



MegaTrends *Disruptors*

September 2020



A Letter From Our Founders

This month's MegaTrends report focuses on companies that are disruptors in their respective industries.

All of these names are on fire, propelled by rising demand, high levels of happiness, and strategic positioning with consumers.

But the market knows it. We like all of these companies on pullbacks, and some are likely to gain value from where they are now.

The key is that all companies were AHEAD of inevitable consumer shifts (to digital, direct-to-consumer) and competitors initially thought, "This is crazy." But now we know, it wasn't crazy. It was brilliant.

- Here's a quick summary of what you'll find inside:

Tesla, Inc. (NASDAQ: TSLA) – [Remaining Bullish](#) on accelerating demand in 20Q3 and industry-leading happiness.

- **Carvana Co. (NYSE: CVNA)** – [Remaining Bullish](#) on strong inventory supply and consumers who are shocked to learn just how much more enjoyable buying a car via an app can be.
- **Chewy, Inc. (NYSE: CHWY)** – [Remaining Bullish](#) on high levels of consumer happiness, and indications that quarantine users are sticking around.
- **Etsy, Inc. (NASDAQ: ETSY)** – [Remaining Bullish](#) as new sellers enter the marketplace and move more merchandise.
- **Redfin Corp. (NASDAQ: RDFN)** – [Remaining Bullish](#) because the housing market is exploding and who wants to pay for a realtor if you don't have to?

These are interesting because LikeFolio issued Bullish notes on ALL in the last year. The data still looks hot.

Thank you,

Andy Swan & Landon Swan
Founders, LikeFolio



TSLA

Tesla



Purchase Intent: +8% YoY

Trend Watch: eCommerce: +65% YoY

Sentiment: 72% Positive

Swans Say...

Betting against Elon Musk? Good Luck.

[Short-sellers stacked \\$19.7 billion against Tesla](#) prior to its 20Q2 earnings release.

What happened? Tesla crushed expectations, generating \$6 billion in revenue and \$104 million in net income vs. an expected loss. Shares rocketed. No pun intended.

From a valuation perspective, analysts are split. But so far, investors seem positive.

LikeFolio data shows increasing demand, industry-leading sentiment, and macro shifts propelling the company forward.

LikeFolio data has screamed Bullish TSLA since [2018](#). At this price, bullish investors are betting on a vision. Probably not a bad bet.

Consumer Demand:

- Purchase Intent is on pace for a +37% QoQ and +8% YoY increase in 20Q3, the highest quarter we've ever recorded.
- Tesla Model 3 Purchase Intent mentions have accelerated, increasing +49% QoQ.

TSLA: Consumer Demand Growth



Consumer Happiness:

- Consumer Happiness is 72% positive, establishing TSLA as sentiment leader vs. 7 peers

