



02/19/2026

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.

THE CPI INFLATION REPORT – JAN 2026

02/13/2026 - The U.S. Consumer Price Index crept up 0.2% M/M in January, a cooler pace than the +0.3% consensus and slowing from +0.3% in December, according to data released by the Bureau of Labor Statistics on Friday.

On a Y/Y basis, that amounts to a 2.4% increase in January, also lower than the +2.5% consensus and +2.7% in December.

Excluding volatile food and energy prices, core CPI increased 0.3% M/M, in line with the +0.3% consensus and slightly hotter than the +0.2% pace in December. On a Y/Y basis, that comes to 2.5%, in line with consensus and down from 2.6% in December.

Overall, the numbers indicate that inflation appears to be edging closer to the Federal Reserve's 2% inflation target.

Headline CPI inflation for January is better than expected, driven by lower energy prices. Overall, a very mild CPI report, with shelter inflation rising at only 0.2% M/M, and no evidence of tariffs-related inflation from apparel prices. Core CPI comes in at 0.3% M/M as expected, pushed higher by transportation prices. The bond market may think of pricing a third Fed cut for 2026, which should be positive for the stock market."

THE INFLATION REPORT

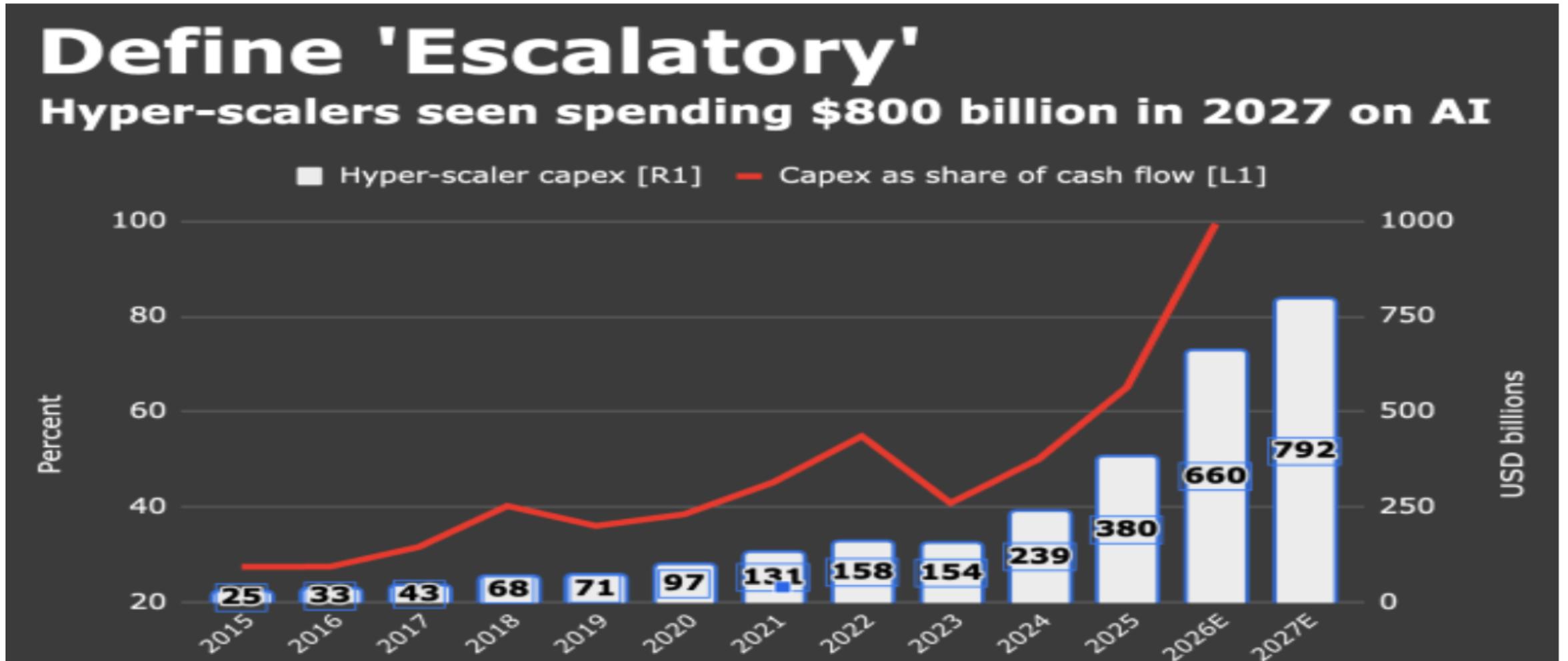
The index for shelter, the largest factor in the index, rose 0.2% in January. The food index increased 0.2% M/M, and the energy index fell 1.5% during the month.

