


HAYDEN CAPITAL

QUARTERLY LETTER

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Dear Partners and Friends,

2025 was a clear reminder of just how difficult it is to predict markets over the short term. If you had been told that in just a few months, the world's largest economy would ignite a global trade war, strike Iran's nuclear sites, capture a foreign president, and attempt to coerce Europe to sell Greenland, you'd probably expect the markets to fall.

Time Period	Hayden (Net) ¹	S&P 500 (SPXTR)	MSCI World (ACWI)
2014 ²	(4.9%)	1.3%	(0.9%)
2015	17.2%	1.4%	(2.2%)
2016	3.9%	12.0%	8.4%
2017	28.2%	21.8%	24.4%
2018	(15.4%)	(4.4%)	(9.2%)
2019	41.0%	31.5%	26.6%
2020	222.4%	18.4%	16.3%
2021	(15.8%)	28.7%	18.7%
2022	(69.2%)	(18.1%)	(18.4%)
2023	56.6%	26.3%	22.3%
2024	64.3%	25.0%	17.5%
1 st Quarter	(0.6%)	(4.3%)	(0.9%)
2 nd Quarter	17.6%	10.9%	11.3%
3 rd Quarter	20.1%	8.1%	7.5%
4 th Quarter	(12.9%)	2.7%	3.3%
2025	22.3%	17.9%	22.4%
Annualized Return	14.8%	13.5%	10.3%
<u>Total Return</u>			
1 Year	22.3%	17.9%	22.4%
5 Years	(18.3%)	96.2%	70.4%
10 Years	318.5%	298.4%	207.2%
Since Inception	366.5%	308.8%	197.6%

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.

² Hayden Capital launched on November 13, 2014. Performance for both Hayden Capital and the indexes reflects performance beginning on this date.

Yet the opposite happened. Markets showed broad-based strength, underscoring both their resilience and their unexpected nature. U.S. equities posted double-digit gains. But international markets performed even better, with Korea’s Kospi and its remarkable 76% surge taking the crown.

Notably, this marked the first time since 2017 that international stocks outpaced their U.S. counterparts.

A couple quarters ago, I wrote: *“This whole [trade war] saga highlighted just how erratic and unreliable a partner the US has become, to its global peers. US assets have typically commanded a premium due to its rule-of-law and perceived safety of assets. But if the US government is behaving like an emerging market anyways, why not invest closer to home, where valuations are lower. (LINK)”*

I think this aged rather well: the MSCI Emerging Markets Index outperformed the S&P 500 by roughly 16%, nearly doubling its return. I suspect this dynamic will likely persist, with international markets continuing to outpace U.S. equities – driven not only by stark valuation disparities, but also by a growing recognition that the U.S. is a less stable investment environment than it’s been historically.

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We had a productive 2025. Especially in recent months as investor attention – and capital – was aggressively funneled toward anything involved in constructing our future AI overlords (i.e. hardware, semis, materials, energy) and nearly everything else was branded as an “AI loser.”

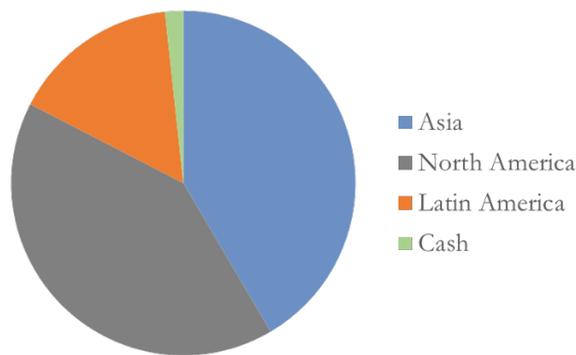
As we outlined in our last letter, we do not share this view. We believe the unprecedented infrastructure build-out over the next decade will also create significant opportunities for companies developing *applications* built on top of this technology, that meaningfully improve *human* outcomes. We are actively researching underappreciated “AI winners” that should benefit, as economic value migrates from infrastructure toward the application layer over time.

