Twitter Thread by Kostas ■■■ ■ ■



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Companies to AVOID

/THREAD/

Some tips by Peter Lynch, one of the most successful investors of all time, on which companies to avoid investing in



1. Hottest stock in the hottest industry, with nothing but hope and thin air to support them (MJ stocks in 2017, internet stocks in 2000, electric vehicles in 2020)

Deteriorating balance sheet.

When analysts predict double-digit growth forever, the industry goes into decline.

2. Product/service, not protected by patent or niche, easy to be replicated by competitors, especially in a high-growth industry.

3. The "Next Something"

Everyone wants the next $TSLA, $AMZN, $GOOG

Most likely you won't find a company to replicate their business with that success.

4. Diversification = companies wasting capital on foolish acquisitions, in new sectors they do not understand, and in companies that are overvalued.

The only benefit for investors is when they own shares in the acquired company or when finding opportunities in turnaround companies after restructuring.

5. The whisper stock with very imaginative and nearly impossible ideas, which are very complicated (gene editing, biotech, space travel).

IPOs with new risky enterprises with no track record.

6. Middleman companies that rely heavily on supplying to one company.

$FSLY dropped like a brick when Tic Tok, their biggest client by far, was banned from the US.

7. Exciting name in mediocre company that sounds fancy and attracts investors, giving a false sense of security (micro..., electric ..., digital....)

/END/

Do you agree with Peter Lynch?

Would you invest in any of these types of companies?

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> — Kostas \U0001f468\u200d\U0001f4bc \U0001f4c8 \U0001f4b8 (@itsKostasWithK) January 20, 2021

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1/ Financial Freedomhttps://t.co/8j5KG5ioFK

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