

**AMERICAN**



**REVOLUTION**

# American AI Revolution: The \$150 Trillion AI Breakthrough

By Ian King, Editor *True Momentum*

**W**E'RE in the "Information Age" — where digital knowledge is power. And in 2023, there's nothing more powerful than **artificial intelligence**.

This emerging tech is reaching virtually every industry: from software development and automation, to engineering, marketing, administrative support, retail, health care, video gaming and so many more.

AI is impacting all corners of the market, and its future applications could very well be limitless. That's why I expect that demand will only continue to grow in the years to come.

And I firmly believe — the following companies tapping into this mega trend have the foundations to soar higher in the coming years.

First of all, you should plan on holding the three stocks in this report for a minimum of **three years**. Sure, the gains may come sooner ... but I want you to mentally prepare yourself for three to five years.

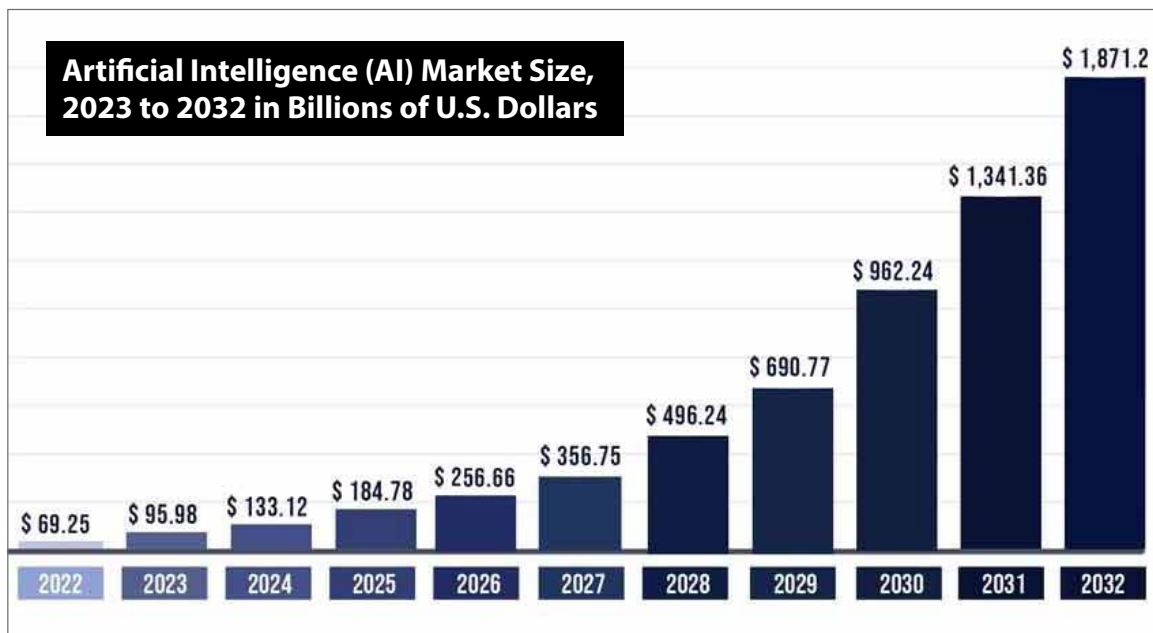
Expect there to be volatility. These stocks may shoot up one month, only to come crashing down the next. It happens all the time.

Just because a firm is the tip of the spear for a mega shift in the world ... that doesn't mean it's going to run in a straight line.

Take Advanced Micro Devices (Nasdaq: AMD) for example. It's a \$190 billion semiconductor company. AMD's main revenue driver is graphical process units, which are necessary for game consoles, personal computers and mobile phones.

In 2018, the stock rose to \$32, but then it fell to \$17. So, almost 50%. Most people panicked and sold. But those who knew the true story held on to it, and later saw the stock soar to \$150.

Today's opportunity could be even bigger. The AI market is set to soar 1,800% over the next seven years.



That's why, in this report, I'm outlining the three most important AI stocks to buy right now...

## My "Holy Trinity" of AI Investments

### ■ **Stock No. 1: SentinelOne Inc. (NYSE: S)**

Cybersecurity has been a major concern for companies and government institutions over the last five years as the world has moved toward a more digital future.

