Earnings Snapshots 11/11/2024

HD, SE, SPOT, SHOP, DIS

Home Depot (HD) will report earnings 11/12 before the open with the Street looking for $3.65 EPS and $39.2B in Revenues (+3.9%) while Q4/FY26 seen at $3.01/$38.56B and $15.69/$163.34B implying 4.75% EPS growth and 3.75% Revenue growth for FY26. HD shares have closed higher four of its last five reports, a six-quarter average max move of 3.35% and higher the last three Q3 reports. HD is the leading home improvement retailer and recent reports across the supply chain have indicated slowing DIY demand though HD's Pro business has been a standout in recent years, the slowdown in the housing market likely dampens the outlook despite longer term trends of low inventory and an ageing housing stock remain tailwinds. There is a typical 6-9 month lag of Home Improvement activity following rate hikes. Existing home sales and home price appreciation – the top two drivers of Home Improvement demand – are holding up well compared to new home sales. HD has a market cap of $410B and trades 26X Earnings, 18.2X EBITDA and 24.4X FCF, valuation near the top of its 10-year range. HD is managing expenses well within a tepid backdrop. Investors are expecting a -2.5% comp vs. broker consensus of -3.5%. Analysts have an average target of $410 and short interest at 1.1% of the float up from 0.8% in July. MSCO raised its target to $450 recently as Home Improvement retailer (HD/LOW) multiples have historically risen during interest rate cutting cycles prior to comps inflecting. Once a comp inflection ensues, earnings growth takes over while the multiple recedes. Even though an expected same store sales inflection and/or slope of a demand recovery in '25 may not be steep, this is appreciated by the market. Importantly, the sector is bottoming with signs that a turn is near. Home Improvement is one of the best positioned segments in discretionary retail given the size of the TAM (~$1 trillion), housing demand far exceeding supply, and the aging/continual depreciation of homes. TAG raised to Outperform last week with a $455 target on expected market share gains and a significant opportunity to growth the Pro business with its SRS acquisition. JPM notes the extended fall season help to outdoor categories, while the hurricanes are expected to add to comp upside. On the chart, HD's recent high aligned with the 2021 highs and also has a weekly channel pattern with longer-term upside Fibonacci extension targets at $457, $480 and $517. HD options are pricing in a 2.5% earnings move and 30-day IV Skew at +1.5 compares to the +1.4 52-week average. HD put/call open interest ratio at the 40th percentile and average IV30 crush is -21.3%. HD has 7000 December $450 short calls in open interest and 5000 December $350 short puts. HD has seen buyers in January $400 calls and December $400 calls. June $410 calls with 1750 bought in OI also notable as well as a 11/7 buy of 1000 December $405 calls.

Trade to Consider: Long the **HD** November $410/$420/$430 Butterfly Call Spreads at $1.65 Debit

Sea (SE) will announce results 11/12 before the open with the Street estimates at $0.55 EPS and $4.08B in Revenues (+23.3%) while Q4/FY25 seen at $0.64/$4.45B and $3.43/$18.56B implying 77.8% EPS growth and 15.9% Revenue growth next year. SE shares have closed higher the last three reports after closing lower the prior three, a six-quarter average max move of 17.6%. Sea Limited engages in digital entertainment, e-commerce, and digital financial service businesses in Southeast Asia. It offers Garena digital entertainment platform for users to access mobile and PC online games, as well as eSports operations. The company also operates Shopee, a mobile-centric marketplace that provides integrated payment and logistics infrastructure and seller services. SE has a $49.5B market cap and trades 35.2X Earnings, 22.3X EBITDA and 3X EV/Sales, valuation near the 35th percentile. Latest Sensor Tower data indicates Free Fire traction is better. GMV growth and market share trends are strong for Shopee and have supported recent stock price performance. 2025/26 will still see a more material uplift in profitability and cash flows from the EC business whilst maintaining high teens EC revenue growth. Analysts have an average target of $99 and short interest has declined all year to now just 2.6% of the float. JPM raised to Overweight in August noting all three of the company's major business segments are likely to drive positive earnings revisions and a strong improvement to e-commerce profitability as Sea capitalizes on its leading market share and stable competition to increase take rates. BAML previewed the quarter, expecting Shopee to turn adjusted EBITDA positive. MSCO expects strong momentum in both Garena and E-commerce segments. However, EC margins has been a focus area and we think 3Q print may be lower than buy-side expectations which may lead to the stock giving up some of the recent gains. On the chart, SE is trading below monthly value and under $92.75 as the 55-MA at $90 but a rather large volume pocket back to $83.50 retest of the September flag breakout. A move above $96.5 resistance can target $101 and then the next Fibonacci extension targets are $108.80 and $121.55, the recent high right at the 1.236 level. On major weakness the 21-week EMA lines up with AVWAP off the August lows near $84.20. SE options are pricing in a 9.1% earnings move and 30-day IV Skew at +0.6 compares to the +0.3 52-week average. SE put/call open interest ratio is at the 78th percentile and average IV30 crush is -31.5%. SE has 10K Dec. $82.5 short puts in open interest but overall quiet positioning lately.

