Digging Into Semiconductors: Analyzing Skyworks with Tyler Nash

Dave [00:00:00]:

All right, folks, welcome to Investing for Beginners podcast. Today we have a really fun show. I'm really excited to do this. Today we have our new friend Tyler Nash joining us. Tyler is a self directed individual investor and he's going to share some ideas or an idea about an investment and we're going to talk a little bit about that investment. So I guess without any further ado, let's just kind of dive in. So Tyler, thank you very much for joining us today. We really appreciate it.

Dave [00:00:25]:

Maybe you could give a like a 3000 foot view of you and kind of what you got going on and why you're here to talk to us today.

Tyler [00:00:33]:

Absolutely. So I appreciate everything you guys do on the show. This has been awesome. Andrew and I met probably about two weeks ago when we kind of pitched an idea about just getting like minded people together to kind of talk about investment ideas. I think it's really good when you start to do your own research, but I also think to me it's even better when you have people that can question your research. So my goal is kind of to find a company, one that I've considered for a while investing in. I've watched it kind of go up and down and I just like some feedback on what am I missing?

Andrew [00:01:04]:

Yeah, that's what we're here for. And I think this could be a fun conversation. Just take a investment idea from generation mode to kind of attack. Not attacking is not the right word, but kind of just hashing out the idea and hopefully kind of of like getting behind the curtain. Look at how an investment process could look like. Yep, I'm looking forward to this.

Dave [00:01:27]:

Yeah, me too. So maybe we could just start off with what's the company?

Tyler [00:01:30]:

So the company is skyworks and it is a semiconductor company. And the first question I had to really answer for myself is what is a semiconductor? I think we always hear that word kind of thrown around, but what is a semiconductor, what is it involved in and how does it relate to the future? Because I think when we talk about stocks, one of the most important things that you guys always bring up is the future. Something can be really, really important, but in ten years is it still going to be around? So what I kind of found out was a semiconductor is its material product from a property both insulated and from a conductor. So it basically, that's where the word semi comes from and it meets specific needs of the electronic component. So in other words, it's basically in almost everything that we have they talk about, it's in thousands of products such as computers, smartphones, appliances, gaming hardware and medical equipment were kind of the things that I found nice.

Andrew [00:02:23]:

How did you come across the company?

Tyler [00:02:25]:

So it was actually one that was, I think I believe that listener mentioned to you several months, maybe even a year ago on a podcast. And what I did was I kind of said, you know what? Low debt to equity. Let's kind of look at the numbers. Comparatively to the group, the numbers seem to be really, really good. The stock at one time, again, in 2021, when the height of the semiconductor business was kind of going on, that's when it peaked. Miss. Pulled back quite a bit. But it was just one of those companies that I think always interested me in just kind of looking at that environment, but I didn't know enough about it.

Tyler [00:02:58]:

And like you guys always say, Warren Buffett says, don't invest in anything you don't know enough about to be dangerous.

Dave [00:03:03]:

Yeah. So what does skyworks do? So I know they're in a semiconductor industry, but if you think of, like, the food chain of semiconductor business, are they more in production? Are they more in after production? Are they testing, like, where, what exactly do they do?

Tyler [00:03:20]:

So their big thing is the cell phone. They, their biggest provider is to Apple and the iPhone. And they say that they're involved in a lot of the connectivity, the Wi Fi and Bluetooth. I know, and I listened to their earnings call. They just had earnings. And they talked about how they're really trying to get in the gaming system as well with Sony PlayStation. They also talk about the driving assistance and the autonomous driving. So just kind of what that would look like.

Tyler [00:03:45]:

And, but again, their big, big proponent tends to be with the iPhone.

Andrew [00:03:50]:

Do you know, when you say, like, big component, is iPhone, like, to what scale are we talking? Or is that something they don't disclose?

Tyler [00:03:58]:

So the way that they, they broke it down was basically what I saw was Apple was just their biggest, their biggest supplier, and I'm not sure what exactly, the semiconductor, the component. I'm sure if I dug enough, I could find it.

Andrew [00:04:11]:

Maybe, maybe not.

Tyler [00:04:12]:

Maybe they do, but I know that they are. They just had earnings and the stock tanked because they said they have a plethora of inventory. They called them their biggest competitor, their biggest provider, and they wouldn't mention it because, again, privacy makes sense to me. But you can look at the numbers and realize they're talking about Apple. And they said Apple, just normally it's 81% or I think it was 80 or 84% of the revenue. It was down to 61 because they said they just got. They've got a lot of inventory, and it tanked the stock about $18 yesterday.

Dave [00:04:46]:

Okay.

Andrew [00:04:46]:

Yeah, it does look like inventory is on an uptrend, just from a numbers basis, but I'm not, like, pulling in, like, you know, percentages. So I can't say if the rest of everything has grown in the same scale or not, but because I know one way to try to gauge the demand for their stuff is to see how inventory changes over time, compare it to the rest of the business, too.

