Selected Session Highlights from Best Ideas 2017

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.

David Rolfe, Chief Investment Officer, Wedgewood Partners

APPLE (Nasdaq: AAPL) is Wedgewood's largest holding of 21 positions and a continuous holding since late 2005. David's investment thesis is based on (i) unappreciated iPhone growth in 2017-2018; (ii) underappreciated services growth; (iii) an underappreciated services margin structure; (iv) underappreciated ecosystem growth; (v) underappreciated accretive share repurchases, particularly if a repatriation bill passes; and (vi) a cheap valuation, particularly when taking into account net cash.

Stephen Yacktman and Jason Subotky, Yacktman Asset Management

SAMSUNG ELECTRONICS PREFERRED STOCK (Korea: 005935) trades at an incredibly low valuation for a diverse, globally-powerful mega cap. Despite 30+% appreciation in 2016, the shares remain exceptionally inexpensive: 4.5x estimated 2017 earnings, net of cash and investments; less than 3.5x estimated 2017 EV/EBIT; ~2x estimated 2017 EV/EBITDA; and 1.1x price to book value. At yearend 2016, ~40% of the value of the preferred was in net cash and investments. The preferred shares traded at a 20% discount to common as of yearend 2016. The preferred is essentially equivalent to the common, except for lacking voting rights. The preferred receives an additional mandated dividend of 50 KRW per year. The discount translates into a significantly higher yield. Previous share repurchase have been more heavily weighted to preferred shares (management thought discount was too wide). Operating income could grow 30+% due to organic growth and soft comps in the second half of 2016 due to Galaxy Note7 product issues. A significant share repurchase is slated to restart this month. Political changes in Korea could weaken *chaebol* power and accelerate restructuring. Steve and Jason see potential for corporate restructuring and ADR listing.

TWENTY-FIRST CENTURY FOX (Nasdaq: FOX) is a growing business at a value price. Complexity, significant investments, and the strong dollar have masked solid growth trends and made the stock appear more expensive. Star/Hulu offer huge growth potential and don't get properly valued. The proposed acquisition of Sky, along with reduced currency headwinds, could lead to EPS growth of 50-100% over the next three years. Star is to Fox what AWS is to Amazon.com. Star is a leader with ~25% of television viewing in India (population of 1.3 billion people offers huge growth potential; Hotstar digital service has more than 110 million downloads; Zee, #2 in India, has a $6.5 billion market cap). With estimated EPS of $2.00 in CY2017, Fox trades at 14.5x earnings. However, while Star and Hulu combined do not contribute meaningfully to earnings, they are worth $4-6 per share. The Sky acquisition could be 10-15% accretive. Lower corporate taxes could add to net income.

John Lambert, Investment Manager, GAM

BUNGE (NYSE: BG) is a leading global agribusiness and food company. It sources, transports, processes and distributes products that are core to the global food chain, predominantly in soybean, corn and wheat. As such, the company is positioned for long-term volume growth, driven by expanding populations and rising incomes. Additionally, it has largely exited the capital intensive fertilizer business and is seeking also to sell its low-return sugar operations. Hence prospective free cash flow generation should be much more substantial than historically. Allocation of that capital will also be more prudent, focusing on the value-added food and ingredients businesses, and returns to shareholders. This should both improve profitability and reduce the variability of profits, suggesting a higher valuation might be warranted. The stock looks cheap at 11.5x forward PE, which is also a significant discount to peers and the market. Longer-term, the shares have considerable upside to John's estimate of intrinsic value. Strong crop fundamentals in 2017, alongside the potentially significant disposal of the sugar business, could prove to be a catalyst for realizing that value.

Christopher Crawford, Chief Investment Officer, Crawford Fund Management

AMERCO (Nasdaq: UHAL) holds a dominant #1 position in moving rentals, with a trusted brand and important competitive advantages. The company has attractive internal reinvestment opportunities and is building value in the synergistic self-storage business. AMERCO has a superior owner-operator CEO, with operational focus, and a culture of long-term value creation. The shares have been out of favor recently due to cost overruns and fears of rising interest rates. However, AMERCO is not a widely understood company due to complexity and lack of street coverage. Chris sees 50+% upside to his $550 per-share value appraisal. Fair value appears poised to grow over time.

Charles Hoeveler, Managing Partner, Norwood Capital Partners

INNERWORKINGS (Nasdaq: INWK) is an industry-leading outsourced print procurement services company with best-in-class technology and the longest operating history in the industry. INWK's TAM is in the hundreds of billions, basically the global print marketing budgets for the Fortune 1000. The company is at least 2x larger than its nearest competitor. It has overhauled its capital allocation and operational strategy in the last three years. INWK boasts a capital-light "services" business model, converting 50-60% of adjusted EBITDA to FCF, and an enterprise client retention rate in the high-90s (in percentage terms). Charles believes the company can grow organically 8-12% for the foreseeable future while increasing EBITDA margins by ~50%, a true capital compounder in the small-cap arena (market capitalization of $550 million, EV of $640 million). The shares trade at ~8.1x/6.3x 2017/2018 EBITDA (Charles's estimates... well above the Street), a substantial discount to intrinsic value. Charles sees 100% upside in a base case over the next two years.

