

# COUNTERVEST

## WEALTHY TECHNOLOGY INVESTOR

Big Profits From Tomorrow's Emerging Technology



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### IN THIS ISSUE

#### The Future Is SAAS

There's really no argument that software is switching from a one-time purchase to subscription-based model. We've already seen behemoths such as Microsoft and Adobe jump on the bandwagon. By switching to this model, our recommendation this month will make sure that customers are happy, and revenue keeps flowing in.

#### Portfolio News Update

We take a moment to break down a few pieces of news from our portfolio in the past month. Second quarter earnings season is right around the corner. You'll see a list of the announcements coming up in the next few weeks. See all the details inside.

#### ONE COMPANY THAT WANTS YOU TO BE ABLE TO SEARCH ANYTHING AND EVERYTHING

What's your favorite search engine? We'll give you a second.

Google? Bing? Yahoo?

Can you imagine what the internet would be like without search engines?

You'd have to know where you want to go. No more searching for people, places and things. The only option is entering the exact web address of what you need. Scrolling through all the products offered by a company. Really think about a world without search capabilities.

If you think long and hard enough, you just might remember a time when that was the case. The web became available to the public in 1990, but the first web search engine as we know it didn't arrive until 1993.

Prior to 1993 the web was indexed entirely by hand. Think like a card catalog at the public library (if you remember those).

Archie came along and created a searchable database of users/directory listings. This was more like a phone book than a search engine. And you had to hope that the hand indexing was correct and included whatever you were trying to search by.

So, finally in 1993, W3Catalog came along.

It was a series of Perl scripts that periodically mirrored the pages and rewrote them in a standard format. Standardizing the format of the data allowed for searchability. The world's first primitive search engine was born.

We're not going to go through the entire history of search engines.

Most you probably won't remember and aren't even relevant now. Google is the world's most used search engine with a market share of 92.96%.

Although search engines have an interesting history, we're not recommending a search engine company today. How could we? We doubt anyone will be able to knock Google from its throne.

But that's just one example of the vast uses of data, we're looking at a company that give you the ability to search about anything.

## HOW MUCH DATA IS TOO MUCH DATA?

So? How much is too much?

It seems that, like money, there's always the quest for more.

Like 49ers in the California Gold Rush, companies are rushing to compile and more importantly analyze as much data as they can get their hands on.

It's not the first time we've talked about big data... and it certainly won't be the last. We've said it before big data is big business.

The global datasphere is massive. Just look at the projections of the IDC (International Data Corporation) below.

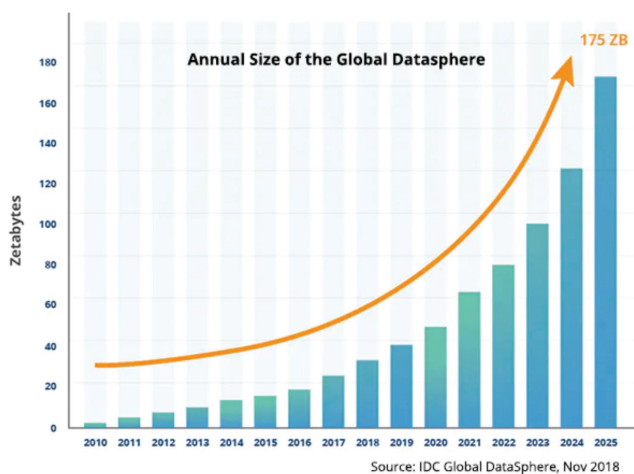


Image 1: Evolution of Global Data

It is expected that the digital universe will reach 175 zettabytes by 2025. For perspective, one zettabyte is equal to a trillion gigabytes. So, we're talking about 175 followed by 21 zeros.

Big data is known for its volume, velocity and variety. As we just pointed out the volume is exponentially expanding. And storing all that data was once a challenge. But now the challenge is putting all the data to use. Which is where velocity and variety come in.

Velocity is the accelerating pace of data. Data is coming in so fast, that analytics software needs to be nimble enough to accommodate it.

