

Execution Spreadsheet

| Ticker | Stock Price | Type | | Lots | Month | Strike | Price Ref | Ref Spend | Actual Execution Price | ACTUAL SPEND |
|--------|-------------|-------|--------|------|-------|--------|-----------|-----------|------------------------|--------------|
| BMBL | 65.61 | Calls | Buy | 5 | July | 65 | 10.6 | 5,300 | 10.80 | 5,400 |
| | | | Sell | 5 | July | 100 | 2.45 | -1,225 | 2.42 | -1,210 |
| | | | spread | | | | 8.15 | 4,075 | 8.38 | 4,190 |

| Buy | 5 | July 65 Calls | 10.8 |
|----------|------|---------------|-----------|
| 1 | 10.6 | | 10.6 |
| 1 | 10.7 | | 10.7 |
| 1 | 10.8 | | 10.8 |
| 1 | 10.9 | | 10.9 |
| 1 | 11 | | 11 |
| 0 | 0 | | 0 |
| 0 | 0 | | 0 |
| 0 | 0 | | 0 |
| 0 | 0 | | 0 |
| <u>5</u> | | | <u>54</u> |
| | | Average | 10.8 |

| Sell | 5 | July 100 Calls | 2.45 |
|----------|------|----------------|-------------|
| 1 | 2.4 | | 2.4 |
| 1 | 2.45 | | 2.45 |
| 1 | 2.5 | | 2.5 |
| 1 | 2.55 | | 2.55 |
| 1 | 2.2 | | 2.2 |
| 0 | 0 | | 0 |
| 0 | 0 | | 0 |
| 0 | 0 | | 0 |
| 0 | 0 | | 0 |
| 0 | 0 | | 0 |
| <u>5</u> | | | <u>12.1</u> |
| | | Average | 2.42 |

Conclusions

The following guidelines will keep you close to the shore

- If the spread moves materially do not trade.
- If the underlying stock is having > 1 standard deviation move check implied vol and re-run pay offs.
- Keep net spend within hard limit.
- Use the execution spreadsheet to stay in control.
- Trade one order at a time initially.
- If you are getting agitated and stressed step away.

Trade idea selections

ITPM War Room Webinar

Ross Williams

Senior Trading Mentor

Institute of Trading and Portfolio Management

www.itpm.com

Seminars, Webinars, Online Education, Trader Mentoring

What emerged from the ideas presented ?

- Not as many as I thought there would be !
- Lack of defined stock price targets – never going to be 100% accurate but still need to try and understand the materiality of the trade.
- A lean towards shorting “pre-profit” concept stocks.
 - Yes, I totally get it but must understand the risk-reward involved. Solvency vs Rationality.
- A number of “earnings miss” candidates. No issue but must try and estimate the EPS and how material the impact is.
- Rubbery catalysts for large cap stocks
- Good use of screening, however, progression needs more than that
- Some sensible narratives not backed up by numbers
- Giving up 80% of the way through !

**Quick recap of
what YOU need to
see.**

- **Company basics**
- **Valuation metrics,
absolute and comparable**
- **Sector tailwind /
headwind**
- **KPI's and identifiable
catalysts**
- **Price target derived via
valuation**
- **Trade structure.**

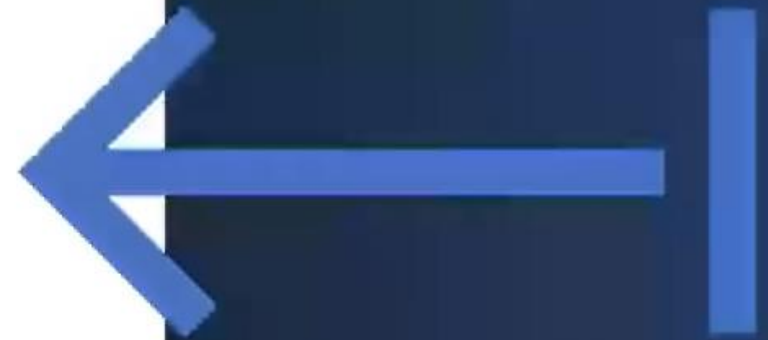
**Don't forget
this !!!!**

- **Share Price = EPS x P/E**
- **Everyone can have a stab at this !!**

How did I approach this?

- The ultimate question is “Would I do this with my own money ?”
- Divided ideas into **NO / MAYBE / YES**
- Significant number of submissions fell into the “**INTERESTING**” category meaning.
 - Go on a watchlist
 - Possibly worthwhile but not based upon the information I got.....more work required.
- Imperfectly complete is better than perfectly incomplete !

- **Long trade selections**



Long

BMBL Bumble Inc. Next Earnings JUNE 2, 2021

Market Cap **\$7.63 B**

Stock Price **\$66.19**

Short Float **10.34%**

Industry **Interactive Media / Software**

Online dating services provider via TWO of the TOP FIVE top grossing apps globally: Bumble and Badoo.
 Combined 40M+ MAUs (monthly average users) and 2.7M paying users across 150+ countries

Online dating is a large and highly attractive market. Global online dating spend totaled \$5.3B in 2020 and is projected to nearly double to \$9.9B in 2025
 On average estimated global online dating spend by 2025 to be \$12B+ market.
 BMBL with two apps in a top 5 grossing globally are very well positioned to take big chunk of that market. Love/Sex sells and monetization is out there - Bumble is in right spot.

Quantitative (\$M)

| | 2019 | 2020 | 2021E | 2022E |
|--------------------|-----------|------------|-----------|-----------|
| Shares outstanding | 128.119 M | 115.344 M | 115.344 M | 115.344 M |
| Revenues | \$489 | \$542 | \$721 | \$895 |
| Revenue Growth (%) | 35.8% | 18.6% | 24.9% | 23.7% |
| EPS | 0.67 | -0.96 | 0.2 | 0.7 |
| Net Income (loss) | \$85.84 | (\$110.19) | \$23.07 | \$80.74 |

Assumed no share dilution and projected growth as per company's and analysts estimates

Comments on Quant

This company is profitable though huge expenses on IPO and change in governing resulted in Net Loss 2020, projected profitability going forward
 BMBL has multiple growth drivers well suited for 20%+ YoY revenue growth though both top grossing apps
 As per another top grossing competitor MTCH with top 1 & 3 top global grossing dating apps, such estimates are well within range

Quantitative Analysis (comps)

| | Market Cap | Rev Gr%(2020) | Rev Gr%(2021) |
|------------------|------------|---------------|---------------|
| Match Group Inc. | \$39.58 B | 18.58% | 38.42% |
| ProSiebenSat.1 | \$4.88 B | -16.83% | 14.75% |
| Momo Inc. | \$2.67 B | -86.53% | 4.68% |
| Bumble Inc. | \$7.63 B | 18.60% | 24.85% |

Tantan (Momo parent) and MeetMe (ProSiebenSat.1 parent) are just small fractions of parent companies

Comments on Quant comps

Match.com is obviously the largest of the group and holds largest market share. However, Bumble is a very strong second and duopoly status could be argued.
 Tantan (#7 global online dating grossing) is mostly prevalent in China and Meetme (#5 global online dating grossing) - in Germany/Europe.
 Revenue growth projection is very similar for both, Match and Bumble. Bumble has a novice disruptor factor being first app where only woman has right of initiation, growth in popularity.

Comments on Business

Bumble / Badoo apps have emerged as very strong competitor among Match.com apps - Tinder, Pairs, Hinge and PlentyOfFish with unique feat of Bumble - only women can make first move. Business is targeting to grab a share of 1B+ single women globally and convert into paying monthly users up to 8% of their MAUs (monthly users) Bumble is aggressively targeting expansion internationally where currently Badoo is more prevalent in LatAM, Europe, with international MAUs increasing from 26% of total MAUs in 2018 to 41% in 3Q20. Bumble app payer penetration growth: Bumble app monetizes ~10% of payers today (North America = ~13% and international = ~8%), which is expected to reach ~15%+ through product/pricing improvements. Expected monetizing beyond dating into: Bumble BFF (platonic friendships, launched 2016), Bumble Bizz (business networkings, launched 2017) and potentially adding more categories.

KPI's for Revenue and Earnings

Key metrics of last quarter of FY 2020:
Fourth Quarter **Revenue Increased 31% to \$165.6 million**
Bumble App Fourth Quarter **Revenue Increased 47% to \$105.8 million**
Badoo App and Other Fourth Quarter **Revenue Increased 10% to \$59.8 million** ("other" is about just 2% of ad revenue, which BMBL could push upwards with in-app collaboration and monetizing)
Total Paying Users **increased 32.5% to 2.7 million, compared to 2.0 million FYE 2019**
Total Avg. Revenue Per Paying User was **\$20.02, compared to \$19.99 FYE 2019** - showing slight uptick of paying user monetization

Earnings Announcements

Bumble said anticipating Q1-2021 Revenue to be in range of \$163M-\$165M and full year 2021 in range of \$716M-\$726M
Bumble App average paying user revenue increased to \$27.79 from \$27 average in 2019
Badoo app decreased from \$14.52 in 2019 to \$13.10 - due to implementing pricing by country initiation.

