



10/23/2025

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.

TECH EARNINGS - VERTIV (VRT) EXCELLENT QUARTER AND GUIDANCE - 1

Power equipment for HPC or AI data centers - Strong Q3 results and higher 2025 guidance, driven by AI data center demand.

- **Adjusted EPS: \$1.24, beat estimates (\$0.99 consensus).**
 - **Revenue: \$2.68 billion, up 29% year-over-year; exceeded analyst consensus of \$2.59 billion.**
 - **Organic orders soared 60% year-over-year and 20% sequentially from Q2, reflecting accelerating AI infrastructure demand.**
 - **Backlog reached \$9.5 billion; book-to-bill ratio stood at about 1.4x.**
 - **Operating profit: \$517 million, up 39%.**
 - **Adjusted operating profit: \$596 million, up 43%; 22.3% adjusted operating margin (up 220 bps year/year, 380 bps sequentially).**
 - **Adjusted free cash flow: \$462 million, up 38% from prior year, benefiting from higher profit and lower interest costs.**
 - **Moody's upgraded Vertiv's credit rating to Ba1 from Ba2 during the quarter.**
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TECH EARNINGS - VERTIV (VRT) EXCELLENT QUARTER AND GUIDANCE – 2

Raised 2025 Outlook

Adjusted EPS: \$4.07–\$4.13 (previously \$3.80–\$4.10)

Adjusted operating profit: \$2.04–\$2.08 billion (previously \$1.99–\$2.06 billion)

Adjusted free cash flow: \$1.47–\$1.53 billion (previously \$1.40–\$1.50 billion)

Vertiv is an \$11Bn company and much more than a liquid cooling supplier for data centers.

It competes across the global data center infrastructure, electrical equipment, and power management industries with these competitors, Schneider Electric, Eaton Corporation and ABB.

It may not give as high returns as the smaller companies, but in a volatile market I would prefer to hold this GARP (Growth At A Reasonable Price)

TECH EARNINGS LAM RESEARCH (LRCX)

Lam Research is another equipment supplier, but not a monopoly like ASML, with some pockets of market leadership and dominance such as packaging, and its health is important to semiconductors. It too did well in the quarter ended Sept 2025

Adjusted EPS of \$1.26 V consensus of \$1.22.

Revenue \$5.32B, YoY increase of 27%, easily surpassing the estimate of \$5.23B.

Its adjusted gross margin of 50.6% was just ahead of the 50% estimate.

Lam Research projects second-quarter revenue to range from \$4.9B to \$5.5B, which is more than the estimate of \$4.84B.

Analysts like 2026 prospects:

"To this end, we now model CY25 EPS of \$4.80 vs. consensus coming in of \$4.60," said Cantor analysts, led by C.J. Muse, in an investor note. "Moving to 2026, mgmt highlighted a vision for a 'Robust Setup' for CY26 WFE led by AI-related demand driving uplift across Foundry/Logic, NAND, and DRAM (and this comes despite \$600M BIS headwind and vision for China to normalize to ~30% of revs)."

AI CONCERNS CAUSE SERIOUS DROPS

Stock	Ticker	2025 High	Oct Low	Drop
Nebius	NBIS	141	97	-31%
Applied Digital	APLD	40	29	-28%
Coreweave	CRWV	187	117	-37%
Astera Labs	ALAB	263	155	-41%
Bloom Energy	BE	126	91	-28%
Terawulf	WULF	16	12	-27%
Credo Tech	CRDO	177	128	-28%

Some of our portfolio stocks fell tremendously from their highs and we bought APLD, NBIS and CRDO.