Components of the core CPI that increased during the month included airline fares (+6.5%), personal care (+1.2%), recreation (+0.5%), medical care (+0.3%), and communication (+0.5%). The ones that declined included used cars and trucks (-1.8%), household furnishings and operations (-0.1%), and motor vehicle insurance (-0.4%), the BLS said.

TradeStation's David Russell, head of Global Market Strategy, partly attributed the headline beat to housing costs. "Shelter saves the day, rising at just half the pace of December," he said. Today's inflation report is a relief for investors rattled by AI disruptions in the stock market. It also offsets this week's strong payrolls report, giving the Fed a little more reason to lean dovish. However, it's still well above the central bank's target and does little to move the needle near term. Policy expectations are going nowhere in a hurry."

HYPERSCALER CAPEX

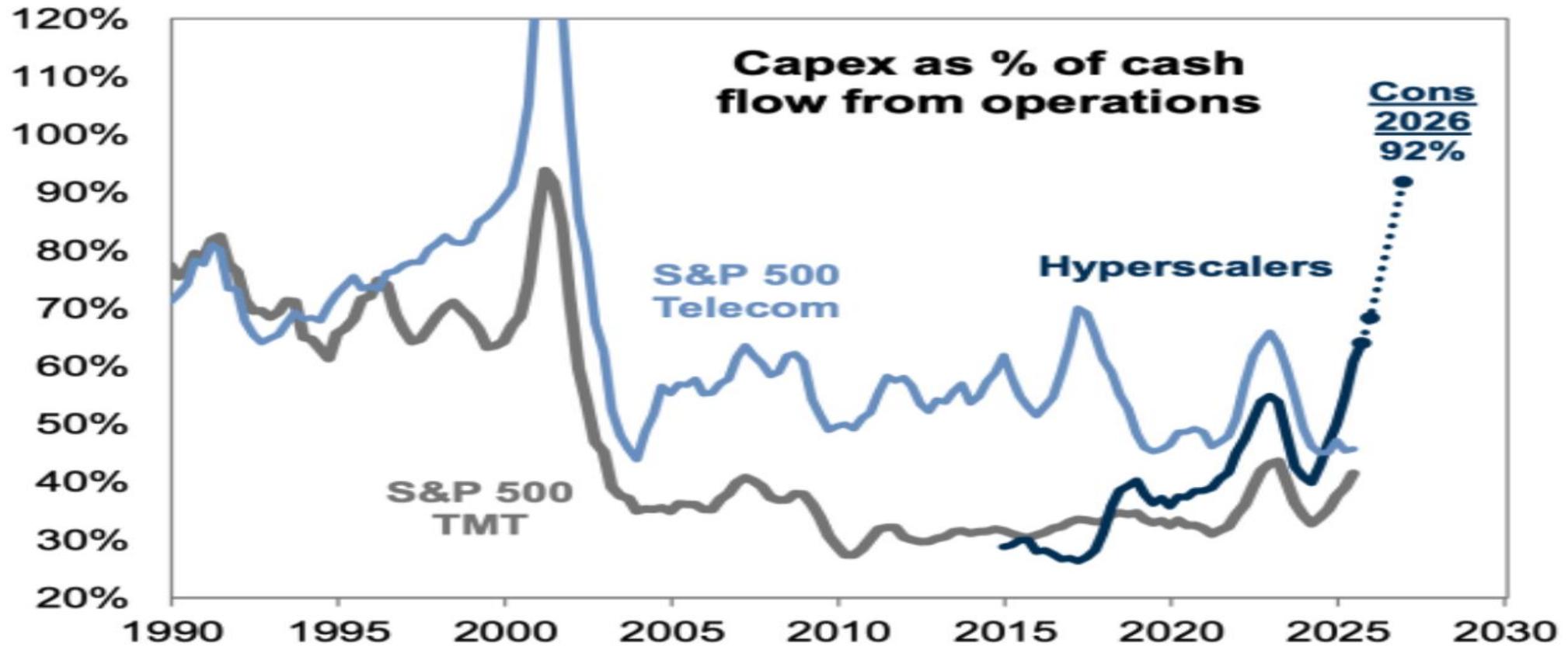
Up, up, and away.....



