SPREE CAPITAL
ADVISERS

Weekend Thoughts 11/5/22

<u>Net:</u> Higher interest rates are weighing on business fixed investment. More businesses are prioritizing operating expenses and research and development budgets to focus on lower risk growth. Advertisers are selectively pulling back as many businesses are unsure on if the US will enter a recession. Travel and experiential spend is about as strong as it has ever been. Digital transformation spend continues to chug along. The Federal Reserve continued its hawkish talk on controlling inflation, but the shift in tone towards being mindful of the effect of the cumulative tightening on monetary policy, the inherent lag effects, and the slowdown in the pace of tightening is unmistakable.

- Information Technology
    - Atlassian Corporation (TEAM)
        - Year-over-year growth of our customers continues to grow, which is great, but just a little bit slower in the converting to actual paying customer."
        - "we have seen no change in our migrations rates."
        - "We're assuming 2 fundamental things in our guidance. First, the current macroeconomic environment persists throughout the year. It does not get materially better or worse. And then secondarily, the macro impact on the business and the trends we saw in Q1 around free-to-paid conversion rates and paid seat expansion at existing customers also persist throughout the year and does not get materially better or worse."
        - "customers are not adding seats and heads the way they used to add them because the hiring environment has changed"
    - NXP Semiconductors (NXPI)
        - "For the consumer exposed IoT subset of the Industrial & IoT market, we started to experience weaker sell-through in the channel."
        - "we are facing a tricky demand environment. On the one hand, the demand trends from automotive and core industrial customers are very resilient. And we continue to face supply constraints across multiple microcontroller and advanced analog products. And on the other hand, we see weakness in the broad consumer IoT and in the Android mobile market."
        - "Given that unbalanced dynamic of the demand environment, we are going to pull those levers that are in our control, namely stringent channel inventory management and discipline and discretionary operating expense."
    - QUALCOMM (QCOM)
        - "As we look to fiscal '23, further deterioration of the macroeconomic environment and extended China COVID restrictions have resulted in demand weakness and temporary elevated channel inventory across the industry. To that end, we're being very disciplined in managing operating expenses while optimizing our R&D investments to prudently focus on growth within automotive and IoT. We have already implemented a hiring freeze, and we have planned spending reductions across our mature product areas and SG&A to fund our diversification."
        - "As we communicated during the last earnings call, we had started to see a deceleration in demand for mass-tier handsets in consumer IoT. Since then, the further deterioration of macroeconomic environment and sustained COVID restrictions in China have led to

broad-based demand weakening across tiers and regions. Given these considerations, we now project 3G, 4G, 5G handset volumes in calendar 2022 to decline by low double digits on a year-over-year basis, including 600 million to 650 million 5G handsets. This rapid deterioration in demand and easing of supply constraints across the semiconductor industry have resulted in elevated channel inventory. Due to these elevated levels, our largest customers have made significant changes to their inventory policy. They are now drawing down on their inventory, negatively impacting our near-term financial performance."

        - "Based on our current assessment, we estimate that there are roughly 8 to 10 weeks of elevated inventory in the channel. While the environment is very dynamic, based on the information we have today, we believe this may take a couple of quarters to work itself through with more than half of the inventory drawdown completed in the first fiscal quarter."
        - "our last earnings, one of the things we said was we expected customers to be cautious with their purchases in the second half of '22. But since then, what has happened really is the macroeconomic environment deteriorated, and we went from a period of supply shortages to demand declines. And it's kind of an unprecedented change over a short period of time. And what you're seeing is really OEMs responding to that and making a change in their inventory policy and now drawing down on inventory."
    - UBER (UBER)
        - "cities are reopening, travel is booming and more broadly, a continued shift of consumer spending from retail back to services. We've seen these trends continue into the fourth quarter, with October tracking to be our best month ever for Mobility and total company gross bookings."
        - "we're not seeing any signs of consumer weakness. And part of it is that the consumer spending is strong. And not only is consumer spending strong but is shifting over from retail to services,"
        - "Even lower-income riders continue to have higher trips per rider as things are opening up, showing absolutely no signs of slowing down."
        - "And we've also specifically looked at Europe with inflation, with the European economies, I think, leading in terms of weakness as far as the Western world. Again, we've looked to see if there's any weakness and we're not observing any weakness."
        - "We're going to be cautious on costs. We're going to be cautious on overhead. But as far as the business goes, right now, we are seeing strength across the board."
        - "When we look at Delivery, again, we don't see any signs one way or the other of consumer weakness at this point. It's something that we're watching out for us. Basket sizes are up, frequency is stable. About 10% of our eaters on a monthly basis now are using our grocery product as well. So we are driving higher engagement there."
    - Universal Display Corporation (OLED)
        - “We're generally seeing softness across the board. It does seem as though the high-end cell phone market seems to be holding up reasonably well. We're seeing activity growing for IT, especially as we look forward into 2024."
- Communication Services
    - iHeartMedia (IHRT)
        - "Although advertising has certainly softened since the robust performance we saw at the beginning of the year, we don't think advertising has been as hard hit by an economic downturn as it would have been in past times. Let me tell you why we think that is. The people controlling advertising decisions today are, in most cases, the same

