

The background of the slide features a dark, semi-transparent overlay on a photograph. The photograph shows a street scene with a prominent blue sign that reads "WALL STREET" in white capital letters. Above the sign, a smaller sign indicates "11-21" with an arrow pointing right. Below the main sign, another sign partially visible reads "BROAD ST". In the lower right corner, the stripes of an American flag are visible, angled upwards. The overall tone is professional and financial.

Blue Line Capital

Jobs Data, The Fed & Corporations

Hot Labor Data & Earnings Trends



Nonfarm Payrolls & The Fed

The Blue Line Nonfarm Payrolls Rundown

Fed Monetary Policy Statement

Recent indicators point to modest growth in spending and production. Job gains have been robust in recent months, and the unemployment rate has remained low. Inflation has eased somewhat but remains elevated.

2 percent over the longer run. In support of these goals, the Committee decided to raise the target range for the federal funds rate to 4-1/2 to 4-3/4 percent. The Committee anticipates that ongoing increases in the target range will be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time. In determining the extent of future increases in the target range, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments. In addition, the Committee will

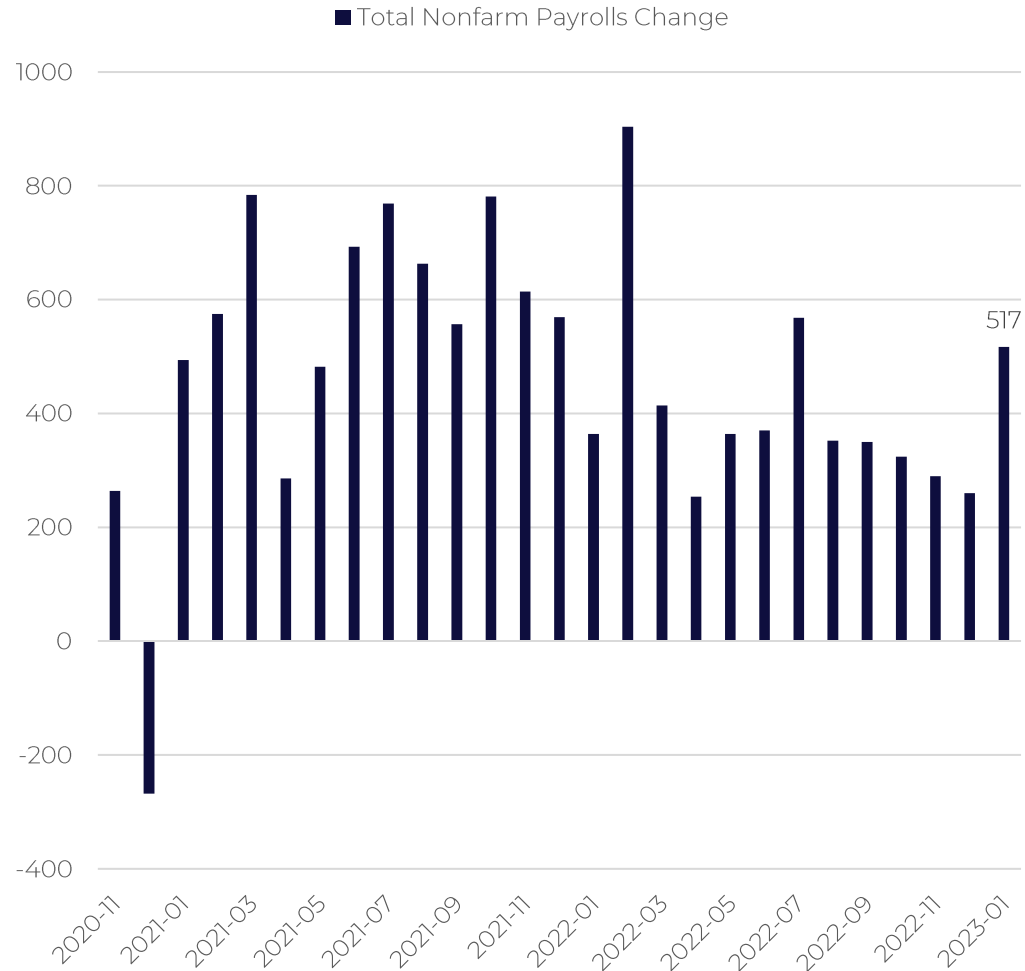
“

We can now say, for the first time, that the disinflationary process has started.

- Jay Powell

Nonfarm Payrolls Jobs Additions

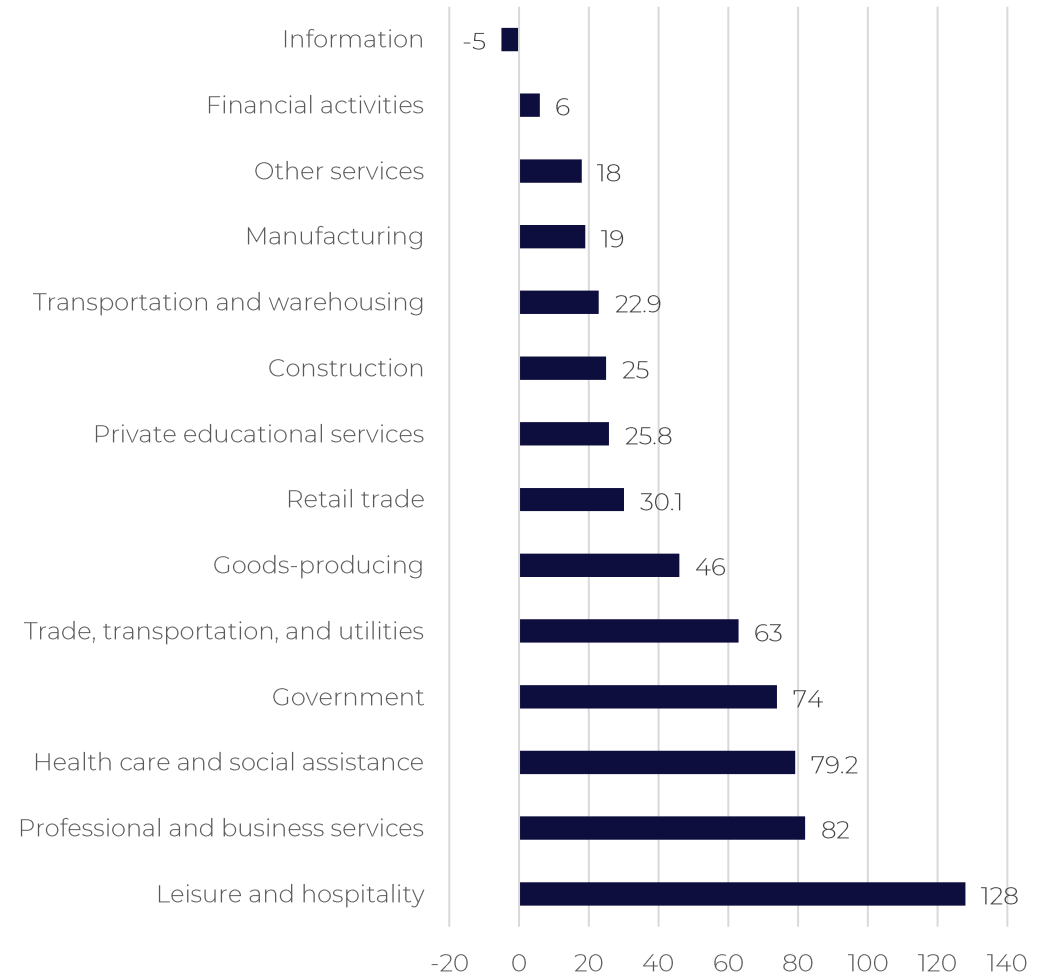
Monthly Nonfarm Payrolls Change



Sources: BLS, FRED, Blue Line Capital, Blue Line Futures

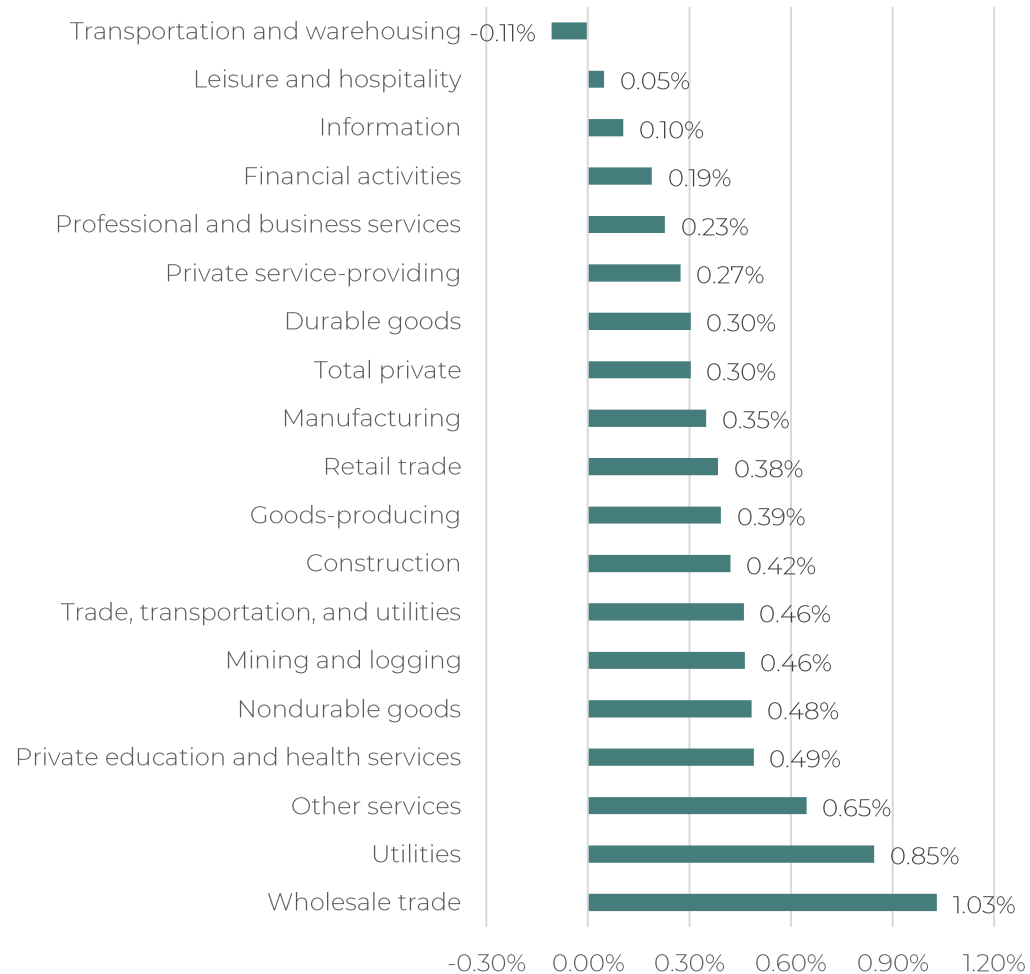
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Nonfarm Payrolls Job Additions By Sector



