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THE PREHN INSTITUTE | RESEARCH

Published August 14, 2025

About Felix Prehn and The Prehn Institute

The Prehn Institute

BOTTOM LINE:

This report examines three companies that today's market has singled out as leaders — Corning, Affirm and Rush Street Interactive

FELIX PREHN

Economist and former investment banker
The Prehn Institute

REPORT SCOPE

Plain-English explanation of the video.

RATING

None

PRICE TARGET

None

About Felix Nikolas Prehn and The Prehn Institute

Felix Nikolas Prehn

Felix Nikolas Prehn is an economist and former investment banker. He writes and lectures on how the financial markets work, with a focus on how ordinary savers can protect what they have built.

The Prehn Institute

Felix Nikolas Prehn is the founder of The Prehn Institute. It publishes research on the financial markets and provides instruction in how they work. It gives no financial advice.

It takes no sponsorships and no endorsements, ever. So its work answers to its readers and to nobody else.

Our work online

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Overview

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GLOBAL EQUITIES — AI INFRASTRUCTURE, CONSUMER FINTECH & ONLINE GAMING

THREE MARKET LEADERS, ONE QUALITY TEST

A QUALITY-FIRST FUNDAMENTAL REVIEW OF CORNING INCORPORATED (GLW), AFFIRM HOLDINGS (AFRM) AND

Rush Street Interactive (RSI) — built on Felix Prehn's rules for picking great companies.

This report examines three companies that today's market has singled out as leaders — Corning, Affirm and Rush Street Interactive

- ✓ through a single, consistent lens: business quality. We deliberately separate the question "Is this a good company?" from the question "What has the share price done lately?" because, as Felix Prehn teaches, a great company and a great-value moment are not the same thing.

Our analysis suggests each of the three plays a very different role. Corning is a mature, wide-moat industrial that supplies the optical fibre threading through the world's artificial-intelligence data centres — a classic "picks-and-shovels" supplier. Affirm is a fast-growing consumer-fintech firm whose "buy now, pay later" service is embedded inside Apple Pay, Amazon and Shopify, and which has been crossing into profitability. Rush Street Interactive is a smaller online-gaming operator that, unusually for its industry, generates a profit while U.S. states continue to legalise online casino play.

1. HOW TO USE THIS REPORT

What this is. This is an educational research report. It is a companion to the The Prehn Institute video covering these same three stocks. The video shows you how to read the market's behaviour around a leading stock; this report does the slower, quieter work of judging the business underneath the share price.

How we think. We borrow a discipline from professional investing: we never judge a company on a feeling or a headline. We run every business through the same checklist, every time, without emotion. That checklist is described in Section 3, and we apply it to all three companies in exactly the same way so you can compare them fairly.

Written for everyone. We have written this so a curious ten-year- old could follow it. Where we use a piece of Wall Street jargon, we explain it in plain words, and there is a full glossary at the back.

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IS THE BUSINESS PROFITABLE?

3. The Quality-stock Framework

Felix Prehn puts it simply: "We look neither for value stocks, nor for growth stocks. We look for quality stocks." A quality company is one that is genuinely good at making money, keeps the money it makes, can survive a storm, is not wildly overpriced, and has a real edge over its rivals. We check five things.

Gross margin. Out of every dollar a company collects from customers, how much is left after paying the direct cost of making the product? A high gross margin is a clue that the company has a wide moat and can absorb shocks. Software companies tend to have very high gross margins; banks and_ physical-goods companies tend to have lower ones.

Operating margin. What is left after a// the running costs — staff, marketing, offices, research. It tells us how well management controls costs.

ROCE (return on capital employed). For every dollar of money put to work in the business, how much profit comes back? It is one of the best measures of whether management is using money wisely.

IS IT GENERATING CASH?

Cash conversion. Profit on paper is an opinion; cash in the bank is a fact. Cash conversion measures how much of the reported profit actually turns into real cash. High conversion means flexibility and resilience.

Levered free cash flow margin. After paying its bills and the interest on its debt, what slice of every sales dollar ends up as spare cash the company can reinvest, save, or return to owners?

IS IT FINANCIALLY STABLE?

Leverage. How much debt the company carries relative to its size. More debt means more risk and more violent swings in good times and bad.

Interest cover. How comfortably the company's profits cover the interest it owes. A high number means it can sleep at night even when business is slow.

VALUATION

P/E and forward P/E. The price-to-earnings ratio compares the share price to the company's profits — a quick snapshot of how expensive a stock is today, and (in the forward version) how expensive it looks against next year's expected profits. Felix is clear that this is the /east important of the metrics, but it still matters: even a wonderful company can be a poor place to put money if you pay too much.

