Investor Hub | 投資研究会

Session 4

Wednesday, November 11, 2026

Price and Quality

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Today

1	Introduction	Words of the day, today's question
2	Price meets quality	Valuation multiples and how they relate to business quality
3	Match the numbers	Five companies, five sets of numbers. Which is which?
4	Markets	Last week's selloff, and the SOX semiconductor index's worst day since March 2020
5	Portfolio review	Where the club's portfolio stands this week
6	Rheinmetall	The German defense company. The stock is down 19%. What happened?
7	Micron and TSMC	Both fell hard last week. Should we research them as investment candidates?

Words of the day

> **Hear a word or term you do not know today?** Type it in the Discord channel #what-does-it-mean.

Multiple	Price divided by a measure of profit: how many years of that profit the price pays for. A higher multiple means the market expects profit to grow faster, or is more sure that today's profit will last.
P/E (price to earnings)	Share price ÷ earnings per share; here, on the profit expected over the next twelve months.
EV/EBIT	Enterprise value (market value + debt − cash) ÷ operating profit (EBIT). It prices the whole business.
Re-rating	The multiple changes for reasons other than next year's profit: the market values the same expected earnings higher, or lower.
Capital intensity	How much a business must spend on factories, equipment and data centers (capex) to keep and grow its sales: high for factories and power plants, low for brands and consultancies. The more each extra unit of sales needs, the less of its profit it keeps as cash.
Cyclical	A business whose profit rises and falls with an industry cycle (oil, steel, cars). A cyclical company's multiple is often lowest when its profit is highest.

The price fell.
Did the business get worse?

LAST WEEK

The PHLX Semiconductor Index (SOX) fell 12% in one day (Thu Nov 5), its worst day since March 2020.[1]

THE EQUATION

Price = earnings × multiple

A price can fall because expected profit fell, or because the multiple did.

TODAY'S TEST

If price follows quality, better businesses get higher multiples.

Sources: [1] Yahoo Finance, PHLX Semiconductor index (^SOX) history; NBC News, Nov 5, 2026

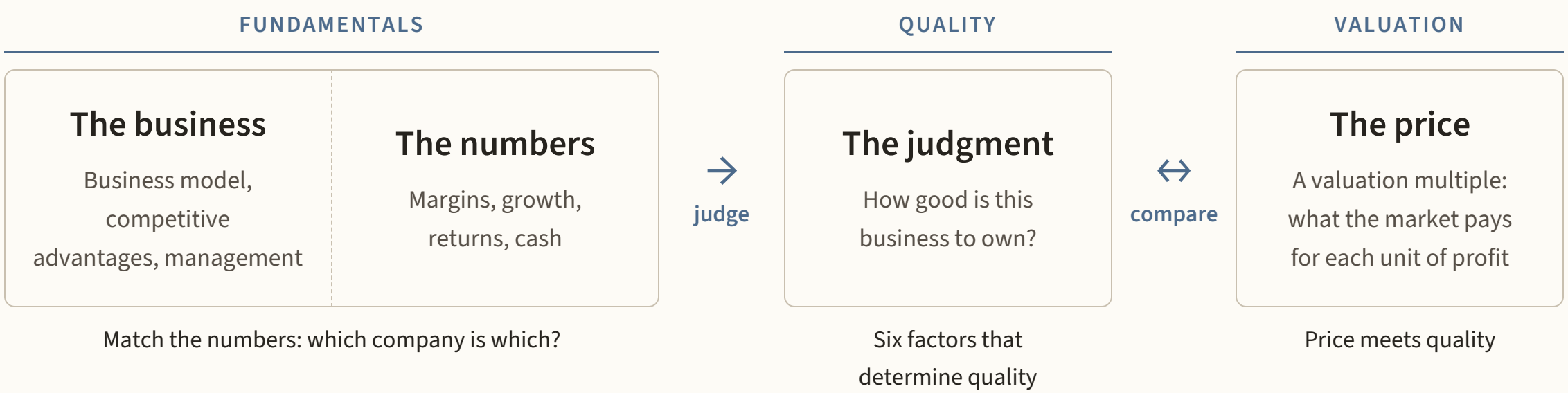
Part 2 of 7

Price meets quality

Valuation multiples and how
they relate to business quality

1 Introduction
2 **Price meets quality**
3 Match the numbers
4 Markets
5 Portfolio review
6 Rheinmetall
7 Micron and TSMC

A framework for investing: from the business to the price



> Quality is what we judge. Valuation is what the market pays. Where they disagree is where we look.

The hypothesis: the better the business, the higher the multiple



> *"It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price."* Warren Buffett, 1989 Berkshire letter

A better hypothesis: right in aggregate, wrong in specifics



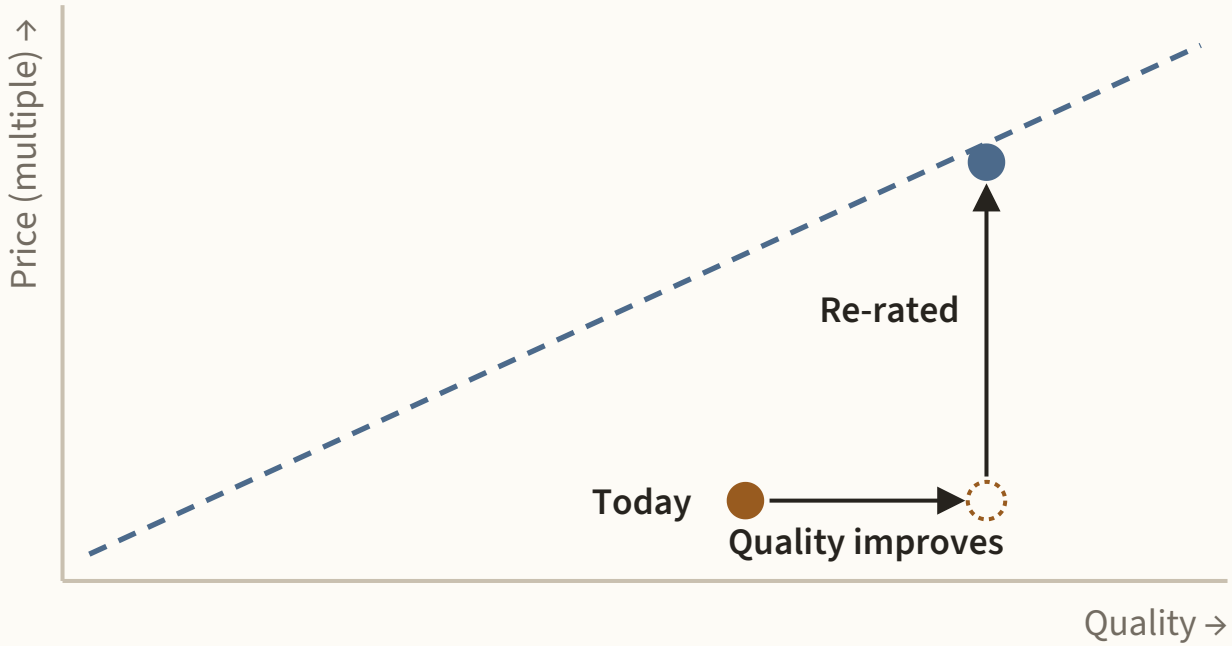
In aggregate, prices track quality: the line is real.

Company by company, some dots sit above the line and some below.

A gap is either a mistake by the market or a mistake in our view of quality. Finding out which is the work.

> *"Observing correctly that the market was frequently efficient, they went on to conclude incorrectly that it was always efficient. The difference between these propositions is night and day."* Warren Buffett on efficient-market theorists, 1988 Berkshire letter

Closing the gap, 1: quality improves before the market notices



Returns and cash flow are about to rise.

The dot moves right as the business gets better; then the market re-rates it and it moves up to the line.

The return comes from both: better earnings and a higher multiple.

Closing the gap, 2: a feared decline never comes



The market fears a threat to margins.
Quality holds, so the dot doesn't move right.

The fear fades and the dot moves
straight back up to the line.

The return comes from the multiple alone: a re-rating.

Price = earnings × multiple

An illustration	Year 0	1	2	3	4
Earnings	100	110	105	120	140
Multiple	10×	12×	10×	14×	18×
Price	1,000	1,320	1,050	1,680	2,520
Price change, year on year		+32%	−20%	+60%	+50%
Price change since year 0		+32%	+5%	+68%	+152%

Year 2: earnings barely moved, but the multiple fell from 12× to 10×, and the price fell 20%.

Over four years earnings grew 40%; the price rose 152%, mostly because the multiple rose from 10× to 18×.

In this example most of the gain came from the multiple. The multiple is the part you choose when you buy: a low one leaves room to rise, a high one room to fall.

A high multiple, then growth that never comes: a permanent loss

An illustration	Year 0	1	2	3	4
Earnings	100	100	100	100	100
Multiple	30×	26×	22×	18×	15×
Price	3,000	2,600	2,200	1,800	1,500
Price change, year on year		−13%	−15%	−18%	−17%
Price change since year 0		−13%	−27%	−40%	−50%

Bought at 30×: the market expected fast growth, about 20% a year.

The growth never came. Earnings stayed at 100, and the multiple fell back to 15×, a normal price for a business that doesn't grow.

The price halved with no fall in earnings. To get back to 3,000 at 15×, earnings must double. Without the growth, the loss is permanent.

> *"No asset is so good that it can't become a bad investment if bought at too high a price."* Howard Marks, Oaktree memo, 2003

Determining quality: six factors

A durable competitive advantage is what keeps these six high, year after year.

1 **Competitive advantage** Pricing power is its test

Can it raise prices without losing customers,
and has it done so year after year?

Gross and operating margin, five years: level and direction

2 **Growth runway** Room to reinvest

Will it be clearly bigger in ten years, and
does the growth come with returns?

Sales growth, four years a year, beside ROIC on capital added

3 **Returns on capital** Incremental, not average

What does each new dollar put into the business earn?

Return on invested capital, and on capital added

4 **Cash conversion** Earnings you can take out

Do reported profits turn into cash the owners can use?

Free cash flow ÷ net income, five years

5 **Resilience** Earnings and balance sheet

What happens in a bad year, and can it wait one out?

Range of operating margin; net debt ÷ EBITDA

6 **Capital allocation** What management does with the cash

Does surplus cash widen the moat, come
back to owners, or build an empire?

Capex ÷ depreciation with ROIC on capital added; payout ÷ FCF

> Three of the six are one idea seen three ways: cash earned per dollar reinvested. See's Candies reinvested $32M over 35 years and earned $1.35B.

Source: Investor Hub Session 2 slides 40 and 52

Two weeks ago: at the same multiple, which would you rather own?

Session 2: five pairs, names only, no numbers. Raise your hand for A or B.

1	**Apple** Consumer tech ecosystem	vs	**Meta Platforms** Social media	
2	**Walmart** Discount retail	vs	**Exxon** Integrated oil and gas	**The room: about 50-50**
3	**Nintendo** Video games	vs	**Disney** Diversified entertainment	
4	**Daikin** Air conditioners	vs	**Toto** Toilets	
5	**Mercedes** Carmaker	vs	**Ferrari** Carmaker	**The room: mostly Mercedes**

> Today: Walmart-Exxon, which split the room, and Mercedes-Ferrari, where the room picked Mercedes. They don't trade at the same multiple. Why?

