



03/12/2026

Weekly Webinar

INTRODUCTION – FOCUS ON FUNDAMENTAL ANALYSIS

An analyst for several decades

Senior Analyst - Value Notes

CFO - CPA firm, business consulting

Analyst - Motley Fool and Seeking Alpha

CFO - L Capital, family office, project analysis and capital allocation

At Fountainhead, we believe that investing in businesses, whether it's a massive Google or a startup with \$200Mn in revenues. Every business must be valued based on their fundamentals, irrespective of their daily price movements over which we have little control. But we do have analytical ability to analyze and value businesses and base our decisions on how well they perform. If you've been familiar with my work in the past year and a half, I really like to go for businesses which are market leaders, and have strong, competitive advantages, very strong balance sheets, and great margins which allows them to price their products or services way higher than the competition. To me the biggest incentive to invest in a company is its "moat" or significant competitive advantages. The term "moat" was coined by the great Warren Buffett signifying an unbreachable competitive advantage, like a deep moat surrounding a castle to keep out intruders. The hugely successful Peter Lynch, also placed a tremendous emphasis on investing only in great businesses and not worrying about the market.

Four examples of companies with great moats are Nvidia with its high-powered GPUs, Google with search, Taiwan Semiconductor with its manufacturing operations, and ASML with its EUV lithography machines, without which you cannot create a high-powered GPU.

FEBRUARY PAYROLLS

The U.S. lost 92,000 jobs in February, a sign that the job market continues to struggle in nearly every sector.

The hiring numbers, reported Friday by the Labor Department, fell far short of January's gain of 126,000 jobs. They were worse than the gain of 50,000 jobs that economists polled by The Wall Street Journal had expected to see. The unemployment rate was 4.4%. Health-care employment declined by 28,000 in February. There may be some impact here from the workers at Kaiser going on strike, but, it's certainly a striking number given health has been the main source of hiring.

US Feb. Two-Month Payroll Net Revision Subtracts 69,000. The labor force participation rate has a notable decline, to 62% from 62.5%, It's the biggest monthly decline in payrolls since October, which was distorted by the plunge in government jobs related to the Trump administration's severance offer last year to federal employees. Looking just at private-sector payrolls, the 86,000 plunge is the worst since 2020 -- Covid!

