



01/29/2026

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 STOCK MARKET IS THE ECONOMY

From the Wall Street Journal: The share of U.S. household financial wealth derived from stocks has never been so high, easily exceeding the peak of the tech bubble. Zooming in on who owns the lion's share of it explains a lot about recent consumer behavior.

About half of all consumer spending now comes from just the top 10% of households by income, defying economic pressure felt by lower-income people. The breakdown in terms of net worth is similar.

Few other developed countries' citizens are anywhere close to America's in terms of stock ownership. A German, Japanese or Dutch household is about as quarter as likely to have any.

The market is up because the economy is growing and consumer spending is strong. A lot of that might be the tail wagging the dog.

THE STOCK MARKET IS THE ECONOMY

Is this a contrarian indicator of a market possibly topping?

A Magnificent Feeling

Stocks as share of financial assets*



Note: *U.S. Households and nonprofits

Source: U.S. Federal Reserve

ECONOMIC INDICATORS – CONSUMER CONFIDENCE REPORT

Consumer Confidence Report – 84.5 V 91 expected.

Present situation gauge – 113.7 a five-year low.

Expectations 65.1 – 15 points below that has historically presaged a recession.

The decline was across all age groups.

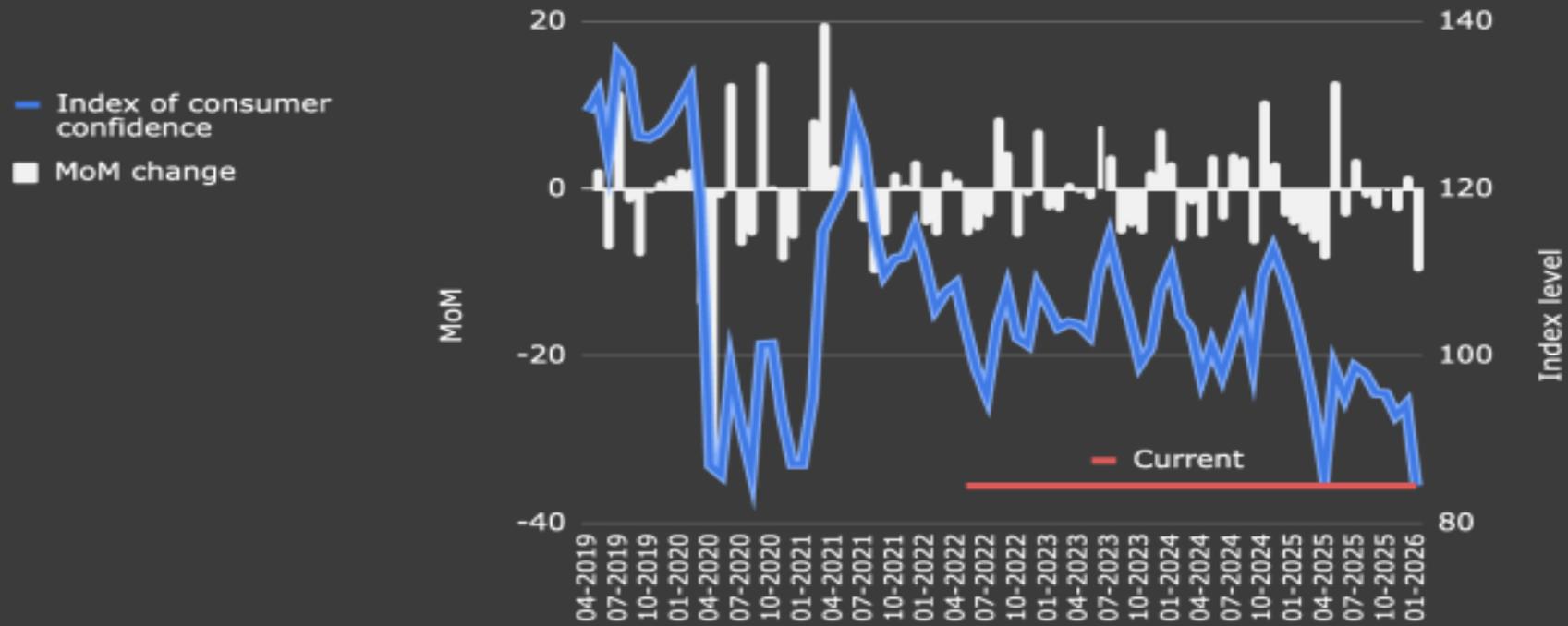
The greatest decline was among independents.

