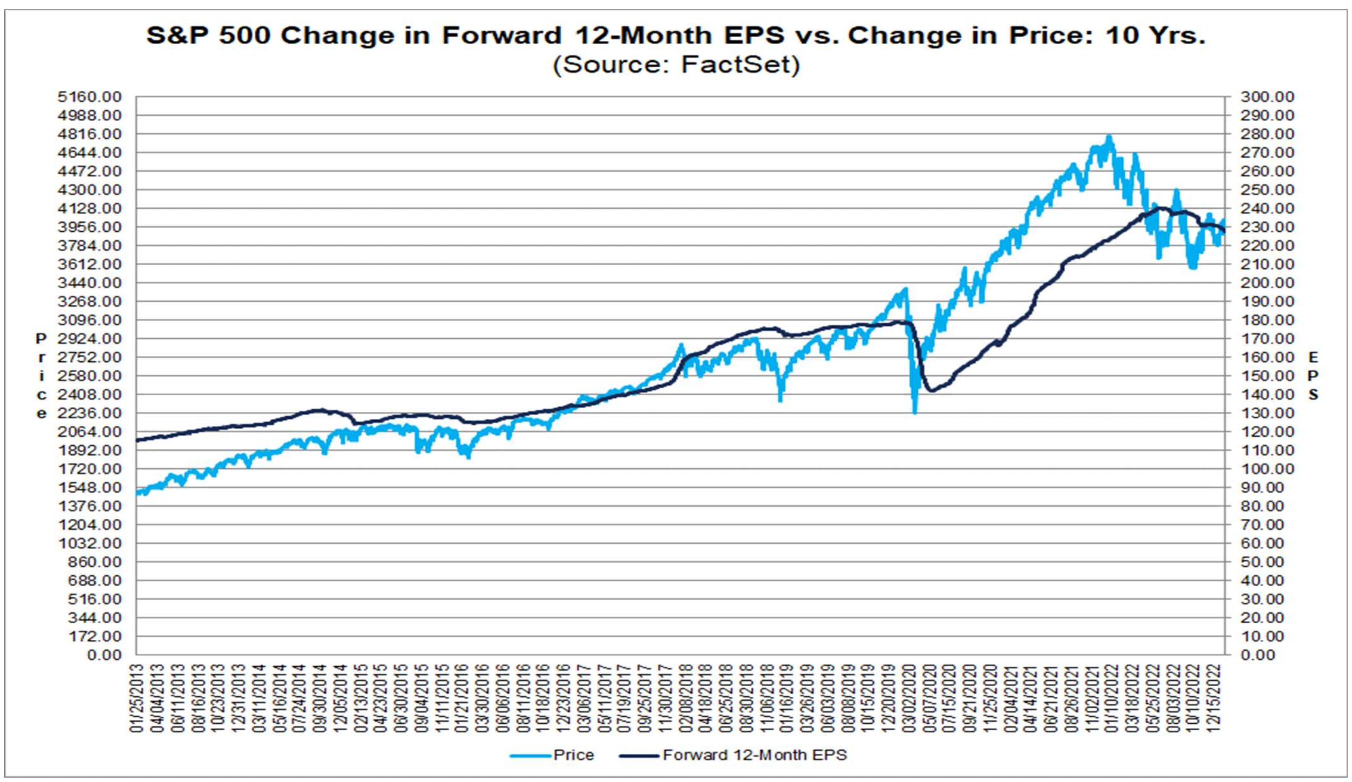
January 27, 2023

Key Metrics

- **Earnings Scorecard:** For Q4 2022 (with 29% of S&P 500 companies reporting actual results), 69% of S&P 500 companies have reported a positive EPS surprise and 60% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q4 2022, the blended earnings decline for the S&P 500 is -5.0%. If -5.0% 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%).
- **Earnings Revisions:** On December 31, the estimated earnings decline for Q4 2022 was -3.2%. Seven sectors are reporting lower earnings today (compared to December 31) due to downward revisions to EPS estimates and negative EPS surprises.
- **Earnings Guidance:** For Q1 2023, 17 S&P 500 companies have issued negative EPS guidance and 2 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 17.8. This P/E ratio is below the 5-year average (18.5) but above the 10-year average (17.2).



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Topic of the Week:

S&P 500 Companies With More Global Exposure Reporting Lower Earnings and Sales in Q4

Given the easing of COVID restrictions in China and the weaker U.S. dollar in recent months, are S&P 500 companies with more international revenue exposure reporting stronger earnings and revenues for Q4 2022 compared to S&P 500 companies with more domestic revenue exposure?

The answer is no. FactSet Geographic Revenue Exposure data (based on the most recently reported fiscal year data for each company in the index) was used to answer this question. For this analysis, the index was divided into two groups: companies that generate more than 50% of sales inside the U.S. (more domestic exposure) and companies that generate more than 50% of sales outside the U.S. (more international exposure). Aggregate earnings and revenue growth rates were then calculated based on these two groups.

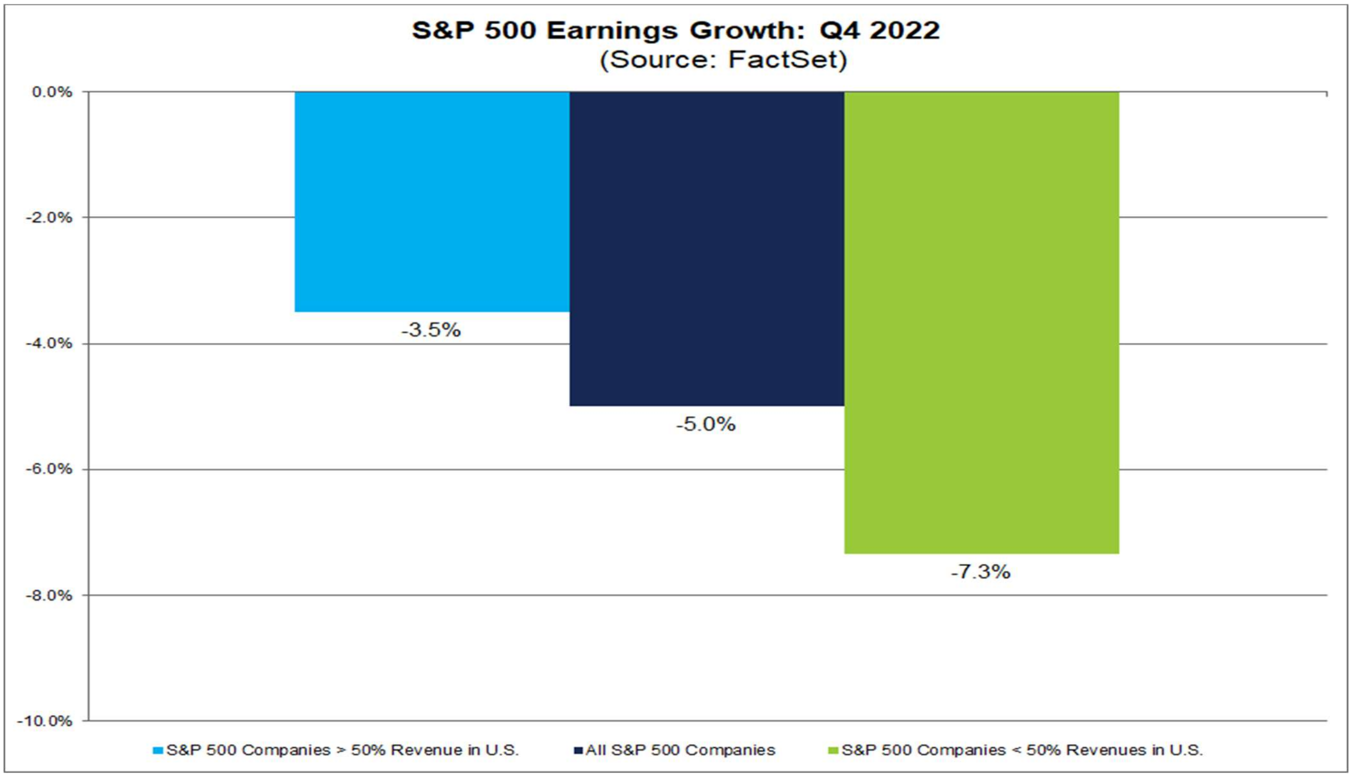
The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings decline for the S&P 500 for Q4 2022 is -5.0%. For companies that generate more than 50% of sales inside the U.S., the blended earnings decline is -3.5%. For companies that generate more than 50% of sales outside the U.S., the blended earnings decline is -7.3%.

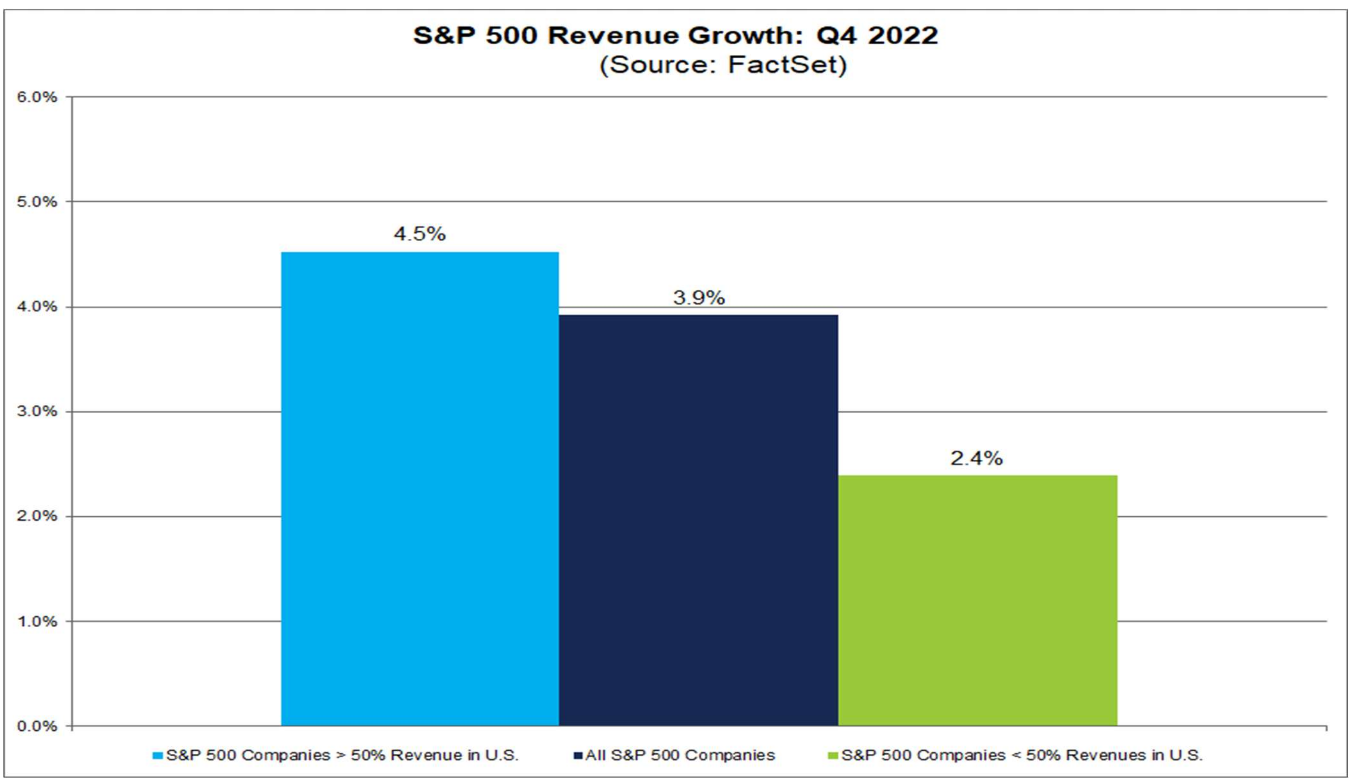
The blended revenue growth rate for the S&P 500 for Q4 2022 is 3.9%. For companies that generate more than 50% of sales inside the U.S., the blended revenue growth rate is 4.5%. For companies that generate more than 50% of sales outside the U.S., the blended revenue growth rate is 2.4%.

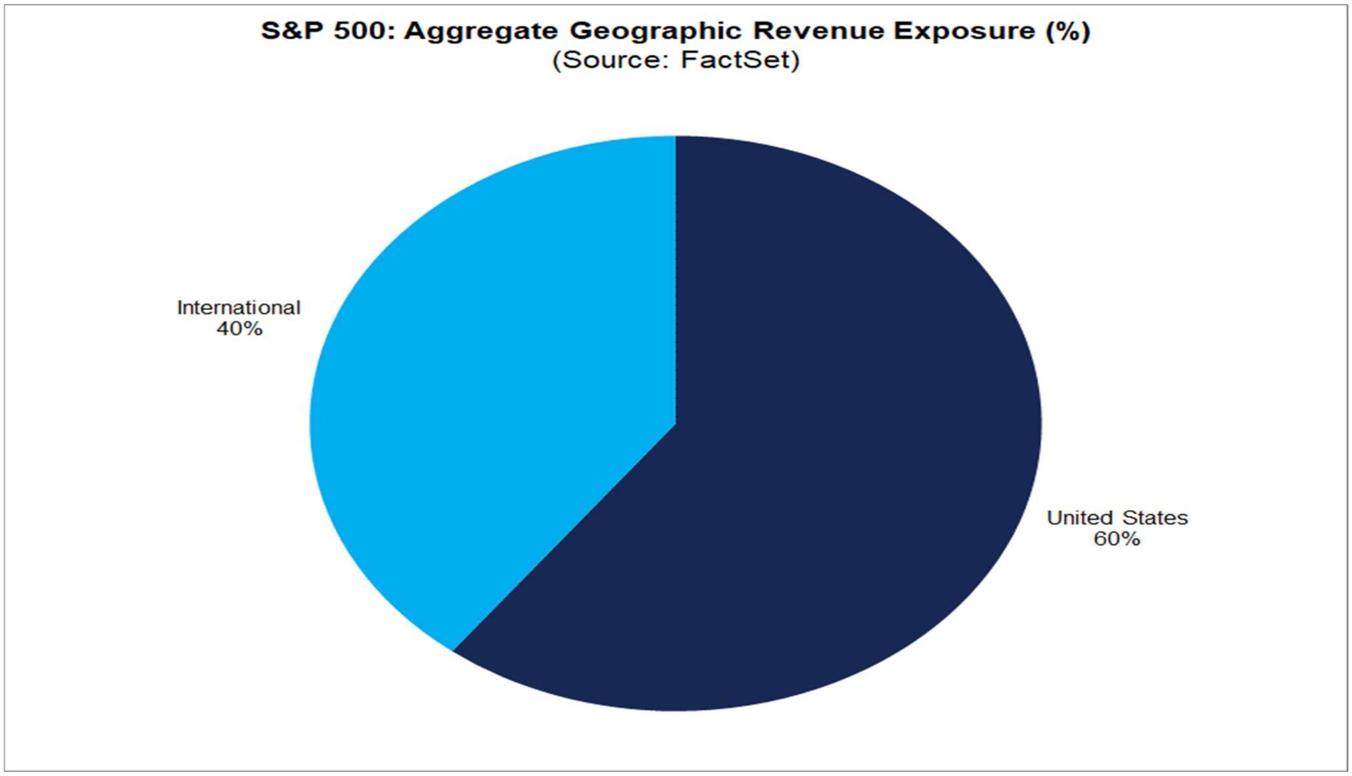
What is driving the underperformance of S&P 500 companies with higher international revenue exposure?

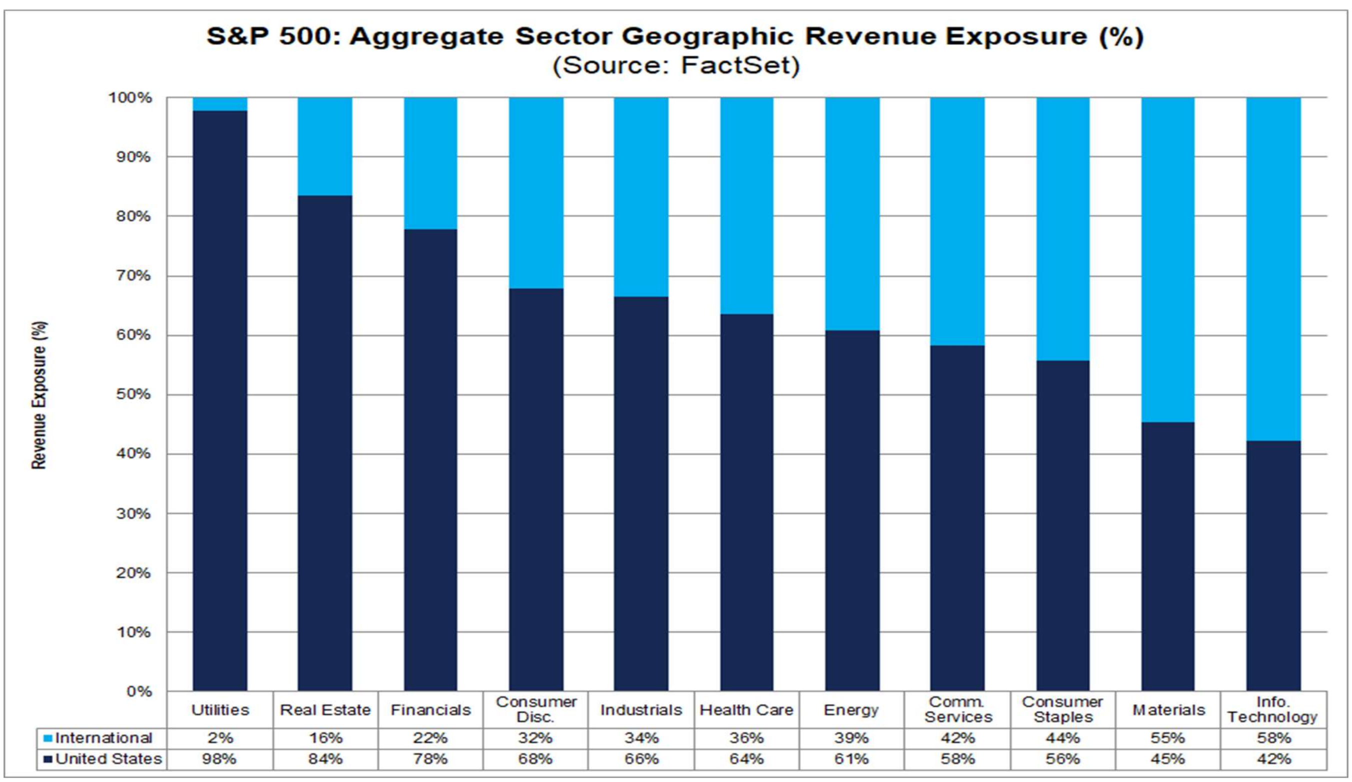
In terms of earnings at the sector level, the Information Technology and Communication Services sectors are the top contributors to the larger earnings decline for S&P 500 companies with more international revenue exposure. These two sectors rank first and fourth in the S&P 500 in terms of the highest percentages of revenue generated outside the U.S. at 58% and 42%, respectively. Within these two sectors, Intel, Alphabet, Meta Platforms, and Apple are four of the largest contributors to the larger earnings decline for S&P 500 companies with more international revenue exposure. If these four companies were excluded, S&P 500 companies that generate more than 50% of revenues outside the U.S. would have a blended earnings growth rate of 1.1% for Q4 rather than an earnings decline of -7.3%.

In terms of revenues at the sector level, the Information Technology and Materials sectors are the largest contributors to the smaller revenue growth rate for S&P 500 companies with more international revenue exposure. These two sectors rank first and second in the S&P 500 in terms of the highest percentages of revenue generated outside the U.S. at 58% and 55%, respectively. Within these two sectors, Intel, Apple, HP, Dow, and LyondellBasell industries are five of the largest contributors to the smaller revenue growth rate for S&P 500 companies with more international revenue exposure. If these five companies were excluded, the blended revenue growth rate for S&P 500 companies that generate more than 50% of revenues outside the U.S. would improve to 4.4% from 2.4%


S&P 500 Earnings Growth: Q4 2022
(Source: FactSet)
0.0%
-2.0%
-4.0%
-6.0%
-8.0%
-10.0%
-3.5%
-5.0%
-7.3%
S&P 500 Companies > 50% Revenue in U.S.
All S&P 500 Companies
S&P 500 Companies < 50% Revenues in U.S.


S&P 500 Revenue Growth: Q4 2022
(Source: FactSet)
6.0%
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
4.5%
3.9%
2.4%
S&P 500 Companies > 50% Revenue in U.S.
All S&P 500 Companies
S&P 500 Companies < 50% Revenues in U.S.





	Utilities	Real Estate	Financials	Consumer Disc.	Industrials	Health Care	Energy	Comm. Services	Consumer Staples	Materials	Info. Technology
International	2%	16%	22%	32%	34%	36%	39%	42%	44%	55%	58%
United States	98%	84%	78%	68%	66%	64%	61%	58%	56%	45%	42%

Q4 Earnings Season: By The Numbers

Overview

The Q4 earnings season for the S&P 500 continues to be subpar. While the number of S&P 500 companies reporting positive earnings surprises increased over the past week, the magnitude of these earnings surprises decreased during this time. Both metrics are still below their 5-year and 10-year averages. As a result, the earnings decline for the fourth quarter is larger today compared to the end of last week and compared to the end of the quarter. If the index reports an actual decline in earnings for Q4 2022, it will mark the first a year-over-year decline in earnings reported by the index since Q3 2020.

Overall, 29% of the companies in the S&P 500 have reported actual results for Q4 2022 to date. Of these companies, 69% have reported actual EPS above estimates, which is above the percentage of 67% at the end of last week, but below the 5-year average of 77% and below the 10-year average of 73%. In aggregate, companies are reporting earnings that are 1.5% above estimates, which is below the percentage of 3.3% at the end of last week, below the 5-year average of 8.6%, and below the 10-year average of 6.4%. If 1.5% is the actual surprise percentage for the quarter, it will mark the second-lowest surprise percentage reported by the index since Q3 2012, trailing only Q1 2020 (1.1%).

As a result, the index is reporting lower earnings for the fourth quarter today relative to the end of last week and relative to the end of the quarter. The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings decline for the fourth quarter is -5.0% today, compared to an earnings decline of -4.9% last week and an earnings decline of -3.2% at the end of the fourth quarter (December 31).

Negative earnings surprises reported by companies in the Financials and Industrials sectors were mostly offset by positive earnings surprises reported by companies in multiple sectors, resulting in a small increase in the earnings decline for the index during the past week. Negative earnings surprises and downward revisions to earnings estimates for companies in the Financials sector have been the largest contributors to the increase in the overall earnings decline for the index since December 31.

If -5.0% is the actual decline for the quarter, it will mark the first time the index has reported a year-over-year decrease in earnings since Q3 2020 (-5.7%). Four of the eleven sectors are reporting year-over-year earnings growth, led by the Energy and Industrials sectors. On the other hand, seven sectors are reporting a year-over-year decline in earnings, led by the Materials, Consumer Discretionary, Communication Services, and Financials sectors.

In terms of revenues, 60% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 69% and below 10-year average of 63%. In aggregate, companies are reporting revenues that are 1.0% above the estimates, which is below the 5-year average of 1.9% and below the 10-year average of 1.3%.

