

Twitter Thread by Ram Bhupatiraju



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I guess there's a reason for why I ♥ E-commerce so much. These lessons are as important as the returns.

Sharing with few Fintwit friends. @saxena_puru @FromValue @dhaval_kotecha @richard_chu97 @adventuresinfi @BahamaBen9 @TMFJMo @7Innovator @borrowed_ideas @investing_city

E-Commerce	Ticker	Initial & updated Thesis	Purchased	Cost basis	Current Price	Return %	What I did wrong before buying or after initial purchase	Lessons	Plan of action
	MELI	Dominant E-Commerce Company in Latin America, with a long/wide runway for internet/Ecommerce penetration. Payments and Logistics further strengthen their moat.	May 2014	\$84	\$1,588.00	1790.48%	1) Kept this Company high up in the Watchlist from 2009-2014. 2) Always knew this Company would only get bigger (except for the remote chance that Amazon might actually outcompete it in Latin America)	1) If a Company was analyzed and high up in your watchlist for yrs & yrs, while it went up 10 fold, what have you been waiting for? 2) If the Company had a wide open field in a huge growth area & executing great, you should be adding more & often.	Strong Hold
	AMZN	Earth's most dominant Company (in my opinion). E-Commerce, AWS, Logistics and lots of other optionality.	Jan 2016 Oct 2018 Dec 2018	\$582 \$1,515 \$1,375	\$3,299.00 \$3,299.00 \$3,299.00	466.84% 117.76% 139.93%	Insisting on Profitability (in pre-AWS Financials breakout era) as I believed pure E-Commerce was a pretty low margin Business.	If a dominant/high growth Company is not profitable on GAAP basis, look at operating Cash flow. Study where the investments are going and if they are resulting in laying a strong foundation for moat, future growth/profitability.	Strong Hold
	BABA	Another dominant Company with E-Commerce, Cloud, Payments and tons of Business lines.	Oct 2018	\$139	\$228.24	64.20%	Main Thesis didn't change much from their IPO in 2014 until buying in 2018, but under-estimated their growth & didn't read up much on their other business lines.	Study the extremely innovative & strong co's with lot of Business lines (AMZN, BABA, TCEHY...). You can learn a lot more about other hyper growth areas & powerful strategies.	Strong Hold
	SHOP	Extremely customer focused company in a trend with long runway for growth. Love Tobi and the Mgmt.	Dec 2018	\$127	\$1,222.69	862.75%	3Q-2016 : At ~\$35-\$40. Did 90% of the research, extremely liked what I saw, but kept hoping for price in \$20s (like Feb 2016)	If you find a small, high growth company with a visionary, playing in a wide open field, buy a little and follow along. Add more as they are innovating & executing.	Strong Hold
	ETSY	There's place for winners other than Amazon in E-Commerce if they can define/maintain their niche. COVID certainly lowered there CAC. User growth & Financial growth in last few Qtrs is very impressive.	Sep 2019 Dec 2019 Oct 2020 March 2021	\$50 \$41 \$121 \$215	\$215.39 \$215.39 \$215.39 \$215.39	330.78% 425.34% 78.01% 0.18%	Not much. It wasn't until 2018 that I was actually interested in ETSY and gained confidence that Amazon wouldn't kill them.	Once you gain confidence (and information) that cleared your prior/main doubts, take a small position and add along the way.	Strong Hold
	W	Created a valuable mindshare & Logistics network for Home Furnishings category. COVID related Retail shutdowns & bankruptcies works in their favor.	March 2020 March 2020	\$41 \$23	\$332.22 \$332.22	720.30% 1338.18%	Not much. It wasn't until 2019 that I gained confidence that Wayfair isn't just lighting money on fire, and that they are actually gaining long-term mindshare and marketshare.	If you're not completely satisfied with the Quality vs Price equation, and then the conditions change (Business acceleration vs huge Macro related price drop), let go of your prior conclusions and take action based on the current Risk/Reward opportunity.	Hold
	SE	Extremely impressive execution & growth in the last few years. Business lines in 3 monster growth areas along with newer growth categories. Will need to keep an eye on the cash cow Garena & regional E-Commerce competitors.	Dec 2020 March 2021	\$180 \$203	\$253.11 \$253.11	40.62% 24.68%	4Q-2018 : Kept hearing good things, but dismissed them as hype. March 2020 : Finished a good amount of thesis, but the COVID crash only dropped the stock from \$53 to \$35. Kept hoping for a bigger drop (like other stocks) before buying.	It's OK that I missed it during the COVID crash (since I bought a lot of other attractive stocks during that time), but it was a mistake not buying them from May until Dec 2020, as Market stabilized and I clearly saw how well they were executing and getting stronger. Base your decisions based on current info/opportunity, not obsess over past missed prices.	Strong Hold
	CHWY	Increased pet adoption along with Millennial/GenZ shopping habits, combined with the sticky/recurring nature of this Business (along with pet medicine & telemedicine optionality) makes it very attractive.	March 2021	\$76	\$81.82	7.66%	High up in the watchlist in 2Q/3Q-2020, and came extremely close to buying around \$38 after seeing their growth & recurring revenue.	If the bulk of your thesis is complete, and if you're confident the current price offers an attractive return (based on recent results, quality, growth, market env...), take a starter position.	Hold