Consistency of earnings and EPS. Are profits and earnings-per-share growing reliably year after year, or do they lurch around? Steady, rising numbers suggest a dependable business that is creating value for its owners rather than diluting them.

A moat is a lasting edge that keeps competitors out. It usually takes one of four shapes: a cost advantage (being able to do it cheaper than anyone else), a size advantage (economies of scale), high switching costs (it is painful for customers to leave), or intangibles such as patents, a powerful brand, or government licences.

The castle-and-moat picture. Imagine a business as a castle full of treasure (its profits). Every successful castle attracts attackers

- ✓ rivals who want that treasure for themselves. The moat is the band of water that keeps them out. A wide moat means the company can keep its profits for many years; a narrow or non- existent moat means competitors will eventually wade in and compete those profits away.

WHAT "GOOD" LOOKS LIKE

Numbers only mean something when you know what a strong figure looks like. The ranges below are general rules of thumb Felix's framework leans on — not hard cut-offs, and they vary by industry. For each company's actual figures and how they score, the Winston app does the comparison for you.

Table 1b. Rule-of-thumb guide to what a strong number looks like (general guidance; varies by sector).

Gross margin Higher is better; software Lots left over after can exceed 70% making the product

Operating Consistently positive and Costs are well controlled

margin rising

ROCE Comfortably into double Money put to work earns digits a strong return

Cash Close to or above profit Paper profit becomes conversion real cash

Interest cover Several times over Profits dwarf the interest bill

Earnings Steady, rising, few Dependable rather than trend wobbles erratic

Table 1. Felix's quality-stock checklist at a glance.

Profitable?	Gross margin	Size of the moat; ability to absorb shocks
Profitable?	Operating margin	How well costs are controlled
Profitable?	ROCE	How wisely capital is used
Cash?	Cash conversion	Profit turning into real cash
Cash?	Levered FCF	Spare cash from each sales dollar
Stable?	Leverage	Financial risk and volatility
Stable?	Interest cover	Comfort in servicing debt
Priced	P/E & forward P/E	Not overpaying (least important) well?
Durable?	Moat	Can it keep its profits for years?

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4. The Growth-stock Framework

Some of the companies in this report are better understood as growth stocks — young, fast-expanding businesses where the future matters more than the past. Felix uses a separate, stricter checklist for these, because picking them is harder and riskier: there is simply less history to lean on, and you need a longer time horizon to judge success.

For a growth company we focus on the metrics that are available: a high operating margin where it exists, strong revenue growth that beats others in the sector, low debt, and a good cash position so the business can survive a downturn. We want a large target market — ideally many times bigger than the company's current sales — a strong, clean brand, signs of technology leadership, and heavy investment in research to build a moat for the future.

Skin in the game. We like to see the founder or chief executive heavily invested in their own company — their money riding alongside yours. And finally, the simplest test of all: can you write down three clear reasons why this company is better than its competitors? If you cannot, Felix says, you do not understand it well enough to own it confidently.

Table 1c. The growth-stock checklist.

Revenue growth Fast, and faster than sector peers

Operating margin High where it exists, improving over time

Debt Low — survives a crash

Cash position Strong enough to weather a downturn

Target market (TAM) Large — ideally 25x current sales or more

Brand & tech Clean brand; clear technology leadership

R&D spend High — building tomorrow's moat

Founder/CEO Heavily invested in the company

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5. How Earnings Reports Work

Four times a year, public companies open their books and tell the world how they did. This is called an earnings report, and it is the single most important moment for a long-term investor.

The three documents. An earnings report contains an income statement (did it make a profit?), a balance sheet (what does it own and owe'), and a cash-flow statement (did real money come in?). Alongside the numbers, management holds an earnings call

- ✓ a live phone meeting where they explain the results and answer analysts' questions.

Guidance. Often the most market-moving part is not the past quarter at all, but guidance: management's own forecast for the months ahead. A company can report great results and still fall if its guidance disappoints, and vice-versa.

Our approach. We read the report, the call transcript, and the market's reaction together. For the latest reported quarter and figures for each company below, we direct you to the Winston app and each firm's own investor-relations page, so you are always working from the most recent numbers rather than a figure that may have gone stale.

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6. Sector Map: Where These Three Live

Our three companies sit in three different corners of the market, which is part of what makes them interesting to study together. Comparing them teaches you how the same quality checklist behaves across very different kinds of business.

Corning — Al infrastructure (specialty glass & optical fibre). A mature industrial manufacturer. It makes physical products in factories, so we expect industrial-style margins, real capital spending, and a long operating history to lean on.

Affirm — consumer fintech ("buy now, pay later"). A young, technology-led lender embedded in the checkout pages of huge retailers. We judge it partly as a growth stock and partly as a lender, watching credit quality closely.

