market blitz | OPTIONSHAWK

Compiled Daily by alex@optionshawk.com

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Inside Today's Blitz

- China Expands Regulatory Oversight to High-End Consumer Goods
- Delta Concerns Pushing Back 'Return to Office', Hindering 2H Growth
- **ADBE** to acquire Frame Io for $1.275B; **MUDS** terminates merger with Topps; **JNJ** to name new CEO, Gorksy to become Exec. Chairman; **COIN** to invest in crypto

Market Outlook

Futures indicating a slightly lower open for the day with the **Dow** off by 35 bps, the **S&P** down 35 bps, and the **Nasdaq** down 20 bps. The **Russell** is down 44 bps. Energy is slightly lower again with **WTI** off by 66 bps. **Natural Gas** is up 2%. **Gold** and **silver** are split with the former up 16 bps and the latter down 32 bps. **Copper** is up 40 bps. The **dollar** is flat. **Bonds** are up 10 bps. **VIX** is 22.60. **Bitcoin** and **Ethereum** both with nice moves up over 5.5% each. Global stocks are lower again this morning with more of the same putting pressure on sentiment – concerns over delta variant hindering 2H growth and China regulatory curbs expanding beyond tech and into more consumer areas. The expanded look at more luxury items from high-end liquor to retail/apparel, autos and beauty products is also impacting Macau casinos. And, there's growing concern that Beijing could turn to their healthcare industry next after calls for regulation of prescriptions filled using digital platforms. Elsewhere, the rising concerns over delta variant is pushing back the broader 'return to work' plan with companies like Apple moving their deadline back to January. We're also seeing more concerts/artists cancel shows due to concerns over spread. COVID-related hospital deaths have hit levels not seen since February. Three US senators tested positive for breakthrough COVID cases.

Asian markets are mostly lower this morning with the Hang Seng down 1.85%, Shanghai down 1.1%, and the Nikkei down 98 bps. In Europe, the major indices are down modestly. The DAX is down 46 bps, CAC is down 30 bps, and the FTSE is down 19 bps. Automakers are weak again amid production concerns with **Volkswagen** announcing their main plant will be cutting output due to supply chain struggles. **Pernod Ricard** is weak amid concerns Beijing is targeting the high-end liquor market next. Travel-related names are lower today with more concerns over the delta variant. **Lufthansa** and **EasyJet** are both down around 2-3%. Swedish real estate web portal **Hemnet** rose 13% after reporting a jump in Q2 sales. **Marks and Spencer** soared 11% after the retailer raised its profit guidance for the full year. Supermarket **Morrisons** rose 4% after it agreed a takeover offer worth $9.55B. Shares of **Vertu Motors** jumped 8% after the car dealership chain lifted FY outlook.

Calendar

Today… Baker Hughes Rig Counts; **International Data**: China LPR, Japan CPI; **Earnings Before the Open**: DE, FL, BKE; **Roadshows:** EBAY

Next week… the big focus will be Jackson Hole but other notable macro events include flash PMIs and July PCE. In Washington, Pelosi will bring a vote on the budget bill. Earnings slow down but notables from PANW, AAP, BBY, MDT, INTU, ADSK, CRM, NTAP, SPLK, ULTA, ANF, DLTR, DELL, HPQ, PTON, and WDAY

Overnight Markets

Ethereum	3214.32	6.75%
Bitcoin	47253.5	5.50%
Natural Gas	3.907	2.00%
VIX	22.65	1.36%
Copper	4.0565	0.38%
Platinum	973	0.19%
Gold	1785.8	0.15%
Bonds	166	0.11%
US Dollar	93.61	0.02%
Silver	23.16	-0.32%
Oil (WTI)	63.08	-0.66%
Lumber	462.7	-1.15%

Technical View

Key Levels to Watch

S&P futures (ES_F) are balancing overnight within yesterday's range with a bit of a negative slant to the overall trajectory. We dipped below 4380 briefly but buyers stepped in and brought us back to VWAP at 4387.75. Overall pretty quiet and caution still warranted unless we can pivot back above 4410. A move higher targets 4434.50 and 4459.75. Targets below include 4360 and then 4335.

Economic Data

- **China** left their LPR unchanged, as expected
- **UK** retail sales were down 2.4% vs flat est.; June was revised lower
- **Taiwan** exports were in-line at 21.4% est.
- **Japan** CPI was -0.6% in July vs -0.8% est.

