Earnings Snapshots 1/16/23

AA, NFLX, SLB

Alcoa (AA) will report earnings 1/18 after the close with the Street consensus at ($0.73) EPS and $2.67B in Revenues (-20.2%). Forecasts currently see FY23 with a 9% decline in revenues and 30% decline in EBITDA. AA shares have closed higher four of its last five reports with a six-quarter average max move of 10.7%. AA is engaged in the production of bauxite, alumina and aluminum products. AA has a market cap of $9.5B and trades 16.7X Earnings, 7X EBITDA and 12.6X FCF. Aluminum supply is currently tight with China production issues while demand has also been soft but is likely to benefit from China reopening. Russian output and exports have been more resilient this year as companies have maintained the status quo, but there could be more disruption in 2023. Analysts have an average target of $50.50 and short interest is 3.5% of the float. MSCO cut shares to Neutral on 12/9 seeing all the positives baked into shares and potential for downside pressure. Higher costs in the aluminum segment is a key risk. On the chart, Alcoa broke out strong of consolidation last week and cleared VWAP off its 2022 highs. The $58.5 level is a 38.2% retracement followed by $65.65 as a 50% retrace. Shares also cleared the 200-MA at $51.90 which may be support on a dip while the $50 and $47 levels also supportive. AA options are pricing in a 6% earnings with 30-day IV Skew at +1.1 compared to the +2.3 52-week average. AA's put/call open interest ratio is at the 76th percentile and average IV30 crush is -9.25%. AA has seen sellers of the March $70 calls and 2000 June $65 calls bought last week. The largest open interest is the 12,651 March $45 calls and 12,000 March $50 calls bought in September and also has 4500 June $60 calls bought in OI.

Trade to Consider: Long the **AA** March/June $60 Call Calendar at $3 Debit

Netflix (NFLX) will report earnings 1/19 after the close with the Street view at $0.44 EPS and $7.82B in Revenues (+1.5%) while Q1 seen at $2.93/$8.12B and 2023 overall seen as a year with 7.3% topline growth and 1% bottom-line growth. NFLX shares have closed higher the last two reports after being lower nine of the previous ten, a six-quarter average max move of 16%. NFLX is the leader in streaming and the recent focus has been its push into an ad-supported tier at a lower price that will drive incremental revenues for years to come. Netflix remains mired in a period of post-pandemic growth normalization while also seeing increased industry wide competition. NFLX operates in a maturing business in a highly competitive market facing a global consumer under increasing economic stress. Success in monetizing the 100M homes identified as password-sharing would translate into higher ARPU over time. NFLX likely still has some more strategic levers to pull across live sports and gaming. NFLX has a market cap of $145B and trades 31.8X Earnings, 4.6X Sales and 200X FCF which seems quite rich for a name set to deliver minimal growth in 2023 but 2024 seen as a major growth recovery year. Consensus net adds expectations have increased which may make it a tougher quarter for NFLX to surprise. Netflix's stated goals are 1) to reaccelerate revenue growth and 2) sustain double digit revenue growth. Improving currency trends could help deliver the first goal in 2H23 as we lap the USD run which has recently backtracked. Re-accelerating to double-digit revenue growth results in stronger operating leverage, with operating margins reaching ~25% by '25E. Analysts have an average target of $305 and short interest is low at 2.4% of the float. OpCo raised its target to $400 last week positive on the ad tier progress and new initiatives like reducing password sharing. Jefferies upped shares to Buy last week with a $385 target calling out the upside for 2024 operating margins. Barclays recently noted that Q4 subscriber growth is trending below guidance at 2.7M versus guidance of 4.5M. On the chart NFLX has shown relative strength since bottoming Summer 2022 though still far off its 2021 highs. NFLX is now above VWAP off those higher which aligns with the 21-week at $285, potential support to the downside, an broke out of a weekly flag last week with a 38.2% retracement aligning with its 200-week overhead at the $367 level as an upside target. NFLX options are pricing in an 8.65% earnings move and 30-day IV Skew at +4.7 compares to the +6.1 52-week average. NFLX put/call open interest ratio is at the 57th percentile with average IV30 crush of -20.7%. NFLX last week with 12,000 February $320 synthetic long positions opened and a recent opening seller in June $200 puts 3000X. NFLX open interest is mostly bullish though has 7000 July $400 short calls in open interest. On 12/29 a trade bought 1000 March $285 calls for $3.9M.

