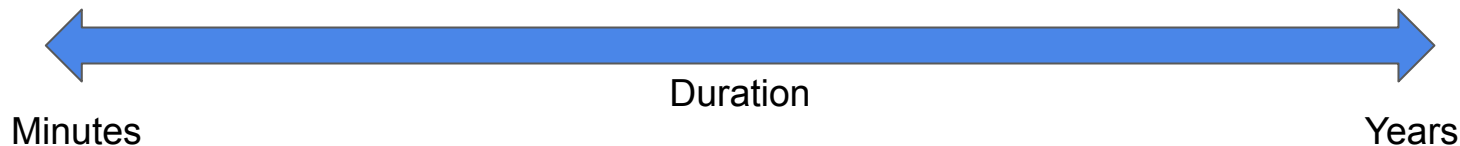
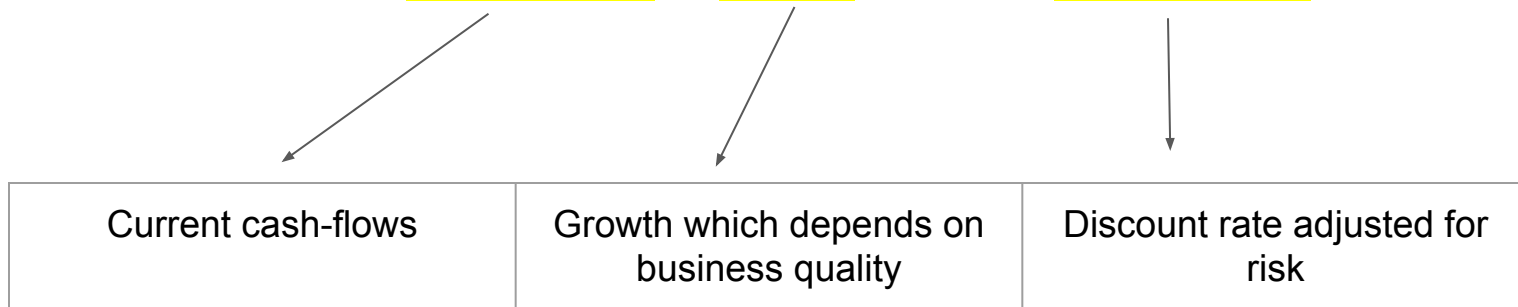


2. Overview of Business Analysis

Sourav Choudhary

Security Analysis 101

Value of a security is its **cash-flows** in **future periods** **discounted** to today



Investing is more than Insights



Finding great insights

Two types of insights



```
graph TD; A[Two types of insights] --> B[Things that will Change]; A --> C[Things that will not Change];
```

Things that will Change

Things that will not Change

I almost never get the question: 'What's not going to change in the next 10 years? -
Jeff Bezos

How will the future evolve?

Things that appear to be Changing

Business travel in the age of Zoom

Telemedicine

Traditional media

Real-estate

Cloud eats software

Climate change

Things that are unlikely to Change

Desire for more convenience

Desire for more and better information

Desire for more entertainment

Investing Frameworks

**Network
effects,
Scale**

**Counter-
Positioning
(competition)**

**Change
functions
(switching
costs)**

**Stewart Brand
Pace Layering
model**

**5 stages of
grieving**

Check for hidden assumptions (Coca Cola sells sugar which causes diabetes!)

Ask unlocking questions (Is Apple a hardware company?)

