IFB376: Understanding Company Life Cycles - From Snowflake to IBM

All right, folks. Welcome to Investing for Beginners. Today we have episode 376. We got two great listener questions and an interesting conversation towards the end. Let's go ahead and dive in. First question is from John. So this is from. I'm still struggling with portfolio management in My Portfolio. Most of my stocks are high growth and have good motes. Am trying to figure out which stocks in My Portfolio have comparatively low risk. I'm having trouble directly comparing the individual, most because they're also different. I'm handling evaluation risk by adjusting the size of each holding appropriately, so this is far more of an exercise. Not considering valuation. My thoughts are that my stage five companies have less market risk than the companies at other stages in the business cycle and also that my little beta companies have relatively low market risk. Is this correct? How would you group well, performing wide mode stocks in a given portfolio into risk buckets? Lot to unpack there. Maybe let's. Let's start with the first part of the question. So like, how do you think about? Like bucketing, companies can like based on risk and maybe potential strength of Moat versus maybe weakness, emote.

Andrew

Yeah, I love. It's very tough question for sure.

Andrew

That's a tough. I don't know if there's an easy answer to this. I I like the idea.

Dave

Of.

Andrew

Basing some of that on what stage a company is in, if we know just in general younger stage companies have a wider range of outcomes than that. Probably riskier versus something that's more mature, but not always. Historical growth plays plays a part in this how capital efficient a business is, plays a part in this. But I don't. There's a blanket answer. What about you?

Dave

No, there's not really a blanket answer in. It depends on, I think some of the things you have to think about when you're thinking about like how do you position size companies? A where they are in their life cycle B. What kind of risk does that entail for that particular company? And then how? How do you want to handle that? As far as like the mental aspect of it. And so if I think about, I guess an industry that kind of would jump to mind would be the two companies I'm going to throw out are. Apples to apples in comparison, but they are broadly in the same tech field. So one would be Snowflake, which is a newer company very early on in its life cycle, at least as a public company. I'll admit I don't know that much about. So it may have been around for 22 years before I went in IPO. Just don't know about it. Possible, but unquestionably. At an earlier stage of their life, and then you have a company like IBM, which is on kind of the opposite end of that cycle, if you will. They're probably definitely in the mature phase and you could argue, depending on how. Negative. You want to be about the. They're on the downward part of their life cycle. If you look at those two companies, how you want to position size, those would be really kind of how much volatility can you handle? And the uncertainty of both because they're both. Both have some uncertainty. You know, is IBM going to be able to continue doing what they do and? Maintain their market share or are they going to continue to lose some of their market share, whereas Snowflake is earlier in their stage and so they should be gobbling up lots of market share at this point. And if they're not then that could be something that would. Cause some uncertainty and a lot of volatility in the company and not in the company, in the investment or the stock. And so those are things you have to weigh and how much can your stomach handle that kind of thing? I don't think there's any. Hard and fast rule, Andrew. We could argue about this. But you know Andrew, Andrew has a risk tolerance that is different than mine. And so, you know, he and I may go. OK, let's invest in IBM. May go. You know the risk. Is to a little bit too rich for me, so I'm only going to go 1% and I may say I'm OK with the risk and I may go 3 to 5%. Doesn't mean that we're right or wrong necessarily. Time will tell. But it really comes down to like, you know, as Peter Wynn said, the stomach's the most important. In investing, like how much can you handle? And I guess that's. Of how I would try to approach it.

Andrew

Yeah, I agree.

Dave

If you had to between 1:00 to 5:00, like if you looked at, let's just take those two companies maybe for an example. How would your risk tolerance be with a snowflake versus an IBM and kind of vice versa, I.

Andrew

Would 100%. Here's the risk averse guy on the one end of the spectrum. 100% look at a company like Snowflake as being more risky. Unless I felt like I knew that business really, really well and there were things that I could recognize between this business and the average business in its life cycle. That tell me that that this is actually an exception to the rule. A good example of this I kind of popped in my head. As you mentioned the word snowflake reading a book right now that was recommended to me by sea ocean who. Community and it's called something about lessons of Darwin.

