

05/07/2026

Weekly Webinar

INTRODUCTION – FOCUS ON FUNDAMENTAL ANALYSIS

An analyst for several decades

Senior Analyst - Value Notes

CFO - CPA firm, business consulting

Analyst - Motley Fool and Seeking Alpha

CFO - L Capital, family office, project analysis and capital allocation

At Fountainhead, we believe that investing in businesses, whether it's a massive Google or a startup with \$200Mn in revenues. Every business must be valued based on their fundamentals, irrespective of their daily price movements over which we have little control. But we do have analytical ability to analyze and value businesses and base our decisions on how well they perform. If you've been familiar with my work in the past year and a half, I really like to go for businesses which are market leaders, and have strong, competitive advantages, very strong balance sheets, and great margins which allows them to price their products or services way higher than the competition. To me the biggest incentive to invest in a company is its "moat" or significant competitive advantages. The term "moat" was coined by the great Warren Buffett signifying an unbreachable competitive advantage, like a deep moat surrounding a castle to keep out intruders. The hugely successful Peter Lynch, also placed a tremendous emphasis on investing only in great businesses and not worrying about the market.

Four examples of companies with great moats are Nvidia with its high-powered GPUs, Google with search, Taiwan Semiconductor with its manufacturing operations, and ASML with its EUV lithography machines, without which you cannot create a high-powered GPU.

THE S&P 500 IS HAVING ANOTHER BARNSTORMING WEEK

On Wednesday morning, May 6th. the US government indicated that a one-page MOU was likely to be signed between Iran and U.S., effectively reopening the Straits of Hormuz and paving the way for the removal of sanctions and a path to a wider agreement over time.

Over the weekend gas prices had passed \$4.50 per gallon at the pump, and clearly the administration did not want to see this escalate as summer started. I believe the chances of a truce look very imminent. Investors adopted a strong risk on stance, piling on to the market, which led to the S&P 500 notching another record high to 7,365.08, and the Nasdaq Composite jumping 2% also to a record high of 25,838.94. Oil dropped, the VIX dropped as well to 17.21 and the 10-year treasury stayed steady 4.35

Excellent results from AMD and other data center stocks helped as well, and for a change even SaaS stocks got a little sassy. This is where we stand – 10% above the 200DMA, and 5.4% above the previous high.

	05/01/2026	05/07/2026	Change	Iran War Low	Oct 2025 High	Difference from high	High to Low	Bounceback
S&P 500	7,230.12	7,365.08	1.87%	6,316.91	6,986.33	5.42%	-9.58%	16.59%
Nasdaq Comp	25,114.44	25,838.94	2.88%	20,690.25	24,014.99	7.60%	-13.84%	24.88%
200 DMA Exp- S&P 500						6,687.71		10.13%

SHOULD WE STAY RISK ON OR IS IT TIME TO TAKE PROFITS?

It is hard to not partake in a rampaging bull market and for the most part, our focus has been on finding the right stock to maximize returns, mostly ignoring the noise from macro economic factors.

Still valuations are now stretched, and I've achieved far more than my planned targets. The relentless melt up in stock prices is what feels like the most powerful bull market that I can remember. I say that because all news is interpreted as good news, and what is clearly bad is completely ignored. This market isn't climbing a wall of worry. It is plowing right through it. The chances of a pullback will increase as we get past earnings season. I suspect the blow off top for this bull run comes with the conclusion of the war in Iran – I would even think that we may have seen it with the wild 2% rise in the Nasdaq Composite index on Wednesday. It does seem clear that the Trump administration wants to end this as soon as possible with gas prices soaring and poll numbers showing the conflict is extremely unpopular. Therefore, I would prefer to take some profits (sell the news) when the MOU is finally signed.

IRAN WAR – WHAT IS THE MOU

The Memorandum of Understanding, (MOU) discussed so far, between the US and Iran appears to be non-binding. For the Iranians and the IRGC, that's an opportunity: All they have to do is reiterate Iran's long-standing contention that the country's nuclear program is for peaceful purposes (that'll be the same lie it's always been, but no one besides Benjamin Netanyahu cares anymore), pay lip service to a handful of vacuous "terms" couched in language so nonspecific as to render them meaningless and agree to open the Strait. That's all it would take to send Trump's "armada" on its merry way and get the ball rolling on sanctions relief. In short order, Iran would be flooded with oil dollars, which the Guards would be free to skim as they see fit with no interference from any clerics. Well, guess what? According to Axios, the generals might've finally come around to that reality.

"The White House believes it's getting close to an agreement with Iran to end the war and set a framework for more detailed nuclear negotiations," a pair of US officials told Barak Ravid.

The agreement would be — you guessed it — "a one-page memorandum of understanding" with 14 bullet points including a commitment from Iran to stop enriching uranium, US sanctions relief, phased release of "billions" in frozen Iranian funds and a mutual deescalation in the Strait, which would be reopened to commercial maritime traffic.

