Cabot TOP TEN TRADER

Discover the Market's Strongest Stocks

Mike Cintolo, Chief Analyst
mike@cabotwealth.com | @MikeCintolo

December 9, 2024

Cracks Begin to Appear

Current Market Outlook

From a top-down perspective, the market remains in good shape, with most major indexes and even growth-oriented measures in intermediate-term uptrends—and that counts for a lot, as one or two bad days isn't likely to change that fact. That said, the real action in the past few weeks has centered on leading stocks, which have put on a fantastic show … and which had gotten everyone bullish and created lots of complacency, too, increasing the risk of a rug pull. That led to today, where many (not all) growth stocks hit air pockets, with plenty of short-term abnormal action (and some intermediate-term abnormal action, too) appearing. So where do we stand? As we wrote above, one day doesn't mean the party is over, and frankly, we see some stocks that are approaching decent risk/reward entries after some stalling of late and selling today, so there's no need to panic. But today is a red flag for some names and is a reminder to manage your portfolio (partial profits, respecting stops) and to aim for decent entries. All in all, we'll retrench a bit and see how it goes from here—we'll lower our Market Monitor to a level 7 tonight and will be watching to see if support arrives soon.

This week's list has a nice mix of names, with some winners that have been resting for a few weeks alongside some names that have recently shown power. Our Top Pick is **Procore Technologies (PCOR)**, a name we've kept an eye on for a long time and is now beginning to emerge after a tough mid-year stretch.

Stock Name	Price	Buy Range	Loss Limit
American Airlines (AAL)	17	16.4-16.9	14.4-14.7
Credo Tech (CRDO)	67	62-65	52-54
DoorDash (DASH)	175	172-176	156-158
GE Vernova (GEV)	335	347-353	310-313
Herc Holdings (HRI)	229	225-231	203-206
KKR (KKR)	152	150.5-154	137-139
Marvell Tech (MRVL)	107	111-114	98-100
MasTec (MTZ)	134	138-141	127-129
Procore Technologies (PCOR) ★ Top Pick ★	83	79.5-81.5	71-72
Urban Outfitters (URBN)	49	50-51.5	44-45

STOCK 1
American Airlines (AAL)

Price	Buy Range	Loss Limit
17	16.4-16.9	14.4-14.7

Why the Strength

After an already vibrant year for air travel, some leading U.S. passenger airlines just provided upbeat forecasts for the holiday travel season, giving investors more reason to cheer. American Airlines is the world's second-largest airline as measured by scheduled passengers carried, revenue, passenger miles and daily flights, and if recent trends are any indication, the carrier should benefit from continued improvement in the travel demand backdrop. Last week, the company provided a bullish forecast for the Christmas flying season, raising its Q4 adjusted earnings forecast to a midpoint of 65 cents a share, up a whopping 86% from the previous forecast (and the reason for the stock's latest show of strength). The optimistic outlook follows a Q3 earnings report that saw revenue of nearly $14 billion increase 1% year-on-year and EPS of 30 cents that, while down 21%, beat estimates by 12 cents. In the earnings call, management emphasized that it's taking "aggressive action" to reset the airline's sales and distribution (S&D) strategy while engaging the business travel community, a strategy it expects will improve the revenue performance over time. (The S&D strategy involves renegotiating competitive contracts with a majority of the largest travel agencies and many of its top corporate customers, plus the reintroduction of Corporate Experience benefits for corporate travelers.) Meanwhile, on the performance front, despite disruptions and financial impacts from the recent hurricanes and the CrowdStrike outage, American reported the highest flight completion rate among U.S. network carriers while registering its best Q3 in terms of load factor since 2013. Like many peers, deleveraging is a major goal for American, and it strengthened the balance sheet in Q3 by reducing total debt by $360 million; it's also more than $13 billion toward its goal of reducing total debt by $15 billion by the end of 2025. Wall Street expects the bottom line to decline this year, but this is all about the future, where it sees the success of the S&D strategy bearing fruit with earnings lifting 40% in 2025 and 25% in 2026.