Dave [00:05:15]:

So I guess one question that would come up with them is, are they as cyclical as others in the industry, or does it appear that their relationship with Apple tends to smooth that out?

Tyler [00:05:28]:

So. And that was kind of my big pro and con with them. I think when you look at, if I've got the number here, it says Apple's made up a large portion of their revenue, which was in 2023, made up 68 or 685 million, which was 64% of the revenue. So it's continued to trend up. It said 84% of that was through the iPhone. So they've been in with Apple since, I think, 2012. So they said it's a pretty good relationship. But I know for a lot of investors, that was a major concern was you've got so much reliance on Apple.

Tyler [00:06:00]:

If tomorrow they just say, you know what, we're backing up and you know what, we're not needing as much. You can see what it can do to the stock price if you're not careful.

Andrew [00:06:12]:

How do you feel about Apple in general?

Tyler [00:06:14]:

I think it's going to be a company that you're going to see people go after. Clearly, they have a. With the iPhone. I think you even talked about that a little bit, how they talked about just the imessage and everybody's connected to Apple. We were talking last year how they've got the. I mean, everything connects to the iPhone. Like, all Apple products sync really well with the iPhone. You can't use them if you don't.

Tyler [00:06:36]:

So I think it's a great run company. I think it's got a huge demand for it. I think you're pretty well safe with that company being around now again tomorrow, something could come in and say, hey, you know what? We've got a cheaper, better, faster iPhone, and that company's non existent. But we've got MacBooks at school and we use, and I've been really, really impressed with those. I think it's a product that just continually gets better and better as it continues to go through. I think about the little ipods we used to have, and now it's all on your phone, and it connects with everything. It's been neat. The future and how they've adapted.

Andrew [00:07:09]:

Yeah. They've made technology available for non techie people.

Dave [00:07:15]:

So what about their financial performance? Like, how have they done? Like, if you look at their historical, maybe growth, earnings, maybe margins, any of those kinds of things.

Tyler [00:07:24]:

Yeah. So if you look at again, their gross margin was 42.55%. Their operating margin was 22.83%. It is, like I said, the stock kind of trended up to about $200 when they were, like they said, basically, a lot of this built up inventory is happening because they've got a huge. There was such a demand for it during the pandemic, and they said they were just pumping this stuff out because people were willing to pay whatever, and then all of a sudden the brakes got put on. So that was kind of the build up. The debt to equity, you're talking. .19 they've got 36.36% free cash flow.

Tyler [00:08:01]:

So they've really kind of. I know that's a real big push for them. The current ratio you're looking at, I think it was. I'm trying to look where I had it. It was over three. Oh, here it is, 3.3 for the current ratio. Again, their debt in 2022 was substantially less than what it was. They dropped at almost, I think, a million.

Tyler [00:08:22]:

I'm sorry, a billion dollars in debt compared to one versus another. The big reason I think that attracts people to skyworks is their dividend growth. Their dividend growth for the last ten years has been almost 10%.

Andrew [00:08:35]:

Makes sense, the cyclicality of it. Do you have thoughts on that, Robert?

Tyler [00:08:42]:

I mean, it is concerning for sure, and I think you have to take that in account when you look at a company like this. To me, when you're talking to a long term investor, you're talking, we're going to hold this for five to ten years. It's going to run in a cycle. And to me, there's going to be downtimes. And I think, again, like you've always said, just reinvest the dividend. If you're reinvesting your dividend, you're going to pick up stocks cheaper. If you bought it last week at $108 a share when it started to trend up, you got a chance to buy more of it at dollar 89 today. And again, I think if you're thinking the long term growth, to me, that's definitely an important factor to look at.

Tyler [00:09:19]:

That doesn't concern me. Quite as much. But that may be what I thinks. Risky you may think is not risky or vice versa.

Andrew [00:09:27]:

Yeah, of course. I pulled up Apple just to compare the two financials and probably not surprising the two big years that Apple had revenue growth. Skyworks also did. So 2015 and 2021 were both huge years for Apple and skyworks. So not that it needed like a fact check, but the numbers kind of confirm a lot of what the company seems to be saying.

Tyler [00:09:58]:

Yeah, I think that's a great point that you make. They will run with what Apple's doing, which I think right now Apple looks like they're starting to tread backwards a little bit for whatever reason. Again, I know China's kind of impacting a lot of that stuff too, the iPhone sales and all that. And again, you look at the inflation and how that's impacting and people are going to spend less money. We don't upgrade our phones when we don't have money. But yeah, it will probably run a similar trend to what Apple is doing.

Andrew [00:10:24]:

What makes Apple pick skyworks? So the skyworks talk about what differentiates their semiconductors from others. Do they mention a moat at all?

