

The Facebook logo, a white lowercase 'f' on a blue square background.

The Amazon logo, a black lowercase 'a'.



The Netflix logo, a red lowercase 'n'.



**SINK YOUR FAANGS INTO  
QUALITY GROWTH STOCKS**

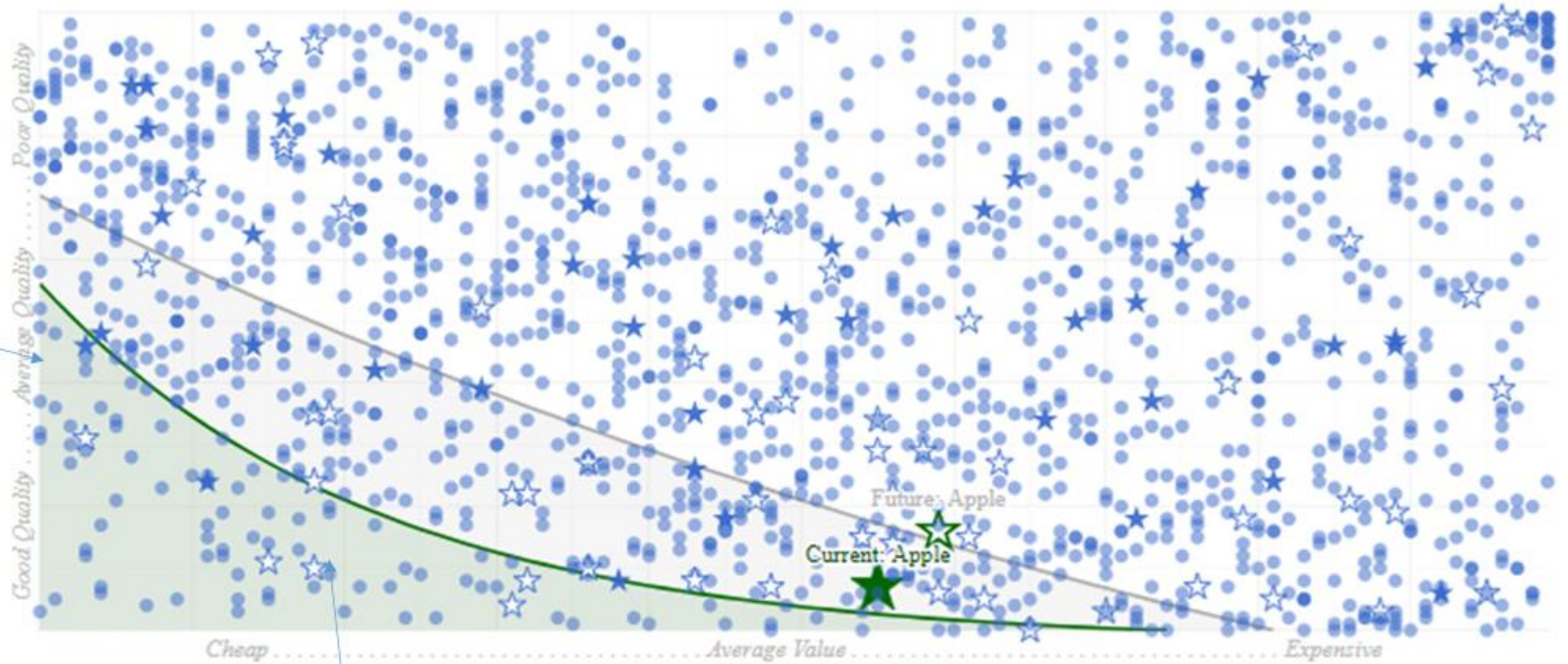
# Agenda

---

- Quality / Value / Growth and inflation.
- Structural Changes.
- Valuation.
- Growth crash.

