

## Weekend Thoughts 6/11/22

Weekly collection of unstructured hypotheses for current and future research projects

- Secular outweighing cyclical in a recession
  - UPWK at Bank of America 2022 Global Technology Conference
    - Hayden Brown: “what we've seen in our business, if we look back even to 2008, 2009. . a very different performance than what staffing providers have seen in previous recessions. So for us, we've actually seen acceleration in recessions. We were growing at 100% year-over-year in 2008, which was an increase from the previous year. So I think for us, we've historically seen our business during times of economic uncertainty, people actually turn to us as an alternative when they are not comfortable hiring full-time workers. They don't want to lay that cement in their business. They're thinking, well, I don't really have clarity, I'm going to use solution that gives me more flexibility, more cost savings. Typically, on our platform, people are saving 30%..They get the flexibility of knowing they can turn those contracts on and off as to the needs and demand. So we've actually seen a very different pattern, I think, than the traditional staffing industry in terms of how our business has performed through good times and bad times. Typically, when the economy is looking darker, people want from us more of that flexibility. And then when the is coming back, they actually want from us the ability to hire workers really fast because the median time to hire in our platform is 1 day. And so they can bring those workers on immediately, start having them add value to their business when, in fact, it takes so much longer to hire a full-time worker. So we see that, that -- those inflection points in the economy actually are times when we tend to do really well
    - Jeff McCombs: Yes. And there's a variety of different dynamics and trends in the macro economy that impact us. And obviously if companies are hiring fewer folks, that's one, that there is a downward pressure. But in the face of that, there's a share shift dynamic that you alluded to, that in times of disruption, companies are more likely to look at different ways of doing things than they did in the past. And so we view our biggest competition is the old way of doing things. And individuals anchor on how they know how to hire and staff projects from the past. And so whether the economy is accelerating or decelerating, those things that cause them to have to shift more quickly cause them to think about us more than they would have had that not happened. So that's the positive impact that we saw in 2008 that caused our active clients to grow by over 100% year-over-year.
  - COUP Q1 2023 Earnings Call
    - Q: “Can you remind us, intuitively, what you guys do should become even more value-add when people are dealing with what they're dealing with right now, like inflationary pressures and trying to sustain operating margins and the like. ..can the environment ever become a tailwind in that sense?
    - Robert Bernshteyn: Yes. Sure..we did see this before. If you think about 2009, 2010, 2011, some of the wind in the sails of the value proposition we offer were there and are here today, the focus on tightening expenditures, the focus on getting more spend on contract, the desire to have greater visibility to business spending. But I would tell you, we're a very, very small company in 2009, '10, '11. Viability was a concern. Our platform wasn't yet scalable. We weren't able to support multilingual, multicurrency deployments. Today, we're incredibly viable. We have thousands and thousands of customer references and proof points in virtually every industry. And we think that really bodes well for us as we enter these uncertain times with the value proposition that can deliver...What we saw

during COVID is that people became more and more aware of just how their back-office information technology capabilities were lagging those of front-office capabilities, particularly in the cloud. And that gives us an opportunity to really take folks in a much more modern, agile, resilient world with, as I mentioned, thousands of proof points to get them comfortable.

