



## Weekend Thoughts 10/29/22

**Net:** The steepest tightening cycle in the past 2 decades continues to modestly pressure economic growth. Credit metrics remain strong and are slowly inching towards normalization. Some advertisers in financial services are pulling back modestly. Enterprise businesses are still seeing elongated sales cycles as new initiatives require more approval layers. Many businesses are having conversations around belt tightening in non-growth oriented expenditures. Cloud spending continues to see unabated growth, helped by cost savings in capital expenditures and energy costs. CPG companies continue to execute price increases, with only modest impact on elasticities. Global monetary initiatives are leaning more dovish. Apartment vacancies are rising, and record numbers of new supply coming to market likely exacerbates that.

- Information Technology
  - Hynix
    - "I would say the current downturn is very severe for everyone involved in an unprecedented manner,"
  - Meta Platforms (META)
    - "On an advertiser size basis, revenue growth from large advertisers remains challenged, while we've seen more resilience among smaller advertisers."
    - "We're certainly in a period right now where we are seeing a slowdown in advertising demand, and that correlates with a lot of things that we're seeing outside of just our sector here, including rising inflation and supply chain issues sort of more broadly across the economy."
    - "it is a challenging time for advertisers. And what they are focused on given the economic uncertainty is getting a strong return on investment."
    - "So we are making progress with our investments and helping advertisers find that ROI that they're looking for."
  - Microsoft (MSFT)
    - "First, we will invest behind categories that will drive the long-term secular trend where digital technology as a percentage of world's GDP will continue to increase."
    - "we'll prioritize helping our customers get the most value out of their digital spend so that they can do more with less. . .Moving to the cloud is the best way for organizations to do more with less today. It helps them align their spend with demand and mitigate risk around increasing energy costs and supply chain constraints. We're also seeing more customers turn to us to build and innovate with infrastructure they already have."
    - "We have the most complete platform for developers to build cloud-native applications. 4 years since our acquisition, GitHub is now at \$1 billion in annual recurring revenue. And GitHub's developer first ethos has never been stronger. More than 90 million people now use the service to build software for any cloud on any platform up 3 times."
    - "we are seeing record growth in health care, driven, in part, by our Nuance DAX, Ambient Intelligence Solutions, which automatically documents patient encounters at the point of care. Physicians tell us DAX dramatically improves their productivity, and it's quickly becoming an on-ramp to our broader health care offerings."
    - "reductions in customer advertising spend, which also weakened later in the

- quarter, impacted search and news advertising and LinkedIn Marketing Solutions."
        - "from a customer perspective, the best way for them to align their spend with what is uncertain demand is to move to the cloud. So we see the value prop of the cloud. So the big winner in all of this will be public cloud because public cloud helps businesses offset the risk of taking demand risk."
        - "The other side, as you described today, is the risk around supply chain or energy costs. And so that's another one. Best way to hedge against an energy cost and we, in fact, more energy efficient, is to move to the cloud. So that's where I think a little bit of -- as you all think about what happens to cloud, for us, we look at this and say, this is a period where cloud gain [indiscernible] share because we're still in the early innings of adoption"
- ServiceNow (NOW)
  - "give a brief update on the macro. Our ability to outperform in Q3 is a testament to the strong execution of the ServiceNow teams. Account executives are staying close to the customer, constantly checking in and proactively assembling the necessary materials to get deals across the line. We will operate with the same rigor in Q4 and are confident that we're factoring in the macro trends into our guidance."
  - "we are not immune to the macro environment, and we're certainly not blind to what's happening around us. Our ability to execute despite the macro is quite astounding. And I give amazing kudos to our incredible sales organization around the world."
  - "We are staying closer to our customers than ever before, checking in with them, making sure we understand the levels of approval that they need to go through, making sure that we understand what they need to get that deal across the line."
- Qualtrics International (QM)
  - "Against the backdrop of macroeconomic and geopolitical uncertainty, we are seeing a more measured buying environment and increased executive scrutiny on purchase decisions, particularly with new customers. Our current expectation that this challenging macroeconomic environment will persist through 2023."
  - "we are seeing a continuation of a more challenging buying environment. That shows up in more deal scrutiny, more deal cycles, more deal cycling in the buying decision itself. And it particularly manifests with new logos, which is not unexpected"
- Communication Services
  - Alphabet Inc (GOOGL)
    - "growth in our advertising revenues was also impacted by lapping last year's elevated growth levels and the challenging macro climate."
    - "over a decade ago, focusing the company's efforts on mobile helped us to build and grow our business for the shift to mobile computing. We are at a similar point now with AI, another transformational technology. Our investments in AI and deep computer science mean that we can deliver a wide range of breakthroughs across our products and services to help people, businesses and communities."
    - "People now use Google Lens to answer more than 8 billion questions every month using just a photo or an image. Now we are supercharging our visual search capabilities to help people find what they are looking for at businesses nearby."
    - "In the third quarter, we did see a pullback in spend by some advertisers in certain areas and search ads. For example, in financial services, we saw a pullback in the insurance, loan, mortgage and crypto subcategories."