people who controlled advertising decisions during the last economic and advertising downturn. According to Analytic partners, advertisers that cut their advertising budgets during the last recession, saw their sales decline by approximately 18%. And while those who maintained or increased their advertising spend over that same period, saw their sales increase by approximately 17%. We think advertisers learned a stark lesson, which we suspect is causing many of them to moderate advertising cutbacks."

    - "We run an analysis recently in Q3. And our largest advertisers substantially outperformed our smaller advertisers. . .And I think a large advertiser has the ability to spend even in slower economic times. . .I think most of those people that lessons recent and they're thinking about it. I think when you get to the long tail advertiser, those are really small businesses. And if their business turns down, they just don't have the money to spend on advertising."
- Live Nation Entertainment, Inc. (LYV)
    - "Live Nation delivered the biggest summer concert season in history"
    - "Despite varying economic headwinds, including inflation, we have not seen any pullback in demand as on sales, on-site spending, advertising, all other operating metrics continue showing strong year-on-year growth."
    - "We love all-in pricing. We're adhering to all-in pricing in New York right now. I think we're probably the only ticketing company actually adhering to those regulations right now. So we like sunlight coming to the business."
- Roku, Inc (ROKU)
    - "In Q3, advertisers pulled back on spending, consumers were further pressured by inflation and overall economic"
    - "uncertainty remained high. We expect these conditions will continue and are likely to worsen in Q4. Although these factors are temporary and the ad market is expected to bounce back, we will continue to take steps to reduce our OpEx growth."
    - "In addition, we are sharpening our spending focus on the projects that will drive the most growth and enhance our leadership position."
    - "We added 2.3 million active accounts in Q3, which was above net adds in both 2019 and 2021, and we grew streaming hours on the Roku Channel by more than 90% year-over-year."
    - "we launched new smart home products to build new service revenue streams. We believe every device in the home will be connected by software and services but it's still early days. For example, only about 20% of U.S. households have IP cameras. . .the existing smart home experience is fragmented and difficult to use. As the #1 selling smart TV OS in the U.S., we have the technology and expertise in hardware, software and services to deliver a smart home ecosystem that is simple, powerful and delightful. We launched in this category with strong retail distribution at Walmart, America's #1 retailer. Roku is now the #1 smartphone brand by shelf space in nearly 3,500 Walmart locations. As with our TV streaming business model, we will build scale with our devices and monetize through smart home services, which we expect to become a very large market. We have spent years building a business designed to benefit everyone in the TV streaming ecosystem. We are extending our ecosystem. And as we look ahead, we remain confident that our strategy and business model are the best way to maximize the opportunity to deliver both growth and profitability to our investors.
    - “We believe that macro uncertainties and inflationary pressures will continue to negatively impact consumer discretionary spend and these pressures will further weigh on advertising budgets, particularly the ad scatter market. We expect these conditions

to be temporary but it is difficult to predict when they will stabilize or rebound."

