



## Earnings Snapshots 7/27/2020

SHOP, SPOT, FB, PYPL, QCOM, NOW,  
AAPL, AMZN, GOOG

**Shopify (SHOP)** will report results 7/29 before the open with the Street looking for \$0.00 EPS and \$508.6M in Revenues (+40.5%), and FY20 seen at \$0.55/\$2.18B. SHOP shares have closed higher 6 of its last 7 reports with an average max move of 10.6%. The \$109B provider of a cloud commerce solution for small and medium-sized businesses trades 36X FY21 EV/Sales as one of the fastest revenue growth names in the market and saw a boost from an accelerated secular migration to e-commerce for businesses given social distancing measures. One risk this quarter is many companies are citing pull-forward demand and guiding more conservatively for 2H in these industries. Google recently unveiled new shopping features that included SHOP, PYPL. Analysts have an average target of \$875 and short interest low at 1.9% of the float, down 50% Q/Q. Citi recently started SHOP Neutral with a \$998 target, noting “while top-line drivers and trends are undeniably attractive with shelter in place fueling e-commerce demand, firm believes shares leave little room for upside at 38x revenue, which they calculate embeds 32% organic 10-yr CAGR”. Argus recently started SHOP at Buy with a \$1050 target. RBC raised their target to \$1000 seeing the market underappreciating TAM, take-rate potential, and operating margin potential. KeyBanc raised its target to \$1125 noting some deceleration in year-over-year growth in June compared to April/May but believes June data is far above historical levels and investor expectations. Hedge Fund ownership fell 7.7% in Q1 filings, Whale Rock a top holder that added to its position. On the chart SHOP pulled back with growth Tech last week and held firm at the 23.6% retracement and 8 week EMA level. Levels of note below last week’s low are the 55 MA at \$851, a 38.2% retracement at \$784, and the 21 week EMA near \$752. A move above \$980 resistance leaves room for a move to new highs. SHOP options are pricing in a 6.95% move on earnings with 30 day IV Skew at 2.6 which compares to the 3.7 52-week average. SHOP saw bullish action into declines last week including an \$8.5M buy of Oct. \$820 calls and \$4.5M sale of Oct. \$800 puts. An interesting trade on 7/9 bought 1750 of the Jan. \$1000/\$1200 call spreads and sold the \$820 puts. There is a large position of 1000 Oct. \$750 calls in OI as well.

Trade to Consider: Sell the **SHOP** October \$840/\$830 Put Spreads for a \$4.10 Credit (Bull Put Spreads)



