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Streetlight Confidential

The Micro-Cap Pharma Company Taking On the Opioid Crisis

This Private Offering May Be On to Something

-by Bob Byrne

You don't need me to remind you how difficult it's been to make money in the stock market this year. As I type this, the S&P 500 is down 19%, and the Nasdaq is off by nearly 30% on a year-to-date basis.

That's terrible!

And it's significantly worse if you're a growth investor since high-growth companies are always the first to suffer when interest rates rise, inflation spikes, and fears of recession run rampant.

In my experience, most investors begin to lose patience with the stock market and panic about current and future investment losses at *precisely the wrong time*.

The time to begin reducing exposure is always when valuations are sky-high, like they were in early 2021.

But selling stock into a rising stock market can be even more painful than watching your investment decline in value. When an investor owns a stock at $100 and decides to sell it because the valuation seems crazy, but the stock runs to $150, it's nearly impossible not to regret the decision.

But what happens when the stock declines from $150 to $20 over 12 months? Because, in many cases, that's what we're witnessing today.

Many stocks that were overvalued in early 2021 continued to rise in price throughout the year, only to be slaughtered in 2022 as interest rates rose. Ask any investor sitting on a mountain of investments that have declined in value by 50%, 60%, or even 80%, and they'll tell you they wished they had sold months ago.

So selling too early or selling too late can both be painful experiences. So what's an investor to do?

Avoiding Regret by Searching for Value

The seasoned investor accepts that he'll never sell at the top or buy at the bottom. There is rarely a perfect time to buy or sell a security.

You can follow these guidelines:

If you've invested in a stock and, due to a share price appreciation or a shifting business model, traditional valuation metrics make you question the logic in owning the stock, it's probably time to consider taking action.

Don't wait for the market to scare you out of an investment. Sell when you can, *not* when you have to.

On the other hand, when it comes to finding investment opportunities in a bear market, we need to dig a little deeper. Because many of the traditional growth companies I like are simply not ready to be bought. And stocks in the value bucket are either overpriced or lack the forward growth to earn my investment dollars.

With those two market segments still in the penalty box, it brings us to the private market. More specifically, companies raising money from investors via Regulation Crowdfunding (CF) or Regulation A+. Neither Reg CF nor Reg A+ requires investors to be accredited.

I review countless Reg A+ and CF opportunities day in and day out. Unfortunately, nearly every company trying to raise money this way is either poorly structured, has a flawed business model, or is trying to raise money at too high a valuation.

And much to the disappointment of the venture capital community, bear markets crush valuations in the private market too!

Simply put, I toss most of the Reg A+ and CF opportunities that cross my desk into the trash.

Today, however, I want to introduce you to a company that caught my attention — a biotech firm raising $5 million via Reg CF. It's a fascinating company, and I've spoken with management several times. But you need to understand that while this company is working on some incredible projects, it's still a microcap company. And that means you should assume it is a higher-risk investment.

Also, because this is a private deal, you will not have liquidity on day one. In fact, the company could choose to stay private for quite some time.

In fairness to the company, they've communicated that they plan to go public, but that may not come until 2024.

The bottom line is that while I believe this company is compelling and worth considering if you're investing in private equity, you should begin by *discussing it with your financial advisor*.

A private equity investment's risk profile differs from an investment made in a company with instant liquidity. So, please, make sure any investment decision begins with you ***discussing the opportunity with your financial advisor.***

Your “Tear Sheet”

When a VC pitches me on an investment idea, I typically open the conversation by asking for a 60-second rundown or if he has a “tear sheet” available.

Here’s what I'm looking for...

1. The big idea or current crisis. What's going on in an industry, country, or a large population that makes whatever is about to be presented to me worthwhile?

2. What's the problem? This often goes hand-in-hand with the big idea, but sometimes I need to pry to find out precisely what problem the company is solving.

3. How and why is this company the solution to the problem?

4. What's the financial opportunity?

5. How timely is the opportunity?

6. What's the exit plan?

Other questions arise during my due diligence process. Still, the six things above represent my starting point in determining whether an opportunity is attractive enough to pursue further.

Let's dive into the tear sheet of the company I'm about to tell you about.

1. The Big Idea/Crisis at Hand

According to the US Congress Joint Economic Committee (JEC), the opioid epidemic cost the United States nearly $1.5 trillion in 2020, up a staggering 37% from the last time the Centers for Disease Control (CDC) calculated the cost in 2017.

Many patients' introduction to opioids occurs during a hospital stay for acute pain or pre/postoperative surgery. The US Food and Drug Administration (FDA) is aware of this. They're actively trying to address the problem by fostering the development of non-addictive alternatives to opioids to manage acute pain.

Earlier this year, the FDA said this in a widely disseminated press release:

> *"Opioid misuse and abuse remain a serious public health crisis facing the country. Preventing new addiction through fostering the development of novel non-opioid analgesics is an important priority for the FDA. The guidance reinforces the agency's commitment to confront opioid misuse, abuse, and addiction by taking steps to help those with acute pain get access to improved non-opioid treatment alternatives."*

This statement from the FDA is more than sufficient to convince me that the time is NOW to introduce non-opioid medications to the US pharmaceutical market.

2. What's the Problem?

The FDA isn't mincing words. They want alternative therapies for patients suffering from acute pain or enduring postoperative pain.

The problem, however, is launching novel blockbuster drugs can take as long as a decade, cost hundreds of millions and sometimes billions of dollars, and more often than not, new drugs fail to make it beyond phase 1 or phase 2 studies.

And even if the FDA approves a novel drug, it still needs to gain acceptance from patients, doctors, and insurance companies.

3. How and Why is This Company the Solution?

The company I'm about to tell you about, while still a preclinical stage pharmaceutical company, already has a robust intellectual property (IP) position with 34 different first-to-file claims.

In addition to its impressive IP collection, the company is made up of industry veterans who have successfully taken novel compounds through the FDA approval process and placed them on pharmacists' shelves.

The compound this company is working with is already viewed favorably by millions of Americans, despite its low bioavailability rating. (Bioavailability refers to the amount of a drug or compound that can have an active effect on the body once it passes through the stomach, liver, kidney, etc.)

This company has perfected a way to deliver a compound millions of Americans depend on at near 100% bioavailability.

4. What is the Financial Opportunity?

The global pain management drug market is estimated to be worth nearly $80 billion today, growing to over $100 billion by 2027.

Considering that over 70 million surgeries are performed annually in the US, and 80% of those surgeries result in postoperative pain, the market for a non-opioid pain relief alternative is in the billions of dollars.

Another publicly traded company created an FDA-approved drug out of a compound similar to the one I'm going to tell you about, and it was acquired for more than 14x sales.

Based on that figure, and my estimation that the drug I'm about to tell you about could quickly generate sales of $80 to $400 million, the company raising money today at $30 million could be worth more than $1 billion within a few years.

