War Room 3

Day 07 – 26-03-2021

Unwinding Positions

Execution Spreadsheet recommended for Unwinding positions

Your trading platform will calculate your unrealized Profit either from last prices/mid prices

Make sure you know what your profit will actually be at realistic prices before you start clicking buttons.

Classic Retail Mistake

You think you should be booking $6,000 profit

High priced stock wide spreads come out with $5,000 profit

Remember you will hopefully be booking profits 24+ times per year

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Profit taking

Timing dependent on the following:

Portfolio Risk Management…….understanding the changing risks of your portfolio as the ITM ness / OTM ness changes daily.

Analyzing the market risk of the unrealized pnl.

Sector concentrations that are ITM.

Flexibility with price targets as Macro bias changes.

Unemotional analysis i.e. trading probabilities and not possibilities.

Profit taking

Until the profit is in the Kelly …… it isn't real.

Scale out of profits - "feed the ducks when they are quacking "

BIG Retail mistake

EMOTIONAL about the high-water mark of unrealized profit

Never want to sell in "the blue" in case the stock keeps rallying
Never want to sell in "the red" because the unrealized profit was higher yesterday.
This is how unrealized profits become realized losses.

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Executing in a High Volatility Environment

Every trading decision is situational and not rules based, so the following are guidelines.

When stocks are moving > 10% and VIX has spiked scale out of winning long option positions.

When looking to initiate a new position be very careful.

Example Buying a Call Spread on Stock ABC

T0	ABC	$100
T+1	ABC	$90
T+2	ABC	$88
T+3	ABC	$70
T+6	ABC	$73

Highly probable that buying the Call spread on T+6 will be a better option than on T+3.

Trading Conclusions

The following guidelines however will keep you close to the shore

- Scale out of Long Options when Volatility is high (relative) and duration short.
- Be mindful of buying options/initiate strategies when Volatility is high (relative) .
- Be mindful that you are trading a genuine change in sentiment and not “noise”.
- Good risk management and pre-emptive diversification minimizes the need to “have to trade” when volatility spikes reducing need to chase hedges .

TWR Portfolio

LONG IDEAS /CALL STRUCTURES			SHORT IDEAS /PUT STRUCTURES		
TICKER	NAME	SECTOR	TICKER	NAME	SECTOR
SEM	SELECT MEDICAL	HEALTH CARE	COUP	COUPA SOFTWARE	IT - APPLICATION SOFTWARE
KLIC	KULICKE & SOFFA	IT - SEMICONDUCTOR EQUIPMENT	DDOG	DATADOG	IT - APPLICATION SOFTWARE
			TPX	TEMPUR SEALY	CONSUMER DISCRETIONARY

PRICE TARGETS PLEASE

Anthony

Catalysts

Catalysts are Hard to Find

- Stock Specific Catalysts
- Market related
- Economic and Industry

Stock and Industry Catalysts

- Lots of these happen at quarterly result announcements
  - Earnings
  - Buybacks / Splits / Dividends / Outlook
- Acquisitions Restructuring and Deals
- Legal and Regulatory issues
- Product Launches
- Market Inclusions
- Credit upgrades or downgrades
- Leading and Lagging - Timely data is important
- ISM data
- Oil inventories
- FOMC minutes and interest rate decisions
- Retail sales numbers and consumer confidence
- Short Squeezes

