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Highlights from European Investing Summit 2017

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DANIEL GLADIŠ, CEO, VLTAVA FUND

BMW (Germany: BMW) is a readily understandable business with a moat, managed in the interest of shareholders and attractively priced. BMW consists of two complementary businesses: automotive and financial services. The company sold 2.36 million cars and 145,000 motorcycle in 2016, up 72% and 45%, respectively, compared to 2006. Net income, EPS, and bo2ok value per share have grown more strongly over the same period, increasing by 140%, 139%, and 147%, respectively. Meanwhile, the price of the common and preferred stocks rose by 104% and 67%, respectively, from 2006-2016. Strong returns on capital and brand value reflect the moat of the business. On the ownership side, majority ownership of BMW has remained stable for a century. The company has done no overpriced acquisitions, taken no large asset write-downs, displayed no excess in terms of management compensation, and capital allocation has been good. Business risks include “peak auto”, BMW bank, electrification, autonomous driving, and interconnectivity.

Daniel’s sum-of-the parts valuation suggests that the vehicle production business recently traded at 3.3x earnings and 48% of book value. Daniel bases this conclusion on a value estimate of €27.30 per share for the BMW bank business (€18 billion total value, or 1.6x book value, justified by an ROE of 18%) and €18.20 per share (€12 billion) of excess cash in the automotive segment. Subtracting the combined value of €45.50 per share from the recent equity quotation suggest a market value of €28.50 per share for vehicles production. Another way to look at the sum-of-the-parts valuation considers brand value of €30 billion, which may be added to automotive book value of €37 billion to imply automotive value of €67 billion. However, valuing the automotive business at 8x earnings suggests a value of €44 billion. As a result, Daniel puts the fair value of the auto business at roughly €55 billion. When added to the value of BMW bank and excess cash, the combined intrinsic value of the equity may be €85 billion, or €129 per share.

FLORIAN SCHUHBAUER, MANAGING PARTNER, ACTIVE OWNERSHIP CAPITAL

PNE WIND (Germany: PNE3) is a leading wind farm developer, realizing and operating wind parks in Germany and abroad, both onshore (pipeline with nominal capacity of ~4,700 MW) and offshore (pipeline with nominal capacity of ~5,000 MW). It also provides operational management services, including commercial and technical operations management for ~1,500 MW. In energy production, PNE derives income from minority shares in wind parks. The company is active in fourteen countries and has 380+ employees. PNE recently sold 80% of a 142 MW portfolio of own wind parks to Allianz for ~€330 million (cash consideration of €103 million). PNE has been “uninvestable” for most institutional investors due to a messy governance situation, bad track record in creating value for shareholders, and perceived

share overhang. However, this is changing as Florian and other shareholders succeeded in replacing management and aligning the board with the new strategy for the business. The new CEO, Markus Lesser, is an experienced industry veteran who is operationally focused and can roll up his sleeves. Investors may be overly focused on operational headwinds, including the introduction of a tender process in Germany in 2017, which has led to substantially lower kw/h prices for wind. There has also been unfair competition from Bürgerwindparks, and the future regulatory regime is unclear as Germany transitions to a new governing coalition.

On the positive side, (i) corporate governance has improved, as three of six supervisory board members, including the chairman, changed at the annual meeting in 2017; (ii) small players are likely to be put out of business due to a lack of scale, such that small service portfolios may be acquired at distressed prices; (iii) the levelized cost of energy may fall by another 30+% in the coming years, driven by turbine efficiencies and reduced production costs; (iv) substantial cost improvement potential may be unlocked by PNE in both capex and opex (purchasing and standardization); and (v) continued low interest rates and abundant financing support the business turnaround. Florian believes that investors substantially underestimate the earnings power of PNE due to the volatile nature of the business. The shares recently traded at five-year average EV/EBIT of 5.4x and P/E ratio of 8.6, a substantial discount to peers. Florian expects PNE to generate similar average EBIT over the next five years (€30-35 million annually), but with a higher share of recurring earnings.