Tyler [00:10:33]:

They did not. And that's where to me it gets a little, you've got to interpret some of that stuff and I'm not sure if their moat is just wearing with Apple. And that's a big play. We know that. Again, the hope is that company will be around, it won't go anywhere. But I also think when you look at that and you say it can also be your achilles heel because if Apple comes in tomorrow and says we're out, skyworks is going to look a lot different. Like I said, I know they're trying to diversify quite a bit because I think that has been the concern. Especially when you're talking, there is a plethora of competitors in this semiconductor facility.

Tyler [00:11:10]:

What makes them choose skyworks versus everybody else?

Andrew [00:11:15]:

Yeah, it's hard. Like I don't have an answer for this but I feel like depending on what industry you're looking at, sometimes it's very easy to explain the moat and other times it's almost unexplainable. And like for me it makes me nervous sometimes. But like just to give some examples, like insurance, I have a couple investments in insurance I have a couple investments. There was another industry where Im talking to Dave and were trying to think what makes this insurer different than this one? And its not always clear. So then an individual investor has to decide do I look just at the numbers and look this companys numbers are better than this one. So there has to be a moat or is it like a stay away situation? And I dont really have the answer to that myself personally because I have investments where the moats very clear and others moat is maybe not as clear but you're more investing on the numbers that the company has produced compared to its competitors versus some sort of like crystal clear. Everybody can see this is why this company is special.

Andrew [00:12:25]:

I don't know if either of you guys had thoughts on that.

Dave [00:12:28]:

Well one of the things that kind of, I think when I think about either technology or a company like skyworks in particular is what is it that they do so well that Apple has been willing to work with them for twelve years like they've done. They're obviously doing something well that a company like Apple who could in theory probably do it in house has chosen to do it, outsourcing it and using that as part of one of their more integral products that have really driven that company for the last twelve years. And so there is some risk that they're tied together. But it also leads me to ask the question, well they got to be doing something right because you wouldn't think that Apple would just carry some like skyworks just cause, right. So not saying like it's cutthroat, but the same token, if it's not performing, if it's not providing a valuable service to Apple, they wouldn't have 68% of you know the business for skyworks. So there's that. And I guess not knowing enough about the tech, that would be something that if I was like making a list of questions I would want to figure that out. I like before I bought skyworks I have to know why is Apple willing to work with this company for twelve years and continue to work with them? They're obviously creating something that has value to Apple and they're obviously continuing to update that so it's not becoming a stale thing.

Dave [00:13:59]:

And early on, Tyler, you mentioned some work with Samsung and I did a little quickie like search on our friend Pinchat IO. And one of the things that they said was an advantage for them is that they have a good relationship with Google and Samsung as well. And so maybe this is something that they're producing some sort of piece of technology that is really integral to both of these phones being effective. And so that to me would be something I'd want to try to figure out.

Tyler [00:14:29]:

And I know that's one thing that they really talked about is they started to mention the new phone, the Samsung phone. And they've said that this has really started to be a push. I looked at what are some, who are some of their biggest clients in the, in the ten k? Apple, Bose, Cisco, Garmin. They said they're in the wearable stuff with the watches, Ge, Google, LG, Microsoft, Samsung, Sony and Tesla or some of the bigger ones. So, I mean, those are not little companies that nobody knows about. And I agree with you now, again, the dependence on Apple is concerning because again, if tomorrow Apple, it is a competitive thing, but they have been with them for twelve years. But those are some good companies to do be in with.

Andrew [00:15:12]:

Yeah, I mean, I would 100% agree with what Dave is saying. That would kind of, if I was researching the company myself, I would start to go down that path and try to answer some of those questions that they've mentioned. And why is this company different? Would definitely play a huge piece to an ultimate decision for me personally. Do you have any thoughts on the, you know, getting past the apple, getting past the cyclicality, just like the risk of semiconductors in general? What kind of thoughts have you developed around that?

Tyler [00:15:41]:

So to me, they make a statement in here. They kind of talked about the advancement of their goal is to connect everyone throughout the world. They said, and this was in the ten k, it says 15 billion devices is the goal by 2030, which is an increase of thought. It was almost 40% or something, and 650 million connected cars. So they were talking about this really is something that is going to be around for the future. Now, whether or not the company is. That's the question that were the million dollar question that we're trying to figure out. Like I said, with the low debt to equity, with the numbers being high, with the reliance on Apple, again, if all these things continue, they are branching out.

Tyler [00:16:18]:

I know in 2021, they bought a company, Silicon Labs, for 2.75 billion to expand in these electric cars. And they talk about the Internet of Things, which is communication between device and the cloud. So they are trying to expand into different avenues now. Again, the question is, how soon are we looking at? And I would want to know too, especially looking into this, are we kind of similar to what Dave said? Like, what are they looking at when you're talking the drive the self driving cars? Like, are we talking the. I owned a 2021 Honda Civic. You pushed a button, it knew how far away it was. Are we talking cars that are really going to drive themselves and how far away are we from that? Which again, if we all knew that answer, we'd either be buying Tesla or selling it very quickly.

Andrew [00:17:03]:

I will play the fifth on that for now.

Tyler [00:17:06]:

I think I will as well.

