

2020 Third Quarter Early Look at Net Income

XBRL Elements: us-gaap: NetIncomeLoss

As at November 2, 2020

Introduction

We are one month out of the third quarter, with many, but not all companies reporting. The question is how well are they doing? Investors are an impatient bunch, while they can acknowledge the existence of a pandemic, they still want to see profits return, and eventually improve.

The method

We are looking at the Net Income numbers for companies that reported a quarter of 99 days or less ending between July 1 and September 30, 2020.

Overall

At this point we have 236 of the S&P 500 have reported so far. 138 (58%) have reported higher net income (or at least improved net losses). What is surprising is that overall net income is up 18%. What this shows to me is that we are not “all in this together” and this is a good pandemic for many.

Individual highlights

The top two companies were not an increase in profit, rather a reduction in losses. Schlumberger improved by \$11.3 billion, but still showed a minor loss of \$82 million. General Electric did \$8.3 billion better, but still managed to lose \$1.1 billion for the quarter.

But getting down to the third best improvement, Bank of America recorded a profit of \$4.9 billion, a vast improvement compared to a loss of \$1.4 billion in Q3 of 2019. This is despite fears of bankruptcies and loan losses.

Fourth and fifth are no surprise – Amazon saw a 197% increase in profits, with a \$4.197 billion improvement, followed by Google, with a 59% improvement of \$4.179 billion.

The bottom five consist of four airlines and one cruise line, as people resist travelling. These five (Southwest, United, American, Delta Airlines and Carnival Corp), had net profits fall a combined \$19.1 billion to a combined loss of \$13.6 billion. Americans are still spending their discretionary income, just on packages instead of travel.

By Sector

Of the eleven sectors, eight saw improvements with only three worse than last year. Industrials had the worst fall, as airlines are within this sector. But if you took out airlines, Industrials would also see an improvement.

The best improvement was in the financial sector on both a dollar value and a percentage term. Bank of America created most of the improvement, followed by Goldman Sachs.

GICS Sector	2020 Q3	2019 Q3	difference	percent
Communication Services	28,298,635,000	23,318,566,000	4,980,069,000	21%
Consumer Discretionary	19,079,081,000	17,968,998,000	1,110,083,000	6%
Consumer Staples	17,031,619,000	11,334,549,000	5,697,070,000	50%
Energy	(1,299,961,000)	(8,690,642,000)	7,390,681,000	-85%
Financials	16,088,134,000	8,472,185,000	7,615,949,000	90%
Health Care	15,887,908,000	12,575,190,000	3,312,718,000	26%
Industrials	3,623,372,000	12,991,527,000	(9,368,155,000)	-72%
Information Technology	52,021,381,000	46,547,566,000	5,473,815,000	12%
Materials	2,981,581,000	5,169,704,000	(2,188,123,000)	-42%
Real Estate	1,482,900,000	1,754,927,000	(272,027,000)	-16%
Utilities	2,813,000,000	2,806,000,000	7,000,000	0%
Grand Total	158,007,650,000	134,248,570,000	23,759,080,000	18%