Source: Investor Hub Session 2, slide 50 (Oct 28, 2026); a show of hands, not counted

Four businesses by the numbers: read across each row

Factor	Measure	Walmart	Exxon	Ferrari	Mercedes
Competitive advantage	Gross margin, 5 years (%)	24–25	n/a[1]	48–52	17–23
	Operating margin, 5 years (%)	3.3–4.5	11–19[1]	24–30	4.4–14
Growth runway	Sales growth, 4 years (% a year)	5.6	3.9	14	-0.3
Returns on capital	Return on invested capital (ROIC), latest (%)	16	10	32	2.7[2]
	ROIC on capital added, 4 years (%)	15	8.1	42	nm[3]
Cash conversion	Free cash flow ÷ net income, 5 years (%)	80	103	71	76
Resilience	Operating margin range, 10 years (pts)[4]	1.3	34	10	11
	Net debt ÷ EBITDA, latest	0.9×	0.5×	0.5×	−2.6×[5]
Capital allocation	Capex ÷ depreciation, 5 years	1.7×	0.9×	1.5×	1.2×

[1] Exxon reports no gross profit; its operating profit is pre-tax profit plus interest. [2] Consolidated figures include Mercedes's lending arm; the car business alone held about €32bn of net cash (Dec 2025). [3] nm = not meaningful: profit fell while capital grew. [4] The range measures spread, not direction: Ferrari's is a steady rise (19% → 30%), Mercedes's a fall (14% → 4%). [5] Mercedes: the car and van business only, without the lending arm's debt; negative = net cash (€32bn ÷ €12bn EBITDA, Dec 2025). Walmart's year ends in January.

Source: Walmart 10-K FY2026 (year to Jan 2026); Exxon 10-K FY2025; Ferrari 20-F FY2025; Mercedes-Benz Group annual report 2025; earlier annual reports

Compare in pairs: which should be worth more per dollar of profit?

No score for each company: each pair asks you to weigh one strength against another.

Walmart vs Exxon the room split

	Walmart	Exxon
Operating margin range, 10 years	1.3 pts	34 pts
ROIC, latest	16%	10%
Free cash flow ÷ net income	80%	103%

Ferrari vs Mercedes the room picked Mercedes

	Ferrari	Mercedes
Operating margin, latest	30%	4.4%
ROIC, latest	32%	2.7%
Sales growth a year, last 4 years	14%	-0.3%

Ferrari vs Walmart best numbers vs steadiest

	Ferrari	Walmart
ROIC, latest	32%	16%
Sales growth a year, last 4 years	14%	5.6%
Operating margin range, 10 years	10 pts	1.3 pts

Exxon vs Mercedes two cyclicals

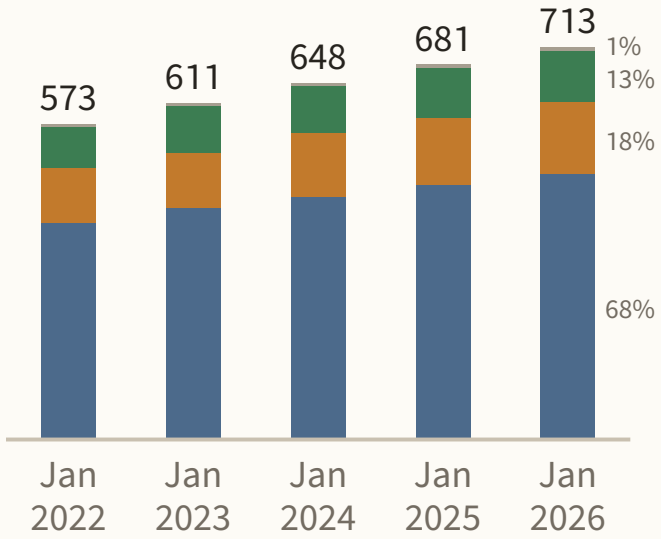
	Exxon	Mercedes
ROIC, latest	10%	2.7%
Free cash flow ÷ net income	103%	76%
Operating margin range, 10 years	34 pts	11 pts

> In each pair: which deserves the higher multiple, and by roughly how much?

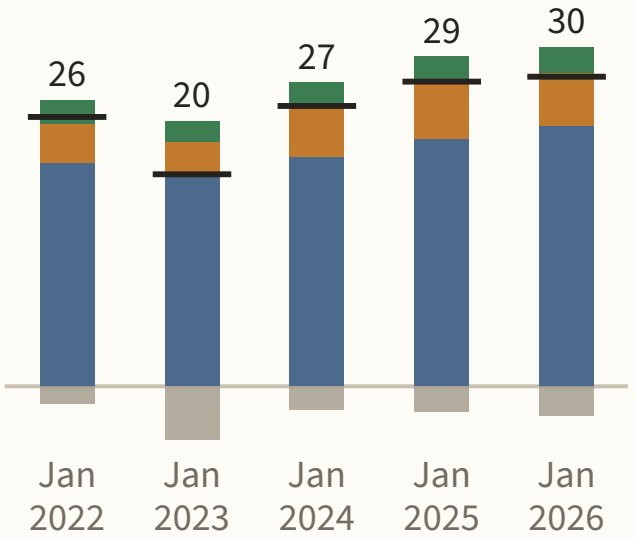
Source: Company annual reports (as on the previous slide)

Walmart at a glance: five years

Sales by segment ($bn)



Operating profit by segment ($bn)



Segment operating margin (%)

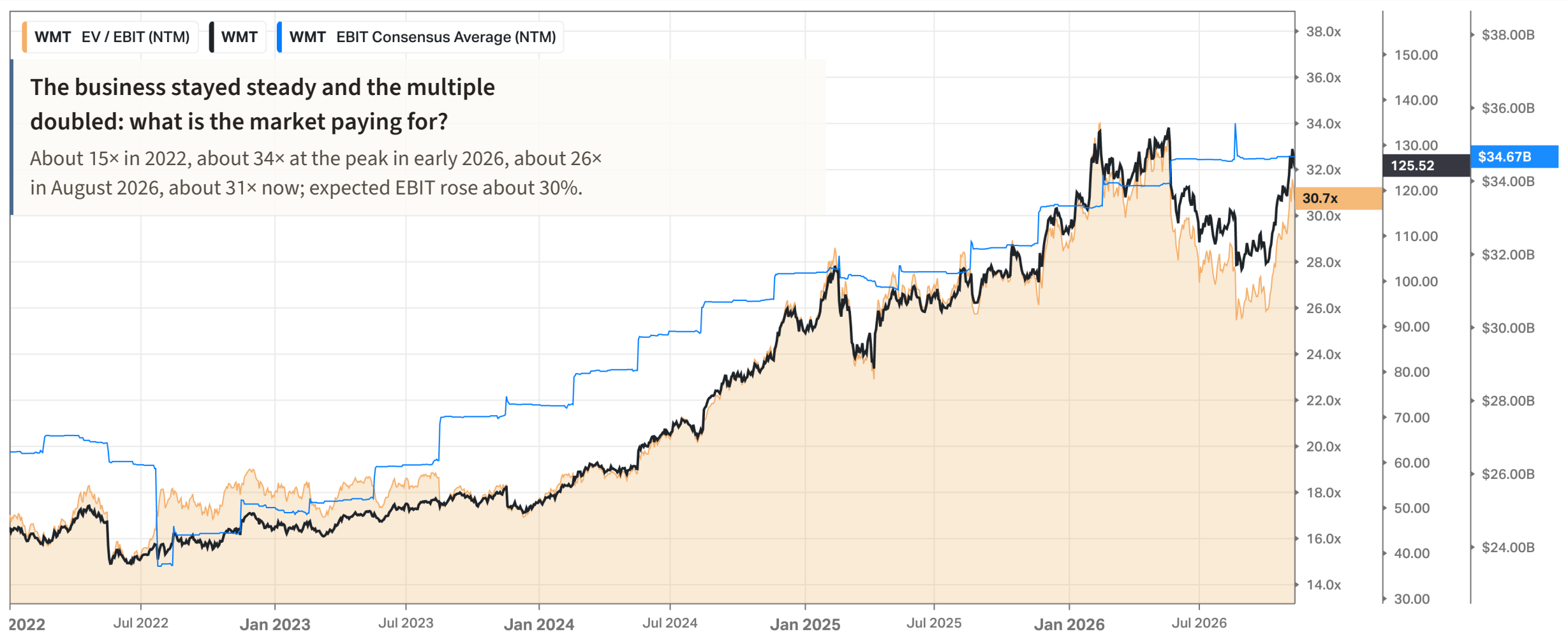
	Jan 2022	Jan 2023	Jan 2024	Jan 2025	Jan 2026
Walmart U.S.	5%	5%	5%	5%	5%
International	4%	3%	4%	5%	4%
Sam's Club U.S.	3%	2%	3%	3%	3%
Corporate and other (profit only)					
Consolidated	**5%**	**3%**	**4%**	**4%**	**4%**

	Jan 2022	Jan 2023	Jan 2024	Jan 2025	Jan 2026
Sales ($bn)	**573**	**611**	**648**	**681**	**713**
Sales growth	2%	7%	6%	5%	5%
Gross margin	25%	24%	24%	25%	25%
Operating margin	5%	3%	4%	4%	4%
Capex % sales	2%	3%	3%	3%	4%
Free cash flow % sales	2%	2%	2%	2%	2%
Return on invested capital	16%	11%	16%	17%	16%

> Walmart U.S. earns 84% of operating profit; every segment's margin is in single digits.

Source: Walmart Forms 10-K, years to Jan 2022-Jan 2026

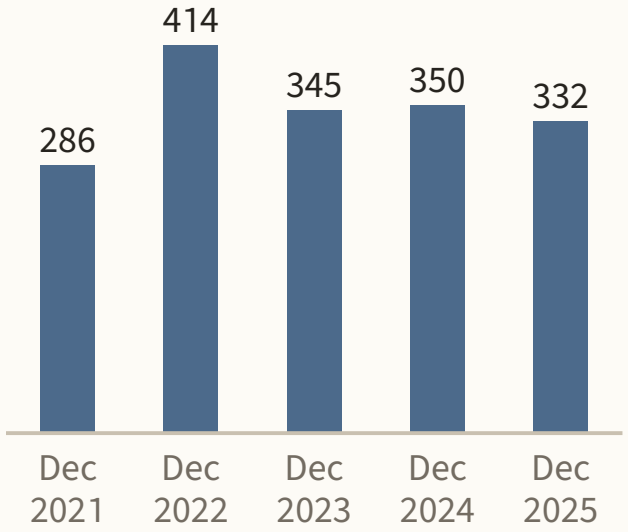
Walmart (WMT US) Chart



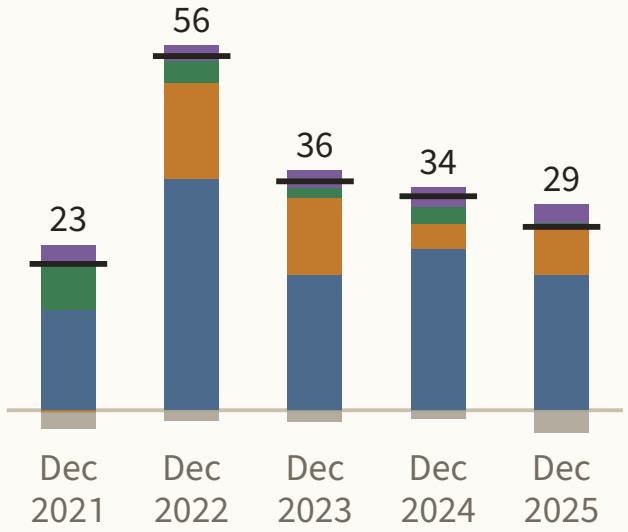
Source: Koyfin, daily, Jan 2022 to the close of Fri Nov 6, 2026; EV/EBIT and EBIT for the next twelve months

