



## Earnings Snapshots 4/24/2022

MSFT, GOOG, V, FB, AAPL, AMZN

**Microsoft (MSFT)** will announce earnings 4/26 after the close with the Street looking for \$2.19 EPS and \$49B in Revenues (+17.6%) with FY22 seen at \$9.33 and \$199B. MSFT has closed higher its last two reports after being lower four of the previous five with an average max move of 4.25%. The \$2.1 trillion software leader benefitting from the surge in cloud usage trades 25.5X Earnings, 10X EV/Sales and 49.5X FCF. Microsoft continues to represent a rare combination of strong secular positioning and reasonable profitability-based valuation within the software space. Server Products and Windows OEM growth normalization are headwinds, but MSFT remains positioned well in leading IT budget categories and continues to expand margins. Bearish investors see 40%+ Azure growth to be unsustainable, and fear growth will decelerate quickly into the 30% range YoY given the ~\$45 billion run rate scale, competition from the likes of AWS and GCP, as well as a deteriorating macro environment. MSFT forward guidance likely sees some headwinds from FX and Russia. Analysts have an average target of \$365 with short interest minimal at 0.5% of the float. MSCO out positive on 4/12 on solid checks and has a \$372 target. UBS with a more cautious note on 4/11 saying Office 365 growth may start to slow. Jefferies an interesting note on 3/16 regarding MSFT's new Power Platform addressing the low-code market as its next growth engine though currently immaterial. On the chart MSFT shares broke down back near February and March lows last week and although oversold a clear bear trend with the \$267 level a 38.2% Fibonacci and \$241 a 50% retrace. The \$245 level as VWAP from the March 2020 low may need to be tested and currently a volume pocket exists back to \$260. MSFT options are pricing in a 5.9% earnings move and 30-day IV skew steep at +6.9 comparing to the +3.9 52-week average. MSFT's put/call open interest ratio is at the 69<sup>th</sup> percentile and average IV30 crush is -9.5%. MSFT flows have skewed bearish since mid-March but does have some notable short put open interest at June 265, 260 and 250 strikes.

Trade to Consider: Long the **MSFT** April 29<sup>th</sup> (W) \$275/\$265/\$260 Put Butterfly at \$2.60 Debit



**Alphabet (GOOGL)** will report results 4/26 after the close with the Street consensus at \$26.11 EPS and \$68B in Revenues (+23%) while Q2/FY22 are seen at \$27.80/71.8B and \$117.1/\$303B. GOOG has been a standout on earnings moves, higher five of the last six with an average max move of 7.15%. The \$1.6 trillion Tech leader trades 17.4X Earnings, 6.8X EV/Sales and 25X FCF with an expected 5% FCF Yield and a growth outlook around a 15% CAGR for revenues and EBITA the next few years. Google continues to see strength from improving digital advertising budgets as the leader in search while also a leading media play with YouTube's success and the cloud business has been a recent standout. Alphabet has outlined several initiatives to continue to build out its capabilities around shopping/commerce and creators. Analysts have an average target of \$3460 and short interest is low a 0.7% of the float. CSFB out with a lowered \$3450 target last week but expects a beat and continued strength in spend from advertisers allocating to Google. Rosenblatt started coverage at Buy as the company best positioned to the working online trend and leadership in viral video and cloud services. MKM is a bit more cautious into the quarter on Macro-exposed online advertising and reduced consumer spending from inflation as well as the Ukraine/Russia headwinds. On the chart Google shares broke down to multi-month lows last week and levels of interest include \$2260 as a 38.2% Fibonacci and \$2080 as VWAP off the March 2020 lows. The measured move of the latest range breakdown targets a move back to \$2000. GOOGL options are pricing in a 7.77% earnings move and 30-day IV Skew at +6.4 compares to a 52-week average of +3.5. GOOGL's put/call open interest ratio is at the 17<sup>th</sup> percentile and average IV30 crush is -15.7%.

