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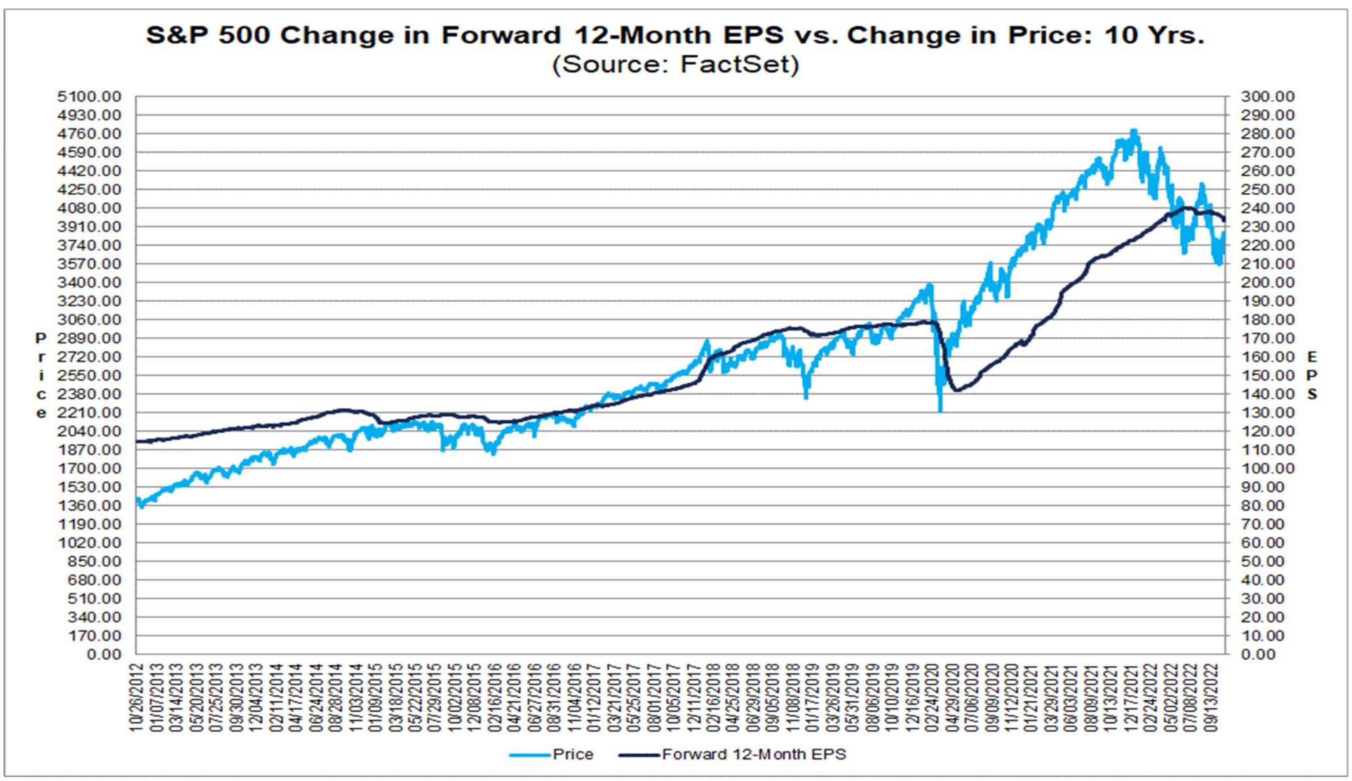
October 28, 2022

Key Metrics

- **Earnings Scorecard:** For Q3 2022 (with 52% of S&P 500 companies reporting actual results), 71% of S&P 500 companies have reported a positive EPS surprise and 68% of S&P 500 companies have reported a positive revenue surprise.
- **Earnings Growth:** For Q3 2022, the blended earnings growth rate for the S&P 500 is 2.2%. If 2.2% is the actual growth rate for the quarter, it will mark the lowest earnings growth rate reported by the index since Q3 2020 (-5.7%).
- **Earnings Revisions:** On September 30, the estimated earnings growth rate for Q3 2022 was 2.8%. Five sectors are reporting lower earnings today (compared to September 30) due to downward revisions to EPS estimates and negative EPS surprises.
- **Earnings Guidance:** For Q4 2022, 28 S&P 500 companies have issued negative EPS guidance and 14 S&P 500 companies have issued positive EPS guidance.
- **Valuation:** The forward 12-month P/E ratio for the S&P 500 is 16.3. This P/E ratio is below the 5-year average (18.5) and below the 10-year average (17.1).



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Topic of the Week:

Ex-Energy, S&P 500 Reporting a Decline in Earnings For The 2nd Straight Quarter

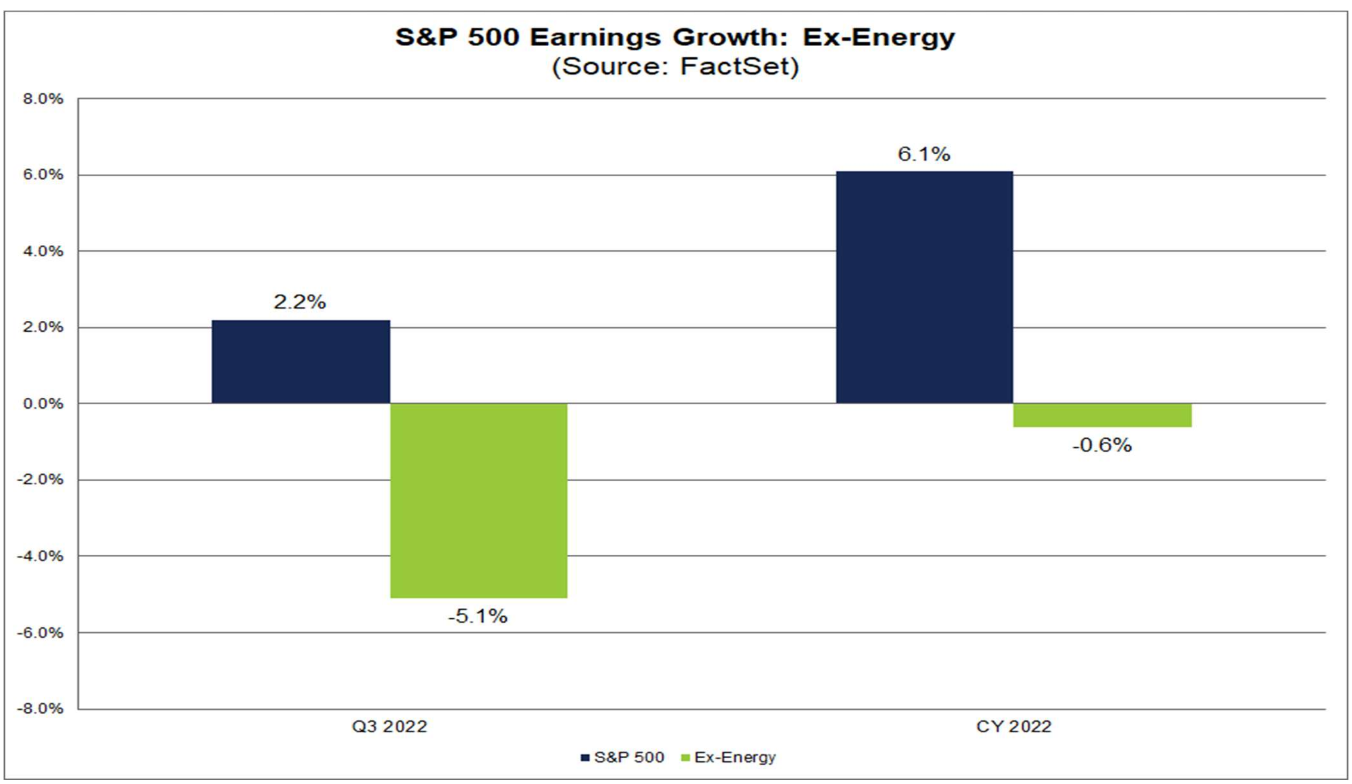
The blended earnings growth rate for the S&P 500 for the third quarter is 2.2%. At the sector level, four sectors are reporting year-over-year growth in earnings for the quarter. However, the Energy sector is reporting the highest earnings growth of these four sectors at 134%.

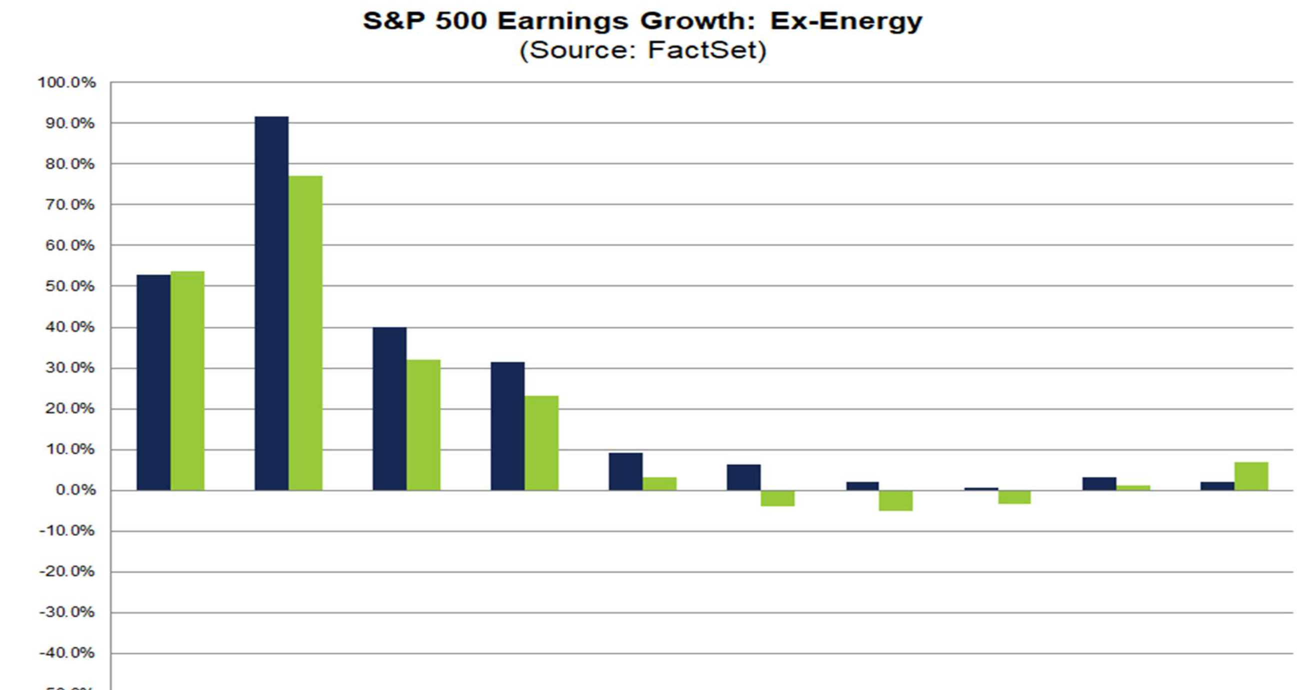
All five sub-industries in the Energy sector are reporting year-over-year earnings growth for the third-quarter, with four of these five sub-industries reporting earnings growth at or above 90%: Oil & Gas Refining & Marketing (269%), Integrated Oil & Gas (140%), Oil & Gas Exploration & Production (105%), and Oil & Gas Equipment & Services (91%).

The Energy sector is also the largest contributor to earnings growth for the S&P 500 for Q3 2022. The sector is reporting an aggregate year-over-year increase in earnings of $33.0 billion, while the S&P 500 overall is reporting an aggregate year-over-year increase in earnings of only $10.1 billion. In fact, if the Energy sector is excluded, the S&P 500 would be reporting a year-over-year decline in earnings of 5.1% rather than a year-over-year increase in earnings of 2.2%. This would mark the second consecutive quarter in which the index would be reporting a year-over-year decline in earnings excluding the Energy sector.

This sector is also expected to be the largest contributor to earnings growth for the S&P 500 for all of CY 2022. If the Energy sector is excluded, the index is expected to report a year-over-year decline in earnings of 0.6% rather than a year-over-year increase in earnings of 6.1%.

However, it is important to note that analysts predict the Energy sector will be a positive contributor to earnings growth for the index for only two more quarters (Q4 2022 and Q1 2023). From Q2 2023 through Q4 2023, analysts project the Energy sector will report year-over-year declines in earnings. Thus, starting in Q2 2023, the Energy sector is expected to be a detractor rather than a contributor to overall earnings growth for the index.





	Q121	Q221	Q321	Q421	Q122	Q222	Q322	Q422	Q123	Q223
S&P 500	52.8%	91.7%	40.1%	31.3%	9.2%	6.2%	2.2%	0.5%	3.2%	2.0%
Ex-Energy	53.7%	77.2%	32.1%	23.1%	3.2%	-4.0%	-5.1%	-3.5%	1.2%	6.8%

Q3 Earnings Season: By The Numbers

Overview

At the mid-point of the earnings season for the third quarter, the percentage of S&P 500 companies reporting a positive earnings surprise and the aggregate (percentage) difference between actual earnings and estimated earnings are below their 5-year and 10-year averages. As a result, earnings for the third quarter are higher today relative to the end of last week, but still lower today relative to the end of the quarter. On a year-over-year basis, the S&P 500 is reporting its lowest earnings growth since Q3 2020.

Overall, 52% of the companies in the S&P 500 have reported actual results for Q3 2022 to date. Of these companies, 71% have reported actual EPS above estimates, which is below the 5-year average of 77% and below the 10-year average of 73%. In aggregate, companies are reporting earnings that are 2.2% above estimates, which is below the 5-year average of 8.7% and below the 10-year average of 6.5%. If 2.2% is the final percentage for the quarter, it will mark the second-lowest surprise percentage reporting by the index in the past nine years.

As a result, the index is reporting higher earnings for the third quarter today relative to the end of last week, but lower earnings today relative to the end of the quarter. The blended (combines actual results for companies that have reported and estimated results for companies that have yet to report) earnings growth rate for the third quarter is 2.2% today, compared to an earnings growth rate of 1.3% last week and an earnings growth rate of 2.8% at the end of the third quarter (September 30).

Positive earnings surprises reported by companies in multiple sectors (led by the Energy and Information Technology sectors), partially offset by negative earnings surprises reported by companies in the Communication Services and Industrials sectors, were the largest contributors to the increase in the overall earnings growth rate for the index since last Friday. Negative earnings surprises (along with some downward revisions to earnings estimates) reported by companies in the Financials, Communication Services, and Industrials sectors, partially offset by positive earnings surprises reported by companies in the Energy sector, have been the largest contributors to the decrease in the overall earnings growth rate since September 30.

If 2.2% is the actual growth rate for the quarter, it will mark the lowest earnings growth rate reported by the index since Q3 2020 (-5.7%). Four of the eleven sectors are reporting year-over-year earnings growth, led by the Energy, Real Estate, and Industrials sectors. On the other hand, seven sectors are reporting a year-over-year decline in earnings, led by the Communication Services, Financials, and Materials sectors.

In terms of revenues, 68% of S&P 500 companies have reported actual revenues above estimates, which is below the 5-year average of 69% but above the 10-year average of 62%. In aggregate, companies are reporting revenues that are 1.7% above the estimates, which is below the 5-year average of 1.9% but above the 10-year average of 1.2%.

As a result, the index is reporting higher revenues for the third quarter today relative to the end of last week and relative to the end of the quarter. The blended revenue growth rate for the third quarter is 9.3% today, compared to a revenue growth rate of 8.5% last week and a revenue growth rate of 8.7% at the end of the third quarter (September 30).

Positive revenue surprises reported by companies in the Energy sector were the largest contributors to the increase in the overall revenue growth rate during the past week. Positive revenue surprises (along with some upward revisions to revenue estimates) reported by companies in the Energy, Financials, and Consumer Staples sectors, partially offset by negative revenue surprises reported by companies in the Communication Services sector, have been the largest contributors to the increase in the overall revenue growth rate since September 30.

If 9.3% is the actual growth rate for the quarter, it will mark the first time the index has reported revenue growth below 10% since Q4 2020 (3.2%). All eleven sectors are reporting year-over-year growth in revenues, led by the Energy sector.

Looking ahead, analysts expect earnings growth of 0.5% for Q4 2022 and 6.1% for CY 2022. For Q1 2023 and Q2 2023, analysts are projecting earnings growth of 3.2% and 2.0%. For CY 2023, analysts predict earnings growth of 6.4%.

The forward 12-month P/E ratio is 16.3, which is below the 5-year average (18.5) and below the 10-year average (17.1). However, it is above the forward P/E ratio of 15.2 recorded at the end of the third quarter (September 30), as the price of the index has increased while the forward 12-month EPS estimate has decreased since September 30.

During the upcoming week, 167 S&P 500 companies (including one Dow 30 component) are scheduled to report results for the third quarter.

Scorecard: Number And Magnitude of Positive Earnings Surprises Are Below Average

Percentage of Companies Beating EPS Estimates (71%) is Below 5-Year Average

Overall, 52% of the companies in the S&P 500 have reported earnings to date for the third quarter. Of these companies, 71% have reported actual EPS above the mean EPS estimate, 4% have reported actual EPS equal to the mean EPS estimate, and 25% have reported actual EPS below the mean EPS estimate. The percentage of companies reporting EPS above the mean EPS estimate is below the 1-year average (78%), below the 5-year average (77%), and below the 10-year average (73%).

At the sector level, the Energy (89%) and Information Technology (84%) sectors have the highest percentages of companies reporting earnings above estimates, while Materials (55%) and Utilities (57%) sectors have the lowest percentages of companies reporting earnings above estimates.

Earnings Surprise Percentage (+2.2%) is Below 5-Year Average

In aggregate, companies are reporting earnings that are 2.2% above expectations. This surprise percentage is below the 1-year average (+6.5%), below the 5-year average (+8.7%), and below the 10-year average (6.5%).

If 2.2% is the final percentage for the quarter, it will mark the second-lowest surprise percentage reporting by the index in the past nine years, trailing only Q1 2018 (+1.1%).

The Energy (+12.2%) sector is reporting the largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Exxon Mobil ($4.45 vs. $3.86), Schlumberger ($0.63 vs. $0.55), and Chevron ($5.56 vs. $4.89) have reported the largest positive EPS surprises.

The Health Care (+7.0%) sector is reporting the second-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Gilead Sciences ($1.90 vs. $1.43), Abbott Laboratories ($1.15 vs. $0.94), Biogen ($4.77 vs. $4.13), DexCom ($0.28 vs. $0.24), and Danaher ($2.56 vs. $2.26) have reported the largest positive EPS surprises.

The Consumer Discretionary (+6.0%) sector is reporting the third-largest positive (aggregate) difference between actual earnings and estimated earnings. Within this sector, Amazon.com ($0.28 vs. $0.22), General Motors ($2.25 vs. $1.88), and BorgWarner ($1.24 vs. $1.04) have reported the largest positive EPS surprises.

The Industrials (-9.0%) sector is reporting the largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Boeing (-$6.18 vs. $0.13), Generac ($1.75 vs. $3.22), FedEx ($3.44 vs. $5.14), General Electric ($0.35 vs. $0.47), and A.O. Smith ($0.69 vs. $0.87) have reported the largest negative EPS surprises.

The Communication Services (-4.6%) sector is reporting the second-largest negative (aggregate) difference between actual earnings and estimated earnings. Within this sector, Alphabet ($1.06 vs. $1.26), Meta Platforms ($1.64 vs. $1.90), and Charter Communications ($7.38 vs. $8.34) have reported the largest negative EPS surprises.

Market Rewarding Positive Surprises More Than Average

To date, the market is rewarding positive earnings surprises more than average and punishing negative earnings surprises less than average.

Companies that have reported positive earnings surprises for Q3 2022 have seen an average price increase of +2.3% two days before the earnings release through two days after the earnings release. This percentage increase is above the 5-year average price increase of +0.9% during this same window for companies reporting positive earnings surprises.

Companies that have reported negative earnings surprises for Q3 2022 have seen an average price decrease of -2.0% two days before the earnings release through two days after the earnings. This percentage decrease is smaller 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 (68%) is Below 5-Year Average

In terms of revenues, 68% of companies have reported actual revenues above estimated revenues and 32% have reported actual revenues below estimated revenues. The percentage of companies reporting revenues above estimates is below the 1-year average (74%) and below the 5-year average (69%), but above the 10-year average (62%).

At the sector level, the Real Estate (88%), Information Technology (87%), and Utilities (86%) sectors have the highest percentages of companies reporting revenues above estimates, while the Consumer Discretionary (48%) sector has the lowest percentage of companies reporting revenues above estimates.

Revenue Surprise Percentage (+1.7%) is Below 5-Year Average

In aggregate, companies are reporting revenues that are 1.7% above expectations. This surprise percentage is below the 1-year average (+2.9%) and below the 5-year average (+1.9%), but above the 10-year average (+1.2%).

At the sector level, the Utilities (+12.3%) and Energy (+8.5%) sectors are reporting the largest positive (aggregate) differences between actual revenues and estimated revenues, while the Communication Services (-1.0%) sector is reporting the largest negative (aggregate) differences between actual revenues and estimated revenues.