Exxon at a glance: five years

Sales ($bn)



Earnings after tax by segment ($bn)



Share of segment earnings (%, after tax)

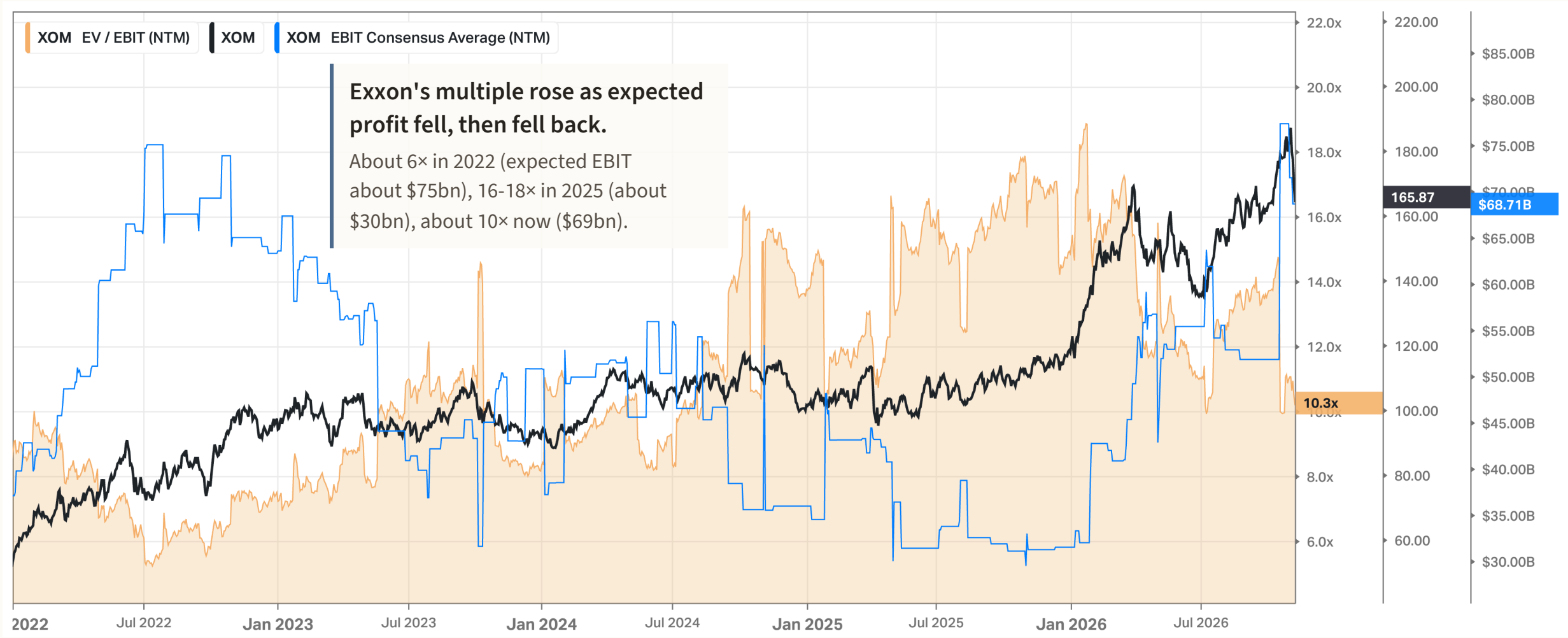
	Dec 2021	Dec 2022	Dec 2023	Dec 2024	Dec 2025
Upstream (oil and gas)	61%	64%	56%	72%	66%
Energy Products (refining)	nm	26%	32%	12%	23%
Chemical Products	27%	6%	4%	7%	2%
Specialty Products	13%	4%	7%	9%	9%
Corporate and other (profit only)					
Net income margin	**8%**	**13%**	**10%**	**10%**	**9%**

	Dec 2021	Dec 2022	Dec 2023	Dec 2024	Dec 2025
Sales ($bn)	**286**	**414**	**345**	**350**	**332**
Sales growth	57%	45%	−17%	1%	−5%
Gross margin	–	–	–	–	–
Operating margin	11%	19%	16%	14%	13%
Capex % sales	4%	4%	6%	7%	9%
Free cash flow % sales	13%	14%	10%	9%	7%
Return on invested capital	11%	27%	17%	14%	10%

> Upstream (oil and gas) earned 66% of segment earnings in 2025; the group margin swings with the oil price.

Source: Exxon Mobil Forms 10-K, 2021-2025

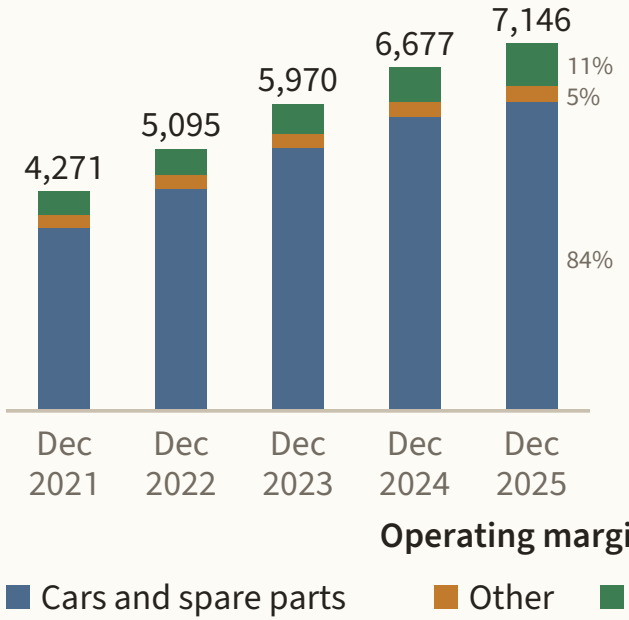
Exxon (XOM US) Chart



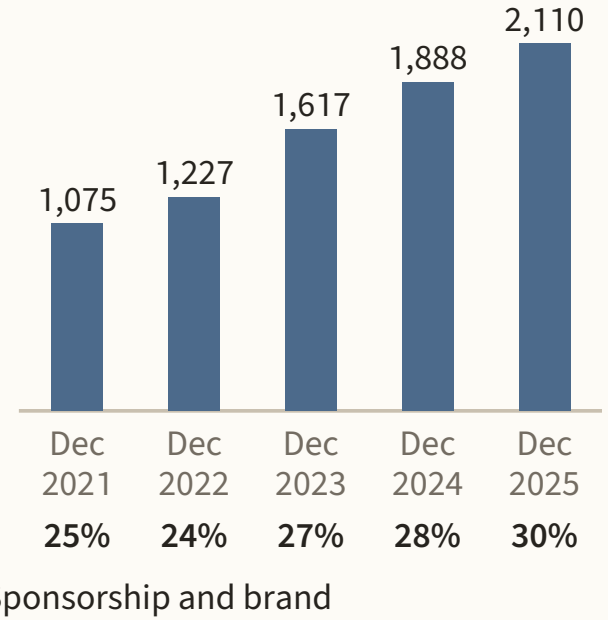
Source: Koyfin, daily, Jan 2022 to the close of Fri Nov 6, 2026; EV/EBIT and EBIT for the next twelve months

Ferrari at a glance: five years

Sales by category (€m)



Operating profit (€m)



Operating margin	25%	24%	27%	28%	30%

Cars and spare parts | Other | Sponsorship and brand

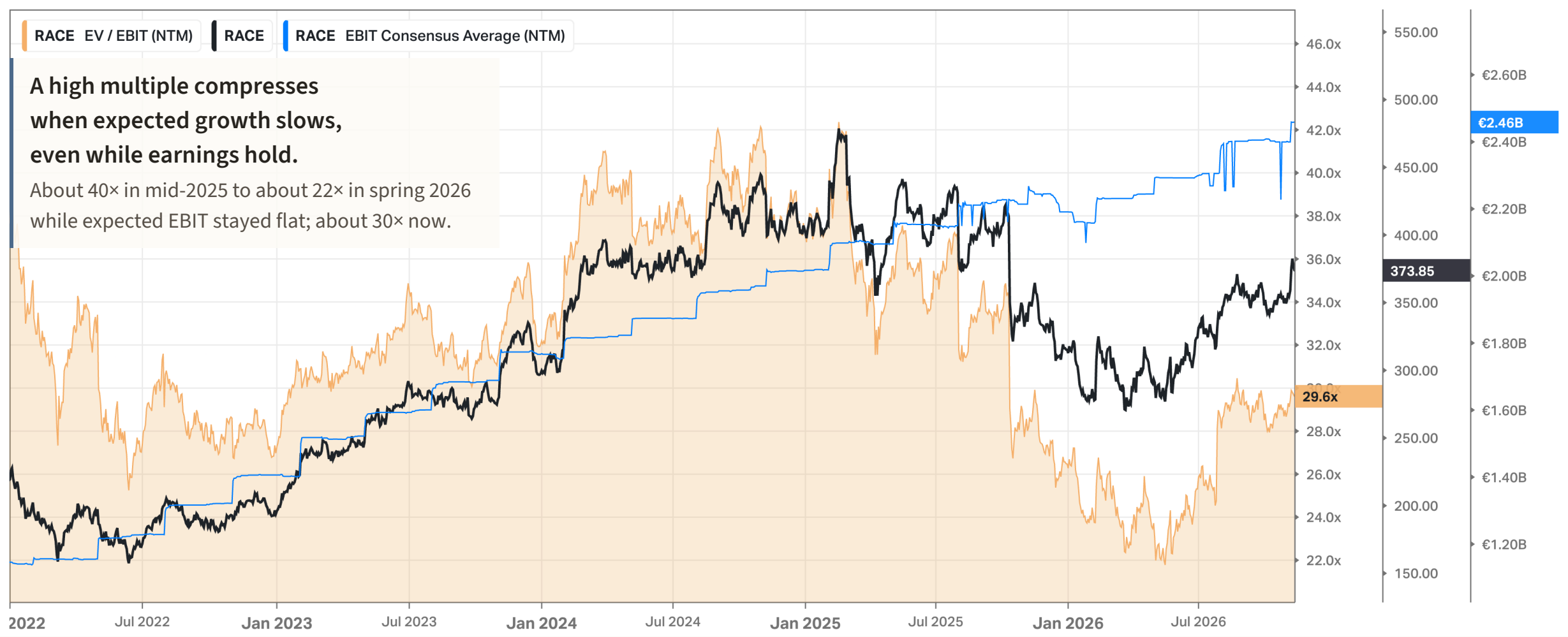
	Dec 2021	Dec 2022	Dec 2023	Dec 2024	Dec 2025
Sales (€m)	**4,271**	**5,095**	**5,970**	**6,677**	**7,146**
Sales growth	23%	19%	17%	12%	7%
Gross margin	51%	48%	50%	50%	52%
Operating margin	25%	24%	27%	28%	30%
Capex % sales	17%	16%	15%	15%	13%
Free cash flow % sales	13%	12%	14%	14%	20%
Return on invested capital	26%	26%	31%	33%	32%

> Cars and spare parts are 84% of sales; the operating margin rose from 25% to 30% in four years.

