Whitney Tilson

The Future of Education Is Digital

Whitney's current view on the market is that we are not at a market extreme. He highlights how their last market call was in March 2020 to the hour of the market bottom.

At the time, they wrote: "This is the best time to buy stocks since the financial crisis."

Turn on the TV and there are a lot of things to be worried about, like political polarization, inflation, supply chain disruptions.

Whitney thinks now it's not a time to get worried. Maybe in six to twelve months they will start to get defensive, but not now.

The mother of all economic booms is going on and helps corporate profits. Interest rates are low. Monetary support is strong. This should all help drive the market.

The biggest mistake Whitmey made in his 20 years as a hedge-fund manager was getting defensive even when times were sunny. So his portfolio was defensive most of the time.

The most sensible way to invest is to realize the market is in a bull market 80% of the time.

Moving on, Whitney recommended to buy Wells Fargo last year during the virtual conference. The stock is up 107% since then. S&P 500 up 33% over the same time. WFC is still a recommendation today.

He also said buy Twitter last year. TWTR is up 32% since then, basically matching the market. He believes TWTR has a lot of room to run.

Now onto today's recommendation…

The education system is broken. The price of college in the U.S. is roughly double that of other developed countries. We get a bang for our buck in the top 100 colleges. But those are really the few elite. But for the 99% of students going to college, it's a different story.

2/3 of college students are graduating with debt today. Average debt level is $38,000. Whitney has three companies to fight this crisis.

1) Amazon (AMZN) crushed Barnes and Noble which was the bookseller before AMZN. But Barnes and Noble Education (BNED) was spun off.

It sells college textbooks. This started to become a broken business model. Now, they have switched to digital textbooks. They no longer directly charge students. They make deals with the colleges to treat it as a class material.

Now, 90% of students are participating, and it's less expensive for students. Margins are double what they were under the old business. This fall, they now serve 24 schools and 300,000 students. They think 6 million students will use this eventually.

It also has the Online Learning segment that's subscription based for online tutoring. Bartle Bee is the "call option" for this education play.

It’s cheap at 7 times EBITDA. Buy BNED up to $15 per share.

Coursera (NYSE: COUR) is his next pick. It creates online courses for colleges and companies. It serves 150 colleges.

Essentially, they are using the Internet to disrupt how we access higher education. It just hit $100 million in revenue for the first time.

Whether you get a Harvard degree or USC degree, Coursera provides online platform for courses. And it collects the fee for it.

The enterprise segment, which has a digital jobs platform for businesses, grew 69% in the last quarter. 150 million digital jobs will be created in the next five years.

Buy Coursera up to $50 a share. Could double in a couple years and a long-term play.

CHEGG (NYSE: CHGG)… Started as a textbook rental company 16 years ago. Now, CHGG focuses on subscription-based problem solve sets. It’s chegg services focuses on the digital learning and problem solving. Tons of room to grow. Netflix-like business model.

Subscriber count is growing rapidly. They have beaten analyst earnings estimates for 20 quarters in a row.

Buy CHGG up to $100 a share. Whitney sees 72% upside from here at current numbers.

Whitney also wrote a book *The Art of Playing Defense: Hot to Get Ahead by not Falling Behind*