

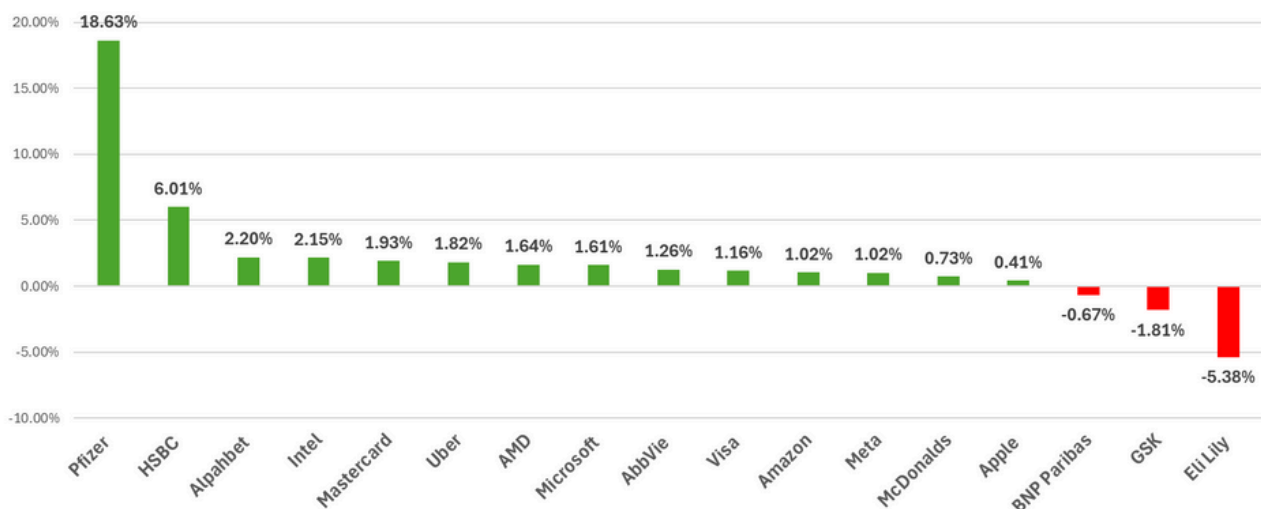
## Taking Stock – Q3 Earnings Season – Week 3

Earnings season continued this week, with some of the largest companies in the world reporting their Q3 earnings. This included five of the seven Magnificent 7, as well as major pharmaceutical and financial companies.

Looking first to the Mag7, Alphabet, the parent company of Google was the first to release earnings on Tuesday. The company beat forecast revenues for the third quarter by over 2%, while showing a profit and sales increase of 37% and 15% from 2023, while revenues for the company’s cloud business climbing 35% year over year. The Google Search element of the company also saw revenues hit a new record, with the search engine recording \$49.4bn in revenues. Microsoft released earnings on Wednesday afternoon. The tech giant beat its earnings estimate by 1.6%, delivering \$65.6bn in revenues in Q3, an increase of 16.5% on a quarterly basis, along with \$24.7bn in net income, which was also ahead of expectations. The big number, however, was \$20bn. That was the amount Microsoft invested in capital expenditure in Q3 alone, which is 79% higher than the same period in 2023. This is mainly consists of spending on data centres to fuel Artificial Intelligence development, along with expanding Azure, its cloud division. Meta, the parent company of Facebook, WhatsApp and Instagram, beat estimates by 1%, posting revenues of \$40.69bn. However, the company’s user base did not grow as much as forecast, with current daily active users totalling 3.29 billion people, almost half the world’s population. CEO Mark Zuckerberg stated that spending on AI infrastructure continues, and expected costs related to AI development to increase in 2025. It was Apple’s turn next, with the iPhone maker beating revenue estimates by 0.41%, however shares fell as the company’s revenue from China specifically missed estimates, even as iPhone revenues increased by 5.5% to \$46.22bn. Finally, Amazon was the last Mag7 to release its earnings figures. The company posted positive revenues, with a 7% increase in retail sales during Q3, with the expectation of a strong Christmas season to come. AWS, the cloud business end of Amazon saw sales grow by 19% to \$27.5bn, as the company continues to compete with the likes of Microsoft and Alphabet in this space.

In other news, Eli Lilly fell short of earnings expectations by more than 5% and revised its full-year guidance downward due to disappointing sales of its two flagship weight loss medications, Zepbound and Mounjaro. In contrast, Pfizer surpassed projected revenues by 18%, driven by strong sales from its COVID vaccine and the antiviral pill Paxlovid.

### Forecast vs Actual Earnings Q3



Source: Seaspray Private

In the below table we can see the weekly returns of the above mentioned companies. The best performer of the week was AbbVie, the biopharmaceutical giant, who saw shares rise 7.79% for the week. The company posted positive earnings, with its anti-inflammatory drugs Rinvoq and Skyrizi both exceeding sales forecasts. Alphabet also saw a rise of 3.49% in its shares following their earnings announcement. UK-based HSBC once again outperformed its projected earnings, reporting Q3 profits that climbed 10% to \$8.5 billion, significantly exceeding the anticipated \$7.6 billion. Conversely, Uber's shares dropped by over 8% this week; although the company exceeded earnings expectations, it revealed a slowdown in bookings growth, a critical metric for the ride-hailing sector, which fell to a year-long low in Q3. AMD shares also fell 8%, even as the company beat earnings forecasts and raised its AI chip sales for 2024 to \$5bn. However, this projection failed to captivate investors.

Company	Weekly Performance
AbbVie	+7.79%
Alphabet	+3.49%
HSBC	+3.36%
Visa	+2.57%
Microsoft	+1.25%
Mastercard	-0.58%
Pfizer	-0.73%
Amazon	-1.56%
Meta	-2.01%
McDonalds	-2.15%
Apple	-2.73%
GSK	-3.08%
Intel	-5.00%
Eli Lilly	-5.10%
AMD	-8.42%
Uber	-8.42%

Source: Seaspray Private