Dave

Yeah. Yeah, yeah. Yep. Yeah. What I learned about investing from Darwin. Yeah, great book, great book.

Andrew

Yeah. So I'm not done with it, but there was a part in there where he talked about companies can get market share, but. Like he. He has, like a personal it sounds like a personal slight against him or. Market. Yeah. And he said what the Tam doesn't tell you. Sure, the Tam tells you how much market share you can take, but it doesn't tell you how profitable that market share. Will be and it doesn't tell you if all the profits will accrue to the company in the industry you're in, or if it'll be your supplier or your customer. Like we look at cloud like who's taking the lion's share of that? Been AWS and Azure and stuff. So an example of that would be. I don't know if you remember the electric scooters that have the various towns.

Speaker

Yeah, yeah.

Andrew

I mean, bird and lime took all sorts of market share. That been. Has not, so just based kind of like on that mental model and then not knowing anything about Snowflake, just knowing the the stereotypes, I'm stereotyping. Of young growth companies and that's that's why I look at that as pretty risky. And I would definitely want a circle of competence on the business and the future of of the industry and all those things before I change my mind on that.

Dave

Yeah, I would agree with that wholeheartedly. So. How would you think then about? Look, if you have a basket or a collection of like wellperforming wide Moat stocks like how would you? How would you balance the the risk of? So let's let's just throw out some names just for fun. Like, if you're looking at companies like. Costco, Visa, MasterCard, Apple, Google. I don't know Walmart. Like, how would you think about? Those as far. As like allocating capital to those cuz they're all strong. Wide Moat ish companies in. Like you just blanket OK all 5% or you know, do you go OK? I like this one better than this one and this one better than this one kind of thing. Like how would? How would you try to? About that.

Andrew

Give me all of the wide mode. Give me as much of My Portfolio on this, right?

Speaker 1

In.

Andrew

All seriousness, I think you know I this is just my personal. So take it with a grain of salt, but I believe strongly in taking what the markets giving you and then also respecting diversification so. So in the example of like Visa and MasterCard, if I felt like I had enough exposure to payments, then it makes no sense for me to add MasterCard if I already have what I call a full position in visa. On the flip side, if some if any, of. Companies you talked about all of a sudden go on sale. And you have the opportunity to add to it by all means, you know, don't play with percentages. To swing where the pitches are, is how I look at it. So all of that to say like. I don't think that those situations will be very common because everybody knows who the white vote businesses are. So that's why I try to stress taking what the markets giving you because if it's giving you an opportunity to try to swing at it, but also don't try to force it if you can, if you can help it, it's hard. Do you have a long term mindset searching for safe compounders? So am I. And I'm investing my entire life savings with the pigs from valuespotlight.com.

Dave

Right. It's very hard. We all want to own, you know, the well performing wide Moat stocks. I mean, that's the, that's what we're all looking for. And I would probably argue most of us, if you look at your portfolio, probably would say they all are. Wide well performing stocks, but you know statistics and the truth are that that's not the case. And we all have, you know, two or three, five, whatever companies in our portfolio that are always laggards or ones that were like, you know, if I could replace this player with that player then my, you know, then my team would be perfect kind of thing and. Sometimes that's true, sometimes it's. And I think it's really hard, like, you know, to your point, you have to, you have to swing when you have the opportunity, everybody and their brother wants to own Amazon or. Costco or Visa Slash MasterCard, but sometimes the valuation is not the right time to buy that. And so you have to kind of account for that. And so you can't just buy them just 'cause you can, but buyer beware, sometimes you pay a high price. Might have to wait a really long time for that that. Outperformance to catch up to what you paid for it and granted they're great companies, but there's an opportunity cost to that. Can find something that could provide you a better return over a shorter period and. Maybe not over a shorter. That right way of putting it, but it would earn you a better return in a quicker amount of time than waiting for another one to, you know, one of the wide Moat companies. Pick on Amazon. If you buy it at too high of a price, you might have to wait to get a 15% return. You might have to wait 5 or 6 years. Depending on. The price you paid where you could find something like maybe a less well known stock that has a wide Moat and get a 15 or 20% return in a short amount of time, which in the long run would be better for your portfolio.

