WIDE-MOAT INVESTING SUMMIT 2013: July 9-10, 2013*

Ideas by instructor, as compiled by ValueConferences (includes only instructors with five or less identifiable investment ideas mentioned during the session)

Instructor	Company	Ticker	Price at Close 10-Jul-13	Link to Session Recording
Bhansali	**Harman International Industries**	**NYSE: HAR**	**$54.18**	http://www.valueconferences.com/2013/07/rupal-bhansali-2/

The Bottom Line: What is misunderstood and therefore mispriced about Harman is: 1) market is looking at current earnings and not the earnings potential; 2) weak earnings momentum despite strong order backlog as 2-3 years lead time for Auto OEMs to launch product, delaying monetization; 3) current earnings depressed due to upfront investments and impact of past lucrative contracts rolling off; and 4) threat of disintermediation obviated by offering cutting edge, innovative solutions at low cost.

Instructor	Company	Ticker	Price at Close 10-Jul-13	Link to Session Recording
Bhansali	**Microsoft**	**Nasdaq: MSFT**	**$34.70**	http://www.valueconferences.com/2013/07/rupal-bhansali-2/

The Bottom Line: What is misunderstood and therefore mispriced about Harman is: 1) Apple's success has NOT come at Microsoft's expense; 2) Microsoft commands same ecosystem advantage in the enterprise market as Apple does in the consumer market; former is more profitable!; 3) trend towards the Cloud is an opportunity, not a threat; 4) Bing, Skype, Yammer, Office365, Azure – free upside options; and 5) Microsoft often fails in first attempts but is proven comeback king eg. Internet Explorer, Xbox; so premature to assume failure in Phones or Tablets…Windows8 is a game changer.

Instructor	Company	Ticker	Price at Close 10-Jul-13	Link to Session Recording
Kee	**Golfzon**	**Korea: 121440**	**KRW 66,600**	http://www.valueconferences.com/2013/07/kb-kee/

The Bottom Line: Established in 2000, Golfzon is the dominant 3D virtual reality golf simulator company in Korea with 84% market share, an increase from 42% in 2007. 1.2 million members, doubled from 2010. Distribution reach of 5,000 Golfzon stores with over 20,000 simulator installations. Satisfies a critical market gap: lack of golf courses in Korea and especially Seoul (actual golf courses are 2-3 hours drive away from Seoul). Advanced golfers stay away from screen golf due to lack of accuracy, but new VISION product (launched in 2012) a breakthrough to capture all three segments from basic to intermediate to advanced. Transition from hardware to software-based business model (software now ~50% of operating profit) has created uncertainty, but at a P/E of 11x and virtually no net debt, the valuation is compelling.

Instructor	Company	Ticker	Price at Close 10-Jul-13	Link to Session Recording
Lam	**China Suntien Green Energy**	**Hong Kong: 956**	**HKD 2.73**	http://www.valueconferences.com/2013/07/vincent-lam/

The Bottom Line: Largest distributor of natural gas in northeastern China. To benefit from the need for a "greener" China (natural gas share of total primary energy consumption in China is only ~5%; coal is ~70%). Moat due to: 1) permanent operating rights: unlike water treatment and waste power plants which are typically build-operate-transfer projects, China Suntien's piped natural gas and wind farm operations have permanent operating franchises which can be renewed indefinitely after the first operating rights (typically 30 years) expire; and 2) strategic location: better positioned compared with other wind farm operators, as its wind farms are closer to industrial areas in urgent need of electricity. Trades at 1.3x book and 12x 2013 EPS versus natural gas rivals(2-4x book, 13-20x P/E) and wind farm rivals (1-2x book, 17-19x P/E).