TSLA: 72% Positive

BMWYY: 71% Positive

GM: 69% Positive

TM: 68% Positive

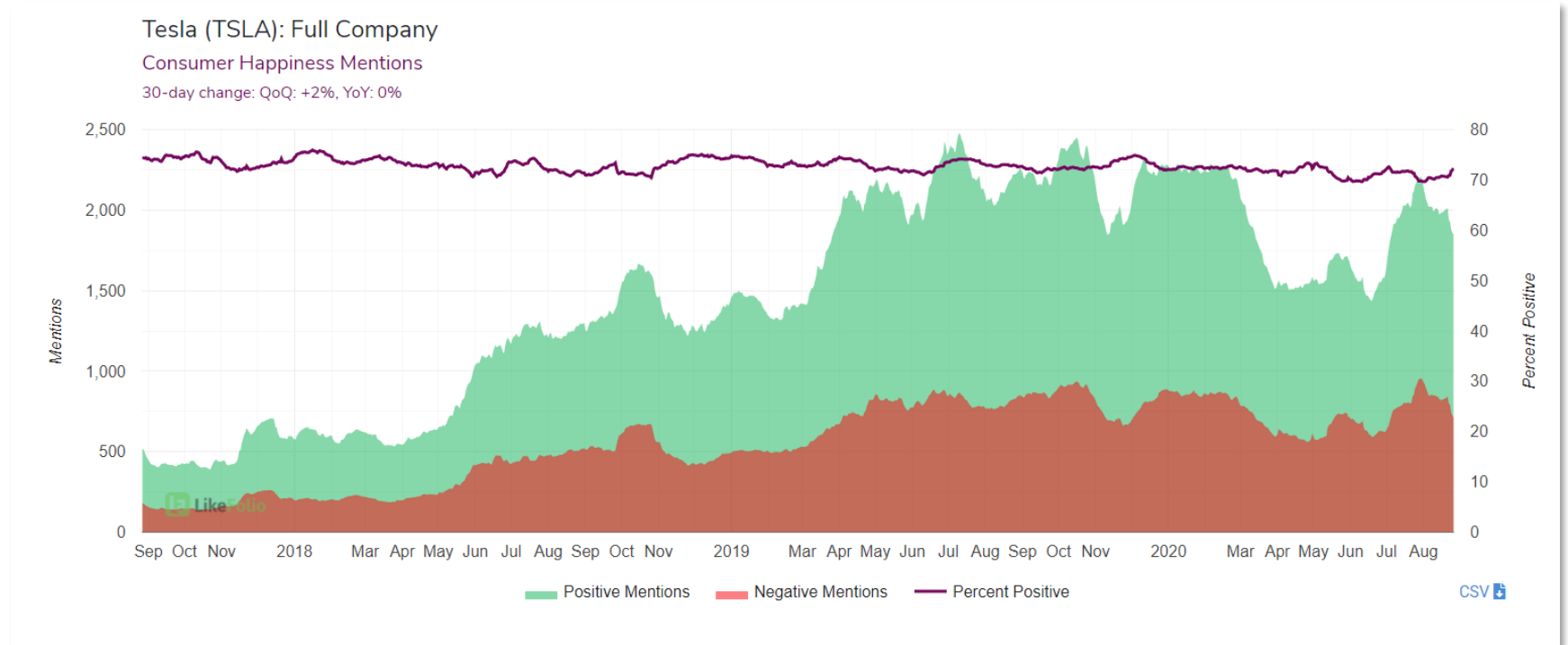
HMC: 68% Positive

VLKAY: 68% Positive

DDAIF: 67% Positive

F: 65% Positive

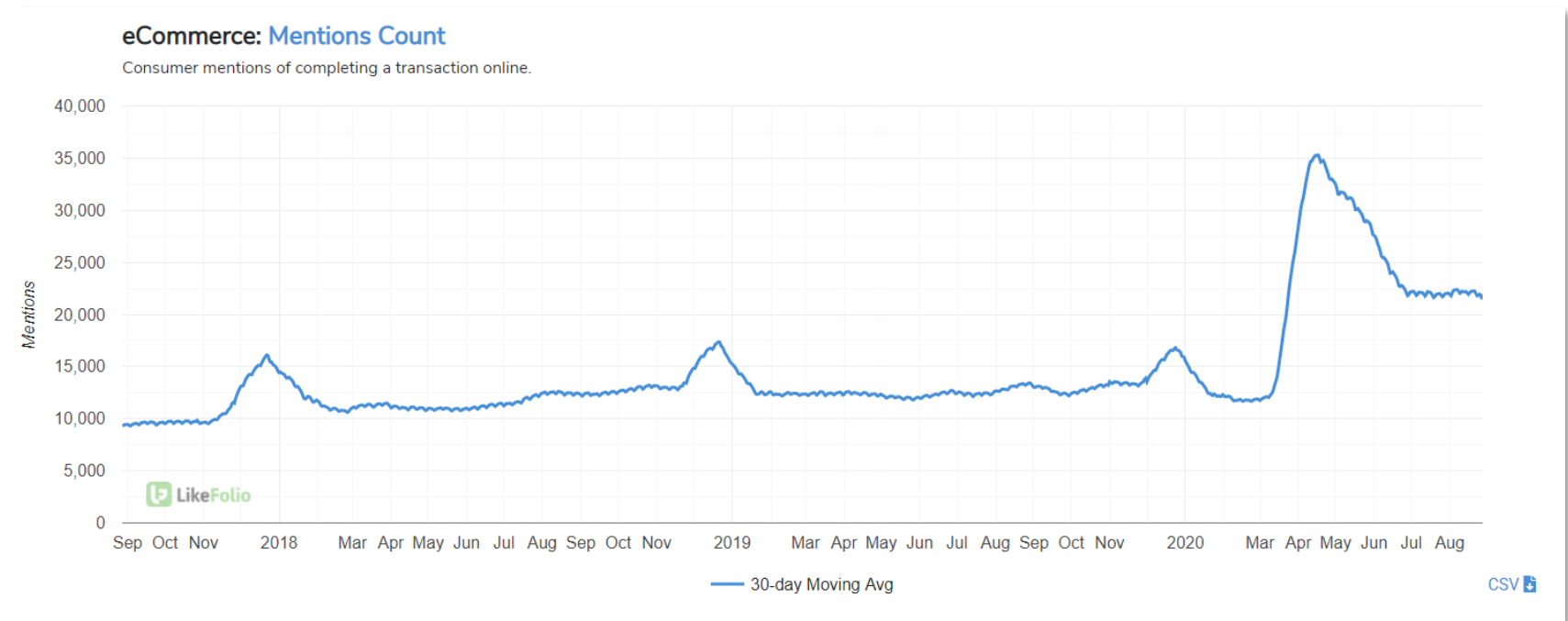
TSLA: Consumer Happiness High



Macro Tailwind:

- Consumers conducting business on a digital marketplace increased 65% in the last 30 days vs. prior year.
- Tesla (unlike peers) has no traditional dealerships, opting instead to connect directly with consumers. Consumers can visit a store location OR configure the model desired online and place deposit. Without a dealer, there's no haggling over price – TSLA offers no discounts or negotiations.

Trend Shift: eCommerce is here to stay

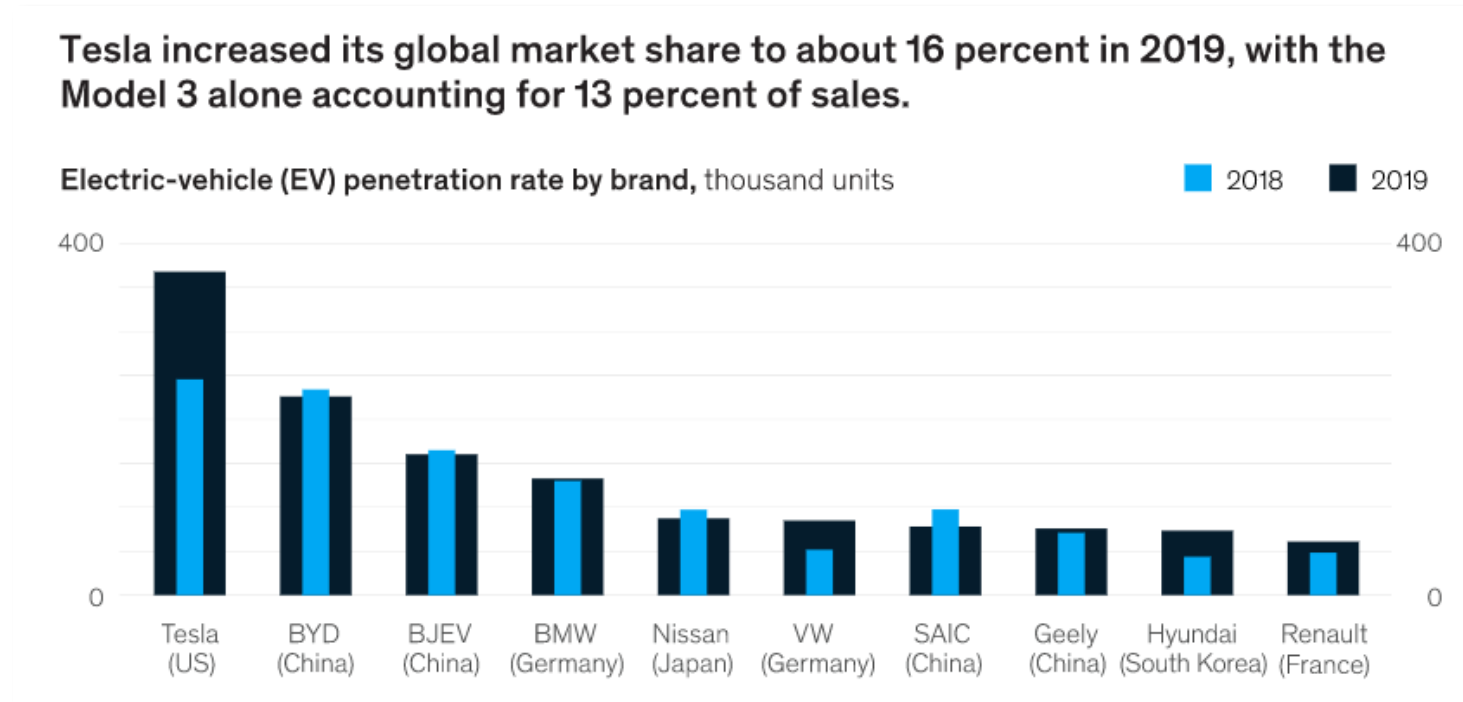


TSLA: Reports and Business Updates

- TSLA shares + 400% in value YTD
- [Reported 4th straight quarter of profit](#), qualifying it to join the S&P 500
- Announced a [five-for-one stock split](#) to “make the stock more accessible to employees and investors”
- [Energy density](#) in Tesla batteries expected to increase 50% in the next 3-4 years (higher energy density = longer driving range).
- Tesla battery supplier [CATL](#) says a million-mile unit (battery designed to last 1.24 million miles) is currently ready for production. Translation?
Tesla vehicles with a 16-year battery life.
- Elon is laser focused on FSD ([Full Self-Driving](#)), explaining that **an over-the-air software update could unfold as one of the largest asset value increases in history...overnight.**

TSLA: Reports and Business Updates

- Tesla is increasing its piece of the [global electric vehicle](#) pie.



CVNA
Carvana



CARVANA

Purchase Intent: +71% YoY

Trend Watch: eCommerce: +65% YoY

Sentiment: 58% Positive

Swans Say...

Carvana pushed the envelope in the auto sale industry, unveiling car “vending” machines to the masses and posing the wild idea that **MAYBE there’s a better model out there for car buyers.**

Fast forward a couple of years, and consumers are realizing the process is easier than they thought...and they don’t even have to interact with a human.

Although its wholesale business struggled in Q2, used **vehicle sales revenue increased 16% YoY**, handily beating estimates.