- "In challenging times like these, advertisers are carefully evaluating the effectiveness of their budgets."
- "In YouTube and Network, the sequential deceleration of year-on-year growth in the third quarter versus the second quarter primarily reflects further pullbacks in advertiser spend."
- "Turning to Google Cloud. Our results reflect momentum across GCP and Workspace. Customers globally are adopting our products and services to digitally transform their businesses. We are excited about the opportunity, given that businesses and governments are still in the early days of public cloud adoption and we continue to invest accordingly."
- "there was a further pullback in spend by some advertisers across both brand and direct response."
- Pinterest (PINS)
  - "U.S. and Canada MAUs grew sequentially for the first time since Q1 2021 to 95 million."
  - "sessions in Q3 grew meaningfully faster the MAUs, which indicates that we are deepening engagement with our users. We believe growing sessions should drive multiple top line benefits, such as reducing user churn, improving overall monetization and growing revenue per user."
  - "shopping on Pinterest drives and informs the core experience of the service rather than being distinct from or bolted on to that core experience. This is supported by the fact that more than half of users we've surveyed view Pinterest as a place to shop."
  - "we released our API for shopping to general availability in Q3 across all of our shopping- enabled countries, which include the U.S. and our largest markets in Europe, Latin America and APAC. Our API for shopping makes it easier for merchants to upload their catalogs and metadata while also sending real-time data on SKU-level pricing and inventory."
  - "we have on-platform, first-party signals like searches, saves and board curation that translate into highly valuable and monetizable customer insights for advertisers and resilient on-platform ad personalization and optimization. In addition, we have full-funnel ad solutions as users come to us throughout the stages of their purchase journey. We've built our ad platform so advertisers can meet users at every stage of their purchasing journey as they move from ideation, where brand advertising is most effective; to consideration, where a traffic campaign makes sense; to taking action, where conversion objectives are optimal."
  - "90% of our active advertisers now use automated bidding."
  - "we intend to return to meaningful margin expansion next year and have already started those efforts."
  - "Most of the other platforms in the discovery arena tend to be lean-back consumption platforms, and I think this is why you see platforms like Apple have implemented privacy changes and diminished the ability to use signals like third-party cookies. And you're seeing that have different impacts on different platforms. In a platform like Pinterest that has user intent on the platform, you're seeing that stand out. You're seeing that be more resilient in being able to show relevant things to users. But the human curation on our platform, the fact that users come to Pinterest and tell us what types of outfits go together, what types of home decor go together, what kinds of decorations go together well, that is really rich signal that

our machine learning can act upon that is fundamentally different than the signal that you would get on a lean back consumption platform, where your signals primarily views versus here, we have the user lean forward, engaging, curating, creating, making these associations directly on our platform."