Market Cap	$11.5B		EPS $ Annual (Dec)	
Forward P/E	8		FY 2022	0.50
Current P/E	13		FY 2023	2.65
Annual Revenue	$53.6B		FY 2024e	1.57
Profit Margin	2.0%		FY 2025e	2.18

	Qtrly Rev	Qtrly Rev Growth	Qtrly EPS	Qtrly EPS Growth
	($B)	(vs. yr-ago-qtr)	($)	(vs. yr-ago-qtr)
Latest qtr	13.6	1%	0.30	-21%
One qtr ago	14.3	2%	1.09	-43%
Two qtrs ago	12.6	3%	-0.34	N/A
Three qtrs ago	13.1	-1%	0.29	-75%

Technical Analysis

AAL has been a laggard in the airline space, peaking at 19 last year, hitting a lower high of 16 earlier this year and declining as low as 9 when the market tanked in early August. But it's been pretty much all up since then: AAL has lifted 15 of the past 18 weeks, including last week's forecast-induced romp to the upside that brought the stock to 17-month highs. Like many names, we think a modest exhale would be buyable.

Weekly Chart

Daily Chart

STOCK 2
Credo Tech (CRDO)

Price	Buy Range	Loss Limit
67	62-65	52-54

Why the Strength

Credo (covered in the October 28 issue) is a high-speed connectivity provider for data centers, delivering a range of solutions including integrated circuits, active electrical cables (AECs, where it's a clear leader) and SerDes chiplets for handling serial data communication over extremely short distances. Last week's fiscal Q2 (ended November) results featured record revenue across its three main product lines, but the talk was all about the rapid growth in AI cluster architectures (the configurations used to organize hardware and software into a system that can efficiently handle AI workloads). Due to the rapid evolution of these configurations, back-end network reliability has become paramount, where eliminating momentary disruptions in network links (so-called "link lapse"), as well as managing power and costs, are essential to achieving the results desired. This is where Credo sees a big opportunity for its high-speed solutions, which are becoming crucial in supporting these cutting-edge architectures for a few huge firms. The building momentum for Credo was seen in its AEC product line in Q2, which achieved record revenue driven by strong demand from its two biggest established customers as well as an emerging hyperscaler. Credo also launched a new AEC product, the 800G HiWire ZeroFlap to support AI backend networks in Q2, and management believes the AEC market is still in its early stages of adoption with a "significant" growth runway ahead. Also achieving record sales in Q2 was Credo's digital signal processors (DSP) business, with the firm seeing the market for 50-gig and 100-gig per lane DSP solutions presenting "significant long-term growth opportunities" ahead. Total revenue of $72 million increased 64% year-on-year, with earnings of seven cents per share beating estimates by two cents, the third straight quarter of buoyant results—but even better times are ahead, as Wall Street now sees Credo's top line lifting triple digits each of the next four quarters while earnings explode. The main risk here is customer concentration, with three clients making up more than half of revenues (!), but right now, those clients can't get enough of Credo's offerings.

Market Cap	$12.5B		EPS $ Annual (Apr)	
Forward P/E	156		FY 2023	0.05
Current P/E	320		FY 2024	0.09
Annual Revenue	$246M		FY 2025e	0.48
Profit Margin	17.7%		FY 2026e	0.97

	Qtrly Rev	Qtrly Rev Growth	Qtrly EPS	Qtrly EPS Growth
	($M)	(vs. yr-ago-qtr)	($)	(vs. yr-ago-qtr)
Latest qtr	72.0	64%	0.07	600%
One qtr ago	59.7	70%	0.04	N/A
Two qtrs ago	60.8	89%	0.07	N/A
Three qtrs ago	53.1	-2%	0.04	0%

Technical Analysis

CRDO broke out in May and had a nice initial run before major volatility set in, with very sharp dips in July/August and again in September. But the stock immediately rebounded from those shakeouts, hitting new highs in October and continuing higher after that—and then last week's quarterly report brought a gigantic gap up on record volume. Don't get us wrong, today was a bit ugly, but not abnormal in our book given the recent gap. If you're game, you can nibble on further weakness, but use a loose stop.

