HAYDEN CAPITAL

QUARTERLY LETTER

2026 | Vol.3

HAYDEN CAPITAL

6565 SUNSET BLVD
SUITE 420
LOS ANGELES, CA 90028
HAYDENCAPITAL.COM

November 25, 2026

Dear Partners and Friends,

It's been a difficult year. As of the third quarter, our portfolio is down -24%, in a market that's up double digits – a sharp reversal from just a year ago, when we were ahead of our benchmarks by 3 – 6% a year.

Notably, earnings across the portfolio have continued to grow, but the stocks have been caught in a market that now punishes any wobble far harder than it used to. We've tried to adapt by being more nimble around position sizing, which has contributed a few percentage points this year.

Time Period	Hayden (Net) [1]	S&P 500 (SPXTR)	MSCI World (ACWI)
Q3 2026	(0.4%)	2.3%	1.2%
2026 YTD	(23.6%)	12.7%	12.9%
Annualized Return	**11.3%**	**13.7%**	**10.7%**
Since Inception	**256.4%**	**360.9%**	**236.1%**

We've been through drawdowns like this before, and they never feel easy in the moment. But they've also taught us that when the fundamentals hold up, share prices do eventually follow, even if it takes longer than we'd like.

**

Our strategy has typically been weighted towards global consumer internet and digital businesses, and over the last twelve months these stocks have been deeply out of favor. Fears of AI disruption, war-driven oil prices, and tightening monetary policy have compounded one another, weighing on the entire group.

Yet while sentiment has been cloudy, and capital rotated out of these names to fund the AI buildout, our businesses continue to chug along. This isn't to say there aren't issues though. Competition has increased in several of our markets, and many of our companies are in the middle of large investment cycles – forgoing some profits today to build more durable businesses

1 Hayden Capital returns are calculated net of actual fees directly deducted from client accounts, for the period from inception (November 13, 2014) to December 31, 2020. Starting on January 1, 2021, reported performance is reflective of a representative account, managed in accordance with Hayden's strategy with no client specific investment guidelines or limitations, made no subsequent investments or redemptions, and remains invested. The representative account paid a management fee of 1.5% and incentive fees of 0%. Clients who elect the performance fee option for their accounts may pay higher fees and therefore realize lower net returns, during years of strong investment performance. Individual returns may vary based on timing of investment and your specific fee schedule. Performance results are net of expenses, management fee and incentive fees. Past performance is not indicative of future results. Hayden Capital launched on November 13, 2014. Performance for both Hayden Capital and the indexes reflects performance beginning on this date.

tomorrow. Even so, the majority are on track to grow earnings this year, and I expect that growth to continue for the foreseeable future.

Global internet platforms have performed especially poorly, with the largest companies in each geography uniformly down almost 50% over the last year[2]. Our partners and anyone who's read our past work, knows that I believe these are some of the best business models in the world.

While the market worries about AI disintermediating traffic to these platforms, I think what's missed is that these companies are far more than a website, app, or even a retailer. They are essential commerce operating systems in their markets, owning the largest logistics, payments and advertising businesses. In the US, merchants can bypass the marketplaces entirely, since Shopify and direct "brand.com" sites make up about a quarter of online sales. In Latin America, East Asia, and Southeast Asia, that alternative barely exists. If AI agents grow more popular, my bet is they'll have no choice but to partner with these platforms.

So why are the stocks trading so weakly? To be honest, I don't know. But I have some guesses (discussed more below). In a typical year, some of our stocks go up and some go down, driven by company-specific factors, and that counterbalance smooths out portfolio-level performance. This year, company-specific nuances seem to have been tossed aside, as everything within our universe trades down together.

Global Internet Platforms Are Down Almost -50%

As of November 2026



Valuations offer at least part of the explanation. The forward P/E on tech stocks has fallen -36% from its peak late last year, from 28x to roughly 18x. That's one of the sharpest compressions this decade, on-par with both the 2020 Covid crash and the 2022 rate shock.

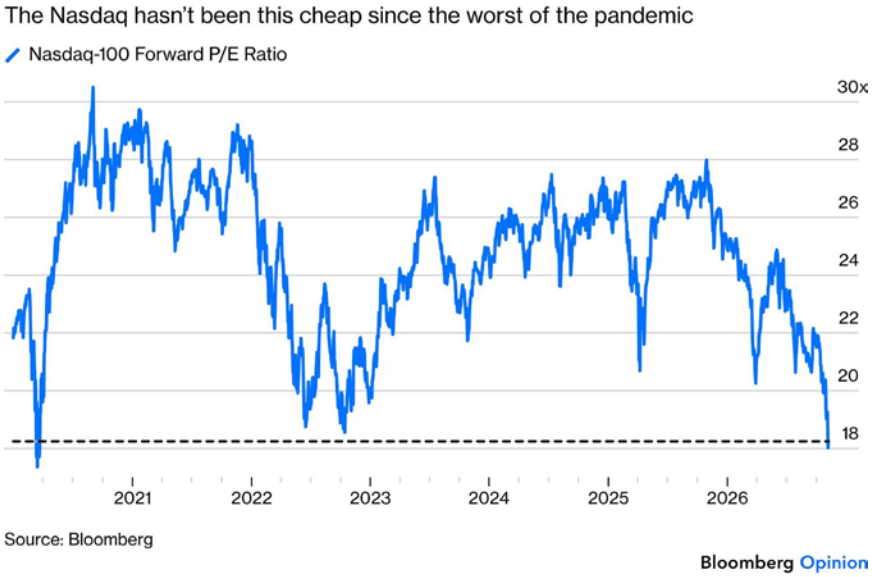
Granted, some of this comes from a shift in where tech earnings come from. A growing share is now tied to the AI buildout – chips, memory, networking, data centers – and investors pay a low multiple for those profits, worried they're cyclical and won't last. As those earnings become a bigger part of the total, the average multiple falls with them.

[2] Alibaba, Kakao, Sea Ltd, Mercado Libre, Tencent, Rakuten Group.

Yet even outside AI, there was nowhere to hide. Ex-semiconductors, tech valuations still fell -28%.

Tech Valuations Have Declined -36%

As of November 2026 (LINK)



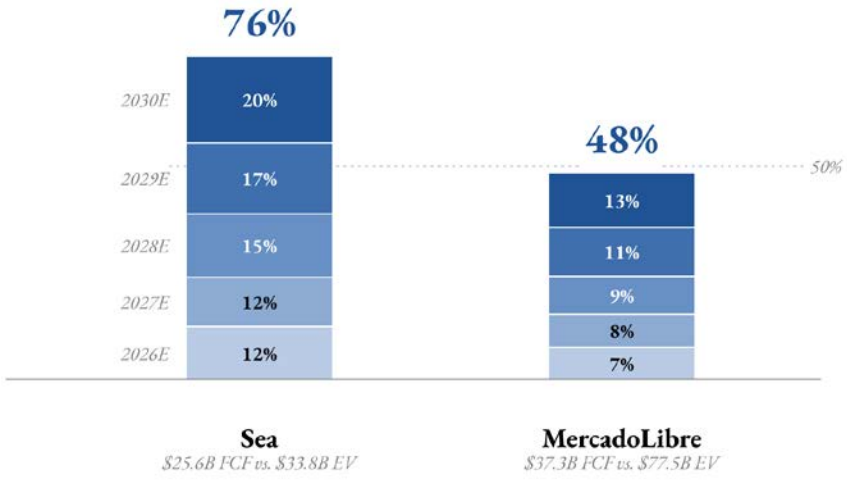
**

Meanwhile, I think this year's share price volatility says far more about investor sentiment than about how consistently these businesses have executed.

If we were the founders of these companies, with nearly all our net worth in one of them, we wouldn't judge our progress by the quarterly or even yearly stock price. We'd judge it by whether the business got stronger, and is capable of earning more profits year after year. We don't control these companies, so we diversify across a handful. But we try to keep that same mindset.

Next Five Years of Free Cash Flow vs. Today's Enterprise Value

Cumulative FCF excluding customer float, 2026-2030E; Source: TIKR consensus estimates, Hayden Capital estimates



Ironically, the very thing that usually makes technology stocks volatile – most of their value sitting in distant future cash flows – no longer applies. At today's prices, Sea Ltd and Mercado Libre would return almost half of their market value in free cash flow within the next five years.

