



WEEKEND RESEARCH

W/E November 24th, 2024

Overview: GitLab (GTLB), Reading The Tea Leaves (BGC, SE, BEAD Awards), and W/E Tracker

GitLab (GTLB) –

“When the sector is in your favor, its easy to call the shots.” You’ve heard Fahad say this on multiple occasions. We’ve been focused on the software sector for weeks now. If you go back and watch Conversations from November 11th, this is when Chronicle started to review the software companies that had reported. The summary read, *“Generally speaking, commentary and stock reactions in Q3 earnings season have been far more positive than in prior two quarters. A healthy sign.”* Ultimately, we took this and provided additional discussions on names like Salesforce (CRM), Elastic (ESTC), Snowflake (SNOW), and Datadog (DDOG). The latter two being official trade ideas.

In this report, I’m focused on GitLab (GTLB), who helps organizations increase Developer efficiency, improve Software development, and reduce costs by providing a complete DevOps platform as a single application. To start off, if you look at JaguarFlow, we have an overwhelmingly bullish skew going back to July 1st.

Date	Symbol	DTE	Option	Quantity	Price	Side	Premium	Sentiment
1-Jul-24	GTLB	564	GTLB Jan26 75.0 Calls	500	\$ 8.60	On Ask	\$ 430,000	BULLISH
1-Jul-24	GTLB	564	GTLB Jan26 75.0 Calls	500	\$ 8.00	Near Ask	\$ 399,852	BULLISH
19-Sep-24	GTLB	92	GTLB Dec24 65.0 Calls	1,000	\$ 1.60	Near Ask	\$ 160,000	BULLISH
3-Oct-24	GTLB	470	GTLB Jan26 75.0 Calls	384	\$ 3.00	On Ask	\$ 115,200	BULLISH
4-Oct-24	GTLB	168	GTLB Mar25 50.0 Puts	500	\$ 6.30	Near Ask	\$ 315,000	BEARISH
4-Oct-24	GTLB	77	GTLB Dec24 52.5 Calls	335	\$ 4.00	On Ask	\$ 134,000	BULLISH
18-Oct-24	GTLB	91	GTLB Jan25 62.5 Calls	500	\$ 3.30	Near Ask	\$ 165,000	BULLISH
24-Oct-24	GTLB	602	GTLB Jun26 18th 70.0 Calls	197	\$ 8.50	Near Ask	\$ 167,389	BULLISH
30-Oct-24	GTLB	51	GTLB Dec24 65.0 Calls	650	\$ 1.80	On Ask	\$ 117,000	BULLISH
1-Nov-24	GTLB	140	GTLB Mar25 65.0 Calls	249	\$ 5.00	On Ask	\$ 124,500	BULLISH
1-Nov-24	GTLB	49	GTLB Dec24 55.0 Calls	500	\$ 6.27	Near Ask	\$ 313,500	BULLISH
1-Nov-24	GTLB	49	GTLB Dec24 55.0 Calls	250	\$ 6.31	Near Ask	\$ 157,750	BULLISH
6-Nov-24	GTLB	226	GTLB Jun25 60.0 Calls	400	\$ 9.10	On Ask	\$ 364,000	BULLISH
13-Nov-24	GTLB	37	GTLB Dec24 70.0 Calls	1,000	\$ 2.79	Near Ask	\$ 279,000	BULLISH
20-Nov-24	GTLB	30	GTLB Dec24 60.0 Calls	1,000	\$ 6.20	Near Ask	\$ 620,000	BULLISH
21-Nov-24	GTLB	421	GTLB Jan26 75.0 Puts	208	\$ 17.70	Near Ask	\$ 368,129	BEARISH
21-Nov-24	GTLB	57	GTLB Jan25 80.0 Calls	631	\$ 2.00	Near Ask	\$ 126,200	BULLISH
21-Nov-24	GTLB	211	GTLB Jun25 62.5 Puts	500	\$ 8.70	On Ask	\$ 435,000	BEARISH
21-Nov-24	GTLB	211	GTLB Jun25 67.5 Calls	500	\$ 10.20	Near Ask	\$ 510,000	BULLISH
21-Nov-24	GTLB	29	GTLB Dec24 70.0 Calls	499	\$ 3.90	On Ask	\$ 194,610	BULLISH
21-Nov-24	GTLB	29	GTLB Dec24 70.0 Calls	902	\$ 3.90	Near Ask	\$ 351,780	BULLISH
21-Nov-24	GTLB	29	GTLB Dec24 68.0 Calls	239	\$ 4.48	Near Ask	\$ 106,960	BULLISH
21-Nov-24	GTLB	29	GTLB Dec24 55.0 Calls	182	\$ 11.50	Near Ask	\$ 209,300	BULLISH
22-Nov-24	GTLB	28	GTLB Dec24 70.0 Calls	449	\$ 4.10	On Ask	\$ 184,090	BULLISH
22-Nov-24	GTLB	119	GTLB Mar25 75.0 Calls	384	\$ 5.50	On Ask	\$ 211,200	BULLISH

