



# David Sharek's Growth Stock Newsletter

Searching for Tomorrow's Stock Market Winners Today

October 23, 2020

## Is it Time for the FAAANG Stocks to Shine Again?

2020 has been a year when young up-and-coming companies had their stocks soar in price. Many of these high-flyers don't make profits.

Instead of pricing a stock on a traditional P/E basis, many investors are jumping a step ahead, and valuing stocks on a price-to-sales basis.

A slew of stocks that don't make profits have lead this market higher. Meanwhile, some quality stocks are being overlooked.

FANG stocks **Facebook (FB)**, **Amazon (AMZN)**, **Netflix (NFLX)** and **Google** — now named **Alphabet (GOOGL)** — are still the REAL leaders of this digital uprising.

And to keep it interesting, let's throw in **Apple (AAPL)** and **Alibaba (BABA)** too. This takes the FANG to FAAANG.

Overall, my analysis points to these stocks having 28% upside when we look to 2021. Now let's see which FAAANG stocks have the most upside.

## Is it time for the



## stocks to shine again?

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**Growth Stock Newsletter**

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## Current Holding — Facebook (FB)

**Facebook (FB)** has a potential catalyst in its Instagram Reels. Reels is a new concept for Instagram that is similar to TikTok.

Reels is bound to be a big winner for Instagram. The company also has growth opportunity in WhatsApp payments, where you can transfer money, and e-commerce with Facebook Mar-

ketplace and Instagram Shopping.

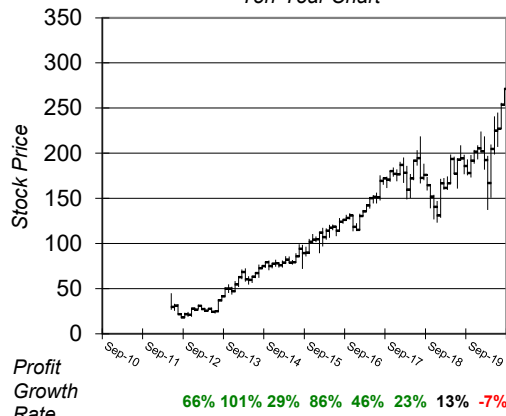
FB stock has an *Estimated Long-Term Growth Rate* of 17% per year, and the stock carries a P/E of 34. My *Fair Value* is a P/E of 35, or a stock price of \$280 in 2020 and \$354 in 2021.

FB is part of our **Growth Portfolio** and **Conservative Portfolio**.

### Fair Value

Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	7.99	x	34	=	\$271	
2020 Est	7.99	x	35	=	280	3%
2021 Est	10.10	x	35	=	354	30%

**Facebook (FB)**  
Ten-Year Chart



Annual Profits

2010	
2011	
2012	0.53
2013	0.88
2014	1.77
2015	2.28
2016	4.23
2017	6.16
2018	7.57
2019	8.56
2020	7.99e



## About David Sharek

David started his career as a Financial Consultant at **A.G. Edwards & Sons** in 1999, investing clients in mutual funds, stocks, bonds & annuities.

The 2000 stock market crash crushed his investors and left David leery of Wall Street & mutual funds. Sharek became a student of stocks, and discov-

ered the best stocks had the highest profit growth.

In 2002 David accepted a position of Vice President—Investments at **Wunderlich Securities** and developed his **Growth Stock Portfolio**.

Sharek's **Growth Portfolio** averaged a return of 24% his first five years as a portfolio manager (2003-2007), more than dou-

ble the market's (S&P 500) average of 11%.

In 2008 David Sharek founded Sharek's Stock Portfolios. But another stock market crash took the **Growth Portfolio** down 58% that year. Still, by 2013 client accounts hit new highs.

Today, David continues to do his own stock research and manages portfolios on a fee basis from

his offices in Midtown Manhattan.