Catalysts Excluding Earnings

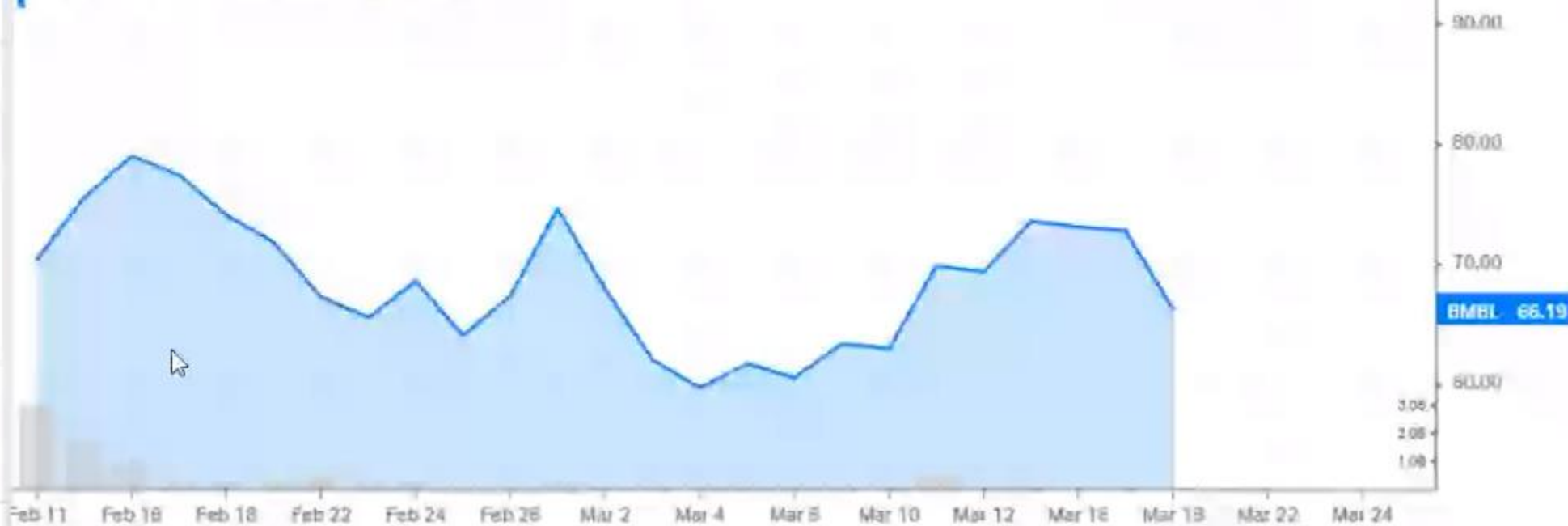
IPO and publicity associated with it boosted public attention and is projected an increase in visiting users, especially in rising 'women power' movement along with 'woke' initiative. Expected announcement of new features of beyond dating sections Bumble Bizz and Bumble BFF - increasing social movement of women is especially catching attention and Bumble is in good position to capitalize. In this somewhat of a duopoly with Match apps, the new features, attractive environment with emphasized 'safety' and 'community' sense for women, Bumble is well positioned. Expected similar non-dating features to counter from Match, so sort of healthy or unhealthy competition to be observed.

Price Action

BMBL Bumble Inc. 66.19 USD -6.48 -8.92%



BMBL Bumble Inc. 66.19 USD -6.48 -8.92%



Since IPO price was rather volatile, peaking near \$80/ps down to just under \$60/ps.

Recent IPO and attention, media featuring interviews with woman CEO, women-centered dating and biz/friendship app - bullish tendency and stance.

Trade Structure

Ratio Calendar spread:

Long 6x Jul-16-2021 \$70 Calls @ \$9.75 for \$5,850 debit

Short 3x Apr-16-2021 \$70 Calls @ \$4.00 for \$1,200 credit

Net spend \$4,650

Expected price fluctuation until next earnings, which expected to increase and collect credit along the way of monthly expirations.

July expiry price target in the \$90-\$100/ps range

Overview News Price & Charts **Estimates** Financials ESG Event Ownership Debt Peers Derivatives Filings 360 Menu

FREE CASH FLOW 42 72 NaN 41 43 161 222

More estimates

* Non Per Share in USD MM, Preferred Earnings Measure - EPS, Per Share USD - Consolidated.

FORECAST MULTIPLES (MEAN)

| | LTM | NTM | FY Dec-2019 | FY Dec-2020 | FY Dec-2021 | FY Dec-2022 | FY Dec-2023 |
|----------------------------|--------|----------|-------------|-------------|-------------|-------------|-------------|
| EV/Revenue | 13.62 | 10.34 | NaN | 14.62 | 10.95 | 8.85 | 7.19 |
| EV/EBITDA | 91.11 | 41.95 | NaN | 55.42 | 44.95 | 34.95 | 26.96 |
| EV/EBIT | 94.96 | 182.65 | N/A | N/A | 323.61 | 79.18 | 36.46 |
| PE | 121.56 | 1,046.06 | | | NaN | 200.26 | 82.47 |
| PEG | NaN | 2.08 | NaN | NaN | NaN | 0.40 | 0.16 |
| Dividend Yield | | 0.00 | N/A | N/A | 0.00 | 0.00 | 0.00 |
| FCF Yield | N/A | 0.61 | N/A | N/A | 0.37 | 1.32 | 1.62 |
| Price/Sales | 12.42 | 9.43 | N/A | N/A | 9.99 | 8.07 | 6.56 |
| Price/Cashflow | 136.53 | 117.43 | N/A | N/A | 140.85 | 78.35 | 60.56 |
| Price/Book Value | 3.29 | 5.53 | N/A | N/A | 5.57 | 5.41 | 4.17 |
| Return on Assets | | 3.20 | 52.50 | -7.42 | 2.85 | 4.25 | 4.40 |
| Return on Equity | | 4.10 | | -13.80 | 3.27 | 6.59 | 7.00 |
| Return on Invested Capital | N/A | | N/A | N/A | | | |

FREE CASH FLOW 771 895 620 746 847 1040 1135

More estimates

* Non Per Share in USD MM. Preferred Earnings Measure - EPS. Per Share USD - Consolidated.

FORECAST MULTIPLES (MEAN)

| | LTM | NTM | FY Dec-2019 | FY Dec-2020 | FY Dec-2021 | FY Dec-2022 | FY Dec-2023 |
|----------------------------|--------|-------|-------------|-------------|-------------|-------------|-------------|
| EV/Revenue | 16.72 | 13.51 | 19.49 | 16.72 | 14.09 | 12.02 | 10.31 |
| EV/EBITDA | 50.03 | 35.49 | 51.30 | 44.58 | 37.50 | 30.56 | 25.34 |
| EV/EBIT | 53.29 | 41.05 | N/A | N/A | 43.68 | 34.77 | 28.33 |
| PE | 67.34 | 60.50 | 74.11 | 65.05 | 50.00 | 40.24 | |
| PEG | 12.04 | 0.48 | NaN | 19.48 | 0.52 | 0.40 | 0.32 |
| Dividend Yield | 0.00 | 0.00 | N/A | N/A | 0.00 | 0.00 | 0.00 |
| FCF Yield | N/A | 2.02 | N/A | N/A | 1.90 | 2.38 | 2.79 |
| Price/Sales | 15.55 | 12.56 | N/A | N/A | 13.10 | 11.18 | 9.58 |
| Price/Cashflow | 46.35 | 44.86 | N/A | N/A | 47.39 | 38.67 | 32.82 |
| Price/Book Value | -31.73 | NaN | N/A | N/A | NaN | 73.32 | 22.57 |
| Return on Assets | 9.77 | 20.57 | 9.50 | 9.77 | 20.13 | 21.90 | 17.40 |
| Return on Equity | 56.52 | -3.26 | 25.01 | 56.52 | -80.00 | 226.95 | 101.80 |
| Return on Invested Capital | N/A | 34.99 | N/A | N/A | 34.40 | 36.75 | 47.30 |

Idea Economic Theme

Based on the higher ISM's Leading Indicators on Electrical Equipment and Appliances

While inflation fears are currently in the market, The company could simply pass the higher cost to its B2B clients

Main focus to select the company is due to high cash generation by the business rather than consumption

The Who

| | |
|----------------------------|-------------------------|
| Kulicke & Soffa | KLIC |
| Market Cap | \$3.04 B |
| Stock Price | \$49.00 |
| Short Interest | 1.60% |
| Industry | Information Technology |
| Sector | Semiconductor Equipment |

Kulicke & Soffa is a leading provider of **semiconductor packaging** and **electronic assembly** solutions supporting the global automotive, consumer, communications, computing, and industrial segment

Packaging Solutions in
Internet Data Centers
Mobility
5G, IOT, AI, EV's and Wearables

