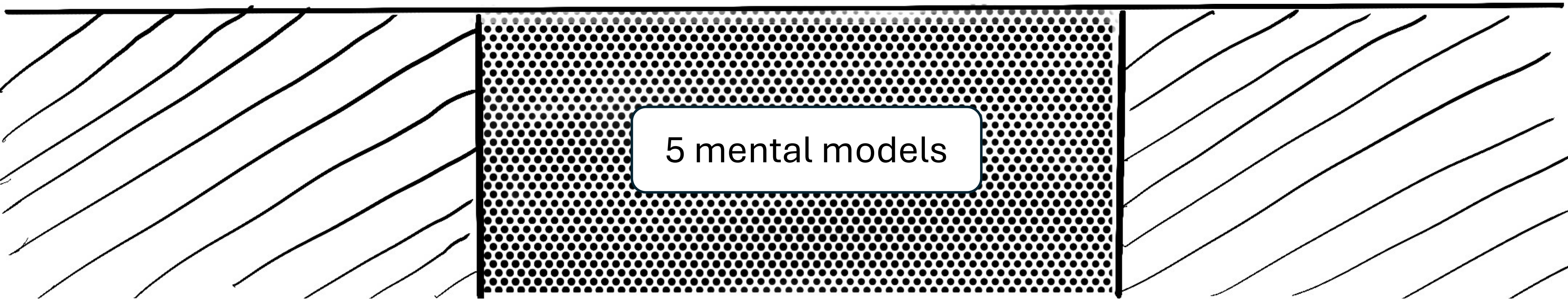
ATMOS INVEST
100bagger hunting

Yin-Yang en de valkuilen van kwaliteitsbeleggen

12/11/2024 VFB Gent

Kevin Schoovaerts

De fundering



1. Wat is jouw competitief voordeel, jouw edge?

- Als jij koopt dan verkoopt iemands anders en vice versa
- Wat weet jij dat de ander niet weet?
- Spelen jullie hetzelfde spel?

1. Informatie
2. Proces
3. Gedrag

Bill Miller, former CIO of Legg Mason Capital Management

2. Shareholder return

Exhibit 1: Drivers of Total Shareholder Return

	Driver	Sub-driver	Sub-driver	Fundamental source
Total shareholder return	Price appreciation	Earnings per share growth	Net income growth	Sales growth, operating profit margin, financing costs, tax rate
			Change in shares outstanding	Equity issuance or retirement
		P/E multiple change		Value creation prospects, risk
	Dividend			Capacity to return capital, capital allocation policy
	Dividend reinvestment			Reinvestment program, tax rate, other frictions

Source: Counterpoint Global.

Michael Mauboussin, Head of Consilient Research Morgan Stanley

3. Bescheidenheid vs overmoed

- Ik ben gearriveerd
- Er valt niets meer te leren
- Ik heb de formule gevonden!

Thomas Pesquet, Astronaut

4. Schaarste

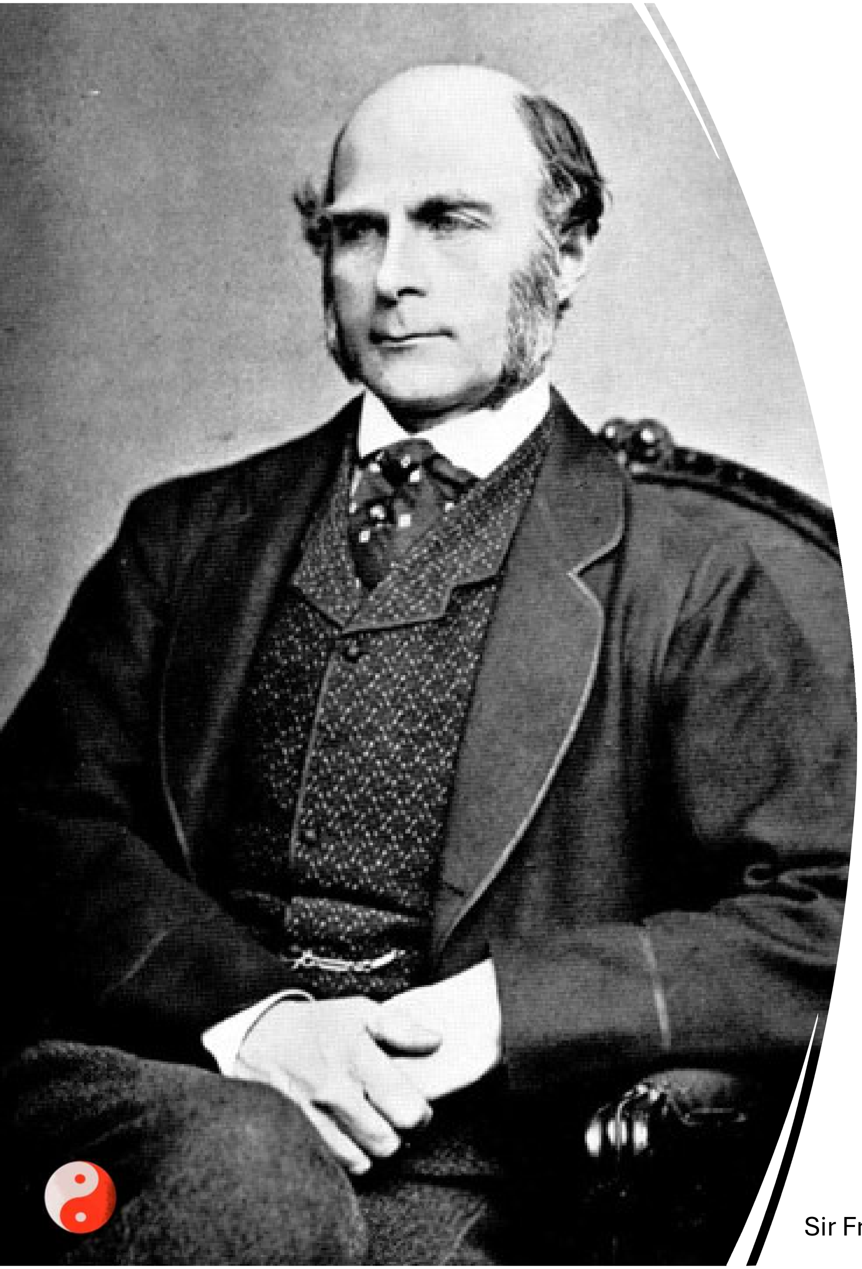
Schaarste in kwalitatieve microcaps

Schaarste in liquiditeit

Schaarste in bekendheid

Schaarste is een belangrijke drijver van prijsvorming

Ian Cassel, oprichter Microcapclub



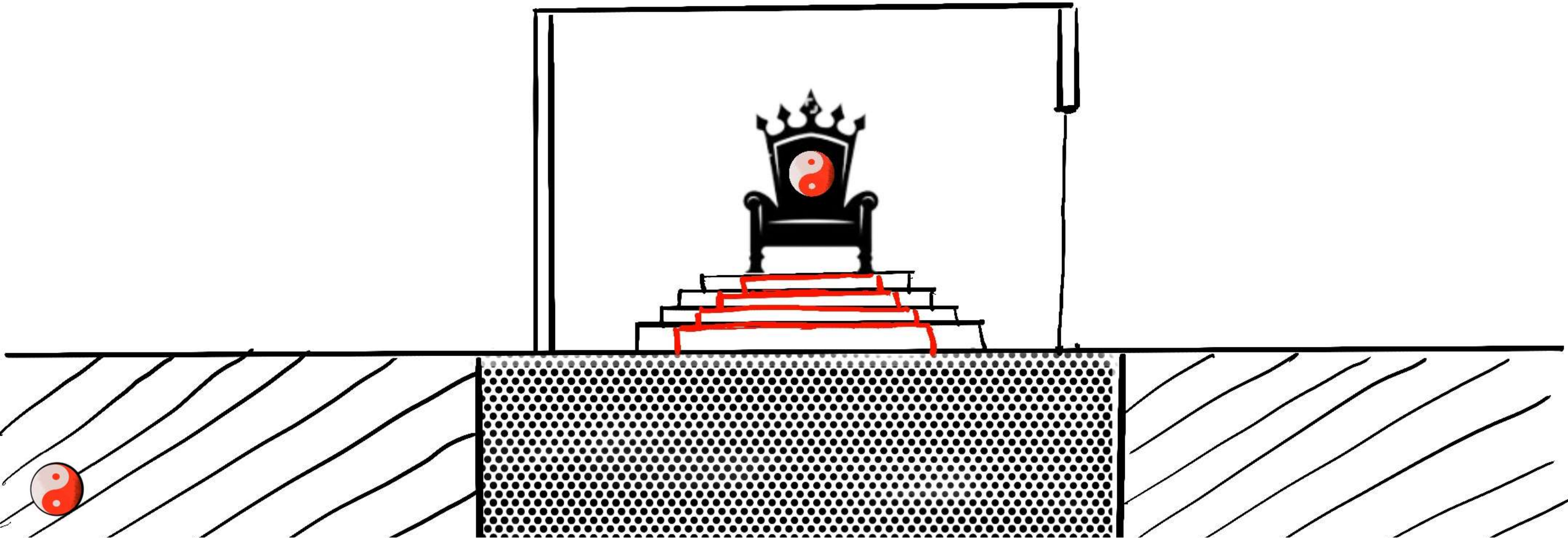
Sir Francis Galton, wiskundige

5. Een os en Napoleon

- Markt = complex systeem
- De Markt heeft ~~altijd~~ gelijk meestal
- “The wisdom of crowds”
  - Diversiteit van denken
  - Een systeem dat alles samenbrengt
  - Incentives: beloning of boete als het misgaat

doe de test!

Troonzaal: Wat is Yin-Yang?



Operates in Ala., Del., D. C., Ky., S. C., N. Y., N. J., Pa., Md., Tenn., Mass., Me., N. H., Vt., Conn., Ill., Mich., Fla., R. I., Cal., Ind., Ohio, Va., Wis., W. Va., Ga., N. C., Kans., Mo., Ark., Ia., Minn., Neb., Miss., Tex., La. and Okla.

Officers: J. L. Train, Pres.; F. S. Kellogg, W. B. Foster, J. P. Craugh, Vice-Pres.; O. J. McKeown, Treas.; R. E. Hoffman, Sec.

Directors: J. F. Amos, W. B. Foster, M. K. Hart, F. S. Kellogg, J. P. Craugh, J. L. Train, A. H. Crossman, Gilbert Butler, O. J. McKeown, H. W. Millar, R. S. Eaton, H. J. Noble, N. J. Gould, D. J. Grant, J. R. Shoemaker, E. W. Dunmore, A. M. Evans, J. D. Hogue, E. W. Shineman, Frederick Delany, R. E. Hoffman.

Annual Meeting: Fourth Monday in February.

No. of Employees: Dec. 31, 1953, 975.

Home Office: 26 Devereux St., Utica, N. Y.

Net Premium Volume:

	Written in 1954	In Force Dec. 31,'54
Fire	$15,270	$51,891
Ext. coverage	3,215	19,072
Torn., cyc., etc.	10	104
Sprinkler leak.	58	232
Expl. riot, etc.	cr 24	27
Earthquake	6	112
Inland marine	941	2,304
Workmen's comp.	10,147,048	6,216,448
Auto liability	11,072,380	11,570,141
Other liability	1,676,332	1,825,895
Auto. prop. dam.	4,931,260	5,101,694
Other prop. dam.	380,694	257,262
Burglary & theft	105,973	163,393
Plate glass	92,285	106,474
Auto. phys. dam.	1,631,182	1,701,653
Accident	20,588	22,695
Group acc. & hlth.	402,213	--------
Miscellaneous	32,800	3,144

Income taxes	351,094	360,760
Net income	6,048,980	5,362,270
Gain in value of invest. (net)	214,179	dr 189,112
Divs. to plcyhldrs.	4,193,570	3,132,498
Balance	2,069,589	2,040,660
Loss ratio	57.97%	60.32%
Expense ratio	23.20%	20.99%

Assets and Liabilities, as of Dec. 31:

Assets:	1954	1953
Real est. (bk. val.)	$2,378,985	$2,683,251
Mtge. lns. on r. e.	284,234	313,004
Bonds (bk. val.)	38,501,762	30,664,981
Stocks (bk. val.)	2,200,615	2,228,976
Cash	4,435,604	6,710,560
Premiums in coll.	5,210,390	5,300,736
Equity, mutual re-insur. fund	392,867	485,904

Summary of Total Admitted Assets, Dec. 31, 1954 (in thousand dollars):

	Cost	Carry. Value	-Mkt. Val- Amt.	%
Cash	4,436	4,436	4,436	8.0
Real estate	3,369	2,377	2,377	4.3
Mortgage loans	284	284	284	0.5
U. S. Govt. bds.	21,152	21,466	21,325	38.7
St. & mun. bds.	15,575	15,569	15,569	28.2
P. U. bonds	831	829	860	1.6
Misc. bonds	639	638	671	1.2
P. U. pfd. stks.	11	11	11	---
P. U. com. stks.	394	500	500	0.9
Bank stocks	158	155	155	0.3
Insur. stocks	541	1,194	1,194	2.2
Misc. pfd. stks.	366	383	383	.7
Misc. com. stks.	774	1,505	1,505	2.7
Misc. adm. assets	[1]5,856	5,856	[1]5,856	10.7
Total	54,386	55,203	55,126	100.0

[1]Carrying value.