Rush Street Interactive — online gaming (iGaming & sports betting). A smaller, fast-growing operator in a newly legal, fast-expanding market. The unusual feature here is profitability in an industry where most rivals lose money.

Why study them side by side? Because the lesson is the method, not the names. A wide-moat industrial, a fintech grower and a profitable small-cap operator are judged on the same five quality questions — profitability, cash, stability, valuation and moat — even though the "right" answers look different for each. Learn to do that and you can size up almost any company you meet.

Table 1d. The three companies at a glance. Company data: Winston app,

Corning GLW Al infrastructure / Mature quality specialty glass & fibre compounder

Affirm AFRM_ Consumer fintech/BNPL Growth stock + lender

Rush RSI Online gaming/iGaming Profitable small-cap Street grower

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7. Corning Incorporated (Glw)

What the company does. Corning is a 170-year-old American materials-science company. In plain words, it is one of the best glass-makers on Earth. It makes the tough "Gorilla Glass" on many phone screens, the glass for displays and cars, and — most importantly for today's story — the optical fibre that carries data inside and between data centres. Optical fibre is hair-thin glass thread that moves information as pulses of light.

Why it is in the news. Every artificial-intelligence data centre is a giant building full of computer chips, and those chips are useless unless they are wired together so they can talk. They are wired together with optical fibre. As companies race to build AI data centres, demand for that fibre has surged — and Corning is one of the biggest suppliers. This is the classic "picks-and-shovels" position: in a gold rush, the person selling shovels gets paid no matter who finds gold.

QUALITY ASSESSMENT

Profitability. Corning is a manufacturer, so we expect industrial-style gross margins rather than software-style ones — solid, but not 70%-plus. The important point is that Corning has a long history of being profitable through many economic cycles, which is exactly what a quality, mature business should show. For the latest reported margins and the company's quality score, see the Winston app.

Cash and stability. A business this old and this large is judged heavily on cash generation and a sturdy balance sheet. We watch free cash flow (the spare cash after running the business and investing in factories) and the debt load. Corning does carry debt, as capital-intensive manufacturers usually do, so interest cover — how easily profits cover the interest bill — is a key number to track in the Winston app.

Moat. Corning's edge is unusually wide. Decades of patents and secret manufacturing know-how make its glass and_ fibre extremely hard to copy. It has enormous economies of scale, and once its fibre is designed into a customer's network, switching to a rival is costly and disruptive. That is three moat types at once: intangibles (patents), size advantage, and high switching costs.

GROWTH-STOCK LENS

Corning is not a young growth stock; it is a mature quality compounder. But one part of it — the optical-fibre business tied to AI — is growing quickly. The attraction is that you get a fast-growing AI theme wrapped inside an established, profitable company with a long track record, rather than an untested start-up.

Three reasons Corning can beat its rivals. (1) Patents and process know-how built over decades that competitors cannot easily replicate. (2) Vast manufacturing scale that lowers its cost per unit below smaller rivals. (3) Deep, sticky relationships with the world's biggest technology and telecom customers, who design Corning's fibre into long-lived networks. If you cannot name three such reasons for a company, Felix says, you do not understand it well enough to own it confidently.

Table 2. Corning (GLW) — quality snapshot. Figures and scores: Winston app,

Sector Specialty glass & optical fibre (AI infrastructure)

Stage Mature, profitable, wide-moat compounder

Gross margin Industrial model; see Winston app

Growth engine — Optical fibre demand from AI data centres

Debt / stability Carries debt as capital-intensive maker; watch interest cover

Moat Patents, scale, switching costs

Relative Strongest on the screened list (Winston app) strength

RISKS e Cyclical demand. If companies slow their AI data-centre building, fibre orders can fall quickly.

« Customer concentration. A handful of huge customers drive a large share of demand; losing one would hurt. e Capital intensity. Factories cost a great deal to build and run, which can squeeze cash flow in lean years. e Already extended. A stock that has risen a long way can fall hard if the mood around AI cools, so position size matters.

OPPORTUNITIES e The AI build-out. Years of data-centre construction could mean a long runway of fibre demand.

Diversified base. Phones, displays, cars and life-sciences glass cushion any single market's slowdown. e Pricing power. A wide moat lets Corning hold prices better than smaller rivals.

In plain English. Imagine everyone is suddenly building swimming pools (AI data centres). You could try to guess which pool-builder wins — or you could own the company that makes the pipes every single pool needs. Corning makes the pipes. It is an old, steady company that happens to sell something the newest, fastest-growing industry cannot live without.

