Drumoak Capital
November Buying Report
2025

DRUMOAK
CAPITAL

Part 1 – Executive Summary

Letter to Investors

This month's letter is intentionally different. We've reduced the number of ideas and raised the bar on depth, focusing on fewer names and more technical work. The November report prioritises quality over quantity, with tighter underwriting, clearer KPIs, and explicit buy bands and pacing rules. Our aim is unchanged: compound capital without chasing price, now with a sharper, more evidence-driven process.

We trimmed our strength into late Q3 and increased cash so we can be prepared to buy on weakness. For Q4, we will build positions only in the highest-conviction names featured here, adding deliberately rather than all at once. Deployment remains regime-based: the Macro Dashboard (real yields, credit spreads, volatility, labour/inflation) governs pace and sizing; the calendar does not.

The backdrop is mixed but investable: goods disinflation persists, services are cooling, policy rates are on hold, and liquidity is tighter than it was at mid-year. Credit markets remain open, though more selective. This argues for disciplined entries, balance-sheet strength, and business models with self-help on margins.

We expect steady execution from platforms monetising practical AI, improving cadence from select consumer names with product/channel resets, and normal seasonal operating leverage into the holidays. Risks, slower ad budgets, a cautious consumer, a firmer USD, and bouts of higher real yields impact how quickly we add, not what we want to own. Each position in this report includes clear KPIs, valuation anchors, and risk mitigators, allowing us to scale exposure as evidence accumulates.

We will dollar-cost average in phased tranches, released only when the price reaches our buy bands and conditions remain within tolerance. If the backdrop deteriorates, we widen bands, defer or resize tranches, and let cash work as optionality; if it improves, we proceed. The bias is simple: buy great businesses at sensible prices, add on weakness, and let time and discipline do the compounding.

As always, performance will be reported time-weighted at the strategy level and money-weighted at the account level, net of costs. We will stay transparent about what we own, why we own it, and how we deploy your capital.

Part 2 – Target Deployment

This is our November deployment map, which caps the amount of capital we'll allocate across names at or below preset buy bands. It's a ceiling, not a quota: tranches deploy only when price and conditions line up with the Macro Dashboard; otherwise, they stay in cash. We may resize or skip tranches around earnings, liquidity shifts, or KPI changes. The plan is reviewed weekly and adjusted as new evidence comes in.

Table ES-A: Target Position Map

Ticker	Status	Target Wt %	Tranche %NAV	Buy Band (from spot)	Primary KPI	Earnings Window
CAKE	Buy	5-6	0.5–1.0	−5/−10%	Traffic & Restaurant Margin	Mid February 2026
EL	Buy	5-6	0.5–1.0	−5/−10%	Organic Sales & Gross Margin	Early February 2026
PYPL	Buy	5-6	0.5–1.0	−5/−10%	TPV Growth & take rate/margins	Early February 2026
AMD	Buy	5-6	0.5–1.0	−5/−10%	Data-centre revenue & GM	Early February 2026
META	Buy	5-6	0.5–1.0	−5/−10%	Ad Price/Impressions	Early February 2026

Part 3 – Macroeconomic Risk Dashboard

The dashboard sets the pace, not the thesis. We adjust by bands, cash, and sizing based on the macro tape (rates, inflation, credit, currency, policy, labour, liquidity, geopolitics). Short shocks change when we buy; they rarely change what we own.

Table M-1: Macro Dashboard

Pillar	What we're seeing	Our take	Action
Growth	Manufacturing stabilising; services slower; Europe soft.	Mixed	Keep core weights; avoid high-beta cyclicals.
Inflation	Goods easing; shelter sticky; energy volatile.	Caution	DCA slower until next CPI/PCE; favour pricing power.
Policy	Fed/ECB on hold; QT ongoing.	Caution	Quality tilt; keep dry powder for policy dips.
Labor	Hiring/wages cooling.	Mixed	Prefer efficient, margin-focused operators.
Credit	Markets open; spreads widen slightly.	Supportive	Add modestly; widen buy bands if spreads jump.
USD / Real yields	USD firm; real yields off highs; vol higher.	Caution	Stagger entries, avoid leverage, and use asymmetric options selectively.
Geopolitics/Fiscal	Ongoing conflicts; EU/US defence/industry spend.	Event-driven	Buy on indiscriminate risk-off; size single names small.
Market internals	Choppy breadth; tax-loss pressure in laggards.	Tactical	Accumulate "hated value + improving ops"; avoid crowded momentum.

Part 4 – Company Evaluation

Cheesecake Factory Inc (NASDAQ: CAKE)

TradingView - CAKE 1-yr Price Chart

The Cheesecake Factory remains one of the most exciting mid-cap restaurant platforms over a 5– to 10–year horizon. Earlier in the year, the stock rallied from the low 50s to the mid-60s, but it now shows only ~4% growth over the past twelve months as sentiment has turned. The analyst community has largely shifted to Neutral/Underweight stances and trimmed price targets—JPM notably cut from 57 to 52—while a smaller cohort still sees the upside (e.g., Citi at Buy and Mizuho at Outperform). That swing from “loved” to “hated” has reset expectations and created a better entry point for a business with improving fundamentals.

