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11/06/2025

Weekly Webinar

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# 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.

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## CORRECTION WORRIES - 1

Morgan Stanley's CEO expresses concerns and expects a healthy correction.

10-15% drawdown is not ruled out. - You can read the [Correction article here](#).

Goldman too expects a correction - A pullback is healthy at these levels

### **Dr. Micheal Burry shorts Palantir and Nvidia - \$1Bn payoff on put options on Palantir and Nvidia**

Michael Burry was the successful investor who predicted and profited tremendously from the Great Financial crisis. He saw that all Wall Street firms were overleveraged and the mortgage-backed securities were going to be worthless if buyers walked away from their homes.

He was about 3 years early, if that is any indication ■ ■ ■ ■ ■

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# CORRECTION WORRIES – 2 WALL STREET JOURNAL SHILLER P/E RATIO

**Nosebleed Territory**  
Shiller P/E ratio, past 100 years



Source: Prof. Robert Shiller

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## THE SHILLER P/E RATIO

The Shiller P/E ratio is now at 40

The popular benchmark called the Shiller P/E ratio, created and popularized by Nobel Prize-winning economist Robert Shiller which looks back at 10 years of earnings and adjusts them for inflation to cover an entire business cycle is at **40 for only the second time in its existence.**

The first time was during the roaring internet "irrational exuberance" era before it all crashed and burned.

The Shiller P/E is helpful because it simply suggests that future returns could be muted when one is jumping in at such a high valuation.

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## THE SUPREME COURT TARIFF CASE - 1

A lot of skepticism from both liberal and conservative judges...

- Expressing executive over reach
  - Separation of congress and executive – tariffs, which are taxes are the exclusive privilege of the legislature
  - There was no emergency for the use of IEEPA
  - Incorrect use of the relevant law and statute
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## THE SUPREME COURT TARIFF CASE - 2

Should the courts rule in favor of the administration, tariffs and uncertainty will continue without Congress' oversight.

Should the courts rule against the administration, tariffs will continue under sections 232, 301 and 122, which have limited consequences and more oversight.

We could get a ruling within weeks to a month.

Will it affect valuations or the stock market? It could reduce uncertainty and help importers strategize for the long run.

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# THE SHUTDOWN CONTINUES 11/06/2025 UPDATE

According to the CBO, the shutdown has already cost the country \$18Bn. It believes that the number will only intensify

Most of the hit would be temporary, and recovered in Q1-2026, but it believes that \$14Bn might never be recovered.

GDP is already poised to be at least one percentage point lower in the fourth quarter.

Once the shutdown reaches the six-week mark — the group expects real GDP growth to be 1.5% points lower in the fourth quarter, a reduction of \$28Bn. And if it extends to eight weeks, roughly around the Thanksgiving holiday, the hit to real GDP will grow to 2%, or \$39Bn.

Multiple factors are driving the pullback in economic activity, including fewer services provided by federal workers, lower output in the private sector and less federal spending on goods, services and food assistance.

Adding to job woes: If all furloughed workers were to be counted as unemployed on temporary layoff, the group estimates the unemployment rate would climb 0.4% in October as a result. That would mark the biggest one-month jump in the jobless rate since the onset of the pandemic.

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# THE SHUTDOWN CONTINUES

## US Shutdown Costs Billions of Dollars Each Week

Economists calculate the hit to gross domestic product growth

Estimates	Loss to GDP per week
KPMG	 \$10 billion
Barclays	 11
Treasury Secretary Scott Bessent	 15
Oxford Economics	 16
Moody's Analytics	 30

Source: Estimates compiled by Bloomberg News

Note: Barclays' estimate ranges from at least \$10 billion to as much as \$11 billion per week.

Oxford's estimate ranges from at least \$8 billion to as much as \$16 billion per week. All economists use varying methods to calculate GDP impact.

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# PAYROLLS STILL POSITIVE .....ADP

ADP reported 42,000 jobs added in October, breaking the decline of the past two months.