Thank god I didn't wait for consistent GAAP profitability before investing in them (like I do for most other sectors). ■

Positions : \$MELI \$AMZN \$BABA \$SHOP \$ETSY \$W \$SE \$CHWY

Watchlist : \$JD \$PDD \$FTCH \$MWK

Haven't analyzed much : \$JMIA \$OZON

E-Commerce is one of those sectors where you have to understand the Business model and lot of non-GAAP (but Business driving) metrics & KPIs.

I'm not an expert by any means, but these are some of the things I broadly think about.

✓■ Is the Company a Marketplace (1st party, 3rd party, both?) or a Platform, a combination?

✓■ Does it handle inventory?

✓■ Does it handle payments in house?

✓■ What other services is it offering to Merchants (Logistics, Shipping, Credit, Marketing ...)

✓■ What other services is it offering to Buyers (Digital Wallet, fast shipping, loyalty rewards....)

✓■ How is the Company leveraging the Marketplace or Data Network effects?

✓■ How is it funding the expansion and growth?

-Operating Cash Flow?

-Shareholder dilution?

-Debt increase?

Are any of those actions making them vulnerable to unfavorable Market conditions?

✓■ Who are this Company's main competitors in the countries/categories they operate? Why is this Company winning over them? Difference in strategy/execution? How sustainable is it?

Some KPIs to look at for E-Commerce Co's before diving into Financial stmts.

✓■ Num of Users & growth trajectory

✓■ How is it acquiring those Customers? (Direct Marketing, partnerships, social/viral....)

✓■ Num of Subscription or repeat Users?

✓■ Retention & Cohort trends

✓■ What is it doing to retain, engage & monetize Users?

✓■ What are the core/strongest categories? Where is it expanding & seeing success?

✓■ Is it expanding into new geographies? Opportunities vs Challenges. Look for actual data instead of guesses about it's success/failure.

✓■ Total Items sold?

✓■ Items per User? Items per Basket?

✓■ Gross Merchandise value

✓■ Take Rate levels and trends?

✓■ Take rate too low? Is the Company providing enough value for the transaction?

✓■ Take rate too high? Is the Company creating an opportunity for Competitors? Is it detracting existing/new Customers?

What else would you add?

Coming back to the overall lessons learnt from these E-commerce positions..

Investing is not a set of isolated actions & results. What you learned in a position can be applied elsewhere while making your overall process & returns better.

Three quick examples below.

1) \$AMZN taught me the power of investing in long-term moat enhancing things can be much more important than aiming for short term business profitability.

The opportunity to invest and capability to execute should be there. The Company needs to produce the results to gain your trust of course.

I used the same playbook when analyzing, investing in and monitoring \$SHOP \$W

2) When I sold \$NFLX too early for a modest 80% gain in 2017, while missing on a subsequent 500% gain, all the while not having a good reason to sell or having a better opportunity to invest...

it taught me to hold on to your winners while they have a wide open field in which they are executing beautifully despite short term over/under valuation.

I used that lesson to stay in \$MELI for a 1800% gain while not getting tempted by 200%, 500% or even a 1000% gain to sell.

3) My earlier failures in few consumer/fashion related stocks taught me that an objective analysis of current facts should always win over whatever your prior beliefs/position/thesis were.

On the flip side, if new information proves that...

...a Company is much stronger/better than you previously thought (while still offering an attractive return potential), you should buy it.

This led me to take a position in #ETSY back in 2019 when it was already clear that \$AMZN can't just bury it.

OK I guess that's enough for today. Hope you all found some of this useful.

All the best with your E-commerce positions. This trend still has long ways to go....■

/END