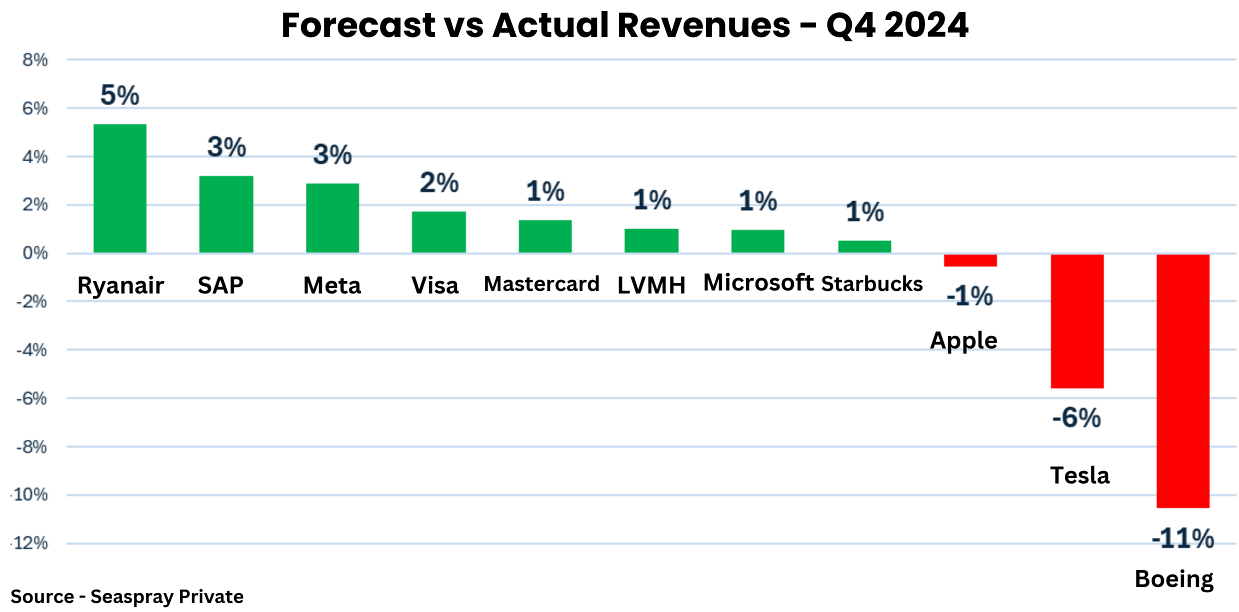
Q4 2024 Earnings Season - Week Three

The Q4 2024 earnings season continued last week, featuring several of the world's largest corporations. The announcement of DeepSeek over the weekend heightened the stakes for these earnings calls, as AI investment has become a priority for many mega-cap companies, particularly Meta. The parent company of Facebook, Instagram and WhatsApp posted an earnings beat this week, with revenues for Q4 reaching $48.39bn, surpassing the anticipated $47.03bn. This marks a 21% increase year over year and a 19% rise quarter over quarter. While advertising continues to be the primary revenue source for Meta, AI is poised to be a crucial growth driver moving forward. The Meta AI chatbot achieved 600 million users by December 2024, with expectations to hit 1 billion users in 2025. CEO Mark Zuckerberg also referenced DeepSeek, which is akin to Meta's AI model, Llama 3. He suggested that open-source models like DeepSeek will gain global traction and emphasised the need for the US to establish standards for open-source AI models.

Microsoft also exceeded earnings expectations, however shares dipped 5% in extended trading on Wednesday. The Intelligent Cloud segment, the company's cloud computing service, did not meet its revenue projections, despite a 19% year-over-year increase. Meanwhile, Azure, the primary cloud service utilised by consumers, saw a 31% revenue growth in Q4, down from a 33% increase in Q3 2024. In AI developments, Microsoft invested $750mn in OpenAI during Q4, with numerous new features anticipated shortly. In response to DeepSeek, CEO Satya Nadella stated that the AI model will soon be operational on Microsoft's Copilot+ PCs.

Tesla fell short of earnings expectations by 6%, reporting a 2% year-over-year revenue increase for Q4. However, the company indicated it is on track to begin producing new vehicles in the first half of 2025. While Tesla's automotive sector has faced challenges in recent years, its energy storage division has emerged as a significant growth area. Revenues surged by 113% in Q4, achieving record deployments and gross profit levels. The company anticipates a 50% growth in its energy business in 2025.

Finally, Apple narrowly missed its revenue targets for Q4, yet still reported a record quarterly revenue of $124.30bn. Global iPhone sales slightly declined due to an 11% drop in the Chinese market, one of Apple's key regions. Nevertheless, optimism remains high as the company recorded 2.35 billion active devices worldwide in Q4, up from 2.2 billion the previous year. The tech giant continues to be the largest company globally, boasting a market capitalisation of $3.572tn, which is $500bn more than Microsoft and NVIDIA.



