

## From Wall Street to Main Street

### *Highlights from the past week*



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#### **Market / Macro Economic Summary**

U.S. stocks drifted lower Friday, with the S&P 500 Index and Dow Jones Industrial Average notching two weeks in a row in the red, as concern over the regional banking system and the debt ceiling impasse in Washington made their impression on investors. Let me take a second and opine on the situation in D.C. as questions have increased in recent weeks. Since 1962, the debt ceiling has been raised 74 times. The media loves to play us the lack of common ground, the meetings that do not amount to much and the press conferences that repeat stances that are not budging. I am not concerned because while the situation has looked bleak each of those 74 times, politicians also understand that cannot allow the U.S. to default. I remain steadfast that this time is no different and we will have a 75<sup>th</sup> debt ceiling extension, even if it is at the 12<sup>th</sup> hour. I expect markets to be shaky from day to day until we get there though.

#### **Company Specific / Micro Economic Summary**

##### PayPal (PYPL)

Shares fell 5% as it raised its full-year profit guidance, and first-quarter results topped expectations, but shares slumped on a lowered operating-margin outlook - from +125bps to +100bps - for the full year. Q1 earnings were \$1.17 per share, better than the \$1.10 average expectation, driven by cost cuts and an increase in new accounts. And sales of \$7.04 billion edged past the consensus. Looking ahead, the company now expects to grow adjusted EPS by about 20% to \$4.95; up from prior guidance of 18% growth to \$4.87.

##### Skyworks Solutions (SKWS)

The semiconductor stock fell nearly 9% as its business fundamentals remained strong in the second quarter despite the challenging backdrop but did guide third-quarter earnings and revenue to come in below Wall Street expectations. The company posted second-quarter earnings of \$2.02 per share, excluding items, in line with analysts' expectations, according to Refinitiv. Revenue was also in line with the Street's forecast.

##### AirBnB (ABNB)

Shares declined as it made \$0.18 a share - a swing from last year's loss but also \$0.02 shy of Street expectations - on in-line revenue of \$1.8 billion. The company also announced a new share buyback program of up to \$2.5B. On guidance to Q2, the company guided revenue in a range of \$2.35B to \$2.45B, in line with Wall Street estimates, but also said Night and Experiences Booked "will have unfavorable year-over-year comparisons in Q2 2023 as we overlap pent-up 2022 demand following the COVID Omicron variant."

##### Twilio (TWLO)

Shares declined 14% at one point as it reported a top and bottom-line beat. Earnings per share of 47 cents, adjusted, versus 21 cents per share as expected by analysts. Revenue of \$1.01 billion, versus \$1.00 billion as expected by analysts, according to Refinitiv. Twilio said adjusted earnings in the second quarter will be 27 cents to 31 cents per share on \$980 million to \$990 million in revenue, implying 4% to 5% growth. Analysts polled by Refinitiv had been looking for 29 cents in adjusted earnings per share on \$1.05 billion in revenue.

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#### Disney (DIS)

Shares traded 5% lower as the company continues to struggle with its streaming subscriber numbers. Earnings per share of 93 cents were as expected by analysts. Revenue of \$21.82 billion was just ahead of the Wall Street calls for \$21.78 billion. The Disney+ subscribers came in at 157.8 million when the actual expectations were for 163.17 million. CEO Bob Iger said the company is still managing a 7,000-employee headcount reduction while its parks saw a 17% increase in revenues to \$7.7 billion in the quarter.

#### Unity Software (U)

Stock rose 11% as the company reported a strong quarter and guided higher. Revenue for the past quarter was up 56% year over year to \$500 million and above the estimates of \$480 million. Earnings per share came in at a loss of 67 cents. Based on these first quarter numbers and the uncertain future of the economy, Unity is adjusting its guidance revenue to \$510-520 million, which would be an increase of 72-75 percent year-over-year

#### Roblox Technologies (RBLX)

Shares jumped roughly 6% as the company reported a mixed quarter. Earnings per share came in at a loss of 44 cents vs. 40 cent loss per share expected, according to a Refinitiv survey of analysts. Revenue of \$774 million vs. \$766 million expected, according to Refinitiv. Average daily active users, or DAUs, reached 66 million, up 22% year over year. Engagement hours totaled 14.5 billion, up 23% year over year. Both DAU and engagement growth saw the largest increases among Roblox's international and 13-and-older segments. Both those numbers are all-time highs.

#### The Trade Desk (TTD)

Shares traded 3% higher in a top and bottom-line beat. First-quarter net income of \$9 million, or 2 cents a share, whereas it posted a net loss of \$15 million, or 3 cents a share, in the year-before quarter. Analysts were expecting an 8-cent loss per share on a GAAP basis.

On an adjusted basis, earnings per share of 23 cents, up from 21 cents a year before, while analysts were modeling 13 cents. Revenue increased to \$383 million from \$315 million, whereas the FactSet consensus was for \$364 million.

#### 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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