Earnings Snapshots 8/2/2020

ATVI, TWLO, DIS, ROKU, SQ

Activision (ATVI) will report earnings 8/4 after the close with the Street looking for $0.69 EPS and $1.7B in Revenues (+21.5%), and FY20 seen at $2.79/$7.22B. ATVI shares have closed higher the last two reports after being lower 5 of the prior 6, a six quarter average max move of 6.2%.The $63.35B videogame maker trades 27.15X Earnings, 9.8X Sales and 44.9X FCF with a strong balance sheet and 0.5% dividend yield. ATVI has been a beneficiary of stay-at-home with videogame engagement very strong and seen growing revenues 11% this year with 24% EPS growth. ATVI has a wealth of assets including top franchises, their leading esports league, and top digital games through the King acquisition. Analysts have an average target of $84 on shares and short interest low at 1.4% of the float. Piper out positive recently noting strong metrics from Twitch engagement readings for ATVI titles. Needham with a $90 target recently, The firm is positive on the long-term impact from theater closings and live sports being off-air as it greatly expands their TAM and should help their newly launched pro league for Call of Duty. Benchmark raised its target to $85 in late June expecting a beat and raise, benefiting from the Call of Duty full spectrum digital ecosystem; global, frontline, in-game, mobile, advertising and esports. Berenberg raised its target to $88. KeyBanc raised its target to $90 on 7/23 citing strong ongoing trends and significant momentum in core franchises that should persist into the new console cycle. Hedge Fund ownership raised 3.23% in Q1 filings, Jericho Capital with a concentrated position while Findlay Park took a new large position. On the chart ATVI shares in a very strong trend since March and the rising 21 MA been supportive on dips, shares working out of another consolidation flag last week to new highs. ATVI shares are bumping up against potential trend resistance off prior key highs. Support levels at $80 and $76.50, the latter a nice entry level. The recent range break measures to $86 upside. ATVI options are pricing in a 6.7% earnings move and 30 day IV Skew at '-0.4 compares to the +1.3 52-week average, bullish inversion. ATVI has a ton of open interest, and been firmly bullish in near-term Aug. 7th (W) calls as well as August regular expiration and January, though November $80 calls have seen 7500 sold to open and Aug. $85 with 8000 sold to open, so upside likely limited.

Trade to Consider: Sell the **ATVI** August $90/$87/$80/$77 Iron Condor for $1.90 Credit

Twilio (TWLO) will announce earnings 8/4 after the close with the Street consensus at ($0.09) EPS and $368M in Revenues (+33.9%) and FY20 seen at (0.09)/$1.52B. TWLO shares jumped 39.6% on earnings last quarter after being lower the previous 5 reports, a six quarter average max move of 14.1%. The $40B cloud communication platform company trades 19.7X FY21 EV/Sales with revenues seen rising 34% in 2020 after 74.5% growth last year. TWLO is the leading CPaaS brand with a strong developer-first culture and reputation for innovation and is expanding its TAM towards traditional enterprises and international growth opportunities. Levered to digital transformation growth, which is experiencing accelerating growth trends due to increased work-from-home tailwinds and continuing to invest in key areas across R&D and go-to-market, Twilio has a long runway of growth. One of the key drivers of growth for CPaaS adoption is the expansion of use cases through offerings beyond the core voice, text and email APIs. Initially catering to digital-native companies looking to embed these core functions, CPaaS offerings are now extending to modular solutions like contact center, authentication, and payments, better meeting the needs of not only digital-native companies but also traditional, less tech-savvy enterprises like Nike, Goldman Sachs and Nordstrom, and thereby expanding CPaaS adoption across the old and new sectors of the economy. TWLO has a TAM estimated near $100B. Analysts have an average target of $240 with short interest at 9.3% of the float, down 36.5% Q/Q. MSCO raised its target to $240 on 7/20 noting upside catalysts to come in the second half of the year, citing the company's analyst day, contact tracing and telehealth wins, and expectation that additional disclosures around the company's Applications business. Cowen raised its target to $260 noting TWLO remains very early in a big growth cycle and checks on the quarter remain very bullish. Wells Fargo upped its target to $250 seeing second half of the year comps ease, holiday/election cycle tailwinds take shape, and the world of communications steps through a significant transformation. Hedge Fund ownership rose 13% in Q1 filings, FoxHaven with a large concentrated position and Jackson Square with a new position. On the chart TWLO shares have continued to drift higher since last quarter's big earnings gap and broke to new highs last week, the 21 MA been supportive on pullbacks. The current channel limits upside potential while downside seen at the 21 MA and channel support level near $245. The measured move target of the latest breakout is $310. TWLO options are pricing in a 7.75% earnings move and 30 day IV Skew at '-0.6 compares to the +1.7 52-week average, bullish inversion. TWLO has a large October $210 call position in OI with over 8000X, the Oct. $250 calls been used in buy-writes 1500X, Jan. $290 calls with 1600X bought, and 500 weekly $250 calls bought in OI.

