EUROPEAN Investing Summit

Fully online investment conference, hosted by ValueConferences, October 6-7, 2015

Selected Session Highlights from European Investing Summit 2015

Note: The following idea snapshots have been provided by the respective instructors or compiled by The Manual of Ideas 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.

The following summaries do not cover the Q&A sessions with Howard Marks, Jean-Marie Eveillard, and Guy Spier. Transcripts of those sessions will become available in the near future.

Robert Leitz, Portfolio Manager, iolite Partners

EULER HERMES (Paris: ELE) is the leading provider of trade-related insurance solutions with a 34% market share and EUR 860 billion of covered business transactions in 2014. This is a great company trading at a cheap price (EUR 85/share). Euler Hermes is in a strong position to benefit from real and nominal growth in developed and emerging markets. Its competitive position is protected by an unrivalled global network of customer relationships, market intelligence, and scaling benefits. The company has one of the strongest balance sheets in the industry (39% equity ratio) and would be a beneficiary of rising interest rates (the majority of the investment portfolio is in short-term government bonds and cash). At EUR 85/share, Euler Hermes is trading at a P/E ratio of 12.8 and an owner earnings yield of 9.3% (5.1% cash dividend + 4.2% growth in book value/share). This seems too low given the company's growth prospects and defensive characteristics (it remained profitable throughout the 2008-2009 financial crisis).

http://www.valueconferences.com/2015/10/eis15-robert-leitz/

Brad Hathaway, Managing Partner, Far View Capital Management

VERTU MOTORS (London: VTU) is the 6th-largest auto dealer in the United Kingdom with 114 outlets. While Vertu appears fairly valued on a relative basis with its UK auto dealer peers, this analysis ignores the fact that the company is currently under-earning due to its strategy of acquiring underperforming and loss-making dealerships. 47% of Vertu's outlets have been acquired within the last 4 years and dealership turnarounds generally take 4 years to implement. As these recent acquisitions mature, Vertu's sales mix should shift from low-margin new car sales to higher margin used and aftersales, driving total profitability towards peer levels of 2%. With peer level profits, VTU could generate over 10p of EPS, creating potential upside of 75-100%. The stock's downside is well protected 20% below current levels by a net cash balance sheet, a modest valuation of 12.5x EPS, 0.1x sales and 1.3x book, and a best in class management team.

http://www.valueconferences.com/2015/10/eis15-brad-hathaway/

DANIEL GLADIŠ, CEO AND DIRECTOR, VLTAVA FUND

SBERBANK (Moscow: SBER, OTC: SBRCY) is the leading Russian retail bank, holding nearly half of Russian deposits and about a third of Russian loans. The bank has performed surprisingly strongly during the real life stress test – the current deep recession – being profitable in every single quarter, with profitability bottoming during the last winter. If, during the next 2-3 years, the bank returns to normal profitability, then the stock price indicates PE below 3 and PTB below 0,5. Most investors have a very negative view of Russian stocks, and it is not difficult to understand why. Improved sentiment may allow investors to appreciate Sberbank's strong fundamentals – ROE in high teens, ROA close to 2%, cost income ratio in low 40s and low leverage – a set of numbers that most western banks can only dream of. Sberbank has a huge and sustainable advantage – a low-cost deposit base. The stock is very cheap.

http://www.valueconferences.com/2015/10/eis15-daniel-gladis/

MASSIMO FUGGETTA, PORTFOLIO MANAGER, BAYES FUND

TAMBURI INVESTMENT PARTNERS (Milan: TIP) is the Italian equivalent of Fairfax, Markel, Leucadia or indeed Berkshire Hathaway. Much smaller in size (500m euro market cap), it has accumulated an excellent track record buying minority stakes in Italian mid and small cap quoted and unquoted companies in the industrial, tech and consumer sector. As a result, the stock price has almost tripled in the last 5 years, but I believe it will continue to do very well, as more investment opportunities are seized. On top of that, it comes at a discount to NAV.