- "the human curation on our platform that gives us much richer signal than you would find in a lot of other visual discovery platforms I think puts us in a really great position to solve the full funnel for shopping. We're a full-funnel platform, and I think you see that resonating with advertisers on our platform."
- "In a lot of ways, the first 20-plus years of e-commerce were solving for buying and not as much for the shopping part of the equation, which was sort of walking the bazaar, going into the mall and not knowing what you wanted to buy but having a general sense and then discovering. That hasn't been fully solved in the digital world. And I think what you see from us around our ability to create great visual exploration with really great recommendations and really rich first-party signal lets us go solve that full-funnel experience in the digital world in a way that just has not been fully solved as of yet. I think that's our primary differentiator, and it cuts across markets."
- "relative to our peer set, and I think it's pretty clear that in a tough macro, we found ways to differentiate and outpace a decelerating ad market."
- Consumer Discretionary
  - Chipotle Mexican Grill (CMG)
    - "we continue to see a widening of trends by income level with the lower income consumer further reducing frequency. . . higher-income households, which continue to increase purchase frequency."
    - "Earlier this month, we took a price increase in around 700 restaurants to address pockets of outsized wage inflation. Menu prices in each restaurant increased between 2% and 3%, which had a company-wide impact of about 0.5% overall."
  - Corning (GLW)
    - A smartphone sales in the second quarter declined 8% year-over-year, panel maker utilization in June 2022 was at its lowest level since 2009.
  - General Motors (GM)
    - "During the quarter, we completed and shipped nearly 75% of the unfinished vehicles we held in the company inventory in June. That's well ahead of the plan we shared at our last earnings call. As we've moved through the year, we have seen gradual improvement in the supply chain, including semiconductors."
    - "Overall, parts availability and supply chain issues continue to slowly trend in the right direction,"
    - "I think it's too soon to conclude anything about trends. We do know that there's a lot of pent-up demand from the last couple of years, as evidenced by both MSRPs as well as what turn rates have been doing."
    - "our credit metrics are really still quite strong. Pre- pandemic, our net losses ran in the 1.5% range. So they're less than half of that now at 70 basis points."
    - "we overall expect some normalization in credit, especially with weaker economic conditions."
  - Harley Davidson (HOG)
    - "While we continue to operate in a volatile supply chain environment, we started to see cost inflation moderate as we move through the quarter. Specifically, we saw logistic rates decline and raw material inflation flow given the moderating metal

- markets."
    - "as the quarter went on, we saw overall retail return to growth year-over-year, as inventory began to flow more normally into the dealer channel."
    - "The deceleration in inflation is primarily a result of normalization across logistics, including lower expedited shipping expenses, and to a lesser extent, raw materials and the impact of metal markets beginning the distant from peak levels last year. . we've seen that positive trend to continue into the fourth quarter to date."
    - "We're certainly planning for all eventualities. But what we're seeing so far, and in particular, in October is a positive trend."
- Polaris (PLI)
  - "While the retail story is mixed for the quarter with retail sales down 8% year-over-year, our premium products across utility and recreation and Off-Road continues to see stable demand."
  - "we are seeing some customers be more price sensitive on value models, which is consistent with last quarter."
  - "The top end of the customer funnel is healthy, and we believe that investing in demand creation can amplify organic interest and increase the number of leads at the bottom of the funnel. As this process can take time, we've made the decision to invest in growth and are increasing our spend on demand creation in the fourth quarter."
  - "Broadly speaking, we continue to track how the consumer is faring with pressure from rising interest rates, inflation and higher gas prices. While we've not drastic changes in consumer behavior due to these factors, we will continue to closely monitor consumer behavior and react accordingly."
  - "we see inventory down approximately 50% versus 2019. We believe an optimal level of inventory represents an approximate 1.5x increase from current inventory levels, which we estimate could total almost \$400 million to refill the channel to this new optimal level of inventory."
  - "we expect this channel refill opportunity to last through the fourth quarter and into early next year,"
- Consumer Staples
  - Anheuser-Busch InBev (BUD)
    - "In the U.S., the beer industry remains resilient with volume trends improving throughout the year in all major beer segments even in the current inflationary environment."
  - Kraft Heinz (KHC)
    - "we see consumer demand remaining strong and analytic elasticities that continue to hold."
    - "we have executed a new price increase in the month of August. And the elasticities turned out to be stronger than what is anticipated, which resulted in strong top line."
  - Unilever (UL)
    - "we saw underlying sales growth accelerate to 10.6% in the third quarter, driven by price at 12.5%, and that's the seventh successive quarterly increase."
- Financials
  - Moody's Corporation (MCO)
    - "during the third quarter, macroeconomic and geopolitical conditions continued to deteriorate, and that further suppressed the global debt issuance markets from the