Based on yesterday's Consumer Confidence report for January from the Conference Board, the K-shaped economy is growing more extreme with the bottom half of consumers falling deeper into despair. The index declined last month to its lowest level since 2014, dropping below the worst level during the pandemic. The top concerns were job stability and availability, elevated food and grocery prices, tariffs and trade, as well as health insurance costs.

ECONOMIC INDICATORS – CONSUMER CONFIDENCE REPORT

'Collapse'

US consumer confidence plunges to lowest since 2014



ECONOMIC INDICATORS – CONSUMER CONFIDENCE REPORT

There are two points we should think about:

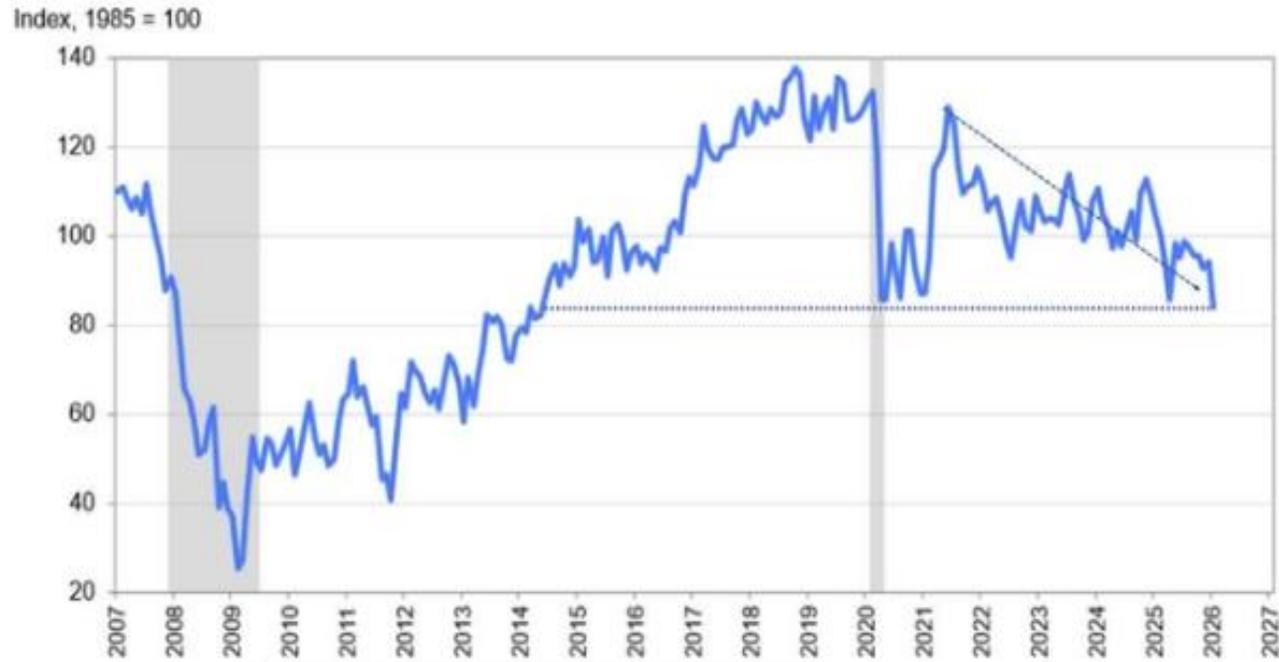
Look at how the 84 indicator compares to the index going into the great financial crisis – this is not yet showing up in GDP, but when you combine it weaker employment indicators, I believe we may have something to at least caution us.

The second point is it is continuously downward, which means nothing from stock market gains is helping this index, and as the reporter indicate this is across income levels – it's not that the sample size consists of people who have not invested or traded in the stock market...