Source: Ferrari Forms 20-F, 2021-2025

Ferrari (RACE IM) Chart

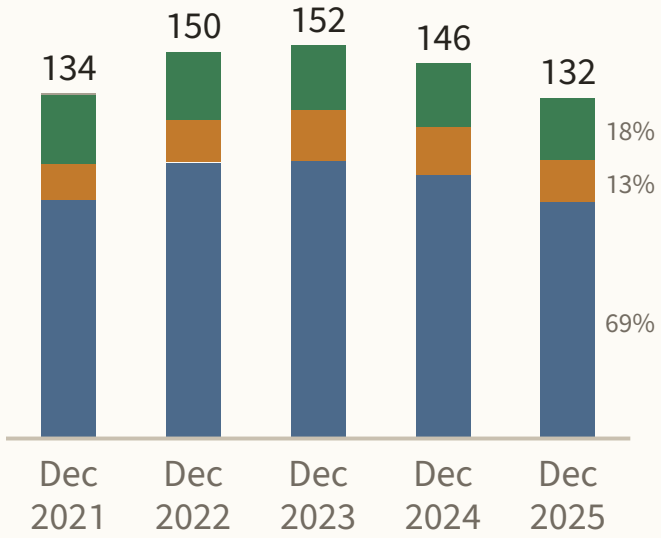
EV/EBIT (shaded) | Share price | Expected EBIT



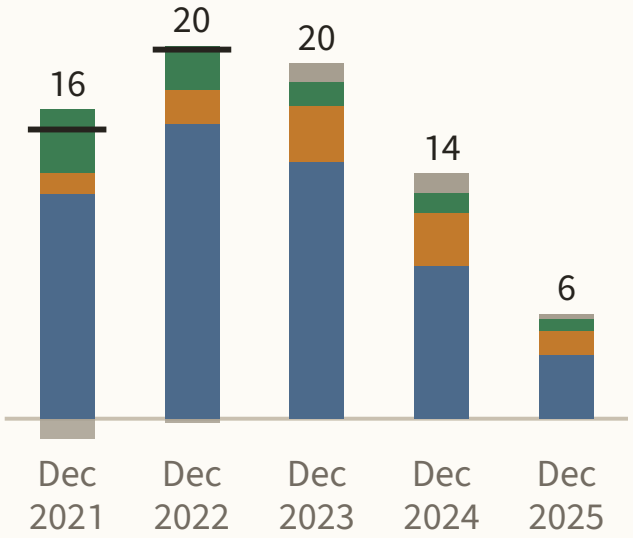
Source: Koyfin, daily, Jan 2022 to the close of Fri Nov 6, 2026; EV/EBIT and EBIT for the next twelve months

Mercedes at a glance: five years

Sales by segment (€bn)



Operating profit by segment (€bn)



Segment EBIT margin (%)

	Dec 2021	Dec 2022	Dec 2023	Dec 2024	Dec 2025
Cars	13%	15%	13%	8%	4%
Vans	8%	11%	15%	15%	8%
Lending arm (Financial Services)	13%	9%	5%	5%	3%
Corporate and other (profit only)					
Consolidated	**12%**	**14%**	**13%**	**9%**	**4%**

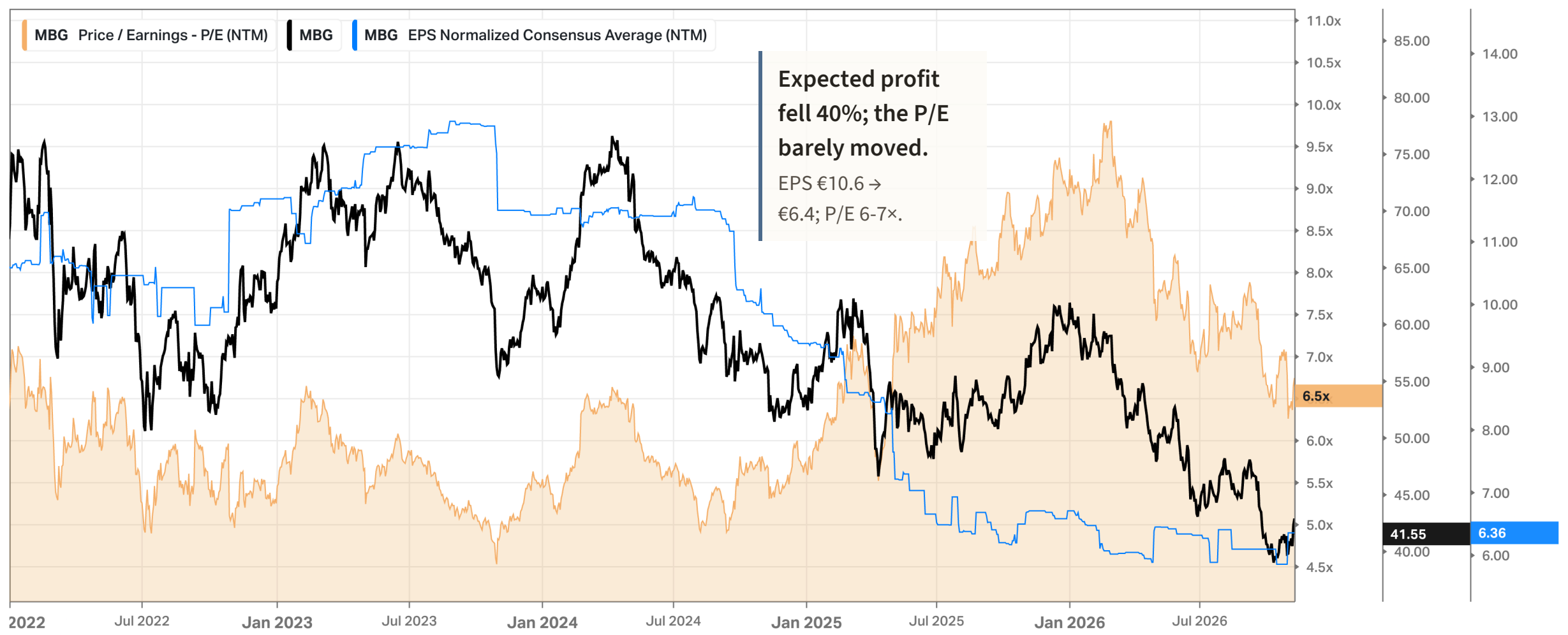
	Dec 2021	Dec 2022	Dec 2023	Dec 2024	Dec 2025
Sales (€bn)	**134**	**150**	**152**	**146**	**132**
Sales growth	10%	12%	2%	−4%	−9%
Gross margin	23%	23%	23%	20%	17%
Operating margin	12%	14%	13%	9%	4%
Capex % sales	5%	5%	5%	6%	7%
Free cash flow % sales	13%	7%	4%	6%	6%
Return on invested capital	6%	8%	8%	5%	3%

Cars' EBIT margin went from 13% to 4% in four years. The lending arm earns on loans to car buyers, so the group margin and ROIC include it.

Source: Mercedes-Benz Group annual reports, 2021-2025

Mercedes (MBG GY) Chart

P/E (shaded) Share price Expected earnings per share



Source: Koyfin, daily, Jan 2022 to the close of Fri Nov 6, 2026; P/E and earnings per share for the next twelve months

Mercedes: take the cash out of the price, and the P/E falls to about 1×

€bn, Fri Nov 6 (balances Sep 30)	
Market value of the shares	38.1
− Net cash in the car business	31.0
= The price without the cash	**7.1**
Net profit, next 12 months (consensus)	5.9
P/E as quoted	6.5×
P/E without the cash	**1.2×**
Also take out the lending arm at its book equity (13.1)	below zero

Cash, not accounting profit: the car business, 2025

Operating profit (EBIT)	5.1
+ Depreciation and amortization	7.1
= EBITDA	12.2
− Capex, incl. development spending	9.5
= EBITDA − capex	**2.7**

Is all €31bn free to pay out? Mercedes states no minimum; its pensions are in surplus. The profit still includes the lending arm and the interest on the cash, so 1.2× flatters.

> Either the market doubts the cash will reach shareholders, or it expects the car business to keep shrinking (2026 car margin guidance cut to 2-3%). Which?

Source: Mercedes-Benz Group annual report 2025 (pp54, 58, 61, 355) and Q3 2026 interim report (pp30, 32, 37, 62); Koyfin, market value and P/E, close of Fri Nov 6, 2026

Compare in pairs: the market's price

From here we use P/E: Koyfin's EV/EBIT for Mercedes (about 15×) counts its lending arm's debt.

Walmart vs Exxon the room split

	Walmart	Exxon
Operating margin range, 10 years	1.3 pts	34 pts
ROIC, latest	16%	10%
Free cash flow ÷ net income	80%	103%
The market: P/E, next 12 months	**41.8×**	**11.7×**

Ferrari vs Mercedes the room picked Mercedes

	Ferrari	Mercedes
Operating margin, latest	30%	4.4%
ROIC, latest	32%	2.7%
Sales growth a year, last 4 years	14%	-0.3%
The market: P/E, next 12 months	**34.5×**	**6.5×**

Ferrari vs Walmart best numbers vs steadiest

	Ferrari	Walmart
ROIC, latest	32%	16%
Sales growth a year, last 4 years	14%	5.6%
Operating margin range, 10 years	10 pts	1.3 pts
The market: P/E, next 12 months	**34.5×**	**41.8×**

Exxon vs Mercedes two cyclicals

	Exxon	Mercedes
ROIC, latest	10%	2.7%
Free cash flow ÷ net income	103%	76%
Operating margin range, 10 years	34 pts	11 pts
The market: P/E, next 12 months	**11.7×**	**6.5×**

> In three of the four pairs the market pays more for the steadier business; Exxon over Mercedes is the exception. Four companies give us questions, not a rule.

Source: Koyfin, consensus estimates for the next twelve months, closes of Fri Nov 6, 2026; company annual reports

One price axis: where would you put them on quality?

Price: P/E, the price of a share ÷ the profit per share expected over the next twelve months.



> You need only an order, not a score. Where yours and the market's disagree, that is the research question.

Source: Koyfin, P/E for the next twelve months, closes of Fri Nov 6, 2026

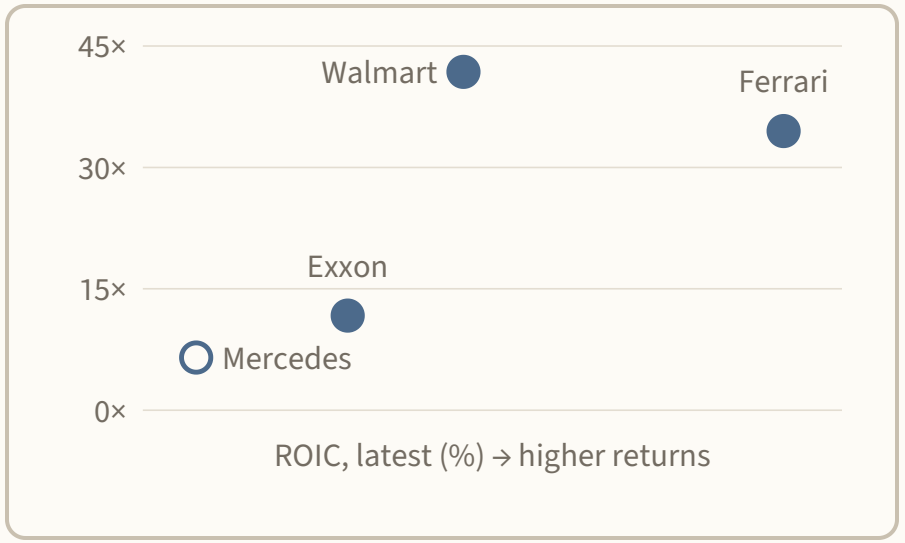
Which price doesn't fit the business?