It should be noted that on November 13th in JaguarLive, Fahad would point out that the stock was breakout from a bull flag and was seeing buying in the December 70 Calls for \$2.79 offer (reflected in the screenshot above). On the long-term weekly chart, it was also starting to break

out through a key wall of resistance at \$59 after a rounding bottom. He then went on to cite Needham analyst Mike Cikos, who upgraded the stock to Buy on October 21st.

From a top-down perspective, the analyst notes that GitLab continues to benefit as Enterprise customers standardize on GitLab to realize business value. The company is serving a large market and is one of two leading platforms (*with Microsoft's GitHub being the other platform vendor*). The market is large enough for multiple players to win, but more importantly, they believe GitLab has a strong position with organizations (1) That place a premium on security and compliance guardrails, which partly explains sustained, strong uptake for GitLab's Ultimate tier; and (2) That are looking for an independent, neutral vendor to diversify their stack and avoid Microsoft concentration in the environment.

“Stronger uptake for Ultimate is a function of the current backdrop where Enterprises have larger, stickier budgets and are less sensitive to economic changes. Indeed, a number of organizations within our Cybersecurity & Infrastructure Software coverage are 'melting up' by placing a greater emphasis on the go-to-market sales motion with Enterprise organizations.”

On its last earnings call, management highlighted (1) 7 of the company's Top 10 deals in 2QFY25 were Ultimate, and (2) 7 of the company's Top 10 first orders by New Logos in 2QFY25 were Ultimate. Other positive data points include the company closing its 2nd largest deal in company history with a customer up-tiering to Ultimate and 65% of new dollars from GitLab's \$100K-plus customer cohort was for Ultimate.

As a result, Needham believes that when GitLab reports earnings on December 5th after the close, they will report upside to the consensus Subscription Revenue estimate of \$166.9M.

Figure 1 - Consensus Subscription Revenue for 3QFY25 Appears Low

	FY23	1QFY24	2QFY24	3QFY24	4QFY24	FY24	1QFY25	2QFY25	3QFY25E	4QFY25E	FY25E	FY26E
Revenue	424,336	126,878	139,581	149,618	163,829	579,906	169,187	182,584	187,900	204,400	744,300	926,000
YoY% Change		39,471	38,540	37,137	40,422	155,570	42,309	43,003	38,282	40,571	164,394	181,700
YoY% Change		45.2%	38.1%	33.0%	32.8%	36.7%	33.3%	30.8%	25.6%	24.8%	28.3%	24.4%
QoQ% Change		3,471	12,703	10,037	14,211		5,358	13,397	5,316	16,500		
QoQ% Change		2.8%	10.0%	7.2%	9.5%		3.3%	7.9%	2.9%	8.8%		
Subscription Revenue	369,349	111,191	122,096	130,943	142,076	506,306	151,179	163,181	166,900	179,600	660,900	826,100
YoY% Change		34,268	33,160	33,008	36,521	136,957	39,988	41,085	35,957	37,524	154,594	165,200
YoY% Change		44.5%	37.3%	33.7%	34.6%	37.1%	36.0%	33.6%	27.5%	26.4%	30.5%	25.0%
QoQ% Change		5,636	10,905	8,847	11,133		9,103	12,002	3,719	12,700		
QoQ% Change		5.3%	9.8%	7.2%	8.5%		6.4%	7.9%	2.3%	7.6%		
Exit Subscription		107,666	113,415	124,538	133,562		144,918	154,203	166,445	170,238		
Implied Intra-Quarter Pick-Up		3,525	8,681	6,405	8,514		6,261	8,978	455	9,362		
License	54,987	15,687	17,485	18,675	21,753	73,600	18,008	19,403	20,700	24,200	82,300	93,500
YoY% Change		5,203	5,380	4,129	3,901	18,613	2,321	1,918	2,025	2,447	8,700	11,200
YoY% Change		49.6%	44.4%	28.4%	21.9%	33.8%	14.8%	11.0%	10.8%	11.2%	11.8%	13.6%
QoQ% Change		-2,165	1,798	1,190	3,078		-3,745	1,395	1,297	3,500		
QoQ% Change		-12.1%	11.5%	6.8%	16.5%		-17.2%	7.7%	6.7%	16.9%		

Source: FactSet, GitLab Company Filings, and Needham & Company, LLC.

