



The Backdoor Way to Invest in ChatGPT

Trade Idea: Cloudflare Inc (NYSE: NET)

Price at Publication: \$72.97

Market Cap: \$24.21 Billion

52-Week Range: \$37.37 - \$80.99

Why Cloudflare is a backdoor way to invest in ChatGPT

Cloudflare is a company that provides various internet services, including content delivery networks (CDN), DDoS protection, and distributed domain name server services. One of the key services that Cloudflare provides is edge computing through its product, Cloudflare Workers. Edge computing allows developers to run their code closer to the users, reducing latency and improving performance.

OpenAI, the organization behind ChatGPT, uses Cloudflare Workers to serve ChatGPT models. This means that when you interact with ChatGPT, your requests are likely being handled by Cloudflare's infrastructure. By investing in Cloudflare, you're indirectly investing in the infrastructure that powers ChatGPT and many other internet services. As the usage of these services grows, so does the demand for Cloudflare's services.

What Cloudflare does and how its business operates

Cloudflare operates a global cloud platform that delivers a broad range of network services to businesses of all sizes and in all geographies—making them more secure, enhancing the

performance of their business-critical applications, and eliminating the cost and complexity of managing and integrating individual network hardware.

Their services protect and accelerate any Internet application online without adding hardware, installing software, or changing a line of code. Internet properties powered by Cloudflare have all web traffic routed through its intelligent global network, which gets smarter with each new site added. As a result, they see significant improvement in performance and a decrease in spam and other attacks.

Cloudflare's product offerings fall into three broad categories: Performance and Reliability, Advanced Security, and Developer Services. These services are powered by their highly resilient, interconnected global network, which enables them to deliver security, performance, and reliability features with ease.

Cloudflare's Financials

Here are some key financial highlights:

- **Revenue:** Cloudflare has shown consistent revenue growth over the past quarters. The Q1 2023 revenue is significantly higher than the same quarter in the previous year, indicating strong financial performance and market acceptance of their offerings.
- **Gross Profit:** The gross profit has also seen a steady increase, which is a positive sign. It indicates that the company is not only increasing its top line but also efficiently managing its cost of goods sold.

- **Operating Expenses:** The company is investing in its operations, as indicated by the increase in operating expenses. This is common for growth-stage tech companies that are focused on capturing market share and investing in product development and customer acquisition.
- **Customer Growth:** The number of customers, especially the large customers contributing to a significant portion of the revenue, is growing. This is a positive sign as it indicates market acceptance and the scalability of Cloudflare's business model.
- **Net Retention Rate:** The net retention rate is above 100%, indicating that existing customers are not only sticking with Cloudflare but also spending more over time. This is a key indicator of customer satisfaction and the effectiveness of Cloudflare's strategy to expand its relationships with existing customers.

Please note that this is a high-level summary and for a detailed understanding, a deeper dive into the financial statements and other disclosures by the company would be required.

In conclusion, Cloudflare presents a compelling investment opportunity for those looking to indirectly invest in the growth of AI technologies like ChatGPT. The company's robust suite of services, including its pivotal role in edge computing, positions it as a critical player in the infrastructure that powers the internet, including AI applications.

Cloudflare's consistent revenue growth, expanding customer base, and high net retention rate all point to a strong financial

performance and market acceptance of its offerings. The company's commitment to reinvesting in its operations, as evidenced by its operating expenses, signifies a focus on long-term growth and market dominance.

Moreover, Cloudflare's role as the backbone of many internet services, including ChatGPT, provides it with a unique growth opportunity. As the demand for these services increases, so too will the demand for Cloudflare's infrastructure. This symbiotic relationship positions Cloudflare as a 'backdoor' investment into the burgeoning AI industry.