SPREE CAPITAL
ADVISERS

Weekend Thoughts 11/12/22

Net: With the recent softening in inflationary trends the need for incremental extremes in monetary policy, and the risk of a policy error, have diminished. This shift has certainly shown up in Federal Reserve speaker language, but the optimism is not likely to show up in company commentary for some time. News headlines continue to push businesses to optimize costs while they continue to fund only high priority initiatives. Discretionary spend must pass through several layers of approval as vendor consolidation and simplification of procurement processes continues. Advertisers are reluctant to commit to campaigns given uncertainty over the macroeconomy and as such are focused on meeting higher hurdle rates for near term returns. Content spend is not slowing down. Consumers are still spending. Lead times continue to normalize to pre-pandemic levels, though pockets of supply chain challenges remain. Industrial and consumer staples companies are seeing inflation decelerate, but some high cost material still needs to work its way through the system.

- Information Technology
    - Brightcove Inc. (BCOV)
        - “Platforms such as YouTube and Netflix have helped take the industry forward to where we are now, but we do not believe these aggregator platforms and services are going to be enough going forward. We see a fundamental shift to owning content, its distribution and monetization, and its distribution platform, with the development and release strategy to super-serve the most loyal and highest value followers, customers, and fans. The internet and streaming have allowed all of these producers to have a more defined and controlled voice, and truly own their digital future and control how their stories are told. Brightcove calls this phenomenon the Producer Economy. The Producer Economy is the concept that brands and creators can now have more control of content creation, distribution, and monetization by building robust, multi-channel businesses across multiple established platforms and creating their own direct-to-audience platforms for their deepest and most loyal users, adding control of their first-party data.”
        - “Creators will seek broader distribution and new ways to monetize content, including working with and extending beyond existing aggregators and services. Creators will diversify to own their own capabilities in creation, distribution, and audience, creating their own direct-to-consumer channels, endpoints, sites, apps, and Free Ad-supported Streaming TV (FAST) channels. All companies and brands with consumers or customers on the internet will embark on further digital transformation and expand their audience reach across various owned and controlled channels and utilizing social networks and platforms.
        - “The streaming ecosystem will evolve to enable creators to become producers with the ability to create, upload, store, manage, distribute, own their own platforms, own their data, and measure their content at all times.”
    - DigitalOcean Holdings (DOCN)
        - "economic headwinds, which include a global economic slowdown, high inflation, U.S. dollar strength, the Russia-Ukraine war and the decline in blockchain, continued in the third quarter. Undoubtedly, these factors contributed to slower growth within our cohort than we had forecast at the beginning of the year. . .Importantly, churn within our cohort has remained flat during this period, and our customer engagement remains

strong. So we are very optimistic when things turn in the broader economy, we will be well positioned for expansion across our cohort, to be a tailwind on our top line growth rate as it was throughout 2021 and even Q1 this year. Despite these unforeseen challenges, we managed through it to deliver 37% total revenue growth with 33% organic growth."

    - "We aren't ready to call a bottom in terms of a lower growth across our cohort. And given the number of uncertainties in the broader macro, we will remain cautious in our planning and in setting expectations."
    - "There is a perception that SMB is subject to a more significant impact than enterprise from weak macroeconomic conditions. The facts suggest otherwise as the hyperscale cloud providers and other software companies who are principally focused on enterprise customers have reported similar levels of declines to their growth rates as us during this year."
- Fair Isaac Corporation (FICO)
    - "We are not seeing deals pushed out nor are we seeing deals downsized. It's probably worth noting that we have a fairly long sales cycle. It's approximately a year long. . .And so whatever financial pressure our customers may be under, our deals with them seem not to be affected."
- Matterport (MTTR)
    - "Enterprises today are increasingly turning to Matterports digital twins to repurpose and optimize the use of their facilities, while instantly boosting productivity in the remote work environment"
    - "As we close in on our 10 million space milestone, it is important to point out that the spaces we are digitizing are getting larger, fueled by the strong underlying demand from our enterprise customers with large buildings"
    - "We're experiencing strong demand despite uncertain global economic conditions, primarily because our digital twins are deflationary, saving organizations time and money by reducing operational costs."
    - "Our net dollar expansion rate was 106% in Q3. We continue to see strong expansion with our enterprise customers in the third quarter. On a combined basis, the strength was partially offset by lower expansion in our small and medium business customers who are growing more slowly in response to the volatility in the macro environment. These trends in enterprise and small and medium businesses have been fairly steady all year."
    - "We have operated the business profitably in the past and are focused on returning to profitability as we continue to grow the top line. Our high-margin subscription business and strong business model, combined with our past profitable operating performance continues to provide us confidence in the long-term strength of this business."
- Porch Group (PRCH)
    - "we are taking a very cautious approach to investments. We have slowed down a lot of our investments. The app is very strategic for us long term because it creates a lot more access to consumers and it really brings to life the data that we have."
- Teradata Corporation (TDC)
    - "We're not seeing any significant changes to our customer behavior patterns at this time. We also don't see any significant deal delays that are out of the ordinary."
- Unity Software Inc. (U)
    - "Despite market conditions, users continue downloading and playing games, proving the sticking power of this entertainment segment. . .What is new starting in late Q3, is