Christopher Karlin, Managing Member, Aquitania Capital Management

COTY (NYSE: COTY) manufactures and sells beauty products including fragrance, cosmetics, and hair products. Coty exhibits the investment characteristics of a spinoff. On October 1, 2016, Coty doubled in size through the acquisition of Procter & Gamble's beauty business. The opportunity exists over the next few years not only for significant cost reduction, but also to establish a scale operator that can drive revenue growth. The stock has sold off sharply over the last four months due to three factors: trading disruption around the close of the deal, concerns about revenue growth and investment, and a market rotation away from consumer staples stocks. With base upside 53% to $28 and reasonable downside of -13% to $16 over a two-year horizon, COTY has a highly asymmetric reward-to-risk ratio greater than 4:1. Chris believes that at the current price, COTY offers a reasonable reward-to-risk proposition with modest downside.

Glenn Surowiec, Portfolio Manager, GDS Investments

QVC GROUP (Nasdaq: QVCA) is the world's leading video and ecommerce retailer with over roughly $10 billion in sales and broadcast operations in the U.S., Japan, Germany, U.K., Italy, France and a joint venture in China. QVC's broadcast operations reaches approximately 360 million homes worldwide. In addition, QVC's ecommerce business accounts for roughly half of overall sales, with 50% of these sales coming from mobile platforms. QVC consistently ranks in the upper echelon for brand strength and customer service, as evidenced by its exceptionally high Net Promotor Score and numerous awards from major customer service tracking firms (e.g. Foresee, etc.). QVC has fallen out of favor in the investment community because of recent softness in its U.S. business, which saw its first quarterly revenue decline in seven years. Despite having one of the premier "outsider" management teams and one of the best retail brands in the industry, QVCA is now trading at valuation levels usually reserved for "worst in class" retailers. With continued share buybacks and improved visibility around the core U.S. business, QVCA's valuation will improve substantially over time. Conservatively, QVCA is worth $35 per share compared to its recent price of $20 per share.

Amit Wadhwaney, Portfolio Manager, Moerus Capital Management

ALMACENES EXITO (Colombia: EXITO) is a Colombian-listed retailer. With over 2,600 stores and over $10 billion of sales across Brazil, Colombia, Uruguay, and Argentina, Exito is the largest retailer on the continent of South America with a leading market share in each country, except Argentina, where it is the largest in the province in which it operates. The company's stores sell a range of goods, but food-related items account for the majority of sales. Following a large transaction announced in July 2015, Exito was transformed from being the dominant retailer domestically in Colombia into the largest retailer in South America. Exito acquired control of Grupo Pão de Açúcar ("GPA"), a Brazilian retailer that was previously controlled by Exito's parent company. GPA is the dominant retailer in Brazil, with leading market share and six brands across the country. By bringing GPA under the control of Exito, Casino (Exito's parent company) has created the largest retailer in South America, with a footprint that serves 75% of the continent's population. This combination of the businesses is further enhanced by Exito's ability to extract cost savings and synergies across the different countries and brands under which it now operates. Because of a range of issues (corporate governance questions connected with the acquisition, a misalignment between the new business and

the old shareholder base, a slowdown in both Colombia and Brazil, and being removed from the MSCI Colombia Index), Exito shares trade at what Amit considers to be a very modest valuation multiple. Interestingly, this valuation multiple is also being applied to a business that has seen significant challenges in both Brazil and Colombia over the past year. While many of the company's issues are real, they are, in Amit's opinion, largely solved, resolvable or transitory. To Amit, the combination of these two market-leading businesses into South America's dominant retailer at prices reflecting a cyclical downturn, coupled with the business' good financial position and cash-generating ability, positions Exito extremely well for the long term.

Peter Lupoff, Chief Investment Officer, Tiburon Capital Management

NEW YORK REIT (NYSE: NYRT) has a clear catalyst, with near-term liquidation of its NYC commercial real estate portfolio. NYRT recently traded at $9.85 per share a significant discount to NAV of $13+ per share. NYRT safely generates $132 million NOI on nineteen properties — all NYC commercial office "A" and "B" buildings. ~70% of NOI comes from five buildings representing 2.55 million square feet of their 3.3 million square feet. Cap rates in NYC on "A" and "B" commercial office space run between 3.875-4.25%. At assumed cap rates, the commercial real estate NOI is worth $11-13 per share, net of debt. Management believes that current rents (93% occupancy) are 10-15% below market on an average lease term of 9.3 years. Revaluation catalyst: On December 30, shareholders approved the planned liquidation and hiring of Winthrop REIT Advisors as agent to commence a liquidation of the entire real estate portfolio. Peter anticipates a one-year resolution.

Eric DeLamarter, Managing Partner, Half Moon Capital

AEROJET ROCKETDYNE (NYSE: AJRD) is a $1.3 billion market cap manufacturer of propulsion systems for the defense and aerospace industries. Aerojet is a growing, high-quality business trading at 7x EV/EBITDAP and a 10% FCF yield, a substantial discount to its relative and absolute value. The convergence of a number of factors has led to this mispricing including confusion and misperception of several headlines, complex financials (e.g., it does not screen well nor appear inexpensive at first glance based on GAAP earnings and ROIC) and the underappreciated presence of real estate holdings that are being entitled, developed and sold. Nonexistent corporate communication (no earnings calls and limited investor outreach) and a lack of institutional following (cursory sell-side coverage) has not helped and likely compounded the price-value disconnect. The reality is Aerojet has strong fundamentals as missile defense is a top DoD priority, it is in fact a monopoly in several areas and has multi-year contracts that provide high financial visibility with very limited exposure to the economic cycle. There are a number of catalysts that will lead to value realization in the near and medium term.

