



**Earnings Snapshots 10/25/2021**

**FB, GOOG, AMD, MSFT, TWTR, AAPL, AMZN**

**Facebook (FB)** will report results 10/25 after the close with the Street consensus at \$3.19 EPS and \$29.57B in Revenues (+37.7%) and Q4 seen at \$4.06/\$34.84B. FB shares have closed lower 3 of its last 4 reports with an average six quarter max move of 7.1%. The \$925B social advertising leader trades 20.2X Earnings, 8.85X Sales and 28.8X FCF which remains cheap for a company seen delivering 15-20% annual revenue and EPS growth the next few years. Facebook is the industry leader in social media across its array of social Feed and Messaging application, which has 2.8bn people using at least one of their services (core Facebook, Instagram, Facebook Messenger, WhatsApp & Oculus) daily. Facebook management's focus is on investing against long-tailed platform shifts in video, commerce, payments, messaging & augmented reality (incl. the Metaverse) to continue to evolve the platform in terms of its utility to consumers and advertisers/businesses over the medium/long term. Analysts have an average target of \$420 with short interest minimal at 1.2% of the float. The key themes in digital advertising into the quarter are that overall ad spend remains very strong though CPMs are volatile due to iOS data privacy changes while user growth/engagement is mixed lapping COVID comps. For FB, the quarter and outlook has elevated risk given reopening headwinds on usage, IDFA pressure, supply chain pressure, and tougher comps. Evercore added FB to the Tactical Underperform list on 10/15 seeing risk into the print on tough comps though rates shares Outperform with a \$450 target. Hedge Fund ownership fell 1.1% in the latest quarterly filings. On the chart FB shares have recently pulled back right to its rising 200-day moving average while a 50% retrace off the January lows to 2021 highs is \$314.50 and VWAP off the January lows at the same level, key support, while below would set-up for a test of a major volume node of support back at \$281. Upside levels of note are \$330, \$345 and \$355. FB options are pricing in a 5.25% move on earnings and 30-day IV Skew at +2.1 compares to the +2.7 52-week average. The put/call OI historical percentile is at 54% and the average IV30 crush is -17%. FB recently with a large opening sale of 3250 March \$280 puts and a buyer of 5000 December \$365 calls. FB had a buyer of 10,000 November \$330 calls back on 10/8 near \$15 that remains in open interest and 8000 December \$335 calls bought on 10/7 near \$16.50.

Trade to Consider: Long the **FB** November \$330/\$350/\$370 Butterfly Call Spreads at \$3.70 Debit



**Alphabet (GOOG)** will announce earnings 10/26 after the close with the Street looking for \$23.48 EPS and \$63.32B in Revenues (+37%) and Q4 seen at \$25.37/\$70.99B. GOOG shares have closed higher 3 of the last 4 reports with a six quarter average max move of 6.85%. The \$1.9 trillion Tech giant trades 26.2X Earnings, 8.65X Sales and 31.3X FCF with revenues seen rising at a 15% CAGR the next three years. Alphabet is the industry leader in digital advertising (led by search) and has exposure to array of upside optionality across a number of secular growth tailwinds (media consumption, cloud computing, local commerce, omnichannel commerce, gaming, hardware, computational shifts to AI/ML, etc.). Alphabet plays a critical role at the utility layer of global mobile computing across an array of products, including: browser, search, media, maps, storage, mail, application store & the personalization of computing. Alphabet management is committed to investing in new avenues of growth and product innovation – these most notably include cloud computing, autonomous driving, AI/machine learning, hardware, quantum computing & health care. Analysts have an average target of \$3100 with short interest very low at 0.9% of the float. The key themes in digital advertising into the quarter are that overall ad spend remains very strong though CPMs are volatile due to iOS data privacy changes while user growth/engagement is mixed lapping COVID comps. Mizuho raised its target to \$3100 last week though noted uncertainty to the outlook on rising shipping costs and inventory constraints. Hedge Fund ownership fell 5% in the latest quarter filings. On the chart GOOG shares pulled back last week and touched the YTD VPOC before rebounding. The rising 21-week is at \$2685 as important to close the week above and lower value YTD at that level as well as support. VWAP off the March breakout run is \$2570 while \$2660 is off the May reversal candle. The \$2885 and \$2940 levels are seen as resistance before a move to new highs. Google options are pricing in a 3.9% earnings move and 30-day IV Skew at +2.7 compares to the +2.8 52-week average. GOOG's put/call open interest ratio is at the 28<sup>th</sup> percentile and the average IV30 crush is -18.8%. GOOG has seen large reverse diagonal credit spreads open for months expecting shares to remain above \$2600/\$2700 strikes.