that CPMs have declined on both mobile operating systems. The timing here is clear. The declines take place as the world's banks increased interest rates and the spectrum of recession was everywhere in the press, not earlier when privacy changes took place. . .When we talk with our advertisers, the sense we get is clearly one of caution and reticence to commit to the aggressive campaign spends that would crowd out competition at the bid and elevate CPMs. In this context, we remain confident. The market for ads is experiencing recession sentiment. And while we don't know when it will end, strong consumer engagement will ultimately bring back growth in this dynamic ads market."

  - “Advertising and in-app purchases are the ways creators monetize their games. And most players welcome ads as a way to discover new games to play. And while we are in an advertiser sentiment recession, we believe that the ads market will remain resilient, even with last year's changes to privacy."
  - "We expect Unity to sustainably grow at a 30% growth rate. As we have said in the past, this will not be the case every single year, but is the compounded growth rate that we expect to deliver.”
  - "The next era of the Internet is real-time, it's 3D. It's very likely going to be persistent, interactive and social. To do that, you need to build it on a game engine or something like a game engine. We have the leading position there."
  - "We're gaining across the board. We are thrilled by the opportunity, and we love the synergy back to gaming. What we gain when we work on technologies that support the auto industry with multibillion poly models, that's really helpful for the game industry in future years when they get to models that are that big. And I can go on and on about how these things work for, whether it's ray tracing or large-scale cloud compute. This will help across the board."
  - "it's probably worthwhile to dispel a couple of myths that are out there. One of them is that mobile gaming is down. Engagement is up, and I've been paying attention, and I believe all 5 of the top 5 largest mobile game publishers reported on average 4% growth in the third quarter, revenue growth against their in-app purchase business. And of course, the ad business, most believe is outperforming that."
  - "advertisers are generally more cautious and they have been focused more on near-term returns and long-term returns."
- RingCentral, Inc. (RNG)
  - "we are prioritizing more efficient labor spend and taking further steps to improve the productivity of our workforce."
  - "we have made the extremely difficult decision to reduce our full-time workforce by approximately 10% to ensure our cost base is aligned with our strategic priorities in the current environment."
  - "we are rationalizing program spend, such as marketing and lead generation activities to ensure they meet our hurdle rates as well as being judicious around all discretionary spend. . .we are consolidating vendors to simplify our procurement process as well as drive savings across all functions."
  - "leads, pipeline and win rates remain strong and stable. Overall churn also remains stable. However, sales cycle times for upmarket customers elongated incrementally in Q3 as customers required additional approvals before making purchase decisions. This also resulted in smaller initial deployments. While our SMB segment is proving to be resilient in the current climate, we believe enterprise customers are being more cautious given the current economic landscape, and we don't expect this to change in

the near term."

        - "I think many folks underestimate resiliency of SMBs. SMBs are fine. And we're going to continue to monitor SMB for any signs of a slowdown. . .even in terms of what we've seen so far in October is that small SMB continues to be pretty resilient. . .from a collections point of view, we've seen absolutely no impact in terms of the SMB base. Actually if anything, collections have been stronger this quarter than in most recent quarters and also no change to bad debt expense on that count either."
        - “We are seeing heightened approvals and sometimes multiple approvals, certainly for our larger customers. And some impact from smaller initial deployments on deal sizes."
    - Wix.com Ltd. (WIX)
        - “Our user additions of 4.7 million in Q3 reflects the current demand environment. . .As the global economic slowdown continues, beginning in September, we adjusted our marketing spend to focus on high-intent users. This resulted in a slight headwind to new user additions in Q3 while meaningfully improving return on our marketing investment. We expect this effect to continue through Q4."
        - "We are hiring new employees only for high-priority position, and we continue to drive operational efficiencies across our customer care, R&D and sales and marketing teams. We have also continued to optimize overhead costs through reductions in our real estate footprint, software costs and third-party advisory costs."
        - "This trend along with improved gross margins means that nearly all of our incremental revenue in 2023 will flow to bottom line."
        - "demand is pretty stable now, and we're still seeing the same fundamental strength that was before, conversion and retention and ARPU. And so the top of the funnel is stable and back or a bit above pre-COVID levels."
        - “we actually managed to continue to increase our position in the market which makes me very confident that once we're going to see a recovery from the recession, all the hard work we placed into our products and brand will bear fruit."
        - "we see the effect of the slowdown. . .But we do believe that the fundamental of the business are very strong. We don't see a change in those fundamentals."
- Communication Services
    - Endeavor Group Holdings (EDR
        - "Alphabet, Amazon Apple and Microsoft are in a race to add offerings across multiple categories to attract customers to their ecosystems and convince them to stay. These mega bundles are often packaged and priced as all-in-one subscriptions that deliver strong value. And these leading tech companies go head- to-head with major streaming and media players, including Disney, Netflix, NBC Universal, Warner Bros. Discovery and Paramount for the best video podcast, gaming and social content. Every single one of them requires a steady flow of premium entertainment and sports content. . .Meanwhile, as linear players battle to keep viewers, they've increasingly turned to live sports. You are seeing this play out in new deals for the NFL, Major League Soccer, Formula One, college football across linear as well as SVOD and AVOD services. Additionally, sports betting is quickly becoming the ultimate live sports viewing complement and yet another way to keep consumers engaged.
        - "we've positioned ourselves on the supply side of this industry (sports betting), working directly with rights holders and sports books to deliver everything from official data, streaming feeds to betting ads and mobile apps."
        - “the demand for premium talent-led content shows no sign of slowing. In fact, opportunities for talent are expanding into new formats as both Big Tech and the