Jacob Ma-Weaver, Portfolio Manager, Cable Car Capital

DELL TECHNOLOGIES CLASS V (NYSE: DVMT) is a tracking stock created to finance Dell's acquisition of EMC, which owned over 80% of VMware (NYSE: VMW). DVMT contractually reflects the economic performance of VMW shares held by Dell; however, DVMT trades at a more than 30%

discount to VMW. VMW is an attractive asset in its own right at the recent price, and DVMT represents an intriguing way to purchase VMW at a discount in exchange for accepting governance and credit risk at Dell. Jacob's lays out a novel theoretical framework for the appropriate tracking stock discount and argues that DVMT discounts far more credit risk than the rest of Dell's capital structure.

Nitin Sacheti, Portfolio Manager, Papyrus Capital

ECHOSTAR (Nasdaq: SATS) is run by a great owner/manager. Charlie Ergen has aggregated many disparate assets that have significant long-term monetizable value. This includes the best intellectual property for high-throughput satellites used mainly for rural broadband. Nitin estimates the value of these assets, along with the rest of the core business, at $70 per share, based on 10x 2017 FCF. The company also has "hidden" operating assets in Mexico/Brazil, worth an estimated $30 per share within two years. EchoStar also owns a large mobile spectrum asset in Europe, worth another estimated $30 per share within three years. As a result, the business should be worth $130 per share within three years, compared to a recent market quotation of ~$50 per share.

Ian Clark, Managing Partner, Dichotomy Capital

DYNEGY (NYSE: DYN): In the current environment finding a company with sustainable cash flows at a low valuation is difficult. Dynegy offers that thanks to undue pessimism surrounding the electricity markets in North America. The headwinds for Dynegy include newbuilds, a large unhedged exposure, a leveraged balance sheet, and legacy coal assets. These headwinds are outweighed by robust cash flow generation over the next few years and a gradual rationalization of supply and demand. Dynegy will produce more than $6 per share in FCF over the next three years, an attractive opportunity relative to the current price of $8.46. Through subsidiary restructurings and debt amortization, Dynegy will see debt drop to under 5x EBITDA in the next 12 months. With a simplified balance sheet and prodigious cash generation, Dynegy is a rare combination in today's market.

Matthew Sweeney, Managing Partner, Laughing Water Capital

REVLON (NYSE: REV) is a recession-proof business that is passed over by investors due to the presence of a controlling shareholder and limited float. Investors assume that this structure will prevent the company from realizing a comp group multiple, while failing to recognize that revenue has doubled over the last three years, and that EBITDA will likely double in the next few years as the company successfully integrates the acquisition of Elizabeth Arden. The company has an impressive new CEO and for the first time has started a shareholder outreach program, which should shed some light on this stock. The company is currently highly levered, which provides a path to drive value to the equity as debt is paid down in the coming years.

Steven Kiel, Chief Investment Officer, Arquitos Capital Management

MMA CAPITAL MANAGEMENT (Nasdaq: MMAC) is a good example of "balance sheet to income statement" investing. This concept is when a company with a strong balance sheet attracts investors focused on capital preservation and downside protection, but the company also has the potential to generate significant earnings and cash flow. If these earnings come to fruition, a new type of investor finds the company and judges it on its income statement characteristics. MMA has a strong balance sheet and sizable off-balance sheet assets, is buying back a significant amount of stock (9% of outstanding shares in 2017) below book value, has more than $430 million of federal net operating loss (NOL) carryforwards, and has several partnerships and co-investment vehicles that have a good chance of generating significant earnings in the future. The company has four business lines: historical leveraged bonds, low-income housing tax credits, energy capital and other investments, and international housing solutions. The shares trade at less than 90% of stated book value and there is significant insider buying.

Abhay Deshpande, Chief Investment Officer, Centerstone Investors

AIR LIQUIDE (Paris: AI) is a blue-chip French industrial company whose shares have recently languished due to weakness in certain end markets and concerns about global economic growth more broadly. Despite the near-term headwinds, the long-term growth outlook for the company continues to be attractive, especially in end markets like healthcare and refining. In addition, the company should continue to benefit from a long-term trend toward outsourced gas production, which is still at a relatively early stage in developing market countries. Air Liquide's competitive position also remains intact, supported by high customer switching costs and the significant cost advantage the company enjoys due to the density of its network. This already-strong competitive position should be further bolstered by the Airgas acquisition, as the deal means that Air Liquide will be a fully vertically integrated player in the U.S. for the first time since World War II. Abhay believes the market is giving too little credit for the durability of Air Liquide's franchise and the shares trade at a meaningful discount to Abhay's estimate of intrinsic value.

Adam Crocker, Chief Investment Officer, Logbook Investments

PEUGEOT (Paris: UG) is an automotive manufacturer that has undergone changes not yet reflected in valuation. In recent years, the company 1) hired one of the industry's best regarded leaders as CEO, 2) transformed its balance sheet from ~€20B net debt to ~€5B net cash, and 3) reversed ~€400m operating losses in FY13 into ~€3B operating profits LTM 6/30/16. Despite these improvements, the business trades near relative and absolute trough multiples of 3x EV/EBIT. This should eventually trend to historical averages of at least mid/high single digits as investors appreciate that the recent recovery is a reflection of sustainable changes to Peugeot's business and not a cyclical aberration. Lastly, for the first time in its history, the Peugeot family is no longer a controlling shareholder (currently 14%) which increases the potential for being acquired. The combination of upgraded leadership, drastically improved fundamentals, low multiples and growing optionality appear to make Peugeot an attractive risk/reward.

