

Investment Club Meeting

February 22, 2019

Agenda

1. Market Update
2. Dave and Jeff
3. Lockheed Martin Buy Pitch
4. NYC Finance Night Reminder

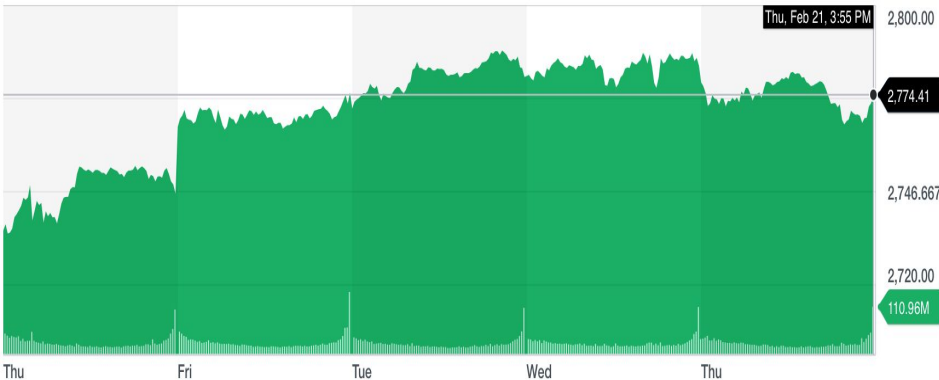
Market Update

Mac & Tyler

This Week's Market Performance

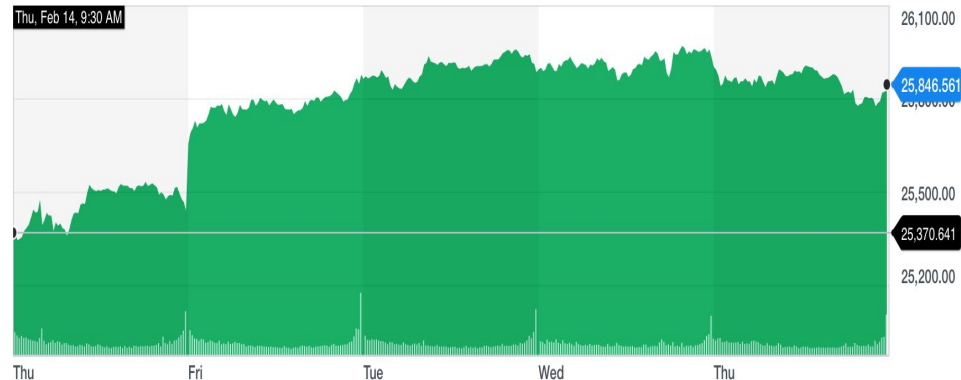
S&P 500

- Closed at 2,774.41 Thursday evening
- Up **1.42%** since markets opened last Thursday



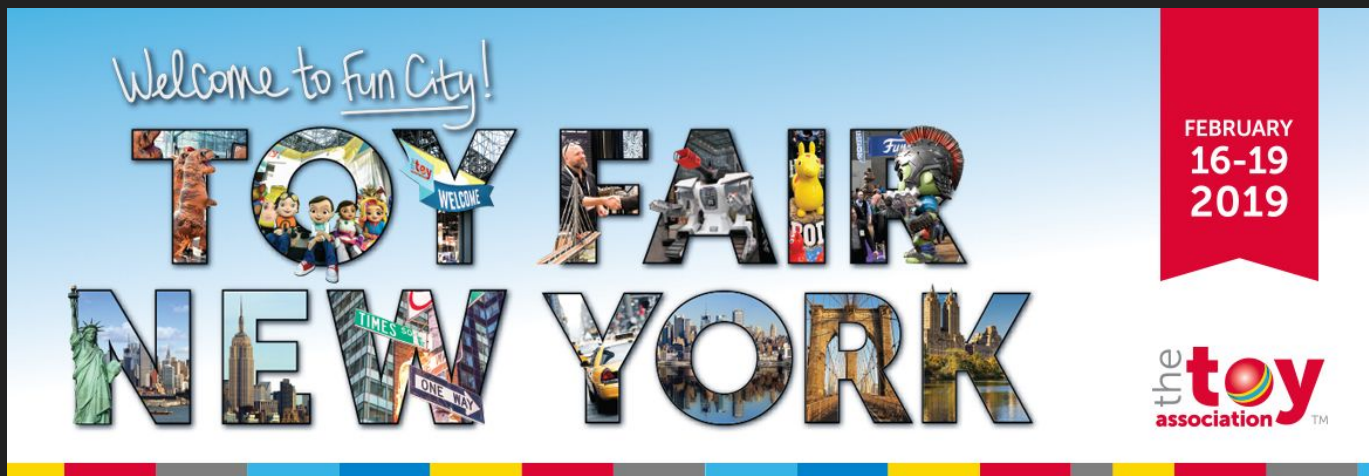
DJIA

- Closed at 25,864.56 Thursday evening
- Up **1.84%** since markets opened last Thursday



