



Bob Robotti

Chief Investment Officer, Robotti & Company



Developable Land

A Truly Scarce Resource!

Bob Robotti
Robotti & Company Advisors

MOI Best Ideas 2025
January 16, 2025

MOI
GLOBAL



BEST IDEAS



- Focused on a single philosophy dedicated to the investment principles that trace back to Benjamin Graham
- A research-oriented investment firm managing private funds & separate accounts
- Over four decades of building an entrepreneurial culture that has attracted independent thinkers passionate about investing
- A business infrastructure modeled after Tweedy, Browne and Gabelli
- Focused mainly on small and mid-cap equities – where value can be found
- Independent and employee-owned



2004 - 2020

Bob Robotti invited on the board of PHX Minerals Inc. (fka Panhandle Oil & Gas) based in Oklahoma City, Oklahoma as the firm was the largest outside owner of PHX.



2019 - 2023

Canadian asset manager Edgepoint, the largest shareholder of PrairieSky recommended Bob to the board. PrairieSky Royalty Ltd. is based in Calgary, Alberta.



2007 - present

Bob becomes chairman of the board in 2013 for Pulse Seismic Inc. based in Calgary, Canada. The firm owns ~16% of the company.



2016 - present

Bob joins the board of AMREP Corporation based in Rio Rancho, New Mexico. The firm owns ~10% of the company.



2012 - 2015

Bob becomes board member of BMC – Building Materials and Construction Services after fellow shareholder Davidson Kempner’s recommendation. BMC merged with Builders FirstSource, Inc. in 2021 where the firm still holds a significant position.



2021 - present

Bob invited to be on the board of Tidewater based in Houston, Texas and named to the board’s ESG committee in 2022. The firm is TDW’s second largest shareholder.





“Progress is cumulative in science and engineering, but cyclical in finance.”

- Jim Grant

Schumpeter's Process

Taking advantage of the cyclical process to generate superior, long-term returns

Transition Phase:

Where you want to invest and where we are now!

Improving supply side causes returns to rise above cost of capital: **Share Price Outperforms**

New entrants attracted by prospect of high returns: **Investors Optimistic**

Rising competition causes returns to fall below cost of capital: **Share Price Underperforms**

Business investment declines, industry consolidation, firms exit: **Investors Pessimistic**

Source: Capital Returns, Edward Chancellor, editor (2015)

