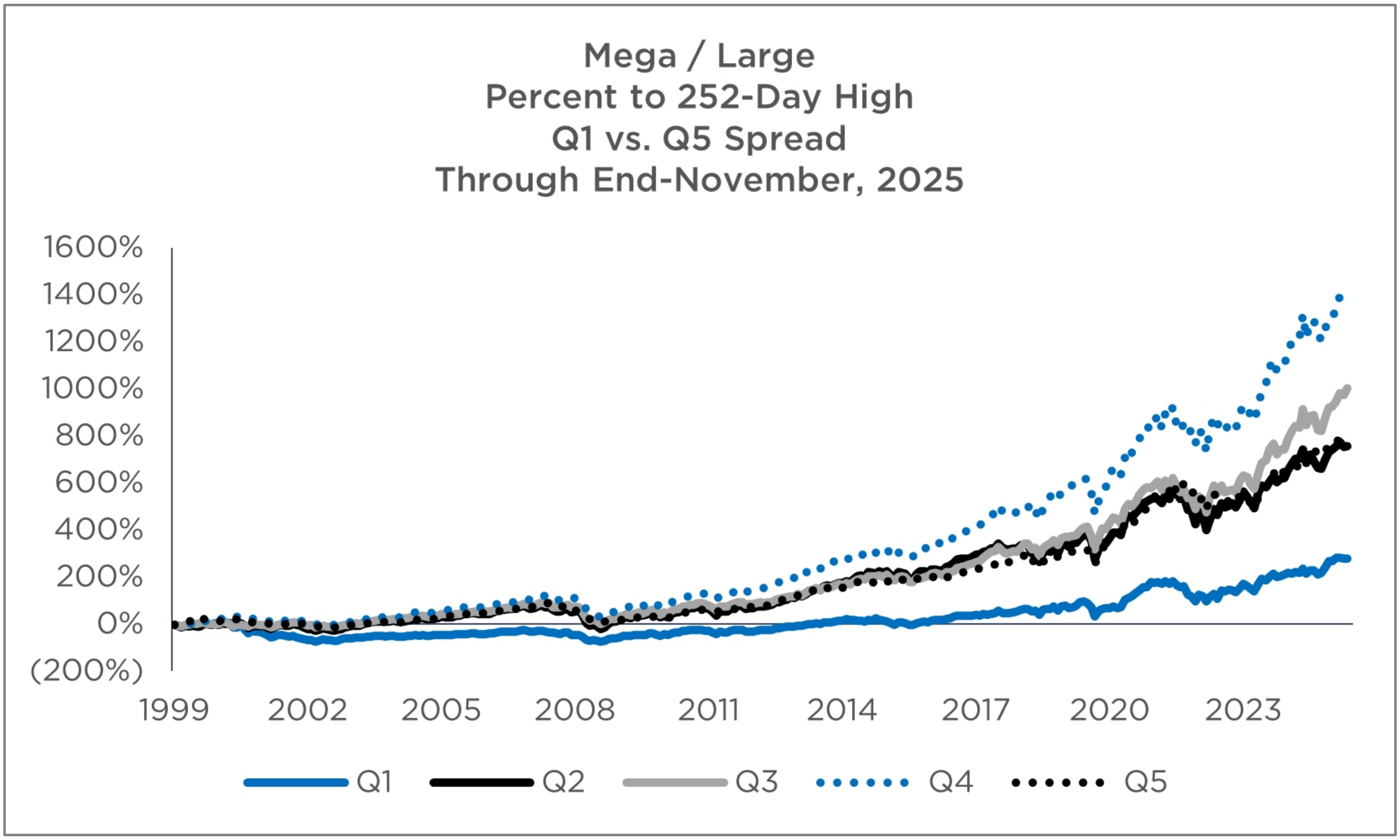
Level Set: Buy High, Sell Low and Don't "Chill"

Buy high, sell low?: If someone tells you they like to "buy low and sell high," you'd feel foolish disagreeing. After all, it sounds so logical and means they ex-post made money by definition. But in practice, on some common metrics, it actually isn't the best strategy. What do we mean? We looked at the mega-large-cap. universe of stocks (top 300 by market cap.) and broke it into quintiles based on percent off of 52-week high. Stocks that are in the top quintile (Q1) have significant upside to their highs within the last year, while those in the bottom quintile (Q5) are near or at 52-week highs. We then observe the subsequent stock returns for stocks in each quintile. It turns out that over time, you are much better off buying stocks nearer to highs than nearer to lows. The best performing quintile over time is the fourth - meaning down from highs - but less so than 60% of stocks (see below). **Conclusion: You want to buy kind of high, and avoid those that are at lows. That doesn't sound as smart as "buy low and sell high."**