The 116th North American International Toy Fair

- Largest toy fair in the western hemisphere.
- U.S toy industry sized at \$28 billion in 2018. (2% drop from 2017)



Hasbro Inc. Turbulence

Hasbro, Inc. (HAS)

- Largest toy maker in the world by Market Cap. (\$10.91 billion)
- Revenue dropped 13% in 4th quarter
- Toys R Us closure crushed shelf space
 - 3rd largest customer in US, 2nd Internationally
- One-click shopping on social media
- Star Wars, Marvel, Fortnite



Securities to watch:

❖ Footlocker (FL)

- \$275 million in capex with a focus on Asia

❖ The Trade Desk (TTD)

- Beat earnings by 36% yesterday... up 11% after hours
- PE: 104.02 ... 55% rev inc

❖ Apple (AAPL)

- Rebound from Jan low
- Acquisitions
- Credit Card

Apple

\$172.22

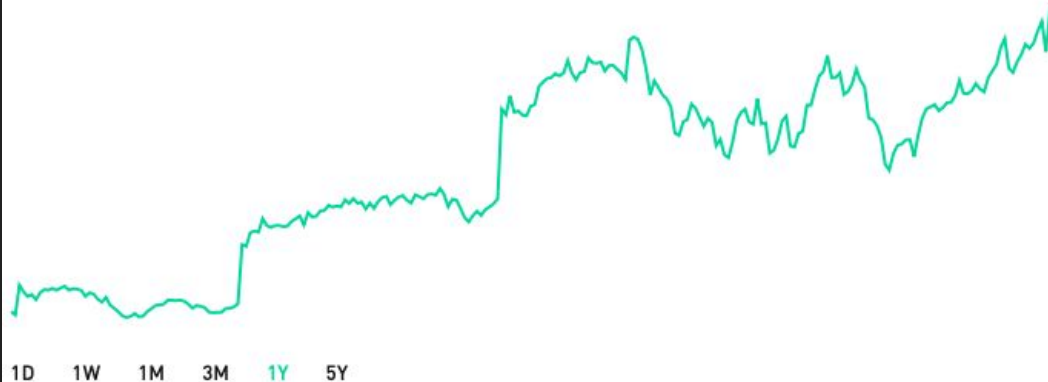
+\$0.42 (0.24%) Past Year

48%

236,323



+\$115.74 (230.28%) Past Year



Continued...

- ❖ Huge lock : WTI Crude futures (/CL) (/QM)
- ❖ Buy low
 - (/QM) Crude oil EmiNY up 4.7% since January low
- ❖ Large effort to control recent oversupply
 - Partially lead to dramatic drop in price
 - OPEC January oil production slash
 - Effects of recent U.S. sanctions on Venezuela