IRAN WAR – WHAT IS THE MOU

This could all come to naught if the IRGC insists on recalcitrance, and even if the MOU does in fact materialize, it wouldn't be in any sense definitive. And indeed, that's been my point all along: If you're the Guards, what's the downside? If you're not being asked to commit earnestly to anything, and if there's no compliance regime, then "resistance" is just grandstanding. The Guards' posturing would be understandable if there was a credible threat of domestic upheaval (you don't want to show weakness if there's an organized internal resistance movement), or if peacocking wasn't costing them hundreds of millions in lost oil revenue per day, but there isn't and it is.

In the Axios piece, Ravid went on to say that "many of the terms would be contingent on a final agreement being reached, leaving the possibility of renewed war or an extended limbo in which the hot war has stopped but nothing is truly resolved." So, a lot like Trump's trade war(s).

If your question is, "How is this a better outcome for America than the JCPOA which, while flawed, was everything a Trump one-pager isn't in terms of rigor, enforceability and seriousness of intent?", I'm afraid the answer's precisely what you suspect.

I think both sides will take it – it would be a mistake not to.

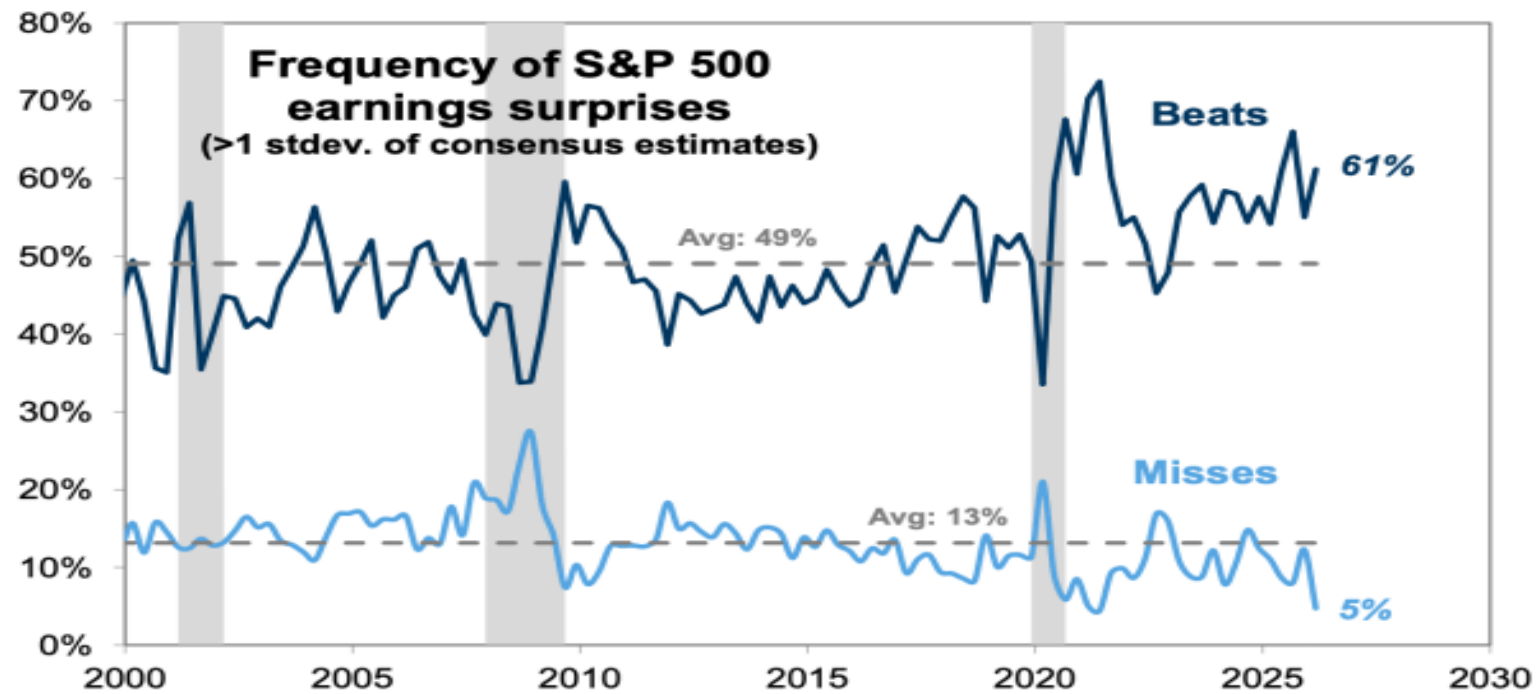
EARNINGS SEASON

We've had a blockbuster earnings season so far with more than 75% reporting, and that's pretty much kept out the news of the Iran war, high inflation, high interest rates, weak job creation and negative consumer sentiment out of the market. The American economy is the AI economy and the stock market, and Q1-2026 earnings have delivered.

Expectations were lofty. Headed into reporting season in the US, consensus anticipated aggregate S&P 500 EPS growth of 12%. That counted among the highest pre-season YoY profit growth hurdles since 2021. So... well, it's easier to think about this in terms of misses. Looking back a quarter century, the average frequency of one standard deviation or greater downside earnings surprises is less than 15%. Suffice to say you have to try pretty hard — or something has to go very wrong — for you to screw this up too terribly bad if you're the C-Suite. But even in that context, the current reporting season stands out.