FRANCOTYP-POSTALIA (Germany: FPH) is a leading franking machine manufacturer, with global market share of 10% and 45% market share in its home market, Germany. Francotyp has an installed base of ~260,000 machines, of which ~100,000 are in Germany. Other key markets include the U.S., UK, France, Netherlands, Sweden, Austria, and Switzerland. Fourth-fifths of revenue is recurring, and barriers to entry are high due to postal regulation. Florian views Francotyp as misunderstood, as investors mistakenly believe that (i) paper mail is dead; (ii) franking machines are no longer needed; and (iii) the company cannot keep growing the core business. The reality is that (i) 80+% of companies still use letter mail regularly, and paper production has grown from 130 million tons in 1970 to 440 million tons in 2015; (ii) franking machines in the large and medium mail volume segments are in decline, but the small mail volume segment (up to 200 letters per day) continues to grow at a low single digit rate; and (iii) Francotyp continues to grow revenue in the core business in the low single digits through consistent market share gains. Florian expects the company to generate EBIT of €7.4 million in 2017, €10.5 million in 2018, and €12.8 million in 2019. The shares recently traded at 3.1x EV to 2017E EBITDA and 5.2x EV to operating FCF. Florian's firm is the largest shareholder, and Florian's partner Klaus Roehrig serves as chairman of the board.

LOUIS D'ARVIEU, FUND MANAGER, AMIRAL GESTION

CRITEO (Nasdaq: CRTO) is the world leader and the last remaining credible player in the field of online retargeting, a niche that looks a lot like Google's wonderful search business, with economies of scale and barriers to entry. Criteo is the leader in the winner-takes-all niche because of the company's engineering culture, impeccable sales execution, and early international vision. Management has been focused on the core business and disciplined in terms of acquisitions. The company continues to grow 30+% organically, and the recent market quotation is reasonable at 17x 2018 earnings (including stock-option expenses). The market appears fearful of the "intelligent tracking prevention" tool announced by Apple last June. However, Louis estimates that this factor should reduce the long-term value of the

company no more than 10% in a worst-case scenario.

DAVID MARCUS, CHIEF INVESTMENT OFFICER, EVERMORE GLOBAL ADVISORS

DRY BULK SHIPPERS: The low-hanging "easy money" has already been made. However, dry bulk names are coming off an extremely low base. David has higher conviction today than when his firm started investing in the space in light of the lower risk profile today: (i) secondhand asset values and charter rates (spot and one-year time charters) have both increased; (ii) the new vessel order book is historically low; and (iii) there is supply visibility. David also sees improvement in structural demand. Despite fears of China slowing down, dry bulk demand has been growing steadily. Demand growth is underpinned by domestic Chinese stimulus (One Road and One Belt) and regulatory policies that favor low-cost suppliers of high-quality iron ore and coal. Australian and Brazilian iron ore exporters still have cost advantage over Chinese producers. Longer ton miles bode well for dry bulk. In general, management insiders have been recent buyers of dry bulk shippers' shares.

SCORPIO BULKERS (NYSE: SALT): Founded in March 2013, Scorpio owns and operates modern mid- to large-size dry bulk vessels (Kamsarmax and Ultramax). The company is incorporated in the Marshall Islands, headquartered in Monaco, and also based in New York. Management has attempted to replicate with dry bulk its past successes in tankers and LNG. The company was making vessel acquisitions into a worsening dry bulk market, leading to covenant breaches. Scorpio has one of youngest fleets of fuel efficient, mid-size vessels. All vessels are eco-design (20% higher efficiency, lower bunker consumption, and high cargo intake). The company has a strong, proven management team, led by chairman and CEO Emanuele Lauro and president Robert Bugbee. A March 2016 equity raise, in which David's firm participated, provided a two-year liquidity runway to weather the downturn. Bleak sentiment has led investors to overlook Scorpio's balance sheet strength. Evermore also participated in a June 2016 equity raise at $3.05 per share alongside management. Proceeds were used to take advantage of compelling secondhand vessels coming to the market from distressed sellers, and extend liquidity to 2020 (more as a preemptive measure vs reaction to market direction).

In the session, David also commented extensively on three other companies owned by his firm, SAFE BULKERS (NYSE: SB), NAVIOS MARITIME PARTNERS (NYSE: NMM), and SONGA BULK (Norway: SBULK). In response to a question, David also briefly discussed his positive view on John Fredriksen's FRONTLINE (NYSE: FRO).