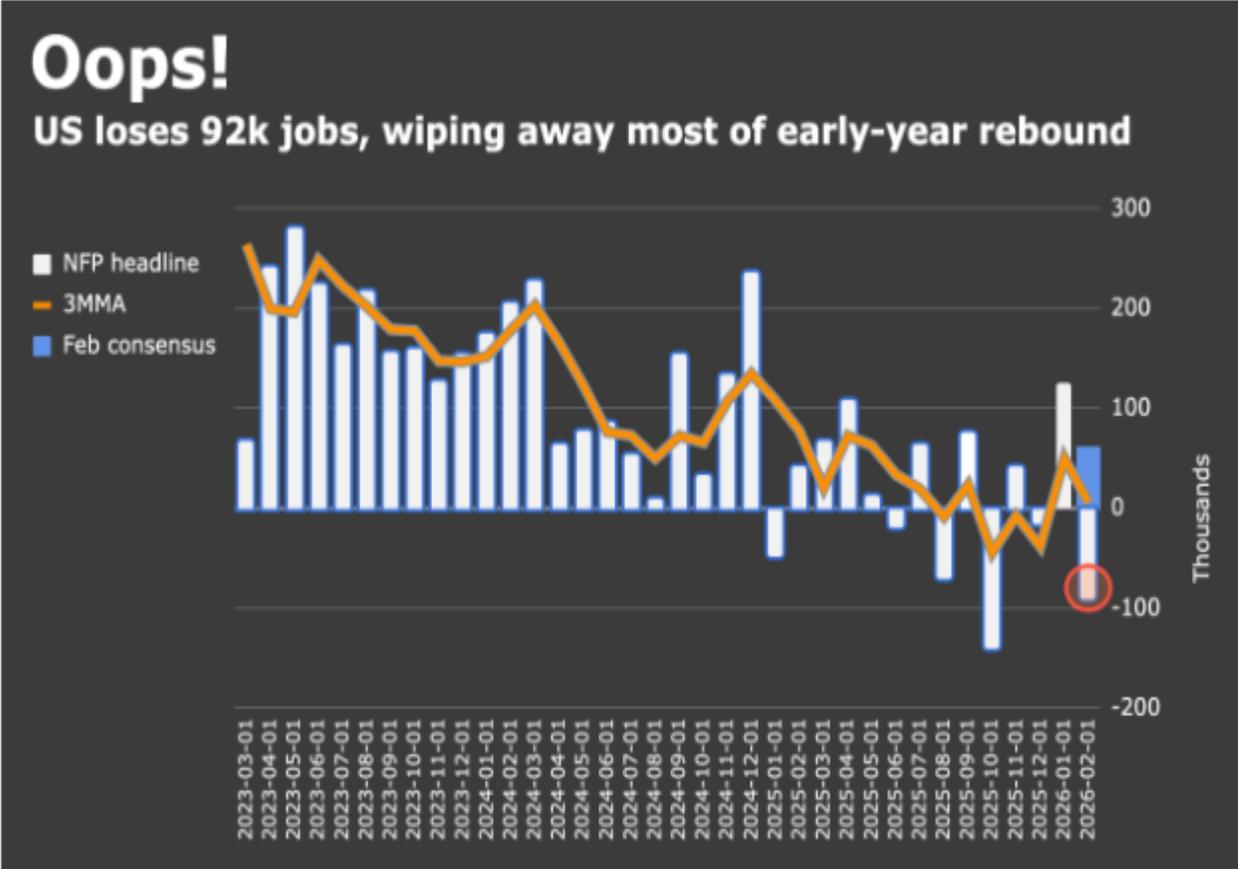
FEBRUARY PAYROLLS

DOGE didn't help at all:

The labor market slowed markedly last year, with the U.S. adding the fewest jobs outside of a recession since 2003. That was in part due to the Trump administration's cuts to the federal workforce through a combination of layoffs and voluntary buyouts, but it also reflected the cautious approach to hiring that many businesses adopted to combat uncertainty about tariffs and other policy measures. Expectations that artificial intelligence could reduce staffing needs might have further cut into hiring plans.

The job slowdown, alongside persistent cost-of-living concerns, has eaten into Americans' confidence. In its most recent survey of consumers, the University of Michigan found that 58% of respondents expected unemployment to rise over the next year.

THE NON-FARM PAYROLLS REPORT – FEBRUARY 2026



THE NON-FARM PAYROLLS REPORT – FEBRUARY 2026

Consider this: ADP said the private sector added 63,000 jobs last month. The private payrolls print in the BLS report was negative 86,000.

With allowances for the constellation of factors which “explain” that discrepancy, the inescapable bottom line from a common-sense perspective is that both tallies purport to measure the hiring impulse among private-sector US employers during the same month.

One says those employers hired 63,000 people, the other says they fired 86,000, from a common-sense perspective, if we’re telling the public that we’re measuring the same thing, for the same month, the tallies shouldn’t be diametrically opposed.

It just makes reading the K-shaped economy even more difficult.

