

MicNova Watchlist Discussion

Ty Hughes and Wilbert Nixon
September 15, 2020

The Market and Our Portfolio

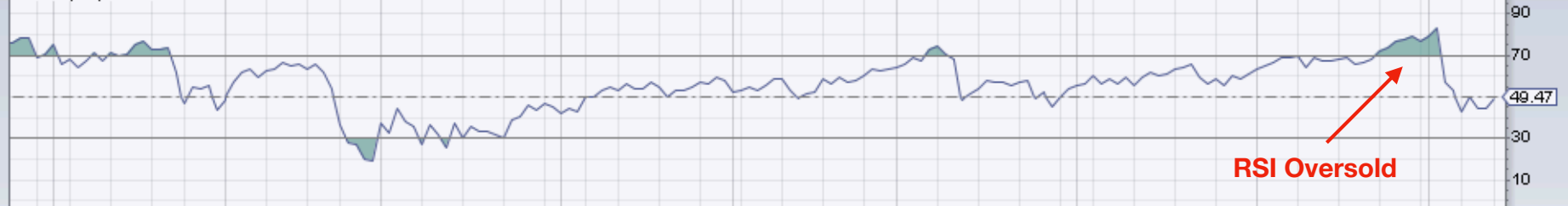
\$SPX S&P 500 Large Cap Index INDX

14-Sep-2020

Open 3363.56 High 3402.93 Low 3363.56 Close 3383.54 Volume 2.4B Chg +42.57 (+1.27%)

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▲ RSI(14) 49.47



● \$SPX (Daily) 3383.54
 — MA(50) 3326.63
 — MA(200) 3098.72
 ■ Volume 2,354,435,072

Daily Chart for the S&P 500



2020 13 21 27 Feb 10 18 24 Mar 9 16 23 Apr 6 13 20 27 May 11 18 26 Jun 8 15 22 Jul 13 20 27 Aug 10 17 24 Sep 8 14

— MACD(12,26,9) 13.963, 36.194, -22.231



2020 13 21 27 Feb 10 18 24 Mar 9 16 23 Apr 6 13 20 27 May 11 18 26 Jun 8 15 22 Jul 13 20 27 Aug 10 17 24 Sep 8 14

90
70
50
30
10
3600
3550
3500
3450
3383.54
3326.63
3098.72
3050
3000
2950
2900
2850
2800
2750
2700
2650
2600
2550
2500
2450
2400
2350
2300
2250
2200
100
50
36.194
13.963
-22.231
-50
-100
-150
-200

\$SPX S&P 500 Large Cap Index INDX
14-Sep-2020

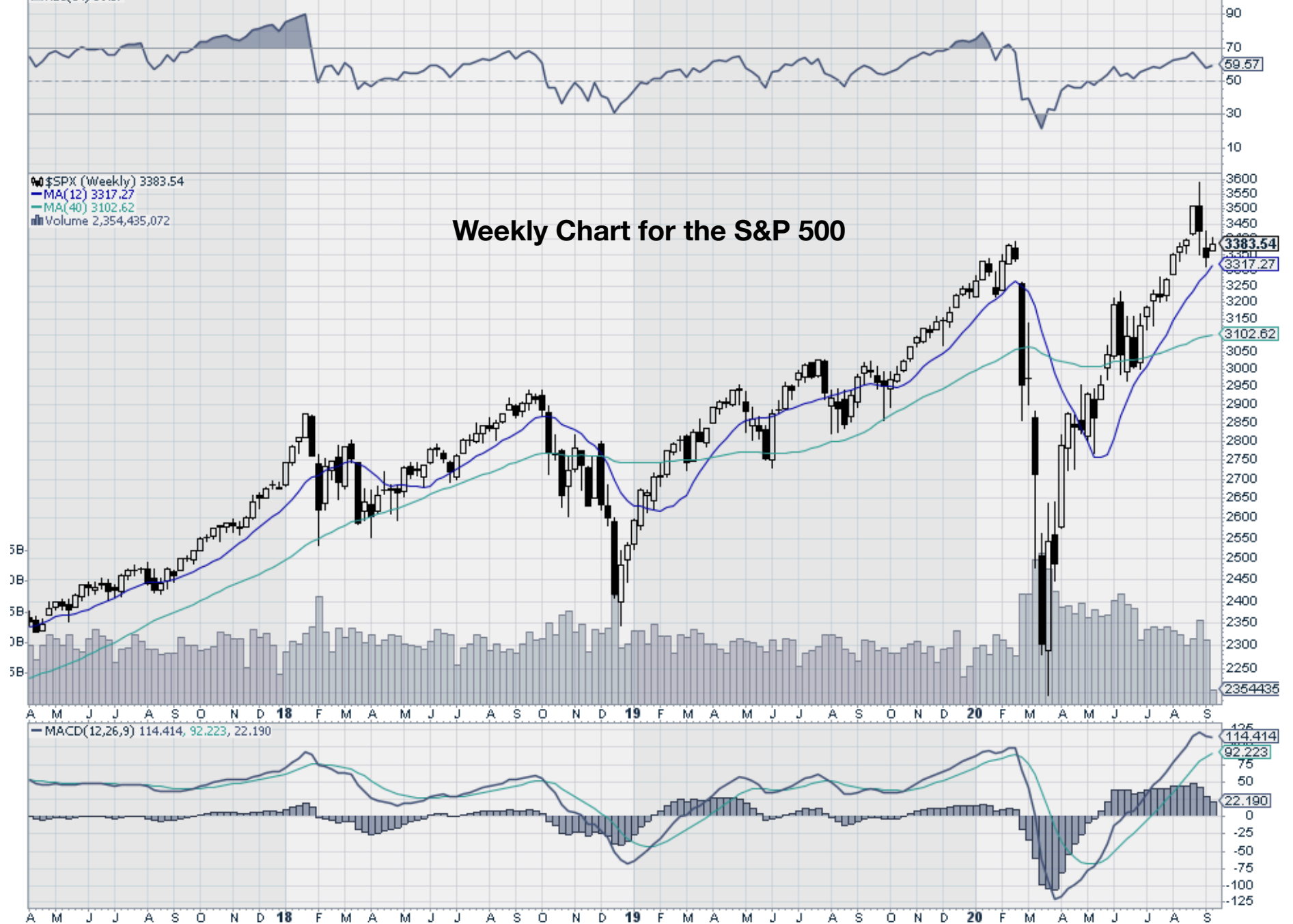
Open 3363.56 High 3402.93 Low 3363.56 Close 3383.54 Volume 2.4B Chg +42.57 (+1.27%)▲

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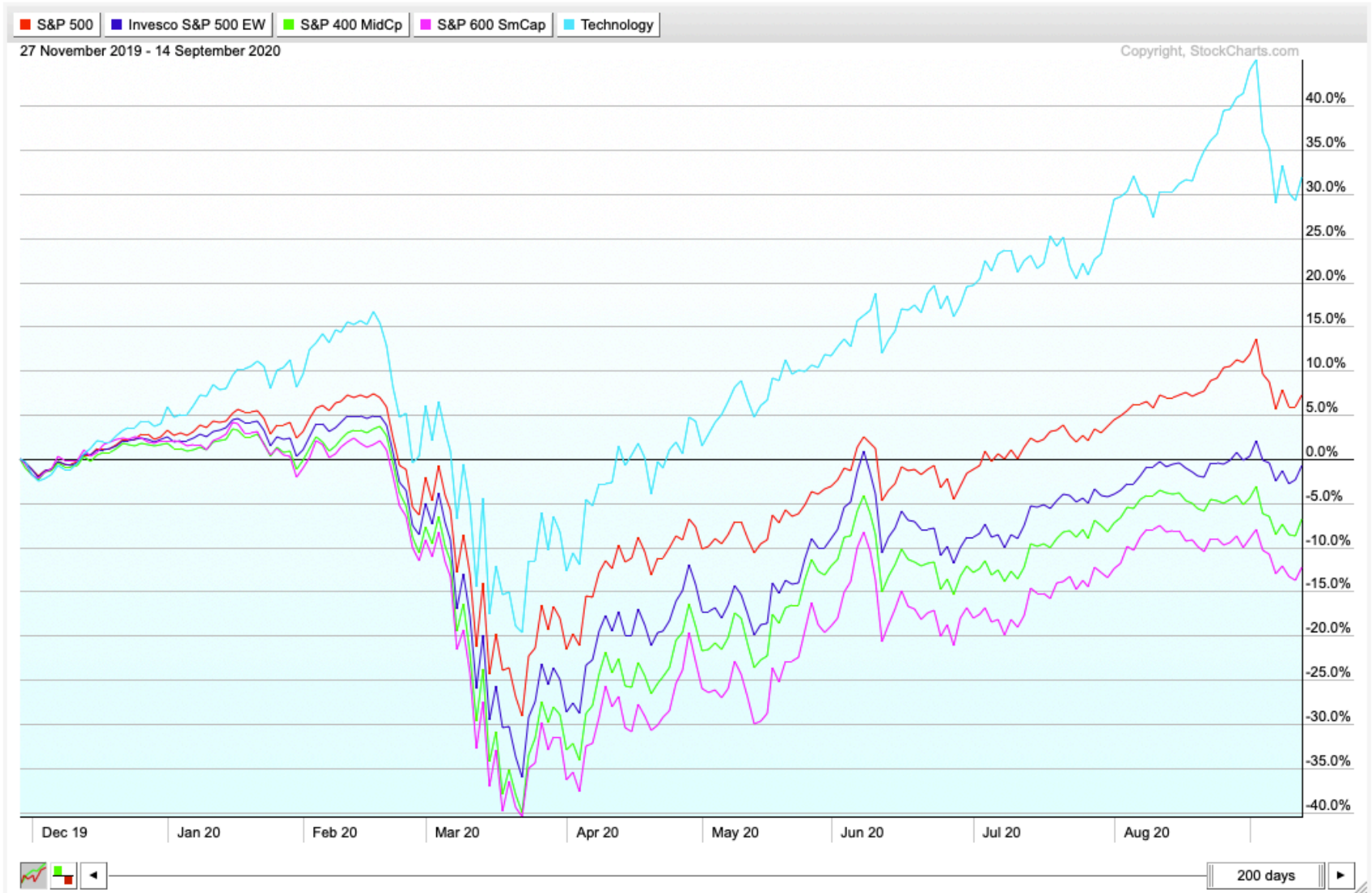
RSI(14) 59.57