Michael Melby, Chief Investment Officer, Gate City Capital Management

GULF ISLAND FABRICATION (Nasdaq: GIFI) fabricates specialized structures and vessels for customers in the offshore oil and gas and marine industries. The company conducts operations in three segments: fabrication, shipyards, and services. Gulf Island believes it has the largest group of fabrication facilities serving the Gulf of Mexico market. The company's owned asset base, including land, buildings, and equipment, provides Gulf Island with the capabilities to compete effectively on offshore fabrication projects and represents a high barrier of entry to potential competitors. Gulf Island has cut costs following the recent decline in energy prices and is expected to continue to generate positive adjusted EBITDA and FCF despite the unfavorable market environment. The company is pursuing major contracts outside of oil and gas, including river cruise ship construction, offshore wind platforms, and LNG-related projects that could significantly improve results even without an increase in energy prices. Gulf Island recently completed the opportunistic acquisition of LEEVAC Shipyards. The company acquired three shipyards and significant project-design capabilities and actually received an upfront cash payment to acquire the assets. In addition to a large base of owned assets, Gulf Island has substantial liquidity, with $56 million in cash on the balance sheet and no debt, providing financial flexibility to withstand an extended downturn in the energy markets. Gulf Island has filed a lawsuit to collect over $30 million in client change orders. The market quotation is attractive, with the stock trading at 0.66x tangible book value and under 4.0x trough EBITDA. Michael has visited each of the company's locations and came away impressed with the company's extensive base of owned assets and unique capabilities.

Danilo Santiago, Portfolio Manager, Rational Asset Management

OWENS-ILLINOIS (NYSE: OI) is a leading manufacturer of glass containers for beverages and food, with 80 facilities around the globe. The company is the #1 player in Europe, North America, Australia/New Zealand, and Latin America. Over the past decade, OI has transformed itself, selling all its plastic container facilities while gathering a significant presence in glass container manufacturing. But why glass? That was a strategic decision: Although thousands of years old, glass is still the most superior container for beverages and food. Glass is the most neutral and natural of packaging materials. It is as inert as packaging gets. Therefore, no chemical residues are left on the beverage (think of high-quality wine) or food (think baby-food) when a glass container is used. However, the transformational journey endured by OI left some marks. The P&L and balance sheet are difficult to follow, due to all the acquisitions and divestitures. The company also has an underfunded defined-benefit pension plan that will consume a significant amount of cash flow. Due to a former business unit, which operated from 1948-1958, (unknowingly) selling products containing asbestos (in today's money, total sales were close to $360 million), the company has to pay hundreds of millions in indemnity every year. Since an initial liability was established in 1993, the company has paid close to $4.4. billion. Although it is possible to make reasonable assumptions about the remaining payments, it is an issue that might scare investors. Lastly, the company has a high (but not excessive) amount of debt. In summary, although OI's core business is simple and stable, the corporation is complex. This is probably why OI is the only company – among ~60 continuously followed by Danilo – that is below its base-case fair-value, during what appears to be a peak margin/sales part of the economic cycle.

Travis Cocke, Managing Partner, Voss Capital

PAR TECHNOLOGY (NYSE: PAR), established in 1968, has two core businesses: a sleepy, consistent, low-margin government services business (PAR Government), and a technology business serving restaurants (PAR Technology or "Hospitality"). The technology segment has a best of breed, cloud-based (SaaS) point-of-sale system (Brink) and an industry leading POS terminal hardware business. About twelve months from now, Travis believes PAR will more closely resemble a leading restaurant POS pure play, as Travis believes PAR will initiate the process of divesting their unrelated government services business in H2 2017. This divestiture will result in a highly profitable, cash-rich leader in quick service/fast food restaurant POS software for an implied multiple of just 0.3x trailing sales. If PAR simply gets their POS business to 1x sales, 3x gross profit, and 10x EBITDA (multiples still well below both trading and transaction comps), there is 120% upside from recent levels in Travis's base case, creating a highly asymmetric bet to the upside.

Peter Rabover, Portfolio Manager, Artko Capital

STATE NATIONAL COMPANIES (Nasdaq: SNC) is a specialty insurance company with two unique, high moat, businesses compounding at 15-17% ROEs and trading at 11.5x forward earnings. 70% of the business is essentially "rent an AM Best A-rated balance sheet" that allows alternative capital to participate in the US domestic P&C market. SNC cedes a 100% of the risk to the reinsurers/foreign capital and collecting a "rental fee" from a market that is expected to double in the next five years and should be viewed more like a broker trading at 16-18x earnings than a P&C company. The other 30% Lender Services segment is a collateral protection business that mostly insures autos under loan for credit unions whose insurance coverage has lapsed. With an exclusive relationship with the Credit Union National Association (CUNA) SNC has 95% of the credit union market and is a leader in an oligopoly that allows it to earn a consistent eye popping 84 Combined Ratio (relative to mid to high 90s for most auto insurers). A clean balance sheet that can drop down an additional 15% of EV down to the company level and a founder run and owned company should allow SNC to continue to grow earnings in high teens and to adjust to 15-16x earnings for a 20% IRR over the next 4-5 years.

V.P. Rajesh, Managing Director, Banyan Capital Advisors

SUNTECK REALTY (India NSE: SUNTECK) is a real estate developer offering ultra-luxury, luxury and premium residential housing primarily in BKC (Bandra-Kurla Complex) and ODC (Oshiwara District Centre, Goregaon West) in Mumbai, India. Current portfolio development potential stands at 23 million square feet, comprising of completed, on-going and yet-to-start projects across 25 projects. Of the total, 1.9 million square feet is completed and 2.4 million square feet is currently under progress; and 12.9 million square feet is in Mumbai. Key strategy has been to acquire land parcels at attractive locations directly and/or enter joint development partnerships (e.g., Jaipur and Dubai). At a recent price of Rs. ~210 per share, the market capitalization of SRL is Rs. ~1,340 crores (~$200 million) with an enterprise value of Rs. ~2,300 crores (~$340 million). V.P. Rajesh estimates intrinsic value as the sum of book value (Rs. ~280 per share) and the estimated NPV of future cash flows (Rs. ~210 per share), i.e., Rs. ~490 per share.