Source: Trivariate Research, LP

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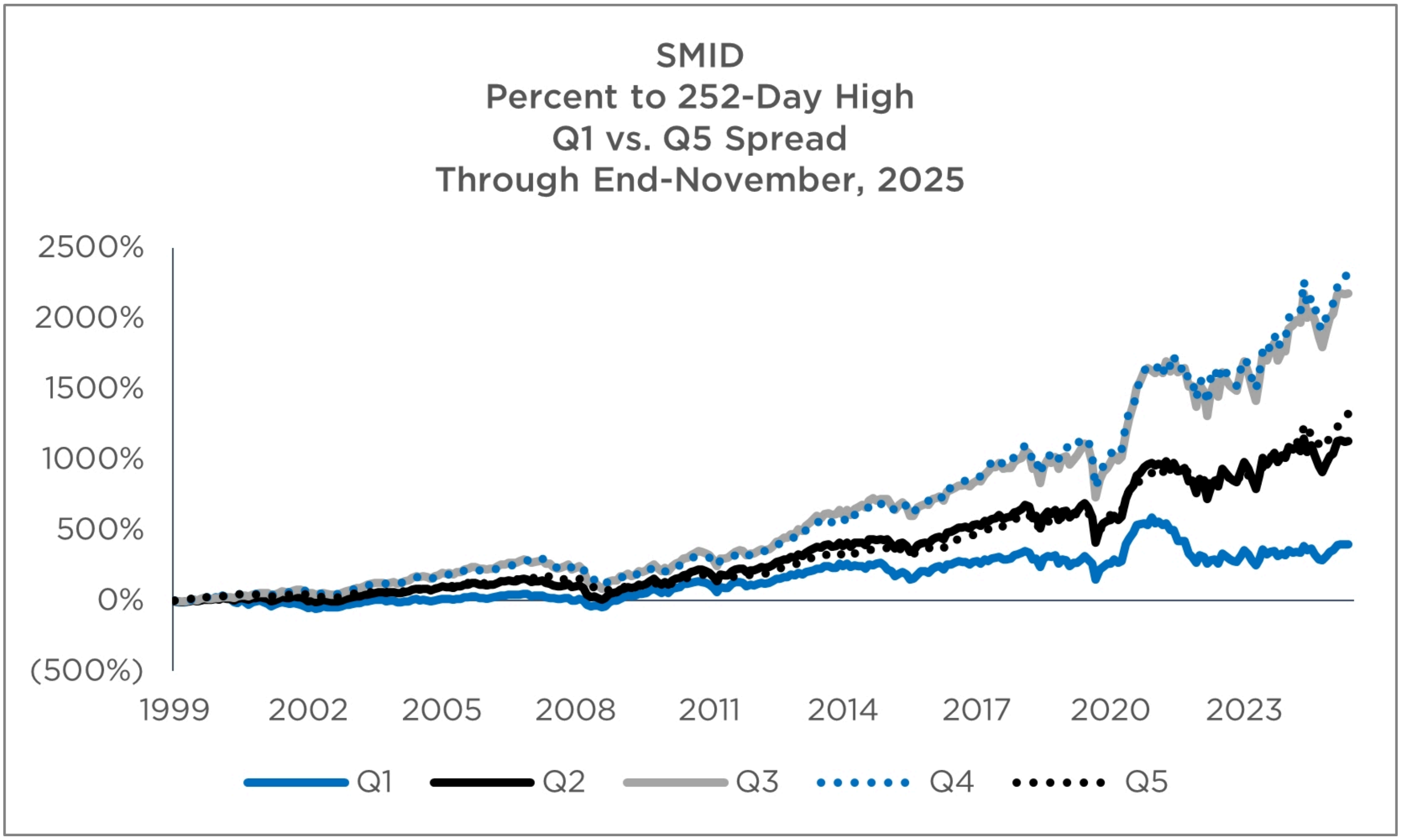
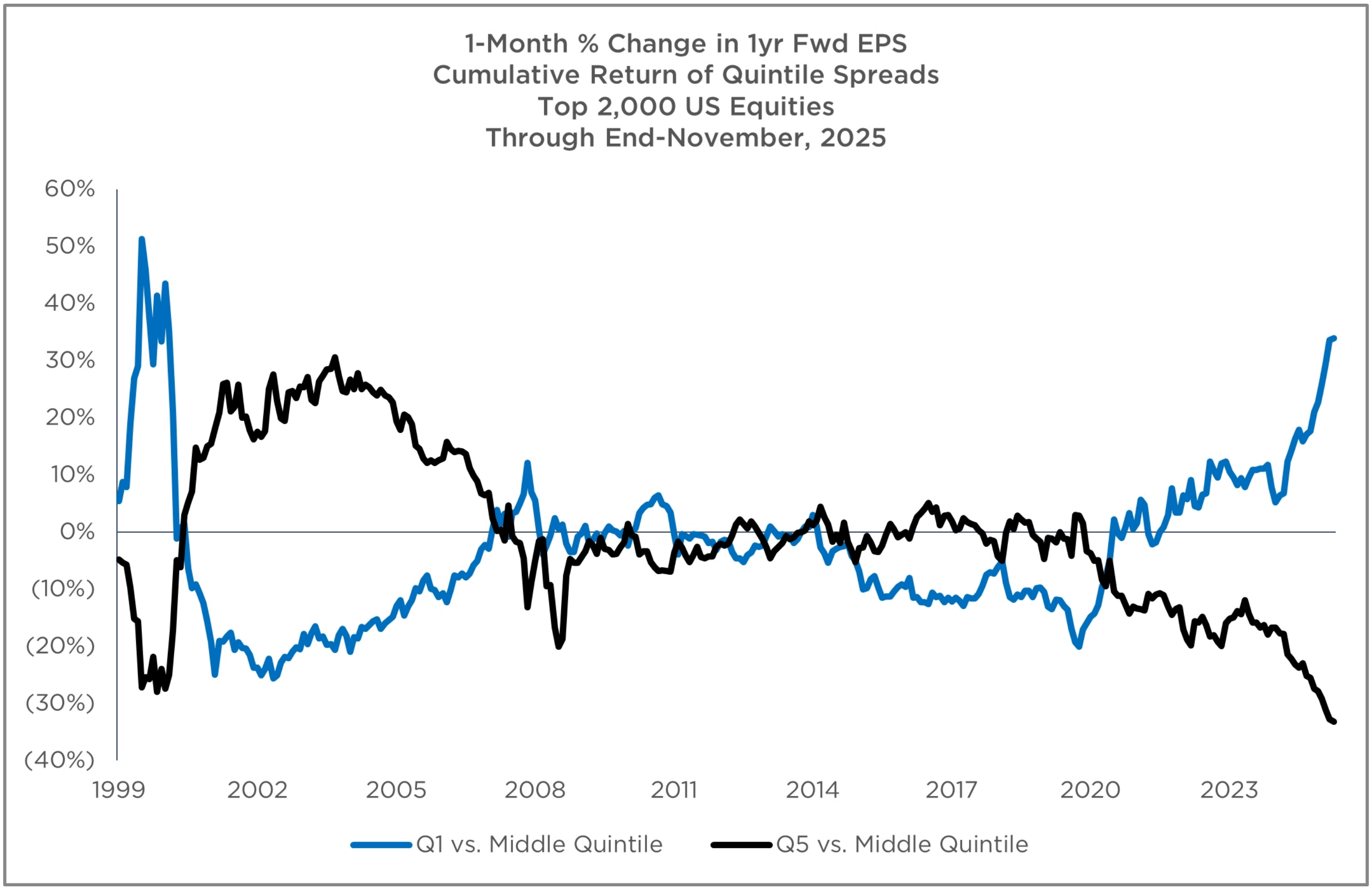
However, the phenomenon of strong performance when buying close to highs and avoiding buying at lows isn't constrained to just larger companies. The same thing is true for SMID caps (see below), where stocks that are at the middle of the pack or closer to their 52-week highs versus peers massively outperform those stocks down the most from highs - i.e., at lows. **So next time someone tells you they buy low and sell high, ask what they mean.**



