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Market Recovery

THE STOCKS TO WATCH

Over the years, *Opto* has collaborated with a number of experts from the world of trading and investing to bring you interesting and detailed investigations into the matters moving the markets. Joe Kunkle, the founder of Options Hawk — a service that provides news, analysis and option movement research — is one such expert.

During these times of great uncertainty, it helps to have experts like Kunkle who, using technical indicators and by charting historical performance, can help to make sense of chaos. Of course, nobody can predict what direction the market will take, but there are signs to watch out for.

In this ebook Kunkle explores which equities will not only survive, but thrive, when markets recover and highlights the underlying trends that will hold true. The move towards digital and cashless payments, for example, will give the companies in the mobile payments space lasting resilience as, he suggests, will the rollout of 5G and the need for cybersecurity solutions in an increasingly digital world.

Throughout the following chapters we highlight the standout companies across each of these sectors, identifying the key performance metrics to look out for as well as other analysis techniques.

As always, great uncertainty brings great risk but also plenty of opportunity — you just need to know where to look and what to do. We hope that by the end of this ebook you will be in a better position to navigate these unpredictable markets.

Happy reading,
The *Opto* team

Chapter 1

When the recovery comes, which stocks will win?

The impact of the coronavirus pandemic is likely to be felt for years to come as consumers, companies and economies recover. With such uncertainty, investors should look to wider macro trends

THE COVID-19 CRISIS is far from over, but some hints of a market recovery are emerging. Up to 18 May, the FTSE 100 has recovered 20% since its 23 March slump. Meanwhile, the S&P 500 has gained 32% over the same period.

This is certainly good news – but until the crisis is completely behind us, there will be a level of unpredictability to navigate. Indeed, for consumers and companies alike, the impacts of the pandemic may well be felt for years to come. Currently, there are no clear ideas on the length and magnitude of this crisis, or on the timing of an economic recovery, the shape it will come in and how long it will take to return to normalcy.

With that said, a time of crisis can often be a time of opportunity for investors — in particular, those who are forward thinking and can look to the bigger picture. One idea that has been coming into my mind recently is scarcity value. In normal times, this is something we often see in an industry that is seeing strong thematic growth trends and where there is a limited number of publicly traded companies that investors can take advantage of. As a result, valuation metrics become near worthless, reverting to a simpler demand/supply imbalance in the shares of the companies. An example of this is telehealth, where Teladoc [TDOC] is really the only notable publicly traded pure-play company in the space.

In this current climate, I want to apply this kind of thinking to the overall market. Although many companies will struggle, and perhaps even fail, global monetary policy is still forcing allocations from investors — namely large institutions — into equities. This situation may well lead to a limited supply of stable companies and stocks, with the majority of investors wanting to own the exact same names. Such a supply and demand imbalance will create valuations well above historic levels, even if estimates are highly likely to move lower due to the impact of COVID-19 in the near future. Larger companies with healthy bank

"There are many avenues that can be explored to create an optimal and diversified portfolio of high-quality companies"

balances and better access to credit — which are therefore expected to weather the current storm — are likely to seize market share as smaller, less prepared businesses struggle to survive. We can further apply the notion that some thematic growth trends are far bigger than the macro-driven economy, and can withstand a multi-quarter recession far better than those more directly correlated with global macro conditions.

The stocks set to survive

There are many avenues that can be explored to create an optimal and diversified portfolio of high-quality companies and stocks set to not only survive, but thrive, when the wider market begins to recover.

Take the payments industry for example. It will see near-term headwinds from weaker consumer spending, but more broadly, as a society we are moving towards digital and cashless payments, giving the companies in this space lasting resilience. In the telecommunications space, companies working specifically with 5G and networking technology are set to see major spending initiatives as the demand for faster speeds, increased teleconferencing and the boom in mobile data continue to surge. Some spending may have been displaced for now, but when it comes back it may well be stronger than ever. Finally, cybersecurity remains at the forefront of CIO spending surveys and the increasing complexity of attacks will keep driving demand for years to come.

Here, we'll examine the key stocks in these sectors and find out why, when a recovery starts to take shape, they are set to outperform.

Chapter 2

Today's industry standouts – tomorrow's winners

Before identifying which stocks are set to outperform during a market recovery, it's essential to understand how the industry — and its key players — are performing

LET'S LOOK MORE closely at the three sectors identified in Chapter 1 that I think will go on to excel as the global economy recovers. Here, I'll be examining the price performance of each of those key stock groups, their components and their positioning in the options market. I'll also look at the technical trends in ETFs weighted to these groups.

MOBILE PAYMENTS

To get a broad view of the mobile payment industry's performance, look to the ETFMG Prime Mobile Payments ETF [IPAY], which has a 57.6% weighting to its top 10 holdings. Since mid-March and up to 18 May, it's up 45%, and while it is currently down 13.05% year-to-date, it has had a very positive average annual return of

PERFORMANCE OF ETFMG PRIME MOBILE PAYMENTS ETF [IPAY] SINCE 2015

Source: tradingview 12.05.20

26.7% over the past three years. From a technical perspective, IPAY cratered during February and March, retesting support levels from December 2018. It held firm, and is now sitting just under the anchored volume-weighted average price (VWAP) from its 2016 low.

That's the big picture. Now, I can look at the performance of some of the ETFs' top components, examining their year-to-date movements, one-year performance and how far they are above or below their respective 52-week highs. In terms of relative strength in 2020, the non-US names stand out, while pure-play digital names like Square [SQ] and PayPal [PYPL] have also outperformed. On a one-year time frame, Fidelity National Information [FIS] and Fiserv [FISV] have both outperformed. The two companies both completed major M&A deals in 2019 —Fiserv acquiring First Data for $22bn and Fidelity's purchase of Worldpay for $35bn — that contributed to the sector's rapid consolidation. There's another major player set to IPO in this group called Stripe, which was valued at $36bn in its most recent round of funding in April.

In terms of options positions among its components, the flows have seen a bullish bias. Global Payments [GPN] has over 3,600 bull risk reversals in open interest on prices between $170-$195, expiring in May, as well as smaller call purchases. Fiserv has more than 3,600 June $105 calls in open interest. At the end of April, Square had over 4,300 January 2022 $120 calls in open interest, although overall it has seen more mixed flows due to its exposure to small businesses. PayPal tends to see the most bullish activity and at the end of May had almost 7,000 $110 calls expiring on 15 May in open interest, and 2,500 September $115 puts.