# Quality vs Value

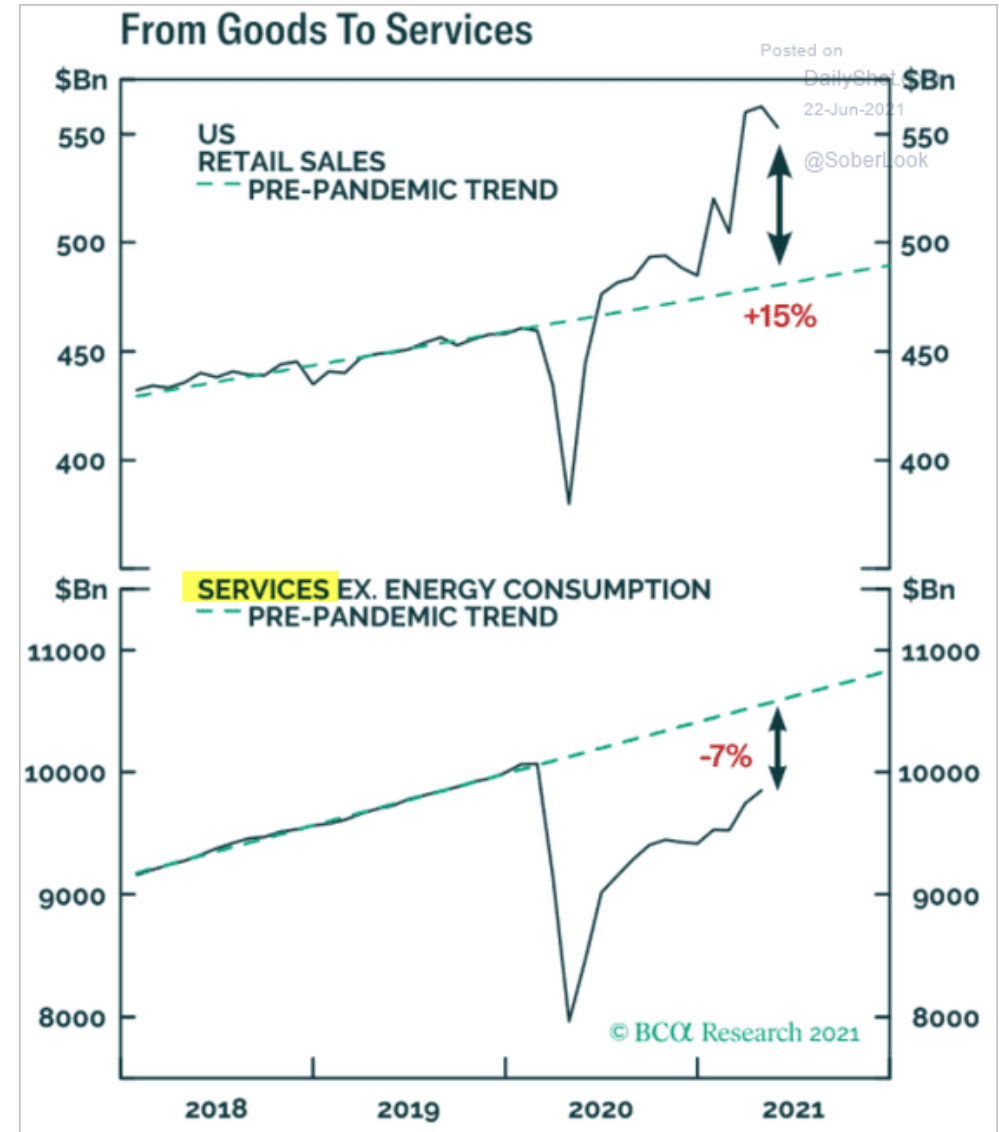
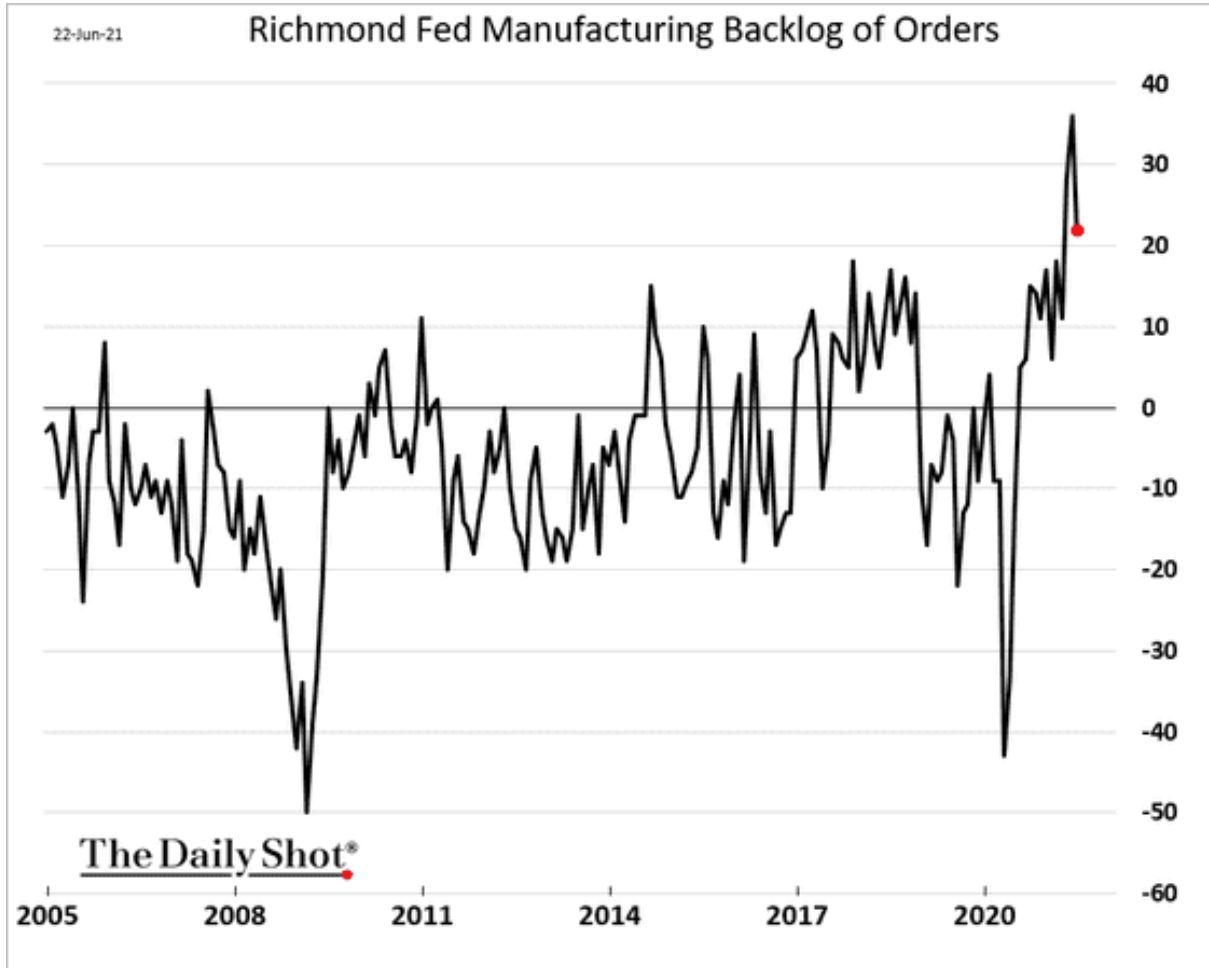
Some exposure to average quality stocks that are very cheap