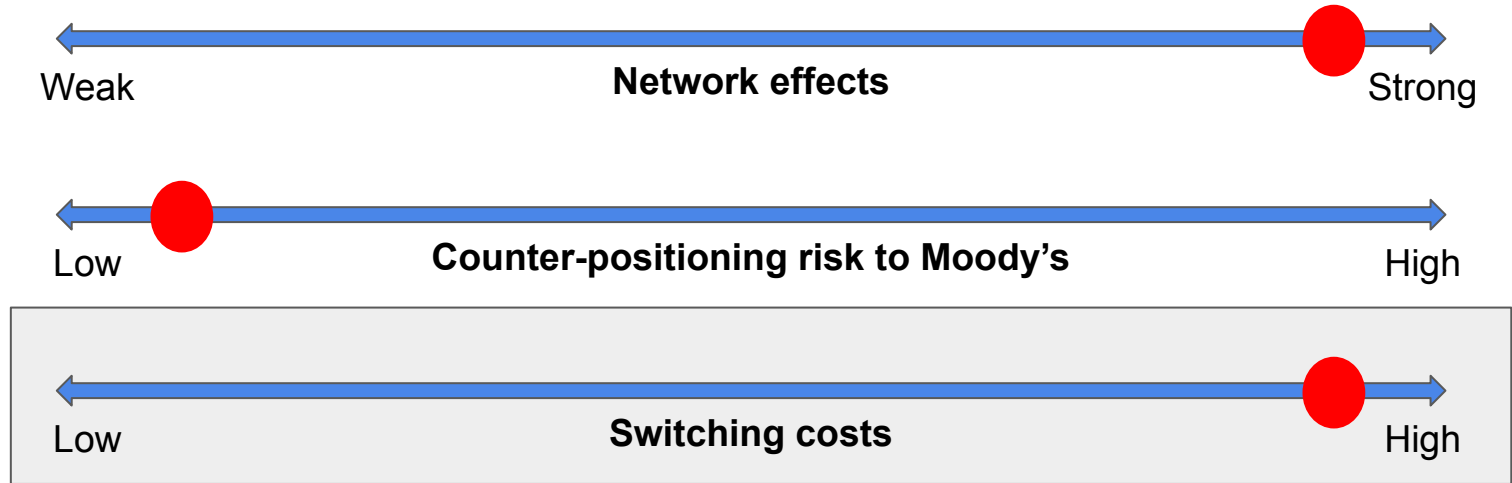
Continuums



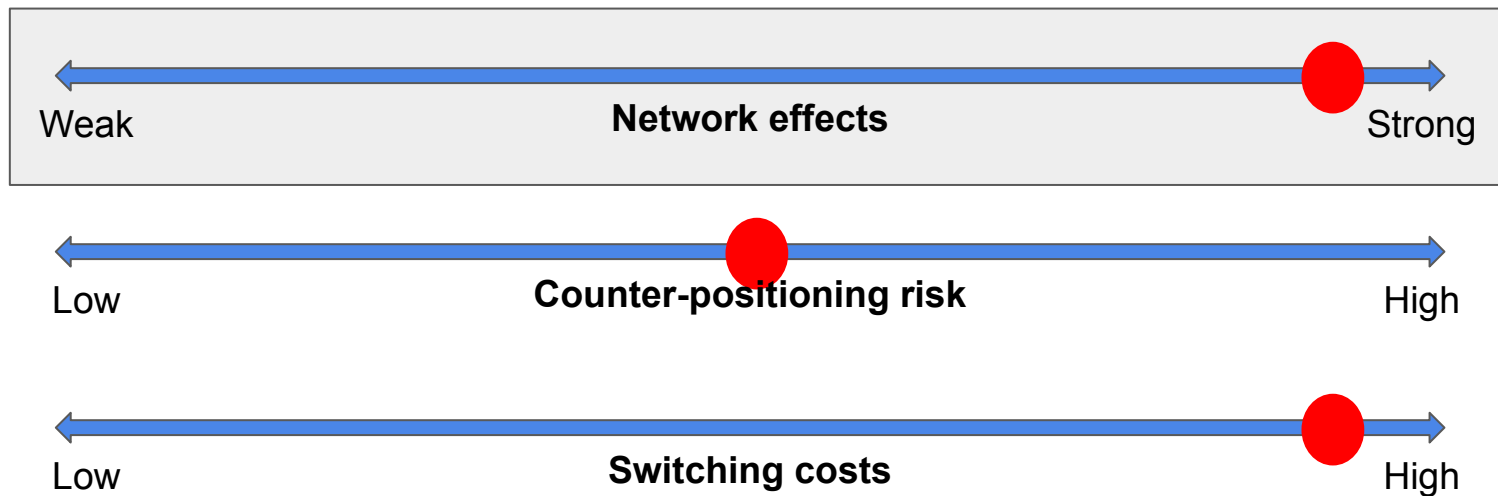
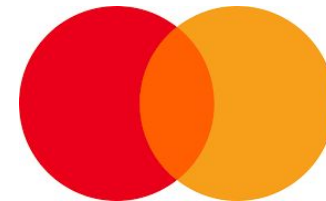
...I consider myself to be primarily in the quantitative school, the really sensational ideas I have had over the years have been heavily weighted toward the qualitative side where I have had a "high-probability insight."

