

Sevens Report Alpha Webinar:
Is the Economic Recovery Already Priced In?

Thursday, April 29th, 2021
Tom Essaye, President Sevens Report Research

Valuations Of Hardest Hit Stocks

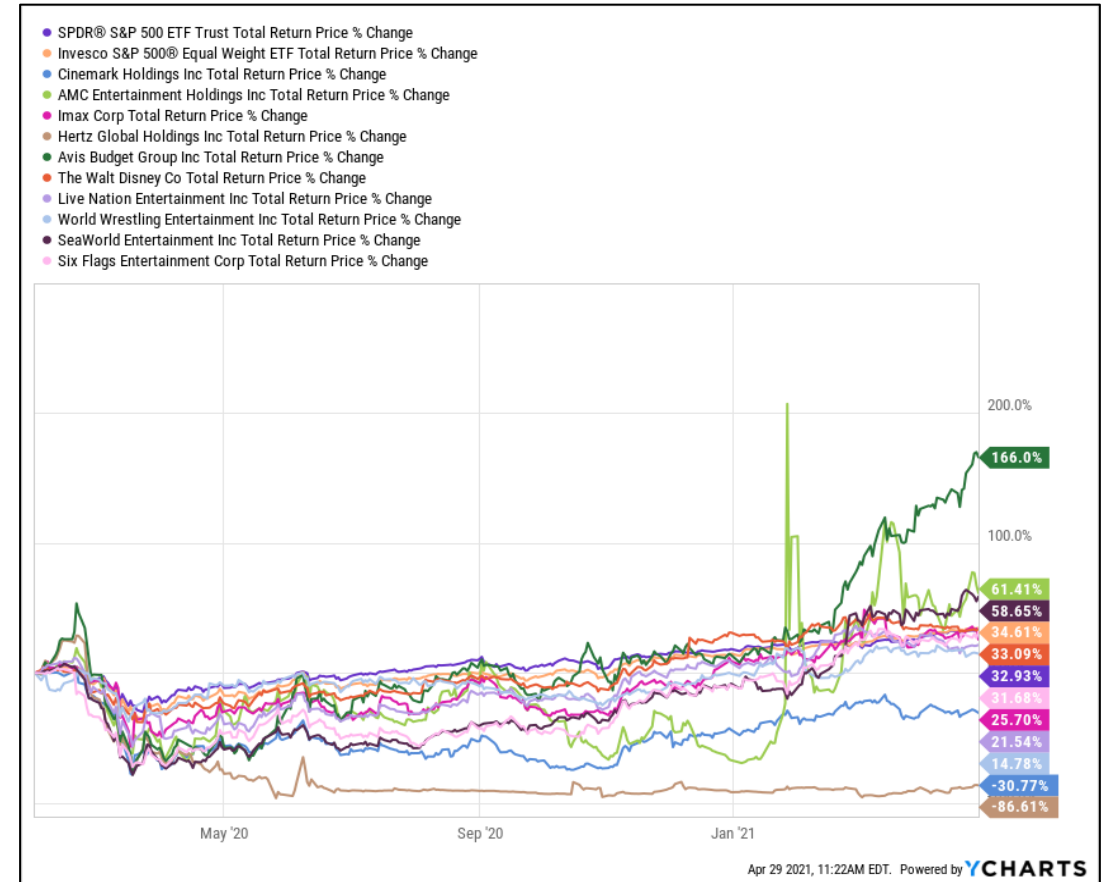
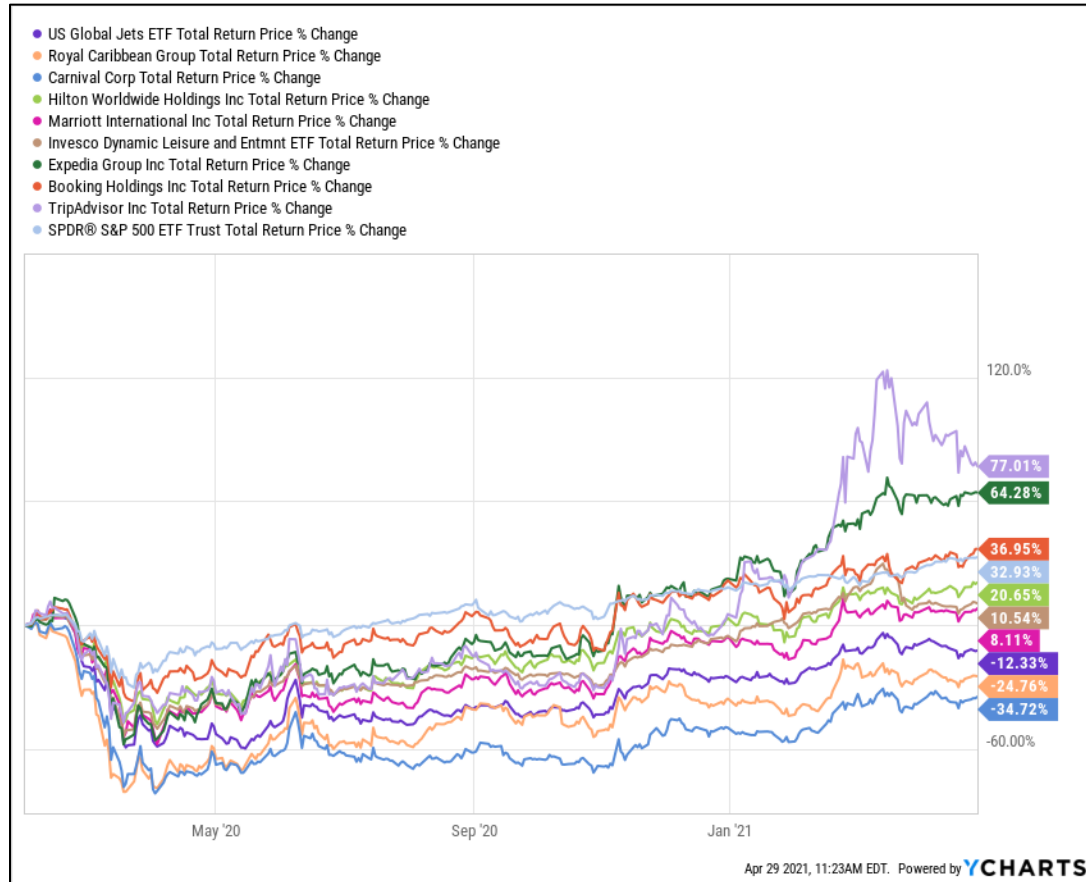
“Get Out and Spend Basket”