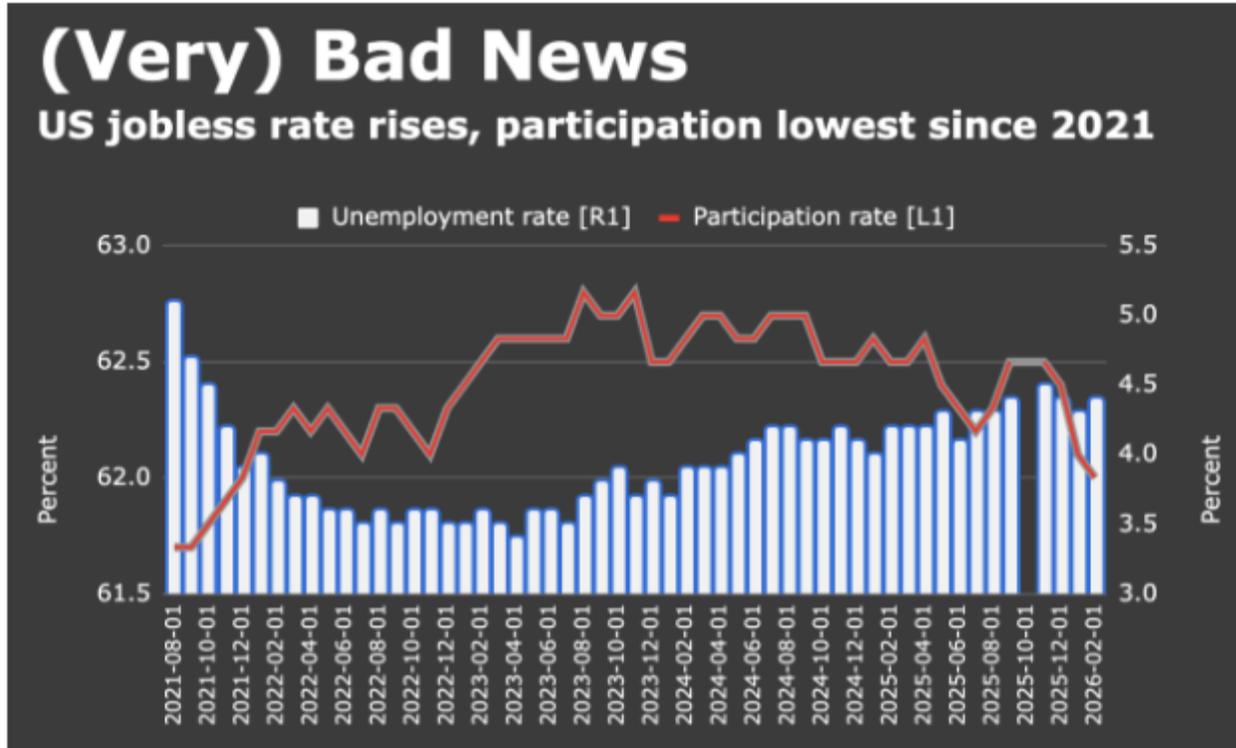
THE NON-FARM PAYROLLS REPORT – FEBRUARY 2026

Do note: BLS private payrolls are now the lowest since December of 2020. That makes a total mockery of Scott Bessent's tagline about "re-privatizing" the US economy.

With (all) that out of the way, the NFP headline constitutes a terrible result, even considering the impact of the above-mentioned strike activity in health care. January's upturn was apparently a head fake. By major category, only social assistance added a meaningful number of jobs last month, the BLS release indicated.

On the household survey side (which was impacted by revisions from updated population estimates), the unemployment rate rose to 4.4%, above estimates. Indeed, at 4.441% unrounded, it was perilously close to a 0.2ppt overshoot versus consensus.

THE NON-FARM PAYROLLS REPORT – FEBRUARY 2026



STRATEGIC RETREAT?

The Iran war has driven investor sentiment, and I believe that we should be seeing a strategic retreat from the US, pretty soon, maybe as early as this weekend.

Why?

Take it for what you may. This administration does not have the stomach for \$100 oil or American casualties, and I believe is working around the clock for a face-saving exit.

To be sure, the Israelis have a different objective, but the U.S. simply cannot stay as involved as it were in the first few days of the campaign. And Iran's resilience and fightback have shown that it will take boots on the ground to achieve anything more.

Will it a strategic retreat work for or against the US?