Sharek's **Growth Portfolio** has grown an average of 15% a year, compared to 9% for the S&P 500 (2003-2019 Q2). David's posted four years of +40% returns in his 17 year career as a portfolio manager.



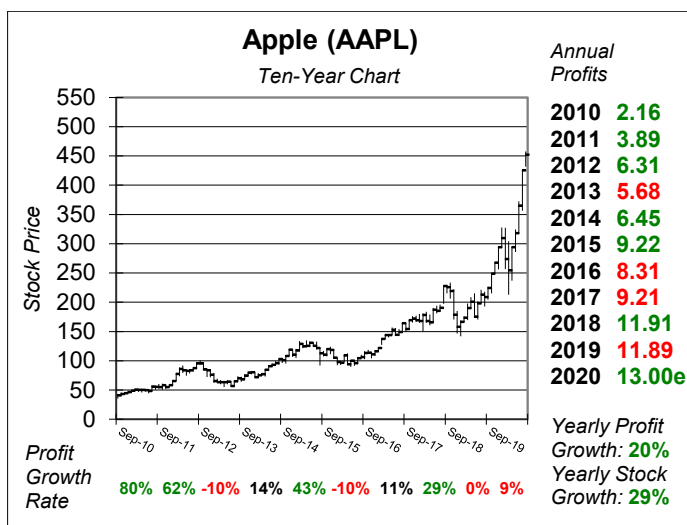
## Current Holding – Apple (AAPL)

Apple (AAPL) has been a hot stock lately, and much of that is because investors value the Services revenue the company has been delivering. Just last qtr, Services accounted for 22% of total company revenue, that's up from 14% four years ago. Apple Services include: Apple Pay, Apple Music, iTunes and the App Store.

AAPL's P/E has shot up from 15 to 29 in just the past year. The median annual P/E was 12-16 the past ten years. So I don't think we will see future returns like the ones shown here. But, NEW 5G phones could be coming within the next year, and that could be a catalyst for profits.

AAPL is part of the **Conservative Portfolio**.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	13.00	x	35	=	\$452	
2021 Est	15.54	x	28	=	435	-4%
2022 Est	16.81	x	28	=	471	4%



## Current Holding – Amazon (AMZN)

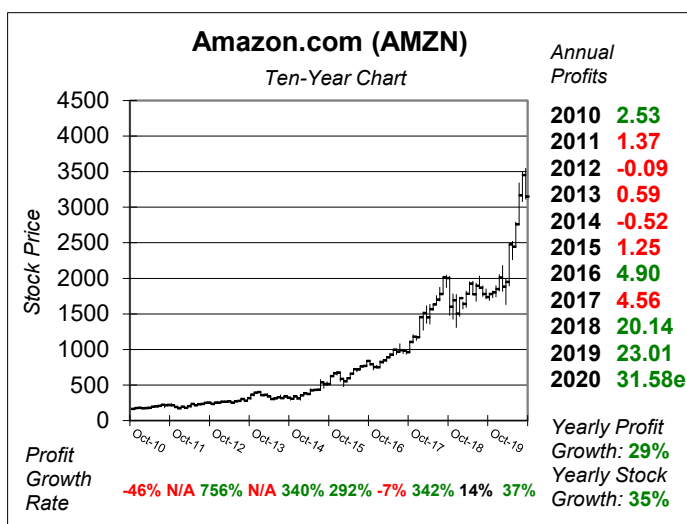
Amazon (AMZN) profits are growing so fast that I believe the stock might hit \$10,000 a share in the near future.

Business has surged during the COVID-19 pandemic, while management marketing by 1/3rd last qtr. The company made a profit greater than \$10 a share last qtr, and if you work that out to an

annualized basis that's \$40 a share in profits. That's a big number — that's expected to get even bigger. In fact, analysts have the company earning more than \$110 a share in 2024. A P/E of 91 x \$110 in profits = a \$10,000 stock (hypothetically),

AMZN is part of the **Growth Portfolio** and **Aggressive Portfolio**.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	31.60	x	100	=	3150	
2020 Est	31.60	x	100	=	3160	0%
2021 Est	44.13	x	100	=	4413	40%



## Current Holding – Alibaba (BABA)

Alibaba (BABA) just delivered a monster quarter that has me thinking the stock is in the midst of making a big move higher. The reason for this is mainly because the P/E has been too low for too long.