Andrew [00:17:08]:

How far down the value chain have you gone? Is it super clear who their direct competitors are, or.

Tyler [00:17:15]:

Yeah, so the competitors that they mentioned is analog devices, broadband, Qualcomm, Texas instruments, cirrus logic, and XP semiconductors. And I compared several of them together. I looked at, I'm trying to look at the average performance. So I looked at the average year performance just to get an idea. All of them except Avco and Qualcomm were down. I'm sorry. NXPI was also up, too. So there were three down? Three up.

Tyler [00:17:43]:

I compared basically all the different things were the price of sales, price to earnings, price to cash flow, buyback yield. There were a bunch of them, and I basically numbered them off. And like I said, you know, what if they had a higher number on this, like, something we're talking about, like, if they had a higher free cash flow, I thought that was a better thing to not have a higher free cash flow. Not always. Again, this is just a quick glance at it. The operating margins were higher. I numbered them off, and I totaled all this stuff out. I looked at dividend payout, dividend yield, book value, debt to equity, and then I just basically, like I said, I gave them all numbers, one through seven, and skyworks came out number two and all those.

Tyler [00:18:23]:

The only one that was hired was Qcom. So Qualcomm, they were the only one higher. But again, I don't know if that was a good way to do it. It's just kind of how I've always looked at numbers and said, let's take a best guess estimate to look at that.

Andrew [00:18:39]:

I think it's a great starting point. I know Dave has some Texas instruments. What would you recommend at this point, Dave?

Dave [00:18:45]:

A couple of things kind of spring to mind as we're kind of learning a little bit more about the company. So I guess the first question that I would want to answer is, are they playing on the same field that Texas Instruments is? In other words, Texas instruments not only designs them, they also create. They. They make the chips. Does skyworks do the same, or do they make them in house?

Tyler [00:19:07]:

Yeah.

Dave [00:19:07]:

Okay.

Tyler [00:19:08]:

That's why they bought, I think, the. The silicon labs and wells to kind of expand. Now you're talking market cap. Texas instrument is ten times bigger than Skywalker.

Dave [00:19:17]:

Yeah, right. It's big.

Tyler [00:19:19]:

I mean, it's a very well run company.

Dave [00:19:21]:

Yeah, right. Yeah, it is for sure. And they're going. So I guess the interesting juxtaposition the Texas instruments is going through a big capital outlay to try to expand their capacity. And that kind of prompts two other additional questions. Number one would be, how directly does skyworks compete with Texas instruments? And then maybe if they don't, could this potential expansion into more availability of their products cause them to compete more directly with skyworks? Because maybe they aren't competing, maybe as closely, because it sounds like skyworks is a little more niche than Texas instruments is. This is something that Texas instruments does. It's not the only thing they do.

Dave [00:20:05]:

And so there's kind of juggling of, like, market position for those particular things that I don't think you'll ever get an exact answer for. But for me, I would want to understand. Okay, in the pecking order of Tesla, who's Tesla going to buy from? Are they going to buy the majority of the stuff from Texas Instruments and a small piece of the pie from skyworks? Or is it a verse? Is it 50 50, maybe trying to get a handle on that? Because I think that would go a long ways towards understanding the competitive advantage and the likelihood that that revenue growth is going to continue farther into the future. And you may or may not have answers to those.

Tyler [00:20:43]:

Yeah, but I think it's a great way to kind of run down. But I think you're. I think you're definitely right, because it's kind of like if you open up a small store and you're like, hey, I'm going to compete with Walmart, well, you're in a world of hurt. Like, I think if skyworks would get into a. Some kind of guess, like you said, kind of a competitive, I guess, go back and forth with whoever, with Texas instrument, they're going to be in trouble.

Andrew [00:21:04]:

Yeah. Just to kind of add on to that, I would try to figure out where on the spectrum is the buying decision happening. And I guess what I'm trying to say by that is people are buying Nvidia chips and paying crazy amounts because the performance is just, you can't match the performance. But then on the flip side, a Texas instruments chip is pennies. And really, they're not buying it because it's the most complex thing. They're more buying it because Texas instruments can give them a bunch in bulk, and you can get kind of like an all one stop shop for a lot of different chip needs, all from Texas instruments. I kind of. I mean, maybe another way to think about it would be, you know, do people buy, if you're a big buyer, Chromebooks, maybe you're a different type of buyer than somebody who's buying a workstation to do the latest gaming.

Andrew [00:21:58]:

You know, like it's the two different buyers with two different needs and two different reasons of buying. And so I don't have special insight onto where skyworks fits in that, but that's when I'm trying to paint a picture of why, what makes skyworks different? That's something that I would in, in particular to tech, the tech buyer. That's something I would try to figure out and try to make sure I understand myself and to kind of like check of, all right, what was my theory on this make sense and how much can I check this theory and make sure that it's probably right?

