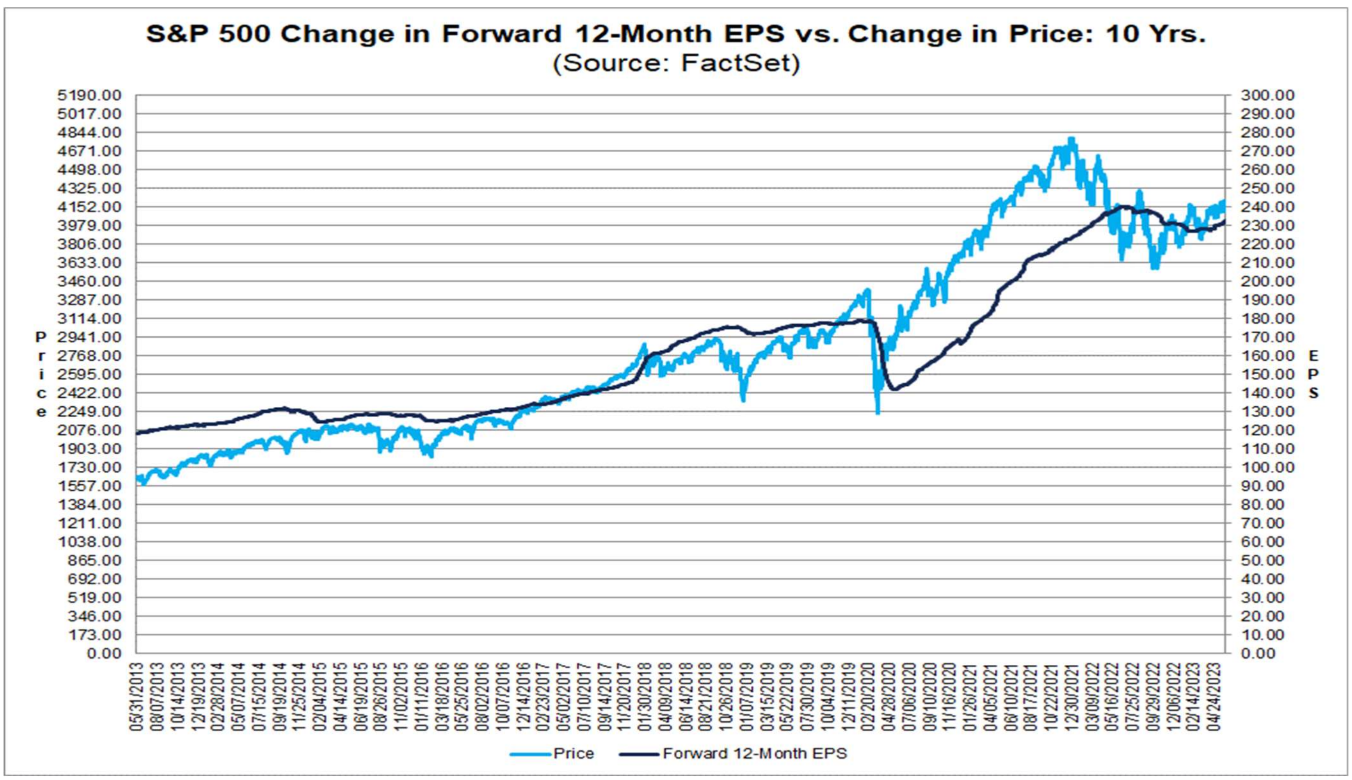
John Butters
VP, Senior Earnings Analyst
jbutters@factset.com

Media Questions/Requests
media_request@factset.com

June 1, 2023

Key Metrics

- **Earnings Scorecard:** For Q1 2023 (with 99% of S&P 500 companies reporting actual results), 78% of S&P 500 companies has reported a positive EPS surprise and 75% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Decline:** For Q1 2023, the blended earnings decline for the S&P 500 is -2.1%. If -2.1% is the actual decline for the quarter, it will mark the second straight quarter that the index has reported a decline in earnings.
- **Earnings Revisions:** On March 31, the estimated earnings decline for Q1 2023 was -6.7%. Ten sectors are reporting higher earnings today (compared to Mar. 31) due to positive EPS surprises.
- **Earnings Guidance:** For Q2 2023, 66 S&P 500 companies have issued negative EPS guidance and 44 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 18.0. This P/E ratio is below the 5-year average (18.6) but above the 10-year average (17.3).



To receive this report via e-mail or view other articles with FactSet content, please go to: https://insight.factset.com/
To learn more about the FactSet difference ("Why FactSet?"), please go to: https://www.factset.com/why-factset

Topic of the Week:

Analysts Making Smaller Cuts Than Average to EPS Estimates for S&P 500 Companies for Q2

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

The answer is no. During the months of April and May, analysts lowered EPS estimates for the second quarter by a smaller margin than average. The Q2 bottom-up EPS estimate (which is an aggregation of the median EPS estimates for Q2 for all the companies in the index) decreased by 2.0% (to $53.28 from $54.38) from March 31 to May 31.

In a typical quarter, analysts usually reduce earnings estimates during the first two months of a quarter. During the past five years (20 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 2.9%. During the past ten years, (40 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 2.8%. During the past fifteen years, (60 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 3.4%. During the past 20 years (80 quarters), the average decline in the bottom-up EPS estimate during the first two months of a quarter has been 2.9%.

Thus, the decline in the bottom-up EPS estimate recorded during the first two months of the second quarter was smaller than the 5-year average, the 10-year average, the 15-year average, and the 20-year average.

At the sector level, nine of the eleven sectors witnessed a decrease in their bottom-up EPS estimate for Q2 2023 from March 31 to May 31, led by the Energy (-12.1%) and Materials (-7.9%) sectors. On the other hand, two sectors recorded an increase in their bottom-up EPS estimate for Q2 2023 during this period: Communication Services (+1.7%) and Information Technology (+1.3%).

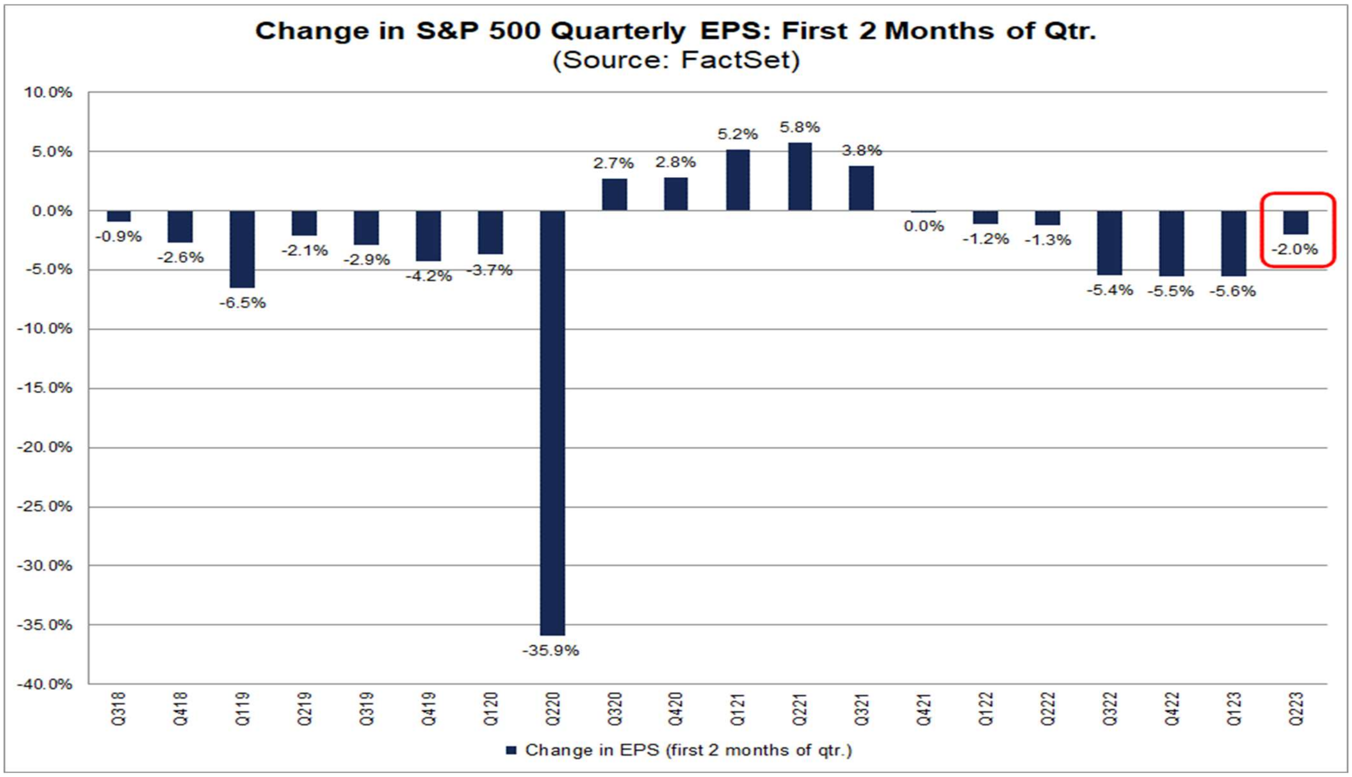
While analysts were lowering EPS estimates in aggregate for the second quarter, they were also decreasing EPS estimates in aggregate for the next two quarters. The bottom-up EPS estimate for the third quarter declined by 0.9% (to $56.37 from $56.87) from March 31 to May 31, while the bottom-up EPS estimate for the fourth quarter declined by 0.6% (to $58.10 from $58.43) during this same period.

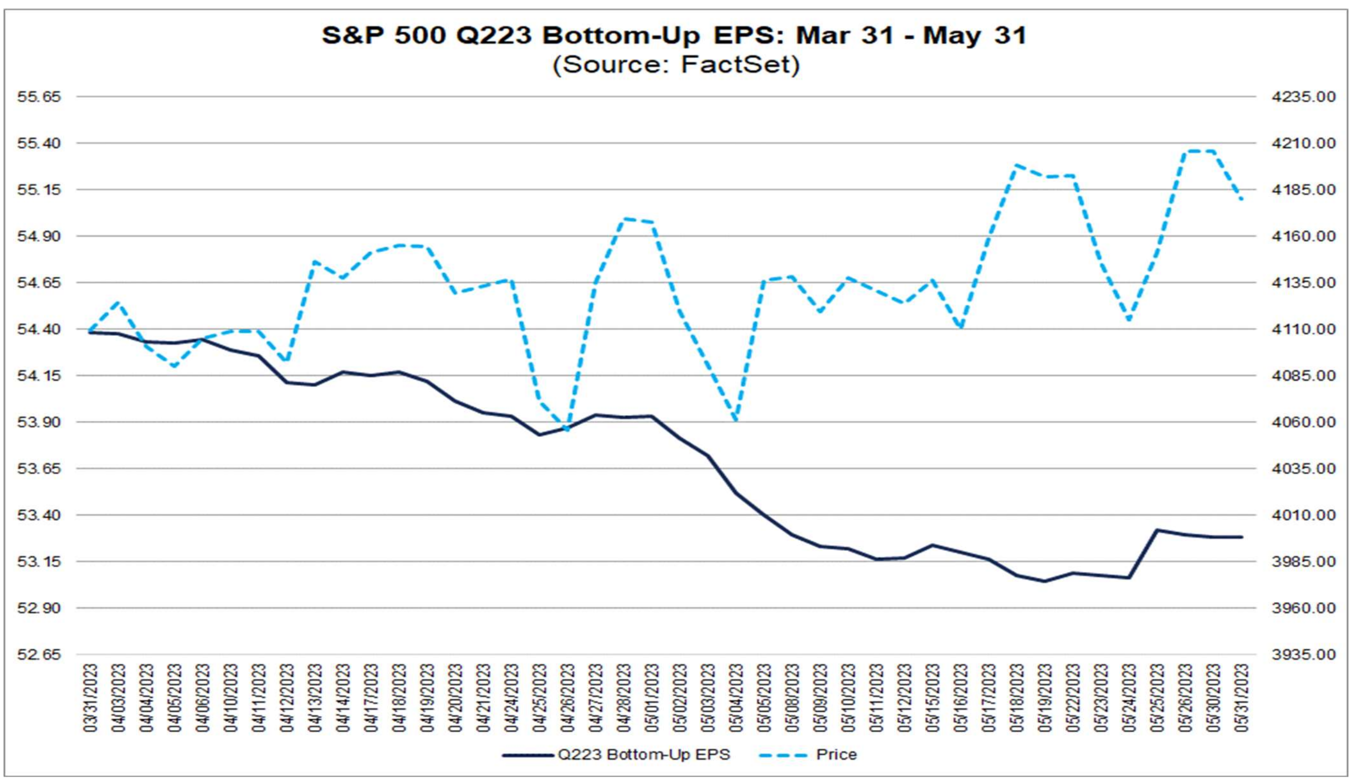
Although analysts lowered EPS estimates in aggregate for the second, third, and fourth quarters during the first two months of the second quarter, they slightly increased EPS estimates in aggregate for all of 2023 during this time. The bottom-up EPS estimate for CY 2023 rose by 0.2% (to $222.05 from $221.51) from March 31 to May 31.

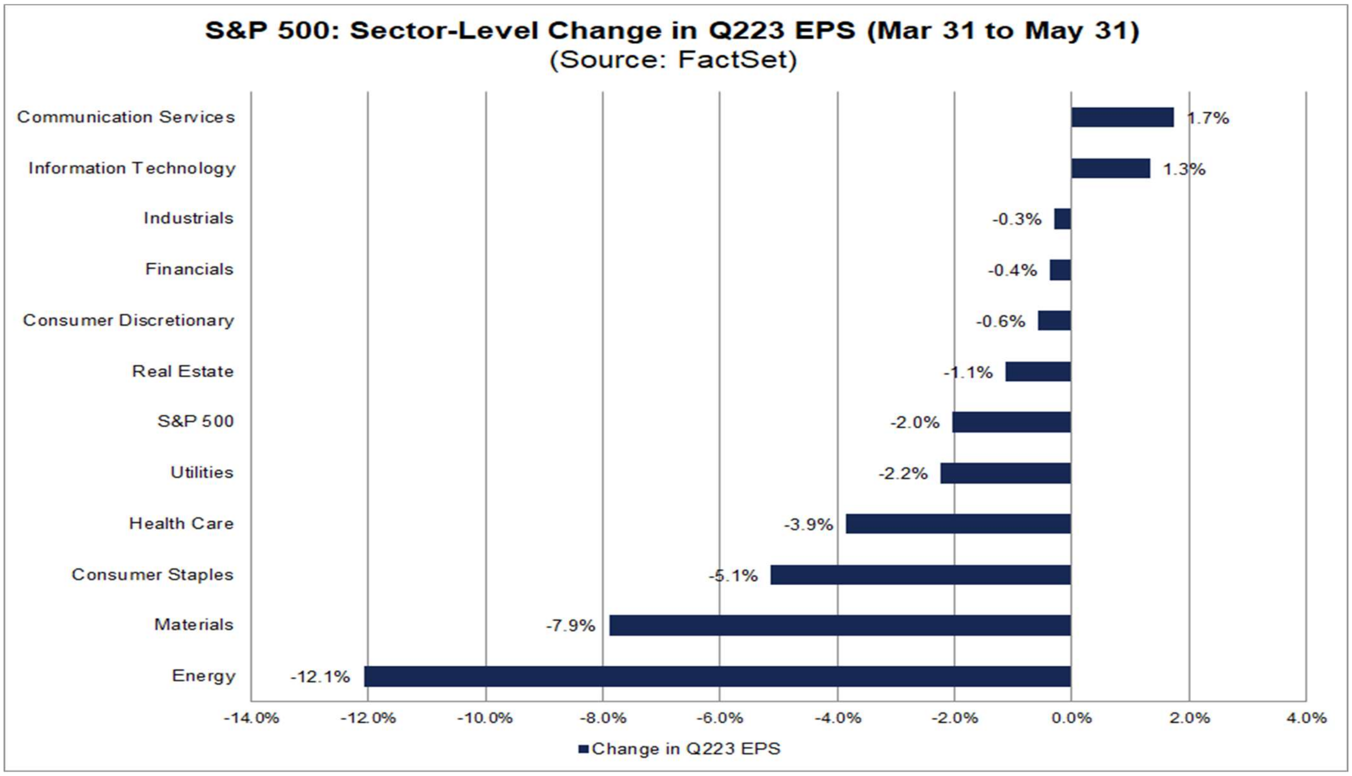
Thus, it appears the declines in the bottom-up EPS estimates for the second, third, and fourth quarters were offset by the larger increase in the bottom-up EPS estimate for the first quarter (+4.9%) due to companies reporting positive earnings surprises, resulting in a small increase in the overall EPS estimate for CY 2023.

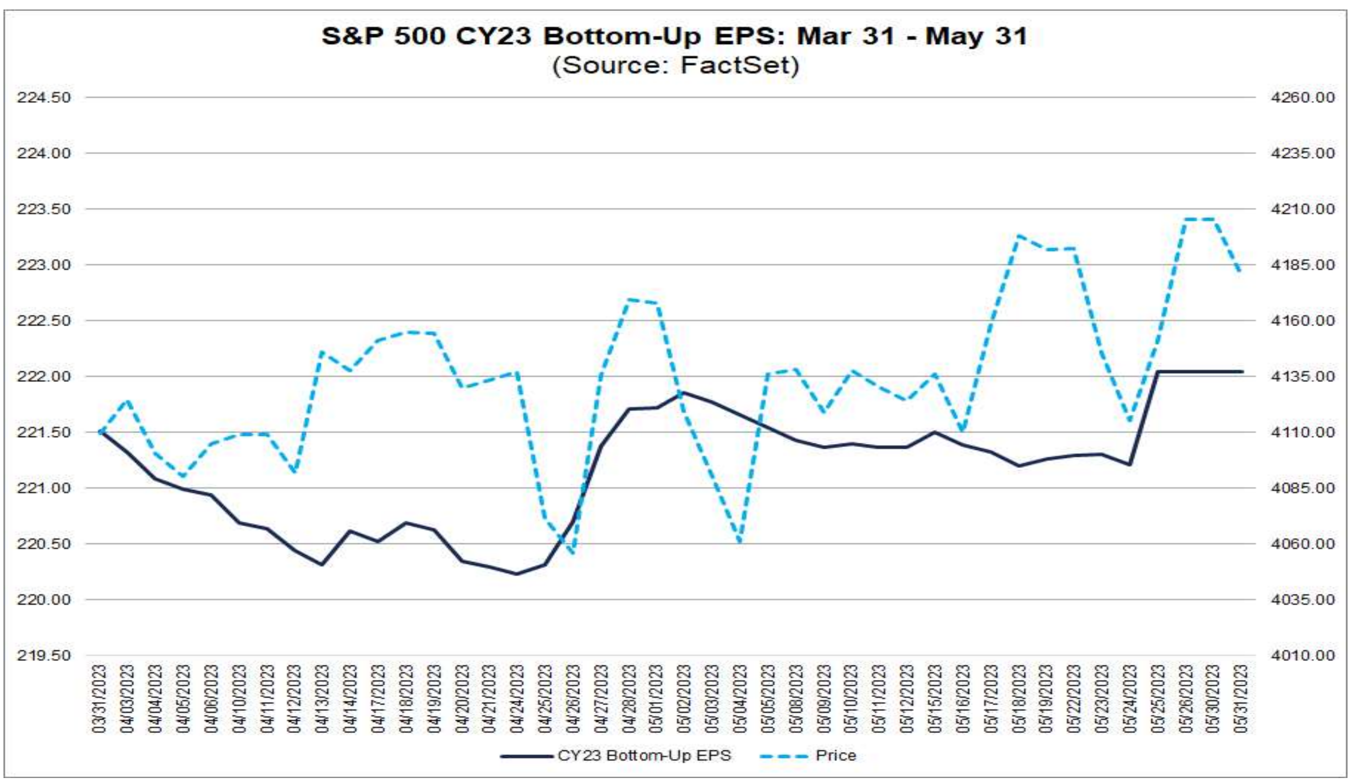
At the sector level, seven sectors witnessed an increase in their bottom-up EPS estimate for CY 2023 from March 31 to May 28, led by the Communication Services (+3.1%), Consumer Discretionary (+2.5%), and Information Technology (+2.0%) sectors. On the other hand, four sectors recorded a decrease in their bottom-up EPS estimate for CY 2023 during this period, led by the Energy (-5.2%) and Materials (-1.8%) sectors.

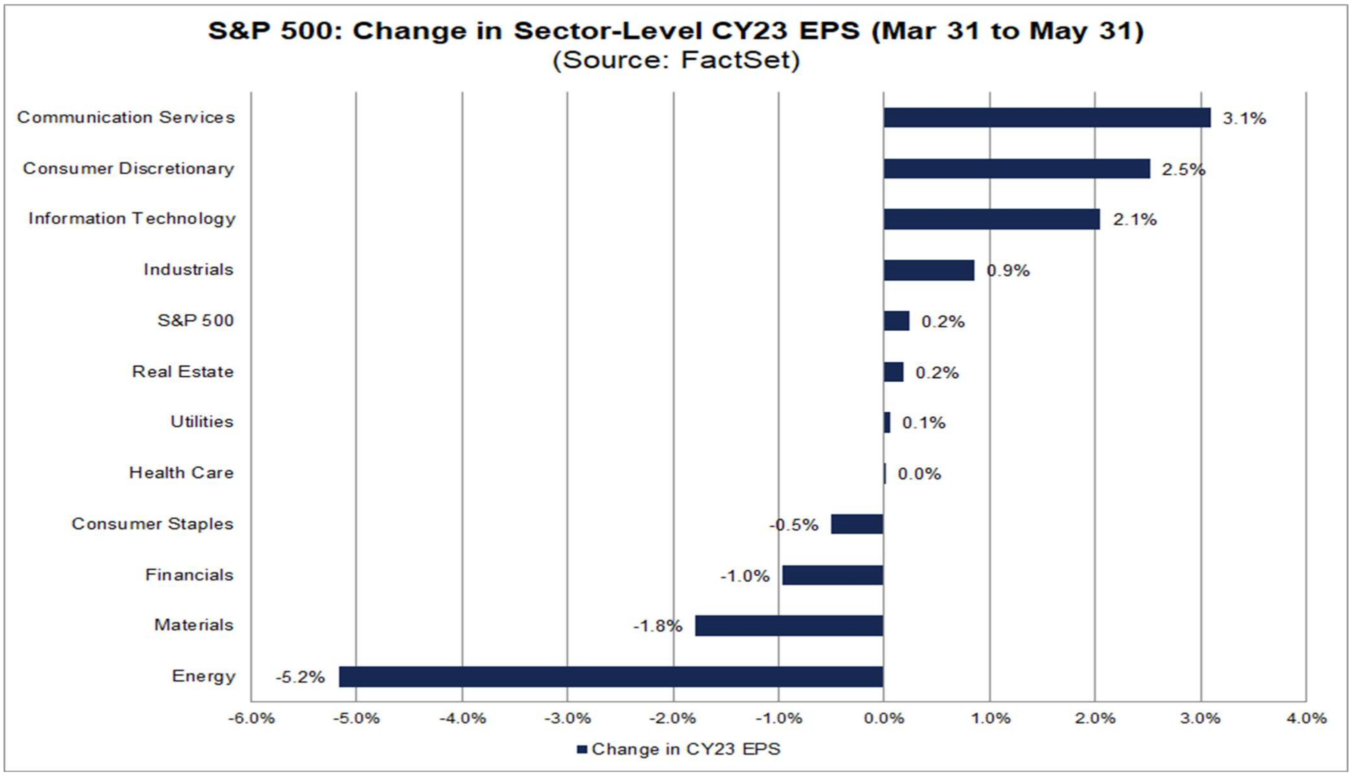
Analysts also did not make substantial downward revisions to EPS estimates for CY 2024 during this period, as the bottom-up EPS estimate for CY 2024 decreased by just 0.3% (to $247.59 from $248.24) from March 31 to May 31.