\$SPX (Weekly) 3383.54
MA(12) 3317.27
MA(40) 3102.62
Volume 2,354,435,072

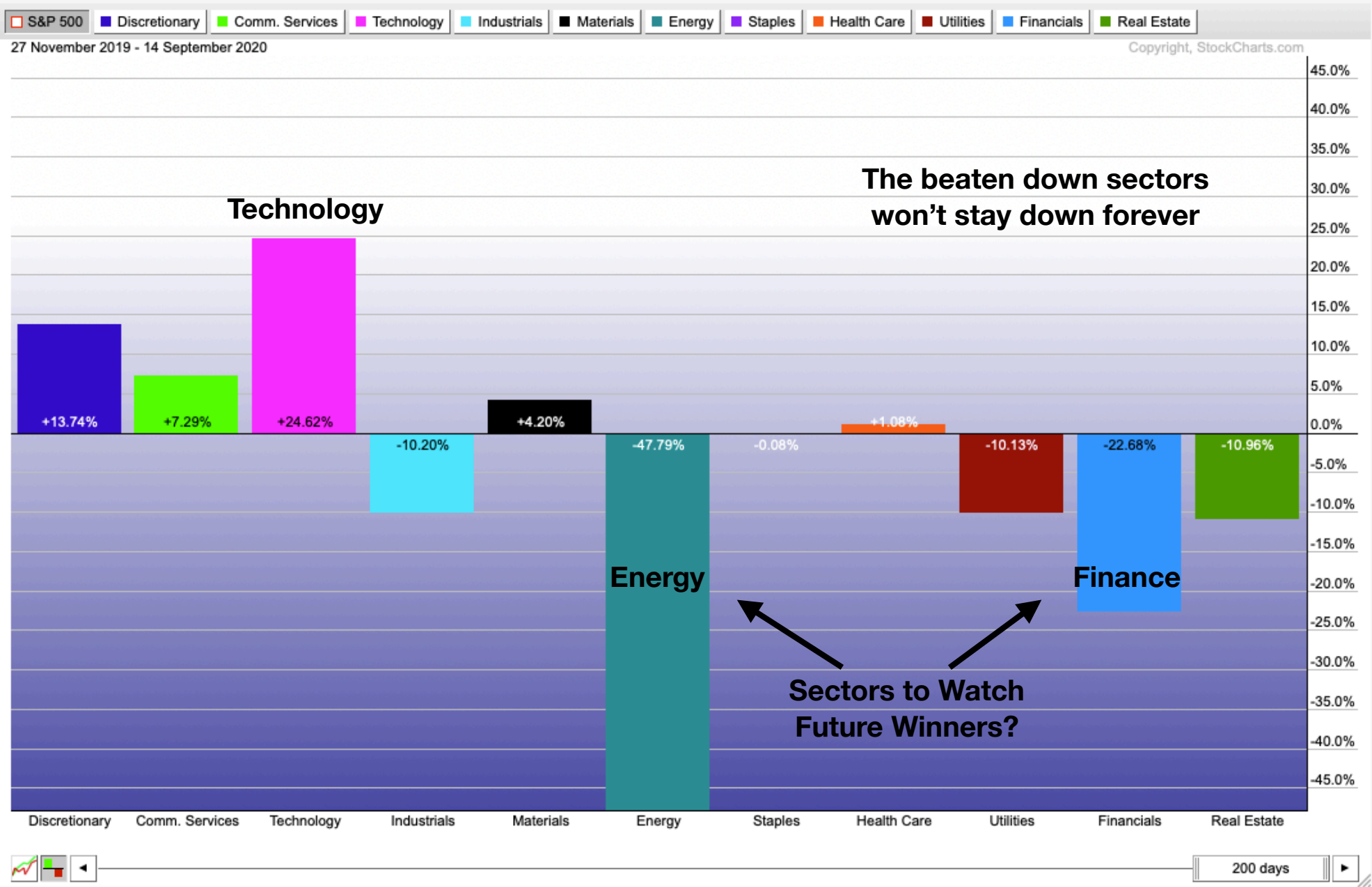
Weekly Chart for the S&P 500



200-Day Price Performance of S&P 500, S&P 500 EW, Tech Sector, Mid-Cap and Small-Cap



S&P 500 Sectors vs S&P 500

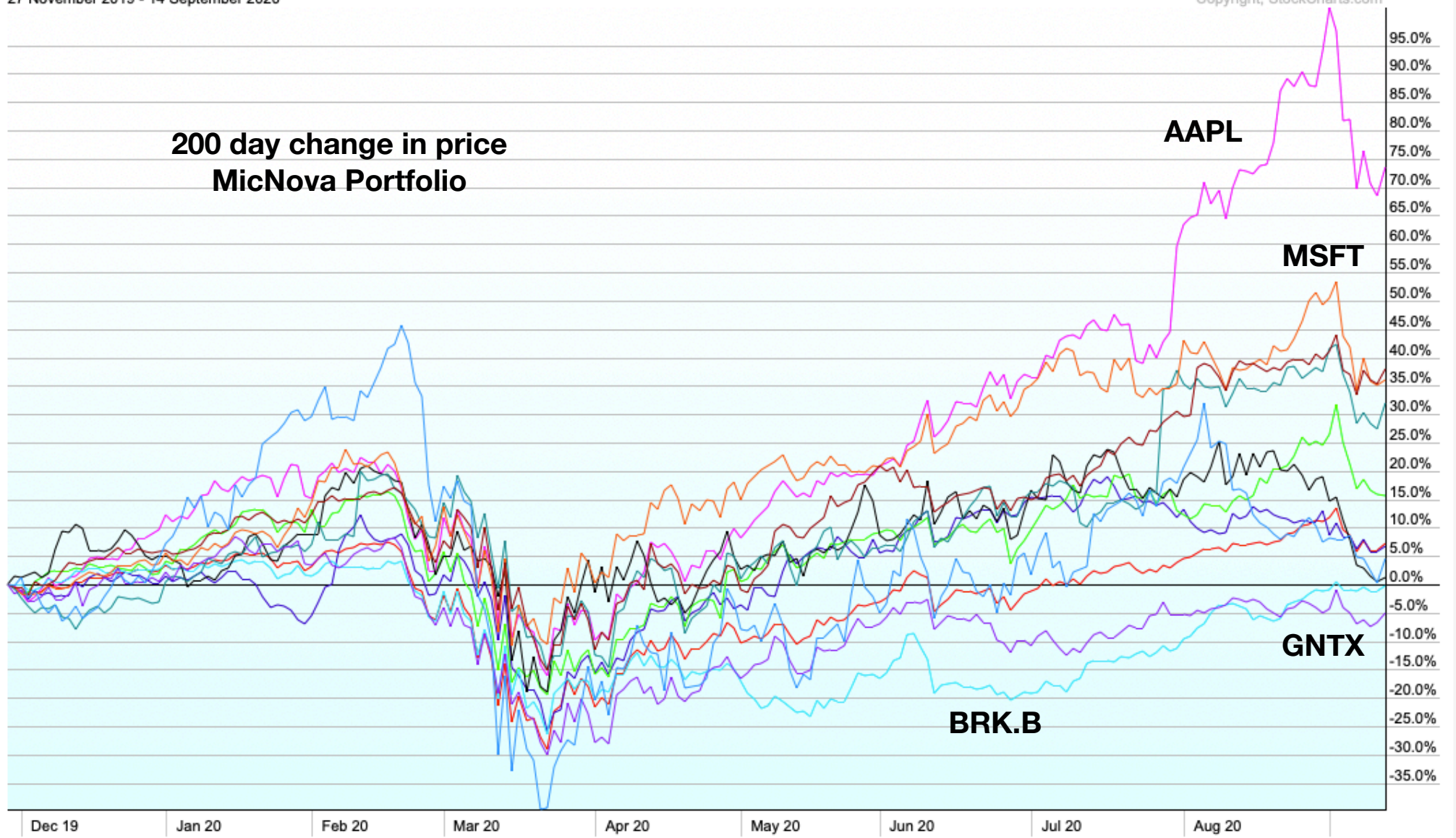


S&P 500 AbbVie Alphabet Apple Berkshire Hathaway BioSpecifics Tech CoStar Group Gentex Microsoft Monster Beverage NV5 Holdings

