

# THE COFFEE CAN PORTFOLIO

## NEOMANIA

Out with the old, in with the new

Investors are suffering from an affliction called [\*neomania\*](#), or “love of the modern for its own sake,” a term coined by Nassim Taleb.

The assumption is that companies which have been around more than a couple of decades are by definition dinosaurs on the verge of extinction. Their business models are vulnerable to disruption while those of the new kids on the block are infinitely expandable.

We’ve seen this movie before. There were more initial public offerings (IPOs) last year than in 2000, the

height of the dot-com bubble. At the time, cash-burning New Economy stocks were all the rage while profits and longevity were passé.

Imagine you have a trillion U.S. dollars and change to invest. How would you fill your portfolio? Would you buy the latest fashions or time-tested stalwarts? As the table below shows, the valuation gap between the two is staggering.

This is not to dismiss the impact of technological disruption, but perhaps it’s time to tap the brakes on the current mania for all things new.

### Neomania – January 20, 2021

New Kid On The Block	EV (\$bil)	Gross Profit (\$bil)	EV/Gross	Old School	EV (\$bil)	Gross Profit (\$bil)	EV/Gross
Airbnb	99.89	3.61	27.67	Booking Holdings + Expedia	112.67	24.97	4.51
Beyond Meat	8.63	0.10	86.51	Pilgrim’s Pride	6.97	1.07	6.51
DoorDash	51.98	0.39	132.94	Yum! Brands	42.14	2.83	14.89
DraftKings	19.89	0.22	90.61	MGM Resorts International	29.92	5.30	5.65
Etsy	26.26	0.55	47.98	Kroger	44.09	27.85	1.58
Peloton Interactive	42.50	0.84	50.79	Vail Resorts	13.46	0.82	16.40
Plug Power	28.40	0.03	1015.4	Diamondback Energy	15.33	3.10	4.95
Snowflake	76.48	0.15	516.09	Oracle	214.07	31.13	6.88
Square	100.64	1.90	52.97	American Express	98.06 <sup>1</sup>	27.32	3.59
Tesla	783.75	4.07	192.57	Berkshire Hathaway	633.79	105.48	6.01

Zoom Video Communications	113.16	0.51	223.08	Starbucks	140.73	5.14	27.38
<i>Total:</i>	<i>1351.58</i>	<i>12.22</i>	<i>110.60</i>		<i>1351.23</i>	<i>235.01</i>	<i>5.75</i>

1. Market capitalization

## RULES OF THE INVESTING GAME

1. FIND THE PARADE AND GET OUT IN FRONT.
2. PAY ATTENTION TO ADDICTIVE CONSUMER BRANDS.
3. GROWTH CAN HAVE A LONG RUNWAY WHEN BRANDS EXPAND NATIONALLY AND INTERNATIONALLY.
4. WHEN ANALYZING FAST GROWING COMPANIES, IGNORE EARNINGS AND FOCUS ON INVESTMENT.
5. BUY RIGHT AND SIT TIGHT.
6. ALIGN YOURSELF WITH PEOPLE WHO HAVE SKIN IN THE GAME.
7. AVOID THE CROWD AT ALL COSTS.
8. IT'S A MARKET OF STOCKS, NOT A STOCK MARKET.
9. IN A PANIC ALL CORRELATIONS GO TO 1. PANICS ALWAYS CREATE BUYING OPPORTUNITIES.
10. ADVERSITY REMOVES THE FRAGILE AND SPARES THE ROBUST.
11. CUI BONO? IN POLITICS, CONSIDER WHO BENEFITS.

### *The Coffee Can Portfolio*

Kevin Duffy, editor  
West Chester, PA

*The Coffee Can Portfolio* is part diary, part wisdom gained from over 40 years in the investment game meant to be shared with others. Trust me, I've made every mistake in the book. That doesn't mean you need to repeat every one of them. Failure is unavoidable, an essential part of the learning process. Embrace it!

I plan to publish every two months. The cost of an annual subscription is \$89 which includes six issues as well as email alerts. If you wish to subscribe, go to [www.thecoffeecanportfolio.com](http://www.thecoffeecanportfolio.com).

One goal in writing this letter is to build a network of smart people following a similar process. If you have feedback, a topic you'd like discussed, or an investment insight you'd like to share, drop me a note!

DISCLAIMER: The information in this newsletter was obtained from sources believed to be reliable, but accuracy is not guaranteed. Under no circumstances is this an offer to sell or a solicitation to buy securities. This newsletter is prepared for general circulation and does not take into regard specific investment objectives, financial situation and unique needs of the reader. The editor will often take positions in securities mentioned. Information and opinions expressed may change without notice.

duffy@bearingasset.com