- already subdued levels that we have seen in the first half of the year."
- "And we expect that low issuance volumes, particularly in the leveraged finance space, will persist through the remainder of the year."
  - "at the beginning of the year, like others in the market, we anticipated that elevated levels of inflation would be transitory and slowly abate over the course of 2022. And instead, the conflict in Ukraine further impacted market confidence and commodity price shocks pushed inflation higher."
  - "And these factors prompted central banks to raise interest rates further and faster than expected to levels we haven't seen for more than a decade, and resulting in ongoing uncertainty and volatility in the capital markets."
  - "volatility in the capital markets. In the meanwhile, corporate balance sheets remained robust, following a surge in opportunistic pandemic-era financing, allowing issuers to stay on the sidelines, given the market conditions."
  - "We expect that these macroeconomic and geopolitical conditions will continue to mute issuance levels at least through year-end."
  - "This year, only a little more than 1/4 of the first-time mandates that we've signed have gone to market, meaning there's a backlog waiting to tap the markets. And to leverage those opportunities, our teams have been engaging extensively with investors and issuers,"
  - "As we look ahead, our pricing opportunity remains intact, and we know there are over \$4 trillion in refunding needs that will likely be refinanced over the coming 4 years."
  - "When I said that I thought that the market could absorb rate increases as long as they were well anticipated by the market and they were accompanied by economic growth. And that is not what we have had this year. So the tightening cycle is really the steepest of the past 2 decades. I think that initially surprised the market, and it has been accompanied by decelerating economic growth. . .the market has got to get confidence that inflation is peaking so that the market can then get comfort with the pace and trajectory of Fed rate increases. And that is really, really important. And I don't think we've seen that yet. . .And so our view is that Fed funds is going to peak some time in the first quarter of 2023. But the headwinds that we've got now are not just going to disappear overnight. We think that it's going to take into early 2023 to resolve some of that, and we're still going to have a relatively tough issuance comp in the first quarter."
  - Synchrony Financial (SYF)
    - "The more recent pullback in gas prices appears to have contributed to a slight acceleration in broader discretionary and nondiscretionary spend with categories like clothing, home furnishing and repair, bill pay and auto-related spending experiencing higher transaction value at similar frequency."
    - "the daily and monthly touch points that Synchrony has with our customers across a broad range of purchases tells us that consumer health remained strong and supportive of demand. whether they're taking care of everyday essentials like gas, groceries and medical expenses or making more episodic investments like buying a new mattress or replacing a refrigerator."
    - "our 30-plus delinquency rate was 3.28% compared to 2.42% last year, and our 90-plus delinquency rate was 1.43% compared to 1.05% last year. Our third quarter net charge-off rate was 3% versus 2.18% last year. This 82 basis point year-over-year increase generally reflected the gradual progression of our credit losses towards our

- portfolio underwriting target of 5.5% to 6%."
    - "the gradual progression of our credit losses towards our portfolio underwriting target of 5.5% to 6%. Our allowance for credit losses as a percent of loan receivables was 10.58%, down 7 basis points from the 10.65% in the second quarter."
    - "as we exited out of the third quarter, delinquency in the [indiscernible] is a little bit better than our expectation. And when we look at the attributes inside of the portfolio by credit grade, they're performing still better than 2019."
    - "What we probably anticipate is as some of that savings drives up and some of maybe the lack of -- or the utilization of lower discretionary spending because people aren't going to the office every day. As that tightens a little bit, what you're going to see is probably spending come down and payment rate come down. But I think what you're going to see first is payment rate begin to slow. Spending stay there, you're going to see balances go up. And then you're going to see purchase volumes slow. So I think there could be elongation of asset growth here in the short term. Again, we'll have to see how the economy and the macroeconomics plays out for a medium term. . .But clearly, there are probably more tailwinds than headwinds in the short term."
    - "We're not seeing anything right now that is concerning. It's been a very gradual, I'd call it, normalization. As we move through the year, in fact, I think every quarter, we updated our credit guidance and it was always modestly better than we thought 90 days prior."
  - Visa (V)
    - "we did not factor a steep economic downturn or a recession into our numbers."
    - "eCommerce spending remained well above the pre-COVID trend line even as card-present spend continue to recover."
    - "In summary, we assume stable conditions through fiscal year '23. We are prepared to act fast should circumstances change. Regardless of near-term uncertainties, we remain as certain as we've ever been about our extraordinary long- term growth opportunity. There is still plenty of cash to digitize in core consumer payments. We are accelerating volume growth by vastly expanding the use cases we can serve through our new flows business while enhancing the yield on transactions in our network by layering on value-added services."
    - "right now, we are seeing nothing but stability. And it's been true over the last numbers of quarters. And our business is very different than it was the last time there was a downturn. We're much more into everyday spend categories."
- Healthcare
  - IQVIA Holdings (IQV)
    - "indicators of demand both from customers and in the market generally remain healthy. Industry critical trial starts continue to trend ahead of last year, rising almost 7% year-to-date. The pipeline of active early-stage and late-stage molecules are both up 8% from 2019 pre-pandemic levels."
    - "we are not experiencing any signs of slowdown in demand. . .Absolutely nothing changed at all, okay? Overall, RFP flow is 10% up year-to-date, 15% in Q3. What we call the qualified pipeline, which means it's advanced, it's not early stage, it's not speculative, is up 19% year-over-year. Awards in Q3, the awards are -- should I mention the number? The awards in Q3 are 22% up, second highest quarter ever. Plus 10% sequential growth. . .On the demand