5. How Timely is the Opportunity?

Stories of the opioid epidemic are on the news every week. And thanks to the FDA issuing a statement earlier this year regarding its desire for non-opioid pain therapies, this is a very timely opportunity.

By my estimation, this opportunity is significantly underpriced because investors are bearish, and global stocks are in a bear market.

6. What is the Exit Plan?

Like all preclinical biotech companies, this company's success will be measured by its phase 1 and 2 trials. However, because the drug compound this company is utilizing is not a new compound, the risks of failing a phase 1 or 2 trial are, in my view, significantly reduced.

If the phase 1 safety trial is viewed favorably, and I firmly believe it will be, the company's valuation will likely increase between 3x and 5x. And we should have phase 1 results by late 2023 or early 2024.

If phase 2 dosing trials produce similarly strong results, I expect the company valuation to shoot significantly higher, probably by another several hundred percent. Phase 2 trial results should be available in 2024.

The bottom line is, in a buyout situation, this company likely sells for as much as $500 million, or more than 15x its current $30.8 million pre-money valuation. But if its trials go well and the stock moves straight to the Nasdaq (probably within 24 to 36 months), I believe we could see a valuation of between $600 and $750 million at a minimum.

Introducing Isosceles Pharmaceuticals

Headquartered in Wilmington, NC, I’m thrilled to introduce you to Isosceles Pharmaceuticals.

Executive Summary

MISSION

Accelerate access to novel, non-opioid treatment options for patients suffering with pain
- Address large, unmet medical need (annual cost of $600 Billion in US, EU-UK)
- Improve treatment for pain and inflammation across multiple disorders
- Focus initially on post-operative pain (100+ million patients globally)

PRODUCT PIPELINE

Two products in development
- Proprietary IV cannabidiol to achieve a long-lasting efficacious alternative treatment
- Exclusive in-licensed self-administered microneedle array similar to intradermal injection without sharps

LONG-TERM VISION

Transform pain care through a novel therapeutic model
- 505(b)1 acceptance with NCE protections and FDA data package exclusivity
- Expand therapeutic applications of microneedle array to pain, inflammation, and licensed indications

FINANCING

Raise Series A round with a target closing in Q4 2022
- Finance through completion of phase I activities in acute post-operative pain
- Develop cannabidiol microneedle array delivery platform for multiple sales channels

CURRENT STATUS

Established team of top scientists, regulators, and technology players
- Filed patent in December 2020 for 1st synthetic intravenous cannabidiol formulation
- Robust preclinical strategy following FDA response to preIND
- Management team and experts with successful track record for FDA approval of pain therapeutics

This company aims to change the face of pain management by developing non-opioid treatments for adult and pediatric patients suffering from all forms of pain.

Patients in Pain: An Unmet Medical Need

Before I tell you about the Isosceles team's strategy to replace pain sufferers' dependence on opioids, nonsteroidal anti-inflammatory drugs (NSAIDs), and acetaminophen treatments, you need to understand a few things about existing pain medications.

I'm sure you don't need me to tell you that acute and chronic pain cripples a large percentage of adults in the US. I bet you know several friends or family members that take Advil or Motrin, which are popular NSAIDs, daily.

And while I hope you don't know anyone taking Tylenol or acetaminophen daily, you probably do.

Drug	Example	Market	Risks
Opioids	Oxycodone, Hydrocodone	$26 Billion	Dependency, addiction, overdose, respiratory failure, death
NSAIDS	Celebrex® Ibuprofen	$16 Billion	Black Box warning (heart attack and strokes), kidney and liver damage
Acetaminophen	Tylenol®, Ofirmev®	$3 Billion	Liver failure, kidney damage
Local anesthetic	Lidocaine, Bupivacine	$6 Billion	Seizure, cardiovascular collapse, and blood pressure problems

We've all seen Tylenol at the pharmacy. But do you realize that one colossal dose, or higher than recommended daily for a few days, can cause acute liver failure?

According to the team of nationally regarded physicians and nurses at UCI Health, about 1,600 cases of acute liver failure occur yearly due to acetaminophen overuse. And around 500 people die from taking too much of the drug, which is sold over-the-counter (OTC).

The folks at UC San Diego Health tell us that the one medication that causes more cases of acute liver injury than any other in the US is acetaminophen. A whopping 30% to 50% of hospitalizations from acetaminophen occur from unintentional overdoses.

If we look at NSAIDs or popular OTC medications like Advil or Motrin, overuse of those drugs can lead to peptic ulcer disease, acute renal failure, kidney injury, and stroke.

As scary as this sounds, here's what you need to understand.

When you pop an Advil or Tylenol at home, that pill travels through the stomach and gut into the liver, and by the time it passes through the liver, only a tiny percentage of the original dose makes it into your bloodstream.

It's called first-pass metabolism.

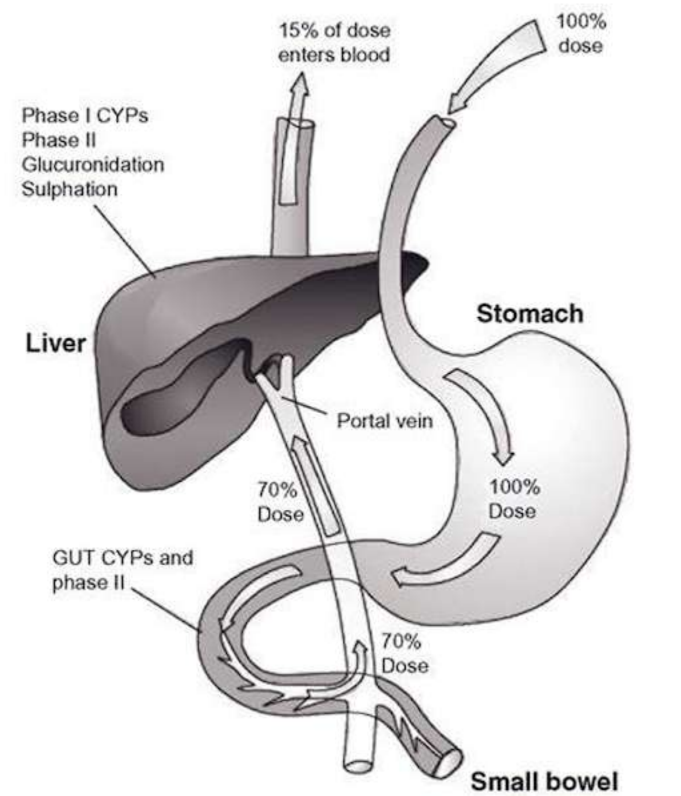
The first pass affects how much of a drug gets metabolized at a specific location in the body before the active drug reaches its site of action.

And how about opioids?

According to the CDC, 80,816 people died from opioid overdoses in 2021.

