

Mohnish Pabrai's Talk at the SumZero Top Stocks Investor Summit 2023 on February 9, 2023

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Divya

Narendra: It's a great privilege, obviously, to have Mohnish. Mohnish, you're a bit of a value investing legend. We've got Guy Spier here. He himself is very well known in the community. Kind of itching to hear what you've got to say.

In the past, we've chatted. We went through a whole bunch of different themes. Big tech being one of them. Turkey being another one. Let's start with Turkey. Obviously, super tragic what's going on there right now. It seems like every time when I open a web browser, I see the death toll rise by a few thousand. It's just kind of hard to believe.

You've been an investor in Turkey. You've visited Turkey, assuming you've spent a decent amount of time there by this point. First off, before we even get into Reysas, do you have any just sort of reflections on what's going on there recently? If you have any thoughts, feel free to sort of share them with us.

Mohnish: Yeah, it's very tragic. We keep seeing the death toll rise, but what they don't report is the number that are missing, and that number will unfortunately be approximated in the actual death toll. We are going to see some miracles. I hope we see a lot of miracles, but it's been more than three days. As the time goes by, my friends in Turkey tell me could be as much as 100,000. It's a very large number.

SumZero has been very generous to Dakshana. I would say that anything you're planning to do this year for Dakshana, you should redirect to Turkey to the relief efforts. If it comes to us, then we'll redirect it anyway. Also, the same to your viewers, I think to the extent that they are thinking about Turkey, I would say think about the relief efforts. Any way we can help because it's a serious human tragedy and we don't know the scale yet. But it's really bad.

Divya

Narendra: Yeah, I think that makes a ton of sense. We'll certainly follow up with you on that.

Mohnish: The Turkish market is closed until the 14th. Basically stocks can go up or down, at most 10% a day. For a couple of days, they hit the 10% lower limit. It didn't

really matter which stock it was. Almost the whole market was hitting the lower circuit even though a lot of the companies are not directly affected or may not be that affected by the tragedy. I think the regulators felt that and give it some time for people to not panic selling or whatever else. When the market opens up on the 14th, prices are likely to be more attractive than they were a few weeks ago.

Divya

Narendra: Yeah. Well, it's a good thing. We have Guy on the call here. One of the questions that a listener had for Guy, which is sort of a philosophical one. How do you think about investing and getting comfortable investing in certain countries? To the extent values may be different from the West, people have lots of different views on this.

Guy had previously sort of passed on Reysas even though he knew you were invested in it. He wasn't as comfortable with the region, the jurisdiction, the governance, things like that.

Taking a step back, I mean, we've talked about Reysas before as being the way you described it as sort of an unbelievable value. How did you personally get comfortable with Turkey as a market? What kind of helped you get over that hurdle?

Mohnish: In investing, we are always going to be looking at several different factors around an investment. One of the difficulties that comes up in investing is what weight we give to those factors and how we think about them. If I go back 46 years ago, 1977, Charlie Munger got a phone call from a friendly broker offering him 300 shares of a company called Belridge Oil, which was a large oil field in Bakersfield, California for \$115 a share. Charlie said, "I'll take it." It was very thinly traded, pink sheet stock, and that was about \$35,000. He made that investment. Charlie knew from what he knew about Belridge, that it was probably trading at 10 to 15% of liquidation value. It was cheap. Two days later, the broker called again and said that he had another 1,200 shares at the same price. This time Charlie didn't have the cash and so he would have to either sell something or borrow the money. He told the broker, "I'll call you back." He thought about it and decided to take a pass on the second 1,200 shares. The first 300 shares, Belridge had a market cap of about \$115 million in 1977, and two years later in 1979 Shell Oil bought the company for \$3.6 billion. It was about 30x plus the very fat dividend that he collected for a couple of years. His \$35,000 became about a million dollars in 1979, which he then proceeded to put into Berkshire at approximately \$300 a share. Now, it's close to \$500,000 a share. That's about 1,500x. The million today is about a billion and a half. That \$35,000 became about a billion and a half. It's about 45,000x over that period.

