



## OptionsHawk Quarterly Market Brief – Q2 2021

### S&P 500 (SPX) Technical View

**Analysis:** The S&P is working right back near record highs through showing some bearish RSI divergences on the daily unable to clear the 70 level while MACD has also crossed bearish and NYSI is in a sell signal. A trend extension line off the 2019 and 2020 highs is also being pushed up against with limited room for upside, so overall the risk/reward here looks unfavorable. The recent dip held a key level near 3850 as a convergence of the 55-day moving average, YTD VWAP, and a 50% retrace of the March trading range. A break of that level likely leads to a test of the March lows near 3720 while an eventual retest of the November breakout near 3500 could be in order if things turn ugly on a move under the rising 21-week moving average. The next upside Fibonacci extension target of the COVID correction is up at 4120. A weekly RSI trend break, so below 62 would be another compelling sell signal.



### Key Levels

	<u>Support</u>	<u>Resistance</u>
<b>Level 1</b>	3925	4007
<b>Level 2</b>	3850	4140
<b>Level 3</b>	3760	4385
<b>Level 4</b>	3725	4400

## Fundamental Valuation Bands

	2021		Value	2022		Value
	EPS	Multiple	Level	EPS	Multiple	Level
<b>Bull</b>	185	23	4255	207	22	4555
<b>Neutral</b>	180	20	3600	200	19	3800
<b>Bear</b>	173	17	2940	185	16	2960

## Market Health/Sentiment Check

Indicator	Level	Implications
Short Term Moving Average Slopes	Rising	Bullish
Long Term Moving Average Slopes	Rising	Bullish
8/21 Week EMA Crossover	Stacked	Bullish
NYSE McClellan Oscillator (NYMO)	-2.4	Neutral
NYSE Summation (NYSI)	512.9	Below 8 EMA – Bearish
NYSE A/D (Cumulative)	191194	Above 89-EMA – Bullish
NYSE TRIN 55 MA	1.07	Neutral
NAAIM	57.5	Overly Bearish
AAll Sentiment	50.9% Bull	Overly Bullish
Investors Intelligence Survey Bull/Bear Spread	36.3	Neutral
CBOE Equity Put/Call 50 MA	0.44	Complacency
VIX:VXV Ratio	0.85	Neutral

## Macro & Central Banks

The Q1 narrative for markets has been focused on the resurgence in bond yields on the outlook for a hot economy with the vaccinations and reopening ahead of schedule. The markets' greatest fear is a rapid rise of inflation which would cause the Fed to change course though the Fed has vehemently reiterated no rate raises until 2024 and the inflation shock will be temporary. The worsening COVID situation in Europe and some tightening conditions in China are other Macro factors in focus.

## Catalyst Watch

Date	Event
4/1	OPEC Meeting
4/7	G20 Financial / Central Bank Meeting
4/9 to 4/11	IMF Spring Meetings
4/22	ECB Meeting
4/28	US Fed Meeting
4/27	BOJ Meeting
5/13 to 5/16	World Economic Forum
6/10	ECB Meeting
6/16	US Fed Meeting
7/16	BOJ Meeting
7/22	ECB Meeting
7/28	US Fed Meeting
8/1	US Debt Ceiling Suspension

## Bull & Bear Flow Quarterly Leaderboard

### OPTIONSHAWK DATABASE AGGREGATE FLOW BIAS QUARTER AHEAD

BULLISH	DIS, SNOW, TEAM, MU, PYPL, MPC, FDX, LVS, IAC, NTES, ETSY, MA, V, NUAN, UBER, BA, MNST, APO, SBUX, ATVI, UNP, GM, MTCH, DHI, Z
BEARISH	BYND, KR, GSX, LGND, QS, UNFI, OPEN

## Hawk Vision – Technical Set-Ups in Quality Fundamental Stocks (Hawk 350 Universe) with Options Flow

\*\*\* We highlight these kinds of set-ups daily in the OptionsHawk Trading Hub\*\*\*

**Abbott Labs (ABT)** shares retested a former breakout level and the rising 21-week moving average and showed a strong reaction, now looking to work back to new highs, a name with over 4000 January \$130 calls bought in open interest.



**Applied Materials (AMAT)** with a strong weekly flag breakout ahead of its early April Investor Day and has seen size call buying across April, May and January 2022.



**Best Buy (BBY)** setting up with a nice range and potential upside breakout for a new trend-up move, a name that has seen June \$110, \$115, \$120 and \$130 calls bought in good size.



**DR Horton (DHI)** a top homebuilder with shares breaking out to new highs out of a long range and has seen 9750 May \$85 calls bought against sales of the \$72.5 puts in risk reversals while also have 5500 August \$77.5 calls bought in OI.



**Monster (MNST)** shares working out of a weekly bull wedge in a strong trend and has 6000 June \$95/\$85 bull risk reversals in open interest from a trade on 2/12.