Scott Phillips, Portfolio Manager, Templeton and Phillips Capital Management

WH GROUP (Hong Kong: 0288) is the world's largest hog producer and pork processor with 60% of revenue based in the U.S. and 33% in China. Trading at 11.2x EPS and 6.7x EV/EBITDA, the shares trade at 23% and 22% discounts, respectively, to global peers. These discounts come despite the firm possessing leading market share, and rising levels of profitability during the past few years that are owed to competitive advantages, including strong brands and a unique cross-border hog price arbitrage between its U.S. and China-based operations, that both have spurred WH Group's rising margins and market share gains. The company has deleveraged its balance sheet since its 2014 combination of Smithfield Foods and Shanghui Development, and is now using its healthy cash flows (8.1% FCF Yield vs. 3.5% peers) to expand its domestic Chinese production through the import of Smithfield's high-quality U.S.-based hog supply now being processed in a new Western-style facility constructed in the mainland of China to offer Smithfield branded products. The firm's recently added Smithfield-branded offering produced in China complements Shanghui Development's traditional Chinese premium products, where it already enjoys leading market share across its 849,000 points of sale. Scott believes the shares remain too heavily discounted and do not reflect the operating improvements already experienced to date, much less future growth opportunities.

Raphael Moreau, Fund Manager, Amiral Gestion

MOTOR OIL HELLAS CORINTH REFINERIES (Greece: MOH) is an independent company that owns the second most complex refinery in Europe, ideally positioned in Corinth, Greece, as well as >20% of the distribution of petroleum products in Greece. It has been an FCF machine, generating a FCF yield of 13.3% in just the first nine months of 2016 (taking out the inventory effect). It is a "great company in a bad zip code" as Motor Oil has thrived in recent years despite the severe Greek crisis (2015 was a record year). It is indeed a dollar-based business and despite 100% of the production being processed in Greece, more than three-quarters of volume is re-exported. It operates in a volatile environment. However, resilience during good and bad times thanks to a very strong asset and a clearly well-incentivized management (family owns ~50% of the company) as well as its cheapness (5.6x EBIT 2016E) make it a rather compelling investment. Improvement in the Greek economic environment could also enable the company to remove balance sheet safety measures and improve profitability even further.

Simon Caufield, Managing Director, SIM Limited

JD WETHERSPOON (London: JDW) is a wonderful, but misunderstood, company with deceptively conservative accounting hiding in a lousy industry and on sale at a wonderful price. It operates 926 pubs in the UK with a strategy that is radically different from competitors'. Return on core capital is 14%, return on equity 20%. Growth is likely to be in the range 4-7% plus another 3% from share buybacks. The founder and executive chairman, Tim Martin, owns ~30% of the shares. Management are good operators and great capital allocators, having bought back half the shares since 2003 - at times when the share price is cheap. Yet today, you can buy Wetherspoon at ~10 times FCF.

Keith Weissman, Director of Research, Sibilla Capital

VISTA OUTDOOR (NYSE: VSTO) is a manufacturer of consumer products for outdoor and shooting sports. The company is miscast owing to a series of split offs, the first from Honeywell in 1990 and the second and more recent one in 2015 from Aliant Techsystems. Both companies from which Vista split are focused on defense and trade at lower multiples than consumer product companies. In a matter of years, the company has transformed itself from one focused on shooting sports tracing back to its roots as a defense company, to a branded, consumer products company which carries a very different valuation multiple not yet recognized by the market. Vista is likely to continue acquiring outdoor sport products which should further push valuation levels upward closer to other branded consumer product companies. The acquisitions tilt the company's profitability more towards the higher margin, less risky part of the business, and as well, add to margins by pushing newly acquired brands through the company's existing wide distribution network.

Michael Zapata, Managing Partner, Sententia Capital Management

NAVIGATOR HOLDINGS (NYSE: NVGS) is the market leader in the liquefied gas carrier industry. The company serves a niche market with specialized barriers to entry and dominance of the Handysize market (25%+ market share), which has positioned Navigator to benefit from industry dynamics. An attractive valuation of less than 6x cash flow makes this a unique opportunity as the remainder of their ships come online in 2017. Michael anticipates an earnings and cash flow expansion with some outsized opportunities that would propel the stock. This investment provides a unique time to purchase a quality business with strong management in a steady market.

Shawn Kravetz, President, Esplanade Capital

PENN NATIONAL GAMING (Nasdaq: PENN) is a leading operator of regional casinos in North America. Having spent 2016 in the "PENN-alty" box due to a series of unforced errors, PENN shares fell ~14% in 2016 while their peer group rallied ~40%. Shawn believes investors win in 2017 thanks to a "royal flush" of catalysts for the shares, which trade at an undemanding 7.3x TEV/EBITDA multiple (still a meaningful discount to peers) and a ~20% FCF yield. Shawn believes PENN shares are worth 40-100% more than recent market prices, subject in part to how the company allocates its expected $600-750 million in expected FCF over the next three years.

