Earnings Snapshots 10/23/2023

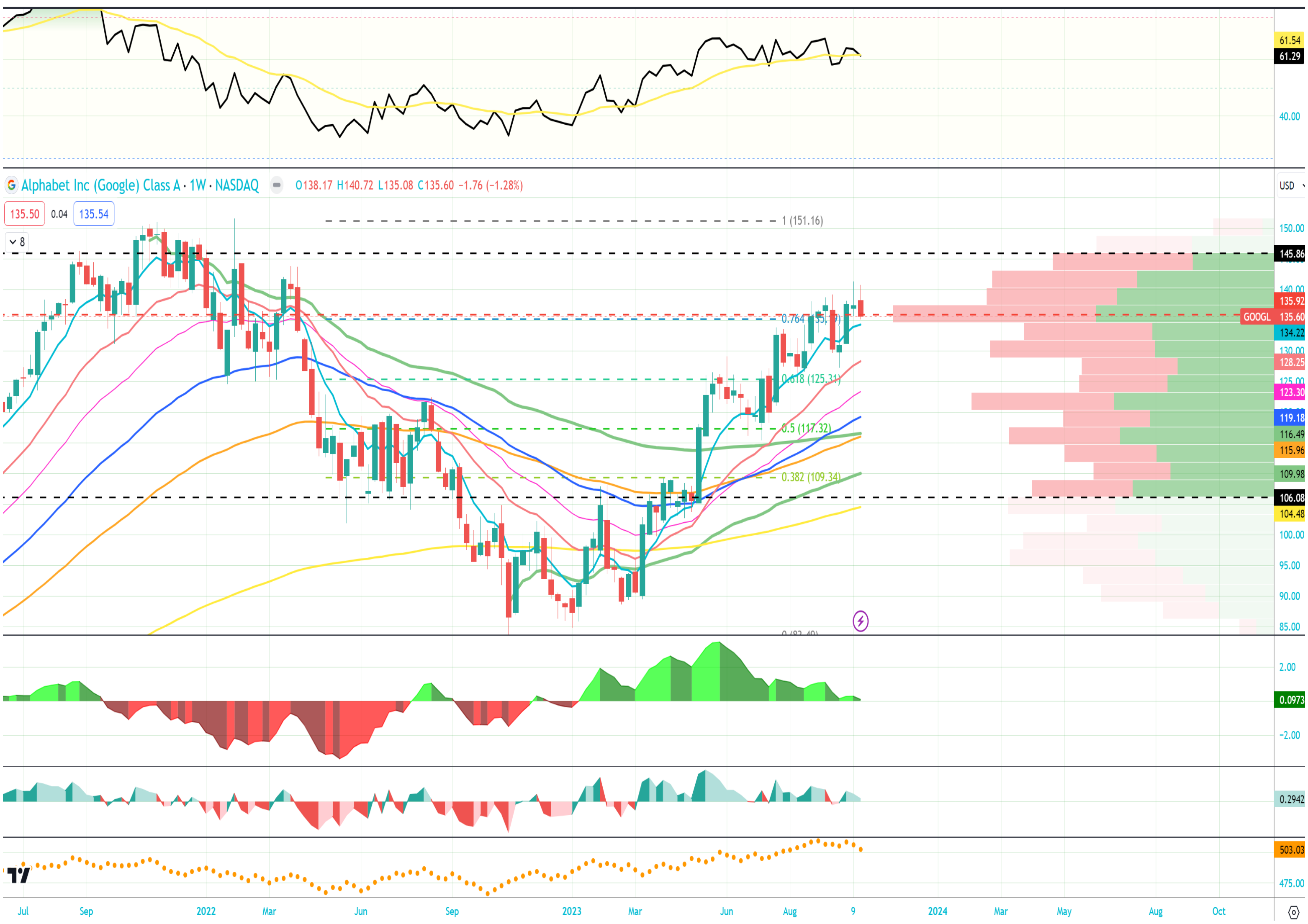
SPOT, GOOGL, MSFT, V, META, AMZN

Spotify (SPOT) will report earnings 10/24 before the open with the Street looking for ($0.24) EPS and $3.63B in Revenues (+18.9%) with Q4 seen at ($0.05) and $3.9B and FY24 implying 17.4% revenue growth and 116% EPS growth as profitability inflects. SPOT shares have closed higher three of the last five reports, a six-quarter average max move of 13.83%. SPOT is the world's most popular audio streaming subscription service with a community of 489 million MAUs, including 205 million Premium Subscribers, across 184 countries and territories as of December 31, 2022. SPOT is building a two-sided marketplace for users and creators, which leverages its relationships, data analytics, and software. Premium and Ad-Supported Services drive revenues. SPOT is seeing a steady conversion of the free subscriber base to Premium subscribers further bolsters the near-term economic value of a larger top of funnel. Pricing power, negotiating leverage, cost control, and potential product expansion support the bull case. SPOT over the last 2 quarters saw the largest MAU growth in its history and sees margins improving throughout the year. SPOT has a market cap of $28.55B and trades 94X FY24 EBITDA and 1.7X EV/Sales. The focus will be on the 4Q guide and in particular, the impact of recently announced price increases and trajectory of gross margins given recent cost saving measures across the business. SPOT's recent price increases have gone into effect in several markets which should drive better ARPU. Analysts have an average target of $171.50 with short interest rising 38% Q/Q but just to 1.7% of the float. Guggenheim raised its target to $175 last week expecting Q3 premium subscribers coming in as expected or above noting pricing power and an under-appreciated expansion cycle. MSCO calls it a Top Pick and out with a bullish report last week and $190 target. Redburn was cautious on the audiobook rollout stalling the margin expansion story that has driven outperformance. On the chart, SPOT was a top gainer in 2023 but stalled at a 38.2% retracement and AVWAP from the IPO. SPOT has 200-MA support down at $139.25 while VWAP off lows at $128.25. Key resistance is at $160.50, and above opens up room back to $172 and $182. SPOT options are pricing in a 9.75% earnings move and 30-day IV Skew is steep at +5.7 compared to the 52-week average of +2.9. SOPT put/call open interest ratio is at the 97th percentile and average IV30 crush is -23.6%. SPOT has a large position in June $170 calls bought 2000X with the $130 puts sold 2000X in risk reversals. SPOT November $170 puts have 2000 bought in OI and the $155 puts bought 1000X on 10/6.