- "Making complicated things simple is something that Roku really excels at. And that's another big opportunity for us to be successful here, another way for us to be successful. It also -- if you think about all the assets we have, we have -- we're great at software services. We're good at building very simple and usable devices and services. And all of those things directly apply to the smart home business. So we have our brand. I mean we just -- it's a very natural extension and we've already built a lot of the pieces we need. And then finally, in terms of the opportunity, there's going to be -- it's going to be a big market for smart home services. And so it's -- kind of over the long term, it's the way for us to build out new high-margin service revenues. And then if you think about it tactically, our business -- at our business model level, our business model is to sell devices, smart devices that are low cost and great value for customers and then monetize those through service revenue streams. And so this is just, again, a natural extension. Also, extending our ecosystem by allowing our customers to add other devices to their account should -- will also have the benefit of increasing the retention of our existing customers as well as obviously building service revenue streams."
- "So -- and it's not a particularly big investment for us because we're leveraging a lot of what we've already done. And so -- but yes, it's an option on something that could be very big and a very high return. And so that's why we're doing smart home. It's a great opportunity."

- Zillow Group (Z)
  - "Having led Expedia through 9/11, Zillow through the financial crisis in 2008 and early COVID in 2020, we have experience staying relatively steady on the gas when others are slamming on the brakes."
- Consumer Discretionary
  - Booking Holdings (BKNG)
    - "More recently, we have seen resiliency in the level of demand from travelers with room night growth improving slightly from September levels to about 12% growth estimated for the month of October versus October 2019."
    - "The slight improvement in October was primarily driven by the continued recovery in Asia as well as a slight improvement in Europe."
    - "While there is a rising concern around the macroeconomic environment and uncertainty around the consumer spending, we believe the sustained level of demand we have seen through October helps demonstrate our consumers' strong desire to travel further."
    - "On the mix -- on the trade down. . .we're not seeing that in Europe to be perfectly clear because that's where sometimes people are asking the question, but we're not seeing global either."
  - Caesars Entertainment (CZR)
    - "October was the strongest month in the history of Las Vegas for Caesars."
    - "we see the same macro going forward that others see in terms of here's what happens with continued rate rises that [for] the consumer, are we facing a recession. We're not. We're certainly cognizant of what's out there. I can't point you to anything in our business in or out of Vegas that shows any slowdown in the consumer. So we feel very good."
    - "October was obviously very strong. You've seen the third quarter. We know what investors are anticipating. We're not seeing that in our business to date nor in the forward metrics that we see -- that we look at in our own business."

    - EBay (EBAY)
        - "The war in Ukraine, inflationary pressures and rising interest rates continue to wear on consumer confidence and demand for discretionary goods."
    - Etsy (ETSY)
        - "we believe we have experienced the majority of reopening headwinds that have weighed on our GMS performance for most of the year. The third quarter was relatively stable on a monthly basis, and our year-over 3-year growth rate trended slightly higher in October, further increasing our confidence that reopening headwinds are largely behind us."
        - "we are seeing a lot more promotional activity from our sellers. The vast majority of that is funded by the sellers. The sellers are choosing to give very targeted discounts."
        - "I'm pleased with the fact that while new buyer growth has slowed from the pandemic, very unsurprisingly, it's 50% higher than it was before the pandemic."
    - MGM Resorts International (MGM)
        - "Net-net, 2022 is shaping up to be a record year for many of resorts, and we believe a fundamental change in people's perception of travel and the value that it brings to their lives in Las Vegas and MGM Resorts is benefiting this emerging theme."
        - "Business is exceptionally strong right now in Las Vegas at MGM Resorts and we see the market remaining exceptionally hot. In particular, we are seeing outsized strength in our luxury resorts where pricing remains robust. In fact, October was our highest month ever in terms of hotel revenue."
        - "Our outlook continues to be positive and we're flexing our operations to take full advantage of the demand we're experiencing in the marketplace."
        - "Elton John was here on a Tuesday night, he put 50,000 plus in Allegiant Stadium, the south end of the strip is absolutely benefiting. We thought Allegiant could do like 40 events. I think it's going to do that and more. And if you think about the nature of people saying, that's like 100 days a year that people have visitation to Las Vegas driving a huge activity case, particularly at the south end of the strip which is obviously core to that neighborhood. And so we're pretty excited by it. We think it underlines a foundation that just puts us at a different place than we've ever been historically."
- Consumer Staples
    - The Clorox Company (CLX)
        - "During the quarter, we maintained our unrelenting focus on rebuilding margin by taking additional inflation-driven pricing,"
        - "we've taken multiple rounds of pricing, with a third round in market effective in July. And we are seeing elasticity largely in line with our expectations."
        - "Our categories remain healthy and resilient. And our price gaps have returned to pre-pandemic levels for most brands."
        - "Given the pressures. . .in terms of cost, we are taking an additional round of pricing in December, which will be our fourth major round of pricing. We don't anticipate that round to be as deep or broad as the July pricing, which was the largest of the 4 that we will take to date."
        - "We're seeing them look for different ways to explore value through sizing. So maybe buying at an opening price point, if they just have a low out-of-pocket availability from a cash standpoint, or they're trying to get the very best value per ounce or use and they're going with larger sizes. We've seen things like trip frequency increase, where people are spending a little bit less on each trip, but they are coming more frequently. And this is very typical value- seeking behavior from consumers at this point."