Most exposure to stocks with both quality and value

Some exposure to more expensive stocks that are very high quality

# Inflation: Inventory Supercycle



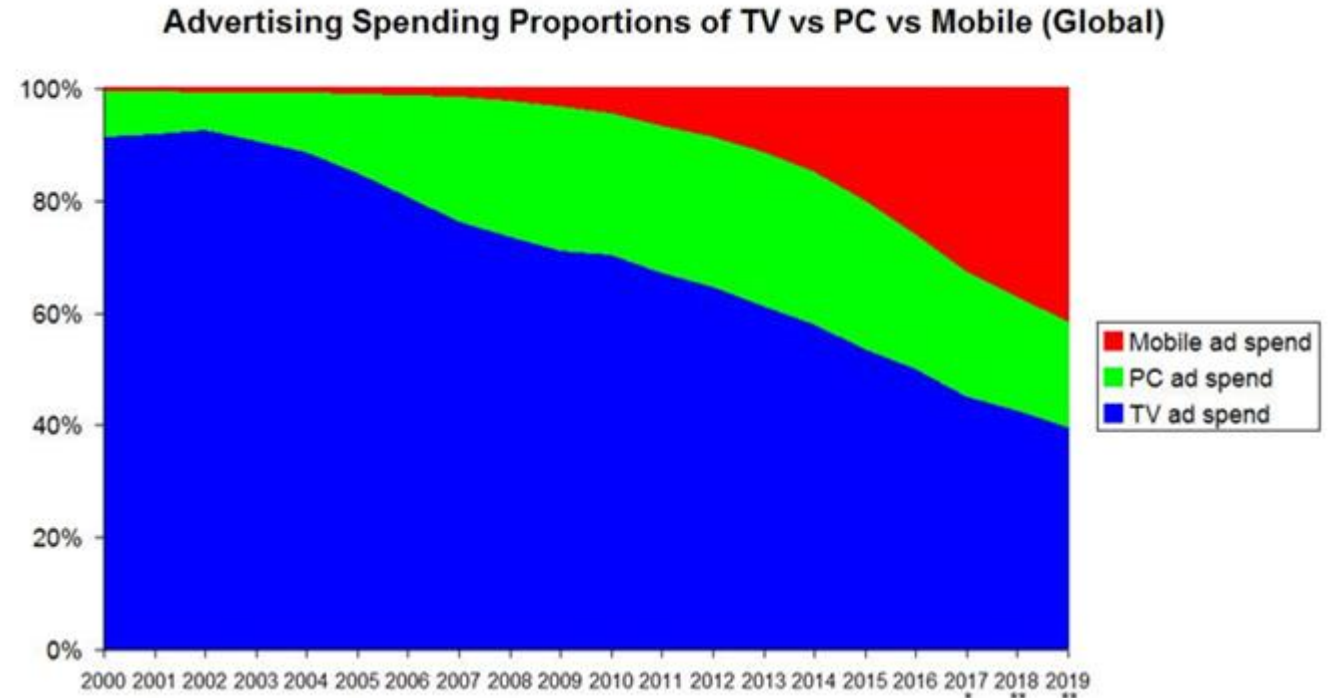
# Quality / Value / Growth

---

- Value is a bet on stocks mean reverting
- Quality is a bet on stocks not mean reverting
- Growth is a bet on stocks not mean reverting