And while many of those that eventually died of an opioid overdose didn't start out craving the drug,

First-Pass Metabolism



they got hooked on them while at the hospital, in postoperative care, or at home battling chronic pain symptoms.

The bottom line is we have a huge unmet medical need in this country and around the world, and it revolves around patients with acute and chronic pain.

And while a small amount of NSAIDs and acetaminophen can be used to dull chronic pain, there are huge, life-threatening risks associated with ingesting too much of something as familiar as Tylenol or Advil.

On the acute pain side of things, like what you'd experience in a postoperative environment, the first option your doctor typically reaches is some form of an opium-derived painkiller, such as oxycodone, hydrocodone, or fentanyl.

And if finding out that nearly 81 thousand people died from opioid overdoses in 2021 isn't enough to scare you, maybe the fact that, according to the Mayo Clinic, up to one-third of people who take opioids for chronic pain wind up misusing them will.

The Isosceles Solution

As stated above, the folks at Isosceles want to help adult and pediatric patients suffering from acute and chronic pain by offering them non-opioid treatment options.

And they aim to achieve this by developing their two product candidates, IPI-201, an intravenous formulation of a synthetic cannabinoid, and IPI-301, a microneedle intradermal delivery system of a synthetic cannabinoid.

Now, before I tell you about Isosceles' two product candidates, you need to know a few things about cannabidiol (CBD), primarily when used orally.

The first, and as an investor, possibly the most important, is CBD has already been shown to be a commercially viable product.

The folks at GW Pharmaceuticals developed Epidiolex, and the FDA approved it for treating epilepsy in 2018. And once Jazz Pharmaceuticals saw an FDA path for cannabinoid-based prescription medicines, they stepped in and acquired GW for an incredible $7.2 billion in cash and stock.

Keep in mind that Epidiolex only generated $510 million in sales the year before Jazz purchased GW, so the pharmaceutical market has already demonstrated a willingness to pay enormous sums for FDA-approved cannabinoid-based medicines.

And the second thing you should know about cannabidiol is that according to the World Health Organization (WHO), "bioavailability from oral delivery [of CBD] is estimated to be 6% due to significant first-pass metabolism."

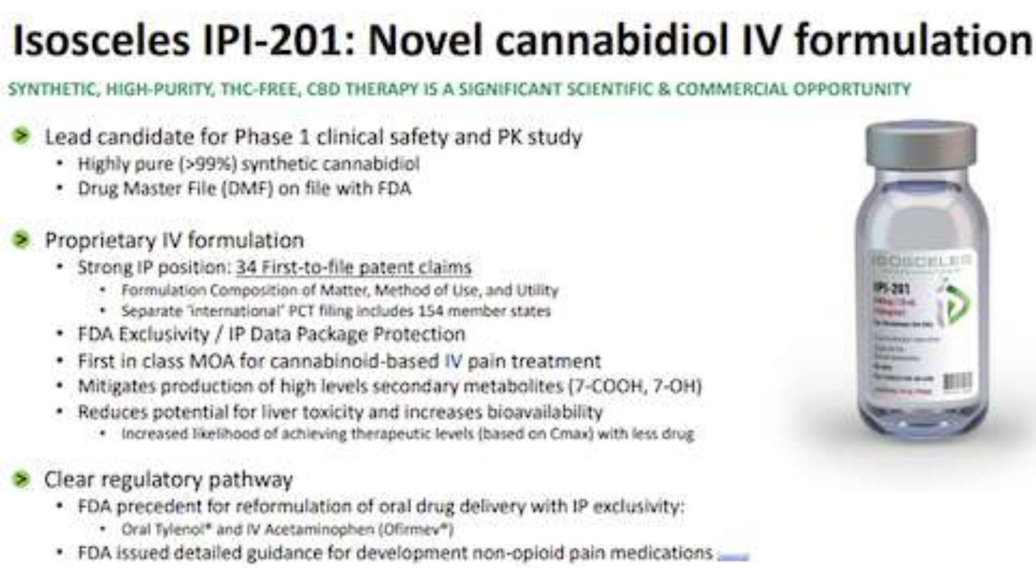
This means that an adult consuming what they believe is a 50-milligram dose of CBD only receives the benefit of a paltry 3 milligrams! That's terrible.

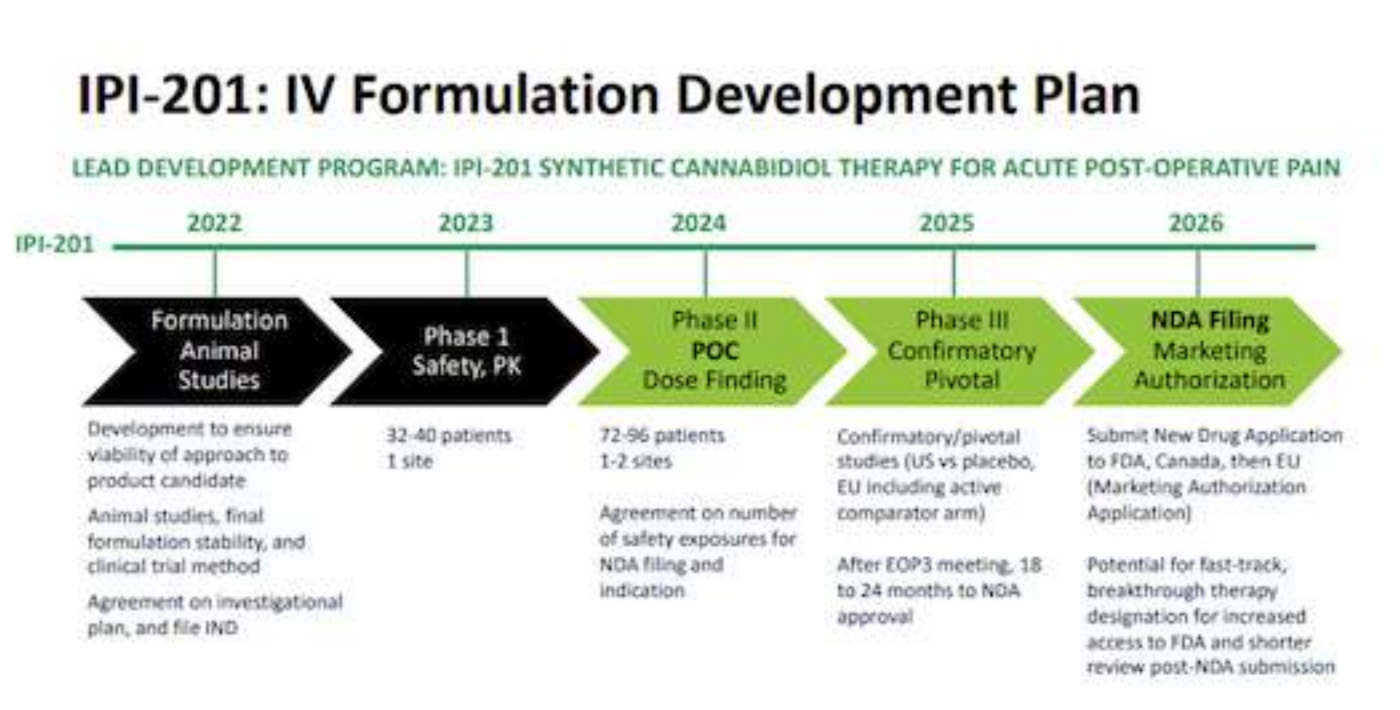
And it's important to understand that while CBD is believed to be safe, it isn't risk-free in an oral form. Put another way; if you consume too large a dose of oral CBD, you can injure your liver.