WTI Crude
56.93 -0.05%

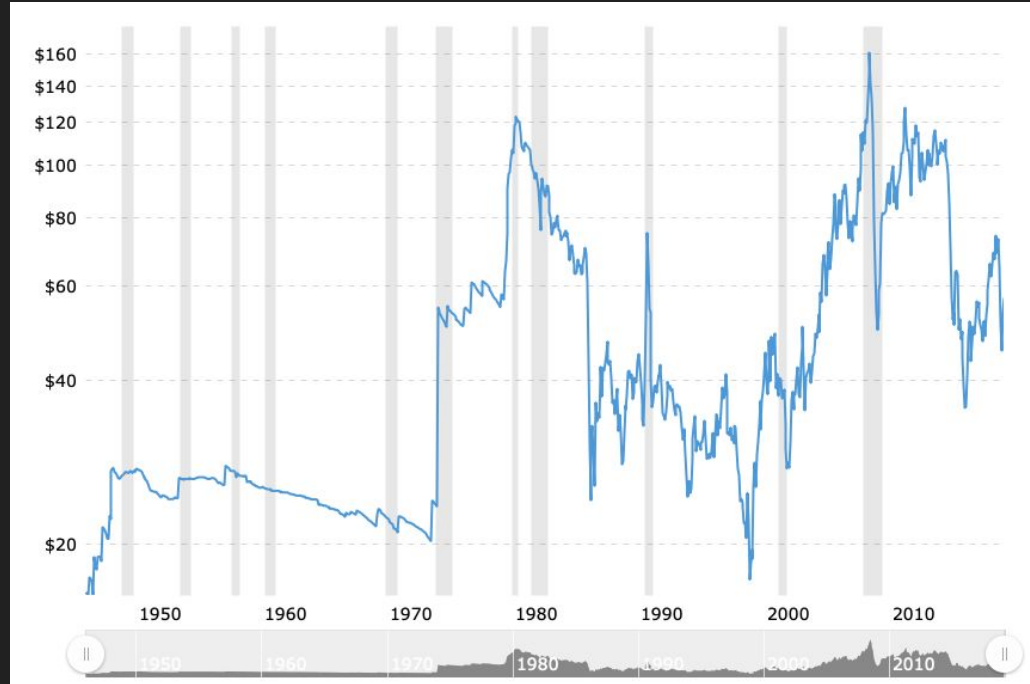


1D | 1WK | 1M | 1YR | Max

Share



Crude Oil Prices - 70 Year Historical Chart



Famous/Cool Trades

Dave & Jeff



Cuban Collar

<http://markcubancompanies.com/index.html>



Yahoo! buying BCST.com



April 1, 1999: 3:50 p.m. ET

**Leading gateway agrees to swap \$5.7B
in stock for video broadcaster**

NEW YORK (CNNfn) - Yahoo! Inc. Thursday acquired Broadcast.com, the leading Internet audio and video broadcaster, for \$5.7 billion in stock in one of the biggest mergers in cyberspace.

Under the deal, Yahoo! is using its richly valued stock to pay an astounding sum for a company that lost \$16.4 million on sales of about \$22 million last year. But it could prove crucial for Yahoo! in the race to stay ahead of rivals as a leading Internet destination.

"The combined entity looks very strong going forward," Ryan Jacob, a money manager for The Internet Fund, told CNNfn, adding the deal gives Yahoo a "stronger foothold" in the market for online audio and video.

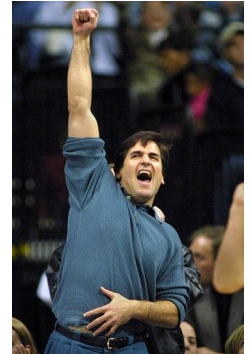
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Becoming a billionaire overnight

-This literally happened to Mark Cuban

-During an interview Cuban told CNBC he did a 'naked billionaire dance' watching his net worth pass the billion dollar mark

-Broadcast.Com was an internet audio company which to my knowledge broadcasted things like sporting events and presidential elections over the internet



What a Collar Trade is, and what Cuban did

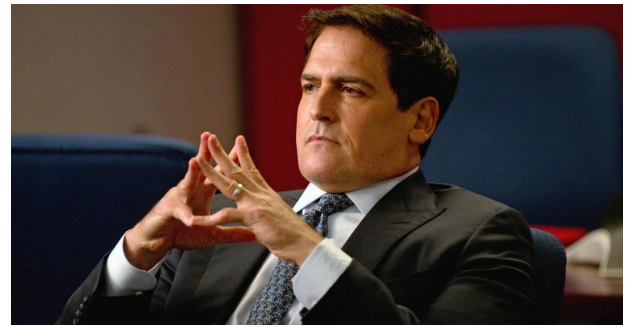
- A collar trade involves buying a put and selling call options

- If the price of your stock goes up, you will have to give your stock away to someone at a set price

- If the price of your stock goes down, you can sell your stock to someone at a certain price

- LOCKS IN your price and hedges out losing or gaining money

Continued



- 1) For each 100 shares of Yahoo stock, 1 contract of put (strike 85) was bought and 1 contract of call (strike 205) was sold. In total there were 146,000 contracts of calls and 146,000 contracts of puts traded.
- 2) The premium of the put exactly offset the premium of the call, thus there was zero cost for this trade (not sure about the whether Cuban had to pay the commission but it is likely the commission cost was rolled into the premium as part of the total deal between Cuban and the counterparty bank).
- 3) All options expired in 3 years