Instructor	Company	Ticker	Price at Close 10-Jul-13	Link to Session Recording
Lam	**Hainan Meilan International Airport**	**Hong Kong: 357**	**HKD 7.40**	http://www.valueconferences.com/2013/07/vincent-lam/

The Bottom Line: Owns airport located in the northern part of Hainan island off China. To benefit from China's rising middle class and increasing frequency in passenger air travel. Moat due to: 1) natural aviation oligopoly due to island's location and Sanya Phoenix Internatonal Airport being the only competitor in the region (also, Hainan Meilan owns a 16% stake in Sanya); 2) natural duty-free shop oligopoly: operates one of only two duty-free shops in Hainan (entrants banned by regulations); and 3) healthy financials: net cash and high free cash flow. Trades at 1.1x P/B and 8x 2013 P/E (5% dividend yield) and 5.5x EV/EBITDA versus Shanghai International Airport (1.5x P/B, 13x P/E, 7.8x EV/EBITDA), Beijing Capital International Airport (1.1x P/B, 12x P/E, 7.2x EV/EBITDA) and Guangzhou Baiyun Airport (0.9x P/B, 8x P/E, 3.7x EV/EBITDA).

Instructor	Company	Ticker	Price at Close 10-Jul-13	Link to Session Recording
Lountzis	**Pargesa Holding**	**Zurich: PARG**	**Fr. 65.75**	http://www.valueconferences.com/2013/07/paul-lountzis/

The Bottom Line: Swiss-listed holding company with significant investments in public and private companies, including Total (28% of Pargesa flow-through adjusted net asset value as of May 31, 2013, after the acquisition of SGS), Lafarge (25%), Imerys (16%), SGS (15%), Pernod Ricard (14%), GDF Suez (6%), Suez Environnement (3%), other holdings (4%), and net debt and other (-11%). The sum-of-the-parts valuation yields CHF96.5 per Pargesa share, based on market prices of the publicly-listed investments. Based on the recent share price of Pargesa, this implies a discount to NAV of ~30%. Outstanding track record of the management team led by Frere and Desmarais. Where is the moat? Both at holding company level (structure, management longevity, capital allocation) and select investee companies (especially SGS, Pernod Ricard).

Instructor	Company	Ticker	Price at Close 10-Jul-13	Link to Session Recording
Riechert	**Aggreko**	**London: AGK**	**£18.10**	http://www.valueconferences.com/2013/07/matthias-riechert/

The Bottom Line: U.K.-listed rental equipment provider for power and temperature control, available at a share price that is reduced due to: (1) accounting earnings are lower than true economic (owner's) earnings; (2) order intakes fluctuate and are currently at the lower end. Despite revenue and trading profit increasing at a compound growth rate of 15% and 23%, respectively, since 2003 (incl. some contribution from acquisitions) Aggreko shares trade at a modest forward multiple of 15x based on Riechert's estimate of owner's earnings for FY2012, which are depressed. Aggreko's moat is based on both supply (protected technology, learning curve, economies of scale) and demand side (search and switch costs) barriers to entry. Investors should benefit from Aggreko's ability to reinvest at high returns on incremental capital.

Instructor	Company	Ticker	Price at Close 10-Jul-13	Link to Session Recording
Rolfe	**Apple**	**Nasdaq: AAPL**	**$420.73**	http://www.valueconferences.com/2013/07/david-rolfe/

The Bottom Line: Stock offers over 20% EV/EBITDA yield. Plug that into a bond calculator (5-year duration) and it's worth 2x today. Ft. Knox-type balance sheet. Buyback gun reloaded in 2-3 years. The ecosystem is the "franchise" (e.g. 600 million active credit cards in iTunes) - product upgrades are peripheral to the ecosystem. After the "Year of Lost Growth" in fiscal 2013, stock is abandoned by hedge funds, momentum traders and has only a minimum weighting with traditional long-only growth investors. This creates an opportunity for patient, long-term investors. 2014 should see the return of the "growth company." New product drought ends in September (new product line-up: iPhones, iPads, iOS 7, Mavericks OS, Mac Pro, iWatch, Apple TV). And lower cost iPhone can still increase firm-wide gross margins.

Instructor	Company	Ticker	Price at Close 10-Jul-13	Link to Session Recording
Sather	**CH Robinson Worldwide**	**Nasdaq: CHRW**	**$58.14**	http://www.valueconferences.com/2013/07/dave-sather/

The Bottom Line: Asset-light logistics broker serving 56,000+ carriers (mostly truckers) and 42,000+ shippers. Predictable, consistent and understandable business. Leverages the network effect to generate above-average returns on its invested capital. Uses buying power, technical know-how, and relationships with various carriers to expand market share. Non-asset-based business model drives high return on invested capital and free cash flow. Motivated management and employees – aligned with the goals of shareholders. ~9% annualized rate of return expectation in Sather's most likely scenario for investors. Financially stable and disciplined. Strong margin of safety.

