Earnings Snapshots 7/17/2023

IBM, LVS, NFLX, TSLA, AXP

IBM (IBM) will report results 7/19 after the close with the Street looking for $2.01 EPS and $15.57B in Revenues (+0.2%) while FY23 seen at $9.38/$62.26B implying 2.9% topline growth and 2.8% EPS growth in 2023 and 3.7%/6.2% in 2024. IBM shares closed flat last quarter after making a max move higher and were lower the prior three quarters on the close after report, average six-quarter max move of 5.4%. IBM has primarily been focused on Software with digital transformation but also continues to have large Consulting and Infrastructure segments. IBM has been optimizing its portfolio via acquisitions, notable the Red Hat deal that positioned it well in the cloud. IBM is taking the proper steps to align its portfolio with the strategic priorities of hybrid cloud, AI/automation, security, and quantum. IBM views quantum as critical technology as we move into the back-half of the decade, with many applications across physics, chemistry, materials sciences, finance, optimization, and machine learning. IBM could benefit from the recent data showing stabilization in PCs finally. RHT growth and Consulting guide will be most important metrics to track this Q with declaration in RHT growth the biggest risk to shares. IBM recently did a $4.6B deal for Apptio. IBM has a market cap of $121.6B and trades 13.4X Earnings, 10.9X EBITDA and 40.5X FCF. Analysts have an average target of $141 and short interest is 2.9% of the float. MSCO does not see this being a major catalyst for shares this quarter and notes IBM must give investors confidence in the 2H ramp to support current valuation. JPM recently started shares at Neutral seeing risk to shares with the mainframe cycle headwinds. On the chart, IBM shares sit right on monthly VPOC with $136.5 key for a breakout and $129.5 key support. IBM's weekly chart has been putting gin higher lows with a solid trend line of support, the 55-MA $129.88 important to hold or shares can work back to $123.5. The $141 level is a key long-term value resistance and then VWAP off the highs near $149. IBM options are pricing in just a 3.55% earnings move and 30-day IV Skew at +1.3 compares to the 52-week average of +3.1. IBM's put/call open interest ratio is only at the 13th percentile and average IV30 crush is -27.3%. IBM has 20,000 Sep. $150 calls sold to open in OI while July $135 call OI above 10K has accumulated in smaller lot trades. Flows kew a bit bullish out in January and August with the latter seeing $135 and $140 offer side call buys and 2000 Jan. 2025 $135 calls bought to open 1/27.

Trade to Consider: Long the **IBM** July $140 / August $135 Call Diagonal Spread at $1.90 Debit

Las Vegas Sands (LVS) will announce results 7/19 after the close with the Street expecting $0.44 EPS and $2.38B in Revenues (+127%) and sees FY23 $1.94/$9.87B implying 262% EPS growth and 140% revenue growth while FY24 seen at 58.5%/20.6% growth respectively. LVS shares have closed higher the last five reports and a six-quarter average max move of 6.63%. LVS is a leading global developer of destination properties that feature premium accommodations, world-class gaming, entertainment and retail malls, convention and exhibition facilities, celebrity chef restaurants and other amenities. LVS owns properties in the US and Asia with a focus on mass market, the most profitable gaming segment. LVS shares have outperformed on the China reopening with a quick recovery in Macau visitation. Q2 will be the first quarter where mass revenue and thus EBITDA are closer to pre-Covid levels. Peak trends in domestic Gaming have now started to stabilize, with 2Q trends down to low-single-digit growth y/y, whereas Macau remains in recovery and OSB/iGaming momentum has held. LVS historically has catered primarily to the mass market leader with ~25% market share pre-covid and it invested $2B across two Macau properties during the pandemic. Singapore continues to generate positive trends. LVS also has other potential near-term catalysts with a dividend resumption/buyback announcement along with a potential downstate NY casino license. LVS has a $46B market cap and trades 11.4X FY24 expected EBITDA and 4.7X EV/Sales with a forecasted 7% FCF yield. Analysts have an average target of $71 with short interest low at 1.7% of the float. JPM sees improved quarter-to-date trends and says LVS outperformed investor expectations during a historically seasonal weak period between Golden Week and peak summer travel. Jefferies downgraded to Neutral on 6/8 saying estimates have caught up to shares. On the chart, LVS shares are working to multi-week highs and held the channel breakout inflection, key resistance at $65 before shares can run to a $75 target. LVS' recent dip to near the rising 200-MA was quickly bought thought he daily does have a head and shoulders topping pattern forming. On weakness, key support comes into play at 58.50. LVS options are pricing in a 3.25% earnings move and 30-day IV Skew at +2.6 compares to the 52-week average of +4.2. LVS put/call open interest is at the 39th percentile and average IV30 crush is just -11.9%. LVS recently with 6500 September $60/$50 bull risk reversals opened and 3000 July $58 synthetic longs opened. LVS still has 37,000 Sep. $45 calls bought in OI and 6500 August $60 calls along with 4500 September $62.50 calls bought.