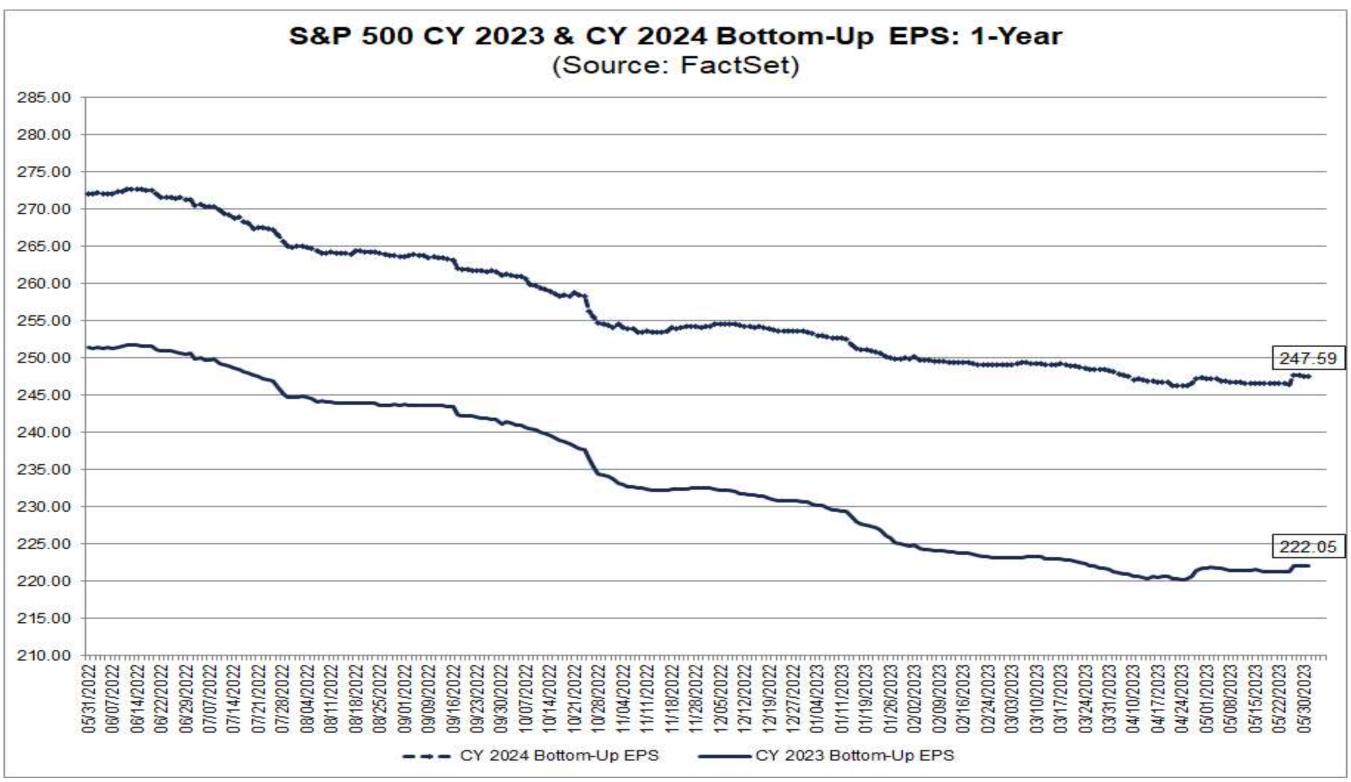

Change in S&P 500 Quarterly EPS: First 2 Months of Qtr.
(Source: FactSet)
10.0%
5.0%
0.0%
-5.0%
-10.0%
-15.0%
-20.0%
-25.0%
-30.0%
-35.0%
-40.0%
-0.9%
-2.6%
-6.5%
-2.1%
-2.9%
-4.2%
-3.7%
-35.9%
2.7%
2.8%
5.2%
5.8%
3.8%
0.0%
-1.2%
-1.3%
-5.4%
-5.5%
-5.6%
-2.0%
Q318
Q418
Q119
Q219
Q319
Q419
Q120
Q220
Q320
Q420
Q121
Q221
Q321
Q421
Q122
Q222
Q322
Q422
Q123
Q223
Change in EPS (first 2 months of qtr.)


S&P 500 Q223 Bottom-Up EPS: Mar 31 - May 31
(Source: FactSet)
55.65
55.40
55.15
54.90
54.65
54.40
54.15
53.90
53.65
53.40
53.15
52.90
52.65
4235.00
4210.00
4185.00
4160.00
4135.00
4110.00
4085.00
4060.00
4035.00
4010.00
3985.00
3960.00
3935.00
03/31/2023
04/03/2023
04/04/2023
04/05/2023
04/06/2023
04/10/2023
04/11/2023
04/12/2023
04/13/2023
04/14/2023
04/17/2023
04/18/2023
04/19/2023
04/20/2023
04/21/2023
04/24/2023
04/25/2023
04/26/2023
04/27/2023
04/28/2023
05/01/2023
05/02/2023
05/03/2023
05/04/2023
05/05/2023
05/08/2023
05/09/2023
05/10/2023
05/11/2023
05/12/2023
05/15/2023
05/16/2023
05/17/2023
05/18/2023
05/19/2023
05/22/2023
05/23/2023
05/24/2023
05/25/2023
05/26/2023
05/30/2023
05/31/2023
Q223 Bottom-Up EPS
Price


S&P 500: Sector-Level Change in Q223 EPS (Mar 31 to May 31)
(Source: FactSet)
Communication Services
Information Technology
Industrials
Financials
Consumer Discretionary
Real Estate
S&P 500
Utilities
Health Care
Consumer Staples
Materials
Energy
1.7%
1.3%
-0.3%
-0.4%
-0.6%
-1.1%
-2.0%
-2.2%
-3.9%
-5.1%
-7.9%
-12.1%
-14.0%
-12.0%
-10.0%
-8.0%
-6.0%
-4.0%
-2.0%
0.0%
2.0%
4.0%
Change in Q223 EPS


S&P 500 CY23 Bottom-Up EPS: Mar 31 - May 31
(Source: FactSet)
224.50
224.00
223.50
223.00
222.50
222.00
221.50
221.00
220.50
220.00
219.50
4260.00
4235.00
4210.00
4185.00
4160.00
4135.00
4110.00
4085.00
4060.00
4035.00
4010.00
03/31/2023
04/03/2023
04/04/2023
04/05/2023
04/06/2023
04/10/2023
04/11/2023
04/12/2023
04/13/2023
04/14/2023
04/17/2023
04/18/2023
04/19/2023
04/20/2023
04/21/2023
04/24/2023
04/25/2023
04/26/2023
04/27/2023
04/28/2023
05/01/2023
05/02/2023
05/03/2023
05/04/2023
05/05/2023
05/08/2023
05/09/2023
05/10/2023
05/11/2023
05/12/2023
05/15/2023
05/16/2023
05/17/2023
05/18/2023
05/19/2023
05/22/2023
05/23/2023
05/24/2023
05/25/2023
05/26/2023
05/30/2023
05/31/2023
CY23 Bottom-Up EPS
Price


S&P 500: Change in Sector-Level CY23 EPS (Mar 31 to May 31)
(Source: FactSet)
Communication Services
Consumer Discretionary
Information Technology
Industrials
S&P 500
Real Estate
Utilities
Health Care
Consumer Staples
Financials
Materials
Energy
3.1%
2.5%
2.1%
0.9%
0.2%
0.2%
0.1%
0.0%
-0.5%
-1.0%
-1.8%
-5.2%
-6.0%
-5.0%
-4.0%
-3.0%
-2.0%
-1.0%
0.0%
1.0%
2.0%
3.0%
4.0%
Change in CY23 EPS


S&P 500 CY 2023 & CY 2024 Bottom-Up EPS: 1-Year
(Source: FactSet)
285.00
280.00
275.00
270.00
265.00
260.00
255.00
250.00
245.00
240.00
235.00
230.00
225.00
220.00
215.00
210.00
247.59
222.05
05/31/2022
06/07/2022
06/14/2022
06/22/2022
06/29/2022
07/07/2022
07/14/2022
07/21/2022
07/28/2022
08/04/2022
08/11/2022
08/18/2022
08/25/2022
09/01/2022
09/09/2022
09/16/2022
09/23/2022
09/30/2022
10/07/2022
10/14/2022
10/21/2022
10/28/2022
11/04/2022
11/11/2022
11/18/2022
11/28/2022
12/05/2022
12/12/2022
12/19/2022
12/27/2022
01/04/2023
01/11/2023
01/19/2023
01/26/2023
02/02/2023
02/09/2023
02/16/2023
02/24/2023
03/03/2023
03/10/2023
03/17/2023
03/24/2023
03/31/2023
04/10/2023
04/17/2023
04/24/2023
05/01/2023
05/08/2023
05/15/2023
05/22/2023
05/30/2023
CY 2024 Bottom-Up EPS
CY 2023 Bottom-Up EPS

Q1 Earnings Season: By The Numbers

Overview

At this late stage of the Q1 2023 earnings season, S&P 500 companies are recording their best performance relative to analyst expectations since Q4 2021. Both the number of companies reporting positive EPS surprises and the magnitude of these earnings surprises are above their 10-year averages. The index is reporting higher earnings for the first quarter relative to the end of the quarter. However, the index is still reporting a year-over-year decline in earnings for the second straight quarter.

Overall, 99% of the companies in the S&P 500 have reported actual results for Q1 2023 to date. Of these companies, 78% have reported actual EPS above estimates, which is above the 5-year average of 77% and above the 10-year average of 73%. In aggregate, companies are reporting earnings that are 6.5% above estimates, which is below the 5-year average of 8.4% but above the 10-year average of 6.4%.

As a result, the index is reporting higher earnings for the first quarter today relative to the end of the quarter. The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings decline for the first quarter is -2.1% today, compared to an earnings decline of -6.7% at the end of the first quarter (March 31).

Positive earnings surprises reported by companies in multiple sectors (led by the Information Technology, Consumer Discretionary, and Health Care sectors) have led to the decrease in the overall earnings decline for the index since March 31.

If -2.1% is the actual decline for the quarter, it will mark the second straight quarter in which the index has reported a decrease in earnings.

Five of the eleven sectors reported year-over-year earnings growth, led by the Consumer Discretionary and Industrials sectors. On the other hand, six sectors are reporting (or have reported) a year-over-year decline in earnings, led by the Materials and Utilities sectors.

In terms of revenues, 75% of S&P 500 companies have reported actual revenues above estimates, which is above the 5-year average of 69% and above the 10-year average of 63%. In aggregate, companies are reporting revenues that are 2.4% above the estimates, which is above the 5-year average of 2.0% and above the 10-year average of 1.3%.

As a result, the index is also reporting higher revenues for the first quarter today relative to the end of the quarter. The blended revenue growth rate for the first quarter is 4.1% today, compared to a revenue growth rate of 1.9% at the end of the first quarter (March 31).

Positive revenue surprises reported by companies in multiple sectors (led by the Health Care, Utilities, and Financials sectors) have led to the increase in the overall revenue growth rate for the index since March 31.

If 4.1% 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 (or have reported) year-over-year growth in revenues, led by the Utilities and Financials sectors. On the other hand, three sectors are reporting (or have reported) a year-over-year decline in revenues, led by the Materials sector.

Looking ahead, analysts still expect earnings growth for the second half of 2023. For Q2 2023, analysts are projecting an earnings decline of -6.4%. For Q3 2023 and Q4 2023, analysts are projecting earnings growth of 0.9% and 8.3%, respectively. For all of CY 2023, analysts predict earnings growth of 1.2%.

The forward 12-month P/E ratio is 18.0, which is below the 5-year average (18.6) but above the 10-year average (17.3). It is also below the forward P/E ratio of 18.1 recorded at the end of the first quarter (March 31).

During the upcoming week, three S&P 500 companies are scheduled to report results for the first quarter.

Scorecard: Number and Magnitude of Positive EPS Surprises Are Above 10-Year Averages

Percentage of Companies Beating EPS Estimates (78%) is Above 5-Year Average

Overall, 99% of the companies in the S&P 500 have reported earnings to date for the first quarter. Of these companies, 78% have reported actual EPS above the mean EPS estimate, 4% have reported actual EPS equal to the mean EPS estimate, and 18% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is above the 1-year average (73%), above the 5-year average (77%), and above the 10-year average (73%).

At the sector level, the Energy (87%), Industrials (86%), and Information Technology (86%) sectors have the highest percentages of companies reporting earnings above estimates, while the Utilities (60%) and Financials (64%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (+6.5%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 6.5% above expectations. This surprise percentage is above the 1-year average (+2.8%), below the 5-year average (+8.4%), and above the 10-year average (6.4%).

The Materials (+17.6%) sector reported the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Martin Marietta Materials ($2.16 vs. $0.98), Dow ($0.58 vs. $0.36), Vulcan Materials ($0.95 vs. $0.61), and WestRock Company ($0.77 vs. $0.50) reported the largest positive EPS surprises.

The Consumer Discretionary (+17.2%) sector reported the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Wynn Resorts ($0.29 vs. $0.04), MGM Resorts ($0.44 vs. $0.06), CarMax ($0.44 vs. $0.20), Royal Caribbean Group (-$0.23 vs. -$0.69), and Ford Motor ($0.63 vs. $0.42) reported the largest positive EPS surprises.

The Industrials (+10.8%) sector reported the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, General Electric ($0.27 vs. $0.14), Cummins ($6.70 vs. $4.72), Masco Corporation ($0.87 vs. $0.63), Generac Holdings ($0.63 vs. $0.48), American Airlines Group ($0.05 vs. $0.04), and Caterpillar ($4.91 vs. $3.80) reported the largest positive EPS surprises.

The Energy (+7.9%) sector reported the fourth-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, EQT Corporation ($1.70 vs. $1.30), Coterra Energy ($0.87 vs. $0.70), Williams Companies ($0.56 vs. $0.47), and Phillips 66 ($4.21 vs. $3.56) reported the largest positive EPS surprises.

On the other hand, the Utilities (-11.4%) sector reported the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, NRG Energy (-$6.67 vs. $0.49), Pinnacle West Capital (-$0.03 vs. $0.01), and Constellation Energy ($0.29 vs. $1.09) reported the largest negative EPS surprises.

Market Rewarding Positive EPS Surprises Less Than Average

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

Companies that have reported positive earnings surprises for Q1 2023 have seen an average price increase of +0.4% two days before the earnings release through two days after the earnings release. This percentage decrease is below the 5-year average price increase of +1.0% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q1 2023 have seen an average price decrease of -4.2% two days before the earnings release through two days after the earnings. This percentage decrease is larger than the 5-year average price decrease of -2.2% during this same window for companies reporting negative earnings surprises.

Percentage of Companies Beating Revenue Estimates (75%) is Above 5-Year Average

In terms of revenues, 75% of companies have reported actual revenues above estimated revenues and 25% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is above the 1-year average (70%), above the 5-year average (69%), and above the 10-year average (63%).

At the sector level, the Utilities (90%), Information Technology (83%), and Consumer Discretionary (83%) sectors have the highest percentages of companies reporting revenues above estimates, while the Materials (52%) sector has the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+2.4%) is Above 5-Year Average

In aggregate, companies are reporting revenues that are 2.4% above expectations. This surprise percentage is below the 1-year average (+2.5%), but above the 5-year average (+2.0%) and above the 10-year average (+1.3%).

At the sector level, the Utilities (+14.6%) sector reported the largest positive (aggregate) difference between actual revenues and estimated revenues, while the Materials (+0.5%) sector reported the smallest positive (aggregate) difference between actual revenues and estimated revenues.

Revisions: Decrease in Blended Earnings Decline Since March 31 Led by Information Technology

No Change in Blended Earnings Decline This Week

The blended (year-over-year) earnings decline for the first quarter is -2.1%, which is equal to the earnings decline of -2.1% last week.

No Change in Blended Revenue Growth Rate This Week

The blended (year-over-year) revenue growth rate for the first quarter is 4.1%, which is equal to the revenue growth rate of 4.1% last week.

Information Technology Sector Has Seen Largest Increase in Earnings since March 31

The blended (year-over-year) earnings decline for Q1 2023 of -2.1% is smaller than the estimate of -6.7% at the end of the first quarter (March 31). Ten 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 Consumer Discretionary (to 54.3% from 33.8%) sector. The Information Technology, Consumer Discretionary, and Health Care sectors have been the largest contributors to the increase in earnings for the index since March 31. On the other hand, the Utilities (to -22.3% from -8.5%) is the only sector that recorded a decrease in its earnings growth rate or an increase in its earnings decline during this period.

In the Information Technology sector, the positive EPS surprises reported by Microsoft ($2.45 vs. $2.24), Apple ($1.52 vs. $1.43), Intel (-$0.04 vs. -$0.16), and NVIDIA ($1.09 vs. $0.92) have been substantial contributors to the decrease in the earnings decline for the index since March 31. As a result, the blended earnings decline for the Information Technology sector improved to -9.6% from -15.1% over this period.

In the Consumer Discretionary sector, the positive EPS surprises reported by Amazon.com ($0.31 vs. $0.21), Ford Motor ($0.63 vs. $0.42), and General Motors ($2.21 vs. $1.72) have been significant contributors to the decrease in the earnings decline for the index since March 31. As a result, the blended earnings growth rate for the Consumer Discretionary sector has improved to 54.3% from 33.8% over this period.

In the Health Care sector, the positive EPS surprises reported by Pfizer ($1.23 vs. $0.98), Moderna ($0.19 vs. -$1.75), and Johnson & Johnson ($2.68 vs. $2.50) have been substantial contributors to the decrease in the earnings decline for the index since March 31. As a result, the blended earnings decline for the Health Care sector improved to -16.3% from -20.5% over this period.

In the Utilities sector, the negative EPS surprise reported by NRG Energy (-$6.67 vs. $0.49) has been a significant detractor to the decrease in the earnings decline for the index since March 31. As a result, the blended earnings decline for the Utilities sector increased to -22.3% from -8.5% over this period.

Health Care Sector Has Seen Largest Increase in Revenues since March 31

The blended (year-over-year) revenue growth rate for Q1 2023 of 4.1% is above the estimate of 1.9% at the end of the first quarter (March 31). All eleven sectors have recorded an increase in their revenue growth rate or a decrease in their revenue decline since the end of the quarter due to upward revisions to revenue estimates and positive revenue surprises, led by the Utilities (to 13.1% from -2.4%) sector. The Health Care, Utilities, and Financials sectors have been the largest contributors to the increase in revenues for the index since March 31.

In the Health Care sector, the positive revenue surprises reported by CVS Health ($85.28 billion vs. $80.69 billion), AmerisourceBergen ($63.46 billion vs. $60.46 billion), Centene Corporation ($38.90 billion vs. $36.14 billion), and UnitedHealth Group ($91.93 billion vs. $89.71 billion) have been substantial contributors to the increase in the revenue growth rate for the index since March 31. As a result, the blended revenue growth rate for the Health Care sector has increased to 4.0% from 0.9% over this period.

In the Utilities sector, the positive revenue surprises reported by NRG Energy ($7.72 billion vs. $2.65 billion) and Sempra Energy ($6.56 billion vs. $3.95 billion) have been significant contributors to the increase in the revenue growth rate for the index since March 31. As a result, the blended revenue growth rate for the Utilities sector has increased to 13.1% from -2.4% over this period.

In the Financials sector, the positive revenue surprise reported by JPMorgan Chase ($38.35 billion vs. $36.12 billion) has been a substantial contributor to the increase in the revenue growth rate for the index since March 31. As a result, the blended revenue growth rate for the Financials sector has increased to 11.4% from 9.2% over this period.

Earnings Decline: -2.1%

The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report), year-over-year earnings decline for Q1 2023 is -2.1%, which is below the 5-year average earnings growth rate of 13.4% and below the 10-year average earnings growth rate of 8.7%. If -2.1% is the actual decline for the quarter, it will mark the second consecutive quarter in which earnings have declined year-over-year.

Five of the eleven sectors reported year-over-year earnings growth, led by the Consumer Discretionary and Industrials sectors. On the other hand, six sectors are reporting (or have reported) a year-over-year decline in earnings, led by the Materials and Utilities sectors.

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

The Consumer Discretionary sector reported the highest (year-over-year) earnings growth rate of all eleven sectors at 54.3%. At the industry level, 4 of the 9 industries in the sector reported a year-over-year increase in earnings. A growth rate was not calculated for the Hotels, Restaurants, & Leisure and Broadline Retail industries due to the losses reported by both industries in the year-ago quarter. However, both industries reported profits in Q1 2023. The Hotels, Restaurants, & Leisure industry reported a profit of $4.6 billion in Q1 2023 compared to a loss of -$829 million in Q1 2022, while the Broadline Retail industry reported a profit of $3.8 billion in Q1 2023 compared to a loss of -$3.2 billion in Q1 2022. The other two industries that reported earnings growth were the Auto Components (19%) and Automobiles (5%) industries. On the other hand, 5 industries reported a year-over-year decline in earnings. Three of these five industries reported a decrease in earnings of more than 10%: Leisure Products (-98%), Household Durables (-24%), and Textiles, Apparel, & Luxury Goods (-12%).

At the industry level, the Broadline Retail and Hotels, Restaurants, & Leisure industries were the largest contributors to earnings growth for the sector. If these two industries were excluded, the Consumer Discretionary sector would have reported a (year-over-year) decline in earnings of -6.1% instead of year-over-year earnings growth of 54.3%.

At the company level, Amazon.com is the largest contributor to earnings growth for the sector. If this company were excluded, the blended earnings growth rate for the sector would fall to 16.3% from 54.3%.

Industrials: Passenger Airlines Industry Was Largest Contributor to Year-Over-Year Growth

The Industrials sector reported the second-highest (year-over-year) earnings growth rate of all eleven sectors at 22.5%. At the industry level, 9 of the 12 industries in the sector reported a year-over-year increase in earnings. A growth rate was not calculated for the Passenger Airlines industry due to the loss reported by the industry in the year-ago quarter. However, this industry reported a much smaller loss in Q1 2023 (-$253 million) compared to Q1 2022 (-$4.0 billion). Four of the remaining eight industries reported earnings growth at or above 10%: Machinery (32%), Trading Companies & Distributors (27%), Aerospace & Defense (18%), and Commercial Services & Supplies (10%) On the other hand, 3 industries reported a year-over-year decline in earnings, led by the Air Freight & Logistics (-31%) industry.

At the industry level, the Passenger Airlines industry was the largest contributor to earnings growth for the sector. If this industry were excluded, the blended earnings growth rate for the Industrials sector would fall to 8.4% from 22.5%.

Materials: 3 of 4 Industries Reported a Year-Over-Year Decline of More Than 15%

The Materials sector reported the largest (year-over-year) earnings decline of all eleven sectors at -25.3%. At the industry level, three of the four industries in this sector reported a year-over-year decline in earnings of more than 15%: Metals & Mining (-46%), Containers & Packaging (-26%), and Chemicals (-16%). On the other hand, the Construction Materials (115%) industry is the only industry in the sector that reported (year-over-year) earnings growth.

