



## OptionsHawk Quarterly Market Brief – Q3 2021

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

**Analysis:** The S&P closed Q2 at record highs and continued out of a bullish flag formation, a pattern that has an upside measured move target to around 4550. The longer-term rising channel pattern remains intact and has limited upside now near 4400 which aligns with the max-bullish valuation target on 2021 numbers. There is also a 4385 level as the 161.8% extension target for 2016 to February 2020 range. The weekly RSI that broke its uptrend has quickly rebounded and broke above the downtrend though still diverging from higher levels earlier this year. There are limited levels of resistance when at new highs, the 4400 level would also be the COVID-correction low double. The Bollinger Bands on the weekly and monthly levels are 4400 and 4510 respectively, so we are clearly stretched and with some red flags in terms of participation. The S&P has ridden the mid-line of the channel higher since the early November 2020 breakout and that level currently back near 4175. The 21-day moving average at 4260 aligns with a retest of the recent breakout and a likely first pullback target. The 55-day moving average was supportive during May and June corrections and sits at 4203. Overall, with sentiment getting more frothy the current reward/risk favors being cautious and waiting for a correction with NYSI in a bear signal, weak participation, and the VIX:VXV ratio.



### Key Levels

	Support	Resistance
Level 1	4300	4385
Level 2	4260	4400
Level 3	4200	4510
Level 4	4060	4800

## Fundamental Valuation Bands

	<u>2021</u>		<u>Value</u>	<u>2022</u>		<u>Value</u>
	<u>EPS</u>	<u>Multiple</u>	<u>Level</u>	<u>EPS</u>	<u>Multiple</u>	<u>Level</u>
<b>Bull</b>	200	22	4400	215	21	4515
<b>Neutral</b>	190	20	3800	205	19	3895
<b>Bear</b>	175	18	3150	195	17	3315

## Market Health/Sentiment Check

<u>Indicator</u>	<u>Level</u>	<u>Implications</u>
Short Term Moving Average Slopes	Rising	Bullish
Long Term Moving Average Slopes	Rising	Bullish
8/21 Week EMA Crossover	Above	Bullish
NYSE McClellan Oscillator (NYMO)	-1	Neutral
NYSE Summation (NYSI)	654.2	Below 8-EMA - Bearish
NYSE A/D (Cumulative)	207,060	New High- Bullish
NYSE TRIN 55 MA	1	Caution
NAAIM	91.7	Overly Bullish
AAll Sentiment	48.6% Bull	Overly Bullish
Investors Intelligence Survey	59.6 Bull	Overly Bullish
CBOE Equity Put/Call 50 MA	0.476	Neutral
VIX:VXV Ratio	0.78	Caution

## Catalyst Watch

<u>Event</u>
7/16 - BOJ Meeting
7/22 - ECB Meeting
7/23-8/8 - Summer Olympics, Tokyo
7/27-7/28 - US Fed Meeting
8/1 - US Debt Ceiling Suspension
8/17 - World Econ. Forum
8/26 - Jackson Hole
9/9 - ECB Meeting
9/21-9/22 - US Fed Meeting
9/26 - German Elections
10/11-10/17 - IMF Annual Meetings
10/22 - Japan Elections
10/28 - ECB and BOJ Meetings
10/30 - G20 Leader Summit
11/2-11/3 - US Fed Meeting
11/21 - Chile Elections
12/14-12/15 - US Fed Meeting
12/16 - ECB Meeting

## Bull & Bear Flow Quarterly Leaderboard

### OPTIONSHAWK DATABASE AGGREGATE FLOW BIAS QUARTER AHEAD

BULLISH	MSFT, ROKU, NFLX, MRNA, WDC, LVS, NET, JD, EXPE, NKE, AMD, TMUS, TWTR, VLO, APA, GE, MA, ZM, BA, NOW, SE, UBER, INTC, UNP, REAL, ALGN, FUTU, SNOW, EW, OXY, TXRH, RUN, CVNA, COP, DAL, TRIP, TSLA, Z, SBNY, FB, WDAY, PTON, PAYS, TEAM, NTES, ZS, JAZZ, IT, GM, SPOT, SEAS
BEARISH	OLLI, TAP, UPST, TAL, RPRX, FSLY, CRWD, IRBT, DASH, PLTR, LOGI, NIO, RBLX, T

## 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\*\*\*

**United Health (UNH)** a high-quality name that pulled back for a few weeks and is now starting to work out of that pullback trend and showing emerging strength. It is also a name with plenty of large call open interest bought in August, January 2022, June 2022, and January 2023.



**AbbVie (ABBV)** forming a tight weekly bull wedge with breakout potential and a name that has seen 13,000 September \$120 calls accumulate from buyers as well as some buys in November \$105 and \$110 calls.



**Autodesk (ADSK)** with a weekly consolidation trend breakout with MACD nearing a bull cross and RSI strengthening, a name with July and October \$300 call buys in open interest.



**Boston Scientific (BSX)** a name that is setting up nicely looking to move through the \$44 level and has seen significant accumulation of OTM calls as well as 8750 November \$44 calls.



**Comcast (CMCSA)** working out of a weekly consolidation flag after a nice hold of its key rising 21-week moving average, a name with a lot of bullish call accumulation longer-term and recent 12,000 October \$57.50 calls bought.



**Hilton (HLT)** shares have consolidated for months as the best-in-class Hotel operator and has the 25,000 October \$110 calls bought on 4/12 in open interest, a \$48M position.