http://www.valueconferences.com/2015/10/eis15-massimo-fuggetta/

CHRIS SWASBROOK, PORTFOLIO MANAGER, ELEVATION CAPITAL MANAGEMENT

DE LA RUE (London: DLAR) is the largest commercial banknote printer and passport manufacturer, involved in the production of 150+ national currencies, and passports or identity systems for 65+ countries. De La Rue is one of the most recognized and highly regarded names in currency printing, as it has established an unparalleled reputation over the past 200 years. Recent overcapacity in the banknote industry, caused by increased longevity of banknotes and state-owned suppliers entering the commercial market is creating a challenging environment for commercial printers. The share price has declined 50+% in the last three years (£4.83 on 30/9/2015), significantly lower than a rejected 2011 takeover price of £9.35. Chris believes investors are overly pessimistic on the company's commercial banknote printing business, while at the same time uncertain about future growth opportunities and diversification efforts. Chris sees the most clear and present opportunity for an investment in De La Rue to be a takeover scenario. An offer from Oberthur (or other) forms a large part of the valuation, and Chris perceives a high probability of an offer being presented. He values De La Rue in a takeover scenario at £7.76 (with a conservative EV/EBITDA multiple of 9.6x), or at £8.47 (with an optimistic EV/EBITDA multiple of 10.3x).

http://www.valueconferences.com/2015/10/eis15-chris-swasbrook/

Dominic Fisher, Director, Thistledown Investment Management

DIA (Spain: DIA) is a proximity retailer with a well-developed franchise offering. Proximity retailing is developing in many markets. DIA, with a management team that has overseen significant growth in Spain and emerging markets, is being penalized for emerging market exposure and the lingering effects of the Spanish recession. It has the opportunity in the next few years to continue to grow and hence to attract a rating in keeping with its excellent economics and opportunity for deploying further capital. Assuming a market rating for its Iberian business and a reasonable appreciation of the Emerging Market opportunity suggest a 30% increase in valuation. If investors begin to value Emerging Markets for their genuine growth potential this would justify an even higher price.

PUNCH TAVERNS (London: PUB), presented in 2014, has begun the process of reducing debt and confirming the value of its public house estate with sales and steady trading. Regulatory changes have introduced some uncertainties since last year, but the market for the assets themselves has strengthened. With better opportunities the discount to asset value, net assets of ~£900 million and a market cap of £300 million seems increasingly anomalous and should increase over the next five years.

http://www.valueconferences.com/2015/10/eis15-dominic-fisher/

Jean-Pascal Rolandez, Fund Manager, The L.T. Funds

CARLSBERG (Copenhagen: CARLB) is a large-cap defensive stock which has become a world leader further to a significant expansion into emerging markets. Carlsberg has targeted essentially Eastern Europe, including Russia and the Ukraine, and Asia. In this breathless expansion Carlsberg has remained focused , making sure to be # 1 or #2 in all the markets or segments where it operates. This expansion into Russia, China and India in particular is key for the group long term growth. Indeed, for various reasons, Western European markets are stable, even declining by 2% to 3 % a year in volume terms. Consequently, Carlsberg must run for 53% of its EBITDA to grow by 2% to 3% per annum there. However, this highly cash generative EBITDA can be reinvested in emerging markets where not only volumes are growing but also where premiumization is at a low stage. Carlsberg is gaining market share in every market where it operates but the UK, confirming its sound strategy and robust management. Strongly penalized by its heavy investment in Russia where it now has close to 40% of the market, Carlsberg's operating margin ought to bounce from 13% at group levels, a low figure by the beer sector standards. After a brutal recession and a 50% collapse of the ruble in tandem with oil prices, the Russian economy gives signs of stabilization. Carlsberg's new management is currently carrying a thorough review of its brands and markets. We do not expect much other than normal trimming and a gentle exit from the UK where 14 % of the market is no longer enough to boost margins significantly. The share trades at a discount of about 30% its estimated 2016 EV/EBITDA vs. peers which, on 9.0x represents to us good value for money given its 5% to 6% per annum expected long-term EBITDA growth, higher by 1% than Nestlé's. To us current levels can therefore be considered as entry points for the Carlsberg share, due to the group's excellent management and solid long-term fundamentals.