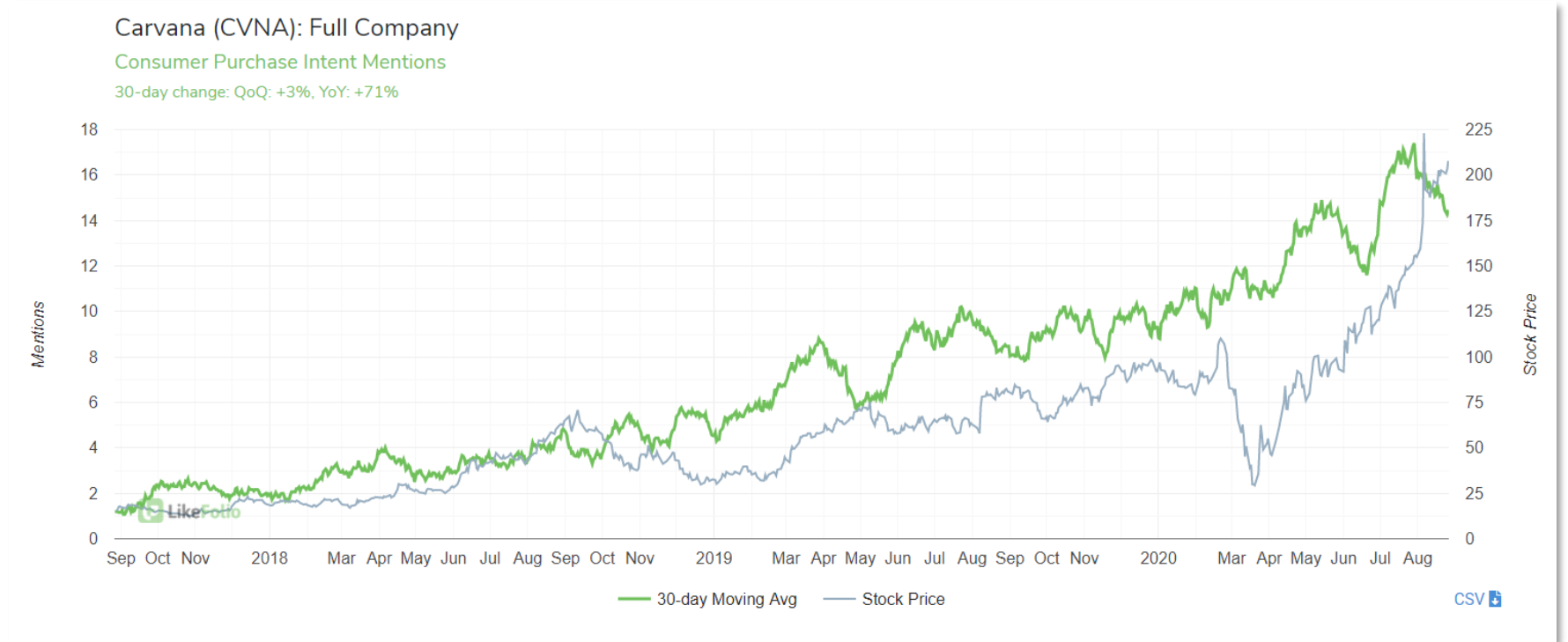
Consumers are increasingly seeking used cars, and a way to avoid the car lot. And this name appears to be better positioned than its peers... for now.

We’re remaining bullish as demand continues to grow.

Consumer Demand:

- Consumer mentions of downloading and using Carvana to buy or sell a car increased by 71% in the last 30 days vs. prior year.

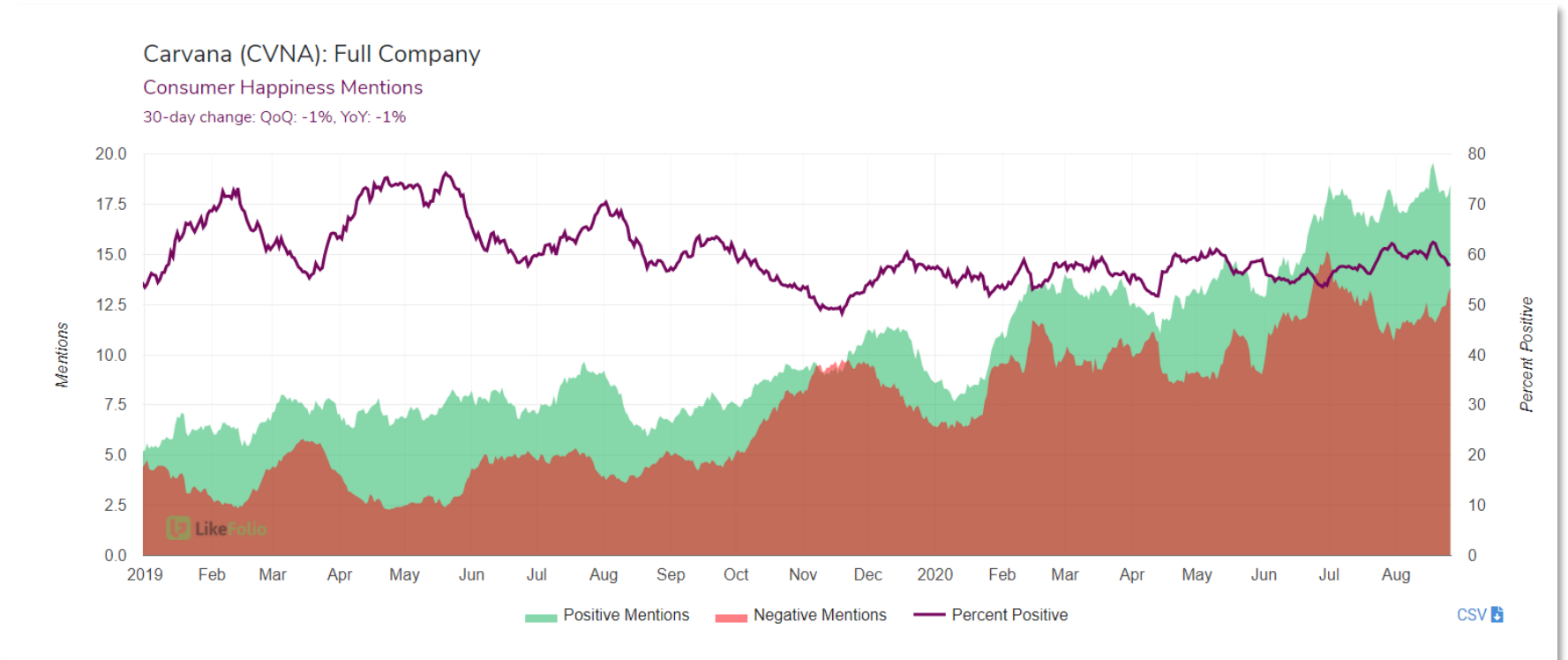
CVNA: Consumer Demand Growth



Consumer Happiness:

- Consumer Happiness with Carvana services is 58% positive.
- While sentiment seems low, this is actually *higher* than competitor Vroom (VRM), at 55% positive.

CVNA: Sentiment High Comparatively



CVNA: Sentiment Drivers

- Many consumers are skeptical of a completely digital car-buying experience. However, even consumers admitting it was “weird” indicate overall happiness with the service after the fact..just like this tweet below:

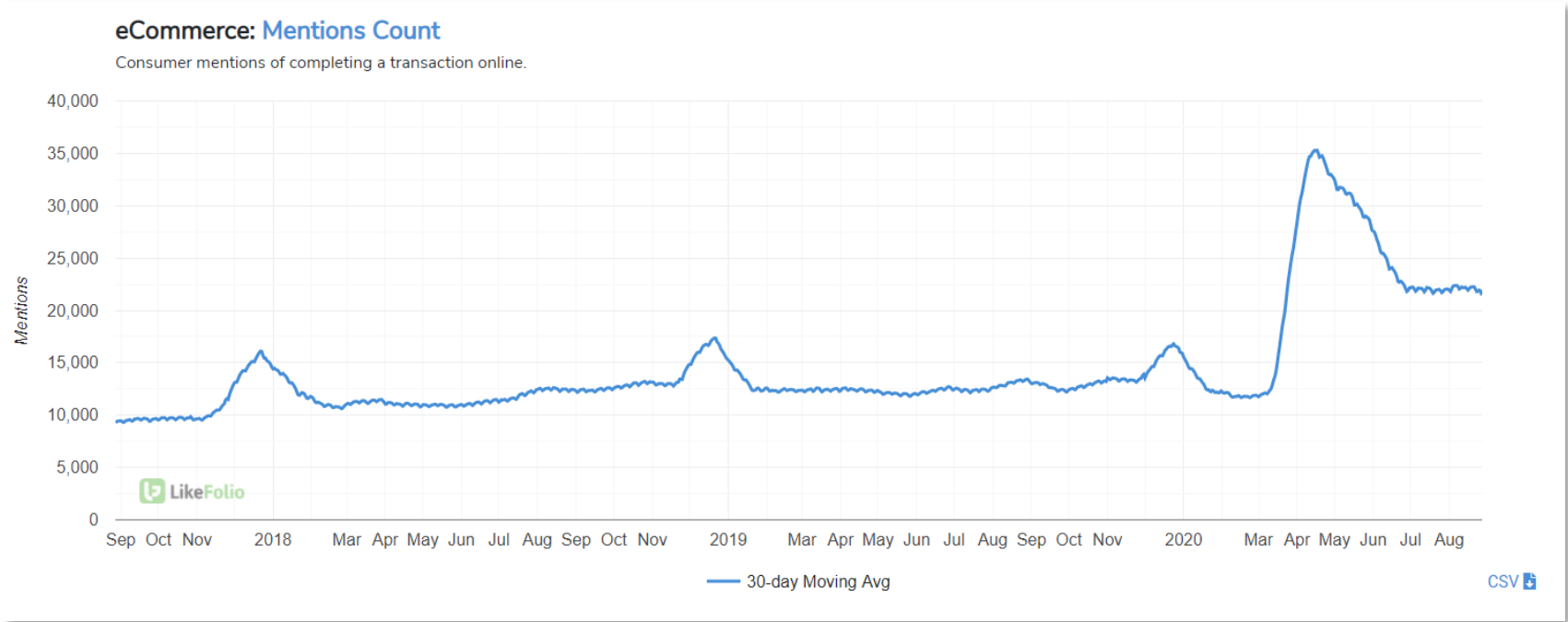


2 Likes

Macro Tailwind:

