



## Earnings Snapshots 10/30/2023

CAT, AMD, ABNB, DASH, SHOP, AAPL

**Caterpillar (CAT)** will announce results 10/31 before the open with the Street looking for \$4.79 EPS and \$16.6B in Revenues (+10.7%) and next quarter seen at \$4.81/\$17.47 while FY24 implies 5% EPS growth and 3.3% Revenue growth as it faces tough comps. CAT shares closed strongly higher last quarter after being lower on results ten of the previous twelve reports, a six-quarter average max move near 7%. Caterpillar Inc. is a manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives. The Company operates through its three primary segments: Construction Industries, Resource Industries and Energy & Transportation. CAT is coming off a strong report where they beat Q2 estimates by a solid margin and on the earnings call stated that it expects higher sales and revenues in H2 of 2023 compared to H2 of 2022. CAT also expects sales in energy transportation will increase in Q3 and expects growth in Asia Pacific. CAT has a market cap of \$121.7B and trades 11.3X Earnings, 10.3X EBITDA and with a 6.5% FCF yield and 2.07% dividend yield. Machinery stocks face a tougher backdrop with weakening construction markets though mega projects remain an area of upside. Analysts have an average target of \$285 and short interest is down 18.8% Q/Q to just 1.2% of the float. Wells Fargo raised its target to \$285 citing strong execution and a healthy demand environment while Stifel raised its target to \$300 highlighting strong pricing, volume, retail sales and dealer restocking benefits. On the chart, CAT pulled back under its 200-MA last week but right near VWAP off the September 2022 lows and retesting a long-term upper value level. CAT is also back to a 38.2% Fibonacci while trend-support stronger at \$230. The \$252.5 level is likely first resistance on a rebound move followed by \$261. CAT options are pricing in a 4.5% earnings move and average 30-day IV Skew at +4.7 compares to the +4.1 52-week average. CAT's put/call open interest ratio is at the 28<sup>th</sup> percentile and average IV30 crush is -14.2%. CAT recently saw 10K January \$200 short puts open and has seen 2500 January \$280 short puts open that are underwater while on 8/3 1200 Jan. 2025 \$280 calls bought in a large trade.

Trade to Consider: Long **CAT** Nov. 3<sup>rd</sup> (W) / November \$230 Put Calendar Spreads for \$2 Debit



**Advanced Micro (AMD)** will announce results 10/31 after the close with the Street consensus at \$0.68 EPS and \$5.7B in Revenues (+2.3%) and Q4 seen at \$0.88/\$6.37B while FY24 implies 51% EPS growth and 20.9% Revenue growth. AMD shares have closed lower the last two reports by an average of 8% and a six-quarter average max move of 9.1%. AMD is a fabless semiconductor company that designs CPUs, GPUs, and custom ICs for a variety of end-markets, generally focused on consumer, enterprise, and data center applications. The company operates several segments: Computing & Graphics; Enterprise, Embedded, and Semi-Custom; and Adaptive Computing (Xilinx business). Data center plus Xilinx products now make up approximately 50% of gross profit dollars, and with strong share gain potential for both. AMD increased its AI accelerator TAM outlook to \$150B+ in 2027 vs. \$64B in 2025 prior, as compared to \$30B in 2023. AMD stands to be a major beneficiary and share gainer as it relates to generative AI. AMD has a market cap of \$155B and trades 23.5X Earnings, 24X EBITDA and 7.1X Sales with a 2.2% FCF yield. Q3 cloud capex results across top US hyperscalers (Google, Microsoft, Meta, Amazon) finished -5% below Street although citing cloud/AI infrastructure as the critical driver of investment growth. AMD faces headwinds in its embedded (Xilinx) and console (seasonal, product maturity) sales. All eyes will likely be on clues to MI300 AI (GPU) accelerator ramp for CY24. Analysts have an average target of \$136 with short interest down 24% Q/Q to 2.5% of the float. On the chart, AMD has pulled back to retest a key former breakout and a 50% retracement level at \$93.60. A loss of last week's low would likely test \$84.5/\$85 key support. An upside push has \$100, \$102.5 and \$106 as key levels. AMD options are pricing in a 6.4% earnings move and 30-day IV Skew at +4.9 compares to the +2.8 52-week average. AMD put/call open interest ratio is at the 54<sup>th</sup> percentile and average IV30 crush is -15.6%. AMD flows have been mixed overall with a large buy out in June \$115 calls and seen seller of both February \$90 and March \$85 puts as well as 10K June \$75 puts.

