



Annual investment conference, fully online,
hosted by MOI Global, January 11-13, 2018

Selected Session Highlights from Best Ideas 2018

Note: The following idea snapshots have been provided by the respective instructors or compiled by MOI Global using information provided by the instructors. The following is provided for educational purposes only and does not constitute a recommendation to buy or sell any security.

ROBERT ROBOTTI, CHIEF INVESTMENT OFFICER, ROBOTTI & COMPANY

SEACOR MARINE (NYSE: SMHI) was formed in June 2017 when SEACOR Holdings (CKH) spun off its offshore marine segment. SEACOR's fleet is highly specialized. Management has an exceptional track record of financial and operational management while being excellent stewards of capital. With the stock recently trading at less than 50% of tangible book value and a significant discount to insured vessel value, Bob and his colleague, David Kessler, believe the stock is well-positioned to benefit a recovery in the offshore energy market while also providing a margin of safety. SEACOR Marine is a provider of global marine and support transportation services to the global offshore oil and gas industry, with a distinctive and non-commoditized fleet support and specialty vessels.

ADAM SUES, PORTFOLIO MANAGER, YACHTMAN ASSET MANAGEMENT

WILSON SONS (Brazil: WSON33) is a Brazilian infrastructure company, with operations in port terminals, towage, OSVs, shipyard, and logistics. 90+% of EBITDA from core terminals/towage business, where WSON33 has key advantages as the #1 tugboat operator with ~50% share of harbor maneuvers and monopoly-like position on container trade in two ports via long-term concessions. Deep economic downturn in Brazil and recently completed capex cycle means WSON33 is under-earning versus potential, yet it trades at less than 10x depressed earnings. Earnings can double on recovery with high incremental margins and little growth capex, backed by ample FCF and 50% payout ratio. Another way to invest is via Ocean Wilsons (London: OCN), a holding company for the Salomon family who invested in WSON33 back in the 1950s. OCN trades at ~35% discount to its NAV made up of (i) 58.25% stake in WSON33 and (ii) a fund-of-funds investment portfolio managed over the long term. Backing out portfolio, paying less than 5x look-through earnings of WSON33.

RAPHAEL MOREAU, FUND MANAGER, AMIRAL GESTION

RENO DE MEDICI (Italy: RM), with a market cap of €200+ million, has a number-two position in the European recycled-fiber cartonboard market. Historically a poor performer in an industry where the leader enjoys both high and stable profitability and valuation, Reno de Medici has been in the process of tackling the reasons for its underperformance. After a long journey of shutting weak mills, the company appointed a new CEO alongside simplifying the group's structure to make the organization more efficient. The plan is now to make the different parts of the group work together and extract the associated network synergies, and accelerate the sharing of industrial best practices within the group. The purpose is to get close or reach the leader's operating metrics. To what extent the latter is

possible, it is unclear, but Raphael has strong confidence that the current measures are going to generate significant improvements to the company's performance. The recent stock price prices in essentially no improvement to current results, so risk appears contained. In a best-case scenario in which the company reaches the leader's profitability, Raphael estimates the upside at close to 100%.

SID CHORARIA, VICE PRESIDENT AND HEAD OF ASIA EQUITIES RESEARCH, AMIRAL RESEARCH

NESCO (India: 505355) is a ~\$600 million market cap company, debt-free, with a valuable 70-acre land asset in Mumbai, recorded at cost of \$1 million and bought more than fifty years ago. This land/location provides a wide moat to the growing operating businesses, which are cash cows: IT parks and exhibition businesses. The stock has tripled in the last four years but has a long runway for growth as NESCO embarks on expansion with the new Bombay Convention Center over the next decade. The top managers are conservative and value-oriented capital allocators with "skin in the game" and have been taking steps to professionalize the company from a "family-run" venture. Sid initially present NESCO at Asian Investing Summit 2014, hosted by MOI Global, when NESCO was a \$190 million company. NESCO remains an attractive long-term compounding story in India.

VINAMILK (Vietnam: VNM) is a \$13.5 billion market cap Vietnamese company with a wide moat, offering investors a liquid opportunity without constraints on foreign ownership to get long-term exposure to Vietnam. The company has market share of 50+% in key product categories with pricing power, a strong distribution network, a brand favored by locals, and economies of scale. The reproduction costs of this moat are high for foreign players. Although the stock is not "hidden" in the traditional sense, the consensus in Sid's view underestimates the long-term potential (5-10 years). Vinamilk should be viewed as a combination of great companies, given the diversified product portfolio (probiotics, juices, coffee), which he believes have the long-term potential to become more valuable in the future without meaningful capital deployment, as distribution and brand are in place.

PHIL ORDWAY, PORTFOLIO MANAGER, ANABATIC INVESTMENT PARTNERS

THE U.S. AIRLINE INDUSTRY has changed but old biases still rule the day. Airlines made more money in 2015-2017 than in the prior thirty years combined and have posted eight consecutive years of profitability. Four major (and often troubled, loss-making) carriers disappeared in the last decade, and four carriers now control 80+% of capacity – American, Delta, Southwest, and United. New entrants have a hard time, as it is not possible to fly new routes in many of the best markets: JFK, LGA, and DCA are "slot constrained"; EWR, ORD, SFO, and LAX are effectively slot constrained; and many airports (ATL/Delta, MDW/Southwest, DFW/American) are so dominated by one carrier that competitors face severe challenges. Industry balance sheets are strong, and leverage and fixed-cost coverage have never been better. Airlines used to get very little of the interchange fees reaped by banks from valuable airline-branded credit cards. Now, airlines command a large share of the economics: billions of dollars per year at very high margins. Over the past four to five years, American, Delta, United, Southwest, and Alaska have reduced their share counts by 35%, 16%, 24%, 21%, and 15%, respectively.

ALASKA AIR (NYSE: ALK) has a good culture and happy customers. It reaps advantages from costs/margins, customer loyalty, and attractive routes. Alaska has industry-leading operating margins ($\geq 15\text{-}20\%$) and ROIC ($\geq 15\%$). The shares recently traded at a $\sim 10\%$ earnings yield (at a market cap of less than \$9 billion), with profitable growth ahead. Alaska has a cost advantage versus Delta (and American and United) and a revenue advantage versus Southwest (and the other U/LCCs).

JIM ROUMELL, PRESIDENT, ROUMELL ASSET MANAGEMENT

MEDLEY CAPITAL (NYSE: MCC) is a Business Development Company (BDC), trading at a 35% discount to the most recently reported net asset value (as of September 30, 2017). MCC is comprised of roughly 68% first-lien notes, 16% second-lien notes, and 16% equity (as a result of debt-for-equity exchanges). MCC's discount is unusually high, and this BDC pays a dividend of \$0.16 per quarter (which it is currently earning), resulting in a yield in excess of 11%. Although access to underlying financial statements of the privately placed notes inside MCC's portfolio is not possible, Jim believes aggressive stresstesting and default scenarios still leave MCC a bargain. Even assuming that Class 4 and Class 5 assets have a loss ratio of 100%, NAV is still \$6.10 per share compared to a recent price of \$5.30 per share. Importantly, BDC's are restricted by the 1940 Investment Company Act and must maintain modest leverage of 2x, i.e., \$1 of equity can be leveraged by \$1 of debt. MCC's capital structure is strong, with ample liquidity, including \$108 million in cash. In the past several months there has been meaningful inside buying by MCC's investment manager, Medley Management (MDLY), controlled by MCC CEO Brook Taube, at significantly higher prices than the recent price.

JIM ZIMMERMAN, FOUNDER AND PORTFOLIO MANAGER, LOWELL CAPITAL VALUE PARTNERS

HCA HEALTHCARE (NYSE: HCA) is the largest for-profit hospital company in the U.S. It is essentially a modestly leveraged LBO of a stable, non-discretionary business with strong cash flows and deeply entrenched competitive positions in some of the most attractive local markets in the U.S. HCA has 177 hospitals located in some of the fastest growing and most attractive geographic markets, with average share of $\sim 25\%$ in those local markets. Only about 2% of HCA's admissions are exchange patients under the ACA/Obamacare and only about 5-6% of EBITDA. HCA is the most efficient and lowest-cost operator in the for-profit hospital industry, which should enable it to deal effectively with changes in government payment programs or reimbursement rates. Healthcare is a less discretionary expenditure, as was made clear by strong results in the Great Recession, when HCA was more leveraged (net debt to adjusted EBITDA of about 6x versus 4x recently). It is difficult to open new hospitals, which require a Certificate of Need (CON). The number of hospitals in the U.S. has declined over the past twenty years while the U.S. population has increased, and almost 80% of hospitals in the U.S. are less competitive non-profit or government-owned hospitals.

HCA has a cash-generative business model and opportunities to deploy capital to make the moat stronger. HCA also has one of the strongest balance sheets in the industry, with net debt to adjusted EBITDA of $\sim 4x$. HCA is aggressively repurchasing shares to drive shareholder value, with shares outstanding reduced from 496 million at yearend 2011 to 360 million as of 3Q17, a reduction of 27%. HCA trades at multiples of $\sim 7.8x$ adjusted EBITDA and $\sim 13x$ EPS. Jim expects HCA to repurchase 20

million shares annually in 2018, 2019, and 2020 and end 2020 with shares outstanding of ~300 million. HCA has grown adjusted EBITDA at close to 6% annually from 2011 to 2016, from \$6.1 billion to \$8.2 billion. HCA is an important part of the U.S. healthcare industry, with ~5% of U.S. patients serviced in HCA's extensive network of hospitals and outpatient facilities. Based on 8x Jim's estimated adjusted EBITDA of \$9.5 billion for 2020, with net debt of ~\$31 billion outstanding at yearend 2020, HCA could trade for an EV of close to \$76 billion or a market cap of \$45 billion. Based on 300 million shares outstanding estimated by yearend 2020, this would imply a share price of ~\$150 per share or 70% higher than the recent price of \$88 per share.

AMIT WADHWANEY, PORTFOLIO MANAGER, MOERUS CAPITAL MANAGEMENT

BR PROPERTIES (Brazil: BRPR3) is a leading commercial property company in Brazil, with a focus on prime, high-quality AAA office buildings in Brazil's two largest cities, Sao Paulo and Rio de Janeiro. The investment opportunity stems from the downturn in the Brazilian economy, which exposed the overbuilding in the commercial property market, resulting in vacancy rates rising to multi-decade highs and rents falling roughly 25-40% in a variety of markets in real terms over the past four to five years. Piquing Amit's interest was the transfer of control of BRP in 2016 from its then-distressed controlling shareholder to GP Investments, the original founder of BRP, which had brought it public in 2010, before totally divesting its holdings in 2012. This purchase of BRP was made in conjunction with a sovereign wealth fund at a per-share price of BRL 11, below the third-party appraised range of BRL 12.20-14.13 per share. BRP raised a further BRL 950 million in mid-2017 to fund its plan to acquire properties in the depressed market. The shares recently traded at 20+% and 30+% discounts to tangible and stated book values, respectively, with said book values reflecting assets written down to reflect depressed market conditions.

MARK WALKER, SENIOR RESEARCH ANALYST, SEVEN PILLARS CAPITAL MANAGEMENT

MCCARTHY & STONE (London: MCS) is a soundly financed UK retirement homebuilder whose business model is characterized by low operating leverage and conditional asset accumulation. In MCS's 40 years of operation, it has enjoyed a dominant position within a largely uncontested niche. A niche with a long volume runway underpinned by an ageing population and housing undersupply. While poor historic capital allocation led to a capital restructuring during the financial crisis, the current management team's focus on asset turns is fostering stronger capital discipline and better capital efficiency than in the past. The share price has declined 35% over the last two years, underperforming the FTSE 250 by 60%, thanks largely to a Brexit-induced de-rating. The quoted value of the enterprise is just 15% higher than the capital invested in the business, despite 25% incremental ROCE and a long runway of internal redeployment opportunities.

ELLIOT TURNER, MANAGING DIRECTOR, RGA INVESTMENT ADVISORS

WALGREENS BOOTS ALLIANCE (Nasdaq: WBA): Says Stefano Pessina, "Many people say that I am a dealmaker, which is probably true. But I am always very cold when I do a deal. A deal must have a strategic logic, and it must create value." Since William Thorndike's *The Outsiders* captured investor imaginations, everyone has been searching for the "ninth chapter". According to Elliot, Stefano Pessina might be a worthy nominee. Pessina is a nuclear engineer who turned his father's struggling drug wholesale business into a series of 1,500 acquisitions, leading to a 14% stake in Walgreens. Walgreens Boots Alliance had a rough year in the stock market in 2016, thanks to repeated threats of Amazon's entry into the pharmacy business and a protracted attempt to take over Rite Aid. 2018 begins with Pessina's first truly blank slate in order to execute his vision of a global scale player in wholesale and distribution with a unique focus on front-end optimization. Walgreens has a long history of fulfilling customer needs amidst a dynamic backdrop. Early in its history, most of the company's profitability came from the front end, while now the pharmacy drives the bottom line. Change is really the only constant, and Pessina is the ultimate leader steering the ship, with his interests aligned. The combination of a business that fills an essential life need, a cheap valuation, and a focused owner-operator makes WBA a "best idea" for 2018.

