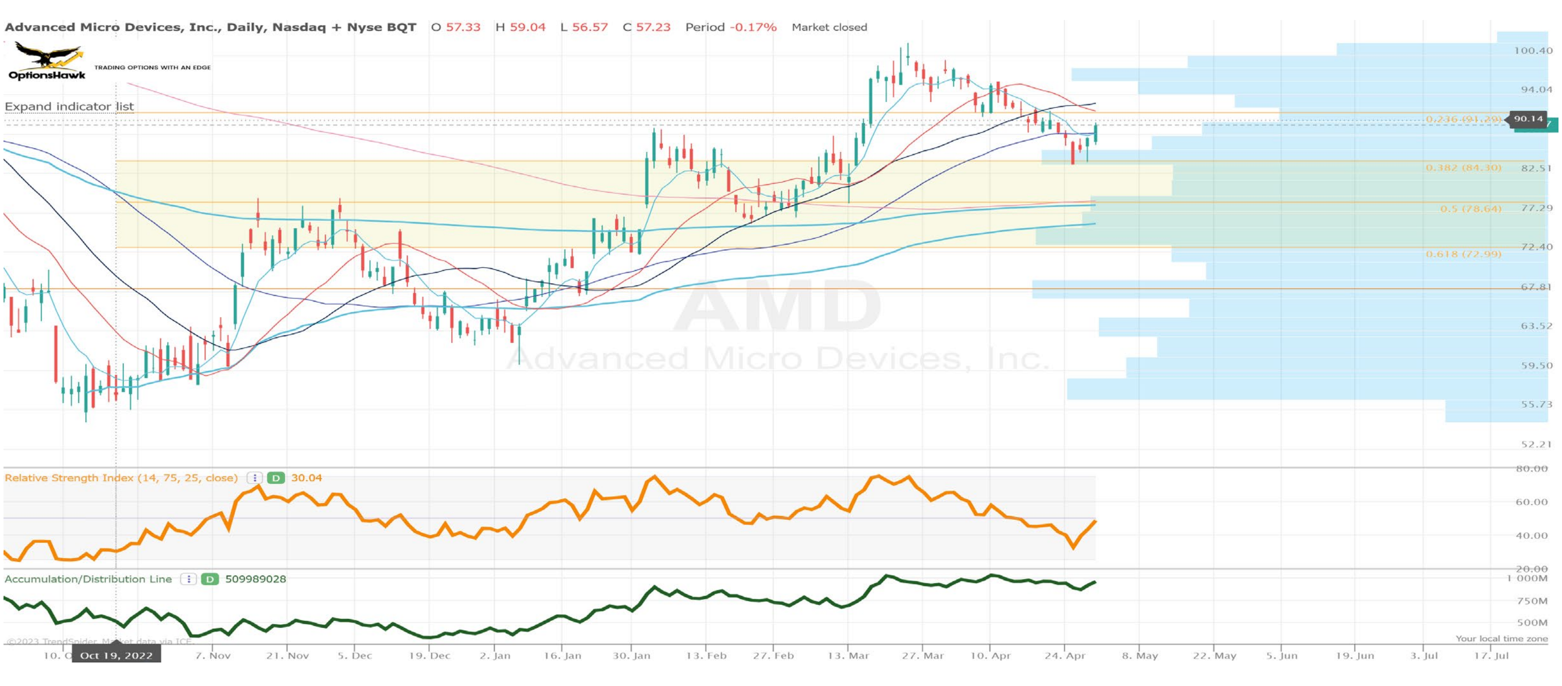
Earnings Snapshots 5/1/2023

AMD, SBUX, AAPL, SQ, DASH

AMD (AMD) will announce results 5/2 after the close with the Street looking for $0.56 EPS and $5.3B in Revenues (-10%) and Q2/FY23 seen at $0.63/$5.49B and $3.01/$23.53B implying a drop of 0.3% in revenues and 13.9% in EPS for 2023 but 2H23 growth acceleration through 2024 to record results. AMD shares jumped sharply last quarter on results, higher three of the last five with a six-quarter average max move of 8.6%. 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). The Semiconductor group is seeing some mixed reports and AMD likely faces headwinds from a slowing PC/Console market while continues to gain share in Servers. PC processors, graphics, and consoles make up 55% of revenues. Data center plus Xilinx products now make up approximately 50% of gross profit dollars, and with strong share gain potential for both. AMD has a $140B market cap and trades 20.7X Earnings, 16.4X FY24 EBITDA, 6X Sales and 45.2X FCF. AI development projects are a major theme and AMD believes that their ROCm software stack gives them a leg up on HPC and AI/ML development markets, and continue to target opportunities in this market with its MI250 data center GPU. MI300 development is on track and will be announced in the back half of the year. The MI300 will also embed 4 Genoa CPUs within the GPU packaging, in a similar approach to Nvidia's Grace-Hopper superchip. There should be a broad-based server recovery in 2H, on China/enterprise and Sapphire Rapids/Genoa ramps. AMD has high exposure to cloud vendors who should ramp up CPU/accelerator investments on AI tailwind. Analysts have an average target of $100 with short interest low at 2.9% of the float. SIG has a $115 target seeing risk to Q2 guidance but this should mark the bottom before a 2H recovery as the inventory overhang abates. KeyBanc raised its target to $110 despite lowering its Q2 estimates to reflect weak cloud demand, delays associated with the ramp of Genoa, and a more muted recovery in PCs, and increased its outyear estimates reflecting a normalization in PC demand and continued market share gains in server, as Genoa ramps more meaningfully. On the chart, AMD has pulled back into the upcoming report holding a key volume node last week on a retest of its breakout earlier this year, also lower monthly value support. This puts $83.8 as a major level to defend and below would line up with a test of the 200-day and key VWAP at $79. The weekly remains in the early innings of a bullish trend inflection that started in late January. AMD options are pricing in a 6.1% earnings move and 30-day IV Skew is at +4.3 which compares to the +6.2 52-week average. AMD put/call open interest ratio is at the 89th percentile and average IV30 crush is -15.15%. AMD's largest open interest is in short puts like June $60, June $75 and $70, and September $60. AMD has recently seen August $90 size call buys accumulate to 10K.