In fact, partners will already notice several new “starter” positions in the portfolio. We’ll keep our partners updated as our thinking evolves.

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Geographic Allocation %

As of December 31, 2025



Our portfolio lost -12.9% during the fourth quarter. This compares to the S&P 500's +2.7% and MSCI World's +3.3%. Since inception, we've generated +14.8% annualized after fees, versus the S&P 500's +13.5% and MSCI World's +10.3%.

Geographically, ~42% of our portfolio is invested in Asia, ~41% in North America, ~16% in Latin America, and the rest in cash.

What's Still Investable?

Over the last few weeks, we've seen a resurgence in market volatility, driven by the "AI Scare Trade". Like a virus, it started with software, then spread to internet companies, and then further broadened to sectors like insurance, financial services, and real estate services. Anything that is asset-light and operates in the digital world, is facing the market's wrath.

After three years, the AI cycle is shifting – from building core infrastructure, to attacking real-world applications. Investors are in a "fog of war" – trying to figure out what that means for incumbent companies. Which legacy firms will be beneficiaries, and which are prone to disruption?

What's unusual about the current draw-down though, is that many software companies (who have borne the brunt of the sell-off) are still growing. For example, ServiceNow just reported +21% y/y growth and Atlassian +23% y/y. We haven't seen any evidence of AI materially affecting these businesses (yet).

It means the market isn't pricing in facts – it's pricing in *fear*, and increased *uncertainty* about the future.

Granted, some of this anxiety makes sense. Over the past decade, software has commanded some of the highest valuations in the market – due to the perceived "stability" and "predictability" of its cash flows. A highly sticky product, theoretically high margins (minimal incremental cost), and steady organic growth. The best software companies lose just 1% of customers annually, and grow contract values +20 - 40% y/y from the 99% that renew. Conventionally, that's a beautiful business model that deserves a premium.

But now, all of that is being questioned. For example, Anthropic's Claude Code can reproduce work that once required weeks of engineering effort, in mere hours ([LINK](#)).

This is forcing software investors to rethink the fundamental value of code itself. If AI can effectively commoditize what took teams of engineers years to build – should the sector be valued accordingly?

On top of this, software is typically priced on a "per seat" basis. The assumption being, as customers grow, they'll need more employees, which means they'll purchase more licenses. But if AI agents are replacing humans, then software revenues are no longer correlated to the value they create. The entire industry needs to shift their business models to re-align.

Gitlab is a good example of this transition playing out in real-time. Usage is up +35 - 45% y/y, as more AI-generated code means higher volumes, which means more need for testing and continuous integration to ensure the code is safe & secure. But revenues are only up +25% y/y – highlighting a growing divide between the value they create, and the way they monetize it.

So the software industry is facing a reckoning on two fronts – disruption to long-held assumptions on terminal value, and a necessity to shift from "seat-based" to "consumption-based" pricing.

That's a lot of uncertainty for investors to digest, so it's no wonder markets are so jittery.

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And in the last few weeks, AI companies have begun attacking other verticals too. Google's Genie 3 launched a prototype "world model", where users can generate interactive worlds with a single prompt ([LINK](#)). And Anthropic released a plugin for legal services – handling contract review, NDAs, compliance obligations, and more ([LINK](#)).

Both further spooked a market already on edge. Software and video game stocks took the elevator down. Heck, even Transdigm – an aftermarket airplane parts supplier – dropped -9% the day of Anthropic's announcement. I guess because AI will make planes obsolete?...

So in the age of AI disruption, where the mere rumor of OpenAI or Anthropic entering a new vertical can erase a trillion dollars of market value ([LINK](#)) – what's still "investable"?

The market is rapidly trying to figure that out – causing increased volatility these last few weeks. Until then, everything is "guilty, until proven innocent".

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Historically, we've owned very little software, mainly because the companies we liked were too expensive.

Robert Smith, the founder of Vista Equity Partners, famously said in 2018, "Software contracts are better than first-lien debt" ([LINK](#)). Unfortunately by then, most of the space was already priced like it.