Trade to Consider: Sell the **AMD** December \$90/\$85 Put Spreads for \$1.55 Credit (Bull Put Spreads)



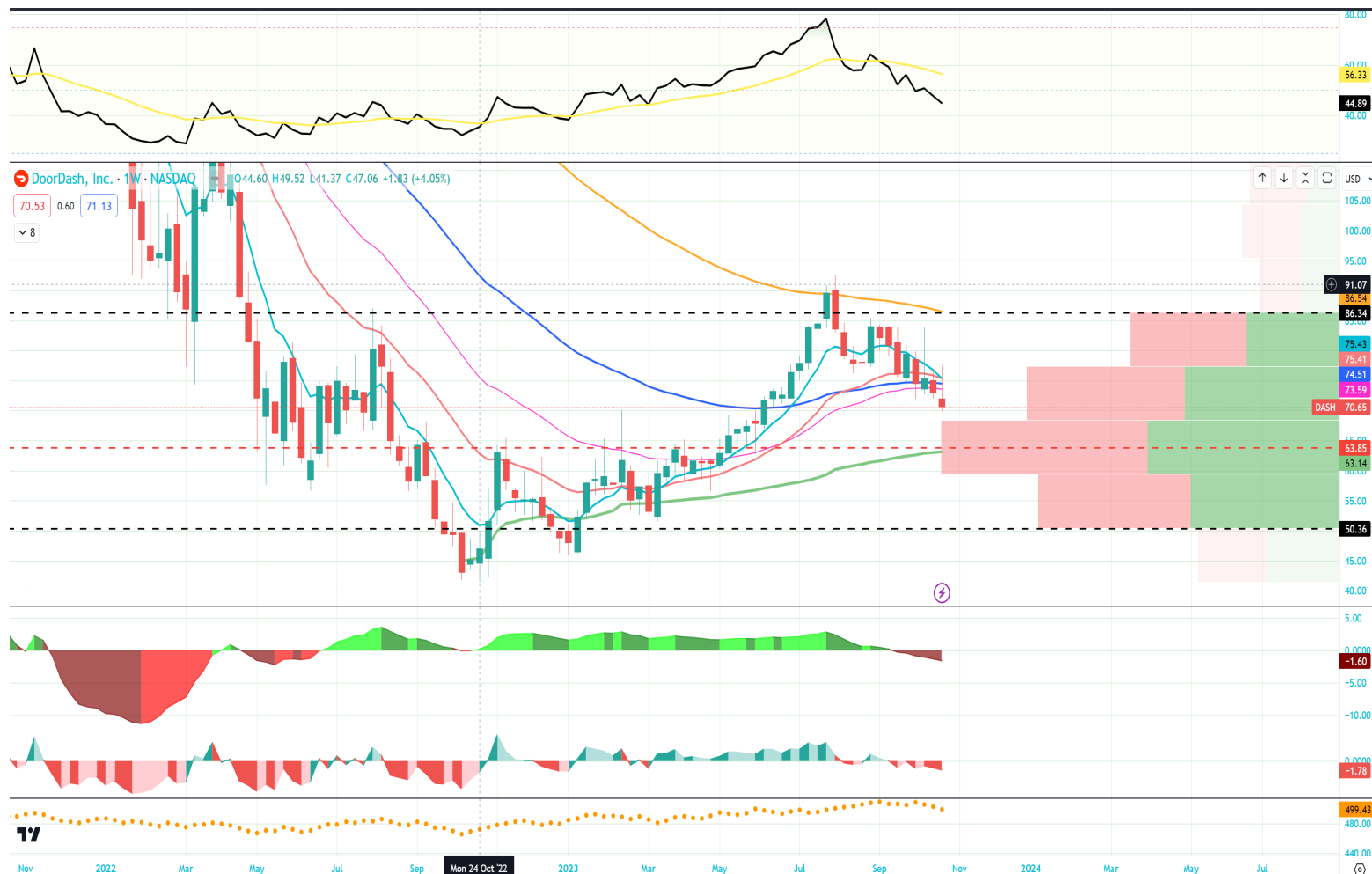
**Airbnb (ABNB)** will release quarterly numbers 11/1 after the close with the Street view at \$2.10 EPS and \$3.37B in Revenues (+16.8%) and Q4 seen at \$0.63/\$2.18B while FY24 implied 10.5% EPS growth and 12.9% Revenue growth, some deceleration from 2023. ABNB shares have closed lower four of its last five reports, a six-quarter average max move of 10.4%. Total bookings for alternative accommodations are seen growing to \$85B in 2026 from \$40B in 2019. ABNB management is targeting long-term 30%+ Adjusted EBITDA margins in improved variable costs, marketing efficiency & managing fixed expenses. ABNB has not even tapped into a massive potential market of Experiences and it is also quietly expanding into Hotels with its deal for HotelTonight. ABNB's results speak to 3 key underlying strengths of the ABNB platform: 1) Long term stays are ramping; 2) Supply initiatives are working; 3) EBITDA flow through is rising on better expense controls. ABNB is benefitting from the recovery in travel volumes as well as trends towards urban areas and International should materially benefit the company. ABNB has a market cap of \$72.8B and trades 26.2X Earnings, 18.9X EBITDA and with a 6% FCF yield. AirDNA's 3Q estimates suggest Airbnb Revenue coming in slightly below consensus. While ADRs have