LikeFolio

MEGA TRENDS

Coronavirus: Shopping List

MegaTrends Report

March 2020

Introduction

We didn’t want to do it. We didn’t want to make this MegaTrends report about the virus who shall not be named…but we had to.

As we all social distance, it’s impossible NOT to feel the impact of the coronavirus. Our team is longing for the good ol’ days of communal nugget ice, team lunches, and most importantly, happy (Pappy) hour.

BUT [insert silver lining] as uncertainty about the impact of the coronavirus on consumer spending (and company bottom lines) grows, an opportunity is brewing for investors. Many STRONG companies have shed 25% or more in value.

Now is the time to plan your strategy. Here are the types of companies we’re watching:

1. **Blue Chip Values**
   Many excellent companies are experiencing short-term pain. And rightfully so. However, best-of-breed companies ***will*** rise. These names are consumer favorites and leaders in respective industries.

2. **Adoption Sparks Underway**
   Consumer behaviors are changing in response to coronavirus shutdowns, and some changes are here to stay. In fact, the companies highlighted here were already anticipating these changes. To quote one: “***The coronavirus has just made the future we’ve been preparing for come sooner.”***

3. **On the Radar: Demand Surging**
   Many companies are experiencing immediate (and arguably) short-term surges in consumer purchase intent levels. It’s essential to watch these names for continued success before diving in.

Please enjoy this report,

Andy Swan
founder, LikeFolio

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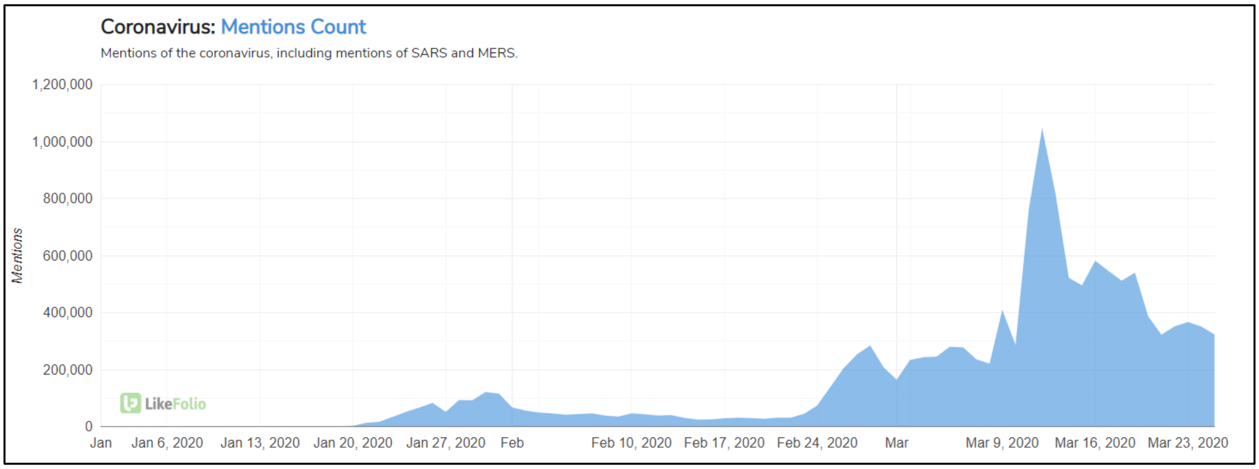
Coronavirus Fears Have Wreaked Havoc on the Market

At LikeFolio, we're listening to mentions of the coronavirus so we can gauge relative fear levels among the public.



These mentions contain key insights into **how the virus spread is impacting consumer spending behavior** and thus the **potential impact on company revenue**.

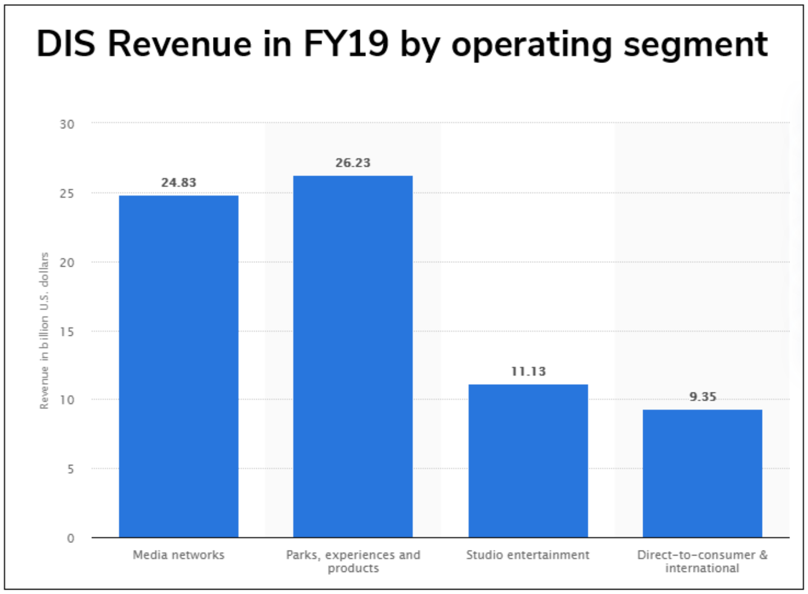
Three themes emerged while examining consumer behavior since coronavirus fears emerged:

1. **"Blue Chip Value"** companies are exhibiting strong demand but may be limited short-term by containment measures in place out of their control. However, it can be argued that these companies will continue their history of excellent execution when business as usual resumes.
2. Many companies are experienced accelerated demand due to a forced **"Adoption Spark."** LikeFolio data can confirm short-term gains. We're watching to see if these new consumers stick around, especially for companies offering subscription-based services, and a potential for increased recurruing revenue.
3. Some companies are stepping in to meet consumer demand, but business may return to pre-coronavirus level in time. These are **"On Uur Radar,"** but long-term impacts remain to be proven.