Biotech – it is easy to get catalysts

Company Name	Ticker	Price	MarketCap (Millions)	Volume (1,000s)	Percent Daily Change	Catalyst Date	Catalyst Summary	Last Updated
Summit	SMMT	$6.62	$199	204	-2.22%	12/31/21	1/9/20 PR Provides Corporate and Product Pipeline Update . Three programs with clinical trial results in 2020 including OTIVIDEX™ Phase 3 trial in Ménière's disease. OTIVIDEX: Enrollment in Phase 3 Clinical Trial in Ménière's Disease is Ongoing with Results Expected in the Third Quarter of 2020. OTO-313: Enrollment in Phase 1/2 Clinical Trial in Tinnitus is Ongoing with Results Expected in the Second Quarter of 2020	1/9/20
TRACON Pharma	TCON	$9.17	$142	522	-1.93%	12/31/21	TRACON expects to initiate dosing of ENVASARC in the second half of 2020, provide interim clinical trial data in 2021, final clinical trial data in 2022, and provided the drug is approved by the US FDA, commercialize envafolimab in 2023.	9/29/20
VBI Vaccines	VBIV	$3.62	$42	4,228	7.42%	11/30/21	2/2 PR VBI Vaccines announces that the U.S. Food and Drug Administration has accepted its filing of the Biologics License Application for the Company's 3-antigen prophylactic hepatitis B vaccine candidate for the prevention of infection caused by all known subtypes of the hepatitis B virus in adults. PDUFA 11/30/21	2/2/21
Eton	ETON	$8.15	$197	126	3.03%	8/6/21	12/17announced the U.S. Food and Drug Administration (FDA) has accepted for filing the company's new drug application (NDA) for topiramate oral solution. The application has been assigned a Prescription Drug User Fee Act (PDUFA) date of August 6, 2021.	12/17/20
Iterum	ITRM	$1.77	$270	12,352	7.93%	7/25/21	1/25 Iterum Therapeutics Announces U.S. FDA Filing Acceptance of New Drug Application for Oral Sulopenem. PDUFA (Prescription Drug User Fee Act) goal date for completion of the review of oral sulopenem of July 25, 2021. The agency currently plans to hold an advisory committee meeting to discuss the NDA.	1/25/21
Omeros	OMER	$19.41	$1,197	1,007	-2.66%	7/17/21	1/19 PR Biologics License Application for Narsoplimab in HSCT-TMA Accepted for Priority Review by U.S. FDA . The BLA has been granted Priority Review with an FDA action date of July 17, 2021 under the Prescription Drug User Fee Act (PDUFA). FDA also indicated in its filing letter that the Agency is not currently planning to hold an advisory committee meeting to discuss the BLA.	1/19/21

S&P announcement after the market

- 12th of March S&P500 index changes

- Inclusions:
  - NXPI went from $183 to $199 and then the next day $206 now $191
  - PENN $130 to $137 but back to $111
  - GNRC $326 to $333 but now $303

- Removals:
  - FLS $41 to $37 over the following week
  - XRX $26.90 to $23.60 over the following week
  - VNT $31 to $30 to $32 to $31

So what does this mean?

Some upcoming catalysts

- S&P Global today will be appearing at the Jefferies Business Summit
- One World Lithium are providing an update at the Extractive Industry Investor Day on the 31st of March
- Costco release March sales numbers on the 8th of April
- Kroger are holding an Investor Update on the 11th of April
- Moderna are providing a vaccine update on the 27th of April
- Facebook are launching Diem and Smart AR glasses in Q2
- McDonalds Q2 chicken sandwich update
- WallGreens will be announcing a new CEO and a Boots turnaround update in Q2

Some upcoming catalysts

- Trip Advisor launching a subscription model in Q2
- Strategic Education will be announcing Aus & NZ acquisition updates and segmentation
- IBM are spinning off their Managed Infrastructure Services Business in Q2 or Q3
- Bausch Health spinning off Bausch & Lomb eyecare business in H2
- Vivendi is spinning off some of Universal Music in Q4
- Tesco special dividend from the sale of Thai/Malaysian businesses ~ 5b pounds
- Nike…the return of live sport