Not an immediate actionable indicator but, cannot ignore it.

ECONOMIC INDICATORS – CONSUMER CONFIDENCE REPORT

Consumer Confidence Index®

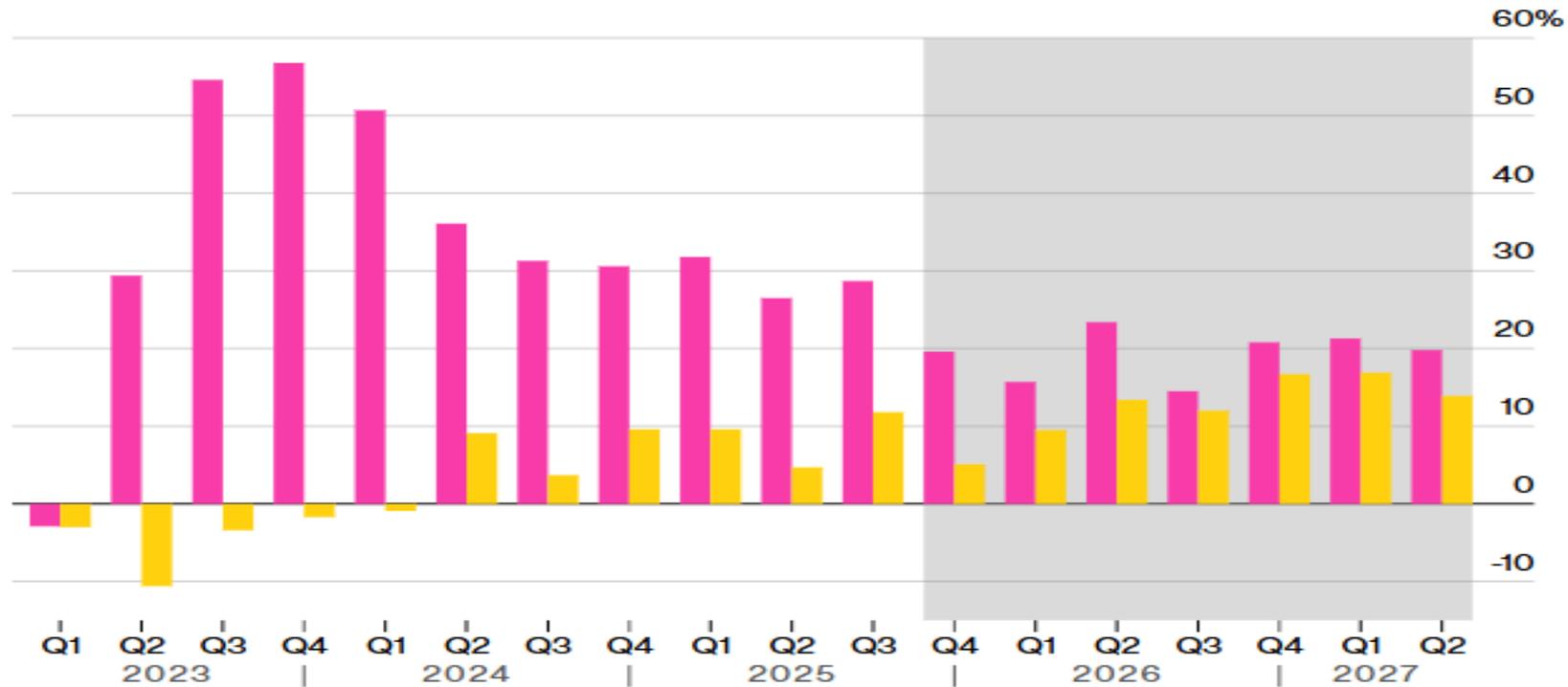


EARNINGS WEEK – PROFIT MARGINS IMPROVE BEYOND BIG TECH

Big Tech's Earnings Advantage Is Narrowing

Profit growth is improving for the other 493 companies in the S&P 500