Isaac Schwartz, Portfolio Manager, Robotti & Company

JIMMY CHOO (London: CHOO) designs and markets fashion footwear. It's a classic case of a great brand and business, which had been underinvested by private equity, was then identified and acquired by a brilliant capital allocator – responsible for developing a wide range of high-performing consumer brands of recent decades – and is now in the last innings of a major operational expenditure program that will result in a transformed business. Although gross margins have increased steadily, these operational initiatives have temporarily obfuscated the naturally high operating margins. The control shareholder group has an excellent track record, and there is high

insider ownership and creative management incentivization. Taking these circumstances into account and viewing the recent operational successes in new and old markets, Isaac believes the reported PE of 22 misstates the intrinsic earnings of the business, which he expects to be revealed in the near future.

Christian Olesen, Investment Manager, Olesen Capital Management

YAHOO (Nasdaq: YHOO) trades at a significant discount to the value of its assets. After the acquisition of Yahoo's core business for cash by Verizon, which is expected to close in the next few months, Yahoo will have assets that are currently worth in excess of $57 per share, yet Yahoo stock only trades at $41 per share. The company has clearly stated that its intention is to distribute substantially all cash to shareholders after the acquisition by Verizon is consummated. Moreover, the company has pledged to maximize the after-tax value of stakes in Alibaba and Yahoo Japan, which account for the great majority of the company's value. Christian believes that buying Yahoo stock while hedging the exposure to Alibaba and Yahoo Japan by selling short those securities offers an attractive investment return with very modest risk. In his base case scenario, this investment generates a 21% return over less than one year, even though the business risks are hedged due to short positions in Alibaba and Yahoo Japan.

Scott Miller, Founder, Greenhaven Road Capital

ENVIROSTAR (NYSE: EVI) and **LIMBACH** (Nasdaq: LMB): These are two sub-$200 million market capitalization companies. Investor's typically underestimate the power of compounding and overestimate the value of "sexy". These two "boring" companies provide the opportunity for significant capital appreciation despite not "screening well". **EnviroStar** is a commercial laundry equipment distributor engaged in a buy-and-build strategy led by a highly aligned CEO with experience at an incredibly successful buy and build company, Watsco. The industry has attractive geographic monopoly dynamics with opportunity for expansion. With the stock trading at 12x EBITDA and an acquisition pipeline at 4-6x EBITDA, the company can potentially double earnings with minimal share dilution through the combination of share issuance and debt. **Limbach** is one of the largest commercial air conditioning contractors in the U.S. It is a fundamentally healthy business that is growing revenue and backlog by 30%. The company has the opportunity to grow organically, expand margins through increased service offerings, and opportunistic acquisitions. Both the common stock and long-dated warrants provide an interesting risk-reward proposition.

Phil Ordway, Managing Principal, Anabatic Investment Partners

U.S. COMMUNITY BANKS: As regulatory frameworks, the yield curve, technology, and the competitive landscape are shifting, now is a good time to explore the banking industry for possible opportunities. Many investors relegate banks to the “too-hard” pile or label them all as “black boxes” that are unsuitable for conservative value investors. And there certainly are some banks that are too complex, too thinly capitalized or too poorly managed to offer favorable prospects to investors. But out of the thousands of banks in the U.S. and Europe there are often at least a handful that offer

outstanding investment potential. One key to understanding banks is the nature of their deposit base. The amount, cost and quality of these liabilities determine a bank's safety and soundness as well as its ultimate profitability. Deposits are the "raw material" for banks, and a good deposit-gathering franchise can make for a very valuable business. And while all banks are levered, many capital structures are actually quite stable. Total deposits in the U.S. have exhibited remarkable consistency, growing almost every year since the Great Depression and often outpacing GDP growth. At the same time, U.S. banks have purged their problem assets and retained much more equity capital. The quality of the U.S. banking sector's aggregate capital and liquidity make the industry as safe as it has been in decades. Another focus area for investors is the quality of a bank's assets. If deposits provide the "raw material" for a bank, it is up to management to then make intelligent capital-allocation decisions. The credit culture of a bank is crucial, and it must be judged both quantitatively and qualitatively. A few phone calls or meetings to find out which bank in a given market is stretching on terms or price will go a long way in avoiding future problems. In banking, an ounce of prevention really is worth a ton of cure. A third factor driving returns for investors is consolidation. The total number of commercial banks in the U.S. has declined almost linearly from more than 14,000 in 1985 to approximately 5,000 today. Across the broader industry, M&A has – with very few interruptions – continued every year for decades. In a typical year, 2-4% of the banks in America are acquired by other banks, and essentially zero new banks have entered the industry in the past decade.

Some particularly interesting opportunities are often found in the small "community" banks that comprise the vast majority of the 5,000 U.S. banks in existence today. Some of them are attractive businesses, some may have quantitatively cheap stock prices, and some might be candidates for acquisition; the combination of those factors can make for a sound and profitable investment. As with other investments, it is often helpful to look at the problem upside down. By developing a framework to eliminate certain banks as candidates for investment, the potential universe shrinks dramatically and the potential for good risk-adjusted returns improves. Investors should often avoid banks with thin capitalizations, aggressive managers, high-cost "non-core" deposits, a concentration in out-of-market loans, a lot of opaque assets, or a bloated cost structure.

