Thank you for that kind introduction, Porter. It's a real pleasure to be here. It's my first of these conferences. I've had a blast the last few days, and it's a real honor to be invited here to speak to you. So I've been working super, super hard.

And Porter told me to have a nice, tight, focused presentation with one big idea, so I boiled this down to 116 slides, and I've got 40 minutes. So you can do the math. I will give you a web link at the end, where, if you just enter your e-mail, my computer system will automatically send you a link to these slides. So don't worry if you don't have time to read everything that's on them.

So we're gonna move pretty quickly. Actually, I've had a lot of fun putting this together. We're trying to distill 20 years of investing experience into 3 lessons and 3 stock picks across a very concise 116 slides.

I was an old-school value investor. I like to say I pray in the church of Graham, Dodd, Buffett and Munger. Been to the last 21 Berkshire meetings. I've co-authored three books on value investing, including the definitive book on one of my heroes, Charlie Munger.

And so what do value investors do? They buy cheap stocks. So I mostly bought stocks that were trading at low multiples of earnings, cash flow, book value, etc. And that's typically – they were cheap because the businesses were performing poorly, and I was hoping to find catch turns; you know where businesses turned around. But I must say, I was primarily focused on how cheap the stock was and less focused on the quality of the business and its future growth prospects.

So I found, as I look back over my career, that I often made what I call the "four big mistakes" that value investors typically make. Number one: we invest in low-quality businesses that look cheap, and then the businesses continue to decline – the definition of a value trap. The opposite is we failed to buy high-quality businesses that were fabulous long-term compounders 'cause the stocks didn't look cheap based on near-term earnings. Number three is, when we did happen to buy high-quality, great businesses, we sold them way too early 'cause the valuations moved up and didn't seem as cheap. And, lastly, we value investors tend to fail to understand and appreciate powerful new technologies and trends.

So I would summarize by saying how a stock performs over time – assuming you're holding for multiple years – is probably 75 percent – is my best estimate – driven on how the business performs, and only 25 percent by how cheap it was when you bought it. And for my entire career, I had this backwards. I weighted the valuations significantly more highly than business quality, and this was a terrible mistake that cost me and my investors dearly, as you'll see in many case studies I'm gonna share with you.

So maybe you're thinking, "Okay, well, this value guy is now a growth guy, and the key to successful investing is just buy great growth companies and don't worry about valuation." Well, not so fast. Let me critique growth investors and the four mistakes they tend to make, which are sort of the inverse of the mistakes value investors make.

Number one: they overestimate future growth, projecting the past growth indefinitely into the future, and they forget very powerful trends of reversion to the mean – technology changes, emerging competitors, size being an anchor to growth. Trees don't grow to the sky.

Number two: they pay too high a price for a stock, such that even if the business performs well, the stock doesn't.

Number three: they fall in love with great companies and fail to see turns and fail to see when the business starts to decline, and they fail to get out and sell the stock when they should.

And number four: they get sucked into story stocks.

So I like to consider myself, now, neither a value nor a growth investor. I'm a make-money investor, and I'd like to teach you what that means.

Big lesson number one: stocks tend to follow earnings. So focus primarily on business quality and growth, but beware of extreme valuations.

High valuations haven't mattered for certain growth stocks. I'm gonna show you a lot of charts that look just like this, so let me just take a moment to explain what you're seeing here. The red line in all of these charts is the stock price. That's the left axis. The blue bar is trailing 12-month operating income – pretax, preinterest expense, EBIT, earnings, the earnings of the company. And I use operating income rather than net income just 'cause there can be a lot of noise in net income – operating income. It tends to exclude one-time special charges, that kinda thing.

So what you can see here is Costco, in the last 25 years, is up 25x. You've made 25 times your money on the stock in the last 25 years, and that's just been driven by a huge increase, a very steady increase in its profitability over time. One of the great growth stocks of all time.

Here's another one: Nike up 57x in the last 25 years; again, just driven by profit growth, steady, enormous profit growth.