HYPERSCALER CAPEX

Up, up, and away.....

Exhibit 16: Hyperscaler capex is on pace to reach 92% of cash flows in 2026



HYPERSCALER CAPEX

Why it hurts the stock market:

- **It reduces M-7 Capex Buybacks, there is no operating cash left.**
 - **It lowers GAAP EPS.**
 - **Thus, consequently it lowers multiples.**
 - **Which means stock price drops or stays rangebound.**
 - **Since M-7 is such a large part of the index it too drops or stays rangebound.**
 - **In 2026, M-7 could mostly be dead money.**
 - **It also inflates debt payments, which means interest rates will be scrutinized.**
 - **Debt exposure increases from private lenders.**
-

HYPERSCALER CAPEX DRIVES SENTIMENT CHANGE

I'm not the only analyst that feels this way.

A survey from BOFA had this to say about shifting sentiments towards the strongest, best companies in the world.

I'd argue Oracle's \$18 billion debt sale in September marked the beginning of a shift in that psychology. Starting with mega-cap tech earnings the next month, markets began to cast a more wary (or, if that's too strong, we can say "discerning") eye towards unbridled spending.

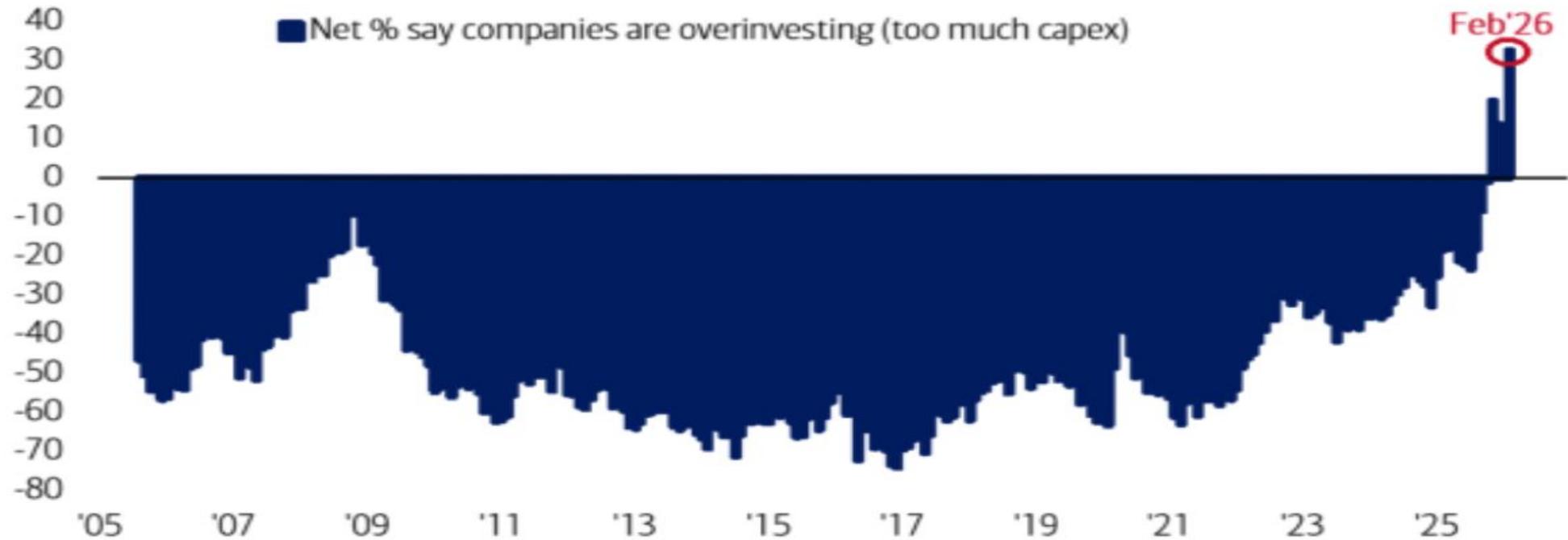
Fast forward four months and the hyper-scalers have sold another \$100 billion in debt and tipped capex north of \$650 billion for 2026. Analysts expect the two-year total for 2026 and 2027 to approach \$1.5 trillion. For some professional capital allocators,

Enough is Enough.

