Streetlight Confidential Special Reports

3 Stocks Set To Skyrocket 300% or More...

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COMPANY #1: ONDAS HOLDINGS INC (ONDS)

When Wall Street wants to invest in edge computing, the first two companies that come to mind are Cloudflare and Fastly. These are good companies, but their focus is on creating data centers in large cities and densely populated areas.

There's a lot of space and entire industries outside America's largest cities that also need the most innovative wireless technology available.

The transportation industry, for example, is in dire need of high-speed and reliable communications services for their fleets and to fulfill their product and service promises to customers.

I want to introduce you to Ondas Holdings Inc (ONDS). While this $300 million company is too small to garner the attention of major Wall Street analysts, it is actively filling the unmet need of industries, many of them set in rural America, that need rock-solid internet and communications services.

Ondas Holdings Inc (ONDS)

Here's how Ondas describes itself in its quarterly 10Q filing with the Securities and Exchange (SEC) Commission [emphasis is my own]:

> *"Ondas Holdings is a leading provider of private wireless, drone, and automated data solutions through its wholly-owned subsidiaries Ondas Networks Inc. ("Ondas Networks") and American Robotics, Inc. ("American Robotics" or "AR"). Ondas Networks and American Robotics together provide users in rail, energy, mining, agriculture, and critical infrastructure markets with improved connectivity, data collection capabilities, and automated decision-making to improve operations. Ondas operates these two subsidiaries as separate business segments, and the following is a discussion of each segment.*
>
> *Ondas Networks provides wireless connectivity solutions enabling mission-critical Industrial Internet applications and services. We refer to these applications as the* ***Mission-Critical Internet of Things ("MC-IoT")****. Our wireless networking products are applicable to a wide range of MC-IoT applications, which are most often located at the very edge of large industrial networks. These applications require secure, real-time connectivity with the ability to process large amounts*

of data at the edge of large industrial networks. Such applications are required in all of the major critical infrastructure markets, including rail, electric grids, drones, oil and gas, public safety, homeland security, and government, where secure, reliable, and fast operational decisions are required in order to improve efficiency and ensure a high degree of safety and security."

The above description doesn't make it entirely clear that security and performance restrictions demand that private mission-critical wireless networks be separate from the public internet. It's also important to note that these networks must be privately managed.

Suffice it to say that groups like first responders, railroads, utility providers, and any company providing mission-critical tasks require robust and reliable networks. And between the company's two divisions, Ondas Networks and American Robotics (AR), it's believed that Ondas has a total addressable market of nearly $50 billion.

A High-Risk, High-Reward Investment

Any company with the potential to skyrocket 300% or more in a short period is bound to be risky. And Ondas is no different.

