

The Outlook: Nov. 30, 2018

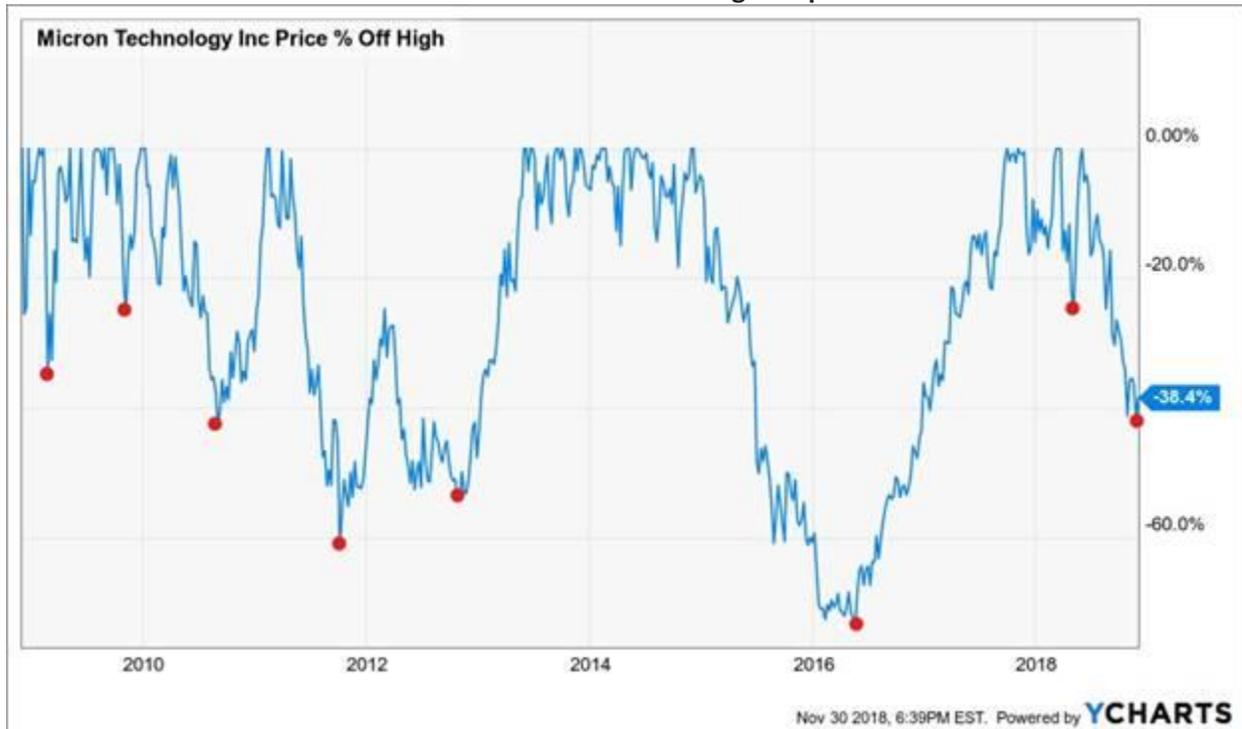
"Is it worth the fearful ride?" Micron's answer.

Here's a solemn promise to be short, this Friday evening: more pictures, fewer words.

At Outlook we think a great deal about our companies and their stocks. We have high confidence in all of them, over the years ahead, both as excellent operating businesses and as stocks to which we've committed our clients' hard-earned money (and our own.) We like them all . . . but we still rank them from top to bottom, from "99% confidence" to merely "85% to 90% confidence" that we will in fact earn the major gains we expect to earn, over those years.

It might surprise our clients to hear that Micron Technology ranks at the very top of our list, meaning "This company has built a road to an outstanding future, and it will travel that road, regardless of the bumps along the way." As these last 2 months have shown so clearly, those "bumps" are always frightening to investors. They shouldn't be. Here are some pictures that might help.

Micron: 10 Years of Jolting Bumps



Here's an interesting chart. All stocks take a roller-coaster ride, and almost all of them can be pretty frightening. But this chart shows us just how terrifying Micron's particular roller-coaster has been. It shows the percentage plunge in Micron stock from its previous highs, during the decade. So those red dots beginning at the left, for example, show plunges of about 36%, 25%, 42% and 60% in the first 3 years alone . . . then a screaming cliff-dive of 73% ending in 2016, then 25% and 38% in 2018 all by itself.

A perfectly fair question at this point, for any investor, would be: "Couldn't we find an easier way to make money . . . please?"