Our portfolio's aggregate earnings are expected to grow 24% this year[3], led by our core investments in Sea (+15%), AppLovin (+67%), Nubank (+45%), and Meta (+24%)[4]. Yet in the medium term, on 2029 consensus estimates, the portfolio trades at just 11x earnings and 10x EV/EBIT – valuations typically reserved for mature businesses little growth potential.

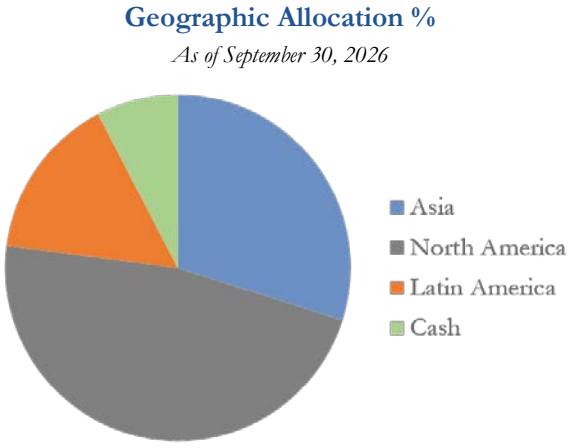
Put simply, the market is pricing these businesses as if their growth is about to stop permanently. It hasn't. Even consensus expects their free cash flow to grow 2-3x over that time.

At these prices, any growth that does come is essentially free. For us to lose money, our earnings estimates would need to be substantially off the mark over the next few years. If earnings simply keep compounding, as they have throughout this drawdown, it's hard to see a permanent loss of capital from here.

Of course, I'm not saying the stocks will appreciate next quarter – that's impossible to call. But I believe we own some of the best-run, most defensible companies in the world… and we're getting them on sale.

I'm wary of sounding too confident after a year like this one. But it's been a long time since we've seen our businesses available at prices this attractive. Given our past experiences with drawdowns, moments like this tend to lay the foundation for strong returns in the years that follow.

**



[3] Excludes Coupang, which swung to a temporary loss this year following its data incident.

[4] Our other two core investments, Coupang and Mercado Libre, will report lower earnings this year. At Coupang, this is the result of last year's data incident. Customer counts have already recovered above pre-incident levels, and management expects margins to recover by mid-2027. At Mercado Libre, it reflects aggressive reinvestment in fulfillment, logistics, and marketing.

During the third quarter, our portfolio declined -0.4%. This compares to the S&P 500's +2.3% and MSCI World's +1.2%. Since inception, we've generated +11.3% annualized after fees, versus the S&P 500's +13.7% and MSCI World's +10.7%.

Geographically, ~30% of our portfolio is invested in Asia, ~47% in North America, ~15% in Latin America, and the rest in cash.

The Stock Isn't The Business

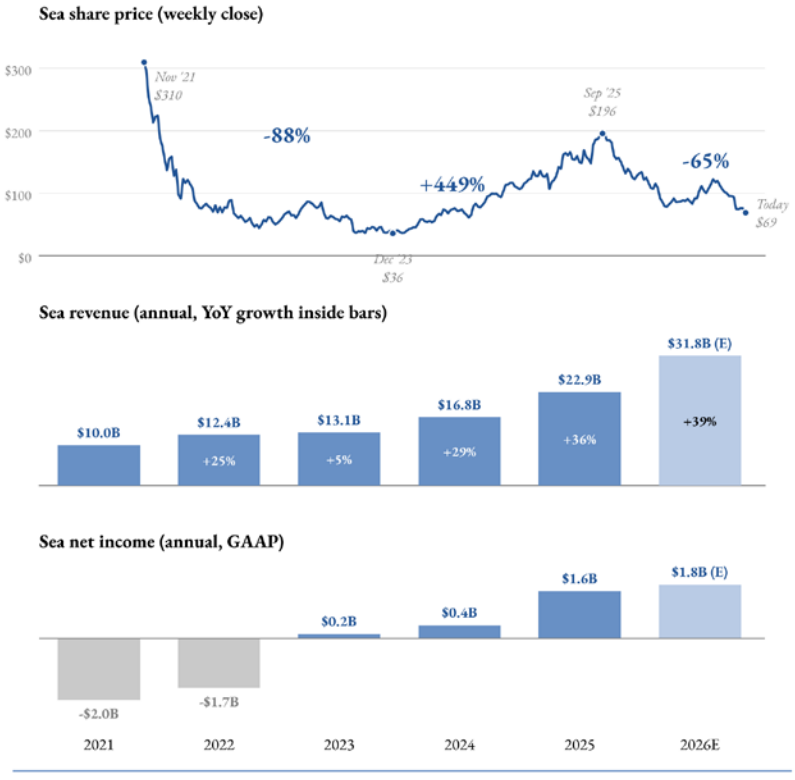
It should come as no surprise to our partners, that our portfolio is more volatile than most. We run a concentrated portfolio, and we've historically focused on technology companies, one of the most volatile sectors in the market.

But over the last few years, and especially this year, the level of choppiness has surprised even us. There seems to be less tolerance for slight earnings misses, with companies losing (or gaining) a quarter or more of their value on a single earnings print.

I've talked about changes in the market structure periodically the last few years. But lately, it feels like this trend is accelerating. Stock prices are moving far more violently than the businesses underneath them, and I worry it's becoming a structural feature.

The Stock Swings Wildly, But The Business Didn't

Sea Ltd, share price vs. revenue and net income (2021 – 2026)



Sea is the clearest example in our own portfolio. Since November 2021, the share price fell ~88% to a low of $36 in December 2023, then rose roughly 5.5x to $196 by September 2025, and has since fallen ~65% to ~$70 today. Any one of those moves would be extraordinary. Yet the stock managed all three in under five years.

What did the business do over the same period? You might expect equally choppy financials, given the stock performance. Yet revenue grew every single year, from $10BN in 2021 to an estimated ~$32B this year. And the company went from losing -$2BN to making +$1.8BN annually over that time. There was no year where Sea's business shrank, nor where the investment case broke. If you only looked at the financial statements, you'd describe the last five years as steady, if uneven, compounding.

The stock chart tells a completely different story though. And Sea isn't unusual. Many of the companies we own have had some version of this experience recently – the fundamentals march forward, while the share price lurches 30-50% in either direction around them.

So why is this happening, and what should we do about it?

Who Sets the Price Has Changed

I suspect the short answer is that the people setting prices today are very different from the people who set them a decade ago, when I launched the firm. And I think that's the source of our frustration, and something we are working to adapt to.

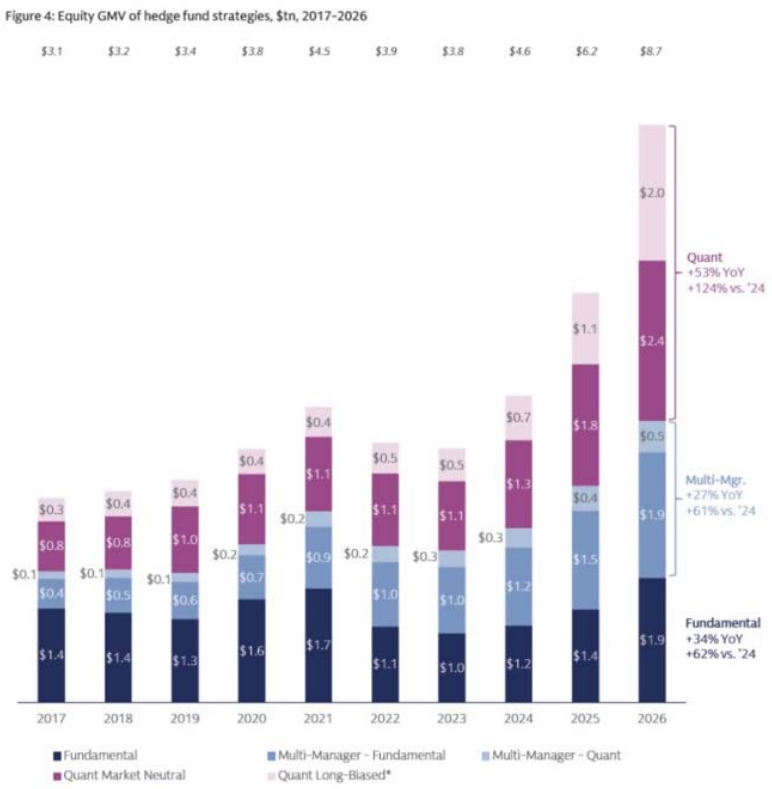
Indexing. Passive funds now hold more U.S. fund assets than active ones, a line they crossed in 2023. An index fund buys a company because it's in the index, not because of anything specific about the business. That money is largely inert, which means a shrinking slice of each company's shares is actually "in play" / available for trading on any given day. This alone doesn't change market efficiency. But when the float that trades are thinner, the same amount of selling moves the price further.