Trade to Consider: Long the **LVS** July $60/$64/$67.5 Call Butterfly at $1.25 Debit

Netflix (NFLX) will release results 7/19 after the close with the Street looking for $2.85 EPS and $8.28B in Revenues (+3.9%) while Q3/FY23 seen at $3.24/$8.68B and $11.21/$34B implying 12.7% EPS growth and 7.6% revenue growth, and FY24 seen at 12.8% revenue growth and 29.7% EPS growth. NFLX shares closed lower last report but were higher the previous three and lower the five before that, a six-quarter average max move of 17%. NFLX is the leader in streaming and the recent focus has been its push into an ad-supported tier at a lower price that will drive incremental revenues for years to come. Netflix remains mired in a period of post-pandemic growth normalization while also seeing increased industry wide competition. NFLX operates in a maturing business in a highly competitive market facing a global consumer under increasing economic stress. Success in monetizing the 100M homes identified as password-sharing would translate into higher ARPU over time. NFLX likely still has some more strategic levers to pull across live sports and gaming. Bloomberg recently noted Netflix could be in the running for future NBA rights and WSJ recently noted NFLX is in talks to live-stream its first sporting event this fall. NFLX has a $200B market cap and trades 30.4X Earnings, 22X FY24 EBITDA and an expected 3.2% FCF yield. Analysts have an average target of $410 and short interest is low at 2.2% of the float. Guggenheim with a $500 target sees upside through higher subscription ARPU, advertising revenue, and margin expansion. Wedbush notes Netflix has reached the right formula with its global content to balance costs and generate increasing profitability. At the same time, its ad-supported tier and password sharing crackdown should further boost cash generation. The positive thesis on Netflix relies in part on the password sharing crackdown both a) driving ARPU higher and b) driving subscribers higher. Of the 100mm+ homes that Netflix has identified as incremental opportunity from paid sharing initiatives, MSCO continues to expect 20-30% are monetized during 2H23. UBS raised its target to $525 from $390 noting checks on engagement, downloads and search interest were all constructive for the newly launched paid sharing markets, and along with better FX. On the chart, NFLX has rallied sharply to its 50% retracement target and closed Friday with an ugly candle. Monthly VPOC support is $428.5 and $413 is lower value support while the rising 55-MA is way down at $390. The 61.8% Fibonacci target is up at $494.50 which aligns with a nice volume pocket $390 to $498. NFLX options are pricing in an 8% earnings move and 30-day IV Skew at +0.4 compares to the 52-week average of +4.6. NFLX put/call open interest ratio is at the 30.5 percentile and average IV30 crush is -23.8%. NFLX has seen some recent bullish put sales at June 2024 $470, March 2024 $460 and December $450 and $370 showing confidence. NFLX saw a large buy of 4500 August $415 calls on 6/28 and size January 2025 $660 calls opened in January 4500X that remain in OI. NFLX has 2000 July $330 calls bought in April in OI that are up 350% and still holding.

