



Earnings Snapshots 1/24/2021

AMD, MSFT, SBUX, AAPL, FB, TSLA, MA, CAT

Advanced Micro (AMD) will announce results 1/26 after the close with the Street consensus at \$0.47 EPS and \$3.02B in Revenues (+42%), and Q1/FY21 seen at \$0.35/\$2.73B and \$1.80/\$12.22B. AMD shares have closed lower 5 of its last 7 reports with a six quarter average max move of 7.86%. The \$110B Semi is trading 51.6X Earnings, 9X EV/Sales and revenues seen growing 28% in 2021 with 45.6% EPS growth. AMD has been taking share from Intel in the Server market and although some risk in that vertical from large cap tech taking chipmaking in-house, AMD is positioned strongly at the intersection of key growth markets such as AI, Gaming, Crypto, and Data Center. AMD is launching several key products with strong momentum into 2021 and also did a key deal in 2020 for Xilinx which will pay-off over the long-run, a former favorite that was seeing strong growth from new products. Analysts have an average target of \$93.35 and short interest at 5.6% of the float has risen 127.5% Q/Q. Piper out positive last week seeing it taking many years for Intel to catch up with AMD even with a new CEO. Cowen raised its target to \$110 on 1/14 seeing share gains in PC server and console markets widening. Wells Fargo with a \$120 target citing AMD's new Ryzen series capturing a larger share of the Notebook market. Hedge Fund ownership rose 10% in Q3 filings, Viking Global and Whale Rock taking new positions. On the chart AMD broke out of a large bull flag above \$85 and the last eight week consolidating above the 13-week moving average, a strong bullish trend. On weakness shares have minor support at \$90 and stronger support back at \$86 while upside likely to \$115 near-term. AMD options are pricing in a 6.1% earnings move and 30-day IV Skew at -6.6% is bullish inverted sharply versus the +2.2% 52-week average. AMD saw size buys in June \$97.50 calls last week and consistently with bullish positioning including longer-dated opening put sales.

Trade to Consider: Long **AMD** February \$95/\$105 Call Spreads at \$2.70 Debit



Microsoft (MSFT) will release results 1/26 after the close with the Street estimate at \$1.64 EPS and \$40.18B in Revenues (+8.9%), and Q3/FY21 seen at \$1.58/\$38.7B and \$6.76/\$158.2B. MSFT shares have closed lower the last two reports after being higher the previous five, a six quarter average max move of 3.4%. The \$1.7 trillion Tech leader trades 30.2X Earnings, 10.4X FY21 EV/Sales and 50X FCF with a 1% dividend yield. MSFT revenues are seen to grow 10.7% in 2021, lowest since 2017, while EPS a similar situation though still an impressive 17% growth forecast. MSFT's Azure continues to post impressive numbers with it a leading cloud provider while Office 365 and the upcoming gaming cycle for the XBOX also positive drivers. MSFT could be looking to put some cash to work as well, its large deal for LinkedIn now way in the past. Analysts have an average target of \$245 and short interest minimal at 0.5% of the float. Citi sees a positive set-up into results with upside to Azure growth metrics. BAML recently reinstating at Buy with a \$256 target seeing room for margin expansion and low double-digit growth sustainable for another 3-5 years driven by Azure adoption, cloud-based Office 365, and a more profitable Games division. Barclays an interesting note on 11/12 noting MSFT has a \$30B hidden asset in Security, a division it has built out an expansive offering. OpCo upgraded to Outperform with a \$260 target on 11/5 as a lead beneficiary of digitization efforts by companies. Goldman started Buy with a \$285 target last week as well positioned to double its \$60B commercial cloud business which includes Azure, Office 365, Dynamics, and LinkedIn Commercial into a \$120B-\$140B business longer term. Goldman also notes Office 365 could potentially double its installed base from over 255M to 500M given the massive number of knowledge workers worldwide. Hedge Fund ownership fell nearly 2% in Q3 filings. On the chart MSFT forming a long bullish consolidation as the 34-week moving average caught up to the move. The expansion out of this range measures to \$255-\$260 upside while support on weakness is back at \$215. MSFT options are pricing in a 3.7% earnings move and 30-day IV Skew at +0.8 compares to the +4.4 52-week average. MSFT last week with over 50,000 April \$260 calls bought as February calls adjusted out and otherwise seen fairly mixed positioning though leans bullish.