The need for more advanced cybersecurity solutions has been reinforced by several recent high-profile hacking incidents:

- **November 2022:** The telecom giant, T-Mobile was hacked, and the data of 37 million customers was stolen. The hacker stole customer data that included names, billing addresses, emails, phone numbers, dates of birth and T-Mobile account numbers.
- **June 2021:** The professional networking giant, LinkedIn was hacked. The information associated with 700 million of its users was posted to a forum on the dark web. This event compromised the data of over 90% of LinkedIn's users.
- **March 2020:** The software company, SolarWinds was hacked by Russians. Malicious code was inserted into its software, which it unknowingly distributed to its customers. The list of its compromised customers included Microsoft, Intel, Cisco, Deloitte — and even government departments like Homeland Security, State and Treasury.

But there is one common element among these three hacks: They each went undetected for a number of months. And once the organizations became aware of them, it took them a long time to address the issue.

This is where **SentinelOne** comes in. It is an endpoint cybersecurity company. An endpoint is a physical device, such as a desktop computer, laptop or mobile device, that connects to a network.

This is an important area to safeguard because roughly 70% of cyber breaches start at endpoint devices.

The company's flagship offering is its Singularity XDR (Extended Detection and Response) product. It's an AI-powered platform for threat prevention, detection and response.

Most traditional and next-gen cybersecurity approaches only rely on scanning files to detect attacks, which makes them extremely vulnerable to new attack techniques.

With today's live and file-less attacks, SentinelOne's AI detection engines allow companies to autonomously detect and respond to malicious behavior immediately, offering machine-speed responses.

In other words, the system can rapidly detect most regular attacks and respond to them on its own, without the need for human intervention.

For more complex problems, Singularity XDR's AI software studies and builds behavioral models of what is considered normal behavior for the cyber infrastructure of a company.

It then isolates and addresses potential threats, or escalates the matter to human administrators who can take action if necessary.

### **The Business**

Although SentinelOne has a modern approach, it's still in the cybersecurity world, which makes its business fairly straightforward.

SentinelOne mainly caters to medium- and large-sized businesses, and offers their products on a subscription basis.

As of the first quarter of fiscal year 2024, the company grew its customer count 43% year-over-year, resulting in a total of 10,680 customers. Of these, 917 are customers who add significantly to annual recurring revenue (ARR) and pay over \$100,000 per year for their SentinelOne products and services.



SentinelOne also has government clients, both at the federal and local level. It doesn't specifically name its government clients and the extent to which it works with them.

However, the company did achieve a FedRAMP designation back in 2020, which acts as a certification that makes it a trusted national security partner. This puts the company on the list of preferred service providers for federal agencies and government contractors.

SentinelOne's products are also available through Amazon Web Services (AWS) GovCloud. AWS GovCloud is a collection of cloud services and products from various vendors.

These vendors are recommended to government agencies because their services are built to meet government compliance standards, and are trusted to safeguard government data.

### Demand Environment

The demand for cybersecurity solutions is stronger than ever — because as more of the global economy becomes digital, the opportunity for digital crimes grows with it.

According to the consulting company McKinsey, at the current growth rate, damage from cyberattacks will amount to about \$10.5 trillion annually by 2025. That's a 300% increase from 2015 levels.

McKinsey estimates that although there is a current total global market opportunity of \$1.5 trillion to \$2 trillion for cybersecurity solutions, only about 10% of this demand is satisfied.



This provides a *huge* market opportunity for companies like SentinelOne to grow into.

SentinelOne has already been seizing on this opportunity. In fact, it's managed to grow its revenue by 70% over the last year and its ARR by 75%.