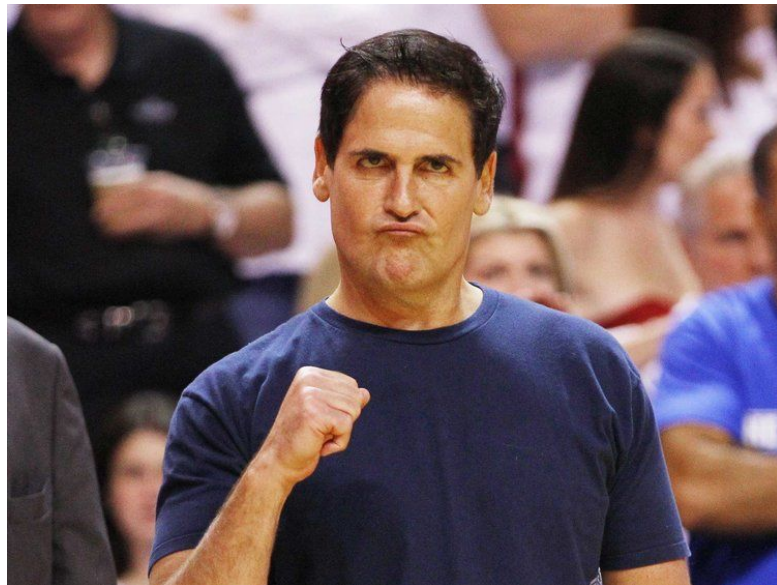
Why this is one of the greatest trades

The Yahoo! logo, consisting of the word "YAHOO!" in white, sans-serif, uppercase letters on a purple rectangular background.

- Turns out the price Yahoo! Paid was absurd, and at the height of the dot-com bubble
- The internet speeds at the time were not good enough to stream, and what Broadcast.com did was in my opinion a little before it's time
- Cuban's Yahoo! Shares were originally worth \$95/share when he entered into the trade, and Yahoo! Stock then soared to a high of \$237 in January 2000
- So although Mark Cuban looked like an idiot at first, the bubble burst and Yahoo! Stock fell to \$13 a share

Takeaways

- You may or may not like Mark Cuban...
- He was able to preserve the majority of his net worth through this collar trade
- NVIDIA/SoftBank recent example



Blackstone Codere Credit Default Swaps

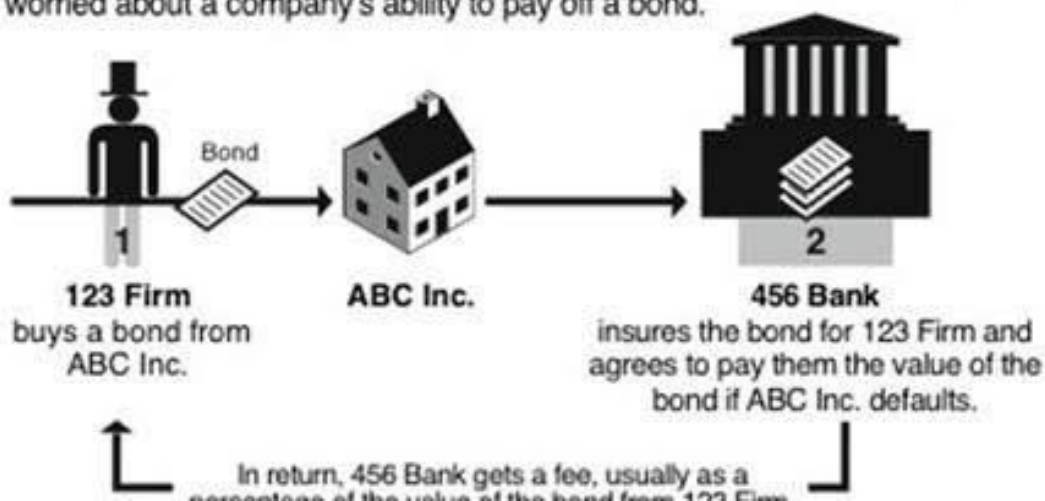
- Troubled Spanish Gaming company Codere SA
- First: Blackstone buys Credit Default Swaps on the company
- CDS are essentially insurance on a company's bonds, if the company defaults on their bonds, you get paid
- Next: Agreed to roll a \$100 million revolver loan for Codere with great terms

The Blackstone logo, featuring the word "Blackstone" in a white serif font centered within a solid black rectangular background.