Variety refers to the different forms that data comes in. Companies are trying to collect as much data as possible from as many sources as possible. The data needs to be structured and neatly organized so that it can be easily queried and analyzed. That's where the extra work comes in for programmers and data scientist.

The company we want to recommend for you today provide an open source solution for searching through vast amounts of data. Whether you want to put a search box on your website or branded app, or whether you want to search every single file on your company servers, it has the tools for that.

## SEARCH EVERYTHING, ANYWHERE

Thousands of organizations worldwide trust Elastic NV (NYSE: ESTC)'s ELK stack to help power their business data needs.

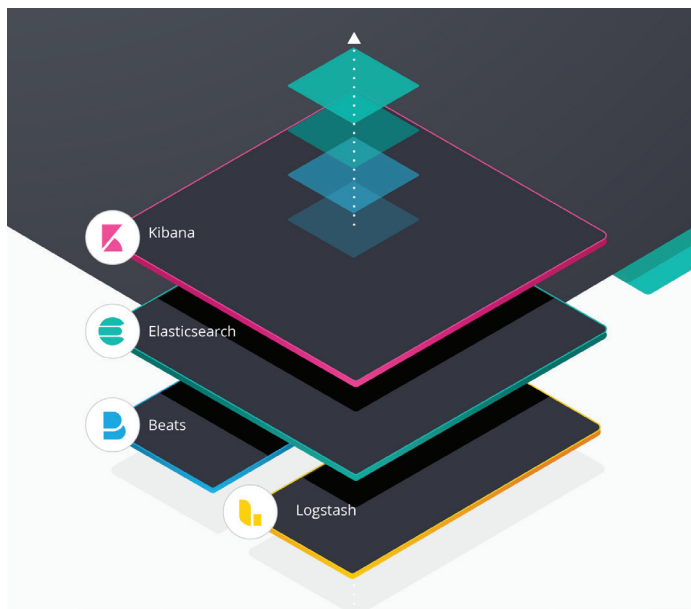
We're talking about Uber, Tinder, Cisco, Sprint, Nasa, Wikipedia, Goldman Sachs and many more. Think about how much data that really is. Tinder has 26 million swipes per day. And every one of them needs to be added to its algorithm.

The story behind Elastic NV started in 2000 when founder Shay Banon's wife was attending cooking school at Le Cordon Bleu. He started building a search engine for her growing list of recipes.

Elasticsearch was founded in 2012 at the same time two other open source projects were taking flight. Logstash and Kibana would then be combined with Banon's Elasticsearch to form the ELK Stack, the core of Elastic NV.

If you're not familiar with the coding universe, open source software is a type of software in which the code is released under a license that grants users the rights to use, study, change and distribute to anyone for any purpose. It encourages collaboration which is exactly what happened here.

ELK stack is an acronym for the three open source projects that formed the basis for Elastic NV: Elasticsearch, Logstash and Kibana.



Elasticsearch is in the middle and contains the building blocks for developers to store, search and analyze data. It's the heart of the stack.

Logstash and now Beats are ways to ingest data from a variety of formats and devices. It ingests that data from these multiple sources simultaneously, transforms it and then sends it to stash.

Logstash does the dirty work of collecting data and turning the unstructured data into something that Elasticsearch can use.

Kibana is the cherry on top of the cake. It's the tool to that allows users to visualize and manage that data. Charts, graphs, dashboards and any other output that's needed.

When combined together to create the ELK stack, they provide solutions for app search, site search, enterprise search, logging, metrics, apm, business analytics and security analytics.

Say you want a search box on your website or in your company's branded app.

Just a few years ago, your developers would have to roll up their sleeves and create that code from scratch. Now the same thing can be done in a matter of minutes

## THE FUTURE IS SAAS

Technology as a group is switching from one-time purchase to software as a service (SaaS).

Back in 2007, you could purchase the most recent version of windows and use it until your version became so outdated that you got frustrated. Microsoft has jumped on the SAAS bandwagon.

Now you purchase a Microsoft license and it automatically charges your card every year. Your software never becomes obsolete. The updates happen when they need to. You don't have software discs lying around.