Revisions: Increase in Blended Earnings Growth Rate This Week Due to Energy

Increase in Blended Earnings Growth Rate This Week Due to Energy

The blended (year-over-year) earnings growth rate for the third quarter is 2.2%, which is above the earnings growth rate of 1.3% last week. Positive earnings surprises reported by companies in multiple sectors (led by the Energy and Information Technology sectors), partially offset by negative earnings surprises reported by companies in the Communication Services and Industrials sectors, were the largest contributors to the increase in the overall earnings growth rate during the week.

In the Energy sector, the positive EPS surprises reported by Exxon Mobil ($4.45 vs. $3.86) and Chevron ($5.56 vs. $4.89) were the largest contributors to the increase in the earnings growth rate for the index during the week. As a result, the blended earnings growth rate for the Energy sector increased to 134.1% from 115.9% over this period.

In the Information Technology sector, the positive EPS surprise reported by Intel ($0.59 vs. $0.35) was a substantial contributor to the increase in the earnings growth rate for the index during the week. As a result, the blended earnings decline for the Information Technology sector improved to -2.6% from -4.6% over this period.

In the Communication Services sector, the negative EPS surprises reported by Alphabet ($1.06 vs. $1.26) and Meta Platforms ($1.64 vs. $1.90) were significant detractors to the increase in the earnings growth rate for the index during the week. As a result, the blended earnings decline for the Communication Services sector increased to -18.9% from -12.6% over this period.

In the Industrials sector, the negative EPS surprise reported by Boeing (-$6.18 vs. $0.13) was a substantial detractor to the increase in the earnings growth rate for the index during the week. As a result, the blended earnings growth rate for the Industrials sector declined to 16.0% from 24.5% over this period.

Increase in Blended Revenue Growth Rate This Week Due to Energy

The blended (year-over-year) revenue growth rate for the third quarter is 9.3%, which is above the revenue growth rate of 8.5% last week. Positive revenue surprises reported by companies in the Energy sector were the largest contributors to the increase in the overall revenue growth rate during the past week.

Financials Sector Has Seen Largest Decrease in Earnings since September 30

The blended (year-over-year) earnings growth rate for Q3 2022 of 2.2% is below the estimate of 2.8% at the end of the third quarter (September 30). Six sectors have recorded an increase in their earnings growth rate or a decrease in their earnings decline since the end of the quarter due to upward revisions to earnings estimates and positive earnings surprises, led by the Energy (to 134.1% from 115.4%) sector. This sector has also witnessed the largest dollar-level increase in earnings since September 30. On the other hand, five sectors have recorded a decrease in their earnings growth rate or an increase in their earnings decline during this period, led by the Materials (to -15.0% from -7.0%), Industrials (to 16.0% from 23.9%), Financials (to -18.0% from -12.0%), and Communication Services (to -18.9% from -13.2%) sectors. The Financials, Communication Services, and Industrials sectors have also witnessed the largest dollar-level decreases in earnings since September 30.

In the Energy sector, the positive EPS surprises reported by Exxon Mobil ($4.45 vs. $3.86) and Chevron ($5.56 vs. $4.89) have been the largest detractors to the decrease in the earnings growth rate for the index since September 30. As a result, the blended earnings growth rate for the Energy sector increased to 134.1% from 115.4% over this period.

In the Financials sector, the negative EPS surprises reported by Wells Fargo ($0.85 vs. $1.09) and Progressive ($0.49 vs. $0.99), along with the downward revisions to EPS estimates for Berkshire Hathaway (to $2.81 from $3.43) and Allstate (to -$1.42 from $0.92), have been substantial contributors to the decrease in the earnings growth rate for the index since September 30. As a result, the blended earnings decline for the Financials sector has increased to -18.0% from -12.0% over this period.

In the Communication Services sector, the negative EPS surprises reported by Alphabet ($1.06 vs. $1.26) and Meta Platforms ($1.64 vs. $1.90) have been significant contributors to the decrease in the earnings growth rate for the index since September 30. As a result, the blended earnings decline for the Communication Services sector has increased to -18.9% from -13.2% over this period.

In the Industrials sector, the negative EPS surprise reported by Boeing (-$6.18 vs. $0.13) has been a substantial contributor to the decrease in the earnings growth rate for the index since September 30. As a result, the blended earnings growth rate for the Industrials sector has declined to 16.0% from 23.9% over this period.

Energy Sector Has Seen Largest Increase in Revenues since September 30

The blended (year-over-year) revenue growth rate for Q3 2022 of 9.3% is above the estimate of 8.7% at the end of the third quarter (September 30). Six 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 Energy (to 39.5% from 35.5%) and Utilities (to 6.5% from 3.1%) sectors. The Energy, Financials and Consumer Staples sectors have been the largest contributors to the increase in revenues since September 30. On the other hand, five 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 3.0% from 4.3%) sectors. The Communication Services sector has also been the largest detractor to the increase in revenues for the index since September 30.

In the Energy sector, the positive revenue surprises reported by Exxon Mobil ($112.1 billion vs. $104.6 billion), Chevron ($66.6 billion vs. $57.4 billion), and Valero Energy ($42.3 billion vs. $40.1 billion) have been the largest contributors to the increase in the revenue growth rate for the index since September 30. As a result, the blended revenue growth rate for the Energy sector increased to 39.5% from 35.5% over this period.

In the Financials sector, the positive revenue surprise reported by Bank of America ($24.5 billion vs. $23.5 billion), along with the upward revisions to revenue estimates for MetLife (to $20.6 billion from $18.4 billion) and Prudential (to $14.7 billion from $13.7 billion), have been substantial contributors to the increase in the revenue growth rate for the index since September 30. As a result, the blended revenue growth rate for the Financials sector has increased to 4.2% from 2.7% over this period.

In the Consumer Staples sector, the positive revenue surprises reported by Archer-Daniels-Midland ($24.7 billion vs. $22.2 billion) and PepsiCo ($22.0 billion vs. ($20.8 billion) have been significant contributors to the increase in the revenue growth rate for the index since September 30. As a result, the blended revenue growth rate for the Consumer Staples sector has increased to 6.4% from 5.2% over this period.

In the Communication Service sector, the negative revenue surprise reported by Alphabet ($69.1 billion vs. $71.0 billion) has been a significant detractor to the increase in the revenue growth rate for the index since September 30. As a result, the blended revenue growth rate for the Communication Services sector has decreased to 3.0% from 4.3% over this period.

Earnings Growth: 2.2%

The blended (year-over-year) earnings growth rate for Q3 2022 is 2.2%, which is below the 5-year average earnings growth rate of 14.6% and below the 10-year average earnings growth rate of 8.8%. If 2.2% is the actual growth rate for the quarter, it will mark the lowest (year-over-year) earnings growth rate reported by the index since Q3 2020 (-5.7%).

Four of the eleven sectors are reporting year-over-year earnings growth, led by the Energy, Real Estate, and Industrials sectors. On the other hand, seven sectors are reporting a year-over-year decline in earnings, led by the Communication Services, Financials, and Materials sectors.

Energy: Largest Contributor to Year-Over-Year Earnings Growth for S&P 500 For Q3

The Energy sector is reporting the highest (year-over-year) earnings growth of all eleven sectors at 134.1%. 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 Q3 2022 ($91.43) was 30% above the average price for oil in Q3 2021 ($70.52). At the sub-industry level, all five sub-industries in the sector are reporting a year-over-year increase in earnings: Oil & Gas Refining & Marketing (269%), Integrated Oil & Gas (140%), Oil & Gas Exploration & Production (104%), Oil & Gas Equipment & Services (91%), and Oil & Gas Storage & Transportation (18%).

The Energy sector is also the largest contributor to earnings growth for the S&P 500 for the third quarter. If this sector were excluded, the index would be reporting a decline in earnings of 5.1% rather than growth in earnings of 2.2%.

Real Estate: 7 of 8 Sub-Industries Reporting Year-Over-Year Growth

The Real Estate sector is reporting the second-highest (year-over-year) earnings (FFO) growth of all eleven sectors at 16.4%. At the sub-industry level, seven of the eight sub-industries in the sector are reporting a year-over-year increase in earnings (FFO). Five of these seven sub-industries are reporting earnings (FFO) growth at or above 10%: Hotel & Resort REITs (93%), Industrial REITs (90%), Residential REITs (21%), Retail REITs (14%), and Health Care REITs (10%). On the other hand, the Real Estate Services (-22%) sub-industry is the only sub-industry reporting a year-over-year decline in earnings.

Industrials: Airlines Industry Is Largest Contributor to Year-Over-Year Growth

The Industrials sector is reporting the third-highest (year-over-year) earnings growth rate of all eleven sectors at 16.0%. At the industry level, 8 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 $3.0 billion in Q3 2022 compared to a loss of -$731 million in Q3 2021. Six of the remaining seven industries are reporting earnings growth above 10%: Trading Companies & Distributors (34%), Machinery (27%), Construction & Engineering (23%), Road & Rail (21%), Commercial Services & Supplies (15%), and Electrical Equipment (12%). On the other hand, four industries are reporting a year-over-year decline in earnings, led by the Aerospace & Defense (-42%) industry.

At the industry level, the Airlines industry is the largest contributor to earnings growth for the sector. If the five companies in this industry were excluded, the blended earnings growth rate for the Industrials sector would fall to 4.3% from 16.0%.

On the other hand, the Aerospace & Defense industry is the largest detractor to earnings growth for the sector. At the company level, Boeing is the largest detractor to earnings growth for this industry and for the sector as a whole. If this company were excluded, the blended earnings growth rate for the Industrials sector would improve to 26.3% from 16.0%.

Communication Services: All 5 Industries Reporting Year-Over-Year Decline

The Communication Services sector is reporting the largest (year-over-year) earnings decline of all eleven sectors at -18.9%. At the industry level, all five industries in this sector are reporting a year-over-year decline in earnings, led by the Interactive Media & Services (-32%), Wireless Telecommunication Services (-27%), and Entertainment (-10%) industries.

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 -2.3% from -18.9%.

Financials: 4 of 5 Industries Reporting Year-Over-Year Decline of More Than 10%

The Financials sector is reporting the second-largest (year-over-year) earnings decline of all eleven sectors at -18.0%. At the industry level, all five industries in this sector are reporting a year-over-year decline in earnings. Four of these five industries are reporting an earnings decline of more than 10%: Insurance (-27%), Consumer Finance (-27%), Capital Markets (-22%), and Banks (-13%).

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

The Materials sector is reporting the third-largest (year-over-year) earnings decline of all eleven sectors at -15.0%. At the industry level, three of the four industries in this sector are reporting a year-over-year earnings decline: Metals & Mining (-40%), Containers & Packaging (-8%), and Chemicals (-8%). On the other hand, the Construction Materials (10%) is the only industry in the sector projected to report (year-over-year) earnings growth.

At the company level, Dow, LyondellBasell Industries, and Freeport-McMoRan are the largest contributors to the earnings decline for this sector. If these three companies were excluded, the Materials sector would be reporting earnings growth of 7.7% rather than an earnings decline of -15.0%.

Revenue Growth: 9.3%

The blended (year-over-year) revenue growth rate for Q3 2022 is 9.3%, which is above the 5-year average revenue growth rate of 7.8% and above the 10-year average revenue growth rate of 4.6%. However, if 9.3% is the actual growth rate for the quarter, it will mark the first time the index has reported (year-over-year) revenue growth below 10% since Q4 2020 (3.2%).

All eleven sectors are reporting year-over-year growth in revenues. Four sectors are reporting double-digit revenue growth, led by the Energy sector.

Energy: All 5 Sub-Industries Reporting Year-Over-Year Growth Above 20%

The Energy sector is reporting the highest (year-over-year) revenue growth rate of all eleven sectors at 39.5%. Higher year-over-year oil prices are contributing to the year-over-year improvement in revenues for this sector, as the average price of oil in Q3 2022 ($91.43) was 30% above the average price for oil in Q3 2021 ($70.52). At the sub-industry level, all five sub-industries in the sector are reporting year-over-year growth in revenues above 20%: Integrated Oil & Gas (50%), Oil & Gas Exploration & Production (49%), Oil & Gas Storage & Transportation (32%), Oil & Gas Refining & Marketing (26%), and Oil & Gas Equipment & Services (23%).

The Energy sector is also the largest contributor to revenue growth for the S&P 500 for the third quarter. If this sector were excluded, the blended revenue growth rate for the index would fall to 6.8% from 9.3%.

Net Profit Margin: 12.0%

The blended net profit margin for the S&P 500 for Q3 2022 is 12.0%, which is above the 5-year average of 11.3%, but below the previous quarter's net profit margin of 12.2% and below the year-ago net profit margin of 12.9%.

At the sector level, three sectors are reporting a year-over-year increase in their net profit margins in Q3 2022 compared to Q3 2021, led by the Energy (to 15.0% vs. 8.9%) sector. On the other hand, eight sectors are reporting a year-over-year decrease in their net profit margins in Q3 2022 compared to Q3 2021, led by the Financials (14.8% vs. 18.8%).

Seven sectors are reporting net profit margins in Q3 2022 that are above their 5-year averages, led by the Energy (15.0% vs. 6.8%) sector. On the other hand, fours sectors are reporting net profit margins in Q3 2022 that are below their 5-year averages, led by the Financials (14.8% vs. 16.5%) and Communication Services (10.1% vs. 11.7%) sectors.

Looking Ahead: Forward Estimates and Valuation

Guidance: % of S&P 500 Companies Issuing Negative EPS Guidance for Q4 is Above 5-Yr. Average

At this point in time, 42 companies in the index have issued EPS guidance for Q4 2022. Of these 42 companies, 28 have issued negative EPS guidance and 14 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance for Q4 2022 is 67% (28 out of 42), which is above the 5-year average of 60% but equal to the 10-year average of 67%.

At this point in time, 248 companies in the index have issued EPS guidance for the current fiscal year (FY 2022 or FY 2023). Of these 248 companies, 128 have issued negative EPS guidance and 120 have issued positive EPS guidance. The percentage of companies issuing negative EPS guidance is 52% (128 out of 248).

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 6% for CY 2022

For the third quarter, S&P 500 companies are reporting earnings growth of 2.2% and revenue growth of 9.3%.

For Q4 2022, analysts are projecting earnings growth of 0.5% and revenue growth of 4.9%.

For CY 2022, analysts are projecting earnings growth of 6.1% and revenue growth of 10.4%.

For Q1 2023, analysts are projecting earnings growth of 3.2% and revenue growth of 4.3%.

For Q2 2023, analysts are projecting earnings growth of 2.0% and revenue growth of 1.6%.

For CY 2023, analysts are projecting earnings growth of 6.4% and revenue growth of 3.7%.

Valuation: Forward P/E Ratio is 16.3, Below the 10-Year Average (17.1)

The forward 12-month P/E ratio for the S&P 500 is 16.3. This P/E ratio is below the 5-year average of 18.5 and below the 10-year average of 17.1. However, it is above the forward 12-month P/E ratio of 15.2 recorded at the end of the third quarter (September 30). Since the end of the third quarter (September 30), the price of the index has increased by 6.2%, while the forward 12-month EPS estimate has decreased by 1.6%. At the sector level, the Consumer Discretionary (23.2) sector has the highest forward 12-month P/E ratio, while the Energy (9.8) sector has the lowest forward 12-month P/E ratio.

The trailing 12-month P/E ratio is 18.3, which is below the 5-year average of 22.8 and below the 10-year average of 20.4.

Targets & Ratings: Analysts Project 19% Increase in Price Over Next 12 Months

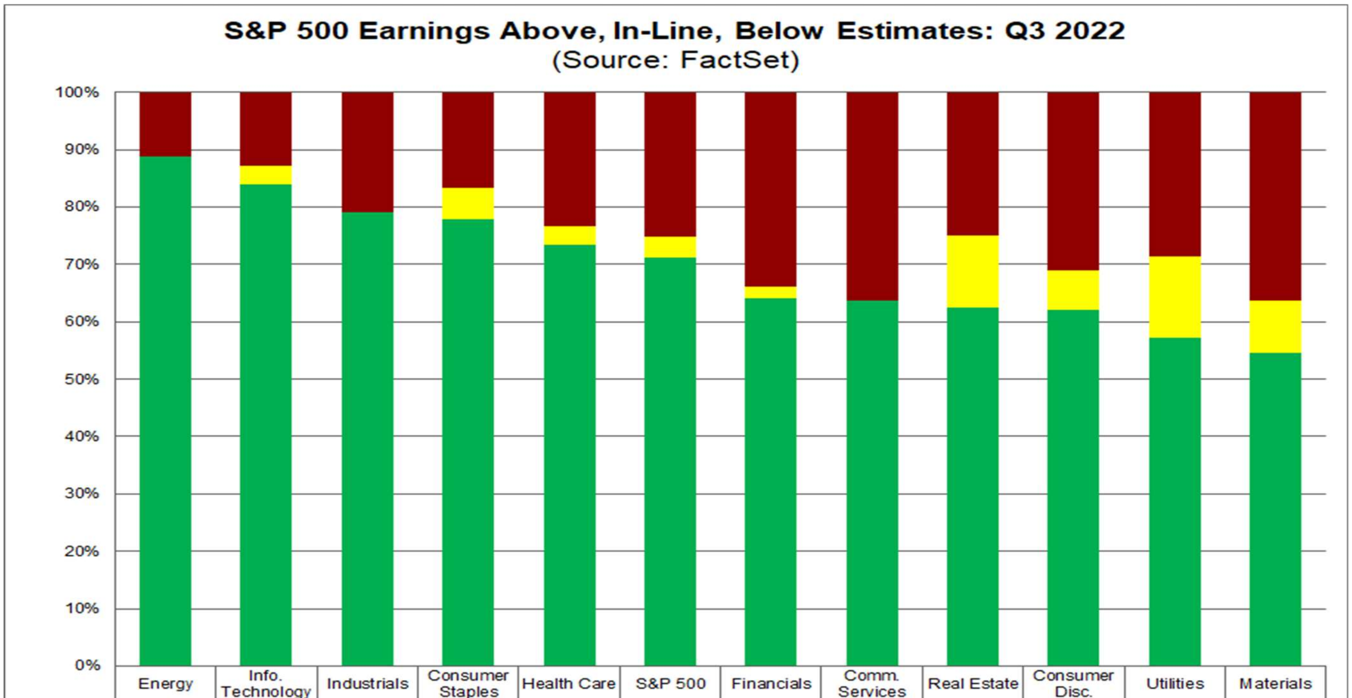
The bottom-up target price for the S&P 500 is 4528.45, which is 18.9% above the closing price of 3807.30. At the sector level, the Communication Services (+33.5%) sector is expected to see the largest price increase, as this sector has the largest upside differences between the bottom-up target price and the closing price. On the other hand, the Energy (+6.9%) and Consumer Staples (+9.2%) sectors are expected to see the smallest price increases, as these sectors have the smallest upside differences between the bottom-up target price and the closing price.

Overall, there are 10,845 ratings on stocks in the S&P 500. Of these 10,845 ratings, 55.5% are Buy ratings, 38.6% are Hold ratings, and 5.8% are Sell ratings. At the sector level, the Energy (64%), Information Technology (62%), and Real Estate (61%) sectors have the highest percentages of Buy ratings, while the Consumer Staples (41%) sector has the lowest percentage of Buy ratings.

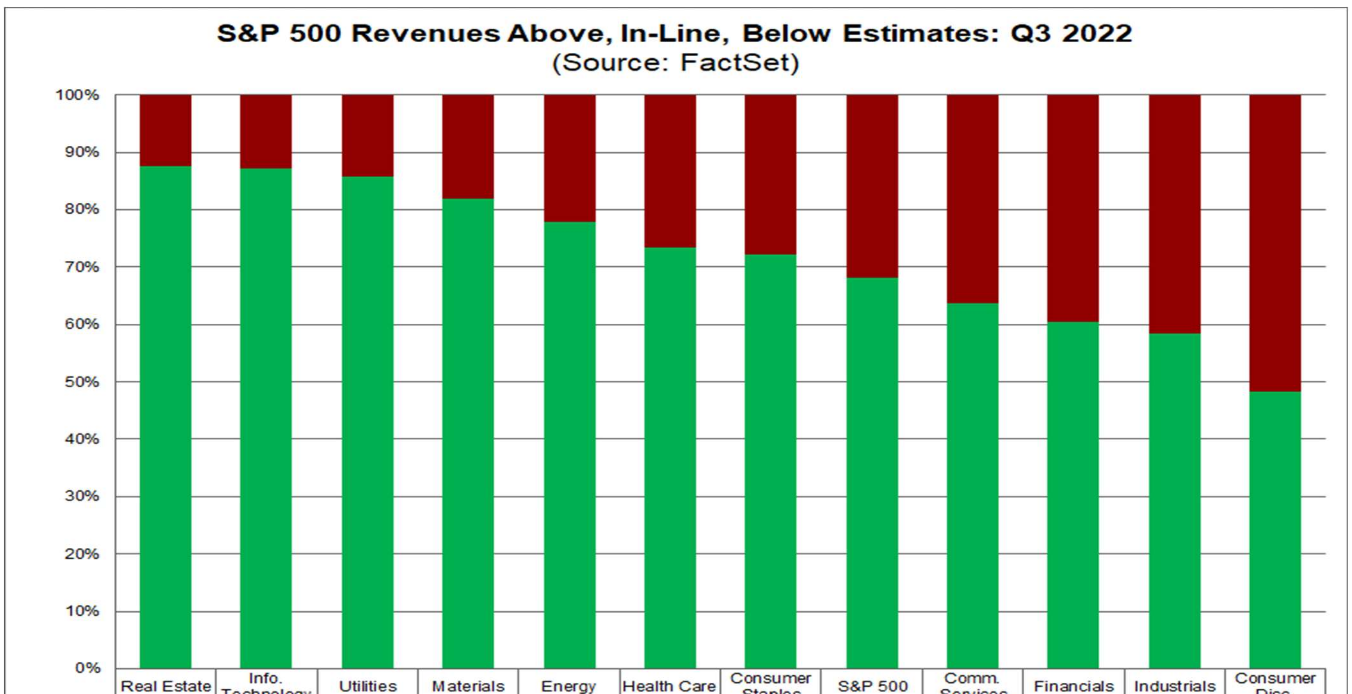
Companies Reporting Next Week: 167

During the upcoming week, 167 S&P 500 companies (including one Dow 30 component) are scheduled to report results for the third quarter.