Utilities: NRG Energy Was Largest Contributor to Year-Over-Year Decline

The Utilities sector reported the second-largest (year-over-year) earnings decline of all eleven sectors at -22.3%. At the industry level, two of the five industries in this sector reported a year-over-year decline in earnings: Electric Utilities (-33%) and Multi-Utilities (-6%). On the other hand, three industries reported year-over-year earnings growth: Water Utilities (12%), Gas Utilities (12%), and Independent Power And Renewable Electricity Producers (5%).

At the company level, NRG Energy was the largest contributor to the earnings decline for the sector. If this company were excluded, the blended earnings decline for the sector would improve to -1.4% from -22.3%.

Revenue Growth: 4.1%

The blended (year-over-year) revenue growth rate for Q1 2023 is 4.1%, which is below the 5-year average revenue growth rate of 7.9% and below the 10-year average revenue growth rate of 4.9%. If 4.1% 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%).

At the sector level, eight sectors are reporting (or have reported) year-over-year growth in revenues, led by the Utilities and Financials sectors. On the other hand, three sectors are reporting (or have reported) a year-over-year decline in revenues, led by the Materials sector.

Utilities: 4 of 5 Industries Reported Year-Over-Year Growth Above 10%

The Utilities sector reported the highest (year-over-year) revenue growth rate of all eleven sectors at 13.1%. At the industry level, four of the five industries in this sector reported year-over-year growth in revenues above 10%: Multi-Utilities (16%), Independent Power And Renewable Electricity Producers (14%), Electric Utilities (12%), and Water Utilities (11%). On the other hand, the Gas Utilities (-7%) industry was the only industry in the sector that reported a year-over-year decline in earnings.

At the company level, NRG Energy and Sempra Energy were the largest contributors to the revenue growth for the sector. If these two companies were excluded, the blended revenue growth rate for the sector would fall to 7.2% from 13.1%.

Financials: 3 of 5 Industries Reported Year-Over-Year Growth Above 15%

The Financials sector reported the second-highest (year-over-year) revenue growth rate of all eleven sectors at 11.4%. At the industry level, four of the five industries in the sector reported year-over-year growth in revenues. Three of these four industries reported revenue growth above 15%: Banks (18%), Consumer Finance (18%), and Financial Services (17%). On the other hand, the Capital Markets industry (-1%) is the only industry that reported a year-over-year decline in revenues.

Materials: Metals & Mining Industry Led Year-Over-Year Decline

The Materials sector reported the largest (year-over-year) decline in revenues at -7.7%. At the industry level, three of the four industries in the sector reported a year-over-year decrease in revenues: Metals & Mining (-16%), Chemicals (-7%), and Containers & Packaging (-5%). On the other hand, the Construction Materials (11%) industry is the only industry that reported year-over-year growth in revenues.

Net Profit Margin: 11.5%

The blended net profit margin for the S&P 500 for Q1 2023 is 11.5%, which is above the previous quarter's net profit margin of 11.3% and above the 5-year average of 11.4%, but below the year-ago net profit margin of 12.2%.

At the sector level, three sectors reported a year-over-year increase in their net profit margins in Q1 2023 compared to Q1 2022, led by the Energy (to 12.4% vs. 10.4%) and Consumer Discretionary (6.6% vs. 4.7%) sectors. On the other hand, eight sectors are reporting (or have reported) a year-over-year decrease in their net profit margins in Q1 2023 compared to Q1 2022, led by the Utilities (10.3% vs. 15.0%) sector.

Six sectors reported net profit margins in Q1 2023 that were above their 5-year averages, led by the Energy (12.4% vs. 7.9%) sector. On the other hand, five sectors are reporting (or have reported) net profit margins in Q1 2023 that are below their 5-year averages, led by the Utilities (10.3% vs. 13.4%) sector.

Looking Ahead: Forward Estimates and Valuation

Quarterly Guidance: % of S&P 500 Companies Issuing Negative Guidance for Q2 Above 5-Yr. Average

At this point in time, 110 companies in the index have issued EPS guidance for Q2 2023. Of these 110 companies, 66 have issued negative EPS guidance and 44 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q2 2023 is 60% (66 out of 110), which is above the 5-year average of 59% but below the 10-year average of 66%.

At this point in time, 266 companies in the index have issued EPS guidance for the current fiscal year (FY 2023 or FY 2024). Of these 266 companies, 110 have issued negative EPS guidance and 156 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 41% (110 out of 266).

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

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

For the first quarter, S&P 500 companies are reporting a year-over-year earnings decline of -2.1% and revenue growth of 4.1%.

For Q2 2023, analysts are projecting an earnings decline of -6.4% and a revenue decline of -0.3%.

For Q3 2023, analysts are projecting earnings growth of 0.9% and revenue growth of 1.2%.

For Q4 2023, analysts are projecting earnings growth of 8.3% and revenue growth of 3.5%.

For CY 2023, analysts are projecting earnings growth of 1.2% and revenue growth of 2.4%.

Valuation: Forward P/E Ratio is 18.0, Above the 10-Year Average (17.3)

The forward 12-month P/E ratio for the S&P 500 is 18.0. This P/E ratio is below the 5-year average of 18.6 but above the 10-year average of 17.3. It is also slightly below the forward 12-month P/E ratio of 18.1 recorded at the end of the first quarter (March 31). Since the end of the first quarter (March 31), the price of the index has increased by 1.7%, while the forward 12-month EPS estimate has increased by 2.0%. At the sector level, the Information Technology (26.1) and Consumer Discretionary (24.4) sectors have the highest forward 12-month P/E ratios, while the Energy (9.9) and Financials (12.6) sectors have the lowest forward 12-month P/E ratios.

The trailing 12-month P/E ratio is 21.2, which is below the 5-year average of 22.5 but above the 10-year average of 20.7.

Targets & Ratings: Analysts Project 14% Increase in Price Over Next 12 Months

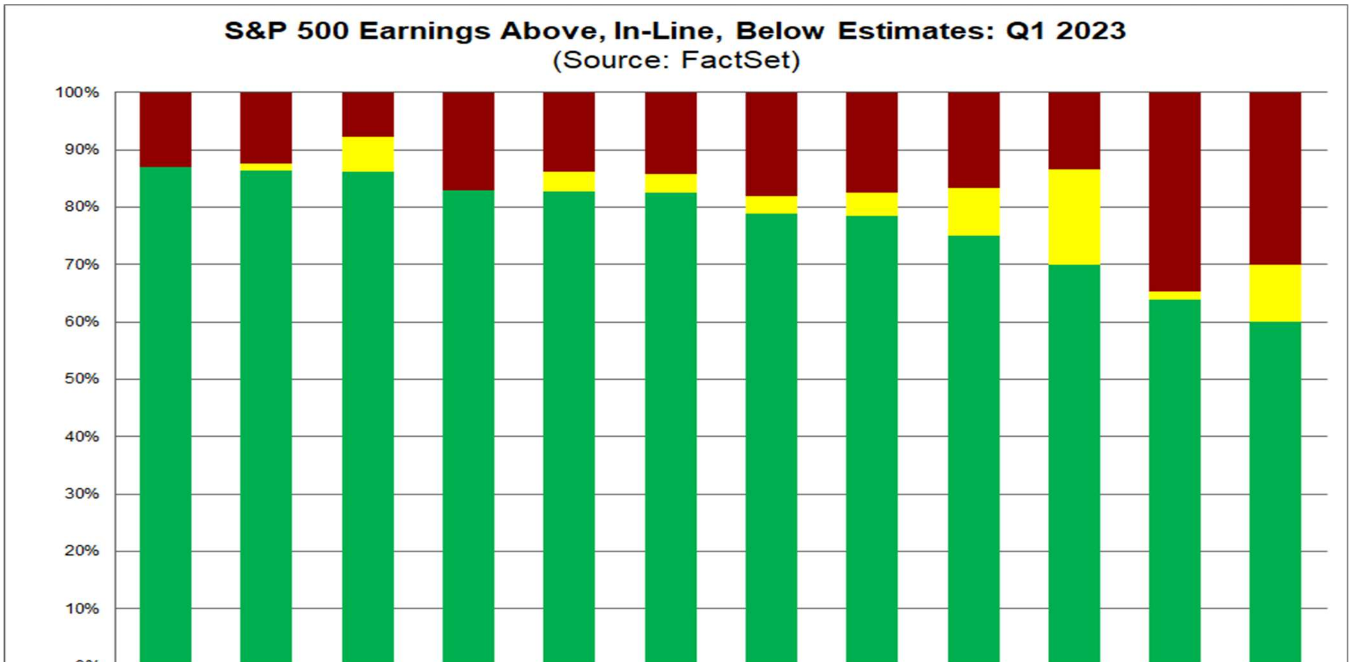
The bottom-up target price for the S&P 500 is 4755.85, which is 13.8% above the closing price of 4179.83. At the sector level, the Energy (+29.7%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Information Technology (+5.2%) sector is expected to see the smallest price increase, as this sector has the smallest upside difference between the bottom-up target price and the closing price.

Overall, there are 10,941 ratings on stocks in the S&P 500. Of these 10,941 ratings, 54.8% are Buy ratings, 39.3% are Hold ratings, and 5.9% are Sell ratings. At the sector level, the Energy (64%), Communication Services (62%), and Information Technology (60%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (45%) sector has the lowest percentage of Buy ratings.

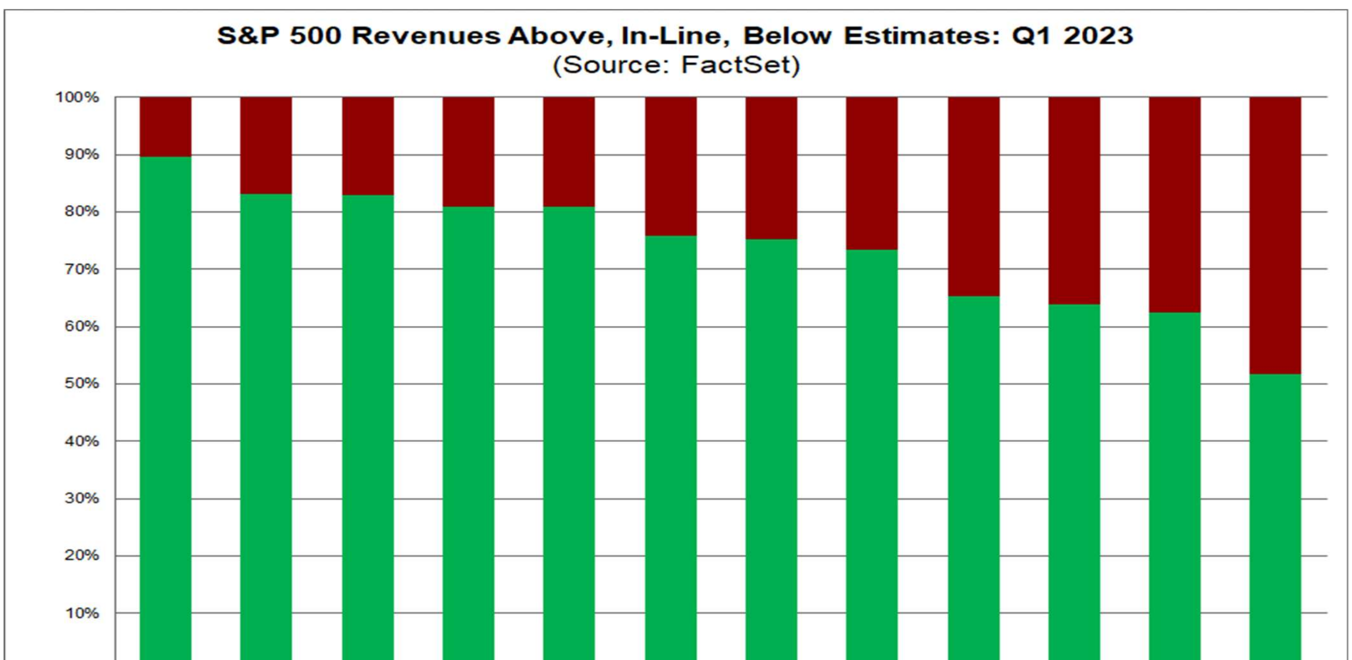
Companies Reporting Next Week: 3

During the upcoming week, three S&P 500 companies are scheduled to report results for the first quarter.

Q1 2023: Scorecard

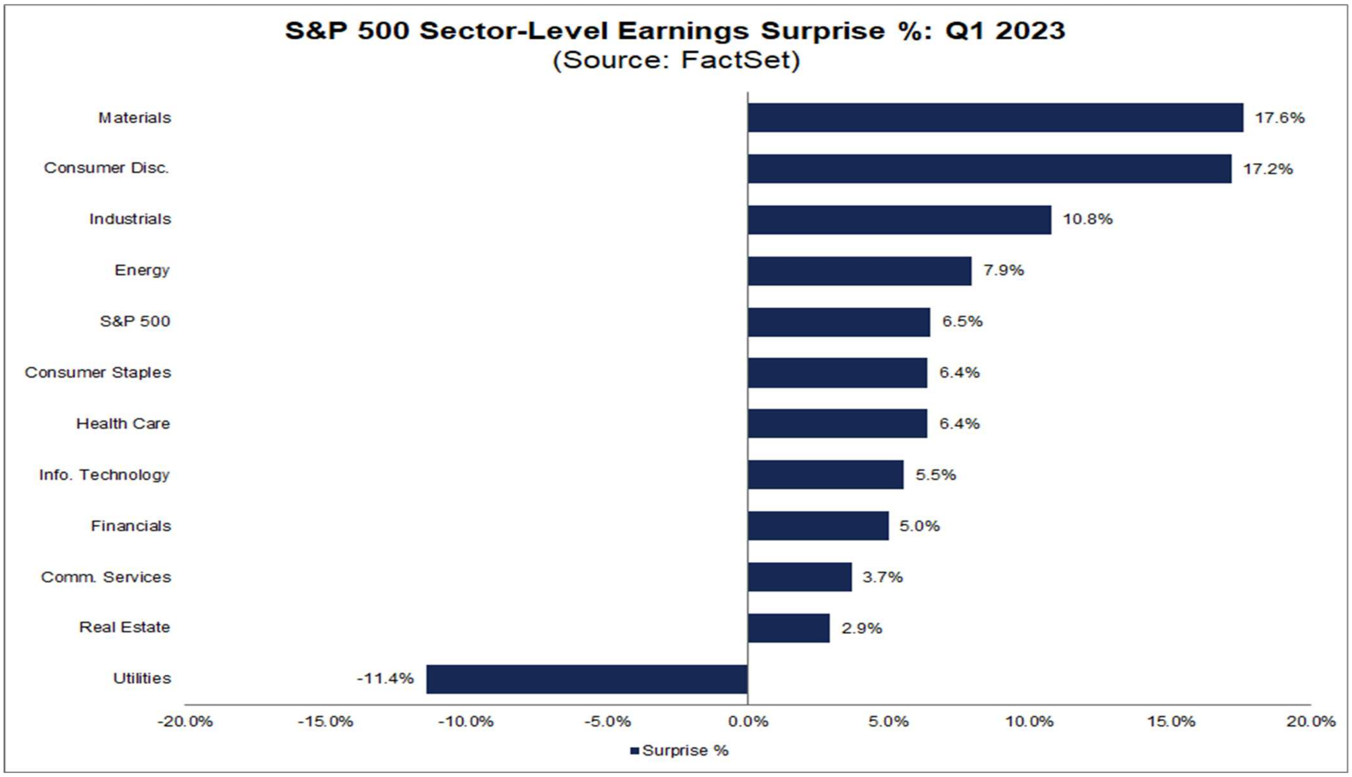


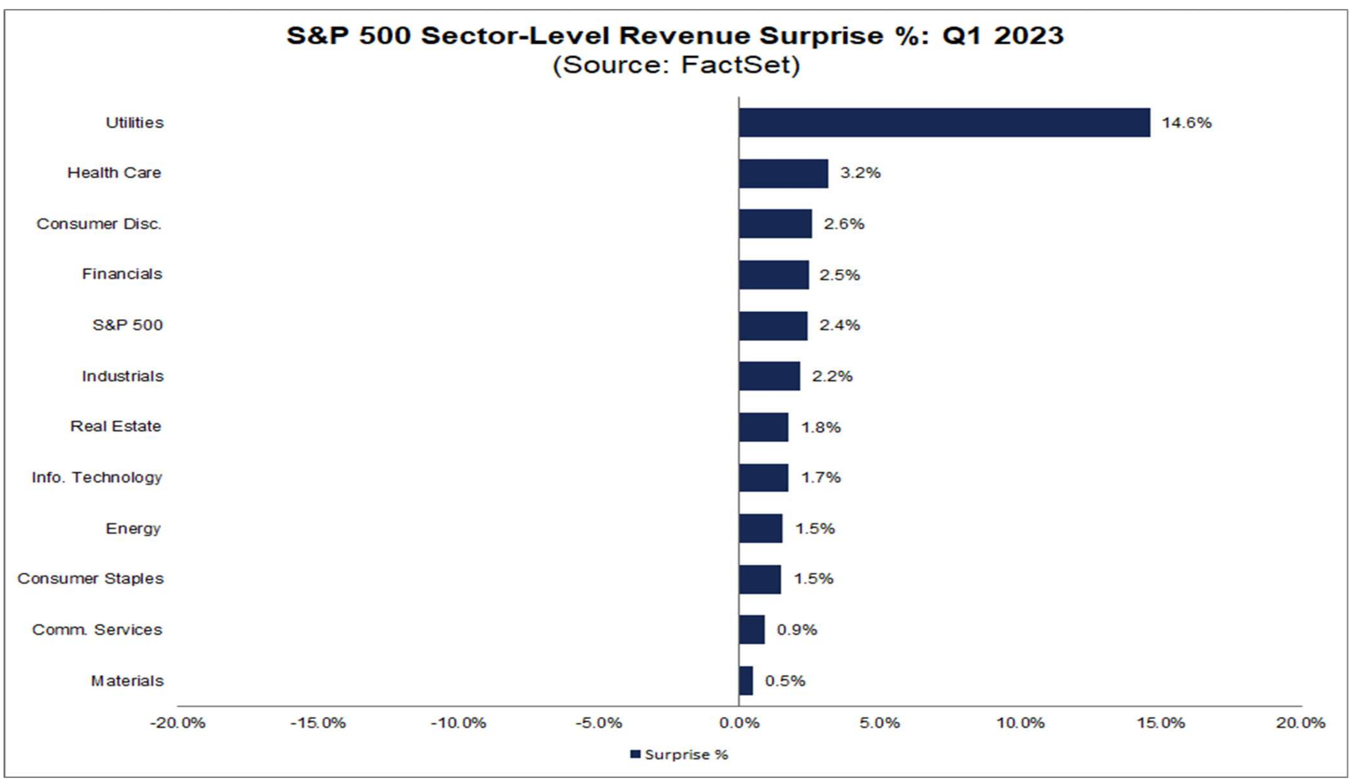
	Energy	Industrials	Info. Technology	Consumer Disc.	Materials	Health Care	Consumer Staples	S&P 500	Comm. Services	Real Estate	Financials	Utilities
Below	13%	12%	8%	17%	14%	14%	18%	18%	17%	13%	35%	30%
In-Line	0%	1%	6%	0%	3%	3%	3%	4%	8%	17%	1%	10%
Above	87%	86%	86%	83%	83%	83%	79%	78%	75%	70%	64%	60%



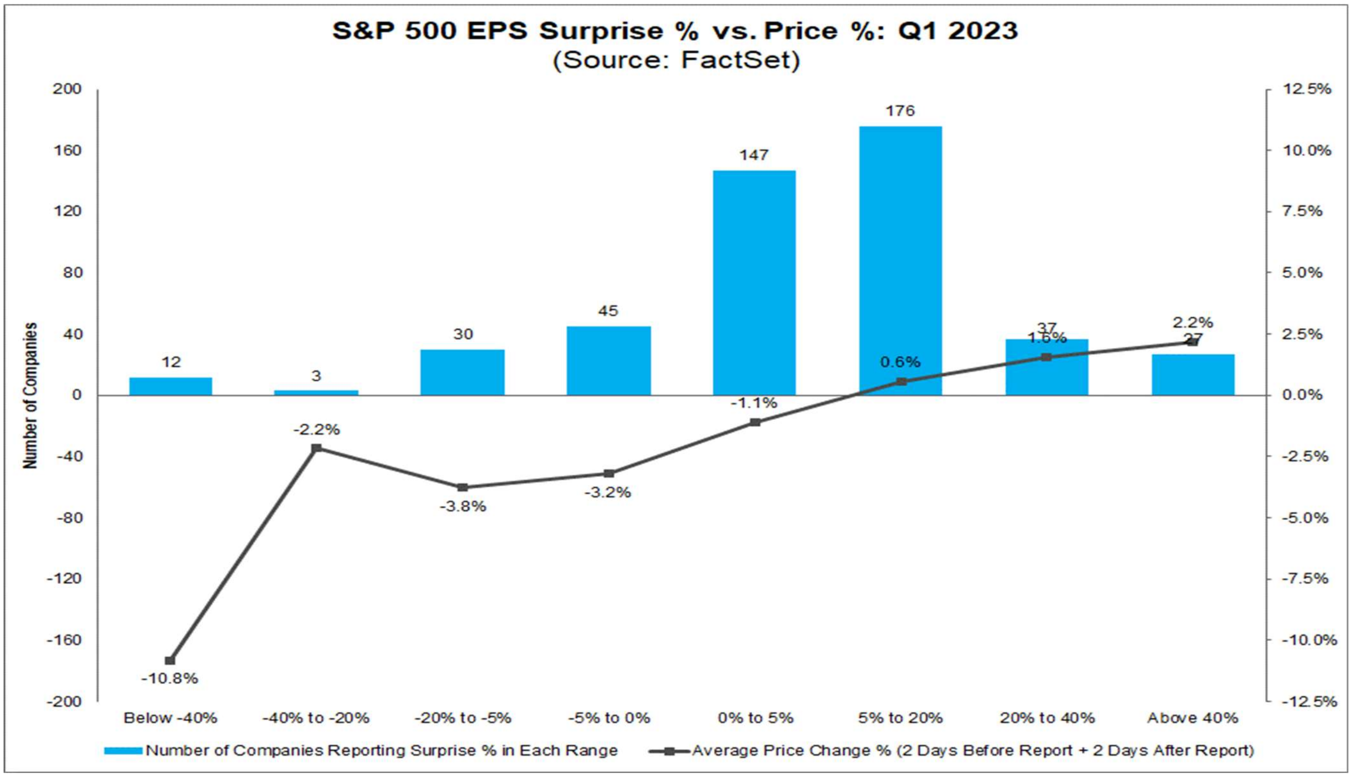
	Utilities	Info. Technology	Consumer Disc.	Health Care	Industrials	Consumer Staples	S&P 500	Real Estate	Energy	Financials	Comm. Services	Materials
Below	10%	17%	17%	19%	19%	24%	25%	27%	35%	36%	38%	48%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	90%	83%	83%	81%	81%	76%	75%	73%	65%	64%	63%	52%