Speaker

Yeah.

Andrew

100. So you you kind of don't prescribe to this idea of like trying to assign position sizes based on the risk characterization of the stocks you're looking at?

Dave

I mean, to me, it's it's all a function of kind of the margin of safety kind of thing. Like you know, if we go back to the, if you go back to the snowflake in the IBM example. I may take a smaller swing at Snowflake than it and then IBM, just because I feel like there's more risk and it's harder for me to value than it would be to value something like IBM. And so therefore, I would probably take a smaller. Of. And that's how I would. That's how I would account for the risk is by using the valuation help guide me about how. How risky do I think this is?

Andrew

Yeah, I think there's a ton of wisdom in that. If Snowflake again used just as an example, becomes the next Tesla or NVIDIA or something like that. Whether you play 1% size or 5% size, it's still going to have a huge impact on your portfolio. Where if in the off case it's not one of those crazy outlier stocks, having a smaller position size does protect you. I do like that approach, yeah.

Dave

Yeah. Yeah and. I mean there there's something to be said for. Not trying to hit a home run with every single investment and. Trying to trying to be a little more consistent, and I mean there's there's lots of roads that lead to Rome, right? But. There's a lot of different ways you can structure your portfolio and depending on your personality and your mental ability to handle volatility, some people you know can swing for the fences and bet on a lot of different things. And that, you know, that could work out great. That's I'm not built that. So that's that's just not the way I like to do it.

Andrew

I like to do it for my daughters because it's.

Dave

Right. Yeah, yeah, I'm. I'm happy to do with her money. But, you know, she's, you know, she's 12. So she's got, you know, 55 years to make up for, you know, a few foolish, you know, investments that dad made for her so.

Speaker

Right.

Andrew

I still tease her about Petco.

Dave

Yeah, I'm sure.

Andrew

She also has some video which I don't have, she added to a video like.

Dave

Right, yeah.

Andrew

Like I never did, so I have to keep my.

Dave

Yeah. Yeah, yeah, yeah, yeah.

Andrew

Shut.

Dave

The the bragging rights, you know, I can. I can tease her. Roblox. But then she's destroying me. Spotify. So like, OK, yeah.

Speaker

Play.

Andrew

That's funny.

Dave

Yeah, some wisdom in there, right? All right, so. Moving on, we got this great question from Martin. He sent us a question VR newsletter at the investing for beginners.com, which, by the way is in the show notes. If you have a question, you can send it to us. So this is what he asked if we would consider doing a podcast episode about. Smci, which is Super micro. Computer, this is he. This is the first stock I bought started at just over $18.00 a share and averaged $25 per share, so it brought me some small profit with potential large gains or losses if things go bad for them. This is not a long term value investment in my eyes, but I believe it may be very profitable in the next couple years, so not exactly what you guys are teaching on the podcast. But I think it may be an interesting test case. They're an AI company highly dependent on NVIDIA, with revenue coming from few large customers burning cash. Yes, accounting issues. Little Moat drries out potential of D listing so many red flags, but also incredible potential to grow. With example of project for Tesla Meta, etcetera. So this is again from Martin. So great question. We've never talked about Smci before, so this could be could be a fun conversation for Andrew and I. For everybody listening.

Andrew

The promises on the last.

Dave

Yeah. No, no problem.

Andrew

Part. Promises. First off, thanks for writing in Martin, this is fantastic. Love that, you dove. You bought your first stock and it sounds like it's done well for you in the sense that, but this is almost a double if if you were to sell today.

Dave

Yeah.

Andrew

So that would be a fancy. Mean.

Speaker 1

Yeah.

Dave

That's awesome.

Andrew

It's hard to do much better than that, so.

Dave

I can't complain.

Andrew

Good job buying the dip on that and we'll see where the stock goes from there.

Dave

Mm.

Andrew

Definitely an interesting company that choose to talk. I know it's been in the headlines a lot on CNBC and things like that, and there has been a lot of drama around. Some big pieces of what's going on under the hood, if you will. So what are your thoughts on this question from Martin and what kind of jumps out to you?