THE MOBILE PAYMENTS MARKET

Ticker	Company name	Market cap $m	YTD change	1-year change	52-week low % change	52-week high % change
WDI:GR	Wirecard	16,093	11.81%	-1.88%	50.85%	-25.94%
ADYEN:NA	Adyen	25,419	6.76%	13.46%	38.66%	-13%
PYPL	Paypal Holdings	131,188	3.40%	2.79%	36.29%	-10.12%
SQ	Square	26,588	-2.35%	-16.04%	88.96%	-29.98%
WLN:FP	Worldline	11,949	-4.45%	11.12%	65.95%	-22.34%
FIS	Fidelity National Information Services	78,865	-8%	15.18%	39.57%	-19.12%
V	Visa	338,303	-9.77%	5.67%	26.59%	-20.84%
MA	Mastercard	261,298	-12.93%	7.87%	29.99%	-25.13%
FISV	Fiserv	68,060	-12.97%	17.99%	36.91%	-19.53%
GPN	Global Payments	46,484	-15.16%	11.71%	46.75%	-26.11%
FLT	Fleetcor Technologies	19,101	-22.29%	-10.98%	32.69%	-32.21%
WU	The Western Union Company	8,189	-25.58%	3.26%	14.61%	-29.94%
Average		**85,961**	**-7.63%**	**5.01%**	**42.32%**	**-22.86%**

Source: Options Hawk 03.05.20

5G NETWORKING AND TECHNOLOGY

Defiance recently launched the first 5G ETF — the Defiance Next Gen Connectivity ETF [FIVG] — that began trading in March 2019. Its one-year anniversary was marked by a sharp slump thanks to the pandemic, although it has recovered recently to clock in a year-to-date performance of -4.15% up to 18 May. It tracks the performance of companies involved in the development and rollout of 5G networks. It has 74 holdings, 73.6% of which are US-based, and is fairly heavily weighted towards the chip companies.

Looking deeper at the ETF's individual stock components, the top performers are mainly companies dealing in the data center REIT (real estate investment trust) and tower group sectors, which have exposure to the 5G trend. Ciena [CIEN] has been a standout performer, while Marvell Technology Group [MRVL] is the top semiconductor performer year-to-date.

The options positioning among the names in this group has been limited, without many high-impact directional trades worth noting. However, Charter [CHTR] is one that stands out as having a bullish bias, with a sizeable number of longer-dated call purchases. T-Mobile [TMUS] stands out among telecom names because of its bullish positioning in June 2020 and January 2021 options. In the chip names, Skyworks [SWKS] has 656 November $95 calls in open interest. NXP Semiconductors [NXPI] has 5,800 January 2021 $115 bull risk reversals that are in open interest, as well as 1,200 June 2020 $95 bull risk reversals.

CYBERSECURITY

The ETFMG Prime Cyber Security ETF [HACK] — the world's first ETF to track the cybersecurity industry — has holdings in 55 companies across the hardware, software and

PERFORMANCE OF DEFIANCE NEXT GEN CONNECTIVITY ETF [FIVG] SINCE 2019

Source: Tradingview 12.05.20

THE 5G NETWORKING AND TECHNOLOGY MARKET

Ticker	Company name	Market cap, $m	YTD % change	1-year % change	52-week low % change	52-week high % change
DLR	Digital Realty Trust	38,684	24.60%	25.25%	42.10%	-2.22%
AKAM	Akamai Technologies	17,117	21.96%	38.56%	43.94%	-1.74%
EQIX	Equinix	59,379	19.06%	55.29%	57.69%	-0.26%
CCI	Crown Castle International Corp	69,618	17.52%	34.53%	46.30%	-1.01%
TMUS	T-Mobile US	116,340	16.03%	25.57%	43.29%	-10.22%
AMT	American Tower Corp	112,663	10.55%	32.90%	45.74%	-2.45%
CIEN	Ciena Corp	6,785	3.54%	15.59%	44.54%	-5.86%
CHTR	Charter Communications	116,962	2.96%	38.08%	44.48%	-8.62%
ERIC	Telefonaktiebolaget LM Ericsson	28,783	-0.68%	-16.07%	41.79%	-15.26%
MRVL	Marvell Technology Group	17,211	-2.28%	4.36%	57.78%	-10.05%
VZ	Verizon Communications	242,024	-4.79%	1.18%	19.70%	-6.04%
NOK	Nokia Corp	19,409	-6.20%	-40.21%	48.72%	-40.41%
KEYS	Keysight Technologies	17,960	-6.62%	8.54%	34.93%	-12.87%
XLNX	Xilinix	22,146	-8.97%	-34.47%	31.50%	-37.15%
FFIV	F5 Networks	7,546	-11.13%	-24.53%	55.57%	-26.54%
ADI	Analog Devices	37,853	-13.50%	-10.14%	30%	-19.25%
QCOM	Qualcomm	87,066	-13.67%	-3.68%	31.33%	-20.80%
T	AT&T	224,009	-20.09%	-2.25%	19.75%	-21.34%
SWKS	Skyworks Solutions	16,233	-21.08%	4.63%	43.91%	-25.75%
NXPI	NXP Semiconductors	25,158	-29.15%	-10.87%	54.37%	-35.40%
Average		**64,147**	**-1.10%**	**7.11%**	**41.87%**	**-15.16%**

Source: Options Hawk 03.05.20

services segments. From mid-March up to 18 May, its has risen by 34%. Looking at the chart, HACK moved lower with the market in February and March but has rebounded sharply in more recent weeks. The top 10 holdings account for 33.4% of the index's weighting, with 79.4% of its holdings based in the US. Its performance has been driven by the key beneficiaries of the sharp increase in more people working-from-home, though a number of its holdings are not pure-play cybersecurity. The First Trust Cybersecurity ETF [CIBR] has a similar mid-March to 18 May return of 31.6%. I will screen out the better pure-play names when looking at individual components below.

Looking at the performance of the main cybersecurity players, there is a clear split between the strong year-to-date performers and the weaker ones. Two areas seeing the most strength are identity management, where Okta [OKTA] is a market leader, and cloud security, with shares in CrowdStrike Holdings [CRWD] returning a total of 48% between mid-March and 18 May.

For options positioning in this group, there has been a strong bullish bias in CrowdStrike both with large call buys and opening put sales. NortonLifeLock [NLOK] has 2,800 December $20 long calls and 3,700 on December $25 in open interest. It also has 13,000 January $30 bull risk reversals. Palo Alto Networks [PANW] would be the third standout company from a positioning perspective, with sizeable interest on June $220, June $190 and January $200 calls in open interest.

By looking at the top performing stocks within each of these specific industries, we can now begin to identify where growth is taking place. In the next chapter, we will take a deeper dive into these sub-categories to help fully understand their past, present and future growth trajectories.

PERFORMANCE OF ETFMG PRIME CYBER SECURITY ETF SINCE 2015

Source: tradingview 12.05.20

THE CYBERSECURITY MARKET

Ticker	Company name	Market cap, $m	YTD % change	1-year % change	52-week low % change	52-week high % change
ZS	Zscaler Inc	8,796	46.24%	8.92%	94.29%	-24.06%
NLOK	NortonLifeLock Inc	12,354	36.46%	42.31%	98.99%	-4.62%
CRWD	CrowdStrike Holdings	14,257	29.82%		102.63%	-36.45%
OKTA	Okta	18,182	28.36%	60.62%	67.33%	-1.04%
QLYS	Qualys	4,149	27.30%	31.33%	67.48%	-2.62%
AKAM	Akami Technologies	17,117	21.96%	38.56%	43.94%	-1.74%
FTNT	Fortinet	19,487	5.81%	22.29%	64.02%	-7.27%
PFPT	Proofpoint	6,786	3.71%	-3.16%	42.04%	-10.88%
TENB	Tenable Holdings	2,361	-1.46%	-24.83%	45.02%	-34.89%
AVST:LN	Avast	5,513	-4.11%	52.78%	64.72%	-21.34%
CHKP	Check Point Software Technologie	15,174	-4.36%	-18.07%	32.55%	-12.66%
SPLK	Splunk	21,437	-9.76%	4.84%	43.90%	-23.35%
4704:JP	Trend Micro	6,420	-11.07%	-9.78%	30.37%	-18.36%
RDWR	Radware	1,006	-15.83%	-17.21%	35.45%	-19.57%
PANW	Palo Alto Networks	19,286	-16.35%	-19.21%	54.16%	-22.97%
MIME	Mimecast	2,231	-17.73%	-27.36%	41.97%	-34.60%
VRNS	Varonis Systems	1,997	-18.34%	3.34%	29.64%	-31.94%
RPD	Rapid7	2,255	-19.81%	-10.09%	43.33%	-31.95%
CYBR	CyberArk Software	3,500	-21.08%	-24.13%	32.36%	-38.15%
SAIL	Sailpoint Technologies Holdings	1,539	-27.58%	-37.99%	47.20%	-40.78%
FEYE	FireEye	2,406	-34.66%	-30.64%	43.24%	-41.11%
Average		**8,869**	**-0.12%**	**2.13%**	**53.55%**	**-21.92%**

