

THANK YOU

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.**

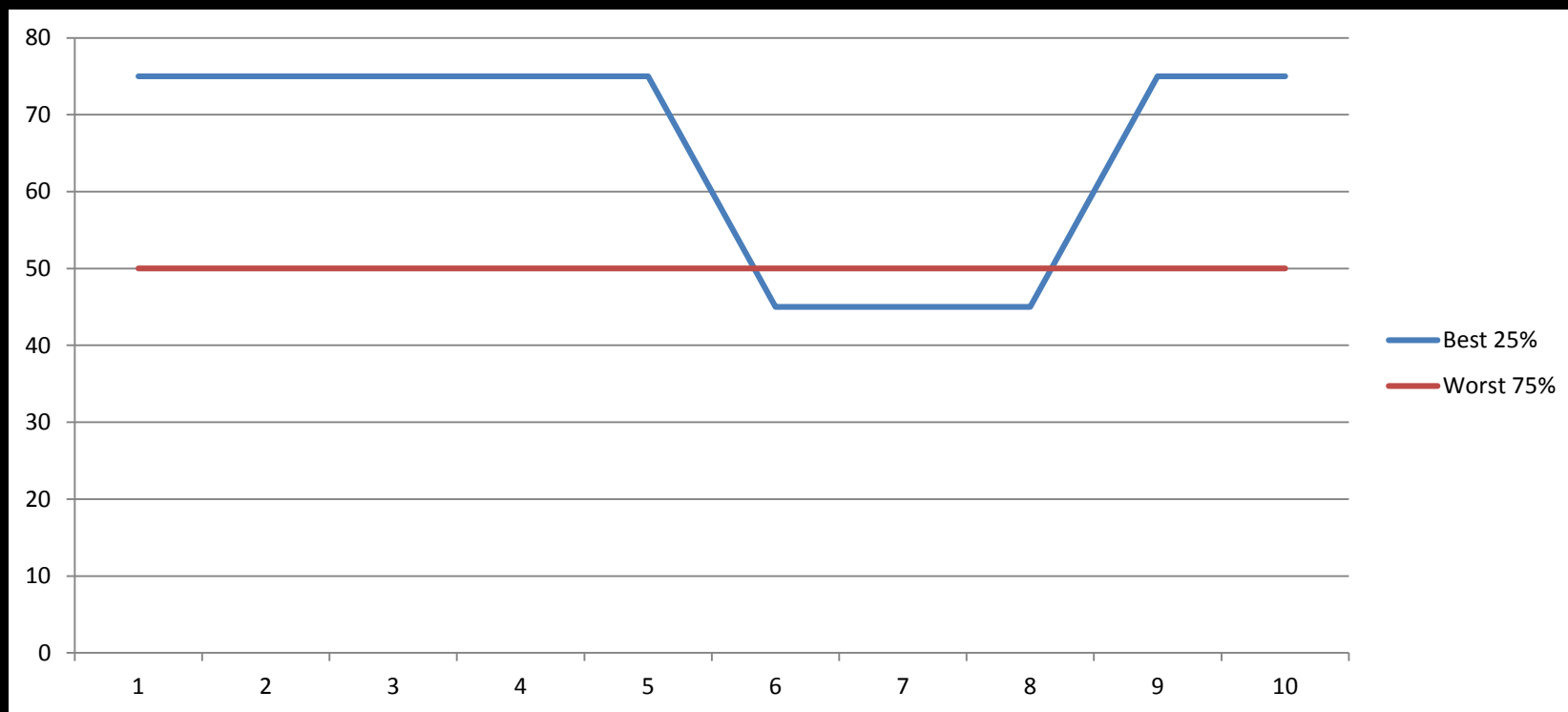
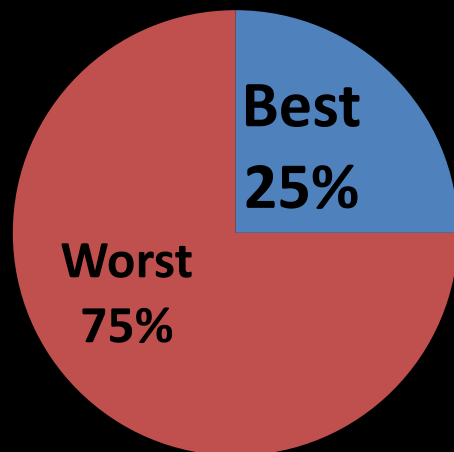
- The companies **operating at a loss** had slightly **higher** investment returns than the companies with **positive earnings**: **31.3%** per year for the unprofitable companies versus 28.9% per year for the profitable companies.