- Mondelez International (MDLZ)
    - "We also expect a significant contribution from pricing, and we continue to plan for double-digit cost inflation. We have just announced another round of pricing in the U.S. to reflect continued inflation and positive impact of our commodities coverage in 2022 seizing current spot levels in 2023."
    - "While we successfully concluded our European pricing with disruption below our anticipated levels, inflation continues to be a concern in Europe, particularly with energy, that despite some EU-driven measures is still a significant headwind."
    - "Energies has broad repercussions, both on pack cost and other raw materials. We expect another round of pricing in Europe as we enter next year."
    - "From an elasticity perspective, maybe I would say that, that remains below expectations. It is lower than it was last year even, certainly lower than it was pre COVID. In our forecast, we are foreseeing higher elasticity effects because we believe that eventually, there will be a bigger effect, but so far, we're not quite seeing that. And then from a cost perspective, we've seen some commodities showing signs of pulling back but we still expect significant inflation in '23 and hence, the pricing rounds we have to go through."
    - "I can go maybe a little bit deeper because I know that it's on everybody's mind as it relates to the European consumer and what are we seeing there, might be useful to do so. What we see is that they continue to prioritize grocery spending. They seem to be choosing that instead of spending on other discretionary items. So we see a clear decrease in entertainment and leisure, in travel, in restaurants, in eating out, in clothing, personal care, household goods. That's where we see the decreases in Europe but not in food and not in our categories."
    - "We will see how the consumer reacts, but so far, the 2 previous price increases, we have not seen a major impact on consumer offtake and penetration and frequency; [volume growth] and so on is all still very strong. So we have good confidence that this price increase will go through. And then we should be okay unless something happens in our cost picture."
- Financials
  - Global Payments (GPN)
    - "Internal metrics thus far into October suggests continuing solid performance for the fourth quarter, much as September did versus August and August versus July. It's certainly possible that things could change for the worse, given ongoing macroeconomic concerns, but that would require an adverse change that we do not broadly see in the current environment."
    - "Underlying fundamentals across our businesses remain broadly healthy. While macroeconomic concerns abound, we do not see significant broad-based evidence of softness in the trends that we have experienced to date or in the bookings and implementation pipelines that we have the good fortune to enjoy currently. And with the dissipation of the pandemic, we are now back to typical financial and operating levels."
    - "if you look across the data, the volume data, in particular, in our merchant business, we're seeing very good sort of stability and particular, in our merchant business, we're seeing very good sort of stability and strength kind of across most of our sectors."
  - KKR & Co (KKR)
    - "the third quarter and really the first 9 months of 2022, were very challenging across markets. High levels of inflation are clearly impacting global consumers, while the sharp

increase in interest rates has had multiple knock-on effects that will invariably slow much of the global economy. . .Oftentimes, our best vintages result from investments made during periods of market distress. Think the early 2000s, the GFC or what we went through a couple of years ago. We think 2023 could present such an opportunity."