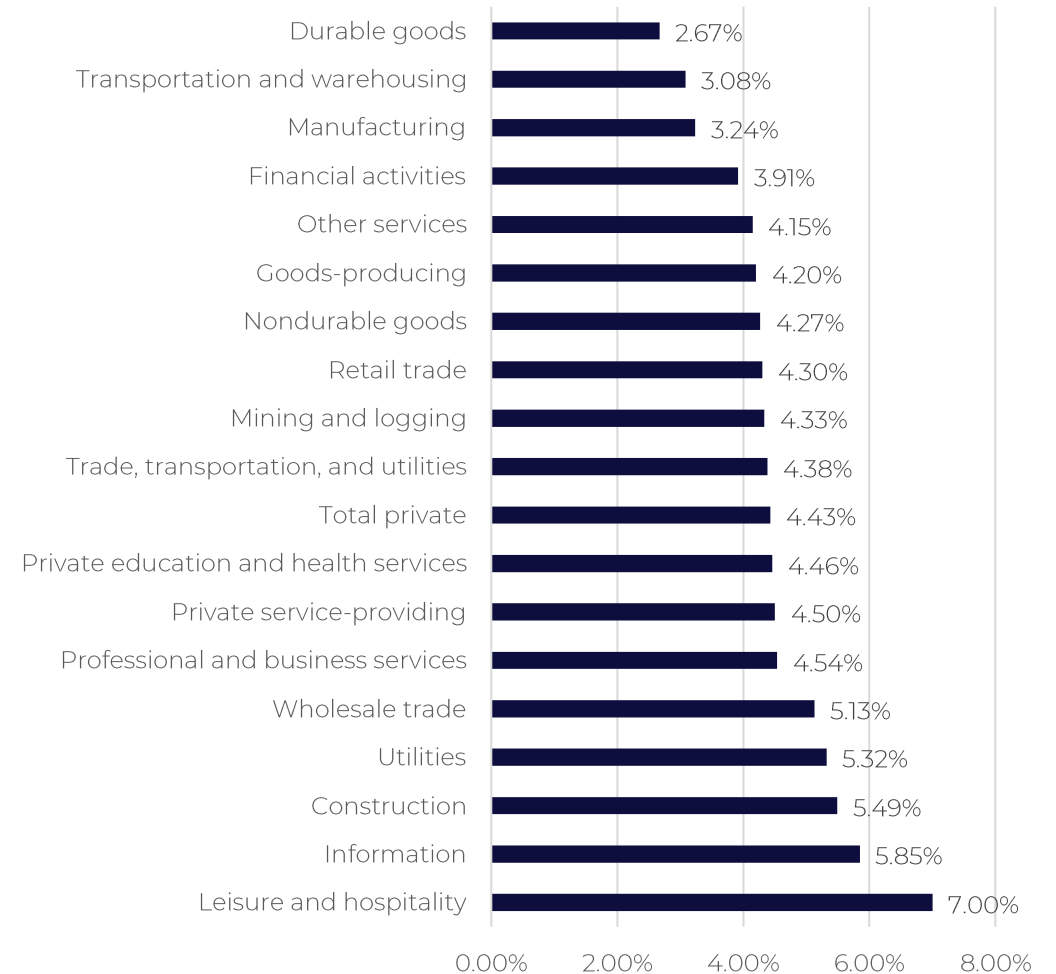
Wage Trends

M/M Wage Trends In January



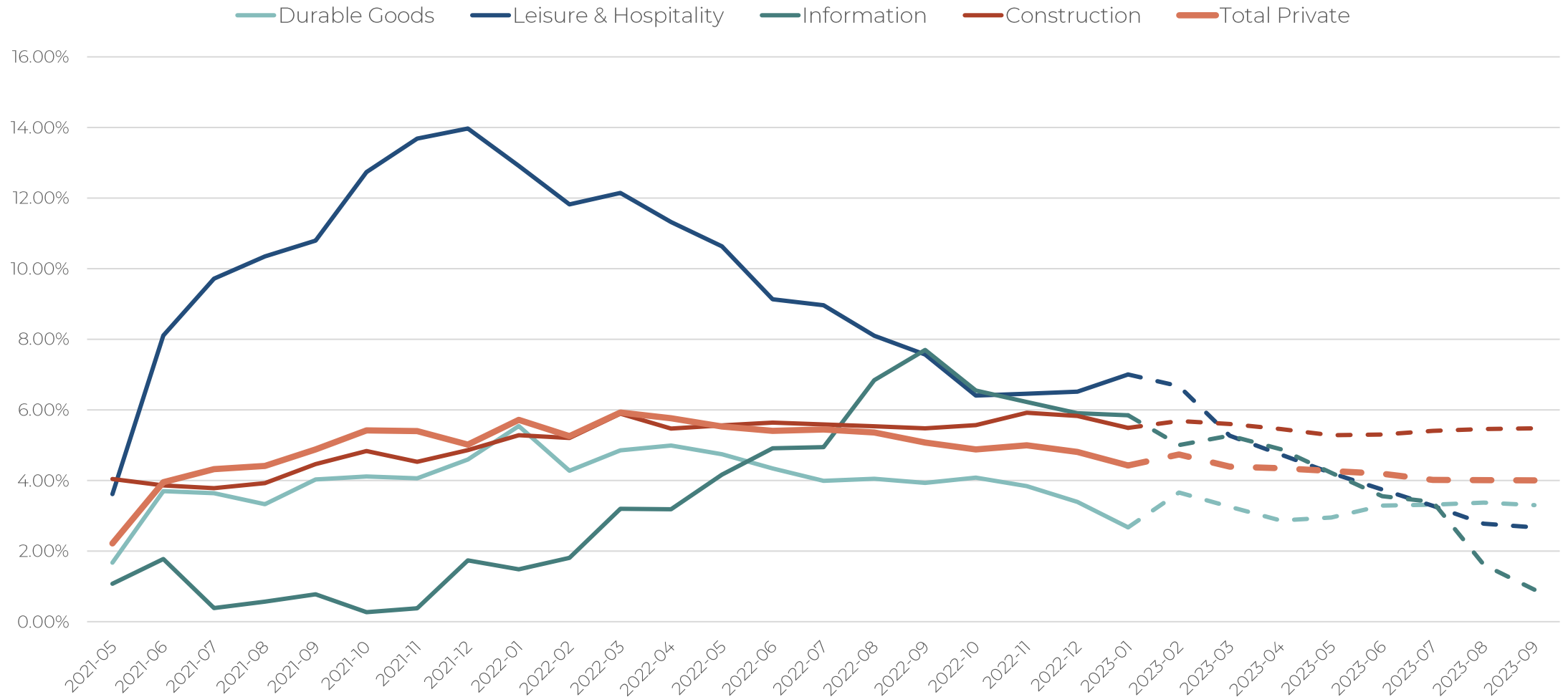
Sources: BLS FRED, Blue Line Capital, Blue Line Futures

Y/Y Wage Trends In January



Wages & Projections

Using January's M/M Wage Increases, We Project Y/Y To September



Sources: BLS, FRED, Blue Line Capital, Blue Line Futures

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The background is a dark, semi-transparent overlay on a photograph of a city street. A prominent sign for 'WALL ST' is visible, with '11-21' and an arrow pointing right above it. Below the main title, there is a blurred American flag and a 'BROAD ST' sign. The overall tone is professional and financial.

Earnings Data & Corporate Trends

Alphabet, Apple, Amazon



Alphabet

Search Monopoly & Advertising Trends

Google Earnings Highlights & Stock Performance

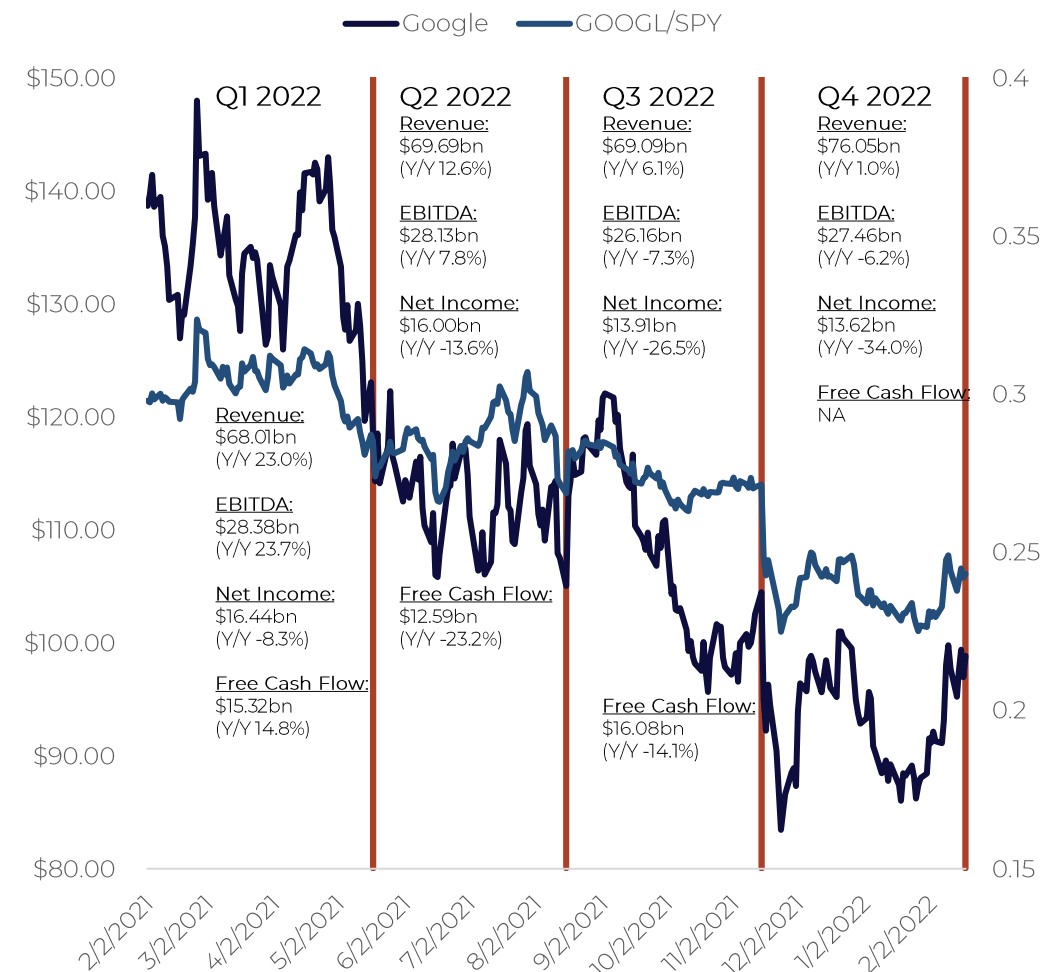
Management Commentary From Q4 2022 Earnings Call

- **AI & Search:** Our talented researchers, infrastructure and technology make us extremely well positioned as AI reaches an inflection point. More than 6 years ago, I first spoke about Google being an AI-first company. Since then, we have been a leader in developing AI. In fact, our Transformer research project and our field-defining paper in 2017 as well as our path-breaking work in diffusion models are now the basis of many of the generative AI applications you're starting to see today.
- **YouTube:** YouTube Short, which is now averaging over 50 billion daily views up from the 30 billion I announced on the Q1 2022 call. Our subscription business continues to grow, with YouTube Music and Premium surpassing 80 million subscribers.
- **Google Cloud:** In Google Cloud today with Vertex AI, we'd already been bringing AI APIs to enterprises, and they're on a pretty healthy growth path.

	P/E	P/S	Market Cap/FCF	EV/EBITDA	P/B
NTM	22.05	4.75	19.89	11.75	NA
TTM	21.37	4.97	29.03	14.02	5.51
*Levered FCF					

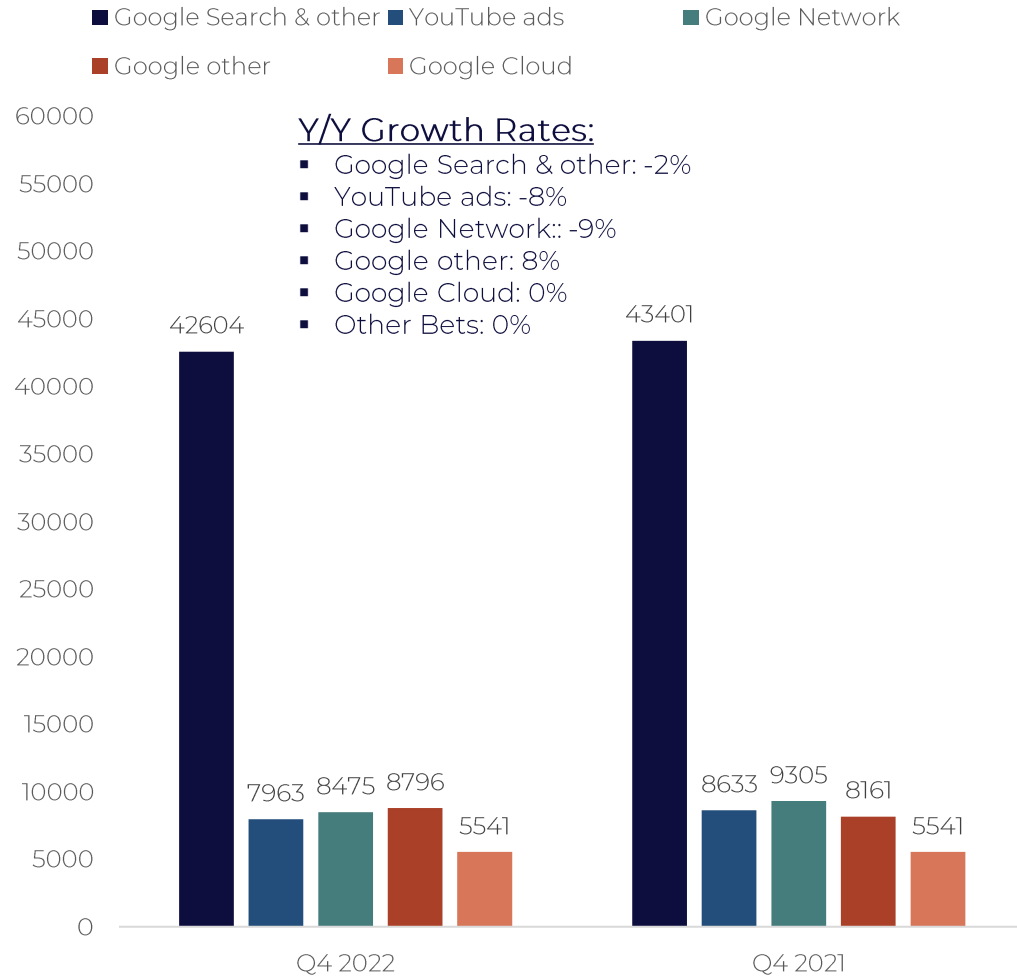
Sources: Alphabet IR, TIKR, Blue Line Capital

