Cabot EARLY OPPORTUNITIES

Get in Before the Crowd

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September 18, 2024

SAMPLE

Stocks in This Issue

Stock Name	Market Cap (Fully Diluted)	Price (9/18/24)	Investment Type	Current Rating
GE Vernova (GEV)	$65.6 billion	237	Growth & Value – Electricity Generation	Watch
Klaviyo (KVYO) ★ Top Pick ★	**$8.9 billion**	**33.7**	**Rapid Growth - AdTech**	**Buy**
Loar (LOAR)	$6.91 billion	77.0	Growth – Aerospace & Defense	Buy Half
OneStream (OS)	$7.20 billion	30.4	Growth – Financial Software	Watch
Varonis (VRNS)	$6.01 billion	53.8	Growth – Data Software	Buy

Updates or Software Stock Update

Current Market Outlook

Apple (AAPL) recently held its highly anticipated Glowtime event which, as expected, created a ton of headlines and speculation about how the next generation of devices will sell. But with Apple Intelligence not ready to start rolling out for several weeks (and then only in beta) there isn't a ton of pressure to go out and get a new iPhone right now. I think the story here is more about Apple's plans for the next generation of devices than a single launch event. That's what's going to drive the multi-year upgrade cycle I'm expecting to help AAPL stock move much higher. We're up 15% since May. **BUY**

AST SpaceMobile (ASTS) pulled off a successful launch of the BlueBird satellites (as detailed in a Special Bulletin), so now we're waiting on an update regarding when limited service will actually start and what the updated plans are to get more satellites up and running. More updates to come in due course as this exciting story gains steam. **HOLD HALF**

FTAI Aviation (FTAI) continues to benefit from supply chain disruptions in the aerospace engine market. The stock has a beautiful chart, and analysts continue to jump on board with buy ratings (BTIG latest to pick up coverage) and higher price targets. I'm content to keep comments to a minimum here and just let FTAI do its thing. **BUY**

Magnite (MGNI) has been bouncing around since I added it last month. A just-announced block of 8.1 million shares, shopped through Bank of America, may put some near-term pressure on shares. Looking for MGNI to live up to potential still. **BUY**

Microsoft (MSFT) just announced a new, multi-year $60 billion share buyback program and hiked the dividend by 10%. And yesterday after the close, the company announced it will partner with **BlackRock (BLK)**, Global Infrastructure Partners and MGX, collectively called the Global AI Infrastructure Investment Partnership, to invest up to $100 billion building AI data centers. Most will be in the U.S., with some in U.S. partner countries. **Nvidia (NVDA)** will support the partnership with expertise in AI data centers and factories.

This is very new news and there will be a lot to learn in the coming weeks. Bottom line, Microsoft continues to be at the front of every big technology trend. **BUY**

Modine (MOD) stock is trading just a little above where we jumped in two months ago but there's been a lot of news around the name lately. Management just provided new long-term financial targets through 2027 that include average annual revenue growth of 10% to 13%, supported largely by Climate Solutions (including data centers) and rationalizing of the Performance Technologies portfolio (i.e., divestments), which should help drive adjusted EBITDA margins higher. M&A is also likely to be part of the growth strategy. Yesterday Modine announced the release of its cooling distribution unit (CDU), which is designed to be a key part of a data center's liquid cooling system, isolating facility water systems from the IT equipment and distributing coolant fluid to where it is needed in the server or rack. **BUY**

Rivian (RIVN) stock continues to flounder just below 15 in a very tough environment where many auto companies are backing away from their EV ambitions and China is manufacturing EV parts and cars at or below cost. I won't pretend the environment is great for RIVN stock when it's clearly not. But there's a lot to like here on a product level for an American EV company that doesn't have plans to compete in China, starting with a recent component overhaul that reduces complexity, parts, costs and suppliers. The company's R1 vehicle is the best-selling EV in the over $70K market (admittedly not mass market), and the R2 is coming next and should be in the much larger $40K to $50K market. Still a long-term buy. **BUY**