### Revenues and Estimates

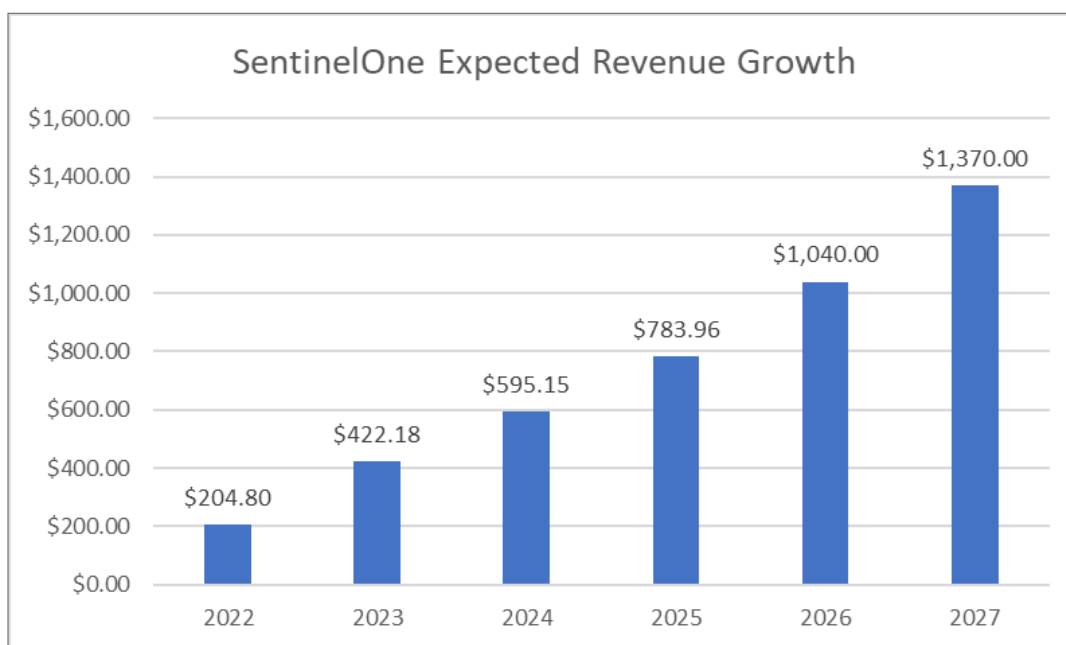
Despite beating earnings estimates for Q1, SentinelOne's stock fell because it slightly missed revenue estimates. It also provided revenue guidance for Q2 that came in well below analyst expectations.

For Q2, the company only expects revenue to grow 38% year-over-year when revenue grew 124% in Q2 of last year.

SentinelOne, like other cybersecurity providers, is starting to be affected by the macro environment. Fears of a recession are causing companies to slow down spending on IT and security solutions.

SentinelOne admitted that this trend might continue for the near term, which is what made investors and analysts turn against the stock.

However, even with these lowered expectations, SentinelOne's revenue is expected to grow at a compound annual growth rate of 35% over the next three years.



This means it's still a fast-growing cybersecurity company, since its peers are only growing their revenue at an average rate of 19% over the next three years.

Which also means that the recent drop in the stock creates a new buying opportunity.

**Action to Take: Buy SentinelOne Inc. (NYSE: S)**

### ■ Stock No. 2: Recursion Pharmaceuticals Inc. (Nasdaq: RXRX)

Have you ever heard of Eroom's Law?

It postulates that despite advances in medical technology, over the last 60 years, drug discovery has become more expensive and time consuming.