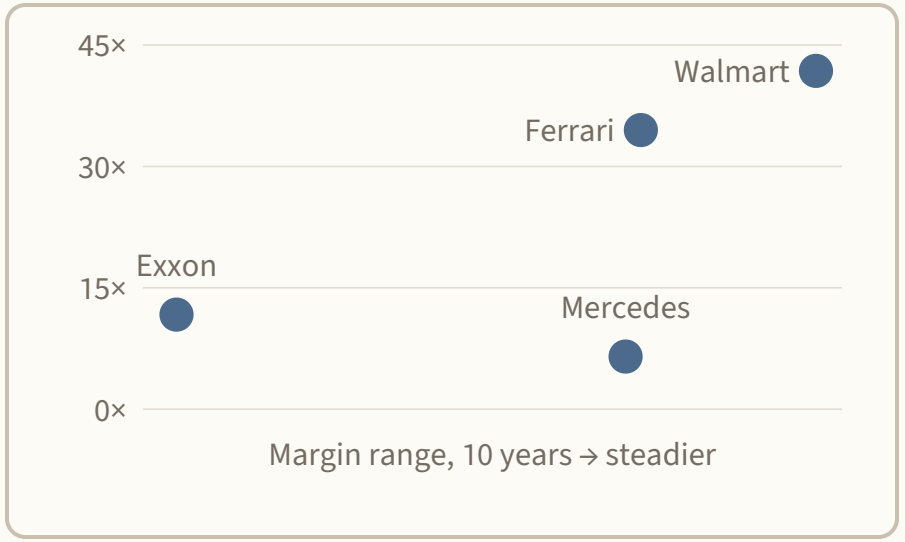
	P/E	ROIC	Margin range (pts)	Growth a year	The argument
Walmart	41.8×	16%	1.3	5.6%	The steadiest here: a thin margin and middling returns, at the highest P/E.
Exxon	11.7×	10%	34	3.9%	Strong cash, but profit follows oil: a loss in 2020. Under a third of Walmart's P/E.
Ferrari	34.5×	32%	10	14%	The best returns and fastest growth; margin up from 19% (2016) to 30% (2025).
Mercedes	6.5×	2.7%	11	-0.3%	Margin from 14% to 4%; car-business profit from €18bn to €5bn in two years.

Is stability worth more than a Ferrari multiple?

At about 12×, is Exxon priced for the next oil slump?

The room voted Mercedes; on these figures the market values its car and van business at about zero. Who is right?





Source: Koyfin, P/E for the next twelve months, closes of Fri Nov 6, 2026; company annual reports; Investor Hub Session 2

Walmart: fees are small beside sales, big beside profit

Year ended	Jan 2022	Jan 2023	Jan 2024	Jan 2025	Jan 2026
Membership fees ($bn, about)	**2.2**	**2.6**	**3.1**	**3.8**	**4.4**
Fees % sales	0.4%	0.4%	0.5%	0.6%	0.6%
Fees vs operating profit	**8%**	**13%**	**11%**	**13%**	**15%**
Membership and other income ($bn)	5.0	5.4	5.5	6.4	6.8
That income vs operating profit	19%	26%	20%	22%	23%

Sam's Club is Walmart's own warehouse club: members pay a fee to shop, as at Costco. **Walmart+** is a paid delivery subscription at Walmart U.S.

Fees doubled in four years, to about $4.4bn: only 0.6% of sales, but equal to 15% of operating profit.

Walmart does not split the fees between Sam's Club and Walmart+. Advertising is booked in sales, not here.

Source: Walmart Forms 10-K, years to Jan 2022-Jan 2026

Part 3 of 7

Match the numbers

Five companies, five sets of numbers. Which is which?

1 Introduction
2 Price meets quality
3 **Match the numbers**
4 Markets
5 Portfolio review
6 Rheinmetall
7 Micron and TSMC

Match the numbers: how it works

unoriginal.jp/club/live/2026-11-11

1. **Individually.** For each column A to E, pick the company you think made those numbers.
2. **Pick one, or two.** One company if you are sure; two if you are choosing between two; or pass.
3. **Each column is scored on its own.** A company may be used more than once, so one wrong guess does not force another.
4. **The room's answers are revealed.** Discuss.
5. **The correct answers are revealed.** Discuss.

Your answer	Right	Wrong	
One pick	+3	0	
Two picks	+2	0	(+2 if either pick is right)
Pass	0	0	

Part 4 of 7

Markets

Last week's selloff, and the SOX semiconductor index's worst day since March 2020

1 Introduction
2 Price meets quality
3 Match the numbers
4 **Markets**
5 Portfolio review
6 Rheinmetall
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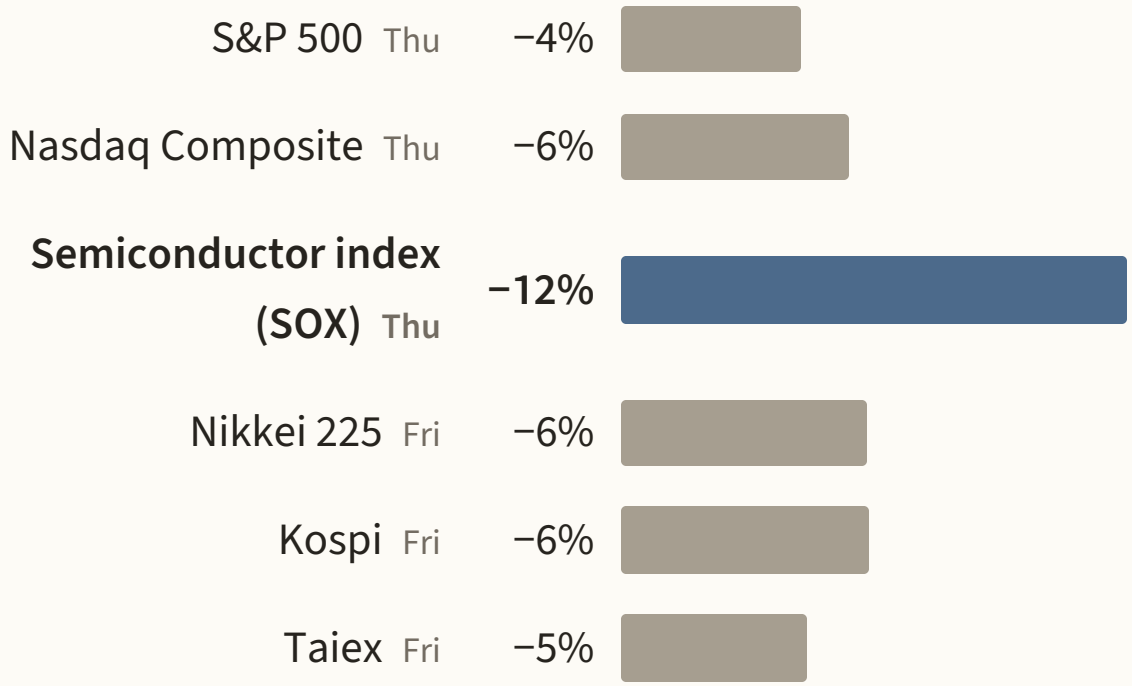
The selloff: Thursday in the US, Friday in Asia



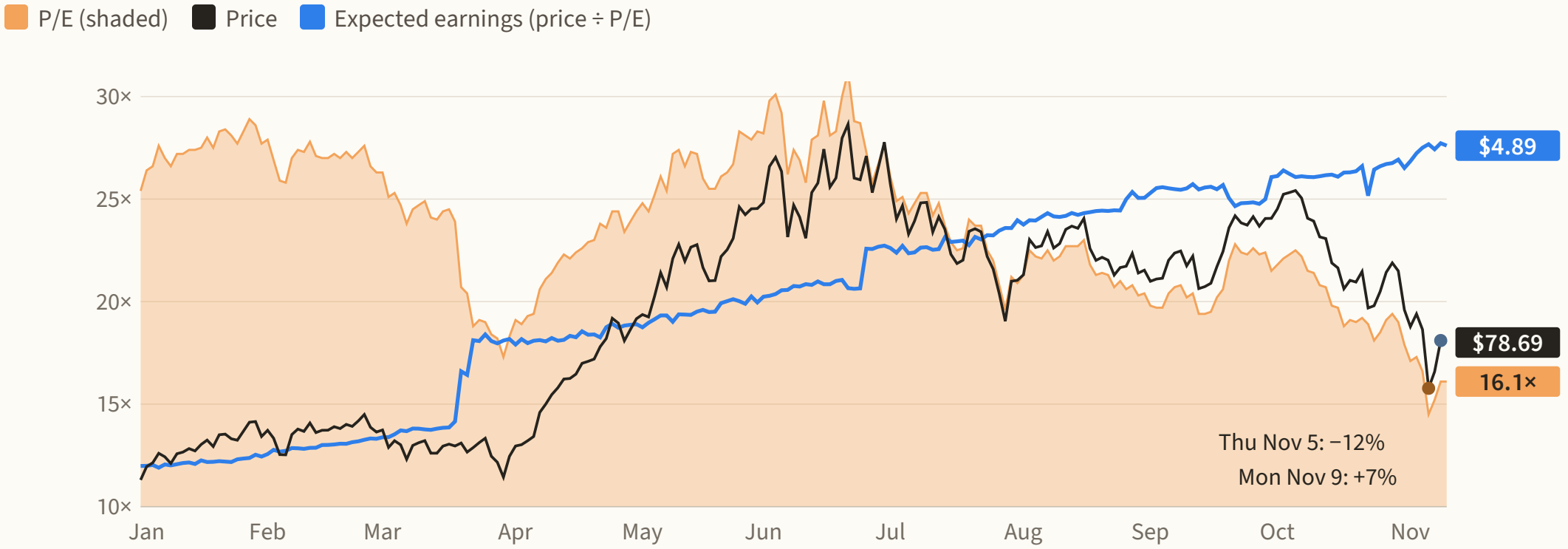
From the peak: the Nikkei is 21% below its June high at Friday's close (a bear market: 20% or more below a peak); the semiconductor index (SOX) is 38% below its June high at Thursday's close.[1]

The reason given: the US midterm elections, read as a threat to data-center building.[2]

One analyst's read: a fall in multiples, not in earnings estimates.[2] That is today's question.