## Prior Quarter Earnings Recap

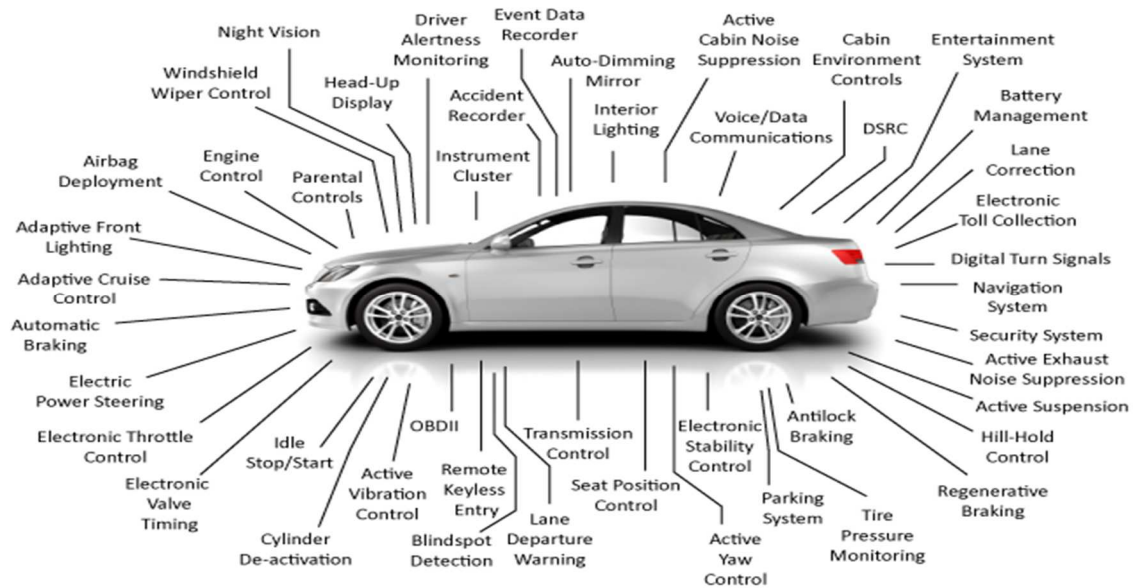
<u>Strong Beats</u>	<u>Bullish</u>
Chemicals	DOW, DD, RPM, CE, ASH, PPG, SHW, AXTA
Ag & Fertilizer	MOS, ADM, ALB, SMG, CTVA, BG, MOS, CF
Paper & Packaging	SLGN, AVY, BLL, BERY, SEE, CCK, SON
Auto Parts	ALV, GNTX, MTOR, APTV, LEA, ADNT, LCII, BWA, TEN
Household and Personal Care	HELE, PG, KMB, CL, CLX, SPB
Electronics & Toys	LOGI, BC, GRMN, PTON, VSTO, ENR, HAS, MAT
Asset Management / Brokers	BLK, EVR, SCHW, IBKR, MS, BX, TROW, SF, APO, LAZ, KKR
FinTech	MSCI, BR, AON, SPGI, EFX, AFRM, BKI, PAYS
Pharma	ABBV, LLY, JNJ, NVO, BMY, ZTS
Pharma Services	CTLT, DHR, TECH, WAT, MTD, IQV, A, LH, CRL, WST, ICLR
Medical Equipment	ABT, HOLX, ALGN, BDX, TFX, COO
Med-Tech	ISRG, ABMD, RMD, INMD, DXCM, NARI, MASI, PEN, INSP
Machinery / Equipment	GGG, URI, DOV, OTIS, ETN, EMR, IEX, XYL, FTV, WTS, ZBRA, DE, VNT, GNRC
Building Materials/Products	EXP, WY, FAST, WMS, BECN, MLM, MAS, POOL, AZEK, MHK, ALLE, LPX, VMC, OC, TREX, BLD
Trucking & Freight	JBHT, CHRW, KNX, LSTR, ARCB, SNDR, UHAL, ODFL, XPO, EXPD
Cloud Infrastructure	FFIV, DT, OTEX, DDOG, NET, RCT, ESTC, VMW, MDB
Communications Software	ZEN, RNG, TWLO, FIVN, BAND, ZM
Cyber Security	FTNT, VRNS, PANW, ZS, SAIL, CRWD
Internet – Advertising	GOOG, SNAP, FB, MTCH, IAC, PINS, TWTR, GDDY, JCOM
Semiconductors	MU, TSM, ASML, LRCX, TER, KLAC, AEIS, INTC, AMD, QRVO, AVGO, NVDA, ADI, SLAB, NXPI, TXN, SWKS, QCOM, OLED, SNPS, IPGP
Ecommerce	AMZN, BABA, EBAY, VIPS, ETSY, SE

## Quarterly Thematic Breakdown

### Automotive Chip Shortage

Throughout Q1 there have been countless stories and dozens of companies discussing a chip shortage in the auto sector and its broader implications on supply chains. This has not only stopped production for many of the major automotive OEMs but also snarled supply lines for other semiconductor companies who have no exposure to cars at all. The worldwide financial impact of the shortage won't be fully known until product has normalized towards mid-year but some estimates say it could cut as much as \$60B from the automotive industry in 2021. Consulting firm Alix Partners said they think it could hit 10% of the global supply chain and demand this year. IHS Markit says this includes 250,000 vehicles in China, the world's biggest market for vehicles. This massive disruption has created a number of opportunities across semiconductors, semi-equipment stocks, and automakers themselves.

Over the last decade, automotive production has increasingly become more tech-focused in everything from the onboard dash systems to complicated monitoring processes within the engine itself. At the highest-end of the value-chain, cars can have fully-developed power steering, brakes, safety, and info systems. This shift will only accelerate as we move more towards fully autonomous driving and digital applications as well. There are two main types of chips used in cars. MOSFETs (metal-oxide semiconductor field-effect transistors) are growing in utilization in electric motors powering heating and ventilation systems. Analog chips are used for infotainment systems, safety systems like LIDAR and ABS, and LED lighting for head lights. Morgan Stanley notes that in next-gen cars, 40% of the value of the car will be the hardware, 40% from the software, and 20% content that streams into the vehicle like games, news, and more.

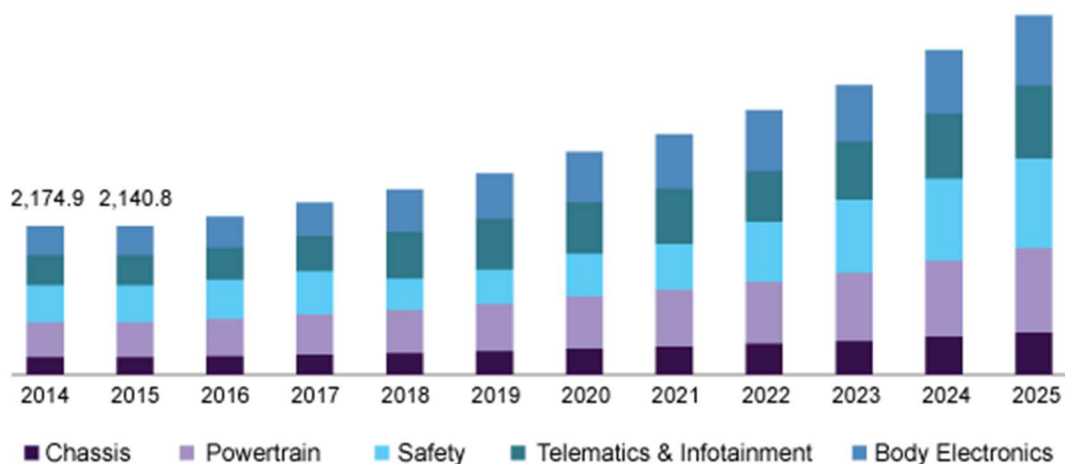


Automotive chips are more complex than those used in smartphones or other consumer devices. This means that for the manufacturer, there's a much longer lead time from order to fulfillment, and a disruption can slow down the entire chain which includes many components that are much easier to make. Ford's head of product and operations said at a conference in 2020 that lead times for chips can be as much as 26-weeks.

Quick production changes due to COVID in 2020 ultimately led to the current problems. Auto producers have traditionally bought more chips than necessary and carried surplus inventory, according to Renesas, a leading chip maker. When auto production stopped in March 2020 due to coronavirus, many expected that demand wouldn't recover for a long period of time and cut back on orders significantly. Semiconductor companies also saw surging demand for chips for consumer devices, PCs, and other areas due to work-from-home and pivoted much of their time and resources towards these area. But, auto demand came roaring back faster-than-expected, and auto OEMs were forced to go back to chip companies to ask for production to ramp back up.

The automotive network is vast, as well, which has amplified the problem. Beyond the manufacturers like **Ford (F)**, **GM**, **Toyota**, **Honda**, and **BMW**, suppliers are the biggest driver of chip buying. Suppliers source most of the chips for their unique components – for example, **Continental AG** came out on 3/9 and said they expect to be under-producing products for months due to their inability to get enough chips. They make DC/DC converter components for hybrid and electric vehicle drivetrains. **Volkswagen** outright blamed poor planning by their suppliers on the chip shortage.