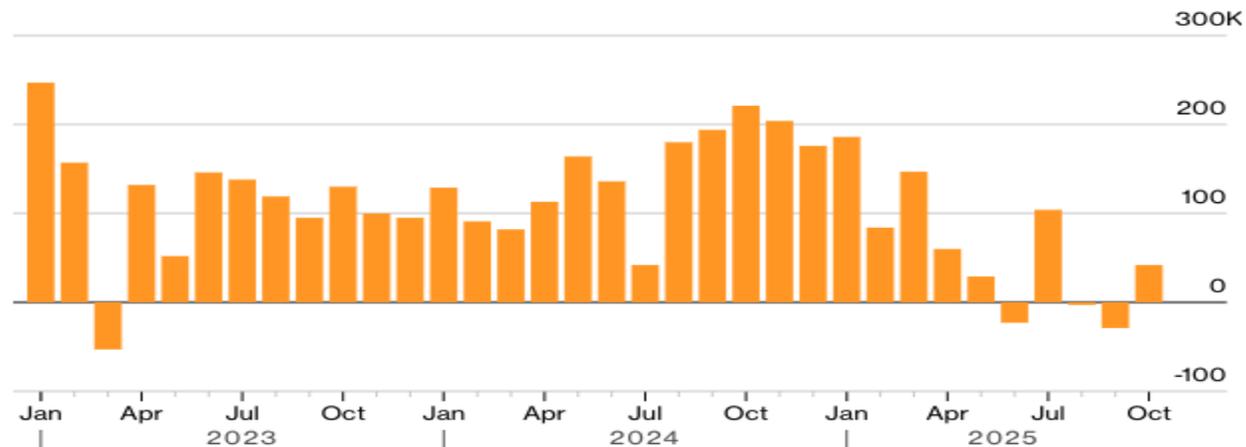
Private-sector payroll gain of 42,000 beat estimates of 30,000.

Wages remained stagnant

## US Private Job Growth Picked Up in October

ADP data show 42,000 advance after declines in prior two months

■ Change in US private payrolls



Source: ADP Research

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## **PAYROLLS STILL POSITIVE BUT.....LAYOFFS INCREASE**

### Challenger

Job cuts for October totaled 153,074, a 183% surge from September and 175% higher than the same month a year ago. It was the highest level for any October since 2003 and has been the worst year for layoffs since 2009.

Companies in the technology sector announced 33,281 cuts, nearly six times the level in September.

“Like in 2003, a disruptive technology is changing the landscape,” said Andy Challenger, workplace expert and chief revenue officer at outplacement firm Challenger, Gray & Christmas.

[Source: CNBC](#)

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## FOMC MEETING DID NOT GO AS EXPECTED

The Federal Open Market Committee cut 0.25% as expected,

Insurance against a weakening job market even with inflation running at almost 3%.

However, this was dissented on both sides, with Steve Miran asking for a larger 50 basis point cut and Governor Schmid, dissenting in favor of no cuts, citing still high inflation.

The surprise hawkish tone came with Chair Powell being quite explicit with this statement.

### **POWELL: RATE CUT IN DECEMBER IS 'FAR FROM' FOREGONE CONCLUSION.**

The end of quantitative tightening has been set for December 1st.

The size of the balance sheet will be frozen on December 1st, the end of tightening as expected.

Most governors felt that it was too early to forecast December at this stage, given that economy is fairly strong.

A prolonged government shutdown hinders the committee's ability to make the right policy decision

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# M-7 SPENDING

Exhibit 9: Summary of recent mega-cap tech results

Ticker	Market cap (bn)	3Q 2025 net income		Consensus capex			Revision to 2026 estimates	
		Billions	y/y	2025 Billions	2026 Billions	y/y	Net inc	Capex
GOOGL	\$3,403	\$35	33 %	\$94	\$123	32 %	4 %	24 %
MSFT	3,908	28	12	79	103	29	3	11
AMZN	2,377	21	38	125	146	17	2	7
ORCL	732	4	8	32	38	19	1	30
META	1,674	3	(83)	70	108	54	1	7
<b>Total</b>	<b>\$12,094</b>	<b>\$91</b>	<b>6 %</b>	<b>\$400</b>	<b>\$518</b>	<b>29 %</b>	<b>3 %</b>	<b>13 %</b>