GW Pharmaceuticals' Alice Mead has even gone on record telling the world that "No one knew CBD is potentially toxic to the liver until we entered clinical studies."

But again, the entire reason why there's a risk with oral CBD is that it must pass through the liver. If the liver weren't involved and the CBD was sent straight into the bloodstream, the risks would be significantly reduced.

And that's where the Isosceles solution comes into the picture.





IPI-201 is designed to deliver synthetic CBD intravenously within a hospital setting, typically in pre and postoperative situations. And what's most relevant to this discussion is that because CBD doesn't pass through the stomach or liver, the bioavailability rate skyrockets from the 6% seen in oral applications to an incredible 95%+!

As you can probably imagine, what's so incredible about IPI-201 is that patients have the potential for significantly greater pain relief from a synthetic drug with zero addiction risk and astronomically reduced risk of liver strain.

The importance of the 95%+ bioavailability and near-zero risk of liver damage from an intravenously delivered CBD medication can't be emphasized enough.

We know that 70 milligrams of orally delivered CBD can cause liver damage, and only 6% of that 70-milligram dose, or 4.2 milligrams, gets to the target area after the first-pass metabolism.

By utilizing the Isosceles IPI-201 synthetic CBD therapy, 200 milligrams or the equivalent of a 4,000-milligram oral dose can be administered to a patient with nearly NO risk of liver damage.

IPI-201 offers pain sufferers a more bioavailable, safe, and efficient delivery of CBD and pain relief.

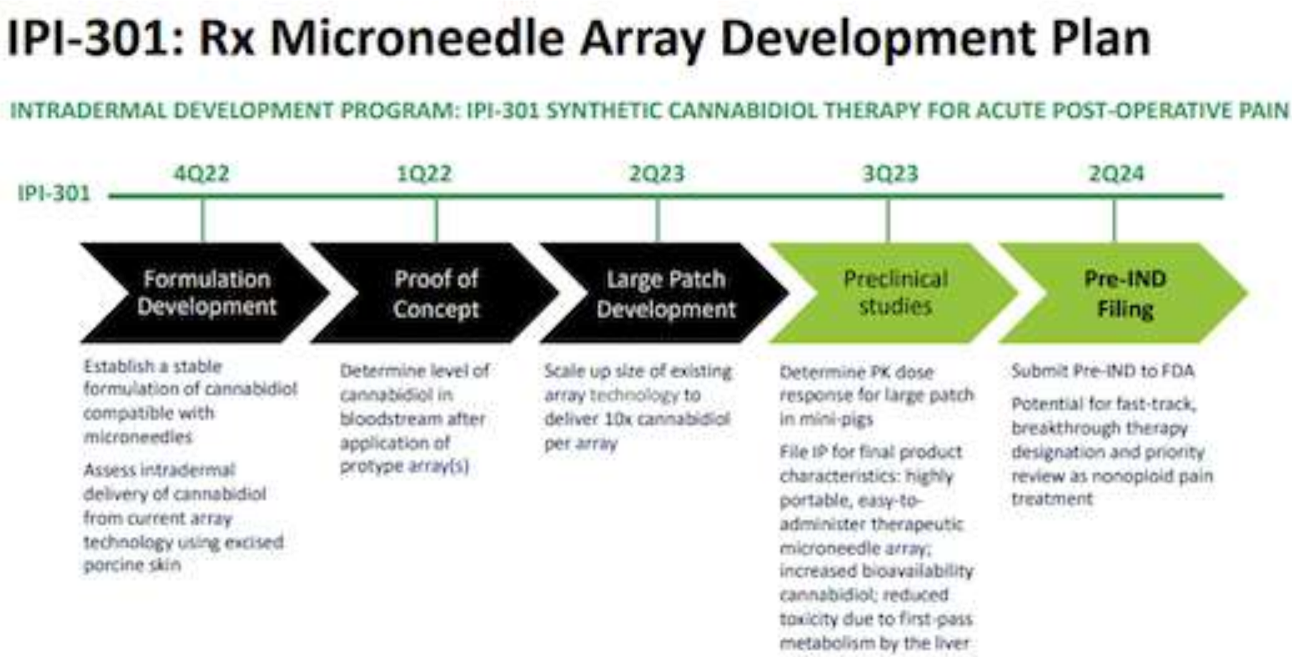
Isosceles isn't only working on pre and postoperative IV-delivered CBD therapy, they're also developing an over-the-counter product aimed at treating chronic pain, and that product is IPI-301.

IPI-301 utilizes a microneedle patch, or a collection of dozens of little needles as thin as human hair, to deliver CBD directly into the bloodstream and completely bypass the liver and the need for first-pass metabolism. And before you get scared of dozens of needles, you should know that the user can neither feel the needles nor see them because they're so tiny.

In fact, this technology is already used to deliver drugs and vaccines to some patients. (See facing page.)

It's important to note that while Isosceles doesn't own the patents to the microneedle patch, they have exclusive rights to its use with ALL forms of cannabidiol.