Here's Google. It's up 25x since it IPO'd 14 years ago. You can see how we're gonna get through 116 slides, right?

And here's Visa, IPO'd a dozen years ago. It's up 10x.

Fabulous, fabulous companies.

One last one year in this category: TransDigm. Probably, most of you haven't heard of it, but they just make widgets for jet aircraft engines and so forth. An incredible growth stock; 15x since it IPO'd 12 years ago.

So where you really make money is if you can find companies where there's accelerating growth, where the rate of growth is going up. And there are – it happens very rarely.

So I'm gonna use revenues here, topline growth. This is Adobe, the maker of Adobe Acrobat, a fabulous software company. And here the red line is again the stock price, but the blue line now is the percentage year-over-year revenue growth, so trailing 12-month revenue versus the previous 12 months. So it's not a quarterly' it's an annual number. And you can see that revenue growth, like most big companies, starts to decline over time, and then they manage to reverse that. And revenue growth accelerated from – it was negative at one point, and it is now growing. The past couple years has been growing north of 20 percent, and you can see that's translated into a 5x increase in the stock just in the last five years.

Here's Netflix, which we'll talk about later, one of my great stock picks and one of my worst sales. But you can see the period in which the stock went down by 80 percent as revenue growth decelerated. It never went negative, but it went from about 50 percent year-over-year to about 10 percent year-over-year, and the stock went down by 80 percent. And then they turned things around, and the revenue growth has been accelerating, and the stock's been at 50-bagger – five-zero in the last 6 years.

Here's Amazon, where you can see – Amazon is a very big company now, one of the biggest in the world by revenues, and not surprisingly, size is an anchor. Revenue growth was slowing down from 40 percent a year to about 15 to 20 percent a year, and then the past few years with Amazon Web Services and other initiatives, they've managed to accelerate revenue growth. The stock's up 5x in the last three years, thanks to accelerating revenue growth.

So before you all turn into crazy growth investors, though, let me just caution you: value does matter. I'm gonna give you three examples.

The slides are a little busy here, but this shows Cisco. At the peak of the Internet bubble in March 2000, it was the most valuable company on the planet by market cap. Stock was trading. I've added one additional line there. The sort of dark line is forward P/E multiple, and that's over there all the way on the right axis. But if you can't read it, I can just tell you it was trading at 150 times next year's projected earnings at the peak, and that was clearly insane and not sustainable. Over the past two decades or so, that multiple has come back down to about 20 times earnings. So even though the profitability of the company has gone up very nicely over this period – those are the little blue bars marching up to the right – the compression of the P/E multiple has resulted in a stock that's still, two decades later, after – with profit going way, way up, the stock is still sort of half its levels of what it was 20 years ago. So valuation sure mattered there.

Here's Microsoft from over ten years, from 2003 to 2012. It, too, was trading at a very high P/E multiple. That multiple got cut by two-thirds, so even though profits tripled, the stock, the red line there, went from $27.00 to $27.00 in 10 years, despite a tripling of profits.

So last case here: Paychex, a fabulous growth company, was flat for seven years because it started with a P/E – even though profit doubled, the stock got cut in half. Why? Because the P/E multiple went from 80 to 20.

Even worse, though, than companies that perform well but maybe the valuation was too high are value traps that often suck in value investors where stock looks cheap all the way down because earnings just decline and decline. It is almost impossible to make money at a stock, no matter how cheap you buy it, if the performance of the business just goes down and down.

So here's a spectacularly symmetrical chart of Bed Bath & Beyond, which is getting hammered by Amazon and hasn't made a successful transition to online. It was a great growth stock all the way up for long before this stock chart – this is just the past decade – and then their operating earnings have just fallen and fallen. The stock has fallen and fallen a complete round trip in the past decade.

