



SNAP, TXN, MSFT, TSLA, UNP

Snap (SNAP) will report results 7/21 after the close with the Street looking for (\$0.09) EPS and \$438M in Revenues (+12.9%) and FY20 seen at (\$0.18)/\$2.13B. SNAP shares have closed lower 6 of the last 9 reports but higher by more than 35% last quarter, a six quarter average max move of 19.37%. SNAP estimates see revenue growth of 24% in 2020 after 43% and 45% the prior two years and expects 38% growth in 2021 as advertising recovers. The \$36.35B Company has seen strong engagement numbers this year and seeing benefits from dynamic ads while also expanding its products and markets. SNAP currently trades 11.7X FY21 EV/Sales. 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 \$22 on shares and short interest back near a two-year low at 11% of the float. CSFB raised its target to \$28 last week ahead of results with early checks showing budget growth recovery. MKM raised its target to \$29 noting the pandemic has accelerated a shift towards digital commerce bringing more dollars to the industry and expects high user growth and engagement across platforms with better monetization rates in 2021. JPM raised its target to \$28 citing improving trends and visibility. Barclays raised its target to \$30 as checks are showing advertising improving each month. Hedge Fund ownership fell 25% in Q1 filings, Edgewood took a notable new stake as did Samlyn. On the chart SNAP shares have been riding its 21-day EMA higher since the April gap-higher, currently at \$23.60, and on weakness could target the rising 55 MA at \$20.75. An upside move would target recent highs near \$26.75 and room to new highs \$28.50 before hitting the trend extension. SNAP options are pricing in a 14.4% move on earnings and 30 day IV Skew at +0.1 compares to the +3 52-week average. SNAP has seen a lot of bullish positioning the last few months and July 31st (W) calls have large size in \$24.5, \$26 and \$27 call OI. SNAP had a buyer of 45,000 January 2022 \$35 calls back on 2/11 that remains in OI.

Trade to Consider: Long the **SNAP** July 31st (W) \$26/\$30 Call Spreads at \$0.90



Texas Instruments (TXN) will announce earnings 7/21 after the close with the Street view at \$0.87 EPS and \$2.94B in Revenues (-20%) and FY20 seen at \$4.11/\$12.5B. TXN shares have closed higher 5 of the last 6 reports with an average max move near 6%. The \$122.8B Semiconductor leader trades 27.3X Earnings, 8.7X Sales and 49X FCF with a 2.7% dividend yield. TXN forecasts see revenues down 13% in 2020 and EPS down 21.5% before recovering with 11.7% and 20% growth respectively in FY21. TXN estimates may be pessimistic considering the recent commentary from peers in the semiconductor space. TXN has 60% of revenues tied to Auto/Industrial markets which are seeing a recovery. TXN has been a strong FCF generator and the Analog/Embedded markets expect 6% growth CAGR longer-term and has reduced its share count by 46% since 2004. Analysts have an average target of \$124 and short interest low at 1.8% of the float. OpCo raised its target on TXN to \$150 last week expecting a bear & raise based on improving PMI metrics and peer commentary with auto likely troughing in Q2. Hedge Fund ownership rose 9% in Q1 filings. On the chart TXN shares are nearing a new high breakout within a multi-year rising channel pattern. On weakness support levels sit at \$130 and \$125. TXN options are pricing in a 4.75% earnings move with 30 day IV Skew at 0.9 which compares to the 3.8 52-week average. TXN saw 3000 August \$140 short straddles open last week, bullish Delta, while September \$130 calls been active with buyers and have over 9500 in OI from activity in June.

Trade to Consider: Long the **TXN** August/September \$140 Call Calendar Spreads at \$1.25 Debit



Microsoft (MSFT) will report results 7/22 after the close with the Street consensus at \$1.37 EPS and \$36.5B in Revenues (+8.2%) and Q1/FY21 seen at \$1.46/\$35.9B and \$6.23/\$156.65B. MSFT shares have closed higher 8 of its last 9 reports with a six quarter average max move of 3.1%. The \$1.54T Software leader trades 32.6X Earnings, 11.1X Sales and 54X FCF with a 1% yield. MSFT forecasts see 12.4% revenue growth and 20% EPS growth in 2020 and 10.7%/9.6% in 2021. MSFT is leveraged to a number of key secular growth trends and cloud spending remains robust, its Azure and Office 365 important drivers, while Teams an emerging product. We recently also saw solid PC growth numbers for June. MSFT likely is seeing some pull forward in spending as the digital transformation shift has accelerated due to COVID. MSFT also is on track to launch its new XBOX console later this year. Analysts have an average target of \$212 on shares with short interest very low at 0.6% of the float. BMO raised its target to \$235 last week expecting durable double-digit top-line growth and expanding operating/FCF margins in FY22 and beyond. Wedbush raised its target to \$260 recently citing strong cloud deal activity for Azure which it sees still in the early days of playing out with MSFT's massive installed base and Office 365 transitions as tailwinds. CSFB raised its target to \$225 expecting solid Q4 results and sees FY21 guidance and commentary as the key focus for the event. RBC raised its target to \$240 into results on strong checks and conservative expectations while FY21 could exceed expectations. Hedge Fund ownership rose 4.45% in Q1 filings. On the chart MSFT shares put in an ugly weekly candle last week and closed below its 21 EMA after being rejected at a 138.2% Fibonacci extension level that marked the recent high. A break of the \$200 level likely targets the rising 55 MA at \$192 though three month trend support and volume support sits near \$199. MSFT options are pricing in a 4.42% earnings move and 30 day IV Skew at +1.3 compares to the +5 52-week average. MSFT has seen a more mixed view in options sentiment since the start of July with some upside call sellers and put buyers At November \$185 and September \$205 strikes, although still has a ton of bullish open interest.

