



09/11/2020 - POWW Updates, VS Meeting Notes, CDLX Podcast, RVLV Price Puke, NTDOY In The News, A New Idea, Trade Set-ups

Operators,

Brandon here. Hope you had a great extended weekend with friends and family. We saw less volatility in markets this week, with strong bull reversals from the last week's sell-off. As always we've got a lot to cover:

- POWW Forecasts Profits
- Versus Systems (VS) CEO Call Notes
- Cliff Sosin Talks CDLX
- RVLV Chart Gets Fugly
- NTDOY With More Good News
- New Idea in Gaming/Digital Transformation Thematic
- Classical Trade Set-ups

Let's get after it.

POWW Update: Sales Call Center Is Working (Really) Well

Late August POWW [released an update](#) on their sales call center performance. Safe to say it's going *really* well. POWW saw a 122% increase in sales MoM between June - July of 2020. Here's CEO Fred Wagenhals' thoughts on the call center (emphasis mine):

*"We continued to see an impressive performance from our call center team in July, **booking \$23.6 million in new sales and adding 174 new customers** ... This was driven by 10 team members each booking in excess of \$1 million in new sales. The continued success of our call center, coupled with the expansion of our relationships with big box retailers, **further solidifies the recently increased guidance of generating approximately \$42 million in total revenue for fiscal 2021.**"*

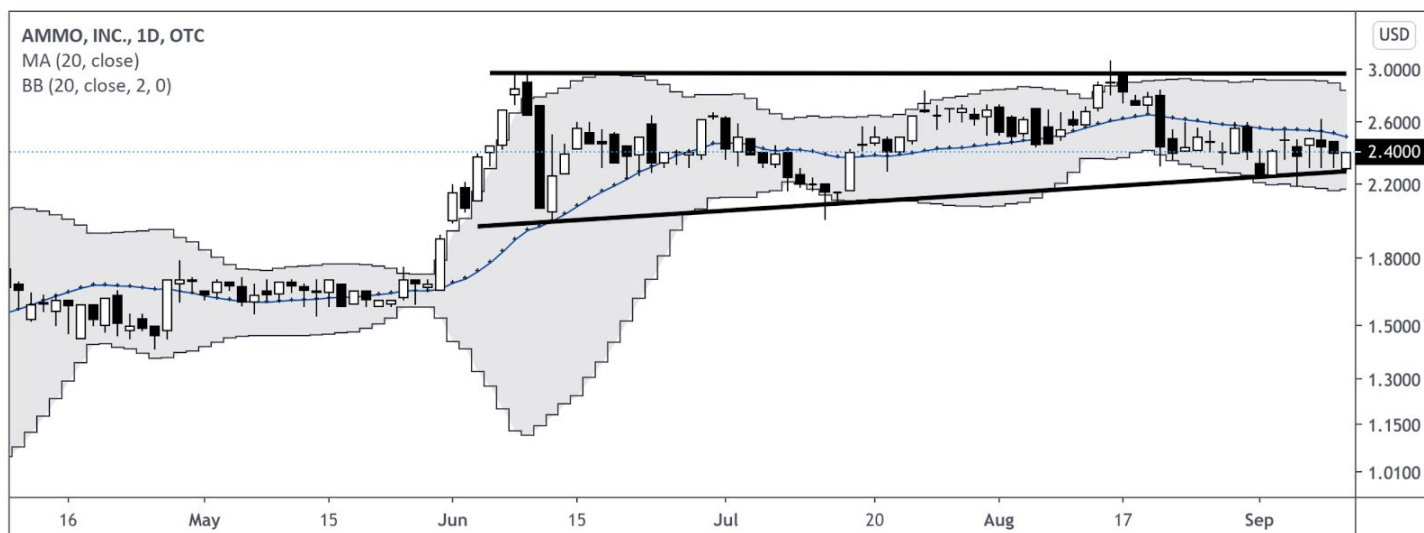
The call center is another arrow in our bull thesis quiver. The company's hitting on all cylinders right now. Wagenhals thinks POWW can hit **positive EBITDA** by 2Q ending September 2020. Let's head back to the PR (emphasis mine):