Macro News

- **China** state media says the short-term costs of a tech swoon are worth the long-term growth of the digital space, per SCMP
- **China** regulators may target some premium liquor brands next, per SCMP, after baijiu distillers were summoned to Bejing today
- **China** officially adopted tougher rules on how companies handle user data within apps, per Bloomberg
- **Germany** is on track for stronger growth than expected in Q3, says Reuters, driven by lively domestic demand
- **Australian** central bank members are worried that the delta variant could spike unemployment back above 5%, per Bloomberg
- **COVID-related** hospital deaths are at levels not seen since February, per Bloomberg, as some states run out of ICU beds
- **The White House** will not nominate **Janet Woodcock** to be permanent head of the FDA, says Bloomberg

Movers

Gainers: MRIN 25%, FL 7.5%, FGEN 7%, SRNE 6.5%, BTBT 3%, CAN 2.7%

Losers: FATE -11%, MUDS -8%, ROST -5%

Insider Buying

RILY, TXMD, ORGN, SNES, KRTX, PSN, GOCO, APP, GOCO

IPO Calendar

Nothing scheduled currently

Stock-Specific News

Consumer/ Business Services

- **Morrison's** board would support CD&R's GBP285/share bid, a premium of 60% to the three-month average price, but investors are still holding out hope for a raised bid from Fortress, per Reuters
- **Swatch** reiterated their positive FY outlook this morning, per Reuters, as they see no changes to the underlying demand environment
- **Marks & Spencer** shares are higher in London this morning after a positive pre-announcement, per Reuters. The company cited a jump in demand for food and a surge in online clothes' orders
- **Topps** announces termination of merger agreement with **MUDS**. The company will remain private. The move comes after MLB and the MLBPA announced yesterday they wouldn't be renewing their agreements with Topps in 2022 and 2025.
- **BKE** sayes Q2 online sales down 5.5%
- **DDS** raises dividend 33%
- **CRI** reinstates buyback plan
- **WH** will resume their buyback plan

On the Chart

DDS strong trend and forming a small flag back at the top of the recent range breakout, nice spot for a continuation higher above $209.50

Financials

- **COIN** CEO says the company will invest 10% of all profits going forward into crypto; Co. also received board approval to purchase $500M of crypto for their balance sheet
- **PSTH** is preparing to return SPAC funds if new vehicle approved, per Bloomberg. Ackman is seeking SEC approval for a SPARC which would allow him to continue searching for deals but without a definitive deadline for the transaction
- **SCHW** is delaying a return to the office until January 2022
- **MSCI** signs license agreement with HKEX
- **Bank regulators** are growing increasingly concerned about how much banking data is being processed in the cloud, per Reuters, and want more oversight of risk that some fintech's could fail

On the Chart

COIN bullish reversal day yesterday off of the Aug. OpEx VPOC is a nice low to lean against looking for a move back to $265

Healthcare

- **JNJ** names Joaquin Duato as new CEO effective January 3rd; Alex Gorsky, currently Chairman and CEO, will serve as Executive Chairman
- **SRNE** says DYAI-100 elicits 'strong' neutralizing immune responses in animals; DYAI-100 is a new to-be-licensed and developed protein-based COVID-19 vaccination candidate

Hawk Database

SRNE has large OI in the January $10 and $15 calls, the latter with buyers in mid-June

- **FATE** announces positive clinical data from FT596/516 in B-cell lymphoma yet questions around durability
- **AZN** will seek regulatory approval for their antibody cocktail, per FT, after data showed it significantly reduces odds of symptomatic COVID
- **MRNA's** vaccine is being investigated for ties to myocarditis, per Washington Post, after finding more cases than previously thought
- **REGN** antibody cocktail to treat, prevent COVID has been approved for use by UK authorities
- **FGEN, Astellas** get EC approval for Evrenzo in adult CKD patients
- **CERN** named a new CEO

Hawk Database

AZN recent size buyers in the January $62.50 calls and the Jan. 2023 $62.50 calls

Industrials

- **LUV** pilots are threatening a strike in Q4 after reporting a series of problems to management, per Fox
- **NIO, XPEV, LI - China** has broadened restrictions on how driver data is gathered by automakers, per Bloomberg

Energy & Materials

- **SHW** acquires European industrial coatings business of Sika AG; Sika's European industrial coating business engineers, manufactures and sells corrosion protection coating systems