**U.S. Automotive Chip Market Size, by Application, 2014-2025 (USD Million)**



The automotive chip market is massive and growing too. Grandview Research estimates that the chip market in vehicles will be as much as \$56B by 2025, up from \$22.5B in 2016. The biggest components will be powertrain, safety, and telematics while body electronics and chassis will also be smaller elements. The market will grow at a 10.7% CAGR. This growth will largely be due to the more complex nature of communications for vehicles that will utilize hundreds or thousands of sensors internally processing real-time data.

There are five primary names to focus on in the automotive chip space. **Renesas** is the biggest maker of automotive chips in the world and they're followed closely by **NXP Semi (NXPI)**, **Infineon**, **ON Semi (ON)** and **ST Micro (STM)** as other notable options in order of exposure to automotive chips. NXPI is probably the best play on a recovery in auto chips. They get 47% of their revenue from automotive components in ADAS, autonomous and powertrain applications for both electric vehicles and traditional ICE engines. NXPI had strong growth in December but automotive was a standout and "meaningfully stronger than planned." They expect mid-20% growth in Q1 but potentially higher as they expect IHS estimates for auto sales will be raised at some point which sets up for a multi-quarter run of growth. NXPI has been seeing some price hikes from suppliers but they feel confident in being able to quickly pass these on to customers with little impact on margins. The \$55B company trades 5.8X EV/sales and sees 21% revenue growth in FY21, 5% growth in FY22 and 7.35% growth in FY23. They expect mid-double digit growth in EPS.

A lot of other chipmakers have also noted that the shortage is beginning to impact them – **Qualcomm (QCOM)** for instance – but they're a ripple effect of the crisis and not directly making automotive chips. **Intel (INTC)** could be a positive beneficiary as they make their own chips versus peer **AMD** who outsources the work to third-parties. The difference in timing and output could allow INTC to gain some share through the year. Finally, according to Semiconductor Engineering, a leading industry research firm, 200mm demand has been surging into the end of 2020 which has been due to the chip shortage. **Taiwan Semi (TSM)** gets about one-third of their revenue from 200mm while **UMC** is a leader in the area as well.

Semi-equipment stocks are another likely beneficiary of the shortage as production ramps to meet demand into the middle of the year. One name specifically noted that have seen strong demand was **Kulicke & Soffa (KLIC)**. The company makes tools used to assemble the most complicated semiconductor chips and packaging used at the end of production. They serve a number of the key auto and industrial chip makers. The company said in February that they expect the current environment to remain favorable:

*"At this point, there are shortage of semiconductors throughout the automotive supply chain, and we have experienced a strong sequential increase in the utilization rate of our automotive installed base over the December period. Due to this near-term dynamic, combined with a broader long-term transition to fully electric and fully autonomous vehicle, we are optimistic on our outlook, and we look forward to further support our broad base of automotive customers over the long term."* They also said they have room to expand supply to meet demand if it ramps further in the 2H.

The \$2.92B company sets up well in a bull flag under \$50 and potential to run to new highs and out to \$57.50/\$60. Shares trade cheap at 14.89X earnings, 3.9X sales, and 5X cash. The company has been benefiting from a catch-up in the industry to invest in wire bonding and Craig Hallum positive in January noting that the shift in spending could drive an improvement in their core business. KLIC has broad exposure to 5G, PCs, smartphones, ADAS systems, and consumer devices while data center and industrial markets expected to pick back up in the 2H of the year.

The chip shortage has slowed production down for virtually every automaker in the world but there is one notable to pay attention to during the crisis. **Toyota Motors (TM)** is unique among their large-cap peers in that they have avoided many of the problems so far. The company has a business continuity plan instituted after the 2011 Fukushima disaster that sees them stockpiled with up to six months' worth of chips. Reuters noted in March that Toyota was the only automaker to not forecast a output slowdown at a time when nearly every other automaker had done so. They actually raised their output estimates for the FY and raised their FY EPS forecast by 54%. On their February call, they did note however that, "Are we secured for the mid to long term? No. We do see the risks. That is why every day, every week, every month, not just Tier 1 suppliers, but the conductors manufacturers, semiconductor makers included, we are communicating to understand the situation."



TM shares trade cheap at 13X earnings, 1X sales, and 3X cash with a 2.8% yield. They're expanding their scope into areas like connected commercial vehicles with a recent partnership with Isuzu Motors. TM has long outpaced peers on production and they came out of 2020 much stronger as they contained costs and returned to profitability in Q4 ahead of schedule. TM has been investing in next-gen auto concepts like driverless shuttles, hydrogen taxis, and even their own R&D on an 'air taxi' project. They plan to roll out a new Tundra in 2022 which they hope will gain them share over the 'Detroit 3'.

Finally, what some others are saying on the shortage:

**Worthington (WOR)** on a potential impact: "As you know, in certain situations, they're actually building cars and leaving the semiconductors and the chips out with the plan on adding those later, but it's definitely something that we're keeping an eye on. We would say it's had a pretty limited or muted impact on us thus far, but that can always change. Yes. And we're fortunate in some respects because over the last several years, we've migrated our business. And so in our Steel Processing business, the business that we have going into automotive, about 75% [is an] estimate, but around 75% of that business is non-sedan. It's truck, crossover SUV, van and things like that. And so just given the profitability profiles of those vehicles for the OEMs, those are typically the last that they're going to shut down."

**KC Southern (KSU)** on what automotive OEMs have told them: "On the auto side, clearly, something we didn't think about or realize the impact as we set our plans. So our auto business is down about 20% quarter to date. The feedback that we're getting from the OEMs is that they believe this chip shortage issue that they're dealing with is going to start seeing improvement in 2Q. And that actually, given the demand in very low dealer inventories, so the inventories are down in the 50-day mark now. Typically, they're 80 to 85 days that they're going to try to catch up some of that lost production here in 1Q. So we still have a pretty good outlook on the auto sector."

**Nexteer Automotive** on making up lost volume in 2H: "It's really an hour-to-hour thing. It's got the focus of our entire organization. We're seeing customers begin to pull schedules out in the first half as a result of shortages in certain areas. I would say, in general, in North America, the OEMs continue to prioritize their full-size trucks. And so to the extent that they're able to do that, that would certainly support Nexteer because of our high content on those particular vehicles. And the other thing that Bill mentioned as well is OEMs are saying today that they plan on making up -- any lost volume that they have in the first half, they plan on making that up in the second half. So hopefully, the supply chain gets improved during the first half, and in the second half, there's enough capacity to support the volume that the OEMs will attempt to build to meet the demand."

**Union Pacific (UNP)** on the outlook: "within our premium line, automotive continues to be challenged by the impact of the semiconductor chip shortage. Our expectation is that production will be recovered through the course of the year."

**Qualcomm (QCOM)** expects to meet year-end demand: "the overall industry is going through a pretty significant chip supply shortage across a bunch of nodes. And as we -- as you would expect, we're working very closely with our suppliers and our customers to address the needs of our customers. At this point, based on the guidance that we've provided, we feel confident that we'll be able to get sufficient supply to meet the data points we've provided to the investors. And as we look forward at the end of the year, with launches going into the Christmas season, we feel confident that we'll have additional supply, and we'll be able to meet the opportunity to really take advantage of the opportunity of the handset -- the portion of the SAM handset, SAM that used to be Huawei units as our OEMS, I think, sell into that SAM, and we'll be able to supply, and it will become a tailwind as we go into our next fiscal year."