Source: Options Hawk 19.04.20

Chapter 3

Industry breakdown: which segments are set to grow?

Taking a deeper look at the key areas of interest within these market segments

FROM THE DIGITAL and mobile payments market to 5G and cybersecurity, here are the trends shaping these industries.

STRATOSPHERIC GLOBAL PAYMENTS OPPORTUNITY

In the digital and mobile payments group, the main US pure-play stocks are PayPal and Square. However, Visa [V], Mastercard [MA], Fidelity National Information Services, Fiserv, Global Payments, Western Union [WU] and Fleetcor Technologies [FLT] all have exposure to this market and are worth investigation. Beyond the US, notable stocks include Wirecard [WDI], Adyen [ADYEN] and Worldline [WLN].

The group is generally broken down into several segments including global payment networks, merchant acquirers, B2B and money transfer (see below). In 2019, the sector experienced major consolidation, with the mergers of Global Payments and Total Systems, Fiserv and First Data, and Fidelity and WorldPay. The payments industry is also a core focus for large-cap technology firms including Apple [AAPL] with Apple Pay, Google [GOOG] via Google Checkout, Facebook [FB] and its Pay app, Mexico's Mercado-Libre [MELI] with its Pago payments system, and Alibaba [BABA] via Alipay.

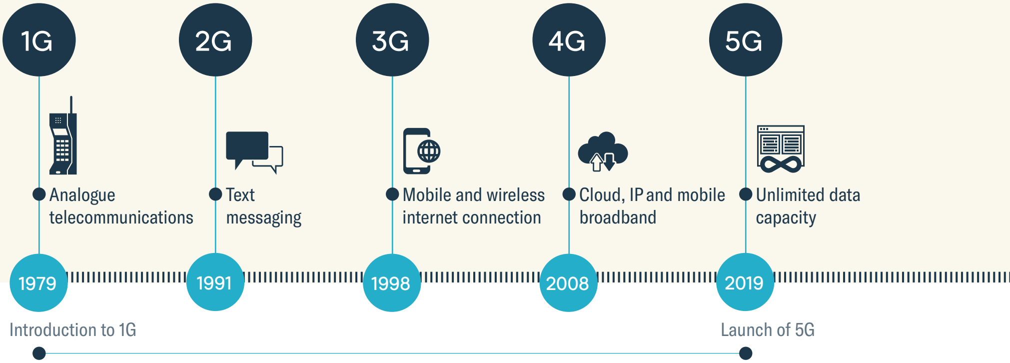
In the global payments industry, the total addressable market is estimated to stand at $240trn, that's larger than global GDP, due to the fact that multiple payments are made for the same level of output. The compound annual growth rate between 2019 and 2023 is forecast by Mastercard and Euromonitor to be 6% for the US, while for APAC, Latin America and Eastern Europe that figure stands at 14%, 9%, and 10%, respectively, meaning these markets have the largest potential growth opportunities. In the merchant acquiring space, software and ecommerce are the fastest growth channels, while in the US the majority of payments are still made using traditional methods, such as credit cards, debit cards and physical cash, meaning there is plenty of room for the mobile payments

BREAKING DOWN THE PAYMENTS INDUSTRY'S KEY PLAYERS

Global payments networks	Merchant acquirers & bank technology providers	B2B-related businesses and payments networks	Money transfer companies
• Mastercard	• Fidelity Information Services	• Fleetcor	• Intermex
• Visa	• Fiserv	• Verra Mobility	• Western Union
	• Global Payments	• WEX	
	• PayPal		
	• Repay Holdings		
	• Square		

THE EVOLUTION OF 5G

Source: Digi International



space to evolve. Many of the payment companies are also finding ancillary revenue opportunities by offering other services to businesses such as analytics, software and marketing.

COMPANIES AND CONSUMERS GO ALL-IN ON 5G

In the 5G networking and technology space, the key players can be roughly divided into a few groups. The tower and data centre names include American Tower [AMT], SBA Communications [SBAC], Crown Castle [CCI], Digital Realty [DLR] and Equinix [EQIX]. In the telecom and equipment spaces, the big names include Verizon [VZ], T-Mobile, Charter [CHTR], AT&T [T], Ciena, Ericsson [ERIC], F5 Networks [FFIV], Nokia [NOKIA], Akamai [AKAM] and Keysight [KEYS].

There are also semiconductor businesses that have exposure to the 5G industry. These include, but are not limited to, Marvell, Xilinx [XLNX], Analog Devices [ADI], Qualcomm [QCOM], NXP Semiconductors and Skyworks Solutions [SWKS].

5G is the fifth-generation mobile network that relies on different bands within the radio spectrum to operate. The cellular system in the US has evolved from analog (1G) to digital (2G and 3G) and then high-speed (4G), which can move up to one gigabits per second when a device is stationary or moving at very low speeds. 5G promises to increase this capacity by 1,000 times, while throughput will increase 10-fold. Latency will decrease by 10 times, and the network will be able to support 100 times the number of connections per unit area compared to 4G networks, due to a tripling in spectral efficiency and a 100 times increase in network efficiency. 5G also promises to deliver these improvements while delivering an enormous reduction in costs.

Deloitte says the number of handsets using 5G is set to represent 1% of smartphone sales (or between 15 and 20 million units) in 2020, before increasing to more than 100 million units in 2021. To achieve this increased capacity the 5G network promises, the complexity of semiconductor chips will continue to evolve. The surge in data is a trend that will continue across mobile networks and it means that businesses in the tower and data centre REIT space are well-positioned for growth. 5G is a multi-year growth

> *"5G promises to increase [4G] capacity by 1,000 times, while throughput will increase 10-fold"*

theme that will be a revenue generator for a number of companies.

CLOUD'S GROWTH SPURS SECURITY SOLUTIONS

The cybersecurity industry is a fragmented one, with a number of large and small players. It remains on the forefront of IT spending as companies search for ways to protect themselves against cyber attacks, which are becoming increasingly common and ever-more complex. The hot areas of growth in this sector are the cloud and identity security markets, while businesses in the firewall market have seen slow growth. The cloud transition and digital transformation secular growth trend is causing a surge in demand for security solutions.

