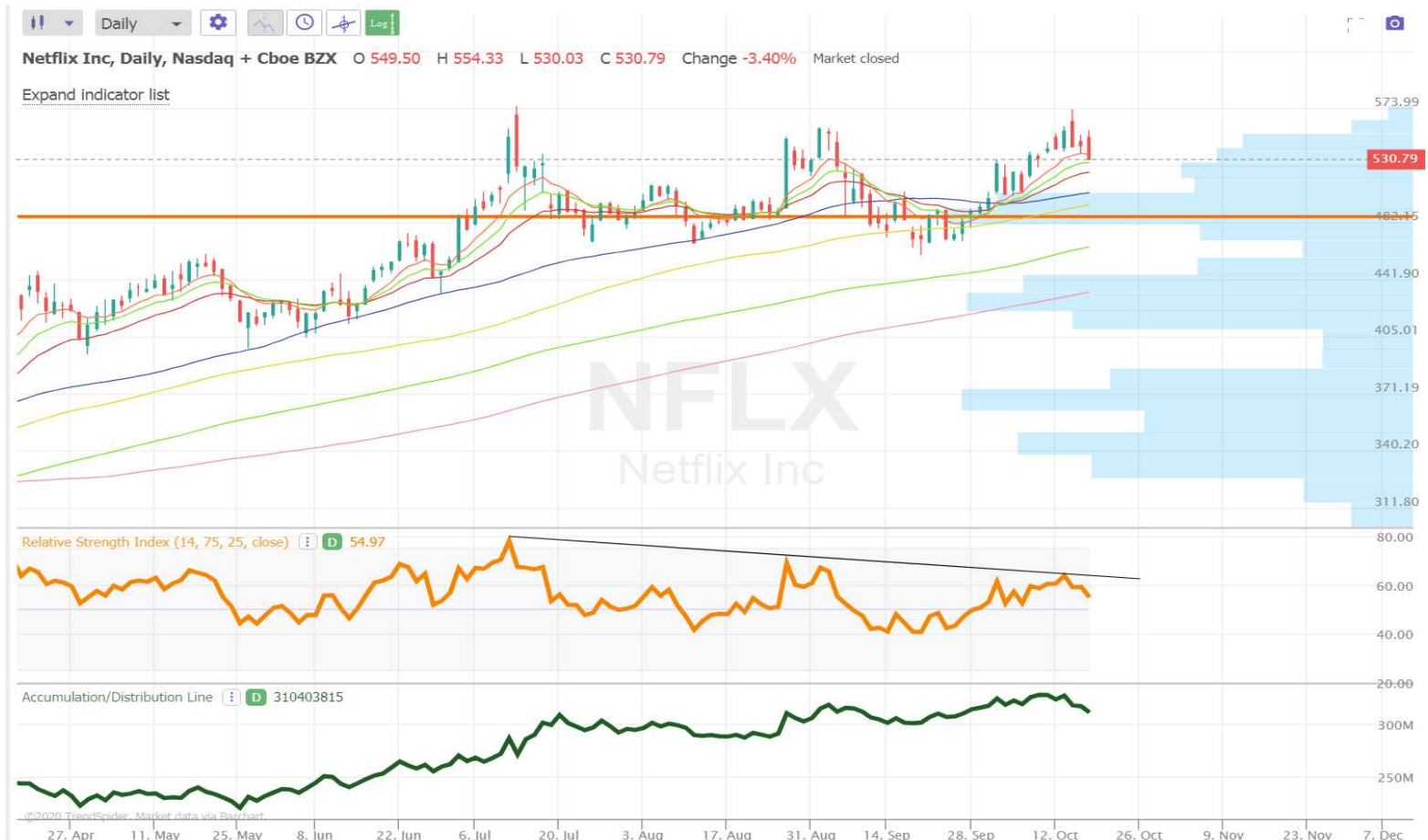




NFLX, SNAP, TSLA, UNP

Netflix (NFLX) will announce earnings 10/20 after the close with the Street looking for \$2.14 EPS and \$6.38B in Revenues (+21.7%) and Q4/FY20 seen at \$0.95/\$6.59B and \$6.23/\$24.92B. NFLX shares have closed lower 6 of its last 7 reports with a six quarter average max move of 6.55%. The \$239B streaming leader is trading 60X Earnings, 10.55X Sales and revenues seen rising 23.6% this year and 17.7% in 2021 with EPS growth of 50.8% and 41.8% respectively. NFLX has become an operating leverage story with margin expansion and strong pricing power while the growth story has shifted to International markets. Analysts have an average target of \$535 and short interest continues to trend lower to 2.2% of the float. MSCO raised its target to \$630 last week seeing additional pricing power and accelerating engagement rates. BAML raised its target to \$670 previewing the quarter, though cautious on Q3 subscriber growth noting high churn, increased competition from new platforms, return of live sports, and reopening pressure. They remain positive on term on accelerating penetration and 15% FCF margins. Jefferies also noted a challenging set-up into Q3 results with Street expectations rising to 5M additions versus the company guidance of 2.5M. They see price-hikes as the next positive catalyst and see a path to \$700/share in the next 12-18 months. JPM recently raised its view for Q3 subscriber additions to 5.4M. Hedge Fund ownership fell 9% in Q2 filings. On the chart NFLX held its rising 21-week moving average on weakness in September and recently pushed back to highs with a bearish RSI divergence. The 55-day MA and key volume node at \$505 a potential pullback support level. NFLX options are pricing in 5.9% earnings move and 30-day IV Skew at -1% is bullish inverted and compares to the +2.7% 52-week average. NFLX has large November \$495 and \$500 call positions that opened in August, Feb. \$530/\$630 call spreads 2000X, Dec. \$520/\$620 call spreads 7000X, 5000 Jan \$390 calls bought on 9/4, and 1900 March \$510 calls bought recently.

Trade to Consider: Sell the **NFLX** November \$500/\$490 Put Spread for \$3.20 Credit (Bull Put Spread)



