Earnings Snapshots 1/22/2024

NFLX, IBM, LVS, TSLA, INTC

Netflix (NFLX) will report results 1/23 after the close and the Street is looking for $2.22 EPS and $8.72B in Revenues (+11%) while Q1/FY24 seen at $4.10/$9.3B and $15.93/$38.34B implying 30.7% EPS growth and 14.1% Revenue growth, a strong acceleration from 2023 and consistent Y/Y growth seen quarterly. NFLX shares jumped 16% on results last quarter after being lower the prior two and higher the three before that with a six-quarter average max move of 10.9%. NFLX is the leader in streaming and the recent focus has been its push into an ad-supported tier at a lower price that will drive incremental revenues for years to come. Netflix remains mired in a period of post-pandemic growth normalization while also seeing increased industry wide competition. NFLX operates in a maturing business in a highly competitive market facing a global consumer under increasing economic stress. Success in monetizing the 100M homes identified as password-sharing would translate into higher ARPU over time. NFLX likely still has some more strategic levers to pull across live sports and gaming. NFLX valuation has risen on prospects of the password sharing and advertising benefits while higher content spend is a risk. Netflix is the main beneficiary as the industry increases prices, consolidates platforms, cuts spend & renews focus on licensing. The buy side is expecting 4Q23 net additions of 10-11 million (ahead of the sell side) and 1Q24 net adds of 3 million (just below the sell side). For Netflix, the availability to purchase third-party content will likely drive additional efficiencies with its content spend going forward as the company no longer needs to finance as much higher-risk new production and can supplement more concentrated "bets" with well-known established content. Just recently, Netflix announced that it has 23M active users on the ad-supported tier, up from 15M in November and 5M in May. NFLX has a market cap of $211B and trades 30.3X Earnings, 6.5X Sales and 37.25X FCF. Analysts have an average target of $490 on shares with short interest low at 2.2% of the float. Loop raised its target to $535 noting how NFLX has emerged as the streaming winner and competition is fading. UBS raised its target to $560 calling NFLX the main beneficiary of current industry dynamics and sees upside to estimates. BAML raised its target to $585 noting NFLX has won the streaming wars. On the chart, NFLX is tightly coiled in the middle of monthly value holding 1-year VPOC and sitting right on the 8/21 moving averages. A loss of $475 would target $464 lower value and likely stronger volume support near $448 which aligns closely to AVWAP off October lows. A move through $495 long-term 61.8% Fibonacci first targets $515 and then the 1.382 Fibonacci extension at $538.50 comes into play. NFLX options are pricing in a 7.35% earnings move and 30-day IV Skew at +1.8 compares to the +2.7 52-week average. NFLX put/call open interest ratio is at the 77th percentile and average IV30 crush is -25%. NFLX has a massive January 2025 $660 call position bought in OI worth $10M, 2000 March $400 short puts in OI and seen 1750 September $600 calls bought as well as some buyers in February $440, $450 and $500 calls.

Trade to Consider: Long **NFLX** Jan. 26th (W) $495/$530 Call Spreads at $9 Debit

IBM (IBM) will announce earnings 1/24 after the close with the Street expecting $3.77 EPS and $17.23B in Revenues (+3.3%) while Q1/FY24 seen at $1.53/$14.6B and $9.92/$63.55B implying 4.3% EPS growth and 2.9% Revenue growth in 2024 with growth improving each quarter sequentially. IBM shares have closed higher the last three reports after being lower the three previous, a six-quarter average max move of 4.4%. IBM has primarily been focused on Software with digital transformation but also continues to have large Consulting and Infrastructure segments. IBM has been optimizing its portfolio via acquisitions, notable the Red Hat deal that positioned it well in the cloud. IBM is taking the proper steps to align its portfolio with the strategic priorities of hybrid cloud, AI/automation, security, and quantum. IBM could benefit from the recent data showing stabilization in PCs finally and has seen some allure as a cheap way to play AI. Software and Consulting remain key growth vectors. 2024 could see low-single digit y/y growth for Transaction Processing, and double-digit y/y growth for Red Hat. Consulting revs benefit from strong signings and secular demand for hybrid cloud and AI, and leverage from strategic partnerships. Hardware revenues likely will be muted in 2024 but should benefit in F25 from a new mainframe cycle, which provides confidence in growth over the next 2 years. Pricing can benefit from a relative slowdown in pace of workloads moving out of mainframe to the cloud. A weaker dollar would be a tailwind to revs as well. IBM has outperformed the market with multiple expansion recently and must report an in-line 4Q, solid expansion in AI bookings, and guide to their mid-term model in 2024 to support the stock at these levels. AI has the potential to become material to the IBM model over the long-term, making the early trajectory of this ramp influential to near-term sentiment/valuation. IBM has a market cap of $156.55B and trades 17.2X Earnings, 12.9X EBITDA and 2.55X Sales with a 4% FCF yield and 3.92% dividend yield. Analysts have an average target of $153.50 with short interest low at 2.9% of the float. Evercore upgrade to Outperform with a $200 target seeing IBM as a winner to solve bottlenecks for Enterprises looking to deploy AI tools. Soc-Gen cut to Sell on 1/5 saying valuation has gotten ahead of fundamentals. Jefferies is at Neutral saying IBM is growing slower than peers and with weaker margins. On the chart, IBM shares hit multi-year highs last week and are quite overbought. The long-term trend inflection breakout highlighted in early November has led to strong outperformance. A retest of upper value at $163 a likely target on a dip that aligns with a rising 21-MA while VPOC support is near $162. IBM has some resistance from 2017 in this $172-$175 zone. IBM options are pricing in an earnings move of 3.95% and 30-day IV skew at +0.4 compares to the +2.2 52-week average. IBM put/call open interest is at the 71st percentile and average IV30 crush is -29.7%. Last week we started to see some large call sales to close in IBM but still has some large positions in February $160 calls, February $170 calls and June $135 calls.

