2021 Year in Review

To my readers, I will be going over all the stocks that I wrote about in the last year and breakdown what my initial thesis was and what transpired since posting. I've included the order of which I will be addressing them in case you want to skip to the one's you'd like to read.

1. Agrify (AGFY)
2. AppHarvest (APPH)
3. Bark (BARK)
4. Chewy (CHWY)
5. Coinbase (COIN)
6. FIGS (FIGS)
7. Fiverr (FVRR)
8. Green Thumb (GTBIF)
9. Honest Co. (HNST)
10. Hydrofarm (HYFM)
11. Petco (WOOF)
12. RH (RH)
13. Robinhood (HOOD)
14. Scotts Miracle-Gro (SMG)
15. Urban-Gro (UGRO)
16. Twitter (TWTR)
17. Virgin Galactic (SPCE)

Agrify (AGFY) – LONG

Original Thesis: With the growth of cannabis slowly coming state by state in the U.S., Agrify was positioning itself to become the manufacturer and supplier of vertical farming units ("VFUs") to smaller growers looking to take advantage of the growing industry. The company is small but was growing rapidly, posting triple-digit top-line growth rates and announcing new sales/partnerships that recognized sales either immediately or created a backlog.

They also introduced a SaaS offering to boost revenue by providing data insights alongside their VFUs and a turn-key solution where they built out facilities with their units and then hand the keys over to the client.

What's Happened: Given the nature of the company on the stock market, not much coverage was given by analysts and volume was lackluster causing massive price movements daily. The stock saw its price almost double to ~$20 to then drop by more than 50% to ~$7. Come summer, however, the company finally caught fire and rose over 400% to an all-time-high of $36 before its slow decline to $~9. The company was hit with some insider selling towards the top and then a short report on Bonitas Research that brought up some interesting points. However, the company never responded, and investors were left to almost believe the report in lack of any guidance from the company. I am still contemplating how to handle this spectacular drop.

AppHarvest (APPH) – SHORT

Original Thesis: AppHarvest was pitching investors on how it was worth over $1b by building out these indoor farms to grow tomatoes and various veggies. I argued that at its core, they are growing tomatoes, not anything crazy that should warrant a high multiple. Literally tomatoes. To add on to this, I also mentioned that they were eliminating the risk of running into issues when building out the facilities that would slow down their aggressive revenue targets.

What's Happened: Everything that I called ended up happening. There was a valuation re-rating from investors realizing that though the idea of vertical farming is the future, they're literally growing tomatoes. The company announced delays with their facility build outs and that there were issues with

meeting their projections of $25m in sales for 2021 and revised it down by more than have to less than $10m. The stock subsequently dropped from ~$13 when I pitched it to now trading at ~$4.

Bark (BARK) – LONG

Original Thesis: Bark was an interesting pet play because they weren't a traditional retailer or online pet place. They are a subscription box company that packaged toys and treats into a monthly box shipped right to your door. Though not profitable, they were still posting growth rates of ~33% CAGR and were expanding their product offering to more than just toys and treats. They started including Bark Eats, which is pet food, Bark Bright, for dental care, and Bark Home, for other pet related products that you would use around the home. This would help contribute to a higher LTV, lower CAC, and better margins down the road. What as also impressive was that their churn rate was relatively low meaning that many of its customers stayed on the platform for a while (me being one of them).

What's Happened: This stock got absolutely hammered. I believe that it was collateral damage of the broader deSPACing that occurred throughout the year. Time after time with their earnings they would print good results, but the stock would still sell off. The CFO also left and there has been some insider selling as well. This one has been tough to swallow considering it's been one of the better SPACs that have held up closest to their original projections than may other SPACs that have collapsed.

Chewy (CHWY) – SHORT

Original Thesis: Chewy was a great beneficiary of the pandemic as adoption rates skyrocketed and many pet owners were forced to buy their food, toys, etc. from e-retailers while traditional brick and mortar were either closed or at reduced operations. My thoughts were that though the company was highly successful in 2020, they really had no defensible moat for others to come in like Petco, PetSmart and Amazon. More dollars would need to be contributed to marketing to achieve the same level of growth putting pressure on margins.

What's Happened: Growth started to significantly slow down as the reopening play was really coming into fruition and though the company was generating positive adjusted EBITDA, and earnings, margin impact was not absent, and investors paid attention. Because of all this, the aggressive multiple that Chewy commanded in 2020 quickly drew down over the last year where the price settled at ~$58.