Analyst Downgrade Headline	Analyst Upgrade Headline
“Cheesecake Factory Price Target Cut to $60.00/Share from $70.00 by Raymond James”	*“Cheesecake Factory Is Maintained at Buy by Citigroup”*
“Cheesecake Factory Price Target Cut to $52.00/Share from $57.00 by Raymond James”	*“Cheesecake Factory Is Maintained a Buy by Mizuho”*
“Cheesecake Factory Is Maintained at Underweight by Barclays”	

Under the hood, last quarter's numbers moved in the right direction across the key lines. Revenue increased, and CAKE brought down its two largest cost buckets, labour and food & beverage, as a percentage of sales. Operating income rose, net income rose, and EPS stepped from $0.63 to $0.68. The headline comp at the legacy Cheesecake Factory banner was only ~+1% YoY, but that is not the growth engine we are underwriting. We view the legacy brand as a dependable cash generator that funds expansion, buybacks, and the dividend, while newer concepts drive the top-line acceleration.

The Cheesecake Factory Incorporated
Condensed Consolidated Statements of Income
(unaudited; in thousands, except per share data)

Consolidated Statements of Income	13 Weeks Ended September 30, 2025		13 Weeks Ended October 1, 2024	
	Amount	Percent of Revenues	Amount	Percent of Revenues
Revenues	$ 907,226	100.0%	$ 865,471	100.0%
Costs and expenses:				
Food and beverage costs	197,654	21.8%	195,306	22.6%
Labor expenses	322,774	35.6%	310,939	35.9%
Other operating costs and expenses	255,724	28.2%	239,470	27.7%
General and administrative expenses	58,996	6.5%	56,204	6.5%
Depreciation and amortization expenses	27,419	3.0%	25,299	2.9%
Impairment of assets and lease termination (income)/expenses	(104)	0.0%	(3,472)	(0.4)%
Acquisition-related contingent consideration, compensation and amortization expenses	910	0.1%	1,020	0.1%
Preopening costs	6,584	0.7%	7,005	0.8%
Total costs and expenses	869,957	95.9%	831,771	96.1%
Income from operations	37,269	4.1%	33,700	3.9%
Interest expense, net	(2,247)	(0.3)%	(2,431)	(0.3)%
Loss on debt extinguishment	–	– %	–	– %
Other income, net	459	0.1%	566	0.1%
Income before income taxes	35,481	3.9%	31,835	3.7%
Income tax provision	3,582	0.4%	1,841	0.2%
Net income	$ 31,899	3.5%	$ 29,994	3.5%
Basic net income per share	$ 0.68		$ 0.63	
Basic weighted average shares outstanding	46,608		47,750	
Diluted net income per share	$ 0.66		$ 0.61	
Diluted weighted average shares outstanding	48,616		48,946	

The Cheesecake Factory Inc Condensed Consolidated Statements of Income

Growth is coming from the portfolio. North Italia posted +16% YoY sales, the broader FRC concepts were +16%, Flower Child delivered +31%, and the external bakery grew +20%. Taken together, this mix shift matters because the newer banners typically carry cleaner labour dynamics, better attach rates on beverages, and a higher to-go mix, factors that support incremental margin expansion at the consolidated level. The legacy brand's slower growth is acceptable so long as it remains a cash cow that funds the concepts where unit economics are scaling faster.

Industry Relative-Performance Chart

In terms of relative performance, the category has been challenged in 2025, but CAKE has held up far better than many of its peers. Year-to-date, CAKE is down roughly 2%, versus TXRH (−11%), SBUX (−12%), WING (−27%), CMG (−48%), and CAVA (−55%). The gap reflects both valuation support and the resilience of a multi-concept model. This is crucial: when the entire industry sells off, we want the business to have downside protection and multiple ways to rerate.

Valuation provides that protection. On our numbers, CAKE trades at roughly 13–14x forward EPS, a discount to where "good operator" casual names often settle and well below many food retail comps. With EPS trending higher and four-wall margins improving, we do not need heroic comps for the multiple to normalise. A modest rerating alongside steady execution is enough to deliver attractive returns.

CAKE | Stock Price: $47.48 | Market Cap: $2.48B

TTM PE	14.43
Forward PE	13.60
2 Year Forward PE	11.15

TTM EPS Growth	25.16%
Current Year Expected EPS Growth	8.98%
Next Year EPS Growth	22.10%
TTM Revenue Growth	4.90%
Current Year Expected Revenue Growth	5.06%
Next Year Revenue Growth	7.86%
Gross Margin	78.13%
Net Margin	4.33%

Our base case assumes portfolio revenue growth of approximately 7% annually from 2026 to 2029, with only 1–3% growth from the legacy banner, while North Italia, Flower Child, and other concepts continue to post double-digit growth. We model a modest consolidated margin lift, aided by mix (North Italia liquor attach, Flower Child's to-go skew), which translates into a consistent EPS glide path. If the market recognises the improving quality of earnings and awards a mid-20s P/E by 2029, we arrive at a $123–$148 share range in our base case—implying a high-20s CAGR from today, before dividends. Dividend growth adds a small but steadily increasing component as free cash flow accumulates.