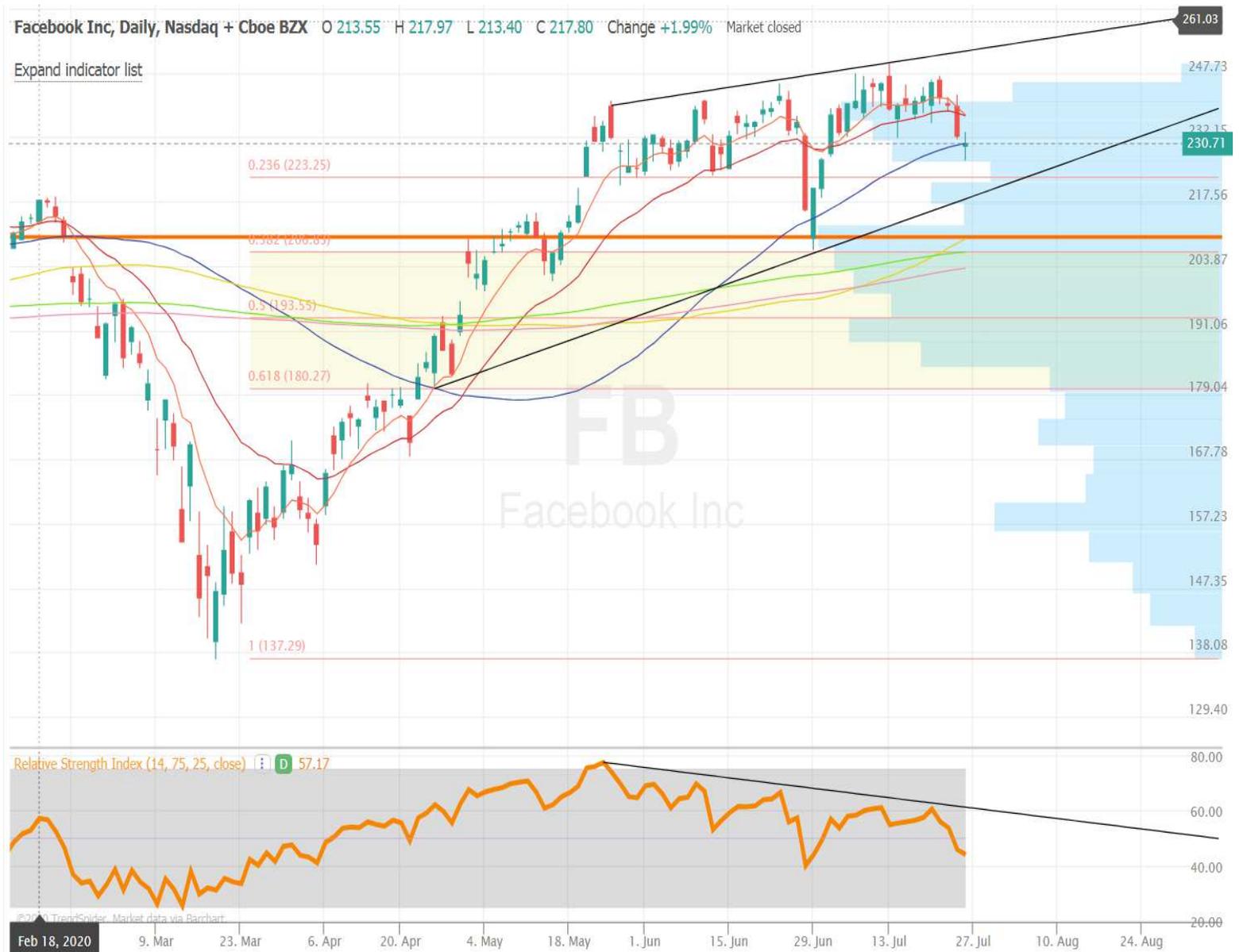
**Spotify (SPOT)** will announce quarterly earnings 7/29 before the open with the Street expecting (\$0.40) EPS and \$2.12B in Revenues (+13.3%) and FY20 seen at (\$1.29)/\$9.24B. SPOT shares have closed higher 2 of its last 3 reports after being lower the prior 4, an average 6 quarter max move of 10%. The \$50B streaming media leader trades 4.4X FY21 EV/Sales with revenue growth seen around 22% for 2020 and 2021. SPOT has been focusing on the growing podcasting industry and also exploring the vast potential for advertising revenues. SPOT investors tend to focus on a number of quarterly metrics such as engagement, ARPU and churn. Analysts have an average target of \$235 and short interest is low at 3.3% of the float. UBS cut shares to Sell recently not seeing material upside with valuation multiples high. Bernstein cut to Underperform not seeing much earnings generation from its big moves into Podcasts. Citi started shares Neutral at a \$270 target seeing streaming growth moderating. CSFB upped its target to \$215 seeing the Street expecting 6M net additions and 166M ad-supported MAU. SunTrust took its target up to \$290 expecting solid Q2 numbers based on downloads data and sees a positive outlook with recent partnership and expansion news. BAML took its target to \$357 seeing it an economic company in the early stage with optionality from initiatives such as its enhanced podcast efforts, scaling advertising platform, and two-sided marketplace. Hedge Fund ownership was flat in Q1 filings, Tencent with a \$2B stake. On the chart SPOT shares pulled back with growth Tech but put in a reversal candle on Friday. Shares have been on a vertical, unsustainable run, but held the rising 21 MA on a closing basis. Shares are in a rising wedge with bearish RSI divergence, and a break of last week's low can see shares dip back to the 55 MA at \$217. SPOT options are pricing in an earnings move of 7.4% with 30 day IV Skew at -1.7% compared to the +2% 52-week average. SPOT recently saw 1000 January 2022 \$330 calls bought, size bullish long-term view. SPOT as 1200 of the weekly \$265 calls bought in OI. SPOT had 700 Oct \$200 calls bought on 5/22 still in OI and Oct \$280 and \$320 calls each have over 1000X in OI.