incumbents flight tolling top creators to their platforms."

  - "Apple, as we know, kind of moved in on MLS, MLB. Amazon now is exclusive Thursday Night Football, and they added the Friday night games for Black Friday. Netflix bid on F1 is rolling out their AVOD service. They are going to add sports. They're going to follow what we believe was Amazon's process going after international rights for sports, testing it, they're testing their system there and then moving that to the domestic front."
  - “we believe our buyers are staying at their content spend levels."
  - "Endeavor EDR is a proxy for content growth and a barometer for overall content, not only in movies and television and it's going up across the board. We are not feeling any decrease in the spend."
- IAC/InterActiveCorp (IAC)
  - "May, June, July, we saw a rapid decline in ad demand from retail CPG and home as well as some smaller subcategories. That continued through the summer, but we actually saw a couple of categories, including retail, come back and back-to-school. And while they're not back to last year levels, we've seen strength. Unfortunately, we've seen other categories, beauty, tech, telco, really soft year-over-year. . .so it's a choppy ad market."
  - "what we can see is the consumer's still spending. I mean the clearest things you see in travel, which I think has been well covered. We see Turo and MGM doing phenomenally well where that's direct spending. But also where we see in Dotdash Meredith consumer spending through e-commerce performance marketing-type stuff is that they're still spending on goods."
  - "when there's uncertainty in ad markets, people hold their spend. That is -- I think that once -- whether we settle in on a high market or a low market, I expect spending to come back on advertising, but it's the uncertainty piece that I think is driving a pullback in ad spend. And we can see that across other of our businesses, too."
  - "as it relates to our enterprise business in care, we're seeing utilization among employees go up, which is a good thing for our business. And that should, long term, be a good thing for enterprises because the enterprises will realize that the consumers really -- or their employees really like this product."
  - "I think generally speaking, public markets are pretty attractive right now. I think that you can buy things for -- that have risk where you can get a significant reward for taking that risk. And I think that's pretty interesting. I think the private markets are still not there yet, and they've always lagged and they'll continue to lag. And eventually, there will be an adjustment. You probably don't want to be a private company who needs capital right now. But if you are a private company who doesn't need capital, that's a lovely place to be right now because you get to make up your valuation and nobody else gets to do that right now."
  - "we now have an opportunity to invest our gross profit more productively with more responsible operating expenses and cash flow accountability by chasing fewer ideas and focusing on key segments and initiatives with steady progress."
  - "Skepticism is warranted here given our recent results, but I want to be unequivocally clear that I don’t share it. I believe in this business and our ability to become indispensable to customers."
  - "we have opportunities throughout IAC to increase value, which are covered below, but I’m focused heavily on Angi right now given the scale of the opportunity and the potential improvement in both near-term and long-term profit relative to today."
  - "both Dotdash and Meredith have experienced headwinds throughout the year, with

soft traffic compared to extraordinary pandemic audiences and an unexpectedly weak digital advertising market. The Dotdash Meredith team has worked tirelessly to integrate the companies, migrate the technology, and rationalize the print assets, and our belief in the fundamental thesis has not changed."

