

## TMT+: Episode 1 – 1/9

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Happy New Year!

A bumpy first week back the macro backdrop taking centre stage and a real sense from conversations that this time is different... lots of rhetoric suggesting tech rallies should be faded as an ultra-accommodative monetary cycle (that disproportionately benefitted the hyper-growth complex) is coming to an end. **Compounding that rates/inflation debate is an increasingly precipitous supply overhang split across a few guises:** 1) The wave of H2 IPO from last year are all set to come off lock-up over the next few months; 2) Another wave of tech IPOs in waiting if markets can hold up; 3) Customarily strategic buyers are becoming sellers during a moment of transition and intense vulnerability (notably Tencent getting attention this week); 4) The most obvious strategic buyers with cash to participate is mega-cap tech who are likely precluded in the current regulatory climate.

However you cut it, the days of buying everything suffix'd with an "aaS" in the hope it becomes the next ServiceNow are over and 2022 will require more selectivity. That's got us thinking about the intersection of high replacement cost and inflation beneficiaries. **Mega-cap tech clearly sits in the middle of that venn diagram, with the exception of TSLA (up for debate!), but for every \$1-20B SaaS business, there are another 20 waiting to disrupt and replicate them. More to follow on this theme as the year unfolds.**

For those wondering if crypto is an inflation hedge or a proxy for hypergrowth tech, I guess you have the answer. VCs have increasingly looked at crypto of late BECAUSE it provides avenues for earlier exits/liquidity. **There's likely some very interesting interplay going on; HF's who own private positions have certainly derisked a lot of their growth exposure over the past few weeks. It makes me wonder if VCs have accessed some liquidity in the crypto markets; while VC investments are longer duration bets (that aren't marked to market...aside from Crypto).** Ken Worthington launched a crypto primer this week and we're hosting a series of webinars with industry experts later this month – details on both [here](#).

Schlegel's weekly recap tells a sorry story for Equity L/S performance to start the year... weighted average return was - 2.7% with weak long returns and US exposure the pain points. Across all strategies, we saw gross leverage increase this week to 41<sup>st</sup> %-ile over LTM, net leverage fell 1.3% w/w to 49<sup>th</sup> %-ile over LTM. **More interestingly, Equity L/S net leverage is down 9%pts from mid-Nov highs and now just the 2<sup>nd</sup> %-tile over LTM.**

Finally, lots of research content out this week from the TMT teams to kick off the year... 1) Doug cutting numbers on **NFLX** and **PTON** ahead of earnings but **maintaining positive stance on both**; 2) Phil turn negative on the Towers with domestic growth slowing and an unhelpful rates backdrop – **AMT cut to UW**; 3) Cory **off restriction IAC with bullish stance** and refreshed deep dive into the SOTP story; 4) we **initiated on Nubank and HashiCorp with Neutral ratings.**

All thoughts welcome, Ryan & Jack

**Use the links below to jump straight to each section:**

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## Ideas for Next Week

### QUALCOMM: Opportunity Beyond Smartphones – BUY

QCOM's CEO keynoted this week at the annual Consumer Electronics Show. The company announced a plethora of products demonstrating the momentum it has in the adjacent market opportunities outside of smartphones. Samik Chatterjee thinks that this also demonstrates progress following the Nov Analyst day while leveraging its one technology

platform which enables improving margins even while investing in new market opportunities. The highlights of the press conference included auto announcements relating to ADAS capabilities as well as announcements relating to infotainment, digital chassis, and digital cabin. Lastly, beyond already supporting the majority of AR/VR devices currently, QCOM continues to position itself to be a key enabler of the Metaverse through critical partnerships, announcing MSFT as a partner. Recall the shares began to re-rate back in Nov when the company outlined their growth strategy beyond smartphones AND provided an outlook that did not include AAPL, removing the key headwind/risk. Since then, the shares have treaded water driven by a very difficult TMT tape however as investors look to place bets in the new year, a story with a new narrative coupled with attractive valuation should make QCOM a top pick in the space. The more the company executes on their diversification strategy, the more the multiple will likely expand from the current very attractive ~17x PE (SOX 22x). QCOM continues to be one of Samik Chatterjee's top picks for 2022 along with one of mine.

