Okay.

Welcome everyone. Uh, we've got a good one for you.

Today we're speaking to Johnny, MAKA.

John, uh, he's a longstanding member here at Strawman.

He's been with us since, uh, 2023.

Nos up some pretty good returns, uh, in that time.

Uh, drone Shield, doing a bit of heavy lifting there.

John's first 10 bagger,

which we'll talk a bit about as we go through.

But the sort of the, the genesis of all of this was

that John reached out the end of last year.

He and the family were taking a trip up, up the mountains,

uh, on holiday from Singapore.

Uh, so we, we caught up.

Uh, I had a, had a couple of beers

and it, it did me a chance

to learn a bit more about John's background, uh, to,

which was just like, well, I have

to twist your arm into doing, uh, an interview here.

'cause there's, there's a lot of interesting stories there.

This, of course, follows on from the recent discussion we

had with Sean, or, or, or Solve the Riddle.

And we've done 'em before.

We've done ones with, uh, arena 42.

We've done it with Mike Rizzi. We've done it with Satan.

We've done it with Rick. Uh,

and, um, it's always something I try and encourage.

'cause we do have an incredible Brains trust here

and some really fascinating backgrounds and experiences.

So I'll just put my obligatory call out

to anyone who's watching this thinking that they've got, uh,

a, a few things that they, they want to share it,

it usually intimidates people.

But I'm, I'm pretty friendly.

We're, we're not, we're not gonna give you a

hard time about it also.

So I'll, I'll just put that out there once again.

But today, of course, we are, we are speaking,

uh, to, to John.

Um, uh, we're, we're gonna go in a few different areas here.

We're gonna talk a bit about John's career as A-A-A-C-F-O

and COO for some major corporations, which is, uh,

I think give us a bit of a peak, uh, behind the curtains.

How, how, what's involved with that role

and some of the considerations that, um, that are in play.

Uh, and also just the investing journey.

Uh, the background, the lessons learned.

Uh, the current thinking on things I think is

always valuable, uh, as well.

Um, just a reminder, this, this, uh, is not advice.

As you well know, if you do have any questions,

we've had a few come through already.

Uh, just use that Slido link, um, uh,

and we'll get to them when we can.

So I'll stop mumbling at this point.

John, thanks so much for your time today.

Thanks for having me. Uh,

I'm really to be, yeah.

I'm really, I really do appreciate you stepping up.

Um, uh, as I said, with there's, there's a lot

of interesting ground to cover here.

Maybe we should, uh, geez, where do you wanna start?

I'll put it to you. There's, there's a lot of, uh,

areas we, we could start.

Do you wanna start with the, the career

or the investing side of things?

Maybe just a quick introduction of, uh, the career, uh,

of the person beside me, or the Paris beside me. We have,

Just to bring him on screen a bit more.

I can't go. There he is. Yeah.

There he is. Uh, we have a family pet named Felix.

Uh, Felix is a free flight, eclectic flies around the house.

Uh, and if I don't bring him into the room,

he will knock at the door until he comes in.

And I've actually had him fly on top

of my chair in the middle of an interview on more than one

occasion when I'm, and, uh, particularly during COVID,

when I was locked in this room for, for a couple of years.

It seems like there's a few pirate jokes

that I could probably put in here,

but I'll, I'll I'll spare you the eye roll.

Indeed, indeed. Um,

maybe just a quick overview of my career.

Yeah. Uh, uh, was not born,

but grew up in Catherine in the Northern Territory,

if you know where that is, in the

middle of Absolute Nowhere.

Mm-hmm. Uh, went to university in Darwin,

straight into a finance role with, uh,

BDO Chartered Accountants, and then went into Brambles.

And I was with Brambles for 11 years.

Uh, Darwin, London, Sydney, Singapore, Jakarta.

Um, and, uh, the ending there in Jakarta was,

is quite a funny story, um, involving a night in prison.

Uh, we can get to that in a bit, but, uh, we're

Absolutely gonna get to that. You

can't drop that bombshell and not talk about that.

Yeah. After that, I went to a, um,

a Swiss import export company called DKSH.

Uh, and they, I was the global financial controller for one

of their business units, uh, importing, exporting, uh,

raw ingredients, raw chemicals, pharmaceutical ingredients,

food ingredients, uh, all that.

And then somebody from Brambles called me

and said, Hey, the, uh, the CFO role for Rolls Royce Asia,

Asia Pacific, has just come up.

So he had been, uh,

taken into a very senior role at, at Rolls Royce.

Uh, would I like to join Rolls?

And of course, you know, one

of the most famous brand names on the planet,

old World brand names.

Yeah. If you like.

So I went

and was head, head of finance for Rolls Royce apac, uh,

for about four and a half years.

Uh, and then, uh, randomly went into Avon.

Um, they needed some tough decision makers, uh,

uh, to, to help them.

It was a dying business.

Um, and so I stepped in as the APAC CFO for Avon.

And actually, my mother was an Avon lady when I was a kid.

Uh Oh, great. In business model. Yeah.

In terms of, but it has a lot of, uh,

negative connotations in terms of, you know, direct selling,

is it a pyramid, uh, whatever.

Sure. I then went

and, uh, was the COO, um,

so COVID hit, and then I was the COO

of a big law firm at Clyde

and Co, which is the world's largest insurance law firm.

So they represent insurers on, uh, all sorts of matters.

And COVID was amazing for them

because basically everybody was suing insure,

everybody was suing everybody over vessels, not being able

to dock in Perth

because of too many COVID patients on board.

And, uh, so, so Clyde

and Co was having a wa of a time, uh,

during COVID when most other businesses weren't.

Uh, after that, and,

and the final job in my career, I was with Flight Center

of all places as a CFO of Asia for three months and one day, uh,

and I'm happy to talk very briefly about that, uh,

but we'll need to tiptoe around if you like.

Okay. Um, so sort of half my career has been in,

in pure finance, and then sort of half of it in, uh,

more leadership roles and a couple of p

and l roles along the way.

Uh, sometimes in, in interviews I'm asked, I'm asked

what is my key weakness?

And I sometimes say, uh, be technical accounting.

So I was never a very good technical accounting.

It's boring, it's bad s**t.

Uh, but I do like the front end of finance.

So most of my career has been on,

on the front end of finance, if you like.

Yeah. Do you reckon the,

the accounting skills have given you a bit of an edge

with your investing?

I, I know that for a lot of, um, uh, for want

of a better term, retail investors, the, the,

that is an area of intimidation and concern.

Uh, have you, have you found it, uh, uh,

an a source of an edge for you?

Uh, definitely, uh, particularly in the fact that,

you know, I've written p and ls and cashflow statements and,

and written commentary that's going to the stock market.

And so I think I can digest a balance sheet quicker than

most people can, uh, you know,

no more way around it pretty well.

Um, and so I think there's, there's a definite edge there,

uh, as well as just understanding, uh, when some

of the standards change, you know,

revenue recognition standard or lease accounting standards.

Yeah. You have to go through that in a work environment, and

therefore you sort of can understand, um, you know,

a little bit more when it comes to, to reading financials.

And I'm not, uh, I'm quite a boring character in some ways.

You know, reading an annual report of a company is sort

of my idea of Sunday fun kind of thing, you know,

lying on the couch, the kids are out.

Um, I'm just gonna flick through this

and makes sense of it kind of thing.

So I think that gives, gives you a little bit

of an edge over people seeing a 200 page document going,

oh my God, where to start.

Oh, definitely. Yes. Yeah. Yeah.

What we, we could, we could spend, get together

for an hour a day for the next six weeks

and only scratch the surface of accounting.

But what are some high level tips you might give to someone,

or even just encouragement you might give to someone

who's a little bit intimidated on that front.

You know, if you were to sort of direct someone's attention

to things to sort of look out for,

or things that you've found helpful, uh, in your,

in your investing efforts

with looking at things like balance sheet and other financial statements.

I,

Yeah. Um,

I'm trying to think if there's any shortcuts.

Uh, certainly when, when I, uh, look at a brand new company,

the first thing I go to is the balance sheet.