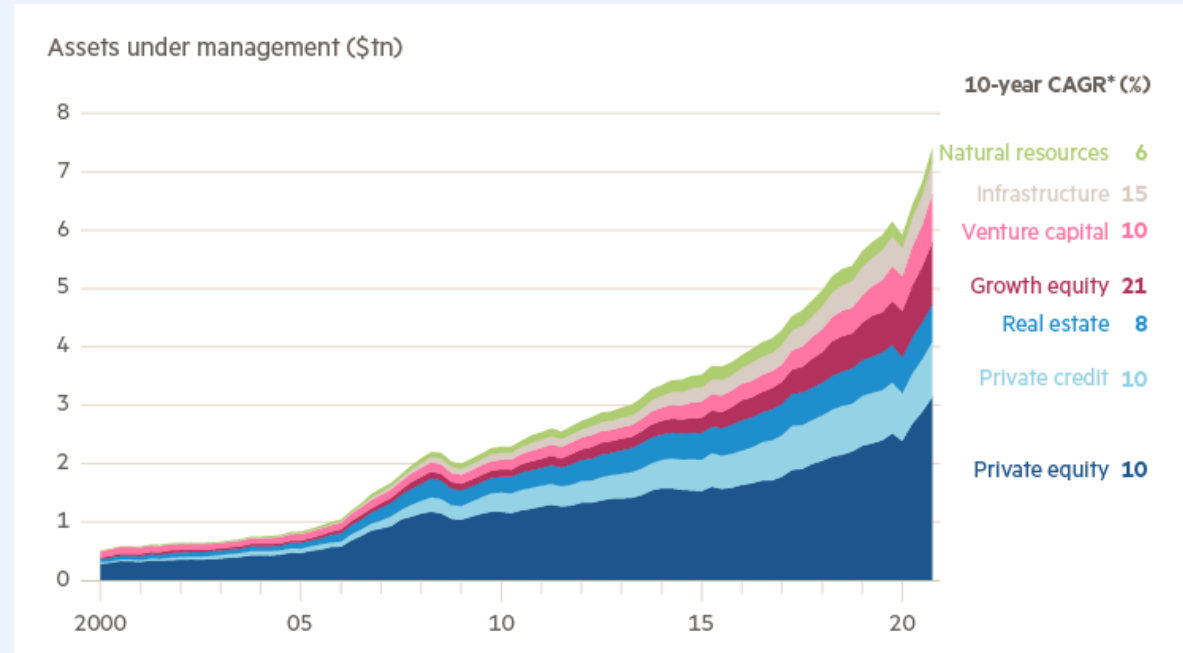


10 Year US Treasury Bond Yield

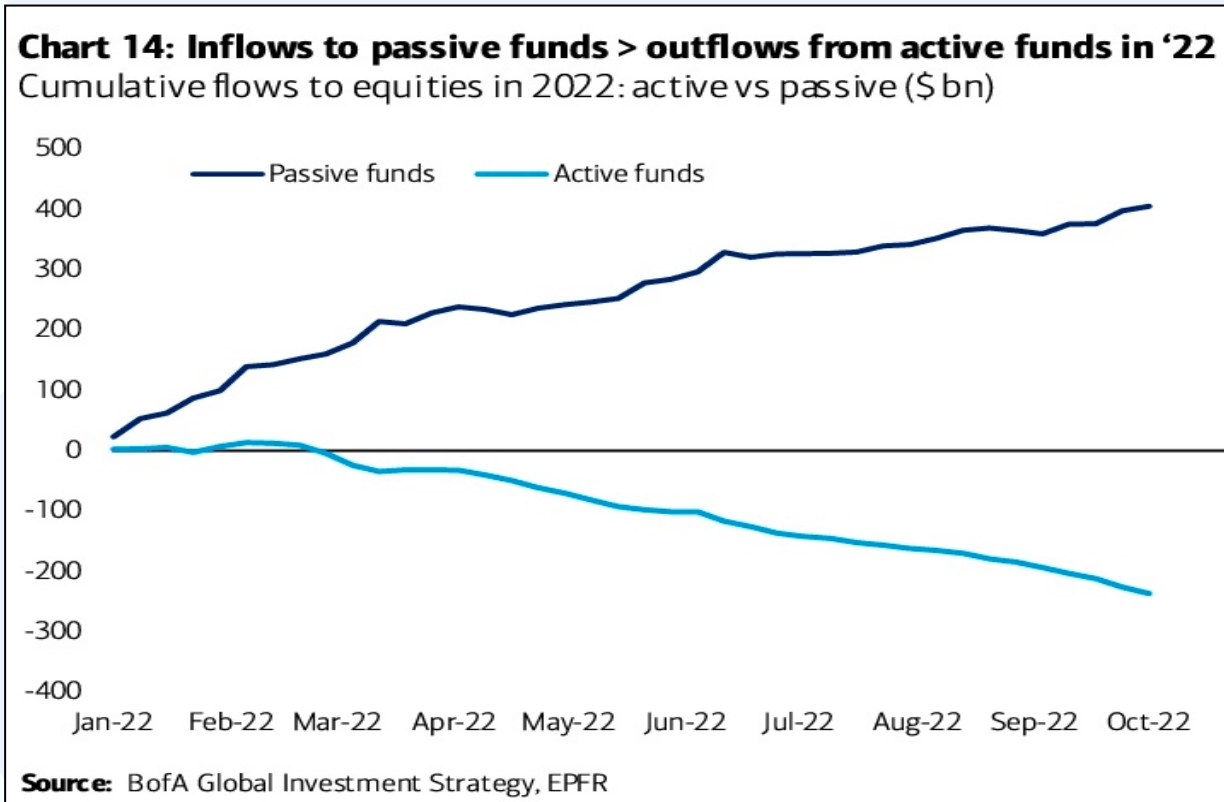


Source: Macrotrends.net

The Growing Power of Private Capital



Source: Morgan Stanley Research



Investors are still piling into passive funds!