Dave

Well, I think the if you look at just quickly looking at like the stock chart for example, you can see that the company was just kind of plodding along and then the whole AI thing started.

Speaker 1

Yeah.

Dave

Went to the moon and it has since fallen quite a bit since going to the moon. So it's kind of your classic if you want, maybe you could turn it a bubble stock, you know, maybe in its own little world it was a bubble stock kind of thing where it just it it caught a wave. To not a surfer, but to use a surfing term caught a wave and then it crashed and. So I mean in that respect it gives me pause like, but if you look at what they're trying to do as a business. I think that could be really interesting in really interesting. Or a little. While like they could have a good a good runway to capitalize on, kind of what's going on, not just in the AI space, but just in the cloud computing space as well and networking and all the things that are going on in the world with with computers. And so they they could be positioned to do pretty good in that respect. So that makes it potentially interesting to me. I guess that's kind of my first, I guess initial reaction. Are your what were your initial reactions or thoughts? After we started kind of looking at the company. Little bit.

Andrew

Didn't get a whole lot of information about what kind of a stock purchase was this like. This something? Bought a couple shares just to kind of have a little bit of fun and see how. Market. And and have something to follow that's exciting. Not much.

Speaker

On.

Andrew

The exciting spectrum for buying a company like Watsco and waiting for them to sell a couple more HVAC systems than they did last year. Here, obviously something like this on the cutting edge is very exciting. So if it's just if we're just talking about a couple shares, it's it's all fun games and it's awesome. Yeah. Continue to enjoy and watch. And if you lose the money, you lose the money.

Speaker

Yeah.

Andrew

If we're talking about investments like long term investments, which I don't think we we are, but if we are.

Speaker

To.

Andrew

Me. There’s enough red flags here. Where? It’s not. I mean, I would take those gains and I would run. Fast. It was if it was in a retirement account. If I, you know, if it was significant money because yeah, the red flags are piling up. And I look at a lot of stock. I look at a lot of S&P 500 stocks. It is very rare for me to see what the what's going on with the accounting that is not common. So for them to have an accountant and then for them to replace their accountant and then that accountant to to resign. Tells you something, not a good sign, and it's not common.

Speaker 5

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Dave

No, no, it's not common at all. Can. Can we like double click on that a little bit? I know you were kind of reading some stuff before we came on the air about that, so maybe you could share some of your findings with our fellow listeners.

Andrew

Yeah, if you're. Curious to follow along, let me obviously you can. Follow the trail of blogging and news articles in Google and all of that. But if you use a tool like bamsec.com, you can see all the different 8KS, which are the official company press releases that are updating investors on. Big developments in the. Company. And so you know, since May of 2024, they got to know this from NASDAQ to NASDAQ threatening to delist them because they had somebody who was on the audit committee that resigned and they didn't replace that person. Also a ton on here about. You know the change in accounting accountants, the the accountant who? Said they were resigning from this, you know, they basically don't want any part of this. Sounds like and then. The company filing for an extension to file their annual report because they did not file it, probably because of a lot of this accounting stuff. They did not.

Speaker

File it.

Andrew

When they were supposed to so. It's more than. It's more than a year late at this point. That's a long time. And so you know that that worries. I mean, obviously you look at the financials and the numbers look spectacular.

Speaker 1

Mm.

Andrew

It's amazing what they've done to be able to take operating profits from less than 100 million to what is now, like 1.21 point 3 billion in less than five years. That's that's extraordinary. NVIDIA type numbers.

Speaker

Right.

Andrew

They're they're they're part of their partners within the in the sense that they buy from NVIDIA. So the growth is completely. But then you have to question why? Why? Why are these accounting issues present and how big of a?

Speaker

Replay.

Andrew

Is that? I don't know because I've never had a stock where it got delisted before.

Speaker 2

But like what?

Dave

Do.

Andrew

You do with those shares if. If you can't trade them on NASDAQ. Like, is there any way you can buy it from it? This is.