Q3 2022: Scorecard

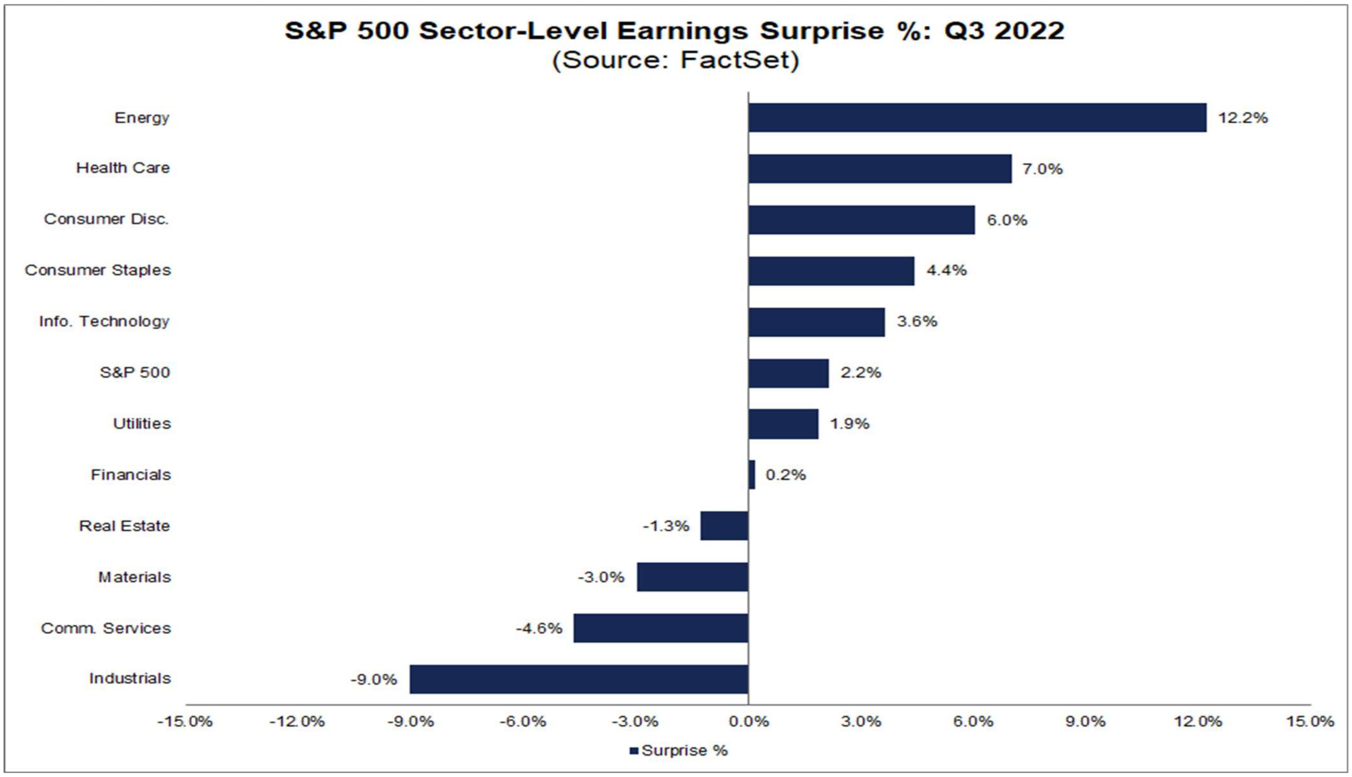


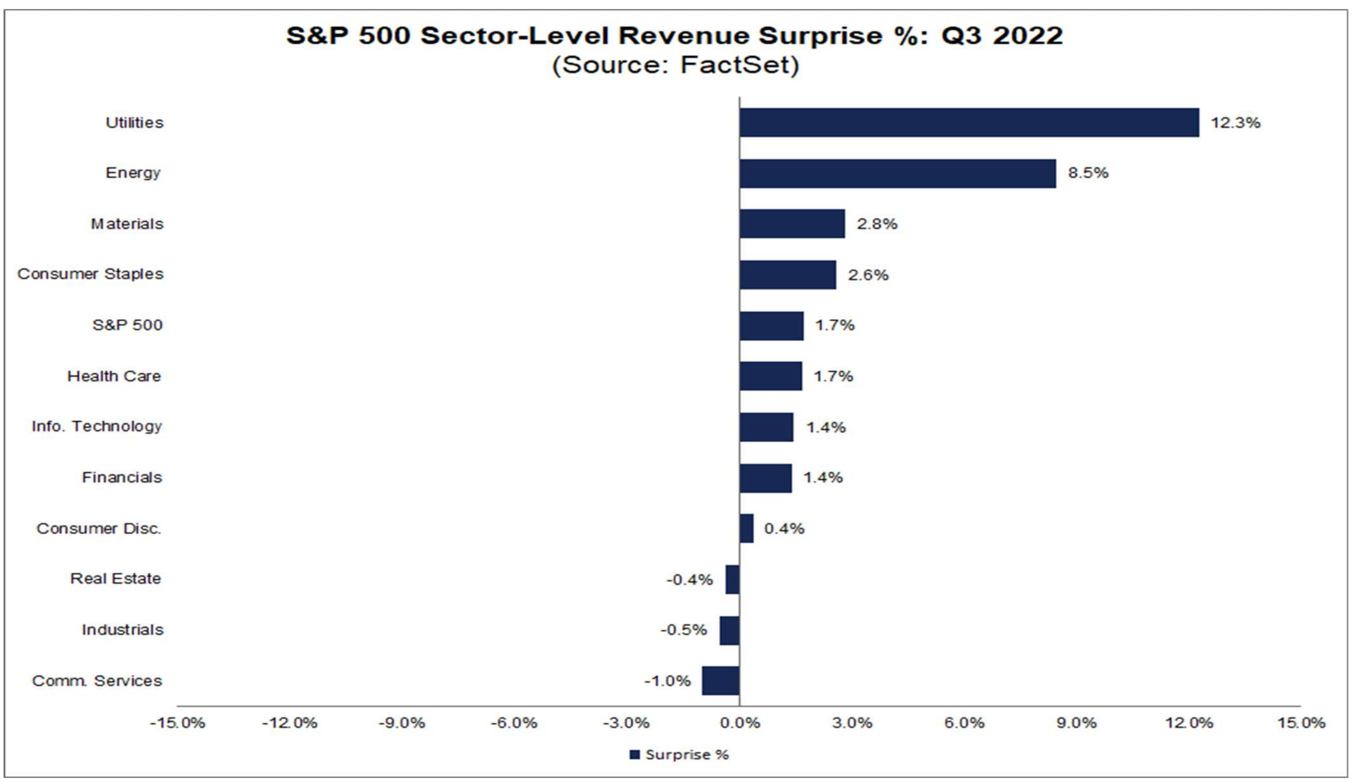
	Energy	Info. Technology	Industrials	Consumer Staples	Health Care	S&P 500	Financials	Comm. Services	Real Estate	Consumer Disc.	Utilities	Materials
Below	11%	13%	21%	17%	23%	25%	34%	36%	25%	31%	29%	36%
In-Line	0%	3%	0%	6%	3%	4%	2%	0%	13%	7%	14%	9%
Above	89%	84%	79%	78%	73%	71%	64%	64%	63%	62%	57%	55%



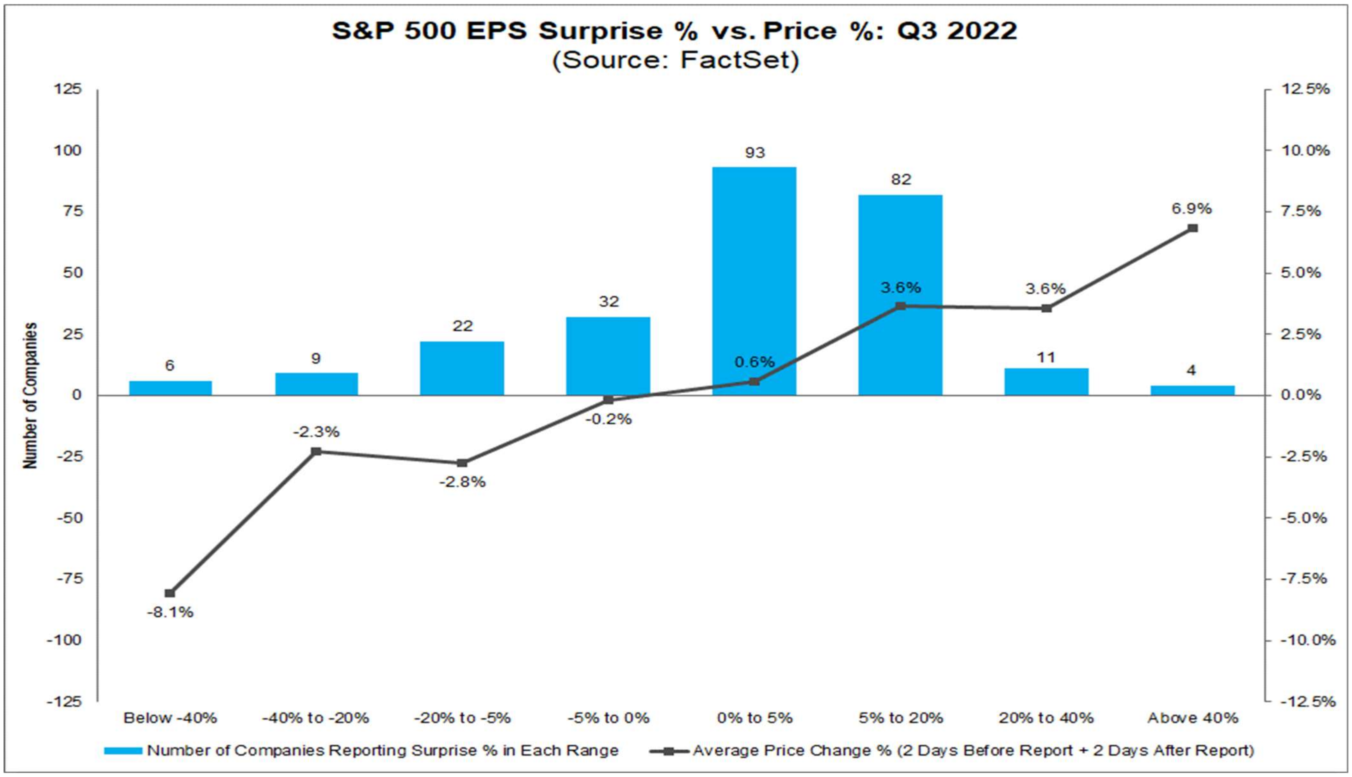
	Real Estate	Info. Technology	Utilities	Materials	Energy	Health Care	Consumer Staples	S&P 500	Comm. Services	Financials	Industrials	Consumer Disc.
Below	13%	13%	14%	18%	22%	27%	28%	32%	36%	40%	42%	52%
In-Line	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Above	88%	87%	86%	82%	78%	73%	72%	68%	64%	60%	58%	48%