- The Russell 2000 is well positioned
- The Zombie 1000 – making money by digging through the garbage heap
- Valuations are so discounted you do not need external corporate action

- The risk of conventional wisdom
- Underlying economic environment is better than ever
- The pressure is on active managers
- Europe is de-industrializing
- For decades, we had no cost of capital – we are not going back there
- Private equity doesn't know what to do – it's a slam dunk for securities that private equity should own

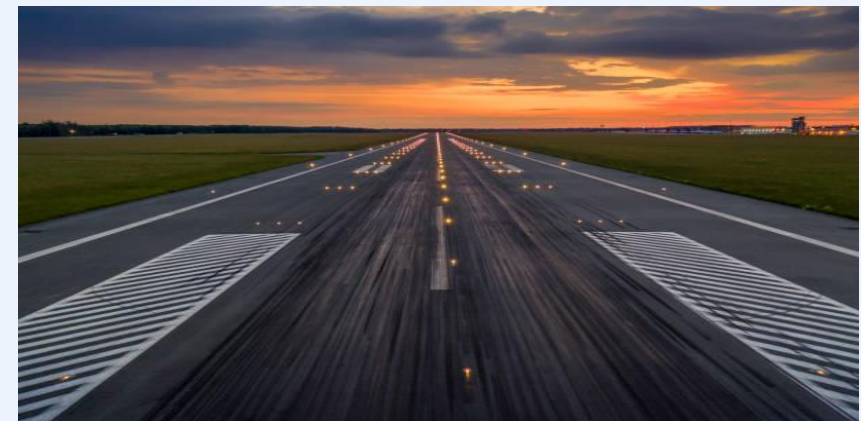


Ugly Ducklings

- Look for companies or industries that are beaten-up, out of favor, or out of fashion
- Commonly investors avoid near-term uncertainty and only invest once the dust has settled
- We concentrate on understanding the long-term normalized earning power of a business well before it turns into a swan

Long Runways

- Industries facing significant short-term headwinds / “unknowns”
- The dynamics are in place for very long runways of growth once headwinds dissipate



Five Point Holdings (FPH) Summary

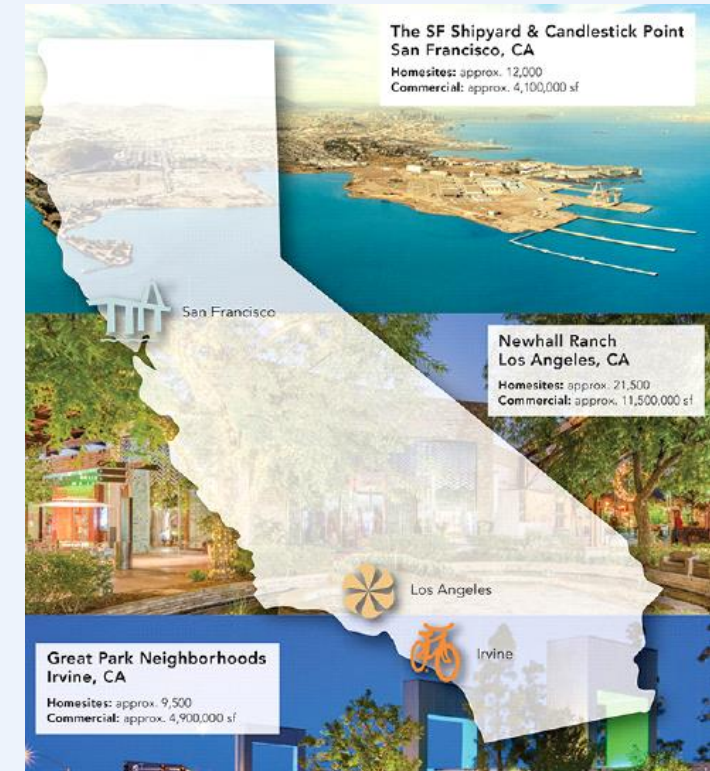
- Five Point Holdings (NYSE:FPH) is a land development company formed by Lennar in 2016 to combine 3 strategic California based land development investments.
- The company owns over 30,000 entitled housing sites in supply constrained markets that will be sold to homebuilders and commercial developers.
- A new management team has paid down/refinanced debt while shifting its focus to controlling costs and generating free cash flow through market cycles.
- We believe that the value of Five Point's Great Park Community equals the current value of the entire enterprise and fails to ascribe value to Valencia and the San Francisco venture – both very valuable assets.

