

The Outlook: March 8, 2022

Main Street's Miracles Never Quit

One of the facts of life, business and personal, is that as we all stroll along on sunny days, thinking things are going rather well, we turn the next corner and find a snarling grizzly bear crouched and ready to pounce. It doesn't happen at every corner, thank goodness—but it happens to every single one of us at some corner, someday. Then we find out many things about ourselves, especially what matters and what doesn't. And we often find out, as the bear claws us tooth and nail, that we can do some pretty impossible things when we put our hearts and minds to it. We can pull off “miracles”, just about.

The most astounding thing about Main Street USA—when we step back and look at it over the decades and decades—is just how abundant those “miracles” have been. There've been grizzly bears too—grizzly bears galore, in fact—but with even a glance at history, Main Street strikes us as “miracles on every corner”, not “grizzlies everywhere.” People and businesses faced with big challenges—and free to make their own choices about how to act—do astonishing things. That's why we invest in them. Here are a couple: one very old, one just now.

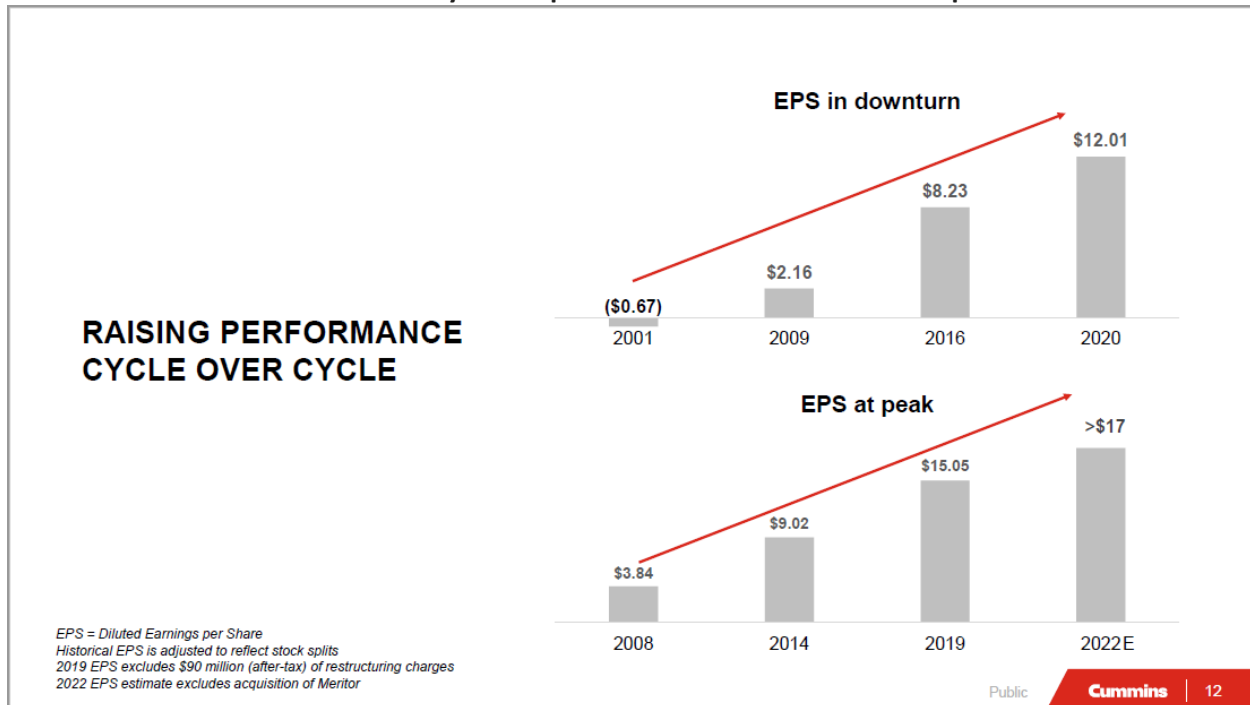
Kaiser Liberty Ship, World War Two



In 1940 it took around 400 days to build an American cargo ship. In 1943 Henry Kaiser's California shipyard built one in 4 days. That was the world record, but Mr. Kaiser's firm built hundreds of them in 2 weeks or less: at one-fourth of the cost of similar prewar vessels. The lifeblood of the Allied war effort was ships and supplies, and Henry Kaiser pulled off a miracle—literally “the impossible” in prewar experts' eyes—by 1943. How? By doing what every good American business always does: never stop looking for ways to make things faster, better and at lower cost. It's called “ingenuity and determination” and it's always been impossible to measure with dollar signs or illustrate with double-entry accounting. But in the free-market capitalist system such miracles grow like weeds.

Here's today's "miracle": not as much fun to see as a Liberty ship, but almost as remarkable.

Cummins: 20 years of profits at the bottoms and the tops.



Theresa looked "Inside Cummins" just yesterday, focusing on what the Diesel (and Electric) Engine King has been doing lately. Here's the picture of Cummins' last two decades. It is remarkable. 20 years ago the company lost money at the bottom of its business cycle. (Top line.) But at the bottom of the last downturn, in 2020 . . . it made \$12 per share. Twenty years ago Cummins made about \$4 per share at the top of the cycle. In 2022 it will make around \$17 per share. Those upward-slanting red lines are the story of ingenuity and determination: to fix big problems; to strengthen weaknesses; to invent new engines and win new customers.

The market often dislikes sharply-cyclical companies because, well, it hates arrows which point down for any reason, especially when what's pointing down is the stock price. As Outlook has noted once or twice, the market's vast betting crowd is not in the "ingenuity and determination" business; nor in the "patience and understanding" business. It's in the "make money today" business, and the "for heaven's sake, don't lose money today" business. So when the arrows point down the market hands us money for nothing, pretty nearly . . . if we understand what our companies have been doing, and what they'll keep doing in the future. Almost every single Outlook company has a chart like this one: making more money at the bottoms; making a great deal more money at the tops. It's Main Street's Miracle, and today's "Big Problems" aren't going to stop them.

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