Earnings Snapshots 8/24/2020

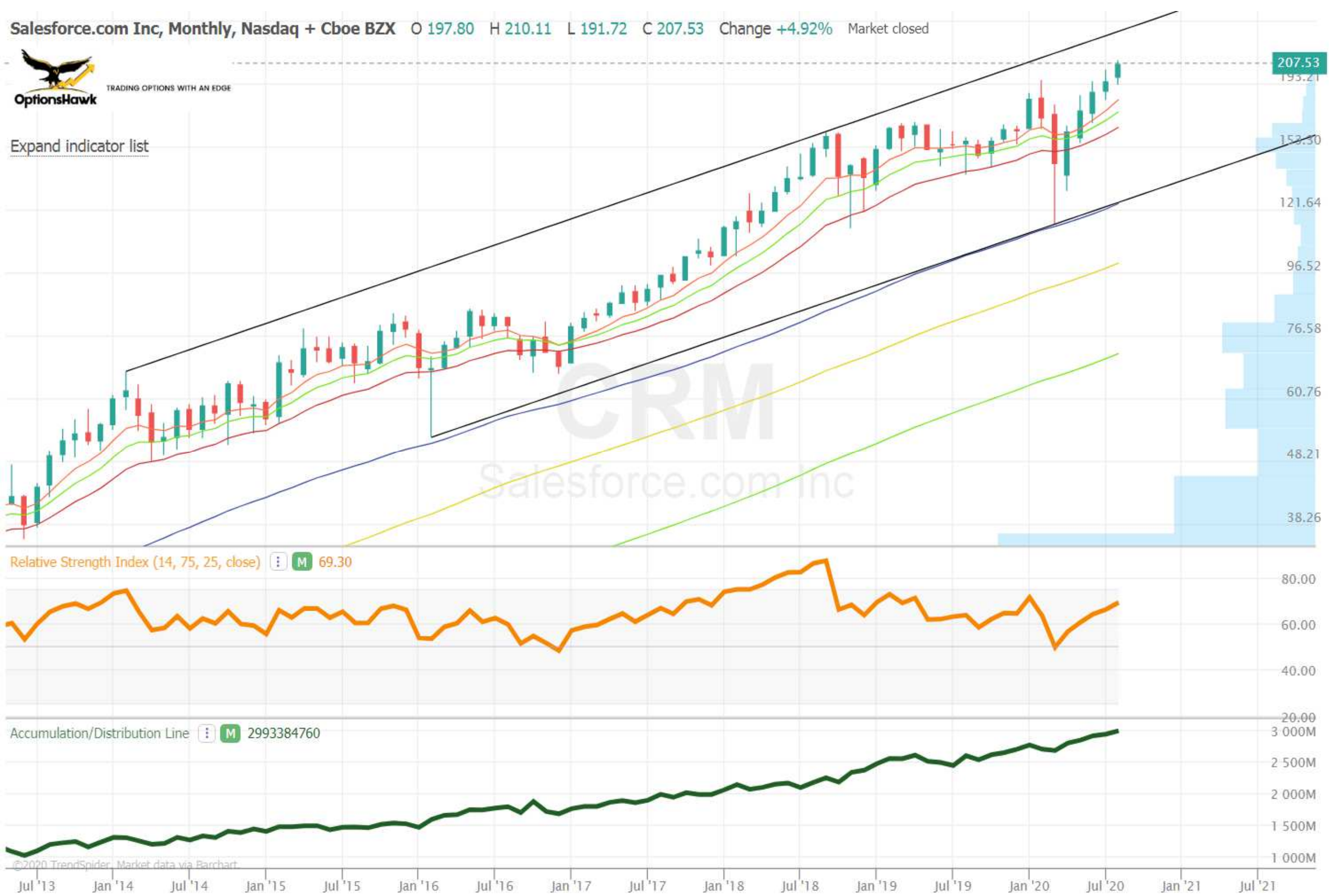
PANW, CRM, ADSK, SPLK

Palo Alto Networks (PANW) will announce results 8/24 after the close with the Street looking for $1.39 EPS and $923.5M in Revenues (+14.6%) with Q1/FY21 seen at $1.19/$901M and $5.83/$3.97B. PANW shares have closed lower three of its last five reports including two double-digit declines, a six quarter average max move of 10.65%. The $26.3B network security company trades 46X Earnings, 37.7X FCF and 7.5X EV/Sales and after three years of 27-30% revenue growth entering a period of 16-20% annual growth. PANW should see positive tailwinds from the Work-from-Home and Digital Transformation acceleration trend. PANW has been active with bolt-on acquisitions and announced a $420M deal for CloudGenix recently that accelerates its efforts to integrate SD-WAN with Prisma Access. PANW has seen some execution issues in the past but its Prism Access product looks to be gaining traction according to channel checks. PANW has transitioned to a multi-platform company, 3 different platforms, one around cloud security, one around enterprise security, and one around AI and ML deployed to cybersecurity. Prisma for cloud security, Cortex for endpoint and SOAR and then Strata for core firewall. It sees a $72.6B TAM for 2022. Analysts have an average target of $276 and short interest low at 4.5% of the float. Loop Capital started coverage last week at Buy with a $325 target, and sees upcoming results showing positive business trends and sees it with the right vision and product strategy to be one of the best-positioned vendors in an increasingly complex hybrid environment. It provides perhaps the most comprehensive security offerings for large organizations in the market and is uniquely positioned to benefit from the current market trend towards adopting cloud-based security architecture (zero-trust security) from the traditional perimeter-based one. Truist raised its target to $325 last week seeing sales execution issues in the past and sees positive channel checks. Hedge Fund ownership fell 5% in Q2 filings, Generation Investment Mgmt. a top holder added to a large position. On the chart PANW shares broke out of a flag recently hitting new highs and the next upside Fibonacci extension sits at the $300 level, though shares running into a multi-year extension off prior high resistance. On weakness shares would likely find support at $260 or $240. PANW options are pricing in a 7% earnings move and 30 day IV Skew at 0 compares to the +1.9 52-week average. PANW with a large buy of 3500 September $300 calls on 8/18 for over $1.1M. PANW has some Sep. 11th Iron Condors seeing it staying in a $250/$280 range. PANW has some size longer term positions, notable 2700 of the January $200 calls.

