



---

02/26/2026

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.

---

---

## **ECONOMIC NEWS – MORTGAGE RATES DECLINE BELOW 6%**

Finally some relief for the housing market.

The average rate for a 30-year fixed mortgage was 5.98% this week, the lowest level since September 2022 and a slight decline from last week, Freddie Mac said Thursday.

Lenders, real-estate agents and economists say this week's drop below 6% could mark an important psychological threshold that will likely lure more buyers into the market. It is also expected to spur a jump in refinance applications for homeowners who bought in recent years when rates were higher.

Home shoppers realize that mortgage rates aren't about to fall below 3% again—as they did during the pandemic-period housing boom—and that between 5% and 6% is the new norm, said Bill Banfield, chief business officer at the mortgage company Rocket.

Falling mortgage rates are coming at an opportune time for a housing market that has been stuck in neutral for three years, with sales mired in their worst slump in three decades.

But buyers are currently benefiting from having more negotiating power over sellers. **About 62% of buyers last year purchased a home below the original listing price, the highest proportion since 2019, according to Redfin.**

**We still have a long way to go.**

---

---

## THE CITRINI REPORT THAT SHOOK THE MARKET

SaaS and enterprise software stocks took a major beating earlier in the week after Citrini Research and Alap Shah [published a report called "The Global Intelligence Crisis"](#)

SaaS stocks have been built on the strength of their software as a service platforms, and are supposedly stable recurring monthly subscription business, which increase sales by either selling more seats/licenses or upselling more modules/products to the same customer. This industry and the tech sector have pretty much been the backbone of the US white collar service economy for the past two decades. **SaaS stocks have been selling off ever** since foundational models like Gemini, Open AI and Anthropic started offering Generative AI vibe coding products directly to customers, with even market leaders like Palantir, ServiceNow and Salesforce losing around 35 to 40%. Still this report, a fictional account of a devastated white collar America was a massive kick in the teeth, making it a mainstream media narrative. A jobless ghost economy....

It's a fairly long read, so I've included some snippets..

U.S. INITIAL JOBLESS CLAIMS , SURGE TO 487,000, HIGHEST SINCE APRIL 2020; Department of Labor, Q3 2027

---

---

## THE CITRINI REPORT

MOODY'S DOWNGRADES \$18B OF PE-BACKED SOFTWARE DEBT ACROSS 14 ISSUERS, CITING 'SECULAR REVENUE HEADWINDS FROM AI-DRIVEN COMPETITIVE DISRUPTION'; LARGEST SINGLE-SECTOR ACTION SINCE ENERGY IN 2015 | Moody's Investors Service, April 2027

ZENDESK MISSES DEBT COVENANTS AS AI-DRIVEN CUSTOMER SERVICE

AUTOMATION ERODES ARR; \$5B DIRECT LENDING FACILITY MARKED TO 58 CENTS;

LARGEST PRIVATE CREDIT SOFTWARE DEFAULT ON RECORD | Financial Times, September 2027

ZILLOW HOME VALUE INDEX FALLS 11% YOY IN SAN FRANCISCO, 9% IN SEATTLE, 8% IN AUSTIN; FANNIE MAE FLAGS 'ELEVATED EARLY-STAGE DELINQUENCIES' IN

ZIP CODES WITH >40% TECH/FINANCE EMPLOYMENT | Zillow / Fannie Mae, June 2028

---

---

# THE CITRINI REPORT

The summary below captures the thesis of the report thesis well and paints a dire picture of the economy.

Sure enough, SocGen's Manish Kabra sent around the following summary, courtesy of ChatGPT.

