Market Commentary Blog

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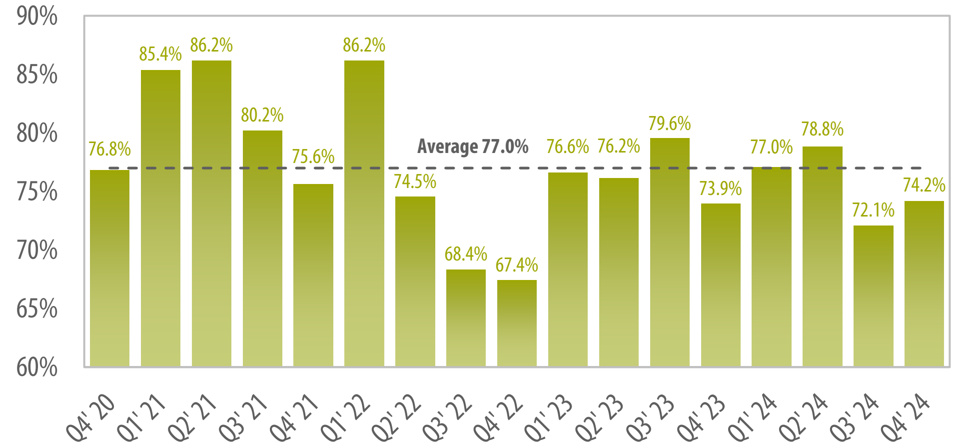
A Snapshot of the S&P 500 Earnings Beat Rate

% of S&P 500 Companies That Beat Their Quarterly Earnings Estimates



S&P Dow Jones Indices. Average spans Q4'20 – Q4'24. Q4'24 beat rate based on 484 company results.

View from the Observation Deck

We update this post on an ongoing basis to provide investors with insight regarding the earnings climate of the S&P 500 Index ("Index"). While quarterly earnings estimates are a useful indicator of a company's financial performance, they are not guarantees. Equity analysts are continually adjusting these estimates as new information is obtained. As of 2/28/25, 484 of the 503 stocks that comprise the Index (96.2%) had reported Q4'24 earnings.

FactSet reported that the Q4'24 blended, year-over-year (y-o-y) earnings growth rate for the Index stood at 18.2% as of 2/28/25, marking the sixth consecutive quarter of y-o-y earnings growth for the Index.

Should this hold, it will mark the highest y-o-y earnings growth rate for the Index since Q4'21 when it surged by 31.4%. What makes the current quarter's earnings growth rate even more impressive is that Q4'21's results reflect favorable comparisons due to the COVID-19 lockdowns.

The percentage of companies in the Index that reported higher than expected earnings in Q4'24 (74.2% as of 2/28/25) stands 2.8 percentage points below the 4-year average of 77.0%.

Per the chart, this is not unusual. The Index's earnings beat rate exceeded the average in just six of the 17 quarters presented. More recently, the Index's beat rate exceeded the average in just two of the past eight consecutive quarters.

The Index's price-to-earnings ratio was 25.44 on 2/28/25, well above its 20-year average of 18.75.

At current levels, valuations appear stretched when compared to 20-year averages. That said, the Index's 2024 earnings growth rate estimates trended persistently higher throughout much of the year, increasing from 8.99% on 3/29/24 to 11.66% on 2/28/25, lending support to higher prices.

As of 2/28/25, the sectors with the highest Q4'24 earnings beat rates and their percentages were as follows: Financials (86.1%); Information Technology (81.8%) and Industrials (78.2%), according to S&P Dow Jones Indices. Real Estate had the lowest beat rate at 46.7% as well as the highest earnings miss rate (40.0%) for Q4'24.

Takeaway

While earnings beats are generally viewed as positive for the overall market, they represent just one piece of an intricate puzzle. As today's chart reveals, the earnings beat rate for the companies that comprise the S&P 500 Index has been below the average in most of the time frames presented (including the most recent quarter). That said, the Index stood at 5,881.63 at the close on 12/31/24, representing a price only increase of 56.59% over the period captured by today's chart. As we see it, the Index's current price level reflects surging actual and estimated earnings throughout much of 2024. With 96.2% of companies reporting, the Index's fourth quarter earnings growth rate currently stands at 18.2%, the highest since Q4'21. Notably, analyst estimates for 2025 and 2026 imply continued earnings growth. The Index's earnings per share are estimated to total a record $271.28 in 2025 and $308.88 in 2026, according to data from FactSet (as of 2/28/25). As always, these estimates are subject to change as new information is made available. We will continue to report on this topic as relevant data arises.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance, while the S&P sector and subsector indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector or industry.

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