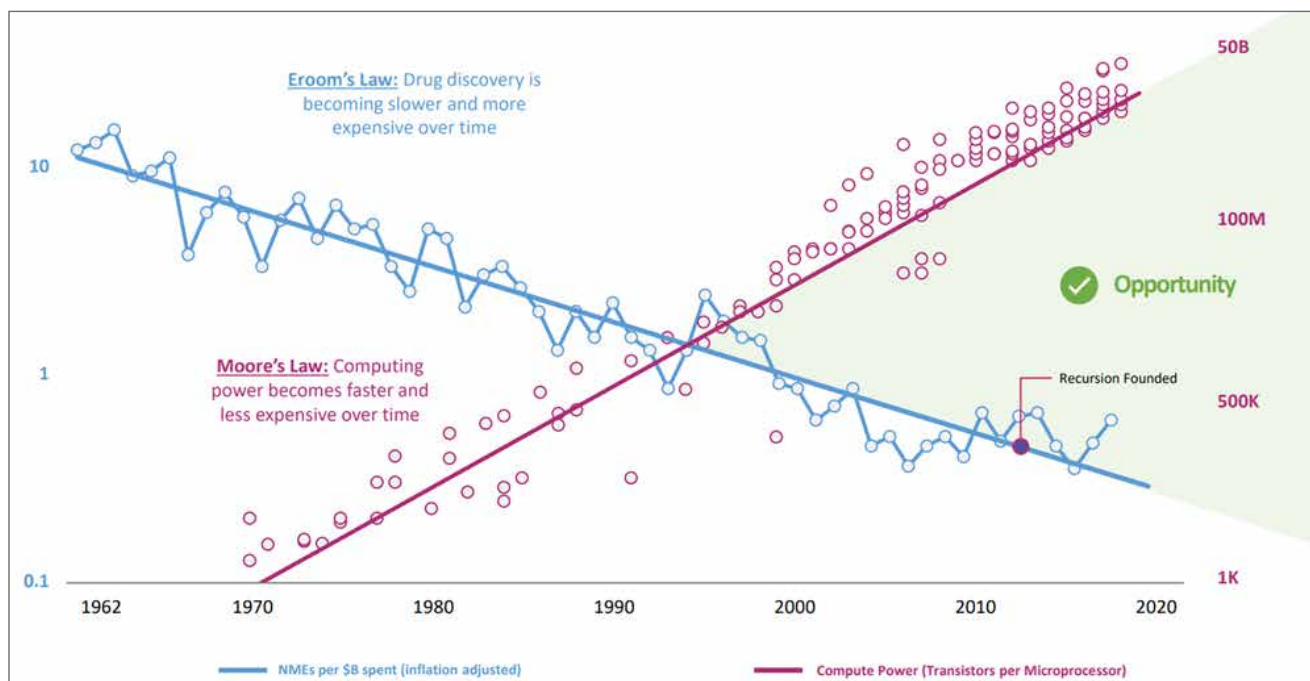
The number of new drugs approved (per billion U.S. dollars spent on R&D) has halved roughly every nine years since 1950, falling around 80-fold in inflation-adjusted terms.

And today, it costs roughly \$2 billion to take a drug from the discovery and R&D phase to an FDA approval.

Eroom's Law is actually just Moore's Law spelled backward. Moore's Law, first coined in 1965 by Gordon Moore (a co-founder of Intel), states that the number of transistors in a microchip doubles about every 18 months.

That means computing power and performance should improve roughly every two years.

**Recursion Pharmaceuticals** is a clinical stage biotech company that is actually using Moore's Law to combat Eroom's Law.



By leveraging the advanced microchips available today and utilizing their computing power, Recursion has created an AI system that improves the drug discovery process.

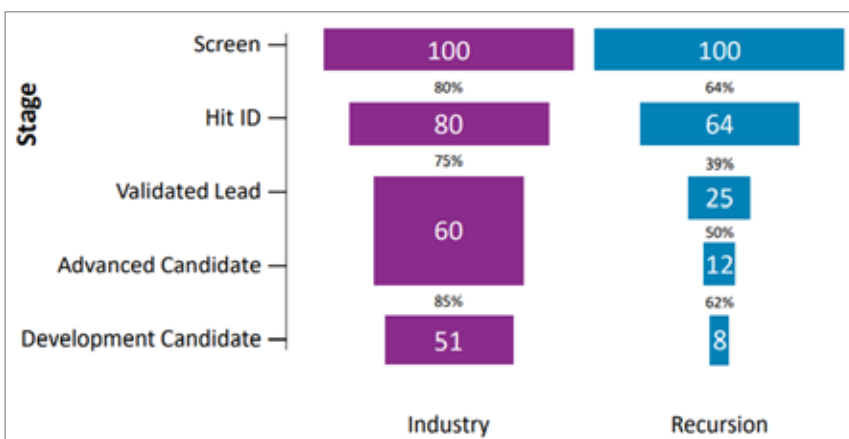
Its AI-enabled operating system collects data on human biology and chemistry. And it currently has over 21 petabytes of chemical, biological and molecular data.

To put that in perspective, it would take you 2.5 years of nonstop binge-watching of 4K-quality movies to watch just 1 petabyte's worth. Even the entirety of the Library of Congress only contains about 20 petabytes of information.

Recursion's AI platform uses this vast library of data to run simulations on interactions between molecules and compounds and human biology — all to generate a list of compounds that can potentially be developed into drugs.

By taking out the human effort required in this initial stage, the software identifies failures and narrows down potential drug candidates much faster.

