



## Earnings Snapshots 5/8/2023

### PYPL, ABNB, U, TTD

**PayPal (PYPL)** will announce results 5/8 after the close with the Street looking for \$1.10 EPS and \$6.98B in Revenues (+7.6%) and Q2/FY23 seen at \$1.17/\$7.27B and \$4.88/\$29.38B implying 6.8% revenue growth and 18.3% EPS growth in 2023 while topline growth forecasted to accelerate in 2024/2025. PYPL shares have closed higher three of its last four reports with a six-quarter average max move of 13.05%. PYPL has faced headwinds with a lot of blowback on recent policies as well as an overall slowing consumer spend environment in ecommerce. Share gains and the stabilization of eCommerce growth would be the key to move shares higher while margins remain a key topic as the company initiated cost-savings initiatives. PYPL is likely to also benefit from rising rates that will support its OVAS revenue, which incorporates interest income on customer deposits. With 43% of revenue coming internationally PYPL FX headwinds should moderate. PYPL has a market cap of \$80.65B and trades 13.4X Earnings, 11X EBITDA and 2.9X EV/Sales with a 7.8% FCF yield. PYPL's valuation will continue to be dictated chiefly by revs/transaction profit growth, and as the likelihood of further downward top-line estimate revisions diminishes, debates around competition/market share should start to dissipate to some extent. Clarity on the new CEO over the next couple of quarters is also key. Tech product development/deployment needs to be a core skill set of the new leader, as PYPL rolls out enhancements in core checkout, digital wallet, Braintree/PPCP, and Venmo. Intra-quarter management commentary suggested greater than expected strength in the core business, which along with continued strength in OVAS and improved FX, could drive modest upside to 1Q revs/EPS consensus. One of the most common questions around PYPL is whether or not it is losing share, most notably vs. Apple Pay. one potential near term headwind to Braintree growth could be the recently announced expanded strategic payment partnership between Stripe and Uber, as Uber is a key Braintree customer. Analysts have an average target of \$98.50 with short interest low at 1.8% of the float. BAML rates PYPL a Buy saying PYPL's story has improved because: 1) activist Elliott Management's involvement can help drive further cost cuts and increase return of cash to shareholders (additional buybacks, possible introduction of a dividend), which could drive '23 EPS above consensus, and 2) reacceleration of near-term revenue growth. While macro uncertainty and competition remain potential risks, we continue to believe PYPL has a differentiated 2-sided network as a pure-play e/m-commerce platform. MSCO has a \$133 target saying normalized eCommerce growth and sustained outperformance relative to eCommerce can drive expansion in PayPal shares as investors better appreciate PayPal's growth algorithm. On the chart, PYPL has been basing for weeks in the \$65/\$75 key zone of support with the 200-MA at \$81.60 an upside target followed by \$94.5 as VWAP from the start of 2022. PYPL options are pricing in a 6.65% earnings move and 30-day IV Skew at +6.1 compares with the 52-week average of +5.6. PYPL put/call open interest ratio is at the 61<sup>st</sup> percentile and average IV30 crush is -19.6%. PYPL recent flow has seen buyers of May 12<sup>th</sup> (W) \$72 calls, opening seller in Oct. \$65 puts and some size buys in September and October \$75 calls.

Trade to Consider: Long the **PYPL** May \$75/\$77.5 Call Spreads at \$1.15 Debit