## **TOP 10 COPILOT MACRO TAKEAWAYS IN THE CITRINI AND ALAP SHAH NOTE**

---

1. **AI productivity boom** lifts output but not income.
2. **White-collar layoffs surge**, hitting the core of US consumption.
3. **Demand weakens** even as headline GDP stays strong ("Ghost GDP").
4. **Corporate reflexivity**: layoffs → margin gains → more AI → more layoffs.
5. **Intermediation collapses** as agents remove friction economy-wide.
6. **Service-sector revenues shrink**, undermining the broader macro base.
7. **Payments and SaaS models deteriorate**, exposing business-model fragility.
8. **Bond yields fall** as markets price a consumption-driven downturn.
9. **Policy response lags**, failing to stabilise demand quickly.
10. **End-scenario**: unemployment ~10% and a deep equity drawdown.

---

## THE CITRINI REPORT – REBUTTALS JOE CARLSON

### Key takeaways:

The rebuttal from this analyst is good and he explains how much of this article is exaggerated.

Please take a look at this video.

[https://www.youtube.com/watch?v=\\_JiOVHmfsdY](https://www.youtube.com/watch?v=_JiOVHmfsdY)

### Doomsday scenario rebuttal

These are the main points:

**The DoorDash Rebuttal:** Carlson argues that food ordering is visual and complex, not just price-driven. Prompting an AI for hundreds of custom burger permutations is actually more friction than using a specialized app

**Reliability:** Customers value the logistics network and refund guarantees of a major player over saving a few cents on a random, unreliable app

---

---

## THE CITRINI REPORT - REBUTTALS

### Key takeaways:

The Visa/Mastercard Mistake: Citriani suggests agents will bypass credit card fees (2–3%) by using stablecoins on blockchains like Solana

**The Rebuttal:** Carlson points out that customers like to have an intermediary in payments. Credit cards provide security, the ability to dispute charges, and the "time value of money" by delaying payments

**Rewards:** High-income earners will not use stablecoins because they would lose the rewards funded by those merchant fees.

ARE YOU SERIOUSLY GOING TO GIVE YOUR CREDIT INFORMATION TO A BOT OR AN AGENT UNLESS A FORTUNE 500 COMPANY IS BACKING IT? Jamtara anyone?

---

---

## THE CITRINI REPORT - REBUTTALS

Key takeaways:

The SaaS "Domino Effect": Citriani predicts that SaaS companies will go to zero as agents automate their functions, leading to massive defaults in private credit.

The Rebuttal: Carlson notes that switching costs for Fortune 500 companies are massive; you cannot "rip and replace" deep infrastructure overnight.

Furthermore, if SaaS costs go to zero, every other company's margins would skyrocket, leading to economic expansion that Citriani ignores.

The average gross margin for a SaaS company is over 80%, which means the cost of creating the software is usually less than 20%, the pure cost of coding/development is even lower. AI isn't at that stage where it can lower the rest of the costs.

Every SaaS company that uses these AI tools will also get reduced costs. In reality, the bigger companies will get bigger.

---

---

## THE SAAS DILEMMA - INVESTOR TAKEAWAYS

Agentic revenue or any other AI assisted revenue:

- Will cannibalize existing revenue
- Will need to grow to a larger section of total revenues
- Will need to pass on lower costs to customer

These are the implications for the industry:

Larger firms will need to buy out pure AI players to bolster their AI capabilities

Barriers to entry have already weakened and will continue to weaken

There will be fragmentation for a while before consolidation in the enterprise software industry

Eventually Anthropic and OpenAI will want to get into client facing businesses to take the extra margin layer – maybe 5 years down the road.

Anyone remember AOL buying out Time Warner? That didn't end well.

---

---

## THE CITRINI REPORT - IMPLICATIONS

The Wall Street Journal also has a well written article rebutting the doomsday scenario:

**Key points: The history of open-source software tells us a lot about the future of AI.**

The open-source movement created millions of applications and wrote most of the world's code. But it didn't put a dent in software companies' pricing power. Why didn't free code ruin the software business?

Software buyers want more than code. They want technical support, services, upgrades, a community of experts and the reassurance that comes from buying from a business with a solid track record. Software buyers pay for reliable outcomes.