Here's 3D Systems, one of the – you may recall the 3D printing bubble from a few years ago. The stock went up 10x and then went right back down by 92 percent, 2 years up, 2 years down. And you can see what happened. It was all driven by the profitability, which was rising nicely, and it was a roll-up play, and then the whole story fell apart. All sorts of competitors emerged, and they've been losing money ever since, and the stock has remained way, way, way down.

So here's Barnes & Noble, which has getting Amazon-ed for 20 years, but – the stock's gone from $50.00 to $5.00. They were losing a lot of money for a while there as they were investing heavily in the Nook. They exited that and, actually, operating income has been positive but declining, and the stock has just continued to decline.

Here's Sears, which has been losing $1 billion a year for the last five years. The stock is now under $1.00 and will probably file for bankruptcy soon. Stock was at $200.00 a decade or so ago.

And here's JC Penney. Same story. A new CEO, ironically enough from Apple, came in and tried to turn it around. Instead he took a blowtorch to a melting ice cube, and they lost billions of dollars. Even though – by the time they got rid of him, they were stuck with a lot of debt, so even though operating income is positive, it's not enough to service the debt, and the stock's under $2.00. Probably going bankrupt as well.

So beware of value traps.

So big lesson number two is: look for inflection points. The best of both worlds is to find great growth companies but not pay a huge price for it. Buy it when the stock is – for whatever reason, the stock has sort of temporarily fallen out of favor, but the growth story is still intact at the company. So buy a great growth stock at a value price. That's the dream, right?

I'm not saying, by the way, just sit around and wait for a general market correction. Ninety-plus percent of the time that's a fool's game. I would urge you not to pay much attention to generally the market or what have you, and instead focus on companies and particular businesses and industries. And so what I'm talking about here is company-specific, or stock-specific weakness.

And even the greatest companies might miss a quarter here, or something causes the company or the sector to fall out of favor. And then it's your job to figure out, "Is this the turn " – like a Bed Bath & Beyond, or something – and "Is this company fading into oblivion, or is this just a temporary hiccup? That's what determines successful investing.

So the key concept here, though, is to apply the best of both value and growth investing. Let me give some examples of some of the inflection points I've caught in my career and some of the ones I haven't.

So this was Berkshire Hathaway at the peak of the Internet bubble back in 2000. Money was pouring out of old economy and into new economy stocks. So Berkshire, even though Berkshire – in this case, I'm using shareholders equity because that's a better metric for a financial company like Berkshire, and you can see the blue bars are very steady. The company, Berkshire, was doing fine, but the stock got cut in half in a very short period of time, despite steady fundamentals. And all you just had to do is realize that Buffett was a brilliant investor, and Berkshire's still a great company. By the way, you could buy it at that time at – at cash and investments, you got Warren Buffett and all the operating businesses for free. And I put 30 percent of my nascent fund into Berkshire the day it bottomed, which was pretty lucky on the timing, and you can see it very quickly rallied.

So here was McDonald's. It's been a great stock, up 8x over the last 25 years, as driven by profit growth. But if you notice, there's a real downturn in there. So let's take a focused look about one-third of the way through there.

There's the great growth stock in the late '90s, and then the stock fell by 73 percent, went from $46.00 to $12.00 in a relatively short period of time as the company was reporting negative same-store comps, and investor sentiment turned. They went through a couple CEOs. And I did a deep dive into the company and realized people aren't gonna stop eating hamburgers. Cash flows and balance sheet are strong.

And you can see operating income was only down 14 percent on a stock down 73 percent. And most of the damage was self-inflicted and could be fixed. And, in fact, they had a brand-new CEO in there doing exactly that. So I got in at $16.00, didn't nail it at the bottom, but then bought – made a 5 percent position at $16.00, made a 10 percent position at $12.00, and the stock's been a rocket ship ever since. I'll show you that chart a little later.