    - "we have not seen any deterioration of credit quality across Global Atlantic."
    - “the real estate credit opportunity is very attractive as those financing markets have become more challenged in the traditional format. We're seeing excess return and a very strong pipeline across all we do in real estate credit."
- Loews Corporation (L)
    - "There's no doubt in my mind that the rate increases we have seen in the past year will translate into a slower economy and likewise, a reduction in the inflation rate. Home mortgage rates have moved up from 3% at the beginning of the year to over 7% now. This increase in mortgage rates means that the monthly cost of buying a new home has more than doubled in the past 10 months. As a result of the increase in the cost of home ownership, we will begin to see a significant reduction in home prices and the fall in the number of housing starts will continue to accelerate all leading to a weakening GDP. Likewise, other sectors of the economy will react negatively to higher interest rates as well. So far, we haven't seen that reduction in inflation. But as you know, inflation tends to respond to increases in interest rates with a lag. And my guess is that the end of that lag is almost upon us. So I would expect to see weaker GDP numbers in the coming quarters along with a slowing of inflation as measured by the CPI. In the meantime, a number of commodity prices are declining as a result of tightening by the Fed. Copper prices are down 25%. Lumber prices are down almost 60% from their highs in March and oil prices are almost 30% from their peak in June."
    - "In my mind, the easy part of the fence tightening process will be complete by the end of the year. At that point, the Fed funds rate will be over 4%, and the Fed will have clawed back some of their inflation fighting credibility. The big question for everyone is whether the increases in short rates in 2022 will be enough to quell inflation or whether the Fed will feel it has to continue to raise short rates in 2023. I'm not alone in my opinion that the Fed should pause at the beginning of '23 and see how effective their tightening has been. They will still be in quantitative tightening mode, which means they will be selling term government securities at a rate of more than $1 trillion a year."
    - "And as I said before, the lags in Fed policy are unknown even to the wisest economists. Additionally, over tightening by the Fed can cause a financial calamity that makes a recession much worse. So it would not be unreasonable for the Fed to say after their December FOMC meeting that they will be pausing rate hikes for 3 months to assess the effects of their 400-basis point increase in short rates. They can warn that if inflation does not begin to come down in that period, tightening will continue, but I expect we will see a slowing of economic indicators and a reduction in the rate of increase in prices. In terms of my fearless forecast, as I said previously, I foresee what I call a full employment recession, whereby economic growth will be negative for a few quarters, but unemployment will remain below 5%. This can happen because labor will be earning less than the rate of inflation so that workers collectively will have less real income which will be the cause of the recession. I don't think the recession will be cataclysmic like in '08 and '09,"
- Moelis & Company (MC)
    - "Following Chairman Powell's speech at the Jackson Hole meeting, all financial markets; stocks, bonds, currencies, commodities; became significantly more volatile. That

volatility has adversely impacted M&A and capital markets. What I find surprising in this uncertain environment is how ambitious our clients continue to be, however. Even though short-term deal execution is difficult in today's market, client engagement is very strong."

        - "Volatility, as I've said before, leads business leaders to reevaluate their competitive position in the world and make decisions. Many of these decisions will lead to transactions."
        - "most corporations have only made 2 interest payments under the new Fed regime and again those payments are looking forward to next quarter probably 200 basis points higher than they were a 1.5 quarter ago.So what I think is going to happen is you're just going to have the elements of possible gross margin pressure on companies, reduced gross margin as the economy slows and increasing interest rates just result in a long path of companies that are overlevered and exposed to floating rate interests and have their margin squeezed businesses where the margins get hit. I think that could be a long path of a couple of years of restructuring, which is very different than again '09 and COVID"
        - "there is a general view that the economy will be difficult next year. That's in it and that will be in the prices. So there are a substantial amount of assets that want to a sell and there are a substantial amount of corporates and financials that want to execute on acquiring assets. And I think the pricing will fix itself rather quickly.I think the pricing might already be there. But if you don't have a supply of financing to actually match a buyer and a seller and actually execute a transaction, it's just not going to happen. So I think when you get to a stabilized rate environment, M&A will come back."
- Healthcare
    - IDEXX Laboratories (IDXX)
        - "Clinical visit levels in Q3 were down 2.4%, a slight improvement from Q2 trends, as we continue to work through impacts from reductions in vet clinic capacity from peak levels and the lapping of the significant step-up in demand for pet health care during the pandemic."
        - "But in the U.S., capacity constraints are the primary factor affecting clinical visits versus end-customer demand."
    - Stryker Corporation (SYK)
        - "For the quarter, we delivered adjusted EPS of $2.12 a share, driven by our strong sales performance, partially offsetting negative foreign currency and inflationary pressures. We expect these pressures to continue but at a more moderate level for the remainder of 2022. We are pleased with our strong sales growth, which would have been even higher if not for material shortages mostly affecting medical and instruments. Meanwhile, we are taking actions to deal with the cost headwinds, including inflationary challenges."
        - "As we look ahead to 2023, we feel optimistic about growth with high customer demand and exciting new product launches. Though the inflationary pressures and supply chain challenges will continue to impact next year, the strong growth outlook, combined with our pricing and cost actions, will position us well to return to strong earnings growth."
- Industrials
    - Emerson Electric (EMR)
        - "Today, we achieved a significant milestone in this portfolio transformation by announcing the sale of a majority interest of the Climate Technologies business to Blackstone. Emerson, going forward, will be a unique automation company with a

cohesive higher-growth portfolio exposed to diverse end markets and aligned to the world's secular trends, including digital transformation, sustainability, energy security and near-shoring. We have ample room to invest both organically and through disciplined capital deployment in M&A to build automation capabilities along our technology stack, which is industry-leading and is composed of intelligent devices, control and software, serving leading customers in process, hybrid and discrete industries."