Warren Buffett (1967)

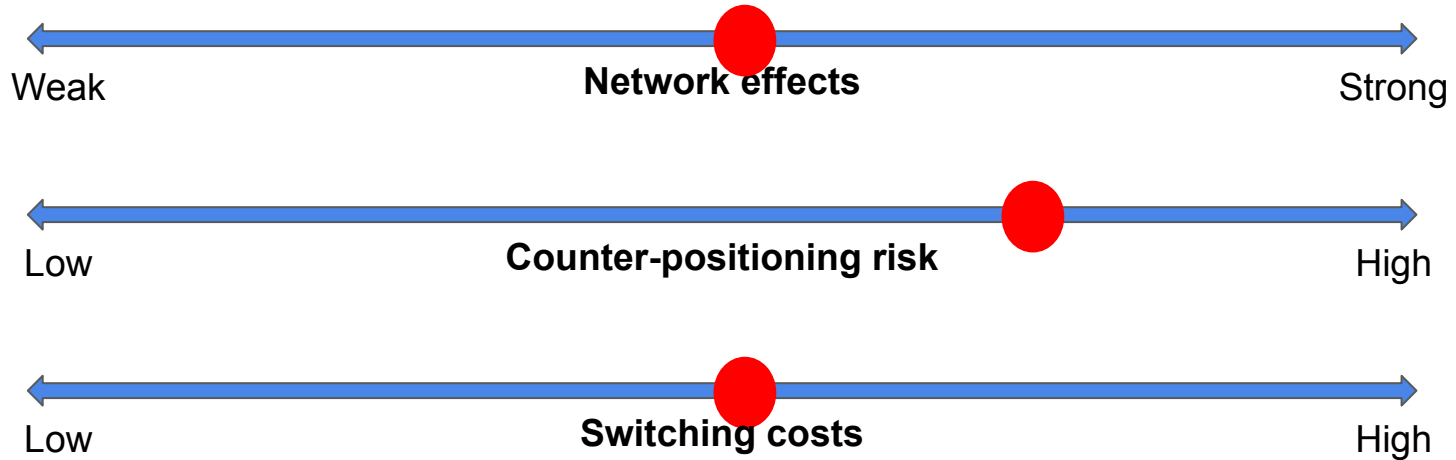
Moody's: High switching costs



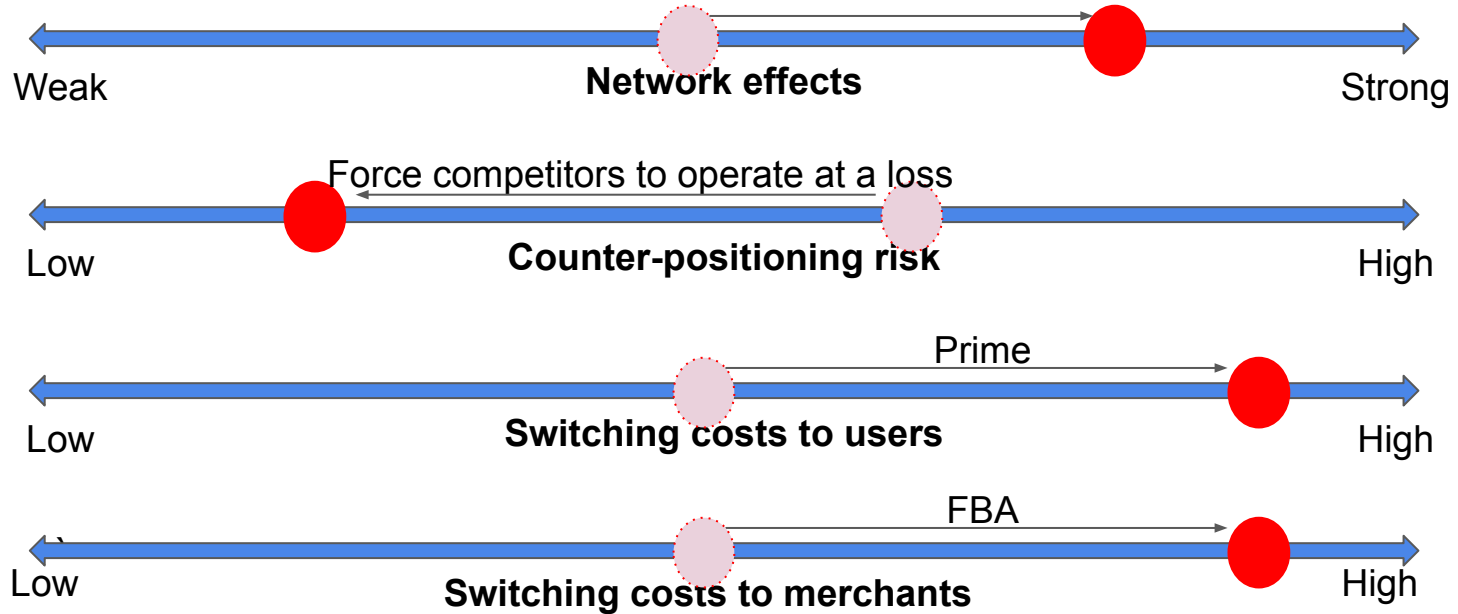
MasterCard: Strong network effects



A marketplace with low switching costs

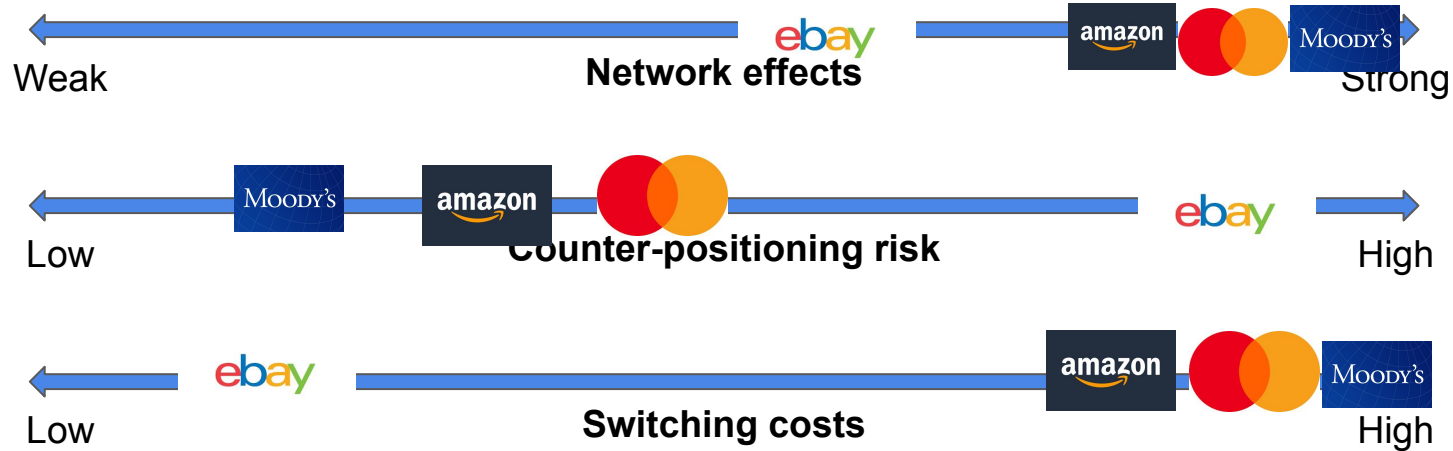


Amazon: a marketplace monopoly



History rhymes but it does not repeat

Now we have a way of understanding change and context of quality



Evaluating a Software Company!

Weak **Network effects** Strong



Low **Counter-positioning risk** High



Low **Switching costs to users** High