I skip, I don't even look at the p and l. Yeah.

Um, because if the balance sheet's not strong,

like if it's got 200% debt to equity Yeah.

The conversation finishes there kind of thing. Yep.

Um, so, uh,

Is that, just sorry to interrupt, is, is that

because you've seen what happens with, with,

with highly lever companies Yeah.

High 11 companies. And, um,

and so I, as a general rule stick, uh, well clear of them.

Yeah. I think Mark Portfolio is fairly, uh, weatherproof,

if you like, in terms of, of the balance sheets

of all the different companies that I've got.

Yeah. You know, uh, zero is

my favorite number in terms of debt.

It's technically not the most, uh, capital efficient. Yep.

Obviously, uh,

but, uh, it's, you know, they're,

they're not about to go bankrupt.

It makes you bulletproof to, yeah. Yeah.

So, um, yeah, I think, I'm trying to think of the,

any shortcuts you can give someone to, to Yeah,

Yeah. I know.

Not necessarily a shortcut

or just sort of things like,

I mean, that was, that was great.

I, I, I've had it put to me

that in good times everyone focuses on the income statement.

It's only when times get tough

that people focus on the balance sheet.

And, and I've had other investors who I really respect to

who always emphasize

that the balance sheet is their first go-to.

Obviously we want to see profits

and we wanna see growing profit, we wanna see all of that.

We get it. But it's sort of like, I, it, I,

it was interesting to hear you sort

of also highlight the importance of the balance sheet

and to maybe direct people there.

And particularly with, with, with regard to the levels

of sort of debt that are there.

I, I guess the debt structure itself probably

is, is worth understanding,

Uh, definitely. And,

uh, how expensive it is

and, uh, you know, uh, how far out it is

before they need to, uh, you know, refinance and whether

or not that will put them in a spot if they need to

refinance in the middle of COVID,

that might have been a, been an issue.

Uh, but I go straight to the balance sheet because, uh, all through your career

or my career, uh, you are trying to work out just

how far you can flex the balance sheet to make the p

and l acceptable to, uh, the president

of the region in my case or mm-hmm.

You know, the, the powers that be the CFO

above your global C ffo who need to hit a specific number,

and the only flexibility you've got is the balance sheet

and some interpretations around

what you can do within the balance sheet.

Mm-hmm. Um, and it gets all a bit funny.

So, uh, if you are breaking the rules,

the p and l doesn't matter.

Right, right. You, it just, just

so I don't bother reading it until I understand, uh,

what's in the balance sheet.

Um, and there's some, some counterintuitive things

with the balance sheet, uh, the act,

and you, you learn this when you have

to write something off the asset side

of the balance sheet is the dangerous side.

Yes, Yes. That sounds completely, wait, no.

We've got assets. Yes. Um, aren't they a good thing?

And of course they are. Sure.

Uh, we've got, uh, buildings and we've got machinery mm-hmm.

And we've got inventory, uh,

but you know, if, uh, capitalizing, uh, software costs,

for example, uh, is an asset mm-hmm.

But this basically means you refuse to
recognize the expense in this period.
Mm-hmm. So mark it over here in the balance sheet, um,
and then, uh, hopefully
that asset will generate enough revenue
that you won't notice kind of thing.
Yes. Um, but that's, uh, yeah. So, but
It's not like it's, it's not the price tag
that you would necessarily get if you had to sell
that software on market or something like that. Oh,
Yeah. You had nothing at
all. So in some, in, um, one, one of my
favorite quick side story, you Google Avon, Canada
SAP implementation, you don't, you don't have to do this
by the way, but they, uh, they implemented SAP
as the first global rollout of an ERP.
Mm-hmm. Uh, live for about six weeks,
and then they wrote off 130 million US dollars.
Wow. Then never turned it on again.
Wow. Because, uh, yeah. They just could not get it.
Right. Uh,
and so a company like Avon, I can assure you,
is held together with glue and sticky tape and Excel.
Mm-hmm. I've said so many times Microsoft could charge
10 times what they charge for Excel.
Yeah. And there's not most companies could do about it
because, uh,
and this might not be the case in the future as we get sort
of more connected, but, uh, certainly legacy companies,

Excel is the glue between absolutely everything.

This system doesn't talk to that system.

We take it outta that, put it in Excel,

massage it a bit, and put it into that system.

Yeah. Yeah. So Microsoft could easily charge a whole lot

more for Excel. Yeah.

Yeah. It's like whatever they, like changing M'S

and all of this kind of stuff,

it's like a spinal transplant.

It's just, it, it, it, it can sometimes just sort of be,

not even sometimes oftentimes it can be, it's always,

it's like a home renovation.

It's always gonna take longer than you think.

It's always gonna cost more than you think,

and it's probably not gonna go as smoothly as you think,

you know, in, in, in many ways, which is,

which is why things are, not to get off topic,

but things like technology one, I think are so fascinating

for that because once a company goes through

and, uh, that kind of process, things have to be really bad

for them to walk away from that because of the investment

and the pain that was, you know, yeah.

That was born to us. It is why they have virtually no churn.

Yes. And so long as that the, the

customer in technologies ones case can get over

that initial hump Yeah.

And keep it, and that's it.

It's locked in for a very, very long time.

So I don't want, I don't want
to keep going too far down this path,
but, you know, it's not so much I would say
amongst our members, but certainly sort of like friends
and acquaintances, you know,
sometimes I'll be going on about, you know,
investing in financials and that,
and it's surprising to me how often I get this sort
of response of like, oh, it's all made up.
Oh, the books are always being cooked
and we know this stuff happens.
Right. And it, it, it, it's, it's not like it's,
it's unheard of, but I do think it's very much overstated
and I think too cynical a view on, on, on all of
that can really just mean that you miss out on,
on a, on a lot of signal.
But at the same time, to your point, just there, you know,
there is discretion, there is subjectivity around that.
So I don't wanna get conspiratorial or anything like that,
and I certainly don't want to create the impression
that it's all, it's worthless, in fact,
quite the opposite of that.
But, but what are some p what are some red flags potentially
that people could sort of look out for to go, well, hang on,
something's going on here to sort of make the,
the earnings look a little bit better?
Uh, or, or something of that, that nature.
Yeah. Um, so first of all, obviously accounting is,
my profession has been for the last 25 years.

So, uh, the very vast majority of us are, you know,
there's a gray area we can play with mm-hmm.
When it comes to the interpretation
of any particular standard.
Yeah. Um, but, uh, so, so I do think, uh,
there's no conspiracy here.
Uh, and then to, to your point, um, again, go
to the asset side of the balance sheet
and look at how much, uh, software cost was capitalized.
Yeah. Uh, how much provision are they holding against their
debts, and what has debts done, you know,
'cause if you're under provisioned, uh, you're, you,
you are taking a provision is taking expense this year for,
you know, something you're expecting
to not get paid for next year.
Yeah. Um, you know, scour, uh, that side
of the balance sheet, uh, depending on
how far down into the weeds you want to get.
Yeah. Uh, it's one, one of those things with investing,
it's, uh, you could do a huge amount
and of, of due diligence if you like.
Mm-hmm. And still, uh, as an outsider in particular,
still not be,
not not have your finger on the pulse if you like.
Um, you know, I, I, uh, used to run an m
and a team for brambles back in the day.
And so that's in-house doing due diligence, um,
getting details down to the fine number.

Um, and so you've got your finger on pretty much everything.

Yeah. Um, and then I find stepping out

and looking at a company from just the public facing

information, uh, very, very difficult to genuinely,

uh, I mean, there's, you know, there's certainly a lot

of things you can see, uh,

but it's not, uh, it's not perfect.

Yeah. Yep. That makes sense.

It's so interesting that stuff.

I, I admit it, it does intimidate me a lot of it as well.

But for anyone who's sort of new to I, I, I,

I guess I would encourage you to, to, um,

take John's lead here and,

and push, push into a lot of this stuff, particularly

with some of these AI tools.

They do a, a lot to help you understand

and wrap your head around the reason why things are done

and the way that they are, they are done,

and why it matters, and why you might be

interested, um, yeah.