Now, Charlie says, Belridge was his biggest mistake because the 1,200 shares that he chose not to buy, that he knew were worth at least five or 10 times

what they were being offered would have given him about another four million in proceeds. That would've converted in about six billion and counting into Berkshire shares. He said that the CEO of Belridge was a bit of an alcoholic. He knew the oil field was spectacular. This was an oil field that owned all the rights, which is very unusual. They owned it into perpetuity. Just to give you a sense of what happened with Shell from 1979 until today, Shell has pumped out and collected more than 60 billion from that oilfield since 1979 buying it. It's still pumping it, still producing oil for them. It's a very prolific field and Charlie knew that.

When he reflected on Belridge, he said the oilfield didn't drink. He said it was the CEO who drank and needed to separate from the oilfield. He says, "I overrated the CEO's alcoholism, and I underrated the basic economics of the field." You couldn't really screw up whether the guy running it at the time was an alcoholic or not.

When we look at Turkey, obviously you're going to see macro issues. You're going to see very high inflation. You're going to see monetary policies that don't make sense. You have all these things going on at a kind of high level over the country. Let's leave Reysas aside for a second.

Let's talk about the Coke bottler in Turkey because that's a business that everyone will be more familiar with. You can understand what the bottling business looks like around the world. It's very similar. The Coke bottle in Turkey has an exclusive right to sell all Coke products in Turkey. Not only in Turkey, they're in 12 other countries including Pakistan. They do all the Coke bottling and sales in Pakistan. They own 49% of the Pakistani Coke bottler. The Coca-Cola company in Atlanta owns 51%, which probably in the next few years will sell to the Turkish company. Coke sits on the board of the Coca-Cola bottler in Turkey. It's a Coca-Cola İçecek. Coke owns 20% of that business, and they sit on the board of that company. Basically, when Coke has bottlers that come up in the region, I think it was Turkmenistan, one of those central Asian countries, where the government was the bottler. That wasn't doing that great. Basically, what Coke did is they arranged a sale to the Turkish company and they even subsidized the sale for them. I would say that when we look at the Coke bottler in Turkey, and you look at another Coke bottler in Europe, or somewhere in the US, or Latin America, they are very similar businesses they have very similar economics.

Unless Turkey did something strange like put capital controls or something else these businesses should be valued very similarly. But they are not. The Coke bottler basically trades barely hitting double digit multiples now. It used to be less than half the price a year ago, trading at four or five times cash flow. When we look at businesses and places like Turkey, I met them twice actually. There's a video I had done a few years back, a talk at UC Irvine. It's about two hours just on the Coke business model. I asked them to look at that video,

which they did. When I met them the second time, they didn't really want to talk to me about the merits of investing in their company. They really wanted to pick my brain on the strategy they should adopt, which was kind of fun. They were asking me a bunch of questions about different folks in the road and what they should do, so forth and so on. That business is owned.

The promoter of the business in Turkey is one of the highest quality families and management teams in Turkey. They have two other listed businesses. They have a beer business, in which they have 50% market share. They have a very dominant supermarket. All three businesses are very high quality. The people that I met running these businesses were the highest quality management team of any team I met in Turkey. They were exceptional. Some of them had Ivy League education in the US. The CFO of the Coke bottler used to work in Atlanta for the Coca-Cola company. He then worked in Delhi for Pepsi Bottler. He's been all over the place. He's Ukrainian. He's not Turkish. I found with that company, a great management team. I found a monopoly business, a duopoly business you could say in terms of the dominance of the brand. Then you have the overlay of Turkey.

When you are the investor, look at these things. It's important that you weigh the factors correctly. There is some weight that you should give to the fact that it's in Turkey. To say that I'm going to reject it because it's in Turkey. One of the interesting things about investing is that we don't usually get pure pristine bets that we can make. There's always some hair on them. Time flies, but the last time we spoke was about a year ago. It seems like it was shorter, but when we spoke about business, like Meta, there are very great aspects to the business. There are some not so great aspects to the business. You must weigh those factors and we don't always get it right. The more rational we are in looking at those factors probably the better decision we end up making.

Divya

Narendra:

Mohnish, the interesting thing about you is that you are known for taking concentrated bets. You're also known for holding onto positions without any kind of hard line or bright line cap. 10% of my portfolio, I better sell it. It's back down to 5% or something. As far as I understand it, you're not of that school of thought. When you were looking at Reysas from a waiting standpoint and trying to handicap it for the fact that it is in Turkey, how did that affect your position size?

