



PANW, CRM, SNOW, PTON, WDAY

Palo Alto (PANW) will report results 8/23 after the close with the Street expecting \$1.44 EPS and \$1.17B in Revenues (+23.3%) to close 2021 with Q1/FY22 seen at \$1.60/\$1.15B and \$7.09/\$4.98B. PANW shares have alternated red/green closes on earnings its last six reports, green last quarter, and an average max move of 8.5%. PANW continues to transform its Network Security business toward a greater mix of software and Next Generation Security ARR grew 71% YY last quarter. The Network Security (NetSec) business has performed well this year driven by firewall demand and an elevated threat environment. The \$35B company is trading 52X Earnings, 25.5X FCF and 8.9X Sales. OTR Global downgraded to Mixed in early August following channel checks showing concerns with product availability and long lead times. Loop Capital downgraded in late July noting checks indicate growth rates may have peaked for security software vendors. Deutsche Bank raised its target to \$490 in July positive on secure access service edge, SASE, as a structural long-term change in demand. Cowen started shares Outperform with a \$425 target in May noting PANW is gaining market share from enterprise security providers and positive on the aggressive M&A strategy making moves into emerging growth areas such as SD-WAN/SADE and DevOps. Hedge Fund ownership rose 6% last quarter in filings with notable concentrated holders including Polen, Akre, Sustainable Growth, Matrix and Point-72. Hedge Fund ownership fell 1.5% last quarter in filings with Viking Global adding to a large position, Generation reducing, and Cadian adding to a top position. On the chart PANW has pulled back nicely into results to just above the rising 200-day moving average at \$351 and has room to run above \$370. The \$380 and \$390 levels are potential resistance on a move higher. PANW options are pricing in an earnings move of 6.3% with 30-day IV Skew bullish inverted at -1 compared to the +0.3 52-week average. PANW's put/call open interest historical percentile is at 69% with it averaging a -26% IV30 crush after earnings. PANW has recently seen September \$410 call buys take OI over 4000X, January 2023 \$360/\$290 bull put spreads open 3000X, June 2022 \$350 calls bought 1000X for \$4.87M, and 1000 Jan. 2023 \$350 puts sold to open.

Trade to Consider: Long the **PANW** August 27th (W) \$375/\$400/\$425 Call Butterfly Spreads at \$4 Debit



Salesforce (CRM) will announce earnings 8/25 after the close with the Street view at \$0.92 EPS and \$6.24B in Revenues (+21.1%) and Q3/FY22 seen at \$0.81/\$6.66B and \$3.82/\$26B. CRM shares have closed lower five of the last seven reports and an average max move of 10.5%. CRM has exposure to all parts of the accelerating digital transformation trend and estimates a \$175B TAM for FY25. CRM will host Dreamforce in September as a key catalyst so positioning around that event is ideal. CRM represents one of the most strategic application software assets in the \$1tn+ cloud TAM. The \$234B company is trading 59X Earnings, 42X FCF and 10.5X Sales. BAML notes that feedback suggests Salesforce consulting activity holding or accelerating from solid Q1 growth lead by continued strength in large land and expand deals, and broad strength across the platform. Marketing Cloud and Service Cloud remain particularly strong, driven by accelerating digital transformation initiatives in marketing and support departments. Goldman expects a solid quarter as the demand environment remains strong and see potential upside to margins and organic cRPO guidance of 17% growth y/y on continued traction in platform deals and Mulesoft and Tableau continue to mix higher. JPM raised its target to \$320 last week positive into results and big deal wins. On the chart CRM one of the relative strength name the past two weeks breaking out of a key range that measures to a \$300 target. Shares have support at \$243 on weakness and then the 200-MA at \$232.35. CRM options are pricing in a 4.8% earnings move with 30-day IV Skew steep at +2.7 comparing to the +0.4 52-week average. CRM's put/call open interest ratio is at the 61st percentile and its average IV30 crush post-earnings is -15.8%. CRM recently with a large buyer of 3500 November \$270 calls for \$3.5M that sold the \$300 calls against. CRM has also seeing 2850 Aug. 27th (W) \$250 calls bought, the October \$260/\$280 call spreads bought 8000X, and size buys in June 2022 \$270 calls with over 10,000 now in OI.

Trade to Consider: Long **CRM** September/October \$270 Call Calendar Spreads at \$2.85 Debit



Snowflake (SNOW) will report earnings 8/25 after the close with the Street looking for (\$0.15) EPS and \$256.5M in Revenues (+92.7%) and Q3/FY22 seen at (\$0.16)/\$292.3M and (\$0.58)/\$1.11B. SNOW shares have closed higher each of its first three earnings reports with an average max move of 12%. SNOW held their first investor day in June and outlined their vision for expanding product revenues to \$10B by the end of 2028, one of the fastest companies ever to scale from \$500M to that level. They also are 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. SNOW has a market cap of \$82.75B and one of the more richly valued companies trading 60X EV/Sales as a hyper-growth company. SNOW sold off late last week on a cautious Cleveland Research note on increased competition from hyperscalers though later defended at Piper noting that growth clearly will slow on tough comps but SNOW continues to win key deals. Notable top holders in SNOW include Altimeter, Coatue, Tiger Global, D1 Capital, Whale Rock and Melvin. On the chart SNOW put in a large reversal hammer into weakness Friday with a close back above the rising 55-MA. Shares have resistance up at \$285 with a 50% retrace target of \$307 still in play and then \$335. On weakness below last week's low of \$248 look for YTD VPOC at \$235 as a bounce level while it also has some key VWAP supports in the \$240-\$242 zone. SNOW options are pricing in an 8.7% earnings move with 30-day IV Skew steep at +3.8 comparing to the -1.6 52-week average. SNOW's put/call open interest ratio is at the 59th percentile while IV30 crush averages just -8.7%. SNOW flows have leaned bullish with Aug. 27th (W) \$260 calls opening size on Friday in adjustments and has seen some mixed longer-dated positioning. The September \$260 calls have 2450X in OI from large buys while December \$220 calls opened 5000X on 6/9 for \$26M and remain in OI.