EARNINGS SEASON

Exhibit 4: Q1 2026 earnings results have exceeded consensus expectations



Source: FactSet, Goldman Sachs Global Investment Research

EARNINGS SEASON

As the bottom pane in the figure above shows, just 5% of companies have missed by a standard deviation or more so far, with nearly three-quarters of S&P results on the books. **That, Goldman's Ben Snider remarked, "is the smallest share in over 25 years of data history outside of the 2021 COVID reopening period."**

And Nvidia won't report for another three weeks.

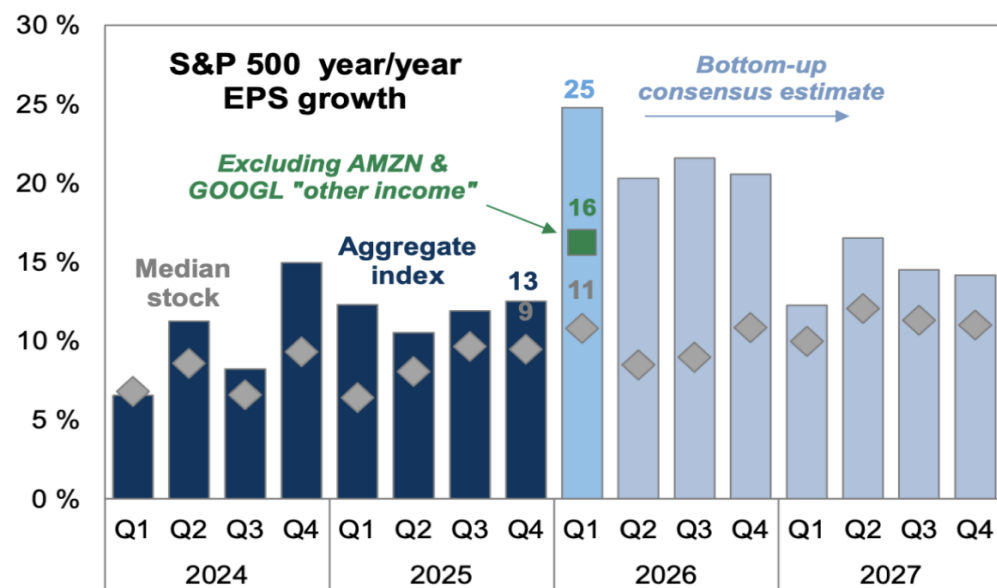
Those aren't the only reasons it'd be a mistake to take the current, mid-season EPS growth rate of 25% (!) at face value. As the figure on the right, below, shows, more than a third of hyper-scaler net income was attributable to "other income," which here mostly means large Anthropic stakes owned by Alphabet and Amazon.

Still, as the figure on the left shows, aggregate index earnings are tracking 4ppt ahead of the (high) pre-season bar even without those Anthropic write-ups.

But the bottom line, no EPS pun intended, is that even if you strip away all the caveats and look at earnings growth for the median S&P 500 stock, that figure is 11%, the best in years and 3ppt ahead of the pre-season consensus.

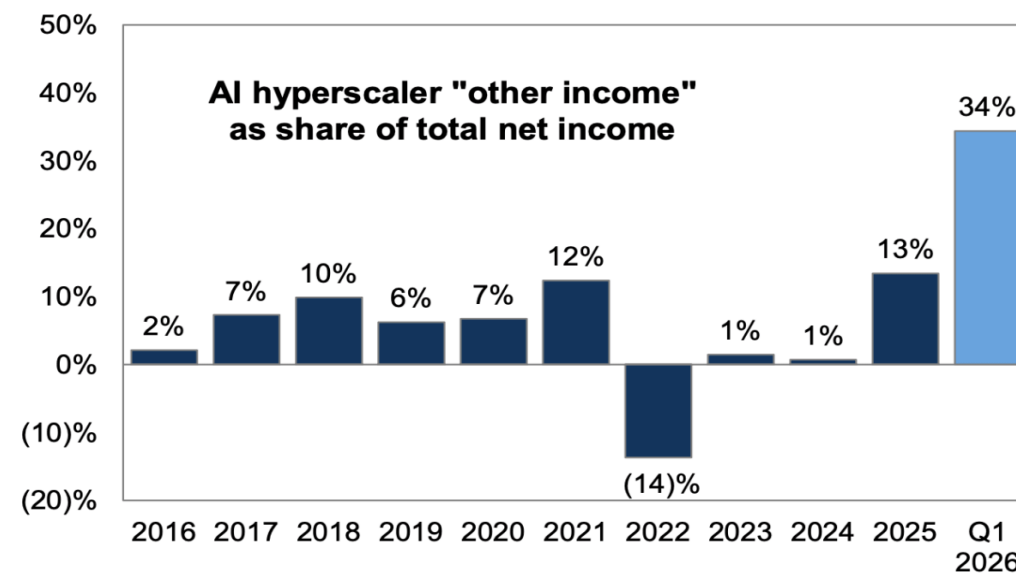
EARNINGS SEASON

Exhibit 7: S&P 500 Q1 2026 EPS growth is tracking at a strong pace, even adjusting for one-time distortions