Trade to Consider: Long the **SPOT** January $150/$165 Call Spreads for $6.25 Debit

Alphabet (GOOGL) will announce results 10/24 after the close with the Street expecting $1.45 EPS and $75.94B in Revenues (+9.9%) and Q4 seen at $1.62 and $84.82B while FY24 forecasts imply 11.3% revenue growth and 24.3% EPS growth, acceleration from 2023. GOOGL shares closed higher last quarter on results after being lower four of the previous five, a six-quarter average max move of 6.2%. Google continues to see strength from improving digital advertising budgets as the leader in search but faces a much more volatile environment with some companies cutting back on spending, while also a leading media play with YouTube's success and the cloud business has been a recent standout. Alphabet has outlined several initiatives to continue to build out its capabilities around shopping/commerce and creators. GOOGL's full integration of Bard into search is an important next step to showcase GOOGL's leading multi-year AI research and development. GOOGL may face a tougher macro backdrop and some consumer behavior shifts while Apple privacy changes are normalizing and improving monetization potential for YouTube, Maps, and other non-Search units can drive upside. GOOGL has a market cap of $1.7 trillion and trades 20.15X Earnings, 13X EBITDA and with a 4.2% FCF yield. GOOGL should see margin growth continue with acceleration in search coupled with decelerating costs. GOOGL will certainly face FX pressures but acceleration at YouTube and the Gemini release seen as positives. Analysts have an average target of $151.5 with short interest low at 0.7% of the float. KeyBanc with a $155 target expects improvements in the ad market with strength in retail/ecommerce but growing concern into 2024. On the chart, GOOGL shares have shown strength of late though dipped with the market late last week to touch the rising 21-MA. Lower value support is near $131.75 and then $129.80 1-year VPOC. If GOOGL loses $128 I would look to $123 as support. A move above $139 likely trades through recent $141.22 highs and looks to target $146. GOOGL options are pricing in a 5.05% earnings move and 30-day IV Skew is steep at +5.4 comparing to the +3.2 52-week average. GOOGL put/call open interest ratio is at the 58th percentile and average IV30 crush is -23.2%. GOOGL sees a ton of flows but mostly leaning bullish including 20K Nov. $130 calls bought in OI and 10K Dec. $135 calls bought.