Sources: [1] Yahoo Finance index histories; CNBC, AP, Nov 5-6, 2026; [2] AP, Euronews, CNBC (BofA), Nov 5-6, 2026

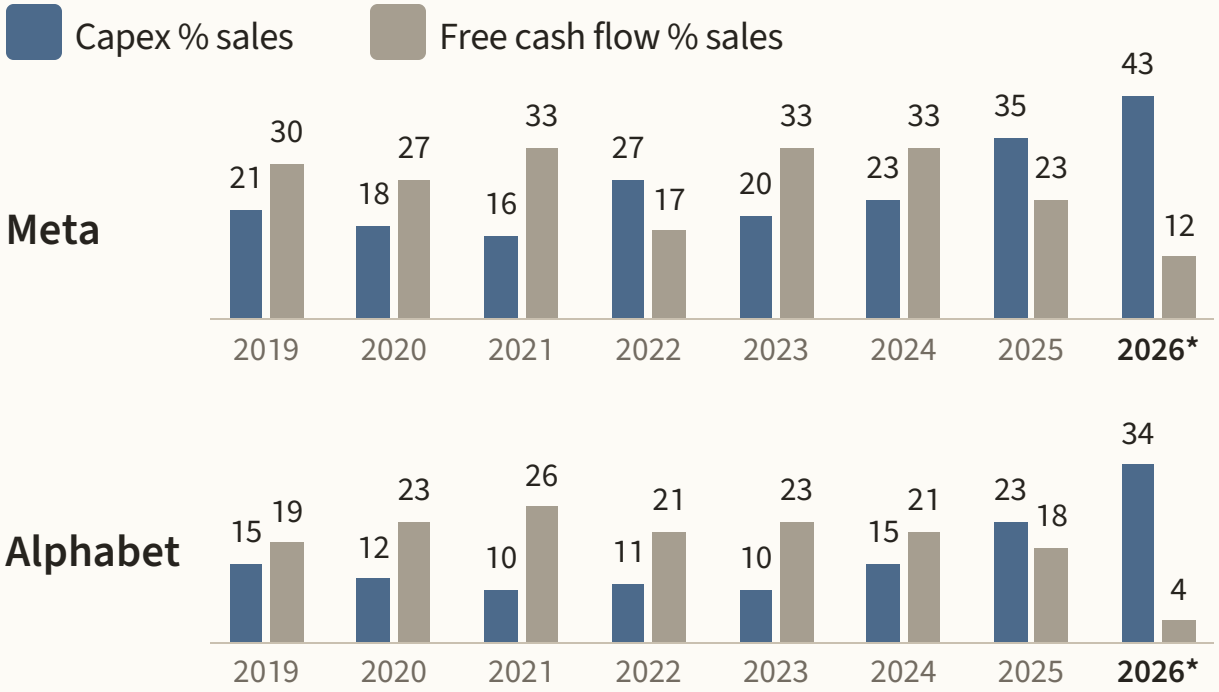
The SOX: expected earnings rose, the multiple fell



> **This year the P/E fell 37% while expected earnings more than doubled.** A falling multiple doesn't prove the business is fine: it can mean profit after next year is expected to fall, as with Micron. SOXQ (an ETF that tracks the SOX), to Tue Nov 10: price +41%; P/E 25.4× → 16.1×; expected earnings (price ÷ P/E) +123%.

Source: Koyfin, Invesco PHLX Semiconductor ETF (SOXQ): daily price and P/E for the next twelve months, Dec 31, 2025 to the close of Tue Nov 10, 2026; expected earnings = price ÷ P/E (derived)

Meta and Alphabet: from capital light to capital heavy



$bn. * The twelve months to Sep 2026.

Meta	Sales	Capex	FCF
2019	71	15	21
2020	86	15	24
2021	118	19	39
2022	117	31	19
2023	135	27	44
2024	165	37	54
2025	201	70	46
2026*	242	104	29

Alphabet	Sales	Capex	FCF
2019	162	24	31
2020	183	22	43
2021	258	25	67
2022	283	31	60
2023	307	32	69
2024	350	53	73
2025	403	91	73
2026*	471	160	20

> Both now spend over a third of sales on capex.
> Does the multiple they earned on lighter spending still fit?

2019 → 2026*	Capex % sales	Free cash flow % sales
Meta	21% → **43%**	30% → **12%**
Alphabet	15% → **34%**	19% → **4%**

Source: Meta and Alphabet Forms 10-K FY2019-FY2025 and 10-Q for Q3 2026; last twelve months to Sep 30, 2026

Three questions that could decide whether AI multiples re-rate back up

CAN THEY PAY FOR IT?

Data centers have made the biggest tech firms capital heavy, and cash flow is thinning. Some lenders are growing wary of the firms that rent out AI computing, and of Oracle's debt.

CAN THEY BUILD IT?

Data centers wait for power, and politics could slow the building.

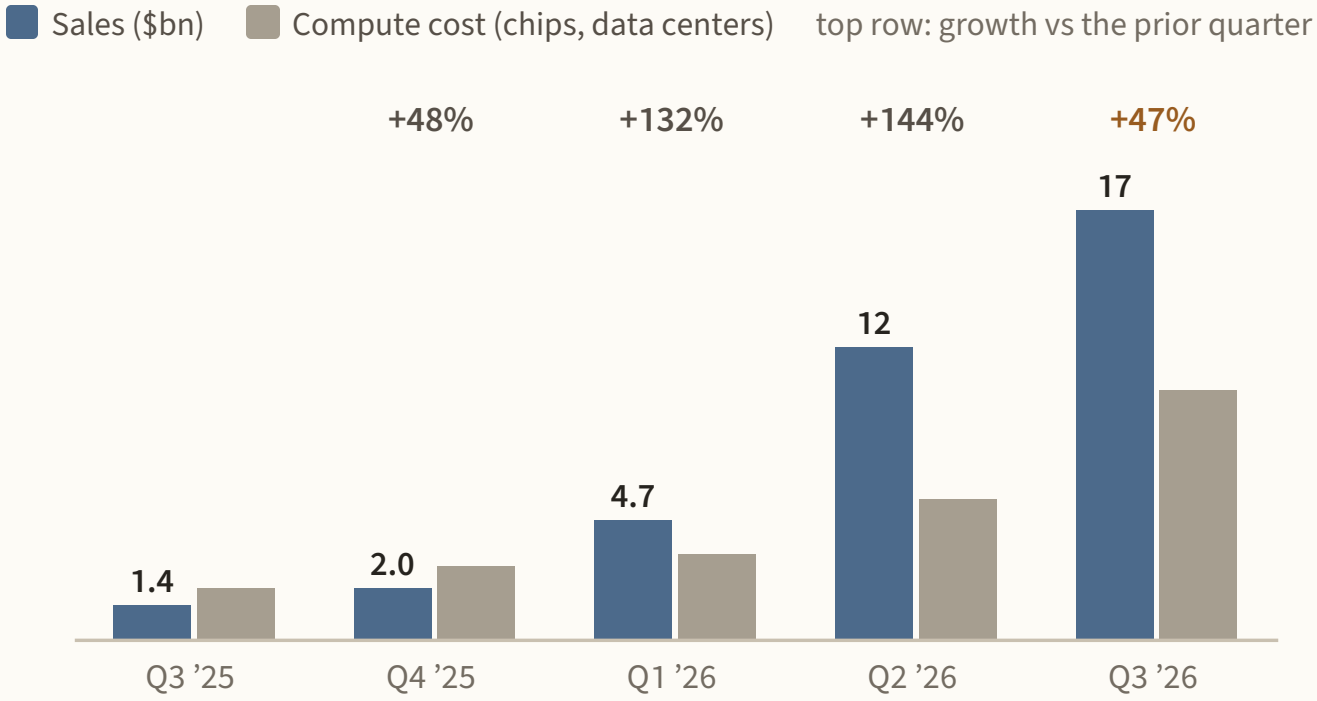
CAN THEY EARN ON IT?

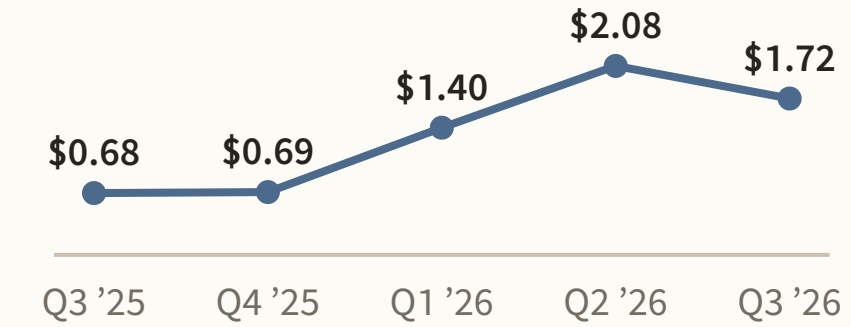
AI models have few lasting advantages over each other, and their makers are cutting prices to win users.

Why they matter to us: the answers move the economy, the stock market and our own portfolios.

> For us: Meta's capex is the first question. Its free cash flow is still positive, but falling (slide 45).

Anthropic: growth slowed to 47% as compute costs rose





Sales more than doubled in each of Q1 and Q2 2026, then grew 47% in Q3. The filing points to price cuts (about $0.6bn). One reading: customers began to watch the cost.

> **IPO terms filed Nov 10:** $70–78 a share, about $1tn for the shares outstanding (trading reported for Nov 19–20). How does Anthropic rank on our six quality factors?

Source: Anthropic, PBC, Form S-1/A (amendment 1), filed Nov 2, 2026; growth from unrounded figures; IPO terms: S-1/A (amendment 2), filed Nov 10, 2026; Yahoo Finance (citing the WSJ), Nov 10, 2026

Part 5 of 7

Portfolio review

Where the club's portfolio stands this week

1 Introduction
2 Price meets quality
3 Match the numbers
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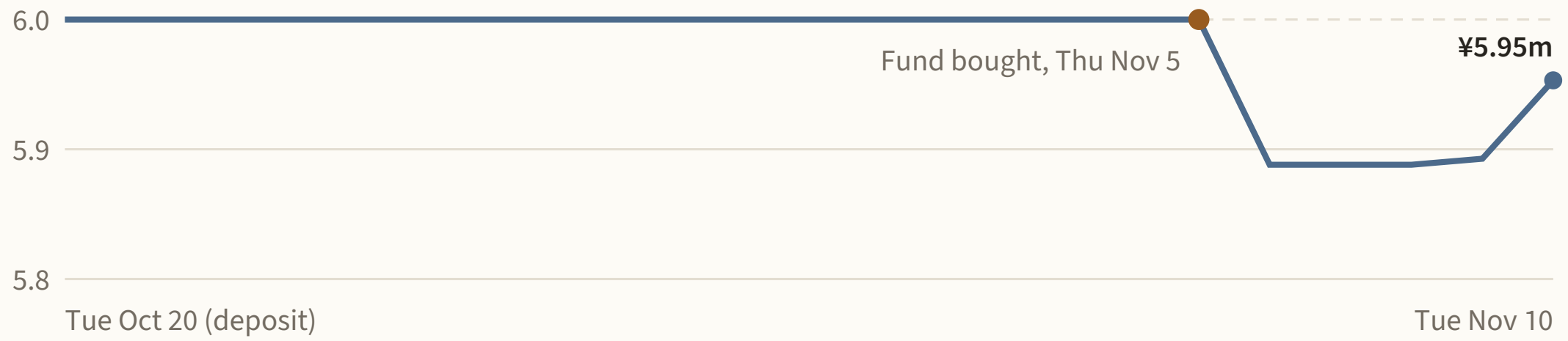
6 Rheinmetall
7 Micron and TSMC

Our first holding, and the club's value since the deposit

Fund	Bought	Cost	Settles
eMAXIS Slim All Country eMAXIS Slim 全世界株式（オール・カントリー）	Ordered Mon Nov 2; 800,000 units at ¥37,729 per 10,000 (the net asset value, NAV, of Thu Nov 5)	¥3,018,320, no purchase fee	Wed Nov 11, today

Club portfolio value, daily (¥m; the axis starts at 5.8)



Tue Nov 10: ¥5,953,120 (−0.8% on the ¥6.0m deposited, the dashed line). Cash ¥2,981,680; fund ¥2,971,440, −1.6% against its cost.