Source: FactSet, Goldman Sachs Global Investment Research

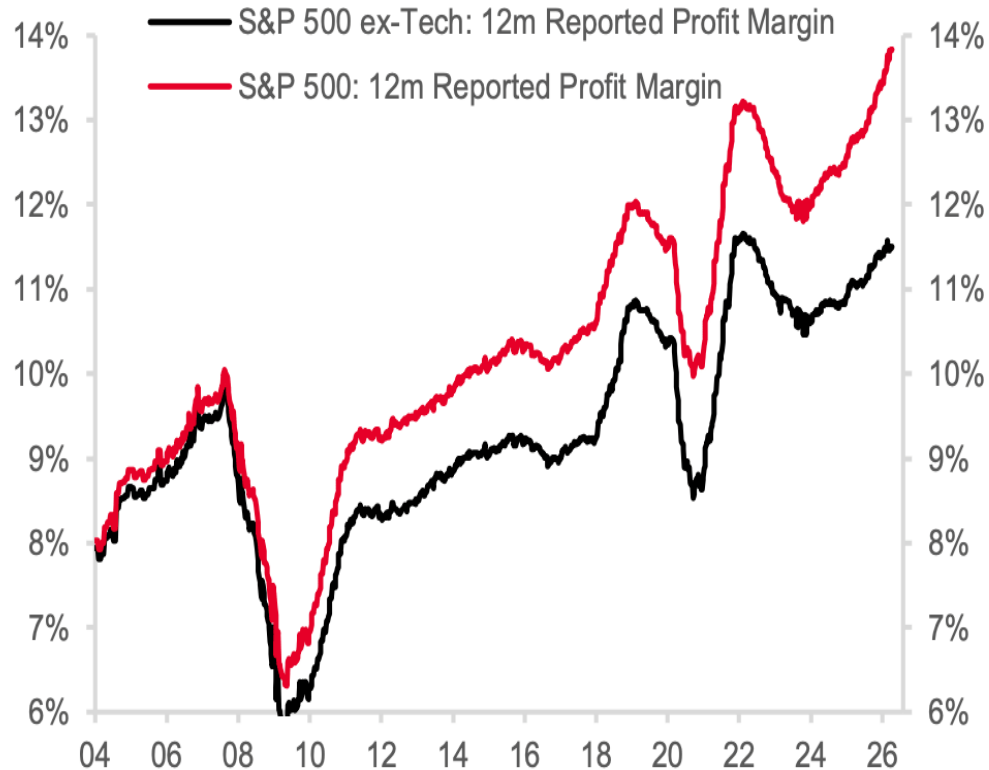
Exhibit 16: Hyperscaler Q1 earnings were lifted by "other income"
Includes AMZN, GOOGL, META, MSFT, ORCL



Source: Bloomberg, Goldman Sachs Global Investment Research

EARNINGS SEASON

Reported Profit Margins are improving for both Tech and non-Tech sectors



Source: FactSet, Refinitiv, SG Cross Asset Research/Equity Strategy

EPS and Sales beat per sector

Sector	Total Companies	Number Reported	% with EPS beat	% with Sales beat
Tech	73	41	98%	90%
Utilities	31	21	90%	75%
Energy	22	18	89%	72%
Staples	36	23	87%	78%
Health Care	58	46	87%	93%
Financials	76	69	85%	63%
Industrials	79	70	84%	81%
Real Estate	31	28	82%	68%
Communication	21	13	77%	85%
Cons. Discr.	48	30	77%	70%
Materials	26	23	70%	87%
S&P 500	501	382	85%	78%

Source: FactSet, Refinitiv, SG Cross Asset Research/Equity Strategy

U.S. BUYBACKS

Corporate America announced plans to buy back \$665 billion worth of shares in S&P 500 companies in the four months through April, the most ever to start a year, according to data from Birinyi Associates. Just last week, Apple announced the year's biggest repurchase as it seeks to reassure investors during its leadership transition.

Authorized repurchases are estimated to reach \$1.55 trillion in 2026, a figure that would eclipse last year's record. That's a crucial vote of confidence in corporate fundamentals at a time when valuation multiples appear rich and uncertainty lingers around the long-term impact of rising oil prices.

"We hear a lot about individual investors being the dip-buyer, but the ultimate dip-buyers are the corporations themselves," said Jeff Rubin of Birinyi Associates.

There were some worries that Capex would diminish drastically because of the Capex requirements of the hyperscalers. This reports suggests that there are enough companies that can fill the void and then some.