Separately, TD Cowen was out this past week with a preview note highlighting that channel checks trended positively.

Analyst Derrick Wood said channel checks with partners were constructive. One GSI check posted 29% growth in its GTLB practice in Q3. Key highlights from their conversation included:

- 1) **Positioning vs. GitHub improved Q/Q**, with GTLB seeing better traction, most notably when compared to sales made directly to developer teams.
- 2) **Duo is seeing strengthening adoption**, with GenAI motions helping to drive continued momentum in Ultimate SKU upgrades.
- 3) This partner **cited more large deals in the pipeline**, with most expected to be booked over the next 2-3 qtrs.

Another GSI partner called out DevSecOps demand yielding some of the highest growth rates across their software practices, with their GTLB practice seeing ~28% growth YTD and consistent performance in Q3. And in their government due diligence, data points showed robust Fed growth, up ~40% Y/Y with bookings hitting all-time highs.

*“Overall, we are encouraged by positive data points that suggest strong end-market demand for GTLB, increasing adoption on Duo, and continued momentum in SKU upgrade motions. **Into 3Q, we look for a ~3% \$ beat to revenue guide (vs. ~3% in 2Q, ~2% in 1Q) & another raise to FY25.**”*



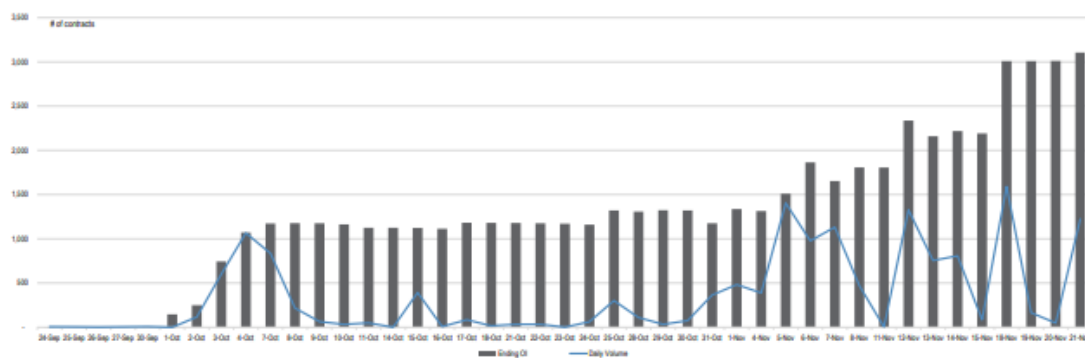


In case you missed it, **BGC Group (BGC)** was in the news this past week after CEO Howard Lutnick was nominated by President-elect Donald Trump to serve as the 41st U.S. Secretary of Commerce. Piper Sandler believes the bench at BGC is strong. Three individuals come to mind that currently run the day-to-day operations and report directly to CEO Lutnick. *“Of these three individuals, we believe John Abularrage -- Co-Head of Global Brokerage, CEO of the Americas -- is the most likely successor. He joined BGC in 2021 from competing inter-dealer brokerage firm TP ICAP where he most recently served as Head of Global Broking.”*

Name	Sean Windeatt	Jean-Pierre Aubin	John Abularrage
BGC Tenure	27 years (1997)	19 (2005)	3 years (2021)
Current Role + Recent History	COO and Co-Global Head of Brokerage. Responsible for BGC's front-office brokerage in London and Asia. Served as interim CFO from BGC 2018-2019.	Co-Global Head of Brokerage, CEO EMEA. Previously served as Head of Listed Products. Prior to BGC, Jean-Pierre ran Continental European Operations for Viel-Tradition Group.	Co-Global Head of Brokerage, CEO of the Americas. Prior to joining BGC, held several positions at TP ICAP, most recently Head of Global Broking.