Trade to Consider: Long the **NFLX** August $450/$475 Call Spreads for $9

Tesla (TSLA) will announce earnings 7/19 after the close with the Street view at $0.82 EPS and $24.6B in Revenues (+45.2%) while Q3/FY23 seen at $0.88/$25.5B and $3.50/$100.22B implying EPS down 14% Y/Y and Revenues up 23%, and FY24 seen as EPS rising 36.8% with Revenues jumping 26.9%. TSLA Y/Y revenue growth will decelerate in the next two quarters before reaccelerating in 2024 according to projections. TSLA shares have closed higher on earnings four of the last seven reports with a six-quarter average max move of 10.95%. TSLA has closed lower three of the last four July reporting quarters. TSLA only crossed 1 million units in the past 12 months and aspires to head to 20 million units a year, still early in its journey as an EV leader. The importance of Optimus will become apparent in the coming years as it estimates that business will be worth more than the car business and FSD. Tesla is seeing steady demand post price cuts in the US and China with margins now in stabilization mode that should bottom over the next 1-2 quarters. Tesla's >4% 2Q delivery beat should support FY23 expectations closer to 1.9M units. Consumers would love alternative/differentiating EVs but still find Tesla to be a superior value-for-money, continuing the company's dominant EV share position. TSLA has a market cap of $880B and trades 58.75X Earnings, 38X FY24 expected EBITDA and 6.9X EV/Sales for FY24. Analysts have an average target of $215 with short interest at 3.5% of the float. Wedbush notes the sum-of-the-parts story for Tesla now further comes into play with its supercharger network, energy business, AI driven autonomous path, unmatched battery ecosystem, and increased production scale/scope globally adding to the Tesla golden EV success story still in the early days of playing out with customers. Mizuho raised its target to $300 seeing Tesla a leader and driving profitability at scale. BAML also with a $300 target noting the tide is turning in Auto with improving volumes, particularly in EV. On the chart, TSLA shares are coiled in a flag into earnings with the 21-MA supportive on dips since the key move back its 200-MA in May. TSLA has trend resistance and the 61.8% Fibonacci at $294 and weekly MACD one of the most overbought in its history. The $257 is key monthly VPOC support on weakness, $240 lower value, and $218 the 55-MA. TSLA options are pricing in a 5.75% earnings move with 30-day IV Skew bullish inversion at -1.4 compared to the +5.4 52-week average. TSLA put/call open interest ratio is at the 27th percentile and average IV30 crush is -10.2%. TSLA sees a ton of options positioning as saw large August $270 synthetic longs open last week while September $280 and $270 puts also saw some large buys. The August 4th (W) $300 calls opened 10,000X with buyers on 7/12 as an interesting near-term position, August $260 synthetic longs 45,000X have opened as July adjust, and 30K November $200 calls have opened since a trade on 6/13. TSLA with a buyer of 3500 March $400 calls on 6/12.

Trade to Consider: Long the **TSLA** July / Aug. 4th (W) $300 Call Calendar at $4 Debit

American Express (AXP) will release results 7/21 before the open with the Street consensus at $2.81 EPS and $15.46B in Revenues (+14%) while Q3/FY23 seen at $2.98/$15.59B and $11.11/$61.57B implying 12.8% EPS growth and 13.2% Revenue growth, while FY24 seen with 11.8% EPS growth and 9.5% revenue growth. This quarter is seen as the first revenue Y/Y deceleration that will last a few quarters. AXP shares have alternated between green/red closes after earnings the last six (red last quarter) with a six-quarter average max move of 7.7%. American Express (AXP) stock has closed higher after reporting Q2 earnings 67% of the time since 2013. American Express is a globally integrated payments company and a leader in providing credit and charge cards to consumers, small businesses, mid-sized companies and large corporations around the world. AXP's higher credit-quality skew offers downside protection from consumer credit deterioration and is well positioned to benefit from ongoing recovery in corporate travel/entertainment spend. AXP recently announced plans to raise the dividend 15% and repurchase up to 120M shares. AXP has a market cap of $129.5B and trades 14X Earnings, 2.25X Sales and 11.8X EBITDA with a 1.38% dividend yield. AXP is one name rumored to takeover the Apple card partnership from Goldman. Analysts have an average target of $185 with less than 1% of the float short. Baird downgraded shares seeing valuation far and risk/reward balanced. Citi opened a negative catalyst watch saying travel and entertainment growth starting to slow and overly optimistic outlooks may need to reset. Goldman recommended buying calls into earnings as management may reiterate its revenue/EPS guide despite weakness in consumer spending. On the chart, AXP is bumping into major value resistance near $175 and putting in some toppy weekly candle while $166 and $162 kye supports on weakness followed by the 200-MA at $158.70. On the other hand, a move above $180 would break shares out of a long value-zone. AXP options are pricing in a 2.75% earnings move and 30-day IV Skew at +3.2 compares to the +4.2 52-week average. AXP's put/call open interest ratio is at the 57th percentile and average IV30 crush is -10.8%. AXP options flow as seen some recent buys in August $190 calls and August 4th (W) $180 calls along with 5000 October $180 calls as the most notable position while 3500 January $200 calls have been sold to open.

Trade to Consider: Long the **AXP** July $175 Straddle for $6.50

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