Blackstone

Credit default swaps

Credit default swaps are a form of insurance that investors seek if they are worried about a company's ability to pay off a bond.



IF.....

- Blackstone would grant Codere this funding only if Codere agreed to pay interest on their bonds two days late
- Triggering a technical default, triggering the Credit Default Swaps and paying out to Blackstone
- Doesn't cost Codere anything, only person who was screwed was whoever wrote the CDS
- Wasn't a massive payday, but Blackstone made an easy ~\$15mil by being savvy

Elliott Management Corp. vs. Argentina

- Elliott Management Corp: Huge activist hedge-fund led by famous investor Paul Singer
- Famous for their aggression, great example in their battle against Argentina
- Argentina had attempted to restructure some of their 2001 debt, but Elliott bought a large amount of their bonds.
- Refused to agree with restructuring, wanted more money for their bonds
- 10+ year long legal battle ensues

Elliott takes matters into its own hands

- When Argentine Naval ship was docked in Ghana, Elliott Management seized control of it using legal ruling that stated Argentina owed them money
- 200 Sailors were on board, the hedge fund took legal control over the ship
- Eventually after putting up a large fight, Argentina paid Elliott \$2.4 Billion, close to 4x its initial investment



The ARA Libertad



Paul Singer

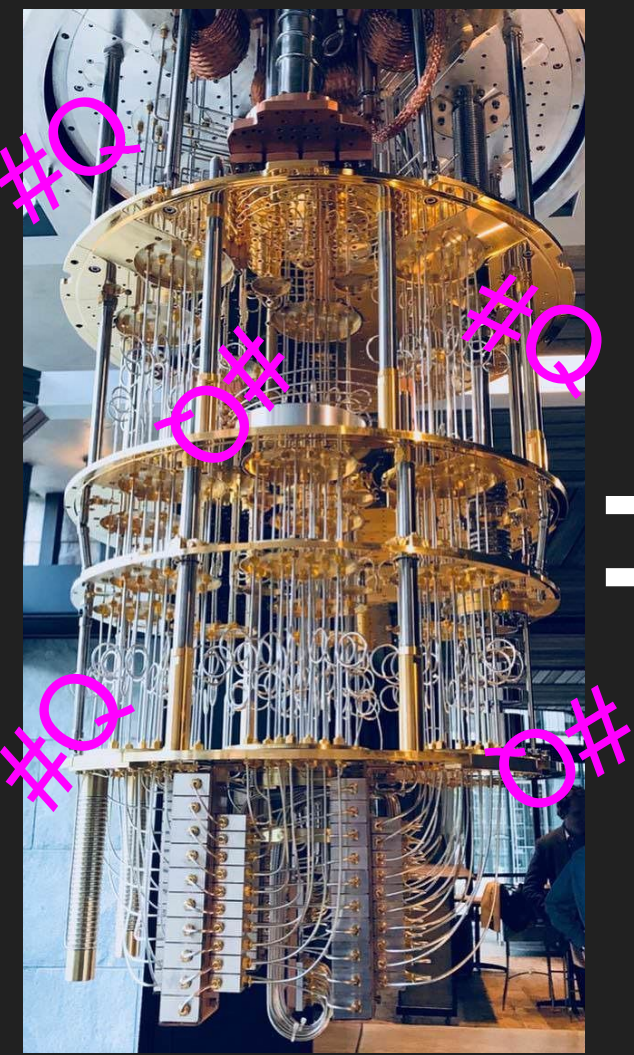


LOCKHEED MARTIN



Buy Pitch

Brett Berger



=



?



Missile...



