

Mohnish Pabrai's Session at the SumZero Virtual Investor Summit 2024 on February 8, 2024

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- Divya: Mohnish, welcome back.
- Mohnish: Hello, Divya. How is it going?
- Divya: Good. I noticed your background is the new library. I am very excited that you can use it for this interview.
- Mohnish: Alright. We aim to please.
- Divya: That is great. Are those Warren Buffett and Charlie Munger behind you?
- Mohnish: Yes, Warren and Charlie are watching. We had the same bust maker make both the busts and I sent one of those to Warren. He was so excited to have his bust at the Berkshire headquarters.
- Divya: It has been a while since we last chatted. It is funny, the last time we talked, we had discussed among other things, Meta. At the time, it had crashed from 380 down to 220 or something and now down to \$90. You had said that it would be an easy double from current levels, which at the time was like \$200. Lo and behold, it has doubled since then. But I would not say it was an easy double.
- Mohnish: Well, Mark did a great 360, 180, where he tightened up the expenses. Meta has a great franchise and a great platform. They had a kind of country club attitude to spending, and there was not that much discipline around. When you have a great business like that, you do not necessarily need to watch your pennies. It is amazing how they turned on a dime and tightened up all the expenditures and the layoffs and got the ship pointed in the right direction. Then you had the cash flows just show up. It was awesome to see that.
- Divya: Yes. I have written numerous times that they are the fastest pivoting company I have ever seen. I cannot think of a single business that has pivoted as quickly at anywhere near this scale as often as Meta has. I remember in the depths of the bad news when the stock was at \$88 a share, The Wall Street Journal put out a headline stating that they were going to reduce their employee base and fire around 11,000 people at the time. As soon as that happened, the stock started moving. That day might have been up 8% or so. But, it took a while for people to realize that they were not just paying lip service to cost cutting, but that there was a fundamental change in terms of just the company being permanently leaner and a complete change in the philosophy of Mark in terms of what was possible with a smaller team. Over the last two years, he has said numerous times that he just feels like leaner and meaner and that his team is better. That has coincided with his uptake of Brazilian Jiu-Jitsu. I do not know if you have seen a lot of that, but he seems to have incorporated this idea of lean

behavior into his personal life with some of the fighting that he has been doing. It is starting to percolate through the rest of big tech, and now people are calling for Google to do kind of the same thing and kind of cut the fat. You have seen some of it in Amazon, but what is your take on which of these companies has the most operational leverage within it and maybe as a corollary, has the most room to improve from a cost standpoint?

Mohnish: Amazon runs a pretty tight ship, as does Microsoft. I would say that in my different visits to Alphabet headquarters that is definitely a country club. Some of the Google employees I have spoken to do not feel secure in their jobs in the sense that the layoffs have come very suddenly. They have gone after some very senior people who they have cut. But I think there is a lot of fat there to be cut. That is another incredible set of franchises with Search and Android and YouTube and all that. A company where the top line is equal to the bottom line in effect and where there are no expenses to speak of is Microsoft. Microsoft is just an incredible machine. When you see their revenues go up around 80% then something will drop to the bottom line. Satya and his team have always had great execution; They have been doing really well. They have not had a lot of meat or fat on the bone if you will; they have run lean. But, I think Alphabet has a way to go.

Divya: But by the same token, maybe that is an argument to own Alphabet; low-hanging fruit for them.

Mohnish: Absolutely. That is right.

Divya: Yes. They trade at a multiple that is more in the low twenties versus, Microsoft, for example, mid to high thirties.

Mohnish: Yes. But there is a little bit of a difference. Microsoft is such a strong recurring revenue business; the recurring nature. Meta franchise is awesome, but at the end of the day, it is an advertising franchise and on the Microsoft side, it is a very critical part of enterprises, and that revenue is not going anywhere. You could argue that it is higher quality.

Divya: Yes, I have heard that argument, and I think it is more like earning stability. If you are going to pay a premium multiple for it, you can argue for that.

Mohnish: Yes.