ALEX BOSSERT, FOUNDER, BOSSERT CAPITAL

CAMBRIA AUTOMOBILES (London: CAMB) is a UK-based auto dealership group founded by CEO Mark Lavery in 2006 to pursue a dealership roll-up strategy. Lavery owns 40% of the outstanding shares and from a starting capital base of only £11 million has built Cambria into a business with a market cap of £64 million, with operating earnings of £12 million in 2017. This impressive performance over the past eleven years has been achieved during a period that has included two recessions in the UK. Auto dealers are good businesses, and Cambria has averaged ROE in the high-teens over time. In 2017, Cambria earned ROE of 20%. Cambria shares recently traded at just 6.9x LTM earnings. This despite two temporary factors negatively affecting earnings in 2017. The construction at the Barnet dealership has had a significant impact on profitability at this dealership. Additionally, a fire that took place in October 2016 at the Jaguar and Aston Martin dealership in Welwyn significantly hurt the profitability of that site. The Barnet project was finished in July 2017 and the Welwyn site was back in operation in June 2017.

ANUJ DIDWANIA, FUND MANAGER, REDART CAPITAL ADVISORS

KNR CONSTRUCTIONS (India: KNRCON) engages in construction activities (EPC segment) focused on the road sector and collecting tolls and maintaining road projects. The road sector in India is one of the focus areas of the government to increase job growth and kick-start the investment cycle, which has been stuck for six to seven years. KNR has demonstrated an ability to deliver steady EBITDA margins of ~15% even through the downcycle. Management continues to follow strict financial discipline in bidding for road projects and has the lowest debt-to-equity of any road company in India (~0.1x). Three-fourths of the order book is from the road sector. The order book provides visibility for 15-18% sales growth for next two years. Strong capital allocation by management has led to steady

and healthy ROEs of 15-20% consistently on the back of sales growth of 25+% for the last twelve years. Promoters hold 58% of shares outstanding. The company trades at 19x earnings for FYE March 2018, with the tailwind of being in the right sector and visibility of 17-20% earnings growth for the coming two years.

WILLEM SCHILPZAND, PORTFOLIO MANAGER, ALPINE CAPITAL RESEARCH

EMBRAER (NYSE: ERJ) is the third-largest aircraft OEM in the world, with ~50% market share in regional jets (70-130 seats), ~20% market share in executive jets, and a growing presence in defense and security. Embraer recently reported negative free cash flow and a downward trend in margins due to the high level of investment required for new jet development. The company is also going through a potential trough for executive jet demand and facing cyclical headwinds in the defense business related to Brazilian government budget difficulties. The sell-side appears to have “thrown in the towel”, creating an opportunity for longer-term investors. Willem believes the negative developments are short-term in nature and overshadow the longer-term opportunity for the company’s jets. Longer term, Embraer should benefit from (i) increasing commercial jet production, as new jets move from the development phase to production and the new jet line-up has the potential to increase the historical addressable market size by more than 60%; (ii) higher executive jet revenue and margins, as demand normalizes from trough levels; and (iii) introduction of a pipeline defense aircraft (KC-390) that could increase the size of the defense business. A combination of increased production at higher margins and lower investment in jet development should lead to an increase in FCF over the medium term. Willem sees value in the mid-\$20s per share, for a prospective annualized IRR in the mid-teens.

JEFFREY STACEY, CHAIRMAN AND CEO, STACEY MUIRHEAD CAPITAL MANAGEMENT

CPL RESOURCES (Ireland: CPL) is a leading employment services group headquartered in Dublin, Ireland. CPL’s activity spans the entire employment lifecycle and includes permanent, temporary and contract recruitment, workforce management, training, outsourcing and outplacement. CPL’s clients range from market-leading multinationals to small and medium enterprises. CPL has been particularly successful in providing staffing solutions to Ireland’s large IT and pharmaceutical industries having recruited staff on behalf of companies such as First Data, Pfizer, and many others. CPL currently has 41 offices in 11 countries, opening offices in Munich and Boston in the fiscal year ended in June. At the end of its last fiscal year, CPL had a headcount of 11,504 contract or temporary staff placed with clients and 547 recruiters active in the company. CPL competes with both large and niche specialist recruiting and staffing firms from Adecco and Manpower in temporary recruitment to Hays Group in permanent recruiting and specialist firms such as Impellam and HCL in Healthcare and Life Sciences. CPL’s stated business strategy includes developing a balanced mix of business and avoiding overdependence on any one service sector or geography. CPL has grown mainly through organic expansion but it has made selective acquisitions periodically particularly to build platforms in new sectors or markets with good long term potential. Anne Heraty is the founder and CEO of CPL and also the largest shareholder, owning about 30% of the shares outstanding. Her spouse, Paul Carroll, owns a further 5.9% of the shares.

CPL is an excellent business that has consistently grown revenue and earnings over its 27-year history. Revenues in the most recent year were €455 million and net income was €13.5 million. CPL has never had a losing year. It even made money during the financial crisis of 2008-2009 when the company's business mix was more focused within Ireland and the unemployment rate in Ireland at that time rose above 25%. Jeff considers this impressive evidence of both the excellent business economics and management skill. CPL generates strong returns on shareholders' equity, with the most recent year showing a return on equity of ~15%. Excluding a sizeable yearend cash balance on which CPL earned very little, the adjusted return on equity is well above 20%. In June, CPL acquired RIG Healthcare Group for ~€10 million. RIG is a specialist healthcare recruiter in the UK, with a focus on Locum Doctors and Allied Health Professions such as radiography, occupational therapy, pharmacy, and physiotherapy. RIG has five UK offices.

Even after completing this acquisition, CPL ended its June fiscal year with €33+ million in cash. After strategically deciding it could not identify an appropriate use for the cash, CPL recently completed a tender offer purchasing 3.7 million shares at €6.75 per share for total consideration of ~€25 million. After the tender offer, the company has 27.2 million shares outstanding. From a valuation perspective, CPL recently traded at ~10x current earnings (excl. cash). It appears likely to continue growing revenue and earnings at an attractive rate for the foreseeable future. CPL maintains a debt-free balance sheet while raising dividends and buying back shares, as evidenced by the recent tender offer. With both the need for human talent and the difficulty of recruiting such talent continuing to increase, CPL appears well-positioned for success.

SEAN STANNARD-STOCKTON, PRESIDENT AND CHIEF INVESTMENT OFFICER, ENSEMBLE CAPITAL

FIRST REPUBLIC BANK (NYSE: FRC) is one of the best-run banks in the U.S. Importantly, rather than engaging in the commodity business of buying and selling money, First Republic is actually a retail franchise offering superior customer service to high net worth individuals. This unique approach has led to the company growing rapidly since its founding in the 1980s with a long growth path ahead. With net promoter scores on par with Apple and Amazon versus competitors who score lower on customer satisfaction than cable companies, telecoms, and airlines, First Republic has a deep competitive advantage that elevates the business out of the commodity banking industry into a class by itself. At 17x 2018 consensus earnings, the stock screens expensive for a bank. But with 20% revenue growth and margin leverage as the company works through investments it is making in the business and interest rates normalize, the stock offers compelling long-term upside of 13-16% per year over the next three to five years.

GLENN SUROWIEC, PORTFOLIO MANAGER, GDS INVESTMENTS

GENERAL ELECTRIC (NYSE: GE) offers compelling risk-adjusted appreciation for patient investors. Like many conglomerates with long operating histories, GE's practice of periodically reconfiguring its assets is a critical component of its strategy to remain relevant and meet oncoming challenges. With his history of success at GE Healthcare, and the turnaround plan he recently announced, John Flannery has all of the characteristics of an "outsider" CEO. Under that plan, GE will concentrate on

four core businesses – power, aviation, healthcare, and renewables. By 2020, GE will dispose of its remaining divisions (e.g., transportation, lighting, oil and gas) through sales, spinoffs, joint ventures, or other methods. CEO Flannery has cut the dividend by 50%, restructured the board of directors, and created a more holistic and accountable culture around capital allocation. Glenn believes the stock could be worth at least \$35 per share within three to four years. CEO Flannery, Francisco DeSouza, and famed value investor (and GE board member) James Tisch apparently agree, and have been accumulating shares. Tisch recently purchased \$54 million in stock on the open market. GE's turnaround will be difficult, but it is not without precedent. Glenn encourages interested investors to study Ed Breen's turnaround at Tyco from 2002-2012, and what Brian Moynihan has been accomplishing at Bank of America since he became CEO in 2010. The issues facing GE today are similar to the ones Tyco encountered in 2002, and which Bank of America addressed in 2010. Investors who had the insight, courage, and patience to invest in those two turnarounds were handsomely rewarded in time, and the same opportunity may lie ahead for those who invest in GE.

CURTIS JENSEN, PORTFOLIO MANAGER, ROBOTTI & COMPANY ADVISORS

FRP HOLDINGS (Nasdaq: FRPH) is a holding company that operates in three real estate-related businesses, including (i) the development, leasing and management of a portfolio of 3.9MM square feet of light industrial property; (ii) a mining royalties business that owns and leases nine active aggregates mines in the U.S. southeast; (iii) a land development business whose aim is to develop land and other real estate for its "highest and best use."

DUSTIN JOHNSON, SENIOR MANAGER, PALA INVESTMENTS

IVANHOE MINES (Toronto: IVN) is a Canadian-listed mining company founded by Robert Friedland. The company's primary assets are based in the Democratic Republic of Congo and South Africa. Ivanhoe is in the process of unlocking one of the world's greatest copper discoveries in addition to having world-class zinc and PGM (precious group metals) assets.

CHRIS KARLIN, CHIEF INVESTMENT OFFICER, AQUITANIA CAPITAL MANAGEMENT

AVAYA HOLDINGS (OTC: AVYA) provides unified communications and contact center products and services to a global customer base. The business is characterized by high software and services content provided over long-term contracts to a broad customer base. Avaya recently emerged from bankruptcy, shedding much of the debt it had incurred in a 2007 leveraged buyout. The company has sharply reduced operating costs and pension liabilities. Avaya appears well-positioned going forward as a strong cash generator. The equity appears underfollowed and undervalued due to the bankruptcy overhang. Several visible catalysts should help unlock value. Recently trading at an FCF yield of 11% on FY18 and 14% on FY19 and a cash P/E of 7.6x FY18 and 6.5x FY19, Avaya could re-rate to an FCF yield of 9% and a cash P/E of 10x, resulting in ~70% upside over the next two years. If the company is effective in investing to restart growth, additional upside potential exists.

BILL CHEN, MANAGING PARTNER, RHIZOME PARTNERS

LAACO (OTC: LAACZ) is an undervalued and under-levered real estate holding company that owns a portfolio of hard-to-replace self-storage assets in Los Angeles, San Diego, Las Vegas, Phoenix, and Houston. Adjusting for the Downtown L.A. buildings and parking lots, investors are buying the high-quality self-storage assets at a 9+% cap rate. At the recent price of \$2,175 per share, Bill's sum-of-the-parts value estimate of \$3,560 per share implies 64% upside. Investors receive a 3.7% dividend yield, and a roughly equal amount is re-invested to grow the business. Management is shareholder-friendly, albeit a "tad too conservative sometimes", according to Bill. The same controlling family once paid a special dividend that was equal to twice the stock price at the time. Bill considers it little wonder that Ben Stein calls Laaco his second-best investment after Berkshire Hathaway.

ARTEM FOKIN, PORTFOLIO MANAGER, CARO-KANN CAPITAL

TRIPADVISOR (Nasdaq: TRIP): Both the sell-side and buy-side are myopically focused on challenges facing TRIP's hotel business in areas such as cost-per-click, "instant booking" rollout, and Priceline's marketing budget re-allocation. Over the past three-and-a-half years TripAdvisor has successfully built two platform businesses with winner-take-all dynamics – "attractions" and "restaurants" – and TripAdvisor is the winner. These two businesses make TRIP an attractive company regardless of how TRIP's hotel business evolves. The non-hotel business alone would soon justify the recent market valuation of the entire TripAdvisor. Artem believes Mr. Market is "missing an elephant in the room and is throwing us a fat pitch". While Artem views TripAdvisor shares as a double in four to five years, he notes open-ended upside optionality. Artem sees 15+% IRR well beyond five years.

ROBERT KING, MANAGING PARTNER, BASKERVILLE CAPITAL MANAGEMENT

DISCOVERY COMMUNICATIONS (Nasdaq: DISCA) is a media and entertainment company whose channels include the eponymous Discovery Channel, The Learning Channel, Animal Planet, Investigation Discovery, OWN, Science, Velocity, and Eurosport. Discovery is one of few media companies with a truly global presence; it derives roughly half of revenue from domestic subscribers and a little less than half of revenue from international subscribers. The recently announced acquisition of Scripps Networks has created an interesting situation that causes the company to trade at a pro forma FCF yield of 16% despite pro forma run-rate ROIC of ~26%. Domestically, Discovery should benefit defensively from the acquisition of Scripps as it gives the company more scale when it puts itself in front of distributors and advertisers. Internationally, the Scripps acquisition provides a way for Discovery to continue international revenue growth as the company grows the Scripps channels' miniscule international revenue. Rob believes that, in a few years, the company will be worth multiples of the recent price, benefiting from earnings growth and multiple expansion.

NATHANIEL LEACH, PORTFOLIO MANAGER, LBW WEALTH MANAGEMENT

LIBERTY VENTURES (Nasdaq: LVNTA) trades as a tracker of the company Liberty Interactive and is scheduled to be split off as GCI Liberty in 2018. It has in the past been an investment incubator for the companies that owner-operators John Malone and Greg Maffei have invested in over the past decades. They have slowly streamlined the tracker, splitting and spinning off companies as they near fruition. Nathaniel believes that Liberty Ventures offers an opportunity to invest in two compounding companies, Charter Communications and General Communications, at a discount, with a long runway for investing large amounts of capital at high incremental returns.