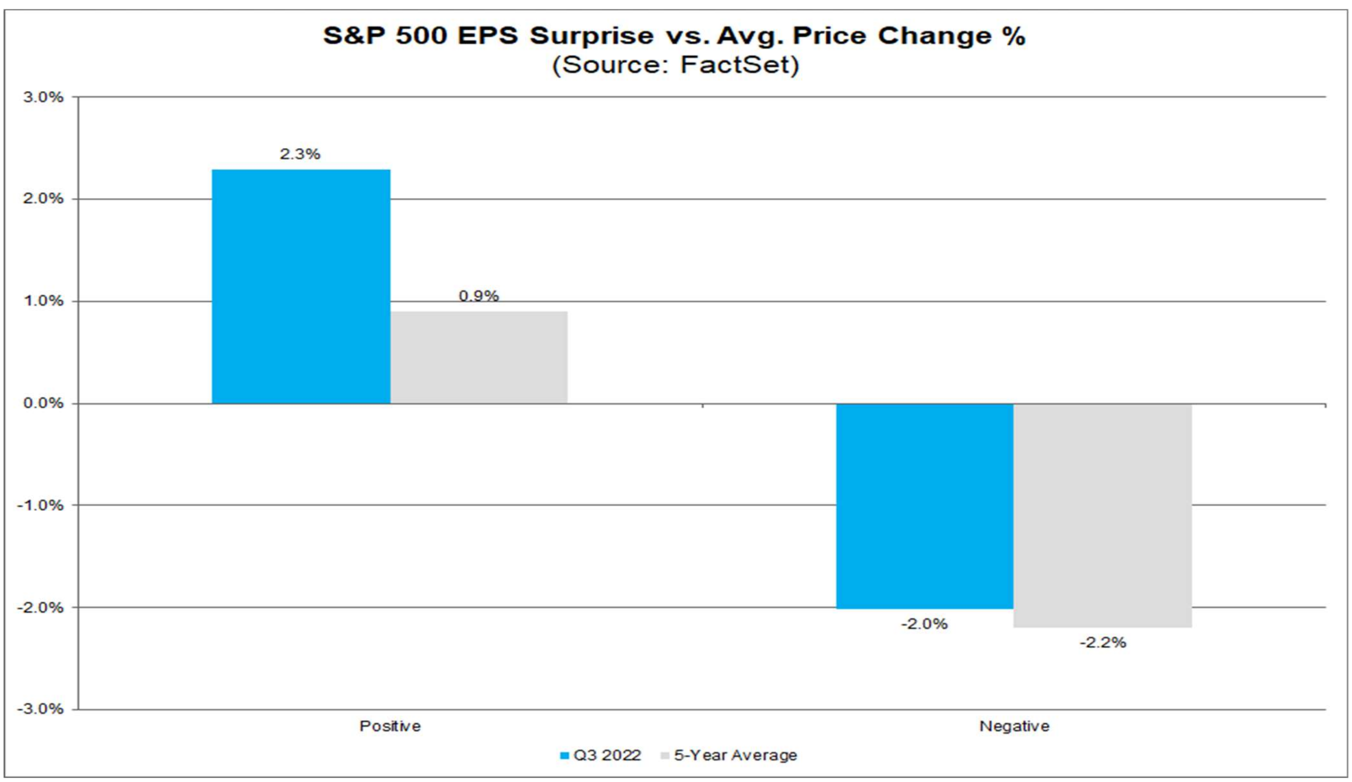
Q3 2022: Scorecard



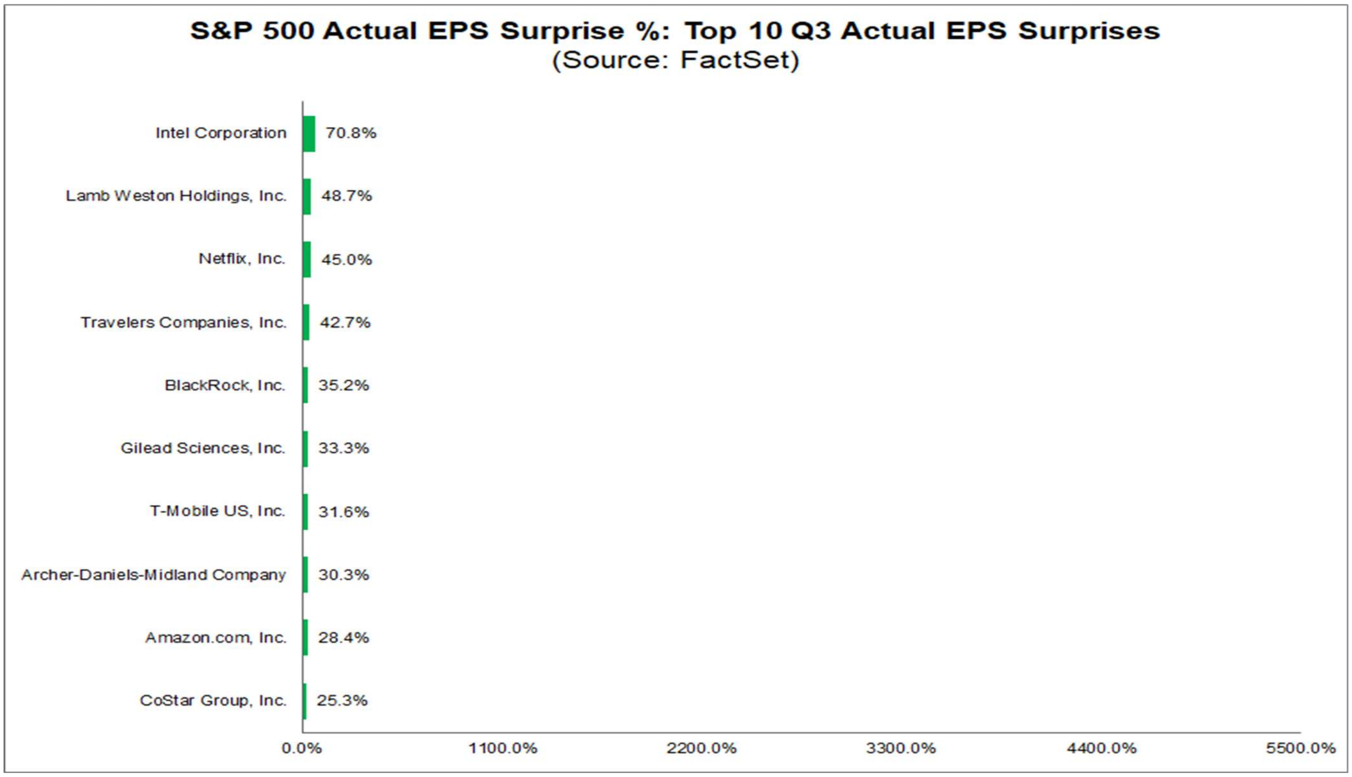


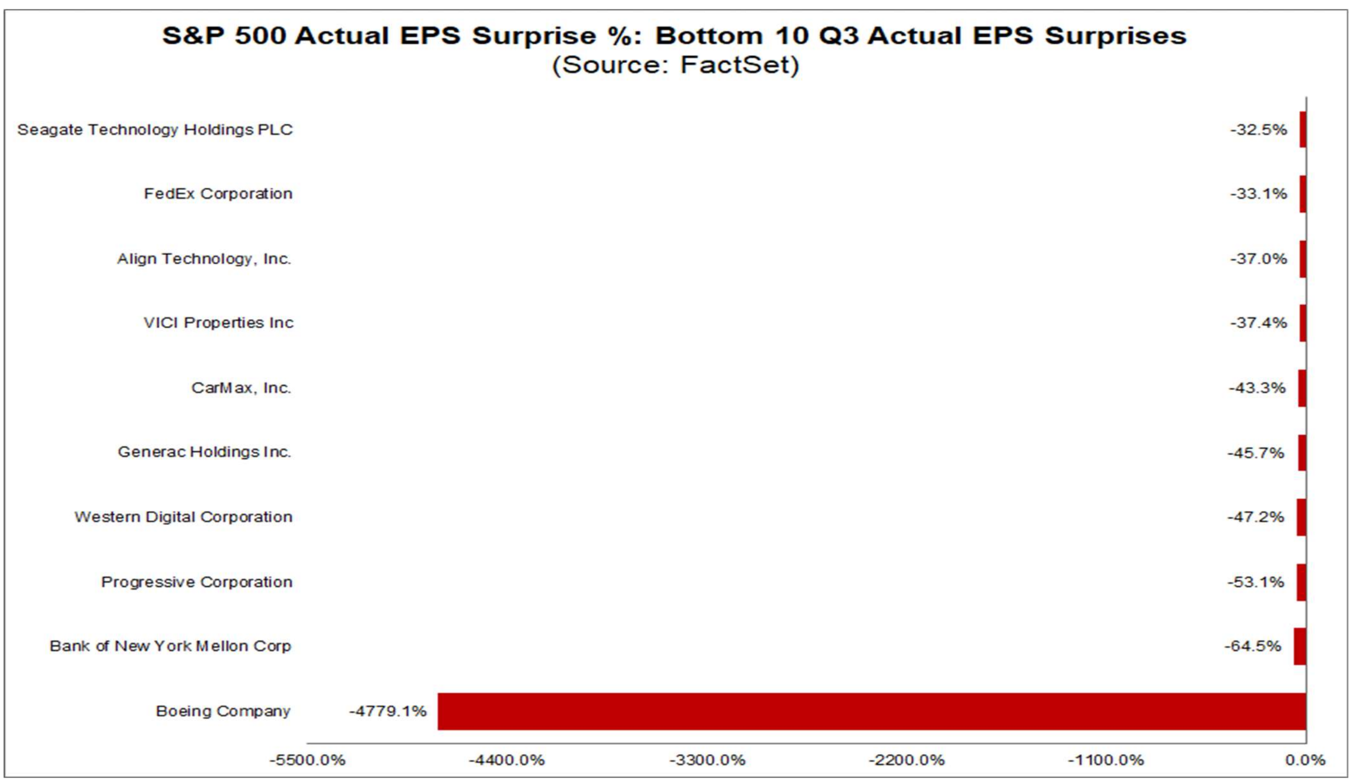
Q3 2022: Scorecard



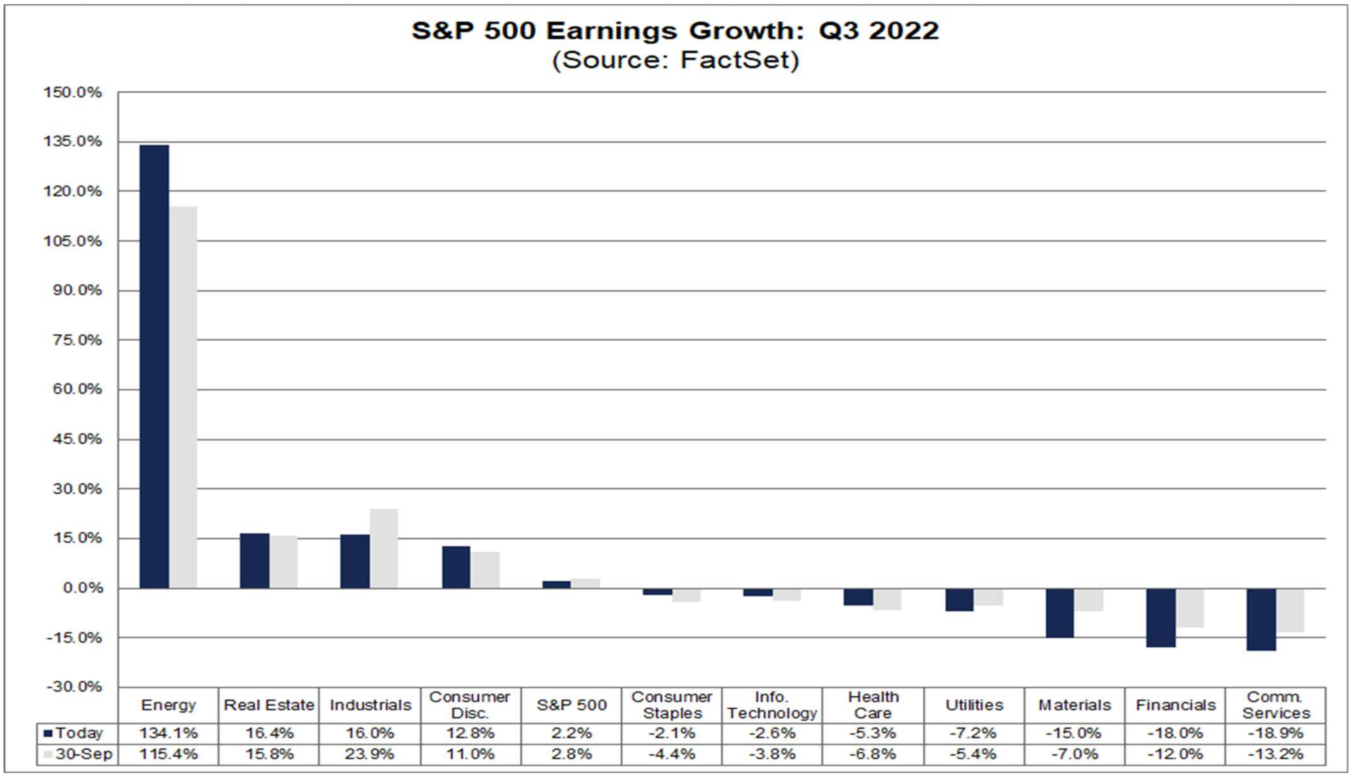


Q3 2022: Scorecard

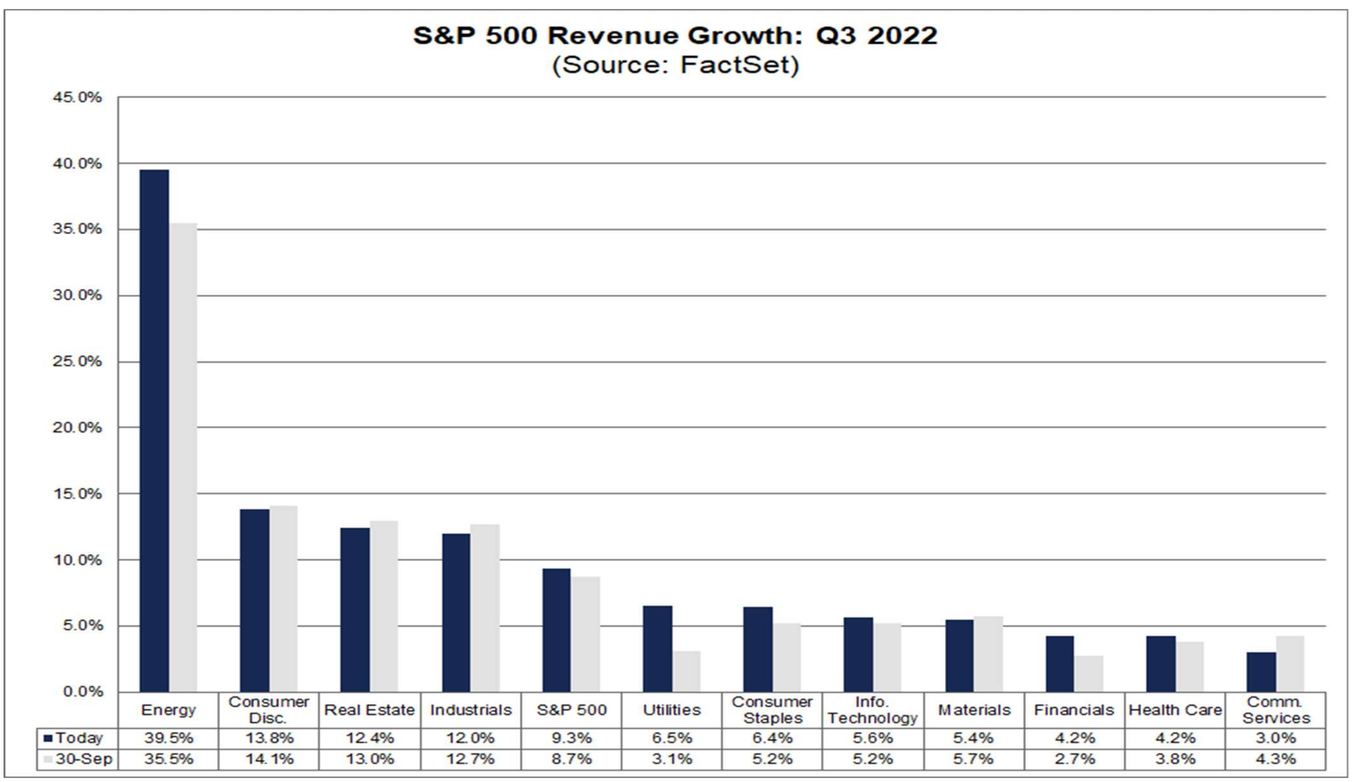




Q3 2022: Growth

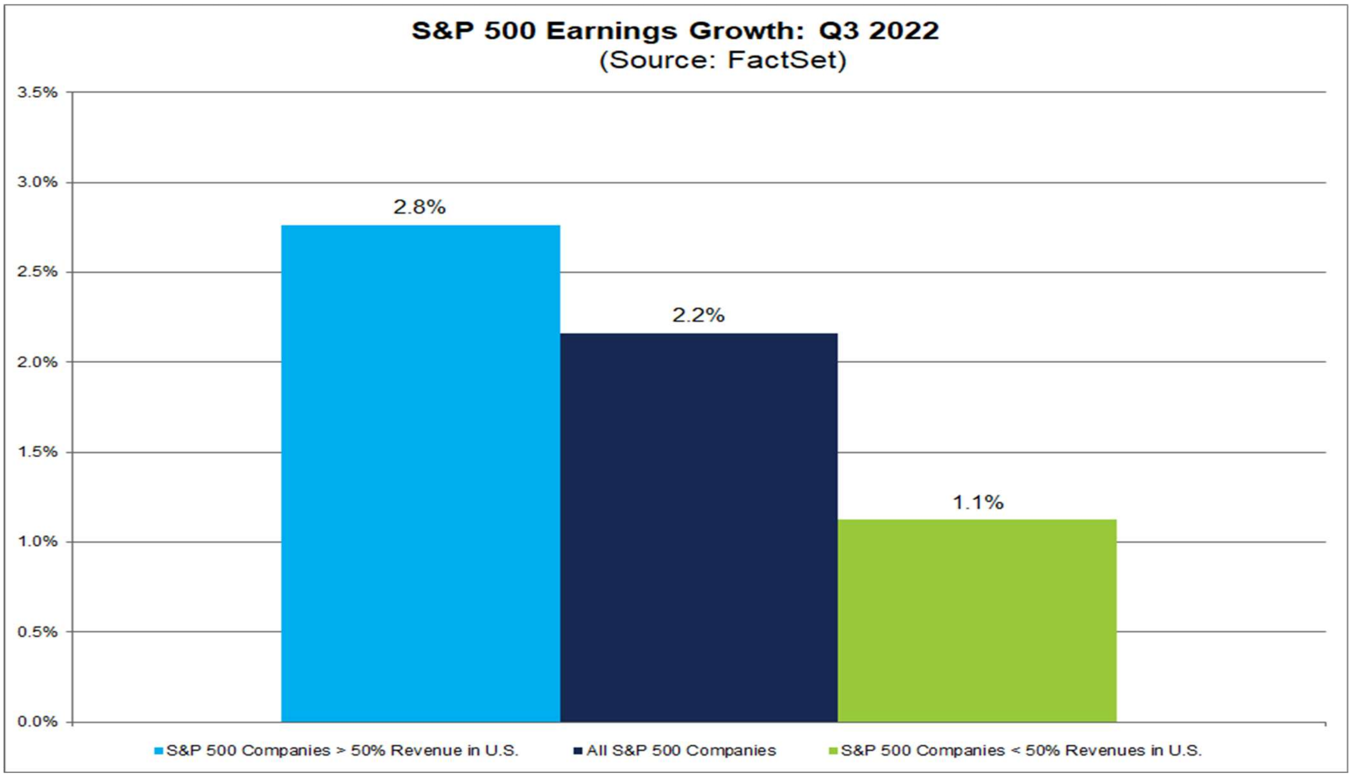


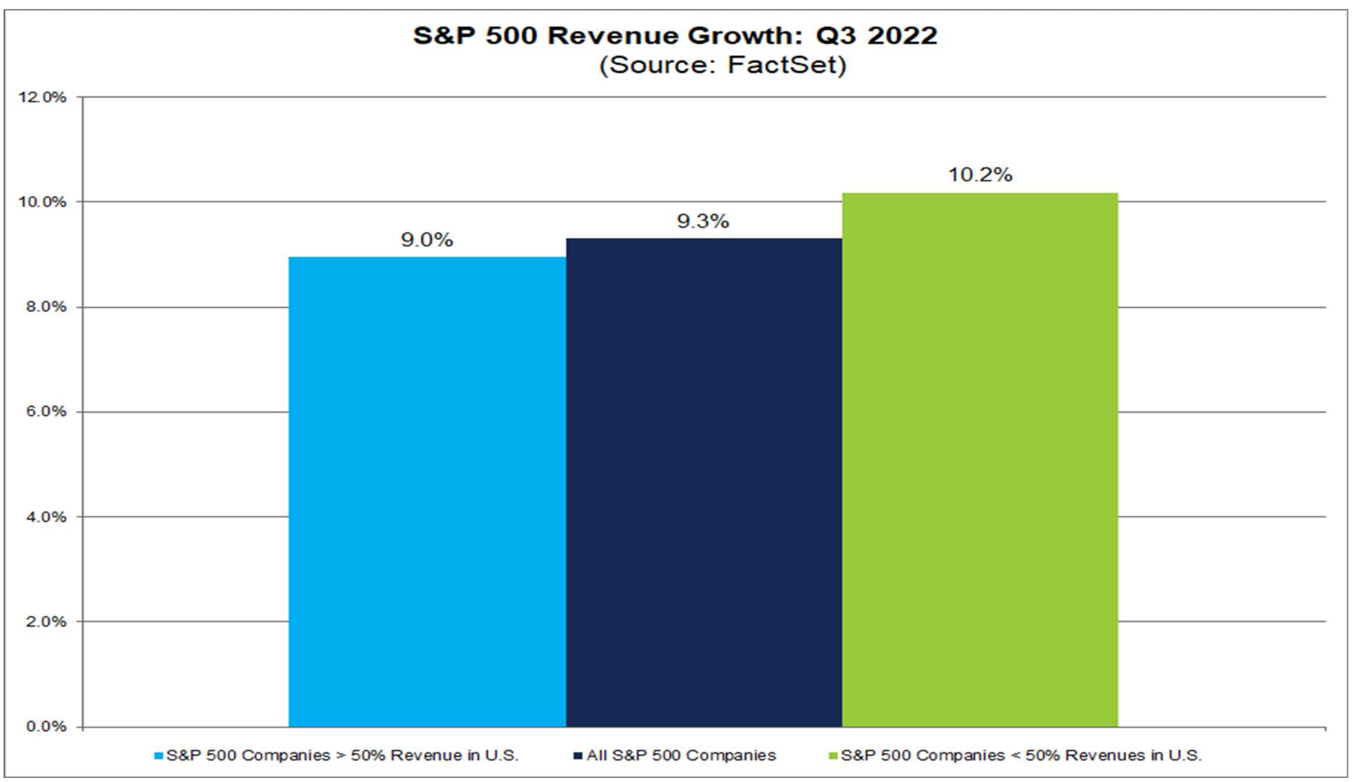
	Energy	Real Estate	Industrials	Consumer Disc.	S&P 500	Consumer Staples	Info. Technology	Health Care	Utilities	Materials	Financials	Comm. Services
Today	134.1%	16.4%	16.0%	12.8%	2.2%	-2.1%	-2.6%	-5.3%	-7.2%	-15.0%	-18.0%	-18.9%
30-Sep	115.4%	15.8%	23.9%	11.0%	2.8%	-4.4%	-3.8%	-6.8%	-5.4%	-7.0%	-12.0%	-13.2%



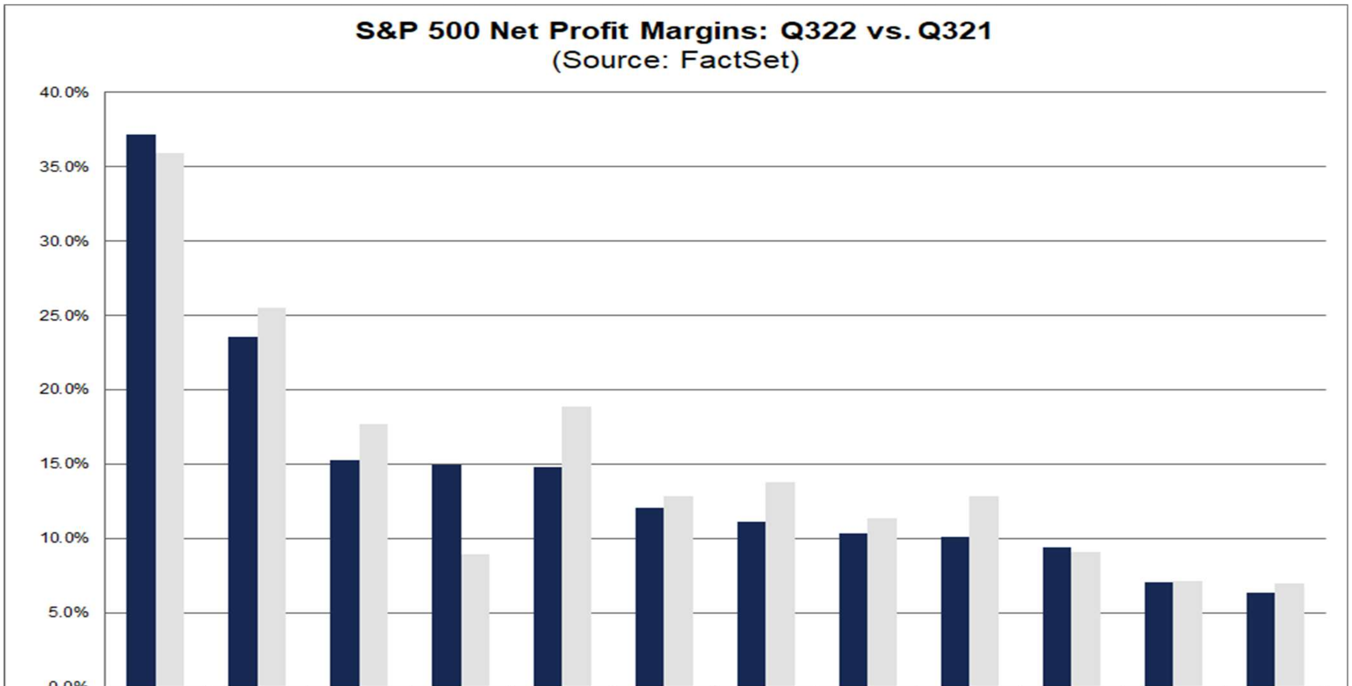
	Energy	Consumer Disc.	Real Estate	Industrials	S&P 500	Utilities	Consumer Staples	Info. Technology	Materials	Financials	Health Care	Comm. Services
Today	39.5%	13.8%	12.4%	12.0%	9.3%	6.5%	6.4%	5.6%	5.4%	4.2%	4.2%	3.0%
30-Sep	35.5%	14.1%	13.0%	12.7%	8.7%	3.1%	5.2%	5.2%	5.7%	2.7%	3.8%	4.3%