Mohnish:

Well, the problem I had with Reysas was that the day I met them for the first time the market cap was 16 million. No matter what I tried to do at that time, we were managing around 700 million. By the time I finished buying the position, I ended up owning about a third of the business, \$7 million. We invested \$7 or \$8 million. I didn't want to make it a 1% bet. I ideally like to make 10% bets. On a \$20 million position to put \$70 million into it, I couldn't do that.

Now, with the earthquake, it's dropped a little bit hovering around \$250 to \$300 million now. It's moved up a bit. Their liquidation value, which used to be about \$600 or \$700 million when I was making the investment. Probably north of one and a half billion now. That's also moved up quite a bit. It's no longer at 2% of liquidation value. It's probably more like maybe 20 to 25% of liquidation value, something like that. It's not the liquidation value that really interested me. What interested me was that this was a company that was extremely smart about reinvestment. The father-son team that run the business, really don't want to make investments if they're not getting the money back in dollars within two or three years. Their reinvestment hurdles are 25% to 35% IRS. They're very creative. They've entered several businesses in the past, which they weren't in. They start small to get competence. They have moved into a number of different businesses, and they've gotten scale in those businesses. I didn't even value all those other businesses because those were harder to value all the numbers, I gave you. It's just for their one real estate business. If a business is reinvesting at very high rates, the leadership is relatively young.

My take on Reysas was that we are going to let this ride for about 20 years. It might be 10, 20 billion, 30 billion, who knows what it is in 2040 or 2043. Just leave it alone. If I look at my funds, an offshore fund, there are two bets in Turkey that collectively made up about half the fund, not because we put half into it. One was Reysas, which went up, the other was TAV airports, which is another great business. For the most part, it is a closed fund to new money coming in. I told my investors that it's very concentrated. We are not going to lighten up because when we look at what we own. They're very cheap and very good assets. Even if it gets to 80% in these two stocks, we don't plan to lighten up. I told them that if they don't like that approach that I'm taking, they can get off the bus, they can redeem, and move on. I'm not going to change my perspective on that. The way I look at it is that if you look at the Walton family and the ownership in Walmart, Sam Walton's passed away a very long time ago. No Waltons are really running that business. There's only one Walton on the board. They don't have control of Walmart. Most of them have kept the stake. For most of the Waltons, the Walmart stake represents most of their wealth, probably in many cases more than 90%. That's not diversified. If you talk to them, they will say, "It's perfectly fine." They're very comfortable with that.

The way I look at Reysas is we are not the founder, or the promoter, or the owner of the business. But we can think of it like that. If we own the Coca-Cola company in Turkey, we should think of ourselves like a minority owner. If we were a minority owner of a high-quality business like that, we shouldn't even sell it. If it gets fully priced, we should not even sell it when it gets overpriced. We should sell it when it's egregiously overpriced. If Walmart

went to something like a 100x normalized, trailing earnings, maybe the family should look at selling. But at 40x, 30x, 20x, it's a good idea not to do anything.

Divya

Narendra: Just because you think the earnings will continue to compound and that most will compress over a longer time horizon.

Mohnish: There are very few businesses in the universe, listed companies that would qualify as great businesses. Probably, I would say less than 5% or 3% of listed companies would qualify as great businesses. If you find yourself in the very happy situation of fractional ownership of one of those businesses, hang on for dear life. This is the one of the biggest mistakes I've made over time.

Guy owns a stake in Ferrari. Mohnish doesn't own Ferrari. When I made the investment in Fiat Chrysler in 2012 when the market cap was \$5 billion, their sales were 140 billion. Fiat Chrysler was trading at less than 4% of revenue. Just the equity was 80% of Ferrari, 6 billion. Plus, there was all the Jeeps, Rams, and Maserati, everything else in there. At that time, Pabrai Investment Funds owned something north of 1% of Ferrari. When I looked through the Ferrari stake, we made a lot of money on the investment, and one of the dumbest things I did was Ferrari looked optically expensive to me. I sold. We would probably have three times that amount of money if I just kept the position.

Like Charlie says, old too soon and wise too late. One of the lessons I've learned the hard way is that very few businesses have the characteristics as Ferrari has. The higher the price of the product, the greater the demand. They recently released their SUV, which they don't even want to call an SUV. It's going to start at \$421,000. You're not going to be able to get one for \$421,000. By the time you auction it out, it's probably \$600,000 or something. They all sold out. If you actually try to buy one from someone who's got one, you are probably going to spend over a million on that. I mean, that's an incredible business.

