Cmind Cmind

Cmind EPS Beats Predictor

Sector Reports

Financials

4Q:22 Predictions

January, 2023

Cmind Sector Report

4Q:22

Sector: Financials

Sector Description

The Financials sector includes commercial and investment banks, investment management companies, credit card companies, insurance companies, financial exchanges and data providers, among others. Cmind tracked 632 companies in the sector with a total market capitalization of approximately $6.1 trillion as of 4Q:22.

Cmind Model Changes and Enhancements

The Cmind EPS Beat/Miss prediction algorithm consumes 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 EPS forecasts in each quarter.

We have not made any notable changes to the Cmind EPS Beat/Miss prediction model 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 beat 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 4 companies in the Financials sector very likely to beat EPS estimates, and 30 companies very likely to miss them. These two cohorts yielded prediction accuracies of 100% and 53% respectively. Note that poorer accuracy results for smaller sample sizes are likely at least partly due to statistical noise.

Prediction Cohort	Large Cap #	Large Cap Accuracy	Mid Cap #	Mid Cap Accuracy	Small Cap #	Small Cap Accuracy	Total #	Total Accuracy
V. Likely Beat	1	100%	0	N/A	3	100%	4	100%
Likely Beat	7	71%	5	40%	19	84%	31	74%
Marginal	43	58%	64	55%	147	58%	254	57%
Likely Miss	29	59%	46	43%	221	67%	296	62%
V. Likely Miss	2	0%	8	50%	20	60%	30	53%

Next Quarter Forecast

Looking forward to 4Q:22 results, we have identified 49 companies in the Financials sector that are expected to beat consensus EPS estimates and 286 expected to miss consensus EPS estimates. Of these, 11 are considered very likely to beat consensus EPS estimates, and 56 are considered very likely to miss.

Prediction Cohort	Large Cap		Mid Cap		Small Cap		Total	
	#	%	#	%	#	%	#	%
V. Likely Beat	6	7%	0	0%	5	1%	11	2%
Likely Beat	5	6%	7	6%	26	7%	38	6%
Marginal	53	65%	63	53%	139	36%	255	43%
Likely Miss	18	22%	39	33%	173	45%	230	39%
V. Likely Miss	0	0%	11	9%	45	12%	56	9%

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. The expectation and rally extended through January 2023. While higher interest rates should help banks expand their net interest margins, investment banking revenues have dropped with the decline in public offerings and capital raising generally. Poor market performance in 2022 also challenged investment managers' earnings. As the cost of capital has risen, bigger companies with bigger balance sheets have garnered the advantage from smaller cap competitors. This is evident in the above table, which shows that of the 56 "very likely misses" in the Financials sector, none are large cap companies.

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
US Bancorp	USB	91%
Visa	V	87%
MSCI	MSCI	86%
Principal Financial Group	PFG	85%
Marsh & McLennan	MMC	84%

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

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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.