# Earnings Snapshots 1/30/2023

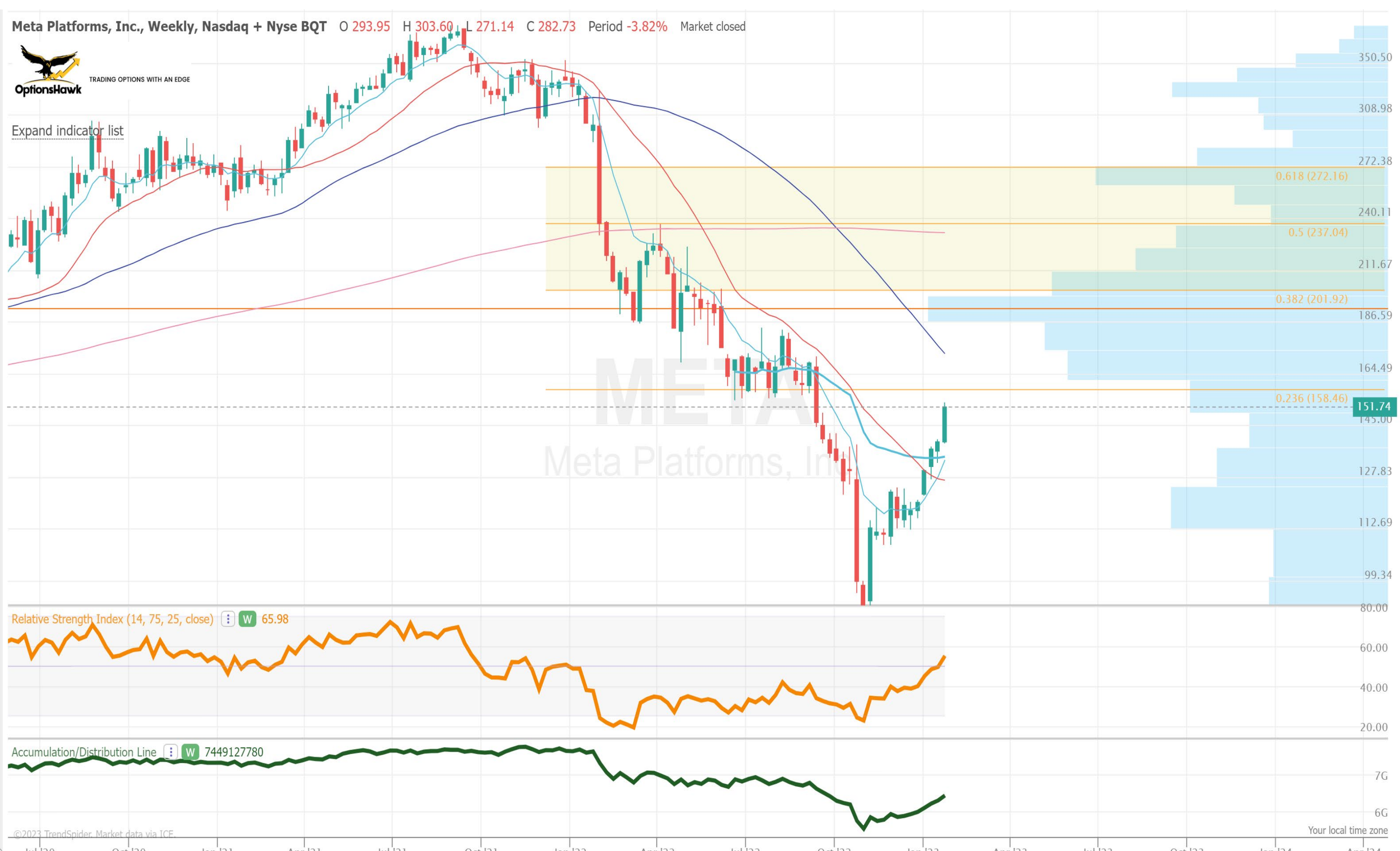
**AMD, META, AMZN, AAPL, SBUX**

**Advanced Micro (AMD)** will report earnings 1/31 after the close with the Street view at $0.67 EPS and $5.5B in Revenues (+14%) and Q1/FY23 seen at $0.68/$5.48B and $3.59/$24.73B implying FY23 growth of 2.3% and 5.2% respectively. AMD shares closed lower the last two reports after being higher three of the previous 4, a six-quarter average max move of 7.7%. AMD is a fabless semiconductor company that designs CPUs, GPUs, and custom ICs for a variety of end-markets, generally focused on consumer, enterprise, and data center applications. The company operates several segments: Computing & Graphics; Enterprise, Embedded, and Semi-Custom; and Adaptive Computing (Xilinx business). The Semiconductor group is seeing some mixed reports and AMD likely faces headwinds from a slowing PC/Console market while continues to gain share in Servers. PC processors, graphics, and consoles make up 55% of revenues. Data center plus Xilinx products now make up approximately 50% of gross profit dollars, and with strong share gain potential for both. AMD has a $121B market cap and trades 21X Earnings, 17X EBITDA and 4.8X EV/Sales with a 3.2% FCF yield. Analysts have an average target of $91 with short interest at 2.5% of the float. Bernstein cut to Neutral on the worsening PC environment and sees little reason for multiple expansion. Barclays upgraded to Overweight as it looks ahead to 2024 estimates. On the chart AMD has bounced recently and the trend inflecting but also running into 200-week EMA resistance and has major overhead volume resistance. Near-term shares are flagging above monthly value with the 200-MA at $79.70 a potential target while VWAP off 2021 highs is way up near $94. AMD options are pricing in a 7% earnings move and 30-day IV Skew at +4% compares to the +6.7% 52-week average. AMD's put/call open interest ratio is at the 92nd percentile and average IV30 crush is -14.1%. AMD has notable size short puts at March 75, February 70 and June 60 strikes.

Trade to Consider: Long the **AMD** February/April $80 Call Calendar Spreads at $2.70 Debit