- JETS
- RCL
- CCL
- HLT
- MAR
- PEJ
- EXPE
- BKNG
- TRIP

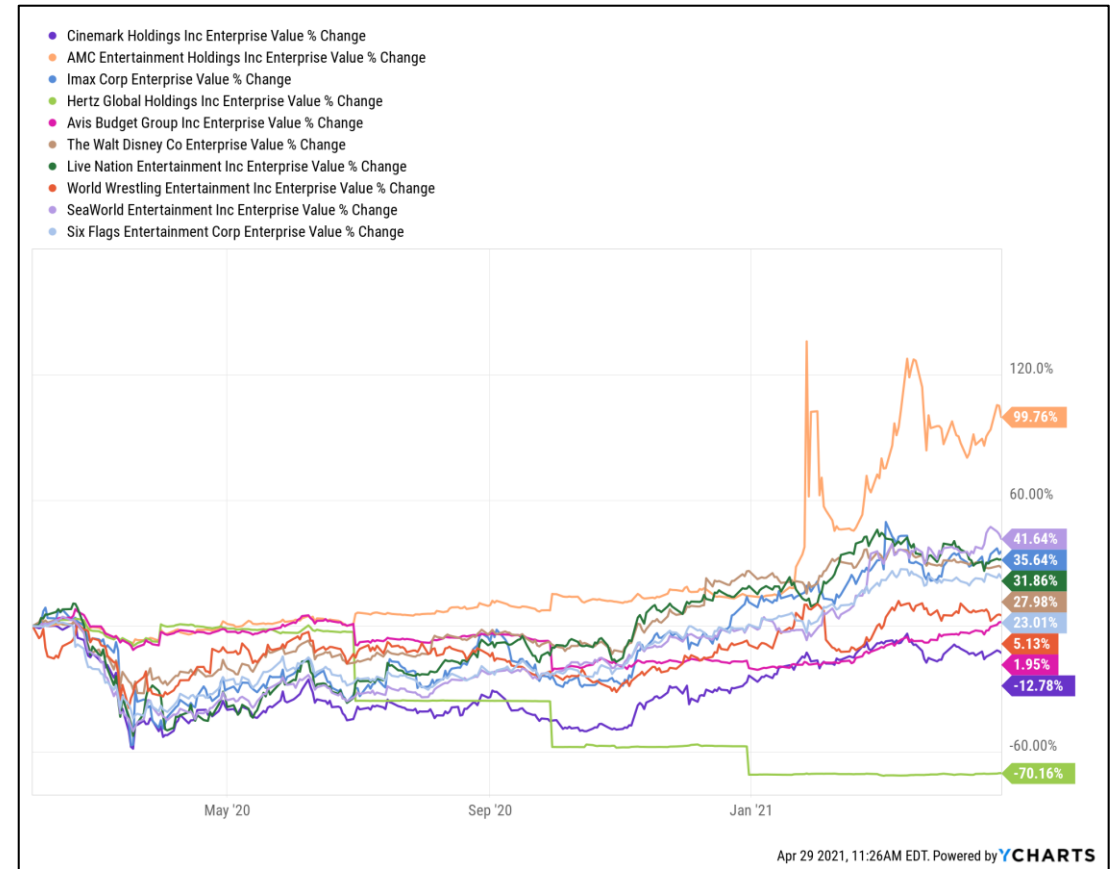