Trade to Consider: Long the **SPOT** July 31<sup>st</sup> (W) \$275/\$300/\$325 Call Butterfly Spreads at \$4 Debit



**Facebook (FB)** will report earnings 7/29 after the close with the Street consensus at \$1.39 EPS and \$17.4B in Revenues (+3%) and FY20 seen at \$7.30/\$77.6B. FB shares have closed higher 5 of its last 7 reports with a six quarter average max move of 7.9%. The \$663B social media leader trades 23.6X Earnings and 28.6X FCF with a ton of cash and no debt. FB forecasts see revenue growth slowing to 9.8% this year and re-accelerating to 25% next year with advertisers cutting back during the lockdowns. FB has been facing plenty of negativity in the news with advertisers pulling from the platform but continues to be a leading way to play the digital ad secular trend and its Instagram product remains robust with engagement metrics. Analysts have an average target of \$255 and short interest is low at 1.3% of the float. CSFB raised its target to a Street high \$305. Baird noted the Facebook boycott impact is modest and has a \$300 target on shares. JPM raised its target to \$290 seeing online ad spend trends bottoming in April and improving since. Hedge Fund ownership rose 4.4% in Q1 filings. On the chart FB shares have been in a rather narrow sideways pattern the last two months, needing to clear \$245 for a breakout move. Shares dipped last week and sit near the rising 55 MA and volume support held at \$227. The \$220 and \$213 levels are next support and a name also exhibiting bearish RSI divergence on the daily. FB options are pricing in a 5.75% move on earnings and 30 day IV Skew at +4.4 compares to the +5.2 52-week average. FB has seen some size call buys into weakness recently with October \$240, October \$300 and November \$280 calls while August \$230 and \$240 OI also accumulating. A \$47M buy of June 2021 \$230 calls on 6/12 stands out.

Trade to Consider: Long the **FB August/September \$255 Call Calendar Spreads \$2.20 Debit**



**PayPal (PYPL)** will announce its earnings 7/29 after the close with the Street estimate at \$0.88 EPS and \$4.98B in Revenues (+15.7%) and FY20 seen at \$3.38/\$20.33B. PYPL shares have closed higher 4 of its last 5 reports and a six quarter average max move of 7.6%. The \$204B online payments leader trades 41.4X Earnings, 8.4X FY21 EV/Sales and 47X FCF. PYPL estimates see 14.4% revenue growth in 2020 and 17.5% for FY21. PYPL utilization rates at leading e-commerce sits continues to grow with the accelerating e-commerce trends. Google recently unveiled new shopping features that included SHOP, PYPL. Analysts have an average target of \$185 and short interest is low at 1.3% of the float. BAML raised its target to a Street High \$215 seeing significant upside to TPV on shifting consumer spending behaviors with Q2 ecommerce spending rising 79% Y/Y. Piper recently started shares Overweight as best-positioned to take advantage of consumer spending shifts. Wells Fargo moved its target to \$200 as positioned to drive strong growth in branded checkout volume medium-term given an influx of new consumer accounts, increased engagement, and the movement of small and mid-sized businesses online. MSCO raised its target to \$206 and Barclays to \$210. Hedge Fund ownership fell 0.76% in Q1 filings, Edgewood with a 5.5% position. On the chart PYPL has been in a sideways holding pattern for a few weeks, pulling back some last week to July OpEx value support and bouncing. A move under last week's low targets the 55 MA at \$162 and then \$155 supportive. A move above \$181 can start a strong move to \$200. PYPL options are pricing in a 6% earnings move and 30 day IV Skew at +4.6 compares to the +3.3 52-week average. PYPL as notable July 31<sup>st</sup> (W) calls bought in OI at \$175, \$177.5 and \$180 strikes. It has seen some buy-writes and call sales at \$210 strikes seeing that as a cap for shares.

Trade to Consider: Long the **PYPL** July 31<sup>st</sup> (W) \$175/\$180 Call Spreads \$1.95 Debit



**Qualcomm (QCOM)** will report quarterly numbers 7/29 after the close with the Street view at \$0.71 EPS and \$4.8B in Revenues (-2.6%) and FY20 seen at \$3.69/\$20.85B. QCOM shares have closed lower 5 of its last 7 reports with a six quarter average max move of 5.07%. The \$101B Semi trades 15X Earnings, 23.7X FCF and 5X Sales with forecasts of 6.5% revenue growth this year and 28% growth in FY21. QCOM should benefit from improving smartphone demand in 2H20 and continues to be a top 5G play. Analysts have an average target of \$95 and short interest is low at 1.4% of the float. On 7/13 Citi with a pairs trade of long QCOM and short INTC seeing higher ASPs, share gains at AAPL, unit growth from the 5G upgrade cycle, and higher margins and royalties. Morgan Stanley upgraded to Overweight with a \$102 target seeing improving smartphone demand and rising ASPs from 5G phones, and the elimination of HiSilicon, a major Chinese competitor, providing a tailwind. SIG raised its target to \$105 on the RF opportunity. Rosenblatt started Buy in June with a \$105 target noting QCOM is on the cusp of its next growth phase. Hedge Fund ownership fell 4.7% in Q1 filings, Matrix Capital a notable concentrated position. On the chart QCOM pulled back to 3-month VPOC last week and held, also just above its rising 55 MA and in a choppy range the last few weeks and recently stalling under early 2020 highs. A move above \$93 would target a range break move to \$100. QCOM options are pricing in a 4.2% earnings move and 30 day IV Skew at +2.2 compares to the +2.5 52-average. QCOM has some smaller bull positions in July 31<sup>st</sup> (W) and Aug. 7<sup>th</sup> (W) expirations, and October contains a lot of its call OI.