The Why

- Historic and dominant leader in the key served market
- Equipment Installed base of >140,000 systems supporting >500 Customers
- Over the last year due to Cyclical Slowdown drove under Investment in Capital Equipment
- Significant Capacity shortfalls and complex assemblies are increasing demand
- Above average Unit Growth anticipated over the coming years
- Company is actively looking for acquisitions, most recent one include "Uniqart"
- Significant Operation Leverage Potential

The How

Quantitative (\$M)

| | 2019 | 2020 | 2021E | 2022E | Vs | Ind | S&P |
|--------------------|----------|----------|----------|----------|----|-------|-------|
| Revenues | 540.05 M | 623.18 M | \$1.10 B | \$1.12 B | | | |
| Revenue Growth (%) | -39% | 15% | 77% | 2% | | 8.64% | 5.35% |
| EPS | 0.46 | 0.95 | 3.2 | 3.12 | | | |
| Net Income (Loss) | 11.7 | 52.3 | | | | | |

Quantitative Analysis(\$M)

| KLIC | 2016 | 2017 | 2018 | 2019 | 2020 | Vs | Ind | S&P |
|--------------------|---------|---------|---------|---------|---------|----|------|------|
| Stock Price \$ | \$16.00 | \$24.47 | \$19.89 | \$27.50 | \$32.22 | | | |
| Market Cap \$M | \$1,134 | \$1,728 | \$1,337 | \$1,733 | \$1,998 | | | |
| EPS | 1.37 | 1.83 | 1.89 | 2.75 | 3.12 | | | |
| Earnings Growth % | -7% | 62% | -122% | -385% | 78% | | | |
| Revenue Growth (%) | 17% | 29% | 10% | -39% | 15% | | | |
| Price / Earnings | \$11.68 | \$13.37 | \$10.52 | \$10.00 | \$10.33 | | | |
| PEG | \$0.09 | \$0.07 | \$0.06 | \$0.04 | \$0.03 | | 1.94 | 2.36 |
| Sales \$M | 627.2 | 809 | 889.1 | 540.1 | 623.2 | | | |
| Sales Growth % | 13% | 29.0% | 9.9% | -39.3% | 15.4% | | | |
| Sales Multiple | 1.80 | 2.14 | 1.55 | 3.33 | 2.69 | | | |
| Net Income | 64.8 | 153.9 | 177.4 | 34.6 | 59.8 | | | |

Quantitative Analysis (Comps)

| Company Name | P/E (Trailing 12 Months) | P/E (F1) | P/E (F2) | F0 Consensus Est. | F1 Consensus Est. | F2 Consensus Est. | EPS Growth F1 | EPS Growth F2 |
|------------------------------------|--------------------------|----------|----------|-------------------|-------------------|-------------------|---------------|---------------|
| Kulicke and Soffa Industries, Inc. | 30.95 | 14.93 | 16.49 | 0.96 | 3.28 | 2.96 | 241.67% | -9.76% |
| Cohu, Inc. | 37.57 | 14.18 | 12.87 | 1.07 | 3.1 | 3.42 | 189.72% | 10.32% |
| Jabil, Inc. | 12.1 | 10.11 | 9.52 | 2.58 | 5.05 | 5.36 | 95.74% | 6.14% |
| Brooks Automation, Inc. | 49.91 | 42.92 | 36.22 | 1.14 | 2 | 2.37 | 75.44% | 18.50% |

Comments on Business

Kulicke and Soffa Industries is growing earnings per share while simultaneously paying out a low percentage of both its earnings and cash flow. These characteristics suggest the company is reinvesting in growing its business. Conservative payout ratio also implies a reduced risk of the dividends being cut in the short term.

Financial Ratios

Quantitative Analysis

| Management Effectiveness | FY0 | TTM | 5-Yr | Index |
|--------------------------|------|-------|------|-------|
| Return on Avg Assets | 4.9 | 7.7 | 5.35 | 5.29 |
| Return on Avg Equity | 6.85 | 11.01 | 6.99 | 13.7 |
| Return on Investment | 5.85 | 9.8 | 6.08 | 7.92 |
| | FY0 | TTM | 5-Yr | Index |

| | FY0 | TTM | 5-Yr | Index |
|----------------------|-------|-------|-------|-------|
| Profitability | | | | |
| Gross Margin | 47.8% | 46.8% | 46.5% | - |
| Net Profit Margin | 8.4% | 11.7% | 8.1% | 14.5% |
| Operating Margin | 9.4% | 13.3% | 11.5% | - |

KPI's for Revenues and Earnings

| | Comparisons of Product Line Up | | |
|-----------------------------|--------------------------------|------|---------|
| | 2020 | 2019 | %Change |
| Product (Capital Equipment) | 74% | 72% | 20% |
| Product (APS) | 26% | 28% | 5% |
| | 100% | 100% | 15% |

The Where

Top 5 US Customers

Tesla Inc
 Micron Technology
 STMicroelectronics
 Texas Instruments
 Samsung

Key Markets

Technology Centers (Region)
 Singapore, China, Switzerland, Israel, the U.S. and the Netherlands

Earnings Announcements

28 April 2021

Catalysts Excluding Earnings

- At the early Part of the 5G Cycle
- According to the latest 10-k Form The company had 51.6% sales from China which could demonstrate further future growth
- According to the recent transcript on the earnings call the company is constantly looking to acquire smaller players and is keen to make this a purely technological acquisition

Competitors Reporting Earnings Next

| Ticker | Date | Time | Days | Status |
|--------|------------|-------|------|-----------|
| ENTG | 04/20/2021 | 08:00 | 30 | Tentative |
| MKSI | 04/27/2021 | 16:00 | 37 | Tentative |
| KLIC | 04/28/2021 | 22:00 | 38 | Tentative |
| UCTT | 04/28/2021 | 16:00 | 38 | Tentative |
| BRKS | 04/29/2021 | 16:00 | 39 | Tentative |

EPS Up Revisions (last 90 days) 4

Risk Factors (acc to Form 10-k)

Our operating results and financial condition could be adversely impacted by **volatile worldwide economic conditions**.
 The effects of the COVID-19 pandemic could **adversely affect** our business, results of operations, and financial condition.
 The semiconductor industry is volatile with sharp periodic downturns and slowdowns. **Cyclical industry downturns** are made worse by volatile global economic conditions.
 Our quarterly operating results fluctuate significantly and may continue to do so in the future.

Our quarterly operating results fluctuate significantly and may continue to do so in the future.

Our backlog consists of customer orders scheduled for shipment within the next twelve months. A majority of our orders are subject to cancellation or deferral by our customers with limited or no penalties.

Price Action



Pricing

Based on 2 analysts offering 12 month price targets for Kulicke & Soffa in the last 5 months

Average Price £62.00
 High £69.00
 Low £55.00

Implied Volatility 47.20%
 ATR (20 Days) 5.27%

Options Chain

Calls for 21 May 2022

| Symbol | Strike | Volume | Open | High | Low | Close | Implied Vol | Delta | Gamma |
|---------------------|--------|--------|------|------|------|-------|-------------|--------|-------|
| KLIC210521C00550000 | 55.00 | 100 | 5.67 | 6.10 | 5.50 | 5.80 | 5 | 49.01% | |
| KLIC210521C00600000 | 60.00 | 200 | 2.20 | 2.50 | 1.80 | 2.20 | 7 | 39.20% | |
| KLIC210521C00650000 | 65.00 | 100 | 1.04 | 1.55 | 1.00 | 1.30 | 4 | 32.44% | |

Puts for 21 May 2022

| Symbol | Strike | Volume | Open | High | Low | Close | Implied Vol | Delta | Gamma |
|---------------------|--------|--------|------|------|------|-------|-------------|--------|-------|
| KLIC210521P00550000 | 55.00 | 200 | 2.00 | 1.80 | 2.10 | 1.90 | 4 | 48.10% | |
| KLIC210521P00600000 | 60.00 | 400 | 1.10 | 1.10 | 1.00 | 1.00 | 6 | 39.00% | |

| Ticker | Company Name | | | |
|-------------|-------------------------|------------|-----------------|--------------------|
| SEM | Select Medical Holdings | | | |
| Stock Price | Market Cap | Sector | Industry | Next Earnings Date |
| \$35.08 | \$ 4.51 bln | Healthcare | Medical - HMO's | 29 April 2021 |

Macro View

Though the healthcare sector has started to grow less than others in recent months, it is still firmly in expansion territory in both ISM and IHS Markit PMI data. Some Medical HMO's are classified as Insurance companies, and Insurance has also been doing well in PMIs. PM comments bode well for both industries.