Divya: There is something to be said about Meta, and this applies to Google with Amazon picking up on this as well. Meta is the distribution channel for corporate enterprises as well as small businesses. If you want to reach an audience, you have to go through one of these channels.

Mohnish: Yes. Moreover, earlier, half your advertising worked and you did not know which half. That is gone now. That was the whole adage with advertising; there was so much waste. The thing with platforms like Meta is you do not have that waste because you have such a direct relationship between what you are spending and what you are seeing come out the other end. The ability to pinpoint that is powerful, and I think that is a core part of what their franchise is.

Divya: Yes. One of the things you said previously when we chatted was about your indifference to the metaverse or maybe skepticism toward the metaverse. Now that conversation has shifted to AI, it is not really about the metaverse so much. What do you think about that vis-a-vis the MAG-7 or these blue

chip names? Do you have a viewpoint on who is best positioned to take advantage of that?

Mohnish: I would say that Microsoft has historically been a great cloner. It has not been a great innovator, but they are exceptional at cloning. Sometimes it takes them 10 versions to get it right or 15 versions to get it right. But they get it. I would definitely put them in the winner's camp just because they are so good at the execution. What I am saying is the company has woken up to the potential for AI and they are doubling down in a big way, so, I would put them near the top. I would say that Google has had a lot of strengths in this area for a long time but they do not have the execution discipline and the intensity of going after the way Microsoft does. It is a no-brainer for me that with the partnership that Microsoft has, they have got a good position here.

Divya: Do you think that Satya Nadella is, on a personality level, maybe a little bit more ruthless than Sunder Pitchai? You hear this in the news about how Google dropped the ball on this AI trend. I am not sure what to make of it because I feel like they have incredible technical expertise across the board and they use AI a lot with search, but there does seem to be a personality difference between the management team at Microsoft. When I heard Sunder speak and he has done congressional testimony, you see him at conferences and whatnot, he comes across as maybe a little bit more relaxed, but I am just curious if you have any thoughts on that. Suppose there's a cultural difference.

Mohnish: When I was in Omaha in May, I went for a dinner that Charlie invited me to. There were a lot of who is who, who showed up at the dinner. They seated me next to Bill Gates. It was quite a surreal situation where I had had dinner with Bill and of course, his son was sitting next to him. I chatted about all kinds of things with him for about two and a half hours. We talked a lot about many of these areas. I even played a game with him. I said, "Look, I am going to mention a company. You tell me if you want to go long or short." He said, "Yes, no problem." I asked him about Amazon, and he said long. I asked him about Google, and he said short. When I asked about Apple, he paused, and then said, "Look, basically Apple is in a situation where they do not really have R&D in the way most of us would understand it. Microsoft has had Microsoft Research Labs forever." I also pointed out to him then that nothing has come out of Microsoft Research Labs ever that has been of any use. He was quite agreeable to that, even though that statement probably did not make him happy. He said, "Look, we have two kinds of research at Microsoft. We have the Ivory Tower Microsoft Labs, which is an academic bunch of PhDs doing their thing, and you have your opinion on that; that is fine. Then we have, of course, development and then R&D tied to development and that has been nearly effective." That is the engine that has the more bread-and-butter engineers who are the masters of cloning. Google has always had a huge leg up on pure research for a very long time, and they have done a really good job. The transition from this very real and innovative research into a business is not something Google has been able to pull off too many times. They pulled it off for Search, but then after that, if you look at it, YouTube was an acquisition, Android was an acquisition, and many of their other bets are just wild. There is a free for all spending, but nothing has come out the other end. Microsoft, on the other hand, does not take flyers. When they see that something is gaining traction, they may

put some people on Microsoft research into it, but I do not think Bill and company and Satya and company count on those guys. They pull in people who are development engineers with some research background and those are the guys who pull the teams and things through. So from an execution point of view, it is just a lean, mean fighting machine. It is exceptional, and they will be able to do this. They have done this repeatedly when the paradigm has changed; the paradigm has changed on them so many times. If you think of Microsoft, it is almost a 50-year-old company. This year is year 48 for them. It is really old. But, for a 48-year-old business with all the paradigms they have jumped through, it looks like a young company. They look like a young executing company. That is because it has got some great DNA on that front.