Trade to Consider: Long the **MSFT** February/April \$245 Calendar Call Spreads at \$3.95 Debit



Starbucks (SBUX) will announce earnings 1/26 after the close with the Street expecting \$0.56 EPS and \$6.92B in Revenues (-2.5%), and Q2/FY21 seen at \$0.59/\$6.7B and \$2.81/\$28.48B. SBUX shares have closed lower three of its last four reports, higher six previous, and a six quarter average max move of 4.54%. The \$122.75B company trades 30.45X Earnings, 5.2X Sales and yields a 1.73% dividend. SBUX held an Investor Day in December reaffirming expectations for FY21 but raised growth outlooks for FY23/24. SBUX revenues fell 11% in 2020 due to the pandemic but seen rebounding 21% in 2021 with EPS seen rising 140%, a name that benefitted from its strong investments in Technology while also having a very strong loyalty program. Euromonitor sized the coffee addressable market at roughly \$360 billion of revenue globally in 2019, and they expect that to grow at a CAGR of 5% to 6% through 2023. Analysts have an average target of \$106 and short interest low at 1% of the float. MKM last week noting SBUX may show a slow-down in US comp trends in Q1. Goldman started at Buy with a \$115 target as a key beneficiary to the economy reopening. On 1/14 Cleveland Research lowered Q1 comps forecast to -5.5% amid COVID headwinds. Hedge Fund ownership rose just over 1% in Q3 filings, Polen and Fundsmith adding to positions while Pershing Square holds a large position. On the chart SBUX shares are consolidating above the July 2019 highs though some concern with a head and shoulders topping pattern and bearish RSI trend of lower highs and lower lows. The 55-day MA is down at \$100.50 as potential support on weakness while the \$95 level a downside target if this topping pattern breaks under recent lows. SBUX options are pricing in a 3.75% earnings move and 30-day IV Skew at +1.2 compares to the +2.5 52-week average. SBUX options flow as seen sellers in February \$95 puts, buyers of 2000 weekly \$103 calls, size buys in 10,000 February \$110 calls, sales of 7500 Mar \$105 calls and bullish bias to January 2022 call buys.

Trade to Consider: Long the **SBUX** February \$100 Puts \$1.95 Debit

Starbucks Corp, Daily, Nasdaq + Cboe BZX O 77.03 H 77.65 L 76.46 C 77.22 Change +0.25% Market closed



Apple (AAPL) will release earnings 1/27 after the close with the Street view at \$1.41 EPS and \$103B in Revenues (+12.2%), and Q2/FY21 seen at \$0.90/\$74.06B and \$4.02/\$318B. AAPL shares have closed higher on earnings 6 of its last 8 reports and a six quarter average max move of 5.27%. The \$2.3 trillion Tech leader trades 31.8X Earnings, 8.4X Sales and 38.85X FCF with a 0.59% yield and a ton of cash. AAPL forecasts call for 15.8% revenue growth in 2021 and 22.6% EPS growth, strongest year since 2018. Apple has always been largely an iPhone story but more recently shifted to its opportunity with Services while also expanding and seeing results improve in Wearables and TV. There has been recent talk about it potentially entering the EV market. Analysts have an average target of \$135 and short interest is low at 2% of the float. MSCO sees a solid but not great report coming with strength across the entire Product/Services portfolio. Loop raised its target to \$155 into results seeing upside to Street estimates as well as additional incremental revenue opportunities. Cowen raised its target to \$153 seeing strong iPhone 12, Mac and iPad sales. Wells Fargo raised its target to \$155 seeing upside to estimates and the strong capital allocation story. Berkshire Hathaway holds a \$110B stake in AAPL. On the chart AAPL broke out of weekly consolidation last week in a move that targets a run to \$200 longer-term while \$160 a measured move of the range expansion. On weakness shares likely have support on a retest of the \$130 recent base breakout level. AAPL options are pricing in a 5.5% earnings move and 30-day IV Skew at -2.2 is bullish inverted and compares to the +4.9 52-week average. AAPL option flows have been very bullish recently including large opening put sales Friday in February \$136 and April \$125 and the April \$160 calls with over 90,000X bought as February calls adjusted out.

