SPREE CAPITAL
ADVISERS

Weekend Thoughts 09/17/22

- Information Technology
    - ASML Holding (ASML)
        - “I think everyone can see the headlines and hear the different comments with respect to the consumer piece of it, PCs, smartphones and some of the slowing demand in that arena and even some of the customers, in particular, in the memory space. . .On the other side, you also see areas like high-performance compute, data centers, automotive, industrial, where the demand continues to be quite strong.”
    - Dell Technologies (DELL)
        - “we had demand growth in both our server and storage business in Q2. But we saw that growth moderate coming into the quarter and over the course of the quarter. And where CSG dynamics were more of a pause and an abrupt shift, this was more like a slide. It just was more caution or more deliberate behavior kind of entering the customer environment. So deals took longer to close throughout the quarter. You felt more scrutiny of spending. Again, no one was canceling digital transformation investments. We didn't see a change in cancellation or orders rate or anything like that, but we did see caution kind of enter the environment.”
    - MongoDB (MDB)
        - “what we've seen this quarter, which we started to see at the very beginning of in Q1, is slower growth of existing applications, still growth, not contraction, but slower growth than what we had historically seen given the more muted economic environment.”
    - Qualcomm (QCOM)
        - “we end up having a unique technology portfolio. You can think about 3 pillars. It's everything wireless communication, everything high-performance computing for lowpower device. . .we see this huge opportunity to scale artificial intelligence outside the data center. . .where we are right now is really changing QUALCOMM from a communications company to the mobile industry into a connected processor company for the Intelligent Edge. . .the summary is to get the type of technology that you have on the smartphone and take it to every other device. And then with that, we're seeing a lot of growth opportunity for a company. We're no longer bound by a single end market, which is the mobile market.”
    - Twilio (TWLO)
        - “we are cautiously optimistic that we're going to make our 30% growth goal for next year.”
- Communication Services
    - Interpublic Group (IPG)
        - “What are we seeing in Q3? We're not seeing anything in Q3 that changes our commitment to the target that we put out for the year.”
    - Match Group (MTCH)
        - “the evidence is still that the business is pretty recession-proof. It's a small purchase. It's a purchase that makes people happy. They're not very quick to cut it.”
        - “we remain very optimistic about the potential for virtual goods to be a meaningful part of the Tinder ecosystem and the Tinder monetization strategy. . .People want

    - to spend. They want to get attention. They want to stand out. We know that about the Tinder ecosystem, and virtual goods seem like a great way for that to happen.”
    - “The start-up world is not what it was. The funding is not there. . . We've got lots of resources, the ability to invest and keep driving the business forward.”
  - Sirius XM (SIRI)
    - “to many people's surprise, the strength of the consumer has been strong. The non-pay, we continue to run at historically low rates.”
- Consumer Discretionary
  - Poshmark (POSH)
    - “definitely, the health of the consumer is impacted right now. . . because of the cash reserves that consumer has, the real pain for the consumer is still coming and will continue to happen.”
  - Rent the Runway (RENT)
    - Starting in mid-June, we noticedan increase in subscriber pause rates and a decrease in retention along with the delay in former subscribers rejoining versus history.”
- Healthcare
  - IQVIA Holdings (IQV)
    - “we're not recession proof, we are recession resilient. We always have growth. We never dipped, never had negative growth, and the reason for that is very simple. We are a long-cycle business. You can't just decide that you're going to stop your clinical trial because interest rates are through the roof, and that's a great advantage. What happened in '20 and '21 is just not normal. People poured capital, not so smart capital, into all kinds of programs, many of which are getting canceled. Hence, the issue that some of our -- I don't want to say competitors, but peer companies are experiencing. What's our exposure? This is essentially pre-commercial EVPs, companies that have a molecule or science that they are developing and haven't gone to market. Now, we are not seeing any, I repeat, any. Let me say it differently. We are seeing zero changes today versus the end of last year, zero. Our RFP growth is double digits to date, strong viable digits, similar or higher than it was in the -- through the first half. We have very little exposure to pre-commercial EBP, 10% of our backlog. Anything that gets into our backlog is thoroughly vetted rigorously, not just the funding and the plan to fund but also the science, and that's very important. We are not seeing any cancellations that are unusual. We're not seeing any delays in decision-making.”
- Financials
  - Apollo Global Management (APO)
    - “The shareholder base and the analyst community, generally speaking, comes from an asset manager legacy versus a retirement services legacy. And so there's an education and an understanding about what Athene is and what is not.”
  - Bank of America (BAC)
    - “the amount of money in accounts is not going down. It's been relatively flat. . .So they have the money in accounts. They're spending it at a good clip. They have capacity to borrow. Our credit cards are still not up to where they were in a pandemic. Our home equity loans are still down. And you look across the industry, capacity to borrow, so the consumer is in very good shape. And you sort of say why, is that true. In the discussions with various people, it's pretty simple. They're getting employed. They're getting paid more.”