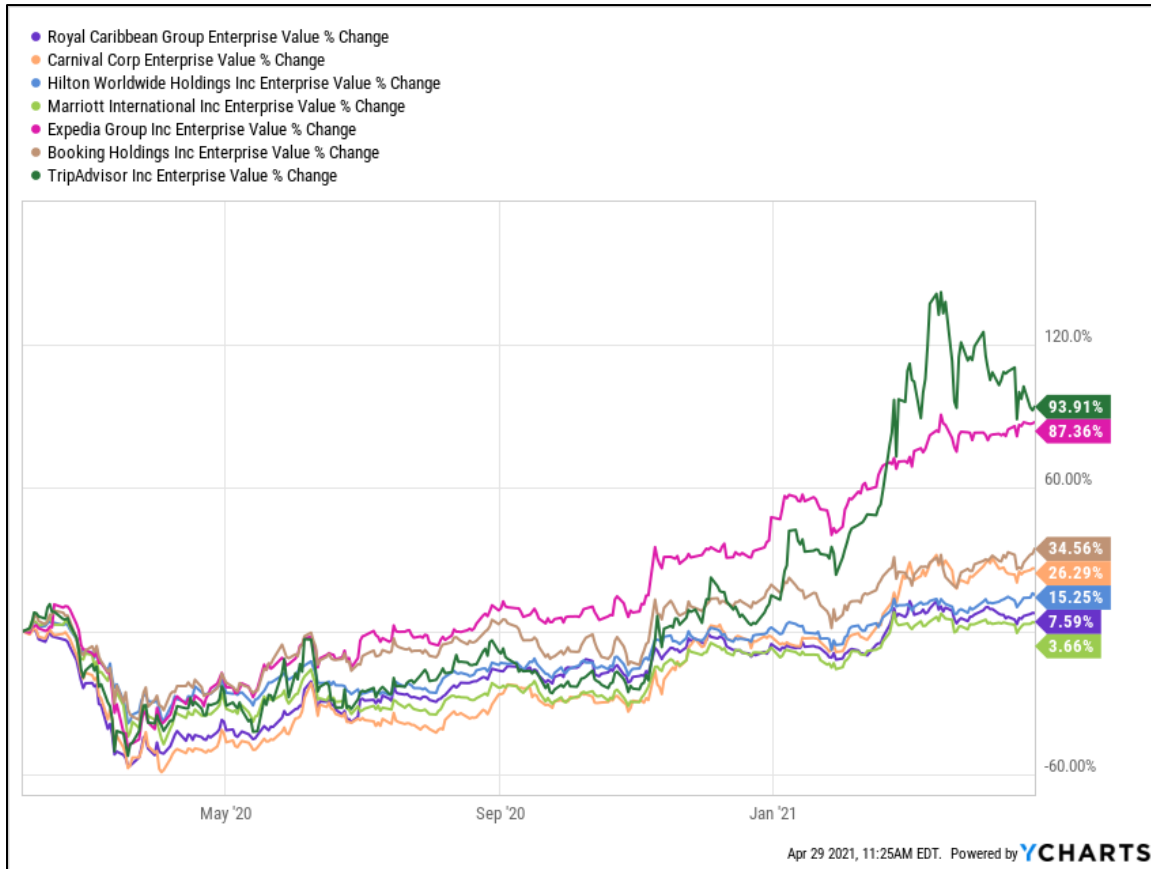
“Get Out and Spend Basket Part 2”