MICHAEL LEE, PORTFOLIO MANAGER, HYPOTENUSE CAPITAL MANAGEMENT

TUCOWS (Nasdaq: TCX) provides simple, useful services that help people unlock the power of the internet. The company runs the second-largest internet domain registration platform in the world, a leading MVNO operator in the U.S., and is also building Fiber-to-the-Home networks in communities around the U.S. The company provides great customer service at bargain prices, maintains an excellent employee culture, and has a capable leadership team. With plenty of room to grow in the mobile and fiber businesses, Tucows' recent ~\$700 million market cap is attractive relative to the company's future earnings growth potential.

ROBERT LEITZ, FOUNDER AND MANAGING DIRECTOR, IOLITE PARTNERS

BAKKAFROST (Oslo: BAKKA) is a best-in-class, vertically integrated salmon farmer with operations in the Faroe Islands. The company owns permanent licenses in geographic locations suitable for salmon farming, boasts state-of-the-art production facilities, decades of technical know-how, and is run by a shareholder-friendly owner-manager. At NOK 320 per share, Bakkafrøst recently traded at just 11x LTM P/E and 7.7x LTM EV/EBITDA. This is low for a high-quality company in an industry with strong tailwinds: demand is growing (demographics, global development, zeitgeist), but supply is struggling to keep up (suitable locations, politics, biological hazards). Bakkafrøst is a prudently run company that has shown impressive organic growth over the last five years (ROE 30% annually, EBITDA 30%, harvest 6%) and is likely to grow production by another 30% (6% annually) until 2021 given current capex projects. Robert believes the market has failed to catch up with Bakkafrøst's growth profile and is overestimating the impact from short-term price swings (supply interruptions in Chile and Norway spiked salmon prices in 2016-2017; they recently came down from those highs).

JOHN LEWIS, MANAGING PARTNER AND CHIEF INVESTMENT OFFICER, OSMIUM PARTNERS

SPARK NETWORKS (NYSE: LOV) is an orphan with low following after several years of disappointing results. In November, the company reverse-merged with Elite Singles, and John believes a substantial transformation is at hand. Insiders own ~85% of equity and a former insider recently filed that he personally bought 9.4% of outstanding shares. The new Spark Networks will see

revenue increase ~5x from \$25 million to nearly \$120 million, based on company guidance. This increased scale should generate \$20 million in adjusted EBITDA, also based on guidance, and a market cap of \$175 million. The share count post reverse stock split is 13.4 million. The business has significant global scale, operating in nearly thirty countries, with a portfolio of premium subscription brands and a low-cost opex structure out of Berlin. John believes the business is poised to generate high returns on capital and the franchise has substantial reinvestment opportunities to grow shareholder value. If the company hits \$2 per share in adjusted EBTIDA (a close proxy to free cash flow), the business may be worth \$30 per share.

FRANKLIN COVEY (NYSE: FC): Digital transformation is deep in process, yet the market valuation fails to recognize this, as most of the long-term shareholder base is overly focused on the old delivery model. Franklin Covey's All Access Pass grew revenue from \$23 million to \$63 million on a year-over-year basis. John expects this to grow \$50+ million a year given the current business model. AAP has 90% recurring revenue, and management has guided for this business to have 30-40% EBITDA margins at scale. As this business continues to scale, FC revenue streams will consist of royalties (15% of revenue) from international licensees, the "Leader in Me" K-12 education business with a five-year 15% CAGR in revenue and 10% EBITDA margins, and the direct offices business (includes AAP). The traditional delivery format, plus the "Leader in Me" business, and international licensee value comes to nearly \$20 per share, and AAP is valued at only \$2 a share or \$25 million, which John thinks is worth closer to \$250+ million. John estimates that FC is worth \$32-40 per share.

REDBUBBLE (ASX: RBL) / **LEAF GROUP** (NYSE: LFGR): For several understandable of reasons, investors have failed to discover two fast e-commerce platform businesses. Redbubble trades in Australia but 93% of revenue is in the U.S. and Europe. The business is a two-sided platform growing 30+%, with 25% incremental EBITDA margins. Redbubble has a five-year organic top-line growth rate of 50+%. The CEO owns nearly 30% of the equity and the company has a strong balance sheet, with \$27 million in net cash. Leaf is a busted IPO that has slowly rebuilt itself with a solid team, including the CEO who was formerly CEO of Ticketmaster. Both companies should reach steady-state consistent profitability in 2018 (both were marginally cash flow positive in Q3 CY17). Both companies trade at sharp discounts to better-known public peers such as ETSY. RBL/LFGR trade at a ~75% discount to ETSY on an EV/sales basis, yet RBL combined with LFGR marketplaces platform would be nearly 67% the size of ETSY. Finally, John believes Leaf's media business segment plus cash is worth \$8-10 per share to a strategic buyer.

CHRIS SWASBROOK, PORTFOLIO MANAGER, ELEVATION CAPITAL MANAGEMENT

TIFFANY & CO. (NYSE: TIF) an American heritage luxury brand, operating 315 stores in 30 countries. The Tiffany brand is one of the most iconic luxury brands, with a storied history that started in New York City when Charles Tiffany founded it in 1837. Based on Interbrand's ranking, Tiffany is one of the most valuable global luxury brands, ranked fifth among global luxury players. Tiffany is the #1 American luxury brand. Tiffany was immortalized by the 1961 movie "Breakfast at Tiffany's". Tiffany is one of few jewelers that has established a vertically integrated business model that provides a perception of quality and luxury. Even though the stock has recovered from recent lows to ~\$95, it trades at a discount to global peers and a discount to Chris's estimate of private market value.

JEREMY DEAL, MANAGING PARTNER, JDP CAPITAL MANAGEMENT

TEEKAY OFFSHORE LP (NYSE: TOO) is an abandoned public stub of a mission-critical marine infrastructure business, re-capitalized by Brookfield Business Partners, trading at a ~25% cash flow yield. TOO is the largest independent owner/operator of mission-critical offshore pipeline infrastructure assets used by the largest E&Ps in deepwater drilling. The company is misunderstood to be dependent on rising oil prices, but instead operates in a niche duopoly insulated by long-term contracts with large oil companies. The recent enterprise value of \$5 billion makes TOO a high-capacity idea to invest alongside one of the most successful real asset managers globally, at roughly the same valuation. Assuming mean reversion to historical multiples implies ~300% upside from the recent market quotation of \$2.50 per share.

LUIS GARCÍA ÁLVAREZ, EQUITY PORTFOLIO MANAGER, MAPFRE AM

MERLIN PROPERTIES (Spain: MRL) is the largest Spanish SOCIMI, the equivalent of an American REIT, with gross asset value of EUR 10.5 billion. The company has a solid and stable cash flow generation profile, due in part to its size and business line diversification. Stable cash flow should be augmented by operating improvements resulting from “offensive capex”, which should help increase occupancy levels of various assets. The company also benefits from improved management of a portfolio acquired a year ago from Metrovacesa. Luis views the valuation as attractive, offering a significant margin of safety from the recent market price, especially considering the nature of the real estate business and the conservative assumptions embedded in Luis’s numbers.

TASLIM AHMED, MANAGING PARTNER, EXIMUS PARTNERS

TRANSNATIONAL CORPORATION OF NIGERIA (Lagos: TRANSCORP), established in 2004, has two core businesses: (i) a hotel business with consistent earning power and a wide moat due to its position as the only hotel of its kind in the country’s capital, and (ii) a power generating company with installed capacity of 972 MW and operating capacity of 595 MW at yearend 2017. The hospitality company has two hotels under construction, with a completion date in 2019 for the more important hotel, which should more than double the company’s revenue. The power company is expected to reach full capacity by 2018 and to expand installed capacity to 2,500 MW in the coming years. The power company represents the more significant opportunity, with tariffs expected to increase by 65+% due to changing macro conditions. The share price has yet to reflect this change. Increased capacity and tariffs will lead to increased profitability for the 40% operating margin utility company. Transcorp recently traded at a market cap of 58 billion naira (\$190 million) vs. a 46 billion naira (\$150 million) market cap for the listed hospitality company alone. Meanwhile, the power company had 2016 revenue of \$126 million and operating profit of \$52 million. As a result, Taslim sees potential for 140+% share price upside.

TITO AVILA AND MATHIAS WAGNER, PARTNERS, LIS CAPITAL

UNIPAR CARBOCLORO (Brazil: UNIP3) is a chemical holding company. When Tito and Mathias first came across the company, the “scenery” was not favorable. The company had a historically poor relationship with the market. It was involved in a process to take the company private, creating a misalignment of interests between the controlling shareholder and the minority shareholders. The company was largely ignored and discredited. A less obvious element was the decent business model – a cash-cow producer of chlorine and caustic soda with a quasi-monopolistic position in the southeastern Brazilian market. Add to that an accretive bargain-priced acquisition of a PVC producer in a verticalization movement. While the stock has appreciated considerably since the delisting attempt failed, it recently continued to trade at a comfortable margin of safety, as several sources of additional cash flows are beginning to be unlocked.

GAUTAM BAID, PORTFOLIO MANAGER, SUMMIT GLOBAL INVESTMENTS

FUTURE ENTERPRISES (India NSE: FEL, BOM: 523574) develops, owns and leases the retail infrastructure for the Future Group of companies, India’s leading retailing chain, led by Kishore Biyani, an astute dealmaker and the “father” of organized retail in India. As part of a merger between Bharti Retail and Future Retail in May 2016, the latter was spun out from Future Enterprises as an asset-light front-end retailing company and Future Enterprises became a debt-laden holding company with stakes in Future Group’s various subsidiaries and joint ventures outside retail, including general and life insurance, textile manufacturing, and supply chain and logistics, with a stated intention to sell those stakes over time to deleverage the balance sheet. In the next two to three years, the value of these stakes is expected to be more than the recent market cap of Future Enterprises. The shares trade at 7.8x EV/EBITDA based on current-year guidance. With listed comparable peers in India trading at 11-15x and one of them acquired in 2015 at 12x EV/EBITDA, limited scope exists for multiple compression at Future Enterprises with its sustainable contracted rental income. As a result, the aftertax sale proceeds from stake sales over time should flow to the equity side, implying upside of 100+% for Future Enterprises over the next three to four years.

DANIEL BALDINI, MANAGING PARTNER, OBERON ASSET MANAGEMENT

SCHOOL SPECIALTY (OTC: SCOO) is a well-managed, attractively valued business (5x EBITDA, 8.5x earnings, 17% FCF yield), with an improving return on tangible capital, hidden growth drivers, and restive shareholder base.

BOGUMIL BARANOWSKI, GENERAL PARTNER, SICART ASSOCIATE

PROSHARES SHORT HIGH YIELD ETF (NYSE: SJB) is an ETF that seeks a return that is -1x the return of an index for one day (Markit iBoxx US Liquid High Yield Index). It has more than \$100 million in AUM. Bogumil sees it as a compelling contrarian investment in an environment of prolonged easy

money policies, high leverage, and excess valuations across most asset classes. As investors and asset holders, we have enjoyed the benefits of an unprecedented monetary experiment: zero interest rates and money printing, leading to increased valuations across most asset classes, and higher leverage across the board. Those tailwinds may be turning into headwinds, and the inverse U.S. high-yield ETF may prove to be one of the most attractive ways to capture this shift. U.S. high-yield bonds have been among the best-performing asset classes over the last five, ten, and fifteen years, yields are at record low levels, and popularity is historically highest considering the size of AUM in high-yield bond funds and high new inflows. The quality of new high-yield bond issuance has been deteriorating, however. Investors are increasingly desperate for yield and seemingly have no choice but to accept lower quality (and higher risk) for ever-smaller returns. We have already seen the beginning of a rise in interest rates in the U.S. and shrinking of the Fed's balance sheet. Also of note are early spikes in yields and early signs of aversion to lower-quality bonds in favor of higher quality. Bogumil sees potential for a meaningful correction in yields and prices, especially in the high-yield bond market. The inverse high-yield bond ETF may offer attractive upside with limited downside. It's an investment sensitive to monetary policy decisions. As a result, those developments need to be watched carefully.

SERGE BELINSKI, CHIEF EXECUTIVE OFFICER, VALUE HOLDINGS

ORCA EXPLORATION (Canada: ORC), through one of its subsidiaries, owns a monopolistic and profitable gas producer in Tanzania. The company is run by an outstanding management team and trades at a fraction of a reasonable estimate of the value of its reserves in Tanzania, recently validated by the ongoing sale of a minority stake. In addition to that stake, the company has a sizable net cash position, receivables that are currently being paid off, and assets in Italy. The recent sale of the minority stake in the Tanzanian assets, combined with the payment of the company's receivables, should help the market realize that Orca Exploration has a private market value of ~C\$15 per share.

AMIL BERA, FOUNDER AND CHIEF INVESTMENT OFFICER, ADVAYA INVESTMENT MANAGEMENT

XPO LOGISTICS (NYSE: XPO) is a high-growth, best-in-class global logistics company, 60% in North America and 40% in Europe. The company provides contract logistics and transportation services. In transport, the company's businesses include truck brokerage, less-than-truckload, last-mile logistics, intermodal and drayage, expedited, and global forwarding. The company has grown from \$160 million in revenues in 2011 to over \$15 billion today through acquisitions and market share gains. CEO Bradley Jacobs has made over 500 acquisitions in his career and built billion dollar businesses, including United Waste and United Rentals. In 2011, he invested \$150 million to purchase 71% Express-1 Expedited Solutions and renamed the company XPO Logistics. His plan was to follow the industry consolidation model he previously implemented to the highly fragmented logistics industry. The company invests heavily in technology, spending over \$425 million annually to employ 1,600 full-time staff, including over 100 data scientists focused on predictive pricing and optimization. Management is constantly improving margins through procurement cost savings, automation, asset utilization, labor management, improving pricing, culling money losing business, and expanding higher margin businesses as a portion of revenue. The company has proven itself a formidable competitor with an expanding moat in a high growth \$1 trillion+ addressable market. The company

benefits from a superior management team, incentivized sales force, competitive cost of capital, network effects from scale, and a strong reputation. Recent rumors about acquisition interest from Home Depot, allegedly to fend off potential acquisition interest from Amazon, sent the stock to record highs. In our view, the value of what XPO Logistics is building will become more apparent over time and continue to attract potential suitors. Yet, the independent company has a clear path to triple its market capitalization in the next five years through acquisitions and organic growth..