OCEANFIRST (OCFC) is a century-old community bank that has recently completed several acquisitions and may be a merger candidate itself. OceanFirst is now a mid-size community bank, with $5+ billion in assets. It is the largest community bank headquartered in Central and Southern New Jersey and the fourth-largest bank in New Jersey by deposit market share. The bank has an attractive deposit base (54% consumer, 46% commercial). Non-performing assets are ~0.5%, with zero non-performing commercial loans originated in the past five years. OceanFirst has an unusually deep and long-tenured management bench. ~20% of the shares are owned by insiders and employees. Management has been prudent in deploying capital via dividends, buybacks, and M&A. If OCFC is likely to earn 10-15% on equity, with a 35-40% payout ratio and 5-10% growth per year, is ~1.75x book value the right valuation?

WELLS FARGO (NYSE: WFC) is an amazingly resilient and predictable business, with massive scale and scope and low-cost deposits. A powerful core deposit franchise (+8.5% LTM 9/30/16) funds ~125% of loans, with total cost of deposits of ~11 bps. Fees are almost half of net interest income. Capital allocation includes a ~30% dividend payout and ~20% net share repurchase "payout". The fake accounts scandal reflected a colossal management failure but, financially, the entire issue was immaterial. A new incentive system is coming, reportedly emphasizing customer service and core account balances. TARP warrants offer very cheap, non-recourse leverage, but the dangers should not be ignored. If WFC is likely to earn 10-15% on equity, with a 30-40% payout ratio and a modest reduction in share count via buybacks, is ~1.5x book value the right valuation?

Christopher Swasbrook, Managing Director, Elevation Capital Management

LUXOTTICA (Milan/NYSE: LUX) is the world's largest eyewear company and undisputed market leader. The group manufactures and distributes products across more than 150 countries, with 95 million prescription frames and sunglasses produced annually worldwide. As a category, Eyewear is benefiting from strong structural growth drivers and attractive socio-demographic factors while significantly underpenetrated markets provide opportunity for market-leading players. In this regard, Luxottica holds the dominant proprietary and licensed brand portfolio in the market, in addition to owning and operating several leading retail brands which similarly hold principal positions in their respective markets. Guided by founder Leonardo Del Vecchio, Luxottica has vertically integrated its business model with operations spanning all stages of the eyewear industry's value chain. Through these twin pillars (brand power and business model), Luxottica has created an extremely strong competitive advantage, enabling them to maximize efficiencies and extract value throughout all stages of their business. Furthermore, such qualitative factors are exceedingly hard to replicate and grant a defensible position against potential competitors as it increases barriers to entry. Looking forward, ongoing optimization of the group's vertical integration strategy and execution of current growth initiatives provide substantial headroom for long-term capital appreciation. Chris acknowledges that softness within the eyewear market may create volatile trading conditions in near term. However, he asserts that the quality of the business has been established such that it can endure short-term uncertainty and still thrive in the long run. In contrast to popular belief, Chris views the active involvement and leadership of Mr. Del Vecchio since 2014 as a positive for the Company and the other 33.5% of shareholders while concerns towards succession planning should be viewed as short-term "noise". Luxottica trades at ~€50 per share with an EV/EBITDA multiple of 13x which Chris believes to be attractive given the long-term growth outlook for the industry, the potential for further consolidation in the retail and wholesale segments, newly planned expansion into the lens market coupled with the possibility of a merger with global lens giant Essilor.

Steven Wood, Portfolio Manager, GreenWood Investors

BOLLORÉ (Paris: BOL) and **TELECOM ITALIA SAVINGS SHARES** (Italy: TITR) are two very timely ideas as we head into 2017. Both trade in markets which are hated by international investors. The world is underweight or short these markets, and Steven disagrees with this view. Yet, on their own, each company trades at historical trough valuation levels at the exact time the underlying businesses are showing tangible signs of near-term improvement. Bolloré is an investment holding company, trading at a roughly 60% discount to NAV, which consists of African ports and global logistics businesses, and controlling stakes in Vivendi and Havas, both media heavyweights in France. Run by an active value-creator with a terrific track record, Vincent Bolloré is transforming the weakest parts of Vivendi, with 2017 being a major year of stabilization and profit growth. Similarly, trade in Africa is beginning to stabilize with a stronger commodities environment, and is poised to grow significantly in the coming years of rebound. Steven believes NAV is poised to double in the coming years. Vincent is asserting similar control over Telecom Italia, through Vivendi's 25% stake in the company, and has accelerated cost-cutting efforts, taken positive pricing actions, and is working to increase the value proposition of the company's Telecom services. Because Telecom Italia is not only the cheapest Telecom in Europe, but also leveraged, high single-digit growth in cash flow will result in 25-30% compounded growth in Telecom Italia's fair value, holding its trough valuation steady. With Q3 results showing the first growth in revenue in a decade, 2017 results will be building on the solid progress achieved thus far, and handily exceed a sanguine consensus.

Kyle Mowery, Managing Partner, GrizzlyRock Capital

TFS CORP. (Australia: TFC) has an effective monopoly on the world's supply of Indian sandalwood, used in cosmetic, religious, furniture, and pharmaceutical products. Based on Kyle's sum-of-the-parts analysis, he believes the shares of TFS have the potential to appreciate more than 100% over the next three years. TFS recently became FCF positive with visibility for FCF production for decades to come, which should catalyze the stock price higher in 2017 and beyond. TFS's internally owned Indian sandalwood plantations are worth more than the recent enterprise value of the company. Thus, an investor today is getting paid to own: 1) a profitable forestry business generating $60 million of annual EBITDA; 2) future performance fees worth $210 million fully taxed and discounted, and; 3) a pharmaceutical subsidiary in the U.S. with four candidates in FDA Phase II trials. TFS' marquee forestry customers include Harvard Endowment, GMO, and The Church of England, while its harvests are forward sold at pre-determined prices to international customers including Nestle and Young Living. This idea is timely given that Indian sandalwood takes 15 years to mature and TFS's first meaningful harvest represents a step-change in FCF beginning in fiscal 2017.