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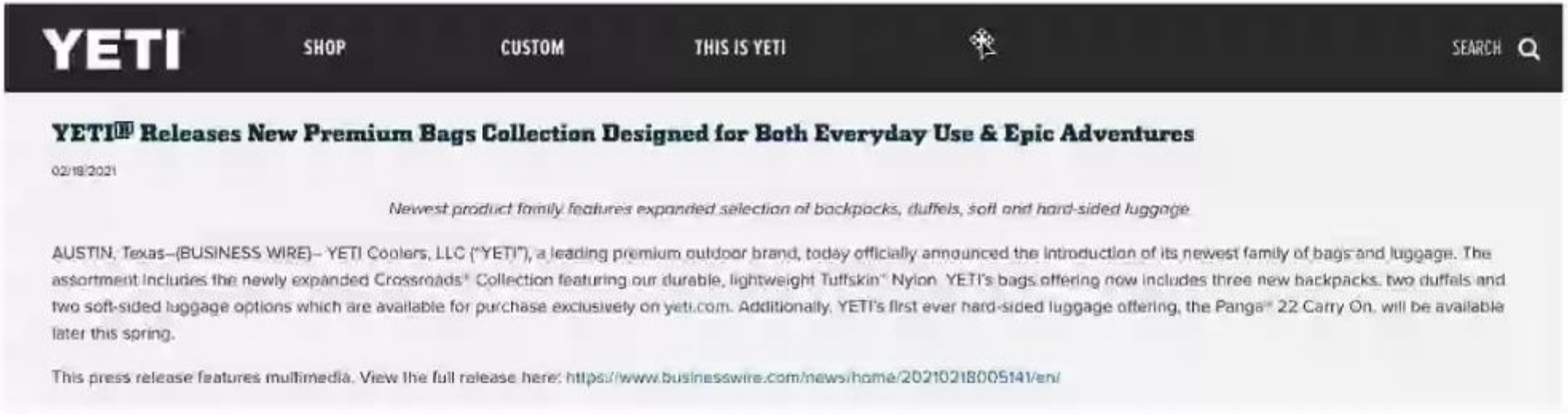
Yeti…an example of how it can play out

- On the 18th of Feb Yeti announced a new product range via press release – a large range of luggage product lines



YETI SHOP CUSTOM THIS IS YETI SEARCH

YETI® Releases New Premium Bags Collection Designed for Both Everyday Use & Epic Adventures

02/18/2021

Newest product family features expanded selection of backpacks, duffels, soft and hard-sided luggage

AUSTIN, Texas--(BUSINESS WIRE)-- YETI Coolers, LLC ("YETI"), a leading premium outdoor brand, today officially announced the introduction of its newest family of bags and luggage. The assortment includes the newly expanded Crossroads® Collection featuring our durable, lightweight Tuffskin™ Nylon. YETI's bags offering now includes three new backpacks, two duffels and two soft-sided luggage options which are available for purchase exclusively on yeti.com. Additionally, YETI's first ever hard-sided luggage offering, the Panga® 22 Carry On, will be available later this spring.

This press release features multimedia. View the full release here: https://www.businesswire.com/news/home/20210218005141/en/

- The stock closed at $65.65 on the 17th
- Closed at $71.25 on the 18th
- Closed at $74.99 on the 19th
- **10.80% gain in 2 days on this announcement!!**

But if you were diligent you knew the week before

We will also debut three new colors, Aquifer, Prickly Pear and Granite. In Drinkware, we will also add line extensions that reflect the customer demand for larger capacity single-person Drinkware. And next week we will launch a new collection of bags, consisting of backpacks, duffel bags and wheeled luggage, originally planned for the second half of 2020. We postponed the introduction and believe now as a more optimal time to introduce our Crossroads collection to the market, given the continued focus on short excursion road tripping and the expectation of buildup to traditional travel and daily commutes.

Now for a quick look at KPI's

Classic Assessment

Idiosyncratic Assessment

These are metrics and measures that are unique or specific to a sector
They can be drawn from the balance sheet, cash flow statement and the P&L
But they can also come from broader financial reporting and are often discussed as the Key Performance Indicators (KPI'S) of the sector

They are usually measures specific to a particular sector:

- Combine Operating Ratio
- Same Store Sales
- Net Interest Margin
- Average Seat Kilometres
- Annual Recurring Revenue

Site Inventory Turnover = Sales / Inventory

Sales $2,562m
Inventory $475m
Ratio = 5.40

What is driving sales growth?