CHRIS BLOOMSTRAN, CHIEF INVESTMENT OFFICER, SEMPER AUGUSTUS INVESTMENTS GROUP

DOLLAR GENERAL (NYSE: DG) is a low-cost discount retailer with strong unit economics and a reasonable ability to grow store count by mid-single digits and EPS by 10% annually for many years. Store location and format provide a competitive advantage versus all forms of competition, including online. Through operational initiatives, the business can modestly expand EBIT margins and returns on capital employed and on incremental capital invested. Weakness across traditional retail (generally justified), coupled with commodity deflation (temporary) and a decline in SNAP benefits (perhaps not temporary for the political cycle) weakened DG shares in 2017 to a reasonably attractive level. A purchase at the recent ~5% earnings yield may combine with multiple expansion of 20+% and create a long-run result that approaches the ROC of the business of 15+%. A five-year estimate would have the business producing \$35 billion in revenue among 18,500 stores and EPS of \$7 per share, up from \$23.5 billion, 14,500 stores, and \$4.52, respectively, most recently. At a payout of 25%, dividends would be \$1.75 versus \$1.00 recently. At the current run rate of capital investment, the combination of new store openings, distribution infrastructure, remodels and relocations, dividends, and share repurchases cannot be funded entirely with operating cash flow. To finance incremental net store growth of 1,000 units annually over the next five years and to maintain capital initiatives, net new debt of \$2 billion will be required, excluding operating leases. Chris's preference would be reduced share repurchases and a more equity-rich balance sheet. Overall, however, Dollar General presents a compelling growth opportunity in a brutally difficult retail environment.

MIKE BOROUGHS, MANAGING PARTNER, FORTIS CAPITAL MANAGEMENT

ASHFORD INC. (NYSE: AINC) is the external advisor to two publicly traded REITs, Ashford Trust (AHT) and Ashford Prime (AHP). AINC is a capital-efficient business that can be purchased for less than 8x next year's EBITDA and can grow EBITDA at 30+% for years to come, with minimal additional capital needed. AINC has roughly \$6.3 billion of "AUM" at the two REITs, on which it earns around 70 bps. AINC also owns service businesses, the largest of which is J&S which is an audio-visual company its REITs use. The power of AINC comes in its ability to responsibly grow the REITs (which it controls) and also buy top-notch service businesses and direct the REITs to use these. J&S was bought for ~6x EBITDA, which becomes 3x EBITDA once the REITs use the business. The company has a \$40 million net cash position on a diluted market cap of \$240 million. They are a full U.S. tax payer and will benefit significantly from the reduction in corporate taxes.

PATRICK BRENNAN, PORTFOLIO MANAGER, BRENNAN ASSET MANAGEMENT

LIBERTY GLOBAL GROUP (Nasdaq: LBTY) and **LILAC GLOBAL** (Nasdaq: LILA): Liberty Global (LGI) is a dominant cable operator in Europe, with its five largest markets in the UK, Netherlands, Belgium, Germany, and Switzerland. In 2015, LGI created a tracking stock (LILAK) that corresponds to the value of its Puerto Rican and Chilean cable systems. LILAK subsequently executed a complicated and controversial merger with Cable & Wireless (CWC) in 2016, partially funding the deal with LGI stock. LGI shareholders hated that their stock was used to finance a purchase that many would find difficult to hold. Meanwhile, LILAK shareholders suffered significant losses because of LILAK's poor initial execution following the closing of the transaction. Both LGI and LILAK have frustrated shareholder bases that have suffered as the broader market has risen 35+% the past two years. However, LILAK's formal separation from LGI, turning LILAK into an asset-backed company, may lead to a change in sentiment. This separation, along with company-specific catalysts, creates a compelling opportunity for those willing to dig into the complicated names.

BRIAN BROSNAN, INVESTMENT RESEARCH, CRYSTAL AMBER ADVISERS

OCADO (London: OCDO) is an online grocery pioneer in. Despite many challenges since it was founded in 2000, Ocado has established a successful UK business. The company subsequently broadened its focus to offer international food retailers access to its market-leading capabilities. With Amazon's purchase of Whole Foods, Ocado appears to be in prime position. "Amazon just declared war on every supermarket and corner store in America," proclaimed the CEO of Instacart following the Whole Foods deal. He captured the feelings of boards across the world. Grocery is a huge market and is moving online. The company's high investment spend is depressing profitability, but if it can capture a small share of the global market, it can generate high operating leverage from its platform, with pre-tax ROI in excess of 50%.

RODRIGO LOPEZ BUENROSTRO, ASSOCIATE, KUE CAPITAL

KKR & CO. (NYSE: KKR) is one of the most successful private equity firms. It turns out managing money for external clients and investing it alongside yours in alternative, long-term compounding vehicles is a great business. KKR manages \$153 billion, mostly from large pension funds and endowments. The market cap stands at \$17 billion, of which 40% is owned by management. KKR makes money essentially from a recurring revenue stream of management fees, volatile yet profitable incentive income, and income from GP investments. The cost side is quite straightforward as well: the main expense is attracting and retaining talent. KKR is one of a few PE shops that have the scale to absorb large limited partner checks and the track record (brand) for CIOs to sleep well at night: no CIO will be fired for investing in KKR. Add this all up and you have a business that generates 17% ROEs. When you buy a share of KKR you are essentially partnering with the managing partners that own most of the business, raise the capital, and invest in attractive opportunities.

As the GP, KKR invests in its own funds and co-investments. On average, KKR has contributed about 7% of the AUM raised in their funds. This has translated into close to \$11 billion on their balance

sheet in a diversified mix of fund investments, co-investments, and outright control positions. These investments are also diversified in vintages, asset classes and geographies essentially providing a long term, compounding portfolio of great businesses. If we add net cash and accrued incentives to this investments account, after-tax value amounts to close to \$10 billion, or ~60% of the recent market cap. This provides a significant margin of safety for KKR shareholders.

The most attractive attribute of the income statement is the fee-related earnings, which consist of stable, predictable management fees, after expensing for talent salaries, G&A, and placement fees. The value of this consistent stream of earnings comes at ~\$8 billion for KKR, which accounts for more than the remaining 40% to reach the market cap, assuming after-tax earnings and a multiple that is lower than where the market has been recently.

In sum, at ~\$20 per share, we are paying for the embedded value on the balance sheet plus a fair value for the recurring revenue business only. The gravy that the market has not priced in yet includes (i) value of the carried interest from current AUM and any additional AUM raised in the future; (ii) AUM that has been committed by LPs but are still not generating management fees; and (iii) any management fees above a growth rate of 6% into perpetuity.

TOM BUSHEY, MANAGING PARTNER AND PORTFOLIO MANAGER, SUNDERLAND CAPITAL PARTNERS

EDREAMS ODIGEO (Spain: EDR) is a leading online travel agency based in Barcelona. The shares offer an attractive risk-reward in light of the strong business fundamentals and meaningful discount to peers and intrinsic value. The prospect of M&A, brought forth by a recently announced strategic review, provides a near-term upside option. As the online leader in flights in Europe, with ~27% market share, eDreams recently announced the rollout of a “dynamic packages” (hotel) business, which will provide margin accretion and diversify the revenue stream. eDreams is a leader in mobile, with 37% of flight bookings coming via its mobile platform, reducing customer acquisition costs. The fundamental improvements support guided EBITDA growth of ~10% annually over the next three years. In addition to operational improvements, the company’s debt can be refinanced in mid-2018, adding to cash flow growth potential. In light of the strong fundamentals and discount to peers at 6.2x EV/EBITDA for FY19 vs. 14.5x for peers, Tom sees substantial upside. A potential M&A transaction serves as an option that would close the valuation discount.

FRANCISCO CARRILLO, CHIEF INVESTMENT OFFICER, MEXICO VALUE PARTNERS

GRUPO MEXICO (Mexico: GMEXICOB) not only has the largest copper reserves in the world but through its subsidiary, Southern Copper (NYSE: SCCO), is also the lowest-cost producer in the world. Grupo Mexico is owned by family operators, the Larrea family, which has done a superb job of capital allocation, as evidenced by the projects in which the company has invested over the years. Investors have an opportunity to buy Grupo Mexico essentially at “negative value” of ~12 pesos per share, because the company’s 89% ownership of SCCO is worth 120% of Grupo Mexico’s market capitalization. Investors essentially pay nothing for the non-SCCO assets, including the largest railroad operation in Mexico (a duopoly, with Kansas City Southern the main competitor) with close to \$1 billion in EBITDA, and other assets, including toll roads, cogeneration plants, and oil platforms in

lease to Pemex, which together account for close to an additional \$1 billion in value. At the recent share price, the valuation remains undemanding at ~6x this year's EBITDA and an FCF yield of close to 10%. As new projects materialize, the company should grow cash flow in the low-teens through 2019. Francisco sees upside of nearly 40%, assuming copper prices of \$2.90 per pound. The sum-of-the-parts valuation discount provides downside protection.

JAMES CHOA, FORMER MANAGING DIRECTOR, VALIANT OCEAN CAPITAL

ASIA FINANCIAL HOLDINGS (Hong Kong: 662), founded in the 1950s, is a family-owned insurance-focused holding company. AFH's key investments include (i) wholly owned Asian Insurance (P&C), (ii) a joint venture in reinsurance, life insurance, and asset management, and (iii) direct investments, such as stakes in PICC Life and Bumrungrad Hospital, Southeast Asia's largest private hospital. Asia Insurance, with its strong local market knowledge and underwriting experience, has one of the best underwriting track records in the region. Due to the insurer's conservative underwriting and focus on profitability, the combined ratio improved to 81.4% in 2016, better than the 88.7% average for the top ten insurers. Reflecting the company's strong competitive position and solid capital base, S&P has assigned an "A" rating to the business. AFH trades at a discount of ~44% to book value. The recent stock price is HK\$4.40 per share, as compared to investments per share of HK\$5.90 and cash on hand of HK\$2.70 per share. Furthermore, the stake in PICC Life alone, which is carried at historical cost, could be worth 80+% of AFH's recent market cap. The market effectively implies a negative value to the insurance operation. Asia Financial therefore sits on attractive assets ignored by the market. While the recent decision to dispose of the stake in Hong Kong Life is a good start to unlocking value, James sees multiple avenues in the short and medium term to enhancing value.

AMIT CHOKSHI, CHIEF INVESTMENT OFFICER, DOSHI CAPITAL PARTNERS

AU OPTRONICS (NYSE: AUO) is a Taiwan-based global producer of panels utilized in televisions, desktops, notebooks, mobile devices, and commercial applications. AUO and its peers have struggled over the past five years to reign in supply as the primary market of televisions became saturated, resulting in a decline in average selling prices. However, since 2016, the age of TV sets in a number of regions globally has reached a level that has triggered a TV upgrade cycle, featuring larger screen sizes and more features, particularly thinner, bezel-less televisions. These characteristics have allowed AUO to generate higher gross margins and drive operating leverage.

Despite the significant improvement in their primary end market, investors value AUO below book value and less than 3x EV/EBITDA, despite relatively muted future capex. The market may believe AUO is at a cyclical peak with a commoditized product subject to an influx of competition from China and thus deserves a low valuation. While this view may ultimately be accurate, the company's low valuation and clean balance sheet provide a low carrying cost to see if another thesis plays out. The panel maker market has a similar story to the DRAM market from 2011, whereby a number of competitors left the market and the remaining participants were disciplined on supply and targeting end markets. Chinese competition may re-emerge, but Chinese competitors have not shown an ability to produce panels with the high-level features consumers demand, resulting in highly price sensitive



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end markets that AUO has deliberately avoided. In addition, bezel-less TVs have allowed AUO to take a larger share of televisions profits as the integrated circuits that were produced by other OEM equipment manufacturers that were typically found in the back of the television panel are now applied directly to the panel itself by AUO through a process called "gate on array".

AUO is keenly focused on avoiding price-sensitive markets and has focused on flexible OLED applications, the automobile market, and other commercial applications that require a high degree of specification and switching costs that reduce the price sensitivity of products. For example, AUO is already a top two or three provider of panels for the automotive market, and one could expect as technology and panel use increases across cars, the company will benefit. AUO has entrenched itself in a number of specialized end markets, and the peers are doing the same, which should result in more sustainable profitability. If this thesis plays out, market participants may ultimately re-rate the company at several turns above recent EV/EBITDA levels, which could result in a stock price 100-200% above recent levels within two to three years — analogous to what occurred in the DRAM market several years ago.

IAN CLARK, MANAGING PARTNER, DICHOTOMY CAPITAL

ATLANTIC POWER (NYSE: AT): Electrical grids are becoming increasingly complex and shifting from the old model. Through this, valuations for many independent power producers have taken a hit, as many market participants do not understand the grid of tomorrow. Atlantic Power has the ability to be a profitable and dependable independent power producer for years to come, thanks to their high-quality assets. Investors seems to be looking at Atlantic Power with a rear-view mirror when the focus should be on where the company will be in five years. Ian believes Atlantic Power will be close to debt-free, with high-quality assets and a robust pipeline.