Capital Stock: A mutual company, no capital stock.

ALLIED FIRE INSURANCE CO. OF UTICA (Utica, N. Y.)

(Controlled by Utica Mutual Insurance Co.)

Incorporated in New York, Feb. 28, 1923.

Fire, motor vehicle, tornado, windstorm, cyclone, sprinkler leakage and extended coverage insurance.

Operates on participating plan. Operates in Mass., N. J., N. Y., Pa., Me., Ohio, Conn., Del., Md., and D. of C.

Officers: J. L. Train, Pres.; F. S. Kellogg, W. B. Foster, Merwin K. Hart, Vice-Pres.; R. E. Hoffman, Sec.; O. J. McKeown, Treas.

Comparative Statistics:

Years to Dec. 31:	1954	1953
Net prems. writ.	$618,251	$697,577
Unearn. prem. res.	cr 98,556	cr 49,079
Net prems. earn.	716,807	746,656
Losses incurred	433,961	403,739
Underwrit. exp.	216,552	222,165
Underwrit. gain	66,294	120,751
Und. p. & l. items.	dr 46	dr 2
Combined gain	66,248	120,749
Net int. & rents	46,789	43,678
Total earnings	113,037	164,427
Income taxes	None	10,045
Polcyhldrs. divs.	121,328	120,339
Loss ratio	60.53%	54.07%
Expense ratio	35.02%	31.85%
As of Dec. 31:		
Admitted assets	$2,014,257	$2,054,575
Mtge. lns. on r. e.	500	900
U. S. Govt. bonds.	1,118,678	1,154,338
Other bonds	440,580	469,879
Preferred stocks	35,000	33,600
Common stocks	297,851	124,444
[1]Cap. stk., $100 par	400,000	400,000
Sur. & vol. res.	793,735	726,283
Unearned prems.	688,416	787,472

[1]All owned by Utica Mutual Insurance Co.

WESTERN INSURANCE SECURITIES CO.

Incorporated in Delaware in 1925 as a holding company.

Owns 276,000 shares (61.3%) of the capital stock of Western Casualty & Surety Co. which

Fed. inc. tax res.	22,479	20,000
Dividends pay.	80,500	80,500
Bills & accts. pay.	76,316	45,919
Earned surplus	[2]221,450	263,223
Total	$3,129,631	$3,138,528

[1]35,000 class A and 50,000 common no par shares.

[2]Restating value of this investment at $32.56 per share, reported by Western Casualty & Surety Co. as capital stock equity at Dec. 31, 1954 would add $6,157,545 to assets and surplus.

Capital Stock: 1. Western Insurance Securities Co. 6% cumulative preferred:

AUTHORIZED—$1,300,000; outstanding, $700,000; par $100.

PREFERENCES—Has preference as to assets and dividends. In liquidation entitled to par and dividends.

CALLABLE—At $125 a share.

VOTING RIGHTS—Has no voting power.

DIVIDENDS—Regular dividends paid quarterly, Jan. 1, etc., to Apr. 1, 1932, incl.; none thereafter to Apr. 1, 1936, when $1 per share was paid; 1937, $4; 1938, none; 1939, $4; 1940, $7; 1941 to 1943, incl., $6; 1944, $9; 1945, $22; 1946, $22; Jan. 2, 1947, $1.50 and quarterly thereafter.

PRICE RANGE—	1953	1952	1951	1950	1949
High	115	114	115	115	110
Low	110	106	114	107	105

2. Western Insurance Securities Co. $2.50 cumulative participating class A stock:

AUTHORIZED—75,000 shares; outstanding, 35,000 shares; no par

PREFERENCES—Has preference as to assets and cumulative dividends of $2.50 per share and, after common has received $50,000 in dividends for any current calendar year, participates as a class in one-half of any additional cash dividends paid in such year up to a total of $4 per share in any one calendar year. In liquidation entitled to $60 per share and dividends, if voluntary, and to $50 per share and dividends, if involuntary.

CALLABLE—As a whole or in part on any dividend date on 60 days' notice at $60 per share.

VOTING RIGHTS—Entitled to elect a majority of directors on default of four quarterly dividends.

CONVERTIBLE—Formerly convertible into common stock; conversion right ceased Feb. 1, 1938.

OTHER PROVISIONS—Articles of Incorporation provides restrictions and protective features in relation to mortgaging property of the company, pledging assets, issuing long time obligations, issuing stock having priority or on a parity herewith, issuance of additional authorized preferred and additional authorized class A stock.

PURPOSE—Issued to purchase additional stock of Western Casualty & Surety Co. and Western Fire Insurance Co. and for other purposes.

DIVIDENDS—

1929	$1.87½	1930–31	$2.50	1932–46	Nil
1947–48	1.00	1949	2.62½	1950	3.00
1951–52	4.00	1953	6.00	1954	8.00
[1]1955	2.00				

[1]To Feb. 2.

Arrears, Feb. 2, 1955, $27,125.

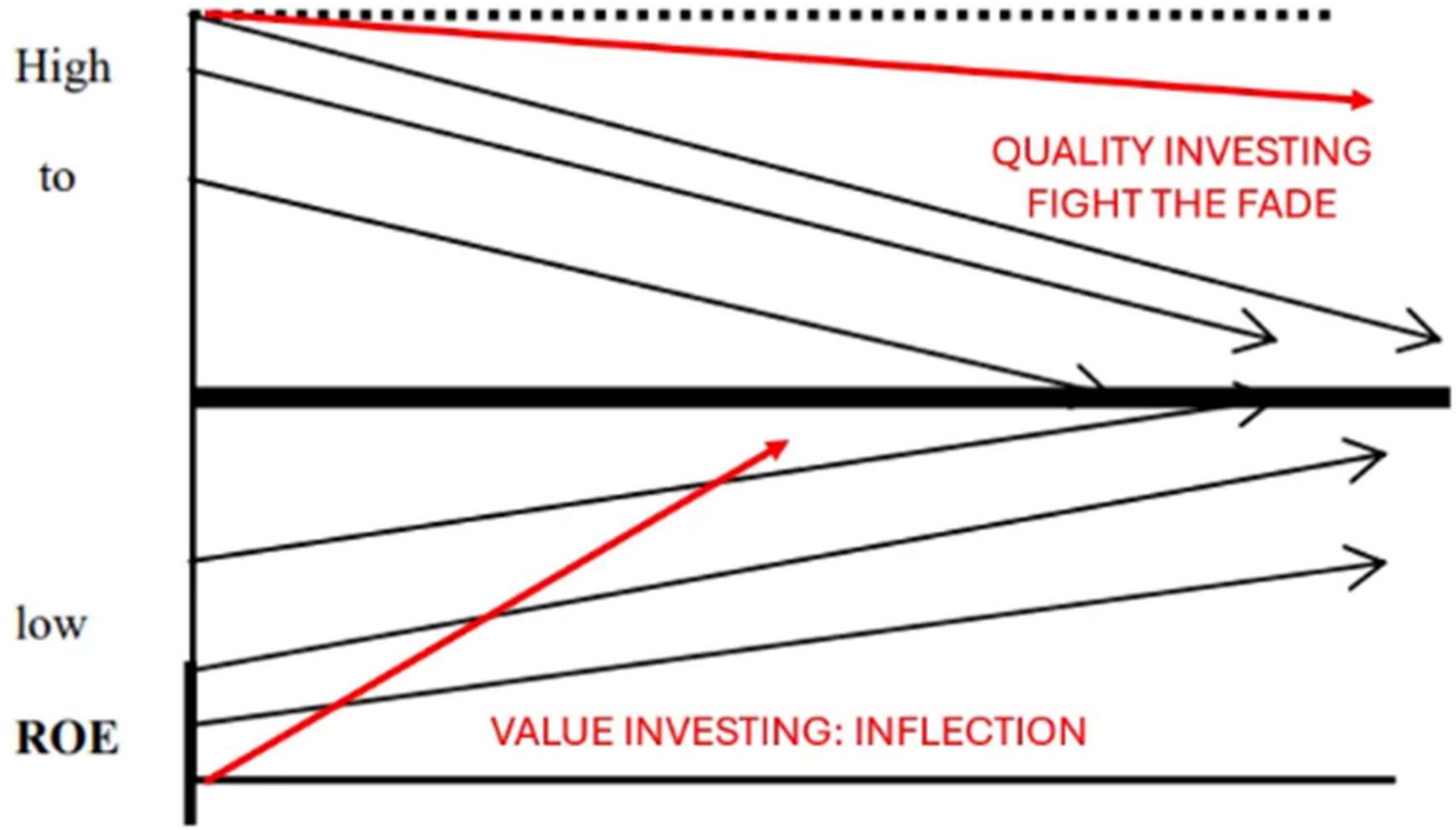
Yin-Yang beleggingsstrategie

100-bagger hunting

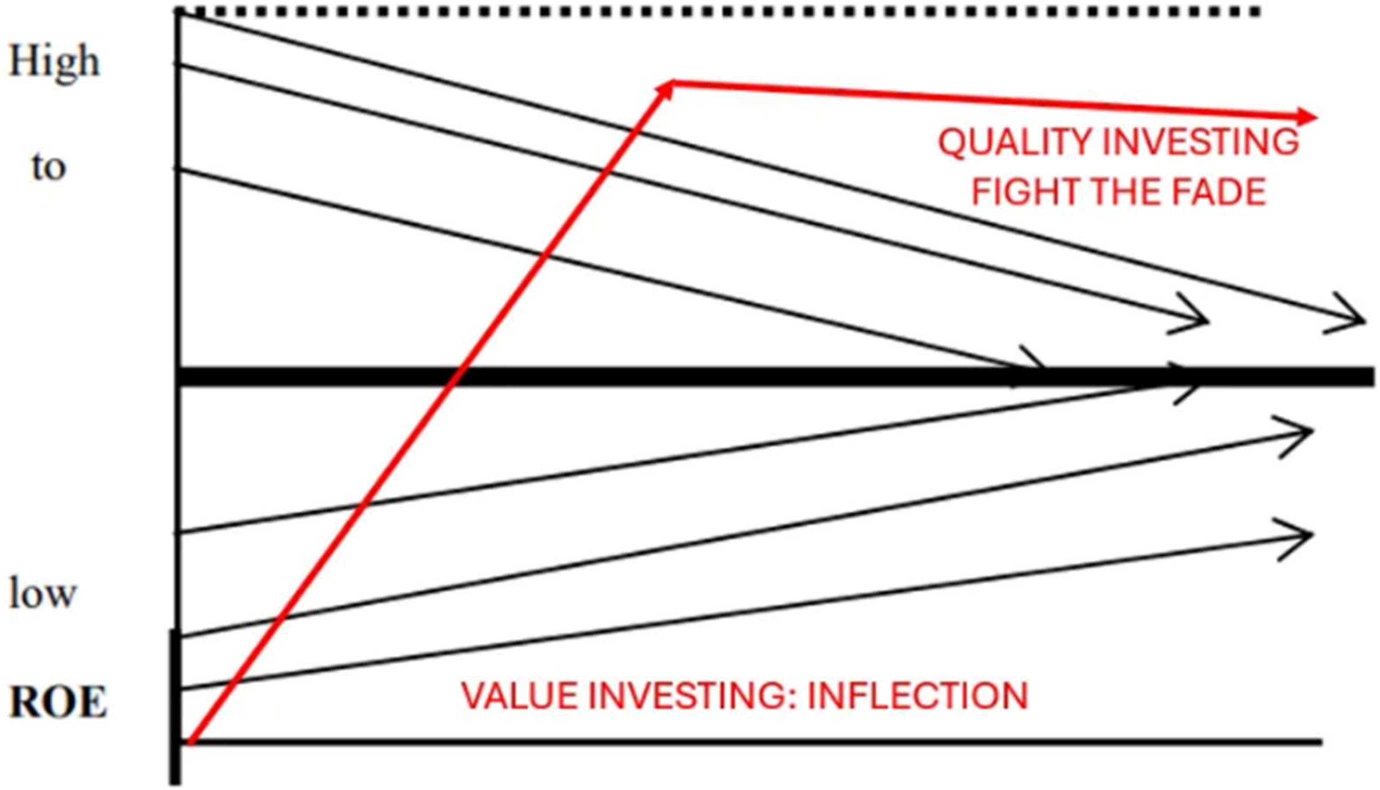
Yin	Yang
Fish where there's no fisherman	Fish for the biggest fish
"Inflection Investing"	"Quality Investing"
The Dark Side	The Light Side
Underfollowed microcaps	The best companies
Illiquid	Very Liquid
(slight) Informational Edge	Behavioral edge
mainly P/E expansion	mainly EPS growth
Seek and buy	Prepare and wait

From inflection to quality to multi-bagger heaven

Value vs Quality

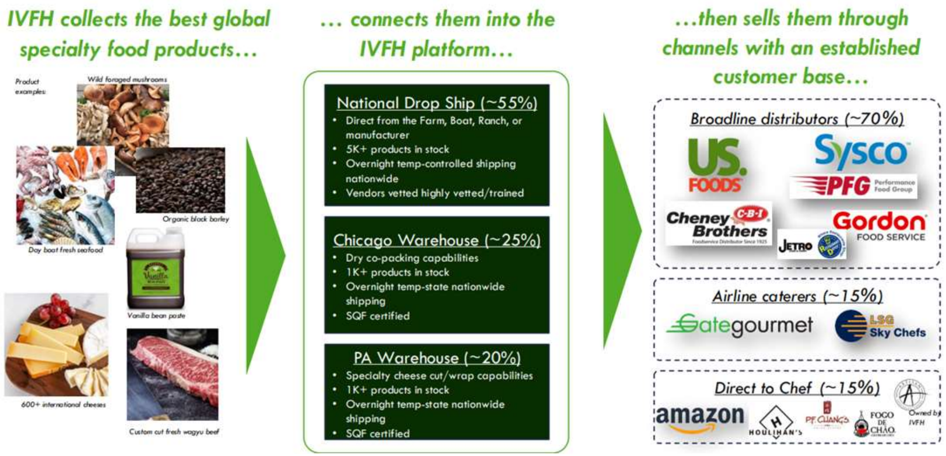


100-baggers?