The rise of pods and quants. Goldman Sachs' prime brokerage data shows how dramatically the mix of hedge fund capital has changed. Equity gross exposure across hedge funds has nearly tripled, from $3.1 trillion in 2017 to $8.7 trillion in 2026. But almost all of that growth came from quantitative and multi-manager ("pod") strategies. Quant exposure alone went from $1.1 trillion to $4.4 trillion, and is up 53% in the last year.

Traditional fundamental investors, the ones doing what we do, grew too, from $1.4 trillion to $1.9 trillion. But as a share of the pie, they went from roughly 45% of hedge fund equity exposure in 2017 to about 22% today. In other words, the other side of the trade is increasingly an algorithm or pod with a 5% stop-loss, rather than an investor underwriting what a business looks like in five years.

Hedge Fund Industry Assets

Source: Goldman Sachs Prime Services



Leverage. The numbers in the chart above are gross exposure across hedge funds. Notably, leverage keeps climbing, with Goldman reporting that gross leverage across its prime brokerage book rose for a third straight year to a record high at the end of 2025.

Bill Ackman, of Pershing Square, made the same observation on a podcast a couple of weeks ago (LINK). His point was that a high-quality business which disappointed used to drop a few percent, whereas today the stock "could drop 30 or 40% on a miss." He attributes it to the same two forces: indexation shrinking the float, and a growing pool of short-term, leveraged capital.

We see it in the options market too. For example, heading into its most recent earnings, Amazon, one of the most widely held and analyzed companies in the world, was priced for a 7%+ move in a single day.

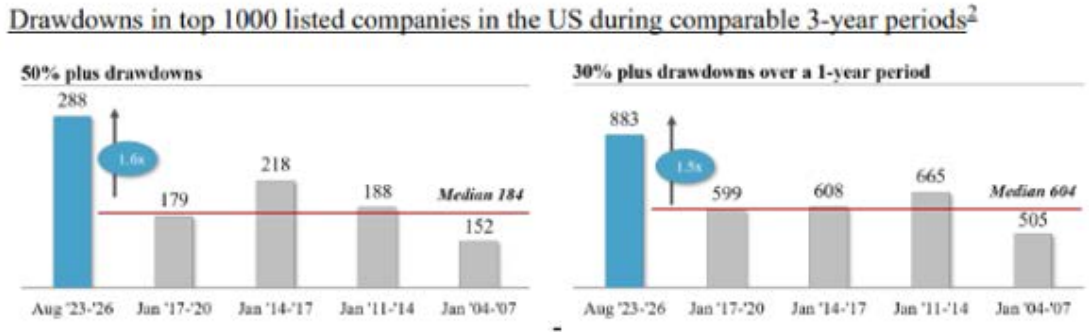
The Data Backs It Up

And this isn't just a feeling. My friend, Pulkit Agarwal at Vedant Capital, shared a striking set of numbers in his recent investor letter. Among the 1,000 largest listed U.S. companies, 288 suffered a drawdown of 50% or more during the three years from August 2023 to 2026. Across four comparable three-year windows going back to 2004, the median was 184. That's roughly 60% more stocks being cut in half.

The same pattern shows up on a shorter timeline too. 883 of those companies fell 30% or more within a single year during the recent period, versus a median of 604 in the earlier windows, about 1.5x as many. Notably, the recent period was not a recession, nor a financial crisis. It was, by most measures, just a typical year in the markets.

Drawdowns Occur More Frequently

Source: Vedant Capital

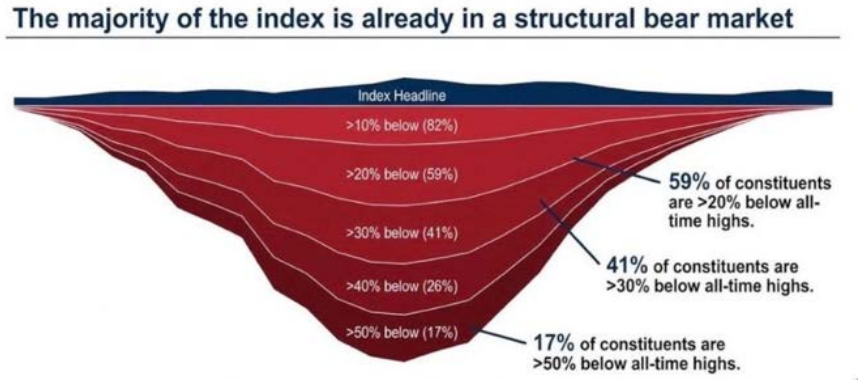


But everyday investors probably don't know this is occurring, as the index hides this well.

The S&P 500 sits within a few percent of its all-time high, yet underneath the headline, a majority of its members are in their own bear markets today. Roughly 59% of constituents are more than 20% below their highs, 41% are more than 30% below, and 17% are more than 50% below.

Stealth Bear Market

Source: X.com (LINK)



Put those together, and the result is a market where the average stock is far more volatile than the index suggests, and also far more volatile than it used to be. The businesses haven't become riskier, but the nature of the capital that's trading the stock has changed.

Zero Tolerance for Losses, Ironically Creates More of Them

What's notable, is that the hedge fund platforms driving this were designed to be *less* risky, not more.

For those that aren't familiar, a multi-manager fund allocates capital to dozens or hundreds of small teams, each running a tightly hedged book. The key feature is a very low tolerance for losses. A portfolio manager who loses a few percent (usually 5%) has their capital cut. Lose a bit more (~7.5 - 10%), and they're usually out. Combined with leverage, this produces smooth returns for the fund's investors, which is exactly why so much capital has flowed to these strategies.

The irony is that every individual pod behaving prudently makes the overall market more fragile. Many of these teams own similar stocks, screened on similar data, with similar catalysts in mind.

So when a company misses a quarter, or a crowded trade starts to wobble, they all hit their risk limits at the same time.

Nobody is asking whether the business is still worth owning. The question is whether the position is breaching a drawdown limit, and the only way to fix that is to sell, now.

Layer leverage on top, and a modest disappointment becomes a forced liquidation. Quant strategies, which often key off price momentum, then pile on in the same direction. The selling feeds on itself until it exhausts, and the stock overshoots far below anything the fundamentals would justify. The same mechanics work in reverse on the way up.

One of the first lessons I learned as an investor was that volatility isn't risk. A stock falling doesn't mean the business got worse. The job was to assess risk, and price it accordingly. When the market got that price wrong, that was the opportunity.

Today, a large and growing share of the market operates on the opposite premise. For a pod with a tight drawdown limit, a falling price *is* the risk, regardless of what's happening to the business. As long as the stock exhibits negative price momentum, it's uninvestable. An entire multi-trillion dollar industry has been built around that idea.

Same Destination, Rougher Road

So what do we do about all this?

The simplest answer would be nothing. Our edge has always been time horizon. We own a handful of businesses we know deeply, and we're willing to hold them for many years while their earnings compound, even if the stock price can make for a bumpy ride.

If a stock gets cut in half for reasons that have nothing to do with the business, the patient investor eventually gets made whole as the earnings keep growing. Over a long enough period, the price follows the fundamentals.

I still believe all of that. But I've also come to appreciate that "eventually" can be a long time, and the path matters for our partners.

A portfolio that ends up in the same place, but gets there via a 50% drawdown and a 3x rebound, is a very different experience from one that gets there steadily. It's harder to deal with emotionally. It tests the conviction of even our most patient partners, ourselves included. And it can push people into decisions at exactly the wrong moment, adding money near the highs or pulling it near the lows, that turn a good investment into a poor investor outcome.

