



DIS, CSCO, AMAT, DKNK

Disney (DIS) will announce results 11/12 after the close with the Street expecting (\$0.71) EPS and \$14.2B in Revenues (-25.7%) and Q1/FY21 seen at (\$0.03)/\$15.68B and \$2.60/\$71B. DIS shares have closed lower 5 of its last 7 reports with a six quarter average max move of 5.55%. The \$229.5B entertainment and media leader trades 49X Earnings, 3.3X Sales and has been hit hard from the pandemic closing theme parks, delaying film releases and weighing on cable TV via its live sports exposure. DIS announced plans in October it was reorganizing its media businesses to focus on streaming. DIS will also host an Investor Day 12/10 as a key catalyst. Analysts have an average target of \$138 and short interest low at 0.9% of the float and dropping 40% Q/Q. Loop Capital out positive in October with a \$150 target noting "expect investors will give Disney "a pass" on both near-term Covid19 related losses and increased DTC losses over the next few years." They see the focus on the success of the streaming build out. MSCO with a \$135 target noting the recent reorg news shows commitment to DTC. JPM raised its target to \$155 in October seeing progress to the recovery across its businesses. Hedge Fund ownership rose 4.7% in Q2 filings, notable top holders include Coatue, Lindsell Train, and Third Point. On the chart DIS shares sit just above a key long-term breakout point from April 2019 before the early 2020 COVID sell-off and \$118 seen as solid support. A move above \$128.5 on results should target a move back to \$135 resistance from August. DIS options are pricing in a 4.66% earnings move and 30 day IV Skew at +0.3 compares to the +4 52-week average. DIS has seen some bullish size trades recently with 6000 April \$130 calls bought, 10,000 December \$120 calls bought, and 5000 March \$150/\$175 call spreads bought.

Trade to Consider: Long the **DIS** November/December \$135 Call Calendar Spreads \$1.80 Debit

Walt Disney Company, Monthly, Nasdaq + Cboe BZX O 122.24 H 128.62 L 119.81 C 127.46 Change +4.27% Market closed



Cisco (CSCO) will announce earnings 11/12 after the close with the Street looking for \$0.70 EPS and \$11.85B in Revenues (-10%) with the Q2/FY21 outlook at \$0.73/\$11.63B and \$3.09/\$48.27B. CSCO shares have closed lower 4 of its last 5 reports with a six quarter average max move of 8.25%. The \$157.75B networking equipment leader trades 11.3X Earnings, 3.2X Sales and 18.25X FCF with a 3.85% yield, cheap on valuation but has struggled losing market share to peers while also trying to focus more on being a software-oriented company. CSCO has around \$30B in cash and should see a lift from the upcoming 5G cycle. Analysts have an average target of \$47 and short interest low at 1% of the float. CSFB cut its target to \$36 on 10/19 noting WFH impacting 30% of Cisco's business with weak demand for campus switching and WLAN products. Citi cut shares to Neutral on 10/13, less confident in a return to growth and ability to gain market share. Barclays one of the lone bulls with a \$50 target noting Cisco's incumbency, product cycles, potential for share gains and a rebound in an eventual economic recovery. Hedge Fund ownership rose 4.3% in Q2 filings, no notable top holders. On the chart CSCO shares have trended lower since the August gap-down on earnings, though holding here just above a 50% retrace of the 2012-2019 move. If \$35.80 support fails, the next target would be back at \$30.50. On a bounce there is plenty of room to rally back to \$41. CSCO options are pricing in a 5.45% move on results and 30 day IV Skew at +4 compares to the +3.4 52-week average. CSCO flows have been more bullish since late September with buyers in April calls though the \$41 calls with 15,000 sold to open. There has been accumulation in November 13th (W) \$38 and \$37 puts. More recently November \$37 calls bought 5000X to open and the \$38 calls with 25,000X bought to open while March \$36 calls with some recent buying as well.

Trade to Consider: Long the **CSCO** November \$37.5/\$40 Call Spreads at \$0.90



Applied Materials (AMAT) will post quarterly results 11/12 after the close with the Street looking for \$1.17 EPS and \$4.6B in Revenues (+22.6%) and the outlook for Q1/FY21 at \$1.11/\$4.52B and \$4.59/\$18.42B. AMAT shares have closed higher 3 of its last 4 reports, a six quarter average max move of 7%. The \$64B Semi Equipment leader trades 15.4X Earnings, 3.93X Sales and 29.35X FCF with a 1.25% yield. AMAT expects revenues to grow 17% in 2020 and slow to a still solid 7.8% growth in 2021. SEMI and VLSI expect annual semiconductor revenues to grow to \$1 trillion by 2030. Over the past 20 years, the industry has doubled in size, and we now expect it to double again but twice as fast. Analysts have an average target of \$76 and short interest low at 1.5% of the float and down 24% Q/Q. Stifel positive on 9/22 seeing an attractive entry point and has an \$85 target, more positive on 2021 WFE trends. Citi raised its target to \$75 in September, a diversified equipment pick growing its installed base to a third of sales contribution. Hedge Fund ownership fell 5.25% in Q2 filings, notable top concentrated holders include Matrix Capital, Generation Investment, Cantillon, Lansdowne Partners, and Westfield. On the chart AMAT has made a big move the last seven sessions and hitting record highs with \$75.40 a potential Fibonacci extension target. Shares could likely use a pullback with \$65.50 and \$62 support levels. AMAT options are pricing in a 3.55% earnings move and 30 day IV Skew at 0 compares to the +2.7 52-week average. In September AMAT saw size opening sales in April \$55 and \$50 puts, while January \$57.5 calls bought 6500X on 9/9.

