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When worrying pays off.

A long time ago the CEO of Intel, Andy Grove, wrote a book called “Only the Paranoid Survive.” Mr. Grove was one of the creators of Intel, helping build it into a Silicon Valley legend and the global “king” of chips for PC’s. Mr. Grove’s advice for business leaders was simple: “*Never stop worrying about what could go wrong.*” And furthermore, “Don’t worry a little. Worry a lot, all the time . . . they maybe you’ll survive.”

Mr. Grove’s lifetime of experience had taught him that even CEO’s—no matter how prestigious or famous—don’t see Big Trouble coming until they round the corner, one day, and it jumps on them, snarling like a grizzly. But if they follow the principle of “Constant Worry” they just might have made their companies strong enough to survive the attack.

The most important lesson from the current Quarterly Earnings Season—Reality Season—is that very many American CEO’s have been following Mr. Grove’s rule. That’s especially been true for Outlook’s core companies, all of which have made statements of confidence and strength, whether or not that grizzly has jumped on them yet. As Theresa’s “Inside Exxon” report just showed us, in some cases the grizzly pounced several years ago . . . but the companies, like Exxon, fought it off and refused to be frightened into taking their eyes off the road ahead. The word “spectacular” describes how well that is paying off, right now, for Exxon . . . and Conoco, Freeport, Texas Instruments and others.



Usually we circle bad news in red. We might think Exxon’s six years of pain, in our circle, deserved red . . . but it did not, because Exxon (like every single Outlook company and many others) was reacting to

trouble by strengthening the company and keeping up its spending on the future. Exxon's weaker or more frightened competitors did not do that. Exxon did, setting itself up for a rocket boost to profits and stock performance whenever the oil price cycle might turn up again.

"Only the paranoid survive." The "paranoid" CEO's at Exxon, Conoco and the rest worried most of all, during their grizzly years, about this: "Where is the future of our companies if we are financially weak, or if we let today's pain stop us from investing in our futures?" They answered themselves: "If we do that, *we have no futures.*" So they continually strengthened their companies, but also never stopped spending on the future. When the market crowd is focused on questions like, "Exactly how far is "down," anyway?" it never recognizes the lifesaving nature of that kind of behavior on Main Street. But when companies like Exxon start handing giant buckets of cash back to their shareholders, the market crowd is forced to see it. That's what's been happening lately, summer "Bear Market" or not. At Outlook we think it's going to keep happening for quite a long time.

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