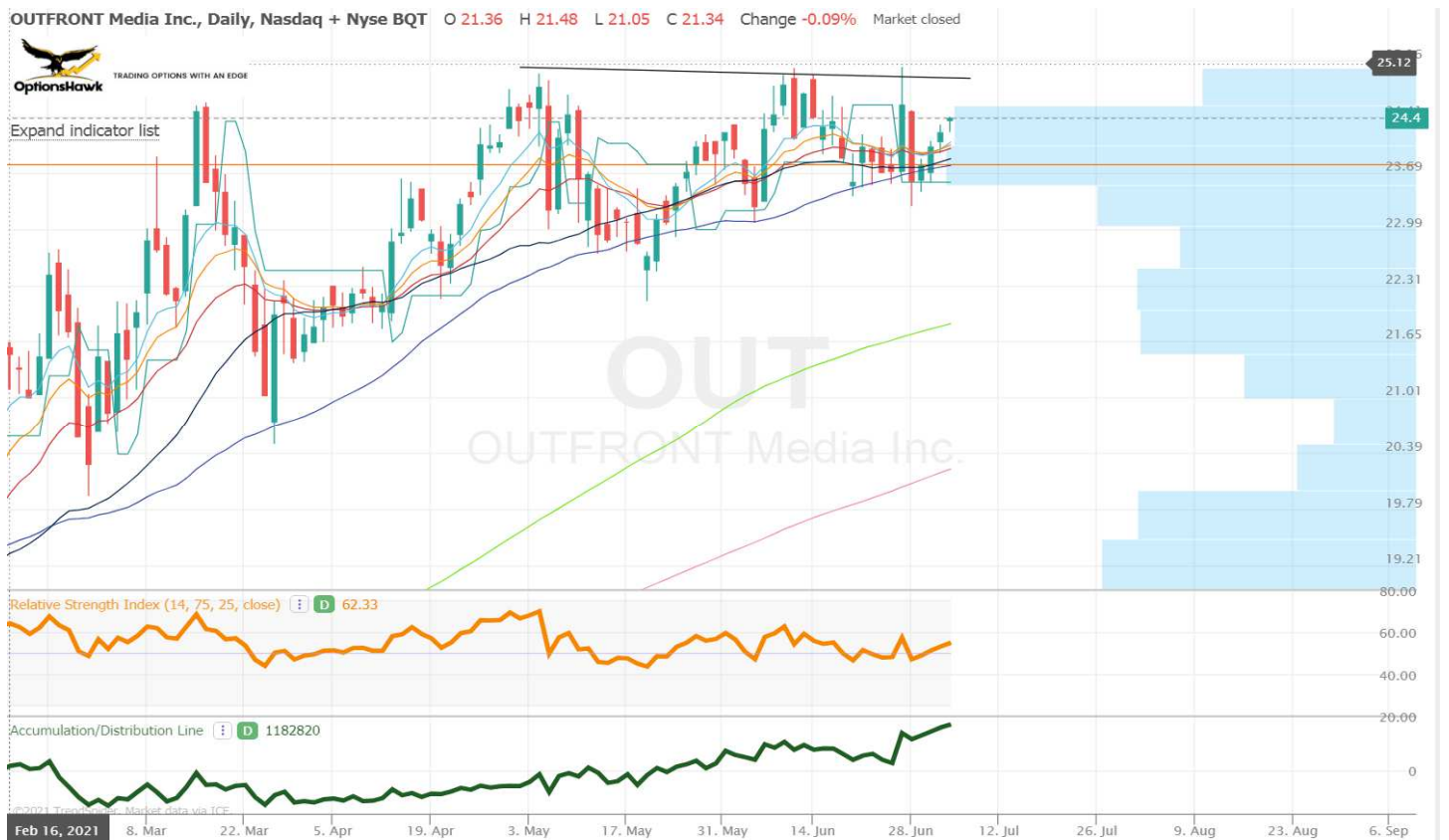
**Lab Corp (LH)** shares working back to highs after pulling back and a name that saw November \$270 calls add into weakness with more than 8000 now in open interest.



**Netease (NTES)** a Chinese name that continues to trade steadier than peers and has the 4000 September \$115 calls and 7500 September \$110 calls in open interest from buyers. A move above \$117 can start a strong breakout to highs.



**Outfront Media (OUT)** is quietly a reopening play with outdoor advertising and sets up with an ascending triangle, a name with over 7250 July \$25 and 6450 September \$30 calls bought in open interest.



**Pioneer Natural (PXD)** our long-time favorite Energy name set up with a strong weekly consolidation and a name that has a good amount of bullish January 2022 and 2023 call open interest as well as 6000 January \$150/\$190 call spreads from a trade on 2/22 in open interest.



**TI (TXN)** shares with a great looking consolidation on the weekly above its rising 21-week moving average and a name popular with large opening put sales willing to own shares in the \$180-\$200 zone while also seeing some upside August calls bought.





**Union Pacific (UNP)** a longer-term rising channel consolidated recently on the 21-week moving average and looking to clear the pullback trend and a major volume node with a move above \$226.25. UNP has size in August \$210, \$220, and \$225 calls from buyer flow.



**Visa (V)** shares working out of a nice weekly consolidation with room up to a \$245 Fibonacci extension target and has seen a lot of August, October and December calls accumulate in large size.



## Prior Quarter Earnings Recap

<u>Strong Beats</u>	<u>Bullish</u>
Chemicals	RPM, DOW, CE, EMN, HUN, LYB, CBT, DD, WLK, FMC
Energy E&P	HES, XOM, FANG, LNG, PXD, XEC, EOG
Auto Parts	ALV, DAN, LKQ, THRM, VC, LCII, BWA, MGA, APTV, TEN, LEA, CPRT
Electronics & Toys	GRMN, SONY, AAPL, BC, MBUU, VSTO, GOLF, PTON, ENR, YETI
Asset Managers	SCHW, BK, IBKR, BX, AMP, SF, EVR, MC, RJF, TROW
Fintech	EFX, MSCI, MCO, SPGI, AON, TRI, BR
Pharma Services	PKI, DGX, IQV, ICLR, WST, LH, IDXX, CRL, PKI, WOOF, A
Life Science Tools	DHR, BRKR, TMO, BIO, CTLT, RGEN, WAT, BRKR, TECH, MTD
Med-Tech	INMD, ABT, ISRG, EW, ILMN, ALGN, DXCM, PEN, TNDM, NVRO
Machinery & Equipment	DOV, GGG, PNR, OTIS, ROP, IEX, ROK, GNRC, CAT, AGCO, ITW, ZBRA, ETN, XYL, CMI, HAYW, VTR, DE, NDSN, TT
Building Materials	ALLE, OC, MAS, URI, FBHS, MHK, WY, LPX, MLM, VMC, BLDR, TREX
Trucking & Freight	JBHT, LSTR, ODFL, UPS, CHRW, SAIA, R, XPO, ARCB, EXPD
Department Stores	WMT, M, TGT, TJX, LB, BJ, KSS, FL, URBN, DKS, DG, COST, RH
Cloud Infrastructure	MSFT, NOW, DDOG, DT, SNOW, CRM, VMW, ESTC, MDB
Cyber Security	PFPT, FEYE, TENB, QLYS, RPD, NLOK, MIME, PANW, ZS, CRWD
Networking Software	JNPR, ANET, AKAM, TRMB, COMM, CMBM, MSI, UI, KEYS
Social & Advertising	SNAP, GOOGL, PINS, FB, TWTR, MTCH, IAC
Semi Equipment	TSM, ASML, LRCX, MKSI, TER, KLAC, NVMI, NOV, AMAT
Semi – Industrial & Auto	NXPI, TXN, SLAB, MPWR, ADI, AMBA, AVGO
Data Center & Towers	CCI, SBAC, COR, AMT, DLR
E-Commerce	SHOP, EBAY, OSTK, AMZN, ETSY, MELI, W, PDD