Weekly Chart

Daily Chart

STOCK 3
DoorDash (DASH)

Price	Buy Range	Loss Limit
175	172-176	156-158

Why the Strength

A few years ago, delivery services were almost solely limited to local pizza joints and the like, but now national players have made it big business in the U.S. and elsewhere; restaurant deliveries are still the big draw, but the movement is now increasingly seen with grocery, convenience and many other stores, too. (DoorDash just inked a deal with Walmart Canada for delivery services from 300 locations, for instance.) Despite competition, DoorDash is the hands-down leader in the field—some estimates say the firm has about two-thirds of restaurant delivery market share thanks to having the broadest selection and lowest logistics costs in most place, and in the Q3 conference call, the top brass stated that more than half of new restaurants signing up for a delivery service pick DoorDash, as well as about half of non-restaurant sign-ups, too. With a dominant position and a leadership team that's consistently made the right moves, DoorDash has seen steady, reliable growth for many quarters while the bottom line expands, the combination of which continues to attract big investors: Marketplace dollar volume growth has slowed a bit in recent quarters (from 24% to 19% over the past five quarters), but remains solid, while revenues lifted 25% in Q3, the take-rate came in at 13.5% (up from 12.9% a year ago) and EBITDA totaled $533 million, up a huge 55% and yet representing just 2.7% of the dollar volume on the platform, so there should be plenty of upside over time. (Free cash flow also totaled just over $1 per share quarter, too.) Moreover, while the firm doesn't often release exact figures, customer cohort ordering trends remain bullish, with newer clients ordering more right away and older cohorts continuing to increase their use of the platform.

All in all, DoorDash quacks like a liquid leader that should offer rapid, reliable growth for a long time to come.

Market Cap	$73.6B		EPS $ Annual (Dec)	
Forward P/E	N/A		FY 2022	-3.68
Current P/E	N/A		FY 2023	-1.42
Annual Revenue	$10.2B		FY 2024e	0.28
Profit Margin	5.7%		FY 2025e	1.97

	Qtrly Rev	Qtrly Rev Growth	Qtrly EPS	Qtrly EPS Growth
	($B)	(vs. yr-ago-qtr)	($)	(vs. yr-ago-qtr)
Latest qtr	2.71	25%	0.38	N/A
One qtr ago	2.63	23%	-0.38	N/A
Two qtrs ago	2.51	23%	-0.06	N/A
Three qtrs ago	2.30	27%	-0.39	N/A

Technical Analysis

DASH had a tough 31% correction from April through mid-July but then changed character after earnings in August, with two big-volume buying weeks despite the market meltdown and, after a three-week pause, a breakout in September that brought a powerful, persistent nine-week run higher. DASH has since treaded water in the 170 to 180 area for four weeks as the moving averages have caught up. We're OK entering here or (preferably) on dips of a few points.

Weekly Chart

Daily Chart

STOCK 4
GE Vernova (GEV)

Price	Buy Range	Loss Limit
335	347-353	310-313

Why the Strength

GE Vernova makes natural gas turbines for power plants, wind turbines and electrification equipment as well as associated software for power storage and grid management—essentially giving it exposure to many key electrification trends that are growing nicely and should continue to do so for many years. Vernova is the power business of General Electric, created when GE split into three separate businesses this spring. The outlook for power demand globally is bullish, with management saying the power industry has entered a new "super cycle" driven by both the ongoing movement to renewables as well as the need to power data centers and AI demand. That's made for a strong year for every segment of Vernova's business, with gas turbines and electrification equipment revenue rising 34% and 24% in the latest quarter, respectively. Even its wind segment, which has struggled due to industry pressures and was dealt a blow by the failure of a blade in a wind farm in Massachusetts, is seeing widening margins on flat sales this year. In fact, the biggest "problem" for GE Vernova right now is that its manufacturing capacity is largely booked through 2027 (!), with a $118 billion order backlog; net new orders in Q3 alone totaled $9.4 billion, up 17%, including $6 billion for electrification equipment and $3 billion in wind. The top brass says they are seeing huge demand for upgrades from existing customers for software designed to make existing grids and generating sources more efficient; given some 30% of the world's power generation uses some piece of Verona equipment or software, it's a big potential market. The company also says it will add manufacturing capacity through acquisitions when it can. Verona says 2024 will produce $35 billion of sales with expanding EBITDA margins and north of $5 of free cash flow. That said, Vernova will host an Investor Day tomorrow (Tuesday, December 10), which will likely see some 2025 and longer-term earnings and margin outlooks and cause the stock to move. Even so, overall, there's little doubt demand and margins will continue to improve for many years to come.