James Roumell, President, Roumell Asset Management

Update on **ROSETTA STONE** (NYSE: RST): Rosetta Stone provides technology-based language learning solutions. RST continues to execute on its plan to focus on three core business lines: enterprise and education (E&E) language, literacy (Lexia Learning) and serious consumer language learners. Led by Chairman and CEO, John Hass, and a strong board, the company is showing clear signs of a successful turnaround. Jim believes the company will continue to materially improve operations and will attract financial and strategic buyers. The company recently reported its seventh consecutive quarter of year-over-year opex reductions. Summing the company's net cash balance and the value of fast-growing Lexia Learning (year-end annual bookings run-rate of $40 million, coupled with 90% plus renewal rates and a 30% plus annual growth rate), implies little value for the company's consumer and E&E language businesses. Jim assigns a $100 million valuation to Lexia (2.5x year-end bookings run-rate), leaving the company's combined language businesses (consumer and E&E) valued at $52 million. Applying a modest 1x multiple to language revenue of about $150 million sums to a total RST valuation of roughly $285 million, or $13 per share. (Consumer competitor Duolingo recently raised capital at a pre-money valuation of $470 million. It is believed that Duolingo has less revenue than Rosetta Stone.)

Update on **PARATEK PHARMACEUTICALS** (Nasdaq: PRTK): Since presenting PRTK at Best Ideas 2016, the news continues to exceed expectations. PRTK successfully reported its Phase 3 ABSSSI (skin) IV to oral trial results in May 2016. The company recently made other positive announcements. If the news on PRTK is so good, why did the stock drop ~30% last year? It is difficult to know, but at least two story lines are likely contributing to the sell-off. First, the NBI biotech index, comprised of the largest biotech companies, was down ~23% last year. PRTK is performing in-line with its smaller-cap biotech peers. This across-the-board selling seems to be the result of high-profile pharmaceutical price gauging cases leading to fears of legislative price restrictions on drugs. What does not seem to be well understood is that three years ago, Congress (with Democrats and Republicans joining together) passed the GAIN Act to increase the profitability in antibiotics in order to spur development given the dire need for new antibiotics articulated by the CDC and many world health organizations. Second, a PRTK competitor, Cempra recently experienced manufacturing problems and liver toxicity issues, sending CEMP stock down 60+% in one week. Jim continues to value PRTK at $1.5 billion

(either 1.5x multiple to $1 billion in peak sales or 1x peak sales of $1.5 billion). On a per-share basis this translates to $65, compared to last year's number of $86 per share, accounting for the recently higher share count associated with raising capital to fund an oral-only skin trial.

Adrian Saville, Chief Strategist, Cannon Asset Managers

The South African listed equity market has a history dating back 120+ years and boasts auditing, compliance and governance standards that rank among the most sophisticated in the world. Notwithstanding this long history and present-day institutional competitiveness, the Johannesburg Stock Exchange (JSE) is best described as a two-tier market. The first tier is made up of a set of ~100 well-researched, highly liquid and relatively efficiently priced larger companies. The second tier is made up of a set of ~400 companies that are under-researched (and oftentimes un-researched) with smaller market capitalizations and generally lower liquidity. The "unloved" and/or "unknown" elements of this second tier of listed companies makes for fertile ground for seeking out mispriced assets and undervalued earnings engines that offer exceptional investment prospects. Within this context, Adrian explores three ideas, which comprise unloved small-, micro-, and nano-caps underpinned by a solid balance sheet, good track record, and exposure to economic elements that drive the investment case.

Mid-cap business **GROUP FIVE LIMITED** (JSE: GRF) is a Johannesburg-based investment holding company with interests in the building, infrastructural, and engineering sectors. The business was founded in 1969 and listed on the JSE in 1974. The company has a market value of R2.8 billion (R13.60/US$) and operates in South Africa, the rest of Africa, and Eastern Europe, with 9,000 employees, turnover of R13.8 billion and bottom-line earnings of R380 million. This translates into an established business trading on an undemanding earnings multiple. To boot, the business is cash-rich with annuity income based in hard currency. Recent corporate action involving an equity partnership with Group Five's concessions business in Europe and Aberdeen Asset Management has highlighted the extent to which Group Five's assets are underpriced.

Small-cap business **COMBINED MOTOR HOLDINGS** (JSE: CMH) is a family-built business that has significant interests in motor vehicle retail, car hire, marine and leisure craft, vehicle repair, and financial services. Established in 1977 and listed on the JSE in 1987, the business has a market value of R1.4 billion, 2,600 employees, turnover of R11.0 billion, and earnings of R180 million. The group's underlying businesses are a powerful generator of cash, which translates into a debt-free enterprise that has bought back 25% of shares outstanding over the last three years and that trades on a 7.5% dividend yield and 7x earnings.

Nano-cap niche insurer **INDEQUITY GROUP** (JSE: IDQ), a specialized short-term insurer, provides market-leading short-term insurance products to the professional and affluent private client markets and business insurance. While enjoying strong growth in top-line and bottom-line numbers in recent years, the business boasts robust margins, healthy cash flow, and an average return on assets in excess of 30% per annum. While liquidity is modest, the investment case is compelling, bolstered by a recent equity raise that will see the company employ the larger balance sheet in its established high-margin, high-capital efficiency environment.

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