Divya

Narendra: Yeah.

Mohnish: 80% margins.

Divya

Narendra: I was a little annoyed by the SUV, but I know they had to do it. Putting aside Ferrari for a second, do you still own a third of Reysas? Is that roughly kind of your stake at this point?

Mohnish: I hope I go to my grave with it.

Divya

Narendra: Do you feel as a large shareholder or minority shareholder that you have some say in terms of how getting back to corporate governance. Do they see you as sort of an equal or close to equal?

Mohnish: I have a good relationship with the founders. In fact, last year they came to Omaha for the Berkshire meeting the son did, which was excellent. I thought that might help them in their journey to understand Berkshire more. Buffett says that if they need my help, they're both in trouble. I'm a lazy guy, Divya. I really don't want to serve on boards. I don't want to be telling companies, I mean, the management team at Reysas can run circles around running that business better than I ever could. I don't think I could come up with any strategy that would be superior to what they're doing. Basically, I think that business works because of the incentives the team has. I am happy to be a cheerleader on the side lines. I don't have any desire. I haven't seen them do anything dumb in 15 years? One smart thing after another smart thing is what I would have done if I was running it.

Divya

Narendra: Who is the broker that you use to build the position in the first place?

Mohnish: Turkey is difficult to access. You can access it if you have a prime broker relationship. We use UBS. Any of the major prime brokers would be able to get you access to Turkey for retail investors in the US. There is only one way that I'm aware of to invest in Turkey, which is True Fidelity. If you open an account at Fidelity on IRA or whatever, you can't really trade it on their platform. You can call their international desk and kind of place trades on the phone with them. It's higher fees. It's \$80 or \$90 per trade, FX conversion fee and all of that. There's some frictional cost, but it's still okay.

Divya

Narendra: Speaking of FX, I think you mentioned this to me. You mentioned this to me via email. Val Lira obviously has had a tough time over the last year or so. As far as I understand it, you're not hedging FX at all?

Mohnish: No, Reysas has gone from the 16 million to the 250 odd million in dollars over the last three and a half years. I don't even know how much has gone up in Lira, probably four times. The lira was five liras to the dollar when I invested. It's now approaching 19 liras to the dollar. We lost 75% of value in the lira. It was not relevant to me because I knew that the asset was automatically inflation index. A warehouse is steel, iron, concrete, cement land, all these things are going to move with inflation. Basically, their rents are inflation index as well, and some of the liras in dollars are euros. Basically, there was really no reason and these are the only investments I'm interested in Turkey. Even when I look at Coke bottlers, they have the ability to raise prices, to keep lock strap with inflation. I don't expect inflation to have a big detrimental impact on their business.

Divya

Narendra: What was the other?

Mohnish: They don't need to hedge the lira if you are invested in companies in Turkey that are unaffected by inflation.

Divya

Narendra: Right. What was the other Turkish name that you bought on?

Mohnish: It's TAV Airports, T-A-V. It is another wonderful business. They have 15 different airports in eight countries. The airport business is a fascinating business. It's a complicated business. It's like 10 businesses in one. These are very favorable economics if you don't overpay for the right to run the airport. Typically, with the airports, what happens is it's a BOT model (build, operate, transfer.) You'll get a 25, 30, 50-year concession with some airport where you say, "Okay, I'll build a new terminal. I'll do the X, Y, Z. I'll give the government half a billion dollars." Against that, I get the right to run the airport for 30 years or 50 years. There are portions of the revenue that are regulated, like the passenger fees and all of that. There are portions of the revenue that are not regulated, like duty free, food and beverage, and that sort of thing. When you blend it all together and you look at the economics, especially if you don't overpay for these things, it's a monopoly asset. It's a cash cow.

In the case of TAV, they have a very unusual situation. They acquired one airport during the middle of the pandemic when air traffic was close to zero in Almaty in Kazakhstan. Almaty is the largest city in Kazakhstan. That was an outright purchase. It is the only airport I'm aware of in the world's major airport that's privately owned forever. This wasn't a 30-year or 50-year concession. It's a permanent concession. They own it permanently and that's a very unusual situation. That deal got done when there was no traffic. There was \$400 million for the airport and another \$250 million for the capex. They're building a new terminal. Just that airport alone in 2026 or something is going to be cash flowing north of \$200 million a year. It's going to be increasing that cash flow close to 5% or 7% a year from there on almost to perpetuity. It has no competition. Kazakhstan is landlocked. It's got a very high per capita income. Basically, it's an asset that was purchased for three times cash flow, and airports like that should trade at 30x to 40x cash flow.