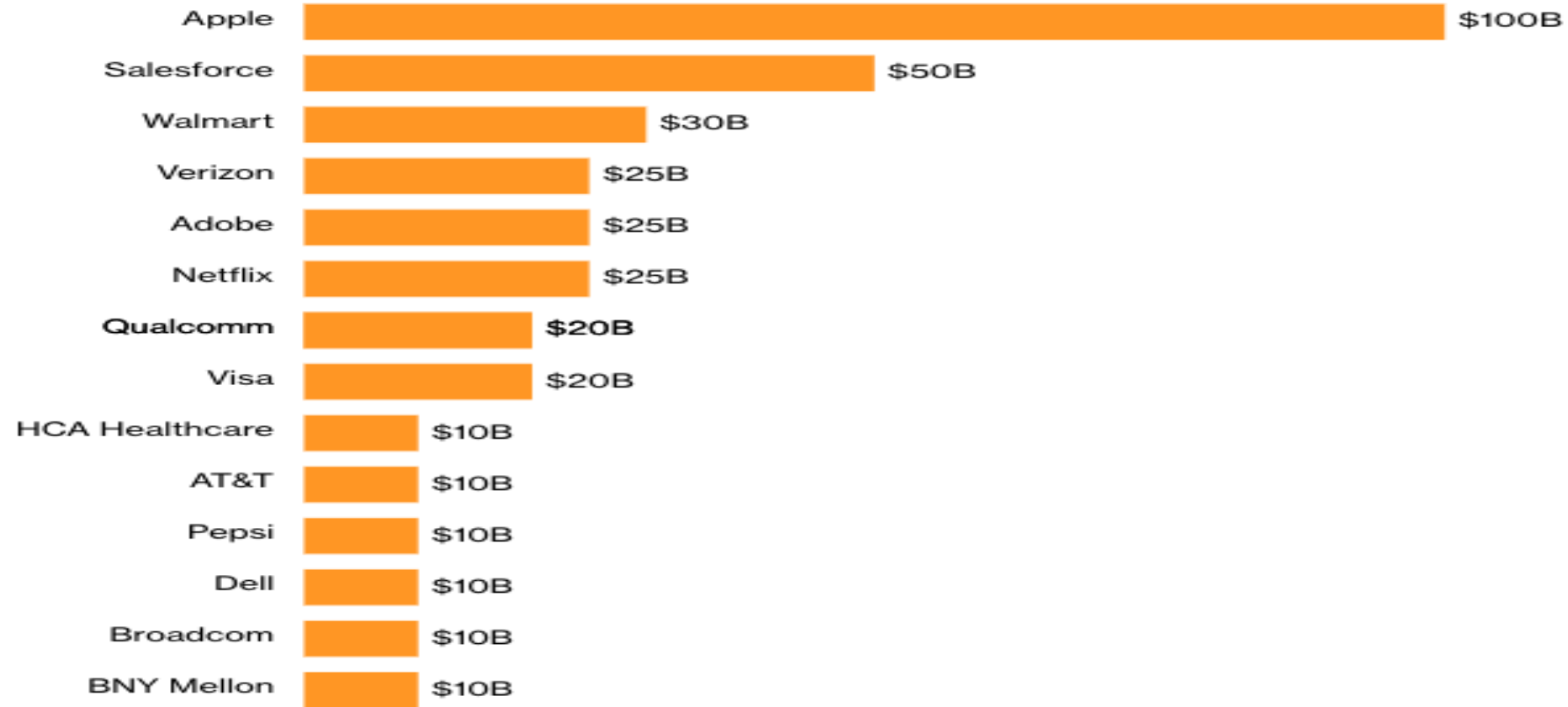
The list below is pretty expansive, diverse and provides a bit of a floor for the overbought index.

U.S. BUYBACKS

Buyback Binge

Year-to-date share repurchase announcements greater than \$10 billion

■ Value, US dollars



Source: Birinyi Associates

ADP – PRIVATE SECTOR HIRING PICKS UP IN APRIL

US Firms Add 109,000 Jobs, the Most Since Early 2025.

US companies boosted payrolls in April by the most in over a year, the latest evidence of stabilization in the labor market. Private-sector payrolls rose 109,000 in April after a revised 61,000 advance in the prior month. The median estimate in a Bloomberg survey of economists called for a 120,000 increase.

More than half of the hiring advance was due to health services and education. Trade, transportation and utilities payrolls also increased. **Construction employment grew, which may reflect the building of data centers that are at the heart of massive investment in artificial intelligence.** The figures showcase a labor market that is finding its footing after an especially harsh year for hiring. Some employers may be more at ease adding to headcount now that there's more clarity around tariff, immigration and other fiscal policies. Moreover, layoffs remain low across the economy. The report suggests the "labor market continued positive momentum in April after a solid March," Alex Pelle, an economist at Mizuho Securities USA, said in a note.