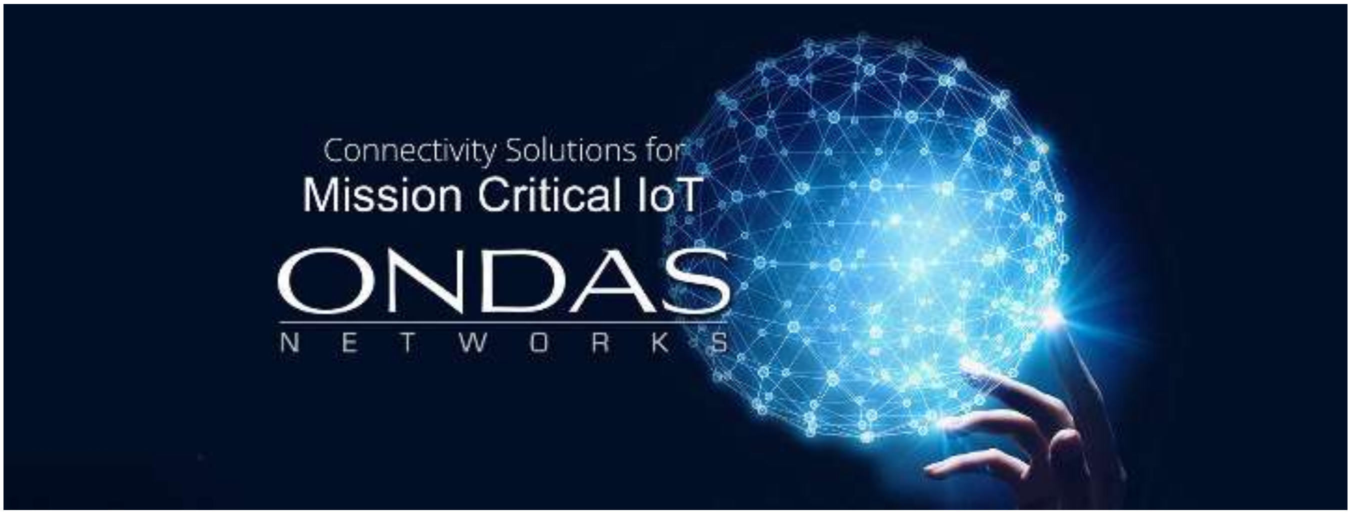
While Ondas appears to have developed an advanced edge cloud technology for private mission-critical wireless markets, and the company does plan to utilize a software as a service (SaaS) revenue model, this is still an early-stage company with little in the way of revenue or cash flow.

At roughly a $300 million market cap, Ondas has enormous potential and absolute risk.

Given the company's small market cap, large purchase orders could have a significant and immediate impact on the bottom line.

That said, even with virtually no long-term debt and around $32 million on the balance sheet, we can't ignore the possibility that *if* Ondas fails to generate substantial revenue by the end of 2022 in the form of binding purchase orders (for either company division), we may see the company need to raise cash in the public markets.

My baseline expectation for Ondas is if the company can manage its cash during its very long sales cycles, and if industries such as the legacy rail providers are willing to upgrade their networks, I believe the company can grow into a $1+ billion industry leader.



COMPANY #2: UNITY SOFTWARE (U)

Cryptocurrency, nonfungible tokens (NFT), and all things metaverse are synonymous with two things: price volatility, and explosive growth. And while 2022 has provided significantly more price volatility than apparent growth, many analysts believe that the metaverse and all things crypto are where aggressive, growth-oriented investors need to be over the next few years.

If you want to invest directly in the cryptocurrency market, you can invest directly into Bitcoin, Ethereum, Matic, or countless other "coins."

But for those that prefer to keep things on Wall Street and invest in traditional companies, look at Unity Software (U).

A Trillion-Dollar Opportunity

Without bringing too much hyperbole into the discussion, many people believe the metaverse is the next trillion-dollar opportunity.

But what exactly is the metaverse?

Here's how Mark Zuckerberg, CEO of Meta Platforms, described the metaverse to the old folks on Wall Street:

> *"**So what is the metaverse? It's a virtual environment.** We can be present with people in digital spaces. And you can kind of think about this as an embodied Internet that you're inside of rather than just looking at. And we believe that this is going to be the successor to the mobile Internet. You're going to be able to access the metaverse from all different devices and levels of fidelity, from apps on phones and PCs to immersive virtual and augmented reality devices.*
>
> *You can build a hangout, play games with friends, work, create, and more within the metaverse. You're going to be able to do everything that you can on the Internet today, as well as some things that don't make sense on the Internet today, like dancing. The defining quality of the metaverse is presence, which is this feeling that you're there with another person or in another place. Creation, avatars, and digital objects will be central to how we express ourselves, and this will lead to entirely new experiences and economic opportunities. I think that,*

> *overall, this is one of the most exciting projects that we're going to get to work on in our lifetime. But it could take a lot of work, and no one company will be able to build this all by themselves. Part of what I've learned over the last five years is that we can't just focus on building great experiences. We also need to make sure that we're helping develop an ecosystem so millions of other people can participate in the upside and opportunity of what we're all creating. They're going to need new protocols and standards, new devices, new chips, new software from rendering engines to payment systems, and everything in between."*