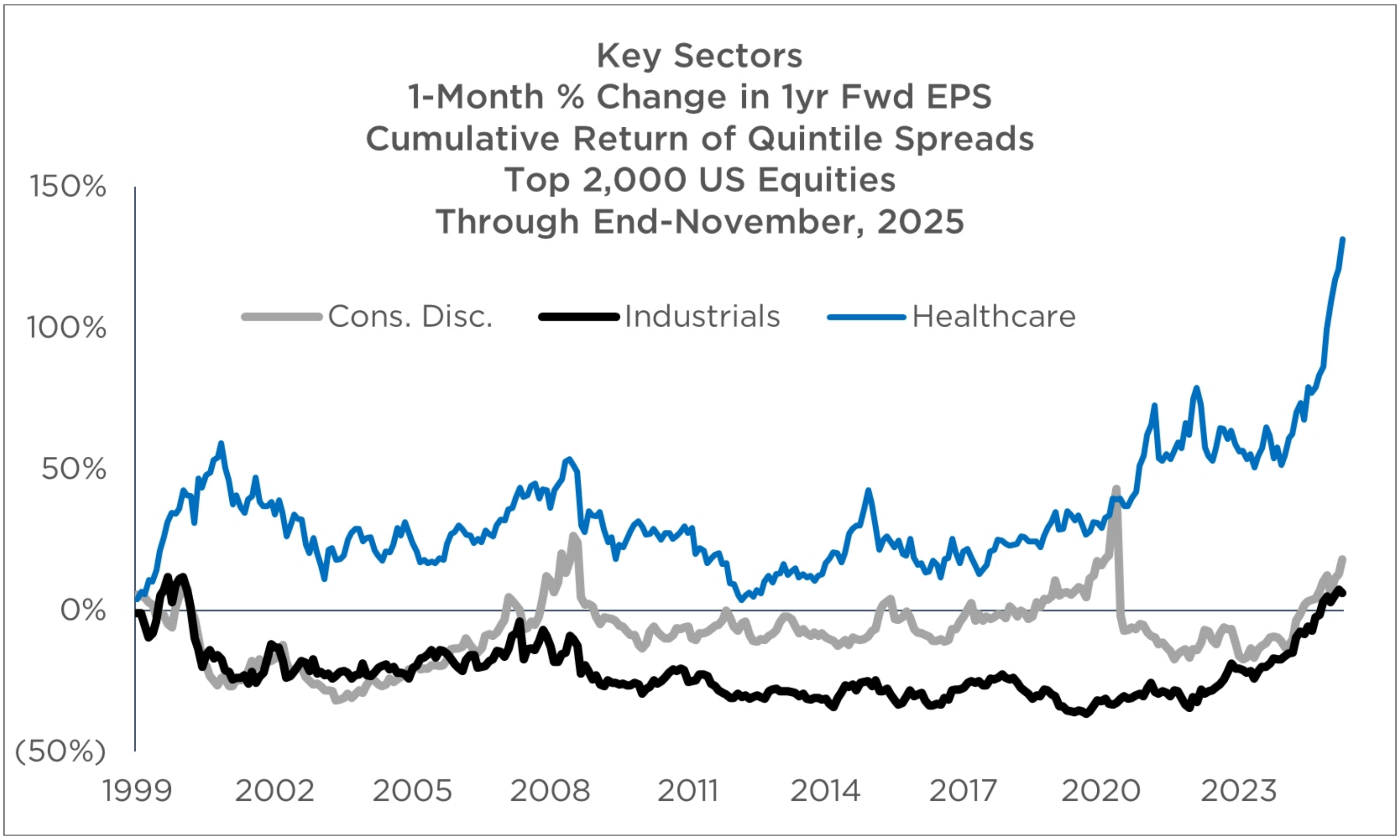
Source: Trivariate Research, LP

We have shown extensively in our work that buying a stock at a very low absolute level of valuation does not work, on average, vs. buying a stock at an average valuation level. The market takes the multiples lower proactively and correctly such that optically cheap stocks are cheap for a reason. No one is surprised that General Motors (GM), Comcast (CMCSA), Norwegian Cruise (NCLH), or American Airlines (AAL) trade at optically lower price-to-forward earnings ratios. So, if buying low - versus 52-week highs or on price-to-forward earnings doesn't work, what does? **Estimates that are low. We want to buy stocks where the earnings estimates are too low, and sell stocks where the earnings estimates are too high.** We studied the one-month change to one-year forward earnings estimates and found that buying the stocks with the highest revisions and selling those with the biggest downward revisions has produced strong outperformance. In particular, since COVID this has really worked, implying there is a serial correlation to the upward and downward earnings trends that analysts and the buyside alike are slow to pick-up on.



Source: Trivariate Research, LP

We noticed this last worked during the TMT bubble of 1999-2000, unwound sharply, worked from 2003-2008, and then had essentially no value-add for stock selection until COVID. That made us wonder whether something about the AI landscape, and the persistent share gain / share loss and margin expansion / contraction that comes from being a winner / loser is causing this persistent earnings revisions efficacy. However, it turns out this new period of efficacy isn't isolated to the Technology sector, but rather the recent strong efficacy is also seen of late in Healthcare, Industrials, and Consumer Discretionary stocks, for example, indicating this is more of a broad-based phenomenon (see below).



Source: Trivariate Research, LP

So which companies have just seen recent changes to their earnings outlooks? Below are the ten stocks with the biggest upward revisions over the last month, including NVDA, SNDK, ALB, and CLF, among others (see below).

Stocks With The Largest One-Month Change to Their Own Year Forward EPS Forecasts
As of December 5th, 2025

Ticker	Company	Sector	Industry	Market Cap. (US $Bn.)
NVDA	NVIDIA Corporation	Information Technology	Semiconductors & Semiconductor Equipment	4300.92
TTWO	Take-Two Interactive Software, Inc.	Communication Services	Entertainment	45.47
SNDK	Sandisk Corporation	Information Technology	Technology Hardware, Storage & Peripherals	32.72
ALB	Albemarle Corporation	Materials	Chemicals	15.30
ROKU	Roku, Inc.	Communication Services	Entertainment	14.30
SNAP	Snap Inc.	Communication Services	Interactive Media & Services	13.20
CDE	Coeur Mining, Inc.	Materials	Metals & Mining	11.09
SANM	Sanmina Corporation	Information Technology	Electronic Equipment, Instruments & Components	8.52
CLF	Cleveland-Cliffs Inc.	Materials	Metals & Mining	8.41
SITM	SiTime Corporation	Information Technology	Semiconductors & Semiconductor Equipment	7.77

Source: Trivariate Research, LP

Alternatively, the companies with the worst earnings revisions in the last month (see below) include BA, CPNG, LYV, and DD.

Stocks With The Largest Downward One-Month Change to Their Own Year Forward EPS Forecasts
As of December 5th, 2025