CAKE Base Case Analysis

Year	2025	2026	2027	2028	2029
Revenue	$3.762B	$4.026B	$4.308B	$4.609B	$4.932B
Revenue Growth	–	7%	7%	7%	7%
Net Income	–	9%	9%	9%	9%
Net Income Margins	5%	5%	5%	5%	5%
EPS	$3.49	$3.80	$4.14	$4.51	$4.92
PE Low	25	25	25	25	25

Estimate					
PE High Estimate	30	30	30	30	30
Share Price Low	$87	$95	$104	$113	$123
Share Price High	$105	$114	$124	$135	$148
CAGR Low	–	–	48%	33%	27%
CAGR High	–	–	62%	42%	33%

Execution focuses on a simple proof-set. We will closely monitor restaurant-level margins at CAKE and North Italia, tracking labour and food costs as a percentage of sales, and verify traffic versus check volume to ensure that price/mix are not masking demand. We will also track external bakery volumes, which contribute to high-quality incremental profits, and pace capital returns against free cash flow so that dividends and repurchases remain sustainable throughout the cycle.

Key risks are category traffic softness, a re-acceleration in input costs, and scaling risk in newer banners. We mitigate these by adding broad restaurant downdrafts (not stock-specific blow-ups), by pausing adds if labour and F&B combined as a percentage of sales inflects higher for two consecutive quarters, and by tracking new-unit paybacks and cohort comps for the growth concepts. The point is not to avoid volatility, but to ensure the thesis is working where it matters, at the restaurant P&L and in concept-level growth.

Drumoak will target a 5–6% position, built in three DCA tranches on weakness (e.g., −5% and −10% pullbacks or broad category risk-off days). If we observe two consecutive quarters of margin contraction, paired with slowing growth in non-legacy banners, we will slow or pause our purchasing. Conversely, if North Italia and Flower Child sustain a sales growth of ≥+15% with a stable labour percentage, we allow the position to drift to the top of the band.

In short, CAKE fits our preferred setup: a “hated” stock with improving operations, a diversified concept mix, visible self-help on margins, and valuation support. We are buying into scepticism and letting execution and time handle the rerate.

Estée Lauder (NYSE: EL)

TradingView EL YTD Price Chart

Estée Lauder is a classic "quality franchise in rehabilitation." The core beauty economics remain outstanding, with high gross margins, repeat-purchase behaviour, and durable brand equity across a portfolio that spans Jo Malone, Tom Ford Beauty, M·A·C, and Le Labo. We frame EL as a three-part thesis: (i) a turnaround already visible in the numbers, (ii) a dividend you get paid to wait with, and (iii) a value entry relative to the brand strength and margin potential.

Estée Lauder (EL) Revenue Quarterly YoY% Change

Quarter End	YoY Change
2025-09-30	3.57%
2025-06-30	-11.88%
2025-03-31	-9.9%
2024-12-31	-6.43%
2024-09-30	-4.46%

The trend is evident in revenue momentum. After a string of negative YoY quarters, EL posted +3.6% YoY revenue growth most recently, our first clear sign that the reset is taking hold. That matters because pre-COVID EL was a compounder: from 2017 to 2019, quarterly revenue growth was consistently in the mid- to high-teens, reflecting brand heat, international expansion, and category tailwinds.

Estée Lauder (EL) Revenue Quarterly YoY % Change

Quarter End	YoY Change
2019-12-31	15.46%
2019-09-30	10.53%
2019-06-30	8.95%
2019-03-31	11.10%
2018-12-31	6.97%
2018-09-30	7.64%
2018-06-30	13.86%
2018-03-31	17.96%
2017-12-31	16.71%
2017-09-30	14.28%

Operationally, this was the best print in years. Net sales grew ~4%, gross profit rose ~5%, and gross margin expanded. Operating expenses fell ~7%, flipping operating income from −$121M to +$169M and lifting operating margin to 4.9% from −3.6%. Net earnings moved to +$47M (from −$156M), and diluted EPS improved from −$0.43 to $0.13. This is what an early-stage turnaround should look like: revenue stabilises, costs come out, and the P&L re-levers.

