



IBM, NFLX, SNAP, INTC, TWTR,

IBM (IBM) will report results on 7/19 after the close with the Street expecting \$2.29 EPS and \$18.29B in Revenues (+0.9%) and FY21 seen at \$10.91/\$74.23B implying growth of 25.9% and 0.8% respectively. IBM shares have closed lower four of its last five reports with a six-quarter average max move of 6.5% and IV30 crush averages 25%. The \$123B Tech company trades 11.5X Earnings, 9.5X EBITDA and 12X FCF with a 4.72% dividend yield. IBM is a global leader in IT solutions and has spent years transitioning more into growth themes with a focus on its hybrid cloud and AI strategy. IBM recently spoke at the BAML Tech Conference and noted that its acquisition of Red Hat which transformed the company is still in the early innings of the potential. IBM's cloud & cognitive software segment is the focus for investors while Global Business Services provides BPO services, Global Tech Services segment provides IT support, and the legacy Systems segment focuses on enterprise storage and server markets. Analysts have an average target of \$145 and short interest is low at 2.8% of the float. BMO raising its target to \$155 last week seeing modest upside to the consensus. MSCO after last quarter's results noted progress towards sustainable revenue growth though driven mostly by mainframe in Q1 and 2021 remains a year of transition. Hedge Fund ownership rose 3.85% in the latest quarterly filings. On the chart IBM was showing strong momentum through early June before recently pulling back to the rising 21-week MA which is also just above a 38.2% retracement level with \$136 a key retest and volume node support, while below the 200-day MA at \$130.30 in focus. Weekly RSI is losing its uptrend and just above the 50-level while MACD has already crossed bearish. IBM also has a gap to fill back to \$133.80. IBM has plenty of overhead resistance now with \$143 and \$145 key levels it needs to break through for the trend to inflect. IBM options are pricing in a 4% earnings move with 30-day IV Skew bullish inverted at -0.5% compared to the +1.2% 52-week average and 8-quarter Put/Call Open Interest at the 30th percentile. IBM on 6/8 the January 2023 \$200 calls bought 5000X for \$1.8M adding to the buyer of 5000 on 5/10 at \$1.6M. IBM has seen 15,000 August \$155 calls sold to open.

Trade to Consider: Long the **IBM** July 23rd (W) / August \$145 Calendar Call Spreads at \$0.65 Debit



Netflix (NFLX) will announce results 7/20 after the close with the Street looking for \$3.15 EPS and \$7.32B in Revenues (+19%) and FY21 seen at \$10.54/\$29.73B implying growth of 73.3% and 18.9% respectively. NFLX shares have closed lower five of the last six reports with a six quarter average max move of 8.5% and average IV30 crush 30.5%. Consensus calls for 1.1M paid sub adds (vs guidance of 1M). The \$233B streaming leader trades 41X Earnings, 94.5X FCF and 8.2X EV/Sales. NFLX made news last week noting its aspirations to enter the videogame industry. NFLX margins remain a source of upside as it continues widespread pricing increases. NFLX continues to invest in its content and has a strong film slate set for 2021, a large opportunity in the early stages for major films to be released at home as opposed to the box office. Management now believes the company no longer needs to raise external financing for operational purposes and expects to use excess capital for share repurchases. NFLX reported weaker-than-expected subscriber net adds in 1Q. Management attributed the shortfall to a pull forward in demand during COVID last year as well as content timing issues given production delays. NFLX expects trends to pick up in 2H21 as its content slate ramps up. Analysts have an average target of \$615 and short interest is low at 2% of the float. BAML sees Q2 being irrelevant and sees Q3 guidance as key with the Street expecting 5.9M additions with 2H content drivers such as Stranger Things and The Witcher. Third party data checks show that mobile app downloads and DAUs continue to be under pressure on tough y/y comps. According to Sensor Tower, worldwide Netflix mobile app downloads were down 38% y/y and down 9% q/q. DAUs declined 21% y/y in 2Q on tough comps and as restrictions are eased in more regions. SimilarWeb data shows worldwide cancellation traffic was 1.64% in 2Q21, down 14 bps vs 1Q21 and up 22 bps vs 2Q20. Users seem to be checking the plans and pricing pages more frequently too with 18% (up 2.5% q/q and up 11.4% y/y) of total traffic targeted the plans and pricing page. Wedbush rates shares underperform seeing competition limiting its ability to grow FCF faster. UBS raised its target to \$620 expecting Q3 guidance of 4.5M net adds ramping to 8.7M in Q4. JP Morgan notes that sentiment and expectations are muted and says the next six-months content slate is the strongest ever for NFLX and will continue to make progress in under-penetrated International markets. Truist also positive on subdued sentiment and notes the optionality for live sports, podcasts, other content and advertising-driven revenue streams. Hedge Fund ownership rose 1.8% last quarter in filings. On the chart NFLX forming a long consolidation recently rejecting at trend and weekly upper Bollinger Band resistance while MACD has crossed bullish. NFLX last week pulled back to a key VWAP and the rising 21-day moving average. NFLX above \$555 should easily test the highs from January near \$593 while the range break targets an upward move to \$640-\$650. The \$510 level should be supportive on weakness. NFLX options are pricing in a 5.6% earnings move with 30-day IV Skew at 0.3% comparing to the 0.7% 52-week average. NFLX on 7/16 with a seller of 2000 September \$515 puts to open and on 7/12 the Sep. \$540 calls bought 1000X. The July 23rd (W) \$520 calls with 1000X in OI bought.

