



## Earnings Snapshots 2-21-2022

PANW, SQ, COIN, ETSY

**Palo Alto Networks (PANW)** will report earnings on 2/22 after the close with the Street looking for \$1.65 EPS and \$1.28B in Revenues (+25.8%) and Q3/FY22 seen at \$1.63/\$1.35B and \$7.23/\$5.39B. PANW shares have closed higher five of its last seven reports with an average max move around 8.5%. PANW delivers cybersecurity products covering a broad range of use cases, enabling end-customers to secure their networks, remote and hybrid workforces, branch locations, and public and private clouds. PANW's core focus is on Zero Trust Network Security, Cloud Security, SASE, Analytics & Automation and Threat Intelligence & Consulting. PANW has been an innovator and released 29 new products in 2021 and has consistently exceeded its internal targets. Cybersecurity remains a key focus area of spending for CIOs with an active threat environment as well as more advanced/complex threats. PANW sees a \$110B TAM by 2024 growing at a 14% CAGR. PANW currently has a market cap of \$49.25B and trades 54X Earnings, 41X EBITDA, 34X FCF and 8.9X EV/Sales with sustained 20%+ revenue growth and EBITDA growth seen through 2025. Analysts have an average target of \$615 with short interest at 7.6% of the float rising 12.5% Q/Q. MSCO out last week previewing the report and has a \$660 target seeing a favorable set-up with growing adoption of next-gen cloud security, higher software mix and strong backlog/demand in core firewalls outweighing supply chain headwinds. Citi started shares at Buy in January with a \$585 target as defensive exposure in software. Wedbush also positive on strong checks as it re-rates during its cloud transformation. On the chart PANW broke down with growth stocks last week and the 200-day moving average near \$456 seen as the next key level below while it does have a large volume pocket back to retest the \$400 level. A move above \$530 would set-up for a run to \$590, new highs. PANW options are pricing in an 8.85% move on earnings and 30-day IV skew at +4 compares to a +0.7 52-week average. PANW's put/call open interest ratio is at the 99<sup>th</sup> percentile while average IV30 crush post-earnings is high at -24%. PANW flows have been mostly bullish including 1300 Jan. 2024 \$520 short puts opened for \$12M and 1000 June \$420 short puts as well as Jan. 2024 \$500 and \$430 short put size trades. PANW also has 1500 March \$500 short puts from a trade back on 11/12.

Trade to Consider: Sell the **PANW** March \$500/\$490 Put Spread for \$5.30 Credit (Bull Put Spread)



**Block (SQ)** will announce results 2/24 after the close with the Street consensus at \$0.23 EPS and \$4.04B in Revenues (+28%) and Q1/FY22 seen at \$0.31/\$4.26B and \$1.75/\$18.83B. SQ shares have closed lower three of its last four reports after being higher the previous five with a six quarter average max move of 7.75%. Square is a leading payments company that continues to expand product offerings to monetize recent growth with the addition of Square Card, Cash Card, Stock Brokerage, and other financial services. SQ also made a big push into BNPL with its \$29B deal for Afterpay. SQ's Cash App has been a major success but will start to face very tough comps. SQ has a market cap of \$59.8B and trades 55X EBITDA, 3X EV/Sales and 93X FCF with revenues seen rising just 6.5% in 2022 and EBITDA +5% as it lags very tough comps in 1H22. Analysts have an average target of \$225 and short interest is high at 11% of the float. BAML upgraded shares to Buy recently on a sum-of-the-parts view seeing the market over-reacting to Apple introducing its iPhone based card acceptance and limited visibility. It expects the Street to remain heavily focused on Cash App metrics such as monthly active users and QTD trends in GP growth. Citi resumed coverage at Buy recently with a lowered \$220 target seeing value in the combination with AfterPay. JPM is at Overweight with a \$200 target seeing an attractive product launch cycle ahead as catalysts seeing a formidable company after the de-risking of its multiple. Baird cautious with a \$150 target seeing a lot of investments required to sustain its long-term growth. SQ closed last week on lows and down 40% YTD with some volume node support at \$86/\$79 and major VPOC at \$70 while \$92 an interesting level as VWAP from its IPO. The \$110 and \$116 levels resistance on a rebound. SQ options are pricing in a 14.45% move on earnings and 30-day IV Skew at +10.9 is very steep to the +2.5 52-week average. SQ's put/call open interest ratio is only at the 13<sup>th</sup> percentile and average IV30 crush is -11.3%. SQ has seen mixed action overall, the Feb. 25<sup>th</sup> (W) expiration with size buys in the \$110 and \$104 puts. In late January SQ had size opening sales in Jan. 2023 and 2024 \$100/\$105 strike puts and on 2/14 the Jan. 2024 \$110 puts sold to open 6000X.