BREADTH IS HOLDING UP

Date	A/D RATIO	S&P 500	CHANGE -	RUSSEL 2000	CHANGE
10/1/25	0.99	6,711	0.34%	242.49	0.22%
10/2/25	1.12	6,715	0.06%	244.02	0.63%
10/3/25	1.73	6,716	0.01%	245.83	0.74%
10/6/25	0.98	6,740	0.36%	246.81	0.40%
10/7/25	0.40	6,715	-0.38%	244.16	-1.07%
10/8/25	1.62	6,754	0.58%	246.72	1.05%
10/9/25	0.43	6,735	-0.28%	245.13	-0.64%
10/10/25	0.12	6,553	-2.71%	237.79	-2.99%
10/13/25	3.21	6,655	1.56%	244.41	2.78%
10/14/25	2.24	6,644	-0.16%	247.90	1.43%
10/15/25	1.23	6,671	0.40%	250.33	0.98%
10/16/25	0.33	6,629	-0.63%	245.06	-2.11%
10/17/25	0.94	6,664	0.53%	243.41	-0.67%
10/20/25	3.89	6,735	1.07%	248.16	1.95%
10/21/25	1.04	6,735	0.00%	246.99	-0.47%
10/22/25	0.60	6,699	-0.53%	243.34	-1.48%
AVERAGE	1.30		0.01%		0.05%
DROP FROM HIGH		-0.80%		-1.37%	

The Advances to Declines ratio has held up well even with two days of large declines, averaging 1.3 advances to 1 Decline through October 22nd. The small-cap Russell 2000 has also kept up with the S&P 500.

LEAVE THE BUYBACKS TAKE THE CAPEX

In 2024, and 2025 the biggest buyers in the markets were corporates themselves with stock buybacks.

AI spending could rob stocks of their biggest buyer.

With massive capital expenses expected in 2025-2029, there will be less money to support the market.

The table below's from Goldman, where David Kostin expects the corporate bid to be \$1.12 trillion in 2026. And yet, that'd represent "just" 9% growth versus 2025, compared to another 17% YoY jump in capex.

But if you strip out the hyper-scalers (and Energy companies), capex growth will be just 8% in 2026, slower than the growth rate for buybacks.

The AI hyper-scalers have generally been able to fund these capex plans via cash flow generation and existing cash balances rather than debt financing.

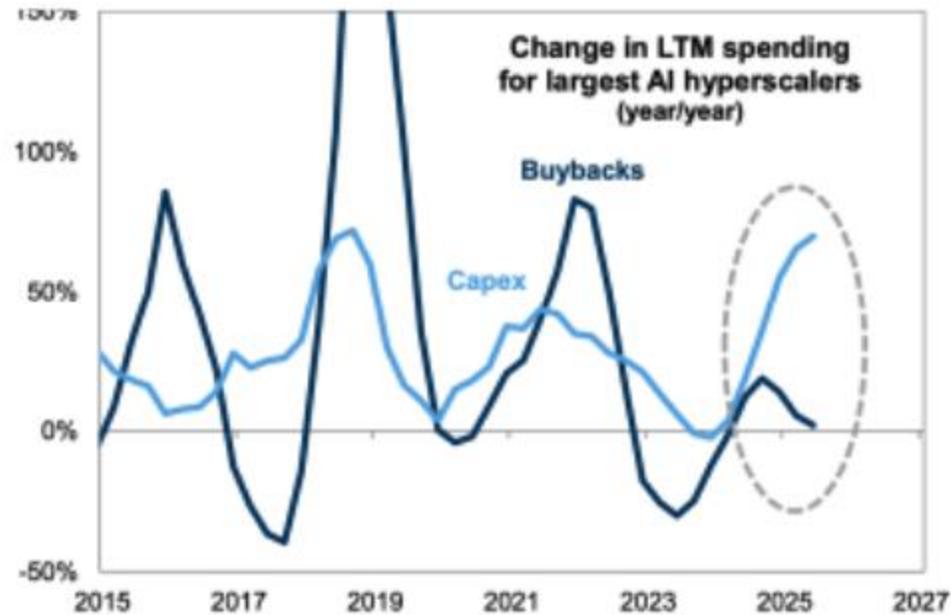
If they borrow to fund Capex and/or buybacks I would start getting worried.