And at the end of the process, Recursion has a smaller more promising set of drug candidates to take a chance on, compared to traditional pharmaceutical companies.



This early to failure model is incredibly helpful considering that roughly 90% of all drug candidates ultimately fail to get FDA approval. Recursion's process cuts down on the time and costs spent on these failures.

## The Business Model

Recursion has two parts to its drug discovery business. **The first** is its in-house drug development.

For this, Recursion targets small, rare diseases with high un-met needs. Meaning these diseases usually have no approved therapies, or there are significant shortcomings with existing treatments.

This pipeline includes drug candidates for the following:

- **Cerebral Cavernous Malformations:** a disease where there are groups of tightly packed, abnormal small blood vessels with thin walls in the brain or spinal cord that could lead to brain hemorrhages. This is a disease with only around 360,000 symptomatic patients in the U.S. and the EU, and there are no approved treatments.

- **Neurofibromatosis Type 2:** a genetic condition that causes tumors to grow along the nerves. This leads to symptoms like hearing loss, tinnitus, balance problems, persistent headaches and weakness in the arms and legs. There are approximately 33,000 patients in the U.S. and EU suffering from this, and currently, surgery when feasible is the only available treatment.

- **Familial Adenomatous Polyposis:** a rare inherited cancer predisposition, characterized by pre-cancerous colorectal polyps that develop into cancer of the colon and/or rectum at a relatively young age. This condition affects 50,000 patients in the U.S. and EU, and the only treatment available is a surgery that does not always work, and reduces quality of life.

These drugs in Recursion's pipeline are in phase 1 and phase 2 clinical trials, and evidently, they're very much needed. But even if they do get approved, they wouldn't be major drivers of revenue for the company.

The more lucrative side of Recursion's business is the **second part** of its business — or its partnerships with larger drug makers. It runs through the drug discovery phase for them in a faster and cheaper way.

Recursion's two biggest pharma clients are Roche and Bayer.

For Roche, Recursion received \$150 million in upfront payments to discover drugs that focus on neuroscience and oncology.

This deal comes with the potential for Roche and Recursion to develop up to 40 programs. For each of these programs that turn into approved and commercialized drugs, Recursion receives \$300 million in milestone payments for potentially \$12 billion in total.

For Bayer, Recursion received \$30 million in upfront payments to discover drugs that focus on fibrotic diseases.

With Bayer, recursion has the potential to receive up to \$100 million in milestone payments for up to 12 programs for nearly \$1.2 billion in total.

## Revenue and Growth

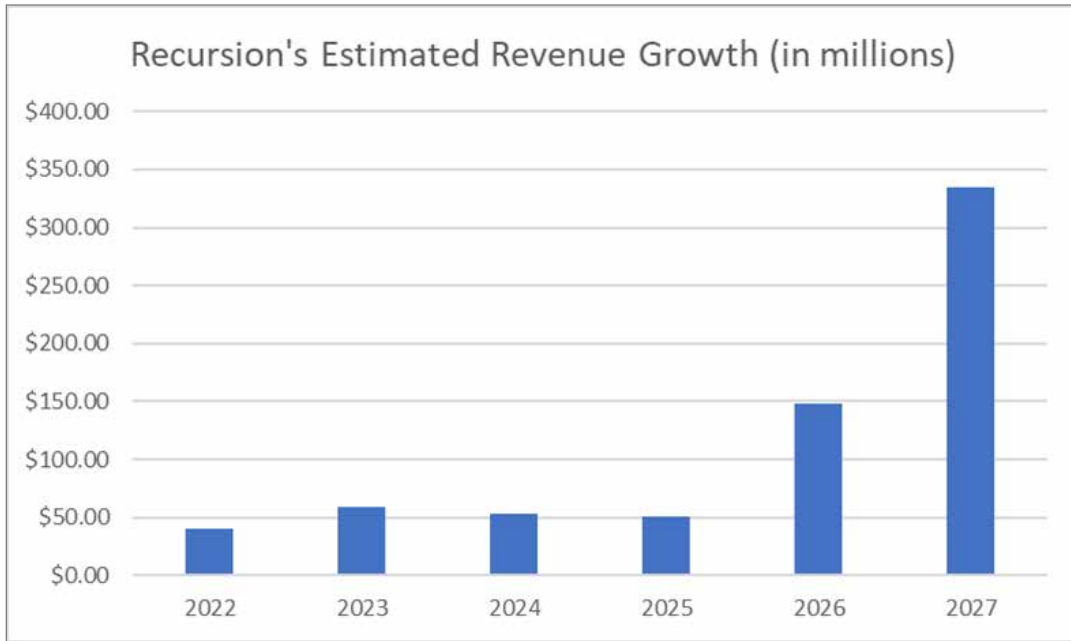
The most advanced drugs in Recursion's rare disease partnership pipelines are in phase 2 clinical trials.