Tyler [00:22:32]:

Sorry, I'm writing this, I'm writing stuff down. I agree with you. I think it's good. And this is what I wanted was I wanted those questions that I'm like, am I blinded by the company? Am I looking at something that's just like, you look at the numbers, you look at the performance. Like I said, not great performance, but is it a bargain at dollar 89 now because it's continuing to drop? Are you just trying to, or am I just trying to buy in a semiconductor kind of realm to say, you know what, I'd be smarter. Texas instruments would be the better option. Those are all things.

Andrew [00:22:57]:

Let me ask you this, and we didn't even start with this, but what kind of investor are you trying to be like, what kind of an investment are you looking for long term?

Tyler [00:23:07]:

For? Sure, I think ive gone with what im comfortable with. And when I started buying stocks, its very interesting compared to what I bought or what I buy now. But I think for me, im really looking at for the long term for stuff that, again, with a child on the way, thats my goal is build this nest egg for my wife. My wife is eleven years younger than I am, almost twelve years younger than I am. So let's be honest, I'm not probably going to be quite around quite as long, but I think it's one of those things that it's like you can leave her and then our child to have stuff that continues to go. We're both very blessed, we're teachers, we make decent money. And I think it's just for me it's been one of those things that you look at and go, I want this. Do we go to private school where we've talked about private school versus public school and we're both public educators, we're like, do we go into public education do we go into private school? If we do decide to go private school, are we going to have money? Are we talking college fund? And is it that, you know what, when I'm gone, she wants to travel the world and have a good time and I'll work till I die.

Tyler [00:24:03]:

That's how I've always been. I have no problem working 60 hours, 70 hours a week. But for me, that's, it's the long term horizon. It's the money that we're not pulling out because we want to go on a vacation. It's money that sits and grows and compounds and hopefully eventually will leave us in a good position.

Andrew [00:24:20]:

Jeff, I know this is like a hard question to answer because it's so theoretical, but would you trade higher upside for more certainty? And yeah, maybe certainty is the right word. Like, would you rather have a stock where youre like, Im not even worried about this thing for the next 20 years because its moat is so strong, sacrificing the upside. And obviously the answer is not going to be black and white. But get what Im trying to say, like, what Im trying to ask here, 100%.

Tyler [00:24:50]:

100%. For me, I think it's, it depends on what kind of investor people are. If you're adverse to risk and you say, you know what, I'm okay buying something that may drop quite a bit and I can sit there and stomach it. And I will be honest as a, when you, when I was an investor, I stood there and I cringed. And I think you guys talk about all the time, you watch your stocks all the time and you're just watching these things, you go, oh, my goodness, I'm losing $300 and that's ouch. When there's only $1,000 in there, the more it goes up, you realize, and you say, one thing that I think I really like to look at is the volume that the stock is traded. So if you buy something and you're like, man, this stock dropped $15, but there really wasn't that many. That much was traded.

Tyler [00:25:33]:

I'm okay with holding, knowing that, you know what, it's going to pay a good dividend. I'm going to be able to reinvest that dividend. Right now, I think we're all sitting in the position looking at these dividends that are going to come through in the next couple of weeks to a month, and you're going, man, I hope things go lower because then you've got the ability to buy stuff cheaper. I would say myself as an investor, I'm a little more okay, with risk, because I did. When I really started to buy into the market was that 2022 where everything was starting to drop off. And I watched investment after investment drop and drop and drop, and it was sitting in the portfolio. When you're sitting there going, you have lost $10,000. And my wife's going, do you really know what you're doing? I mean, it's one of those things you look at and you go, now, again, early on, I didn't know what I was doing.

Tyler [00:26:17]:

I bought a little bit of everything and said, oh, yeah, well, this is going to go up because it makes sense, because it's going up. And then you go, no, that was a really stupid company with a ton of debt. And I was unfortunately on the other side of that Pac west deal when that bank went under. And I think, Andrew, you and I talked about, like, you got to look at those as life lessons. And when you're sitting in that portfolio and you realize, man, I just lost $2,700 on that investment. And luckily for PAc west did not. They shifted to the bank of California, so they didn't go completely under. It's going to take me a long time to regain that.

Tyler [00:26:52]:

But I learned a lesson. And looking back on those numbers, what did I do when I started listening to you guys? I started comparing. I said, let's look at Pac west number on their ten k versus all the other regional banks that seem to do okay. I looked at that and I said, man, they did not have enough cash on hand. And that's what happened when that bank run came. So for me, it was a lesson. That hurt. Absolutely, it hurt.

Tyler [00:27:12]:

Especially when you've only got $30,000 in that account. You're going, that's 10% of the money that I lost just for having it. But the more you've continued to build this and the more I've continued to put away, I realized that, you know what? When it swings $1,500 in a day, you're talking less than a percent. It's going to fluctuate. And over the long term, if you could hold. And really, to me, it just depends on what you're used to. I try to talk, I'm very passionate about this stuff now. I don't try to tell people what to do with their money, but I'm like, I think just similar to what you guys are doing.