So here's another one: JetBlue. I don't do a lot of investing in airlines over time, but I got to know JetBlue almost 20 years ago when it first came public. Wrote 5 articles about it; got to know the company. Never bought the stock, and fortunately I didn't 'cause the stock did very poorly for a long time. And then, lo and behold, ten years later a new CEO came in and started charging $25.00 for the first bag, added two rows of seats on the planes, started – they introduced first class on their transcontinental flights, and you could just run very simple back-of-the-envelope math and see that those things would triple profits. I didn't know triple. I knew profits were gonna go up a lot. And so ten years after I'd done my initial research on the stock, I got in – not at the bottom; it had been down at $5.00; I got in at $9.00. Within 18 months profits tripled, and the stock tripled.

Here's an interesting one. This is Priceline, which has now been renamed Booking Holdings. It was one of the peak crazy stocks in the Internet bubble. Stock got to $1,000.00 a share and then continued to lose money. The bubble burst, and the stock went down 99 percent, fell under $10.00 a share. And then it languished there for a couple years. Not much happened. Everybody forgot about it. The stock is up 220 times since then, since 2003. In 15 years it's gone from $8.00 a share to $2,000.00 a share.

Now maybe you weren't smart enough to pick it up right at the bottom, but they made one of the great acquisitions of all time in 2005, for Booking.com – hence, the name of the company – 'cause that acquisition has become the majority of this company now. The stock's up. Even if you didn't catch it at the bottom, and you bought it after they bought Booking.com and the cash flow started to gush, you still made 83 times your money in 13 years.

So here's Domino's Pizza. You're all familiar with the business. During the great recession in '08 and '09, operating – they were affected by it. Operating income went down by 15 percent, while the stock went down by 90 percent. They had some debt. That freaked people out. They were never gonna go bankrupt, but when companies with debt have relatively small changes to operating income and sentiment turns so you go through a financial crisis, stocks can really get hammered.

Here's what Domino's has done since then. It's up 75x in the past 10 years. You coulda gotten in at any point. Incredible growth story.

So here's Microsoft. You may recall I showed you Microsoft earlier where the stock was flat for ten years as the multiple compressed down to about ten times earnings. Well, the last five years it's reversed. Earnings have continued to grow, but most importantly, the multiple has started to expand again. Stock is up 4x since then.

Here's Paychex. Again, you saw the earlier slide. It was flat for seven years. Now earnings have doubled, and the multiple has expanded a little bit as well.

So sometimes keep an eye on great growth stories where the valuation got ahead of itself. Wait for that valuation to compress back down to reasonable levels, and that’s a good time to get in.

Here's Starbucks, one of the great growth stories of all time, and then the stock fell by 80 percent as operating income got cut in half. This was the great recession. Howard Schultz had returned a year before, on the way down, and so you got Howard Schultz engineering a turnaround. From the bottom, the stock's up 15x as the multiple has gone back up to more normal levels of 20 – 25 times where it has historically traded, if not 30 – 35 times in the past. But this has just been – the company has just been a profit growth machine, and the stock has reflected it. So buying companies when the stocks are beaten up and when the old CEO comes back to work his magic again sure worked in Starbucks case.

So catching inflection points also works on the short side. This was my best short ever. Lumber Liquidators stock was up 7x in 18 months. You can see strong earnings growth. I pitched it as a short the day it peaked at the Robin Hood conference in November of '13. A few months later someone contacted me from China who told me a story of how their Chinese suppliers were selling the company toxic formaldehyde-drenched laminate flooring, and the company was looking the other way and selling it and poisoning its American customers. I did some testing on the product, verified the story, took it to *60 Minutes*.

You can see what happened when they aired their story in March of '15. Stock dropped from mid-60s to mid-30s, but it was still a great short, even at the mid-30s. Stock eventually hit $8.00 a share. I got out at $14.00. And you can see the company actually survived. Operating income's back in positive territory, and the stocks recovered.

So I hope I've persuaded you that the fundamental – stocks tend to follow the fundamentals, and ideally try and find inflection points when you can buy great companies at cheap prices. The key therefore, is: how do you find these magical inflection points?

