

LATE night investing with Michael

- Tweedy Brown research 1970-1983 (13 years)

-The mean return from **net-nets** stocks for the 13-year period was **29.4%** per year versus 11.5% per year for the NYSE-AMEX Index....

-The net current asset portfolio's exceptional performance over the entire 13 years was **not consistent over smaller subsets of time** within the 13-year period.

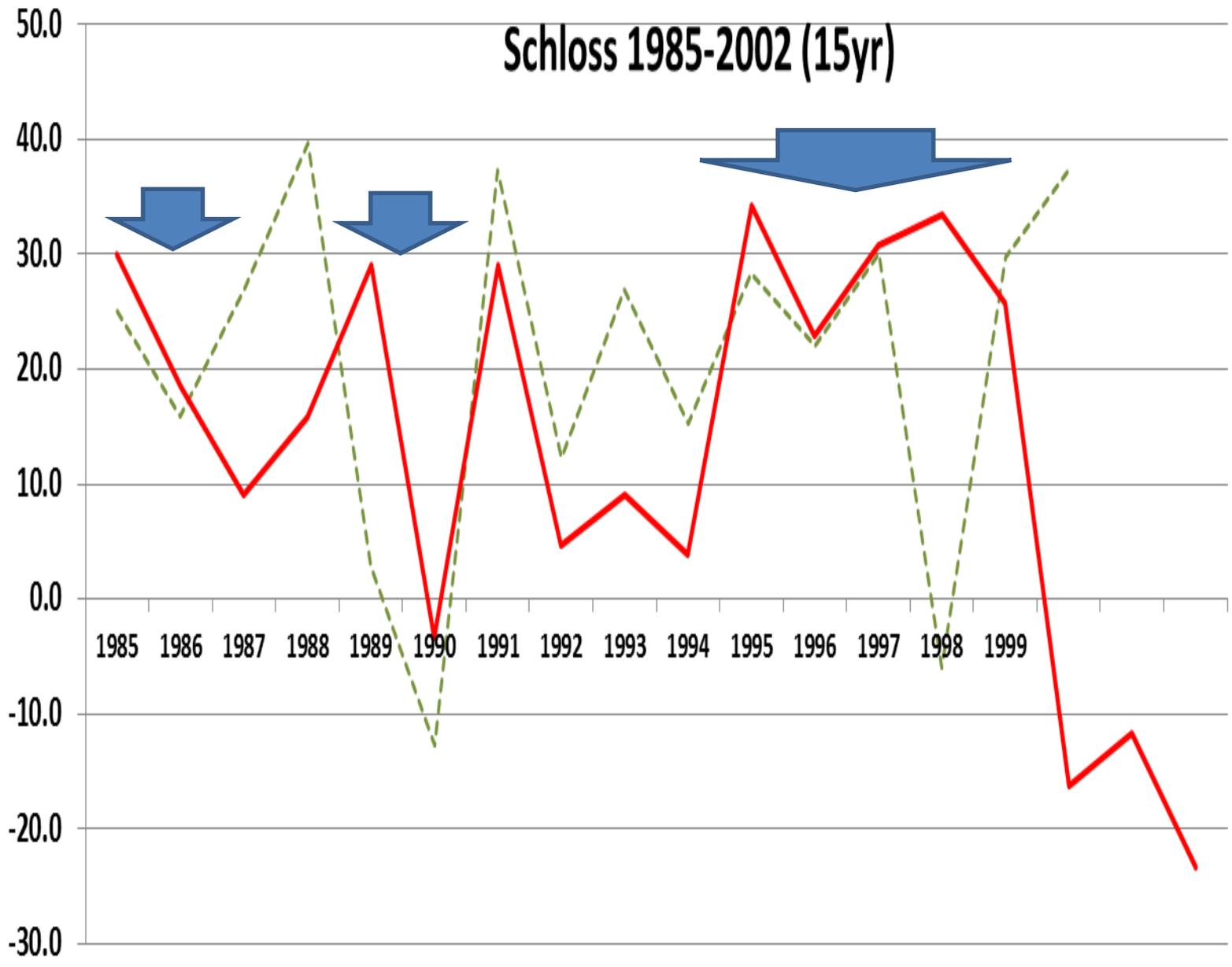
For the three-year period, December 31, 1970

through December 31, 1973, which represents 23% of the 13-year study period, the mean annual return from the net current asset portfolio was **0.6% per year as compared to 4.6% per year for the NYSE-AMEX Index.**

- The companies **operating at a loss** had slightly **higher** investment returns than the companies with **positive earnings**: **31.3%** per year for the unprofitable companies versus 28.9% per year for the profitable companies.