I believe a strategic retreat exposes US allies in the gulf, which could be the focus of continued attacks from Iran. Iran could continue to choke off oil supplies by keeping the Hormuz Straits closed until they get something in return after such a huge scale destruction. Simply, I don't see any good outcomes, this will remain a quagmire of sorts for the near future.

MARKET STRATEGY

The current scenario offers no visibility into any de-escalation, and it would be very, very difficult to forecast our way out of this.

From a market perspective, a strategic retreat could at least stem the daily drops, and possibly the price of oil but I would still assume that we could head for a correction unless there is a long-term truce.

Iran is bloodied and damaged but will use the price of oil as a weapon to extract concessions and till we see that, I expect oil to remain high, maybe not dangerously high but it will be an inflationary pain point.

Treasuries – 4.25% - this has shot up from 3.95% just two weeks ago and 4.14% last week and is causing a lot of heartburn.

Bottom line – I'm hoping for and am mostly expecting a strategic retreat, I don't see any need to sell now. There is no need to panic at this stage.

STOCKS – NEBIUS (NBIS)

The \$2Bn investment from Nvidia

Nvidia (NVDA) will invest \$2Bn in Nebius (NBIS), and the two companies have formed a strategic partnership to develop and deploy the next generation of hyperscale cloud for the AI market.

Shares of Nebius have jumped about 12% premarket to \$108 since then.

The Dutch AI infrastructure provider said the partnership will help it deploy more than 5 gigawatts of Nvidia systems by the end of 2030.

The companies will collaborate on — AI factory design and support: including access to partner design material, design review processes, and acceptance;

Inference: creating an inference and agentic AI stack for developers and enterprises with Nvidia's software technologies, models, and libraries.

Nebius is one of my largest holdings, and I would like to add more on declines. I see the stock at over \$200 in the next two years, or earlier.

STOCKS – NEBIUS (NBIS)

Nebius may look expensive at \$108 if you compare it on trailing 2025 revenues but this is my rationale:

On the ARR (Annual Recurring Revenue) basis - its P/S (Price to Sales) ratio based on a Market Cap of \$24Bn / \$8 Bn, ARR for 2026 works out to just 3.

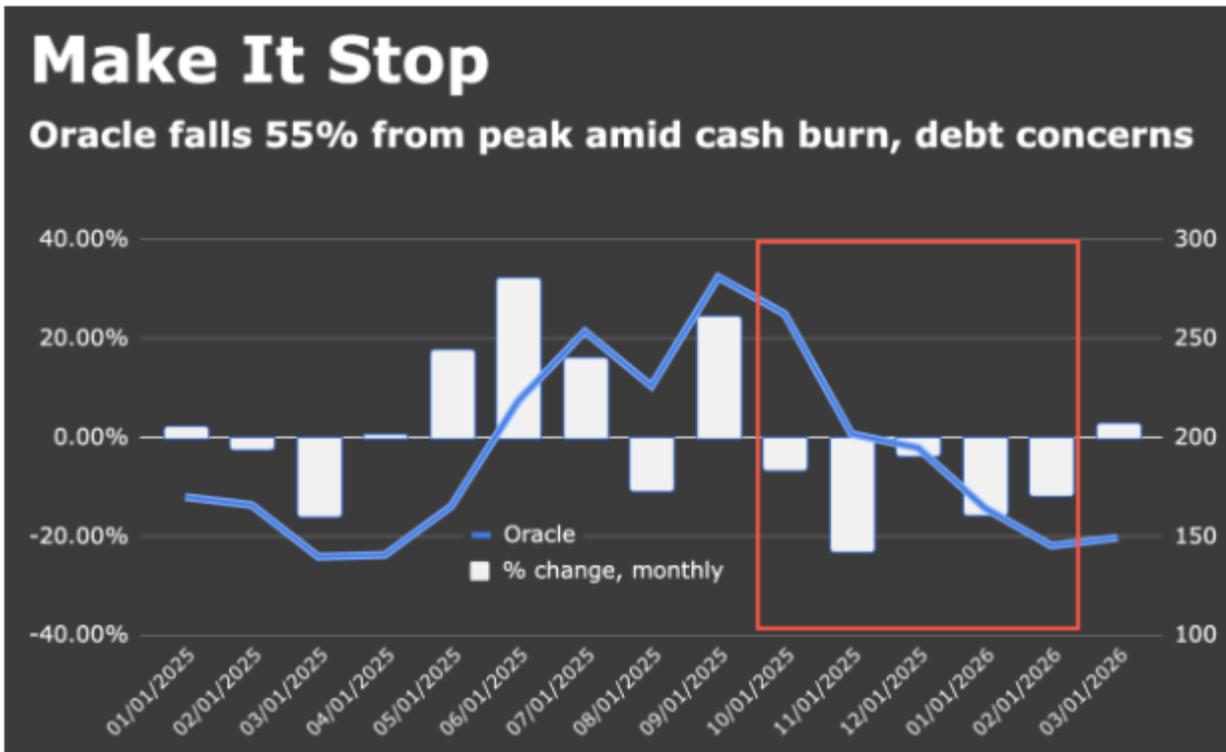
If you take it on P/S revenue for 2026 = $\$24\text{Bn} / \$3.4\text{Bn} = 7x$, it is still pretty good, because they're growing from an ARR of \$1.25Bn to \$8Bn in 2026, and then at 50% in 2027, and 2028.