Trade to Consider: Long the **TWLO** August/October $300 Calendar Call Spreads at $10 Debit

Disney (DIS) will reports results 8/4 after the close and the Street view at ($0.64) EPS and $12.39B in Revenues (-38.8%), and FY20 forecasted at $1.33/$66.7B. DIS shares have closed lower 8 of its last 10 reports with a six quarter average max move of 3.94%. The $212B media and entertainment company trades 39.25X Earnings, 2.7X Sales and 34.5X FY20 EBITDA. DIS has faced major headwinds due to COVID including park closures, film delays and the shutdown of sporting events for its key cable business. DIS has seen major success from the launch of its Disney+ streaming platform. The current forecast sees 2021 bouncing back with 11.9% revenue growth and 120% EPS growth. Moving forward DIS should benefit from a number of catalysts including 1) theme park re-openings, (2) a resumption of feature film releases, (3) the return of live professional sports, (4) new theme park attraction openings, (5) a ramping film slate, (6) ongoing Twenty First Century Fox (TFCF) synergy realization and (7) direct-to-consumer (DTC) momentum. Analysts have an average target of $123 and short interest low at 1.4% of the float. Cowen downgraded shares on 7/16 noting the spread of COVID accelerating resulting into a prolonged impact to DIS businesses. Goldman started shares Buy on 7/13 with a $137 target, believes Disney is well positioned to pivot into direct to consumer video models and that consensus estimates underestimate the profitability of Disney+. JPM with a $135 target out on 7/10 with increased conviction on DIS returning to health. Hedge Fund ownership rose 2.3% in Q1 filings. On the chart DIS shares have traded in a sideways range since June, a move above $119.50 would open up a move to the 200 MA at $124.35. DIS should have fairly solid report in the $110-$113 range. DIS options are pricing in a 3.45% earnings move with 30 day IV Skew at +3.6 versus the +4 52-week average. DIS has exposure in January 2021 short puts at $120 and $130 strikes, while Jan. 2022 120 calls with 4500X in OI from buys. The Sep $110 and $115 calls have also seen some size buys that remain in OI while August and September $125 strikes seen call sales.

Trade to Consider: Long the **DIS** August $120/$125/$130 Butterfly Call Spreads at $0.85 Debit