Some of the main players include:

- Splunk [**SPLK**]
- Palo Alto Networks [**PANW**]
- CrowdStrike [**CRWD**]
- Okta [**OKTA**]
- Fortinet [**FTNT**]
- Check Point [**CHKP**]
- Z-Scaler [**ZS**]
- Proofpoint [**PFPT**]
- Norton LifeLock [**NLOK**]

Some smaller listed players are:

- Qualys [**QLYS**]
- Tenable [**TENB**]
- Radware [**RDWR**]
- Mimecast [**MIME**]
- Varonis [**VRNS**]
- Rapid7 [**RPD**]
- Sailpoint [**SAIL**]
- CyberArk [**CYBR**]
- FireEye [**FEYE**]

Palo Alto Networks estimates its total addressable market will be close to $72.6bn by 2022 and expects to grow at a compound annual growth rate of 9.2%. Meanwhile, software company Okta says that its total addressable market in the identity management space currently stands at $25bn.

The companies in these segments are providing solutions to the biggest challenges facing business of our times. Even if activity in these sectors becomes subdued due to the COVID-19 pandemic, it is clear that they will not be going away any time soon.

As it stands, the best approach to make an investment in this space is to figure out which companies provide the best opportunities and returns going forward.

BREAKING DOWN CYBERSECURITY

Segment	Total addressable market (2022 forecast)	CAGR (2018-2022)
Network	$26.5bn	6.90%
Endpoint protection, analytics and automation	$13.1bn	10.20%
Cloud	$7.8bn	21.20%
Future security automation	$25.2bn	8.40%
TOTAL	**$72.6bn**	**46.70%**

Source: Gartner Forecast: Information Security, Worldwide, 2017-2023, Q219 Update; June 2019

Chapter 4

Compare and contrast: identifying the best value companies

It's not enough just knowing which sectors are going to rise when the recovery comes, but which companies are set to skyrocket. This chapter dives into the metrics of each individual stock to identify where the value lies

AFTER COVERING THE key players across these three industries, it's time to compare them across relevant metrics. Each industry has its own playbook, so it's important to look at a variety of metrics such as valuation, growth, profitability and other industry-specific levels. Only then can I start to figure out which are the best investment opportunities.

ECOMMERCE AND INTERNATIONAL TRANSFERS: UNDERSTANDING MOBILE PAYMENT FIRMS

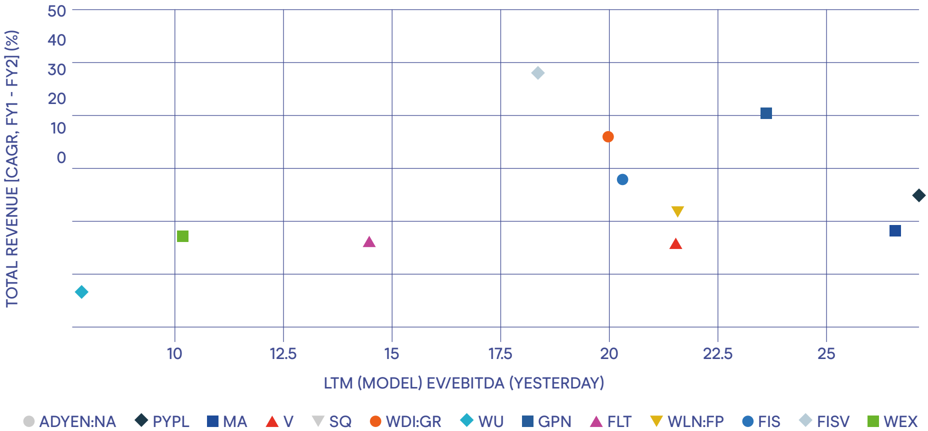
In this group, there isn't a specific key performance indicator (KPI) that is universal across the stocks, although the more pure-play digital names do tend to provide useful statistics such as total payment volume (TPV) and engagement metrics that demonstrate how valuable their service is to their customers, which include the number of active account and payments per account. These numbers are typically broken down by geography and cross-border activity.

Beyond the statistics, for mobile payment firms the focus is on top-line growth as well as operating leverage (margins) and the ability to convert revenues into earnings. It's also important to look at free cash flow (FCF), capital management efficiency (ROIC) and balance sheet health. On a more qualitative measure, it's vital to look at each business's exposure levels to ecommerce, small businesses and international transactions that each company tends to breakdown.

To determine a company's valuation, we can look at EV/EBITDA and price-to-earnings (P/E). On the next page is a scatter plot of EV/EBITDA to Revenue CAGR, excluding Square and Adyen which currently have wild valuations despite a lack of profitability.

Below that is a comparative analysis using these key metrics. Using this information we can see that this group of companies trades at an average of 27 times EV/EBITDA, with net income margins of 29.5% and a revenue CAGR of 17%. Square and Adyen trade at the highest EV/EBITDA and EV/FCF valuations, and are also delivering some of the strongest growth, while the high growth numbers for Global Payments, Fidelity and Fiserv are likely inflated due to major acquisitions. Adyen also has fantastic margins and a low debt balance sheet, making it

PLOTTING SEVERAL MOBILE PAYMENT FIRMS' EV/EBITDA TO REVENUE



THE MOBILE PAYMENTS MARKET

Ticker	Company name	Market cap, $m	EV to EBITDA (LTM)	EV to FCF	EBITDA CAGR	Revenue CAGR	FCF CAGR	NI margin	FCF margin	ROIC	Debt to EBITDA	FCF/ debt
ADYEN: NA	Adyen NV	29,678	90.9x	49.6x	46%	32%	-17%	39.76%	99.27%	-27.65%	0.1x	5.26
FIS	Fidelity National Information Services	79,867	20.3x	41.9x	19%	18%	56%	24.48%	15.31%	4.46%	3.5x	0.17
FISV	Fiserv Inc	67,803	18.4x	38.9x	40%	38%	74%	27.24%	20.36%	9%	2.8x	0.16
FLT	Fleetcor Tech	19,890	14.5x	21.9x	0%	6%	19%	40.10%	41.03%	16.66%	3.1x	0.23
GPN	Global Payments	48,513	23.6x	47.8x	33%	31%	62%	25.22%	22.06%	5.44%	3.8x	0.25
MA	Mastercard	269,745	26.6x	34.4x	31%	8%	4%	47.01%	44.16%	104.64%	0.7x	0.73
PYPL	Paypal Holdings	141,462	27.1x	35.2x	24%	15%	-3%	20.73%	21.70%	33%	0.7x	0.88
RPAY	Repay Holdings	661	19.8x	76.3x			-1491%	37.76%	12.78%	11.34%	2.2x	
SQ	Square Inc	27,420	61.5x	65.5x	759%	26%	33%	17.12%	17.78%	27.84%	2.2x	0.44
V	Visa Inc	347,980	21.5x	33.4x	15%	7%	-7%	53.82%	52.35%	23.47%	1.0x	0.63
WDI:GR	Wirecard AG	12,237	20x	9.6x		26%	-4%		16.55%			0.34
WEX	WEX Inc	5,515	10.1x	13.9x	0%	7%	-3%	23.36%	31.51%	10.53%	3.6x	0.1
WLN:FP	Wordline SA	12,409	21.5x	38.8x	85%	12%	17%	12.62%	13.14%	7.96%	1.4x	0.23
WU	Western Union	7,609	7.8x	11.6x	24%	-3%	26%	14.09%	15.75%	22.90%	2.5x	0.31
Average		**76,485**	**27.4x**	**37.1x**	**90%**	**17%**	**-88%**	**29.49%**	**30.34%**	**19.20%**	**2.1x**	**0.75**

Source: Options Hawk 03.05.20

a very attractive growth name in this industry.