## Quarterly Thematic Breakdown

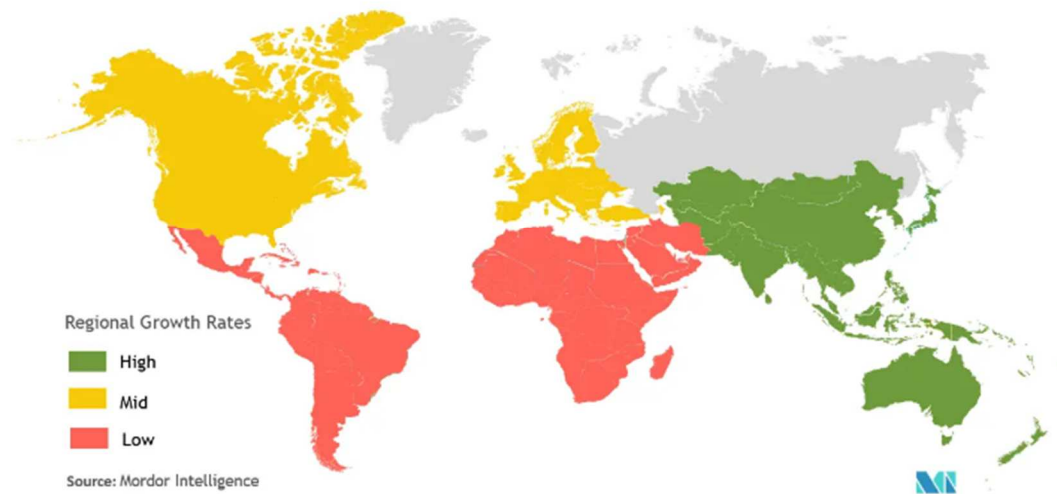
### HVAC

Record heat has made headlines across the globe over the last two months with the Pacific Northwest, Boston and New York, and Western Canada all shattering temperature records in early July. Concerns over global heat increases have been growing over the last decade. New climate predictions have shown that the annual mean global near-surface temperature is likely to be 1°C warmer in each of the coming five years and could exceed 1.5°C. Climate change plays a huge role in our day-to-day lives and uncertainty around our weather has driven a significant increase in the demand for HVAC equipment. The IEA estimated last year that global stock of air conditioning units installed would grow to 5.6B by 2050 while global energy demand from those units will triple over that time. Sales in commercial and residential HVAC businesses historically tend to be seasonally higher in the second and third quarters of the year.

The HVAC market is large and growing, especially on the services side which includes installation, maintenance, and repair from both OEMs and smaller, local workers. Mordor Intelligence estimates the services market is currently about \$57.8B and expected to reach \$82.5B by 2026, growing at a 6.1% CAGR. Residential systems tend to focus more on services than on new installations. Within the US, a major driver for residential systems is updates to regulation around efficiency ratings. According to the IEA, 76M primary homes use a central air conditioning system and by 2023 all new residential systems must meet new standards. Other big drivers for growth include new constructions in the commercial

markets, rising disposable income in emerging markets, and a massive refresh cycle within buildings like offices and schools looking to update to more energy efficient equipment. The biggest regional areas for growth are Asia-Pacific and North America.

Global HVAC Services Market - Growth Rate by Geography (2021 - 2026)



The global landscape for HVAC systems and maintenance is dominated by 4-5 major players including **Siemens**, **LG Electronics** and **Electrolux**. In the US, four names stand out.

First, **Carrier Global (CARR)**, a \$42B provider of HVAC systems worldwide. Shares trade 21X earnings, 2.3X sales, and 16X cash. CARR reported strong growth across North America in Q1. They expected residential sales to rise 5% in FY21 with much of the growth weighted towards the first half. The company noted a unique tailwind in their latest call too: K-12 Education. The \$1.9T COVID relief bill set aside \$123B for K-12 education and Education facilities are about 10% of the North American HVAC market, according to BAML, or roughly \$400M. CARR said they expect a lot of funds to towards HVAC systems:

“If you look at the fact that the GAO said that 40% of the school, the K-12 schools out there have insufficient HVAC systems today -- a combination where you have had traditionally underfunded school districts now with access to funding and insufficient HVAC systems and a critical need with the focus on ventilation and sustainability, you have a really nice combination for growth in this space. And what we've focused on is having executable offerings that people can latch on to relatively quickly.”

Second is **Johnson Controls (JCI)**, a \$49B provider of a wide range of HVAC solutions and controls. Shares trade 21.67X earnings, 2X sales, and 26X cash. They saw strong HVAC orders growth in Q1 driven by a big pickup in retrofit activity which pushed their backlog to \$6B. They have a lot of international exposure too with low-single digit growth in Europe and significant opportunity in the Middle East. APAC was up 9% and seeing a rapid recovery in China and new products. One area where JCI sees opportunity is in new energy standards, especially around decarbonization:

“I think you've seen this just recently in the executive order from the President around creating a building standard of what ultimately would be acceptable to support the overall goals that are being targeted from a decarbonization standpoint. We've been very active in driving this process because we believe that in the space we're in, it actually is a good deployment of infrastructure, of upgrades and capital and the like because you can actually generate a return, and it can be much more sustainable on a go-forward basis. I think it's going to -- there'll be some of that. And I think then in line with the very active planning that's underway across all companies and relative to how do they ultimately get to their commitments to get to net zero carbon emissions here over the next summer, within a decade or 2, it's not a small feat, and you actually have to go after the carbon that's a result of buildings.”

