Twitter Thread by Kelvin Seetoh



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As investors, we need to qualify the companies in our portfolio.

If they don't meet our cut, we don't invest in them.

Apart from the eventual/current profitability and strong balance sheet, growth is my top requirement.

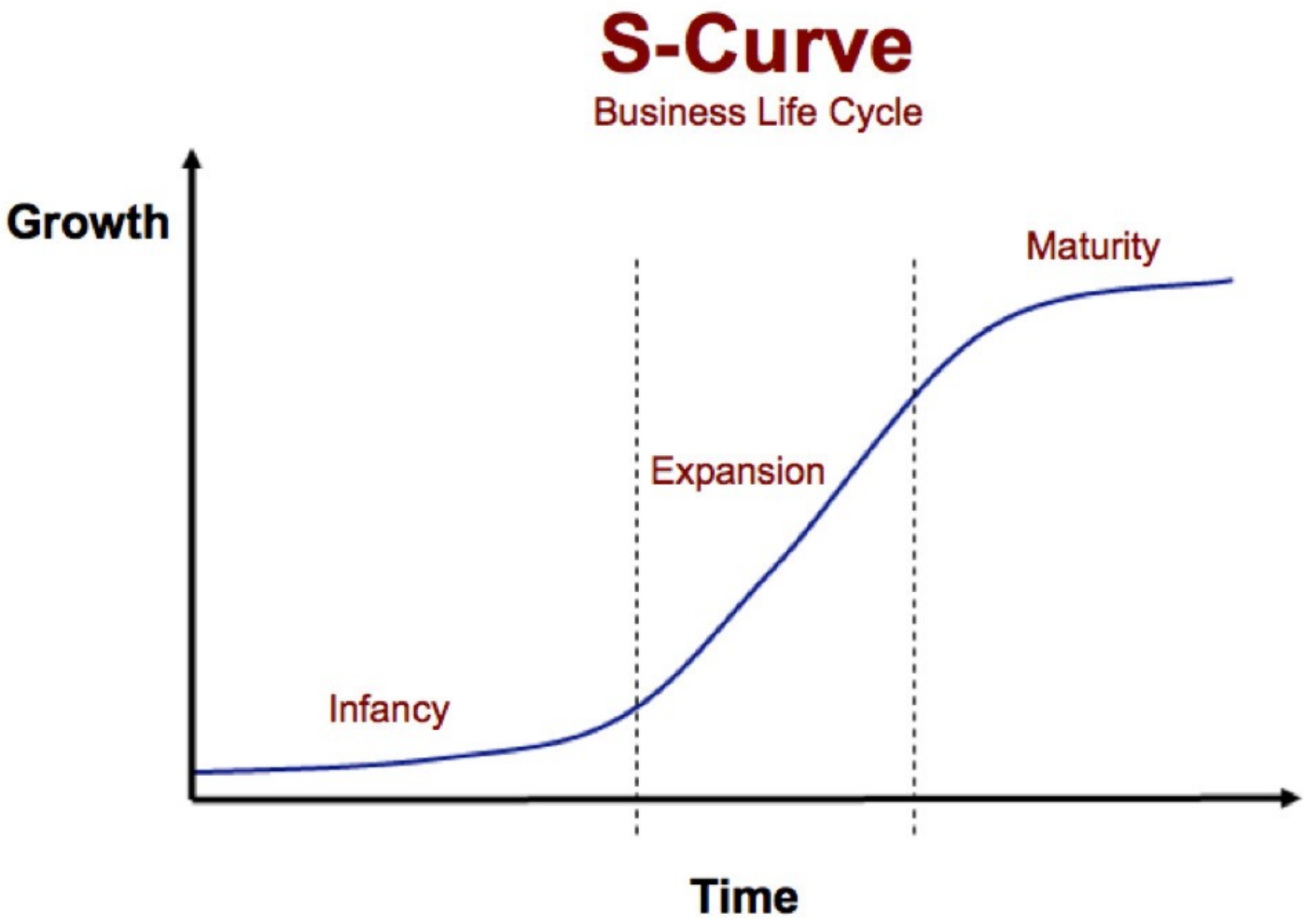
Here's why:

1/ If a business does not grow, its share price will not grow.

In a corporate lifecycle, a company experiences most growth during its expansion phase. That's where most returns are being created.

This is why high growth companies deliver huge returns.

source: Ravi Kumar



2/ The compounding of growth rates is often underestimated.

