



### NVDA, ETSY, SQ

**Nvidia (NVDA)** will report results 2/21 after the close with the Street expecting \$4.63 EPS and \$20.6B in Revenues (+240%) for Q4 while Q1/FY25 seen at \$4.98/\$22.1B and \$22/\$97.1B implying 77% EPS growth and 63% Revenue growth for 2025. NVDA shares closed slightly lower after a strong report last quarter but higher five of the prior six reports and a six-quarter average max move of 10.35%. NVDA is a leading Semi and has leveraged its GPU architecture to create platforms for scientific computing, artificial intelligence, or AI, data science, autonomous vehicles, or AV, robotics, and augmented and virtual reality, or AR and VR. NVIDIA has a platform strategy, bringing together hardware, software, algorithms, libraries, systems, and services to create unique value for the markets it serves. NVDA's main markets are Gaming, Data Center and Automotive. GPU demand is significantly outpacing supply on AI spending boom despite mixed Cloud capex trends. H100 ramps are in early stages. AI is transforming every industry and NVDA is the undeniable leader to play the AI theme. Data center revenues were up 279% in the October quarter, and guidance implies an acceleration to nearly 400% y/y growth in January. NVDA has faced some headwinds from China restrictions, a potential focal point on the call. The flagship H100 will be followed by H200 in Q2 and first to market 3nm based B100 later in CY24. NVDA now has a market cap of \$1.8 trillion and trades 32.77X Earnings, 40.5X EBITDA and 40X Sales. General concerns about over earning and reports of order cuts at key customers in November and December compressed the multiple. Next generation products are an important driver of order activity, lead times, and competition. The B100 will be a substantial upgrade from H100, and is system compatible and will be priced more aggressively. Another catalysts will be NVDA's flagship GPU Tech Conference (GTC) scheduled for March 18-21, featuring important pipeline, partner, and AI TAM updates. NVDA stock was on average 6% higher T+1 days following the last six annual GTC events. For AI, we are at-worst in middle innings of that upfront 3yr spending cycle, with demand likely stretching out to at-least mid-late CY25. Analysts have an average target of \$680 and short interest is at 4% of the float, down 8% Q/Q. BAML expects a brief pullback given the recent parabolic run-up in shares and expectations have been rising steadily throughout the quarter. Loop Capital started coverage at Buy with a Street high \$1200 target last week saying Nvidia's largest customers will be taking everything the company can give them in 2024 and 2025. On the chart, NVDA's parabolic rise makes it very hard to determine key trading levels. The \$822.50 level is the next upside target looking at extensions while \$850 remains a measured move target from the \$500 flag breakout. The 8-week near \$630 should be supportive on weakness which is near monthly value retest level of \$622.50 followed by VPOC at \$590. NVDA options are pricing in an earnings move of 10% and 30-day IV Skew is bullish inverted at -1.9 comparing to the +1.6 52-week average. NVDA put/call open interest is at the 1<sup>st</sup> percentile and average IV30 crush is -15.4%. NVDA sees massive options trade daily with a strong bull bias and current top positions include 27,500 March \$680 calls bought while May \$860 and \$900 calls have seen some large buys as well.

Trade to Consider: Sell the **NVDA** March \$820/\$810/\$610/\$600 Iron Condor for \$3.50 Credit



**Etsy (ETSY)** will announce earnings 2/21 after the close with the Street view at \$0.78 EPS and \$828M in Revenues (+2.5%) while Q1/FY24 seen at \$0.56/\$653.5M and \$2.69/\$2.86B implying 13.1% EPS growth in 4.5% Revenue growth in 2024. ETSY shares closed higher last report but lower the two previous and a six-quarter average max move of 10.45%. ETSY has closed higher its last six Q4 reports possibly due to seasonality of Holiday shopping. ETSY offers Etsy sellers a marketplace with millions of buyers along with a range of seller tools and services that are specifically designed to help creative entrepreneurs generate more sales and scale their businesses. ETSY targets a massive commerce TAM of \$1.7 trillion and has been expanding its marketplace via deals for depop, Reverb and elo7 that positions it within apparel resale and Latin American markets. ETSY is making investments in AI and Machine Learning that could meaningfully improve the platform experience and drive higher purchase frequency into the key Holiday spending season. ETSY has been successful at driving expansion for its on- and off-site advertising products that have been meaningful revenue tailwinds with still strong future growth prospects as the traffic environment normalizes and ETSY continues to find ways to increase sponsored listing frequency without impacting conversion. ETSY has a market cap of \$9.2B and trades 28.7X Earnings, 15X EBITDA and 3.4X Sales with a 6% FCF yield. Esty is currently lagging US eCommerce growth due to its exposure to weaker segments like Home and Living. ETSY guided 4Q GMS growth to return to negative on the back of a weakening consumer and a more crowded promotional landscape. ETSY called out a more competitive ad environment which they attribute to increased spending from Chinese exporters (such as Temu) that are pushing up CPCs and making it more difficult to efficiently win ad auctions. BAC aggregated card data indicates trends for Etsy's top categories (Online furnishings, clothing, and jewelry) decelerated slightly in 4Q, though a January uptick in trends (driven by Online jewelry) could be constructive for Etsy's 1Q outlook. That said, web traffic was weak in 4Q (and 1QTD), potentially reflecting headwinds to paid marketing channels due to Chinese competitors, and pressures could extend into 2024. Constructively, Elliott's stake and new Board seat could be a catalyst for improvement. Analysts have an average target of \$82 while short interest at 10.5% of the float is high and has risen 22% Q/Q. Wedbush trimmed its target to \$85 last week expecting a mixed outlook on near-term macro and competitive pressure while upside to efficiency and capital return initiatives given recent involvement of Elliott who is now the largest holder with a 13% stake. Goldman cut to Neutral on 1/10 seeing low visibility for 2024 GMV growth. JMP raised its target to \$110 positive on management moves to right-size cost structure and accelerate growth. On the chart, ETSY consolidating just above monthly value and below its 200-MA, a move through \$78 faces plenty of resistance in the \$80 to \$85 zone. The \$70 and \$65.75 levels are seen as support on weakness followed by \$65.50. ETSY options are pricing in a 9.25% earnings move with 30-day IV Skew at -2 bullish inverted comparing to the +2.2 52-week average. ETSY put/call open interest ratio is at the 31<sup>st</sup> percentile and average IV30 crush is -25.5%. ETSY saw large opening sales of Feb. 23<sup>rd</sup> (W) \$75 puts on Friday, and has some large January positions in short \$90 puts and long \$95/\$160 call spreads. ETSY March \$80 calls with 5000 bought on 2/1 remain in open interest and has seen plenty of put sales at \$50 and \$45 strikes.

