



# David Sharek's Growth Stock Newsletter

Searching for Tomorrow's Stock Market Winners Today

October 5, 2018

## The Next BIG Thing in Retail

I've got a lot of great ideas for what just might be the next BIG thing in retail.

The first one, **Five Below (FIVE)**, is no doubt taking market share in the toy space after Toys-R-Us went out of business.

And speaking of toys, **Funko (FNKO)** makes big-head action figures that often sell for \$5-\$10 apiece. Funko is big into pop culture, with brands such as Pokémon, Star Wars, Golden Girls, Harry Potter and Frosted Flakes.

Toys-R-Us also had leftover inventory, which may have been snapped up by **Ollie's Bargain Outlet (OLLI)**.

One company with the potential to boost its store base by 1000 is **PetiQ (PETQ)**, which has a partnership for cat & dog vet care inside Walmart stores.

And last but not least **Floor & Décor (FND)** could be the next BIG thing in the home improvement space. You can learn more about each stock here.



## Current Holding – Five Below (FIVE)

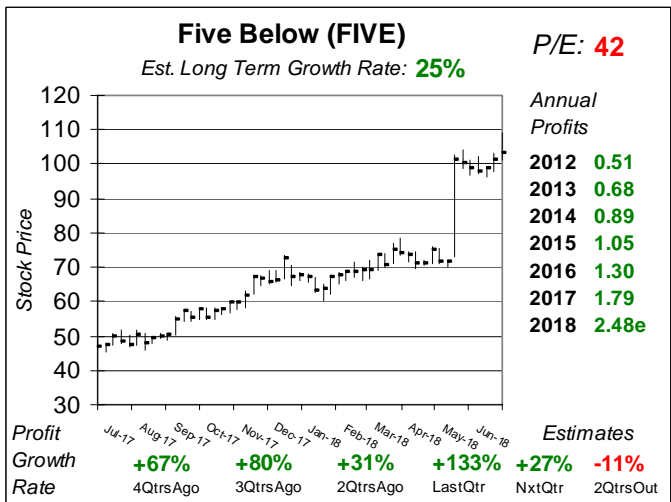
**Five Below (FIVE)**, part of the **Growth Portfolio**, popped from \$73 to \$101 after it reported profits more than doubled.

Five Below is a dollar-store concept for kids and teens that sells merchandise such as toys, games, party items, sports gear, clothes, candy & electronics for between \$1 and \$5 each.

During the past four years Five Below has grown its store count at a rate of 20% per year from 366 to 437, 522 and 625. Management had a long-term goal of 2500 stores nationwide. Five Below should be able to quadruple it's store count long-term, which in my book means the stock has the opportunity to rise even more.

### Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	2.48	x	42	=	\$103	
2018 Est	2.48	x	35	=	87	-16%
2019 Est	3.00	x	35	=	105	2%



## About David Sharek

David started his career as a Financial Consultant at **A.G. Edwards & Sons** in 1999, investing clients in mutual funds, stocks, bonds & annuities.

The 2000 stock market crash crushed his investors and left David leery of Wall Street & mutual funds. Sharek became a student of stocks, and discovered the best stocks had the highest profit growth.

In 2002 David accepted a position of Vice President—Investments at **Wunderlich Securities** and developed his **Growth Stock Portfolio**.

Sharek's **Growth Portfolio** averaged a return of 24% his first five years as a portfolio manager (2003-2007), more than double the market's (S&P 500) average of 11%.

In 2008 David Sharek founded

Sharek's Stock Portfolios. But another stock market crash took the **Growth Portfolio** down 58% that year. Still, by 2013 client accounts hit new highs.

Today, David continues to do his own stock research and manages portfolios on a fee basis from his offices in Midtown Manhattan.

Sharek's **Growth Portfolio** has grown an average of 14% a year,

compared to 9% for the S&P 500 (since inception in 2003).

\$100,000 invested in the **Growth Portfolio** at inception would have made a profit of more than \$300,000 vs. just over \$200,000 in the S&P.

David's posted four years of +40% returns in his 15 year career.



## Stocks on a Radar – Funko (FNKO)

Speaking of toys, **Funko (FUNK)** is a really fun company that manufactures pop culture action figures, apparel and accessories.