27 November 2019 - 14 September 2020

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200 day change in price MicNova Portfolio



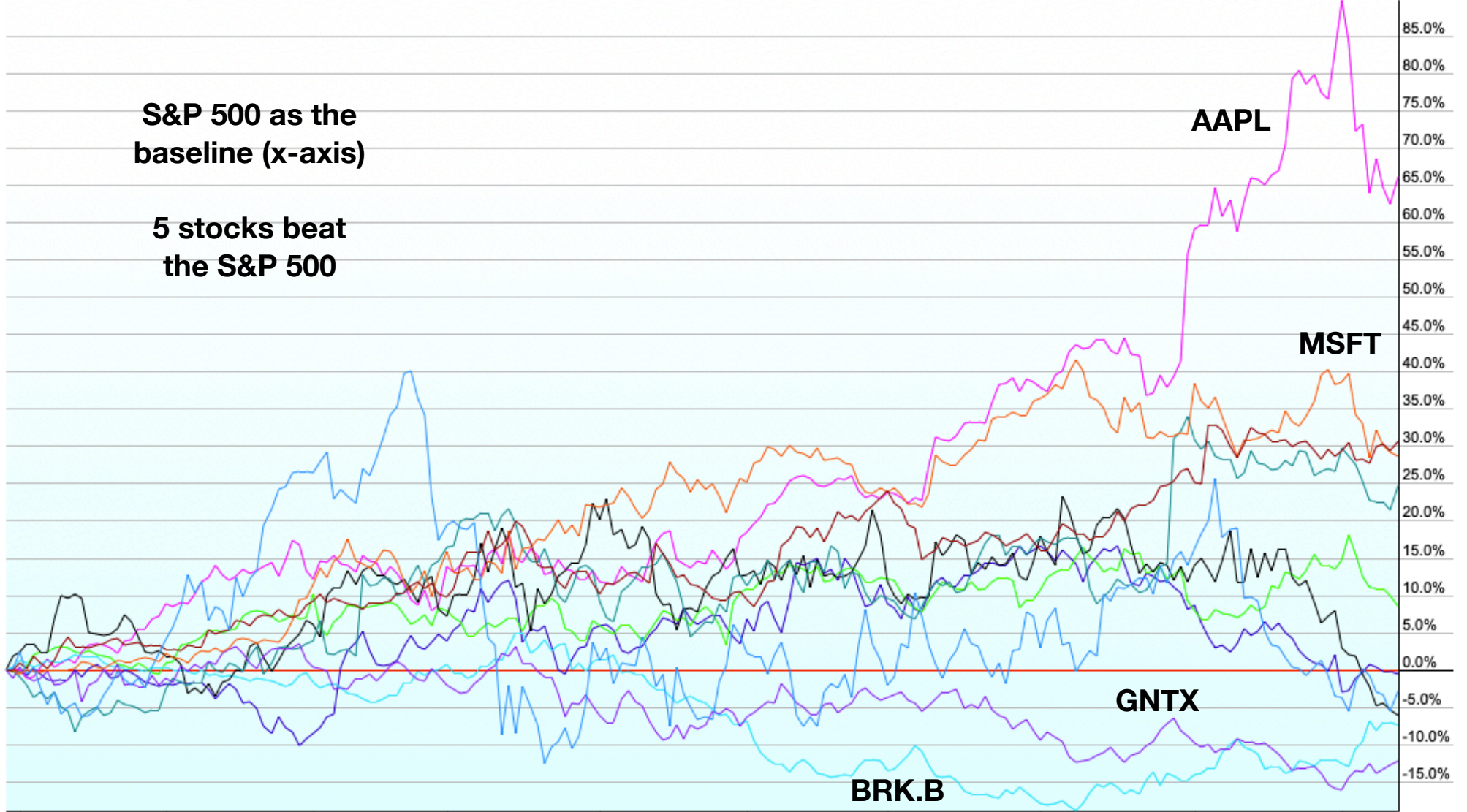
S&P 500 AbbVie Alphabet Apple Berkshire Hathaway BioSpecifics Tech CoStar Group Gentex Microsoft Monster Beverage NV5 Holdings

27 November 2019 - 14 September 2020

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S&P 500 as the
baseline (x-axis)

5 stocks beat
the S&P 500



Dec 19 Jan 20 Feb 20 Mar 20 Apr 20 May 20 Jun 20 Jul 20 Aug 20

200 days

Watchlist

Club Dashboards: MicNova Watchlist

Edit ▾

This dashboard is public and is available for other Manifest members to view at:
<https://www.manifestinvesting.com/dashboards/public/GYQ6W6N>

												09/15/2020
Company	Symbol	Shares	Price	Value	% of Total	Growth	Proj P/E	Proj Yield	Fin Str	EPS Stab	Qty	PAR ▲
Jones Lang LaSalle	JLL	0.00	\$105.94	\$0.00	NaN%	11.4%	13.0	0.4%	95%	60	77	17.8%
Essent Group*	ESNT	0.00	\$38.29	\$0.00	NaN%	17.0%	8.0	0.5%	55%	54	70	17.6%
Axos Financial* [was BOFI]	AX	0.00	\$23.93	\$0.00	NaN%	16.2%	10.0	0.0%	62%	86	91	17.5%
Western Alliance*	WAL	0.00	\$34.95	\$0.00	NaN%	15.4%	16.0	2.0%	69%	20	58	17.1%
LGI Homes*	LGIH	0.00	\$112.49	\$0.00	NaN%	16.1%	9.9	0.0%	40%	91	69	14.9%
Schwab Charles	SCHW	0.00	\$35.73	\$0.00	NaN%	5.7%	18.0	1.5%	96%	68	83	13.4%
Raytheon Technologies	RTX	0.00	\$61.97	\$0.00	NaN%	7.2%	11.0	2.3%	97%	97	97	12.1%
Intel	INTC	0.00	\$49.41	\$0.00	NaN%	4.5%	11.0	1.5%	99%	85	93	12.0%
Netflix	NFLX	0.00	\$476.26	\$0.00	NaN%	13.5%	60.0	0.0%	88%	47	95	11.4%
General Dynamics	GD	0.00	\$147.47	\$0.00	NaN%	4.4%	14.0	2.4%	97%	97	88	10.2%
UnitedHealth Group	UNH	0.00	\$308.57	\$0.00	NaN%	8.8%	17.0	1.7%	99%	85	96	10.0%
Five Below	FIVE	0.00	\$131.04	\$0.00	NaN%	15.5%	37.0	0.0%	81%	78	99	10.0%
Texas Roadhouse	TXRH	0.00	\$64.80	\$0.00	NaN%	9.5%	21.0	1.7%	69%	86	87	9.6%
Floor & Decor	FND	0.00	\$74.20	\$0.00	NaN%	17.7%	43.0	0.0%	44%	94	58	9.1%
Adobe Systems	ADBE	0.00	\$485.91	\$0.00	NaN%	15.1%	53.0	0.0%	83%	45	84	8.8%
Middleby	MIDD	0.00	\$98.81	\$0.00	NaN%	6.3%	17.0	0.0%	69%	98	92	7.8%
Disney (Walt)	DIS	0.00	\$131.25	\$0.00	NaN%	7.9%	29.0	1.2%	100%	40	82	6.8%
Costco Wholesale	COST	0.00	\$342.92	\$0.00	NaN%	7.5%	35.0	0.9%	100%	91	90	6.1%
Ulta Beauty	ULTA	0.00	\$234.14	\$0.00	NaN%	5.8%	22.0	0.0%	78%	73	88	4.3%
Albemarle Corp.	ALB	0.00	\$98.17	\$0.00	NaN%	3.4%	16.0	1.6%	96%	65	92	3.7%
Veeva Systems	VEEV	0.00	\$267.63	\$0.00	NaN%	20.6%	50.0	0.0%	81%	59	93	2.7%
HEICO Corp	HEI	0.00	\$110.02	\$0.00	NaN%	3.0%	45.0	0.4%	97%	63	89	2.6%

Essent Group (ESNT)

What Is Private Mortgage Insurance (PMI)?

