




Market Insights

Q2 2021 Earnings Roundup

August 2021

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Q2 2021 Earnings Season Update

What is Driving the Market this Season?

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Q2 2021 Earnings Roundup – Market Commentary and Insights

- EPS and revenue have surpassed analyst expectations with 85.7% of companies beating their revenue estimates, up from 73.6% in Q2 2019
 - 79.8% of S&P 500 companies have reported Q2 2021 results
 - 96.8% of Technology companies have beat EPS estimates
 - The Big Five Tech firms generated \$842 million in total daily profit⁽¹⁾
 - S&P 500 profit margins are at the highest level since the metric was initially tracked in 2008⁽²⁾
- Easy monetary policy has reduced the costs of capital, perpetuating equity valuations and creating positive feedbacks incentivizing equity issuance
 - Over \$225 billion in R&D and CapEx spending across the S&P 500 Technology companies in the past 12 months
 - New premium levels are being achieved for M&A transactions deemed to be high quality and/or transformative acquisitions
- Although volatility spiked at the beginning of COVID, it has since returned to pre-pandemic levels, creating a window of stability for capital markets
 - Record YTD IPO and SPAC issuances of 1,307 and 420, respectively

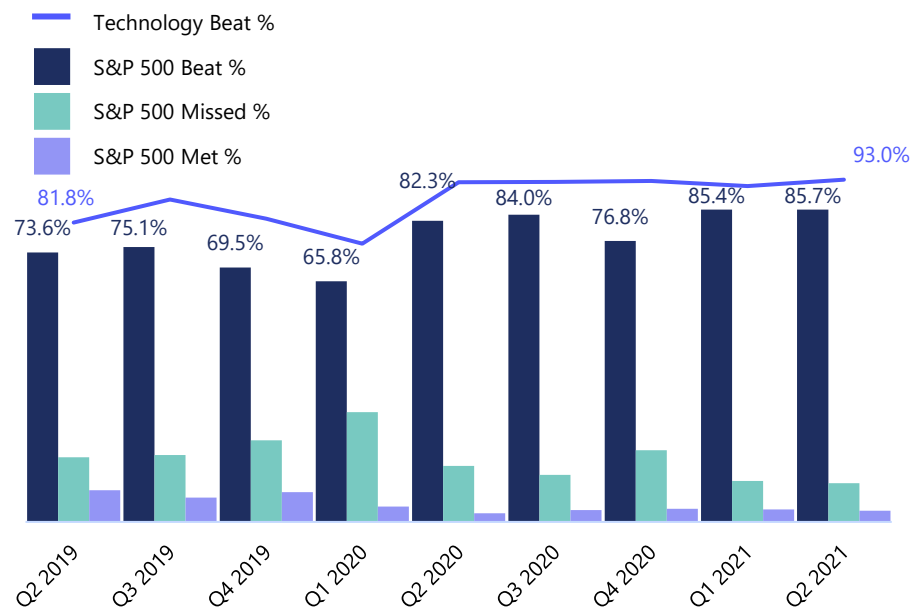
(1) Includes: Apple, Alphabet, Facebook, Microsoft and Amazon