ERIC DELAMARTER, MANAGING MEMBER, HALF MOON CAPITAL

BLUELINX (NYSE: BXC) is a home-building products distributor with a footprint in the Eastern and Central U.S. October's price-indiscriminate selling of 53% of the company's shares by legacy private equity owner Cerberus Capital (insignificant last position in its 2004 vintage fund) pushed BXC's share price down 30+% and created a timely and unique opportunity to buy a sound business with a solid management team at a discount to intrinsic and asset value. The removal of this overhang opens up the float, improves liquidity, expands the potential shareholder base, and enables the company to use stock as a currency for acquisitions. As the selling pressure from the recent offering dissipates, and now that event-driven traders have likely moved on, the stock price appears poised to move higher. Several catalysts could create material upside, with downside protection derived from the company's large asset base.

ABHAY DESHPANDE, CHIEF INVESTMENT OFFICER, CENTERSTONE INVESTORS

O'REILLY AUTO PARTS (Nasdaq: ORLY) is a leading retailer of automotive aftermarket parts in the U.S. Its stock price has recently languished due to cyclical headwinds and concerns over the competitive threat from e-commerce players. O'Reilly operates a dual market strategy that enables it to efficiently serve both do-it-for-me and do-it-yourself customers. The dual market strategy enables it to leverage its retail distribution and distribution infrastructure. The company has a best-in-class distribution infrastructure that provides it with industry leading parts availability and store in-stock levels. While growth has recently slowed due to cyclical headwinds, Abhay believes O'Reilly can continue to take market share in a fragmented industry and generate strong same store sales growth. As O'Reilly has increased its scale, profitability and returns on invested capital have increased. O'Reilly has a distribution advantage and can grow intrinsic value over time.

STEPHEN DODSON, PORTFOLIO MANAGER, BRETTON FUND

CONTINENTAL BUILDING PRODUCTS (NYSE: CBPX) is a Virginia-based manufacturer of gypsum wallboard. Housing starts, wallboard, and building products in general are in the middle of a long recovery cycle, with many of years of above-average growth ahead. The wallboard industry has consolidated post-crisis, leaving a handful of competitors per market, and implemented pricing discipline, with much of the industry producing attractive margins and returns on capital. Due to a depreciation-capex mismatch, Continental Building Products produces more free cash flow than net income, and management has been on a pace of retiring 5-6% of shares per year. The company is trading at 13x free cash flow and 11x EBITDA-capex.

JAVIER ECHEVARRIA, CHIEF INVESTMENT OFFICER, INVEXCEL PATRIMONIO

C&C GROUP (Ireland: GCC) is a small European company that produces and distributes alcoholic and non-alcoholic drinks. It has a strong and diversified portfolio with leading beer and cider brands sold in 60+ countries. C&C is also a leading supplier, distributor, and wholesaler of beverage products in Ireland and Scotland, its core markets, where it generates ~85% of operating profit. Some well-known value funds are the major shareholders, with a large position (~39% of the capital) built over the last two years, giving long-term support to management's business plan. The stock performance during the last five years has been -37%, mainly due to a mixed capital allocation record, weakness in core markets, and intense competition. Javier believes C&C has left behind the worst-case scenario. It is a company with strong and durable competitive advantages, a long-term partnership with AB InBev, and a strong record of cash generation (ten-year average of 64% vs. 46% for European peers) and returns on capital employed (13.6% vs. 10.8% for European peers). At recent prices, the valuation seems compelling, with an FCF yield of 8.5% (vs. peers at 4.5%), P/E of 12.3x (vs. peers at 23.6x). Financial leverage is also below that of its peers (1.6x vs 2.4x).

AARON EDELHEIT, CHIEF EXECUTIVE OFFICER, MINDSET CAPITAL

COUSINS PROPERTIES (NYSE: CUZ) has quietly transformed into a high-quality office REIT focused on Sunbelt markets such as Atlanta, Austin, Charlotte, Phoenix, and Tampa. Investors are not giving the company credit for this transformation taken in the last six years. NAV is \$11-12 per share. The company could see a boost if Amazon picks Atlanta or Austin for its new headquarters, as Cousins generates nearly 40% of NOI from Atlanta and 20% from Austin. There are few ways to publicly play Amazon's announcement, upon which Cousins could be worth up to \$17 per share.

SCHEID VINEYARDS (OTC: SVIN) is an unknown, illiquid microcap that trades at an estimated 65+% discount to NAV per share. The company owns and leases ~4,000 acres of prime Monterey County, California vineyards and also owns a state-of-the-art winery worth \$75 million. The company, after years of not filing with the SEC and not reporting to investors, has started to send out quarterly financial statements. NAV could be as high as \$244 per share, compared to the recent share price of ~\$75 per share. The illiquidity notwithstanding, investors receive a sizable discount to quality assets.

MESUT ELLIALTIOLU, CHIEF INVESTMENT OFFICER, TALAS TURKEY VALUE FUND

KOC HOLDING (Istanbul: KCHOL) is the largest industrial group in Turkey based on leadership positions in strategic and high-growth sectors, including energy (Tupras), automotive (Ford Otosan, Tofas Fiat, Turk Tractor Case New Holland), consumer durables (Arcelik), and banking (Yapi kredi Unicredit). The company is a beneficiary of economic growth and resilient through diversification. Koc has JV partnerships in Turkey with global blue chip companies, including Ford Motor, FCA, Case New Holland, Unicredit, and Kagome. Nearly 50% of total revenues, which is around \$25 billion, is not sensitive to fluctuations in the domestic economy. Koc trades at ~35% discount to estimated NAV.

TIM ERIKSEN, PRESIDENT, ERIKSEN CAPITAL MANAGEMENT

CUSTOMERS BANCORP (NYSE: CUBI) is a regional bank holding company for Customers Bank that operates fifteen branches and offices from Boston to Philadelphia. The bank was founded in 1997 and has grown to nearly \$10 billion in assets. Customers has a low efficiency ratio (operating expense divided by net interest income plus non-interest income), i.e., high operating margins. The bank trades at 13x trailing earnings and less than 1.2 times book value. Recent results have been negatively impacted by the BankMobile division, which Customers expects to spin off in 2018, and management's decision to end 2017 below \$10 billion in order to meet small issuer exemption rules. BankMobile has been losing ~\$12 million annually, or \$0.40 per share. The spinoff is projected to be worth about \$3.50 per share, leaving the remaining bank trading at an attractive valuation. Post-spinoff, Tim estimates the bank stub at \$22.50 to have an earnings run rate in excess of \$3 per share, inclusive of the lower U.S. corporate tax rate. Based on an ability to grow assets and profits, Tim believes just over 7x earnings is attractive. His target price for the stock by the end of 2018 is \$45 per share, or 13x his 2019 EPS estimate of \$3.50 per share.

DAVID FLEER, PORTFOLIO MANAGER, BRISTLECONE VALUE PARTNERS

STEEL PARTNERS HOLDINGS LP (NYSE: SPLP) is a publicly-traded limited partnership in the process of transforming itself from a collection of minority stakes in public companies into an owner primarily of operating businesses. Steel Partners now owns a diverse collection of industrial businesses, an oil and gas services business, and a most unusual bank, alongside significant remaining non-operating assets (and liabilities). The company is managed by capable owner/operators with significant alignment of interests through 52% insider ownership. David believes the market—to the extent it's paying any attention at all—may be mispricing Steel Partners due to its complicated structure and less-than-transparent accounting. As the company simplifies, the discount to intrinsic value may narrow; absent that, David believes operating results and good capital allocation will allow value to compound at an attractive clip.

JAMES FLETCHER, PORTFOLIO MANAGER, APG ASSET MANAGEMENT

AUTOHOME (NYSE: ATHM) is a business with a strong network effect, where the market underestimates pricing power, with improved corporate governance, strong cash generation, and an undervalued stock relative to history and global peers. The company is China's leading online automotive portal, with 25+ million unique users per day and 28,000+ serviced dealers. Autohome is comparable to Autotrader.com in the UK, Cars.com or Autotrader.com in the U.S., and Carsales.com in Australia. James' investment thesis is based on four pillars: (i) The company benefits from a network effect. It dominates the market with 80+% traffic share (based on unique users and time spent on websites), with most of the content in the form of user-generated content, forums, and reviews. A platform business is all about traffic and stickiness; Autohome dominates the market and continues to gain share, making the network effect more powerful. (ii) The market may be underestimating the company's pricing power. Autohome has been increasing APRU 25-40% per year to dealers and OEMs fairly easily in past years, recently at Rmb 46,000 per year, i.e., ~\$10 per lead, much lower than global peers. Dealers are dependent on Autohome, and in James' channel checks with Chinese car dealers, the ROIC of using Autohome's platform is as high as 10x, as Autohome accounts for 30-40% of car leads but only 9% of marketing spend. (iii) After a rocky eighteen months of changes in management and controlling shareholders, Ping An has taken control and seems to be refocusing the business on the core media platform business as well as looking for synergies in the auto financing business. (iv) Autohome is an asset-light, cash-generative business. CFROI is 32%, the FCF yield is 4+%. The company has room for growth, with minimal investment required. Peers in other countries trade at 7-15x EV to sales. Autohome traded as high as 17x but has recently been quoted at 6x EV to sales. The company has \$1+ billion in cash on the balance sheet, equating to 10+% of market cap.

RICK FUJIMOTO, MANAGING PARTNER, SILVERADO INVESTMENT PARTNERS

CREDIT ACCEPTANCE (Nasdaq: CACC) provides financing programs and related products and services to automobile dealers in the U.S. It advances money to dealers in exchange for the right to service underlying consumer loans for a fee. It then partners with dealers on the additional collection

of payments. CACC also purchases consumer loans dealers have originated whereby it collects and keeps all customer loan payments. CACC enjoys solid competitive advantages over peers evidenced by its superior performance and return on capital. Management has a proven track record of creating shareholder value by fueling growth and repurchasing shares below intrinsic value. Management also collectively owns a significant share of the company. While the quality of CACC's business and track record of growth suggests it deserves a premium market multiple, it trades at a substantial discount to the market average.

ERIC GOMBERG, FOUNDER, DANE CAPITAL MANAGEMENT

ANDINA/LAZYDAYS (Nasdaq: ANDA) is among the largest RV dealerships in the U.S. (~\$600 million in 2017 revenue). The company is in the process of going public via a SPAC (fully backstopped with long-term investors). The valuation and economics of the deal are compelling. LazyDays is going public at 6.5x 2017 EBITDA, with a 10+% FCF yield, and has numerous companies under NDA to acquire at 2-3.5x EBITDA. LazyDays' closest comp, Camping World (CWH) has seen multiple expansion from 7x to 12x EBITDA since an IPO in late 2016. Eric expects a combination of accretive M&A, geographic diversification, and multiple expansion to lead to meaningful share price appreciation. Given the fragmentation in the RV dealership industry (2,100+ dealers in the U.S.), there is a long runway for growth. Eric recently attended the National RV Convention, at which a panel discussed succession planning for RV dealers. There appear to be few viable exits, and LazyDays appears to be among the most attractive. LazyDays is an asset-light business, with capex at 1.1% of sales. The company should emerge from the going-public transaction with a clean balance sheet, with just 0.8x leverage, based on a \$20 million term loan, which will likely be refinanced in the near term.

STEVE GORELIK, PORTFOLIO MANAGER, FIREBIRD MANAGEMENT

OLYMPIC ENTERTAINMENT (TSE: OEG1T) is one of the largest casino operators in Eastern Europe. Operating in six countries, including Latvia, Estonia, and Slovakia, the company differentiates itself as a provider of higher-quality gambling experiences. Olympic's spacious halls, attractive bar areas, and modern slot machines give revelers a reason to spend more time at the establishments, resulting in higher gross gaming revenue and profitability. Since 2010, Olympic has been growing revenue and EBITDA at 11% and 17% per annum, and ROIC on new investments (organic and M&A) usually ranges between 40 and 60%. Despite strong growth and profitability, the company trades at 5.5x EV/EBITDA and a 5.5% dividend yield. The attractive valuation is explained by the relatively low liquidity of the Tallinn stock exchange and some regulatory concerns. A number of significant recent investments have started bearing fruit, with nine-month 2017 EBITDA increasing 26% over last year; it should continue to drive near-term profit growth. Olympic trades near the bottom of its historical EV/EBITDA trading range and should generate mid-30s IRR over a two- to three-year holding period.

AMC ENTERTAINMENT (NYSE: AMC) is the largest owner of movie theaters in North America and Western Europe. AMC shares were down 50+% in 2017 as the market became concerned about weak theater attendance data, relatively high leverage, and the possibility of changes to the 90-day exclusivity window enjoyed by theaters. Steve believes the market has overreacted to the challenges

and is overlooking the fact that movie theaters have pricing power, as demonstrated through steady 3-4% growth in average ticket prices. Margins are improving steadily as a more significant proportion of revenue comes from higher-margin concession sales. AMC generates about \$400 million of free cash flow (as compared to a \$2 billion market cap), with most of the spare cash deployed into high-ROIC projects designed to improve customer experience. AMC's operating cash flow before working capital changes is up 60% since 2013 because of these investments. An improving movie slate in 2018 and spending on customer experience improvements at newly acquired chains should lead to positive re-rating of AMC shares within 12 to 18 months. The multiples paid by Cineworld for close comparable Regal suggest 60 to 70% upside in the private market.

GABRIEL GREGO, MANAGING PARTNER, QUINTESSENTIAL CAPITAL MANAGEMENT

DISCOVERY COMMUNICATIONS (Nasdaq: DISCA) is a broadcaster of unscripted content and part of the John Malone group of companies. Discovery is undervalued due to fears about the transition of content delivery from TV/cable to alternative channels such as online streaming. Fears may be overblown considering that content demand should not be particularly affected by the nature of distribution systems. Discovery has recently acquired Scripps, a similar and complementary business that should help reach critical mass and improve bargaining power when negotiating with advertisers. Discovery's international business is growing at a faster rate and offers opportunities for cross-selling.