- Consumers conducting business on a digital marketplace increased 65% in the last 30 days vs. prior year.
- Mentions of avoiding, disliking traditional car dealerships increased 50% in the last 90 days vs. prior year.

Trend Shift: eCommerce is here to stay



CVNA: Reports and Business Updates

- **Carvana is strategically increasing its own inventory while competitors struggle.**

On its last report, Carvana explained it bought more cars from consumers than it sold in July garnering a healthy supply of inventory in time for its launch of a new [wholesale platform launch](#).

[This supply contrasts sharply with competitor VRM](#): “Online vehicle seller Vroom Inc is seeing more demand for used cars ‘than we can currently fulfill’ due to the coronavirus pandemic, with a 20% increase in demand in U.S. cities that may indicate people are buying cars as they migrate to the suburbs...”

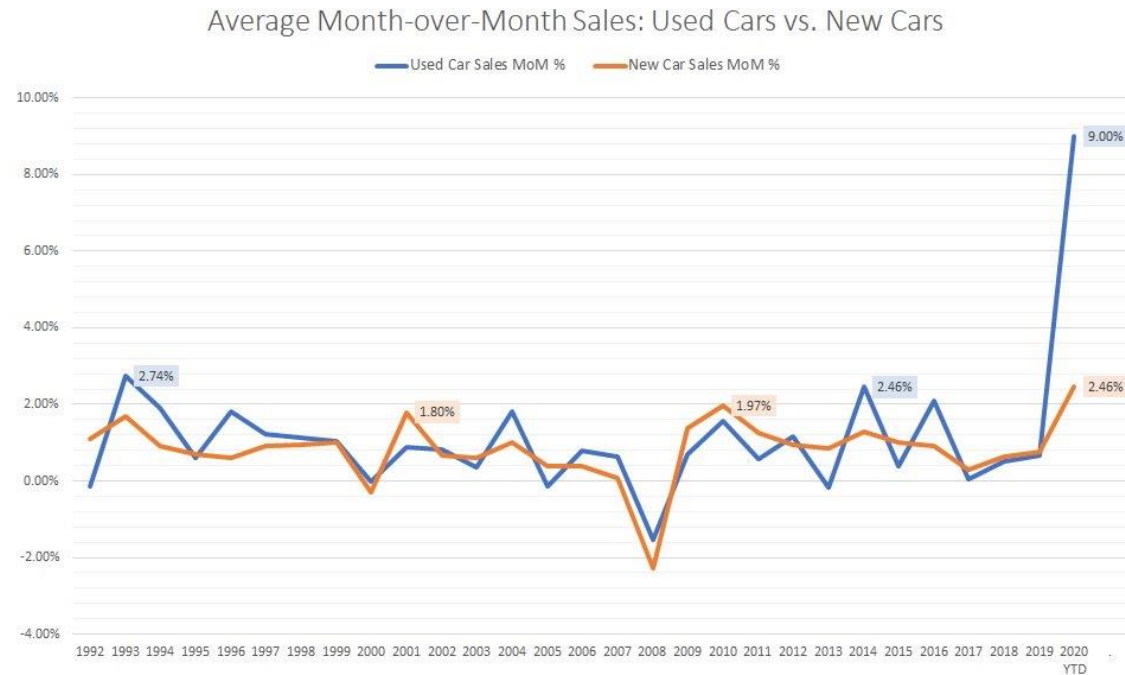
- **Consumers were already shifting to online car sales, but this shift [accelerated during lockdown](#).**

Today, online car sales account for [less than 10% of all sales](#) (meaning plenty of room for growth)

CVNA: Reports and Business Updates

➤ **Used cars are hotter than ever.**

According to a report in the [Wall Street Journal](#), “the month-to-month used car sales growth rate up to June-end of this year averages 9%.”





chewy

CHWY
Chewy

Purchase Intent: +30% YoY

Trend Watch: eCommerce: +65% YoY

Sentiment: +80% Positive

Swans Say...

Look around – someone you know (or maybe you) adopted a pet recently.

Why not? Pets can fill a social void and working from home sets up the perfect scenario for potty training.

But new pets mean new mouths to feed – and bathe, and entertain – and the list goes on.

Here's where Chewy comes in. They'll bring everything you need to your door, and they'll do it Chick-fil-A style – with a smile and A+ customer service.

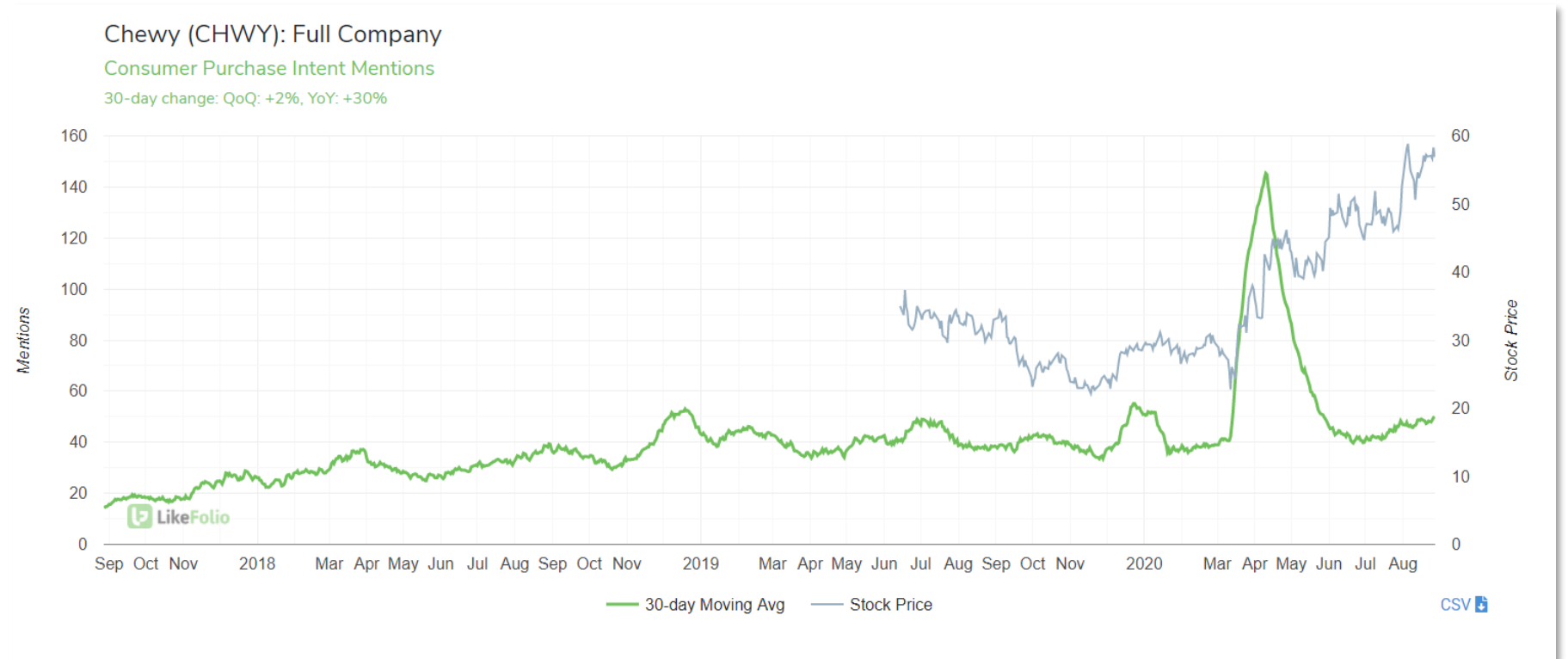
In fact, **Chewy has some of the highest levels of consumer happiness we track.**

It's promising that demand is ticking up after settling in from the quarantine surge. Still Bullish ([even since our quarantine note](#)).