In the old market structure, tolerating this volatility was largely the price of admission for long-term returns. In today's market though, where the swings are bigger and more frequent, I think there might be an opportunity to do a bit better than simply sitting through it.

Being More Nimble

In practice, this means holding our position sizes to a tighter standard. Historically, if our long-term earnings view held up and the expected return over the next several years looked attractive, we held through the swings. Now, when a stock runs well ahead of its near-term fundamentals, we're more likely to trim, even if we still like where the business is headed. And when it falls well below them, we add. The destination hasn't changed. We're just trying to take more advantage of the swings along the way.

Done well, this does two things at once. It hopefully reduces the volatility our partners experience, because we're leaning against the extremes rather than riding them fully. And it adds a source of return on top of the underlying business compounding, because we're buying more when prices are low and less when they're high. At least, that's the goal if done well.

That said, I want to be clear about what this is not. We are not becoming traders, and we are not trying to predict quarterly results or out-run the quants at their own game. That would make our results worse. A few guardrails keep us honest:

- **The thesis drives the position, not the price.** We only add to companies where our view of the long-term earnings is intact, and we only trim when short-term valuation has run well ahead of it. If the business changes, that's a different decision entirely.

- **The core stays in place.** These are adjustments around our long-term positions, not wholesale exits and re-entries. We still own every business for its multi-year compounding.

- **We stay inside our circle.** We only do this in companies we know deeply enough to judge when the price and the business have truly come apart. Historically, that's been within consumer technology, gaming, fintech, and software. Although every year, we try to expand this circle of competence a little more.

Early Results

So far, it's working. This year, being more deliberate around trims and adds has contributed several percent to our returns, compared with simply holding our starting positions unchanged.

I'd caution against reading too much into a single year. It's a small sample, and undoubtedly, we will end up trimming too early or adding too soon. But the underlying logic gives me early confidence that we're on the right track. Market structure is pushing prices further from fundamentals, more often, and our job is to understand those fundamentals better than anyone. I think it's worth trying to take advantage of the gap when it's handed to us.

None of this changes what we own or why we own it. We're still long-term owners of a concentrated group of exceptional businesses, and the compounding of their earnings will remain the main driver of our returns. We're simply trying to make the ride a little smoother, and the destination a little better, along the way.

Questions I'd be Asking

If I were one of our partners, a year like this would leave me with a few questions. So let me try to answer them directly.

What went wrong?

I think our biggest mistake was in execution, rather than selection. I remain confident in our investments over the long-term. But volatility has become larger and more structural than I appreciated, and we were too slow to adapt to it.

For example, we sold a third of our remaining AppLovin position above $600 last year, after already selling 75% of our original position in 2024[5]. Even so, we should have trimmed more aggressively and recycled that capital into investments where market expectations weren't so high. That's what the changes described above are meant to address.

What hasn't changed much is what we own and how we choose it. We fully exited a few positions where we'd lost conviction, and recycled that capital into newer ones at better valuations (more on these in the Portfolio Review section). As always, some of the seeds we planted have started to sprout, and others haven't. But the core of the process is the same.

Why not sell and switch into what's working?

It's a fair question, and a tempting one in a bear-market. But we've been through multiple drawdowns before, and the lesson each time has been the same. The worst move in a drawdown is selling a business whose fundamentals are intact to buy a "defensive" one at a higher valuation, just because it feels safer. It makes sense emotionally, but it's rarely the right choice over the long run.

The stocks that recover are the ones where the business keeps getting better over the long-term, even if there's a temporary setback. The share price often won't respond until broader sentiment turns, and that can take longer than anyone would like. But when it does, these stocks have tended to move like a coiled spring. Sea went from $36 to $196 in under two years, when the company finally showed the underlying business' profitability, that they had been guiding to all along.

Switching now would mean selling businesses priced for very little growth, to buy ones that already price in a lot of good news. That's the opposite of what we're trying to do.

Why not change the strategy?

If you're going to change strategy at all – becoming less concentrated, shorter time horizon, different sectors, etc. – a drawdown is the worst time to do it. I've been around long enough to watch many funds do exactly that, only to end up with worse returns than if they'd simply stuck with their original approach through the tough stretch. The best future returns often come when it's most uncomfortable to own something.

[5] Selling that early in 2024 was its own mistake, and a topic for another time.

Drawdowns are hard on everyone, ourselves included, and the urge to do *something* is strongest when prices are making new lows. But that's also when expectations are lowest. Walking away forfeits the recovery that has historically followed for businesses whose fundamentals stayed on track.

What we are changing is at the margin – how actively we size positions around the extremes, as described above. What we're not changing is what we own, why we own it, or how long we're willing to hold it.

PORTFOLIO REVIEW

Usually we dive deeply into one or two portfolio investments in this section. But given a lot has happened this year, I thought it would be more practical to give a shorter update on each of our core positions, trading depth for breadth this time. In turbulent markets, knowing what we own, and why, is what gives us the confidence to hold through.

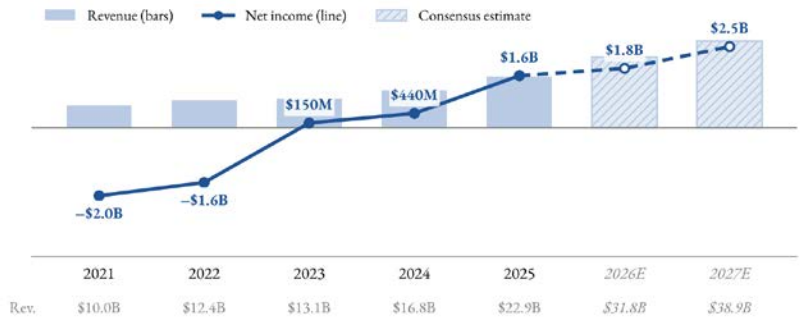
Partners looking for background on these businesses can find it in our older letters. This quarter, I want to focus on the one KPI that matters most for each company right now, and what needs to happen for the stock to work.

Sea Ltd (SE): Sea is Southeast Asia's largest internet company, with three businesses: Shopee, the region's largest e-commerce marketplace (also operating in Taiwan and Brazil); Garena, a gaming business best known for Free Fire, one of the world's most-played mobile games; and Monee, a digital lending and payments business built on top of Shopee's customer base.

Shopee is the core of the investment. It owns ~53% of Southeast Asia's e-commerce market and ranks #1 in all six of the region's major markets, in an industry that grew double-digits last year. That scale funds advantages smaller rivals struggle to copy, such as its own logistics network, its own payments, and now a lending book. Revenue grew 36% in 2025, and consensus expects ~39% growth this year.

Sea Ltd: Revenue vs. Net Income

Annual, $ billions, 2021 – 2027E



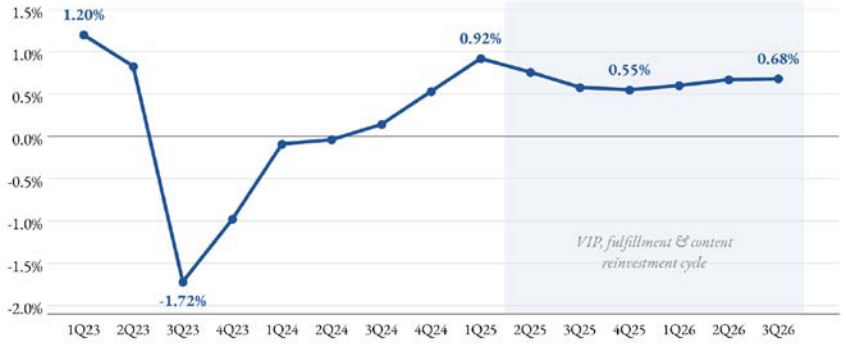
Source: TIKR; 2026E–27E consensus estimates (as of Nov 18, 2026).

The key debate at Sea Ltd, is when profitability per dollar of GMV will inflect, and by how much. Shopee has been steadily raising its take rate, from 13.6% in Q4 2025 to 15.3% in Q3 2026. But almost all of that extra revenue has been reinvested into Shopee VIP, fulfillment, and content, rather than flowing through to profits. The market is frustrated these higher revenues haven't trickled to the bottom line yet, to benefit shareholders. And the longer this goes on, the greater the fear that the higher spending is structural: a permanent cost of defending against TikTok Shop and other Chinese competitors.