Instructor	Company	Ticker	Price at Close 10-Jul-13	Link to Session Recording
Stacey	**Schindler Holding**	**Zurich: SCHN**	**Fr. 133.30**	http://www.valueconferences.com/2013/07/jeffrey-stacey/

The Bottom Line: One of the world leaders in the elevator & escalator industry. Schindler and three other companies (Otis, Kone, ThyssenKrupp) have over 80% market share (excluding China). Maintenance is the key! Over half of Schindler's profits come from maintenance (25-35% margins) versus new installations (5-12% margins). Revenue growth (benfiting from global megatrends: urbanization, emerging markets wealth creation, energy efficiency, demographic change) and margin improvement potential relative to competitors. Trades at 16x 2013 P/E excluding net cash. Honest and capable management.

Instructor	Company	Ticker	Price at Close 10-Jul-13	Link to Session Recording
Turner	**IMAX**	**Toronto: IMX**	**CAD 26.42**	http://www.valueconferences.com/2013/07/elliot-turner/

The Bottom Line: The film industry is changing towards a more global and blockbuster-driven business. Differentiation between in-theater vs. at-home entertainment has reached its lowest level since the early 1950's – IMAX is the difference today. Only IMAX improves the value proposition for each key player, in each key arena of the cinema industry (production, distribution, display). Moat derives from proprietary DMR technology and network effects (as the number of IMAX installs grows, IMAX's leverage with each partner increases at an accelerating rate. Today, IMAX takes an ownership stake in half of the new theaters they install. IMAX's business has a long pipeline of investment opportunities with very high IRR. Shares trade at ~10x average 2014 EBITDA estimates, right as margin expansion and revenue growth are accelerating.

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Instructor	Company	Ticker	Price at Close 10-Jul-13	Link to Session Recording
Vick	**Brookfield Asset Management**	**NYSE: BAM**	**$36.33**	http://www.valueconferences.com/2013/07/timothy-vick/

The Bottom Line: Holding company that invests in fixed assets with stable cash flows, pricing power, and inflation hedges: commercial office property and malls (300 million sq ft), renewable power (200 hydro plants and 11 wind farms), infrastructure (farmland, rail lines, toll roads, ports, gas pipelines) and private equity (residential developments in the U.S. and Brazil). Annualized shareholder returns, ex. dividends, of 14% over 30 years and 18% over 10 years. BAM is a "next-generation" Berkshire Hathaway, with current CEO Bruce Flatt (48) at the helm. Non-traditional sources of moat: "wide palette to paint with," corporate structure, management longevity, credit rating, deal-making reputation and principled capital allocation. Lack of traditional business model makes BAM hard to value by the investment community. Cheap at 1.3x book.

Instructor	Company	Ticker	Price at Close 10-Jul-13	Link to Session Recording
Warren	**Intuitive Surgical**	**Nasdaq: ISRG**	**$422.68**	http://www.valueconferences.com/2013/07/giles-warren/

The Bottom Line: Global leader in robotic-assisted surgery with its da Vinci Surgical System. Revolutionised surgery through disruptive technology. 2, 710 da Vinci systems worldwide: 1,957 in the US, 430 Europe, 323 rest of the world. Razor/ razor blade business model with the da Vinci Surgical System representing 43% of 2012 revenue of $2.2 billion and the rest from recurring revenue based on instruments and accessories (41%) and annual service agreements (16%). The moat is based on: patent-protected technology, large installed base, FDA clearances and body of clinical data. No debt, $1.3 billion cash and ST investments. Incentivized and capable CEO Gary Guthart (47) joined in 1996, owns 0.7% (worth $100+ million). Proof will be in the procedure growth. *Note: This session was recorded on July 4, 2013.*

Instructor	Company	Ticker	Price at Close 10-Jul-13	Link to Session Recording
Yacktman	**Apollo Group**	**Nasdaq: APOL**	**$17.89**	http://www.valueconferences.com/2013/07/donald-yacktman/

The Bottom Line: "Classic case where we don't look very smart so far. But it's within the range of potential outcomes still...a small position for us...generates a lot of cash and it's the plum in the student education for-profit area. But clearly they're going through a struggling, challenging period and they're still in a declining enrollment mode...but at these prices we think it merits ownership. But we're only willing to own so much of it. So, again, risk control is another thing that I would emphasize. Risk control and sizing appropriately is so very very important."