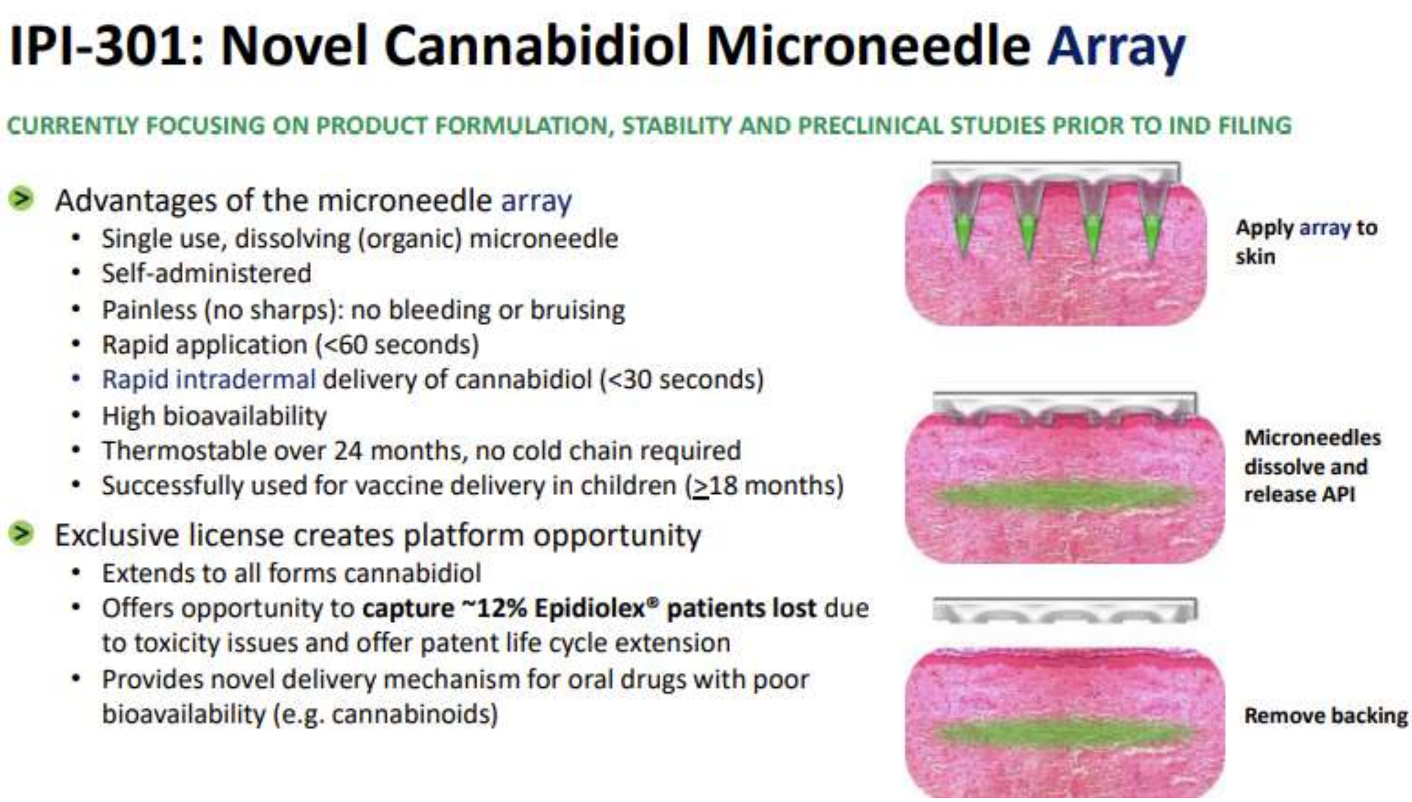
Now, rather than get into the size of the chronic pain market that an FDA-approved microneedle CBD



patch can disrupt, which by the way, is in the tens or even hundreds of billions of dollars, I want to tell you about an easy way Isosceles can button up a licensing deal to generate near-term revenue.

Jazz Pharmaceutical reported revenue of around $333 million for its Epidiolex drug for the first half of 2022. If we assume that number remains stable through the remainder of the year, the company will generate $666 million from sales of Epidiolex.

Since Jazz loses around 12% of patients due to liver toxicity issues surrounding its orally administered drug, Epidiolex, it could license the microneedle patch from Isosceles to utilize its Epidiolex CBD



medication and recapture around $80 million in revenue -- practically overnight!

Suffice it to say this would be an easy way for Isosceles to generate a tremendous amount of revenue.

Now, before I introduce you to the key members of the Isosceles Team, it's important that you know that several team members were involved in developing Ofirmev, the first-ever intravenous formulation of acetaminophen.

The company that developed Ofirmev, Cadence Pharmaceuticals, was sold to Mallinckrodt Pharmaceuticals [after it cleared the FDA approval process] for an impressive $1.33 billion.

Suffice it to say that early investors in Cadence Pharmaceuticals walked away with a tidy profit on that sale!

More importantly, the team developing the intravenous formulation of CBD already has the expertise to get the job done. Simply put, these guys already know how to take something virtually insoluble and engineer it to work in a soluble manner.

The Management Team

William Humphries leads the Isosceles team as its Chief Executive Officer (CEO). He was hired in May 2021 and brought more than 30 years of experience to the company.

Before accepting the CEO position at Isosceles, Bill cut his teeth in the pharmaceutical industry in several executive roles.

He was the Vice President of US Skin Care at Allergan from mid-1996 until early 2004.

After Allergan, Bill moved to Stiefel, where he was President from early 2004 until early 2012 (GlaxoSmithKline plc acquired Stiefel in mid-2009).

From there, Bill accepted the role of President and CEO of Merz Pharmaceuticals from early 2012 until late 2016. And his final position before joining the Isosceles team was as President of Ortho-Dermatologics, a Bausch Health company, from late 2016 until late 2020.

Brett Lanier founded Isosceles Pharmaceuticals in 2019 and serves as the company's President. He brings over 15 years of experience in medical device, clinical research, and pharmaceutical contract manufacturing as a medicinal chemist.

Brett's expertise in and extensive knowledge of the chemical synthesis and pharmaceutical scale Good Manufacturing Practice (GMP) of synthetic cannabinoids and controlled substances is uniquely beneficial to his company's work in the CBD space.

Herbert Neuman, M.D., joined Isosceles in 2021 as its Chief Medical Officer. And while Dr. Neuman is a board-certified and practicing internal medicine doctor, he's devoted a considerable chunk of his professional career to the pharmaceutical industry.

Throughout Dr. Neuman's career, he served as an associate medical director for Abbott Labs, acted as Medical Chief for Covidien Plc, and founded R3xperts LLC, a San Francisco-based pharmaceutical consultancy focused on medical affairs, drug safety, and FDA regulatory strategy.

Timothy R. Wright was elected chairman of Isosceles' board of directors in 2019. In addition to serving in senior positions with Dupont Merck, Cardinal Health, Elan Pharmaceuticals, Mallinckrodt Covidien, and Teva Pharmaceuticals, Tim has extensive experience with pain management and inflammatory diseases.

I don't ordinarily highlight a company's Science Advisor, but I need to make an exception in **Hunter Land's** case.

In addition to having more than 20 years of research and development expertise across 25 different indications, Hunter also has more than ten years of cannabinoid-focused research.

Over the past twenty-plus years, Hunter has acted as the Senior Scientific Director, Director of Cannabinoid Research, and scientific spokesperson at Canopy Growth Corporation.

The most noteworthy part of Hunter's career regarding his contribution to Isosceles was his role as GW Pharma's first full-time employee within that company's R&D department in the US. During his time in GW's R&D department, Hunter was a vital team member that led the clinical development of Epidiolex and Sativex.

The Deal Terms and How to Invest

In case I haven't made it abundantly clear, Isosceles Pharmaceuticals has enormous upside potential.

The simple fact that tens of millions of Americans already trust and use CBD daily proves that convincing patients to try a CBD-based pain therapy instead of deadly and addictive opioids won't be a difficult sell.