Among the merchant acquiring names, Fiserv stands out with its superior margins and relatively cheap valuation. Between the two major B2B players, Fleetcor has an edge over WEX, with its higher valuation validated by its superior ROIC, growth, margins and balance sheet. Visa's discount compared to both Mastercard and Paypal, however, looks less justified. Although its growth has lagged and the company carries a lower ROIC, it is still delivering strong growth and has healthier margins than its two competitors.

5G NETWORKING AND TECHNOLOGY: A CROSS-SECTOR INDUSTRY

This group contains stocks from a number of industries, making it much harder to put them in one bucket. To get a more useful dataset, we will separate them into three categories: those companies dealing in the tower and data centre space (American Tower Corp, SBA Communications, Crown Castle, Cellnex, Equinix, and Digital Realty Trust), telecom providers (AT&T, T-Mobile and Verizon) and the equipment makers (Ciena, Ericsson, F5 Networks, Nokia, Akami, Keysight, Marvell, Xilinx, NXP Semiconductors, Skyworks, Analog Devices, Qualcomm and Qorvo).

Companies in the first group fall into real estate investment trust (REIT) category, so it is better to look at funds from operations (FFO) and adjusted FFO rather than earnings per share, although topline trends and gross margins will be useful to consider. On the qualitative side, it's good to look more closely at each operator's geographic footprint. It is also important to dive into tenant and tower metrics such as unit growth, tenant billings growth, tenant lease renewal schedules and churn.

Comparing the data, it is clear that these six names trade relatively equal to each other and their multiples look correlated to EBITDA margins. SBA Communications has the best growth-to-margin profile, but also the highest valuation and most levered balance sheet. Spain's Cellnex also has a very impressive — although highly leveraged — profile with strong growth and healthy margins. Digital Realty Trust appears to be cheaply priced compared to Equinix, while having better margins.

In the telecom group, we are often looking at industry-specific metrics such as subscriber additions, a basis on which T-Mobile has always stood out among its peers in the category. However, Verizon also trades at an attractive EV/

THE 5G NETWORKING AND TECHNOLOGY MARKET

Ticker	Company name	Market cap, $m	Price to AFFO	EV to EBITDA	Revenue CAGR	Gross margins	EBITDA margins	Debt to EBITDA	Dividend yield
AMT	American Tower Corp	103,822	29.3x	26.1x	4%	70.76%	62.59%	4.8x	2.08%
CCI	Crown Castle	65,184	26.8x	25.1x	6%	65.54%	54.42%	5.5x	2.97%
CLNX:SM	Cellnex Telecom	20,177		29.9x	24%	100%	68.55%	7.2x	0%
DLR	Digital Realty Trust	39,137	24.6x	28.1x	6%	62.83%	58.79%	5.7x	2.91%
EQIX	Equinix	57,644	31.7x	24.8x	9%	48.73%	48.32%	4.3x	1.44%
SBAC	SBA Communications	32,175	33.8x	29.9x	6%	75.53%	74.21%	6.8x	0.26%
Average		**53,023**	**29.3x**	**27.3x**	**9%**	**70.57%**	**61.15%**	**5.7x**	**1.61%**

Source: Options Hawk 03.05.20

EBITDA multiple with a better balance sheet than AT&T, as well as best-in-class margins and ROIC, making it a strong pure-play 5G bet.

The networking equipment and chip names are fairly straightforward to analyse using valuation metrics such as P/E, price-to-sales and EV/FCF. We can also compare growth rates, margins and balance sheet health (see table p.17 and below). Ciena certainly stands out as best-in-class compared to network equipment peers like Nokia and Ericsson in the low-margin hardware business. Qorvo is a radio frequency (RF) semiconductor company that stands out as having a cheap valuation, high margins and a high ROIC, while carrying minimal debt. Lastly, Keysight is a very attractively valued 5G play with solid growth and high ROIC.

USING THE RULE OF 40 TO ANALYSE CYBERSECURITY STOCKS

This group is perhaps the most straightforward to analyse, as all of the companies are software providers. They do have some distinguishing features between them though, depending on whether they offer customers access to their services via subscriptions or licenses (although many of the businesses using the latter structure are converting to a subscription model). With software, I use EV/revenues for valuation, while the Rule of 40 — a SaaS industry tenet that says a business can burn as much cash as it likes so long as its growth rate is 40% higher than its free cash flow margin — is popular in assessing these stocks. It's also vital to understand their R&D spending as a percentage of revenues and

THE 5G NETWORKING AND TECHNOLOGY MARKET (CONTINUED)

Ticker	Company name	Market cap, $m	P/E	PEG	NI CAGR	Revenue CAGR	EBITDA margins	ROIC	EV to FCF	FCF margin	Debt to EBITDA
ADI	Analog Devices	38,162	21.41x	1.4x	-15%	-2%	54.15%	6.69%	21.6x	33.01%	1.8x
AKAM	Akami Tech	15,529	20.84x	1.4x	15%	7%	41.86%	16.76%	31.3x	17.15%	1.4x
CIEN	Ciena Corp	7,113	20.24x		38%	9%	15.60%	16.70%	17.8x	9.81%	1.4x
ERIC	Ericsson	29,145	18.72x	1.4x	108%	2%	13.59%	8.64%	30.4x	4.49%	1.3x
FFIV	F5 Networks	8,203	13.68x	1.3x	-5%	4%	36.87%	61.91%	13.1x	28.73%	0.0x
KEYS	Keysight Tech	17,585	18.55x	1x	20%	7%	31.26%	27.70%	21.2x	20.40%	1.3x
MRVL	Marvell Tech	16,863	38.53x		-10%	7%	25.96%	3.17%	64.6x	10.14%	2.3x
NOK	Nokia Oyj (ADR)	20,430	12.24x	(15.6x)	-2%	-1%	11.78%	9.36%	29.7x	-1.29%	1.7x
NXPI	NXP	26,648	13.08x	1.8x	-23%	-2%	34.92%	11.74%	17.1x	19.66%	2.4x
QCOM	Qualcomm	85,090	21.92x	(2.8x)	-12%	5%	31.17%	19.90%	13.5x	32.69%	2.7x
QRVO	Quorvo	10,776	15.63x		3%	2%	48.20%	15.62%	15.1x	19.07%	0.6x
SWKS	Skyworks	16,816	16.42x		-13%	-2%	44.23%	24.20%	19.3x	27.96%	0.0x
XLNX	Xilinx	20,651	25.77x	2.6x	-15%	3%	30.64%	23.47%	18.6x	33.56%	1.3x
Average		**24,078**	**19.77x**	**(0.8x)**	**7%**	**3%**	**32.33%**	**18.91%**	**24.1x**	**19.65%**	**1.4x**