The index is also reporting higher revenues for the fourth quarter today relative to the end of last week, but flat revenues relative to the end of the quarter. The blended revenue growth rate for the fourth quarter is 3.9% today, compared to a revenue growth rate of 3.7% last week and a revenue growth rate of 3.9% at the end of the fourth quarter (December 31).

Positive revenue surprises reported by companies in multiple sectors (led by the Energy sector) were the largest contributors to the slight increase in the revenue growth rate for the index during the past week. Since December 31 positive and negative revenue surprises in multiple sectors have offset each other, resulting in no change in the overall growth rate.

If 3.9% is the actual growth rate for the quarter, it will mark the lowest revenue growth rate reported by the index since Q4 2020 (3.2%). Eight sectors are reporting year-over-year growth in revenues, led by the Energy and Industrials sectors. Three sectors are reporting a year-over-year decline in revenues, led by the Utilities sector.

Looking ahead, analysts expect earnings declines for the first half of 2023, but earnings growth for the second half of 2023. For Q1 2023 and Q2 2023, analysts are projecting earnings declines of -3.0% and -2.4%, respectively. For Q3 2023 and Q4 2023, analysts are projecting earnings growth of 3.7% and 10.3%, respectively. For all of CY 2023, analysts predict earnings growth of 3.4%.

The forward 12-month P/E ratio is 17.8, which is below the 5-year average (18.5) but above the 10-year average (17.2). It is also above the forward P/E ratio of 16.7 recorded at the end of the fourth quarter (December 31), as the price of the index has increased while the forward 12-month EPS estimate has decreased since December 31.

During the upcoming week, 107 S&P 500 companies (including six Dow 30 components) are scheduled to report results for the fourth quarter.

Scorecard: Number And Magnitude of Positive Surprises Are Below Averages

Percentage of Companies Beating EPS Estimates (69%) is Below 5-Year Average

Overall, 29% of the companies in the S&P 500 have reported earnings to date for the fourth quarter. Of these companies, 69% have reported actual EPS above the mean EPS estimate, 3% have reported actual EPS equal to the mean EPS estimate, and 28% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is below the 1-year average (75%), below the 5-year average (77%), and below the 10-year average (73%).

At the sector level, the Real Estate (100%) and Utilities (100%) sectors have the highest percentages of companies reporting earnings above estimates, while the Communication Services (40%) sector has the lowest percentage of companies reporting earnings above estimates.

Earnings Surprise Percentage (+1.5%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 1.5% above expectations. This surprise percentage is below the 1-year average (+4.5%), below the 5-year average (+8.6%), and below the 10-year average (6.4%).

If 1.5% is the actual surprise percentage for the quarter, it will mark the second-lowest surprise percentage reported by the index since Q3 2012, trailing only Q1 2020 (+1.1%).

The Consumer Discretionary (+8.5%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, NIKE ($0.85 vs. $0.64) and D.R. Horton ($2.76 vs. $2.25) have reported the largest positive EPS surprises.

The Materials (+7.3%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Nucor ($4.89 vs. $4.16), Steel Dynamics ($4.37 vs. $3.76), and Freeport-McMoRan ($0.52 vs. $0.47) have reported the largest positive EPS surprises.

The Industrials (-3.2%) sector is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Boeing (-$1.75 vs. $0.20), Southwest Airlines (-$0.38 vs. -$0.07), and J.B. Hunt Transport Services ($1.92 vs. $2.44) have reported the largest negative EPS surprises.

Market Rewarding Positive and Negative EPS Surprises More Than Average

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

Companies that have reported positive earnings surprises for Q4 2022 have seen an average price increase of +1.5% two days before the earnings release through two days after the earnings release. This percentage increase larger than the 5-year average price increase of +0.9% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q4 2022 have seen an average price increase of +0.7% two days before the earnings release through two days after the earnings. This percentage increase is much larger than the 5-year average price decrease of -2.2% during this same window for companies reporting negative earnings surprises.

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

In terms of revenues, 60% of companies have reported actual revenues above estimated revenues and 40% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (73%), below the 5-year average (69%), and below the 10-year average (63%).

At the sector level, the Information Technology (73%) and Consumer Staples (73%) sectors have the highest percentages of companies reporting revenues above estimates, while the Communication Services (40%) sector has the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+1.0%) is Below 5-Year Average

In aggregate, companies are reporting revenues that are 1.0% above expectations. This surprise percentage is below the 1-year average (+2.8%), below the 5-year average (+1.9%), and below the 10-year average (+1.3%).

At the sector level, the Utilities (+9.2%) and Energy (+5.1%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Financials (0.0%) and Communication Services (+0.2%) sectors are reporting the smallest positive (aggregate) differences between actual revenues and estimated revenues.

Revisions: Slight Increase in Blended Earnings Decline Due to Financials and Industrials

Slight Increase in Blended Earnings Decline This Week Due to Financials and Industrials Sectors

The blended (year-over-year) earnings decline for the fourth quarter is -5.0%, which is slightly larger than the earnings decline of -4.9% last week. Negative earnings surprises reported by companies in the Financials and Industrials sectors were mostly offset by positive earnings surprises reported by companies in multiple sectors (led by the Health Care, Communication Services, and Information Technology sectors), resulting in a small increase in the earnings decline for the index during the past week.

In the Financials sector, the negative EPS surprises reported by U.S. Bancorp ($0.57 vs. $1.12) and Capital One Financial ($2.82 vs. $3.88) were substantial contributors to the increase in the earnings decline for the index during the week. As a result, the blended earnings decline for the Financials sector increased to -14.1% from -12.5% over this period.

In the Industrials sector, the negative EPS surprise reported by Boeing (-$1.75 vs. $0.20) was a significant contributor to the increase in the earnings decline for the index during the week. As a result, the blended earnings growth rate for the Industrials sector decreased to 35.9% from 38.8% over this period.

In the Health Care sector, the positive EPS surprises reported by Johnson & Johnson ($2.35 vs. $2.34) and Danaher Corporation ($2.87 vs. $2.55) were substantial detractors to the increase in the earnings decline for the index during the week. As a result, the blended earnings decline for the Health Care sector decreased to -9.3% from -9.8% over this period.

In the Communication Services sector, the positive EPS surprise reported by AT&T ($0.61 vs. $0.47) was a significant detractor to the increase in the earnings decline for the index during the week. As a result, the blended earnings decline for the Communication Services sector decreased to -19.6% from -20.4% over this period.

In the Information Technology sector, the positive EPS surprises reported by Visa ($2.18 vs. $2.01) and Microsoft ($2.32 vs. $2.29), partially offset by the negative EPS surprise reported by Intel ($0.10 vs. $0.20), were significant detractors to the increase in the earnings decline for the index during the week. As a result, the blended earnings decline for the Information Technology sector decreased to -9.7% from -10.0% over this period.

Increase in Blended Revenue Growth Rate This Week Due to Multiple Sectors

The blended (year-over-year) revenue growth rate for the fourth quarter is 3.9%, which is slightly above the revenue growth rate of 3.7% last week. Positive revenue surprises reported by companies in multiple sectors (led by the Energy sector) were the largest contributors to the slight increase in the revenue growth rate for the index during the past week.

Financials Sector Has Seen Largest Decrease in Earnings since December 31

The blended (year-over-year) earnings decline for Q4 2022 of -5.0% is below the estimate of -3.2% at the end of the fourth quarter (December 31). Three sectors have recorded an increase in their earnings growth rate or a decrease in their earnings decline since the end of the quarter due to upward revisions to earnings estimates and positive earnings surprises, led by the Materials (to -24.8% from -26.4%) sector. On the other hand, seven sectors have recorded a decrease in their earnings growth rate or an increase in their earnings decline during this period, led by the Energy (to 55.8% from 62.6%), Financials (to -14.1% from -7.5%), and Industrials (to 35.9% from 39.5%) sectors. The Financials, Energy, and Industrials sectors have also been largest contributors to the decrease in earnings for the index since December 31.

In the Financials sector, the negative EPS surprises reported by Goldman Sachs ($3.32 vs. $5.56) and U.S. Bancorp ($0.57 vs. $1.12) and the downward revisions to EPS estimates for Wells Fargo (to $0.59 from $1.26) and Allstate (to -$1.02 from $1.94) have been substantial contributors to the increase in the earnings decline for the index since December 31. As a result, the blended earnings decline for the Financials sector has increased to -14.1% from -7.5% over this period.

In the Energy sector, the negative EPS surprise reported by Chevron ($4.09 vs. $4.33) and the downward revisions to EPS estimates for ConocoPhillips (to $2.72 from $3.19) have been significant contributors to the increase in the earnings decline for the index since December 31. As a result, the blended earnings growth rate for the Energy sector has decreased to 55.8% from 62.6% over this period.

In the Industrials sector, the negative EPS surprise reported by Boeing (-$1.75 vs. $0.20) and the downward revisions to EPS estimates and negative earnings surprise for Southwest Airlines (-$0.38 vs. -$0.07) have been substantial contributors to the increase in the earnings decline for the index since December 31. As a result, the blended earnings growth rate for the Industrials sector has decreased to 35.9% from 39.5% over this period.

Revenue Growth Rate Equal to Estimate on December 31

The blended (year-over-year) revenue growth rate for Q4 2022 of 3.9% is equal to estimate of 3.9% at the end of the fourth quarter (September 30). Five sectors have recorded an increase in revenue growth since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Consumer Staples (to 4.8% from 4.2%) sector. On the other hand, six sectors have recorded a decrease in their revenue growth rate since the end of the quarter due to downward revisions to revenue estimates and negative revenue surprises, led by the Communication Services (to 0.5% from 0.9%) sector.

Earnings Decline: -5.0%

The blended (year-over-year) earnings decline for Q4 2022 is -5.0%, which is below the 5-year average earnings growth rate of 14.3% and below the 10-year average earnings growth rate of 8.9%. If -5.0% is the actual decline 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 reporting year-over-year earnings growth, led by the Energy and Industrials sectors. On the other hand, seven sectors are reporting a year-over-year decline in earnings, led by the Materials, Consumer Discretionary, and Communication Services sectors.

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

The Energy sector is reporting the highest (year-over-year) earnings growth of all eleven sectors at 55.8%. 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 ($82.64) was 7% above the average price for oil in Q4 2021 ($77.10). At the sub-industry level, all five sub-industries in the sector are reporting a year-over-year increase in earnings of 15% or more: Oil & Gas Refining & Marketing (158%), Oil & Gas Storage & Transportation (82%), Oil & Gas Equipment & Services (81%), Integrated Oil & Gas (54%), and Oil & Gas Exploration & Production (19%).

The Energy sector is also the largest positive contributor to year-over-year earnings for the S&P 500 for the fourth quarter. If this sector were excluded, the blended earnings decline for the index would increase to -9.0% from -5.0%.

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

The Industrials sector is reporting the second-highest (year-over-year) earnings growth rate of all eleven sectors at 35.9%. At the industry level, 10 of the 12 industries in the sector are reporting 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 reported a profit of $2.4 billion in Q4 2022 compared to a loss of -$1.2 billion in Q4 2021. Four of the remaining nine industries are reporting earnings growth above 20%: Aerospace & Defense (171%), Machinery (27%), Trading Companies & Distributors (22%), and Industrial Conglomerates (22%). On the other hand, two industries are reporting a year-over-year decline in earnings for the quarter: Air Freight & Logistics (-15%) and Professional Services (9%).

At the company level, Boeing, American Airlines Group, United Airlines Holdings, and Delta Air Lines are the largest contributors to earnings growth for the sector. If these four companies were excluded, the blended earnings growth rate for the Industrials sector would fall to 7.7% from 35.9%.

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

The Materials sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -24.8%. At the industry level, all four industries in this sector are reporting a year-over-year decline in earnings of more than 15%: Metals & Mining (-41%), Chemicals (-18%), Containers & Packaging (-17%), and Construction Materials (<-1%).

The Metals & Mining industry is also the largest contributor to the earnings decline for the sector. If this industry were excluded, the blended earnings decline for the Materials sector would improve to -17.2% from -24.8%.

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

The Consumer Discretionary sector is reporting the second-largest (year-over-year) earnings decline of all eleven sectors at -20.6%. At the industry level, 6 of the 10 industries in the sector are reporting a year-over-year decrease in earnings. Four of these six industries are reporting a decline in earnings or more than 10%: Internet & Direct Marketing Retail (-84%), Multiline Retail (-30%), Household Durables (-13%), and Textiles, Apparel, & Luxury Goods (-11%). On the other hand, four industries are reporting year-over-year earnings growth for the quarter. All four of these industries are reporting earnings growth of 15% or more: Hotels, Restaurants, & Leisure (939%), Automobiles (56%), Auto Components (42%), and Leisure Products (15%).

At the company level, Amazon.com is the largest contributor to the earnings decline for the sector. If this company were excluded, the Consumer Discretionary sector would be reporting (year-over-year) earnings growth of 16.1% instead of an earnings decline of -20.6%.

On the other hand, the Automobiles and Hotels, Restaurants, & Leisure industries are the largest detractors to the earnings decline for the sector at the industry level. If these two industries were excluded, the blended earnings decline for the Consumer Discretionary sector would increase to -41.6% from -20.6%.

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

The Communication Services sector is reporting the third-largest (year-over-year) earnings decline of all eleven sectors at -19.6%. At the industry level, four of the five industries in this sector are reporting a year-over-year decline in earnings, led by the Entertainment (-38%) and Interactive Media & Services (-29%) industries. On the other hand, the Wireless Telecommunication Services (214%) 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 the largest contributors to the earnings decline for the sector. If these two companies were excluded, the blended earnings decline for the sector would improve to -6.7% from -19.6%.

Financials: 4 of 5 Industries Reporting Year-Over-Year Declines

The Financials sector is reporting the fourth-largest (year-over-year) earnings decline of all eleven sectors at -14.1%. At the industry level, four of the five industries in this sector are reporting a year-over-year decline in earnings. Three of these four industries are reporting earnings declines of more than 15%: Consumer Finance (-28%), Capital Markets (-27%), and Insurance (-16%). On the other hand, the Diversified Financial Services (9%) industry is the only industry in the sector projected to report (year-over-year) earnings growth.

Revenue Growth: 3.9%

The blended (year-over-year) revenue growth rate for Q4 2022 is 3.9%, which is below the 5-year average revenue growth rate of 7.8% and below the 10-year average revenue growth rate of 4.6%. If 3.9% 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 reporting year-over-year growth in revenues, led by the Energy and Industrials sectors. On the other hand, three sectors are reporting a year-over-year decline in revenues, led by the Utilities sector.

Energy: All 5 Sub-Industries Reporting Year-Over-Year Growth

The Energy sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 12.3%. Higher year-over-year oil prices are contributing to the year-over-year improvement in earnings for this sector, as the average price in Q4 2022 ($82.64) was 7% above the average price for oil in Q4 2021 ($77.10). At the sub-industry level, all five sub-industries in the sector are reporting year-over-year growth in revenues: Oil & Gas Equipment & Services (21%), Integrated Oil & Gas (15%), Oil & Gas Refining & Marketing (10%), Oil & Gas Exploration & Production (9%), and Oil & Gas Storage & Transportation (6%).

Industrials: Airlines Industry Leads Year-Over-Year Growth

The Industrials sector is reporting the second-highest (year-over-year) revenue growth rate of all eleven sectors at 9.6%. At the industry level, 10 of the 12 industries in the sector are reporting year-over-year growth in revenues. Five of these ten industries are reporting revenue growth of 10% or more: Airlines (37%), Machinery (15%), Trading Companies & Distributors (14%), Aerospace & Defense (13%), and Commercial Services & Supplies (11%).

Utilities: 4 of 5 Industries Reporting Year-Over-Year Decline

The Utilities sector is reporting the largest (year-over-year) revenue decline of all eleven sectors at -18.0%. At the industry level, 4 of the 5 industries in the sector are reporting a (year-over-year) decline in revenues: Electric Utilities (-20%), Multi-Utilities (-16%), Independent Power & Renewable Electricity Producers (-15%), and Water Utilities (-3%). On the other hand, the Gas Utilities (12%) industry is the only industry projected to report (year-over-year) revenue growth for the quarter.

Net Profit Margin: 11.4%

The blended net profit margin for the S&P 500 for Q4 2022 is 11.4%, which is equal to the 5-year average of 11.4%, but below the previous quarter's net profit margin of 11.9% and below the year-ago net profit margin of 12.4%. If 11.4% 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 reporting a year-over-year increase in their net profit margins in Q4 2022 compared to Q4 2021, led by the Energy (to 12.9% vs. 9.3%) sector. On the other hand, seven sectors are reporting a year-over-year decrease in their net profit margins in Q4 2022 compared to Q4 2021, led by the Financials (15.2% vs. 18.5%) and Materials (10.3% vs. 13.2%) sectors.

Four sectors are reporting net profit margins in Q4 2022 that are above their 5-year averages, led by the Energy (12.9% vs. 7.4%) sector. On the other hand, seven sectors are reporting net profit margins in Q4 2022 that are below their 5-year averages, led by the Communication Services (9.7% vs. 12.1%) sector.

Looking Ahead: Forward Estimates and Valuation

Guidance: % of Companies Issuing Negative EPS Guidance for Q1 Above 10-Year Average

At this point in time, 19 companies in the index have issued EPS guidance for Q1 2023. Of these 19 companies, 17 have issued negative EPS guidance and 2 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q1 2023 is 89% (17 out of 19), which is above the 5-year average of 59% and above the 10-year average of 67%. At the sector level, the Information Technology has the highest number of companies issuing negative EPS guidance 12. The ratio of the number of companies issuing negative EPS guidance to positive EPS guidance in this sector is 12 to 1.

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, 129 have issued negative EPS guidance and 124 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 51% (129 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 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 3% for CY 2023

For the fourth quarter, S&P 500 companies are reporting a year-over-year earnings decline of -5.0% and revenue growth of 3.9%. For CY 2022, S&P 500 companies are reporting earnings growth of 4.4% and revenue growth of 10.5%.

For Q1 2023, analysts are projecting an earnings decline of -3.0% and revenue growth of 2.3%.

For Q2 2023, analysts are projecting an earnings decline of -2.4% and revenue growth of 0.1%.

For Q3 2023, analysts are projecting earnings growth of 3.7% and revenue growth of 1.4%.

For Q4 2023, analysts are projecting earnings growth pf 10.3% and revenue growth of 4.5%.

For CY 2023, analysts are projecting earnings growth of 3.4% and revenue growth of 2.6%.

Valuation: Forward P/E Ratio is 17.8, Above the 10-Year Average (17.2)

The forward 12-month P/E ratio for the S&P 500 is 17.8. This P/E ratio is below the 5-year average of 18.5 but above 10-year average of 17.2. It is also above the forward 12-month P/E ratio of 16.7 recorded at the end of the fourth quarter (December 31). Since the end of the fourth quarter (December 31), the price of the index has increased by 5.8%, while the forward 12-month EPS estimate has decreased by 1.2%. At the sector level, the Consumer Discretionary (23.8) sector has the highest forward 12-month P/E ratio, while the Energy (11.1) and Financials (13.0) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 19.9, which is below the 5-year average of 22.6 and below the 10-year average of 20.5.

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

The bottom-up target price for the S&P 500 is 4519.90, which is 11.3% above the closing price of 4060.43. At the sector level, the Consumer Discretionary (+14.4%) and Communication Services (+14.2%) 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 Materials (+5.7%) sector ais expected to see the smallest price increase, as this sector has the smallest upside difference between the bottom-up target price and the closing price.

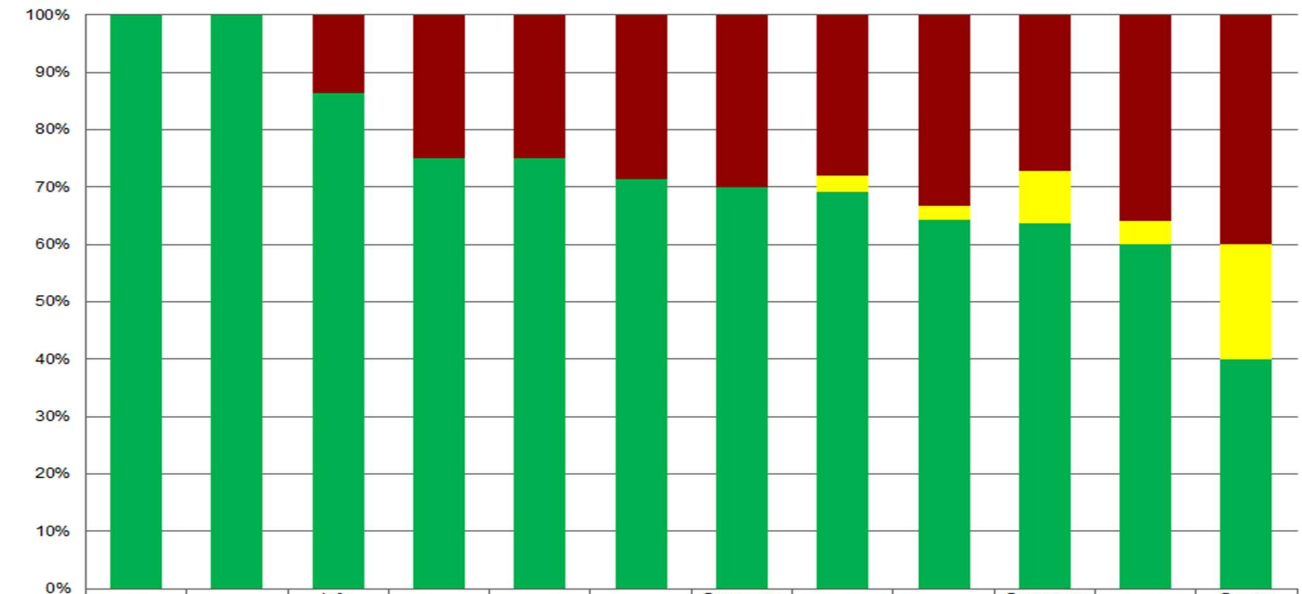
Overall, there are 11,074 ratings on stocks in the S&P 500. Of these 11,074 ratings, 54.0% are Buy ratings, 39.8% are Hold ratings, and 6.2% are Sell ratings. At the sector level, the Communication Services (63%) and Energy (62%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (43%) sector has the lowest percentage of Buy ratings.

Companies Reporting Next Week: 107

During the upcoming week, 107 S&P 500 companies (including six Dow 30 components) are scheduled to report results for the fourth quarter.