And with the team of medical professionals that Bill and Brett have curated to advance IPI-201 and IPI-301 through FDA trials and into hospitals, pharmacies, and onto the over-the-counter market, I believe an investment in Isosceles could generate returns of more than 15x in a private sale or as much as 23x in an IPO.

Returns like that can turn every $1,000 investment in Isosceles at this Reg CF valuation into as much as $15,000 in a buyout situation or $23,000 in an IPO!

Look, every deal I curate and place on your desk is intended to have a minimum of 5x to 10x upside. With Isosceles, I believe you are looking at a return of between 15x and 23x. But again, that's me being overly conservative.

Isosceles could easily grow into a valuation of more than $1 billion when it IPOs, and I expect an IPO to take place within two or three years. And at a billion-dollar valuation, you're looking at a return of more than 31x your initial investment.

As promised, the deal terms are below. And if you've spoken to your financial advisor and are ready to invest, **simply click here to be redirected to the Equifund website**.

You'll find everything you need to participate in the Isosceles Pharmaceuticals Reg CF offering below.

Offering Type: Regulation Crowdfunding (CF)
Securities Type: Common Equity with Voting Rights
Share Price: $2.05
Valuation: $30,783,005
Minimum Investment: $501
Max Raise Amount: $5 Million
Year Founded: 2019

Disclosure: Bob Byrne does not currently own any equity, debt, or warrants in Isosceles Pharmaceuticals.

Industry Update: TBTF Tech Gets… an "F"

The Industry-Wide Beating May be Signaling More Trouble Ahead

-by Bob Byrne

Last February I asked you how long does it take to lose $232 billion? If you were Mark Zuckerberg and Meta Platforms, pretty much the blink of an eye. If you thought that was impressive, this past October will blow your mind…

> *"To visualize this incredible wealth evaporation, we charted Zuck's net worth, which peaked at around $142 billion in September 2021. One year later, it's down more than $100 billion."*

While Zuck's year-to-date losses might be spectacular, last week's TBTF Tech bloodbath was felt far and wide.

Rising Rates Have Caught Up to Big Tech

In your last couple weekly updates, I've been taking a look at earnings season. And a lot of big tech was out last week… disappointing the market.

Alphabet (Google) reported revenue of $69.09 billion vs. $70.58 billion expected and actual earnings of $1.06 vs. $1.25. Their YouTube subsidiary reported advertising revenues of $7.07 billion vs $7.42 billion estimated.

Microsoft showed revenue of $50.12 billion, vs. $49.61 billion and earnings of $2.35 per share vs. $2.30. However their guidance going forward was disappointing, projecting $52.35 billion to $53.35 billion vs. the street's estimate of $56.05 billion.

Amazon reported revenue of $127.10 billion vs. the market's expectation of $127.46 billion. Their Amazon Web Services division was disappointing as well coming in at $20.5 billion vs. $21.1 billion. And their forward revenue guidance was no better projecting between $140 billion and $148 billion vs. $155.15 billion expected by the market.

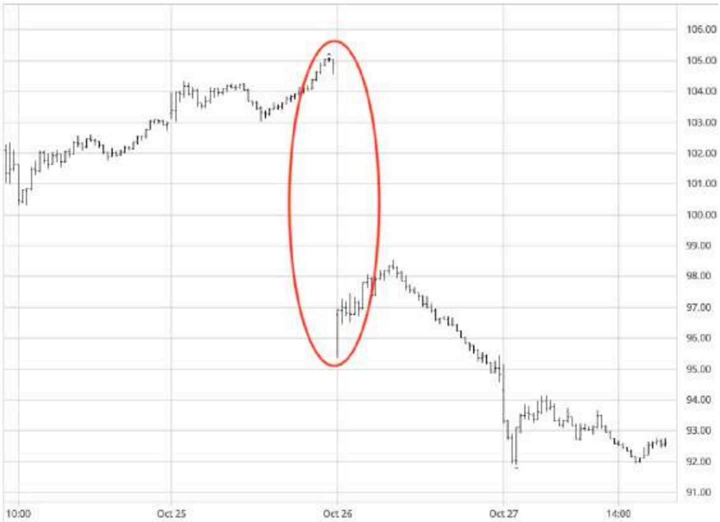
Meta rounded out the field posting revenue of $27.71 billion vs. estimates of $27.38 billion; earnings of $1.64 vs $1.89; and average revenue per user at $9.41 vs. $9.83 expected.

All their stocks were pummeled accordingly.

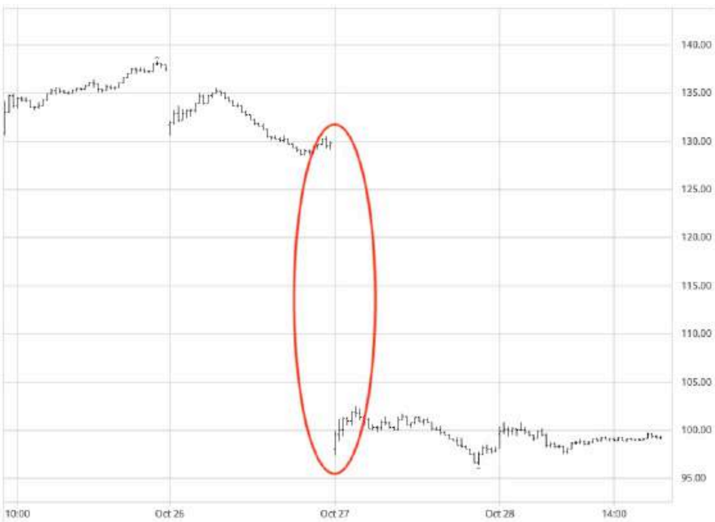
Amazon.com, Inc. (AMZN)

Source: Barchart.com

Alphabet Inc. (GOOG)



Meta Platforms Inc. (META)



Microsoft Inc. (MSFT)

Source: Barchart.com

More Than Just Stock Losses

The threat here is more pervasive than bad earnings in a particular sector In a January weekly update I wrote about [TBTF (too big to fail) Tech](#):

> *As I write this, the market capitalization of the S&P 500 is roughly $40 trillion. (Liquidate every company in the index and we could finally pay off our national debt.)*
>
> *Of the top eight companies that comprise this index: Apple, Microsoft, Alphabet (Google) Class A, Alphabet (Google) Class C, Amazon, Tesla, Meta (Facebook) and Nvidia… six of them are big tech. (Technically they're listed in the "retail" category, but Amazon, whose AWS division powers a big chunk of the internet, is as much a tech company as any of the others.) So exclude Tesla and add up the market caps of the rest of the components, their market cap totals up to just over $12 trillion.*
>
> *That means these companies make up roughly 30% of the entire index!*

That means 1) Their impact on the stock market as a whole is enormous. But also 2) Their impact on the economy could be just as dangerous.