JOHN HELDMAN AND DAVID HUTCHISON, PORTFOLIO MANAGERS, TRIAD INVESTMENT MANAGEMENT

ALLISON TRANSMISSION (NYSE: ALSN) is the world's largest manufacturer of fully-automatic transmissions for medium and heavy-duty commercial vehicles (primarily Class 6, 7 & 8) including on-highway, off-highway, buses, motorhomes, and defense vehicles. Allison has 60% global market share of the on-highway (~2/3 of revenue) fully-automatic transmission market. Founded in 1915, bought by General Motors in 1929, sold by GM in 2007 to Carlyle Group to shore up a weak balance sheet, ALSN went public in 2012. Fully-automatics are most cost-effective and primarily used in metro markets where many stops and starts are performed. Benefits of fully-automatics include fuel savings, higher vehicle productivity, lower lifecycle costs, easier driving training and retention, and driver comfort. With current and anticipated driver shortages and rising driver pay, ALSN customers will have incentives to retain drivers however possible. ALSN enjoys favorable characteristics such as brand name recognition, technological leadership, high switching costs, a large installed base, diversified end markets by truck type and geography, longstanding OEM customer relationships, strong profitability and FCF, and capable management with excellent capital allocation. Allison possesses good long-term organic growth opportunities, including hybrid, electric, alternative fuels and emission-reducing technologies. In addition, a large opportunity exists in international markets, particularly emerging economies where fully-automatic transmissions have low market share. ALSN recently traded at ~10x John and Dave's 2018 EBITDA estimate. They believe the company can grow revenue and EBITDA at a high single-digit rate over the next three to five years, which combined with smart deployment of FCF could lead to the share price doubling over that time frame.

JONATHAN ISAAC, PRESIDENT AND PORTFOLIO MANAGER, QUILT INVESTMENT MANAGEMENT

CASS INFORMATION SYSTEMS (Nasdaq: CASS) is a leading provider of processes, software, people, and systems to manage and control the complexity of telecom, waste, utility, and transportation expenses (“complex payables”). Cass’s commercial bank invests “float” generated in the payment process, and engages in its own niche-focused banking. Float, a non-interest bearing liability, is a structural advantage for Cass because it lowers the average cost of funds for the bank and results in earning assets outnumbering interest-bearing liabilities. This imbalance powers net interest margin as interest rates rise. Cass also possesses optionality towards higher energy prices, as float per transportation invoice and fee revenue partly bear the impact of energy prices. Rebasings Cass’s historical results with a constant net interest margin shows the economies of scale of the complex payables business. The bond-like operating standard deviation of the complex payables fee revenue also shows a sticky business relatively unscathed by the financial crisis. Cass is well-positioned to benefit as interest rates and, to a lesser extent, energy prices “normalize”, and the impact is largely incremental to earnings before tax. Jonathan’s valuation model is predominately based on historical financial trends and modifications of the NIM; due to scale economies, even a consistent NIM produces decent returns, while an increasing NIM produces powerful effects. As the need for control and comfort with delegating control becomes more intrinsic to daily life, a Mungerian lollapalooza effect brews. Furthermore, US Bancorp, historically an acquirer in the field, looms as a potential acquirer.

NAVEEN JEEREDDI, CHIEF EXECUTIVE OFFICER, JEEREDDI PARTNERS

KKR & CO. L.P. (NYSE: KKR) is one of the largest and oldest alternative asset management firms with a strong forty-year history of value creation. KKR manages approximately \$153 billion in assets with \$88 billion in private markets and \$66 billion in public securities. KKR is a substantial player in a growing oligopoly with comfortable incumbent profit margins and returns-on-capital dynamics. Industry assets have doubled over the last nine years while KKR has doubled its asset base in just five years. Average gross returns on capital over the forty years have averaged ~25% per annum. The company has roughly a \$17 billion market cap and \$12 billion of cash (and other net tangible assets on the balance sheet) with \$45 billion of uncalled dry powder in fund structures. KKR has substantial permanent capital, and 80% of KKR’s assets are locked up for eight years or more with extremely high renewal rates. Due to subordinating governance structures, high insider ownership, complex accounting, business model confusion, and feared cyclicity, KKR trades at a low single-digit multiple of normalized earnings (assuming modest operating scenarios). KKR’s bargain share price values the growing investment business at an inexpensive multiple and provides the carried interest for free.

ASHISH KILA, DIRECTOR, PERFECT GROUP

THOMAS COOK INDIA (India: TC) offers an opportunity to “go back in time” and buy an investment vehicle like Berkshire Hathaway when it was still in its infancy, run by a competent investment manager like Prem Watsa who has grown book value at Fairfax by 19% annually over three decades.

Ashish expects Watsa's influence to benefit the rate of long-term compounding at Thomas Cook. As Richard Zeckhauser writes on investing in the unknown and unknowable, when an opportunity to do "side car" investing presents itself, one should not miss it. Ashish also quotes Munger: "To find wonderful businesses, one needs to find them small and get them when they're little."

MATHEW KLODY, MANAGING PARTNER, MCN CAPITAL MANAGEMENT

GUESS (NYSE: GES) is a branded licensor, wholesaler, and retailer of apparel and accessories. Guess operates globally, generating \$2+ billion in annual sales. Retailers as a group have been under tremendous pressure over the past year as anything seen going up against Amazon is presumed to face imminent demise. Long Amazon/short traditional retail has been a big winner and is now a popular, crowded theme. In a momentum, ETF-driven world, individual opportunities arise from crowded macro trades. Guess is a great example of that. The balance sheet is pristine, and Guess owns a high-margin licensing business. Two years ago, Guess hired a new CEO, Victor Herrero, who built a \$2 billion business in Asia Pacific for Inditex, one the world's largest and most successful fashion retailers. He quickly and aggressively put in place some key strategic initiatives. These include (i) consolidating a saturated American store base, (ii) investment and expansion in international markets, and (iii) internal initiatives aimed at more effective branding. He also incorporated some of the best-of-breed design, sourcing, and distribution methods of Inditex. Growth in Europe and Asia is accelerating as this investment period comes to an end. Mathew sees a path to \$2+ EPS, and with the cash on the balance sheet, Mathew sees fair value of \$30+ per share.

SHAWN KRAVETZ, PRESIDENT AND CHIEF INVESTMENT OFFICER, ESPLANADE CAPITAL

BRIDGEPOINT EDUCATION (NYSE: BPI) is priced for distress but poised for success thanks to a dramatically improved regulatory environment for its postsecondary education offerings and a fortress balance sheet that has enabled it to survive the regulatory scrutiny and eroding fundamentals of the Obama years. While most peers have seen their stocks soar 50%+ since the election, BPI has languished as they turn around their business – with some self-inflicted headwinds now easing – and continue to buy back shares aggressively. They have remained profitable and cash flow positive, yet trade at less than 2.5x Shawn's pro forma 2018 EPS and less than 1.5x EV/EBITDA. With overhangs removed and catalysts in play, BPI presents 90+% upside potential with undemanding assumptions about 2018 operations.

MIKE KRUGER, MANAGING PARTNER, MPK PARTNERS

IES HOLDINGS (Nasdaq: IESC) installs electrical wiring for nearly the entire spectrum of real estate and also makes or repairs equipment for electric motors. A high-flying roll-up in the late 1990s, the company blew up around 2004 and has flown under-the-radar ever since. IES is 58%-owned by chairman and former hedge fund manager Jeffrey Gendell. In May 2015, Gendell began executing the same playbook he used to turn Patrick Industries (PATK) into a home-run for investors. Gendell is

rolling up asset-light electrical businesses that are too small to attract bids from private equity. Multiples have averaged ~6.6x EBITDA less capex. With \$378 million in NOLs, the deals are highly accretive to FCF. Combined with some secular and cyclical growth, FCF has grown strongly since Gendell took the reins, but FY17 (ended September) results were depressed by two issues that have been solved recently. IES has roughly zero net debt and trades at ~10x Mike's low-end and 8.5x his base-case FCF for FY18.

STANLEY LIM, CO-FOUNDER, SLIMHAWK PARTNERS

TAIWAN SEMICONDUCTOR MANUFACTURING (Taiwan: 2330) is a large-cap stock with a high degree of pricing power. It is the largest semiconductor manufacturing foundry in the world and holds 50+% global market share. TSMC has compounded net income by ~30% annually since 1991, with net income margin consistently above 30%. The company retains growth potential as the foundry business continues to consolidate and technology sectors such as the "internet of things", cloud computing, and artificial intelligences are emerging. TSMC is an example of what Buffett terms a "wonderful company at a fair price".

TENCENT HOLDINGS (Hong Kong: 0700) is the largest technology company in China. It has two key platforms with close to one billion monthly active users each: QQ and WeChat. Tencent is also a key platform in China for services such as mobile news, video streaming, music, online publishing, and mobile app store. Tencent has seen strong growth, with revenue and net income up 71% and 74%, respectively, annually from 2001-2016. The company continues to find ways to grow as it becomes the dominant platform in China. It also pursues international expansion, both organically via WeChat and through acquisitions.

FRED LIU, FOUNDER AND PORTFOLIO MANAGER, HAYDEN CAPITAL

ZOOPLUS (Germany: ZO1) is a leading online retailer of pet food and supplies in Europe. Fred's analysis indicates the company's upcoming investments in new features and customer experience should yield high incremental ROIC and, as a result, attractive returns for investors.

CLEMENT LOH, INVESTMENT MANAGER, LION ROCK PARTNERS

SAIGON CARGO SERVICES (Vietnam: SCS) is one of two air cargo terminal operators located in the Tan Son Nhat Airport, which serves Ho Chi Minh City and southern Vietnam. SCS benefits from a strong moat based on its privileged location and earns 40% return on equity as a result. The only competitor, Tan Son Nhat Cargo Services, is at capacity and has no available land for expansion. SCS is running at 70% of phase one capacity of 200,000 tons and can easily increase capacity to 350,000 tons. Revenue is expected to compound at 15% for at least the next six to seven years from cargo traffic growth and pricing power. Clement expects almost all of the incremental revenue to turn into free cash flow as the business has significant operating leverage and low maintenance capex needs. Management has adopted a transparent culture and intelligent capital allocation policy, with a

majority of cash flow returned as dividends. The business also has potential options for further revenue streams by developing unused real estate at their prime site next to the airport. The major risk (and opportunity) for SCS lies in the development of a new airport expected to start operations in 2025. As the major shareholders in SCS are the military and the airport authority, it is likely SCS will play a major role in the new airport, but details will not emerge for another few years. SCS shares were recently valued at 17x 2018 earnings or 5x peak cash flow (when capacity is reached in 2023). Clement believes a business with such a strong moat and reinvestment opportunities should have a higher valuation and provides a good margin of safety for the long-term investor.

JOE MAGYER, CHIEF INVESTMENT OFFICER, LAKEHOUSE CAPITAL

AFTERPAY TOUCH (Australia: APT) is a little-followed, fast-growing company based in Melbourne, Australia. The company's core offering, Afterpay, is a "buy now, pay later" consumer payment platform that in just over three years has reached acceptance at more than 10,000 online retailers. Afterpay, which is now used by 1.3+ million Australians, is also expanding into new adjacent verticals, including travel, in-store retail, and new countries, which have high ceilings.

KEN MAJMUDAR AND SAM NAMIRI, RIDGEWOOD INVESTMENTS

FARMER BROTHERS (Nasdaq: FARM) is a national coffee roaster and distributor of coffee, tea, and culinary products established more than a century ago. The company has a strong presence in the direct-store-delivery segment of the coffee market and sells to thousands of customers, from small independent restaurants to large customers such as McDonald's and Target. The company has grown sales volumes over the last five years, in part due to the established trend of increased coffee consumption in the U.S., with specialty coffee segments growing faster than the overall coffee market. FARM is in the midst of a corporate restructuring that should help increase EBITDA by 50+% over the next eighteen months. One of the key near-term catalysts that will drive value is the company's recent relocation of its main manufacturing facility and headquarters from higher-cost Torrance, California to its growing facility in Northlake, TX. Other positives include recent tuck-in acquisitions that are expected to be accretive to EBITDA, and other operational improvements. Ken and Sam's thesis is that once the new plant in Texas is fully operational and running closer to capacity, FARM could reap cost synergies that will drive cash flow growth and price appreciation over the next 18-24 months.

RIMMY MALHOTRA, CHIEF INVESTMENT OFFICER & PORTFOLIO MANAGER, GRATIO CAPITAL

NELNET (NYSE: NNI) may appear to be a leveraged company whose core student loan business is in decline, and its second-largest business line, government student loan servicing, is exposed to near-term renewal risk by the U.S. government. Actually, while the core student loan business is in decline, the market misunderstands the other underlying businesses. The core student loan book is federally guaranteed, match-funded with non-recourse debt, and is in rapid run-off. The federally guaranteed cash flows from this business represent roughly 75% of the company's recent market

capitalization. Over the past decade, Nelnet has diversified into multiple other businesses that are thriving and growing. Rimmy believes that over the next three years Nelnet may become worth more than double the recent stock price, coupled with strong downside protection. Founder Mike Dunlap started the company with a \$50,000 equity investment in 1996, which he grew to \$109 million by the IPO in 2003. In the IPO, he raised another \$168 million of equity capital and has growing equity to \$2+ billion in tangible book value and, according to Rimmy, even more in intrinsic value.