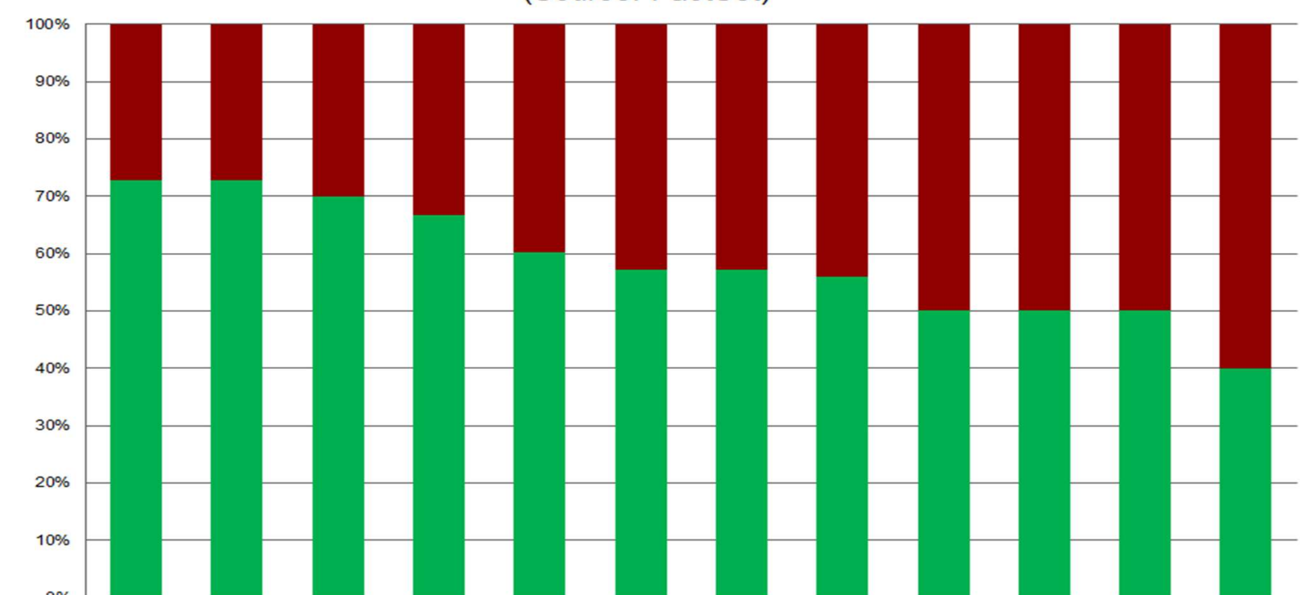
Q4 2022: Scorecard

S&P 500 Earnings Above, In-Line, Below Estimates: Q4 2022
(Source: FactSet)



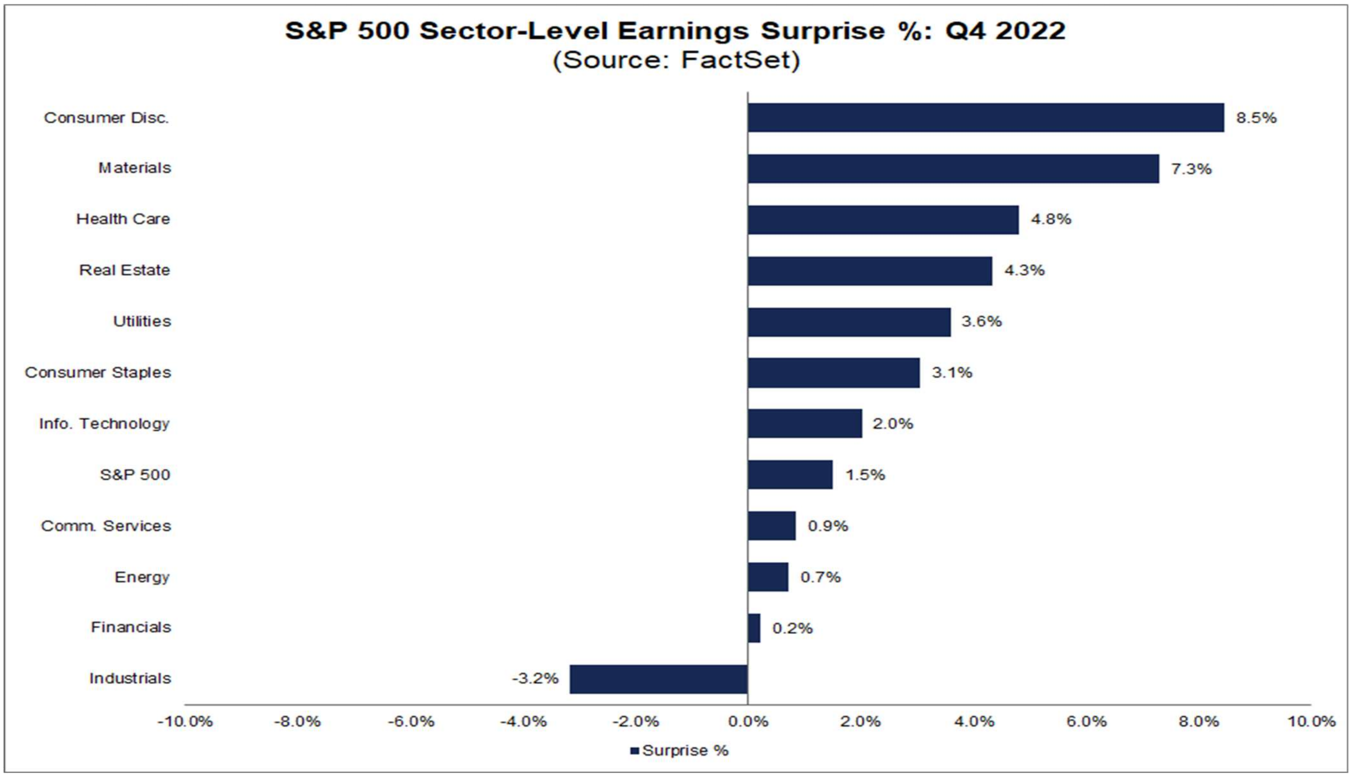
	Real Estate	Utilities	Info. Technology	Materials	Health Care	Energy	Consumer Disc.	S&P 500	Financials	Consumer Staples	Industrials	Comm. Services
Below	0%	0%	14%	25%	25%	29%	30%	28%	33%	27%	36%	40%
In-Line	0%	0%	0%	0%	0%	0%	0%	3%	2%	9%	4%	20%
Above	100%	100%	86%	75%	75%	71%	70%	69%	64%	64%	60%	40%

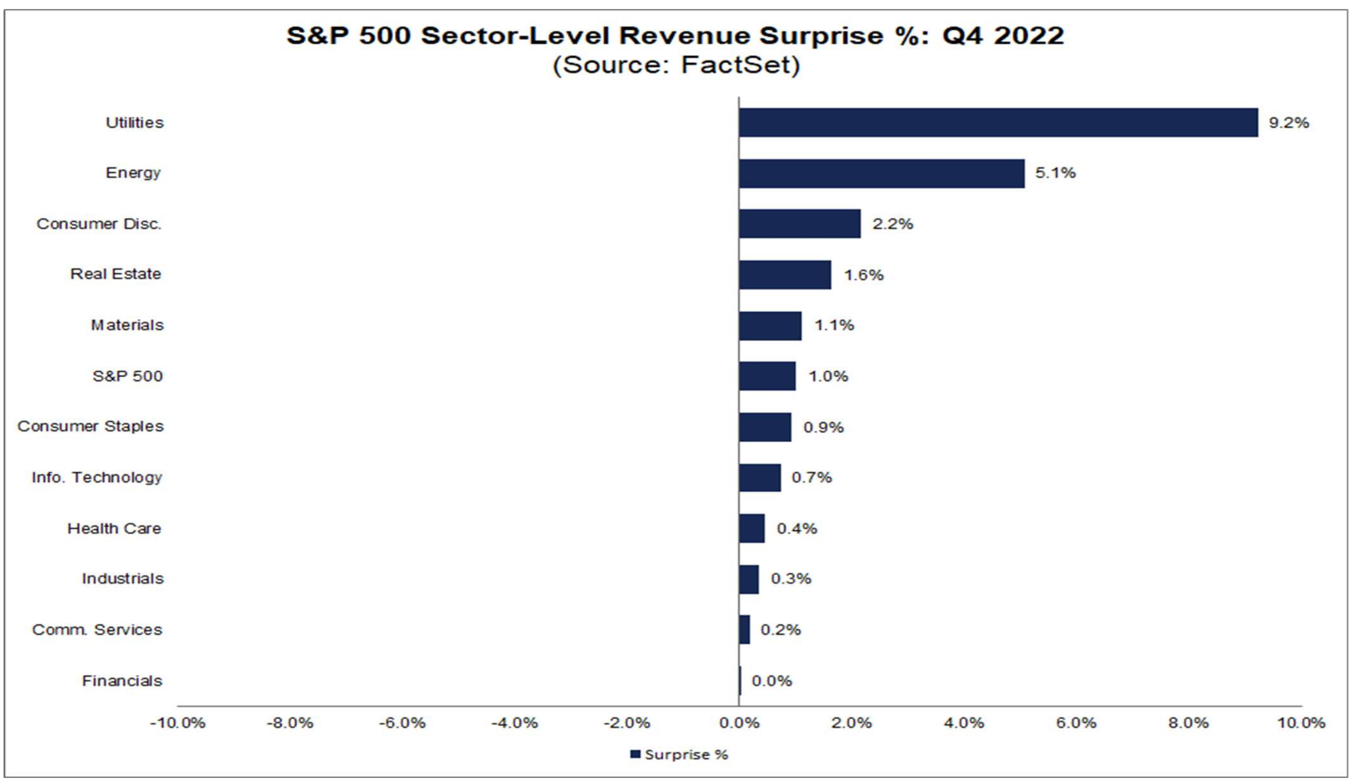
S&P 500 Revenues Above, In-Line, Below Estimates: Q4 2022
(Source: FactSet)



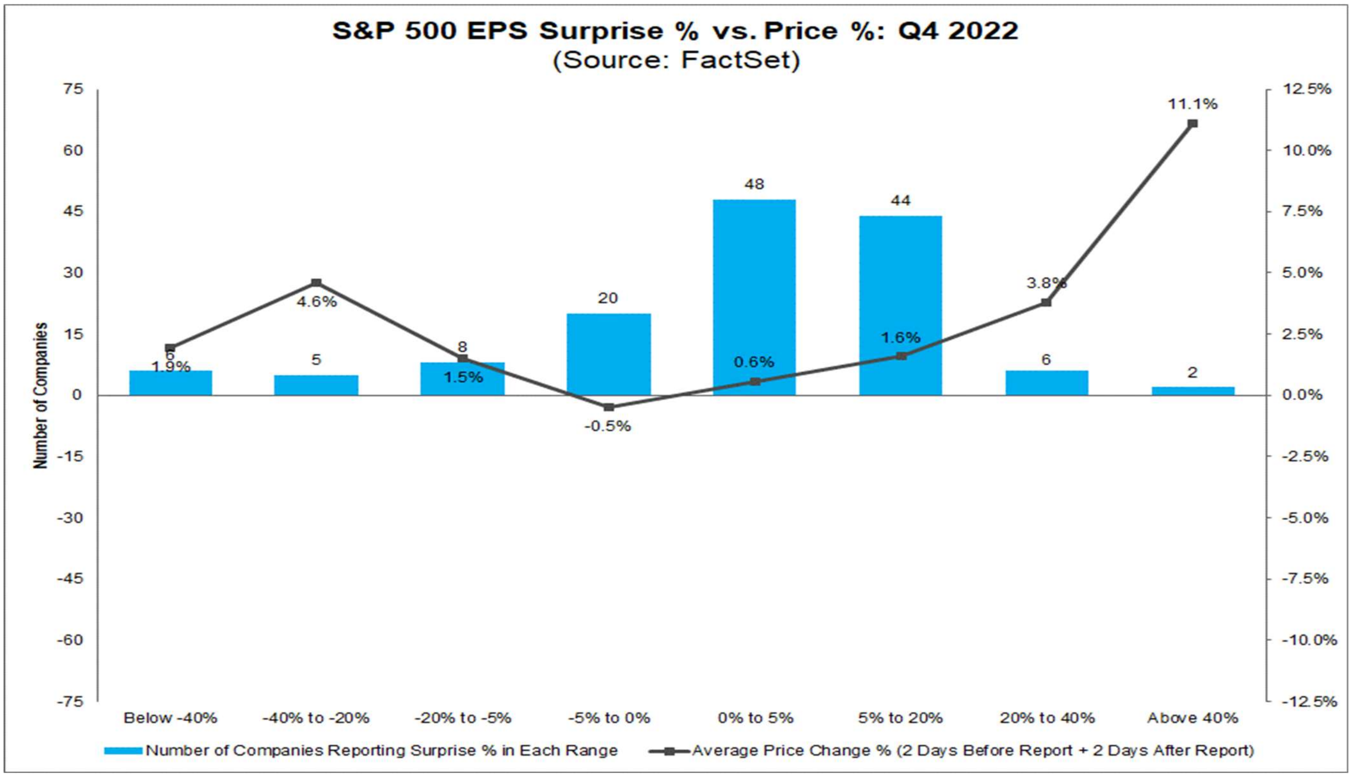
	Info. Technology	Consumer Staples	Consumer Disc.	Real Estate	S&P 500	Financials	Energy	Industrials	Materials	Health Care	Utilities	Comm. Services
Below	27%	27%	30%	33%	40%	43%	43%	44%	50%	50%	50%	60%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	73%	73%	70%	67%	60%	57%	57%	56%	50%	50%	50%	40%

