



10/09/2020: POWW, GUI and ROKU Updates w/ Classical Trade Set-Ups

Operators,

Brandon here. Hope y'all are having a great weekend! Here's what went down in the Macro Ops Portfolio this week:

- POWW Updates
- GUI Updates Annual Guidance
- ROKU Rolls-Out New Product Offering

There's a lot to cover, so let's get after it!

POWW Pre-Releases Q2 Results & CEO Interview

POWW continues to execute according to plan. The company pre-released its unaudited fiscal Q2 results on 10/05. In short, they **killed** it. Here's some highlights:

- Revenue: \$12M (+306% YoY & +24% QoQ)
- Reaffirmed EBITDA Profitability By Quarter-End

You can read the press release [here](#).

Yet the most bullish news in the PR wasn't the YoY revenue numbers, but the FY estimates. Wagenhals now thinks POWW will do **\$50M in sales** by the end of the year. That would represent a 250% increase from last year.

This also means that POWW might get to \$100M in sales quicker than we originally thought (2025). Here's how they can hit \$100M **two years** before our initial estimates:

- 2021: \$50M (+250%)
- 2022: \$78M (+55%)
- 2023: \$105M (+35%)

Fred Wagenhals remains bullish on the company's future. So bullish, in fact, that he stated POWW would be a \$200M company in the next 12-18 months.

Short-Term Risk: Potential Equity Raise

Wagenhals did an interview with AZFamily.com about the company's recent success. It's a short interview. You can read it in its entirety [here](#).



The most important part of the interview involved POWW's recent \$2M investment in additional equipment and machinery to support the growing demand. Fred expands, saying, "We just bought 2.8 million dollars worth of machinery and equipment last week to increase our production and increase our volume."

One of the downsides of rapid growth is the capital intensity necessary to absorb that growth. For example, POWW had <\$2M in cash on the balance sheet as of their latest quarterly filing. This means two things:

1. They'll take on debt to finance the machine acquisitions
2. They'll do another equity raise

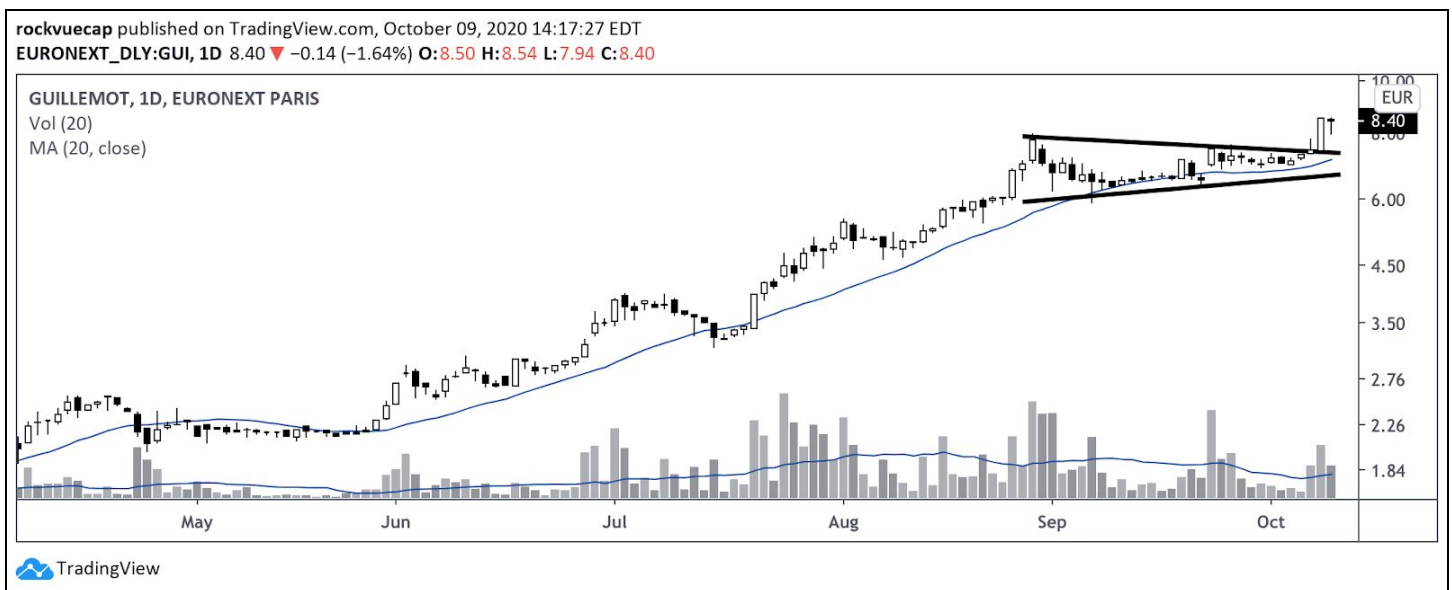
While the two financing options make sense in the long-term, it presents a significant headwind in the short-term. I emailed the POWW IR department this afternoon and am trying to schedule an interview with management.