Snap (SNAP) will report results 10/20 after the close with the consensus estimate at (\$0.05) EPS and \$551.4M in Revenues (+23.6%) and Q4/FY20 forecasted at \$0.03/\$723M and (\$0.18)/\$2.2B. SNAP shares have closed lower 4 of the last 6 reports with a six quarter average max move of 16.05%. The \$41B social media company trades 13X FY21 EV/Sales with revenues growing 43% and 46% the last two years and seen rising 28% in 2020 and 38.4% in 2021 as advertising markets continue to recover from pandemic-caused weakness. SNAP has been in focus with the TikTok news and The Information reported that SNAP and Facebook considered a deal for TikTok competitor Dubsmash while SNAP is also adding similar features as TikTok. SNAP has a community of 229M daily active users, a number that grew 20% Y/Y in Q1, and on average spending 30 minutes per day on the platform. It is a platform most popular with Millennials and Generation Z which have combined \$1 Trillion spending power and why advertisers want to target those groups. SNAP considers Communication, Camera, and Content its three core platforms and has invested a lot in its AR platform. ARPU is a key metric that has shown consistently strong growth. SNAP has built a clear path to profitability and nearing positive FCF inflection. Analysts have an average target of \$27.50 and short interest at 7% of the float is down 35% Q/Q. JPM raised its target to \$33 into results citing an online advertising market continuing to recover and pent-up demand. Stifel raised its target to \$32 noting SNAP as a major beneficiary of growing demand from direct response advertisers during the holiday shopping season. Deutsche Bank with a \$32 target seeing easy comps in 2021 and accelerating growth and margins with share gains. SNAP should also see strong trends from political ad spending rising while SensorTower data showed an acceleration in downloads. Hedge Fund ownership rose 5.5% in Q2 filings, Edgewood a large holder added to its position. On the chart SNAP shares worked to high last week and continue strong momentum, the most recent breakout targeting a run to \$30-\$31. SNAP options are pricing in an 11.45% earnings move and 30 day IV Skew -0.1% compares to the +2.6% 52-week average. SNAP options action has been strongly bullish, notably on 9/23 the November \$27 calls with over 25,000 bought to open, and recently seen opening put sales for January & April at the \$27 strike. SNAP also with 10,000 June \$35 calls bought on 9/18.