Trade to Consider: Long **PANW** September 11th (W) / October $280 Call Calendar Spreads for $4.85 Debit

Salesforce (CRM) will report results 8/25 after the close with the Street expecting $0.67 EPS and $4.9B in Revenues (+22.6%), and Q3/FY20 seen at $0.77/$5.01B and $2.96/$20.07B. CRM shares have closed lower the last three reports and a six quarter average max move of 4.7%. The $188.7B cloud leader trades 58X Earnings, 55X FCF and 9X EV/Sales with forecasts expecting revenue growth in the 17-19% annual range the next few years. 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. CRM is positioned with 93% deferred revenue giving them better long-term visibility while the majority of contracts, especially high-dollar deals, are signed for multi-year periods, so the company noting recently they expect minimal disruption. CRM has long been an M&A-focused company but the departure of co-CEO Keith Block, the primary dealmaker, may make them slowdown in the near-term and focus on integration and expanding margins which many view as a net positive in the current environment. Analysts have an average target of $206 and short interest is low at 1.5% of the float. Loop Capital last week started shares at Sell with a $150 target noting checks indicate a material slowdown in business with concerns on IT spending budget declines. Jefferies raised its target to $235 noting improving pipelines and conservative guidance for a name attractively valued. Hedge Fund ownership rose 4.27% in Q2 filings, top holders Polen and Sustainable Growth added to positions. On the chart CRM shares recently hit new highs and the 138.2% Fibonacci extension of the COVID correction sits up at $227.25. CRM on weakness can find support at $200 or $194 levels. CRM options are pricing in a 4.65% earnings move and 30 day IV Skew at +1.1 compares to the +2.8 52-week average. CRM has seen recent massive bullish activity including November $210 calls, February $200/$220 call spreads, November $220 calls, July and January $230 calls, and 35,000 November $200/$230 call spreads.