It can do wonders for your company.

Growing at 30% turns $1 to $13.79 by Y10.

Growing at 10% turns $1 to $2.59 by Y10.

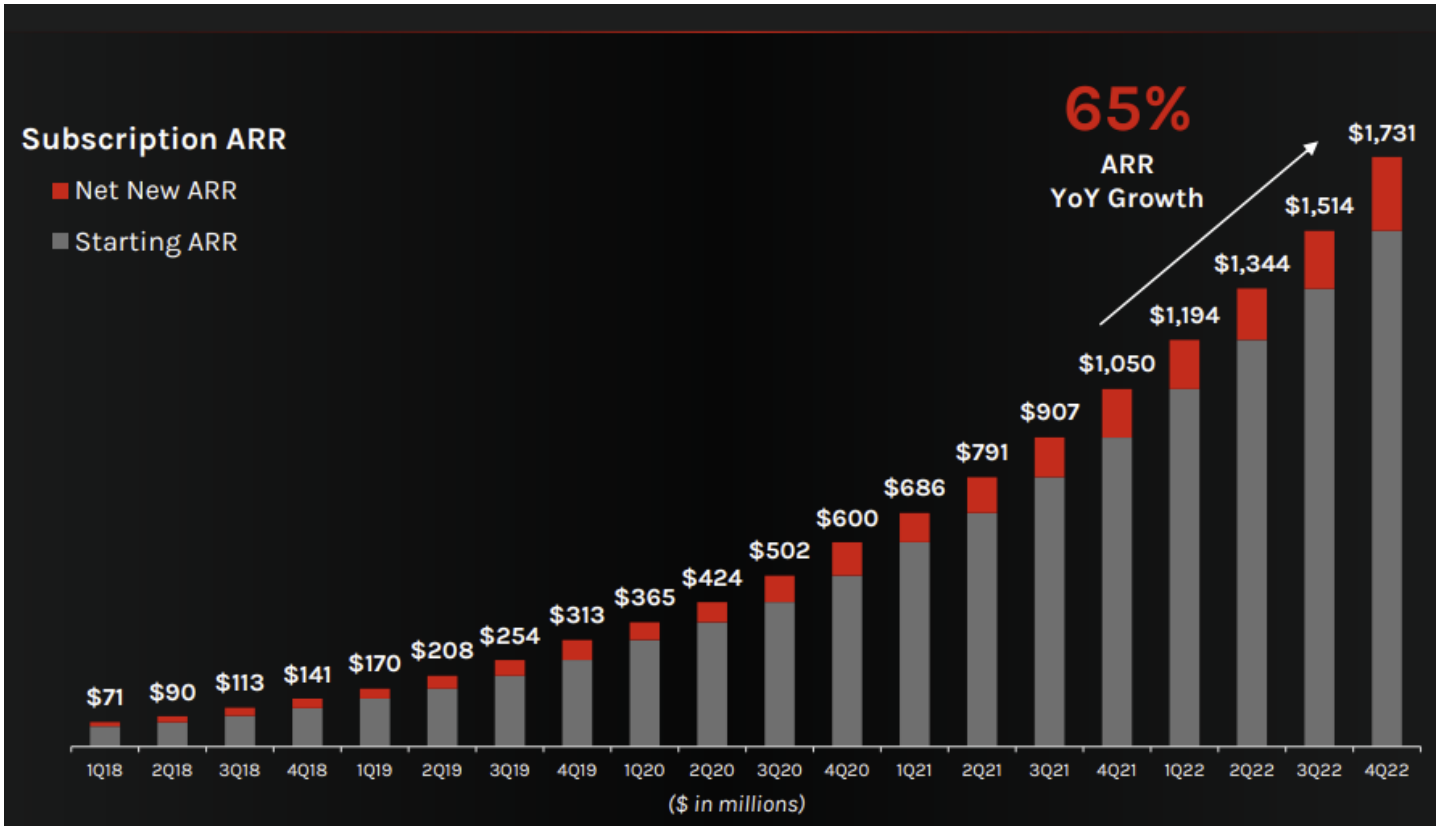
The share price returns a company can generate based on this is significant.

