



**ADBE, FDX**

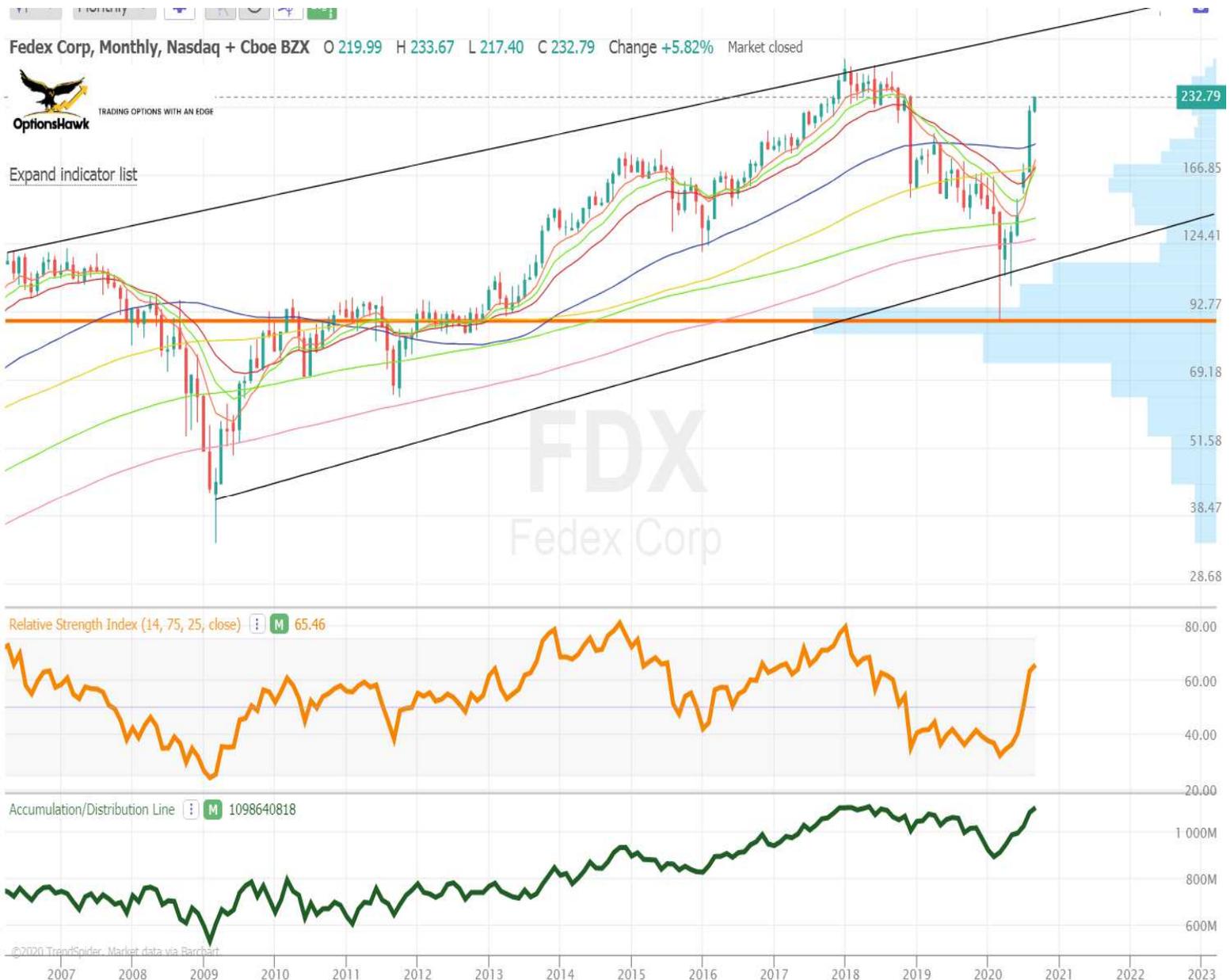
**Adobe (ADBE)** will report results 9/15 after the close with the Street consensus at \$2.41 EPS and \$3.16B in Revenues (+11.3%), and FY20 seen at \$9.77/\$12.74B. ADBE shares have closed higher four of its last five reports with a six quarter average max move of 7.6%. The \$228.5B software leader in the digital transformation theme currently trades 42.3X Earnings, 17.7X EV/Sales and 51.5X FCF with revenues seen rising at a 15% CAGR the next few years. Adobe is targeting a \$122B TAM and seeing momentum in its Digital Media and Document Cloud businesses. Some highlights from last quarter include "In Q2, we saw historic highs in adobe.com traffic across both Creative Cloud and Document Cloud. Demand for our professional video products was particularly high with strong engagement for Adobe Premier Pro and After Effects. We continue to see steady growth from social content creators using Premier Rush, which saw a 75% increase in monthly active users quarter-over-quarter. Mobile traffic, member sign-ups and monetization continues to accelerate. Adobe Fresco has seen a greater-than-40% increase in downloads since the start of 2020. Photoshop Express has surpassed 20 million in monthly active users." Adobe is also seeing remote work drive a surge for demand in digital documents, a 175% jump in Adobe Sign usage last quarter. Analysts have an average target of \$470 with short interest declining 20% Q/Q to just 0.8% of the float. Jefferies raised its target to \$570 last week expecting upside to Q3 results. Cowen upgraded to Outperform last week with a \$55 target on strong partner checks. Hedge Fund ownership fell nearly 6% in Q2 filings, a number of notable top holders like Polen and Edgewood. On the chart ADBE shares have pulled back to retest its key breakout move from mid-August, also the rising 55 MA acting supportive. The \$430/\$455 zone has a lot of volume support as a higher base. ADBE options are pricing in a 6.6% move on earnings and 30 day IV Skew at +1.1 compares to a +3.3 52-week average. ADBE has seen a lot of bullish positioning, one of the names SoftBank targeted and has 10,000 October \$520/\$620 call spreads in OI as well as size in various October, November and December upside calls.