Trade to Consider: Sell the **GOOGL** May \$2650/\$2600/\$2200/\$2150 Iron Condor for a \$22.50 Credit



**Visa (V)** will report earnings 4/26 after the close with the Street view at \$1.65 EPS and \$6.83B in Revenues (+19.2%) and Q3/FY22 seen at \$1.73/\$7.06B and \$7.07/\$28.42B. V shares closed sharply higher last report but were lower three of the previous four and a six-quarter average max move of 4.75%. The \$455B payments leader trades 25X Earnings, 22X EBITDA and 37X FCF with an expected 3.6% FCF yield. Card data suggest modest upside to estimates with cross-border travel recovering but concerns are mounting on a recession and also V faces headwinds from the Ukraine/Russia impact. Average US bank card issuer volume growth accelerated for credit and decelerated significantly for debit on tougher y/y comps, while US retail sales and First Data SpendTrend growth modestly decelerated compared to 4Q, and gas prices remained elevated. On 3/2/22, V released a business update disclosing y/y growth in total US payment volumes, US credit and debit volumes, processed transactions, and cross-border volumes for the months of January and February. Analysts have an average target of \$270 with short interest at 1.7% of the float. JPM was out a bit cautious in early March on the length Ukraine war weighing on cross-border travel sentiment. On the chart V recently failed o break out of a falling wedge pattern and closed last week at key \$208 support, below can test \$198. The \$218 and \$229 levels are key resistance levels to clear. V options are pricing in a 4.85% earnings move and 30-day IV Skew at +6.6 compare to the +2.6 52-week average. V's put/call open interest ratio is at the 51<sup>st</sup> percentile and average IV30 crush is just -5.6%. V has 7500 January \$240 calls bought in OI and has seen buyers in May and June \$220 calls.

Trade to Consider: Long the **V** May/June \$225 Call Calendar Spreads at \$1.90 Debit



**Facebook (FB)** will announce results 4/27 after the close with the Street expecting \$2.56 EPS and \$28.22B in Revenues (+7.8%) with Q2/FY22 seen at \$2.82/\$30.67B and \$12.29/\$131.45B. FB shares dropped 26% last quarter on results and have closed lower five of the last six with an average max move of 9.7%. The \$544B social media and digital advertising leader now trades 12.75X Earnings, 4.6X Sales and 13.9X FCF with a lot of cash and no debt. TikTok continues to be an emerging competitor in the space weighing on growth. CPMs across Meta Platforms have continued to increase significantly after an initial period of volatility in mid-2021 amidst iOS 14 implementation. On the company's Q4'21 earnings call, FB management outlined a number of headwinds the company is expected to face over the next several quarters, including a) continued impact of Apple's ATT/IDFA changes; b) Facebook and Instagram's transition to its Reels format, both from an engagement & monetization standpoint; & c) the competitive environment for users & engagement. Analysts have an average target of \$320 with short interest low at 1.4% of the float. BMO lowered its target to \$225 last week citing fears of further multiple contraction as DAU declines sequentially. CSFB with a lowered \$272 target noting the main debate on shares surrounds the timeline of Reels adoption, closing Reels monetization gap to Feed, introduction of product development automation to help SMB advertisers, and the length of investments before metaverse opportunities are unlocked. On the chart FB is ugly back near multi-month lows though coming into some key longer-term value support retesting a key 20-18-2020 range resistance. FB options are pricing in a 12.2% move on earnings and 30-day IV Skew at +8.5 compares to the 52-week average of +3.5. FB's put/call open interest ratio is only at the 20<sup>th</sup> percentile and average IV30 crush is -10.9%. FB has a large May \$200 call position still in open interest and in February saw large opening put sales in September and January \$240 strikes while June \$215 puts recently with 4000 sold to open.

Trade to Consider: Sell the **FB** June \$170/\$160 Put Spreads (Bull Put Spreads) for a \$3.30 Credit