FISCAL 2026 FIRST QUARTER SELECT FINANCIAL RESULTS (unaudited)[1,2,3]

($ in millions, except per share data)	Three Months Ended September 30 2025	Three Months Ended September 30 2024	Percentage Change
Net Sales	$ 3,481	$ 3,361	4 %
Organic Net Sales, Non-GAAP[1,2]	$ 3,455	$ 3,361	3 %
Other Financial Results:			
Gross Profit	$ 2,554	$ 2,433	5 %
Gross Margin	*73.4 %*	*72.4 %*	
Adjusted Gross Profit, Non-GAAP[1,3]	$ 2,551	$ 2,442	4 %
Adjusted Gross Margin, Non-GAAP[1,3]	*73.3 %*	*72.7 %*	
Operating Income (Loss)	$ 169	$ (121)	100+%
Operating Margin	*4.9 %*	*(3.6)%*	
Adjusted Operating Income, Non-GAAP[1,3]	$ 255	$ 144	77 %
Adjusted Operating Margin, Non-GAAP[1,3]	*7.3 %*	*4.3 %*	
Diluted Net Earnings (Loss) Per Common Share	$ .13	$ (.43)	100+%
Adjusted Diluted Net Earnings Per Common Share, Non-GAAP[1,3]	$ .32	$ .14	100+%

Estée Lauder 2026 Q1 Financial Statement

Strategically, EL is currently in Phase 1 (restructuring and job cuts) and moving into Phase 2 (re-accelerating revenue while maintaining a lean employee base). Distribution has modernised; Amazon and TikTok Shop are now significant channels, while hero brands maintain high replenishment frequencies. With beauty, small mix shifts (premium fragrance, skincare kits, travel retail normalisation) can produce outsized earnings effects because fixed costs are largely set post-restructure.

Estée Lauder (EL) Annual Net Income

Year	Net Income
2025	-$1.133B
2024	$0.39B
2023	$1.006B
2022	$2.39B
2021	$2.87B
2020	$0.684B
2019	$1.785B
2018	$1.108B

In terms of earnings power, the company has historically generated $2–3 billion of net income in strong years. We do not need to immediately underwrite a full snap-back to prior peaks; rather, if revenue continues to increase and the leaner cost base holds, operating and net income can inflect disproportionately. That is the crux: a structurally lighter organisation participating in a recovering category.

If EL rebuilds toward its pre-disruption growth trajectory and credibility, a premium multiple can be achieved. We see a path to a ~30x P/E in 2–3 years if (a) revenue growth sustains positive mid-single to high-single digits, (b) operating margin expands with scale, and (c) inventory and channel health remain clean. Beauty behaves "subscription-like" through repeat purchases, so the market often awards quality comps a premium once their execution is re-proven.

We will track channel health across travel retail, China, DTC, and Amazon/TikTok Shop while monitoring inventory weeks on hand; watch gross margin progression with attention to mix, pricing, and promotional discipline; verify that the post-restructure OpEx ratio remains lower as growth returns; gauge brand heat through Tom Ford and Jo Malone launches and M·A·C activations; and maintain cash discipline so the dividend is supported even as we fund growth.

Category softness in prestige beauty, China or travel retail volatility, and re-acceleration of promotions. Our mitigants include: sizing into weakness, demanding a steady gross margin trend, and pausing adds if two consecutive quarters show margin slippage and a channel inventory build.

Drumoak will build a 5-6% position using three DCA tranches (initial, −5%, −10% from entry or on broad beauty/consumer drawdowns). We let the position drift higher if revenue stays above +3–5% YoY with sequential operating margin expansion. We slow adds if operating expenses creep back up as a % of sales or if gross margin retraces.

PayPal Holdings Inc (NASDAQ: PYPL)

TradingView EL 5yr Price Chart

PayPal is a classic "former darling turned neglected compounder." The stock is down ~64% over the past five years, and sentiment has been washed out; however, the operating data have quietly turned. Revenue growth decelerated to ~1% YoY at the trough, then re-accelerated to +5% and +7% in the last two quarters. The share price is not reflecting that inflexion—or the strategic shift underway toward a broader commerce + fintech platform with global scale, deeper integrations, and more personalised services.

PayPal Quarterly YoY Revenue Change

Quarter End Date	YoY Revenue Growth (%)
2025-09-30	7.26%
2025-06-30	5.11%
2025-03-31	1.19%
2024-12-31	4.24%
2024-09-30	5.78%

2024-06-30	8.21%
2024-03-31	9.36%

Financially, last quarter's P&L was solid. While a double-digit revenue increase would have made it a "blowout," the simultaneous increase in operating income, EPS, and net income demonstrates margin leverage and cost discipline. The cash profile remains a strength, supporting buybacks and (newly) a first-ever dividend, both signalling management confidence and enabling compounding even if the multiple takes time to rerate.

3Q'25 Financial Results

Presented in millions, except per share data and percentages	**3Q'25**	**3Q'24**	**YoY Growth**
Total payment volume	$458,088	$422,641	8%
GAAP			
Net revenues	$8,417	$7,847	7%
Operating income	$1,520	$1,391	9%
Operating margin	18.1%	17.7%	33bps
Effective tax rate	18.6%	23.0%	(4.4pts)
Net income (loss)	$1,248	$1,010	24%
Earnings per diluted share	$1.30	$0.99	32%
Net cash provided by operating activities	$1,974	$1,614	22%
Non-GAAP			
Net revenues	$8,417	$7,847	7%
Transaction margin dollars	$3,871	$3,654	6%
Transaction margin dollars excluding interest on customer balances	$3,550	$3,315	7%
Operating income	$1,568	$1,477	6%
Operating margin	18.6%	18.8%	(19bps)
Effective tax rate	18.1%	21.7%	(3.6pts)
Net income	$1,288	$1,228	5%
Earnings per diluted share	$1.34	$1.20	12%
Free cash flow	$1,718	$1,445	19%
Adjusted free cash flow	$2,279	$1,540	48%