held up better than we anticipated in 2023, and Airbnb is effectively managing to margin growth, further moderation is likely. Analysts have an average target of \$142 with short interest rising 13% Q/Q but to just 1% of the float. Jefferies has a \$165 target and expects in-line bookings with upside to EBITDA on higher ADRs and take rate while the outlook for Q4 Night will be the focus for investors. Argus sees ABNB benefitting further from easing of restrictions in China and Latin America. KeyBanc cut to Neutral in early October calling for peak near-term margins and growth moderating. On the chart, ABNB firmly broke under its 200-MA last week and is also now under all key AVWAPs including the one since the IPO. ABNB has a key volume node of support at \$110 but if that fails it lacks much support until \$99. The \$123 and \$130 levels seen as key resistance on a rebound. ABNB options are pricing in an earnings move of 8.25% and 30-day IV Skew at +7.2 is very steep and compares to the +3.8 52-week average. ABNB put/call open interest ratio is at the 99<sup>th</sup> percentile and average IV30 crush is -22%. ABNB has 6000 Nov. \$120 short puts in open interest that are underwater though mixed overall including 4400 Jan. 2025 \$140 puts bought in July. On 10/24 there was a buyer of 3000 Nov. 3<sup>rd</sup> (W) \$115 puts.

Trade to Consider: Long the **ABNB** November \$115/\$125/\$135 Butterfly Call Spread for \$2 Debit