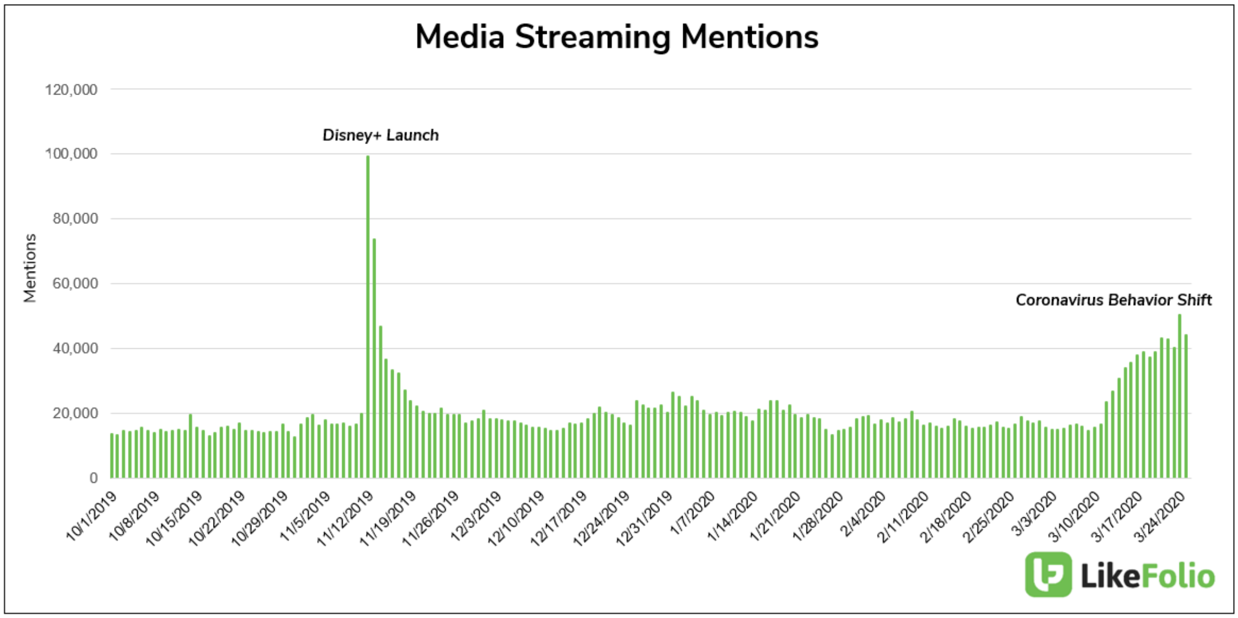
Blue Chip Values

The Walt Disney Co. (NYSE: DIS)

Disney's revenue composition is extremely diverse. **While Parks and Experiences will experience a short-term setback from closures, this segment only comprised ~37% of its total revenue in FY 2019.**



Meanwhile, Disney continues to leverage other offerings including content and subscribers across many media networks, including Disney+. The next chart reveals Disney's ability to capture a significant portion of a growing streaming audience. **The launch of Disney+ was the largest influx of new subscribers ever recorded in LikeFolio data**. Wowza.



Now note the uptick in March. Strategic content releases (like Disney+ Frozen II and Netflix's Tiger King) alongside a home-bound audience are boosting streaming mentions.

Moving forward, we're watching cancelation mentions to confirm new subscribers translate to recurrent revenue. But big picture, overall Disney demand indicates the company is well positioned to rebound from corona-woes.

Nike, Inc. (NYSE: NKE)

Nike has significant exposure to China; the region accounted for [~40% of the company's profits in FY19] and accounted for more than 1/3 of company growth from 2016 to 2019.

The shuttering of stores is going to sting. It already has. Just look at the drop in stock value from all-time highs earlier this year.

BUT - Nike has three things going for it:

It is successfully executing a direct-to-consumer mission.

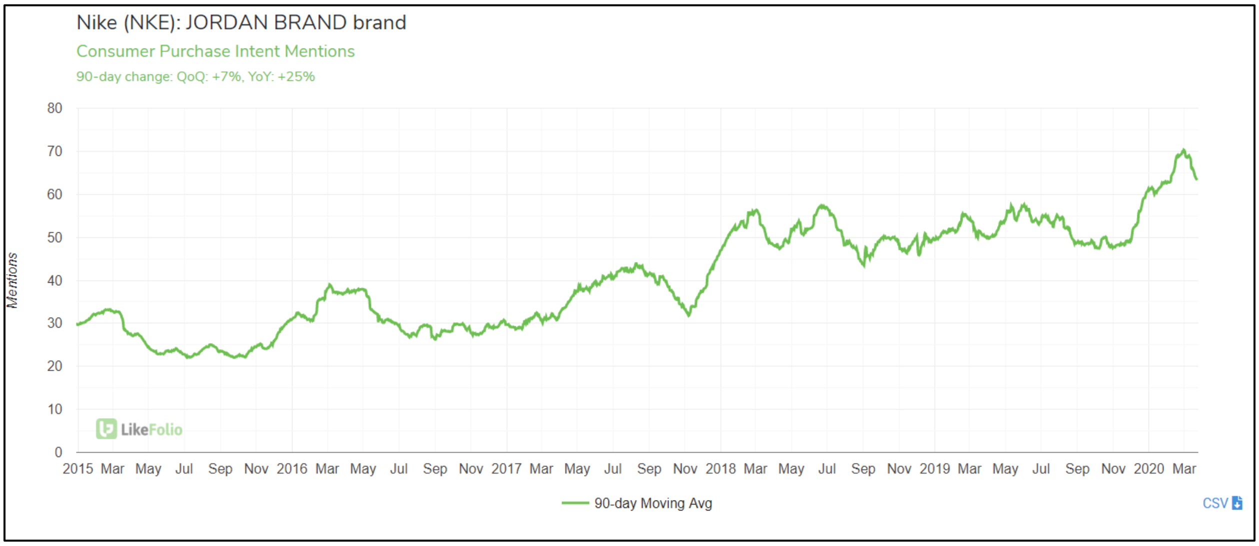
On its [last earnings call], Nike's CEO confirmed what MegaTrends consumers already knew: Nike digital conversions are booming:

> *"Our weekly active users for all of our **NIKE activity apps were up 80% by the end of Q3** versus at the beginning of the quarter. And here's what happened. The strong engagement of Chinese consumers with our activity apps translated into strong engagement with our NIKE commerce app. As a result, our **digital business in China grew more than 30% and maintained strong momentum throughout this challenging***

***period**, a powerful statement of NIKE's agile problem solving in times of disruption."*

Its brands are more popular than ever.

Nike's Jordan brand is pacing +25% YoY purchase intent growth amid virus concerns.