This generated great returns for those who invested in the early 2010's, and benefited from the sector-wide re-rating. But it also made for unattractive forward returns by the time we came looking.

That might be changing now. Valuations are much lower, and the market is punishing the entire sector as if they've already lost to AI, by default. Investors are scared and selling indiscriminately. It's the type of situation we like – one where we've typically found great opportunities.

Afterall, it's unlikely AI will eradicate the entire software industry. Inevitably, some incumbent software businesses will use AI to amplify their business models and create more customer value. Identifying which incumbents can successfully pivot is tricky and requires caution, but it's also where we can find value as active stock-pickers.

What's important to remember, is that the most resilient technology businesses aren't selling a product. They're selling convenience, trust, reliability, and business process knowledge. Maybe 20% of a software company's value is in the code itself. The other 80% is a customer service business – constant maintenance, security patches, compliance updates, new integrations, new features. Most businesses don't want the responsibility for any of this. They're not buying code. They're buying headache-free, all-in-one solutions to their problems.

Software business also have immense “economies of scale”. As they sell more licenses, the incremental cost per license decreases (sometimes to zero). So instead of millions of businesses each vibe-coding the same product independently, isn't it more efficient for a single company to centralize production and maintenance, then sell it to all of them? By aggregating these customers' software budgets, they can also attract the best talent and invest in the best technology – something no individual customer could justify on their own.

Sure, the cost of vibe-coding will soon be negligible, as compute costs decline. But open-source software is already free today, and yet businesses still pay for commercial alternatives. That's because the real cost was never the code. It's something going wrong at 2am, having to debug it yourself while your business is down and you're bleeding revenue. Wouldn't most businesses rather pay for peace of mind – having one company with the sharpest talent, constantly maintaining and updating the software on their behalf?

We don't know what these companies look like in 30 years. But with the current valuation reset, maybe we don't need to. Certainly, there will be losers and winners, as there always are during periods of disruption, and investors need to be careful distinguishing between the two.

The situation reminds us of the on-premise to cloud transition, and the simultaneous shift from one-time license sales to recurring subscriptions. Back then, the market was equally skeptical – finding the entire sector guilty, until individual companies proved they could navigate the shift.

I plan to spend more time in the space. Perhaps we won't find anything worthwhile and determine it's simply too hard. But when entire sectors sell off indiscriminately and the market prices in a wide range of potential outcomes, that's usually a good time to go digging.

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While the center of the storm is in software, other corners of the market have been caught up in the turbulence too. Gaming companies (Take-Two, Roblox, Unity, Nintendo), ecommerce platforms (Coupang, Mercado Libre, Sea Ltd), online travel (Booking, Expedia, Airbnb), consumer internet (Netflix, Spotify) – all are down -25 - 50% from their highs (see chart below).

There's a bear market happening underneath the indices' calm surface. I'd argue this area appears better positioned to withstand disruption risks than software and may offer even more attractive near-term opportunities.

The market is signaling an existential fear – that anything digital is easily replaceable by AI. But that feels like a stretch. After all, similar to software and code, the value of these business models was never in the website or the app. That itself is worthless.

Stock Performance of Major Internet Companies

Spotify, Doordash, Uber, Netflix, Coupang, ServiceNow; October 1, 2025 – February 13, 2026;



These businesses have spent years – sometimes decades – painstakingly building trust, accumulating millions of relationships with buyers and sellers, players and creators, hosts and guests. Over time, they've reached a critical mass that creates so much value for participants, it becomes nearly impossible to replicate.

The value is in the network. And the best internet businesses are nearly all network-effect business models.

A network's value lies in its ability to connect millions of merchants / creators and consumers through a discovery system - its app and recommendation engine - that matches people with the products or content they want, based on proprietary user data. And as each new participant joins, the network becomes exponentially more valuable. AI can generate code, but it cannot instantly recreate the trust, scale, and interconnected relationships that make these networks so defensible.

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Take gaming. Millions of players log into Grand Theft Auto, Free Fire, and Roblox each day. The fun of these online games is being able to instantly match with players of similar skill, and team up to complete missions together. That instant matchmaking only works because millions are online at any given moment – without that density, you're waiting an hour to join a party.