TOO MUCH SPENDING IS SCARING FUND MANAGERS

Chart 1: CIOs telling CEOs to slow capex

Net % of FMS investors saying companies are "overinvesting"



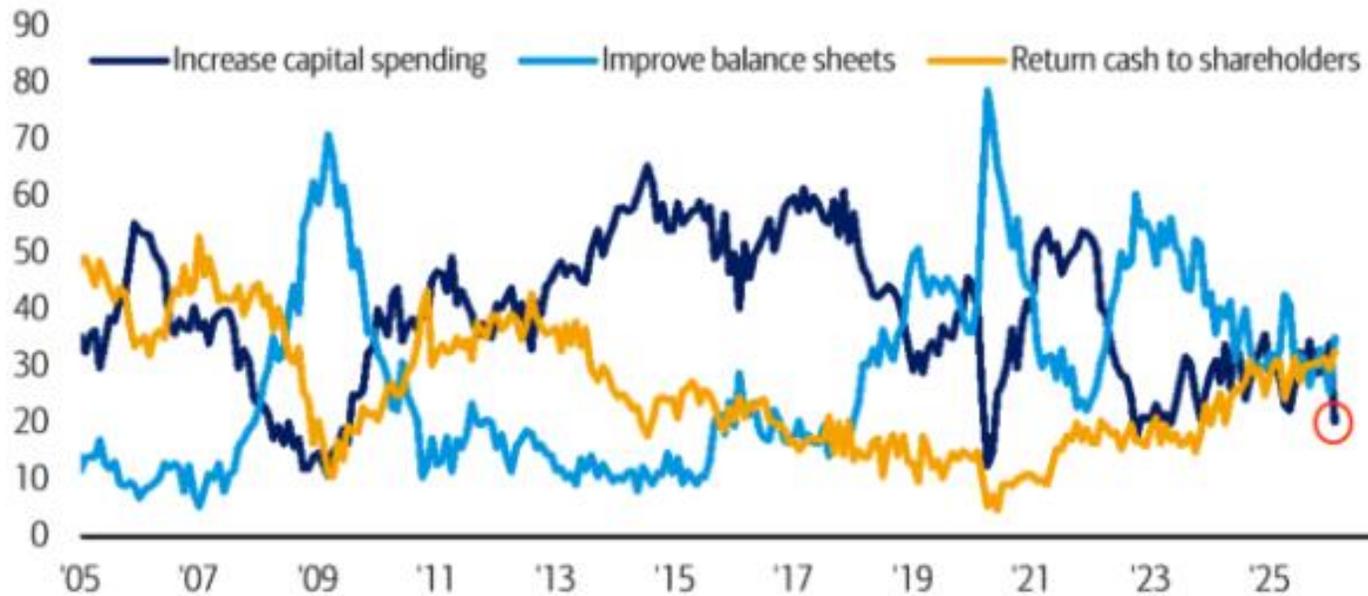
Source: BofA Global Fund Manager Survey

TOO MUCH SPENDING IS SCARING FUND MANAGERS

Just 20% of survey respondents said companies should improve capital spending when asked about the best use of cash flow. As the figure below shows, that share's rarely been lower.

Chart 28: What would you most like to see companies do with cash flow?

What FMS investors would most like to see companies do with cash flow



TOO MUCH SPENDING IS SCARING FUND MANAGERS

A third of panelists said companies should return cash to shareholders, the highest share in a dozen years.

35% said management should improve their balance sheets.

