Earnings Snapshots 2/6/2023

UBER, DIS, PYPL, EXPE

Uber (UBER) will report earnings 2/8 before the open with the Street expecting ($0.18) EPS and $8.48B in Revenues (+46.7%) while Q1/FY23 seen at ($0.15)/$36.8B and ($0.29)/$36.8B implying 15.9% topline growth while EBITDA seen rising 84.5% in 2023. UBER shares have traded sharply higher the last two reports and closed higher four of the last five, a six-quarter average max move of 11.55%. UBER should have positive tailwinds from reopening and travel and has continued to beat profit estimates. UBER's mobility business is seen growing at a 29% CAGR through 2026 with take rates expanding to 24% from 19% on improved service fee structures, efficiency & use of certain incentives/promotions. Uber has framed the global serviceable addressable market for food delivery to be $795B. UBER's leaner post-COVID cost structure has improved recent results. UBER has detailed how it expects 50%/35%/15% of forward rideshare bookings growth to come from UberX/New Products/New Geographies. UBER's innovation-based products/growth include Taxi, U4B, Shared Rides and Reserve. UBER's ability to meet/beat top-line estimates will likely come from its ability to grow the "other 90%" of its user base and/or increase frequency (trips/month). UBER has a $65B market cap and trades 23.3X EBITDA and 1.9X EV/Sales. Active driver trends continue to improve as well, with mobility drivers on par with 2019 levels… and the US 80% recovered vs '19 levels. Driver engagement (hours available) is also increasing, as global driver supply hours are above '19 levels. UBER's global, larger and more diversified business enables them to better offset the higher insurance costs. Over the long-term gross margin advantages are important to driving the multiple the market will pay for UBER. Analysts have an average target of $45.75 with 2.1% of the float short, down 35% Q/Q. Mizuho positive into the report citing easy Q1 comps due to Omicron in 2022. Cowen expects gross bookings to hit the high-end of guidance and has a $66 target. Piper raised to Overweight on 1/9 expecting cash-strapped consumers to use ride-hailing as opposed to purchasing vehicles. On the chart, UBER has been strong and the next upside level is a 38.2% retrace that lines up with VWAP off the 2021 highs near $36.50 followed by a 50% retrace at $42. On weakness the $30-$31 zone should now be supportive. UBER options are pricing in a 9.1% earnings move and 30-day IV Skew is at +5.6 compared to the +6.5 52-week average. UBER's put/call open interest is at the 99th percentile and average IV30 crush is -15.5%. UBER flow has been strongly bullish, a write-up from a few weeks back, and more recently opening sales in 32.5 and 35 longer-dated put strikes while 20,000 September $37.50 calls bought a notable position.

Trade to Consider: Long the **UBER** April/September $37.5 Call Calendar Spreads at $2.25 Debit

Disney (DIS) will announce results 2/8 after the close with the Street consensus at $0.79 EPS and $23.37B in Revenues (+7.1%) while Q2/FY23 seen at $1.18/$21.92B and $4.12/$90.6B implying 9.5% revenue growth and 16.7% EPS growth in 2023 and FY24 seen at growth of 7.1% and 28% respectively. DIS shares fell 13% last quarter on its report and have closed lower five of the last eight in total with an average six-quarter max move of 8.25%. Disney is the largest publicly-traded Media & Entertainment (M&E) company and global leader in producing high quality, branded, family entertainment. Key assets include its Theme Parks (six locations globally), the ABC TV Network, ESPN, FX, National Geographic and other Cable Networks, iconic Film Studios (i.e., Disney, LucasFilms, Marvel, Pixar, 20th Century Fox), Star India, Direct-To-Consumer (DTC) streaming platforms (Disney+/Star, Hulu and ESPN+) and Consumer Products. Success in streaming growth will be synonymous with share price appreciation. DIS has recently been in the news involved with an activist push from Nelson Peltz. DIS has a market cap of $202B and trades 21X Earnings, 16.6x EBITDA and with a 2% FCF yield. The return of Bob Iger as CEO offers the opportunity to reorganize Disney's Media businesses (DMED) to prioritize driving overall Disney consolidated earnings growth. De-prioritizing the F24 Disney Plus subscriber guidance could help refocus the company and the market on overall earnings power rather than sub targets. Parks & Experiences business is potentially exposed to a weakening consumer, but current forward bookings are strong. Looking towards FY25, Disney's streaming business could be profitable against a $25B+ revenue base and the company could be back paying a dividend and buying back stock. Analysts have an average target of $125 with short interest low at 1% of the float. Macquarie raised its target to $122 seeing this as an important report with a focus on improving DTC losses. Truist has DIS as a top pick seeing transformational change to the portfolio with the eventual sale/spin of ESPN. On the chart, DIS shares with a major five-week rally back to its 55-week moving average after bottoming at VWAP off its 2009 lows. VWAP off 2021 highs is way up at $135 while $129.5 is a 38.2% retracement level that lines up near the 200-week. DIS shares should now have strong support in the $96-$102 zone on a pullback. DIS options are pricing in a 5.2% move on earnings and 30-day IV Skew at +3.5 compares to the +4.2 52-week average. DIS put/call open interest ratio is at the 60th percentile and average IV30 crush is -26%. DIS recently a large opening seller of February $115 calls but otherwise bullish flow, and a recent write-up, including 20K June 80 calls bought ITM, buyers of March and April $110 calls in size and big buys in January $95 and $105 calls.