Divya: Yes, they are not resting on laurels. On a related note, and this transitions to some of your other investments, somebody asked on the topic of top-line revenue increases going straight to the bottom line. The Almaty Airport in Kazakhstan of your Turkish holding TAV airport seems prime for duty-free, as well as potential error and passenger fee increases, that may go straight to the bottom line, but, there is a Pavlovian response to macroeconomic and news. What do you think about their TAV's valuation lately? Do you ever double down on bets that are 10%? You obviously make large bets, so have you doubled down there or what is your take on that?

Mohnish: Let me just give you some background so that people can kind of understand the business a little better. The Almaty Airport was an acquisition that TAV did in the middle of COVID when passenger traffic was zero. It was like you were buying the airport when your revenue was zero. I would say they got the deal of the century in terms of what they paid. Most of these airports that come up for privatization are BOTs. They are "build, operate, and transfer," which means you get a concession for 25 years, 30 years, or 50 years, and you pay the government something for that concession. After those 25 years, it goes back to the government. You are a tenant, if you will, milking the situation for two or three decades or something to have the Almaty Airport with an outright purchase. They own it forever. They own it for the next thousand years. They do not have to pay anyone anything anymore. Part of the deal for them to get the airport was that they wanted to put in a new international terminal, which is going to go "live" in about six or eight months. They have been building it. I visited that airport in 2022.

The Almaty airport is very unusual in the sense that I do not know of any other airport in the world where inside the airport some of the real estate was sold. For example, the current duty-free operators in the current terminal owned that space inside the terminal, even though TAV owns the airport. And TAV today at that airport gets zero duty-free revenue. Now, what TAV is doing is it went and talked to those guys saying, "Hey, listen, can we do a deal?" The price was so high, they said, "Okay, you keep the duty-free. It is okay. When the new terminal comes up, which is happening in eight months, all the international moves to the new terminal, and all the duty-free automatically goes to the new terminal, which means that TAV will now own a hundred percent of the duty-free. The people who had those duty-free shops in the old terminal, which will become a domestic terminal, can go pound sand. They will convert them probably into coffee shops or something, so they are nothing. Just to show you how duty-free works, just

in case some of your listeners are duty-free affection idols, when you go to a duty-free shop and there is a hundred-dollar bottle of Johnny Walker or Chivas or something, the factory gate price of that liquor is \$25-30. What you are paying a hundred dollars for, which would cost even more in your home country, the factory price is \$25-30. The airport operator charges 40% of the top line as their rent to the duty-free operator. TAV has its own subsidiary, which runs a duty-free shop. What TAV will do is it will bring in its own subsidiary as a tenant and that tenant is 50% owned by TAV, so 40% of all the duty-free revenue will come to TAV as rent. Now that Johnny Walker bottle, \$60 is left for the duty-free operator who pays about \$25-30 for it. They have \$10-20 in expenses to run the place, and they make a 10% margin. The airport operator, the duty-free part of the business is an incredible business. Every flight, every international flight that comes in, on average, about \$1,500 gets spent amongst all those passengers on duty-free. The airport operator ends up with about \$600 per flight as their fee, which if you divide it by let us say a hundred passengers, is \$6 per passenger. The terminal fees, which are also what they charge for international, are usually about \$7-8-9 per passenger.