Private mortgage insurance (PMI) is insurance coverage that homeowners are required to have if they're putting down less than 20% of the home's cost. Basically, PMI gives mortgage lenders some backup if a house falls into foreclosure because the homeowner couldn't make their monthly mortgage payments.

Most banks don't like losing money, so they did the math and determined that they can recover about 80% of a home's value at a foreclosure auction if the buyer defaults and the bank has to seize the house. So, to protect themselves, banks require buyers to pay an insurance policy—the PMI—to make up the other 20%.

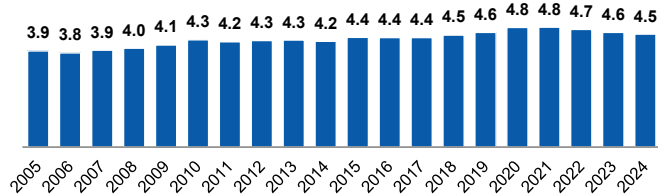
PMI premiums are calculated using your loan total and range from 0.55% to 2.25% of the loan or more.

Mortgage Industry Fundamentals are Supportive of Growth



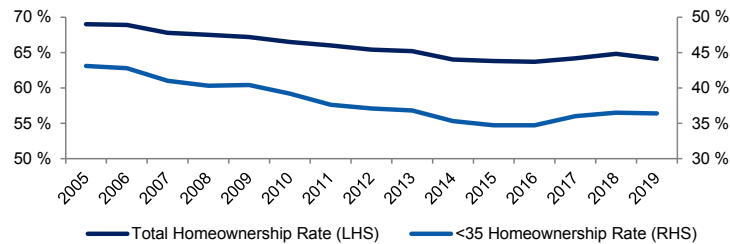
Growing Domestic First-Time Homebuyer Population

New Entrants to Domestic First-Time Homebuyer Population (mm)



- Millennial generation of roughly 80mm will drive housing's longer term prospects and first time buyer activity
- Over next several years, on an annual basis, approximately 4-5mm millennials will reach the average age of a first time home buyer which is 32 years old

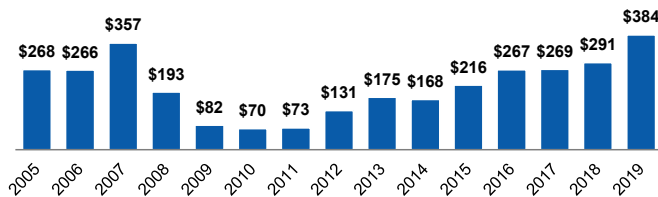
Homeownership Rates Have Started to Rebound



- Homeownership rates have been increasing recently
- Outlook on affordability is favorable as mortgage rates continue to be at historically low levels
- Impacts of COVID-19 may cause a pause in purchase mortgages, but conversely, could accelerate housing demand as millennials explore moving away from more densely populated urban areas

Industry NIW Continues to Grow

Private Mortgage Insurance Industry NIW (\$bn)



- Demographic and macroeconomic tailwinds have supported NIW growth over the past decade
- Growth has been focused on higher credit quality business

Source: U.S. Census Bureau. Mortgage Bankers Association. Inside Mortgage Finance.

September Investor Advisory Service

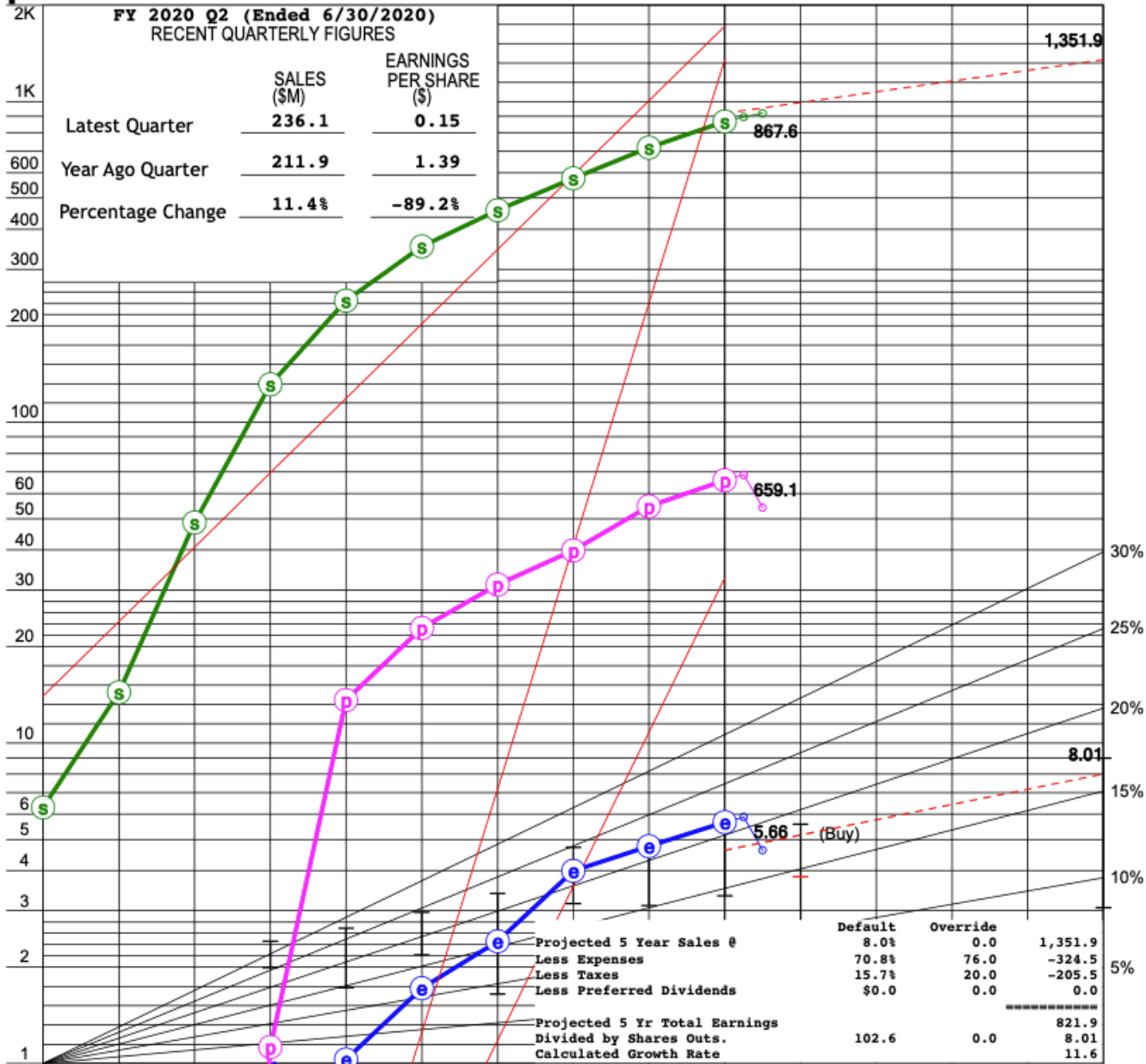
By all indications, Essent Group (ESNT) is hunkering down for a drawn-out recession while maintaining its growth strategy. In its second quarter ended June 30, 2020, revenues were up 11.4% to \$236.1 million, but mortgage defaults had reached 5.19%. Cost cutting, raising rates on new policies sold, and an increased number of policies wasn't enough offset a 89.2% decline in EPS to \$0.15

The mortgage default rate improved in July, and Essent Group's balance sheet is strong enough to weather a pretty severe recession. If the company is able to pick up market share from weaker peers in the maelstrom, there could be a silver lining to the downturn.

Essent Group (\$34.78) is a buy up to \$39

1 Growth Analysis

NYS: ESNT



- (1) Historical Sales Growth **70.7 %**
- (2) Estimated Future Sales Growth **8.0 %**
- (3) Historical Earnings Per Share Growth **202.7 %**
- (4) Estimated Future Earnings Per Share Growth **11.6 %**
- (5) Sales Growth R² **0.89**
- (6) Earnings Per Share Growth R² **0.78**

2 QUALITY ANALYSIS

Company **Essent Group (ESNT)**

09/14/20

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	5 YEAR AVG.	TREND UP / DOWN
A % Pre-tax Profit on Sales	438.6	239.4	28.5	8.6	56.8	64.7	68.1	69.1	76.0	76.0	70.8	UP
B % ROE (Beginning Yr)		NMF	NMF	NMF	40.6	20.0	20.7	28.4	26.4	25.1	24.1	UP
C % LT Debt to Equity	0.0	0.0	0.0	0.0	0.0	0.0	7.7	14.4	10.1	7.9	10.0	DOWN