Some top “properties” Funko holds are Harry Potter, Deadpool, Avengers and Incredibles.

In July the shares got a boost when FNKO announced partnerships with Pokémon and Fortnite.

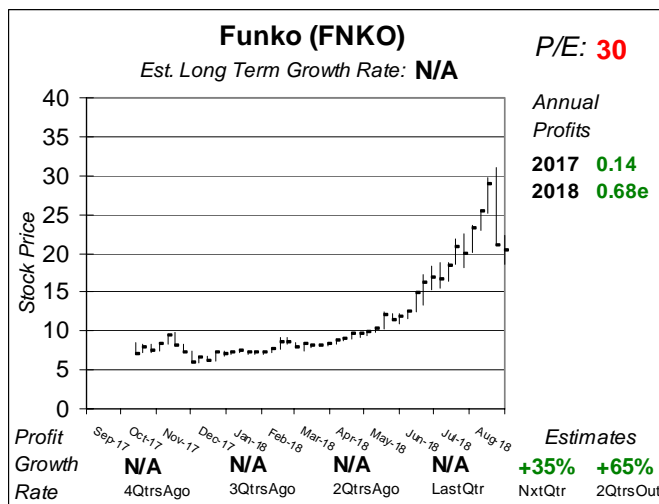
Fortnite is one of the top video games right now.

Speaking of video games, Funko has the opportunity to put their action figures in games – like Lego did years ago with Lego Star Wars. This could mean growth opportunity.

FNKO is on the radar for the **Growth Portfolio**.

### Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	0.68	x	30	=	20	
2018 Est	0.68	x	25	=	17	-16%
2019 Est	0.93	x	25	=	23	14%



## Current Holding – Ollie's Bargain Outlet (OLLI)

**Ollie's Bargain Basement (OLLI)** is part of the **Growth Portfolio**, and has had a fantastic year as it too has capitalized on Toys-R-Us' demise.

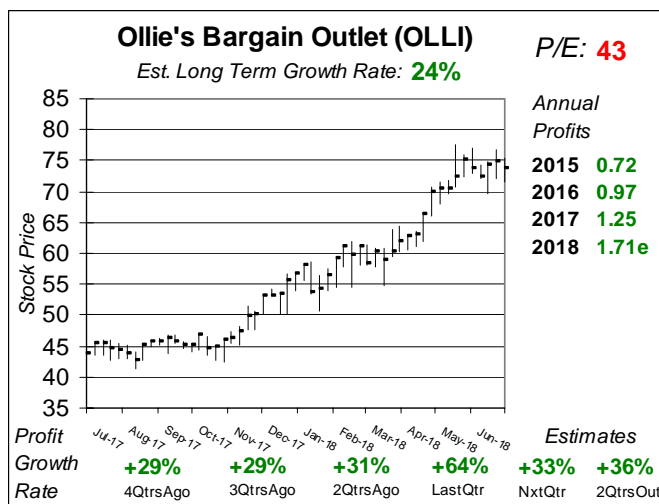
Ollie's delivers a treasure-hunt shopping experience in offering closeout products bought at a discount and then selling them for 20-70% off retail and still

making a healthy 15% pre-tax profit. Toys were 5.5% of sales last year, and with Toys R Us out of business, Ollie's will sell more toys. Also, Ollie's could get deals on buying toys via liquidation sales and closeouts.

Since 2001 Ollie's has grown from 100 stores to 268, with a potential of 950 stores in the US.

### Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	1.71	x	43	=	\$74	
2018 Est	1.71	x	38	=	65	-12%
2019 Est	2.02	x	38	=	77	4%



## Current Holding – Align Technology (ALGN)

**Align Technology (ALGN)** is a REALLY hot stock. It's soared from less than \$100 a share to more than \$375 during the past two years.