Q3 2022: Growth

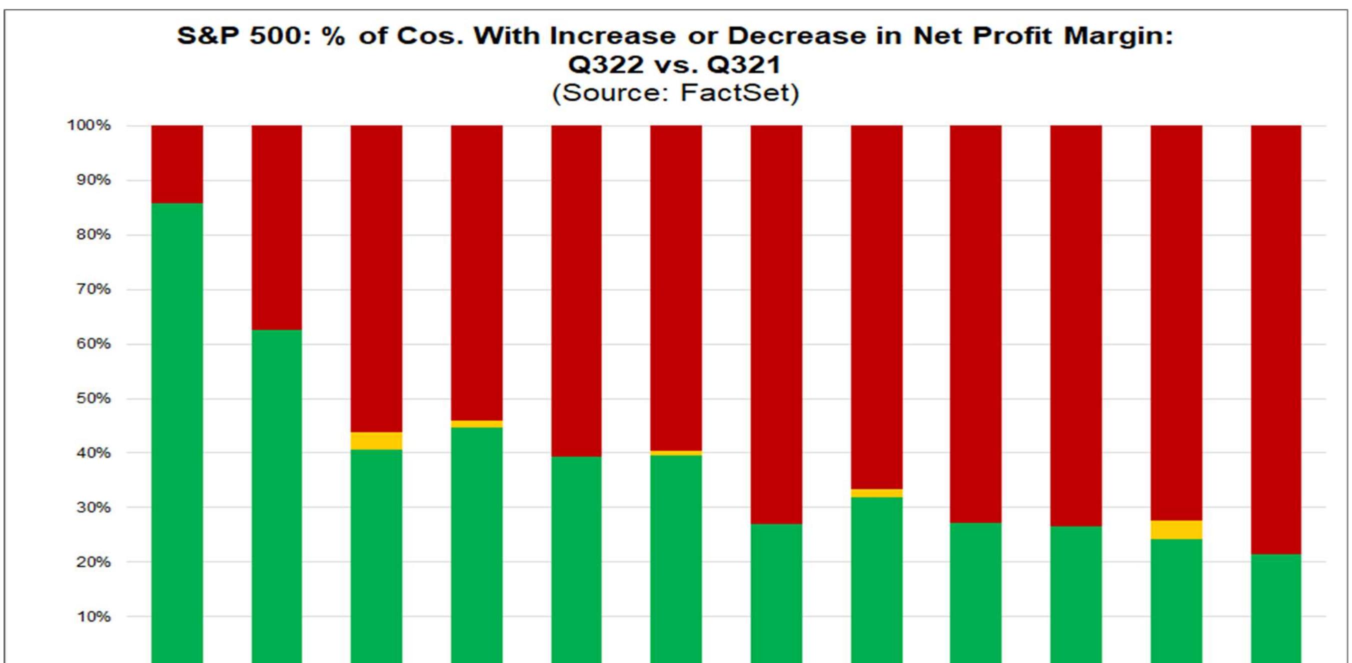




Q3 2022: Net Profit Margin

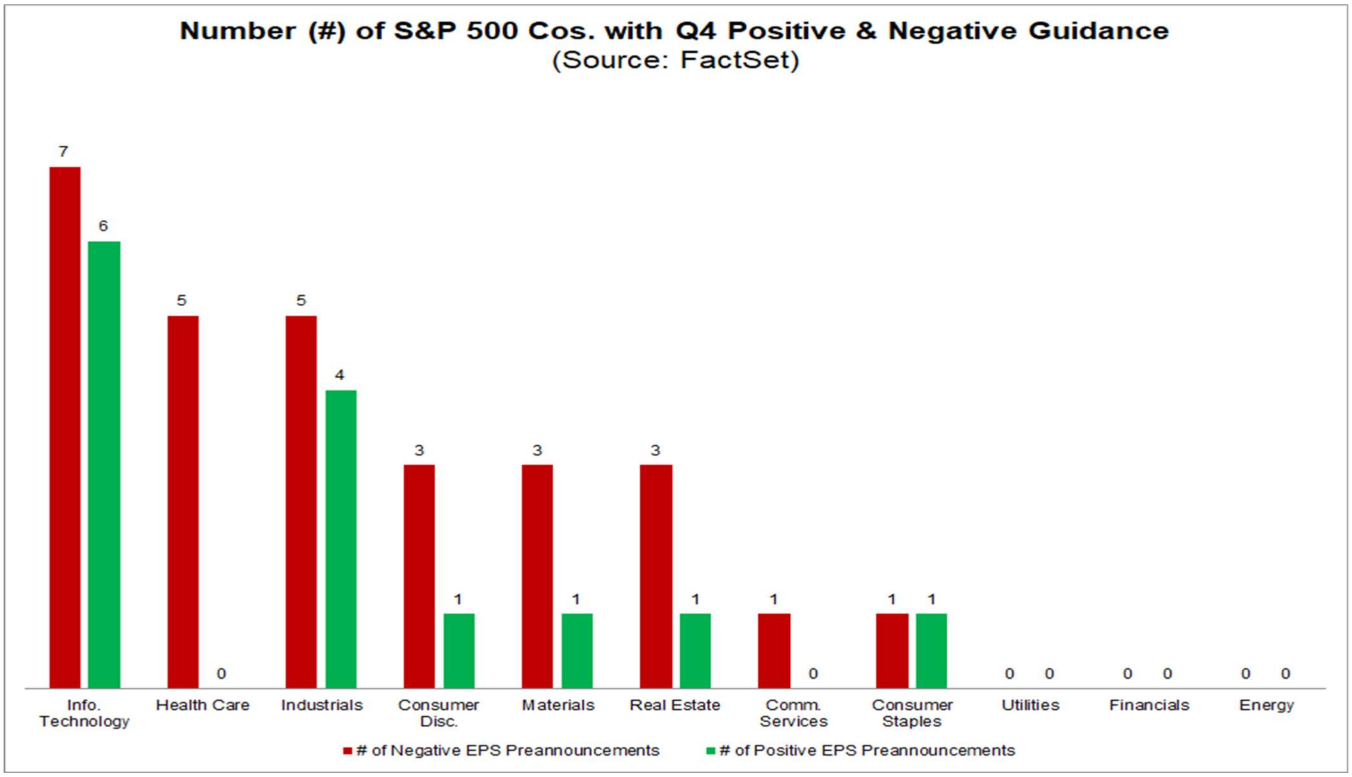


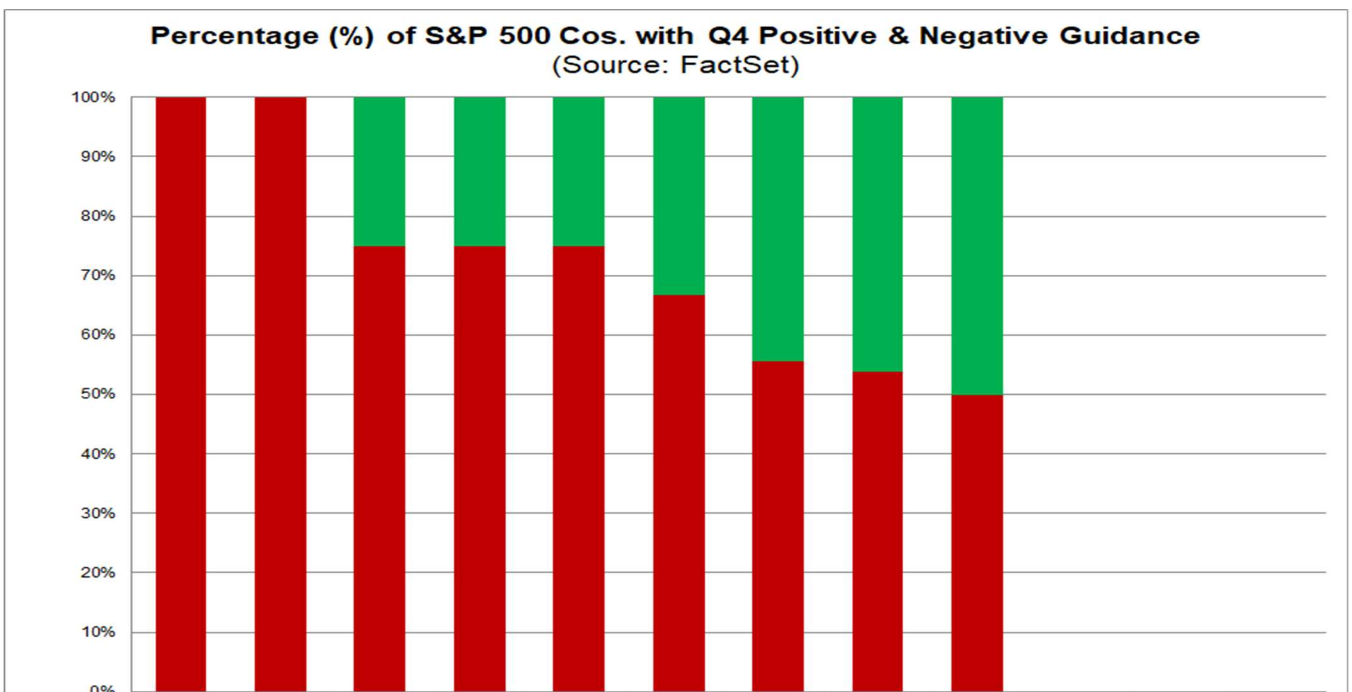
	Real Estate	Information Tech.	Utilities	Energy	Financials	S&P 500	Materials	Health Care	Comm. Services	Industrials	Consumer Disc.	Consumer Staples
Q322	37.2%	23.5%	15.3%	15.0%	14.8%	12.0%	11.1%	10.3%	10.1%	9.4%	7.1%	6.4%
Q321	35.9%	25.5%	17.7%	8.9%	18.8%	12.9%	13.8%	11.4%	12.9%	9.1%	7.2%	6.9%



	Energy	Industrials	Real Estate	Information Tech.	Consumer Disc.	S&P 500	Comm. Services	Financials	Consumer Staples	Health Care	Utilities	Materials
Down %	14%	38%	56%	54%	61%	60%	73%	67%	73%	73%	72%	79%
None %	0%	0%	3%	1%	0%	1%	0%	2%	0%	0%	3%	0%
Up %	86%	63%	41%	45%	39%	40%	27%	32%	27%	27%	24%	21%

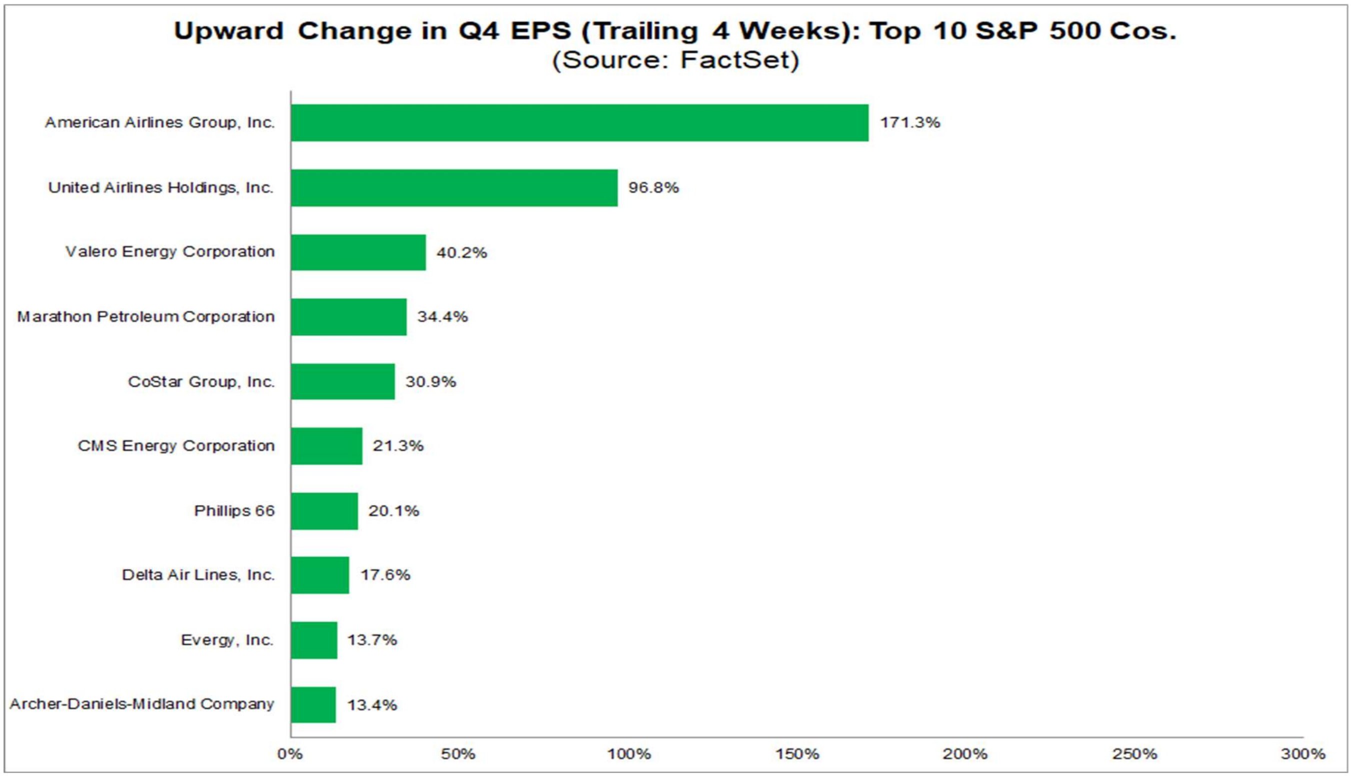
Q4 2022: Guidance

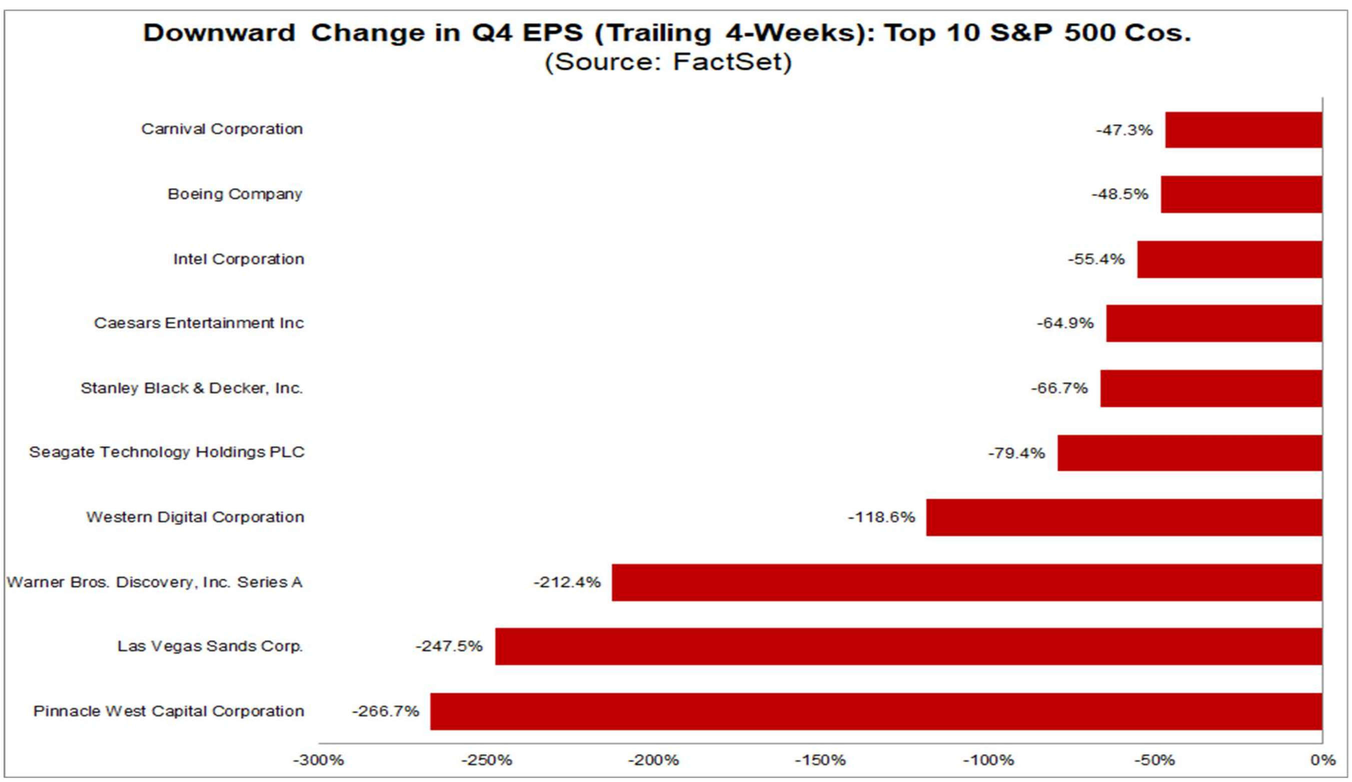




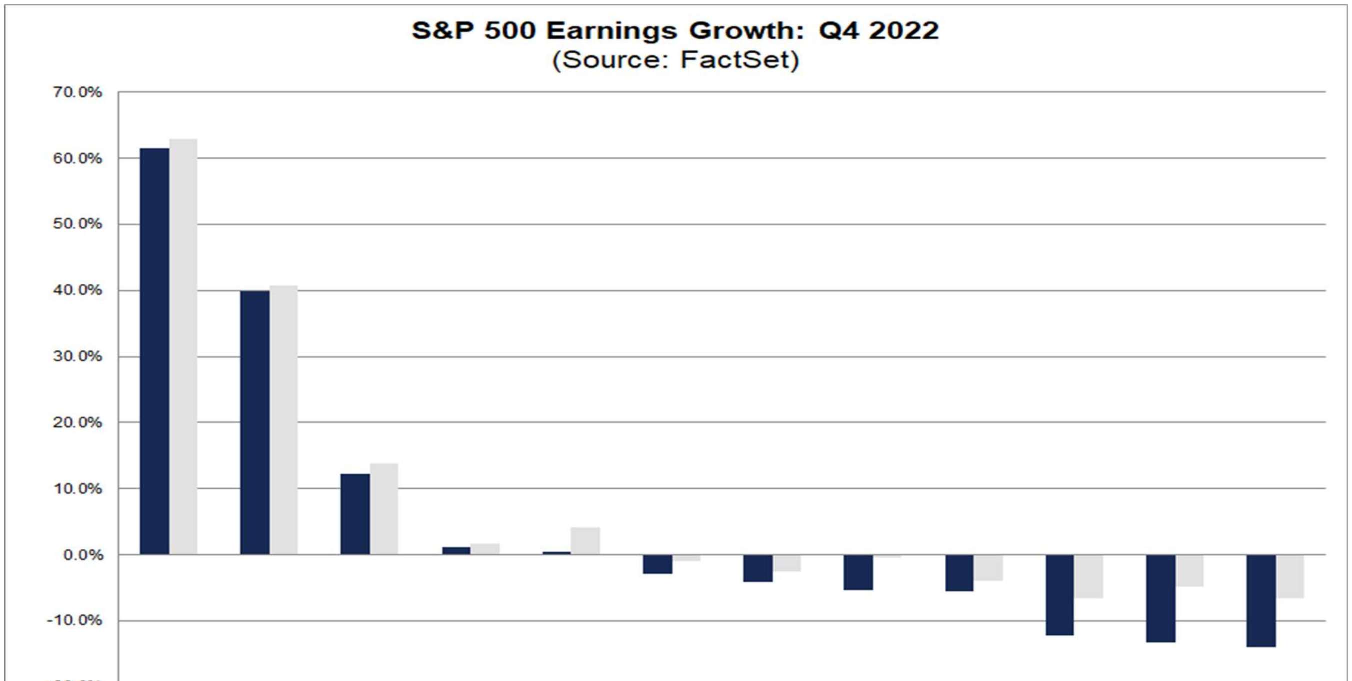
	Health Care	Comm. Services	Consumer Disc.	Materials	Real Estate	S&P 500	Industrials	Info. Technology	Consumer Staples	Utilities	Financials	Energy
Positive	0%	0%	25%	25%	25%	33%	44%	46%	50%	0%	0%	0%
Negative	100%	100%	75%	75%	75%	67%	56%	54%	50%	0%	0%	0%