### AMAZON: Primed for a bounce – BUY

Revisiting this as one of top picks for 2022 in the run up to earnings. It was the worst performing name across the FAATMAN complex last year (+4% vs QQQ +25%) on tough comps, reopening headwinds and cost pressures (all Retail related). With 2022e ests suitably rebased, comps easing and the SOTPs story underappreciated I think it's a must own for the year. To me, the most important part of the story is AWS... sell-siders value it on sub-20x EBITDA in their SOTPs which I think is categorically too low for business growing 30%+, has near 50% EBITDA margins and still has massive penetration increases coming with optionality from "metaverse" long term. 25x 23e EBITDA would be ~\$1.25T of value (73% group EV) which helps put the Retail woes / derating into perspective. It's my top pick in mega-cap tech right now; recent downgrades for NFLX as the other big WFH winner also supports AMZN on a relative base.

### Quotes of the Week

"You are welcome to apply for other roles at Citi in the future as long as you are compliant with Citi's vaccination policy,"  
Citi internal memo

"If 2021 was the year of the NFT, we see 2022 as possibly the year of the blockchain bridge," Ken Worthington

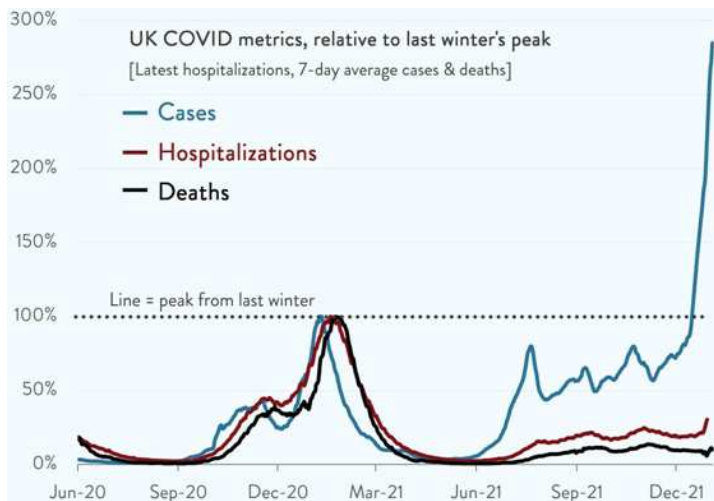
"I don't really like Red Pandas," Stu Humphrey