Trade to Consider: Long the **AAPL** February \$140/\$150/\$155 Unbalanced Call Fly at \$2.30 Debit



Facebook (FB) will release earnings 1/27 after the close with the Street looking for \$3.21 EPS and \$26.4B in Revenues (+25.3%) and Q1/FY21 seen at \$2.09/\$22.36B and \$10.59/\$104.75B. FB shares have closed higher on earnings 6 of the last 9 reports with an average six quarter max move of 6.9%. The \$777B social media advertising leader trades 25.9X Earnings, 9.85X Sales and 40.5X FCF with a clean balance sheet and forecasts expect 24.5% revenue growth in 2021 and 13% EPS growth. Facebook shares have lagged with regulatory overhangs being a dominant factor while the underlying business remains very strong and moving into a large opportunity in social commerce. Analysts have an average target of \$325 and short interest minimal at 1% of the float. Truist raised its target to \$320 seeing a strong finish to 2020 and positive in the 2021 outlook as the digital ad ecosystem recovers. OpCo raised its target to \$345 seeing estimates too low for Q4 and positive on the ecommerce opportunity for Shops estimating at \$25-\$50B. JPM called shares compelling into results with sentiment low and has a \$330 target. Evercore raised its target to \$355 into results. BMO recently raised to Outperform with a \$325 target. Hedge Fund ownership was down modestly in Q3 filings. On the chart FB shares in a choppy pattern since August and unable to make any progress. Shares would likely start a breakout of this consolidation on a move above \$282 that would set the stage for a move to \$330. On weakness I see \$259 as a level to be a buyer of the dip. FB options are pricing in a 5.25% earnings move and 30-day IV Skew at +1.2 compares to the +4.7 52-week average. Last week FB saw 10,000 June 2022 \$320/\$420 call spreads bought expressing the bullish long-term view while some size buys in September \$285 calls, February \$245 calls, March \$250 calls and March \$290 calls into recent weakness as well as June \$270 calls.

Trade to Consider: Long the **FB** January 29th (W) \$275 Straddle at \$19.55 or Better



Tesla (TSLA) earnings will be announced 1/27 after the close with the Street consensus at \$1 EPS and \$10.32B in Revenues (+39.7%), and Q1/FY21 seen at \$0.89/\$9.58B and \$4.10/\$46.06B. TSLA shares have closed higher three of the last five reports, a six quarter average max move of 11.26%. The \$800B EV leader trades 17.4X FY21 EV/Sales with revenues seen rising 48% in 2021, best since 2018 and EBITDA seen reaching \$12B in 2022 from \$3B in 2019. TSLA is not only a premium automotive name in the EV market that has a long runway for growth but also optionality for the multiple opportunities in self-driving, storage, battery, and powertrain technology. Analysts have an average target of \$545 and short interest at 33.8% of the float remains high. MSCO recently turned bullish after being bearish for years, noting "Tesla is still the best positioned company in EVs and AVs under our coverage due to its people, its technology, business model and access to capital. Furthermore, it is important to note that the company has no entanglement with the environmental liabilities that burden its legacy competition. Put it all together and we believe Tesla's business model can unlock recurring mobility services revenue faster and more profitably than the competition. We struggle to find a more innovative company with the ability to execute against the high degree of difficulty inherent in sustainable transportation and energy at scale." OpCo raised its target to a Street High \$1036 last week to reflect the assumption that the company's autonomous vehicle commercialization can come years faster than competitors. Deutsche Bank raised its target to \$890 and sees strong" volume growth in 2021 for U.S. autos and an ongoing solid mix and pricing helped by easy compares, low inventories, and COVID-19-induced demand for comfort, privacy and protection. Wedbush raised its target to \$950 on 1/15 with expectations that Tesla now exceeds the 1 million delivery threshold in 2022 and could start to approach 5 million deliveries annually by the end of the decade if global EV demand continues at this pace. Wedbush believes overall that EVs, which make up 3% of global auto sales today, could reach 5% by the end of 2021 and 10% by 2025. The firm feels that the China growth story is worth at least \$100 per share in a bull case to Tesla. On the chart TSLA remains in a strong parabolic trend, though the \$500 breakout hit its measured move at \$850. Shares are currently forming a bull flag on the daily, one that targets \$1040 on a move above \$870 while downside has limited real volume support and a slip below \$811 could pull shares quickly back to \$695. TSLA options are pricing in a 3.5% move on earnings and 30-day IV Skew at +0.2 compares to the +0.9 52-week average. TSLA sees an enormous amount of options action daily and longer-term positioning continues to skew very bullish with 20,000 June \$900 calls and 25,000 January \$800 calls two notable positions.