Trade to Consider: Sell the **NFLX** January 2023 $375/$370/$290/$285 Iron Condors for $1.50 Credit

Schlumberger (SLB) will announce results 1/20 before the market open with the Street looking for $0.68 EPS and $7.8B in Revenues (+25.4%) and Q1/2023 seen at $0.62/$7.49B and $2.98/$32.51B with the latter implying 16% revenue growth and 38.5% EPS growth. SLB shares have closed higher each of the last three reports and six of eight with a six-quarter average max move of 5.88%. Schlumberger is the world's leading provider of technology and digital solutions for reservoir characterization, drilling, production, and processing to the energy industry. SLB said recently that they are in the early stage of a very distinctive growth cycle characterized by supply-led investment decisions. The fundamentals are aligned with our core business as investment is increasingly pivoting to international basins, both in oil and in gas resource plays. SLB's market cap is nearing $80B and shares trade 19.55X Earnings, 11.7X EBITDA and 45X FCF with a 1.2% yield. Pricing power, shareholder returns and service company capital are the key industry debates for 2023. International pricing and activity commentary for SLB's core upstream businesses are in focus this quarter into 2023. The Q1 outlook across the group may indicate leveling out of pricing and thus be the final quarter of beats and positive revisions. Analysts have an average target of $60 with short interest low at 1.6% of the float. Wolfe cut shares to Neutral last week on valuation. RBC raised its target to $66 in November after the Investor Day positive on FCF returns. On the chart SLB shares broke out of a weekly flag strong last week though possibly hitting resistance of a long-term rising channel pattern. The monthly chart shows $65 as a key target for shares as a long-term VPOC and 50% retrace of the 2014/2020 trading range. SLB options are pricing in an earnings move of 3% and 30-day IV Skew at +0.4 compares to a +2.3 52-week average. SLB's put/call open interest ratio is at the 80th percentile and average IV30 crush is just -3.75%. SLB recently with 7500 May 57.5 puts sold to open showing confidence and seen some buying in August 60 and 62.5 calls. The February $55 calls are up to 15,000X in OI and May $65 calls with 5200X bought in OI.

Trade to Consider: Long the **SLB** February $60/$65 Call Spreads for $1.35 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

Any descriptions "to buy", "to sell", "long", "short" or any other trade related terminology should not be seen as a recommendation. The Author may or may not take positions in any of the names mentioned, and is not obligated to disclose positions, nor position sizes.

Content is for informational and educational purposes only, and is not to be construed as specific investment advice or recommendations. You alone will need to evaluate the merits and risks associated with the use of this content. Decisions based on information provided are your sole responsibility, and before making any decision on the basis of this information, you should consider (with or without the assistance of a financial and/or securities adviser) whether the information is appropriate in light of your particular investment needs, objectives and financial circumstances. Investors should seek qualified professional financial advice regarding the suitability of investing in any securities or following any investment strategies.

No reference to any specific security constitutes a recommendation to buy, sell or hold that security or any other security. Nothing constitutes investment advice or offers any opinion with respect to the suitability of any security, and the views expressed on this website should not be taken as advice to buy, sell or hold any security. In preparing the information contained in this website, OptionsHawk has not taken into account the investment needs, objectives and financial circumstances of any particular investor. This information does not consider the specific investment objectives, financial situation and particular needs of any specific recipient of this information and investments discussed may not be suitable for all investors