Palacios' Perspectives

February 7th, 2020

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Managing Wealth Servicing Generations

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From Wall Street to Main Street

Highlights from the past week

Market / Macro Economic Summary

Markets ended the week last week Friday at a 2% decline for the day. That is a very steep market-wide decline, but this week saw a four-day stretch were the markets recouped the losses but crept higher on the heels of a possible cure for the Corona Virus. Additionally, with the impeachment trial behind us, the Iowa caucus looking to be resolved and China announcing a $75 billion slash on tariffs to U.S. goods…..markets are running right along. We still look to deploy cash slowly here as the markets conditions still side towards "over bought" territory.

Company Specific / Micro Economic Summary

Alphabet (GOOG)
Shares were down 5% on the heels of a good quarter. Earnings per share of $15.35 were well ahead of the $12.53 analysts were looking for. Revenues however felt short at $46.08 billion dollars, while Wall Street estimates were closer to $46.94 billion. The company continues to dominate the online advertising space but is showing some signs of slowing growth. For the first time, CEO Sundar Pichai split out the revenues of YouTube and Cloud Revenue. For some perspective, currently YouTube user generates roughly $6.60 in revenue per year while Facebook generates $24 per use, leaving many to apply pressure on management to improve results.

Walt Disney (DIS)
Shares were up 2% as the company reported a top and bottom line beat. Earnings per share of $1.53 were higher than the $1.44 analysts were looking for. Revenues of $20.86 billion were also ahead of the $20.79 billion most were looking for. CEO Bob Iger announced the company had over $26.5 million Disney+ subscribers, much higher than the $10 million it announced in November. Parks revenue grew 8% to $7.4 billion while Studio Entertainment revenues came in at $3.76 billion. Mr. Iger did say he expects to see an impact of the Corona virus on its Shanghai resort as it closed it on January 25th and remains closed as of today.

British Petroleum (BP)
Shares were up 4% on good quarterly results despite the fluctuations of oil prices. Revenues of $10 billion for the year came in higher than the $9.7 billion analysts were looking for. Earnings per share of 76 cents were well ahead of the 65 cents most were looking for. CEO Bob Dudley also mentioned the Corona virus outbreak as having a potentially 500,000 barrels per day impact on the global economy.

Twitter (TWTR)
Shares rose 15% on higher than expected quarterly user growth. Earnings per share of 25 cents were four cents short of expectations. Revenue of $1.01 billion was slightly ahead of the $996.7 million most were looking for. Daily Active Users (DAU's) reached 152 million, which for the quarter was a 21% increase.

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Qualcomm (QCOM)
Shares slid 3% as the company reported a strong quarter but questions lurked regarding margins being squeezed. Revenues of $5.08 billion beat Wall Street estimates of $4.84 billion. Earnings per share of 99 cents were also much higher than the 85 cents most were looking for. This company for sure remains to be a significant player in the race to 5G wireless rollout here domestically and abroad. Lastly, with the dispute with Apple over, analysts are expecting the company to do much better in quarters to come.

Peleton (PTON)
Shares plummeted as much as 12% in the company's second quarterly earnings report since becoming a publicly traded company. While the company reported a top and bottom line beat, the problem is the current trend in the numbers pointing towards a decline in revenue. The company reported a 20-cent loss for the quarter, when analysts were actually looking for a loss of 36 cents. Revenues of $466.3 million were well above the $262.9 million Wall Street was looking for. CFO Jill Woodworth said the company is prioritizing subscriber growth right now over profits. She said they expect to be cash flow profitable by 2023.

Uber (UBER)
Stock rose over 10% as the company reported a narrower loss than most expected but more importantly moved up its timetable to be profitable. CEO Dara Khosrowshahi announced the company believes it can be cash flow positive in Q4 2020, when prior forecasts had that happing sometime in 2021. Earnings per share came in at a 64-cent loss for the quarter, but analysts expected a loss of 68 cents. Revenue of $4.07 billion was just slightly ahead of the $4.06 billion Wall Street was expecting.

Bristol Myers-Squibb (BMY)
Shares rose on an impressively strong quarter. Earnings per share of $1.22 and Sales of $7.95 billion where very well ahead of the .88 cents per share and $6.14 billion in sales most were looking for. Earnings rose 30% year over year while sales jumped 33%!

Parting Thoughts

We welcome an opportunity to discuss the above detail and wish you much success in the rest of your week!

Regards,

E. Palacios

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