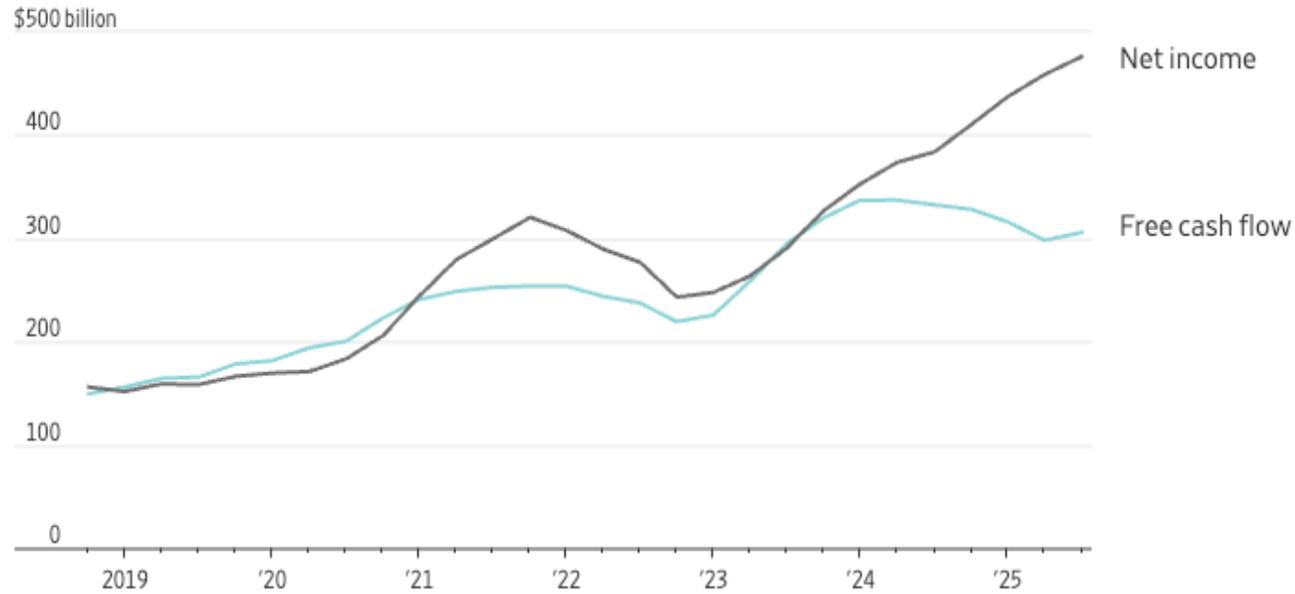
Revision to 2026 estimates calculated since the start of September

Source: FactSet, Goldman Sachs Global Investment Research

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# M-7 INCOME OUTPACING CASH FLOW