- CNK
- AMC
- IMAX
- HTZGQ
- CAR
- DIS
- LYV
- WWE
- SEAS
- SIX

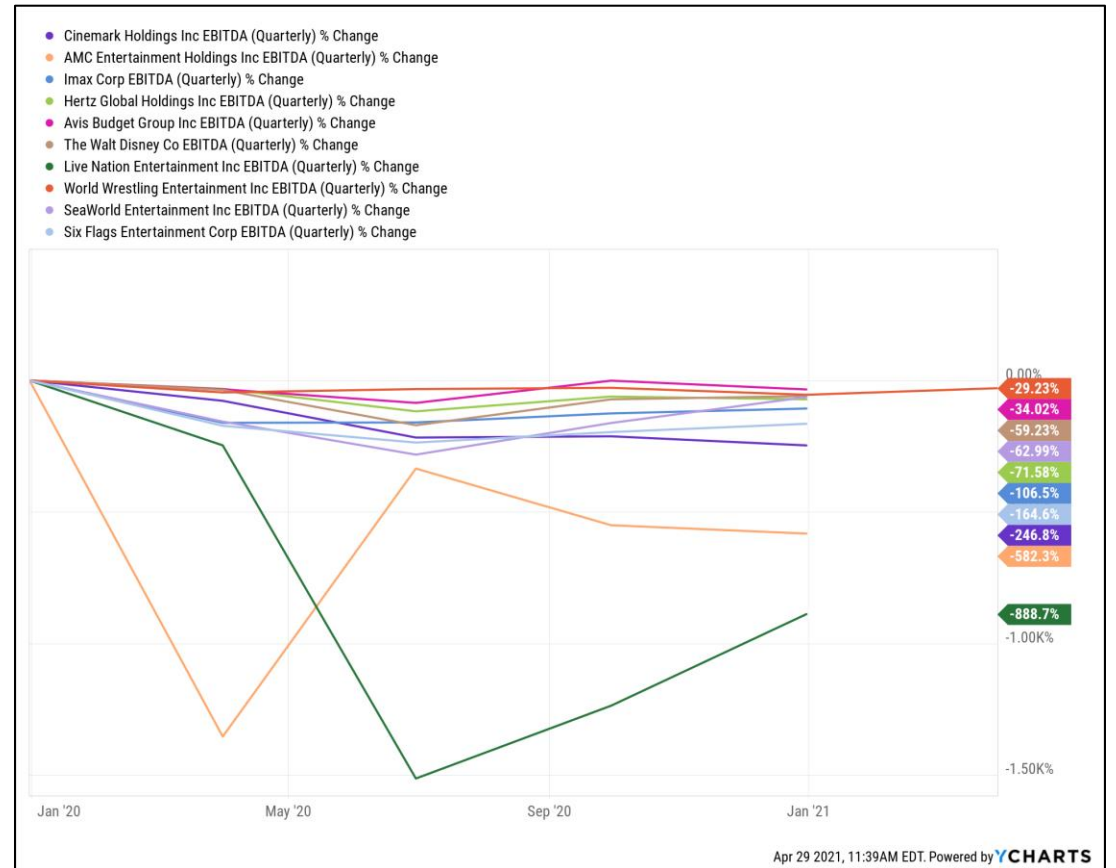
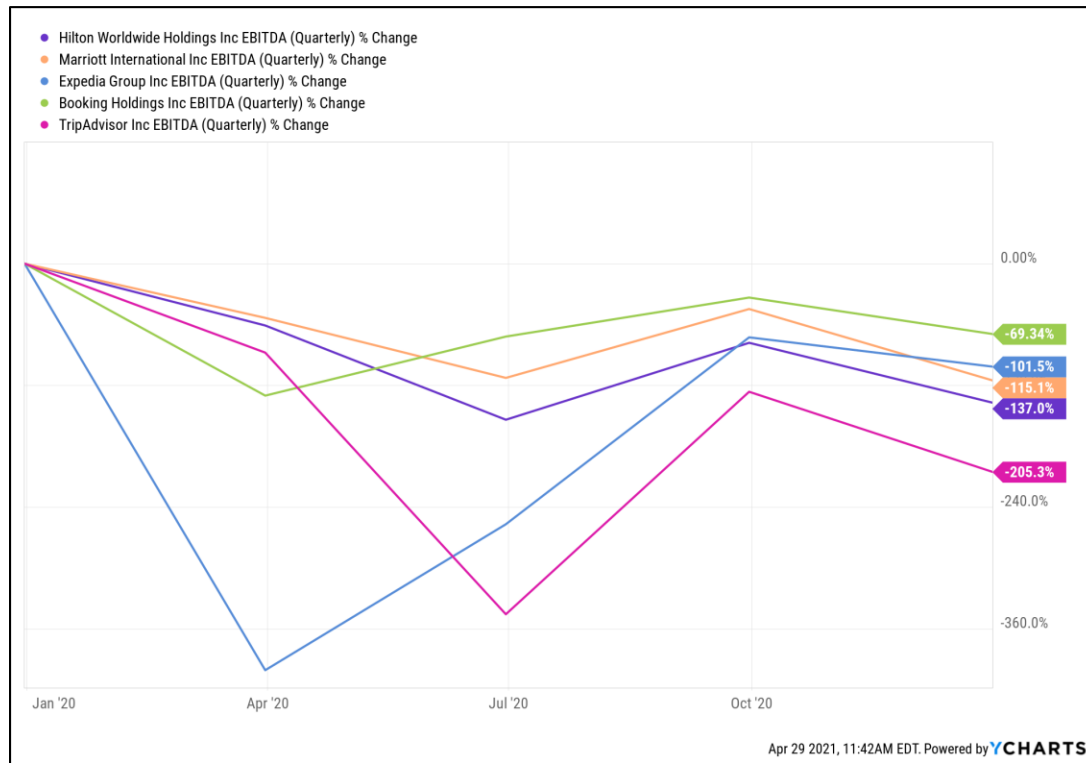
Valuations Of Hardest Hit Stocks: Share Price Since Feb 1st 2020.