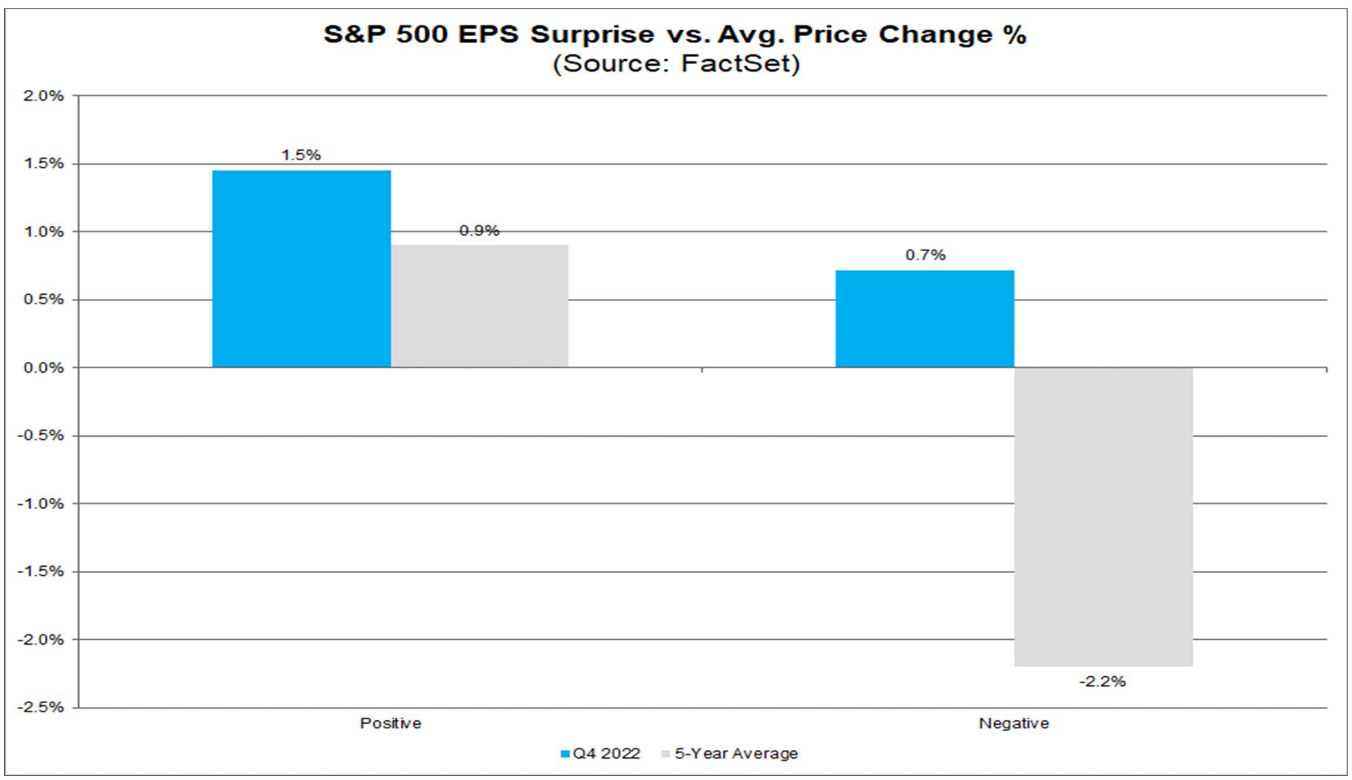
Q4 2022: Scorecard



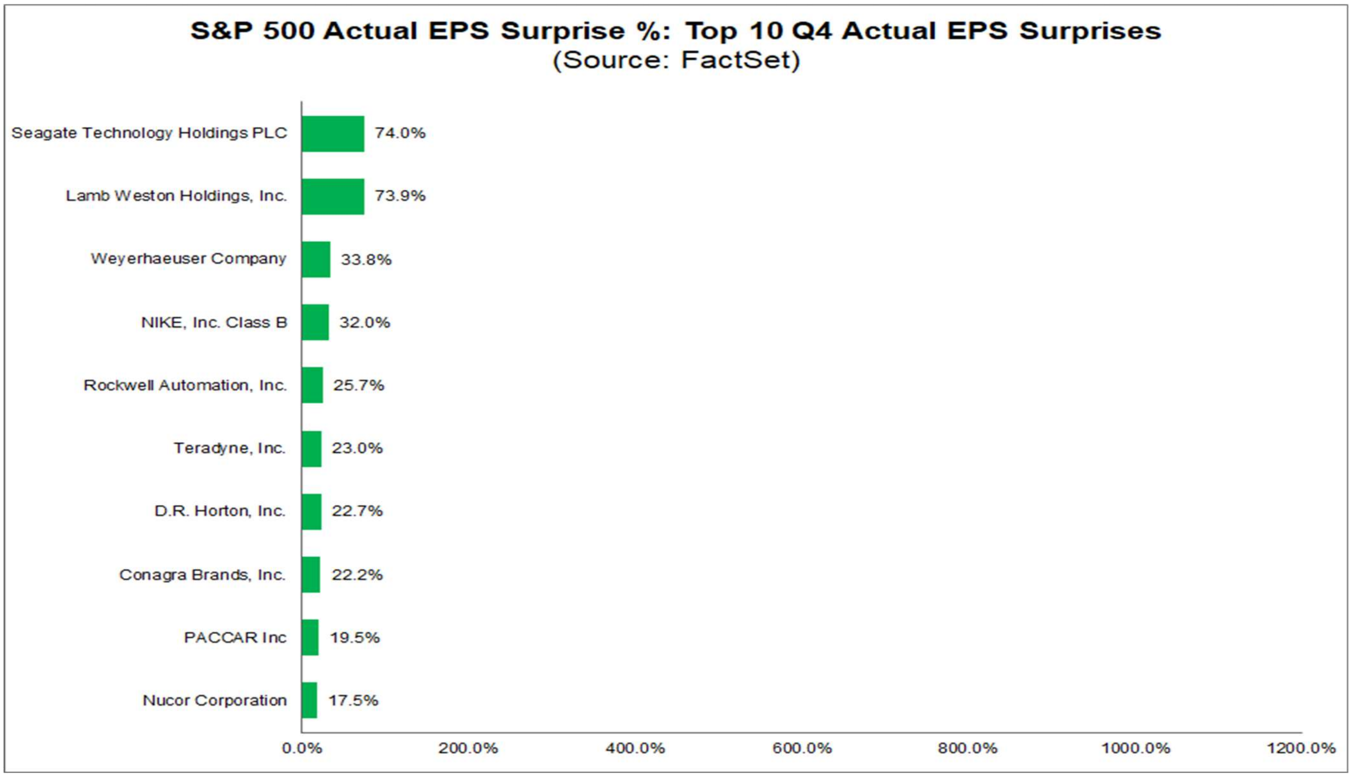


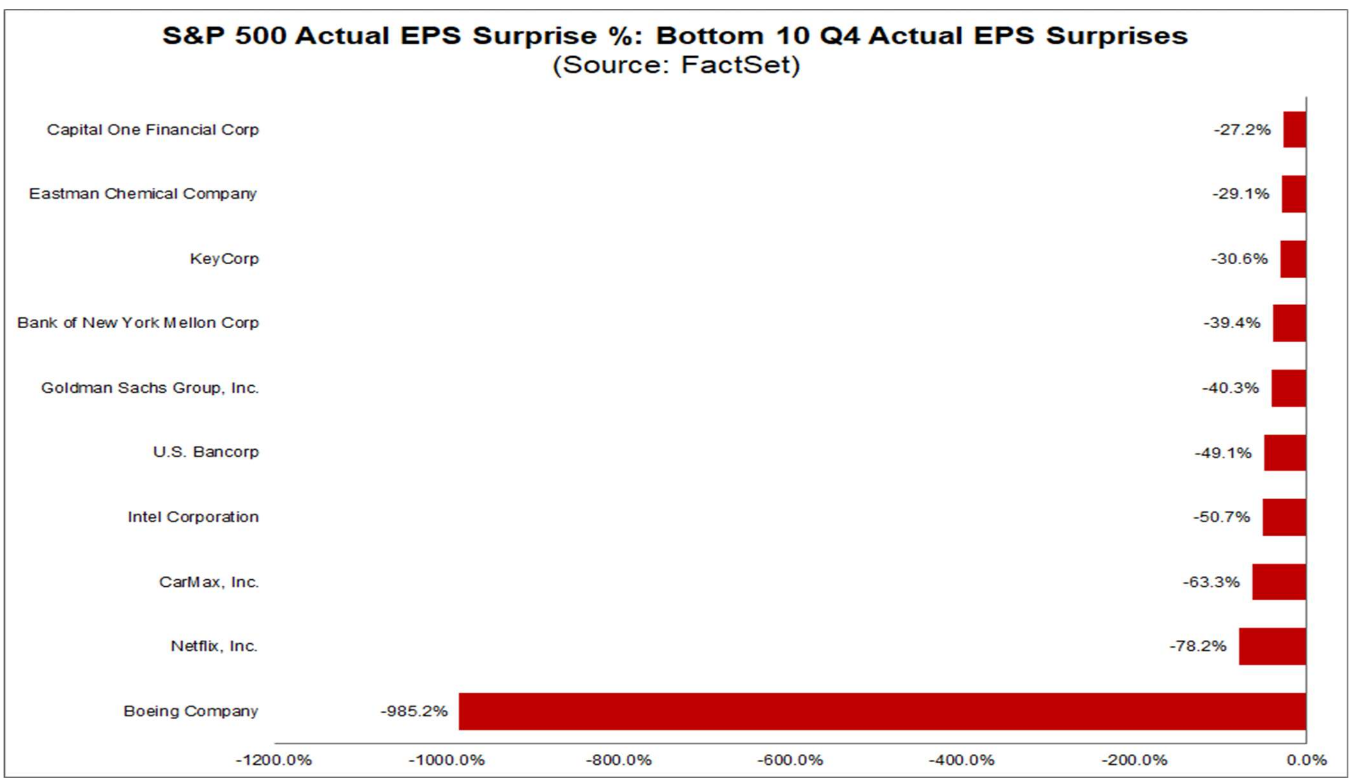
Q4 2022: Scorecard



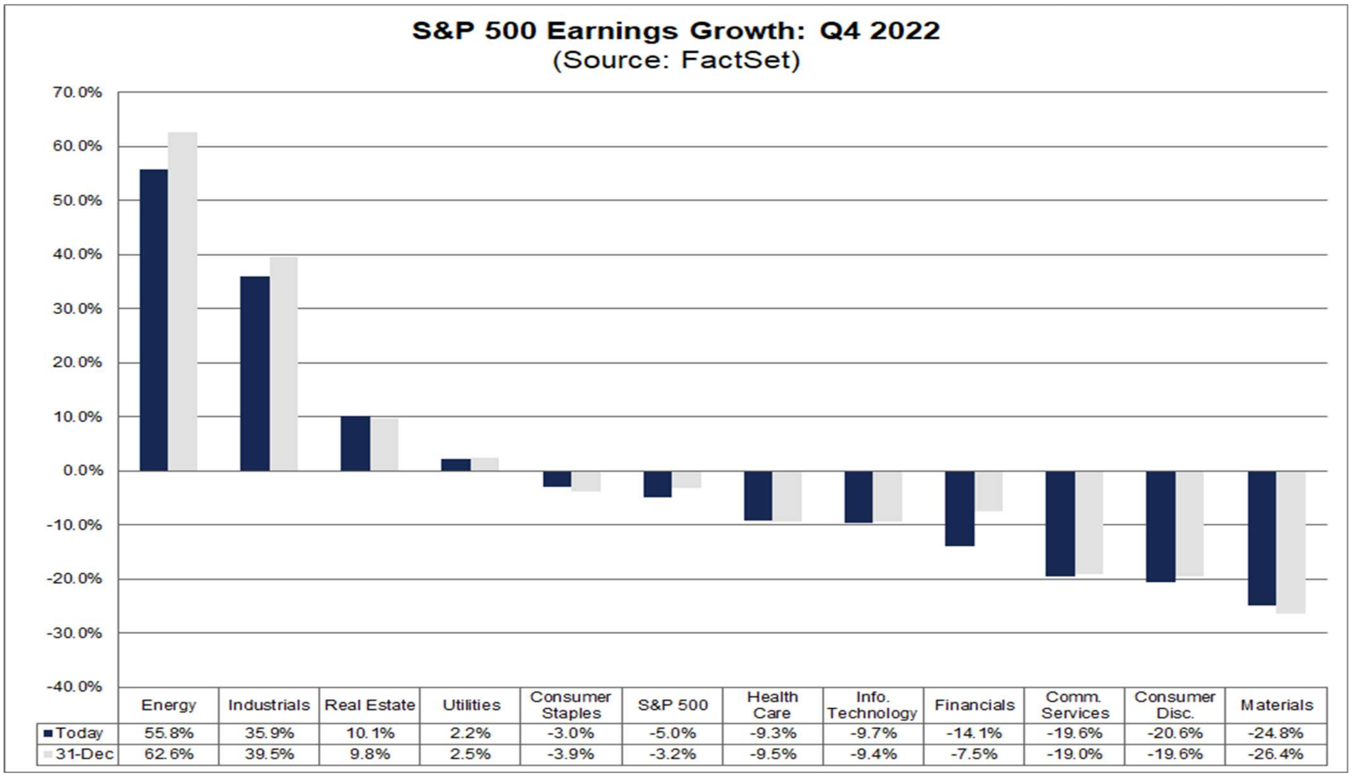


Q4 2022: Scorecard

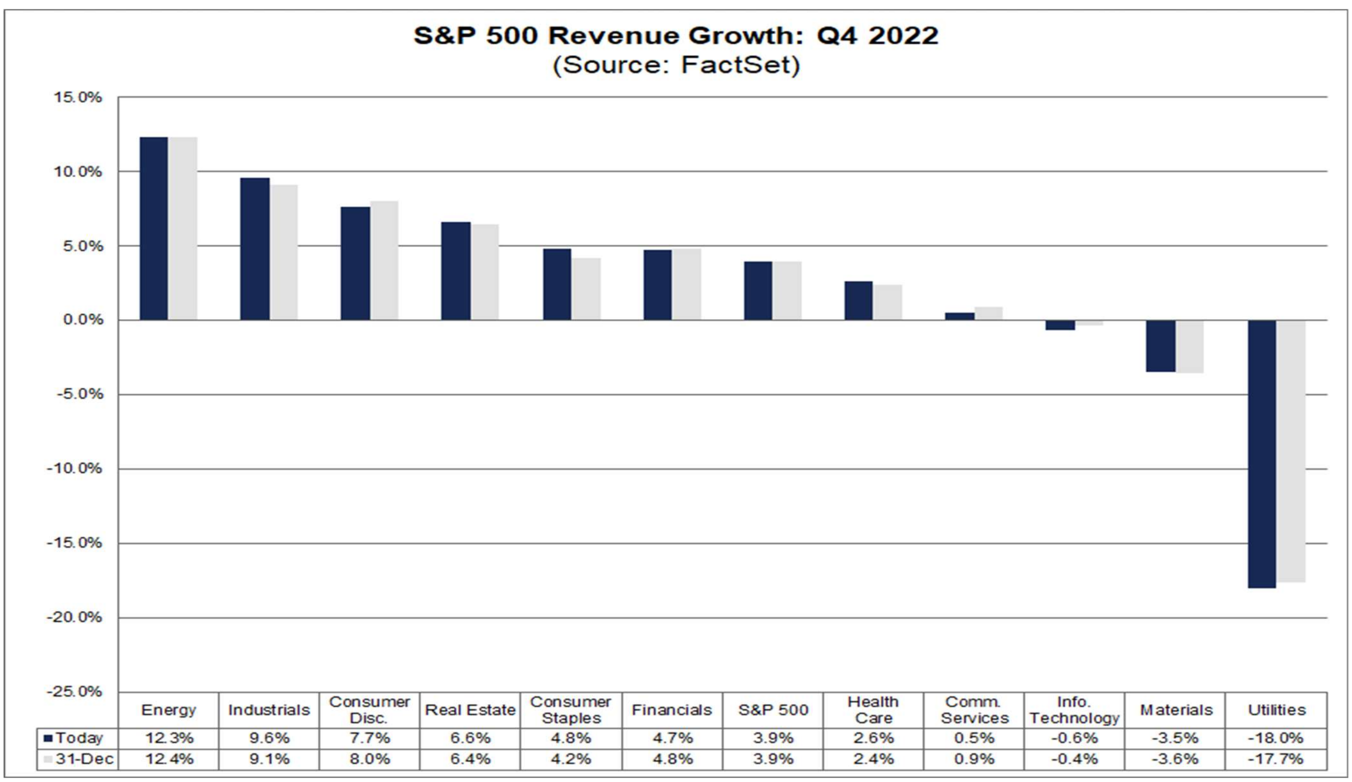




Q4 2022: Growth

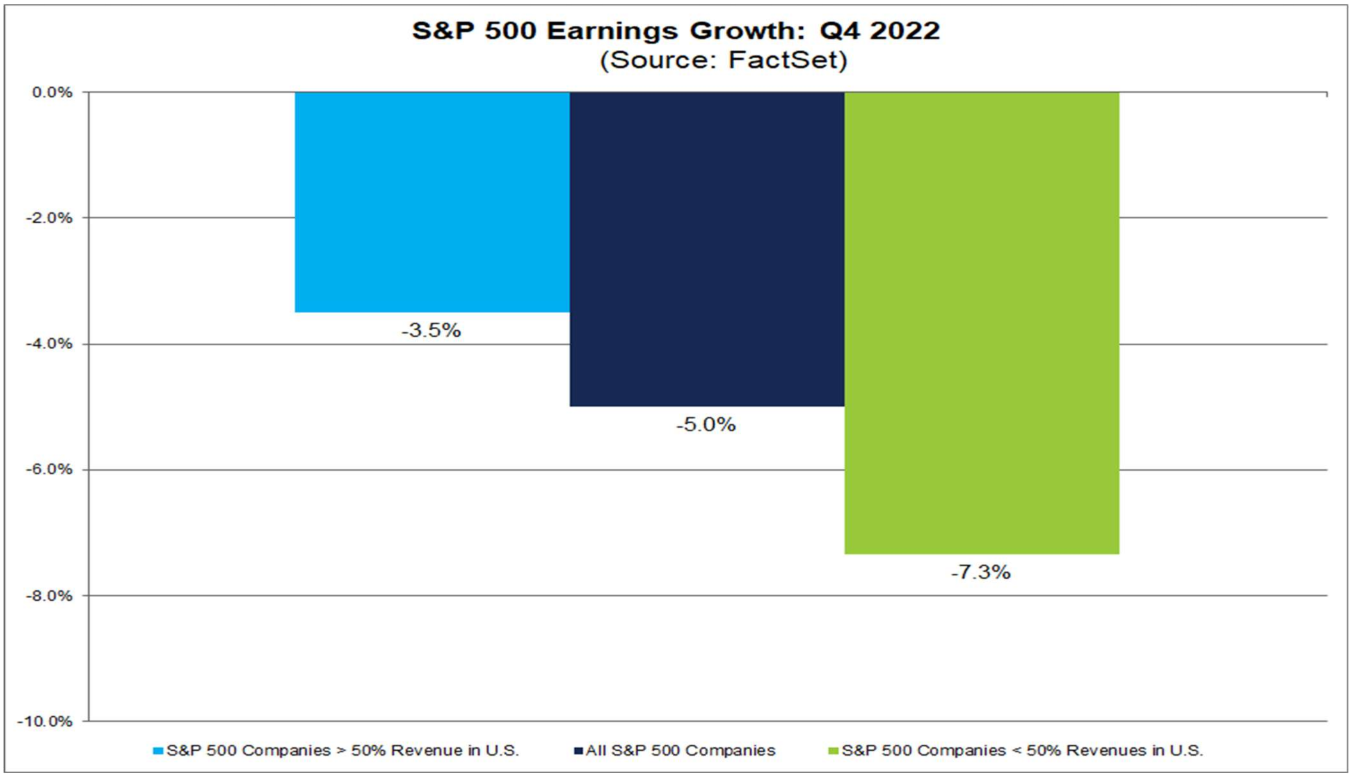


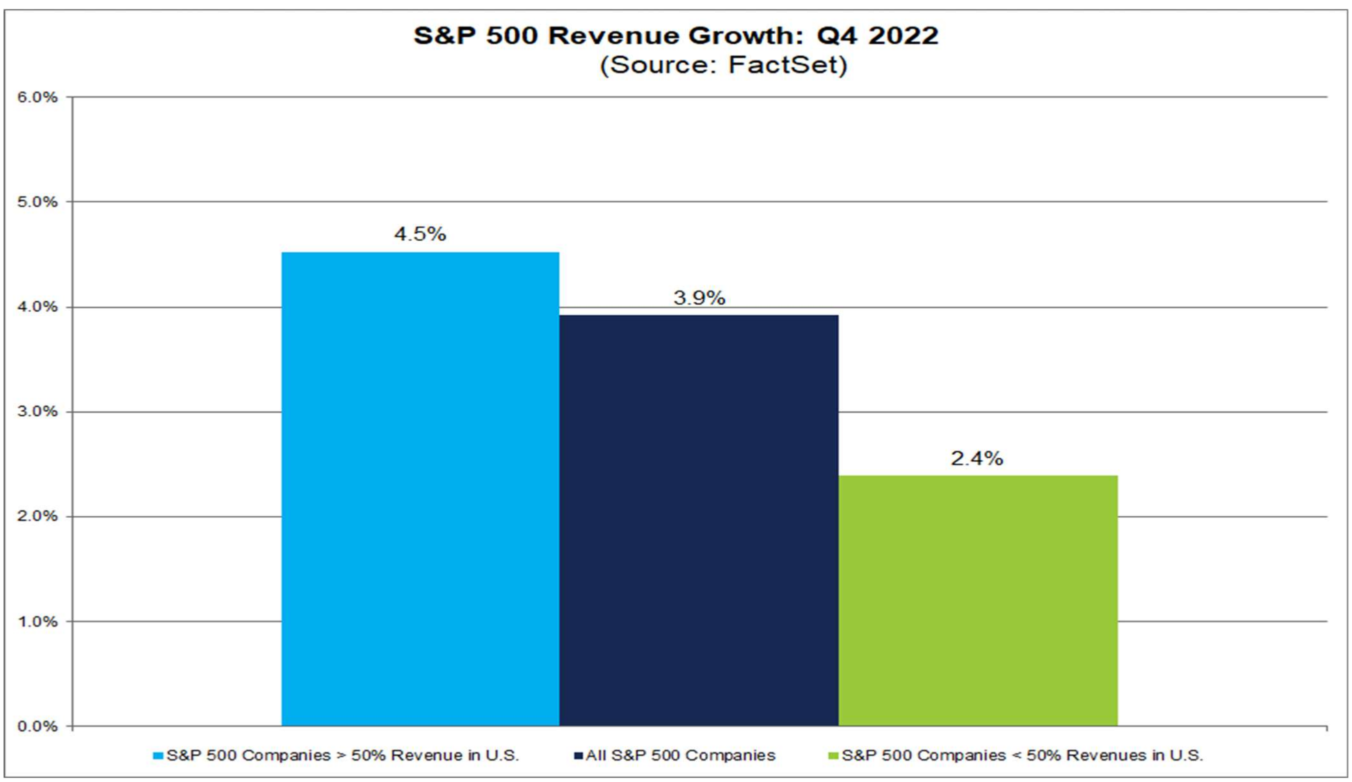
	Energy	Industrials	Real Estate	Utilities	Consumer Staples	S&P 500	Health Care	Info. Technology	Financials	Comm. Services	Consumer Disc.	Materials
Today	55.8%	35.9%	10.1%	2.2%	-3.0%	-5.0%	-9.3%	-9.7%	-14.1%	-19.6%	-20.6%	-24.8%
31-Dec	62.6%	39.5%	9.8%	2.5%	-3.9%	-3.2%	-9.5%	-9.4%	-7.5%	-19.0%	-19.6%	-26.4%



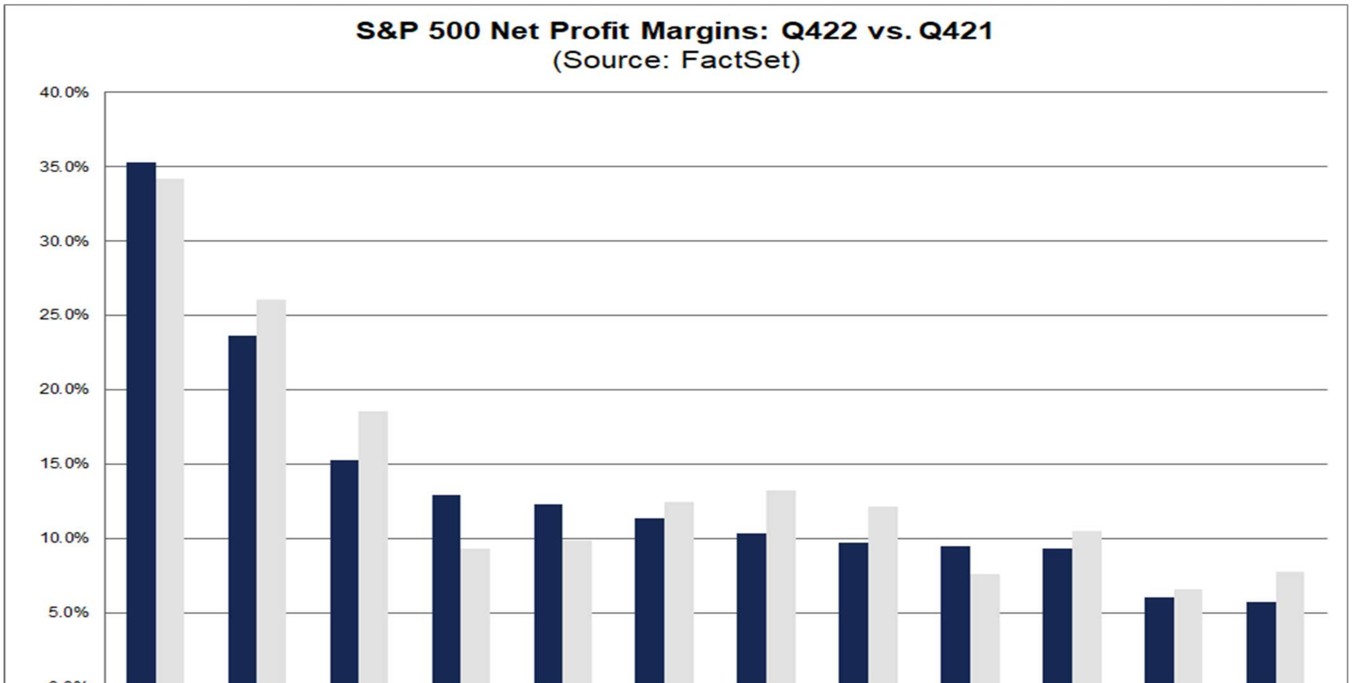
	Energy	Industrials	Consumer Disc.	Real Estate	Consumer Staples	Financials	S&P 500	Health Care	Comm. Services	Info. Technology	Materials	Utilities
Today	12.3%	9.6%	7.7%	6.6%	4.8%	4.7%	3.9%	2.6%	0.5%	-0.6%	-3.5%	-18.0%
31-Dec	12.4%	9.1%	8.0%	6.4%	4.2%	4.8%	3.9%	2.4%	0.9%	-0.4%	-3.6%	-17.7%

Q4 2022: Growth

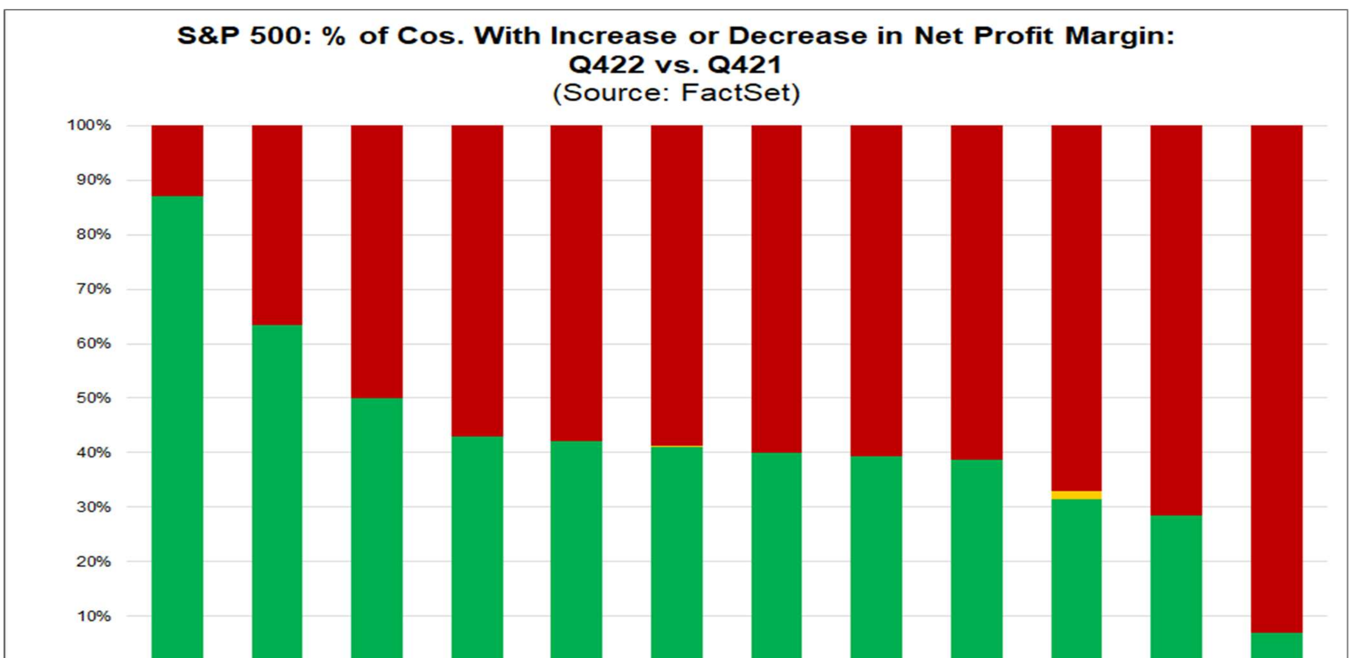




Q4 2022: Net Profit Margin

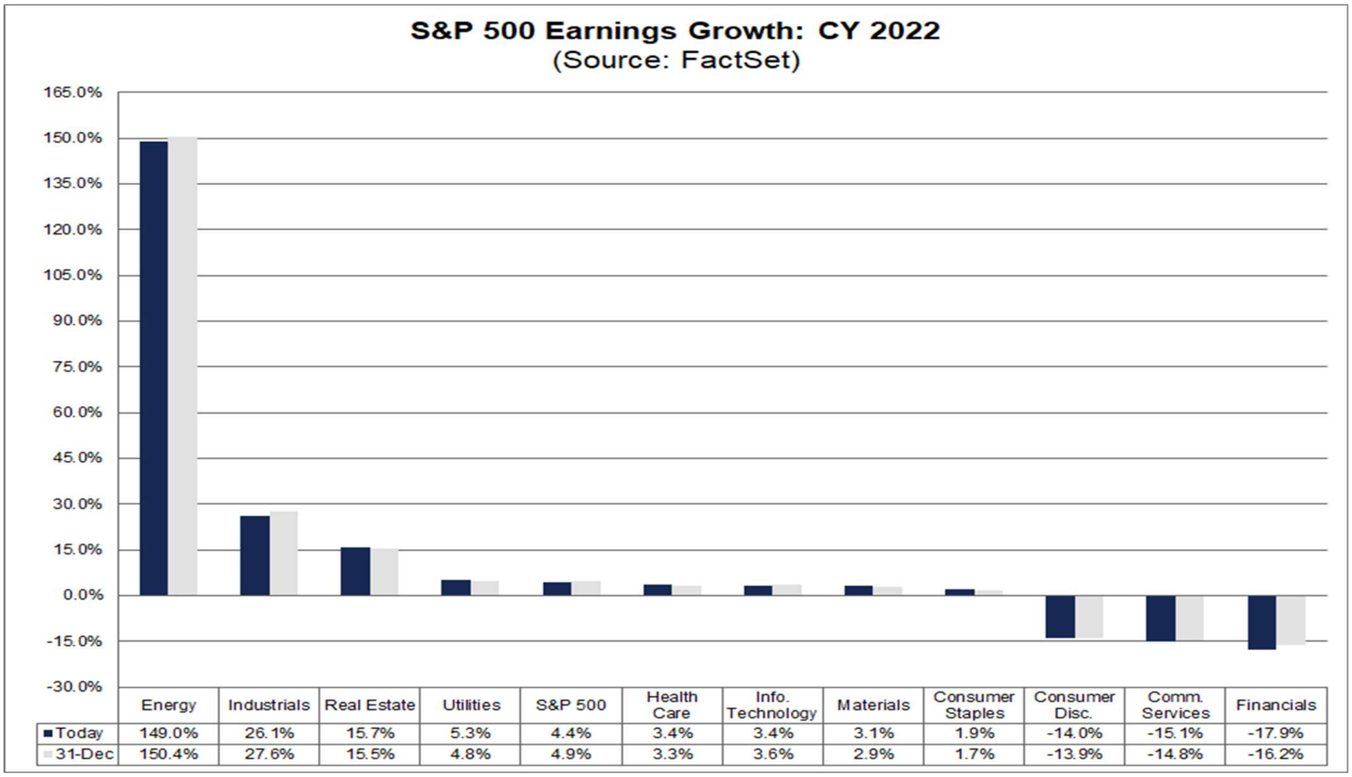


	Real Estate	Information Tech.	Financials	Energy	Utilities	S&P 500	Materials	Comm. Services	Industrials	Health Care	Consumer Staples	Consumer Disc.
Q422	35.3%	23.7%	15.2%	12.9%	12.3%	11.4%	10.3%	9.7%	9.5%	9.3%	6.1%	5.7%
Q421	34.2%	26.0%	18.5%	9.3%	9.8%	12.4%	13.2%	12.1%	7.6%	10.5%	6.6%	7.8%