- **Net Sales 15% growth => with 8% organic growth and 7% from acquisitions**

Proven track record of successful acquisitions

	2014 – 2015	2016	2017	2018	2019	2020	Total
	• Eljay • Diamond Head • Stockyard • BISCO • Shemin • AMC • Green Resource • Tieco	• Hydro-Scape • Blue Max • Bissett • Glen Allen • Loma Vista • East Haven	• Aspen Valley • Stone Forest • Angelo's • AB Supply • Evergreen Partners • South Coast Supply • Marshall Stone • Harmony Gardens	• Pete Rose • Atlantic Irrigation • Village Nurseries • Terrazzo & Stone • Landscaper's Choice • Auto-Rain • All American Stone • Landscape Express • Kirkwood • Stone Center • CentralPro • C&C Sand & Stone • All Around	• Cutting Edge • All Pro Horticulture • Landscape Depot Supply • Fisher's Landscape Depot • Stone & Soil Depot • Voss Materials • Trendset Concrete Products • Design Outdoor • Dirt Doctors • Daniel Stone	• Wittkopf Landscape Supplies • Empire Supplies • The Garden Dept. • Big Rock • Alliance Stone • Modern Builders • BURNCO Landscape Centres • Hedberg Supply • Alpine Materials • Dirt and Rock • Stone Center of Virginia	
# Acquisitions	8	6	8	13	10	11	56
Annualized net sales[1]	~$270M	~$150M	~$130M	~$230M	~$100M	~$190M	~$1,070M
# branches added	68	29	26	78	21	30	252

What are the KPI's and metrics for SaaS?

- Growth in tickets solved
- Growth in margins
- Growth in ARR (Dollar based net expansion rate)
- Growth in RPO (Remaining Performance Obligations)
- New Product uptake

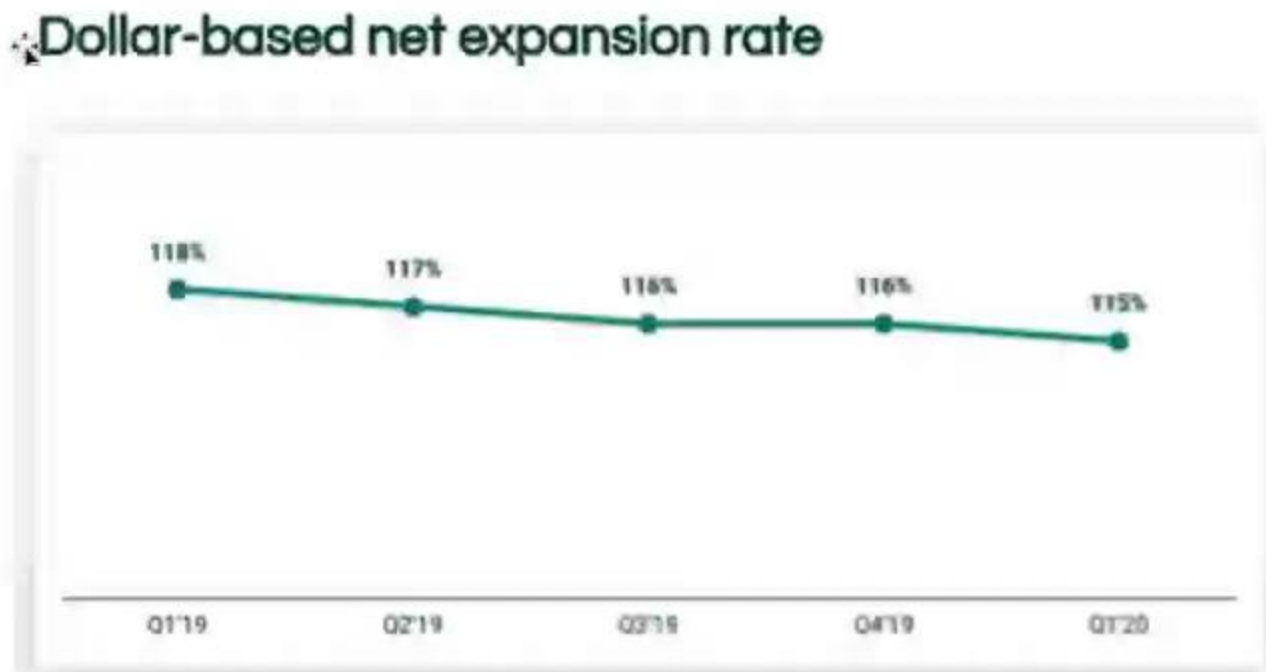
What are dollar based expansion rates and why are they important?

Measure growth in Annual Recurring Revenue in existing customers

Why is it important?

Upselling services to existing customers is 4-5 times cheaper

Margin expansion!!



What are customer growth numbers and why are they important?

This should be obvious!