http://www.valueconferences.com/2015/10/eis15-jean-pascal-rolandez/

David Marcus, Chief Executive Officer, Evermore Global Advisors

THYSSENKRUPP (Germany: TKA) is a €9.4 billion market cap, diversified industrial conglomerate based in Germany. It was founded in 1999 through the merger of Thyssen AG and Krupp AG which were founded in 1891 and 1811, respectively. This industrial conglomerate became bloated and undermanaged after years of acquisitions that lacked synergies. Up until the financial crisis several years ago, the strength of its European steel business had been masking considerable problems in other divisions… primarily the steel businesses in the U.S. and Latin America. Today, the company operates in two primary businesses: steel (Steel Europe, Steel Americas, Material Services) and value-added capital goods (Elevator Technology, Components Technology, Industrial solutions). New management, led by highly talented ex-Siemens executives, was brought in 2011. This is a classic value investment opportunity of a cheap stock with significant catalysts. The company is undergoing a major transformation, both financially and operationally. David believes this is ultimately a break-up story where the company will refocus on its higher-margin, value-added capital goods businesses. Further, there is an opportunity to exit the steel business and help rationalize the entire European steel industry. David's valuation shows that at current prices, investors are "creating" the capital goods segment at under 3.5x EBITDA compared to peers trading closer in the 8-9x EBITDA range. In addition, David believes activist investor Cevian Capital, which has amassed a 15% stake in the company, will help expedite value creation.

http://www.valueconferences.com/2015/10/eis15-david-marcus/

Daniel Abrahams, Managing Partner, Alfreton Capital

OCADO GROUP (London: OCDO) is the world's largest pure play online grocery retailer. Grocery, the world's largest retail category, is moving online and the UK is at the forefront of this channel shift. Ocado is riding this wave by deploying a self-reinforcing business model, whereby its superior customer proposition is driving market share gains and economies of scale. This reduces Ocado's costs, supporting further improvements in its customer proposition. Insiders and well informed, long term shareholders hold over 40% of the outstanding shares at Ocado and the founding CEO's stake is worth more than the stakes of the CEO's of Tesco, Sainsbury and Morrisons combined. Ocado's competitors are faced with a dilemma: in the short term it is rational for them to fulfill online demand using their existing store infrastructure - but this leads them to become increasingly uncompetitive in the long term. However, Ocado remains a controversial stock. By some estimates more than 10% of Ocado's shares have been sold short and it trades on a trailing P/E of more than 250x. We are mindful of the mistakes that can result from heavy reliance on heuristics such as multiples of short term accounting profit. Dan primarily values businesses based on the cash flow they would generate if he owned them forever. On this basis, he sees Ocado as having multi-year, multi-bagger potential, with downside protected by the cash generated by its existing assets.

http://www.valueconferences.com/2015/10/eis15-daniel-abrahams/

Roshan Padamadan, Fund Manager, Luminance Global Fund

RALLYE (Paris: RAL) common stock and bonds offer exposure to one of the largest food retailers in the food, the Casino Group, at double-digit yields. Casino runs over 14,500 stores and has a revenue of close to EUR 47 billion, and operates in eight countries. 40% of revenue is from France. It is the leader in Latin America and Brazil and Columbia, and second-largest in Thailand. French accounting rules allow for book value of Rallye's 50+% equity investment in Casino to be held at stated value, as control premium is given due credit, without mark-to-market. Control started in 1998. Mr. Market and news media misunderstand the covenants on its bonds, and bank debt. With no real risk of a forced rights issue, the holding company maintains adequate liquidity to see it through a weakening cycle. Business risk exists (in France, in Brazil, in Thailand), but financial risk is overhyped.

http://www.valueconferences.com/2015/10/eis15-roshan-padamadan/

Gianluca Ferrari, Analyst, Shareholder Value Management

EXOR (Milan: EXO) is a superbly-managed, Italian-listed holding company that trades at a 20% discount to NAV and that owns a collection of assets who, in themselves, are significantly undervalued and undergoing value-accretive changes. Management has a phenomenal track record of compounding NAV at 23% per year since inception and they just completed an acquisition in the reinsurance space that, with the float generated, will allow them to continue compounding at above market rates similar to Berkshire, Fairfax and Markel. Imminent catalysts such as the upcoming Ferrari IPO should dramatically increase NAV and further accentuate the company's current undervaluation.

http://www.valueconferences.com/2015/10/eis15-gianluca-ferrari/

Jeroen Bos, Fund Manager, Church House Investment Management

B.P. MARSH (London: BPM; £40 million market cap; financial sector): A differentiated company that invests in start-ups in the financial sector in the UK and Europe. Trades at a single-digit P/E and at 70% of net asset value. The equity is majority-owned by management.