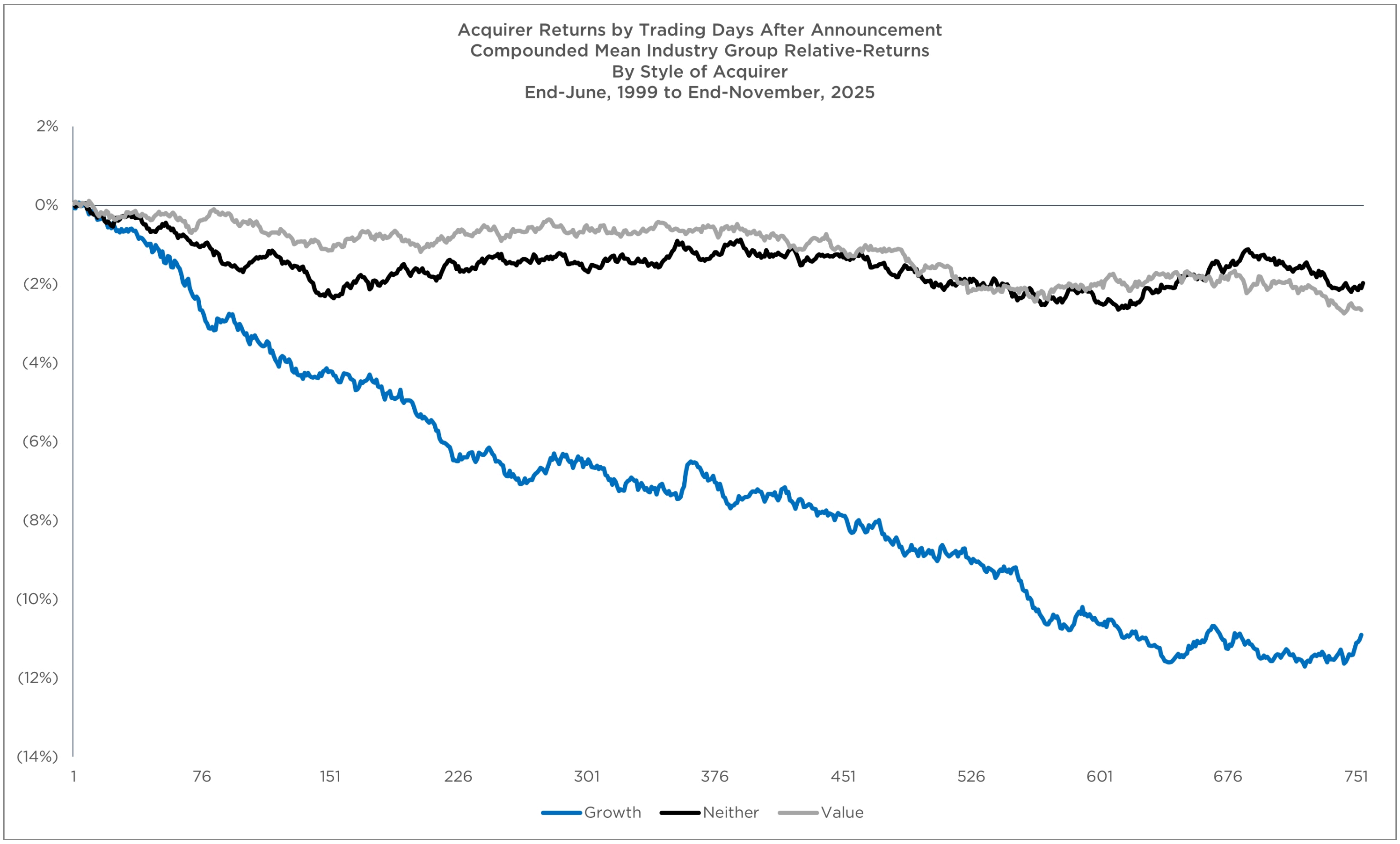
Ticker	Company	Sector	Industry	Market Cap. (US $Bn.)
BA	The Boeing Company	Industrials	Aerospace & Defense	143.66
CPNG	Coupang, Inc.	Consumer Discretionary	Broadline Retail	51.44
LYV	Live Nation Entertainment, Inc.	Communication Services	Entertainment	30.52
DD	DuPont de Nemours, Inc.	Materials	Chemicals	16.66
WY	Weyerhaeuser Company	Real Estate	Specialized REITs	16.01
CNH	CNH Industrial N.V.	Industrials	Machinery	11.75
OC	Owens Corning	Industrials	Building Products	9.31
HIMS	Hims & Hers Health, Inc.	Health Care	Health Care Providers & Service	9.05
CORT	Corcept Therapeutics Incorporated	Health Care	Pharmaceuticals	8.35
AXSM	Axsome Therapeutics, Inc.	Health Care	Pharmaceuticals	7.64

Source: Trivariate Research, LP

Those who follow our work are familiar with the fact that we regularly analyze management decision-making, including mergers & acquisitions (M&A). This past week we saw a huge deal with Netflix (NFLX) making a substantial offerfor Warner Bros.

