



ZM, CRM, SNOW, AVGO

Zoom (ZM) will announce earnings 2/28 after the close with the Street looking for \$1.07 EPS and \$1.05B in Revenues (+19.4%) and Q1/FY23 seen at \$1.04/\$1.1B and \$4.41/\$4.71B. ZM shares have closed lower the last five earnings reports with an average six quarter max move of 18.4% but 12.6% over the last five. Zoom connects people through frictionless and secure video, phone, chat, and content sharing and enable face-to-face video experiences for thousands of people in a single meeting across disparate devices and locations. Zoom core products include Zoom Meetings, Zoom Phone, Zoom Chat, Zoom Rooms, Zoom Conference Room Connector, Zoom Video Webinars, Zoom Developer Platform, and Zoom App Marketplace. ZM estimates its TAM increasing to \$91B by 2025 across Contact Center, Webinar/Events, Telephony and UC Collaboration. Its current penetration in both Zoom Rooms and Zoom Phone is less than 5%. ZM currently has a market cap of \$38B and trades 18X EBITDA and 6.8X EV/Sales for FY23 with growth rates of 15.5% and 5% respectively as it still works off inflated comps. ZM has \$5B in cash with no debt and offers 40%+ operating margins and > 130% net-dollar based expansion rates. Analysts have an average target of \$250 with short interest low at 4.6% of the float. MSCO has a \$165 target and previewed the quarter last week expecting the FY23 guidance to reset investor expectations but still sees an early days company at upselling large installed base with ancillary products. UBS cut its target to \$130 from \$250 last week and is concerned about market saturation and competition from Microsoft Teams. Citi also out cautious on the slowing growth and remains on the sidelines. On the chart ZM is extreme oversold with a weekly RSI of 19 while MACD has been steadily improving and shares tested a major long-term VPOC at \$115 last week. Shares have plenty of points of overhead resistance such as \$138/\$152/\$162 but downside may now be limited. ZM options are pricing in a 15% earnings move and 30-day IV Skew at +11.9 is very steep compares to the +1.6 52-week average. ZM's put/call open interest ratio is at the 35th percentile and average IV30 crush is -12.65%. ZM has seen fairly mixed the flows, the Jan. 2024 \$400 calls unusual with 34,000 accumulating this year while April \$170 calls bought 15,000X on 1/21. The April \$130 calls were bought 4000X to open on 1/24.

Trade to Consider: Long **ZM** April \$130/\$150 Call Spreads for \$6.50 Debit



Salesforce (CRM) will report results 3/1 after the close with the Street view at \$0.75 EPS and \$7.24B in Revenues (+24.4%) and Q1/FY23 seen at \$0.99/\$7.26B and \$4.74/\$31.78B. CRM shares have closed lower six of the last nine earnings reports with an average max move of 11.8%. The \$210B software leader trades 6.5X EV/Sales and 21X EBITDA for FY23 with growth rates seen at 20.4% and 19.7% respectively. CRM remains a top grower while operating margin expansion and FCF growth has been the new focus for investors as well as capital allocation after its large deal for Slack. The company's robust and strategically built product portfolio, spanning sales, service, marketing, ecommerce, analytics, artificial intelligence, custom applications, integration and collaboration cover virtually all aspects of Digital Transformation. While a series of sizeable acquisitions has slowed down the pace of operating margin expansion, revenues and margins have the potential to double in the next 5-6 years. Analysts have an average target of \$315 with short interest low at 1.5% of the float. BAML out last week on positive checks/feedback and reiterates it as a Top Pick and has a \$360 target. Jefferies cited weakness recently from investor concerns of demand pull forward, MuleSoft and tougher comparisons but sees an attractive risk/reward here. On the chart CRM put in a large weekly bull engulfing last week near its rising 144-week moving average which was also a bottom in 2020 though much better volume node support comes back near \$160. CRM also bounced right near the 61.8% Fibonacci. CRM options are pricing in a 6.7% earnings move and 30-day IV Skew at +7.6 compares to the +1.6 52-week average. CRM's put/call open interest ratio is at the 25th percentile and average IV30 crush is -15.55%. CRM last week with a large buyer of 10,000 May \$180 calls though also has large size in March \$240 and \$220 puts from buyers.