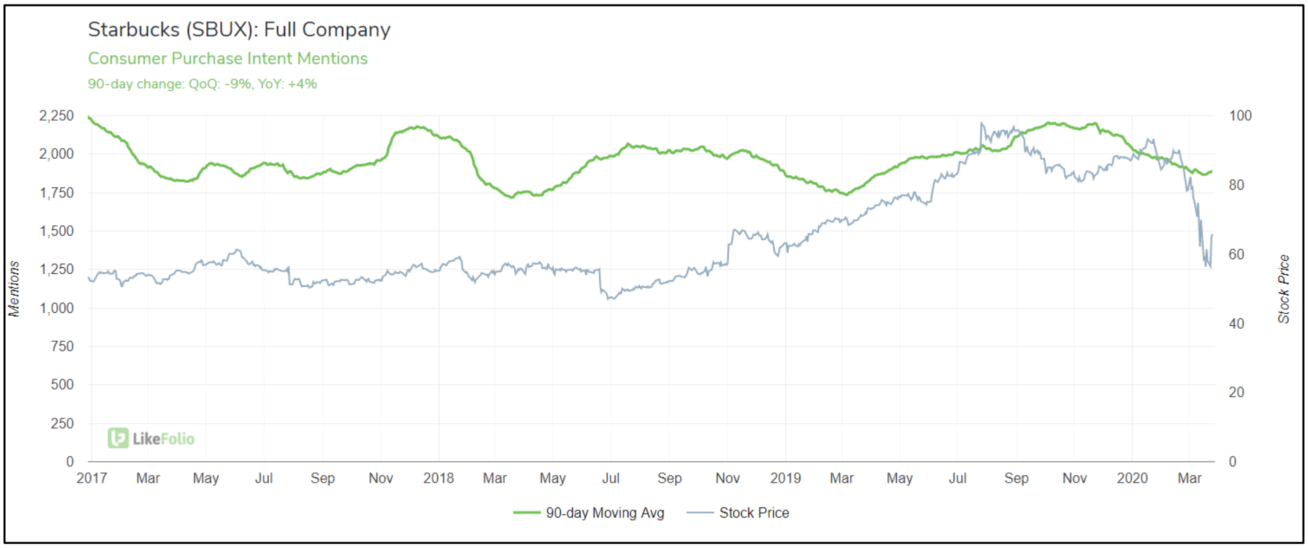
It is CRUSHING competition.

Adidas and Under Armour purchase intent levels are -6% and -17% YoY respectively.

Nike is like a coiled spring ready to pop when business returns to normal. This is an incredible opportunity, and it's been on our radar for a while.

Starbucks Corp. (NASDAQ: SBUX)

Starbucks is down ~20% (at one point as much as 34%) since coronavirus spread ignited and caused massive store closings globally.



Even though the company revenues will suffer from store closings in the immediate future, this company is **extremely** high value. What do we mean? We know Starbucks is executing well.

The company is incentivizing repeat customers, adding high-demand menu items to meet shifting consumer diet preferences, and making it easier than ever to complete a purchase.

SBUX confirmed on its 20Q1 report that the mix of mobile order and pay transactions in the U.S. grew to 17% of total sale.

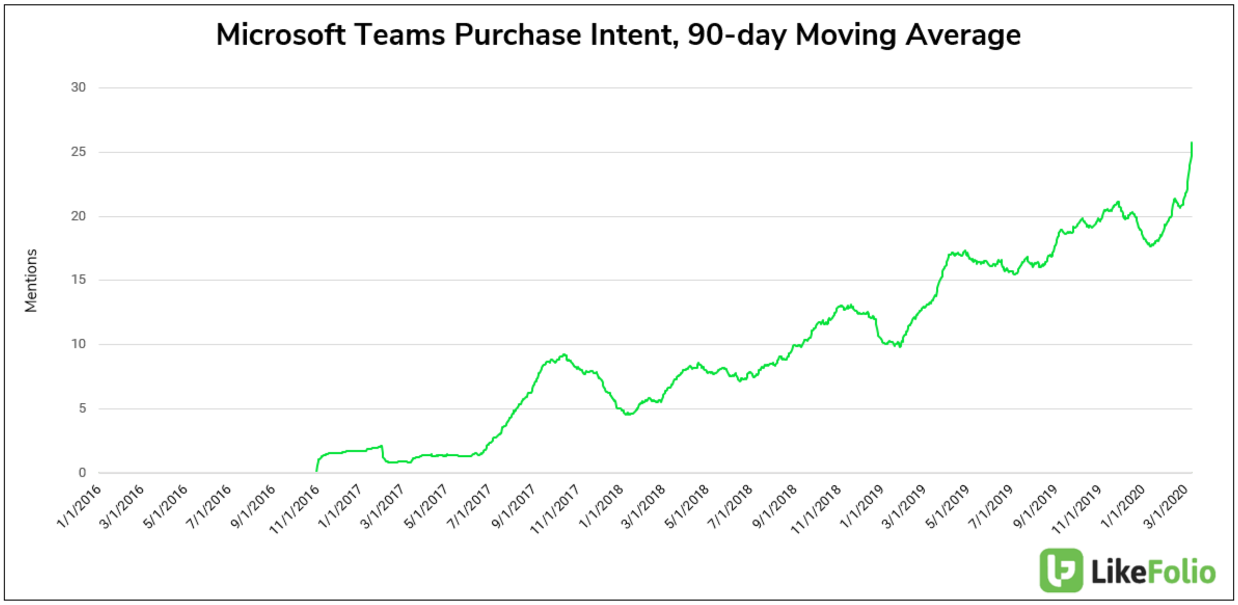
As restaurants around the world shift to pick-up only, Starbucks was ready. The company was already refining pick-up-only stores, WAY ahead of the curve.

This strategic positioning will pay off long-term, and even though SBUX has experienced short term gains thanks to a statement from its CEO and expected stimulus package, demand suggests plenty of room to grow over the next 1-2 years.

Adoption Sparks Underway

Microsoft Corp. (NASDAQ: MSFT)

As teams become global and work-from-home accelerates, Microsoft is a natural beneficiary. We dove into this on the February MegaTrends report: Powering the Evolving Workplace. Since then, the coronavirus has only ***increased*** adoption.



Not only are consumers joining Microsoft Teams, another Microsoft brand is booming: Xbox. Xbox Live suffered reported outages this month as user demand surged. LikeFolio data confirms this demand: Xbox brand purchase intent is +28% YoY over the last 30 days.

Moral of the story: Microsoft is being propelled by shifting consumer behaviors and it was already an outstanding performer. With a 25% drop in stock value since February highs, a nice entry point is forming.