Q4 2022: EPS Revisions

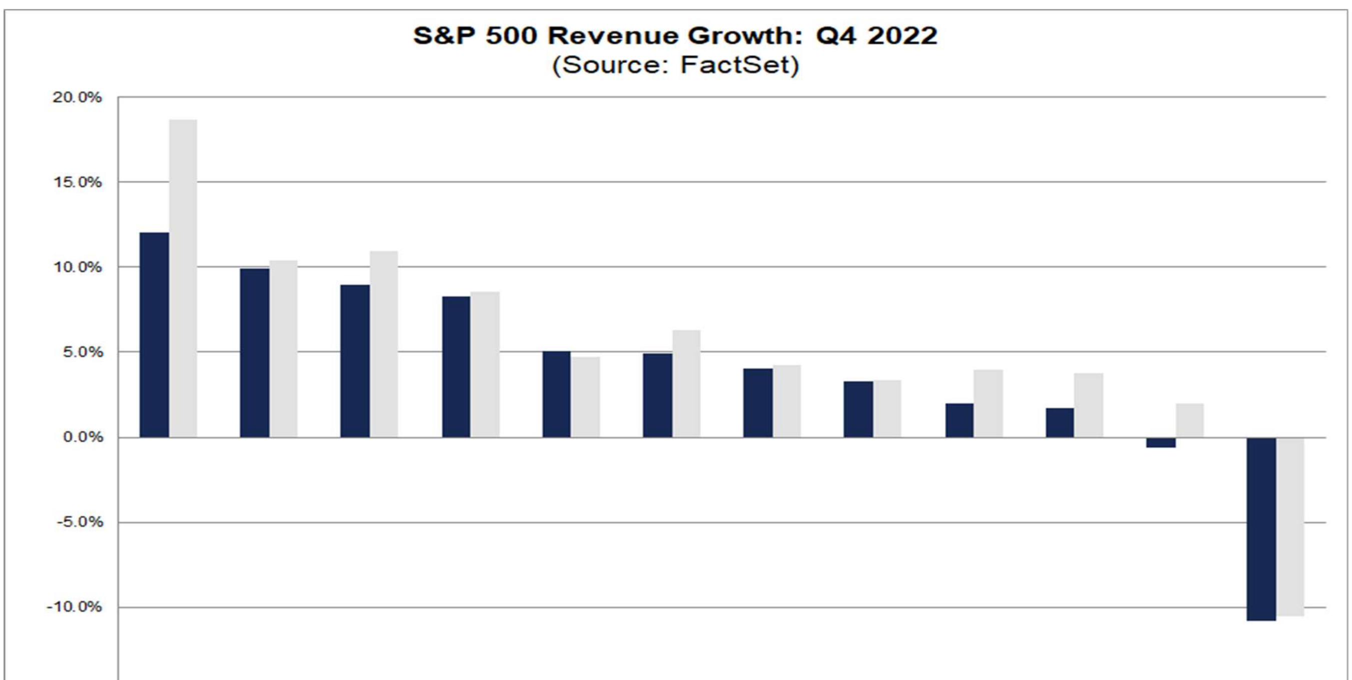




Q4 2022: Growth

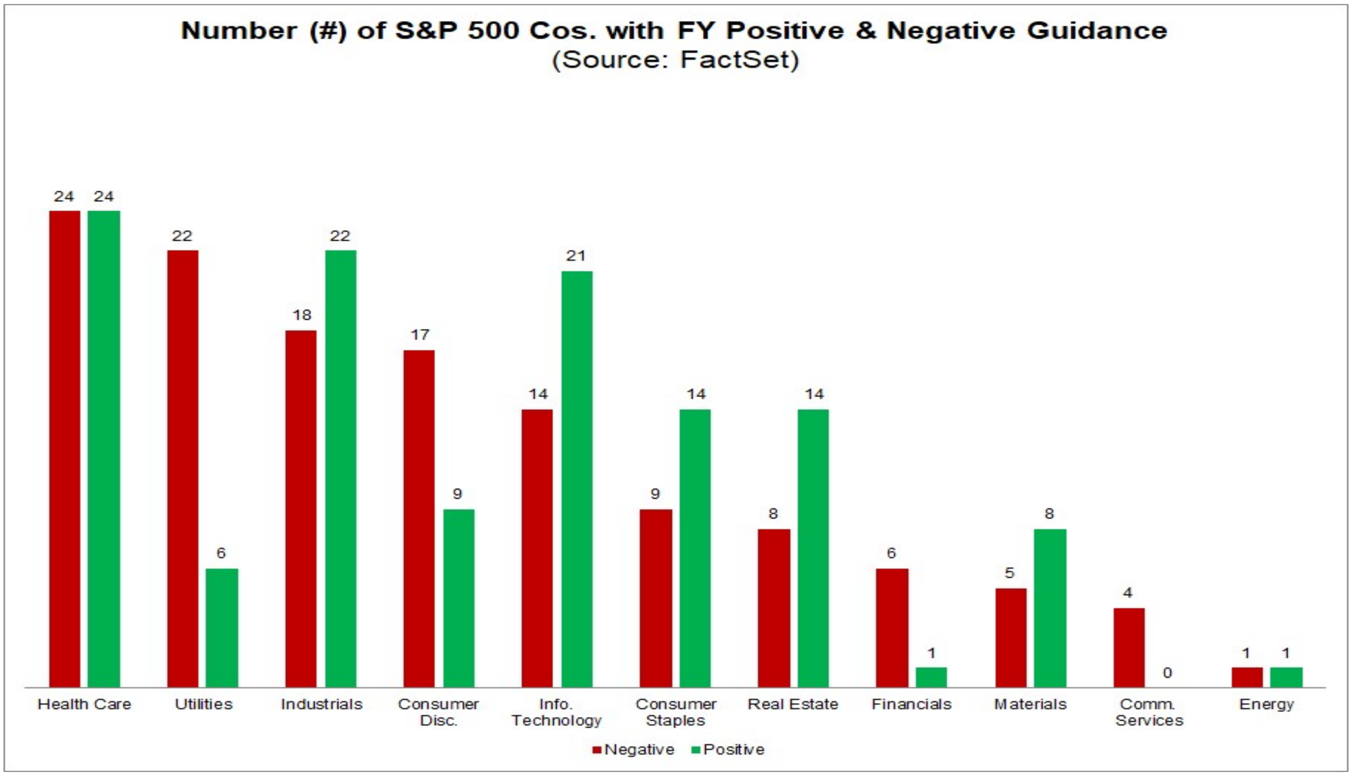


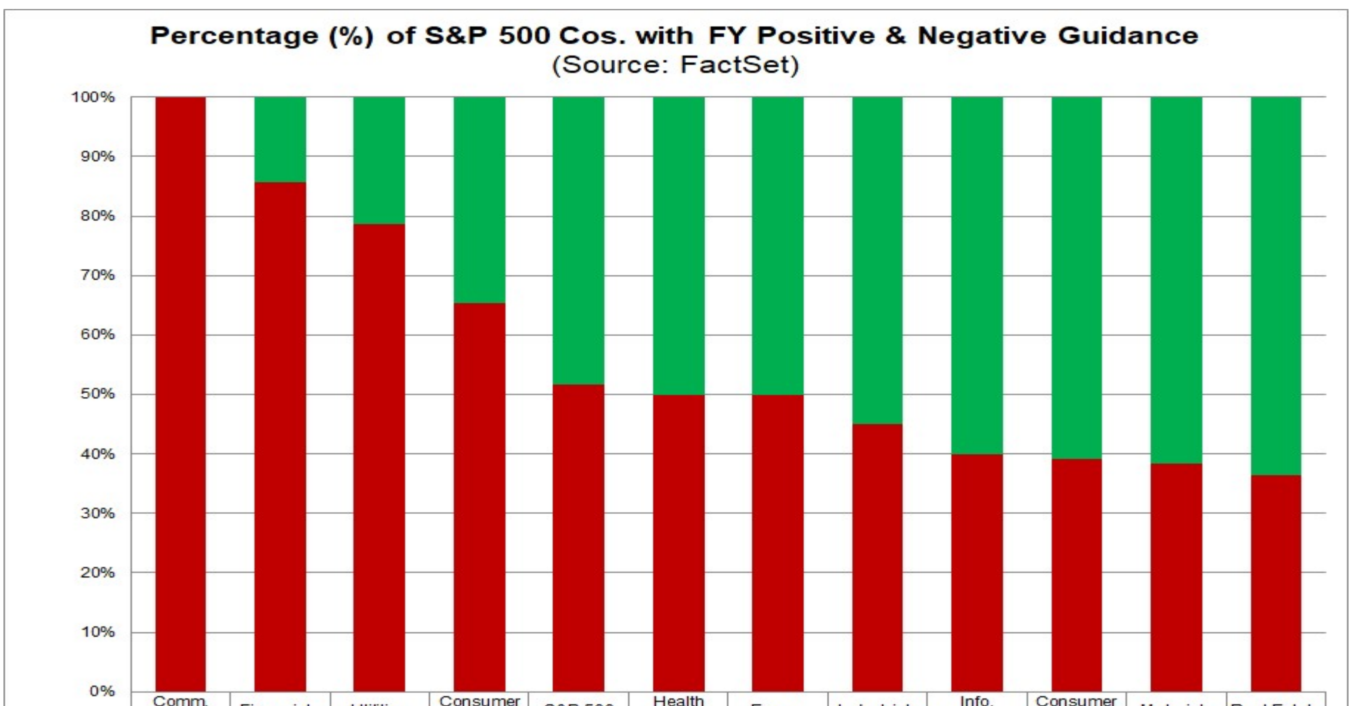
	Energy	Industrials	Real Estate	Utilities	S&P 500	Consumer Staples	Health Care	Info. Technology	Financials	Consumer Disc.	Materials	Comm. Services
Today	61.4%	39.8%	12.2%	1.2%	0.5%	-2.8%	-4.1%	-5.4%	-5.6%	-12.1%	-13.3%	-14.0%
30-Sep	63.0%	40.8%	13.9%	1.6%	4.1%	-0.9%	-2.6%	-0.3%	-3.9%	-6.6%	-4.8%	-6.6%



	Energy	Industrials	Consumer Disc.	Real Estate	Financials	S&P 500	Consumer Staples	Health Care	Comm. Services	Info. Technology	Materials	Utilities
Today	12.0%	9.9%	9.0%	8.3%	5.1%	4.9%	4.0%	3.3%	2.0%	1.7%	-0.6%	-10.8%
30-Sep	18.6%	10.4%	11.0%	8.6%	4.7%	6.3%	4.2%	3.4%	4.0%	3.7%	2.0%	-10.6%

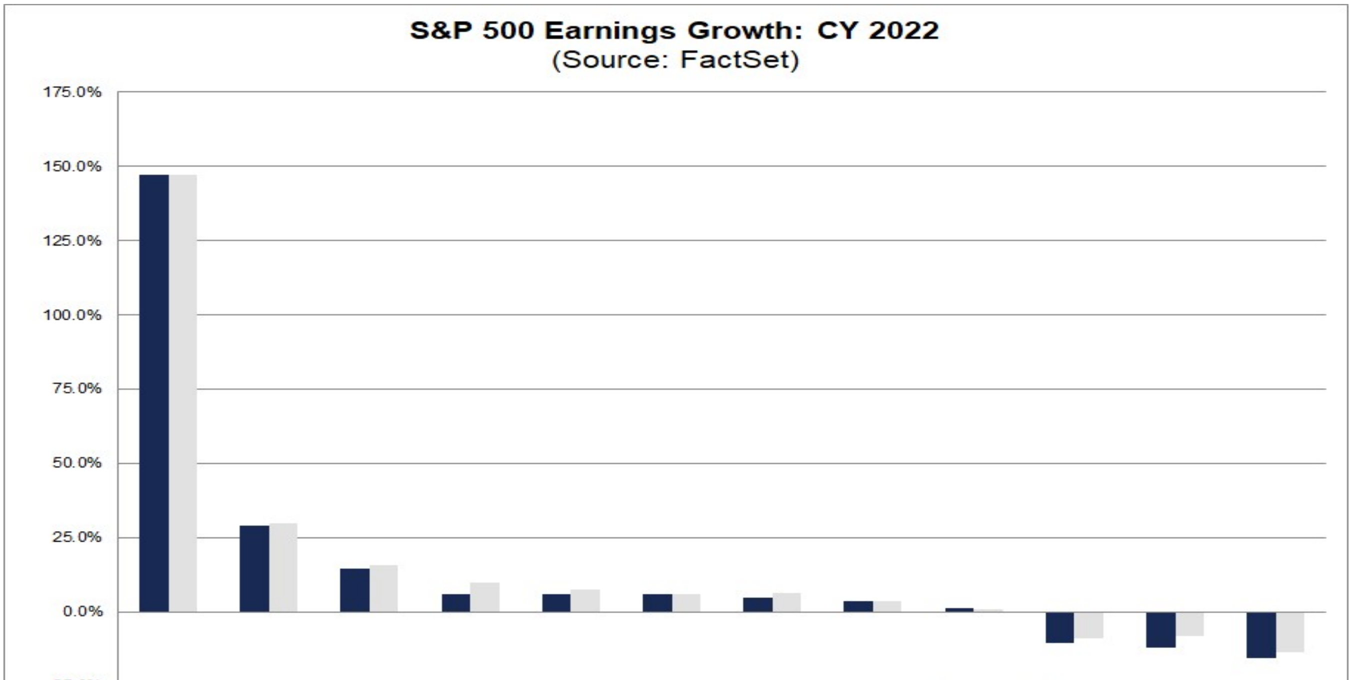
FY 2022 / 2023: EPS Guidance



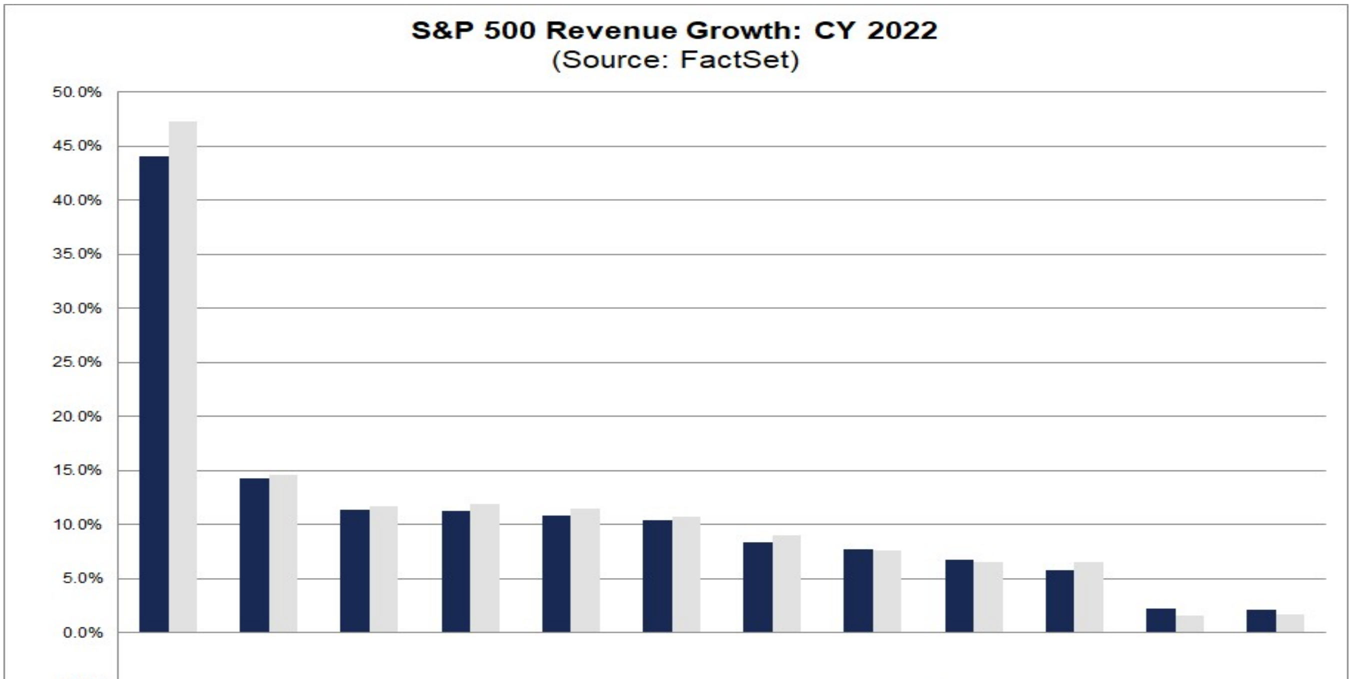


	Comm. Services	Financials	Utilities	Consumer Disc.	S&P 500	Health Care	Energy	Industrials	Info. Technology	Consumer Staples	Materials	Real Estate
Positive	0%	14%	21%	35%	48%	50%	50%	55%	60%	61%	62%	64%
Negative	100%	86%	79%	65%	52%	50%	50%	45%	40%	39%	38%	36%

CY 2022: Growth

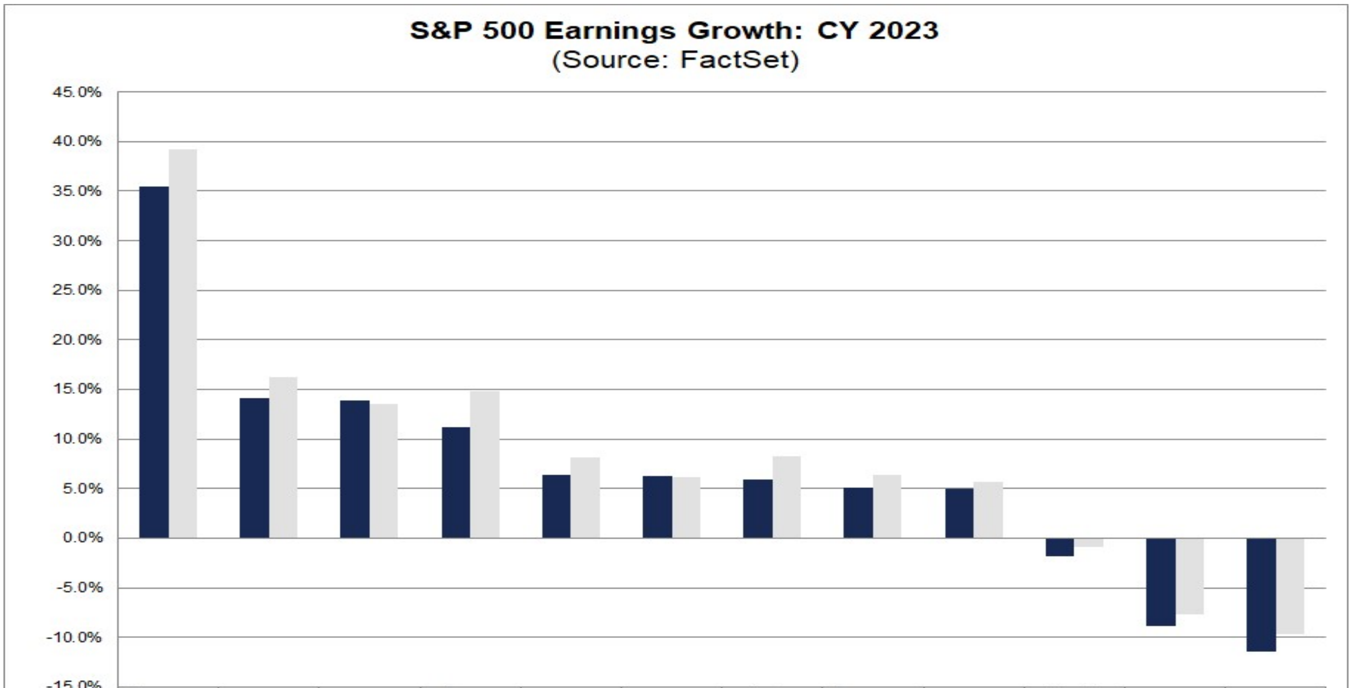


	Energy	Industrials	Real Estate	Materials	S&P 500	Utilities	Info. Technology	Health Care	Consumer Staples	Consumer Disc.	Comm. Services	Financials
Today	147.2%	28.9%	14.8%	6.2%	6.1%	5.9%	5.0%	3.7%	1.2%	-10.4%	-11.8%	-15.5%
30-Sep	147.3%	29.9%	15.8%	10.1%	7.4%	6.1%	6.5%	3.8%	1.0%	-8.8%	-8.2%	-13.8%

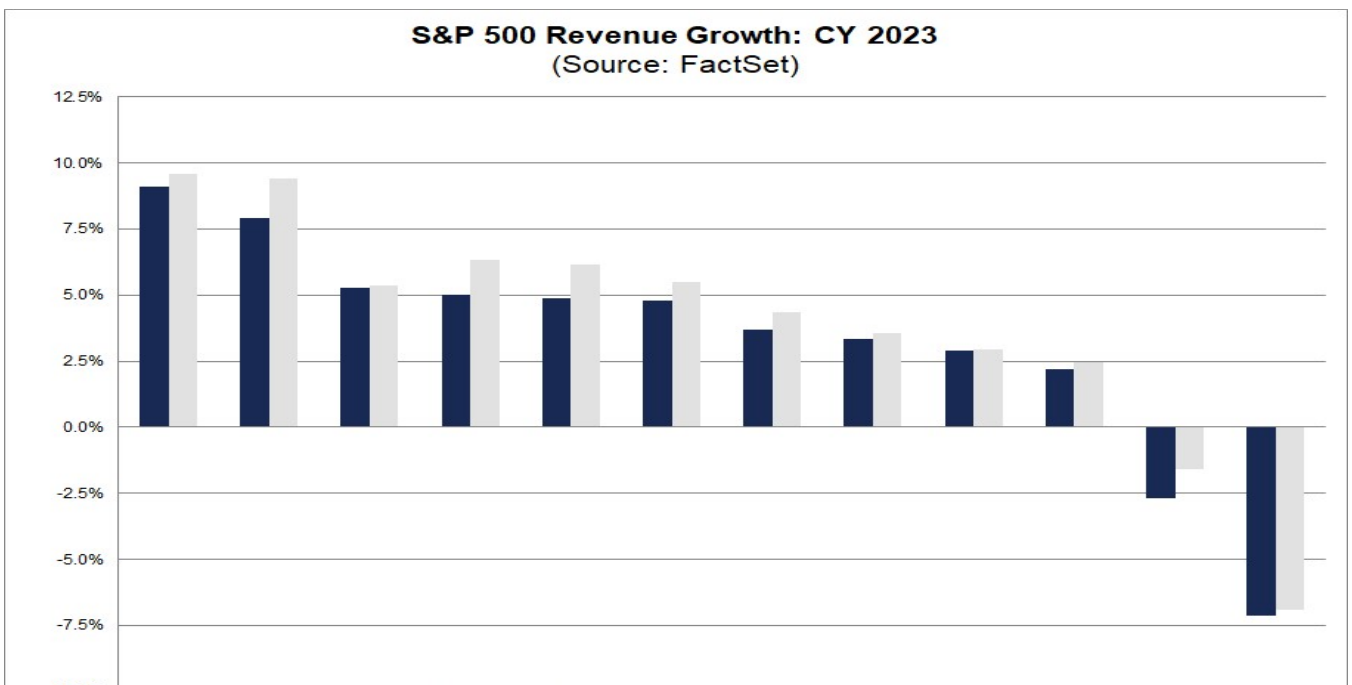


	Energy	Real Estate	Industrials	Consumer Disc.	Materials	S&P 500	Info. Technology	Health Care	Consumer Staples	Comm. Services	Financials	Utilities
Today	44.0%	14.3%	11.4%	11.3%	10.8%	10.4%	8.4%	7.8%	6.7%	5.7%	2.2%	2.1%
30-Sep	47.3%	14.6%	11.7%	12.0%	11.5%	10.8%	9.0%	7.7%	6.5%	6.5%	1.6%	1.7%