Customer metrics

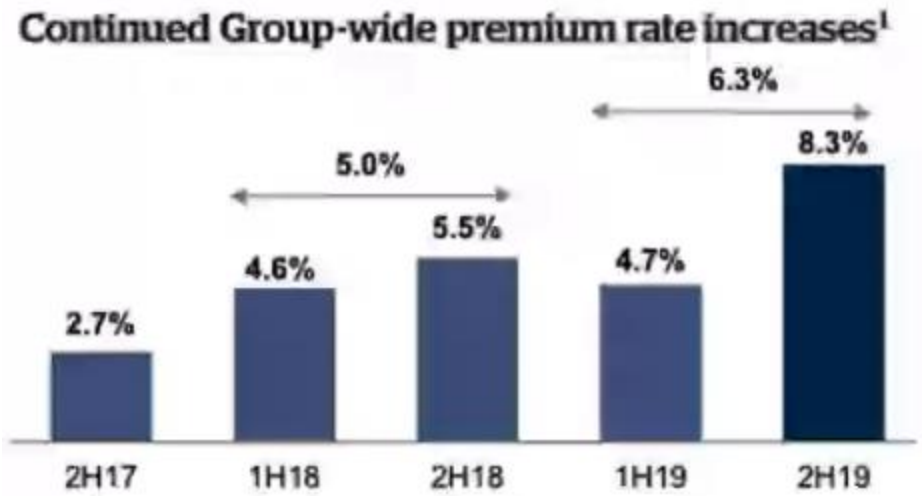
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020
Paid customer accounts on Zendesk Support (approx.)	75,600	77,100	79,600	81,200	82,600
+ Paid customer accounts on Zendesk Chat (approx.)	45,300	44,300	43,600	42,600	41,800
+ Paid customer accounts on other Zendesk products (approx.)	24,700	27,500	30,600	33,200	36,100
= Approximate number of paid customer accounts*	145,600	149,000	153,800	157,000	160,600

Insurance KPI's - QBE

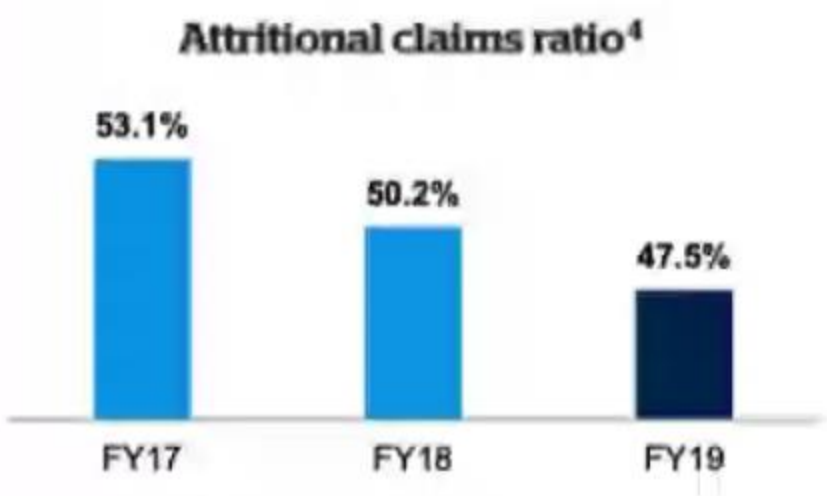
Operating results

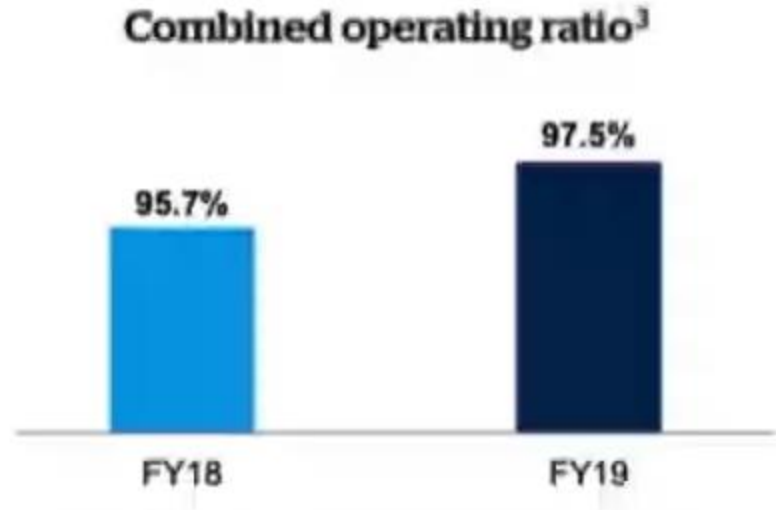
		FY18	FY19
Gross written premium	$M	13,657	13,442
Net earned premium	$M	11,830	11,609
Net claims ratio (ex discount rate)	%	64.1	67.3
Net commission ratio	%	16.4	15.6
Expense ratio	%	15.2	14.6
COR (ex discount rate)	**%**	**95.7**	**97.5**
Net investment yield (ex discount rate)	%	2.3	3.6
Net profit after income tax	$M	597	622
Adjusted cash profit	**$M**	**692**	**733**