The trailing P/S ratio is high because Nebius had only \$529Mn in revenues in 2025 but has forecasted \$3.4Bn in revenues for 2026. The ARR calculation of \$8Bn is different - it is the December 2026 revenue of \$700Mn, multiplied by 12. The reason being, it takes that much time to get the data center up and running throughout 2026. They have two contracts \$18Bn from Microsoft and \$3Bn from Meta spread over 5 years, and accounting rules naturally, ensure that it is only properly accounted for when the delivery takes place - when the client can derive benefit from it. So, most companies will give ARR and revenue numbers for each year, and the revenue performance obligations (RPO) so that we know how much revenue will still come from the life of the contract.

The other good news is that Nebius wants hyperscaler revenue to be 50% of revenue, which means they could make another \$20+Bn from other clients. That is the goal.

STOCKS – ORACLE (ORCL)

The stock had fallen 55% from its peak, and for once the earnings have been appreciated with a 10% bump to \$162.



STOCKS - ORACLE

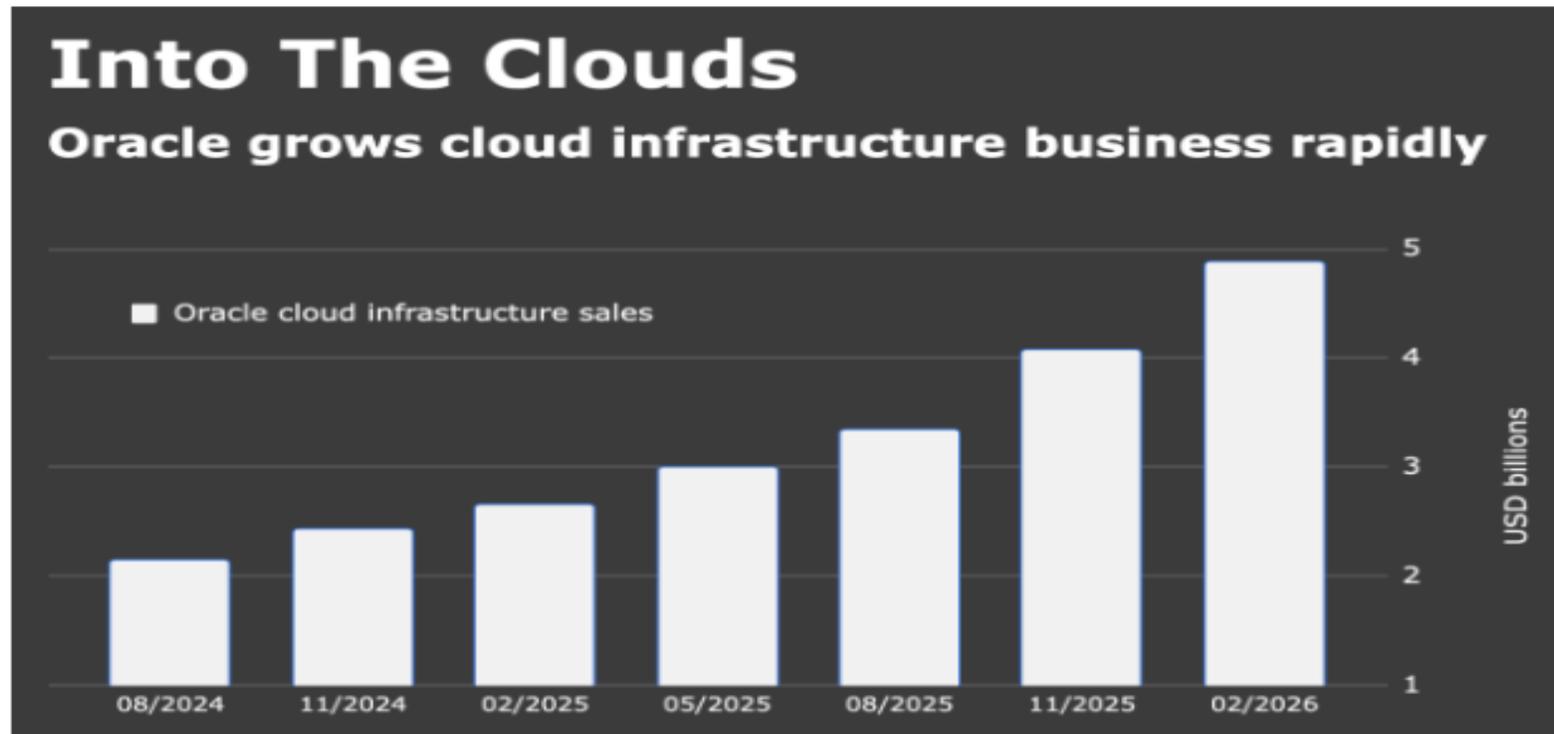
Oracle's problems are symptomatic of data center buildouts. I don't own or plan to buy the stock but am presenting it here for the sole purpose of demonstrating, that if the bleeding in Oracle stops it bodes well for market sentiment for AI and datacenters.