Net income and free cash flow for Alphabet, Amazon, Apple, Microsoft and Meta



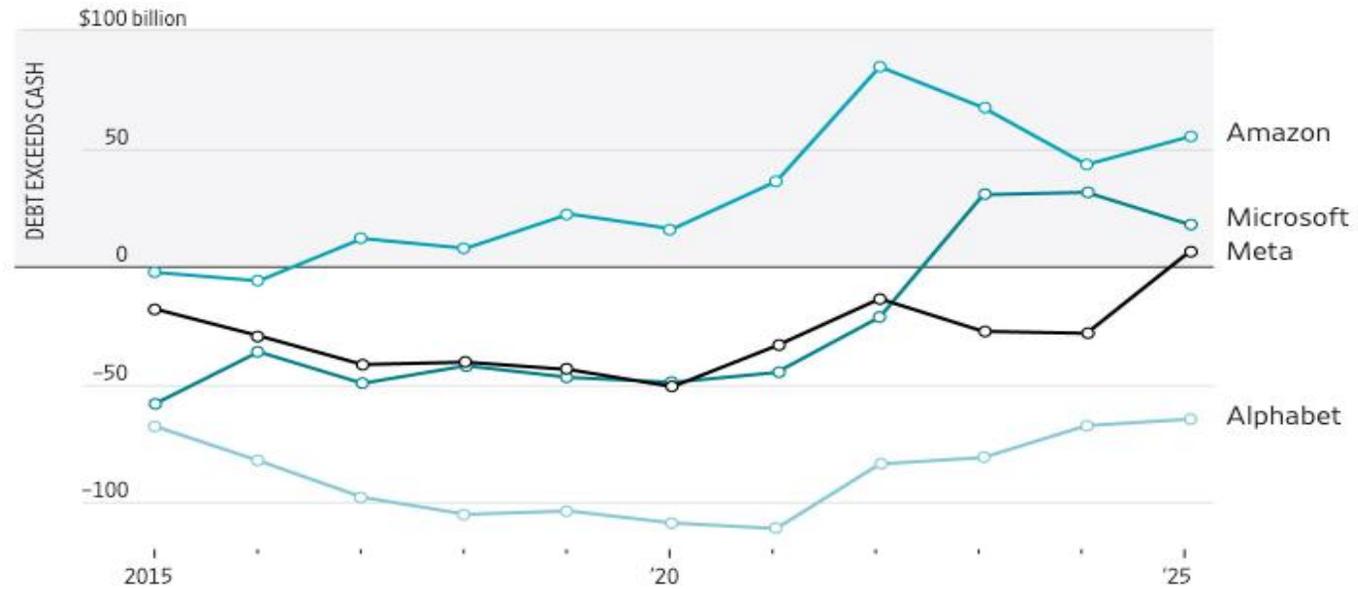
Note: Rolling 12-month totals

Sources: FactSet; the companies

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# M-7 NET DEBT INCREASES

## Net debt



Note: All figures are as of year-end except 2025, which are the latest available.  
Source: FactSet

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## M-7 EARNINGS - MICROSOFT (MSFT) EXCELLENT QUARTER

Azure Cloud grows 39%, both Earnings and Revenue beat consensus

Revenue \$77.7Bn up 18% V \$75Bn expected

Operating income \$38.0Bn up 24% (up 22% in constant currency)

GAAP Net income, \$27.7Bn up 12%, and non-GAAP, \$30.8Bn up 22% (up 21% in constant currency)

GAAP Diluted earnings per share, \$3.72 up 3%, V 3.66 est. non-GAAP EPS \$4.13 up 23% (up 21% in constant currency)

Revenue in Intelligent Cloud was \$30.9Bn and increased 28% (up 27% in constant currency), with the following business highlights:  
Azure and other cloud services revenue increased 40% (up 39% in constant currency)

Key Takeaways: While results were excellent, and prospects equally good, Microsoft promised a significant increase in Capex of 50% next year, comparatively higher than Google's 25% increase. Analysts are questioning this, which is a good thing.

The share tanked about 3% to \$527

Maintaining a hold

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# M-7 EARNINGS - ALPHABET (GOOG) EXCELLENT QUARTER AND GUIDANCE – 1

Alphabet revenues increased 16%, YoY to \$102.3Bn V estimate of \$100Bn

Google Search & other, YouTube ads, Google subscriptions, platforms, and devices, and Google Cloud each delivered double-digit growth in Q3.

Google Services revenues increased 14% to \$87.1Bn

Google Cloud revenues increased 34% to \$15.2 billion, led by growth in Google Cloud Platform (GCP) across core products, AI Infrastructure and Generative AI Solutions.

Operating income increased 9% and operating margin was 30.5%.

Adjusted operating income increased 22% and operating margin was 34%

Net income increased 33% and EPS increased 35% to \$2.87.V estimate of 2.26

## **Key takeaways:**

**Capex \$91Bn to \$93Bn - higher than \$85Bn forecast.**

**Capex growth of 25% in 2026, much lower than Meta's 60% and Microsoft's 50% - the markets loved it and bid up the stock 7%.**

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## M-7 EARNINGS - ALPHABET (GOOG) EXCELLENT QUARTER AND GUIDANCE – 2

Alphabet management spoke about AI during the call.

Gemini has about 650Mn users

Search was up 15% - amazing inspite of competition from ChatGPT, Perplexity, Claude and Grok. This has accelerated from 10, 11% from the last 2 years!

Sundar Pichai acknowledged that there are too many options for Search, and they plan to fix that. Search, AI Overview, AI Mode, Gemini....

Google Cloud backlog was solid at \$155Bn, growing 46%.

Google cloud platform has bagged more billion-dollar deals in the first nine months of 2025 than in the prior two years.

**We had bought some around \$245-\$250 – Now it's a hold.**

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## M-7 EARNINGS - META

Meta (META): Q3 GAAP EPS of \$1.05 misses by \$5.66.

Adjusted EPS 7.25 beats by \$ 0.54

Revenue of \$51.24B (+26.2% Y/Y) beats by \$1.83B.