Trade to Consider: Sell the **MSFT** July 31st (W) \$215/\$220 Call Spreads and \$195/\$190 Put Spreads for Net \$2.35 Credit (Iron Condor)



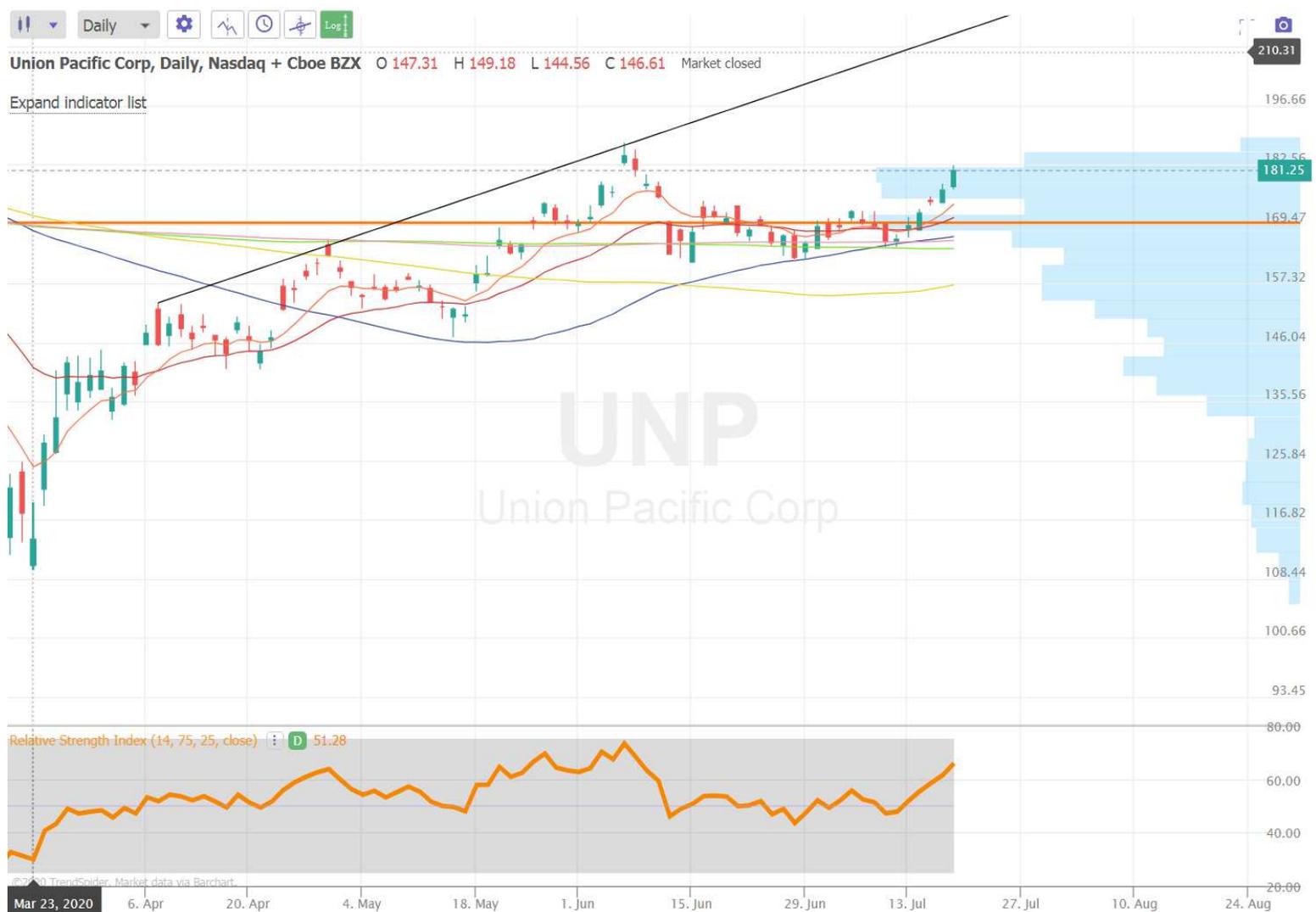
Tesla (TSLA) will release results 7/22 after the close with the Street looking for (\$0.11) EPS and \$5.23B in Revenues (-17.6%) and Q3/FY20 seen at \$1.67/\$7.4B and \$5.09/\$27.83B. TSLA shares have closed lower 4 of its last 6 reports with an average max move of 10.8%. The \$250B EV leader trades 7.5X FY21 EV/Sales with revenues seen rising 13% in 2020 after multiple disruptions while 2021 seen rising 36%. TSLA operating leverage also continues to rise with EPS seen more than tripling over the next three years. TSLA is a clear brand leader in EV and also has a strong opportunity in software. TSLA has seen a lot of factory closures due to COVID and the 500,000 2020 delivery guidance may still be achieved. TSLA sees 4M deliveries by 2025 and if customers start purchasing the full self-driving software it may be able to achieve mid-20% operating margins. Investors also have been discussing a potential S&P 500 inclusion as a catalyst and posting a surprise Q2 profit would trigger that possibility. Model 3 and Model Y deliveries contributed to an updated Q2 delivery number of 90,650 units in early July. Analysts have an average target of \$880 and short interest at 9.5% of the float is down 30% Q/Q and at a five-year low. CSFB raised its target to \$1400 last week and a blue-sky scenario of \$2300 on an increased volume outlook for 1.8M in 2025 vs. prior at 1.2M as TSLA expands capacity and a brighter overall EV outlook while margins can also improve. On 7/13 Roth upgraded shares on the potential opportunity in the Indian market. Wedbush recently with positive demand commentary for the China growth opportunity for TSLA as well. Baird cautious last week seeing TSLA not achieving GAAP profitability this quarter which would be a negative catalyst. Citi is negative TSLA with a \$450 target and sees the 2020 story hinging on 2H execution and outcomes. Piper out with a \$2,322 target last week citing the opportunity in software and margin upside. Hedge Fund ownership rose 2% in Q1 filings. On the chart TSLA shares with a recently parabolic rise and now pulled off highs after an ugly outside reversal day, sitting above its 8 day EMA into earnings week. Support levels at \$1465, a retest of the \$1415 breakout, \$1335, and below that a large volume pocket back to a retest of the \$1000 level. TSLA options are pricing in a 10.45% earnings move and 30 day IV Skew at -5.6 compares to the +4.4 52-week average, bullish inversion. TSLA sees a crazy amount of options activity daily and since December 2019 we have been noting a strong bullish bias in size trades which for the most part has continued. TSLA saw rolls to 2000 each of the July 24th (W) \$1300 and \$1305 calls last week and has 1000 of the Aug. 14th (W) \$1640 calls in OI. One of the most massive positions are the 3000 September \$1500 calls bought for \$10M on 6/29 and worth considerably more right now and 2000 January \$960 calls bought for \$43M on 6/19. TSLA battery day is set for 9-22-2020 which falls outside of September expiry. TSLA has 2000 September \$1710/\$1700/\$760/\$750 Iron Condors in OI from a trade 7/6.