Divya

Narendra: Really interesting.

Mohnish: Something like that would not be available at those type of prices on the New York Stock Exchange.

Divya

Narendra: Yeah. This is another airport or asset that you see yourself owning for 20 years.

Mohnish: Again, extremely high-quality management team. I mean, I looked at the business. I thought it was an exceptional business. The risk you run with airports is animal spirits. When a new airport comes up for bid, if it gets compared, people are not willing to lose it. They overpay, then it's not going to work well. I think that the biggest risk with TAV is, there will be only about 4% or 5% of the airports in the world that are privately run airports run a lot

better. LaGuardia now is a private airport. If you look at LaGuardia five years ago and you look at LaGuardia today, you can't even compare the two. That would not happen under government ownership.

Divya

Narendra: Moving beyond Turkey for a second, you've been in the news a little bit recently about your investment in Brookfield. Is that something you can speak to a little bit?

Mohnish: We have an investment. I don't think we have anywhere near the upsides we have in places like Turkey. It's a very high-quality business. It's a very high-quality team. They actually give you a five-year outlook on what they expect their business to look like in four or five years. They've been doing it for a while, and they were actually exceeding what they set as their targets in the past. If the management team is to be believed, and if we buy into their targets, it'll be a great investment. Brookfield is a very strong recurring revenue business. It's got multiple facets to the business.

One side is asset management where they have other people's money that they're putting out to work, getting fees and such. They also have their own balance sheet. Minorities take in other companies they've listed in the past and so on. They've just got the quality of the assets that they own across different industries is truly exceptional. They've gone after the very best real estate properties. They've got great hydro plants, railroads, and several different interests. Recently, they did a deal with Intel to partially own boundaries. They're going to set up together. They've also now entered the music business, the music licensing business, and such. It's a very good team. I've always liked Bruce Flat a lot.

Divya

Narendra: Why Brookfield over say a Blackstone?

Mohnish: Yeah. You could probably buy a basket of these and do well. If you bought Brookfield, Blackstone, KKR, Apollo, all of them, just put them all in a basket and buy them, they would all do well. Brookfield may do better than the rest, mainly because of the DNA differential between them. If you look at KKR or at Blackstone, they come from a private equity world. If you go back to the history of the original kind of funds and deals.

LBO private equity type starting point, Brookfield's starting point goes back a long range, several decades. They really were not a manager of other people's money. They were really investing their own money. When Bruce Flat came on the scene and became CEO maybe more than two decades ago, he got rid of all the businesses, which he didn't think were that high quality. They were in a bunch of mining and different things. He got rid of those businesses and he focused on extremely high quality, long-lived infrastructure assets. The private equity world, because it's so competitive did not, has not recently. Even historically, it has high filters on the quality of the business. They always

felt that they could buy a mediocre business, do some financial engineering, and still make a good return.

Brookfield didn't take that approach. Their approach was that at the core. They want to have a great asset and then later they want to look at how they can finance and do other things, with it to make it great. I think the KKR's, and Blackstone's of the world have moved towards Brookfield in the way they think about it. I think that when I look at just the long-term DNA of how these companies think. I just think that Brookfield from day one had the right DNA.

Divya

Narendra: Was there anything from the valuation appeal to you? From a pure evaluation standpoint?

Mohnish: It's not optically cheap. None of these guys are optically cheap. They were not expensive either. If you're a sovereign wealth fund, you're like the Qatar investment Authority, Abu Dhabi sovereign Wealth Fund. You have very large amounts of money to put to work. There are very few entities or places that you can put this capital with, which are very high-quality places, very high-quality teams. They can be there with them for a very long time. It's an oligopoly type business where they're like three or four players that all these guys must come to.

At the end of the day, when they want to invest, they have to come to one of these three or four toll bridges to make the investment. The assets under management they have is going to grow a lot. The carried interest is going to grow a lot. The fees are going to grow a lot and they are creative about entering new areas like music, semiconductor foundries, and so on.

Divya

Narendra: Has the work from Home Trend affected them at all?