Trade to Consider: Long the **AMAT** November \$70/\$65 Ratio Put Spread 1X2 at \$0.90 Debit



Draftkings (DKNG) will release results 11/13 before the open with the Street expecting (\$0.61) EPS and \$131.8M in Revenues and the outlook for the next quarter at (\$0.28) EPS with \$207.8M in Revenues. DKNG shares closed higher its May report and lower on its August report averaging a max move of 13%. The \$16.3B leader in sports betting trades 39X FY21 EV/Sales with revenues seen rising 46% in 2021. Sports betting continues to benefit from regulatory tailwinds with a few new states passing it last week. DKNG outlined the industry and long-term vision well at the March Analyst Day, a \$70B Sportsbook TAM and \$40B iGaming TAM. DKNG is a leading brand with great marketing and continues to sign key partnerships while the industry in the US remains in early innings with strong regulatory tailwinds. Analysts have an average target of \$58.75 with short interest at 7.7% of the float. SIG on 10/28 raised its target to \$55 noting recent market concerns on it being overcapitalized but sees favorable catalysts for the company. Benchmark raised its target to \$60 in October citing stronger iGaming and Sports Betting numbers and sees DKNG capturing significant market share. CSFB started shares Outperform in October with a \$76 target expecting expansion of market share and margins and a large and growing TAM. Hedge Fund ownership jumped 550% in Q2 filings, notable stake owned by Disney. On the chart DKNG had a big run-up through early October but pulled back the past month since its share offering. Shares found support at the rising 144-day moving average and a high-volume zone from April-September, and now trying to emerge out of a base. A move above \$44 would measure for a run back to \$55. DKNG options are pricing in a 6.5% move on earnings and 30 day IV Skew at +0.8 compares to the 52-week average of -0.8. DKNG buy-writes popular lately against sales of March and May \$50 calls. The November \$45 calls have over 20,000 in OI including a large buy of 10,500 on 10/19 and January \$50 calls have accumulate over 18,500X since September.

Trade to Consider: Sell the **DKNG** December \$50/\$55 Call Spreads and \$35/\$30 Put Spreads at Net \$2 Credit (Iron Condors)



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.

Not Investment Advice or Recommendation

Any descriptions "to buy", "to sell", "long", "short" or any other trade related terminology should not be seen as a recommendation. The Author may or may not take positions in any of the names mentioned, and is not obligated to disclose positions, nor position sizes.

Content is for informational and educational purposes only. You alone will need to evaluate the merits and risks associated with the use of this content. Decisions based on information provided are your sole responsibility, and before making any decision on the basis of this information, you should consider (with or without the assistance of a financial and/or securities adviser) whether the information is appropriate in light of your particular investment needs, objectives and financial circumstances. Investors should seek financial advice regarding the suitability of investing in any securities or following any investment strategies.

No reference to any specific security constitutes a recommendation to buy, sell or hold that security or any other security. Nothing constitutes investment advice or offers any opinion with respect to the suitability of any security, and the views expressed on this website should not be taken as advice to buy, sell or hold any security. In preparing the information contained in this website, we have not taken into account the investment needs, objectives and financial circumstances of any particular investor. This information has no regard to the specific investment objectives, financial situation and particular needs of any specific recipient of this information and investments discussed may not be suitable for all investors.

OptionsHawk Inc. does not give individualized stock market advice. We publish information regarding companies in which we believe our subscribers may be interested and our reports reflect our sincere opinions. However, they are not intended to be personalized recommendations to buy, hold, or sell securities. Investments in the securities markets, and especially in options, are speculative and involve substantial risk. Only you can determine what level of risk is appropriate for you. Prior to buying or selling an option, an investor must have a copy of Characteristics and Risks of Standardized Options. You can access and download the booklet on The Options Clearing Corporation's (OCC) website at <http://www.optionsclearing.com/about/publications/character-risks.jsp>. This link reference is provided as a courtesy and does not imply that the OCC is endorsing SIR or its products. This booklet is also available for free from your broker or from any of the U.S. options exchanges.

We encourage you to invest carefully and to utilize the information available at the websites of the Securities and Exchange Commission at <http://www.sec.gov> and the Financial Industry Regulatory Authority at <http://www.FINRA.org>. You can review public companies' filings at the SEC's EDGAR page. The FINRA has published information on how to invest carefully at its website. We encourage you to get personal advice from your professional investment advisor or to make independent investigations before acting on information that we publish. Most of our information is derived directly from information published by the companies on which we report and/or from other sources we believe are reliable, without our independent verification. Therefore, we cannot assure you that the information is accurate or complete. We do not in any way warrant or guarantee the success of any action which you take in reliance on our statements.