Trade to Consider: Long the **CRM** March/April \$185 Calendar Put Spreads for \$2 Debit



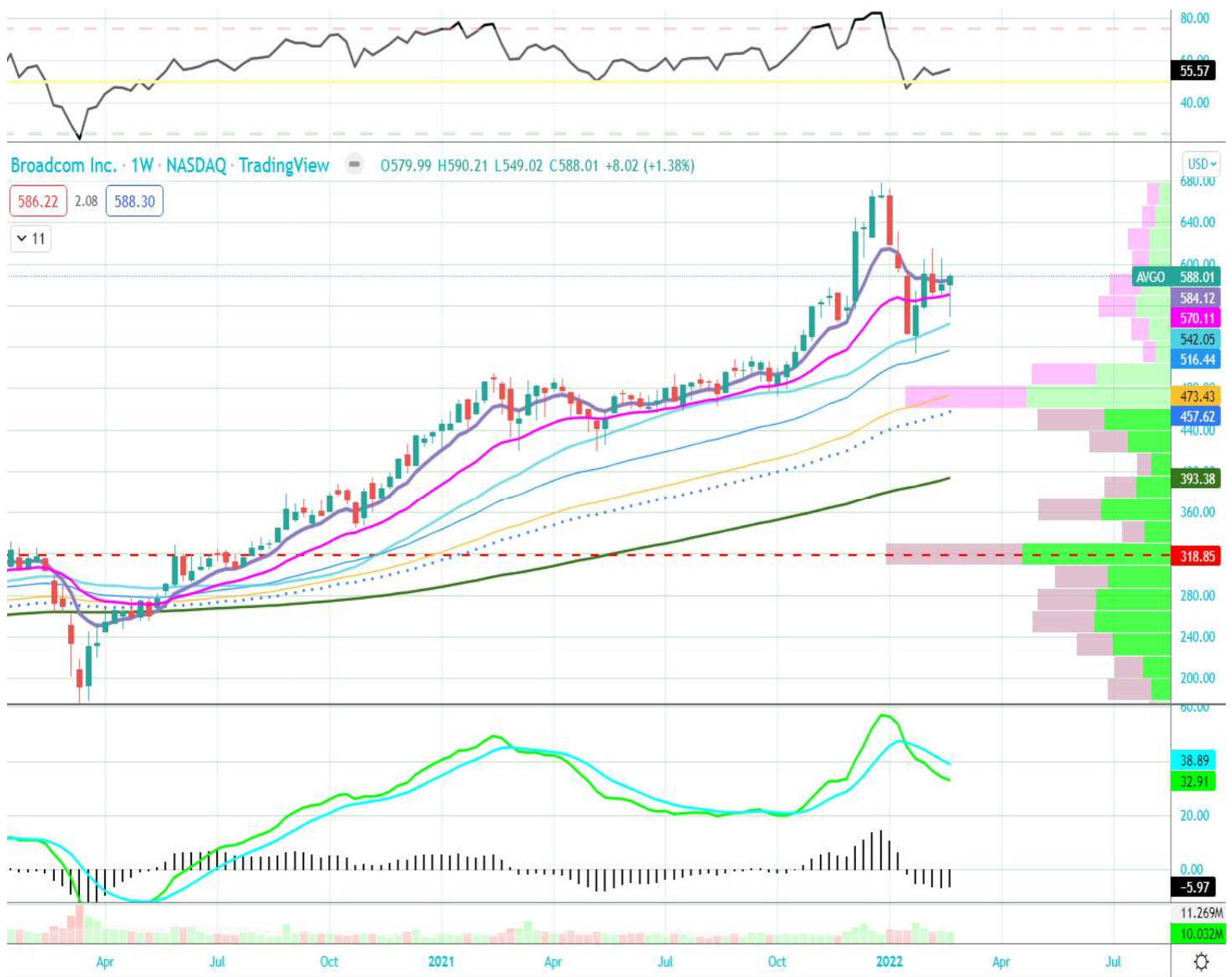
Snowflake (SNOW) will release earnings 3/2 after the close with the Street expecting \$0.03 EPS and \$372.6M in Revenues (+95.6%) and Q1/FY23 seen at (\$0.02)/\$410M and \$0.02/\$2.02B. SNOW shares have closed higher each of its five earnings reports with an average max move of 12.2%. SNOW currently has a market cap of \$85B and trades 39X FY23 EV/Sales as one of the priciest valuations in the entire market as revenues are seen rising 67% in 2022 and 56% in 2023 and profitability remains in the earliest of stages. SNOW has outlined an opportunity to reach \$10B in revenues by 2028 targeting 10% operating margins, a plan that shows management's confidence in continuing to grow at an elevated rate given their disruptive platform, large enterprise backlog and pricing power. SNOW expects to continue gaining share as digitization of workloads continues which should translate into new logo growth while new product announcements should help cross-sell and up-sell activity. SNOW has long-term opportunities in areas like unstructured data as well that remain in the very earliest stages of penetration and could help them reach that long-term goal more quickly. Analysts have an average target of \$380 with short interest at 1.8% of the float. MSCO upgraded to Overweight earlier this morning saying investors are undervaluing the durability and quality of growth at Snowflake. With an outperforming core data warehousing business, growing ecosystem and platform that has the ability to add incremental TAM and create network effects not to mention positive free cash flow, MSCO is even more bullish on Snowflake and the opportunity it's targeting. Blair raised SNOW to Outperform in January through cautious on increased market competition and market pressures long-term. On the chart SNOW has held up surprisingly well considering its high multiple and tested a major VPOC last week and in late January holding near \$240 while its high last week stalled at the 21-MA which is also where VWAP since its IPO comes into play. SNOW shares would need to clear \$306 for an all-clear signal while \$315 VWAP off the highs target and can also look at Fibonacci retracement moves. On the downside the \$240 and \$225 levels are important. SNOW options are pricing in a 10.1% earnings move and 30-day IV Skew at +7.9 is a record high versus the +0.8 average. SNOW's put/call open interest ratio is at the 63rd percentile while average IV30 crush is -13.25%. SNOW saw large opening sales in January \$350 calls last week 9000X, also 2000 March \$225 puts bought on 12/20 remain in OI while March \$295 and \$310 calls have seen some buyer flow. SNOW also has 5K Mar. \$330 calls that opened \$17.50 on 1/5 still in OI.