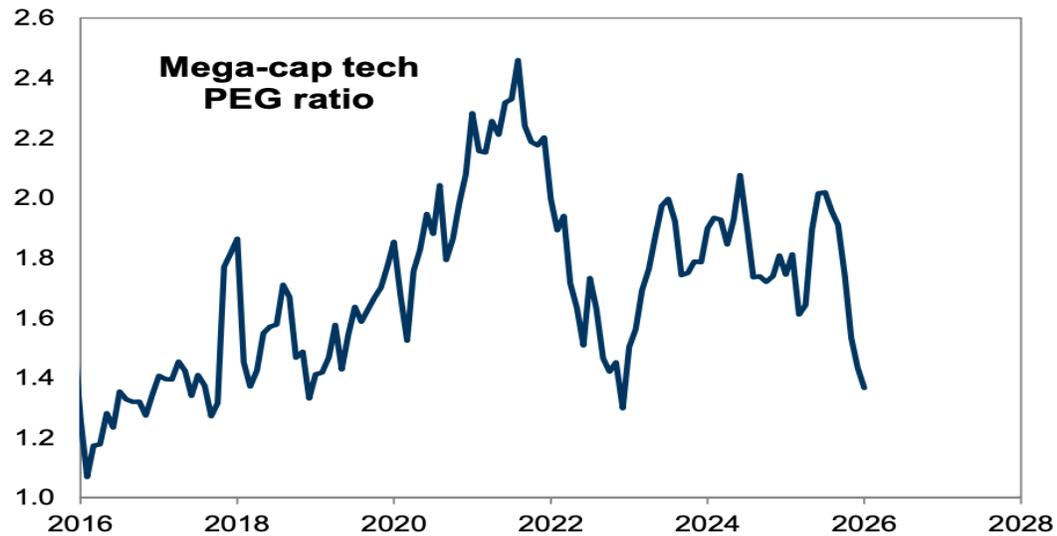
■ Magnificent 7 earnings growth ■ S&P 500 ex-Magnificent 7 earnings growth
■ Estimates



Source: Bloomberg

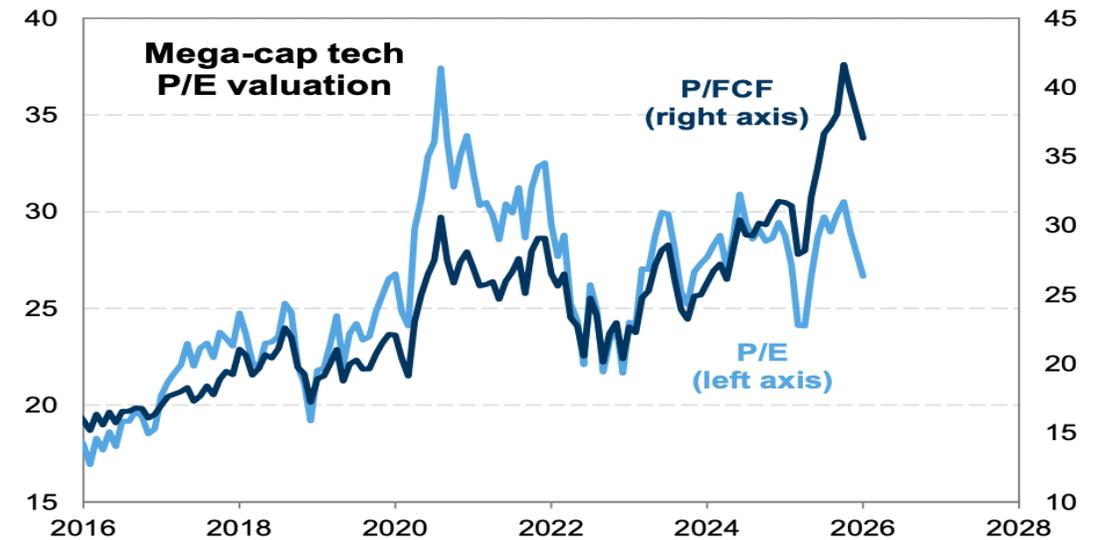
MEGACAP VALUATION RATIOS WILL BE SCRUTINIZED

Exhibit 6: Mega-cap tech PEG ratio has declined sharply
includes AAPL, AMZN, AVGO, GOOGL, META, MSFT, NVDA; PEG = P/E to CY3 EPS growth



Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 7: FCF multiples are much more stretched than earnings multiples
includes AAPL, AMZN, AVGO, GOOGL, META, MSFT, NVDA



Source: FactSet, Goldman Sachs Global Investment Research

MEGACAP VALUATIONS – PRICE EARNINGS OR PRICE CASH FLOW

The figures above, from Goldman, illustrate the point. The figure on the left suggests mega-cap tech hasn't been this reasonably priced on a PEG-basis since 2022, when the Mag7 cohort suffered a brutal bear market. The figure on the right shows you the impact of the capex binge: The price/FCF metric is more than double what it was a decade ago.

“Mega-cap tech valuations appear particularly low relative to earnings growth, but dwindling free cash flows complicate the signal,” Goldman’s Ben Snider remarked, editorializing around the visuals.

“Investors have increasingly questioned whether earnings-based valuations are appropriate for the stocks involved in the AI capex buildout,” he went on, noting that the disparity between low P/E ratios for mega-cap tech and sky-high price/FCF multiples “indicat[es] downside risk to valuations if concerns over the returns to AI investment continue to build.”

MEGACAP VALUATION PARAMETERS LIKELY TO CHANGE

Goldman has a point – I would like to revisit this graph regularly because the whole science behind a valuation is based on the correct price one pays relative to earnings, and those vary from industry to industry and business model. An asset light company that doesn't have to keep spending naturally will have a better valuation multiple, whereas a capital-intensive business that constantly needs to spend hardly has any cash left over for its shareholders, the business keeps sucking up profits...till it becomes a vicious circle.

The Megacaps have changed – they had cash to spare for more than a decade. Now Alphabet, Microsoft, Meta and Tesla are on the race to the bottom, which means analysts need to spend time analyzing price to cash flow in advance and not wake up one day and realize that capex is not yielding results and that the hyperscalers have become utilities.

We will come back to this chart every quarter, I don't want to be playing musical chairs and be the last person in the room....

EARNINGS WEEK – META WAS SOLID

Meta (META) Revenue in Q4 was \$59.9Bn, up 24% and ahead of estimates of \$58.5Bn.

The current quarter sales guide's \$55 billion at the midpoint, a 30%YoY gain. Analysts were looking for \$51.5Bn so even if sales come in at the low-end of the range, it'd be better than consensus as it stood prior to Wednesday.

Ad revenue's growing fast enough to fund some of the AI capex, even as Meta's newly-established footprint in the IG corporate bond market speaks to the necessity of funding some of the buildout with debt.

Operating cash flow was \$30Bn with Capex of \$31Bn.

Last quarter, Mark Zuckerberg spooked markets with an aggressive expense guide which included a reference to “notably larger” capital expenditures in 2026 and “a significantly faster” percentage increase in total expenses. On Wednesday, Meta put some numbers to those quasi-warnings. Total expenses for 2026 should be between \$162-169 billion, the company said. Taking the midpoint, that'd be around 40% higher versus 2025. The midpoint of the 2026 capex guide — \$125 billion against estimates for \$111 billion — suggests those outlays specifically will rise almost 75% this year. despite the meaningful step up in infrastructure investment,” operating income will rise this year versus 2025.

Investors gave Meta the benefit of the doubt with a 6.6% increase post-market.

EARNINGS WEEK – MICROSOFT GETS NO LOVE

Microsoft on the other hand got no love dropping almost 6% after market, the earnings call providing no respite. This further dropped to \$425 (-12%) by Thursday afternoon.

It did everything right!

Total sales rose nearly 17% to \$81.27Bn, comfortably beating the \$80.30Bn consensus.

Azure growth last quarter was 38% on a constant currency basis, slightly slower than the prior quarter's YoY rate, and generally in line with consensus.

What displeased investors? Here too, the focus was on spending and at \$37.5Bn for the quarter, capex rose more than 65%. The overshoot versus consensus wasn't especially pronounced (analysts were looking for \$36Bn), but the combination of "merely in line" Azure growth and higher-than-expected outlays gave markets pause.