    - "With the exit of Climate Technologies, we are creating a company with a cohesive portfolio, higher growth and profitability. Our leading technology and software will be positioned to capture secular growth trends in digital transformation, sustainability, decarbonization and near-shoring. The proceeds from the divestiture will focus on strategic automation acquisitions that will strengthen our business and diversify our end market exposure and to return capital to shareholders."
    - "Emerson has the most complete portfolio of intelligent devices, control systems and software in the industry."
    - "These end markets are experiencing key secular growth trends, as I mentioned earlier, and these are aligned with many of the world's most pressing challenges. First, through digital transformation programs, customers are spending more on sensing and data, software, digital twins and other intelligent solutions to gain more visibility into their operations. As we discussed during our AspenTech transaction announcement, we continue to see our customer share of wallet shift towards software and digital solutions. Next, as the world pushes to net zero, sustainability and decarbonization investments are growing at a rapid pace. This includes the decarbonization of existing infrastructure through optimization, energy efficiency and emission reductions projects. It also includes the introduction of new energy sources like clean fuels and hydrogen. Lastly, near-shoring trends around the world have widespread effects on many industries. Underpinning each of these secular growth drivers is the need for increased automation, creating an incremental prolonged investment period for the solutions that Emerson provides."
    - "The North America growth is driven by energy investments that I talked about earlier, particularly LNG is driven by sustainability in new energy sources, conversions, refineries into clean fuels, new hydrogen investments, and overall decarbonization work that's been done across multiple industries on the continent. And then secondly, the second category would be the near-shoring industries we just mentioned, semiconductor investments, life science investments, battery EV investments drive a significant amount of that growth."
- JELD-WEN Holding (JELD)
    - "While there are challenges in the near term, we are positive on the intermediate and long- term demand potential in each of our end markets that remained underbuilt for both new residential homes and existing homes that are increasingly in need of renovation."
    - "we continue to rightsize the organization in line with our customer demand as the housing market continues to soften. This includes reallocating resources to where demand is strongest while scaling back in areas where we are seeing softness. We also reduced management layers to lower costs and improve agility of decision-making."
    - "In North America, looking at almost any leading indicator of activity, the housing market is slowing and is likely going to continue moderating. While repair and remodel or R&R activity is impacted by many of the same factors, similar to prior housing cycles,

we do anticipate R&R activity to fare better than residential new construction."

