Twitter Thread by Brian Feroldi (■,■)

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@BrianFeroldi

I asked, “What's the biggest valuation mistake you've ever made?”

I recieved 135 replies

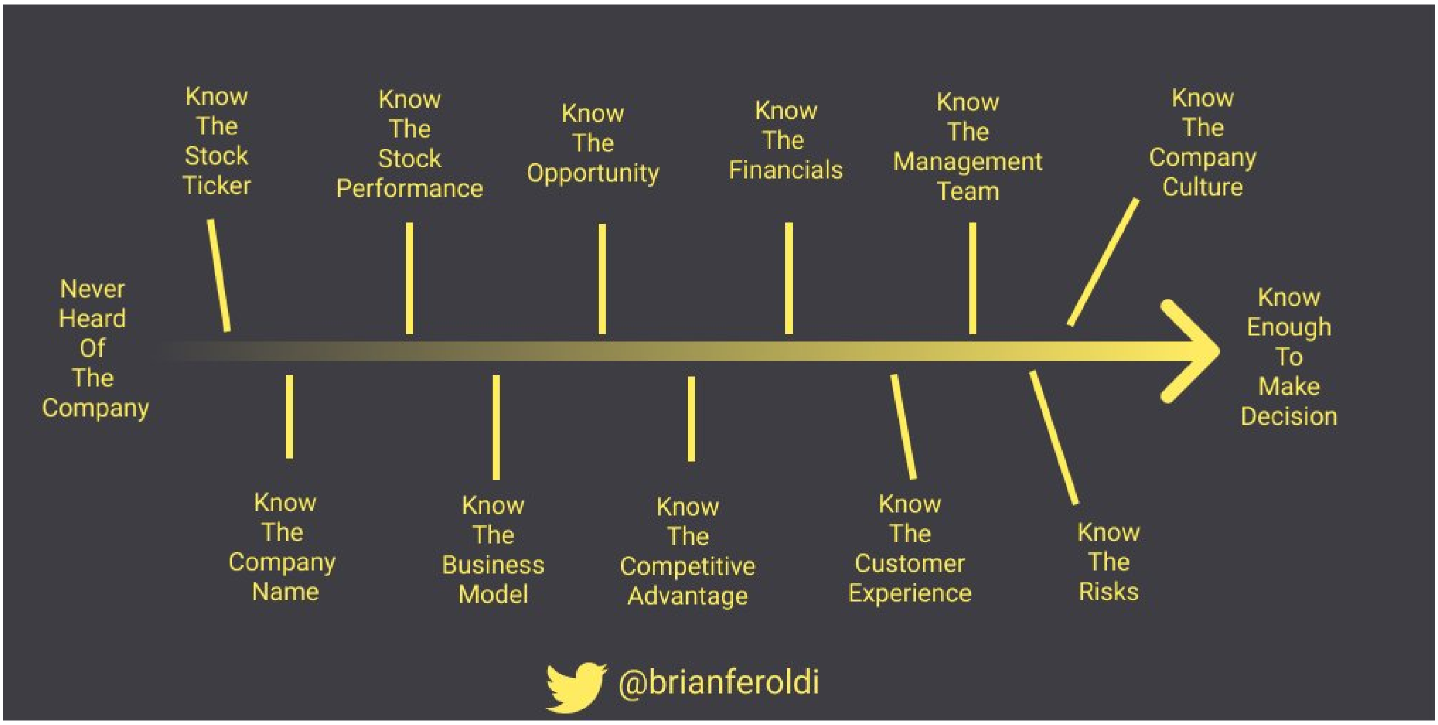
Here are the 6 biggest valuation blunders to avoid:

1: Overemphasizing growth

No surprise to see this one at the top of the list

Many investors (including me) focus too heavily on top-line growth

Growth is important, but ONLY when combined with other factors like business model, financials, management, & moat