Market Capitalization	
Price:	\$3.76
Dil Shrs:	148.5
Market Cap	\$558
LT Debt	525
Cash	225
Enterprise Value	\$858
Net Debt	\$300
52 Week High	\$4.39
52 Week Low	\$2.73

As of 1/15/25 close

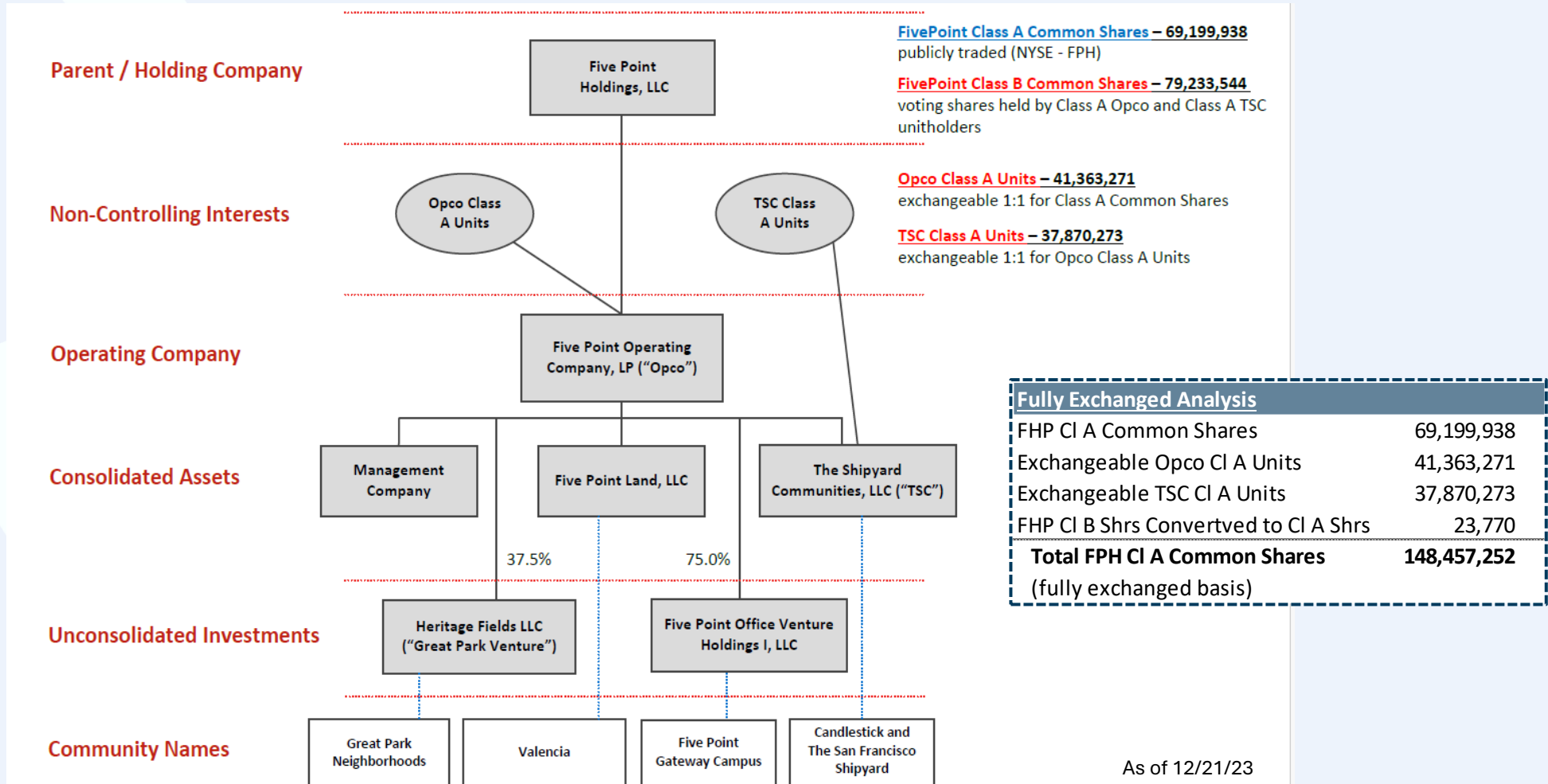


- Five Point's land assets represent a significant portion of the real estate available for development in Los Angeles County, San Francisco County and Orange County - 3 of the most dynamic, supply constrained markets in California.
 - **Great Park**, located in Irvine CA is ~80% complete and generating significant free cash flow.
 - **Valencia**, located north of LA County is one of the largest master planned communities in the state. Less than 10% of the 21,500 homesites have been sold leaving more than a decade of runway.
 - **Candlestick / SF Shipyard**, located in San Francisco is a one-of-a-kind blank canvass master planned community with entitlements for over 12,000 homesites and over 6msf of commercial space.



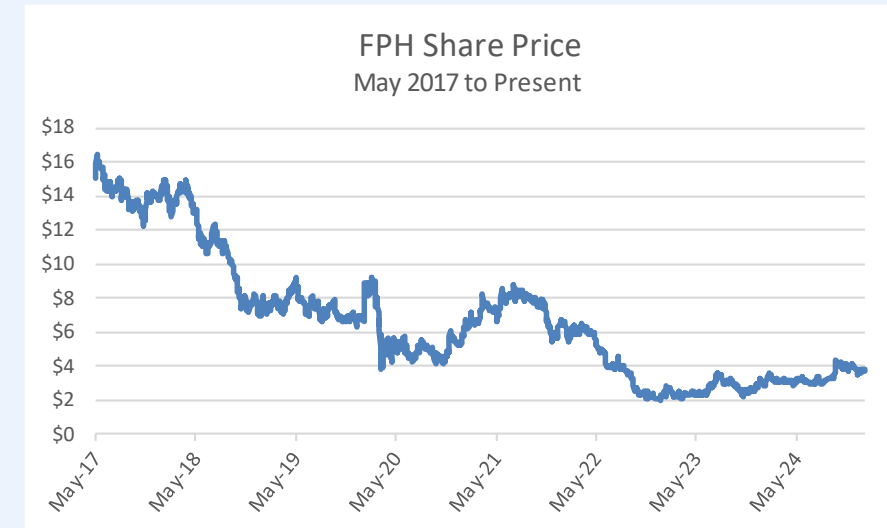
A "Messy" Organizational Structure

- May 10, 2017: Five Point went public at \$14 per share (>\$2bn market cap)



Dismal IPO Plan and Operating Results

- Real estate development requires large capital investments and returns a stream of cash flows that are both lumpy and sensitive to the economic environment.
- Five Point has historically suffered from bloated SG&A costs, project delays and a lack of consistent free cash flow generation.
- As a result, FPH shares have fell by almost 75% since its 2017 IPO.
 - Anchoring, recency bias and a slew of other behavioral biases make it difficult for investors to believe that a 7+ year trend will ever change.



- As value investors, we often point to *asset value* or *replacement cost* as an indication of the intrinsic value of an asset.
 - An asset's value is the present value of its future cash flows
 - If an asset isn't generating any cash flow, how does anyone know what they are truly worth?
- These are mature assets that had been in a gestation period for 20+ years and are now shifting to a period of cash flow generation
 - That is the point where investors take notice.
 - Great Park has been generating cash flow in recent years.
- Now they are working on the second → Valencia (aka: Newhall Land and Farming) has been gestating for several decades.

