



Top investment ideas and stock picks

Gaurav Sodhi

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What are we trying to do?

01

Recognise what a business does

- Apple

02

Identify how it makes money

- Westfield

03

What are the cash flows worth

- Best valuation approach



**What makes a good
business?**

High Margins?

JB Hifi

5% net margin

Woolies

2.5% net margin

A competitive moat?

Aussie Broadband

beat 100 competitors to 10%
market share

Monster Beverage

share price up 260,000% since
listing

Great products

Microsoft

Dominos

The best answer is...

**There is no
single formula**

**High return on
capital is best**



Still need to think

Oroton

Generated 80% ROE before going bust

AP Eagers

Profitability is hidden

Both tricks of accounting



macquarie

TELECOM

A case study

Investing for Retirement



Stories are everywhere



**Understand the
narrative**



**The task is to compare
the stories you hear
with reality**



You must find reality

An aerial photograph of a beach scene. In the top left, there are large green trees. Below them, several people are kayaking in the shallow water. On the sandy beach, there are colorful lounge chairs and umbrellas. The ocean waves are visible on the left side of the image.

MAQ:

The story by numbers

- Persistently lower profit
- Debt levels raising
- Crazy valuation
- Looks like a bubble tech stock primed to fall

MAQ: The real story



**Building a data
centre business**



Build, fill then service

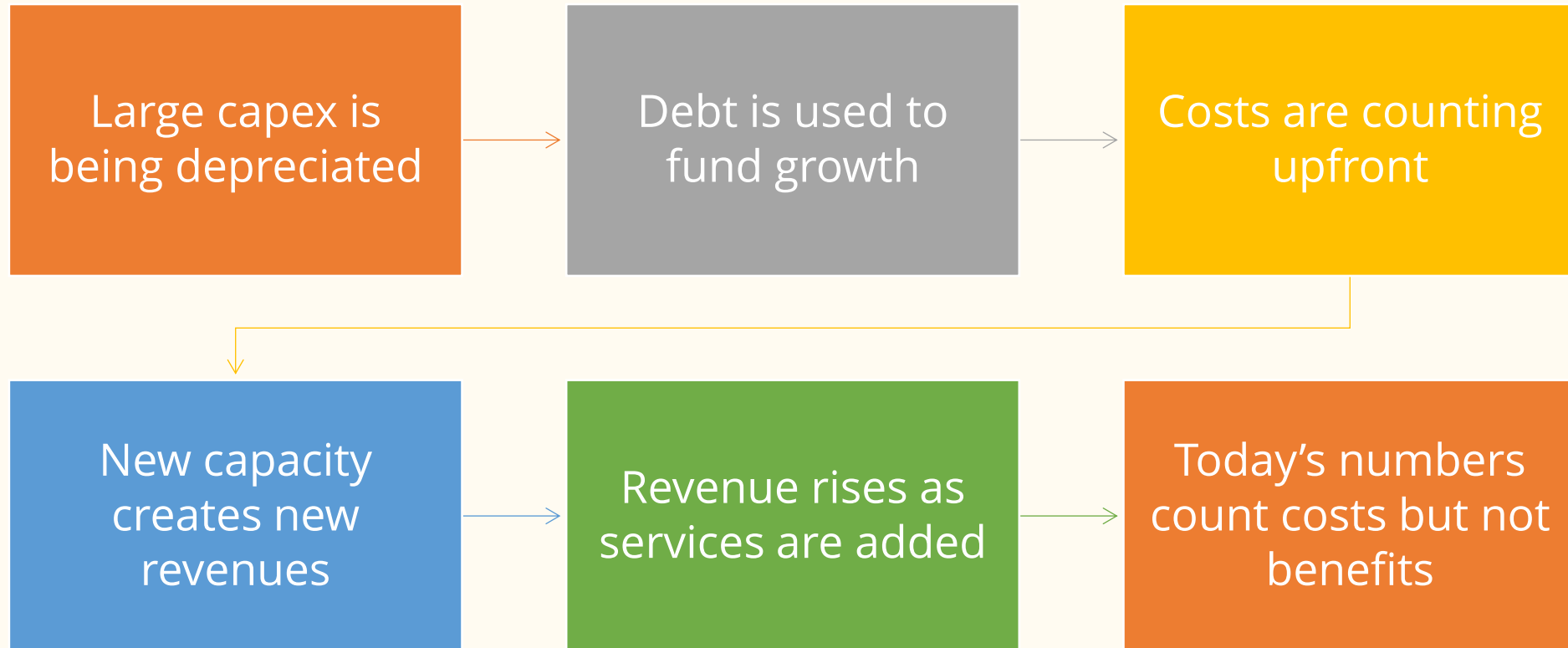


**The business is getting
better**



Profit growth is coming

MAQ: How stories meet





The opportunity

- Price is a narrative
- Compare that narrative to reality
- The difference is the opportunity

Thank you