

MORNING NEWS CALL

REUTERS

U.S. Edition

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TOP NEWS

• **GE quarterly revenue drops 12 pct; cash flow up on quarter**

General Electric Co reported a 12 percent drop in revenue for the second quarter, as weakness in its energy connections business offset strength in renewables and power units.

• **Honeywell beats profit estimates, raises full-year forecasts**

Honeywell International Inc reported a better-than-expected quarterly profit, as sales in its aerospace, and performance materials and technologies businesses were higher than its forecast.

• **Schlumberger posts smaller quarterly net loss**

Schlumberger Ltd, the world's largest oilfield services provider, reported a smaller net loss compared with the year-ago quarter, when it took a \$2.57 billion charge.

• **Blackstone, CVC make their move as payment companies cash in**

Private equity firms Blackstone and CVC Capital Partners bid 2.9 billion pounds for payments processing company Paysafe Group, joining a rush of investors into the industry.

• **Baidu, JD.com to join others investing \$12 bln in state-owned China Unicom - sources**

Baidu Inc and JD.com will join other big Chinese technology firms to jointly invest about \$12 billion in the Shanghai-listed unit of China Unicom, the weakest of three big state-owned telecoms firms, two people with direct knowledge of the matter said.

BEFORE THE BELL

U.S. stock index futures slipped as General Electric reported weak second-quarter results, but continued to hover around record levels as investors focused on earnings. **European shares** inched lower as corporate earnings struggled to offset the sombre mood of the previous session when a stronger euro weighed heavily on exporters. **Asian stocks** closed lower mostly. **Oil** traded lower ahead of an OPEC meeting. **Gold** rose as the dollar fell against a strong **euro** that jumped to its highest levels in nearly two years.

STOCKS TO WATCH

Results

• **Autoliv (ALV)**. The auto safety gear maker reported quarterly operating earnings in line with expectations but forecast little growth in like-for-like sales and a slightly softer margin for the third quarter. Stockholm-based Autoliv, the world's largest maker of airbags and seatbelts, said second-quarter operating profit rose to \$216 million to come in roughly in line with the mean forecast and year-ago figure of \$213 million.

• **eBay Inc (EBAY)**. The company warned on Thursday that adjusted profit this quarter could fall below analysts' estimates, as it continues to invest in marketing and revamping its platforms to attract more shoppers. San Jose, California-based eBay forecast third-quarter adjusted earnings of 46 cents to 48 cents per share. Analysts on average were expecting 48 cents. Revenue for the just-ended quarter rose 4.4 percent to \$2.33 billion, beating analysts' estimates of \$2.31 billion. Excluding items, eBay earned 45 cents per share, in line with estimates.

• **General Electric Co (GE)**. The company reported a 12 percent drop in quarterly revenue as weakness in its energy connections business offset strength in renewables and power units. Earnings from continuing operations attributable to GE shareholders fell to \$1.34 billion in the second quarter ended June 30 from \$3.30 billion a year earlier. Earnings per share from continuing operations fell to 15 cents from 36 cents, the company said. Total revenue fell to \$29.56 billion from \$33.49 billion.

• **Honeywell International Inc (HON)**. The company reported a better-than-expected quarterly profit, as sales in its aerospace, and performance materials and technologies businesses were higher than its forecast. Net income attributable to Honeywell increased to \$1.39 billion, or \$1.80 per share, in the quarter ended June 30, from \$1.32 billion, or \$1.70 per share, a year earlier. The company's revenue rose to \$10.08 billion from \$9.99 billion.

• **Intuitive Surgical Inc (ISRG)**. The company on Thursday reported a higher-than-expected second-quarter profit, citing increased sales of its da Vinci surgical robots. Intuitive said it now expects 2017 procedure growth of 14-15 percent, up from its prior view of 12-



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14 percent, but it continues to expect selling prices to moderate as it sells more systems to "cost-sensitive markets" and offers discounts for multiple-unit deals. Excluding items, Intuitive said it earned \$228 million, or \$5.95 per share, which beat the average Wall Street estimate of \$5.79 per share.

- **Microsoft Corp** (MSFT). The company on Thursday reported strong fourth-quarter earnings on the back of its fast-growing cloud computing business, stoking optimism that the once-stagnant company has found a new groove. The results were the clearest sign yet that the strategy put in place by Chief Executive Satya Nadella when he assumed the top job in 2014 is paying off. Most notably, revenue from the cloud unit, which includes the flagship Azure platform and server products, rose about 11 percent to \$7.43 billion in the fiscal fourth quarter ended June 30. Analysts on average had expected cloud revenue of \$7.32 billion, according to data and analytics firm FactSet. Microsoft's net income more than doubled to \$6.51 billion or 83 cents per share in the quarter, from \$3.12 billion or 39 cents per share in the year-earlier period.

