



NFLX, UNP, LVS, SNAP

**Netflix (NFLX)** will announce quarterly results 4/20/21 after the close with the Street looking for \$2.97 EPS and \$7.13B in Revenues (+23.6%) and Q2/FY21 seen at \$2.68/\$7.39B and \$9.89/\$30.03B. NFLX shares jumped 16.85% last quarter on results after being lower 7 of the previous 8 reports, a six quarter average max move of 8.4%. The \$243B streaming media leader trades 42.15X Earnings, 9.73X Sales and revenues seen rising 20.1% in 2021 with EPS jumping 62.6%. NFLX margins remain a source of upside as it continues widespread pricing increases. NFLX continues to invest in its content and has a strong film slate set for 2021, a large opportunity in the early stages for major films to be released at home as opposed to the box office. Management now believes the company no longer needs to raise external financing for operational purposes and expects to use excess capital for share repurchases. According to Sensor Tower, worldwide Netflix mobile app downloads in 1Q were down 29% y/y and down 12% q/q. DAUs declined 19% y/y in 1Q as restrictions were eased in more regions and against tough comparisons. ANTENNA's churn data is still relatively stable in 1Q with US Netflix churn estimated at 2.77% in Jan, 2.33% in Feb and 2.36% in March. Analysts have an average target of \$625 and short interest is low at 2.1% of the float. The consensus key number is looking for 6.2M paid subscriber additions. Loop Capital out last week at Buy and a \$650 target saying NFLX shares already pricing in tough 1H21 comps and sees subscriber additions accelerating. UBS sees shares being volatile, positive on ramping FCF and expanding EBIT margins. Piper positive into results and sees a strong Q2 content slate. Wedbush expects in-line results and sees shares Overvalued, an Underperform rating and \$340 target. KeyBanc expects software Q2 guidance to be looked through given easing 2H comps, a return of major originals, and potential to limit password sharing. Stifel sees risks into the quarter with price increase frictions and some worrisome engagement data. Hedge Fund ownership rose 8% in the latest quarterly filings, notable top holders include Edgewood, Lone Pine, and Matrix. On the weekly chart NFLX has formed a large consolidation ascending triangle and above \$565 looks explosive for a move that measures to \$675. Support levels are \$530, then the 200-day moving average at \$513, followed by lower value at \$504. NFLX options are pricing in a 6% earnings move with 30-day IV Skew at +0.6 comparing to the 52-week average of +0.8. NFLX has some large positions in open interest, the July \$500 and \$530 calls each bought 2000X on 1/12, the June \$570 calls with 6000X bought in February, and the September \$550 calls from 3/5 have 2775X left in OI.

Trade to Consider: Long the **NFLX** April 23<sup>rd</sup> (W) \$560/\$580 Call Spreads at \$6.15 Debit



**Las Vegas Sands (LVS)** will announce earnings 4/21 after the close with the Street expecting (\$0.26) EPS and \$1.32B in Revenues (-25.7%) and Q2/FY21 seen at (\$0.07)/\$1.73B and \$0.47/\$8.5B. LVS shares have closed higher on results five of the last six quarters with an average max move of 6.4%. The \$47B gaming & resorts leader trades 21.85X Earnings and 7X EV/Sales with revenues seen rising 135.5% in 2021 and 44% in 2022 coming off easy comps from COVID. LVS has tuned its focus to Singapore and Macau businesses as it decided to sell the Vegas casino businesses. Management sees the Asia business roaring back. Analysts have an average target of \$66 and short interest at 4% of the float rose 24% Q/Q. Goldman views Macau as one of the most under-appreciated recovery stories saying that while investors cite concerns over concession renewals, a tepid recovery, and ongoing travel restrictions, travel indicators in China such as RevPAR, luxury sales, and the OECD leading indicator all point to strong pent-up demand. It reiterated a Buy rating on **LVS** given potential for market share gains from \$2.2bn in investments through the pandemic plus exposure to the mass segment. Stifel raised its target to \$77 in March on a positive 2H set-up for Macau names with muted expectations and sees long-term upside to profitability and operational efficiency. Hedge Fund ownership jumped 7.8% in the latest quarterly filings, Melvin Capital and D1 Capital with large positions. On the chart LVS shares the last few weeks forming a bull wedge after a strong uptrend with the rising 55-day moving average supportive, above \$64 would trigger a breakout and run to \$70. Shares have support at \$59 and \$56 levels followed by the 200-day MA at \$53.60. LVS options are pricing in a 4.4% earnings move with 30-day IV Skew at +0.1 comparing to the 0.0 52-week average. LVS with some large bullish positions recently with 8000 December \$65 calls bought on 4/16, the January \$65 calls with 14,500X bought recently, over 20,000 May \$62.5 calls bought and 6450X June \$62.5 calls bought, and 9800 September \$67.5 calls bought in OI.