SharkNinja (SN) has been on a tear lately and is hitting new highs above 100. The company has had a lot of press lately related to new products, including the Ninja Luxe Café and Shark PowerDetect Technology for cordless and robot vacuums. The CEO says a new beauty category product should come in Q4 as well. With the stock looking fantastic it's hard to hit the pause button, but I think it's time to move to hold. **HOLD HALF**

Soleno Therapeutics (SLNO) stock is on the verge of breaking out to new highs above 53 two weeks after HC Wainwright & Co. picked up coverage (price target of 70) and the day after management presented at the Cantor Global Healthcare Conference. The FDA accepted the company's NDA for DCCR, its drug candidate to treat Prader-Willi Syndrome. A decision is expected by December 27. Should it be approved, as is expected, SLNO stock should get a significant upside boost. The only question will be if and how much money the company will raise via a secondary stock offering. It's not uncommon for those offerings to be waiting in the wings to follow significant positive news. **HOLD HALF**

UL Solutions (ULS) was looking great when we jumped in a month ago then the stock sold off on very high volume as soon as the calendar flipped to September. The culprit was a secondary offering from a selling shareholder (i.e., no new shares were sold so no dilution to existing shareholders) for 20 million shares, priced at 49. ULS is trading around that level now, and I expect it will recover in due course. Not great timing, but doesn't change the story. **BUY**

Veralto (VLTO) had reported Q2 results a few weeks before I added the stock last month, and there hasn't been any news since. It's a water quality (60% of revenue) and product quality/innovation/printing (40% of revenue) company that was spun out of the large life sciences company, **Danaher (DHR)**, a year ago. **BUY**

What to Do Now

Stay the course, leaning bullish but not getting overexposed and cutting some underperforming and/or stagnant positions as you add new ones.

With the Fed set to begin cutting rates today, the U.S. economy and stock market should be able to breathe a little easier ... assuming they're not too late to avoid a recession.

That said, we still have two overseas conflicts and a looming presidential election here in the U.S. While elections don't historically alter the course of the stock market on their own, this one is likely to bring more uncertainty than most in recent history. And as a general rule, the stock market doesn't like uncertainty.

On balance, I'm still leaning bullish, trying to let winners ride and swinging at new ideas that have potential to generate double-digit (or more) gains in the coming months. But I'm also keeping both feet planted on the ground and not ignoring that there are risks out there.

NEW STOCKS

GE Vernova (GEV)

Following its spin-off from **General Electric (GE)** in early April, **GE Vernova (GEV)** has become one of the most attractive pure-play electricity generation companies out there.

It is a powerhouse (no pun intended) in the electrification and decarbonization movement.

Beyond selling natural-gas-fired power-generation turbines (largest fleet in the world) and wind turbines, Vernova also sells high-margin software and hardware that helps customers (like data centers) manage the electricity grid.

The company's portfolio is split into three businesses: Power (52% of revenue), Wind (30%) and Electrification (18%).

These businesses give Vernova massive exposure to big-picture trends like global power demand growth, desire for reliable power and policy support and improving economics for renewables.

In Power, Vernova is enjoying the strongest market in over a decade. Large gas turbine orders grew 20% in the first half of the year, putting the company on target to deliver 70 to 80 heavy-duty gas turbines annually starting in 2026.

Electrification is its fastest-growing segment. Backlog is up by a factor of three since the beginning of 2023 and likely to hit $18 billion by the end of this year. EBITDA profit margin in this segment is also on the rise, tracking from 4% last year toward 9% by the end of this year.