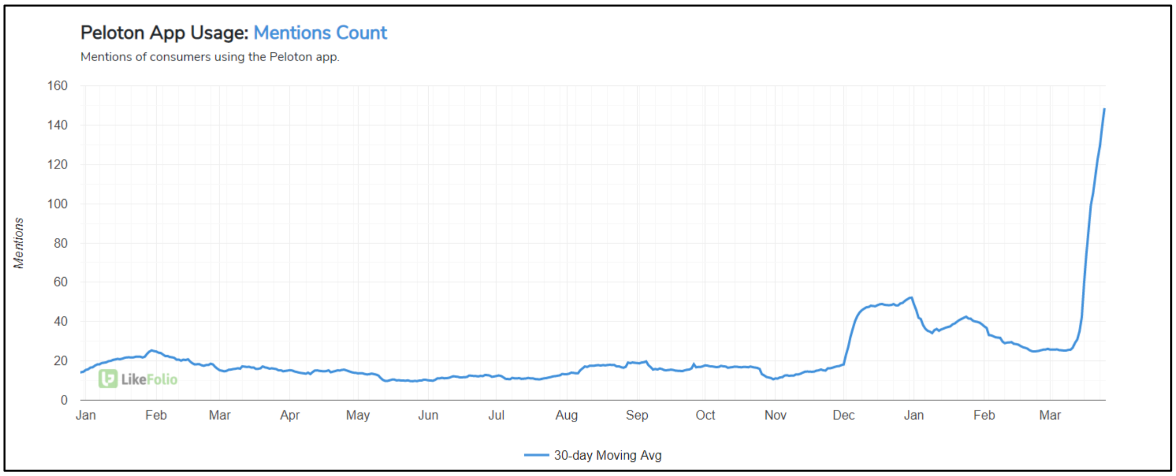
With other sectors absolutely booming (we're looking at you Amazon Web Services) alongside revenue growth (+21% last quarter), this company is shaping up to be a solid bet for long-term growth.

Peloton Interactive, Inc. (NASDAQ:PTON)

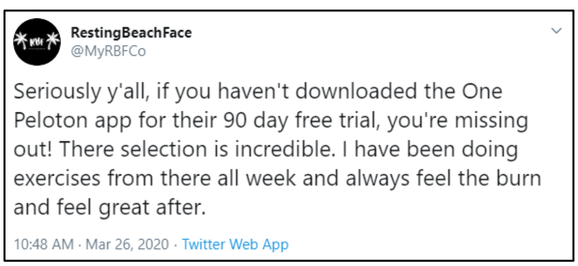
Peloton is buzzing as consumers are forced to ditch gym settings and exercise at home.

This move to working out at home is a shift for some, but Peloton was already luring customers to its wide array of digital offerings. Last December, PTON lowered the cost for its digital suite and launched apps on the Apple Watch and Fire TV.

The LikeFolio New Year Resolutions MegaTrends Report highlighted the potential growth of its subscription model. So, this isn't news. But if we thought data was hot then, just look at it now.



Mentions of Peloton App usage is ramping up, big. The company announced a free 90-day trial to entice new users.


RestingBeachFace
@MyRBFCo

Seriously y'all, if you haven't downloaded the One Peloton app for their 90 day free trial, you're missing out! There selection is incredible. I have been doing exercises from there all week and always feel the burn and feel great after.

10:48 AM · Mar 26, 2020 · Twitter Web App


Michael Frank
@michaelfrank17

Happy Thursday. Time to hit the "gym".
Gonna do some ah work and then a 20 min HIIT run off the Peloton app.

@onepeloton has workout videos, including yoga, running, stretching, and meditation. Free 90 day trial. #noexcuses

12:16 PM · Mar 26, 2020 · Twitter for iPhone

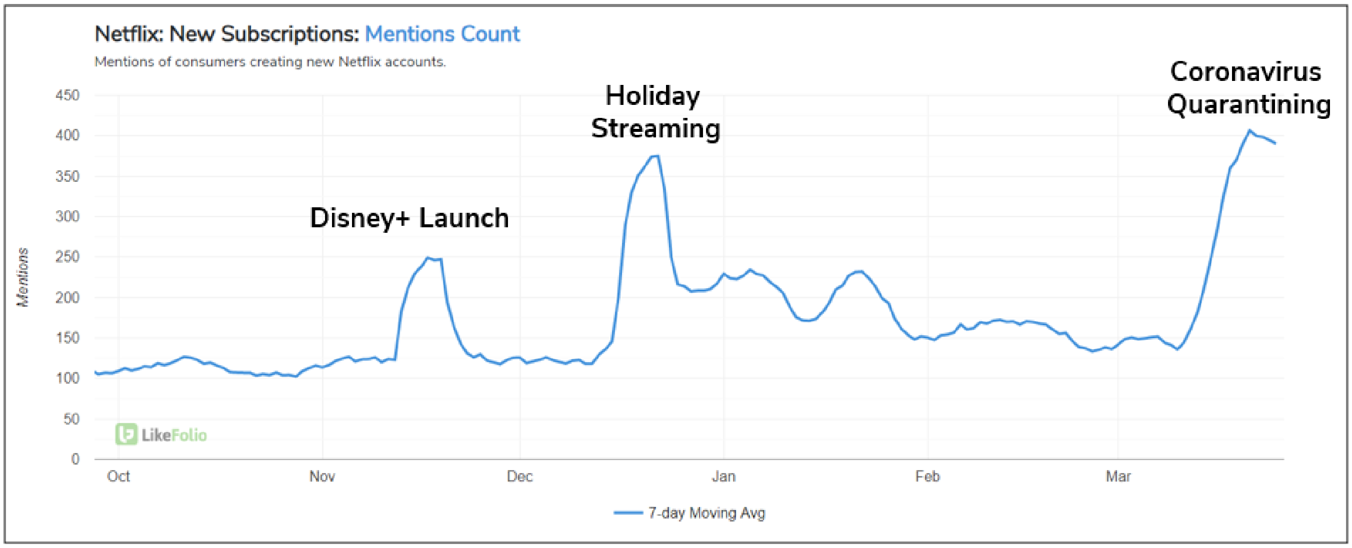
With happiness high and cost low, there's a STRONG chance that new consumers stay. We're monitoring for continued engagement and retention.

Netflix Inc. (NASDAQ: NFLX)

The number of streaming households in the U.S. is growing at a rapid pace: more than 74% of U.S. households have some form of subscription streaming service.

Netflix was initially predicted to suffer from a competitive Disney+ launch, but the opposite was true. This new service just brought MORE streamers to the table and they're jumping on Netflix, too.

How do we know? Look at this chart.