Trade to Consider: Sell the **GOOG** November \$2700/\$2680 Put Spreads for \$6.25 Credit



**Advanced Micro (AMD)** will report earnings 10/26 after the close with the Street estimate at \$0.67 EPS and \$4.11B in Revenues (+46.8%) with Q4 seen at \$0.69/\$4.25B. AMD shares have closed lower 5 of the last 7 reports with a six quarter average max move of 7.8%. The \$145B Semiconductor trades 39.1X Earnings, 10.9X Sales and 59X FCF with revenues seen rising 60% in 2021 followed by 15% average growth the next two years and 18-23% EPS growth. AMD's recent CPU/GPU wins in supercomputing have important and positive implications for the company's forward trajectory in the data center, as design wins in supercomputing are awarded based primarily on performance with good insight into future technology/product roadmaps. AMD is still in the early phase of its journey with 1) enterprise demand just beginning to inflect; 2) "Genoa" (Zen 4 server CPU; 5nm) on track to launch next year; and 3) Zen 5 in the design phase. Importantly, our industry checks continue to support this view, with a leading server management SoC supplier recently confirming AMD's design win momentum across cloud and enterprise customers. Analysts have an average target of \$120 and short interest is 5.2% of the float. SIG out positive last week expecting another solid quarter and rates shares Positive with a \$130 target. Hedge Fund ownership fell 5.8% in the latest quarterly filings. On the chart AMD with a recent bullish breakout trigger back at \$105 and ran up strong to \$120 and shares a bit extended into the report with pullback support levels at \$112 and \$108. AMD options are pricing in a 5.35% move on earnings and 30-day IV Skew at -1.4% compares to the -0.6% 52-week average. AMD's historical put/call open interest ratio is at the 97<sup>th</sup> percentile while average IV30 crush is -14.7%. AMD flows have remained quiet bullish including a large buyer in November \$119 calls late last week and 2000 November \$114 calls on 10/21. Back on 9/16 the December \$120 calls bought 15,000X and the \$105 puts sold to open 15,000X. AMD has also seen size buyers in March \$110 and \$115 calls.

Trade to Consider: Sell the **AMD** November \$125/\$110 Strangle for \$5.90 Credit





**Microsoft (MSFT)** will announce results 10/26 after the close with the Street seeing \$2.08 EPS and \$43.97B in Revenues (+18.3%) and Q2/FY22 seen at \$2.23/\$48.92B and \$8.82/\$192.12B. MSFT shares have closed lower on earnings 4 of the last 5 reports with a six quarter average max move of 3.27%. The \$2.3 trillion software giant trades 30.6X Earnings, 11.8X EV/Sales and 58.4X FCF with revenues seen rising 12-15% annually and EPS 10-15%. With a strong presence across all layers of the cloud stack, including applications, platforms, and infrastructure, Microsoft is well positioned to capitalize on a number of long-term secular trends, including public cloud and SaaS adoption, digital transformation, AI/ML, BI/analytics, and DevOps (amongst others). The Commercial Cloud business continues to grow as a percentage of the overall mix resulting in margin expansion. Analysts have an average target of \$340 with short interest minimal at 0.6% of the float. Citi out last week lowering its target to \$384 though sees a positive set-up into the quarter based on checks. Wedbush raised its target to \$375 on positive checks and the Azure cloud growth story hitting its next gear of growth. Jefferies notes that MSFT will see comps toughen throughout 2022. Goldman notes channel checks point to Azure strength in the quarter and a robust overall demand environment alongside continued traction in E5 adoption. Investor focus will remain on the sustainability of commercial cloud growth (namely Azure) alongside operating margins into FY22. Hedge Fund ownership fell 2.7% in the latest quarterly filings. On the chart MSFT has been strong and touched new highs last week continuing in its rising channel pattern. On weakness shares have minor support at \$307 and stronger support near \$296. The upside breakout has room to further extend to the upside around \$320. MSFT options are pricing in a 2.3% move on earnings and 30-day IV Skew at +3.1 compares to the +2.9 52-week average. MSFT's historical put/call open interest ratio is at the 85<sup>th</sup> percentile and average IV30 crush is -11.3%. MSFT flows fairly quiet of late though a buyer of 2000 June \$310 calls for nearly \$5M and large opening sales in February \$275 and March \$240 puts. A trade on 9/13 bought 15,000 June \$325/\$275 call spreads.

Trade to Consider: Long the **MSFT** Oct. 29<sup>th</sup> (W) / November \$315 Call Calendar Spread at \$2.20 Debit