Tech/Telecom

- **ADBE** to acquire **Frame.io** in $1.275B deal; Frame.io is a cloud-based video collaboration platform
- **MRIN** announces integration with Criteo's Commerce Media Platform
- **SPOT** announces buyback of up to $1B
- **AAPL** is pushing back a return to the office until January, per Bloomberg
- **MSFT** is raising prices on Office 365 for the first time in a decade, per CNBC. The bundles include apps like Word and Excel
- **FoxConn** is confident they can become a major player in the EV supply chain, per Nikkei

On the Chart

ADBE very narrow range forming under $645 and potential to unwind higher with room to $700

Analyst Notes

Upgrades

- **CF, MOS** raised to Buy at HSBC; firm believes supply disruptions, higher feedstock costs and low inventories are the catalysts that could support strong fertilizer prices through Q1 of 2022. Several major nitrogen plants are under outages that extend through the second half of 2021, and supply issues are further compounded by an unprecedented rise in European gas costs and potential trade disruptions like suspension of Chinese exports
- **WOOF** raised to Outperform at CSFB, Petco offers exposure to a relatively healthy category with secular drivers in growing spend per pet household, which should enable the industry to grow faster than pre-pandemic levels
- **LESL** raised to Buy at Loop Capital

Downgrades

- **PNW** cut to sell at Goldman Sachs, citing uncertainty around Arizona rate case that has been a prolonged headwind
- **MRCY** cut to Underperform at BAML, citing the company's disappointing FY22 outlook announced earlier this month calling for 0% organic growth as the management attributed the forecast to the timing of awards, the change in administration, and customer execution issues on its top five programs
- **ICPT** cut to Sell at Goldman, firm remains cautious saying the new analysis of an expanded safety database might differ from the original Phase 3 REGENERATE data. It remains unclear whether this will satisfy the FDA's requirements for approval
- **DOC, HR** cut to Perform at RJF
- **DUK** cut to Perform at RBC
- **PFGC** cut to Neutral at BTIG

Initiations

- **RYAN** started Outperform at Blair, Ryan represents a unique opportunity to buy into a long-term-growth distribution franchise with relatively high barriers to entry. The analyst says a dominant position in higher-growth specialty insurance markets and a waterfall of volume from retail broker consolidation should drive 15% to 20% long-term growth
- **PWP** started Buy at Goldman, $16.50 target; View PWP as one of the most attractive earnings growth stories in independent advisors; potential upside to growth both if European M&A accelerates and as the company expands its geographic footprint and product suite over time.

On the Chart

RYAN a recent IPO in the specialty insurance space with a nice chart consolidation, above $30.50 can make a strong run

- **NOW, WDAY, SAP** resumed Outperform at OpCo
- **JBI** started Overweight at KeyBanc

Other Notes

- **FATE** defended at Piper, sees buying opportunity; OpCo too and their analyst thought the ongoing responses in five of 11 patients at therapeutically-relevant doses look comparable to approved CAR-Ts, despite the heavily-pretreated population. He believes objective activity in CAR-T relapsed patients could offer an opportunity for accelerated approval
- **ZIM** target to $74 from $60 at Citi
- **LH** target to $336 from $295 at CSFB
- **MSFT** target to $350 from $325 at Wedbush
- **SHW** target to $345 from $315 at MSCO

Trade Ideas

Align (ALGN) forming a narrow channel after the recent strong breakout and reclaimed the 21-EMA on Thursday after opening weak. A move higher through $692 sets up for a re-test of the prior highs around $715 and measured move to $780. ALGN broke out of a big weekly range recently and both MACD and RSI with early bull crossings, plenty of room to move on a longer timeframe.

Technical Scans

Inside Days: CLX, ADI, AMED, CB, APPN, ORLY, VRTX, DECK, SNOW, ESTC, CGNX, PEGA, FND, PAGS, ABNB

Bull Reversal Days: JCOM, BAH, GRMN, INFO, MAR, MNST, GPS, MORN, FL, MSTR, LII, CSCO, PNR, EFX, COST, SPGI, MAT, HLF, CMG, ASML

OBV 3-Month Low: AAL, AMZN, BKNG, EMN, GDDY, GPN, HEI, INTC, MTN, NVCR, PH, PCAR, OSH

IPO Profile

Couchbase (BASE) a recent IPO that hit new highs week, showing relative strength amid the weaker overall market and worth a deeper look. BASE issued 8.3M shares at $24, above the initial range of $20-$23, and closed near $30 on its debut day. Shares have formed a multi-week base under $34 and broke out this week with a measured move to $42. The current run is a bit how and consolidation around that $35 level would set up a nice flag for continuation higher.

