

Choosing a company for multi decade investment is difficult

Looking at companies that have been winners over the past 10, 20 or 80 years it's easy to see what have driven their performance. Identifying outperforming businesses for coming generations is much more difficult than finding potential winners for the next 5 to 10 years

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Long-term investing is very challenging

In early September 2024, I was reading a September 1944 issue of the New York Times. In the Business section, I came across a news brief about PepsiCola Company announcing a 2-for-1 stock split. After the split, PepsiCola would have 7.5 million shares outstanding. On

that September day in 1944, PepsiCola had a market cap of \$112 million. Fast forward 80 years to 2024, and Pepsi has a market cap of \$233 billion and 1.35 billion shares outstanding. The annualized CAGR, excluding dividends, has been 10% since 1944. In hindsight, it's easy to see that PepsiCola was a good investment.

However, the 1944 NYSE list was full of companies that no longer exist or have merged into other companies listed today. So, how do you find a company that will not only be around 80 years from now but also grow in value by 10% or more per year?

Which company would you invest in today and keep for generations?

Which company would you buy shares in today (2024) to hold and pass on to future generations, who would then reap the financial benefits of your foresight 80 years from now?

It's really hard to predict which businesses will thrive over such a long-time span, as the average company tends to last only a few decades. In my valuation work, I only project 20 years forward and do not use terminal value after 20 years, as I believe corporate destiny (long-tailed terminal value periods) is arbitrary.

You can approach this by being rational and focusing on core essentials like housing, food, and other necessities, as they will continue to be in demand 80 years from now. A good housing location in a politically stable country will likely remain in high demand, but will it achieve a 10% CAGR like Pepsi?

Most investors have a horizon of just a few years and monitor fundamental performance and valuation along the way. Holding on for 80 years is outside the comfort and competence zone for most.

Current use of Earth resources is not sustainable

A future oriented energy company could be worth holding for 80 years. I believe humans usage of planet Earth need to become more aligned to the sustainable use of our planet. And burning 300-400 million years old plants and biomass that have been in the ground

under pressure and heat to become oil & gas in the current period is not a solid road into the next centuries.

Hence, we need to change our energy sourcing from fossil fuels to new sources. Solar, wind, hydro and nuclear all serves that path well and my pitch for MOI Global 2024 is Vestas, the global leader in wind turbines.

Energy sourcing is someday likely to come from fusion – same process as the Sun – and subsequently make current renewable energy sources obsolete. It is however still many years out, so for the next 10-20 years current renewable energy sources should be good.

Back to the mindset of most investors and the 80-year challenge. I would not bet Vestas Wind Systems is around a few years after fusion power or some other more potent power source becomes a reality.

Vestas – a self-help margin recovery story with tailwind

Vestas is my 2024 MOI Global pitch. It's the world leader in wind power turbines and focused on Europe and North American markets. Due to an order book that did not appropriately incorporate higher costs for steel, transports etc, Vestas profitability plummeted as they had to shoulder the cost increases. All new contracts/order are made with better profitability and hence Vestas earnings are very likely to increase significantly in the coming years.

Vestas can probably work fine for the next 10-20 years as power from low carbon sources replace traditional fossil fuels, but its not a 80 year investment pitch.