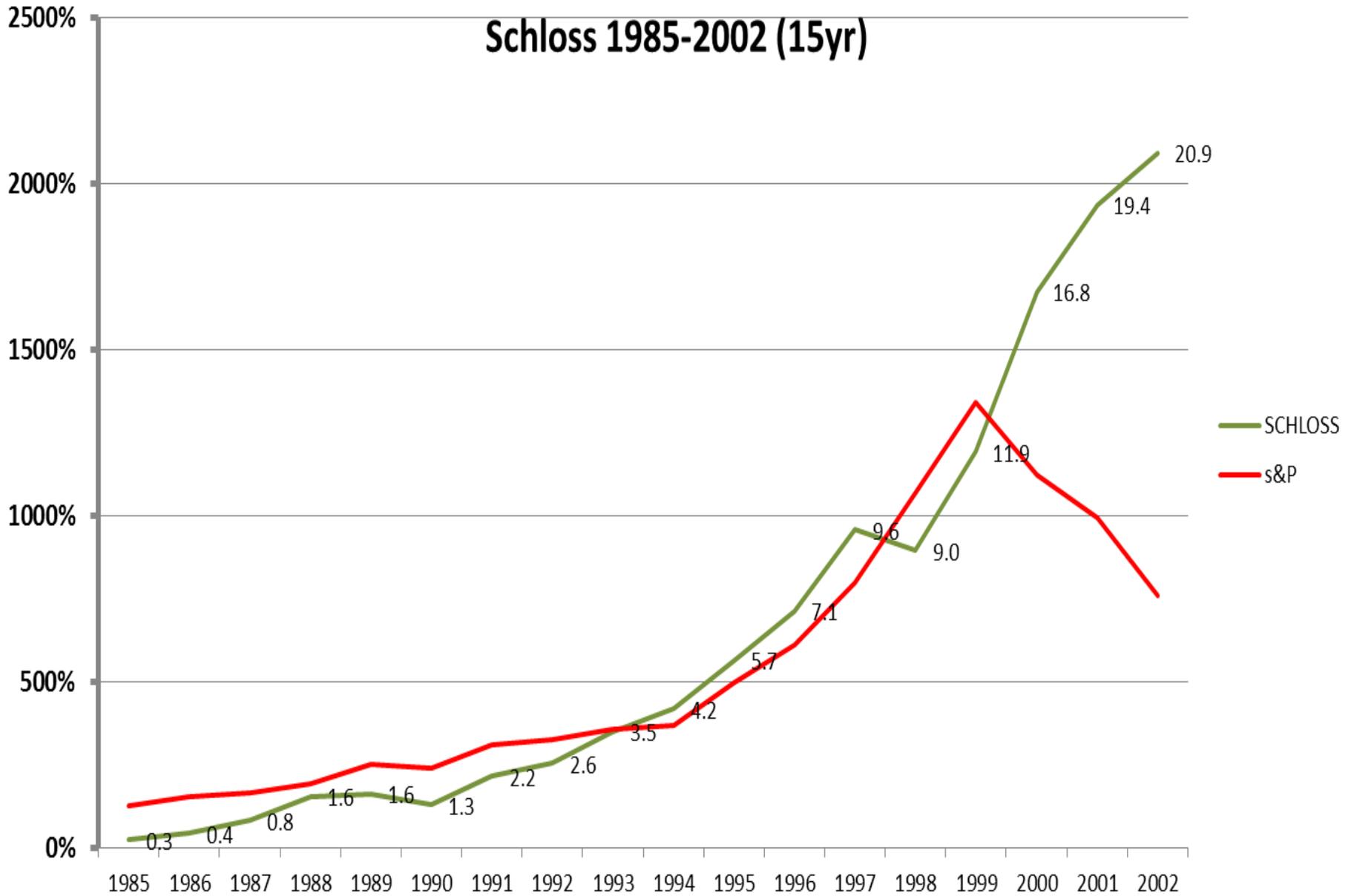
		S&P Cumulative %		Cumala tive	SCHLOSS Cumulative %	
1985	30	30%	25.0	1.3	25%	-5
1986	18.5	54%	15.9	1.4	45%	-2.6
1987	9.1	68%	26.9	1.8	84%	17.8
1988	15.8	95%	39.7	2.6	157%	23.9
1989	29.1	151%	2.9	2.6	164%	-26.2
1990	-3.4	143%	-12.8	2.3	130%	-9.4
1991	29.1	213%	37.3	3.2	216%	8.2
1992	4.6	228%	12.3	3.6	255%	7.7
1993	9	257%	26.9	4.5	351%	17.9
1994	3.8	271%	15.2	5.2	419%	11.4
1995	34.3	398%	28.3	6.7	566%	-6
1996	22.9	512%	22.1	8.1	714%	-0.8
1997	30.8	701%	30.1	10.6	959%	-0.7
1998	33.4	968%	-5.9	10.0	896%	-39.3
1999	25.7	1242%	29.8	12.9	1193%	4.1
2000	-16.2	1025%	37.3	17.8	1675%	53.5
2001	-11.7	893%	14.8	20.4	1937%	26.45
2002	-23.4	661%	7.6	21.9213	2092%	31