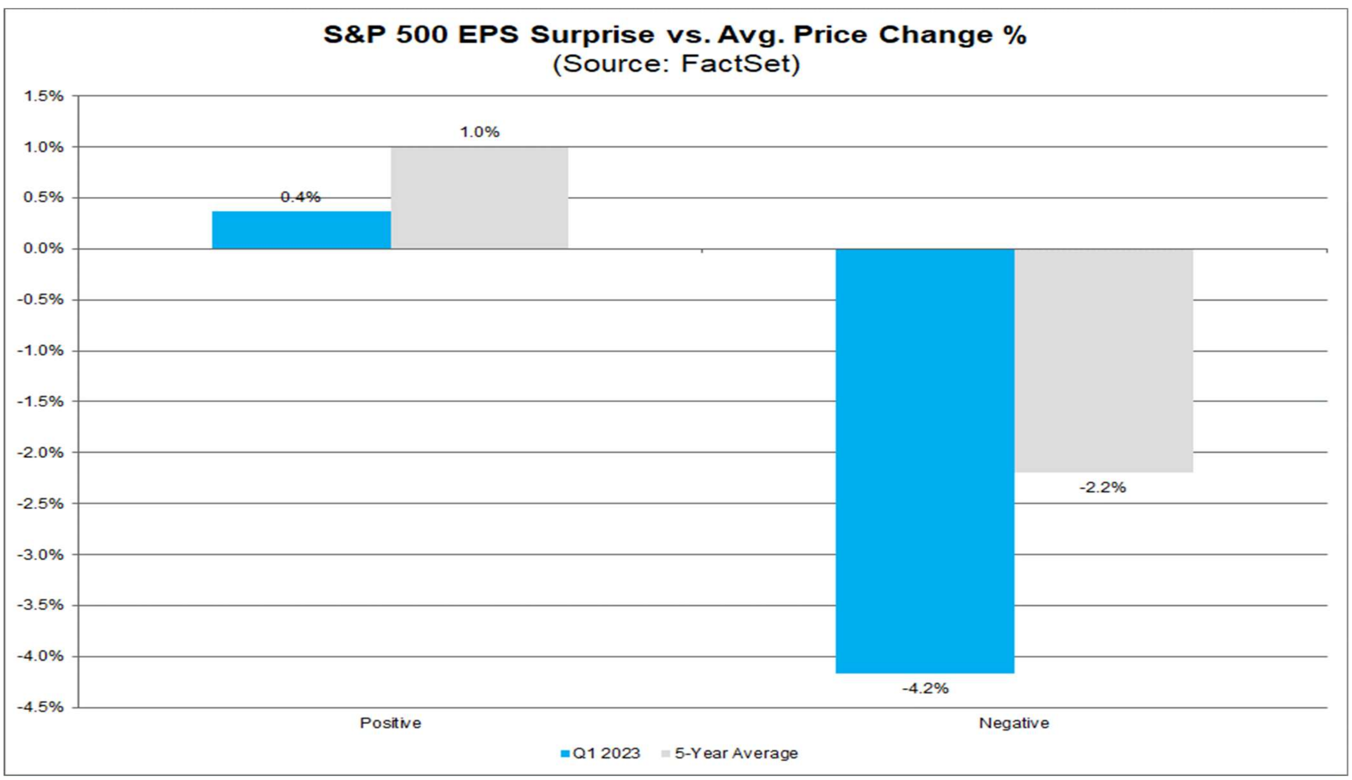
Q1 2023: Scorecard



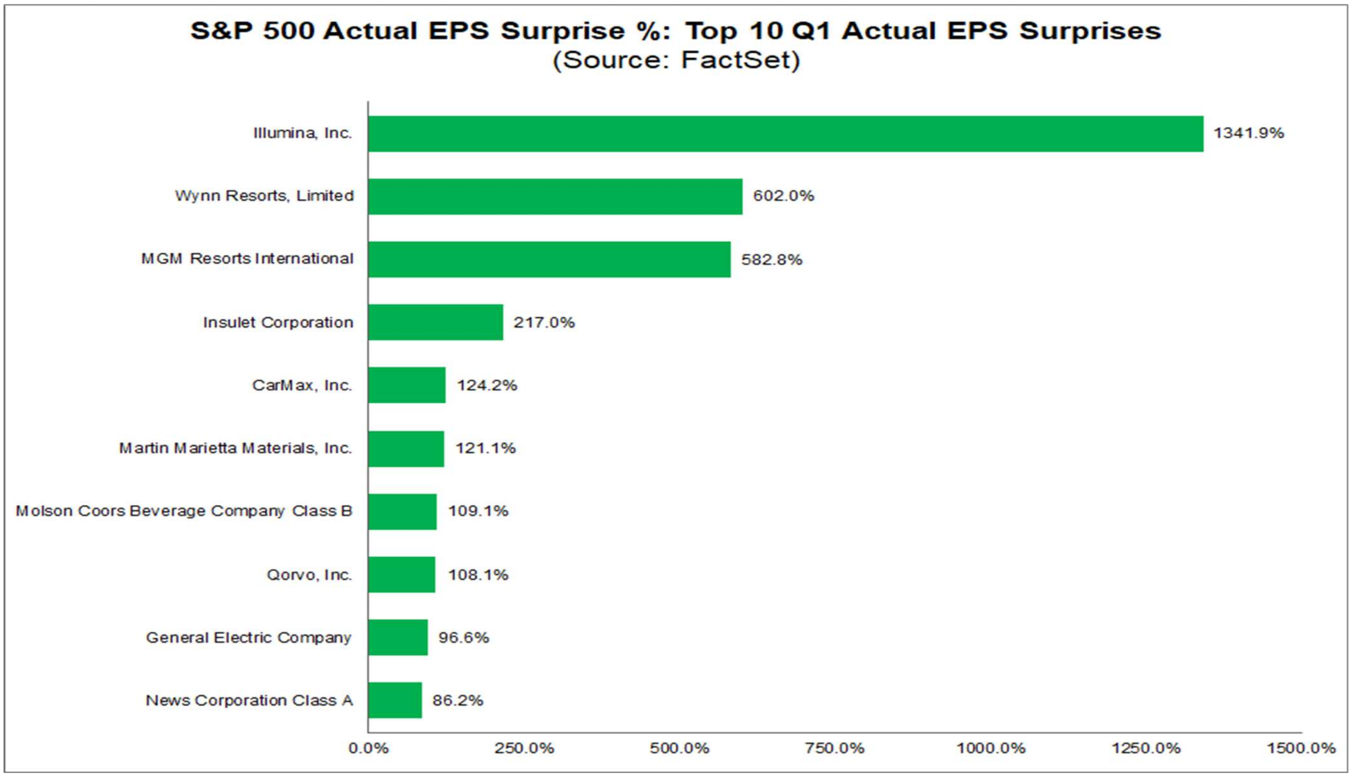


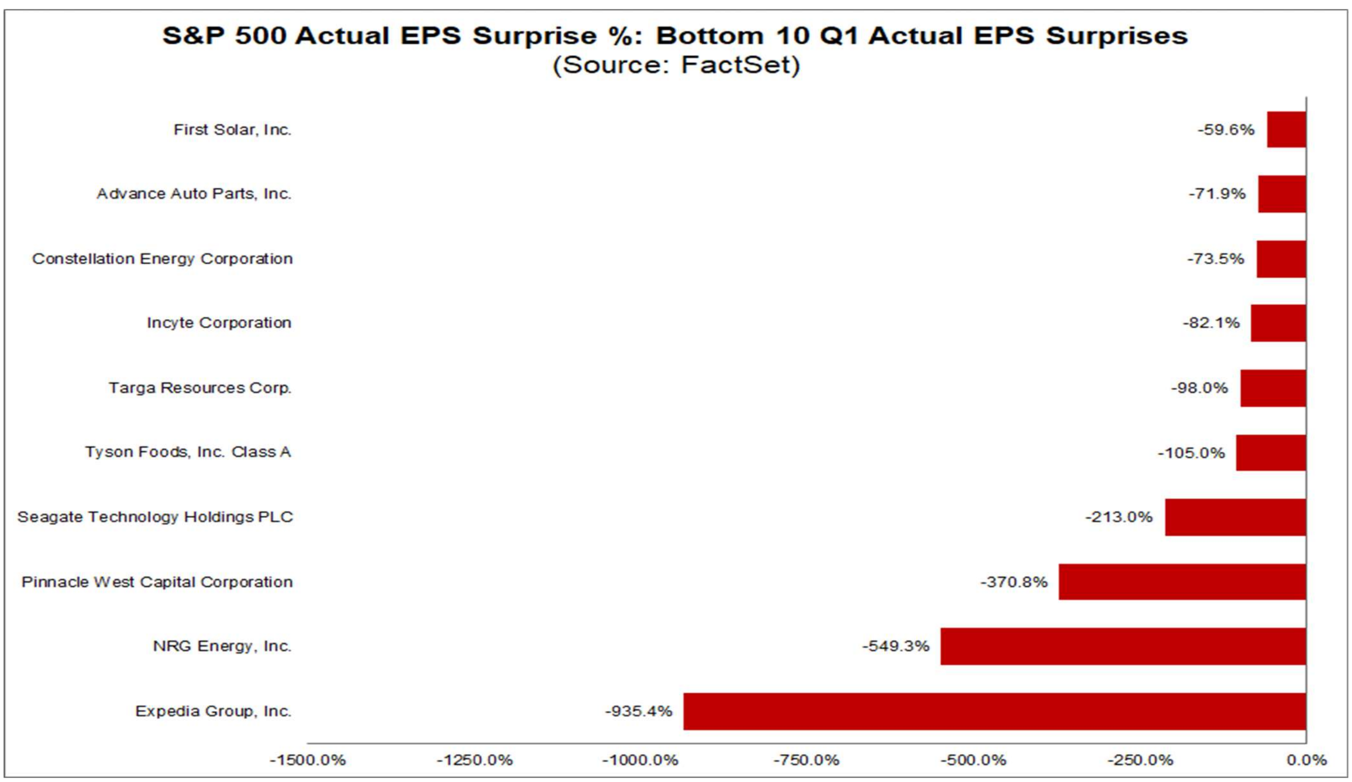
Q1 2023: Scorecard



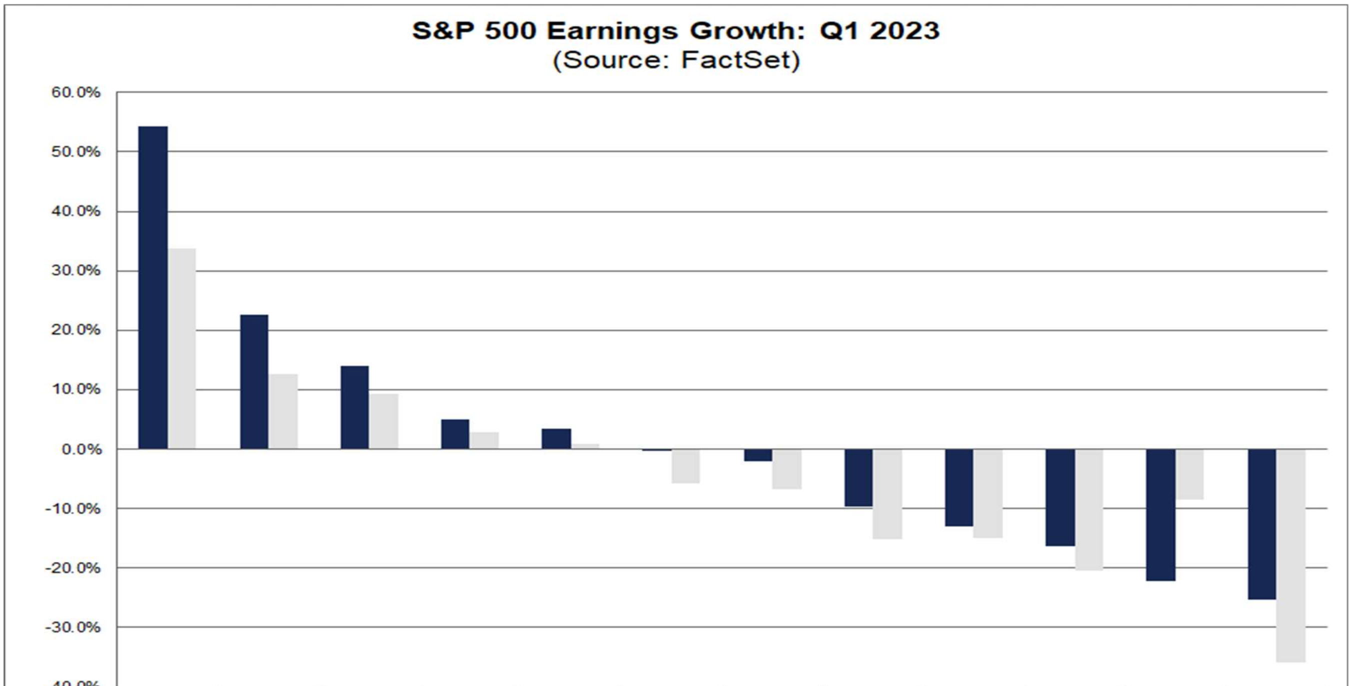


Q1 2023: Scorecard

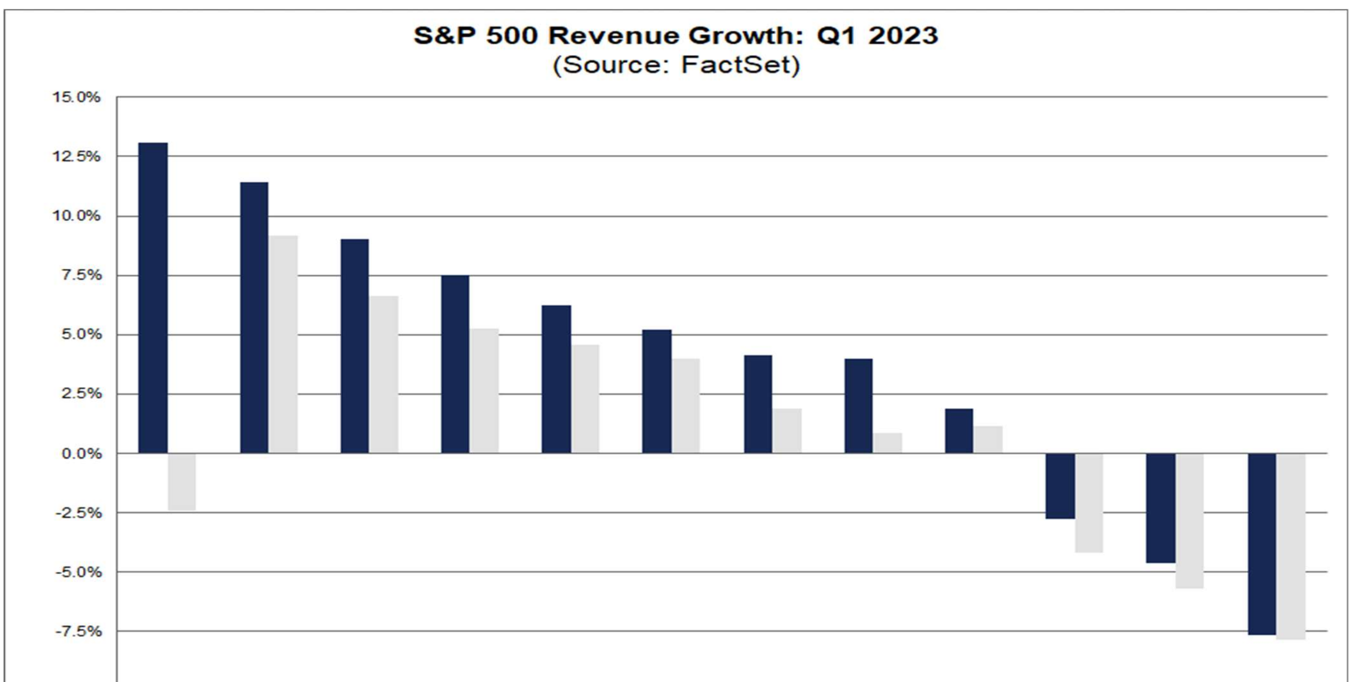




Q1 2023: Growth

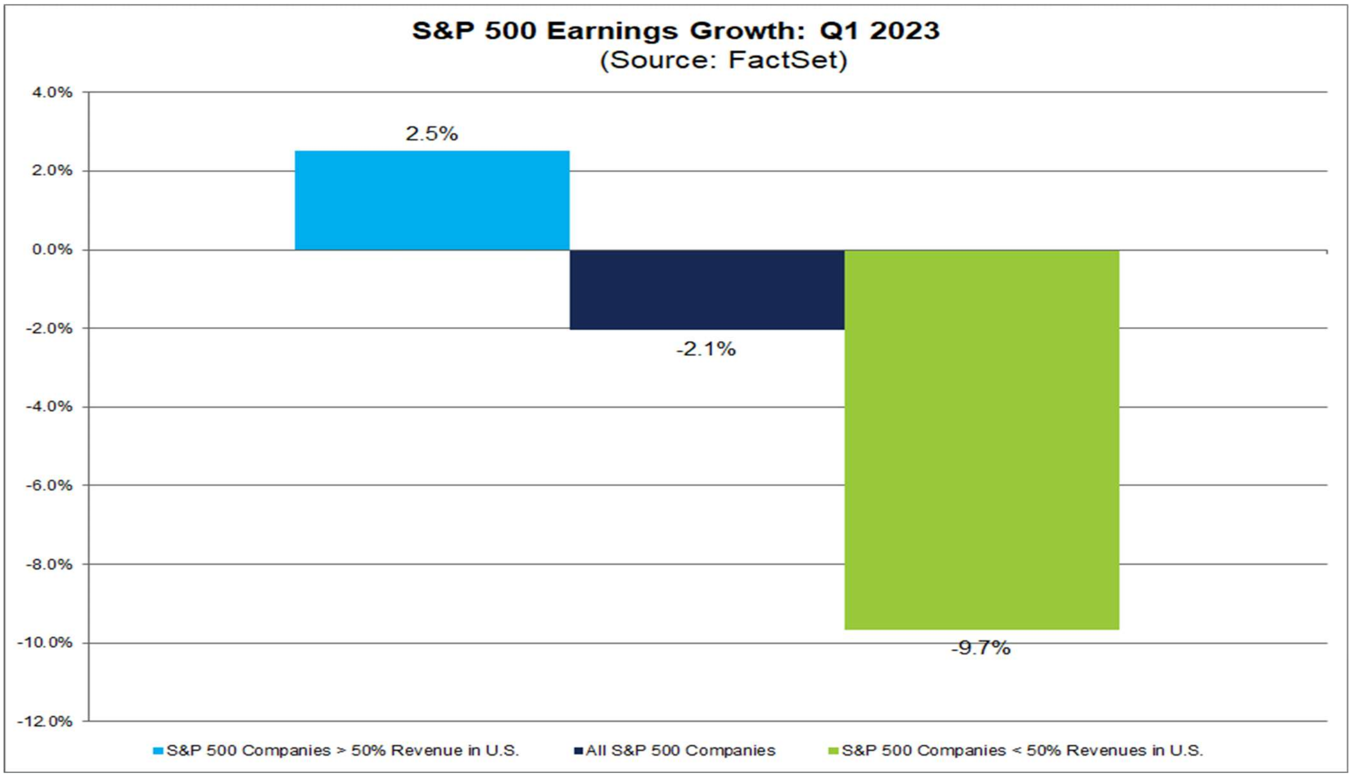


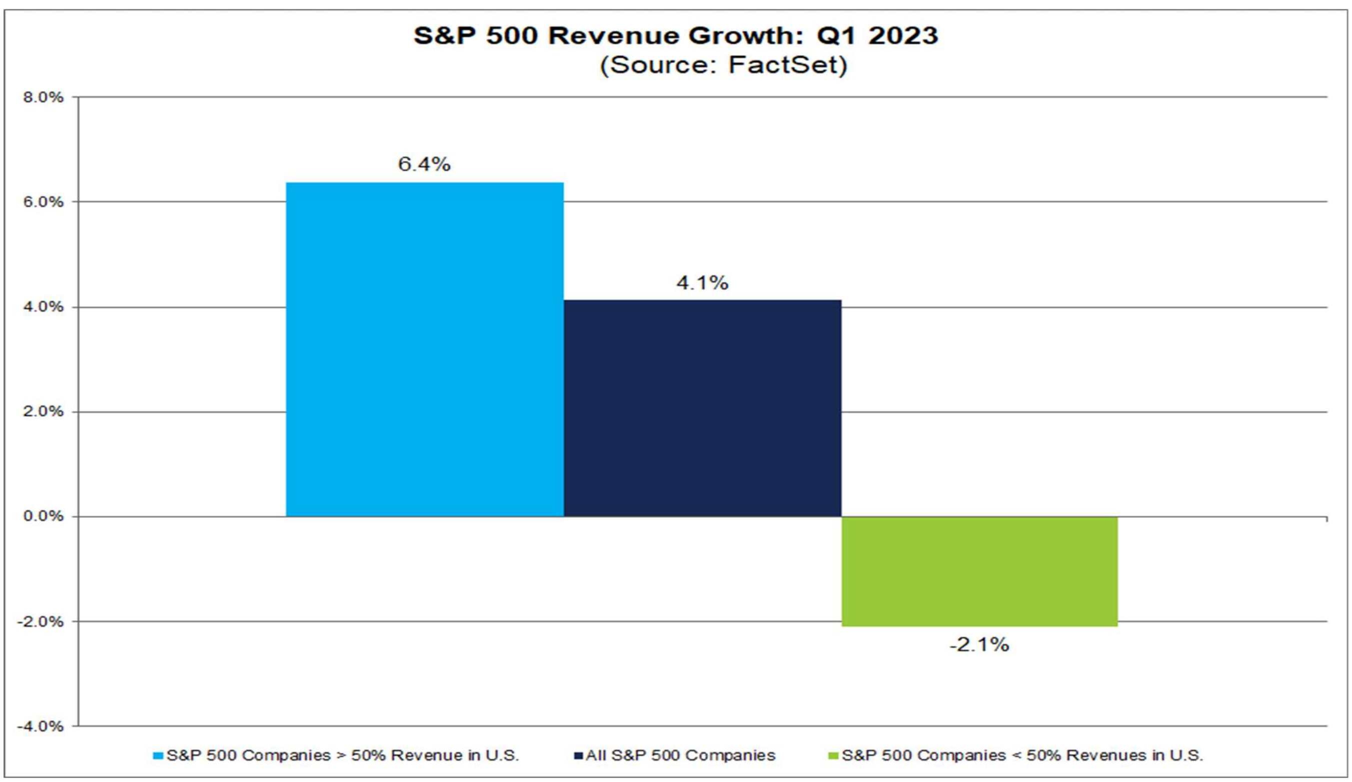
	Consumer Disc.	Industrials	Energy	Financials	Real Estate	Consumer Staples	S&P 500	Info. Technology	Comm. Services	Health Care	Utilities	Materials
Today	54.3%	22.5%	14.0%	5.0%	3.4%	-0.4%	-2.1%	-9.6%	-13.0%	-16.3%	-22.3%	-25.3%
31-Mar	33.8%	12.7%	9.3%	2.9%	0.8%	-5.8%	-6.7%	-15.1%	-15.0%	-20.5%	-8.5%	-35.9%