**Meta Platforms (META)** will release results 2/1 after the close with the Street consensus at $2.22 EPS and $31.5B in Revenues (-6.4%) and Q1/FY23 seen at $1.58/$27.12B and $7.94/$121.3B implying FY23 growth of -12.6% and +4.5%. META shares have closed lower six of the last eight reports including two 24%+ declines, a six-quarter average max move of 15.14%. META has a $386B market cap and trades 19.1X Earnings, 7.5X EBITDA and 14.7X FCF. One of the key tailwinds for growth in 2023 is the lapping of tough comps on user engagement (data sources point to solid engagement trends re-emerging in Q4) and broad canvases of time/media formats that have already captured the shift in consumer habits (short form video, messaging, etc.) that could emerge as tailwinds for ad revenue performance as headwinds (the gap between time and monetization) dissipate through 2023. Channel checks and eCommerce data suggest that 4Q'22 ad spend remained soft, though Meta may have benefitted from intra-quarter FX & Twitter share shift. Consensus is likely anticipating further modest cuts to Meta's 2023 opex ($94-$100bn) and capex outlook on the call. Analysts have an average target of $156.50 with short interest low at 1.6% of the float. Mizuho noted relatively easy revenue comps, and opex guidance already reflected in Street expectations. Advertising volume has been accelerating, a positive for pricing. The company's record of overstating expense guidance should provide potential for upside in profitability. We believe additional government oversight or regulation of TikTok could benefit Meta's Reels by weakening a significant competitor. BAML notes Positives for Meta include: 1) Increasing Reels monetization in 2023 will drive revenue uplift, 2) returns on massive AI/ML investments should help generate incremental ad spend, 3) large messaging monetization opportunity will be unlocked by call-to-action ads, 4) Improved competitive outlook with slowing TikTok user and revenue growth, 5) EPS upside on conservative expense outlook and recent cost-cutting initiatives. Risks include: 1) Tough macro conditions drive topline misses, 2) More privacy headwinds from Google, Apple & EU, 3) New tech regulations, 4) Margin headwinds from Reels shift, and 5) Growing investment losses in Metaverse and new competition coming. Piper raised its target to $136 positive on cost cuts and CSFB to $180 from $145 more positive on advertiser checks. On the chart META has recovered strongly the last few weeks and closed last week near its 200-MA while VWAP off its highs is up near $196.80. The $168 level is major volume resistance and weakness could pull shares back to support at $138.50. META options are pricing in a 9% earnings move and 30-day IV Skew at +4.2 compares to the +5.7 52-week average. META has 45,000 February $105 calls in OI from size buyers and 12,000 March $150 calls bought on 11/15.

