

The Direction of Absorption

The Most Fundamental Property of a Business

Every business is a flow
between two reservoirs.

A: The Toll
(Cash collected today)



B: The Growth
(Expansion funded for tomorrow)

A + B

The Additive Business

The B is a line item. The toll pays for the growth.

A × B

The Multiplicative Business

The toll and growth are fused. The wave arrives from outside at no cost. (e.g., Visa)

Which way does the capital run?



**Does the toll
absorb the growth?**



**Or does the growth
absorb the toll?**

Quality is not determined by how fast a business grows, or the size of its moat.
It is determined by the direction of absorption.

The Dual Duration Dial

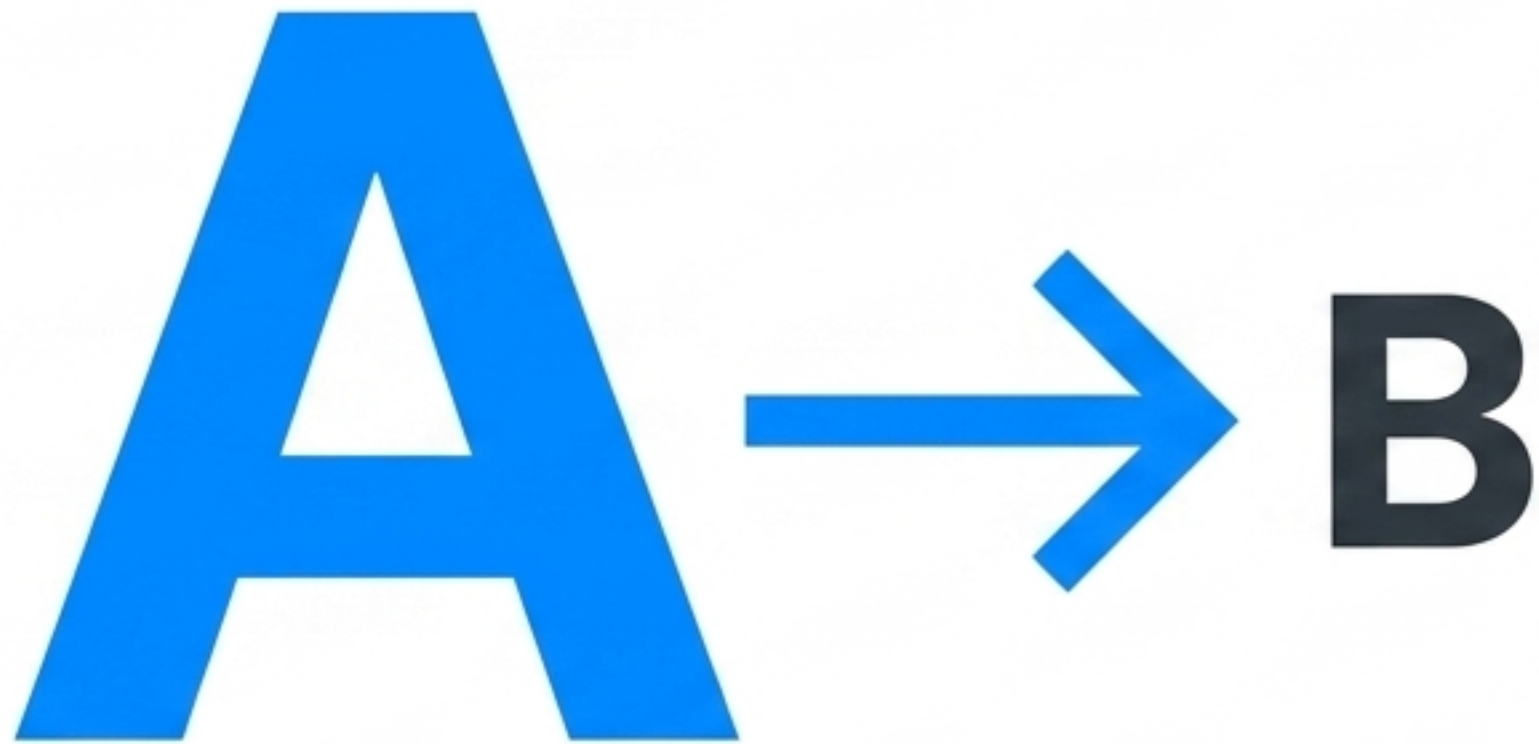
Short Duration
(Cash Return)



Long Duration
(Growth Compounding)

It does not cause the flow. It displays it.

- When A overflows B, the dial points short.
- When B absorbs A, the dial weakens to long.



Zone One: The Toll Overflows

The A absorbs the B. The toll generates more than the growth consumes. Capital returns to the owner. (e.g., See's Candies, pure A)



Zone Two: The Silent Erosion

A good toll funds a value-destroying B. The company lives, but global value erodes. The most common form of destruction.



Zone Three: Total Devourment

The B absorbs the A entirely. Costly growth devours the toll and reaches for outside capital to survive.

Temporary vs. Permanent

$B > A$

$A > B$



Every investment phase **temporarily** looks like the growth devouring the toll (e.g., Retail funding AWS). It only becomes a trap if the **reversal** never arrives.

Finance modeled the pieces in sealed rooms.

**The Reinvestment
Threshold:**

Which way the
flow runs.

**The Absorbing
Barrier:**

The distance
to ruin.

The Surplus:

Overflow seen
from the outside.

**The direction of absorption is the
corridor that connects them.**

**Any business where the
A overflows the B is
structurally pushed
away from ruin.**



**Safety and return
are not two properties.
They are the same property,
read at different distances.**

Ask of any business the one question beneath all others:
Which way does the capital flow?
Everything else is a consequence.

This content is educational and does not constitute investment advice.