side, we see no change. It's widespread, large pharma, EBP. We've been saying this for the -- from the beginning of the year. . .You guys are not believing us, but the numbers are showing, are -- and I guess everyone else is coming to the story as well."

- Industrials

- Armstrong Worldwide (AWI)

- "Supply chain issues improved in the quarter, but labor constraints continued, constraining construction capacity and perpetuating elongated project timelines."
    - "as the quarter progressed, we experienced the impact of greater economic uncertainty and higher interest rates on commercial construction activity. This unexpected slowdown appeared to track the decline in overall economic sentiment, such as weaker GDP estimates, a deceleration in commercial construction indicators, and expected further moderated inflation. This backdrop presented opportunities for projects to pause, and many did. . .there's clearly a level of uncertainty out there, people who could wait are waiting because of that uncertainty. And number two, I think the market is starting to recognize that inflation is turning over. So everybody that got quotes and sticker shock on the cost of their renovation projects could see now that this could, by waiting 3 to 6 months or maybe another year, they could wait this out and get a better price for their renovation projects. So it felt like those people who could wait chose to wait, and we really felt that in the third quarter."

- Automatic Data Processing (ADP)

- "We are keeping an eye on the macroeconomic environment as well, but overall demand remains strong, and our pipeline looks solid."
    - "We saw a modest deceleration in average worksite employee growth in the average worksite employee growth rate, which was anticipated, but the 12% growth was slightly ahead of our expectations for the quarter, and we're very pleased with that growth."
    - "So this could be a very strange slowdown, right, or if you want to call it a recession, where it's. . .a labor full recession where it doesn't feel like employment, at least the stuff that we look at background checks, job postings, et cetera. . .again, in the time horizon that we have visibility to pretty strong"
    - "So I think we're just heading back to kind of more normal rates, but in an unusual way where the labor market doesn't appear to be the leading the leader in the slowdown. It appears to be people spending less on stuff that they spent a lot of during the pandemic, "
    - "specifically for us, labor is still strong. As long as labor is strong, our clients are still looking for tools to employ, to hire and to manage that labor."

- Axalta Coating Systems (AXTA)

- "Globally, volumes improved 9% year-over-year driven by end market recovery trends and share gains across the portfolio."
    - " 3 or 4 of our businesses increased volumes in the quarter."
    - "there are some early signs of softening in some of our industrial coatings exposure outside of EMEA. . .Elsewhere, we see bright spots heading into 2023 and expect to grow in most end markets."

- Caterpillar (CAT)

- "Retail new business volumes did decline compared to the record levels in the prior year. However, at this point, Cat Financial is not seeing slowing business activity but