Trade to Consider: Long **GOOGL** December $130/$140 Call Spreads at $3.25 Debit

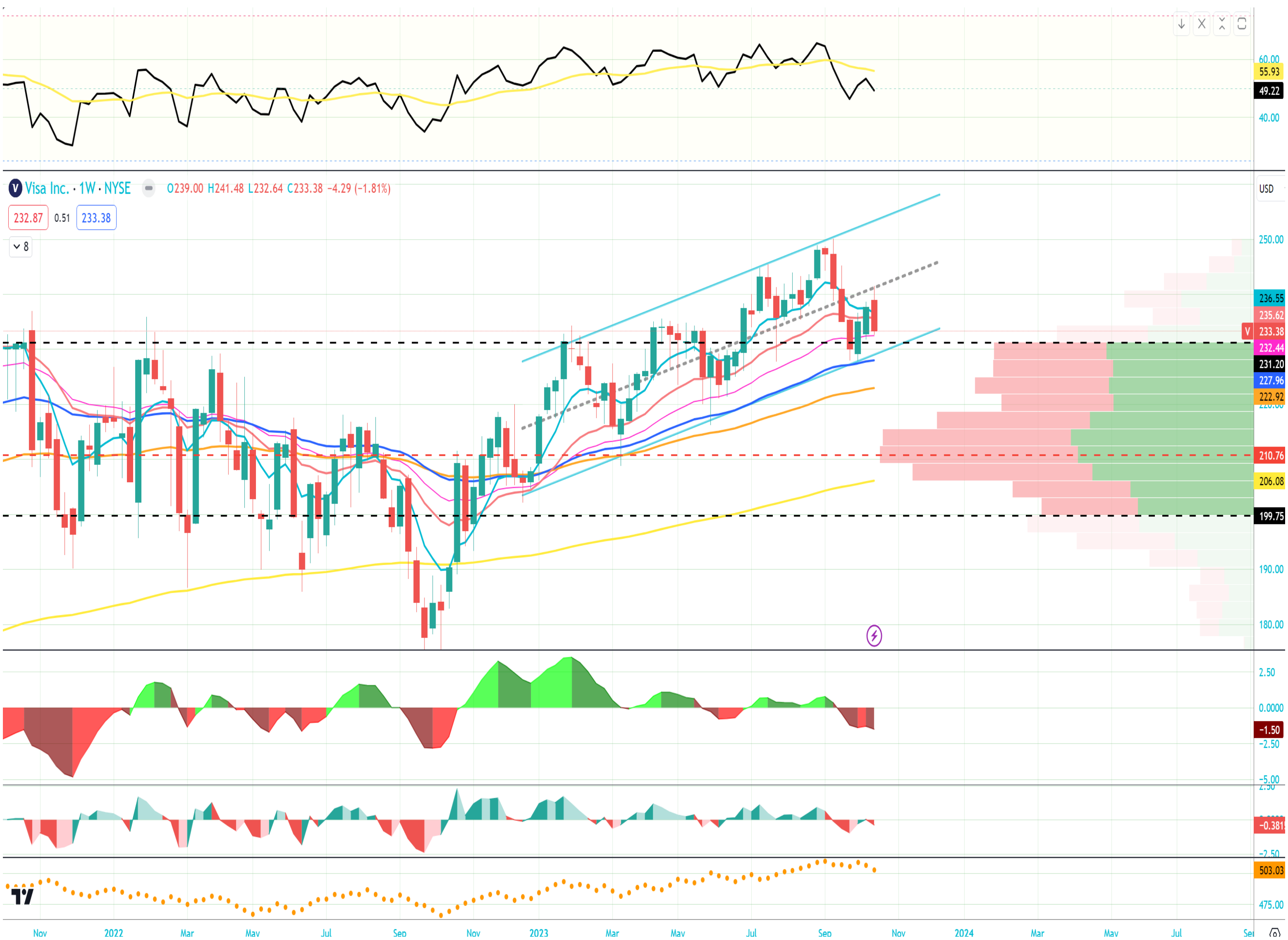


Microsoft (MSFT) will release results 10/24 after the close with the Street consensus at $2.65 EPS and $54.5B in Revenues (+8.7%) with Q2/FY24 seen at $2.66/$58.4B and $10.98/$235.4B implying 11.1% revenue growth and 11.9% EPS growth in 2024, acceleration from 2023. MSFTR shares have closed lower three of the last four reports after being higher the previous four, a six-quarter average max move of 6.9%. Microsoft continues to represent a rare combination of strong secular positioning and reasonable profitability-based valuation within the software space. Server Products and Windows OEM growth normalization are headwinds, but MSFT remains positioned well in leading IT budget categories and continues to expand margins. Microsoft is well positioned to double its $60B+ commercial cloud business (Azure, Office 365, Dynamics, and LinkedIn Commercial) and Office 365 could potentially double its installed base from 255mn+ to 500mn given the massive number of knowledge workers worldwide. Alignment to key secular trends and benefits from vendor consolidation point to continued share gains. Microsoft is not immune to the weaker IT spending environment though recent actions were taken to cut costs. The recently released Microsoft 365 Copilot pricing and FY24 Capex will be in focus. Azure should be boosted by demand for OpenAI and broader AI/genAI model training, deployment, and application development. MSFT has a $2.4 trillion market cap and trades 25.7X Earnings, 20.3X EBITDA and with a 2.5% FCF yield. Given indications of persistent Cloud optimization and mixed channel checks, investors now look for constant currency (cc) Azure growth of 26-27% versus management's 1QFY24 Azure guidance for 25-26% cc growth. MSFT remains a top beneficiary of AI but unlikely to see near-term contributions, Office 365 Copilot is a potential $10B opportunity. MSFT sets up as a strong story through 2024 though near-term headwinds include FX while a bottoming PC market can be supportive. Analysts have an average target of $392.5 with short interest minimal at 0.5% of the float. Loop sees the focus on Axure growth which is estimated at 25-26%. DA Davidson has a $415 target and sees the Activision deal as transformational. Piper sees MSFT as the top large-cap to own with multiple upside levers to growth. On the chart, MSFT recently failed at key $337.5 resistance, while above works out of a downtrend and can work back to $355. The $323.5 level is important and below can look to test $315 or even the 200-MA down at $302.50. The weekly still looks like an explosive bull wedge and larger cup and handle pattern. MSFT options are pricing in a 3.7% move on earnings and average IV30 skew is steep at +5.5 comparing to the +3.4 52-week average. MSFT put/call open interest ratio is at the 74th percentile and average IV30 crush is -20.1%. MSFT largest open interest are from buys in January $340 and $360 calls and 22,000 November $280 calls.