Trade to Consider: Sell the **SNOW** October \$250/\$245 Put Spreads for \$1.80 Credit (Bull Put Spreads)



Peloton (PTON) will announce quarterly results 8/26 after the close with the Street consensus at (\$0.44) EPS and \$921.7M in Revenues (+51.8%) while Q1/FY22 seen at \$0.00/\$1.47B and \$0.50/\$5.3B. PTON shares have closed lower 5 of its 7 reports with an average max move of 11.3%. The \$32B connected fitness leader trades 215X Earnings, 8.7X Sales and 68X FCF. PTON announced an interesting partnership with United Healthcare in July that is a new avenue of subscriber acquisition. Peloton is the largest interactive fitness platform in the world that pioneered connected, technology-enabled fitness, and the streaming of immersive, instructor-led boutique classes. PTON announced a deal in December to acquire Precor in an effort to establish U.S. manufacturing capacity, enhance R&D capabilities, and expedite penetration into select areas of the commercial market. PTON has been focused on rolling out its Bike+ and Tread products and sees a longer term path towards 100M subscribers and PTON feels it is currently only 7% penetrated into its addressable markets. PTON should be able to generate 35-40% hardware margins and 75-85% subscription margins with a long-term path to 40% EBITDA margins. PTON also recently acquired Aiqudo, Atlas Wearables, and Otari adding expertise in wearable devices, artificial intelligence, digital voice assistants, and interactive workout mats. MKM raised its target to \$130 last week into results with a flurry of positive developments the past few months. Wedbush downgraded shares in mid-July noting slowing engagement across social media platform and Google Trends with concerns for 2022 guidance. Hedge Fund ownership rose 3.4% last quarter in filings, top concentrated holders include Baillie Gifford, Tiger Global, Coatue, D1 Capital and Altimeter. On the chart PTON looks pretty weak unable to rally the least few months as a name facing tough comps this year. Shares sit right near YTD VPOC with room to drop significantly on a break under \$107 though VWAP off the lows at \$103.50 could hold as support, while below \$99 can lead back to \$85. There are plenty of overhead resistance levels including \$116, \$120, \$123 and \$126. PTON options are pricing in a 6% earnings move with 30-day IV Skew at +2 compares to the +0.7 52-week average. PTON's put/call open interest ratio is at the 75th percentile and averages a -21.5% IV30 crush after earnings. PTON with 2500 Aug. 27th (W) \$107 puts bought on Friday but also saw sellers of the June 2022 \$105 longer-dated puts while 3000 January \$120 calls bought on 8/19 in an adjustment. PTON has over 15,000 September \$100 puts in OI with 10,000 bought on 7/12 to open in a \$3.87M trade.

Trade to Consider: Long the **PTON** September \$105/\$95 Put Spreads at \$3.35 Debit



Workday (WDAY) will report earnings 8/26 after the close with the Street view at (\$0.44) EPS and \$921.7M in Revenues (+51.8%) with Q1/FY22 seen at \$0.00/\$1.06B and \$0.50/\$5.3B. WDAY shares have closed lower the last three reports and 7 of the last 10 with an average max move of 7.6%. WDAY is coming off of a solid quarter as their backlog grew 20% driven by strong new bookings from new HCM and financial customers. They continue to see solid renewal rates within their base. WDAY is rolling out new product enhancements in the 2H like scheduling that should help driver further opportunities while they see upside for accounting products, their planning products, and their analytic products as the CFO returns to the office. WDAY also believes that we remain in the early innings for the current cloud refresh cycle in enterprise for ERP. The \$58B HCM software leader trades 67X Earnings, 12.8X Sales and 41.5X FCF. BAML with a positive note last week into results noting feedback suggests a continuation of building net new customer activity, healthy upsell deals, and an improving demand environment in Q2 and into Q3. It notes Workday is well positioned to capture meaningful share of the \$13.5bn financials market over the LT, with a gradually building cloud refresh cycle. Barclays upgraded to Overweight on 8/3 with a \$282 target citing low valuation a stronger 2H spending trend environment. Hedge Fund ownership fell 2.8% last quarter in filings with Tiger Global, Lone Pine, Sustainable Growth and Bares Capital notable concentrated holders. On the chart WDAY has a multi-week base building above channel trend support and coiled, a move above \$241.50 (VWAP off highs) can free up a strong move back to \$260. The \$227 and \$221 levels seen as support on weakness. WDAY options are pricing in a 4.9% earnings move with 30-day IV Skew at +2 comparing to the +0.3 52-week average. WDAY's put/call open interest ratio is at the 77.7th percentile and it averages an IV30 crush of -14.5% post-earnings. WDAY with 1000 September \$220 puts sold to open on 8/12 the most recent trade of note while 10,000 September \$250 calls bought on 6/29 remain in OI and 4000 September \$230 calls bought back in June.

Trade to Consider: Long the **WDAY** September \$240/\$260 Call Spreads for \$5.75 Debit



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