The noncode parts of a software company can be very valuable. Red Hat built a major software firm around open-source Linux code it didn't own. It sold support, updates and services that large organizations needed. Code isn't the primary asset in a software company. Software "moats"—the structural advantages that repel competition—come more from reputation and community support.

Open source threatened the pricing power of the entire sector, but in the end it proved code isn't the center of value in enterprise software. AI will have a similar effect. It will empower developers to make applications cheaply, but it won't provide the community or safety that top buyers demand.

---

---

## THE CITRINI REPORT - IMPLICATIONS

The Wall Street Journal also has a well written article:

**Value: In one crucial way, AI-generated code will be less valuable than open source.** AI code will be purpose-built, unique to the organization that wrote it, unsupported by any community or organization. If the software makes mistakes, the user will have nowhere to turn for advice or assistance. The most sophisticated applications have needs that will challenge AI capabilities. These applications make more use of external assets, such as business rules and data sets. They can require security certification, they must be auditable, and they are expected to evolve over time. Further, these applications must be wholly reliable, which a probabilistic system like AI will always struggle to be.

AI-written code may replace minor applications, but it isn't dependable enough to write anything essential on its own. I talk to a lot of customers, and none has yet suggested they might vibe-code a critical system. In the end, AI-generated code may do more to lower costs for software companies than it does to lower prices for their consumers.

The software industry will survive its second free-code scare. As Safra Catz of Oracle said in 2012, "If you are in this business long enough, you hear about a thousand things that are going to kill you. Open source? Yeah, we are not dead yet."

---

---

## THE SAAS DILEMMA – SALESFORCE

### Salesforce: (CRM)

Uncertainties about the impact of AI on enterprise software surfaced in Salesforce's results.

On the surface, the quarter looked fine. Revenue grew 12%, which is nothing to write home about but a big improvement on the 8.6% year-on-year growth in the first three quarters of the year.

Scratch the surface, though, and the picture isn't quite as positive. If you exclude the contribution from Salesforce's recently acquired Inforatica, the quarter's growth rate was only 8%.

No one wants to see Salesforce too reliant on acquisitions for growth, as buying other companies isn't a sustainable way to expand. That's likely one reason why its stock fell 5% in after-hours trading.

---

---

## THE SAAS DILEMMA – SALESFORCE

Agentforce doing well, but?

That's not all, however. Salesforce is reporting accelerating revenue from its AI flagship product Agentforce—annualized recurring revenue reached \$800 million in the quarter, up from \$500 million in the third quarter.

That's heartening.

The question is why Agentforce isn't lifting Salesforce's revenue growth rate. Indeed, Salesforce projected fiscal 2027 growth of between 10% and 11%—including three points coming from Informatica.

### **Cannibalizing:**

That implies Salesforce's growth without Informatica will be 7% to 8%, slightly weaker than the just-finished year excluding the acquired firm. Could the growth in AI be cannibalizing Salesforce's older software businesses? That's one of the worries about AI, of course—**that businesses will embrace new AI-powered products but simply shift money they're spending from other software they're buying.**

---

---

## THE SAAS DILEMMA – SALESFORCE

When asked about this issue, Salesforce CEO Marc Benioff gave a vague answer, preferring to emphasize his pride in what Salesforce had done. Earlier on the call, though, Chief Financial Officer Robin Washington had said Agentforce's growth was expected to be offset this year by "weakness in marketing, commerce and [data analytics visualization unit] Tableau," all issues that dampened last year's performance as well. It's also notable the company said it expected "organic revenue"—which comes from within existing businesses, rather than via acquisitions, to "reaccelerate" in the second half of the year. That all suggests at least some of the older businesses are not doing great right now.