Trade to Consider: Sell the **TSLA** February \$750/\$740 Put Spread for \$2.85 Credit (Bull Put Spread)



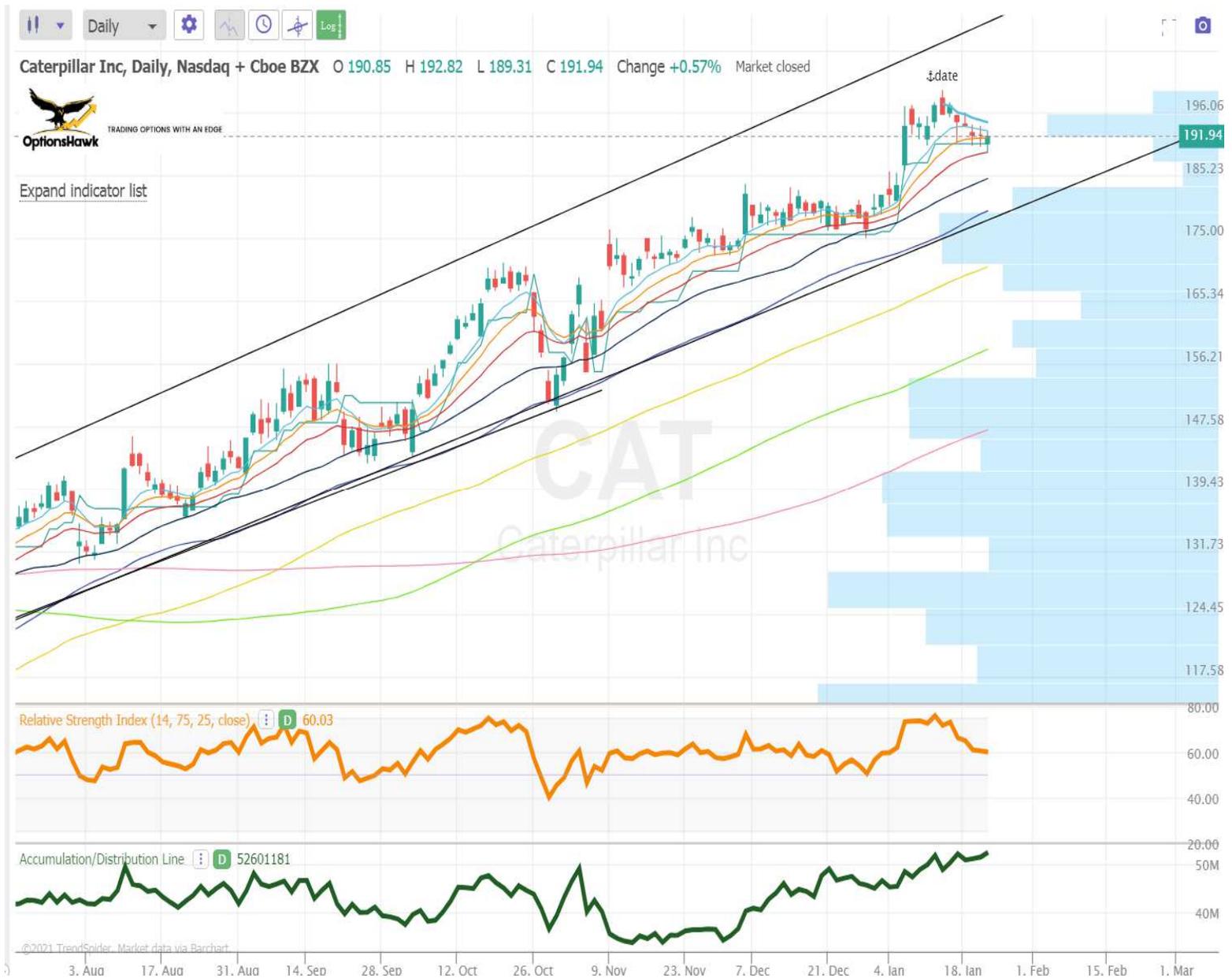
MasterCard (MA) will release quarterly numbers 1/28 before the open with the Street expecting \$1.53 EPS and \$4.02B in Revenues (-8.9%), and Q1/FY21 seen at \$1.75/\$4.09B and \$8.23/\$18.06B. MA shares have closed lower 4 of its last 6 reports with an average max move of 3.86%. The \$333B payments leader trades 40X Earnings and 55.4X FCF with a small 0.53% yield. MA forecasts expect 18.6% revenue growth and 29.7% EPS growth in 2021 as cross-border activity rebounds. Analysts have an average target of \$377 and short interest low at 0.4% of the float. BAML upgrading to Buy on 1/6 citing their exposure to macro and consumer spending recovery as vaccine distribution accelerates. Wells Fargo with a \$400 PT noting that they like card issuers in 2021 as the firm expects significant pent up travel and entertainment demand to drive spend in the U.S. in mid-to-late 2021 and global travel late 2021/early 2022. Deutsche Bank upped its target to \$420 last week citing rapidly evolving use cases and revenue opportunities for real-time payments. Jefferies upgraded to Buy with a \$415 target as a high quality recovery play and expressed confidence in an eventual recovery in international travel and sees significant upside to consensus cross-border revenue estimates in FY22 and FY23. Hedge Fund ownership fell 4% in Q3 filings, Akre Capital, Polen Capital, and Gardner Russo with large positions. On the chart MA has been weak recently and needs to get back above \$342 on a close to start a bullish move while above \$358 would start a major weekly breakout. A move under \$325 targets a fall to \$313. MA options are pricing in a 3% earnings move and 30-day IV Skew at +0.9 compares to the +4.2 52-week average. MA last week with the February \$340/\$370 call spreads bought 3000X on an adjustment while 2000 of the \$320 short puts remain in open interest, though come concern with recent closing activity in January \$350 bull positions. The June \$320 calls have 3000X remaining in OI from size buys on 10/28.