Trade to Consider: Long **LVS** May \$62.5 Calls \$2.35



**Union Pacific (UNP)** will report results 4/22 before the open with the Street view at \$2.05 EPS and \$5.03B in Revenues (-3.8%) and Q2/FY21 seen at \$2.37/\$5.23B and \$9.53/\$20.99B. UNP shares have closed lower the last three reports after being higher the previous 7, a six quarter average max move of 4.79%. The \$149B rail leader trades 20.78X Earnings, 15.3X EBITDA, 7.6X Sales and 49.8X FCF with a 1.74% dividend yield, and an industry seeing further consolidation with the recent KC Southern deal. UNP should see strong correlations to the improving Macro backdrop while end-markets like Intermodal, Housing, Auto, and Retail are strong while Oil is seeing a strong recovery. Coal remains a headwind but strong improvements being seen in the grains market. UNP likely will see some weakness related to weather impacts but also well-known. Analysts have an average target of \$235 and short interest is low at 1.1% of the float, rising 31% Q/Q. Rail volume in March had a significant rebound from the weather impacted trough level in February and in early April traffic numbers have surged. Vertical started shares Buy on 3/26 with a \$245 target on the freight cyclical recovery. Hedge Fund ownership fell 2.6% in the latest quarterly filings, Soroban Capital a top holder reduced its position while Sustainable Growth another top holder added. On the chart UNP shares touched new highs last week but stalling at the 138.2% Fibonacci extension of the COVID correction while the 161.8% level is up at \$241. Shares also developing a channel up pattern since last May and this range break would target \$240-\$245 zone as well. Shares have support at \$210 and \$201 levels. UNP options are pricing in a 3.3% earnings move with 30-day IV Skew at +0.4 comparing to the +1.6 52-week average. UNP recently with 3000 April 30<sup>th</sup> (W) \$225 calls bought spread with 2000 of the \$240 calls, also has 7000 August \$210 calls bought in OI as the largest position and 5500 August \$220 calls bought in OI. UNP also has 4000 June \$200 calls in OI from buyers in August.

Trade to Consider: Sell the **UNP** May \$220/\$210 Put Spreads for \$3 Credit (Bull Put Spreads)



**Snap (SNAP)** will announce earnings on 4/22 after the close with the Street consensus at (\$0.05) EPS and \$742.8M in Revenues (+60.6%) and Q2/FY21 seen at (\$0.02)/\$824.5M and \$0.15/\$3.83B. SNAP shares have closed higher three of its last four reports and a six quarter average max move of 19.5%. The \$96B social media advertising leader that has seen shares rise 370% over the past year now trades 24X EV/Sales with revenues seen growing 52.8% in 2021, 46% in 2022 and 41% in 2023, a hyper-growth name that is positioned well in AI & social commerce trends. SNAP has positioned itself as a key advertising platform for the younger generations that advertisers are looking to target. SNAP hosted an Analyst Day in February that outlined its longer-term vision with multiple avenues of monetization via maps, games, and viral videos. SNAP has also positioned itself as a leader in Augmented Reality (AR) with 200M people engaging daily. The SNAP camera can solve math equations, scan wine labels to find ratings, reviews and prices, tell you the name of the song you're listening to and so much more. SNAP Stories has become the largest revenue driver for the company. The Snapchat Generation makes up 40% of global consumers and already yields \$1 trillion in purchasing power. Analysts have an average target of \$75 and short interest is 6.3% of the float. Goldman raised its target to \$92 in February following the Analyst Day, saying the long term opportunity as platform functionality expands, the audience grows, and monetization reaches its potential leaves the risk/reward in owning SNAP deeply in favorable territory. SNAP Q1 trends according to SensorTower data look solid with some slight upside to the consensus likely. Piper positive into the report on monetizing new platform features. Wedbush upgraded to Outperform with a \$75 target recently as uniquely positioned and gaining traction with advertisers. Hedge Fund ownership surged 23% in the latest quarterly filings, Edgewood a \$3B stake and Lone Pine with a new stake near \$1B. On the chart SNAP has a choppy chart the past few months with the sell-off in growth names but has exhibited relative strength rallying recently. The chart does not have a lot of structure, and below the 55-day MA at \$59.50 leaves room back down to \$54 support. Resistance in this \$62-\$65 zone, and above can target those \$73.50 highs from February while the larger measured move out of this saucer cup pattern is to \$90. SNAP options are pricing in a 13.2% move on earnings and 30-day IV Skew at 0 compares to a +0.7 52-week average. SNAP has seen a ton of positioning in weekly expirations including large ITM call positions while on 4/16 the April 30<sup>th</sup> (W) \$65 and \$60 puts with some size buys. SNAP has 58,000 deep ITM June \$30 calls bought, and October \$70 calls accumulated 14,500X with buyers in early March. The Jan. 2023 \$80 calls bought 15,000X in January in a large position.

Trade to Consider: Long the **SNAP** May/October \$70 Call Calendar Spreads at \$4 Debit



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