Trade to Consider: Long **AMD** August $90/$105 Call Spreads at $5.50 Debit



Starbucks (SBUX) will report earnings 5/2 after the close with the Street estimate at $0.65 EPS and $8.4B in Revenues (+10.1%) and Q3/FY23 seen at $1/$9.36B and $3.41/$35.95B implying 11.5% revenue growth and 15.1% EPS growth in 2023 while 2024 seen at 11.8% and 20% growth respectively. SBUX shares have closed lower after reporting eight of the last ten but higher two of the last three with a six-quarter average max move of 6.17%. SBUX is undergoing a transition after their CEO stepped down and founder Howard Schultz returned amid a flurry of near-term headwinds including higher wage costs and supply chain issues. Schultz is expected to make some bold moves to help reignite the brand and recently stopped their buyback plan to reinvest in the company and their people. SBUX could look at options like expanding into selling food and wine in the evening hours to drive traffic at night, café remodels, new menu items and advancements in tech, an area where they have historically been very strong. Schultz may also look at changing where they open new locations as the pandemic has changed the work/home balance. SBUX should benefit this quarter from further mobility growth and China recovering. SBUX has a market cap of $129.6B and trades 28X Earnings, 20X EBITDA and 3.95X Sales. Strong sales momentum in US stores and licensed markets, a slightly lower FX drag, inflation beginning to ease, robust margin upside, and a China recovery are likely to drive a more favorable outlook this quarter. Material sequential margin improvement in F3Q/4Q is assumed and will need to be visible to drive stock upside. The China congestion delay index increased 7% y/y QTD indicating cont'd improvements in mobility levels. Tier 1 cities such as Shenzhen, and Shanghai (where a significant share of SBUX stores is located), showed further improvements in y/y congestion levels versus two weeks prior. Analysts have an average target of $113 with short interest minimal at 1.1% of the float. Evercore recently added to Tactical Outperform and has a $120 target. OTR Global raised its view to Positive from Mixed on 4/10. On the chart, SBUX is quite overbought into the report following a strong move last week to multi-month highs with near-term resistance in the $115/$117 zone. On weakness look for $108 to provide key support for shares. SBUX options are pricing in a 4.65% earnings move and 30-day IV Skew at +4 compares to the +4.5 52-week average. SBUX put/call open interest ratio is at the 54th percentile and average IV30 crush is -23%. SBUX saw large buyer flow in July $115 calls 4000X and June $115 calls 4000X last week but also seen a large buy-write with May $110 calls while June $100 and $110 calls have seen size buys.