### Charts of the Week

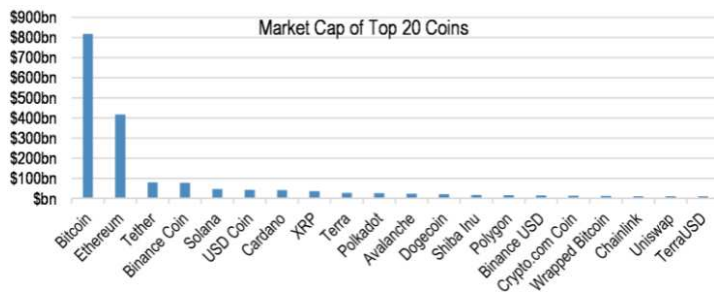
#### JPM Expensive Software Basket



### UK Omicron Data... the start of the end for COVID?



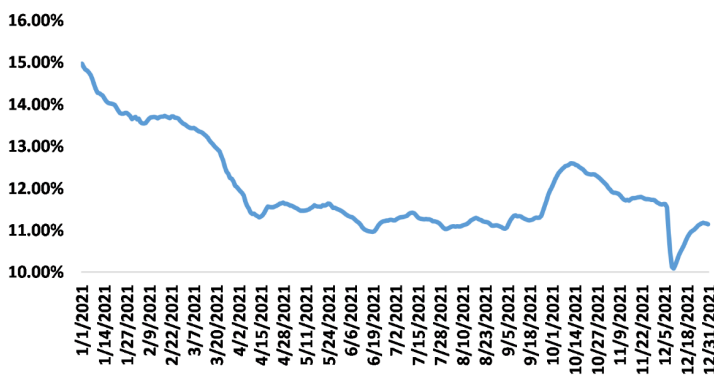
### Market Cap of Top 20 Coins



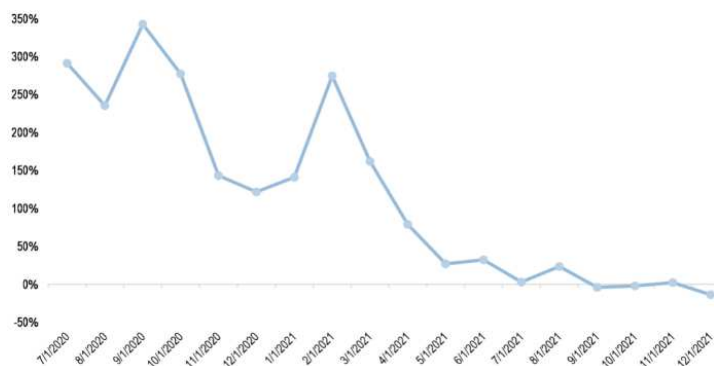
### OpenSea Transaction Volume



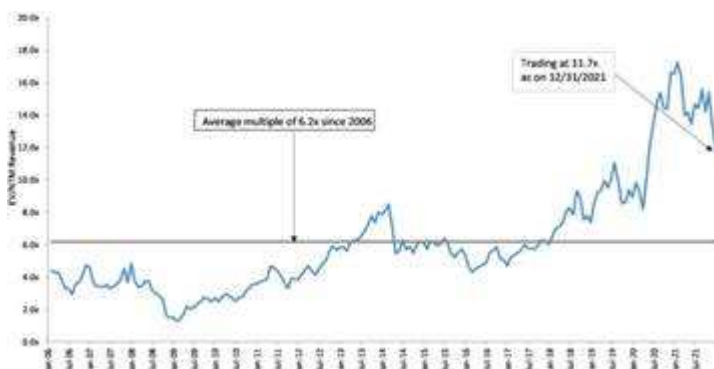
### NFLX DAU Growth - GLOBAL - 1/1/21 to 12/31/21



### Peloton y/y Traffic Growth



## Forward EV/Sales multiple for the pure SaaS space



## Movers and Shakers

**DISCA +28%:** Regulatory approvals, broker upgrades and arb squeeze

**VIAC +17%:** Reflation trade alongside DISCA move – helped by chunky short base

**GPN +12%:** Value rally and benefits of higher inflation expectations

**MNDY -23%:** Bearish broker initiation alongside broader growth slide and lock up fear

**HUBS -23%:** Growth puke

**EXFY -27%:** Growth sell off and fears into lock up

## Don't get Caught Short

Most Shorted Names as a % Float (>20%):

| Ticker | Short Interest                      |
|--------|-------------------------------------|
| CXM    | 55.7% ffloat, 4.6x ADTV, 1.9% m/m   |
| GOGO   | 32.4% ffloat, 20.2x ADTV, -9.6% m/m |
| IRBT   | 26.0% ffloat, 22.5x ADTV, -1.1% m/m |
| NKLA   | 24.1% ffloat, 2.0x ADTV, -3.7% m/m  |
| W      | 22.5% ffloat, 10.0x ADTV, -2.3% m/m |
| APRN   | 22.1% ffloat, 3.3x ADTV, 14.2% m/m  |
| GDRX   | 21.6% ffloat, 7.0x ADTV, -8.7% m/m  |
| SIRI   | 21.4% ffloat, 10.1x ADTV, 1.7% m/m  |
| AMCX   | 21.2% ffloat, 16.8x ADTV, -4.5% m/m |
| HYLN   | 20.4% ffloat, 12.2x ADTV, -2.8% m/m |