Market Cap	$94.5B		EPS $ Annual (Dec)	
Forward P/E	49		FY 2022	N/M
Current P/E	75		FY 2023	-1.61
Annual Revenue	$34.4B		FY 2024e	2.64
Profit Margin	N/A		FY 2025e	7.05

	Qtrly Rev	Qtrly Rev Growth	Qtrly EPS	Qtrly EPS Growth
	($B)	(vs. yr-ago-qtr)	($)	(vs. yr-ago-qtr)
Latest qtr	8.91	8%	-0.35	N/A
One qtr ago	8.20	1%	4.76	N/A
Two qtrs ago	7.26	6%	-0.48	N/A
Three qtrs ago	10.0	35%	0.72	N/A

Technical Analysis

GEV was spun off in March of this year and, after a few good weeks, consolidated between 150 and 190 for the next few months. The breakout in August was a good one and led to a beautiful, persistent run higher that finally ran into a wall near round-number resistance around 350. GEV has now been resting for a few weeks and shook out a bit today as the Investor Day approaches—we'll set our buy range up from here, thinking a powerful resumption on any news tomorrow would be bullish.

Weekly Chart

Daily Chart

STOCK 5
Herc Holdings (HRI)

Price	Buy Range	Loss Limit
229	225-231	203-206

Why the Strength

The policy shift from the incoming administration is widely expected to prioritize industrial development and other areas seen as vital for national security while cutting taxes for domestic production. The anticipated post-election landscape is a big reason for the strength behind industrial sector specialists such as Herc Holdings (covered in the October 28 issue). The company's subsidiaries primarily supply the construction industry with aerial, earthmoving and material handling equipment, as well as trucks and trailers, air compressors, compaction and lighting equipment. Additionally, Herc's ProSolutions division supplies power generation and climate control solutions, and its ProContractor division rents professional-grade tools. The company is one of North America's largest equipment rental firms, with an estimated market share of 4%, which highlights both its massive footprint and its opportunity—especially as today's construction industry typically favors renting equipment over owning it. And as the top brass pointed out in the latest earnings call, secular trends in rentals, the reshoring of manufacturing, infrastructure spending, modernizing the electrical grid, plus the rapid growth in AI and data centers, all represent "significant" future opportunities for Herc. Moreover, several recently announced megaprojects in industrial manufacturing (where Herc sees "incremental new opportunities") are in areas of the country where the firm has targeted acquisitions (M&A is a big part of the story here, including 51 businesses with 115 locations gobbled up since late 2020), such as the high-growth corridor of Texas, Arizona and Southern California, as well as several areas along the eastern seaboard. In terms of strategy, the company is currently targeting a 60/40 revenue split between local accounts (where infrastructure, education, local utilities and facility maintenance repair projects are underway) and national accounts (where it's focused on new projects in areas like battery storage, energy, infrastructure, semiconductor, LNG plants and data centers). On the financial front, Q3 rental revenue of $866 million increased 13% from a year ago, while EPS of $4.35 and adjusted EBITDA of $446 million both rose 9%. For Q4, Wall Street sees top- and bottom-line growth of 12% and 23%, respectively, while free cash flow is solidly in the black despite a lot of spending to expand its fleet.