Valuations Of Hardest Hit Stocks – Enterprise Value Since Feb 1st 2020.



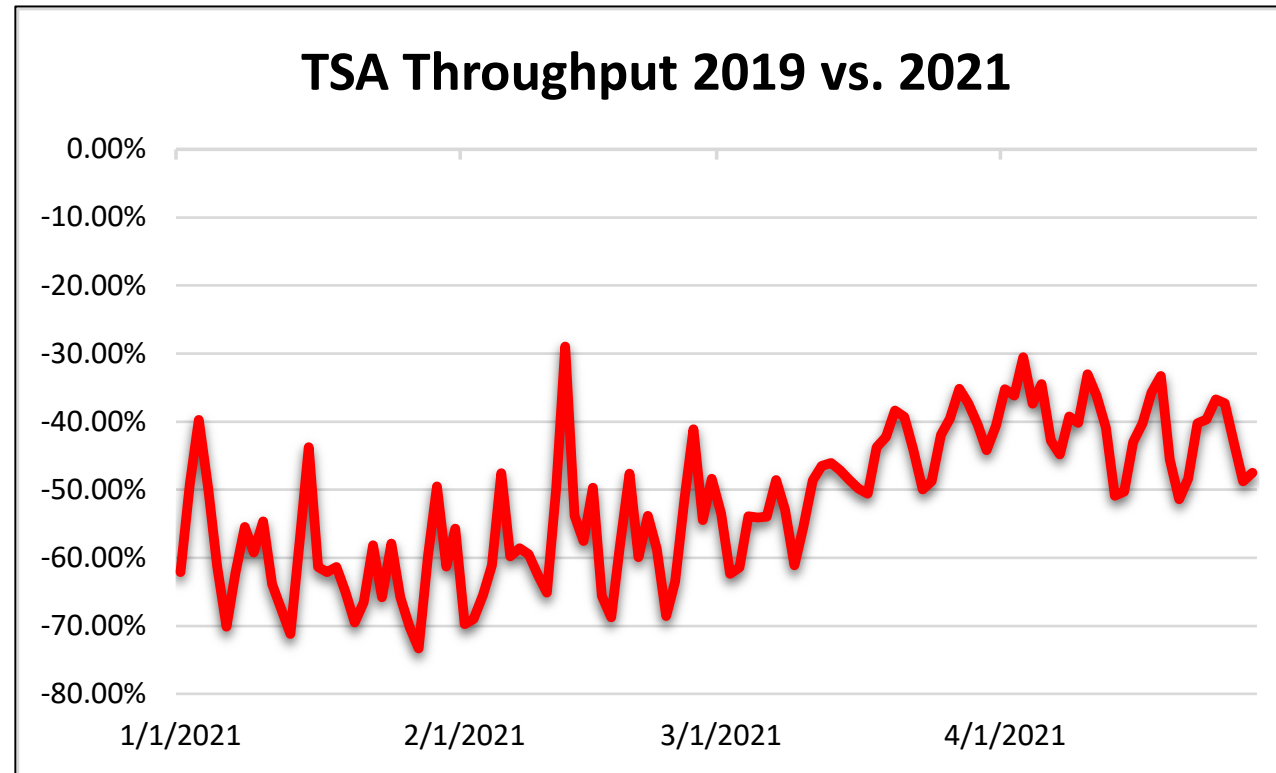
Valuations Of Hardest Hit Stocks – EBITDA Since January 1st 2020.