High
to
low
ROE
QUALITY INVESTING
FIGHT THE FADE
VALUE INVESTING: INFLECTION

Yin

Innovative Food Holdings (Ticker: IVFH)

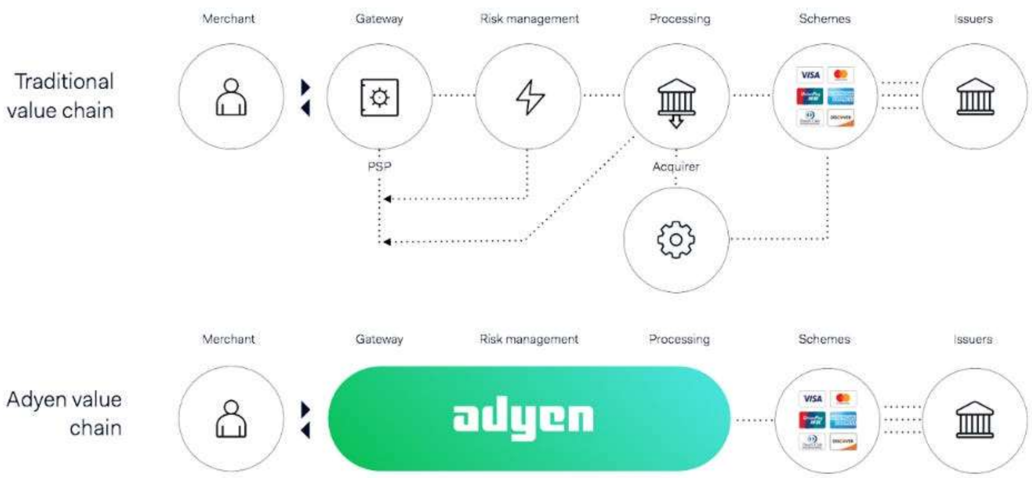


1.5

start turnaround – 0.25

Yang

Adyen (Ticker: ADYEN)

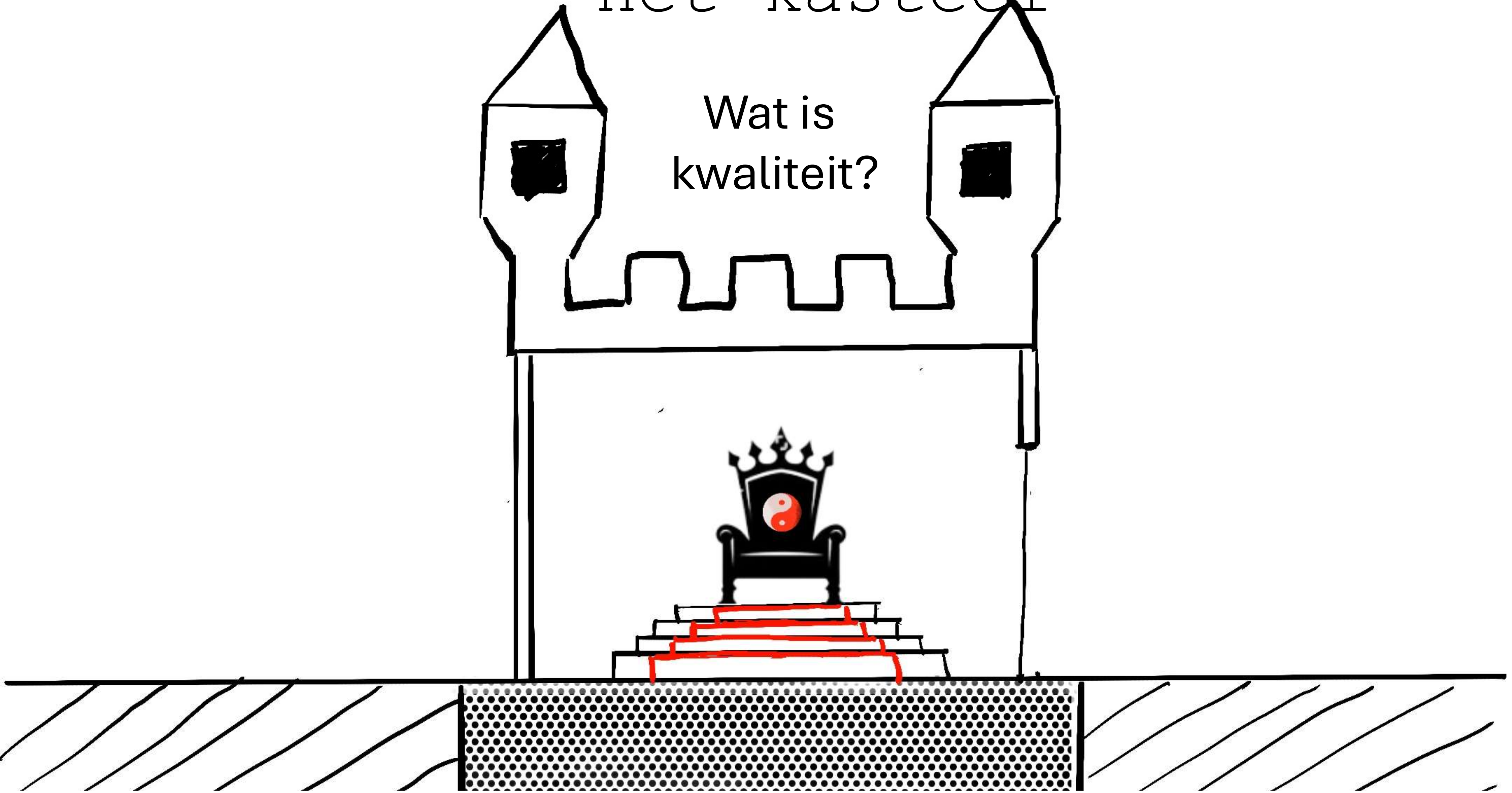


Heisenberg

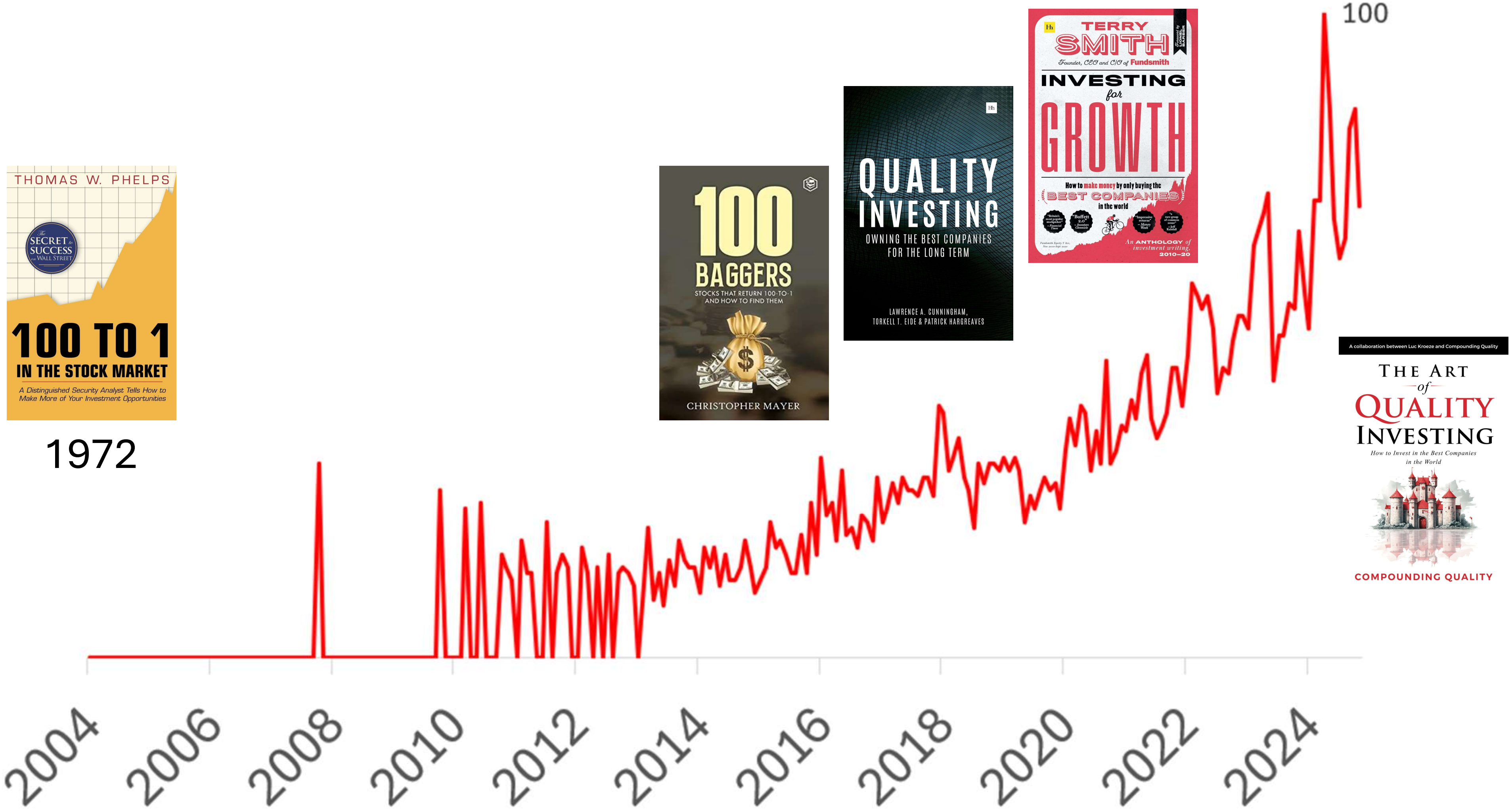
- Yin: Moeilijk om te vinden, maar eens je ze vindt is de thesis vrij makkelijk
- Yang: Vrij makkelijk om een kwaliteitsbedrijf te vinden, maar thesis is moeilijker

➡ Laten we dieper in de yang (kwaliteit) duiken

Het kasteel



Trends: "Quality Investing"



Wat is kwaliteit volgens Atmos?

- **S** ales Strength
- **P** rofitability
- **E** ndurance
- **C** ompetiteveness
- **I** ndustry
- **A** sset agility
- **L** eadership

Een “specialleke”

Anders

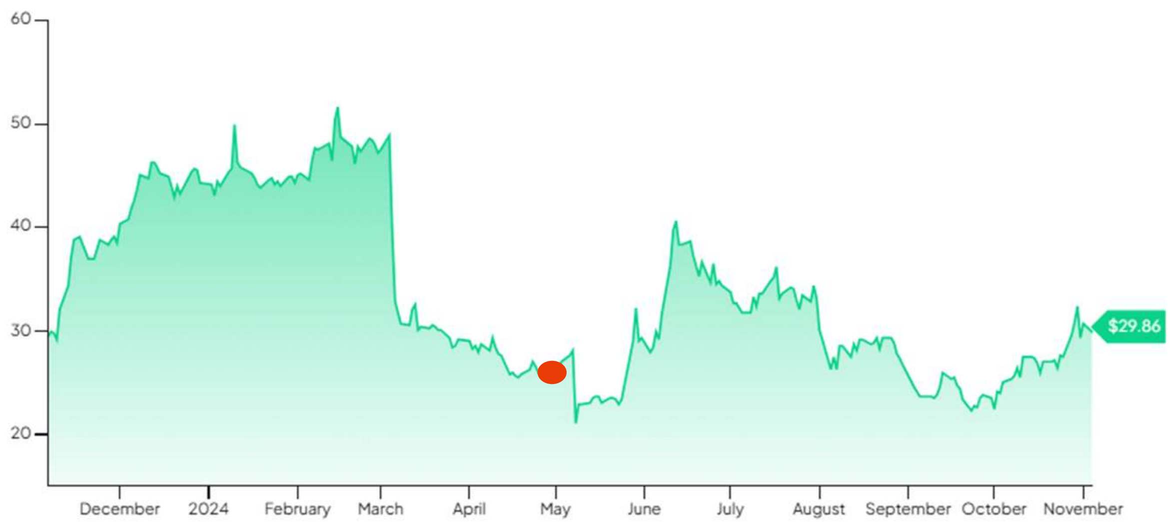
Uniek

Voorbeeld: Semler Scientific (SMLR)

How SPECIAL is Semler Scientific?