Source: Mitsubishi UFJ Asset Management, eMAXIS Slim All Country daily NAV; SBI trade history; club portfolio tracker (Investor Hub)

Where we stand

About half the club's portfolio is still in cash, and markets fell 4-6% in a day last week.

Let’s find some ideas for the portfolio!

Part 6 of 7

Rheinmetall

The German defense company. The stock is down 19%. What happened?

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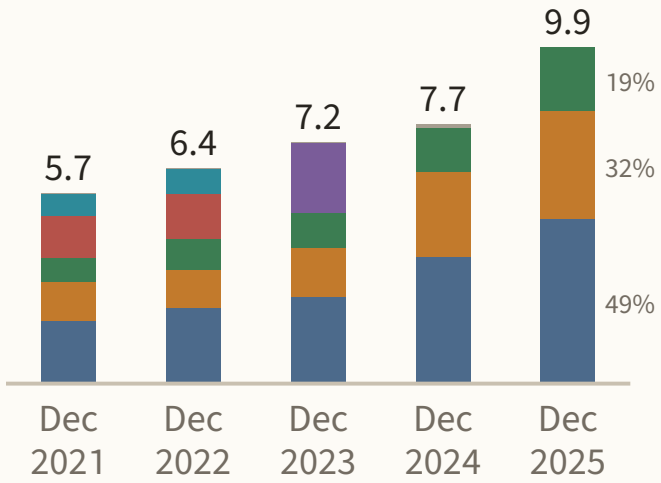
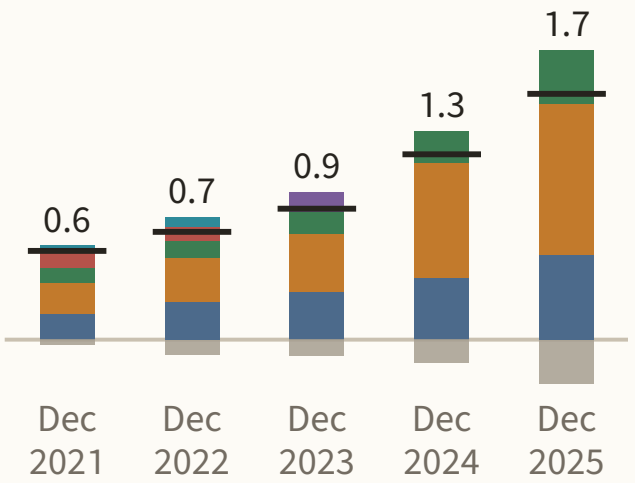
3 Match the numbers
4 Markets
5 Portfolio review
6 **Rheinmetall**
7 Micron and TSMC

Rheinmetall at a glance: five years

Sales by segment (€bn)



Operating profit by segment (€bn)



Segment operating margin (%)

	Dec 2021	Dec 2022	Dec 2023	Dec 2024	Dec 2025
Vehicle Systems	9%	12%	13%	11%	12%
Weapon and Ammunition	19%	26%	27%	31%	32%
Electronic Solutions	13%	13%	15%	16%	19%
Power Systems	–	–	6%	–	–
Sensors and Actuators	8%	7%	–	–	–
Materials and Trade	8%	9%	–	–	–
Corporate and other (profit only)					
Consolidated	**11%**	**12%**	**12%**	**16%**	**17%**

	Dec 2021	Dec 2022	Dec 2023	Dec 2024	Dec 2025
Sales (€bn)	**5.7**	**6.4**	**7.2**	**7.7**	**9.9**
Sales growth	5%	13%	12%	36%	29%
Gross margin	–	–	–	–	–
Operating margin	11%	12%	12%	16%	17%
Capex % sales	5%	5%	6%	9%	9%
Free cash flow % sales	7%	–3%	5%	13%	14%
Return on invested capital	22%	20%	18%	19%	24%

Sales grew 36% in 2024 (old scope: €9.8bn vs €7.2bn) and 29% in 2025; the operating margin rose from 11% to 17%. The bars for 2024-2025 are defence only.

Source: Rheinmetall annual reports, 2021-2025

Rheinmetall: strong growth, weaker cash, and a 16% fall in a day

WHY IT FELL

After the close on Tue Nov 4, it cut its 2026 outlook: sales about €13bn (was about €14bn), margin about 18.5% (was about 19%), cash conversion "just over 0%" (was over 40%).

The shares fell 16% on Nov 5, from €1,003 to €842, and closed at €813 on Fri Nov 6.

THE BULLS

Backlog of €78bn, about six years of sales (€54bn firm orders, €24bn expected call-offs under framework deals).

Q3: sales +36%, operating result +62%, margin 17.5%. Ammunition made under existing contracts has a strong claim to payment, once lots pass acceptance tests.

THE BEARS

The outlook was cut again. Cash: −€1.7bn of operating free cash flow in nine months.

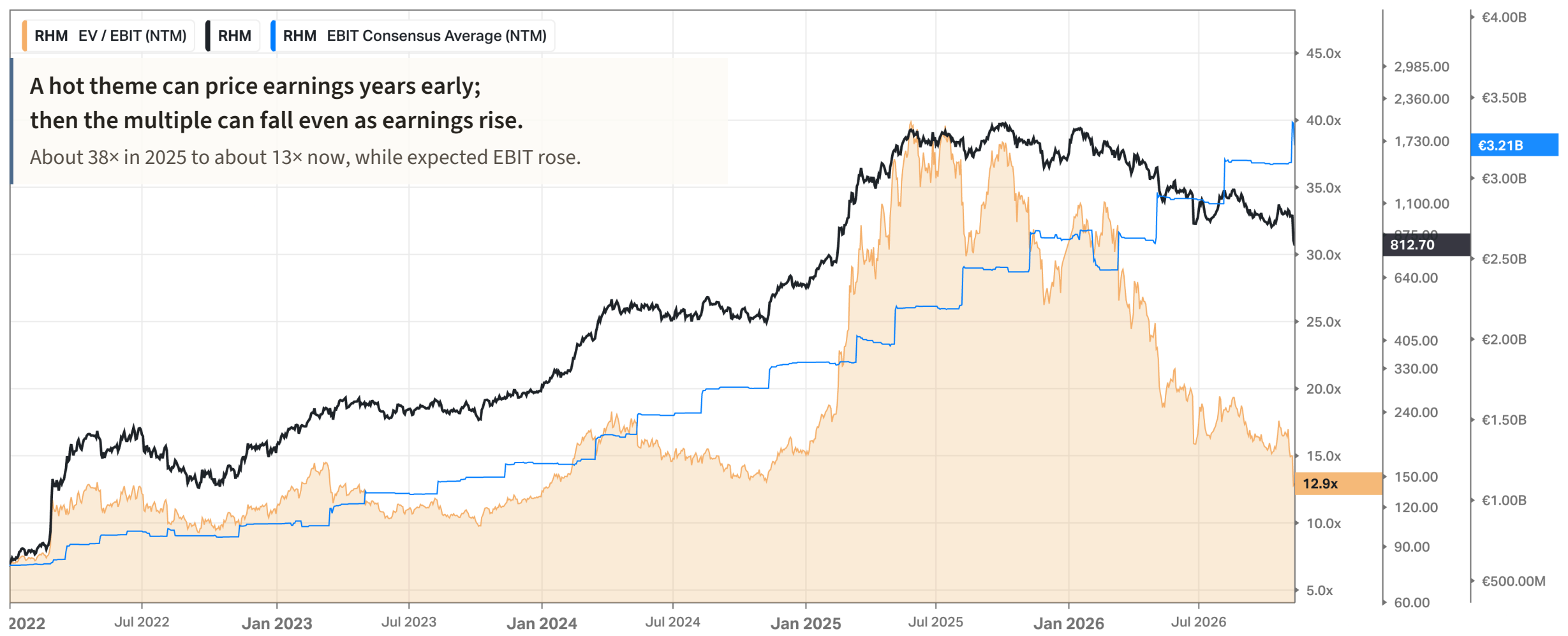
Growth leans on decisions it does not control: the Boxer vehicle order and its advance payment, artillery acceptance tests, a proposed partnership (Destinus).

> The demand is real; the question is how much of it turns into cash, and when.

Source: InvestVault, Rheinmetall integrated earnings analysis, Nov 8, 2026, citing Rheinmetall's Q3 2026 statement; Xetra closes

Rheinmetall (RHM GY) Chart

EV/EBIT (shaded) | Share price | Expected EBIT | price axis: log scale



Source: Koyfin, daily, Jan 2022 to the close of Fri Nov 6, 2026; EV/EBIT and EBIT for the next twelve months

Part 7 of 7

Micron and TSMC

Both fell hard last week. Should we research them as investment candidates?

1 Introduction
2 Price meets quality
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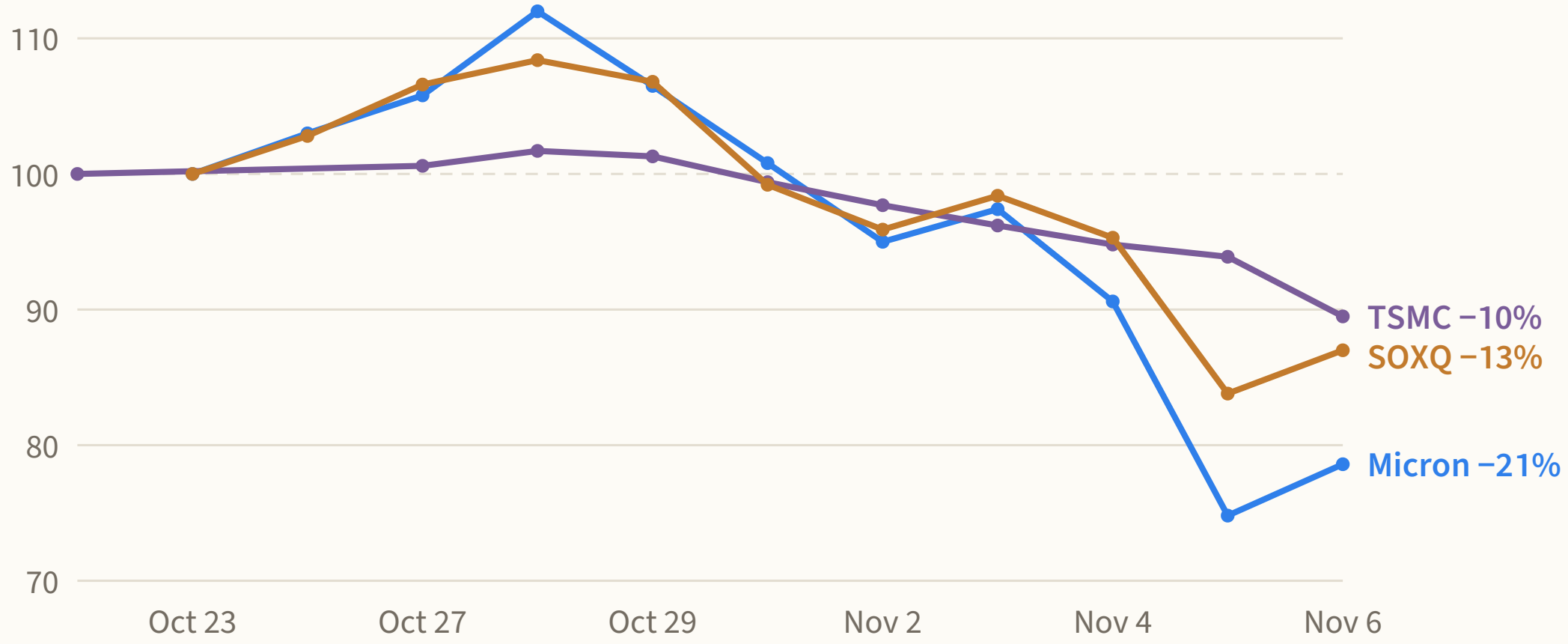
4 Markets
5 Portfolio review
6 Rheinmetall
7 **Micron and TSMC**

Micron fell twice as far as TSMC in two weeks

Share price, 100 = the close of Fri Oct 23 (TSMC: its Thu Oct 22 close); linear scale



Source: Koyfin daily closes, Oct 22 to Fri Nov 6, 2026; Invesco (SOXQ fund page)

Micron and TSMC: quality and price

	Micron	TSMC
Sales growth	256%	32%
Gross margin	81%	60%
Operating margin	75%	51%
Capex % sales	23%	34%
Free cash flow % sales	44%	26%
Return on invested capital	103%	47%
Year ended	Sep 2026	Dec 2025
Price, Fri Nov 6		
EV/EBIT, next twelve months	3.1×	12.1×
P/E, next twelve months	3.9×	15.0×

Micron earns at a cyclical peak: operating margin 75% in the year to Sep 2026, against −37% in the year to Aug 2023. A range of 112 points in ten years.