Coinbase (COIN) – LONG

Original Thesis: Coinbase was the second biggest crypto exchange and if people didn't want to invest directly into crypto, they could buy into the exchange and get exposure that way. Additionally, since fee-based commissions will eventually head towards zero, I saw Coinbase becoming more of an asset manager than just an exchange. They would, in essence, be a full suite of financial products for their customers and investor base.

What's Happened: Like Robinhood, Coinbase does have exposure to how the price of Bitcoin trades so during the summer when BTC dropped to ~$30k from its recent all time high, the price went along with it. Coinbase however did continue to post strong financial earnings and as BTC continues its volatile climb upwards, so does Coin. They are still working with the SEC to figure out a more concrete set of regulations so we should expect more volatility with the stock in the near term.

FIGS (FIGS) – SHORT

Original Thesis: Though FIGS makes a great apparel product, their growth during COVID was short lived and I believed that their slowing growth would then be recognized by investors and the stock price would reflect the slower growth. Simple as that.

What's Happened: Since this was more of a recent call, the only major event that has happened is that the CFO abruptly retired only after ~1 year on the job. The stock plummeted ~20% on the news and is slowly rebounding since then. Insiders kept selling at an alarming rate which didn't breed confidence in the company's stock price. We'll see in January/February what their earnings will be and if managements reiterated end of year guidance lives up to what they say.

Fiverr (FVRR) – LONG

Original Thesis: COVID radically changed how individuals make money on the side. With so many losing their jobs due to the pandemic, many turned to freelance work to either make ends meet or to add supplemental income. Fiverr was a great beneficiary of this with their various tools created to help freelancers be as successful as they could be.

What's Happened: Fiverr continued to grow though growth slowed down a bit as more people returned to work after COVID benefits expired. The company is still producing and innovating new ways for freelancers to take more charge of how they generate income, essentially giving the seller more power in their fate. However, since the company is tech, rising yields and the FEDs decision to raise rates have had a negative impact on the stock despite earnings beats.

Green Thumb Industries (GTBIF) – LONG

Original Thesis: Out of all the cannabis companies to invest in, the US MSOs were the ones, and still are, to bet on. Green Thumb was doing a great job with improving its average sales per store, cash flow and expansion into new markets. Their growth rate was impressive, and I was projecting that this execution style trend to continue into the future with the hopes that the passage of the SAFE act would be passed, and US cannabis companies would have better access to banking and financial markets.

What's Happened: With the hopes dying of a federally passed cannabis regulation bill, cannabis stocks have taken a pounding and prices have declined all over. It didn't help that the passage of the SAFE act never came to fruition (at least yet) and though the US MSOs were still experiencing massive growth, lack of liquidity and access to mainstream US exchanges caused their multiples to contract even further compared to the Canadians.

Honest Co. (HNST) – SHORT

Original Thesis: Honest was a very simple short play. The company at its core sold organic wipes and diapers, had operating margin in the single digits compared to other CPG players and was going public at a valuation that made no sense given what they were achieving financially. I had put their valuation at ~$11 compared to the over $20 the IPO was placing it at.

What's Happened: As earnings reports started coming out, they kept missing on estimates and the stock consequently plummeted from the ~$19 when I covered it to now ~$8 a share. Nothing complicated here other than it was just overvalued to begin with, and I think many people got too hyped up about how it was a celebrity's company, and it was an ESG play.

Hydrofarm (HYFM) – LONG

Original Thesis: Hydrofarm was another hydroponics cannabis play that operated in Canada and the United States. The company was growing and was making strategic acquisitions to role up more brands into their arsenal to help with the number of offerings that they could offer their customers.

What's Happened: Despite the accretive acquisitions, the company was lacking in organic growth and seemed to only be benefiting from the acquisitions that they were doing. This isn't sustainable in the long-term, but the stock sold off with a combination of this news, broader sell off in cannabis related stocks, and investor skepticism that didn't believe that HYFM was worth the multiple it was trying to command anymore. It's closest competitor, Grow Generation, has also seen its stock price collapse by over 50% since I posted so it seems to be a similar trend for companies that operate in the space.

Petco (WOOF) – LONG

Original Thesis: Unlike Chewy, my bet on Petco was how it was reinventing its business. Having gone public in January of this year, the company has been focusing on building out its ecommerce business to compete in a new digital age. They've announced partnerships with DoorDash for same day delivery, new healthcare and veterinary services, grooming, insurance, etc. to make an all-inclusive ecosystem for its customers. Essentially leveraging its stores as fulfillment centers while also offering ancillary services

What's Happened: They've been executing well on this digital strategy and not only beat earnings expectations over the last three quarters but also raised guidance as well. The stock has come close to my PT of $30 a few times but the underlying business is solid, and they are still continuing to deleverage after being owned by a private equity firm for so long.