Trade to Consider: Long the **SE** December/January $82.5 Calendar Put Spreads for $0.70 Debit

Spotify (SPOT) will report quarterly numbers 11/12 after the close, a change for a name that had tended to report earlier in the quarter and before the open. The Street view is at $1.80 EPS and $4.36B in Revenues (+19.95%) while Q4/FY25 seen at $2/$4.62B and $8.88/$19.41B implying 42% EPS growth and 15.1% Revenue growth next year. SPOT shares have closed higher the last four reports and six of the last seven, a six-quarter average max move of 13.85%. POT is the world's most popular audio streaming subscription service with a large community. SPOT is building a two-sided marketplace for users and creators, which leverages its relationships, data analytics, and software. Premium and Ad-Supported Services drive revenues. SPOT is seeing a steady conversion of the free subscriber base to Premium subscribers further bolsters the near-term economic value of a larger top of funnel. Pricing power, negotiating leverage, cost control, and potential product expansion support the bull case. SPOT has delivered strong results the last three quarters showing operating leverage and still has levers to pull with price increases and capital allocation. SPOT also continues to innovate and is making a deeper push into Audiobooks. SPOT has a $78.7B market cap and trades 43.65X Earnings, 39.7X EBITDA, 55.7X FCF and 4.2X EV/Sales, valuation near the high end on P/Sales but low-end on P/E, P/FCF and EV/EBITDA given the profitability ramp. Spotify (SPOT) is launching an advertising exchange to help scale its automated ad offerings and the focus will be on video to start. SPOT also has plenty of room to keep raising prices. Music streaming is a growth industry with ~15% global penetration (ex China), pricing power, and strategic alignment among stakeholders to drive monetization. New use cases such as video and ticketing combined with leveraging AI can support additional market share gains, higher revenue per customer, and most importantly improved operating leverage. Analysts have an average target of $390 while short interest at 2.1% of the float steadily rising from 1% in early August. Deutsche Bank last week raised its target to $440 seeing more upside for margin expansion. Wells raised its target to $470. On the chart, SPOT started breaking out of a long bull flag last week and continues a strong 2024 trend. SPOT has Fibonacci extension targets up at $462 and $508.30 near-term. On weakness, support levels come in at $383, $376 and $365 while $350 would retest the September flag break and key volume node. SPOT options are pricing in a 7.5% earnings move and 30-day IV Skew at -0.4 bullish inverted and compares to the +0.6 52-week average. SPOT put/call open interest at the 88th percentile and average IV30 crush is -30.6%. SPOT December $390 calls with over 4000 in open interest from mainly 8/15 opening sales the largest line. On 9/27 November $410 calls opened 1500X versus sales of the $350 puts.

Trade to Consider: Sell the **SPOT** December $370/$360 Put Spreads for $2.00 Credit (Bull Put Spreads)

Shopify (SHOP) will announce earnings 11/12 before the open with the Street consensus at $0.27 EPS and $2.11B in Revenues (+23.3%) while Q4/FY25 seen at $0.36/$2.63B and $1.37/$10.45B implying 24.4% EPS growth and 20.8% topline growth in 2025. SHOP shares closed sharply higher last quarter after closing lower four of prior six reports, a six-quarter average max move of 19.85%. SHOP provides essential Internet infrastructure for commerce, offering tools to start, grow, market and manage a retail business of any size. It provides platforms and services that are engineered and delivers a shopping experience for consumers online, in store and everywhere in between. Shopify GMV has outpaced eCommerce growth (+25% CAGR trailing three years) by more than 2x on a consistent basis, with 4.9% share of global eCommerce in 2023, up from 1.2% in 2017. Shopify can continue gaining share driven by enduring competitive advantages such as 1) installed base (2.5m merchants), 2) ecosystem of 2,500+ partners and 8,000+ apps built for Shopify, and 3) a comprehensive platform that spans eCommerce and payments. SHOP has turned a corner on balanced growth and margin under new CFO Jeff Hoffmeister. SHOP has a $159.5B market cap and trades 63X Earnings, 68.5X EBITDA, 125.2X FCF and 11.5X EV/Sales, extremely rich valuation to the market though quite cheap compared to its historical range. Q3 focus more squarely turns to progress around the 'New Shape of Shopify' driving durable margin revisions. Q2 marked a welcome return to margin outperformance at Shopify, with margins of 14.7% coming in ~300 bps ahead of prior consensus estimates. While the main driver of the more modest OpEx growth relative to expectations was a decrease in marketing spend, Shopify also benefitted from lower compensation expenses. Take rate took a step backward in Q2, down ticking to 2.21% but 2025 sets up better as new merchant solutions in the Shopify portfolio ramp more materially but the ramp of the company's strategic initiatives (Enterprise, International) as potential headwinds to take rate near-term. Analysts have an average target of $82.50 and short interest at 1.7% of the float up modestly from 1.5% a couple months ago. RBC raised its target to $100 recently noting third-party data shows solid Shopify merchant growth Q3, which suggests likely sustained healthy Monthly recurring revenue growth that is potentially above consensus. Redburn upgraded to Buy with a $99 target in September citing industry-leading innovation, social media integrations, user-friendly platform and unique Shop Pay button functionality make it best positioned to capitalize on the structural growth as Generation Z's share of U.S. spending surpasses that of Baby Boomers, and TikTok Shop prompts innovation across Western social media platforms. On the chart, SHOP broke out of a tight bull flag last week to multi-month highs and has upside retracement targets at $99.85 and $117.75. SHOP key supports at $83 and $78. SHOP options are pricing in a 10.5% earnings move and 30-day IV Skew at 0 compares to the +0.8 52-week average. SHOP has 10K June $50 short puts and 8500 March $50 short puts in open interest while January $85 calls with 4000 bought on 6/28 remain in OI and size buys of June $70 calls in OI. SHOP also has large sales of Jan. 2026 $80 and $95 calls in open interest while recent buys of Nov. $90 calls 5500X as well as September buys of 4500 December $70 calls. Last week a large sale in March $80 puts to open showing longer-term confidence.