(Some Medical HMO's are classified as Finance & Insurance companies under NAIC)

Quantitative Analysis

| | 2019 (Actuals) | 2020 (Actuals) | 2021 (Estimates) | 2022 (Estimates) | 2023 (Estimates) |
|----------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| Stock Price \$ | \$23.34 | \$27.66 | \$40.14 | \$50.76 | \$60.91 |
| Shares (M) | 134 | 135 | 136 | 137 | 138 |
| Market Cap (M) | \$3,134.56 | \$3,725.80 | \$5,459.04 | \$6,954.12 | \$8,405.86 |
| Revenue (M) | \$5,454.00 | \$5,532.00 | \$5,850.00 | \$6,100.00 | \$6,405.00 |
| Revenue Growth | 7.34% | 1.41% | 5.73% | 4.27% | 3.00% |
| Price/Sales | 0.57 | 0.67 | 0.93 | 1.14 | 1.31 |
| Net Income (M) | \$148 | \$259 | \$261 | \$386 | \$467 |
| GAAP | | | | | |
| EPS | \$1.10 | \$1.93 | \$2.23 | \$2.82 | \$3.38 |
| EPS Growth | 7.34% | 75.48% | 15.54% | 26.46% | 19.80% |
| PE | 21.22 | 14.33 | 30.00 | 19.20 | 37.00 |
| PEG | 2.71 | 0.19 | 1.93 | 0.73 | 1.86 |
| Non-GAAP | | | | | |
| EPS | \$1.24 | \$1.89 | \$2.23 | \$2.82 | \$3.38 |
| EPS Growth | 26.39% | 32.42% | 17.98% | 26.46% | 20.00% |
| PE | 18.82 | 14.63 | 18.00 | 18.00 | 18.00 |
| PEG | 0.92 | 0.28 | 1.00 | 0.68 | 0.90 |

NMI - Health Care & Social Assistance

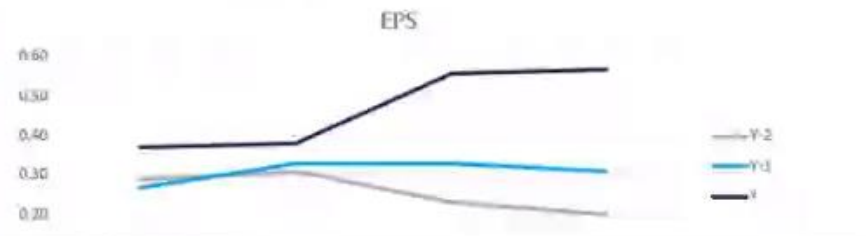


NMI - Finance & Insurance



EPS Matrix

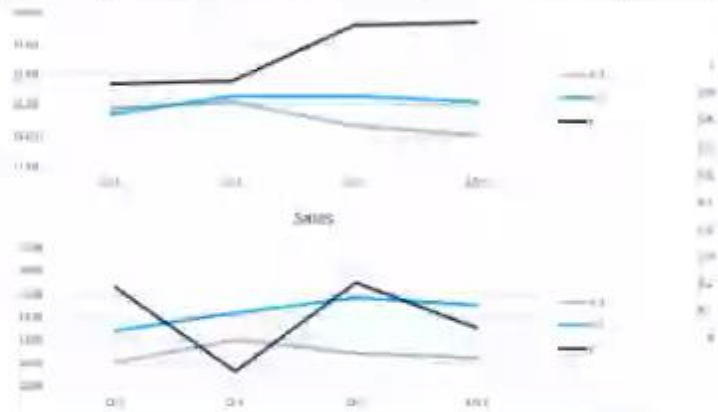
| EPS | Q-3 | Q-2 | Q-1 | 2/25 |
|------------------|------|------|------|------|
| Y-2 | 0.29 | 0.31 | 0.23 | 0.20 |
| Y-1 | 0.27 | 0.33 | 0.33 | 0.31 |
| Y | 0.37 | 0.38 | 0.56 | 0.57 |
| % Chg Y-2 to Y-1 | -7% | 6% | 43% | 35% |
| % Chg Y-1 to Y | 37% | 15% | 70% | 84% |
| Acceleration Y-1 | | 13% | 37% | 12% |



Volatility Analysis - ATR (Daily) SEM Peers



Volatility Analysis - ATR (Daily) SEM Peers

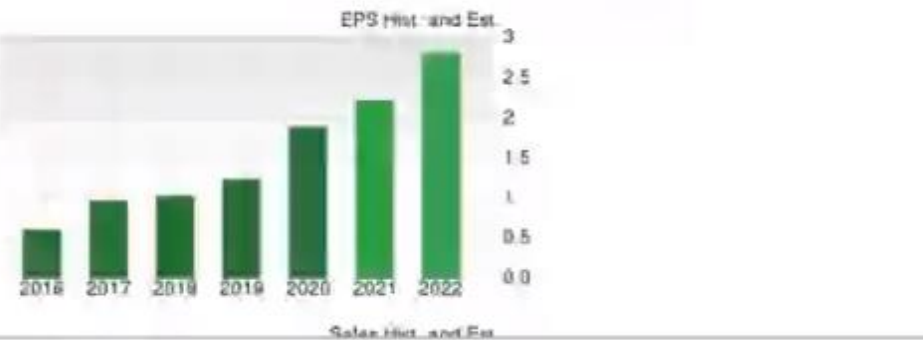
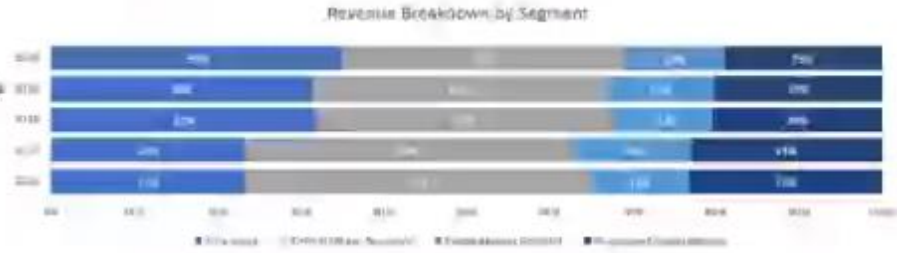


| EPS | Q-3 | Q-2 | Q-1 | 2/25 |
|------------------|------|------|------|------|
| Y-2 | 0.29 | 0.31 | 0.23 | 0.20 |
| Y-1 | 0.27 | 0.33 | 0.33 | 0.31 |
| Y | 0.27 | 0.38 | 0.56 | 0.57 |
| % Chg Y-2 to Y-1 | -7% | 8% | 0.3% | 5.1% |
| % Chg Y-1 to Y | 37% | 15% | 70% | 8.3% |
| Acceleration Y-1 | -18% | -13% | 17% | 12% |
| Acceleration Y | -18% | -22% | 10% | 18% |

| Sales Matrix | Q-3 | Q-2 | Q-1 | 2/25 |
|------------------|------|------|------|------|
| Y-2 | 1250 | 1300 | 1270 | 1260 |
| Y-1 | 1320 | 1360 | 1390 | 1375 |
| Y | 1415 | 1239 | 1404 | 1325 |
| % Chg Y-2 to Y-1 | 5% | 3% | 3% | 3% |
| % Chg Y-1 to Y | 7% | -9% | -2% | -4% |
| Acceleration Y-1 | - | -1% | -3% | 0% |
| Acceleration Y | 2% | 17% | 1.2% | -5% |

| Peer Analysis | | Sector Averages: 17.44% 17.77% 16.53 18.11 1.53 0.85 | | | | | | | | | | | | | |
|---------------|---------------------------|--|----------------|-----|----------------|-------------|-------------|-------------|-----------|-----------|-------|-------|--------|--------|--------|
| Ticker | Company Name | Sector | Industry | P/E | Market Cap | F0 Earnings | F1 Earnings | F2 Earnings | F1 Growth | F2 Growth | F1 PE | F2 PE | F1 P/B | F2 P/B | Price |
| ANTM | Anthem, Inc. | Healthcare | Medical - HMOs | 12 | 16,327,310,000 | 22.43 | 24.65 | 28.55 | 9.30% | 15.06% | 14.37 | 12.40 | 1.45 | 0.78 | 354.13 |
| CNC | Centene Corporation | Healthcare | Medical - HMOs | 13 | 34,299,430,000 | 4.99 | 5.15 | 5.88 | 4.01% | 13.29% | 13.38 | 10.93 | 3.09 | 0.80 | 64.24 |
| HUM | Humana Inc. | Healthcare | Medical - HMOs | 12 | 48,778,090,000 | 18.88 | 21.68 | 24.47 | 15.06% | 12.87% | 18.90 | 19.75 | 1.18 | 1.30 | 408.82 |
| MDH | Molina Healthcare, Inc. | Healthcare | Medical - HMOs | 12 | 12,925,880,000 | 10.45 | 12.94 | 15.67 | 23.83% | 21.10% | 18.02 | 14.88 | 0.76 | 0.71 | 233.17 |
| SEM | Select Medical Holdings I | Healthcare | Medical - HMOs | 15 | 4,612,980,000 | 1.96 | 2.12 | 2.82 | 42.31% | 37.03% | 15.90 | 12.44 | 0.37 | 0.46 | 35.08 |
| UNH | UnitedHealth Group Inc | Healthcare | Medical - HMOs | 12 | 50,000,000,000 | 16.77 | 18.20 | 21.20 | 8.53% | 16.48% | 20.09 | 17.24 | 2.36 | 1.05 | 385.58 |