- **Schlumberger Ltd** (SLB). The oilfield services provider, reported a smaller net loss compared with the year-ago quarter, when it took a \$2.57 billion charge. Net loss attributable to the company narrowed to \$74 million, or 5 cents per share, in the second quarter ended June 30 from \$2.16 billion, or \$1.56 per share, a year earlier. Excluding items, the company earned 35 cents per share. Revenue rose 4.2 percent to \$7.46 billion. Separately Schlumberger has agreed to buy a 51 percent stake in Russia's biggest oilfield services firm Eurasia Drilling Co, the Russian company said late on Thursday.

- **Visa Inc** (V). The world's largest payments network operator, on Thursday reported a better-than-expected quarterly profit and raised its annual earnings forecast, as more people across the United States and Europe used its payments network. Net income rose to \$2.06 billion, or 86 cents per Class A share in the quarter, from \$412 million, or 17 cents per Class A share. Analysts on an average had expected earnings of 81 cents. San Francisco-based Visa also raised its forecast for full-year earnings and revenue. The company said it now expects annual adjusted earnings per share to grow about 20 percent, up from an earlier expectation of growth in the mid-teen percentage digits.

In Other News

- **Amazon.com Inc** (AMZN). As part of its review of the company's agreement to buy Whole Foods, the Federal Trade Commission is looking into allegations that Amazon misleads customers about its pricing discounts, according to a source close to the probe. The FTC is probing a complaint brought by the advocacy group Consumer Watchdog, which looked at some 1,000 products on Amazon's website in June and found that the company put reference prices, or list prices, on about 46 percent of them. Separately, the company, facing potential criticism of its plan to buy Whole Foods Markets, continued its multi-million lobbying effort - shelling out \$3.2 million in the second quarter of this year - an increase from the \$2.9 million spent in the first three months.

- **Apollo Global Management LLC** (APO). The private equity firm is preparing to take U.S. security company ADT Corp public at a \$15 billion plus valuation, just over a year after buying it, sources familiar with the situation said on Thursday. The stock market listing could be the largest private equity-backed initial public offering since hotel company Hilton Worldwide Holdings Inc went public with a \$19.7 billion valuation in 2013. It would be a quick turnaround for Apollo, which bought ADT for roughly \$7 billion in 2016 and merged it with Protection 1, a smaller U.S. peer it had previously acquired.

- **AstraZeneca** (AZN). The company's Chief Executive Pascal Soriot, responding to rumours he might leave the drugmaker to join rival Teva Pharmaceutical Industries, has told staff he expects to work together with employees to see the company succeed. A company spokeswoman added he was intending to attend the European Society for Medical Oncology annual meeting in Madrid in September, assuming that AstraZeneca had clinical data on its new immunotherapy medicine ready to present at the event.

- **Baidu Inc** (BIDU) and **JD.com** (JD). The companies will join other big Chinese technology firms, including Tencent Holdings, to jointly invest about \$12 billion into state-owned mobile carrier China Unicom, two people with direct knowledge of the matter said. The move is part of efforts by China's government to rejuvenate state behemoths with private capital. Beijing added China Unicom last year to a first batch of state-owned enterprises to see mixed-ownership reform.

- **Blackstone Group** (BX). A consortium of Blackstone and CVC Capital Partners has made a \$3.71 billion bid for payments processing company Paysafe Group, joining a growing number of deals in the sector. If the deal goes through, Paysafe's entire capital will be incorporated in a newly formed company, with the consortium taking full ownership. In a separate statement, Paysafe said it had also agreed to buy U.S. peer Merchants Choice Payments Solutions for \$470 million. The 590 pence per share all-cash offer represents a premium of about 9 percent to Paysafe's closing price on Thursday.

- **Bunge Ltd** (BG). The global grain trader's cost cutting and restructuring plans could buy it time in the face of a takeover bid from a larger rival as it struggles to stay independent during a slump in the commodities market, analysts said. The moves seek to reduce overhead costs by \$250 million by the end of 2019. They were designed to withstand the three-year downturn in commodities that has crushed profits at companies that buy, sell and process grains and oilseeds.

- **Delta Air Lines** (DAL). Transportation officials on Thursday approved a revised \$4 billion plan from the company to renovate its



terminal at New York's LaGuardia Airport after Goldman, Sachs & Co, a financial partner in the project, exited the deal. Delta now plans to pay for nearly the entire project by itself, although the Port Authority of New York and New Jersey will still contribute up to \$600 million as previously agreed.

