

Taking Stock - Q3 Earnings Season - Week 4

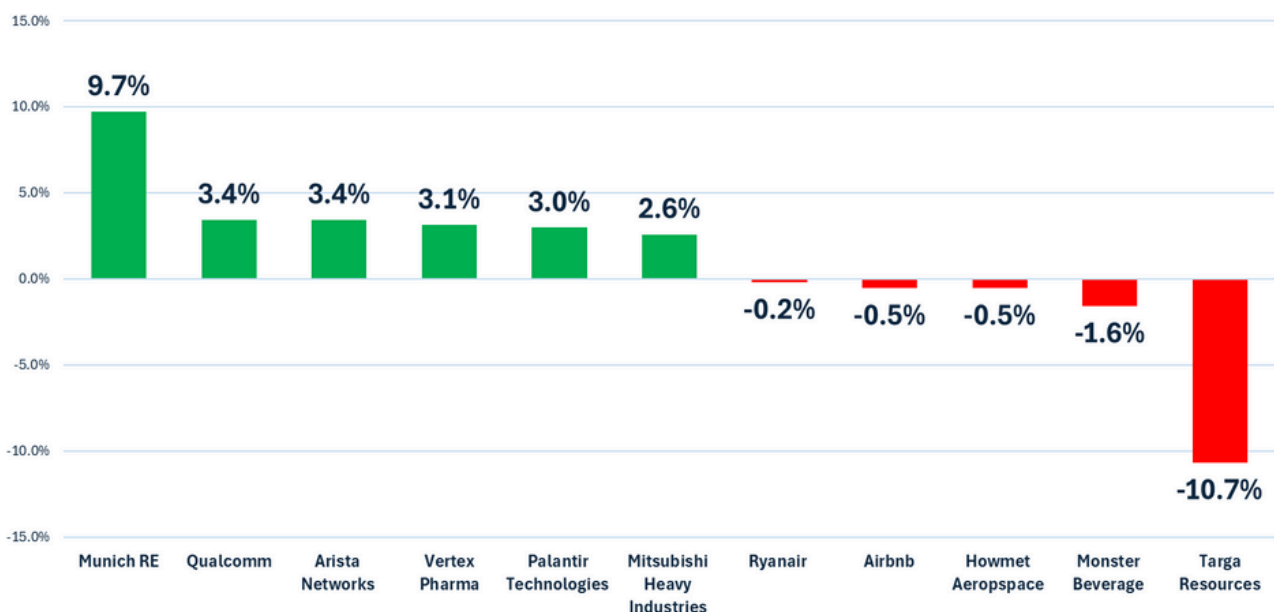
Earnings season concluded this week, with the majority of major global companies having released their Q3 results. However, several significant reports emerged this week from both the US and Europe.

Palantir Technologies were perhaps the key earnings report this week. The AI platform developer gained prominence during the ongoing AI boom that started in early 2023. The company landed a lucrative deal to redevelop the NHS' IT and cloud systems, and has seen exponential quarterly growth since then. That trend continued into Q3, with the company beating forecasted earnings by 3%. The company reported a remarkable 30% year-over-year revenue increase, totaling \$725.5 million. The company also saw its customer count rising 39% year over year and 6% quarter over quarter, indicating the demand for the company's AI focused products. A significant portion of its revenue stemmed from one major client, the US Government, which saw revenues rise by 40% year over year. Furthermore, Palantir signed a new \$100 million deal with the US military to enhance its AI technologies across the armed forces, particularly for autonomous drones. Following the earnings call, shares surged over 12%.

In other news, Vertex Pharmaceuticals also exceeded its earnings estimate by 3%, with revenues rising by 12% to \$2.77bn. The company raised its full year guidance for product revenues, estimating that between \$10.8bn and \$10.9bn of product sales for 2024, compared to the August forecasts of between \$10.65bn and \$10.85bn. Vertex stated that the increase in revenues has been attributed to its cystic fibrosis treatments and the future of Casgevy, a medication for sickle-cell disease.

Closer to home, Ryanair, Europe's largest budget airline announced earnings earlier this week. Although the air carrier reported an 18% decline in profit after tax of €1.79bn for the first half of the year, it achieved record traffic of 115 million passengers during this period. This figure was despite delays in new aircraft from Boeing, who have been plagued with numerous issues in recent months. Despite these setbacks, Ryanair's shares performed positively this week, rising by 31% over the past three months since their disappointing Q2 earnings in late July.

Forecast vs Actual Earnings Q3



Source: Seaspray Private

In the below table we can see the weekly returns of the above mentioned companies. The standout performer of the week was the aforementioned Palantir, whose shares have gained 35% since Monday alone. The positive earnings, coupled with the victory of Donald Trump in the US which should favour tech companies has helped Palantir blitz the market, with shares up 237% YTD alone. Mitsubishi Heavy Industries, who were highlighted in our Japanese markets insight recently, gained 13% this week, recording an earnings beat of 2.6%. The heavy industry manufacturer recorded an 11% increase in revenues, with order intake up 7.9% year over year.

Elsewhere Targa Resources, one of the top performing stocks on the S&P500 in Q2 of 2024 missed earnings estimates by over 10%. However, the natural resource company who operate natural gas and NGL projects across the US, saw shares rise over 12%, as the company's net income rose 78% year over year and its profit margin also doubled to 10%. The Trump victory also benefitted stocks in the natural resource sector. Targa Resources shares have risen 117% YTD thus far.

On the domestic front, Ryanair's shares are on the rise, continuing the upward trend that began following their disappointing Q2 earnings in August. This week, the airline's stock climbed by 7.74%. However, year-to-date, the stock remains just above the flatline due to a pullback in August, which caused shares to dip below €14. Currently, shares are priced at €19.15.

Company	Weekly Performance
Palantir Technologies	35.74%
Mitsubishi Heavy Industries	13.06%
Targa Resources	12.37%
Howmet Aerospace	11.66%
Arista Networks	9.36%
Airbnb	8.69%
Ryanair	7.74%
Vertex Pharma	6.42%
Qualcomm	5.44%
Monster Beverage	3.91%
Munich RE	0.30%

Source: Seaspray Private