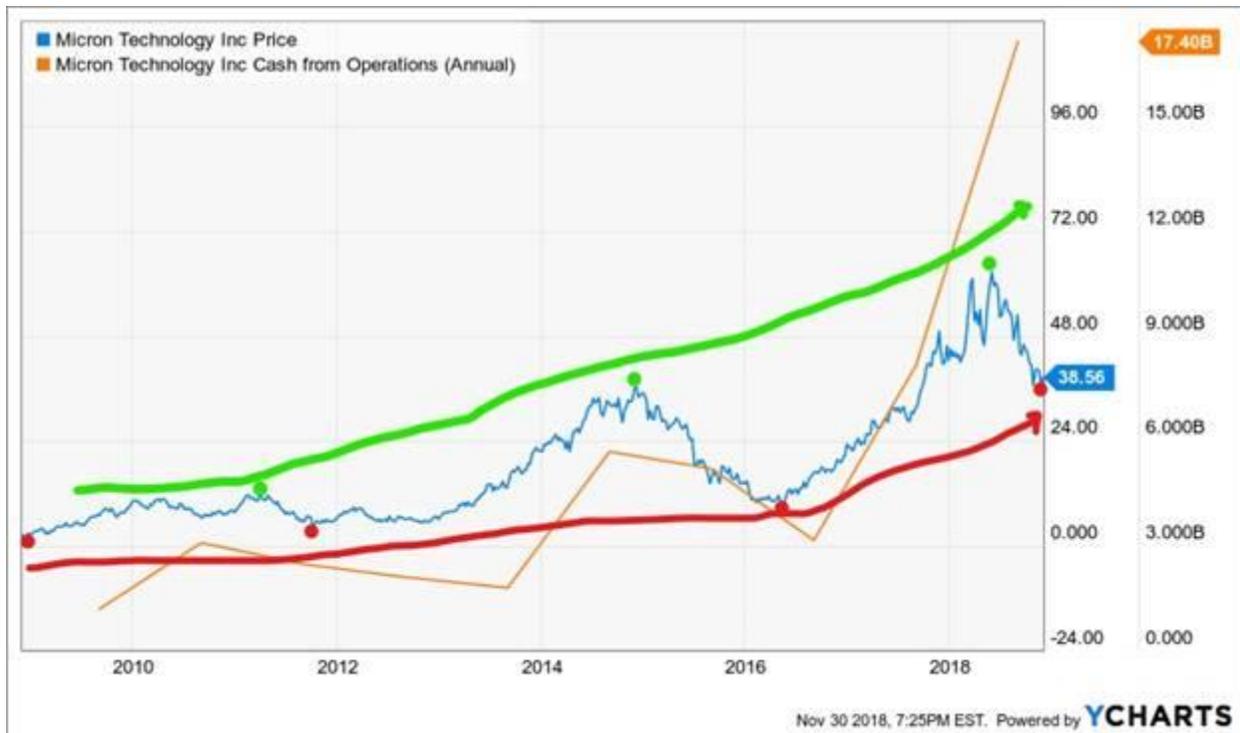
Let's defer our answer for a moment, and look at the next chart.

Micron: Ten Years, Up 1,310%.



1,310%. So far, that's been the reward for enduring those "jolting bumps." Of course we'll notice that only a few months ago, that reward stood at 2,000% or so. That last figure, 2000%, is one of two things: either it's irrelevant nonsense, like the "rewards" earned by a typical Dotcom Bubble company at year-end 1999, for example, which soon went to zero like the dotcom company itself; or it's a signpost pointing straight at what will be achieved again, and surpassed, in the years ahead. Outlook's answer is no surprise, given our 99% confidence rating in Micron. Let's glance at one last chart, to help understand why.

Micron: 10 Years of Higher Lows and Higher Highs, Backed Up by Business Performance



The red dots are Micron stock’s cyclical lows: \$2, then \$4, then \$10, now \$37 or so. The green dots are the cyclical highs: \$12, then \$36, then \$62 earlier this year. The clumsy red and green lines say the obvious: higher highs, higher lows over the years and the cycles. And the orange line—operating cash flow—is a pretty fair signpost pointing at what Micron’s leaders and people have done with their company: \$1.2 billion in 2009, \$2.0 billion in 2013, \$3.0 billion in 2016, \$17 billion today.

No . . . this is not a Dotcom company. It’s an outstanding company: the rock-solid survivor of a decade of memory-industry battles, which has a firm grip on a big share, for itself, of the industry’s accelerating future in this age of the Internet of Things, Artificial Intelligence, Autonomous Vehicles, and much more.

The market’s galactic-scale crowd of speculators are many things, but they’re not dumb. Outlook suspects that a great many of the Micron speculators who delight in trying to time the Micron cycle, hopping on and off the bandwagon without falling under the wheels (they hope), would glance at our argument, shrug, and say “Well, sure . . . we know Micron’s heading up over time.” Being what they are, their next remark would be “So what? We also know Micron’s roller-coaster ride will never go away, even if it is pointing up in the long run, and we are in the bandwagon business, not the patient investing business.”

That kind of statement ends the discussion . . . but also makes our choice, as those patient investors, perfectly clear. There is such a thing as “long term certainty accompanied by short term fear,” and Micron is one of the best examples. We’ll keep our minds on the “long term certainty” part, and endure the ride along the way.

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