



Q2 2025 earnings recap

From the Field

August 2025

With the second quarter 2025 earnings season largely over, it's worth stepping back to get a sense of how it panned out versus expectations.

In brief, the earnings season has been much more positive than expected in the U.S., while also surprising to the upside in Europe. The big surprise for the second quarter has been the scale of revenue beats in the U.S. (the strongest since Q2 2021) while the breadth of earnings beats is also positive. The market significantly penalized those companies that missed estimates on both top and bottom line – suggesting a broadly positive anticipation into results. Earnings revisions for the S&P500 have been sharply positive for the quarter, and expectations for both 2025 and 2026 have inflected upwards, while in Europe they look to have stabilized.

U.S.: S&P500

- As of 8 August, just over 84% of the S&P500 by market cap had reported (452 companies).

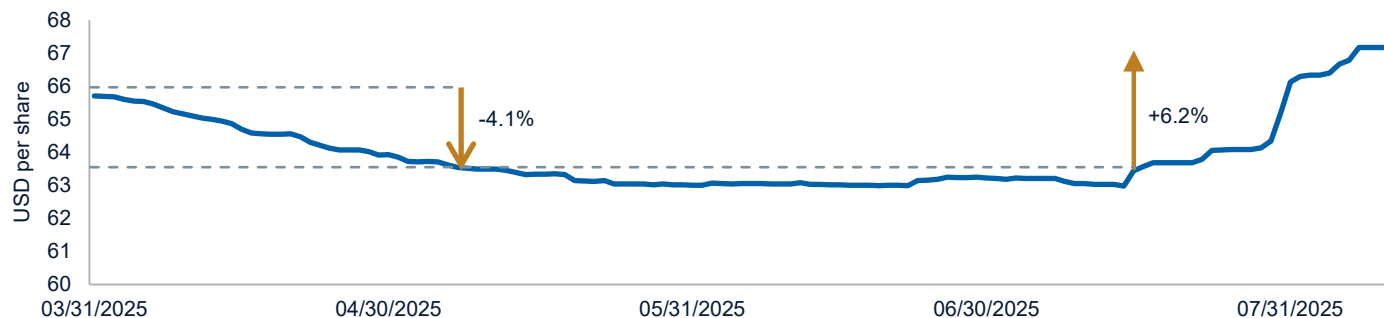
- At the **sales level**, 69% of reporting companies beat estimates, with year-on-year revenue growth coming in around 6.3% versus 4.0% expected at the start of the earnings season. This marks a significant improvement from the level of surprise seen last quarter.
- On **earnings**, 81% of reporting companies beat estimates, with earnings per share (EPS) growth coming in around 10.5% versus 2.8% expected. So a much better result than expected.
- At the sector level, we've seen the healthiest earnings growth in Communication Services, Technology and Healthcare, while the most negative sector has been Energy (-21.5% year-on-year), with Materials/Industrials also slightly down on an annual comparison.
- Q2 2025 EPS has seen a sharp inflection of +6.2% since 30 June. Besides the strong results, this also reflects the aggressive cutting of estimates (-4%) since the end of the previous quarter, as seen in the chart below tracking consensus Q2 EPS (Figure 1).



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Q2 EPS estimates cut by 4.0% ahead of the reporting season

(Fig. 1) Consensus Q2 EPS estimate over time



Actual outcomes may differ materially from estimates. Estimates are subject to change.

As of 8 August 2025.

Source: Bloomberg Finance L.P.

Dramatic increases in sales beats in Q2

Looking at the ongoing trends of sales and earnings beats one can see that the percentage of S&P500 companies beating sales and earnings increased this

