



Earnings Snapshots 9/7/2021

LULU, ZS

Lululemon (LULU) will report quarterly results 9/8 after the close with the Street looking for \$1.18 EPS and \$1.33B in Revenues (+47.6%) and Q3/FY22 seen at \$1.33/\$1.32B and \$6.91/\$5.94B. LULU shares closed higher last quarter on results after being lower the previous six reports and a six quarter average max move of 6.8%. LULU is a leading designer and retailer of healthy lifestyle inspired athletic apparel and accessories and has made a few acquisitions recently into fitness equipment as it captures share in the growing connected fitness theme. In 2020, DTC accounted for 52% of sales, up from 29% the year prior, while Company-operated stores accounted for 38% of sales and Other (includes Mirror) accounted for 10%. LULU opened 30 net new company-operated stores in 2020, including 21 net new stores outside of North America. LULU currently has a market cap of \$50.5B and trades 46.25X Earnings, 56.3X FCF and 8.7X Sales with revenues seen rising 35% in 2022 and 15-17% in 2023/2024 while EBITDA grows 40% and then 16-20% respectively. Analysts have an average target of \$410 on shares with short interest low at 1.5% of the float. Goldman recommended buying calls into the report saying "LULU's strong brand momentum will persist even beyond pandemic / reopening tailwinds. This drives opportunity for LULU to continue to gain share, bolstered by new product introductions and growing momentum in men's and international." LULU shares dipped last week with cautious comments from Mscience on weaker trends. Stifel has a \$445 target and sees the recent collaboration and investment in sustainable material leader Genomatica yet another visionary step. On 8/17 B. Riley upped its target to \$466 from \$370 on strong spending trends with consumers refreshing their wardrobes. JP Morgan raised its target to \$450 expecting a broad-based beat this quarter. Hedge Fund ownership fell 1.9% in the latest quarter filings, Winslow Capital adding to its position. On the chart LULU pulled back to its rising 55-MA last week but does have a bear 8/21 MA crossover overhead with momentum rolling over. LULU has nearly retested back to a key volume node breakout on the long-term chart at \$382, while the \$360 and \$343 levels are 37.2% and 50% retracements. The \$360 level is also near VWAP off the May lows. The \$400 and \$410 levels are likely resistance into any strength. LULU options are pricing in a 5% earnings move with 30-day IV Skew at +0.3 comparing to the +0.6 52-week average. LULU flows have been relatively light and mixed the last few months, the September \$400/\$420 call spreads bought 1000X while some recent September \$390 put buys.

Trade to Consider: Sell the **LULU** September \$380/\$370 Put Spread for \$3.40 Credit (Bull Put Spreads)



Z-Scaler (ZS) will announce results 9/9 after the close with the Street view at \$0.09 EPS and \$187M in Revenues (+48.4%) to close 2021 and Q1/FY22 seen at \$0.12/\$200M and \$0.56/\$905M. ZS shares have closed higher on earnings four of the last five reports with a six quarter average max move of 19.6%. ZS is the leader in cloud security and pioneered a cloud platform, the Zscaler Zero Trust Exchange, that represents a fundamental shift in the architectural design and approach to networking and security. The Zero Trust Exchange eliminates the need for traditional on-premises security appliances that are difficult to maintain and require compromises between security, cost and user experience. ZS shares are +44% YTD and has a market cap of \$38.7B trading 43X FY22 EV/Sales with revenues seen growing 36.5% in 2022 after 53.8% growth in 2021 and EBITDA +25%, a premium valuation name entering a phase of strong growth from hyper-growth. Analysts have an average target of \$250 with short interest at 8.5% of the float, rising 28% Q/Q. Goldman recommends buying ZS straddles for the report and expects a strong quarter given an elevated threat environment and a secular shift towards cloud. JPM raised its target to \$270 last week on positive industry checks and attractive valuation on a growth adjusted basis. Wolfe started coverage at Outperform with a \$285 target as the fastest growing name under coverage. Loop Capital downgraded to Hold on 7/26 citing checks showing growth may have peaked. Canaccord raised its target to \$300 in July as well positioned for accelerating growth trends and a long-term disruptor in the space. Hedge Fund ownership rose 3.7% in the latest quarter filings. On the chart ZS shares closed last week at new highs with a recent breakout run continuing to show strength in a parabolic trend higher since the May lows. ZS is extended and the rising 21-MA at \$256.50 a likely support level on weakness. ZS options are pricing in a 9% earnings move with 30-day IV at +1.6 comparing to the +0.1 52-week average. ZS flows have mainly been bullish including recent opening sales of November \$250 puts showing confidence and November \$250/\$270 call spreads with short \$200 puts opened 1750X on 8/11. ZS also with 2000 July 2022 \$200 puts sold to open in early July.

Trade to Consider: Sell the **ZS** September \$300/\$310 Call Spread for a \$3.00 Credit (Bear Call Spread)



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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.

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