Tyler [00:27:42]:

Let's educate the public. Let's have people be able to talk about things, and people don't know where their finances are going. And I was talking to a girl about stocks and investing and, hey, you know what? You can do this. Like, just start real small. She's paying somebody to manage your money. And she was like, oh, there's no way I'd be able to watch my stock fall. And I go, then sit where you're at. Invest the way you want, because I think that's what it is, all based on the individual.

Tyler [00:28:05]:

So to, again, like we said, we were going to run down a rabbit hole at least once or twice today. But for me, I think it was one of those things that I look at and go, I'm okay with a little more volatility because volatility doesn't mean that my investment's wrong. It means the market at that time is looking at that and treating it, and I believe unfairly. So it really, to me, I boil down to it going, I don't need, I can take some uncertainty for some more upside.

Dave [00:28:32]:

Yep.

Andrew [00:28:32]:

And I think the more you learn about skyworks, the more you'll be able to tell whether it's in that, like, yeah, I'm comfortable with uncertainty, or, man, this is too much uncertainty because, I mean, for me personally, I've said no to a couple of good opportunities in that space because I've, I said to me as an investor, I don't want to have to check this thing every, every six months. I don't know where skyworks fits in that spectrum. But I would assume, like, that's how I would try to, to me, that would, that would make a big, on top of everything else, it would make a big impact on the ultimate decision of, um, how much to put into a company like this?

Tyler [00:29:12]:

And I guess for me, too, like, that would be a question when you guys start to kind of take your first, like, dip your toe in the water. And I know it's a lot of, it has to be. My question to, when I asked you guys that first time, was, how much do you back up the truck? And I think, Dave, you made a great point on it and go, how confident are you with your, with your decision? And for a lot of us, I mean, we might think we're real confident, and we can be real, real wrong. Like you said, when Manish vibray backs up the truck, he's pretty confident. He's been doing this. He's had some success. I don't have that kind of success track record, I guess, like, when you dip a toe in, I guess it's really kind of whatever we're comfortable with. Like, do you start with a percent? Do you start with a set amount, or do you just kind of say, you know, I'm willing to throw more in, or.

Tyler [00:29:55]:

I guess that would be a question for you guys.

Dave [00:29:57]:

As with most things, finance, it depends. So, for me, if I like what I see about the company, but I don't feel like I know it quite well enough, I am perfectly willing to go in half a percent or a percent, dip my toe in, so to speak, and get skin in the game, because I have found for me that that works to help me focus more on that company instead of going on to the next shiny object. If it's a company that I feel like, yeah, I know this, and I really feel comfortable with it, then I'm willing to go a lot bigger than that. So a Berkshire visa, an Ajin. So some of those things fit really well into my wheelhouse. That is the payment space or financials and things like that. So those are things I'm really comfortable with. I'll give you an example.

Dave [00:30:46]:

So Andrew suggested a company called TSMC Taiwan semiconductor a while back. And I really liked everything he was telling me about it, but I didn't feel like I really knew the tech that well. And so I was like, I believe in what Andrew was doing, but I took a much smaller starter position and kind of built into where it's, I think, three or 4% of my portfolio now. But I took a smaller position because I needed more time for me to figure it out. And that's just the way that I work. And so that system tends to work, I guess, best for me, at least for my mindset right now. And so I'll turn it over to Sir Andrew.

Andrew [00:31:22]:

Now, I found that the more conviction I have and the more on the percent basis I put in, the more I'm wrong. And that's probably partially, like, the value investor in me who just, I see the price, and I just get way too excited. Even some of the positions recently, I just took a big chunk of something at 10% position size because it was a awesome company, and it hasn't been cheap like this in a while. And looking back, I wish I did a 5% and then waited, like, three months and then maybe put in the last 5%. It's been bothering me so much, I had to, like, kind of go and compare myself to others, obviously. So I looked at Warren Buffett, you know, okay, let's model the greatest semester of all time. When he bought coke, he did it. Not all at once.

Andrew [00:32:11]:

He split it up. I mean, he still put a lot. He probably put more than I'm comfortable putting in now, but he still split it up. And then when he bought Apple, he put a big chunk, and then three months later, he did another big chunk. And then just to compare one level further, just because I just wanted to feel bad for myself, I was looking at. I was looking at Google and the most obvious buy low situation when they got down to 17 pe back in end of 2022. And I feel like, David, we were talking about them on the podcast all the time and didn't think to pull the trigger. And even if you had, let's say, you had not loaded, like, taken a smaller position size.

Andrew [00:32:55]:

Like, I. To me, 10% is a lot, so. But, like, 5% is more like, okay, maybe I split it in half. So if I did five when it was at a 17 pe and then waited three months, one quarter, let's see one earnings result and then put in the other five, I would have been in the exact same spot as if I would have put ten all at once. And so, you know, obviously it's like one example, but to kind of split it up kind of today's point gives you more time to learn more. And for me personally, because I'm. I'm chasing value a lot, the time to. For the value to be recognized sometimes takes longer than.