On top of this, the best multiplayer games have thriving ecosystems of user-generated content. Creators naturally gravitate towards the largest audiences, building new mini-games, maps, and mods where they know they'll have an immediate player base. That in turn attracts more gamers, who choose the platforms with the widest selection of content – reinforcing the network even further.

The market is forgetting that creating games was never the hard part. There are 20,000 games launched on Steam each year – half of which have less than 10 reviews ([LINK](#)). Google's Genie 3 or other world models won't solve this problem.

The bottleneck is, and always will be, in attracting users and monetizing the games. As games become easier to make, it will be even harder to stand out from the crowd – since games (supply-side) will have more competition, vying for the same fixed pool of gamers (demand-side)³. In other words, as the cost of creation declines, profit pools shift towards distribution and monetization.

For example, Youtube and TikTok unlocked user-generated content, and enabled anyone to become famous. Yet it didn't disrupt advertising economics. It made it more valuable. We're betting the same in happens in gaming.

As such, its likely profits will increasing be captured by those platforms that can help games grow and get attention – which makes advertising and distribution platforms (like Applovin) more valuable, not less.

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Ecommerce platforms are protected by an additional layer – physical logistics infrastructure. Amazon, Mercado Libre, Coupang, and Sea Ltd have each spent years and billions of dollars building their logistics networks. The reason someone uses Amazon or Coupang isn't the website. It's that they can get a package delivered to their door in hours, at a similar price and lower effort than leaving their house.

No AI model can recreate this. These networks required billions in capital, negotiations with local governments for zoning approvals, construction of dozens of warehouses, and hiring tens of thousands of delivery drivers. The value lies in the physical world (while using digital for efficient distribution) – and that matters now more than ever.

Jeff Bezos famously said that what matters in retail is simply – lowest prices, fast shipping, and wide selection. These are the things that will never change, no matter how technology evolves. And I'd argue this framework holds even in an AI-driven world. Because even if AI agents are the ones making purchase decisions on our behalf, they'll still optimize for the same criteria.

So who wins? The largest platforms.

Lowest prices come from having the largest pool of merchants, competing against each other on the same platform. When thousands of sellers are vying for the same customer, prices naturally approach marginal cost. That's a structural advantage that only deepens with scale.

Fast shipping comes from investing in logistics infrastructure – something we've discussed at length in prior letters. Shopee Express can deliver within hours to two days across Southeast Asia, a capability built over years of capital investment. An AI agent might find a better price on a smaller platform, but if it can't get to your door this week, most consumers won't care.

And wide selection follows naturally from having the largest merchant base. But there's another dimension here too. AI agents will rely heavily on reviews and large pools of data to make informed purchase decisions. Who holds the largest (and importantly, proprietary) pool of

³ Until AI starts playing games itself, there's only a certain number of hours for humans to play games. We're not creating more hours in a day.

product reviews and transaction data, as a consequence of having the most merchants? Again, the largest platforms.

These platforms have spent billions acquiring and building relationships with their customers, and collecting information about them. These platforms exclusively own the purchase histories, merchant records, and detailed insights into each user's behavior and preferences. In a world where AI is the shopper, the richest dataset becomes the ultimate competitive moat.

The core value remains, it's just the distribution mechanism changes. In other words, the same flywheel dynamics that have always favored the dominant platforms may actually accelerate in an AI-driven world – not diminish.

PORTFOLIO REVIEW

New Oriental Education (EDU): We sold the last of our New Oriental position this quarter.

The opportunity first appeared in 2022, after a brutal stretch for the company. China had launched a sweeping regulatory crackdown on the afterschool tutoring sector in 2021 (discussed in our Q2 2021 letter; [LINK](#)), and shares were then hit again as investors fled Chinese markets during the 2022 bear market. In total, the stock plummeted 96% from peak to trough in just over a year. Most investors wrote the company off as “uninvestable”.

