

J. Michael Locke

Musings

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I would consider shorting Apple (you short a stock when you sell it and buy it back later. Brokerage firms lend out stock so you borrow it and sell it now because you think the price is going down and buy it back later to close out your position.) There is growing pushback on the 30% Apple charges for you to buy an app on their app store (as well as for in-app purchases). Epic games is in a legal battle and Elon Musk recently introduced two – tier pricing for Twitter subscription verification charging more for Apple iOS version to make up for their charges, like gas stations and other retailers charge more for credit card. Look for more momentum advocating “Sideloading” where the hardware device maker does not have a monopoly but instead allows alternate and competing app stores so users aren’t restricted on their phones. On the other side, Tesla is starting to look like a value play. It is down over 50% and declining because of Musk and Twitter (including Musk continued selling of tons of Tesla stock to finance Twitter.) I agree with the critics who think it should have a full-time CEO and Musk can’t run Tesla, SpaceX and Twitter at same time. That said, it is nicely profitable and there is lots of “optionality” into other areas like autonomous cars or batteries. Musk actually made the analogy to how Apple has thrived creating the app store, services revenue, accessories to build on top of the iPhone franchise.

Fascinating stat from William Blair: *“Multiples of unprofitable software stocks had a significant correction from 35x NTM (next twelve months) revenue to 5.7x NTM revenue (down 84%) between November 2021 and May 2022.”*

I think ESG investing is just window dressing. ESG stands for environment, social and governance. Certain companies get categorized so oil is bad and a solar energy company is good. Investors obviously may deploy their capital as they choose but ESG is totally political. The leader on electric cars (Tesla) doesn’t qualify because it is non-union. People like Blackrock CEO Larry Fink virtue signal but give me the money manager who is focused on returns and leave policy for the politicians.

One of the good things technology and social media have created is self-determined “affinity groups.” If you go on Reddit, you can pick the sub-Reddit that most interests you so those obsessed with kayakfishing can communicate (141 thousand members on that one). The gamers are going to an app called Discord. *“Discord is a chat app that’s similar to programs such as Skype, TeamSpeak, and professional communications platforms like Slack. It’s geared specifically toward video game players, providing them with ways to find each other, coordinate play, and talk while playing. It supports video calls, voice chat, and text, allowing users to get in touch however they please.”* Your geographic location or small friend group no longer limits your ability to deep dive into a topic or activity.

A couple of weeks ago I wrote about the reduction in mobility which is likely to come as people can’t sell their house with a low mortgage and buy and get a new mortgage due to the rapid increase in rates. A similar issue is playing out with cars. People borrowed at low rates against inflated car prices and now

are under water as they owe more than the car is worth. They would have to write a check to trade the car in. Some lenders are getting aggressive and to keep the wheels going which is not good. twitter.com/guydealership (Thanks to Mike Schodrof).

Not sure the compensation market in professional sports is working. You have to wonder whether the difference between the \$15mm a year player and the \$900k player is right. Brock Purdy from San Francisco was the last selection in the 2022 draft and called “Mr. Irrelevant” and he totally outplayed the GOAT Tom Brady. I feel the same way about CEO packages at many companies. The outside consultants use “comparables” of other CEOs and so it is a mutually reinforcing escalation that doesn’t make sense.

Heard this one from a healthcare executive: “Lack of communication breeds hostility.” I really like that as it applies to customers, employees and partners. Even if you don’t have the answer, communicate that you are working on it. A tragic example of this is the recent murders at University of Idaho where public is “in the dark” and not getting much information communicated.

IMO, approach to Covid at a college now is a direct data point on whether a school is run for student experience vs for faculty. I think it is ridiculous that students at Yale University, University of Notre Dame, Tufts University, Harvard University and Fordham College are all being required to obtain an updated COVID-19 bivalent booster vaccine.

Amazing fact — Kate Winslet held her breath for 7 minutes underwater while filming Avatar 2.

I was recently praising an app called SpotHero and my colleague never had heard of it. Let me give a big endorsement for this app which gives you discounted parking in urban areas (my last spot was 50% below “list price” had I just pulled in.)

jml