Quarterly Data



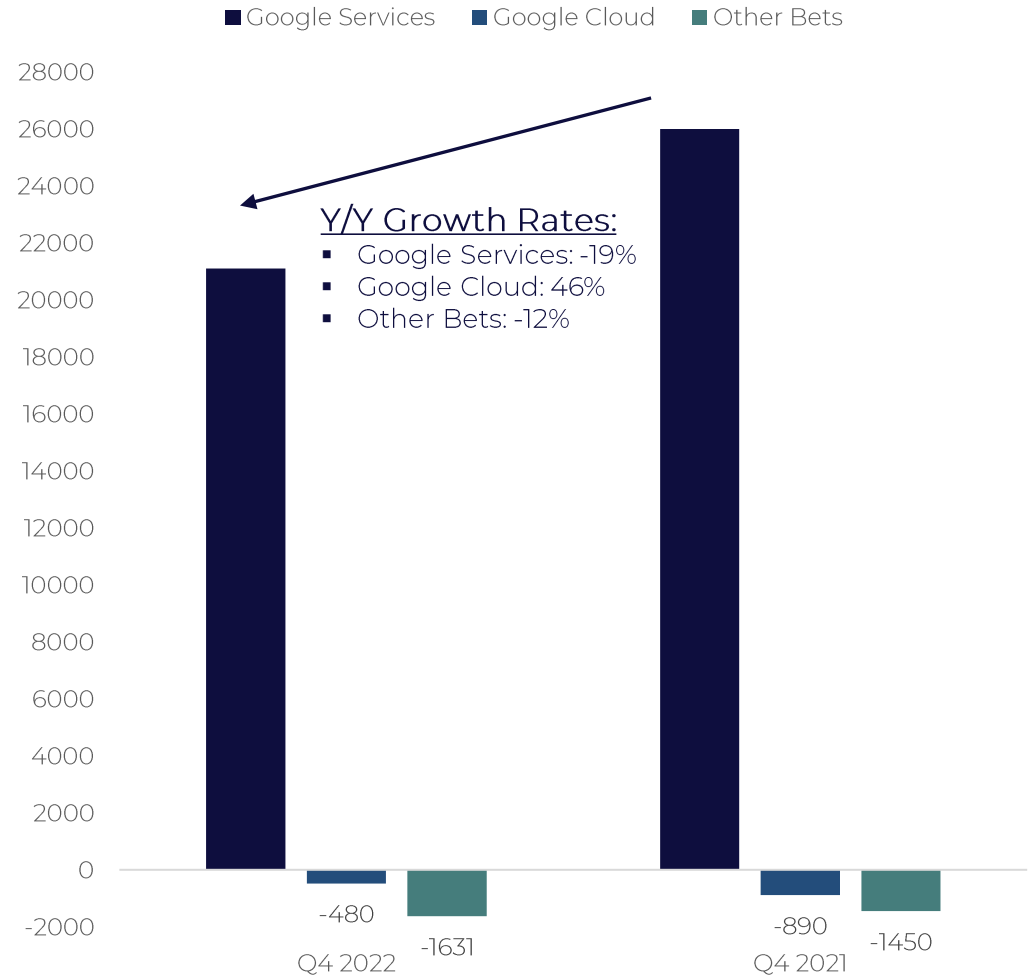
Alphabet Q4 Earnings

Revenue By Segment



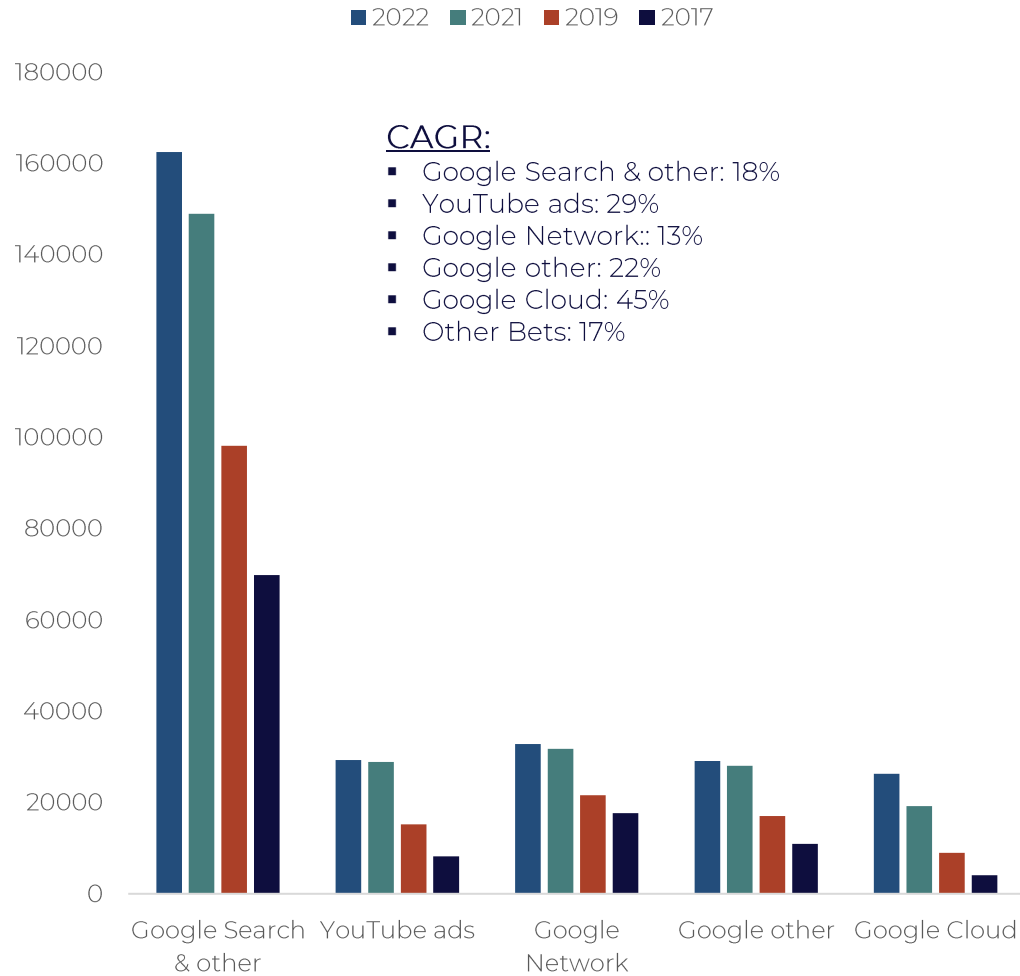
Sources: Alphabet IR, Blue Line Capital

Operating Income(Loss) By Segment



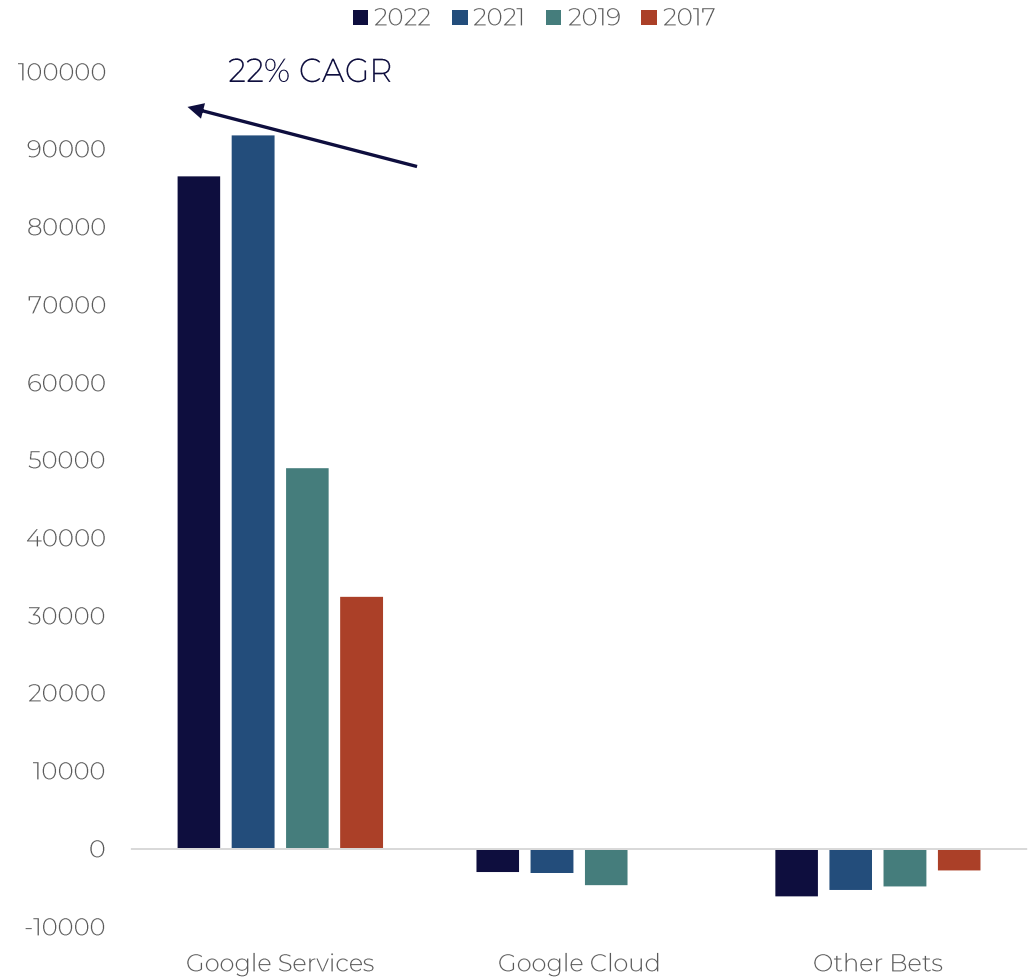
Alphabet Q4 Earnings

Revenue By Segment



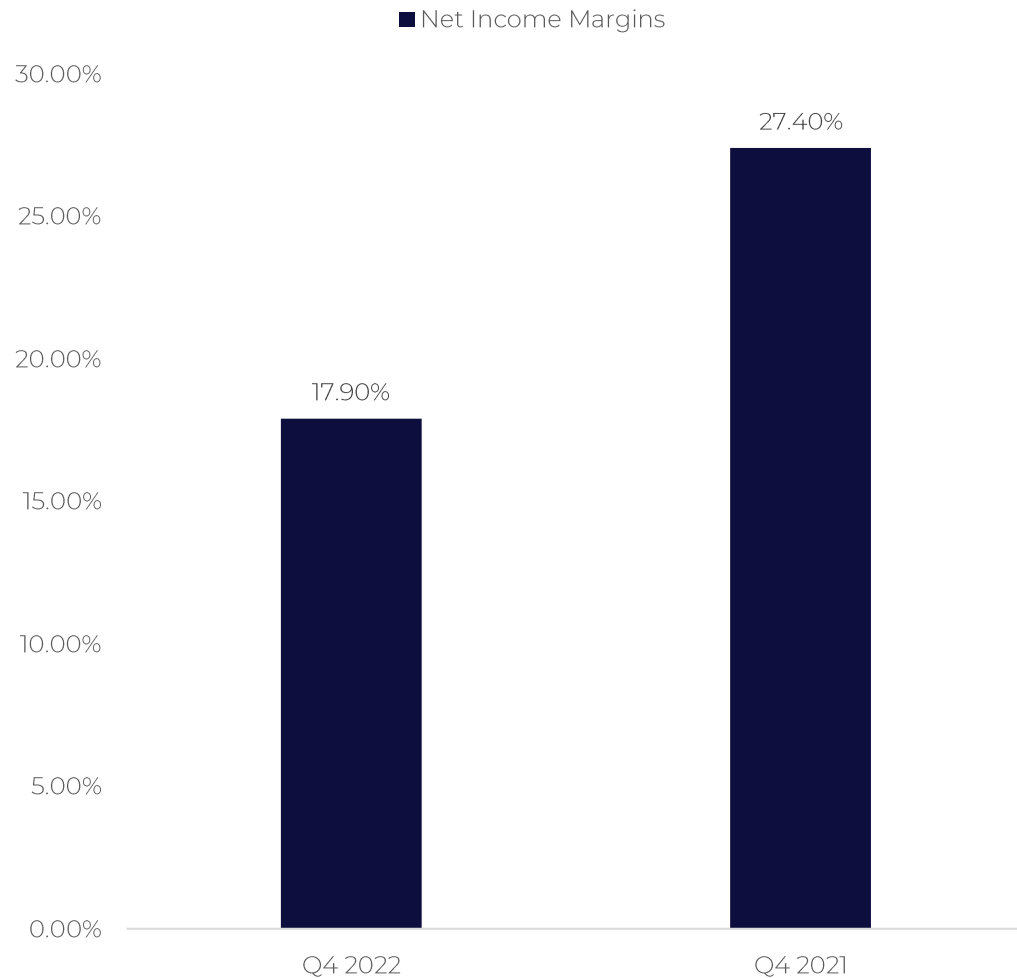
Sources: Alphabet IR, Blue Line Capital

Operating Income(Loss) By Segment



Alphabet Q4 Earnings

Net Income Margins



Sources: Alphabet IR, Blue Line Capital

Q4 2022 Commentary

- *YouTube Shorts, which is now averaging over 50 billion daily views up from 30 billion I announced on the Q1 2022 call.*
- *Our subscription business continues to grow, with YouTube Music and Premium surpassing 80 million subscribers.*
- *We had outsized growth in advertising revenues during the pandemic, with 2022 advertising revenues \$90bn higher than in 2019. Going forward, we are focused on growing revenues on top of higher base through AI-driven innovation.*

Industry Trends

- According to [Forbes](#), global advertising spending is expected to increase by 3.8% Y/Y to \$740.9bn compared to 8% in 2022 and 19.6% in 2019. The forecast got slashed from 5.4% for 2023 in July.
- Potentially more competition in search with Microsoft's OpenAI involvement.