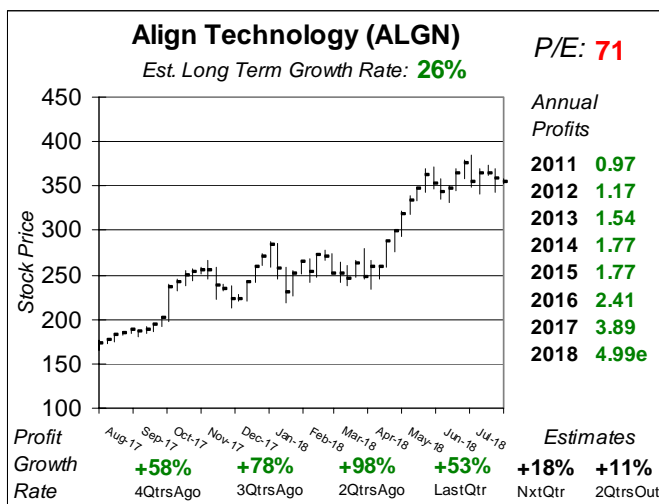
Align designs and manufactures Invisalign clear braces, and the scanners used to scan teeth for a fitting. Teens make up 75% of case starts each year.

Sales & profits have been soaring, as ALGN has been crushing analyst estimates. Thus these *Estimates* you see in the chart might not be high enough.

These ALGN charts and tables were done in August. I purchased ALGN in the **Growth Portfolio** around \$317 last week during the stock market selloff.

### Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	4.99	x	71	=	\$354	
2018 Est	4.99	x	50	=	250	-30%
2019 Est	6.26	x	50	=	313	-12%





## Stocks on a Radar – PetIQ (PETQ)

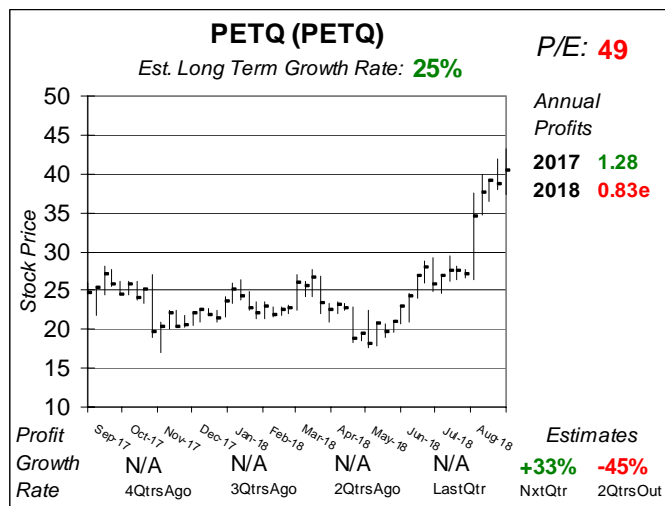
PetIQ (PETQ) is a manufacturer and distributor of veterinarian and over-the counter medications for pets. The company sells its products to distributors, retail stores, warehouse clubs and pharmacies.

In January 2018 agreed to acquire VIP Petcare, a leading provider of veterinary services, as

well as a distributor of pet wellness products and medications. So now PetIQ is vertically integrated.

In March PetIQ announced a partnership with Walmart to put 20 stores – named VetIQ – in Walmart locations. And in August they announced plans for up to 1000 locations. That's big.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	0.83	x	49	=	\$40	
2018 Est	0.83	x	50	=	42	3%
2019 Est	0.96	x	50	=	48	19%



## Current Holding – Floor & Décor Holdings (FND)

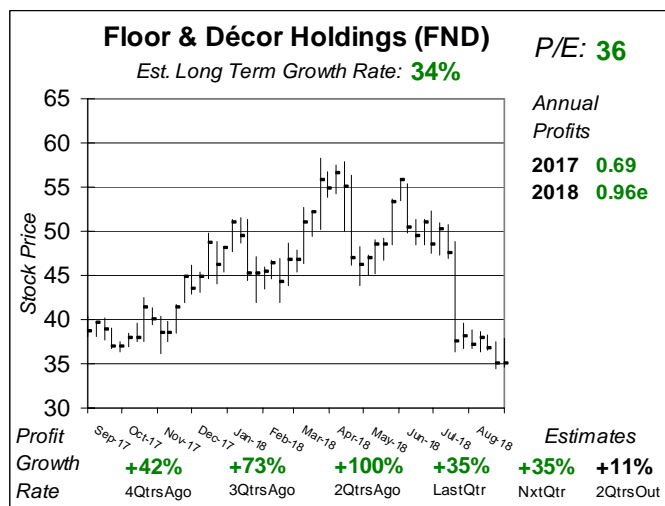
Founded in 2000, Floor & Décor (FND) offers the flooring industry's broadest assortment of tile, wood, laminate and stone flooring in huge 70,000 sq ft warehouse formats, compared to home improvement centers which dedicate just 3000 to 5000 ft to hard surface flooring.

