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Banks, IT companies and car manufacturers report profit gains in Q1

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On the stock markets, the quarterly reporting season's finale is the current focus of attention. Investors are hoping that this will provide information on how well the big companies have coped with the first full year of the Corona pandemic. Expectations of a recovery from the shock following the previous year's outbreak were quite high in part.

While some major players are still presenting figures in Europe, the most significant US companies have already published theirs. On the US stock markets, the results have corroborated the recent rally, with the Dow Jones recently reaching new record highs.

US financial companies multiply their quarterly profits

The biggest profit increases among the companies listed in the Dow were reported by several financial groups: American Express, Goldman Sachs and JP Morgan were able to multiply their profits in the past year.

US investment bank Goldman Sachs increased its net profit six-fold to USD 6.7bn in Q1, far exceeding market expectations. For the most part, Goldman Sachs profited from the boom in shell companies, the so-called SPACs. JP Morgan was able to quintuple its profit to USD 14.3bn thanks to a flourishing trading business. The US banking institutions are also benefiting from the White House-issued economic stimulus package – which, among other things, is meant to mitigate consumption drops and loan defaults during the Corona crisis.

American Express was also able to increase its profit six-fold to USD 2.2bn in the quarter. The credit card company particularly benefited from the fact that provisions for impending loan defaults made during the crisis were reversed due to the improved economic outlook. The operating business, however, remained lukewarm in the quarter, with sales falling by 12 per cent. American Express continued to suffer from the fact that the pandemic has paralysed international travel, virtually eliminating lucrative hotel or flight bookings.

However, some European banking houses also saw a strong recovery. Deutsche Bank, for example, reported its strongest earnings in seven years for the quarter, exceeding market expectations. The bank also expects a profit for the year as a whole.

IT giants continue to benefit from home office and digital transformation boom

Strong figures also came from the large US IT companies, which are among the greatest beneficiaries of the digital transformation boom resulting from lockdowns and home office initiatives. Apple, for example, reported a 54 per cent increase in turnover to almost USD 90bn for Q1, with a profit of USD 23.6bn double that of the previous year. Once again, the iPhone did most of the heavy lifting, bringing in almost USD 48bn in revenue – nearly two-thirds more than last year.

Facebook also benefited from the lockdowns, reporting a profit increase from USD 4.9bn to 9.5bn. With many areas of life shifting to online platforms, demand for advertising in the digital space is also likely to have increased. Facebook saw 12 per cent more ads last quarter; the average price of which rose by 30 per cent YOY.

Amazon naturally benefited from the internet shopping boom, as did the group's enormous cloud business. In the first quarter, Amazon increased its turnover by 44 per cent YOY to around USD 109bn. The company more than tripled its profits to a record USD 8.1bn, clearly exceeding stock market expectations.

Retail giant Walmart, on the other hand, suffered from the pandemic-related measures and dropped into the red despite booming online sales. The bottom line was a loss of USD 2.1bn, after a profit of USD 4.1bn in the same quarter one year previous.

Disney was also among the big losers. The company's thriving streaming business was unable to cushion the negative impact caused by the pandemic. The entertainment company's profit plummeted by 99 per cent to a mere USD 29m. However, the figures and the success of Disney's streaming service were positively received on the stock market, and the share price recently reached new highs.

Dow Jones Climbs to All-Time High After Quarterly Reporting Season



Q1 2021 Company Earnings

Losers ■ Winners ■



Commissioned by: Erste Asset Management; source: APA

APA Contract Chart

Source: APA

Note: Past performance is no reliable indicator for future performance.

Europe also reports good figures

In Europe, reporting season is still in progress, but here, too, the recovery and the positive trend of Q4 should continue. German car manufacturers reported strong quarterly figures thanks to good business in China and a general market recovery. Daimler, for example, reported a surprisingly clear profit of EUR 4.3bn for Q1, where, a year ago, net profit was only EUR 94m. Volkswagen also multiplied its profits. However, supply bottlenecks for semiconductors continue to be a concern for the car manufacturers.

Siemens also profited from the good business with the automotive industry and was able to present good results recently. In the second business quarter from January to March the technology group's profit increased from EUR 0.7bn to 2.4bn. In addition to the automotive business, the group's mechanical engineering and software businesses also performed well.

CONCLUSION: Most listed companies seem to be emerging well from the Corona crisis. The robust condition provides support for the equities.

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