Multibagger Portfolio: Digital Ocean Holdings

ISIN: US25402D1028

The cloud computing market seems to be dominated by big players such as Amazon's AWS or Microsoft's Azure. However, their solutions are typically tailored to the needs of large corporations. Particularly for smaller companies, getting started is often a problem due to complexity. Founded in 2011, DigitalOcean Holdings aims to address those companies that want an easy-to-use cloud infrastructure. In addition to simplicity, the company offers 24/7 technical support, numerous developer tutorials, and several tools for monitoring performance. In recent years, the company has become a serious rival to major providers. With an entry price of five US dollars per month, DigitalOcean's infrastructure is especially popular among small and medium-sized businesses (SMBs) as well as startups.

Citron Research is one of the most well-known hedge funds in the US. In a study from August 2, 2021, which is somewhat older but the thesis itself is not outdated, Citron targets a price of $200 for DigitalOcean Holdings. Risk values have been heavily punished since the research was conducted, providing us with a much cheaper entry opportunity.

In its study, Citron emphasizes the simplicity of the product, as well as the growth of the entire industry, from which DigitalOcean Holdings should benefit disproportionately. Put simply, the company offers the solutions that Amazon Web Services provides to major players in the market. Consequently, the biggest risk for this investment is that Amazon, Microsoft, or Google could decide to enter this market and acquire Digital Ocean Holdings from their pocket. Alternatively, they could become competitors, leading to price competition. The prospect of an acquisition may seem attractive at first, but our expectation for performance is higher over the next five to ten years. As long as the prospects remain as positive as they have been, little stands in the way of the course multiplying, as Citron assumes.