



PANW, SQ, NVDA, CRM, ABNB, ETSY

**Palo Alto (PANW)** will report results 2/22 after the close with the Street looking for \$1.43 EPS and \$985.7M in Revenues (+20.7%) and Q3/FY21 seen at \$1.28/\$1.05B and \$5.81/\$4.12B. PANW shares have closed lower three of its last five reports with a six quarter average max move of 9.44%. The \$37.2B cyber-security leader trades 57X Earnings, 9X EV/Sales and 32.4X FCF with revenues seen growing 21% in 2021 and 18% in 2022. PANW has seen positive tailwinds from work-from-home and the digital transformation and has been active in bolt-on deals expanding the power of its platform. Analysts have an average target of \$405 with short interest just under 5% of the float. Monness Crespi raised its target to \$440 last week on its discounted valuation and strong ramping of the cloud business while the Firewall business should hold up better than feared. RBC raised its target to \$425 on healthy checks and sees it well positioned for the digital transformation. Mizuho raised its target to \$450 on healthy demand trends. BTIG on 2/8 raised its target to \$460 on bullish channel checks and strength in PANW's cloud and AI products. CSFB started shares Outperform with a \$425 target citing PANW well positioned to leverage its "strong brand, large installed base, and relatively broad next gen security portfolio to capture incremental wallet share. Hedge Fund ownership rose 6.5% in the latest quarterly filings, Viking Global with a new position. On the chart PANW shares on a strong run since a key range breakout in November, and more recently a flag breakout at \$374 that has a measured move target to \$475. On weakness PANW support levels are \$387, \$377 and \$364. PANW options are pricing in a 6% move on earnings and 30-day IV Skew at 0 compares to the +0.7 52-week average. PANW has not seen a lot of positioning, the January 2023 \$400 puts sold to open 1300X, and seen a lot of longer-dated buy-writes.

Trade to Consider: Sell the **PANW** March \$420/\$430 Call Spread for \$2.65 Credit



**Square (SQ)** will announce earnings 2/23 after the close with the Street view at \$0.24 EPS and \$3.09B in Revenues (+289.5%), and Q/1FY21 seen at \$0.20/\$3.07B and \$1.15/\$12.96B. SQ shares have closed higher the last five reports with a six quarter average max move of 11.96%. The \$122B payments company currently trades 9.6X FY21 EV/Sales with revenues seen rising 37.5% in 2021 and EBITDA seen up 59%. SQ's Cash App has been a major success and continues to add users at a rapid pace while offering the ability to participate in Bitcoin. SQ will be able to monetize its growing user based while the Merchant business will face easy comps in 2021 and the company has global growth as a priority that will continue to fuel its expansion. The addition of Credit Karma Tax was a smart move and tax refund season should drive strong trends. Analysts have an average target of \$230 with short interest elevated at 8.6% of the float rising 11% Q/Q. Evercore ISI out last week pounding the table expecting a strong beat to expectations and has a \$304 target. Deutsche Bank raised its target to \$330 as a top recovery play in 2021 with stimulus, improving volumes, and ramping services while operating leverage improves. Hedge Fund ownership fell 1.75% in the latest quarterly filings, Ark Investment adding to its position as did Whale Rock while Lone Pine reduced. On the chart SQ shares recently hitting a new high with the flag breakout on the weekly at \$242. On weakness SQ has support at \$259 and \$242 levels. SQ options are pricing in a 7.2% earnings move with 30-day IV Skew bullish inverted at -2% and comparing to a +1.8% 52-week average. On 2/19 the June \$340 calls were bought 1250X, the April \$270 calls recently with size buys, 1000 June \$420 calls bought 2/17, and March \$260 size calls bought 2/4 with over 9500 now in OI.