THOMAS KARLOVITS, CEO, BLACKWALL CAPITAL INVESTMENT

RIB SOFTWARE (Germany: RIB) is a German building and construction software vendor with a market capitalization of about EUR 750 million (EUR 150 million net cash), operating in the field of building information modeling, adding "time and cost" ("5D BIM") to traditional 3D CAD software. The sector benefits from structural growth due to 1) the construction industry's need to invest more in IT to correct massive historical underspending (causing productivity growth to lag other industries), and 2) EU regulatory changes taking effect in 2020 that require 5D BIM software for public buildings with the use of such software mandatory in Germany from 2020. Although still in the early stages, the BIM software market recently passed the point of inflection. We anticipate significant acceleration of growth going forward. Thanks to three major strategic steps last year, the management team has

repositioned the company, and while investors have not given the company credit for this, industry participants already consider RIB a pioneer in modernizing the construction industry. At recent multiples of 14.5x EV to EBITDA and 5.6x EV to sales (both for 2017E), Thomas views RIB's quotation as based on past assumptions and perspectives that are no longer valid.

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

ESSILOR (Paris: EI) is the leading global prescription lens producer with a vertically integrated supply chain and 41% market share (more than 3x that of the next competitor). The company owns advanced lens technology backed by €200+ million per annum R&D spend. Essilor has significant growth opportunities in Europe, the U.S. and Asia from socio-economics (growing population, ageing, higher incomes) and technological innovation (varifocals, coatings). The pending merger with Luxottica creates a global leader cross the value chain (lens, frame and sunglasses, retail, online) and synergies of €420-600 million. Essilor and Luxottica are highly complementary businesses due to minimal overlap in ophthalmic lenses (Essilor) and sunglasses/frames (Luxottica). The combined company possesses strong competitive advantage, participates in good and growing markets, has strong management, and solid balance sheet, setting the stage for long-term compounding. Essilor shares recently traded at a pre-synergy 2017E P/E of 26x and a post-synergy 2020E P/E of 18x, based on conservative assumptions on synergies.

ROSHAN PADAMADAN, CHAIRMAN, LUMINANCE CAPITAL

FIDESSA GROUP (London: FDSA) is a leading provider of sell-side trading software. MiFID II is changing the way trading and research will be done in the future, making it more important to have provable information on what was spent on execution and what was set aside for research. With a dividend yield of 3.5+% and close to 90% in recurring revenue, Fidessa has a stable base, with potential for growth. Economies of scale apply to software service providers, as the players with relatively large market share enjoy abnormal profit margins due to fixed development costs being spread over a large user base. Cloud and SaaS make such software easy to deploy and monetize. The moat is in the switching cost (due to inconvenience) and efficient scale as well. The market is not large enough to entice a large player to try to displace Fidessa. The entry barrier of high one-off software development costs, and getting customers to re-train, makes it hard to unseat Fidessa, which enjoys a defensible position in sell-side trading software.

ANTONIO GARUFI, PORTFOLIO MANAGER, DECALIA ASSET MANAGEMENT

WIZZ AIR (London: WIZZ) is a low-cost carrier with a strong competitive position in Central and Eastern Europe, where it is a market leader. Listed on the LSE, it has a market cap in excess of 2 billion pounds. The company is on a path of future growth due to the following factors: (i) it has the lowest operating costs in the industry; (ii) it has market leadership in the CEE region; (iii) it has the best operating fleet in the area; (iv) it is taking market share from poorly positioned companies in the EU and CEE; (v) it has an outstanding management and track record of growth. Wizz trades at an affordable valuation and generates robust cash

flow. It is a takeover candidate in light of its competitive position and outlook — a high-quality business with long-term potential, available at an attractive valuation based on estimates for 2018: EV to EBITDA of 4.1x, EV to EBIT of 5.3x, and FCF yield of 12.6%.

ADAM CROCKER, CHIEF INVESTMENT OFFICER, LOGBOOK INVESTMENTS

BORUSSIA DORTMUND (Germany: BVB) has a unique franchise in German and European soccer, with recognized commitment to building a competitive, financially sustainable operation. Management has developed Dortmund into a key destination for top young talent to develop and compete at the highest level. The company has significant optionality from geographic expansion, growing popularity of the sport, the sale of emerging stars (such as Dembele), and from further monetizing the BVB brand. The shares recently traded at 10x trailing EV/EBITDA, an attractive valuation for a company with a clean balance sheet, a 100+ year history, a passionate and growing fan base, improving fundamentals, high-quality management, and multiple sources of near-term optionality.