**Methode Electronics (MEI)** on what clients are telling them: "I don't want to speak for the customers, but we do know that across the board, customers are reallocating to the models that are selling for them. So we do benefit from that. But it's very difficult to project how that will work out. We said in our third quarter that it was minimal, but we are seeing the effect of it in our fourth quarter, and our guidance clearly reflects that. So when we're being told it will mitigate -- it runs the gamut. The latest we heard is maybe the middle of the year, but we've also heard longer as well. So it's very difficult from where we sit to predict that. And again, that's why we gave a wide guidance range."

**Element Solutions (ESI)** on silver linings out of the shortage: “So chip shortages are impacting our business, right? And this is -- as cars have more computing power, they require more chips, and chips are in really high demand. And in fact, the shortage of chips is slowing down and stopping production of some -- from some automotive OEMs. And we're seeing that. And we sell a lot into the automotive supply chain. And so when production rates slow down, which they are in sort of a spotty fashion, it's not a huge impact to date, that does impact sales for us. What we've seen -- this has primarily been in Europe, and we've seen that our customers and the tiers are not really slowing down commensurately because they've had such stop-and-go manufacturing. Given COVID, they want to keep folks in the facilities where they can. But it is driving volume to some extent and a bit of a headwind. But there are really -- there's 2 silver linings: The first is the economies in the West and around the world are generally pretty healthy, and so these are units that we have full confidence these cars will be sold. And so in the focus of time, we'll realize the value associated with demand for automotive. So it might have a phasing impact but not an absolute dollar sales impact. But more importantly, the bigger silver lining is what's driving these chip shortages, and you can draw a straight line from the strength of our Q4 performance in Electronics to this chip shortage. And so the electronics market, a higher-margin, higher-value market for us, is really at full gear right now. And so what we're sort of sacrificing in the short term from an automotive perspective, we're recouping in the near term from the strength of the electronics market, and that's a fine trade for us. So we see this generally as a positive for us and for our business.”

**Cars.com (CARS)** is seeing benefits to used car sales: “Our marketplace subscriptions are growing in both segments of the market. Used cars obviously are picking up momentum because of the chip shortage. And so that's part of the growth that we're seeing in both January and February of this year.”

#### Quarterly M&A Notable Deal

In March M&A in the insurance market made headlines as **Chubb (CB)** approach **Hartford Financial (HIG)** in a \$23B buyout that was later rejected but talks are likely to continue and overall puts a spotlight on an industry that is undervalued. Chubb has long been a best-in-class operator so I take note when they are looking to scale-up with a deal of this magnitude. It would be the largest deal in the sector since the Aon (AON) \$30B deal for Willis Towers Watson last year. Chubb is mainly focused on covering mid to large-sized companies and a deal for Hartford would position it better in the small-business insurance space. M&A deals in the P&C space have traditionally been done at 1.8X book value which would value Hartford Financial over \$30B. Chubb has a total U.S. market share for property-casualty premium of about 3.3%, while Hartford's is 1.8%, a fragmented industry and likely to see further consolidation with large-caps like **Berkshire (BRK.B)**, **Traveler's (TRV)**, **Allianz**, and **Munich RE** searching for deals. In the week following the proposed buyout we saw some May call buying in **Unum (UNM)** and **Lincoln (LNC)**.

Screening across potential other targets that names that stand out are **CNA Financial (CAN)**, **Lincoln National (LNC)** and **Principal Financial (PFG)**, the latter screening the most attractive across metrics while Lincoln National is very cheap on Price/Book and has seen the call activity.

Tickers	Mkt Cap	P/E	Price to Book	EPS Growth	Net Income CAGR	ROE	FCF Margin	Cost to Income Ratio	Debt to Cap.	Dividend Yield	Premium Written
<b>AIZ</b>	8,754	12.19x	1.5x	0.94%	2%	10.02%	12.09%	5.78	0.3x	1.76%	
<b>CINF</b>	17,036	25.26x	1.8x	-21.90%	-2%	6.03%	19.52%		0.1x	2.23%	7%
<b>CNA</b>	12,354	10.55x	1.0x	-24.79%	6%	8.61%	16.21%		0.2x	3.25%	3%
<b>GL</b>	11,416	12.01x	1.3x	1.93%	1%	9.58%	30.28%	3.21	0.2x	0.75%	
<b>HIG</b>	24,204	10.87x	1.5x	2.30%	-4%	10.29%	18.02%	5.73	0.2x	1.92%	6%
<b>LNC</b>	11,928	5.78x	0.6x	-33.68%	12%	8.72%	3.06%	17.77	0.2x	2.57%	
<b>PFG</b>	16,529	8.94x	1.1x	-11.47%	1%	10.27%	24.62%	7.97	0.2x	3.69%	0%
<b>UNM</b>	5,647	5.14x	0.5x	-9.38%	-7%	9.05%	3.63%		0.2x	4.11%	3%

## Small Cap of the Quarter

**Curtiss-Wright (CW)** is a high-quality Industrial that was hit hard during COVID but working higher trading in a long range the last few weeks that looks likely to break higher. The \$4.8B Company trades 11X EBITDA, 15X Earnings, 2.7X Book and 25X FCF with a 0.57% dividend yield and an outlook for 3-4% annual revenue growth and 3-8% EBITDA growth. CW is undergoing a leadership change with a new CEO. CW is pivoting to growth with a renewed focus on top line acceleration and will host an Investor Day in May to communicate its new vision and strategy. CW has also executed on its operating margin expansion initiatives rising to 16.5% in 2019 from 9.3% in 2013.

Curtiss-Wright is a global, diversified manufacturing and service company that designs, manufactures, and overhauls precision components and provides highly engineered products and services to the defense, general industrial, power generation, and commercial aerospace markets. In Commercial/Industrial, CW provides a diversified offering of highly engineered products and services including: (i.) industrial and specialty vehicle products, such as electronic throttle control devices, joysticks, and transmission shifters, (ii.) sensors, controls, and electro-mechanical actuation components used on commercial aircraft, (iii.) severe-service valves to the industrial market, and (iv.) surface technology services, such as shot peening, laser peening, and engineered coatings. In Defense, CW provides a diversified offering of products including: Commercial Off-the-Shelf (COTS) embedded computing board-level modules, data acquisition and flight test instrumentation equipment, integrated subsystems, valves, instrumentation and control systems, tactical communications solutions for battlefield network management, and electronic stabilization products. In Power, CW provides naval propulsion and auxiliary equipment, including main coolant pumps, power-dense compact motors, generators, steam turbines, valves, and secondary propulsion systems, primarily to the U.S. Navy.