Consumer Demand:

- Purchase Intent increased 30% in the last 30 days vs. prior month after spiking during quarantine.
- Chewy auto-ship mentions surged in quarantine: +76% YoY from March through June vs. prior year. This bump is a nice indication of long-term recurrent revenue.

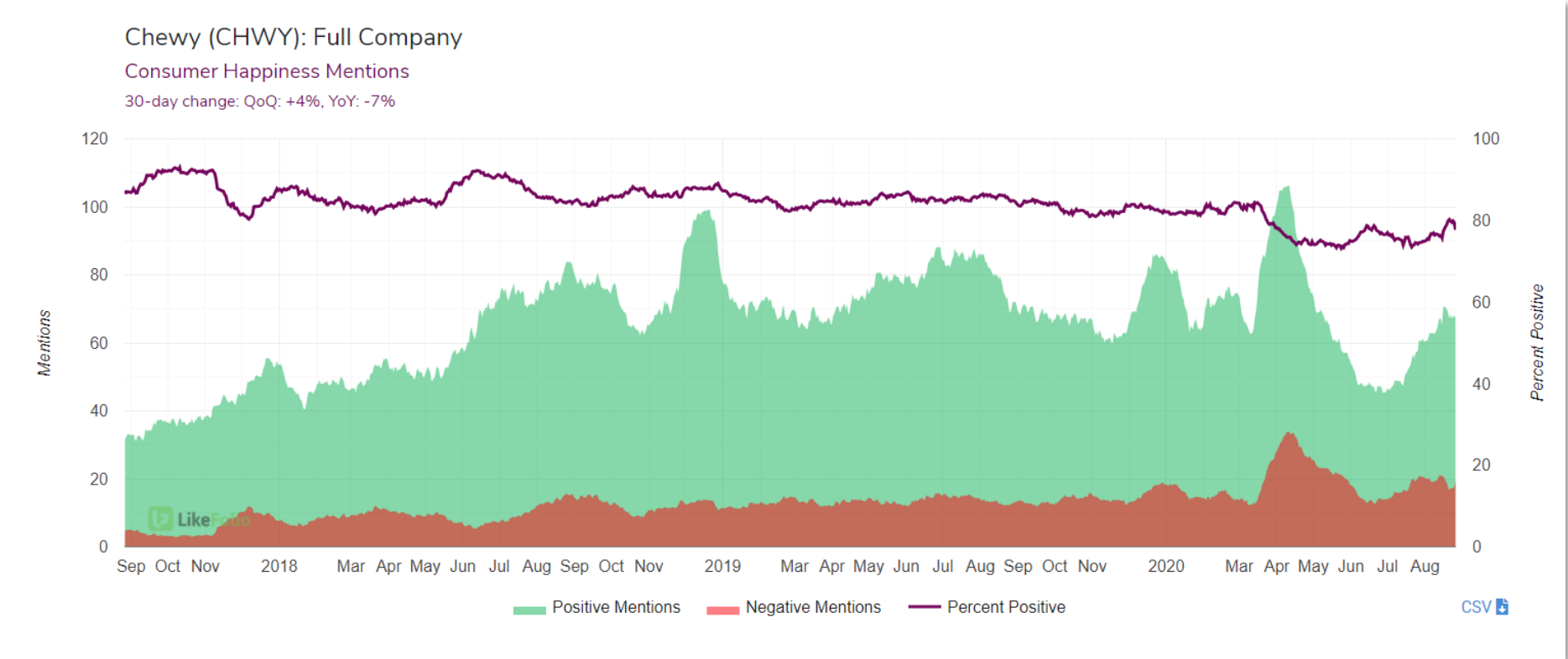
CHWY: Demand Remains Elevated



Consumer Happiness:

- Consumer Happiness is 80% positive – extremely high for a retailer...

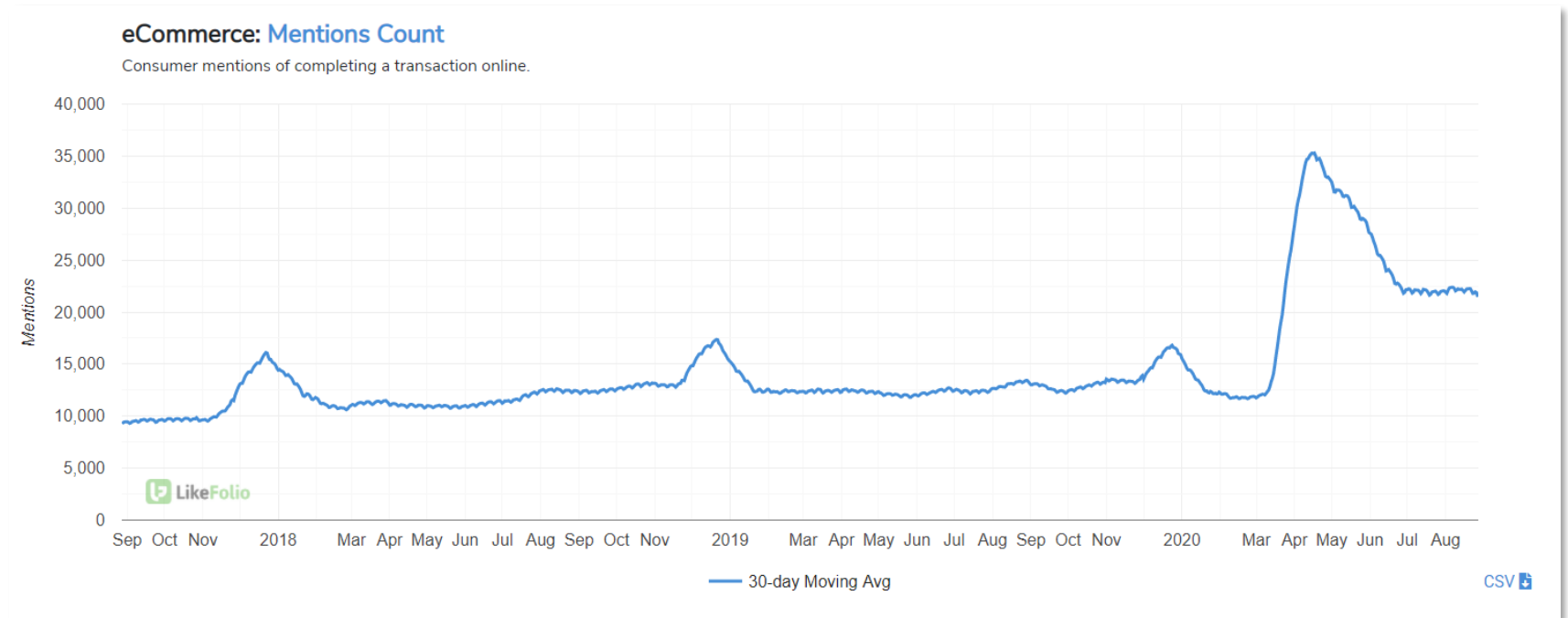
CHWY: Consumer Happiness is Unmatched



Macro Tailwind:

- Consumers conducting business on a digital marketplace increased 65% in the last 30 days vs. prior year.
- Chewy's auto-ship subscription mechanism acts as a positive driver for recurring revenue.