LEAVE THE BUYBACKS TAKE THE CAPEX

Cash use (\$ billion)	2020	2021	2022	2023	2024	2025E	2026E
Capital expenditures	\$667	\$739	\$892	\$958	\$1,077	\$1,260	\$1,474
Share buybacks	538	919	950	823	982	1,031	1,124
Dividends	520	548	598	621	676	717	760
R&D	401	453	516	582	650	695	758
Cash acquisitions	224	349	288	318	255	255	293
Total cash use	\$2,351	\$3,007	\$3,244	\$3,302	\$3,640	\$3,958	\$4,409
% year/year growth							
Capital expenditures	(9)%	11 %	21 %	7 %	12 %	17 %	17 %
Share buybacks	(28)	71	3	(13)	19	5	9
Dividends	1	5	9	4	9	6	6
R&D	12	13	14	13	12	7	9
Cash acquisitions	(15)	56	(17)	11	(20)	0	15
Total cash use	(10)%	28 %	8 %	2 %	10 %	9 %	11 %

Source: Compustat, Goldman Sachs Global Investment Research

LEAVE THE BUYBACKS TAKE THE CAPEX



NON-TECH COMPANIES ARE ALSO DOING WELL - GM

General Motors (GM) reported better-than-expected third-quarter earnings. Investors are happy. They bid shares up to a record high to \$68.

Q3 operating profit \$3.1Bn from revenue of \$48.6Bn. Versus \$2.7Bn and \$45Bn, expected.

Full-year 2025 forecasted operating profit raised to \$12Bn to \$13Bn from \$10Bn to \$12.5Bn

GM earned a 2024 operating profit of almost \$15 billion, but this year tariffs are partly responsible for the decline.

NON-TECH COMPANIES ARE ALSO DOING WELL - GE

GE Aerospace raised its profit outlook for the second time in four months.

The market for aircraft is robust, allowing for improved deliveries of GE engines.

GE Aerospace (GE): Q3 Non-GAAP EPS of \$1.66 beats by \$0.19.

Revenue of \$11.3B (+26% Y/Y) beats by \$890M.

Total orders of \$12.8B, +2%

FY25 Guidance: Revenue expected in high-teens vs growth of 15.72% consensus.

Adj EPS of \$6.00-\$6.20 vs \$5.92 consensus

NON-TECH COMPANIES ARE ALSO DOING WELL - 3M

3M Q3 Non-GAAP EPS of \$2.19 beats by \$0.12.

Revenue of \$6.3B (+3.3% Y/Y) beats by \$50M.

GAAP sales of \$6.5 billion , up 3.5%

It also lifted its 2025 profit forecast with new product launches and higher revenue per customer.

Adjusted total sales growth of >2.5 percent

Adjusted operating income margin expansion of 180 bps to 200 bps.

Adjusted EPS in the range of \$7.95 to \$8.05 vs \$7.93 consensus

Shares surged 7.7% to close at the highest level in just over four years.

NON-TECH COMPANIES ARE ALSO DOING WELL AND WALL STREET IS NOTICING

Jean Boivin, who heads the BlackRock Investment Institute, sees resilient economic growth, Fed Reserve rate cuts and continued spending on artificial intelligence as likely to bring broader earnings growth.

“LSEG data show expected year-over-year Q3 earnings growth for the M-7 tech titans is 14%,” he said in a recent note. “But performance is broadening out, with estimated growth of 7.8% for the other S&P 500 companies, a much narrower gap than in recent quarters.”

Still, the underlying strength of the results, as well as signals from bank earnings last week, bode well for both the remainder of the profit-reporting season and the economy’s near-term prospects.

“While the more fragile market could persist near-term, foundations of accelerating growth, increasing CEO confidence, rising consumer spending, stable credit, and falling interest rates remain intact,” said Wedbush analyst Seth Basham in a recent note.

The solid run of profit figures speaks to American corporations’ ability to weather unprecedented tariff uncertainty, supply-chain disruptions, an increasingly cautious consumer, and higher costs for labor and raw materials that have weighed on margins.

MORGAN STANLEY'S MIKE WILSON IS BULLISH

Morgan Stanley's chief investment officer and U.S. equity strategist Mike Wilson believes the market has transitioned from a "rolling recession" to a "rolling recovery," signaling optimistic prospects for investors.

Recent economic indicators suggest a shift toward growth.

"The recession itself ended with the DOGE layoffs," Wilson said.