As an investor in that, in that kind of stuff.

Um, yeah. Uh, I

Even did that myself recently with, uh, uh,

I visited some friends in Catherine over, uh,

over the Christmas break, uh,

and sort of some elderly friends,

and, uh, they were asking about, uh,

a particular investment Mm.

And gone blank on the, on the,

but I'd never heard of the, the ticket code before.

Mm-hmm. And, uh, it just sounded too good to be true.

And so I literally just took, uh, the annual report, uh,

the order report, uh, various, um, dis uh,

disclosures, gave them to chat BT

and said, is this a Ponzi scheme?

Is there anything to worry about here?

Um, bothering me that, I can't remember the name

of the ticket code, but it was, was it is one

that just basically harvests dividends Yeah.

And then throws them off on a,

and pays dividends on a monthly, uh, basis kind of thing.

Yeah. That very interesting.

Uh, PL eight, have you ever heard of it?

Pla I don't think I have Plato income maximizer.

So my friends are retired

and, uh, basically they're saying they're getting paid a

7.5% dividend yield.

On first glance, it looked like, you know,

it was holding all the big, uh, its biggest

as holdings were the banks, which were only like a 4%

or three and half percent dividend yield.

Yeah. Right. Trying out how on earth is things doing it.

And turns out it was just dividend harvesting.

Um, but if you take,

Can, can you, sorry, can you explain dividend harvesting?

Uh, so BHP is paying a dividend, uh,

let's just say they're gonna go X diviv, uh, next week.

Mm-hmm. Yep. So I'm gonna buy it today,

I'm gonna hold it over the X of date.

Mm-hmm. So I'm entitled to the, uh, the dividend,

but then I'm gonna, uh, so technically dividend, uh,

BHP will drop by the value of the dividend on that day.

Yep. Uh, but some, some companies bounce back really quickly

and this company is, uh, doing analysis

behind which ones bounce back quickest, ah,

and then sell a few days after the dividend.

So we haven't lost our capital,

but we've got the dividend coming.

Yeah. And then we're gonna move that capital

into, into Fortescue.

Right, right. Just before it's X date. Yeah.

And then, so within the space of a month, maybe they're in

and out of, you know, four or five different companies just,

and it's obviously only two, two seasons of the year

that you get the opportunity to do this.

Um, so yeah. It's basically

You're getting multiple dividends on

that one lump of capital.

Yeah. As opposed to it being the one company

and waiting for your two dividends, you can sort

of move it around and Yeah. Yeah.

And that's what this PLA does, but,

but, uh, what you just said about, uh, getting

to know financials mm-hmm.

Is, you know, even though I'm an accountant,

I wasn't gonna read a 200 page prospectus, actually put the,

the prospectus into chat DT

and ask chat a couple of intelligent questions about it.

Yeah. And you can, you know,

it'll read a 200 page document in

two seconds, kind of. Yeah.

Yeah. That's fascinating.

Is there a 90 day rule

or something around that, if that, if you wanna be able

to claim the franking credits?

Uh, there, there is. Um,

It rings a bell.

I don't think if anyone's thinking

maybe I could, could do that as well.

I just, I just has to add that there are,

there are conditions if you want franking credits, I believe

I was gonna say 45 day.

45 days. Sorry. That might, that's the one. Yes. Yeah. Um,

I, I, as a non-resident for tax purposes, I

for foot all franking credits anyway, so, ah,

Okay. Yeah. Yeah. Nice.

And

I can technically do it, although I don't,

Well, it's also one of those things too that, that you,

you make po it's not the easy money, it sounds like,

because it does rely on the fact that the market doesn't

adjust perfectly for the, the fact that, you know,

shareholders aren't, uh, aren't entitled

to the dividend just announced.

So if, if it does drop, which it usually does by
that amount, like, and then other,
there's all a noise around it.
So sometimes it can, it can backfire
and the market has a way of arbitra arbitraging these sort
of opportunities away.
So, um, and
ELA does it as a company,
so the 45 day rule doesn't apply to the Ah,
Yes. Would apply
to us as individuals. Yes.
Um, trying to do it that way.
Yeah. Fascinating. Fascinating. Okay.
Um, uh, you mentioned, uh, uh,
it's probably a, a nice segue.
You, you mentioned before about, uh, ask skewing debt.
Um, but you've also sort of said to me that, you know,
one of the best bits of advice you had was like owning your
home outright so you're not beholden
to the bank and then investing the rest.
But then you've also said,
actually, you don't do that either.
So that, that that's, I, I'd love to tease that apart a bit.
So, so I'm, I'm sure you could afford a house,
but you choose not to.
Probably, that has to do with
the fact that you live in Singapore.
So it's not, it's not the Australian rental market,
which I do not suggest to anyone, but yeah.

Flush that out a bit for us. What's the thinking there?

Well, yeah, just to touch on what you said, I, uh,

I sent Andrew some notes on my investing thesis and,

and it basically says,

buy your house outright and pay it off.

So, so the banks can never take it, your home, you know,

off you, and then invest the rest in equities.

So I left Australia in, uh, 2002 and I moved to London.

And at the time, I'd already been arguing at barbecues

that no property doesn't go up 7% every year.

It doesn't double.

So you've got plenty of egg on your face like I do.

Yes. Um, just, just this week, um, uh,

really good mate basically reminded me that maco,

you've been wrong for 25 years in a row now. And I have.

Right. Steve Keen and with you

Misery loves company.

It does. And so I, I had a view on Australian, uh,

property when I moved to London.

Um, and then, uh, I've just never got around to,

to actually buying, 'cause I just don't see value in it.

Um, you know, I don't see value in the,

the whole negative gearing.

And we could get into how silly that is.

And so, as part of my MBA had a really good professor who,

who basically that was his view of the world.

And so I've just focused, uh, entirely on,

uh, equity investing.

Mm. Um, you know,

and, uh, we've had an incredibly good run here in Singapore

for many, many reasons.

Uh, one, all all of these jobs that I've been in,

I've actually been the trailing spouse.

Uh, so in Theat world, that just means that, uh,

the Mrs owns a lot more than I do.

Mm-hmm. And, uh,

we were on a full expat package when we moved here,

which means everything's paid for.

Mm. Um, and so, yeah.

Uh, I've just been plowing our money into equities, uh,

but I've come to a point where I've basically got a hundred

percent of my wealth in an equity portfolio.

Don't need any property, don't earn any gold.

You convinced me to put some money

into Bitcoin, but literally,

Sorry about that.

No problem. Literally only a thousand bucks. Nothing

Good.

And it went down, straight away. Of

Course it did. Yeah. Yeah. You're not

alone there.

The Scott, uh, theory there, just,

if I'm gonna buy it, just We'll, we'll go

Down. Yeah. Yeah.

Um, so yeah, I've, I've just focused, uh,

for 20 years now, longer on just investing in, in equities.

Um, what a split between Singaporean and A SX or,

and us, or how does that look?

A little bit of everything. Um, sorry.

So for instance, I have some shares from when I worked with

that are London listed.

Okay. Uh, some equities here, uh, in Singapore.

Just 'cause I, I like to be able to, uh, go

and see the business if possible and, you know,

and get to interact with and,

'cause I, I definitely think of what I'm, you know,

I'm a part owner of a business as opposed

to buying some, some ticket code.

Yeah. Um, the very vast majority is in Australia.

'cause that's where I feel most confident with. Mm-hmm.

And then an ETF covering, uh, the US market, if you like.

Yep. Nice. I don't, I

Don't hold any direct,

although my biggest error ever, uh, my biggest f**k up is,

was a direct, uh, uh, investment in the US in ge.

Ge. So it wasn't like it was a hyper

speculative startup. Ah,

No. But it is, it was

just one of those things that,

and, uh, well, I, I don't mind saying numbers.

I lost quarter of a million bucks on, uh,

and it was basically one, I was a huge fan of Jack Welsh.

Yeah. Uh, huge fan of GE as a,

as the conglomerate that it was.

Mm-hmm. Uh, it went through a period there, um, it was maybe like, uh, oh, 10

or 11, something like that,

where the share price came crashing down.

