



ZM, AVGO, LULU

**Zoom (ZM)** will report earnings 6/1 after the close with the Street expecting \$0.99 EPS and \$906M in Revenues (+176%) and Q2/FY22 seen at \$0.94/\$931.7M and \$3.76/\$3.8B. ZM shares have closed lower the last two reports after being higher the previous three, a six quarter average max move of 17%. The \$100B collaborative software leader trades 24.5X EV/Sales and 72X FCF with revenues seen rising 43.4% in 2022 and 19% in 2022 as comps start to become tough next quarter though 40% Y/Y growth still expected. Zoom has been posting very strong numbers and has a major growth opportunity and ARPU expansion opportunity with Zoom Phones though churn rates will likely be in focus as face-to-face meetings regain some momentum. Analysts have an average target of \$425 and short interest is elevated at 23.6% of the float. RBC lowered its target to \$480 from \$550 last week but stayed at Outperform citing app data that has come down but remains elevated and sees the key to Zoom being limiting churn, monetizing free users and cross-selling new products. Baird sees Zoom beating results and giving conservative guidance due to reopenings and has an Outperform rating and \$400 target. Mizuho sees outsized growth with better renewals, strong enterprise expansion and ARPU growth from up-sell highlighted by Zoom Phone and Zoom Rooms. Hedge Fund ownership fell 3.8% in Q1 filings, Ark remaining a top holder along with Tiger Global and Baillie Gifford. On the chart ZM recently put in a reversal hammer on the weekly right off VWAP from the March 2020 lows and now has resistance in the \$340-\$345 zone with the 21-week moving average and key VPOCs but above room back to the 200-day moving average at \$384 as weekly MACD nears a bull crossover. ZM options are pricing in a 7.2% earnings move and 30-day IV Skew at +0.1 is at multi-month lows and compares to the +1.3 52-week average. ZM has a 2000 contract August \$210 call position bought on 1/21 and also has 6400 September \$290 calls from a \$22.5M trade on 5/12 in OI. Near-term the June \$330 calls have 3900 in OI from buyer flow and longer-term January 2023 \$350/\$550 call spreads opened 2400X on 1/11.

Trade to Consider: Long the **ZM** June \$340/\$370/\$400 Call Butterfly at \$5.35 Debit



**Broadcom (AVGO)** will announce quarterly results 6/3 after the close with the Street view at \$6.43 EPS and \$6.51B in Revenues (+13.3%) and Q3/FY21 seen at \$6.59/\$6.6B and \$26.89/\$26.85B. AVGO shares have closed higher four of its last five reports with a six quarter average max move of 5.16%. The \$194.5B Semiconductor company that has transitioned into a software company is trading 16.3X Earnings, 7.9X Sales and 29.1X FCF with a 3% dividend yield. AVGO revenues are seen rising 12.4% in 2021 and just 5.1% in 2022 with EPS up 21.3% and 7.9% respectively. AVGO is likely to be facing similar supply constraints as peers. Analysts have an average target of \$505 on shares and short interest low at 1.6% of the float. JP Morgan has a \$570 target and sees AVGO leading the high-end custom chip market, a \$10B opportunity. Loop raised its target to \$540 last quarter on record bookings with strengthening end-market demand. Hedge Fund ownership fell 1% in Q1 filings. On the chart AVGO shares recently rebounded from just above its rising 200-day moving average and weekly RSI held the key 50 level. Shares have resistance at \$480/\$485 zone and above would target a range-break measured move to \$535. Shares have support at \$453. AVGO options are pricing in a 3.2% earnings move and 30-day IV Skew at +0.6 compares to the +1.5 52-week average. AVGO recently with 3500 July \$500 calls sold to open and 1300 June \$490 calls sold to open. AVGO has not seen much notable call buying but tends to see plenty of opening longer-dated put sales as the value name it is.

Trade to Consider: Sell the **AVGO** June \$500/\$490/\$450/\$440 Iron Condor for a \$5 Net Credit



**Lululemon (LULU)** will report results 6/3 after the close with the Street consensus at \$0.90 EPS and \$1.12B in Revenues (+72%) and Q2/FY22 seen at \$1.01/\$1.2B and \$6.46/\$5.66B. LULU shares have closed lower tis last six reports with an average max move of 7.17%. The \$42.9B fitness apparel company trades 40.2X Earnings, 9.75X Sales and 74.75X FCF with revenues seen rising 28.6% in 2022 and 17.4% in 2023 with EPS up 37.5% and 24% respectively. LULU did well through the pandemic with its strong DTC offering and has been pushing into fitness further with its Mirror acquisition. Analysts have an average target of \$390 with short interest low at 1.9% of the float. MKM cut its target to \$388 in March seeing near-term growth constrained by recent investments. B. Riley lowered its target to \$374 also noting increased Mirror investments but sees LULU able to grow the core business in the US and internationally. Hedge Fund ownership fell 0.8% in Q1 filings, Winslow Capital adding to a large position. On the chart LULU shares have been in a narrow 2021 trading value range of \$300/\$340 and potential for a post-earnings strong move. Shares have moved right up to VWAP off those August 2020 highs and the 200-MA just overhead at \$335.65. A move above \$340 can send shares to \$370. Shares have support at \$310 and \$300 levels, but below the latter a large volume pocket back to \$240. LULU options are pricing in a 5.5% earnings move and 30-day IV Skew at 0 compares to the +1.3 52-week average. LULU options activity has been very quiet, the January \$260 puts were bought to open 1500X recently, but otherwise no major positioning.

Trade to Consider: Long the **LULU** June 4<sup>th</sup> (W) \$325 Straddle for \$20



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## **Not Investment Advice or Recommendation**

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