FND might be the next big thing in

retail as its format mirrors Home Depot's in a way.

FND stock is down from its highs, and is around a 52-week low. The reason is tough comparisons from a year ago, when hurricanes whipped through Houston, an area Floor & Décor has locations. This year's hurricanes aren't in areas where F&D is.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	0.96	x	36	=	\$35	
2018 Est	0.96	x	50	=	48	37%
2019 Est	1.21	x	50	=	61	73%



## Stock Education

During 2003-2006 David wrote the portfolio management blueprint, *The School of Hard Stocks*, and executed the plan. During those four years he used this strategy to compile a compounded return of 100.57%.

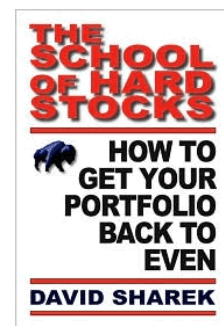
Completed at the end of 2006, Sharek used *The School of Hard Stocks* in 2007 to grow stock

portfolios 42% and beat the market (S&P 500) by 39%.

In January 2008 David wrote a postscript to the book and had *The School of Hard Stocks* published through Amazon.com and Barnes & Noble. In the postscript he wrote to hold Apple (AAPL), Baidu.com (BIDU), Google (GOOGL) Intuitive Surgi-

cal (ISRG), Priceline.com (PCLN) and Research in Motion (RIMM). Five of those six stocks continue to be stock market leaders and are in his portfolios today. Read more and look inside at [schoolofhardstocks.com](http://schoolofhardstocks.com).

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### Portfolio Management

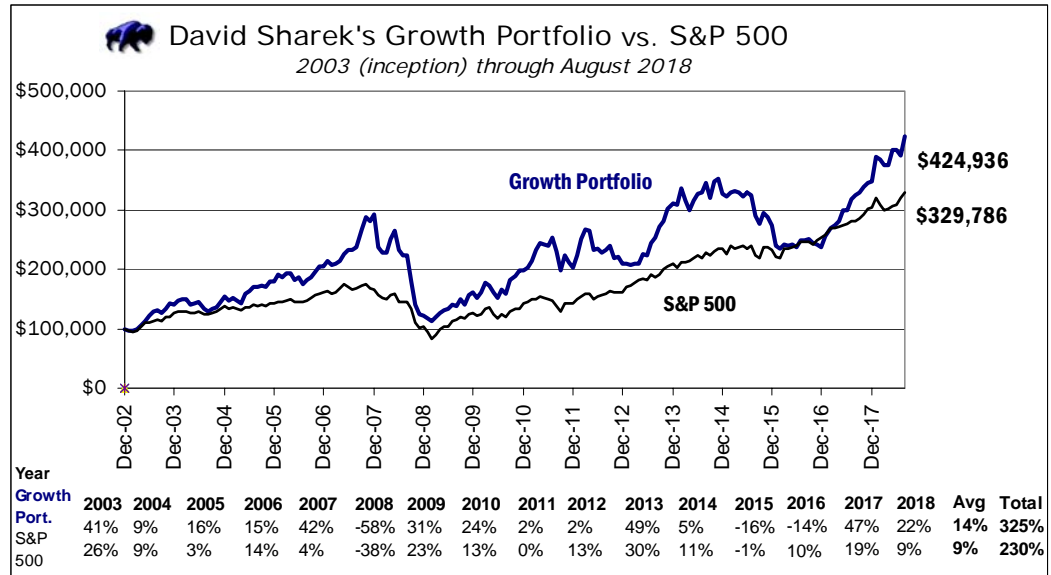
#### Let us manage your stock portfolio

David Sharek manages brokerage accounts and IRAs on a fee-basis. Returns shown here are after fees. Minimum account size: \$100,000.

David Sharek personally manages each stock portfolio individually.