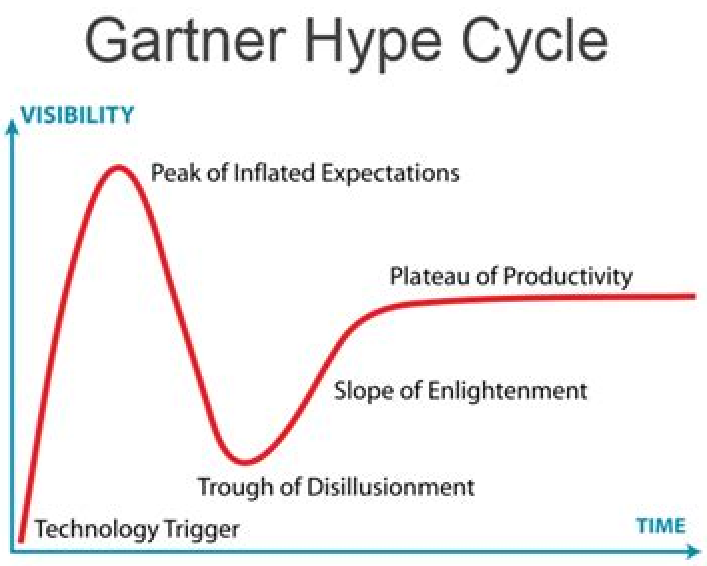


2: Not understanding the “hype cycle”

AI. Metaverse. 3D Printing. Cannabis. Fintech. IoT. Plant-based meat.

There are dozens of promising markets on the horizon

If you choose to invest in them, you should study this picture intensely

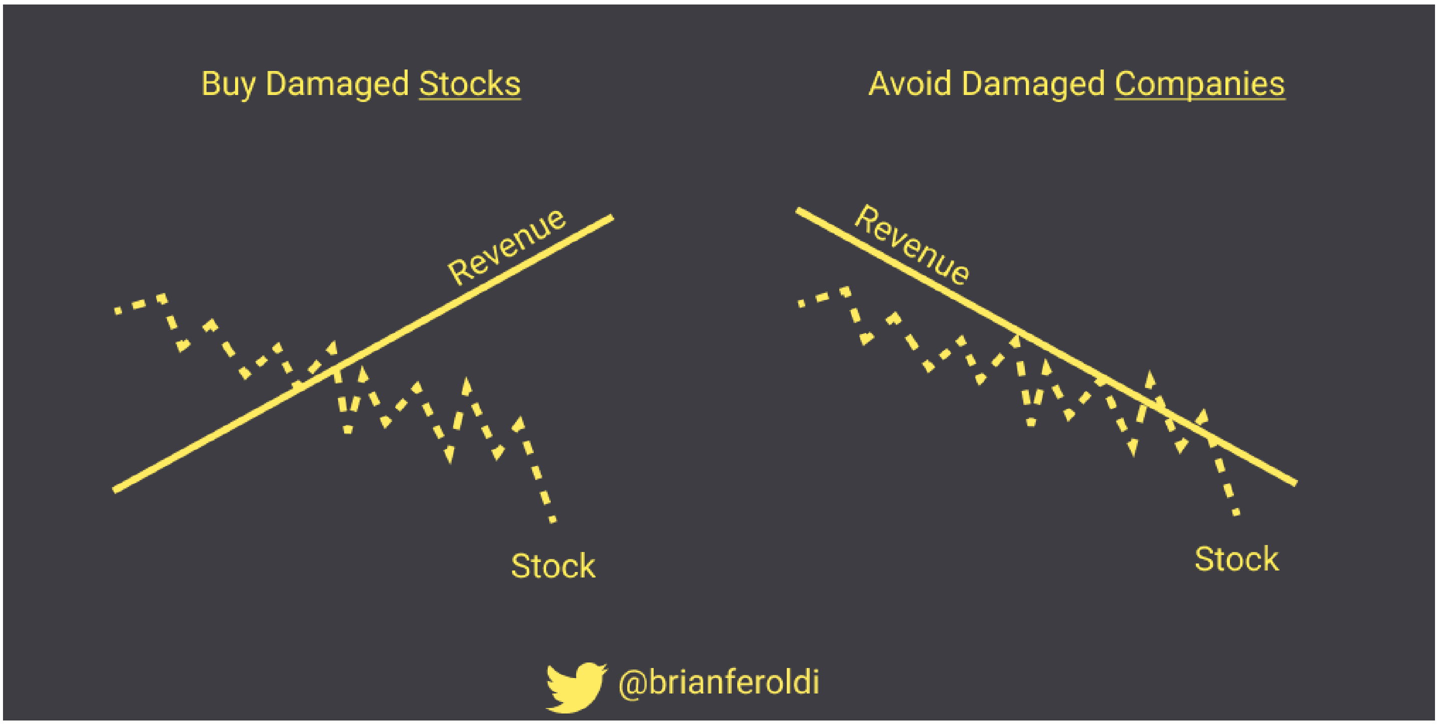


3: Buying bad companies because they are “cheap”

Just because a company has:
■■A low P/E ratio
■■A high dividend yield
■■Fallen sharply from its 52-week high

Doesn’t mean it's "cheap"!