A few thoughts on that: An inflection point, basically what that means is where sentiment is bad and you believe good things are going to happen, right? They're very difficult to identify. Don't worry about being exactly right. Nobody – nobody – it almost never happens that you pick the exact bottom, right? So don't focus on trying to figure out investor sentiment. You're trying to figure out the company fundamentals. Are the company's earnings going to rebound?

If you believe you've found an inflection point, by definition you have what's called a "variant perception." In other words, you believe something that is variant, different than the consensus view. So it's easy to have a variant perception. I'll give you a variant perception right now: that Sears is going to recover and not go bankrupt. It's easy to have a variant perception. And, by the way, you'll make a ton of money buying Sears stock today at 80 cents a share if it doesn't go bankrupt, if that variant perception is right. I don't think it's right. I think it's going bankrupt.

So it's easy to have a variant perception. It's hard to have a correct variant perception 'cause the – so to have a correct variant perception, you have to have some sort of unique data, inside analysis. And how are you gonna get that?

Well, you're much more likely to find it in some place that's in your sweet spot – a country, a market, an industry, a company in which you have deep knowledge, experience, relationships – and it typically requires a lot of hard work over a long period of time, sometimes even decades. I studied JetBlue intensively for many years, and it wasn't till ten years later that I got the opportunity to invest in it. Warren Buffett studied Goldman Sachs for 50 years before he got a chance to invest in it in 2008.

So keep in mind here, it's very easy to be the sucker at the poker table, to think you've got some sort of edge to have a variant perception that you're super confident in and, in reality, you're the sucker at the poker table.

So let me give you a few examples of some of my greatest stocks where I had variant perceptions and how I got them. I'll talk about Netflix right after these slides. But I got to know the CEO, Reed Hastings. Interestingly enough, it was partly through – I'm on the board of KIPP Charter Schools in New York. He happened to be on the board of KIPP Charter Schools nationally. So we had that connection, and he ended up taking meetings with me, which almost no one else got that opportunity.

Berkshire Hathaway: I've sort of become the world expert on that company over the past 20-plus years of intensive study. It's allowed me to identify the 5 great buying opportunities of the last 20 years for that stock. I've nailed them all.

Lumber Liquidators: I had a source in China who gave me information that was not known to the rest of the market.

And McDonald's, one of my investors introduced me to a franchisee the day the stock bottomed at $12.31 a share in March of '03. Just coincidentally, I sat down – one of my investors set me up with a lunch with a guy who had been a McDonald's franchisee for 20-plus years, and he told me the incredible changes going on inside the company under the new CEO, and I loaded up on the stock.

CKE Restaurants, I can't show you a stock chart on it 'cause it got bought out years ago, but the stock had gone from $12.00 to $3.00. They owned Carl's Junior and Hardee's restaurants. Hardee's was the worst restaurant chain in America. It was sinking the company, but they had introduced this new line of thick burgers that the company was promising was gonna turn the company around. The market didn't believe it.

I picked up the phone and called 50 Hardee's restaurants all over the country and told 'em who I was, said I'm an investor in the company, and the board managers or assistant managers were happy to talk to me, and they told me customers were going nuts for these thick burgers. And they were much higher margin products. I could see that there was likely to be a big earnings turn. Stock went to $21.00 in a year or two.

And in JetBlue I already mentioned, in the course of writing – being a journalist and writing five articles about the company, I got to know the company, its management, its competitors super well. Those are the kinds of things that can give you insights that can turn into correct variant perceptions.

So Netflix. Let me show you what I saw. Back when I pitched it at a big conference like this one in New York, it happened to be, again, a lot of coincidences, but it happened to be the day it bottomed, on October 1, 2002. Stock at that point was down 82 percent, and you can see earnings had crashed. Earnings were down big. The growth rate had collapsed; still positive, but it was way down.