And finally, is **Lennox (LII)**, a \$13B provider of products for the HVAC markets. Shares trade 25.7X earnings, 3.4X sales and 27X FCF. LII gets about 65% of their revenue from residential HVAC systems while 22% is commercial and 13% is refrigeration. They are predominantly in the US with 94% of revenue from the region and 75% of sales are replacement systems. They are benefiting from the North American replacement market while COVID uncertainty is paring back and giving some clarity to longer-term guidance. LII is expanding their geographic footprint with 30 new stores in 2021 and targeting \$700M in HVAC parts and supplies revenue by 2023, up from \$388M in 2020. They see demand from new construction bouncing back and driving growth:

“I think new construction is a little slowly coming back. It just takes longer for things to get off the drawing board. Replacement's very robust right now. As building owners are ramping up what they currently had planned, they're starting to capture what they missed during the pandemic. I lived through 9/11, I ran Carrier commercial at the time and I lived through the financial crisis here at Lennox. And what you see happen in the commercial market as the marble falls off the table, spending just goes down dramatically. And this time around, it went down 60% at the nadir, I think, in April and May of last year from a year-over-year basis. And then when the green light gets lit that it's okay to start spending again. And what they do is they pick up, they spend what they were already spending plan to spend for planned replacement, plus picking up everything they've missed. And new construction is sort of the same thing. They continue to build what they plan, plus they go back and try and capture what they've missed. In 2021, it's coming back. We've called for the market being up high single digits. And our experience is the market stays robust for another 2 or 3 years as you sort of work off all that planned replacement that's in backlog, if you will. And so that's what we're seeing. We're seeing very strong demand. And I think it plays out for another couple years.”

**Trane (TT)** is a \$44.5B global climate innovator that brings efficient and sustainable climate solutions to buildings, homes and transportation driven by strategic brands Trane® and Thermo King®. TT shares trade 27.2X Earnings, 19.5X EBITDA, 3.47X Sales and 33.1X FCF with a 1.26% dividend yield and 3.1% FCF yield. TT revenues are expected to rise 11.5% in 2021 with EBITDA +25.5%. TT generates 67% of revenues from Equipment and 33% from Aftermarket as a pure-play climate control business. Trane cites Climate Change as a megatrend along with Urbanization while Indoor Environmental Quality and Digital Connectedness are accelerating megatrends. Trane outlined \$300M of run rate transformation savings by 2023 at its Investor Day in December and has been seeing operating margins expand. Trane spoke at the UBS Conference in June regarding key trends like indoor air quality and decarbonization:

“Stronger verticals for us as you were talking around commercial, really around institutional, so education schools and health care have been very strong. Warehousing has been very strong. We see that continuing with the backlog exiting the first quarter. Indoor air quality interest has continued to be a theme from last year into this year, and we see that as a long-term trend for the company, not just here in 2021. We've sized it around 1% to 2% of revenues. And we think for 2021, we're probably closer to 2% of revenue growth just from indoor air quality solutions. That's been strong around education. And as offices are reopening and folks are evaluating how to come back to work, we're seeing that interest start to improve around office buildings as well. But you still have some harder hit verticals that are slower to recover. If you're in hospitality, you're in restaurants, you're in travel, we're starting to see that pick up a little bit, right? But it's all around connected with the -- hopefully, the optimism and deployment of vaccination. So, it's still a mixed bag, I would say, but again, a little more optimism now. And hopefully, we'll continue to see this trend continue. One of the things we're seeing is -- and again, our approach on indoor air quality is really a comprehensive system audit, okay? So we're not just selling a point solution. We're looking at the entire system to understand its capability, understand how we can make the indoor environment as safe as possible with the existing infrastructure. We also give our customers a road map as to what the future could look like from infrastructure improvements to improve the indoor air quality and to reduce the energy intensity of the building. And that's a very important element, the energy intensity. When you do indoor air quality improvements, it typically has to do with

filtration, increasing the density of the filter which causes -- it uses energy. As you push the air through the ducts, if the filter is denser, obviously, you need more energy to push that air through. The other is the fresh air exchange. So, as you're bringing more fresh air into the building, again, you need to condition that. So, we've had customers that have come to us after improvements and saying, "Hey, my energy bill went up 20-plus percent." And what we're able to do now because we've done these audits as we understand where those points are, where you can make changes and reduce the energy consumption of the building. So, we talk a lot about decarbonizing the built environment. This is a big component of that."

**AAON (AAON)** is the small cap play of the group with a \$3.28B market cap while **Comfort Systems (FIX)** and **Watsco (WSO)** are the key maintenance and installation names that will also benefit from increased order activity.

### Quarterly M&A Notable Deal

On May 17<sup>th</sup>, 2021 **AT&T (T)** announces a \$43B deal to merge its WarnerMedia unit with **Discovery (DISCA)**. On the M&A call the company noted that "this transaction brings together 2 entertainment leaders with complementary content strengths and positions the new company to be one of the leading global direct-to-consumer streaming platforms." AT&T goes on to highlight the accelerating global opportunity in Direct-to-Consumer and the need to build global scale to compete. Essentially, they are saying they need to keep up with streaming giants like **Disney (DIS)** and **Netflix (NFLX)**. We also had **Amazon (AMZN)** announce a deal for **MGM Studios** to bolster its media business.

The deal could lead to further consolidation in the media space with **Comcast (CMCSA)** having a \$260B market cap as a likely acquirer to keep up with the "land grab." **Viacom (VIAC)** with a \$27B market cap could be an interesting large target with it already having its Paramount streaming product launched and owning key media assets.

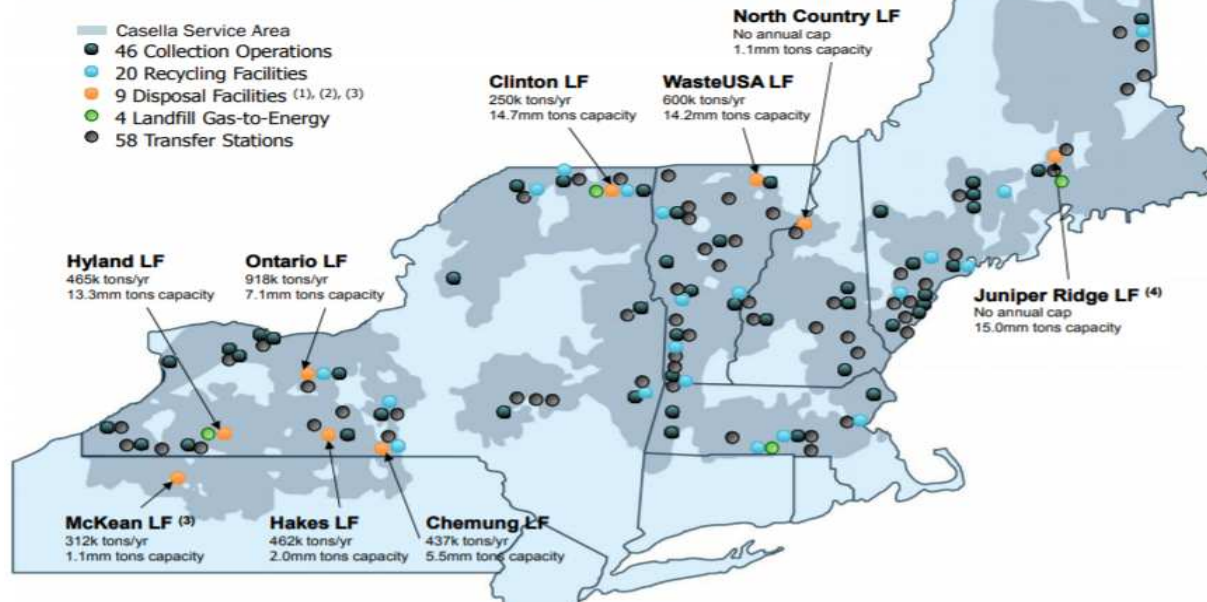
Smaller potential targets would include but not be limited to **AMC Networks (AMCX)**, **Lionsgate (LGF)**, and **World Wrestling (WWE)**. Sony Pictures and Legendary Pictures are two non-public companies that could attract a bid. There are also plenty of smaller content companies likely to be acquired as the scarcity of assets creates a surge in value. LGF makes a lot of sense to me with its STARZ network and film business and has seen 4800 September \$25 calls accumulate in OI. AMCX is the most attractively valued at 6.3X EBITDA and carries strong 27% EBITDA margins, so a deal there seems inevitable as well.