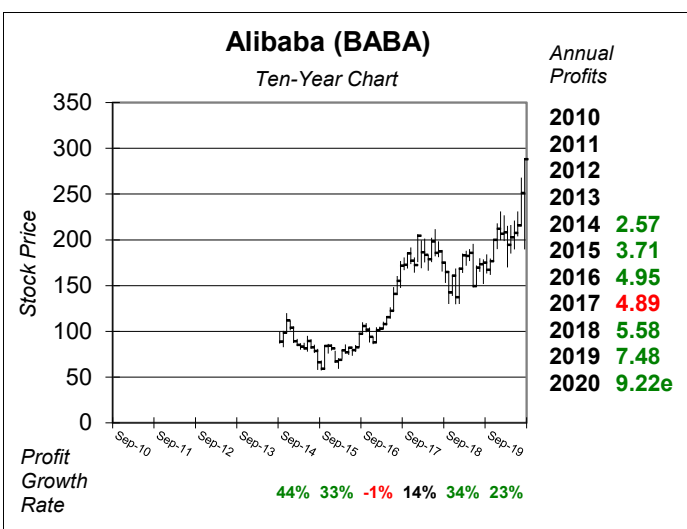
This juggernaut sold is a 23% grower (Est. LTG) and due to its size and strength the stock should be worthy of a 40 P/E.

But in 2019 the median P/E was just 25. Last qtr the P/E was just 24. That's super low for an amazing company.

This qtr, the P/E is 31 and I think the P/E should be 40. Thus, this stock looks to be in the midst of a big move higher.

BABA is part of the **Growth Portfolio** and **Aggressive Portfolio**.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	9.22	x	31	=	\$288	
2020 Est	9.22	x	40	=	369	28%
2021 Est	11.53	x	40	=	461	60%





## Current Holding – Netflix (NFLX)

One of the estimates I do while rating a stock is when I think the company can earn \$10 a share in profits in a year. If you think the stock has the ability to make \$10 and you have an idea of when this will happen (3 years from now, 5 years, 10 years, etc) then you put a P/E to the stock and calculate a far-away *Fair Value*.

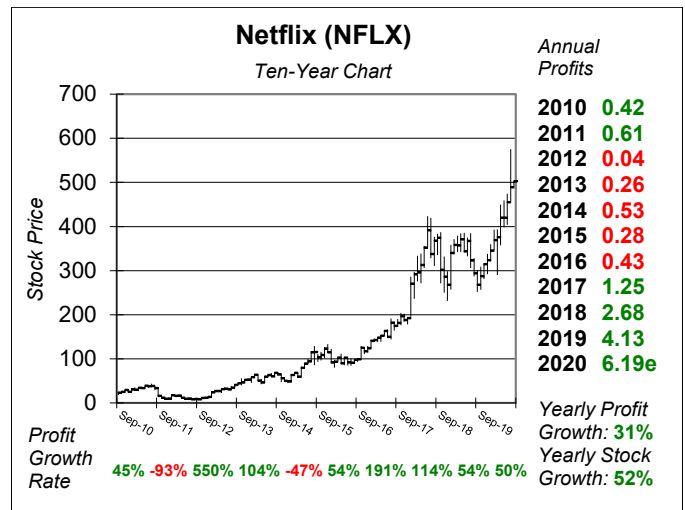
Now, here we are in 2020 Q3 and I see these profit estimates:

2021 \$8.80, 2022 \$12.11, 2023 \$15.70, 2024 \$19.36

So using a pen-to-paper analysis a 45 P/E x \$20 in profits = \$900 stock, hypothetically in 2024.