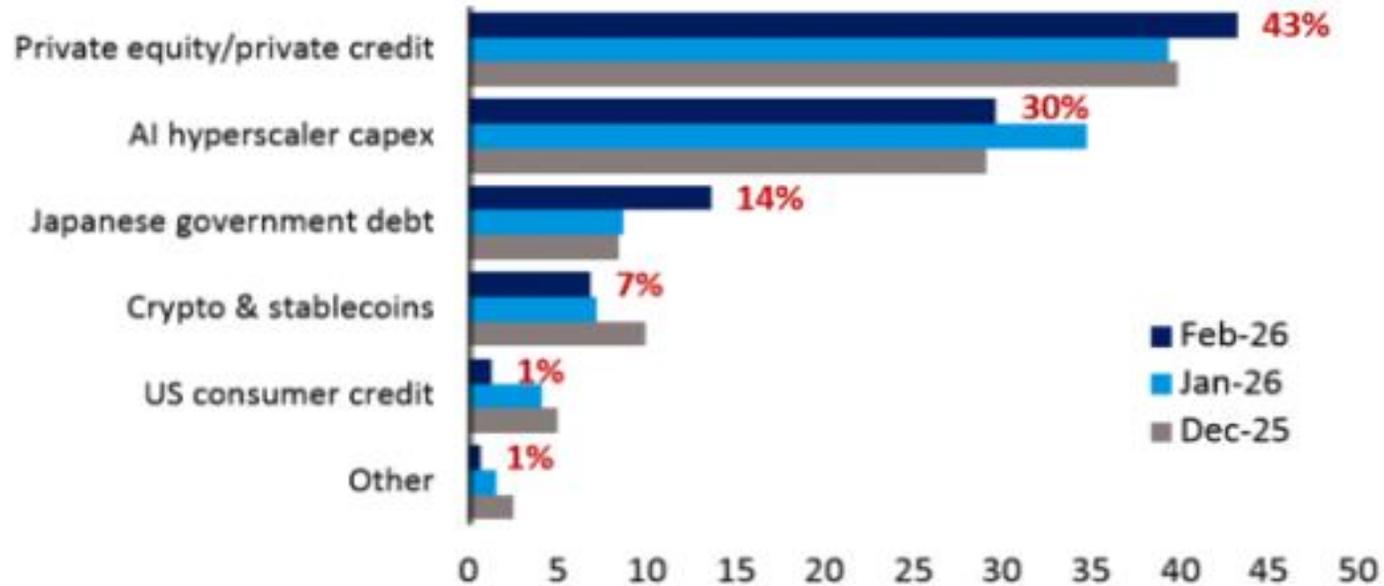
“Capex is too hot right now,” BofA’s Michael Hartnett said, in the editorial accompanying the survey results.

Meanwhile, in a nod to an AI-driven “loan-ageddon,” the share of respondents who said private equity and private credit are the most likely source of a credit event rose to 43%.

Fund managers are more worried about hyperscaler's credit than a crypto collapse!

TOO MUCH SPENDING IS SCARING FUND MANAGERS

What is the most likely source of a systemic credit event?



Source: BofA Global Fund Manager Survey.

TOO MUCH SPENDING IS SCARING FUND MANAGERS

As the figure shows, that's up markedly from January. Hyper-scaler capex was number two on that list, commanding a 30% share.

So, if a meaningful share of the angst in private credit is now a function of the AI disruption threat, **three-quarters of the perceived credit event risk in markets is now tied to AI.**

Ironically, one side of that assumes AI lives up to its promise (e.g., disruption from agentic AI undermines software businesses, causing private loans to sour) and the other side assumes it doesn't (i.e., incremental hyper-scaler capex turns out to be good money after bad with the benefit of hindsight). - **Which one wins?**

This month's fund manager poll included responses from 162 participants.

STOCKS

DashDoorDash - (DASH) \$180 post earnings romp as buyers flock to massive order guidance.

Two days back I had published an article reiterating a buy for DoorDash, around \$160, stating that the sell off was overdone. DoorDash reported post market today and after an initial hesitant drop roared back on some very impressive volume growth.

Here are the details from their press release.

Fourth Quarter 2025 Key Financial Metrics, all include Deliveroo numbers as the acquisition was completed in Q4-2025

- Total Orders increased 32% year-over-year (Y/Y) to 903 million. Organic growth of 20%.
 - Marketplace GOV increased 39% Y/Y to \$29.7 billion. 25% excluding Deliveroo.
 - Revenue increased 38% Y/Y to \$4.0 billion. Organic growth 26%
 - GAAP net income attributable to DoorDash, Inc. common stockholders increased 51% Y/Y to \$213 million.
 - Adjusted EBITDA increased 38% Y/Y to \$780 million.
-

STOCKS

DoorDash Organic growth was strong as well: In 2025, DoorDash grew Marketplace GOV by 27% Y/Y (23% Y/Y excluding the impact of Deliveroo) and exited the year with over 56 million monthly active users (MAUs) and over 35 million DashPass, Wolt+, and Deliveroo Plus members. These three cohorts are their premium cohorts and a large % shows a lot of brand loyalty.

