



LULU, CHWY, MU

Lululemon (LULU) will announce earnings 3/30 after the close with the Street expecting \$2.49 EPS and \$1.66B in Revenues (+18.8%), and Q1/FY22 seen at \$0.83/\$994M and \$6.71/\$5.43B. LULU shares have closed lower the last five reports with a six quarter average max move of 7.7%, and Q4 reports have been historically volatile. LULU is a leading designer, distributor, and retailer of healthy lifestyle inspired athletic apparel and accessories. It has also made a push into fitness-related accessories with its deal for Mirror and menswear is seeing strong growth. LULU has seen strength in its DTC business which accounted for nearly 29% of revenues in 2019 and continues to expand Internationally with strong growth in APAC. LULU has a market cap of \$40.6B and trades 9.7X FY21 Sales and 47X Earnings with revenues seen rising 8.9% in 2021 after a 21% jump in 2020 and FY22 forecasts calling for 25% revenue growth and 46.5% EPS growth. Analysts have an average target of \$403 and short interest is low at 2.5% of the float, rising 31% Q/Q. MSCO lowered its target to \$386 on 3/17 but sees upside to revenue and margins and notes a likely attractive entry with shares down 11% YTD. Cowen on 3/15 is concerned with chain/port congestion and inflation across the retail supply chain. Hedge Fund ownership rose 2.1% in the latest quarterly filings, Winslow Capital and Carmignac Gestion adding to positions. On the chart LULU shares have been holding above VWAP off the March lows as well as a 38.2% retracement level, though MACD and RSI starting to curl higher for a potential base breakout. The \$288 level is major support and a break under there is not a lot of support until \$240. The 200-day moving average at \$334.40 looms overhead as resistance followed by \$346. LULU options are pricing in a 4.6% earnings move with 30-day IV Skew at 0 comparing to the +2.2 52-week average. LULU has surprisingly seen very little notable positioning.

Trade to Consider: Sell the **LULU** April \$345/\$340 Call Spread and \$290/\$285 Put Spread (Iron Condor) for \$2.30 Net Credit



Chewy (CHWY) will announce results 3/30 after the close with the Street consensus at (\$0.10) EPS and \$1.96B in Revenues (+44.6%), and Q1/FY22 seen at (\$0.04)/\$2.08B and (\$0.10)/\$8.84B. CHWY shares have closed lower six of its seven earnings reports with an average max move of 8.1%. CHWY is a leading ecommerce play in the pet industry comprising of pet food and treats, pet supplies and pet medications, other pet-health products, and pet services. Online shopping for pet products has been growing at over a 40% CAGR and still represents less than 25% of total sales. CHWY has a market cap of \$30.5B and trades 4.5X FY21 EV/Sales with revenues growing 37% in 2020 and seen rising 45.7% in 2021 as the last quarter comes to a close while FY22 seen at 25% growth. Analysts have an average target of \$100 and short interest is high at 20% of the float. Cleveland Research out positive last week on strong channel checks. JPM also out positive and is Overweight rated with a \$97 target. CSFB raised its target to \$121 in January seeing conviction in the growth trajectory and meaningful profit margin ramp with accelerated industry paradigm shifts toward online pet spending, heightened spend per pet, and growing pet ownership. On the chart CHWY shares are forming a bear flag just above trend support and look likely to test a 50% retrace move that lines up with a retest of the November flag breakout near \$70, while VWAP off the March lows is down at \$62.50. A move above \$87 can lead quickly back to the 55-MA at \$98. CHWY options are pricing in an 8.75% earnings move and 30-day IV Skew at 0 compares to the +0.5% 52-week average. CHWY saw size buyers of 10,000 April \$75 puts on 3/26 while still having some April \$65 and July \$90 bullish call open interest as well.

Trade to Consider: Long the **CHWY** April \$75/\$70 Put Spreads at \$1.80 Debit



Micron (MU) will announce results 3/31 after the close with the Street forecasting \$0.94 EPS and \$6.2B in Revenues (+29.2%) and Q2/FY21 seen at \$1.25/\$6.75B and \$4.71/\$26.33B. MU shares have closed lower its last two reports after being higher five of the previous six, a six quarter average max move of 7.4%. Micron designs and manufactures the industry's broadest portfolio of memory and storage products for the latest applications, including artificial intelligence, 5G, machine learning and autonomous vehicles, in key market segments like mobile, data center, client, consumer, industrial, graphics, automotive, and networking. Its broad portfolio of high-performance memory and storage technologies, including DRAM, NAND, 3D XPoint memory, and NOR, is transforming how the world uses information. MU commented on markets at a MSCO Conference on 3-3 "So on the DRAM side, volume is definitely better than we anticipated coming into the quarter. And in addition, ASPs are better than we anticipated coming into the quarter. On the NAND front, I would say volume is definitely running more positively than we expected. ASPs are generally somewhat in line with our expectations coming into the quarter." MU also noted it sees strong pricing for the next couple of quarters in DRAM. MU has a market cap of \$98B and trades 10X Earnings, 4.2X Sales and an outlook for 23% revenue growth in 2021 and 26.6% growth in 2022 along with 67%/88% EPS growth respectively. Analysts have an average target of \$109 and short interest is low at 1.7% of the float. On 3/17 Citi raised its target to \$130 on strong channel checks for DRAM pricing and sees a path to \$15 EPS for Micron. Goldman raised its target to \$118 noting DRAM supply/demand dynamics improving and end-market demand is robust. Hedge Fund ownership jumped 6% in the latest quarterly filings, Appaloosa a large holder reduced its position while Matrix and Baupost notable concentrated owners. On the chart MU has been in a strong trend but consolidating the last few weeks forming an ascending triangle. The \$84-\$94 zone holds most of the volume and above can target a move to \$105 or higher. If \$84 support were to break look for \$77.50 as support. MU options are pricing in a 4.6% earnings move with 30-day IV Skew at 0 comparing to the +1.4 52-week average. MU has seen significant size call accumulation throughout 2021 and some recent large buys in April \$90, July \$90, and May \$87.5 calls.

Trade to Consider: Long the **MU** April \$90/\$97 Call Spreads at \$2 Debit



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