And regarding the opportunity surrounding the metaverse, here's how the folks at Meta Platforms see it playing out:

> *"We believe the metaverse will be the biggest opportunity for modern business since the creation of the internet. It's the next evolution of digital platforms and the successor to today's mobile internet."*

Whether or not you agree with Mark Zuckerberg or his company's vision for the metaverse, the reality is a lot of people believe the metaverse will unlock new opportunities for buyers and sellers to connect in a new way and change the way we consume entertainment.

Simply put, crypto enthusiasts believe the metaverse will enhance physical-world experiences.

A Pick-and-Shovel Approach

With a market capitalization of around $12 billion, you'd think more investors would be familiar with Unity Software (U). But in truth, unless you're deep in the gaming industry or involved in the buildout of the metaverse architecture, you've probably never heard of this company.

Here's how Unity describes itself in its quarterly 10Q filing with the SEC:

> *"Unity is the world's leading platform for creating and operating interactive, RT3D content.*
>
> *Our platform provides a comprehensive set of software solutions to create, run, and monetize interactive, real-time 2D and 3D content for mobile phones, tablets, PCs, consoles, and augmented and virtual*

reality devices. Our platform consists of two distinct, but connected and synergistic, sets of solutions: Create Solutions and Operate Solutions.

Our Create Solutions are used by content creators—developers, artists, designers, engineers, and architects—to create interactive, real-time 2D and 3D content. Content can be created once and deployed to more than 20 platforms, including Windows, Mac, iOS, Android, PlayStation, Xbox, Nintendo Switch, and the leading augmented and virtual reality platforms, among others. Our Operate Solutions offer customers the ability to grow and engage their end-user base, as well as run and monetize their content with the goal of optimizing end-user acquisition and operational costs while increasing the lifetime value of their end-users."

Unity Software Inc. (U)

In simpler terms, Unity is a leading player in the architecture and technology necessary to create the metaverse — augmented reality, virtual reality, and real-time 3D.

While I don't want to turn what should be a brief description of a company into an overly complex technology lesson, it's worth noting that Unity's CEO, John Riccitiello, told a CNBC audience in late-2021 that "more than 50% of everything that is RT3D that is in the world — the metaverse — is built in Unity."

The bottom line is when it comes to investing in the core infrastructure buildout of the Metaverse, Unity Software is one of the easiest ways to secure that investment.

Valuation and Risks

While Unity's valuation on a price-to-sales (P/S) basis contracted considerably with the stock market correction in 2022, let's not kid ourselves, this is still an expensive stock.

With a P/S of nearly 10x 2022 current sales, I don't want anyone to mistake Unity for a cheaply valued company. That said, the company has posted quarterly (year-over-year) revenue growth of between 53% and 36% every quarter since June 2020.

It's also worth noting that while the company is carrying a modest amount of long-term debt, it also has more than $1.8 billion in cash and short-term investments on its balance sheet. Put another way, I don't believe the company will need to raise money via equity or debt in the next six months.

As far as investment risks are concerned, Unity has two primary risks.

Operationally, any slowdown in the buildout of the metaverse will have an immediate impact on the company's bottom line. If the crypto/NFT/metaverse ecosystem loses favor with users or investors, I would expect Unity's profits and stock price to suffer in a big way.