Market Cap	$6.46B		EPS $ Annual (Dec)	
Forward P/E	15		FY 2022	11.26
Current P/E	17		FY 2023	12.30
Annual Revenue	$3.45B		FY 2024e	13.35
Profit Margin	16.9%		FY 2025e	14.84

	Qtrly Rev	Qtrly Rev Growth	Qtrly EPS	Qtrly EPS Growth
	($M)	(vs. yr-ago-qtr)	($)	(vs. yr-ago-qtr)
Latest qtr	965	6%	4.35	9%
One qtr ago	848	6%	2.60	-3%
Two qtrs ago	804	9%	2.36	0%
Three qtrs ago	831	6%	3.24	-6%

Technical Analysis

HRI changed character in September, starting a run of nine weeks up in a row that brought with it a powerful long-term breakout (out of a three-year rest) after earnings and was capped by a post-election pop. During the past month, HRI and many other cyclical stocks have pulled back and rested, with shares now holding just above the 25-day line. If you don't own any, we're OK starting a position here with a stop near the 50-day line.

Weekly Chart

Daily Chart

STOCK 6
KKR (KKR)

Price	Buy Range	Loss Limit
152	150.5-154	137-139

Why the Strength

KKR is one of the leading Bull Market stocks of this cycle, with its hands in many asset management cookie jars (private equity, credit, real estate and other real assets) as well as insurance, which provides a stream of investable money, too; indeed, one of the big moves for KKR during the past year was the purchase of the rest of Global Atlantic (retirement, annuities and life insurance) that it didn't own. Like many peers, KKR has moved very heavily into assets that produce recurring fees—of the company's $624 billion of assets under management (up 18% from a year ago), $506 billion (up 19%) are fee-generating, which means that in Q3, 81% of operating earnings were from recurring (either fee-based or insurance) sources, making the company's earnings stream less dependant one-time realizations from private equity. (A whopping $259 billion of assets are also perpetual, adding even more stability to the bottom line.) Moreover, as the markets have improved in recent quarters and with the Global Atlantic move, inflows have picked up ($23.9 billion of organic inflows in Q3, vs. $13.6 billion a year ago), and an easier Fed has investors thinking that could pick up going ahead; indeed, all of KKR's success right now is going on while private equity is lagging somewhat, growing "only" 10% in the latest quarter. In Q3, fee-related earnings soared to $1.12 per share, up 78% from a year ago, and the firm has a longer-term goal of getting that annual figure to $4.50 per share in 2026 (which looks conservative) while total assets grow to $1 trillion. As always, a huge air pocket for the market as a whole or a big reversal in Fed policy would mean all bets are off, but at this point, the wind remains at KKR's back.

Technical Analysis

KKR's original breakout came back in November 2023, more than a year ago, so it's certainly possible the stock will need a prolonged rest in the relatively near future. But there's no sign of that yet, with shares remaining very strong, albeit with some tough pullbacks in recent months—August saw a 24% dip with the market, while September brough another test of the 50-day line and there was a pre-election dip to the 25-day line in November. But for the most part, KKR has continued to trend higher, with the latest dip unpleasant but reasonable. We're game for taking a swing at it here or on dips with a stop under the 50-day line.

Market Cap	$141B		EPS $ Annual (Dec)	
Forward P/E	26		FY 2022	3.97
Current P/E	35		FY 2023	3.42
Annual Revenue	$23.1B		FY 2024e	4.72
Profit Margin	32.3%		FY 2025e	6.06

	Qtrly Rev	Qtrly Rev Growth	Qtrly EPS	Qtrly EPS Growth
	($B)	(vs. yr-ago-qtr)	($)	(vs. yr-ago-qtr)
Latest qtr	4.79	45%	1.38	57%
One qtr ago	4.17	15%	1.09	49%
Two qtrs ago	9.66	209%	0.97	20%
Three qtrs ago	4.43	75%	1.00	4%

Weekly Chart

Daily Chart

STOCK 7
Marvell Tech (MRVL)

