Earnings Snapshots 8/8/2022

RBLX, COIN, U, DIS

Roblox (RBLX) will announce results 8/9 after the close with the Street consensus at ($0.21) EPS and $645M in Revenues (+42%) while Q3 seen at ($0.26)/$682M and FY22 at ($1.01)/$2.84B. RBLX shares with a mixed earnings history that leans positive, higher three of five with some large moves, average max move of 24%. RBLX operates a human co-experience platform or Roblox Platform, where users interact with each other to explore and develop, user-generated and 3D experiences. RBLX's platform includes content developed by individual creators and video game studios, as well as nonendemic businesses such as film/TV studios and musical artists which demonstrate the use case for non-gaming general entertainment that should broaden the appeal of the Roblox platform. On June 28th, RBLX quietly announced the full release of Dynamic Heads, 2-3 months early, giving developers time to deploy the technology in their games before Q4. Near-term quarters are likely to remain choppy with SensorTower data indicating weakness in Core US/CAN avg. bookings/hour, suggesting games/Avatars did not improve significantly in Q2. Dynamic Heads technology, which animates facial expressions on Avatars, facilitates emotional expression by consumers while in Roblox’s metaverse; it is a major improvement over Roblox’s previously static facial expressions. RBLX reported mixed May metrics, with user and FX headwinds leading to the slowest bookings growth YTD. On its latest quarterly call, Roblox highlighted a few key themes: 1) elements of user growth & platform monetization remain volatile as we come up on the two-year anniversary of the pandemic; 2) the company remains focused on investments for the long term in user/platform safety, developer tools, search/discovery & advertising product iteration & 3) the company still sees a long-tailed multi-year opportunity in terms of the future of media engagement, platform dynamics (especially around the creator economy) and Web 3. RBLX looks best positioned to peers for long-term secular growth opportunities sit in the gaming landscape (open world, user/developer dynamics capturing Web 3 themes, shifting habits of the gaming user). RBLX has a market cap of $28.55B and remains valued aggressively though with forward three-year CAGR estimates for revenues at 15.5% and EBITDA at 35%. RBLX estimates show another four quarters of rapid revenue growth before succumbing to tougher comps at which point profitability will come more into focus. RBLX currently trades 9.5X EV/Sales and 60X FY23 EBITDA estimates. Analysts have an average target of $38.50 with short interest high at 11% of the float. MKM raised its target to $40 last week on faster ramping booking trends with near-term positive momentum. Needham raised its target to $45 after positive conversations on RBLX’s monetization environment, advertising opportunities and the UGC marketplace. BTIG has a $57 target and notes that advertising and in-experience placements are two levers that could add about $1.5B in bookings over time. On the chart RBLX has strong near-term momentum, though overbought, with the 200-MA near $61 in view but $52 key resistance on the volume profile from March failed breakout and also being VWAP off the November highs while above puts that 200-MA in play as well as a 38.2% retrace to $67 that aligns with a gap fill from February. RBLX options are pricing in a 12% move on earnings and 30 day IV Skew at +8.9 steep to the +3.1 average. RBLX historical put/call open interest ratio at the 53rd percentile while average IV30 rush is low at -8.5%. RBLX has 20,000 January 2024 $30 and $65 calls each in OI from large buys but also 10,000 Sep. $40 puts bought recently while Sep. $55 calls were sold to open 6500X while September $35 puts are short 6500X.

Trade to Consider: Sell the **RBLX** September $60/$55/$35/$30 Iron Condor for $2 Credit