Trade to Consider: Long the **SQ** March \$100/\$80/\$70 Put Butterfly at \$6 Debit



**Coinbase (COIN)** will announce earnings 2/24 after the close with the Street expecting \$1.85 EPS and \$1.91B in Revenues (+227%) and Q1/FY22 seen at \$1.60/\$1.7B and \$6.74/\$7.11B. COIN shares have closed lower two of its three earnings reports with an average max move around 8%. COIN is the leading provider of end-to-end financial infrastructure and technology for the cryptoeconomy. The unique properties of crypto assets naturally position them as digital alternatives to store of value analogs such as gold, enable the creation of an internet-based financial system, and provide a development platform for applications that are unimaginable today. COIN is seeing strong growth driven by increasing adoption of digital currencies and its business model thrives on elevated cryptocurrency volatility. COIN has plenty of opportunities to expand beyond the core business to driver other revenue streams. COIN currently has a market cap of \$41.3B and trades 14X FY22 EBITDA, 28.1X Earnings and 5.7X EV/Sales with it coming off an explosive growth year with very tough comps in 1H22 before growth is expected to reaccelerate into 2023. Analysts have an average target of \$350 with short interest low at 2.4% of the float. Mizuho with a lowered \$220 target on 1/25 noting the two-year revenue growth stack is set to inflect positively and Piper seeing an attractive entry point as COIN ramps into new areas, a \$440 target. Citi lowered its target to \$300 in January to account for lower digital asset prices. JPM rates shares a Buy seeing greater adoption of crypto coming mainstream. On the chart COIN shares are bear flagging and below \$168 could lead to a final leg lower. Upside resistance near \$205 with a 55-MA target near \$228.50. COIN options are pricing in a 10.4% earnings move and 30-day IV Skew at +9.4 is steep to the +1 52-week average. COIN's put/call open interest ratio is at the 54<sup>th</sup> percentile and average IV30 crush is -16.5%. COIN into recent weakness has seen some large March 4<sup>th</sup> (W) and March 11<sup>th</sup> (W) call buys while also seeing 1000 April \$210 and 1600 April \$190 puts bought to open and March \$160 puts from 1/31 bought 1600X while 1000 April \$180 puts bought 1/27 remain in OI as well.

Trade to Consider: Long **COIN** March \$290/\$310 Call Spreads at \$7.90 Debit



**Etsy (ETSY)** will report results 2/24 after the close with the Street view at \$0.79 EPS and \$685M in Revenues (+10.9%) while Q1/FY22 seen at \$0.85/\$630M and \$3.61/\$2.77B. ETSY shares have closed lower five of the last seven reports with an average max move of 13.5%. ETSY operates two-sided online marketplaces that connect millions of passionate and creative buyers and sellers. ETSY offers Etsy sellers a marketplace with millions of buyers along with a range of seller tools and services that are specifically designed to help creative entrepreneurs generate more sales and scale their businesses. ETSY targets a massive commerce TAM of \$1.7 trillion and has been expanding its marketplace via deals for depop, Reverb and elo7 that positions it within apparel resale and Latin American markets. ETSY has been posting impressive numbers despite the pandemic-driven tough comps and continues to improve the platform for both buyers and sellers. ETSY has a market cap of \$16.75B and trades 35.25X Earnings, 22X EBITDA, 6.4X EV/Sales and 28X FCF. ETSY is another tough comps story with Q4 revenue growth seen at just 11% but the FY22 outlook calls for 20% revenue growth and 17.5% EBITDA growth. ETSY has a long-term debate surrounding churn/frequency. ETSY's asset-light, peer-to-peer model insulates the company from supply chain cost pressures relative to eCommerce players that control fulfillment or supply. Analysts have an average target of \$240 and short interest is 7% of the float. Truist cut its target to \$230 recently expecting a solid Q4 with strength in active buyers and average gross merchandise sales. Needham lowered its target to \$280 seeing post-pandemic healthy new buyer growth and internal initiatives driving loyalty and shopper frequency. OpCo has a \$225 target positive on retention and increased conversion. On the chart ETSY closed last week near lows for the year with shares -42% YTD. ETSY's VWAP from its IPO is way back near \$79.25 which would also retest a major pandemic breakout level. Resistance levels on a bounce include \$137.5/\$142/\$149/\$155. ETSY options are pricing in a 13.9% earnings move with 30-day IV Skew at +10.9 comparing to the +1.3 52-week average. ETSY's put/call open interest ratio is at the 99<sup>th</sup> percentile and average IV30 crush is -20.6%. ETSY recently with 2000 Feb. 25<sup>th</sup> (W) \$130 puts bought in OI has also seen a seller of 1000 June \$90 puts and 2000 Jan. 2024 \$150 puts. ETSY with a buyer of 1000 June \$175 calls on 1/14 and opening seller of 1000 Jan. \$185 puts back on 12/17.

Trade to Consider: Sell the **ETSY** March \$155/\$150/\$115/\$110 Iron Condor for \$2.65 Credit



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