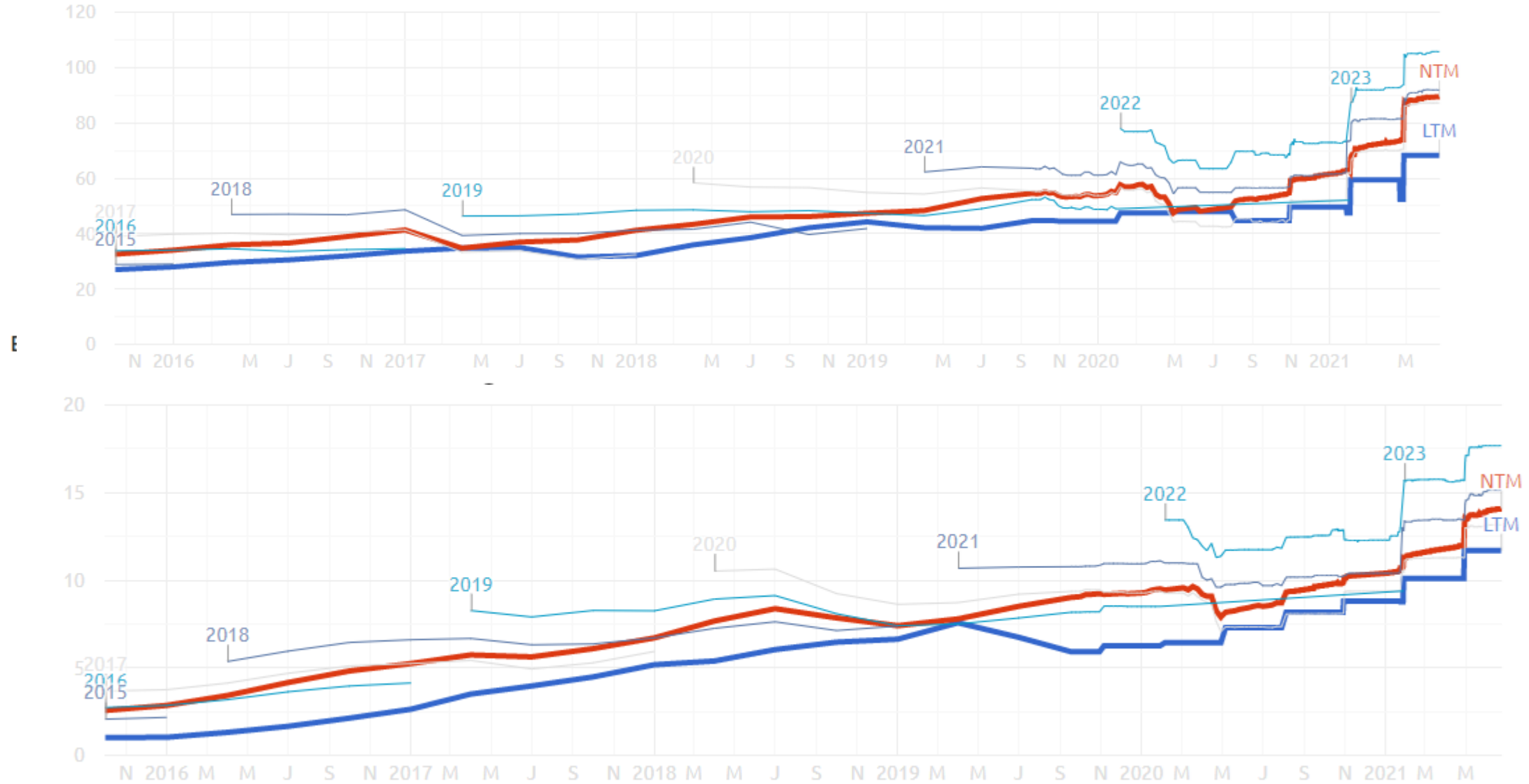
# Google and Facebook

- Regulatory Issues
- Ad spend is cyclical
- Online shift is structural
- Apple / privacy is important



# Google and Facebook

EPS Forecasts history ⓘ



# Google and Facebook

- Growth vs Valuation
- Relative to history

## Ratios (Rolling 12m) ⓘ

Return %	Av5	LTM	NTM	STM
ROE	22	28	22	20
ROA	23	26		

Growth %	Av5	LTM	NTM	STM
Sales	33	28	35	18
EBIT	26	42	28	18
Norm.EPS	23	54	20	16
FCFE	20	4	12	20

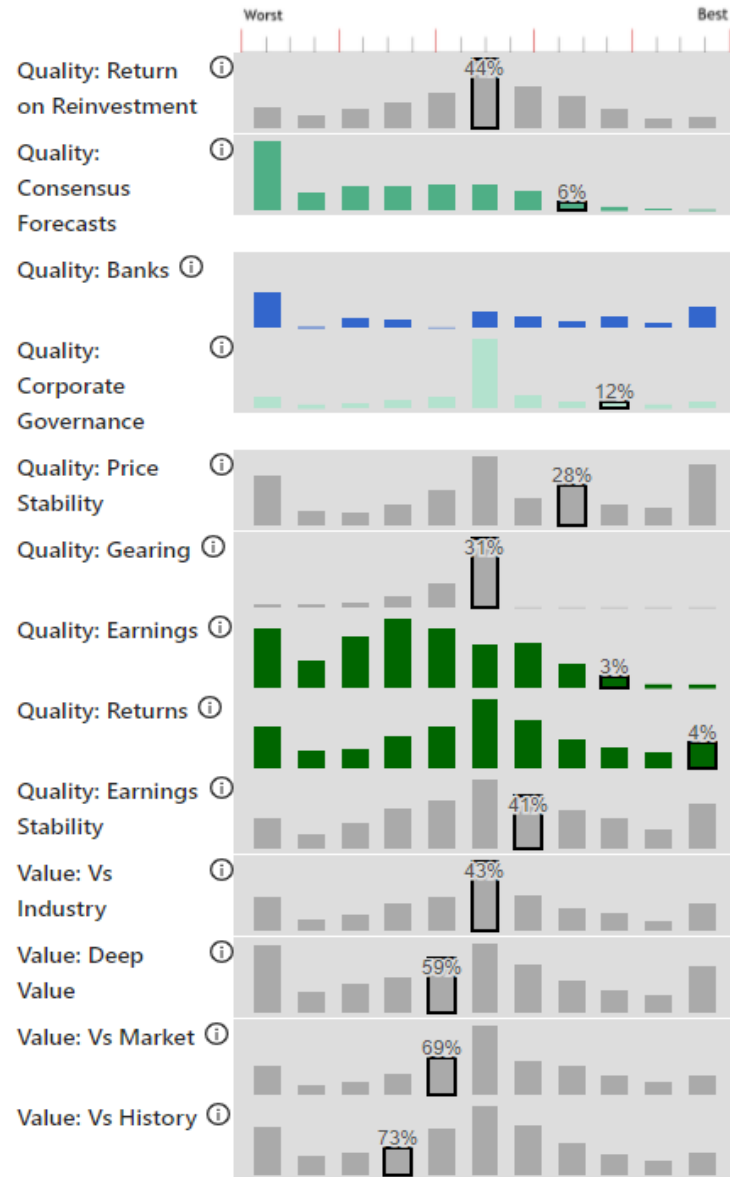
Sustainability	Av5	LTM	NTM	STM
Debt/EV	0	0	0	0
Payout	0	0	0	0
Invest/Profit	45			
FCFF/EBIT	92	78		