NFLX is part of the **Growth Portfolio**.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	6.19	x	81	=	\$502	
2020 Est	6.19	x	75	=	464	-8%
2021 Est	8.80	x	75	=	660	31%



## Current Holding – Alphabet (GOOGL)

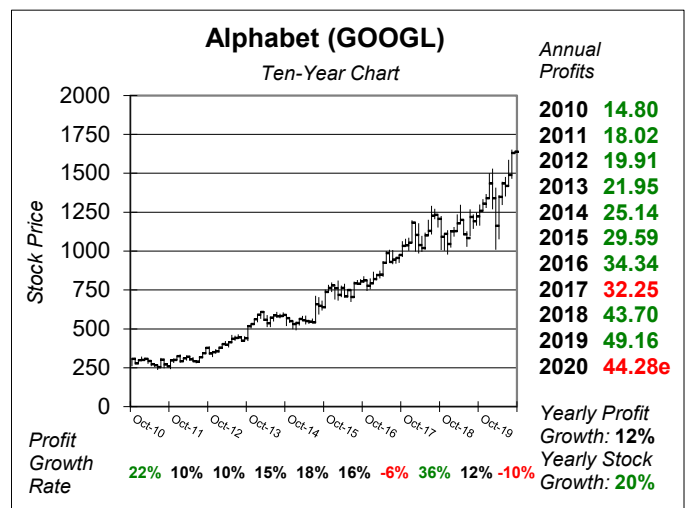
Alphabet's (GOOGL) search business is down as the Coronavirus is hurting advertising spending. But the stock is hitting All-Time highs today due to a broad move higher for technology stocks. But overall, this is one of the weakest tech stocks I follow. It's certainly the weakest when comparing FANG stocks Facebook, Amazon, Netflix and Google if we look at

sales and profit growth. And if you're looking to lighten-up on tech after this huge move higher, this would be the one I would sell.

GOOGL is part of the **Conservative Portfolio** and **Growth Portfolio**.

Although we are still in Autumn 2020, the FAAANG stocks look like good bets in 2021.

Fair Value						
Year	Profits	x	P/E	=	Price	Upside/Downside
This Qtr	44.28	x	37	=	1639	
2020 Est	44.28	x	33	=	1461	-11%
2021 Est	56.60	x	33	=	1868	14%



## Stock Research

If you're a finance professional or online investor, our **Research Reports** are a great resource in searching for tomorrow's stock market winners today.

We monitor 75-100 growth stocks and value stocks in the stock market, and prepare research reports on a qtrly basis. Each research report comes with our proprietary charts (like you saw here), *Sharek's Take* on the stock, and a *Fair Value* of what we believe the stock is worth this year and next. Stocks are then ranked in two *Power Rankings*:

**Growth Portfolio Power Rankings** consists of 35-50 stocks with *Estimated Long Term Growth Rates* of 15% or greater.

**Conservative Growth Power Rankings** consists of stocks with estimated total returns (Est. LTG + dividend yield) of 10% or greater. These are safer stocks with higher **certainty** and **consistency** that sometimes pay dividends.

**Research Reports** and **Power Rankings** are available with a paid subscription to the **School of Hard Stocks** (\$297 USD per year).

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## Money Management

### Let us manage your stock portfolio

David Sharek manages brokerage accounts and IRAs of \$50,000 or greater on a fee-basis. Returns shown here are after fees.

### You own the stocks

Sharek manages each account individually. This isn't a mutual fund — you own the stocks. Your account is in your name and is not commingled with other clients.

### Fee-based account management

We grow when you grow. Shareks, LLC bills client accounts 0.25% to 0.75% per quarter (1% to 3% per year). Fees may be tax deductible.

### Watch your account

Clients can log online and view their accounts at anytime.

### Security

Shareks, LLC is registered with the State of New York as an investment advisor (RIA).

Accounts are kept safe at brokerage firms TD Ameritrade and Interactive Brokers.