In the third quarter, Shopee's adjusted EBITDA reached a record $269 million, up 45% y/y, on GMV of $39.7 billion (+23%, or +26.5% excluding currency effects). But that works out to just 0.68% of GMV, roughly flat with last quarter and still below the 0.92% peak Shopee reached in early 2025, before the reinvestment cycle began.

Shopee Adjusted EBITDA as a % of GMV

Quarterly, 1Q23 – 3Q26



Shopee segment adjusted EBITDA divided by Shopee GMV. Source: Sea Limited quarterly results, Hayden Capital calculations.

I don't think the spending is structural, for reasons I've discussed in prior letters. Shopee has defended its market position well at over 50% market share, even as TikTok Shop grew quickly, and TikTok's growth appears to have slowed in recent quarters. More importantly, the spending is already showing early results. VIP membership passed 21 million, up more than 40% sequentially, and those members drive close to 25% of GMV, with ~80% monthly retention. The bears' question is whether these customers stay once the promotions fade, or whether the spending becomes a treadmill Shopee has to keep running just to hold its ground.

For the stock to work, Shopee needs to show the payoff – margins moving back toward (and beyond) 1% of GMV, or faster top-line growth. That hasn't happened yet. But on the last earnings call, management confirmed that they expect margins to start increasing in the coming quarters.

Meanwhile, Sea as a whole keeps compounding. Revenue has nearly doubled in two years, from $16.8 billion in 2024 to an expected ~$32 billion this year, and consensus expects it to roughly double again by 2030.

Yet the stock is lower than it was two years ago, at roughly 15x earnings, against consensus EPS growth of ~26% a year over the next four years. Even in a pessimistic scenario, where Shopee's margins never improve and stay at ~0.7% of GMV, the company would still earn ~67% more by 2030 than it does today (a ~14% annual growth rate).

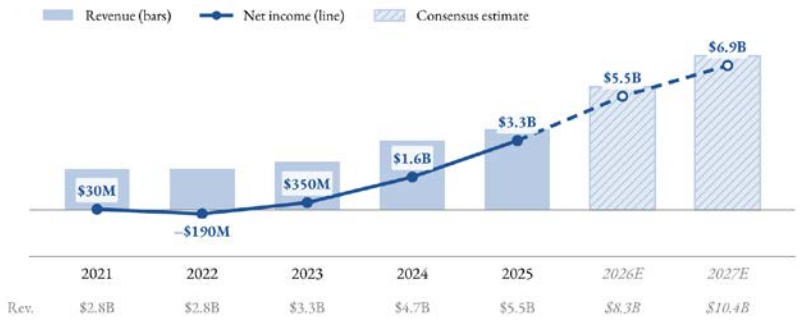
I think it's a good example of sentiment swinging far more than the fundamentals, and I think the market is now pricing in an overly negative outcome. At these prices, I think it's a classic case of the uncertainty being high, while the risk of permanent loss is low.

AppLovin (APP): AppLovin runs the advertising engine behind much of the mobile gaming industry. Its AI model, AXON, decides which ad each user sees, predicting who is likely to install, play, or buy a game. On the other side of the market, its MAX platform manages ad sales for ~70% of the top-grossing ad-supported mobile games, giving AppLovin an unmatched view of how users behave across mobile apps.

That advantage compounds, as better predictions attract more advertisers, which brings more developers onto MAX, which improves the predictions further. The result is one of the most profitable businesses in the market, with ~84% adjusted EBITDA margins. Advertising revenue grew 70% in 2025, and consensus expects total revenue to grow another ~52% this year.

AppLovin: Revenue vs. Net Income

Annual, $ billions, 2021 – 2027E



2021–24 include the apps business sold in 2025. Source: TIKR; 2026E–27E consensus estimates (as of Nov 18, 2026).

The KPI I'm focused on at AppLovin is the rollout of its e-commerce advertising business: specifically, how many web merchants are adopting AXON, its ad platform, for their online stores. After roughly two years in testing, AXON's e-commerce product opened to the public this past summer, and early traction looks encouraging heading into the holidays.

This matters because e-commerce is a market several times larger than mobile gaming, AppLovin's core business today, and each ad is more valuable. A shoe brand earns more from a sale than a game developer earns from an install, so it can afford to pay more for the same impression. For years, getting consumer brands to advertise inside games has been the "holy grail" that no ad network had cracked, until now.

But the bigger prize is *which* impressions e-commerce can monetize. AppLovin's CEO, Adam Foroughi, has said the company makes money on only a little over 1% of the ads it serves, since a game ad only works when the player is ready to try a new game. Most of the time, they're happily playing the one they're in, and the impression is wasted.

A merchant selling sweatshirts or supplements doesn't need that moment though, and can monetize impressions that were formerly wasted. With millions of products to choose from, far more of those dead impressions find something the user actually wants.

For Applovin, these are essentially 100% margin revenue sources, since they're now able to charge more for impressions they were already serving anyways.

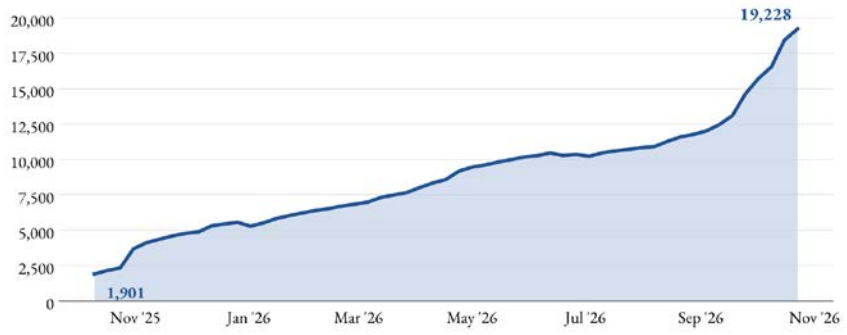
Additionally, as more ads convert, every impression is worth more. So advertisers bid more for it. As Foroughi put it, if the conversion rate goes up, the CPM goes up. In other words, e-commerce doesn't just add a new set of advertisers. It raises the price of every impression AppLovin already sells, gaming included.

Even so, the stock has been very volatile this year, for two reasons. First, the initial e-commerce rollout was slower than investors had hoped. Second, Unity began bidding into AppLovin's MAX ad marketplace, pressuring take rates mid-year and raising fears that competition would erode AppLovin's lead in gaming. The stock fell from over $700 to the low $200s, before recovering to ~$400 today.

Third quarter earnings helped ease both concerns. Revenue grew 55% to $2.2 billion, with gaming growing close to 50% as AppLovin's next-generation model rolled out, and adjusted EBITDA margins held at 84%. The results suggested that AppLovin and its competitors can both grow strongly in an expanding market. Meanwhile, e-commerce adoption has picked up significantly over the last couple of months.

Web Stores Running AppLovin's AXON Pixel

Weekly, October 2025 – October 2026



Web stores running AppLovin's AXON advertiser pixel, all platforms, weekly. Source: Store Leads, Hayden Capital AXON tracker.

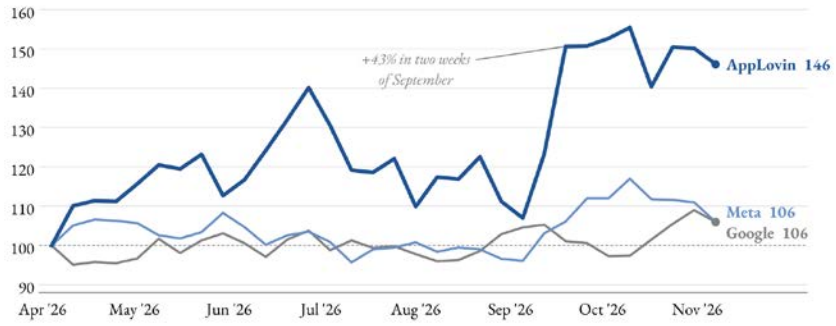
Our own tracking shows 19K stores running AXON's advertising pixel as of late October, roughly 8x a year ago, and up ~30% in the last month alone. Management's comments on the last call line up with what we're seeing – consumer advertiser spend grew double digits sequentially and triple digits year-over-year.