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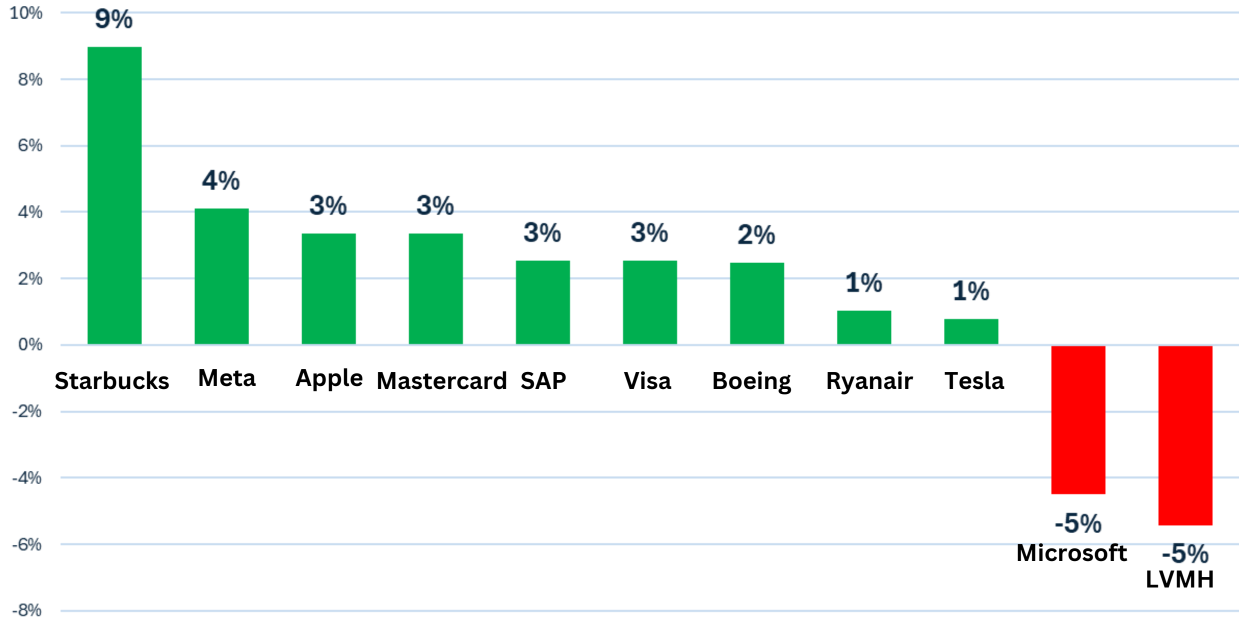
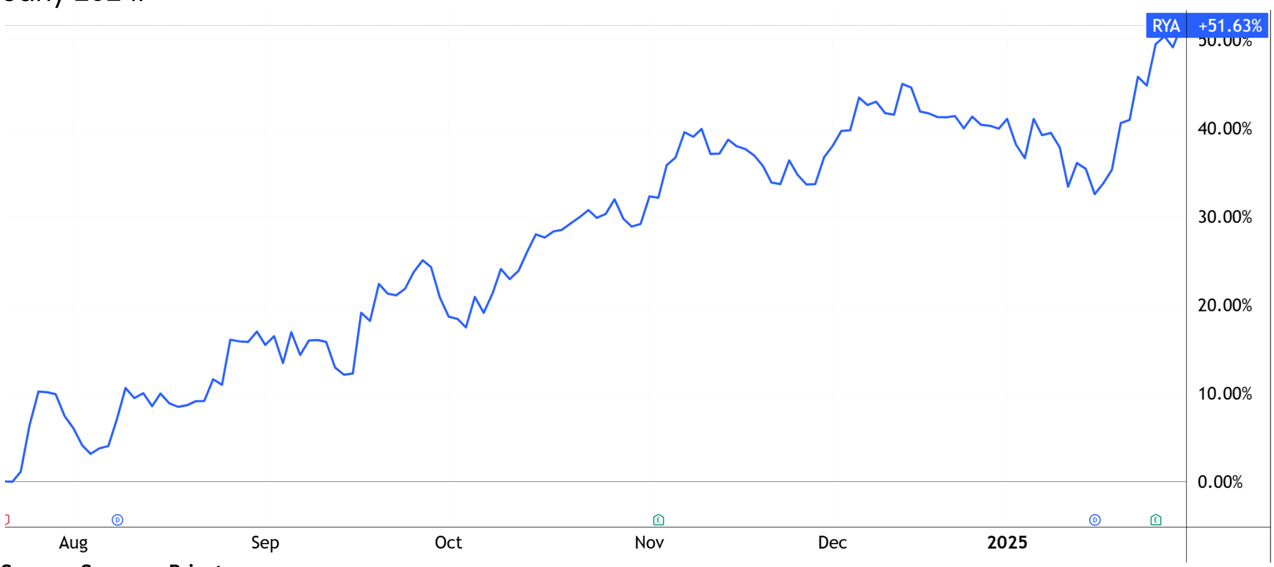
Weekly Returns

This week, Starbucks emerged as the top performer, achieving a 9% return from Monday to Thursday evening. The world's largest coffee brand is undergoing a significant transformation under new CEO Brian Niccol. The company's latest initiative, called "Back to Starbucks," has seen a positive response. This strategy seeks to reposition Starbucks as a premium coffee destination by streamlining its food and drink offerings and enhancing the overall quality of the experience. Despite a decline in global sales, the company plans to double its store count in the US. Both Meta and Apple also performed well this week, despite Monday's market sell-off. In contrast, Microsoft experienced a 5% drop in shares due to missed earnings projections for its cloud division, while LVMH shares fell as well, affected by disappointing sales in its wine and spirits segment, which reflects a broader slowdown in the alcoholic beverage market.



Closer to home, Ryanair revealed its Q4 earnings on Monday. As Europe's largest budget airline, celebrating its 40th anniversary this year, it reported after-tax profits of €149mn, which reflects a €15mn increase compared to the same period in 2023. The airline experienced a 9% rise in traffic, transporting 45 million passengers during this timeframe. However, a significant challenge for the company has been the ongoing shortage of new aircraft from Boeing, which has faced several issues in recent years. Consequently, Ryanair has adjusted its traffic target for 2026 from 210 million to 206 million. Following a surprising earnings shock in July 2024, Ryanair shares have surged over 50%, recently surpassing the €20 mark for the first time since early 2024.



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