*"In addition, with our increased capacity and the elimination of certain non-cash expenses through restructuring efforts, **we expect to see positive adjusted EBITDA and increased gross profit margin in the fiscal second quarter ending September 30, 2020.**"*



This shouldn't surprise us as the company's finding its way to leverage its fixed costs. Steady state: we're hoping for 30% Gross Margins and low double-digit EBIT margins.

Like most OTC stocks, POWW hasn't budged on the positive news. The stock trundles along the bottom of its BB (see below):



We'll look to add on any breakdown below the \$2.20 mark or breakout above \$3.00.

Versus Systems (VS/VSRRF) CEO Call Notes

Early this week I had the opportunity to chat with founder/CEO of VS Matthew Pierce. The conversation lasted roughly 30 minutes and we covered a wide range of topics.

You can access the call notes [here](#). They're also up in the Operators site under "Market Brief". Here's the TL;DR version of my call:

- *VS has exciting IP enabling them to reach more customers in more states and regions. This widely expands their TAM and makes it easy for brand partners to choose the Winfinite platform.*
- *Their direct competitors compete on advertising dollars, not necessarily the VS technology. There's currently no-one doing what VS is doing. Peer companies are valued in the hundreds of millions (VS current market cap is \$30M).*
- *VS Winfinite integration is at the clunkiest it'll ever be. There's a lot of white-glove hand-holding with largest customers. This makes sense at the beginning. Do things that don't scale well to achieve that critical mass.*
- *The company expects to spend a lot of money on sales and marketing to address their largest hurdle: reaching the critical number of users on the platform.*

The charts also show nice consolidation on the monthly time-frame (see below):



That's one hell of a bull bar.

Cardlytics (CDLX) In The News: Yet Another Value Podcast

Cliff Sosin of CAS Investment Partners joined Andrew Walker on [Yet Another Value Podcast](#). It was a great conversation (not as good as ours, of course!). I always learn something new listening to Cliff. He's the one investor that's shaped my thinking the most.

Cliff spends a lot of time reviewing the CDLX bull thesis. New *Collective* members can read our initial write-up on the company [here](#).

The more I learn about CDLX the more I love the bull thesis. Bears are quick to ask, "*what's stopping large banks from using their own data to provide exactly what CDLX offers?*" Cliff responds to this question in the podcast and nails it.

Let's head to the chart (see below) ...



We have a nice rectangle consolidation on the weekly chart with a bias towards downside support. I'd love to increase our exposure on a bounce off the lows of that range. Will update as price movement progresses.

Finally, we're starting to see insider **buying**. One of my biggest worries with CDLX was the constant insider selling. Chairman Scott Grimes bought roughly 20K shares on the open market at the end of August. Not a bad vote of confidence.

RVLV Chart Looking Fugly

Revolve (RVLV) closed Friday down almost 12% on higher-than-average trading volume. Nothing fundamental changed with the stock in the last 24 hours. Do we think RVLV is worth \$163M less today than yesterday? Nope. That said, the stock is now below our initial cost basis of \$18.73/share.

Let's head over to the chart for the current set-up and how we're looking to play it ...



We can see a potential inverse H&S forming on the weekly chart. The 20MA (shown in blue) should act as a magnet for price over the coming weeks. A bounce off the 20MA would signal an optimal re-entry position for those that are stopped out, as well as an ideal place to add to a position.

RVLV is a great example of why I prefer weekly/monthly charts. The daily charts look grim and it's easy to get shaken out of a name. Step back. Take a longer time frame approach.