Price	Buy Range	Loss Limit
107	111-114	98-100

Why the Strength

Marvell is another winner in the explosion of AI. The company makes sophisticated data center chips that support massive cloud and AI-based systems used by some of the world's largest businesses. Marvell just signed a five-year agreement with Amazon Web Services to provide generations of AI chips as well as associated networking products like ethernet switches, optical connectors and active electrical cables. Business has been decent and profitable for a while, but investors have been waiting for the long-awaited turn-up in demand for the firm's custom silicon products (like what it will be doing for Amazon) and that appears to finally be here. In the quarter ending in October, Marvell's top line returned to growth, rising 7%, while earnings of 43 cents were up 5% and topped expectations by a couple of pennies despite a restructuring charge that affected the bottom line. Given expansion is coming from data center products, management is doubling down on its data center arm, already nearly three-quarters of its sales. The increased focus on AI data center probably means other segments, like automobile chips, industrial tech and consumer product silicon will see less support. But, frankly, nobody cares—the focus is on data centers and AI, and the next few quarters should see Marvell post numbers that look nothing like what's been seen in the recent past: The current Q4 should see revenue come in around $1.8 billion, a jump of 26% from a year ago, with growth accelerating to 60% in Q1 of next year, all while earnings go wild thanks to its custom AI-chip business likley doubling to $1 billion next year and advancing strongly for years after that, with a long-term expectation it can capture 20% market share of the AI silicon market. Analysts see earnings booming 77% next year but even that should prove too low.

Technical Analysis

MRVL originally showed signs of getting going when the AI boom first appeared on the scene in May 2023, but it never really got going after that—it got as high as 86 in March of this year but then built a launching pad into October. The breakout from there worked well, but it was last week's earnings gap that showed true power, with MRVL rallying 23% on huge volume. Today's growth stock selling did put a dent in the stock, but nothing looks abnormal. We'll set our buy range up a bit from here, with strength making it more likely the earnings move will continue.

Market Cap	$99.1B		EPS $ Annual (Jan)	
Forward P/E	42		FY 2023	2.12
Current P/E	79		FY 2024	1.51
Annual Revenue	$5.38B		FY 2025e	1.54
Profit Margin	26.5%		FY 2026e	2.74

	Qtrly Rev	Qtrly Rev Growth	Qtrly EPS	Qtrly EPS Growth
	($B)	(vs. yr-ago-qtr)	($)	(vs. yr-ago-qtr)
Latest qtr	1.52	7%	0.43	5%
One qtr ago	1.27	-5%	0.30	-9%
Two qtrs ago	1.16	-12%	0.24	-23%
Three qtrs ago	1.43	1%	0.46	0%

Weekly Chart

Daily Chart

STOCK 8
MasTec (MTZ)

Price	Buy Range	Loss Limit
134	138-141	127-129

Why the Strength

Driven by factors like increased renewable energy development, 5G network expansion and continued large-scale infrastructure development, engineering specialist MasTec looks to have another strong year ahead of it. The Florida-based firm is one of the nation's top power plant and renewable energy construction providers, specializing in the building and engineering of natural gas power plants and renewable energy facilities, and in recent years it's positioned itself as one of only a few industry players whose workforce, size and scale affords it the capabilities to take on any project. Its customers also include energy firms, pipeline operators, wireless and broadband operators and government agencies. A record 18-month backlog in Q3 totaling a whopping $13.9 billion (up 11% from a year ago) gave investors a reason to celebrate, with bookings in multiple segments underscoring MasTec's opportunity in 2025 and beyond. Q3 results also featured solid margin expansion that exceeded the firm's guidance and drove "excellent" bottom-line performance. Although revenue of $3.3 billion was flat from a year ago and missed estimates, earnings of $1.63 a share increased 72% and beat estimates by 40 cents (the reason for the stock's strength). The strong showing was led by record Communications segment revenue that grew over 12%, both year-over-year and sequentially, record Clean Energy and Infrastructure segment revenue (up 20% sequentially) and EBITDA (up 80%), plus Power Delivery segment revenue that was up year-over-year for the first time in 2024. Meanwhile, total company non-oil and gas revenue and EBITDA were up over 15% and 36% (respectively) from the prior quarter, which was the primary driver of the earnings beat. The sanguine results prompted a major Wall Street institution to upgrade the shares from Hold to Buy (another reason for the strength). Looking ahead, management said business remains "incredibly strong" on the wireline side, with growing demand for fiber associated with AI and data centers expected to drive growth in 2025, with longer-term macrotrends in all of its end markets "favorable." Analysts see the bottom line rebounding 90% this year to $3.73 a share and expanding to above $5 a share next year, which is likely conservative.