CHRISTOPHER SWASBROOK, PORTFOLIO MANAGER, ELEVATION CAPITAL MANAGEMENT

TOD'S (Italy: TOD) is a leading global players that produces and sells shoes, luxury leather goods and casual wear. It is 61%-owned by Diego Della Valle. Tod's has underperformed in recent years due to management's poor execution and a failed change in strategic direction, which sought to increase the fashion component of Tod's business. We expect margins to improve as management refocuses efforts on creating products that truly reflect Tod's core proposition: Made in Italy, Italian quality, and Italian lifestyle. Chris believes the stock to be significantly undervalued, either (i) if it remains a standalone company and delivers a turnaround by 2020 that improves EBITDA profitability to the FY12 level of €250 million (intrinsic value estimate of €113.50 per share), or (ii) if Diego Della Valle sells Tod's (in the price range of 15-17x EV/EBITDA) to a large luxury conglomerate such as LVMH or Kering for family estate planning and succession planning purposes (intrinsic value estimate range of €115.77-130.88 per share, based on successful turnaround efforts to return EBITDA back to the FY12 level of €250 million).

SAMUEL WEBER, FOUNDER, SW KAPITALPARTNER

DEUTSCHE BANK (Germany: DBK, NYSE: DB): New CEO John Cryan is transforming Deutsche into a "safe" bank that focuses on providing value-added products and services to a diversified client base. The bank's recent market capitalization does not reflect its potential future performance. Cryan is a credible, capable, and humble CEO with high integrity, a focus on value creation, shareholder orientation, and a long-term business outlook. He wants to make the bank simpler and more efficient, less risky, and better capitalized, with more disciplined execution. He has replaced one-half of the top 200 managers and reassigned another 20% to new positions. He stopped business with high-risk clients and has continued to strengthen internal controls. He has resolved nine of the top twenty litigation issues, comprising 90% of litigation provisions. He has also aligned compensation with performance. In 2016, Cryan earned €3.8 million in total compensation; no manager was paid a bonus, and variable compensation was reduced by 77%. In 2Q17, Deutsche's liquidity coverage ratio of

144% was higher than that of most peers. If Deutsche generates revenue of €30 billion in 2018, it should earn €8 billion in income before income taxes. This figure should increase to €11+ billion by 2021. Net income should therefore be around €4 billion in 2018 and €5.5+ billion in 2021. Applying a P/E ratio of 15x suggests intrinsic value of €60 billion in 2018 and €82 billion in 2021, compared to a recent equity market quotation of less than €30 billion.

PAOLO CIPRIANI, FOUNDER, CP CAPITAL

GRUPPO MUTUIONLINE (Italy: MOL) is a small-cap with favorable long-term prospects and a strong competitive position, trading at a reasonable price. The company has a broking business (online comparison of mortgages, insurance, personal loans, etc.) and a business process outsourcing business (outsourcing of core processes for banks, insurers, and asset managers). In the broking unit, competitive advantages include search engine optimization, brand recognition in the mortgage segment, and scale. In the BPO unit, competitive advantages include unique know-how, low cost structure, and high switching costs. Management as a group is the largest shareholder with ~33% of the equity. The two founders have been good capital allocators, including through share repurchases.

JEAN-PASCAL ROLANDEZ, FUND MANAGER, THE L.T. FUNDS

DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN (Spain: DIA) is a $4 billion Spanish mid-cap with a free float of 100%. Basically, DIA is the “Aldi/Lidl” of the Iberian world. It used to be owned by Carrefour, which spun it off to shareholders after bleeding it with a EUR 1 billion dividend payout. The company, which has its own formats and corporate culture, is diligently paying down that debt and has finally reached the point where it is able to invest again in stores and develop new formats. Carrefour dragged DIA into several countries in which the format did not work for various reasons. DIA is now refocusing on Spain (81% of sales), Portugal (4%), Brazil (10%), and Argentina (4%). Jean-Pascal expects 6% annual organic growth in EBITDA. Meanwhile, the stock recently traded at a 20% discount to European food retail peers, which exhibit average organic growth of ~2%. DIA shares recently traded at 7x EV 2017-18E EBITDA compared to 11x for Portuguese rival Jeronimo Martins (same 6% growth rate derived from Portugal, Poland and Colombia, with no debt). DIA is a terribly boring company (you probably would not like to shop in most of its stores) in one of the few growing retail segments (discount food retail). It is cheap and unloved (one of the most heavily shorted mid-caps in Europe). However, DIA should deliver, thanks to multiple growth drivers.