## International Stock of the Quarter

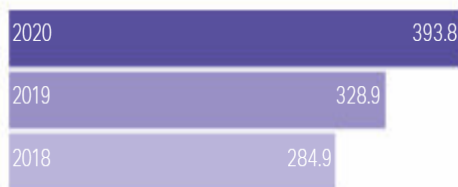
**Gamma Communications PLC (GAMA:LN)** is a leading technology-based provider of communication services to the business market in Western Europe. Gamma is one of the leading providers of Unified Communications as a Service (UCaaS) in Europe benefitting from businesses moving to a more flexible cloud-based communication service. The combination of network investment, a digital-first approach and in-house development skills has enabled Gamma to develop a comprehensive portfolio of communications services with a significant amount of intellectual property, which has given us a heritage of disrupting the market with innovative and market-leading cloud-based services such as SIP trunking and UCaaS in the UK. Gamma provides robust and secure solutions that enable organizations to communicate, collaborate and offer a better customer experience. Gamma's largest market is in the UK where the company's network-based services are supplied to SME, Public Sector and Enterprise markets through a network of 1000+ channel partners and its own direct sales and support capabilities. In addition, Gamma owns Exactive, a Unified Communications specialist and Microsoft Teams Voice Partner as well as Unified Communications infrastructure provider Telsis, which also has a presence in Germany. Gamma is expanding its UCaaS presence in Europe and has a desire to grow its family of businesses with a focus on digital automation, delivering Gamma-powered services to SME customers largely via a network of channel partners. In the Benelux region Gamma owns Dean One, a rapidly-growing telecom and internet provider based in the Netherlands supplying VoIP, Mobile and Broadband services via 600+ channel partners. Dean One also owns Nimsys, an ICT specialist for workspaces and multi-tenancy buildings as well as Schiphol Connect, the telecom and internet provider at Schiphol Airport in the Netherlands. Additionally, gnTel is a telecom operator and supplier of complete hosted VoIP solutions to SMEs in Benelux and Germany, selling exclusively through its network of 300+ partners. In Germany, Gamma has acquired HFO, one of the leading SIP Trunk and emerging Cloud PBX providers that has an excellent reputation

for product quality and service. Headquartered in Oberkotzau, Bavaria, HFO operates nationwide in Germany through a reseller network of over 1,000 partners. Through its Epsilon brand, HFO is also a large B2B mobile distributor in Germany, offering mobile connections from all three major mobile network operators. VozTelecom is a cloud communications service provider in Spain, primarily focused on the SME market. Headquartered in Barcelona, with offices in Sevilla, San Sebastián and Tétouan (Morocco), VozTelecom is one of the leading SIP Trunk and Cloud PBX providers, offering fixed and mobile communications bundled with Internet access.

The \$1.6B company trades 3.5X EV/Sales and 17.5X EBITDA with a 2.8% FCF Yield. Gamma has grown revenues 21.9%, 10.5% and 20.4% the last three years with 23.2% growth seen for 2021, a fast-growing and highly profitable company trading at a steep discount to US peers.

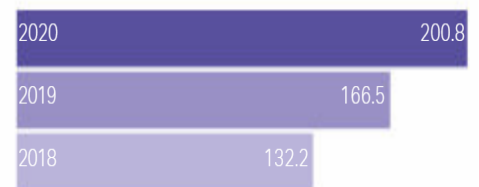
### Revenue (£m)

£393.8m  
+20%



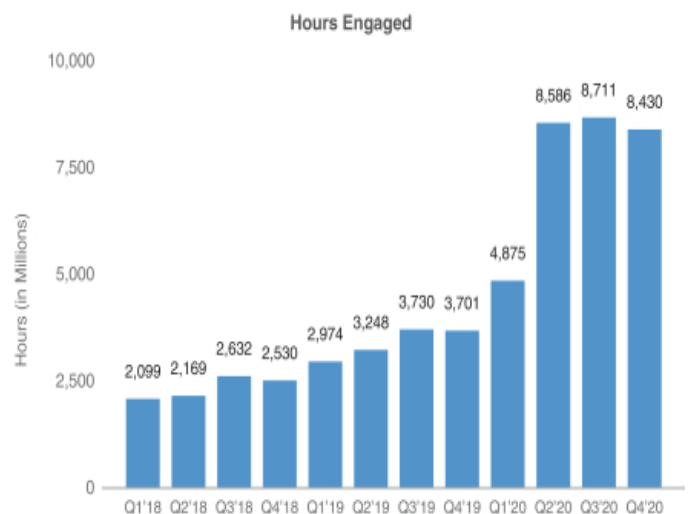
### Gross profit (£m)

£200.8m  
+21%



### IPO Watch

**Roblox (RBLX)** a new issue in the online entertainment platform industry with a market cap of \$37.5B after its recent IPO and trading 20.5X FY21 and 15.8X FY22 EV/Sales with revenues growing 56.4% in 2019 and 81.7% in 2020 with forecasts for 103% growth in 2021. RBLX is also set to be profitable in 2021 with EPS of \$0.43 and EBITDA of \$437M. RBLX has 37M daily active users. Hours engaged on Roblox grew 45% from 9.4 billion in 2018 to 13.7 billion in 2019 and grew 124%, to 30.6 billion, in 2020. Daily paying users on Roblox grew from approximately 125,000 in 2018 to approximately 184,000 in 2019, and approximately 490,000 in 2020. Bookings grew 39% from \$499.0 million in 2018 to \$694.3 million in 2019 and grew 171%, to approximately \$1.9 billion, in 2020.



Average Bookings per Daily Active User



Roblox has a platform for users to play, learning, communicate and expand explore in 3D digital worlds entirely user-generated built by the community. It calls this new category “human co-experience” and the platform is powered by user-generated content and draws inspiration from gaming, entertainment, social media, and even toys. Others refer to the category as metaverse, a term often used to describe the concept of persistent, shared, 3D virtual spaces in a virtual universe. With the advent of increasingly powerful consumer computing devices, cloud computing, and high bandwidth internet connections, the concept of the metaverse is materializing.



The Roblox human co-experience platform consists of the Roblox Client, the Roblox Studio, and the Roblox Cloud. Roblox Client is the application that allows users to explore 3D digital worlds. Roblox Studio is the toolset that allows developers and creators to build, publish, and operate 3D experiences and other content accessed with the Roblox Client. Roblox Cloud includes the services and infrastructure that power our human co-experience platform. Roblox has a vibrant economy built on a currency called Robux. Users who choose to purchase Robux can spend the currency on experiences and on items for their avatar. Developers and creators earn Robux by building engaging experiences and compelling items that users want to purchase. Roblox enables developers and creators to convert Robux back into real-world currency.

Roblox recently introduced its subscription service, Roblox Premium, which should increase conversion of free users to paying users and the retention of paying users. Roblox also sees potential for the platform to serve brands for advertising. RBLX also has significant expansion opportunities in International markets, China a key opportunity, and its intersection of social and content makes for a network effect driving higher engagement and monetization.

RBLX will certainly face tough comps as it laps the growth from COVID but investors will likely focus mostly on user engagement and monetization metrics. RBLX shares are pricey for a name that will likely normalize closer to 20-25% annual revenue growth but is a quality growth company worth a look closer to a \$25B market cap.

