

## Portfolio Intelligence Report (PIR): 12.17.2022

*"Know what you own and why you own it." - Peter Lynch*

Happy Saturday!

This weekend, we examine new developments/commentary within our portfolio companies.

**Our Strategic Basket ...** We look at CLPT's latest clinical trial in Sweden, highlight two SQ expert calls on the company's lending products, highlight significant insider selling (not CEO) at NRDY, and review LLY's latest 2023 financial projections and Mounjaro learning resources.

**Our Thematic Basket ...** We highlight positive developments in PANR and review VIST's expanded \$25M share buyback program.

Let's get after it.

### **Strategic Basket Update: CLPT, SQ, NRDY, LLY**

Total Basket Highlights (including non-updated positions):

- Current Average Return: -27.62%
- Current Notional Exposure: 18.44%

### **ClearPoint Neuro (CLPT)**

CLPT is a neurological platform company that enables neurosurgeons to perform minimally invasive procedures under real-time MRI guidance. The company provides these solutions through its ClearPoint Neuro Navigation System, or CNNS.

You can read our write-up on the company [here](#) (starts on page 4).

ClearPoint Neuro [released exciting news](#) about its Neuro-Navigation System this week. The company tested in a Swedish clinical trial to treat glioblastoma (a type of brain cancer), and the results look great.

The Neuro-Navigation System is a minimally invasive device that uses MRI and CT scans to guide surgeons to the exact location of a brain tumor. In the trial, it was used on 26 patients with glioblastoma and improved surgical accuracy by 20% on average.

This is a big deal because it means that the Neuro-Navigation System can help surgeons remove brain tumors safely and accurately while minimizing the risk of complications. CLPT plans to submit the Neuro-Navigation System for regulatory approval in the US and Europe, and it looks like this innovative device has the potential to revolutionize the treatment of glioblastoma.

*"The ClearPoint Neuro Navigation System offers an efficient one-room solution that helps neurosurgeons in the United States to accurately place laser fibers and help treat brain tumors, radiation necrosis and epileptic foci in thousands of patients." - Joe Burnett, CEO*

## Block, Inc. (SQ)

Block (SQ) provides merchant seller services through its "Square" product to over 2 million businesses. Popular products include Square Invoicing, Payroll, Square for Restaurants and Square Capital. The company also serves 47M+ consumers through CashApp.

You can read our write-up on SQ [here](#).

I read an excerpt from a Stream Expert Call with a former SQ Director of Engineering. The snippet highlights the power and value in SQ's customer spending data. SQ's data is often more reliable and a better indicator of consumer borrowing capability than any bureau figure because SQ gets the data in real-time.

SQ is still in the early innings of its Square Capital/Loans products. We bet that SQ's lending products will become extremely valuable for consumers heading into a recessionary environment.

**Analyst** 00:42:50 For lending, I've talked to a lot of these neobank lending type of companies. All of them will talk about like, "Oh, we use all of these alternative data points and what have you." What's your perspective on how legitimate that is?

**Analyst** 00:43:13 Is there a ton of, I don't know, alpha to be created or value to be created with these alternative data points, or are most of these neobanking, neolending models just based off of the traditional, like 97% of it is coming from FICO and other historical lending data points and maybe 3% of the model is coming from all these alternative data points that companies talk about, like the Upstarts and SoFis of the world will talk about?

**Expert** 00:43:50 Yeah. I had the same question you did around what's reasonable or not. When we started lending, we had the approach of let's partner with a traditional data source of credit data, one of the bureaus. Let's use that as some of the data going into the credit decision. You can imagine within the Cash App, we also have a lot of data about our customers, especially customers that are, say, direct depositing their paycheck into Cash App.

**Expert** 00:44:34 In that sense, we probably knew as much if not more about the customer than the bureau did because we get in real-time all of their payment data. You could tell based on that whether they're in the gig economy, for example. Are their paychecks varying? Are they coming in instantly, weekly, etc.? Using that data is probably more valuable than the bureau data.

**Expert** 00:45:01 Now, obviously, you can imagine a concentric circle model where there are some set of customers that Cash App knows a ton about, maybe ones that are direct deposit. There are some that we know something about, maybe ones that are spending money on their Cash App card. There may be some that we know very little about because they've literally signed up for an account and then maybe sent peer-to-peer money once, and that's all we really know.

I also listened to this Expert Call from a former SQ competitor discussing the company's plans to disintermediate Visa and Mastercard from the transaction process. You can listen [here](#).