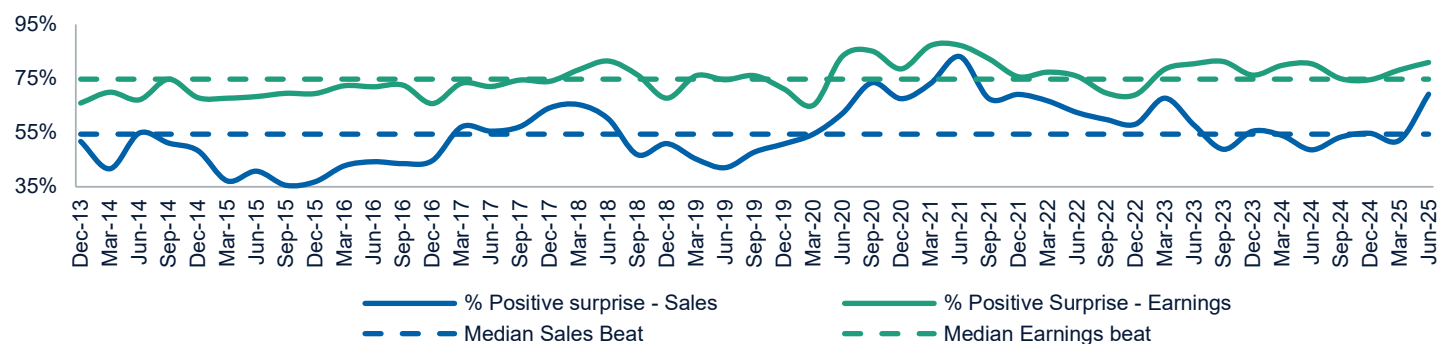
quarter, but the increase in sales beats was most dramatic. Some of this may be due to the pull-forward of sales due to tariff uncertainty.

Nevertheless, it's interesting to note that operating leverage displayed this quarter

is minimal, despite the large beats on sales. Operating margins for the S&P500 have stayed largely flat sequentially, with consensus expecting a pickup from Q3 2025.

Q2 saw a dramatic rise in S&P500 companies beating sales

(Fig. 2) Percentage of companies beating sales and earnings forecasts

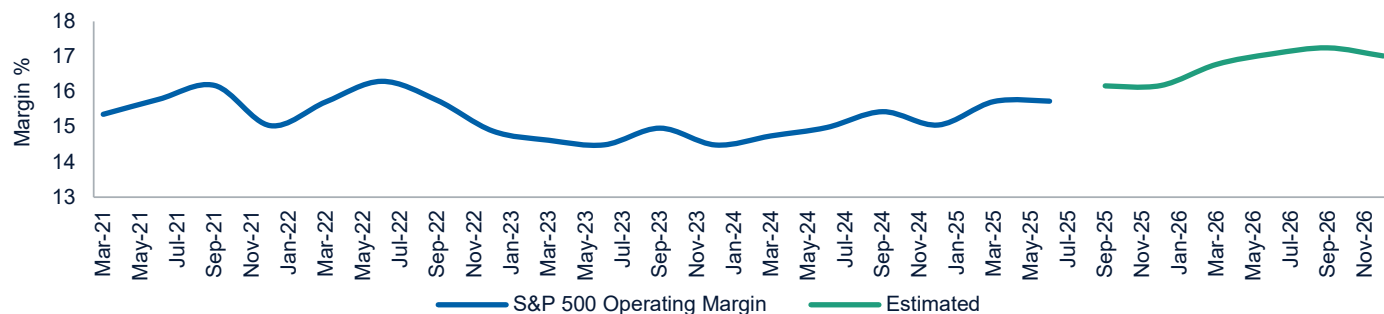


As of 8 August 2025.

Source: Bloomberg Finance L.P.

S&P500 operating margin flat in the second quarter, predicted to rise

(Fig. 3) Operating margin (profits/sales)



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As of 8 August 2025. Consensus forecasts from 30 September 2025 to 31 December 2026.

Source: Bloomberg Finance L.P.

Companies that missed sales and earnings estimates punished

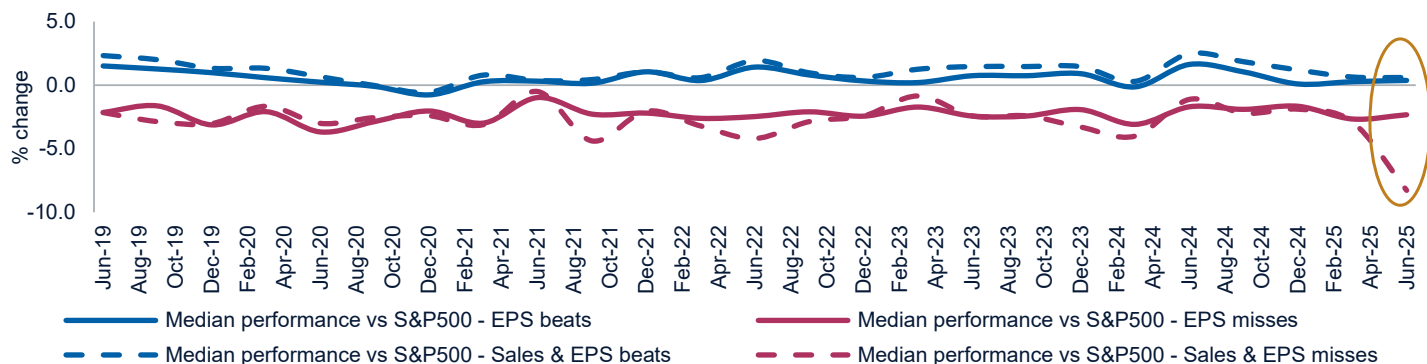
Stock price reactions to earnings announcements this quarter show a slightly different trend than before. While