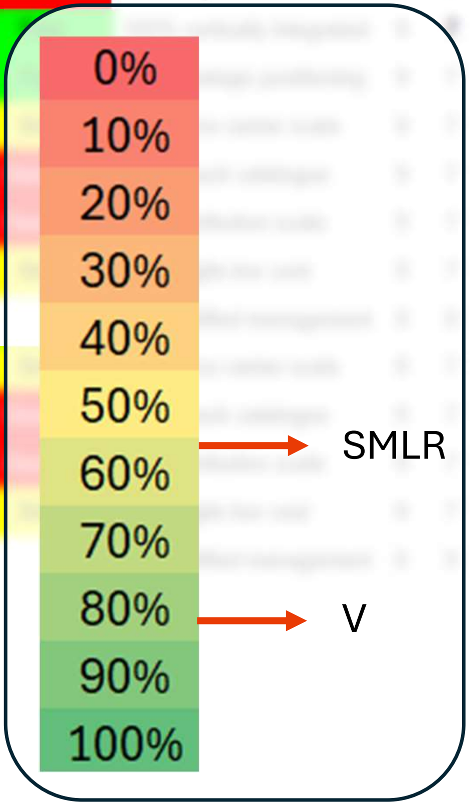
Sales Strength	7	Single product, single country, Quantaflo has substitutes
Profitability	8	High margin subscription model unique for a medical device company
Endurance	7	Strong balance sheet, liquid, impacted by regulations
Competitiveness	5	High ROIC, but no MOAT
Industry	5	Competitive market but there are secular trends
Asset Agility	6	Asset-light, R&D and buybacks. Difficult to reinvest cash.
Leadership	6	Interim CEO, no long-term vision or value per share focus
Q-value SMLR	63%	
Q-value Visa	87%	

Gaat enkel over **kwaliteit** van het **bedrijf**

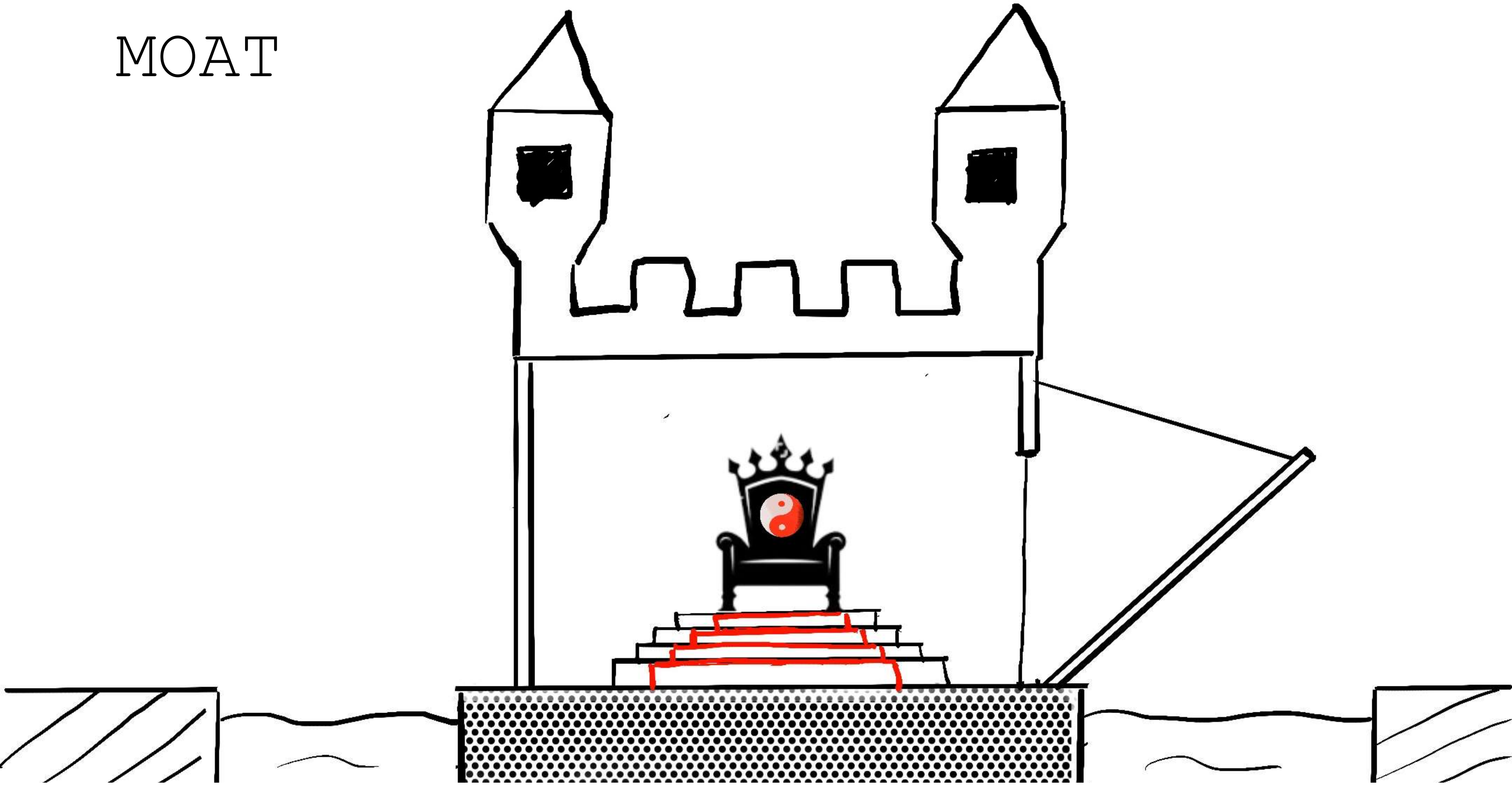


Database en kwaliteitsschaal

Date	Logo	Flag	Ticker	Size	Type of business	Growth Trend	Uniqueness (3 words)	S	P	E	C	I	A	L	Q	V10	V15	MOAT	RISK	Deep Dive	P<200MA
05/02/2023			SMLR	small	Cash Generator	Decline	Recurring Business Model	7	8	7	5	5	6	6	61%	N/A	N/A	none	High	read it	✕



MOAT

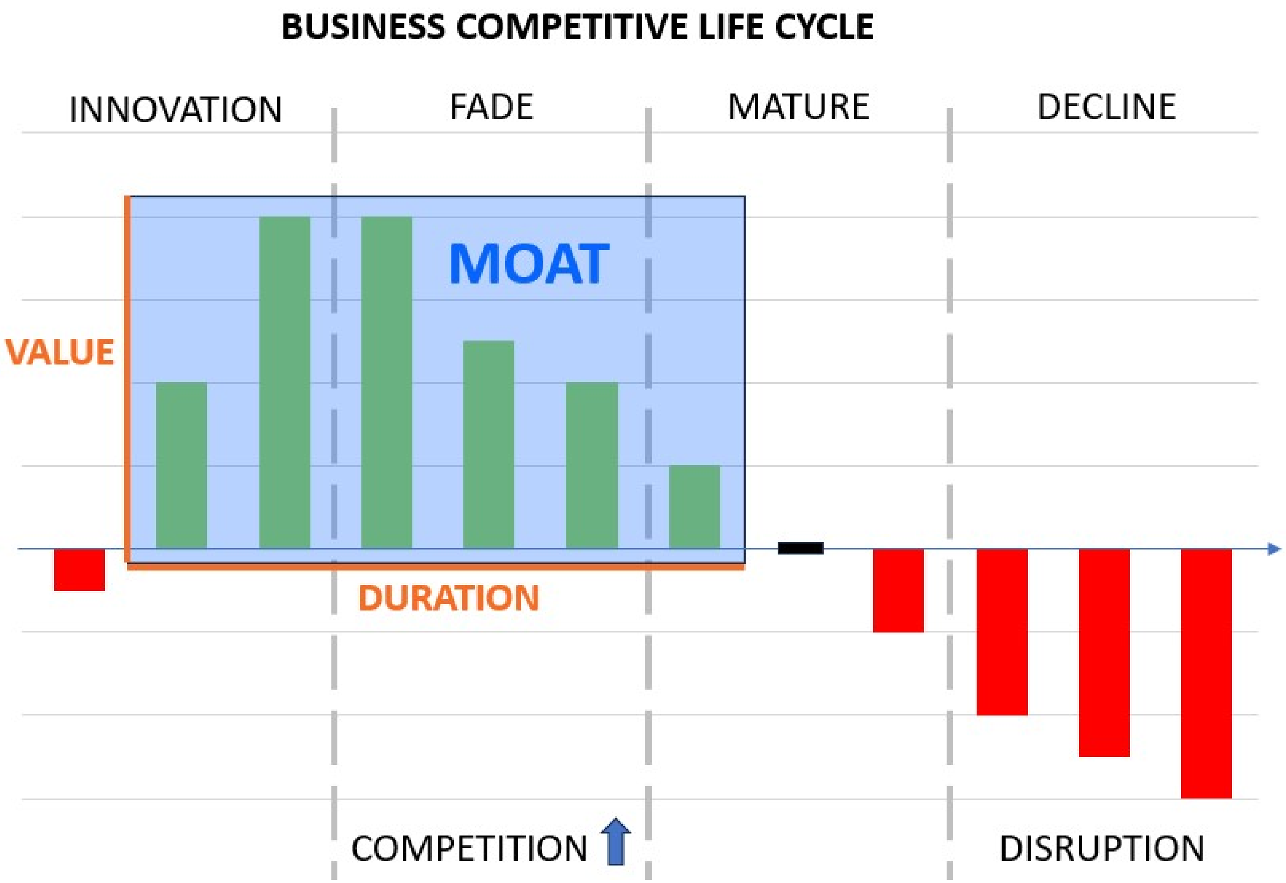


Competitief voordeel volgens Buffett?

"What we're trying to do, is we're trying to find a business with a **wide** and **long-lasting** moat around it, protecting a **terrific economic castle** with an **honest lord** in charge of the castle.“

*“And castles are subject to **marauders**”*

De competitieve levenscyclus



WAARDE

=

SPREAD = ROIC-WACC

×

Geinvest. Kapitaal

×

Duurtijd of CAP

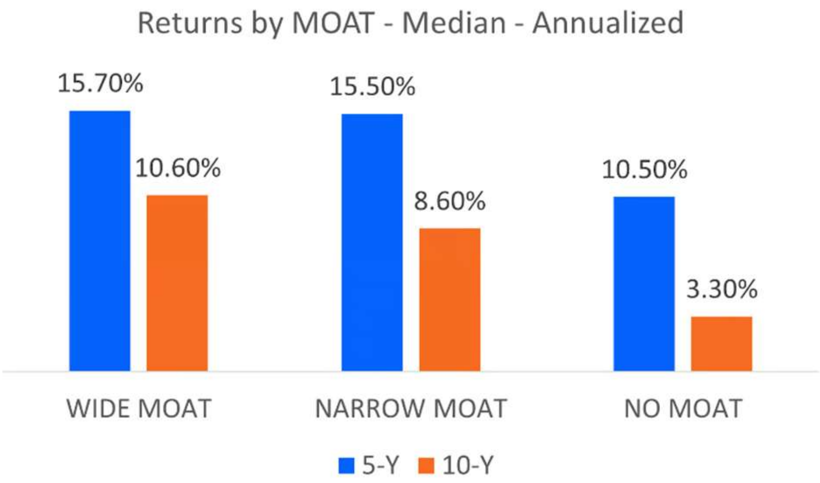
De ultieme aanval

"Your margin is my opportunity"

Amazon, the "everything store"

Een zeer winstgevend bedrijf moet aanvallers kunnen afschrikken en indien nodig verdedigen...

