Quarterly Letter, April–June 2021

	Apr	May	Jun	Q2 2021	YTD	Since Inception	Annualized
Curreen Capital Partners LP	6.42%	1.28%	-5.89%	**1.43%**	**38.66%**	262.5%	17.3%
S&P 500	5.34%	0.70%	2.33%	8.55%	15.25%	209.5%	15.0%
MSCI World (US Gross)	4.67%	1.47%	1.51%	7.82%	13.20%	144.9%	11.7%

Dear Partner,

Our fund was up 1.4% in the second quarter. We added Wickes to our portfolio – it is a recent spinoff in the U.K.

Wickes is a retail chain in the U.K. that focuses on home repair and remodeling, selling paint, lumber, sinks, faucets and other items for the home. U.S. investors can think of Wickes stores as smaller versions of Home Depot or Lowes stores. Surprisingly—at least for me, who is comfortable getting lost in those big box stores—Wickes is interested in shrinking the size of its stores, because that will make the stores more efficient as online-order and in-store pickup grow to be a larger portion of the business.

Wickes spun out of Travis Perkins Plc at the end of April, part of that larger company's efforts to prune its portfolio of businesses. Wickes has designed its stores to sell to three separate customer groups: contractors (aka tradespeople) who usually shop early in the morning, DIY customers who often shop later in the day, and DIFM ("do it for me") customers who tend to come in on nights and weekends. The three customer groups are of roughly equal size for Wickes, and the company's market share is 3-4% of the contractor market, 4-5% of the DIY market, and about 9-10% of the DIFM market.

I think that the DIFM market is the most interesting element of Wickes. I like the Wickes DIFM business model (including the showroom within a store), and that it has succeeded where others have struggled. For example, a large competitor (B&Q) quit the market in 2018 after years of losses (it has since attempted to re-enter with a new strategy), and another (Bathstore.com) was bought out of administration (aka bankruptcy). Against non-chain store DIFM competitors, Wickes stores work well as showrooms where customers can also buy things for their homes, unlike DIFM-only competitors whose showrooms are primarily cost centers.

The DIFM market was severely impacted by COVID-related restrictions in 2020, because these sections of the store were mostly closed, reducing the company's ability to make new sales. Both the contractor and DIY markets benefited, as these were deemed "essential businesses" that were allowed to remain open. While this was difficult for Wickes' DIFM business, it was far more painful for the company's showroom-only competitors.

In 2021, the DIFM market is rebounding, and the contractor and DIY businesses continue to show strength, as U.K. consumers spend money to improve their homes.

Wickes has a clean balance sheet with excess cash and no financial debt (they lease their stores, which IFRS accounting treats as debt, and I do not). I estimate that the business generates excellent returns on capital.

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Separated from Travis Perkins, Wickes can more quickly and easily make investments that improve the business, though it does not plan to increase the number of stores. Some free cash flow is expected to go towards a dividend, and how the company allocates the rest remains an open question (I vote for following the Howden Joinery model, and repurchasing shares).

Overall, Wickes is a fine business, with an especially interesting position in the U.K. DIFM market. With the strength of the U.K. housing and remodeling market at its back, earnings should grow over the next few years. As more information is released over time, I am particularly interested in how operating performance develops, and how the company allocates capital.

About 10% of our fund is invested in Wickes, and we bought at an average price of £2.53. Since our purchase, the company and its competitors have released positive trading updates, and the chairman and another director have bought Wickes shares.

Wickes is the kind of ugly duckling that we want to own: an excellent business with capable management, where information suggests continued improvement, that is nevertheless misunderstood or even ignored in the stock market.

Thank you for your commitment to Curreen Capital. I will write again in October to discuss our activity in Q3. In the meantime, I welcome conversations with current or prospective partners – please reach out if you would like to chat.

Sincerely,

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Appendix

Curreen Capital Investments

American Outdoor (AOUT)
American Outdoor builds brands in the firearms, hunting, and camping accessories markets. American Outdoor spun out of Smith & Wesson in August 2020. The business outpaces the competition, taking share in a large, fragmented and attractive market. Management reinvests free cash flow into growing the business.

CDON (CDON:SS)
CDON is the largest online marketplace in Scandinavia. The company has transformed from an online retailer into an online marketplace, offering merchants and consumers a platform where they can find each other and do business. CDON spun out of Qliro/Nelly in November 2020. The company uses free cash flow to grow the business.

Conduent (CNDT)
Conduent is a business process services company. It handles transaction intensive processing for government and commercial customers. After years of weak sales, declining profits, conflict with its largest shareholder (Carl Icahn), and the loss of its CEO – the company is turning around. Conduent's new CEO is addressing the company's key problems and is driving sales growth. Conduent currently trades at an extremely attractive upside-to-downside ratio.

Credit Acceptance (CACC)
Credit Acceptance is a subprime auto lender, enabling subprime borrowers to buy vehicles from used car dealerships. The business has profitably gained share in a large and difficult market for more than two decades. Management allocates free cash flow to growing the business and repurchasing shares at attractive prices. Credit Acceptance currently trades at an attractive upside-to-downside ratio.

GetBusy (GETB:GB)
GetBusy provides online document exchange systems, primarily for accountants in the U.K., and its Australian/New Zealand and U.S. business are growing well. GetBusy spun out of Reckon in August 2017, and has continued to grow since then. GetBusy does not earn money, investing through higher expenses to grow its existing businesses and attempting to launch a new product. The underlying businesses are profitable and sustainable in the U.K., and potentially in the U.S. and Australia/New Zealand.

Kontoor (KTB)
Kontoor designs inexpensive jeans for North American consumers, and sells premium jeans in China. Kontoor spun out of VF Corp in May 2019. Kontoor grows slowly, and its returns on capital are about 20%. Management uses free cash flow to repay debt and pay a dividend.

Kopparbergs Bryggeri (KOBRB:SS)
Kopparbergs manufactures and markets alcoholic pear cider, primarily in the U.K. and Sweden. Kopparbergs generates returns on capital around 20%, and management uses free cash flow to grow the business, launch new products, and pay a dividend. Kopparbergs is managed and controlled by its founders, who have a long track record of successfully building the business. Kopparbergs is an excellent business with exceptional management, selling at a reasonable price.

Nilörn Group (NILB:SS)
Nilorn designs and delivers tags and labels for European clothing brands. The company combines just-in-time delivery with quality design that can elevate the customer's products in the eyes of the end consumer. Management uses free cash flow to grow the business and pay a dividend. The company's returns on capital are about 30%. Nilorn has an attractive upside-to-downside ratio.

Wickes (WIX:GB)
Wickes is a U.K. retail chain focused on home repair and remodeling. The business currently benefits from strong industry tailwinds. The company spun out of Travis Perkins in April 2021 with excess cash and no financial debt. The business does not grow, and management uses free cash flow to pay a dividend. Wickes has an attractive upside-to-downside ratio.

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