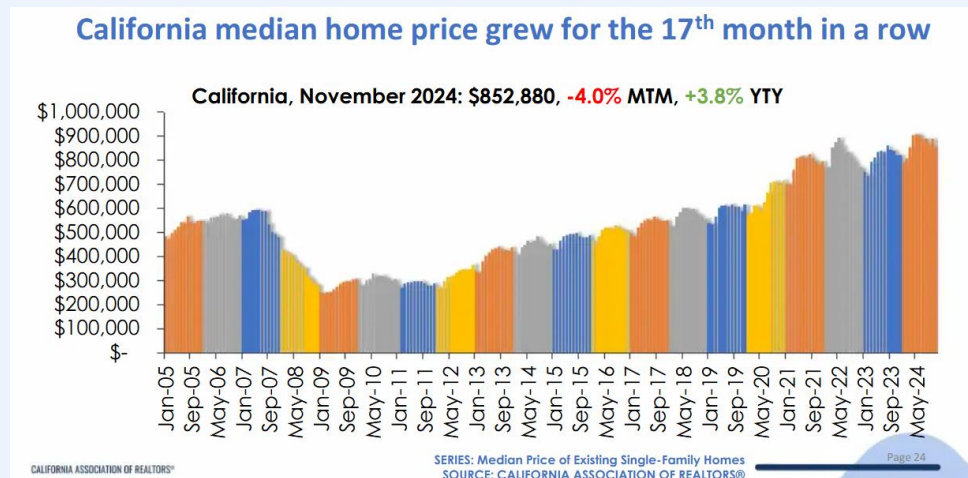
- At Jefferies 2024 Investor Day, CEO Richard Handler described the investment opportunity for Homefed.

"HomeFed is approaching \$500 million of investment at book value for Jefferies. We think it's worth a lot more than that... That \$500 million, the largest part, way over half of that relates to Otay. Otay is a large land area between San Diego and the Mexican border in a town called Chula Vista. When it is fully developed, which is probably another 12 - 14 years, it will have north of 12,000 residential units on the property that we own.

I think of it as a mining operation, and we started mining a couple of years ago. We're mining out in the 600, 800 to 1,000 single-family home sites a year being sold off to homebuilders at an attractive price to us....

We have the opportunity to build... 300-something unit projects a year in terms of what the market is likely to absorb. If that continues, that business starts to mature in about 2 years. Mature means we're building what we're selling. And when we're selling, we're getting good gains. So we, today, are eating a small drag in terms of return on capital at HomeFed until it gets to that full ramp period. But somewhere in 2026 or '27, we start to hit stride there and the return on equity gets to be attractive. So HomeFed's a little gem inside."

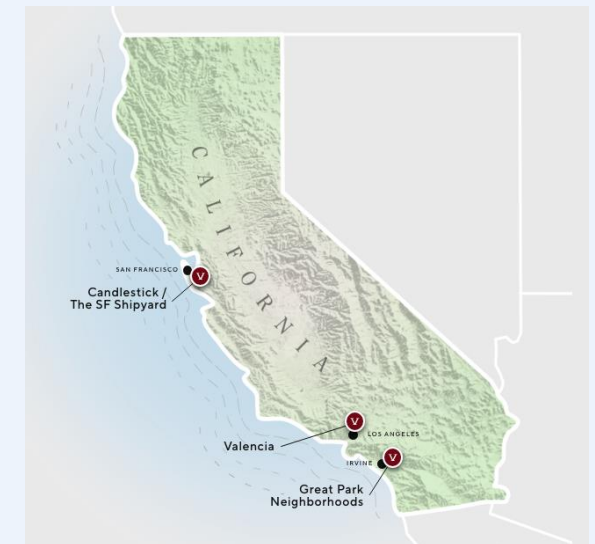
- Since 2017, California's residential real estate market has seen significant growth in home prices and sales while supply continues to remain constrained.
- This can be seen in the realized price that Five Point has received Great Park homesite sales which has increased from \$435,000 per homesite in 2019 to \$915,000 per homesite in Q2 2024.

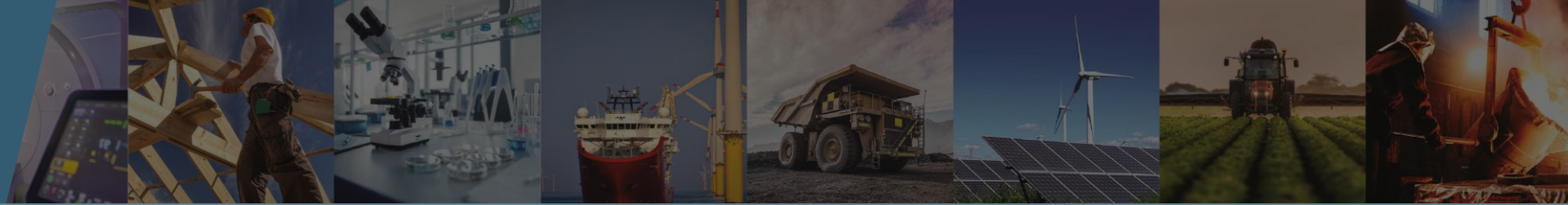


As the value of Five Point Holdings declined, the value of its underlying assets increased.