Stocks under coverage with largest change in short base m/m (+/- >30%):

| Ticker | Short Interest                      |
|--------|-------------------------------------|
| PAY    | 11.3% ffloat, 3.6x ADTV, 103.3% m/m |
| YOU    | 3.8% ffloat, 2.0x ADTV, 68.4% m/m   |
| SEMR   | 2.6% ffloat, 1.3x ADTV, 49.4% m/m   |
| MANU   | 2.1% ffloat, 2.3x ADTV, 39.2% m/m   |
| FLYW   | 5.9% ffloat, 5.4x ADTV, 37.7% m/m   |
| GLOB   | 3.0% ffloat, 2.8x ADTV, 36.1% m/m   |
| TRUE   | 7.1% ffloat, 7.0x ADTV, 32.5% m/m   |
| PLTR   | 5.5% ffloat, 1.8x ADTV, 32.1% m/m   |

|      |                                    |
|------|------------------------------------|
| IAC  | 2.3% ffloat, 4.4x ADTV, 32.1% m/m  |
| PYCR | 3.4% ffloat, 3.2x ADTV, -32.2% m/m |
| ZNGA | 3.8% ffloat, 2.2x ADTV, -33.0% m/m |
| VMW  | 2.9% ffloat, 5.1x ADTV, -36.0% m/m |
| YELP | 3.6% ffloat, 6.3x ADTV, -43.4% m/m |
| PRFT | 3.3% ffloat, 3.6x ADTV, -44.2% m/m |
| CFLT | 5.8% ffloat, 0.7x ADTV, -48.7% m/m |

## Research Highlights

**Communications Infrastructure** : Downgrade AMT to Underweight on Soft 22'/23' Growth and CCI to Neutral on Slow Small Cell Growth & Pending Sprint Churn. [here](#)

**Cryptocurrency Markets** : Crypto-101 and the State of the CryptoMarkets. [here](#)

**Netflix** : NFLX Trending, 1/6/22: Trimming Estimates on Light Download Data; Lowering PT to \$725. [here](#)

**Peloton** : Cutting Estimates on Soft Dec Traffic & Increased Promos; Shares Anticipate Lower Guide & Have Now Round-Tripped COVID. [here](#)

**Telecom, Cable, Satellite, & Towers** : Spectrum of Opportunity: Ranking Telecom and PayTV Stocks for January and FY 2022 Performance. [here](#)

**Networking & Hardware** : Long-Short Book: Year-End Moves Favored Value and Mean Reversion; Expect Uncertainty to Favor Top Picks Instead. [here](#)

**IAC** : Closer Look at IAC Portfolio Post Meredith; SOTP Value Compelling; Moving to Overweight & \$175 PT from Not Rated. [here](#)

**Nubank** : It's All About TAM vs Market Share - Initiating at Neutral. [here](#)

**HashiCorp** : Enabler of Multi-Cloud Adoption with Durable Growth Runway: Initiating Neutral Due to Valuation. [here](#)

**Software** : The Source Code : V132: December 2021 Monthly Performance / Valuation Tracker. [here](#)

**Top 10 strategic investment themes for 2022 and beyond** : What to own ten years out. [here](#)

**COVID-19 Europe** : UK data show Omicron is significantly milder and that boosters work against it: encouraging for the future. [here](#)

## TMT Calendar

| Date | Technology  | Telecom & Media                                     | Internet   |
|------|---|---|--|
| 1/10 | <b>Results (bmo)</b> : TTGT, Mediatek Dec Sales<br><b>JPM</b> : Healthcare Conference<br><b>Other</b> : Jefferies Software Summit | <b>Other</b> : Auction 110 Results (estimated date) | <b>JPM</b> : Healthcare Conference   |
| 1/11 | <b>JPM</b> : Enterprise IT Expert Call<br><b>Other</b> : DELL CEO Call, Needham Growth Conference                                 |   | <b>JPM</b> : China Online Grocery Call<br><b>Other</b> : DHER Bus Update Call, Needham Growth Conference |
| 1/12 | <b>JPM</b> : Xiaomi NDR   |   |  |
| 1/13 | <b>Results (bmo)</b> : TSMC Dec Sales   |   | <b>Results (bmo)</b> : ASC Trading Update  |
| 1/14 | <b>Results (bmo)</b> : JPM  |   |  |

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