- GTLB Q1 2023 Earnings Call
  - There are 4 main reasons why we believe GitLab is well positioned to achieve durable growth with improving unit economics over time.
    - First, we believe the business imperative for digital transformations remain strong regardless of macro conditions. We are in the midst of a generational disruption, whereby we believe all companies are becoming software-driven businesses. And this requires an increasing number of companies to embrace modern software development practices, to deliver captivating mobile and digital experiences to their customers as well as engage in cloud migrations, designed to provide agility and future-proof their development, operational and infrastructure requirements. In essence, in a world where software defines the speed of innovation, we believe every company has to become great at developing, securing and operating software to remain competitive.
    - Second, we believe the market we are targeting is very large and early-stage in nature. We believe our One DevOps Platform is addressing an estimated \$40 billion opportunity. We're focused on selling a business outcome and a time to value. Thus, our competition is largely the do-it-yourself known as DIY DevOps solutions, that companies have in place today.
    - Third, we are addressing this estimated large market opportunity with a compelling platform. GitLab's One DevOps Platform provides one interface, one datastore, one set of reports, one spot to secure your code, one location to deploy to any cloud and one place for everyone to contribute. This empowers all of an enterprise's teams, including development, security, operations, IT and business, to collaboratively plan, build, secure and deploy software across an end-to-end unified platform. We believe our platform is the only true cloud-independent end-to-end platform that brings together all of DevOps' capabilities in one place. Combining all DevOps capabilities in one platform is so central to GitLab, that we have incorporated the DevOps infinity loop into our new logo as part of a brand refresh we undertook late in the first quarter.
    - Fourth, one of our credit values iteration is deeply ingrained and we believe creates competitive differentiation. We strive to do the smallest thing possible as quickly as possible. And this value leads to more improvements that address customer problems in a shorter time frame.
- Job hopping in tech for SBC resets
  - DOCU's Dan Springer on Q1 2023 Earnings Call: "equity values are clearly down pretty much across the board with the reassessment of multiples...And for some of those folks, they said, the market is telling me that I can get guaranteed compensation someplace else. And since I'm no longer brand-new at DocuSign, I don't have that opportunity. And so from a compensation standpoint, they said, I think I'd be better off trying some place new, particularly a lot of the start-ups, up until at least recently, have been saying, hey, we'll guarantee your first year compensation."

- Innovation vs Scarcity
  - [Fertilizer Price Surge Drives Brazil to High-Tech Alternatives](#)
  - BRAZL NDIA, Brazil—Brazil is rushing to roll out high-tech alternatives to fertilizer to boost farm production because of global price surges exacerbated by Russia’s war in Ukraine. Drones fitted with cameras hover over centuries-old farms, allowing farmers to use fertilizer only where it is really needed, while nearby laboratories use the same lasers employed by NASA on Mars to perform soil analysis in seconds. Special white gels hold nutrients in place near plant roots with minute precision, preventing waste, and scientists at Brazil’s state research agency, Embrapa, are helping the poorest farmers to transform their own feces into fertilizer using microbes from cow intestines.
  - “All the major agribusiness multinationals are now coming into Brazil because of the innovation they see taking place,”...The technologies being developed in Brazil have the potential “to significantly impact fertilizer efficiency globally.”
  - Now, the nanoparticle liquid, called Arboline, is rapidly gaining traction across farms and investor boardrooms. Company data so far showed that production rose by 21% for soy crops and as much as 50% for some vegetables. Arboline allowed production to remain steady with 10% to 30% less fertilizer.
- Inflection Points
  - China to conclude Didi cybersecurity probe, lift ban on new users.
  - SEC Chair Gary Gensler said he has asked agency staff to consider requiring brokerages to route individual investors’ orders to buy or sell stocks into auctions
  - ECB increasing rates for the first time in a decade means indebted southern European economies spreads are blowing out, causing a return to concerns over viability of the eurozone.
  - Apple’s Carplay attempting to expand to the entire car user interface. Commoditize complement and move upstream?
- Management Turnover
  - THS CFO stepping down
  - PTON replaces CFO with former AWS VP of Finance
  - REAL founder resigns as Chairwoman, CEO
  - OLLI CFO resigns, to be replaced by current CEO (dual role)
  - MSFT’s AR chief to leave. Alex Kipman led development of Microsoft’s HoloLens augmented-reality headset
  - Amazon’s consumer chief Dave Clark leaves to join supply chain unicorn Flexport as co-CEO.
    - An Amazon employee since 1999, Clark built out the company’s global operations, and a global logistics network including many thousands of planes, robots, trucks and warehouses. Clark said he was intrigued by the opportunity to move Flexport from solving cross-border shipping to a broader solution “across the full length of the supply chain.” Recent challenges in global shipping from Covid-19 lockdowns in China and the war in Ukraine have proven, according to Clark, that the system is fragmented and fragile – “we may be recovering for years,” he says.
  - ILMN CFO leaves to be CFO at Quest Diagnostics
  - ANGI Appoints Andrew Russakoff as CFO