

**Cmind EPS Beats Predictor**

**Sector Reports**

**Consumer Discretionary**

**4Q:22 Predictions**

**January, 2023**

## Cmind Sector Report

4Q:22

**Sector:** Consumer Discretionary

### Sector Description

The Consumer Discretionary Sector comprises companies that manufacture or sell goods and services that consumers consider non-essential, but nice-to-have when household budgets allow. Services and goods included in the sector include travel, gambling, automobiles, footwear, apparel, and a wide variety of other products. As of 4Q:22 the sector includes 370 companies in our coverage universe with a combined market cap of \$4.26 trillion.

### Cmind Model Changes and Enhancements

The Cmind Revenue Beat/Miss and EPS Beat/Miss prediction algorithms consume various inputs including financial statements, earnings call transcripts, SEC filings, competitor results and sentiment, and macro-economic factors to generate predictions that companies will beat or miss the consensus revenue and EPS forecasts in each quarter.

We have not made any notable changes to the Cmind EPS Beat/Miss or Revenue Beat/Miss prediction models during the quarter.

### Results of Prior Quarter EPS Predictions

For the purposes of this analysis, Cmind defines companies that our algorithms identify with an 80% or higher likelihood of beating estimates as “very likely to beat estimates.” Similarly, companies with a 20% or lower probability of beating estimates are “very likely to miss estimates.” Likewise, those with a 60-80% probability are considered “likely to beat” and 20-40% probability are considered “likely to miss.” Those with probabilities of 40-60% are classified as “marginal,” however we still classify each stock as a beat or miss prediction when measuring the accuracy of our predictions below (where probabilities of 50-60% are marginal beats, and probabilities of 40-50% are marginal misses).

For 3Q:22, Cmind’s models identified 13 companies in the sector very likely to beat EPS estimates, and 46 companies very likely to miss them. These two cohorts yielded prediction accuracies of 85% and 74% respectively.

Prediction Cohort	Large Cap		Mid Cap		Small Cap		Total	
	#	Accuracy	#	Accuracy	#	Accuracy	#	Accuracy
<b>V. Likely Beat</b>	1	100%	7	71%	5	100%	13	85%
<b>Likely Beat</b>	10	90%	23	91%	26	81%	59	86%
<b>Marginal</b>	23	65%	49	57%	44	57%	116	59%
<b>Likely Miss</b>	16	63%	36	67%	119	71%	171	70%
<b>V. Likely Miss</b>	3	33%	9	67%	34	79%	46	74%

## Next Quarter Forecast

Looking forward to 4Q:22 results, we have identified 82 Consumer Discretionary companies that are expected to beat consensus EPS estimates and 127 expected to miss consensus EPS estimates. Of these, 1 is considered very likely to beat consensus EPS estimates, and none are considered very likely to miss.

Prediction Cohort	Large Cap		Mid Cap		Small Cap		Total	
	#	%	#	%	#	%	#	%
<b>V. Likely Beat</b>	0	0%	0	0%	1	1%	1	0%
<b>Likely Beat</b>	16	30%	35	30%	30	15%	81	22%
<b>Marginal</b>	24	45%	60	51%	77	39%	161	44%
<b>Likely Miss</b>	13	25%	22	19%	92	46%	127	34%
<b>V. Likely Miss</b>	0	0%	0	0%	0	0%	0	0%

## Analysis

The macro-economic environment in 4Q:22 was shaped by a continued increase in interest rates along with a modest stock market rally as investors continued to anticipate a slower pace of rate increases from the Fed. Supporting the consumer, the job market has been strong with unemployment rates at near record lows. Consumer Discretionary stocks have also benefitted from higher demand for travel and leisure services as consumers return to pre-pandemic habits. Notable in our predictions for the sector in Q4 is the sharp reversion in companies' EPS beat probabilities towards the 50<sup>th</sup> percentile, meaning that companies and analysts have likely mostly adjusted expectations down after a Q3 marked by many unexpected earnings misses.

### Notable predictions amongst Large Cap names

The five large cap names with highest probability of beating their Q4 consensus EPS are:

Name	Ticker	Probability of EPS Beat
D.R. Horton	DHI	73%
TJX Companies	TJX	72%
Booking Holdings	BKNG	72%
Marriott International	MAR	71%
Packaging Corp of America	PKG	71%

The five large cap names with lowest probability of beating their Q4 consensus EPS are:

Name	Ticker	Probability of EPS Beat
Best Buy Co	BBY	30%
Wayfair	W	29%
Rivian Automotive	RIVN	29%
Norwegian Cruise Line	NCLH	28%
Las Vegas Sands	LVS	25%

To learn more about our Cmind's EPS beat predictions for other companies or sectors, please contact us at [info@cmind-ai.com](mailto:info@cmind-ai.com).

### **About Cmind Inc**

*Cmind combines management commentary analytics, leading-edge accounting principles, and artificial intelligence to provide investors, accountants, and lawyers with unique and timely forecasts of company risks, events, and financial performance. Cmind enables its clients to make fast and accurate decisions about corporate valuations, credit, and sustainability.*