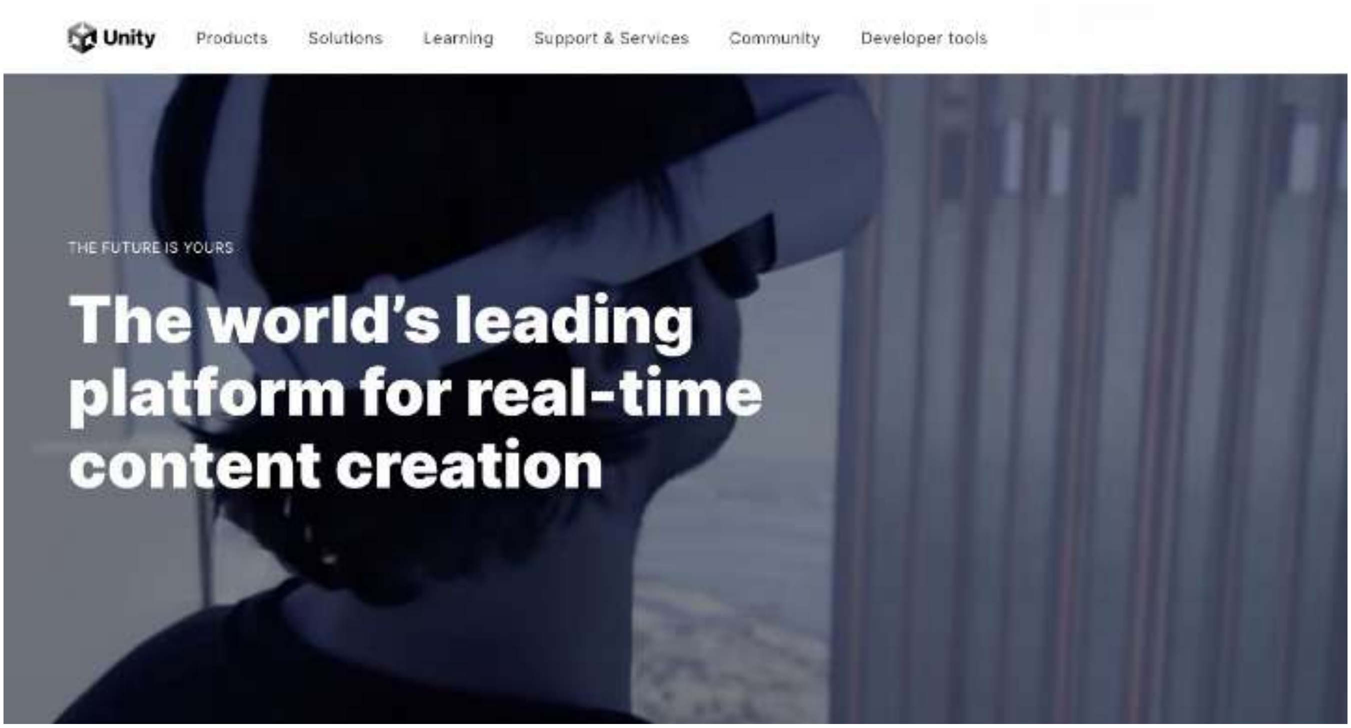
The second risk worth considering is related to the company's valuation.

While Unity's valuation has contracted considerably since late-2021, continued selling in the Nasdaq will likely have an immediate and dramatic impact on the price of Unity's stock price.

If you choose to invest in Unity, I suggest doing two things.

The first is to invest with a three- to five-year time horizon. It's impossible to know how the adoption of the metaverse will change over time, but giving the technology several years to reach mainstream status will likely reduce day-to-day volatility.

In addition to investing with a long-term time horizon, I would invest in pieces. Price volatility around high-growth companies like Unity is a fact of life. To reduce that pain of seeing prices swing wildly from one day to the next, decide how much you want to invest, and divide that figure over four or five pieces. Giving yourself room to dollar-cost average in an investment is a great way to reduce the stress that comes along with the price volatility of fast-growing companies.



COMPANY #3: DIGITALOCEAN (DOCN)

Unless you're new to high-growth technology investing, you're probably familiar with cloud computing. But having heard of the cloud doesn't mean you understand how it works.