But when we took a closer look that Fall, we saw something different: a company that had stabilized its operations and was positioning itself on the right side of a turnaround. Management had launched several new non-academic business lines – robotics, coding, arts, sports – and even found an unexpected hit in live-streaming through its Koolearn subsidiary, powered by the captive personality of one of its former star instructors.

Management was confident the worst was behind them. They believed nearly all planned tutoring center closures were complete, the regulatory overhang was lifting, and they forecasted a return to profitability by the following quarter. They backed up that conviction by returning roughly \$700 million to shareholders through a combination of share buybacks and debt repurchases⁴.

Yet the market was slow to appreciate these developments. Shares had bounced from their ~\$8 low in March 2022 to over \$20 by the Fall – but even at that price, the company was valued at just 10 - 20% above its net cash balance. I believed the business could generate over \$500 million in free cash flow by FY 2024, implying a ~37% FCF yield at the market price (in reality, they did \$836 million FCF that year).

⁴ \$400M share buyback, and \$300M debt repurchase ([LINK](#)).

Since then, growth has settled into a more measured pace, with revenues up $\sim +13\%$ y/y and operating profit growing $\sim +17\%$ y/y over the past two years. The number of tutoring locations have doubled since 2022, to over 1,454 (vs. 706 in mid-2022).

Unlike the prior decade though, when revenues grew at roughly 25% annually – from \$386M in 2010 to \$3.6BN by 2020 – I believe the company's runway for growth is considerably shorter now. Management publicly acknowledged as much a few weeks ago, noting a target of just +10% learning center growth this year.

I suspect the next decade will be far less exciting than the last. The societal headwinds we outlined in our Q2 2021 letter remain firmly in place: declining birth rates will eventually weigh on enrollments, and our analysis suggests that families are already nearing the ceiling of what they can afford to spend on tutoring services.

That said, this was a great investment for us. We purchased shares at an average price of $\sim \$24$, equivalent to an enterprise value of around \$600 million – and just an $\sim 18\%$ premium to the company's net cash at the time.

Since then, New Oriental has returned $\sim \$1.3$ billion to shareholders through share buybacks, debt repurchases, and dividends – most of it funded from cash flow rather than by drawing down the balance sheet. Put differently, the company has essentially paid us back our original “equity at risk” over the holding period⁵.

Shares appreciated $\sim +126\%$ during our ownership. We sold our remaining stake in recent months, as I see better opportunities elsewhere.

Sea Ltd (SE): Sea Limited shares have declined $\sim -45\%$ over the past few months. The magnitude of the decline these last few months is surprising, especially since not much has changed with their fundamentals.

After talking to other investors, it seems the short-term pessimism hinges on two points: 1) rising fear of TikTok Shop competition in Southeast Asia, and 2) Shopee reinvesting more heavily into logistics / entering a re-investment cycle – which investors fear will cap near-term margins at roughly $\sim 0.7\%$ of GMV this year, versus prior Street expectations of $\sim 1.2\%$.

The market never likes negative earnings revisions (especially with how short-term oriented the market has become in recent years; [LINK](#)). Even if these investments will strengthen Shopee's competitive position and moat for the long-term.

Amplifying this dynamic, is the market's concern that this spend is defensive. That it's a necessary response to TikTok rather than a voluntary choice. And that the margin compression we're seeing is therefore structural, not temporary. The fear is that terminal margins might be closer to 1%, rather than 3% of GMV due to competition.

However, I think the market is mistaken.

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⁵ The company had a \$1.4BN enterprise value at time of investment.

First off, the TikTok Shop narrative simply doesn't match the data. Alternative data suggests that TikTok Shop's GMV growth in Southeast Asia has slowed materially over the past few quarters – from $\sim +70\%$ y/y in Q2 2025, down to $\sim +30\%$ y/y by late 2025. That's only modestly above Shopee's own growth of $\sim +25\%$ y/y. More notably, TikTok's relative market share versus Shopee in Indonesia – the region's largest market – has effectively flat-lined over the past year.

If the data is even directionally correct, it reframes the entire conversation. Shopee's roughly 50 basis points of incremental reinvestment starts to look discretionary and offensive – widening the moat – rather than a desperate defensive reaction to competitive pressure.