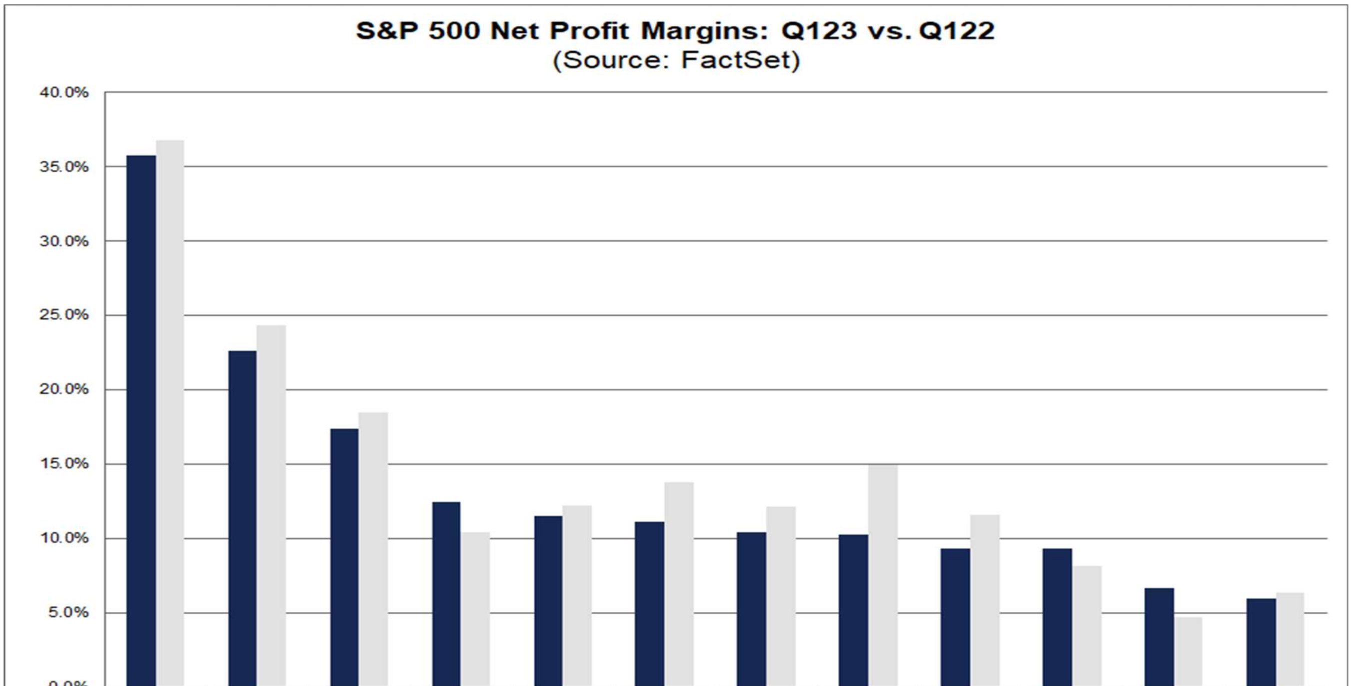
	Utilities	Financials	Consumer Disc.	Industrials	Real Estate	Consumer Staples	S&P 500	Health Care	Comm. Services	Info. Technology	Energy	Materials
Today	13.1%	11.4%	9.0%	7.5%	6.3%	5.2%	4.1%	4.0%	1.9%	-2.7%	-4.6%	-7.7%
31-Mar	-2.4%	9.2%	6.6%	5.3%	4.6%	4.0%	1.9%	0.9%	1.2%	-4.2%	-5.7%	-7.9%

Q1 2023: Growth

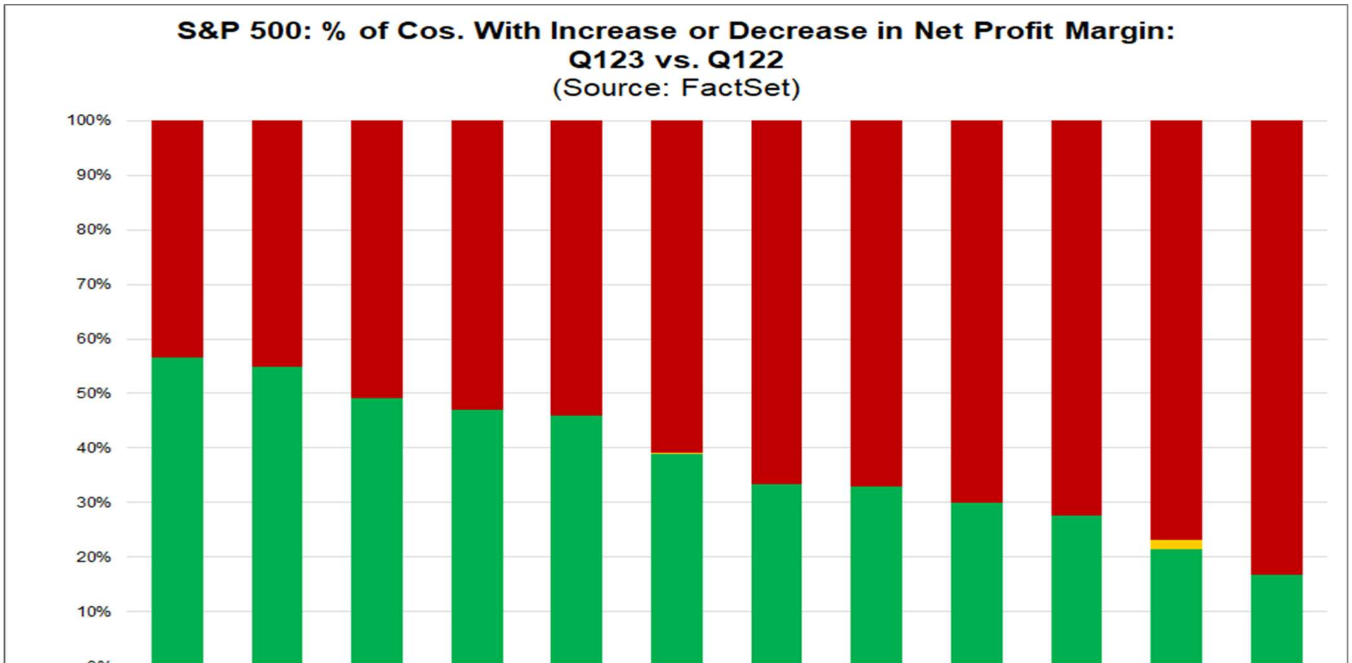




Q1 2023: Net Profit Margin

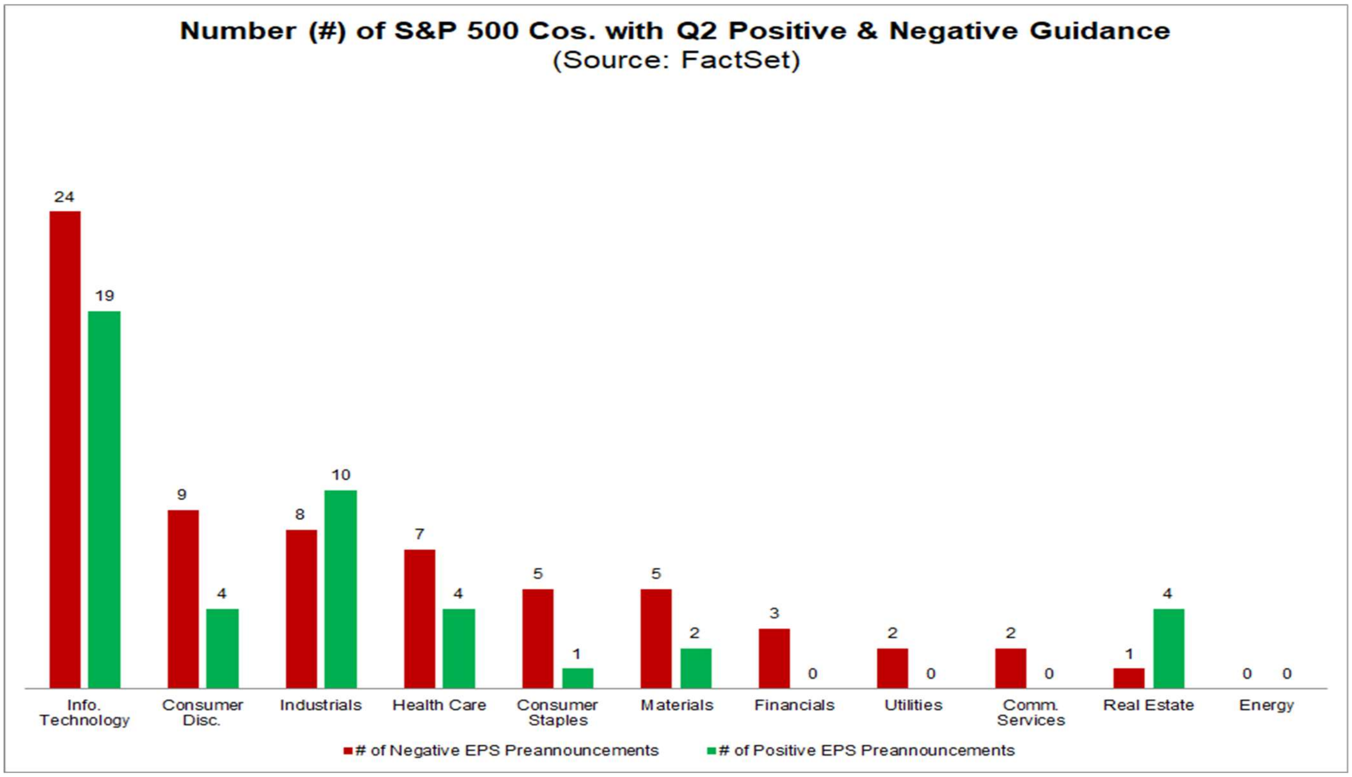


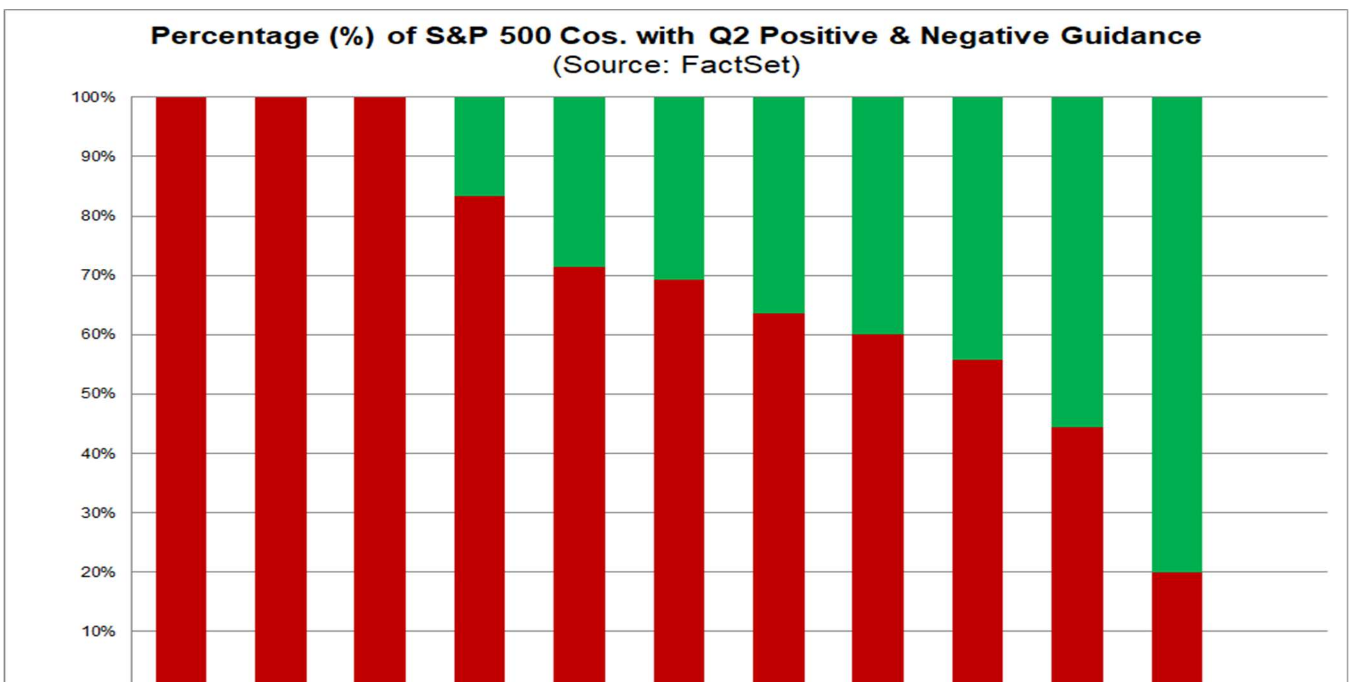
	Real Estate	Information Tech.	Financials	Energy	S&P 500	Materials	Comm. Services	Utilities	Health Care	Industrials	Consumer Disc.	Consumer Staples
Q123	35.8%	22.6%	17.4%	12.4%	11.5%	11.1%	10.4%	10.3%	9.3%	9.3%	6.6%	6.0%
Q122	36.8%	24.4%	18.4%	10.4%	12.2%	13.8%	12.2%	15.0%	11.6%	8.1%	4.7%	6.3%



	Energy	Industrials	Consumer Disc.	Information Tech.	Consumer Staples	S&P 500	Real Estate	Financials	Utilities	Materials	Health Care	Comm. Services
Down %	43%	45%	51%	53%	54%	61%	67%	67%	70%	72%	77%	83%
None %	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	2%	0%
Up %	57%	55%	49%	47%	46%	39%	33%	33%	30%	28%	22%	17%

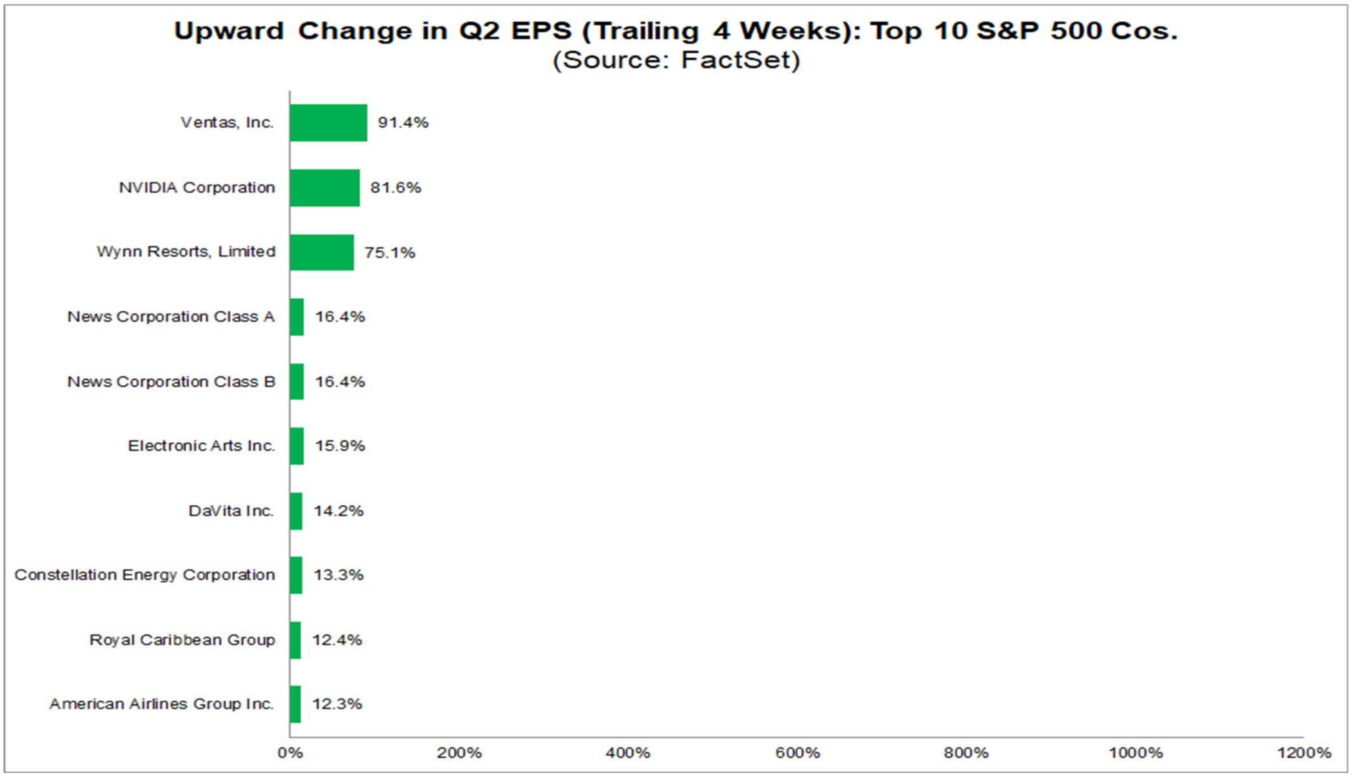
Q2 2023: Guidance

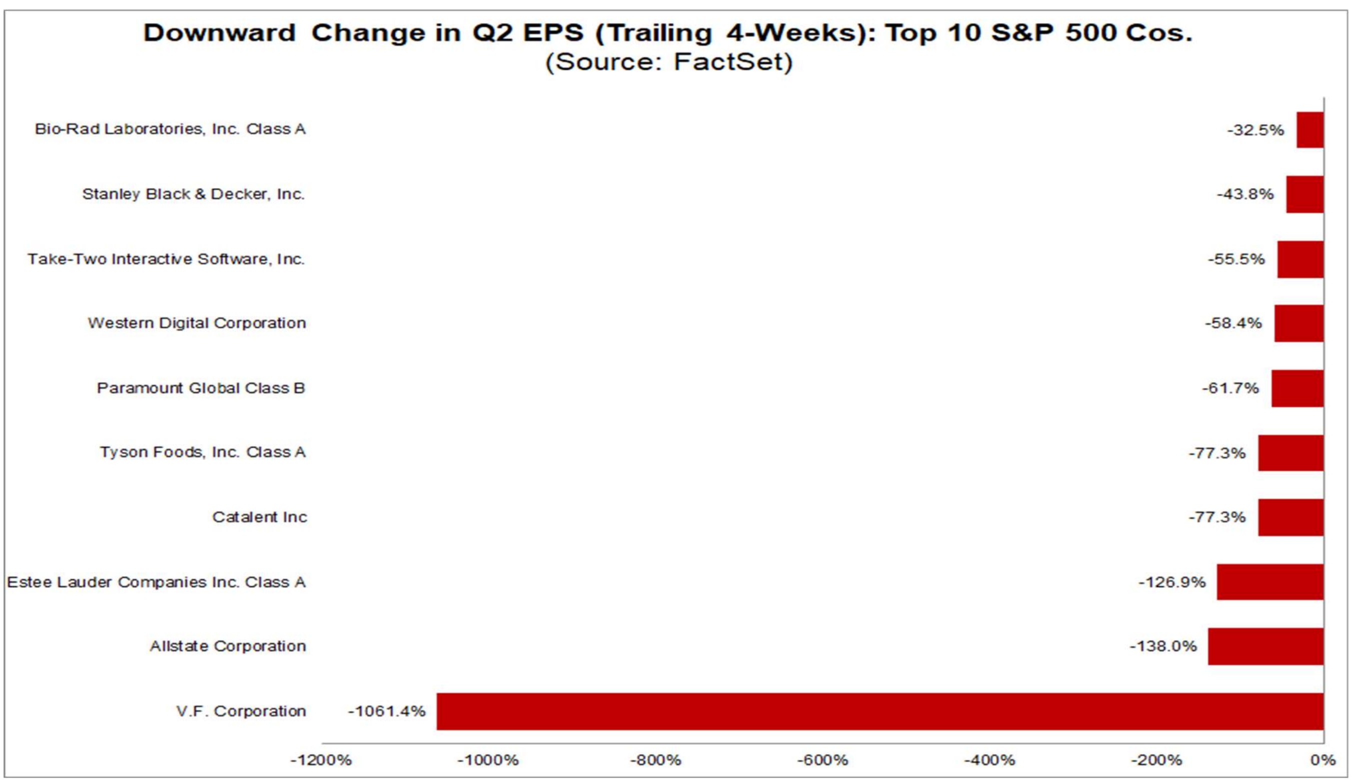




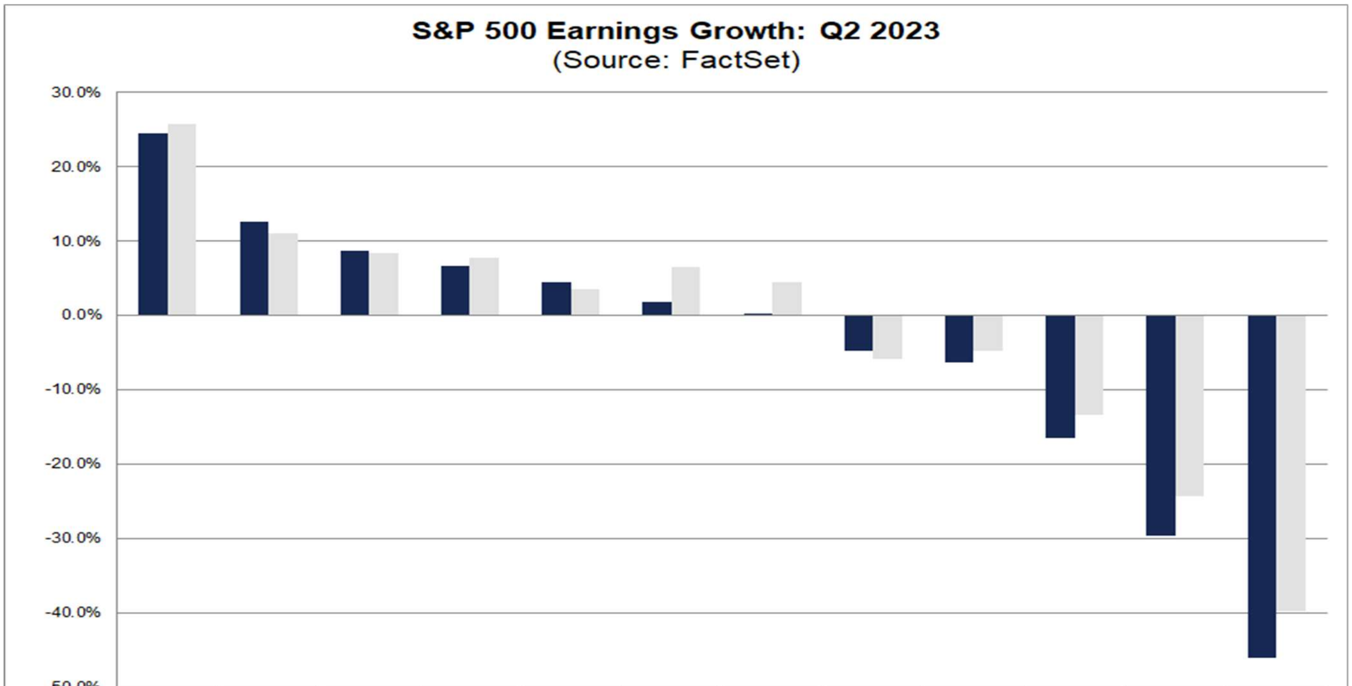
	Financials	Utilities	Comm. Services	Consumer Staples	Materials	Consumer Disc.	Health Care	S&P 500	Info. Technology	Industrials	Real Estate	Energy
Positive	0%	0%	0%	17%	29%	31%	36%	40%	44%	56%	80%	0%
Negative	100%	100%	100%	83%	71%	69%	64%	60%	56%	44%	20%	0%