Insurance KPI's - QBE



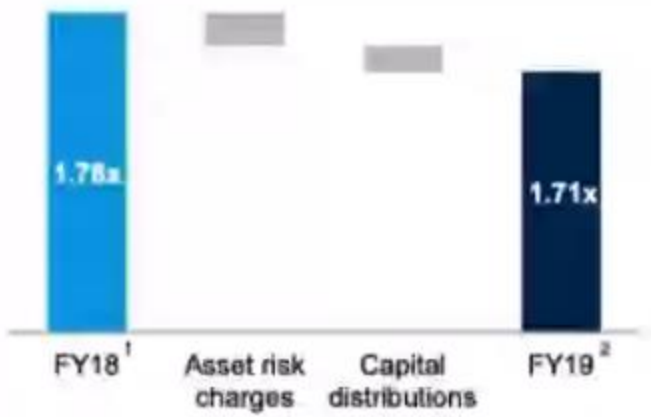
Total expenses and expense ratio trending favourably





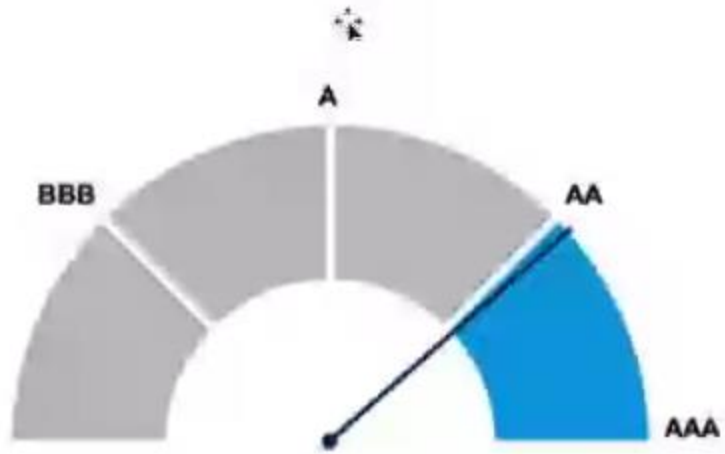
Insurance KPI's - QBE

APRA regulatory capital



Regulatory capital remains above the mid point of our 1.6x-1.8x target range

S&P capital



S&P Capital remains above 'AA' level

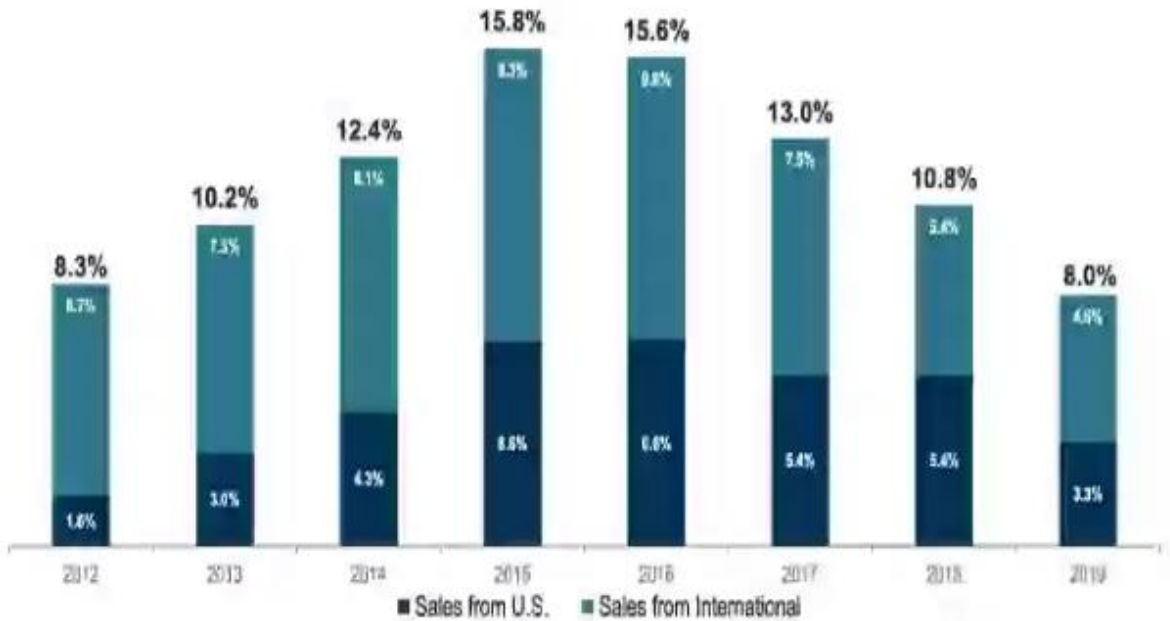
Debt/gearing

Debt to Equity:	40.8	38.0	38.0
Debt to Total Capital:	29.0	27.6	27.5