    - "Leading categories such as Retail, Home Goods and Consumer Packaged Goods, particularly Home and Beauty, were hit hard in the third quarter. Advertisers responded to inflation and changing consumer spending patterns by materially scaling back spend, in some cases by more than 25% vs. first half 2022 and prior year levels. In the September Back-to-School period, certain Retail and Consumer Packaged Goods advertisers returned to the market and have since shown sequential improvement, but they are still below prior-year spend."
    - "We remain cautious on the outlook for the digital advertising market and expect it to be a headwind for the near future, though we expect our own sales execution to steadily improve."
    - "after backing out IAC's ownership in Angi and MGM, and adjusting for cash and debt, investors currently get everything else in the IAC portfolio for $1.2 billion. So, what is everything else? Dotdash Meredith: an industry leader that produced $2.1 billion of Pro Forma revenue and $271 million of Pro Forma Adjusted EBITDA (excluding one-time costs) over the last twelve months. Care.com: the world's largest online marketplace for finding and managing family care, acquired by IAC in February 2020 for $500 million. The business has profitably generated $360 million of revenue over the past twelve months and has barely penetrated its market. Turo: over 2.3 million active guests and 125,000 active hosts are transacting on the world's largest car sharing marketplace with high customer satisfaction and a proven business model. IAC owns 27% plus a warrant for an additional 10%. Vivian Health: 75% ownership in a high-growth marketplace that was valued in April at $400 million in a $60 million equity financing led by third-party investors. Search: our free-cash-flow engine that has generated $105 million of Adjusted EBITDA over the last twelve months and more than $500 million over the last 5 years. Mosaic Group: our mobile app platform with over 3.5 million paying subscribers producing $193 million of profitable revenue over the past 12 months."
- Magnite (MGNI)
    - "In challenging ad environments, publishers tend to have greater difficulty selling ads directly to agencies and marketers, and therefore, rely more heavily upon partners like Magnite to monetize this inventory through programmatic channels. We have already seen a record number of ad impressions this quarter and expect this trend to continue into 2023. And specifically in CTV, we are seeing the launch of more AVOD services and consumers switching from higher-priced subscriptions to ad-supported tiers, which will result in additional ad inventory."
    - "In CTV, we also have growing momentum. And even in the case of recession, we think that we have some -- or we would expect some countercyclical support that could be beneficial. In particular, potential acceleration in cord cutting and growth of AVOD as households perhaps move down from the higher tiers on the streaming subscriptions. And so stepping back on that, we're confident that even in a more recessionary environment, we expect to grow."
    - "Yes, I think that it's really hard to get read-throughs, right, in this market in terms of everyone -- every company reporting and some having macro challenges, some having just inherent business challenges. I think what we have seen is certainly market share gains, that the story of Magnite, this independent, largest omnichannel, CTV-first

focused player with ad serving capabilities is starting to reap benefits."
    - "But I do think that our exposure to CTV probably sets us apart. Our meaningful exposure to CTV revenue sets us apart, I think, from our peer set in the SSP world that being able to anchor on that growth rate in that TAM, I think was what drove us to create Magnite and I think what's going to be the wind behind our sails, if you will."
    - "On the SSP side and in other dips, when it becomes more difficult in the ad environment to sell your inventory directly, publishers lean very heavily on their programmatic partner. And so in this case, with Magnite, we're seeing record impressions, record inventory."
    - "And even in a depressed buyer market, we're never sold out, obviously, and there's always essentially a buyer even if the price is lower. But we can sell 10 units at a depressed price versus, unfortunately, some publishers has run out of inventory to be able to do it."
    - "there's this evolution that's occurring where as a company and an industry, we're at the lower end of our take rates just given the prevalence of the bigger platforms to want to sell direct and be in control. And we believe over time that they'll rely upon Magnite more for demand stimulation which will carry the higher take rate, which would have a bigger bump to the revenue line."
    - "there is concern about a worsening economy and a tightening ad market. But there's some bright spots, some bright verticals that had been dormant for a while throughout the pandemic that are kind of kicking back in."
    - "So again, I think largely, we have seen historically, and we are seeing today, that folks really start to lean in on their programmatic sales channel. And if your choice is serving a page or not serving an ad during a streaming show or serving one that's slightly less at a CPM and served by us, most publishers are going to take the latter. And so we think that with the record inventory that we're processing, that will just give us more at bats and again, enable us to generate more revenue and yield for our clients. "
    - "And in the CTV in particular, there's quite a few ad-supported tiers that are coming to line next year. So we think there's just going to be more inventory opportunity for programmatic capabilities, and so that kind of gives us confidence. And I guess I would assume that the upside surprise for us would be similar to everyone, and that is it isn't as tough a macro climate. It isn't going to be a deep long-lasting recession, and you see a quicker rebound in terms of consumer spend and advertising spend commensurate with it."
    - "We are happy to post a strong Q3 with improved growth rates. We're able to continue to build on our market-leading position and prudently invest in clear areas for growth in CTV, DV+ and audience and identity. We also feel very good about the ability to grow next year and for the improving prospects of the broader CTV ad supported market, as many of the largest market participants have or are just launching their CTV ad businesses which will drive growth for many years to come, especially for programmatic partners."
- The Walt Disney Company (DIS)
    - "Building a streaming powerhouse has required significant investment. And now with its scale, incredible content pipeline and global reach, Disney+ is well situated to leverage our position for long-term profitability and success."
    - "Our financial results this quarter represent a turning point as we reached peak DTC operating losses, which we expect to decline going forward. That expectation is based on 3 factors: first, the benefit of both price increases and the launch of a Disney+ ad tier

next month. Second, a realignment of our cost, including meaningful rationalization of our marketing spend. And third, leveraging our learnings and experience in direct-to-consumer to optimize our content slate and distribution approach to deliver a steady state of high-impact releases that efficiently drive engagement and subscriber acquisition. With these factors, we believe we are on a path to profitable streaming business that generates shareholder value long into the future. And assuming we do not see a meaningful shift in the economic climate, we still expect Disney+ to achieve profitability in fiscal 2024 and for losses begin to shrink in the first quarter of fiscal 2023."