Google Expectations & Returns

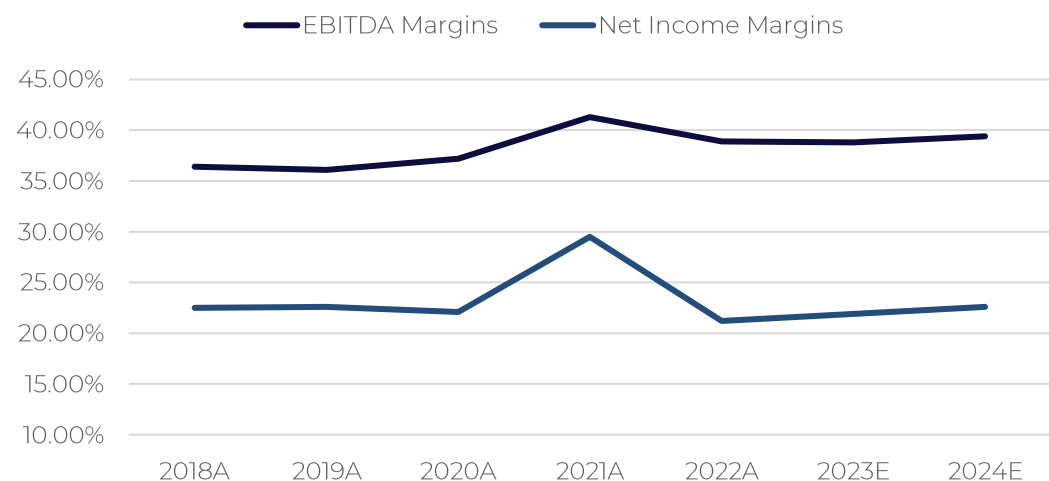
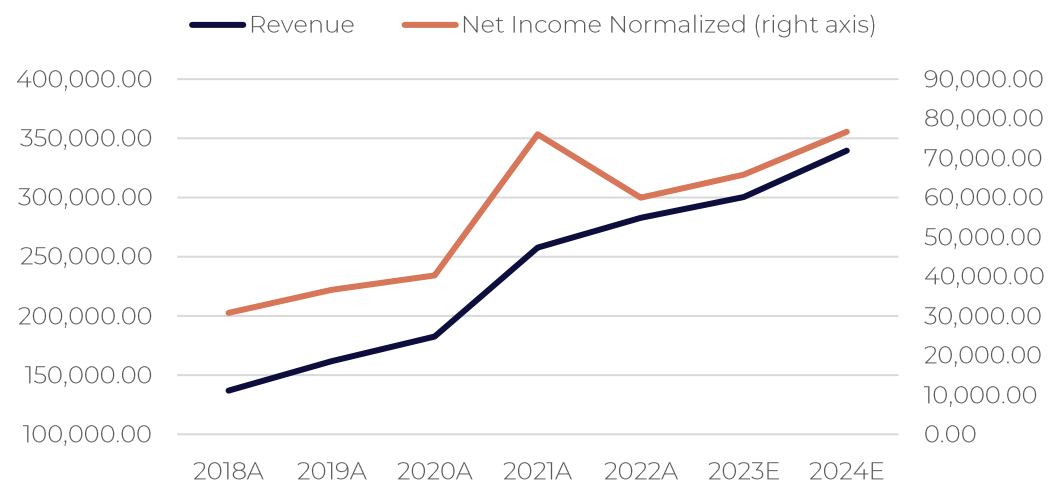
Return Ratios Compared To 2019

Despite the increase in DTC sales, margins have remained rather stable. It is yet to be seen whether more DTC translates into higher margins.

		LTM	2019
Return Ratios	RoA	13.90%	8.80%
	RoC	27.70%	16.40%
	RoE	26.90%	18.10%
Margins	Gross Profit Margin	56.10%	55.60%
	EBITDA Margin	33.20%	22.70%
	Net Income Margin	23.70%	21.20%
	Levered Free Cash Flow Margin	17.10%	15.50%
Asset Turnover	Asset Turnover	0.79	0.59
	Fixed Asset Turnover	2.46	2.24
	Receivables Turnover	8.21	7.01
	Inventory Turnover	55.86	68.28
Solvency	Total Debt/Equity	11.60%	8.00%
	Total Debt/Capital	10.40%	7.30%
	EBITDA/Interest Expense	253.54	499.4
	(EBITDA/Capex)/Interest Expense	174.7	163.92

Sources: Alphabet IR, TIKR, Blue Line Capital

Revenue and Net Income Estimates



Google Valuation Vs. Peers

	EV/EBITDA	NTM P/E	Past 3M Return	Past 6m Return	Past 12m Return
Google (GOOGL)	11.28	21.07	18%	-16%	-12%
Microsoft (MSFT)	18.34	26.74	16%	-12%	-6%
Meta (META)	8.97	21.33	68%	-11%	-24%
Apple (AAPL)	18.61	24.33	4%	-13%	-5%
Snap (SNAP)	37.99	48.34	26%	14%	-51%
Pinterest (PINS)	40.29	47.74	15%	17%	25%
Salesforce (CRM)	21.36	31.16	15%	-12%	3%
Median	18.61	26.74	16%	-12%	-6%
Mean	22.41	31.53	23%	-5%	-10%

Sources: TIKR, Google Finance, Blue Line Capital

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Blue Line Capital maintains a long position in Alphabet.

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BLUE LINE CAPITAL

The background is a dark, semi-transparent overlay on a photograph of a Wall Street sign. The sign is black with white text that reads "11-21 → WALL ST EMPLOYEE". Above the sign, a portion of a "SALARY" sign is visible. Below the main sign, a "BROAD ST" sign is partially visible. An American flag is also visible in the background, its colors appearing as soft, out-of-focus streaks of red, white, and blue.

Apple

Consumer Spending & Earnings Data

Apple Earnings Highlights & Stock Performance

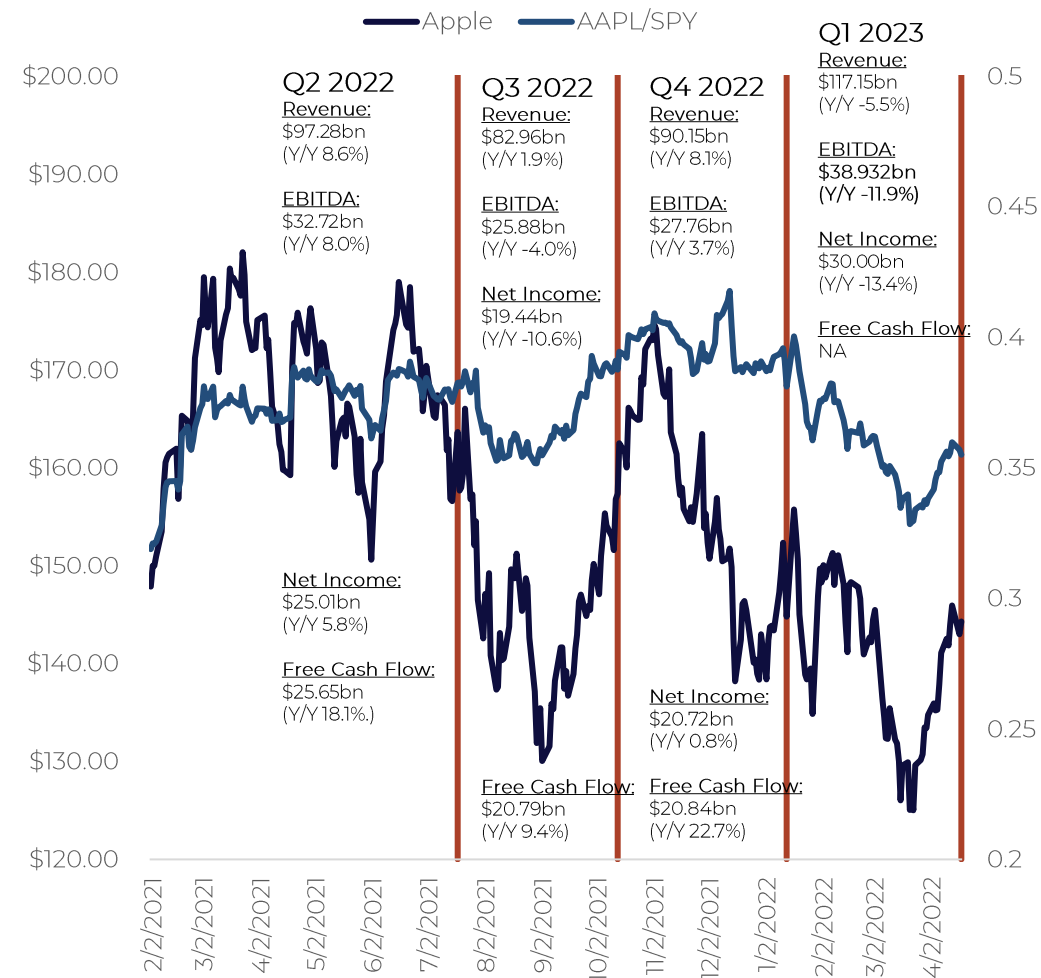
Management Commentary From Q1 2023 Earnings Call

- **Installed Base:** We now have more than 2 billion active devices as part of our growing installed base, double what it was just 7 years ago.
- **Subscriptions:** Apple now has more than 935 million paid subscriptions.
- **Services Revenue:** We reached all-time services revenue records in the Americas, Europe and rest of Asia Pacific and a December quarter record in Greater China. We also set records in Services categories, including all-time revenue records for cloud services, payment services and music and December quarter records for the App Store and AppleCare
- **Emerging Market Growth:** The growth is coming from every major product category and geographic segment, with strong double-digit increases in emerging markets such as Brazil, Mexico, India, Indonesia, Thailand and Vietnam.
- **Inventory:** The channel inventory levels on iPhone we obviously ended the December quarter below our target range given the supply challenges on iPhone 14 Pro and iPhone 14 Pro Max.