Trend Shift: eCommerce is here to stay



CHWY: Sentiment Driver

Chewy's outstanding customer service is above and beyond.

A tempering of sentiment is to be expected upon surging demand, and qualitative tweet analysis reveal extremely satisfied consumers amidst slight growing pains.



CHWY: Reports and Business Updates

- Consumer preference is shifting in favor of direct-to-consumer shipping of dog and cat food, and this behavior appears to be “sticky”.

Chewy noted: "We believe the increased demand levels we are experiencing are here to stay and reflect an acceleration of e-commerce adoption that is not likely to return to pre-pandemic levels. We further believe that this combination of scaled revenues and cost discipline will accelerate us along our path of sustainable profitability."

- Chewy is growing its active user base and its new users are spending more.

In the last quarter, active users were up by 11.3 million vs. the year before, and new user initial orders were 11% higher than pre-COVID orders.

- Pet adoptions surged during quarantine and remain elevated.

The Washington Post Reported in August: “What began in mid-March as a sudden surge in demand had, as of mid-July, become a bona fide sales boom. Shelters, nonprofit rescues, private breeders, pet stores — all reported more consumer demand than there were dogs and puppies to fill it. Some rescues were reporting dozens of applications for individual dogs. Some breeders were reporting waiting lists well into 2021.”



ETSY
Etsy

Etsy

Purchase Intent: +111 % YoY

Trend Watch: eCommerce: +65% YoY

Sentiment: 81% Positive

Swans Say...

If we're being totally honest, a couple of years ago, ETSY near \$120 sounded crazy.

But now, not so much.

Etsy's marketplace has exploded in 2020 and proved it could fill a void when local shops and businesses shut down. It even **BOLSTERED small businesses and individuals who needed a way to move merchandise, digitally, or make extra cash from a side hustle.**

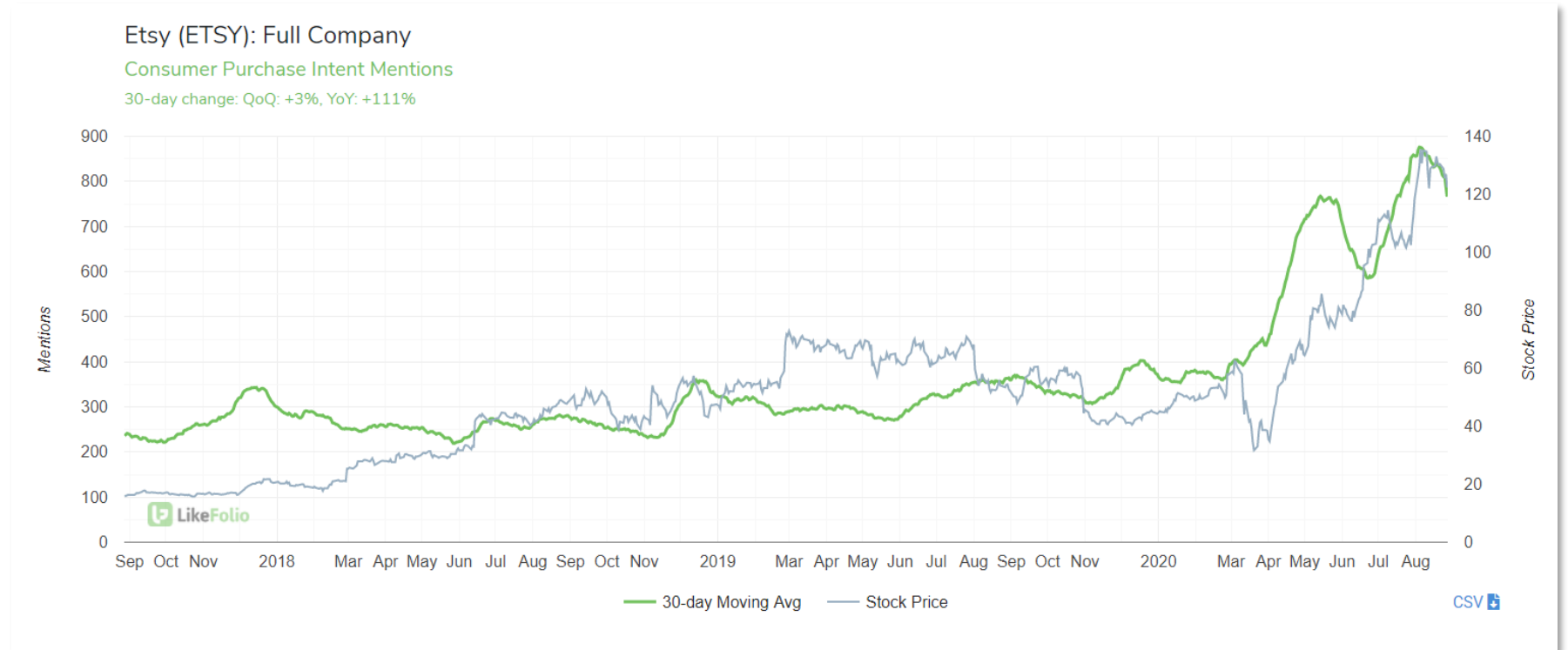
Short term, ETSY may pull back a bit as stores re-open and mask sales normalize.

However, the concept is there, and more consumers are aware of the service than ever. If demand continues to hold, we're remaining bullish.

Consumer Demand:

- Purchase Intent increased 111% in the last 30 days vs. prior year.

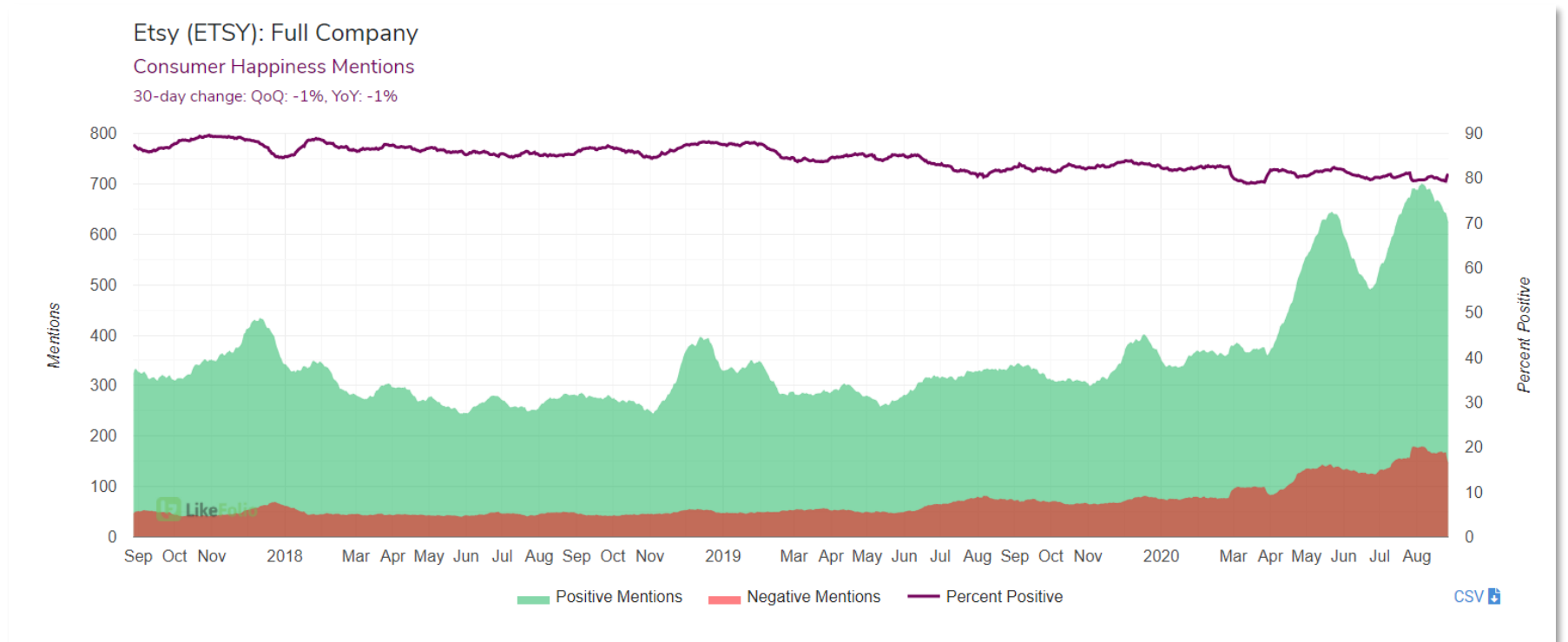
ETSY: Consumer Demand Surging



Consumer Happiness:

- ETSY has the highest consumer sentiment of the online retailers we track at 81% Positive
- For comparison's sake, fellow online retailers:
- Ebay: 63% positive
- Amazon Prime: 72% Positive

ETSY: Consumer Happiness is High

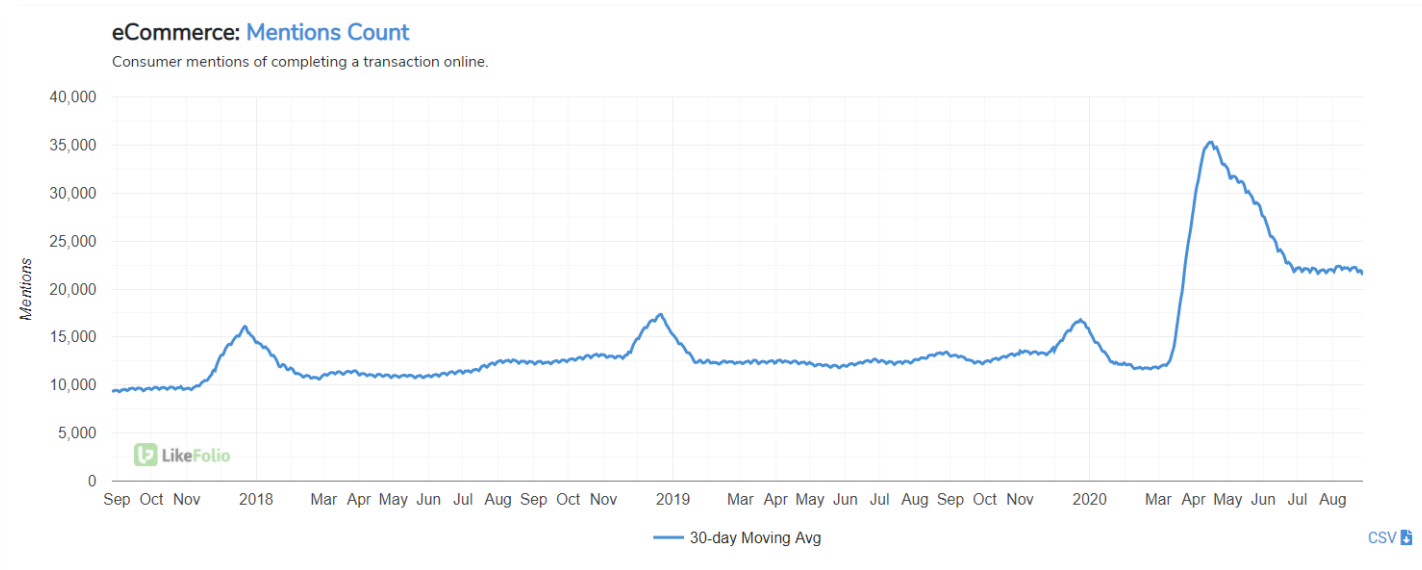
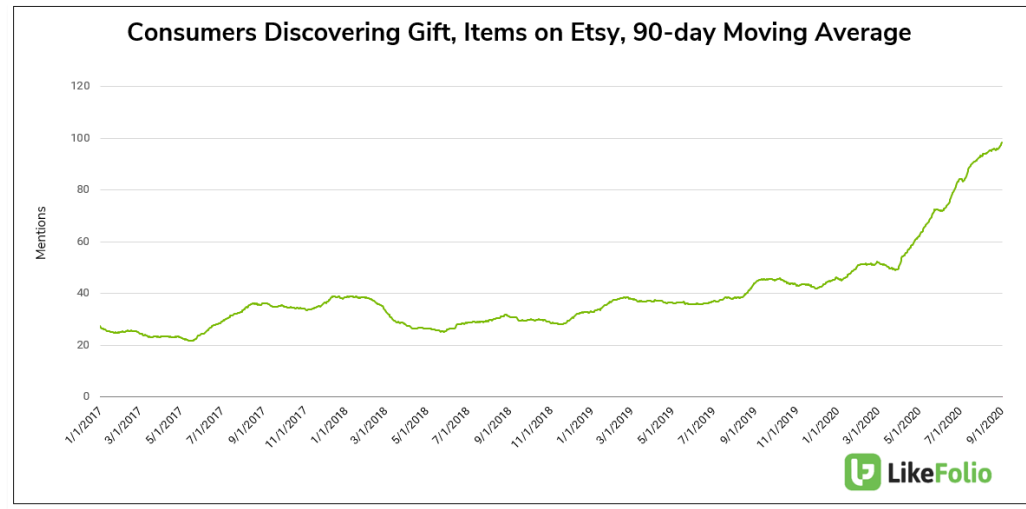


Macro Tailwind:

- Consumers conducting business on a digital marketplace increased 65% in the last 30 days vs. prior year.
- ETSY has mastered the element of “discovery” online. Mentions of consumers discovering an item for purchase on the platform increased 120% YoY.



Trend Shift: eCommerce is here to stay



ETSY: Reports and Business Updates

- **ETSY logged record sales in Q2 as brick-and-mortar boutiques are shuttered.**

Report highlights:

Revenue increased 137% YoY .

Face mask sales were partial growth driver: Etsy sold \$346 million worth of masks and over 110,000 sellers sold at least one mask.

Non-mask sales increased 93% YoY.

Management estimates total addressable market: +\$100 billion.

- **ETSY Sellers are becoming more successful**

Gross merchandise sales per active seller increased 15% YoY.

Sellers moved \$2.7 billion in merchandise in the quarter.

- **ETSY is well positioned to capitalize on increased demand for personalization.**

“If you need to furnish something for your new home office, why not get a custom-made desk made by a carpenter just for your size.”



REDFIN

RDFN
Redfin

Purchase Intent: +116% YoY

Trend Watch: eCommerce: +65% YoY

Sentiment: 78% Positive

Swans Say...

Redfin first caught our eye in [March](#) when we were looking for companies that would surprise investors from an unexpected surge in consumer demand during quarantine.

Man were we right.

Now, the housing market is red hot and new and existing home sales are smashing decade-old records.

When RDFN issued its IPO in 2017, the CEO said he wanted the company to feel like “the Apple of real estate” in a world of Radio Shacks.

A totally virtual real-estate marketplace certainly accomplished that mission.

Now demand is booming – alongside the stock price. We’re closely monitoring demand (and home sales) for indications of potential shifts to the downside. But right now, data is showing no signs of weakness. Remaining bullish.

Consumer Demand:

- Purchase Intent increased +116% in the last 90 days vs. prior year.