BASE is a NoSQL cloud database provider that enables developers to build, deploy, and run mission-critical applications. They tout themselves as providing a high-performance, flexible and scalable modern database that connects the data center to the cloud – the fastest product on the market with the best opportunity for companies to scale. A NoSQL database don't use relational tables like SQL databases and instead use a variety of ways to sort and hold data including document, key-value, wide-column and graph. This allows users more flexibility to work with large amounts of data and higher workloads. And, some developers say NoSQL is better than using relational tables as data doesn't have to be split up to be modeled which works better when handling millions of users and spikes in workloads.

The database market is massive and BASE feels like they can win a significant chunk of the market despite a lot of competition in the space. They have peers like **MongoDb (MDB),** mega-cap names like **Oracle (ORCL), Google (GOOGL),** and **Amazon AWS (AMZN)** and startups like **Redis Labs** to compete with**.** But, there are no pure-play NoSQL names as many of BASE's closest peers got acquired -- **FoundationDb** was bought by Apple while **TokuTek** was bought by Percona. IDC says that database management is one of the biggest markets in enterprise software with spending around $43B last year and expected to hit $62B by 2024. The ongoing digital transition by enterprise workloads is the biggest driver of this shift as more companies look to manage complex data sets across mobile, edge computing, and AI which have historically done poorly with relational databases. BASE says it's the 'golden age' of databases with a massive generational shift as companies move away from legacy architectures.

The $1.55B company trades 13.6X EV/sales with mid-20% growth. BASE grew revenue to $103M in FY21, up from $82.5M in FY20. The majority of their revenue is recurring subscription-based with 89% of sales from existing customers. They get nearly all of their sub revenue from the Enterprise version of their platform which utilizes both Service and Mobile options. They measure the subscription cost by computing power and memory per instance used and utilize an on-demand model for consumption. BASE also generates revenue from services and support with each license tied to a PCS and this is the vast majority (80%) of their revenue from the latter. The number of customers with more than $1M ARR rose 43.5% last year while those above $500K rose 30%. BASE had fairly healthy gross margins at 89% in FY21, down 200 bps from FY20.

Overall, BASE is an interesting smaller, niche player in a massive market. They won't compete on the same kind of scale and market cap as peers like MDB but NoSQL has a meaningful place in the database market and given the attractiveness of their tech, the kind of name that could attract M&A interest down the line. And, as more customers are looking for easy solutions that can handle the massive influx of day-to-day data, faster solutions like BASE will be in demand. William Blair positive last week with an Outperform seeing a clear path for Couchbase's newly introduced cloud service to fuel new customer adds and reaccelerate sales growth in the quarters ahead.

Open Interest Checks

Ticker	Contract	Prior OI	New OI	OI Change
PINS	20 JAN 23 55 CALL	1,549	5,578	260.10%
PINS	17 JUN 22 52.5 PUT	1,364	3,995	192.89%
MS	15 OCT 21 100 PUT	6,096	14,806	142.88%
CLOV	20 JAN 23 3 PUT	5,551	13,122	136.39%
CLF	17 SEP 21 26 CALL	5,540	12,281	121.68%
VST	15 OCT 21 18 CALL	4,496	9,500	111.30%
F	15 OCT 21 12 PUT	26,731	56,175	110.15%
WBA	15 OCT 21 47.5 CALL	6,316	13,033	106.35%
COIN	15 OCT 21 300 CALL	1,264	2,608	106.33%
SIX	17 DEC 21 42.5 CALL	1,912	3,887	103.29%
LYV	20 JAN 23 95 CALL	8,126	16,105	98.19%
FTCH	21 JAN 22 35 PUT	1,102	2,171	97.01%
SAVA	19 NOV 21 60 PUT	1,120	2,140	91.07%
RILY	21 JAN 22 70 CALL	1,482	2,742	85.02%
BCRX	21 JAN 22 15 PUT	1,184	2,186	84.63%
AMZN	19 NOV 21 3300 CALL	927	1,695	82.85%
SQ	20 JAN 23 250 PUT	1,186	2,141	80.52%
FCX	21 JAN 22 37 CALL	10,213	18,291	79.10%
TDOC	20 JAN 23 100 CALL	1,413	2,515	77.99%
CPNG	17 SEP 21 37.5 PUT	8,970	15,859	76.80%
LVS	17 DEC 21 40 CALL	2,376	4,144	74.41%
LNG	17 DEC 21 95 CALL	1,632	2,765	69.42%
TGT	17 SEP 21 250 CALL	1,615	2,653	64.27%
FBRX	17 SEP 21 15 PUT	4,191	6,568	56.72%
CVS	19 NOV 21 82.5 PUT	2,575	4,031	56.54%
LYFT	15 OCT 21 47.5 PUT	2,541	3,657	43.92%
SU	21 JAN 22 20 CALL	26,593	37,155	39.72%
CRM	15 OCT 21 230 PUT	2,432	3,114	28.04%
APLS	15 OCT 21 65 CALL	4,190	5,352	27.73%
SONO	21 JAN 22 45 CALL	6,926	8,570	23.74%
NVDA	18 MAR 22 160 PUT	2,429	2,703	11.28%
DAL	19 NOV 21 36 PUT	2,743	3,047	11.08%
GS	15 OCT 21 375 CALL	980	1,011	3.16%
CBOE	17 SEP 21 125 CALL	1,974	2,000	1.32%
DASH	21 JAN 22 250 CALL	1,841	1,863	1.20%
IRWD	19 NOV 21 15 CALL	5,595	5,601	0.11%
AAPL	(Weeklys) 3 SEP 21 150	9,709	9,298	-4.23%
STX	21 JAN 22 140 CALL	15,558	13,220	-15.03%
MEOH	21 JAN 22 40 CALL	4,041	2,167	-46.37%
UA	15 OCT 21 20 PUT	5,038	2,244	-55.46%