	P/E	P/S	Market Cap/FCF	EV/EBITDA	P/B
NTM	24	5.86	22.92	18.29	NA
TTM	24.68	6.06	26.47	18.02	47.45
*Levered FCF					

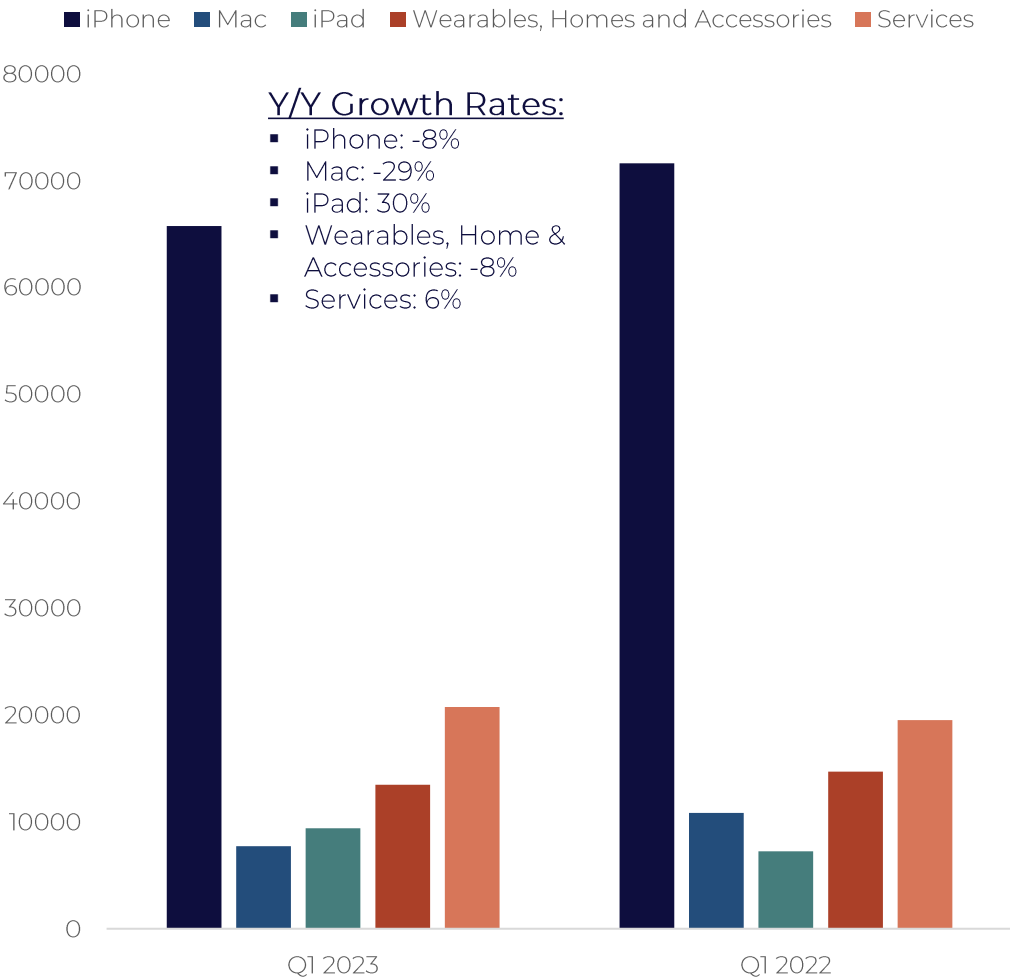
Sources: Apple IR, TIKR, Blue Line Capital