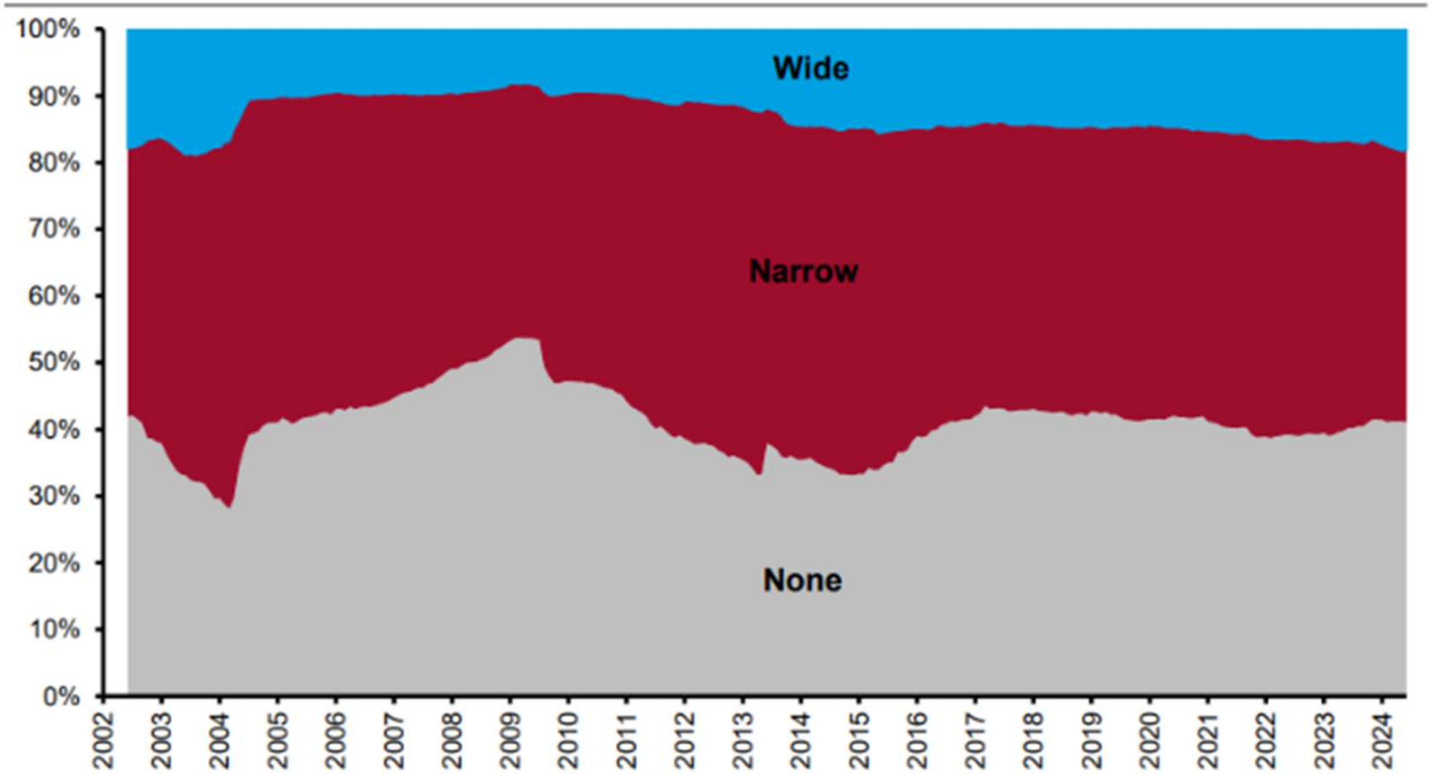
MOATS
So what?



Pat Dorsey, Dorsey Asset Management, former Morningstar

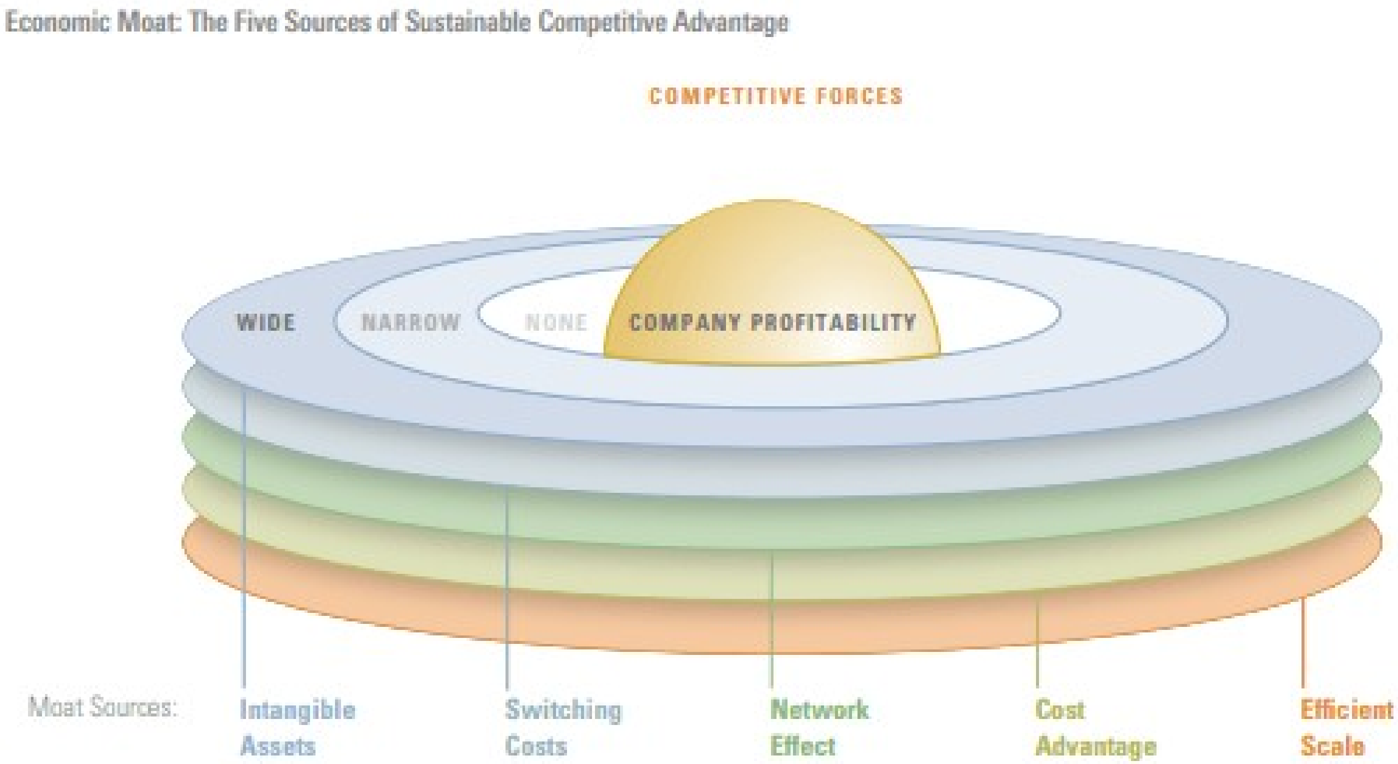
Quantity of MOATS

Exhibit 4: Distribution of Morningstar's Economic Moat Ratings, June 2002-June 2024