Annual Growth	30%	20%	10%
Year 0	$ 1.00	$ 1.00	$ 1.00
Year 1	$ 1.30	$ 1.20	$ 1.10
Year 2	$ 1.69	$ 1.44	$ 1.21
Year 3	$ 2.20	$ 1.73	$ 1.33
Year 4	$ 2.86	$ 2.07	$ 1.46
Year 5	$ 3.71	$ 2.49	$ 1.61
Year 6	$ 4.83	$ 2.99	$ 1.77
Year 7	$ 6.27	$ 3.58	$ 1.95
Year 8	$ 8.16	$ 4.30	$ 2.14
Year 9	$ 10.60	$ 5.16	$ 2.36
Year 10	$ 13.79	$ 6.19	$ 2.59
Growth	1279%	519%	159%

3/ Here's an example: Crowdstrike $CRWD

It grew its ARR from $71 million in 1Q 2018 to $1,731 million in 4Q 2022.

The magic of compounding.

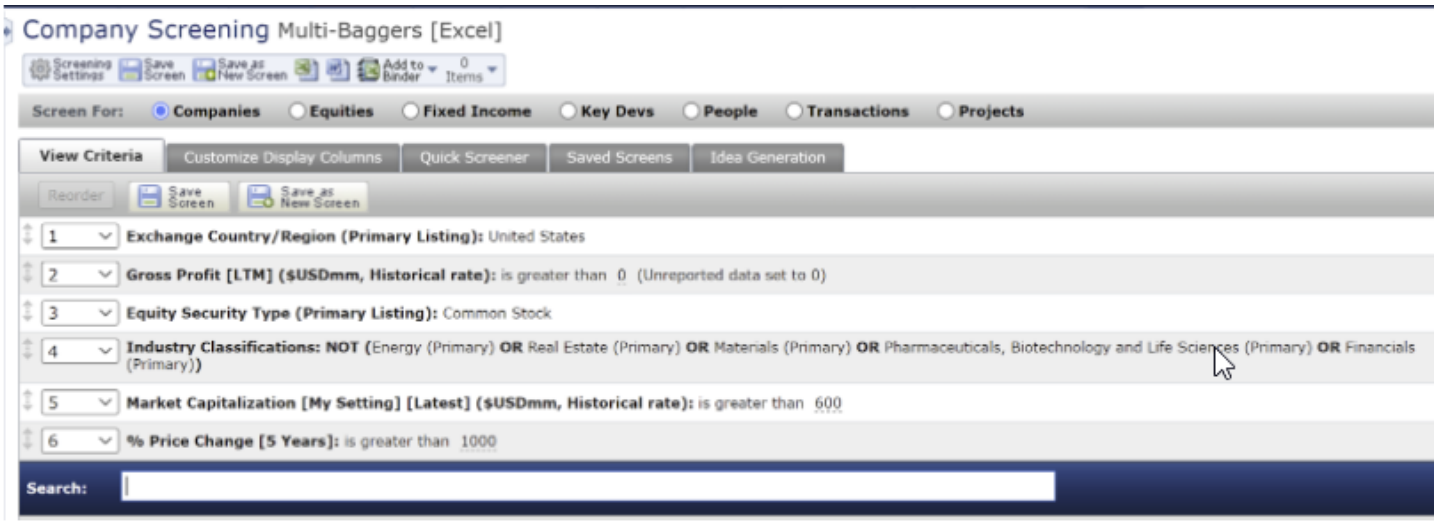


4/ Simple Back Test

I used my Capital IQ to find out what are the stocks that delivered more than 10x returns in the past 5 years and have at least a market cap of $600m USD.

There are 13 companies.

$APPS $XPEL $TSLA



Capital IQ Company Screening Report > Multi-Baggers [Excel]