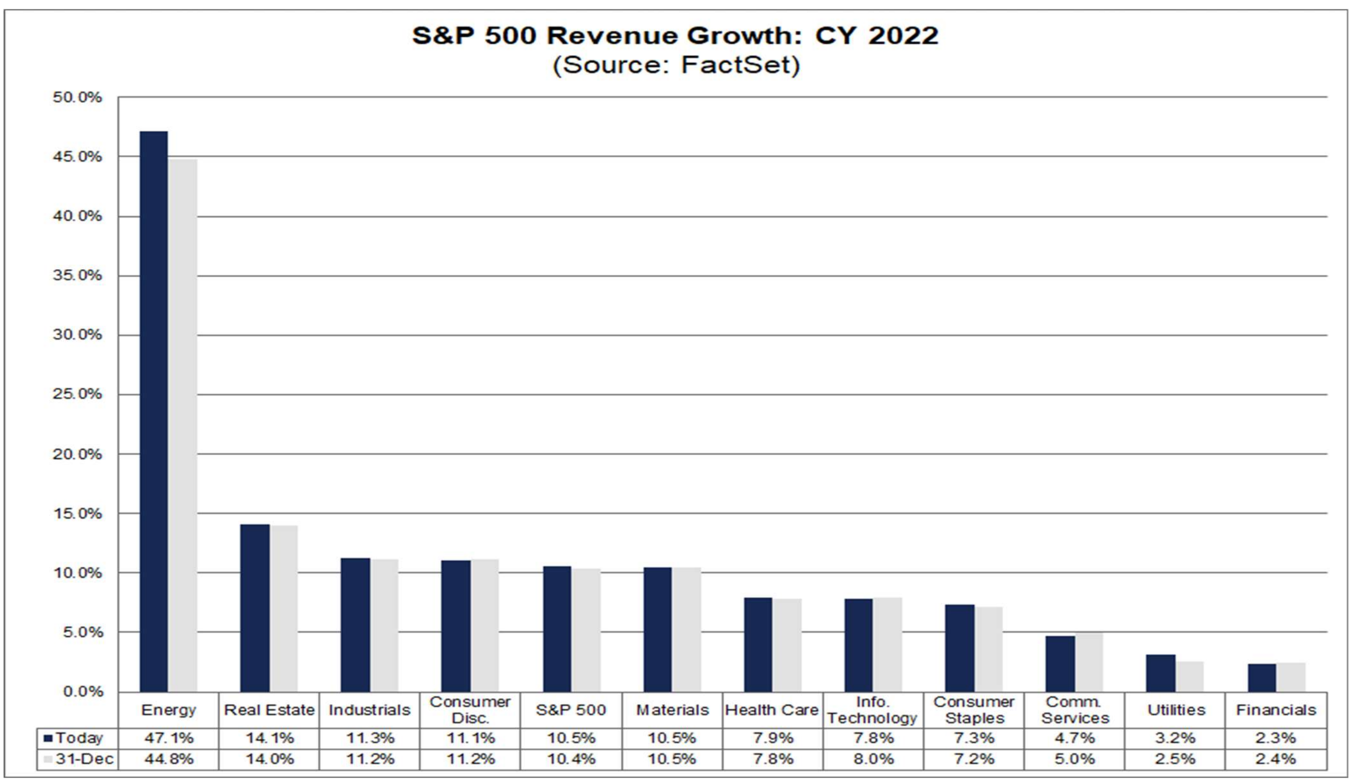


	Energy	Utilities	Industrials	Consumer Disc.	Information Tech.	S&P 500	Comm. Services	Consumer Staples	Real Estate	Financials	Health Care	Materials
Down %	13%	37%	50%	57%	58%	59%	60%	61%	61%	67%	71%	93%
None %	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%	0%	0%
Up %	87%	63%	50%	43%	42%	41%	40%	39%	39%	31%	29%	7%

CY 2022: Growth

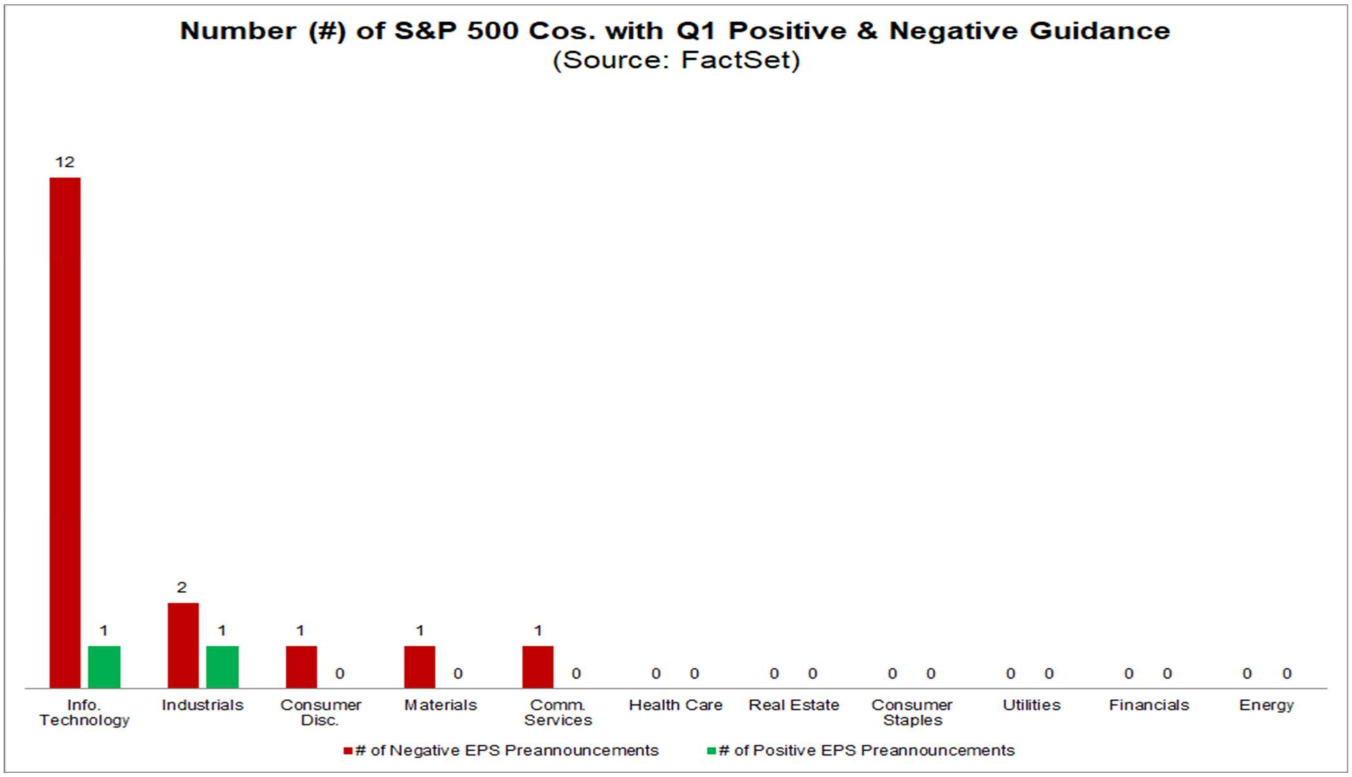


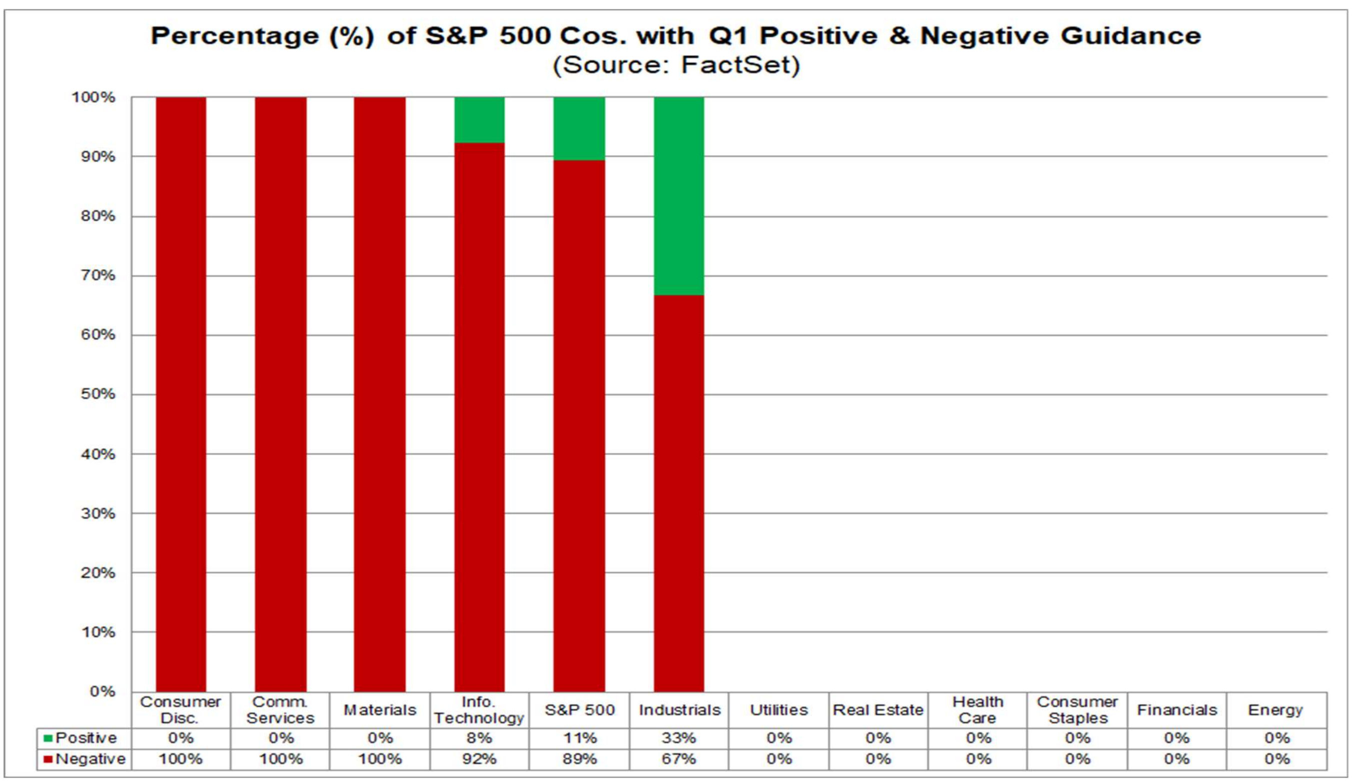
	Energy	Industrials	Real Estate	Utilities	S&P 500	Health Care	Info. Technology	Materials	Consumer Staples	Consumer Disc.	Comm. Services	Financials
Today	149.0%	26.1%	15.7%	5.3%	4.4%	3.4%	3.4%	3.1%	1.9%	-14.0%	-15.1%	-17.9%
31-Dec	150.4%	27.6%	15.5%	4.8%	4.9%	3.3%	3.6%	2.9%	1.7%	-13.9%	-14.8%	-16.2%



	Energy	Real Estate	Industrials	Consumer Disc.	S&P 500	Materials	Health Care	Info. Technology	Consumer Staples	Comm. Services	Utilities	Financials
Today	47.1%	14.1%	11.3%	11.1%	10.5%	10.5%	7.9%	7.8%	7.3%	4.7%	3.2%	2.3%
31-Dec	44.8%	14.0%	11.2%	11.2%	10.4%	10.5%	7.8%	8.0%	7.2%	5.0%	2.5%	2.4%

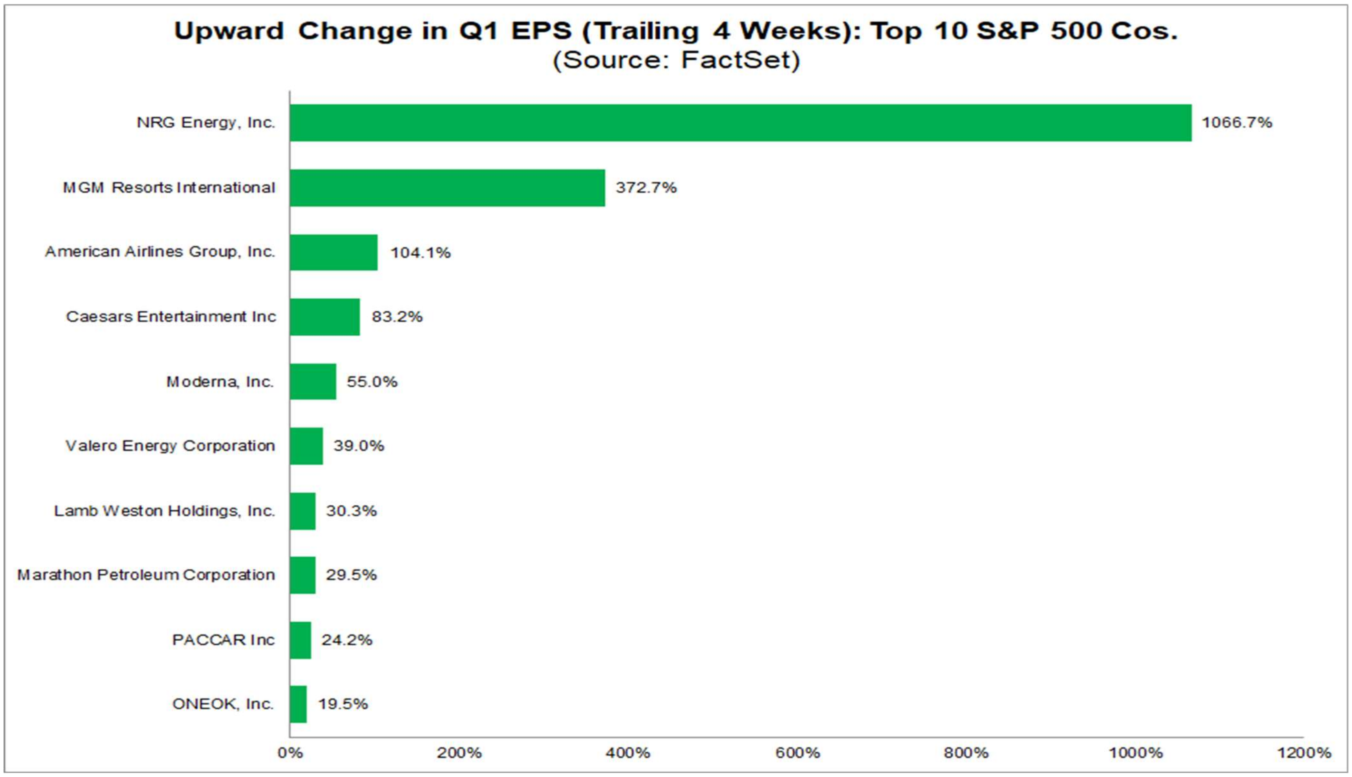
Q1 2023: Guidance

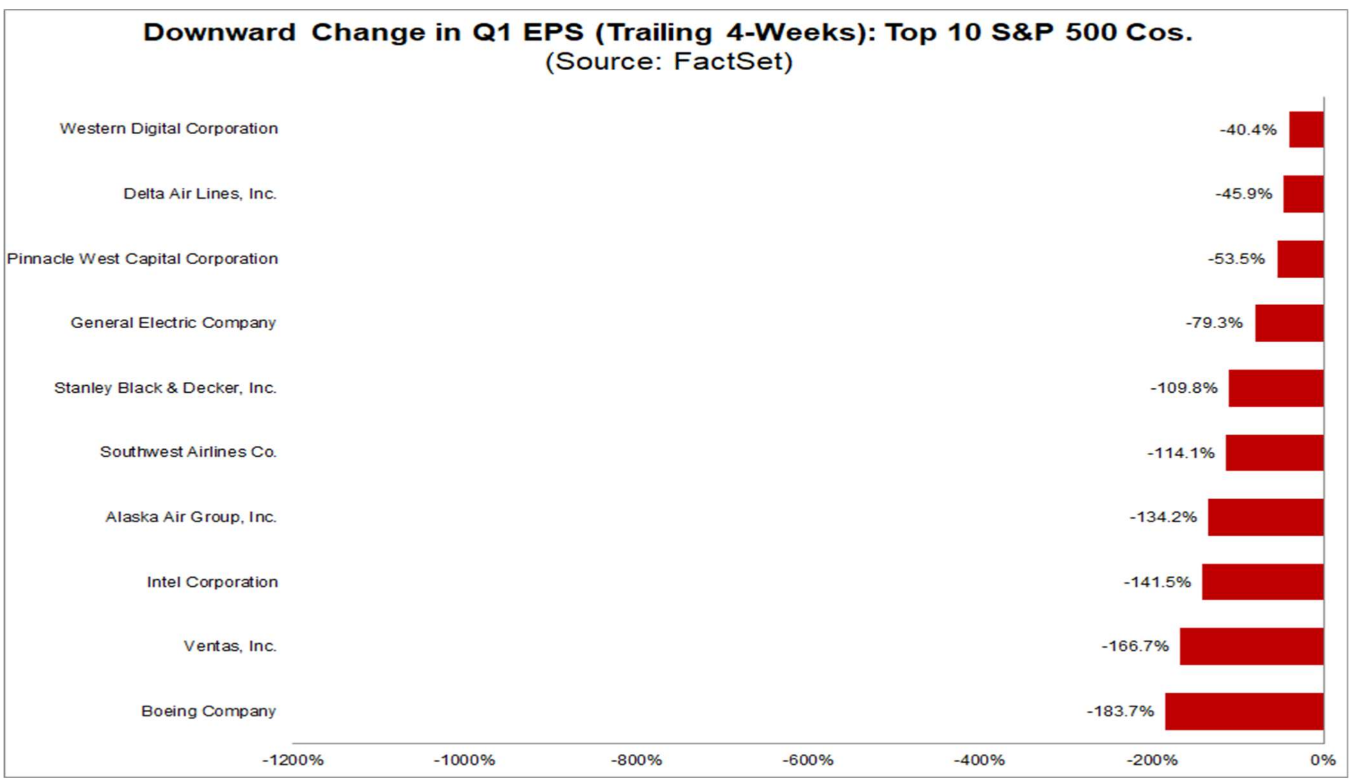




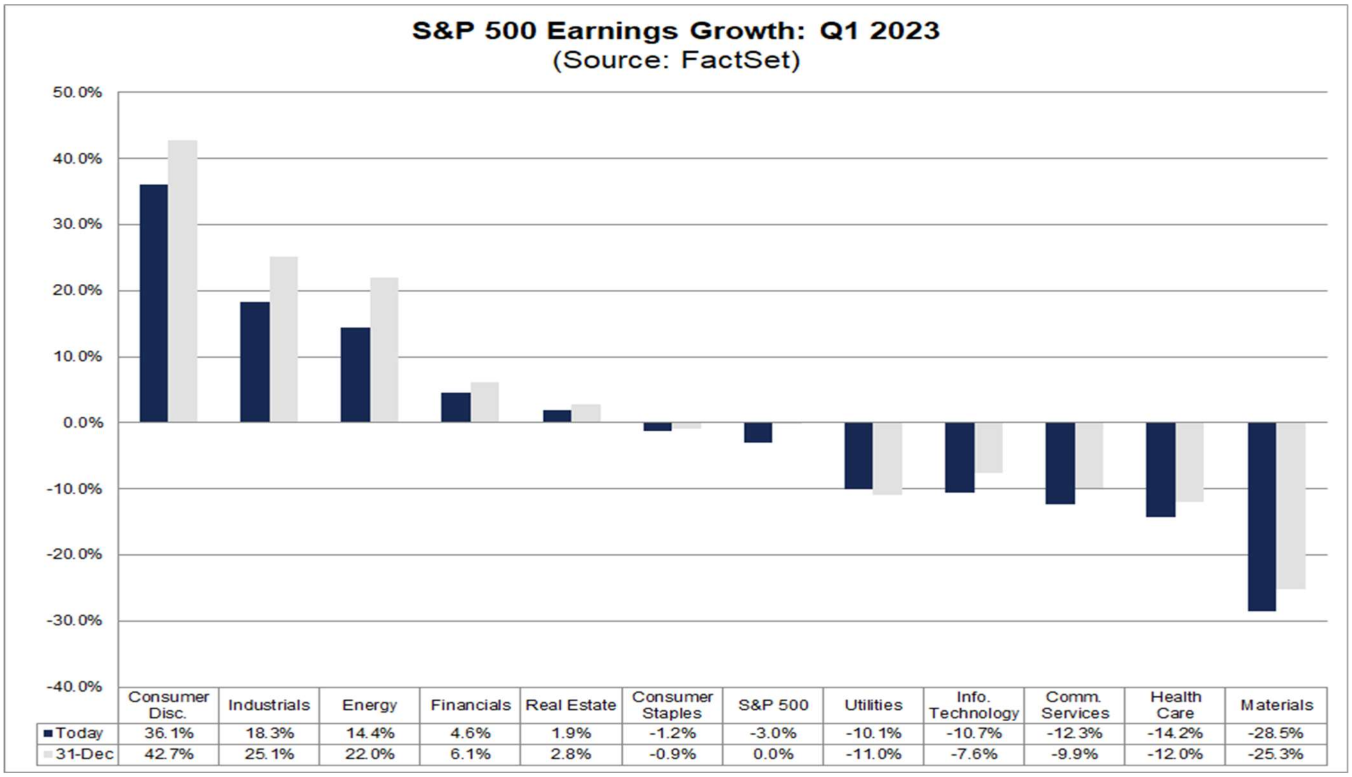
	Consumer Disc.	Comm. Services	Materials	Info. Technology	S&P 500	Industrials	Utilities	Real Estate	Health Care	Consumer Staples	Financials	Energy
Positive	0%	0%	0%	8%	11%	33%	0%	0%	0%	0%	0%	0%
Negative	100%	100%	100%	92%	89%	67%	0%	0%	0%	0%	0%	0%