And I'm not gonna read through all of this, but word-for-word these are the slides that I presented on that day that had bottomed 50-bagger ago. And basically I said, "Look, it's a market leader ten times the size of its nearest competitor, Hulu, in a rapidly growing global business, lots of talk about competition, but none visible. They're foregoing current profitability to seize this vast new market." A lot of reasons to think, "Well, the stock, you couldn't value it based on earnings because they were reinvesting all their cash flow back in the business." On a price-to-sales multiple, it was trading at less than one-time sales in a world where rapidly growing tech companies trade at five to ten times sales. And they were trading at $100.00 a subscriber, $100.00 a sub, which is a reasonable valuation metric for companies like cable companies or cell phone companies that have subscribers. So Netflix had a $3 billion market cap. At 30 million subs, do the math. That's $100.00 a sub.

Hulu, a vastly inferior business, had – there had just been a 10 percent transaction among – a cash transaction among the big corporate shareholders of Hulu at a $2 billion valuation, and Hulu had 2 million subs. That's $1,000.00 a sub. So there's a pretty good valuation benchmark right there that told me that Netflix was at 10 cents on the dollar. It was trading at 90 percent less than an inferior competitor in a cash transaction between rational buyers and sellers a few months earlier.

And then I figured, "Look, if they don't turn things around, someone's gonna buy 28 million subs at $3 billion, right?" So that's my downside protection.

So I compared Netflix to Amazon at the time – this was six years ago – which had risen 20x in the previous decade. And I compared all the similarities, both using technology and the Internet to deliver an old product in a new way, etc. – great service at a convenient low price, loyal customers, visionary CEOs, etc. But I said, "Actually, Netflix is a better business than Amazon. It has a lighter business model. They don't have to ship things to you. They don't need to build warehouses." A bigger international opportunity at the time.

So my conclusion was: I said, "I don't think it's likely that Netflix is going to be a 20-bagger." What I should have said is, "It's gonna be a 50-bagger." But I said, "Look, if there's a ten percent chance of a ten-bagger, that covers my entire purchase price today," so I said, "There's a lot of multi-bagger upside scenarios." But I said, "Look, size it at three to four percent of your portfolio. It's a risky thing."

The stock is up 50x since then. One of my biggest regrets of my investing career is that it went up 5x and I sold, missed another 10-bagger afterward.

So let me talk you through one other stock where I caught an inflection point, but here my timing was not nearly so good: SodaStream. You know they make the bottles that you carbonate soda at your home. You guys are familiar with it, right? Here's my history on it. The stock had gotten cut in half. I really like the business. It's sort of a razor and blade model business where they keep selling you the CO2 cartridges as you use them, which is a super high-margin business.

So I pitched it, again at a big conference, after the stock had been cut in half after it had fallen from $70.00 to $35.00 a share. And then seven months later, stock's at $22.00 a share, so of course I liked it more and was buying more stock. So I pitched it at an even bigger conference, the Robin Hood conference, and then, lo and behold, six – eight months later stock was at $12.00 a share. I was down by two-thirds on my investment.

This is the hardest thing for any of us. When you've gotten hammered on an investment, what do you do? In this case, I went back to the fundamentals, and I sorta re-underwrote the position.

This is quarterly CO2 refills. This is the blade part of the razorblade model, where they sell these canisters at – this is where they make all their money. CO2 refills are a very good measure of the health of this business. One, it's super profitable and, two, it tells you that people are pushing the button and carbonating their soda at home, because no one goes to refill unless they're actually using the product. So it's a very good measure of actual customer demand. You can see at the time the stock was down – way, way, down – you could see that the CO2 refills were enormously steady and strong. And that's what gave me conviction to buy a lot more.

This is what's happened over the subsequent four years. It's been like a metronome. Earnings ended up going up 5x. Stock went up 12x. This is just the past 18 months. Pepsi just agreed to buy them out a short while ago.

Key lessons when you're getting hammered on a position: I don't use stop losses, but I certainly take a good, hard, fresh look and try and figure out what mistake I made. And I've gotta be sure I haven't made a mistake to be putting more money into something that's running against me, 'cause most of the time the market's right. Doing nothing may be the best option. Maybe you've got to admit a mistake and move on, but maybe it's an opportunity to buy more.