Trade to Consider: Long the **MSFT** November 3rd (W) / December $345 Call Calendar Spreads at $4.65 Debit

Visa (V) will report earnings 10/24 after the close with the Street view at $2.24 EPS and $8.55B in Revenues (+9.8%) and Q1/FY24 seen at $2.39/$8.72B and $9.81/$35.99B implying 10.4% revenue growth and 13.1% EPS growth in 2024, decelerating slightly from 2023. V shares have closed lower four of the last six reports with an average max move of 3.6%. Visa is the global leader in payments with attractive leverage to the long-term secular growth driver from payment electronification. Visa's business mix has greater leverage to the US and greater skew towards debit and will likely continue to deliver HSD revenue growth and high-teens EPS growth for many years to come, supported by persistent tailwinds and the nascent growth initiatives in areas like new flows and value-added services (for both card and non-card spending). Visa also has near-term tailwinds from the recovery in cross-border volumes. V has a market cap of $475B and trades 23.77X Earnings, 20.7X EBITDA and with a 3.7% FCF yield. V and MA have historically traded at ~11-14x premiums to the S&P, and are now trading at ~7-10x premiums. Airline commentary suggests robust long-haul flight trends/bookings which is supportive for travel spend. US consumer spending was resilient in 3Q according to bank spend data. V's mid-quarter update disclosed 17% x-border volume growth ex. intra-Europe QTD through August. First Data SpendTrend growth accelerated to 4.1% in 3Q vs. 2.2% in 2Q. Analysts have an average target of $277.50 with short interest low at 1.9% of the float. UBS started V at Buy with a $295 target last week. Mizuho is concerned 2024 revenue estimates are too high on an overly optimistic macro backdrop. Barclays expects V to be conservative for the 2024 guide. On the chart, V dipped last week and the 200-MA is near at $231.50 and channel support also near. V needs to clear $241 and can work back to $250 highs. V options are pricing in a 3.4% earnings move and 30-day IV Skew at +5.5 compares to the +3.9 52-week average. V put/call open interest ratio is at the 92nd percentile and average IV30 crush is -15.65%. V saw some buyers in November $230 puts last week but plenty of bullish OI in January $230 and $240 calls.