Expanding into other verticals: DASH attracted more new consumers to their U.S. grocery and retail categories in Q4 2025 than in any previous quarter. It drove initial engagement among their newer cohorts and drove strong growth in order rates among their mature cohorts.

In total, over 30% of DASH's U.S. MAUs and nearly 30% of our global MAUs engaged with our grocery and retail categories in December. This is an excellent metric, and I am surprised to see it this large. Most retail and grocery are walled – that is, Walmart and Amazon manage their own delivery capturing large market share, so DASH getting traction here is impressive.

I own the stock and plan to hold it for the long-term.

STOCKS-CADENCE

Cadence (CDNS) \$300 up 7% post earnings. Holding.

Cadence's earnings mitigated and defied fears of AI disruption, as it beat on earnings, revenues and also raised guidance. It was good to see shares rise 7% post earnings and take competitor Synopsis (SNPS) up with it. EDA (Electronic Design Automation), is not so easily disrupted and Cadence strongly pushed back at suggestions that it would be run over.

Q4 Adjusted EPS of \$1.99 up marginally 3% beat estimates of \$1.91.

Revenue of \$1.44Bn (+5.9% Y/Y) also beat by \$20Mn.

Sure, the beats weren't massive by any standards, but they were beats nonetheless, defying the chaos perpetuated by all the "SaaSageddon" narrative, which was torching every software company indiscriminately.

For the discerning, yes Cadence is a software EDA, SaaS type company, but it is the source of all things AI, and replacing it is highly , highly unlikely.

STOCKS-CADENCE

Cadence (CDNS)

The guidance for 2026 was also slightly higher.

Revenue from \$5.9Bn - \$6.0Bn vs \$5.94Bn consensus

GAAP operating margin between 31.75% and 32.75%

Non-GAAP operating margin ranging from 44.75% to 45.75%

GAAP diluted EPS from \$4.95 to \$5.05

Non-GAAP diluted EPS of \$8.05 to \$8.15 vs \$8.05 consensus

Cadence ended the quarter with a record backlog of \$7.8Bn, of which about 65% to 70% will be recognized as revenue in 2026.

Wall Street loves it and investors drove the stock 7% higher post market, a welcome change in sentiment still rewarding good companies.

STOCKS-CADENCE

Cadence (CDNS)

Wells Fargo analyst, Joe Quatrochi reiterated his Outperform rating, but lowered his price target to \$375 from \$410, had this to say.

"Cadence's initial 2026 guide of \$5.90-\$6.0B implies +12.3% y/y at the midpoint, which was in line with our previewed buy side bogey. That said, Q26 guide implied at +16% y/y (we believe HW-driven) & re-accelerating recurring [software] demand, we expect continual upside throughout 2026. We expect the company to highlight improving [hardware] demand as the yr. progresses given ~6-month visibility."

Bank of America analyst, Vivek Arya too liked the results:

"CDNS remains our top EDA pick as their portfolio is seeing share gains across all segments with 1) ASIC-based hardware platform remaining best-in-breed, 2) stronger exposure to TSMC ecosystem and at new foundries translating into IP share gains, and 3) 3DIC (~50% of SD&A) and physical AI (other ~50% of SD&A) EDA tools also taking share in expanding total addressable markets."

STOCKS - CADENCE

In my previous article, I had stated the management has a strong vision and will remain in the forefront with AI development, especially physical AI, which is the next frontier. This is a huge competitive advantage that will not be lost to AI.

CEO, Anirudh Devgan, had this to say:

"Cadence delivered excellent results for the fourth quarter, closing an outstanding 2025 with 14% revenue growth and 45% operating margin for the year. We are deploying Agentic AI workflows powered by intelligent agents that autonomously call our underlying tools... enabling our customers to significantly expand design exploration and accelerate time to market."

Management also reported growth for its ChipStack AI Super-Agent, suggesting endorsements from Qualcomm, NVIDIA, Altera, and Tenstorrent.

I agree with management's contention that they would make much better use of AI tools to improve their own products, and don't see any threats to their business model. It's a great company and should continue to do well. That said, given re-assessment of lower multiples for SaaS and software related businesses, it would be prudent to continue holding - Cadence quotes 35x \$8.11 2026 earnings, a fair price.