GUI Revises Annual Guidance Up

GUI, our French gaming equipment company, revised its FY revenue guidance **up** to >100M euros. But that's not all that's turning up for the company. Here's some other notable beats from the report:

- Operating Margins Expected >10%
- H1 Net Profit 7.3M euros vs. -2.5M euros last year
- H1 Operating Profit 3.1M euros vs. -1.5M euros last year

If GUI generates 10M euros in operating profit this year, they'd trade <10x EBIT. That's <10x for a company growing top-line 60%+ with 10% EBIT margins. So far, Mr. Market thinks GUI should command a higher multiple. Check out this beautiful breakout:





GUI has a 64 MOCS score. We think the stock can trade to \$10 before it's all said and done. If it hits \$10/share, our reward/risk would warrant taking profits and moving that capital into more attractive scenarios. We'll keep you posted if GUI hits that figure over the next couple weeks.

ROKU Rolls-Out New Offering on Amazon

Yesterday ROKU announced that it will start streaming its Roku Channel on Amazon Fire TV devices, TV sets and soundbars. The Roku Channel allows more people to access more Roku content. And that's what the game is about. Eyeballs and time spent watching.

The company's also working on releasing a Roku app for Android/iOS. This would bring *more* eyeballs to Roku content, which would increase the ad revenue potential of their Roku Channel offering.

Julia Alexander wrote a great piece on the Roku Channel news for *Verge*. Here's her thoughts (emphasis mine):

*“Bringing the channel to Amazon is just one of many steps **Roku is taking to get the service in front of as many eyeballs as possible**; Roku is also developing an app for Apple and Android devices, set to roll out this year, to **make it easier for people to watch on their phones**. But while Amazon Fire TV owners can now watch Roku Channel content, they still can't subscribe to premium channels or services through the Channel on Amazon — those have to be done on Roku devices.”*

ROKU's moved into new ATH since our initial buy. We love the chart, love the fundamentals and love the runway.

Idea Revist: Gan, Ltd. (GAN)

We've got GAN back on our high-priority watchlist. If you remember, we entered a starter position in this name and were shaken out for a small loss.

Now the tape is setting up for another potential thrust higher. Check out the wedge on the weekly chart:



The company recently signed a [10YR agreement](#) with Wynn Resorts to provide backend gambling and sports betting software for its Michigan casinos.

This is one of what could turn into *many* casinos to use GAN's backend sports betting software. As gambling and sports betting opens across America, casinos will need that backend infrastructure. GAN should capture most of that market opportunity.

We'll keep you posted on a potential breakout and re-entry into the name.