- "Total domestic affiliate revenue in the fourth quarter increased by 2% from the prior year, driven by 5 points of growth from contractual rate increases, partially offset by a 4-point decline due to a decrease in subscribers. Looking ahead, we expect to see linear subscriber declines accelerate more in line with industry trends."
- "Direct-to-Consumer, where our losses peaked in the fourth quarter at approximately \$1.5 billion. Hulu and ESPN+ added approximately 1 million and 1.5 million subscribers, respectively, during the quarter, while Disney+ added over 12 million global subscribers, of which a little less than 3 million were at Disney+ Hotstar. Core Disney+ added over 9 million subs in Q4, accelerating as expected versus the \$6 million net adds we saw in the third quarter, reflecting the success of Disney+ Day and our Tempo content releases in addition to continued growth from third quarter market launches. Nearly \$2 million of these net adds were from the U.S. and Canada and a little over 7 million were international core additions."
- "ARPU at each streaming service is also impacted by the mix of subscribers to the bundle. Our bundled and multiproduct offerings now account for over 40% of our fiscal year-end domestic Disney+ subscriber count. This shift has been purposeful as the bundle drives higher total company subscription revenue and higher long-term subscriber value due to notably lower churn. Lower pay-per-view revenue at ESPN+ and slightly lower advertising revenue at Hulu and Disney+ Hotstar also impacted Direct-to-Consumer revenue in the fourth quarter relative to the third quarter. With our expectation that peak losses are now behind us, DTC operating results should improve going forward as we lay the foundation for a sustainably profitable business model. Additionally, our commitment to cost rationalization will allow us to scale effectively against our investments."
- "We are actively evaluating our cost base currently, and we're looking for meaningful efficiencies. Some of those are going to provide some near-term savings and others are going to drive longer-term structural benefits. I just would point to what we did in the parks during the pandemic. We did some structural changes and the Parks is better off because of that. But those were structural benefits that did not flow back into their cost base. We will update you with more information as our plan evolves."
- "ESPN is that powerhouse brand. And we certainly, over time, have been able to enjoy the benefits of that brand in a linear world. However, going forward, we've got the ability not only to continue to enjoy those benefits in the linear world, but also began to grow our opportunities in the digital realm and leverage that brand's growth into other avenues that we've not been able to necessarily tap into. I think it's also important to look at ESPN in terms of an important part of the overall Disney portfolio or synergy machine. It is an integral part of the bundle itself. So when you take the fact that it's a great brand, we have the opportunity to grow it into different avenues. And as I've said before, sort of one foot on the dock, 1 foot on the boat and be flexible in terms of our

speed of evolution, I think it's going to be an important part of our business going forward. Live advertising continues to be a really important benefit that we sell into our advertising community. We've got multiple platforms, and I believe that it's going to be a very robust part of our company going forward, whether or not it's linear or whether it's digital or somewhere in between."

- Consumer Discretionary
    - Clarus Corporation (CLAR)
        - “We believe elevated freight costs are transitory as supply chains continue to stabilize, and we are encouraged by the reduction in lead times back to pre-pandemic levels, while container costs are decreasing dramatically."
        - "we are still constrained by supply chain challenges and logistical challenges that are resulting in inventory showing up late in our US and European markets."
        - “what we've seen at the national and key account levels and that's where we've seen this over elevated level of inventories going into the holidays, carryovers from the summer."
    - Lyft, Inc. (LYFT)
        - "In anticipation of continued economic headwinds and rising insurance costs, we've been taking prudent and decisive action. This includes taking a hard look at all of our costs to make sure we're using our resources to accelerate initiatives with the strongest returns."
        - "Since many team members now enjoy working remotely, we are reducing our office footprint and cutting the related real estate costs by approximately half. These actions go hand in hand with the continued prioritization and streamlining of our highest ROI initiatives that will further enable greater operational efficiency and speed."
- Consumer Staples
    - TreeHouse Foods, Inc. (THS)
        - "Pricing, net of commodities, was positive for the first time in several quarters. . .Pricing is now pushing up to the commodity inflation we incurred earlier in the year, consistent with the lag effect we have discussed previously. Although we have seen several commodities retreat in the near term, the vast majority of our inputs remain elevated on a year-over-year basis. Input cost inflation has continued across certain commodities such as cocoa, and we are also seeing the impact of higher input costs across nontrading commodities such as soil beds and some commodity derivatives like corn syrup and casing."
        - "We don't see inflation anywhere near what we saw a year ago, but we do see inflation in the first quarter."
    - US Foods Holding Corp (USFD)
        - "Total case volume increased 1% from the prior year and food cost inflation was 12%."
        - "We are optimistic about our positive volume trends in September and October as they show continued strength and improvement."
        - "And in the environment where you see it in center of the plate deflation, which is where we think more of the potential of deflation is more likely than in grocery."
        - "we have seen a little bit of easing off in a couple of the commodity categories, and we feel very good about our ability to manage through that."
        - "Our expectation, as we look forward, though, and I think we've said this in the past, is there could very well be and likely will be some easing off in commodity categories, but we don't expect to see the same level of easing in non commodity categories. . .But those categories are, I think, returning to sort of more normal volatility, I would describe

