



TGT, CSCO, PANW, AMAT, DE

**Target (TGT)** will report results 5/19 before the open with the Street expecting \$2.21 EPS and \$21.76B in Revenues (+10.9%), and FY22 seen at \$9/\$92.65B and will face challenging comps the remainder of the year. TGT shares have closed higher 6 of its last 9 reports with a six-quarter average max move of 8.1%. The \$104B discount retailer trades 21.8X Earnings, 1.1X Sales and 16X FCF with a 1.29% dividend yield. TGT gave somewhat conservative guidance in March with uncertainty facing reopening but they've executed well on a very successful omnichannel strategy and should thrive in any scenario with a stronger consumer spending backdrop. TGT has seen explosive growth in their drive-up and delivery strategies including Shipt that grew 300% in 2020. They also continue to expand their exclusive collections with leading names like Ulta Beauty which should support foot traffic growth during reopening. TGT could also expand on their best-in-class private label business in 2021 which now has ten in-house brands that generated \$1B+ in sales last year. Analysts have an average target of \$225 with short interest at 1.8% of the float rising 70% Q/Q. TGT continues to benefit from competitor store closures. TGT is taking significant share in apparel, which can drive apparel to be one of the fastest growing areas and be beneficial to margins. JP Morgan raised its target to \$230 on 4/19 citing healthy store traffics as vaccinations rise. Stifel raised its target to \$230 seeing TGT benefitting from stimulus and sees sustainable share gains across most categories. On the chart TGT is in a very strong trend with a recent flag breakout at the \$195 level that sent shares to new highs. On weakness support comes in at \$202 and \$193 levels. TGT options are pricing in a 4.95% earnings move and 30-day IV Skew at +0.3 compares to the +1 52-week average. TGT has seen 5000 May 28<sup>th</sup> (W) \$207.50 puts with buyers accumulate since 5/11, while 3500 May \$205 calls bought for \$2.45M on 4/23 and remain in OI, the 10K June \$220 calls bought on 4/1 have seen OI rise above 30,000X, and some buy-writes in January \$210 and \$220 calls.

Trade to Consider: Long the **TGT** May/June \$220 Call Calendar Spreads at \$1.60 Debit



**Cisco (CSCO)** will report earnings 5/19 after the close with the Street looking for \$0.82 EPS and \$12.56B in Revenues (+4.8%) and FY21 seen at \$3.22/\$49.26B. CSCO shares have closed lower 5 of its last 7 reports, a six quarter average max move of 7.6%. The \$220B network equipment leader trades 15.5X Earnings, 4.6X Sales and 26.45X FCF with a 2.8% yield and a cash-rich balance sheet. Analysts have an average target of \$55 with 1.3% of the float short. On 3/25 Goldman upgraded to Buy with a \$59 target noting "the prospect of increased enterprise spending on campus networking to enable a video conferencing heavy return to offices presents opportunity for fundamental upside." It sees improving order trends for Cisco while Cisco is only in the first half of the Catalyst 9K cycle replacing older technology, with the product continuing to see strong double-digit revenue growth. Cisco closed its \$4.5bn acquisition of Acacia on March 1 of this year. MKM started shares Buy with a \$61 target last week on a best-in-class management team with the operating model tracking ahead of expectations with an acceleration to a software-based recurring revenue model. Wolfe raised CSCO to Outperform with a \$63 target on 4/16 on a resurgence in IT spending and sees a rising software mix and improving hyperscale performance. On the chart CSCO shares recently broke out above \$53 of a weekly bull flag and previously out of a much larger sideways pattern that measures to \$63. Shares currently lack much resistance until the \$55/\$57 zone. CSCO options are pricing in a 4.7% earnings move and 30-day IV Skew at +3.6 is steep to the +2.5 52-week average. CSCO has seen August \$48 puts sell to open 10,000X recently, while buyers been active in some October and September call strikes with steady accumulation.

Trade to Consider: Long the **CSCO** June \$52.5/\$55 Call Spreads at \$1.10 Debit



**Palo Alto Networks (PANW)** will announce results 5/20 after the close with the Street view at \$1.28 EPS and \$1.06B in Revenues (+21.6%) and FY21 seen at \$5.88/\$4.18B. PANW shares have closed lower 4 of its last 6 reports with an average max move of 9.4%. The \$32.3B network security firm trades 47.8X Earnings, 7.8X EV/Sales and 26.4X FCF. PANW forecasts see revenues growing 22.7% in 2021 and 17-20% each of the next two years. PANW has seen positive tailwinds from work-from-home and the digital transformation and has been active in bolt-on deals expanding the power of its platform. Analysts have an average target of \$445 and short interest is 5.5% of the float. KeyBanc raised its target to \$469 on 5/23 on healthy survey results. Mizuho reiterated a \$475 target after the CFO departure news and sees no disruption to business. Cleveland Research was out positive 3/16 on its strong channel checks expecting stronger security investments by companies the next 12-24 months. On the chart PANW shares bounced last week at the rising 34-week moving average and also worked back above VWAP from October 2020 lows. The low last week near \$320 now seen as support followed by a potential measured move back to \$270 on a break. Shares have resistance at \$345 and \$370 levels. PANW options are pricing in a 6.4% earnings move and 30-day IV Skew at +1 compares to the +0.3 52-week average. PANW options activity been fairly quiet with a lot of stock-tied trades, sellers been active in longer dated puts seeing valuation support.