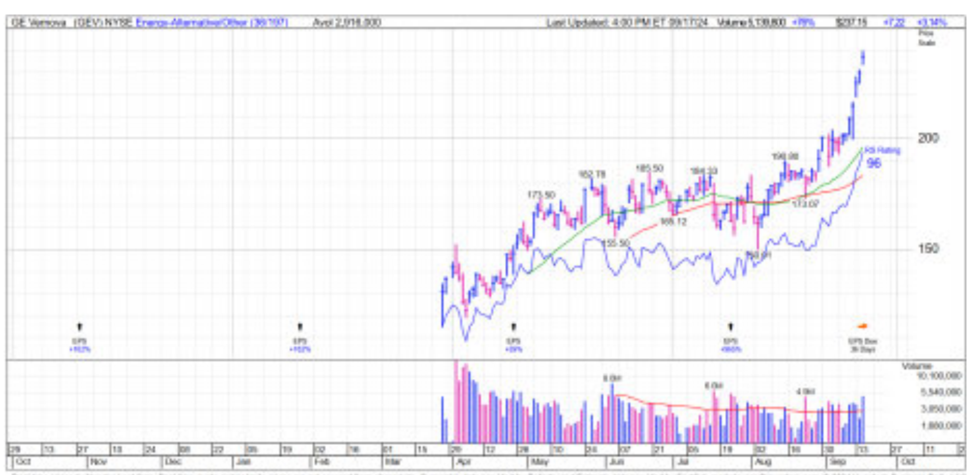
Turning to Wind, which has been the most challenged segment, there is a lot going on. Vernova has done well in onshore wind and has just strung together five consecutive quarters of profitability. However, offshore wind has been challenging (weather, some broken blades) and the company still has $3 billion of backlog left to complete between the Vineyard (East Coast U.S.) and Dogger Bank (England) projects. The company will take a roughly $300 million loss in Wind in Q3, with potential return to segment profitability in Q4.

Now, as a stand-alone company, there's potential for the company to streamline its portfolio (especially in wind), execute a more targeted growth plan and focus more on profitable growth than it historically did.

There's a likely dividend growth and share buyback story here as well. Vernova should close out the year with almost $7 billion more cash than debt.

We should get a capital allocation plan at the December 10 Investor Update.

For now, look for mid-single-digit revenue growth (around $35 billion this year) with much more significant EPS growth.



The Stock
GEV closed at 135 on its first day trading as an independent stock on March 27. The stock ticked higher through the spring then spent much of the summer trading between 150 and 185. The stock began to break out above 190 in the final days of August and moved through 210 on September 10. The last week has seen GEV rally to the 240 area. It's a little hot to touch right here, but we'll definitely keep a close eye on it. **WATCH**

Klaviyo (KVYO) ★ Top Pick ★

Klaviyo (KVYO) jumped onto our Watch List last month, and the stock still looks strong so has earned an upgrade to "buy" today.

Virtually nothing has changed in the last month, other than that management participated in conferences hosted by both Goldman and Piper Sandler to help get the story out.

That story goes like this:

Klaviyo, which is twelve years old, came public last August. While it is known as a marketing automation platform that helps customers generate returns from marketing investments, the company is also a data specialist.

Its products are geared toward the retail and e-commerce areas of the market (95% of revenue), though recent efforts to expand into other verticals may be starting to bear fruit and could represent expansion opportunities.

Klaviyo's solutions were designed for online stores on **Shopify (SHOP)**, **BigCommerce (BIGC)** and **Magento (ADBE)**. Shopify is where most of the action is.

Thus far, email has been Klaviyo's main channel through which customers reach consumers, but that's beginning to change. The company has developed mobile push solutions like SMS (text messages). This gives customers the option to create campaigns leveraging both SMS and email, which can work well together.

Beyond SMS, other new solutions include Customer Data Platform (CDP) and Reviews, both of which are adding incremental growth now.

As you'd expect, AI is also part of the product development roadmap, though it's not being monetized directly yet. Thus far the technology is being used as a productivity tool and to help optimize marketing campaigns.

We should hear more about new product performance on the Q3 call, which will wrap around the Black Friday and Cyber Monday shopping events.

Beyond product development, the company has been expanding its market both internationally (EMEA and APAC gaining steam) as well as with smaller customers, from the entrepreneur size up through the recovering small and mid-size businesses (SMB) segment.

Klaviyo posted an impressive Q2 beat on August 7, reporting revenue growth of 35% to $222 million and EPS growth of 67% to $0.15.

That puts the company on track to grow both the top and bottom line in the 30% to 35% range this year, with upside potential from the growth initiatives just discussed.

