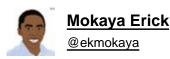
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# Twitter Thread by Mokaya Erick





## Fresh out of the <u>@mjmauboussin</u> oven is a paper titled "The Impact of Intangibles on Base Rates"

Key finding: Companies with higher intangibles asset intensity tend to have higher growth rates. The dispersion in growth rates is also higher for them.

### Link: https://t.co/0u1dk0h0UK

We calculated the median sales growth rate for companies in each of those categories using the constituents of the Russell 3000 from 1984-2020. We also examined the standard deviation, a measure of the dispersion, of the distributions. Exhibit 1 shows the results for the full sample.

#### Median CAGR Mean CAGR **Standard Deviation** 1-yr 10-yr 1-yr 10-yr 1-yr 10-yr Industry 3-yr 5-yr 3-yr 5-yr 3-yr 5-yr Healthcare 11.5% 10.8% 10.4% 9.3% 52.6% 16.8% 12.6% 9.3% 406.3% 45.9% 30.6% 22.5% Technology 9.7% 7.9% 7.2% 15.4% 10.6% 9.0% 49.0% 16.5% 13.0% 8.4% 7.3% 21.9% AII 7.4% 6.9% 6.5% 6.2% 16.6% 9.5% 8.0% 6.7% 177.3% 23.2% 16.4% 12.0% Consumer 6.9% 6.4% 6.0% 5.9% 13.5% 8.9% 7.7% 6.6% 164.7% 18.8% 13.9% 9.5% 5.4% 5.1% 5.0% 5.5% 9.3% 6.8% 6.1% 6.0% 50.4% 17.5% 13.1% 9.4% Manufacturing Other 7.6% 7.3% 6.9% 6.3% 16.2% 9.6% 8.1% 6.6% 194.5% 22.5% 15.8% 12.2%

#### Exhibit 1: Base Rates for Sales Growth by Industry, 1984-2020

Source: FactSet.

Note: Constituents of the Russell 3000 Index as of year-end; growth rates are based on nominal sales; CAGR=compound annual growth rate.

"The good news is that intangible-intensive companies can grow faster than their tangible counterparts. The bad news is they can also become irrelevant and shrink fast. As a consequence, we should see two effects in the data: higher growth and more dispersion in the outcomes."