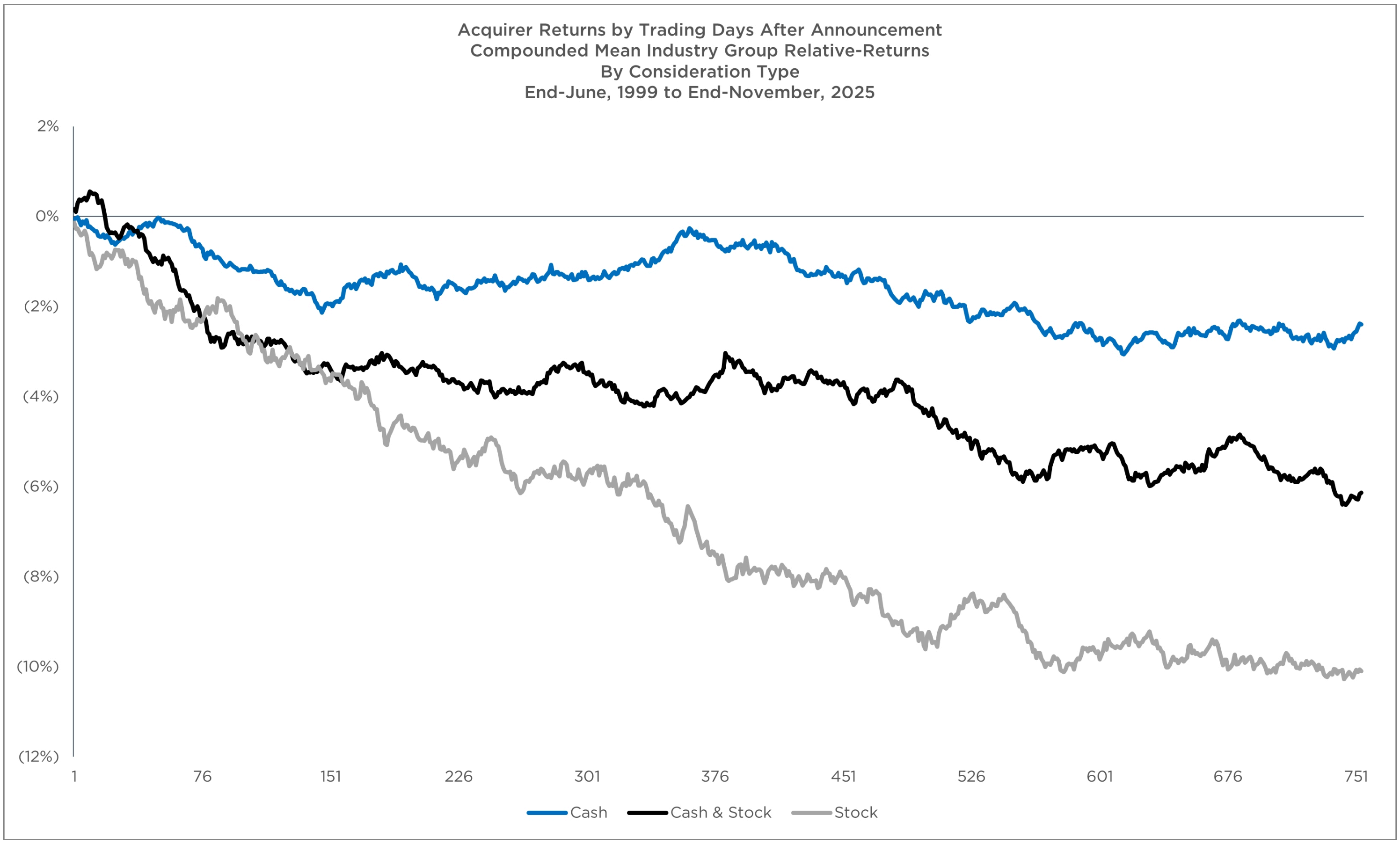
Discovery (WBD), valuing the deal at $82.7 billion. **<u>We decided to take a look at the attributes of the deal and what history says they imply for the future return profile for NFLX.</u>**

Firstly, NFLX is a growth stock. The distribution of outcomes for growth-stock acquirers is poor, with the average acquirer lagging its industry-group average by 700bps over the next year (see below).



