

NEW ON YOUTUBE

Mike Preto, CFP®, CIM®, talks about the [2 Numbers To Know when selling your Business](#). Knowing these 2 numbers will set you up well for retirement.



Amanda Baxter, Investment Advisor, introduces the [First-Home Savings Account \(FHSA\)](#). The FHSA is a relatively new registered investment account for those in Canada looking to buy a first home.



Subscribe to our [YouTube Channel](#) today!

THE HILLSIDE FACTOR^(Y) FOCUS: INVEST IN COMPANIES THAT DO NOT NEED YOUR MONEY

Steven Chen, CFA®

Businesses able to employ little capital to persistently generate superior profits often reward their owners with excess cash-(out)flows albeit in a variety of forms (e.g., dividend, share repurchase, acquisition). They are the most sought-after businesses among investors including us, which makes all the sense – after all, investing is all for receiving checks from the company (not keeping sending money to it).

*However, the apparent may look a bit paradoxical to some readers – **how would you be able to invest in those businesses given that they simply do not need your money?***

We share the same question when we meet with a new company that appears high-quality to us. In particular, we are interested in understanding the motivation for the company (without the need to raise cash externally) to go public in the past, and more importantly, to stay public in the future. The rationales vary case-by-case – for example, some family businesses regard going public as their succession planning tool, which seems the most common; some companies seek to enhance their brand awareness by trading publicly; some management teams are generous enough to share the prosperity with their employees through an employee share scheme; some founders may look to public listing as a source of pride (especially in Asian countries).

Meanwhile, in attempt to mitigate the risk of “going private,” (i.e., a company leaves the stock market to become private), we also look at other factors such as management’s vision and commitment to the business, culture towards minority shareholders, voting power structure, employee shareholding. Our preferred holding period for those high-quality businesses (to send us checks after checks) is forever.

Jump to: [Previous Article](#) | [Next Article](#) | [Full Newsletter](#)