Trade to Consider: Sell the **QCOM** August \$90 Straddle to Open \$7.85 Credit



**Service-Now (NOW)** will announce results 7/29 after the close with the Street view at \$1.01 EPS and \$1.05B in Revenues (+25.8%), and FY20 seen at \$4.23/\$4.35B. NOW shares have closed higher 18 of its last 20 reports with an average 6 quarter max move of 11.06%. The \$82B SaaS leader trades 14.7X FY21 EV/Sales with forecasts calling for 25.7% revenue growth in 2020 and 25% growth in 2021, a software name with one of the most compelling profitability profiles. NOW has proven to be a key business continuity tool during the COVID-19 crisis and is now solidifying itself as a key tool to enable remote employees to eventually return to work. Analysts have an average target of \$425 on shares and short interest at 3.4% of the float has fallen 14% Q/Q. OTR Global cut shares to Mixed on 7-16 on checks showing fewer partners met or exceeded Q2 deal-closures. On 6/23 Jefferies raised its target to a Street high of \$465 on positive checks and feedback and sees the business performing well. SunTrust raised its target to \$450 noting NOW has become a necessity and taken center stage in the global transition to work-from-home and digital transformation. Goldman upped its target to \$538 and RBC to \$500 as industry discussions suggest that the company is positioned as a beneficiary of remote work trends in the near and longer term, with sequential demand improvement driven by its IT product portfolio. Hedge Fund ownership fell 1.6% in Q1 filings, top holders Polen Capital and Jackson Square added to positions. On the chart NOW has been a strong name and pulled back mildly last week to the rising 21 EMA. It has broader trend and 55 MA support down at \$398. NOW options are pricing in a 6.05% move on earnings and 30 day IV Skew at +0.8 compares to the +3.4 52-week average. NOW last week with 425 November \$450 ITM puts sold to open and see buys in November and January \$500 and \$520 calls. The November \$400 and \$410 calls with 625X and 1060X bought in OI.

Trade to Consider: Sell the **NOW** November \$400/\$390 Put Spreads for \$4.30 Credit (Bull Put Spread)



**Apple (AAPL)** earnings are scheduled for 7/30 after the close with the Street anticipating \$2.03 EPS and \$51.89B in Revenues (-3.6%) and FY20 seen at \$12.42/\$264.06B. AAPL shares have closed higher 7 of the last 9 reports with a six quarter average max move of 4.85%. The \$1.6B trillion Tech leader trades 24.75X Earnings, 6X Sales and 30.6X FCF with a 0.89% yield. AAPL estimates expect minimal growth in 2020 due to COVID but 2021 seen at 12.7% revenues growth and 20.5% EPS growth. AAPL continues to have a strong balance sheet with a lot of optionality and the past year story has been the strength in Services leading to a better margin profile. Analysts have an average target of \$370 and short interest low at 0.8% of the float. AAPL's iPhone event is scheduled for 9-8-2020. Canaccord raised its target to \$444 seeing an earnings recovery as 5G phones ramp, installed base of users grow and ecosystem services and adjacent hardware sales benefit. Needham on 7-15 took its target to a Street high \$450 citing "a) LTV upside is being driven by Services and Wearables which enhance AAPL ecosystem lock-in plus add to revenue per user; b) AAPL's strong BS, FCF, and share repurchases moderate investor risk; c) AAPL's platform aggregates 950mm of the wealthiest consumers globally; and d) AAPL is on the correct side of privacy regulators." Wells Fargo raised its target to \$420 noting that 2H20 estimates may be too optimistic, but shares remain attractively valued. Goldman last week called the rally in shares unsustainable and recommended avoiding shares seeing estimates too optimistic. MSCO sees AAPL set up for a beat with services growth accelerating a key driver and sees plenty of smartphone upgrades in the next six months. On 7/13 KeyBanc data showed a strong recovery in iPhone sales. Hedge Fund ownership jumped 5% in Q1 filings. On the chart AAPL shares pulled back last week but put in a strong reversal candle Friday right above the 23.6% retracement. A move under that low targets the 55 MA at \$347, and below that a retest of value near \$330. AAPL options are pricing in a 3.45% earnings move and 30 day IV Skew at +3.5 compares to the +6.3 52-week average. AAPL has seen strong bullish positioning in September 2021 \$540 and \$560 OTM calls, on 7/13 September \$420/\$445 call spreads bought 6000X, while sellers in Dec \$400 and \$420 calls see that as year-end call-away targets.

