



09/18/2020 - Covering Digital Transformation & Gaming Holdings/Thematic

Operators,

Brandon here. Hope you had a great week in the markets and a great weekend. Here's what we're covering this week:

- VS integrates with ePlay
- CDLX share price drops 10%+
- Adding to NLAB Investment
- NTDOY Destroys Guidance
- Trade Alerts

Before we get after it, check out my write-up on Japanese space sharing company Space Market (4487.JP). They're the Japanese version of WeWork, only profitable! You can read the write-up [here](#).

Alright, let's get after it.

Versus Systems (VS/VSRRF): Expanding into Health & Fitness

VS recently expanded into the health and fitness industry via their partnership with ePlay Digital (EPY). In a monthly update [filed in early September](#), VS noted that it will integrate its in-game rewards-based advertising platform into EPY's suite of health and wellness apps.

This is **bullish** for two reasons:

1. Management is executing on it's strategy for penetrating new markets
2. Healthcare and wellness is the perfect market for an in-app rewards platform like *Winfinite*

It's still too early to see what the integration will look like on the final product, but it's an exciting step in the right direction. VS estimates the global wellness market at over \$4T. Capturing even the smallest part of that pie would translate into large revenue increases.

And if you didn't see it last week, check out my notes with VS Founder/CEO Matthew Pierce [here](#).

Cardlytics (CDLX) Share Price Drops: Issues Senior Notes

CDLX's share price declined nearly 20% from its weekly high on news of the company [issuing convertible senior notes](#). Here's what we know about the senior notes:

- \$200M in 1% Convertible Senior note due 2025



- Options to purchase additional \$30M in notes
- Unsecured notes accruing interest semi-annually
- Conversion: 11.7457 shares of Cardlytics' common stock per \$1,000 principal amount of such notes

If I was a betting man, I'd say Cliff Sosin is behind some of that issuance. But I digress.

Does the issuance change anything about the company's fundamental drivers? No. And CDLX has the balance sheet to withstand the senior debt. Before the offering, the company had \$84M in net cash with zero debt. Check out the liabilities side of the balance sheet below:

Accounts Payable	1.18
Accrued Expenses	17.29
Current Portion of Long-Term Debt	
Current Portion of Capital Lease Obligations	3.74
Unearned Revenue Current	0.97
Other Current Liabilities	19.29
Total Current Liabilities	42.46
Long-Term Debt	
Capital Leases	10.11
Other Non Current Liabilities	
Total Liabilities	52.57

We'll look to up our position if the stock continues to sell-off into next week.

Enlabs (NLAB): Adding To Our Initial Investment

We increased our NLAB position another 50bps on Thursday after the stock broke out of its ascending triangle. NLAB has everything going for it: technicals, industry tailwinds and fundamentals. Our average cost basis on the second leg was 31.75 with a 21.55 stop-loss.

I received a few questions about the second leg stop-loss placement. A couple members thought it was too wide a stop given it was an addition to our initial position. We set the stops wider because we're long-term focused on this company. We want to avoid being shaken-out on simple volatility in the stock. We'll be quick to adjust our stop accordingly if we get another sizable move up.

NLAB Acquires Maltese iGaming Company

There's more positive news coming out of NLAB. The company acquired a 66% stake in Maltese online gaming company Shogun Group. The acquisition expands NLAB's reach into Maltese markets as management continues to execute on its growth strategy. We're happy to invest more capital into those allocaters.



Nintendo (NTDOY): Online Subscriptions Soar

NTDOY released its [online subscription numbers](#) Wednesday and crushed last year's figures. The company's added 11M users in eight months and is up to 26M paying subscribers.

There's three games to thank for the company's online subscription success:

1. Animal Crossing: 22M copies sold
2. Super Smash Bros Ultimate
3. Pokemon

Any shot of a pullback in the equity seems like a pipedream at this point. We're keeping our eyes open and waiting for an opportunity to add to our position. We'd like to build NTDOY into a much larger holding at cost basis. Although pure price appreciation might get us there at this point.