**DoorDash (DASH)** will report earnings 11/1 after the close with the Street expecting (\$0.40) EPS and \$2.09B in Revenues (+22.9%) and Q4 seen at (\$0.41)/\$2.15B while FY24 implied 51.6% EPS growth and 17% Revenue growth coming off a few years of tough comps. DASH shares have closed lower four of the last six reports with a six-quarter average max move of 9.7%, though each of its two historical November reports have seen shares climb sharply. DASH's Marketplace enables merchants to establish an online presence and expand their reach by connecting them with millions of consumers and includes DashPass, a membership program. DASH's Platform Services business consists of Drive and Storefront and offers services to help merchants facilitate sales through their own channels. DASH continues to expand their platform as they see a huge opportunity in ecommerce and emerging verticals like grocery where they have a long runway. DASH's market-leading US restaurant business generates the highest EBITDA/order of any global peer. It drives EBITDA growth while also enabling DASH to reinvest in current/new growth vectors. DASH has a market cap of \$27.8B and trades 17.3X next year EBITDA, 3.6X Sales and with a 3.8% FCF yield. Profit and/or unit economics of all its core/emerging businesses are improving. DASH's non-restaurant/grocery/last-mile businesses accelerated in 2Q. The most important metric for the quarter will likely be 4Q EBITDA with many investor questions focusing on investment areas & impact from NYC wage law. GLP-1 could present a headwind for less customer baskets in grocery demand. Per BAC aggregated credit & debit card data, US Online Restaurant spending was down 2% Q/Q in Q3 2023 though DASH has consistently outgrown industry rates. BAC card data points to accelerating growth in Online Restaurant for the lowest income cohort in September, suggesting no impact from student loan repayments restarting. Analysts have an average target of \$94 with short interest down 9.2% Q/Q to 4.9% of the float. Mizuho upgraded to Buy in September with a \$105 target expecting further market share gains and resilient consumer spending providing upside to order value rates in 2H23. On the chart, DASH pulled back to the rising 200-MA last week while key VPOC and VWAP off 2022 lows align at a key retest level of \$63.85 if it loses \$70. DASH has upside resistance levels at \$75, \$77.5 and \$80.70. DASH options are pricing in a 7.8% earnings move and 30-day IV Skew at +6 compares to the 52-week average of +3.9. DASH put/call open interest ratio is at the 11<sup>th</sup> percentile and average IV30 crush is -22.5%. DASH has seen a massive position open 40,000 November \$65 calls and has 5000 February \$60 short puts in open interest as well as 4100 Dec. \$55 calls bought on 10/23. The November \$70 and June \$60 puts have each seen buyers 4000X and 3300 February \$70 puts bought as well while January \$65 short puts 3000X and \$60 calls bought 2350X.

Trade to Consider: Long **DASH** Nov. 3<sup>rd</sup> (W) \$70/\$65 Put Spreads for \$1.75 Debit



**Shopify (SHOP)** will release earnings 11/2 before the open with the Street looking for \$0.14 EPS and \$1.67B in Revenues (+22.4%) and Q4 seen at \$0.22/\$2.08B while FY24 implies 50.6% EPS growth and 19% Revenue growth. SHOP shares have closed higher three of the last five reports, a six-quarter average max move near 13%. Shopify is a leading provider of essential internet infrastructure for commerce, offering trusted tools to start, grow, market, and manage a retail business of any size. Shopify makes commerce better for everyone with a platform and services that are engineered for simplicity and reliability, while delivering a better shopping experience for consumers everywhere. Shopify Plus is seeing durable traction upmarket, as investments in building out merchant solutions and Enterprise GTM motion have helped Plus to evolve from an upgrade tier designed to reduce graduation, to a platform capable of winning large deals outright. SHOP has a market cap of \$59.5B and trades 58X Earnings, 9.45X Sales and 280X FCF. Amazon announced a deal allowing Shopify merchants to access Amazon’s fulfillment network through a Buy with Prime on the checkout process. According to Amazon, Buy with Prime helps increase consumer trust, lifting conversion by 25% on average for merchants that have the feature. After announcing their exit from the Shopify Fulfillment Network (SFN), the tight investor focus on SFN as the main avenue of take-rate expansion was forced to expand toward a broader set of product initiatives to drive future growth. Shopify sees a quick bounce in gross margins heading into Q3, with management expecting a 2-3% point uplift versus Q2 levels. Analysts have an average target of \$66 with short interest down 26% Q/Q to 2.35% of the float. Citi cut its target to \$62 last week noting sensitivity to customer discretionary budgets and high small business exposure. Barclays noted on 9/22 that SHOP may raise Plus pricing as an incremental revenue driver. Canaccord upgraded to Buy noting POS and B2B will become more material drivers of GMV in the years ahead. On the chart, SHOP broke down hard under its 200-MA and VWAP from 2022 lows is near the 50% retracement level of \$47.65 which it also closed beneath. The \$43 level looks like key support on weakness while upside faces resistance at \$52 and then \$54.50. SHOP options are pricing in a 9.35% earnings move and 30-day IV Skew at +7.1 compares to the 52-week average of +3.6. SHOP put/call open interest ratio is at the 47<sup>th</sup> percentile and average IV30 crush is -16.3%. SHOP has 12,000 November \$50 short puts and 10,000 November \$45 short puts in open interest while more mixed in June 2024 with a good amount of \$50 and \$45 puts bought. SHOP has also seen over 6000 March \$50 puts bought and 7000 January \$60 and 6000 January 2025 \$50 puts bought.