Valuation x	Av5	LTM	NTM	STM
P/E	58.8	29.4	24.4	20.8
Yield%	0.0	0.0	0.0	0.0
P/Book	12.5	8.3	5.3	4.2
EV/Sales	19.6	10.2	7.5	6.4
EV/EBITDA	38.5	20.4	14.3	12.0
EV/EBIT	47.6	25.0	19.2	16.4
P/FCFE	62.5	40.0	34.5	27.8



# Microsoft

- Software as a service
- Diversification
- Pandemic changes
- Online shift to data processing



## Ratios (Rolling 12m) ⓘ

Return %	Av5	LTM	NTM	STM
ROE	33	28	32	29
ROA	17	22		

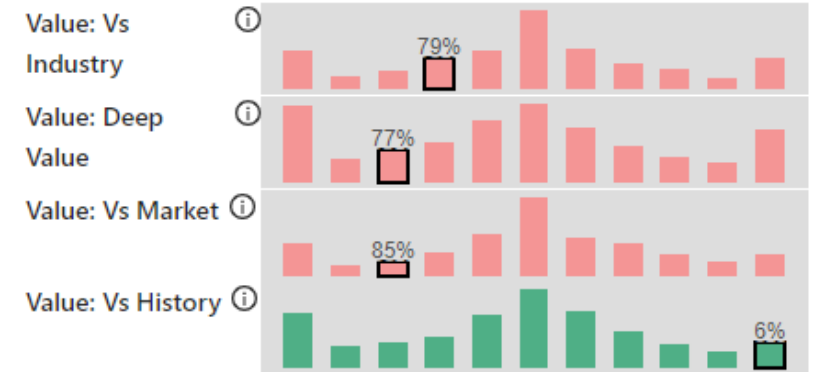
Growth %	Av5	LTM	NTM	STM
Sales	12	17	18	13
EBIT	18	23	12	12
Norm. EPS	19	18	10	11
FCFE	17	20	4	6

Sustainability	Av5	LTM	NTM	STM
Debt/EV	3	3	3	3
Payout	47	30	29	28
Invest/Profit	82			
FCFF/EBIT	107	104		

Valuation x	Av5	LTM	NTM	STM
P/E	66.7	37.0	32.3	27.8
Yield%	0.7	0.8	0.9	1.0
P/Book	20.0	16.7	10.0	8.3
EV/Sales	18.5	13.0	11.1	9.8
EV/EBITDA	40.0	25.6	22.7	19.6
EV/EBIT	52.6	31.2	27.8	24.4
P/FCFE	58.8	37.0	35.7	32.3