CY 2023: Growth

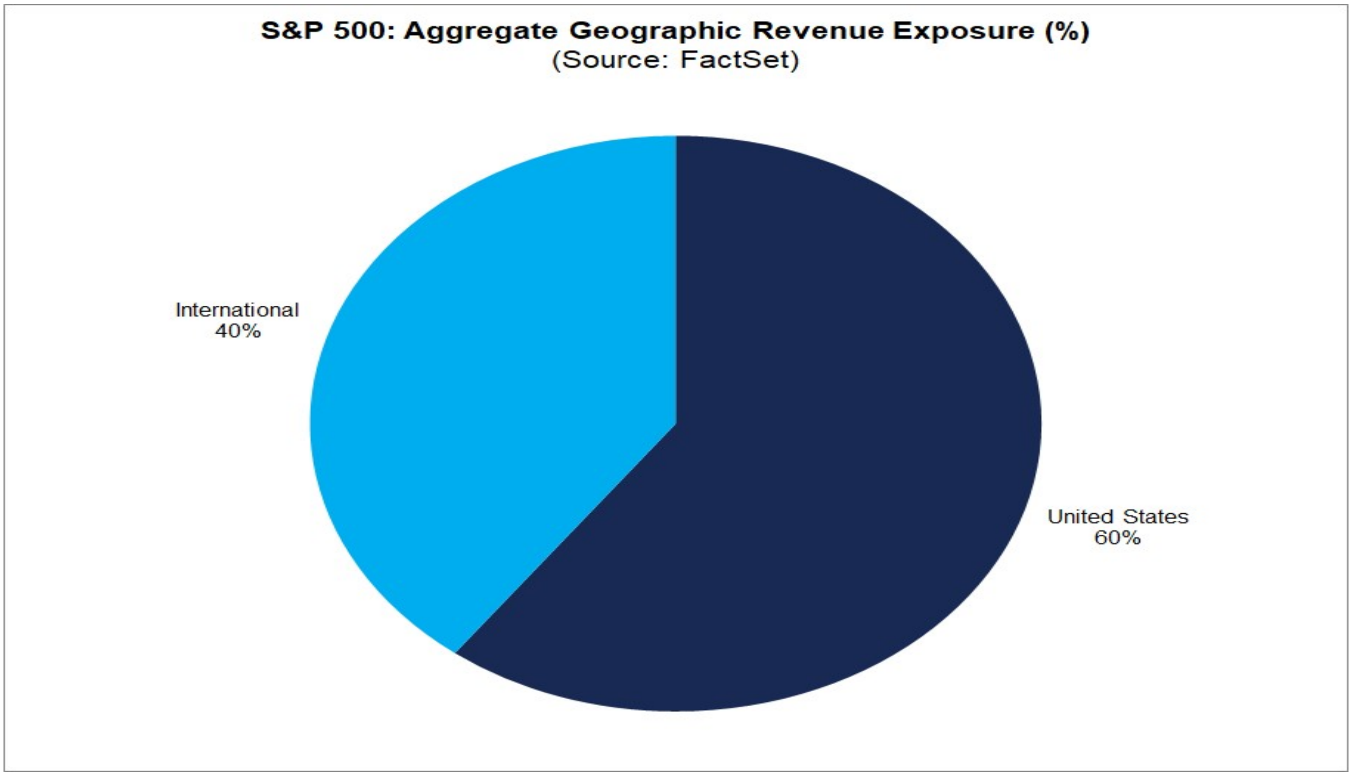


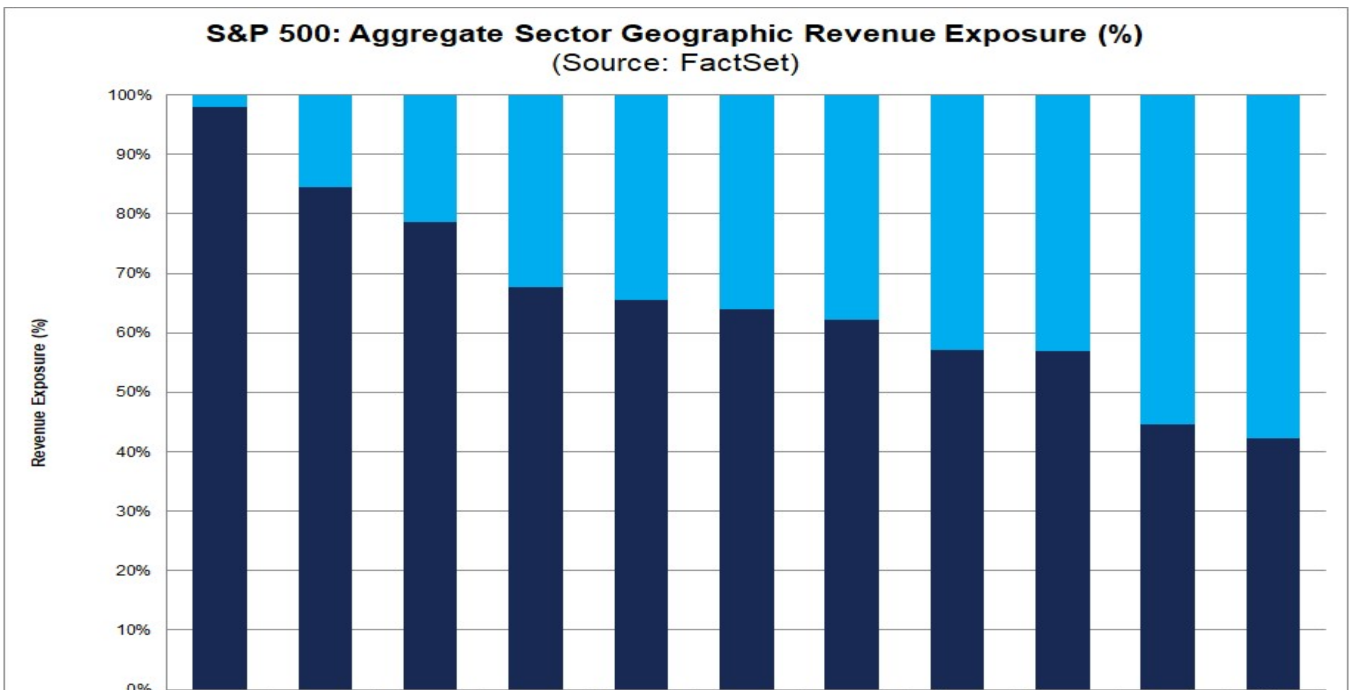
	Consumer Disc.	Industrials	Financials	Comm. Services	S&P 500	Utilities	Info. Technology	Consumer Staples	Real Estate	Health Care	Materials	Energy
Today	35.5%	14.2%	13.9%	11.2%	6.4%	6.3%	5.9%	5.1%	5.0%	-1.8%	-8.9%	-11.4%
30-Sep	39.2%	16.2%	13.5%	14.9%	8.1%	6.2%	8.3%	6.4%	5.7%	-0.9%	-7.7%	-9.7%



	Financials	Consumer Disc.	Real Estate	Comm. Services	Info. Technology	Industrials	S&P 500	Consumer Staples	Health Care	Utilities	Materials	Energy
Today	9.1%	7.9%	5.3%	5.0%	4.9%	4.8%	3.7%	3.3%	2.9%	2.2%	-2.7%	-7.1%
30-Sep	9.6%	9.4%	5.4%	6.3%	6.2%	5.5%	4.4%	3.6%	3.0%	2.5%	-1.6%	-6.9%

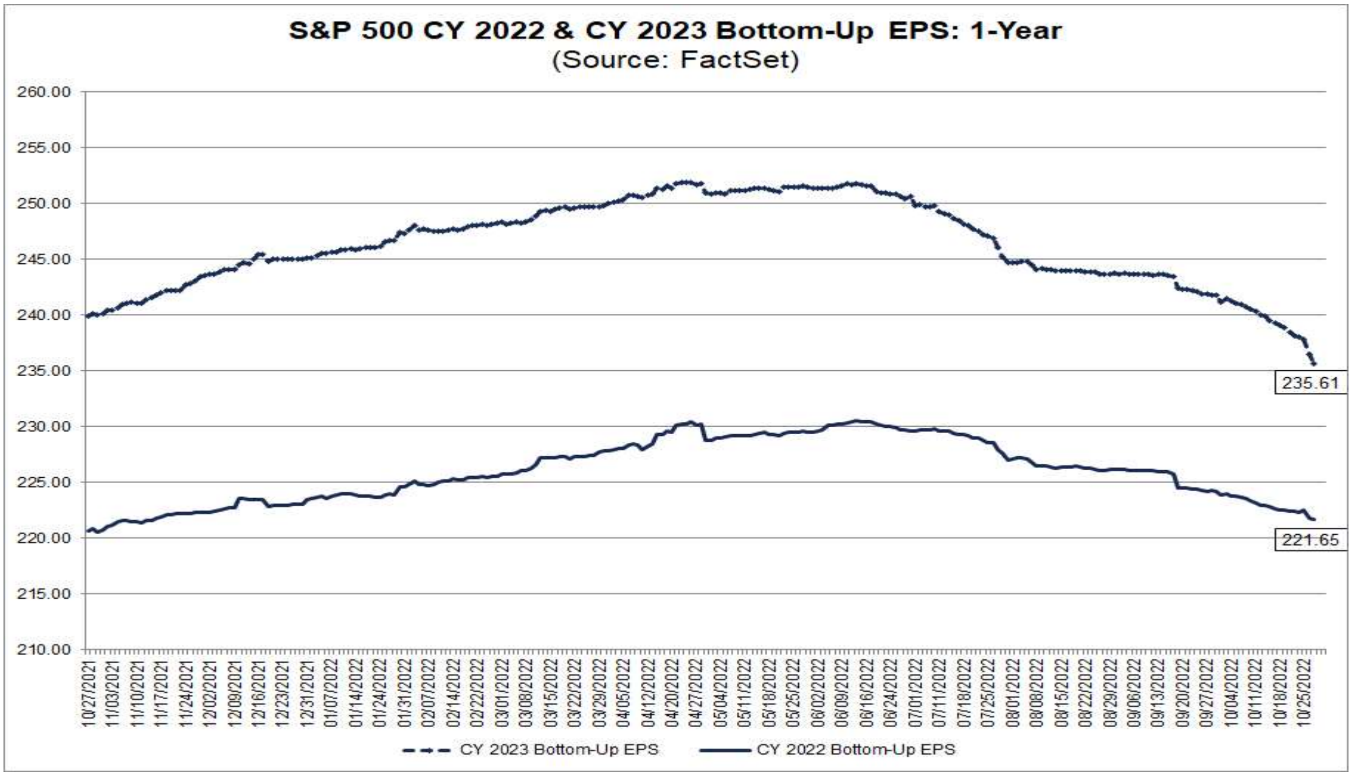
Geographic Revenue Exposure

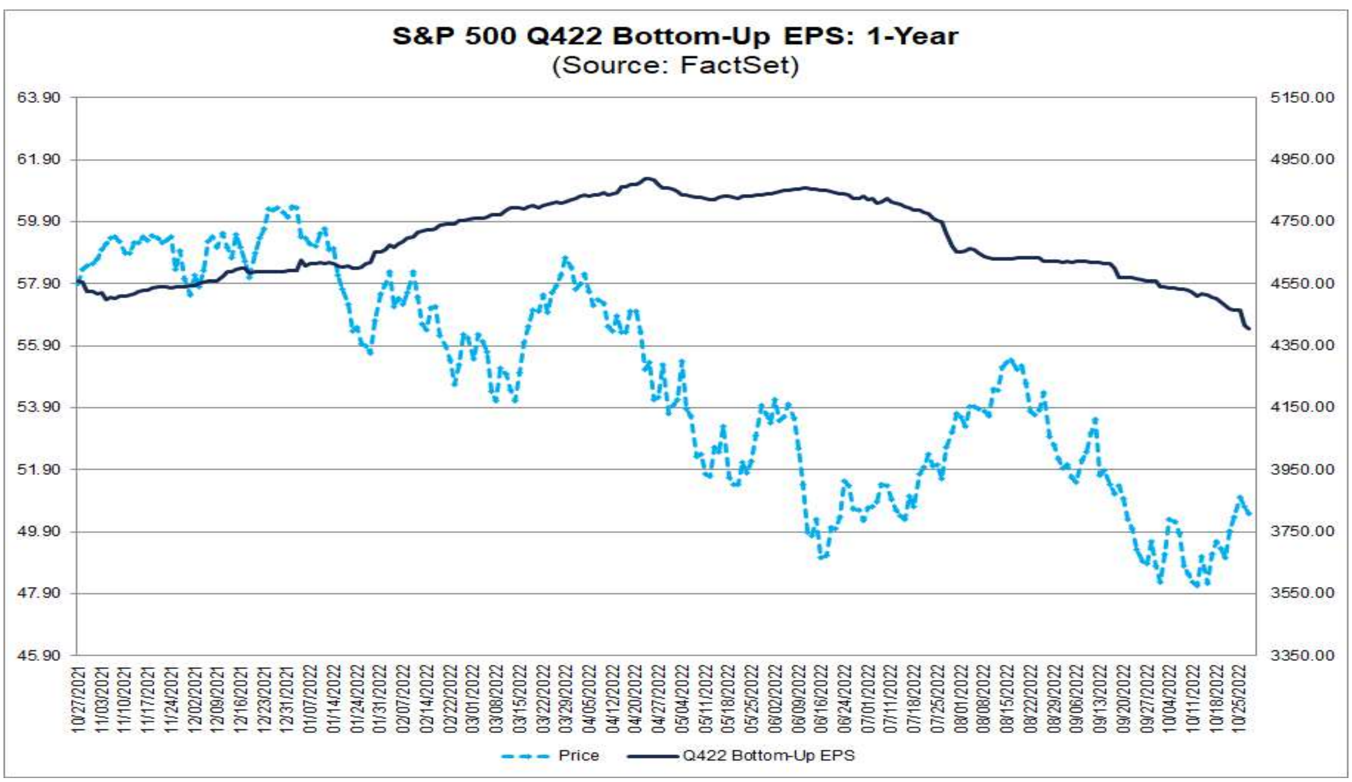




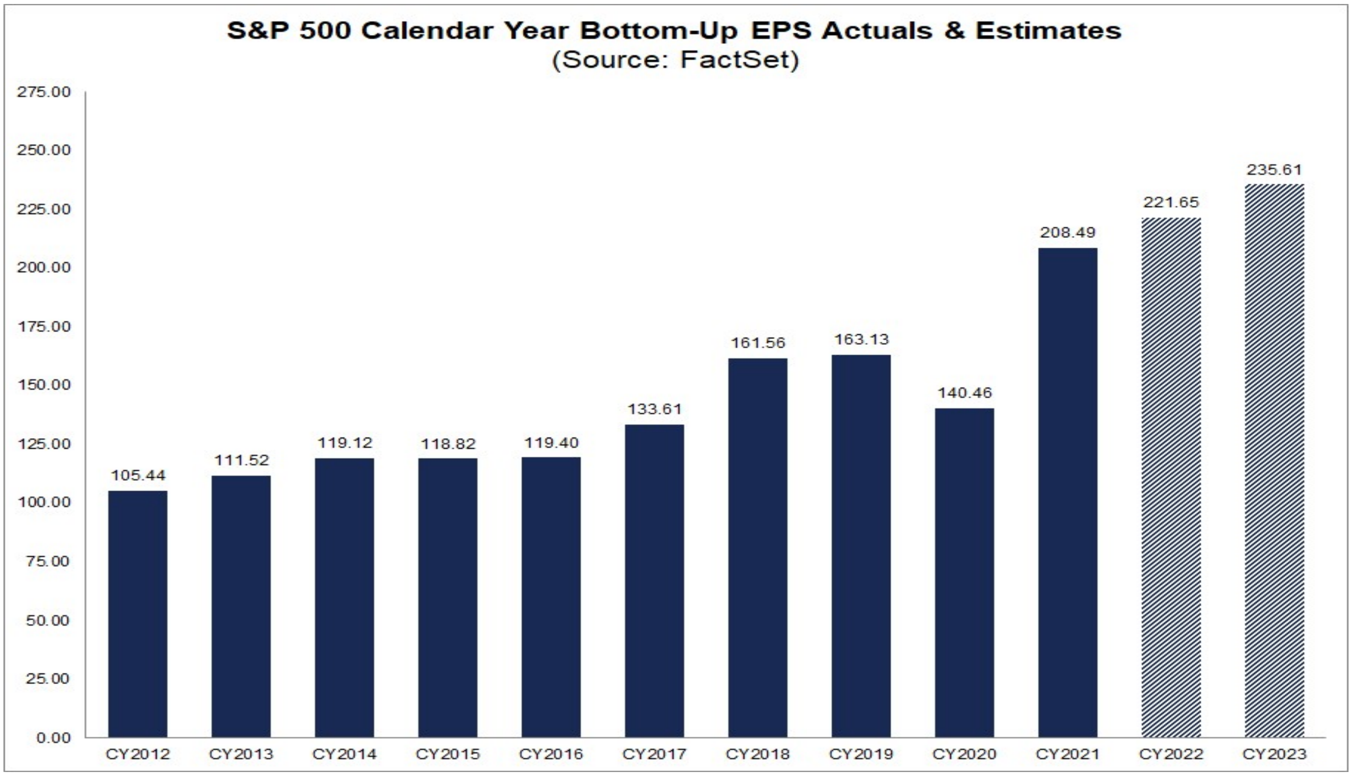
	Utilities	Real Estate	Financials	Industrials	Consumer Disc.	Health Care	Energy	Comm. Services	Consumer Staples	Materials	Info. Technology
International	2%	16%	21%	32%	34%	36%	38%	43%	43%	55%	58%
United States	98%	84%	79%	68%	66%	64%	62%	57%	57%	45%	42%