Separately, we are starting to get more data on the recently-launched FMX Exchange. JPMorgan recently observed 1,224 3mo SOFR futures contracts traded on November 21st—the 43rd day of FMX Futures trading—with 3,105 contracts of open interest (OI) at session end. The closing level of OI on November 21st set a new closing record, up +3% from the prior trading day (3,010) as volumes rebounded sharply. ***“We reiterate the focus continues to be onboarding more FCMs, after which management expects volumes to ramp more meaningfully.”***

Figure 1: Running Daily FMX 3mo SOFR Futures Volume and Ending OI Since Launch
Sep 24, 2024 — present



Source: Company reports, J.P. Morgan estimates



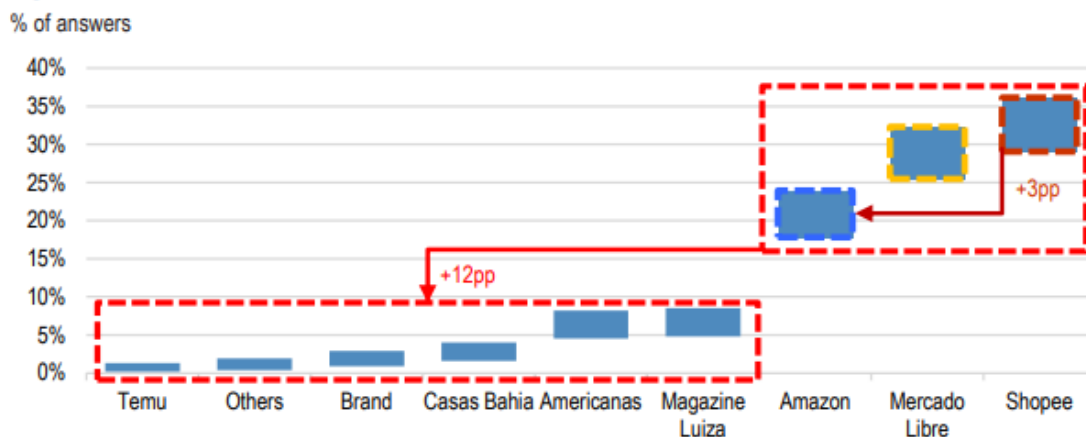
JPMorgan recently undertook a survey where they questioned nearly 700 Brazilian individuals via SurveyMonkey regarding their perception and preferences of e-commerce platforms / marketplaces in Brazil, with specific questions about **MercadoLibre (MELI)**, **Amazon (AMZN)**, **Magazine Luiza**, **Grupo Casas Bahia**, and **Shopee (owned by SE)**. As their headline states, **“Shopee’s Stance Stronger than Expected.”** Some key takeaways included:

-On average, Amazon, MercadoLibre and Shopee are 12pp more widely used as a primary platform (with 95% confidence) vs the average of the rest of online sellers in Brazil including Omnichannel players (MGLU and Casas Bahia), and Cross Border player TEMU. **In fact, Shopee is more widely used as a primary platform than Amazon by at least 3pp.**

-While JPMorgan is unable to say with statistical certainty if higher prices are more of a concern between platforms, looking within the reasons not to use each specific platform, they found that **for all except Shopee and Temu, high price perception is the key reason not to use**. In fact for Shopee, the key reason is longer shipping times while for Temu is not being familiar with the platform.

-**The survey shows that low end clothing is more broadly bought in Shopee than in both Meli and Amazon.** Also, it is possible to say that low end clothing is more broadly bought at Meli than at Amazon. On the other hand, high end electronics are more broadly bought at Meli and Amazon vs Shopee, while our survey does not offer enough depth to position MGLU vs. peers on this category within the 95% confidence interval. Also, **Shopee is more widely used to buy Personal Care and Beauty products than Meli, Amazon and Magazine Luiza.**

Figure 1: Confidence Intervals for Preferred Platforms



Source: J.P. Morgan e-commerce survey 2024. Each respondent could pick only one platform as its primary.



Louisiana became the first state broadband office to reveal preliminary data of their BEAD subgrantee results last Monday.

Pending final NTIA approval of Louisiana's final proposal, **approximately \$750M of the \$1.36B allocated to the state by BEAD will go towards broadband deployments to 139,677 broadband serviceable locations (BSLs)** while the remainder will be utilized in a number of "nondeployment" activities such as healthcare, education, and economic and workforce development. Of the broadband deployment funds, 95% will go towards fiber connections while less than 3% will go towards satellite, with 70% of the funds going to local Louisiana-based operators.