Wage Growth

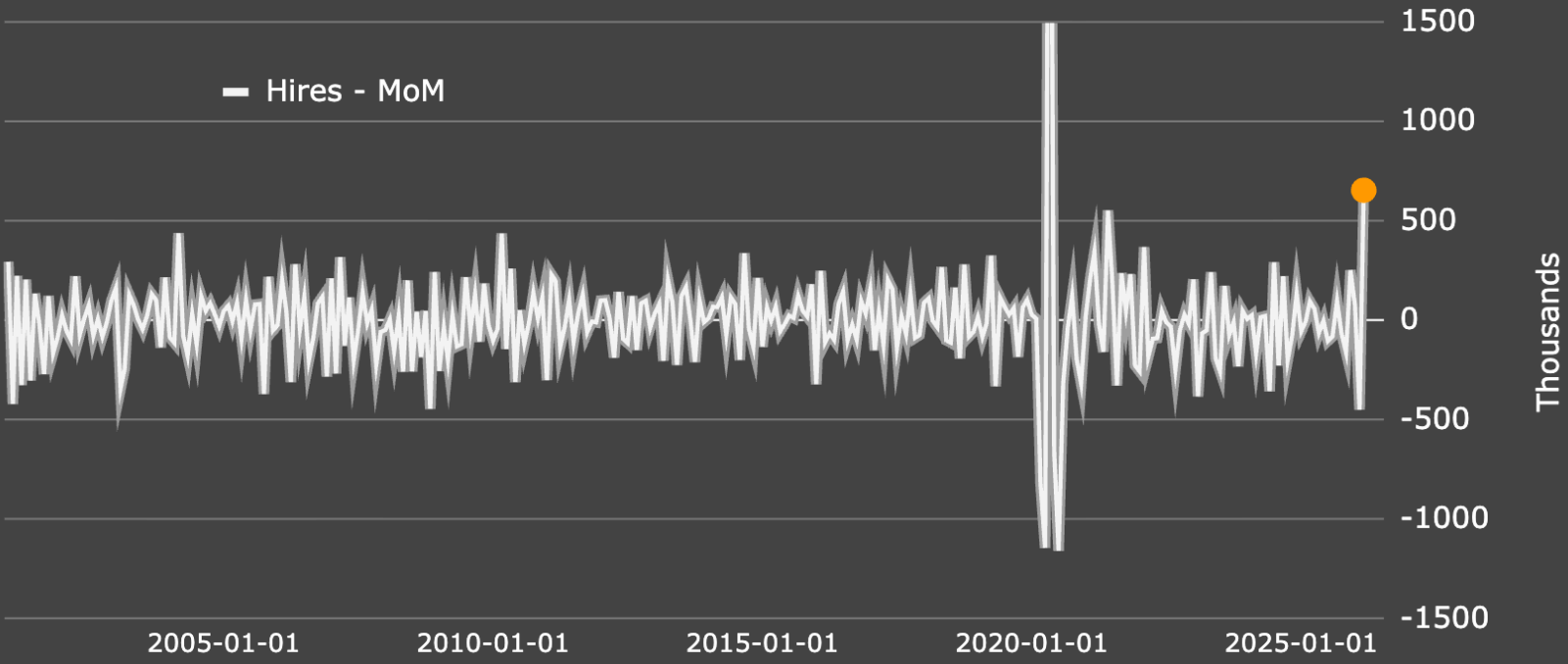
Workers who changed jobs saw a 6.6% increase in pay from a year earlier. Wage growth for those who stayed put was 4.4%, slightly less than a month earlier. The government's employment report due Friday is expected to show a more moderate pace of hiring in April, a month after the biggest advance since 2024. Looking ahead, a key question is whether the Middle East conflict that's already driven inflation higher and pushed consumer sentiment to record lows will eventually trickle down to the labor market.

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JOB - JOLTS

Now Hiring!

Hires abruptly surge in JOLTS release



STOCKS AMD

Q1-2026 Stellar results and robust guidance.

AMD's offered a clear inflection this evening with \$10.3B revenue (+38% Y/Y), EPS of \$1.37 (+43%), and free cash flow tripling to \$2.6B. Data Center saw a resurgence following the CPU boom, with \$5.8B in revenue (+57%) and operating margin in the segment expanding to 28%.

The most important update was the server CPU TAM revision: from about 18% CAGR to more than a 35% CAGR. Management doubled their forecast from \$60 billion on the November analyst day to \$120 billion by 2030. Management framed this as Agentic AI driving incremental CPU demand rather than GPU substitution. Q2 server CPU revenue is guided to grow over 70% Y/Y.

Management guided to second quarter revenue of approximately \$11.2 billion (\pm \$300 million), implying year-over-year growth of approximately 46% at the midpoint and sequential growth of approximately 9%.

Sequential growth is expected to be driven by double-digit growth in both the Data Center and Embedded segments, with modest growth in Client and Gaming. **As mentioned, Server CPU revenue specifically is guided to grow more than 70% year-over-year in Q2.**

STOCKS AMD

Management stated: “Inferencing and Agentic AI are increasing the need for server CPU compute as these workloads require additional CPU processing for orchestration, data movement and parallel execution in addition to serving as the head nodes for GPUs and accelerators. As a result, we are seeing both stronger near-term demand and deeper engagement with customers on long-term capacity planning.”

The stock has shot up very fast - Doubling from \$200 less than two months back, but it will be worth buying on declines.

AMD’s valuation can become reasonable on declines – it quotes 57x earnings growing at 44%, and 14x sales growing at 34%. Demand isn’t likely to slow down and AMD’s earnings can grow into these multiples over time.

If it were priced at \$350 instead of \$407, the ratios come down meaningfully to 47x earnings and 11x sales - fairly decent ratios for market leadership in CPUs where it is gaining share and has a decent presence in GPUs as well.