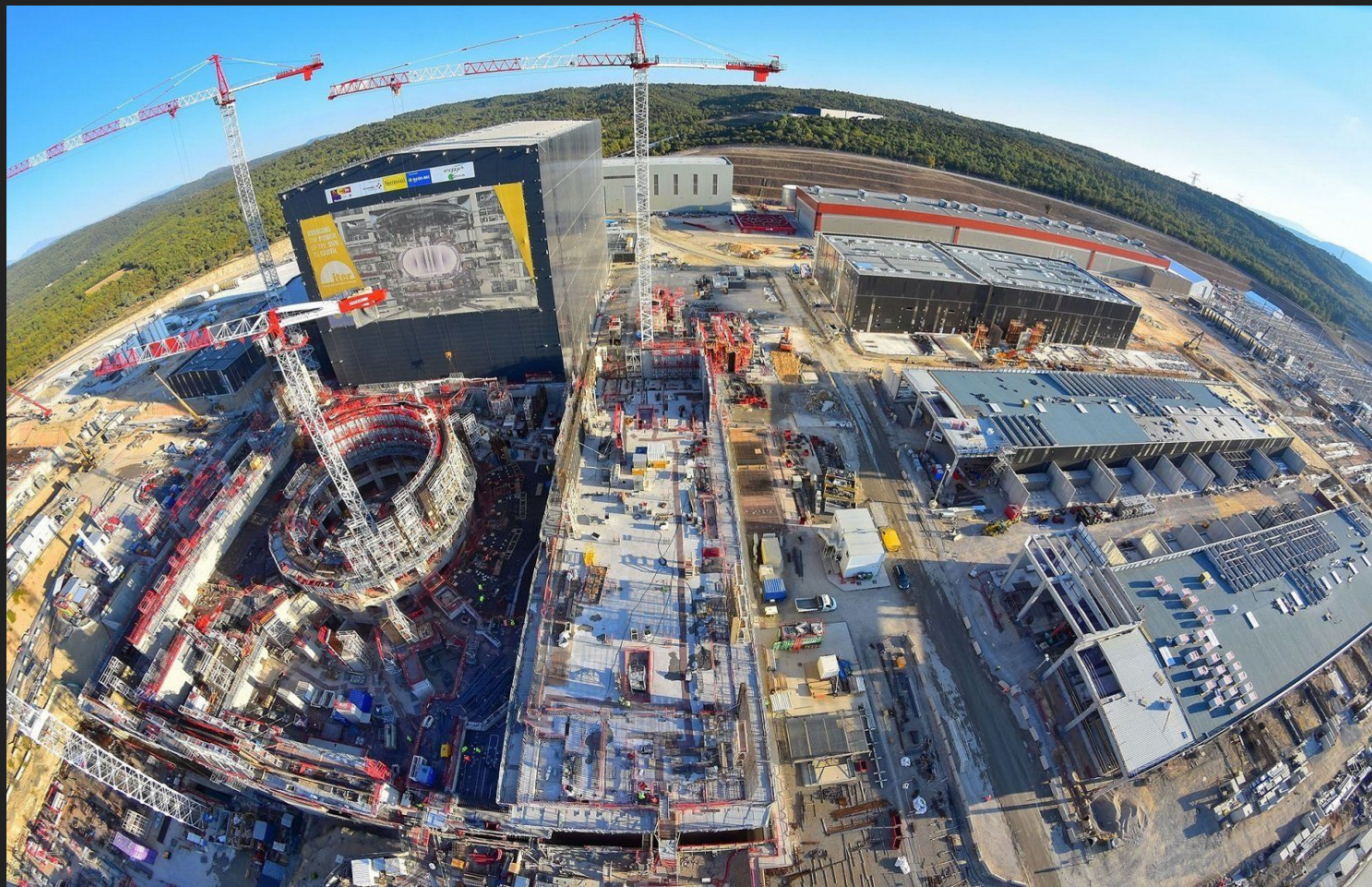
Bigger
missile!



More
bigger-est
missiles!!!



Fusion







Consider buying

LHM: Lockheed Martin

20 Shares @ \$300

\$6000 ~ 1%

52 Week Range = \$241.18 <-->
\$362.98

Market Cap = \$87 Billion

Average Volume = 1,110,354

Beta = 1.02 (low)

Just hired new CIO (Chief
Information Officer), Information
Technology Strategy and
Implementation

EBITDA (Earnings Before Interest,
Tax, Depreciation, and Amortization)
= \$8.3 Billion

Revenue = \$53.76 Billion

Risks: technology result could be
“No,” could be done (still in private
sector) by competitor

#1 Objective reason to buy that the
pros agree with: they do cool stuff

Finance Night in NYC

When?

- Thursday, March 28th, 2019
- 6:30pm - 8:30pm
- Buses leave campus at 4:00PM

Register & pay refundable deposit by March 11

Mandatory Prep Sessions (3rd floor Hogg Hall)

- **Friday, March 8th at 3:15pm**
- **Monday, March 11th at 12:15pm**
- **Tuesday, March 12th at 4:30pm**
- **Wednesday, March 13th at 12:15pm**
- **Wednesday, March 13th at 4:30pm**
- **Thursday, March 14th at 12:15pm**