These tech giants employ tens of thousands of people. But it looks like that may be changing soon…


◆ WSJ NEWS EXCLUSIVE | TECH

Meta Quietly Reduces Staff in Cost-Cutting Push

Facebook parent is looking to reduce costs by at least 10%, people familiar with the plans said, while Google has required some employees to apply for new jobs

By *Jeff Horwitz* Follow , *Salvador Rodriguez* Follow and *Miles Kruppa* Follow

Updated Sept. 21, 2022 3:54 pm ET

Meta currently employs 83,553 workers as of the second quarter of this year. That number is an increase of 32% from the previous year.

Alphabet had 174,014 employees at the end of the Q2. That's up nearly 21% from the previous year. Both have been *hinting* at the need for reductions.

Meta is planning to cut their expenses by at least 10% which they say will include staff reductions. Sundar Pichai over at Google says he wants to make his company "20% more efficient."

While both of these big tech behemoths have attempted to be vague about layoff plans, other companies haven't been so.

In the second quarter, Amazon slashed 6% from its workforce:

> *The loss of 100,000 employees marks Amazon's biggest quarterly job cut in its 28-year history, Barron's reported on Friday.*

Snap, another player in the social media market also came right out with the news.

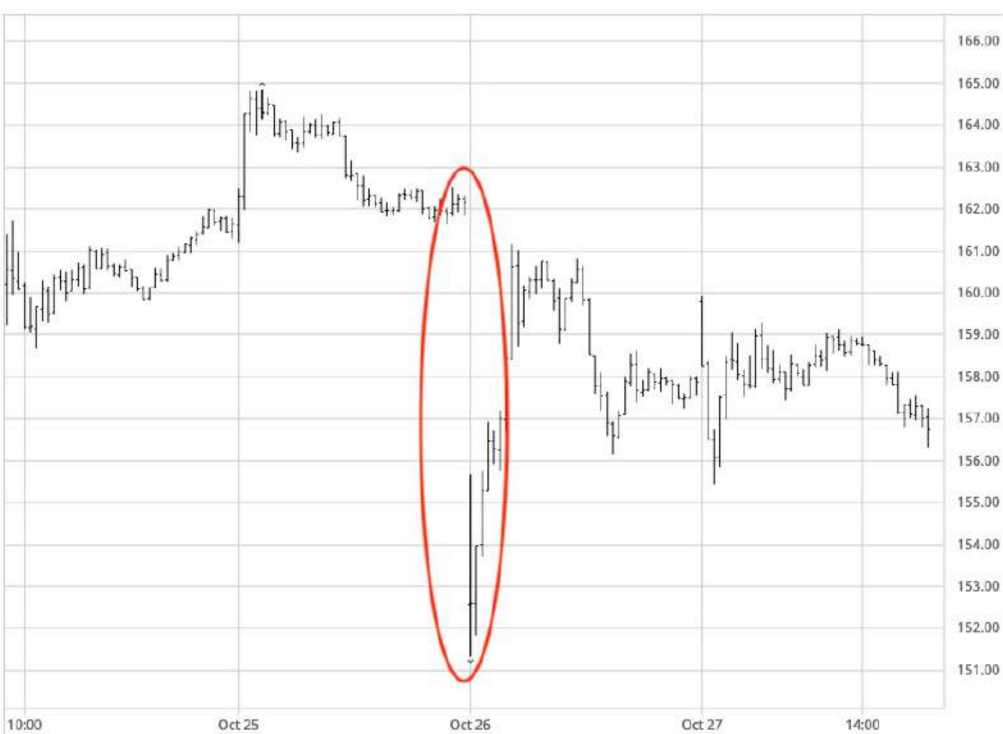
> *The company last week said it would slash about 20% of its staff after growing its head count by around 65% since the end of 2020.*

A lot of other smaller tech companies have been following suit as well.

A breakdown in the employment situation might be exactly what pushes this economy off the cliff. There's evidence of that from one other tech stock that got beat up this week too.

Remember TXN?

Texas Instruments, Inc. (TXN)



Source: Barchart.com

Texas Instruments anyone? They are by no means a high-flying TBTF tech stock. They're a bellwether tech company — a boring, reliable dividend paying company. But they put their shareholders on notice too…

'Shares of TXN dropped 5.1% in after-hours trading, primarily due to a weaker-than-expected outlook for fourth-quarter revenues and earnings. Moreover, the outlook shows signs of deteriorating chip demand across various sectors."

Bellwethers like TXN can typically lead the cycle into a recession. Their report could be an indication that the whole market is pointing in that direction now…

The Last Word…

Media Messaging Shifts as Economy B!%@# Slaps the Fed

-by Bob Byrne

It's got to be a heady feeling.

Being the guy who writes the stuff that makes the markets move. The problem with that kind of status is you can't be totally wrong. (Otherwise you end up like a certain investment show host — I'll mention later in this issue — trying to mea culpa without actually mea culpa-ing.)

That's Nick Timiraos. He's a chief economic reporter at the Wall Street Journal who writes a lot about Fed-related news.

So much so, some have suggested he's got an "inside line" to the Fed. As in when the Fed needs to dribble some news ahead of any official announcement, Nick's their go-to guy.

He's been called by some "The Fed Whisperer."

On Monday October 10 he wrote a piece suggesting that there might be defections from the Fed's uber-hawkish stance (all emphases are mine)…

CENTRAL BANKS

Two Fed Officials Make Case for Caution With Future Interest Rate Raises

Central bank's No. 2 official noted that previous and anticipated rate increases will slow the economy in ways that can't be observed yet

By *Nick Timiraos*

Updated Oct. 10, 2022 4:52 pm ET

> *Fed Vice Chairwoman Lael Brainard noted how previous rate increases,* ***together with anticipated further rate increases, will slow the economy in ways that can't be observed yet****…*

In other words, we need to consider slowing the rate increases because the very threat of higher rates is impacting the economy in ways we can't see yet.

On Friday October 21, he penned another piece that said:

ECONOMY | U.S. ECONOMY

Fed Set to Raise Rates by 0.75 Point and Debate Size of Future Hikes

Some officials are signaling greater unease with big rate rises to fight inflation

By *Nick Timiraos* Follow

Updated Oct. 21, 2022 4:57 pm ET

> ***"We will have a very thoughtful discussion about the pace of tightening at our next meeting,"*** *Fed governor Christopher Waller said in a speech earlier this month.*

All signs seemed to point to an end in sight for the current rate hike binge.