        - “So consumers are spending, and that bodes well for the economy. It's also the toughest thing the Fed has to deal with. Because what consumers are spending money on now, services, travel, things like that, take a lot of labor content, which means the employment situation is going to be tight. And that's the struggle they're doing is they can't get easing in employment markets because everybody started traveling, demands in hotels, restaurants, the airlines, et cetera, was high, unemployment kept coming up. And so the unemployment rate is not moving much in their favor.”
    - Barclays (BARC)
        - “It's a very, very unusual credit cycle, because it's the first time. . .that you see a credit cycle starting with such excellent initial conditions. . Where companies and individuals are highly liquid, have strong balance sheet, and employment is at a high, unemployment is at a low.”
        - “There is a chance, not a high one. I don't know what number to put it at, that what we see when we come out on the other side is a financial clearing up of asset prices. It's already happened, right, where -- in certain -- in parts of the equity markets and parts of the credit market. So a repricing of financial risk, but without a real consumer recession as we've seen it, as we've experienced in the past.”
        - “in most prior cycles, that lag effect would have been 9 to 12 months. I think right now, the initial conditions may make those lag effects longer. So it may -- what may have been 9 to 12 might be 15 to 18. . .And because of that, if there is a chance that the economy corrects itself or the energy price shocks disappear, then you may end up in a situation where the economy improves, demand improves before you actually have the real impact into the economy. So it's not that the lag effects have gone. I mean they're there. They're just a bit longer.”
    - Capital One Financial (COF)
        - “the consumer is in a really strikingly strong place. Really, if you compare to, say, the global financial crisis, the consumer was in a much weaker state as were a lot of other institutions around the consumer. But if we look at the consumer, the consumer's balance sheet is particularly strong right now. The cumulative benefit of the savings that have come through the pandemic is really quite significant, the deposits that the consumer has accumulated. So very strong on the balance sheet side, the labor markets very strong and the open jobs right now are at record levels. . . if we look inside our company and all the data and metrics that we have on consumer and calibrate that to the long history we've had in building this company, is pretty strong place that we are. The charge-off rate in our card business is in our last quarter announcement was running at basically half of the pre-pandemic levels.”
        - “Probably the biggest driver we found historically so far in the 3 decades of building Capital One, the biggest driver of consumer credit ends up being the unemployment rate.”
    - Fiserv (FISV)
        - “over 12,000 times a second, we have a transaction flowing through. . . So we have a very good look into the health of the consumer. . .spending has been stable. Stable at the elevated level that you've seen it, and the consumer is out in force.”
- Industrials
    - Alcoa Corporation (AA)
        - “We think that the fundamentals for the aluminum industry are as good -- or better

than they've been in decades. Why do we say that, with the some of the supply limitations that we see around the world with the Chinese 45 million metric ton cap with the drive towards better ESG performance in the industry."

- Real Estate
    - American Homes 4 Rent (AMH)
        - "demand for single-family rentals. Today, demand remains as strong as we've ever seen it. . .And so today, we see demand remaining very strong, and expect that to continue for our product type into 2023 and for -- actually for many years to come, even in light of where the economy is today. . .home affordability today is much more leaning towards rentals than it ever has, or at least has in the 12 years that we have been doing this."

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