***"That is \$V and \$MA's greatest nightmare because now, it is an internal book transfer between User A and Merchant B that \$SQ or Block will facilitate."***

## Nerdy, Inc. (NRDY)

NRDY is a digital learning marketplace that provides live online tutoring to students/professionals across 3,000 subjects. Learners choose from many tutoring options, including one-on-one, small groups, or large class formats.

**The company is a win-win for both tutors and learners.** Learners gain access to the world's best tutors to help them pass courses and tests or improve general knowledge. While tutors can teach from anywhere while earning a supplemental or full-time income.

You can read our full write-up on the company [here](#).

One of NRDY's largest shareholders, TPG, sold 1.5M shares this week at an average price of \$1.90. That's roughly 11% of their current stake. TPG still holds ~14% of the company. I don't know why TPG is selling here besides poor share price performance and potential tax loss selling.

Filed pursuant to Section 10(a) of the Securities Exchange Act of 1934  
or Section 30(h) of the Investment Company Act of 1940

1. Name and Address of Reporting Person* <u>TPG G.P.A. LLC</u>  (Last) (First) (Middle) <u>C/O TPG INC.</u> <u>301 COMMERCE STREET, SUITE 3300</u>  (Street) <u>FORT WORTH TX 76102</u>  (City) (State) (Zip)	2. Issuer Name and Ticker or Trading Symbol <u>Nerdy Inc. [ NRDY ]</u>  3. Date of Earliest Transaction (Month/Day/Year) <u>12/13/2022</u>  4. If Amendment, Date of Original Filed (Month/Day/Year)	5. Relationship of Reporting Person(s) to Issuer (Check all applicable) <input checked="" type="checkbox"/> Director <input checked="" type="checkbox"/> 10% Owner Officer (give title below) Other (specify below)  6. Individual or Joint/Group Filing (Check Applicable Line) Form filed by One Reporting Person <input checked="" type="checkbox"/> Form filed by More than One Reporting Person
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**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed Of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Class A Common Stock	12/13/2022		S		1,500,000	D	\$1.9	11,943,250	I	See Explanation of Responses <sup>(1)</sup> (2)(3)(4)(5)(6)(7)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**

NRDY has enough cash to survive the J-Curve trough in revenues and profits, so there's no imminent bankruptcy risk.

In the coming weeks, Cohn probably scoops whatever shares TPG sells on the open market. Over the last few weeks, the stock has held the \$2/share support area.

## Eli Lilly, Inc. (LLY)

LLY discovers, develops, and markets human pharmaceuticals worldwide. If you've heard of Trulicity, you know LLY. The bull thesis is that LLY's tirzepatide drug could more than double its current revenue base over the next 5-10 years while expanding EBIT margins by 1,000bps.

Check out [our LLY thread](#) in Slack if you haven't already. It's a great way to get up to speed on the thesis.

Additionally, read [this PIR](#), where I shared my notes from an interview with an LLY postdoctoral researcher in the company's Discovery Unit.

Eli Lilly provided its [financial guidance for 2023](#) this week. and announced plans to launch four new products.

The company expects to have a full year adjusted earnings per share of \$7.65 to \$7.85 and a reported earnings per share of \$4.27 to \$4.37. LLY expects revenues of \$30.3-\$30.8B.

The four new products to be launched include Taltz for the treatment of moderate to severe plaque psoriasis, Verzenio for the treatment of breast cancer, Jardiance for the treatment of type 2 diabetes, and Basaglar for the treatment of diabetes.

Eli Lilly also plans to invest in research and development, continue its share repurchase program, and raise its dividend by 15% for the fifth consecutive year (doubling its dividend since 2018).

Check out some comments from LLY's CEO David Ricks (emphasis added):

*"Lilly is exiting 2022 with momentum. **Our approved and available medicines are early in their life cycles** and showed accelerated growth during the year, **led by a strong Mounjaro launch**. In addition, several of our late-stage medicines for serious diseases were submitted for approval this year, and will hopefully launch in 2023."*

*"We continue to innovate and are beginning new pivotal studies for the next group of potential breakthrough treatments. In the decade ahead, **we are well-positioned to create significant value for patients** with challenging conditions, health systems struggling to manage chronic disease, and of course, our shareholders."*

I read two great Substack articles on obesity drugs and Mounjaro competition. Check them out here:

➤ [The New Obesity Breakthrough Drugs](#)

**Quick Summary:** Several drugs that target the brain's hunger and fullness signals are being tested for the treatment of obesity and are showing promising results. These drugs work by altering the production and release of hormones that affect hunger and fullness. If these clinical trials are successful, these drugs could be a significant advancement in the treatment of obesity. However, more research is needed before they can be widely available.