beats/misses on earnings are not being rewarded or punished significantly more than historically, companies that missed on both **sales and earnings** have been sold aggressively.

— Guidance has also been slightly more optimistic, with the number of companies guiding up increasing sequentially.

U.S. share price reaction to sales and EPS beats/misses

(Fig. 4) Median performance of S&P500 companies that beat/miss estimates



Past performance is not a guarantee or a reliable indicator of future results.

As of 8 August 2025.

Source: Bloomberg Finance L.P.

U.S. companies upgrading annual EPS guidance

(Fig. 5) Percentage of S&P500 companies with positive guidance



As of 8 August 2025.

Source: Bloomberg Finance L.P.

Other U.S. market observations

— Large cap tech continues to perform and lead in earnings, while performance has caught up with the index.

- From market lows on 8 April 2025, the Bloomberg Magnificent 7 Price Return Index (USD) is up ~48% versus the S&P500 at ~28%. The rest of the market (represented by S&P 500 Price Return Index ex Magnificent 7 (USD)) is up ~21% (As of 8 August 2025).

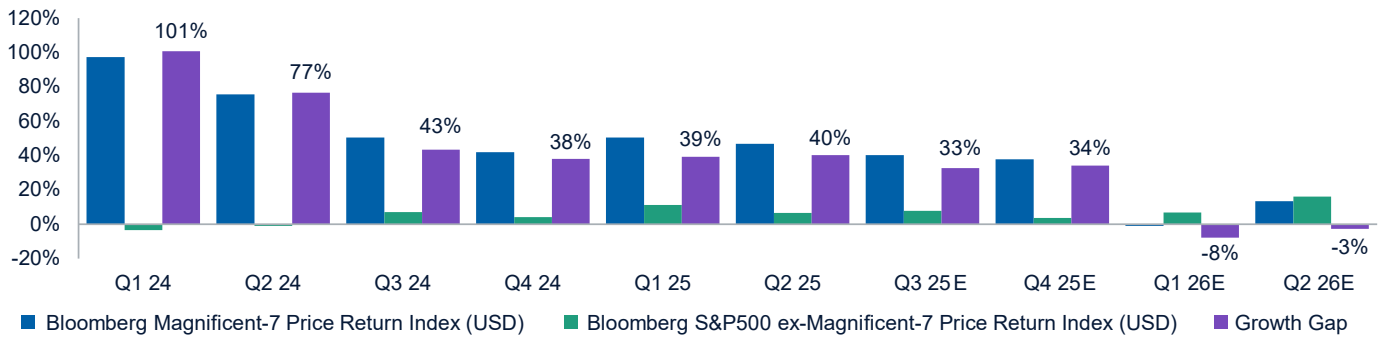
- On a year-to-date basis (As of 8 August 2025), the Bloomberg Magnificent 7 Price Return Index (USD) is +9.7% versus the S&P500 at +8.6%, and the rest of the market (represented by S&P 500 Price Return Index ex Magnificent 7 (USD)) +7.7%.
- On earnings, large cap tech continues to lead. The Magnificent 7 (Mag-7) (ex-Nvidia, yet to report) have grown earnings in excess of 20% year-on-year for the quarter. Adjusting for

Tesla which had poor results, the number is closer to +25%.

— Earnings growth in the market ex-Mag-7 actually slowed on a sequential basis, and the “growth gap” between the Mag-7 and the rest of the market was essentially flat in Q2 2025. The market has now adjusted its assumptions such that the growth gap does not begin to narrow till 2026.

Magnificent-7 EPS growth gap versus remaining 493 S&P500 stocks

(Fig. 6) EPS year-on-year percentage change



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As of 8 August 2025.

Source: Bloomberg Finance L.P.