Trade to Consider: Long **SHOP** November $90/$95 Call Spreads at $1.70 Debit

Disney (DIS) will report results 11/14 before the open with the Street looking for $1.11 EPS and $22.485B in Revenues (+5.85%) while Q1/FY25 seen at $1.33/$24/65B and $5.15/$95.11B implying 2025 EPS growth of 4.15% and Revenue growth of 4.1%. DIS shares closed lower the last two reports after being higher the previous three, a six-quarter average max move of 8.65%. DIS is a diversified worldwide entertainment company with operations in two segments: Disney Media and Entertainment Distribution (DMED) and Disney Parks, Experiences and Products (DPEP). The most important driver of growth to DIS shares is its DTC segment where EBIT margins are moving positive. DIS plans to ramp up capital spending and build out incremental capacity across its portfolio over the next decade in the Experiences segment. ESPN is outperforming broader linear trends and the sports-first streaming JV in August 2024 seems like a move in the right direction. Disney's Media businesses have been outperforming this year, while its Experiences segment saw a surprising slowdown beginning this past Easter. ESPN goes fully streamed in Fall '25 and a new CEO is named early '26. DIS has a $180B market cap and trades 19.2X Earnings, 12.1X EBITDA, 22.6X FCF and 2X Sales, valuation very cheap to historical averages. Disney's Experiences segment represents roughly 60% of consolidated FY24 segment operating income. The market remains concerned that 1) Experiences have been over-earning in the post-pandemic live entertainment rebound and/or 2) that the business could decline despite a relatively healthy economic backdrop. Cruise capacity is set to increase from 5.5K staterooms today to over 10K by YE2026, positioning Disney cruise revenues to more than double from FY24 to FY27, with additional plans already announced for more ships in FY28-FY31. This business has historically delivered high margins relative to the broader Experiences segment, generating very high ROIC levels (20%+). Beginning in December 2024, Disney will add an ESPN tile to its US Disney Plus app which will allow ESPN Plus subscribers to access ESPN Plus programming inside the Disney Plus tile. In addition, it will add some additional live sports rights that today are not included in ESPN Plus. Analysts have an average target of $110 and short interest has fallen back to just 1% of the float. MSCO sees positive risk/reward here in shares as current muted growth and elevated investment spend at Parks looks reflected in consensus and sets Disney up for accelerating growth in '26. Goldman recently raised its target to $125. Piper started shares Neutral in October with a $95 target seeing limited upside to estimates over the next few quarters given the moderation in the Disney's experiences segment. The consumer-related slowdown within the company's parks business will likely persist for a few more quarters. On the chart, lagging DIS worked out of consolidation last week but still below AVWAP off the 2024 high while $101.25 a 50% retracement target and the 200-MA at $101.27 followed by $103 as a key level. Support on weakness comes in at $95.5, $94 and $90.7. DIS options are pricing in a 5.2% earnings move and 30-day IV Skew at +1.4 compares to the 52-week average of +0.2. DIS put/call open interest ratio at the 88th percentile and average IV30 crush is -29.3%. DIS has size buys in November $100 and $105 call open interest as well as January $100 and $105 calls. It has also seen 9500 December $95 puts bought while Dec. $85 puts were sold to open and longer-term a recent sale of 2000 Jan. 2026 $80 puts showing the low in August a likely long-term bottom. Recent near-dated put sales suggest $88 is likely to hold as support.

Trade to Consider: Long **DIS** November $100/$105/$110 Call Butterfly at $0.95 Debit

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