Trade to Consider: Long the **SQ** February 26<sup>th</sup> (W) \$280/\$300/\$320 Call Butterfly at \$3.15 Debit



**NVIDIA (NVDA)** will announce results 2/24 after the close with the Street expecting \$2.80 EPS and \$4.82B in Revenues (+55.2%) and Q1/FY21 seen at \$2.53/\$4.51B and \$11.69/\$19.88B. NVDA shares have closed higher its last four reports with a six quarter average max move of 5%. The \$367B Semi trades 51X Earnings, 95.5X FCF and 22X EV/Sales with revenues seen rising 51% in 2021 and 20.5% in 2022. NVDA will certainly post strong numbers with strength in gaming, crypto-mining, cloud/data-center and automotive but enters the FY22 with tough comps and peak valuation. NVDA is also looking to gain approval for its transformational acquisition of ARM Holdings. Analysts have an average target of \$600 and short interest is low at 1.1% of the float. OpCo last week raised its target to \$700 expecting a strong beat. Barclays raised its target to \$600 seeing a beat and raise though valuation is uncomfortable. Truist raised its target to \$672 citing its opportunity in parallel compute applications like server acceleration / AI, gaming, and eventually autonomous driving. Hedge Fund ownership rose 0.5% in the latest quarterly filings, Edgewood adding to an already large position. On the chart NVDA recently broke out of a long consolidation pattern and last week consolidated the recent push. NVDA's weekly MACD is crossing bullish and the move looks to have more room to the upside with \$627 an initial extension target. Shares likely find support at \$560 on a negative reaction. NVDA options are pricing in a 4.25% move on earnings with 30-day IV Skew at +0.9 comparing to the +3.7 52-week average. NVDA recent flows include buys of 1000 March \$535 calls, 1500 April \$590 calls and opening sales in April \$550/\$545 bull put spreads. NVDA also with a massive 2000 January \$490 call position opening 2/10, and still size September \$450 calls in OI from 12/30 buys as well as June \$700 calls bought 2500X on 10/26.

Trade to Consider: Long the **NVDA** April/June \$700 Call Calendar Spread at \$18.35 Debit



**Salesforce (CRM)** will report results 2/25 after the close with the Street consensus at \$0.75 EPS and \$5.68B in Revenues (+17%) and Q1/FY22 seen at \$0.76/\$5.72B and \$3.50/\$25.41B. CRM shares have closed lower four of its last five reports with a six quarter average max move of 10%. The \$227B digital transformation leader trades 70.4X Earnings, 63.65X FCF and 10.4X EV/Sales with revenues seen rising 23.5% in 2021 and 20.3% in 2022. CRM shares have been recovering recently after selling off following its large acquisition of Slack. CRM is a top beneficiary of Digital Transformation which is accelerating and capturing more spending. It estimates its addressable markets at \$168B across Sales, Platform, Service, Marketing, Analytics, Commerce, and Integration segments. It operates in large and growing industries that are still very low penetration, specifically Financial Services, Communications/Media, Manufacturing, Retail, Healthcare & Life Sciences, Public Sector, and Travel/Hospitality. Analysts have an average target of \$275 with short interest at 3% of the float. Mizuho last week raising its target to \$290 on healthy demand following channel checks. Goldman on 1/15 starting shares Buy with a \$315 target. BAML calling it a top pick in December with a \$275 target. Hedge Fund ownership fell nearly 5% in the latest quarterly filings, though Polen and Sustainable Growth added to large positions. On the chart CRM shares consolidation above its 8-MA after a recent move higher and the weekly starting to come out of a falling wedge while MACD triggering a bull crossover. Support is at \$235 and \$225 on weakness. CRM options are pricing in a 5.35% move on earnings and 30-day IV Skew is bullish inverted at -1.2% comparing to the +1.6% 52-week average. On 2/18 the March 5<sup>th</sup> (W) \$250 calls opened 2500X, on 2/17 August \$250 calls bought 1500X, the June \$340 calls bought 3000X on 2/2, July \$340 calls 1000X bought, and in early December size accumulation in September \$240 calls 9000X.