The Stock
KVYO came public at a tough time last August. After debuting at 30, the stock trended lower and finally bottomed out in the 21 – 22 range in June. Just prior to the Q2 earnings report on August 7, KVYO was a roughly 23 stock. It shot up 33% to trade into the low 30s the next day. A little dip to 30 followed in late August, but KVYO never fell apart, and just yesterday the stock broke out above 33 to trade at its highest level since last December. We'll take a swing at it here. **BUY**

LOAR (LOAR)

Loar (LOAR) is a newly public (April 25, 2024) mid-cap company that makes niche aerospace and defense components for both the aftermarket and OEM markets (roughly 50-50 split).

The company owns 16 brands manufacturing over 15,000 products. It serves virtually all platforms across the commercial, business jet, military and engine markets, including the well-known **Airbus (EADSY)** A320 and **Boeing (BA)** 737 families of commercial aircraft, Bombardier Challenger 300 and 650 business jets, and F-35, F-15/F-16/F-22 fighter jets.

Product examples include angle of attack sensors & systems, flight control computers, water purification systems, seatbelts, wing lift sensors, fluid & pneumatic-based ice protection and carbon & metallic brakes.

The company's aftermarket business is benefitting from supply chain constraints in the original equipment (OE) commercial market. And despite potential for U.S. defense spending to flatten out (that darn debt ceiling), domestic defense business is strong, and international demand is picking up too.

M&A is part of the growth story at Loar, with 16 acquisitions closed over the last 12 years. Loar seeks out companies with valuable IP, high aftermarket content and strong customer relationships that will create revenue synergies and cross-selling opportunities.

The latest acquisition, Applied Avionics (75% aftermarket business for both commercial and military customers) was completed on August 26.

LOAR stock rallied 19% on August 13, the day the company reported a second-quarter beat and raise. Revenue of $97 million grew by 31% (17% organic growth) while adjusted EPS of $0.13 beat by $0.02.

Management raised guidance for the full year, now calling for revenue of $374 - $378 million and adjusted EPS of $0.44 - $0.46. All markets (commercial OEM, commercial aftermarket, defense) are all seen growing mid-double-digits.

Lockup expiration is on October 22, so we'll start with a half position now and see how the stock handles a little more liquidity.

The Stock
LOAR came public at 28 in April and closed at 49 the first day (+75%). There have been a few peaks and valleys over the last five months, but no sustained drawdowns that have called into question the stock's attractiveness. The 19% rally into the mid-70s that followed the Q2 earnings report on August 13 stands out as the latest big upside move. A couple of little dips to 67 followed soon after, but LOAR's recent move to all-time highs near 80 shows demand for shares remains very high. **BUY HALF**

OneStream (OS)

Salesforce (CRM) was an early mover in the market for customer relationship management software. **ServiceNow (NOW)** did the same in the workflow and operations software realm.

But to date, no company has dominated the market for finance software.

OneStream (OS) just might be the one. The $7 billion market cap company was founded in 2010 and went public this July.

It aims to become the operating system for modern finance, freeing Chief Financial Officers (CFOs) and finance departments from the tedious, error-prone and time-consuming workarounds that other departments have shed by adopting comprehensive cloud-based software platforms.

The chief concerns – security and data integrity – still remain. But OneStream believes those concerns are fading as the cloud computing environment has become more mature and leveraged, successfully, by nearly all corporate departments.

CFOs are now faced with a simple question: Do we adopt modern software with artificial intelligence (AI) and machine learning (ML) built in that helps us move forward and look around corners that our current, 20-year-old clunky solutions can't do, or should we keep living in the past?

More and more they're deciding to move forward.

OneStream's software, which features embedded AI and ML for enterprises, helps them with planning, forecasting, employee performance, decision making, analytics and more.

It's built on one platform with one source of data and adheres to tough industry-standard security and privacy protocols (SOC1, SOC2, HIPAA, FedRAMP).