- The owner, Lennar, recognized the opportunity and became the activist to unlock value – first by bringing in new management.
 - New management changed strategy to selling commercial properties and using the proceeds to pay down debt.
 - The cost structure was immediately right-sized, headcount was reduced by almost 30%, SGA dropped from \$77mm in 2021 to \$56.1mm in 2023.
- The benefit of the management change was obscured by the looming 2025 debt maturity, especially as interest rates rose and credit markets tightened.
 - The remaining \$525mm of debt was refinanced in January 2024 with notes that mature in January 2028.
 - This eliminated liquidity concerns weighing on the stock price.

- We expect cash balance to be up +\$100mm to \$325mm by the end of fiscal 2024.
 - Over the next 1 – 2 years, the EV will be substantially lower as debt is repaid.
- Great Park is generating significant cash, and we expect distributions from FPH's interest in Great Park over the next few years will exceed Five Point's current enterprise value.
- Valencia has sold just 12% of its 21,500 homesites most recently at \$223,000 per homesite.
- San Francisco represents >7,000 residential units in Candlestick alone that are set to generate significant identifiable cash flows.





- Rebalanced the development of Candlestick as a standalone development in October, 2024
- SF Mayor and City Council approved plan
- With approval initial work is set to begin in 2025
- US Navy cleanup of Shipyard stalled joint development



Source: San Francisco Office of Community Investment and Infrastructure

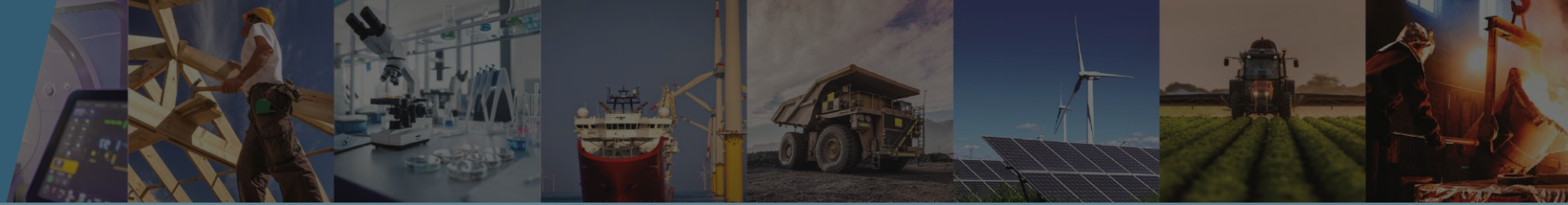


Image of Candlestick Point location today

	Candlestick Point	HPS Phase 2	Total
Total Housing	7, 218 units	3,454 units	10, 672 units
Affordable Housing			3,348 units
Parks and Open Space	105.7 acres	232 acres	337.7 acres
Office and R&D Space	750,000 square feet	4,146,500 square feet	4,896,500 square feet
Retail and Maker Space	304,500 square feet	401,000 square feet	705,500 square feet
Community Space and Institutional Uses	50,000 square feet	460,000 square feet	510,000 square feet
Arts and Entertainment Space	69,000 square feet	255,000 square feet	324,000 square feet
Hotel Space	130,000 square feet	120,000 square feet	250,000 square feet

Source: San Francisco Office of Community Investment and Infrastructure

- We believe that investors ignore that the largest shareholder, Lennar, a well-run and highly regarded homebuilder who owns 39% of the company has made radical changes to correct a plan that was not working.
- Sale of Castlelake shares to GFFP Holdings, and entity controlled by the Glick Family.
- Castlelake's Managing Partner, CEO, CIO stepped down from the board and Sam Levinson, CIO of Glick (2nd largest shareholder) has taken his place.
- Robotti is now the largest Class A shareholder.

- The company's performance is highly sensitive to macroeconomic factors, especially those tied to the real estate market.
- With all 3 communities located in California, the company is exposed to economic downturns, regulatory changes and other matters specific to the state of California.
- Changes in interest rates can impact both homebuyer demand as well as corporate borrowing costs.
- California is prone to natural disasters such as earthquakes and wildfires.