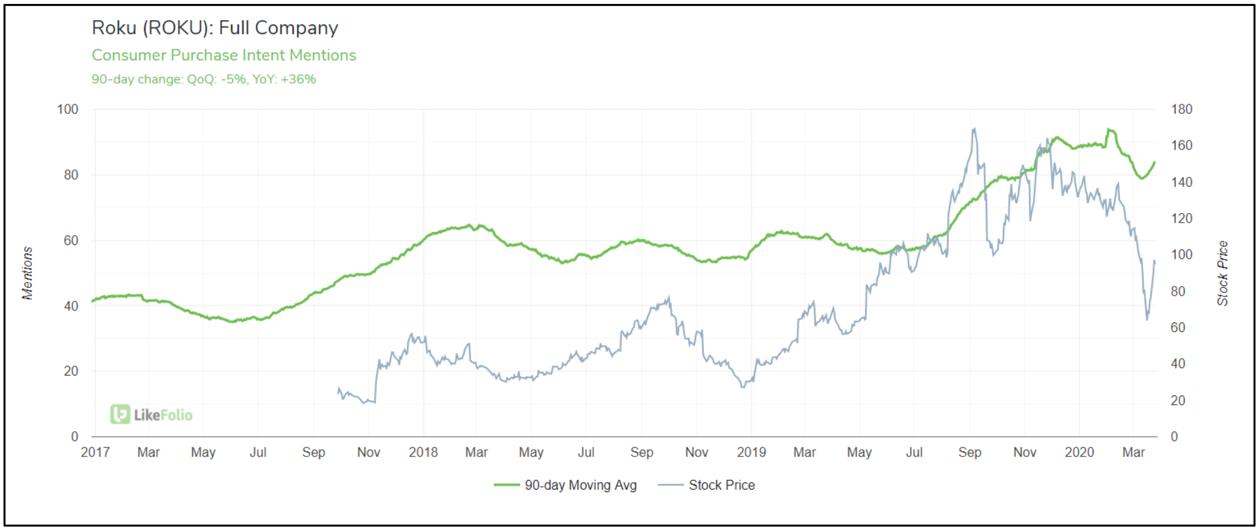


NFLX raked in subscribers alongside Disney, continued to grow over the holidays and are booming again as households avoid public events.

With an expanding library of original content, Netflix is extremely well-positioned long-term.

Roku Inc. (NASDAQ: ROKU)

Roku is often misunderstood by investors. What is so special about a streaming stick? The KEY to understanding ROKU is understanding its revenue driver: **advertising**. As consumers switch to streaming, advertisers need a programmatic way to purchase targeted ads.



The chart above is beautiful. **Consumer demand for Roku products is pacing +36% YoY and the stock has been cut significantly in the last month.**

Roku is often misunderstood by investors. What is so special about a streaming stick? The KEY to understanding ROKU is understanding its revenue driver: **advertising**.

As consumers switch to streaming, advertisers need a programmatic way to purchase targeted ads. Roku is delivering. In its shareholder letter, **Roku said its monetized video ad impressions more than doubled over the year** and "all top 10 technology and telecom advertisers, as well as all top 10 consumer packaged goods companies, spent with Roku."

Sign. Us. Up.

This is an incredible opportunity for a company proving its growth

Redfin Corp. (NASDAQ: RDFN)

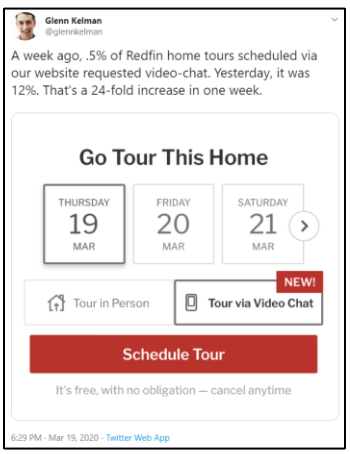
Social distancing has shuttered the concept of the "open house." But what if a virtual house tour was possible…and more than a nice photo gallery?

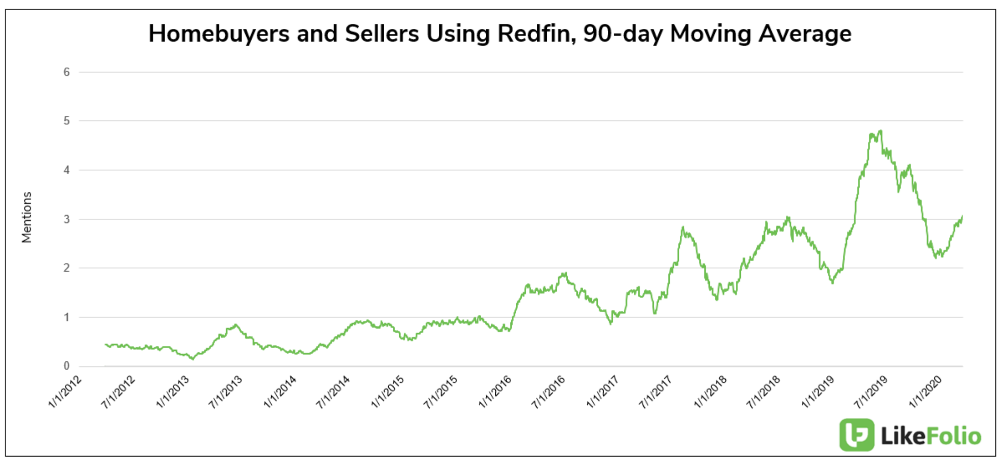
That's where Redfin comes in.

Redfin uses technology to help consumers buy and/or sell homes with fewer personnel fees and thus, less reliant on agents for personal tours. In fact, Redfin confirmed that in-person tours would be cancelled but virtual, video chat, and interactive tours are available for any home.

Redfin reported a 494% increase in requests for agent-led video home tours last week, following an 80% increase the prior week.

LikeFolio data is revealing an uptick in virtual home tours and Redfin usage in general.



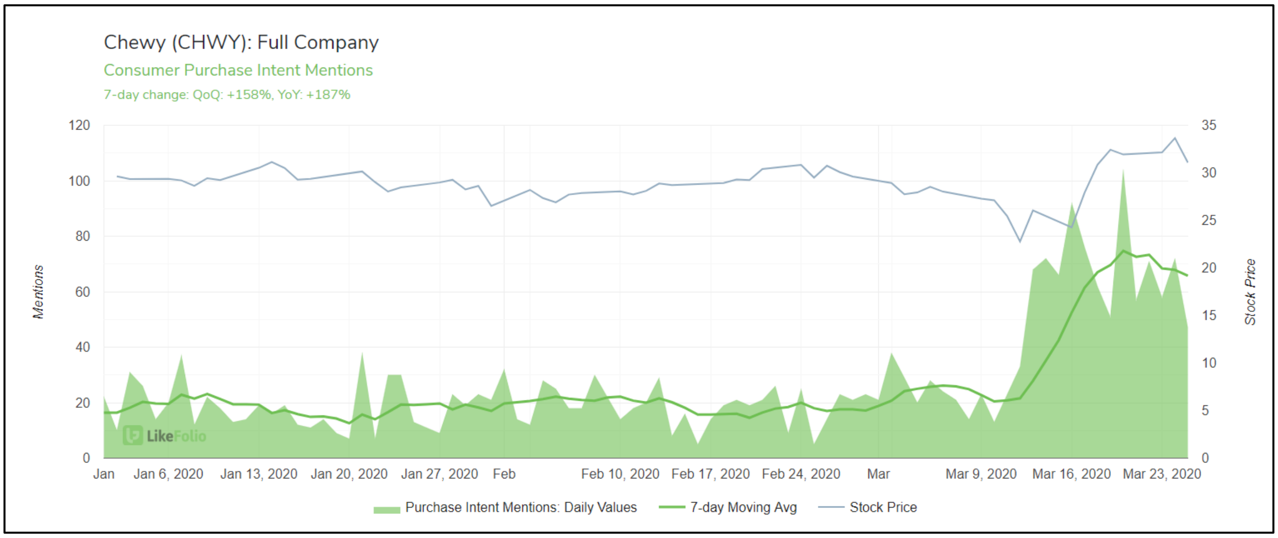


"We've spent a decade preparing for this day… No brokerage has invested more in preparations for virtual open houses, virtual tours, virtual contracts and closings. The coronavirus has just made the future we've been preparing for come sooner," said a statement from the company.