Trade to Consider: Sell the **V** November $230/$225 Put Spreads (Bull Put Spread) for $1.50 Credit

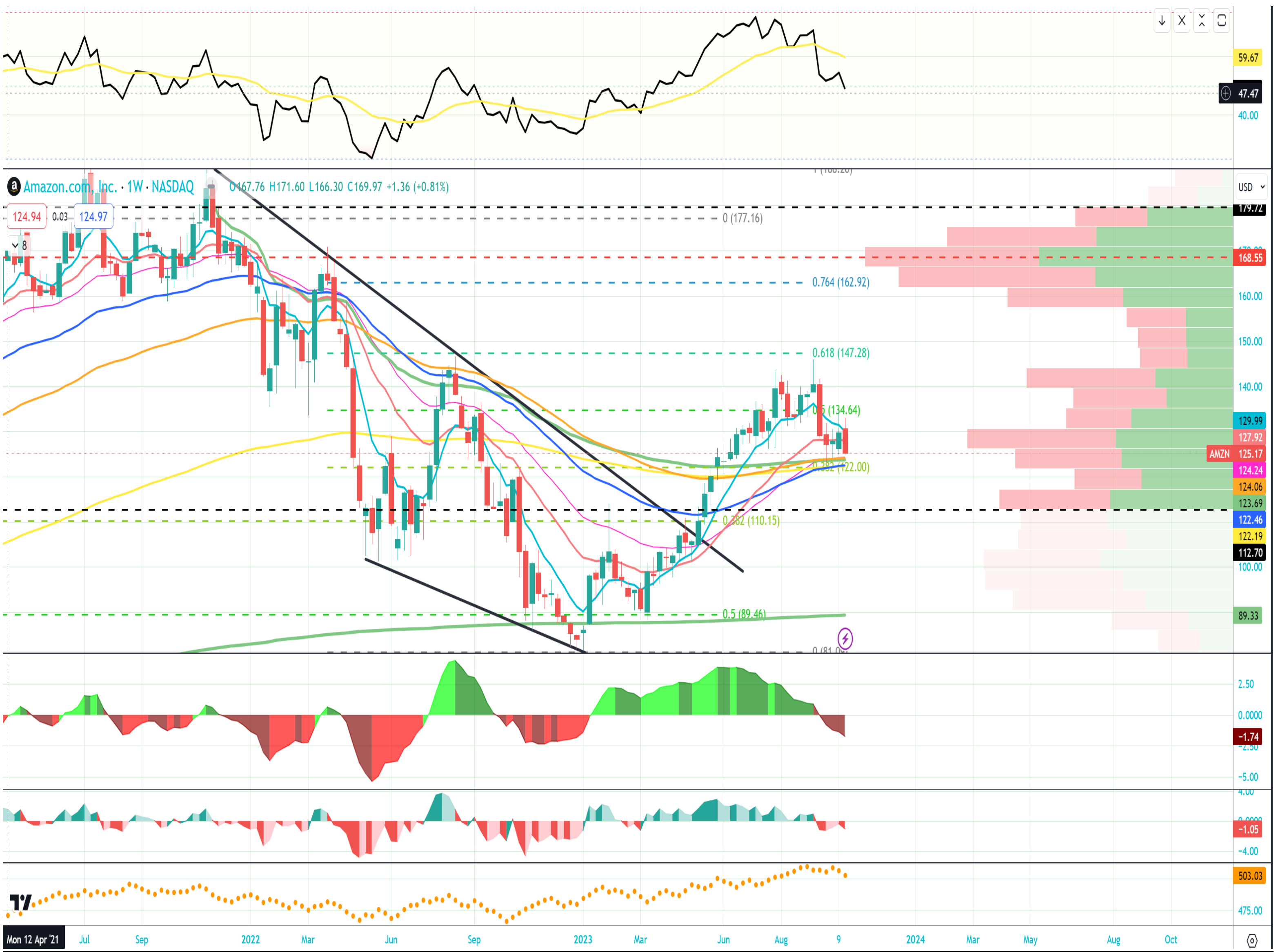


Meta Platforms (META) will announce quarterly results 10/25 after the close with the Street expecting $3.63 EPS and $33.57B in Revenues (+21.1%) and Q4 seen at $4.84/$38.85B while FY24 seen at $13.42/$149.44B implying 12.6% revenue growth and 24.2% EPS growth, decelerating from 2023 growth levels. META shares have closed strongly higher the last three reports, a six-quarter average max move of 17.8%. Management sees the advertising business returning to better revenue growth with high margins and plans to use income to fund the growth of the Reality Labs business. The shift to short-form videos has been a drag on revenues due to less monetization that will eventually inflect positively. With two rounds of cost cuts already announced and behind us, the investment rationale now hinges on revenue growth outperformance. Meta seems to be garnering incremental ad spend share on the back of Advantage+. One of the key tailwinds for growth in 2023 is the lapping of tough comps on user engagement. The monetization ramp in WhatsApp, Messenger, and Reels is a reason for optimism. Engagement is growing with AI Content Discovery and Reels leading the way and monetization is improving. META expanded its AI partnership with MSFT and distribution through AWS & HuggingFace, which should drive more developer adoption, improve META's innovation feedback loop, and ultimately accelerate META's AI-based innovation on its core applications. META has a market cap of $795B and trades 18.3X Earnings, 6.6X Sales and 33X FCF. Meta is benefitting from improving digital ad market, ramping Reels monetization and improving AI driven ad measurement. Analysts have an average target of $362 with short interest low at 1.4% of the float. Mizuho out positive last week expecting improved operating leverage with better pricing though noting some investor concern on the FY24 capex rise. Loop out positive calling META a top pick on Q4 advertising acceleration with Reels momentum. JPM has a $400 target and expects a capex guide of $96B to $102B. On the chart, META dipped last week to retest monthly value and important to hold $295 support or shares could work down to $280-$285. The $325 level is key resistance and above can target $345. META options are pricing in an 8.2% earnings move and 30-day IV Skew at +5.6 compared to the +3.3 52-week average. META put/call open interest ratio is at the 99th percentile and average IV30 crush is -26%. META has 51,000 November $270 calls sitting in OI from buys as well as a lot of January $300 short puts and January $300 long calls. META also has notable short puts at November 200, 295 and 280 strikes.