But what if the alternative data is wrong, and TikTok is actually growing at a faster rate? Even so, I think the risk is limited.

The fact is that both Shopee and TikTok Shop are raising their take-rates in lock-step. When Shopee increases their fees, TikTok usually follows days later. That's typically a sign of stabilizing competition, not of an irrational, aggressive competitor.

For example, TikTok Shop did $\sim \$45\text{BN}$ in GMV last year, versus Shopee's $\sim \$125\text{BN}$. We've heard rumors that TikTok Shop's internal goals are to grow $+50\%$ in 2026. Meanwhile, Shopee is targeting $+20\%$ GMV growth. If this plays out, TikTok will add an incremental $\$22\text{BN}$ in GMV vs. Shopee's $\$25\text{BN}$. Shopee is still growing faster on an absolute level, and certainly isn't being impacted to the degree the market fears.

Additionally, our analysis indicates most of TikTok Shop's growth is coming from rural areas – from consumers brand new to ecommerce. These are consumers in Tier 2 or Tier 3 cities, who are scrolling TikTok for entertainment, and just happen to come across, say, a makeup review video, that that triggers them to impulsively buy some lipstick. These were not viable customers for Shopee previously (given the higher shipping costs, lower discretionary income, and lower purchase frequency of this customer base).

So in this way, I suspect TikTok Shop might actually benefit the ecosystem over the long-run, by getting these consumers to try online shopping for the first time. As the online shopping habit matures and they become savvier shoppers, inevitably some of them will find their way to Shopee's platform as well.

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But what about J&T? The most common pushback I hear is around J&T Express, the Southeast Asian logistics provider that trades publicly in Hong Kong (1519.HK). J&T is TikTok Shop's primary logistics partner, so many investors watch their reported number to get an indication of TikTok's growth.

J&T reported parcel volume growth of $\sim 74\%$ y/y in Q4 2025 – and the bears have pointed to this as evidence that TikTok Shop must be growing faster than the alt data suggests. As one of TikTok Shop's key logistics partners, the logic seems straightforward: if J&T is booming, TikTok must be booming too.

But when you decompose J&T's volume growth, the picture is more nuanced than the headline suggests.

Let's start with the market itself. Let's assume the data is correct, and J&T's Southeast Asian e-commerce parcel volumes grew +40% y/y in 2025⁶. If J&T had simply held its market share flat at 27% (2024 levels), it would have grown parcels about 40% too – i.e. just riding the tide. That alone explains more than half of the headline number.

But J&T didn't hold share flat. According to its own 1H25 prospectus filings, J&T's market share rose from 27% in 2024 to 32% in the first half of 2025 – a gain of roughly five percentage points ([LINK](#)). That share gain adds another ~25% of growth on top of the underlying market expansion. Between market growth and share gains alone, you get to ~65% parcel volume growth – almost the entire headline figure.

Then layer in J&T's new non-platform parcel business, which went from essentially zero in 2024 to roughly 10% of revenue by late 2025⁷. That adds another +9% of growth.

J&T Volume Growth Decomposition (2025)	
Driver	
Underlying Ecommerce Market Growth	40.0%
Parcel Share Gains (27% > 32%)	25.0%
Non-Platform Volume Share (0% > 10%)	9.0%
Total	74.0%

The takeaway is simple: it can be simultaneously true that J&T grew +74% y/y, and that TikTok Shop's order growth has slowed to roughly 40% (and roughly 30% on a GMV basis). These are not contradictory data points. The math adds up to the +74% growth number, that investors are fretting over. When you decompose it, you can see that the scary headline growth rates, might be actually masking a TikTok slowdown. It's just that J&T is doing well in its own right, and gaining market share at the expense of smaller logistics companies.

All of this is also corroborated by J&T's own commentary. On J&T's fourth quarter 2025 earnings call, management explicitly called out two drivers behind their strong volume growth. First, they noted that they have been winning share from competitors – with rival third-party logistics providers exiting the market, unable to meet the demands of e-commerce platforms. Second, they highlighted that non-platform parcels had grown meaningfully and were making a significant contribution to total volumes.