Trade to Consider: Long the **SBUX** May $118 / June $115 Call Diagonal Spreads at $2.30 Debit (Short May, Long June)

Apple (AAPL) will post results 5/4 after the close with the Street view at $1.43 EPS and $92.98B in Revenues (-4.4%) and Q3/FY23 seen at $1.22/$84.72B and $5.95/$387.92B implying a 1.6% drop in revenues Y/Y and EPS down 2.7% though growth accelerating in 2H23 through 2024 with the latter seen as a year with 7% topline growth and 10.8% bottom-line growth. AAPL shares have closed higher the last three reports after being lower six of the prior seven, a six-quarter average max move of 5.35%. 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. AAPL has a market cap of $2.66 trillion and trades 25.75X Earnings, 6.9X Sales, 21.1X EBITDA and 32.25X FCF with a 0.54% yield. Checks suggest that iPhones and Services are stable to better additionally aided by incremental FX tailwinds. Although Macs and iPads have trended worse, the highest margin parts of the portfolio will likely keep gross margins stable. Positive catalysts of new product introduction (AR/VR headset) and stable iPhones is offset by a potentially weaker consumer spending environment in 2H23. Global App Store rev in F2Q23 (after 91 days) declined to $6.4bn (-1.8% y/y through April 1st, according to data from SensorTower). Apple Services revenue is expected to decelerate to 4% y/y in F2Q23 aided by an incremental FX tailwind and benefit from a growing Installed Base. Consensus expects reacceleration, starting F3Q23, on easier y/y compares. The consensus is expecting a modest guide down in revenues for next quarter. AAPL has four key upcoming catalysts: 1) the anticipated AR/VR headset launch at WWDC in June, 2) reaccelerating Services growth in the June quarter, 3) easing FX compares that should help to drive gross margins to new record highs each quarter into early CY24, and 4) reaccelerating iPhone shipment and revenue growth in FY24. Apple should update its capital return plans during March quarter earnings with expectations for $90B incremental buyback and 5% dividend hike. What will matter most is how management soft-guides June quarter revenue (forecast $80.3B), as well as directional commentary around iPhone and Services growth (forecast 9% Y/Y), and the sequential change in gross margins (expect a 43.5-44.5% guide). Analysts have an average target of $170 on shares with short interest low at 0.75% of the float. Deutsche Bank raised its target to $170 from $160 citing iPhone strength offsetting weakness in other areas and sees upside to margins. On the chart, AAPL started to emerge out of a bull flag to close the week and cleared a trend-line off prior highs. The $172/$175 zone should be an area of resistance while on weakness look for support at $165 followed by $161. AAPL options are pricing in a 3.1% earnings move and 30-day IV Skew at +5.7 compares to the +6.3 52-week average. AAPL put/call open interest ratio is at the 77th percentile and average IV30 crush is -15.56%. AAPL sees plenty of flows on both size but has some large short calls at September $170 and July $175 as well as December $175.

Trade to Consider: Sell the **AAPL** July $180/$175/$160/$155 Iron Condors for $3.20 Credit