3 PRICE, PRICE/EARNINGS RATIO and DIVIDEND ANALYSIS

CURRENT PRICE (P/E) **38.29 (8.3)** 52-WEEK HIGH (P/E) **55.84 (12.1)** 52-WEEK LOW (P/E) **17.52 (3.8)**

Fiscal Year	High Price	Low Price	EPS	High P/E	Low P/E	Dividend	% Payout	% High Yield	
1 2015	29.7	21.9	1.72	17.3	12.7	0.000	0.0	0.0	
2 2016	33.9	16.5	2.41	14.1	6.8	0.000	0.0	0.0	
3 2017	47.3	31.5	3.99	11.9	7.9	0.000	0.0	0.0	
4 2018	50.1	31.1	4.77	10.5	6.5	0.000	0.0	0.0	
5 2019	55.8	33.4	5.66	9.9	5.9	0.300	5.3	0.9	
6 AVERAGE		26.9		12.7	8.0		5.3		
AVERAGE P/E RATIO	10.4		PROJECTED P/E RATIO	7.4		TTM EPS	4.63		
CURRENT P/E RATIO	8.3		PEG RATIO	0.6		FTM EPS	5.17		
RELATIVE VALUE	80.2%		PROJ. RELATIVE VALUE	71.6% 82.8%		AVG TTM + FTM EPS	4.90		

4 EVALUATING REWARD and RISK over the next 5 years

A FUTURE HIGH PRICE ANALYSIS -- NEXT 5 YEARS

Selected High P/E ~~12.7~~ **11.2** X Estimated High Earnings/Share **8.01** = Forecast High Price \$ **89.7**

B FUTURE LOW PRICE ANALYSIS -- NEXT 5 YEARS

(a) Sel. Low P/E ~~8.0~~ **6.7** X Estimated Low Earnings/Share **5.66** = \$ **37.9**

(b) Average 5-Year Low Price = ^(as adj.) **26.9**

(c) Recent Severe Low Price = **17.5**

(d) Price Dividend Will Support = Present Divd. + High Yield = **0.64** + **0.009** = **71.3**

Selected Estimated Low Price = \$ **30.6**

C PRICE RANGES

Forecast High Price **89.7** - Estimated Low Price **30.6** = Range **59.1** 25% of Range = **14.8**

BUY (Lower 25% of Range) = **30.6** to **45.4**

MAYBE (Middle 50% of Range) = **45.4** to **74.9**

SELL (Upper 25% of Range) = **74.9** to **89.7**

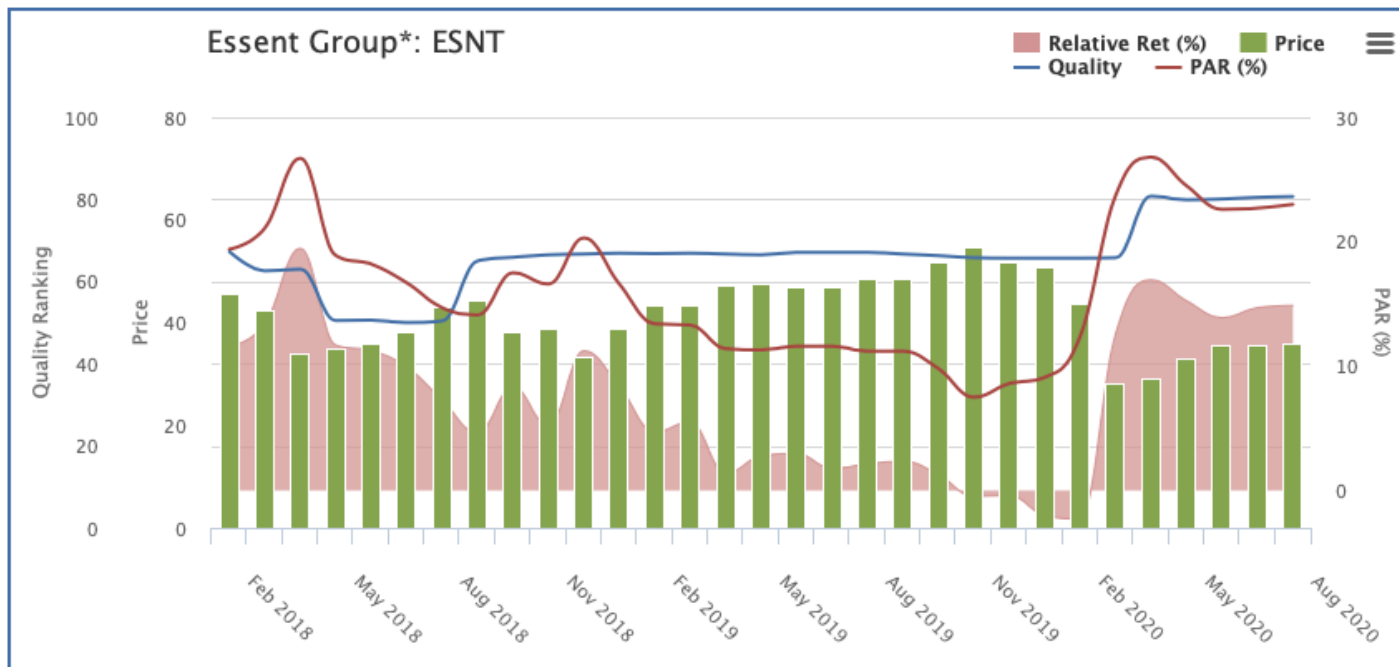
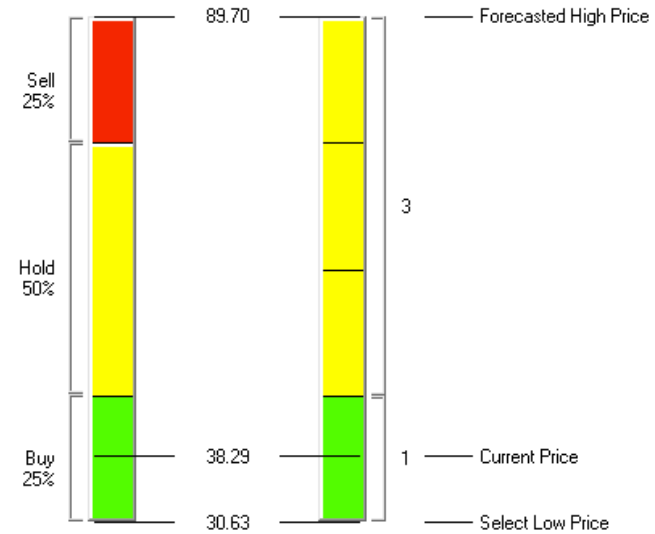
Current Price **38.29** is in the **Buy** Range

D UPSIDE/DOWNSIDE ANALYSIS (Potential Gain vs. Risk of Loss)

(Forecast High Price **89.7** - Current Price **38.29**) + (Current Price **38.29** - Estimated Low Price **30.6**) = **6.7** To 1

SSG Key Assumptions

Revenue Growth: 8%
 Return on Equity: 24%
 Pretax Profit on Sales: 76%
 LT Debt to Equity: 7.9%
 Average P/E: 9
 PAR (avg): 14%



ESNT Essent Group Ltd. NYSE

Financial / Mortgage Finance

Open:	37.61	Ask:		P/E:	8.26	Options:	yes
High:	38.69	Ask Size:		EPS:	4.64	Annual Dividend:	0.63
Low:	37.41	Bid:		Mkt Cap:	4.29B	Yield:	1.65%
Prev Close:	37.36	Bid Size:		Last Size:		SCTR (Mid):	38.8

▲ RSI(14) 62.94

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Monday 14-Sep-2020

▲ **+2.49%**
 Chg: **+0.93**
 Last: **38.29**
 Volume: **811,996**

Daily Price Chart



Financial / Mortgage Finance

Open:	37.61	Ask:		P/E:	8.26	Options:	yes
High:	38.69	Ask Size:		EPS:	4.64	Annual Dividend:	0.63
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Monday 14-Sep-2020

▲ **+2.49%**
 Chg: **+0.93**
 Last: **38.29**
 Volume: **811,996**

▲ RSI(14) 54.94

Weekly Price Chart

ESNT (Weekly) 38.29

MA(50) 40.37
 MA(200) 40.04
 MA(10) 36.08
 EMA(21) 35.77
 Volume 811,996



PMO(35,20,10) 2.49, 0.22



LGI Homes (LGIH)



COMPANY HIGHLIGHTS

Founded in 2003, LGI Homes is one of the nation's **fastest growing** homebuilders. Currently recognized as the 10th largest residential builder in America based on units closed, LGI Homes' unique business model is focused on offering entry-level homebuyers quality homes at affordable prices through a well-established sales and marketing approach, a culture of customer service excellence, and a highly efficient construction process.