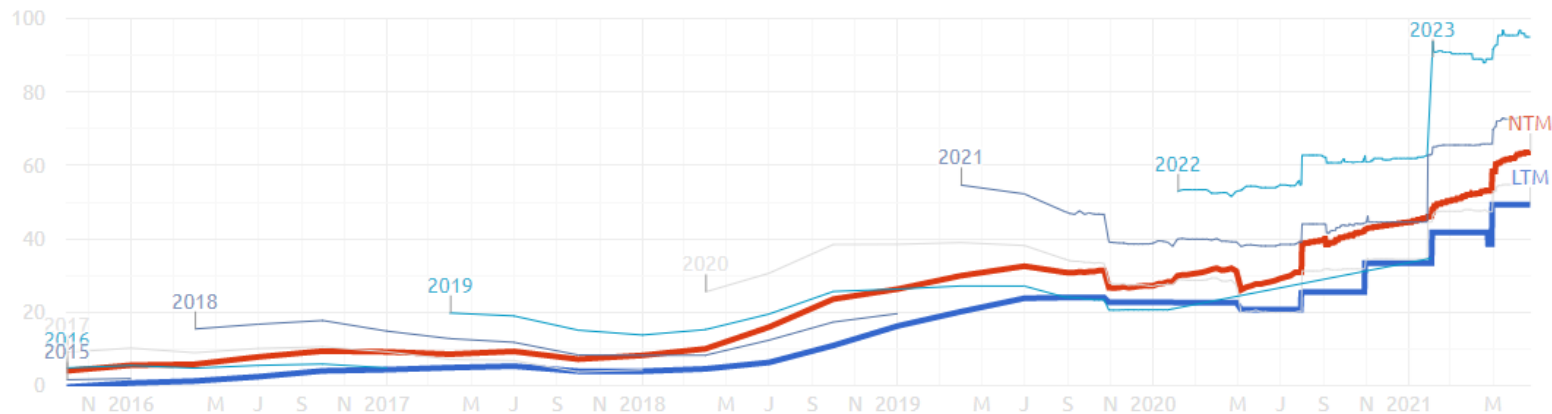
# Amazon

- Diversification
- Pandemic changes
- Online shift to data processing
- Actually making profits



Growth %	Av5	LTM	NTM	STM
Sales	26	40	29	17
EBIT	14	34	15	19
Norm.EPS	12	31	11	14
FCFE	22	9	8	22

EPS Forecasts history ⓘ



- Products vs Services
- Chip advantages
- No longer as cheap
- Becoming more capital efficient

## Ratios (Rolling 12m) ⓘ

Return %	Av5	LTM	NTM	STM
ROE	33	28	32	29
ROA	17	22		

Growth %	Av5	LTM	NTM	STM
Sales	12	17	18	13
EBIT	18	23	12	12
Norm.EPS	19	18	10	11
FCFE	17	20	4	6

Sustainability	Av5	LTM	NTM	STM
Debt/EV	3	3	3	3
Payout	47	30	29	28
Invest/Profit	82			
FCFF/EBIT	107	104		

Valuation x	Av5	LTM	NTM	STM
P/E	66.7	37.0	32.3	27.8
Yield%	0.7	0.8	0.9	1.0
P/Book	20.0	16.7	10.0	8.3
EV/Sales	18.5	13.0	11.1	9.8
EV/EBITDA	40.0	25.6	22.7	19.6
EV/EBIT	52.6	31.2	27.8	24.4
P/FCFE	58.8	37.0	35.7	32.3

# Growth Crash

---

- Relative value good
- Probably not exposed to key areas
- Will still sink
- Defensives will be better

**Viewer question of the week:**

---

**Which FAANG stock do you think is the best investment?**

**Drop your answers in the comments**

# More from Nucleus Wealth:

---


**Content: [Nucleuswealth.com/content](https://nucleuswealth.com/content)**

**Have a guest or topic suggestion for the show?  
Leave a comment on YouTube**


**Find us on all major (and minor) podcast platforms:**




## **Social media:**

 [Facebook.com/nucleuswealth](https://Facebook.com/nucleuswealth)

 [Linkedin.com/company/nucleuswealth](https://Linkedin.com/company/nucleuswealth)

 [Instagram.com/nucleus\\_wealth](https://Instagram.com/nucleus_wealth)

 [Twitter.com/nucleuswealth](https://Twitter.com/nucleuswealth)