The Future of Gaming w/ TTWO CEO Strauss Zelnick

One of the best things I read this week was a *Protocol* interview with Take Two (TTWO) CEO Strauss Zelnick. Zelnick offers great insight into the future of gaming, why the trend is just beginning and why the cloud isn't all it's cracked up to be.

You should read the entire piece [here](#). Here's a few of my favorite quotes from the article:

Q: Now that we're at the tail end of this last console cycle, what do you see in particular over this generation that has really changed the industry?

A: "Now we're in a world where we put something out with the ability to do updates much more easily and make adjustments to meet consumers' needs and keep consumers engaged for much longer. And, in certain instances, what appears to be forever."

Q: And then we see gaming arriving at the center of the global entertainment ecosystem. To what do you attribute these different changes, which perhaps go together?

A: "I think people have also realized it's not just that the graphics are great. It's not just that they're wonderful stories. It's not just that we can get excited about the characters. It's not just that you have this added element of gameplay. They are realizing that through games we also can have a social experience while we're having an entertainment experience. We can talk to our friends. We can talk to communities. And we can do that in real time all around the world."

Q: What's your overall perspective on Google's entry into this business specifically with Stadia and then cloud gaming more generally?

A: "Any new distribution vehicle that offers high-quality, efficiency and a reasonable price is good for our business because broader distribution is always better in the entertainment business. That said, there was all



this hype for years about VR, and I wasn't very compelled by that. Thankfully, as a result, we didn't waste any money on it. Equally, there was an enormous amount of hype around movement to the cloud for interactive entertainment distribution.”

Classical Trade Set-ups

TS Games (TEN.PL): Symmetrical Triangle

rockvuecap published on TradingView.com, September 19, 2020 08:14:10 EDT
 GPW_DLY:TEN, 1D 568 ▲ +8 (+1.43%) O:551 H:576 L:551 C:568



TradingView

- 3% Breakout: \$589.16
- 1.50% Breakout: \$580.58
- Stop-Loss: \$545
- Profit Target: \$678.00
- Reward/Risk: 2.74x



Vuzix Corp (VUZI): Inverse Head & Shoulders

rockvuecap published on TradingView.com, September 19, 2020 08:16:00 EDT
 BATS:VUZI, 1D 4.74 ▲ +0.12 (+2.6%) O:4.70 H:4.75 L:4.40 C:4.74



TradingView

- 3% Breakout: \$5.01
- 1.50% Breakout: \$4.93
- Stop-Loss: \$4.11
- Profit Target: \$6.50
- Reward/Risk: 1.90x

Evolution Mining (EVN.ASX): Rectangle

rockvuecap published on TradingView.com, September 19, 2020 08:30:34 EDT
 ASX_DLY:EVN, 1W 6.24 ▲ +0.06 (+0.97%) O:5.68 H:6.32 L:5.65 C:6.24



TradingView

- 3% Breakout: \$6.55
- 1.50% Breakout: \$6.46



- Stop-Loss: \$5.64
- Profit Target: \$7.45
- Reward/Risk: 1.22x

Collectis Corp (CLLS): Inverse Head & Shoulders w/ Rectangle Launching Pattern

rockvuecap published on TradingView.com, September 19, 2020 08:22:12 EDT
 BATS:CLLS, 1W 20.84 ▲ +0.49 (+2.41%) O:17.72 H:20.99 L:17.72 C:20.84



TradingView

- 3% Breakout: \$21.58
- 1.50% Breakout: \$21.26
- Stop-Loss: \$17.66
- Profit Target: \$34.42
- Reward/Risk: 3.65x

Fastly, Inc. (FSLY): Rectangle

rockvuecap published on TradingView.com, September 19, 2020 18:54:28 EDT
 BATS:FSLY, 1W 83.77 ▲ +1.39 (+1.69%) O:83.00 H:84.99 L:77.53 C:83.77



TradingView



- 3% Breakout: \$104.04
- 1.50% Breakout: \$102.53
- Stop-Loss: \$87.30
- Profit Target: \$131.75
- Reward/Risk: 1.92x

Your Value Operator,

Brandon