Trade to Consider: Long the **CRM** September $210/$220 Call Spreads $3.45



Autodesk (ADSK) will announce earnings 8/25 after the close with the Street consensus at $0.67 EPS and $4.9B in Revenues (+22.6%) and Q3/FY21 seen at $0.77/$5.01B and $2.96/$20.07B. ADSK shares have closed higher each of the last three reports after being lower the prior three, a six quarter average max move of 6.6%. The $54.6B software company that has completed its transition to the cloud trades 46X Earnings, 37X FCF and 14.6X EV/Sales with revenue growth seen at 14% this year and 16-20% annually the next two years while EPS seen growing rapidly to $7.30/share in 2023 from $2.79/share in 2020. ADSK sees 60% of sales from Architecture, Engineering & Construction, 30% from Manufacturing and 10% from Media/Entertainment, so likely facing some COVID-19 headwinds. It sees a $59B TAM for 2023 with a 7% CAGR. Its Fusion ecosystem is seen driving future growth, currently with 18M active users buy only 4M paying. It sees tailwinds from digital transformation to the entire AEC industry and for 2023 is targeting 40% operating margins, $2.4B FCF and $5.6B in Total ARR. Analysts have an average target of $245 and short interest is low at 1.4% of the float and down 15% Q/Q. RBC raised its target to $255 last week expecting a solid report in a challenging environment with signs of stabilization in PMI/ABI data. Stifel raised its target to $262 expecting a modest beat and expectations for guidance on improving business trends. Barclays upped its target to $274 on strong web traffic to ADSK's e-store. OpCo upgraded shares on 7/9 to Outperform noting accelerating demand for ADSK products and sees the company beating its targets. Hedge Fund ownership fell 5.7% in Q2 filings, Polen a top holder added to its position. On the chart ADSK shares are looking to work out of a multi-week consolidation although trend extension off prior key highs gives little upside room for expansion. Shares have support back at $240 and $227.5. ADSK options are pricing in a 6.5% earnings move and 30 day IV Skew at +6.7 compares to the +3.7 52-week average. On 8/19 spreads bought January $260/$290 call spreads while selling the $210 puts to open 2200X. Otherwise there has been limited positioning recently but some buying in September $230 and $220 puts and October $200 puts.

Trade to Consider: Sell the **ADSK** September $260/$270 Call Spread for $2.85 Credit (Bear Call)

Splunk (SPLK) will release earnings 8/26 after the close with the Street view at ($0.33) EPS and $522.6M in Revenues (+1.2%) while Q3/FY21 seen at $0.03/$543.6M and ($0.30)/$2.43B. SPLK shares have closed lower four of its last six reports with a six quarter average max move of 10.3%. The $31.8B data analytics software leader trades 210X Earnings and 13.2X EV/Sales with growth seen weak at 3% on the topline this year before returning to 25%+ growth in 2021. Much of the slowdown is due to its on-premise exposure as it transitions to a subscription model. SPLK has positioned as a leader in the hot cloud monitoring industry with its SignalFX deal last year. SPLK is a leader in cyber infrastructure tools (namely data/log analytics) offering both on-premise and cloud-based versions of its core product as well as premium add-on solutions covering a growing list of niche use cases. It has been making strategic acquisitions to expand its platform while also transitioning to the cloud model. SPLK has been benefiting from the strong growth is usage and consumption of data from its customers. Its Data-to-Everything platform enables users to investigate, monitor, analyze and act on data regardless of format or source. Data is produced by nearly every software application and electronic device across an organization and contains a real-time record of various activities, such as business transactions, customer and user behavior, and security threats. Splunk has partnerships with mega tech companies like Google, AWS, and Cisco. Analysts have an average target of $193 and short interest is 5.3% of the float. Loop Capital started coverage last week at Buy with a $270 target, noting SPLK is emerging as the next de facto enterprise standard in technology, as an increasing number of large organizations are turning to SPLK to better manage and secure complex hybrid IT environments with disparate technologies. It also notes "Our industry checks validate SPLK's strategic position in the market. As the infrastructure and security software markets become more data-driven, we are expecting accelerated adoption of SPLK's data-driven platform as the enterprise standard within large organizations. Also, our checks indicate that SPLK has a strong presence in the highly strategic cloud environments such as AWS (Amazon Web Services) and Azure, which further validates our thesis that SPLK is emerging as the next enterprise technology standard." Jefferies raised its target to $230 expecting management to remain conservative but positive longer-term. Hedge Fund ownership fell 3.3% in Q2 filings. On the chart SPLK shares pulled back to its 55 MA recently and started to work out of a base last week. On weakness shares could pull all the way back to $180 support while resistance likely near $210. SPLK options are pricing in around an 8% move on earnings and 30 day IV Skew at +2.5 compares to the +2.5 52-week average. SPLK has seen some mixed near-term positioning while Jan. 2022 $210 puts sold to open 1500X on 7/10 in a large trade.

Trade to Consider: Sell the **SPLK** September $220/$210/$185/$175 Iron Condor for $5.50 Credit

Disclaimer:

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