Mm-hmm. I have a really great mate from Brambles who, uh,

his first 15 years were with ge.

Uh, he, he's a lecturer at, uh, Toronto University,

but he lives in the Dominican Republic.

Uh, he and I had one conversation, should we do this?

Yeah, let's do this. Yeah. Let's do,

and that was about the entirety of my, uh,

due diligence at the time.

Yeah. Just because I, I love GE

and I love Jack Welsh and banks.

So boom, put a big amount of money down,

and then it just kept falling and falling

and falling and falling.

And then, uh, I remember crystallizing that loss

when on one of the quarterly earnings report, the, uh,

the CFO came out

and said, ah, yeah, we need to take a provision

for another $6 billion for unfunded pension liabilities.

Oof. I'm like, ah, so you're telling me three months ago,

you could not calculate it just

how bad your unfunded pension liabilities were.

And so, yeah, I lost a huge amount of money on, uh,

on GE as you do.

You, don't you, you know what the price is now. Do you?

Ah, yes, I do. It's

The conglomerate. Thank

you for that, Andrew.

Just welcome to my world,

The conglomerate into the various big businesses.

Yeah. And they've all gone off to the races kind of thing.

Um, yes. I

Every time.

Every time. Yeah. Yeah.

You would've made my money if I had had held.

So did, so would you say that the lesson, the lesson,

there was just no due diligence, I suppose?

Was it it was vibe investing or,

Well, yeah, it was, it was, you know, just a long held,

uh, love of, of former CCEO

and, you know, Jack Welsh was one of those cats with,

you know, um, talking to your mates and,

and getting in a little echo chamber of, of, yes,

this is the right thing to do.

Mm-hmm. And then, uh, just pulling the trigger, you know,

I had, uh, that amount

of money sat in the bank account doing nothing.

And so I was like, right.

This is the one, uh, at the time I was, um, to try

and keep myself honest, I was, I was writing, uh,

a little note just explaining broadly to Marie, uh, what,

you know, we're gonna be putting some money here

for these reasons, and mm-hmm.

Uh, yeah. And I didn't do that on ge.

I did that, uh, on Port Q, for example,

which is my biggest ever, uh, winner. Um,

Bigger than Drone Shield.

Oh, in dollars terms, absolutely. Oh,

Right. Yes. Yeah. Okay. Buy,

Buy a long, long way.

Yeah. Um, only

'cause the amount of money that I've put up front

because, um, that story was really, I'd watched,

uh, so four, you know, took,

you almost went bankrupt, right?

Yeah. Yeah. And

The share price was down at about three

bucks or four bucks.

Wow. Bubbling. Bubbling on there.

And I was just watching the balance sheet every

six months mm-hmm.

And I was watching the balance sheet get stronger

and stronger, and I sort of thought, uh, they're taking the,

the downside risk off the table here,

and the market hasn't recognized that yet.

Mm-hmm. And so I put in, uh, at four bucks a share,

and I sold out at 28 bucks a share. So a seven.

Oh, you almost got the very top.

Almost got, and because I never even try

to get the very top, but Gore Sodi from the Intelligent

Investor was sort of, you know, calling, uh,

He's a smart guy. Yeah.

He's a smart guy. But calling sort

of a down trend on iron ore, uh, and then Twiggy tweaked.

Yep. Uh, started chasing green energy

and all sorts of other things,

which is gonna soak up a huge amount of CapEx.

Yep. Uh, and so I took an exit at that point.

Well done. Congratulations. Thank you.

Um, lemme, lemme go back to something you, you said with,

with one of the, the mentors, uh, who sort

of informed your philosophy.

I know that, uh, he, um, was of the view

that the academic theory of pricing is wrong.

Uh, yeah. Which is odd for an academic to kind

of say, um, yeah.

Needless to say, I thoroughly just, I thoroughly agree.

Um, but what, what was his take? What was your take on that?

What's, what's the thinking?

It, it's a, it, it is a somewhat controversial statement

to go against the accepted wisdom of the finance industry,

where the best and brightest advocates certain,

uh, a certain approach.

It, it feels usually fringe views are fringe for a reason.

Um, yeah. So, yeah.

What's, what's, what's behind all of that?

Um, so this was Professor Don Ross, uh,

when I was doing my MBA at, uh,

Macquarie Graduate School of Management.

Mm-hmm. Lecture one.

He stands up in front of the class

and he basically says, I'm here to prove to you why the academic theory of the besting is wrong.

And by the end of this course, uh, my advice

to you will be just follow Warren Buffet.

Yeah. Great. Alright.

You like, yeah. So why is the academic, uh,

theory of investing wrong?

Uh, basically, you know,

if you're gonna do an intrinsic cash flow,

you're gonna discount back, uh, those future cash flows

and you need a discount rate.

Mm-hmm. Right? So you, in a company like Bramble's,

they would just use WAC weighted average cost of capital.

Mm-hmm. Uh, equity and the mix thereof.

But within the equity, uh, component, um,

you've got an equity, uh, risk premium.

Mm-hmm. And so if you drill down into that,

you have another calculator called cap mm-hmm.

Which is written by William Sharp. Mm-hmm.

And in that, if you get right to the very end,

it basically says, uh, the a beta, so

how volatile your share is versus the stock market mm-hmm.

Uh, tells you, uh, gives you sort of,

if you then back up, follow the calculation back up,

gives you your equity risk premium.

Yeah. And of course, uh, volatility

is both upside and downside.

And as a, as humans, we don't see risk as,

you know, downside risk as equal to upside risk.

Yeah.

Sounds like an oxymoron upside risk.

I'll, I'll take that risk all day.

Yes, exactly. Yeah.

Um, but, but here's the kicker is, uh,

so William Sharp goes on

to win the Nobel Peace, uh, Nobel Prize.

There's a guy behind the sharp ratio as well.

Yeah, yeah. And so he, he wins the Nobel Prize for Kappa,

and so it's the best we've got, right?

Mm-hmm. So there isn't another academic theory that, or, or,

or formula that, uh, can, uh,

formalize if you like, risk from your perspective, from my,

you know, we're two different individuals.

We've got different risk profiles.

Um, and so it's basically the best,

best calculation we've got,

but it does not present, uh, risk in,

in a real world sense.

Yes. It basically averages risk out.

And, and, uh, on my list of things to do, uh, you know,

when I'm not improving my golf handicap mm-hmm.

Um, is to work on a, uh, disproving,

if you like, um, the, the market's current pricing

of Atlas pearls. Mm.

Which, Uh, recently

and I, I put a straw, I put a post up on going

to see their, um,

Yes.

And basically they trade at sort of three times, uh, three
between two to four times earnings.
So they're ridiculously cheap. Mm.
But they're, but they're ridiculously profitable as well.
Mm. And then there've been some, um,
some chats on strawman about sovereign risk.
Yep. Now, um, if you, if you think about, uh,
how sovereign risk is calculated,
it's basically there might be a one-off event
in 10 years time, two years time, five years time.
Mm-hmm. And the severity of that one-off event, uh, could,
uh, and this could lead us full circle back
to me spending a night in prison in Indonesia.
Okay. Uh, could, uh,
wipe out Atlas Pearls, right?
Yeah. It's existential.
It's existential. Yeah. It's the Indonesian government
saying, you know what, we don't want a foreign owned entity,
uh, doing pearling in our country.
Yeah. And therefore Atlas Pearls gone. Yeah.
Although they have all the Indonesian entities, uh,
but they just have the one head entity
that's listed on the Australian Stock
Exchange headquartered in Perth.
Yep. Uh, they could say,
we don't want foreigners in involved in
that particular industry, and that risk would be just
have a huge severity as a very low probability.

And who knows if it's ever gonna happen.

Yeah. How do you handicap it?

How do you hand, but when I bought Atlas Pearls is paying

me an 18% dividend.

Right. It doesn't need to pay me an 18% dividend

for very long before I get my money back.

Yeah. Um, and I'll still have an asset. So,

So it's not a question if it happens at some point in the

next century is like, is it gonna happen within six years

and you can do some maths on that? Yeah,

Exactly. Yeah.