Figure 1

Technology	BSLs	Funding	Funding / BSL	% of Funding
Fiber	133,284	\$ 706,063,050	\$ 5,297	94.4%
Satellite*	2,869	\$ 28,690,000	\$ 10,000	3.8%
Fixed Wireless	2,703	\$ 9,312,542	\$ 3,445	1.2%
Cable	821	\$ 3,960,154	\$ 4,824	0.5%
Total	139,677	\$ 748,025,745	\$ 5,355	100.0%

**Satellite funding of \$10k per location is a LA estimate*

Source: ConnectLA Data and Needham & Company Analysis

The subgrantee with the highest allocation of grants was **Louisiana Local Fiber Consortium**, whom Needham’s research indicates is a collection of Tier 3 SPs that are well funded, securing 64% of total fiber funding. **Conexon Connect LLC** (9% of fiber total), **AT&T** (8%), **ClearPath Fiber** (5%), and **Cajun Broadband** (4%) have the next highest fiber allocations. Their research indicates that Conexon, ClearPath, and Cajun Broadband are current **Calix (CALX)** customers, and they speculate that Louisiana Local Fiber Consortium is likely comprised of CALX customers as well.

Analyst Ryan Koontz would add, *“While investor fears for the future of BEAD have pushed both CALX and Clearfield (CLFD) stocks down ~28% over the past month, we continue to see no rationale that BEAD will be canceled by a new administration and Congress, rather only a higher likelihood of delays that push material spending into 2026, in line with most supplier and our own expectations. Further, we suspect the new administration is likely to remove regulations and oversight for BEAD, making the grants more attractive to operators.”*



Weekend Research Tracker

"A" Idea Rankings

Report Date	Company	Commentary
10/29/2023	FTAI Aviation (FTAI)	Remains in an uptrend. Refer to recent Tea Leaves discussions.
5/27/2024	Curtiss-Wright (CW)	Defense/Electronics segment strong; Nuclear underappreciated
8/11/2024	V2X (V VX)	Moving back to A from B. See Conversations/Webinar discussion.
9/2/2024	Spotify (SPOT)	No Trade Idea yet. Strong User Metrics; Positive Survey Results
10/13/2024	Travere Therapeutics (T VTX)	Bullish option flow; Potential FDA FILSPARI expansion
10/20/2024	Harrow Inc. (HROW)	New Bloomberg/IQVIA Channel Checks Show Improvement
10/27/2024	TG Therapeutics (TGTX)	Positive Trial Results; Continued Briumvi Uptake
11/10/2024	Ferrari (RACE)	Overreaction to last earnings. Presents a buying opportunity
11/17/2024	Yeti Holdings (YETI)	Potential breakdown setup; Tariff Risk; Weak Channel Checks
11/24/2024	GitLab (GTLB)	Overwhelming Bullish Option Flow; Positive Channel Checks

"B" Idea Rankings

Report Date	Company	Commentary
9/4/2023	Kodiak Gas Services (KGS)	Moving down from A to B purely based on technicals.
11/5/2023	COPT Defense (CDP)	Strong Leasing Activity, Healthy Pipeline, Slow mover though
11/19/2023	UFP Technologies (UFPT)	Moving from A to B strictly on technicals
8/25/2024	Fluor Corp (FLR)	Trade Idea was closed. However, still bullish on the stock.
9/22/2024	On Holding (ONON)	Moving from A to B. Weak European earnings read-throughs
10/6/2024	Funko (FNKO)	Moving from A to B. Disappointing earnings reaction.

"C" Idea Rankings

Report Date	Company	Commentary
4/14/2024	Arcutis Biotherapeutics (ARQT)	Moving from A to C. PDUFA is now out of the way.
4/21/2024	Kraft Heinz (KHC)	Moving from A to C following earnings this past week.
4/28/2024	LeMaitre Vascular (LMAT)	Moving from A to C. Stock is overbought. Moving to sidelines for now.
5/12/2024	BellRing Brands (BRBR)	Moving from B to C. Technical breakdown recently.
5/19/2024	GE Vernova (GEV)	Moving from A to C. Taking profits as technicals look vulnerable.
6/2/2024	Progressive (PGR)	Moving from A to C. No momentum in the name.
6/9/2024	Spectrum Brands (SPB)	Moving from A to C. No longer endorsing any home/housing longs.
6/16/2024	Sherwin Williams (SHW)	This trade was closed on July 23 rd . Any housing trade was not working.
6/23/2024	Matson (MATX)	This trade was closed on July 30 th prior to earnings.
6/30/2024	GEO Group (GEO)	Moving from A to C. Trade worked quickly. Susceptible to politics.
7/7/2024	CarMax (KMX)	This trade was closed on August 2 nd . Never worked from the beginning.
7/14/2024	PayPal (PYPL)	This trade was closed on July 30 th following a strong earnings report.
8/18/2024	PHINIA (PHIN)	Moving from A to C. Took profits last week following the MS downgrade
9/15/2024	Healthpeak Properties (DOC)	Moving from A to C. Chart breakdown.

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