Trade to Consider: Sell the **NFLX** August \$520/\$515 Put Spreads to Open (Bull Put Spreads) for \$2.20 Credit



Snap (SNAP) will report results 7/22 after the close with the Street consensus at (\$0.01) EPS and \$845M in Revenues (+86%) and FY21 seen at \$0.22/\$3.91B implying growth of 466.7% and 55.8% respectively. SNAP shares have closed higher four of the last five reports with an average max move of 20%. The \$87.7B social app company being driven by its push into a hot social commerce theme is trading 88X Earnings and 23X EV/Sales. SNAP has positioned itself as a key advertising platform for the younger generations that advertisers are looking to target. SNAP hosted an Analyst Day in February that outlined its longer-term vision with multiple avenues of monetization via maps, games, and viral videos. SNAP has also positioned itself as a leader in Augmented Reality (AR) with 200M people engaging daily. The SNAP camera can solve math equations, scan wine labels to find ratings, reviews and prices, tell you the name of the song you're listening to and so much more. SNAP Stories has become the largest revenue driver for the company. The Snapchat Generation makes up 40% of global consumers and already yields \$1 trillion in purchasing power. Snap downloads, per SensorTower, decelerated slightly in 2Q, growing 26% y/y (vs +38% y/y in 1Q) and down 8% q/q. Snap SensorTower DAUs were up 19% y/y and up 5% q/q (+12mn q/q). Analysts have an average target of \$77 and short interest is at 5.5% of the float. Analysts have not mentioned SNAP much since last quarter's report. Hedge Fund ownership jumped 14% in the latest quarterly filings. On the chart SNAP pulled back the last two weeks and now sits on the 144-day MA, just above the 61.8% Fibonacci off the May lows, and is now below VWAP off the May lows. Shares have a volume pocket below \$57.6 back to its 200-MA at \$53. Resistance currently at \$63.75 and \$65.50. SNAP options are pricing in a 10.7% earnings move and 30-day IV Skew at +0.1 compares to the 0 52-week average. SNAP saw a ton of July 23rd (W) and July 30th (W) put spreads open last week while August \$55 puts sold to open 10,000X on 6/24. SNAP flows have been quite mixed for months now and saw 5000 October \$50 puts bought on 5/3.

Trade to Consider: Long the **SNAP** July 30th (W) \$60/\$55/\$50 Put Butterfly Spread at \$1 Debit