NTDOY With More Good News

To quote the philosopher, Mugatu, NTDOY is “so hot right now.” The stock’s risen roughly 5% the last two weeks despite an overall market correction. We’re sitting tight on our position, waiting for any severe pullback to increase exposure.

Wednesday the company said its Nintendo Switch [production was up 20%](#). They *literally* cannot keep up with demand. Check out this snippet from the Bloomberg article (emphasis mine):

*“The Japanese games maker has been struggling to keep up with Switch demand for most of this year, boosted by the runaway success of Animal Crossing: New Horizons and the coronavirus pandemic lifting gaming demand. **It had raised production orders to 25 million units in early August, but that has proven insufficient and assemblers are now operating factories at 120% ...**”*

Last Thursday NTDOY announced a re-release of classic Mario games to commemorate its 35-year anniversary. This provides a major jolt to the Switch’s current (empty) game pipeline. Plus, who doesn’t love remakes of old classics?

I want to back the truck up on NTDOY. But I’m trying to stay patient. The monthly chart explains why ...



The stock trades 45% above its 20MA on the monthly chart. Notice how much closer it traded to the 20MA on its initial breakout. *That's* where we're looking to add. We'll wait until the 20MA catches up to price.

New Idea in Gaming/Digital Transformation Thematic: Jumbo Interactive (JIN)

The major benefit of switching to a thematic-based investing approach is a refined investment research process. We simply pass on the names that don't fit our thematics.

One name that fits both the Gaming and Digital Transformation thematic is **Jumbo Interactive (JIN)**. I found JIN running a simple screen for high GM companies with a net cash position.

Here's what they do: Jumbo (JIN) is a leading digital retailer of official government and charitable lotteries. JIN utilizes the latest technology to craft an engaging and entertaining purchase experience for their customers across a range of digital platforms.

In short, they provide the back-end software for governments and charities to operate online lotteries.

Here's why we like them:

- Sticky back-end software business with high concentration of government customers
- Move to SaaS model with 93% incremental Gross Margins
- CEO owns 15% of the company (interests aligned)
- 51% run-rate EBIT margins
- \$46M in net cash on the balance sheet w/ no debt
- Large and underpenetrated TAM on verge of shifting online
- Massive basing chart pattern with recent breakout on strong volume



JIN will likely appear in next month's *Consilience Report*. It's one of the most exciting ideas I've found this year. The current price looks perfect for an initial starter position as we do more work in the coming month:



Keep your eyes peeled for a trade alert first thing Monday morning.

Classical Trade Set-ups

I recorded a short video detailing my process for finding classical breakout set-ups on the long side. You can find it [here](#). I enjoyed recording the video and look forward to sharing more of them. Be on the lookout for a video on short-selling soon!

Let's get to this week's breakouts.

Taiwan Semiconductor Manufacturing (TSM): Rectangle

rockvuecap published on TradingView.com, September 12, 2020 10:37:59 EDT
 BATS:TSM, 1D 78.82 ▼ -0.08 (-0.1%) O:80.01 H:80.30 L:78.60 C:78.82



TradingView

- 3% Breakout: \$85.87



- 1.50% Breakout: \$84.62
- Stop-Loss: \$80
- Profit Target: \$90.26
- Reward/Risk: 1.22x

Gold Fields LTD (GFI): Symmetrical Triangle

rockvuecap published on TradingView.com, September 12, 2020 10:49:06 EDT
 BATS:GFI, 1D 12.87 ▼ -0.22 (-1.68%) O:13.18 H:13.45 L:12.84 C:12.87



TradingView

- 3% Breakout: \$13.95
- 1.50% Breakout: \$13.74
- Stop-Loss: \$12.79
- Profit Target: \$16.13
- Reward/Risk: 2.50x



Marten Transport (MRTN): Symmetrical Triangle -- SHORT

rockvuecap published on TradingView.com, September 12, 2020 10:49:48 EDT
 BATS:MRTN, 1D 17.77 ▼ -0.36 (-1.99%) O:18.17 H:18.36 L:17.65 C:17.77