Classical Trade Set-ups

LONG B Riley Financial (RILY): Inverse H&S

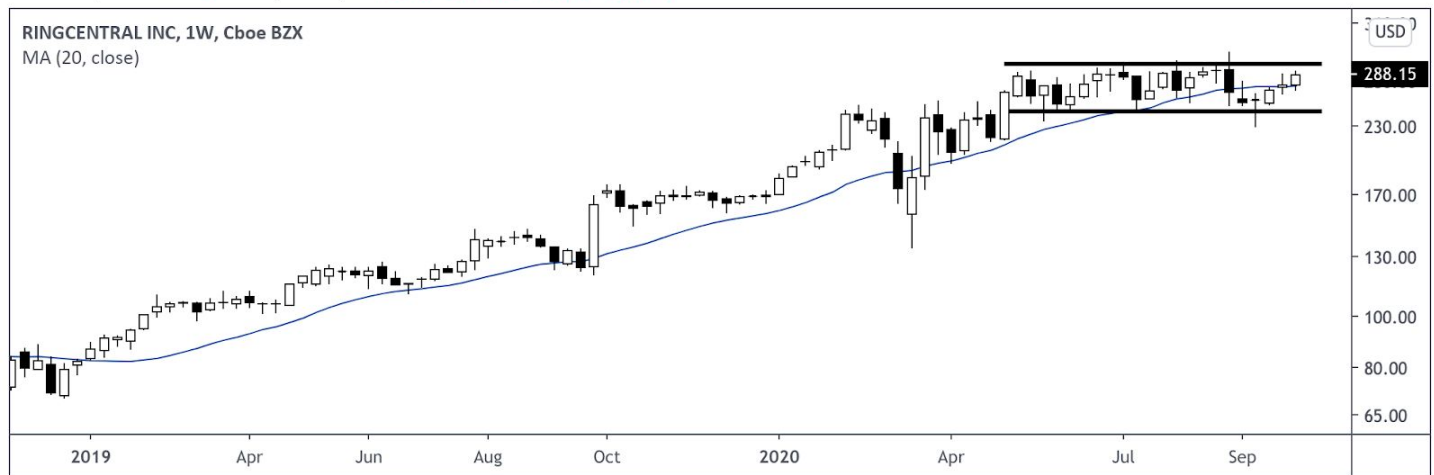




- 2% Breakout: \$28.08
- Profit Target: \$42.50
- Stop-Loss: \$25.53
- Reward/Risk: 5.65x

LONG RingCentral (RNG): Rectangle

rockvuecap published on TradingView.com, October 09, 2020 15:26:57 EDT
 BATS:RNG, 1W 288.15 ▲ +6.82 (+2.42%) O:274.64 H:292.92 L:269.00 C:288.15



TradingView

- 2% Breakout: \$307.44
- Profit Target: \$358.07
- Stop-Loss: \$282.32
- Reward/Risk: 2.02x



LONG Arcosa, Inc. (ACA): Inverse H&S

rockvuecap published on TradingView.com, October 09, 2020 15:27:42 EDT
 BATS:ACA, 1W 47.02 ▲ +0.30 (+0.64%) O:45.12 H:47.40 L:45.12 C:47.02



TradingView

- 2% Breakout: \$49.47
- Profit Target: \$65.62
- Stop-Loss: \$44.95
- Reward/Risk: 3.57x

LONG Collectis, Inc. (CLLS): Inverse H&S w/ Rectangle Launching

rockvuecap published on TradingView.com, October 09, 2020 15:28:20 EDT
 BATS:CLLS, 1W 20.14 ▲ +0.76 (+3.92%) O:17.19 H:20.38 L:16.95 C:20.14



TradingView

- 2% Breakout: \$21.52
- Profit Target: \$34.64
- Stop-Loss: \$16.82



- Reward/Risk: 2.79x

LONG Turtle Beach (HEAR): Rectangle

rockvuecap published on TradingView.com, October 09, 2020 15:29:35 EDT
 BATS:HEAR, 1D 19.79 ▲ +1.82 (+10.13%) O:18.12 H:20.00 L:17.97 C:19.79



TradingView

- 2% Breakout: \$21.38
- Profit Target: \$26.03
- Stop-Loss: \$19.08
- Reward/Risk: 2.02x