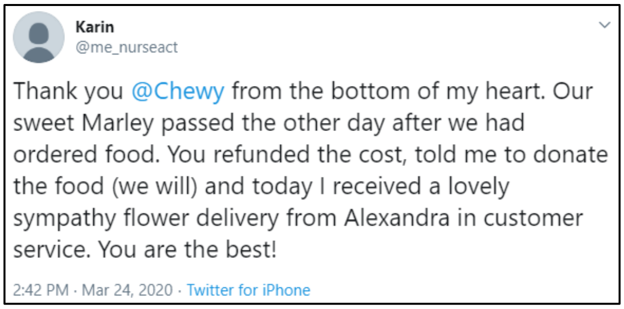
While the housing market is uncertain in the near term, LikeFolio data suggests a big picture, positive trajectory. Especially when a company can prove its value during difficult times.

Chewy Inc. (NYSE: CHWY)

Chewy demand has more than tripled in the last week as homebound consumers scramble to be sure the most lovable members of the family (pets, of course) are prepped and ready.



In the midst of this surge in demand, **CHWY consumer happiness levels remain at some of the highest levels recorded for ANY company in the LikeFolio universe: +85% positive.** Tweets reveal consumers believe CHWY's customer service is unmatched.



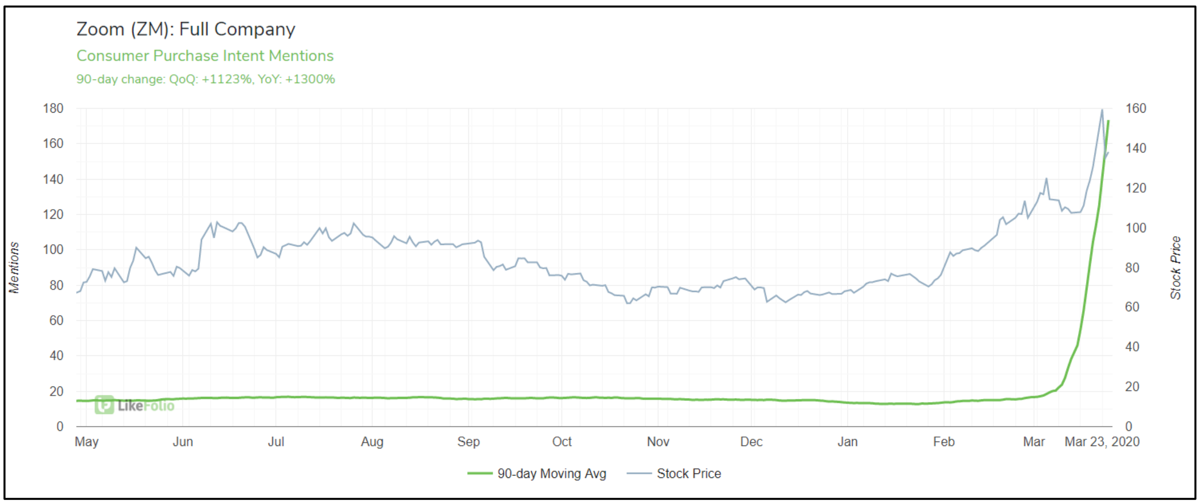
On its last report, CHWY reported [revenue growth of +40% YoY but fell after earnings] due to a larger loss than anticipated. The stock has gained ahead of [earnings], reaching highs not seen since September.

This is a name to watch. LikeFolio demand suggests strong guidance, and happiness data supports subscriber retention. If CHWY sells off alongside market volatility, it may present an ideal long-term position.

Zoom Video Communications (NASDAQ: ZM)

Zoom is another familiar name to LikeFolio followers. We've been tracking this one since February. But the recent demand uptick is too hot to not revisit. We already knew video conferencing was growing, but now it's a necessity.

Demand has surged exponentially over the last week as students, educators, personal trainers, and other businesses rely on the service to connect.



Zoom's CEO helped spur this adoption by giving K-12 schools these videoconferencing tools...for free. ***On March 11, the most recent day for which data is available, 343,000 people globally downloaded the Zoom app.*** WOW.

This is a company rising to meet EXTREME consumer demand and acquiring a HUGE list of potential future customers. And right now, Wall Street knows it.

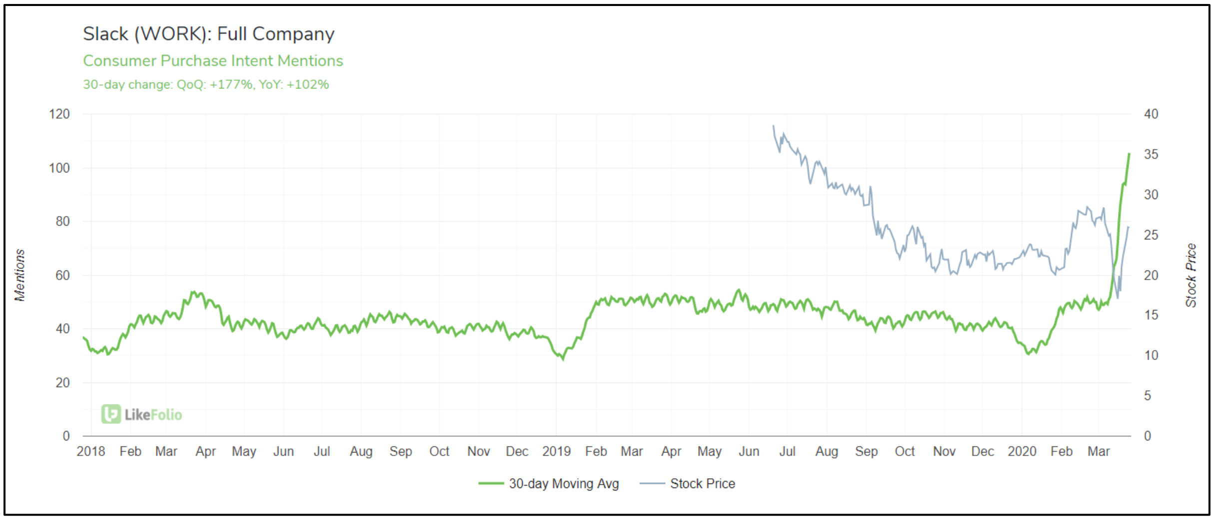
During the formatting of this report, the stock has added ~30% in value. Previous MegaTrends followers are profiting from this performance. This recent adoption only enhances the value proposition for the company.