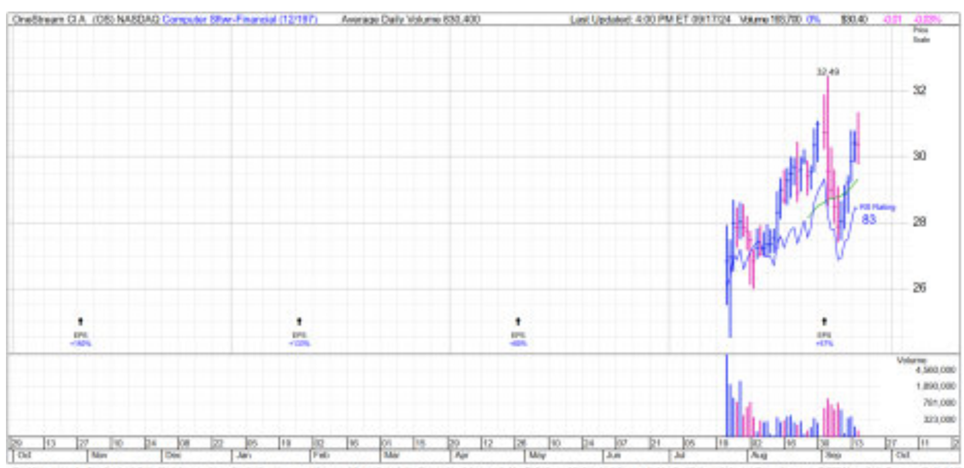
OneStream's business is made up of on-premise software licenses (11% of 2023 revenue) sold mostly to government entities, as well as cloud software sold under the typical subscription model (81% of 2023 revenue). Professional services make up the balance (8.3% of 2023 revenue).

When the company reported Q2 results on September 3, its first report as a public company, revenue of $117.5 million (+36%) and adjusted EPS of -$0.02 slightly beat expectations. Subscription revenue grew by 44% to $103.1 million.

Management also gave forward guidance ahead of what the market expected, calling for 2024 revenue to grow 27.5% to $478 million and for adjusted EPS to fall in the range of -$0.05 to $0.01.

With OneStream only having a few months under its belt as a public company I'll toss this one on the Watch List today.

The Stock
OS came public at 20 on July 24 and rallied 35% the first day. Shares then consolidated in the 26 to 29 range for a few weeks before breaking higher and running into the low 30s just ahead of the Q2 earnings report on September 3. A swift four-day drawdown to 28 followed, but OS has jumped right back above 30 and looks strong. Still, this is a very new name, so we'll just keep an eye on it for now. **WATCH**



Varonis (VRNS)

I added **Varonis (VRNS)** to our Watch List last month and we'll jump in today as shares continue to recover from a small dip brought on by last week's $350 million convertible note offering.

If you're new to the story, Varonis is a data security specialist. The company helps clients protect sensitive enterprise files like emails, customer and patient records, financial data, strategic and product development plans and more.

Varonis' software finds the data that's important and figures out when it's been exposed to too many people, or the wrong people. The software monitors the heck out of what people are doing with data so it can detect when there is an internal threat, external attacker, copilot abuse or ransomware threat.

With ransomware attacks on the rise and breaches expected to happen every two seconds by 2031 (as compared to 11 seconds a few years ago), demand for data security tools like this is very high.

Accelerated adoption of generative AI is adding to the list of data challenges too. Companies need a very clear data governance framework that stops large language models (LLM) from leaking all the info they try so hard to protect.

Varonis has one of the best data security platforms out there, and there are multiple growth catalysts in the quarters ahead that can drive upside in an already strong market.

First is the AI opportunity, which is there but hasn't yet translated into revenue. Look for this to happen as we exit 2024.

Second is the company's new MDDR service (introduced in Q1), which is focused on monitoring and protecting critical data. MDDR is only available on Varonis' SaaS platform, which is where all new product development is focused. Early feedback from management is that MDDR is driving larger deals and customer retention.