Extras

Avis Budget (CAR) with 1000 November $7.50 puts bought $6.10 to $6.20

Fate Therapeutics (FATE) buyer 2000 August $75/$65 put spreads into the close

Vale SA (VALE) with 6500 November $15 ITM calls bought through the afternoon to open near $3.20

Six Flags (SIX) spreads sold 2000 December $35 puts to buy the $42.5/$47.5 call spreads

Caesar's (CZR) late day stock replacement opened 1800 January $85 calls for $9.45

Brazil Foods (BRFS) with 8000 December $5 calls bought $0.20 to $0.25

Walmart (WMT) afternoon buyers 2000 June 2022 $140 deep ITM calls at $17

What They're Saying

Stevanto (STVN) earnings call reviewing its positioning and strength in the business… "Our operating performance reflects our long history of more than 70 years serving the pharma, biotech and life science industry. The core of our DNA is science and technology. Our unique analytics and engineering capability have helped us solidify our position as the market leader worldwide in pen cartridges and EZ-Fill vial. We serve the top of blue-chip, global, high-growth biopharma, pharma and diagnostic customers. We have a strong track record for customer support and service, which has translated into customer retention rate of 97%. First, in our EZ-Fill pre-fillable sterile syringes. When compared to our production output in 2016, we expect to double the number of syringes produced in 2021 and up to triple the syringe output in 2023. Secondly, in our EZ-Fill sterile vial and cartridges, the numbers are even more impressive. In 2021, we expect to produce up to 11x more sterile vials and cartridges compared to 2016. And in 2023, we expect to produce up to 19x more sterile vials and cartridges compared to 2016."

Petco (WOOF) earnings call on share opportunity in massive pet health market… "An area of particular focus is pet health. It represents a combined total addressable market of almost $50 billion. In the $35 billion veterinary part of the space, we're attacking the largest bucket of addressable market, executing the fastest national vet hospital rollout, with 155 hospitals at the end of the quarter, rapidly expanding our Vetco clinics from 800 Pet Care Centers at the beginning of the year to 1,100 at the end of the quarter with continued headroom for growth. The $11 billion prescription drug and food market, where we've historically been underdeveloped, provides us with tremendous headroom for growth. And we're getting after it with 50%-plus growth momentum. Scaling veterinary capability, coupled with our data on pet parents, gives us confidence that we can gain significant share in this market. In prescription food, we're delivering exceptionally high double-digit growth with strong sales online. And in every location where we put a vet hospital, we can now sell prescription food. This will be a predictable and steady growth driver for years to come. In prescription drugs. We're thrilled to have formed a relationship with a best-in-class fulfillment partner in Vetsource, and the early results are promising. In the $2 billion insurance market where we similarly have immense headroom, it's early innings, but we've doubled our business off a small base. We've built domain expertise and developed a compelling offering, aimed at both direct-to-consumer and through employee health plans. We've more than doubled our policies since the beginning of the year. This includes signing on Salesforce and Cognizant, bringing us to a total of 22 companies offering Petco insurance through their employee benefit plans. The pet health space is large and growing. And we're encouraged by the capability and momentum that we've built."

