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Thoughts on growth

I find the investors typically heavily underestimate multiple contractions + expansions in their theses. If your thesis is that the narrative will actually change as new better/worse results come in, multiples will move to incorporate higher growth or whatever

I'm sure it's a conservatism thing, but I'm also sure that deserved multiple expansion is one of the most important things to look for. See - hello fresh, sea Ltd. Both had radical reevaluations of their businesses.

I'm also of the opinion that the reason these companies go up so quickly is because now, the market is much better at incorporating information and narratives are shifting so quickly. Hello fresh went from a dogshit meal box Co. To a grocery delivery/logistics leader

On hello fresh - from less than 1x sales to 3x sales as they proved margin and profitability and their thesis was proved in 2 years - from 10 euro to 70 euro.

Being the first, or catching it quickly enough is the key to world beating returns now. In addition, I think this is why momentum has worked so well - the change in perception of business quality has been so quick, but not quick enough for a lot of cos, especially wrt risk free

Rate comparisons. The best software companies will have an end state that looks like verisign. 30x EBITDA growing 5% a year. If you can catch a fantastic company at 100x EBITDA growing 50% a year slowing to 5% in 7 years, you make a lot of money.

And so if you catch sea at 30x EBITDA, but sea really deserves to be at 100x EBITDA during the reevaluation, then momentum works juuuust fine.

I've also noticed a trend of smaller companies breaking out under this framework - $clpt, $apps(someone I know is up an unbelievable amount on $apps), $oprx, as the market realizes "wait these aren't small cap shit cos, there are amazing businesses underneath"

And the multiples go from small cap shit Co to software/great biotech - driving huge returns.

So - anyone want to send some great small caps or hello fresh/sea Ltd like companies over?

@fahdananta brought $clpt to my attention - anyone else have ideas?