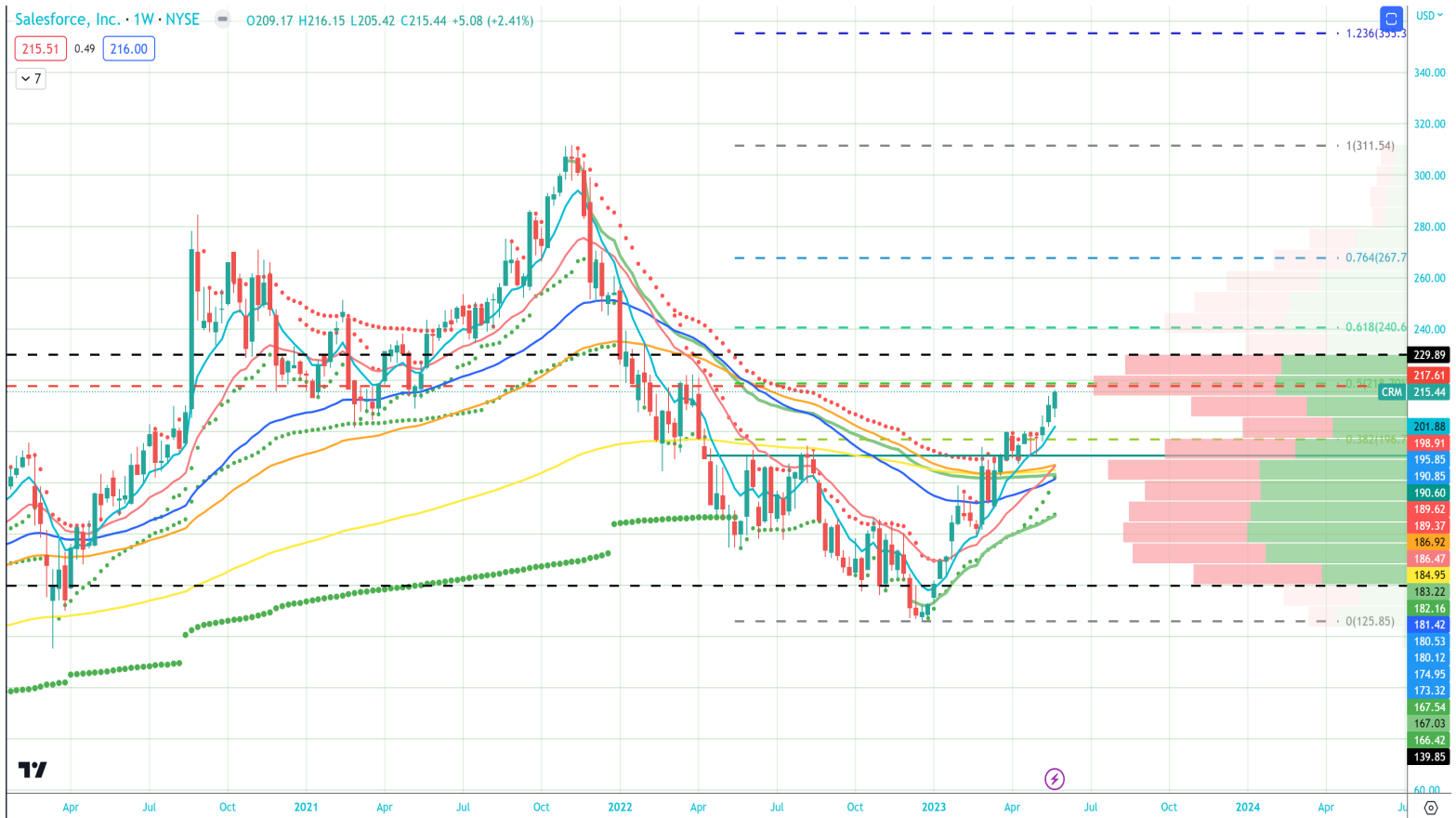




CRM, LULU

Salesforce (CRM) will announce results 5/31 after the close with the Street view at \$1.61 EPS and \$8.18B in Revenues (+10.3%) and Q2/FY24 seen at \$1.70/\$8.49B and \$7.13/\$34.64B implying 10.5% revenue growth and 36% EPS growth. CRM shares jumped sharply on results last quarter after being lower the prior two and a six-quarter average max move of 11%. CRM is a cloud leader and 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. Salesforce, while not having used pricing as a growth lever, has the option should the company ever need it. 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, potentially quadrupling earnings in a steady state. CRM has a \$205B market cap and trades 24.2X Earnings, 32.5X FCF and 6.1X EV/Sales. Analysts have an average target of \$226 and short interest is low at 1.2% of the float. Citi raised its target to \$229 citing mixed checks and sees limited upside for sales with the Macro backdrop. Wedbush checks saw stronger cross-sell activity this quarter and particular strength out of the Tableau front with a number of larger more transformational suite wide deals inked during the quarter. Jefferies noted that expectations are low into Q1 with softer checks and tough comps but the focus will be on 27% FY24 operating margin guidance with activists pushing for operational efficiencies. On the chart, CRM has been in a very strong trend in 2023 and closed last week at highs for the year out of a consolidation pattern. CRM is nearing potential resistance at \$218 as the 50% retracement level while \$230 is upper value for the longer-term view. A pullback off resistance likely targets \$203.50 as the 21-MA while a retest of monthly value would come at \$199. CRM options are pricing in a 7.9% earnings move with 30-day IV Skew at +4.5 comparing to the +5 52-week average. CRM put/call open interest is at the 99th percentile and average IV30 crush is -24.7%. CRM has seen less flows than one would expect but August \$200, \$210 and even \$240 calls saw some large buys earlier this year and put sellers at November \$155 and \$150 strikes.

Trade to Consider: Sell the **CRM** June \$235/\$230/\$200/\$195 Iron Condors for \$2.30 Credit