Elastic NV is switching to that model as well.

Historically companies have downloaded the Elastic Stack code and integrated it as needed. Today Elastic Stack has packaged its tool into three main enterprise products.

First up is Elastic Enterprise Search. This is all about finding files and documents. It's about creating search boxes on websites or applications.

Its ability to instantly find relevant information and actionable insights from any data allows customers to insight, information and answers. It even produces the possibility of searching through an entire workplace. Think about a busy account manager being able to search all servers and files for a client name.

Second up is Elastic Observability. This functionality allows for figuring out what's going on amongst a company's entire infrastructure. It allows customers to monitor all applications by centralizing all data.

It can then monitor system performance and provide metrics. Think about a system that tracks spending usage and patterns across an entire company. That's not all. It could also notify of a change in pattern before spending gets out of hand.

Finally, is Elastic Security which is Elastic NV's security information and event management (SIEM) solution. This was a natural next step for the company, if you're already sorting and analyzing all your data, why not protect it at the same time.

For example, the system can notice if there is a query in a company data base is taking too long. That could signal an attack on the system and the user can be alerted in real time.

As mentioned above, all of these functions are built on a single technology stack. So once all the data is organized, the sky is the limit. It could be running on a server or on a cloud and can be fully integrated with existing systems. This includes Microsoft Teams, Google Cloud, Slack even our very own PagerDuty.

The goal is to give the user more if it's looking for one search box or handling trillions of documents or logs and security event. Elastic NV doesn't charge for connectors or number of users. And the team offers support, consulting, training and all sorts of handholding along the way if needed.

The company has more improvements in the pipeline to keep with the accelerated trends associated with the current climate. More applications means more subscribers...which in turn means more money for investors.

## **BIG PROFITS JUST AROUND THE CORNER FOR INVESTORS**

Elastic NV has been working hard to deploy its services across as many region as possible. Just this past year, it added Finland, London, Netherlands, Sao Paulo, Singapore, South Carolina, Taiwan and Tokyo.

There's also no doubt that the life changes created by the Coronavirus will send more companies to deploy the ELK stack.

The pandemic has pushed even people who were hesitant to utilize online services. Sites like online delivery service HappyFresh have seen a nearly 10x increase in site traffic. And Elastic NV will ensure that these sites can better serve customers with faster response times and increased reliability.

The company's most recent earnings results are just a small taste of the things to come. For the fourth quarter ending on April 30th, total revenue was \$123.6 million. That's an increase of 53% compared to the same quarter of the previous year.

Founder and CEO Shay Banon noted "Despite a challenging environment, Q4 was an amazing ending to a strong fiscal year."

Total subscription customers increased from 10,500 to 11,300 compared to 10,500 for the quarter. Which caused SAAS revenue to increase 110% higher than the previous year.

The company was also ranked #4 in the Fast Company enterprise technology category on its 2020 most innovative companies list.

After all this progress, shares have gone nowhere since their IPO in 2018.



## *COUNTERVEST*

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By the close of the first day of public trading, shares had almost doubled to \$90. Here we are almost two years later, and shares are trading for \$88.82.

This just shows that investors have yet to recognize how important these data trends will be. And more specifically how much Elastic NV will play a role. That is even more true now that consumers are relying more on internet services. This combined with more people working from home, creates more demand for simplistic functionality across all data collection services.

**Action to take:** Buy shares of Elastic NV (NYSE: ESTC)

## WEALTHY TECH INVESTOR PORTFOLIO

We don't have too many updates for you this month. Earnings season is right around the corner, so we'll update you on those in next month's issue.

For our tracking purposes, we're estimating that readers were able to get in to last month's recommendation of **PagerDuty (NYSE: PD)** for \$30.08 per share.

Let's jump right into our other updates.

**RF Industries (NASDAQ: RFIL)** is a national manufacturer and marketer of interconnect products. Last month, we noted that shares have been trading sideways due to less than ideal earnings numbers.