**Airbnb (ABNB)** will report earnings 5/9 after the close and the Street view at \$0.08 EPS and \$1.79B in Revenues (+18.7%) while Q2/FY23 seen at \$0.82/\$2.42B and \$3.27/\$9.6B implying 14.3% revenue growth and 17.2% EPS growth in 2023 with each seen a bit higher for 2024 buy Y/Y topline growth seen decelerating throughout 2023. ABNB shares have closed higher seven of its nine earnings reports with a six-quarter average max move of 10.95%. Total bookings for alternative accommodations are seen growing to \$85B in 2026 from \$40B in 2019. ABNB management is targeting long-term 30%+ Adjusted EBITDA margins in improved variable costs, marketing efficiency & managing fixed expenses. ABNB has not even tapped into a massive potential market of Experiences and it is also quietly expanding into Hotels with its deal for HotelTonight. ABNB's results speak to 3 key underlying strengths of the ABNB platform: 1) Long term stays are ramping; 2) Supply initiatives are working; 3) EBITDA flow through is rising on better expense controls. ABNB is benefitting from the recovery in travel volumes as well as trends towards urban areas and International should materially benefit the company. Long term stays continue to ramp, as they now account for 20% of room nights booked. ABNB has a market cap of \$74B and trades 30.1X Earnings, 20.7X EBITDA and 7.2X EV/Sales with a 3.2% FCF yield. Airbnb's Summer release reflects an ongoing reversion of travel to back to pre-Pandemic norms with a re-focus on Rooms, and further efforts to improve Airbnb convenience, transparency, and safety. AirDNA's (a 3rd party data provider) estimates suggest that 1Q y/y growth in Alternative Accommodation (AA) bookings was healthy, but January was the peak month, and full quarter nights are slightly below Street. Supply and occupancy-driven room night deceleration remain key risks. Analysts have an average target of \$140 with short interest elevated at 8% of the float but down 20% Q/Q. Argus upgraded to Buy in late February with a \$144 target citing strong urban demand and benefits from international travel. On the chart, ABNB has consolidated for a few weeks and the low held a key VWAP as well as the 200-MA in April. The \$121.50 level is key for a breakout and return to \$135 recent highs while \$141 is VWAP off record highs and \$147.25 a 50% retracement level. On the other hand, a move under \$114 would likely target \$108 downside. ABNB options are pricing in an 8% earnings move and 30-day IV Skew at +6.1 compares to the +6.5 52-week average. ABNB put/call open interest ratio is at the 66<sup>th</sup> percentile and average IV30 crush is -20%. ABNB recent flow has featured a seller of August \$125 calls, sellers of October \$95 and \$90 puts, buyers of October \$110 and \$105 puts and 4000 May 12<sup>th</sup> (W) \$115 puts bought while \$105 strike puts are short. ABNB has 5500 July \$110 puts from large buys and 5000 August \$105 puts from large buys that skews the bias negative.

Trade to Consider: Long the **ABNB** July \$110/\$100 Put Spreads at \$2.50 Debit (I also like May \$115/\$105/\$95 Put Butterflies for \$1.50 Debit as an alternative)



**Unity (U)** will release results 5/10 after the close with the Steet consensus at (\$0.03) EPS and \$480.9M in Revenues (+50.2%) while Q2/FY23 seen at \$0.05/\$508.5M and \$0.29/\$2.13B implying 52.9% revenue growth in 173.1% EPS growth in 2023 and in 2024 19.5%/210.5% growth respectively. U shares closed lower last quarter on results after being higher five of the prior six, a six-quarter average max move of 21.88%. Unity is the world's leading platform for creating and operating real-time 3D content. Creators, ranging from game developers to artists, architects, automotive designers, filmmakers, and others, use Unity to make their imaginations come to life. Unity Software completed its merger with IronSource and the deal increases U's scale in the mobile ad market and competitiveness with the potential to accelerate U's path to profitability, providing greater earnings/valuation support in the future. U has a \$9.4B market cap and trades 30X Earnings, 20X FY24 EBITDA forecasts and 5.2x EV/Sales with FCF yield seen at 2.6% next year. In-app advertising market will see material y/y declines in '23 as the main advertisers in this market (i.e. mobile game publishers) remain under pressure. Analysts have an average target of \$36 and short interest high at 10.3% of the float, although down 23% Q/Q. On the chart, U is a weak name but trying to make modestly higher weekly lows and weekly RSI lows as a potential positive divergence forming. The \$28 and \$29.50 are natural upside targets followed by upper monthly value \$31.70 and lastly the 200-MA at \$33.90. Downside is difficult to forecast but a break under \$24.50 can push shares back to \$20. U options are pricing in a 12.4% earnings move with 30-day IV Skew at +1.9 comparing to the +5.1 52-week average. U put/call open interest ratio at the 12<sup>th</sup> percentile and average IV30 crush is -20.2%. Recent flows in U includes 3K November \$20 puts bought, sellers in June \$30 and \$40 calls and 1500 November \$25 puts bought. U has 8000 July 17.50 short puts in OI, 4000 January \$35 calls bought 11/8/22 and 2500 August \$25 puts bought 3/16.