Paypal 2025 Q3 Financial Results

Strategically, the company is executing on "beyond payments." The roadmap includes platformisation (moving from a single checkout button to merchant services + consumer experiences), more embedded partnerships, and AI-driven personalisation. Recent collaborations with OpenAI and Google, as well as the launch of the PayPal World ecosystem with DP World, reinforce that PYPL is not being left behind—it is actively integrating where commerce is happening. As these integrations scale, they can increase conversion, improve take-rate quality, and deepen network effects without requiring outsized operational expenditure growth.

There is also a technical/supply angle to consider at year-end: after a multi-year drawdown, PYPL screens as a likely candidate for tax-loss harvesting. That can pressure the stock in November/December, but it also sets up the January effect—a window we intend to use to build the position as fundamentals improve.

Our base case assumes ~7% revenue CAGR and ~9% net income growth as efficiency gains and product mix offset pricing pressure. On that path, a P/E of ~18–23× (in line with/payable below large-cap fintech comps once credibility improves) yields attractive mid-teens total return potential before capital returns. Layer in rising free cash flow, buybacks, and the new dividend, and you have multiple ways to win without requiring heroic top-line assumptions.

PYPL Base Case Analysis

Year	2025	2026	2027	2028	2029
Revenue	$39.51B	$41.05B	$43.09B	$45.14B	$47.28B
Revenue Growth	–	4%	5%	5%	5%
Net Income	$5.16B	$5.62B	$6.13B	$6.68B	$7.28B
Net Income Growth	–	9%	9%	9%	9%
Net Income Margins	15%	16%	16%	17%	17%
EPS	$5.19	$5.68	$6.17	$6.73	$7.33
P/E Low Estimate	20	20	20	20	20
P/E High Estimate	23	23	23	23	23
Share Price Low	$93	$102	$111	$121	$132
Share Price	$119	$130	$142	$155	$169

High					
CAGR Low	–	27%	21%	18%	15%

What we’re watching: sustained mid-single-digit revenue growth; stable to improving transaction margin dollars; progress on platform features/partnership attachments; disciplined operating expenses, allowing operating margin to expand with scale; and free cash flow conversion to fund buybacks and dividends.

Positioning & execution: target 5-6% weight built in three DCA tranches (starter now; adds on −5%/−10% pullbacks or late-year tax-loss pressure). We allow the position to drift toward the top of the band if two consecutive quarters show a revenue increase of≥+5% and sequential operating margin expansion. We slow adds if take-rate/transaction margin deteriorates alongside rising promo incentives.

Advanced Micro Devices (NASDAQ: AMD)

TradingView AMD YTD Price Chart

In the near term, AMD is at the mercy of a risk-off tape. By early November, most risk assets sold off (semiconductors, AI proxies, cryptocurrency), and AMD traded down after hours despite a strong print. In this environment, it's hard for any high-beta name to levitate. But for Drumoak's November report, the business matters more than the tape: guidance tone, mix, margins, and segment momentum all strengthened. Historically, Lisa Su has sandbagged; the setup implies that supply ramps and customer programs will be supplied as beats through 2026–2027.

GAAP Quarterly Financial Results

	Q3 2025[1]	Q3 2024	Y/Y	Q2 2025[2]	Q/Q
Revenue ($M)	$9,246	$6,819	Up 36%	$7,685	Up 20%
Gross profit ($M)	$4,780	$3,419	Up 40%	$3,059	Up 56%
Gross margin	52%	50%	Up 2 ppts	40%	Up 12 ppts
Operating expenses ($M)	$3,510	$2,695	Up 30%	$3,193	Up 10%
Operating income (loss) ($M)	$1,270	$724	Up 75%	$(134)	Up 1,048%
Operating margin	14%	11%	Up 3 ppts	(2)%	Up 16 ppts
Net income ($M)	$1,243	$771	Up 61%	$872	Up 43%
Diluted earnings per share	$0.75	$0.47	Up 60%	$0.54	Up 39%

AMD GAAP Quarterly Financial Results

On the P&L, the quarter was excellent. Revenue accelerated sharply and, more importantly, gross margin expanded to ~52% from ~40%—a 1,200 bps swing that is rare at this scale.

Operating leverage was evident even with higher operating expenses (opex): R&D and MG&A rose, but at approximately half the rate of revenue, allowing operating income, net income, and diluted EPS to increase materially. This is what you want to see at the front end of a multi-year product cycle.