(2) Per FactSet

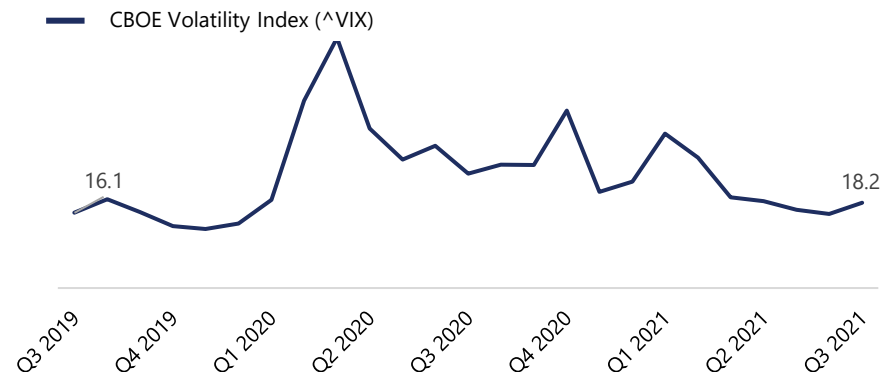
(3) As of August 13, 2021

Source: CapitalIQ

S&P Companies Consistently Outperform Revenue Estimates



Volatility Tapers Post-COVID Amid Relative Market Stability⁽³⁾

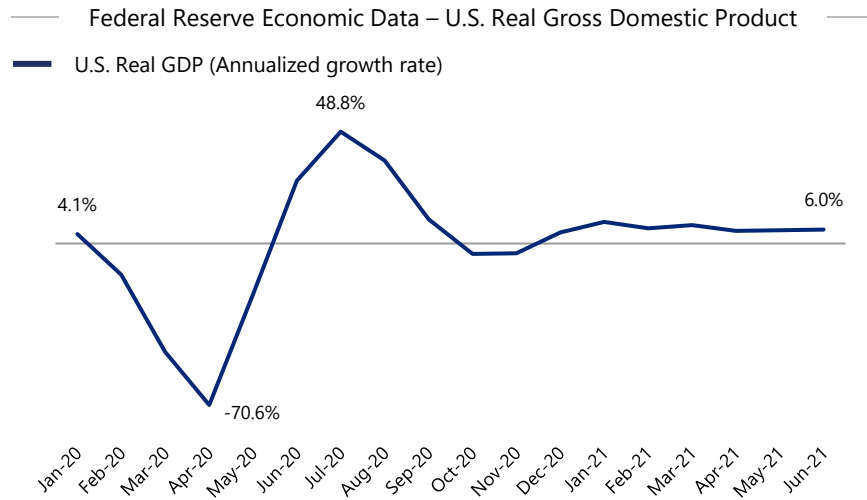


Earnings and Growth Booming Amid Recovery

S&P 500 Companies Continue to Exceed Already-Elevated Performance Expectations Despite a Growing Inflation Debate

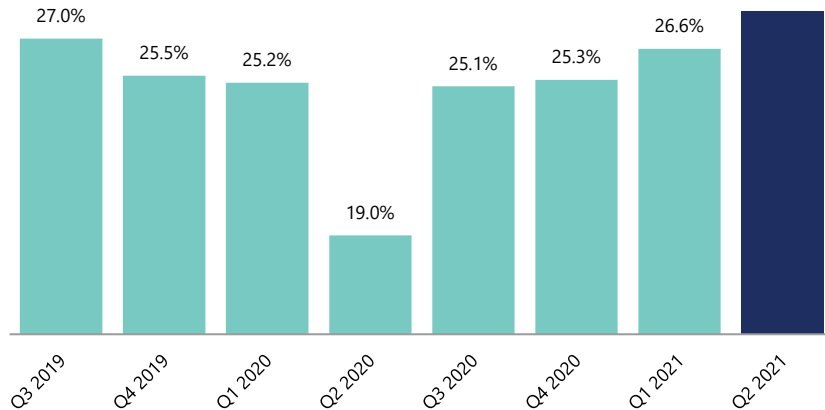
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Robust Economic Expansion⁽¹⁾...



...Contributing to Strong Operating Performance⁽²⁾...