ALEJANDRO ESTEBARANZ, CO-INVESTMENT ADVISOR, TRUE VALUE FUND

PROTECTOR FORSIKRING (Oslo: PROTCT), with a market value of ~€600 million, is a low-cost insurance company growing ~20%, focused in the Nordics, with expansion potential in Europe (opened offices in Finland and the UK in 2017, with plans for expansion into Belgium, Holland, and Germany). Commercial and public insurance account for 61% and 24% of the business, respectively. The company has only 3% market share in the Nordics, providing ample runway for continued share gains. Protector has ~60% lower costs than rivals in the Nordics and ~80% lower costs than “old” European companies such as Zurich, Axa, and

Allianz. The company has a strong culture, and its investment approach is similar to that of other great insurance companies, such as Markel, Leucadia, Berkshire, or Fairfax. Recent statistics include a combined ratio of 92%, ROE of 20+%, and a solvency ratio of 185%. The shares recently traded at estimated P/E ratio of 13x for 2017 and 11x for 2018. Alejandro estimates intrinsic value at NOK 120 per share today, with potential for value to grow to NOK 280-320 over the next five years (compared to recent market quotation of NOK 80 per share).

PUBLITY (Germany: PBY) is a German real estate asset management company with three lines of business: retail, mid-size, and institutional. The company generates a blended management fee of around 1.3% (retail is higher, institutional is lower). They seek to invest like value investors, buying undervalued assets and waiting three years, on average, to sell them at a premium. In the meantime, they collect rent. Publity focuses on the German commercial real estate market, mainly offices. Founder Thomas Olek owns 49% of the shares. He is an experienced investor and cares about shareholders. Olek has good relationships with the German regional banks, the Landesbanken, and the company gets attractive bulk prices. Alejandro estimates fair value at €85 per share, or a P/E ratio of 12x at the end of 2018, plus €4 in dividends.

JOSÉ ANTONIO LARRAZ, FOUNDING PARTNER, EQUAM CAPITAL

ARCUS (Oslo: ARCUS, Frankfurt: A48) is a Nordic branded consumer goods company which produces, imports and distributes wine and spirits in the Nordic region, holding leading positions in various markets. The company operates an asset-light business model, which allows for a high return on capital and strong cash flow generation. Following an IPO at the end of 2016, the company recently traded at an attractive valuation, as suggested by FCF yield of 8%.

SIMON CAUFIELD, MANAGING DIRECTOR, SIM LIMITED

THE AUTOMOBILE ASSOCIATION (London: AA), with a market cap of £1 billion and EV of $3.6 billion, is a high-quality business trading at 5.3 times Simon's conservative estimate of normalized owner earnings. Founded in 1905, the AA is the UK market leader in the provision of roadside assistance and recovery services. It also acts as a broker for auto insurance (14% of revenue) and manages driving schools (7% of revenue). With a membership/subscription-based business model, revenue is highly predictable and cash-generative. The market is consolidated, with just three main players and high barriers to entry. Returns on capital are above 25%. Following ten years of private equity ownership, the business IPO'd in June 2015 and is two years into a three-year program to modernize the product and infrastructure, improve productivity, and pay down debt. This is masking the underlying profitability of the business. That's why the shares trade at a low multiple of normalized earnings. Yet, the program is starting to work.

SÉBASTIEN LEMONNIER, FUND MANAGER, INOCAP GESTION

BARCO (Brussels: BAR) (€1.1 billion market cap) is a Belgium company providing visualization solutions for selected professional markets. It holds significant market shares owing to its

competitive edge. The new CEO, who joined in late 2016 after almost a decade of mismanagement, is leading a pragmatic, disciplined, and business-oriented strategy to expand into growing niches with higher-value products. Management is putting in place a culture of organizational and production efficiency. Overlooked by investors and undervalued, Barco offers an investment case based on improvement in both growth and margins. Consensus expectations remain conservative given the last decade of low achievement and are well below mid-term management targets, providing potential for upside surprises. Despite growing 3-5% on the top line, with 12-14% EBITDA target and good FCF conversion, the shares trade at only ~9x EBIT in 2018-19E. Sebastien considers the valuation attractive in light of Barco's brand recognition, strong position in niche markets, and unique global knowhow in its business areas.