Q2 2023: EPS Revisions

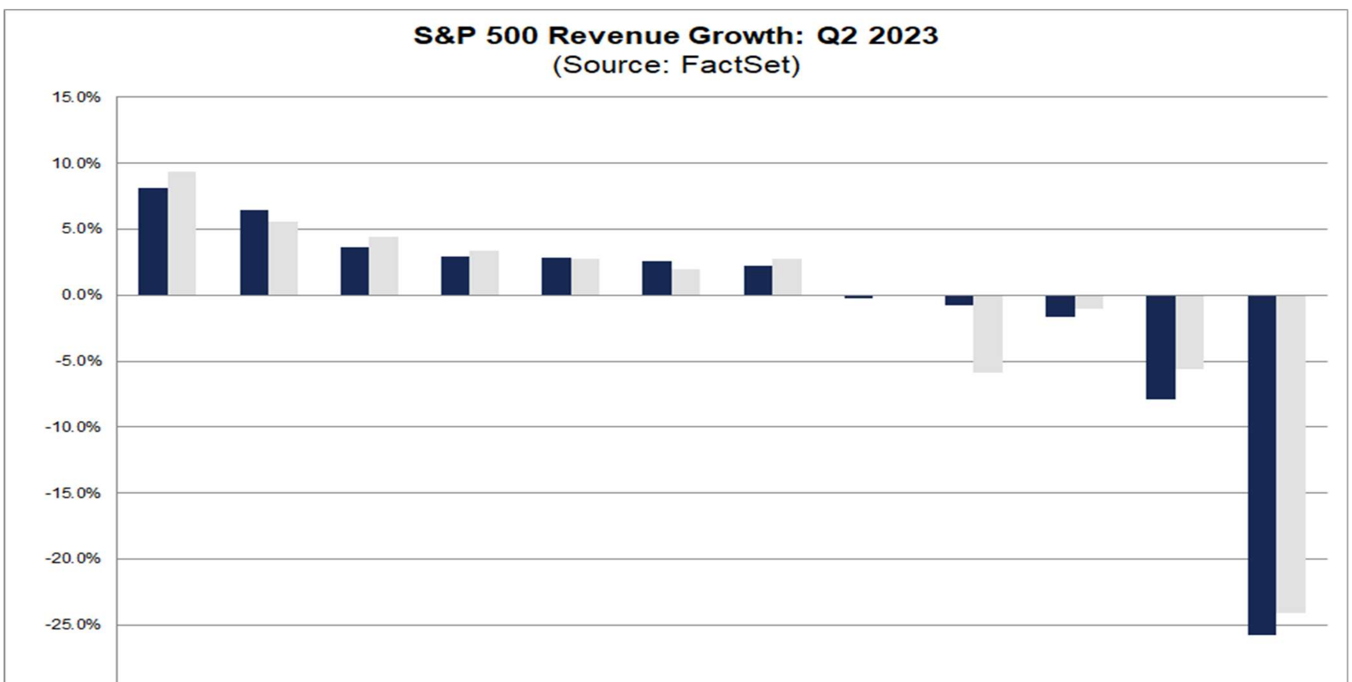




Q2 2023: Growth

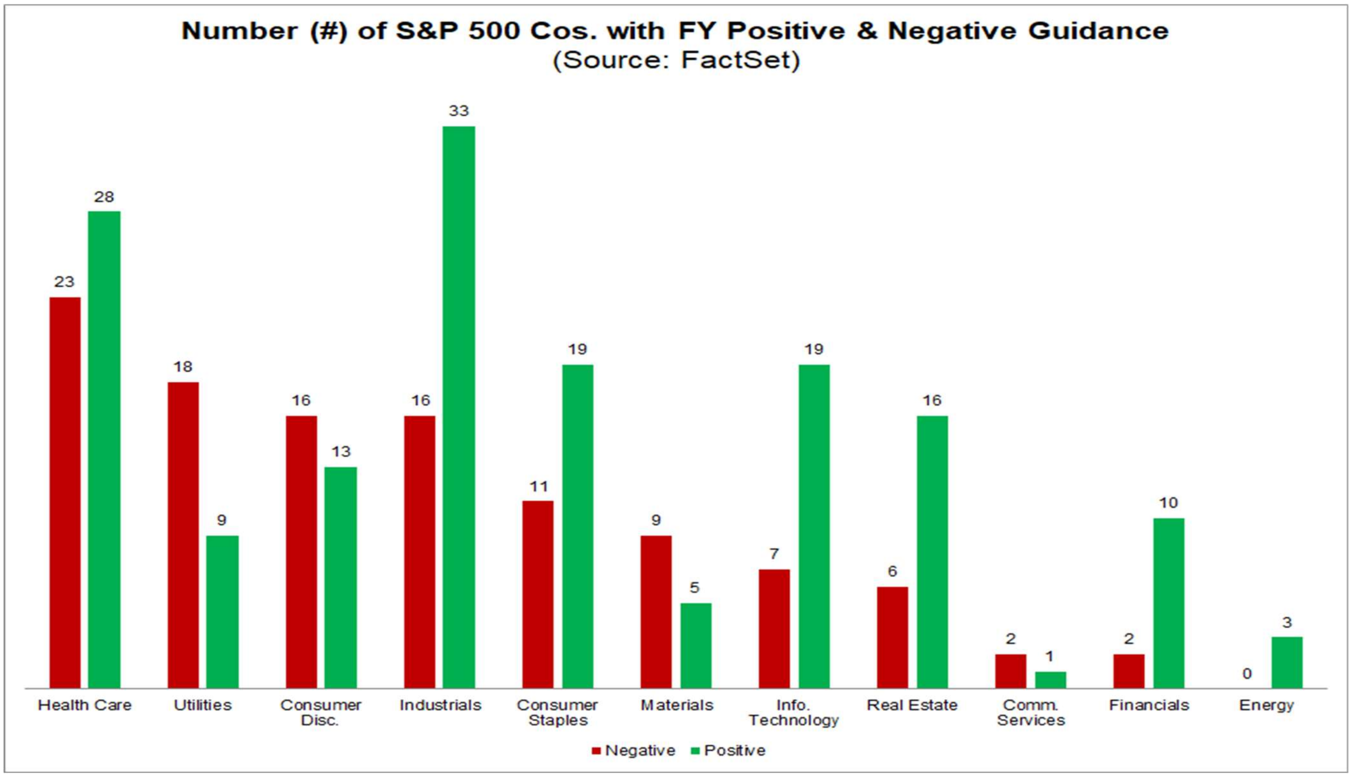


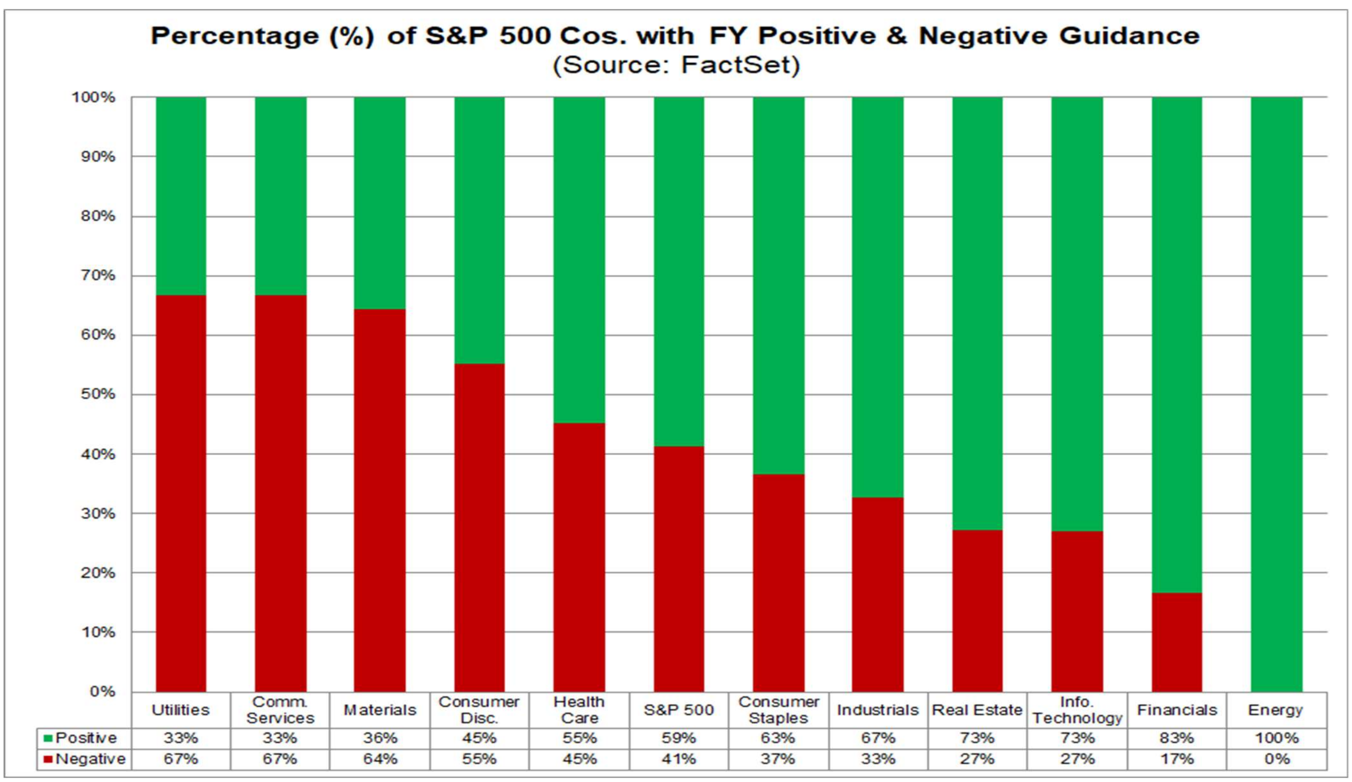
	Consumer Disc.	Comm. Services	Financials	Real Estate	Industrials	Consumer Staples	Utilities	Info. Technology	S&P 500	Health Care	Materials	Energy
Today	24.5%	12.6%	8.7%	6.7%	4.5%	1.8%	0.2%	-4.7%	-6.4%	-16.5%	-29.7%	-46.1%
31-Mar	25.8%	11.0%	8.4%	7.7%	3.6%	6.5%	4.4%	-5.9%	-4.8%	-13.4%	-24.3%	-39.8%



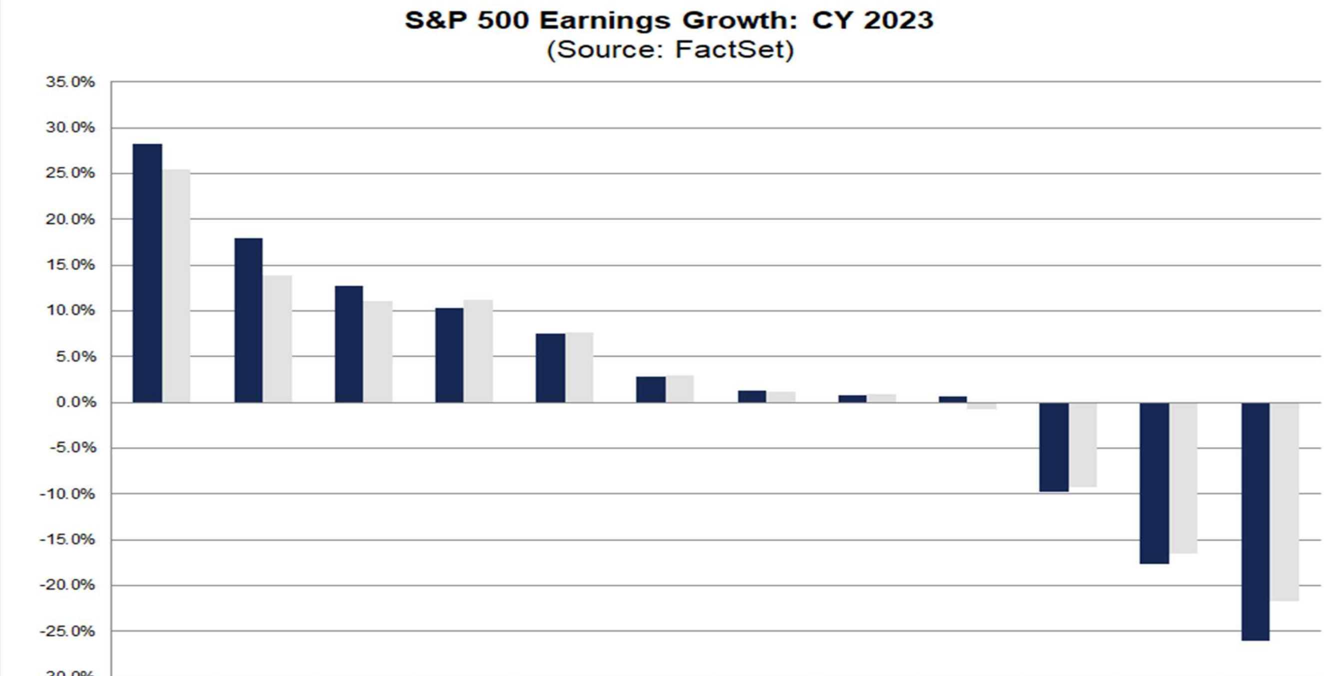
	Financials	Consumer Disc.	Real Estate	Consumer Staples	Comm. Services	Health Care	Industrials	S&P 500	Utilities	Info. Technology	Materials	Energy
Today	8.1%	6.4%	3.6%	2.9%	2.8%	2.5%	2.2%	-0.3%	-0.8%	-1.6%	-7.9%	-25.8%
31-Mar	9.3%	5.5%	4.4%	3.4%	2.7%	2.0%	2.7%	0.0%	-5.9%	-1.0%	-5.6%	-24.1%

FY 2023 / 2024: EPS Guidance

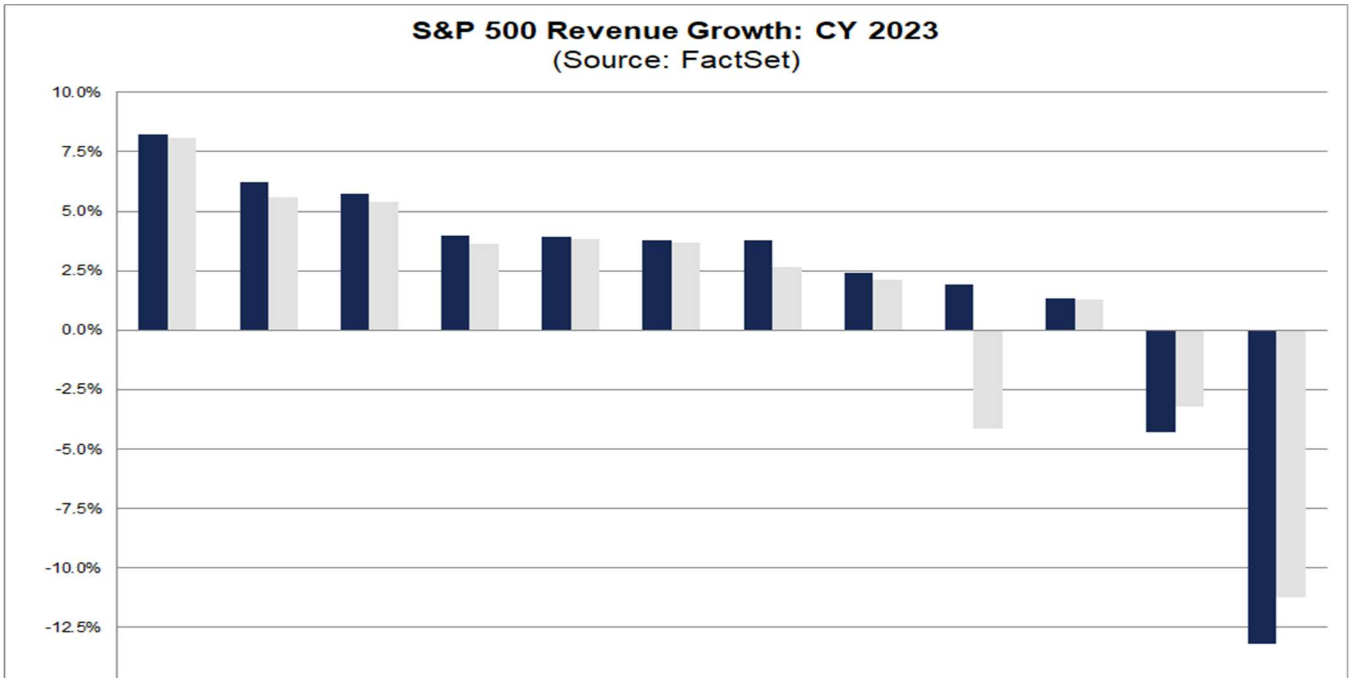




CY 2023: Growth

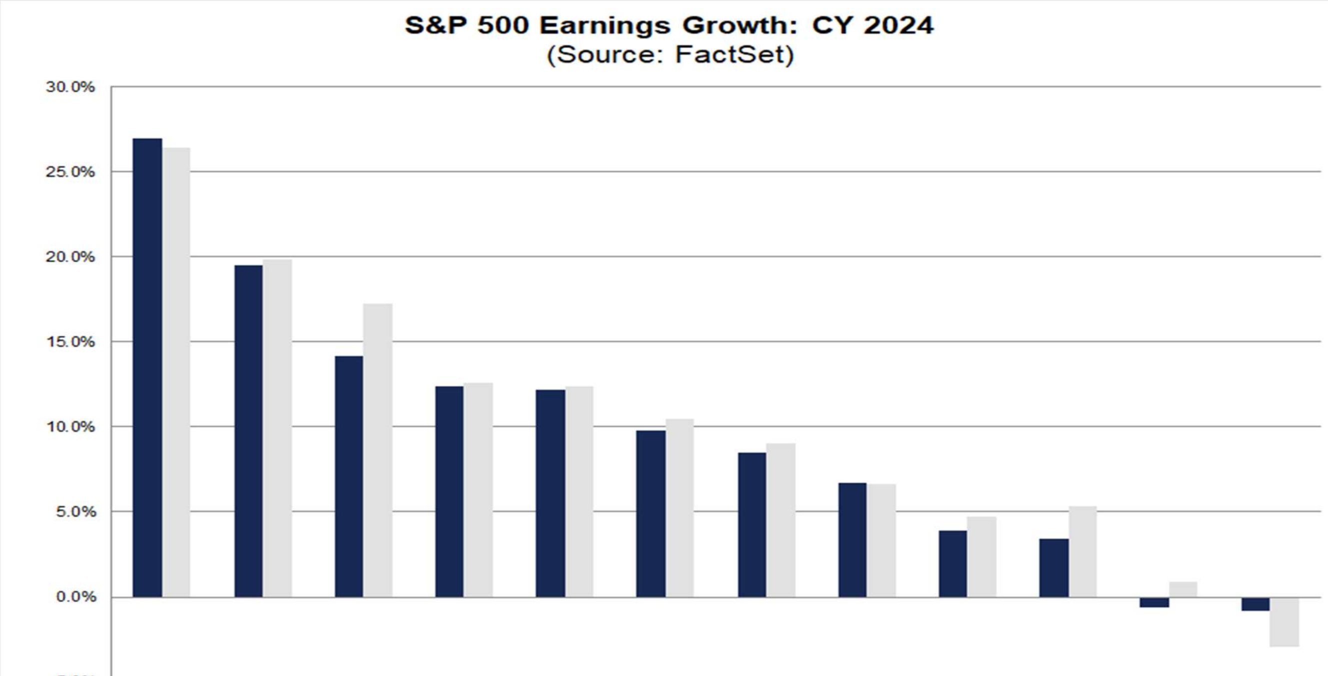


	Consumer Disc.	Comm. Services	Industrials	Financials	Utilities	Consumer Staples	S&P 500	Real Estate	Info. Technology	Health Care	Materials	Energy
Today	28.2%	17.9%	12.7%	10.3%	7.6%	2.8%	1.2%	0.8%	0.7%	-9.8%	-17.7%	-26.0%
31-Mar	25.4%	13.8%	11.1%	11.2%	7.6%	2.9%	1.1%	0.9%	-0.7%	-9.3%	-16.5%	-21.7%

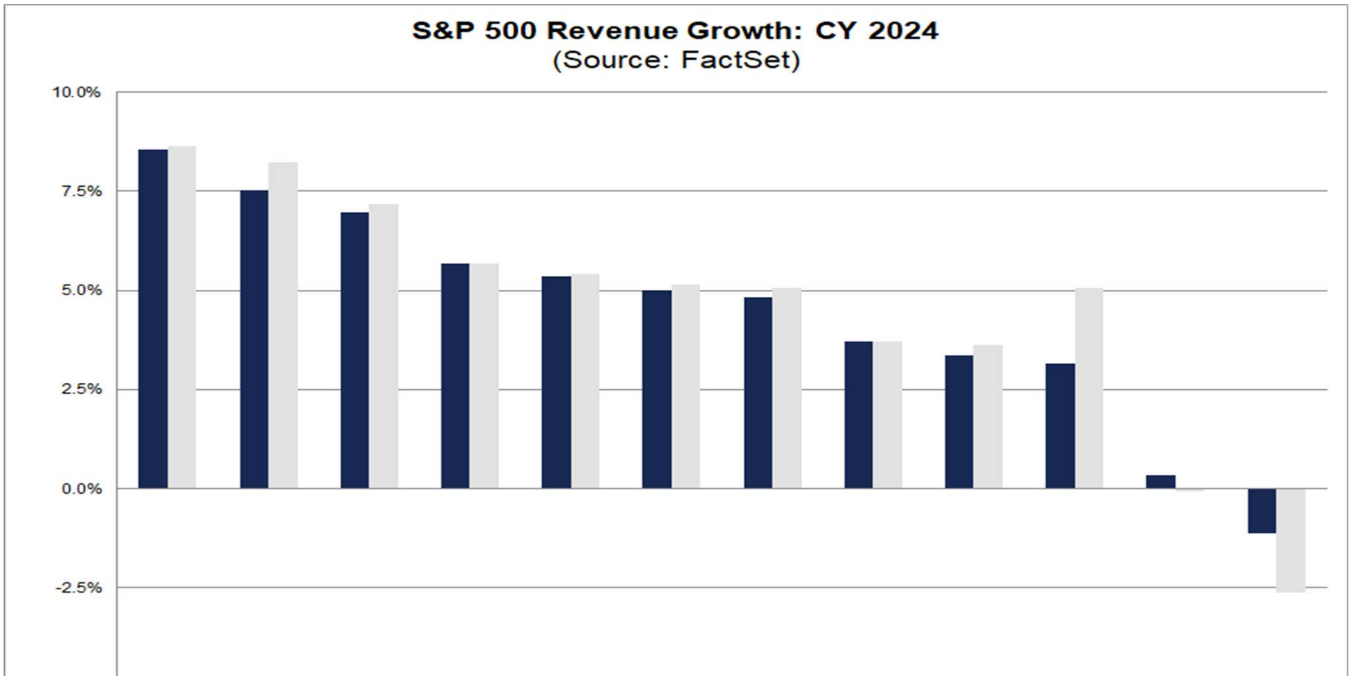


	Financials	Consumer Disc.	Real Estate	Industrials	Consumer Staples	Comm. Services	Health Care	S&P 500	Utilities	Info. Technology	Materials	Energy
Today	8.2%	6.2%	5.7%	4.0%	3.9%	3.8%	3.8%	2.4%	1.9%	1.3%	-4.3%	-13.2%
31-Mar	8.1%	5.6%	5.4%	3.6%	3.8%	3.7%	2.7%	2.1%	-4.1%	1.3%	-3.2%	-11.2%