### Quarterly Insider Notable Activity

For Detailed Write-Ups Visit <https://www.optionshawk.com/options-trader/insider-trading-spotlight/>

Trade Date	Ticker	Company Name	Title	Price	Qty	ΔOwn	Value
3/19/2021	PFSI	Pennymac Financial Services, Inc.	Dir	\$62.11	532,363	104%	\$33,066,692
10/1/2020	IMPX	Aea-Bridges Impact Corp.	Co-CEO	\$10.00	2,500,000	New	\$25,000,000
3/12/2021	FOX	Fox Corp	COB	\$42.77	500,000	35%	\$21,383,993
3/25/2021	FTAI	Fortress Transportation	Dir	\$25.00	800,000	New	\$20,000,000
3/5/2021	PFSI	Pennymac Financial Services, Inc.	Dir	\$60.49	241,677	71%	\$14,618,894
3/5/2021	PFSI	Pennymac Financial Services, Inc.	Dir	\$60.49	241,677	71%	\$14,618,894
3/4/2021	W	Wayfair Inc.	Dir	\$283.50	48,000	19%	\$13,607,944
3/11/2021	NWS	News Corp	Exec COB	\$26.05	500,000	19%	\$13,023,183
3/24/2021	DBI	Designer Brands Inc.	Exec COB, 10%	\$13.99	902,623	45%	\$12,628,099
3/5/2021	NWS	News Corp	Exec COB	\$24.09	500,000	23%	\$12,044,800
3/2/2021	XOM	Exxon Mobil Corp	Dir	\$56.26	177,000	12%	\$9,958,020
3/23/2021	TIL	Instil Bio, Inc.	Dir	\$20.00	450,000	6%	\$9,000,000
3/4/2021	CLI	Mack Cali Realty Corp	Dir	\$14.51	442,000	17%	\$6,411,750
3/12/2021	PFSI	Pennymac Financial Services, Inc.	Dir	\$65.29	97,099	17%	\$6,339,226
3/10/2021	ICPT	Intercept Pharmaceuticals, Inc.	Dir	\$21.17	237,000	56%	\$5,016,252
2/17/2021	TLIS	Talis Biomedical Corp	Dir	\$16.00	312,500	22%	\$5,000,000
10/20/2020	PRAX	Praxis Precision Medicines, Inc.	Dir	\$19.00	250,000	9%	\$4,750,000
1/8/2021	MRSN	Mersana Therapeutics, Inc.	Dir	\$18.36	250,000	7%	\$4,590,000
3/24/2021	DBI	Designer Brands Inc.	Dir	\$14.11	273,099	24%	\$3,853,427
1/29/2021	TDY	Teledyne Technologies Inc	Exec COB	\$366.05	10,000	6%	\$3,660,462
3/4/2021	TDY	Teledyne Technologies Inc	Exec COB	\$361.54	10,000	6%	\$3,615,404
3/1/2021	PRMW	Primo Water Corp /cn/	Dir	\$14.48	212,720	34%	\$3,079,335
2/17/2021	NEXI	Neximmune, Inc.	Dir	\$17.00	175,000	32%	\$2,975,000
3/10/2021	DBX	Dropbox, Inc.	Dir	\$24.59	100,000	50%	\$2,458,670
2/9/2021	GBX	Greenbrier Companies Inc	COB, CEO	\$43.57	50,000	11%	\$2,178,701
2/19/2021	SONO	Sonos Inc	Dir	\$37.35	53,666	>999%	\$2,004,345
3/2/2021	DISCA	Discovery, Inc.	CFO	\$48.50	40,000	18%	\$1,940,000
3/23/2021	FNCH	Finch Therapeutics Group, Inc.	Dir	\$17.00	102,941	19%	\$1,749,997
3/11/2021	LGF.B	Lions Gate Entertainment Corp /cn/	Dir	\$15.59	100,000	10%	\$1,559,296
2/22/2021	EPIX	Essa Pharma Inc.	Dir	\$27.00	57,000	6%	\$1,539,000
1/25/2021	INTC	Intel Corp	CEO	\$55.57	27,244	6%	\$1,514,004
3/23/2021	FNCH	Finch Therapeutics Group, Inc.	Dir	\$17.00	88,235	5%	\$1,499,995
3/1/2021	XOM	Exxon Mobil Corp	Dir	\$57.16	25,000	313%	\$1,429,120
2/26/2021	TREE	Lendingtree, Inc.	Dir	\$275.04	5,000	46%	\$1,375,200
2/12/2021	KKR	Kkr & Co. Inc.	Dir	\$48.13	26,000	19%	\$1,251,479
2/19/2021	ZTS	Zoetis Inc.	Dir	\$164.68	7,590	New	\$1,249,931
3/15/2021	KDP	Keurig Dr Pepper Inc.	Chief Strategy Officer	\$33.30	37,384	118%	\$1,244,968