Currently, in Kazakhstan, that number in Almaty is 3-4, and that is being bumped up about 20% a year by TAV. They are not taking it to eight in one shot, but it is going up. If you think about the international per-passenger revenue, which TAV is going to get when the new terminal is up, it will be around \$6 per passenger from duty-free, and probably another \$5-6 from the passenger fees which used to be three. What used to be \$3 per passenger will soon be \$11 on its way to about \$15. The other thing is the traffic at Almaty; the passenger counts. They released today some numbers. The 2024 passenger count and aircraft movement numbers are about 30-40% higher than 2019, which was the last year pre-COVID when things were normal. They are getting an airport in 2024, which is 30-40% larger in size in terms of passenger count and aircraft movement. Almaty is also one of the only airports where TAV does the fueling. They do not have the fueling rights at the other airports. It is very unusual for the airport operator to have fueling rights. It is like you have a monopoly gas station for 500 miles, and that fueling business has a 40% margin. It is beautiful. All these flights from Russia got diverted. Wow. The long and short of it is that TAV, the entire company used to have a market cap, which was 600 to 800 million US dollars. Just the Almaty airport is probably, if they wanted to put it on sale in a few years, would go for around 3 to 5 billion. They have 15 other airports besides Almaty, so we are long and strong with no plans to lighten up.

Divya: The current market cap is 600 million.

Mohnish: The market cap used to be 600. It has moved up; it is approaching about 2 billion now. But it is still very low. It is very low for the size and scale. Turkey just dropped all visa requirements for US citizens. Their tourism business is through the roof, so 2024 numbers are looking about 30% higher than 2023. All their Turkish airports are on fire. They are doing exceptionally well. All their international passenger revenues are very high. The company is executing well, firing on all cylinders. It is a very good management team. That Almaty airport that they bought for 400 million, including the CapEx, which was two-thirds finance at like 4% 30-year fixed, was just an incredible deal.

Divya: What percent of your total portfolio is Turkey now, roughly?

Mohnish: Probably more than half. It is not more than half because I put money into it. It is more than half because Reysas used to be a 16 million market cap and it is about 30 times that now, so it has moved up. I have not checked lately because somehow our US bets have done very well as well, but 50-60% probably at this point, but still very undervalued.

Divya: Speaking of your US bets, what is your favorite US name now in the portfolio?

Mohnish: I do not like to talk about what we own so much, but if you looked at our last 13 F filing, that only showed our US positions, it only had coal. We had some coal bets that showed up on that filing. We will have another filing that will show up in another week for our year-end numbers. We had a pretty extreme mispricing on the coal front, and a lot of things were misunderstood about it. We went into that. Metallurgical coal, which is what is used to make iron and steel, will be used 50, or 60 years from now because there is no substitute. Those stocks were trading at two times earnings, and they were doing massive buybacks at two times earnings. Doing buybacks at two, three, or four times earnings is good for your health and your wealth.

Divya: Was that something where you knew about coal from the past, or how did that hit your radar in the first place?

Mohnish: I do not have any original ideas, Divya. Everything is cloned from somewhere, just like my buddy Bill Gates. He also has no original ideas. We are very similar in that way. I had seen a filing by David Einhorn that came out in mid-May. His largest position was a company called CONSOL, CONSOL Energy, which is a big thermal coal producer. I just wanted to answer one question for myself. I said, "Why is David Einhorn so hot and heavy on stupid coal?" I went down a rabbit hole to try to answer that question, and I emerged from the rabbit hole with a massive coal bet because it was just a no-brainer. One of the things about coal is that if I did not have any endowment money or anything in my fund, but had some of those guys in the fund, they would have exited because of all the ESG mandates. We have a lot of irrational kind of behavior in terms of what people can and cannot invest in, which leads to mispricing of some of these securities.

Divya: That makes a lot of sense. Did you talk to David Einhorn directly?

Mohnish: No. I did not speak to him. I just went in and said, "Okay, let us try to understand what is going on." I had seen a commentary he had made. He complained that the companies he is buying are cheap from a valuation perspective because of all the emphasis on the big seven techs. They are kind of left by the wayside. Nobody is interested in these companies. He was kind of moaning and groaning in some of these public comments saying, "How do I get paid when I own these names when no one is interested?" The answer was, you get paid when they buy back stock; when the valuations are very low. CONSOL is an interesting company because they forward sell all their production at least a year in advance. For example, in 2024, even though it is a commodity, we already know within a band what their cash flows in 2024 are going to be because they have already sold it. They have already said what the prices are. We already know what their

costs are. That is a business that says that a hundred percent of discretionary cash flow, they canceled the dividend, was going to buybacks. We had a company that had a 1.8 billion market cap last year that had north of 600 million in earnings, pumped into buybacks, and that is very potent.