Roku (ROKU) will announce quarterly results 8/5 after the close with the Street expecting ($0.51) EPS and $312.5M in Revenues (+25%) and FY20 seen at ($1.71)/$1.49B. ROKU shares have closed lower its last three reports after being higher the prior three, a six quarter average max move of 18.77%. The $18.6B provider of a leading integrated streaming platform trades 9.1X FY21 EV/Sales with revenues growing 52% last year and seen rising 32% in 2020. ROKU is likely to benefit from the surge in streaming media activity as well as a number of new platform launches and is capturing an advertising opportunity in a massive and growing market. ROKU also has a big International opportunity yet to be much of a contributor to date. ROKU spoke at a BAML Conference in June commenting on monetization trends noting some negatives with reduced ad budgets at marketers but also a positive offset from the continued transition away from Linear TV. It noted "Streaming hours in April were up 80% year-over-year. That was driven by a 30% increase in the streaming hours per active account, which is very significant." Analysts have an average target of $137 and short interest is 12% of the float, down 16% Q/Q. On 7/28 MSCO noted that rising tensions with content publishers does highlight potential risk to ROKU's longer term earnings power. Needham noted on 6/18 it expects hours streamed for Q2 +46% Y/Y and Active Accounts +39% but weakness in large digital ad categories such as auto, entertainment and travel will slow its ad revenue growth. Moffett-Nathanson starting shares Neutral on 7/20 cautious that Roku is a small company dealing with "the world's largest tech and media players, who may not be willing to grant them the oxygen they need to flourish over time. Roku also faces competition with Best Buy recently advertising new Android-powered TCL Smart TVs. Hedge Fund ownership rose 5% in Q1 filings, ARK Investment adding to its position. On the chart ROKU shares are setting up with a nice flag just under its 2019 record highs. Upside targets out of this pattern include a 138.2% Fibonacci extension of the COVID correction at $186.50 while $175 potential trend resistance. The $146 level is initial support though shares likely react stronger and $132/$135 zone a better support zone on weakness. ROKU options are pricing in a 10.75% earnings move with 30 day IV Skew at +0.5 comparing to the +2.4 52-week average. ROKU August $150 calls have 5750X in OI from buyer flow including 2000 synthetic long positions, and a September $105 call buy 1000X now worth over $5M remains in OI. ROKU has seen bear flow as well with 1500 September $145 puts and 1000 October $150 puts bought.

Trade to Consider: Long the **ROKU** September $150/$130/$110 Put Butterfly Spread at $4 Debit

Square (SQ) will release earnings 8/5 after the close with the Street expecting ($0.05) EPS and Revenues of $1.13B (+101%) and FY20 seen at $0.27/$5.28B. SQ shares have closed higher its last three reports and 8 of the last 11, a six quarter average max move of 11.1%. The $57.75B leader in payment solutions trades 8.5X FY21 EV/Sales with revenues growing 44% last year and seen rising 133% in 2021, and been seeing a surge in activity for its Cash App. SQ is developing one of the most diverse and expanding ecosystems in the fintech space with their core business for sellers, Cash App, Square Capital, and more. SQ has been seeing GPV improve throughout April and May as more than 60% of Square Sellers have expanded into omnichannel while the Cash App has seen direct-deposit transactions up 3X in April. SQ's work with the stimulus program has brought in a large cohort of new users which the company expects to become long-time users which will support both near-term and long-term growth of areas like Boost. Analysts have an average target of $102 and short interest at 8.2% of the float remains elevated but down 20.5% Q/Q. Cowen downgraded shares on 7/9 seeing all the positive news priced in and not discounting in the multi-year recovery Seller will need after COVID disruptions. SunTrust raised its target to $150 noting Cash App's unique functionality, which they think can ultimately supplant traditional checking accounts. Barclays raised its target to $145 on 7/22, though warns of profit taking on the print. Rosenblatt raised to Buy with a $121 target on 7/1, sees the company's Cash App revenue increasing by more than three times over the next five years and as Square develops monetizes new services across the payments and financials ecosystems, it will lay the groundwork to make the company a need-to-own name for years to come. Hedge Fund ownership jumped 12% in Q1 filings, Bares Capital adding to a large position as did ARK Investment. On the chart SQ with a strong trend and consolidation flag set-up into the report, the 21 MA supportive on a few dips the last two months. A move above recent highs targets a measured target to $155 which is also the 2.236 extension of the COVID correction. Support in the $118/$122 zone, while below that zone lacks much support until $105. SQ options are pricing in a 6.8% earnings move with 30 day IV Skew at +0.4 comparing to a 52-week average of +2.7. SQ has seen enormously bullish positioning in calls including size now deep ITM positions remaining in OI, longer dated aggressive put sales seeing limited downside and upside call buys.

Trade to Consider: Long the **SQ** September $130/$150 Call Spreads at $6.70 Debit

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