In their words, they spoke of “higher requirements of the logistics service” and their ability to “widen the gap with competitors by virtue of cost and price advantages, as well as solid network capabilities” ([LINK](#)). They noted that some third-party logistics companies had simply “quit the market.” In essence, this is a consolidation story, not an indicator that “TikTok is eating Shopee's lunch”.

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⁶ Parcel volume is higher than GMV growth, because TikTok's avg order values are declining. This analysis is only for illustrative purposes, as J&T obviously has other customers besides TikTok Shop.

⁷ J&T is expanding its service to non-online platform businesses, like traditional retail.

So if competition isn't intensifying, why is Shopee spending more now? Because Sea likes to press harder when competitors are weakening.

If you follow the company's history, the pattern is consistent. Most recently, they did the same thing with their digital banking arm, Monee. The company patiently waited before scaling its lending book – only accelerating loan growth after they watched the Indonesian digital banks start blowing up with non-performing loans a few years ago. Compare the timing of Monee's lending inflection to when Indonesian digibank NPLs started spiking, and the correlation is unmistakable. Sea doesn't rush into the fray when conditions are frothy. It waits for others to stumble, learns from their mistakes, then aggressively moves in to gather the pieces.

That's the playbook they appear to be running again. I suspect TikTok Shop's growth is decelerating, and rival logistics providers are exiting. And Shopee is using this window to invest more heavily in its own logistics network and deepen its competitive moat – not because it has to, but because it's the best time to do so.

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I've outlined a number of detailed data points above, to explain why we don't share the market's short-term concerns. But as long-term investors, I'm not sure if any of this matters.

The fact is, ecommerce was never a monopoly industry (even Amazon only commands ~40% market share in the US; [LINK](#)). There's always been room for more than one ecommerce platform, just as there are multiple brick & mortar chain stores in physical retail. As long as each platform finds a unique angle that best serves their loyal customers, all ecosystem players can grow together.

And the market seems to forget, that competition isn't necessarily correlated to profitability. Every business needs to make money eventually, and earn a positive margin.

For example, China is the most competitive ecommerce market in the world with four large ecommerce companies all competing heavily⁸. Despite this, all the companies are making ~2% EBITDA / GMV – 3x higher than Shopee's current 0.7%⁹. I think China clearly illustrates that relative competition and absolute market share, isn't necessarily correlated with lower terminal margins.

Coordinated rationality is more important to long-term margins, than relative growth rates.

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So what's priced in after the stock decline? At ~\$107, Sea Limited is trading at roughly 7x 2028 EV/EBITDA, with +30% y/y EBITDA growth¹⁰.

All international e-commerce stocks have traded down over the past several months – Coupang, MercadoLibre, and others – so part of this is definitely a sector-wide de-rating. But even so, the

⁸ Alibaba, JD, Pinduoduo, Bytedance (TikTok).

⁹ I use this metric since it's what investors are focused on, and what Shopee guides to. Even though I agree there are flaws in using this metric. By our calculation, Alibaba is at 2.5% EBITDA/ GMV, JD at 1.4%, and PDD at 2.3%.

¹⁰ Price as of Feb 17, 2026.

current valuation seems a bit extreme for a company with Shopee's dominant ~52% market share and growth profile.

I suspect the reason the stock is down the last few months is simple - 2026 margins expectations are down, therefore 2026 earnings revisions are negative, therefore the stock goes down. And mechanically, that's fair. Short-term earnings revisions drive short-term stock prices.

But if the margin compression is indeed temporary and discretionary – an offensive choice to invest while competitors stumble – then Shopee likely emerges on the other side of this investment cycle with a wider moat and structurally better economics. That's something we're willing to delay profits for – since a stronger business means it's only a matter of time before the profits flow to shareholders.

We've seen this movie before too. The stock has a long history of punishing investors in the short term, only to reward those who stayed focused on the long-term competitive dynamics. The company went through a similar period of heavy reinvestment and margin compression in 2022–2023, and the bears told a similar story then too. What followed was a sharp reacceleration in profitability and a significant re-rating in the share price.