Trade to Consider: Long **SHOP** Nov. 3<sup>rd</sup> (W) / December \$50 Call Calendars for \$1.70 Debit



**Apple (AAPL)** is set to release earnings 11/2 after the close with the Street consensus at \$1.39 EPS and \$89.24B in Revenues (-1%) while Q1/FY24 seen at \$2.10/\$123.23B and \$6.55/\$404.78B implying 8.1% EPS growth and 5.8% Revenue growth in FY24. AAPL shares closed lower last quarter on results after being higher the previous four, a six-quarter average max move of 5.15%. Apple's industry-leading retention rates and expanding ecosystem of hardware and services has already created one of the world's most valuable technology platforms that centralizes and controls everything from traditional communication to entertainment, social media engagement, photo & video development, gaming, business, payments, travel, fitness, and more. Elevated buybacks and institutional under ownership should also provide support. Given Apple has stopped disclosing unit volumes for its products investors should be increasingly focused on ARPU trends. The Apple business model is shifting from one that maximizes hardware shipment growth to one that maximizes installed base monetization, underscored by increased services and installed base disclosures, and a move away from reporting units and ASPs. If Apple were to monetize advertising beyond the App Store, it could potentially be a \$20B business by 2026. Apple has a market cap near \$2.6 trillion and trades 25.7X Earnings, 6.85X Sales and 26X FCF, rich for it being a lower growth name but also seen as a safe-haven with its strong balance sheet. iPhone supply shortages & stronger USD are likely headwinds to the quarter while China remains an increasing risk. The counter is that Services is likely to show further strength and improve the margin profile. Apple benefitted from a 14 week quarter in December '22 with the App Store one of the key beneficiaries of this dynamic, and thus Services faces a very challenging December '23 compare. Apple estimate revisions are likely nearing the bottom of the cycle though a weakened consumer is a challenge, upside exists from new product launches and the Holiday season. Apple recently announced price raises for TV+, Arcade and News. Analysts have an average target of \$199 with short interest less than 1% of the float down 11.5% Q/Q. On the chart, AAPL worked under the 200-MA last week right to YTD VWAP support while a 50% retrace of the 2023 range comes in at \$161 while \$155 offers stronger volume support on a longer profile. AAPL now has plenty of upside resistance at \$170, \$175 and \$177 levels. AAPL options are pricing in a 3.6% earnings move and 30-day IV Skew at +6 is steep to the +4.4 52-week average. AAPL put/call open interest is at the 42<sup>nd</sup> percentile and average IV30 crush is -17.7%. AAPL has a ton of open interest and standing out are December \$180 and \$175 short puts, Sep. 2024 \$175 short puts, and March \$180 and \$170 short puts.

Trade to Consider: Long **AAPL** November \$165/\$160/\$155 Put Butterfly Spread at \$0.55 Debit



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**Not Investment Advice or Recommendation**

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