| Qualitative Work | | | | |
|------------------|--|---|--|---|
| What they do: | HMO that operates specialty hospitals and outpatient rehab clinics. | | | |
| Why there: | Strong above-average growth. I believe the valuation has room to grow based on recent revisions, as long as earnings growth comes through. Even a sector-average valuation would have a decent impact on stock price. | | | |
| Regions: | Region Name | Revenue % | Growing/Contracting | Notes |
| | USA | 100% | - | Operates in 48 states and DC |
| Segments: | Segment Name | Revenue % | Growing/Contracting | Notes |
| | Concentra | 25% | Growing 0.4% | Concentra was an occupational health services company that SEM acquired at the end of 2020 |
| | Critical Illness Recovery | 34% | Growing 16.2% | Hospitals that serve the needs of patients recovering from critical illnesses (specialty hospitals) |
| | Rehabilitation Hospital | 12% | Growing 7.2% | Hospitals that serve the needs of patients from acute care hospitals that require intensive physical rehabilitation |
| | Outpatient Rehabilitation | 19% | Contracting -5.6% | Clinics that provide physical, occupational, and speech rehab services |
| Company Notes: | <p>Company has both organic growth and an acquisition strategy. Market is highly fragmented and presents many consolidation opportunities.</p> <p>Operates 99 critical illness recovery hospitals in 35 states, 30 rehab hospitals in 12 states, and 1,738 outpatient rehab clinics in 37 states + DC. Concentra operates 517 occupational health centers in 41 states.</p> <p>Company guidance for 2021 is \$5.65-\$5.85B in revenues and \$2.26-\$2.48 in EPS (strong YoY increases). Analysts are expecting revenue on the high end and EPS slightly below guidance.</p> <p>Top line revenues are increasing YoY, as are occupancy rates. Volumes are biggest challenge, though segments are increasing and operating trends show that volumes are rising (revenues should follow).</p> <p>Free Cash Flow for 2021 is expected to be around \$480-\$500mil. Increasing FCF since 2017 has been a driver of inorganic growth and flexibility.</p> <p>Return On Assets (ROA) and Return On Equity (ROE) have both been increasing in recent years, showing that the management team's strategy is working.</p> <p>Recent estimate revisions have been favorable for the company, with estimates for Q1, Q2, F1, and F2 all recalling upward estimates within the last 30 days.</p> <p>The company's higher-than-average debt and lower-than-average current ratio are concerns. Debt might impede the company's growth over the long term.</p> <p>Management did not buyback any shares during 4Q2020 due to business uncertainty. The company has a repurchase program for up to \$500mil of shares, which has been extended through Dec 2021.</p> | | | |
| KPIs: | Key Performance Indicator | What it is: | Notes: | |
| | Patient Days | Cost of keeping a patient in a hospital for one day | Increasing for critical illness hospitals & rehab hospitals, decreasing for outpatient clinics & concentra segment | |
| | Occupancy Rate | How full the hospital/clinics are | Steady increases over the past four quarters | |



| | B | C | D | E | F | G | H | I | J | K | L | M | N | O | P | Q | R | S | T | U | V | W | X | Y | Z | AA | AB |
|---|------|-------------------------|------------|----------------|----|----------------|-------|-------|-------|--------|--------|-------|-------|------|------|--------|---|---|---|---|---|---|---|---|---|----|----|
| 3 | AETM | Anthem, Inc. | Healthcare | Medical - HMOs | 11 | 76,327,310,000 | 22.48 | 24.65 | 26.56 | 9.90% | 15.86% | 14.37 | 12.40 | 1.45 | 0.78 | 354.13 | | | | | | | | | | | |
| 4 | CNC | Cartena Corporation | Healthcare | Medical - HMOs | 11 | 34,395,410,000 | 4.95 | 5.19 | 5.88 | 4.01% | 13.29% | 12.38 | 10.93 | 3.09 | 0.82 | 64.14 | | | | | | | | | | | |
| 5 | HUM | Humana Inc. | Healthcare | Medical - HMOs | 12 | 49,779,050,000 | 18.68 | 21.68 | 24.47 | 16.06% | 12.87% | 18.90 | 16.75 | 1.18 | 1.30 | 409.82 | | | | | | | | | | | |
| 6 | MOH | Molina Healthcare, Inc. | Healthcare | Medical - HMOs | 12 | 12,929,880,000 | 10.45 | 12.94 | 15.97 | 23.88% | 21.10% | 18.02 | 14.88 | 0.76 | 0.71 | 232.17 | | | | | | | | | | | |
| 7 | SEM | Select Medical Holdings | Healthcare | Medical - HMOs | 11 | 4,512,950,000 | 1.56 | 2.22 | 2.82 | 42.91% | 27.03% | 15.80 | 12.44 | 0.97 | 0.46 | 35.06 | | | | | | | | | | | |
| 8 | UNH | UnitedHealth Group Inc. | Healthcare | Medical - HMOs | 12 | | 16.77 | 18.20 | 21.20 | 8.53% | 16.45% | 20.09 | 17.24 | 2.36 | 1.05 | 365.58 | | | | | | | | | | | |

Qualitative Work

What they do: HMO that operates specialty hospitals and outpatient rehab clinics

Why there: Strong, above-average growth. I believe the valuation has room to grow based on recent revisions, as long as earnings growth comes through. Even a sector-average valuation would have a decent impact on stock p

| Regions | Region Name | Revenue % | Growing/Contracting | Notes |
|---------|-------------|-----------|---------------------|------------------------------|
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| Segments | Segment Name | Revenue % | Growing/Contracting | Notes |
|----------|---------------------------|-----------|---------------------|---|
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| | Critical Illness Recovery | 24% | Growing 16.2% | Hospitals that serve the needs of patients recovering from critical illnesses (specialty hospitals) |
| | Rehabilitation Hospital | 12% | Growing 7.2% | Hospitals that serve the needs of patients from acute care hospitals that require intensive physical rehabilitation |
| | Outpatient Rehabilitation | 18% | Contracting 5.6% | Clinics that provide physical, occupational, and speech rehab services |

Company Notes: Company has both organic growth and an acquisition strategy. Market is highly fragmented and presents many consolidation opportunities. Operates 99 critical illness (recovery hospitals) in 28 states, 30 rehab hospitals in 12 states + DC. Concentra operates 517 occupational health centers in 41 states. Company guidance for 2021 is \$5.65-\$5.85B in revenues and \$2.26-\$2.4B in EPS (strong YoY increase). Analysts are expecting revenues on the high end and EPS slightly below guidance. Top line revenues are increasing YoY, as are occupancy rates. Volumes are biggest challenge, though segments are increasing and operating trends show that volumes are rising (revenues should follow). Free Cash Flow for 2021 is expected to be around \$450-\$500mil. Increasing ECF since 2017 has been a driver of inorganic growth and flexibility. Return On Assets (ROA) and Return On Equity (ROE) have both been increasing in recent years, showing that the management team's strategy is working. Recent estimate revisions have been favorable for the company, with estimates for Q1, Q2, F1, and F2 all receiving upward estimates within the last 90 days. The company's higher-than-average debt and lower-than-average current ratio are concerns. Debt might impede the company's growth over the long term. Management did not buyback any shares during 4Q2020 due to business uncertainty. The company has a repurchase program for up to \$500mil of shares, which has been exercised through Dec 2021.

| Metric | Key Performance Indicator | What is it? | Notes |
|--------|---------------------------|---|---|
| | Patient Days | Cost of keeping a patient in a hospital for one day | Increasing for critical illness hospitals & rehab hospitals, decreasing for outpatient clinics & concentra segments |
| | Occupancy Rate | How full the hospitals/clinics are | Steady increases over the past four quarters |
| | Number of Hospitals Owned | How many hospitals SEM owns | Single-digit increases in 2020 |

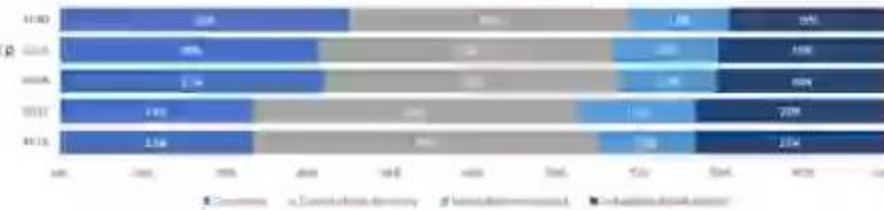
Catalysts

Analysts are currently estimating lower EPS than the company guidance. Given recent estimate revisions, I think it's likely we may see more upward revisions soon which could drive the stock price higher. Also looking for the management to announce resuming the share buyback program, which was extended to the end of 2021. Acquisition announcements have a decent chance of pushing the stock price up over the short-to-medium term. Risks obviously include any major changes to the healthcare system being proposed/passed by congress.