**Apple (AAPL)** will announce quarterly results on 4/28 after the close with the Street looking for \$1.43 EPS and \$94B in Revenues (+4.9%) and Q3/FY22 seen at \$1.25/\$92.7B and \$6.17/\$396B. AAPL shares closed higher last report after closing lower the prior five with a six-quarter average max move of 4.5%. The \$2.7 trillion Tech leader trades 24.6X Earnings, 7.2X Sales and 31.25X FCF with an expected FCF yield of 4.4%. Into the report expectations are for strength from Mac and iPhone 13 while iPad and Services may drag while the China lockdowns may dampen near-term guidance. App Store rev growth slowed to 6% y/y in F2Q vs. 13% y/y in F1Q. Apple tends to outperform in later economic cycles given its strong brand, product/services innovation, and recurring purchases from higher-end consumers. Elevated buybacks and institutional under ownership should also provide support, with upcoming product launches (iPhone 14 in Fall 2022 and AR/VR glasses in early 2023) key catalysts. Apple will update its capital return plans during March quarter earnings with expectations for an incremental \$80B buyback and a dividend raise. Analysts have an average target of \$200 with short interest low at 0.65% of the float. Wells Fargo out last week expecting in-line iPhone numbers and upside for Macs. Citi has a \$200 target and looks towards future growth drivers like VR headsets and Apple Car in 2025. JPM lowered estimates earlier this month on a more cautious consumer outlook. On the chart AAPL shares moved lower last week and are back near the rising 200-day moving average, relative strength to Tech peers overall. In March shares tested key VWAP and value support near \$150 and bounced with a weekly rising channel pattern intact. The \$166 and \$172 levels are intermediate resistance points. AAPL options are pricing in a 5.4% earnings move with 30-day IV Skew at +8.4 comparing to the +3.4 52-week average. AAPL put/call open interest ratio is at the 75<sup>th</sup> percentile and average IV30 crush is -12.3%. AAPL has been very popular with size trades selling both upside calls to open into strength and downside puts to open into weakness that seem to anticipate a \$155/\$180 range for the next couple months at least.

Trade to Consider: Long the **AAPL** April 29<sup>th</sup> (W) \$160/\$170/\$180 Butterfly Call Spread for \$3 Debit



**Amazon (AMZN)** will post results 4/28 after the close with the Street estimates at \$8.04 EPS and \$116.3B in Revenues (+7.2%) and Q2/FY22 seen at \$10.75/\$125.55B and \$47.58/\$583.85B. AMZN shares soared last quarter climbing more than 13% but were lower the previous five reports and ten of thirteen with a six quarter average max move of 6.6%. The \$1.55 trillion ecommerce and cloud leader with an emerging opportunity in advertising trades 40X Earnings, 3.33X Sales and expects revenues to rise 14-17% annually the next few years with EBITDA growth seen at 15% this year and then ramping to 25-30% growth. AMZN currently trades just 13.5X FY23 EBITDA. AMZN is likely to face margin compression with fuel 20% of shipping costs, specifically diesel. The headline number may also be confusing with its Rivian ownership value being marked lower this quarter. BAC aggregated credit and debit card online spending data declined 3% Y/Y which likely weighs on results for the ecommerce segment but AWS remains an incredible growth story. Another thing to keep in mind with forward guidance is Prime Day likely will shift to Q3 from Q2. AMZN likely sets up as a stronger 2H story as costs moderate and growth reaccelerates. Analysts have an average target of \$4000 and short interest is minimal at 1% of the float. CSFB out positive last week seeing AMZN as the only company that may deliver accelerating revenue and FCF growth this quarter. On the chart AMZN sold off last week but remains above January and March lows with some potential support at \$2850 followed by \$2700 while \$2650 is the measured move target out of the recent range break. AMZN options are pricing in an earnings move of 6% with 30-day IV Skew at +5.2 comparing to the 52-week average of +2.7. AMZN's put/call open interest ratio is at the 39<sup>th</sup> percentile and average IV30 crush is -19%. AMZN sees mostly spreads trade but has a large June \$2800 call position in OI form a buyer on 2/4 for over \$70M in value and down 49% from purchase.

Trade to Consider: Long the **AMZN** May/June \$3200 Call Calendar Spread at \$30 Debit



**Disclaimer:**

These trade ideas are to be self-managed as there will be no follow-up, and each user must take full responsibility of the trade, and only take action on trades that fit his/her risk profile and are comfortable trading.

**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.*

Content is for informational and educational purposes only, and is not to be construed as specific investment advice or recommendations. You alone will need to evaluate the merits and risks associated with the use of this content. Decisions based on information provided are your sole responsibility, and before making any decision on the basis of this information, you should consider (with or without the assistance of a financial and/or securities adviser) whether the information is appropriate in light of your particular investment needs, objectives and financial circumstances. Investors should seek qualified professional financial advice regarding the suitability of investing in any securities or following any investment strategies.

No reference to any specific security constitutes a recommendation to buy, sell or hold that security or any other security. Nothing constitutes investment advice or offers any opinion with respect to the suitability of any security, and the views expressed on this website should not be taken as advice to buy, sell or hold any security. In preparing the information contained in this website, OptionsHawk has not taken into account the investment needs, objectives and financial circumstances of any particular investor. This information does not consider the specific investment objectives, financial situation and particular needs of any specific recipient of this information and investments discussed may not be suitable for all investors