Dave

Good money.

Andrew

A number on on your? Yeah, that money.

Speaker 1

I don't know.

Andrew

I've never done the research on that. Never had that happen to me. Those type of things would definitely make me concerned and I would take the numbers that they've reported historically with a grain of salt, because if there's trouble under the hood, you know it could be something. Could be an oil leak or your whole engine could be completely out, I don't know. Umm.

Dave

Yeah, that's what makes it. Is that to your point? When you look at? When you look at the financials, they are spectacular, especially from, you know, a revenue growth aspect in the the the profits. But then you have to question. Are those numbers that you're looking at? Are they real? Are the revenue numbers. Exaggerated. You know, are they? Are they recording revenues when they haven't shipped? Product yet? Kind of thing and that that happens and it's it's rare, but it does happen. And that's obviously kind of. So if you see those things and you don't know what to trust the numbers on, then how do you do any sort of analysis on the company? I mean you're you're basically buying it 'cause you like the logo colors? I mean it's. You know, it's like that's to me that would be the hard part was like if if you have two accounting firms. Retiree acquit within less than six months of each other. That's. You know, that's no bueno. And I know we can sometimes pick on accountants. And there's a famous there's a favorite line of mine from the Big short where guys like, you know, accountants, you know, work like 2 + 2 equals fish. And when you're talking about investing in a company and you can't necessarily trust the numbers. First, then that makes me real real suspicious about whether this is something you know, if I owned a company, let's say I own meta and all this stuff came out about meta and I was up big on the company, I'd sell my shares and I'd be out done.

Speaker

Yeah, yeah.

Dave

You you know. If if it turns out to be a whole bunch of smoke, I can buy back in at another time, but. Until I know that that's on the up and up, you know that would be that would be really scary and I know you mentioned when you were doing a little research that one of the one of the board members that was part of the I think was the. Committee or Accounting committee quit and so. You combine that with the two accounting firms leaving. Those are three huge red flags because you can't trust management, then it's a hard, hard place to invest in.

Andrew

Yes. Very hard and there's historical. And I'm not saying that this is going to repeat because every time periods, different butinthe.com bubble, when everybody was going crazy about wanting to get connected to the Internet, you had a lot of double ordering going on. And revenues that were booked that ended up not turning into revenues because of the double ordering.

Dave

Because.

Andrew

And then when the whole. Popped the bubble pop there, then investors got burned and and you saw stocks like Cisco go. Absolutely. You know, crater. So you know, we've obviously seen this stock crater and I've no idea what's going on with the AI stuff.

Dave

Mm.

Andrew

Really does at this point. But it's just another thing to keep in mind that when you talk about. Infrastructure there are. There are other history has shown that there can be things that happen that you don't see at like Coca-Cola or something, right?

Dave

We have to be careful. Yeah. Yeah, for. I mean, Martin mentions here that he doesn't feel like this. Investment and I would agree with. I think that's a good assessment, but I would also say that based on what the company does and what you've seen from the air quota financial performance, if that turns out to. Be legit. Then this could be something that would probably warrant at least being on a a watch list to pay attention to and see how it could, you know, once once the smoke clears and dust settles on all this then. You know, it could be a whole lot of nothing burger or it could be some very something very. Serious and I would hate for anybody to invest in something 'cause this could go to a zero if it is serious, you know, accounting issues that they are fraudulently doing, things that it could, it could easily go to 0. And that's when you're going to lose all your money. And so but the there is potential here. And so that would be something that I would probably if I was doing it, I'd be OK. I made some profits. God, I'm out. And then I will put it on a watch list and just see what happens and if everything turns out to be a nothing burger, then you can buy back in because it'll it'll continue. It will continue to drop, you know, as this plays out because. They have until February to get their 10K out. That is that what you read?

Speaker 5

Yeah.

Dave

No, you know it's it's not tomorrow, but in the world of finance and big business like these companies, you know, you don't just crank one of those things out on a weekend. You know you. It takes a little time to put together a 10K. So you know the. So yeah.

Speaker

Yeah.