### Small Cap of the Quarter

**Casella Waste Systems (CWST)** has screened as a top small cap for many years and continues to perform well but we have never really done a deep dive into the company. It is surprising that in a waste industry always consolidating that it has remained independent to this point.

Casella Waste Systems is a regional, vertically integrated solid waste services company. CWST provides resource management expertise and services to residential, commercial, municipal and industrial customers, primarily in the areas of solid waste collection and disposal, transfer, recycling and organics services. CWST operates in six states: Vermont, New Hampshire, New York, Massachusetts, Maine and Pennsylvania. As of Q1, CWST owned and/or operated 46 solid waste collection operations, 58 transfer stations, 20 recycling facilities, eight Subtitle D landfills, four landfill gas-to-energy facilities and one landfill permitted to accept construction and demolition materials.

## Casella Operations



CWST continues to see strong pricing (+7% landfill pricing in 2020) as disposal capacity continues to tighten in the Northeast market as permanent site closures are reducing capacity and stronger economic and construction activity are driving higher volumes. It sees these trends continuing as additional site closures are expected over the next several years and it resets multi-year contracts. CWST also generated +4.2% collection pricing in FY20 and continues to advance several key areas, including route optimization, fleet standardization and automation, and maintenance programs to further reduce operating costs in the collection line-of-business.

CWST realigned its Resource Solutions segment in early 2020 to include customer solutions, recycling and organics and now has a dedicated team and business strategy. It is a service-driven unit pivoting to advisory services to help large industrial and institutional customers meet their resource management and sustainability goals.

CWST's strategy generally focuses on operating in secondary or tertiary markets where it had leading market share, but in larger urban markets it does compete with **Waste Mgmt. (WM)**, **Republic (RSG)** and **Waste Connections (WCN)**. CWST has come seasonality with its transfer and disposal revenues historically have been higher in the late spring, summer and early fall months and lower volumes of waste in the late fall, winter and early spring months.

CWST has a market cap of \$3.36B and trades 20X EBITDA, 66X Earnings and a FCF yield of 2.1%. CWST certainly carries a premium valuation but has consistently driven 7-12% annual EBITDA growth and forecasts see that continuing the next three to five years. Its larger peers trade 15X EBITDA on average with much lower growth and similar balance sheet leverage. In the comparison below we can see CWST has room to expand margins more in-line with peer levels and it lags on FCF metrics but its Return on Capital Employed (ROCE) is far superior to all of its peers.

Tickers	Company	Mkt. Cap	EV to EBITDA	EBITDA CAGR	Revenues CAGR	EBITDA Margin	ROCE	FCF Margin	Debt to EBITDA	FCF to EBITDA	FCF to Debt
CLH	Clean Harbors	5,067	10.9x	9%	1%	17.66%	5.64%	7.39%	2.9x	0.42	0.14
CWST	Casella Waste	3,371	21.3x	13%	6%	22.13%	16.78%	4.11%	3.1x	0.19	0.14
GFL:CN	GFL Environmental Inc	10,808	16.8x	10%	24%	25.66%	2.67%	1.76%	6.6x	0.07	0.06
MEG	Montrose Environmental Group, Inc.	1,300	24.6x	7%	23%	16.60%	4.66%	(1.81%)	3.0x	(0.11)	0.34
RSG	Republic Services	35,012	14.2x	-5%	3%	29.44%	7.52%	12.58%	2.9x	0.43	0.14
WM	Waste Mgmt.	59,191	16.2x	-2%	5%	28.39%	8.31%	11.64%	3.2x	0.41	0.17

CWST is a stock I continue to like; the waste business is great and in an inflationary environment will continue to see strong pricing power. CWST is also executing on initiatives to expand margins and is the best run name in the industry. Its net leverage ratio has come down from 5.4X in 2014 to 2.66X giving it a lot of flexibility to pursue deals.

### International Stock of the Quarter

**Ubisoft (UBI.FP)** an international stock that remains near the low-end of a three year trading range but screens well on fundamentals and has a lot of key gaming franchises in its portfolio. Ubisoft is based in France and is involved in the production, publishing and distribution of interactive game software. UBI has a big year ahead of key releases such as *Far Cry 6* in October, *Riders Republic*, and *Prince of Persia: Sands of Time*. It is coming off strong momentum from a record success with its *Assassin's Creed Valhalla* launch. **UBI** posted Q4 net bookings growth of 16% Y/Y and +28% constant currency. The *Just Dance* franchise continues to see strong growth and also is seeing a successful subscription launch. Digital Bookings are now 72% of total net bookings. *Skull & Bones* will be a key release in FY23.

The \$7.4B company trades 26X Earnings, 8X EBITDA and 3.2X EV/Sales with revenues seen rising 11-12% annually in FY22 and FY23 after 46% growth in 2021. Comparing it to the three big US game-makers **UBI** looks incredibly cheap on valuation while having a higher revenue CAGR and stronger margins. UBI currently trades just under 60 in Paris and a name that can see 100 by next year as key launches continue to improve its growth profile.