Q1 2023: EPS Revisions

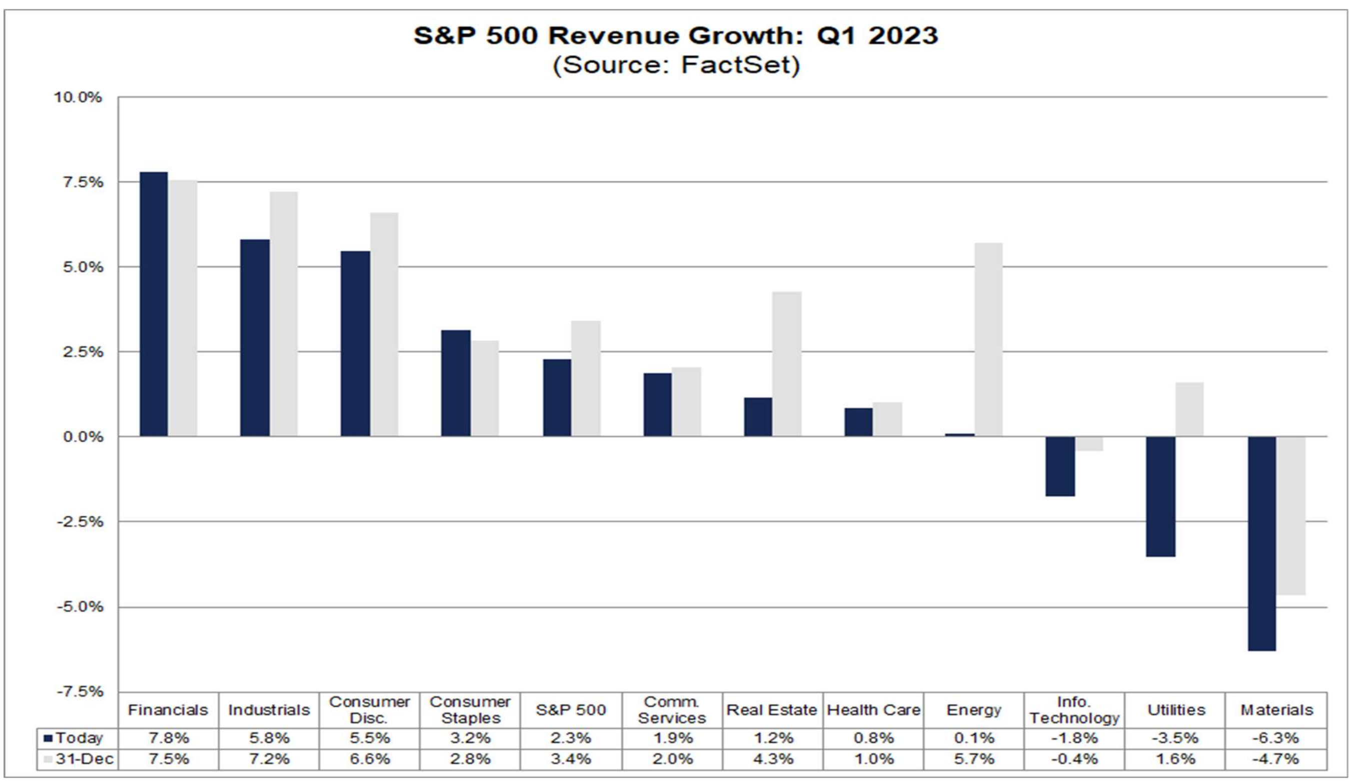




Q1 2023: Growth

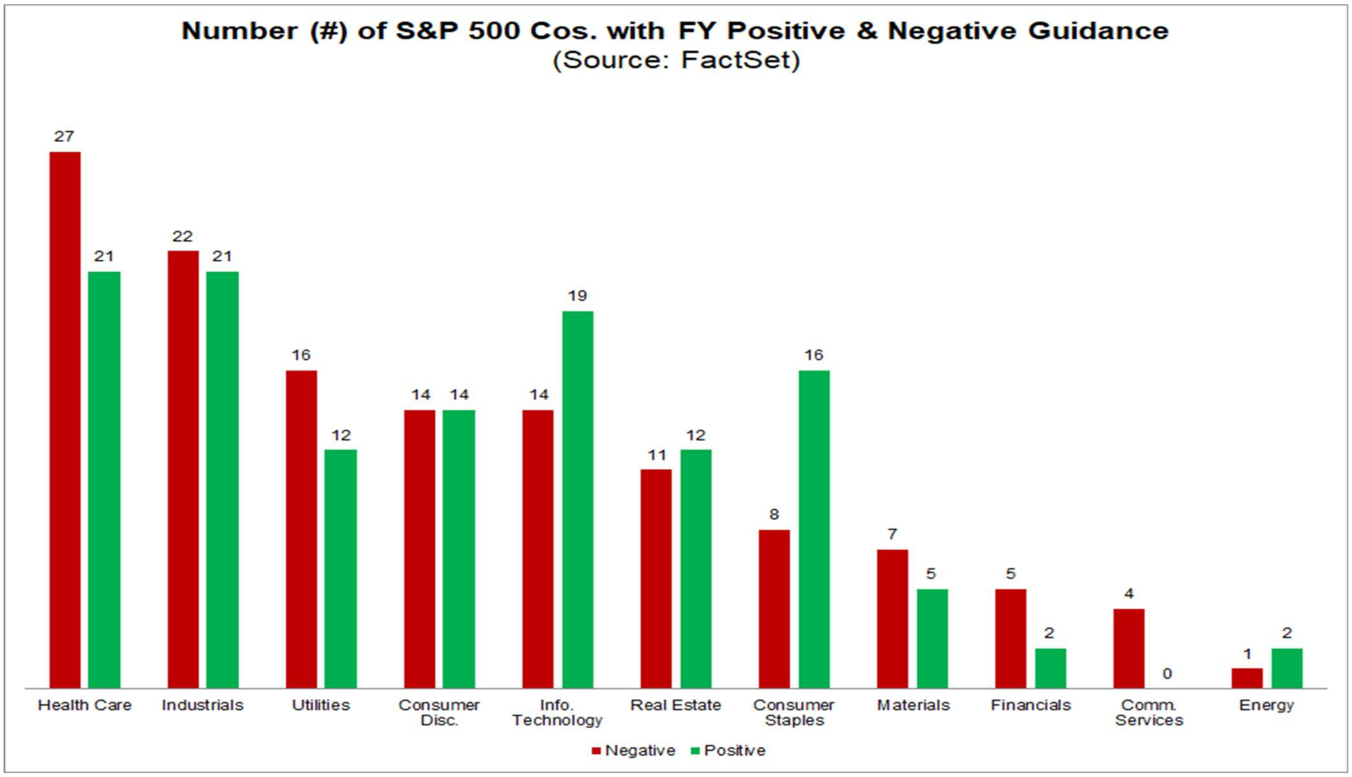


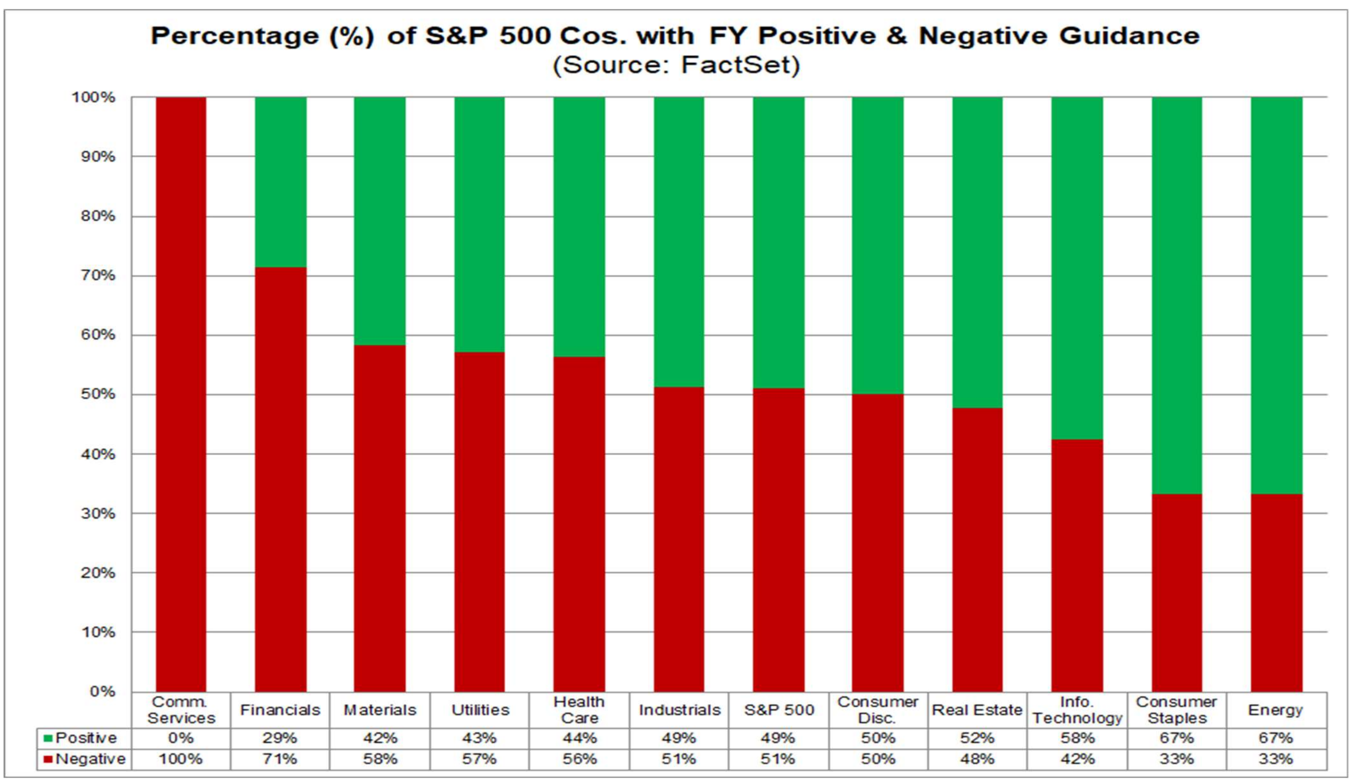
	Consumer Disc.	Industrials	Energy	Financials	Real Estate	Consumer Staples	S&P 500	Utilities	Info. Technology	Comm. Services	Health Care	Materials
Today	36.1%	18.3%	14.4%	4.6%	1.9%	-1.2%	-3.0%	-10.1%	-10.7%	-12.3%	-14.2%	-28.5%
31-Dec	42.7%	25.1%	22.0%	6.1%	2.8%	-0.9%	0.0%	-11.0%	-7.6%	-9.9%	-12.0%	-25.3%



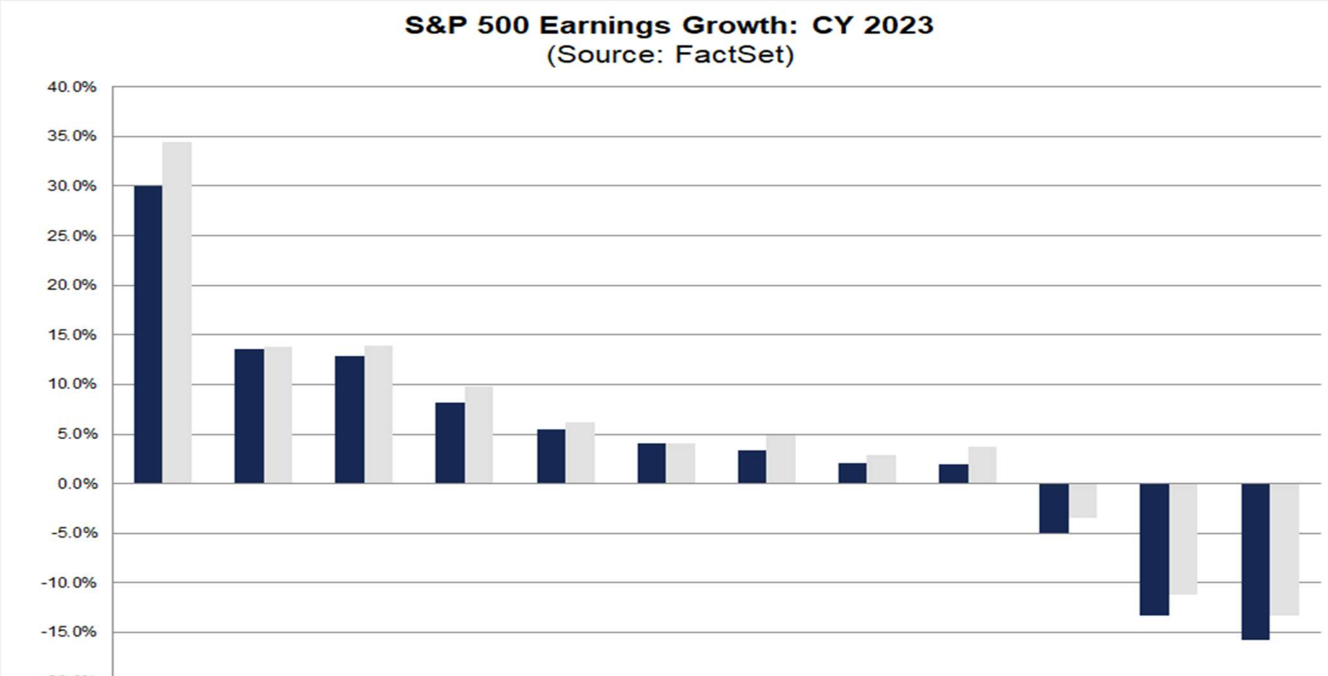
	Financials	Industrials	Consumer Disc.	Consumer Staples	S&P 500	Comm. Services	Real Estate	Health Care	Energy	Info. Technology	Utilities	Materials
Today	7.8%	5.8%	5.5%	3.2%	2.3%	1.9%	1.2%	0.8%	0.1%	-1.8%	-3.5%	-6.3%
31-Dec	7.5%	7.2%	6.6%	2.8%	3.4%	2.0%	4.3%	1.0%	5.7%	-0.4%	1.6%	-4.7%

FY 2022 / 2023: EPS Guidance

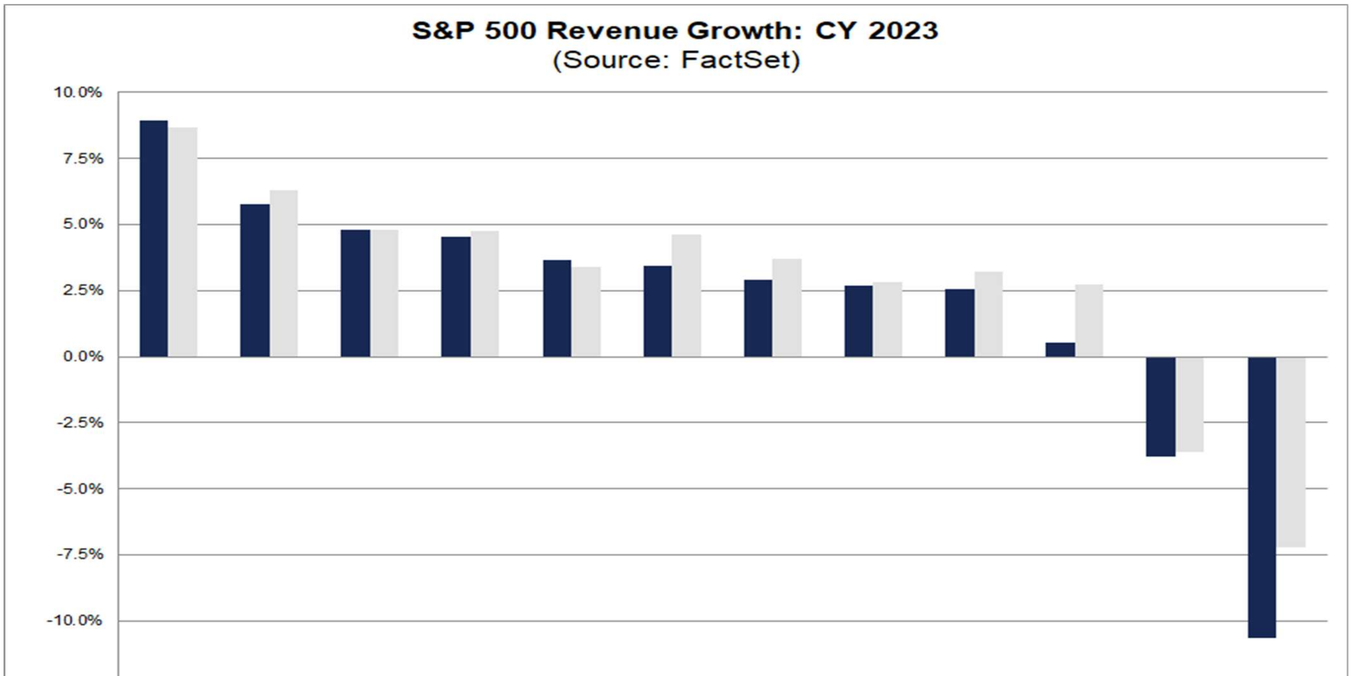




CY 2023: Growth

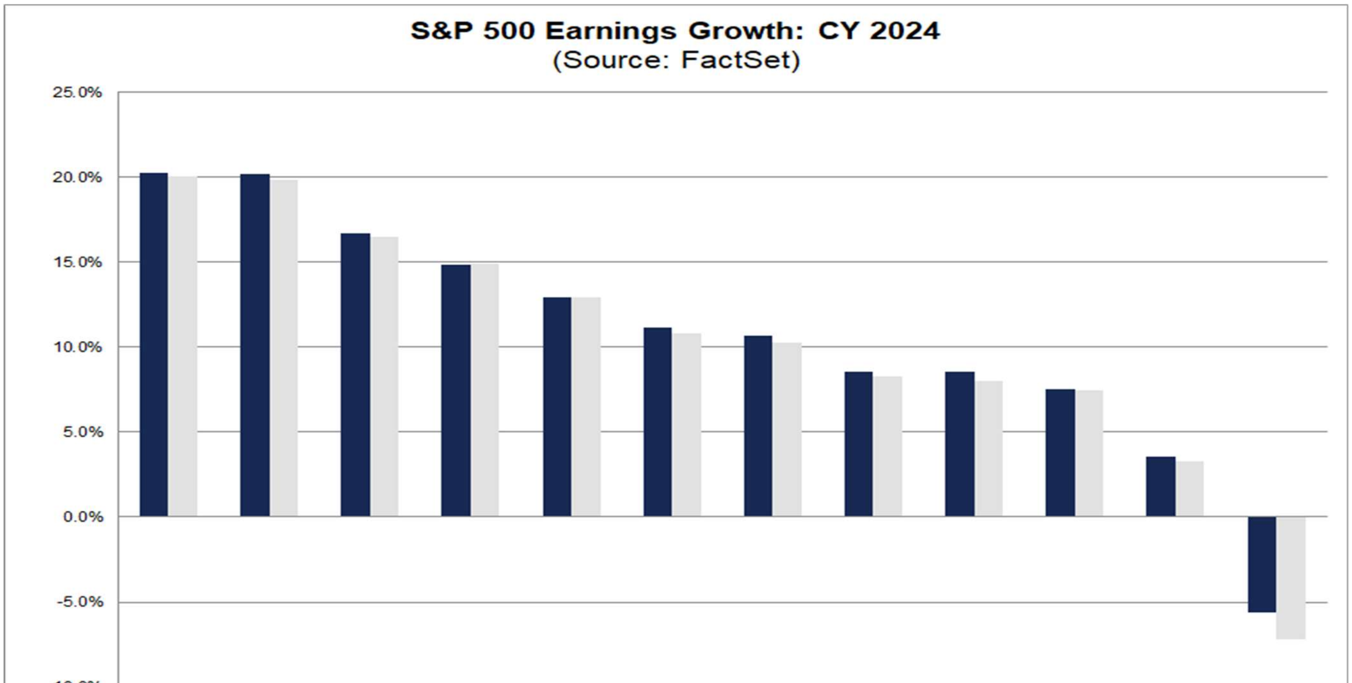


	Consumer Disc.	Financials	Industrials	Comm. Services	Utilities	Consumer Staples	S&P 500	Real Estate	Info. Technology	Health Care	Materials	Energy
Today	30.0%	13.5%	12.9%	8.1%	5.5%	4.1%	3.4%	2.0%	2.0%	-5.0%	-13.3%	-15.8%
31-Dec	34.4%	13.9%	13.9%	9.8%	6.1%	4.1%	4.9%	2.9%	3.7%	-3.5%	-11.2%	-13.3%

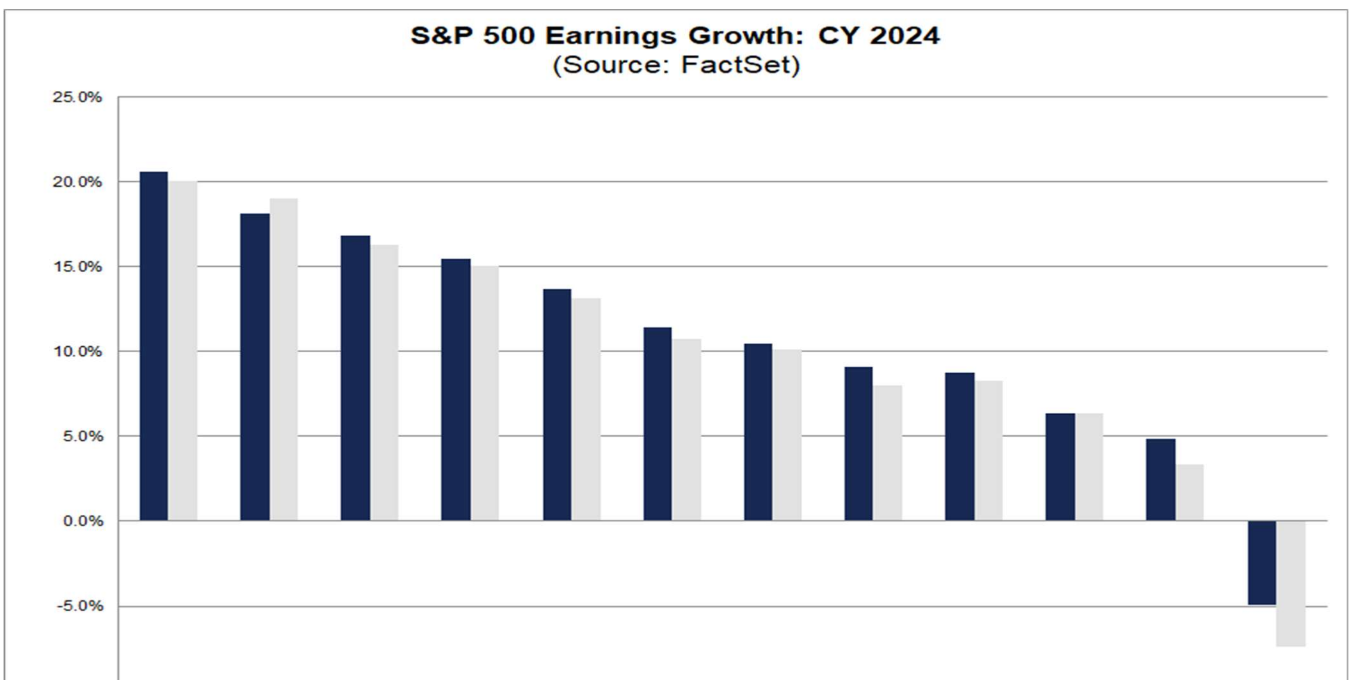


	Financials	Consumer Disc.	Real Estate	Comm. Services	Consumer Staples	Industrials	Info. Technology	Health Care	S&P 500	Utilities	Materials	Energy
Today	8.9%	5.8%	4.8%	4.5%	3.7%	3.4%	2.9%	2.7%	2.6%	0.5%	-3.8%	-10.6%
31-Dec	8.6%	6.3%	4.8%	4.7%	3.4%	4.6%	3.7%	2.8%	3.2%	2.7%	-3.6%	-7.2%