**Twitter (TWTR)** will post results 10/26 after the close with the Street expecting \$0.15 EPS and \$1.29B in Revenues (+37.3%) and Q4 seen at \$0.38/\$1.58B. TWTR shares have alternated green/red closes after earnings the last nine reports and closed green last quarter, an average six quarter max move of 12.87%. The \$50B social media company trades 50.7X Earnings, 9X EV/Sales and 185X FCF with revenues seen rising 37% in 2021 and then 20-25% annually the next three years with profitability seen ramping as monetization efforts strengthen. TWTR is more of a differentiated media/publishing platform with personalized news/interest aggregation and communication layers being the key characteristics that are gaining momentum and offer a unique proposition for its core users. At its recent February 2021 Analyst Day, Twitter management gave goals to reach ~\$7.5bn of total revenues, ~315mm total mDAUs, and a ~50/50 brand/direct response ad revenue mix by 2023. Analysts have an average target of \$73 with short interest low at 3% of the float. The key themes in digital advertising into the quarter are that overall ad spend remains very strong though CPMs are volatile due to iOS data privacy changes while user growth/engagement is mixed lapping COVID comps. Goldman started shares Sell in September with a \$60 target questioning the ability for management to reach aggressive goals. Hedge Fund ownership rose 4.35% in the latest quarterly filings. On the chart TWTR regained its 200-MA last week before selling off on the SNAP report and put in an ugly weekly candle, a name potentially forming a bottoming pattern since August though and closed under VWAP off the February highs which sits near \$64.25. The \$68.25 and \$71 levels are important resistance and above can inflect the pullback trend. Shares have managed to close above weekly from the VWAP off November 2020 lows, currently at \$60 while next notable volume node support on a break down at \$55.50. TWTR options are pricing in a 10.65% move on earnings with 30-day IV Skew at +0.9% comparing to the +0.4% 52-week average. TWTR's historical put/call open interest ratio is at the 39<sup>th</sup> percentile and average IV30 crush is -24.3%. TWTR has 25,000 Oct. 29<sup>th</sup> (W) \$65 calls bought in OI from a trade on 10/5 and on 10/11 saw 10,000 December \$60 synthetic longs open.

Trade to Consider: Long the **TWTR** November \$60/\$55 Put Spreads and \$67.5/\$75 Call Spreads at Net \$3 Debit



**Apple (AAPL)** will release earnings 10/28 after the close with the Street consensus at \$1.24 EPS and \$84.82B in Revenues (+31.1%) and Q1/FY22 seen at \$1.87/\$119.16B and \$5.68/\$380.6B. AAPL shares have closed lower the last 4 reports with a six quarter average max move of 4.86%. The \$2.4 trillion Tech leader trades 26.2X Earnings, 7X Sales and 30.3X FCF with revenues seen rising 33% this year but the outlook calling for just 3-5% revenue growth in 2022/2023. Analysts have an average target of \$170 with short interest low at less than 1% of the float. JPM sees Apple beating estimates with solid iPhone 12 demand as well as strength in Mac and Services. The investor focus, however, will be on the Q1 guide with the supply constraints though iPhone 13 should drive longer term upside in shares and rates at Overweight with a \$180 target. Citi has a \$170 target and sees Apple better positioned than most to navigate supply chain woes. Evercore with an interesting note on 10/15 seeing Apple becoming a serious player in the advertising market. Hedge Fund ownership fell 4.95% in the latest quarterly filings. On the chart AAPL has a choppy pattern after making highs in September shares sold off but have since rebounded right back to the upper YTD value resistance near \$151 and longer-term view shows a rising weekly channel. AAPL should hold the rising 21-week at \$143 but below would test a key volume node of support at \$135. In terms of upside I still see a \$165 level as a measured move target from the July breakout. AAPL options are pricing in a 2.45% move on earnings and 30-day IV Skew at +1.7% compares to the +1.9% 52-week average. AAPL's historical put/call open interest ratio is at the 49<sup>th</sup> percentile and average IV30 crush is -15.4%. AAPL flows have been pretty mixed since early October seeing some sellers in \$146, \$147 and \$148 calls that see upside limited near-term.

Trade to Consider: Sell the **AAPL** November \$152.5/\$150/\$143/\$140 Iron Condor for a \$1.60 Credit





**Amazon (AMZN)** will announce results 10/28 after the close with the Street view at \$8.91 EPS and \$111.56B in Revenues (+16%) with Q4 seen at \$12.23/\$142.1B. AMZN shares have closed lower the last 4 reports and 9 of the last 12 with a six quarter average max move of 5.6%. The \$1.6 trillion ecommerce and cloud leader trades 50.25X Earnings, 3.5X EV/Sales and 18.2X Cash with revenues seen rising 23% in 2021 and then 17-18% the next two years with EPS growth seen even stronger. AMZN has exposure to multiple long-term runways - online shopping, cloud computing, digital advertising, streaming media, AI driven computing etc. - that can sustain 15%+ growth while also producing margin expansion in the coming years. Analysts have an average target of \$4100 with short interest low at 1.2% of the float. CSFB cut its target to \$4200 from \$4700 last week factoring in higher expenses from shipping, wages and other cost increases. Baird also lowered estimates on higher costs but is at Outperform with a \$4000 target. Hedge Fund ownership rose 2% in the latest quarterly filings. On the chart AMZN was gaining some momentum higher until selling off sharply to close last week after failing at trend resistance and has traded sideways through 2021 and closed last week just under VWAP off the highs at \$3400. A close above \$3520 would be significant with air pockets above to make a big run towards \$4000. AMZN options are pricing in a 3.65% earnings move and 30-day IV Skew at +1.6% compares to the +1.9% 52-week average. AMZN historical put/call open interest ratio is at the 94<sup>th</sup> percentile and average IV30 crush is -12.7%. AMZN flows have been scattered and generally a tough read with the high dollar contracts but April \$3300 puts have been sold to open 3000X.

Trade to Consider: Long the **AMZN** December \$3450/\$3600 Call Spreads at \$41 Debit



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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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