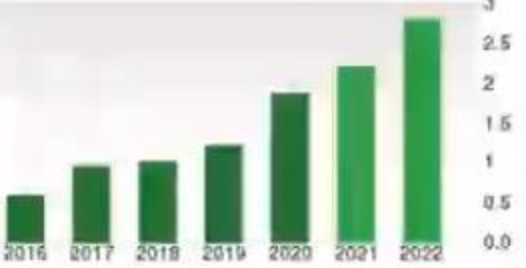
Trade Structure

| Stock or Option? | Options | Other Notes | Option value @ target (\$40.14) is \$2.14. ROJ = "1.4x" |
|------------------|------------|-------------|---|
| Options | Long/Short | Expiration | Strike Price |
| Call | Long | 4/16 | 35 |
| | | | Contracts |
| | | | Option Price |
| | | | Cost |
| | | | Cost Basis |
| | | | \$700.00 |

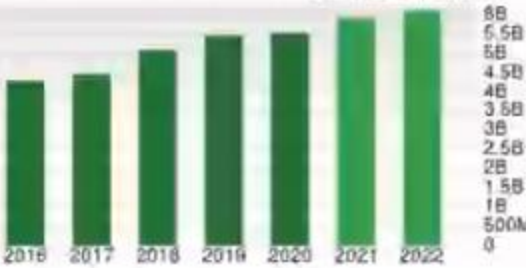
Revenue Breakdown by Segment



EPS Hist. and Est.



Sales Hist. and Est.



- **Short trade selections**



COUP Coupa Software

Notebook: US Stock Overview

Created: 23/03/2021 14:11

Updated: 23/03/2021 18:06

Author: david.helms31@gmail.com

URL: https://www.google.com/search?q=procure+to+pay&rlz=1C1CHBF_gm-G8287708770

Short idea with a screening focus on Overpriced loss-generating companies. With a context of rising long end interest rates provoking some questioning around overpriced tech companies.



COUP, Coupa Software Inc \$20b market cap

EG F1 -8.7% vs 13.3% average peers, F2 earnings declining even worst -24.8% vs 55.8% average peers.

Extremely high PE F1 of 607 vs 35.6 average, F2 807 vs 94.8 average.

Business

Coupa is a unified cloud platform for all business spend (BSM - Business Service management). Incorporated in 2006

Leader in Procure-to-pay, def. Procure-to-pay is a term used in the software industry to designate a specific subdivision of the procurement process. The P2P systems enable the integration of the purchasing department with the accounts payable department.

This is a software that does the reconciliation between Procurement, Invoice, Expense and Payments overlapped by data analysis (spend analysis, suspicious transactions, and identify opportunities to optimize those spendings). Also create a network of customers/suppliers in order to procure intelligence and cost reductions for the customers supplies.

They are going from procurement service to BSM. 48% of revenues came from procurement in 2017 vs 25% today.

Main BSM:



1400+ customers in 49 countries.

1700 full time employees.

Business model based on acquiring more subscriptions, renewing subscriptions and selling additional bonuses into the packages.

[Business Overview has described on the Financial Report:

We are a leading provider of Business Spend Management ("BSM") solutions. We offer a comprehensive, cloud-based BSM platform that has connected over one thousand organizations with more than five million suppliers globally. Our platform provides greater visibility into and control over how companies spend money. Using our platform, businesses are able to achieve real, measurable value and savings that drive their profitability.

We offer a comprehensive cloud-based BSM platform designed for the modern global workforce that is mobile and expects real-time results, flexibility, and agility from software solutions. We empower employees to acquire the goods and services they need to do their jobs by applying a distinctive user-centric approach that provides a consumer Internet-like experience, drives widespread adoption of our platform, and significantly increases an organization's spend under management. We refer to the process companies use to purchase goods and services as Business Spend Management and to the money that they manage with this process as spend under management. Increased user adoption and spend under management drive better visibility and control of a company's spend, resulting in greater savings and increased compliance.

Our BSM platform delivers a broad range of capabilities that would typically require the purchase and use of multiple disparate point applications. The core of our platform consists of procurement, invoicing, expense management, and payment modules that form the transactional engine for managing a company's business spend. In addition, our platform offers supporting modules to help companies further manage their spend, including strategic sourcing, spend analysis, contract management, supplier management, and contingent workforce management. Our Community Intelligence capabilities apply artificial intelligence and machine learning to spend transactions happening across the growing Coupa community to identify and prescribe best practices that have helped customers to optimize spend, reduce risk, and improve efficiency. Additionally, we provide a purchasing program, Coupa Advantage, that leverages the collective buying power of Coupa customers to provide advantageous, pre-negotiated discounts from various suppliers. We are further helping our Coupa community to collaborate with Source Together, functionality that connects Coupa community members with common purchasing needs to participate in group sourcing events and leverage their pooled buying power to capture greater savings at better terms. Moreover, through our Coupa Open Business Network, suppliers of all sizes can easily interact with buyers electronically, thus significantly reducing paper, improving operating efficiencies, and reducing costs.

Our company culture and our interactions with customers are driven by three guiding principles (which we refer to as our core values): (1) ensuring customer success, (2) focusing on results, and (3) striving for excellence. In particular, this strong focus on customer success, which includes delivering quantifiable business value to our customers by helping them maximize their spend under management, serves as the foundation for the successful execution of our strategy, and, as a result, is critical to our growth. With a rapid time-to-deployment, typically ranging from a few weeks to several months, and an easy-to-use interface that shields users from unnecessary complexity, our customers can achieve widespread user adoption quickly and generate value within a short timeframe, thus benefiting from a rapid return on investment.

We benefit from powerful network effects. As more businesses subscribe to our BSM platform, the collective spend under management on our platform grows. Greater aggregate spend under management on our platform attracts more suppliers, which in turn attracts more businesses that want to take advantage of the goods and services available through our platform. In addition, as more businesses and employees use our platform, the amount of spend under management continues to increase. This leads to increasingly more powerful prescriptive spend management and risk management recommendations from our Coupa Community Intelligence solutions, helping to create more value for customers and improving our ability to attract more businesses. The resulting increase in sales enables us to further invest in our platform and to improve our functionality and user interface to continue to attract more businesses and suppliers to our platform, which enhances the network effects that benefit all parties.]

Revenues by region (last annual report)

Total revenues 2020 = \$389 millions

USA \$248 millions 64%

RoW \$141 millions

all of revenues are subscription based

P&L statement

Revenues up 39% \$541 millions vs \$390

Operating income -127% \$-166 millions vs -73 in 2019

Net income \$-180 millions doubling the loss from 2019

EBITDA \$-81 millions vs \$-35 in 2019



Income statement

| Breakdown | YTD | 06/30/2021 | 06/30/2020 | 06/30/2019 | 2018/2019 |
|---|---------|------------|------------|------------|-----------|
| Revenue | 193,043 | 143,744 | 109,115 | 209,206 | 100,100 |
| Cost of revenue | -22,701 | -22,710 | -1,912 | -8,074 | -3,900 |
| Gross profit | 210,744 | 166,454 | 111,027 | 217,280 | 104,000 |
| * Identifiable intangible assets | | | | | |
| Research & Development | 133,041 | 133,042 | 81,009 | 81,000 | 71,500 |
| Selling, general & administrative | 52,400 | 37,000 | 28,000 | 29,000 | 25,000 |
| Total operating expenses | 185,441 | 170,042 | 109,009 | 110,000 | 100,000 |
| Operating income or loss | 25,303 | 25,153 | 2,018 | 107,280 | 4,000 |
| Goodwill amort. | 31,111 | 31,111 | 31,111 | 31,111 | 31,111 |
| Total other income/expenses, net | | | | | 1,000 |
| Special dividend | 133,000 | 133,000 | 133,000 | 133,000 | 133,000 |
| Revenue tax expense | 40,000 | 40,000 | 20,000 | 17 | 1,000 |
| Goodwill amortization adjustment | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Net income | 25,303 | 25,153 | 2,018 | 76,280 | 2,000 |
| Net income, available to common | 25,303 | 25,153 | 2,018 | 76,280 | 2,000 |
| Basic EPS | | 207 | 197 | 0.86 | 4.87 |
| Diluted EPS | | 206 | 196 | 0.86 | 4.86 |
| Basic average shares | | 122,476 | 122,476 | 87,700 | 87,700 |
| Diluted average shares | | 122,476 | 122,476 | 87,700 | 87,700 |
| DTTM | | 94,111 | 21,000 | 25,111 | 21,000 |

Assets

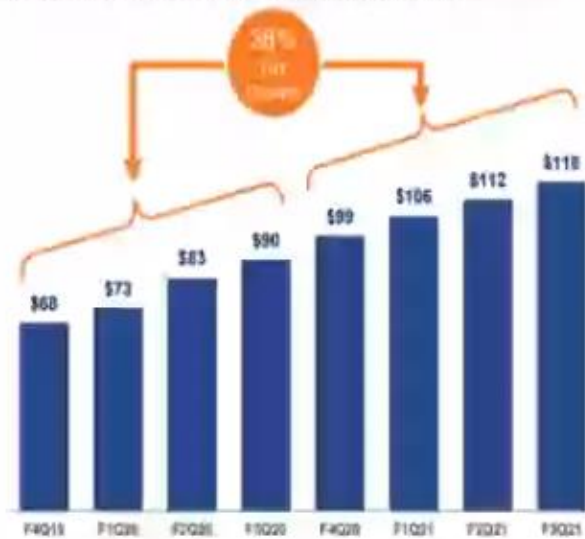
\$3.1b vs \$1.6b in 2019. Du to a \$1b jump in goodwill and \$500 millions in intangible assets. Is it the result of they 3 acquisitions?