- is instead impacted by strengthening competition from banks."
- Canadian National Railway Company (CNI)
    - "While we're seeing some early signs of softness in certain markets, we will continue to be very busy through the fourth quarter"
    - "We are seeing flattening demand in chemicals with some impact due to the economy slowing."
  - Heidrick & Struggles International (HSII)
    - "we are now beginning to see a market slowdown."
    - "on-demand talent will continue to grow in relevance and demand, particularly as the labor market is still very tight and companies are operating in an environment where variable versus fixed cost are priority. . .historically, the on-demand talent business has been better at weathering economic downturns."
    - "when you look at kind of Q2 compared to Q3, we saw pretty gradual slowdown and pretty much across the board. I think the only one that was really kind of different to that was the consumer side that maintained some good strength through the summer months. But when you look at financial services, GTS, healthcare, all of them are down in again, a reasonable proximity, which is really just more of a fundamental slowdown just during the summer months
  - Masco Corporation (MAS)
    - "Demand moderated more than expected in the third quarter, with most categories experiencing declining volumes year-over-year."
    - "POS and incoming orders slowed more than expected late in the third quarter across most of our product categories. And we anticipate this slowdown to continue into the fourth quarter."
    - "We've taken significant pricing actions and will continue to recover cost inflation experienced in 2021 and 2022 as certain commodities and cost pull back from their highs,"
  - Norfolk Southern Corporation (NSC)
    - "On the domestic side, national Intermodal volume trends are showing signs of slowing, suggesting weaker peak season demand. However, consumer spending, which has historically been a big driver of this market, is currently forecasted to hold steady through the end of the year, providing underlying support for our domestic Intermodal volumes. "
  - Old Dominion Freight Line (ODFL)
    - "We're seeing good trends with our national account reporting. We're not losing customers. So things are all trending favorably in that regard. It's just a matter of the demand, we feel like is not out there for our customers' products, if you will. We're just not picking up as much freight for those same customers that we may be making stops every day at their locations."
  - Otis Worldwide Corporation (OTIS)
    - "it is primarily the U.S. It's not rate driven. It really is availability of construction labor outside of the elevator part. We're feeling very confident in our ability to be at job sites at the right time. We recognize we're in the critical path, but it's all the other trades from getting the hoistway poured to really just directing the building. So that's really what we're seeing, and it's a delay, it's a slowdown, but it's not going to go away. The buildings are going to get built, but it's going to move some revenue into '23 even from the fourth quarter. So we're watching that carefully."
    - "There's really no unique vertical that, that's happening. The verticals are really still

strong. And if you look at ABI is at 51.7, Dodge construction starts. The biggest growth we're seeing is in multifamily residential. And year-to-date, Dodge construction starts for multifamily residential is up 28%. And year-to-date, So demand is still strong. Orders are strong, 24.3% year-to-date in the Americas, and we're just seeing a little bit of delay in terms of being able to deliver and record that revenue."

- Owens Corning (OC)
  - "During the quarter, we saw many of our end markets beginning to reset as we all adjust to a changing macroeconomic environment with higher inflation, higher interest rates and continued uncertainty in Europe created by the war in Ukraine."
  - "I'd say probably the weakness we've seen is more on the commercial interior kind of applications for insulation, pipe insulation, wall insulation versus kind of the wall panels, facades versus some of the other applications we're in."
- PulteGroup (PHM)
  - "Demand clearly slowed as dramatically higher interest rates created financial and psychological hurdles for homebuyers. We chose to walk from certain options tied to future land investment where returns no longer met required performance metrics"
- Roper (ROP)
  - "We are increasing our guidance for the year, driven by the combination of excellent third quarter results, continued strong demand for our niche software and product solutions, and the addition of Frontline Education"
- The Sherwin-Williams Company (SHW)
  - "Demand remains strong in pro-architectural and North American industrial end markets in contrast to continuing softness in Europe and China."
  - "While year-over-year cost inflation remained very significant in the quarter, we were encouraged by a modest sequential decrease in raw material costs."
  - "Within The Americas Group, demand is strong across all of our pro-architectural markets, including new residential, despite higher interest rates, with customers reporting strong backlogs that will take them through the end of the year and likely longer."
  - "From an industry supply chain perspective, we're largely getting the raw materials we need, though the availability of alkyd and some specialty resins remain choppy and is impacting certain product lines within Consumer Brands and Performance Coatings. While we continue to push hard, we don't expect meaningful improvement in the availability of these resins until the first quarter of next year."
  - "On the cost side of the equation, our full year raw material inflation guidance remains in the high teens. We expect to see further sequential decline of raw material costs in the fourth quarter, though they will remain elevated year-over-year."
  - "We expect slowing new residential demand with elevated interest rates and other costs that are impacting new single-family home permits and starts. However, multifamily production has maintained strong momentum. It's also clear that macro headwinds are likely to continue and potentially worsen in Europe and China."
  - "We will continue implementing appropriate pricing actions across the company to offset persistently higher input costs"
  - "we're going to get the full quarter of 10%. We're going to annualize the August '21, 7%. We're going to annualize the September, 4% of last year's surcharge. So when