Andrew [00:33:30]:

Than I realize. And, you know, that's like price momentum, people getting sick of holding the stock, and that can play out for, you know, a couple of years. So to wait three months, yeah, I might miss the opportunity, but more times than not, I think I'm starting to learn you might not miss out by splitting it over a three month period instead of all at once. But, you know, my. My thoughts could change next year on that, but that's kind of where I've been lately.

Tyler [00:33:56]:

I think that's really good, and I think you're right. Like, I think we always have the fear of missing out. Like, I always say, if you want something to drop, have me buy it and it'll drop guarantee the next day.

Dave [00:34:06]:

I thought that was me.

Tyler [00:34:09]:

I was listening to one of these guys once, and they said, you know what? Be okay with the stock fluctuating at least five to 10% when you buy it. Like, that should be. You should be comfortable. You should know that, you know what? You're not trying to time the price. You're knowing that it's a quality company and you're watching it drop, and you say, you know what? I'm okay with that. I would agree with you a lot. It is that fear of missing out. And I almost have more of a fear of being wrong than I do.

Tyler [00:34:33]:

Fear of missing out. Like, you talk about Google. I had about 30 shares of Google and sold it for a dollar on each one. I bought in at about $95 and turned around and bought it. Sold out at 96. So I made $30 on a good decision there. But I look back on that, and you're like, again, it's those lessons you've learned. It's those things you've been able to look at and say, you know, what? What did you do wrong? Well, I gave into this.

Tyler [00:34:55]:

I got concerned, and I. And my fear. What is it? I think even in the psychology of money book, they talk about how you have more fear of losing than you ever do winning. Like you're more excited. You know what? I'm up $1,200 on the stock. I can. It's cool, but it's not great. And then you look at the ones that drop, and you're like, oh, my goodness, it dropped $50, and you're like, oh, was that a bad decision? I got to sell out on this.

Tyler [00:35:19]:

And you get very, very impulsive. And I think that, to me, is kind of the goal of what I wanted to do today. I've done some research on this company. I've actually researched this company. Being able to present this to a group, especially two guys like you, I really needed to know some things, but I knew I was going to miss some things. And I think just asking those questions and being able to do that and saying, am I one too impulsive? Am I just jumping in because I'm like, oh, you know what? I really like the company. I fell in love with the company. Or 02:00 a.m.

Tyler [00:35:45]:

i. Looking at it as, you know what? There's something I miss, or I'm hesitant, and you're like, you know what? I think you're okay with this. And again, I think what we've always talked about is risk. It will boil down to what we're comfortable with. If I feel like, you know what? Skyworks is a good company, and I'm okay with it fluctuating a little bit. And as long as Apple doesn't pull the rug out from underneath them and go their direction, I'm okay with the fluctuation, then that may be okay for me. But I think just, again, for me, just having those questions asked, do you really know this enough? Do you know this? And maybe I do. That says, you know what? I don't need to know all the ins and outs.

Tyler [00:36:17]:

Sorry, the bell goes off when school goes. But it's one of those things that for me it was just like, have those people question those things. Have that group that, you know, what we all are looking for that long term value investing. We're not here to make a quick dollar. If we're here to quit quick dollar and we want technical analysis, great, find somebody else. Like, that's not what I'm here for. But I think just to me, being able to look at that and saying, those are the questions I need to ask myself, am I still comfortable with this or am I still not?

Andrew [00:36:43]:

So, yeah, I think this would be a good time to maybe open that invitation to anybody who's listening right now, I'm willing to facilitate some sort of group like this based on the idea that you brought to us, Tyler. So maybe if, if we can real quick, what would a group like that look like? And what type of people do you think would find value from that?

Tyler [00:37:09]:

So I think to me, like we were talking to Andrew is it has to be like minded people. It cannot be people that are thinking we're going to turn around and we want to sell a stock in three weeks because we want to make a profit, that's fine. But those are people that have different dreams. And I'm not saying you can't get well fee off that. I'm sure if you picked Amazon and that was one of your gambles early on, many years ago, you're owning an island somewhere else. But I think it all has to be like minded people where we just are all interested in the same thing. And to me, it's just having those people that are kind of, there's checks and balances. Those people that we like, we talked about prior Abraham Lincoln used to bring people that disagreed with him and he said, if I can convince you to what I believe in, then I've done my job.

Tyler [00:37:51]:

And I think it's easy to get wrapped up in the emotional state. It's easy to get excited about a company. It's easy to look at these things and say, man, I think I have looked at all this stuff. And all of a sudden Dave starts to ask these questions and I go, and maybe I don't have the answers to this, or this is something that I really need to look at, or this is an angle that I haven't looked at. Um, I think the biggest thing in the market is what it will do is it will, it will humble you. I think it will humble you very very quickly. And if you, if you're not able to take that humility, and I think it's one of those things that as soon as you think you figured it out, you didn't, and as soon as you think you've got it, you're like, man, I made two or three good. I mean, like I said, you try to beat the market, and all of a sudden it's like, nope, we're gonna, we're gonna pull you back and realize that, you know what? There's a lot more to this.