MP EVANS (London: MPE; £200 million market cap; food producers sector): Trades at an attractive discount to NAV, but enduring a cyclical downturn in palm oil. The company is well-financed and able to survive the downturn.

THALASSA HOLDINGS (London: THAL; £10 million market cap; oil equipment and services sector): A “net net” in a sector that is under severe pressure. The company has a strong balance sheet, putting it in a good position to create shareholder value when the eventual upturn arrives. Thalassa’s chairman owns 14% of the equity.

http://www.valueconferences.com/2015/10/eis15-jeroen-bos/

CHRISTOPHER ROSSBACH, MANAGING PARTNER, J. STERN & CO.

DIGNITY (London: DTY) is a leading UK independent funeral services company. The company operates 750+ funeral homes and 39 crematoriums in the UK. These are separate but complementary businesses. Dignity has 12% market share of funeral services and 10% share of cremations. The UK death care market is very fragmented with 70+% of the industry, small, local, family run businesses. The business has high barriers to entry, with recommendations bringing 70+% of business. Dignity prides itself on customer satisfaction, which drives recommendations. The death rate in the UK is stable, with little fluctuation over the last decade. Demographic trends of the baby boomer generation will provide an uptick in deaths in the UK over 20-30 years. The shares trade on consensus 21x 2016E P/E ratio, yet the stock is not well covered. Chris expects upgrades to earnings estimates as the strong 1H2015 and acquisition of 36 homes from Laurel Funerals are incorporated into estimates.

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JEREMIE COUIX AND SEBASTIAN HAHN, MANAGING DIRECTORS, HC CAPITAL ADVISORS

AO JOHANSEN (Copenhagen: AOJP) wholesales 60,000+ products from 2,000+ suppliers to 20,000+ customers, generating revenue in the repair and maintenance market (70% plumbers (and heating installers, >20% electrical installers, <10% DIY). AO adds value by holding inventory (24-hour delivery) and providing technical support and training. AO has 22-25% market share in Denmark, including 40+% in Copenhagen. No new competitor has entered the market in 15 years, and market shares have been stable. There has been price competition since Q2 2014, but the pressure is now abating. In August, 2015 AO Johansen took over Billig, the leader in online B2C distribution, with 2/3 of the market. This offers larges synergies and enhances growth potential. The company is controlled by the Johansen family. Three scenarios suggest that intrinsic value could be DKK 2,450 per share in 2016, DKK 3,300 per share by 2018, and DKK 4,900 per share post-2019. AO was recently quoted at DKK 1,750 per share.

http://www.valueconferences.com/2015/10/eis15-couix-hahn/

THERON DE RIS, PORTFOLIO MANAGER, ESCHLER RECOVERY FUND

BASKET OF PRECIOUS METALS EQUITIES: A once-in-a-generation opportunity currently exists to invest near the bottom of the largest precious metals down-cycle in the post-war period. Timing the bottom is impossible but, like day follows night, when the sun comes out to shine again on this capital-starved industry investors will bask in its warm glow. With industry valuations at record lows and after a 4+ year bear market in gold and silver, we believe the gold stock upcycle will last longer than appears possible (just as the downcycle has). Smaller companies will, on balance, rise far more than their large peers. In this presentation we will go from the macro –answering the question “why now?” – to the micro, describing our portfolio construction, investment process and the type of stock-specific set-up we prefer to invest in, such as Seabridge Gold and Pretium Resources and Silver Wheaton.

http://www.valueconferences.com/2015/10/eis15-theron-de-ris/