Looking ahead, we're monitoring for continued adoption and retention of users. We're also watching for sell-offs along the way to create additional entry points.

Slack Technologies Inc. (NYSE: WORK)

Slack already had more than 12 million daily users in 2019.

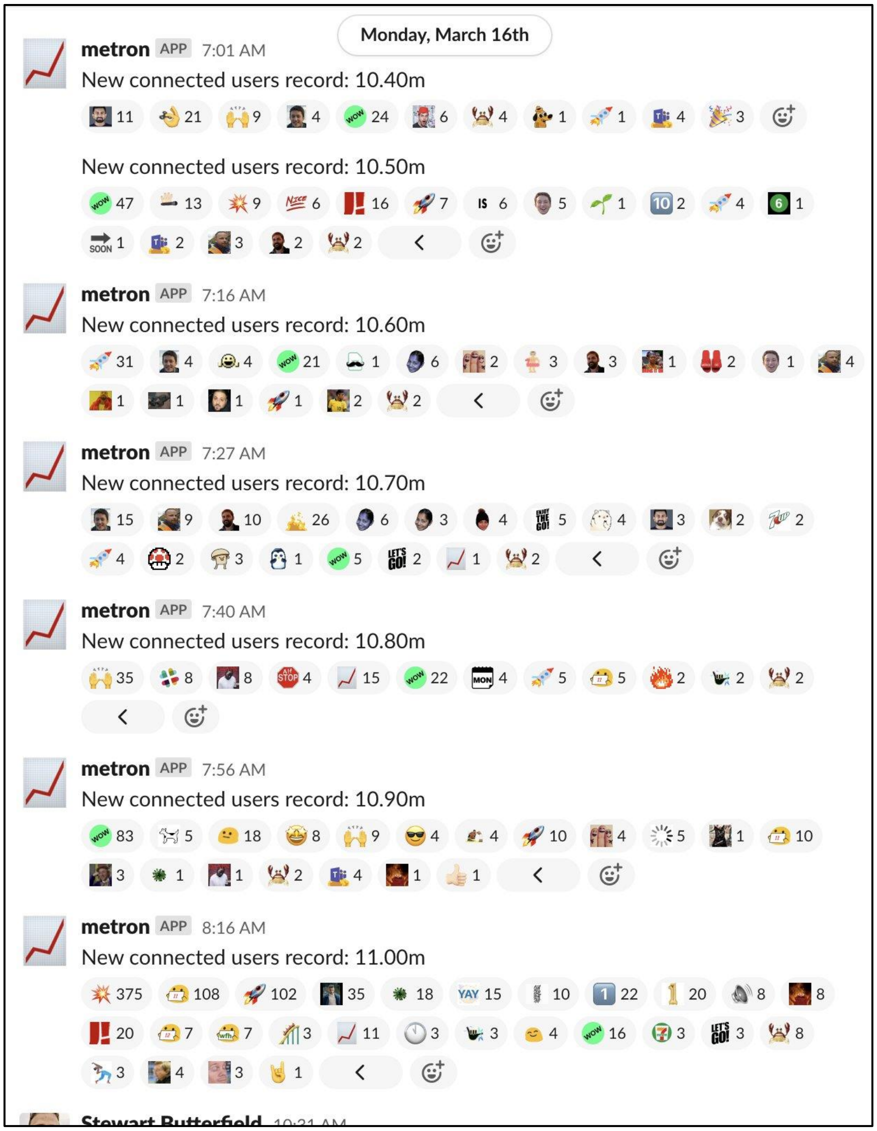
Now, the influx of new consumers reliant on the messaging technology in light of virus-related work-from-home protocol is exploding. We knew they'd ditch email and get here anyway, but the adoption boost is undeniable.



LikeFolio Purchase Intent mentions of "downloading slack" and "just got slack" over the last 30 days are pacing +102% YoY. Meanwhile, the stock remains below IPO highs.

In addition, Slack consumer happiness has INCREASED during this adoption process. The fact that new customers are loving the new tool that is meeting urgent needs is an excellent sign long-term. While technically a competitor to Microsoft's Teams product, this is an instance where BOTH products can be expected to rise.

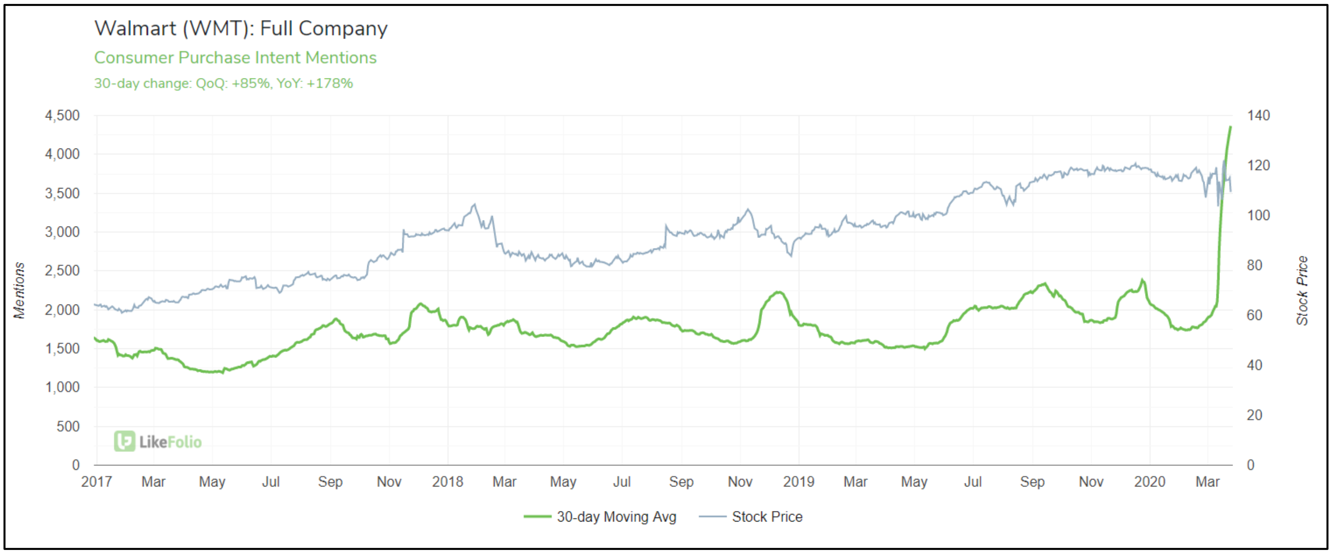
A tweet thread from Slack's CEO is very telling of the current environment.