Fast Food KPI's – Dominos's

Strong Earnings Flow Through Model

Global Retail Sales Growth



Fast Food KPI's – Domino's

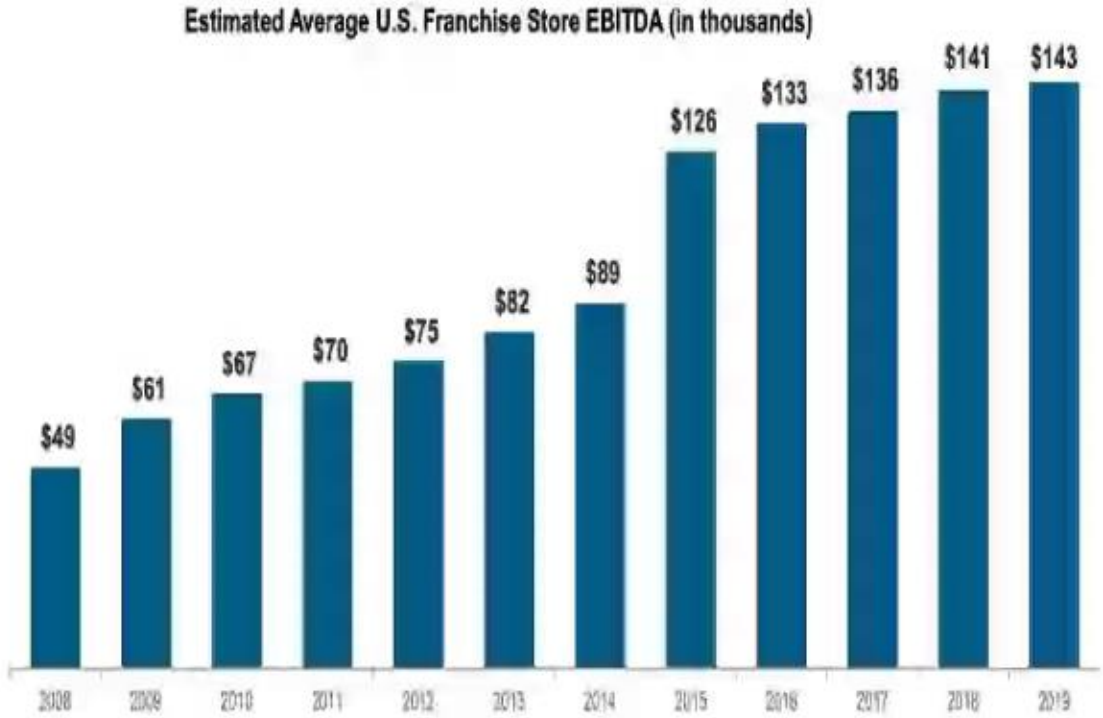
Fast Food KPI's - Domino's

Consistent Global Same Store Sales Growth

Fast Food KPI's – Domino's

Robust Global Unit Growth

Profitable Franchisees Positioned For Enterprise Growth



Fast Food KPI's – Shake Shack

Opened largest class of shacks ever, with **73** Shacks around the globe, unlocking major new markets