Technical Analysis

MTZ turned a corner last November after falling to a multi-year low at 45, more than doubling by May before running into resistance at 113. More than three months of consolidating followed, with shakeouts in August and early September getting rid of some weak hands. The breakout came later in September on sector strength, and earnings served as the catalyst for the latest push higher, with shares reaching 150 before backing off to the 50-day line today. We'll set our buy range up a bit from here, looking to enter after a meaningful lift off support.

Market Cap	$11.2B	EPS $ Annual (Dec)	
Forward P/E	28	FY 2022	3.08
Current P/E	45	FY 2023	1.97
Annual Revenue	$12.2B	FY 2024e	3.63
Profit Margin	5.5%	FY 2025e	5.05

	Qtrly Rev	Qtrly Rev Growth	Qtrly EPS	Qtrly EPS Growth
	($B)	(vs. yr-ago-qtr)	($)	(vs. yr-ago-qtr)
Latest qtr	3.25	0%	1.63	72%
One qtr ago	2.96	3%	0.96	8%
Two qtrs ago	2.69	4%	-0.13	N/A
Three qtrs ago	3.29	9%	0.66	-36%

Weekly Chart

Daily Chart

STOCK 9
Procore Technologies (PCOR) ★ Top Pick ★

Price	Buy Range	Loss Limit
83	79.5-81.5	71-72

Why the Strength

Procore Technologies has always had a great story: The firm's cloud software is targeted directly at the construction industry, a sector that's humungous (100,000 potential clients in the U.S. alone), complex (with countless different actors in big projects, from general and sub-contractors to financiers to architects to suppliers to insurers and much more) and way behind the curve when it comes to digital efficiency. Procore's platform gets everyone on the same page, offering everything from project, asset and resource management, financials, analytics, planning, integrated schedules and even some materials financing and insurance broker services—and it charges based on the size of the projects underway that are using its technology (no per-user fee), which encourages all the players to adopt it. The solution works, as evidenced by Procore's 94% revenue retention rate, and it wins 63% of contracts vs. its top three competitors and 86% of the time with clients that have no comparable solution. All of that is great—but industry factors have been the bugaboo here, with the rising-rate environment affecting big client sentiment and causing Procore's growth to slow ... and the top brass sees the top line's expansion slowing further in 2025. But there is good news, as profits and free cash flow have been picking up steam, and the margin expansion seen of late should continue in 2025 (operating income margin from south of 11% this year to at least 13% in 2025, which is likely conservative), which will help partially fund a $300 million buyback authorization through next year. More imporant, with the Fed turning easier and the regulatory environment likely to improve, Wall Street is optimistic clients will start opening up their wallets again. We think the market could be sniffing out better-than-expected growth ahead.

Technical Analysis

PCOR bottomed back in 2022 and spent the next couple of years trying to get going, hitting slightly higher highs every few months—but it never truly changed character, leading to a very tough 41% drop from April through July and many weeks of bottom building after that. But after some tightness in October, PCOR has shown bullish signs, with the November quarterly report kicking off a wave of strength that (along with a bullish Investor Day) saw the stock kiss three-year highs before a late-week dip. Dips toward 80 would be tempting.