Intel (INTC) will report earnings 7/22 after the close with the Street view at \$1.06 EPS and \$17.84B in Revenues (-9.6%) and FY21 seen at \$4.62/\$72.94B implying growth of -12.8% and -6.3% respectively. INTC shares have closed lower the last four reports and an average max move of 10.1% and IV30 crush of 20%. The \$220B Semi trades 12X Earnings, 2.85X Sales and 15.4X FCF with a 2.53% dividend yield. INTC has been active in the news the past month creating two new business units, one focused on software and one on high performance computing (HPC) and graphics; CEO saying the chip shortage should trough in the 2H of the year but the supply/demand imbalance won't resolve until 2023; planning to delay their next-gen server chip until early 2022; expected to spread their \$20B EU semiconductor investment across a number of countries; and late last week reports of a potential major acquisition of Global Foundries. Goldman discussing the potential M&A deal notes "while an acquisition of GF would broaden Intel's customer/IP portfolio and provide Intel with a team that is well-versed in running a foundry business, we believe there could be revenue dis-synergies if customers no longer perceive GF as a pure foundry. An acquisition of GF is unlikely to help Intel in accelerating its process technology cadence, which is arguably the most critical issue that needs to be addressed for Intel to have material success in the overall foundry market." INTC's Q2 is seen with continued robust demand for client CPU, the ongoing recovery in server demand (augmented by Intel's launch of Ice Lake), partially offset by supply constraints related to ABF substrates. Competition, higher opex, and higher capex are seen weighing on ASPs and thus margins. Analysts have an average target of \$65 with short interest low at 1.5% of the float. Citi and Jefferies each recently lowered targets worried on orders being pushed out with weakening demand and inventory build. Citi noted May notebook shipments were down 5% M/M. Hedge Fund ownership rose 2.35% in the latest quarterly filings. On the chart INTC shares started breaking below the 200-day MA and its base late last week now threatening a break of YTD lower value with a volume pocket back to retest the \$51 level. A move above \$57.50 would leave a nice pocket to return to \$62.5. INTC options are pricing in a 5.3% move on earnings with 30-day IV Skew at +1.7 comparing to the +0.8 52-week average. INTC recently with 5000 October \$47.5 puts sold to open, 5000 Jan. 2023 \$62.5 calls bought to open, adjustments to August \$55 and \$60 calls that now have 30,000X and 40,000X in OI respectively and a seller of 5000 October \$52.5 puts to open, overall strong bull flow bias diverging from weak price-action.

Trade to Consider: Long the **INTC** July 23rd (W) \$55 Straddle for \$3.40 Debit



Twitter (TWTR) will release results 7/22 after the close with the Street expecting \$0.07 EPS and \$1.06B in Revenues (+55.5%) and FY21 seen at \$0.79/\$4.79B implying growth of 190% and 29% respectively. TWTR shares have closed alternating higher/lower closes the last eight reports, lower last quarter, and an average six quarter max move of 15.1%. The \$51B social media leader is trading 61X Earnings and 10.3X EV/Sales. TWTR is a global platform for public self-expression and conversation in real time. TWTR continues to invest in improving its platform and increasing monetization initiatives making the platform more attractive for both users and advertisers. TWTR has also been active in expanding features and has been acquiring smaller companies to allow for its platform to accept payments, long-form newsletters, Twitter Spaces for audio and more. TWTR hosted an Analyst Day in February and the company expects to grow mDAU to at least 315M by Q4 2023. Management reiterated its long-term operating margin target to be in the mid-teens, as well as an adj. EBITDA margin target of 40%-50%. Analysts have an average target of \$64 and short interest is 2.6% of the float. Goldman raised its target to \$112 after the February Analyst day seeing a favorable reward/risk in owning shares as users and advertisers increasingly find utility in the platform, new features and services are introduced, and live events return. BAML rates shares Buy with an \$82 target and last week previewed earnings expecting a beat though sees Q2 DAU/engagement trends slowing. Sensor Tower data suggests Twitter time spent per user down y/y (SNAP & PINS also down, IG/TikTok up), and Twitter has indicated 2Q would be a DAU growth low point. BAML notes "we see opportunity for multiple new revenue generating products (i.e. Super Follow) to roll-out this year, and optimism on Spaces and Subscription activity to grow (better product cadence). Finally, at 9.4x '22 EV/Rev, despite recent stock strength, Twitter trades at an EV/Rev. discount to mid-cap peers (PINS/SNAP) that could close in 2H if the revenue growth rate converges." JPM positive last week into results on a sharp advertising revenue acceleration and solid engagement with product improvements while activists pressure operational discipline. Hedge Fund ownership jumped 12% last quarter, Aristotle adding to a large position, Whale Rock starting a new position, and Elliott continuing to build its stake. On the chart TWTR held up well last week during some market weakness pulling back to volume node support and near its 21-day MA. The \$61.35 level a buy the weakness level to look at as VWAP off the recent lows and a retest of a range break. The \$72 level is resistance and above shares can return to near \$80. TWTR options are pricing in a 9.8% earnings move with 30-day IV Skew at +0.8 comparing to the +0 52-week average. The August \$70 calls were bought 13,500X on 6/8, the August \$75 calls bought 11,000X on 6/9, and on 6/10 the August \$55 ITM calls bought 2500X for nearly \$2M. TWTR also has 6000 December \$70/\$85 call spreads in open interest from 5/28, a buyer of 10,000 September \$60 calls on 5/24, and over 9000 January \$70 calls with a large buy adding on 4/20. TWTR is recent says has seen some size buying in August \$67.5, \$65 and \$62.5 puts that may be hedging event-risk.

Trade to Consider: Long the **TWTR** August \$65/\$70 Call Spreads \$2.20 Debit



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