Twitter Thread by philippe laffont

philippe laffont
@plaffont

I'd like to share a story about the benefits of investing in the private and public markets and how the private market mindset can help public equity investors.

2/A few years ago we invested in a private company called Meituan (3690 HK). Meituan is like doordash or Uber eats and we thought in China, with over 100 cities >1m pop, this would be a huge market. The other competitor was owned by Alibaba.

3/The company went public less than two years later at 70. We were ecstatic! Then the stock rapidly plunged to 40 based on renewed fears of competition with https://t.co/oVbw4yOOYV (Alibaba)

4/At the time we were locked up so there was nothing we could do. Today the stock is at almost 300 and $250B market cap. I fear what we might have done if not subjected to the lock up!

5/What's the learning? In the private markets, the focus -FIRST- is TAM (size of market), then second everything else. And the stock price is static unless there is a new round. So you have time to develop your thesis.

6/In the public markets, lots of things can affect the stock price over the short run, and one can make mistakes by overestimating data about temporary problems.

7/Patience, and confidence in the 7-10 year story (how many orders per day can Meituan generate if every urban household orders 2 meals per week...) will drive the stock so much higher than one can process during painful stock fluctuations!

8/Private investing is about imagining the future as there is less data to analyze than as a public company, and that foresight usually compounds the variant perception with time.

9/ Conc: Imagination is the skill. Uncertainty is the opportunity. Data is important but so is the story. Patience is way underrated.

10/Question: How many daily orders will Meituan generate in 7-10 years? (today it's already >30m/day)