CY 2024: Growth

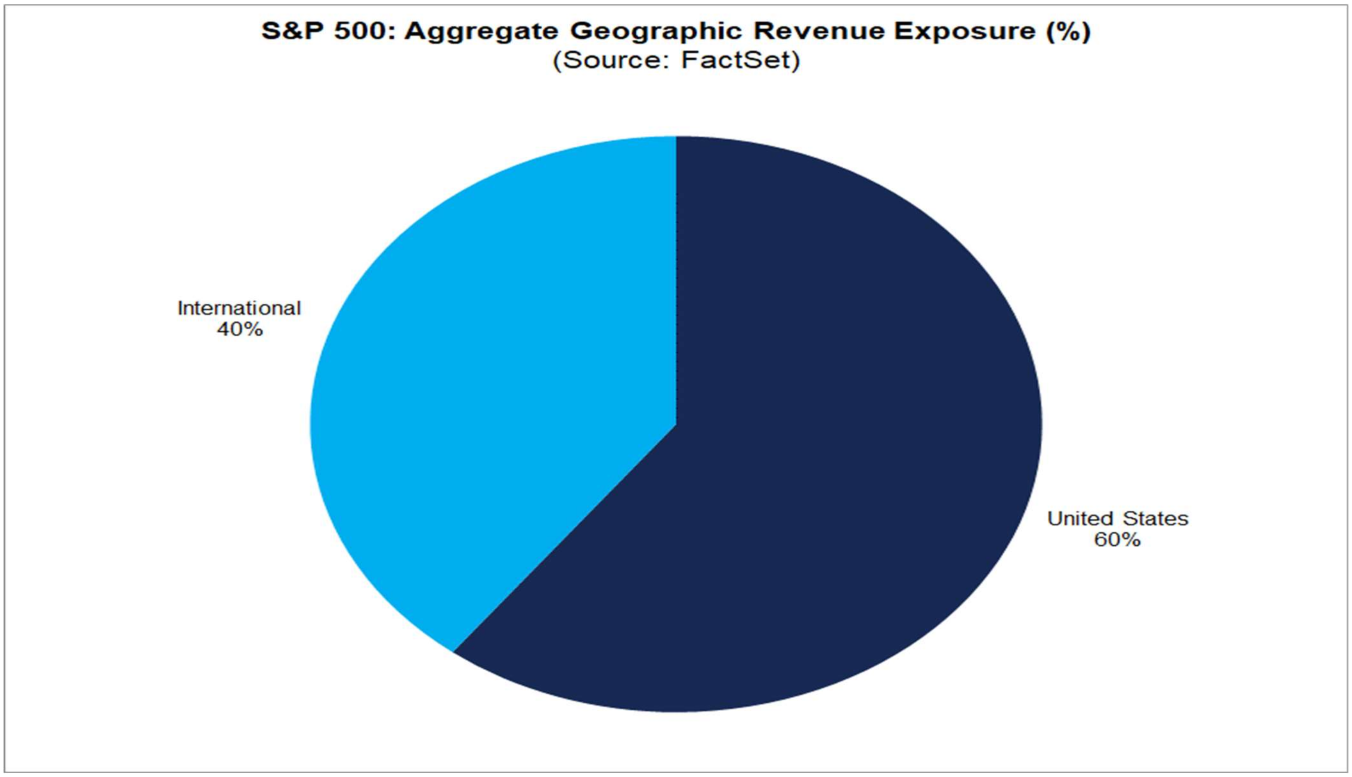


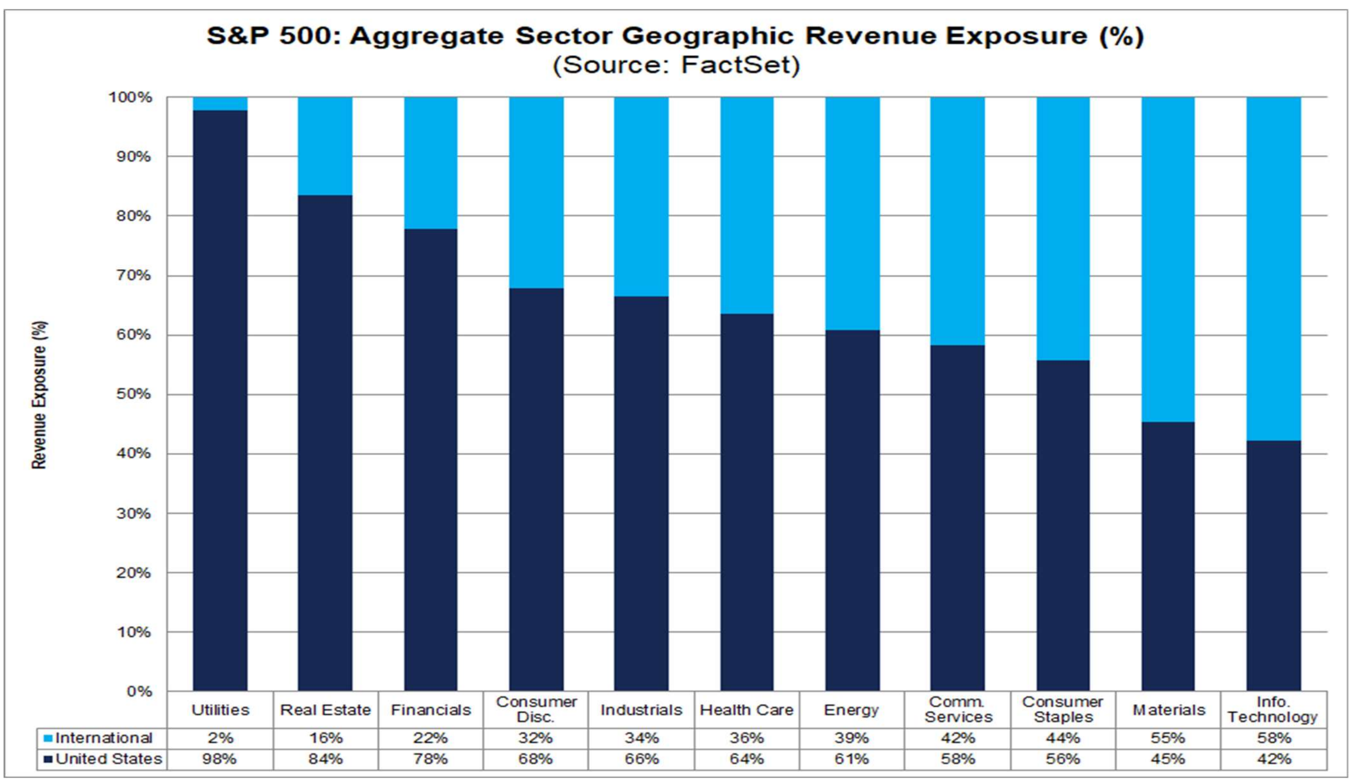
	Utilities	Consumer Disc.	Comm. Services	Info. Technology	Industrials	S&P 500	Financials	Consumer Staples	Health Care	Real Estate	Materials	Energy
Today	20.3%	20.2%	16.7%	14.8%	13.0%	11.1%	10.7%	8.6%	8.6%	7.5%	3.6%	-5.6%
31-Dec	20.1%	19.8%	16.5%	14.9%	13.0%	10.8%	10.3%	8.3%	8.0%	7.5%	3.3%	-7.2%



	Consumer Disc.	Utilities	Comm. Services	Info. Technology	Industrials	S&P 500	Financials	Health Care	Consumer Staples	Real Estate	Materials	Energy
Today	20.6%	18.1%	16.8%	15.5%	13.7%	11.4%	10.5%	9.1%	8.8%	6.3%	4.8%	-4.9%
31-Dec	20.0%	19.0%	16.3%	15.0%	13.2%	10.7%	10.2%	8.0%	8.3%	6.4%	3.3%	-7.4%

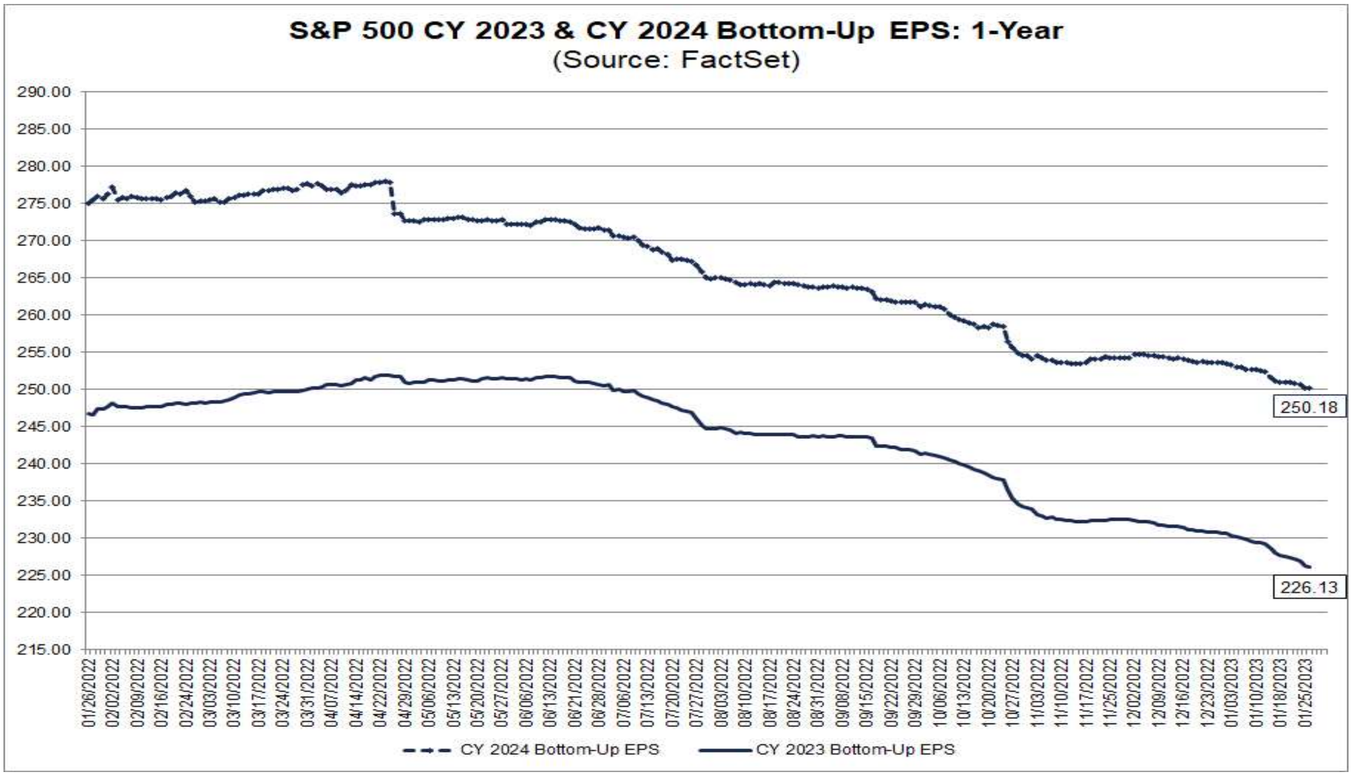
Geographic Revenue Exposure

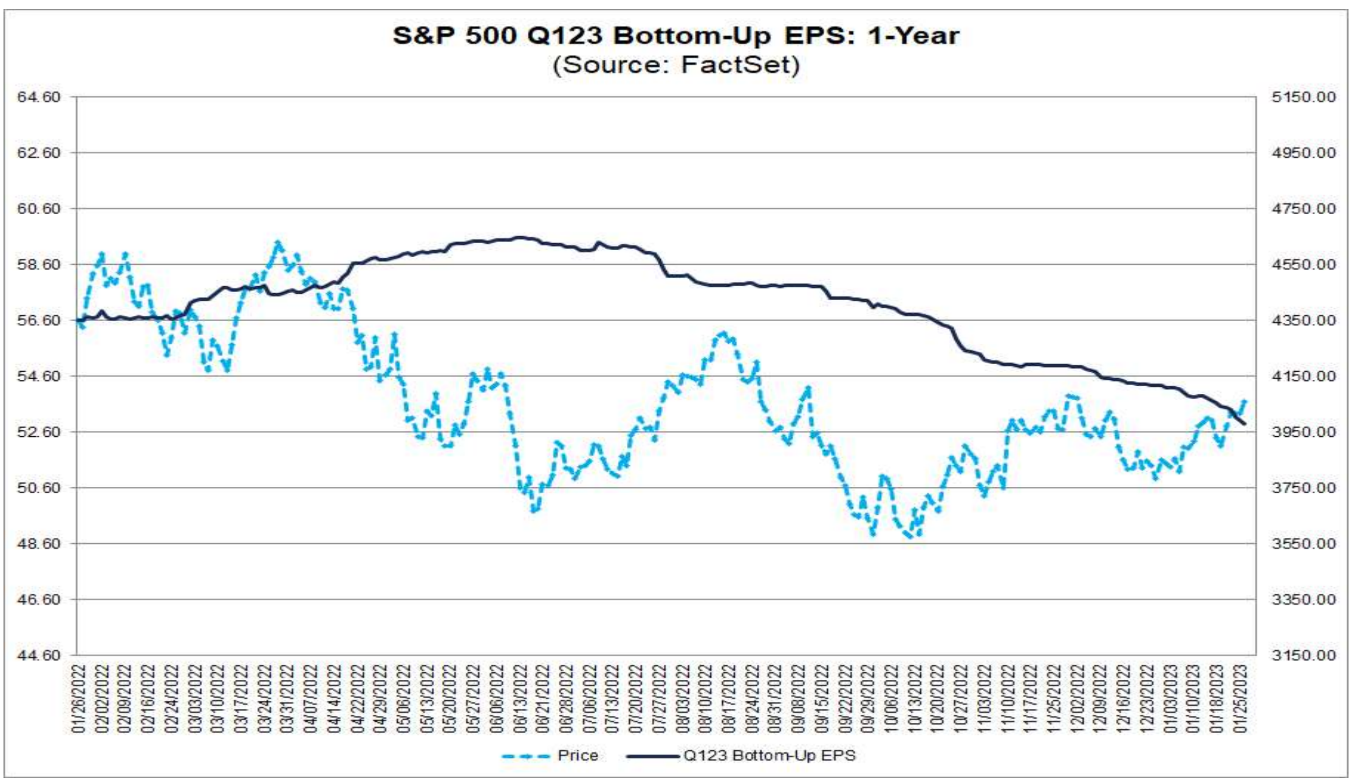




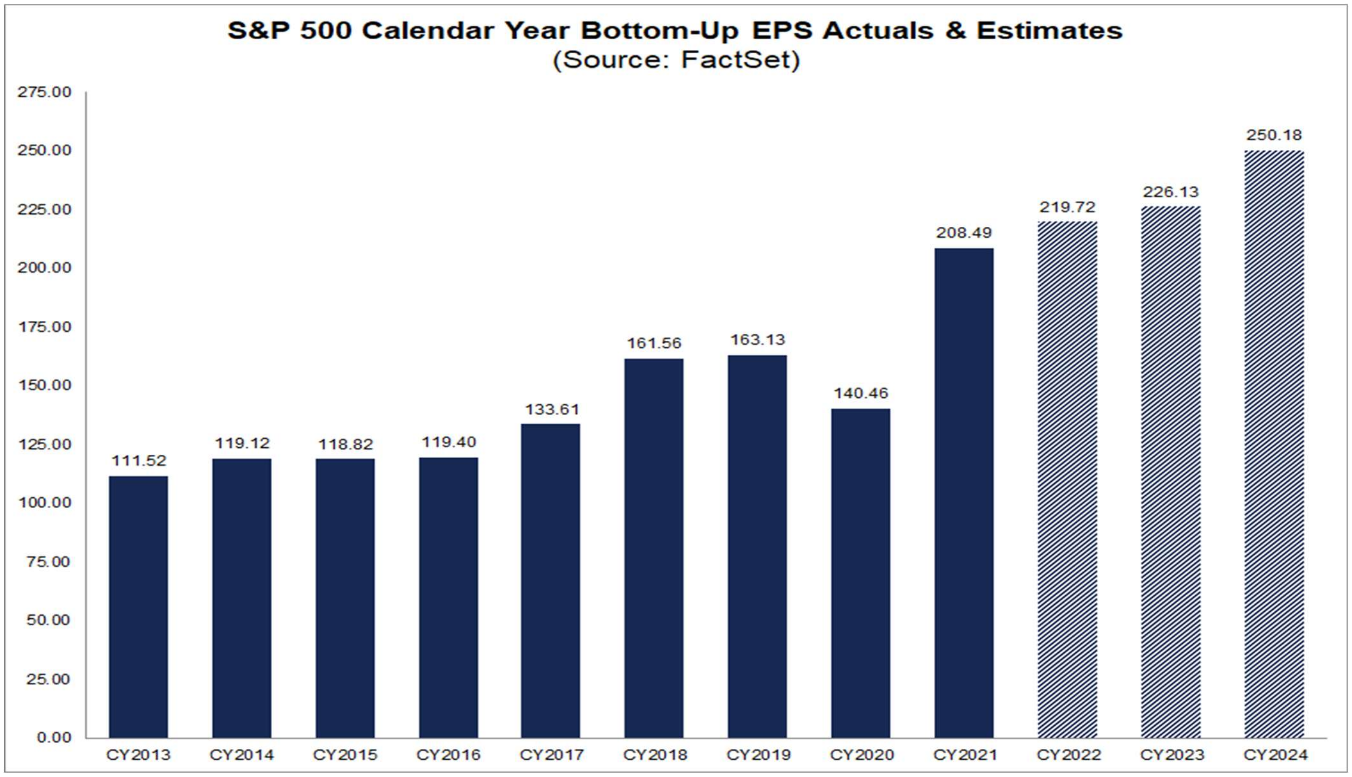
	Utilities	Real Estate	Financials	Consumer Disc.	Industrials	Health Care	Energy	Comm. Services	Consumer Staples	Materials	Info. Technology
International	2%	16%	22%	32%	34%	36%	39%	42%	44%	55%	58%
United States	98%	84%	78%	68%	66%	64%	61%	58%	56%	45%	42%