JUAN MATIENZO, MANAGING PARTNER, MERCOR INVESTMENT GROUP

ORIENTAL WATCH (Hong Kong: 398) is an HK/China luxury watch retailer that trading for less than half of tangible book value and below liquidation value. It has a long history of profitability but has struggled in the past few years due to China's crackdown on corruption and higher rental costs. Throughout this period of turmoil, the company has managed to maintain profitability in every year except one. Rental costs have been declining lately, and consumer sentiment might be improving.

VIETNAM MANUFACTURING AND EXPORT (Hong Kong: 422) is a motorcycle manufacturer that has lost money over the past few years of rapidly declining sales. The shares trade at a discount to cash minus all liabilities, which renders the valuation too low in Juan's view. The company was profitable for many years in the past and has returned cash to shareholders.

CHARLE CO (Tokyo: 9885) is a Japanese seller of women's underwear that trades for less than cash minus all liabilities. The company remains profitable, has a long history of profitability, and returns cash to shareholders via buybacks and dividends.

CHRIS MCINTYRE, FOUNDER, MCINTYRE PARTNERSHIPS

TELESITES (Mexico: SITES) is a regulatory-forced spin of a high-quality, non-cyclical asset with strong growth opportunities and catalysts in the next 12-24 months. Telesites is a Mexican tower company spun out of America Movil (AMX) due to regulatory pressure given AMX's dominant mobile market share (70%), with the regulatory goal of giving AMX's competitors access to the towers. Telesites owns the largest portfolio of towers in Mexico with ~50% market share, with many of the best urban locations and an even stronger share of rural markets. Towers are a particularly resilient area of telco as they are mission-critical to cellular networks, which are mission-critical to their customers. Chris views the shares as cheap on an absolute and comparable basis.

MICHAEL MELBY, FOUNDER AND PORTFOLIO MANAGE, GATE CITY CAPITAL MANAGEMENT

DAWSON GEOPHYSICAL (Nasdaq: DWSN) is the largest provider of onshore seismic acquisition services for the oil and gas industry in North America. Customers include oil and gas exploration companies and multi-client seismic data libraries. Operating results suffered as the decline in oil prices in 2014-2015 reduced demand for the company's services. A strong balance sheet and conservative capital structure helped Dawson survive a prolonged industry downturn that resulted in

restructurings and bankruptcies for many peers. The seismic acquisition market has recently showed signs of improvement as rig counts have increased, the outlook for exploration capital spending has improved, and seismic crews are put to work. The balance sheet continues to be rock-solid, with \$42+ million in cash, no debt, and owned property and equipment with book value of \$90+ million. Dawson recently had an enterprise value of only \$75 million. It is attractively valued at ~0.5x revenue and ~0.7x tangible book value. Mike expects Dawson to generate EBITDA of \$25+ million in 2018, which would result in forward EV/EBITDA of less than 3x. Based on Mike's DCF analysis, he values Dawson at \$150+ million or nearly \$7 per share.

GARY MISHURIS, CHIEF INVESTMENT OFFICER, SILVER RING VALUE PARTNERS

DISCOVERY COMMUNICATIONS (Nasdaq: DISCA) is undervalued because (i) the company has a meaningful competitive advantage based on its brands, distribution, and content library; (ii) the market is correct about the presence of secular challenges in the U.S. media market, but is wrong about their magnitude; (iii) the market is underestimating the long-term resilience and growth potential of Discovery's international business; and (iv) the announced Scripps Networks (SNI) acquisition does pose meaningful risks, but at the same time if it is successful, it is likely to meaningfully improve the company's competitive position, earnings power, and value per share. On a standalone basis, Discovery trades at under 45% of Gary's base case value estimate, but with 55+% downside to his worst-case estimate (which includes an unfavorable outcome of the SNI acquisition). Because of this, Gary has structured the investment in combination with a \$15 January 2020 put option. This gives up some expected return, increasing the base case price to value relationship from 42% to 48%, while at the same time substantially reducing the downside to the worst-case to a more manageable 28%. Given that the next two years are likely to resolve the success or failure of the SNI acquisition, and somewhat likely to provide material information on whether Gary is right on the magnitude of the structural issues facing the industry and the company, the put option makes sense, as it is one-time insurance against a specific adverse outcome rather than an ongoing cost of the position. As a sanity check, the stock plus the put option combination recently traded at under 7x Gary's estimate of 2020 post-integration EPS, a point in time during which the company should be at a sustainable level of financial leverage.

SAMIR MOHAMED, COLLABORATIVE VALUE INVESTOR, FAMILY OFFICE

VAREX IMAGING (Nasdaq: VREX) was spun off from Varian Medical Systems in January 2017. The company is a supplier of components and subsystems for medical and industrial X-ray imaging systems to OEM customers like GE Healthcare. Varex is a market leader in an oligopolistic market and has several competitive moats. The company had declining sales and profit margins in 2015 and 2016 due to temporary factors, which leads investors to underestimate the future sales growth and profit margin potential. It has started adding local OEMs to address the large market potential in China. A shift from analogue X-ray detection technologies to digital detectors is likely to drive organic sales growth to 7-9% annually for years, as digital technology has only reached 30% penetration globally in 2016. With an expected P/E multiple of 10x for 2020, the stock has 60-100% upside.

A.J. NORONHA, PARTNER; EQUITY RESEARCH & PORTFOLIO COMMITTEE, DESAI CAPITAL MANAGEMENT

INTELSAT (NYSE: I): While A.J. typically avoids leveraged companies in industries like technology that may have ongoing capex needs, and believes the company's debt has justifiably weighed on the share price since the IPO, the selloff has created a buying opportunity with asymmetric return potential. Despite the high debt, Intelsat's strong margins, cash flow, discount to intrinsic value, concentrated ownership, and industry leadership position made A.J. take a closer look. With a strong contract backlog representing revenue that is several multiples of the recent market capitalization, high cash flow and margins, favorable industry growth trends, and the stock trading near the trough of the prior years, A.J. believe the shares have asymmetric return potential. Intelsat's leadership position in a fragmented industry with high barriers to entry provides sustainable competitive advantage, and concentrated ownership among private equity investors creates the potential for both an M&A liquidity event and a short squeeze. High debt is a legitimate concern, and A.J. would like to see the balance sheet prudently deleveraged. He also believes catalysts make Intelsat an attractive buying opportunity, with a price target range of \$9-11 per share over two to four years.

FRANCISCO OLIVERA, PRESIDENT, AREVILO CAPITAL MANAGEMENT

RESTAURANT BRANDS INTERNATIONAL (NYSE: QSR) owns three of the best quick-service restaurant brands in the world: Burger King, Tim Hortons, and Popeyes. As the franchisor of each brand, the company is essentially a royalty business with high returns on invested capital and low capex. Given the significant opportunity to expand global restaurant units, the company has a large runway to grow revenue and free cash flow over the long term. The company is essentially controlled by 3G Capital, which has implemented an ownership-oriented culture with strong leaders. The growth opportunity, free cash flow profile, and ownership culture make for an attractive business to own for the long term. The shares trade at ~23x LTM FCF and leverage is 5.6x EBITDA. Francisco estimates that the company could payout 38% of the recent market cap to shareholders over the next five years.

CHARTER COMMUNICATIONS (Nasdaq: CHTR) is the second-largest cable TV operator in the U.S., with 27 million customer relationships, 23 million broadband subscribers, and 17 million TV subscribers. Led by Tom Rutledge, Charter is unique in its operating strategy, which centralizes decision-making, simplifies products and services, and increases capital investment in order to maximize the potential of the cable network. By implementing the operating plan, Rutledge has improved customer growth, reduced costs per subscriber, and has accelerated EBITDA growth. Charter is an attractive investment because Rutledge is only beginning to implement his operating plan over a significantly enlarged Charter (following completion of the Time Warner Cable and Bright House Networks acquisitions in 2016). Charter trades at ~11x EBITDA and leverage is 4.3x EBITDA. Assuming constant leverage, Francisco estimates Charter could generate \$35+ billion (~35% of the recent market cap) for deployment to repurchases or acquisitions over the next five years.

DOUGLAS OTT, CHIEF INVESTMENT OFFICER, ANDVARI ASSOCIATES

MICRO FOCUS INTERNATIONAL (NYSE: MFGP, LSE: MCRO) is software company based in the UK that thinks and acts like a private equity shop tasked with the job of acquiring and managing a portfolio of mature infrastructure software assets. The strategy of acquiring mature assets, improving margins through operational efficiencies, and being keenly focused on cash flows and returns, has produced an annualized total return of 28% over the last decade, as compared to 8.3% for the S&P 500 Index. With Micro Focus having recently completed the acquisition of HPE's software segment, the company has tripled in size, going from \$1.4 billion to \$4.4 billion in revenue. Over the next three years, Micro Focus should double EBITDA margins on 80% of HPE's business, which will add a cumulative \$600 million of EBITDA. Pro forma for the HPE acquisition, Micro Focus trades at 13x EBITDA and 19x FCF and remains undervalued, especially considering the high-caliber management team, proven strategy, and continuing opportunity to be the primary consolidator of its market.

BRIAN PITKIN, MANAGING MEMBER, URI CAPITAL MANAGEMENT

BARCLAYS (NYSE: BCS) trades at roughly 60% of book value. Its recent annual earnings and returns have been frustratingly low. Legacy fines and costs, low interest rates, and a generally anemic banking environment have led to elevated costs and low returns, masking the earnings power of two enduring business: the UK consumer and business bank (Barclays UK) and the transatlantic corporate and investment bank (Barclays International). Meanwhile, Barclays ADRs trade around \$10 while book value per ADR is over \$17 and tangible book value per ADR exceeds \$15. Based on these metrics alone, Brian believes he is investing with a wide margin of safety while allowing for the possibility of outsized returns. As for what is possible over the medium term, Barclays has targeted returns on tangible equity exceeding 10% in 2020 as headwinds abate. Brian considers a couple of paths to future value: Assuming book value and tangible book value increase by an average of 8% per year in the coming years, Brian sees book value per ADR exceeding \$20 and tangible book value per ADR exceeding \$17. Assuming 10% returns on tangible equity to \$17 per share of tangible book value, Brian sees medium-term earnings of \$1.70. Ascribing a 12x multiple to such earnings brings value above \$20. Brian also looks to book value per ADR as a source of value, which will exceed \$20.

HOWARD PUNCH, PRESIDENT & CHIEF INVESTMENT OFFICER, PUNCH AND ASSOCIATES

B. RILEY FINANCIAL (Nasdaq: RILY) is an uncovered financial conglomerate led by a sharp capital allocator who owns 17% of the company and has been buying sizeable amounts of stock in the open market at recent levels. The company reports in three segments, including the namesake small-cap broker-dealer, an appraiser and liquidator of retail inventory, and its principal investing segment, which owns old-tech telecom assets. CEO Bryant Riley operates the company as a believer in the adage "there is no such thing as bad assets, just bad prices". The businesses are complementary, as they potentially provide offsetting cyclicalities, and strong cash flow generation serves as a funding source for opportunistic M&A. The retail liquidation business is a beneficiary of the disruption caused by e-commerce. Recently, the company acquired two broker-dealers (FBR and Wunderlich Securities) at attractive valuations. Through shrewd cost-cutting, the breakeven point for these businesses was

substantially reduced, and their growth engines should benefit within a larger enterprise. The company has a policy of paying regular and special dividends equal to 25% of EBITDA (3.7% LTM yield). With a sum-of-the-parts valuation above \$26 per share and a net cash balance sheet, Howard believes the risk/reward in RILY shares is compelling at \$18 per share.

PETER RABOVER, PORTFOLIO MANAGER, ARTKO CAPITAL

VIAD (NYSE: VVI) is a combination of two unrelated compounder business units, with an identifiable spinoff catalyst over the next 12 to 36 months. Excellent management, a decent balance sheet, and a valuation of less than 7x forward EBITDA and an FCF yield of ~10% provide a good margin of safety and create a compelling risk-reward tradeoff.

V.P. RAJESH, MANAGING PARTNER, BANYAN CAPITAL ADVISORS

INFINITE COMPUTER SOLUTIONS (India: INFINITE): The IT services industry has gone through a paradigm shift in the recent years. Infinite Computer Solutions has navigated the “new” environment successfully and has started growing materially faster than the industry. The founder of the company has a strong track record of taking shareholder-enhancing actions. Core investment thesis: (i) EBITDA margin is stabilizing; (ii) the products business is ramping up and can be a source of significant value in the coming years; and (iii) non-core real estate and net cash account for 30+% of recent market value. On financial and valuation parameters, Infinite Computer Solutions meets most of the metrics mentioned in Ben Graham’s checklist for a defensive investor.

PATRICK RETZER, FOUNDER, CHIEF INVESTMENT OFFICER, RETZER CAPITAL MANAGEMENT

FRANKLIN COVEY (NYSE: FC) is a global training and consulting company specializing in organizational performance improvement. The company has high gross margins and high levels of free cash flow, which enables it to buy back stock consistently, having bought \$62 million in the past eleven quarters. FC is transitioning from a traditional sales revenue model to a subscription-based model. This process often initially depresses the stock price because reported results “look” unimpressive as revenue from new sales is recognized ratably over many months rather than once upon the sale. Ultimately, however, the subscription model leads to higher multiples and stock prices due to expanded margins and recurring revenue. In the last couple of quarters, the company has reported results that demonstrate it is through the toughest part of the transition and now likely in a period in which GAAP revenue, deferred revenue, and unbilled revenue show increases, as do adjusted EBITDA and earnings. This emergence is often when multiples and stock price show upside, as the company shows in the 4Q17 investor presentation. FC has reached four inflection points on different facets of the business that should also accelerate growth. Guidance for fiscal 2018 is for GAAP revenue growth of 14%, deferred revenue growth of 36%, and adjusted EBITDA growth of 30-95%. As the company reports higher margins, smoother results, and higher levels of recurring revenue over the next year or two, Patrick expects the stock price to double.