CY 2024: Growth

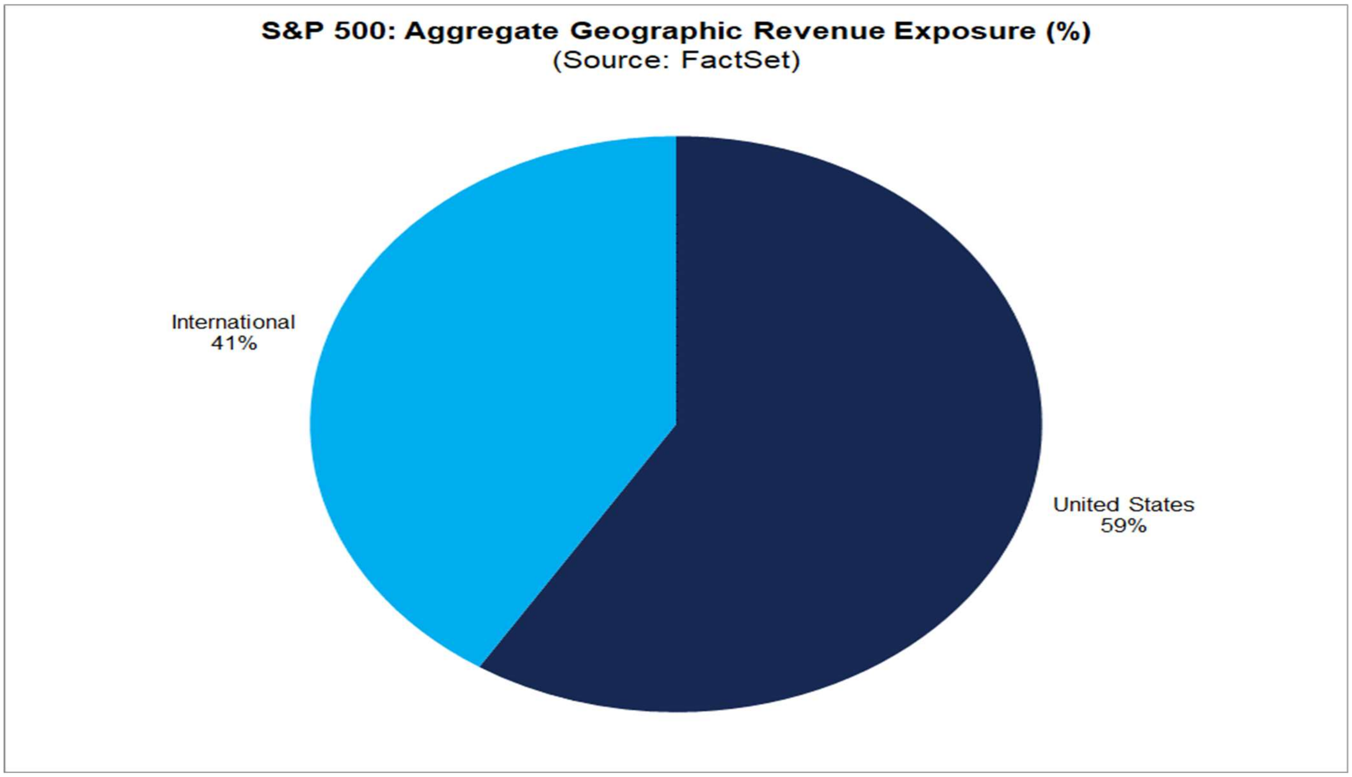


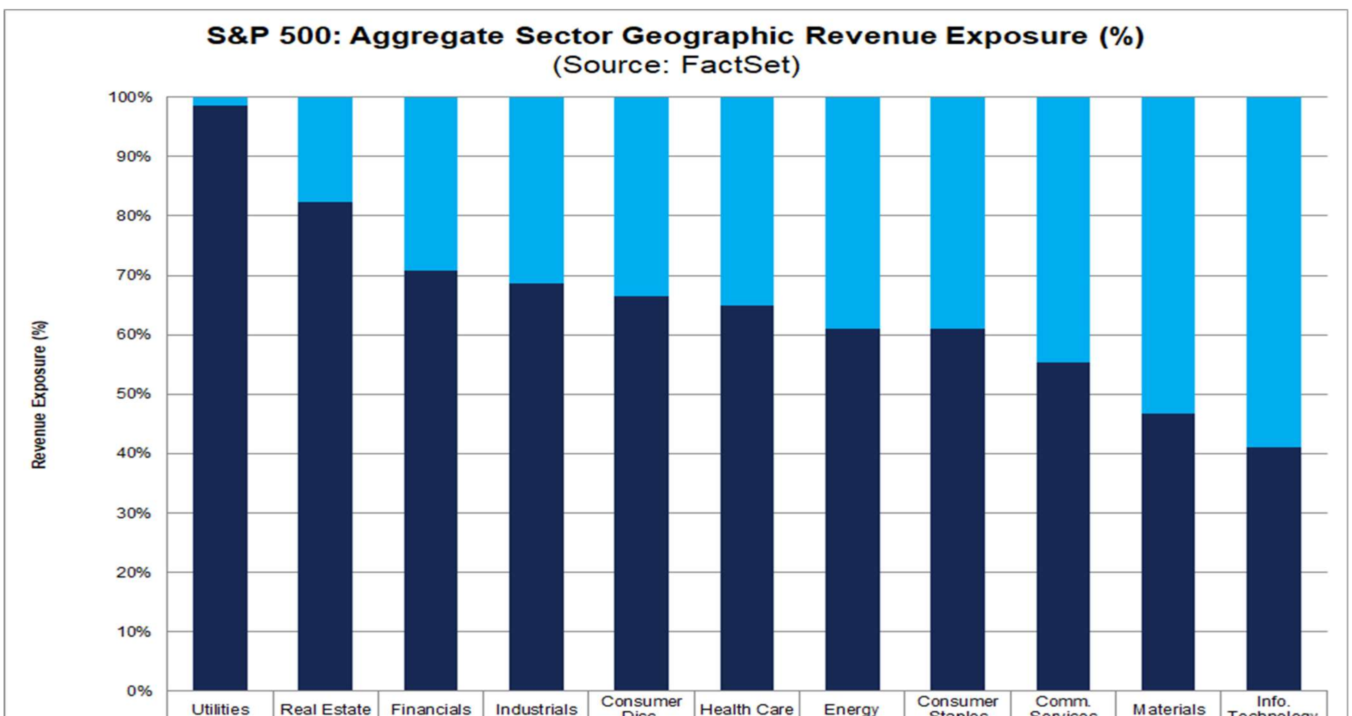
	Utilities	Real Estate	Consumer Disc.	Info. Technology	Comm. Services	Health Care	S&P 500	Consumer Staples	Industrials	Financials	Materials	Energy
Today	27.0%	19.5%	14.2%	12.4%	12.2%	9.8%	8.5%	6.7%	3.9%	3.4%	-0.6%	-0.8%
31-Mar	26.4%	19.9%	17.2%	12.6%	12.4%	10.5%	9.1%	6.6%	4.8%	5.4%	0.9%	-2.9%



	Info. Technology	Consumer Disc.	Comm. Services	Real Estate	Health Care	Industrials	S&P 500	Consumer Staples	Utilities	Financials	Materials	Energy
Today	8.6%	7.5%	7.0%	5.7%	5.4%	5.0%	4.8%	3.7%	3.4%	3.2%	0.4%	-1.1%
31-Mar	8.6%	8.2%	7.2%	5.7%	5.4%	5.1%	5.1%	3.7%	3.6%	5.1%	-0.1%	-2.6%

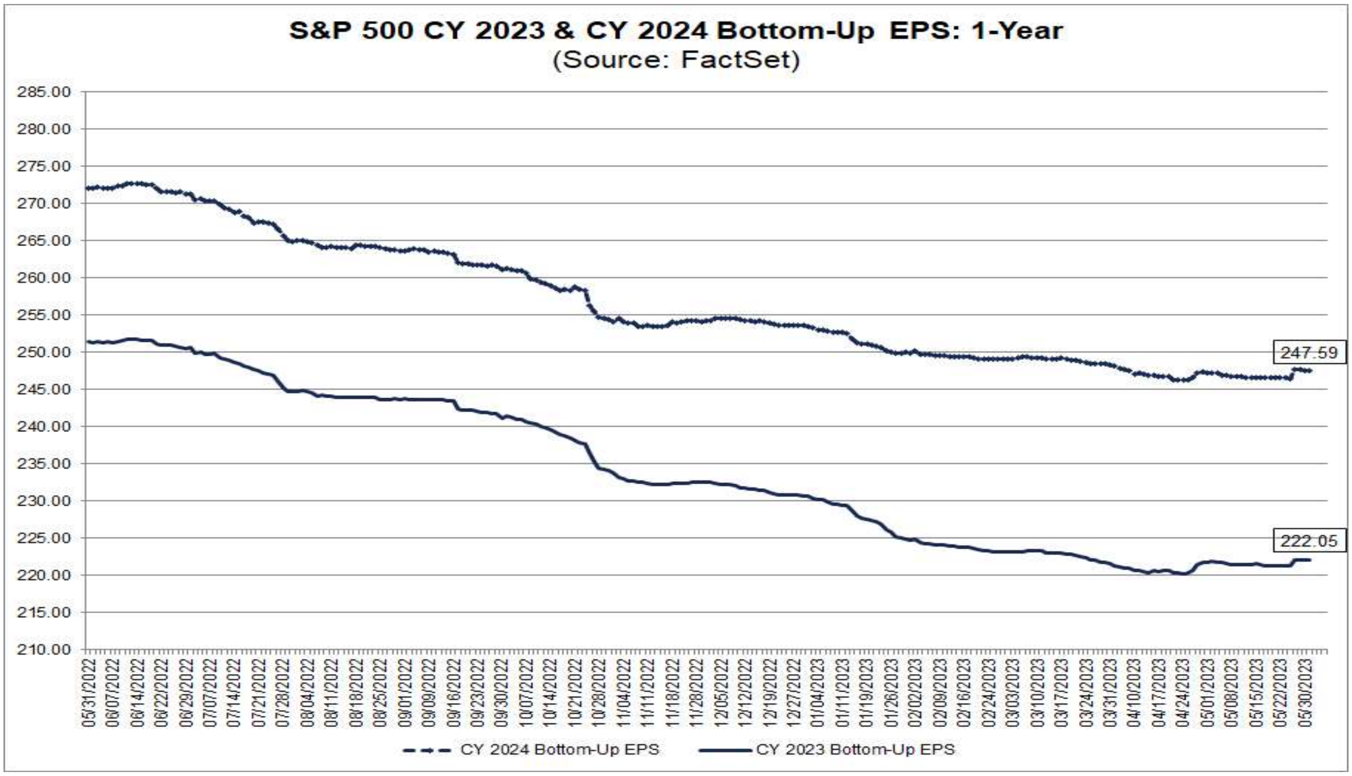
Geographic Revenue Exposure

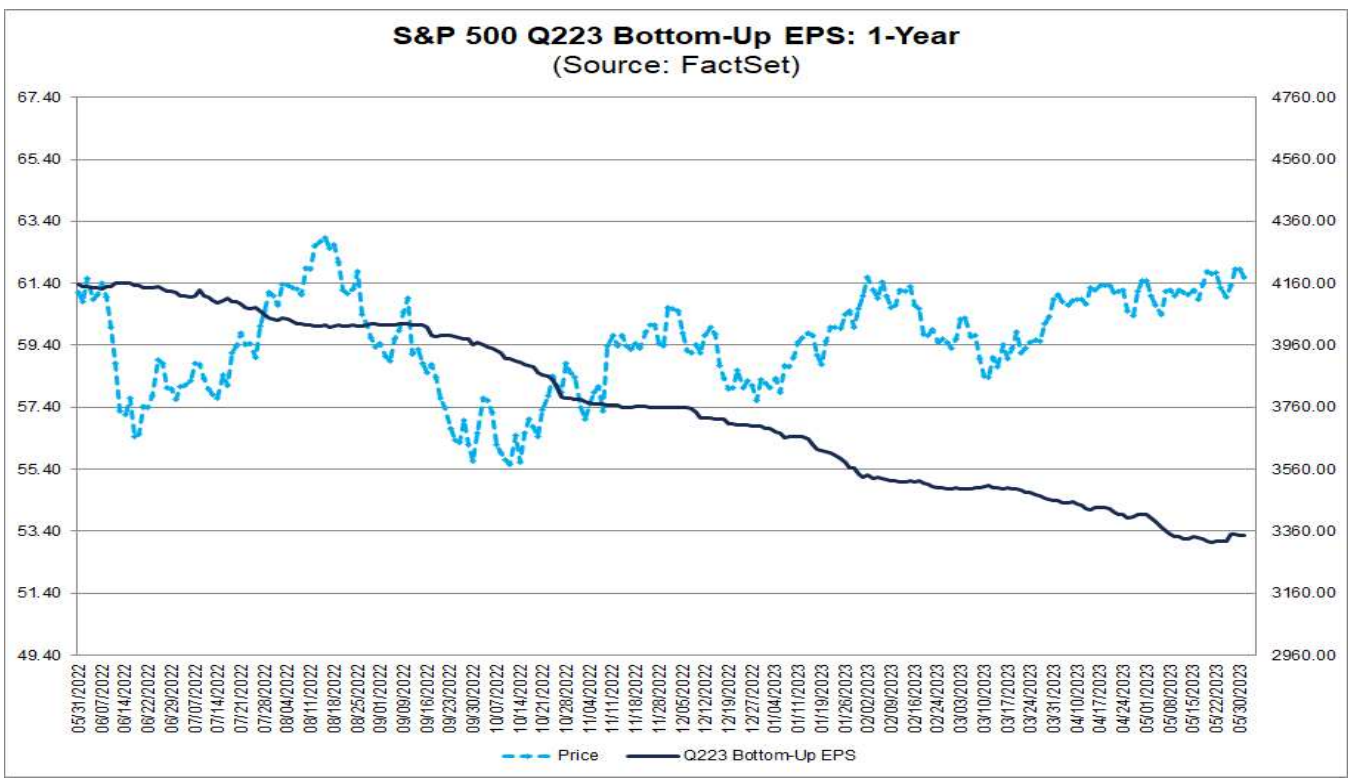




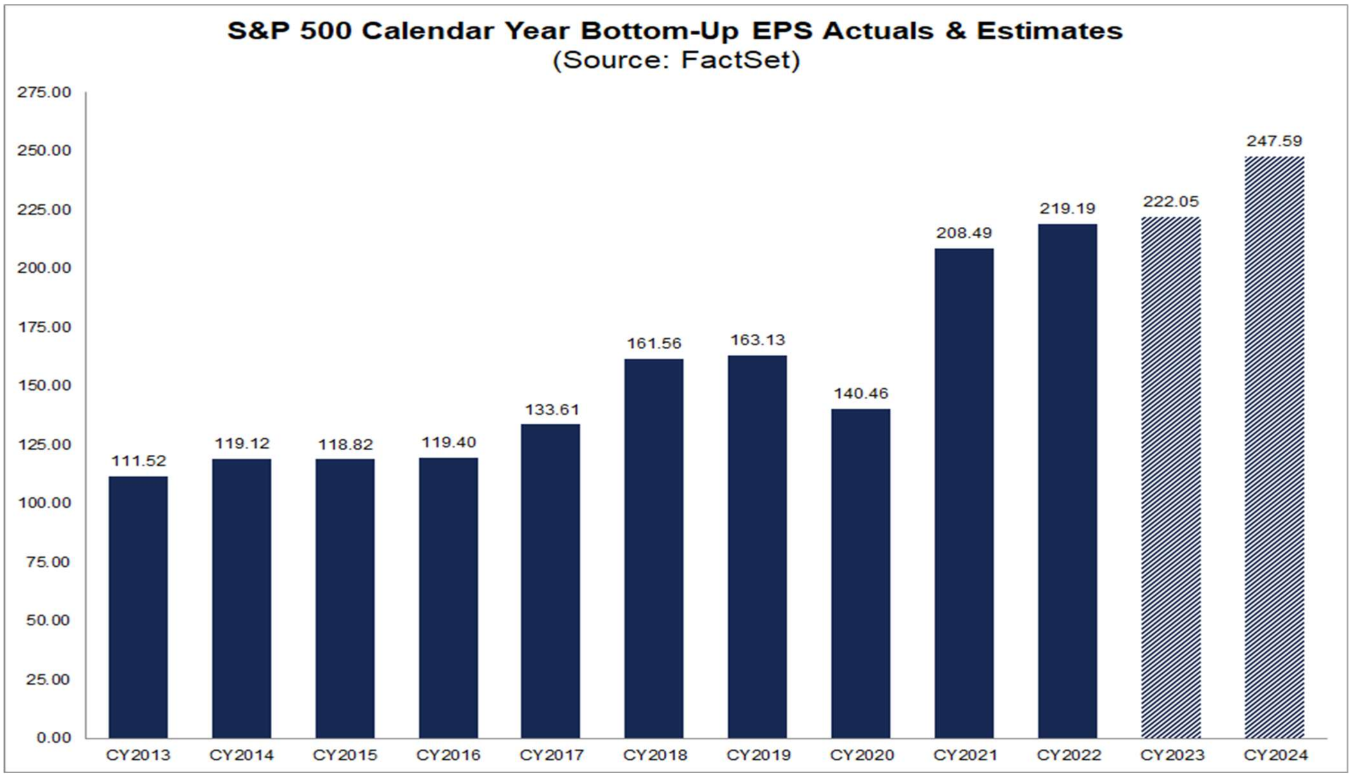
	Utilities	Real Estate	Financials	Industrials	Consumer Disc.	Health Care	Energy	Consumer Staples	Comm. Services	Materials	Info. Technology
International	1%	18%	29%	31%	34%	35%	39%	39%	45%	53%	59%
United States	99%	82%	71%	69%	66%	65%	61%	61%	55%	47%	41%