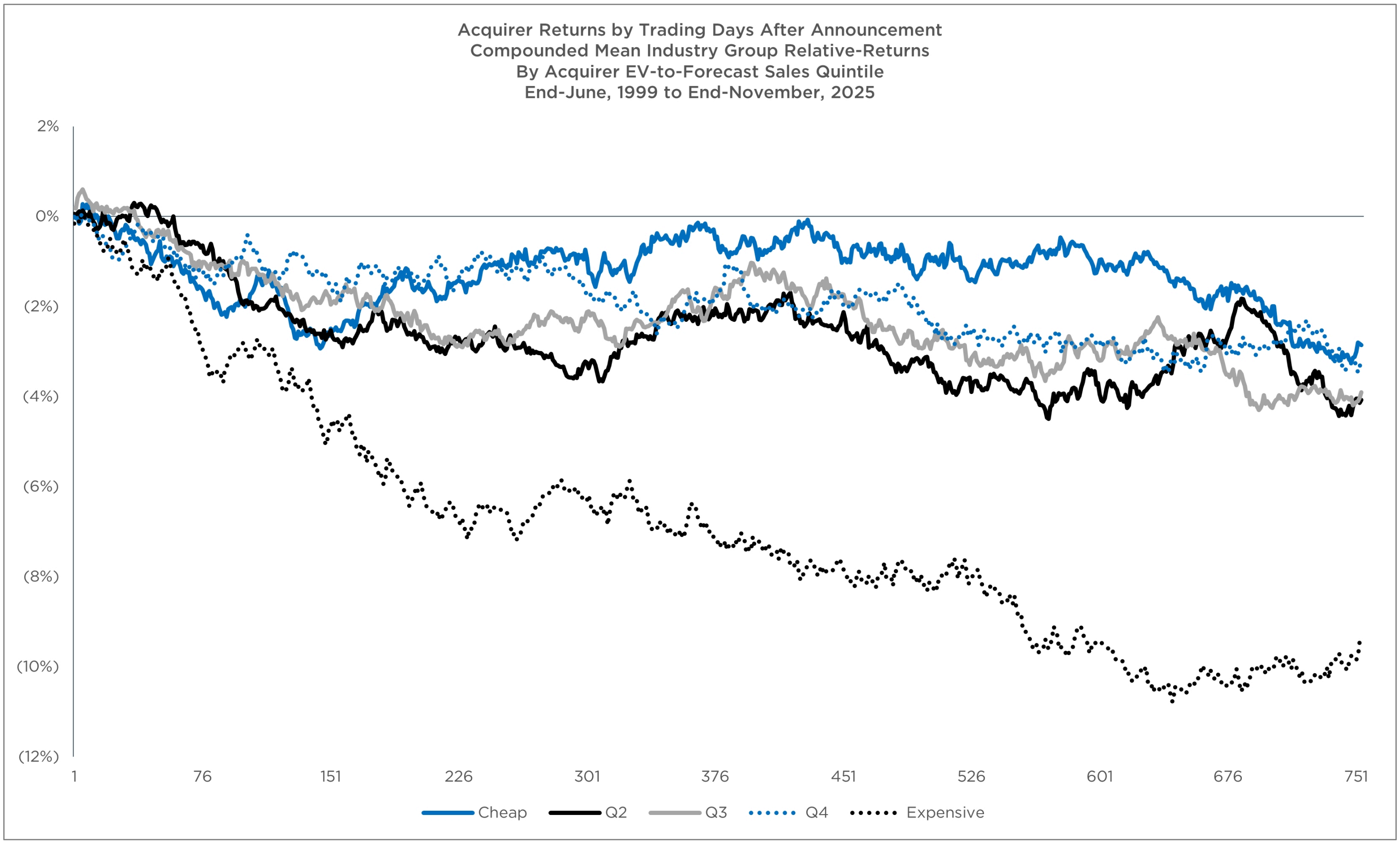
Source: Trivariate Research, LP

We have shown acquirers have the best outcomes if they buy other assets with 100% cash, but this NFLX deal for WBD comes with stock and ultimately a chunky amount of debt. Cash and stock deals lag those done with just cash (see below).



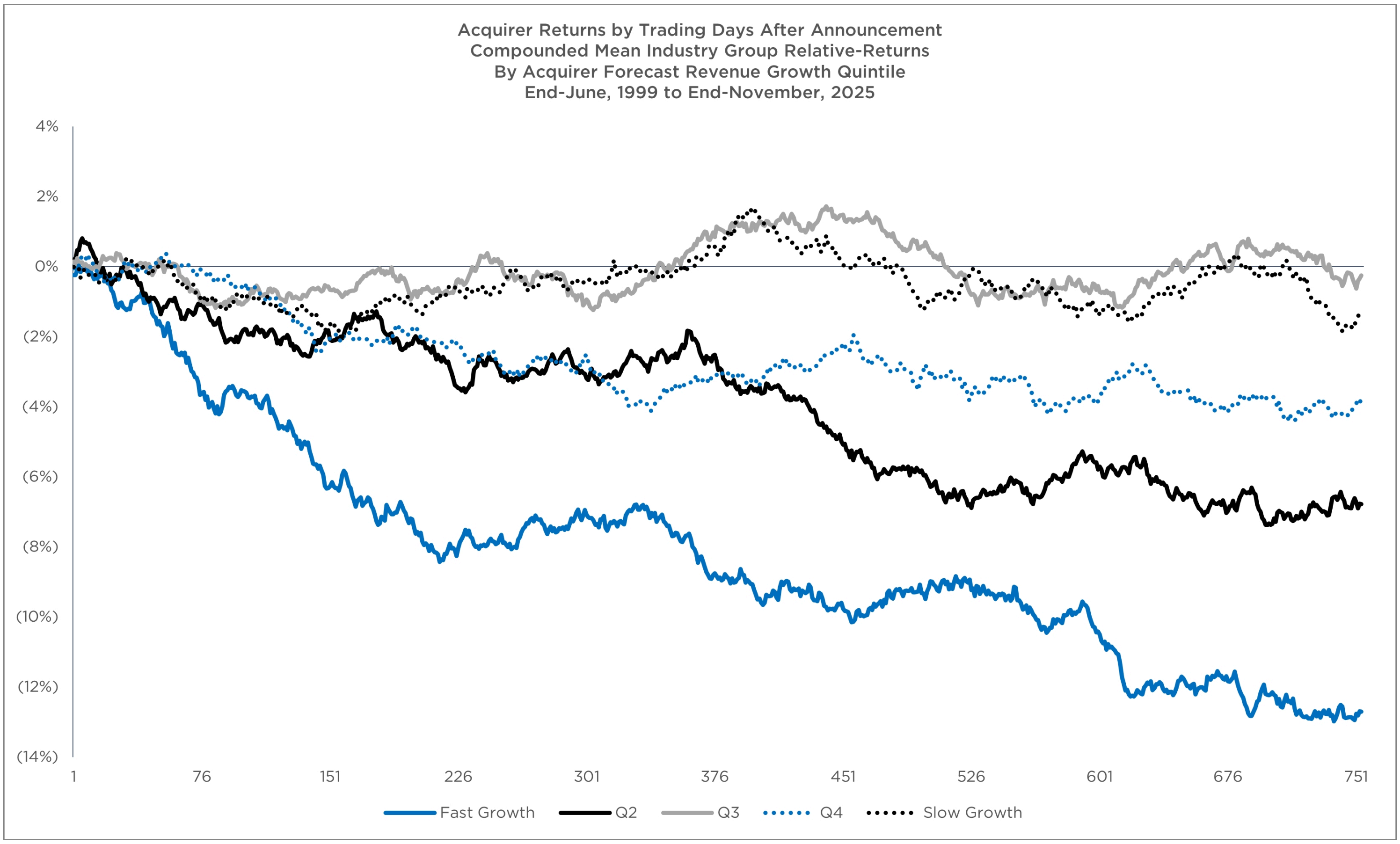
Source: Trivariate Research, LOP

We have also shown that valuation matters for the acquirer doing a deal. At over 8x enterprise value-to-forecasted sales, NFLX is in the most expensive quintile in the market. The acquirer's performance in M&A transactions is by far the worst among expensive stocks (see black dotted line below), averaging over 1000bps of relative-to-industry underperformance over the next three years.



