

March 23rd, 2021

From Wall Street to Main Street

Highlights from the past week



Erick J Palacios, MBA



Jon Xynidis



Randall Beardsley

Managing
Wealth
Servicing
Generations

For more information on
creating and reviewing
your financial plan

www.xcelwealth.com

386-872-3440

Market / Macro Economic Summary

Markets were headed towards a rebound this week until news leaked of President Biden's plan to seek tax hikes for capital gains. One could almost time the downturn in the Dow Jones Industrial Average to the minute of the news hitting the wires. Now, I could certainly be wrong....but I am willing to bet that Senator Joe Manchin will not go along with a 43% potential capital gains tax! As long-term investors, this is a situation where it is prudent to buy into the bad news as I doubt it will actually materialize. We had an absolute ton of corporate earnings this week, so let us get to it!

Company Specific / Micro Economic Summary

International Business Machines (IBM)

Shares rose 4% as the company reported its first growth in revenue in over eleven quarters. Earnings per share of \$1.77 were higher than the expectations of \$1.63. Revenues of \$17.73 billion were also ahead of the analysts estimates for \$17.35 billion. New CEO Arvind Krishna also is redirecting the company's expense control as they also had a 28% decrease in the quarter.

Johnson & Johnson (JNJ)

Shares are flat as the company reported a top and bottom-line beat. Earnings per share of \$2.59 was much stronger than the calls for \$2.34. Revenues of \$22.32 billion was higher than the estimates for \$21.98 billion. The Covid-19 vaccine added \$100 million in sales for the past quarter. The consumer unit, which makes Listerine and other consumer goods saw revenues drop 2.3% as stock piling of supplies last year made the comparisons hard. Medical devices unit saw an 8% increase as the elective surgeries had steadily returned post last year's shutdown.

Netflix (NFLX)

Shares were down as much as 10% as the company reported a top and bottom line beat but fell short of subscriber numbers for the quarter. Earnings per share of \$3.75 crushed estimates of \$2.97. Revenues of \$7.16 billion were slightly ahead of the \$7.13 billion Wall street was looking for. Global subscribers grew by 3.98 million, but estimates were looking for 6.2 million in the quarter. The tough part here is that the company had mentioned last year than the pandemic had "pulled forward" a lot of subscribers in 2020 as people sat home...so the numbers were naturally going to be hard to replicate in 2021. Adding insult to injury, the pandemic slowed the production of a lot of big-name titles last year....so the back end of 2021 should see new shows/new seasons that should help the subscriber numbers as the new content comes online.

Chipotle Mexican Grill (CMG)

Shares rose 1% as the company reported strong quarterly results. Earnings per share of \$5.36 were much higher than the \$4.89 Wall street was looking for. Revenues of \$1.74 billion matched estimates, which were pretty lofty to begin with as analysts were looking for a 23.4% growth. The company is guiding to almost 30% growth in sale store sales, which is unheard of in the service industry. They are seeing strong demand in sales via online channels as well as via the app.

March 23rd, 2021

From Wall Street to Main Street

Highlights from the past week



Erick J Palacios, MBA



Jon Xynidis



Randall Beardsley

**Managing
Wealth
Servicing
Generations**

For more information on
creating and reviewing
your financial plan

www.xcelwealth.com

386-872-3440

AT&T (T)

Shares traded sharply higher as the company reported a top and bottom line beat but also showed why it's important to listen to management commentary on the conference calls. Earnings per share of 86 cents were stronger than the 78 cents Wall street was looking for. Revenues of \$43.94 billion were well above the \$42.69 billion estimates. CEO John Stankey was very optimistic of the HBO Max DTC (Direct to Consumer) offering that the company has taken its time to roll out. His strong conviction behind taking time was retaining control of the distribution of content versus just licensing things away. He also reiterated the desire to reduce the company's debt load and maintain the hefty dividend.

American Airlines (AAL)

Shares were down 1% as the company reported a miserable quarter. Revenues were down 53% to \$4 billion as compared to \$8.5 billion a year ago. Business travel has picked up but is nowhere near pre-Covid levels. Earnings per share came in at a loss of \$4.32 as estimates called for a loss of \$4.31.

Southwest Airlines (LUV)

Shares trickled up 1% on the heels of a quarter that was better than expected. The company lost \$1.72 per share, which was an improvement over the \$1.82 loss Wall street was looking for. Revenues of \$2.07 billion were 1% higher than the analysts were expecting. CEO Gary Kelly said he is seeing more people getting vaccinated and seeing a pickup in domestic travel demand.

Intel (INTC)

Shares are down 3% on a miss of data center chip sales as more competition heats up in the space. Newly minted CEO Pat Gelsinger has made commitments for the company to invest \$20 billion into new microchip production plants. He says expanding the capacity for the company will be crucial as the world faces quite the chip shortage. Earnings per share of \$1.39 were higher than the \$1.15 analysts were expecting. Also, revenues of \$18.57 billion did come in ahead of the calls for \$17.90 billion.

Snap, Inc. (SNAP)

Shares were up 6% as the company reported good numbers but also forecasted strong expected results in the coming quarter. Year over year revenue growth was projected to be 80%-85% for the next quarter. Revenue for the past quarter came in at \$770 million versus the estimates for \$743.8 million. Earnings per share of zero cents were short of the 6 cent estimates analysts were looking for.

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