"The Rule of 40 — a SaaS industry tenet that says a business can burn as much cash as it likes so long as its growth rate is 40% higher than its free cash flow margin"

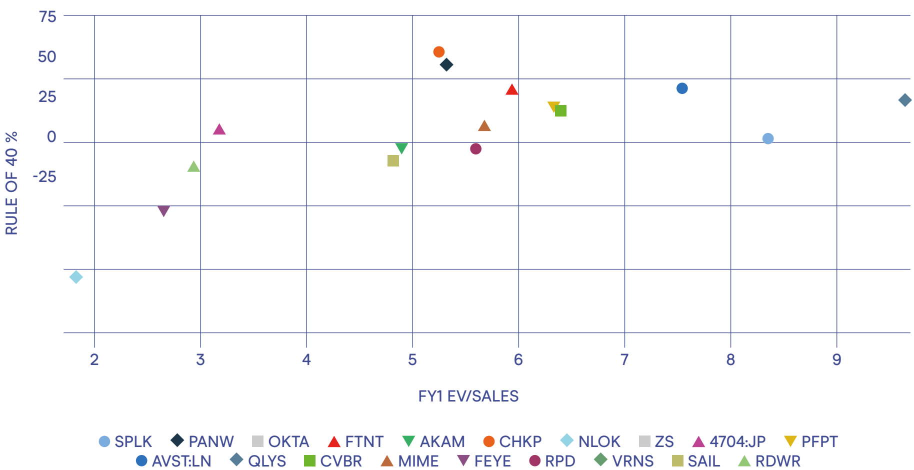
be mindful of trends in selling, general and administrative (SGA) expenses. Another metric included in the comparative analysis table that is specifically tailored to this group is 'incremental revenues to spend', which measures a return on marketing costs.

The scatter plot chart below compares each company's valuation (using the EV/Sales metric) to its Rule of 40 score, calculated by adding a company's profit margin to its annual revenue growth percentage, showing a positive correlation between these figures. Zscaler and Okta haven't been included in this particular analysis, due to their outlier valuations.

One name that stands out in this space — with good exposure to the cloud security — is Qualys. It has very high incremental revenues to spend, above the Rule of 40, and a high ROIC. The hyper growth and extreme valuation group includes CrowdStrike, Okta and Zscaler. These are all exciting growth stories, but the latter screens best as the only one of the three businesses to post an increase in free cash flow in the last financial year. Lastly, Palo Alto appears cheap compared to its peers while delivering a very high ROIC, impressive FCF, and having strong incremental revenue to spend.

This allows for a much richer picture of what's going on in each of the three industries outlined at the start of this ebook. The segments of these industries that are showing strong growth have been explored and the best value names within those categories investigated. Next, it's important to understand how the companies themselves view their futures.

PLOTTING SEVERAL CYBERSECURITY FIRMS' EV/SALES TO RULE OF 40



Chapter 5

Listen and learn: taking cues from earnings calls

After crunching the numbers and finding which industries are seeing optimistic growth, how do the companies themselves see their futures?

THERE ARE THREE key industries that can not only withstand an economic downturn, but thrive during the recovery stage. Within these industries, the key players and their key metrics have been analysed in an effort to understand which are the best-in-class.

But beyond the numbers, another important part of being an investor is simply to pay attention to what the leaders of these companies themselves are saying. For better insight into the outlooks of these industries, management commentary key statements from recent earnings calls or conference presentations is an excellent place to look. For an even deeper understanding, it is also wise to seek out what the experts that cover these industries — analysts and reporters — are saying. Here's a selection of statements that reveal the optimism within these companies and how they view their growing importance as well as the roles they will play in the next stage of the economy.

A BOOM IN ECOMMERCE TRANSACTIONS IS TAKING DIGITAL PAYMENT FIRMS TO NEW HIGHS

● **Square [SQ] earnings call, 6 May 2020**

Highlights

- Gross profits from Square's Cash App rose 115% year-on-year in Q1 2020.
- In April, direct deposit active users had doubled month-over-month, meaning more customers are using Square's ecosystem as a bank account and storing money with it.
- Every time a customer explores another of Square's suite of profits — such as its direct deposit functionality — their lifetime value increases, driving Square's profitability.

"Cash App delivered impressive growth in the first quarter with gross profit up 115% year-over-year. While we saw a modest deceleration in peer-to-peer volumes and Cash Card spend from COVID-19 in March, overall growth remained strong, with Cash App gross profit up 112% year-over-year in March. A key driver remained efficient new customer acquisition. In March and then again in April, Cash App set new highs for its number of net new monthly transacting actives," Amrita Ahuja, CFO at Square, said during the earnings call.

"For Cash App, this is a unique moment in which new consumer-driven commerce habits are taking shape. The resulting inflection on direct deposit is meaningful... Direct deposit customers have generated revenue which is multiples higher compared to customers who only use peer-to-peer.

As Cash App has added more products, we've expanded the addressable market opportunity. As customers have increased their adoption of those products, their lifetime value has increased, which has driven improvements in Cash App's profitability over time. And we believe it is still early days."

● PayPal [PYPL] earnings call, 6 May 2020

Highlights

— In April, PayPal onboarded more new customers to its service than ever before, recording 7.4 million net new customers.
— PayPal is a major beneficiary of the COVID-19 ecommerce boom, as consumers shop for products online in order to avoid leaving the home. On 1 May, the company processed more transactions than it had on Black Friday or Cyber Monday in November of last year.
— In the earnings call, CEO Dan Schulman said April was PayPal's strongest month since its IPO in 2002. This performance is expected to continue, with strong EPS, free cash flow and new active accounts anticipated for Q2.

"There has always been a distinct secular trend towards digital payments, but the current environment has rapidly accelerated that movement. Our products and services have never been more needed and more relevant. We've worked hard in recent years to establish PayPal as one of the world's most trusted digital payments brands, with substantial reach and scale for both consumers and merchants. And those efforts are clearly paying off," Dan Shulman, CEO at PayPal, said during the earnings call.

"There has always been a distinct secular trend towards digital payments, but the current environment has rapidly accelerated that movement"
— Dan Shulman, PayPal

"Our transactions are up 20% year-over-year, with branded transactions up over 43%, more than double pre-COVID levels in January and February. On 1 May, we had our largest single day of transactions in our history, larger than last year's transactions on Black Friday or Cyber Monday. Our net new actives hit record highs in April, surging over 140% from January and February levels, averaging approximately 250,000 net new active accounts per day. For the month of April, we added an all-time record of 7.4 million net new customers. I don't want to lose sight of the fact that we also had a record Q1, adding 10 million net new accounts. But that will pale in comparison to the 15 million to 20 million net new active accounts we anticipate adding in Q2."

● Fiserv [FISV] earnings call, 7 May 2020

Highlights

— Fiserv, which mostly focusses on providing technology to help banks and financial institutions move their money around, has also experienced a benefit from the wider increase in ecommerce sales.
— The company's Zelle turnkey service experienced strong growth, with the number of clients using the product increasing eight-fold in Q1 2020, and up 44% from the last quarter.
— The company expects to see further uptake of its digital payments products, identifying its merchant PoS system, Clover, as an important growth opportunity. Clover's PoS system makes it easier for retailers and restaurants to take contact-free payments — an essential consideration for a post-COVID-19 world.