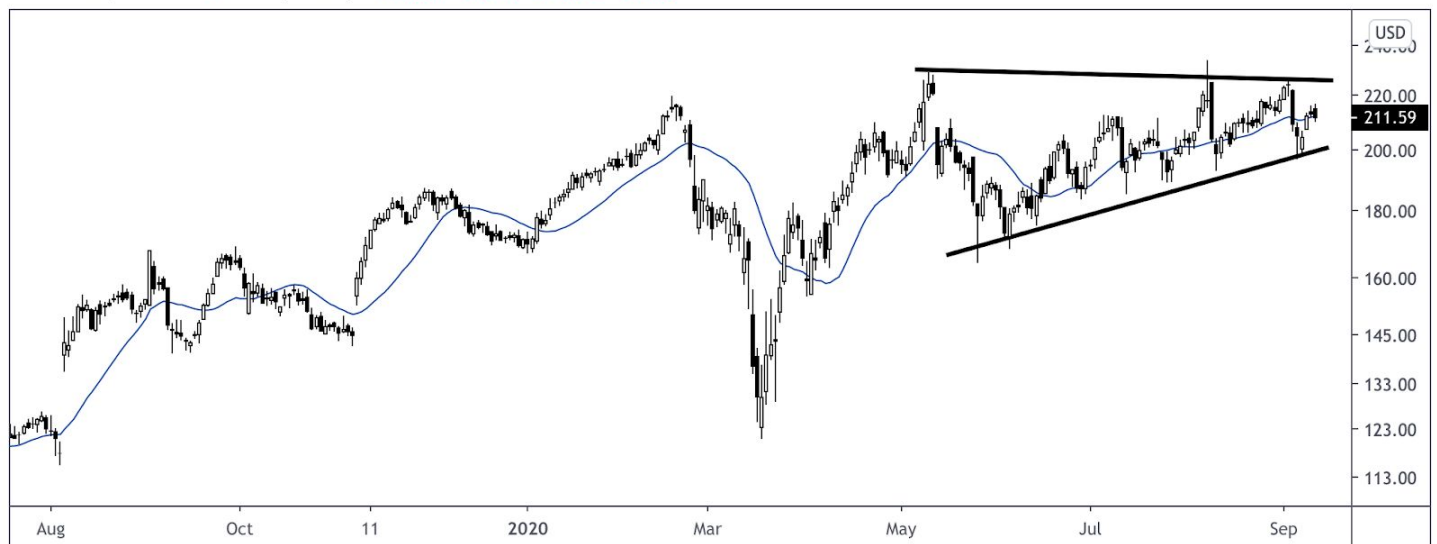


TradingView

- 3% Breakdown: \$17.24
- 1.50% Breakdown: \$17.50
- Stop-Loss: \$18.35
- Profit Target: \$15.56
- Reward/Risk: 2.30x

Insulet Corporation (PODD): Symmetrical Triangle

rockvuecap published on TradingView.com, September 12, 2020 10:52:08 EDT
 BATS:PODD, 1D 211.59 ▼ -1.41 (-0.66%) O:215.10 H:216.76 L:210.24 C:211.59



TradingView

- 3% Breakout: \$233.10



- 1.50% Breakout: \$229.70
- Stop-Loss: \$210.17
- Profit Target: \$285.66
- Reward/Risk: 2.86x

American States Water (AWR): Descending Right Triangle

rockvuecap published on TradingView.com, September 12, 2020 10:58:05 EDT
 BATS:AWR, 1D 73.44 ▼ -0.62 (-0.84%) O: 74.29 H: 74.40 L: 73.21 C: 73.44



TradingView

- 3% Breakdown: \$71.24
- 1.50% Breakdown: \$72.34
- Stop-Loss: \$76.92
- Profit Target: \$62.06
- Reward/Risk: 2.24x