Divya: Yes, definitely. Are you still involved with or invested in the India Energy Exchange? Are you still on that one?

Mohnish: We are finding more things that make a lot of sense in the US and, and in places like Turkey. India is a company with some great tailwinds, but also it is not a cheap place. We have some great businesses and great franchises there but some of the valuations are pretty heady. We have been net sellers in India and net buyers in the US.

When you look at something like TAV Airports and you look at something like Almaty, that is a big aha moment because you look at an airport like that and you look at what kind of cash flow that asset can produce, and you look at the pricing of that asset; it just does not make any sense. When I see these big price and value deltas or reasons that I can understand, like in that case the whole issue was Turkey and who wants to buy an airport in Kazakhstan and all these other things that are going through people's minds. When you get to those anomalies, then you have a basis to do something. Metallurgical coal is an anomaly in terms of where it is priced and what it is worth. The large car dealerships are an anomaly about where they are priced and what they are worth. Turkey is an anomaly like that. I am Mohnish anomaly Pabrai, that is who I am.

Divya: Do you think the same about the auto OEMs, like the GM Ford? I mean companies that have not gotten the EV credit in the way Tesla has and are still selling like a Toyota or a Hyundai.

Mohnish: The OEMs are a really bad business. In the end, we will all be driving EVs and that transition may happen in 10-20 years. You can debate that, but that transition is going to happen. Whenever that transition happens en masse, if the margins of a company like Tesla are like 10%, then the margins for companies like Ford and GM will be negative because the execution here is so much better. Most of these players who go up against Tesla, except companies like BYD, the Koreans will have a very hard time making any kind of profit margin. I would not be surprised if, in the end, the Fords and GMs of the world have a tough time. They may even become terminal because if you have a negative margin and the ICE cars are gone, that is a really tough place to be. When you have someone like Elon, who is an anomaly, that you are competing with, the only thing you should do is go find something else to do. It is not good for your health or wealth to compete with Elon. Then, we have a Wang Chuanfu at BYD in China. Chuanfu is Elon to the power of Elon. When you have to compete with Elon and Elon squared, or Elon to the power of Elon, you definitely want to take your ball and go home. Go find something else to do. The auto-OEMs, in the long run, have some difficult times ahead.

Divya: Let us move to Turkey. We did not get to discuss Reysas. Any change in your views on the company, or it is still just one of these long-term stories that you plan on sitting on for many years to come?

Mohnish: I have been a shareholder now for almost five years. We made the bet in 2019, and we have not made any changes. We want to hold that for as long as we can. My perspective on the business, the quality of the assets, the quality of the people running it, and how good they are has only gone up every year. In my opinion, it is an exceptional set of assets—really smart capital allocators. I have never seen them in the last five years make a single mistake. I have not seen them do anything dumb. The other thing that is great about Turkey is that we had these very crazy monetary policies coming out of Erdogan's government. But after he got re-elected, he put a new team in place which is an exceptional team. They have raised interest rates. Interest rates now are in the mid-forties; they are taking a sledgehammer to inflation the way they should have. They already started seeing some green shoots on that front. Inflation is really hard to get back under control once it gets wild and crazy, but they are going at it pretty aggressively. The policies they have in place are working quite well. All these investments in Turkey I had made were assuming that the macro never improves. The bets worked.

For example, TAV Airports is listed in Turkey, but Kazakhstan has nothing to do with Turkish monetary policy. It is just the baby got thrown out with the bath water if you will. I think that there may be some real tailwinds because at some point it looks like in the next year or two, the actual monetary situation will be a lot better. If we ever get people coming back to Turkey, the foreign investors and institutional investors, are the most blue chip names. These are the ones that people will want to own. But we do not need that to happen. It would still work even without that. The good news with Turkey was that because it was so cheap, we went after the very best assets and these are kind of iconic monopoly-type assets. For example, we own the Coke bottler, the largest beer company, the best airport operator in the region, and very prime warehouse assets all across Turkey. These are all great assets.