### School of Hard Stocks

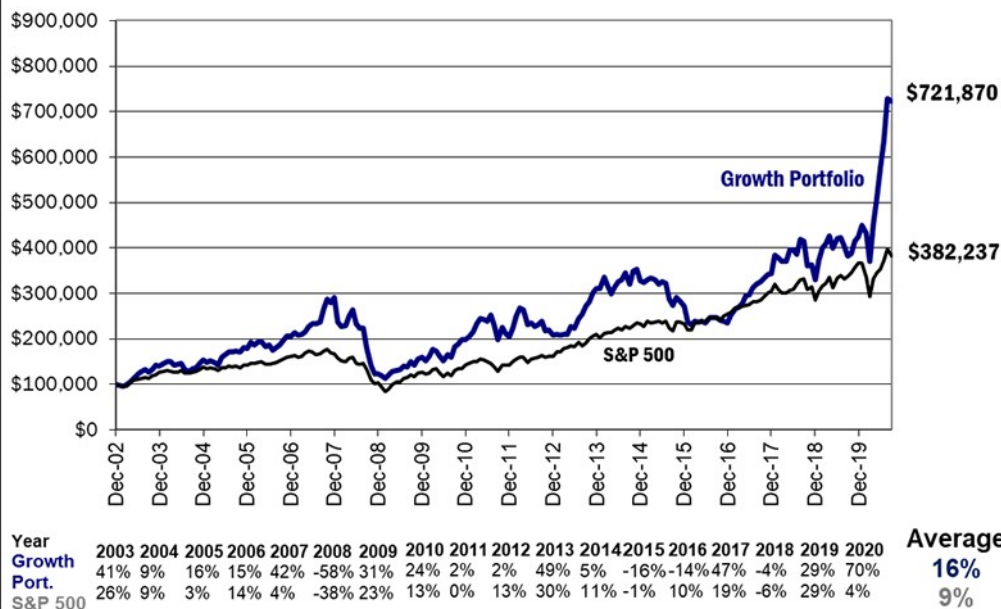
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New York, NY 10037  
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## Sharek's Growth Portfolio vs. S&P 500

2003 (inception) through September 2020



### Growth Portfolio

#### Returns

+35% in 2020 (through Q2)  
+29% in 2019  
+15% avg. annual return since inception (2003)

#### Description

Our flagship portfolio is comprised with large and small companies with estimated long-term growth rates (EST. LTG) of 15% or greater.

#### Number of Stocks:

35 to 50

#### Types of Accounts Managed:

Individual and Joint brokerage accounts, IRAs, Rollover IRAs, and SEPs.

#### Minimum Account Size:

\$100,000

#### Management Fee:

2% to 3% per year  
(billed quarterly)

### Aggressive Growth Portfolio

#### Returns

+34% in 2020 (through Q2)  
+22% in 2019  
+13% avg. annual return since inception (2003)

#### Description

A more focused portfolio comprised of stocks from the **Growth Portfolio** which have more rapid profit growth and/or are timely.

#### Number of Stocks:

10 to 25

#### Types of Accounts Managed:

Individual and Joint brokerage accounts, IRAs, Rollover IRAs, and SEPs.

#### Minimum Account Size:

\$50,000

#### Management Fee:

3% per year  
(billed quarterly)

### Conservative Growth Portfolio

#### Returns

-1% in 2020 (through Q2)  
+32% in 2019  
+10% avg. annual return since inception (2015)

#### Description

A portfolio consisting of safer stocks (often Blue Chips) that may pay dividends. Comprised of stocks with Est. LTG + dividend yield of 10% or greater.

#### Number of Stocks:

35 to 50

#### Types of Accounts Managed:

Individual and Joint brokerage accounts, IRAs, Rollover IRAs, Trusts and SEPs.

#### Minimum Account Size:

\$100,000

#### Management Fee:

1% to 2% per year  
(billed quarterly)

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