➤ [Semaglutidonomics](#)

**Quick Summary:** Semaglutide, a drug used to treat type 2 diabetes, is effective in helping people lose weight and improve their overall health. It's more effective at helping people lose weight than other drugs in its class and can also reduce the risk of heart disease and improve blood sugar control in people with type 2 diabetes.

Finally, if this isn't the most significant buy signal of all time, I don't know what is ...



LLY remains our largest equity position at ~11% notional size.

## Thematic Basket Update: PANR.LSE & VIST

Total Basket Highlights (including non-updated positions):

- Current Average Return: -0.10%
- Total Notional Exposure: 39.66%

### Pantheon Resources (PANR.LSE)

PANR is an oil and gas exploration and production company with ~160,000 acres throughout Alaska and an estimated ~16-21 billion barrels of oil in place (or OIP).

The quick and dirty thesis is that you're paying ~**\$0.28 per barrel of oil** (BO) at the current market cap, assuming an estimated ~3B in recoverable resources.

We saw PANR's initial oil flares on Twitter this week. Check out the image below.





This is great news for bulls and bad news for bears.

One reasonable question at this point is, “how expensive is it to transport this oil?” According to [@8750Capital](#), trucks drive ~2 miles from the well to the pipelines, which transport the oil across Alaska.

PANR also shot this picture (below) showing their Alkaid #2 well *right next* to a major highway.



We'll keep monitoring the situation and update you on any new developments. PANR remains a *tiny* ~1.5% notional position (think of it like a call option), given the binary nature of the bet.

### **Vista Energy (VIST)**

VIST is a Latin American oil and gas company with 183,100 acres in Vaca Muerta. It also owns oil-producing assets in Argentina and Mexico. As of December 2021, VIST had 181.6MMBOE in proved reserves.

Last week at VIST's shareholder meeting, the company expanded its share repurchase program to \$25.6M (see press release below).

VIST is the best-looking chart in our book and consistently posts higher lows in a steady up-trending channel. We'll continue to hold.



*títulos de crédito que las representen), en términos de lo previsto en el artículo 56 fracción IV de la LMV, por un monto adicional de US\$25.626 millones.*

A continuación se transcribe un extracto de la resolución adoptada por la Asamblea de Accionistas en relación con el **tercer punto** del Orden del Día:

*“En este acto se aprueba, para todos los efectos legales a que haya lugar, que, de las utilidades netas reflejadas en los estados financieros especiales no consolidados de la Sociedad al 30 de septiembre de 2022, es decir la cantidad de US\$26.975 millones, (i) se separen \$1.349 millones, cantidad que equivaldrá al menos al 5% de las utilidades netas anuales de todo el ejercicio 2022, para la constitución de la reserva legal de conformidad con el artículo 20 de la Ley General de Sociedades Mercantiles y (ii) la cantidad restante, es decir US\$25.626 millones, se utilice para ampliar el monto máximo de recursos que podrán destinarse a la compra de acciones propias de la Sociedad (o títulos de crédito que las representen) durante el ejercicio social 2022, en términos de lo previsto en el artículo 56 fracción IV de la LMV; en el entendido, que dicho monto es adicional al monto inicial aprobado por la asamblea general ordinaria y extraordinaria de accionistas de la Sociedad de fecha 26 de abril de 2022 (la “Asamblea Anual 2022”); en el entendido, además, que dicho monto es en adición a cualquier cantidad remanente que a esta fecha esté pendiente de utilizarse respecto del monto aprobado en la Asamblea Anual 2022. Cualquier cantidad no utilizada, ya sea del monto máximo aprobado en la Asamblea Anual del 2022 o de la ampliación aprobada en la presente asamblea, también podrá destinarse para la compra de acciones propias de la Sociedad (o títulos de crédito que las representen) durante el ejercicio 2023, en el entendido que el monto máximo destinado al fondo de recompra durante el 2023 podrá ampliarse o modificarse por cualquier asamblea de accionistas posterior.”*

## Portfolio Performance Update

- December (month-to-date): -7.29%
- Q4 2022 (to-date): -6.68%
- YTD (as of 12/16): +8.83%