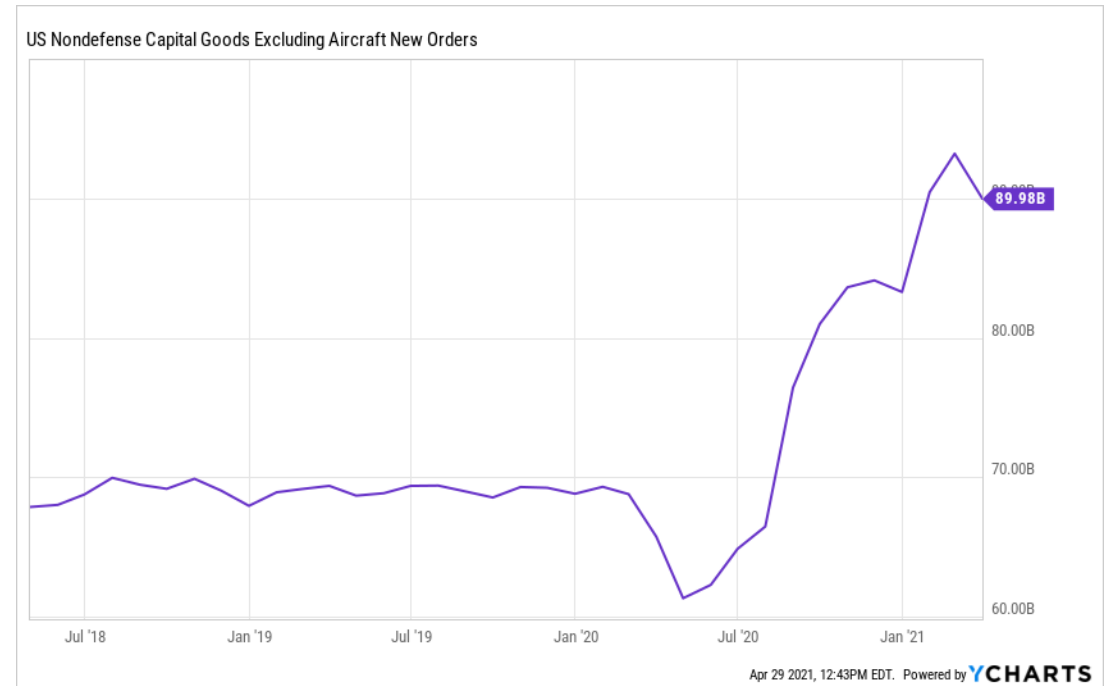
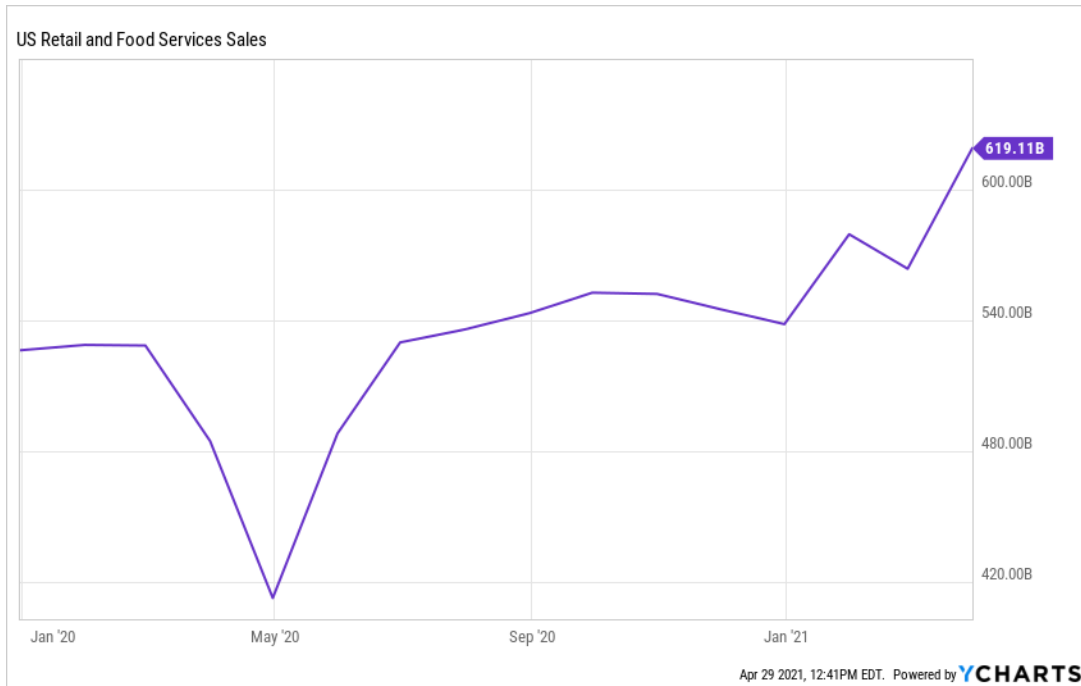
Is the Recovery Priced In?

