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Streetlight Confidential

Inside This Issue:

And the Bear Grinds On

Three Potential Superstar Companies to Check Out While the Chaos Continues

-by Bob Byrne

After weeks of putting up red numbers, the market took a break last week and came up for a little air. The S&P 500 rallied nearly 6% on the week while the Nasdaq managed nearly 7%.

Does that mean we're out of the woods? By no means. Even if this rally continues, the overall bear trend would still be intact until a new bull leg is confirmed by taking out previous highs from January. That means if not more significant weakness, at the very least, we should expect more volatility as the market continues in its corrective phase.

That may not be the news you want to hear, but remember, successful investors play the long game. And while bear markets, like the one we're in, are often unpleasant, they can offer exceptional opportunities for investors who are on the lookout for them.

Our mission here at *Streetlight Confidential* is to search out, identify and share those kinds of exceptional opportunities. Opportunities in companies that you won't hear about though mainstream financial outlets.

While recently updating several research reports, we uncovered three cutting edge, under-the-radar companies that I believe have explosive potential — potential to double, or even triple — in the not too distant future.

I want to share those companies with you in this issue.

As with all smaller companies, there are significant risks associated with investing in them. So you should investigate them carefully, or discuss them with your financial advisor, to see whether they're a fit for your investment profile before you take any action.

Having said that, let's dive in…

Cloud Computing for the Rest of Us

This Company is Looking to Dominate in a Forgotten (and Wide Open) Market

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. They 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)

Source: Barchart.com

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 at around 10x sales), it's important to note that the company has been generating positive free cash flow since the third quarter of 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.

Action to Take:

Buy a half position up to $60, reserving capital to purchase the remainder on a dip.

Taking Business Networks to the Edge

This $300 Million Newcomer is Looking to Take the Lead in a $50 Billion Market

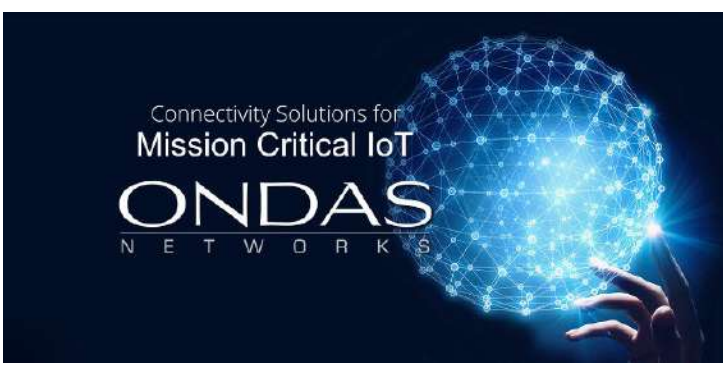
When Wall Street wants to invest in edge computing (critical network architecture that reduces typical network latency and congestion), the first two companies that come to mind are Cloudflare and Fastly. These are good companies, but their focus is on creating data centers in large cities and densely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

But there are 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 reliable, high-speed communications services for their fleets and to fulfill their product and service promises to customers.

Looking for a company that is catering to this otherwise ignored market segment, I want to introduce you to **Ondas Holdings Inc (ONDS)**.

While this $300 million company is too small to garner the attention of the 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.



Here's how Ondas describes itself in its quarterly 10Q filing with the Securities and Exchange Commission (SEC) [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."*

What the description above doesn't make entirely clear, is 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 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.

High-Risk, High-Reward Potential

Any company with the potential to skyrocket 300% or more in a short period — as I believe Ondas does — 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.

Ondas Holdings Inc. (ONDS)

Source: Barchart.com

"While this $300 million company is too small to garner the attention of the major Wall Street analysts, it is actively filling the unmet need of industries that need rock-solid internet and communications services."

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

Given the company's small market capitalization, any 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-plus industry leader.

Action to Take:

Buy a full position up to $8.75

The Gateway to the Future

A Tiny Microcap With the "Macro" Goal of Connecting Users to the Entire Cryptosphere

Finding the next potential home run in the equities markets became a lot more difficult over the past year. No longer can investors look to concepts that are "developing" technology or products with promise years into the future. A change in sentiment (not to mention interest rates) will do that.

It's especially tough on small companies.

When this occurs in the marketplace, however, it can create the opportunity to find hidden gems, beaten down along with the crowd even as they continue to perform. I believe we've identified one of those gems in **WonderFi (WONDF)**, a tiny $100 million microcap company with huge potential operating

north of the border.

WonderFi is a compliant centralized & decentralized financial services (DeFi) company offering a simple, all-in-one user interface.

The company aims to create a leading global platform that unifies and democratizes access to digital assets in a compliant manner. Simply put, they are building a gateway to DeFi via a licensed crypto marketplace.

WonderFi will become one of the first, if not *the* first, tax compliant reporting DeFi apps on the market, offering investors relief from the tax headache of managing crypto trades and non-fungible token (NFT) transactions.