Dave

Buyer beware very much. Buyer beware. It's a great question.

Andrew

Yeah, I love. Yeah.

Dave

All right, so let's let's move on to our last little tidbit. So this is a question that Sir Andrew asked in our community on value spotlight and I thought it would be kind of fun for us to talk about on the air. So the question is, what is your biggest? Air Quote Buy and hold for life stock. So this is a great question. Andrew. And would you like me to take first server? You want to go first please. All right, so I told him I had four companies that were on my list. Number one was Microsoft. #2 was Costco. #3 was Visa and #4 was Berkshire Hathaway. So those are the those are. Four companies that I own now that I plan to hold. I've I've bought and I plan to hold for life, or at least until something changes. Right.

Andrew

Very nice caveat.

Dave

Yeah, very nice caveat.

Andrew

How long did it take you to get to that mindset for each of those?

Dave

Or Costco. It probably took me longer, in part because of valuation and a part because I didn't truly understand the business when I first encountered Costco. I thought it was more like a Walmart or an Amazon where I was like just basically a big warehouse and I didn't realize that the whole I didn't connect the the membership in the warehouse and like the how important those two are to each other and how import. Membership is and what it can really tell you about the strength of the business. Somebody who's worked in you know subscription type business, you know 90 to 95% you know renewal rates is like that's that's kind of ridiculous. Even as great as Netflix is at that, they would, they would kill for those numbers. So you know that's that's an. So I mean, once I started to put that together, then it became a little more obvious. Visa was pretty much once I figured it out. That was kind of a no brainer. Microsoft probably has taken me probably the longest. Of the four, just because I didn't, I still, I still am working on the AI opportunity and the cloud opportunity and how the Windows. Subscription kind of sits into all that and teams and some of the things that they're trying to do, they got a lot of moving parts and there's a lot going on with that company. But it's also the one I've owned the longest. My first share back in 2014. And so I've held it all this years and I don't see any reason there's there's nothing that I've seen on horizon other than maybe Satya weaving. That I would make me want to to leave at this point.

Andrew

Yeah, that's awesome about Berkshire.

Dave

This one a lot and. I love the company and I love what they're doing and I know that there's I've been thinking about like, the the Buffett question, like, that's kind of the biggest unknown with them right now is what's going to happen after, you know, Charlie is gone. At some point will not be there either. And I just, you know, the more I think about like what Berkshire does and how they operate, he has really I think he's done a really good job of kind of removing himself. From being an important part of the overall business, he obviously still has a big, big impact on the investment portfolio, but he has been reducing that reliance on him over the years. And certainly for the operations of the business, I don't think he has much to do with anything. He probably really doesn't talk to Gregor or Ajeet unless it's already getting prepped for the annual meeting. I just think he lets them do their thing and so to me. Even though those guys are older, if Warren, God forbid, passes away tomorrow. I know that the stock will drop, but I still believe in what they're doing with the. They're still best to breed in insurance and I don't see that changing and all the other businesses they own from the railroads to the energy cycles and to the other standalone businesses, I still think. Are really strong and I don't really see that changing much. So to me that makes it. You know, unless those things change, I I see no reason to sell the company.

Andrew

It's amazing to me just how. The scale that they've grown like from however many millions it was to, I mean obviously it was over. But like when you start to hear some of the numbers, like oh, if I put $1000 into Berkshire, when Buffett started like, build numbers can really start to get mind boggling.

Dave

Right.

Andrew

Like you're like what? Like how old is possible if if. Gotta be one of the most extraordinary things we've seen from any capital allocator ever. Yes, and you can't argue that 'cause. It's just been amazing.

Dave

I wish I'd bought it 30 years ago, but you know, hindsight is always 2020, right?

Andrew

I yeah, I saw. Back in the day, like the the whole emo scene. Don't know if you ever saw that. They're like, why didn't you buy a house back? And it's like I was doing this and they're like all the moshpit. Stuff. Just thought was funny and all thing.

Speaker

That's.

Dave

Yeah. That's funny. All right. You know what's coming? Your turn.

Speaker 1

Yeah.