Trade to Consider: Long the **META** February $150/$235/$125 Put Butterfly at $3.55 Debit



**Amazon (AMZN)** will report results 2/2 after the close with the Street expecting $0.17 EPS and $145.37B in Revenues (+5.8%) and Q1/FY23 seen at $0.27/$18.49B and $1.61/$86.31B implying FY23 growth of 1450% and 9.6% respectively. AMZN shares have closed lower on earnings seven of the last nine with a six-quarter average max move of 11.6%. Amazon continues to have a massive retail business that faces headwinds of slowing consumer spending and rising costs but the focus remains on AWS, a behemoth in cloud which continues to scale and see increased spending. AMZN also has a massive opportunity in Advertising and has been making moves into Healthcare. Amazon has seen positive trends in its unique visitors/viewers count in recent months, as this metric grew by +2% YoY worldwide in November, landing at a level roughly stable since Q3'22 (September). Amazon has a $1.01 trillion market cap and trades 63.5X Earnings, 12.4X EBITDA and 2X Sales. AWS growth is seen decelerating to 21% Y/Y and could disappoint with industry deceleration. Analysts have an average target of $135 with short interest at less than 1% of the float. Mizuho out on 1/13 saying 2023 consensus estimates are 10% too high. UBS cut its target to $125 from $165 earlier this morning reducing AWS growth forecasts and the segment needs to see the multiple come lower. On the chart AMZN remains well below its 200-week EMA and closed last week near the 21-week. AMZN has a gap to fill from October back to near $110 while support now seen at $94. AMZN options are pricing in a 7.7% earnings move and 30-day IV Skew at +4.6 compares to the +6 52-week average. AMZN's put/call open interest ratio is at the 11th percentile and average IV30 crush is -20%.

Trade to Consider: Long the **AMZN** February/March $95 Put Calendar Spreads at $1 Debit

**Apple (AAPL)** earnings will be announced 2/2 after the close with the Street view at $1.94 EPS and $40.86B in Revenues (-7.5%) and Q2/FY23 seen at $1.50/$31.69B and $6.17/$402.69B implying 2023 growth of 0.9% and 2.1% respectively. AAPL shares have closed higher on earnings three of the last four after being lower the previous five reports, a six-quarter average max move of 5.1%. Apple's industry-leading retention rates and expanding ecosystem of hardware and services has already created one of the world's most valuable technology platforms that centralizes and controls everything from traditional communication to entertainment, social media engagement, photo & video development, gaming, business, payments, travel, fitness, and more. Elevated buybacks and institutional under ownership should also provide support, with product launches (iPhone 14 in Fall 2022 and AR/VR glasses in early 2023) key catalysts. Given Apple has stopped disclosing unit volumes for its products investors should be increasingly focused on ARPU trends. The Apple business model is shifting from one that maximizes hardware shipment growth to one that maximizes installed base monetization, underscored by increased services and installed base disclosures, and a move away from reporting units and ASPs. If Apple were to monetize advertising beyond the App Store, it could potentially be a $20B business by 2026, driving up the pace of Services growth back to the high teens vs. concerns of a permanent slowdown. AAPL currently has a $2.28 trillion market cap and trades 21.7X Earnings, 5.8X Sales and 23.6X FCF despite muted growth expectations. Given the extra week and weaker demand environment, the q/q decline for Mar could be higher than the 20% modeled by consensus. The tone on the call will be crucial to understand the underlying demand trajectory given the Dec qtr. was significantly supply constrained for the higher end Pro models of iPhones. Analysts have an average target of $171 and short interest is less than 1% of the float. MSCO would be buyers in post-earnings weakness noting 5 idiosyncratic tailwinds over the next 6-9 months that make Apple our top pick for 2023, including 1) re-accelerating Services growth in F2H, 2) an elongated iPhone replacement cycle and pent-up demand (incl. in China) ahead of the iPhone 15 launch this coming fall, 3) underappreciated gross margin tailwinds, 4) Apple's first new Product category launch (a AR/VR headset) since AirPods in 2016, and 5) the potential launch of a Hardware subscription offering. BAML notes We view 1H2023 as challenged given a somewhat weaker iPhone cycle (both supply and demand issues) and 2H will depend on the next iPhone cycle and contribution from AR/VR. Any re-acceleration in services given improving gaming backdrop and stability in advertising would be a net positive. On the chart AAPL shares rebounded to near the 200-MA and upper monthly value, also a key long-term VPOC while VWAP off the highs at $153.30. The $137 and $131.50 levels seen as support on weakness. AAPL options are pricing in a 3.7% earnings move and 30-day IV Skew at +5.1 compares to the +6.8 52-week average. AAPL put/call open interest ratio is at the 96th percentile and average IV30 crush is -16.85%. AAPL recently with size sales of May 140 puts to open and buyers in May $165 calls. AAPL still has size June and May $130 puts bought in open interest as well as April and May $135 puts.