### IPO Watch

**Procore Tech (PCOR)** came public in May with a successful IPO gaining 31% on its opening day.

PCOR is a leading provider of cloud-based construction management software set on a path to transform one of the oldest, largest, and least digitized industries in the world. Much of the industry still relies on legacy methods of project management, such as paper, email, fax, and on-premise software. Its platform is modernizing and digitizing construction management by enabling real-time access to critical project information, simplifying complex workflows, and facilitating seamless communication among key stakeholders. The platform helps customers increase productivity and efficiency, reduce rework and costly delays, improve safety and compliance, and enhance financial transparency and accountability.

According to a Deloitte report, the construction industry spends half as much on information technology, or IT, compared to the average across all industries. A June 2020 McKinsey report estimates that construction industry spending on software and infrastructure could double as the construction industry starts to catch up with the manufacturing industry in terms of IT spending as a share of revenue. Annual worldwide construction spend, which consists of new construction and ongoing maintenance and modifications, is expected to grow from approximately \$10 trillion in 2017 to approximately \$14 trillion by 2025, according to McKinsey. The construction industry is experiencing a transformation driven by innovations in technology and rising pressures on stakeholders, ranging from labor shortages to increasing project complexity. Procore's

competition includes aggregated construction management projects offered by Oracle, Autodesk, and Trimble.

## The Construction Management Platform



PCOR believes the current total addressable market, or TAM, for construction software is large and significantly underpenetrated. It estimates that the construction industry spends approximately \$12.4 billion worldwide annually on application software. It sees the annual potential market opportunity for current products at approximately \$9.4 billion. PCOR has rapidly grown its product offering from four products in 2017 to 13 products today. Product categories include Preconstruction (budgeting, estimating, planning, bidding), Project Mgmt., Resource Mgmt., and Financial Mgmt. Unlike competitors, the company's volume based pricing model encourages widespread adoption and collaboration on the platform which attracts more users, projects, and data to the platform creating a powerful network effect.

PCOR has increased its customer count from 6,095 as of December 31, 2018, to 8,506 as of December 31, 2019, to 10,166 as of December 31, 2020. Customers contributing more than \$100K ARR grew from 412 as of December 31, 2018, to 655 as of December 31, 2019, to 843 as of December 31, 2020. PCOR generated revenue of \$186.4 million in 2018, \$289.2 million in 2019, and \$400.3 million in 2020, representing year-over-year growth of 55% in 2019 and 38% in 2020. With only 43% of customers adopting 4+ modules of a possible 13, ample runway remains for continued cross-sell within the company's large and growing customer base. PCOR exhibits high LTV:CAC (4X) and high retention rates (94%) while CAC is around 1.5X. Billings are forecasted to grow at a 23% CAGR through FY23 reaching \$825M. PCOR will continue to invest in the business and profitability remains a few years away with potential for 20%+ operating margins long-term.

PCOR is a very intriguing name that has a lot of positive attributes as a leading niche software play in a large, growing and under-penetrated TAM. PCOR has a long runway for growth across its existing and future customer base with cross-selling and has barely tapped the opportunity in International markets. It also has strong unit economics and screens favorably to software peers. PCOR currently trades 22X FY21 EV/Sales and 18X FY22 so much of the optimism is already reflected in the valuation. PCOR has all the makings of a long-term software winner but one to be patient with and let valuation come in closer to 15X.



## Quarterly Insider Notable Activity

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

Trade Date	Ticker	Company Name	Insider Name	Title	Price	Qty	ΔOwn	Value
4/14/2021	EVRG	Evergy, Inc.	Wilder C John	Dir	\$49.87	2,269,447	New	\$113,177,322
5/21/2021	FRG	Franchise Group, Inc.	Kahn Brian Randall	CEO, 10%	\$36.00	1,000,000	292%	\$36,000,000
5/12/2021	PFSI	Pennymac Financial Services, Inc.	Nanji Farhad	Dir	\$57.84	369,324	19%	\$21,362,114
5/12/2021	PFSI	Pennymac Financial Services, Inc.	Mfn Partners, LP	Dir	\$57.84	369,324	20%	\$21,362,114
6/28/2021	DOCS	Doximity, Inc.	Spain Kevin	Dir	\$26.00	775,000	New	\$20,150,000
6/28/2021	GLUE	Monte Rosa Therapeutics, Inc.	Behbahani Ali	Dir, 10%	\$19.00	1,050,000	16%	\$19,950,000
6/7/2021	ASAN	Asana, Inc.	Moskovitz Dustin A.	Pres, CEO, Chair, 10%	\$39.49	500,000	10%	\$19,743,586
5/17/2021	CUTR	Cutera Inc	Plants J Daniel	Dir	\$29.50	664,828	117%	\$19,612,426
5/10/2021	PFSI	Pennymac Financial Services, Inc.	Nanji Farhad	Dir	\$57.93	298,655	18%	\$17,302,503
5/10/2021	PFSI	Pennymac Financial Services, Inc.	Mfn Partners, LP	Dir	\$57.93	298,655	20%	\$17,302,503
6/25/2021	CXM	Sprinklr, Inc.	Agrawal Neeraj	Dir, 10%	\$16.00	1,073,731	New	\$17,179,696
5/19/2021	GDRX	Goodrx Holdings, Inc.	Silver Lake Group, L.L.C.	Dir, 10%	\$30.78	393,811	13%	\$12,120,006
6/17/2021	CLI	Mack Cali Realty Corp	Katz A. Akiva	Dir	\$16.56	450,000	12%	\$7,453,740
5/4/2021	HOWL	Werewolf Therapeutics, Inc.	Lazarus Alon	Dir, 10%	\$16.00	400,000	24%	\$6,400,000
5/17/2021	APP	Applovin Corp	Foroughi Arash Adam	CEO, Chairperson, 10%	\$61.72	100,000	New	\$6,172,004
5/26/2021	BMBL	Bumble Inc.	Griffin Amy	Dir	\$42.81	117,500	>999%	\$5,029,962
4/30/2021	APAM	Artisan Partners Asset Management Inc.	Coxe Tench	Dir	\$51.06	98,000	47%	\$5,004,301
5/4/2021	HOWL	Werewolf Therapeutics, Inc.	Asanuma Sakae	Dir, 10%	\$16.00	312,500	18%	\$5,000,000
5/18/2021	T	At&t Inc.	Luczo Stephen J	Dir	\$29.80	100,000	33%	\$2,980,270
5/12/2021	UNVR	Univar Solutions Inc.	Alexos Nicholas W	EVP, CFO	\$25.76	100,000	37%	\$2,576,000
4/19/2021	GBX	Greenbrier Companies Inc	Furman William A	COB, CEO	\$43.85	50,000	10%	\$2,192,305
5/6/2021	ATVI	Activision Blizzard, Inc.	Nolan Peter J	Dir	\$95.07	20,000	12%	\$1,901,480
6/1/2021	FRG	Franchise Group, Inc.	Laurence Andrew M	EVP	\$36.00	50,000	14%	\$1,800,000
7/31/2020	VERX	Vertex, Inc.	Radcliffe Amanda Westphal	Dir	\$19.00	84,210	514%	\$1,599,990
5/17/2021	APP	Applovin Corp	Chen Herald Y	Pres, CFO	\$61.01	25,000	New	\$1,525,207
6/8/2021	EVA	Enviva Partners, LP	Bumgarner John C Jr	Dir	\$45.50	32,967	17%	\$1,499,999
5/4/2021	TRUP	Trupanion, Inc.	Ferracone Robin A	Dir	\$79.60	18,000	16%	\$1,432,773
5/26/2021	J	Jacobs Engineering Group Inc /de/	Thompson Christopher M.T.	Dir	\$140.22	10,000	46%	\$1,402,180
5/4/2021	APH	Amphenol Corp /de/	Livingston Robert	Dir	\$65.92	20,000	90%	\$1,318,474
5/11/2021	DOOR	Masonite International Corp	Chuang John H.	Dir	\$124.66	10,000	New	\$1,246,575