it, than necessarily systematically reverting back to a deflationary world. In fact, we've already started to see a number of the poultry category start to creep back up again. There just continues to be such volatility in the market from a supply standpoint that, that's, I think, driving as much of sort of the unpredictability of it. I don't foresee -- the team is foreseeing a continued downward trend, but instead, more volatility than perhaps we've seen where the trajectory was typically mostly upwards."

- Financials
    - Affiliated Managers Group, Inc. (AMG)
        - "the last decade of sort of rising tide lifting all boats in private markets, andwe absolutely see that changing. We see this next decade shifting much more towards a winner and loser type market,"
    - Brookfield Asset Management Inc. (BAM)
        - "Having stayed short in duration in our investment portfolio and largely sitting on cash since the acquisition of American National, over the last while, we've started to invest in a variety of higher earnings strategy."
        - "There's no doubt interest rates are higher. So if you didn't have fixed rate financing and some transitional assets or assets like hotels have floating rate financing on them, but the revenues are inflating as well with inflation."
        - "So these are inflation-sensitive assets and you get the income back eventually. So I'd say we're quite constructive and positive about the environment. And on the acquisition side, there's a number of very interesting things to do."
    - TPG Inc (TPG)
        - "Investors have heard a lot during this earnings season about the macroeconomic and geopolitical environment. It's a complex time in the markets generally. However, periods of market dislocation like this create opportunities, so I'd like to focus on what this means for TPG. We've been preparing our business for this type of environment for some time. Investors can see this in our results, including the substantial realization cycle we began several years ago, our record dry powder and the innovative investment strategies we have developed."
        - "We're currently in an adjustment period where sellers' valuation expectations are resetting lower, and transaction levels may remain softer for a while longer."
- Industrials
    - Builders FirstSource, Inc. (BLDR)
        - "Since we launched our buyback program 15 months ago, we have invested approximately $3.8 billion in repurchasing roughly 61 million shares, retiring nearly 30% of our common shares outstanding."
        - "As we have all seen in the public builder announcements, the commentary has suggested a 30% to 40% decline in order rates on average. While we had very strong third quarter results, we have begun to see a slowdown in average daily sales as higher mortgage rates and declining consumer confidence are weighing on demand and commodity prices."
        - "Our September and preliminary October volumes were down low double digits versus a year ago, amid a significant decline in early-stage build products. As such, we quickly pulled a few levers to curb our costs, including bringing our inventory in line with evolving sales levels, putting a moratorium on nonessential travel, reducing headcount and overtime to align with volumes and rationalizing facilities."
        - "We anticipate that the operating environment will remain challenging for the foreseeable future, but we are committed to strategically accelerating our leading

market position, allocating capital towards value-generating organic and inorganic growth opportunities and delivering on our overall value proposition."

- "Our industry is clearly experiencing deceleration versus the prior year"
- "This year, you overlay the market environment where you see a slowing market, you see a lot of the supply chain returning to normal and you see commodities decelerating into that as well as the seasonal decline. And so the trend, if you compare it to last year, obviously, is in the opposite direction in all of those categories. So what we're anticipating in that slower market is that decline in commodities, the decline in sales, some retrenching of the gross margins. We talked about that, I think, extensively over the last or so in terms of a return to normal over time."
- "outside of the commodities, we have not seen price concessions from our suppliers to this point."
- "our capital allocation priorities have not and will not change through the downturn. We'll invest first in the future growth of the company, inside the company. We'll look at M&A next and we'll return capital to shareholders as our third priority. However, even in the M&A front, our pipeline is still very strong, valuations have to make sense, and the same thing around share repurchases."
- "We think starts will go down. We think commodities will continue to revert back to that long-term average."
- "And we think there'll be some regression to the historical norms in margins. Beginning to see that in the third and fourth quarters and certainly expect that to play out through the year."
- "Well, as we have been, we continue to invest heavily in automating our manufacturing facilities. We think that's the right long-term play. We think labor is going to be constrained in this industry and particularly skilled labor, which we need in our manufacturing facilities for a long time to come."