I'm really running short on time, so I'm gonna speed up even more here, believe it or not. It's gonna happen.

So big lesson number three: one you've found a great stock, once you've found a good inflection point and you're in it, let your winners run. If you've found a great stock, let it run. Trim the position to manage position size to whatever you're comfortable with, but let that run as long as the story remains intact.

Here's Berkshire Hathaway. My friend, Chris Stavrou, bought the stock 33 years ago. He still owns these shares a 200-bagger later. My friend, Tom Russo, bought Brown-Forman, maker of Jack Daniels, 35 years ago. He's made 70 times his money; never sold a share. Those are dream examples of letting your winners run.

I owned four of the great growth stocks of all time, and I did not let my winners run. I let Berkshire run, but here are the ones I missed.

Back in October 2000, with Apple stock at $1.58 a share, I wrote the following article. I said, "Look, Cisco, Apple, and probability. Cisco's a better company, but Apple's a better stock, trading at less than 5 times cash flow for Apple." And then three weeks later, eh, the stock went up 27 percent. They reported a bad quarter, business was still struggling, I blew it out. Actually, it looked like a pretty good sale. For three years the stock was flat, and then I missed 150-bagger – 150-bagger from there.

Now look. Maybe you're not smart enough. I certainly wasn't smart enough. I don't beat myself up for somehow missing it at the bottom. But they launched the iPhone in June of '07. It was very clear it was a revolutionary product, and you could've bought any time in the two years after they launched the iPhone and still made ten times your money over the past decade. I don't view that as super hard; yet I blew it.

Take a look at the iPhone. The iPhone by itself sells $158 billion of revenue over the last 12 months. The iPhone is bigger than the entire companies' revenues of Microsoft and Facebook combined. It's one of the most successful products of all time.

And, look, the stock wasn't even expensive. You coulda bought this stock south of 20 times forward earnings, not even x-ing out cash, and there were some periods where you could've bought at south of ten times earnings and still made five or ten times your money. You could be a value guy and own this.

So Ross Stores: this is one I was very surprised when I went back and looked to see what the stock has done. Again, I pitched this back – trading at less than eight times earnings back in 2000. And then three months later they had a bad quarter. I don't know. I got fatigued after three months. And, sure enough, the earnings didn't do much. The stock has since been a 50-bagger. Ross Stores – who woulda thought – has been a 50-bagger in the last 17 years.

Here's Home Depot. I really nailed this one in terms of catching an inflection point. The stock got way ahead of itself in the Nifty 50 bubble. Stock went down by two-thirds, even though you can see operating income continued to go up. That's a dream scenario, right? It's just the stock got way ahead of itself. I rode it from $23.00 to $46.00, got out a year later. And, in fact, it was a pretty decent sale. The housing bubble really hammered earnings. The stock was flat for eight years, but I didn't catch the second inflection point up 5x since then.

Netflix, just to go back to it, went up 5x. I sold. And I didn't sell – it was still cheap on the subscriber metrics, but I just never had a stock move so fast, and it just seemed greedy to stick around. It was hard to value on traditional valuation metrics. I had anchored on my purchase price and how much it had moved from there. A couple people I knew and respected were shorting it. And so for all these extraneous reasons, I sold it and missed a 10-bagger. I was right there, had the whole story nailed, and the fundamentals were still incredibly strong. As long as the fundamentals are really playing out, you may wanna trim a position, but let that position ride.

So a good lesson here, though: the three most – the four most dangerous words in investing are "This time is different." The three most dangerous words are "I missed it." You can see in all of these case studies I've shown you, even after the stock's up 50 percent after it's doubled and all, as long as the story is still intact, you have not missed it. And as a value guy, though, I just never bought stocks after they ran up. I started looking at it, it ran up, I never – I just sorta said to myself, "I missed it." Terrible mistake. Don't fall into the "I missed it" trap.

