

[NOTE:] STOCK SONARS ARE **WEEKLY** REPORTS SENT EVERY WEDNESDAY AT 9:45 AM EST

- Includes tactical trade ideas or starter positions when we come across them (roughly twice a month)
- Mostly non-actionable informational blurbs on names we found interesting.
- Gives readers insight into our research process, which industries we are evaluating and why we pass on names.

## Stock Sonar #56 - 5/15/2024

### **Total Site Solutions (Ticker:TSSI) — mrkt cap \$26mm; Price \$1.4; EV/EBITDA 7**

SPECULATIVE POSITION INITIATED. We rarely invest in nanocaps and certainly not ones that have gone up three hundred percent in six months. That being said, we are happy to make an exception with TSSI. The reason? Capable management and modular data centers (AI play). Upon speaking with the new CEO, a former Dell executive, we came away impressed with the turnaround that has been implemented. TSSI acts as both a procurement agent and system integrator for companies looking to build edge/modular data centers. We believe there are significant tailwinds as companies look to build data centers closer to where data is generated – a phenomenon called ‘data gravity’ – a trend significantly accelerated by AI. Management believes there is the possibility of a 10x increase in business demand which would be a large driver of share returns. (TSSI is heavily reliant on Dell for revenue which creates concentration risk, but we believe this is mitigated given that TSSI management are former Dell executives.)

### **BOX Inc (NYSE:BOX) — mrkt cap \$3.9B; Price \$27.14; EV/EBITDA 45**

MORE RESEARCH NEEDED. BOX, a key player in cloud content management and file sharing, focuses predominantly on large enterprise customers. This differentiation from competitors like Dropbox, who cater more to general users, is marked by BOX’s robust compliance and security features tailored for enterprise needs. Additionally, its superior interoperability allows seamless integration with other enterprise tools, which is essential for maintaining competitive edge against giants like Microsoft. BOX is actively trying to expand its market share with innovative tools like Box Sign and advanced AI search functionalities. However, with the company appearing to be at a mature phase of its business cycle and trading at a high EV/EBITDA multiple of 45, a deeper dive into its growth strategies and market positioning is necessary before considering a core position.

### **Shutterstock (NYSE:SSTK) — mrkt cap \$1.5B; Price \$42.6; EV/EBITDA 12**

PASS. As a leading provider of digital content, Shutterstock caters to users with a variety of subscription plans and on-demand services, offering access to a vast library of images, videos, and music tracks. It has shed roughly 65% of its market value from previous highs, and currently trades at what appears to be a reasonable valuation. However, the emergence of generative AI poses a significant existential threat to Shutterstock’s business model. In the foreseeable future, generative AI tools will enable the creation of similar digital content at little to no cost. While Shutterstock might pivot to licensing its extensive content library for AI training purposes, the uncertainty of such a transition presents risks.

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