Trade to Consider: Long the **SNAP** November \$27/\$30 Call Spreads \$1.25



Tesla (TSLA) will report earnings 10/21 after the close with the Street view at \$0.56 EPS and \$8.26B in Revenues (+31%) and Q4/FY20 at \$0.76/\$9.51B and \$1.75/\$30.17B. TSLA shares have closed lower the last two reports and five of the last 7 with a six quarter average max move of 11.18%. The \$420B EV leader trades 134X Earnings and 16.3X Sales with revenues seen rising 22.7% in 2020 and 40% in 2021 while EBITDA rising 72% in 2020 and 37% in 2021. Tesla has multiple growth vectors with EV, batteries and Software and continues to expand capacity with demand remaining very strong while potential for continued margin expansion. Analysts have an average target of \$313. MSCO raised its target to \$333 and 2021 delivery forecast to 698,000 units. Goldman last week raising its target to \$450 on a strong automotive industry view. New Street raising to Buy recently with a \$578 target seeing no pressure on prices and expanding margins and overall a \$750B addressable market. Hedge Fund ownership jumped 26% in Q2 filings. On the chart TSLA shares forming an ascending triangle consolidation on the weekly chart with the 13-week EMA supportive on intra-week dips and the 8-week EMA on a closing basis. TSLA options are pricing in a 7.65% earnings move and 30 day IV Skew at -2.8% compares to the +1.7% 52-week average. TSLA sees a lot of options action daily, the June \$600 calls with over 20,000 opening for around \$100M last week while on 10/16 the December \$388 puts bought to open 3500X. A buyer of 10,000 Nov. \$400 calls on 9/23 at \$50.50 remains in OI.

Trade to Consider: Long the **TSLA** December \$460/\$530/\$600 Call Butterfly Spread at \$10 Debit



Union Pacific (UNP) will announce results 10/22 before the open with the Street expecting \$2.06 EPS and \$4.96B in Revenues (-10.1%) and Q4/FY20 seen at \$2.10/\$4.99B and \$7.95/\$19.4B. UNP shares closed lower last quarter but were higher the previous 7 reports, a six quarter average max move of 4.75%. The \$142B best-in-class rail operator trades 22.35X Earnings, 7X Sales and 48.2X FCF with a 1.85% yield. UNP forecasts a recovery starting in Q2 2021 and for 2021 sees 8.4% revenue growth and 18% EPS growth after declines of 10.7% and 5.1% respectively in 2020. The company was positive on pricing last quarter while they continue to execute well on their PSR initiatives which are helping costs and OR. UNP saw volumes hit extreme lows last quarter and should gradually improve into year-end as auto manufacturing re-openings will boost vehicle shipments and areas like lumber likely positive Q/Q as mills get back on track with the hot demand for housing. Analysts have an average target of \$213 and short interest is low at just 0.5% of the float. Barclays raised its target to \$195 last week positive on the transports industry with fiscal stimulus and consumer spending shifts on habits. Benchmark raised its target to \$220 as a top PSR leader that can better withstand downturns. Goldman upped its target to 4205 on better rail volumes and potential for margin improvement on cost mitigation efforts. Hedge Fund ownership fell 5% in Q2 filings, Egerton and Soroban top holders that reduced positions. On the chart UNP shares have worked strong off the rising 21-day moving average and broke to new highs last week, the current range break measuring to a \$220 upside target. UNP options are pricing in a 3.15% earnings move and 30 day IV Skew at +1.2 compares to the +3.3 52-week average. UNP recently with buyers of January \$210 calls and January \$200 calls. UNP still has 6750 November \$175 calls in OI from large buys on 7/13 and 7/14 and on 10/8 February \$170 puts sold to open 1895X.

Trade to Consider: Long the **UNP** November \$210/\$220/\$230 Call Butterfly Spread at \$2.20 Debit



Disclaimer:

These trade ideas are to be self-managed as there will be no follow-up, and each user must take full responsibility of the trade, and only take action on trades that fit his/her risk profile and are comfortable trading.

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