Block (SQ) will release results 5/4 after the close with the Street consensus at $0.34 EPS and $4.59B in Revenues (+16%) and Q2/FY23 seen at $0.40/$4.98B and $1.70/$20.03B implying 14.3% revenue growth and 70.4% EPS growth in 2023 while 2024 seen at 15.1% revenue growth and 41.7% EPS growth. SQ shares have closed higher four of its last five reports with a six-quarter average max move of 11.6%. Square is a leading payments company that continues to expand product offerings to monetize recent growth with the addition of Square Card, Cash Card, Stock Brokerage, and other financial services. SQ also made a big push into BNPL with its $29B deal for Afterpay which is a key risk to the company. SQ is well positioned to benefit from Cash App's growing monetization from new product features (e.g., tax preparation, card spending, cash management, stock investing, Bitcoin) while enjoying ongoing user growth from the network effects of P2P payments, as well as Square's continued share gains within SMB acquiring. SQ has a market cap of $36.5B and trades 25.2X Earnings, 19X FY24 EBITDA, 2.1X Sales and with a 3.6% FCF yield. Block provided additional information on its active user base, unique customers, verification requirements, and compliance programs in response to recent investor concerns after a widely circulated report highlighted issues around potential fraudulent or fake accounts. Square Seller business faces slowing growth and SMB health concerns. American Express management called out that they had seen a slowdown in their SME book, particularly for goods and services and Small Business Optimism Index decreased by 0.8 points in March to 90.1, with hiring plans falling to the lowest level since May 2020. The recent shift in management's focus to driving profitability and achieving the Rule of 40 has increased return expectations for Block. At Seller, the Street's 17% gross payment volume (GPV) growth estimate reflects modest acceleration against an easier comp. Investor focus will also be on Cash App monthly active users (MAUs) in the wake of the short-seller's report. Analysts have an average target of $93 and short interest is at 5.9% of the float. Mizuho with an interesting note last week saying Clovers results have raised to bar for Block. BAML sees the Q1 report as a positive catalyst with shares undervalued and an underappreciated resilient business model. On the chart, SQ has lagged into this report and since the short-seller piece. SQ is trying to hold $58.40 support and below would target $54.50 or lower. SQ has plenty of resistance on a snapback move including $65 and $69, above the latter would open up a move to $72. SQ options are pricing in a 7.7% earnings move and 30-day IV Skew at +6.7 compares to the +8.1 52-week average. SQ put/call open interest ratio is at the 1st percentile and average IV30 crush is -21.2%. SQ has a large June $60 call position 15,000X in OI sitting -72%, while June $80 puts bought 11,000X, January $65 puts bought 6500X and also some buys of May $55 puts.

Trade to Consider: Long the **SQ** May $60/$53 Put Spreads for $2.15

Doordash (DASH) will announce quarterly numbers 5/4 after the close with the Street expecting ($0.57) EPS and $1.93B in Revenues (+32.7%) while Q2/FY23 seen at ($0.53)/$1.96B and ($2.06)/$7.96B implying 2023 growth rates of 21% in Revenues and 43.9% in EPS while 2024 seen at 16.4% and 38.2% respectively. DASH shares have closed lower three of the last four reports after being higher the previous five straight, a six-quarter average max move of 15.5%. 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 also notably announced a deal for Finnish delivery firm Wolt Enterprises for €7B that lays the foundation for the company to gain massive global scale in more than 22 countries and accelerate their international growth initiatives. 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 $22.9B and trades 3.5X Sales and 29X EBITDA (19.4X FY24 forecasts). DASH is coming off another quarter showing its leading execution in its core US restaurant business and emerging other businesses. Improvements in logistic network efficiency and reductions in defect rates have driven consistent improvements in the contribution margin of the core business, with DASH expecting improvement in both US restaurant and investment area EBITDA margins in 2023. DashPass continues to grow as well, reaching over 15M members now representing an estimated 47% penetration of MAUs. Analysts have an average target of $76 with short interest at 6.6% of the float. On the chart, DASH is trading in a very coiled range the last few months with $50.5 and $68.5 key boundaries. The $56.50 support is key for now as trend support while $64 is resistance. DASH options are pricing in a 10% earnings move and 30-day IV Skew at +3.6 compares to the +6.1 52-week average. DASH put/call open interest ratio is at the 94th percentile and average IV30 crush is -20.5%. DASH recently with an interesting trade in May 5th (W) that sold the $53 puts to buy $64/$73 call spreads 1850X. DASH also a massive call roll recently with 30,000 August $45 calls opened in a $60M position. The May $60 calls with 5500X in OI have seen strong buyer flow while January $95 calls with 5000X bought and August $35 short puts 3500X.

Trade to Consider: Long **DASH** May $65/$70 Call Spreads for $1.35 Debit

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