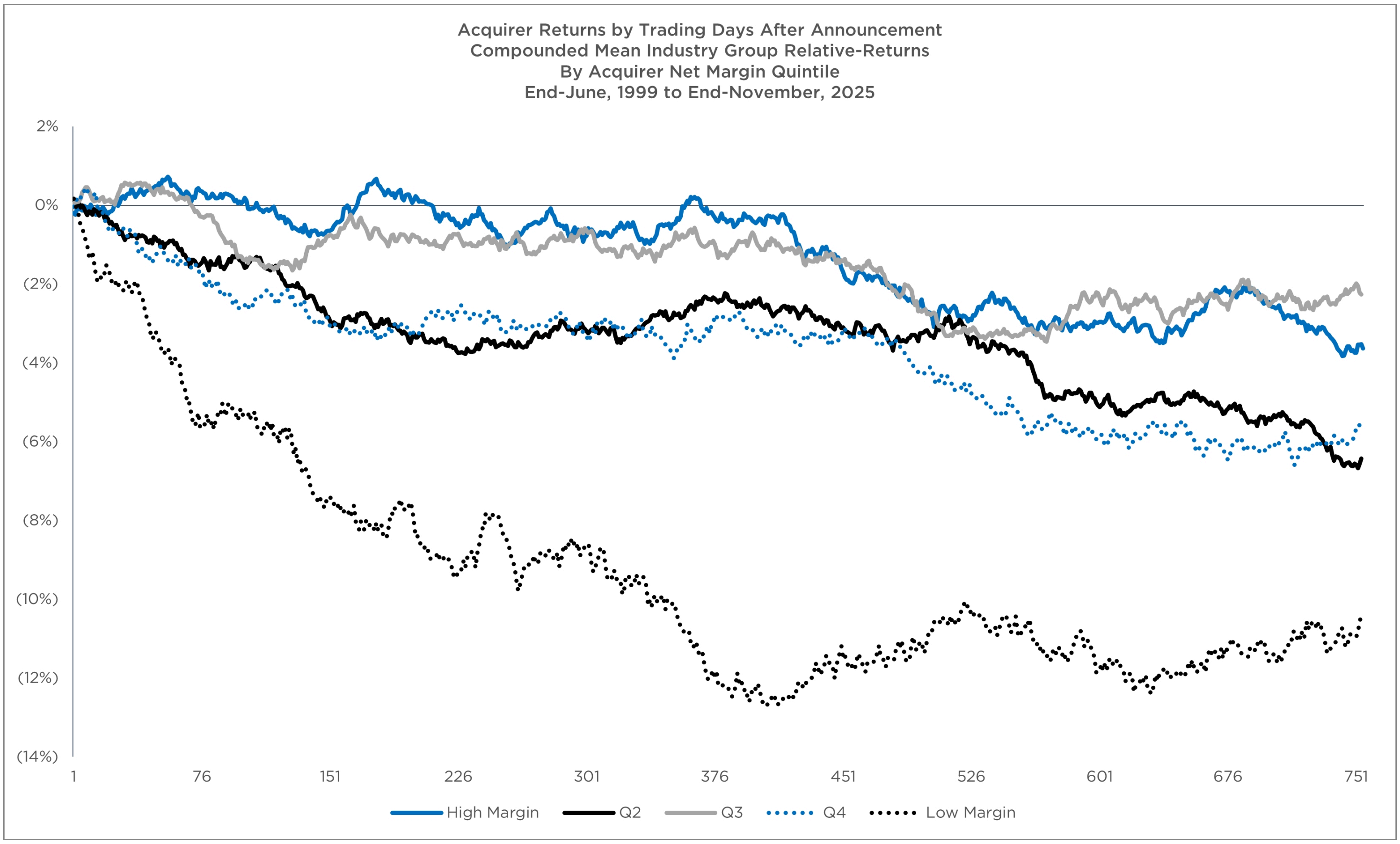
Source: Trivariate Research, LP

Moreover, NFLX is forecasted to grow its revenue 13% year-over-year in 2026, also in the top quintile of the broader market. The challenge is that acquirers in the top quintile of forecasted revenue growth also on average materially underperform, by over 800bps in the first nine months post deal announcement (see below).



Source: Trivariate Research, LP

The one M&A attribute we evaluate where data boded well for the acquirer is profit margin, and NFLX is in the top quintile, where the average acquirer performed in-line with its industry for the 18 months following a deal.



Source: Trivariate Research, LP

To summarize, growth stocks like NFLX with high revenue growth expectations, that are expensive and used both cash and stock for acquisitions have several red flags. A purely quantitative assessment of the deal would say to avoid buying NFLX for several quarters. Our own non-quantitative judgment is also not positive - but for some readers - that probably carries less weight.

CONCLUSION

The old mantra of buy low and sell high applies to earnings estimates, not valuation or recent price action. This NFLX deal is a big one, and history is not on NFLX's side.

Important Disclosures

Analyst Certification

The analysts, Adam Parker, Maxwell Arnold, Chang Ge, Colin Cooney and Ryan McGovern, responsible for the preparation of this research report certifies that: all the views expressed in this research report accurately reflect the research analyst's personal views.

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