Trade to Consider: Sell the **MA** February \$320/\$310 Put Spreads for a \$3 Credit (Bull Put Spreads)



Caterpillar (CAT) earnings will be released 1/29 before the open with the Street looking for \$1.49 EPS and \$11.25B in Revenues (-14.4%) and Q1/FY21 forecasts at \$1.72/\$10.72B and \$7.51/\$45.77B. CAT shares have closed lower 9 of its last 11 reports with a six quarter average max move of 3.96%. The \$104B Industrial trades 25.6X Earnings, 30.55X FCF and 16.6X FY21 EBITDA with revenues seen recovering 10.6% in 2021 and EBITDA up 21.7%, though still well below 2018 levels. Analysts have an average target of \$190.50 and short interest at 1.3% of the float is low and down 17% Q/Q. Goldman out positive last week bullish on CAT's end market outlook and see 11% upside to consensus 2021E sales estimates driven by the US construction equipment cycle. They were cautious near-term heading into earnings as CAT's rising incentive compensation costs and price competition in China are likely to drive incremental margins below consensus estimates. Vertical Research started shares Buy last week with a \$230 target positive on the Machinery group in a new era of profitability. Citi cut shares to Neutral last week seeing limited earnings upside. Hedge Fund ownership rose 4% in Q3 filings. On the chart CAT is in a strong rising weekly channel trend and bounced at the 21-day moving average last week, though below \$189 has a volume pocket to fall back to \$183.35 and retest the recent range breakout. A move above \$196 would trigger a breakout move into free space with plenty of room to extend higher. CAT options are pricing in a 3.65% earnings move and 30-day IV Skew at +1.9 compares to the +3.8 52-week average. CAT has 6800 weekly \$195 calls in OI from buyers on 1/15, a recent buy of 1200 February \$192.5 calls, and otherwise fairly quiet open interest.

Trade to Consider: Long the **CAT** Jan. 29th (W) \$195/\$200 Call Spreads at \$1.55 Debit



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