FOCUS ON PERFORMANCE

LGI HOMES AT A GLANCE

LAST 12 MONTHS	\$2.0 BILLION REVENUE
	8,358 HOME CLOSINGS
	6.5 AVERAGE ABSORPTIONS
	23.9% GROSS MARGIN ⁽¹⁾ ⁽²⁾
	25.9% ADJUSTED GROSS MARGIN ⁽²⁾ ⁽³⁾
	25.9% RETURN ON EQUITY
	34 MARKETS IN 18 STATES ⁽⁴⁾
	44,307 OWNED & CONTROLLED LOTS ⁽⁴⁾
40,000+ HOMES CLOSED SINCE FOUNDING	

1) Gross margin is defined as home sales revenues less cost of sales

2) Calculated as a percentage of home sales revenues

3) Adjusted gross margin is defined as gross margin adjusted for capitalized interest and adjustments resulting from the application of purchase accounting included in cost of sales. See the Appendix for a reconciliation of adjusted gross margin to gross margin

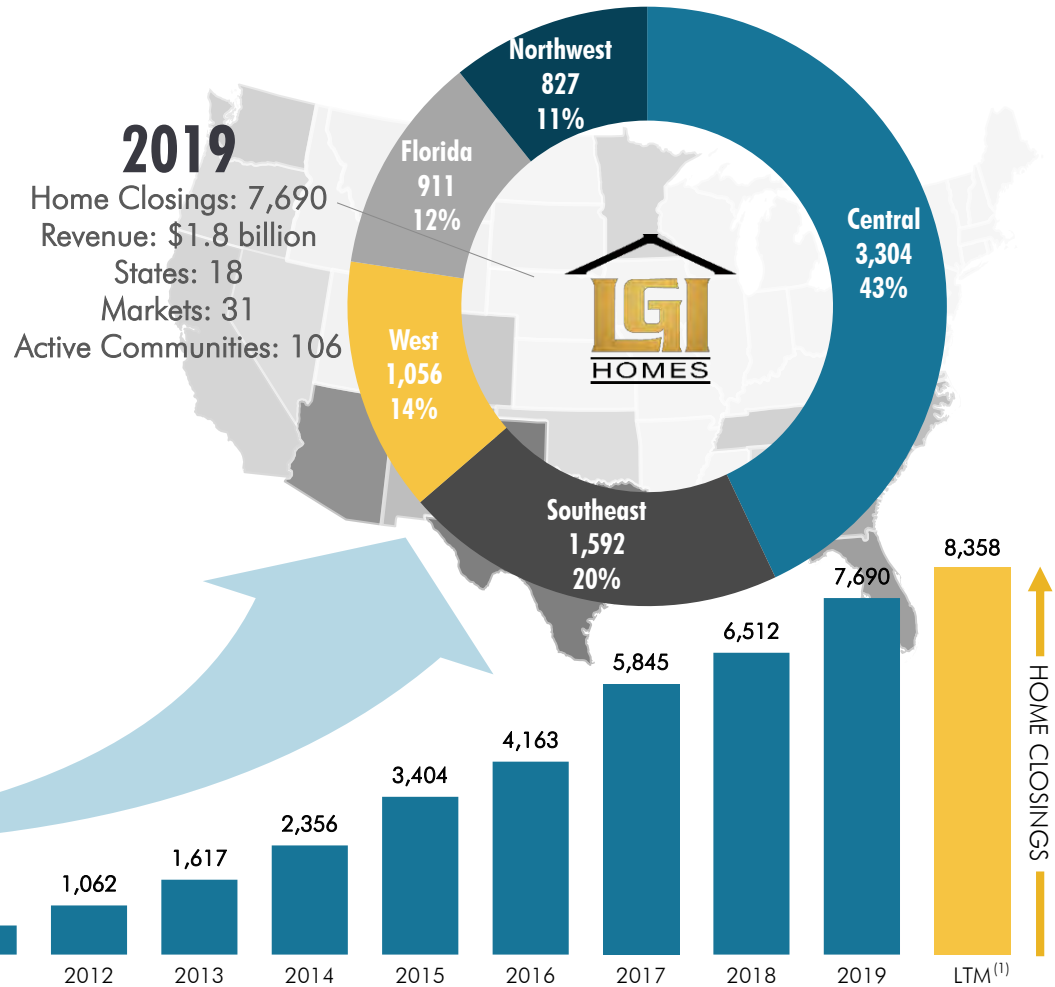
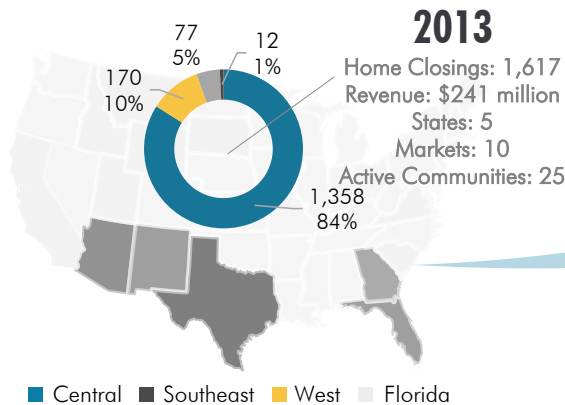
4) As of June 30, 2020

FOCUS ON GROWTH

BUILDING OUR BUSINESS

LGI Homes' unique operating model has driven rapid growth. Between 2013 and 2019, we grew our home closings 376% and our revenue 663% (a compounded annual growth rate of over 40%) while expanding from 5 to 18 states and 10 to 31 markets.

Since our initial public offering in 2013, we have significantly diversified our business geographically. In 2013, our Central division represented 84% of our home closings compared to just 43% in 2019.



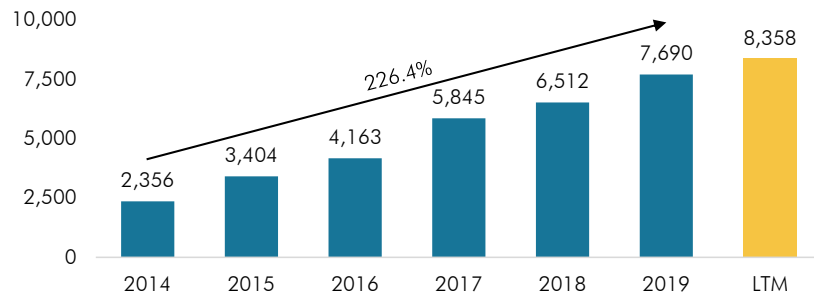
Note: 2010 – 2013 home closings are pro forma figures and include home closings for the LGI/GTIS Joint Ventures not consolidated prior to LGI Homes' IPO in 2013

1) LTM period as of June 30, 2020

STRONG OPERATING RESULTS

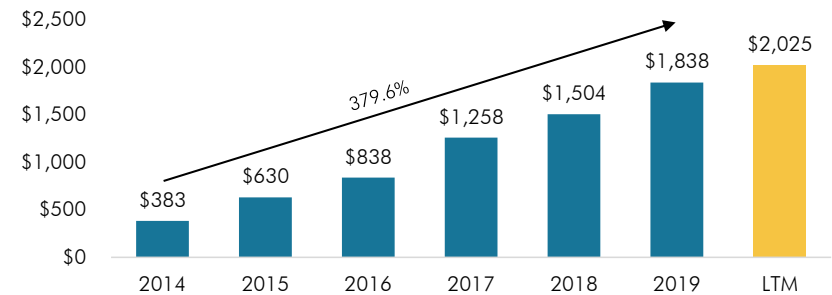
LGI HOMES HAS GENERATED STRONG OPERATING RESULTS AND SIGNIFICANT GROWTH

Home Closings (Units) ⁽¹⁾



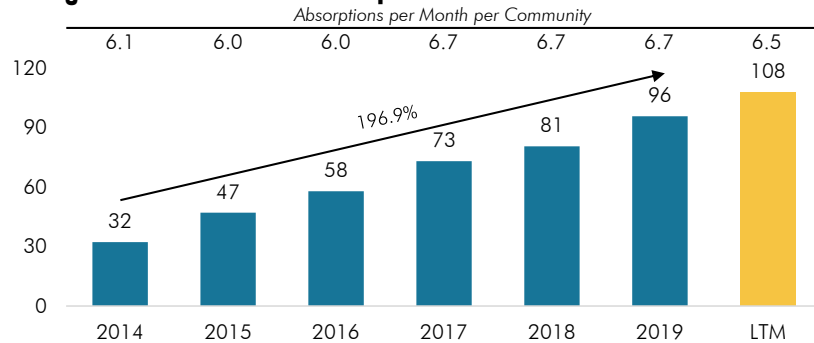
Since 2014, LGI has increased home closings at a compound annual growth rate of 26.7%...