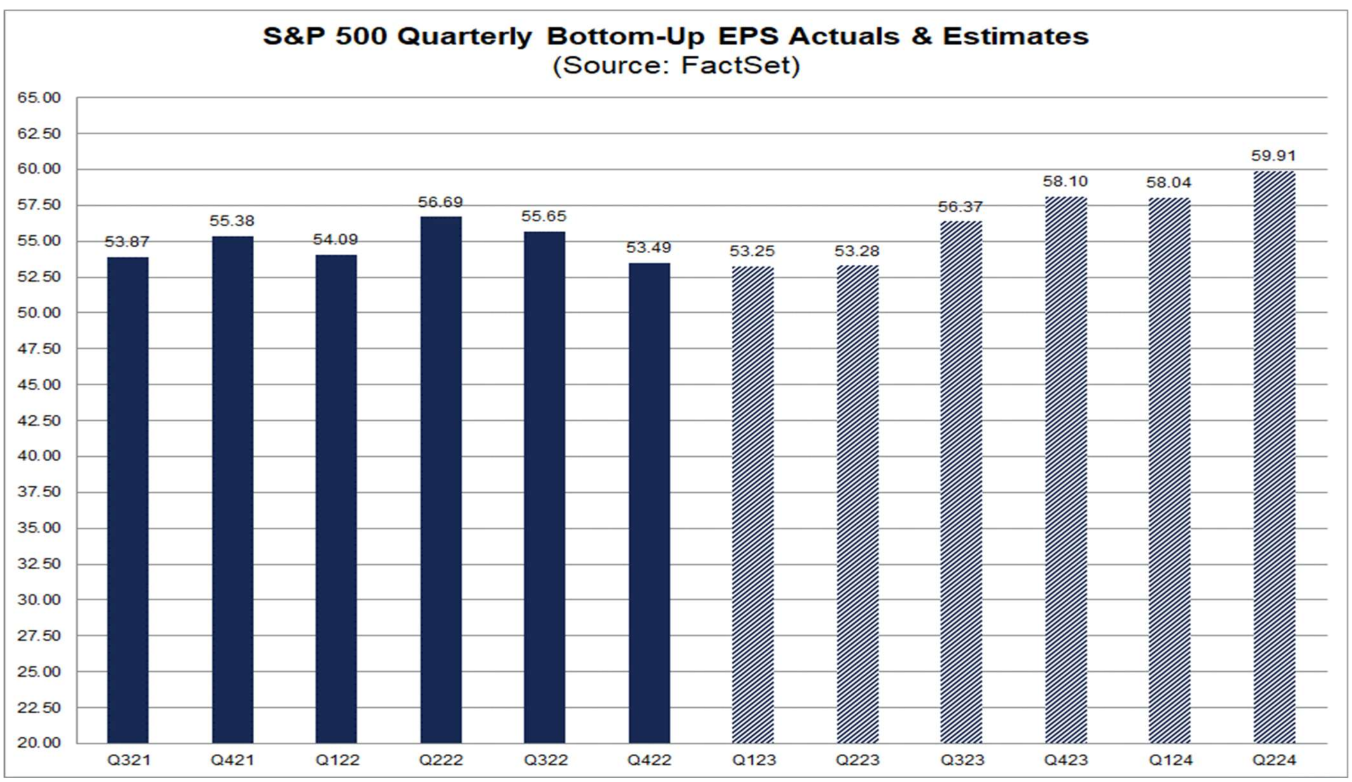
Bottom-Up EPS Estimates



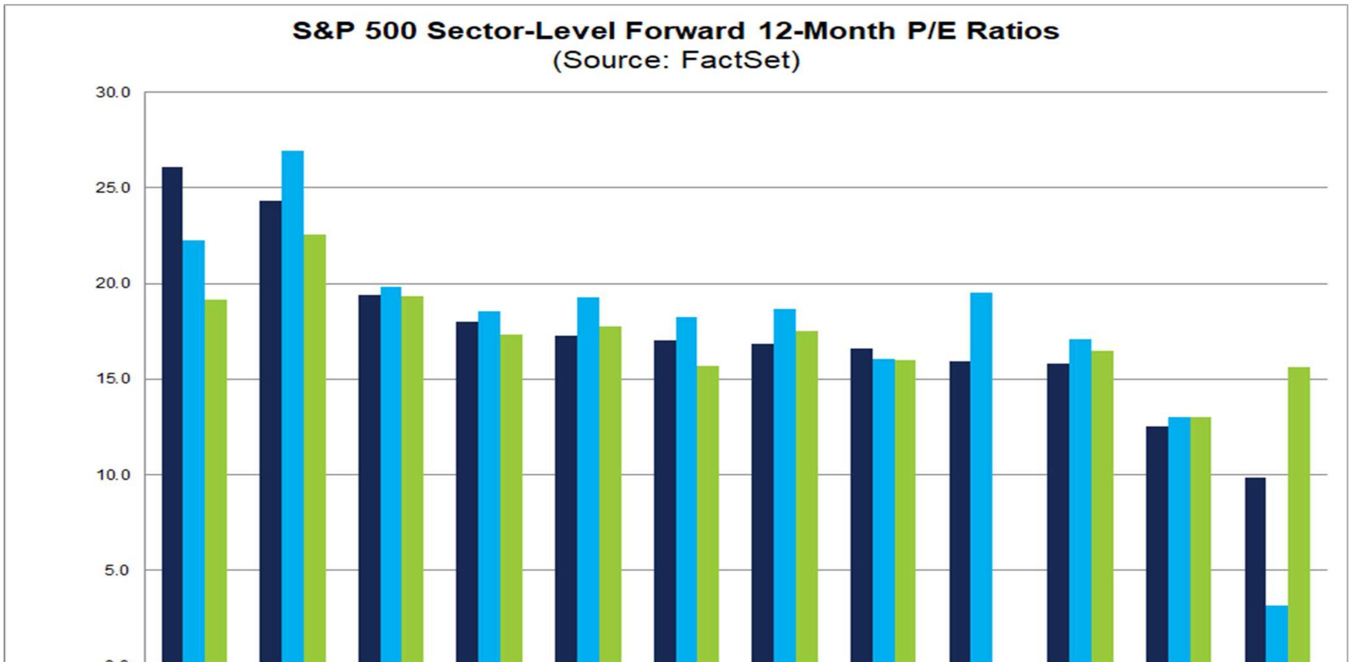


Bottom-Up EPS Estimates: Current & Historical

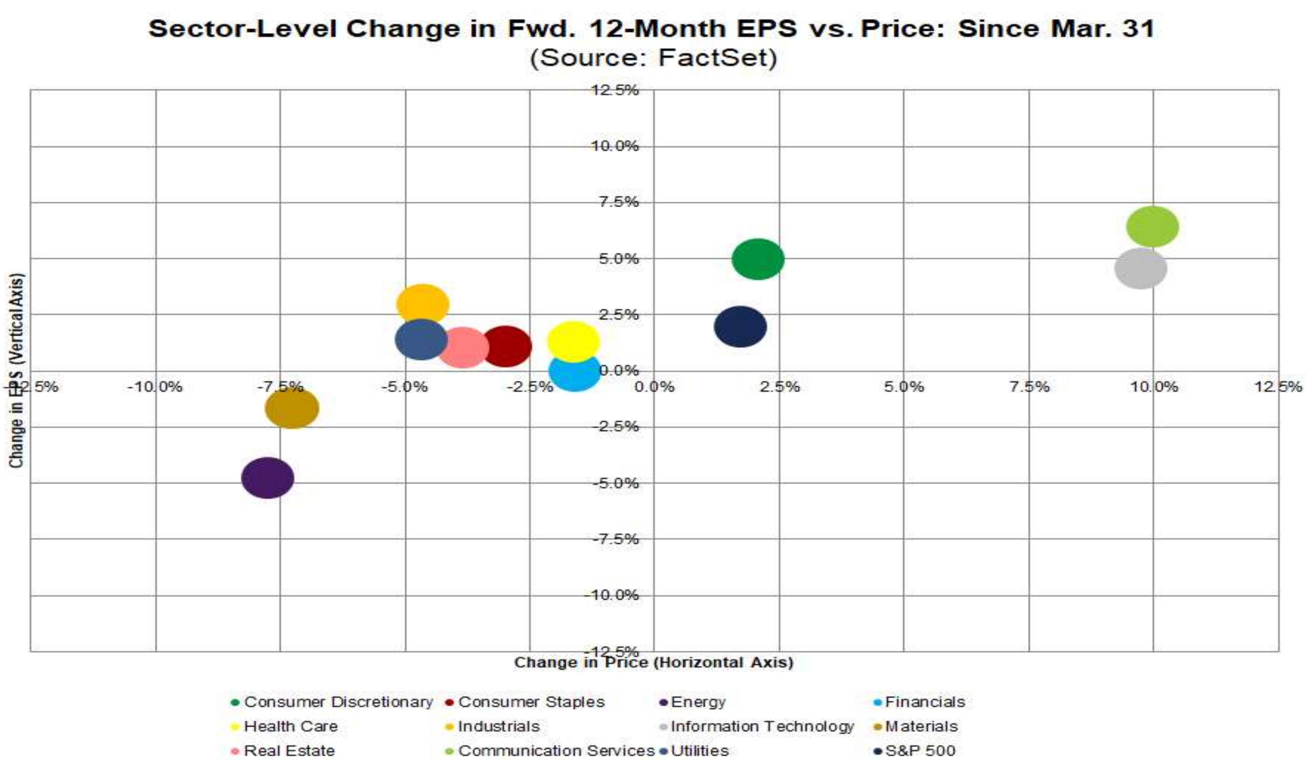




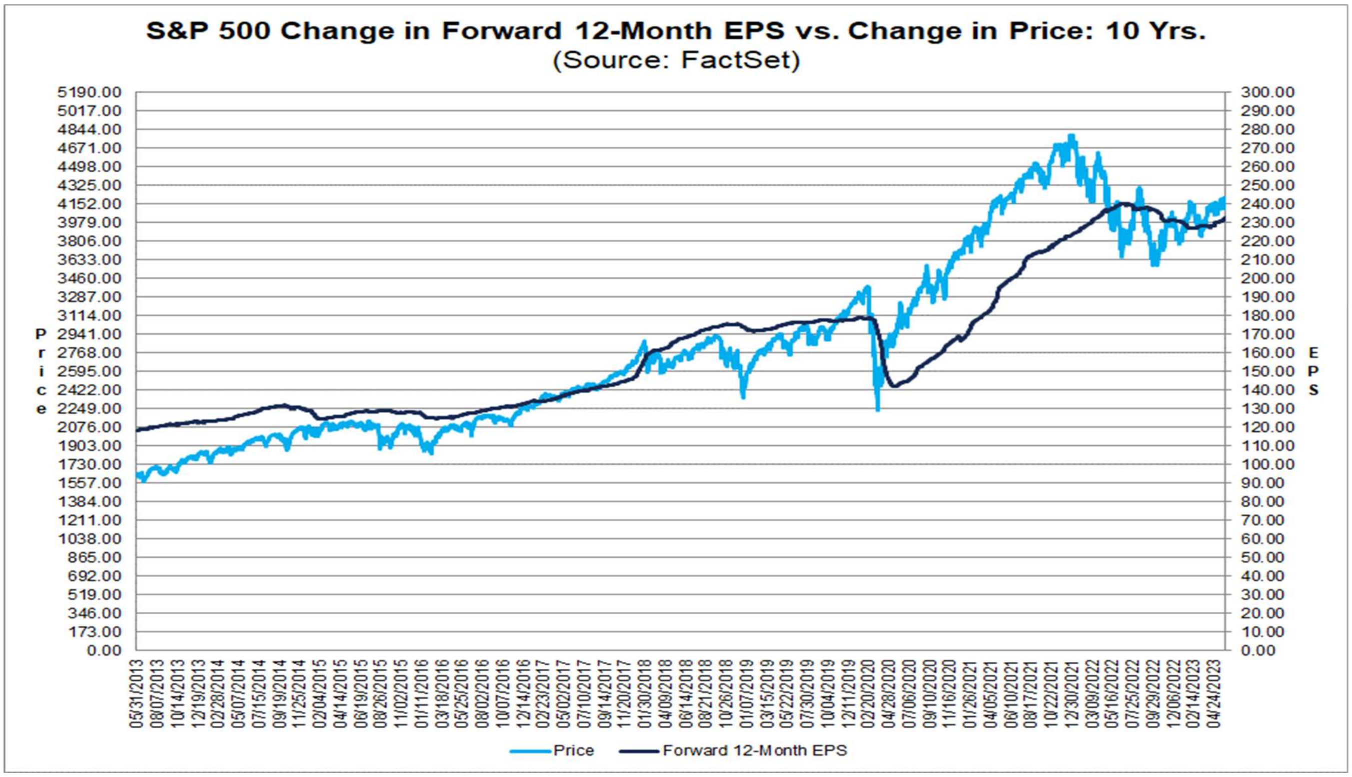
Forward 12M P/E Ratio: Sector Level

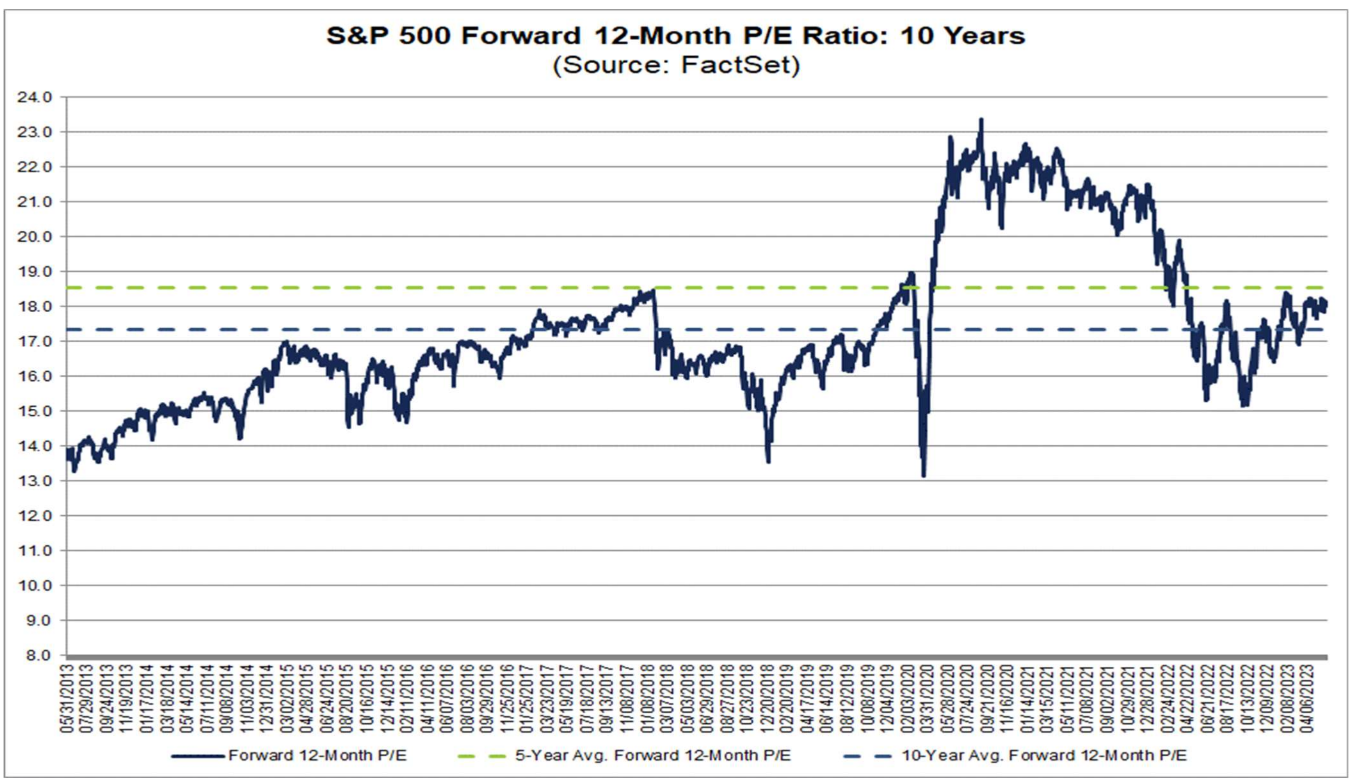


	Info. Technology	Consumer Disc.	Consumer Staples	S&P 500	Industrials	Comm. Services	Utilities	Health Care	Real Estate	Materials	Financials	Energy
Fwd P/E	26.1	24.4	19.4	18.0	17.2	17.0	16.8	16.6	15.9	15.8	12.6	9.9
5-Yr Avg.	22.3	26.9	19.8	18.6	19.3	18.3	18.7	16.1	19.5	17.1	13.0	3.2
10-Yr Avg.	19.1	22.6	19.3	17.3	17.8	15.7	17.5	16.0		16.5	13.0	15.6

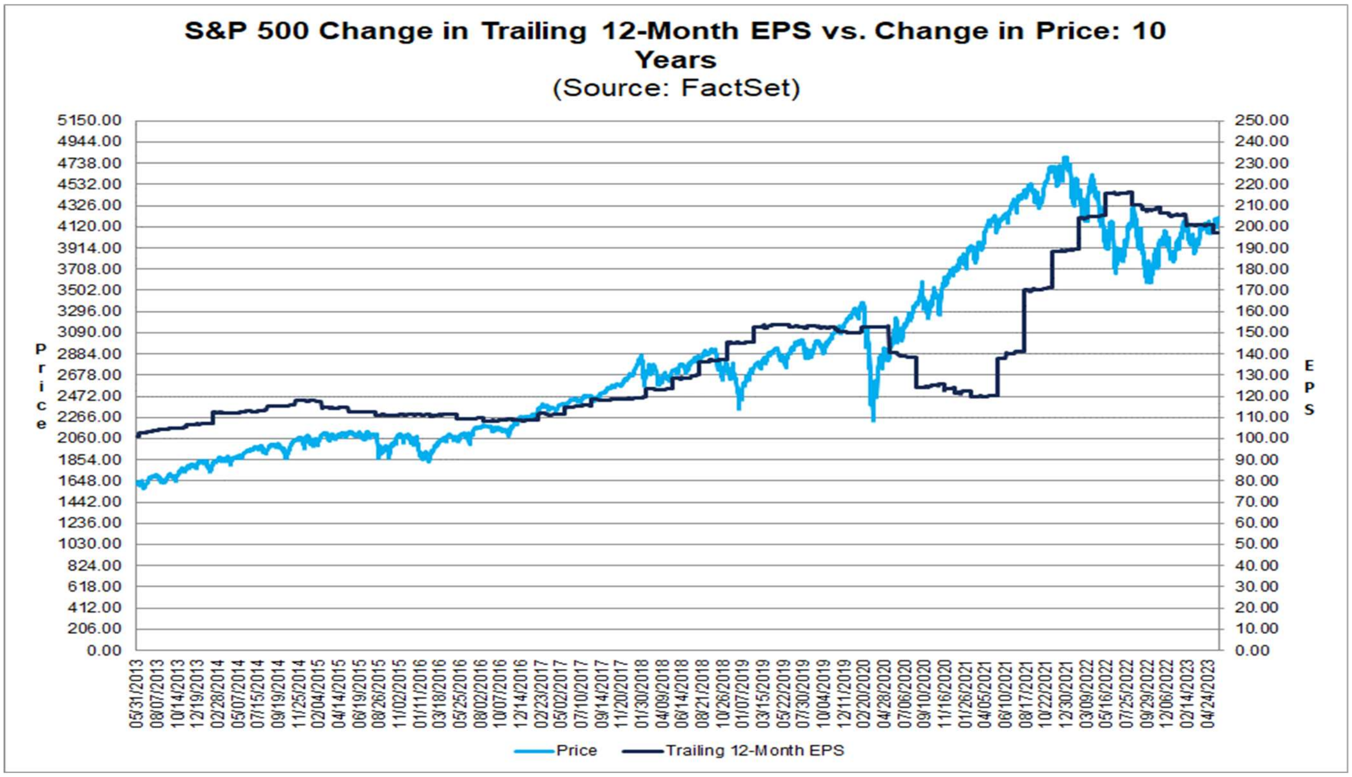


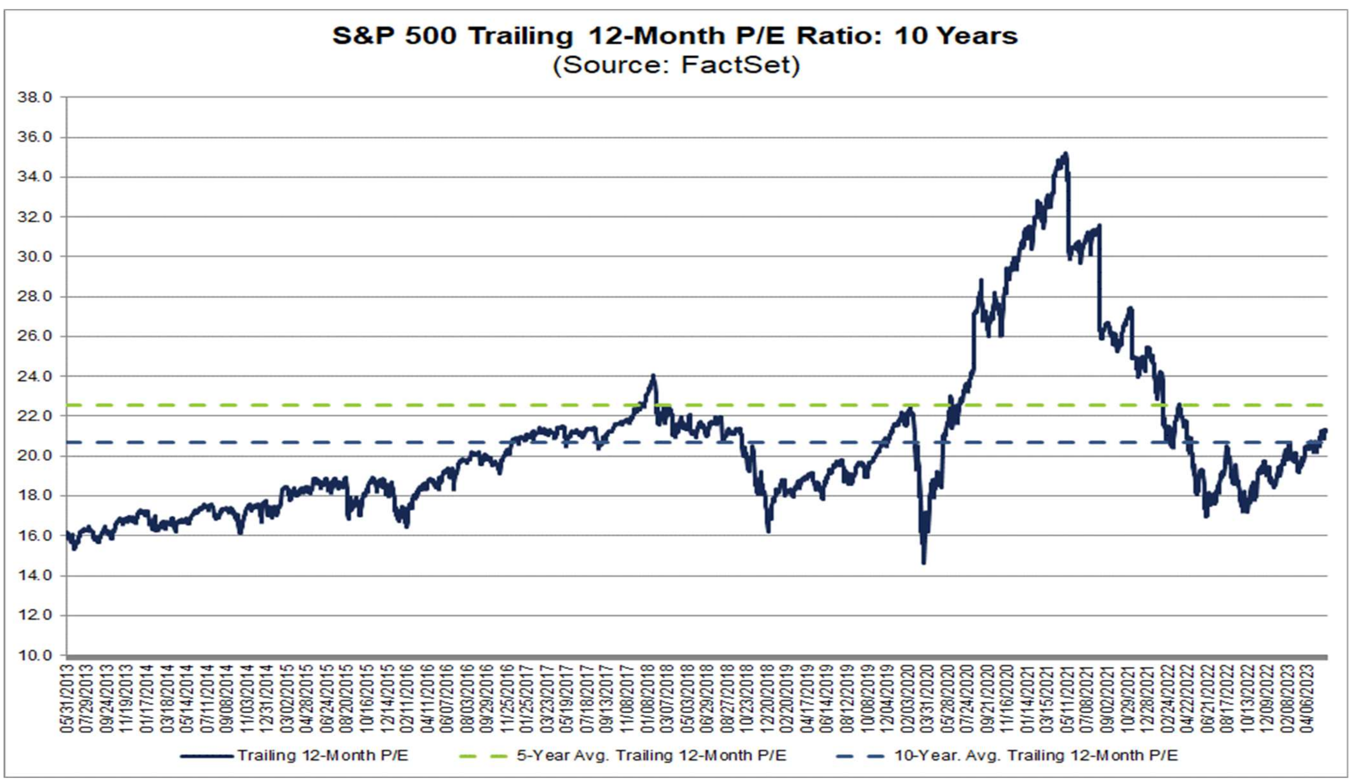
Forward 12M P/E Ratio: 10-Years



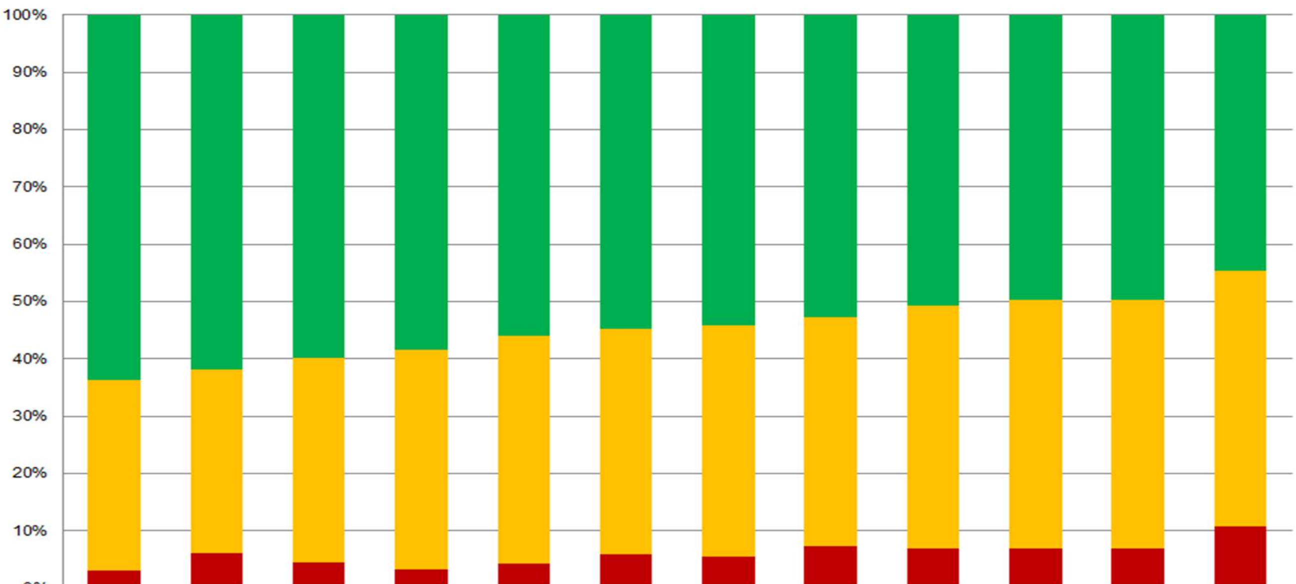


Trailing 12M P/E Ratio: 10-Years

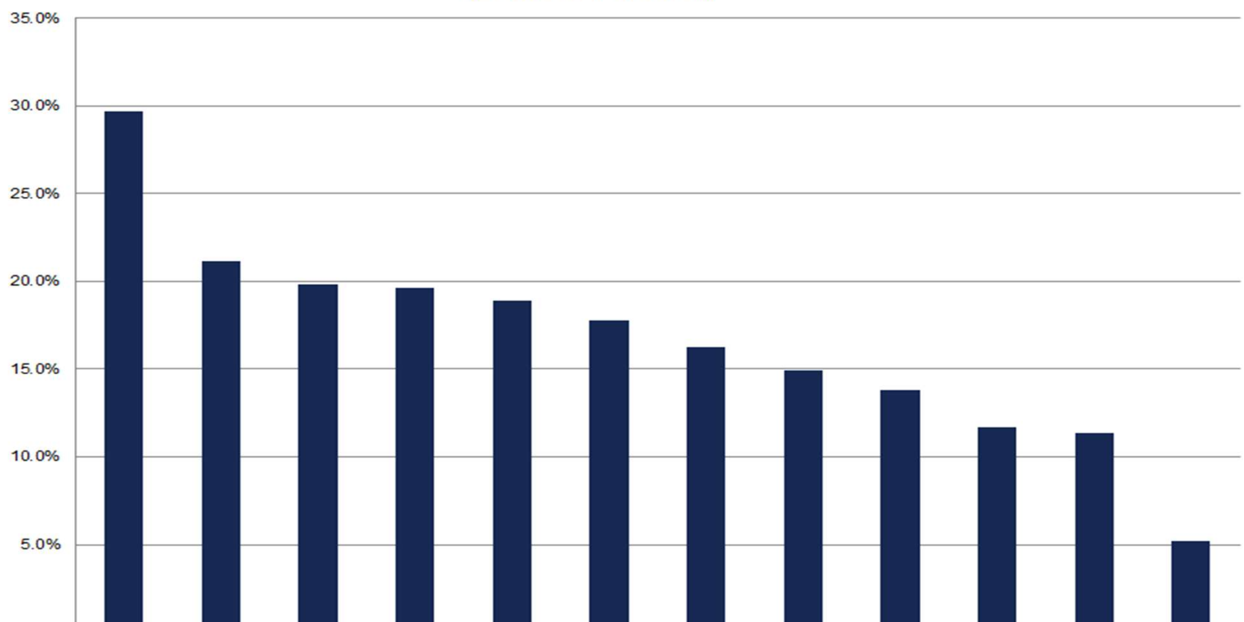




Targets & Ratings



	Energy	Comm. Services	Info. Tech.	Health Care	Real Estate	S&P 500	Consumer Disc.	Financials	Industrials	Materials	Utilities	Consumer Staples
Buy	64%	62%	60%	58%	56%	55%	54%	53%	51%	50%	50%	45%
Hold	33%	32%	36%	38%	40%	39%	40%	40%	42%	43%	44%	45%
Sell	3%	6%	4%	3%	4%	6%	5%	7%	7%	7%	7%	11%



	Energy	Materials	Financials	Real Estate	Health Care	Utilities	Industrials	Consumer Staples	S&P 500	Consumer Disc.	Comm. Services	Info. Tech.
Target/Close	29.7%	21.1%	19.8%	19.7%	18.9%	17.8%	16.2%	14.9%	13.8%	11.7%	11.4%	5.2%

Important Notice

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

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

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

About FactSet

FactSet (NYSE:FDS | NASDAQ:FDS) helps the financial community to see more, think bigger, and work better. Our digital platform and enterprise solutions deliver financial data, analytics, and open technology to over 7,000 global clients, including over 180,000 individual users. Clients across the buy-side and sell-side, as well as wealth managers, private equity firms, and corporations, achieve more everyday with our comprehensive and connected content, flexible next-generation workflow solutions, and client-centric specialized support. As a member of the S&P500, we are committed to sustainable growth and have repeatedly scored 100 on the Human Rights Campaign® Corporate Equality Index and been recognized amongst the Best Places to Work in 2023 by Glassdoor as a Glassdoor Employees' Choice Award winner. Learn more at www.factset.com and follow us on Twitter and LinkedIn.