Quarterly Data



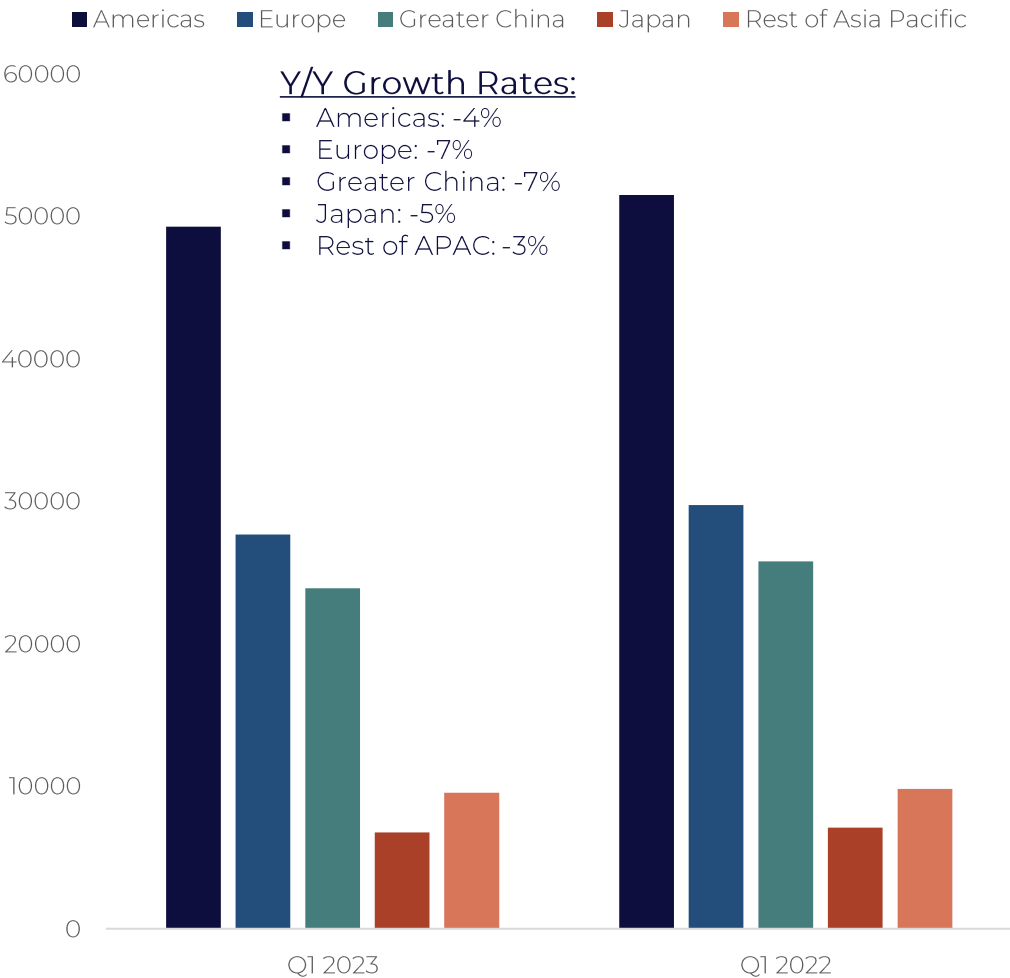
Apple Q1 Earnings

Revenue By Segment



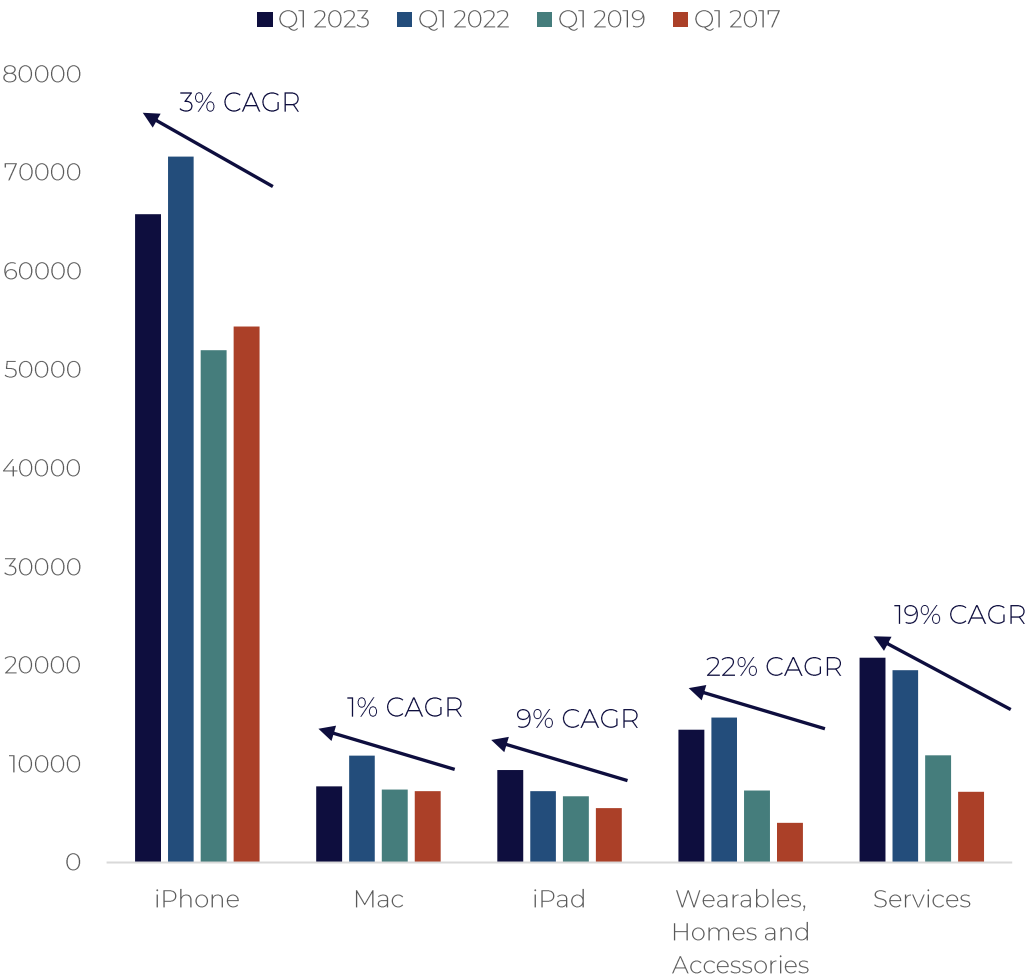
Sources: Apple IR, Blue Line Capital

Revenue By Geography

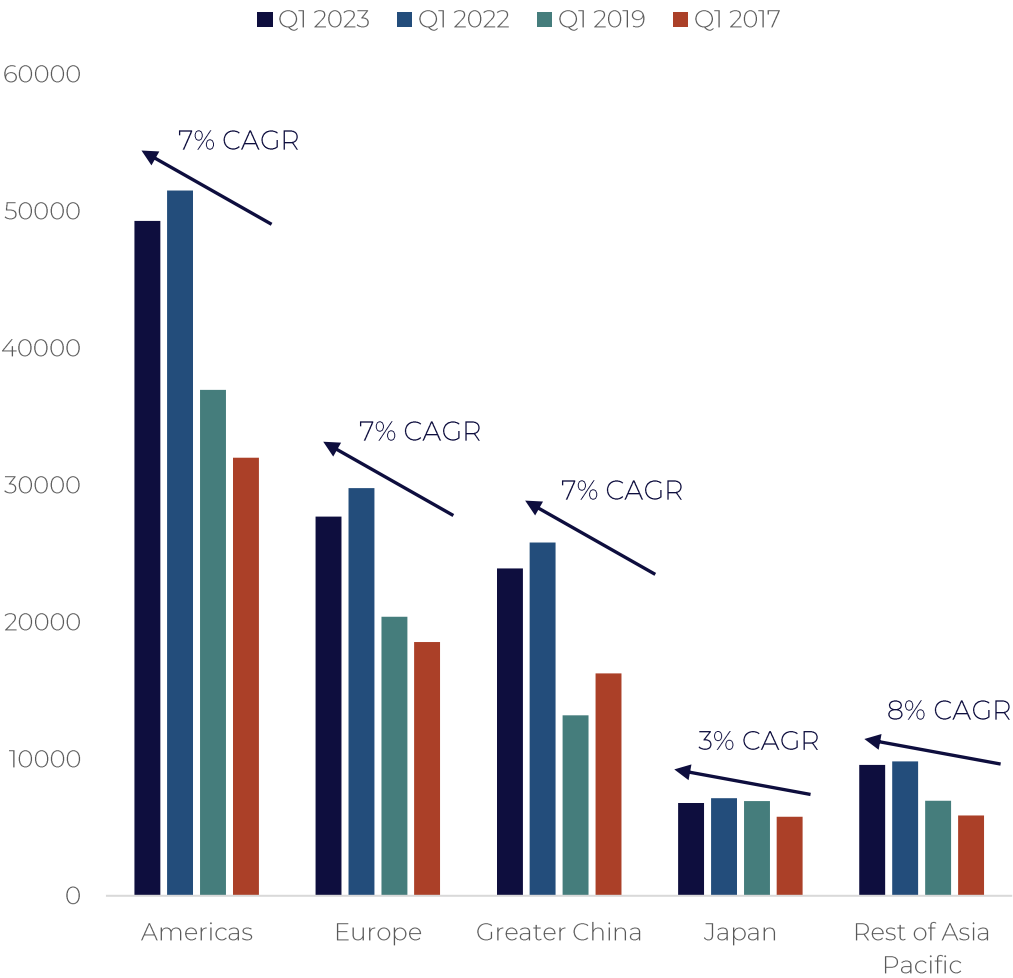


Apple Q1 Earnings

Quarterly Revenue By Product



Quarterly Revenue By Geography



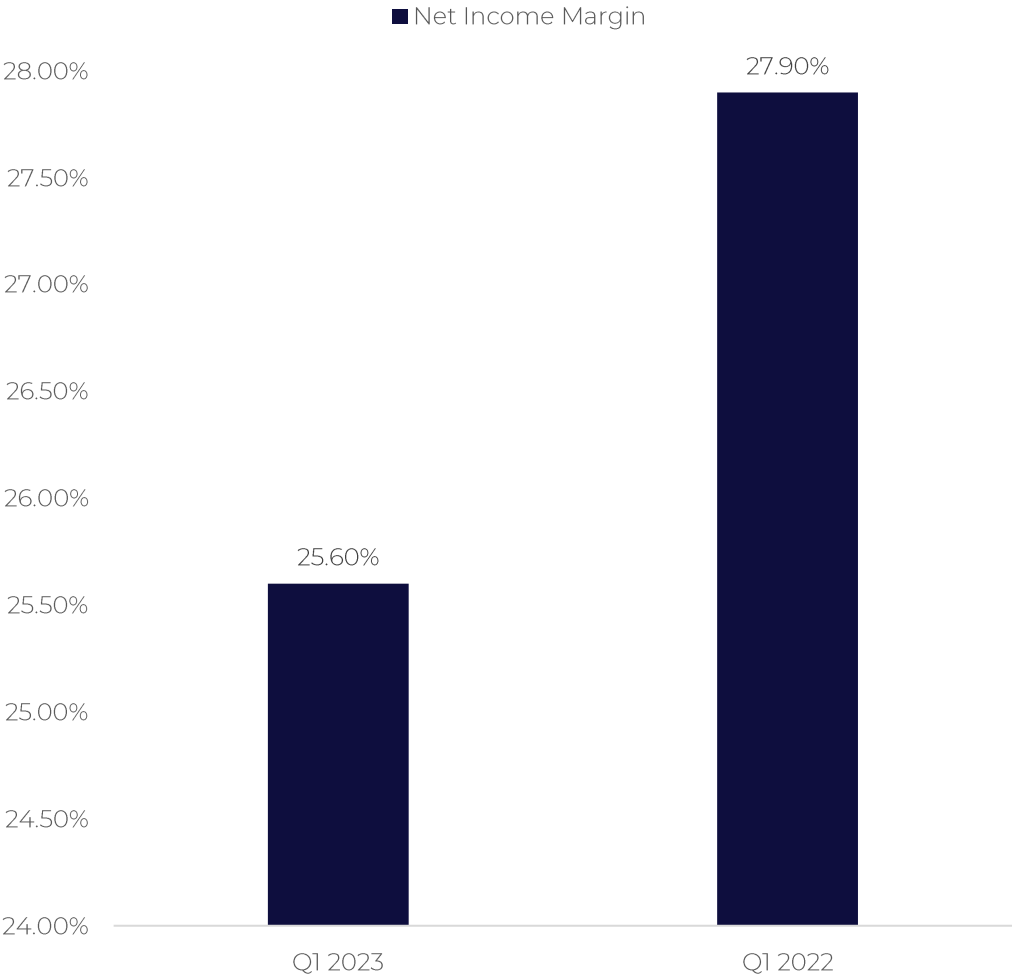
Sources: Apple IR, Blue Line Capital

2/4/2023

Blue Line Capital maintains a long position in Apple.

Apple Q1 Earnings

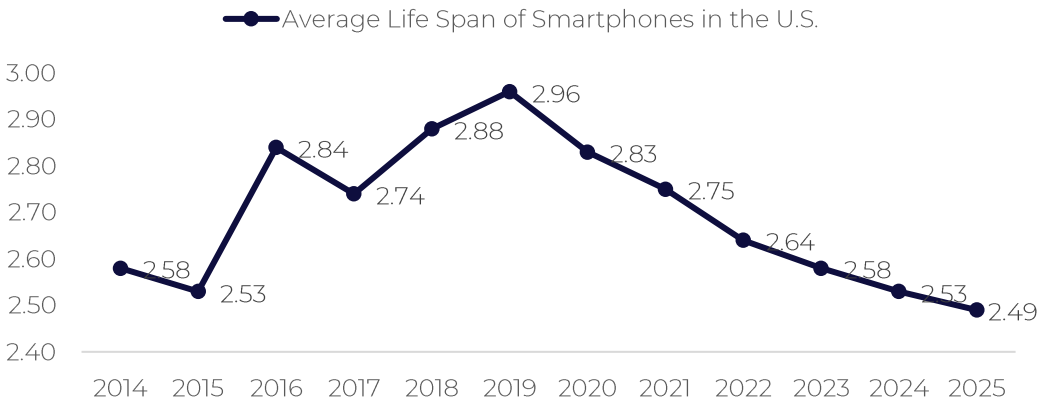
Net Income Margins



Sources: Apple IR, Blue Line Capital

Q4 2022 Commentary

- Foreign exchange had a nearly 800 basis point impact.
- We now have more than 2 billion active devices as part of our growing installed base, double what it was 7 years ago.
- Apple now has more than 935 million paid subscriptions
- Our customers continue to love their experience with our products with the latest survey of U.S. consumers from 451Research indicating customer satisfaction of 98% for the iPhone 14 family.
- The 14 Pro and 14 Pro Max have done extremely well up until the point where we had a supply shortage and couldn't provide the total of the demand.



Apple Expectations & Returns

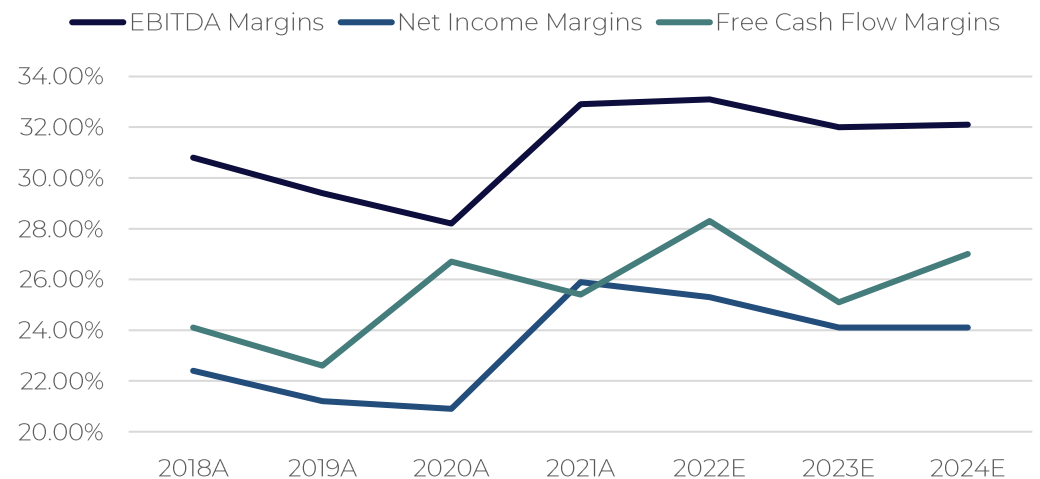
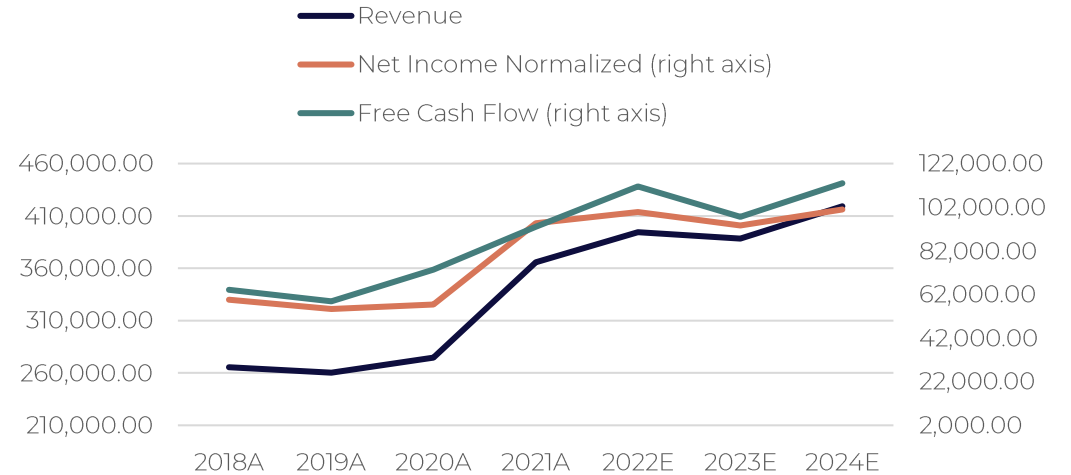
Return Ratios Compared To 2019

Margins have continued to expand as McDonald's franchise model supports more income per dollar of revenue.

		LTM	2019
Return Ratios	RoA	21.20%	11.30%
	RoC	65.20%	32.20%
	RoE	175.50%	55.90%
Margins	Gross Profit Margin	43.30%	37.80%
	EBITDA Margin	33.10%	29.40%
	Net Income Margin	25.30%	21.20%
	Levered Free Cash Flow Margin	22.90%	16.50%
Asset Turnover	Asset Turnover	1.12	0.77
	Fixed Asset Turnover	7.73	6.61
	Receivables Turnover	14.48	11.28
	Inventory Turnover	38.79	40.13
Solvency	Total Debt/Equity	261.40%	119.40%
	Total Debt/Capital	72.30%	54.50%
	EBITDA/Interest Expense	50.27	21.39
	(EBITDA/Capex)/Interest Expense	46.62	18.45

Sources: Apple IR, TIKR, Blue Line Capital

Revenue, Net Income, and FCF Estimates



Apple Valuation Vs. Peers

	EV/EBITDA	NTM P/E	Past 3M Return	Past 6m Return	Past 12m Return
Apple (AAPL)	18.61	24.33	4%	-13%	-5%
Microsoft (MSFT)	18.34	26.74	16%	-12%	-6%
Google (GOOGL)	11.28	21.07	18%	-16%	-12%
Dell (DELL)	5.58	7.09	9%	-11%	-10%
Netflix (NFLX)	23.07	32.15	32%	56%	104%
Oracle (ORCL)	13.85	17.31	18%	14%	24%
Netflix (NFLX)	23.07	32.15	32%	56%	104%
Median	18.34	24.33	18%	-11%	-5%
Mean	16.26	22.98	18%	11%	28%

Sources: TIKR, Google Finance, Blue Line Capital

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Blue Line Capital maintains a long position in Apple.

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BLUE LINE CAPITAL



Amazon

Cloud Inside A Costco

Amazon Earnings Highlights & Stock Performance

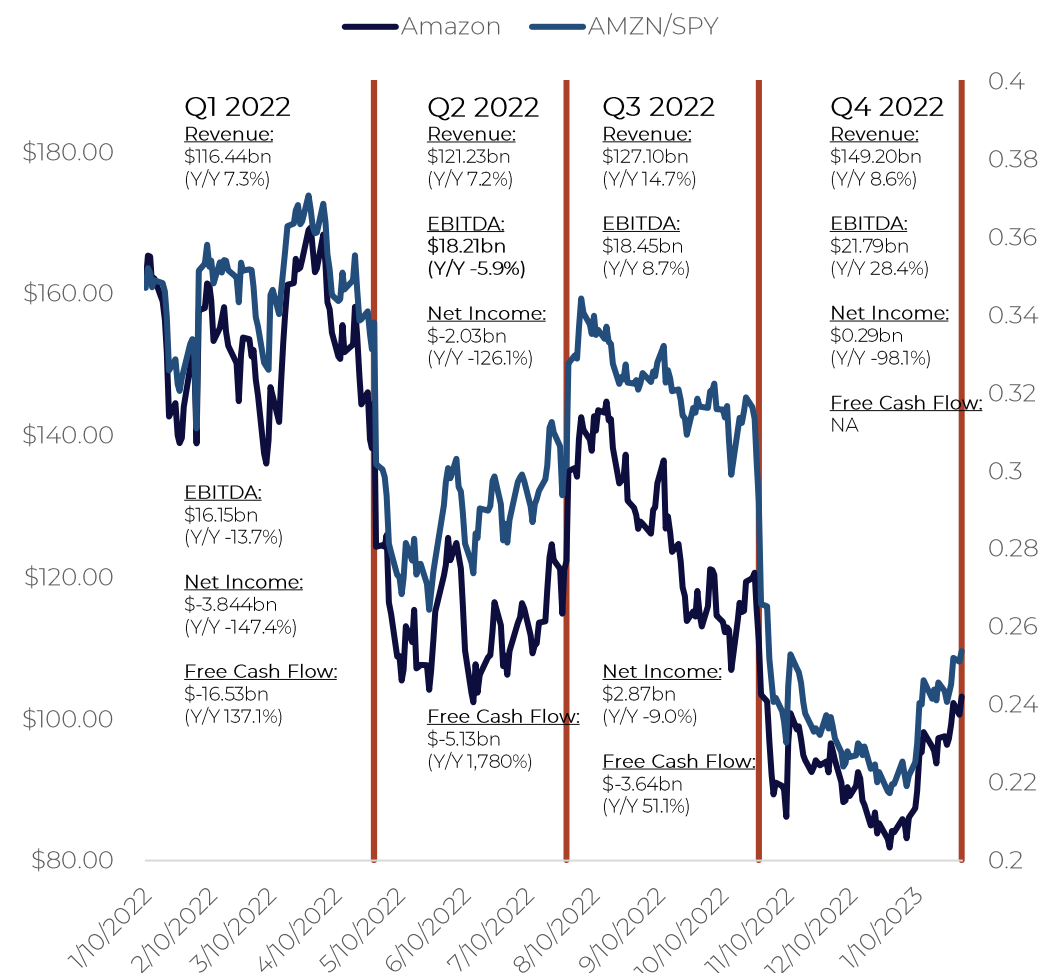
Management Commentary From Q4 2022 Earnings Call

- **Margins:** On the expectations for retail margins, especially in North America, what we've said is when we look back to our cost structure pre-pandemic, we were just in the end of 2019, early part of 2020. We're just starting to roll out one-day shipping in North America, and we had an expectation of what our cost structure would look like.
- **Prime Membership:** We had some very large video properties that we had launched last year, Thursday Night Football and Lord of the Rings: Rings of Power. Both of them had record sign-ups for Prime membership. And we know that investments like that will help with not only with new Prime member acquisition, but also retention.
- **AWS:** Remember that 90% to 95% of the global IT spend remains on-premises. And if you believe that, that equation is going to shift and flip...I really do believe in the next 10-15 years that most of it will be in the cloud if we continue to have the best customer experience.