That means it would take about another two years before these drugs can get commercialized and start generating revenue for the company.

This fits with Wall Street's revenue growth estimates, which show the company's revenues staying relatively flat until 2025 — before it skyrockets.

However, we don't have to wait that long to see the stock start to rise. The main catalysts on the horizon for Recursion is the data from its various drug trials.

If the data from these trials shows positive results, it will act as a "proof-of-concept" for AI.



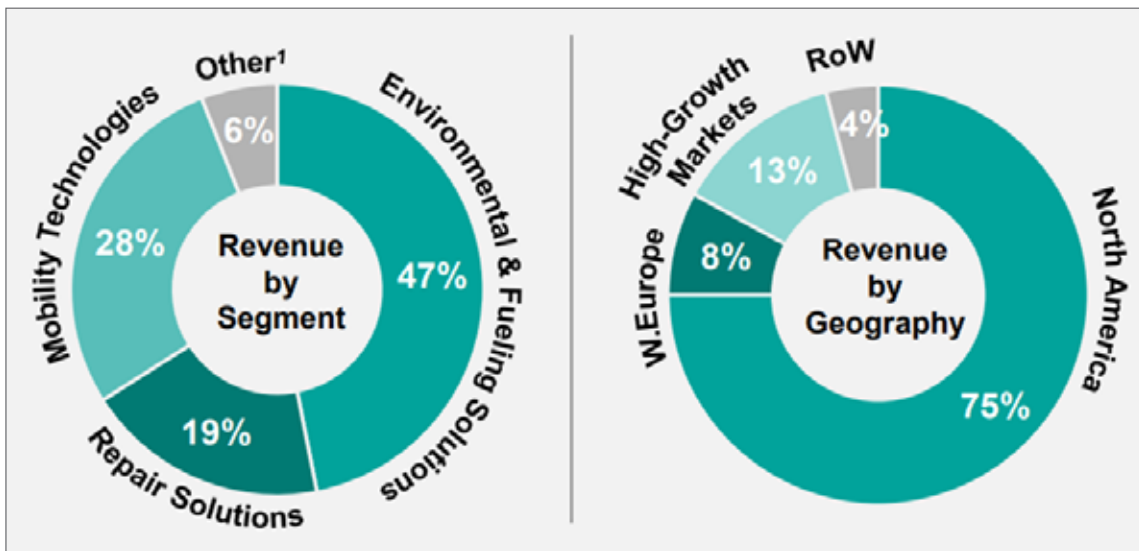
Meaning, that AI is better at drug discovery than the traditional methods. And this will usher in a whole new paradigm, led by Recursion.

**Action to Take: Buy Recursion Pharmaceuticals Inc. (Nasdaq: RXX)**

■ **Stock No. 3: Vontier Corporation (NYSE: VNT)**

Vontier Corporation is a company that focuses on several segments of the transportation and mobility market, mainly in North America.

It's made up of three major business divisions: **Mobility Technologies**, **Repair Solutions** and **Environmental and Fueling Solutions**.



Right now, the largest division of the company is Environmental and Fueling Solutions, which accounts for 47% of its revenues.

This part of the business deals with all types of fueling systems, from gas and diesel to hydrogen and compressed natural gas.



Vontier provides everything fuel related — like automatic and self-serve point-of-sale systems at gas stations, and hardware like pumps and dispensers.

It also provides gauges and sensors that track fuel consumption, and informs software on the backend, so merchants can manage the supply and demand at their gas stations.

The Repair Solutions side of the business is responsible for 19% of revenue. It provides products as basic as repair tools, equipment and car parts.