Added **$135 million** in Total Revenue, a record increase for total dollar growth

Grew system-wide sales by **33%** and launched in **7** new markets domestically and **4** new markets internationally

Total Revenue

$595 Million

System-wide Sales[1]

$895 Million

System-wide Shack Count

275 as of the end of the period

Cash Flow from Operations

$90 Million

-3.6%

Decrease in Same-Shack Sales[1]

Mining KPI's

- Strip ratios
- Unit Cost of production
- Return on Capital Employed
- Internal Rate of Return
- Capacity Utilization (name plate)
- Lost Time Injury
- Reserves and Resources

Reserve **Contained nickel**	**1.37Mt @ 4.0%** **54,900 Ni tonnes**
Resource **Contained nickel**	**1.33Mt @ 5.2%** **69,539 Ni tonnes**
Mine life (on reserves)	**5 years**

Airline KPI's

- **ASKs** – available seat kilometres
- **RPKs** – revenue passenger kilometres
- **Load factor percent** or Passenger load factor is passenger kilometres RPK expressed as a percentage of available seat kilometres ASK
-
- **RPK Yield** is the average revenue collected per passenger kilometre
- **Cost per ASK** is a measure obtained by dividing total operating costs by total ASKs.

Airline KPI's

Annual 2020 financial results

(59.7)%
operating revenues, y/y

(34.2)%
available seat miles, y/y

(38.6)%
RASM, y/y

$(3.5)B
net loss[1]

$(6.22)
loss per diluted share[1]

28.1%
non-fuel CASM[1,2], y/y

$0
Profitsharing

52.4%
load factor

$14.3B
liquidity[3]

[1]Excluding special items
[2]Excluding profit sharing
[3]Includes approximately $13.3 billion in cash and short-term investments and a fully available revolving credit line of $1.0 billion
Note: See reconciliation of reported amounts to non-GAAP financial measures.

Southwest

Bank KPI's – Wells Fargo

Income statement ($mn)	2019A
Net interest income	47,843.0
Operating expenses	53,284
Pre-provision earnings	28,507
Loan loss provisions	2,687
Pre-tax income	24,198
Net income (adj)	17,938

Balance sheet ($bn)	
Total assets	1,928
Risk-weighted assets	1,246
Non-performing loans ($mn)	5,346
Allowance for loan losses	10
Loans	952.7
Deposits	1,323
Tier 1 capital	147
Tier 1 common capital	139
Shareholders' equity	167
Tangible common equity	139
Loan/deposit ratio (%)	73.9

Valuation and leverage metrics	
P/E (reported) (x)	7.5
P/BV (tangible) (x)	0.9
Dividend yield (%)	6.4
P/PPE (x)	4.7
Tier 1 (%)	11.83
Tier 1 Common (%)	11.14
Tang assets/tang equity (x)	13.7

Margin and return data	
Return on RWAs (%)	1.6
ROA (%)	1.0
ROE (tangible common) (%)	12.2
Fee income/revenue (%)	41.5
Net interest margin (%)	2.7
Cost/income (%)	65.1

Credit quality ratios	
Loan loss provs/loans (%)	0.3
NCO ratio (%)	0.3
Coverage ratio (%)	178.7
NPL ratio (%)	0.6
Reserves/loans (%)	1.0

Retail KPI's

- Conversion Rate
- Same Store Sales
- Sales per square metre
- Average Inventory
- Same store sales
- Cash Conversion Cycle
- Gross Margin Return on Investment
- Stock Turnover Days
- Sell through rates
- Selling Square Feet
- Gross Square Feet
- Online %
- Return on Invested Capital
- Gross Margin / SG&A Rate
- Net Margin
- Inventory Turnover
- Customer Retention
- Average Sale per Customer

You will find KPI's via presentations, read transcripts, read industry reports

Edward Shek