The company recently purchased Bitbuy, the first licensed and largest crypto exchange in Canada. The combined companies boast over 650,000 users. Shortly after that, WonderFi announced it had entered a definitive agreement to acquire Coinberry in a $38.3 million all-stock deal.

Coinberry is a leading crypto asset trading platform and Canada's first pure-play licensed broker that will further increase WonderFi's user base to more than 750,000 users and add an asset that produced over $13 million in revenue last year along with $100 million in assets under custody.

As of the second quarter of 2022, WonderFi began generating revenue, so it will soon shake the pre-revenue moniker that can pin valuations to the floor. Additionally, it now boasts more than $400 million in assets under custody. With no debt and $40 million in cash and crypto assets, WonderFi can continue consolidating in Canada and other international markets in both the centralized and decentralized space.

With the support of big investors like Kevin O'Leary (Mr. Wonderful), Josh Reynolds (huge social media influencer), and Sam Bankman-Fried (Founder & CEO of FTX), WonderFi has been able to leverage these relationships to maintain a low customer user acquisition cost and become the largest player in Canada.

Huge Opportunities (and a Few Risks)

The potential market size for DeFi, NFTs, centralized finance (CeFI), and play-to-earn games

(GameFi) currently sits at around $1 trillion. And DeFi has been growing at 130% CAGR over the past three years while the NFT market is at 673%. The GameFi market is only beginning to blossom.

This comes with potential for significant upside.

WonderFi is valued at $133 per user vs. Coinbase at $200 per user and Kraken at $2500 per user. Neither of these companies offers DeFi, GameFi, or NFTs, which is 1.5-times as large as the CeFi market. This implies a 5- to 10-times upside for WonderFi. Additionally, they've already been approached by four major Canadian financial institutions.

Wonderfi Technologies Inc. (WONDF)

Source: Barchart.com

Of course there are also downsides to consider.

Despite having a centralized model, regulations around DeFi, GameFi, and NFTs could always take an unforeseen turn and impact business. Furthermore, if crypto and/or NFTs were to crash and the trading volume dried up, WonderFi's growth would halt.

The competition in the space is priced significantly higher than WonderFi, a company with the potential to tap into all these markets as a competitor — some they're already in.

Coinbase touts a market cap nearing $13 billion currently, even after a big market correction. OpenSea's valuation also sits around $13.3 billion as of January 2022. NFT blue-chip Yuga Labs, known for its Bored Ape Yacht Club (BAYC), sits at $4b after its last capital raise in March 2022.

The list goes on and on in the DeFi space and includes:

- Kraken is sitting around $10 billion, with reports that the company aims to raise its next round closer to $20 billion
- Metamask with a valuation of $7 billion based on their March 2022 raise
- Competitor Phantom Wallet holds a valuation of $1.2 billion as of February 2022
- Marketplaces OpenSea is valued at $13.3 billion
- LooksRare at $7 billion as of January 2022 and
- Nifty Gateway is (unofficially) around $1 billion.

A Small But Mighty Opportunity

In the world of CeFi and DeFi, the race is on to acquire users. People tend to be sticky with what they know. WonderFi has a massive lead in the race, especially outside of the US, where it is dominating. With plenty of cash on the books and the ability to use equity, it can continue to acquire smaller competitors around the globe.

Regulation across the board will eventually hit all the markets where WonderFi generates revenue, so having the experience of a centralized crypto marketplace should give them an advantage and allow them not to miss a beat. Furthermore, having CeFi and DeFi will enable them to cross-test products and gather data from their user base — data which could genuinely set them apart from many of their competitors.

Action to Take:
Buy a half position up to $.60, reserving capital to add to the position on a pullback.

The Last Word…
Everything is Relative

-by Bob Byrne

Take a look at this daily chart of the S&P 500…

Source: Barchart.com

It shows a rally from 2,346 to 3,393… a gain of over 44%. Some would say that's a picture of a healthy bull market. But look at the weekly chart below…

Source: Barchart.com

Zoom out and you get a slightly different picture. Despite the market's rally to new highs, the "crash" below the previous significant low indicates that the bull market was actually part of a bigger consolidation pattern (bear market).

You might recognize the last leg down as the pandemic crash and think, "Well, that was an aberration."

Here's a statement you can bet the farm on: *"Price action in the market is never wrong…"*

The same pattern played out over the course of *a decade* after the Tech wreck of 2000.

Source: Barchart.com

The point is, by understanding how market structures fit together, you can get an idea of where you are in any given bull or bear trend.

Remember, everything fits within a bigger picture. So "bull markets" within "bear markets" within "bull markets…"

The good news is the BIG trend is always up!

The Dow Jones Industrial Average was first published on May 26, 1896. Here's what the history of that average since 1900 looks like…

Source: Barchart.com

Despite some extraordinarily gloomy times and dramatic bear markets, the trend has always been up.

Now granted, none of us have a hundred-plus years to invest our money. And bear markets that stretch 7, 10 or even 15 years can make it difficult to grow your wealth while the market goes nowhere.

So Where Are We?