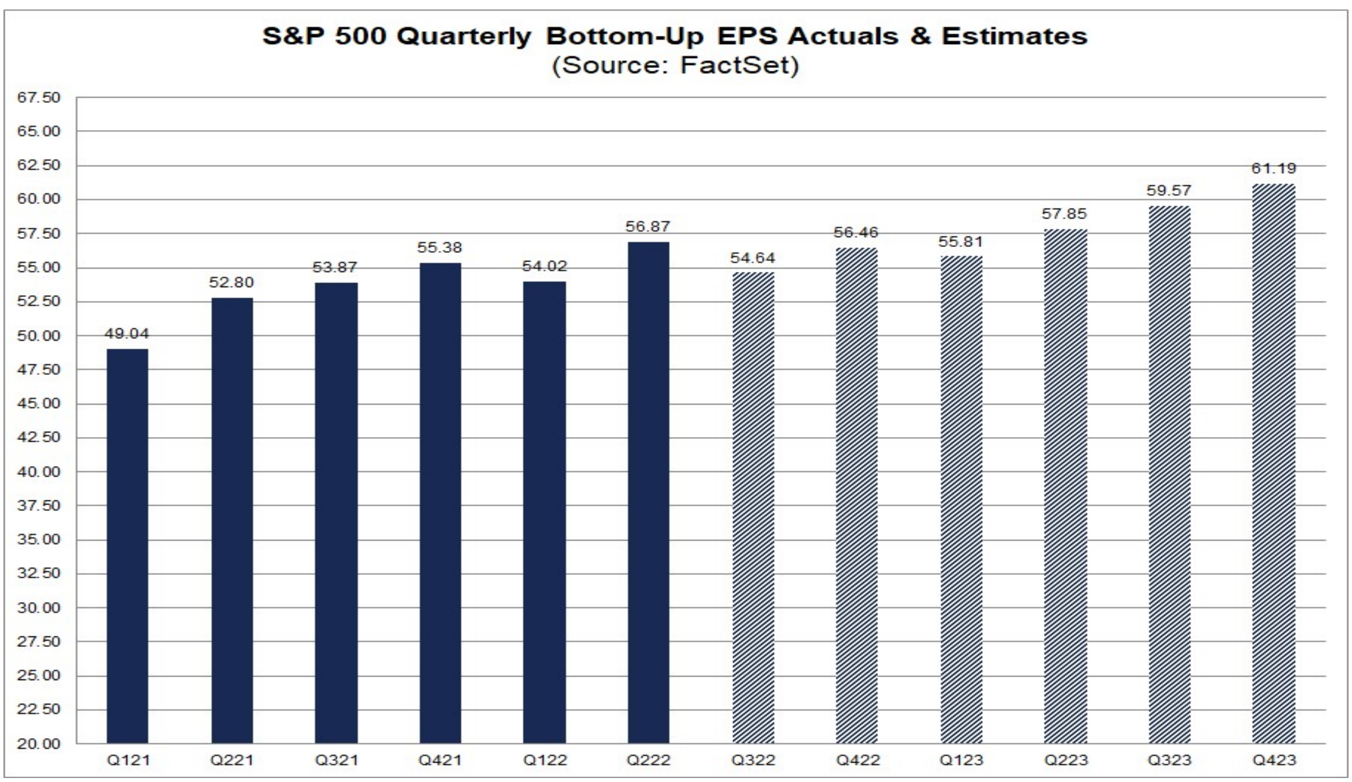
Bottom-Up EPS Estimates



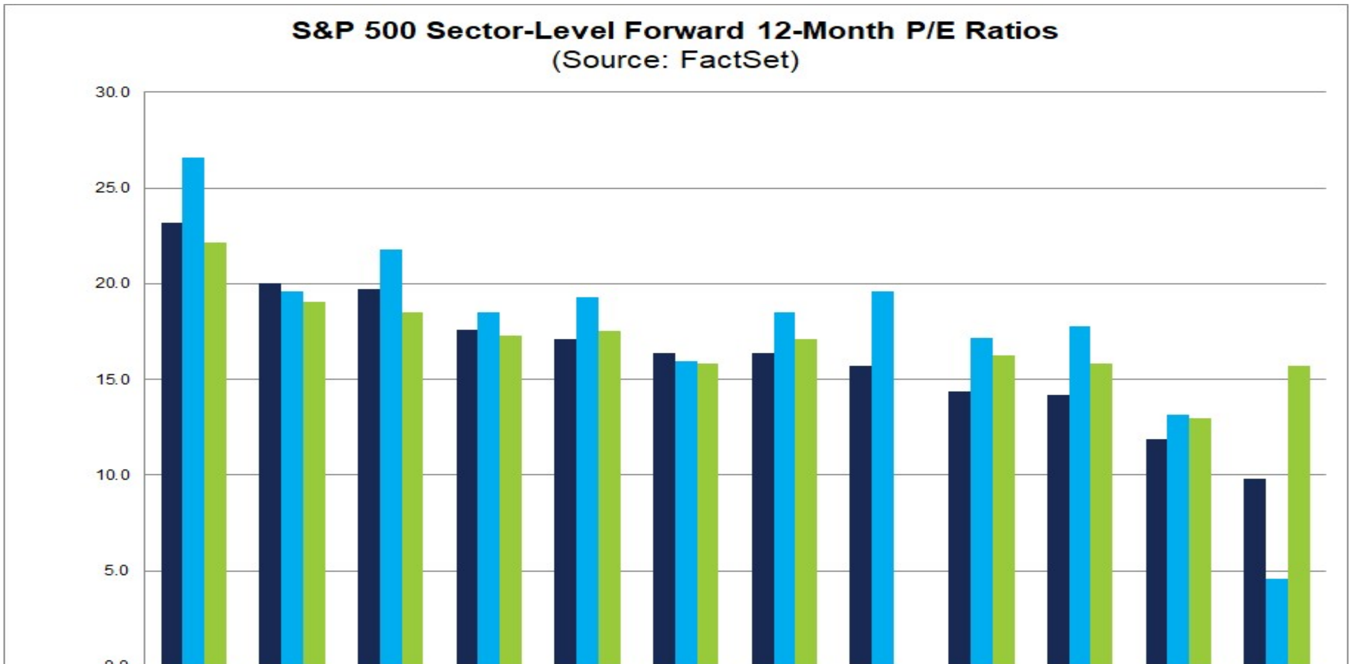


Bottom-Up EPS Estimates: Current & Historical

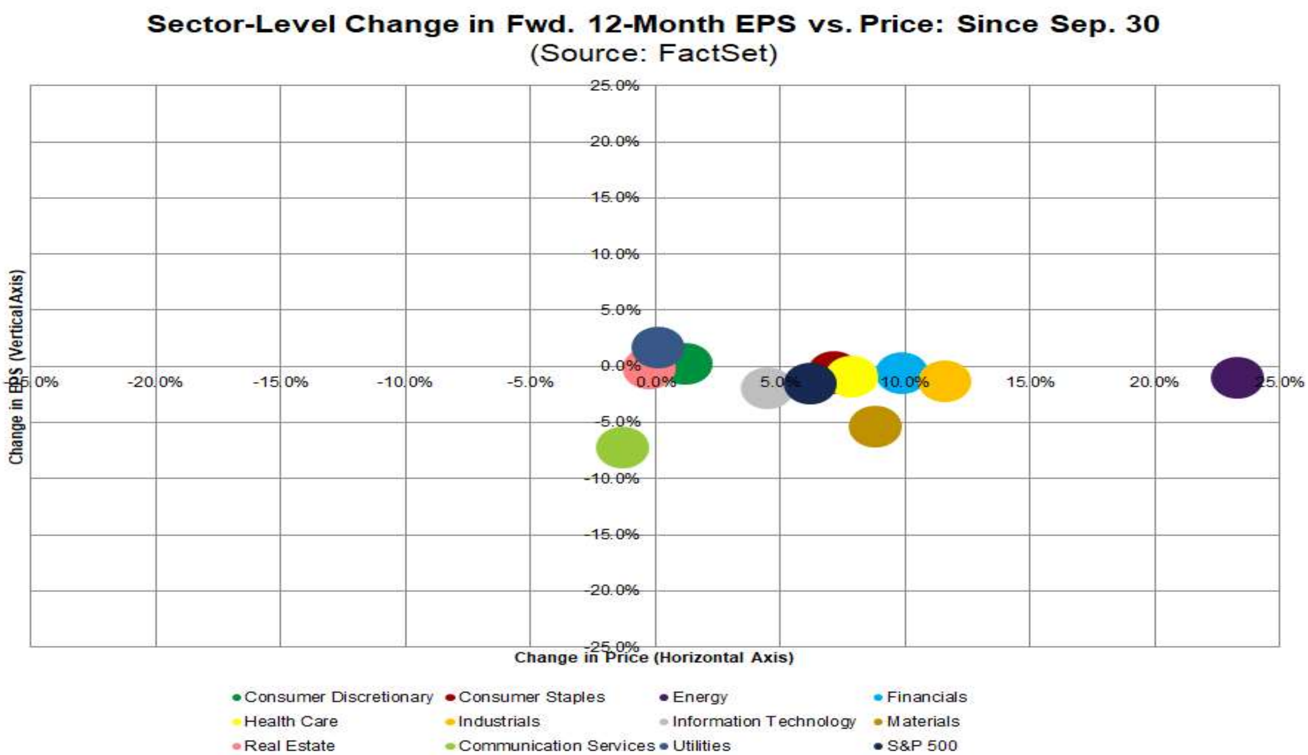




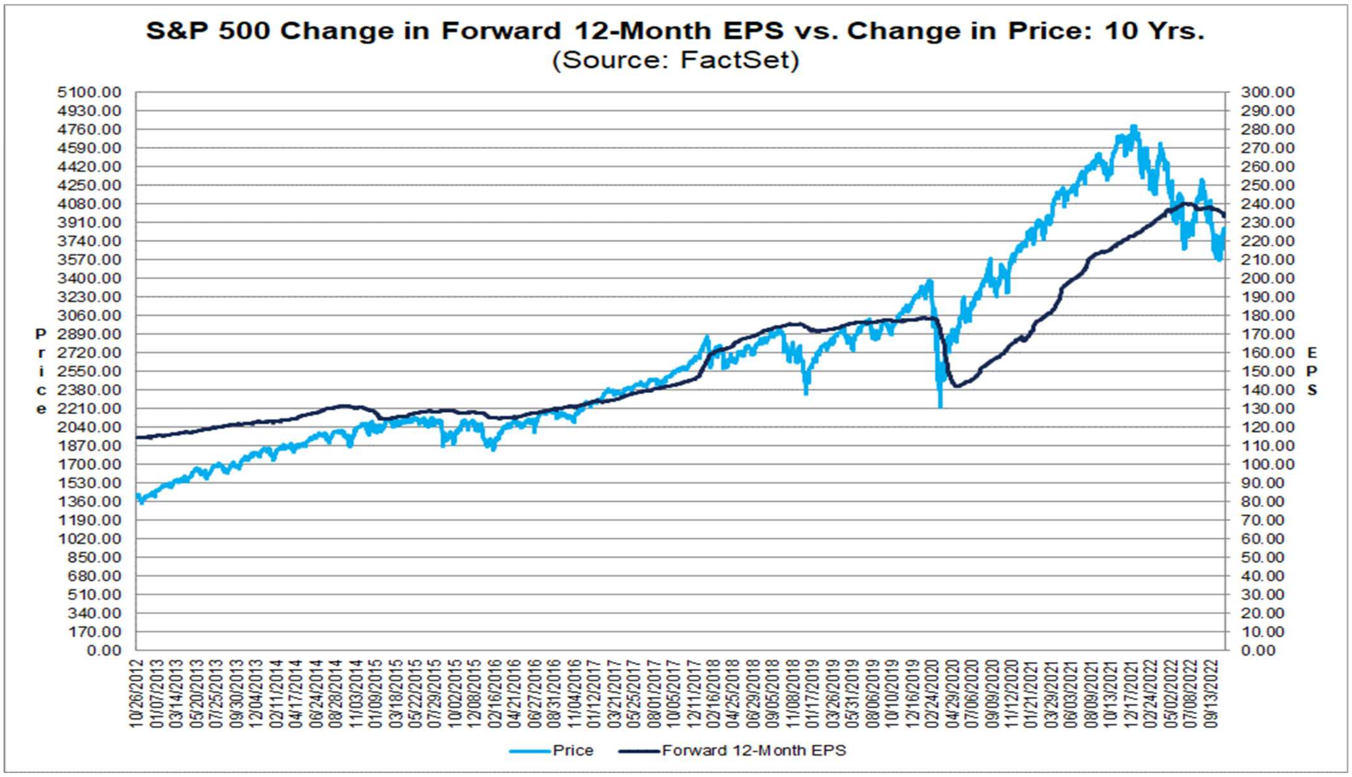
Forward 12M P/E Ratio: Sector Level

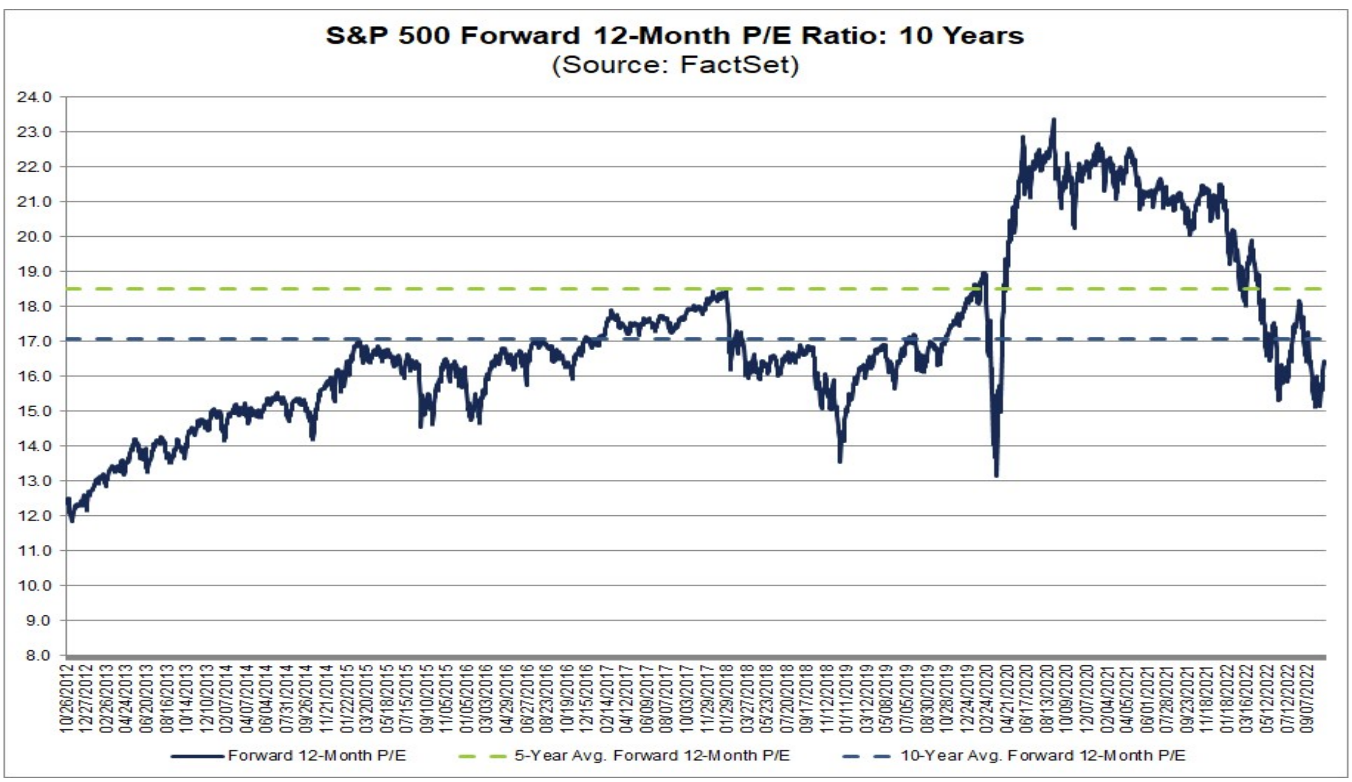


	Consumer Disc.	Consumer Staples	Info. Technology	Utilities	Industrials	Health Care	S&P 500	Real Estate	Materials	Comm. Services	Financials	Energy
Fwd P/E	23.2	20.0	19.7	17.6	17.1	16.4	16.3	15.7	14.4	14.2	11.9	9.8
5-Yr Avg.	26.6	19.6	21.8	18.5	19.3	15.9	18.5	19.6	17.2	17.8	13.1	4.6
10-Yr Avg.	22.1	19.1	18.5	17.3	17.5	15.8	17.1		16.3	15.8	13.0	15.7

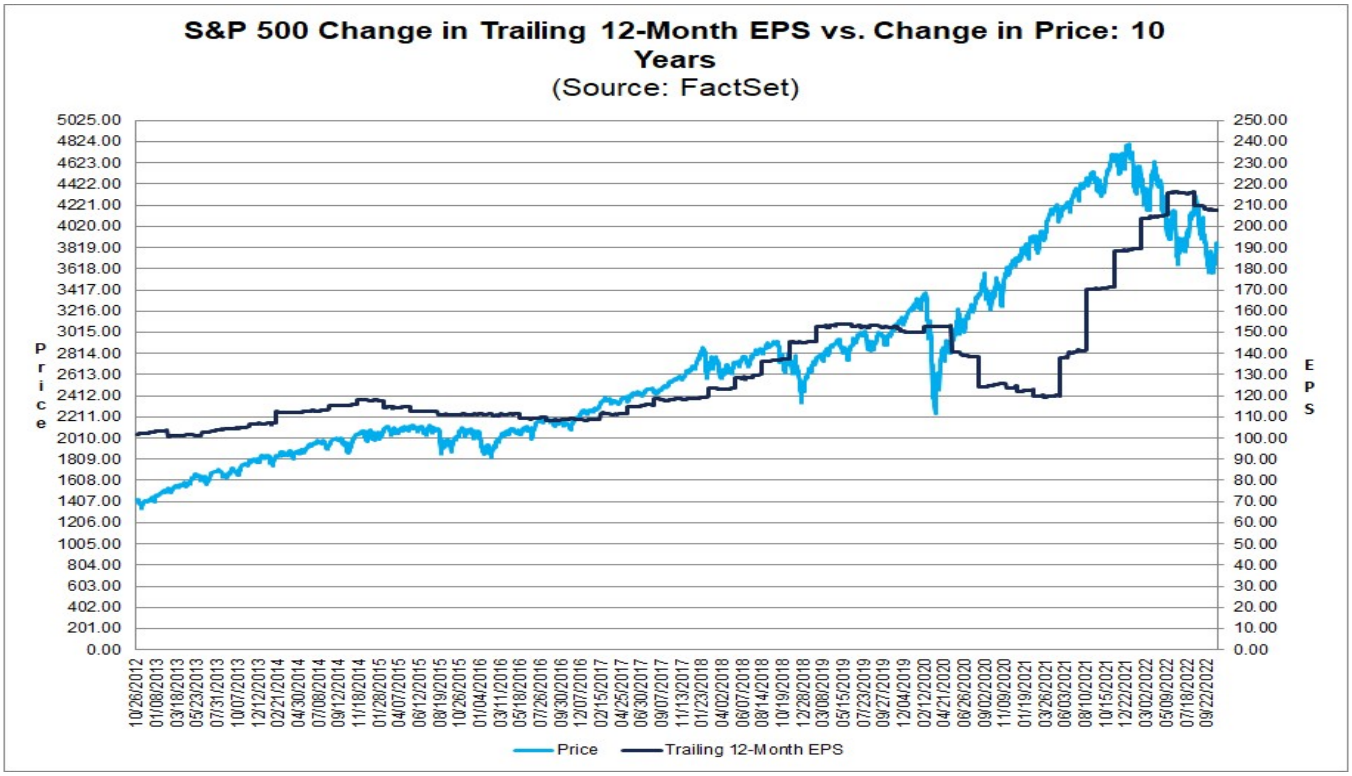


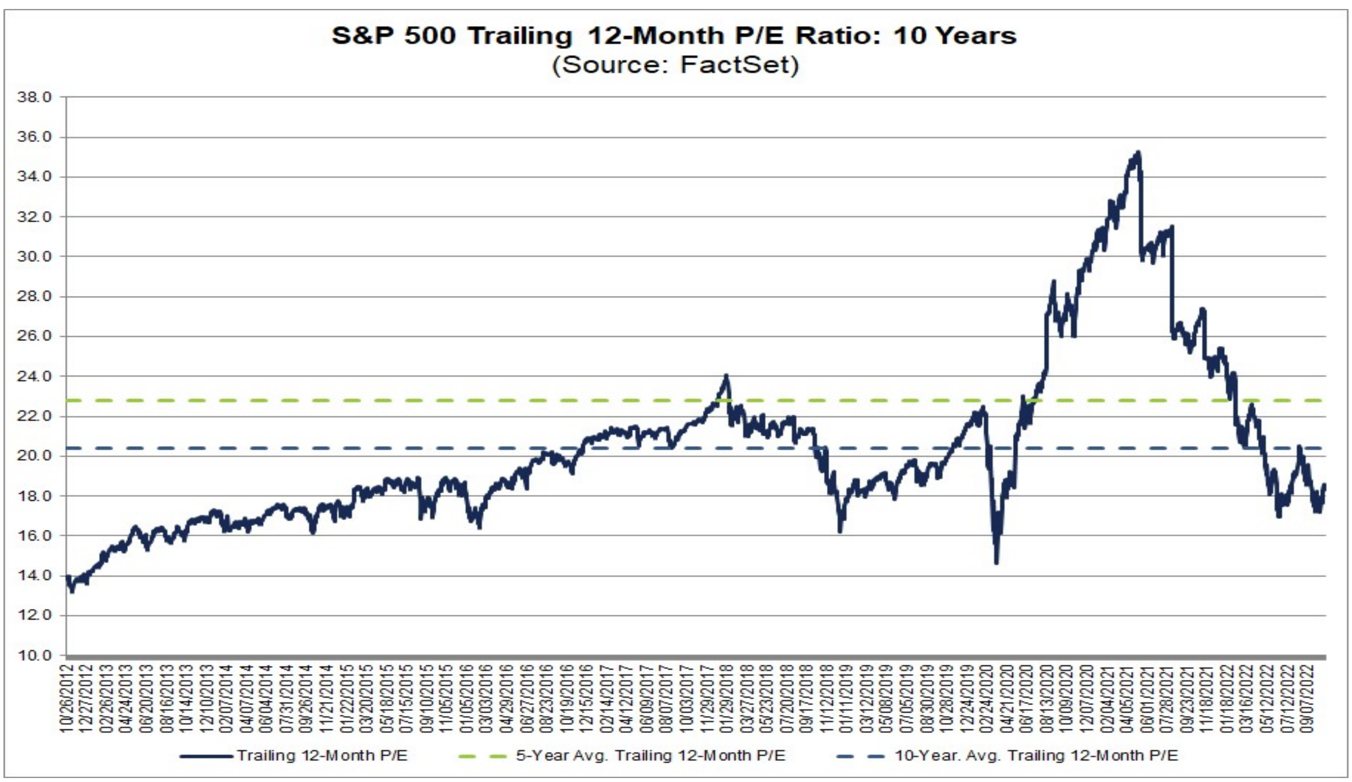
Forward 12M P/E Ratio: 10-Years



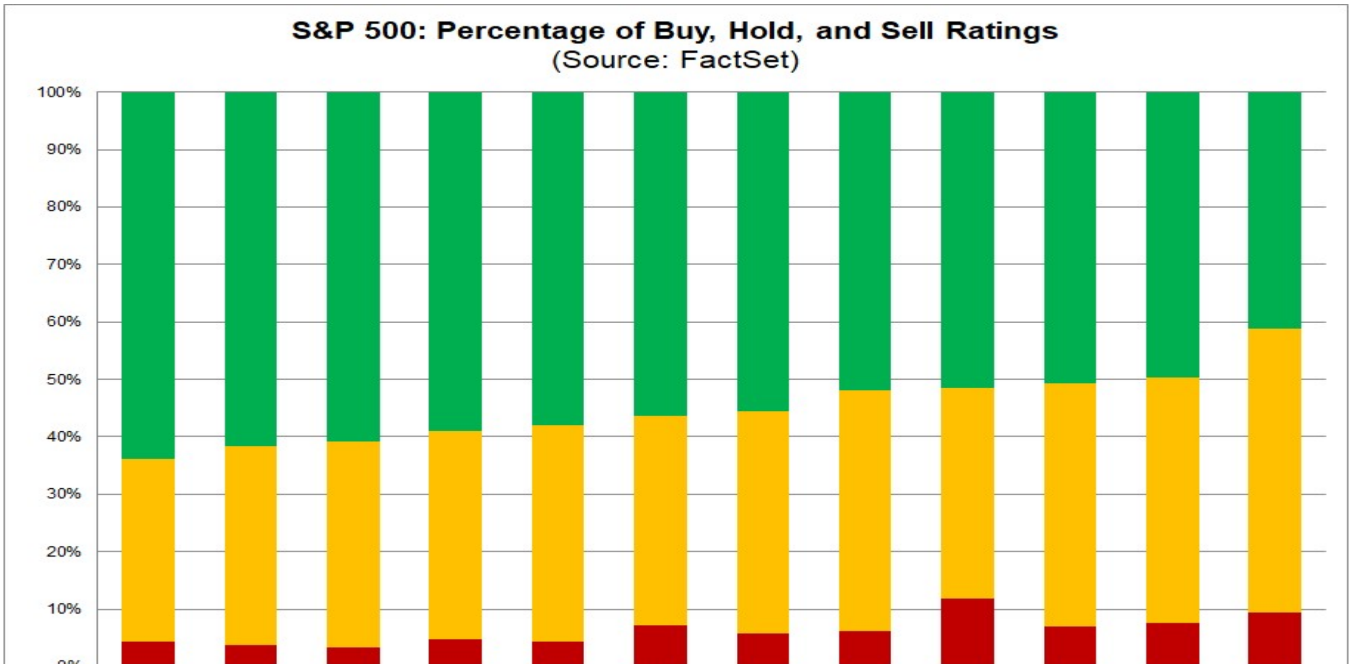


Trailing 12M P/E Ratio: 10-Years





Targets & Ratings



	Energy	Info. Tech.	Real Estate	Health Care	Consumer Disc.	Comm. Services	S&P 500	Industrials	Utilities	Materials	Financials	Consumer Staples
Buy	64%	62%	61%	59%	58%	56%	56%	52%	51%	51%	50%	41%
Hold	32%	35%	36%	36%	38%	37%	39%	42%	37%	42%	43%	49%
Sell	4%	4%	3%	5%	4%	7%	6%	6%	12%	7%	8%	9%

	Comm. Services	Consumer Disc.	Info. Tech.	Real Estate	S&P 500	Materials	Utilities	Financials	Health Care	Industrials	Consumer Staples	Energy
Target/Close	33.5%	28.0%	26.7%	23.0%	18.9%	14.6%	12.4%	12.1%	11.8%	10.1%	9.2%	6.9%

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