Trade to Consider: Long the **IBM** February/March $160 Put Calendar Spreads at $0.60 Debits

Las Vegas Sands (LVS) will release results 1/24 after the close with the Street view at $0.61 EPS and $2.9B in Revenues (+160%) and Q1/FY24 seen at $0.66/$2.98B and $2.76/$12.15B implying 45% EPS growth and 17.2% Revenue growth in 2023 with the growth rate slowing sequentially through the year as it faces tougher comps from Macau reopening. LVS shares have closed higher on earnings six of the last seven reports with a six quarter average max move of 6.9%. LVS shares closed lower last report after being higher the prior five reports, a six-quarter average max move of 6.67%. LVS is a leading global developer of destination properties that feature premium accommodations, world-class gaming, entertainment and retail malls, convention and exhibition facilities, celebrity chef restaurants and other amenities. LVS owns properties in the US and Asia with a focus on mass market, the most profitable gaming segment. Gaming stocks have underperformed the past several months as concerns around the US economy continue to rise with multiple compression the cause as estimates have actually risen. Cyber Security incidents and Union issues have also been headwinds. LVS sets up best versus peers for growth in 2024 and the Super Bowl in Vegas should be a positive driver. LVS reinstated its buyback last quarter and remains the top way to play a Macau recovery while having $5.6B of cash on its balance sheet. LVS has a market cap of $36.8B and trades 16.5X Earnings, 9.5X EBITDA and 4.3X Sales with an 8.4% FCF yield. Analysts have an average target of $63.5 with short interest low at 1.6% of the float. Deutsche Bank positive into results liking the risk/reward with sequential growth at Macau and MSCO also prefers LVS as its top gaming stock. SIG started shares Positive in December expecting upside revisions as China gaming is outstripping macro headwinds. On the chart, LVS pulled back last week to key 55-MA and volume node support while a loss of the $48.50 level can lead to lower value test at $46.75 while a move back over $50 leaves room to the 200-MA target at $53.20 with $51.75 the recent high aligning with AVWAP off the 2023 highs, a key level to clear and open up room to $55-$60. LVS options are pricing in an earnings move of 5.15% and 30-day IV Skew at +2.75% compares to the +3.2% 52-week average. LVS put/call open interest ratio is at the 22nd percentile and average IV30 crush is -12.1%. LVS has a large 20,000 contract Jan. 26th (W) $51 call position bought back on 12/19 and 40,000 March $40 calls bought on 10/23 remain in OI while March $40 short puts and March $45 long calls have size in OI as well. LVS has also seen notable short puts open at January 2025 $40, June $38 and June $43 strikes.