STUART MITCHELL, INVESTMENT MANAGER, S. W. MITCHELL CAPITAL

AP MOELLER MAERSK (Copenhagen: MAERSK) is the world-leading Danish container shipping and energy group. The business is split into four key divisions: container shipping (56% revenue), oil and gas (14% revenue), terminals (11% revenue), and drilling (6% revenue). In the wake of the dramatic decline in shipping rates, the group has embarked upon a bold strategic plan to refocus the business on container shipping and improve profitability. First, management has decided to separate out the energy business through a sale or public listing. A complete sale could raise $12 billion, which would cover both the recent purchase of the container shipping group Hamburg Sud as well as enable $6 billion or so in further acquisitions in the container shipping space. Management is rightly keen to take advantage of the process of consolidation within the industry. The integration of Hamburg Sud, furthermore, could yield roughly $1 billion in cost synergies. Second, capital expenditure will be more tightly controlled across the company, most notably in the terminal division, where no further expansion is expected.

Finally, management aims to increase return on invested capital by 2% over the cycle, through increased terminal utilization, selling more inland services, and cross-selling. After two years of declining freight rates, the outlook for the container market appears to be improving. The recent collapse of Hanjin, which removed 3% of supply from the market, may well have marked the turning point. At the same time, scrapping rose to the highest level in 2016, removing a further 3% capacity from the fleet. While deliveries will remain high in 2017, adding some 4% to the world fleet, this should be largely offset by scrapping. The fleet could indeed decline in 2019. Trading on a trough valuation of 0.8 times EV to invested capital, the shares appear attractively valued considering the depth of the restructuring program and the apparent improvement in the container shipping market.

MAX HU, PORTFOLIO MANAGER, TYEE CAPITAL GROUP

INDITEX (Spain: ITX) is the biggest fashion group in the world. It operates 7,200+ stores in 93 markets. The flagship brand is Zara. Max views Inditex as one of the highest-quality businesses in Europe, with a long growth runway ahead. Inditex has been a disruptor in the fashion industry for decades and appears likely to be the only long-term survivor with decent profitability in the fashion industry. The shares recently traded at a 30x P/E for the ongoing year and a forward P/E of 26x. The valuation is not cheap in absolute terms, but it compares favorably to the company's historical range. The company is likely to keep growing in the

double-digits for a long time to come. The consumer discretionary retail sector has been depressed due to the impact of Amazon.com. Max favors investing in long-term winners such as Inditex over single-digit P/E “value traps”. Despite the prominence of Inditex, many investors may still underappreciate the strength of the business model going forward. The recent share price pullback may provide a decent entry point.

ODDMUND ENAES, PORTFOLIO MANAGER, PARETO ASSET MANAGEMENT

NEXT (London: NXT) is a UK-based retailer. UK retailing has been hit by an almost perfect storm: Brexit, channel shift from store to online, and devaluation of the British pound. This macro environment has brought the share price to less than ten times free cash flow for what Oddmund believes to be one of the leading retailers in Europe with one of the best management teams in the business.

GREGOR SAMPSON, INVESTMENT ANALYST, BRAUN, VON WYSS & MÜLLER

RANDSTAD (Amsterdam: RAND) was founded in 1960 by Frits Goldschmeding who remains the largest shareholder. RAND is one of the leading global staffing and recruiting companies. It has grown EPS at a CAGR of 13.7% since 2003, driven by strong M&A execution and organic growth. In Gregor’s view, risks related to the level of hiring activity in Europe and North America are outweighed by a continued long-term shift to variable cost bases and outsourcing. Trading at ~12x 2017 estimated earnings and with a forward-looking FCF yield of 8.4%, Gregor considers RAND shares quite cheap.

SAFILO (Italy: SFL) is the number-two producer of sunglasses and optical frames. SFL generates the bulk of revenue through licensed brands (including Dior, Boss, Tommy Hilfiger) but also has proprietary in-house brands. The company has made strategic mistakes over the decades and risks losing licenses. Nonetheless, at 0.4x enterprise value to sales, the market potentially prices an excessively negative scenario. SFL could benefit from long-term margin normalization by completing its ERP implementation and achieving further cost savings.