Early last month, the company attempted to address the locus of investor concerns by saying it'd meet half of this year's \$50 billion fund-raising target with equity issuance. Thanks to that announcement, the company's subsequent \$25 billion debt sale was massively-oversubscribed (because suddenly, Oracle IG supply expectations were cut in half). But, as I wrote here, there's no way to fund new cloud infrastructure without irritating somebody. If you burn more cash, you're playing into the market's biggest fear. If you issue more debt, you're playing into the market's second-biggest fear. And while you can get creative with equity-linked issuance, selling shares ultimately dilutes stockholders.

Tuesday's earnings update came on the heels of reports that Oracle broke off talks with OpenAI for data center expansion at a Stargate site in Texas, and separate reporting which tipped thousands of layoffs to help offset cash burn. Addressing the job cuts, Oracle on Tuesday said **“AI models for generating computer code have become so efficient that we have been restructuring our product development teams into smaller, more agile and productive groups.”**

STOCKS - ORACLE

As to the actual numbers, they were pretty good. Sales of \$17.2 billion counted as a beat and rose 22%. Cloud infrastructure revenue rose a brisker-than-expected 84% to \$4.9 billion. The RPO metric mentioned above came in at \$553 billion, up \$30 billion from the prior quarter.



STOCKS - ORACLE

Remember: The success or failure of this whole AI endeavor for Oracle depends very heavily on OpenAI, which accounts for around half of the company's backlog. Some view that as problematic considering Sam Altman doesn't yet have the revenue to support all of OpenAI's commitments.