Mohnish: I think, yeah. I would say office properties in general across the world are facing much higher vacancy rates than they did before because of this trend. Obviously that demand has gone down because Brookfield sits at the very top end. They've always wanted to invest in tier one cities, in the very best properties, the kind of the trophy properties like Brookfield Place, or Canary Wharf, and so on. These would be the last ones affected. Their rents will go down, but the ones at the periphery will just have high vacancy. Whereas the trophy properties will just have lower rents. They have some challenges with their properties. These are long leases, so it takes a while. Even if the A Tower had a lot of vacancy, Brookfield may still be collecting rent on it.

For example, Meta has the largest, the tallest building in Austin now. They have signed a very long lease for that and it's still not going to be ready for a year or two. They've already put it up for sublease. They're on the hook for that rent, but whoever the landlord is not affected by Meta's decision that they don't need that space.

Divya

Narendra: Yeah. What did they take like a \$2 billion charge last quarter? Just on office consolidations? We actually have a guy speaking about Alts later in the session to talk about Apollo. Some of these other names as well. It'll be interesting to get his thoughts on some of the stuff you said. One kind of question somewhat related to Turkey, what are the other countries where you're seeing huge discrepancies between fundamental asset quality and price? I've heard you mentioned South Korea before. What are the other countries that screen well for you in terms of just places where things are not picked over?

Mohnish: Well, I find the whole world is very heavily picked over. It's difficult to find. I think that I haven't found any market with the characteristics that Turkey has. That's a very unusual situation. Who knows how long that'll last? Korea is always cheap. One of the big challenges we have with Korea is that their birth rates are now well below even China. Couples have 2.1 kids to keep the population break even. Korea's actually alarming. It's down to 0.7 or 0.8. Japan is at 1.4. They have a declining population. The Korean population decline quite frankly is alarming. That's a very strong headwind in investing in any country. If you're going to see negative population growth, China also is facing that, it's a serious issue. But Korea out of all of them, between China, Korea, and Japan, Korea has the most extreme problems with the birth rate.

In Japan, there's been an attitude change towards immigration. They're trying to bring in more people. All three of the countries in the long run, has huge advantages over the United States. United States is the only developed nation which has population growth. No other developed nation has that dynamic. We've had that dynamic for a very long time. We still have a population group growing on today. I wish Congress would get its act together and fix immigration. I think for a lot of the China, Japan, Korea, especially Korea, that's a big headwind.

Divya

Narendra: Speaking of China, the last time we chatted, you were bullish on Ali Baba. I don't know if you had a position in that or not? You may?

Mohnish: Yeah, I switched the Ali Baba position. I have studied them and their process. I actually studied Tencent, and I just found that there was a big difference in business quality and leadership. We had a loss with Ali Baba. Instead of taking a tax loss, I just switched it over.

Divya

Narendra: And you've kept your position?

Mohnish: Yeah, for the most part. We kept the process position.

Divya

Narendra: Have you noticed that just on Ali Baba? Any sort of change in the approach or just kind of stuff that gone on in China over the last year?

Mohnish: The number of things with Ali Baba would, in my opinion for me, would fall into the two hard pile. It's very hard to handicap what the CCP does with them. I think Tencent is a little bit different in the sense that they've always been very cooperative with the government. They've had very great relationships with the government. Ali Baba for the most part, from what I can tell, has fixed a lot of those issues. I don't believe their relationships with the government is as good even today.

Divya

Narendra: Yeah. The other thing that's interesting is India. Guy has invested in India Energy Exchange. I asked him about corporate governance and anybody he mentioned was highly regulated, it's counterparties. You've said India's been difficult for you to invest in, and I'm just curious if you have any new thoughts on it?

Mohnish: We have an investment in Indian Energy Exchange. I think we own like one or one and a half percent of the company. It's one of the highest quality businesses I've seen anywhere in the world. Extremely good management team, very creative, and extremely good execution. Even when I bought it, before the pandemic, I owned 4.99% of Energy Exchange, which is the maximum the government allows foreign investors to own. I paid up. I paid up significantly 30x to 40x earnings for that stake. The business quality was so high.

Today, for example, about 8% of all the power that is consumed in India is going through IEX. Approximately 1% of the value of that power is their fees, their revenue. About 70% to 80% of that just drops the bottom line. That 8% of power that's going through, it's probably going to end up somewhere between 15% and 30% of the entire country. India's per capita power consumption today is low. There's the movement towards EVs and all of that. Our usage will go up a lot in India. India and GDP expect to grow up like 6% to 7% a year. Power might grow up 8% to 9% a year over a relatively long period of time. With that type of growth, with a complete monopoly position where they are at 8% of the pie today, it becomes 25% or something in five or 10 years that's an exceptional business.