    - "We started to see orders moderate during the third quarter, particularly in our traditional channel, and this stuff just have persisted through October as residential new construction activity slows and our distribution partners align their inventories to end-market demand. And while demand is likely continuing to soften in the coming months, I do want to express our optimism over the intermediate and long term. North America remains significantly underbuilt relative to demand for new residential homes, while the average age of existing homes continues to increase. In Europe, the economic situation continues to deteriorate, largely due to the effects from Russia's invasion of Ukraine. This conflict has driven broad inflation and rising interest rates across the region."
    - "we're seeing with some of the pullback, it's happening in kind of across the board."
- Kforce Inc (KFRC)
    - "certain of our clients have become increasingly cautious as they prepare for the potential of a U.S. recession, the criticality of the projects we are supporting is continuing to drive demand for highly-skilled technology talent."
    - "The war for technology talent is real with far more open jobs and available skilled talent. The strength of the secular drivers of demand in technology was accelerated coming out of the Great Recession by mobility, big data, the cloud and the rapid expansion of consumer-facing technology initiatives. The pandemic has only accelerated a strategic imperative for all businesses to further digitize their business to enhance consumer and employee experiences."
    - "We're seeing a little bit slowdown in terms of just the hiring cycle. There's still very strong demand, especially in the places we're playing in technology, cloud, big data, digital transformation. Demand is strong."
    - "The clients are wanting to see where they might have seen 1 or 2 candidates. Now they want to interview 3 or 4. So that's elongating. Actually, it's really normalizing the process. It's not where it was in '21, but it's much more normal to what we have seen and still higher demand and higher pays than pre-pandemic."
    - " we haven't really seen necessarily any budget pullback in terms of those areas we play. "
    - "From a bill rate inflationary dynamics, we are seeing some softening. We're also starting to see some softening in terms of wage escalation."
    - "across all of our industry verticals, we haven't seen any material shift within any industry."
    - "there has been a secular shift in terms of technology and how technology is -- it's embedded in everybody's strategic plan. And the reality is, even in a slowing environment or a recessionary environment, you have the flip side that is never talked about, which is companies accelerated their investments to move initiatives forward faster claim through the other side, which, again, it comes back to technology, it's not an on-off switch any longer. Like when I got into this industry back in 1988, I mean it was an on-off switch. I mean the second things got tough people put projects on hold, they held on to hardware longer. You can't do those things any longer and be competitive unless you're basically going to put your entire business at risk. So instead, I believe the opposite happens. Organizations sit there and look at what can I accelerate that I was already doing to play for the other side if it's going to drive efficiency and reduce costs and things of that nature and improve the consumer experience."
    - "as you see larger organizations maybe realigning some of their costs because maybe they overhired and grabbed a lot of talent, that talent is just being absorbed in other

organizations that haven't been able to compete for the talent."

- Trex Company (TREX)
  - "While consumer sell-through demand remained at healthy levels, our distribution and dealer partners used the quarter to service demand requirements, primarily through inventory drawdowns rather than reorders. Our internal data and market intelligence gives us confidence that the inventory recalibration will be completed by the end of '22. During this period of inventory destocking, we took measures to align our cost structure with the current demand by decreasing production levels, rightsizing our employee base and focusing on cost efficiency programs."
  - "Despite rising interest rates, we continue to see healthy consumer demand."
  - "Homeowners priced out of moving tend to invest in their existing homes with their existing lower rate mortgages and pursue renovations, especially those that add long-term value like a Trex deck. Further, the average age of housing stock in the U.S. is approximately 40 years old, driving further remodeling spend."
  - "sell-through was roughly flat year-on-year through the second quarter. In the back half of this year, we anticipate this inventory will be consumed as the channel reestablishes new inventory targets reflective of the current macroeconomic concerns and expect our channel will enter the next calendar year with lower inventories than in 2021."
  - "We saw about 8% price year-over-year in the quarter, in the third quarter. And so year-to-date, we're around 16% price."
  - “Price continues to hold up very, very well."
  - "I'd say we're in a moderate recession already in the back half of this year. And I'm not sure that those economic conditions change all that much into next year."
  - "we've seen inflation moderate at this point. I'd love to see an economy where we start to see some true deflation out there, but I'm not necessarily seeing signs of it."
  - "If we were to see an economy where deflation is to the same extent of what we saw inflation, you could see some pricing changes out there. But right now, I think quite a bit of the inflation that's out there is going to be sticky. But we will see the percentages of inflation decrease quite significantly. We've already seen it in our business, and I expect it'll moderate even further as we move into next year."
- Real Estate
  - Costar Group (CSGP)
    - “Since August, sequential monthly rent growth has started tracking downward, but we’re witnessing that decline accelerate – rents decreased by $9 or 0.6% in October compared to just 0.3% 30 days prior. These rent conditions reflect a rough start to the already typically slow fourth quarter as new deliveries continue to drastically outpace demand. . .October asking rents fell to 4.8% from 5.7% at the end of September. Additionally, none of the top 40 largest markets saw their year over year asking rent expand in the month of October, which further illustrates the overall disappointment in market conditions.
- Federal Reserve
  - Powell
    - "It will take time, however, for the full effects of monetary restraint to be realized, especially on inflation. That’s why we say in our statement that in determining the pace of future increases in the target range, we will take into account the cumulative tightening of monetary policy and the lags with which monetary policy affects economic activity and inflation."
  - Collins

- "In my view, smaller increments will often be appropriate as we work to determine how much tightening is needed to reach a level of the funds rate that is sufficiently restrictive. A focus on the level (not the pace) is what "resolve" looks like in this second policy phase"

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