Schloss 1985-2002 (15yr)



--- Schloss
— s&p

Schloss 1985-2002 (15yr)



Anglo American plc (LON:AAL)

528.60 **+49.50 (10.33%)**

Real-time: 10:18AM BST
LON real-time data - Disclaimer
Currency in GBX unless noted

Range	492.05 - 529.60	Div/yield	20.93/10.83*
52 week	215.55 - 1,194.00	EPS	-3.06*
Open	492.05	Shares	1,401.88M
Vol / Avg.	4.31M/13.24M	Beta	-
Mkt cap	7,333.90M*	Inst. own	-
P/E	-		*GBP

G+1 11

Compare: FTSE 100 BLT GLEN VED RIO KAZ SBLM LOND ASA

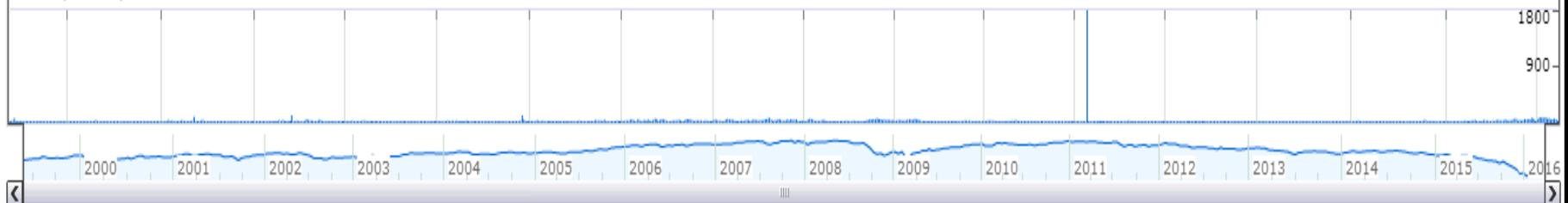
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Zoom: [1d](#) [5d](#) [1m](#) [3m](#) [6m](#) [YTD](#) [1y](#) [5y](#) [10y](#) [All](#)

Jun 04, 1999 - Mar 30, 2016 **-260.01 (-33%)**



Volume (mil / 1wk)



Anglo American plc (LON:AAL)

Assets:

- ~£40B

- Mines depreciated £5B in last 6 months
- All liabilities £35B

- Stock trading for **£3.5B**

Fiscal data as of Dec 31 2015	Dec 31 2015	Jun 30 2015
ASSETS		
Cash And Short Term Investments	6,895	7,033
Total Receivables, Net	2,135	2,450
Total Inventory	4,051	4,630
Prepaid expenses	--	--
Other current assets, total	689	568
Total current assets	13,770	14,681
Property, plant & equipment, net	29,621	35,067
Goodwill, net	--	--
Intangibles, net	3,394	3,802
Long term investments	2,663	3,868
Note receivable - long term	539	660
Other long term assets	1,085	1,057
Total assets	52,013	61,613
LIABILITIES		
Accounts payable	2,753	3,268
Accrued expenses	--	--
Notes payable/short-term debt	0	0
Current portion long-term debt/capital leases	1,649	764
Other current liabilities, total	1,437	1,037
Total current liabilities	5,839	5,069
Total long term debt	16,318	18,177
Total debt	17,967	18,941
Deferred income tax	3,253	4,496
Minority interest	4,773	5,764
Other liabilities, total	5,261	6,207
Total liabilities	35,444	39,713
SHAREHOLDERS EQUITY		
Common stock	772	772
Additional paid-in capital	4,358	4,358
Retained earnings (accumulated deficit)	29,237	32,007
Treasury stock - common	(6,051)	(6,054)
Unrealized gain (loss)	--	--
Other equity, total	(11,747)	(9,183)
Total equity	16,569	21,900
Total liabilities & shareholders' equity	52,013	61,613