A "cheap" valuation won't save you if the business is crumbling

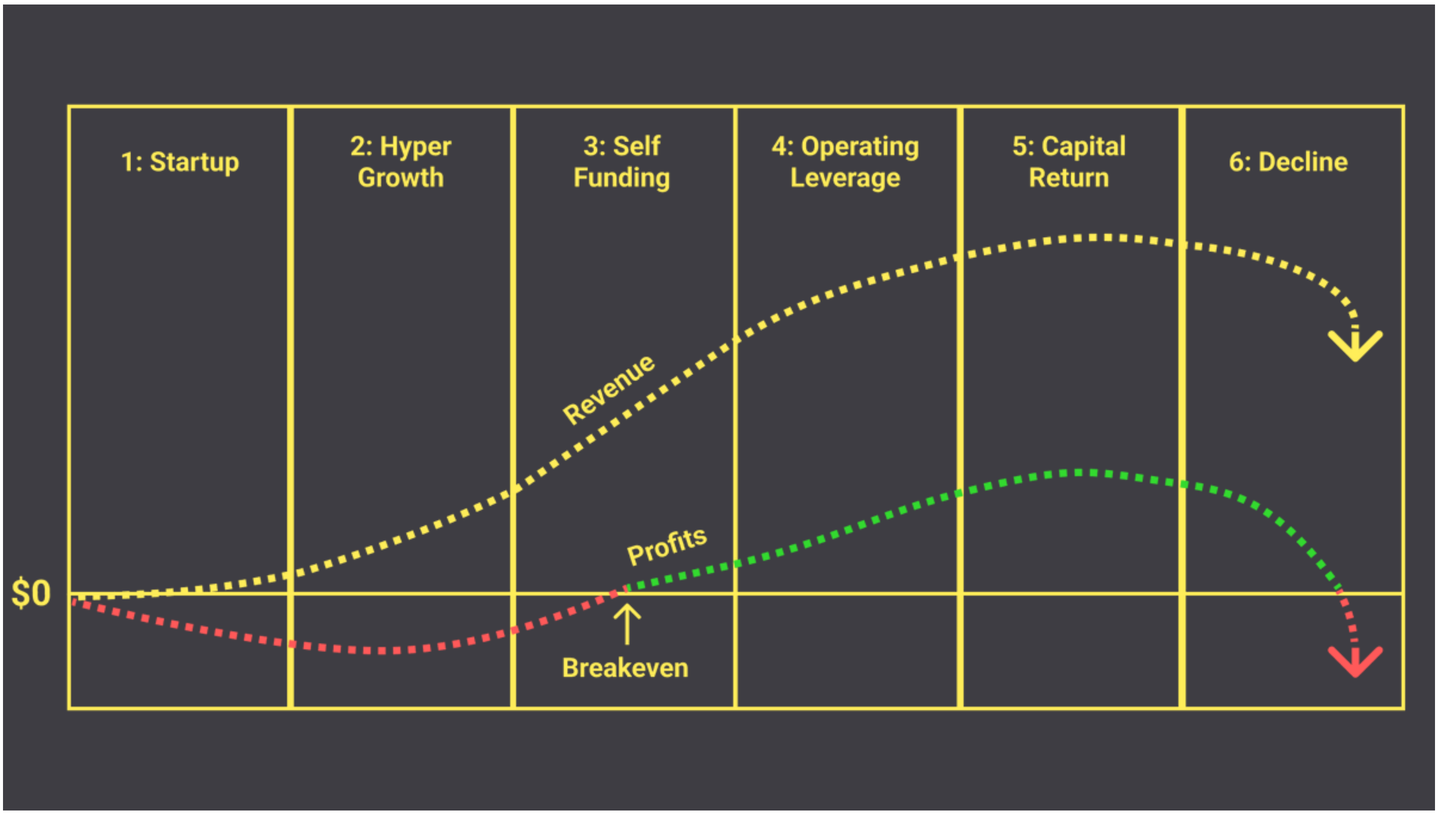


4: Not buying because of a “high” P/E ratio

I’ve made this mistake many times

Companies in phases 3 & 4 are not optimized for earnings, so the P/E can look “expensive”

You must consider where a company is in the business growth cycle before you judge the valuation