And then, and, uh, you know, you'll, you'll be made,

I I, the reason I put my money

where mouth is, I think I'll be made whole.

Yep. Um, and so yeah.

Um, that,

that was essentially why he was saying going full circle

back to Don Ross, uh, why he was saying the academic pricing

or the academic theory of pricing is wrong.

Yeah. Because the way Kaplan works, the way, uh,

discounted cash, cashflow works,

it basically averages risk over time mm-hmm.

And or averages volatility over time

and doesn't represent real world risk.

So true. And rep representing real world risk in a formula

is bloody difficult.

Absolutely. Ma, I, I mean, yeah, I definitely agree.

I think most of our members will agree.

I think you just, it, it just intuitively makes sense.

And I think observationally, I mean, it's very hard
to reconcile that academic sort of mindset
with what we observe.
And when you look back, forget about trying
to predict the future, and you say,
what were the best performing assets
and equities over the last 5, 10, 20 years?
Your Nvidia, your Amazons, your apples, whatever, I mean,
they're almost the most volatile.
Right. And the least volatile tend
to be the worst performing over the long term.
Right. In, in, in a lot of, a lot of different ways.
And it's sort of like, it's, it's the wrong way.
I think risk when we, when we talk about risk, the sort
of the common sense understanding of that as well,
I'm risking, you know, failure or loss or something here.
Yeah. And the academics, we,
it's not, it's not to have a goal at them.
You just can't quantify it.
It, the world is way too complex to you to, to, to have any,
any, you know, it's not a game of roulette
or it's not a, it's not a, a coin or a, or a
or a set of dice that you can really quantify here.
And so they, they revert to volatility
because you can measure it and
because it does feel like risk.
But I think it just sends a lot of people, I've really been,
I've had some success actually, uh, over the years,

but my dad in particular is like trying to encourage him
to take more risk, but understanding
that you're not taking more risk.
Like what I'm really saying is lean into the volatility, not
because you enjoy watching your net worth go up
and down so much, but because it's risky not to.
Um, yeah. And I, I, I, one,
one other thing I'll just add to it as well too.
'cause when you start talking about these kinds of things,
the risk premiums and discount rates
and weighted average cost of capital, it's sort of,
even the academics, they're trying give you an a, a way
of thinking about that and approaching it.
And I, I love, I love the, I love the, the, the concept
of a discounted cash flow, I think
intuitively makes a lot of sense.
What am I buying? What's that gonna deliver back to me?
And when is it gonna deliver it back to me?
Because I need to also account for opportunity cost and,
and other things like that.
So the way I've just sort of thought about it is, is just
to like, well, what is the return that I want?
And don't, I don't, no one can you, you, you can say, well,
no, you should, the theory suggests
that you should demand a 7% equity risk.
Premium is like, well, I want a 10% return.
That's just who I am. Like, you know what I mean?
And gets rid of all of that kind of stuff.
And it just says, forget about, you know, if you just want

to value this through the lens of the cash flows

that you think you're going to get

and the return that you want on having your money locked up,

then this is what, this is the way that you do it.

A as opposed to trying to get where,

where I see it a lot within particularly the, the,

the higher the iq, the mm-hmm.

The more prone you are to this mistake,

because you be smart.

People love formulas and they,

and thankfully I'm not burdened by, by great intelligence,

but they love, they love formulas.

They, they, they, they love models and,

and they can get sucked into all of this.

And it gives you this false confidence

with all the precision and mathematical elegance.

But because it's, it's flawed at the fundamental base level,

uh, you can end up making your, you can end up convinced,

you can end up building a degree of conviction

that isn't warranted by a more qualitative,

more common sensical kind of approach towards it all.

Yeah. I agree completely.

And I, I, uh, stopped really using a proper DCF, um,

you know, I can sort of, uh, 'cause you're too far removed

and, and it's a little bit too by half.

And if you just do, like, if you, if you just run

a sensitivity analysis on the discount rate itself,

and instead of having 12, you have a range of 11 to 13.

Yeah. That gives you so much, uh, variation in
how much you are gonna pay for this particular asset.
So it's just, it's a little bit too, uh, too accurate.
Now, having said that, you know, uh,
drone shield has an upside risk, right?
Yes. And so how do, and it's a massive upside risk. Yeah.
So, uh, on the call the other day, Oleg starts,
or, well, in their presentation, they have a pipeline
of $2.1 billion worth of deals with,
I think it was 13 of them, over $30 million.
And the largest single deal is an $800 million deal.
So, you know, we did 216 million in revenue last year,
and he's asked about it in the q and a,
and he says, uh, well, actually it's from the same customer
that just awarded the $62 million deal, uh, last year.
And if it is awarded, we expect it
to be awarded in the second half of this year.
Right? Mm. Now, how do you put into a formula
that, uh, a company that's previously best revenues,
$216 million is about to
potentially, like they've already won one big
deal from this customer.
Um, so their foot's well and truly through the door, right?
Mm-hmm. And actually, the operations guy said, you know, we,
we've never missed a delivery timing, so all
of our customers are pretty happy with this.
Mm-hmm. So now that they're doing a good job,
so an $800 million deal, you know, how do you put
that into a discounted cash flow?

Yes. Uh, it's, uh, you know, it's a either or. Yeah.

If they don't get it, you know, life will go on

for drone shield, but if they do get it, um, my conviction

to hold, uh, through 10 bags, um,

will have been proven kind of thing.

I was, by the way, I was one day away from selling.

I reckon you got to whatever it was, right at the very top,

there's six bucks something, um,

Six 50 something. Yeah.

Six 70.

Uh, my sons and I bought it 31 cents,

so I think it was about, you know, 22 times or whatever.

And, uh, David Gardner released that, uh, uh,

the book, the Oh yes.

Rule Break Investor.

And I downloaded it as the, uh, as the audio book.

And I'm, you know, I live in Singapore, CBD,

so I've got a really good walking truck around Marina Bay.

It's beautiful, uh, part of the city.

And, and he's saying, you know, ride your win is hard

and 22 times, yeah.

Ride your win is hard, Johnny. Right.

Uh, I've never had something go 22 times.

Um, and so, you know, I think I'm back down to 10 times now,

whatever, which is completely fine.

I, I don't mind. But, um, yeah.

Yeah. But the journey, I, I think I mentioned this to you

a fair, um, I, I think when you mentioned to people, I bought such and such at whatever price,

and it looks, you go, well, what's the price now?

What's it then? Oh, you know, well done. You know? Yeah.

Um, what you don't, what you don't get in

that is all the volatility along the way

and just how difficult it is to, to do nothing.

Uh, and I've, I've mentioned many a time,

my biggest investing regrets are not

the ones I've lost money on.

There's plenty of them, you know? Yeah.

And, and lost a lot on,

but it, it, it's the one where I thought I was being cute

by locking in a 30, 50% return on something

that ultimately became a 10, 20, 50, a hundred bagger.

It's like, I think David's got some

really valuable lessons there.

Um, um,

so I have to, I have to ask you, let now I'm,

before we run out of time here, let, let's go back to the,

the, the, uh, let's start with a,

a night in an Indonesian prison.

How did that, how did that come about?

Um, so 11 years with Brambles, uh, lived in five

countries, uh, end up as the general manager of Indonesia,

but it was a very small business day one.

And I, I was pretty young at the time.

Uh, day one meet with our joint venture partners.

Uh, they're 49, we're 51.

Towards the end of that meeting, they basically say, look, we we're gonna need 25,000 bucks to continue, uh,

you know, to facilitate the procurement team at this,

uh, customer over here. Right.

A a bribe. A bribe. Yep. Right. Okay.

But it's called in, in most places or in every place.

Um, and I just didn't handle it particularly well.

I said, you know, sorry, we're ASX 20 listed company.

We just, we just don't pray vibes at all. Right. Yeah.

Uh, but I've only just been, uh, appointed.

And so what I, uh, failed to think about or,

or see is that the only way to get a kitas a work visa

for Indonesia is, has to be signed by Indonesia,

in this case, our joint venture partners.