- **General Motors Co (GM)**. The president of the United Auto Workers union said on Thursday the union is talking with the company about the potential threat to plants and jobs from slumping U.S. car sales. GM has cut shifts at several U.S. plants this year as inventories of unsold cars have ballooned. Industry analysts said more jobs could be at risk as the automaker wrestles with permanently shrinking production of small and mid-sized sedans. The company is cutting production in the short term rather than dumping cars into rental car fleets at little or no profit, company executives have said. However, the long-term shift in demand toward SUVs calls into question the future of factories GM currently has dedicated to building sedans, analysts said.
- **Lloyds Banking Group (LYG)**. Britain's biggest mortgage lender said it was close to making compensation offers to 30 of the 67 customers impacted by one of Britain's biggest banking frauds after criticism about the pace of redress. The company missed a self-imposed deadline of the end of June for making offers to most victims of the fraud and has said it was disappointed that the process was taking so long. The company said in a statement it has made offers to 16 customers and is in the final stages of assessment to make 14 more, although only 5 offers have been accepted.
- **Spirit Realty Capital Inc (SRC)**. The U.S. real estate investment trust, is considering spinning off some of its real estate, including its Shopko store properties, as part of its strategic review, according to people familiar with the matter. The deliberations highlight how landlords are adapting to a wave of bankruptcies and store closings in the retail sector, as online shopping disrupts long-established brick-and-mortar shops and weighs on retailers' ability to pay rent.
- **ZTO Express (ZTO)**. The Chinese courier and the underwriters of its New York stock market listing have been sued by a U.S. pension fund that alleges the firm exaggerated its profit margins to lure investors into its \$1.4 billion initial public offering. Morgan Stanley and Goldman Sachs Group Inc, which spearheaded ZTO's IPO, are named in the class-action suit filed in Alabama state court by the city of Birmingham's pension fund which says that they failed to do adequate due diligence.

COLUMN

Fed's bond market footprint smaller even after QE: McGeever

That the Federal Reserve is about to reduce its footprint in the U.S. bond market will surprise no one. What may surprise many is this: that footprint is smaller today than it was before the global financial crisis. It begs a question about why the Fed feels compelled to shrink its balance sheet at all. Or at least why it would even consider any outright selling of the securities on its book.

ANALYSTS' RECOMMENDATION

- **Abbott Laboratories (ABT)**. Barclays raises target price to \$57 from \$52 on grounds of a strong quarter and bright outlook.
- **Alliance Data Systems Corp (ADS)**. Barclays cuts to equal weight from overweight based on pending clarity around card services and LoyaltyOne near-term.
- **EBay Inc (EBAY)**. Barclays raises target price to \$42 from \$41; rating overweight as the company is well into its replatforming initiatives and making steady progress.
- **Microsoft (MSFT)**. Jefferies raises price target to \$49 from \$45 based on strong fourth-quarter results.
- **Visa Inc (V)**. Cowen and Company raises target price to \$107 from \$105 as the company announced robust growth in fiscal third quarter.

ECONOMIC EVENTS

10:30 ECRI Weekly Index: Prior 143.9

10:30 ECRI weekly annualized: Prior 2.4 pct

COMPANIES REPORTING RESULTS

Fifth Third Bancorp (FITB). Expected Q2 earnings of 43 cents per share

Huntington Bancshares Inc (HBAN). Expected Q2 earnings of 23 cents per share

Kansas City Southern (KSU). Expected Q2 earnings of \$1.28 per share

Regions Financial Corp (RF). Expected Q2 earnings of 24 cents per share



CORPORATE EVENTS

08:00 athenahealth Inc (ATHN). Q2 earnings conference call
08:00 SunTrust Banks Inc (STI). Q2 earnings conference call
08:30 General Electric Co (GE). Q2 earnings conference call
08:30 Schlumberger NV (SLB). Q2 earnings conference call
08:30 Synchrony Financial (SYF). Q2 earnings conference call
08:45 Kansas City Southern (KSU). Q2 earnings conference call
09:00 Citizens Financial Group Inc (CFG). Q2 earnings conference call
09:00 Huntington Bancshares Inc (HBAN). Q2 earnings conference call
09:00 Webster Financial Corp (WBS). Q2 earnings conference call
09:30 Gentex Corp (GNTX). Q2 earnings conference call
09:30 Honeywell International Inc (HON). Q2 earnings conference call
10:00 Fifth Third Bancorp (FITB). Q2 earnings conference call
11:00 Colgate-Palmolive Co (CL). Q2 earnings conference call
11:00 Regions Financial Corp (RF). Q2 earnings conference call
11:30 Moody's Corp (MCO). Q2 earnings conference call
12:00 Western Alliance Bancorp (WAL). Q2 earnings conference call

EXDIVIDENDS

No major exdivs scheduled for the day.

(All analysts' estimates are according to Thomson Reuters I/B/E/S)

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