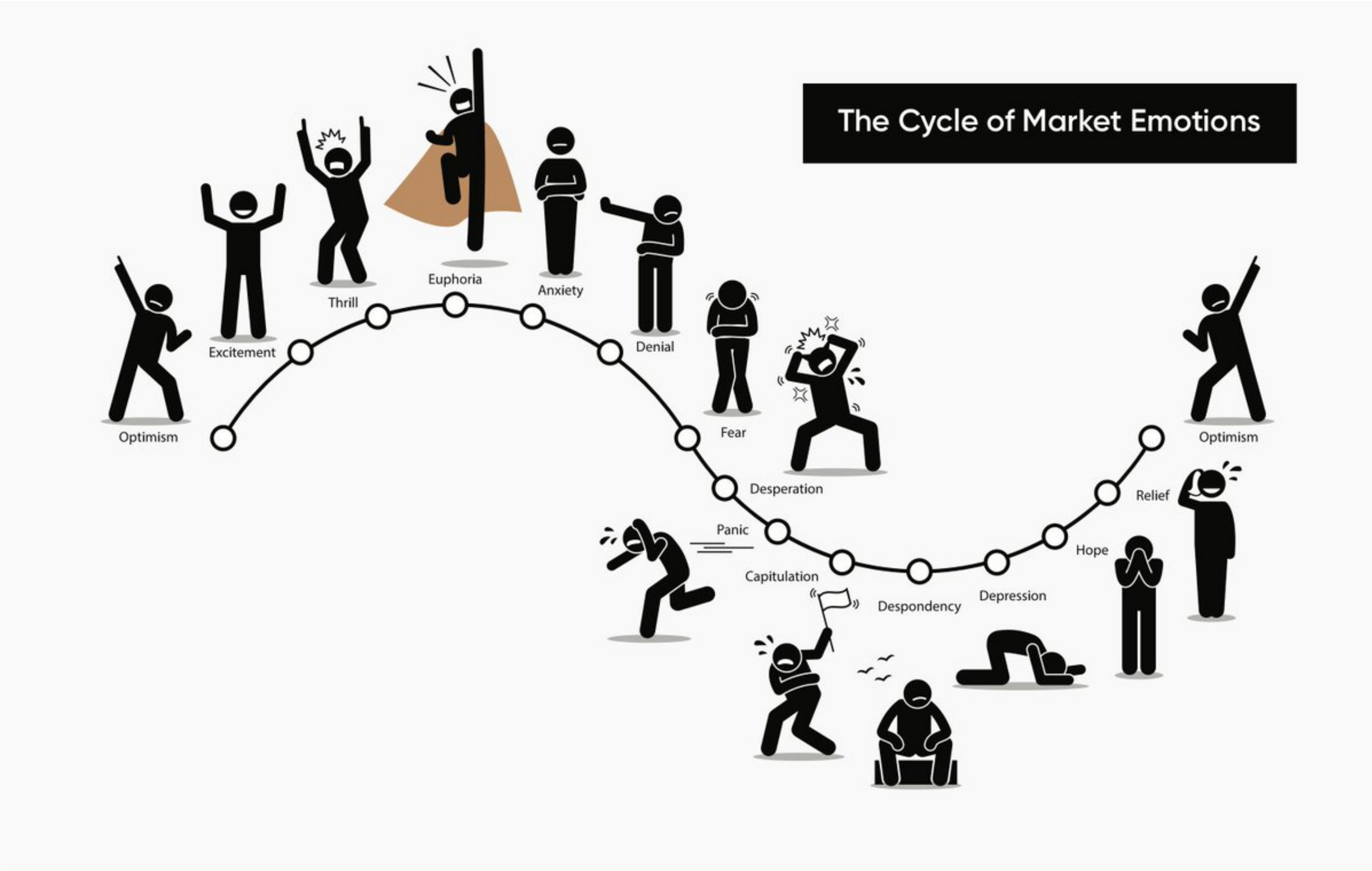


5: Overvaluing other people’s opinions

Every investor has their own unique biases, emotions, risk tolerance, & timeline

Be skeptical of other people's opinions, predictions, & price targets

Study the cycle of market emotions. Do your own research & draw your own conclusions.



Valuation can be incredibly confusing

Want to level up your skills?

I’m hosting a free webinar today at 12:00 PM EST today.

Topics:
■■Why stocks have value
■■The 6 methods for valuing a business

Interested? Register here for free. https://t.co/qVXFlwZNTn

6: Selling a mega-winner early

It’s tempting to sell a winner to “lock in profits”

But the most costly valuation mistake is to sell the next $AAPL, $NFLX, or $TSLA early

Focus on the business, not the stock
(easy to say, hard to do)