

Mistakes within Pitches

Synopsys (NASDAQ: SNPS)

2.6% SI, 81B market cap; down 35% Q3 '25 earnings, but up 12% the following day, led to 4 analysts downgrading. High institutional ownership led to a sell-off, but next few days will be reflective of fundamentals (still down ~27%). Fundamentally, stock fell due to **weakness in IP segment, unexpected restructuring in its IP business, weakness in China market, and persistent uncertainty regarding major customer, Intel.**

- Didn't understanding the regulatory landscape well enough. My thesis depended heavily on global bifurcation between China and the US. I forecasted the Ansys acquisition going through in 2H'25, which happened, but couldn't forecast Trump's unpredictability.
 - The trade war led to enough Chinese IP domestication to outweigh global bifurcation
- My biggest mistake here though was getting too emotional. It even got the point where I reunderwrote the thesis as seen here: "Activity is the enemy of investment returns" – Warren Buffet
 - Seeing the 35% drop, I became emotional and immediately cut my position. A buy-side investor gave me amazing feedback on how to assess this: "Often times after a crazy move like the one you just experienced, it's good to step away if you cannot think unemotionally about what is in front of you now. This is still a very durable business that has built some nice moats over multiple decades... was the move justified? Insider selling isn't always necessarily bearish or bullish - retail makes a huge deal about this, but often times it is much ado about nothing... and in this instance you got the downside move already anyway. Real re-underwriting requires you to go back, look at the updated model, and understand whether the path from here has anything interesting here. Your reaction was to exit, and I sense some emotion around that... good to learn to put that away, and not to react when you are on tilt."
- Did not look into where management is working. The biggest competitor's past CEO went to work at Synopsys's biggest customer. Incentives were not aligned and Intel is now steering away so it makes sense
 - I need to focus on more alt data and thinking outside the box. More from a human angle. Think in terms of the customer but more importantly in terms of management (for all companies in the industry of a company I am covering)
- Another investor gave me a good way to assess what happened and how to move forward in the future:
 - "I think a lot of funds were long this thing and it was well owned by the multis. That might explain the down 36% move as they all blew out of it. The t+2, t+3 reaction is going to be more reflective of the fundamentals...you have to acknowledge that you got something rly wrong; assess whether the issues are temporary or a crack in the thesis; and decide whether to stay in or move on. Not rocket science but does require something of a re-underwrite."

Trump **Blocks Chip Design Software Firms From Selling In China** (5/28/2025)

- In an already unpredictable landscape, theses dependent on government approval or collaboration expose me to more risk that is hard to isolate for and model

Cava (NYSE: CAVA)

CAVA's stock is down primarily because of a recent Q3 earnings report that missed analyst expectations, leading to a lowered full-year sales forecast. **This is due to slowing sales growth and customer traffic, especially among younger consumers**, who are being impacted by economic pressures like inflation and student loan payments.

- Not looking into macro setup and didn't tie in broader market patterns like rates and inflation into company-level thesis
- Didn't analyze the consumer profiles. Understanding who the customers are is not enough. In the future I'll study the patterns of each consumer profile closely

Current Biases/Mistakes and How I'm Addressing Them

- Don't know when to close positions
 - Still working this one out
- Easily indoctrinated by sell-side
 - Reading sell-side reports last in my template
 - Getting a better understanding of the business (more reading than writing)
 - To be more confident in variant views
 - Need to remember that long reports win deals. Incentives not aligned w/ HF
- Attached to positions once I make a decision on long vs. short
 - Begin treating stock market analysis like a debate not being correct all the time
 - This is the only way I have realized I can be objective and respect both sides of the trade
 - If I think in terms of rebuttals and frontlines, then I can also get a better understanding of bull/bear debates
- Not spending enough time screening
 - Trying to understand that especially on the short side, it's not just about researching the company correctly, but having the right company in the first-place
 - Spend more time screening flags from Shennanigans
- ~~Models are too general and besides rev. builds can be applied to different business models~~
 - Have been studying how I can use ROIC to develop trees and forecast revenue and cost drivers and unit economics → Think this is fixed
- ~~Not enough time spent reading/understanding the business before forming a view~~
 - Made a template to fill → I believe I have fixed this enough now