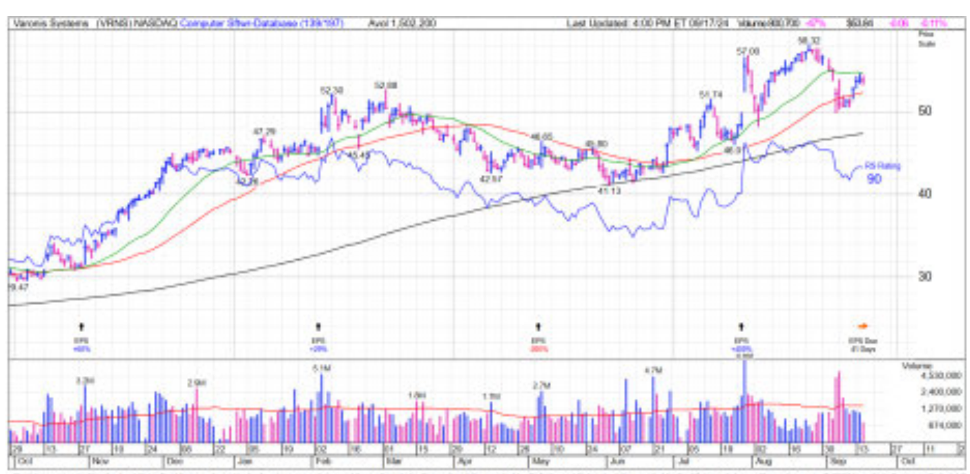
Third is the FedRAMP certification opportunity, which should be in play for the next federal budget cycle, assuming Varonis achieves certification (it recently achieved "In Process" status).

The company is pursuing these opportunities while transitioning the business from the "old" licensing model to the Software-as-a-Service model, which has the effect of tamping down revenue short term while driving greater growth and profitability long term, not to mention shorter sales cycles, better user experiences, better retention and more efficient product development/roll-out enhancements.

When the company reported Q2 results on July 29 it beat expectations, delivering revenue of $130 million (+13%) and adjusted EPS of $0.05 (up from $0.01 in Q2 2023).

Management's update guidance called for revenue to grow around 10% for the full year and EPS to come in around $0.23. Given the trends, 2025 should bring accelerating growth on both the top and bottom lines. This profile, with a trend of lower interest rates, should help propel VRNS stock higher.

The Stock
VRNS has been public since 2014, so there have been some ups and downs. The stock reached a pandemic-era high near 75 and a post-pandemic low near 16. Shares were trading in the low 50s this past February and March then were pulled down in the spring, ultimately hitting their 200-day line at 41 in early June. VRNS has moved higher since. The stock popped to 57 after reporting in late July, gave up the gain, then was right back to 58 when news of a convertible offering on September 5 sent it to 50. Over the last week, the stock has crept back above 53. **BUY**



PORTFOLIO CHANGES SINCE LAST ISSUE

Yesterday, September 17, we sold our half-sized position in **Kaspi.kz (KSPI)** for a 5% gain and our position in **Vertex (VERX)** for a 4% loss.

Today I'm dropping **Tidewater (TDW)** from our Watch List.

An updated table of all stocks rated BUY, HOLD and WATCH as well as recent stocks SOLD, is included below.

Stocks rated BUY are suitable for purchasing now. I suggest averaging into every stock to spread out your cost basis.

For stocks rated BUY A HALF, you should average into a position size that's roughly half the dollar value of your typical position. We may do this when stocks have little trading history (for instance, IPOs), when there is more uncertainty in the market or with a stock than normal, or if a stock has recently jumped higher.

Those rated HOLD are stocks that still look good and are recommended to be kept in a long-term-oriented portfolio. Or they've pulled back a little and are under consideration for being dropped.

Stocks rated SOLD didn't pan out, or the uptrend has run its course for the time being. They should be sold if you own them. SOLD stocks are listed in one monthly Issue, then they fall off the SOLD list.

Please use this list to keep up with my latest thinking, and don't hesitate to email with any questions.

Active Positions

Company Name	Ticker	Date Covered	Ref Price	9/17/24	Current Gain	Notes	Current Rating
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
WATCH LIST							
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]		[redacted]

[redacted] Sold Positions

Company Name	Ticker	Date Covered	Reference Price^	Date Sold	Price Sold^	Gain/loss	Notes
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

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The next issue of *Cabot Early Opportunities* will be published on October 16, 2024.

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Publishing independent investment advice since 1970.

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