Bron: Michael Mauboussin, Measuring the MOAT 2024

Duurzame competitieve voordelen

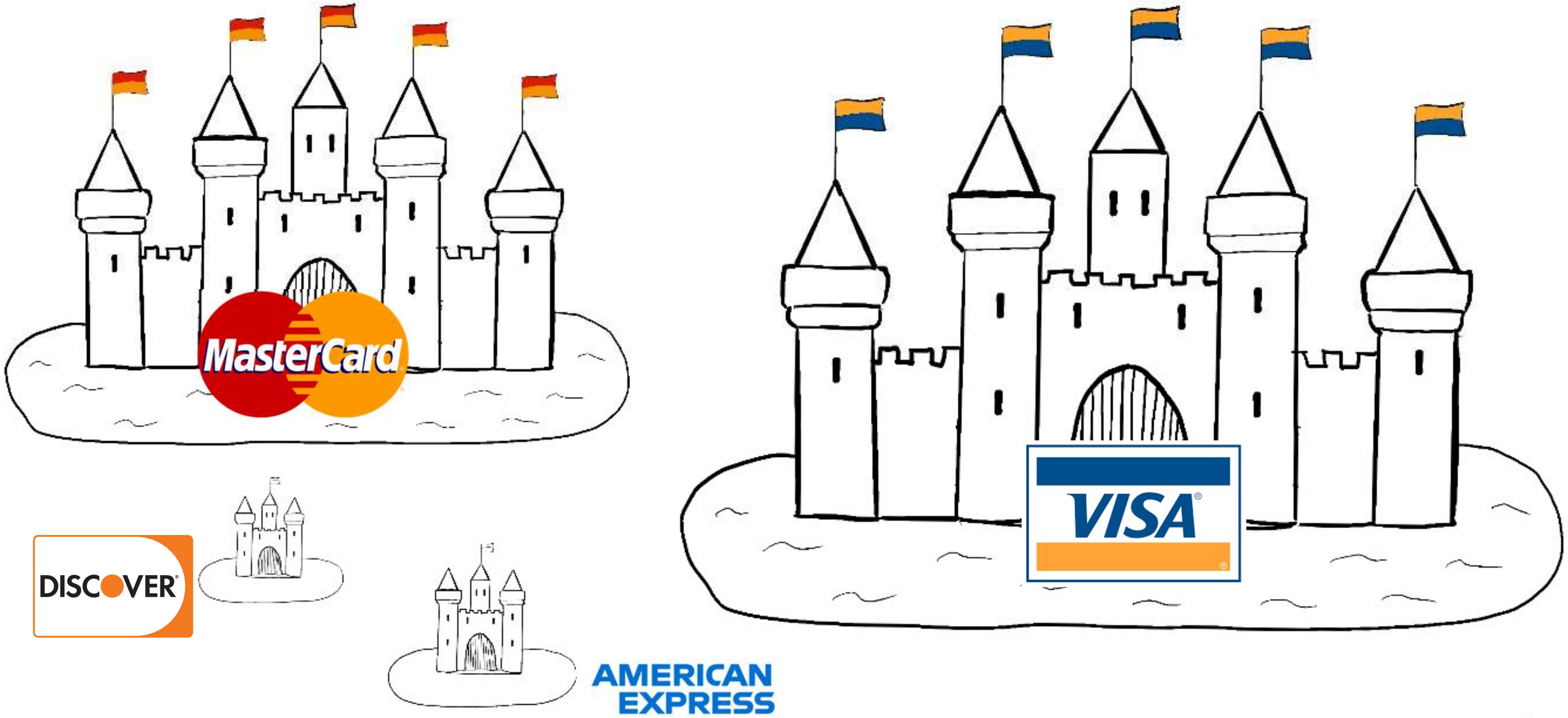


Eli Lily SAP META Ryanair Spoorweg

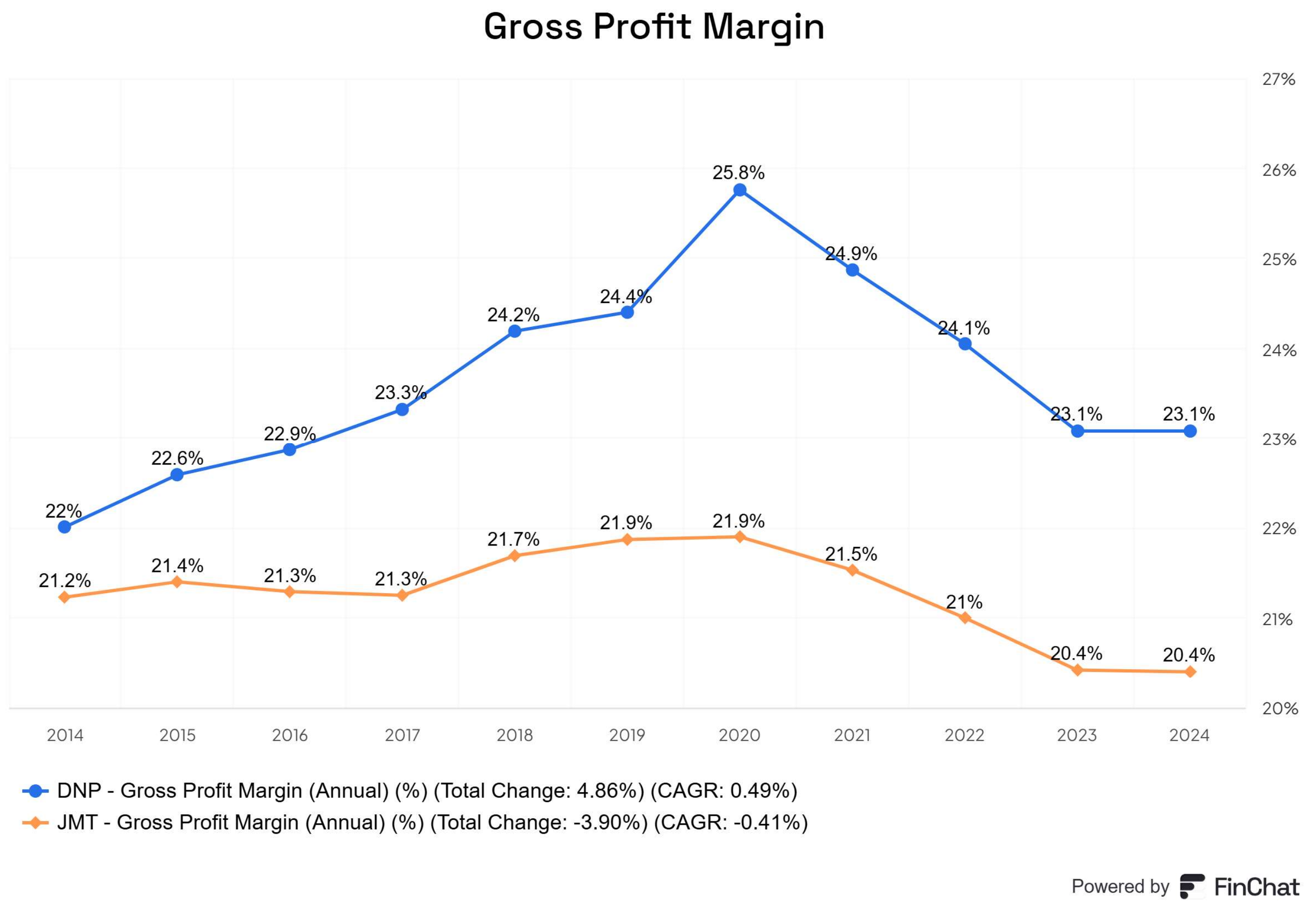
Chart source: Morningstar

MOATs zijn lokaal

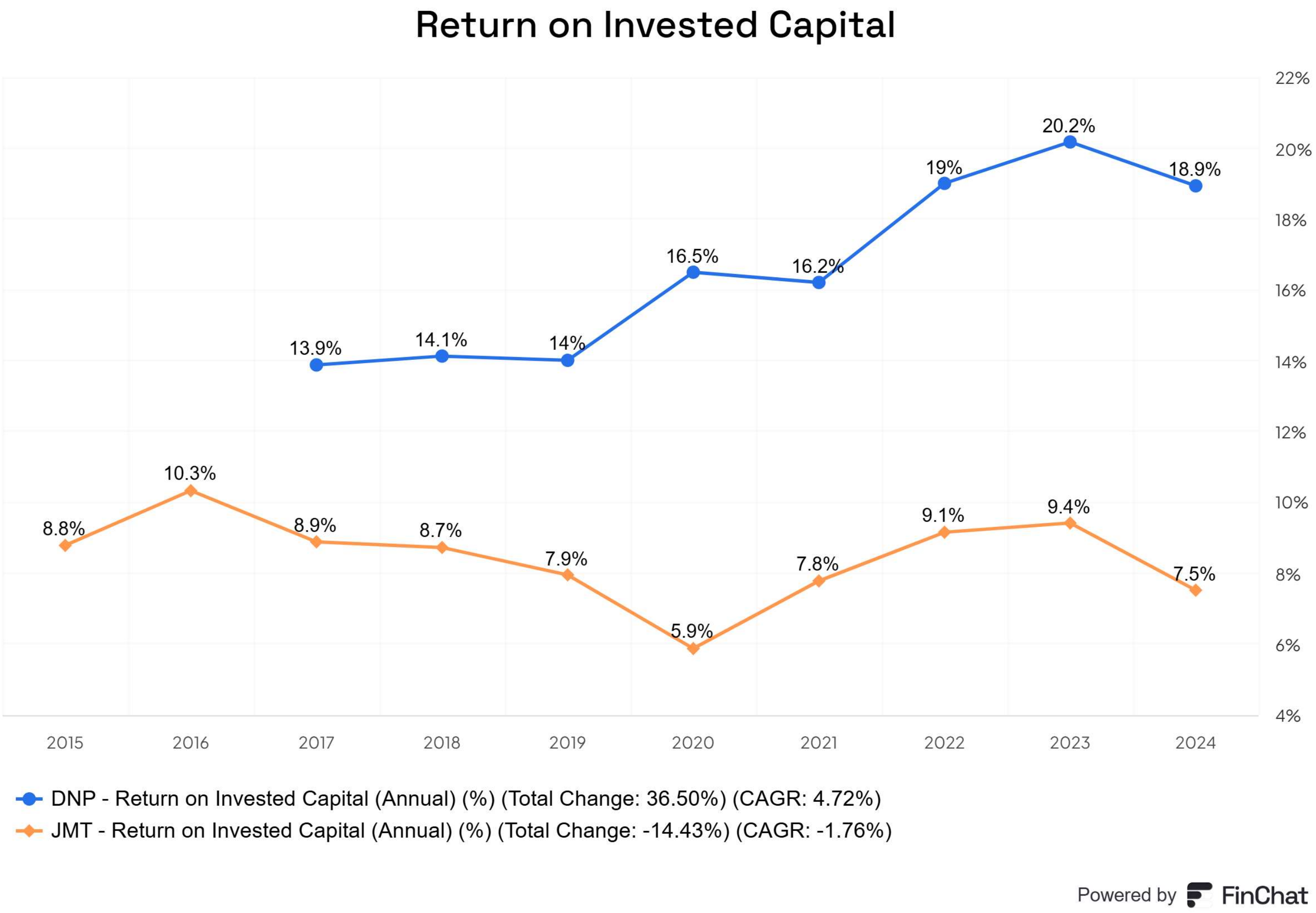
Credit card market by purchased volume **in the US**



MOAT **verschil** tussen tegenstanders: Dino Polska vs. Biedronka (Poolse retail)

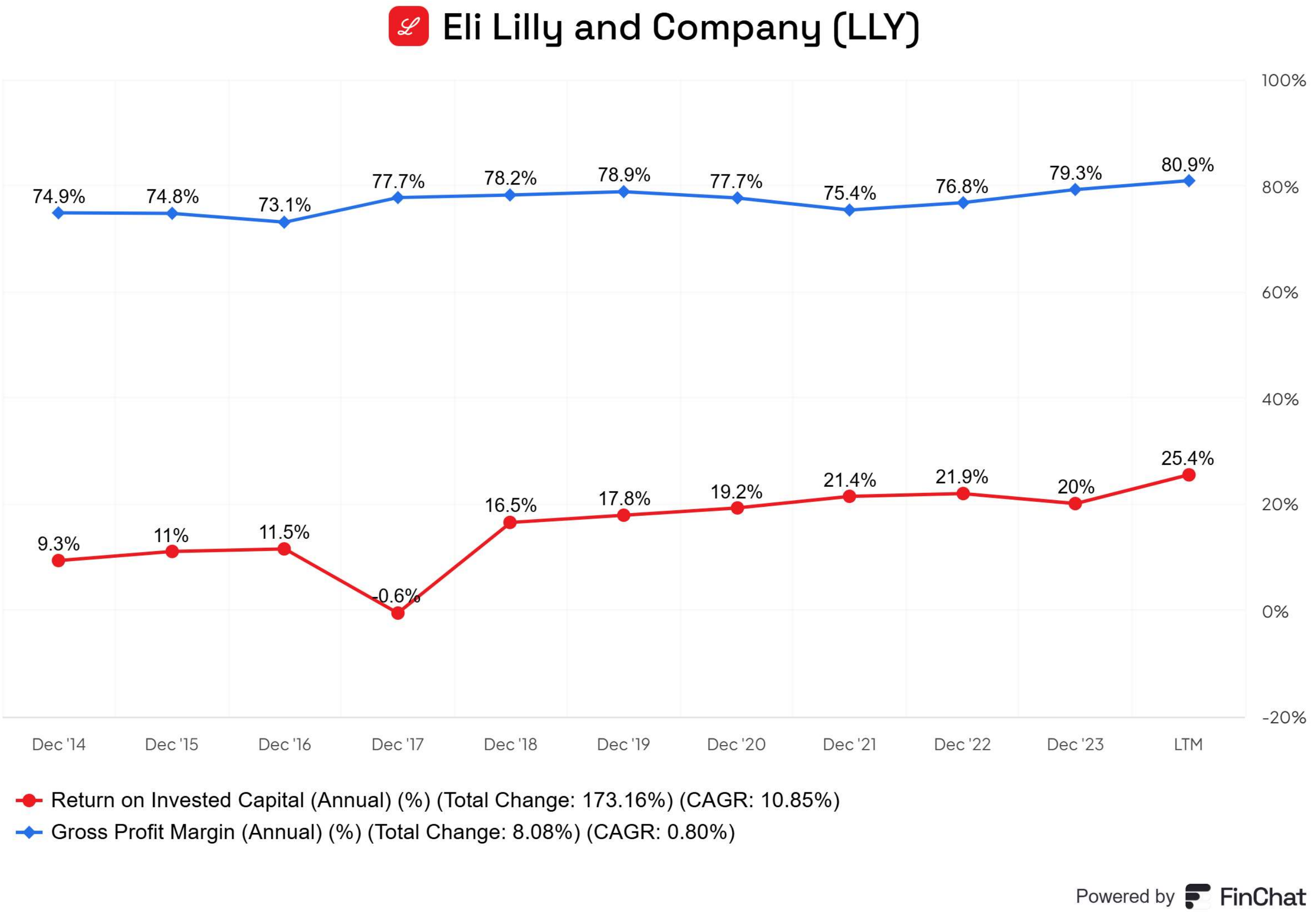


MOAT verschil in ROIC



MOAT **trend** is belangrijker

Opgepast:
Cyclicals



How to diagnose MOATS?

- ROIC
- Marges
- Marktaandeel
- MOAT specifieke KPI


Hoeveel wil je voor dat kasteel?

Van MOAT naar DCF
Competitive advantage period (CAP)

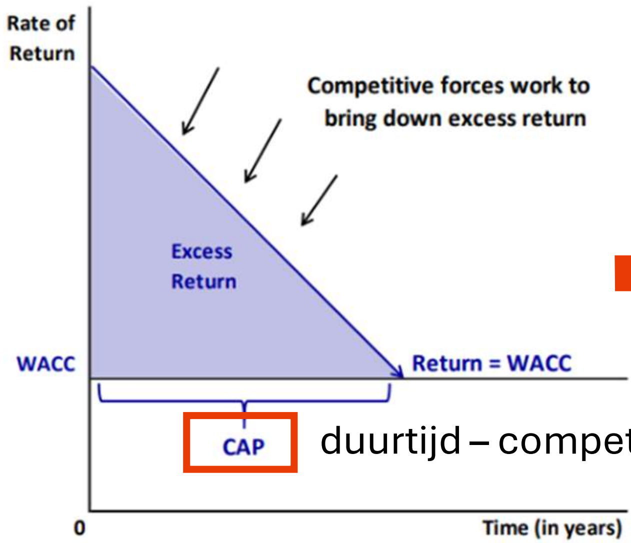
DCF

Groei
Over 5 tot 10 jaar

\+

Terminal Value

MODIGLIANI (1961)



duurtijd – competitieve cyclus

\+

Basis
ROIC = WACC

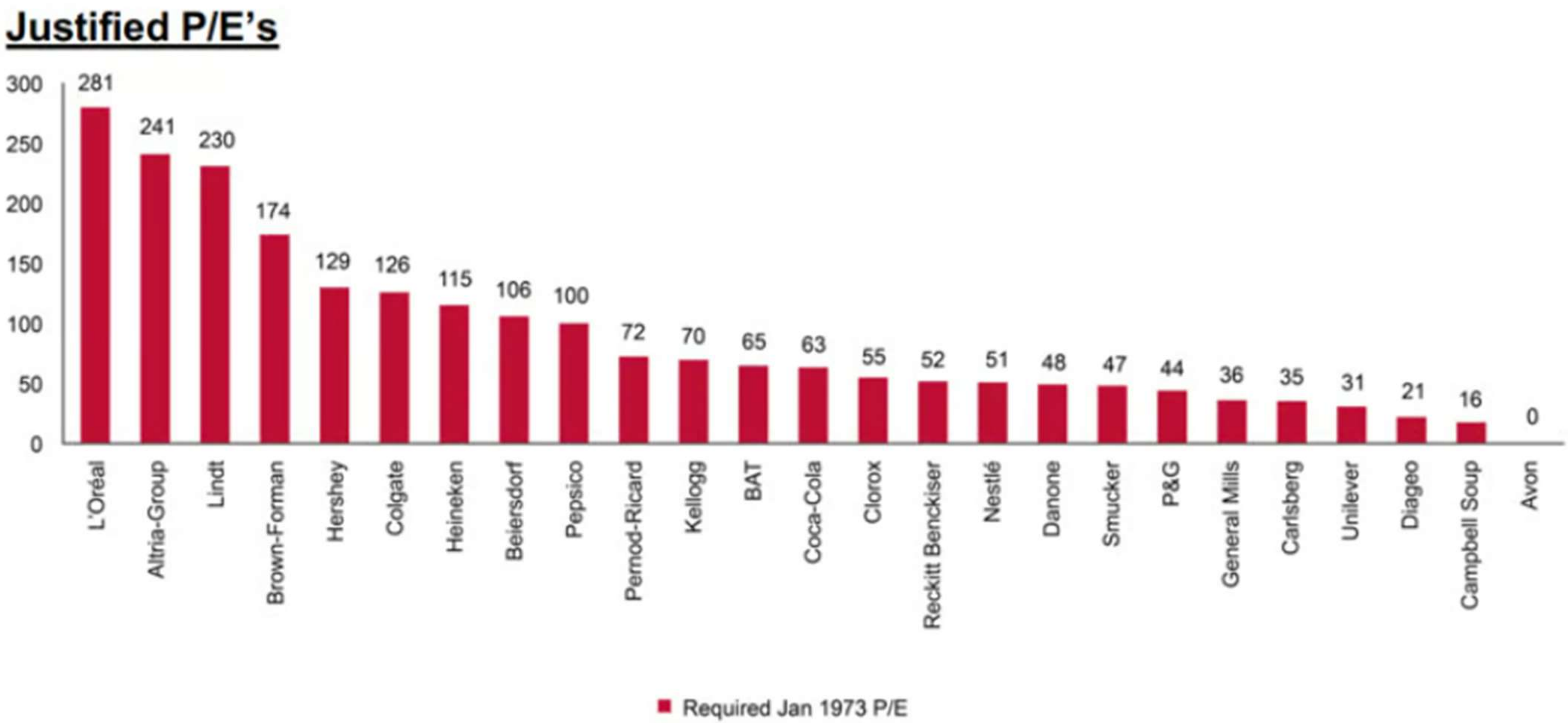
Waarom is kwaliteit zo optisch duur?