Trade to Consider: Long the **AAPL** August/September \$400 Call Calendar Spreads at \$3.50 Debit



**Amazon (AMZN)** will report its quarterly results 7/30 after the close with the Street looking for \$1.37 EPS and \$81.3B in Revenues (+28%) and FY20 seen at \$18.82/\$349.1B. AMZN shares have closed lower 5 of its last 7 reports, a six quarter average max move of 5.68%. The \$1.5T e-commerce and cloud leader trades 80X Earnings, 5X Sales and 77X FCF with forecasts of 24.5% revenue growth in 2020 and 2021 seen at 18% revenue growth and 100% EPS growth. AMZN estimates have been rising into the quarter due to the accelerated shift to online commerce while cloud computing has also seen strength. Analysts have an average target of \$3055 and short interest low at 0.9% of the float. CSFB upped its target to \$3400 and sees e-commerce segment operating margin expansion as it grows into its larger infrastructure, with optionality for faster-than-expected free cash flow growth vis-a-vis its advertising segment. MSCO took its target to \$3450 on AMZN shares, bullish about international e-commerce trends. Hedge Fund ownership jumped 9.3% in Q1 filings. On the chart AMZN pulled back but closed with a bounce Friday and above its 21 MA, still below the 8 MA. A move under that low puts the 55 MA at \$2690 which aligns with a 38.2% retracement as a key support. AMZN options are pricing in a 5.56% earnings move and 30 day IV Skew at -1.5 compares to the +2.9 52-week average, bullish inversion. AMZN had size buys in July 31<sup>st</sup> (W) \$2900 and \$2920 calls on Friday and see bullish longer dated action.

Trade to Consider: Long **AMZN** September \$3100/\$3300 Call Spreads for \$62.50



**Google (GOOG)** will announce its numbers 7/30 after the close with the Street consensus at \$8.37 EPS and \$37.36B in Revenues (-4.1%) and FY20 seen at \$41.96/\$169.44B. GOOG shares have closed lower 6 of its last 10 quarters and an average six quarter max move of 6.45%. The \$1.03T internet leader trades 27.5X Earnings and 6.2X Sales with revenue growth seen collapsing to 4.7% in 2020 and rebounding to 20.7% in FY21. Google has a lot of moving parts and its core business of Search likely could see some near-term headwinds though Google Cloud and YouTube likely to see strong momentum continue. Analysts have an average target of \$1600 and short interest low at 0.8% of the float. Mizuho raised its target to \$1750 noting Google search spending growth bottomed in March and improved in Q2 on a monthly basis, due to increased activity from advertisers of discretionary products and higher consumer demand from the government stimulus payment. CSFB raised its target to \$1850 indicating that in Q2, auto, pharma, consumer electronics/hardware, financial services, and CPG fared worse than his expectations while entertainment/media, dining/QSRs, retail, and travel declined less severely than he had feared. JPM took its target up to \$1700 on improving trends since April. Hedge Fund ownership rose modestly in Q1 filings. On the chart GOOG pulled back to the rising 21 MA last week though stronger support back near the 55 MA and value at \$1445. Like many Tech names the recent chart is sloppy with overhead resistance and some ugly candles near recent highs. GOOG options are pricing in a 4.35% move on earnings and 30 day IV Skew at +2.9 compares to the +4.5 52-week average. GOOG has seen mixed flows, the August \$1500 synthetic long in OI 1500X. The GOOGL line opened August \$1620/\$1700 call ratio spreads 2000X4000.

Trade to Consider: Long the **GOOG** July 31<sup>st</sup> (W) \$1540/\$1560 Call Spreads \$6.85



**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. (Owner of Operation Earnings) 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.