Don't worry; I'm not going to drag you into the weeds of cloud computing. However, to appreciate the growth prospects of DigitalOcean (DOCN), there are a couple of things you need to understand.

DigitalOcean was founded with one goal in mind: To simplify cloud computing for entrepreneurs, individuals, and small and medium-sized businesses (SMBs). Entrepreneurs and SMBs need their developers focused on innovating. SMBs don't have the time or financial resources to waste time trying to decipher complicated cloud computing offerings.

It's also important to understand that while the big dogs in the cloud computing space like Google, Microsoft, and Amazon have been tailoring their products to the largest enterprises, SMBs are often left out in the cold. And while large enterprises have the staff and tech departments to work with large and complex cloud offerings, SMBs need their technology to work intuitively.

The bottom line is entrepreneurs and SMBs can't afford downtime, and they rarely have the money to hire dozens of technology wizards to figure out how to use the products sold by the likes of Google and Microsoft. SMBs need to know that when they're integrating a new piece of software, documentation and human support is a mere click of the mouse or phone call away.

Here's how the folks at DigitalOcean describe their cloud platform:

> *"Our platform simplifies cloud computing, enabling our customers to rapidly accelerate innovation and increase their productivity and agility.*
>
> *As of March 31, 2022, we had approximately 623,000 individual and business customers using our platform to build, deploy and scale software applications. Our users include software engineers, researchers, data scientists, system administrators, students, and hobbyists.*
>
> *Our customers use our platform across numerous industry verticals and for a wide range of use cases, such as web and mobile applications, website hosting, e-commerce, media and gaming, personal web projects, and managed services, among many others. We believe that our focus on simplicity, community, open-source, and customer support are the four key differentiators of our business, driving a broad range of customers around the world to build their applications on our platform."*

Simply put, DigitalOcean's mission is to make the transition to the cloud as seamless as possible for the millions of SMBs and individual developers that have been ignored by cloud infrastructure behemoths like Amazon Web Services and Microsoft Azure.

A Recipe For Success

When it comes to cloud-based software as a service (SaaS) models, I track three specific metrics to gauge how well a company is performing: Revenue growth, net dollar retention (NDR), and total addressable market (TAM).

In its most recent quarter, DigitalOcean reported 36% year-over-year revenue growth. That makes five consecutive quarters of growth between 28.7% and 36.7%.

Net dollar retention isn't a metric many investors are familiar with. Still, in a nutshell, an NDR above 100% tells us that existing customers are increasing their spending with the company annually. If a company can generate revenue growth by providing existing customers with outstanding service rather than expanding its product offerings, that company has a loyal base.

DigitalOcean's NDR grew from an impressive 102% in the first quarter of 2020 to 107% in 2021. The company then grew that 107% NDR to an incredible 117% in the most recent quarter! Simply put, DigitalOcean has a stable of happy customers.

DigitalOcean (DOCN)

The last metric I want to highlight is the total addressable market (TAM). A company can only grow as large as its addressable market, so it needs a large and growing audience to justify an above-market valuation.

Recently, DigitalOcean told investors it believes between its infrastructure as a service customers and its platform as a service customers, it has a $72 billion market opportunity.

However, DigitalOcean then went on to say that by 2025, between developers, existing SMBs, and newly created SMBs, they believe that the addressable market will expand to an incredible $145 billion!

A De-Risked Growth Story

No investment is risk-free. And when we're talking about fast-growing high-growth tech stocks, the risks are almost always incredibly high.

However, while DigitalOcean isn't a cheap stock on a price-to-sales basis (currently around 10x sales), it's important to note that the company has been generating positive free cash flow since Q3 2021. The cash flow isn't enough to take a future raise entirely off the table, but with $1.5 billion in cash and short-term investments on the balance sheet at the end of the last quarter, the company appears to be on solid footing.

The bottom line is while DigitalOcean's stock is very volatile, if you're looking for a fast-growing tech stock to add to your portfolio, DOCN is worth consideration.