Greenblatt:

Over a recent decade (2000-2009), looking at just the top quartile (**best-performing 25 percent**) of investment managers, almost all of these top performing managers (96 percent) spent at least one **three-year period** during that decade in the **bottom half** of the performance rankings.

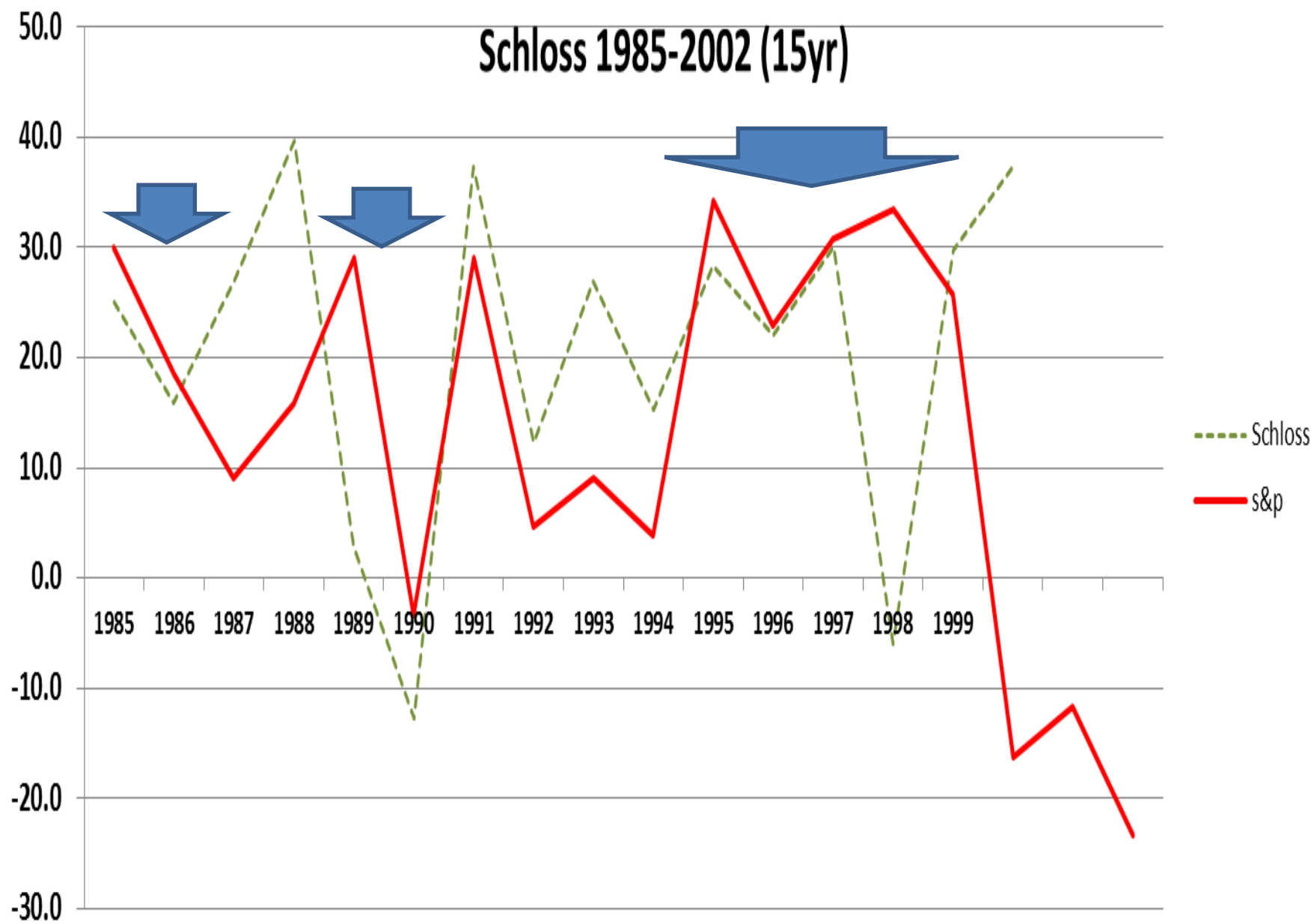
Fully 79 percent of those who ended up with the best 10-year record spent at

least three of those years in the bottom quartile of performance and a staggering 47 percent, about **half**, spent at least three of the ten years in the **bottom decile of performance** (it's unlikely that many of the original investors in this achieve those great ten year returns!) Yet all of these managers end performance.