Average price per ad – Average price per ad increased by 10% year-over-year.

Q4- 2025 total revenue to be in the range of \$56-59 billion vs. \$57.26B consensus

Capital expenditures - \$19.37 billion.

The street didn't like Meta's decision to increase Capex by 60% next year – the stock is down more than 10% today.

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## AMAZON Q3 EARNINGS – EXCELLENT AWS DOES REALLY WELL

Q3 GAAP EPS of \$1.95 **beats by \$0.39**.

Revenue of \$180.2B (+13.4% Y/Y) **beats by \$2.44B**.

North America segment sales increased 11% year-over-year to \$106.3Bn.

International segment sales increased 14% year-over-year to \$40.9 billion, or increased 10% excluding changes in foreign exchange rates.

**AWS segment sales increased 20% year-over-year to \$33.0 billion.**

Fourth Quarter 2025 Guidance

Net sales \$206Bn to \$213.0Bn vs. \$173.2Bn consensus 10% and 13% growth compared with fourth quarter 2024.

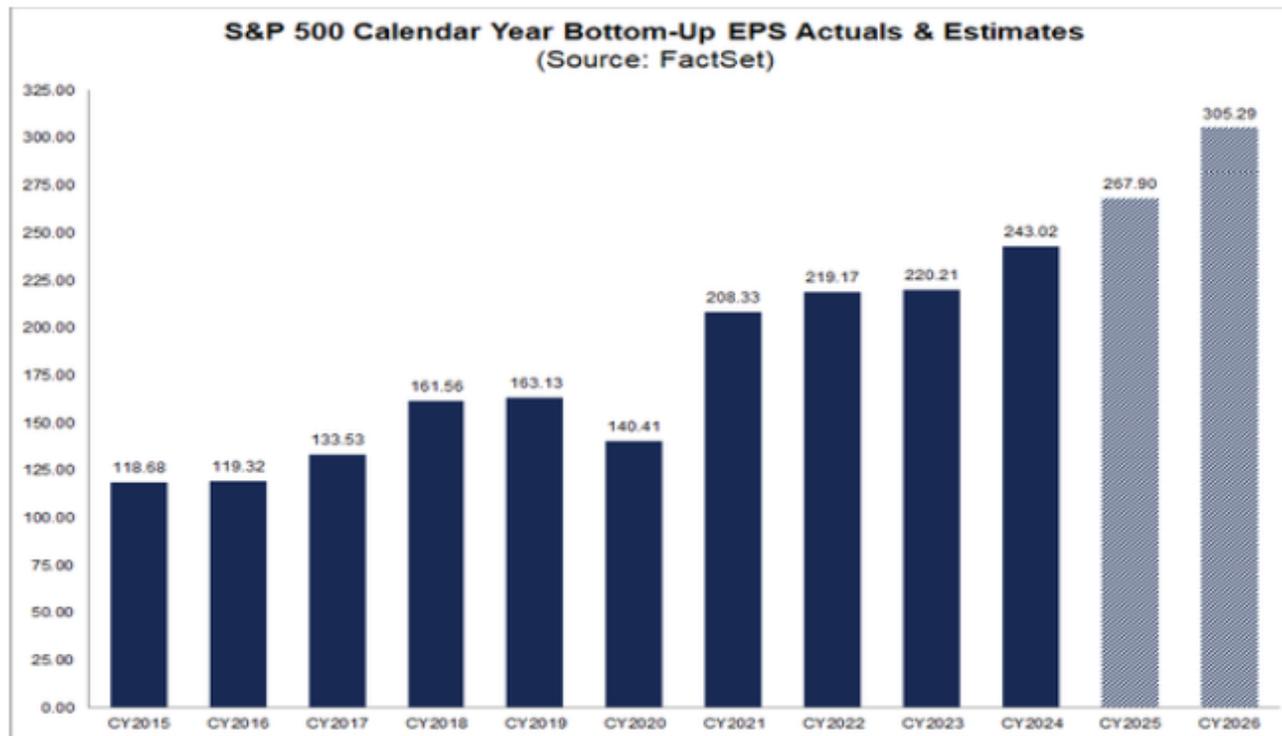
Operating income is expected to be between \$21.0 billion and \$26.0 billion, compared with \$21.2 billion in fourth quarter 2024.