529.22 +50.12 (10.46%)

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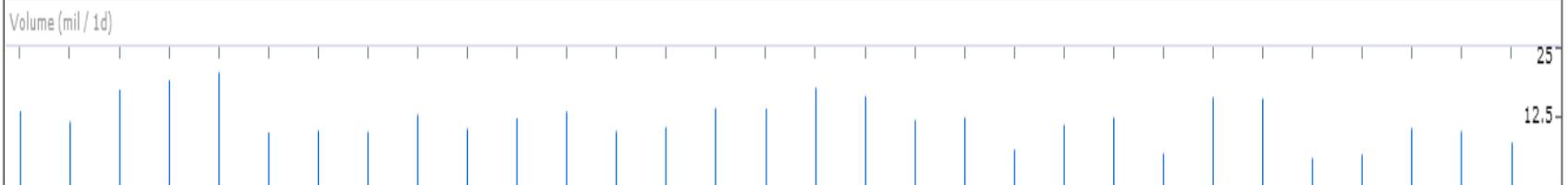
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Compare: FTSE 100 BLT GLEN VED RIO KAZ SBLM LOND ASA

more »

Zoom: [1d](#) [5d](#) [1m](#) [3m](#) [6m](#) [YTD](#) [1y](#) [5y](#) [10y](#) [All](#)

Feb 12, 2016 - Mar 30, 2016 +217.04 (67.11%)



$$\text{DCF} = \frac{\text{CF}_1}{(1+r)^1} + \frac{\text{CF}_2}{(1+r)^2} + \dots + \frac{\text{CF}_n}{(1+r)^n}$$

CF = Cash Flow

r = discount rate (WACC)

			Present Value		Discount rate
	Year	FCF			18%
	1	£10,000	£8,475		
	2	£10,000	£7,182		
	3	£10,000	£6,086		
	4	£10,000	£5,158		
	5	£10,000	£4,371		
	6	£10,000	£3,704		
	7	£10,000	£3,139		
	8	£10,000	£2,660		
	9	£10,000	£2,255		
	10	£10,000	£1,911		
SOLD	10	£150,000	£28,660		
	Total		£73,601		
	Would you buy this business at £50K?				
	Profit		100% Over ten years		
			7.2% per year		

Multiple for Various Growth and Discount Rates

Discount Rate	Growth Rate				
	0%	2%	4%	6%	8%
10%	9.1x	10.6x	12.6x	15.1x	18.4x
12%	7.8x	9.0x	10.5x	12.4x	14.9x
15%	6.5x	7.3x	8.3x	9.7x	11.3x
18%	5.5x	6.1x	6.8x	7.8x	8.9x
20%	4.9x	5.5x	6.1x	6.8x	7.7x
25%	4.0x	4.3x	4.7x	5.2x	5.7x
30%	3.3x	3.6x	3.8x	4.1x	4.5x

If you assume a growth rate you can afford to pay a little more

I don't like to pay << normalised ~**6x FCF**

And selling around either:

Increase of 70%-100%

Around EBIT 10x or a P/E of 15 approx

GEOS

Financials

	TTM	2015-09	2014-09	2013-09	2012-09	2011-09	2010-09	2009-09	2008-09	2007-09	2006-09
Revenue USD Mil	77	85	237	301	192	173	129	93	134	138	104
Operating Income USD Mil	-57	-53	54	101	51	44	21	4	20	28	14
Net Income USD Mil	-38	-33	37	70	35	30	14	2	14	20	10
Earnings Per Share USD	-2.94	-2.51	2.81	5.38	2.74	2.37	1.14	0.15	1.16	1.62	0.82
Shares Mil	13	13	13	13	13	13	12	12	12	12	12
Book Value Per Share USD	20.8	23.5	25.2	21.22	16.31	13.94	11.16	9.9	9.88	8.01	6.18
Operating Cash Flow USD Mil	-11	-11	68	-57	43	1	30	17	-8	12	5
Cap Spending USD Mil	-6	-6	-34	-42	-36	-20	-6	-2	-10	-17	-5
Free Cash Flow USD Mil	-17	-18	34	-99	7	-19	24	16	-18	-5	1

Return on Equity % **-12.8** **-10.55** **11.8** **27.6** **17.92** **18.95** **11.03** **1.49** **12.88** **22** **14.12**