Trade to Consider: Long the **TSLA** September/October \$1700 Calendar Call Spread at \$45.50



Union Pacific (UNP) will post earnings 7/23 before the open with the Street expecting \$1.56 EPS and \$4.37B in Revenues (-22%) with Q3/FY20 seen at \$1.88/\$4.81B and \$7.61/\$19.34B. UNP shares have closed higher each of its last 7 reports with an average max move of 4.8%. The \$122.7B rail leader trades 20X Earnings, 13.4X FY21 EBITDA and 46X FCF with a 2.14% yield. UNP expects revenues down 11% and EPS down 9% in a challenging 2020 but FY21 forecasts at 8% revenue growth and 19% EPS growth. UNP has been a precision rail story with its operating ratio hitting a record of 59 in Q1. At the DBAB Conference in early June it noted the tough Q2 trends with volumes running -22% but as the economy turns UNP is in better shape than ever with its operating cost cuts and strong pricing. The KSU CEO recently noted a strong rebound in trends recently. Analysts have an average target near \$180 with short interest at a five-year low of 0.6% of the float, down 55% Q/Q. Barclays raised its target to \$165 recently noting fundamentals remain challenges and likely to see lower 2021 estimate revisions with structural challenges in a few verticals. On 6/25 Benchmark increased its target to \$185 seeing it better positioned to withstand economic shocks and benefitting from companies bringing supply chains back to N.A. Hedge Fund ownership rose 1.5% in Q1 filings, Soroban Capital a very large position and Egerton also a top holder. On the chart UNP shares with a strong bounce last week back near 2019 and 2020 resistance. The \$172 level should be supportive on weakness as a retest of the recent base breakout, while plenty of upside potential on a move past \$186. UNP options are pricing in a 4.75% earnings move and 30 day IV Skew at +1.4 compares to the +4 52-week average. UNP has recently seen 6500 November \$175 calls open in size buys and still has size in September \$175 and \$190 call buys from early June.

Trade to Consider: Sell the **UNP** November \$165/\$160 Put Spreads for \$2.15 Credit (Bull Put Spread)



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