I wanted to use this month's Last Word column to offer a little technical discussion of where we might be in the current bear phase.

As all market movements are related, it's important to understand that bear markets correct bull market excesses. So the first question we want to answer when trying to understand a bear market is, "what bull market is it correcting?"

Since the pandemic capitulation low of 2,191 in March of 2020, the S&P 500 rallied nearly 120% in the span of 21 months to a high of 4,818.

Given the market's decline from that high at the beginning of this year —retracing to 3,810 or roughly 38.2% of the entire rally — it would appear the move from 2,191 this is what the market is correcting.

In other words, from a technical perspective, the 3,810 low is a key level of support. If that level continues to hold, it's very likely we could see a continuation of strength for several months — probably into October of this year — with the market moving back toward (or even slightly above) its previous highs.

But be warned, the corrective pattern won't be done at that point. A final leg down back to the 3,800 range (or possibly as low as 3,500) would be likely. (That would be the good news. Because if the market were to fail from here and take out the 3,810 level to any significant degree, we may well be correcting the rally from the 2009 low… Buckle up for that.)

Let me be clear, predicting price movements seven to eight months into the future could be considered the height of foolishness. By the time this issue gets laid out, designed and proofed, that 3,810 low could be a

Source: Barchart.com

fond memory and this whole discussion could be moot.However, it's worth knowing that this *is* one scenario that the price patterns the S&P 500 is currently exhibiting suggests.

And Now A Word On Our Portfolio

Having discussed the bear market hole that we're in, the amount of red we're seeing shouldn't be a surprise.

One of the harder hits to stomach, however, has been Genius Sports (GENI). Bear market aside, GENI has yet to turn a profit. *However…* their revenue growth has continued to be very impressive — and that was one of our main reasons for recommending this company.

In the fourth quarter of 2021, revenue increased over 78% year-over-year and 75.5% for all of 2021. That's not terrible.

Another possible weight hanging around GENI's neck may be the fact that Cathie Wood's ARK fund recently added it to its portfolio. Pretty much any stock an ARK fund has held has been a target for anyone looking to sell.

Having only gone public in 2021, we expected there would be some struggles out of the gate, but this has admittedly been tough.

No excuses, but we still like GENI for the long term.

Another point to note…

We've adjusted our entry prices on **Unity Software (U)** and **AdvisorShares Pure US Cannabis ETF (MSOS)**. Both positions came with specific entry recommendations and we've adjusted our prices to fall in line with them. We've documented the changes in the footnotes to give a more accurate picture of our portfolio.

You can see the rest of the portfolio below…

Symbol	Name	Comments	Entry Date	Entry Price	Current Price	Annual Dividend	Percent Gain
DOCN	DigitalOcean Holdings Inc.	Buy a half position up to $60, reserving capital to purchase the remainder of your position on a dip.	4/2/2022	NEW	$47.49	N/A	
ONDS	Ondas Holdings Inc.	Buy a full position up to $8.75	4/2/2022	NEW	$7.43	N/A	
WONDF	Wonderfi Technologies Inc.	Buy a half position up to $0.60, reserving capital to add to the position on a pullback.	4/2/2022	NEW	$0.41	N/A	
VMAR	Vision Marine Technologies Inc.	Buy shares of VMAR up to $5.45 as a speculative investment in the growth of electric powertrains in the boating industry.	5/2/2022	$4.27	$4.25	N/A	-0.5%
U	Unity Software	Buy a 25% starter position between $95 and $99. Then scale into the remainder of the position adding another 25% every 15% to 20% down. †	2/3/2022	$77.27	$38.47	N/A	-50.2%
EPD	Enterprise Products Partners, L.P.	Buy shares of EPD up to $23.00 as an income-generating investment.	12/1/2021	$21.20	$27.95	$1.86	31.8%
ARKX	ARK Space Exploration & Innovation ETF	Buy shares of ARKX up to $22.00	11/1/2021	$20.48	$14.80	N/A	-27.7%
MSOS	AdvisorShares Pure US Cannabis ETF	Buy shares of MSOS at market up to $33. Be prepared to add to your position on a dip to $27 ††	10/5/2021	$28.95	$13.73	N/A	-52.6%
GENI	Genius Sports Group	Buy shares of GENI up to $22.50	10/5/2021	$16.99	$3.03	N/A	-82.2%
JD	JD.Com	Buy shares of JD.com (JD) up to $80 per share	8/30/2021	$76.69	$55.79	N/A	-27.3%
CZR	Cesars Entertainment	Buy shares of CZR up to $101.75	8/6/2021	$90.50	$49.56	N/A	-45.2%
	Current Prices as of 06/01/2022	**Price Notes:**					
		Entry prices are closing prices the day the issue is published.					
		† Per our entry instructions a 25% position was initially purchased at $96.99 on 2/3, then another on 3/7 at $82.45, another on 4/27 at $71.10, and a final on 5/6 at $59.55 giving us an average entry price of $77.27.					
		†† Adding an equal weight positon at $27 on 10/27 gives us an average engtry price of $28.95					