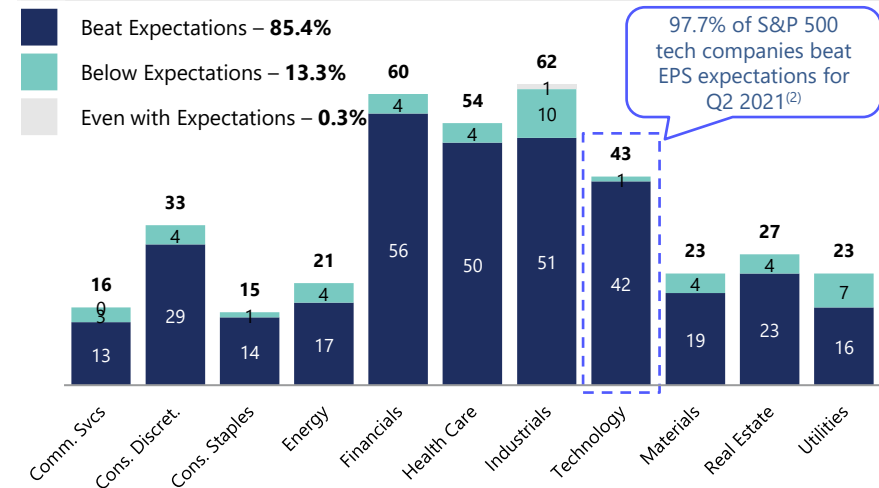
S&P 500 EBITDA Margins by Quarter



...Driving Revenue Performance at Scale...

Company	Revenue		
	Q2 2021 (\$ in billions)	YoY % Change	Surprise %
Apple	\$81.4	▲ 36.4%	▲ 11.0%
Alphabet	\$61.9	▲ 61.6%	▲ 10.4%
Facebook	\$29.7	▲ 55.6%	▲ 4.3%
Microsoft	\$46.2	▲ 21.3%	▲ 4.2%
Amazon	\$113.1	▲ 27.2%	▼ 1.7%
Total	\$332.3	▲ 40.4%	▲ 5.6%

...Demonstrated in Record Positive EPS Surprises⁽³⁾



(1) Annualized Brave-Butters-Kelley Real Gross Domestic Product, annualized percent change from preceding period, monthly

(2) Average EBITDA Margins across all S&P 500 constituents by quarter as of August 13, 2021

(3) Based on 399 constituents of S&P 500 that had reported CY Q2 2021 financials as of August 13, 2021

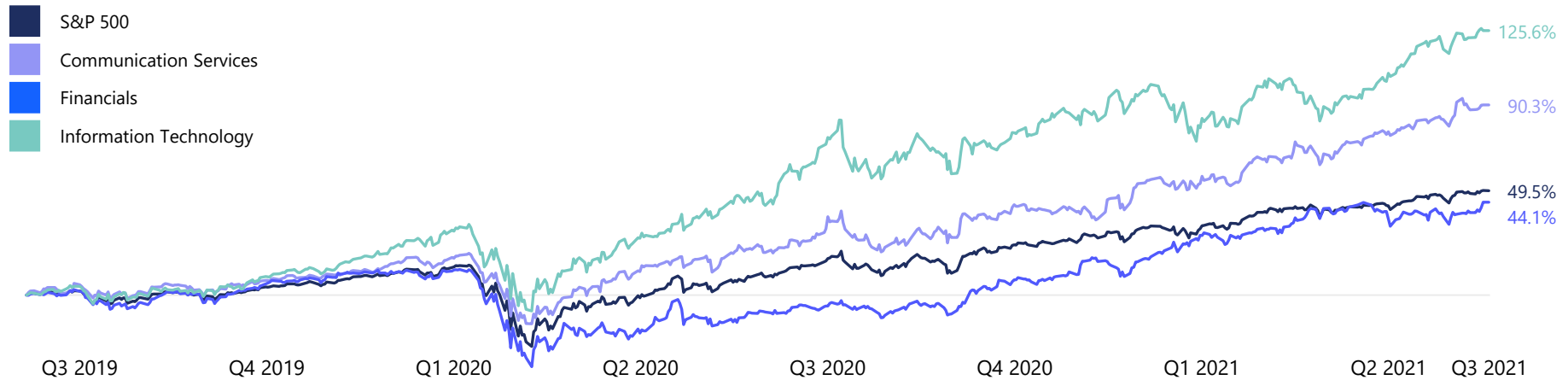
Sources: CapitalIQ, FRED, Trading Economics, FactSet