What we are watching next. Three things tell the story from here: Table 2b. Corning — what to watch, in plain English. Latest figures: whether optical-fibre demand keeps climbing, whether margins Winston app. improve as volumes rise, and whether the debt stays comfortably covered by profits. The

Winston app tracks Corning's quality score and latest reported figures so you can follow these without doing Optical fibre The AI growth engine Orders rising over the maths yourself. demand time

Gross margin Shows pricing power Steady or climbing

Free cash flow Funds dividends & Positive and growing factories

Interest cover Debt must stay Profits dwarf interest comfortable

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8. Affirm Holdings (Afrm)

What the company does. Affirm is a "buy now, pay later" company. When you shop online and you are offered the choice to split a purchase into a few smaller payments over time, Affirm is often the company quietly making that loan and getting paid back in instalments. It is a modern, app-based way to borrow small amounts at the checkout.

Why it is in the news. Affirm is now built directly into Apple Pay, Amazon and Shopify checkouts — three of the largest shopping gateways in the world. That distribution puts its service in front of hundreds of millions of shoppers. At the same time, after years of losses, the company has been crossing into profitability, which is the inflection professional investors watch most closely.

QUALITY ASSESSMENT

Profitability. Affirm has spent years investing heavily to grow, which meant losses — normal for a young fintech. The key recent development is the move toward consistent profit. Because it is part-lender, part-technology platform, its margins are a blend; for the latest reported figures and quality score, see the Winston app.

Cash and stability. As a lender, Affirm's health rests on the quality of the loans it makes and how it funds them. We watch how much it sets aside for loans that may not be repaid, and its cash position

- ✓ a strong cash cushion lets a growth company survive a downturn. Debt and funding structure matter more for a lender than for an ordinary software firm.

Moat. Affirm's edge is its distribution and its data. Being embedded inside Apple, Amazon and Shopify is extremely hard for a newcomer to replicate, and years of lending data help it judge who will repay. Its clean, consumer-friendly brand (no hidden late fees on its core product) reinforces the advantage.

GROWTH-STOCK LENS

Affirm is best read as a growth stock. Revenue has grown quickly, the target market — online checkout finance — is enormous, and the company is a clear technology leader in its niche. The growth- stock risks apply too: a shorter history, profitability that is only now being proven, and sensitivity to the wider economy. Founder and chief executive Max Levchin (a co-founder of PayPal) remains closely tied to the company he built.

Three reasons Affirm can beat its rivals. (1) It is wired directly into the biggest checkouts on the internet — Apple Pay, Amazon, Shopify — a distribution moat rivals cannot easily copy. (2) Years of repayment data make its lending decisions smarter and its losses lower. (3) A_ trusted, transparent brand that younger shoppers prefer over old- fashioned credit cards.

Table 3. Affirm (AFRM) — quality snapshot. Figures and scores: Winston app,

Sector Consumer fintech / buy-now-pay-later

Stage Fast-growing, crossing into profitability

Margin model Blend of lender + tech platform; see Winston app

Profitability Losses -— approaching consistent profit (key trend inflection)

Debt / stability | Lender funding & loan quality are central; watch cash cushion

Moat Embedded distribution © (Apple/Amazon/Shopify); lending data; brand

Relative Positive and rising fast (Winston app) strength

RISKS

« Consumer-dependent. Affirm lives and dies on shoppers spending. If households tighten their belts, lending volume and repayments both suffer. e Credit risk. As a lender, it loses money when borrowers fail to repay, especially in a weak economy. e Interest rates. Higher rates raise Affirm's funding costs and can squeeze margins. e« Competition. Klarna, PayPal, Block and even traditional card companies all want the same checkout.

OPPORTUNITIES

« Embedded growth. Each big partner (Apple, Amazon, Shopify) hands Affirm a vast new audience without it chasing customers one by one.

¢ Profitability inflection. If profit becomes consistent, the market often re-rates a company from "risky grower" to "proven business."

« Card & international. Its debit-style card and overseas expansion widen the runway.

In plain English. Affirm is the helpful voice at the online checkout that says, "You don't have to pay it all today — split it into a few payments." It makes money on those little loans. For years it spent more than it earned to grow fast; now it is starting to make

real profits, and it is plugged into the biggest shops on the internet. The reward is large; the risk is that it depends on shoppers and on people paying it back.

What we are watching next. Whether profit becomes consistent, whether loan losses stay low, and whether the big partnerships keep growing volume. The Winston app tracks Affirm's quality score and latest reported figures.

Table 3b. Affirm — what to watch, in plain English. Latest figures:

Profit consistency

Loan losses

Partner volume

Cash cushion

Proves the inflection is real

Bad loans hurt a lender most

Apple/Amazon/Shopify growth

Survives a downturn periods

Low, stable losses

Rising transaction value

Healthy cash on hand

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REPEATED __ PROFITABLE

9. Rush Street Interactive (Rsi)

What the company does. Rush Street Interactive runs online casinos and sports-betting apps in the United States and Latin America, under brands such as BetRivers and PlaySugarHouse. In plain words: it is the company behind some of the apps people use to play casino games and place bets on sports from their phones.