Total revenues are expected to be \$675.0 to \$678.0 million.
Non-GAAP loss from operations is expected to be \$7.0 to \$10.0 million.
Non-GAAP net loss per basic and diluted share is expected to be \$0.23 to \$0.27 per share.
Basic and diluted weighted average share count is expected to be approximately 73.5 million shares

KPIs

Adding customers

QUARTERLY SUBSCRIPTION REVENUES (\$, M)



.Cumulative spend under management (but that doesnt relate to increase in revenues, only incentives new suppliers to subscribe to the service)

.Accelerated time to value (bringing efficiency into customer's process)

.Maximize the number of suppliers bidding on a sourcing event (customers get access to pre-negotiated contracts), they planned 40 events for 2021 with an expected average savings of 20% per customer, so far they have 70 suppliers who offer discounts.

.Enormous TAM: Coupa estimates that it has 100,000+ potential global customers and a market opportunity of \$56 billion

brought to that approach and the thoughtfulness they brought to that approach. And so making that transactional construct part of our overall expense management offering and thus, part of our overall business spend management offering just seemed like a complete no brainer to us. And we're well underway to integrating that offering already.)

-Other question about how to rank the last acquisition "LLamasoft" (other evasive response)

-Question about Pana acquisition: you mentioned that you're not really assuming much revenue contribution this year in the guide. How much more, if anything, do you feel like you need to sort of build out that whole product to be competitive when you see corporate travel coming back and sort of cross selling there to existing customers? (With the travel booking component with travel saver as well, we're very encouraged of our ability to not only be competitive, but to really reframe the whole market. I mean, the challenges of that market is frustration with these [?] ability. People booking outside, known channels, not getting the savings that they would like. Frustrations, a lot of money left on the table with pre negotiated discounts that being take advantage of and much, much more.)

-Question about aquisition of Bellen: how's the integration going? (That's correct about the greatest era of synergy with Coupa Pay and that is exactly how that's been playing out. We've been having really exceptional success with BELLEN

- You've been able to reduce deployment times by about a month. Is there anything in there that indicates that that reduction in deployment times we'll continue how we're able to accomplish that? And any impact on gross margin from that? (as they use Zoom and screensharing now they implement the solution much faster)

Conclusion of the quantitative and qualitative analysis:

Name Datadog Inc
Ticker DDOG
Price \$85.17
Market Cap 25.75Bn
Industry Information Technology
Sector Software
Link www.datadoghq.com

What Datadog, Inc. provides monitoring and analytics platform for developers, information technology operations teams, and business users in the cloud in North America and internationally. The company's SaaS platform integrates and automates infrastructure monitoring, application performance monitoring, and log management to provide real-time observability of customers technology stack. Its platform also provides user experience and network performance monitoring, and various shared features, such as sophisticated dashboards, advanced analytics, collaboration tools, and alerting capabilities. The company was founded in 2010 and is headquartered in New York, New York.

| QUALITATIVE DATA | | | | | |
|------------------|------|--------|--------|--------|--------|
| DDOG | 2018 | 2019 | 2020 | 2021 | 2022 |
| Market Cap | n/a | 11.176 | 29.978 | 26.107 | |
| EPS | n/a | -0.12 | -0.06 | -0.28 | -0.16 |
| EG G% | n/a | | | -46% | |
| PE | n/a | | | 636.59 | 331.06 |
| PEG | n/a | | | -15.91 | 3.59 |
| Sales | n/a | 363 | 603 | 833.73 | 1110 |
| SG% | n/a | | 66% | 38% | 33% |

millions

millions

| COMPARISON | | | | |
|------------|--------|---------|---------|-------------|
| Ticker | PE F1 | EG F1 % | EG F2 % | Market Cap |
| TEAM | 195.80 | -2.70% | 23.11% | 54786033189 |
| PLTR | 155.27 | -21.63% | 32.40% | 44317546767 |
| TTD | 131.38 | -18.53% | 26.76% | 34739215579 |
| Average | 160.82 | 14.31% | 27.42% | 44614265179 |
| DDOG | 636.59 | -40.00% | 92.29% | 25754503853 |

NOTES

| CAPITAL STRUCTURE | Dec-19 | Dec-20 |
|-------------------------|--------|--------|
| Return on Assets - ROA | -2.1 | -0.6 |
| Return on Capital - ROC | -2.8 | -0.7 |
| Return on Equity - ROE | -3.9 | -2.8 |

up, but still negative

up, but still negative

up, but still negative

| FINANCIAL HEALTH | 2019 | 2020 |
|-----------------------|-------|-------|
| EBIT/Interest Expense | 629.4 | -0.5 |
| Net Debt / EBITDA | -87.7 | -40.6 |

up, but still negative

up, but still negative

| FINANCIAL LIQUIDITY | 2019 | 2020 |
|---------------------|---------|---------|
| CAPEX Growth YoY | 37.81% | -59.83% |
| CFO Growth YoY | 123.79% | 350.16% |
| Total Debt / Equity | 7.70% | 67.20% |
| Total Debt issued | - | 730 |

millions

| PROFITABILITY DRIVERS | 2019 | 2020 |
|-------------------------|--------|--------|
| Net Sales | 363 | 603 |
| Costs of Sales | 89 | 130 |
| Gross Profit | 274 | 473 |
| Gross Profit Growth YoY | 80.69% | 72.90% |
| Operating Income | -20 | -14 |
| Net income growth yoy | 55.27% | 46.90% |

Sales up 66% but gross profit growth down 8%

down

We see an extreme high valuation with a lack of sales growth
Sales are up but costs are up more so gross profit is declining
Typical growth stock for 2020 that's up for an earnings disappointment and correction.
71% of shares owned by institutions - which likely have to rebalance for value

60% increase in revenue but an operating loss of 13.8m and a GAAP operating margin of -2%

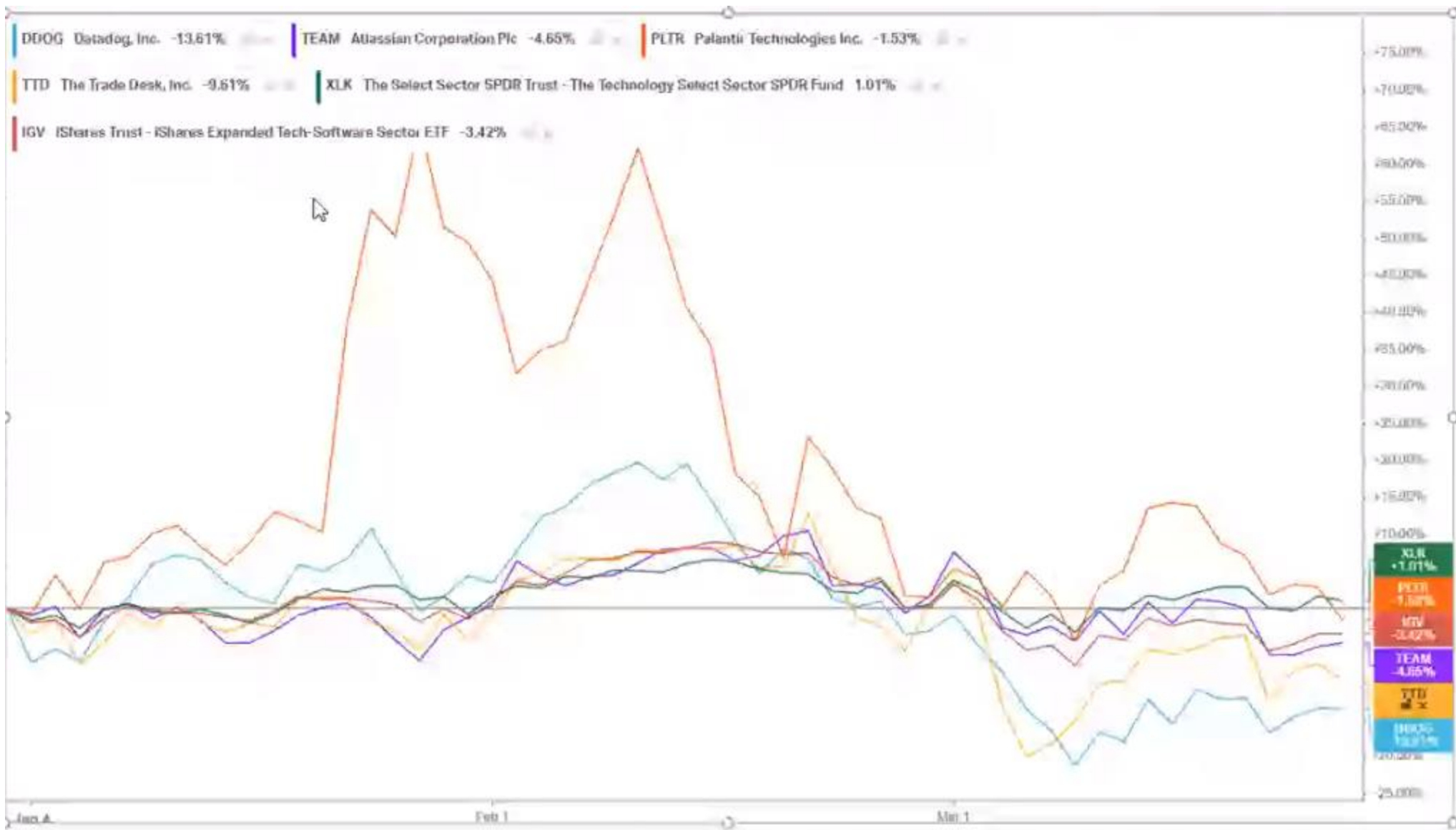
Some acquisitions announced in Dec2020 (Sqreen - SAAS based security platform; Timber Technologies) that should improve the platform