Segment Momentum (QoQ)

Segment	Metric	Q2'25	Q3'25	QoQ Δ
Data Center	Revenue	$3.2B	$4.3B	+$1.1B
	Operating Margin	−5%	25%	+30 pts
	Operating Income	−$155M	$1.1B	+$1.255B
Client & Gaming	Revenue	$3.6B	$4.0B	+$0.4B
	Operating Margin	21%	21%	~0 pts
	Operating Income	$767M	$867M	+$100M
Embedded	Revenue	$824M	$857M	+$33M
	Operating Margin	33%	33%	~0 pts
	Operating Income	$275M	$283M	+$8M

Takeaways: (1) Data Centre is the flywheel—revenue and profitability inflected hard as MI300/EPYC ramps broaden, turning last quarter's loss into a $1.1B profit. (2) Client/Gaming continues to print higher revenue with stable 20%+ margins. (3) Embedded looks "down y/y" in percentage terms, but absolute dollars improved QoQ; mix should stabilise as comms/industrial orders normalise.

We will maintain AMD as a core growth position and add to its broad semiconductor weakness—particularly during macro risk-off stretches or year-end tax-loss selling pressure.

Position builds will be staged rather than binary: we scale on red days for the group, prioritising days when spreads widen and the tape punishes high-beta equally regardless of fundamentals.

The near-term catalysts we care about are tangible: (1) continued data-center share of sales rising above client/gaming, confirming the mix shift; (2) gross margin drifting above 52% as yields improve and accelerator mix expands; (3) visible MI family ramps (program wins, PO visibility, deliveries) and ROCm software progress that lowers switching costs; (4) customer color on total-cost-of-ownership versus alternatives in both training and inference; and (5) incremental demand signals from enterprise/sovereign AI and OEM launches around Turin EPYC.

Key risks include a deeper market drawdown that compresses multiples across semiconductors; execution issues related to supply, packaging, or yields that slow margin progression; competitive intensity (pricing or accelerated roadmaps) from peers; policy/export restrictions that alter shipment timing; and any inventory build at hyperscalers that delays orders. We will temper adds if two consecutive quarters show (i) gross margin slippage with no offsetting mix explanation, or (ii) data-centre growth decelerating while opex rises faster than revenue.

Conclusion: This is a fundamentals-first, cycle-earnings thesis. AMD's accelerating data-centre mix, expanding margins, and strengthening balance sheet argue for materially higher earnings power into 2H26–2027. We are buyers on weakness, expecting price to follow execution; the medium-term debate toward "$300" is about earnings + rerate, not the next few weeks of tape.

Meta Platforms (NASDAQ: META)

TradingView META YTD Price Chart

Meta is our large-cap quality compounder for November: a structurally advantaged digital advertiser with accelerating AI leverage, a fortress balance sheet, and multiple internal growth vectors across Reels, Advantage+ automation, Click-to-Message commerce, and long-dated Reality Labs. The investment case is straightforward. Family of Apps continues to compound revenue and operating income as AI improves ad relevance and conversion; buybacks and the dividend amplify per-share outcomes; and messaging monetisation provides a second growth runway that is only beginning to scale.

Third Quarter 2025 Financial Highlights

	Three Months Ended September 30,		
In millions, except percentages and per share amounts	**2025**	**2024**	**% Change**
Revenue	$ 51,242	$ 40,589	26 %
Costs and expenses	30,707	23,239	32 %
Income from operations	$ 20,535	$ 17,350	18 %
Operating margin	*40 %*	*43 %*	
Provision for income taxes	$ 18,954	$ 2,134	788 %
Effective tax rate	*87 %*	*12 %*	
Net income	$ 2,709	$ 15,688	(83) %
Diluted earnings per share (EPS)	$ 1.05	$ 6.03	(83) %

The quarter's reported P&L is heavily distorted by a one-time, non-cash tax charge of ~$15.9B tied to a valuation allowance against U.S. federal deferred tax assets stemming from the Corporate Alternative Minimum Tax and the "One Big Beautiful Bill Act." This accounting item does not affect cash, and, according to management, is expected to be accompanied by a reduction in U.S. federal cash taxes for the remainder of 2025 and future years. Excluding this charge, Meta's effective tax rate would have been ~14% (vs the reported 87%), net income would have been ~$18.6B (vs $2.7B reported), and diluted EPS ~$7.25 (vs $1.05). In other words, underlying profitability and cash generation remained exceptionally strong; the GAAP print obscures that strength.

On operations, Family of Apps continued to deliver broad-based growth with higher impressions, stabilising ad prices, and ongoing Reels monetisation progress, driving operating leverage at the FoA level. Free cash flow remained robust, supporting buybacks and the dividend, while Reality Labs' losses remained within the previously signalled investment envelope and aligned with multi-year AI/AR/VR roadmaps. When assessed on a tax-normalised basis, the quarter reinforces the core thesis: an AI-enhanced ad engine compounding cash, with optionality in messaging and long-dated platforms, and ample balance-sheet capacity to keep shrinking the share count.