- CNH Industrial (CNH)
  - "Order books remain robust as soft commodity prices continue to support global agriculture and many construction end markets sustain their strength. . .With this solid foundation and improving execution we have elevated our full year guidance."
- Masonite International Corporation (DOOR)
  - "In Europe, we experienced substantially greater headwinds than expected in the quarter from ongoing macroeconomic challenges, including consumer confidence, energy costs and exchange rates. Our leadership team has been systematically taking a number of actions to support margins, but the rapid deterioration of the economic climate did result in uncharacteristically weak performance for this segment."
  - "The combined effect of the European results and slower-than-anticipated recovery in the Architectural segment were a significant headwind to the overall results for the quarter, but we are pleased that strength in the core North American Residential segment kept us largely on track in the quarter."
  - "North American Residential, there are a couple of factors going on. One, we're seeing the inflation flow through the P&L a little bit slower than we would have anticipated. And that's driven primarily by the fact that volumes are coming down, and we've got higher cost material that we're continuing to consume as we produce for those lower volumes. . The other aspect is that we are seeing some volume deleveraging."
  - "The headcount piece of that, essentially what the team there is doing is the same playbook that we execute here in North America. There's an order of operations whereby, first, you're going to eliminate any overtime that you can. You're then going

to remove any temporary headcount. You're then going to move into more permanent headcount reductions, whether that's riding the attrition curve or eliminating shifts. And only thereafter would you consider more permanent or durable capacity reductions. So the team is executing against that plan."

    - "So we did see material inflation, I think, as I commented during prepared remarks, over 20% in the third quarter. We do expect that, that is going to drift somewhat lower in the fourth quarter. It's likely still to be in the mid- to high teens on a year-on-year basis, however. And part of that is due to the fact that, as I mentioned earlier, we're continuing to consume these higher cost materials that we purchased earlier and, in some cases, built higher levels of safety stock as a means to ensuring that we could deliver that consistent reliable supply I just spoke about. . . So we're consuming that higher cost material. That's going to continue to run through the balance of this year and perhaps even into early Q1, depending on what end market demand and production volumes do. We do expect that we'll see some moderation from those levels in 2023."
    - "And so first, with respect to end market demand, U.S. housing market, our current view is that the weakening conditions that we're seeing currently are going to continue the balance of the year, if not potentially worsen a little bit, and continuing to 2023. And as a result, at this stage, we're planning for a double-digit decline in new housing starts next year."
    - "Now on the flip side of that, on the residential repair and remodel market here in North America -- and by the way, just to emphasize, that we estimate is just over half of our business. That business has remained relatively resilient, and we expect that, that's likely to continue, particularly as a lot of people perhaps elect to renovate in place as opposed to move homes because they've got favorable mortgage terms to preserve vis-a-vis what current mortgage rates look like. And we believe that could likely serve as a little bit of a buffer to just the broader economic weakness that we're seeing. And as a result, RRR, we would plan to be down just modestly year-on-year."
  - The Middleby Corporation (MIDD)
    - “The demand outlook for our products at both our commercial foodservice and food processing segments remains strong.”
    - “The residential housing market has become significantly more challenged with the impact of interest rate hikes and inflationary effects that has slowed consumer spend on residential kitchen equipment. While there is significant uncertainty as we move into the next year, our order backlog remains ahead of pre-covid levels. We are confident in our ability to maintain industry-leading profitability levels even in challenging market conditions.”
  - ZIPRECRUITER, INC. (ZIP)
    - "During this past quarter, overall demand for labor in the U.S. eased, continuing the trend that began in Q2 of 2022."
    - "we're entering a period of labor market rebalance, basically at the onset of COVID, when the economy reopens shortly thereafter and all these businesses had to hire back up, there was an abundance of jobs and very few skilled job seekers available to do the work. It was a golden age for job seekers, and it was very tough to find talent."
    - "Now we're entering a period where there's going to be less jobs and it's going to happen across a number of skilled categories as well as a number of unskilled categories. And so effectively, every sector of the economy is going to feel the pain as it were from a job seeker perspective. "
- Real Estate