Earnings revisions now have [gone] higher in a way they only do in a new economic cycle."

Wilson likes tech(XLK), financials (XLF), industrials (XLI), and "health care (XLV) looks quite interesting" on the defensive side.

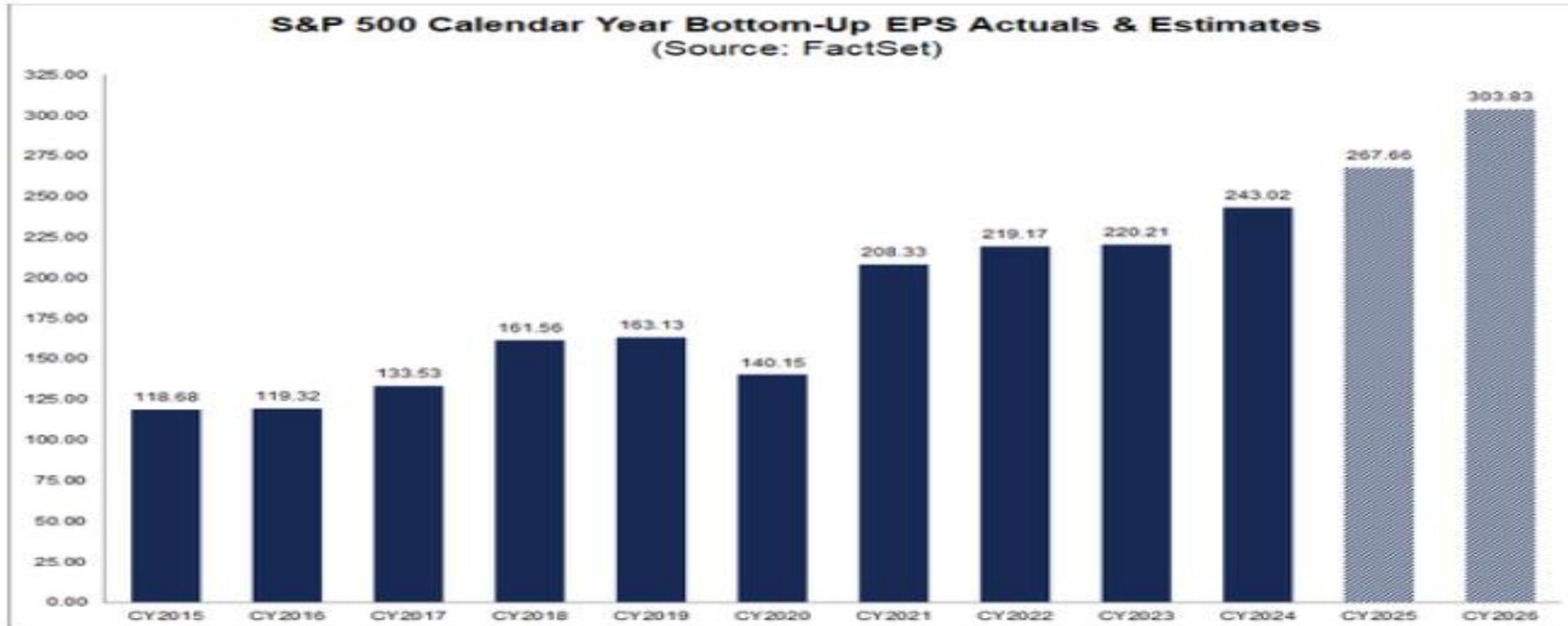
His strategy anticipates that the Federal Reserve will implement more meaningful interest rate cuts as labor data confirms market weaknesses.

Despite his long-term optimism, Wilson acknowledges potential short-term market challenges. "This is probably the first time since April that I think we have maybe a tradable correction," he cautioned, citing U.S.-China trade tensions and funding market stress as potential catalysts for a market pullback of up to 10%.

His overall outlook suggests continued market expansion and broadening in 2026, which he believes "looks a lot like '21 in that regard."

EXCELLENT EARNINGS GROWTH

Bottom-Up EPS Estimates: Current & Historical



VALUATIONS - GOOD NEWS FROM AI MAY ALREADY BE PRICED IN



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