The clearest sign its working is what advertisers are paying. According to Northbeam, an attribution firm that measures ad spend for thousands of e-commerce brands, AppLovin's CPMs are up roughly 46% since early April, while Meta's and Google's are up only about 6% each.

The timing lines up too. AppLovin's prices slid through the summer while merchant adoption stalled, then jumped 43% in two weeks in mid-September, just as new advertisers arrived. A higher CPM is a cost to the brand, so it only makes sense for them to keep paying it if the sales follow. Brands paying 40%+ more on AppLovin, while Meta and Google barely moved, tells us the auction is getting crowded with buyers who think those impressions are worth it.

AppLovin's Ad Prices Are Pulling Away

Weekly CPM index for e-commerce advertisers, April 2026 = 100



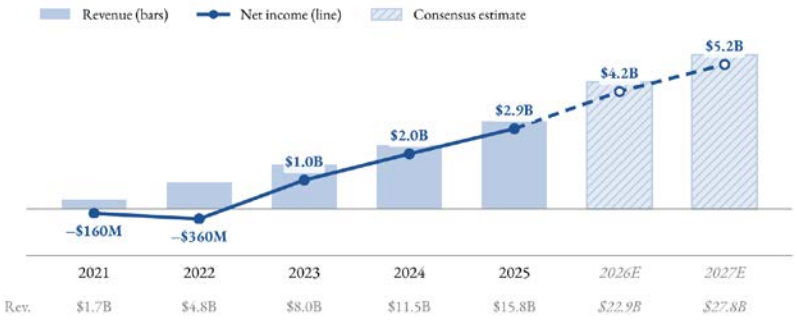
Weekly CPM change vs. prior week, compounded (index values approximate).
Source: Northbeam, The Media Buyer Index (Apr 4–10 to Nov 8–15, 2026), Hayden Capital analysis.

For the stock to work, AppLovin needs to keep gaming steady, while e-commerce becomes a second engine of real scale. Consensus expects ~25% revenue growth next year, which I think is too low, and may come in much higher (especially if the new model improvements provide a similar uplift as AXON 2). At today's price, the stock trades at roughly 17x earnings, and the company keeps buying back its own shares ($3 billion year to date, and $1.4 billion just last quarter).

Nu Holdings (NU): Nubank is Latin America's largest digital bank, offering credit cards, savings accounts, loans, and investments entirely through a mobile app, with no branches. It serves ~143 million customers across Brazil, Mexico, and Colombia, including ~61% of Brazil's adult population, and ended 2025 as Brazil's largest private financial institution by number of customers. Without branches, and with most customers arriving by word of mouth, its cost to serve each customer is a fraction of a traditional bank's. That lets Nubank charge less and still earn a ~30% return on equity. Revenue grew 37% in 2025, and consensus expects ~45% growth this year.

Nubank: Revenue vs. Net Income

Annual, $ billions, 2021 – 2027E

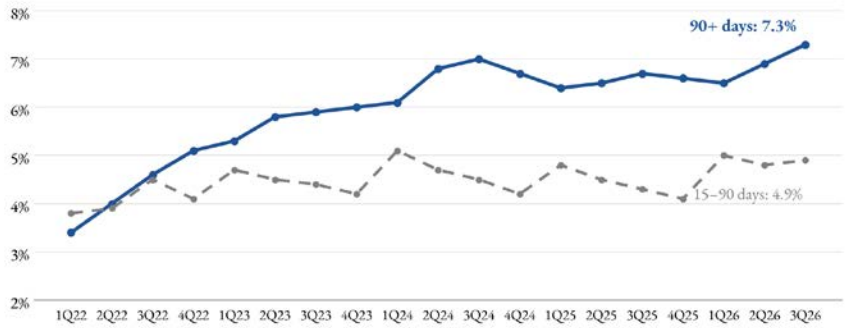


Source: TIKR; 2026E–27E consensus estimates (as of Nov 18, 2026).

Nubank's third quarter was another record: net income of $1.1 billion (+31%), revenue of $6.3 billion (+37% FX-neutral), and a 32% return on equity. The bank added 3.7 million customers to reach 143 million, with an efficiency ratio of just 19%.

Nubank Non-Performing Loans

% of credit portfolio, quarterly, 1Q22 – 3Q26



Non-performing loans as % of total credit portfolio. Source: Nu Holdings quarterly results and historical data.

Despite the strong results, the stock had a mixed reaction afterwards. The concern is with its credit quality, and whether Nubank is growing its loan book too fast. The credit portfolio grew 37% to $41.6 billion, and the 90+ day NPL ratio rose to 7.3% from 6.9% last quarter. That's above the 6.4 – 7.0% range it had held since mid-2024, which I highlighted in a recent post (LINK).

Management says part of this is deliberate though. It is extending more credit to customers, that its models now underwrite more confidently (backed by its NuFormer AI model). Measured against interest-earning balances, the early-stage 15–90 day delinquency ratio actually improved. Reserves are plenty, and still cover 90+ day NPLs 2.3 times over.

For the stock to work, these delinquencies need to stabilize while the loan book keeps compounding, especially in Mexico, where Nubank became a full bank this quarter and now serves 16.6 million customers. Additionally, the company is preparing to expand into the United States over the coming years, so we need to watch closely if those customers perform as well as its core.

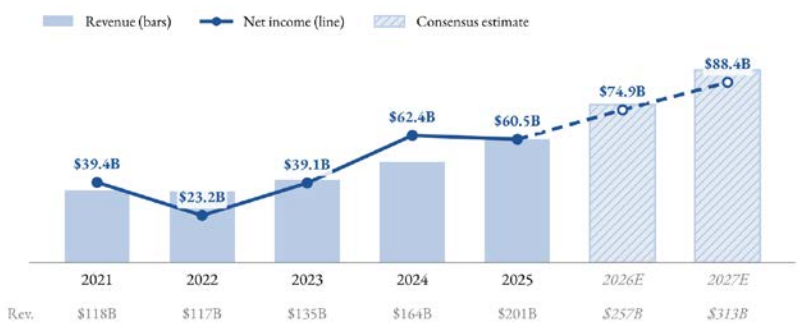
If credit holds, Nubank is a 30%+ ROE business growing earnings ~30% a year, at roughly 12x earnings. By the end of this decade, Nubank is on track for over $2 of earnings per share, implying 6x earnings at today's price. I see that as attractive, for one of the fastest growing, well-run banks in the world.

Meta Platforms (META): Meta should be well-known to most. It owns Facebook, Instagram, WhatsApp, and Messenger, and is used by more than 3.5 billion people every day. That reach, combined with years of data on what people engage with, makes Meta the most effective place for most businesses to advertise. This quarter, Meta will likely overtake Google as the world's largest digital advertising platform, with ~27% of global digital ad spend. Revenue grew 22% in 2025, and consensus expects ~28% this year, a rare acceleration for a business of this size.

Meta's core business is as strong as it's ever been. Third-quarter revenue grew 26% to $64.6 billion, the sixth straight quarter above 20%, with ad impressions up 10% and average price per ad up 14%. Muse, Meta's new AI personal agent, has already passed 10 million U.S. users.

Meta Platforms: Revenue vs. Net Income

Annual, $ billions, 2021 – 2027E

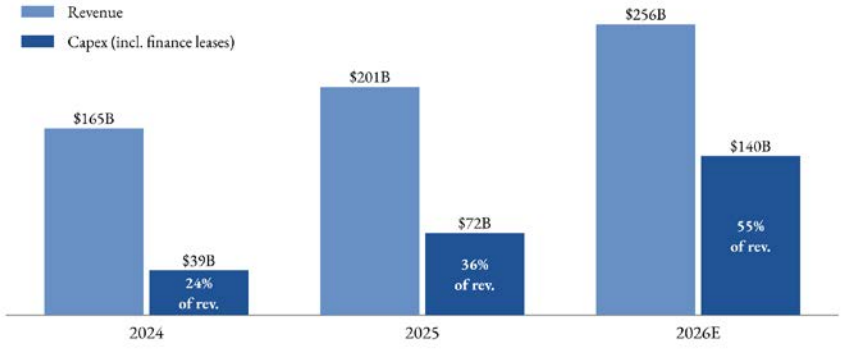


2025 net income includes a one-time ~$16B deferred tax charge. Source: TIKR; 2026E–27E consensus estimates (as of Nov 18, 2026).