Barron's summed it well - "Meta sells attention. Microsoft sells computing capacity," he said. "It also explains why guidance dominates the first move. In an AI cycle, the profit line is the snapshot. The capital plan is the plot. "Investors do not dislike investment. They dislike investment without a clear timetable for returns."

I believe the sell-off is overdone. 2% of the portfolio is in Microsoft and I continue to hold.

EARNINGS WEEK – IBM

Q4 Non-GAAP EPS of \$4.52 beats by \$0.23.

Revenue of \$19.69B (+12.2% Y/Y) beats by \$480Mn.

Cash flow: Net cash from operating activities of \$13.2Bn; free cash flow of \$14.7Bn

Full-Year 2026 guidance:

Revenue: 5% in constant currency with a half-point currency tailwind to growth for the year

Free cash flow to increase by about \$1Bn year-over-year

Generative AI book of business: \$12.5Bn

Bought at \$292 in December 2025, Holding I expect it to reach around \$335-345 by the end of the year.

EARNINGS WEEK – AI STOCKS – ASML, ADVANTEST, LAM RESEARCH

These are all building blocks and all three had standout quarters indicating that AI picks and shovels are selling up to capacity and scrambling to fulfill demand.

These stocks should continue to get rewarded for another reason, they received the benefits of all the Capex being spent, and with the hyperscalers confirming high levels of Capex for the years ahead, it makes sense to stay invested in these and other data center AI stories.

We've posted their earnings and I'll summarize them a bit.

ASML - HOLD The highlight was the high level of bookings. ASML reported net bookings of about €13.2B in the fourth quarter, beating an average estimate of €6.85B by analysts, Net bookings for EUV machines were €7.4B.

Investors looked to be taking some profit after the ADRs more than doubled in the past 12 months. “Analysts will almost certainly give their numbers a healthy push higher, but with the shares having almost doubled over the past 6 months, plenty of the good news is already baked in,” said Matt Britzman, senior equity analyst at Hargreaves Lansdown.

EARNINGS WEEK – AI STOCKS – ASML, ADVANTEST, LAM RESEARCH

Advantest (ATEYY) - **An absolute favorite – the 20% jump will see some profit taking.**

Advantest – (ATEYY) \$191- the world's largest semiconductor tester with over 60% market share reported insane quarterly earnings, with a 64% jaw dropping surprise! It has been a core holding for more than three years and I continue to hold it.

Advantest reported financial results on January 28, 2026, that far exceeded market consensus:

Net Income: ¥78.7 billion, which was 64% higher than analyst estimates.

Revenue: ¥273.8 billion, beating consensus by 26%. In my last report on Seeking Alpha I too had a conservative estimate, but am not surprised at all, simply because testing Blackwell chips requires a high degree of expertise as do (HBM) high bandwidth memory chips.

Margins: The company achieved a record gross margin of 62.0% and an operating margin of 41.5%.

The automated testing industry is a duopoly dominated by Advantest and Teradyne and the strong margins reflect massive pricing power.

EARNINGS WEEK – AI STOCKS – ASML, ADVANTEST, LAM RESEARCH

Advantest: Upward Guidance Revision

Advantest indicated that the good times are likely to continue sharply increased its full-year FY2025 forecast: (Advantest has a March year ending, its fiscal 2025 ends March 2026).

There is no let-up in sight at least for another year, and management indicated that digestion remains a myth, gladly! as the expected slowdown never materialized and instead demand remained robust. It also guided to 30-40% revenue growth in FY2026, driven by AI, GPU, and custom ASIC markets.

Management has a reputation of being conservative, and I suspect that these forecasts too would likely be beat and growth will continue. Given strong inferencing needs and the emphasis on expanding the entire AI chip market by both GPUs and ASICs it stands to reason that the automated test equipment (ATE) market will continue to grow. After all at least \$500Bn in Capex is expected towards AI 2026, and likely to continue to 2030, and it stands to reason that a fair chunk will also go to the tester. **At some point, a 14x sales and 50x earnings multiple will start biting and investors should gear up to encash 20-25% as profit.**

EARNINGS WEEK – AI STOCKS – ASML, ADVANTEST, LAM RESEARCH

Lam Research (LRCX) - Lam Research wafer fabrication powerhouse in the semiconductor industry. They are best known for their dominance in Etch and Deposition—two of the most critical steps in building modern chips like those used for AI and advanced memory.

