



ORCL, AVGO, LULU

Oracle (ORCL) will report results 12/9 after the close with the Street looking for \$1.11 EPS and \$10.21B in Revenues (+4.2%) and Q3/FY22 seen at \$1.16/\$10.56B. ORCL shares have closed lower its last three reports and seven of the last nine with a six quarter average max move of 6.18%. The \$246B software large-cap trades 17.1X Earnings, 6.7X EV/Sales and 26.3X FCF with a 1.45% yield and outlook for 4-5% top-line growth. ORCL saw a sharp deceleration in bookings growth last quarter which dampened investor enthusiasm on the turnaround story. Management reiterated its bullish view that FY22 revenue growth can accelerate as the company's fastest growing cloud businesses becomes a larger proportion of overall revenue. The strategic back-office applications units, including Fusion ERP and HCM applications and NetSuite, saw another strong quarter of growth, up 25% Y/Y. With \$39 billion in cash and equivalents on the balance sheet, Oracle appears both willing and able to continue aggressively buying back shares. Analysts have an average target of \$89 with short interest low at 1.9% of the float. CSFB started shares Outperform recently with a \$110 target seeing competitive advantages as it gains presence in PaaS/IaaS markets. Deutsche Bank started shares Hold seeing durability of the core database franchise. Goldman remains cautious until it sees sustained inflection in the non-ERP SaaS business. On the chart ORCL put in an ugly candle last week closing below the rising 21-week EMA hitting \$87.75 volume node support and \$85.80 the next level of note before a large volume pocket back to \$80. Shares closed last week right at VWAP off the June lows as well. ORCL options are pricing in a 4.9% earnings move with 30-day IV Skew steep at +6.4% compared to the +0.8% 52-week average. ORCL's put/call open interest ratio is at the 68th percentile and averages a -25.6% IV crush post-earnings. On 12/1 there was a buyer of 5000 Dec. \$94 calls into weakness but we have also seen 5000 Dec. \$92.50 puts bought.

Trade to Consider: Long the **ORCL** December \$90/\$85/\$80 Put Butterfly Spread at \$1.10 Debit



Broadcom (AVGO) will announce earnings 12/9 after the close with the Street expecting \$7.74 EPS and \$7.36B in Revenues (+13.8%) with Q1/FY22 seen at \$7.57/\$7.23B and \$27.94/\$29.44B. AVGO shares have closed higher six of its last seven reports with a six quarter average max move of 3.9%. The \$227.5B Tech company that has shifted more towards Software from its core Semiconductor business trades 18X Earnings, 9.5X EV/Sales and 32.2X FCF with a 2.58% yield and the outlook for top-line growth of 7.4% in 2022 with 11.2% EPS growth. AVGO posted solid results last quarter with a notable rebound in smartphone builds, and strength in networking and broadband offset by some weakness in enterprise. AVGO also continued its margin expansion story with the improving product mix. Broadband represented 18% of semiconductor sales, and was up 23% y/y, driven by strong growth in WiFi 6 and next-gen fiber/DOCSIS deployments. Networking represented 36% of semiconductor revenues and increased 19% y/y. The company noted particularly strong demand from telcos for routing equipment, as well as cloud-driven demand for ethernet NICs. Broadcom expects the hyperscale end-market to drive growth in the segment, as cloud customers upgrade to next-gen switching platforms. The M&A front has been quiet, and the company continues to point to a potential decision towards year end, to either do more acquisitions (likely in the software space) or to add to the already impressive cash return. Analysts have an average target of \$575 with short interest low at 1.3% of the float. OpCo raised its target to \$650 last week citing some supply constraints but the business remains strongly on track. Argus raised its target to \$620 citing attractive valuation with the company transforming. BMO raised its target to \$625 calling AVGO a FCF machine with attractive valuation. On the chart AVGO has held up well as a value name recently touching and holding the rising 34-EMA though lacks much support below \$545 until the 55-EMA and \$525 and true volume support back at the prior breakout of \$504.50. A close above \$564 would be bullish and leave room back to highs. AVGO options are pricing in just a 2% move on earnings while 30-day IV Skew at +3.7 compares to the +1.6 52-week average. AVGO's put/call open interest ratio is at the 67th percentile and average IV30 crush is -17.3% post-earnings. AVGO has not seen a lot of recent positioning, an opening sale of April \$530 puts showed confidence while 1500 January \$580 calls added recently but also seen some buys in February and March puts. The 1500 December \$510 calls bought on 9/22 remain in OI with a 115% gain.

Trade to Consider: Sell the **AVGO** December \$580/\$575/\$525/\$520 Iron Condor for a \$3 Credit



Lululemon (LULU) will release earnings 12/9 after the close with the Street forecast at \$1.41 EPS and \$1.43B in Revenues (+28.2%) and Q4 seen at \$3.30/\$2.21B. LULU shares have closed higher the last two reports after being lower the previous six. The \$58.5B athleisure apparel leader trades 48.4X Earnings, 37X EBITDA and 9.2X EV/Sales with revenues seen rising 42.5% in FY22 and 16% in FY23 along with 51.5% and 18.9% EBITDA growth respectively. LULU has been delivering beat & raise quarters and the Vietnam factory issues appear to be easing. Q4 should be an important quarter for LULU to outline the potential for MIRROR in 2022. Analysts have an average target of \$475 with short interest low at 1.8% of the float. Argus raised its target to \$530 last week positive on the brand and DTC sales leading to even higher margins while substantial international opportunities remain, particularly in China. B. Riley raised its target to \$548 expecting results above Street estimates. On the chart LULU pulled back with growth stocks last week to test the rising 55-day moving average and retest the former breakout level and key volume node. A move below last week's low would leave room to VWAP off the May lows at \$394 while the 21-week EMA is at \$420. The \$405 and \$379 levels are 38.2% and 50% retracement levels off the March lows. LULU options are pricing in a 7.55% earnings move and 30-day IV Skew at +0.1 comparing to the +0.4 52-week average. LULU's put/call open interest ratio is at the 74th percentile and average IV30 crush post-earnings is -22.6%. LULU has not seen much positioning in the options market of note.

Trade to Consider: Long the **LULU** January 2022 \$450/\$480 Call Spreads for \$10



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.

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