Trade to Consider: Long **U** July \$25/\$17.5 Put Spreads for \$2.15 Debit



**Trade Desk (TTD)** will release earnings 5/10 after the close with the Street expecting \$0.12 EPS and \$364.5M in Revenues (+15.6%) while Q2/FY23 seen at \$0.25/\$444.5M and \$1.13/\$1.89B implying 19.5% topline growth in 2023 and 8.4% bottom-line growth, each seen accelerating in 2024. TTD shares have closed sharply higher two of the last three reports though lower each of its last four Q1 reports, a six-quarter average max move of 21.4%. TTD is the leading independent demand side platform (DSP) across display, audio, mobile web, and particularly CTV, where it has established a key leadership position. The company offers advertisers a neutral platform where they can combine their proprietary data with a range of third party targeting tools to power ad campaigns across the open web. This has proven particularly effective in the fast-growing ~\$13.7B CTV market, where the company can compete more effectively with walled gardens like GOOGL, as TTD already enjoys 18% market share in CTV (and 10% share across CTV/video). New AVOD launches will drive significant growth in the CTV ad market, and believe TTD is positioned as the go-to intermediary for advertisers to access this new inventory programmatically. TTD is gaining market share as advertisers embrace the precision and relevance of data-driven advertising on the open Internet via its platform. TTD has a market cap of \$30B and trades 43.5X Earnings, 41X EBITDA and 15.5X EV/Sales making it still very rich on valuation in this market. CTV has been a rare area of strength in turbulent online ad markets over the course of the past year. Much of the recent excitement/focus on the CTV space has been driven by new inventory (such as NFLX and DIS AVOD) coming online. The market is still in the early stages of the transition from linear to connected TV and early indications from 1Q results are positive, as ROKU noted that traditional TV hours dropped 10% Y/Y vs. 20% growth in streaming. Analysts have an average target of \$68 while short interest is at 3.45% of the float. Piper out cautiously optimistic into the quarter last week while Vertical Group upgraded to Positive on accelerating ad spending on its checks. Benchmark cut shares to Sell in March noting they are priced to perfection and has concerns from data/signal loss the next 18 months from Apple and Google decisioning and no reprieve from UID2. On the chart, TTD has shown clear relative strength compared to other high multiple growth stocks, coiled below the \$64.40 resistance level currently. Support below comes in at \$61, \$59.35, and \$56.40 is VWAP off the 2023 low. TTD on a breakout has longer-term retracement target levels at \$68.50 and \$77.25. TTD options are pricing in a 12% earnings move and 30-day IV Skew at +7.7 compares to a +6.5 52-week average. TTD put/call open interest ratio is at the 97<sup>th</sup> percentile and average IV30 crush is -23%. TTD recent flow saw 3000 May 12<sup>th</sup> (W) \$59 puts bought and size accumulation in May \$50 puts 10,000X. TTD has also seen some accumulation in May \$70 and June \$60 calls from buyers and a large buy 2500 June \$50 calls on 11/17/22 remains in OI.

Trade to Consider: Long the **TTD** May \$65/\$75/\$85 Call Butterfly Spreads at \$1.90 Debit



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