It too outperformed but is likely to see some profit taking.

Q4-2025 quarter

Revenue of \$5.34Bn.

U.S. GAAP gross margin of 49.6%,

U.S. GAAP operating income as a percentage of revenue of 33.9%,

U.S. GAAP diluted EPS of \$1.26.

Guidance:

Non-GAAP gross margin of 49.7%,

Non-GAAP operating income as a percentage of revenue of 34.3%,

Non-GAAP diluted EPS of \$1.27.

GAME STOP GME – BERKSHIRE 2.0?

GameStop (GME) \$24 - Dismissing it as a meme stock was a mistake, but we are still so early in this saga. I purposely use the word saga, because it's nothing less, there's been no shortage of drama, intrigue and volatility.

I bought GameStop shares this morning, convinced largely by Dr. Michael Burry's 8,000-word due diligence masterclass on this stock. Most of his articles on stocks are, I bought Molina Healthcare, (MOH) another one of his recommendations coming away strongly convinced that it was a hidden gem.

Why GameStop, and why now?

GameStop has now become a holding company, or 70-80% on its way to becoming one with \$8.8Bn in cash and a market cap of 10.75Bn, just 20% more than the cash in its bank.

It does have long-term debt, but non-interest-bearing convertible notes, which gets converted to equity if GameStop's stock crosses certain thresholds. In my estimate, the notes will get converted, not just because of a short squeeze, but retail shareholders are likely to stay invested expecting Ryan Cohen to allocate that cash wisely to the benefit of the shareholders.

GAME STOP GME – BERKSHIRE 2.0?

At this point the value of GameStop is in a young 40-something Ryan Cohen and the optionality of many billions in his hands. I think most can see this. Most everyone on the planet knows that GameStop has been shrinking its store count dramatically. The operating business is in practical liquidation.

The Positives (The "Berkshire 2.0" Blueprint)

Massive Capital Optionality: With \$8.8 billion in cash and virtually no debt, Ryan Cohen has one of the cleanest "blank check" balance sheets in the market. This allows him to be the "lender of last resort" or a "sweetheart" deal-maker during market downturns, much like Buffett in 2008.

The NOL Tax Shield: The \$750M+ in unrestricted Net Operating Losses is a hidden asset. By acquiring a profitable business, GME can shield that new company's earnings from federal taxes, effectively increasing the acquisition's post-tax yield compared to any other bidder.

Extreme Management Alignment: The January 2026 CEO Performance Award is 100% "at-risk." Ryan Cohen receives zero salary or cash bonuses; he only profits if he hits massive milestones (\$100B market cap and \$10B cumulative EBITDA). This ensures he is incentivized to pursue high-growth, high-margin acquisitions rather than just managing a slow retail decline.

GAME STOP GME – BERKSHIRE 2.0?

NAV-Accretive Dilution: By selling shares at 5–8x tangible book value during price spikes, GME has successfully "arbitraged" its own stock. This math has allowed the tangible book value per share to rise even as the total number of shares increased, protecting the "floor" for long-term holders.

Positive Carry-on Debt: The recent convertible debt offerings (due 2030 and 2032) carry a 0% interest rate. GME can take that capital and earn 4–5% in money market funds or short-term Treasuries, meaning the debt itself is currently generating risk-free earnings that contribute to the company's bottom line.

In Dr. Burry's words: Simply, Ryan's plan appears to be to raise more cash with another stock rally into the \$30s. This is the idea behind the warrants and the two big debt offerings. He has to be careful not to issue so many shares though that there is a 50% ownership change within a rolling 3-year period, which would significantly limit use of those NOLs.