Divya: Speaking of hard assets, have you looked at all into the US commercial real estate industry where there has been a lot of turmoil? Anything in that space where you feel like there is maybe a potential dislocation?

Mohnish: You have to segment it. As I recall, the office vacancies were something like 20% and that is a ridiculously high number. We did not see that during the financial crisis. We have not seen those types of vacancy rates in offices in the US for more than three decades. You have to go far back to get that. It is nuclear winter in the office market in the US. We are seeing some signs of some real distress in some of the banks; smaller banks who were wild and crazy lending to people. For example, in New York Community Bank Corp, the stocks have been under pressure, because what happens at some point is the landlord just hands you the keys and moves on. The bank is left high and dry; they cannot sell it. They cannot do anything. We went through a big crisis a few decades ago where they formed Resolution Trust Corporation to try to move some of these commercial assets; kind of like a Chapter 11 process, if you will. My suggestion and perspective is to just stay away. It will take a long time because we had a secular change in how people work and it will take a long time. The US population's growth rates are really low. Immigration is not solved and if the country was growing, that is something like 1% a year, which it used to do. Eventually, this space would get chewed up and we would get back to some kind of normal situation. In

5-10 years from now, the office market will definitely be less, and the vacancy rate will go down, but it may still not be healthy. That is a nuclear winter for a long time. If you look at some other areas, like home builders, that is a much more promising area to look at because what has happened with the home builders is that many of them are getting religion, like NVR which was the poster child, and did so many buybacks. The stock went from \$10 to 4,000 over the last 30 years or something. And many of the others, like Pulte, are following that playbook now. In my opinion, home building is a much better area. I have not made any bets there yet, but they do not have an overhang. We are likely to see interest rates come down and we do not have a lot of housing stock and such. Once we see interest rates go down, the home-building industry may be doing even better than it is today. In the office market, in the US, you have to avoid some of the office stuff. Go more residential and then take it from there. But it is not a sector I am playing in right now.

Divya: Shifting gears a little bit, do you have any views on the upcoming presidential election in terms of how that might affect your portfolio or the sectors you might be looking at?

Mohnish: I wish I had better choices in terms of the range of candidates. I would just say that we are the leaders of the free world. We are the guiding torch of democracy. I love the United States. One of the most amazing things about the United States and the founding fathers in the form of government they set up is it is bulletproof. You see the craziness that goes on in Washington, and the economy still does well and everything is still running and working thanks to the founding fathers. However, I believe it is a sad state of affairs in Congress with the candidates on both sides. I wish there were better choices. The US is doing so well with a complete deadlock in Washington. Just imagine what we could do if we had a somewhat half-functional government. It would just be night and day.

Divya: On a related note, we were talking to the Winklevoss brothers earlier today, and they were complaining about the fiscal situation in the United States. I was saying that we have been talking about debt for decades. When will we come to a point where the government will have to grow up and rein in costs? Do you have any thoughts on that? Do you feel like we can continue to amass deficits year after year at the scale that we are without any repercussions and how do you put a duration on how long it can last?

Mohnish: It is a much bigger problem at higher interest rates than we have now. In my opinion, it is not good for a civilization to test its limits. The US has a pristine credit. We are borrowing in our own currency. We are never going to have a default because we own the printing press. But I think that it could cause issues. It makes the monetary policies a lot harder. It makes it more likely that we have runaway inflation. A small deficit is probably okay, but I think that there need to be some structural changes in the way we do our taxes and all of that. That requires Washington to be functional and it is not functional. It is an unfortunate situation. I am not an alarmist about it. The country has a lot of strengths, but I think we definitely need some grownups in DC.