Company Name	Primary Sector	Primary Industry	Market Capitalization ($USDmm, Historical rate)	Total Revenues, 2 Yr CAGR % [LTM] (%)	EBIT, 2 Yr CAGR % [LTM] (%)
XPEL, Inc. (NasdaqCM:XF	Consumer Discretionary	Auto Parts and Equipment	1,603.7	41.3	53.2
Tesla, Inc. (NasdaqGS:TS	Consumer Discretionary	Automobile Manufacturers	1,136,414.0	48.0	803.0
Crocs, Inc. (NasdaqGS:CF	Consumer Discretionary	Footwear	5,103.4	37.1	130.5
Etsy, Inc. (NasdaqGS:ETS	Consumer Discretionary	Internet and Direct Marketing Retail	18,155.5	68.7	132.8
Celsius Holdings, Inc. (Nas	Consumer Staples	Soft Drinks	4,484.1	104.5	-
Cryoport, Inc. (NasdaqCM	Health Care	Health Care Equipment	1,774.1	156.1	-
OptimizeRx Corporation (N	Health Care	Health Care Technology	731.8	57.9	-
RADA Electronic Industrie:	Industrials	Aerospace and Defense	703.0	62.6	-
Ameresco, Inc. (NYSE:AM	Industrials	Construction and Engineering	4,314.3	18.4	37.3
Digital Turbine, Inc. (Nasd	Information Technology	Application Software	4,554.3	180.2	188.4
The Trade Desk, Inc. (Nas	Information Technology	Application Software	35,552.8	34.5	5.48
Enphase Energy, Inc. (Nas	Information Technology	Semiconductor Equipment	27,103.2	48.8	44.8
SolarEdge Technologies, I	Information Technology	Semiconductor Equipment	17,886.0	17.4	(2.79)
	Consumer Discretionary	4			
	Consumer Staples	1			
	Health Care	2			
	Industrials	2			
	Information Technology	4			

4/ Simple Back Test (continued)

Apart from Ameresco and SolarEdge, others exhibited huge revenue growth.

This tells us future growth is an important ingredient for long term success.

This is echoed by Stanley Drunkmiller too.

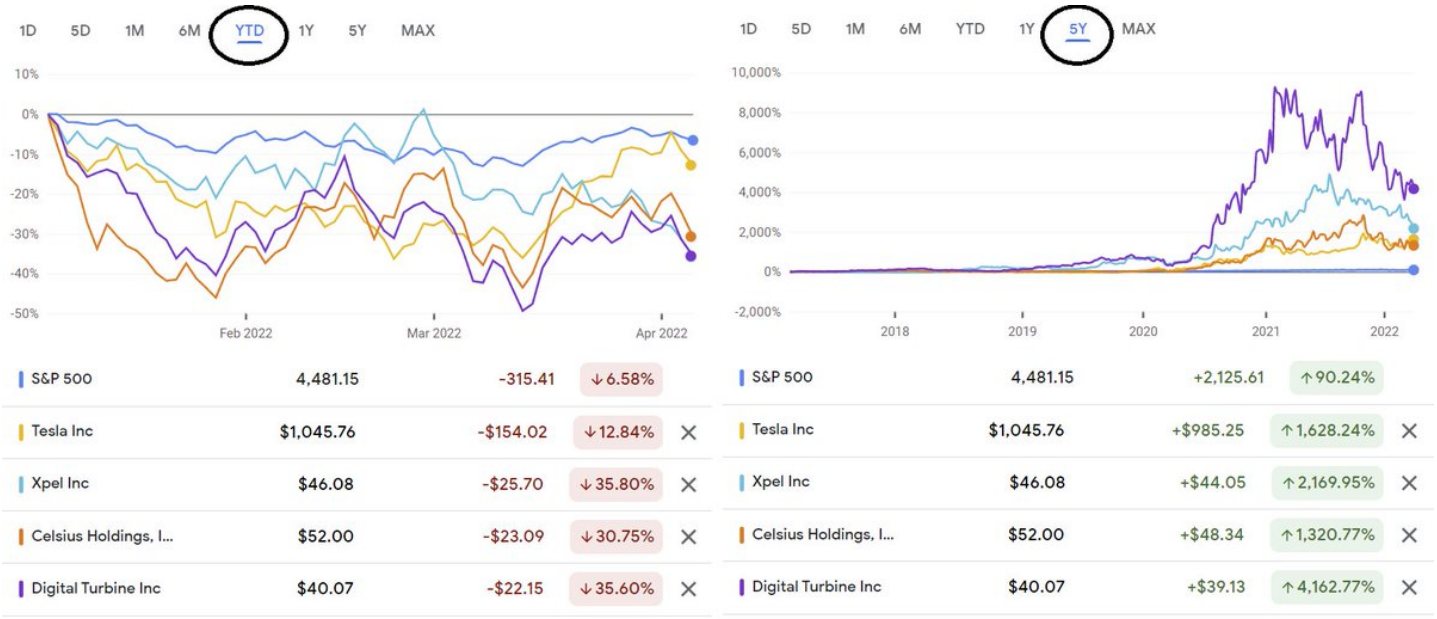
"He taught me that you have to visualize the situation 18 months from now, and whatever that is, that's where the price will be, not where it is today," Druckenmiller said.