Trade to Consider: Sell the **SNOW** March \$300/\$305/\$230/\$225 Iron Condors for \$2.45 Credit



Broadcom (AVGO) will report earnings 3/3 after the close with the Street looking for \$8.08 EPS and \$7.6B in Revenues (+14.1%) with Q2/FY22 seen at \$7.93/\$7.43B and \$33.06/\$30.67B. AVGO shares have closed higher 7 of the last 8 reports with an average max move of 4.6%. AVGO has seen a notable rebound in smartphone builds, and strength in networking and broadband offset by some weakness in enterprise. AVGO has continued its margin expansion story with the improving product mix. AVGO has been a serial-acquirer with M&A and has transitioned to a more software-centric story. The company currently has a market cap of \$242B and trades 16.3X Earnings, 8.8X Sales and 34.1X FCF with a 2.8% dividend yield. Analysts have an average target of \$685 and short interest is low at 1.4% of the float. Piper out positive on 1/26 with a \$750 target confident in acceleration in hyperscale and cloud orders and momentum in enterprise and telco spending. On the chart AVGO bottomed in late January right at the 200-day moving average and has been quiet since with \$610 key resistance, above can test \$630 and then \$665. AVGO options are pricing in a 4.5% earnings move with 30-day IV Skew at +0.4 muted compared to the +1.8 52-week average. AVGO's put/call open interest ratio is at the 77th percentile and average IV30 crush is -14.9%. AVGO has limited notable open interest with 2750 July \$500 short puts and 1300 April \$360 short puts the largest of note and seen buyers in June \$550 and January \$620 calls.

Trade to Consider: Sell the **AVGO** March \$570/\$560 Put Spreads for \$3.45 Credit (Bull Put Spread)



Disclaimer:

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