Instructor	Company	Ticker	Price at Close 10-Jul-13	Link to Session Recording
Yacktman	**Oracle**	**Nasdaq: ORCL**	**$31.23**	http://www.valueconferences.com/2013/07/donald-yacktman/

The Bottom Line: Has taken a "big" position in Oracle. Thinks recent share price decline is "overdone." Average cost "little over" $30 per share. Came close to buying it 8-10 years ago, but "finally pulled the trigger" based on price.

The Manual of Ideas (MOI) - Top Ideas from The Wide-Moat Issue:

Instructor	Company	Ticker	Price at Close 10-Jul-13	Link to The Manual of Ideas: The Wide-Moat Issue
The Manual of Ideas	**DirecTV**	**NYSE: DTV**	**$62.23**	http://www.valueconferences.com/events/moat13/

The Bottom Line: At a 10% forward earnings yield, the market continues to treat DirecTV as if it had little to no growth prospects. This belies growth in Latin America where DirecTV is the largest pay-TV provider. With Latin America contributing ~25% of EBITDA, and DirecTV still growing in the U.S., the valuation is attractive. What makes the situation compelling are exemplary capital allocation and the ability to reinvest capital from the maturing U.S. market into Latin America and other markets for a long time to come. Despite concerns about competition and capital intensity, as well as increasing leverage, we like the risk-reward.

Instructor	Company	Ticker	Price at Close 10-Jul-13	Link to The Manual of Ideas: The Wide-Moat Issue
The Manual of Ideas	**Norfolk Southern**	**NYSE: NSC**	**$73.42**	http://www.valueconferences.com/events/moat13/

The Bottom Line: Norfolk Southern's model has improved over the past decade, as higher gas prices and traffic congestion have made the highway system less competitive. While railroads are a capital intensive business, barriers to entry are so high that existing players can enjoy improving economics for a long time as railroads become more appealing to shippers. Unfortunately, the fact that the business has gone from bad to good has not remained a secret, and railroads no longer trade at bargain prices. While we may be inclined to wait for a recession or another adverse event before considering a long-term investment in a railroad, we acknowledge that companies like Norfolk Southern are likely to create value for long-term shareholders even from recent elevated trading levels.

Instructor	Company	Ticker	Price at Close 10-Jul-13	Link to The Manual of Ideas: The Wide-Moat Issue
The Manual of Ideas	**Oracle**	**Nasdaq: ORCL**	**$31.23**	http://www.valueconferences.com/events/moat13/

The Bottom Line: Oracle is rivaled by only a handful of companies as a long-term success story in software, thanks in large part to the execution skill of CEO Larry Ellison. The company has ably leveraged strength in relational databases into application software as well as hardware, both via acquisitions. The company benefits from some of the highest switching costs in the IT industry, as customers use complex Oracle solutions to power mission-critical applications. As a result, Oracle has become a predictable, modestly growing FCF machine, with per-share value creation helped by friendly capital allocation policies. The recent revenue growth disappointment provides an opportunity, as shares trade at an FCF yield, adjusted for net cash, of ~11%.

Additional Wide-Moat Investing Summit 2013 sessions not listed above:

Instructor	Presentation Theme	Link to Session Recording
Avitzur	Customer Captivity as a Moat	http://www.valueconferences.com/2013/07/amir-avitzur/
Berg	The Search for Advantaged Value Investments: Case Study on Steinway	http://www.valueconferences.com/2013/07/ethan-berg/
Bynum-Cook	Case Studies on Wide-Moat Investing: Arca Continental, Microsoft	http://www.valueconferences.com/2013/07/cook-bynum/
Dorsey	Management & the Moat: How Strategy Creates & Destroys Competitive Advantages	http://www.valueconferences.com/2013/07/pat-dorsey/