Third Quarter 2025 Operational & Financial Highlights

Metric	Result	YoY Change
Family Daily Active People (DAP)	3.54 billion	+8%
Ad Impressions	Increased across Family of Apps	+14%
Average Price per Ad	Increased	+10%
Revenue	$51.24 billion	+26% (25% constant currency)
Costs & Expenses	$30.71 billion	+32%
Capital Expenditures	$19.37 billion	–
Capital Return Program	Share repurchases: $3.16 billion; Dividends: $1.33 billion	–
Cash, Cash Equivalents & Marketable Securities	$44.45 billion	–
Cash Flow from Operating	$30.0 billion	–

Activities		
Free Cash Flow	$10.62 billion	–
Headcount	78,450 employees	+8%

Meta’s third-quarter operational performance highlights broad-based strength across the core advertising engine. The number of Daily Active People grew 8% year-over-year, reinforcing the scale and resilience of engagement across the Family of Apps. Ad impressions increased by 14%, driven by expanding inventory in Reels and additional surfaces. A 10% rise in average price per ad reflects improving auction dynamics and the early benefits of AI-driven ranking and measurement. Revenue growth of +26% (+25% constant currency) demonstrates Meta’s ability to translate these engagement and pricing tailwinds into monetisation at scale.

Costs and expenses increased 32% year-over-year, reflecting accelerated investment in compute and model training, which is strategically aligned with future product surfaces—especially business messaging, creator tools, and AI agents. Capital expenditures reached $19.37 billion, underscoring continued commitment to infrastructure such as data centres and custom silicon. Meanwhile, the company returned over $4 billion to shareholders through buybacks and dividends, generating $30 billion in operating cash flow, and maintaining $44.45 billion in balance sheet liquidity. Taken together, the quarter demonstrates an ecosystem that continues to efficiently grow users and revenue while investing in durable AI capacity and maintaining a strong capital return discipline.

META Base Case Analysis

Year	2025	2026	2027	2028	2029
Revenue	$198.568B	$228.353B	$262.606B	$301.997B	$347.297B
Revenue Growth	–	15%	15%	15%	15%
Net Income	$72.574B	$85.637B	$101.052B	$119.241B	$140.704B
Net Income Growth	–	18%	18%	18%	18%
Net Income Margins	37%	38%	38%	39%	41%
EPS	$28.64	$33.80	$39.88	$47.06	$55.53

P/E Low Estimate	29	29	29	29	29
P/E High Estimate	34	34	34	34	34
Share Price Low	$831	$980	$1,156	$1,365	$1,610
Share Price High	$974	$1,149	$1,356	$1,600	$1,888
CAGR Low	–	24%	22%	21%	
CAGR High	–	34%	29%	26%	

The META Base Case analysis shows a credible and internally funded growth trajectory driven by operating leverage, buybacks, and margin expansion. From 2025–2029, revenue compounds from $198.6B to $347.3B at consistent mid-teens growth assumptions, while net income scales from $72.6B to $140.7B, approximately 18% annual growth. Net income margins expand structurally from 37% to 41%, reflecting improved ad monetisation, maturing AI tools (e.g., Advantage+), and gradual efficiency improvements at Reality Labs. EPS nearly doubles from $28.64 to $55.53 over the period as share repurchases further amplify per-share economics.

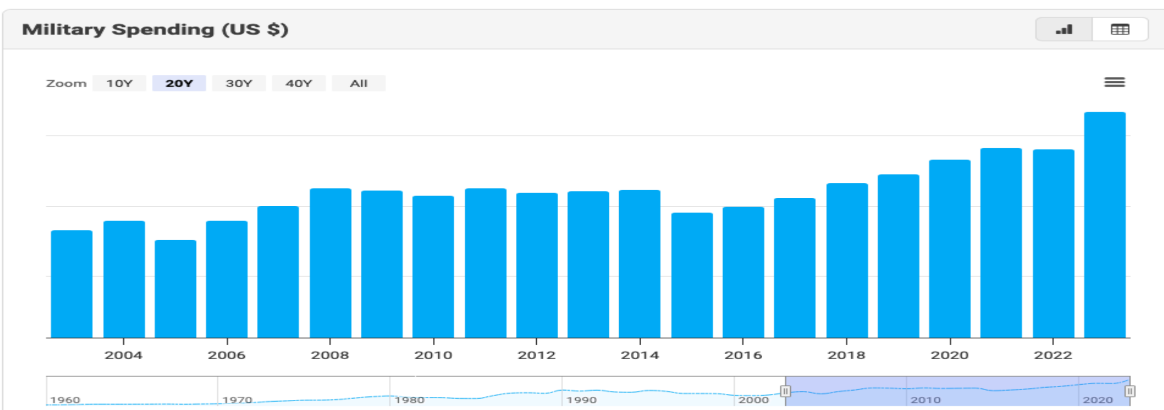
Applying a steady valuation framework of 29–34× forward earnings yields a 2029 implied share price range of $1,610–$1,888, equating to 21–26% compound annual shareholder returns. Importantly, this upside does not rely on multiple expansion; it is driven by fundamentals—revenue growth, margin expansion, and consistent capital returns. In this scenario, Reality Labs acts as a low-probability, high-value call option, while the equity story remains anchored in sustainable advertising growth, high-intent messaging surfaces, and compounding EPS. The table effectively illustrates that even conservative assumptions yield attractive long-term value creation, positioning Meta favourably relative to its mega-cap peers on a risk-adjusted basis.