Trade to Consider: Sell the **ADBE** September \$520 Calls to Buy the October \$520/\$550 Call Spreads, Net Debit \$0.95



**Fed-Ex (FDX)** will report earnings 9/15 after the close with the Street looking for \$2.67 EPS and \$17.55B in Revenues, and Q2/FY21 seen at \$2.46/\$17.89B and \$11/\$72B. FDX shares have closed higher the last two reports after being lower following earnings 7 of the previous 8 reports, a six quarter average max move of 9.55%. The \$58.8B shipping company trades 17.5X Earnings, 10.2X EBITDA and yields 1.12%. FDX estimates see 4-6% revenue growth the next two years with 15-20% annual EPS growth. FDX is seeing a surge in Residential shipments while Commercial likely improving with business reopening, a name that is also benefitting from a strong pricing environment. Analysts have an average target of \$220 with short interest down 11.8% Q/Q to 2% of the float. Stephen's raised its target to \$260 last week expecting further progress to improved profitability with increased pricing power. Citi also raised its target to \$260 citing pricing tailwinds from robust surcharges as well as volume running near peak levels. JPM raised its target to \$265 expecting a strong beat and sees rising estimates for 2021 and 2022. Hedge Fund ownership fell 0.7% in Q2 filings. On the chart FDX shares have been showing impressive relative strength the last few weeks and hit multi-month highs last week and 2018 highs around \$265 coming into focus. Shares are very overbought into the report with plenty of resistance in the \$235/\$250 zone. FDX options are pricing in an earnings move of 8.45% and 30 day IV Skew at 0.4 compares to the 52-week average of 3.0. FDX recently with a buyer of 2500 September \$215 calls in a roll-out, a \$3.9M position. FDX has also seen size buys in September \$240 and \$250 calls as well as October call spreads using \$210 as the long strike and \$240 and \$250 as short strikes.

Trade to Consider: Long the **FDX** September \$235/\$245 Call Spreads at \$3.80 Debit



## **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.*

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