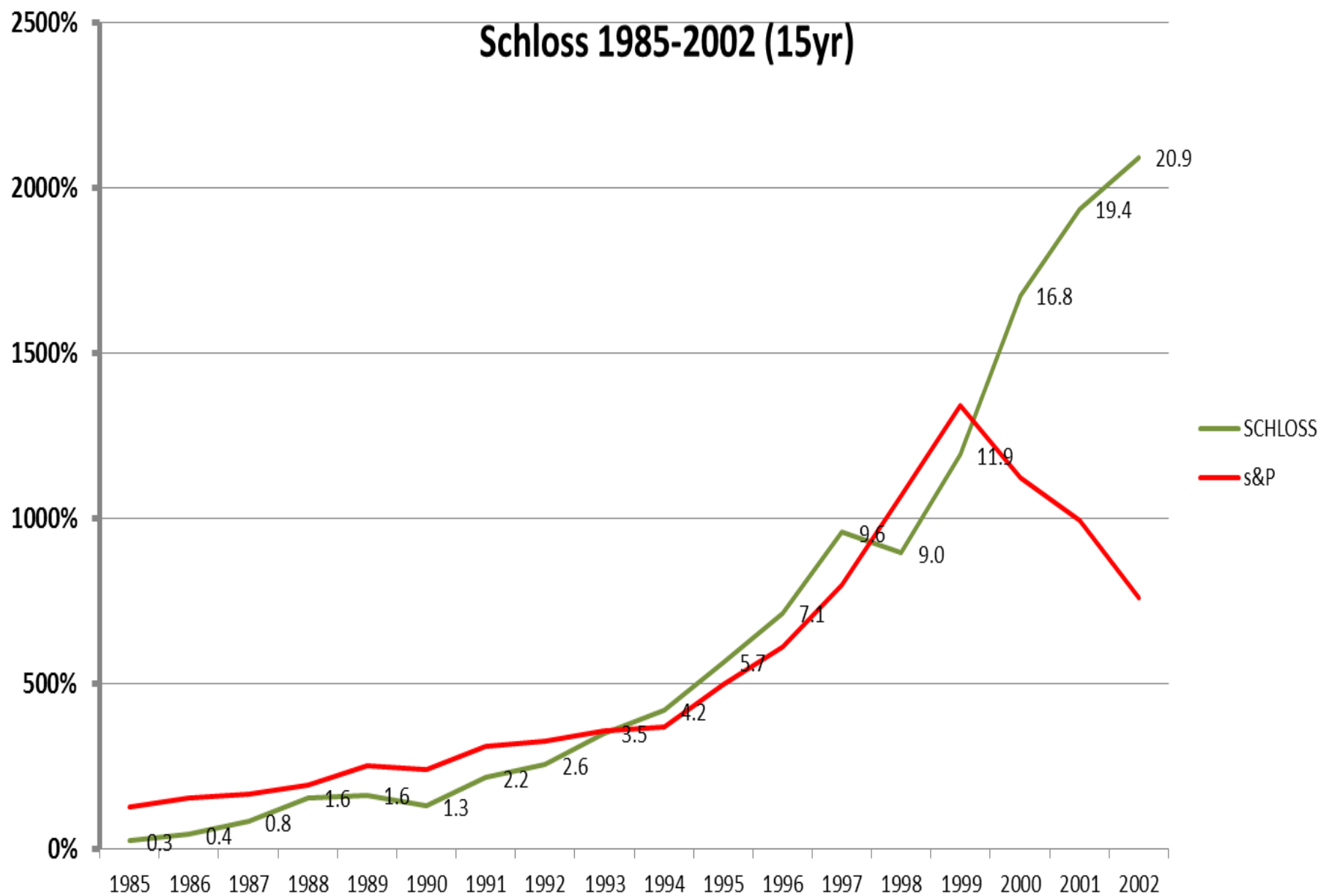


	S&P Cumulative		SCHLOSS		
	S&P	%	SCHLOSS	Cumulative %	
1985	30	30%	25.0	25%	-5
1986	18.5	54%	15.9	45%	-2.6
1987	9.1	68%	26.9	84%	17.8
1988	15.8	95%	39.7	157%	23.9
1989	29.1	151%	2.9	164%	-26.2
1990	-3.4	143%	-12.8	130%	-9.4
1991	29.1	213%	37.3	216%	8.2
1992	4.6	228%	12.3	255%	7.7
1993	9	257%	26.9	351%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

Schloss 1985-2002 (15yr)



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
52 week 215.55 - 1,194.00
Open 492.05
Vol / Avg. 4.31M/13.24M
Mkt cap 7,333.90M*
P/E -

Div/yield 20.93/10.83*
EPS -3.06*
Shares 1,401.88M
Beta -
Inst. own -
*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%)