Divya: There seem to be more politicians talking vocally about the deficit problem, but it is ongoing. It has been talked about for so many years that you just wonder what will be the turning point where the parties agree to make

substantive changes, be it to entitlements or tax reform, whatever it is, or immigration even. It just blows my mind that nothing ever happens as the problem gets bigger and bigger. But anyway, be it as it may. Lastly, Mohnish, you have written extensively about Charlie Munger, and with his passing maybe you could tell a story about a time you had dinner with him or a moment you shared with him. If you could give us maybe even an iota of what he meant to you and also some of the wisdom that he imparted to you. I would love to hear it and I am sure the rest would as well.

Mohnish: I miss Charlie a lot. I used to see him a few times a year for dinner. We would play bridge and in fact, I had my last one-on-one dinner with him exactly a month before he passed away. I did not know at that time it would be my last time seeing him. We had a great time. His mind was very sharp and he was always very kind and funny. Charlie always had the best jokes. He had a huge repertoire of jokes that he would say on demand. I always have a hard time remembering great jokes, but he was good at it. We used to meet on Fridays at the LA Country Club to play bridge. We used to start by having lunch in the dining room, and then we would go play four, to five hours of bridge.

I was sitting in the LA Country Club dining room, and Rick Guerin and Charlie Munger were just sitting across the table from me. I said, "You guys think this is just okay; a bunch of people having lunch before bridge, but I am sitting with two historic icons and this is like a surreal moment. As an Indian guy who grew up in Bandra, Mumbai, sitting with you guys, just shooting the breeze. When you guys were doing your deals in the sixties, where you say you were shooting fish in a barrel with the water drained out, tell me about some of the deals that stand out." They looked at each other, and then Rick Guerin told Charlie, "Tell him the story of the nurse." Charlie goes on to say that there was a company in California where this maverick entrepreneur had come up with an auto additive that would go into an engine where if you put this kind of liquid in the engine, it would seal all small leaks. It would make the engine not leak anymore. This guy was a super salesman. He used to go to these auto mechanic shops and with his gun. He would shoot the gun into his car's engine block and then pour the liquid into the engine block and show the mechanics that there was no leak. His sales took off. There is no brainer. But the guy was kind of maverick and not a very good manager of cash flows and all that. He suddenly passed away; an untimely death. The business owed a lot of money to the banks. The business was for the most part, bankrupt. What Rick and Charlie did is they bought up all the bank debt, 30, 40 cents on the dollar, and they had control of the company. But the widow of the guy technically had the ownership of that company. They did not want to play hardball by saying, "Hey, we own the debt, and that is the end." They wanted to make some small payment to the widow to get a proper sale from her. Charlie said that when the guy passed away, the widow found out that the guy was having an affair with a nurse. In his will, he made the nurse the executor of his will. The widow was going to get the title to the business, but the nurse was the executor. The widow and the nurse were both extremely pissed off. They were both off at each other. Charlie and Rick in the middle of all this, tried to get their deal done, but the women were not interested in cooperating. Charlie said, "Okay, I am going to meet them and try to pacify them. I will

tell the widow, we know he was a jerk and whatever to get it done.” He arranged a meeting with the nurse at the California Club.

The California Club is a club in downtown LA. That is the place I met Charlie for the first time. He loved going to have lunch there. It is a very kind of blue-blood money kind of place. Charlie always had the same table in the dining room. He would eat lunch three times a week over there. The nurse was blonde and well-endowed. I will not use the language Charlie used in this video, but let us just say it was a lot of colorful language he used. She showed up for lunch with Charlie in her nurse's uniform because she came straight from work, and the uniform was about three sizes too small, so Charlie was saying that all the members of the California Club were sitting, having lunch there. They gasped when they saw this woman enter and then sit down with Charlie. They thought he was having lunch with a porn star. He then said, “I met her for lunch, I pacified her, then Rick and I met the widow. We pacified her just enough for the two women to cooperate, and get the deal done. Then we moved on with that additives company.” These are the kind of stories I would hear from them.

