We're all Value Investors

Imagine two scenarios.

Company A
Company A has strong management team who are focused on increasing returns on invested capital. Current cash flows are €3 billion per year, and top-line growth of 4% and EPS growth of 14% suggests even stronger cash flows down the road. Meanwhile, the industry is stable and growing secularly, and Company A holds the number one position in all three of its key geographies; and yet the sell-side analysts are bearish, anchored to a stale accounting-short thesis.

Company B
Company B also has strong management team who are focused on increasing returns on invested capital. Current cash flows are €3 billion per year, and top-line growth of 4% and EPS growth of 14% suggests even stronger cash flows down the road. Meanwhile, the industry is stable and growing secularly, and Company B holds the number one position in all three of its key geographies; and yet the sell-side analysts are bearish, anchored to a stale accounting-short thesis.

Company A is trading on a 2019 P/E of 21x, while Company B is trading on a 2019 P/E of 13x.

Which one are you going to buy, Company A or Company B?


We know who they'll choose.

Everything else being equal, we'd all like to buy the same thing at a lower price. At least on that much, value and growth investors should agree.