"We also had very strong Zelle results, implementing eight times more clients in Q1 compared to the prior year and payment volumes skyrocketed, up nearly 90% in the quarter, and we saw even stronger growth in the second half of April as people look for new ways to pay in this new environment. We continue to see a significant value creation opportunity at the intersection of cards, DDA-based payments and our merchant scale around the world. Importantly, we remain fully committed to deploying our $500m innovation investment. We've identified important opportunities in areas such as enterprise digital, card, merchant ecommerce, ISV and Clover. We also see expanded opportunities across the data horizon, including risk fraud and decisioning with a specific emphasis on authorisation rates, network innovation and next-generation integration. We will continue to invest in 2020 and over the next several years to ensure that we are focused on where the market is going and what we need to do to win," Jeffrey Yabuki, CEO of Fiserv, said during the earnings call.

NEW CUSTOMERS AND CONTINUED DEMAND FOR 5G NETWORKING COMPANIES

● **Qorvo [QRVO] earnings call, 7 May 2020**

Highlights

— Qorvo is a semiconductor company that generates the majority of its revenues from selling components for smartphones. As demand for 5G smartphones has increased, Qorvo has reaped the rewards.

— In its Q4 2020 earnings call, the company highlighted its work with Samsung, which currently claims a 34.4% share of the global 5G smartphone market, making it the top supplier of next-gen phones.

— While COVID-19 will certainly impact the speed of 5G uptake across the world, Qorvo is confident demand will return, saying the long-term secular drivers in its market "remain compelling".

"In mobile, shipments of our 5G solutions grew sequentially and 5G design activity continued to increase. Qorvo's highly integrated and high-performance 5G and LTE Advanced Pro solutions are helping our customers to enhance performance, reduce product footprint and accelerate products to market. We are especially pleased with content gains in 5G. Products like our 5G ultra-high band solutions are being adopted across customers and on all leading 5G chipsets," Bob Bruggeworth, CEO of Qorvo, said during the earnings call.

"During the quarter, we helped enable Samsung's Galaxy S20 platform with a broad set of high-performance and highly integrated components. These include our mid-high band and ultra-high band 5G solutions. We also provided a leading manufacturer of 5G smartphones the complete main path, including our low, mid-high and ultra-high band integrated solutions as well as our Wi-Fi front-end module, switches, tuners for the recently-launched 5G smartphone. Our view on early adoption of 5G is unchanged, and although our overall view of smartphones is for a decline of over 10% in calendar '20, we still expect 5G smartphones this year to be in line to slightly below what we guided in early March."

"We continue to see a significant value creation opportunity at the intersection of cards, DDA-based payments and our merchant scale around the world"
— Jeffrey Yabuki, Fiserv

● **SBA Communications [SBAC] earnings call, 5 May 2020**

Highlights

— The completion of T-Mobile and Sprint's merger has created opportunity for tower companies like SBA Communications. Now the companies are no longer distracted by the merger, the combined new T-Mobile will get back to deploying 5G capabilities.
— Dish, which is acquiring Sprint's prepaid businesses, is also planning to launch a 5G network in at least one market in 2020, providing an opportunity for SBA to deepen its existing relationship with the company.

"With the closing of the T-Mobile/Sprint transaction now behind us, we are on the cusp of significant network investment by all of our US customers," Brendan Cavanagh, CFO at SBA, said during the earnings call.

"In order to meet their required 5G coverage goals, the new T-Mobile will require meaningful upgrades across their combined portfolio, deploying both 2.5 gigahertz spectrum and 600 megahertz spectrum. Post-merger discussions and early activity are underway. Verizon and AT&T are each active in upgrades and network expansion for both 4G and 5G as well. In addition, AT&T's FirstNet build out continues in full swing and deployments of AWS 3 and WCS spectrum continue.

"We anticipate that both the CBRS and C-band spectrum auction scheduled for later this year will be highly competitive, and ultimately, a material driver of incremental growth for the tower industry, particularly the C-band auction. This critical mid-band spectrum is expected to be a key component of future 5G network deployments, and it will require the deployment of new equipment at many of our customers' existing macro sites. These major initiatives will all support continued growth for SBA for at least the next several years."

● **Cellnex [CLNX] earnings call, 8 May 2020**

Highlights

— Cellnex's Q1 earning call underlined the fact that 5G is here already, saying customers are looking to jump-start their 5G projects in order to be ready for a post-COVID future.

— The company is a leading operator of telecoms infrastructure in Europe, with a portfolio of 61,000 sites across Europe — and counting. In April, the company acquired Portugal's NOS Towering while its bid for the telecoms division of UK business Arqiva was also cleared.

"We are seeing that, obviously, 5G is becoming more and more on the table. When we are approaching customers beyond this temporary impact of the [coronavirus] crisis, customers are raising 5G projects ... They are looking at it beyond this crisis because 5G, no doubt, is a strategic part of their future [capital expenditure] plans or outsourcing opportunities. The trend is moving accordingly with this evolution of the technology, typology and the requirements from the customers. In a nutshell, we could say that we are seeing very, very strong activity on the telecom operator side," Tobias Gimeno, CEO at Cellnex, said during the earnings call.

CYBERSECURITY FIRMS ARE READY TO SERVE CONFUSED, NEWLY REMOTE COMPANIES

● **Okta [OKTA] investor day, 1 April 2020**

Highlights

— While Okta has not released an earnings report, its 1 April update to investors painted a positive picture for the future of the cloud security company, as it revealed a new set of easy-to-integrate biometric products that eliminate the need for passwords.
— Companies have been forced to allow staff to work at home during lockdowns, and now many are embracing the change. A company like Okta, making it easier and more frictionless for employees to log in from home, has obvious appeal. The company's own research found that 37% of employees have reported being locked out of their work accounts due to forgetting passwords, leading to lost productivity.

"We're helping our customers turn three major business challenges into opportunities. We're providing solutions to modernise their IT departments, deliver seamless and secure customer experiences and adopt 'zero trust' security models. In doing so, we are also addressing what CEOs and Board members really care about — reducing costs, accelerating revenue and reducing the risk of security breaches. We only see these secular trends continuing to accelerate. Organisations need to invest in and standardise on the right core platforms. A big difference in the current generation of technology versus previous ones is that identity isn't part of other platforms, it's its own platform. And not just that, it's the most important platform," CEO Todd Mckinnon said during the earnings presentation.

"The Okta Identity Cloud is independent and neutral, and securely connects the right people to the right technologies at the right time. It's scalable and secure to help you build any kind of customer experience you can imagine, and enables you on your journey to build a zero trust architecture for your organisation. This concept of platform is important to us. The essence of platform is that it can support any use case or scenario, any customer needs. This is how we continue to expand our TAM and how we continue to make customers successful and enable them to use any technology.

"Platforms are built on reusable services. For an operating system, think memory management or display management. For an infrastructure service, think compute, storage or database. The Okta Identity Cloud is no different. It's built on six platform services. They provide reusable functions across products. This approach allows us to innovate quickly to enhance existing products, release new products and allows our customers to innovate by accessing these services directly through APIs and SDKs."