Werner (WERN) at the Deutsche Bank conference on their appetite for M&A… "There is an appetite, but it's going to be, obviously, with a lot of filters on it. We want to make sure, as we do this, that we don't just try to transform or turn a battleship on a dime. We think the business that we have is worth reinvesting in as I mentioned previously, but ECM has already taught us a lot of valuable lessons. We've already learned and got through a lot of the initial friction that comes along with any acquisition and got those reps under our belt. We'll look at future ones as we go forward. We are open-minded. And one of the reasons that we've continued to guide on a debt-to-EBITDA ratio of 0.5:1, which is conservative, I realize that, but still higher than where we ended at post-ECM acquisition, is that we have dry powder, we have the ability to go out and make moves as we see fit and we will do so... The pipeline is pretty robust. I mean we look at deals every week. And so we'll look at them, filter them and try to find things that are additive and accretive that enhance our portfolio, that -- but stay within our lane of North American logistics and transportation, not far-field stuff because we think our Dedicated franchise is still a premium, premium asset in the space, and we're going to put -- we're going to plow investment in there as appropriate."

Earnings Review

Ticker	Stock	EPS Actual	EPS Est.	Revs Actual	Revs Est.	Y/Y Change	Notes
AMAT	Applied Materials	$1.90	$1.78	$6,196.00	$5,918.87	41.00%	FY Above
FTCH	Farfetch	-$0.17	-$0.21	$523.31	$496.34	43.50%	
ROST	Ross Stores	$1.39	$0.96	$4,804.97	$4,503.94	79.00%	
ATGE	Adtalem Global Education	$0.70	$0.69	$280.40	$281.07	8.00%	FY Above

Earnings Before the Open

Ticker	Stock	EPS Actual	EPS Est.	Revs Actual	Revs Est.	Y/Y Change	Notes
DE	Deere	$5.32	$4.58	$10,413.00	$10,331.98	32.50%	
FL	Foot Locker	$2.21	$1.02	$2,275.00	$2,093.07	9.50%	

FTCH – Beat on EPS and Revs – Q2 GMV over $1B, up 40% y/y. Jose Neves, Farfetch Founder, Chairman and CEO said: "I am truly impressed with the resilience of the luxury industry, which after an unprecedented period, is already back to growth with even stronger fundamentals. I am very proud that Farfetch was a close partner for both retailers and brands in this time, delivering strong growth to our sellers, and as a result doubling our GMV in the last 24 months."

ROST – Beat on EPS and Revs – Q2 SSS up 15%. Barbara Rentler, Chief Executive Officer, commented, "We are pleased that both second quarter sales and earnings substantially exceeded our expectations. Sales benefited from customers' positive response to our broad assortment of great bargains. In addition, our results were bolstered by a number of external factors, including ongoing government stimulus, increasing vaccination rates, and diminishing COVID restrictions. Operating margin versus 2019 improved to 14.1% as leverage from the robust sales gains was partially offset by the anticipated expense pressures from higher freight, wage, and COVID-related costs."

AMAT – Beat on EPS and Revs – "Applied Materials delivered record performance as long-term trends fueled by the digital transformation of the economy drive strong, secular demand for semiconductors," said Gary Dickerson, president and CEO. "Applied has the broadest and most enabling portfolio of technologies to accelerate our customers' roadmaps, putting us in a great position to outperform our markets again in 2021 and the years ahead."

DE – Beats EPS and Revenues (+32.5%), Raises FY21 Net Income View – Looking ahead, we expect demand for farm and construction equipment to continue benefiting from favorable fundamentals. We are, at the same time, excited by the growing engagement with our digital platform, the John Deere Operations Center, as well as continued adoption of precision technologies, which unlock greater value for our customers. Production and precision agriculture sales increased for the quarter due to higher shipment volumes and price realization. Operating profit rose primarily due to higher shipment volumes / sales mix and price realization. These items were partially offset by higher production costs.

FL – Beats EPS and Revenues (+9.5%), Comps +6.9% - This quarter reflects strong results in our women's and kids' footwear business along with broad demand for our apparel and accessories offerings, which combined with more limited promotional activity, led to the outstanding top and bottom line results. Many of the trends we saw in the first quarter continued into the second quarter, with the combination of robust demand and fresh and lean inventory driving meaningfully lower levels of promotional activity and resulting in a gross margin of 35.1%, compared to the 25.9% in the prior year period.

Disclosures

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