Why it is in the news. Two reasons. First, more and more U.S. states keep legalising online casino gaming and sports betting, steadily enlarging the market. Second — and this is the unusual part — Rush Street has been generating a profit, while many of its better-known rivals have spent years losing money chasing customers. A profitable operator in a young, fast-growing, newly legal market is a rare combination.

QUALITY ASSESSMENT

Profitability. The headline here is that Rush Street has reached profitability in an industry famous for cash-burning. That discipline

✓ growing while actually making money — is exactly what Felix's quality lens rewards. For the latest reported margins and quality score, see the Winston app.

Cash and stability. A clean balance sheet matters most in a competitive, marketing-heavy industry. We look for a solid cash position and low debt so the company can keep investing without risk of running short. As a smaller company, its figures can swing more from quarter to quarter, so we read trends rather than single periods.

Moat. Rush Street's edges are its hard-won state licences (a regulatory barrier that keeps casual newcomers out), its established brands, and the technology and player loyalty it has built market by market. Its discipline on spending is itself a kind of advantage when rivals are losing money to win the same customers.

GROWTH-STOCK LENS

Rush Street is a growth stock, but a more disciplined one than most peers. Revenue has grown strongly, the target market expands every time a new state legalises, and it is a technology- led operator. The growth-stock risks apply — a shorter history, sentiment-driven swings, and exposure to changing rules. We like that, unlike many growth names, it is not burning cash to fund that growth.

Three reasons Rush Street can beat its rivals. (1) It already turns a profit while many bigger rivals do not, so it is not dependent on investors to keep funding losses. (2) Hard- to-get state licences create a regulatory moat that slows new competitors. (3) Established brands and loyal players in the markets it has entered early.

Table 4. Rush Street (RSI) — quality snapshot. Figures and scores:

Sector Online gaming / iGaming & sports betting

Stage Smaller, fast-growing — and profitable

Margin model Operator economics; see Winston app

Profitability trend Profitable, unusual for the industry

Debt / stability Watch cash position; smaller-cap swings

Moat State licences, brands, spending discipline

Relative Second strongest on the screened list (Winston strength app)

RISKS e« Regulation. The business depends on government rules. A change in any state's laws or taxes can move the ground under it overnight.

« Sentiment & competition. Gaming stocks swing on mood and headlines, and giant rivals spend heavily to win the same players.

¢« Smaller-cap volatility. As a smaller company, its share price and results can be bumpier than a blue-chip's.

OPPORTUNITIES e Legalisation wave. Every new state that opens up enlarges the market it can sell into.

Profitable growth. Growing without burning cash is rare and valuable in this industry. e Latin America. International markets add a second engine of growth beyond the United States.

In plain English. Picture a new fairground (online gambling) that more and more towns (states) are allowing to open. Most ride-operators are spending wildly to grab customers and losing money doing it. Rush Street runs its rides at a profit. It is smaller and the rules could change, so it is a bumpier ride

✓ but it is making money in a game where many bigger players are not.

What we are watching next. Whether profit keeps growing, how many new states open up, and whether it holds its discipline on marketing spend. The Winston app tracks Rush Street's quality score and latest reported figures.

Table 4b. Rush Street — what to watch, in plain English. Latest figures:

Profit trend

New states

Marketing spend

Player numbers

Each one enlarges the market

Discipline vs. rivals

Shows the brands are winning

Profit rising over time

More legal markets entered

Growth without cash burn

Steady, rising users

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GOOD SIGN

10. Side-by-side Comparison

Placing the three next to each other shows why they suit different investors and different roles in a portfolio. Remember: this is a description of the businesses, not a recommendation.

Maturity. Corning is the grown-up of the group — old, large and wide-moated. Affirm and Rush Street are younger growers, with more upside and more risk.

What drives them. Corning rides the AI build-out; Affirm rides online shopping and the spread of checkout finance; Rush Street rides the state-by-state legalisation of online gaming. Three different engines means they will not all rise and fall together.

Profit picture. Corning has long been profitable; Rush Street is profitably growing in an industry that usually is not; Affirm is crossing into profit now. The quality lens treats all three honestly

- ✓ rewarding proven cash generation and watching the newer profit stories closely.

Table 5. The three businesses compared. Company data: Winston app,

Corner AI fibre & glass Consumer fintech Online gaming

Stage Mature Growth + lender Profitable small- compounder cap grower

Main AI data-centre Embedded State legalisation engine build-out checkout finance

Profit Long-established Crossing into Profitable (rare in

profit sector)

Key moat Patents, scale, Distribution+ data Licences +

switching discipline

Biggest AI capex Weak consumer / Regulation risk slowdown credit change

Volatility Lower of the Higher Higher (small- three cap)

The takeaway. One steady supplier to the AI boom, one fast-growing fintech reaching profitability, and one disciplined, profitable operator in a young market. Different roles, different risks — studied with one consistent method.