Mm-hmm. As, uh, things rolled on,

they were basically refusing to sign, uh, a work visa for me

and basically saying to bramble's, send to somebody else,

this bloke here, we don't like him.

Uh, for obvious reasons. Yes.

By that stage, I'd already escalated internally. Yeah.

Um, it all gets bogged down.

Rams end up selling, uh, that business back to them.

They bought the joint venture, our 51 office

as a commercial price, so I don't think a huge amount.

And then, uh, I got a redundancy package, uh,

that was the end of my bramble's career.

Mm. Um, but before that,

That, that serves you right?

For for, for playing by the rules.

Yeah, exactly. Um,

before, as things were getting a bit argy-bargy,

they had some immigration officers come to our, our office

and basically say, oh, we can see you are here on a business

visa, not a work visa.

Mm-hmm. And so,

and those two terms aren't particularly well defined in, in,

or, and so the way to lock us

or me out of the country was for them to say, look,

unless you've got your kita sorted,

the next time you land in the Indonesia,

you will be arrested.

Mm-hmm. So that was it. I never went back for brambles.

Uh, the business was sold, all done. Mm mm-hmm.

Later I'm working for DKSH,

which is a import export company,

and I need to go to Mando, uh, the top

of sil if you know your

Indonesian geography particularly well.

But, uh, most Australians don't know Indonesia this well.

But, uh, and I said to Marie, you know,

there was this threat that the next time I

land, I'm gonna be arrested.

Um, and so sure enough, I land hand the passport over,

she's processing it, the boss is walking past

and she just says, matter, which is red in Indonesian.

Right. I'm like, oh, here we go.

Anyway, so, uh, they're taken aside, uh, arrested.

Uh, basically they needed to fly me from Mando back to Jakarta for an interview with the immigration official.

Oh, scary. Yes, she was.

But I spent one night, uh,

in a prison in Mendo in the middle of nowhere.

Um, so many funny parts that story of, of who you Sarah sell

with and what the cell looks like.

And, um, Marie was six months pregnant by that.

Oh my gosh. That sounds, sounds terrifying to be, I mean,

I'm, I'm smiling 'cause it's a funny sort of

retrospective anecdote, but it sounds terrifying, you know?

Yeah. If, if you haven't been

banged up abroad, you haven't lived.

It was, it was all over the difference

between a business visa and an, and a work visa.

Yeah. So it was didn't do anything wrong really,

other than a bit of commercial aji.

Yeah. But I will tell you straight up,

the Australian embassy is completely useless.

Right? Yeah. Do not find them. They are just Bureau of Cats.

They can't help you with anything. Uh, yeah.

So it, it's, I'm trying, my mind is racing

because it, maybe it was brambles.

I remember there was a, a probably 10 years

or back now, there was a company that got into trouble

overseas effectively for doing this.

They were, they were, effectively,

someone might remind me in the chat that they were,

they were paying bribes and reading between the lines.

The response was, yeah, we get, it's not right.

But that's how business is done in that jurisdiction. Yeah.

You know, and so, I mean, look, I I,

and I'm gonna be very careful what I say,

because I by no means am I condoning breaking the law,

encourage anyone to do that.

Yeah. But from a business point of view, brambles,

I'm sure would think, you know,

with all the fussing about John, pay them 25 grand, if

that's what gets the deal done here.

Like, this is chump change. Like, let's just get it done.

And yet there,

there's two very plausible ways to look at that.

One is, it's just the reality of the jurisdiction,

like it or, or lump it.

That's the, that's the country.

That's the system that you're operating in.

That's how business gets done.

Do you wanna do business in,

I don't wanna disparage your country, you know,

do you wanna do business in a current in,

in a country? Absolutely. Um,

Do it.

Oh, thank you. Uh, Brian. Yes.

That's the, it was, it was, it was Leighton's. Right.

And of course, the, the, the Australian, uh,

investing community took a very dim view.

Oh, they're breaking the law.

And I, I was a little, again, I've gotta be careful

how I frame this up, but I, I, there was a part of me
that empathized with that predicament.
And, you know, there'd be, I, I would, I, I don't,
you don't need to comment on this,
but I would be very surprised if right now a whole bunch
of companies listed on the A SX headquartered here
with operations in, in various parts of the world
that do it on a regular basis.
Not necessarily 'cause they're corrupt, evil buggers, but
because that's, if that's how you do business in Africa
or wherever, you know. Yeah.
Well, 'cause if you don't, the, the locals will.
Right, right. And you're in a competitive situation. Yeah.
Yep. But a couple of things, say one, uh,
brambles is very strict on this,
and they wouldn't, uh, intentionally go and pay bribes.
Yep. Um, but I have dealt with bribery in all of my jobs.
Yep. Right. But Rolls Royce was
bribing absolutely everybody.
Right? Yep. Um, rolls Royce was fined half a billion pounds
by the serious Fraud office, um, for basically all
of the airlines through Asia, Gruder, Indonesia,
Thai Airways, China, Eastern, China Southern,
they were bribing them and big amounts of money.
Mm-hmm. Um, and, uh, that was under, uh, the CEO,
uh, sir John Rose.
So he was knighted by the Queen. Yeah.
Uh, his knighthoods never been taken off him. Mm-hmm.

Um, and we're talking, uh,

and the, this is all public, uh, information in the,

in the SFO, uh, report.

Mm. Uh, the, the,

the team in Thailand had requested 5 million pounds of, uh,

expense money Mm.

Uh, facilitate, uh, you know, things

with Thai Airways leadership kind of thing.

Mm-hmm. Some huge numbers.

Avon, uh, had a huge bribe, uh, a huge, uh,

class action put again

or action put against them by the SEC.

So when I joined Avon, I had monthly audits

with the SEC direct in the us, in the US

because Avon had been caught bribing.

They had the only China wide direct selling license. Mm-hmm.

And there's only one way you get that. Um, so yeah.

Really, it's an interesting topic. Um, yeah.

You could talk about it for forever.

Yeah. Yeah. Um, look, we're getting up to the hour here.

I, I, I, I feel as though while we're in sort

of this anecdote phase, I, I'm, I will,

I'll nudge you towards the Flight Center story,

although I know that there's only so much you can say there,

but what's, what's the skinny with,

with your experience there?

Experience? So, um, all I can say is I, I, I'll start

with, I've, I'm a Rolls Royce standard accountant.

We'll go with that. Mm-hmm. I joined, uh, May 20th.

I left August 21st.

So three months, one month, one day later.

Um, and basically, if you look at Flight Center,

and I really love Flight Center,

by the way, as a business model.

Screw Turner is an amazing dude.

Uh, he and I are very similar, uh, in, in terms

of just living large in the World.

Flight Center has three core values, uh, uh,

egalitarianism, we're all equal.

Ownership. Take ownership in everything you do

and reverence be irreverent, right?

Mm-hmm. Towards rules, towards, uh,

so on Flight Center's website, they still talk about,

they don't boast, but they talk about the fact

that they were caught, uh, price fixing with,

uh, Singapore Air.

Mm-hmm. You, you take, uh, an irreverent culture,

turn them towards accounting, uh, standards.

And then, uh, rolls Royce accountant comes along.

And then, you know, this isn't for me, fellas, uh, I'm out.

But I'll just say factually, you,

if you look at their 2024 annual report

and their 2025 annual report, uh,

there's about a $30 million gap, uh, in lower,

in profit in Asia.

Mm-hmm. Um, and that's all I'm gonna say about that.

Um, but that, because they're the facts, right? Yeah.

Fair enough. So, but o overall, uh,

from a cultural perspective, I, I, there's a lot of things

to really like about Flight Center.

Yep. Um, I did see yesterday, uh, CTD that, um,

of corporate travel that, um, what's his name has, has, uh,

retired, uh, the, the CEO of corporate traveler that they,

is basically, whatever comes out about corporate travel

is gonna be very, very bad.

And Jamie Ferris, I think the guy's name is, um, yep.

You know, he's, he's retired, uh,

before the s**t hits the fan, basically.

