

May 27th, 2020

## From Wall Street to Main Street

*Highlights from the past week*



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### Market / Macro Economic Summary

Markets continue to move upward as press releases come with positive news on a myriad of vaccine possibilities, test manufacturing equipment makers or cures. What is slightly concerning is that some of the test results are only phase one results (which is very early stage to have optimism for success). Also, corona testing equipment makers have come into scrutiny for false positives which does not instill confidence as well. Ultimately, I believe the markets are going higher because as we phase through the "re-opening" process, we have hope for a return to normal.

### Company Specific / Micro Economic Summary

#### Walmart (WMT)

Results: EPS \$1.18 vs estimates of \$1.12; Revenues \$134.6 billion vs. estimates of \$132.48 billion  
Takeaways: E-commerce sales grew by 74%! Same store sales also grew by a whopping 10% and average ticket/purchase size of 16.5% showed customers shopped less often but more volume per trip. I do not believe this is a trend that may go away as clients get used to a new purchase method.

#### Home Depot (HD)

Results: EPS of \$2.08 vs. estimates of \$2.26; Revenues of \$28.3 billion were 7.1% from a year ago  
Takeaways: CEO Craig Menear said social distancing guidelines affected sales towards the end of the quarter. He also went on to say the company had an \$850 million higher expense on overtime pay, expanded paid time off and higher wages for additional time for "senior hours" at the stores.

#### Target (TGT)

Results: EPS 59 cents versus 40 cents. Revenues of \$19.62 billion exceeded the \$19.04 billion.  
Takeaways: As it's a theme from most of the retailers above and continued, same store sales for Target were 10.8%. CEO Brian Cornell did say the company incurred \$500 million of added wages and benefits that are being paid to employees through July 4<sup>th</sup>. In a very strong growth, digital sales came in 141% over the same time period a year ago.

#### Lowe's (LOW)

Results: EPS of \$1.77 vs. \$1.32 estimated; Revenues \$19.68 billion vs. estimates for \$18.32 billion  
Takeaways: As other retailers that remained opened, same store sales were an outstanding 11.2% higher. CEO Marvin Ellison also reported an 80% growth in online sales.

#### Nvidia (NVDA)

Results: EPS \$1.80 vs. \$1.69 estimate; Revenues of \$3.08 billion were \$800 million above estimates  
Takeaways: As expected, the artificial intelligence chip market did very well despite the Covid-19 pandemic. Data center expansion by corporations leaped 80%, gaming segment chips grew 25% were among the various reasons to be optimistic. However, CEO Jensen Huang seemed to be most excited by the completed acquisition of Mellanox that should be immediately accretive to earnings!

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### Palo Alto (PANW)

Results: EPS \$1.17 vs est. \$94 cents. Revenues of \$869 million exceeded estimates of \$831 million  
Takeaways: CEO Nikesh Arora was very optimistic in the company's ability to handle the onslaught of cyber security demand the industry is seeing as more of its customers look to provide home-based solutions for business continuity. Stock rose 6% after the earnings results.

### Splunk (SPLK)

Results: EPS were a loss of 56 cents vs estimates for a loss of 57 cents. Revenues of \$434.08 million were just shy of the \$443.60 million.  
Takeaway: CEO Douglas Merritt reported Cloud bookings were 44% of the total software bookings on the quarter with increased demand for its services. Within those numbers however, cloud services grew 80.7% and maintenance and service revenues rose 8.5%. Total annual recurring revenue grew 52% year over year to \$1.77 billion run rate!

### Alibaba (BABA)

Results: EPS of \$1.30 vs. estimates of 88 cents. Revenues of \$16.1 billion, up 22% from the prior year period and higher than estimates of \$15.28 billion.  
Takeaway: Jack Ma was happy to report good numbers across the company. Core Commerce grew 19%, cloud computing up 58%, Digital media up 5% and Other businesses growing by 90%.

### John Deere (DE)

Results: EPS of \$2.11 vs. \$1.91 estimates. Revenues of \$9.253 billion were higher than estimates of \$7.7 billion.  
Takeaway: Tough part here were the projections. Construction and Forestry is expected to decline as much as 40% and worldwide agricultural and turf equipment sales are expected to drop by 10%-15%. To only complicate matters, we might be back at the issue of trade relations with China over the Covid-19 pandemic and this might result in new round of tariffs or otherwise.

### 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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