On Tuesday, Oracle said "some of the largest consumers of AI Cloud capacity have recently strengthened their financial positions quite substantially, enabling Oracle to comfortably meet and likely exceed our revenue growth rate forecast for fiscal year 2027 and beyond."

That sounds encouraging. The company raised its full-year sales guide for 2027 to \$90 billion, ahead of analysts' expectations.

All in all, this release looked "right down the middle" to me, which is to say Oracle might've threaded the needle. Capex for last quarter was a mile above the official consensus and the trailing four-quarter FCF metric Oracle includes obviously fell deeper into negative territory.

Still the post market appreciation suggests that sentiment has turned positive at this low valuation of \$260.

STOCKS – BUY ON DECLINES

These stocks have started becoming very favorable on declines

Avantest (ATEYY) \$151 – 25% drop from \$200. Worth buying around these prices. I bought on Tuesday.

DoorDash (DASH) - \$164, no love from the street, but remains an excellent long-term buy.

Rolls Royce (RYCEY) \$17.17 - 10% below its 52-week high of \$18.98. Can buy and accumulate on declines.

Rolls' longer-term story remains totally intact, it benefits from repriced contracts, power systems growth, and next-generation engine development. It has pole position in wide-bodied aircraft, a robust defense business in Europe, which can see sustained demand, and getting started in nuclear power.

Rolls-Royce is diversified with a 52% share in commercial sales, 24% in defense, and 24% in others. The other segment reflects the Power Systems segment. Services account for 71% of GE's sales, leaving 29% for equipment sales, while for Rolls-Royce this split is closer to 55-45.

Services should increase its share of revenues, increasing company wide margins.

STOCKS – BUY ON DECLINES

Rolls Royce

Excellent margins: In terms of operating margins, both companies are comparable, with a 21.4% operating margin for GE Aerospace and 21.1% for Rolls-Royce.

The free cash flow margins are somewhat better for Rolls-Royce, with a 19.6% margin compared to 18.2% for GE Aerospace.

Revenue back is impressive:

The backlog figures show a \$190.6 billion backlog or remaining performance obligation for GE and \$118.2 billion for Rolls-Royce. Dividing the RPO by the revenues shows that GE Aerospace's backlog is 4.5x sales and Rolls-Royce's backlog is 4.4x sales. So, that is also very comparable.

I own Rolls Royce and plan to keep adding it on declines.

DATA CENTER CONNECTIVITY STOCKS

Co-packaged Optics (CPO)

The Shiny new toy: Co-packaged Optics (CPO) is a significant architectural shift in data center networking in the last decade. CPO moves those optics inside the chip's own package.

As of 2026, here is how CPO is disrupting the market:

Shattering the "Power Wall" - In traditional networking, a massive amount of energy is wasted just pushing electrical signals across the few inches of green circuit board (PCB) between the switch chip and the pluggable optics at the front of the rack.

The Disruption: By moving the optics directly onto the chip substrate, the electrical path is shortened from centimeters to millimeters.

The Impact: CPO reduces link power consumption by up to 70% (slashing it from ~30W to ~9W per 1.6T link). In an AI "Giga-factory" with 100,000+ GPUs, this equates to megawatts of power saved.

Enabling "Scale-Up" AI Fabrics -Traditional Ethernet networking is built for "Scale-Out" (connecting many independent servers). AI requires "Scale-Up," where thousands of GPUs act as one giant computer.

The Disruption: CPO provides much higher bandwidth density. You can fit more "optical lanes" around the edge of a chip than you can fit physical pluggable holes on the front of a metal switch box.

DATA CENTER CONNECTIVITY STOCKS

Major players like NVIDIA (with Spectrum-X) and Broadcom (with the Bailly switch) are using CPO to hit speeds of 51.2T and 102.4T per switch—speeds that are physically difficult to reach using traditional pluggable modules due to heat and space constraints.