5/13/2021	CNP	Centerpoint Energy Inc	Lesar David J	Pres, CEO	\$23.58	50,000	18%	\$1,179,000
4/17/2020	MS	Morgan Stanley	Luczo Stephen J	Dir	\$38.59	29,000	16%	\$1,119,229
5/21/2021	FET	Forum Energy Technologies, Inc.	Carrig John A	Dir	\$22.28	50,000	>999 %	\$1,114,000
6/2/2021	VPG	Vishay Precision Group, Inc.	Cummins Wes	Dir	\$35.07	30,000	26%	\$1,052,206
6/18/2021	QSR	Restaurant Brands International Inc.	Lemann Marc	Dir	\$67.15	15,000	New	\$1,007,250
6/10/2021	OPEN	Opendoor Technologies Inc.	Keffer Pueo	Dir	\$16.90	59,347	45%	\$1,002,810
5/26/2021	OPEN	Opendoor Technologies Inc.	Keffer Pueo	Dir	\$15.85	63,250	93%	\$1,002,797
6/1/2021	FIGS	Figs, Inc.	Varelas Christopher Peter	Dir	\$22.00	45,455	667%	\$1,000,010
5/28/2021	PAY	Paymentus Holdings, Inc.	Ingram William	Dir	\$21.00	47,619	New	\$999,999
5/28/2021	PAY	Paymentus Holdings, Inc.	Portocalis Gerasimos (Jerry)	Chief Commercial Officer	\$21.00	47,619	New	\$999,999
9/25/2020	CRSR	Corsair Gaming, Inc.	Weisenburger Randall J	Dir	\$17.00	58,823	612%	\$999,991
4/23/2021	CMG	Chipotle Mexican Grill Inc	Carey Matt	Dir	\$1,485.00	673	>999 %	\$999,405
5/19/2021	OPEN	Opendoor Technologies Inc.	Keffer Pueo	Dir	\$14.75	67,700	New	\$998,480
6/14/2021	OPEN	Opendoor Technologies Inc.	Keffer Pueo	Dir	\$17.37	56,818	30%	\$986,735
4/27/2021	SWIM	Latham Group, Inc.	Cline James E	Dir	\$19.00	50,000	10%	\$950,000
5/11/2021	ELAN	Elanco Animal Health Inc	Hoover R David	Dir	\$32.44	25,000	24%	\$811,000
5/6/2021	VST	Vistra Corp.	Burke James A	Pres, CFO	\$15.77	50,000	14%	\$788,440
6/21/2021	REVG	Rev Group, Inc.	Bamatter Paul J	Dir	\$15.20	50,000	26%	\$760,000
5/17/2021	BE	Bloom Energy Corp	Immelt Jeffrey R	Dir	\$19.82	38,000	31%	\$753,046
5/28/2021	PAY	Paymentus Holdings, Inc.	Morrow John C	GC, Secretary	\$21.00	35,714	New	\$749,994
5/24/2021	DISCK	Discovery, Inc.	Wiedenfels Gunnar	CFO	\$29.09	25,000	50%	\$727,250
5/19/2021	OPCH	Option Care Health, Inc.	Kraemer Harry M Jansen Jr	Dir	\$17.59	40,000	91%	\$703,656
6/3/2021	WSC	Willscot Mobile Mini Holdings Corp.	Bartlett Mark S.	Dir	\$28.03	25,000	23%	\$700,720
5/7/2021	GHL	Greenhill & Co Inc	Ferro Kevin	Dir	\$15.91	42,357	705%	\$673,756
6/1/2021	NSC	Norfolk Southern Corp	Mongeau Claude	Dir	\$282.69	2,350	20%	\$664,316
6/9/2021	AI	C3.Ai, Inc.	Snabe Jim H.	Dir	\$64.51	10,000	36%	\$645,100
4/27/2021	ASB	Associated Banc-Corp	Bergstrom John F	Dir	\$21.65	29,500	47%	\$638,663
5/27/2021	LIND	Lindblad Expeditions Holdings, Inc.	Berle Dolf A	CEO	\$17.45	36,500	166%	\$636,974
5/28/2021	MNR	Monro, Inc.	Broderick Michael T	CEO, Pres	\$62.24	10,000	13%	\$622,362
6/1/2021	WEX	Wex Inc.	Groch James R	Dir	\$201.75	3,000	120%	\$605,250
5/19/2021	T	At&t Inc.	Desroches Pascal	Sr. EVP, CFO	\$29.52	19,976	12%	\$589,629
5/11/2021	GRBK	Green Brick Partners, Inc.	Brandler Harry	Dir	\$22.11	25,000	37%	\$552,720
5/14/2021	CABO	Cable One, Inc.	Cochran Steven Scott	CFO	\$1,725.83	300	13%	\$517,749
5/14/2021	CABO	Cable One, Inc.	Cochran Steven Scott	CFO	\$1,725.83	300	13%	\$517,749
5/11/2021	AMSF	Amerisafe Inc	Traynor Sean	Dir	\$63.59	8,000	865%	\$508,720