There is a good chance the debt offerings and warrant issuance is part of a plan to space out the 50% ownership change in order to avoid losing the NOLs. \$750 million of the NOLs are unrestricted and can be applied to US taxes. Not an asset to lose.

That NOL shelter also makes any business GameStop buys cheaper for it than almost any other buyer. The tax-free post-deal cash flow will be larger and can support a higher price for a bid.

GAME STOP GME – BERKSHIRE 2.0?

The Challenges (The Execution Risks)

The "Section 382" Ownership Trap: The biggest technical risk is an "ownership change" (a 50% shift in shareholders over 3 years). If GME issues too many shares too quickly to fund a massive buy, they could forfeit the NOL tax shield, destroying one of their primary competitive advantages in the M&A market.

The Shrinking Core Anchor: While the "liquidation" of the retail business provides cash, the hardware and software revenue continues to decline (down ~12% and ~27% respectively in recent quarters). Cohen must find a "cash cow" acquisition fast enough to replace the vanishing retail cash flow before the market loses patience with the "holding company" narrative.

Valuation "Ennui" and Multiple Compression: If Cohen remains patient for too long without announcing a major acquisition, the premium may evaporate, causing the stock to drift toward its cash value (\$13–\$15 range), which could trigger the very "forced conversion" or "put" scenarios in the debt offerings you want to avoid.

GAME STOP GME – BERKSHIRE 2.0?

So, Ryan is making lemonade out of lemons. He has a crappy business, and he is milking it best he can while taking advantage of the meme stock phenomenon to raise cash and wait for an opportunity to make a big buy of a real growing cash cow business. He also has an incentive to keep that old business around bringing in a billion or two of revenue because that old business is necessary to access those NOLs in the event a 50% ownership change does occur. Therefore, Ryan likely cannot shut down the old business entirely, or shrink it too much more.

What's more, if GameStop buys another business, he has to make sure the old business is still alive and kicking for at least two years after the acquisition in order to keep the benefits of the NOLs. If I am Ryan now, I want the stock to rally into the \$30s. I want to raise cash through those warrants and I want to get rid of the debt by issuing equity. The stock in the \$30s would move that along. If it goes higher still, issue more stock, but not too much as to squander the NOLs. After that, GameStop would have no debt, \$1.9 billion from the warrants on top of the \$8.8 billion it has 648 million shares outstanding, with a small operating business throwing off something and validating the whole thing for a while longer.

GAME STOP GME – BERKSHIRE 2.0?

Then, I would proceed to live my life doing my best Warren Buffett impression. Patiently buying all or in part great businesses and doing sweetheart financing deals in tough times. Ryan could do it. He is circumspect enough, patient enough. I do not know about this Bitcoin thing, but I cannot argue with what has been done so far.

I own GME. I have been buying recently. I expect I am buying at a bit over what may soon be 1x tangible book value / 1x net asset value. And getting a young Ryan Cohen investing and deploying the company's capital and cash flows. Perhaps for the next 50 years.

That is not a common occurrence in the U.S. stock market today. With the downside protected by its tangible asset value, being long GameStop is almost as asymmetric as it gets these days in U.S. common stocks.

I believe in Ryan, I like the setup, the governance, the strategy as I see it. I am willing to hold long-term, and I am excited to see where this goes. I am fifteen years his senior, but not too old to be patient.

WHAT TO MAKE OF HEALTHCARE STOCKS?

United Healthcare (UNH) - Yes, the valuation is terrific, but this a large, stodgy company whose size is great, when things are going well but a big negative when it comes to turning it around. And the administrations reduction of government sponsored programs payments hurts a large, mostly flatfooted company more than some of the nimbler, smaller niche players. The government's Medicare A payments for 2027 have seen very small 0-2% payment increases according to several estimates. Analysts were expecting 5-7% at a bare minimum, given high inflation. The weak results and guidance from United Health also suggests that it will take longer to come out of its problems.

Game plan:

Holding United Healthcare - (UNH), not going to add more.

Holding Molina Healthcare – (MOH) – Going to add more.

Centene (CNC) Holding, I'm making 40%, the easy gains are over, I may sell half.

Oscar (OSC) Holding, not going to add more.