Real-time: 10:19AM BST

LON real-time data - Disclaimer

Currency in GBX unless noted

Range 492.05 - 529.00 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

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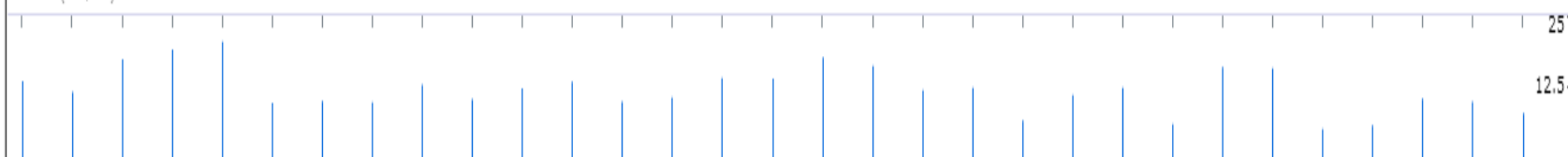
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Zoom: [1d](#) [5d](#) [1m](#) [3m](#) [6m](#) [YTD](#) [1y](#) [5y](#) [10y](#) [All](#)

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



Volume (mil / 1d)



2015

2016

766.90 +36.70 (5.03%)

Real-time: 3:11PM BST
N real-time data - Disclaimer
in GBX unless noted

Range 744.80 - 778.00 Div/yield 20.93/7.45*
52 week 215.55 - 896.90 EPS -3.37*
Open 744.80 Shares 1.40B
Vol / Avg. 5.48M/7.72M Beta -
Mkt cap 10.85B* Inst. own -
P/E - *GBP

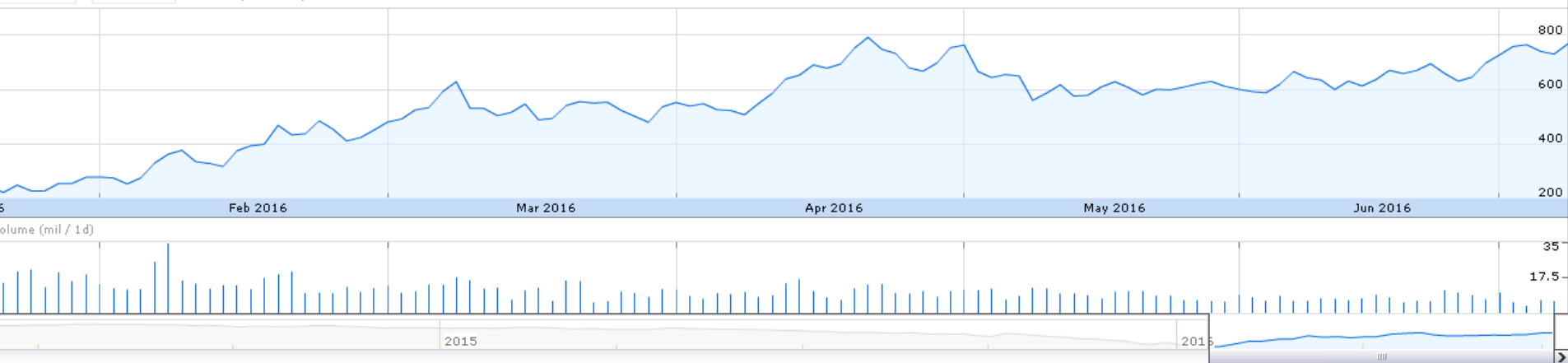
G+1 13

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

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

Jan 19, 2016 - Jul 07, 2016 +535.35 (230.11%)



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Sources include SIX

	GEOS					
Revenue	77	85	237	301	192	173
Operating Income	-57	-53	54	101	51	44
Net Income	-38	-33	37	70	35	30
Operating Cash Flow	-11	-11	68	-57	43	1
Cap Spending	-6	-6	-34	-42	-36	-20
Free Cash Flow	-17	-18	34	-99	7	-19
Return on Equity %	-12.8	-10.5	11.8	27.6	17.9	19

		GEOS					
Revenue	Average	77	85	237	301	192	173
Operating Income		-57	-53	54	101	51	44
Net Income	17	-38	-33	37	70	35	30
Operating Cash Flow		-11	-11	68	-57	43	1
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Free Cash Flow	-19	-17	-18	34	-99	7	-19
Return on Equity %		-12.8	-10.5	11.8	27.6	17.9	19

Over to you

- a) Valuation (DCF)
- b) Screening
- c) Taxes
- d) EBITDA
- e) Please STOP!

$$DCF = \frac{CF_1}{(1+r)^1} + \frac{CF_2}{(1+r)^2} + \dots + \frac{CF_n}{(1+r)^n}$$

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