Coinbase (COIN) will report results 8/9 after the close with the Street estimate at ($2.65)/$832M (-62.6%) and Q3/FY22 seen at ($1.95)/$785.5M and ($7.63)/$3.86B. COIN shares lower the last three reports and four of its five with an average max move of just over 12%. COIN is the leading provider of end-to-end financial infrastructure and technology for the cryptoeconomy. The unique properties of crypto assets naturally position them as digital alternatives to store of value analogs such as gold, enable the creation of an internet-based financial system, and provide a development platform for applications that are unimaginable today. COIN is seeing strong growth driven by increasing adoption of digital currencies and its business model thrives on elevated cryptocurrency volatility. COIN has plenty of opportunities to expand beyond the core business to driver other revenue streams. COIN has been active in the news facing a US probe while also announcing a relationship with Blackrock last week. With 88% of TTM net revenues from transaction fees it charges retail users, COIN is primarily an exchange/retail brokerage-driven story over the next several years. COIN has a dominant ~46% share of total U.S. regulated centralized exchange spot volume as of 2021, up from 39% in 2020. Assets on the COIN's platform totaled $256B in Q1:22, representing 11.2% market share of the total crypto market cap, up from 4.8% in Q1:18. COIN’s industry leading security infrastructure and adherence to regulatory compliance provides a structural advantage vs top global competitors. COIN results are fully expected to be terrible this week, a ~60% Q/Q decline in crypto prices and ~25% QoQ decline in volumes, data suggests Coinbase has experienced a ~20% Q/Q decline in active users, a sharper decline in downloads, and even share loss to other exchanges (notably FTX). 2Q was another tough quarter for crypto assets, with bitcoin prices down over 40% QoQ and a glut of negative headlines, notably the collapse of the Terra stablecoin, the fall of a major crypto hedge fund (3AC), and solvency issues at crypto lenders (Celsius, Voyager). This “crypto winter” led to a further deceleration in transaction volumes, MAUs, and app downloads. COIN has already announced plans to cut jobs. On the upside the focus will be on the future, the long-awaited ETH transition to proof-of-stake could represent hundreds of millions of annual blockchain reward revenue for Coinbase, while potentially marking a key catalyst for Web 3.0 development. ETH 2 merge has a provisional merger date now set for 9/19. COIN has a $19B market cap and trades 3.9X EV/Sales and 50X EBITDA for FY23 estimates as revenues are seen down 50.7% in 2022 and EBITDA seen at ($357M) after being +$4.09B in 2021. COIN faces another few tough quarters before comps ease in Q2 2023 and by FY25 could see a name hitting record revenues yet again. Analysts have an average target of $113 and short interest is very high as 22% of the float. JMP positive last week on the BLK Aladdin partnership and has a $205 target as validation of institutions positioning in the crypto industry long-term. DA Davidson cut its target to $90 in July but notes the company will emerge stronger following the crypto winter. Atlantic downgraded shares and cut its target to $54 citing competitive concerns regarding the spread of misinformation over the company's financial strength and consumer asset protections. Goldman cut to Sell in June with a $45 target on weak crypto trading trends and the need for much larger cost cuts moving forward. On the chart COIN with a big bounce since a weekly MACD bull cross two weeks back but faded off highs late last week to close back under the 21-week EMA also failing right at trend resistance and VWAP off November highs. COIN options are pricing in a 16.5% earnings move and 30-day IV Skew at +8.1 compares to the +6.4 average and came down sharply from +30 in June. COIN put/call open interest ratio at the 94th percentile while average IV30 crush is -14%. COIN sese a ton of options flow, recent large stock buyers paired with September $95 and $90 puts, OTM buyer in Dec. 120 and Jan. 175 calls while also seeing plenty of put buys in September $75 and $60 strikes. A large buy of 5400 Dec. 440 calls on 6/27 was well-timed and is up 130%.

Trade to Consider: Long the **COIN** August $90/$75/$60 Butterfly Put Spreads at $3.25 Debit

Unity (U) will announce quarterly numbers 8/9 after the close with the Street expecting ($0.21) EPS and $298M in revenues (+9%) with Q3/FY22 seen at ($0.06)/$347M and ($0.27)/$1.36B. U shares closed sharply lower last quarter after being higher the precious three reports and a six-quarter average max move of 17.65%. Unity is the world's leading platform for creating and operating real-time 3D content. Creators, ranging from game developers to artists, architects, automotive designers, filmmakers, and others, use Unity to make their imaginations come to life. U operates in a 45B TAM with new markets, users and use cases expanding rapidly as transitions from 2D to 3D from nonreal-time to real-time from noninteractive to interactive creates a massive growth opportunity for many decades to come. Unity also continues to expand into non-game verticals like automotive which remains a huge tailwind to their TAM. U announced an acquisition of IronSource in July and also a $2.5B buyback while slightly lowering revenue forecasts. U sold off sharply last quarter following management's disclosure of internal challenges within its monetization products that are curtailing its ability to meet expectations. Unity is well positioned to benefit from multiple compounding pivots in the gaming software industry. First, mobile gaming is the largest and fastest growing segment within the global traditional gaming market and is expected to grow at a 9% CAGR from 2021-2026 (compared to 6% growth in the overall gaming market), according to Newzoo. Second, Unity is emerging as the leading 3D modeling engine for mobile gaming, with critical >50% usage share. Third, high levels of gamer engagement provide Unity with a distinct edge in commercialization as the mobile gaming industry moves to a monetization model based on in-game advertising and in-app purchases that has provided more upside proportionate to usage as opposed to subscription-led business models in the gaming console industry. Fourth, the synergies between its Create and Operate businesses, whereby customers that build games using the design engine are also instrumented with tightly integrated monetization tools, lead to a stronger and potentially more profitable relationship for Unity in the long run. The IS merger increases U's scale in the mobile ad market and competitiveness vs. peers like APP and could also accelerate U's path to profitability, providing greater earnings/valuation support in the future. The company expects the transaction to drive $300M in cost and revenue synergies over the next three years. U now expects to reach a $1B EBITDA run rate by the end of '24, as it realizes synergies and integrates IS's >30% margin business into the model. U has a market cap of $14.25B and trades 8X FY23 EV/Sales with revenues seen rising 22% this year and a forward three-year CAGR of near 30% while profitability seen in a few years. There also have been recent talks of a potential $1B spin off its China unit. Analysts have an average target of $60 with short interest rising 120% Q/Q to 12.7% of the float. Piper cut shares to Neutral on 7/13 seeing the IronSource deal as an overhang with execution risk the next few quarters. On the weekly chart MACD moved to buy signal last week while VWAP off November highs is up to $74 leaving plenty of room for upside. U is moving out of a multi-week bae nicely with trend resistance closer to $60. U options are pricing in a 14.4% earnings move with 30-day IV Skew at +3.7 comparing to the +3.5 average. U's put/call open interest ratio is at the 72nd percentile and average IV30 crush is -18.5%. U saw a lot of bull flow last week with 1300 Oct. 45 calls bought, 1000 Jan. 60 calls bought, 2000 November 50 calls bought and a buyer 1500 November 55/70 call spreads. The Aug. 12th (W) $50 calls opened 8000X on Friday. U also has some notable OI in short Aug. $30 puts, short Jan. $17.5 puts and long Oct. $50 calls and January $80 calls. One concern of the bull flows is the surging short interest is ismply hedging.