EATON - ETN

Eaton has a close relationship with Nvidia, as the primary electrification and power partner for GPU installations. An NVL 72 – a beast with 72 superchips needs that kind of precise partnership from the blueprint stage, which gives Eaton a strong competitive advantage over white box suppliers.

Eaton has other industrial divisions, which are also performing steadily but the investment thesis is the data center scale out. It is growing faster at about 11%, compared to their past decade average of 7%, because of huge electrification demand from data centers. Demand projections remain solid, as do pipeline and backlog and management tends to be conservative mainly in data centers and also to some extent in aerospace. But they will also be spending on Capex, including strategic acquisitions to meet this demand, that might hurt in the short run - analysts will be looking for margin deterioration.

It's selling for 32x earnings growing around 14% and 5x sales growing around 11% so slow accumulation should be good. Small dividend yield - only 1%.

EBAY - GME

This one is a doozy – Upstart GME with \$11Bn in market cap, including \$8Bn in cash, going after the \$48Bn market cap with a 50/50 cash and stock offer. Talk about chutzpah!

I had posted several months back on CEO Ryan Choen's GameStop's strategy of becoming a mini-Berkshire, following a strong write up from Michael Burry. Bought shares as well.

Retailer's CEO Ryan Cohen has been eyeing a major deal, in part to clinch a huge payday, part of CEO Ryan Cohen's audacious plan to turn the retailer into a \$100-billion plus juggernaut.

I bought eBay around \$109.

GameStop adjusted Cohen's compensation package at the beginning of the year to give him extra incentive to boost the company's market value and profitability. He stands to make as much as \$35 billion in stock if certain criteria are met, including if the market value hits \$100 billion, the Journal previously reported. eBay's shares are up more than 50% over the past 12 months as its strategy to focus on core categories including collectibles and fashion pays off. In February, eBay [announced a deal](#) to acquire secondhand fashion marketplace Depop from [Etsy](#) for \$1.2 billion.

EBAY - GME

I think eBay shareholders would hold out till Game Stop sweetens the deal,

So, what used to be a historical 1.9% grower in the past decade has improved to projected 6% in the next three years and the niche collectible and used merch market have improved, eBay is particularly doing well there and GME also made headway in the same segment. The TAM is pretty big according to some reports, thus, an acquisition / merger has a decent rationale and scope for growth under more dynamic management. eBay's current management is buyback/dividends without any focus on growth. As a combined business say two years down the road, even if the combined entity grows at 8-10% a year - the debt/dilution risks are very high (the stock could just be stuck in a narrow range for a long time if not turn lower) - that's clear and Cohen has put those cards on the table, and his bizarre appearance on CNBC did not help! I'm going to keep the quantity low, overall, this a high risk operation banking on Cohen's capability to execute.

Also Burry exits GameStop Any which way you sliced it, the Instant Berkshire thesis was never compatible with >5x Debt/EBITDA, never ok with interest coverage under 4.0x.. The debt from this acquisition is too much for his liking.

ARISTA NETWORKS

Arista Networks (ANET) \$140 - I do expect long-term investors to be buying the dip, as guidance for 2026 was supply constrained. This just ends up building a robust 2027 backlog. The stock is expensive so I suspect most of the buying will likely be in smaller quantities, but this remains an excellent company and investment.

J.P. Morgan kept its Overweight rating and \$200 price target on the stock.

"While the supply constraints do moderate expectations around the magnitude of upsides that the bull-case incorporated coming into the print, we see limited moderation of the long-term demand drivers that have driven our expectations for around mid-30% growth in the medium-term, with potential greater upsides from the realization of deferred revenue into in-period revenue once there is more significant progress on acceptance clauses, which is currently a significant headwind with product deferred revenue increasing by ~\$643 mn to ~\$3.63 bn in F1Q," said analysts led by Samik Chatterjee.

The analysts noted that Arista's results highlighted the long-term growth drivers that position the company well for robust demand, with the notable highlights included: a large tier 1 hyperscaler (the analysts believe, based on industry checks, to be Microsoft (MSFT)) starting its transition to leveraging Ethernet from InfiniBand in the back-end; conquest wins with a Neo-cloud customer relative to white-box products; and a surge in revenue in relation to scale-across opportunities, while scale-out revenue continues to expand at a robust pace.

ARISTA NETWORKS

"That said, the strong pace of demand increases are running into hurdles of capacity, which is not specific to Arista but visible across the supply chain, including de-commits in relation to supply from semiconductor companies, leading Arista to now expect translation of some of the demand upsides into revenue to be pushed out of this year," said Chatterjee and his team. However, the analysts noted that as a silver lining, Arista has longer visibility into demand and is also building a robust backlog.

Evercore maintained its Outperform rating and \$200 price target on Arista's stock. "Strong Q1 print; while supply challenges could gate the AI upside potential for CY26, we note that the demand backdrop remains robust and should provide multi-year growth visibility," said analysts led by Amit Daryanani.