6/7/2021	AGM	Federal Agricultural Mortgage Corp	Engebretsen James R	Dir	\$101.42	5,000	72%	\$507,097
6/1/2021	DLTR	Dollar Tree, Inc.	Bridgeford Gregory M	Dir	\$99.02	5,100	638%	\$505,003
4/29/2021	BANC	Banc of California, Inc.	Barker James Andrew	Dir	\$18.42	27,200	56%	\$500,942
6/11/2021	CLVT	Clarivate Plc	Roedel Richard	Dir	\$26.08	19,193	61%	\$500,457
6/11/2021	ATRA	Atara Biotherapeutics, Inc.	Yarema Kristin	Chief Commercial Officer	\$14.57	34,354	38%	\$500,370
6/25/2021	CXM	Sprinklr, Inc.	Thomas Ragy	CEO	\$16.00	31,250	New	\$500,000
4/19/2021	AGL	Agilon Health, Inc.	Richards Clay	Dir	\$23.00	21,700	312%	\$499,100
4/29/2021	PQG	Pq Group Holdings Inc.	Ginns Jonny	Dir	\$14.04	35,460	149%	\$497,979
5/11/2021	AEIS	Advanced Energy Industries Inc	Kelley Stephen Douglas	Pres, CEO	\$85.00	5,850	27%	\$497,250
6/16/2021	SAGE	Sage Therapeutics, Inc.	Greene Barry E	Pres, CEO	\$56.32	8,800	New	\$495,627
6/18/2021	EVA	Enviva Partners, LP	Whitlock Gary L	Dir	\$48.93	10,000	42%	\$489,300
6/4/2021	FEYE	Fireeye, Inc.	Watters John P.	Pres, COO	\$18.75	25,000	10%	\$468,628
4/5/2021	HHC	Howard Hughes Corp	Model Allen J	Dir	\$97.17	4,300	26%	\$417,831
4/6/2021	GEF	Greif, Inc	Martz Gary R	EVP, GC	\$59.18	7,000	11%	\$414,260
5/4/2021	AMG	Affiliated Managers Group, Inc.	Jeffery Reuben III	Dir	\$160.49	2,500	14%	\$401,225
5/5/2021	WY	Weyerhaeuser Co	Loewe Nancy S.	SVP, CFO	\$38.56	10,000	46%	\$385,562
5/20/2021	LFMD	Lifemd, Inc.	Deutsch Corey	Chief Business Officer	\$12.31	30,000	42%	\$369,300
5/20/2021	LIND	Lindblad Expeditions Holdings, Inc.	Berle Dolf A	CEO	\$16.49	21,952	New	\$362,094
5/5/2021	HMST	Homestreet, Inc.	Michel John	EVP, CFO	\$42.60	8,400	29%	\$357,840
5/7/2021	HFC	Hollyfrontier Corp	Myers Franklin	Dir	\$34.69	10,000	27%	\$346,900
5/24/2021	KDP	Keurig Dr Pepper Inc.	Whitmore Justin	Chief Strategy Officer	\$36.88	9,385	12%	\$346,115
5/20/2021	KDP	Keurig Dr Pepper Inc.	Whitmore Justin	Chief Strategy Officer	\$36.18	8,916	12%	\$322,559
5/21/2021	BHLB	Berkshire Hills Bancorp Inc	Mhatre Nitin J.	Pres, CEO	\$27.46	11,000	38%	\$302,042
6/14/2021	CRC	California Resources Corp	Roby William B	Dir	\$33.12	9,078	28%	\$300,642
6/14/2021	ARES	Ares Management Corp	Bush Antoinette Cook	Dir	\$58.79	5,106	70%	\$300,182
6/3/2021	GCO	Genesco Inc	Meixelsperger Mary E	Dir	\$58.32	5,000	>999%	\$291,577
5/14/2021	CDLX	Cardlytics, Inc.	Balen John V	Dir	\$95.87	3,000	12%	\$287,600
5/25/2021	APO	Apollo Global Management, Inc.	Clayton Walter Joseph III	Dir	\$57.39	5,000	34%	\$286,929
5/10/2021	ZGNX	Zogenix, Inc.	Garner Cam L	Dir	\$19.03	15,000	94%	\$285,497
6/24/2021	EXLS	Exlservice Holdings, Inc.	Staglin Garen K	Dir	\$106.83	2,500	11%	\$267,075
5/21/2021	INVA	Innoviva, Inc.	Bickerstaff George	Dir	\$13.21	20,000	19%	\$264,289
5/18/2021	TPL	Texas Pacific Land Corp	Glover Tyler	Pres, CEO	\$1,649,400	158	158%	\$260,605
5/13/2021	HBI	Hanesbrands Inc.	Cavaliere Joseph W	Group Pres, Global Innerwear	\$18.76	13,675	21%	\$256,543
5/25/2021	NI	Nisource Inc.	Butler Eric L	Dir	\$25.37	10,000	32%	\$253,749

4/5/2021	SAIC	Science Applications International Corp	Natarajan Prabu	EVP, CFO	\$84.31	3,000	23%	\$252,930
5/20/2021	TCS	Container Store Group, Inc.	Malhotra Satish	CEO, Pres	\$12.25	20,500	41%	\$251,125
6/2/2021	GCO	Genesco Inc	Sandfort Gregory A	Dir	\$58.45	4,280	>999 %	\$250,166
2/21/2020	NXRT	Nexpoint Residential Trust, Inc.	Laffer Arthur B	Dir	\$51.12	4,892	14%	\$250,079
5/7/2021	VST	Vistra Corp.	Sult John R	Dir	\$15.80	15,830	23%	\$250,051
4/30/2021	MPB	Mid Penn Bancorp Inc	Noone John E	Dir	\$25.00	10,000	31%	\$250,000

## Sector ETF Quarterly Watch

**Consumer Discretionary (XLY)** is freshly breaking out of a weekly consolidation while rising in a strong trend move along its 21-week moving average with room to run out of this flag as weekly MACD also nears a bull crossover. XLY has room to run to 188.5 near-term and with consumer spending expected to strengthen this Summer and an improving labor market, the group makes a lot of sense to lead in Q3 with top holdings such as **Amazon (AMZN), Tesla (TSLA), Home Depot (HD), McDonald's (MCD), Nike (NKE), Starbucks (SBUX), Lowe's (LOW), Booking (BKNG) and Target (TGT)**.



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**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. The Author may or may not take positions in any of the names mentioned, and is not obligated to disclose positions, nor position sizes.*

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