They started a second business, the Indian Gas Exchange, which really shocked me in terms of their traction. They just started the gas exchange about two years ago. Now they're hitting some months where 5% of all the natural gas consumed in India is running through the gas exchange servers. Even though the business doesn't have the scale of the power exchange something like two thirds of the revenue is net income, pre-tax. That two thirds will probably go to 80%. There is a way you cannot show the profits on

your income statement because your regulator can see them. Of course, they're not going to do anything of the sort, it's very high-quality team. That's Guy's biggest worry is economics. I think that the regulators really love IEX and IGX and they really look at it as a national asset. That part of the reason they do so well, and they put so much to the bottom line is just how well the businesses runs. The regulators understand that under different leadership and ownership they would not have those numbers. It's just a good business. I am looking at it again to see if we should increase our stake. The gas exchange is forced to divest its position down to 25% in a couple of years, 2 to 3 years. They'll do an IPO and the market cap in a few years will probably match or exceed what they have for the whole business.

Divya

Narendra: Have you been following this fiasco with the Adani group?

Mohnish: Indian Mutual funds by and large, other than the index funds, don't own Adani companies, even though it's a very large portion of the market. I don't know any investors. I interact with in India who've ever had any stake in Adani.

Divya

Narendra: Is that because of his reputation, valuation, or some other reason?

Mohnish: It's clearly optical and otherwise it's very expensive. It's always been expensive. It's difficult to justify those numbers. Even in the Hindenburg Report, they start off with the first thing they say is valuation. They bring up a bunch of other things. Now, I have no idea. The quality of the businesses and the quality of the assets they own is exceptional. They own most of the private airports in India ports, a lot of the petrochemical infrastructure pipelines, transformation lines. These are very high-quality assets. The questions are swirling around the rest of it. I don't need to have an opinion on 98% of what goes on. I only need to have an opinion on the stuff that we were going to invest in. It's irrelevant from my point of view. We'll buy some popcorn and watch the movie.

Divya

Narendra: Yeah. As far as just following up on kind of our previous discussion, you've always been a big fan of Jeff Bezos and Andy Jassy and all that. Have your thoughts on Amazon changed at all over the last year?

Mohnish: I think it's the most exceptional business ever created in the history of mankind. It's amazing what they have put together and what they do. The DNA of Amazon is just incredible. I've always hated retail and stuff. He seems to think like that too. He's not a big fan of that business. It's easy to not be a big fan because when you look at the numbers, they're not that great.

But other aspects of their business, doing fulfillment, advertising, and all of those are great. I think of Amazon as a consumer commerce business that has a massive footprint in enterprise core web infrastructure and that's a big leap. Amazon is the kind of company where you don't even know what businesses

they'll spawn and be in 10 years. That spawning engine is very much alive and kicking. He's going to deemphasize the businesses and have lower returns, equity, and all of that. I've even seen they're looking at buybacks and things where they're starting to generate more cash than they need. Incredible business. I've always been too dumb to buy it and I'll probably be too dumb to buy it forever, you know? We'll see.

Divya

Narendra: Well, I was going to ask, I mean, the stocks obviously struggled for the last two years. It's not at its low over that period, but it's certainly got a long way to go before it gets back to its highs. Do you have a price point in mind where you would potentially take a position?

Mohnish: One of the mental blocks I have, which probably hurts me more than it helps me is the law of large numbers. When I look at businesses, \$500 billion trillion, \$2 trillion market caps which are the highest they've ever been for any business in the history of mankind. Then when I look at how many businesses, large businesses like that survive for 100 years, 50 years, and that sort of thing, the death rate is really high. If you look at a business like Apple, I don't think I can see anything on the radar that's going to affect Apple for 10 years. It's just a great franchise. It'll keep going. I don't know if I can make that statement for 20 years, 30 years, or 40 years. I can make it in 10 years. When you are trying to buy Apple, 2 trillion, whatever it's at, you need to have a view 15 to 20 years out. You need to have some view on that. Ferrari will be cranking for 15 to 20 years from now. Hermes will be cranking 20 years from now, 40 years from now, 80 years from now. I was having a discussion with Charlie a few months back where I told him that. If I look out at 100 or 200 years, I think the railroad in Berkshire will be intact and doing great. Even if we get to Maglev or some new technology, the right of way and the need for humans to move goods that's probably the most efficient way to move goods. Indestructible moat.