Wow. The common thread for both of those, uh,

companies is they both put in their disclosures.

We do not have an internal audit department.

And I very clearly remember one weekend saying, oh, so what,

what does internal audit think about this?

Mm. Oh, we don't have an look. Almost Bo things.

We don't have an internal audit department.

Why, why don't we, we,

What, what? But, but

the external auditors they have by law. Yeah, of

Course. Of course.

External orders are funny

because levels of materiality, uh,

'cause you know, you are dealing with, you know,

flight Center does 24 billion in TTV, right?

Yeah. Total transactional value. Yeah.

And so you get one audit firm

to look at within even a brambles or any big company.

And their materiality number is don't tell me about any
transaction below $8 million, or a very, very big number.
Yep. And then, you know, if you don't have provisions for,
uh, debts above that number,
then they're not really gonna come and audit it.
Or if you don't have, you know, an asset above that number,
they're not really gonna come
because, let's be honest, uh, you know, too much.
Yeah. Brand does business in a hundred countries.
You can't possibly Yeah. As one audit firm.
So you're coming in at a level of materiality.
You are never gonna get to that level of detail. Yeah.
Is there something to be gleaned from the travel industry
or that particular business model, not
to make it about those companies,
but the sort of the, uh, accounting practice that allows
for discretion in that is, is this is a, um, is there an,
is it an unearned income kind of thing?
Receiving money upfront before service delivery?
Is that, that's where my mind's going to, but
Mm-hmm.
Um, there's it, so it's accounted for correctly.
There's nothing, there's no risk involved. Yeah.
Um, uh,
but the issue becomes when, uh, you know, you know,
being a bit irreverent towards
Okay. Correctly.
Fair enough. Fair enough.

Um, what haven't we covered, John, that we,

that we probably should cover?

Uh, but you talked a bit about, you talked about a bit

of day trading back in year 12, uh,

in the mid nineties. What did you learn there?

That's how it all started for me, actually.

So, you know, always was gonna be in accounting, finance

or somewhere in that.

And so I grew up in Catherine Northern Territory,

and there was a bloke there, uh,

living in Catherine called Darryl Guppy, uh,

who's written a lot of books called Guppy Trading. Right.

I think I've met him before, honestly, years ago.

Massive mustache. Yeah. Yeah.

And, uh, so I was, you know, I was 18 at the time, uh,

this, and I knew nothing about investing or the stock market

or trading or whatever.

And that seemed to be a very, you know, thrilling thing,

you know, buy, sell by sell.

So, uh, I'll, I'll never forget, my first, uh,

purchase ever was Burns Phillip, which was directly

opposite the stock exchange in, in Sydney there.

Mm-hmm. Um, and I, I probably did it for two or three years

before going to university.

I had no money at all. Mm-hmm.

Um, and, uh, didn't make a single cent that I can recall.

Mm-hmm. I don't, I don't recall anything

that is worth talking about.

Mm-hmm. Uh, certainly made a, you know, a lot of losses.

Um, but it was just one of those things that we started, uh,

you know, I started in, in there,

and that wasn't until I came through, uh,

after living in London, uh, coming to here that, you know,

doing my MBA and,

and really coming across sort of the Warren Buffet theory

of investing and value.

And, um, I'd say for the most part, I, most

of my portfolio is, is far too conservative,

um, uh, because of that.

So I basically just, uh, you know, most

of my big purchases have been, for example, BHP

after the Brazil Mining disaster.

Oh, yeah. Um, or ResMed after, after the old Ozempic. Oh,

Yeah. Nicely done.

Yep.

Just, just put huge amounts of money

and put it, put as much as you can stomach in mm-hmm.

Um, such that, you know, if you got it wrong,

you'll do your homework better next time.

Right. Uh, it wasn't actually until I joined Strawman

that I started looking at this end of the market, you know?

Mm-hmm. I've never, I've never heard of Drone Shield at all.

Mm-hmm. Uh, so about two months

after joining ShawMan, uh, my son had his, uh,

11th birthday.

And, uh, I, I wanted to,

'cause Warren Buffet started properly investing at 11.

Uh, I wanted to get my son involved in investing,
and, uh, so I sort of walked him through some,
some high level rule, Warren Buffet rules of investing, uh,
you know, investing in something you know and understand.
Yeah. And so I kind to sort of say, do you want to,
do you wanna, you know, you've got an iPhone,
do you wanna buy shares in Apple? Or
Nice, You've got an Xbox you like to McDonalds,
you know, something where you can connect the real
world with the, with the stock.
I love that. Yeah. And,
and his question was, dad, is is it possible to invest in,
in, uh, military companies?
You know, he's, he's an 11-year-old boy,
he just loves, you know, guns.
Sure. And I said, well, actually,
I've just joined this thing called Straw Man,
and there's a lot of people talking about this drone shield,
which I've never heard of before.
Um, and so that's where I, I, uh, you know,
did my research on, on, on Drone Shield through Strawman.
So yeah. It wasn't
until I just simply wasn't looking in the center
of the market until, you know, joining Strawman.
Yeah. Nice. Um, I've realized that I've got a bunch
of questions that I've gotta put to you here,
but can I, can I steal you for another five or 10?
Yeah, you can go for as long as you like.
All right. Okay. Um, so I've got some

through here on Zoom, and I've got some on Slido.

Let me start with Slido,

and we'll work our way through all of them.

This one's from Tweet.

When you're reading a quarterly

or annual report, what do you focus on?

I, we've touched a little bit on this.

Um, do you look at the accounting statements

differently due to your experience?

Uh, so the quarterly, the four C report,

if we are talking about Australia for small companies,

I just go straight to question eight, which is

how long is your, is your cashflow runway?

Mm-hmm. Uh, that's the literally the first

forget about whatever.

They're trying to tell me how long,

how much cash do you have in front of you.

Mm-hmm. Uh, and, uh, you know, a lot of,

if it's na it means they're, you know,

their operating cash flow is at least positive.

Right? Right. So there's, um,

but I, I do go, I go straight to the balance sheet,

and then I go to the cashflow statement,

and then I go back to the p

and l if it's still worth reading.

Mm-hmm. Um, one of my, one of the most underrated, um,

um, statements if you like, is the, is the change in equity.

Yes. It's a fairly new edition. Yeah.

I just love going to look at accumulated losses or,
or profits, hopefully as the case may be.
Yeah. Um, but you look at some, uh, I remember posting about
Anis, I think it's called the thing,
and at the time they had about $330 million
of carried forward losses, uh, interchange in equity.
Um, so yeah, I, uh, I, all I can say is I read it in
that order, balance sheet, cash flow, then go back to the p
and l to see what we've made up.
Um, yeah.
Yeah. Nice one.
Um,
I was gonna ask you a bunch of stuff on that
because I want, I'm, I'm not, I'm gonna
resist the temptation here.
Uh, let's go Slam o's. Got one.
How has your experience as a CFO changed
how you go about analyzing in business,
or think about listed businesses in general?
Uh, yeah. Good.
Um, I think, uh, to take everything maybe
with a pinch of salt, you know, having been on that side
of the fence, um, this is going way back
to my days in London,
and, uh, I needed to write some commentary for Cleanaway,
which was part of the bramble's, uh,
family way back in the day.
Sold it off. Mm-hmm.
And, uh, there was, uh, the way

contracts are written in Australia, uh, municipal contracts
and, uh, industrial contracts very different
to the way contracts are written in Germany.
They're all combined together now.
I need to be able to tell the stock market
how much municipal, uh, revenue we've done
and how much industrial revenue we've done.
And I'm the global financial controller consolidating
all the numbers into Hyperion at the time.
Mm. And even I couldn't really do a very good job of the,
the data just wasn't available.
Right. And so the, the CFO at the time, lovely bloke, uh,
just says to me, John, just give it a Wagner
and like, what's a Wagner?
And anyway, a wild ass guess not easily refuted. Right.
Because
If Me, the guy who has his finger on the pulses
of the database that consolidates all this information, uh,
can't differentiate that revenue stream in
that country versus that revenue.
So then who, who in the world is gonna know? Right.
Right, right. So,
Um, so I think take everything, not, you know,
there's leeway within, uh, all financial reporting.
Yeah. Uh, I, I would say, and it's, it's back to that point
before, it's not, it's not a conspiracy,
it's just people doing their best,
which is sometimes it's very difficult. Um,

Yeah. And it's this dangerous

if you, you, you, you, you,

you open the door to that conspiratorial thinking,

then nothing is true, you know,

and then it's just like, well, what are you

basing it on at that point?