We would not have Berkshire Hathaway as we know it today if there was no Charlie Munger. I do not think the market cap of Berkshire Hathaway would be even 10% of where it is today without a Charlie. The impact was really one plus one became 11. He pushed Warren toward the better businesses, the better people, and all of that. He pushed him in a way where he never took credit. He was always happy to be the partner in the background. I believe he had an enormous impact on Berkshire. He had a huge impact on a lot of institutions that he got involved with; the Harvard Westlake School and then UCSB, Stanford, University of Michigan, and so on. I never really wanted to talk about all these great things he was doing. A couple of times, I brought up personal challenges I was facing, and he was just so helpful to me; always there and with incredible advice. I always followed what he said and things worked really well. Let me give you one of the Munger jokes. He was saying that there was a Jewish couple and they had a kid who really did not like to study much. His grades were pretty poor, even though the parents were pretty smart. The parents were kind of frustrated, so they found there was a really good Catholic school in the area, and they moved the kid to the Catholic school. After the move to the Catholic school, the kid suddenly started doing extremely well in school. The kid used to come home, drop his bags and stuff, and just go to his room and start working. Math was especially a hard subject in the sense that the kid had no interest in math. His math grades used to be the lowest, but now he had some of the best math grades. After a few weeks, the parents sat down with the kid and they said, “We noticed that you are doing so well. You are engaged with this, all the math and everything. What changed? Do you like the school?” He said, “When I went to the school and I saw that they had put that guy on the plus sign, I just knew that they were really serious about math. I did not want to be crucified, so I decided I was going to focus on math.”

Divya: What a storyteller. Mohnish, thank you.

Mohnish: Charlie always had the best jokes.

Divya: Yes, but Mohnish, you are one of the best storytellers in the industry, so we are getting a compounding effect here between you and Charlie.

Mohnish: I had to take out all of Charlie's colorful language.

Divya: Yes, I can fill that in. I am sure we can all fill that in. It is funny you say that. He is happy to be in the backdrop, not necessarily the foreground of Berkshire Hathaway. But every time he talks, you can tell he is not holding back.

Mohnish: Well, I asked Charlie, "In all your partnerships with all the different businesses that you are in, you are the dominant partner. You are the type A main partner, and the other guy is subservient to you in some ways. The only one which is not that way is the Berkshire Hathaway partnership with Warren Buffett. Knowing the personality you are, how could you accept the role of a junior partner? Because you have never been a junior partner in any of the other ventures with any of the other guys that you have met. He said, "It was a no-brainer to be a junior partner to Warren Buffett. Some things are total no-brainers. That was a no-brainer. Yes, even though it went against my natural brain, I just knew that that was the right thing to do."

Divya: Yes, it is like he joined the Major League baseball team or something to that effect. That is amazing. Mohnish, this was phenomenal. Always such a pleasure to chat on SumZero and tell us all your learnings. Thank you again and thanks to everyone else on the call for tuning in. We will certainly be back next year for Top Stocks 2025. A quick plug for Mohnish, even though I know you cannot talk about it. Check out the Pabrai Wagons Mutual Fund when you all get a chance.

Braden: Everyone that joined us today, we appreciate and hope you had fun and found it as informative as we did. Mohnish, thank you as always. It is always fun hearing from you and getting to hear a little bit about Charlie and your time with Bill Gates too. Telling them nothing is coming out of Microsoft is quite a lot.

Divya: We should do a call about conversations at the LA Country Club. That could be a good hour-long discussion.

Mohnish: Yes, there were lots of fun times. I really missed Charlie. It was just surreal. I never expected that, but it was a lot of fun. One thing I found about Charlie is that he was so careful in life. He would never take risks; he would want these no-brainer bets. I noticed that when he played bridge, he was more of a gambler, and it took me some time to figure that out. Once I figured that out, then I would trap him because I knew he would overbid and overplay his hand. I told him, "Listen, Charlie, you can get away with this because I know what you do. I can call you on it. It used to be a lot of fun to play bridge with him. Anyway, I enjoyed it, and thank you guys. We'll see you. Bye.

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