



ADBE, FDX, NKE

Adobe (ADBE) will report results 9/21 after the close with the Street expecting \$3.01 EPS and \$3.89B in Revenues (+20.8%) with FY21 seen at \$12.25/\$15.68B. ADBE shares closed higher last quarter following its report and were lower the previous three, a six quarter average max move of 6.2%. The \$313B software leader on the frontlines of the digital transformation is trading 46.6X Earnings, 47.5X FCF and 17X FY22 EV/Sales with revenues seen growing 15% in 2022 and EPS around the same. Adobe is targeting a \$122B TAM and seeing momentum in its Digital Media and Document Cloud businesses. ADBE should benefit in 2H from strong Macro, improvement in SMB and better consumer employment. Analysts have an average target of \$660 with short interest minimal at 1% of the float. Mizuho out with a preview last week citing favorable checks with Adobe's highly comprehensive end-to-end offering that differentiates it from competitors and should enable it to drive more holistic sales across its clouds. BMO raised its target to \$730 last week with rising confidence in durable growth seeing upside to Digital Media ARR this quarter. MSCO raised its target to \$736 expecting a strong Q3 print. Stifel raised its target to \$725 confident in the multi-year growth outlook and sustainability of the digital transformation. Hedge Fund ownership fell 2.25% last quarter in filings, some large concentrated holders include Polen, Edgewood, and Lone Pine. On the chart ADBE shares are consolidating below the \$670 resistance level holding the 34-EMA on a recent dip. On weakness look for support to come into play at \$630 near the 55-MA and retest of the prior flag breakout. A move above \$670 can push shares to new highs at \$700. ADBE options are pricing in a 3.9% move on earnings and 30-day IV Skew at +3.3 is steep compared to the +1.5 52-week average at a multi-month high. ADBE flows have been mixed, an opening sale of 2000 October \$730 calls on 8/31 one of the larger trades and lacks much notable open interest.

Trade to Consider: Sell the **ADBE** October \$630/\$620 Put Spread for \$2.50 Credit (Bull Put Spread)

Adobe Inc., Daily, Nasdaq + Nyse BQT O 663.21 H 665.00 L 652.04 C 654.48 Period -1.32% Market closed



FedEx (FDX) will announce results 9/21 after the close with the Street looking for \$4.92 EPS and \$21.9B in Revenues (+13.4%) with Q2/FY22 seen at \$4.96/\$22.5B and \$21.09/\$91B. FDX shares have closed lower two of the last three reports after being higher the previous three, a six quarter average max move of 8.3%. The \$68.4B freight leader trades 10.8X Earnings, 7X EBITDA and 19.2X FCF with a 1.18% dividend yield. FDX EBITDA is seen rising 14.8% in 2022 with 8.4% topline growth. FDX is expected to see continued strong demand and also margin expansion a major part of the story with recent surcharges and price increases. FDX is an operating leverage story and also closely tied with Macro. FDX could face some headwinds from supply chain challenges and labor shortages. Analysts have an average target of \$345 with short interest low at 1.5% of the float. UBS cut its target to \$380 expecting cost pressures to show up in this report. Baird sees sentiment too negative with shares at record low valuation and sees potential for a relief rally on results, an Outperform rating with a \$350 target. KeyBanc with a lowered \$350 target is concerned with downside to the Q1 consensus on a seasonal expense ramp, facility start-up costs and wage pressures. JP Morgan out cautious recommending staying on the sidelines and does not see a clear catalyst for a relief rally just yet. Hedge Fund ownership fell 5.3% in the latest quarterly filings. On the chart FDX has been in a downtrend for weeks and shown relative weakness. VWAP from the March 2020 low is down at \$229 which is near a 38.2% retracement at \$231.50. Shares are sitting on the lower weekly Bollinger with a volume node support at \$252, though any rebound likely faces resistance near \$270. FDX options are pricing in a 4.5% move on earnings with 30-day IV Skew at +1.6 comparing to the +1.1 52-week average. FDX flows have been mixed though a large buyer of 2000 December \$270 calls on 9/16 and 2000 October \$260/\$270 call spreads bought on 9/8.

Trade to Consider: Long the **FDX** October \$260/\$270/\$280 Butterfly Call Spread at a \$1.45 Debit



Nike (NKE) will report quarterly earnings 9/23 after the close with the Street consensus at \$1.11 EPS and \$12.46B in Revenues (+17.7%) and Q2/FY22 seen at \$1.01/\$12.68B and \$4.33/\$50.35B. NKE shares jumped more than 15% last quarter on results after being higher five of the prior eight, a six quarter average max move of 10.6%. The \$250B footwear & apparel leader trades 30.85X Earnings, 5.55X Sales and 57.2X FCF with a 0.7% yield. Forecasts see revenues rising 13% and 10% the next two years with EPS growth of 21.6% and 17%, a healthy growth period and a name seen benefitting from a strong consumer spend environment. Analysts have an average target of \$185 and short interest is low at 0.9% of the float. Most of the focus this quarter will be on the current situation in Vietnam, where factories have been closed for roughly two months. It was recently announced that Ho Chi Ming City will delay the reopening from Sept 15th to Sep 30th, however, there are reports that some other provinces in Southern Vietnam are gradually seeking to ease restrictions. NKE's exposure to Vietnam is well understood (51% of footwear production, 30% of apparel production) and most factories will likely prioritize orders for NKE given it is often the largest customer. BAC aggregated credit and debit card athletic footwear and apparel spend increased 5% y/y for NKE's 1Q and was +13% vs '19 levels. BTIG downgraded shares last week on the severe supply chain disruptions. MSCO sees the set-up for a conservative outlook and potential dip in shares that they recommend buying. Hedge Fund ownership fell 3% in the latest quarterly filings, notable top holders include Edgewood, FundSmith and Polen. On the chart NKE has pulled back recently to the rising 21-week EMA and broke below VWAP off the June lows last week with that large gap in play from last quarter's move and shares sitting right on a 38.2% retracement with the 50% level back at \$150 and the 200-day MA at \$144.80. NKE options are pricing in a 5% earnings move with 30-day IV Skew at +2.2 comparing to the +1.1 52-week average. NKE has seen predominantly bullish option flows with the October \$170 and \$175 call open interest at 9750X and 7900X respectively from buyer flow though now far OTM. NKE also has some large Deltas in January 2022 long call positions now deep ITM.

Trade to Consider: Long **NKE** October \$160/\$165 Call Spreads at \$1.60 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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