If Slack retains this influx of users, the platform has plenty of room to grow over the next year.

Walmart Inc. (NYSE: WMT)

Walmart consumer demand is reaching unprecedented levels as the stock teeters near all-time highs.



The company is strategically capturing this influx of consumers and stands to launch itself higher well into the future. What is it doing right?

1. Digital Adoption – E-commerce sales last quarter were up 35%.
2. Grocery – Walmart is proving a competent grocery competitor as this sector drove e-commerce sales.
3. Repeat Customers – the launch of Walmart+ will incentivize consumers to shop at Walmart and lower delivery costs.

While the initial demand surge is certainly coronavirus-specific, the long-term implications should not be ignored. If Walmart can successfully retain new customers AND leverage a new subscription service, the ripple effects may last much longer than a single earnings report.

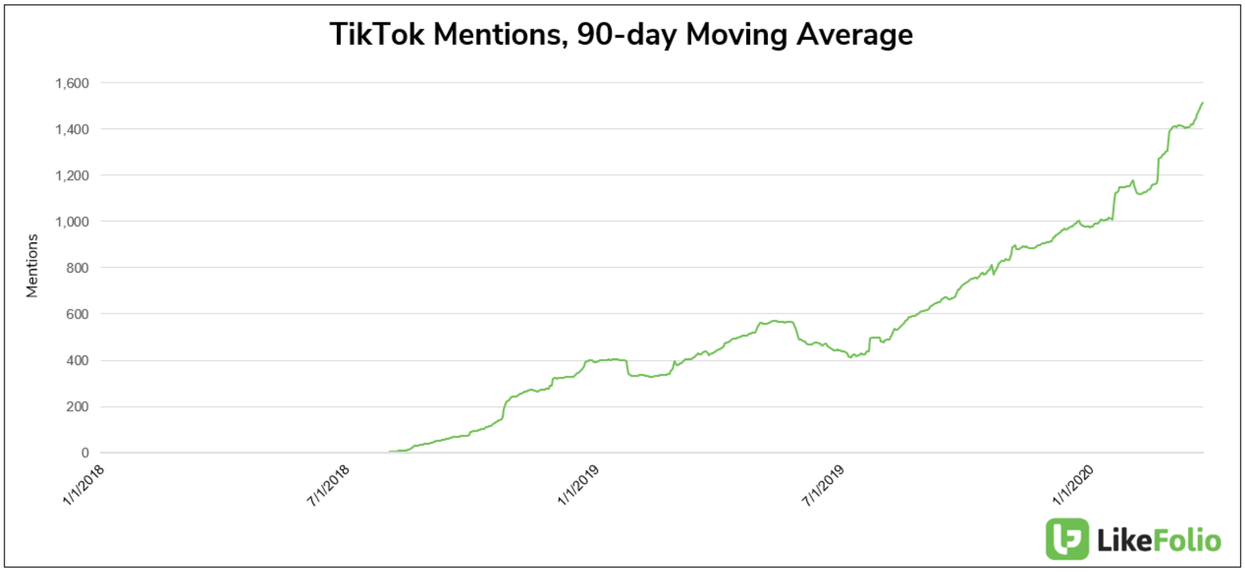
Based on the trifecta described above, we're anticipating long-term success.

The Trade Desk (NASDAQ: TTD)

LikeFolio has been watching TTD for quite some time. We liked the name so much we featured it on its own as a bonus report in November 2019.

This company serves as a tool for buyers to place targeted ads on multiple platforms. While an ad-buying tool doesn't generate much actual consumer buzz on Twitter, we can look for context clues to predict future success.

Recently, [TikTok announced it selected The Trade Desk to monetize its inventory](). This is a big deal. Look how at the download rate for TikTok since 2019:



So, this booming social network is going to connect with advertisers via The Trade Desk.

On its [last report](), TTD confirmed success in leveraging OTT (over the top) ad placements, and connected TV ad spend was +137% YoY.

With this trajectory, data suggests plenty of room for continued success.

On Our Radar

- Costco Wholesale Corp. **(NASDAQ: COST)** – Will coronavirus prep bring (and keep) new Costco memberships?
- Grubhub Inc. **(NYSE: GRUB)** – Will consumers continue to use food delivery when social distancing ends?
- NVIDIA Corp. **(NASDAQ: NVDA)** – Will new gamers update their PCs with Nvidia's graphics processing units?
- Activision Blizzard, Inc. **(NASDAQ: ATVI),** Take-Two Interactive Software, Inc. **(NASDAQ: TTWO),** Nintendo Co., Ltd. **(OTC: NTDOY)** – Will new gamers turn into recurrent revenue post-coronavirus quarantine?
- Zillow Group, Inc. **(NASDAQ: Z)** – Will the Federal Reserve rate cut bring more home-buyers and sellers to the table in the coming months?
- Spotify Technology **(NYSE: SPOT)** – Will bored quarantiners turn to Spotify for long-term entertainment?
- Carvana Co. **(NYSE: CVNA)** – Will economic hardships drive more customers to used-car sales, or limit the ability to purchase a vehicle at all?
- Etsy, Inc. **(NASDAQ :ETSY)** – Will the Purchase Intent surge currently underway turn into a long-term shopping preference?
- Pinterest, Inc. **(NYSE: PINS)** – Will consumers engage with and purchase brands they discover on Pinterest?
- Logitech International S.A. **(NASDAQ: LOGI)** – Will Logitech convert home-office builders and gamers to repeat customers?
- Alphabet Inc. **(NASDAQ: GOOGL)**, Apple Inc. **(NASDAQ: AAPL)** – Will short-term sales from work-from-home tools sustain adoption post-coronavirus quarantine?

Conclusion

This report contains SO MANY opportunities to unpack – 28 companies total. It's most important to clearly define your path moving forward.

Consider the data and research points presented in each category alongside your own hypothesis and trading style.

Also, watch out for updates and continued strength in consumer demand moving forward.

We'll be monitoring the pulse of the consumer in the coming weeks. If and when we spot additional opportunities (or landmines) you'll be the first to know.

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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.

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