Trade to Consider: Long the **DIS** February/March $115 Call Calendar Spread at $1.25 Debit

PayPal (PYPL) will report earnings 2/9 after the close with the Street looking for $1.20 EPS and $7.39B in Revenues (+6.8%) while Q1/FY23 seen at $1.07/$7.01B and $4.76/$29.98B implying EPS growth of 16.4% and revenue growth of 8.9% in 2023. PYPL shares closed lower last report after being sharply higher the prior two and sharply lower the three before that, a six-quarter average max move of 13.2%. PYPL could face multiple headwinds and need to lower its outlook with a lot of blowback on recent policies as well as an overall slowing consumer spend environment in ecommerce. Share gains and the stabilization of eCommerce growth would be the key to move shares higher while margins remain a key topic as the company initiated cost-savings initiatives. PYPL is likely to also benefit from rising rates that will support its OVAS revenue, which incorporates interest income on customer deposits. With 43% of revenue coming internationally PYPL FX headwinds should moderate. PYPL has a market cap of $96B and trades 18X Earnings, 12.8X EBITDA and 17X FCF. PayPal continues to grow share compared to underlying eCommerce and is making the right strategic moves to grow habituation and maintain this outperformance over the longer term. PYPL is also integrating with passkeys, which will allow consumers to use biometrics to login through Apple, Google, and Microsoft operating systems, which will remove the need for a password, and help remove latency and increase conversions. There is growing market concern around the threat from Apple Pay to PayPal's leadership in online payments. Venmo has quickly been adding large merchants, including Amazon, which drove its acceptance by volume to 35% in 4Q22 (from 1% in 3Q) and significantly improved awareness/habituation potential. PayPal needs to expand its now limited relationship with Apple to become more directly integrated into the ecosystem. PayPal and Venmo could become a funding source on Apple Pay and vice versa. PayPal's near-term results will be driven more by divergence from eCommerce forecasts than share shifts. PayPal's recently announced 7% headcount reduction could support margin upside for '23. Analysts have an average target of $103.50 with short interest down to 1.7% of the float. OpCo lowered its target to $85 expecting growth to continue slowing. Bernstein sees 2023 earnings derisked. SMBC Nikko recently cut to Underperform on branded share losses. On the chart, PYPL retraced its entire pandemic move and found support at the kay $70 level and currently running into key upper 1-year value high resistance. Shares recently recovered to VWAP off the March 2022 rally high while VWAP from the start of 2022 is at $97.60 as an upside target on a positive reaction. Shares are hitting key trend resistance and a pullback would target a move to the $80 or $75 level. PYPL options are pricing in a 7.7% earnings move and 30-day IV Skew at +4 compares to the +5.9 52-week average. PYPL's put/call open interest ratio is at the 73rd percentile and average IV30 crush is -19%. PYPL saw put sellers at $75 and $70 strikes recently while some indications that $85 is near-term upside capped.

Trade to Consider: Sell the **PYPL** April $100/$95/$75/$70 Iron Condors for $2.40 Credit

Expedia (EXPE) will announce results 2/9 after the close with the Street view at $1.65 EPS and $2.69B in Revenues (+17.9%) while Q1/FY23 seen at $0.17/$2.65B and $9.37/$12.76B implying 31% EPS growth and 8.7% revenue growth in 2023. EXPE shares have closed higher the last two reports after being lower six of the prior eight, a six-quarter average max move of 11.3%. EXPE used the downturn to restructure and significantly cut costs and increase marketing efficiency, moves that should pay off in the long-term as bookings recover. EXPE has undergone a big management shift with Barry Diller back taking more control and they expect to unlock value by utilizing more AI/data to analyze customer habits and make more targeted conversions. The shift under Diller is also likely to accelerate those trends towards lower costs and take better advantage of their scale. EXPE has a market cap of $18.6B and trades 12.65X Earnings, 7.7X EBITDA and 5.7X FCF with a debt-heavy balance sheet. EXPE reported total gross bookings 4% below estimates last quarter as share losses continue. EXPE has de-emphasized acquiring lower quality traffic (which partially explains the share loss), there are early signs that its more disciplined investment approach is leading to stronger profitability. Evolving travel sector trends include: 1) Short-terms rentals (STR) adoption and professionalization; 2) Business travel still rebounding, and shift to "blended travel"; and 3) Online travel booking companies moving into the "Experience" segment, looking to leverage their large user bases. Analysts have an average target of $125 with short interest down 50% Q/Q to just 2.4% of the float. UBS raised its target to $125 on travel recovery tailwinds but cautions on EXPE's investment cycle. OpCo upgraded to Outperform on 1/11 seeing the business moving to higher mix revenue channels and better/consistent margin profiles. On the chart, EXPE has recovered back near its 200-week and also just under VWAP off its highs, plenty of overhead resistance with this recent move higher a bit extended. The $129-$133 zone is key resistance, above that leaves room back to $150 while $108 and $100 downside targets on a negative reaction. EXPE options are pricing in a 6.5% earnings move and 30-day IV Skew at +5.2 compares to the +4 52-week average. EXPE's put/call open interest ratio is at the 100th percentile and average 30-day IV crush is -20.2%. EXPE does not have a lot of notable open interest outside of short June $100, January $110 and April $70 puts.

Trade to Consider: Long the **EXPE** March $115/$105/$100 Butterfly Put Spreads at $2.05 Debit

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