However, this sector of the company also has more complex offerings, such as:

- Mobile apps that make scheduling and managing repairs and services easy.
- In-house financing solutions for expensive car parts.
- Live support for technicians, as they work on newer cars with complex technologies like autonomous driving systems.

But the most lucrative part of Vontier is Mobility Technologies, which brings in 28% of its revenue.

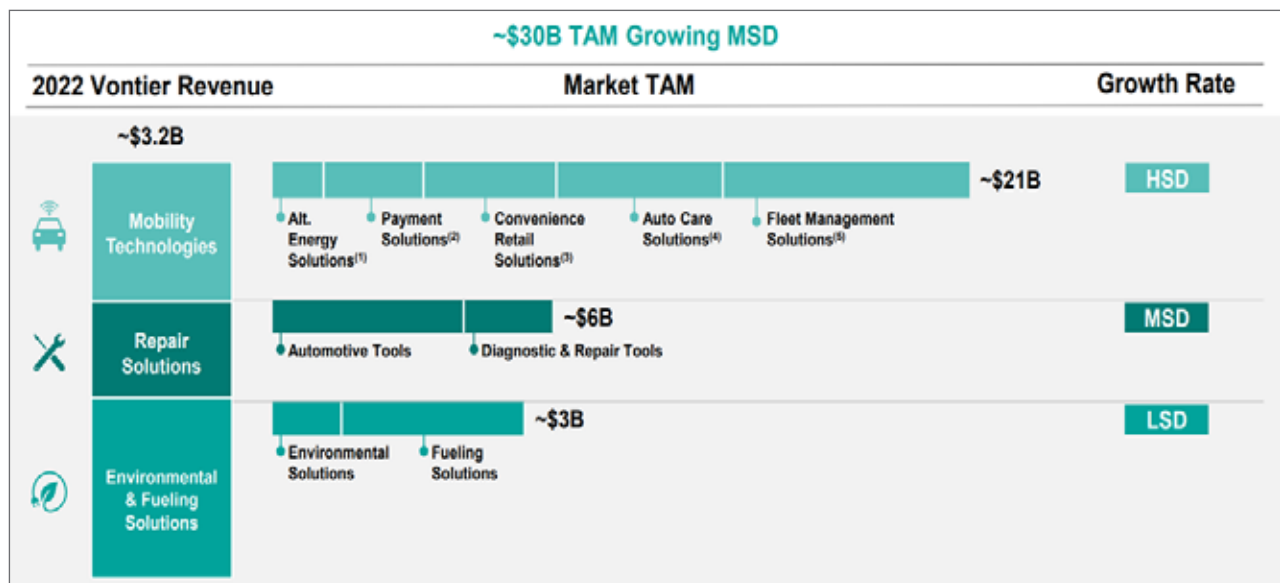
This isn't just one business. It's comprised of several smaller units that deal with everything — including electric vehicle charging, fleet management and automation technologies.

### The Potential of the Mobility Technologies Business

Although Environmental and Fueling Solutions is the current revenue driver for Vontier, the company has more upside in the future from Mobility Technologies.

As the world progresses with vehicle technology, there will be more EVs and autonomous vehicles on the road, and the Mobility Technologies side of the business is set to benefit the most from this trend.

This is why of all three business segments, **Mobility** has the highest addressable market and the greatest growth opportunity for Vontier.



In the global markets Vontier serves, the total addressable market for Mobility Technologies stands at \$21 billion. That's **7X the opportunity** that's available from Environmental and Fueling Solutions.

The Mobility side of the business thrives on Vontier's ability to acquire companies in the space, and then integrate them into its offerings.

One of the big segments within Mobility is Gilbarco Veeder-Root, an acquisition from the early 2000s.

It started out as an extension of the Fueling segment, by providing automation technology for self-service and payments at gas stations, like 7 Eleven, Shell and ExxonMobil.

But today, Vontier has combined Fueling with another acquisition, DRS, to provide a fully automated experience at gas stations run by Vontier customers (such as Circle K).

This involves automated payment and self-service systems for everything at the gas station: the fuel pumps, the car washes and the convenience stores.

This allows gas station managers to run it 24/7, while lowering in-person staffing costs.

This system also provides them with a software suite on the backend, with metrics that allow them to analyze and manage business needs.