<u>Disclosures</u>	Five Point Holdings (FPH)
Bob Robotti and/or members of his household has a financial interest in the following securities	Yes
Robotti & Company or its affiliates beneficially own common equity of the following securities	Yes
Robotti & Company or its affiliates beneficially own 1% or more of any class of common equity of the following securities	Yes
Bob Robotti serves as a Director or Officer or Advisory Board Member of the following securities	No

Disclaimer: Analyst Compensation: While this report is not a research report of any broker or dealer, compensation of analysts of the Firm is based on: (1) the analyst's productivity, including the quality of the analyst's research and the analyst's contribution to the growth and development of our overall research effort; (2) ratings and direct feedback from our investing clients, our sales force and from independent rating services. The Firm's management is responsible for establishing these compensation guidelines and for reviewing and approving compensation. Analyst contribution (if any) to the investment banking business of any affiliate of the Firm is not a factor in determining his/her compensation for either entity and compensation is not, directly or indirectly, related to the specific recommendations or views expressed in the report.

Analyst Certification: The author certifies that the views expressed in this financial model accurately reflect his personal views about the subject securities or issuers and that no part of his or her compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this presentation. The author, from time to time, may have long or short positions in, and buy or sell, the securities, or derivatives (including options) thereof, of companies mentioned herein. This is not a complete analysis of every material fact regarding any company, industry or security.

Robotti & Company Advisors, LLC (the “Firm”) is not providing investment advice through this material. This presentation is provided for informational purpose only as an illustration of the firm’s investment philosophy and does not contain enough information to be considered a research report.

As of the date of this presentation the firm continues to own the securities discussed herein. Past performance is not indicative of future results, and no representation or warranty, express or implied, is made regarding future performance. Investing involves risks, including loss of capital.

This material does not take into account individual client circumstances, objectives, or needs and is not intended as investment advice or a recommendation. Securities, financial instruments, products or strategies mentioned in this material may not be suitable for all investors. In reaching a determination as to the appropriateness of any proposed transaction or strategy, clients should undertake a thorough independent review of the legal, regulatory, credit, accounting and economic consequences of such transaction in relation to their particular circumstances and make their own independent decisions. The Firm does not provide tax advice. Investors should seek tax advice based on their particular circumstances from an independent tax advisor.

This confidential presentation contains information that has been compiled, by the Firm, from sources believed to be reliable; however, there can be no guarantee as to the accuracy or completeness of such information. It also contains statements, estimates and projections made by various third party companies with respect to their historical and projected performance. There can be no assurance that such statements, estimates and projections will be realized, and actual results may vary materially from those indicated. The Firm does not represent nor is affiliated with any of the third party companies and other entities named and makes no representations as to the reasonableness of such assumptions or the accuracy or completeness of the information contained herein. These materials are for the confidential use of only those persons to whom it is transmitted. The information provided herein is confidential the property of Robotti & Company Advisors, LLC, and/or its affiliates

This report may discuss numerous securities, some of which may not be qualified for sale in certain states and may therefore not be offered to investors in such states. This document should not be construed as providing investment services. Investing in non-U.S. securities including ADRs involves significant risks such as fluctuation of exchange rates that may have adverse effects on the value or price of income derived from the security. Securities of some foreign companies may be less liquid and prices more volatile than securities of U.S. companies. Securities of non-U.S. issuers may not be registered with or subject to Securities and Exchange Commission reporting requirements; therefore, information regarding such issuers may be limited.

Robotti & Company Advisors, LLC is an SEC registered investment adviser. A copy of the firm’s Form ADV, Part 2 is available upon request. Additional information about the Advisor is also available on the SEC’s website at www.adviserinfo.sec.gov Robotti Securities, LLC is a registered broker-dealer, member FINRA/SIPC.



Robotti & Company Advisors, LLC

Contact Us:

Spencer Cibelli
Spencer@robotti.com

David Yazdan
Yazdan@robotti.com

125 Park Avenue
Suite 1607
New York, NY 10017

212-986-4800

www.robotti.com

 [@BobRobotti](https://twitter.com/BobRobotti)