"The dynamics of the competitive landscape are the best I have seen in my 27-year career" — George Kurtz, CrowdStrike

● **CrowdStrike [CRWD] earnings call, 19 March 2020**

Highlights

— At its Q4 2020 earnings call, CrowdStrike's CEO George Kurtz revealed net new subscription growth of 116%, and a record-breaking new annual recurring revenue figure of $99m.
— Execs at company also pointed out that as staff start working out of the office, the "threat landscape grows exponentially". Businesses have also had to provide laptops and other mobile devices for their at-home workforce, meaning security companies like CrowdStrike have an opportunity to sell more licences.

"The dynamics of the competitive landscape are the best I have seen in my 27-year career. We believe this is the beginning of a multiyear trend being driven by the industry consolidation that took place last year, along with the seismic shift to cloud technologies. Customers and partners are increasingly choosing CrowdStrike as their security cloud platform and partner of choice," George Kurtz, CEO of CrowdStrike, said during the earnings call.

"As a result, we are landing bigger with more modules and increasing the number of new customers that start with ARR over $1m. Regardless of the spending environment, cybersecurity is not a discretionary purchase for organisations. Cybersecurity is mission-critical to both the public and private sector. End point or workload security is also essential to protecting a remote workforce. While the impact to the macro economy from the coronavirus is unfolding in real time, we know it is forcing companies to conduct business differently and rapidly shift to a remote workforce."

● **Qualys [QLYS] earnings call, 7 May 2020**

Highlights

— Qualys uses a number of different pricing structures for its services, including a 'freemium' app called Global IT Asset Discovery and Inventory which signed up almost 9,000 new companies in the quarter.
— Meanwhile, its paid-for Cloud Agent subscription increase its user number by 114% year-on-year, to hit 38 million.

"It is now clear that after COVID-19, organisations and government agencies of all sizes are going to have to rethink the security and business continuity plans to include remote connectivity, accelerate their migration plans to the cloud and streamline and secure, if not reinvent, their supply and delivery chains. This will have a profound impact on our industry, as it has also become clear that most of the current security solutions were not designed for remote working," Philippe Courtot, CEO of Qualys, said during the earnings call.

"In fact, we experienced these ourselves. Unlike most other companies, we suddenly have most of our workforce working from home. Fortunately, because we moved early with cloud-based enterprise application and spent years laying the architectural foundational work for a robust, scalable cloud platform, we were able to not only secure our remote workers, but also continuously monitor and patch validities under computers in a very short period of time.

"Our cloud-based IT, security and compliance solutions do not need to collect data from disparate sources, are easily deployable in environment with a dispersed and remote workforce, and this is what drove — in such difficult times — another good quarter in terms of revenue growth and profitability. This is underscored by the continued acceleration in our paid Cloud Agent subscriptions, with over 38 million now or 114% growth from the prior year quarter."

- **Palo Alto [PANW] presenting at Morgan Stanley's technology, media & telecom broker conference call, 5 March 2020**

Highlights

— During this presentation, Palo Alto's CEO Nikesh Arora pointed out that if security accounts for 6% to 10% of a company's current IT spend, that's a $10bn-$20bn addressable market with only a relatively small number of companies providing the solutions to address it.

— The opportunity is compounded by the fact that customers appear to be comfortable working with multiple suppliers in order to mix-and-match their cloud solutions. This further diminishes the threat from established competitors such as Google and Apple, and compounds opportunities for businesses that can provide security solutions that are compatible with multiple platforms.

"We decided there is a real opportunity to be that platform for cloud security in a multi-cloud basis. In the first six months, we were fearful that Microsoft, Amazon and Google would be the natural competitors," CEO Nikesh Arora said during the presentation.

"But what was fascinating is that every customer we talk to is not on only one cloud. So that was one insight. The other insight we had was more and more security products are being deployed. The cost of storing data, the cost of analysing data is becoming cheaper and cheaper, which means people will take the messy estate of security they have and then sort of changing the appliances."

Now is not an easy time to be navigating the markets. But as entioned at the very start, times of great uncertainty can also bring with them plenty of opportunities, you just need to know where to look. This ebook has delved deep into a number of industries that are on a trajectory that's certain to outlast the current Covid-19 crisis the world is collectively experiencing. It has shown how these industries can be alanysed from both a big picture level — identifying and understanding where growth is coming from within them — and at a more granular level, looking at the individual businesses that are making waves in their given market. This approach can be used find opportunities. Just remember the five stages of analysis:

Step one:
Identify an industry with a growth trend that won't be diminished by economic events.

Step two:
Examine the ETFs covering that industry and find out what types of companies are driving its growth.

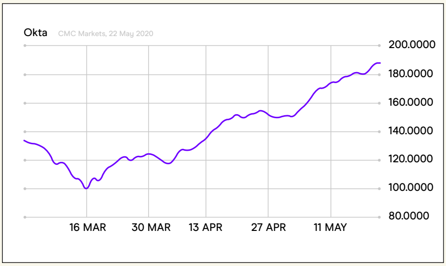
Step three:
Go deeper on those subsectors — why are they performing so strongly?

Step four:
Take a granular look at the companies leading those categories. What do their balance sheets look like? What other key metrics are there that you can you analyse?

Step five:
Understand how these companies view themselves. What have their management been telling investors and the press?

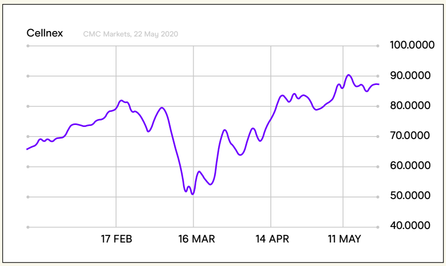
Stock commentary

David Madden, market analysts at CMC Markets, provides his analysis and commentary on the following stocks



Okta shares are in a bullish trend and if it continues it might target $200.00. A pullback might find support in the $180.00 area, while a large pullback might encounter support at $169.00.

Square shares have been pushing higher since mid-March and a break above $87.24 should put $90.00 on the radar. A pullback might find support at $73.78.



Cellnex shares have retreated a little from its recent all-time high. A break above the recent high should pave the way for further gains. €47.41might act as support.

Crowdstrike Holdings shares hit a nine month high, and if the positive run continues it might target $90.00. A move lower might find support in the $70.00 – $68.00 zone.

Source: CMC MARKETS 22.05.20

Leveraged ETFs are complex financial instruments that carry significant risks. Certain leveraged ETFs are only considered appropriate for experienced traders.

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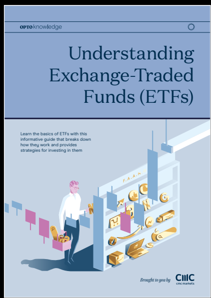

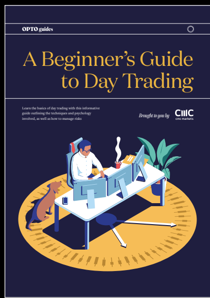

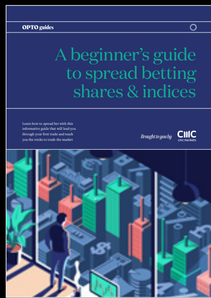

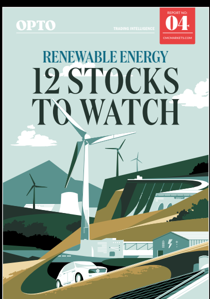

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