2/22/2021	ADC	Agree Realty Corp	Dir	\$63.63	19,525	9%	\$1,242,411
1/22/2021	HY	Hyster-Yale Materials Handling, Inc.	Member of a Group	\$55.50	22,054	5%	\$1,223,997
2/25/2021	RPRX	Royalty Pharma Plc	Dir	\$46.83	25,700	295%	\$1,203,480
3/8/2021	PH	Parker Hannifin Corp	Dir	\$299.82	3,900	695%	\$1,169,315
2/26/2021	AGR	Avangrid, Inc.	see below	\$46.53	25,000	New	\$1,163,250
3/2/2021	EDIT	Editas Medicine, Inc.	CEO	\$46.27	25,000	250%	\$1,156,800
2/19/2021	CAR	Avis Budget Group, Inc.	EVP, CFO	\$45.88	23,735	New	\$1,089,034
3/4/2021	TDY	Teledyne Technologies Inc	EVP	\$357.48	3,000	8%	\$1,072,427
3/10/2021	MSFT	Microsoft Corp	Dir	\$236.80	4,300	592%	\$1,018,240
2/16/2021	FISV	Fiserv Inc	Dir	\$110.99	9,100	14%	\$1,010,009
3/9/2021	KW	Kennedy-Wilson Holdings, Inc.	Dir	\$20.14	50,000	14%	\$1,007,000
2/17/2021	NUS	Nu Skin Enterprises, Inc.	Exec. COB	\$48.05	20,850	8%	\$1,001,843
3/8/2021	WMT	Walmart Inc.	Dir	\$129.63	7,725	>999%	\$1,001,376
2/4/2021	HOG	Harley-Davidson, Inc.	Pres, CEO	\$32.47	30,800	14%	\$1,000,165
2/17/2021	BBIO	Bridgebio Pharma, Inc.	Dir	\$62.50	16,000	320%	\$1,000,000
2/17/2021	TLIS	Talis Biomedical Corp	Dir	\$16.00	62,500	New	\$1,000,000
3/3/2021	D	Dominion Energy, Inc	Pres, CEO	\$69.44	14,402	11%	\$999,998
1/11/2021	DMTK	Dermtech, Inc.	Dir	\$29.50	33,898	64%	\$999,991
3/15/2021	CPNG	Coupage, Inc.	Dir	\$35.00	28,571	14%	\$999,985
3/15/2021	CPNG	Coupage, Inc.	Dir	\$35.00	28,571	New	\$999,985
1/28/2021	TXN	Texas Instruments Inc	Dir	\$166.91	5,975	39%	\$997,294
2/26/2021	LOW	Lowe's Companies Inc	Dir	\$159.48	6,250	28%	\$996,755
3/1/2021	CNP	Centerpoint Energy Inc	Dir	\$19.84	50,000	262%	\$992,000
1/25/2021	DFH	Dream Finders Homes, Inc.	Dir	\$13.00	75,000	New	\$975,000
1/12/2021	SPLP	Steel Partners Holdings L.P.	SVP	\$11.93	77,268	110%	\$921,889
1/21/2021	DRVN	Driven Brands Holdings Inc.	EVP, Pres, Car Wash N.A.	\$29.79	30,000	12%	\$893,630
12/18/2020	BRK.A	Berkshire Hathaway Inc	Dir	\$222.33	4,000	19%	\$889,335
1/25/2021	DFH	Dream Finders Homes, Inc.	SVP, COO	\$13.00	60,000	8%	\$780,000
2/22/2021	CERN	Cerner Corp	EVP, CFO	\$70.43	10,655	New	\$750,422
3/8/2021	CERN	Cerner Corp	EVP, CFO	\$71.13	10,547	49%	\$750,241
3/1/2021	CERN	Cerner Corp	EVP, CFO	\$69.66	10,761	101%	\$749,597
3/16/2021	ORCL	Oracle Corp	Dir	\$67.27	10,242	173%	\$688,966
2/16/2021	SONA	Southern National Bancorp of Virginia Inc	EVP, CFO	\$12.88	50,000	625%	\$644,000
2/9/2021	DSP	Viant Technology Inc.	Dir	\$25.00	25,000	208%	\$625,000
3/10/2021	KNSL	Kinsale Capital Group, Inc.	Dir	\$173.42	3,500	13%	\$606,983
2/25/2021	CAR	Avis Budget Group, Inc.	EVP, CFO	\$55.68	10,000	42%	\$556,842
3/19/2021	LMNR	Limoneira Co	Dir	\$17.07	32,560	12%	\$555,893
3/19/2021	OLO	Olo Inc.	Dir	\$25.00	22,000	276%	\$550,000
3/3/2021	EVRG	Evergy, Inc.	EVP - CFO	\$53.48	10,000	237%	\$534,779
3/3/2021	EVRG	Evergy, Inc.	Pres, CEO	\$52.92	10,000	19%	\$529,195
3/4/2021	XRAY	Dentsply Sirona Inc.	Dir	\$58.75	9,000	50%	\$528,752
2/22/2021	DD	Dupont De Nemours, Inc.	Dir	\$69.94	7,500	93%	\$524,549
2/25/2021	M	Macy'S, Inc.	Dir	\$15.42	33,115	>999%	\$510,630
3/1/2021	PRMW	Primo Water Corp /cn/	CEO	\$14.53	35,000	7%	\$508,375