MUSTAFA HIDIR, INVESTMENT MANAGER, EHRKE & LÜBBERSTEDT

MTU AERO ENGINES (Germany: MTX) develops and manufactures components for civil and military aircraft. The business model of MTU is structured in such a way that no or negative margins are accepted when selling an engine. In return, MTU achieves an EBIT margin of 8-10% through contractual exclusivity in the service of the turbines and significantly high double-digit margins through the sale of spare parts. With the turbines V2500 (mainly Airbus A320) and GTF (mainly Airbus A320neo), MTU has two blockbuster products in the portfolio, which in the coming years will gradually become maintenance-prone and thus should increase the profitability of the group sustainably.

RICHARD SIMMONS, SENIOR PORTFOLIO MANAGER, THE CREDO GROUP

DAEJAN HOLDINGS (UK: DJAN) is a property-owning company (75% UK, 25% US; 54%

residential, 46% commercial). Property is primary or secondary, often in central locations and almost all freehold or long leasehold. Daejan is a gradual grower, relying on rent increases, upgrades in the existing estate, small acquisitions, and limited development. Over a full cycle it returns 10-12% in NAV growth, dividends included. The balance sheet is extremely conservative. Daejan is priced at 58% of NAV, a discount of 42% to its fully realizable immediate value. Daejan has an inside value because one might sell it if it traded up to NAV, leaving only the ongoing 10-12% return on NAV.

S & U (UK: SUS) is a used car finance company. It has a long history and a long runway. Used car finance is currently in bad taste because of the belief that there is a consumer debt bubble, partly concentrated in the auto market. S & U is UK-only and does not write personal contract purchase (PCP) loans, so it is somewhat isolated from the main issues. Through cautious underwriting it manages an ROA of 10+%, compared to a very good bank target of 2%. Leverage, as measured by total assets to total equity, is below one-and-a-half times, compared to a very good bank ratio of ten times; but this is enough to push ROE to 15%. S & U trades below ten times forward earnings. S & U has an outside value because even if the share price doubled, bringing the forward P/E to less than 20x, the ongoing 15% (and growing) return on NAV would still be attractive.

MARKUS MATUSZEK, CHIEF INVESTMENT OFFICER, M17 CAPITAL MANAGEMENT

KRUK (Poland: KRU) is a long-term earnings compounder in the European debt collection and NPL investing market. The company so far has acquired NPL portfolios worth PLN 55+ billion across seven countries at an average of 7% of nominal claim value and able to generate 3.5x on invested capital from its NPL portfolio over the life of these investments so far, allowing Kruk to continuously grow EPS ~15% annually. Since all nominal claims compound at a statutory interest rate of 7.3-11.8% and payment interrupts the statute of limitation, Kruk's NPL portfolio possesses significant upside optionality which is not considered by the market. Kruk's debt collection services for third parties and credit bureau activities allow the company to gain early insight into overdue payments of retail and corporate customers, enabling it to leverage that knowledge when considering the purchase of portfolios. In Markus' view, reinvestment and regulatory risk are addressed by expanding into related activities (e.g., high-interest short term loans) and new countries. Markus' base case valuation of Kruk is PLN 450, offering upside of >50% from recent levels with an investment horizon of up to two years.

MALLIKA PAULRAJ, PRIVATE INVESTOR

AUTOLIV (NYSE: ALV), headquartered in Sweden, is an automotive safety systems specialist. Products are both "passive" (useful in an accident, e.g., seat belts) and "active" (sensor-driven prevention of accidents). World-leading clients include Volvo and BMW. Autoliv shares have recently traded in a P/E range of 15-20x. The company's major competitors are in flux, providing an opportunity for Autoliv. The company is the leading supplier of safety systems for the "future car", i.e., well-integrated with autonomous driving.

DOMINIC FISHER, DIRECTOR, THISTLEDOWN INVESTMENT MANAGEMENT

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DIXONS CARPHONE (London: DC) is a retailer with sales of 10 billion pounds, deriving revenue from UK electricals, UK mobile, Nordics, Southern Europe, and services markets. Brands include CurrysPCWorld and Carphone Warehouse. The management team has deep industry expertise and has in the past generated significant value from capital allocation. The latter has weakened following the merger of Dixons and Carphone Warehouse in 2014, as working capital has increased and the company has invested in the remodeling of stores. The founder of Carphone Warehouse, Dunstone, owns 12% of the company, giving him an incentive to maximize shareholder value, either through a combination of organic growth and return of capital to shareholders or through an outright sale of the company. The shares appear attractively valued at a forecast P/E of 7x.