At a P/E of 3.9×, the price is about 4 years of expected profit. One reading: the market expects the cycle to turn.

TSMC is priced at 12.1× EV/EBIT, under half of Walmart's or Ferrari's, with a higher operating margin and return on invested capital than either.

Source: Micron Form 10-K FY2026; TSMC Form 20-F FY2025; Koyfin, consensus estimates for the next twelve months, closes of Fri Nov 6, 2026

Micron, year by year: a memory cycle in five columns

Year ended	Sep 2022	Aug 2023	Aug 2024	Aug 2025	Sep 2026
Sales ($bn)	31	16	25	37	133
Sales growth	11%	−49%	62%	49%	256%
Gross margin	45%	nm	22%	40%	81%
Operating margin	**32%**	**nm**	**5%**	**26%**	**75%**
Capex % sales	39%	49%	33%	42%	23%
Free cash flow % sales	10%	−39%	0%	4%	44%
Return on invested capital	19%	−12%	2%	16%	103%

> From a loss to a 75% operating margin in three years.

Source: Micron Forms 10-K, fiscal years 2022-2026; growth from unrounded figures

TSMC, year by year: capital heavy and still earning high returns

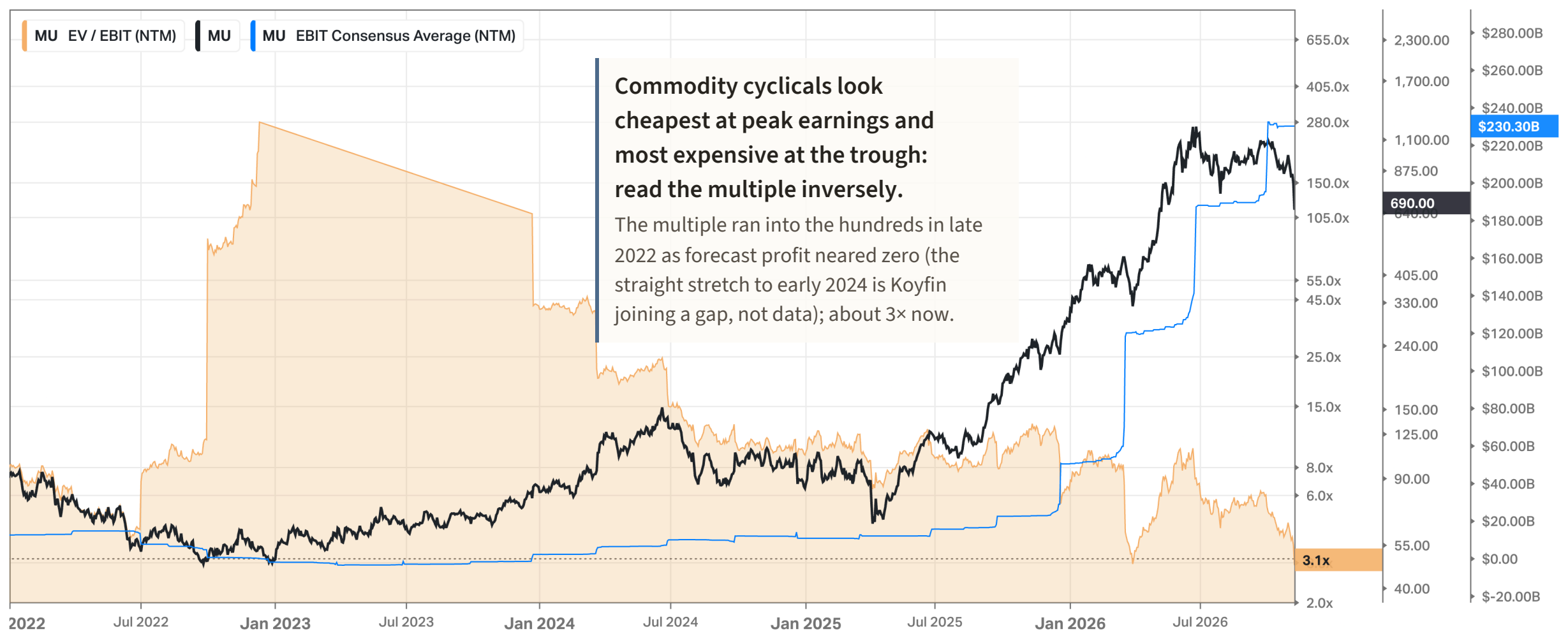
Year ended	Dec 2021	Dec 2022	Dec 2023	Dec 2024	Dec 2025
Sales (NT$bn)	1,587	2,264	2,162	2,894	3,809
Sales growth	–	43%	−5%	34%	32%
Gross margin	52%	60%	54%	56%	60%
Operating margin	**41%**	**50%**	**43%**	**46%**	**51%**
Capex % sales	53%	48%	44%	33%	34%
Free cash flow % sales	17%	23%	13%	30%	26%
Return on invested capital	35%	46%	30%	36%	47%

> Capex of a third of sales or more every year, and still a 30-47% return on invested capital: building factories pays off for TSMC.

Source: TSMC Forms 20-F, 2021-2025

Micron (MU US) Chart

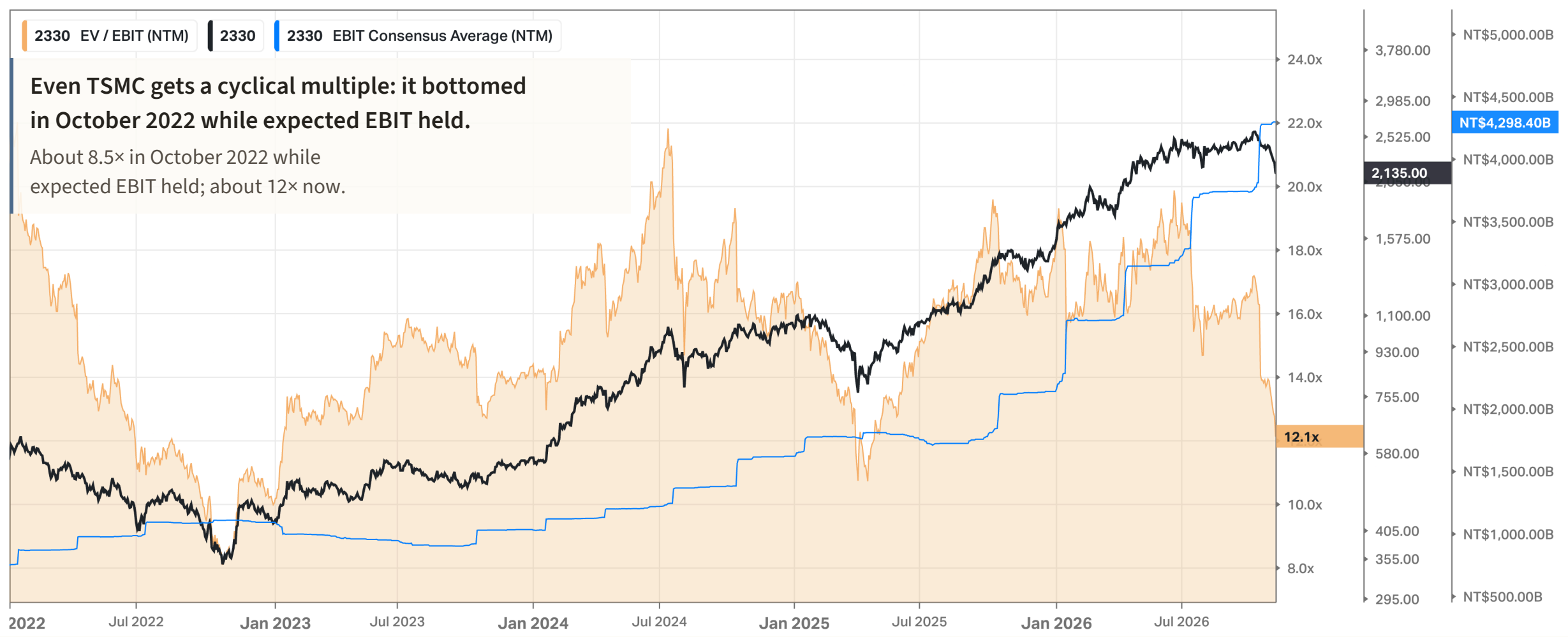
EV/EBIT (shaded) Share price Expected EBIT **EV/EBIT and price: log scale**



Source: Koyfin, daily, Jan 2022 to the close of Fri Nov 6, 2026; EV/EBIT and EBIT for the next twelve months

TSMC (2330 TT) Chart

EV/EBIT (shaded) | Share price | Expected EBIT | price axis: log scale



Source: Koyfin, daily, Jan 2022 to the close of Fri Nov 6, 2026; EV/EBIT and EBIT for the next twelve months

For Micron, and for TSMC

Research now, watch, or pass, and why?

EARNINGS OR MULTIPLE?

Did expected profit fall last week, or only the price paid for it?

WHERE ON THE LINE?

Is each one priced for its quality, above it, or below it?

WHICH WAY COULD IT CLOSE?

Is either one priced for a decline that may never come?

Investor Hub Working Groups

Working groups show which members are interested in what topics. Join several, just the main ones, or none at all.

	General 入門 no prerequisites	**Specialize** 応用 assumes the basics	**Applied** 実践 assumes a live thesis
Markets	Passive Investing	Macro / FX	
	US / JP Equities	Global Investing	
Craft	Company Research	Financial Modelling	Report Writing
	Great Investors	Sector Deep Dives	Portfolio Construction
Personal	Personal Finance	Careers in Finance	
Tools	Using Generative AI	Bloomberg	Building AI Systems

> Tell us which groups you want, and why: a members' page with Discord sign-in is coming this week.

On the live page

Feedback

What worked today, what did not, and what we should do next time.

Also: was Match the numbers
useful? Should we do it every week?

unoriginal.jp/club/live/2026-11-11

Next session

Tue Nov 17, 17:00

Match the numbers, round two: five new companies