The KPI that matters for the stock, though, is capital spending, measured as a share of revenue. The company is aggressively investing in its AI models, and will likely depress free cash flow over the next few years.

Meta Revenue vs. Capital Expenditures

Annual, $ billions



2026E = nine-month actuals plus Q4 revenue guidance midpoint; capex at midpoint of $135–145B guidance. Source: Meta Platforms quarterly results.

Capex reached $34.9 billion in the third quarter alone, and Meta expects $135–145 billion for the full year. That's roughly 55% of revenue, up from 36% last year and 24% the year before. As a result, free cash flow turned negative in the quarter, and has totaled ~$11 billion so far this year, versus $44 billion in all of 2025. The controversy is the same one I discussed above with the hyperscalers in our previous letters – will this spending earn an attractive return, and how quickly?

For the stock to work, Meta needs to show that the AI spending is paying off: revenue growth staying above 20% while capex growth slows from here, and Muse beginning to monetize.

Management expects AI products to start contributing incremental revenue in 2027, through commerce fees, subscriptions, and business services. I suspect the bigger payoff may be less direct though.

People tell an AI assistant things they'd never type into a search bar or post on Instagram, such as what they're shopping for, planning, or thinking about. If Muse's conversations feed into Meta's ad targeting, the main way Muse makes money may not be Muse at all, but more effective,

higher-priced ads across Facebook and Instagram. We may see monetization occur through acceleration of ad revenues, in those other channels instead.

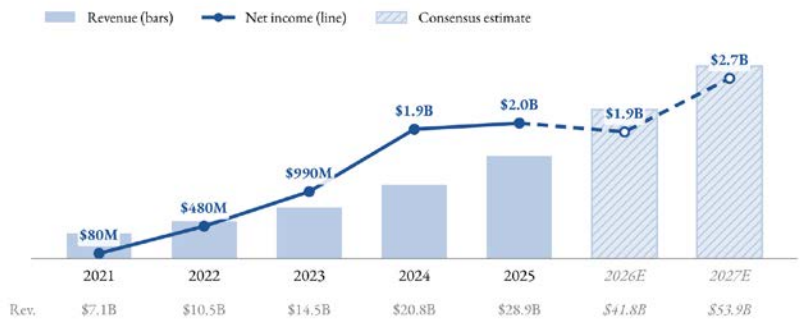
At today's ~$600 price, the stock trades at just ~16x earnings. Consensus expects EPS to reaccelerate to ~20% growth in both 2027 and 2028. That's a modest multiple for a business on track to double earnings (implying 8x earnings) by the end of the decade.

Mercado Libre (MELI): Mercado Libre is Latin America's largest e-commerce and fintech company, with its biggest operations in Brazil, Mexico, and Argentina. By some estimates, the company has about a third of all ecommerce market share in the region.

Like Amazon, it runs its own logistics network, which has steadily shortened delivery times and lowered costs. Its fintech arm, Mercado Pago, has grown into one of the region's largest digital banks, offering payments, credit cards, and loans to the same customers who shop on the marketplace. Revenue grew 39% in 2025, and consensus expects ~45% growth this year.

Mercado Libre: Revenue vs. Net Income

Annual, $ billions, 2021 – 2027E



Source: TIKR; 2026E–27E consensus estimates (as of Nov 18, 2026).

Mercado Libre: Growth vs. Margins

Quarterly, 1Q24 – 3Q26



Operating margin = income from operations / net revenues & financial income. Source: MercadoLibre quarterly results.

Mercado Libre is currently going through a reinvestment program, as detailed previously. Similar to Sea, the KPI here is the trade-off between growth and margins. Items sold grew 37% in the third quarter (45% in Brazil), and unique buyers grew 22% to 94 million. But operating margins

fell to 6.3%, from 9.8% a year ago, as the company absorbed more free shipping, added nearly 20% more fulfillment space in a single quarter ahead of peak season, and spent more on its affiliate channel.

The controversy is whether those margins come back. The market is treating today's 6% as the new normal, while I see it as the cost of building habits. Lower free-shipping thresholds mean smaller baskets and less shipping revenue per item, but in return, they've pulled forward years of customer growth. Management noted that cost per shipment is already falling in Brazil and Mexico. Meanwhile, fintech continues to perform: the credit portfolio grew 62% to almost $18 billion, with 15–90 day NPLs stable near all-time lows at 7.0%.

For the stock to work, operating margins need to stop falling and begin recovering as the new fulfillment capacity fills up and cost per shipment declines. Consensus expects ~17% annual EPS growth over the next two years, which in our view understates the earnings power once the investment cycle matures. The stock trades at ~30x earnings, a multiple that's inflated by temporarily depressed margins, and is down ~38% from its high.

Coupang (CPNG): Coupang is South Korea's largest e-commerce company, often called the "Amazon of Korea." It built its own nationwide logistics network, which delivers the vast majority of orders within 24 hours, including fresh groceries ordered late at night and delivered before breakfast ("Dawn Delivery"). Its WOW membership bundles free delivery, free returns, food delivery, and video streaming.

The company holds ~30% of Korea's e-commerce market, ahead of Naver at ~17%, and has gained share steadily for years. Revenue grew 14% in 2025, and with Taiwan emerging as a second growth market, consensus expects ~16% growth next year.

Coupang's Revenue vs. EBITDA

Annual, $ billions, 2021 – 2027E



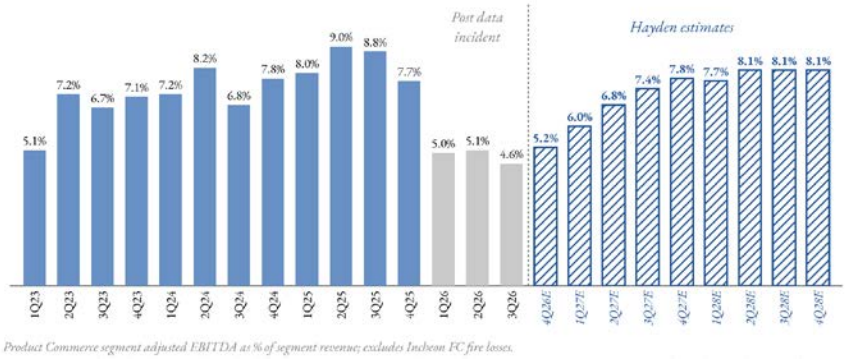
EBITDA shown because GAAP net income includes large one-time tax items. Source: TIKR; 2026E–27E consensus estimates (as of Nov 18, 2026).

Coupang's year has been defined by last year's data incident, in which a former employee accessed contact and order information from over 33 million customer accounts, leading to loss of trust among users. The company has had to pay hundreds of millions in fines, and multiples more on vouchers and marketing to retain users.

As such, the KPI I'm watching is Product Commerce EBITDA margin, which shows the cost of winning those customers back. In the third quarter, it fell to 4.6%, from 8.8% a year ago.

Coupang Product Commerce Adjusted EBITDA Margin

Quarterly, 1Q23 – 4Q28E; Hayden estimates from 4Q26E



Product Commerce segment adjusted EBITDA as % of segment revenue; excludes Incheon FC fire losses.

The controversy is whether the damage is permanent. The customer data is showing it isn't. Product Commerce active customers reached 25.2 million, above pre-incident levels, and consolidated constant-currency revenue growth accelerated to 11%. Coupang says that customers who stayed, are continuing to increase spending 16% y/y. Taiwan WOW membership doubled year-over-year, and Rocket Fresh grew at twice the rate of the overall business. Coupang also absorbed a fire that badly damaged its Incheon fulfillment center in July.

For the stock to work, margins need to recover. Management called the third quarter the low point, and expects Product Commerce margins to return toward pre-incident levels by mid-2027. With earnings temporarily depressed, P/E multiples aren't meaningful here.