The Disruption: CPO merges the chip and the optics into a single permanent unit. This means you can no longer "mix and match" your optics.

The Impact: This shifts power toward silicon giants (Broadcom, NVIDIA, TSMC, Intel) and away from traditional optical module manufacturers. Companies that used to just sell "plugs" are now having to pivot to becoming "optical engine" providers for chipmakers.

Solving the "Copper Bottleneck"

As we move toward 1.6T and 3.2T speeds, copper cables (DACs) are becoming too thick and too short (sometimes less than 1 meter) to be useful.

The Disruption: CPO allows fiber to reach all the way to the processor, effectively making "optical" the default even for short-reach connections.

The Impact: The transition from copper to "Optical I/O" is accelerating, potentially turning the entire server rack into a single "extended package" connected entirely by light.

DATA CENTER CONNECTIVITY STOCKS

These two stocks are worth buying on declines

Co Packaged Optics, Nvidia's 2 investments in Lumentum and Coherent to secure enough connectivity for the future.

Lumentum – LITE

Coherent - COHR

NVIDIA realized that the specialized material used for CPO lasers (Indium Phosphide) is as rare and difficult to manufacture as HBM memory. Instead of building its own laser fabs (which takes years), NVIDIA is essentially "pre-paying" LITE and COHR to guarantee it gets their entire output. Broadcom is doing the same.

LITE – \$621, the stock is expensive at 89x earnings growing at 70% and 18x sales growing at 50%. I would wait for it to drop 10% to start nibbling.

COHR - \$242, also expensive at 47x earnings growing at 40%, and 7x sales growing at 20%. COHR has other business divisions, which are dragging growth. I would wait for a 10% drop for the valuation to make sense.

DATA CENTER CONNECTIVITY STOCKS

These two connectivity stocks for datacenters are also good for at least two years.

Credo Technologies (CRDO) \$112

Broadcom CEO Hock Tan recently threw his weight behind copper interconnects for 2026, stating that copper is still the most cost-effective way to build large GPU clusters.

Credo's AECs (Active Electrical Cables) are 1,000x more reliable than early CPO. Since NVIDIA and Broadcom's customers (Microsoft, Meta, Google) hate downtime, they are forcing the giants to keep using Credo's copper solutions while the "bugs" are worked out of optics.

Credo is the two-year necessary bridge that allows the giants to keep selling chips today while the optical future is still being built.

Astera Labs (ALAB) \$119

The UALink Factor: While NVIDIA has its own proprietary interconnect (NVLink), the rest of the world (AMD, Intel, Google, Broadcom) have formed UALink to compete.

Astera Labs is the primary builder of the "agnostic" chips that make UALink work. If Broadcom tries to eliminate them, they alienate the other members of the alliance.

STOCKS

Other stocks to buys on declines

As the markets continue to fall, these are some excellent companies that have become fairly cheap.

These are the ones that I plan to add.

Reddit (RDDT) \$133 has fallen 12% since the war started and is selling at 33x earnings growing at over 30% and just 8x sales with over 25% growth, a strong, loyal and sticky base of users with increasing average revenue per user, and very valuable data. I don't believe this will get cheaper.

Rubrik (RBRK) \$54, reports today and at \$54 is also very reasonably priced at 9x sales growing at 23%.

Wedbush's channel checks for cyber security revealed that from a vendor standpoint, CrowdStrike (CRWD) and Rubrik (RBRK) had the strongest feedback.

"We are seeing ~80% of deals seeing a revision upward pointing to increased quotes for more products.

"We acknowledge that the Anthropic (ANTHRO) launch of cyber-AI tools provides a major threat to the landscape, but companies adapting to cyber-AI demand now are seeing minimal impact,"

Bloom Energy (BE) \$160 - covers the electricity and power shortfall

Vertiv Energy (VRT) \$270 – the best electrical systems for datacenter.