There are few examples of software firms showing accelerating overall growth so far, even if they're reporting fast-growing AI revenue. **And in most cases, their AI revenue is tiny. Agentforce's ARR, for instance, is just 1.7% of Salesforce's total fiscal 2027 projected revenue of about \$46 billion.** To be sure, AI adoption within businesses is still in the very early days. But investors have good reason to be jittery about the future growth of software firms.

---

---

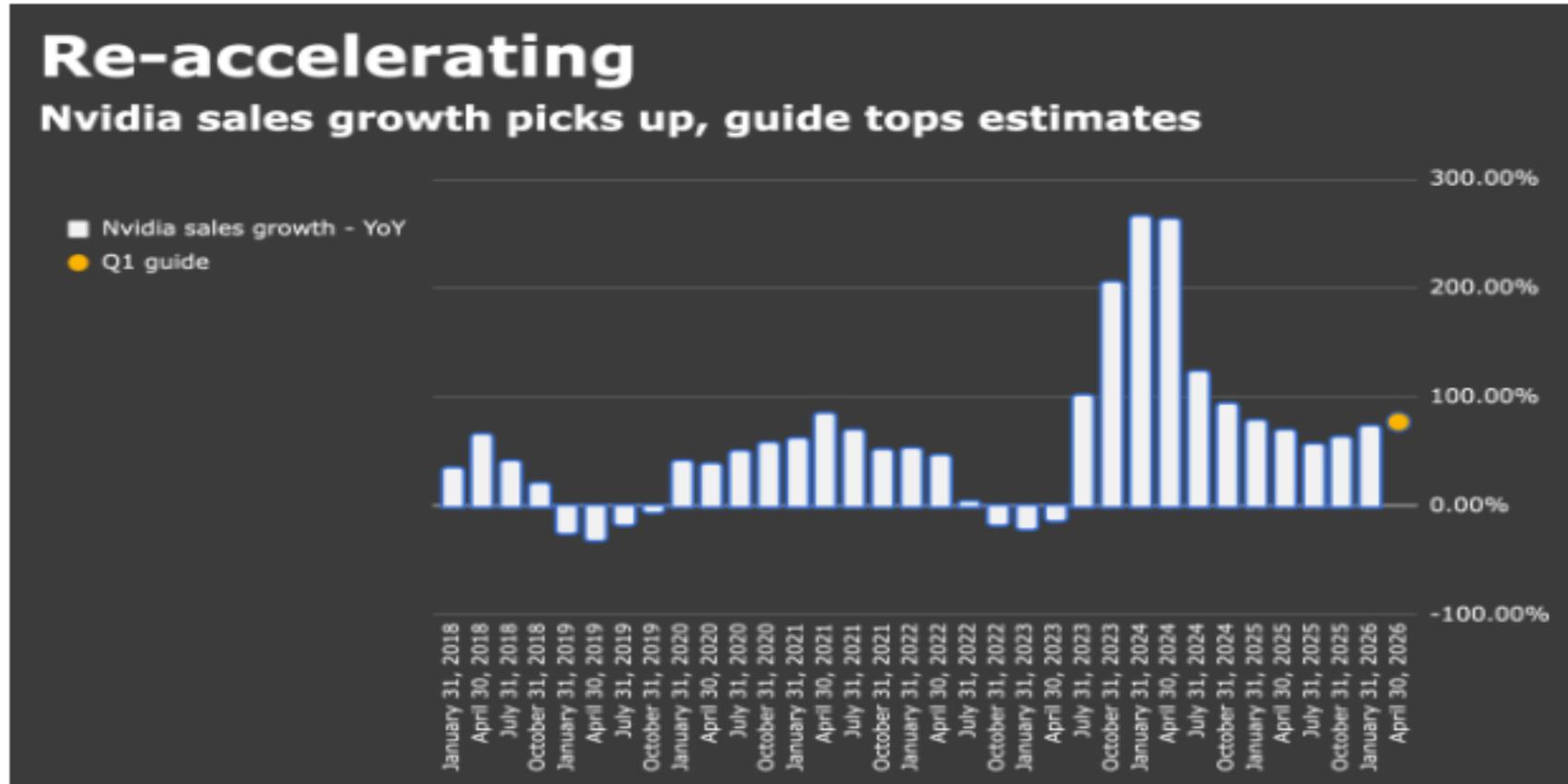
## THE SAAS INDUSTRY – INVESTOR TAKEAWAYS