Trade to Consider: Sell the **META** November $295/$290 Put Spreads (Bull Put Spreads) for $1.75 Credit

Amazon (AMZN) will report results 10/26 after the close with the Street looking for $0.58 EPS and $141.44B in Revenues (+11.3%) and Q4 seen at $0.66/$166.64B while FY24 seen at $3.14/$636.72B implying 11.8% revenue growth and 43.4% EPS growth. AMZN shares closed higher last quarter on results after being lower four of the previous five, a six-quarter average max move of 11%. Amazon continues to have a massive retail business that faces headwinds of slowing consumer spending and rising costs but the focus remains on AWS, a behemoth in cloud which continues to scale and see increased spending. AMZN also has a massive opportunity in Advertising and has been making moves into Healthcare. AMZN has a market cap of $1.28 trillion and trades 39.35X Earnings, 13X EBITDA and with a 2.7% FCF yield. AMZN is likely to face some cost headwinds from the higher price of fuel in the quarter. Analysts have an average target of $170 with short interest low at 0.85% of the float. OpCo was out bullish into results for exposure to affluent consumers, advertising opportunity and e-commerce margin improvements along with easing AWS comps/headwinds. Wedbush also positive with a $180 target on retail margins rising and AWS growth accelerating. On the chart, AMZN last week worked back near multi-month lows and under $124.25 would lose key support and likely target its 200-MA at $116.35. AMZN needs to clear $132.75 for an upside push to $136.5 and $145.85 targets. AMZN options are pricing in a 6% earnings move and 30-day IV Skew at +5.7 compares to the 52-week average of +3.6. AMZN put/call open interest ratio is at the 52nd percentile and average IV30 crush is -27%. AMZN has a massive November $120 long call position in OI for 150K contracts while Nov. $130 and Dec. $150 calls also with large buys and 25K Nov. $125 calls bought. AMZN Dec. $120 calls with 15K bought in OI as well from multiple days of accumulation recently and similar in Dec. $130 calls with 13K bought.

Trade to Consider: Long **AMZN** Oct. 27th (W) $130 Calls at $2.55 Debit



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