"Never, ever invest in the present. It doesn't matter what a company's earning, what they have earned."

5/ Growth stocks seem to be out of favour but have they truly underperformed?

Look at this picture.

Left: Year-til-Date
Right: 5 Yr Results



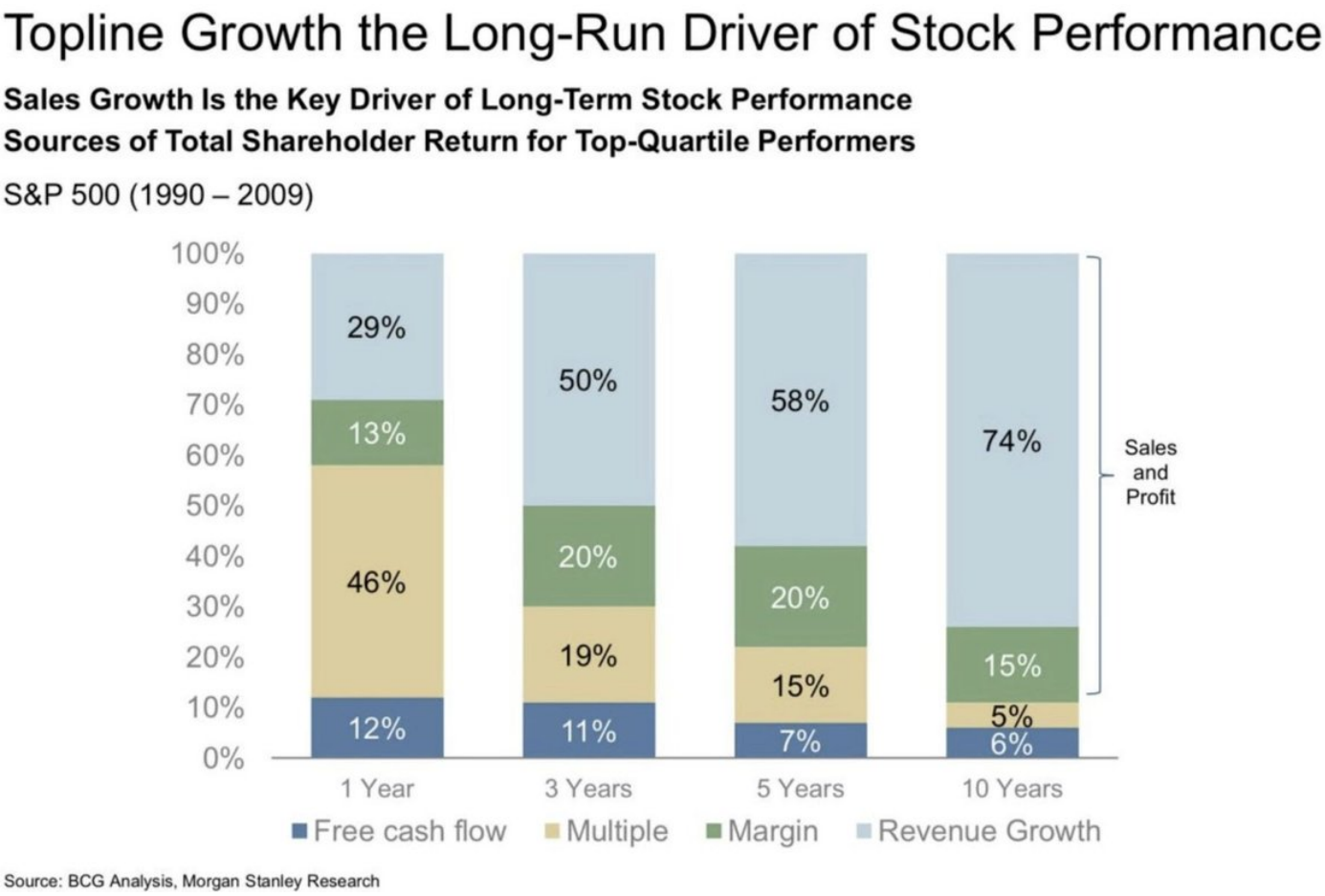
8/ Growth is the Long-Run Driver of Stock Performance

What we're experiencing now is most well-explained by this graph by Morgan Stanley.

In the short term, multiples are compressing due to interest rate hikes.

But...

In the long term, revenue growth drives returns.



That's a wrap!

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> — Kelvin Seetoh (@SlingshotCap) April 7, 2022