Market Cap	$12.3B		EPS $ Annual (Dec)	
Forward P/E	69		FY 2022	-0.51
Current P/E	77		FY 2023	0.30
Annual Revenue	$1.11B		FY 2024e	1.04
Profit Margin	12.2%		FY 2025e	1.21

	Qtrly Rev	Qtrly Rev Growth	Qtrly EPS	Qtrly EPS Growth
	($M)	(vs. yr-ago-qtr)	($)	(vs. yr-ago-qtr)
Latest qtr	296	19%	0.24	167%
One qtr ago	284	24%	0.39	999%
Two qtrs ago	269	26%	0.30	999%
Three qtrs ago	260	29%	0.17	N/A

Weekly Chart

Daily Chart

STOCK 10
Urban Outfitters (URBN)

Price	Buy Range	Loss Limit
49	50-51.5	44-45

Why the Strength

With the holiday shopping season already underway, consumers have already spent 10% more online to date compared to a year ago, according to the latest data. This underscores a growing trend toward digital sales comprising more of the retail sales pie, a trend that Urban Outfitters is capitalizing on. The Philadelphia-based lifestyle retailer is known for its on-trend fashion apparel (which has been described as having a “hipster vibe”), footwear and accessories for younger adults, particularly Gen Z women. In its latest earnings call, the company emphasized the success of its Nuuly brand, the women’s apparel digital subscription service, which offers a wide selection of rental products from Urban’s own brands, third-party brands as well as one-of-a-kind vintage pieces. It only makes up 7% of total revenue currently, but that’s changing in a hurry: Nuuly saw revenue soar by almost 50% in fiscal Q3 (ended October), driven by a 51% increase in average active subscribers from a year ago, while reaching its first operating profit on a standalone basis. What’s more, Urban believes Nuuly, which currently has 300,000 subscribers, can eventually attract millions of subscribers on the back of what fashion industry analysts are calling a “rental wave.” Meanwhile, other segments of Urban performed well in the quarter, including the global lifestyle brand Anthropologie, which saw comparable sales increase 7%, while Free People jumped 11%, although Urban Outfitters’ namesake brand saw sales dip 9%. However, total revenue of $1.4 billion increased 6% and set a quarterly record, with earnings of $1.10 beating estimates by 24 cents and prompting a major Wall Street bank to upgrade the shares (a reason for the latest show of strength). The company said the results were driven by outperformance across all three of its businesses—retail, subscription and wholesale—and the top brass expressed optimism for the holiday demand outlook, believing Q4 comp sales could be similar to the Q3 results, driven by a single-digit increase in retail segment comps, “strong” revenue growth from Nuuly and continued double-digit sales growth in the wholesale segment.

Market Cap	$4.56B		EPS $ Annual (Jan)	
Forward P/E	12		FY 2023	1.70
Current P/E	14		FY 2024	3.05
Annual Revenue	$5.40B		FY 2025e	3.93
Profit Margin	11.3%		FY 2026e	4.24

	Qtrly Rev	Qtrly Rev Growth	Qtrly EPS	Qtrly EPS Growth
	($B)	(vs. yr-ago-qtr)	($)	(vs. yr-ago-qtr)
Latest qtr	1.36	6%	1.10	25%
One qtr ago	1.35	6%	1.24	13%
Two qtrs ago	1.20	8%	0.69	23%
Three qtrs ago	1.49	7%	0.50	47%

Technical Analysis

URBN ran up nicely the first two months of the year, but that began a failed basing process, with resistance in the upper 40s rejecting the stock in March and again in July, leading to a sharp 31% decline. However, the stock built a solid base between September and November, and the Q3 release blew the roof clean off two weeks ago, pushing URBN to new highs. The latest pullback looks normal, but as with a couple of other names in this issue, we'll place our range up from here, aiming to enter on a show of support.

Weekly Chart

Daily Chart

Previously Recommended Stocks

Date	Stock	Symbol	Top Pick	Original Buy Range	12/9/24
HOLD					
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
WAIT					
	[redacted]				
SELL					
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]

[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
DROPPED					
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]

The next *Cabot Top Ten Trader* issue will be published on December 16, 2024.

Cabot Wealth Network
Publishing independent investment advice since 1970.

President & Publisher: Ed Coburn
Publisher Emeritus: Timothy Lutts
Cabot Heritage Corporation, doing business as Cabot Wealth Network
2 Margin St. #2049 Salem, MA 01970, United States
800-326-8826 | support@cabotwealth.com | CabotWealth.com