Rising bonds will further fuel the rotation from growth into value.
Adobe, which offers similar products but is more diversified, offers a more reasonable price and has not seen such explosive growth as DDOG



Datadog Inc - Class A \$ 85.17
DDOG -0.01

DDOG-quant DDOG-qual Volatility DDOG-graphs Share(s) Sheet 1



Resistance at \$80 and \$65, \$60
earnings May 11

| RATIO PAYOUTS | | | | | | | | | | | | | | | | | |
|---------------|--------|----------|--------------|------|------------|----------|---------|---------|---------|----------|--------|-------------|---------------|--------------|-----------|---------------|-------|
| EXPOSURE | TICKER | LAST | LONG / SHORT | TYPT | EXPIRATION | STRIKE | CONTR # | CONTR X | COST | INTR V | TIME V | IMPLIED PFD | TOTAL COST | MARKET VALUE | CONTR P/L | POST P/L | RATIO |
| Short | DDOG | \$ 82.50 | | | | | | | | | | | | | | | |
| | | | Long | Put | 16-Jul-21 | \$ 80.00 | 6 | 100 | \$ 8.30 | \$ 20.00 | \$ - | \$ 20.00 | \$ 4,980.00 | \$ 12,000.00 | \$ 11.70 | \$ 7,020.00 | |
| EXPIRY | \$60 | | Short | Put | 30-Apr-21 | \$ 60.00 | 3 | 100 | \$ 4.20 | \$ - | \$ - | \$ - | \$ (1,260.00) | \$ - | \$ 4.20 | \$ 1,260.00 | |
| | | | | | | | | | | | | | \$ 3,720.00 | \$ 12,000.00 | \$ 15.90 | \$ 8,280.00 | 2.23 |
| Short | DDOG | \$ 82.50 | | | | | | | | | | | | | | | |
| | | | Long | Put | 21-May-21 | \$ 80.00 | 10 | 100 | \$ 6.20 | \$ - | \$ - | \$ - | \$ 6,200.00 | \$ - | \$ (6.20) | \$ (6,200.00) | |
| EXPIRY | \$60 | | Short | Put | 30-Apr-21 | \$ 80.00 | 5 | 100 | \$ 4.20 | \$ - | \$ - | \$ - | \$ (2,100.00) | \$ - | \$ 4.20 | \$ 2,100.00 | |
| | | | | | | | | | | | | | \$ 4,100.00 | \$ - | \$ (2.00) | \$ (4,100.00) | 1.00 |
| Short | DDOG | \$ 82.50 | | | | | | | | | | | | | | | |
| | | | Long | Put | 16-Jul-21 | \$ 80.00 | 2 | 100 | \$ 8.30 | \$ 15.00 | \$ - | \$ 15.00 | \$ 5,810.00 | \$ 10,500.00 | \$ 6.70 | \$ 4,690.00 | |
| EXPIRY | \$65 | | Short | Put | 16-Jul-21 | \$ 65.00 | 7 | 100 | \$ 2.75 | \$ - | \$ - | \$ - | \$ (1,925.00) | \$ - | \$ 2.75 | \$ 1,925.00 | |
| | | | | | | | | | | | | | \$ 3,885.00 | \$ 10,500.00 | \$ 9.45 | \$ 6,615.00 | 1.70 |
| Short | DDOG | \$ 82.50 | | | | | | | | | | | | | | | |
| | | | Long | Put | 16-Jul-21 | \$ 80.00 | 6 | 100 | \$ 8.30 | \$ 20.00 | \$ - | \$ 20.00 | \$ 4,980.00 | \$ 12,000.00 | \$ 11.70 | \$ 7,020.00 | |
| EXPIRY | \$60 | | Short | Put | 16-Jul-21 | \$ 60.00 | 6 | 100 | \$ 1.90 | \$ - | \$ - | \$ - | \$ (1,140.00) | \$ - | \$ 1.90 | \$ 1,140.00 | |
| | | | | | | | | | | | | | \$ 3,840.00 | \$ 12,000.00 | \$ 13.60 | \$ 8,160.00 | 2.13 |



Short, Tempur Sealy International Inc.

Macro:

New home sales plunge 18.2% to an adjusted annual rate of 775,000 units in February.

Building permits potentially topped in January at 1,886 and had its biggest drop since April in February.

30-year fixed mortgage rate has risen to a nine-month high of 3.1%.

The cost of lumber has gone up 80% year-on-year in February.

UMCSI is below average at 77.5 points.

Continuing claims for unemployment insurance benefits only recovered about 40% to pre corona levels instead of 60% as the unemployment rate suggests.

ISM Manufacturing, Furniture & related products saw a 9-point decline from December to January and again 2-points in February.

TPX (\$36.81) as of 3/23/21

Quant:

Sector=Retail-Wholesale

Industry=Home Furnishing

Mcap=\$7.56B

EPS F-1=0.86, F0=1.64, F1=2.43, F2=2.7, F3=3.02

EG F0=90%, F1=48%, F2=11.3%, F3=11.7%

PE F-1=45, F0=24, F1=16, F2=15, F3=13

PEG F-1=0.6, F0=0.3, F1=0.3, F2=1.3, F3=1.1

Revenue Growth F0=18%, F1=17%, F2=5%, F3=4%

Sector comparison: (SNBR, LZB, LEG, AMWD, DOOR, RH, UFP1, MHK, AYI, WSM, FND)

Averages:

EG F1=54.9%, F2=13.7%, F3=11.8%

PE F1=23, F2=23, F3=25

PEG F1=1.3, F2=0.9, F3=3

The company designs, manufactures and distributes bedding products.

Distributions takes place through third party retailers and company owned stores and e-commerce channels.

Tempur's products are inferior because of their price point.

Over the last couple of years, there where multiple start ups that disrupted the high price mattress market with innovative and tested superior products like Bett1 in Europe and Casper in the U.S.

Revenue by region:

U.S.=82%

International=18%

KPI's:

Net sales
Gross margin
Company owned stores
e-commerce revenue as % to total revenue

Catalysts:

Company market updates
Company provides expectations
Earnings revisions to the downside
Supply chain issues hinder capturing "pent up" demand fully in next earnings release, hence not achieving expected revenue and eps

Catalyst workout:

Total 3-year average annual press releases=25
Average annual non-earnings price sensitive releases=12 (monthly price moving releases)

Next earnings=around May 13th

Short days to cover=3.6

Target:

EG F1 is probably more align with most comparable competitor SNBR's 25% growth, instead of 48%.
Keeping P/E F1 equal means a price target of \$30 within the next earnings cycle.
The May 21st \$35 Put implies a 1 Std. Dev. Lower bound of \$30.

Options structure:

1.

With a \$100,000 portfolio for example,
Buy 90X May 21st \$35 strike Puts for \$1.8
Sell 90X May 21st \$30 strike Puts for \$0.68
Net spend of \$10,080 or \$1.12 per spread
At \$30 the profit on May 21st will be \$34,920
R/R=3.46

2.

Buy 63X May 21st \$35 strike Puts for \$1.8
Sell 63X April 16th \$30 strike Puts for \$0.2
Net spend of \$10,080 or \$1.6 per spread
At \$30 the profit on April 16th will be \$27,720
R/R=2.75, afterwards unlimited profit potential in May expiry or the flexibility to re-hedge.