- Share prices and financial data say yes.
- Companies in sectors that are making much less money than pre-pandemic have stocks that are mostly trading well above previous valuations.
- The recovery in these businesses has been priced in.
- So, to move this group forward, the coming revival in travel needs to be even better than it was – and better than it's currently expected to be. We are skeptical that happens in 2021 (in part because of the hesitancy of business travelers).

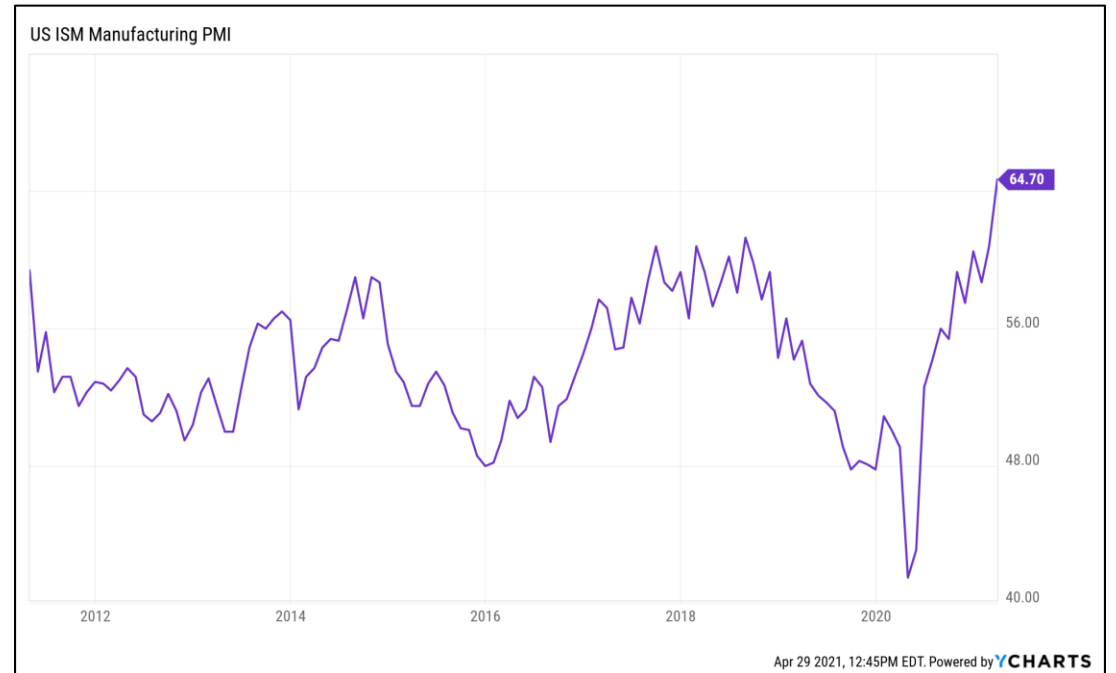
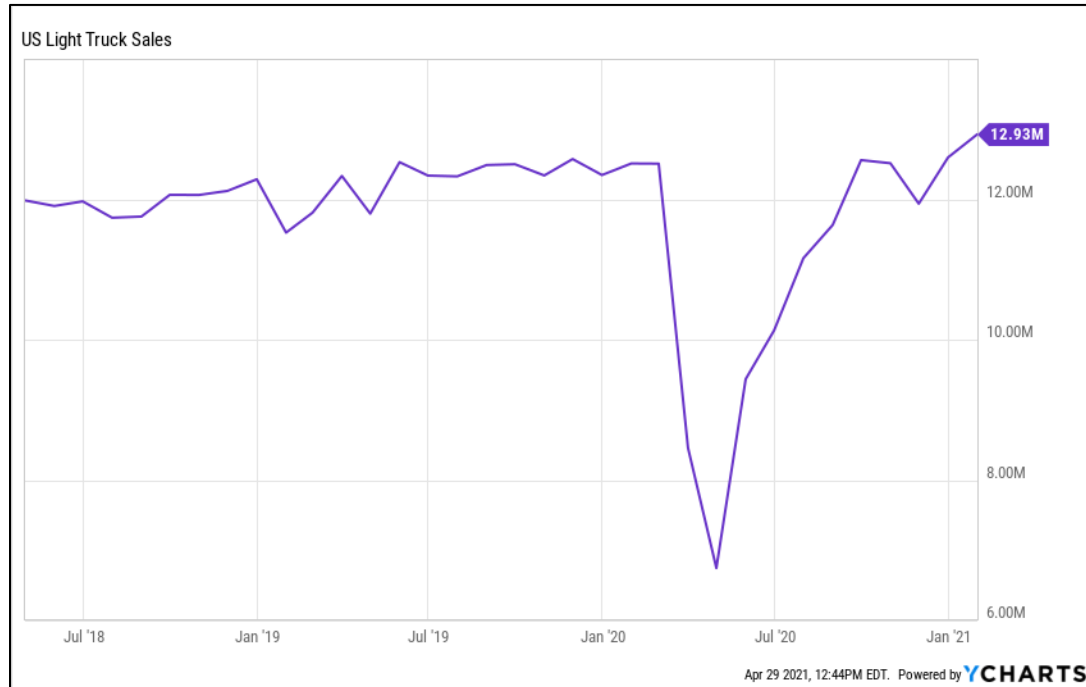
Is the Economic Recovery Priced In?