Bottom line for META: we're holding it as a core compounder and adding on broad ad-tech or market pullbacks, with the thesis validated by AI-driven ad efficiency, rising impressions, and steady Reels monetisation. Near-term catalysts are seasonal ad strength, continued performance gains from Advantage+ and AI creative, and early traction in business messaging, with potential upside from clearer assistant/agent productisation and incremental capital returns. We'll monitor ad price–impression mix, the pace of Reels' monetisation catch-up to Feed, messaging run-rate/penetration, and capex discipline tied to measurable AI infra returns. Key risks include macro ad-spend shocks, regulatory actions that impair targeting or capital returns, and capital expenditures that outpace revenue or efficiency improvements. We would temper adds if two consecutive quarters show both ad-price deterioration and slowing impressions, or if capital expenditures accelerate without a payoff. Overall, scaled AI-enhanced advertising, unmatched time spent, robust FCF, and balance-sheet firepower underpin continued per-share compounding, with messaging as a second growth leg and RL a long-dated option.

Part 6 – International Diversification

German Defence Spending – Macro Sleeve

Germany's structurally higher outlays on defence, energy, and industrial support should keep the fiscal impulse positive, nudge inflation expectations higher at the margin, and place more issuance pressure on the long end of the Bund curve—while modestly supporting the EUR over a 12–24-month horizon.



Macrotrends German Military Spending/Defence Budget

The core of the sleeve consists of euro inflation-linked sovereigns, as represented by the iShares € Inflation Linked Govt Bond UCITS ETF (IBCI), sized at 1–2% unlevered. This retains top-tier credit while expressing breakevens rather than outright duration; if long yields back up or inflation expectations rise, linkers should hold value better than nominal bonds.

Complementing that, we add a gentle curve steepener: overweight Germany 3–7y exposure (Xtrackers Germany Govt Bond UCITS ETF, ticker X03G) versus underweight/hedged long duration (iShares € Govt Bond 15–30yr UCITS ETF, IBGL), for about ~1% net. The aim is to capture curve shape—not a big directional rate bet—on the intuition that heavier long-end supply lifts term premia over time.

To reflect a measured currency view, we hold a small EUR long position versus USD via cash or a simple call spread, hard-stopped so that portfolio loss cannot exceed 0.5% of NAV. The idea is that sustained fiscal outlays and crowd-in capex are euro-supportive, but we acknowledge that the USD can spike in risk-off scenarios; hence, bounded risk.

Finally, we layer a 0.5–1% equity satellite in Rheinmetall (RHM.DE) to capture idiosyncratic upside from multi-year German procurement (armoured vehicles, ammunition, and systems). This remains small to prevent a single-name drawdown from dominating the sleeve.

Rheinmetall (RHM.DE)	iShare € Inflation Linked Govt Bond
	

The sleeve is time-boxed to 9–12 months with quarterly reviews. If euro break-even rolls over, rotate a portion of IBCI back to high-quality nominals. If issuance skews short and the curve fails to steepen, adjust the X03G/IBGL tilt accordingly. The EUR leg is pre-risked, with a stop cap that limits total loss to ≤0.5% of NAV. Keep RHM small to contain single-name and contract-timing risk.

A rapid EU fiscal consolidation, an aggressive ECB easing cycle that bull-steepens the curve, a sudden collapse in breakevens pointing to persistent disinflation, or a US-centric flight to safety that reasserts broad EUR weakness would all argue for unwinding or materially shrinking exposures.

Each quarter, we'll keep a simple scorecard. We'll check Berlin's defence budget updates, watch the 10-year breakeven minus Bund spread, and track the 5s–30s curve slope. We'll also examine EUR momentum versus DXY, the EU's issuance of debt across maturities, and Rheinmetall's backlog and margins.

Attribution stays clean. IBCI should earn from breakeven carry and firmer inflation expectations. The curve tilt should pay off when long-term premia rise. EURUSD will reflect macro sentiment and capital flows. RHM should contribute as orders convert into backlog and profits.

Part 7 – Letter From the Manager

November marks a shift from idea volume to precision. We're running a tighter list and buying only when price and conditions meet our standards. Dollar-cost averaging continues in phased tranches across our high-conviction names, but each tranche is released only if our macro checks are supportive. Volatility isn't a trigger; it's inventory for future entries.

We won't force trades. Cash is a strategic asset; it lets us act on pullbacks instead of predicting them. Buy bands are set in advance: if markets dip, we add methodically; if they run past our bands, we wait. Position and sector limits stay intact, and changes come from thesis reviews, not emotion. Simple playbook: price discipline first, quality compounds, and cash does its job until the odds improve.

We are grateful to our readers and investors for following Drumoak's journey and for their continued engagement, which helps sharpen our approach. As we enter the year-end, we look forward to sharing further updates on strategy execution, market insights, and opportunities that will shape the next stage of growth. For those interested in ongoing insights, we invite you to visit our website or follow us on LinkedIn for regular updates. Feedback is always welcome as we refine both our reporting and investment processes.

– Angus Logan