



UNH, AA, NFLX

**United Health (UNH)** will report earnings 1/19 before the open with the Street expecting \$4.31 EPS and \$72.75B in Revenues (+11.1%) with Q1/FY22 seen at \$5.66/\$78.44B and \$21.66/\$317.27B. UNH shares have closed higher the last three reports after being lower the previous three and a six quarter average max move of 3.68%. The \$440B managed care leader trades 21.65X Earnings, 1.58X Sales and 24.74X FCF with a 1.24% yield and a three-year CAGR for revenues of ~ 10% and EPS ~ 15%. Humana's recent warning on competitive dynamics has weighed on the group but UNH is only 17% exposed to Medicare Advantage and has the most diversified model of the group. UNH held an Investor Day in December outlining its Optum Health growth engine. Analysts have an average target of \$525 and short interest is low at 0.6% of the float. Bernstein recently raised its target to \$564 seeing margin expansion from growth in the Optum business. Goldman started at Buy on 12/14 with a \$535 target with OptumCare driving impressive earnings growth. On the chart UNH shares recently pulled back to 2021 VPOC and VWAP off the September low and held firm but remain below the 8-day moving average. UNH has room back to \$493 on a move above \$478.5 while stronger trend and volume support for a higher low bottom sits back near \$418.50 as weekly MACD nears a bear cross. UNH options are pricing in a 2.6% earnings move with 30-day IV Skew at +3.7 which is steep to the +1.6 52-week average. UNH's put/call open interest ratio is at the 92<sup>nd</sup> percentile and the IV30 crush averages ~ -12%. UNH has not seen a lot of options flow, the June \$250 calls have over 3250X in OI valued above \$83M while January \$480 calls with 4900X in OI from buy-writes. UNH also has 3200 January \$420 calls in OI valued above \$17M and 3450 January \$350 calls valued above \$42M.

Trade to Consider: Long the **UNH** January \$475/\$490/\$500 Unbalanced Call Butterfly at \$2.55 Debit



**Alcoa (AA)** will report earnings 1/19 after the close with the Street consensus at \$1.96 EPS and \$3.36B in Revenues (+40.5%) and Q1/FY22 seen at \$1.72/\$3.23B and \$6.53/\$13.1B. AA shares have closed higher two of its last three reports but was lower four of the previous five with a six quarter average max move of 10.78%. The \$11.3B aluminum leader trades 4.2X EBITDA, 2.96X Book and yields a 0.65% dividend with forecasts showing strong growth seen in 1H22 before facing tough comps in the back-half. Aluminum markets remain tight from supply disruptions with capacity set to grow later in the year. AA has been generating strong cash flow amid a strong pricing environment and the demand outlook is strong in Auto and recovering Aerospace markets while decarbonization has been a key theme. Analysts have an average target of \$65 with 6% of the float short. Jefferies raised its target to \$75 last week expecting a strong period of cash flows and capital returns. Wolfe sees prices remaining elevated at least through 2023. On the chart AA shares are fairly overbought with \$66.50 the remaining Fibonacci extension target. AA recently stalled at a trend extension target and room to dip back to \$54 on a break under \$58. AA options are pricing in a 6.1% earnings move and 30-day IV Skew at +0.3 compares to the +0.1 52-week average. AA's put/call open interest is at the 92<sup>nd</sup> percentile and the average IV30 crush post-report is -7.65%. AA with 12,000 February \$65/\$75 call spreads bought last week and has seen a lot of bullish positioning including 10,000 January 2023 \$55 calls bought in early December and still has large January \$60 and \$65 call open interest.

Trade to Consider: Long the **AA** January/February \$65 Call Calendar at \$1.70 Debit



**Netflix (NFLX)** will post results 1/20 after the close and the Street view at \$0.82 EPS and \$7.71B in Revenues (+16.1%) with Q1/FY22 seen at \$3.43/\$8.08B and \$13.01/\$33.97B. NFLX shares have closed lower on earnings ten of its last twelve reports with a six quarter average max move of 8.34%. The \$230B streaming media leader trades 40.4X Earnings, 7.1X EV/Sales and sees revenues rising at a 12-15% three-year CAGR and EBITDA near 25% growth. NFLX remains in a strong cash flow & earnings cycle and continues to leverage price raises to offset content spend. Analysts have an average target of \$675 and short interest remains low at 2% of the float. UBS cut its target to \$690 last week noting momentum likely faded through the quarter and despite a robust content slate it faces tough post-pandemic comps moving forward. CSFB noted a lack of visibility into this report though notes the weakest investor sentiment in eight years into the report. JPM lowered its target to \$725 estimating Q4 net additions of 6.25M which is well below the company guidance of 8.5M and estimates 5.5M for Q1 guidance noting the early quarter spike from Squid Games. On the chart NFLX has sold off sharply to begin 2022 and now back at a major volume support zone in the \$475/\$515 zone with the \$475 level also near a 50% retrace of the move off the 2019 lows. NFLX options are pricing in a 7.05% move on earnings and 30-day IV Skew at +0.8 compares to the +1.3 52-week average. NFLX's put/call open interest ratio is at the 90<sup>th</sup> percentile and average IV30 crush is ~ 27% post-report. NFLX flows have been mixed without any major bias though 1500 March \$500 short puts opened stands out. NFLX also has 1870 June \$500 calls in OI from buyers.

Trade to Consider: Sell the **NFLX** January \$500/\$480 Put Spreads for \$4.70 Credit (Bull Put Spread)



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**Not Investment Advice or Recommendation**

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