Lululemon (LULU) will report earnings 6/1 after the close with the Street consensus at \$1.98 EPS and \$1.92B in Revenues (+19.3%) while Q2/FY24 seen at \$2.50/\$2.16B and \$11.61/\$9.37B implying 15.6% revenue growth and 15.3% EPS growth as a top growth story in a battered retail/apparel industry. LULU shares have alternated green/red closes the last seven quarters and was green last report, a six-quarter average max move of 10.1%. LULU is a leader in healthy lifestyle inspired athletic apparel and accessories. LULU's standout DTC positioning enables it to navigate better than peers and remains positioned strongly in the growing active/casual category with opportunities for continued share of wallet capture, men's brand adoption, geographic expansion, and category extension. Lulu is supported by compelling secular tailwinds (e.g., performance/athleisure focus), a market share gain opportunity, & credible future revenue drivers (e.g., international expansion, digital growth, & product innovation/expansion into new categories). LULU also has best-in-class EBIT margin, supported by high ASP. LULU has a \$43.5B market cap and trades 25.4X Earnings, 5.4X Sales and a 2.7% FCF yield. LULU is also attempting to sell its Mirror unit. Analysts have an average target of \$400 with short interest low at 2.5% of the float. BAML raised its target to \$450 from \$410 recently more confident on the long-term outlook and noting China as a potential key future driver. On the chart, LULU comes into the report oversold having sold off the last six sessions. LULU still has a large open gap down to around the \$320 level while the 200-MA is at \$330.70. VWAP off the lows of May 2022 also comes into play near \$321.70 and \$315 a two-year VPOC. LULU options are pricing in a 7.1% earnings move and 30-day IV Skew at +6.7 is quite steep and compares to the +5.2 52-week average. LULU put/call open interest ratio is in the 94th percentile and average IV30 crush is -26.7%. LULU's largest open interest is June \$370 calls with 1350 in OI, June \$330 short puts 1000X and September \$250 short puts 1000X. LULU Sep. \$420 calls have seen 800X bought but well underwater while Sep. \$340 puts accumulated 1000X in OI and a 4/11 buyer of 500 Sep. \$350 puts.

Trade to Consider: Long the **LULU** June/September \$320 Put Calendar Spreads at \$9.75 Debit



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.

Not Investment Advice or Recommendation

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