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GOOD SIGN

11. ETFs for Lower-risk Exposure

Buying a single stock concentrates your risk on one company. A gentler way to gain exposure to a theme is an exchange-traded fund (ETF) — a single, tradeable basket that holds many companies at once, so one bad apple does not spoil the whole crop. We do not endorse any specific fund; the examples below are well-known industry or sector ETFs that map to each company's corner of the market. Always read a fund's own documents and check its holdings and fees before investing.

For the Corning theme (technology & AI infrastructure). A broad technology sector fund such as the Technology Select Sector SPDR Fund (XLK) holds a wide range of large technology and hardware companies, spreading risk across the sector rather than a single supplier.

For the Affirm theme (fintech). A financial-technology fund such as the Global X FinTech ETF (FINX) holds a basket of payments and fintech companies, so you are backing the trend rather than one lender. A broad financials fund such as the Financial Select Sector SPDR (XLF) is an even wider, lower-volatility option.

For the Rush Street theme (online gaming). A themed fund such as the Roundhill Sports Betting & iGaming ETF (BETZ) holds a spread of betting and online-gaming companies worldwide, smoothing out the fortunes of any single operator.

Table 6. Example sector / industry ETFs by theme (illustrative, not recommendations).

Technology / AI infrastructure

Fintech

Broad financials

Online gaming

XLK (Technology Select Sector SPDR)

FINX (Global X FinTech)

XLF (Financial Select Sector SPDR)

BETZ (Roundhill Sports Betting & iGaming)

Large U.S. technology & hardware firms

Global payments & fintech companies

Banks, insurers & financial firms

Betting & operators worldwide iGaming

Why an ETF can be calmer. If you owned only one gaming stock and its home state changed the rules, you would feel the full blow. Own a basket of twenty and that single shock is softened by the other nineteen. The trade-off is that a basket also dilutes the gain if one holding soars. Lower risk, lower single-stock reward — a sensible swap for many beginners.

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GOOD SIGN

12. The Three Numbers That Matter Most

If you only ever learn three numbers, learn these. They answer the three biggest questions about any business.

Gross margin — "is the product itself any good as a money-maker?" It shows how much is left from each sales dollar after the direct cost of making the product. Higher usually means a stronger moat.

Free cash flow — "is real money actually piling up?" This is the spare cash left after running the business and investing in it. Profit can be massaged on paper; cash is harder to fake.

Debt (and interest cover) — "can it survive a bad year?" A company that owes little, and whose profits easily cover its interest, can weather storms that sink its rivals.

For each of our three companies, the Winston app reports these figures and turns them into a single quality score, so you do not have to gather them yourself.

1. HOW TO READ A BALANCE SHEET IN 60 SECONDS

A balance sheet is just a list of what a company owns (assets) and what it owes (liabilities) on one day. The gap between them is the owners' stake (equity). e« Cash vs. debt. Lots of cash and modest debt is a sturdy position. Little cash and heavy debt is fragile.

¢ Current vs. long-term. Can it pay the bills due this year with the cash and assets it can quickly turn into money?

¢ For a lender like Affirm. The loans it has made are assets, and how it funds them is the liability — so loan quality is everything.

You do not need to memorise this. The point is to glance for one thing: does this company look sturdy or stretched? The Winston app's stability measures answer that at a glance.

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14. Position Sizing & Diversification

Even the brightest company can disappoint, so professionals never bet everything on one name. Position sizing means deciding in advance how much of your money any single stock may occupy — small enough that being wrong is survivable.

Diversification simply means owning different kinds of things, so a blow to one is cushioned by the others. Our three companies are themselves spread across three corners of the market, which is part of why they are interesting to study together.

A simple rule of thumb. If a single stock falling by half would seriously hurt your finances or your sleep, the position is too big. Smaller positions let you stay calm — and calm investors make better decisions.

1. COMMON MISTAKES INVESTORS MAKE

« Confusing a great company with a great stock. Even a wonderful business can be a poor investment if you overpay. e Chasing a price that has already run. Buying purely because something has gone up, with no view on the business, is gambling. e Falling in love. Becoming attached to a stock makes it hard to act when the facts change. e Ignoring debt. Borrowing flatters returns in good times and destroys companies in bad ones. e Betting too big. One oversized position can undo years of careful work.