### Key takeaways for investors:

- We have to be extremely careful of valuation risks.
  - Barriers to entry have reduced significantly, and cost of software creation will decrease.
  - There will be margin pressure because customers will expect price cuts to be past on.
  - Higher competition will commoditize the enterprise software market.
  - You can't get away just charging for layering. Products have to offer more.
  - SaaS will not vanish, the excessive profits and tolls charged as intermediaries will shrink, but it will help SaaS companies too.
  - AI can take care of basic coding and development.
  - Going to market, scaling and customer facing operations will have stronger barriers to entry and keep stronger software companies afloat.
-

# STOCKS - NVIDIA

Nvidia - (NVDA)



---

## STOCKS - NVIDIA

### **Nvidia – NVDA – Brilliant results but the stock gets no love:**

Nvidia said revenue for last quarter was \$68.13 billion, up a cool 73% YoY and easily ahead of the \$66 billion consensus. The guide looked impressive. Nvidia expects \$78 billion in current-quarter sales, and that's assuming no revenue from China. If that forecast pans out, it'd represent YoY sales growth of 77%. Consensus was looking for around \$73 billion from the Q1 top-line outlook.

The non-GAAP margin for Q4 was 75.2%, better than expected and the highest in over a year. Between that and the Q1 margin guide — 75% — Nvidia likely did enough to placate investors harboring cost concerns. EPS of \$1.62 beat by a dime.

Jensen Huang described “exponential” growth in demand for compute. “The agentic AI inflection point has arrived,” he declared, on the way to calling Grace Blackwell “the king of inference.” Vera Rubin, he went on, “will extend that leadership even further.”

In a nod to the idea that although hyper-scalers accounted for more than half of Nvidia's data center revenue last quarter, the company's broadening its sales base, Huang said “enterprise adoption of agents is skyrocketing” as customers “rac[e] to invest.”

---

---

## STOCKS - NVIDIA

There's no world in which Nvidia's results and guide can be aptly described as a "damp squib" or in any way "underwhelming." That's ridiculous. The top-line readout and the current-quarter sales guide were phenomenal. Period.

The problem certainly isn't (can't be) that Nvidia's fundamentally worth \$250 billion less on Thursday than it was on Wednesday, before it reported results that matched even the unofficial, rosy buy-side consensus (the numbers blew away the sell-side estimates).

Rather, at a high level, the issue is that no one knows how much this technology is worth in the first place, particularly as the AI discussion begins to morph into a sort of binary debate where one outcome's the human apocalypse and the other outcome is... well, something other than armageddon.

That latter bit perhaps gets at the core problem: We really don't know what that underlying reality is just yet. Until we do, I'm loath to buy more Nvidia. If the results the company reported on Wednesday evening aren't good enough, then this bar is so high that it's no longer clearable.

---

---

## STOCKS - NVIDIA

Nvidia – Riding on Nvidia's coat-tails by investing in data center neoclouds and infrastructure players.

When the markets are not rewarding great results, it is time to move to other players that should benefit from AI and I do continue to accumulate those.

Hyperscalers will be spending Capex on datacenter infrastructure vendors, companies like Nebius, Credo, Bloom Energy, Vertiv, which I've been adding to get the "AI" benefit, with a little more risk.