	P/E	P/S	Market Cap/FCF	EV/EBITDA	P/B
NTM	86.32	2.13	84.6	15.94	NA
TTM	101.47	2.29	-90.76	24.4	8.37
*Levered FCF					

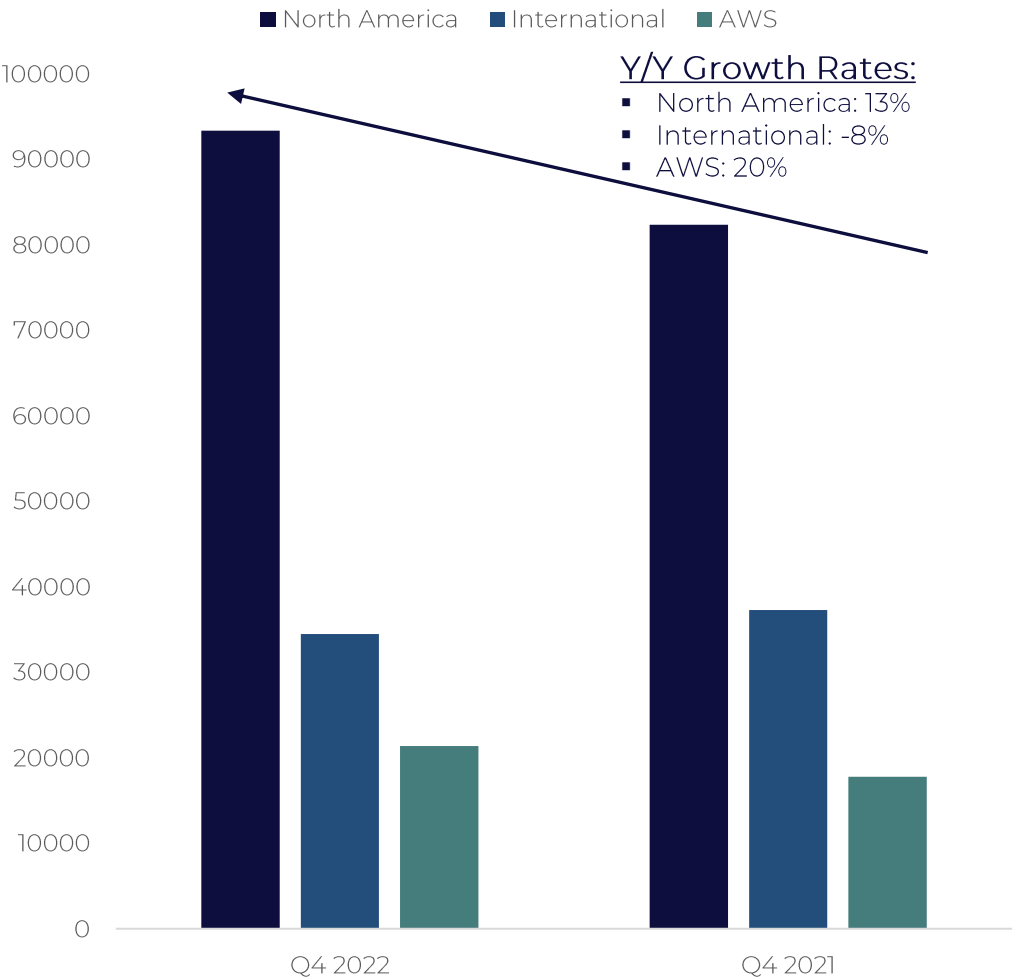
Sources: Amazon IR, TIKR, Blue Line Capital