Groei	CAP	ROIC	P/E	Voorbeeld
Hoog	Lang	Hoog	Hoogst	META
Laag	Kort	Laag	Laagst	Stellantis
Laag	Lang	Hoog	Hoog	Old Dominion Freight Line
Hoog	Kort	Laag	Hoog	Zoom

Met een sterk bedrijf (Groei, CAP, ROIC) kan je zelfs met een hoge K/W een mooi rendement halen

Time is your friend

Maar… vertrouw niet altijd op de P/E



Source: Ash Park Capital and Refinitiv Datastream, excludes dividends, in USD.

Voorbeeld: Staat ASML duur?

Profile	
Market Cap	€244.27B
EV	€243.97B
Shares Out	393.03M
Revenue	€26.24B
Employees	42,372

Margins	
Gross	51.15%
EBITDA	33.79%
Operating	30.72%
Pre-Tax	31.52%
Net	26.4%
FCF	10.94%

Returns (5Yr Avg)	
ROA	18.84%
ROTA	59.85%
ROE	53.93%
ROCE	35.08%
ROIC	23.26%

Valuation (TTM)	
P/E	35.35
P/B	15.13
EV/Sales	9.3
EV/EBITDA	27.52
P/FCF	85.07
EV/Gross Profit	18.18

Valuation (NTM)	
Price Target	€855.97
P/E	26.34
PEG	-8.07
EV/Sales	7.52
EV/EBITDA	20.79
P/FCF	30.05

Financial Health	
Cash	€4,984.5M
Net Debt	-€292.3M
Debt/Equity	0.29
EBIT/Interest	52.78

Growth (CAGR)	
Rev 3Yr	13.64%
Rev 5Yr	19.15%
Rev 10Yr	15.5%
Dil EPS 3Yr	10.01%
Dil EPS 5Yr	26.98%
Dil EPS 10Yr	17.4%
Rev Fwd 2Yr	8.36%
EBITDA Fwd 2Yr	11.02%
EPS Fwd 2Yr	9.92%
EPS LT Growth Est	16.77%

Dividends	
Yield	0.91%
Payout	9.94%
DPS	€2
DPS Growth 3Yr	-19.46%
DPS Growth 5Yr	-11.09%
DPS Growth 10Yr	11.11%
DPS Growth Fwd 2Yr	9.46%

Indien je op
12 november 2019 had gekocht?

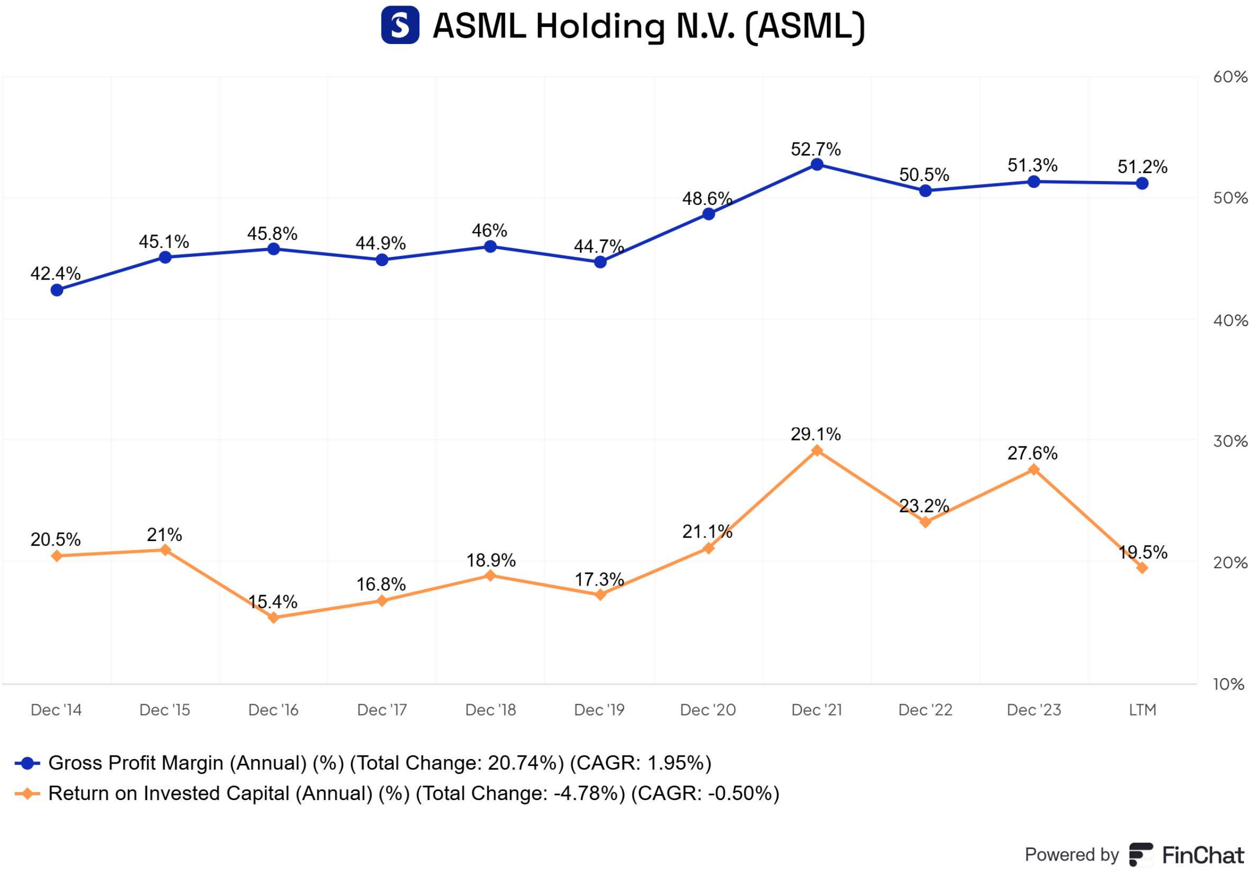
Total Shareholder Return

K/W : **45** val naar 35
EPS 5Y : 26% CAGR

dubbel over 5 jaar

Bron: finchat.io

ASML trend



According to the report, currently, each EUV machine costs approximately **USD 181 million**. The new generation high-NA EUV machines cost from USD **290** million to USD **362** million per unit, while the expected cost for Hyper-NA EUV could **exceed USD 724 million**, namely, about twice the price of the previous generation.

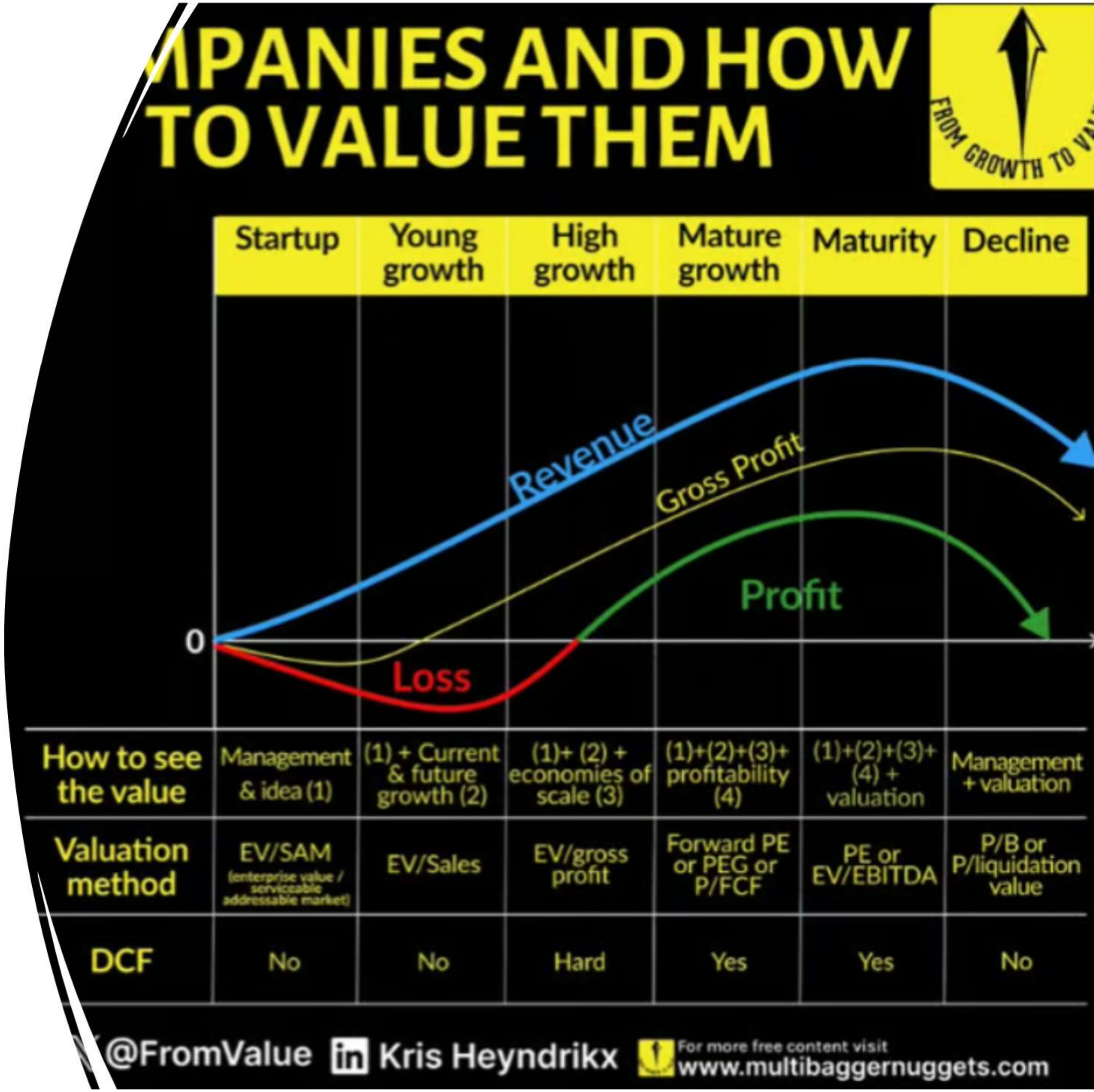
Bron: trendforce.com

Pricing power van een monopolist

Hoe kwaliteit waarderen?

- Eerst: Hoe sterk is het bedrijf en zal het **sterker worden**?
- Verschillende methodes combineren:
  - **Omgekeerde** DCF
  - Total Shareholder Return
  - Kijken naar **levenscyclus**
- Yin: **Genormaliseerde** winsten komende 2 jaar