Tyler [00:38:35]:

But to me, I just think finding a group of people that you could present stock ideas to that would question you, that would get you to maybe think about different angles that you, maybe you haven't considered. I think if, andrew, you present it with something to me and you say, you know what? This is what I want to. This is a stock that I'm really excited about. Maybe we put the brakes on a little bit, or maybe we reinforce, you know, what? We think you're going the right direction, and we really like what you're doing. To me, I think that that's, we all like, to me, when I, when I came to you, I look for mentors. Like, that's what I need. And I think so many people are not sure how to mentor people financially. And I think that's not that one advice that what I should do.

Tyler [00:39:13]:

I'm not saying that's a bad thing, that if people want to give you advice, but I also think you can go down the wrong direction. Listening to other people, ultimately, to me, investing is an expression of yourself. And that's what I think is so cool about it. And it's all unique to each one of us. So what I've done, what you've done today is you've questioned skyworks, and I've looked, I'm going to look back on this and say, is this an investment I want to do? And like you said, maybe I just dipped my toe into, maybe it's $1,000 investment. I say, you know what? Let's see what it does. And you know what? Maybe I buy it at $89 and it trends up to 97. And I go up, should have bought it.

Tyler [00:39:45]:

It, should have bought it more at 89. Or I look at it, it tanks to 75 and go, oh, glad I didn't invest too much in that.

Andrew [00:39:54]:

That's awesome. So, yeah, if there are some of you out there who are interested in a group like this, reach out to Dave and I newsletter@investingforbeginners.com. dot. We are a little bit in a delay when it comes to recording and having to go live, but this is something that I think could turn out to be something pretty cool. And if there's that kind of same kind of stock pitch kind of energy going about. So different people are bringing different things to the table. A lot of great ideas, I think, can be refined in that. So I would encourage anybody listening out there, if this is super interesting to you, just give it a try and.

Andrew [00:40:36]:

And let's connect and see what happens.

Tyler [00:40:39]:

And I think for me, too, it's just, it's being willing to try. Like, I knew I was not going to. If, if I told it to you and you said, wow, you are amazing. You're the greatest stock picker of all time, then there'd be no need for this. But I think it's, we can always learn off each other. And for me, I think that just gives us the opportunity to ask those questions. And like you said, I think it's. It's having the courage to get all go on the show.

Tyler [00:41:01]:

And like I said, I mean, two years ago, I really didn't know what I was doing. But now through, like I said, what? Being able to listen to your podcast, being able to question those things, being able to build a checklist, does it take time? 100%. But I think there we all want to be in that financial freedom. And like we were talking about, what does financial freedom mean? It means I'm in charge of my time and I can decide what it means to me.

Dave [00:41:24]:

Amen, brother. Amen. Preaching to the choir. Keep preaching.

Andrew [00:41:29]:

This was a lot of fun, Tyler. I loved the back and forth and kind of just getting to be on the other side for once because I'm always having to pitch stuff to Dave. So this is cool. This was fun.

Dave [00:41:43]:

It was fun.

Tyler [00:41:45]:

That's a perfect example you have, Dave. Like, that's your mini value group or whatever that may be. Hey, you know what? They questioned you and goes, oh, Andrew. And that's what I think the power of that stuff can go through. So.

Andrew [00:41:56]:

100%.

Dave [00:41:57]:

Yeah, 100%. It helps everybody in, in the conversation because, you know, to your point, Tyler, we're, none of us are Warren Buffett, and even he makes mistakes. And we, we have a great opportunity to help learn from each other. And it's not about ego. It's about just trying to get better. Said, we all have a different way of investing, and even though Andrew and I are very aligned, we still do things a little bit differently. And there's. It doesn't mean one's better than the other.

Dave [00:42:24]:

But if you come to these things with an open mind and are willing to try to help each other as well as learn from other people, you'd be shocked at what you can really accomplish and how much better you can get at, you know, asking questions and becoming a better investor as well as a person.

Tyler [00:42:42]:

Yeah, I love. I think that's spot on, and that's we should learn through people in experiences and these experience you have. And like I said, andrew, you guys have both been doing this for much longer than I have. There's a lot I can learn from you, and if you ever get to a position in your life where you feel like you don't have to learn, not a good place to be.

Dave [00:42:58]:

I'll be dead.

Andrew [00:42:59]:

Stay away from the market.

Dave [00:43:01]:

Yeah, I'll be dead. All right. Well, Tyler, thank you very much for your time. This was a lot of fun. It was awesome. It was educational, and it was entertaining. So we can't beat that. So with that, we'll go ahead and sign us off.

Dave [00:43:15]:

You guys go out there and invest with a margin of safety. Emphasis on the safety. Have a great week, and we'll talk to you all next week. Bye.