Performance has Unlocked Spending

Technology Sector Investment and Spending Significantly Increasing

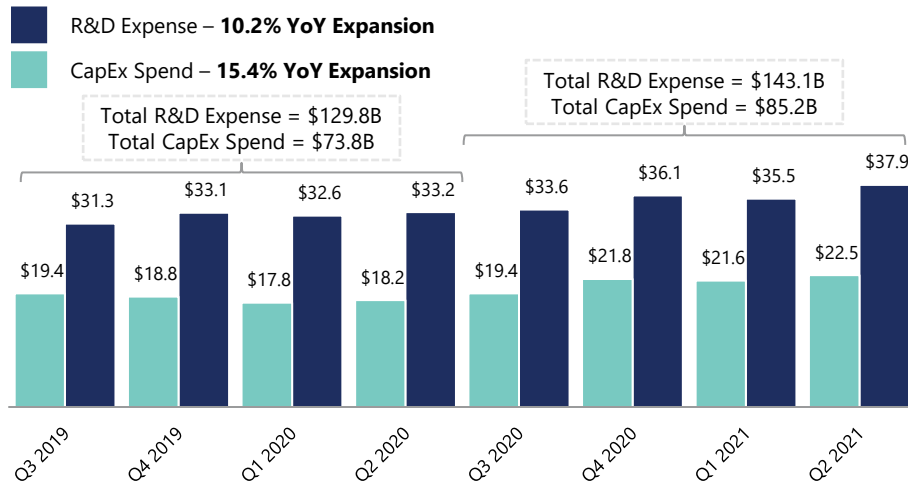
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Unprecedented Technology Sector Market Performance...(1)

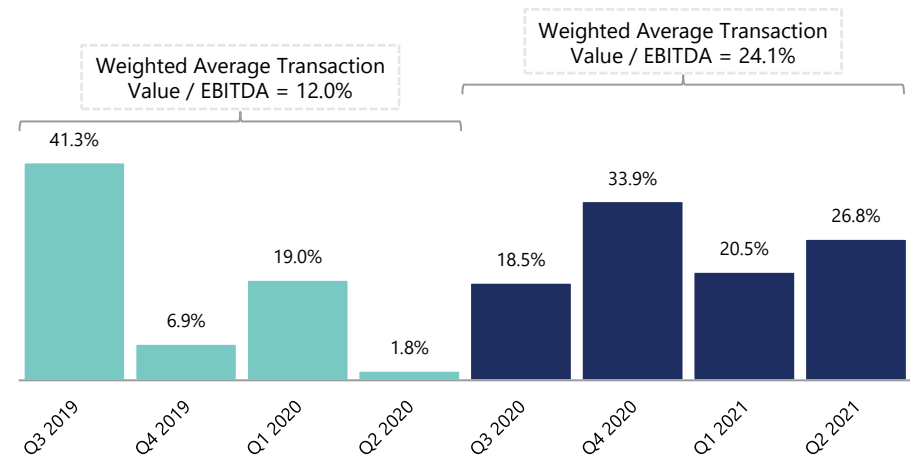


...is Driving Focused Reinvestment to Change Corporate Trajectories, Building Long-term Growth Potential

S&P 500 Technology R&D and CapEx Investment(2)



S&P 500 Technology Acquisition Spend as % of EBITDA(3)



(1) Select relevant sector's market cap-weighted performance from July 1, 2019 – August 13, 2021

(2) Total R&D Expense and CapEx Spend by quarter for S&P 500 Information Technology sector constituents as of August 13, 2021

(3) Weighted average % of total transaction value, excluding transactions valued over \$20 billion, divided by LTM EBITDA






Source: CapitalIQ

Note: \$ in millions






Software & Technology Market Performance

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Top and Bottom Five Q2 2021 EPS Performances

Company ⁽¹⁾	Software Sub-Sector ⁽²⁾	EV / Revenue		Q2 2021 Surprise %		% Price Change		% of 52 Week High
		2021E	2022E	Revenue ⁽³⁾	EPS ⁽³⁾	YTD ⁽⁴⁾	Announced ⁽⁵⁾	
Top Five Performers								
 shopify	Commerce & Supply Chain	41.49x	31.10x	▲ 6.6%	▲ 133.3%	▲ 36.0%	▲ 27.2%	93.2%
 TriNet	Human Resources & Labor	4.82x	4.35x	▲ 27.8%	▲ 92.6%	▲ 14.6%	▲ 11.9%	91.2%
 AMERICAN EXPRESS	Payments	3.63x	3.22x	▲ 6.8%	▲ 72.8%	▲ 39.3%	▲ 4.5%	94.6%
 GE	Industrial & Manufacturing	2.25x	2.11x	▲ 1.7%	▲ 66.7%	▲ 23.6%	▼ 5.7%	91.1%
 Five9	Communication & Collaboration	24.08x	20.51x	▲ 8.5%	▲ 64.3%	▲ 7.3%	▲ 28.6%	97.6%
Average		15.25x	12.26x	▲ 10.3%	▲ 85.9%	▲ 24.2%	▲ 13.3%	93.5%

