



ORCL, ADBE

Oracle (ORCL) will report earnings 6/15 after the close with the Street looking for \$1.31 EPS and \$11.04B in Revenues (+5.8%) as its FY21 comes to a close, and Q1/FY22 seen at \$1.03/\$9.68B and \$4.80/\$41.4B. ORCL shares closed lower three of its last four reports with a six quarter average max move of 8.26% and if we go back further shares lower 11 of its last 15 earnings reports. The \$237B software leader trades 17.3X Earnings and 6.8X EV/Sales with a 1.55% dividend yield and shares +28% YTD have performed well on the value rotation theme. Q4 is seasonally strong and ORCL faces easy comps while the long-term bull case relies on growth acceleration. ORCL is a transformation story as they slowly shift their massive legacy on-premise licenses and hardware presence into the cloud and plenty of long-term runway with just 30% converted so far. ORCL recognizes that they've been late to the trend but sees a massive opportunity in the multi-trillion dollar public cloud space and while on the enterprise side they can leapfrog peer SAP. ORCL strength has been led by strong growth in Fusion ERP at 27%, NetSuite at 22%, and HCM at 21%. Analysts have an average target of \$75 and short interest low at 1.7% of the float. Jefferies raised its target to \$75 last week. Barclays lowered to Equal Weight on 5-10 with an \$80 target without clear evidence of growth acceleration. Cowen raised its target to \$85 expecting growth acceleration as we exit the pandemic. Hedge Fund ownership rose 2% in Q1 filings. On the chart ORCL has been on a sharp vertical ascent and put in a doji weekly candle last week with room to retest the \$79.80 breakout near-term while the rising 55-day moving average is at \$77.50 although the trend has been 10 point moves out of these weekly flags which puts \$90 as an upside target. ORCL options are pricing in a 4.3% move with 30-day IV Skew at +0.2 comparing to the 52-week average of +0.6. ORCL on Friday with 3000 June \$83 puts bought and followed the 6000 June \$85 puts bought on 6/10. ORCL also with 5000 June \$83.50 calls bought on 6/7, 5000 January \$95 calls bought on 5/6, 3500 June 2022 \$75 calls opened recently.

Trade to Consider: Long the **ORCL** June/July \$80 Put Calendar Spreads at \$0.70 Debit



Adobe (ADBE) will announce results 6/17 after the close with the Street consensus at \$2.81 EPS and \$3.73B in Revenues (+19%) and Q3/FY21 seen at \$2.89/\$3.83B and \$11.86/\$15.47B. ADBE shares have closed lower on earnings the last three reports, a six quarter average max move of 6.5%. The \$255B software leader and top digital transformation play moved to new highs last week but just +8% YTD and trades 39.5X Earnings, 44.2X FCF and 16.7X EV/Sales. Adobe is targeting a \$122B TAM and seeing momentum in its Digital Media and Document Cloud businesses. ADBE should benefit in 2H from strong Macro, improvement in SMB and better consumer employment. Analysts have an average target of \$570 and short interest minimal at 1% of the float. Mizuho started at Buy with a \$600 target recently as the gold standard in content creation, consumption and collaboration. Wolfe started shares Outperform with a \$650 target in April seeing significant FCF growth with a long runway for further growth. Hedge Fund ownership rose 3.5% in Q1 filings, Polen and Edgewood with large concentrated stakes. On the chart ADBE broke out of a long weekly consolidation last week that targets a run to above \$700 longer-term. Near-term upside potential levels using Fibonacci extensions are \$545 and \$560. ADBE options are pricing in just a 2.85% earnings move with 30-day IV Skew at +0.3 comparing to the 52-week average of +1.6. ADBE with a massive buy of 3000 September \$470 ITM calls on 6/9 as June calls adjusted, and has also seen buyers in June \$490 and \$515 calls for 1500X and 2000X respectively back in April that continue to hold.

Trade to Consider: Sell the **ADBE** July \$580/\$570/\$520/\$510 Iron Condor for a Credit of \$4.90



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

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