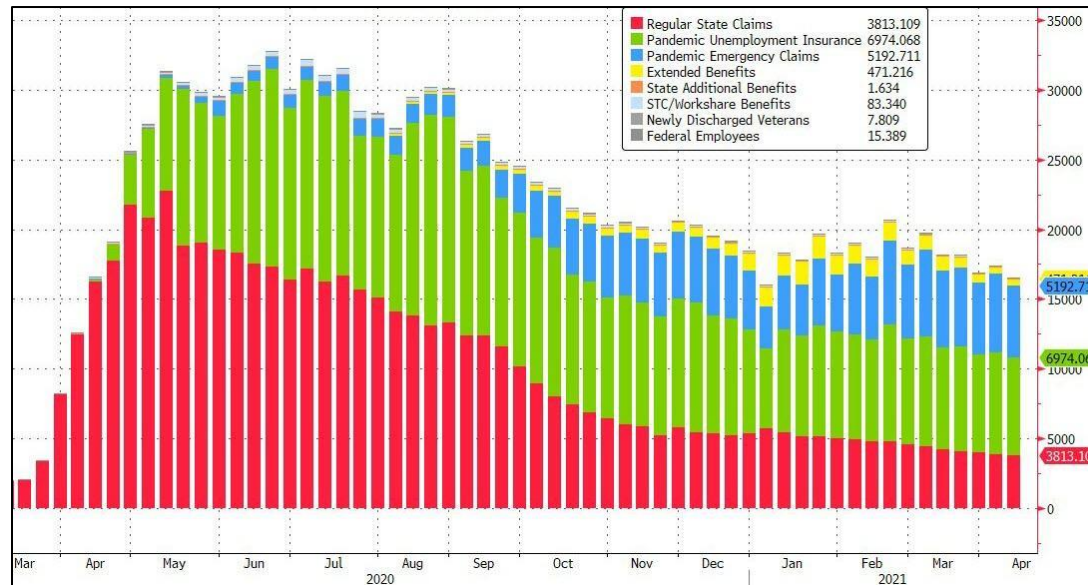
Is the Economic Recovery Priced In?



Is the Economic Recovery Priced In?



Is the Economic Recovery Priced In?



- Current Pandemic Unemployment Emergency Compensation (PUEC):
- State Unemployment + \$300/week.
- Lowest Arizona: \$240 + \$300. \$28,080.
- Highest Massachusetts: \$823 + \$300. \$42,796.
- Real Median Personal Income in 2019 = \$35,977.00
- Unemployment, for now, is not as low as it appears to be.

Is the Economic Recovery Priced In?

- In the hardest hit stocks, yes.
 - For those stocks to continue to move higher, the pace of recovery in the travel and leisure sector will have to meaningfully exceed expectations. And, that's at best balanced risk/reward in that regard.
- In the broader economy, mostly, yes.
 - Major parts of the economy, including consumer spending, business spending, small business activity (light trucks) are all above pre-pandemic levels. And, at least until September 6th, the unemployment rate is likely overstating the number of people who are behaving as they are unemployed.
- What does this mean for the markets? The recovery has done its job, but don't expect it to be a future catalyst unless it's much stronger than expected. Instead, this is a market that's still in search of the next positive catalyst.
 - Potential catalysts include: Earnings increase and a Better than expected global recovery.
- Tactic: Be careful on the highest multiple/biggest momentum names. Instead, stay focused on value and cyclicals as economic growth will remain positive thanks to the Feds (government and FOMC), even if the biggest part of the rebound has occurred.