RH (RH) – LONG

Original Thesis: RH was another large beneficiary of the pandemic when people stuck at home with more money in their pockets decided to redecorate their homes or furnish new homes that they recently purchased. RH has a long history of creating high quality products in the luxury home furnishings space along with creating new and improved experiential galleries. Management execution of domestic but also their plans for international expansion have continuously proved fruitful. My overall thesis was this continued growth and execution as well as the company managing to improve their sales per square foot by improving the overall experience of the types of galleries they operate.

What's Happened: RH, despite posting two good earnings prints since I wrote the article, has been collateral damage like other retail names due to concerns about inflation, supply chain issues and a presumed slowdown in home redecorating and home purchases. RH busted all of these and even the last earnings print, the stock popped 13% only to retrace back to levels before their earnings release.

Robinhood (HOOD) – SHORT

Original Thesis: Robinhood was simple. Everyone was so hype that a brand name company was going public, the one responsible for minting millionaires overnight with dogecoin and GME and were driving up the valuation. I simply was making a note that the investor base of HOOD was younger, not as wealthy, had smaller account sizes and was betting that many would throw in the towel once volatility took too much of a toll on their psyche and account balances.

What's Happened: Despite a meme stock frenzy that shot the stock up to $80 a share, the stock has since plummeted to ~$17, less than half of their opening day price. The earnings print showed exactly what I was saying that crypto fees would be slowing down on investors not buying enough anymore and that with less diligent investors comes less activity that drove their PFOF revenue.

Scotts Miracle-Gro (SMG) – LONG

Original Thesis: One of my favorite stocks going into 2022 is SMG and how they've been aggressively pushing into the hydroponics space. When I looked at the company and segmented out its business units between its consumer and Hawthorn business (hydroponics), it appeared that it its then price, you'd be getting the hydroponics business for free. SMG was still a positive earnings company, slow growth but growing faster because of COVID and Hawthorne, still paying a dividend, issuing share repurchases and making strategic M&A plays. My bet was based on the sum of the parts valuation and that analysts were being overly pessimistic.

What's Happened: The company started dropping off as a broader market sell off occurred in October and November and their trend was slowly going back up after printing a less bad earnings print than analysts were expecting. The stock shot up afterwards and has been flirting within a tight range since then but still more than when I initially wrote my long article.

Urban-Gro (UGRO) – LONG

Original Thesis: Like Agrify, Urban-Gro was another smaller vertical farming player that just did things a little differently. They provided almost an end-to-end solution to their customers from design to build out. They have a healthy balance sheet with no debt and were recently jump starting their growth again after being dormant for several years. I was betting on them to continue growing with their turn-key solutions and design services that many smaller players need.

What's Happened: Due to a lack of coverage and liquidity, the stock has unfortunately not moved much and has suffered great volatility swings like Agrify. Because this company is so small, it might never break too much further upwards unless the company gets more coverage and can get more interested in the work that they have and are currently doing.

Twitter (TWTR) – LONG

Original Thesis: Twitter has long been a laggard compared to other social media tech companies but with their new 3-year strategy plan, it seemed like they were finally ready to become more than just "existing". They had been aggressively acquiring companies to optimize their monetization of their daily active users, and introduce new items like Twitter blue subscriptions, tipping, spaces, and revue for newsletters.

What's Happened: Twitter's growth story slowly began to lose faith as investors were skeptical on management's ability to execute on this plan. Snapchat fell first with Apple's new privacy policy seeming to make a big dent in their revenue. Twitter didn't take quite as much of a hit but was slightly hurt by the changes. Management also signaled to more SG&A costs that would negatively impact margins in 2022 and the company came under scrutiny about how much stock-based compensation they've been handing out over the years. A popular account on Twitter tweeted, "I wouldn't be surprised if Twitter

ended up being a $100b company at $50", meaning though the company's valuation would increase, there would be no price appreciation because of how much SBC they've been giving out.

Virgin Galactic (SPCE) – SHORT

Original Thesis: Virgin Galactic was promising space tourism and how their spaceships were going to get them there. Though this made for a great story, they kept running into many issues. There were constant delays of their test flights which only pushed back the timeline for commerical flights, and they weren't making much, if any, sales so they were practically just a cash burning company that needed to raise more money through equity dilution.

What's Happened: Though this stock saw multiple pops from meme stock investors, the stock ended up crashing down from its summer high of ~$54 to ~$13 after it ran into problems with the FAA and further delays in commercialization of their ships.