Europe still showing strength, though momentum is slowing

— As of 8 August, all of the MSCI Europe stock index constituents have reported. Sales beats are down on a sequential basis. Approximately **38% of companies have beaten on sales**, versus around 43% in the first quarter. Sales growth is coming in at around -1.2% year-on-year versus -2.4% expected, **so still surprising to the upside** even though EPS growth is negative. Utilities, Technology and

Financials have been the strongest performing sectors, while Energy and Consumer Discretionary have been the biggest laggards.

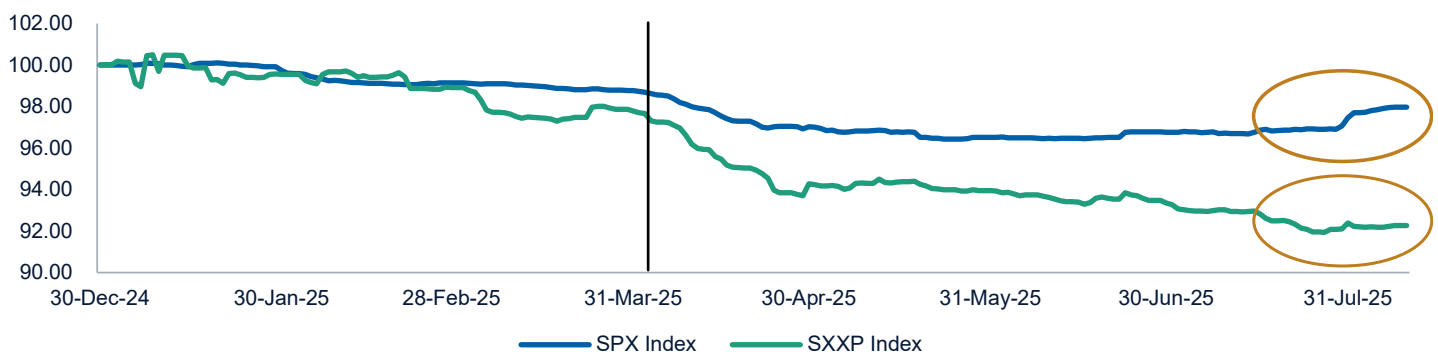
— At an earnings level, **around 51% of reporting companies beat with 30% missing their estimates**. Earnings are surprising positively with **+1.9%** growth reported versus **-4.8%** expected. Technology, Financials, Healthcare and Industrials have been strong, with consumer Discretionary, Energy and Materials reporting negative earnings growth.

Earnings trends versus multiples: U.S. versus Europe

Much of the earnings bounce back – especially in the U.S. – is a recovery from extremely low levels. While EPS estimates were generally trimmed into “Liberation Day”, they took a step-down after that. The majority of Q2 S&P500 estimates seemed to plateau before ticking up sharply during the earnings season. European estimates appear to have found a bottom after the announcement of the U.S.-EU trade deal.

S&P500 (SPX) earnings have moved ahead of Stoxx Europe 600 (SXXP)

(Fig. 7) Earnings per share (EPS) indexed to 30 December 2024 = 100.0



As of 8 August 2025.

Source: Bloomberg Finance L.P.

The S&P500 and U.S. stock markets generally have staged a remarkable comeback post Liberation day. On a year-to-date basis (As of 8 August 2025) they are now marginally more positive than the broad European market (S&P500 +8.6%

versus Stoxx Europe 600 +8.1%). However, individual European markets have shown divergent performance. The DAX in Germany is up 21.4% while the CAC 40 has underperformed at just 5.1%. As a result, U.S. equities have regained some of their

record premium. They are now trading at a 53% premium to the Stoxx Europe 600 index. That compares to a premium of 63% at the start of the year which subsequently fell to 41% at the end of Q1 2025.

U.S. equity valuation premium is increasing again

(Fig. 8) S&P500 (SPX) vs. Stoxx Europe 600 (SXXP) 12-month forward PE ratio



These statistics are not a projection of future results. Actual results may vary significantly.

As of 8 August 2025.

Source: Bloomberg Finance L.P.

What are companies saying?

Broadly, corporate commentary from the Q2 2025 results season seems to be coalescing around the following thematic:

- AI and tech infrastructure investment is still strong, but normalization is underway.
- Industrials and aerospace are solid; transports and short-cycle manufacturing remain challenged.
- Banks are stable, but pockets of consumer stress are emerging.
- Consumer remains resilient at the high end, but volume growth is elusive for staples; trade-down and value-seeking behavior persists.