I also want to add Broadcom, AVGO at some point. I like the stock, there is still room for 15-16% appreciation this year, and I suspect Broadcom will beat and guide higher as it usually does. The big positive is that in TPUs, and ASICS (and all other Nvidia competition), they lead by far, the second biggest player in the overall AI GPU market. Their "Infrastructure software", virtual cloud division, VMWare could be the weak link. AVGO has been very aggressive with VMWare customers in pinning them to 3 year contracts, I guess realizing that there was disruption down the line, and the aggression could boomerang against it, neo clouds, bare metal, hyperscaler cloud can all compete in this segment. Plus the disruption from AI price deflation that we've seen in the past few months, with coding becoming cheaper. I think a small quantity is not a bad idea. Their CEO Hock Tan is a big plus.

---

---

## STOCKS-FIGMA

Figma (FIG) Figma (FIG) \$26 started as cautious buy, then I added some more.

Industry/Sector/Type – Software, SaaS/The industry going through massive re-rating  
Biggest catalysts for the stock – Positive: Product acceptance and growth in the design/creative space. Negative: Vibe coding products would cut margins and pricing.  
I like the company and it is a cautious buy around these levels and more on declines.

What went wrong post Figma IPO?

Following its IPO, Figma soared to over \$140s as investors bought the Adobe killer and “Google Docs moment” for UI/UX design ( the collaboration layer for app design teams). The bullishness was founded on Figma expanding its offerings wider into virtual workspaces, documents, websites and other products for tech development, white-boarding and design for software applications. Products like FigJam, Figma Slides, Figma Make and Figma Buzz started gaining acceptance, however it soon became wildly overpriced at over 25x sales and 200x earnings. And then Anthropic happened, eventually leading to SaaSageddon and panic, besides the inevitable downgrades.

---

---

## STOCKS-FIGMA

### Positives

Solid earnings and guidance: Figma, Inc.'s Q4 results and FY26 guidance were great, halting the “Run for the hills for kill SaaS” trade with a 6% bump, an anomaly in the software space nowadays.

Q4 revenue 40% higher at \$304Mn versus management's \$292–\$294Mn guidance, consensus analyst's estimates of \$293Mn. It grew \$29Mn or 10% over the previous quarter, another good sign.

Guidance was the bigger surprise though, with a Q1 FY26 revenue guidance of \$315M–\$317M outstripping \$291.9M consensus by a wide margin. It also guided higher for FY26 revenues of \$1.366B–\$1.374B vs. \$1.29B consensus.

Figma's other products are getting wider acceptance even while Anthropic encroaches on Adobe's space.

Ironically, several Figma products are actually used by “vibecoders” trying to replace SaaS products, a tailwind for the company, even as foundational model products grow.

---

---

## **STOCKS - FIGMA**

### **Negatives:**

While there is a lot to like about Figma, the SaaSageddon fear will likely persist till there is an acceptance or a change in the “SaaSageddan” narrative.

It will cap multiples and Figma is already at 9x sales and over 100x current earnings. It needs to improve its bottom line fast. It is cash flow positive but at only 14% of sales.

Figma's needs to improve operating margins higher, because with competition from amateur Vibe coders will hurt pricing. It hasn't quite figured out that piece of the puzzle yet.

### **The SaaS crash debate:**

Reduced barriers to entry and increased competition in the software space has surged and will continue to surge in the mid to long term, which means that the growth rates of these companies could decrease drastically. However, building a tool is just 8-12% of total costs, even the tiny Figma has 80% gross margins; there are distribution, marketing, and user acquisition costs. I don't believe that startups using pure vibe coding tools can survive getting to market.

---

---

## **STOCKS – FIGMA (FIG)**

Most SaaS will fail before getting to market. Besides coding there are significant barriers to entry, and I don't see that reducing anytime soon.

Figma's resilience and strong earnings is a good shot in the arm for the broader software industry. Besides it is at a very attractive entry point, with a limited downside.

Further sales growth projections have whittled to just over 20%, which ironically could translate into positive earnings surprises in the future.

There is little downside risk at this price and a good margin of safety. I will continue to add in tranches

---