The stock is up 8%

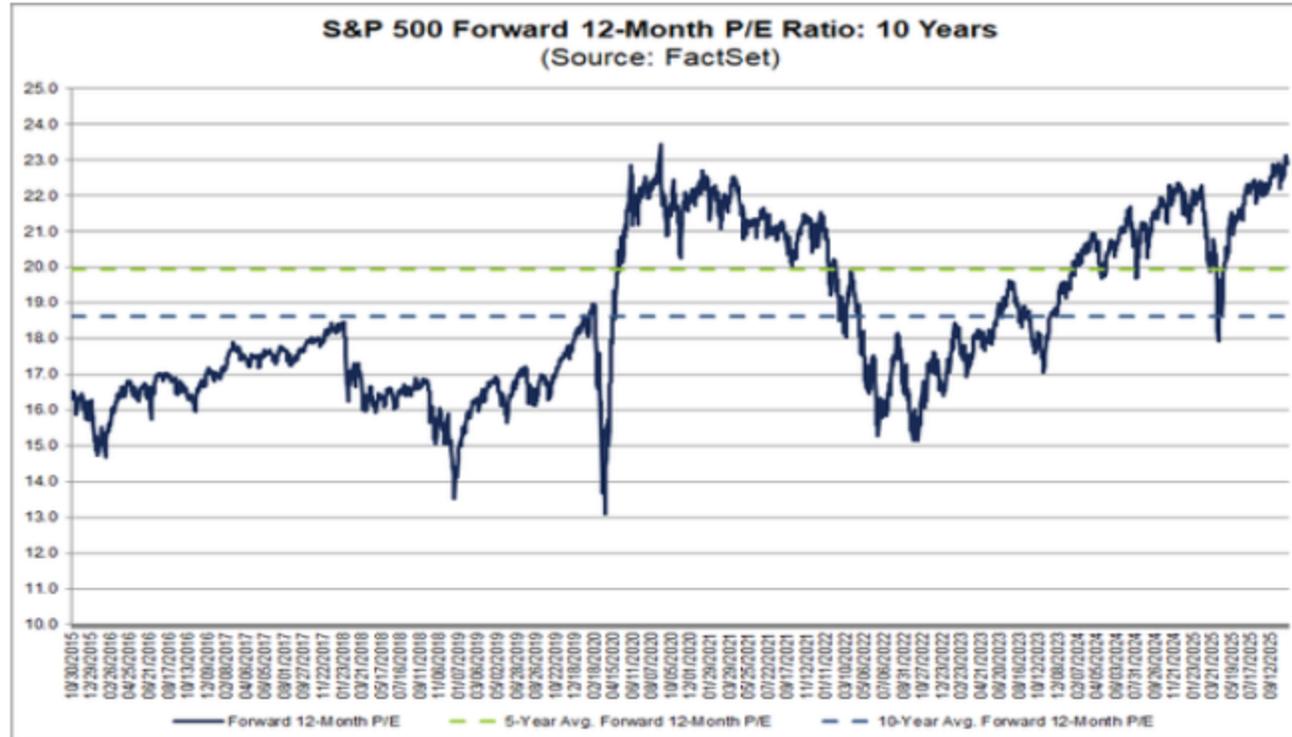
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# EXCELLENT EARNINGS GROWTH - \$305.29 PER SHARE



# VALUATIONS - GOOD NEWS MAY ALREADY BE PRICED IN AT A P/E OF 23.1



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# M-7 ANALYSIS

**Ratings based on strategy, financials and valuation**

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# ARTIFICIAL INTELLIGENCE ECO SYSTEM

**An overview of the major categories and players**

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# PORTFOLIO ANALYSIS

Heavy concentration of technology, and semiconductors, therefore our portfolio is more volatile.

We have a high Beta stock portfolio. The Beta measures the movement of a stock relative to the S&P 500, so if the S&P 500 drops 0.5% our portfolio could drop 1%

For example, Nvidia has a Beta of 2, Microsoft, Apple and Alphabet are closer to 1.25, while Credo and Nebius are closer to 3!

While we are a strict buy and hold long term portfolio, It becomes essential to hedge, take profits or have active stop losses in the volatile stocks.

Updated Portfolio Analysis – cash deployed.

Strategy for each company