In Tech-land

- The AI investment theme carries on. If there were a slogan for the AI trade it would probably be – “Depend on our Spend.”
- Google / Microsoft / Amazon / Meta all raised their capex spend, such that overall capex for 2026 could move up to make current consensus estimates of capex growth (around 44%) appear conservative. The benefits of capex do appear to be showing in their results:

Meta’s revenues grew 22%, Azure 39%, Google search 12%, and AWS (Amazon Web Services) 17.5%, amidst capacity constraints.

- Analog semis has seen a further push-out of an industrial recovery, with names like NXP and Texas Instruments sounding more cautious on Q3 outlook.
- Software (primarily application software) appears to be transitioning to a binary world of winners and losers in the age of AI. The launch of GPT-5 and increased awareness of the risk to business models and MOATS saw volatility in names like Hubspot, Duolingo, and Datadog. These stocks initially all rose strongly on results, but then gave back much/all of the gains when making comments on the risks of AI to spend/competition.

The Industrial World

- The ISM Manufacturing index continues to be weak, falling month-on-month in July.
- Shorter cycle names like Emerson and Rockwell disappointed on order growth, while those linked to the longer cycle AI buildout thematic like GE Vernova continued to do well.
- Aerospace looks to be continually strong, with Boeing looking to raise

production into 2026 and Airbus talked about an improving supply chain.

- Domestic transports continue to be weak with companies like JB Hunt referring to “softness in spot rates.” FedEx and UPS both referred to weakness in the U.S. FedEx called out pressures in their B2B business, implying weakness in the industrial economy.
- European companies like Schneider Electric were cautiously optimistic and reaffirmed their FY25 outlook, while ABB is looking for a positive book/bill ratio indicating optimism around growth. Maersk raised their outlook for 2025, citing resilient demand outside North America.

Energy / Utilities

- Upstream energy companies like Exxon / Conoco / Shell have generally maintained capex guidance, though emphasizing efficiency e.g. maintaining production levels while using fewer rigs. This suggests they would need to see lower prices to cut activity significantly.
- Utilities have sounded positive, and are broadly increasing capex to meet the underlying demand growth from the combination of AI-driven datacenter projects and reshoring.

Banks / Financials

- Banks seem to indicate a stable economy. Large banks like JPMorgan, Citi, Wells Fargo all reported good loan growth, NIM's appear to be holding steady and credit quality is "benign."
- American Express noted "resilient spending" in higher end consumers, while Visa/Mastercard both beat and raised guidance.
- We also had the European Central Bank's second-quarter 2025 bank lending survey indicating that demand for loans increased slightly, while credit standards remained broadly unchanged.

The Consumer (Discretionary, staples and everything in between)

- Staples continue to be anything but defensive and stable. Comments from Consumer companies continue to suggest a bifurcation between lower income and higher income spenders. Names ranging from Pepsi/Coca Cola/ Clorox made comments implying consumers in the U.S. are being more value conscious. Interestingly international volumes for the likes of Coca Cola and Pepsi seem more robust than North American volumes.
- Consumer/ Internet names like Uber, Doordash, and Carvana seem to be benefitting from an increased willingness of the consumer to spend but also from market share gains.

Guidance improved versus the first quarter

With these beats, the guidance ratio tracked by Bank of America (#companies guiding above versus those guiding below consensus) was tracking at 1.4x in August, well above that of the previous quarter and also above the longer term average of 0.8x.

Capex guidance has also picked up sequentially. Index level capex was +25% year-on-year in Q2 versus +19% in Q1. Excluding the Magnificent-7 and large tech companies, the growth rate has picked up to +10% year-on-year from flat in the first quarter.

S&P 500 2Q25 YoY capex growth by sector

(Fig. 9)

Sector	2Q25 Capex	2Q24 Capex	Aggregate YoY	Contribution to Growth
Cons. Disc.	50,508	37,526	35%	22%
Staples	8,585	8,762	(2%)	(0%)
Energy	30,392	25,158	21%	9%
Financials	12,752	11,961	7%	1%
Health Care	13,352	12,931	3%	1%
Industrials	18,420	17,060	8%	2%
Tech	41,404	31,253	32%	17%
Materials	10,320	10,031	3%	0%
Real Estate	3,725	2,235	67%	3%
Comm. Svcs.	58,685	39,454	49%	33%
Utilities	43,981	37,582	17%	11%
S&P 500	292,124	233,953	25%	
ex. Tech + Mag. 7	177,159	161,450	10%	

Source: BofA Global Research, 10 August 2025.

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