But Then…

As FOMC meeting time neared, he started backpedaling, throwing cold water on the story he had been peddling just over a week prior…

ECONOMY | THE OUTLOOK

Cash-Rich Consumers Could Mean Higher Interest Rates for Longer

Buoyed by pandemic-fueled savings, consumers and businesses are proving less sensitive to tighter credit—complicating the Fed's job

By *Nick Timiraos* Follow

Oct. 30, 2022 5:30 am ET

> *Some officials have argued for slowing the pace of rate rises after this week's meeting.*
>
> *But the debate over the speed of increases could obscure a more important one around **how high rates ultimately rise**. In economic projections released at the Fed's last meeting in mid-September, most officials anticipated their policy rate would reach at least 4.6% by early next year.*
>
> *But **some economists think it will have to go higher than 4.6%**, citing in particular reduced sensitivity of spending to higher interest rates.*

Then as if to clarify his reporting pivot…

U.S. ECONOMY

Fed Meeting to Focus on Interest Rates' Coming Path

Another 0.75-point rise is likely this week, as the pace of future moves takes the spotlight

By Nick Timiraos Follow

Nov. 1, 2022 5:33 am ET

> *"They do need to slow the pace. **Let's keep in mind, 50 basis points is fast; 75 basis points is really fast**," said Ellen Meade, an economist at Duke University who is a former senior adviser at the Fed.*

So a slowdown in rate hikes shouldn't be viewed as a slowdown in rate hikes… Which basically means that 50 bps is still a lot so don't let's get all excited if the Fed lifts off the accelerator for a bit.

What's Going On Here?

The hardest part of the Fed's job isn't managing the economy… It's managing expectations.

When they needed to emphasize how serious they were about inflation, Jay Powell delivered an eight minute tour-de-force at Jackson Hole saying they would (and I'm paraphrasing) "slay inflation and restore price stability. Period. Now everybody go enjoy the breakfast buffet."

It was just that quick.

It also pretty much sparked the most recent leg down to new lows for the year.

Bear in mind what nobody is even trying to deny any more.

The only way the Fed can make good on that inflation promise is to hike rates enough to slow the economy and bring demand back in line with an iffy supply chain (hopefully without crashing it into recession).

Then on October 27, the Bureau of Economic Analysis reported advanced GDP for the third quarter came in at — what can only be called robust — 2.6% growth.

Not only that, Core PCE — the Fed's preferred measure of inflation — rose 5.1% in September (up from the 4.9% increase in August) versus the previous 12 months.

And the Employment Cost Index (ECI) — what it costs to employ a worker — rose 1.2% in Q3 (up 5% from a year ago).

Oops…

Ordinarily the Fed might celebrate a "resilient economy" that can withstand multiple rate hikes. But the numbers announced by the BEA were nothing close to encouraging where inflation went.

The conversation this week should be interesting!

Let's see what Mr. Timiraos whispers next…

You Can't Make This S#!% Up!

"Management Made Me Do It!"

When it comes to Jim Cramer, there are pretty much only two opinions — you love him or… well, you don't.

All his hubris and attitude aside, it *is* a tough gig… When you're in the spotlight day after day, your wins can easily be forgotten while your losers tend to take on a life of their own. On the other hand…

Sometimes a "rec" is so disastrous, it demands an acknowledgement. Recently Cramer may have made one of his biggest (if you don't count Bear Stearns).

It All Started Back in June…

…On a call with Meta Chief Mark Zuckerberg. Zuck was pitching him on the metaverse and why his viewers should get onboard the Meta Express before it leaves the station.

Now I don't like to second guess analysts when they're assessing a company, but when the would-be king of the metaverse can't even describe what his future kingdom is…

> *"The metaverse,* ***it's this broad thing…"***

…you really should question whether blindly throwing over $600 billion dollars at it is actually a good idea.

Anyway, Cramer was sold.

> *People should be buying this stock. This is so for real. Why?…*
>
> *I am telling you this thing is radical.*

Fast forward a couple earnings reports and things weren't looking so radical anymore…

Asked by a co-host, "what did you get wrong?" Cramer took the blame (sort of)…

> *What did I get wrong? I trusted them. Not myself.*

In other words… Management made him do it!

(To be fair, bear markets are a bitch for everyone!)

And with the exception of a couple bright spots, the *Streetlight Confidential Portfolio* is feeling it too. For your perusal…

Symbol	Name	Comments	Entry Date	Entry Price	Current Price	Annual Dividend	Percent Gain
FPI	Farmland Partners, Inc	Buy shares of Farmland Partners (FPI) up to $18 per share	9/2/2022	$14.22	$13.77	1.68%	-3.2%
VOO	The Vanguard S&P 500 ETF	Bear market portfolio: 20% position per the July 2022 Issue	7/5/2022	$351.06	$340.83	1.60%	-2.9%
IJR	iShares Core S&P Small-Cap ETF	Bear market portfolio: 20% position per the July 2022 Issue	7/5/2022	$93.35	$94.46	1.89%	1.2%
VTV	The Vanguard Value ETF	Bear market portfolio: 20% position per the July 2022 Issue	7/5/2022	$131.74	$135.85	2.48%	3.1%
IJS	iShares S&P Small-Cap 600 Value ETF	Bear market portfolio: 20% position per the July 2022 Issue	7/5/2022	$89.52	$91.29	1.79%	2.0%
SCZ	iShares MSCI EAFE Small-Cap Index ETF	Bear market portfolio: 10% position per the July 2022 Issue	7/5/2022	$53.43	$50.22	4.72%	-6.0%
VEA	The Vanguard FTSE Developed Markets ETF	Bear market portfolio: 10% position per the July 2022 Issue	7/5/2022	$40.01	$38.00	3.89%	-5.0%
DOCN	DigitalOcean Holdings Inc.	Buy a half position up to $60, reserving capital to purchase the remainder of your position on a dip.	6/2/2022	$49.31	$31.75	N/A	-35.6%
ONDS	Ondas Holdings Inc.	Buy a full position up to $8.75	6/2/2022	$7.55	$3.48	N/A	-53.9%
WONDF	Wonderfi Technologies Inc.	Buy a half position up to $0.60, reserving capital to add to the position on a pullback.	6/2/2022	$0.45	$0.19	N/A	-57.8%
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. UPDATE August 2022: Buy up to price was raised to $6.50.	5/2/2022	$4.27	$4.53	N/A	6.1%
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	$26.31	N/A	-66.0%
EPD	Enterprise Products Partners, L.P.	Buy shares of EPD up to $23.00 as an income-generating investment.	12/1/2021	$21.20	$24.75	$1.86	16.7%
ARKX	ARK Space Exploration & Innovation ETF	Buy shares of ARKX up to $22.00	11/1/2021	$20.48	$12.78	N/A	-37.6%
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	$10.65	N/A	-63.2%
GENI	Genius Sports Group	Buy shares of GENI up to $22.50	10/5/2021	$16.99	$5.42	N/A	-68.1%
JD	JD.Com	Buy shares of JD.com (JD) up to $80 per share	8/30/2021	$76.69	$40.44	N/A	-47.3%
CZR	Cesars Entertainment	Buy shares of CZR up to $101.75	8/6/2021	$90.50	$43.02	N/A	-52.5%
	Current Prices as of 11/03/2022	**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					