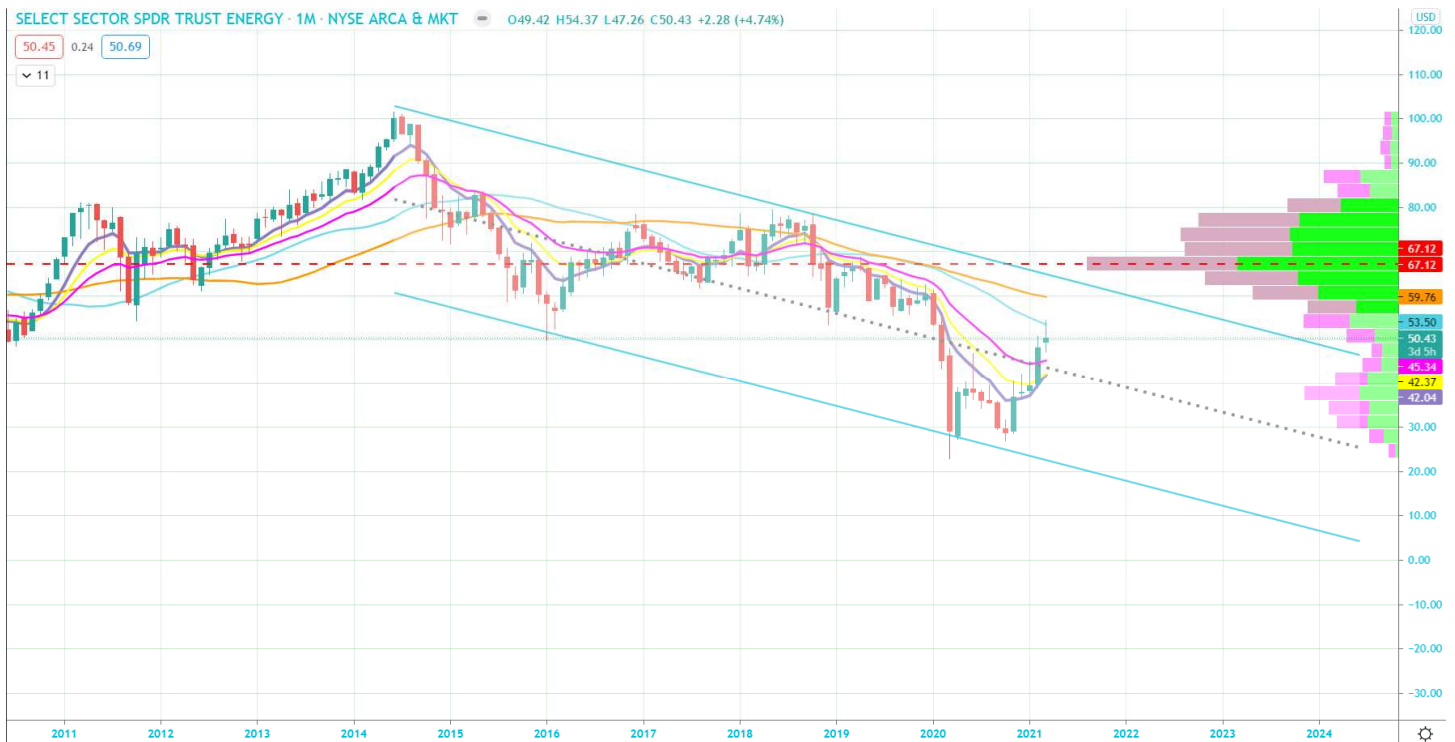
3/2/2021	BG	Bungeltd	Dir	\$79.32	6,400	126%	\$507,654
1/26/2021	INTC	Intel Corp	CFO	\$55.34	9,095	13%	\$503,317
2/4/2021	ANTM	Anthem, Inc.	Dir	\$296.03	1,700	139%	\$503,251
2/17/2021	NUS	Nu Skin Enterprises, Inc.	Dir	\$50.65	9,910	13%	\$501,892
3/5/2021	NTAP	Netapp, Inc.	EVP, SSSBU, CIBU	\$61.79	8,100	21%	\$500,470
2/18/2021	NUS	Nu Skin Enterprises, Inc.	Dir	\$49.48	10,110	12%	\$500,293
3/3/2021	KDP	Keurig Dr Pepper Inc.	Pres, Coffee	\$30.99	16,140	13%	\$500,106
1/11/2021	GBIO	Generation Bio Co.	Dir	\$24.50	20,408	25%	\$499,996
2/5/2021	UNH	Unitedhealth Group Inc	Dir	\$332.68	1,500	20%	\$499,026
3/12/2021	TUP	Tupperware Brands Corp	CEO	\$24.95	20,000	5%	\$499,000
3/12/2021	TUP	Tupperware Brands Corp	Exec Vice COB	\$24.36	20,475	74%	\$498,812
2/16/2021	BMBL	Bumble Inc.	Dir	\$76.23	6,535	>999%	\$498,163
3/2/2021	VST	Vistra Corp.	Pres, CFO	\$16.60	30,000	8%	\$498,000
2/26/2021	RYN	Rayonier Inc	Dir	\$32.92	15,000	29%	\$493,800
2/25/2021	SLG	SI Green Realty Corp	CEO	\$25.33	19,343	21%	\$489,888
3/8/2021	INNV	Innovage Holding Corp.	Dir	\$21.00	23,000	New	\$483,000
2/24/2021	CHD	Church & Dwight Co Inc /de/	Dir	\$80.25	6,000	18%	\$481,530
2/23/2021	OLED	Universal Display Corp pa	Dir	\$207.37	2,300	96%	\$476,955
3/19/2021	OLO	Olo Inc.	Dir	\$25.00	19,050	239%	\$476,250
2/25/2021	SATS	Echostar Corp	CSO, Pres - ESS	\$23.45	20,000	653%	\$469,000
1/13/2021	RILY	B. Riley Financial, Inc.	Dir	\$46.00	10,000	13%	\$460,000
1/15/2021	DRVN	Driven Brands Holdings Inc.	Dir	\$28.00	15,000	24%	\$420,000
2/1/2021	ADS	Alliance Data Systems Corp	Dir	\$68.46	6,000	59%	\$410,753
3/2/2021	CHD	Church & Dwight Co Inc /de/	Dir	\$78.62	5,000	12%	\$393,100
2/9/2021	UGI	Ugi Corp /pa/	Dir	\$37.46	10,000	41%	\$374,631
3/16/2021	VICI	Vici Properties Inc.	Dir	\$28.26	13,200	13%	\$373,032
2/10/2021	AMG	Affiliated Managers Group, Inc.	Dir	\$145.53	2,500	17%	\$363,825
2/26/2021	FRPT	Freshpet, Inc.	Dir	\$143.00	2,500	11%	\$357,500
12/15/2020	GEF	Greif, Inc	EVP, CFO	\$49.36	7,138	5%	\$352,300
3/17/2021	CMG	Chipotle Mexican Grill Inc	Dir	\$1,478.60	230	154%	\$340,078
1/8/2021	CAG	Conagra Brands Inc.	Dir	\$33.70	10,000	10%	\$336,952
2/16/2021	SGFY	Signify Health, Inc.	Dir	\$24.00	13,900	43%	\$333,600
2/16/2021	SGFY	Signify Health, Inc.	GC, Secretary	\$24.00	13,900	29%	\$333,600
2/1/2021	CCI	Crown Castle International Corp	Dir	\$164.16	2,000	96%	\$328,310
3/15/2021	VBTX	Veritex Holdings, Inc.	Dir	\$32.79	10,000	New	\$327,885
2/25/2021	TSE	Trinseo S.A.	Dir	\$65.51	5,000	71%	\$327,550
1/6/2021	PRGO	Perrigo Co Plc	EVP, Pres CSCA	\$43.48	7,513	New	\$326,665
3/19/2021	OLO	Olo Inc.	Dir	\$25.00	13,050	New	\$326,250
2/3/2021	CFR	Cullen/frost Bankers, Inc.	Dir	\$92.71	3,500	16%	\$324,485
3/10/2021	LBRDA	Liberty Broadband Corp	CAO, PFO	\$26.90	11,500	New	\$309,297
1/22/2021	HBB	Hamilton Beach Brands Holding Co	Member of a Group	\$11.53	26,481	7%	\$305,432
2/18/2021	CVX	Chevron Corp	Dir	\$95.21	3,200	302%	\$304,684
2/9/2021	DXC	Dxc Technology Co	Dir	\$26.19	11,443	74%	\$299,678
3/1/2021	HBI	Hanesbrands Inc.	Group Pres, Global Innerwear	\$17.98	16,650	35%	\$299,367



1/25/2021	DFH	Dream Finders Homes, Inc.	VP of Treasury	\$13.00	23,000	New	\$299,000
3/12/2021	ADM	Archer-Daniels-Midland Co	SVP	\$58.40	5,095	8%	\$297,551
3/4/2021	XRAY	Dentsply Sirona Inc.	Dir	\$58.95	5,000	28%	\$294,750
3/2/2021	KDP	Keurig Dr Pepper Inc.	Dir	\$30.98	9,500	13%	\$294,303
3/16/2021	RXDX	Prometheus Biosciences, Inc.	Dir	\$19.00	15,000	New	\$285,000
3/3/2021	SSTI	Shotspotter, Inc	CFO	\$38.00	7,500	11%	\$285,000
3/10/2021	TPL	Texas Pacific Land Corp	Dir	\$1,373.95	200	9%	\$274,791
3/4/2021	GAIA	Gaia, Inc	Dir	\$10.98	25,000	87%	\$274,540
2/2/2021	EFSC	Enterprise Financial Services Corp	Dir	\$36.47	7,500	9%	\$273,525
3/16/2021	RXDX	Prometheus Biosciences, Inc.	COO	\$19.00	14,000	New	\$266,000
3/16/2021	AHCO	Adapthealth Corp.	Dir	\$37.99	7,000	35%	\$265,952
3/3/2021	EDIT	Editas Medicine, Inc.	Dir	\$45.51	5,800	34%	\$263,970
2/16/2021	SIVB	Svb Financial Group	Dir	\$523.30	500	New	\$261,650
2/25/2021	FLXS	Flexsteel Industries Inc	CFO, COO	\$32.67	7,900	5%	\$258,126
3/8/2021	KLR	Kaleya, Inc.	Dir	\$17.05	15,000	10%	\$255,692
3/24/2021	WMPN	William Penn Bancorporation	Pres, CEO	\$10.22	24,680	110%	\$252,245
2/16/2021	LPLA	Lpl Financial Holdings Inc.	EVP, CAO, Treasurer	\$131.00	1,909	New	\$250,079

## Sector ETF Quarterly Watch

**Energy (XLE)** has been a leading group in 2021 as a play on the strong GDP growth expectations and reopenings for industrial manufacturing & travel leading to demand outpacing supply after E&P companies cut back on production. On the chart the **XLE** looks to have unfinished business with room to run back to \$60 or higher as it works on a trend-up pattern. XLE's top holdings include **XOM, CVX, COP, EOG, SLB, PSX, MPC, PXD, VLO** and **KMI**.



**Disclaimer:**

**Not Investment Advice or Recommendation**

Any descriptions "to buy", "to sell", "long", "short" or any other trade related terminology should not be seen as a recommendation.

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