Revenue (\$ millions) ⁽¹⁾

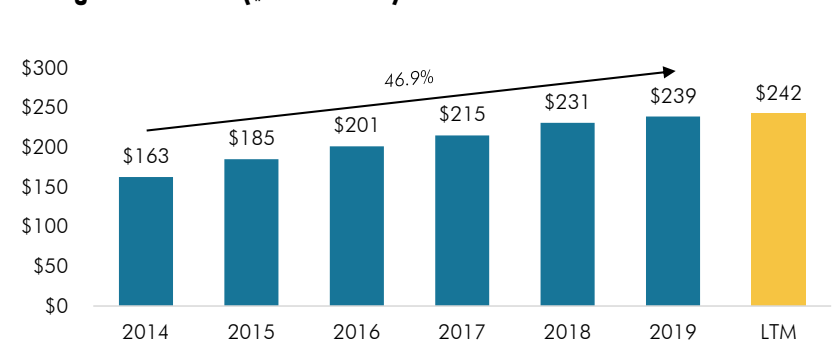


...and increased revenue at a compound annual growth rate of 36.8%

Average Communities and Absorptions ⁽¹⁾



Average Sales Price (\$ thousands) ⁽¹⁾

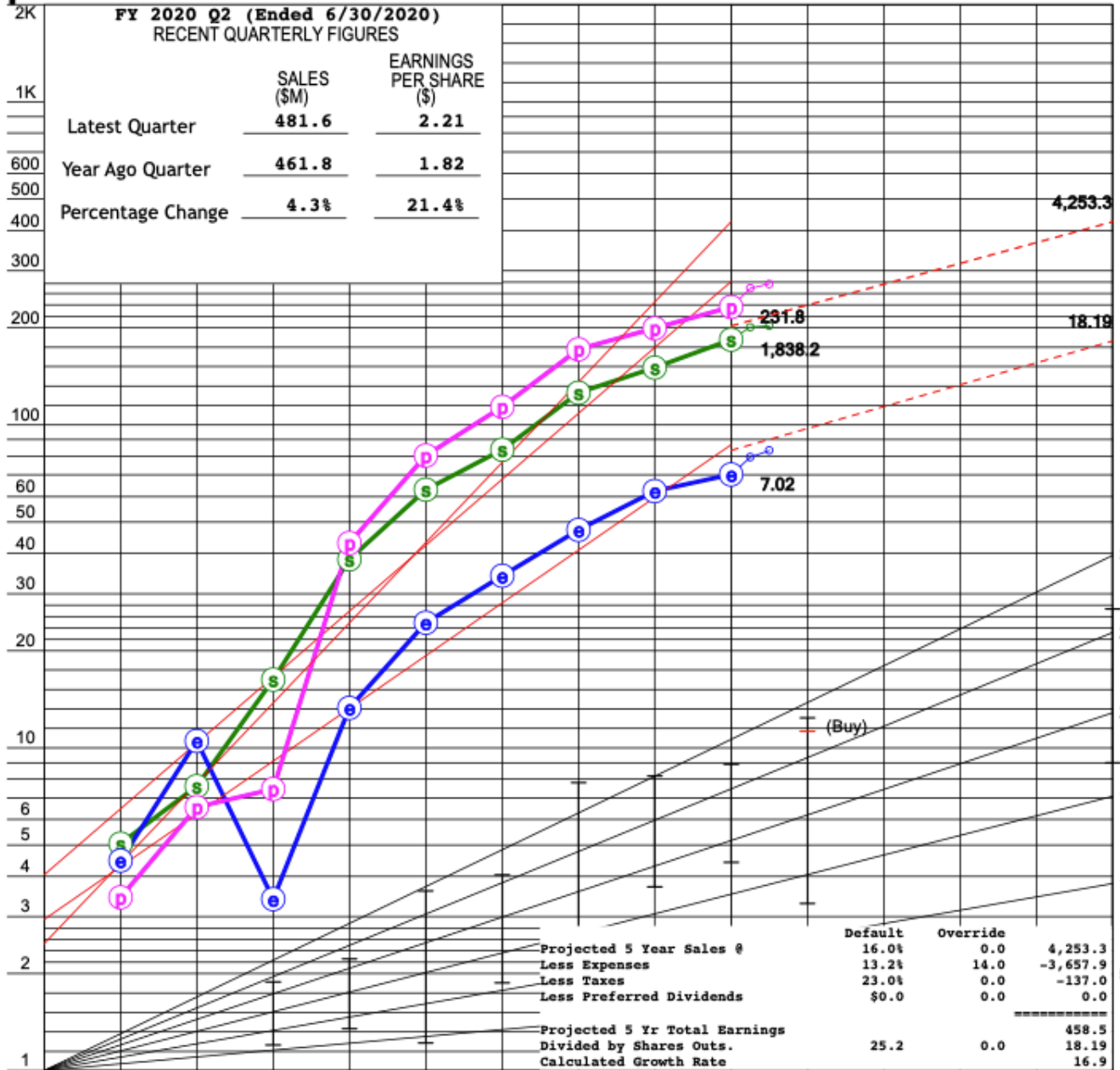


Note: LTM as of June 30, 2020

1) 2014 growth metrics are for informational purposes only and are based on 2013 financial metrics pro forma for the GTIS Acquisition

1 Growth Analysis

NAS: LGIH



- (1) Historical Sales Growth **60.0 %**
- (2) Estimated Future Sales Growth **16.0 %**
- (3) Historical Earnings Per Share Growth **45.6 %**
- (4) Estimated Future Earnings Per Share Growth **16.9 %**
- (5) Sales Growth R² **0.95**
- (6) Earnings Per Share Growth R² **0.86**

2 QUALITY ANALYSIS

Company **LGI Homes Inc (LGIH)**

09/14/20

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	5 YEAR AVG.	TREND UP / DOWN
A % Pre-tax Profit on Sales		6.8	8.6	4.6	11.2	12.7	13.6	13.6	13.2	12.6	13.2	DOWN
B % ROE (Beginning Yr)			NMF	NMF	73.2	26.0	30.8	30.5	30.5	26.0	28.8	DOWN
C % LT Debt to Equity	0.0	0.0	0.0	93.9	108.6	128.1	117.2	97.1	97.4	51.4	98.2	DOWN

3 PRICE, PRICE/EARNINGS RATIO and DIVIDEND ANALYSIS

CURRENT PRICE (P/E) **112.49 (13.5)** 52-WEEK HIGH (P/E) **123.94 (14.9)** 52-WEEK LOW (P/E) **33.00 (4.0)**

Fiscal Year	High Price	Low Price	EPS	High P/E	Low P/E	Dividend	% Payout	% High Yield
1 2015	36.1	12.2	2.44	14.8	5.0	0.000	0.0	0.0
2 2016	40.5	18.7	3.41	11.9	5.5	0.000	0.0	0.0
3 2017	78.0	26.8	4.73	16.5	5.7	0.000	0.0	0.0
4 2018	81.9	37.2	6.24	13.1	6.0	0.000	0.0	0.0
5 2019	89.0	44.2	7.02	12.7	6.3	0.000	0.0	0.0
6 AVERAGE		27.8		13.8	5.7		0.0	
AVERAGE P/E RATIO	9.8		PROJECTED P/E RATIO	11.6		TTM EPS	8.33	
CURRENT P/E RATIO	13.5		PEG RATIO	0.7		FTM EPS	9.74	
RELATIVE VALUE	138.5%		PROJ. RELATIVE VALUE	118.5% 111.1%		AVG TTM + FTM EPS	9.03	

4 EVALUATING REWARD and RISK over the next 5 years

A FUTURE HIGH PRICE ANALYSIS – NEXT 5 YEARS

Selected High P/E ~~13.8~~ **14.8** X Estimated High Earnings/Share **18.19** = Forecast High Price \$ **269.2**

B FUTURE LOW PRICE ANALYSIS – NEXT 5 YEARS

(a) Sel. Low P/E ~~5.7~~ **6.0** (as adj.) X Estimated Low Earnings/Share **7.02** = \$ **42.1**

(b) Average 5-Year Low Price = **27.8**

(c) Recent Severe Low Price = **33.0**

(d) Price Dividend Will Support = Present Divd. + High Yield = **0.00 + 0.000** = **0.0**

Selected Estimated Low Price = **90.0**

C PRICE RANGES

Forecast High Price **269.2** - Estimated Low Price **90.0** = Range **179.2** 25% of Range = **44.8**