Quarterly Data



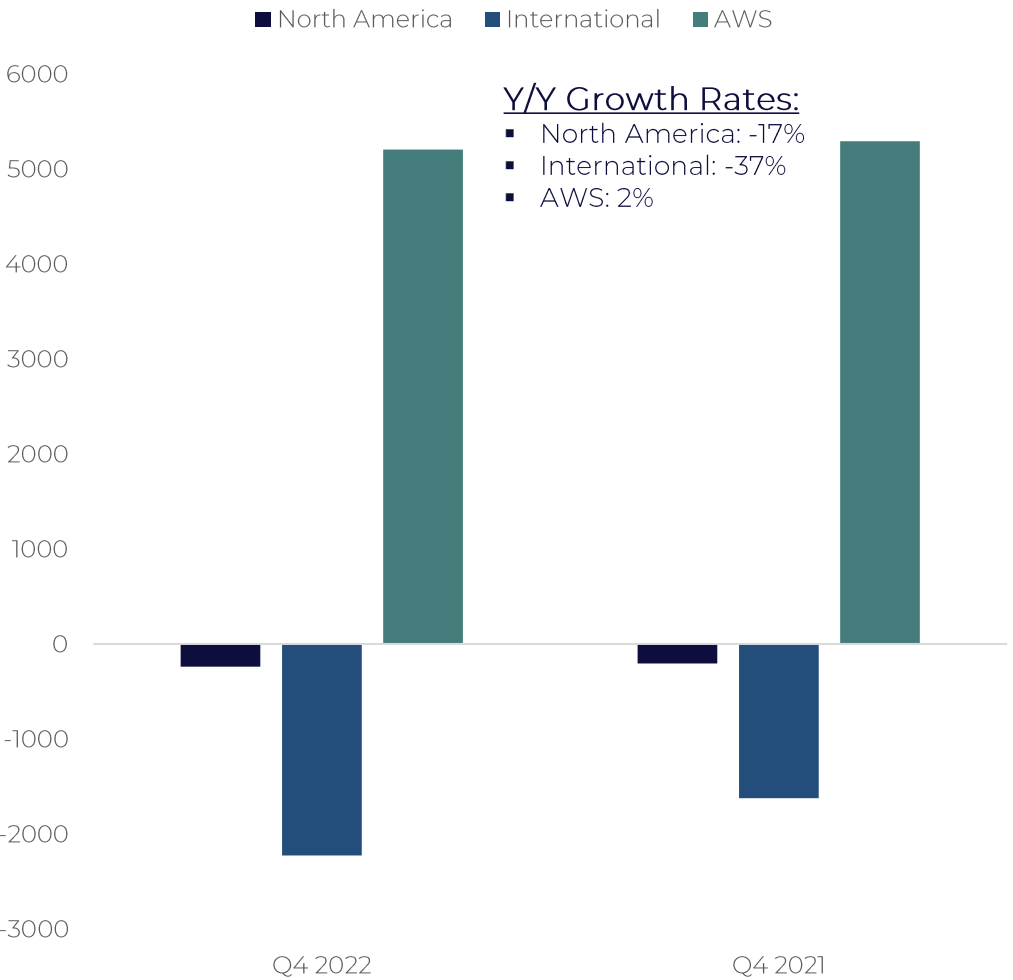
Amazon Q4 Earnings

Revenue By Segment



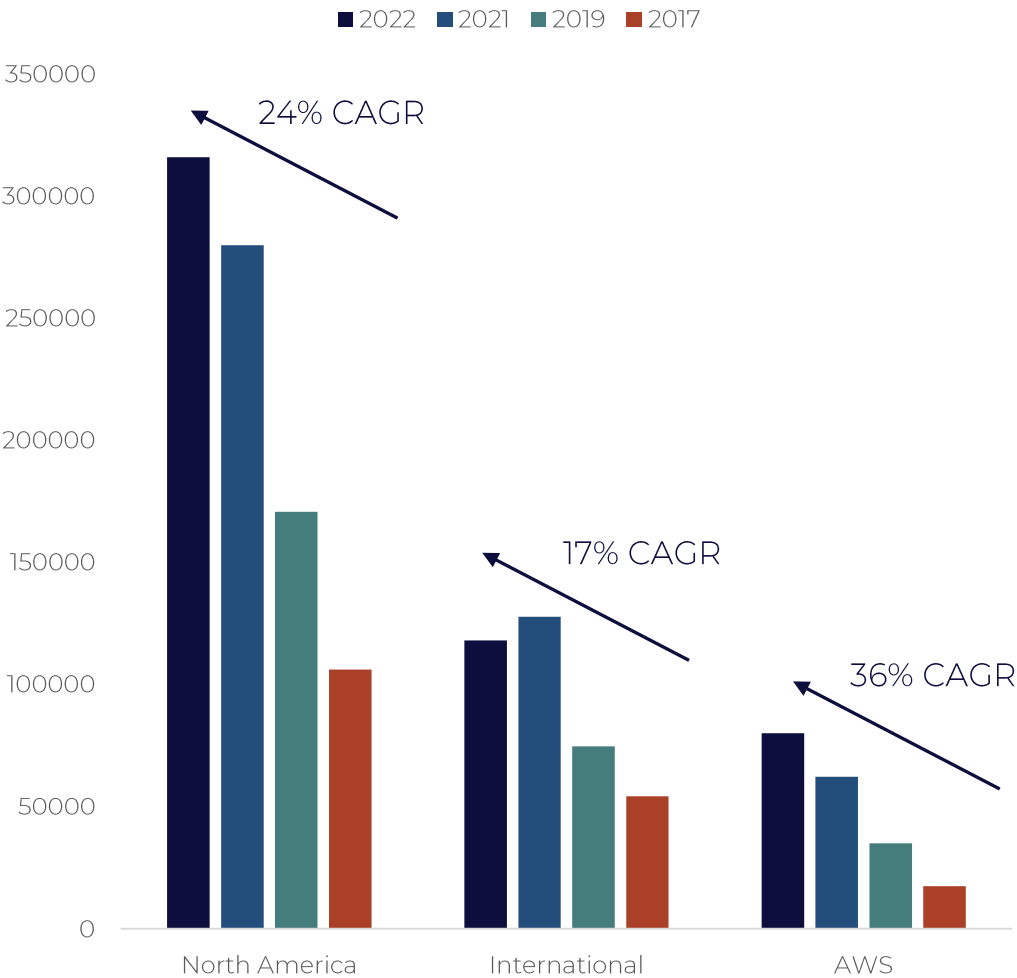
Sources: Amazon IR, Blue Line Capital

Operating Income(Loss) By Segment

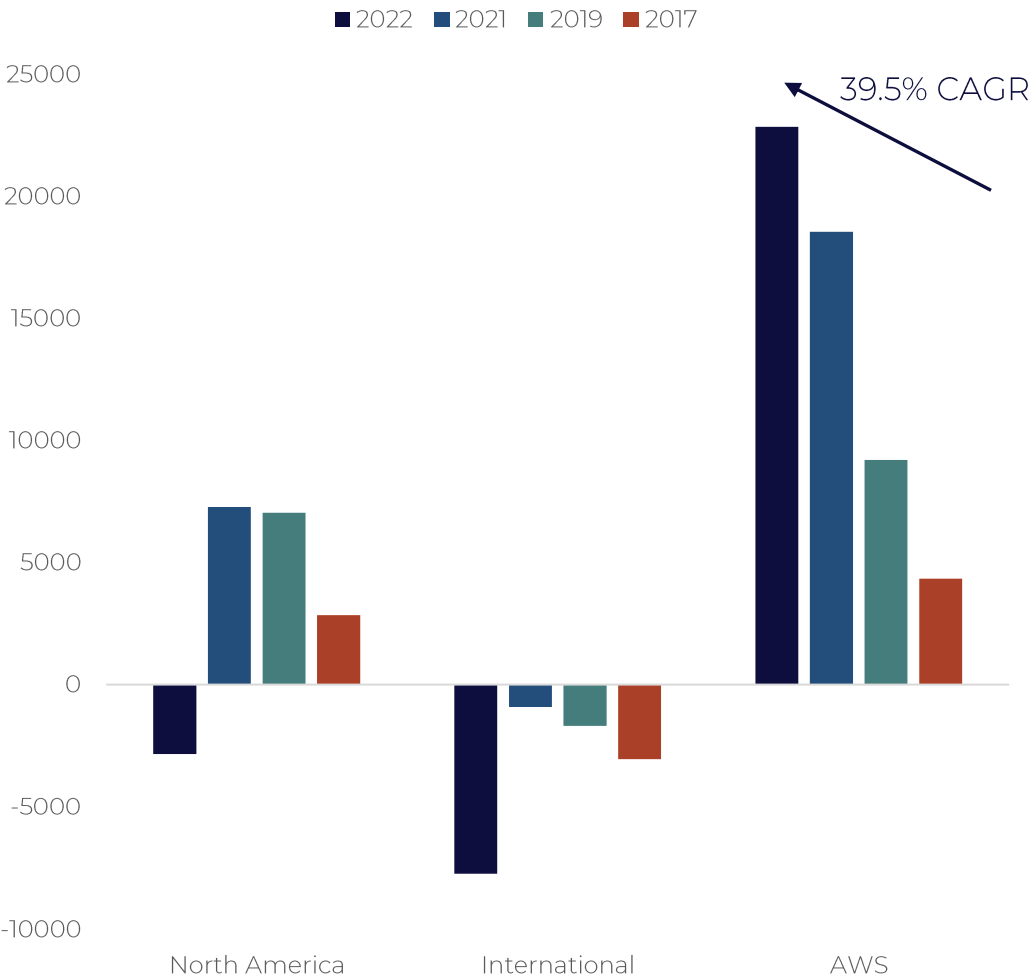


Amazon Q4 Earnings

Revenue By Segment



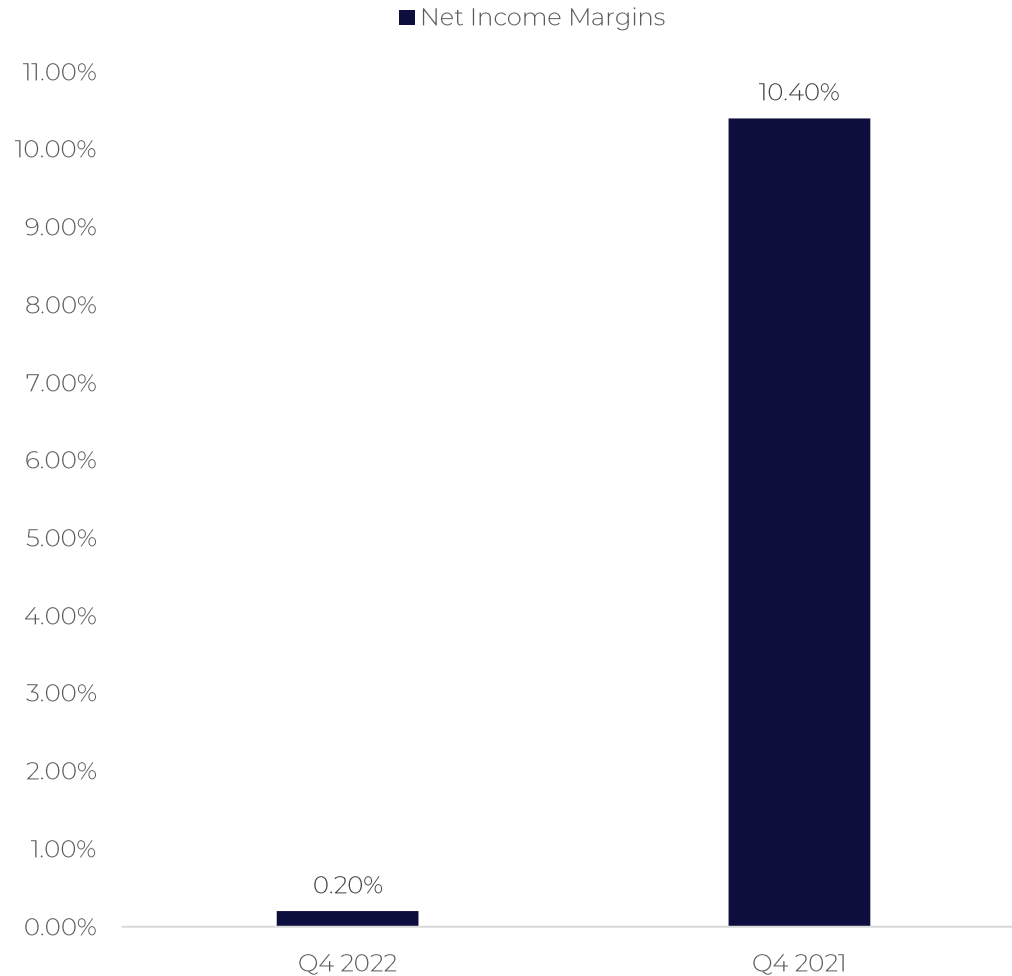
Operating Income(Loss) By Segment



Sources: Amazon IR, Blue Line Capital

Amazon Q4 Earnings

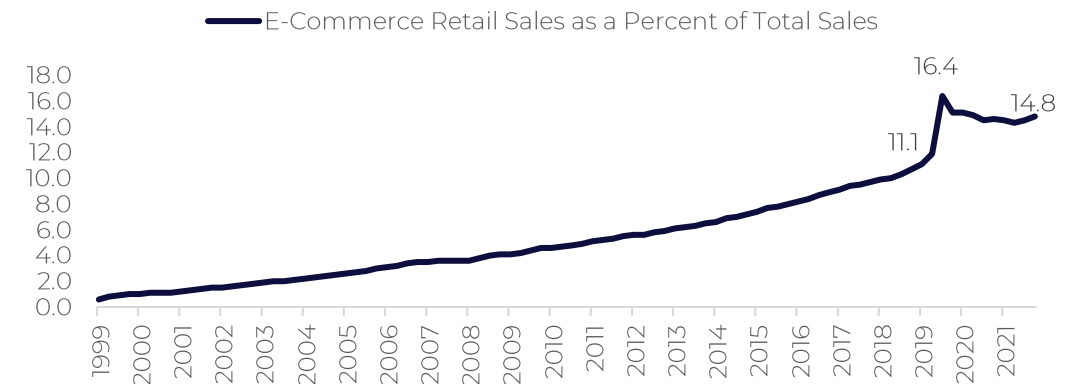
Net Income Margins



Sources: Amazon IR, Blue Line Capital

Q4 2022 Commentary

- We saw them spend less on discretionary categories and shift to lower-priced items and value brands in categories like electronics.
- Customers are looking for ways to save money, and we spend a lot of our time trying to help them do so. This customer focus is in our DNA and informs how we think about our customer relationships and how we will partner with them for the long term.
- We're just starting to roll out one-day shipping in NA, and we had an expectation of what our cost structure would look like. That has changed quite a bit in the last 3 years due to doubling of our network expansion. We're trying to regain our cost structure that we've had in the past.



Amazon Expectations & Returns

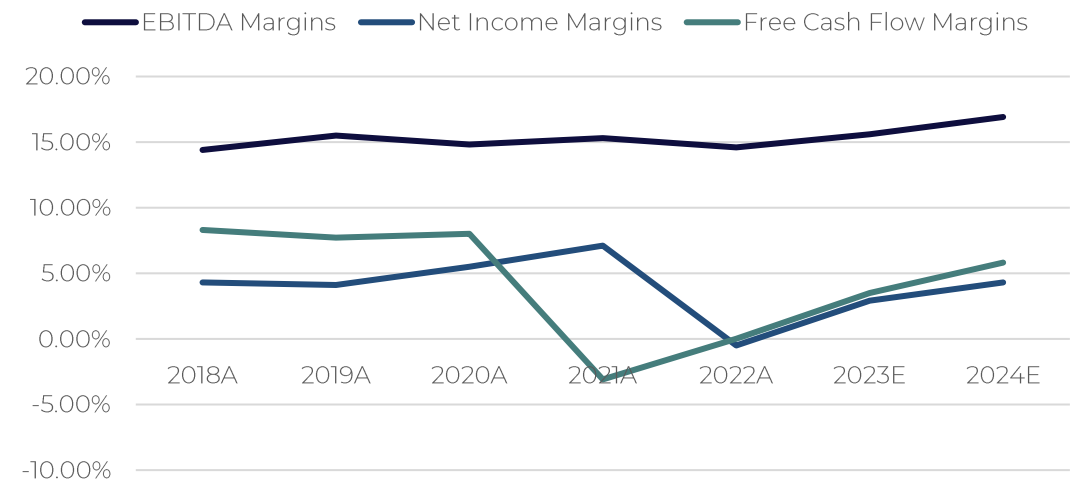
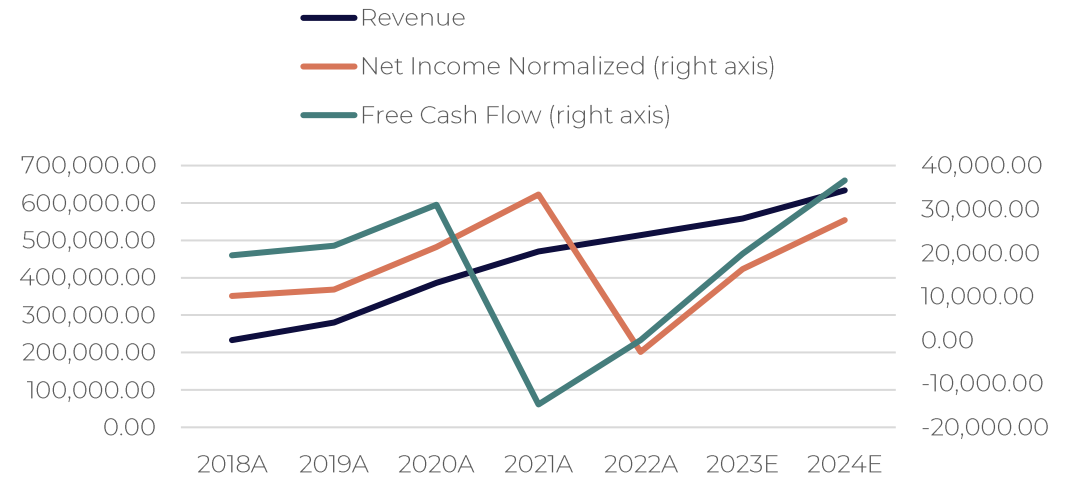
Return Ratios Compared To 2019

Margin trends continue to be strong despite spending in SG&A as well as R&D.

		LTM	2019
Return Ratios	RoA	2.00%	4.70%
	RoC	4.30%	10.40%
	RoE	8.80%	21.90%
Margins	Gross Profit Margin	43.00%	41.00%
	EBITDA Margin	10.30%	13.00%
	Net Income Margin	2.30%	4.10%
	Levered Free Cash Flow Margin	-2.50%	10.70%
Asset Turnover	Asset Turnover	1.17	1.25
	Fixed Asset Turnover	2.29	3.51
	Receivables Turnover	20.33	19.08
	Working Capital Turnover	-56.43	32.92
Solvency	Total Debt/Equity	119.50%	124.90%
	Total Debt/Capital	54.40%	55.50%
	EBITDA/Interest Expense	6.02	9.09
	(EBITDA/Capex)/Interest Expense	-1.89	15.07

Sources: Amazon IR, TIKR, Blue Line Capital

Revenue, Net Income, and FCF Estimates



Amazon Vs. Peers

	EV/EBITDA	NTM P/E	Past 3M Return	Past 6m Return	Past 12m Return
Amazon (AMZN)	14.42	74.65	15%	-27%	-5%
Costco (COST)	21.25	35.42	5%	-5%	2%
Microsoft (MSFT)	18.34	26.74	16%	-12%	-6%
JD.com (JD)	15.42	21.09	47%	-4%	17%
Alphabet (GOOGL)	11.28	21.07	18%	-16%	-12%
Walmart (WMT)	12.37	22.64	2%	14%	-5%
Kroger (KR)	6.94	10.96	-5%	-6%	-19%
Median	14.42	22.64	15%	-6%	-5%
Mean	14.29	30.37	14%	-8%	-4%

Sources: TIKR, Google Finance, Blue Line Capital

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Blue Line Capital maintains a long position in Amazon.

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