You do have to sell, though, if the growth story falls apart. Valeant was one of the great growth stories. Earnings were up 11x. The stock was up 20x before the whole story fell apart. It was all driven by acquisitions and price hikes. Those two things went away. Had a lot of debt; stock fell by 97 percent.

So I'm gonna hit three stocks super quick. And at the end, if – I'll send you plenty more information if you're interested in any of these stocks, in addition to a copy of these slides at the link I'm gonna give you on my website.

Google, I think, is the greatest business on earth. Incredible business model, and there's still a lot of growth left, I think. There are still 4 billion adults on this earth who do not have smartphones, and Google has seven products with 1 billion monthly average users, 90 percent market share, and search. And another key area is YouTube is an incredible asset. And growth here is actually accelerating – extraordinary for a company of this size – $124 billion in revenues with accelerating growth. Right now it's about 25 percent year over year.

Margins are high and stable. Not surprisingly, therefore, profit growth has been extraordinary. And the valuation isn't even that high; it started trading at a mid-20s P/E multiple. But they got a lot of cash. They're spending a lot of money on these so-called "Other Bets" like Waymo. YouTube they are not monetizing fully. You can make some adjustments that I don't think are unreasonable and get to sort of a market multiple for the world's greatest business growing at 20-plus percent a year.

So Facebook is the world's second-greatest business. We all provide them every detail of our lives that they can then monetize. It's a little creepy, but it's enormously profitable. It's only one-third the size of Google, so I think there's more room to grow here. Google and Facebook combined, 100 percent of the incremental ad spending in the world is going to those two companies.

Even higher revenue growth, extraordinary revenue growth. Margins are double – Google's – so profit growth has been extraordinary, yet the stock's down 27 percent, so this is a little bit of an inflection point, I think, to get into Facebook. I think their biggest opportunity is just to monetize. The average US and Canadian user they sell $104.00 worth of advertising on. It's only $35.00 in Europe, $10.00 in Asia, $8.00 in the rest of the world. I think those numbers are gonna go up over time. And it's trading at all-time low valuation metrics today, 22 times next year's earnings estimates. It's actually pretty reasonable for Facebook.

So lastly, Howard Hughes is a little bit off the beaten path. I can send you four presentations on this if you're interested. It's a real estate company that owns – most of their value is in five major properties, including one that's only a few miles from here, called Summerlin. It's a master planned community with 100,000 residents that they're developing over a long period of time. If you have a chance, go drive out there. It's really pretty spectacular. They own something called The Woodlands and another master planned community, called Bridgeland, in Houston. South Street Seaport in New York: any of you go to New York, I urge you to come visit this new development, this new Pier 17 they've built. It's spectacular the dining options, the retailing, the roof deck, the concerts they have up there. This is gonna be a big profit driver for the company. And, lastly, if you're ever in Hawaii, go check out Ward Center, an incredible development there.

So the stock's been flat for four and one-half years, despite enormous progress in the business. I think we're at an earnings inflection point as South Street Seaport and Ward Centers come online.

Bitcoin is a scam. Do not get tempted in. I had to throw this in there. And cannabis stocks are in an extreme bubble as well. Do not get blown up getting sucked into these. Just had to throw that in there. I'll send you these slides. You can read why.

And lastly, there's the Web link I mentioned, if you want a copy of these slides: kaselearning.com/stansberry.html. Then you can just enter in your info, and it will automatically send you a link to this presentation, our Google-Facebook presentation, and four presentations by three – four – myself and three others on Howard Hughes over the past few years. And it'll put you on my private e-mail list as well for updates and commentary.

Sorry I ran a couple minutes over. Pretty –

Male: No problem. I thought it was an excellent presentation.

I almost got through 116 slides in 40 minutes.

Male: And Whitney just set an all-time Stansberry record for slide count.

[Laughs] Thank you.

[End of Audio]