The analysts noted that Arista reported a solid March quarter beat, delivering revenue/EPS of \$2.71B/\$0.87 versus the Street at \$2.62B/\$0.81, with overall growth coming in at about 35% year-over-year. The June quarter revenue guidance came in slightly above the Street (about \$2.8B versus the Street at \$2.78B), and the company raised their 2026 revenue expectation to up +27.7% growth (about \$11.5B) versus their prior guidance of up 25% year-over-year (\$11.25B), the analysts added. ANET noted that the overall demand backdrop remained robust (demand outstripping supply) and we think that the upward revision to full year guidance would have been larger had it not been for supply constraints (seeing de-commits related to wafer fab shortages for advanced nodes in particularly).

STOCKS – DUOLINGO

What were the positives?

They beat on all the important user metrics and also talked up better engagement, richer features with a tremendous emphasis on voice interaction, and better products with AI at a much faster speed. I believe their plan to make more features available to free and the super tier is working and they'll like to exceed their DAU target for 2026, and 2028 target for 100Mn DAUs. China has been an excellent growth driver, and it's also come at better prices. Both chess and mathematics also contributed to growth.

Valuation:

Duolingo earned net income of \$43.5Mn on total revenue of \$292Mn but operating cash of a whopping \$150Mn -- almost 3.5x net income. It spent \$35Mn in SBC in this quarter, but even then, dilution was only 3-4% and less if you include buybacks.

Duolingo should closed the year with GAAP EPS of \$3.50 to \$4.00, and an adjusted EPS for SBC of at least double that in the range of \$7 to \$8. Management has also guided to free cash flow of \$350Mn double the net income of \$150-\$175Mn for the year. At \$95 Duolingo sells for just 22-24x GAAP EPS and 11-12x adjusted EPS, growing in excess of 15%, and given all the product developments, plethora of courses, better user engagement and conversion to paid subscriptions they should be able to monetize a lot better in 2027, and 2028.

STOCKS – DUOLINGO

I think 2026 is a transition year, with the stock likely to remain rangebound but then at the same time offering a lot of opportunities to buy for 20-25 returns in 2027-2029.

Positives

Strong DAU Growth

Duolingo does have a top of the funnel growth problem with MAUs topping out, it is the nature of the beast that this is not a decade long subscription business, at least not yet. The churn of students completing courses and moving is expected. In the long-run, Duolingo does want to become the classroom for everyone, which means a decade out, you could get the equivalent of an American school education for 12 years in a foreign country, at a fraction of the price, but for now it has to deal with the churn of students finishing courses. Still the DAU ratio to MAU, keeps improving as Duolingo keeps users longer on its platform. DAU growth should remain steady at 20% for 2026.

Daily active users (DAUs) grew 21% year-over-year; and DAU growth to remain around 20% through 2026. Duolingo has a stated goal of 100Mn DAUs by 2028.

STOCKS – DUOLINGO

Strong Profitability and Cash Generation

Duolingo's cash flow generation deserves a premium, especially for a company that hardly requires Capex. It has a fortress like Balance sheet with over \$1Bn in cash, no debt, and expects to generate free cash flow of over \$350Mn this year, some which will go to fund share purchases. Share repurchases to date: 514k shares (~1% of fully diluted shares) under a \$400M authorization.

Unbeatable scale with AI generated massive content

Duolingo published 20.5 thousand course units in Q1 — more than 10x the quarterly pace from two years ago — and now offer courses up to B2 (professional proficiency) across the nine most learned languages. I like this approach of providing professional proficiency, which will keep users on the platform longer. It's also using AI to drive personalization for each student.

STOCKS – DUOLINGO

Product Enhancements – emphasis on speech over text

It continued to launch/expanded speaking-focused features for free and paid users: New product features include spoken tokens, speaking adventures, flashcards. Duolingo is also betting the house on continued improvements to video call – this should be key and one of their biggest competitive advantages. Video call usage: average words spoken per user has more than doubled (~100% increase) over the past year.

Improving Monetization Tactics without Increasing Friction

Yes, and I would thoroughly laud this strategy – Duolingo made missteps in 2025, but I believe it is doing the right thing now, and the focus on DAU growth without friction will pay off in 2027 and 2028. Expect longer free trials (e.g., one-month trials), and extensive use of video calls for the Super tier to acquire customers.

STOCKS – SHOPIFY

Shopify (SHOP) can be bought on declines around \$100-\$110 after its Q1 2026 post-earnings dip, with catalysts intact and valuation reset meaningfully. The selloff was overdone.

Q1 results showed GMV up 37% YoY to \$100.7B, revenue up 34% YoY to \$3.17B, and strong FCF margin at ~15%.

AI-driven Shopify (SHOP) can be bought on declines around \$100-\$110 after its Q1 2026 post-earnings dip, with catalysts intact and valuation reset meaningfully. The selloff was overdone.

Q1 results showed GMV up 37% YoY to \$100.7B, revenue up 34% YoY to \$3.17B, and strong FCF margin at ~15%.

AI-driven commerce and agentic AI integrations are driving exponential early growth in traffic and orders, supporting long-term bullishness. Shopify's merchant base appears sticky, with about 90% of revenue coming from merchants on the platform over a year, supporting future pricing power and retention.

Despite near-term margin compression and cautious guidance, the stock has long-term potential and could give steady 12-14% returns a year.