Another successful combination of Vontier's acquisitions is its Evolve unit, which is made up of two companies called Sparkion and Driivz.

Sparkion is an energy storage and management system. It uses AI to figure out when to draw power from the grid and distribute it to EV sites consistently. In turn, this reduces costs and doesn't burden the power grid.

While Driivz is an EV charger software company that essentially does the same thing as the Fueling segment, in this case for EVs.

It provides self-service features for drivers at EV chargers, as well as energy management, billing and business intelligence. It also offers data collection services for customers like Shell, Volvo, EVgo and Circle K.

Another one of Vontier's successful acquisitions is Teletrac Navman, which is a software management system for trucking and rental vehicle fleets.

Through software, telematics and sensors, Teletrac Navman tracks and collects all manner of data on the fleet, including emissions, safety, traffic, driving habits and maintenance.

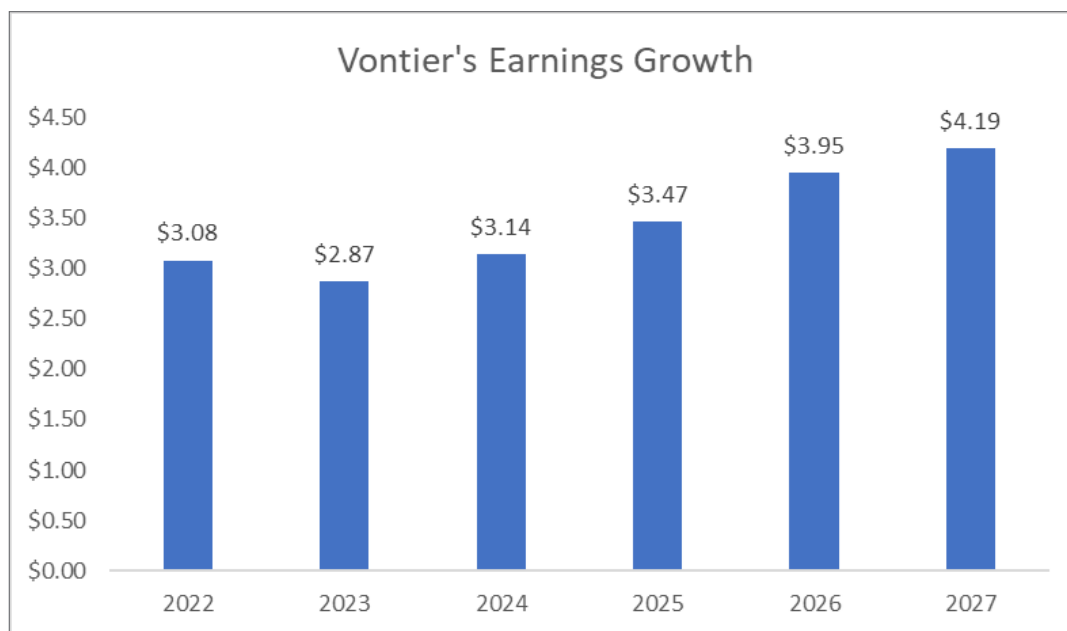
It then uses AI to predict ways for the fleet to reduce environmental impact, improve safety and optimize performance.

By putting all of these parts of its Mobility business together, Vontier has the potential to create and manage key transportation infrastructure needed to develop smart cities.

### **The Future of Vontier**

Vontier's earnings are expected to grow at compound annual growth rate of 10% per year for the next four years.

This is relatively slow growth compared to tech companies in the in the mobility space.



But that's because Vontier still has the Fueling and Repair parts of the business, which make up a major portion of its operations.

However, that's also good news. This provides Vontier with stable diversified sources of revenue while it ramps up on its more risky and advanced Mobility business.

And this makes Vontier a less risky bet on the future of mobility, AI and smart cities.

It also means that Vontier is cheaper. The company trades at a much lower multiple of 11 times 2023 earnings.

Compare that to "pure play" tech companies in the mobility space, which trade at as much as 70 times 2023 earnings, and you are getting a solid grower at a deep discount to rivals.

**Action to Take: Buy Vontier Corporation (NYSE: VNT).**

Regards,

A handwritten signature in black ink that reads "Ian King". The signature is written in a cursive, flowing style.

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Editor, *True Momentum*



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