- Compass Inc (COMP)
  - "This has been a generationally bad year in residential real estate, one of the worst years over the past several decades. The incredible speed of the decline has been historic. Transactions have fallen significantly as soaring mortgage rates, high home prices, lack of inventory, stock market declines and high levels of uncertainty are keeping many buyers on the sidelines.The past 12 months have been tough and the next 18 months appear that they can be tougher. Compass will be diligent and persistent."
  - "Since the second quarter this year, we have been aggressively meeting down our expenses to adapt to this rapidly deteriorating market and already achieved significant cost reductions in our technology, engineering and other operating expenses through a variety of measures, including reductions in [tours].With our heavy investment period behind us, we are operating the business more efficiently."
  - "Mortgage rates went down 60 basis points today, one of the most dramatic single-day declines in the history of mortgage rates. And so that -- I would expect that this will spur a lot of demand."
- Forestar Group (FOR)
  - "Consistent with our last earnings call, we expect the environment will remain challenging due to rising mortgage interest rates, persistent inflation, continued municipality delays and shortages of certain materials."
  - "We’re seeing opportunities where other developers are having issues with their loans that are kind of looking at the need to get out of their positions."
  - "But again, I think that we still have a little time to go before they get extremely attractive."
- Starwood Property Trust, Inc. (STWD)
  - "What fascinating times we were living in. It's something of a financial hurricane going up in the market as many of you been really negative on what [indiscernible] doing. You really can't cure this inflation that is driven by mostly excess stimulus and then lack of goods on the shelves with interest rates. And as long as you have 10 million in open jobs, you're not going to see massive decreases in unemployment without eliminating many of those open jobs and then causing massive layoffs and derivative effects of that would be catastrophic on the country."
  - "the tech companies were really powering growth in many cities. And now they'll be pulling back. It is obvious to me that the economy was slowing even before the Fed started raising interest rates and that inflation was more transient. And of course, they got it wrong in the beginning and they're getting it wrong now with indeterminant outcome."
  - "we can tell you for the next 2 years, given inflation and media income growth in the markets we're in, the rents will continue to rise fairly significantly actually over the next 2 years and with its book value."
  - "But it is the best investing market that we've seen since 2009. With the banks on the sideline and many of our public mortgage REIT friends recently taking write-offs and taking write-downs, there isn't much liquidity in the alternative lenders. The only real capital at the moment is in the debt funds that are private."
  - "There's still too much liquidity. We still printed so much money, and it will come back into the market at some point when the coast is clear. They won't ring a bell, but you'll get a sense as the economy begins to shrivel, which it will, and inflation will come down as we see housing markets boiling right now, the most unaffordable housing market on my lifetime."

- "I think the Fed is making a really bad mistake. On the other hand, it has its positives which the crash will be very quick and very evident to them over the next 6 months. And they will lower rates faster than they probably thought they would because we'll have an election year and they don't want to raise them so late that they get swept out of Congress."
- "The Fed doesn't seem to understand that I don't fire people when they raise rates 75 basis points every month. It's not like I turn around and fire 2 people sitting next in because he raised rates. Businesses don't work like that. I don't know what on earth he expect to see in 3 months raising interest rate 75 basis points at a time. It's -- and the data they're using on rental complex is absolutely absurd."
- "With 6-month lags and they don't actually know what's going on, who could run a country like this?"
- "I mean there's a 20% shot that the Fed completely screws this up and the nation goes into a tailspin. And we have to be concerned about that. I mean the government people who talk about aggressive moves forget the United States has $32 trillion of debt. And the $32 trillion is growing by $1 trillion or $2 trillion a year now. So I think he's lost his mind, Powell, and I don't understand what they're doing. The government is going to be the biggest -- taking the biggest hit from rising interest rates. Our interest rate bill will go north of $1 trillion, up from $400 billion last year. I mean, it's going to -- it could be really bad."
- "there's no chance energy prices can stay high in the United States. We have the ability to pump a lot of oil and gas and don't have to worry about we can consume everything. On the margin, gas and oil price on the margin, extra million barrels of oil or gas of BCFs produced, we'll hit -- we'll the lower prices dramatically in the U.S. And that's nothing to do with Russia."
- "And I don't think people understand maybe this how energy ex all the other components of CPI. For example, food. Food actually has to be harvested with a tractor or something that uses oil. Then it's to shift to the processing plant in a car or a truck that uses oil, then they turn the turbines on and process the stuff using gas probably or electricity. And then it shipped back out to the market in a truck or a car on a train that uses electricity, gas or oil. And all of those components are part of food inflation. And it's not food. It's actually the transportation component of the food cost. So everything is tied to these crazy runaway energy prices, which are now subsided."

- Federal Reserve
  - Evans
    - “I’m hopeful that we’re getting to a point where the dynamics for inflation turning over and returning towards our 2% objective will be put in place, if not very soon, soon, and we’ll actually see it in inflation. If you don’t begin to think about adjusting the pace, taking account of lags, and you just keep increasing rates by a large amount, every time you get a disappointing report, then next thin you know, you’re at a very high federal funds rate.”
  - Mester
    - “We have moved rates up expeditiously this year, starting from a very accommodative stance to a stance that is becoming restrictive. The focus had been on how quickly we could get to that restrictive stance. Now the focus can shift to the appropriate level of restrictiveness that will return the economy to price stability in a timely way. . .As indicated in the FOMC statement last week, in determining the pace of future increases, the Committee will take into account the cumulative tightening of monetary policy, the

lags with which monetary policy affects economic activity and inflation, and economic and financial developments. All of these factors figure into the economic outlook and risks around the outlook, which inform our policy decisions."

- Daly:
    - "Time is now to step down on rate hike pace."
- CPI
    - "The index for shelter contributed over half of the monthly all items increase"

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