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16. Risk Factors

Every investment carries risk. Below are the main risks that apply across these three companies and the wider market. e Market risk. Shares can fall together when the whole market drops, regardless of how good a single business is. e« Economic risk. A weaker economy hurts shoppers (Affirm), discretionary spending on gaming (Rush Street) and capital projects (Corning) alike. e« Concentration risk. Corning leans on a few huge customers; a loss there would sting. e Credit risk. Affirm can lose money if borrowers do not repay. e Regulatory risk. Rush Street depends on government rules that can change. e Valuation risk. Stocks that have risen a long way can fall hard if expectations are not met. e Liquidity & size risk. Smaller companies like Rush Street can be more volatile and harder to trade calmly in stressed markets.

1. OPPORTUNITIES

Balanced against those risks are genuine opportunities — again, described, not recommended.

¢ A long Al build-out. Years of data-centre construction could support sustained demand for Corning's fibre. e« Embedded fintech. Affirm's place inside Apple, Amazon and Shopify offers a vast, ready-made audience. e Profitable disruption. Rush Street grows in a young market while actually making money — rare among its peers.

« Different engines. Because the three are driven by different forces, owning a spread of such ideas can smooth the ride.

18. FREQUENTLY ASKED QUESTIONS

Should | buy these stocks? This report does not say. It is education, designed to help you judge businesses for yourself. There are no buy or sell ratings here, and no price targets.

Why no price targets or charts? Felix's quality approach focuses on the business, not on predicting short-term price moves. We deliberately leave out technical analysis and forecasts.

How often does this change? Companies report every quarter, so figures move. For the latest, always check the Winston app and each firm's investor-relations page.

What does "relative strength" mean here? It is simply a measure of how a stock has performed against the broad market over recent months. A high reading means the stock has been a leader, not a laggard — but past leadership is never a promise of future returns.

Are these three companies in the same industry? No — and that is the point. Corning makes physical materials and fibre, Affirm provides consumer finance, and Rush Street runs online gaming. Studying very different businesses with one consistent method is excellent practice.

| am brand new to investing. Where should | start? Start by understanding what each company actually sells and how it makes money (Sections 7-9). Then learn the three numbers that matter most (Section 12). The live training at the end of this report is built for exactly this kind of beginner-friendly grounding.

Why mention ETFs at all? Because owning a basket can be a gentler, lower-volatility way to gain exposure to a theme than betting on a single company. Section 11 explains the idea in plain English.

1. MACRO BACKDROP: THE Al BUILD-OUT WAVE

It helps to understand the big force humming under all of this: the global race to build artificial-intelligence computing. Enormous data centres are being built to train and run Al, and they require chips, power, cooling and — crucially — vast amounts of optical fibre to connect everything. That is the wave Corning rides directly.

The same era of confident technology spending and online commerce supports digital-finance firms like Affirm and digital-entertainment firms like Rush Street. None of this guarantees any single stock will do well; macro waves lift and lower whole industries, and they can reverse. But knowing which wave a company rides helps you understand why money flows toward it

- ✓ and what could make that flow stop.

How we built this report. We began with the Winston app's screen of market-leading stocks, then selected three names that each tell a different story about quality and growth. For every company we asked the same questions drawn from Felix's frameworks — about margins, cash generation, debt and durability — and we deliberately avoided price predictions, ratings and chart-reading. Where we cite a company-specific figure or score, the source is the Winston app, cross-checked against the public references in Section 27. The aim is not to tell you what to buy, but to model how a careful investor thinks.

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20. Buying Gradually:

AVERAGING

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Dollar-cost

One way nervous investors reduce the risk of bad timing is dollar- cost averaging — investing a fixed amount at regular intervals (say, monthly) rather than all at once. When prices are high your money buys fewer shares; when prices are low it buys more. Over time this smooths out your average purchase price and removes the pressure of trying to pick the perfect day.

It is not magic — it cannot turn a poor business into a good one — but it pairs well with a quality-first approach: choose good companies, then build your position calmly over time.

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21. A Simple Routine for the Long-term

INVESTOR e« Once a quarter, glance at each holding's latest results: are margins, cash and debt still healthy? e Once a year, check your position sizes and rebalance if one has grown too large.

« Always, separate the company from the share price — judge the business first. e When in doubt, do nothing. Patience is an investor's edge.

Here is that routine laid out as a simple table you can return to each quarter. The Winston app puts every figure in one place, so the whole review takes only a few minutes.

Every Gross & Steady or rising Falling for two quarter operating quarters in a row margins

Every Free cash flow Positive and Turning negative quarter growing without a clear reason

Every Debt & Manageable, well Rising debt, thinner quarter interest cover covered cover

Every Position sizes Balanced, no single One holding year name too large dominating the portfolio

Always The business Moat intact, story A new rival or itself unchanged broken promise

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Any Stock

« Dol understand how this company actually makes money? e« Can|name three reasons it beats its rivals? e ls it profitable, or is there a clear, believable path to profit? e Does it generate real cash, and is its debt manageable?