Andrew

Oh man, yeah. I've got companies on. That obviously you just talked about Costco for me would be a great one. They sell a long way to run, obviously and then. I think they're subscription plan has a pricing power that can keep up with the economy for a very long time and you can argue they don't even really pull that lever. And they certainly could. I think Alphabet for me is another one of those and alongside I I I couple that with Visa because both of them are basically economic toll roads. You know the services they provide. Are essential to the economy and as the economy grows, so do they in a very natural way. I think that's rare and that's what puts them on the list. And then for me it's also pulse, which I've talked a lot about lately. I'll say less, but they have just a super long runway. Still very fragmented industry. And I've they've been on the path that's very prudent. And until that changes, as long as the industry doesn't go bonkers. Mean you can argue even if it does, then Pulte will be the one to emerge as long as they stay prudent. As long as they maintain a prudence, then I can see holding that for. Life.

Dave

Yeah, yeah, I agree wholeheartedly in. I was thinking about this the other day. We've in the last few years we've seen, we've seen the erosion of. Companies, moats, or just company business performance from. Giants of of the past and and I'm referring to three different companies, Intel and IBM and all three at one point. At the top of the mountain. And you can easily say that none of them are at that stage anymore. And Intel has been more recent, but you know, GE went through. You know, a very big, you know, I guess the acceleration of what they're doing over the last few years and IBM has kind of been a slow gradual burn. And to me, I don't know all those companies. I know Intel better because I owned it, but the other two. So I don't, but it gives you it gives you an appreciation for companies that continue to not sit on their whorls. And I I think a visa and MasterCard is, is 2 great examples of that, that they continue to try to innovate. And continue to try to evolve in what they do and. And to me that sets them apart and allows them to continue to thrive because they have. It could be very easy, you know, we all joke. Know that they could turn the lights off and the business will still run. It's become that much of AA machine, but. They continue to try to to innovate and execute and try to pivot off of what they're doing to try to, you know, maintain relevance in so many companies. When the management gets, you know, a little, I think it what I like the phrase you used a while back, fat and happy. They it tends to start to slide. Know when they change. Excuse me when the boarded, when the board of directors like an Intel, they changed their focus away from what Intel was good at.

Speaker 1

That.

Dave

They took their eye off the ball in essence. Then you see what happens because competition's not. They're not taking their eye off the ball. NVIDIA and AMD were not taking their eye off the ball. And that you know, that pause allowed them to overtake. And same with TSMC so. I think when you're thinking about these companies, we want to buy and hold for life. It's important to think about, you know, what, where are they going and how they're going and what they're doing. That's why I love about like a Google and a Microsoft to is that they're not just sitting on their worlds. Be really easy to. Yeah. Hey, I got YouTube and search. You know, I don't need anything else. Good for the next 20. Well, you know, competition at the marketplace shows that that's not always the case.

Speaker

Right.

Andrew

So yeah, even American Express.

Speaker

We.

Andrew

Always think of that as like, oh, it's been American Express. They've been forever.

Dave

Old boring, stodgy company. Far from it.

Andrew

I think they made their their mother in the. Travel sex and now it's a completely different business.

Speaker 1

Yeah.

Dave

Completely different, yeah.

Andrew

And you go as far back as Wells Fargo with the. You know the horse and catch and stuff.

Dave

Right, yeah.

Andrew

Yeah, banking is obviously different now too. And what they do. Yeah, evolve or die.

Dave

Yes. Yep. Evolve or die. That was from a. Moneyball.

Andrew

Was it?

Dave

Yeah, Billy Bean says that in in one of the scenes.

Andrew

Oh, no way, yeah.

Dave

Adapter die is what he. But you can evolve and die. It's same thing.

Andrew

OK. I guess it just shows how much it's just like. In my blood, right.

Dave

Wait, yeah, yeah, exactly, exactly.

Andrew

Well, we hope that this was helpful. No promises those. But if it was, that's awesome. Any questions you guys have, please reach out or on. We have newsletter at ems.com. You can reach out and give us your questions and we might read. On the show. So take action. Connect, learn and grow with value. Peace.

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