Trade to Consider: Long the **CRM** March \$240 Straddles at \$22 Debit



**Airbnb (ABNB)** will report its first report as a public company 2/25 after the close with the Street looking for (\$9.17) EPS and \$740M in Revenues (-33%) and Q1/FY21 seen at (\$1.21)/\$591.5M and (\$1.83)/\$4.49B. The \$119B leader in alternative accommodations trades 27X FY21 EV/Sales with revenues seen rising 37.5% in 2021 and 37% in 2022. Alternative accommodations and private rentals are still just a tiny fraction of a massive lodging industry and with my view that leisure travel rebounds more strongly than business travel, it puts ABNB in prime position to capture more market share. ABNB has not even tapped into a massive potential market of Experiences and it is also quietly expanding into Hotels with its deal for HotelTonight. Analysts have an average target of \$160 and short interest is around 11.5% of the float. On 2/9 HSBC started shares Buy with a \$220 target as a disruptor to the hotel industry and expanding to Asia noting investors are yet to fully appreciate its growth potential. Baird raised its target to \$195 on 1/29 citing Q4 stabilized trends despite some lockdowns. Jackson Square and Winslow Capital showed stakes in the latest quarterly filings. On the chart ABNB shares with a strong trend along the rising 21-day moving average since 2021 started and showed support last week. Below that \$195 support would be \$184 support as a retest of its flag breakout. ABNB has a fairly uniform rising channel pattern leaving upside room to \$230/\$235 on a positive report. ABNB options are pricing in a 6.75% earnings move with 30-day IV Skew bullish inverted at -1.4%. ABNB has seen mixed flows with some notable put buys in January 2022, though likely hedging long stock. ABNB also with 1000 June \$220/\$180 bull risk reversals opened on 2/9, 800 March \$230 calls bought 1/28, and 500 July \$165 short puts opened.

Trade to Consider: Long the **ABNB** Feb. 26<sup>th</sup> (W) \$200 Straddle at \$21.55 Debit



**Etsy (ETSY)** will report quarterly numbers 2/25 after the close with the Street expecting \$0.58 EPS and \$511.4M in Revenues (+89.4%) and Q1/FY21 seen at \$0.41/\$372.8M and \$2.18/\$1.82B. ETSY shares have closed lower 6 of its last 7 reports with a six quarter average max move of 11.6%. The \$28B online commerce company trades 105X Earnings, 55X FCF and 15.5X FY21 EV/Sales with revenues seen rising 12% in 2021 with tough comps following a 100% climb in 2020 and then back to 20%+ growth in 2022. ETSY also has a relatively untapped International expansion opportunity in sights. Analysts have an average target of \$200 with short interest at 5% of the float. BTIG raised its target to \$235 last week on positive checks and survey trends. Jefferies raised its target to \$245 citing strong traffic trends to the app in December and sees e-commerce consumption permanently increasing. Loop raised its target to \$240 seeing long-term GMV growth and increasing take rates. Hedge Fund ownership fell 16.7% in the latest filings, a name lacking any real notable fund concentrated positions. On the chart ETSY shares consolidation lately and a rising channel pattern in 2021 with the 21-day MA supportive. Resistance is near \$240 and a breakout can target a move to \$260 or higher while support levels at \$217, \$209 and \$203. ETSY options are pricing in an 8.1% move on earnings with 30-day IV Skew at +0.6% comparing to the +1.4% 52-week average. ETSY recently with March \$270/\$290 call spreads bought 4000X, the March \$190 short puts opened 4000X, the March \$250 calls with 6500X bought, Jan. 2023 \$230 calls with 2000X bought, March \$230 calls with over 11,000 in OI with many spread versus \$260, and 2000 Jan. 2023 \$230 calls also bought back on 12/17.

Trade to Consider: Long **ETSY** March \$230/\$260 Call Spreads at \$4.40 Debit



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