The company has announced that the CFO would be stepping down and a formal search for a replacement would commence. That's not the warm and fuzzy announcement that investors have been searching for to feel more confident in the company.

Our position is still sitting slightly down, so we recommend holding those for now while this transition period is underway.

**Action to take:** Hold your shares of RF Industries (NASDAQ: RFIL).

**Telefonaktiebolaget LM Ericsson (NASDAQ: ERIC)** is one of the leading providers of Information and Communication Technology (ICT) to service providers. It's a leader in the 5G market with 54 live networks and 99 commercial 5G agreements.

Ericsson is working to have its 5G everywhere. Our update here is the company's second quarter earnings from July 17th.

Overall net sales increase slightly when compared to the previous year despite all the economic uncertainty especially in Latin American markets. North America saw net sales increase by 4% and Northeast Asia 19%, the other regions weren't so great.

The management is still pleased with the progress of its 5G implementation and upheld the 2020 full-year targets.

**Action to take:** Shares of Telefonaktiebolaget LM Ericsson (NASDAQ: ERIC) are still a buy at these prices.

**Cloudflare Inc (NYSE:NET)** announced that it will report its results for the second quarter on August 6. July 17th announced new Tokyo office and head of Japan. Cloudflare first invested in Japan nearly a decade ago and expanded into Tokyo in 2010. Planning further expansion in the region.

**Action to take:** Shares of Cloudflare Inc. (NYSE: NET) remain a buy.

## UPCOMING EARNINGS RELEASES

**Advanced Micro Devices (NASDAQ: AMD)** on July 28<sup>th</sup>

**Pinterest, Inc. (NYSE: PINS)** on July 31<sup>st</sup>

**Mimecast Limited (NASDAQ: MIME)** on August 3<sup>rd</sup>

**Twilio Inc. (NYSE: TWLO)** August 4<sup>th</sup>

**Invitae Corp. (NYSE: NVTA)** on August 4<sup>th</sup>

**Fastly, Inc. (NYSE: FSLY)** on August 5<sup>th</sup>

**Cloudflare Inc (NYSE:NET)** on August 6<sup>th</sup>

**Alteryx, Inc. (NYSE: AYX)** on August 13<sup>th</sup>

Company	Ticker	Open Date	Open Price	Recent Price	Recent %
RF Industries	RFIL	04/15/2019	6.45	4.33	-31.32%
InVitaе Corp	NVTA	01/02/2019	11.31	33.31	185.68%
Twilio Inc	TWLO	01/02/2019	86.97	285.55	228.33%
Pinterest Inc	PINS	11/05/2019	20.47	34.94	70.69%
Alteryx Inc	AYX	01/02/2019	58.52	176.7	201.95%
Fastly Inc	FSLY	11/11/2019	18.48	115.52	525.11%
Veeva Systems Inc	VEEV	01/02/2019	87.49	267.6	205.86%
Mongodb Inc	MDB	01/02/2019	79.95	214.11	167.80%
Okta Inc	OKTA	01/02/2019	63.26	218.08	244.74%
GOGO Inc.	GOGO	02/12/2020	5.22	3.4	-34.87%
Loral Space & Comm	LORL	03/11/2020	20.08	20.64	2.79%
Advanced Micro Devices	AMD	04/08/2020	48.79	84.71	73.62%
Telefonaktiebolaget LM Ericsson	ERIC	05/06/2020	8.24	11.74	42.48%
Cloudflare Inc	NET	06/10/2020	29.4	42.24	43.67%
Mimecast Ltd	MIME	06/10/2020	44.11	45.97	4.22%
Newmont Corporation	NEM	05/06/2020	67.43	69.71	3.38%
Pager Duty	PD	07/08/2020	30.08	30.98	2.99%

**Note:** Returns are based on recommended entry and exit prices as mentioned in the Wealthy Technology Investor e-mail alerts. Brokers' fees are not taken into consideration when calculating returns. If you are not receiving the Wealthy Technology Investor e-mail alerts, please send us an e-mail to [support@countervest.com](mailto:support@countervest.com). All numbers are believed to be correct. **Prices as of 08/03/2020**

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