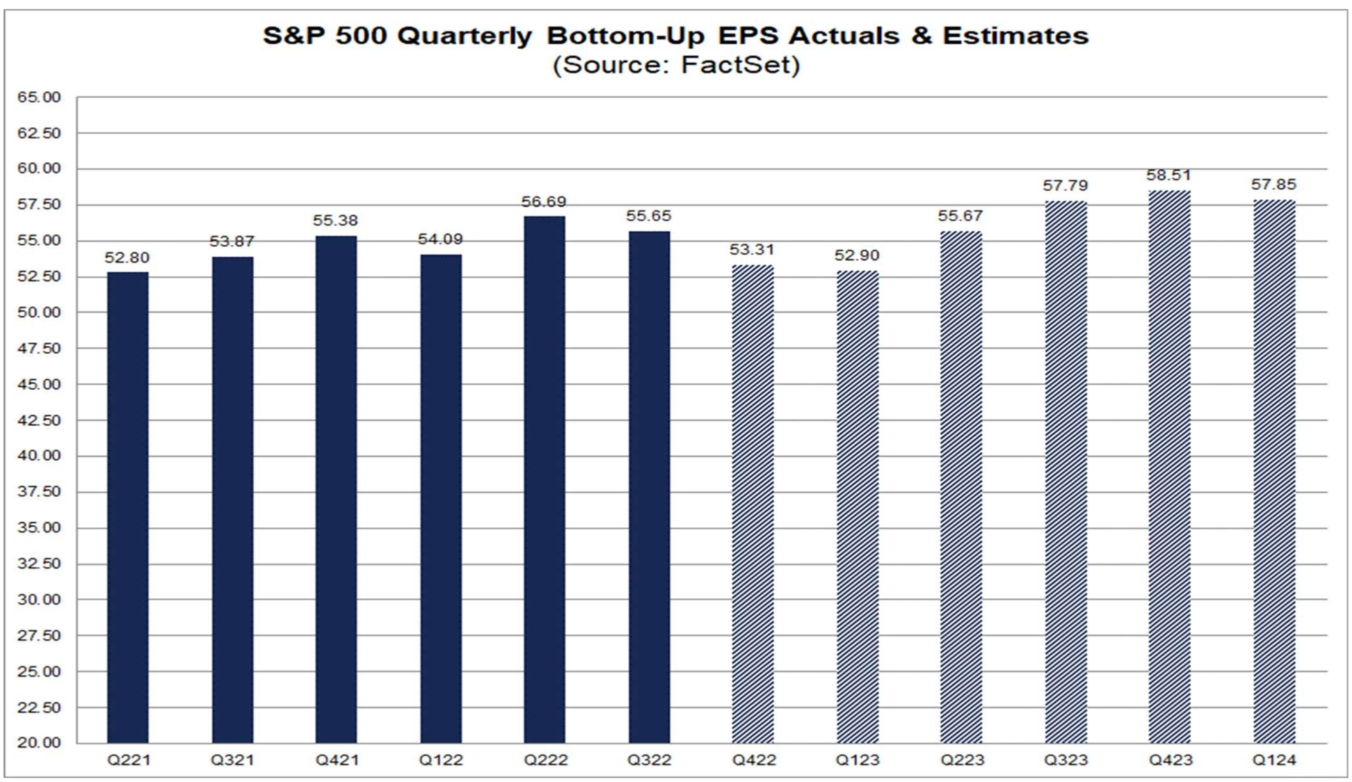
Bottom-Up EPS Estimates



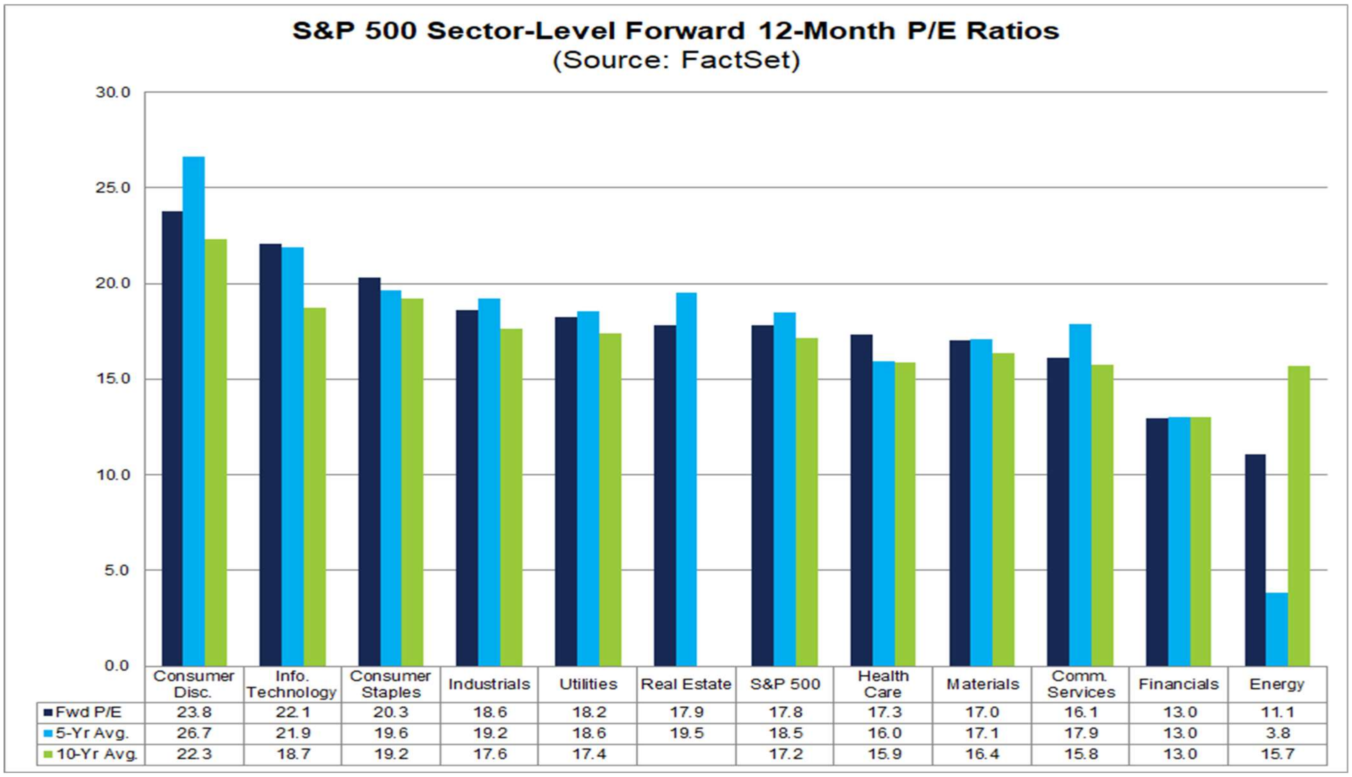


Bottom-Up EPS Estimates: Current & Historical

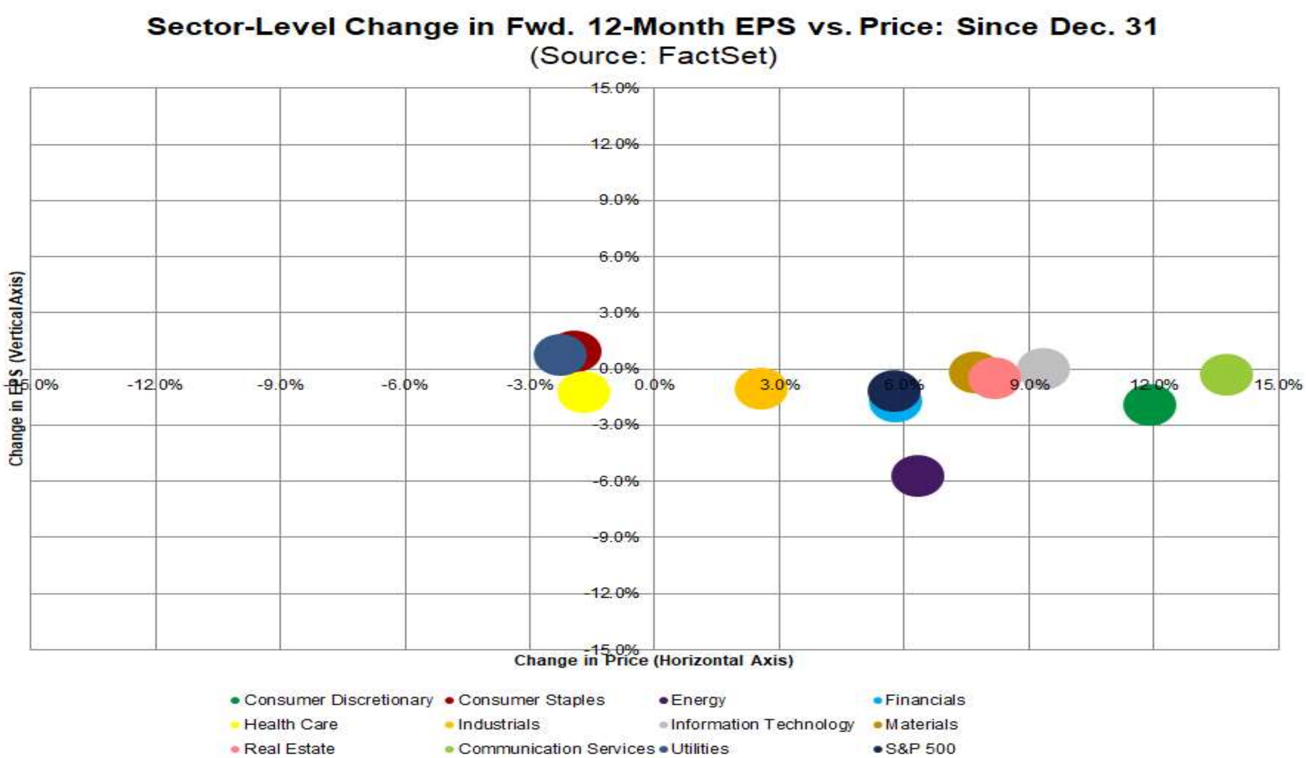




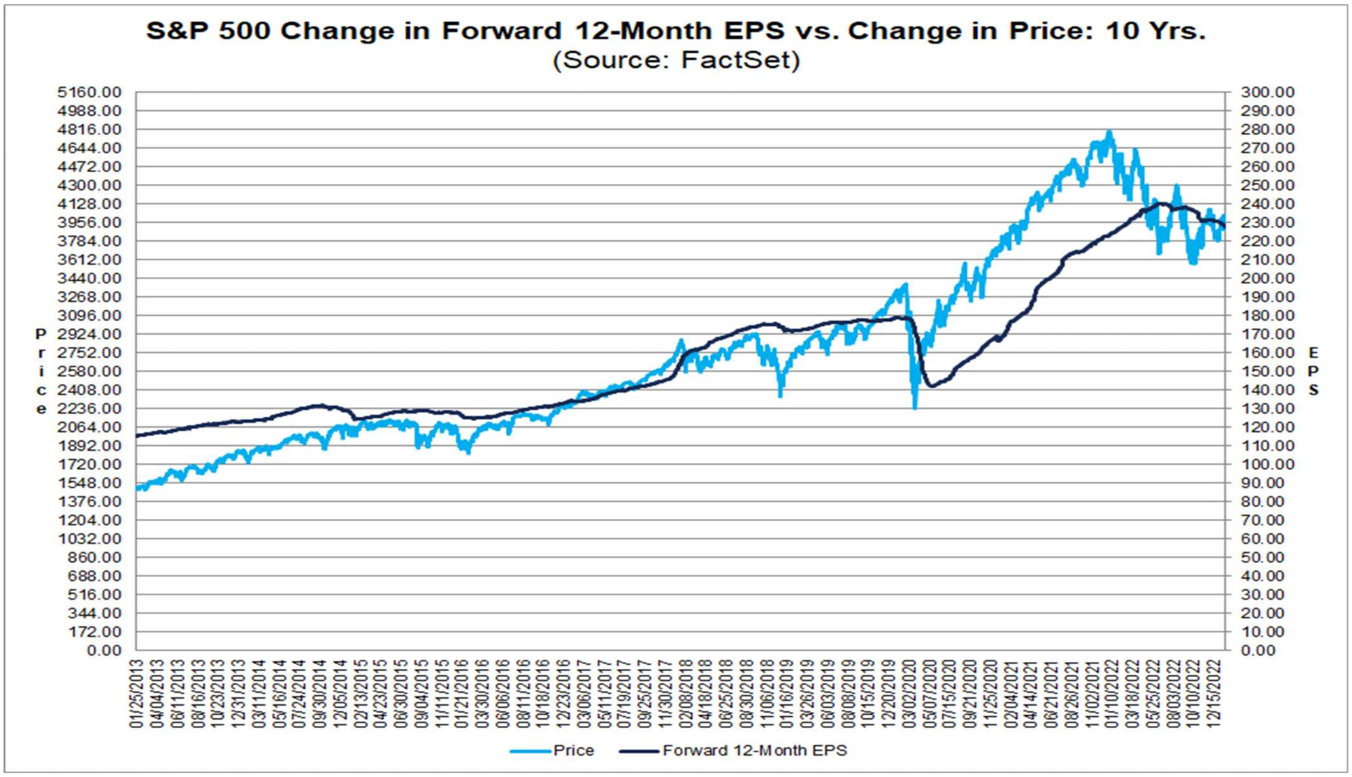
Forward 12M P/E Ratio: Sector Level

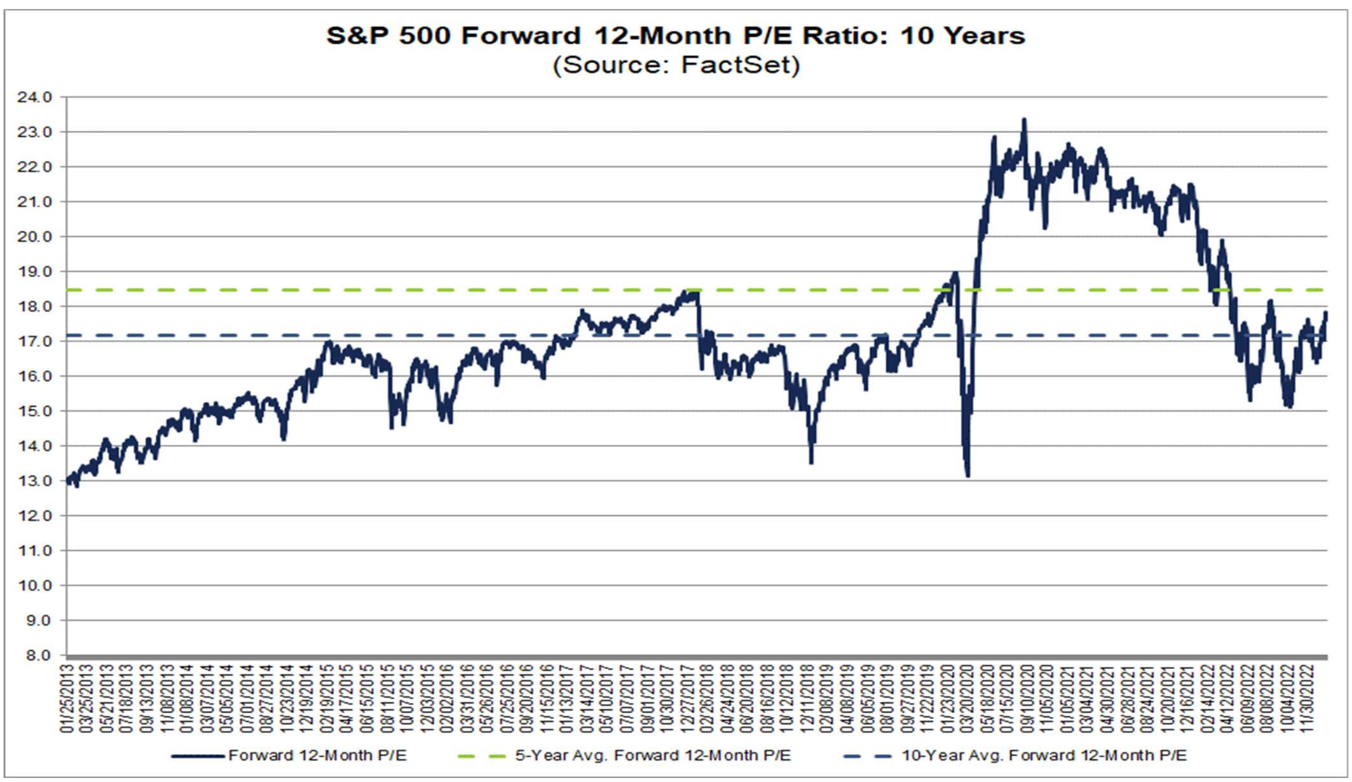


	Consumer Disc.	Info. Technology	Consumer Staples	Industrials	Utilities	Real Estate	S&P 500	Health Care	Materials	Comm. Services	Financials	Energy
Fwd P/E	23.8	22.1	20.3	18.6	18.2	17.9	17.8	17.3	17.0	16.1	13.0	11.1
5-Yr Avg.	26.7	21.9	19.6	19.2	18.6	19.5	18.5	16.0	17.1	17.9	13.0	3.8
10-Yr Avg.	22.3	18.7	19.2	17.6	17.4		17.2	15.9	16.4	15.8	13.0	15.7

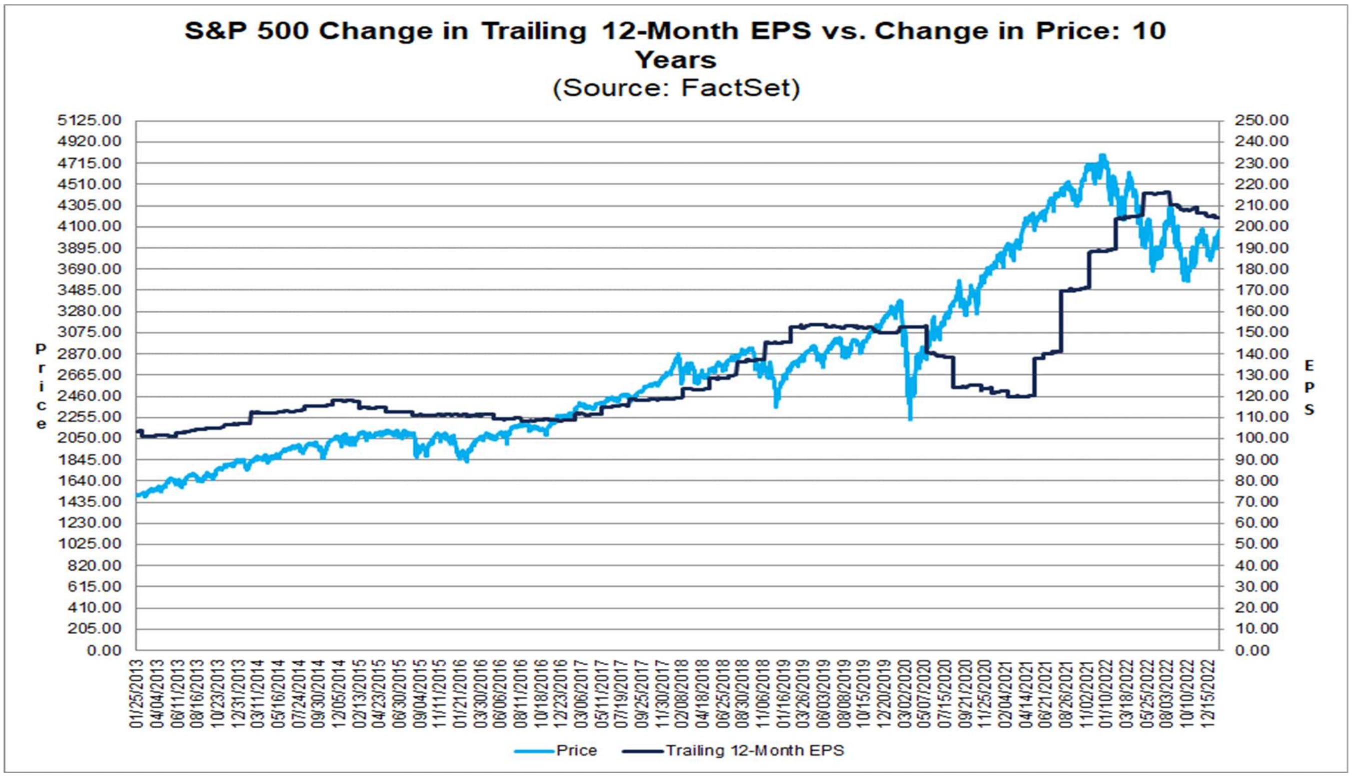


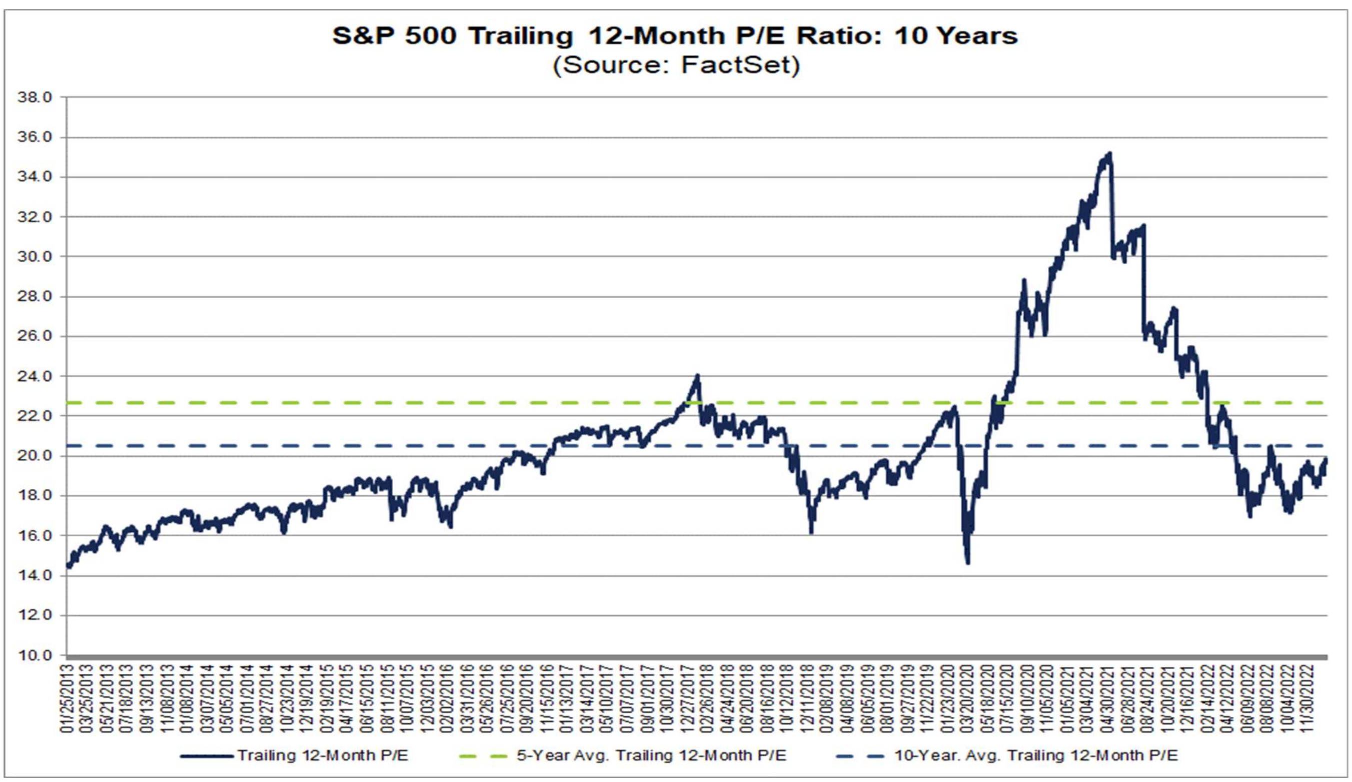
Forward 12M P/E Ratio: 10-Years



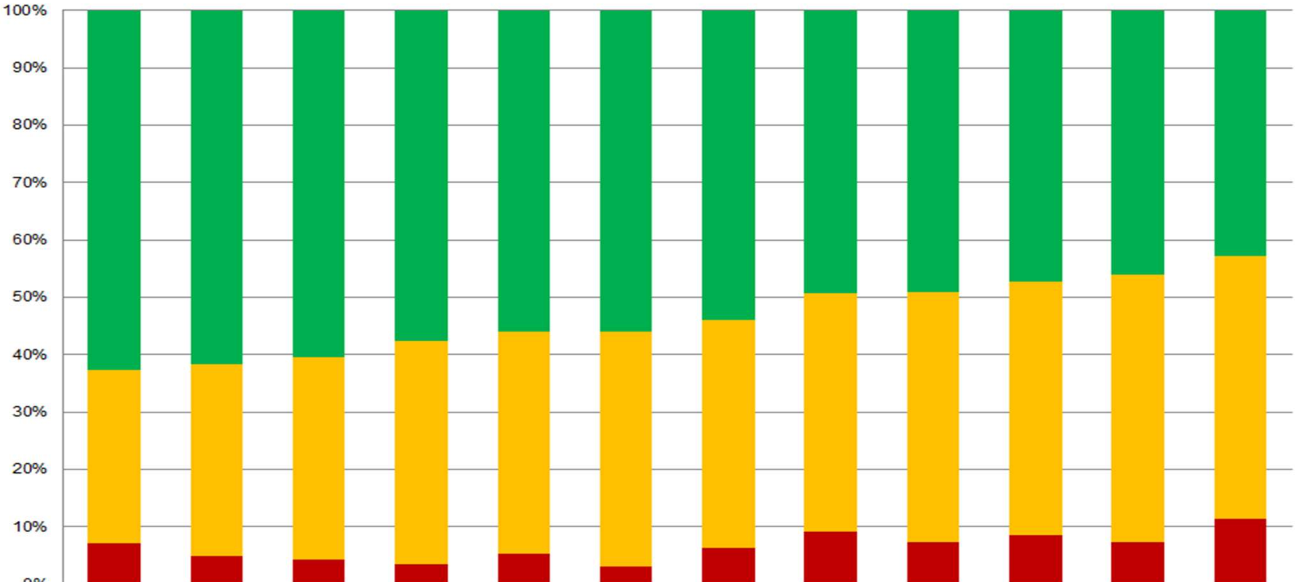


Trailing 12M P/E Ratio: 10-Years

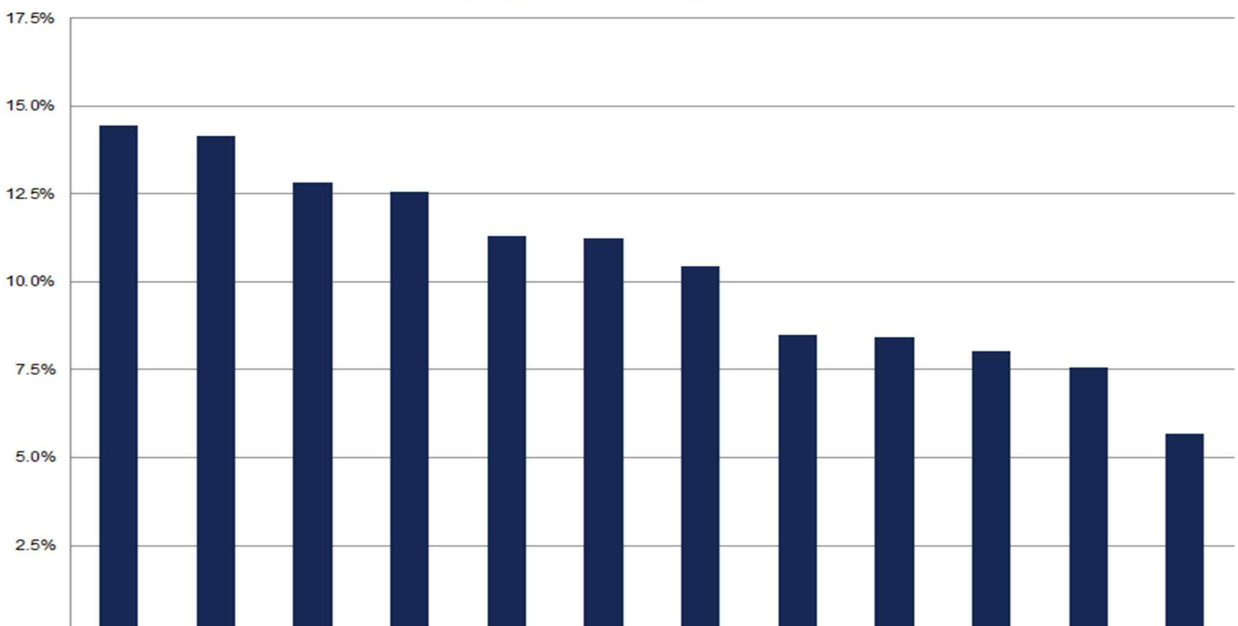




Targets & Ratings



	Comm. Services	Energy	Info. Tech.	Health Care	Consumer Disc.	Real Estate	S&P 500	Utilities	Industrials	Financials	Materials	Consumer Staples
Buy	63%	62%	60%	58%	56%	56%	54%	49%	49%	47%	46%	43%
Hold	30%	33%	35%	39%	39%	41%	40%	42%	44%	44%	47%	46%
Sell	7%	5%	4%	4%	5%	3%	6%	9%	7%	9%	7%	11%



	Consumer Disc.	Comm. Services	Health Care	Info. Tech.	S&P 500	Utilities	Consumer Staples	Financials	Energy	Real Estate	Industrials	Materials
Target/Close	14.4%	14.2%	12.8%	12.6%	11.3%	11.2%	10.4%	8.5%	8.4%	8.0%	7.5%	5.7%

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