Trade to Consider: Sell the **AAPL** February $155/$150/$140/$135 Iron Condors for $2.45 Credit

**Starbucks (SBUX)** will report earnings 2/2 after the close with the Street looking for $0.77 EPS and $8.76B in Revenues (+8.9%) while Q2/FY23 seen at $0.70/$1.51B and $3.44/$7.07B implying FY23 growth of 16.2% and 11.7%. SBUX shares have closed strongly higher its last two reports after closing lower the previous six reports, a six-quarter-average max move of 5.9%. SBUX is undergoing a transition after their CEO stepped down and founder Howard Schultz returned amid a flurry of near-term headwinds including higher wage costs and supply chain issues. Schultz is expected to make some bold moves to help reignite the brand and recently stopped their buyback plan to reinvest in the company and their people. SBUX could look at options like expanding into selling food and wine in the evening hours to drive traffic at night, café remodels, new menu items and advancements in tech, an area where they have historically been very strong. Schultz may also look at changing where they open new locations as the pandemic has changed the work/home balance. SBUX has a market cap of $125B and trades 26.7X Earnings, 19.4X EBITDA and 3.9X Sales with a 3.1% FCF yield. Analysts have an average target of $105 and short interest low at 1.3% of the float. CSFB says it views SBUX as one of the highest quality growth companies in restaurants, and with accelerating SSS & unit growth, and margin expansion to support 15-20% EPS growth, believe SBUX offers an attractive risk/reward. We expect continued US SSS outperformance, supported by the resiliency of its habitual product, loyal customer base and overarching strategy around personalization, fueled by its industry-leading digital ecosystem & products that are increasingly difficult to replicate at home (60%+ beverages are customized, 75% are cold). Goldman sees SBUX top-line momentum, supported by a strong holiday season, with our US SSS estimates of 10% above Consensus Metrix (9.3%); however, we expect China SSS likely saw pressure given the spike in COVID-19 cases seen in December. On the chart, SBUX has been in a strong trend for 6+ months and closed last week at highs for this move while $117 a former key resistance followed by $120. On weakness, the $100 level should be supportive. SBUX options are pricing in a 5% earnings move with 30-day IV skew at +4.4 comparing to the +4.6 52-week average. SBUX put/call open interest at the 10th percentile and average IV30 crush is -18.3%. SBUX has 130,000 April $115 calls bought in open interest and still has the 90K March 105/115 call spreads. We have also seen size buys in April $120 and June $110 calls.

Trade to Consider: Sell the **SBUX** February $115/$100 Strangle for a $2.10 Credit

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