I could be wrong. Perhaps TikTok Shop will reaccelerate. Perhaps the alt data is directionally misleading. But based on everything we can see today – the deceleration in TikTok's GMV growth, the flat-lining of relative market share in Indonesia, J&T's own management commentary about consolidation and share gains, and both Shopee and TikTok raising take-rates – the competitive backdrop looks like it's improving, not deteriorating.

And at ~7x 2028 EBITDA with 30% growth, the risk-reward seems quite favorable from here.

CONCLUSION

It's a dynamic time for technology investors, as many former “disruptors” now face disruption themselves. Yet, as in prior cycles, I believe inevitably some incumbent companies will adapt and strengthen their businesses by leveraging new technologies.

History shows that the strongest performers are those whose core value extends beyond the underlying technology. For example, music labels - once thought to be obsolete with the rise of streaming - successfully adapted by using new distribution models to deliver their proprietary music more efficiently. The core value was in the content, not how it was sold. As it became easier to discover and listen to music anywhere, overall music consumption increased, and labels ultimately captured greater value.

Similarly, I suspect the most resilient companies this cycle will derive their core value from proprietary data and information. There's a reason why the LLMs are paying Reddit ~\$150M per year to license its content ([LINK](#)). Understanding how *humans* think and what they want is extremely valuable.

AI agents don't control their own finances yet – they still rely on their human companions to pay for things. As a result, the most valuable asset in an AI economy remains a deep understanding of human behavior and preferences.

Much of this data lives inside walled-ecosystems – think Meta, TikTok, Google, Amazon, etc. These companies function as large-scale data repositories, that simply collect information on individuals and monetize those insights in different ways.

The distribution and monetization methods may change. But their core value lies in the proprietary data they hold. As long as that data remains exclusive, its value only grows in an AI-driven world.

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On the operations front, we're on the lookout for an intern this semester, to help us build AI-based research tools. It's fascinating what this technology can accomplish, even for those without any previous technological knowledge.

For example, I recently “vibe-coded” our own Applovin Axon Pixel Tracker, to track Applovin's new ecommerce push ([LINK](#)). The program scans the top 100,000 ecommerce websites, and whether they've adopted Applovin's ecommerce tools – useful for us tracking adoption in real time. I did this all with Claude Code, in just a couple hours over a weekend, and runs on Amazon's AWS.

We're looking for an intern to help us build further research tooling across more companies, in addition to tools to aid in portfolio monitoring. Ideal candidates will have a rare combination, of being passionate about both investing and new technologies. They're probably already reading annual reports and setting up their own OpenClaw agent in their free time.

Please email Hayfah (Hayfah.bayabao@haydencapital.com), if you know of any interested candidates, have questions, or would like to submit a resume. We have a strong preference for Los Angeles based interns, but are open to exceptional remote-based candidates as well.

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On the travel front, I'm currently in Europe for the next few weeks, before heading to Berkshire Hathaway's annual meeting in late April.

It will be interesting to see how the community changes after Buffett's retirement. However similar to above, I suspect the community will remain resilient – as I've always found the core value of Berkshire weekend not in listening to Buffett speak (you can do that online nowadays), but rather the plethora of side-events and spontaneous conversations that happen around it.

Please let me know if you're heading to Omaha as well this year. It'd be great to connect there.

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Lastly, given what's going on in the news these last few weeks, I think it's crucial to remember to adopt a longer time horizon on all this. While the day-to-day news may seem confusing and fast moving, it's important to steady our gaze by looking at the horizon. There are certain business

principles that have endured throughout technological cycles, that are unlikely to change even if the distribution mechanisms do.

At the end of the day, our goal is to back a handful of the best entrepreneurs we can find, and the companies they've built.

These world-class companies won't evolve in a straight line, and there will be inevitable dips, plateaus, and bumps along the way. But we believe that our companies will navigate these shifts successfully, and emerge even better positioned on the other side.

Sincerely,



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