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SCHOOL SPECIALTY (OTC: SCOO) is an under-the-radar company with a strong competitive position in the K-12 education industry. The real estate crisis decimated school districts' budgets and SCOO was forced into reorganization, which upon emergence wiped out much debt and shrunk the market capitalization. New management, with a proven record of success, was brought in to streamline the business and position it for growth. Revenue troughed in the 4Q14 and has grown 5% while SG&A has shrunk 8%. The company has essentially been rebuilt and is positioned to grow organically and through modest acquisitions that leverage the company's market presence. Despite revenue approaching \$700 million, the market capitalization is only ~2.2x adjusted EBITDA and 18% of revenue. According to Patrick, the business has a wide and deep moat and several catalysts ahead. Management has shown tangible results since arriving at SCOO. The new "21st Century Safe School" initiative has received widespread interest and is well-timed given the current state of U.S. public education. Listed on the Pink Sheets, management appears anxious to "up-list" and broaden the investor base. Within five years, revenue may grow to \$1 billion, adjusted EBITDA may reach \$11 per share, and cash from operations could be \$8.50 per share.

DAN ROLLER, CHIEF INVESTMENT OFFICER, MARAN CAPITAL MANAGEMENT

CLARUS CORP. (Nasdaq: CLAR) is an NOL-rich holding company run by an owner-operator with an enviable track record of creating value through both M&A and organic growth. Its core asset is Black Diamond Equipment, an outdoor equipment business with a heritage that dates to 1957. Black Diamond is number one or two in most of its product categories and is growing rapidly, with numerous organic opportunities ahead. Its president has built and sold several multi-hundred million dollar consumer brands. Befitting its acquisitive nature, Clarus recently purchased Sierra Bullets, a seventy year-old, family-run, premium bullet manufacturer, for around seven times cash flow, which will be significantly accretive in 2018 and beyond. Clarus continues to look for additional M&A opportunities to grow value and utilize its large NOL. Dan believes Clarus can be a "three-year double," with further upside over a longer-term time horizon. The clean balance sheet, significant insider alignment, top- and bottom-line growth, and undemanding valuation, create a solid margin of safety.

MICHAEL ROME, SENIOR ANALYST, LONG FOCUS CAPITAL

US CONCRETE (Nasdaq: USCR) is a construction materials company focused on Texas, California, New York, and New Jersey. Through the acquisition of aggregates assets, the company has become more vertically integrated and has improved the mix. Michael believes this should be rewarded with a higher multiple. In addition, USCR sales are entirely U.S.-based and benefit from corporate tax reform. Michael views EPS estimates as too low, as sell-side analysts forecast \$6 in 2019. Michael expects EPS of \$9 in 2019. With high short interest, a reasonable valuation, and rising estimates, the stock could double within two years, according to Michael.

NITIN SACHETI, PORTFOLIO MANAGER, PAPYRUS CAPITAL

ECHOSTAR (Nasdaq: SATS) is an underfollowed satellite business run by a smart owner/manager (Charlie Ergen) with three core businesses, trading at 10x 2019E cash P/E and worth \$88 per share, offering ~53% upside and three additional hidden options worth \$93 per share, or \$181 per share in total (~213% upside). SATS owns valuable intellectual property in their Ka-band high throughput satellites, which they can build at one-tenth the cost per bit of other satellites. While the product has, so far, generated IRRs in the high-20% in its first application (rural consumer broadband), 5G offers many more uses for the satellite IP, which means the company will likely launch JVs across the world or acquire a business with worldwide distribution, into which Echostar will plug its IP and generate significant value. Nitin believes the company will realize its intrinsic value over the next two to three years as 5G standards take effect.

LUIS SANCHEZ, MANAGING PARTNER, OVERLOOK ROCK ASSET MANAGEMENT

LEAR (NYSE: LEA) is a tier-one global auto supplier of seating and electrical systems. Lear's seating business is the #2 supplier of seating by volume but is the leader in luxury and sports car seating (high-end market with superior unit economics) and is the lowest-cost global manufacturer of auto seating. Seating is a mature business that throws off significant cash flow. The electrical systems business is only 33% of earnings but is poised for significant secular growth due to exposure to car electrification and car connectivity. It is estimated the market for Lear's E-Systems will double and triple over the next five and ten years. Lear is a good business in a cyclical industry. Investors can purchase the stock for only 11x free cash flow. Luis believes the cyclicity of the auto sector is more than priced in and that investors have a call option on the company's exposure to the car electrification and connectivity mega-trends.

HEIDRICK & STRUGGLES (Nasdaq: HSII) is an executive search provider and talent management consultant. Heidrick's executive search business focuses on senior executive searches at large corporations. The search business has limited competition at the senior executive level and is insulated from technology disruption due to its extremely tailored product offering. The company's consulting business represents less than 10% of sales but is positioned for cross-selling opportunities with executive search customers. Heidrick & Struggles is a better business than other publicly traded recruiting businesses but the stock trades at a discount to peers. The company appears poised to benefit from an increase in corporate spending over the next few years as well as a lower tax rate (current effective tax rate is 40+%). Investors can buy the stock for ~11x normalized free cash flow and benefit from continued earnings growth.

DANILO SANTIAGO, PORTFOLIO MANAGER, RATIONAL INVESTMENT METHODOLOGY

CEMEX (NYSE: CX): Danilo estimates that the shares offer an internal rate of return of ~14%, i.e., investment value, in real terms, would double in about six years. Cemex earnings have been recovering for a few years. However, discussions about NAFTA appear to have pressured the market quotation. If negotiations do not lead to a disastrous deal for Mexico, the recent share price may

provide a classic “entry point” opportunity. The real long-term threat to Cemex may be an adverse impact of “the great economic experiment”, with the Fed and other central banks still maintaining real interest rates at negative levels. Not surprisingly, housing prices in the U.S. have been forming an “echo bubble”, which might be preventing housing starts from normalizing. Another U.S. housing crisis would impact Cemex margins, although probably not to the extent observed in the 2009-2011 period. The company’s financials are on the mend. Ill-timed acquisitions from the mid-2000s still affect the balance sheet, but leverage ratios are lower than a few years ago. Cemex is in a much better position to weather another crisis (or pause) in the U.S. housing sector.

JEFF SUTTON, FOUNDER AND PRESIDENT, VALUE TREE INVESTMENTS

TREEHOUSE FOODS (NYSE: THS) is the largest provider of private label food and beverage products in the U.S. The company’s product lines span a variety of categories, including snack nuts, frozen baked goods, cookies, crackers, pretzels, cereals, dry pasta, and macaroni and cheese dinners, powdered drink mixes, salad dressings, Mexican sauces, jams and jellies, and pickles. TreeHouse’s stock price has declined by ~50% from highs in April 2017, following a series of earnings misses, lowered guidance, and management transitions. The company’s underlying fundamentals remain strong. THS recently traded at a trailing P/E of ~15x, EV/EBITDA of ~8x, and merely 8.6x free cash flow, an FCF yield of ~12%. THS is valued at 20-50% below comparable multiples. With the recent drop in the stock price following the 3Q17 earnings announcement, TreeHouse is valued near its lowest historic level based on price to free cash flow. If THS returned to the historic average P/FCF multiple of 16x, based on recent fundamentals, the stock price would be valued at ~\$83 per share. Combining the potential results from TreeHouse 2020 (a recently announced restructuring plan) with the average P/FCF multiple for the industry, THS could be worth \$170 per share. Jeff believes a company’s underlying long-term intrinsic value is driven by a stream of sustainable and growing FCF. In the case of THS, a 7% FCF yield (~14x FCF) implies a valuation of ~\$98 per share, roughly double the recent stock price.

MATTHEW SWEENEY, FOUNDER AND MANAGING PARTNER, LAUGHING WATER CAPITAL

GREENHILL & CO. (NYSE: GHL) is a boutique investment bank and an interesting special situation. The company has struggled to keep up with competition in recent years due to employee attrition and a less-than-ideal revenue mix. Believing their shares undervalued, management recently attempted to execute a levered recap, whereby it raised \$350 million in debt to repurchase more than 50% of their outstanding shares through a tender offer and subsequent open market purchases. The CEO and chairman both concurrently invested \$10 million in the company to gain exposure to the levered upside the recap would create, and the CEO volunteered to take a 90% pay cut in exchange for additional equity. The tender did not go through as envisioned, as there were not enough sellers. This creates a situation with few sellers in the near term, and a large buyer at prices only slightly below the recent market quotation. Greenhill is in a competitive business and faces some challenges. However, the two people who may know the most about the firm’s prospects recently voted with their wallets. Banking is ultimately a people business, and GHL has been aggressively recruiting new managing directors. The strong balance sheet and levered equity upside has strengthened the recruiting

pipeline, which should drive revenue in the years to come. Much of the equity upside should be linked to management buying back stock, and the downside appears well-protected in the near to intermediate term. Multiple paths exist to the stock doubling (or more) in the coming years.

DAVID TAWIL, PRESIDENT, MAGLAN CAPITAL

MADALENA ENERGY (Canada: MVN) is the only independent, publicly-traded, Argentina-exclusive oil and gas exploration and production company. In May 2017, David hand-picked new management for the company, led by Jose Penafiel (CEO) and Alejandro Penafiel (board member). David's firm, the company's largest shareholder, has spent the past few years restructuring the company's asset portfolio, balance sheet, operations, and management. Madalena generates positive FCF of ~\$5 million annually, with David estimating annualized FCF of \$9 million as early as 1H18. The business appears fully financed for the next few years. The equity market cap is ~\$115 million, and David sees upside to \$2 per share vs. a recent quotation of \$0.20 per share.

MATTHIAS TEIG, PARTNER, ROTHORN PARTNERS

S&U (London: SUS) is a family controlled British specialty finance company. After the sale of its home loan business in 2015, its main source of revenues is Advantage, a fast-growing non-prime motor finance business. Car finance, especially to non-prime clients seems to be out of favor at the moment. An objective analysis, however, shows that Advantage takes only limited residual value risk and its business has been relatively resilient during the financial crisis and the 2009 recession. With a recent market cap of GBP 280 million and a free float of ~26%, S&U shares are not very liquid. The company is below the radar of most institutions and the sell side. A recent PE of 12x and a dividend yield of 4% seem attractive given the strong market position and growth potential. H1 revenues were up 33% and EPS increased 21%. The balance sheet is healthy, with gearing at 56% at the end of July 2017. ROE of 16% in H1 can be improved as the business continues to grow and the balance sheet is levered up a bit more.

BEN TERK, PORTFOLIO MANAGER, ACTIVE OWNERS FUND

PRGX GLOBAL (Nasdaq: PRGX) is the largest provider of recovery audit services to the retail industry in the world. The company serves 75% of the top 20 global retailers, 32% of Fortune 50 companies, and has a 99% customer retention rate. The company recovers over-payments and under-deductions from a customer's suppliers through data analytics and audit across millions of customer/supplier interactions. Ben began tracking the company over five years ago when the prior CEO began his tenure. At the time, Ben was intrigued by the company's long-term customer relationships and access to massive amounts of purchasing data that could be monetized through incremental services and analytics. In addition, there was a large opportunity to lower costs by accelerating the offshoring of more of the recovery process to India, which was already underway. Under the leadership of a new CEO, the company has exited the healthcare business and focused on



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automating and accelerating audit cycle times to differentiate itself in an increasingly commoditized business. As a result, it has been able to grow organically by adding new clients and increasing customer retention. A combination of heavy technology investment in the core platform and the buildout of the adjacent services business has masked earning power. Adjust for those non-recurring items, the enterprise recently traded for less than 7x 2017 EBITDA or ~50% less than the peer group.

WILLIAM THOMSON, MANAGING PARTNER, MASSIF CAPITAL

HAW PAR (Singapore: H02) is a deeply undervalued, Singapore-based family-controlled conglomerate with interests in consumer healthcare, real estate, and a substantial equity portfolio. The primary operating business of the company is the century-old Tiger Balm brand, which is both capital-light and FCF-positive. The company has a fortress-like balance sheet, with a portfolio of investments, real estate, and net cash, collectively valued at more than the recent market capitalization of the entire company. The shares recently traded at a ~40% discount to intrinsic value of S\$18-20 per share, presenting investors a potential opportunity to generate an annualized return of 11-14% over an assumed four-year investment period.

JEAN PIERRE VERSTER, PORTFOLIO MANAGER, FAIRTREE CAPITAL

NASPERS (South Africa: NPN) is a global internet and entertainment group founded in South Africa in 1915, and one of the largest technology investors in the world. The principal asset is a ~33% stake in Tencent, a leading Chinese technology conglomerate, which itself is one of the largest public companies in the world. The value of Naspers' investment in Tencent represents more than its own market capitalization and almost 90% of a sum-of-the-parts (SOTP) valuation. The discount to intrinsic value at which Naspers trades is comparable to SoftBank's SOTP discount and to the discount at which Yahoo traded before the Alibaba value-unlocking transaction. Importantly, Naspers has almost no tax leakage in the theoretical case of a sale of the Tencent stake. Naspers has generated strong returns from operations excluding Tencent, notwithstanding those operations only recently emerging from the investment phase of their "J-curve" earnings profile. The performance of those operations has, however, been dwarfed by Tencent's ability to compound value at a high rate over the long term. While there are technical and structural reasons for a discount to persist, the discount recently reached extreme levels, and Naspers' management is incentivized to narrow it.

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