STOCKS-REDDIT

I've owned Reddit for a while, and believe that is going to be a very strong social media platform, because of its unique sub-reddits and user generated content.

Q4 results validated the investment thesis with some impressive numbers:

Reddit (NYSE:RDDT) provided a forecast that was above expectations, reported a strong revenue and profit beat for the fourth quarter, and greenlit a \$1B stock buyback program.

For the first quarter, Reddit expects revenue between \$595M and \$605M and adjusted EBITDA in the \$210M-\$220M range, both ahead of the Bloomberg consensus estimate of \$577.3M for revenue and \$203.2M for adj. EBITDA.

In Q4, the company saw daily active unique users rise 19% from last year to 121.4M, ahead of the 120.2M estimate.

STOCKS-REDDIT

Average revenue per user was \$5.98, up 42% from last year and ahead of the \$5.56 estimate. U.S. and international ARPUs were up in double-digit percentages and, also beat estimates.

During the quarter, the company said it launched verified profiles for brands and individuals and made “significant progress” in unifying its core search with Reddit Answers, its AI-powered search feature.

Free cash flow in Q4 was \$263.6M, up from \$89.2M reported last year.

Net income for the three months ended December 31 was \$251.6M, compared to \$71M a year ago.

On a per-share basis, the San Francisco, California-based company earned \$1.24, exceeding the average analyst estimate of 93 cents.

Total revenue surged 70% to \$725.6M and comfortably beat the consensus estimate of \$666.7M. Advertising revenue was up 75% at \$690M; revenue from other sources was \$36M, up 8.4%. Both metrics beat estimates.

Additionally, the company said it plans to phase out reporting on logged-in and logged-out later this year.

STOCKS - REDDIT

Reddit's stock hasn't budged after earnings and is now down 50% from its 52-week high of \$284.

Why?

These are the key challenges:

There were concerns about a lack of transparency for the future, since're they are not going to break out metrics from logged out users, who naturally don't monetize as much.

RDDT's heavy reliance on Google search and AI chatbots for traffic creates vulnerability as AI overviews increasingly answer user queries without clicks to underlying Reddit threads.

Its valuation is OK - 36x earnings growing at 40%, 9x sales growing at 30% - not overpriced but given the repricing of most tech stocks doesn't leave much room for error.

Markets were very skittish in the past two weeks, and there was a lot of "Sell the news"

I will add on declines – I think this is a very strong platform and will continue to grow for the next 5-10 years. It's a keeper. I have modest expectations and hope to make 14-15% a year from this price.

CYBER SECURITY

Wedbush discounts threat of AI displacing enterprise software, particularly in security

Wedbush Securities believes investor concerns over artificial intelligence models, such as those made by OpenAI (OPENAI) and Anthropic (ANTHRO), displacing enterprise software and cybersecurity providers stem from a "fear of the unknown."

The fear from AI startups is this will be the moment of reckoning for the software industry," said Wedbush analysts, led by Dan Ives, in an investor note.

"The fictional concept being debated in this market is that enterprise software and cyber security will not be needed by enterprises in the future...IT budgets can cut 70% of their budgets by going with cheaper AI tools," he added. "While this sounds like a good thesis on paper or on a whiteboard...the reality is dramatically different, as the complexity of enterprises today makes this a nearly impossible task."

Bear in mind, Wall Street and Wedbush particularly have a lot invested in cyber and their own reputations to protect, so form your own judgement but cyber is essential and should continue to see demand,

CYBER SECURITY

He points to technological innovations over the past 25 years that were supposed to unravel sectors. For example, when Microsoft (MSFT) began offering cybersecurity products about 20 years ago, it was expected to wipe out most of the competition. Instead, a wide array of security companies have emerged and are a critical piece of enterprise budgets.

Despite numerous mergers and acquisitions in the sector, there are nearly 9,000 companies in the cybersecurity sector in the U.S. alone. The U.S. Bureau of Labor Statistics projects a 33% increase in information security analyst jobs from 2023 to 2033.

"Palo Alto (PANW) is positioned squarely at the top of the cybersecurity mountain with this CyberArk deal to monetize the AI cyber-TAM as it hits over the next 12 to 18 months, yet this morning investors are nitpicking the long-term AI vision vs. showing success right now," Ives noted. "In a nutshell, the future AI tech winners are being built while many investors will miss this narrative like other ones over the decades in tech."

I'm not selling my cyber stocks.