- you net them all together, it's about flattish quarter-to-quarter or high single digit."
- United Parcel Services (UPS)
    - "This year, we anticipate our volumes will peak later in December compared to last year, as we expect consumers will return to more pre- pandemic shopping behaviors."
    - "In the U.S., we continue to see crosscurrents driven by the strong job market and healthy consumer spending, despite higher inflation and interest rates. Internationally, the macro environment weakened more than we expected due to high inflation, volatile energy prices, lockdowns in Asia and the war in Eastern Europe."
  - Upwork Inc (UPWK)
    - "1/4 of American workers are now working remote first or mostly remote, while 71% of companies expect remote work to be part of their standard operations moving forward. . .This new work reality opens up a vast opportunity for Upwork to introduce ourselves to the 90% or more of companies and hiring managers who have not been aware of or considered Upwork and to bring them into the fold as customers."
    - "We have seen the softer client acquisition and retention trends that we observed in the second quarter stabilized in the third quarter, with the softness continuing to be more pronounced in Europe and with small and medium-sized businesses. . .Our Enterprise Land team also saw elongated sales cycles due to the macroeconomic outlook for a handful of accounts."
    - "we do not see any downshifting in terms of retained customer spend. In fact, we saw really good success with the team growing existing accounts, customers leaning into the solution."
    - "we really feel good about the trajectory with our existing customers who are continuing to spend with us, expanding spend in a lot of cases."
    - "In terms of how the macro factors are impacting potential client decisions, I think it's really, on the one hand, we've seen accounts where they are very excited to be expanding our model now, either existing customers or even some land customers where because they have certain other spend constraints, our model is very appealing. But then on the other side, as we talked about with the deal cycles being elongated, that is another factor. So we see a little bit of a mix of that. But overall, again, for existing customers and particular who already are familiar with our model and are using us, we haven't seen the macro be a headwind at all on that side."
    - "We haven't seen the conversion rates change at different points in our funnel. So the signs are pretty positive there that -- that's not really hitting us. It's more just the cycle time than, for example, some of the issues we're seeing is just more approvals being introduced into the process or some companies seem to be going to outside counsel more to get involved in improving their deals. . .And the increase in cycle time on these things is something that we're seeing, but it's not blowing up the process"
    - "a lot of people on the outside will think of, Upwork is a solution for tech businesses or a certain type of very cutting-edge company. But in fact, we are really, I think, landing with so many businesses and so many industries who understand increasingly the value of our model,"
    - "macro dynamics that kind of increased in softness throughout Q2 and then kind of stabilized throughout Q3."

- "there is a big conversation at every company right now around belt tightening in general."
    - "the SMB business is really healthy. There hasn't really been any changes of note from where we were last quarter."
  - Waste Management (WM)
    - "In the third quarter, volume remained at healthy levels as workday adjusted collection and disposal volume grew by 1.7%, including special waste volume growth of nearly 15%. Commercial volume adjusted for the contract losses I mentioned was 1.4%."
    - "If you think about collection and disposal volume being positive 1.7%, and there was a little bit of a headwind in there with the hurricane. But still, 1.7% at a time when everybody is speculating about when is the economy going to turn down was really impressive to us. I looked at our numbers this morning. Special waste was still up [ 50% ] last week. So our volume continues to be relatively good and that was the positive part for us."
- Real Estate
  - CoStar Group (CSGP)
    - "Tight multifamily market conditions have been a headwind for Apartments.com, but are now shifting and may, in fact, become a strong tailwind. Vacancy rates rose to 6.1% in the third quarter, an increase of 40 basis points from the last quarter. This is the fourth consecutive quarterly increase in the vacancy rate, and we are now only 40 basis points below the historical long-term average vacancy rate."
    - "unit deliveries increased from the second quarter to 122,000, which is at the higher end of historical averages. With the number of units under construction nearing all-time highs and absorption moving towards all-time lows, vacancies are expected to rise further in coming quarters, "
  - REALPAGE
    - U.S. Apartment Demand Plunges in 3rd Quarter as New Leasing Stalls More than Expected
    - A surprisingly big slowdown in leasing traffic pushed net apartment demand moderately negative in 3rd quarter at -82,095 units – typically a seasonally strong leasing period. It also marked the first time in RealPage’s 30 years of tracking U.S. apartments that demand registered negative during a 3rd quarter period.
    - Apartment construction has reached 40-year highs, with more than 917,000 units under way. Completions are on track to peak in the second half of 2023, with the vast majority competing for higher-income renters at rent levels well above the market norms.

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