So you, you, you can't, you can't be,

you can't go too far down that point.

But I think the, that the practical, so what, with

what you're saying there just to highlight is yeah,

just, I know it's a flaw of mine.

I, I take things too much at face value

and, uh, it's probably good to have a healthy dose

of skepticism without being a full blown tinfoil hat wearing

conspiracy theorist.

Yeah. The other thing I would say is,

is I listen very hard for the way a CEO talks.

Oh, yeah. Because I, you know, I've sat

beside some CEOs that are, uh, very interesting cats.

There's a, a hell of a lot of narcissism in that, uh, part

of the world, in that part of, you know Yeah.

The team. And so you sort sort of over time you get to, to,

to hear just, just slight different words

that someone might use that pier going, Hmm,

I'm not sure I like this guy. Uh, and there's

Is is in there more worried about sort of empire building

and their CV and Exactly, yeah.

Not shareholders. Yeah.

Yeah, exactly. Um,

and so I think, uh, you know, the question was

how have I changed in terms of,

and I think slightly more attuned to, uh, b******t.

Yes. Yes. That's a, that's good advice.

Uh, slowmo again, uh, what would you advise investors

who don't have direct finance or accounting experience

to look for in an annual report?

I, I, I asked you that at the beginning,

so don't repeat yourself if you don't want to,

but if there's anything you'd add, what would you say?

Uh,

No, I can't think.

I think there's no shortcuts is, is about,

the only thing I will say is,

is you've gotta get your hands in the weeds.

You've gotta put your hand on the,

on the Barbie and, you know, yeah.

It is hot. Um, yeah.

And, uh, but with te bt these days, uh, lean into that.

Yeah. Um, you know,

but lean into it knowing that it's a, it's the office junior

and he is gonna bring something back all excited.

Mm-hmm. But at best, it's gonna be 80% Right.

At work, it might be 50%. Right.

And the chance it's absolute slop. Yeah.

Um, it's getting better and better, um, you know,

as you guys talked about on, on the weekend,

on the, on the podcast.

Uh, but it will, you know, it's, uh,

it's not gonna be a hundred percent ever

Well, at the moment, at least. Yeah.

Even with e even if it's not necessarily sort of saying,

here, here's the financial statements.

Tell me what I need to know.

Just sort of asking like, what is this accounting policy?

Why does it matter? I know I, there's a lot of my prompts,

which start with pretend I'm an idiot,

because it's just like, I need you to really dumb it,

dumb it down, and then dumb it down again.

Because I, I, I need an explanation that isn't just,

you know, a, a a word salad of jargon here.

I really need to understand what that is.

And I think that's where it can be useful. Um, yeah. Uh,

You prompt cowboy or cowboy prompt, that is amazing. Um,

What's that one, Uh, cowboy, prompt, cowboy,

cowboy prompt, whichever way round it is.

So you basically, you go to a different engine

and you say, I wanna ask chat, GPT, ah, and,

and it writes the prompt for you

and it very detailed so

that chat g gpt is getting the exact dimension

Of Ah, yes.

Uh, and, um, good tip.

And that, that makes everything prompt Cowboy ai.

Oh, that's right. Yes, I remember now. Yes. Yes.

That's, someone mentioned, it might have been you actually

on mentioned it on the site.

Yeah. That

Will, that will level up your, uh,

your prompting of chat dt.

Yeah. Nice. Fantastic. Um, I got one from Nick.

Um, what's John's angle on the Australian miners,

and is it necessary to notice via price action

that somebody knows something?

Or do you just avoid the industry?

So I guess, I guess what Nick, sort of

correct me if I'm wrong,

if I'm not paraphrasing this correctly,

but when you see a big movement in that space, do you feel

as though that is indicative of, of some,

for want of a better term, inside information leaking out

or, you know, that someone knows something?

Um, a couple of things.

Uh, so I, I'm heavily into, into mining from a, uh,

big company, big, big blue chip, uh,

dividend sort of play. Um, so my,

So not the prospectors, but the actual,

Yeah. Yes. The largest

holding is, um, new Hope Coal. Mm-hmm.

Then, um, BHP Woodside, uh,

that BHP and Woodside aren't, uh, second

and third, there's a bit further down the list,

but in terms of mine, that's basically where I end.

Um, so, uh, I don't know anything at all about,

um, exploration.

Uh, I don't know anything at all about, uh, price setting
of, uh, any particular commodity.
Uh, the broker at F 45 this morning was telling me last
week, he was telling, he made so much on silver this
morning, he was telling me he's lost everything on silver.
Um, is there amazing?
I Have, I have no doubt there is inside, uh,
information in terms of, um, you know, tips and n nudges
and winks and, uh, all sorts of stuff to, uh, try
and push people along.
But I, I simply don't play in that smaller area.
I haven't, um, yeah, I basically,
my portfolio at the minute is, uh, funding my lifestyle 80%
and then 20%, uh, chasing, um, uh, chasing growth.
Yep. Yeah. Nice. Yeah, I, it's a tough one, Nick.
I, I, it's hard, right?
Because like you do, you definitely see examples of
where there's a price reaction before an announcement.
It's like, well, clearly someone knew,
so it was either very coincidental,
but then at the same time, you, you do notice a lot of stuff
and then nothing comes out.
So it's, it's, I, I dunno
how one would practically trade that
or use it to, in, in a, in an advantageous way,
but outta my wheelhouse.
So, so there's probably a way to do it.
Um, uh, I think, I think
that's all the questions I had, John.

Is is there something else that we should touch on, or,

or are you happy to call it a day?

Uh, no.

I mean, I could talk underwater forever about, um,

investing in life and, and, uh, career.

Uh, I had, I had one note of all the things

that I was gonna tell you about.

You started the, uh, podcast on Sunday

talking about neckties.

Oh, yes. How much Scott hates neckties. Mm-hmm.

So I, about a year into joining Rolls Royce, uh,

obviously they're all very posh, you know, English people,

um, they're not,

but they certainly want to pretend they are.

And, uh, so we got a new global CEO Warren East,

and he coming to Singapore for the first time.

And so you got the Asia leadership team

and you know, a whole bunch of clingers on congregating

in the, um, in the boardroom.

And I turn up without a neck tie on. Right.

And the, some of my English mates,

are you sure you really were.

Anyway, so he, Warren East wasn't there yet. Right.

So you really sure mask off. You want no neck tie?

I'm, I'm from Darwin. I f*****g hate me hate.

Anyway, the big boys come in, so there's a whole bunch

of people come from London and, and Warren East walks in

and he doesn't have a neck tie on.

So now there's two blokes in the whole room
who don't have a neck tie on.
Right. And so he goes through the spiel. Yeah.
You know, here's my vision for rolls Roy.
We're gonna do this, we're gonna do this, whatever.
Anyway, the very last thing he says is, oh, by the way,
gentlemen, you don't need to wear a neck typhoon.
Beautiful. I win.
So I was, as I walked down the street the other day going,
yeah, baby, short, stocky bloke.
They don't, they don't, you know.
Yeah. Oh, they're horrible things. Horrible things.
Yeah, mate. Um, listen, thank you so much for your time.
Uh, is, is absolutely fascinating.
Um, uh, really appreciate you, you, you, you sharing in the,
in those stories and yeah, like, we're gonna have
to do this again at some point down the track.
Yeah. Thank you very much for having me.
Excellent. And thank you everyone,
and a reminder, if you're keen to do it, I'm,
I'm more than keen to, to line it up, so,
so reach out if, if you're interested.
Other than that, I'll let everyone get on
with their day. Thank you so much.
Cheers man. Bye. Cheers.