Bottom Five Performers

 Yandex	Marketing & Advertising	5.68x	4.23x	▲ 4.3%	▼ 49.5%	▼ 0.7%	▲ 3.3%	92.8%
 Euronet	Payments	2.40x	2.04x	▲ 5.0%	▼ 18.5%	▼ 5.4%	▲ 3.7%	81.5%
 Enghouse Systems	Verticalized Platforms	5.96x	5.29x	▼ 5.9%	▼ 17.8%	▼ 1.7%	▼ 2.1%	69.6%
 ICON	CROs & Life Sciences Services	2.99x	2.81x	▲ 1.6%	▲ 0.5%	▲ 24.7%	▲ 8.9%	98.3%
 IBM	Global Diversified	2.47x	2.43x	▲ 2.4%	▲ 1.7%	▲ 15.7%	▼ 2.5%	92.8%
Average		3.46x	3.36x	▲ 1.5%	▼ 16.7%	▲ 6.5%	▲ 2.3%	87.0%

(1) Top 5 and Bottom 5 performers selected based on Q2 2021 EPS Surprise

(2) Per MPG-coverage Software Subsectors outlined in MPG's Software & Technology Public Market Update

(3) Q2 2021 analyst consensus estimates compared to Q2 2021 actual results

(4) YTD through July 29th, 2021

(5) Stock price as of July 29th close relative to date of Q2 2021 earnings announcement

Source: CapitalIQ

Strategic Technology Investment Banking

Superior Advice on M&A and Capital Raising Transactions

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Leaders in the technology economy trust our commentary, analysis, and advice when it comes to their most critical operational, financial, and strategic decisions

Right People, Right Narrative, Right Time

200+

Completed
Transactions

\$30+

Billion in
Deal Value

~60%

Founder
Owned Clients

+\$25m

Average
Client ARR⁽¹⁾

+30%

Repeat
Clients ⁽²⁾

+20

Dedicated
Team Members

Jon Adler
Managing Director

[Email](#) | [LinkedIn](#)

Jeff Herriman
Managing Director

[Email](#) | [LinkedIn](#)

Rohan Khanna
Managing Director

[Email](#) | [LinkedIn](#)

Michael Magruder
Managing Director

[Email](#) | [LinkedIn](#)

Drew Ogden
Managing Director

[Email](#) | [LinkedIn](#)

Christian Vansant
Managing Director

[Email](#) | [LinkedIn](#)

Ralph Verrilli
Managing Director

[Email](#) | [LinkedIn](#)

Select Transactions

Isi

Strategic Sale

invenio

RedSky

Strategic Sale

everbridge

Cityworks

Strategic Sale

Trimble

Romax
TECHNOLOGY

Strategic Sale

HEXAGON

anju
LIFE SCIENCES SOFTWARE

Recapitalization

abrypartners

Green
Mountain
Technology

Recapitalization

THOMPSON STREET
CAPITAL PARTNERS

VK VISUAL KINEMATICS™
Accelerate CAE

Strategic Sale

TECH SOFT 3D

BLUEPRINT
Research Group

Strategic Sale

TRINITY

ISOMETRIX

Recapitalization

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(1) Average of recent sell-side and private placement transactions completed since January 1, 2019

(2) Calculated as total clients divided by clients completing more than one transaction with MPG over client relationship

Sources & Disclosures

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Sources & Notes

Data Sources

1. Pitchbook
2. S&P Capital IQ
3. FRED
4. Trading Economics
5. Public company releases, filings, and earnings transcripts

Journals & Other Media

1. Axios Markets
2. FactSet

Disclosures

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