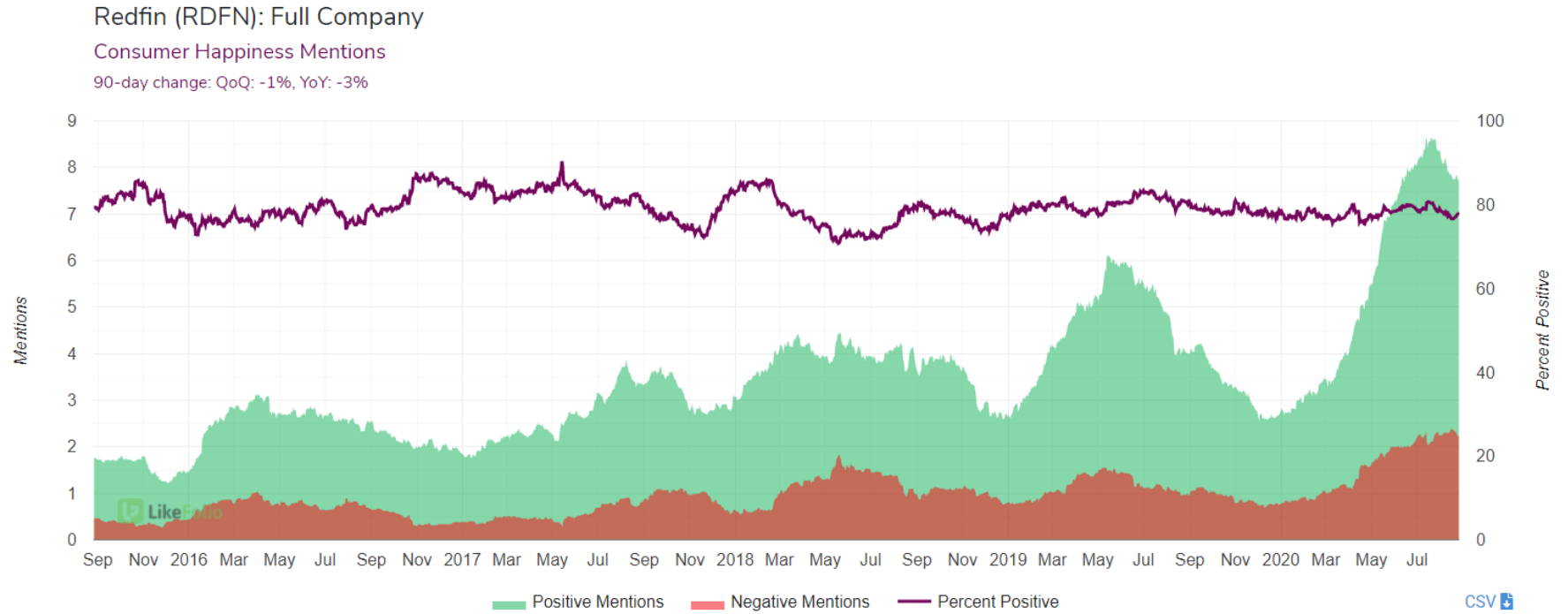
RDFN: Continued Demand Growth



Consumer Happiness:

- Consumer Happiness dipped slightly over the quarter to 78% positive. This level of change in the face of swelling demand is impressive.

RDFN: Sentiment is High



RDFN: Sentiment Drivers



FrankinCalifornia
@FrankinCalifor2

Replying to @AdamSinger

I'm in the process of buying of a house with Redfin and using Redfin mortgage and it is so automated and easy.

8:38 PM · Aug 11, 2020 · [Twitter Web App](#)

1 Like



Flick
@Frediculous

Replying to @LouManoti

Redfin changed the game. They have all the MLS listings. There are still some underhanded things realtors can do to keep listings off redfin but it seems few & far in between now. Seems like it makes realtors jobs easy now bc buyers find their own houses & just ask to see them

2:50 PM · Jul 12, 2020 · [Twitter for Android](#)



Ben Sullins 🙌 @BenSullins · Jul 30

I've reached the age where Redfin is infinitely more addictive than any social platform

11 2 73



Wesley Bergquist
@wesleybergquist

Replying to @BenSullins

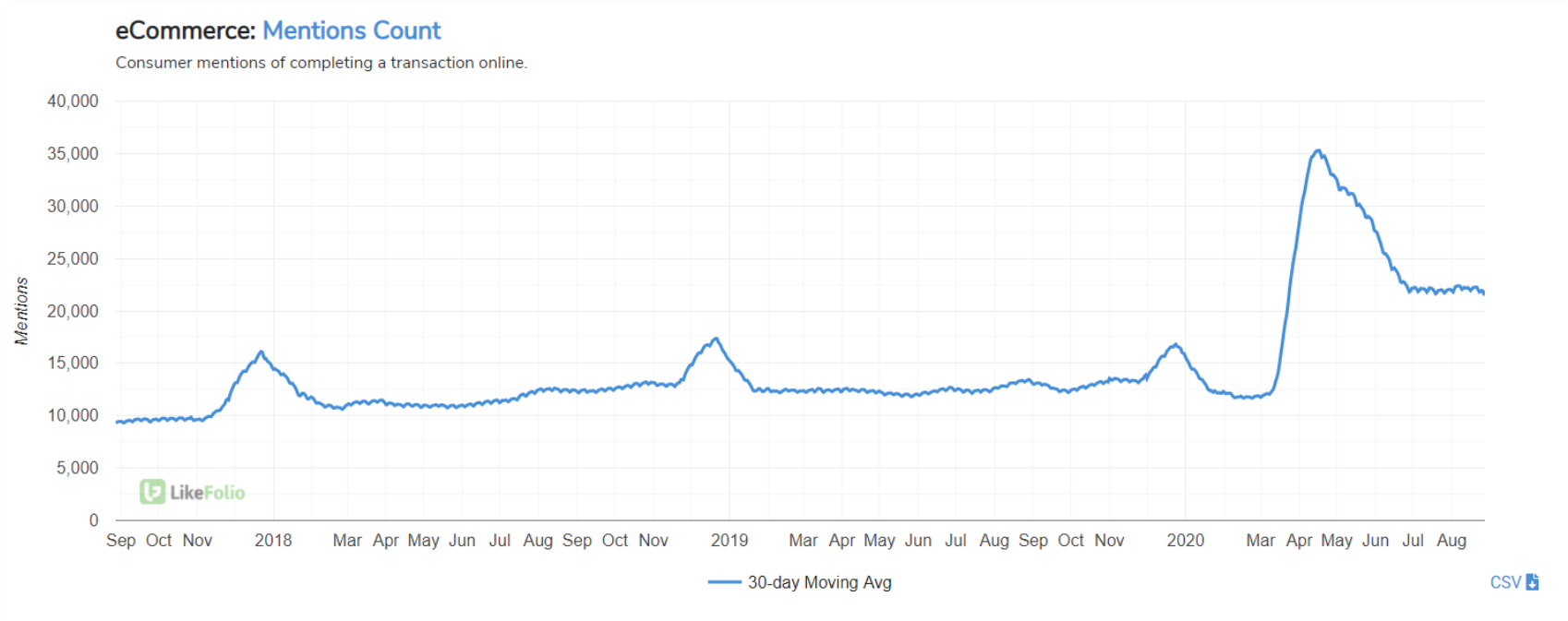
But your house is paid off!!! I finally cut the tie with Redfin. I was looking at 300 homes a day. Easy.

7:58 PM · Jul 30, 2020 · [Twitter for iPhone](#)

Macro Tailwind:

- Consumers conducting business on a digital marketplace increased 65% in the last 30 days vs. prior year.

Trend Shift: eCommerce is here to stay



RDFN: Report and Business Updates

- **Redfin acknowledged potential for short-term volatility.**

“Over the past two months, Redfin’s online visits and customer inquiries have been growing at a faster rate than at any point in the last three years. We’re inside a tornado, hiring agents, lenders and closing specialists at breakneck speed to keep up with demand, but also mindful that the bottom of the economy could fall out a second time.”

- **The Housing Market is surging.**

[New home sales surged in July](#), 14% higher than rates recorded in June and 36% higher than sales in July 2019. [Sales of existing homes reached new highs in July](#) as well, increasing nearly 25% from June and representing the strongest monthly gain in the history of the survey (going back to 1968).

Redfin benefits as more families make moves and have the option of listing and/or buying exclusively online.

MegaTrend Summary: Disruptors

Consumers completing purchases online (eCommerce) increased +65% YoY.

A major adoption spark ignited in 2020, *requiring* companies and services to conduct business without physical middlemen.

These companies *disrupted* traditional retail, real estate, and auto industries long before COVID-19, and have since flourished.

Forward-thinking business models allowed them to connect directly with consumers and increase engagement amid lockdown, no physical presence required. Full steam ahead.

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Before investing in any strategy, consider your investment objectives and speak with a professional.

Past performance does not guarantee future results, and the likelihood of investment outcomes is hypothetical.





LikeFolio

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