Trade to Consider: Long **LVS** March $50 Calls at $2.10 Debit

Tesla (TSLA) will post results 1/24 after the close with the Street consensus at $0.74 EPS and $25.55B in Revenues (+5.1%) and Q1/FY24 seen at $0.79/$26.33B and $3.74/$21.73B implying 18.7% EPS growth and 20.1% topline growth with all the profitability gains coming in 2H24. TSLA shares have closed lower the last three reports and a six quarter average max move of 10.55%. Tesla has maintained a dominant market share in EVs though latest reports show it is losing market share to competition while delivery numbers have missed estimates and price cuts are sure to weigh on margins, but it has a clear advantage to peers with its balance sheet and more efficient operations. The importance of Optimus will become apparent in the coming years as it estimates that business will be worth more than the car business and FSD. TSLA is coming off a terrible quarter as it continues to lose market share (BYD dominating) while the overall EV industry is seeing a sharp slowdown and facing margin pressures as its pricing power has deteriorated. Tesla's auto business clearly dominates the company's revenues and cash flows today but it is being valued for its future potential in automotive technologies. Tesla Energy, Tesla Insurance, Tesla Mobility and Tesla Network Services are other key units of its SOTP valuation. TSLA has a market cap of $675B and trades rich on valuation at 57X Earnings, 7X Sales and 183X FCF. Analysts have an average target of $229 and short interest at 8.7% of the float is elevated and has risen 7.7% Q/Q. Barclays cut its target to $250 last week citing volume pressure in a weaker demand environment. Goldman has lowered 2024/2025 delivery estimates due to the pull-in created by 2023 subsidies. UBS noted on 1/2 that he focus has turned to margins and 2024 unit guidance with the company consensus at 2.17M units. On the chart, TSLA has been one of the lousiest performers over most timeframes, one of the few stocks to never even inflect out of its downtrend from all-time highs. TSLA broke down hard last week under its 200-MA and now trades below AVWAP off 2023 lows. The $200 level is important as the 200-week and a 50% retracement of the 2023 range, while the 61.8% retracement is down at $177.40 and AVWAP off pandemic lows closer to $190. Upside targets on a good quarter are the 8-MA at $221 first, then the 200-MA at $231.70 and lower value retest at $240. TSLA options are pricing in a 4.75% earnings move and 30-day IV Skew at +2.4 compares to the +2.5 52-week average. TSLA put/call open interest ratio is at the 27th percentile and average IV30 crush is -11.6%. TSLA has a massive April $240 call position in OI 40,000X that is down 74% while February $160 short puts 14,000X and a large 12/1 buyer of 10,000 September $270 calls. TSLA has been seeing notable put sellers at longer-term 160-165 strikes. The Feb. 2nd (W) $220 calls have over 12,000 in OI from buyers as a good bounce play.

Trade to Consider: Sell the **TSLA** March $200/$190 Put Spreads for a Credit of $3.05

Intel (INTC) will announce earnings on 1/25 after the close with the Street seeing $0.45 EPS and $15.16B in Revenues (+7.9%) while Q1/FY24 seen at $0.33/$14.19B and $1.86/$60.8B implying 95% EPS growth and 12.7% revenue growth though the latter seen slowing sequentially throughout the year on comps. INTC shares have closed higher four of the last five reports after being lower the prior nine reports, a six quarter average max move of 10.25%. INTC product offerings provide end-to-end solutions, scaling from edge computing to 5G networks, the cloud, and the emerging fields of AI and autonomous driving, to serve an increasingly smart and connected world. Beyond the CPU, INTC is delivering a growing family of xPU products, which encompass client and data center GPUs, IPUs, FPGAs, and other accelerators. INTC sees significant opportunities to grow and gain share in graphics; mobility, including autonomous driving; networking and edge; and foundry services. The focus on carving out a separate P&L for the foundry business as a supplier to the Intel chip business by the end of Q1 remains part of the company's push to develop foundry DNA, but could also be important for sum of the parts valuation. Granite Rapids/Sierra Forest are new server products launching in mid-2024. INTC has a market cap of $203B and trades 25.8X Earnings, 12.5X FY24 EBITDA, 3.85X Sales and offers a 1.47% dividend yield. Analysts have an average target of $42 and short interest is low at 1.4% of the float. Tigress raised its target to $66 earlier this year noting a new processor development and introduction, along with the ramp-up of its IFS, are driving a reacceleration of revenue and cash flow growth, margin expansion, and significant shareholder value creation. Mizuho has a $58 target noting inventories in PC, memory, and handset are normalizing. Argus raised its target to $60 on 12/28 citing several positive developments including a new chip-making facility in Israel. On the chart, INTC shares have consolidated a strong run and closed last week back above monthly value. The $46 level is key support and below that level can fall back to $42. The recent highs in INTC shares stalled right at a long-term 61.8% Fibonacci at $51.60. AVWAO off the October lows comes in near $43.40. A move above $48.75 should challenge recent highs and set up for a run to $55. INTC options are pricing in a 4.75% earnings move and 30-day IV Skew at +0.9 compares to the 52-week average of +2.1. INTC put/call open interest ratio is at the 98th percentile and average IV30 crush is -26.25%. INTC has massive September $45 short puts in open interest 49,000X and size in February $46 and $48 long calls.

Trade to Consider: Long **INTC** February $48/$55 Call Spreads at $2 Debit

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