Trade to Consider: Sell the **ETSY** March \$80/\$75 Strangle for \$9.10 Credit



**Block (SQ)** will release results 2/22 after the close with the Street looking for \$0.59 EPS and \$5.7B in Revenues (+22.5%) while Q1/FY24 seen at \$0.66/\$5.73B and \$3.09/\$24.75B implying 59% EPS growth and 13.3% Revenue growth in 2024. SQ shares jumped sharply last report while lower the two previous and a six-quarter average max move around 11%. SQ has closed higher six of seven Q4 reports over its history. SQ has expanded into a cohesive commerce ecosystem that provides more than 30 distinct products and services to help sellers start, run, and grow their businesses. Cash App provides an ecosystem of financial products and services to help consumers manage their money. Cash App's goal is to redefine the world's relationship with money by making it more relatable, instantly available, and universally accessible. Square GPV is 31% Food and Drink, 19% Retail and then split among Home & Repair, Healthcare & Fitness, Beauty and Personal Care and Professional Services. Clover, Toast, Shift4, and others have created a more competitive environment that has weighed on SQ's ROI but investors are focused on margin expansion and profit growth as costs and efficiency have become a priority. SQ's market cap is \$40B and it trades 20.9X Earnings, 1.95X Sales, 16X EBITDA and 50X FCF. Most are aware of negative third-party data trends for Seller in January (which was likely impacted by temporary weather conditions), but expectations are building for Seller growth to bottom as the company focuses on verticalizing the salesforce and moving upmarket (we think any move upmarket is likely to have only modest impact on Seller growth). Investors are looking for Cash App product announcements, especially around credit, that can be key positive catalysts this year. Investors believe that there's meaningful opportunity to keep cutting costs in the business that can drive significant EBITDA upside in both '24 and '25. Investors also are enthusiastic about CEO/Founder Jack Dorsey's greater involvement in the business that could result in greater urgency to reaccelerate growth and improve product velocity. SMB software payments providers have been healthy for 4Q with reports from Clover, Toast and Global Payments. Analysts have an average target of \$81.5 with short interest at 5% of the float rising 21% Q/Q. Benchmark started shares at Buy last week with an \$89 target seeing upside to margins through 2026. Wedbush upgraded on 1/30 with a \$90 target and BTIG upgraded to Buy with an \$85 target positive on its ecosystem building. On the chart, SQ is basing above multiple AVWAPs of note and the flat 200MA. The range is compressed and above \$70 can target \$77 while the 200-week at \$93.20 a more aggressive longer-term target. First support is \$64 followed by the 200MA at \$61 while below \$60 gets ugly, a 50% retrace is at \$59.60 and the 61.8% Fibonacci sits at \$54.75. SQ options are pricing in a 10.7% earnings move and 30-day IV Skew at +0.1 compares to the 52-week average of +3.1. SQ put/call open interest is at the 27<sup>th</sup> percentile and average IV30 crush is -22.1%. SQ has seen bullish positioning in recent weeks with buyers in April \$70 calls 2000X, May \$70 calls 1500X, March \$67.5 calls 9000X, May \$67.5 calls 2000X and 3000 March \$52.5 puts sold to open. SQ more recently with 1100 September \$65 calls bought, 5000+ March 1<sup>st</sup> (W) \$66 calls bought and 1600 May \$70 calls bought.

Trade to Consider: Long **SQ** March \$67.5/\$80 Call Spreads at \$3.30 Debit



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**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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