« Am |lpaying a sensible price, or chasing excitement? e How big a position is this, and could | stay calm if it halved?

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23. What History Teaches About Market

LEADERS

Today's leaders are not guaranteed to be tomorrow's. History is full of dominant companies — in cameras, phones, video rental, networking — that looked unstoppable and then faded. The lesson is not to avoid leaders, but to keep checking that the moat is still wide and the numbers are still strong. A leader with a widening moat and growing cash can compound for years; a leader resting on past glory can quietly rot. The quality checklist is how you tell the two apart, year after year.

1. HOW THE PREHN INSTITUTE AND THE WINSTON APP FIT IN
2. how to read the figures, size positions and build a calm, durable portfolio.

First & Only LIVE Training on "Why Your Portfolio Is Broken (And You Won't Know Until end of July)." Reading the lights on one stock is the easy half; rebuilding your own portfolio around quality is the hard half — and it is what we do, live, together.

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25. Plain-english Glossary

Gross margin. The share of each sales dollar left after the direct cost of making the product.

Operating margin. What is left after all the running costs of the business.

ROCE. Return on capital employed — profit earned for every dollar put to work.

Free cash flow (FCF). The spare cash left after running and investing in the business.

Cash conversion. How much reported profit turns into actual cash.

Leverage. How much debt a company carries relative to its size.

Interest cover. How many times profits cover the interest owed on debt.

Moat. A durable advantage that keeps competitors away from a company's profits.

P/E ratio. Share price compared with profits — a quick gauge of how expensive a stock is.

Forward P/E. The same gauge measured against next year's expected profit.

ETF. A basket of many stocks you can buy in one go, which spreads risk.

Diversification. Not putting all your eggs in one basket.

Revenue. The total money a company brings in from sales before costs — the "top line."

Earnings / profit. What is left after all costs are paid — the "bottom line."

EPS (earnings per share). Profit divided by the number of shares

- ✓ each owner's slice.

BNPL. "Buy now, pay later" — splitting a purchase into smaller instalments at checkout. iGaming. Online casino games and betting played over the internet.

Guidance. Management's own forecast for the months ahead.

Balance sheet. A snapshot of what a company owns and owes on one day.

Capital expenditure (capex). Money spent on long-lived assets such as factories and equipment.

Dollar-cost averaging. Investing a fixed amount at regular intervals to smooth your buying price.

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26. Conclusion & Your Next Step

What we found. Three market leaders, each strong in the eyes of today's market, turn out to be three very different businesses. Corning is a mature, wide-moat supplier riding the AI build-out; Affirm is a fast-growing fintech crossing into profit; Rush Street is a disciplined, profitable operator in a young, expanding market. None of these descriptions is a recommendation — they are a way of understanding what you actually own.

The skill that lasts. The real lesson is the method: separate the company from the share price, run every business through the same quality checklist, focus on margins, cash and debt, and judge a name on its merits rather than on the headlines. Do that consistently and you will make calmer, better decisions for the rest of your investing life.

First & Only LIVE Training on "Why Your Portfolio Is Broken (And You Won't Know Until end of July)." We will run your actual holdings through this exact quality system, together, live — and you will leave with a clear, calm plan.

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REFERENCES

Sources & disclosures

SOURCES

1. Company-specific data, the latest reported figures, quality scores and the GOAT score referenced throughout this report are drawn from the Winston app at app.goatacademy.org, The Prehn Institute's stock-analysis platform. Supporting and corroborating context was cross-checked against the following public sources:
2. * Winston app (primary source for all company data & scores) — app.goatacademy.org
3. * Corning Incorporated investor relations and quarterly results (corning.com/investor-relations). . StockAnalysis.com — Corning stockanalysis.com/stocks/glw/). ¢ Affirm Holdings investor relations and _ quarterly — results investors. affirm.com).
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7. * Rush Street Interactive investor relations and quarterly results rushstreetinteractive.com). StockAnalysis.com — Rush _ Street company overview ‘stockanalysis.com/stocks/rsi/). Investing.com earnings-call transcripts investing.com/news/transcripts).
8. All figures were checked against at least two sources. Where a precise, current figure could change with the next earnings release, we direct readers to the Winston app for the latest reported number rather than restate a figure that may go stale. Business-context descriptions (Al optical-fibre demand; Apple Pay, Amazon and Shopify integrations; U.S. state iGaming legalisation) reflect widely reported public information and are provided as narrative context, not as forecasts.

The Prehn Institute

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The Institute publishes research and provides instruction. Its published research is open to any reader, and its instruction is given by people who have worked in professional markets. The Institute does not manage money and does not advise on investments.

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