On our estimates, the stock trades at roughly 9x 2027 Product Commerce adjusted EBITDA, for a business that was earning double its current margins just a year ago. On 2028 estimates, the stock is trading at just 7x EBITDA, for the leading ecommerce platform in Korea that is returning to double-digit growth in a few more quarters. The stock is down ~50% from its 52-week high.

Same Price, Different Company

It's striking how many consumer internet stocks are back to valuations we last saw in 2022, near the depths of that downturn. Yet the businesses underneath are far larger today, with much higher profitability, and a brighter outlook than they had back then.

Three of our core positions – Sea, Mercado Libre, and Coupang – are in the middle of reinvestment cycles, and share price-wise, all three are back where they traded in early-to-mid 2024. So it's worth asking: what did that share price buy us back then, and what does it buy us today?

Same Share Price, Different Company

Financials and valuation when each stock last traded at today's price, vs. 2026E and 2027E consensus

Sea Limited	Mid-2024 (~$70) LTM 2Q24	Today (~$66) 2026E consensus	2026E vs. then	2027E Consensus	2027E vs. then
Revenue	$14.5B	**$31.8B**	+120%	$38.9B	+169%
Adjusted EBITDA	$1.0B	**$3.7B**	3.7x	$4.5B	4.5x
Adj. EBITDA margin	7.0%	**11.6%**	+4.6 pts	11.6%	+4.6 pts
Net income	–$0.2B	**$1.8B**	Loss to profit	$2.5B	Loss to profit
Market cap / sales	~2.8x	**~1.3x**	–54%	~1.0x	–63%
EV / EBITDA	~39x	**~9.7x**	–75%	~7.9x	–80%

Mercado Libre	April 2024 (~$1,400) FY2023	Today (~$1,355) 2026E consensus	2026E vs. then	2027E Consensus	2027E vs. then
Revenue	$14.5B	**$41.8B**	+189%	$53.9B	+273%
Operating income (EBIT)	$2.1B	**$2.8B**	+34%	$4.0B	+88%
Operating margin	14.5%	**6.8%**	–7.8 pts	7.3%	–7.2 pts
Net income	$1.0B	**$1.9B**	+89%	$2.7B	+170%
Market cap / sales	~4.9x	**~1.6x**	–66%	~1.3x	–74%
EV / EBITDA	~28x	**~19x**	–30%	~14x	–49%

Coupang	Early 2024 (~$14) FY2023	Today (~$14) 2026E consensus	2026E vs. then	2027E Consensus	2027E vs. then
Revenue	$24.4B	**$37.7B**	+54%	$43.8B	+80%
EBITDA	$0.75B	**$0.57B**	–23%	$1.79B	+139%
EBITDA margin	3.1%	**1.5%**	–1.6 pts	4.1%	+1.0 pts
Market cap / sales	~1.0x	**~0.7x**	–35%	~0.6x	–44%
EV / EBITDA	~31x	**~43x**	+41%	~14x	–55%

Source: TIKR (2026E / 2027E consensus as of Nov 18, 2026; FY2023 actuals; share counts and net debt); Sea LTM 2Q24 adjusted EBITDA from company filings. Share prices as of Nov 19, 2026. Market cap / sales and EV / EBITDA use the stated share price and that period's sales or EBITDA. LTM = last twelve months.

For Sea and Mercado Libre, the answer is a much larger business at a much lower multiple. The last time Sea traded around $70, in mid-2024, it was doing ~$14.5 billion of revenue, Shopee was still losing money, and the company was unprofitable on a GAAP basis. This year, consensus expects ~$32 billion of revenue and ~$3.7 billion of adjusted EBITDA, and management is guiding to roughly $1 billion of Shopee profit. Yet the stock now trades at under 10x this year's EBITDA, versus nearly 40x the last time it was here.

Mercado Libre's revenue this year is expected to be ~2.9x its 2023 level. Its operating margins have more than halved over that period – the reinvestment showing up in the numbers – yet net income has still nearly doubled. I expect that to reverse as the new fulfillment capacity fills up. Both Sea and Mercado Libre now trade at less than half the valuation multiples they did back then.

Coupang is the exception, and a different setup. Revenue is more than 50% larger than in 2023, but between the data incident, the Incheon fire, and continued losses in Developing Offerings, consensus expects EBITDA this year to come in ~25% below 2023's. That's why its EV/EBITDA looks higher today (~43x) than in early 2024 (~31x).

Our recent purchase is a bet on them recovering. Encouragingly, consensus already has margins back above 2023 levels next year, on ~80% more revenue – which would bring the multiple down to ~14x, less than half where it was the last time the stock traded here. In 2028, the company is expected to earn more than twice as much as it has in any prior year.

None of this guarantees the market will re-rate these stocks any time soon. But two years of flat share prices, against businesses whose revenue and profits grew 1.5–3x underneath, is the kind of gap I'd expect to close in time.

In our experience, the stocks usually inflect when the earnings start to show up, and the market gains confidence that the margin recovery is real. From there, two things work in your favor at once: earnings grow, and the multiple on those earnings expands. That combination is what has driven the explosive recoveries we've seen after past drawdowns – and what we're trying to catch by tracking these companies so closely today.

CONCLUSION

On the operational front, we launched Hayden Capital Offshore this quarter, a BVI-domiciled feeder fund that invests in the same strategy as our separate accounts and onshore fund. It gives non-US investors a simpler, alternative structure, and it's something our international partners had asked for. We're grateful to those who joined us at launch, and look forward to building these relationships for many years to come.

**

Separately, I've started a weekly series on Substack called "One Thing I Learned." Every Friday, I share one chart or data point that caught my attention that week: something surprising, or a trend I think is worth watching. Most of what I come across in a given quarter never makes it into these letters, and this felt like a better way to share it with you.

Recent posts have covered Nubank's expanding credit, whether TikTok Shop is slowing, Japan's shift to cashless payments, BYD's 8x higher profit on cars sold abroad, and AppLovin's rising ad prices. Those on our distribution list should already receive the posts, but if not, you can subscribe here (LINK).

**

Lastly, thank you to our partners for your patience through a difficult year. Drawdowns like this one are uncomfortable, for us too. But as I hope this letter has shown, the businesses we own have kept getting stronger underneath, even as their share prices haven't. It's been a long time since I've been this excited about the opportunity in our portfolio, and what lies ahead over the next few years.

For partners considering adding to their accounts, I believe this is an attractive time to do so. As always, please reach out if you'd like to discuss. I'm always happy to talk.

I wish you and your family a wonderful holiday season. See you in the New Year.

Sincerely,



Fred Liu, CFA
Managing Partner
fred.liu@haydencapital.com

The information and statistical data contained herein have been obtained from sources, which we believe to be reliable, but in no way are warranted by us to accuracy or completeness. We do not undertake to advise you as to any change in figures or our views. This is not a solicitation of any order to buy or sell. We, any officer, or any member of their families, may have a position in and may from time to time purchase or sell any of the above mentioned or related securities. Past results are no guarantee of future results.

This report includes candid statements and observations regarding investment strategies, individual securities, and economic and market conditions; however, there is no guarantee that these statements, opinions or forecasts will prove to be correct. These comments may also include the expression of opinions that are speculative in nature and should not be relied on as statements of fact.

Historical performance results for investment indices and/or categories have been provided for general comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your account holdings correspond directly to any comparative indices.

The securities discussed within do not represent all the securities purchased, sold or recommended for client accounts. There is no assurance that any securities discussed herein will continue to be held. It should not be assumed that any of the securities discussed were or will be profitable, or that the investments decisions Hayden makes in the future will be profitable.

Hayden Capital is committed to communicating with our investment partners as candidly as possible because we believe our investors benefit from understanding our investment philosophy, investment process, stock selection methodology and investor temperament. Our views and opinions include "forward-looking statements" which may or may not be accurate over the long term. You should not place undue reliance on forward-looking statements, which are current as of the date of this report. We disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. While we believe we have a reasonable basis for our appraisals and we have confidence in our opinions, actual results may differ materially from those we anticipate.

Clients should let Hayden Capital know if financial situations or investment objectives have changed or whether they prefer to place any reasonable restrictions on the management of their account(s) or modify any existing restrictions.

The information provided in this material should not be considered a recommendation to buy, sell or hold any particular security.

All investments contain risk. You should carefully consider your risk tolerance, time horizon, and financial objectives before making investment decisions.