

Taking Stock - NVIDIA's Earnings and Mag7 Review

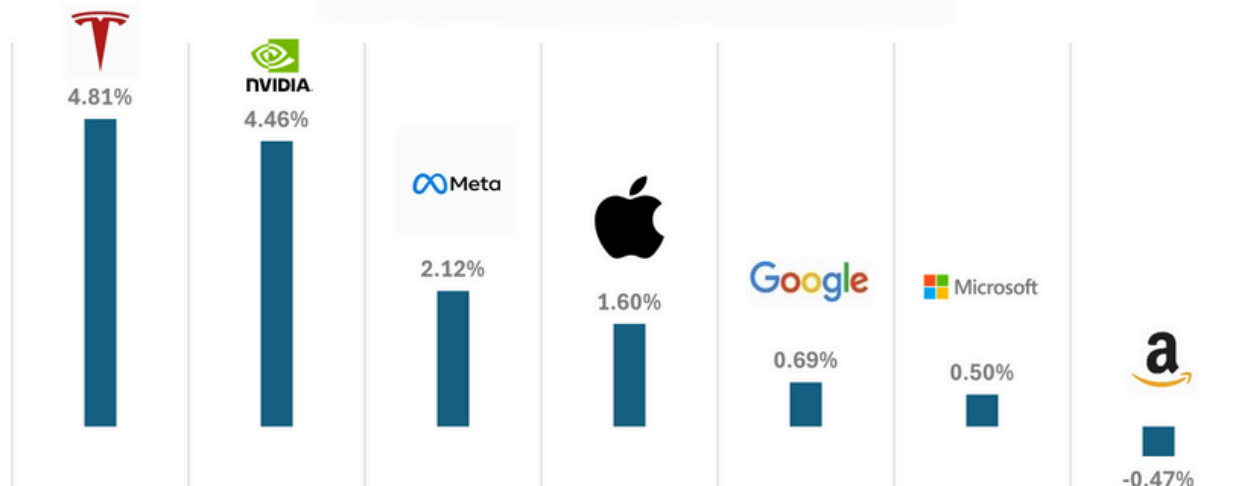
While the main thrust of earnings season may be over, there were a few key earnings releases this week. Foremost of all was **NVIDIA**, the darling of the Artificial Intelligence boom and one of the best performing equities in the US over the past two years. Their success also has a major bearing on the performance of the wider S&P 500 and NASDAQ stock exchange. For Q2, the tech giant reported revenues of \$30bn, ahead of market expectations of \$28.7bn and a 15% quarterly increase. Of this \$30bn in revenue, \$26.3bn came from its data center operations, while its gaming operations grossing \$2.9bn, with both increasing in terms of quarterly revenue. In terms of the bottom line, net profit increased to \$16.6bn in Q2, an increase from \$6.18bn in Q2 of 2023. The company also anticipates that for Q3 of 2024, revenues will hit \$32.5bn, which could beat market expectations by \$800mn. While the performance was stellar, shares fell over 8% in aftermarket trading. The reason for this was while NVIDIA did beat earnings expectations, there were many investors who believed Q2 revenues would reach \$33bn to \$34bn, while gross margin also fell from 78% to 75%. The sell off in shares highlights how critical investors are around the company and other mega cap stocks, with increasingly higher expectations each quarter. Tesla and Alphabet experienced similar fates this earnings season; despite surpassing estimates, their performance did not meet the level investors needed to justify more buying. However, in the main optimism remains high around NVIDIA, boosted by their new Blackwell chip which will start shipping in Q3 of 2024, with fears of a delayed release now dashed. Meanwhile, **CrowdStrike**, the company responsible for the worldwide tech outage a few weeks ago, beat its earnings estimate by 0.52%, with year over year Annual Recurring Revenues rising by 32%.

Forecast vs Actual Revenues - Q2 2024



With all of the Magnificent 7 now having released earnings, below we can see how some of the worlds largest companies fared in this quarter. In the main it was a positive quarter, with only Amazon missing earnings estimates. Tesla and NVIDIA were the standouts, however as previously stated both suffered the wrath of high expectations and investors picking up on certain areas, as in the case of Tesla where their earnings were positive, but an announcement that the Robotaxi would be delayed caused a sell off.

MAG 7 EARNINGS - FORECAST VS ACTUAL - Q2 2024



Finally, we can see below where the Mag7 stand in terms of market capitalisation. Apple once again reigns supreme as the worlds largest company, with over 400bn more in market cap terms than NVIDIA or Microsoft. NVIDIA's post earnings sell off wiped away over \$100bn in market cap, while the sell off at the beginning of August pushed Microsoft's market cap lower.

THE MAG 7 - MARKET CAP (\$US TRILLIONS)