BUY (Lower 25% of Range) = **90.0** to **134.8**

MAYBE (Middle 50% of Range) = **134.8** to **224.4**

SELL (Upper 25% of Range) = **224.4** to **269.2**

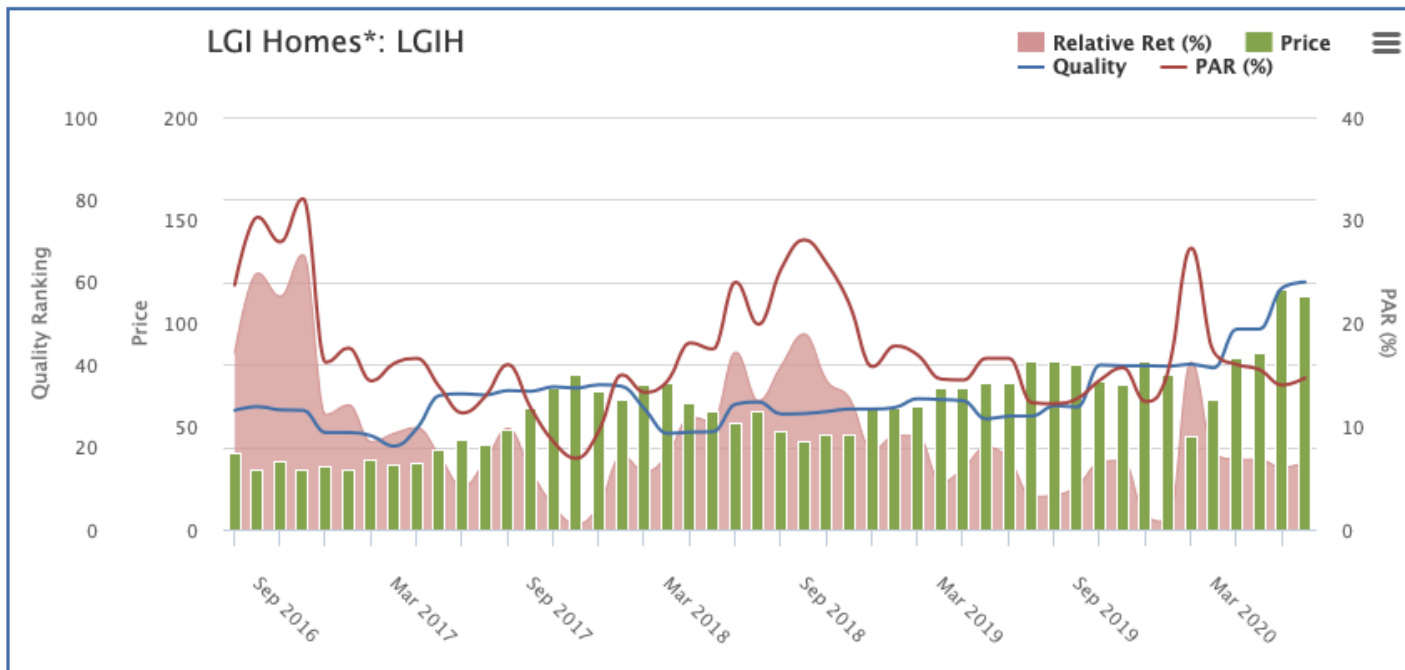
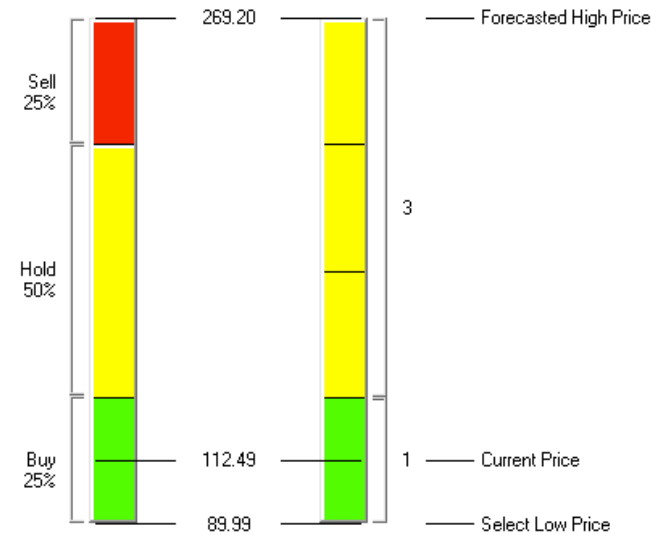
Current Price **112.49** is in the **Buy** Range

D UPSIDE/DOWNSIDE ANALYSIS (Potential Gain vs. Risk of Loss)

(Forecast High Price **269.2** - Current Price **112.49**) + (Current Price **112.49** - Estimated Low Price **90.0**) = **7.0** To 1

SSG Key Assumptions

Revenue Growth: 16%
 Return on Equity: 26%
 Pretax Profit on Sales: 12.6%
 LT Debt to Equity: 51%
 Average P/E: 10.4
 PAR (avg): 11%



LGIH LGI Homes, Inc. Nasdaq GS

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Consumer Discretionary / Home Construction

Monday 14-Sep-2020

Open: 113.71	Ask:	P/E: 13.49	Options: yes
High: 115.41	Ask Size:	EPS: 8.34	Annual Dividend: N/A
Low: 110.78	Bid:	Mkt Cap: 2.81B	Yield: N/A
Prev Close: 112.53	Bid Size:	Last Size:	SCTR (Mid): 95.0

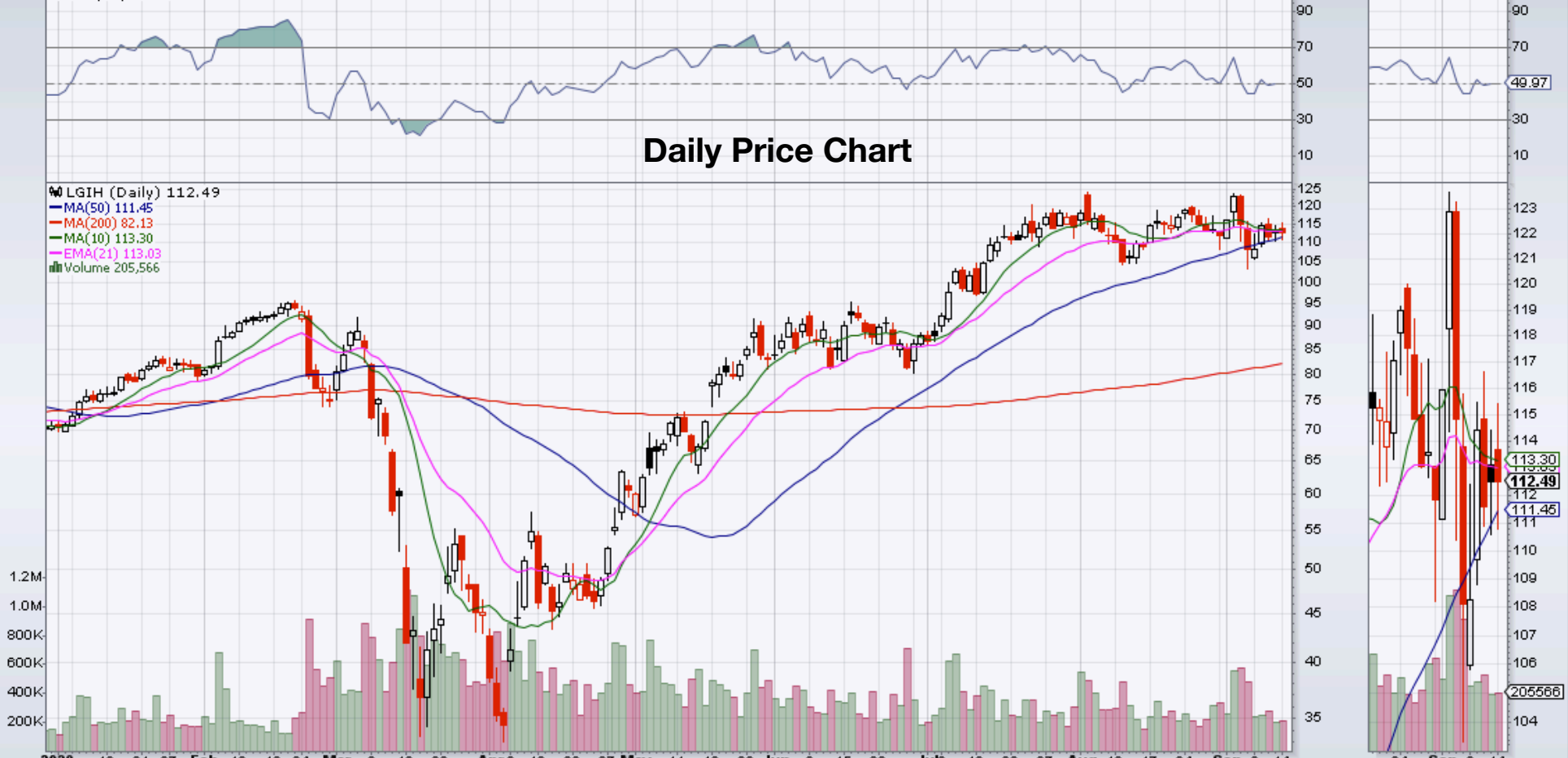
▼ **-0.04%**
 Chg: **-0.04**
 Last: **112.49**
 Volume: **205,566**

▲ RSI(14) 49.97

Daily Price Chart

LGIH (Daily) 112.49

MA(50) 111.45
 MA(200) 82.13
 MA(10) 113.30
 EMA(21) 113.03
 Volume 205,566



PMO(35,20,10) 2.83, 3.81



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Monday 14-Sep-2020

▼ **-0.04%**
 Chg: **-0.04**
 Last: **112.49**
 Volume: **205,566**

▲ RSI(14) 62.44



Weekly Price Chart

LGIH (Weekly) 112.49

MA(50) 81.89
 MA(200) 61.26
 MA(10) 112.43
 EMA(21) 98.93
 Volume 205,566



PMO(35,20,10) 22.46, 20.53



Questions?