Most other things I see in Berkshire, I can't make a comment that 100 or 200 years from now will still be here. Charlie corrected me. He said, "Well, our power business is pretty good too." He's right. The utilities and power business that they have is another amazing business. That's unlikely to change, in terms of how we get our electricity and power and all of that. When you get to these very large market caps this is the issue that bothers me, you look at something like LVMH. There is a huge market cap. I would say someone like LVMH has a much stronger chance of being with us 50 years from now than Amazon does. Even though Amazon looks just totally dominant today. My take is that when I get to some of these really large market caps, Tencent was an exception for us. So that's kind of where I end up.

Divya

Narendra: Would you put Microsoft in the same bucket as Apple?

Mohnish: No, I think between the two businesses, I'd be more interested in Microsoft than Apple. One of the reasons is that, if you think about the iPhone, it's actually a very clunky device. This is kind of where Mark Zuckerberg is going too. The iPhone, most of us don't particularly care about the phone part of the iPhone. That's irrelevant. It's really a computer we carry around. If I'm using it to map where I'm walking to or where I'm going to, it's kind of a clunky thing to have in your hand. The human factors in the long run of how we interface with technology which is we know we get to your favorite subject, the Metaverse. There is an unpredictable direction that we will be heading in at some point. When we head in that direction, it is a big unknown where Apple fits.

To me, it is more resilience than a purely consumer driven business that Apple has. Apple has a lot of goodwill amongst the consuming public, a lot of trust, a great brand, but it doesn't have the same kind of nuance with all those companies in the app store giving them 30% and all of that. There's animosity with that group.

Amazon for example, doesn't have that animosity. All the enterprises that work with Amazon don't have a negative view on the company. A lot of app store developers believe that 30% is too high. That part of the business is not a win-win in my opinion. I think their take rate is too high. On the consumer side, they do a great job. Apple's a great business. I think 10 years, like I said, I don't see anything, they might be doing well in 20 years. But I wouldn't want to make that bet.

Divya

Narendra: Mohnish, before we close, you'll find this interesting. My wife is going to be talking about inflation. She's the head of US inflation strategist at JP Morgan. I was going to ask; we live in a world right now where there's just enormous geopolitical risk and macro has just absolutely dominated the markets over the last. I was curious, do you have any views on where inflation is heading? How quickly it might be contained? I don't know if you have thoughts on wages, which is sort of part of the problem in terms of being stickier than other parts of inflation. I'm just curious if you had any macro thoughts for this and if it keeps you up at night?

Mohnish: Yeah, probably not my strong suit. I would just say that we've got a great central bank, an independent central bank. They may not always get everything correct. They may undershoot, overshoot, all of that, that's part of the deal. They will look at the data and for the most part, they'll act prudently. Over time we'll get to where we need to get to. I don't know if that happens in one year or two years, or how long that takes. But the US economy is surprisingly with all the amount of money that's been pumped into the economy, the inflation is still pretty benign relative to all that. The unemployment rate is unbelievable. If the economy is cranking really well, it's still on all cylinders. It's a great engine. I wouldn't have predicted all these

things given where we are coming from, but here we are, and we are doing great.

Divya

Narendra: You don't foresee any sort of recession coming anytime soon, it sounds like.

Mohnish: I would probably be a really bad person to make those types of calls. I never saw 2008 coming either. I did see the bubble in 2000 before that happened, so I was able to sidestep that one. But I took the full brunt of '08, '09. I'm not a good guy on that front. I don't know where things end up on that front. I'm trying to make bets where those types of events don't have that much impact, you know? I have an interest in things like IEX, Reysas, TAV, the Coke bottler, and so on. Those are more interesting to me because I don't have to think about these things too much.

Divya

Narendra: I think it's a fair point. Mohnish, this was great. Super interesting as always to hear your thoughts on the world and obviously, your portfolio. We'll certainly follow up regarding the Turkey donations. Thanks again for your time and looking forward to chatting again soon.

Mohnish: Likewise. It is always fun Divya and Guy, thanks for attending.

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