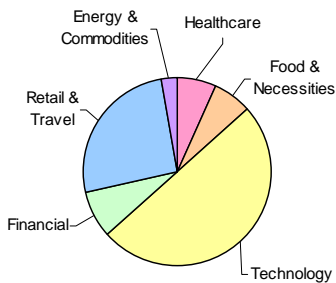
Account types include individual accounts, joint accounts and IRAs.

Clients can log online and view their accounts at any time.



#### Sector Key

Healthcare	7%
Food & Necessities	7%
Technology	52%
Financial	8%
Retail & Travel	27%
Energy & Commodities	3%



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#### Growth Portfolio - Holdings as of 12/31/17

Security name	Ticker	Portfolio Percent	Est LTG	Yield	Est. Total Return	Price	2018 Fair Value	Upside/Downside to FV
1 Alibaba	BABA	7.4%	33%	0%	33%	\$172	\$270	57%
2 Facebook	FB	7.1%	27%	0%	27%	\$176	\$245	39%
3 Weibo	WB	6.5%	66%	0%	66%	\$103	\$177	71%
4 Tencent	TCEHY	6.5%	40%	0%	40%	\$52	\$61	17%
5 YY	YY	5.1%	30%	0%	30%	\$113	\$179	58%
6 Adobe Systems	ADBE	4.9%	23%	0%	23%	\$175	\$223	27%
7 PayPal	PYPL	3.4%	21%	0%	21%	\$74	\$91	24%
8 UnitedHealth	UNH	3.2%	15%	1%	16%	\$220	\$238	8%
9 Amazon	AMZN	3.2%	20%	0%	20%	\$1,169	\$1,004	-14%
10 Salesforce.com	CRM	3.0%	25%	0%	25%	\$102	\$130	27%
11 Tesla	TSLA	2.9%	35%	0%	35%	\$311	\$378	21%
12 Constellation Brands	STZ	2.9%	17%	1%	18%	\$229	\$222	-3%
13 Ollie's Bargain Outlet	OLLI	2.8%	19%	2%	21%	\$53	\$50	-6%
14 New Oriental Education	EDU	2.7%	32%	0%	32%	\$94	\$109	16%
15 Apple	AAPL	2.6%	11%	2%	13%	\$169	\$206	22%
16 Global Payments	GPN	2.6%	19%	0%	19%	\$100	\$122	22%
17 Domino's Pizza	DPZ	2.5%	19%	1%	20%	\$189	\$207	10%
18 Netflix	NFLX	2.5%	61%	0%	61%	\$192	\$181	-6%
19 Workday	WDAY	2.4%	108%	0%	108%	\$102	\$145	43%
20 Five Below	FIVE	2.4%	22%	0%	22%	\$66	\$63	-5%
21 Visa	V	2.3%	17%	1%	18%	\$114	\$114	0%
22 Paycom Software	PAYC	2.3%	28%	0%	28%	\$80	\$92	15%
23 Home Depot	HD	2.3%	13%	2%	15%	\$190	\$191	1%
24 Netease	NTES	2.2%	13%	0%	13%	\$345	\$300	-13%
25 Alphabet	GOOGL	2.1%	21%	0%	21%	\$1,053	\$1,247	18%
26 Baozun	BZUN	2.0%	69%	0%	69%	\$32	\$46	46%
27 Celgene	CELG	2.0%	21%	1%	22%	\$104	\$155	49%
28 JD.com	JD	2.0%	140%	0%	140%	\$41	\$65	57%
29 Priceline	PCLN	1.9%	16%	0%	16%	\$1,738	\$2,078	20%
30 SS&C Technologies	SSNC	1.9%	14%	1%	15%	\$40	\$49	21%
31 Ulta Salon	ULTA	1.9%	18%	0%	18%	\$224	\$266	19%
32 Regeneron	REGN	1.7%	18%	0%	18%	\$376	\$582	55%
33 Baidu	BIDU	1.7%	26%	0%	26%	\$234	\$305	30%
34 Monster Beverage	MNST	1.6%	20%	0%	20%	\$63	\$51	-19%
35 Starbucks	SBUX	1.5%	15%	2%	17%	\$57	\$59	3%
36 The Trade Desk	TTD	1.5%	35%	0%	35%	\$46	\$54	18%
Cash		-7.4%						
<b>Total</b>		<b>100.0%</b>	<b>31%</b>	<b>0%</b>	<b>32%</b>			<b>21%</b>