Trade to Consider: Long the **PANW** May \$330/\$350/\$370 Call Butterfly Spreads at \$4.30 Debit



**Applied Materials (AMAT)** will report earnings 5/20 after the close with the Street expecting \$1.51 EPS and \$5.41B in Revenues (+36.7%) and Q3/FY21 seen at \$1.56/\$5.53B and \$6.04/\$21.73B. AMAT shares have closed higher 5 of its last 6 reports with an average max move of 7.63%. The \$113.5B Semiconductor Equipment leader trades 18.8X Earnings, 6.25X Sales and 37.8X FCF with a 0.77% yield and coming off a positive Investor Day. Applied management presented a constructive outlook for the broader semiconductor industry by highlighting the exponential growth in data creation and the potential for continued semiconductor content growth across various applications, including smartphones, automotive, data center servers, and smart homes. Applied also shared interesting data comparing semiconductor consumption per capita between the U.S., China, and India, indicating significant runway for growth in China (which is approximately 10 years behind the U.S.) and India (which is approximately 10 years behind China). Applied highlighted how, within its Applied Global Services (AGS) business, it has increased the penetration of subscription-like revenue from 40% in FY13 to 60% in FY20, growing at a rate 1.5x that of overall AGS during this time period. Currently, Applied's installed base is comprised of >40,000 tools, the largest of its peers, with over 14k of those tools generating subscription revenue (and with a 90% renewal rate). AMAT has tailwinds throughout 2021 from rising capex estimates for chipmakers as well as US efforts to regain a lead in semiconductor production through the "Chips Act." The company noted in February that they expect the WFE market to grow above \$70B in 2021 through multiple areas of industry investment. Specifically, AMAT expects 15% growth semi consumption due to broader adoption of 5G smartphones, data-center growth which will pressure IC manufacturers to upgrade chip fabs, and the ongoing auto chip shortage which will push demand up double-digits. Analysts have an average target of \$160 and short interest is low at 1.3% of the float. Citi raised its target to \$160 on 4/19 as its top pick lifting forecasts expecting memory and logic WFE spend to grow evenly. Craig Hallum raised its target to \$170 saying the next wave of demand is just beginning and less cyclical as it will be driven by permanent secular trends. On the chart AMAT bounced strong off its rising 21-week moving average last week, nearly reaching a 38.2% retracement level at \$111 and held a key volume node and worked back above another. Shares now have resistance up in the \$133/\$137 zone. AMAT options are pricing in a 3.8% earnings move and 30-day IV Skew at +0.8 compares to the +1.1 52-week average. AMAT has seen mostly bullish flow including sellers in October \$135 puts, the July \$140 calls with 7000X bought, buyers in May \$131 calls 5000X, and a seller of 4000 June \$125 puts.

Trade to Consider: Sell the **AMAT** July \$115/\$110 Put Spreads for a \$1.35 Credit



**Deere (DE)** will release earnings 5/21 before the open with the Street looking for \$4.50 EPS and \$10.44B in Revenues (+27%), and Q3/FY21 seen at \$4.17/\$9.72B and \$16/\$37.82B. DE shares have alternated red/green closes the last eight reports, green last quarter, and a six quarter average max move of 6.6%. The \$120B Ag & Construction equipment leader trades 21X Earnings, 3.2X Sales and 18.4X FCF with a 0.94% yield. DE forecasts see revenues rising 21% in 2021 and 10.5% in 2022 with EBITDA growth of 11.7% and 7.7% respectively. DE is seeing an improving backdrop from strengthening commodities providing a boost to farmer incomes while Deere also establishing itself as a leader in next-generation technologies such as Precision Ag. The ag equipment replacement cycle remains in the early stage and DE also continued to expand margins. Analysts have an average target of \$405 and short interest low at 1% of the float. Citi raised its target to \$415 last week calling the demand outlook for the high-margin ag-business the best in a decade and rising corn & soybean prices support farmer optimism. Baird raised its target to \$425 citing the decade-high commodity prices catalyzing replacement demand and construction/road building demand also improving. Evercore hiked its target to \$455 and sees multiples expanding into a multi-year growth cycle. On the chart DE shares have been consolidating sideways just under new highs for a few weeks after a wild trend move higher. Support is at \$364 and below the 21-week moving average near \$340 comes into play while also could look at some retracement moves. DE options are pricing in a 3.25% earnings move and 30-day IV Skew at +0.7 compares to the +1.6 52-week average. DE options activity has been quiet recently, sellers of May \$415 and June \$420 calls while 1800 June \$380 calls seen buyers, 2500 June \$400 calls bought and sales of 2500 June \$350 puts.

Trade to Consider: Long the **DE** May \$405 / June \$400 Call Diagonal Spread \$5.75 Debit



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