Trade to Consider: Long the **U** August $45/$40 Put Spreads at $1.65 Debit

Disney (DIS) will release earnings 8/10 after the close with the Street view at $0.97 EPS and $20.96B in Revenues (+23%) with Q4 and FY23 seen at $0.80/$21.47B and $5.39/$93.55B. DIS shares have closed lower four of the last six reports with an average max move of 5.65%. 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-ToConsumer (DTC) streaming platforms (Disney+/Star, Hulu and ESPN+) and Consumer Products. Disney's recent decision to cancel annual passes at Disneyland is likely a positive indicator for booking trends and overall demand. The return of International visitors should help mitigate any potential softness in US consumer demand. In DTC, DIS launched in over 40 markets in FY3Q, which cumulatively should drive an acceleration in sequential FY3Q net adds. Key investor concern near term is the recent IPL rights announcement and the potential impact on longer term DIS+ subscriber forecasts. DIS may need to reevaluate its FY24 subscriber outlook of 230-260M which could be negatively received by the market but also serve as a key reset. Goldman recently lowered its 2024 estimate to 223M subscribers. The US television advertising business is cyclical, depending heavily on the discretionary budgets of advertisers and the level of engagement from consumers watching available content. Disney has also said it expects to reach its steady state of content cadence in F4Q22 (C3Q22), and that F4Q22 will be the first time in Disney+ history that the company plans to release original content throughout the quarter across Disney, Marvel, Star Wars, Pixar, and Nat Geo. In addition to new markets and content, Disney+ expects to add an ad-supported tier by the end of C2022 (F1Q23). Management has previously stated that the launch of this tier represents a building block towards achieving its long-term Disney+ subscriber targets. While DIS may estimate that only a portion of its Hotstar subs are at risk following the loss of its IPL streaming rights, management may be re-evaluating its overall strategy for Hotstar if it can no longer use the IPL as a source for customer acquisition. Disney+ needs to scale to breakeven by FY24 and should benefit from 1) a substantial ramp in content quantity, both in branded and general entertainment, 2) the introduction of an ad-supported tier that should help accelerate ARPU growth, and 3) no IPL costs at DPHS. DIS has a $190B market cap and trades 19.8X Earnings, 13.6X FY23 EBITDA and 2.47X Sales with revenues seen rising 24.6% this year and 7.3% next while EBITDA growth at 40.6% and 22.8% respectively. Analysts have an average target of $140 with short interest at 1.2% of the float. Evercore cut its target to $130 recently on a weaker Macro backdrop while Truist cut to $125 on a weaker outlook for DTC subs. On the long-0term chart DIS lows recently right at trend support off 2011/2020 lows and weekly MACD moved bullish out of deeply oversold levels. DIS still has plenty of overhead resistance at $111, $115 and $125 but a nice volume pocket from $109 back to the 200-MA near $132 if gets above last week high that came at trend resistance. Support levels are 100 and 95. DIS options are pricing in a 5.2% earnings move with 30-day IV Skew at +3.1 comparing to the +2.7 average. DIS put/call open interest ratio at just the 13th percentile while average IV30 crush is -23.8%. DIS recent flows include sales in January $85 puts, a buyer 3000 Jan. 2024 $105 calls for $6.3M, buyers in Oct $110 and $115 calls including bull risk reversals, and September $110 call accumulation.

Trade to Consider: Long the **DIS** August/September $110 Call Calendar $1.45 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