My HP M1136 Story

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My HP M1136 printer finally retired on March 14, 2025, after more than 12 years of service—148 months, to be exact. While there’s nothing particularly extraordinary about the M1136 itself, it proved to be an incredibly sturdy workhorse. The original purchase coincided with the founding of my investment management firm, Banyan Partners. For the first four years, it was the only printer in our small office, tirelessly supporting our work as we navigated the early stages of building the firm. When we upgraded to a larger, multifunction printer in Banyan’s fifth year, we kept the M1136 around, and surprisingly, it continued to be the go-to choice for many of the staff. Over the years, we encountered various issues, such as a worn paper feed roller, but we often managed to fix these ourselves because of our attachment to it—we simply couldn’t let it go. However, this story isn’t really about the printer, though I’d happily recommend it. The real story is about the stock "treasures" we unearthed at our firm over the years while using this dependable product. We are eager to share these insights with you, offering a glimpse into how we identify investment opportunities with both intellect and heart.

(HP M1136 Printer)

Very quickly into the first year of usage, we realized we needed to find a more affordable alternative to the expensive HP cartridges we had been using due to the high volume of printing in our office. While searching for reliable, cost-effective options, we stumbled upon Ninestar (ticker: 002180.SZ), a company that manufactures G&G-branded cartridges compatible with HP printers. Ninestar was particularly interesting because it was—and still is—an established player in the Chinese market with a strong foothold in the replacement ink and toner cartridge industry, producing a staggering 220 million pieces annually as of 2023. What also caught our attention was the company's strategic expansion into new territories. As we looked deeper, we discovered that Ninestar had been diversifying into chip design under a new division, Apex, focusing on low-end chips used in printers. This shift aligned perfectly with China's growing push toward self-reliance in technology, particularly in sectors like semiconductors, where foreign dependency had been—and still is—a concern. Recognizing this trend, we saw an opportunity in Ninestar—not only for its dominant role in the replacement cartridge market but also for its positioning in the semiconductor space, all serving the printer ecosystem. We invested in Ninestar shares briefly between 2013 and 2015 as the company continued to grow and innovate. However, we became uncomfortable with Ninestar's costly acquisitions in 2015–2016, including its giant purchase of Lexmark, which proved difficult to digest.

As the years went by, we noticed that our trusty M1136 started having trouble feeding paper as smoothly as it once did. We tested different grades of paper to see how they affected the printer's performance. We realized that the heavier the paper, the better the grip, whereas lighter paper often caused jams and feed issues in older printers such as ours. During this process, we came across M&G (ticker: 603899.SH), a company that was already a market leader in the offline stationery business, making and selling pens, notebooks, clips, and of course, printing paper among a slew of office supplies, with a distribution network spanning over 70,000 retail stores across China. At the time, M&G was attractively valued, and we saw it as a solid investment based on its dominant position in a relatively stable market. What also caught our attention was its strategic move into the business-to-business (B2B) direct sales space through its subsidiary, Colipu, where large volumes could be guaranteed from corporate clients. This pivot represented an entirely new growth avenue for the company. By expanding into B2B direct sales, M&G positioned itself to tap into a much larger, more dynamic market, significantly boosting its revenue and market share. We saw this as an added growth leg that could provide a significant upside to its already strong fundamentals. We invested in M&G at the start of 2020. As expected, the B2B segment provided strong growth, though we also anticipated the simultaneous compression of margins. We exited the position profitably when the stock price substantially surpassed our target and valuation reached astronomical levels. Nonetheless, we remain confident that its market leadership in stationery and its emerging B2B sales model will continue to drive long-term value. The stock has since dropped precipitously from its early 2021 high and has re-entered value territory. We currently hold a small position in M&G and are actively monitoring opportunities to add to it.

As the M1136 approached retirement, we increasingly relied on small, hard-to-find parts to keep it running, like the output tray and paper-feed rollers. During these times we truly appreciated the power of Alibaba’s (ticker: 9988.HK) Taobao platform. Our experience with the M1136 gave us invaluable firsthand insight into how Taobao has revolutionized the process of sourcing rare, low-volume parts. Without Taobao, obtaining these parts would have required contacting the original manufacturer and navigating a time-consuming, complicated process—likely resulting in a 'NO,' as manufacturers usually prefer customers to upgrade by purchasing a new product rather than opting for a fix that costs only a few dollars. Instead, Taobao made it incredibly easy to find exactly what we needed—often from smaller, independent sellers—without the hassle. This convenience highlighted an important aspect of the platform’s value proposition: Taobao is irreplaceable when it comes to sourcing hard-to-find, small, and inexpensive items. While platforms like Pinduoduo have certainly taken market share from Taobao in certain segments of the e-commerce space—namely high-volume, low-priced products—we realized that for niche, low-volume parts, Taobao's unique position remains unchallenged. Also, while Pinduoduo and Taobao are competitors, from a manufacturer's point of view, the platforms are complementary rather than mutually exclusive. Manufacturers with high-volume products can always maintain stores on both platforms, knowing that one may draw more business than the other. This experience reinforced our conviction in Alibaba's long-term value, especially as the company continues to dominate in this critical area of e-commerce. We are long-term investors in Alibaba and substantially increased our position last year when its valuation hit rock bottom.

The story of our M1136 printer is not just about a product's longevity but how our intellectual curiosity and observant nature allowed us to find valuable stock ideas throughout its years of service. By being attentive to the small details in everyday life around us—whether it was issues with the printer's paper feed, discovering alternative cartridge suppliers, or sourcing hard-to-find parts—we were able to turn mundane experiences into investment opportunities. This is the essence of how we approach our work: constantly on the lookout for insights, no matter how small, that can inform our investment decisions. Moreover, these insights are only made possible by being local—our version of deep, hands-on due diligence. As investment managers, being local is not just a preference; it's a competitive advantage. The information, trends, and insights that we gather from being embedded in the local market are invaluable to our investment process. This localized perspective allows us to identify both opportunities and risks that others may miss, giving us a distinct edge in the world of investing.