Nota: templates op atmosinvest.com

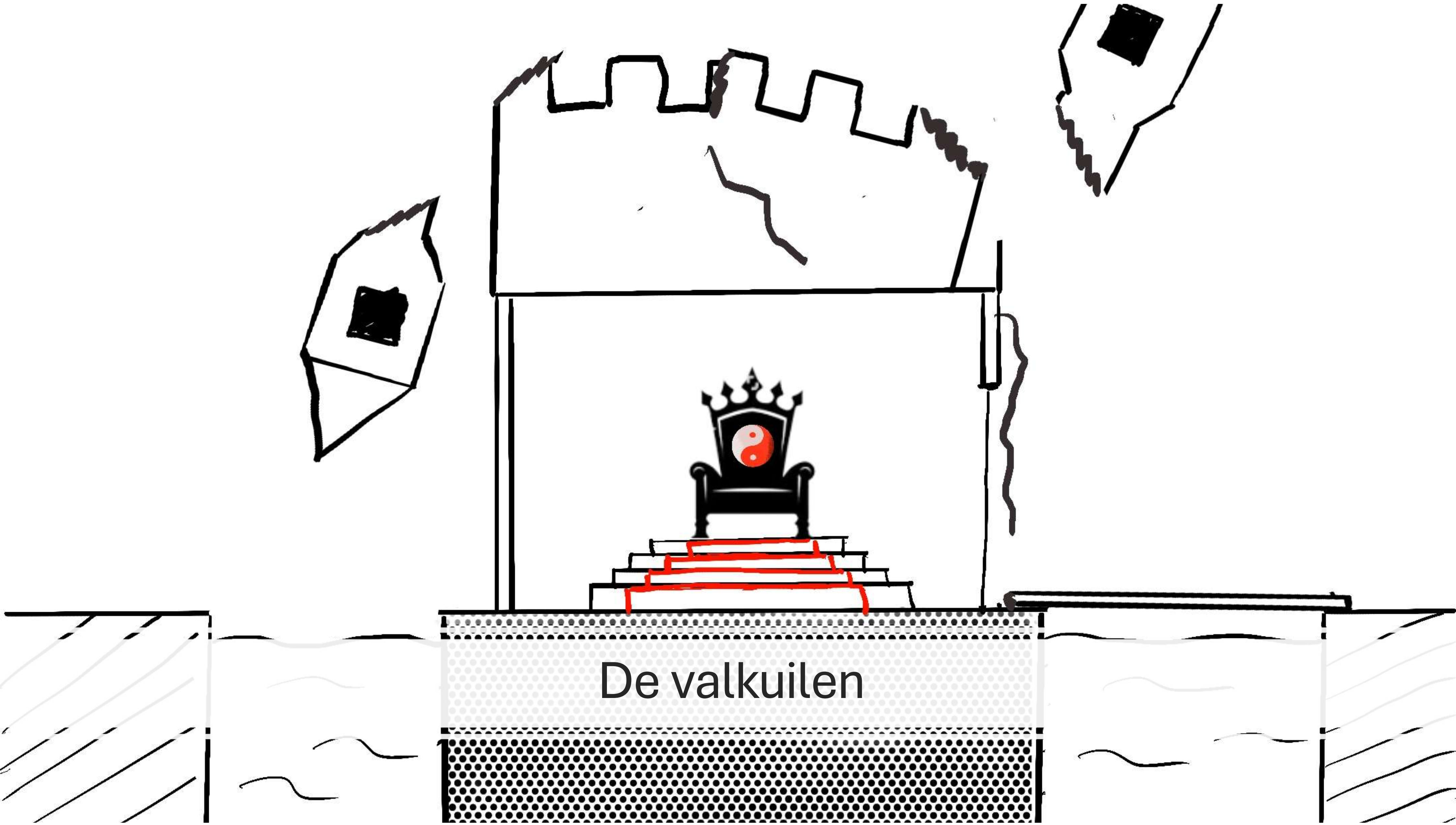


The Battle of the Best

	ASML	VS	VISA	VS	Wat je al hebt!
Dominantie	Monopolie		Oligopolie		
Type	Partial Compounder		Buyback Machine		
MOAT	Wide		Wide		
MOAT trend	⬆️		⬆️		
Quality	80-ish		87%		
Groei	High dd		Low dd		
Value	Maybe		Unlikely		

- Very Unlikely
- Unlikely
- Maybe
- Likely
- Very Likely

Wat doen de PRO's? ➡️ Dev Kantesaria koopt ASML 1.5% rond 650 in Q2 2023

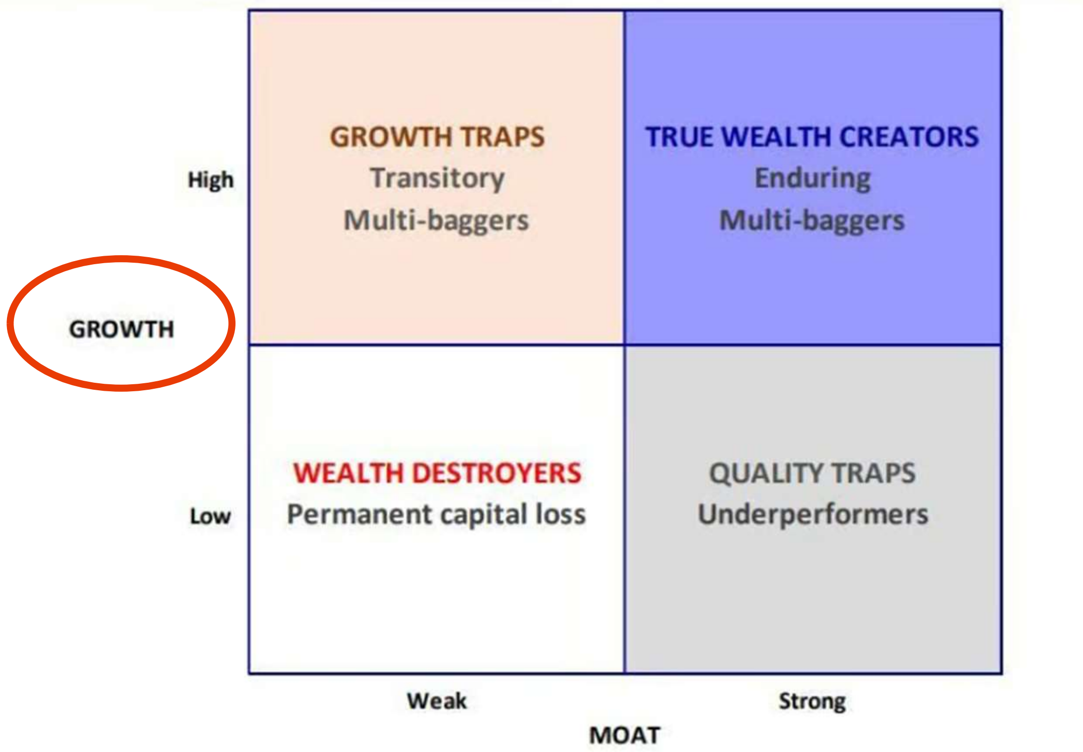

De valkuilen

It’s a trap!

- Value traps
- Quality traps

Quality traps

Exhibit 5 The Moat-Growth Matrix



Valkuil 1: Verkeerde richting

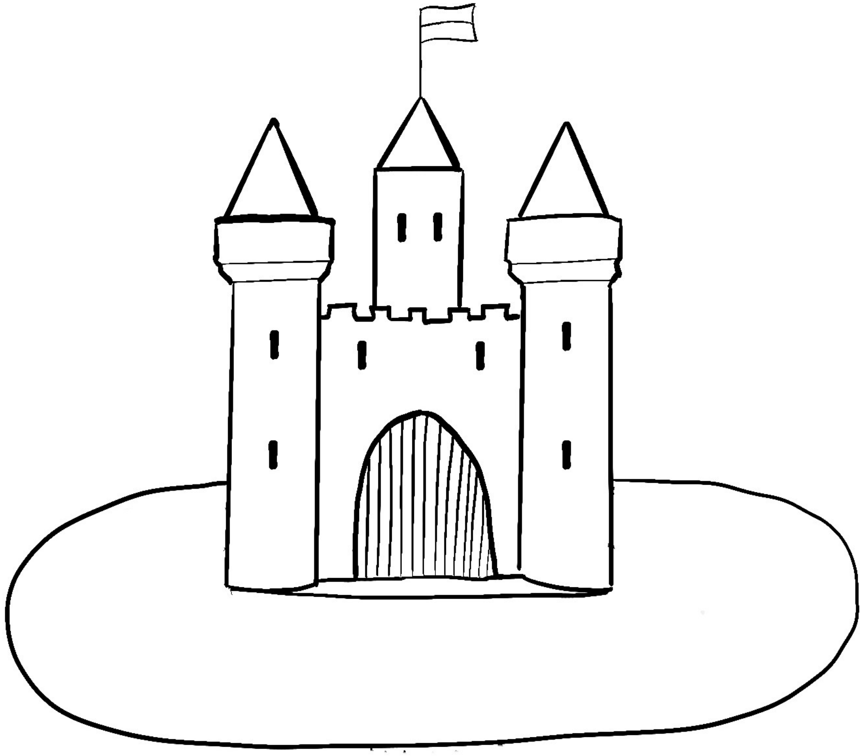
YANG

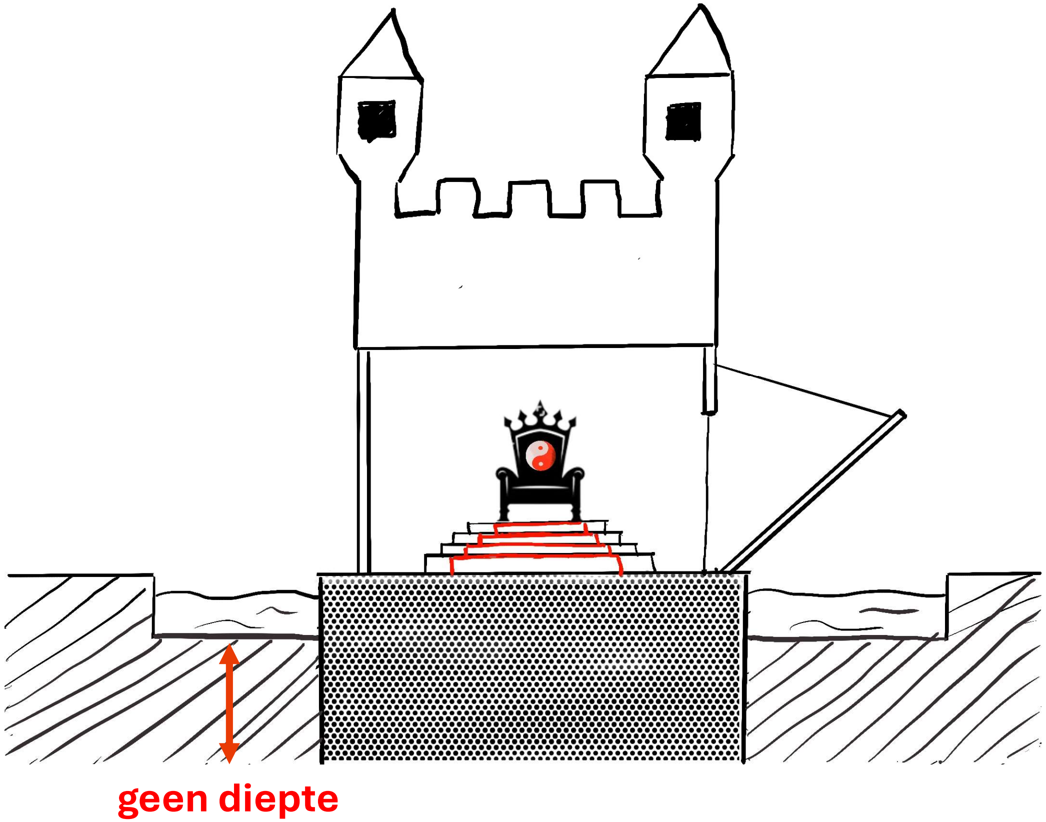
		EXPECTED RETURN				
		EINDE				
		5	4	3	2	1
BEGIN	5	9.6%	1.3%	0.0%	-0.3%	-1.7%
	4	5.5%	4.3%	1.3%	0.0%	-1.2%
	3	3.1%	4.1%	2.9%	0.5%	-1.0%
	2	2.2%	3.0%	3.5%	2.0%	-1.0%
	1	4.0%	2.5%	2.1%	1.8%	-1.2%

YIN

Zelfs een daling van **best naar second-best** heeft grote gevolgen voor je rendement!

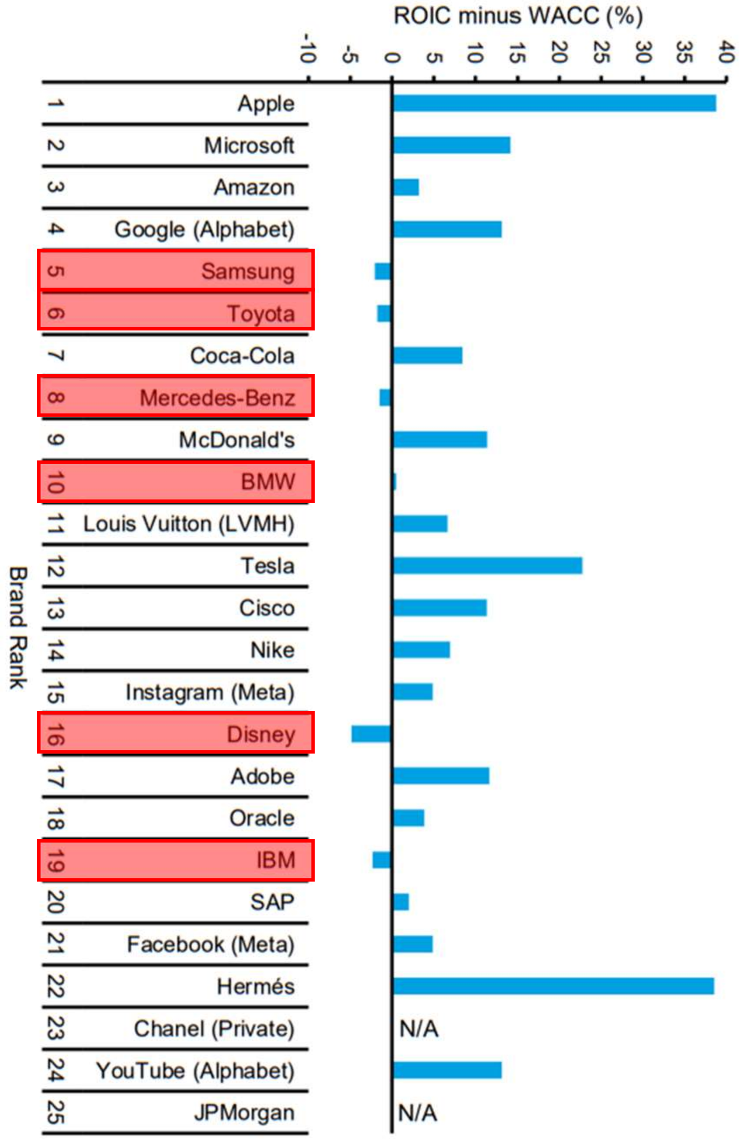
Valkuil 2: Fake MOATS



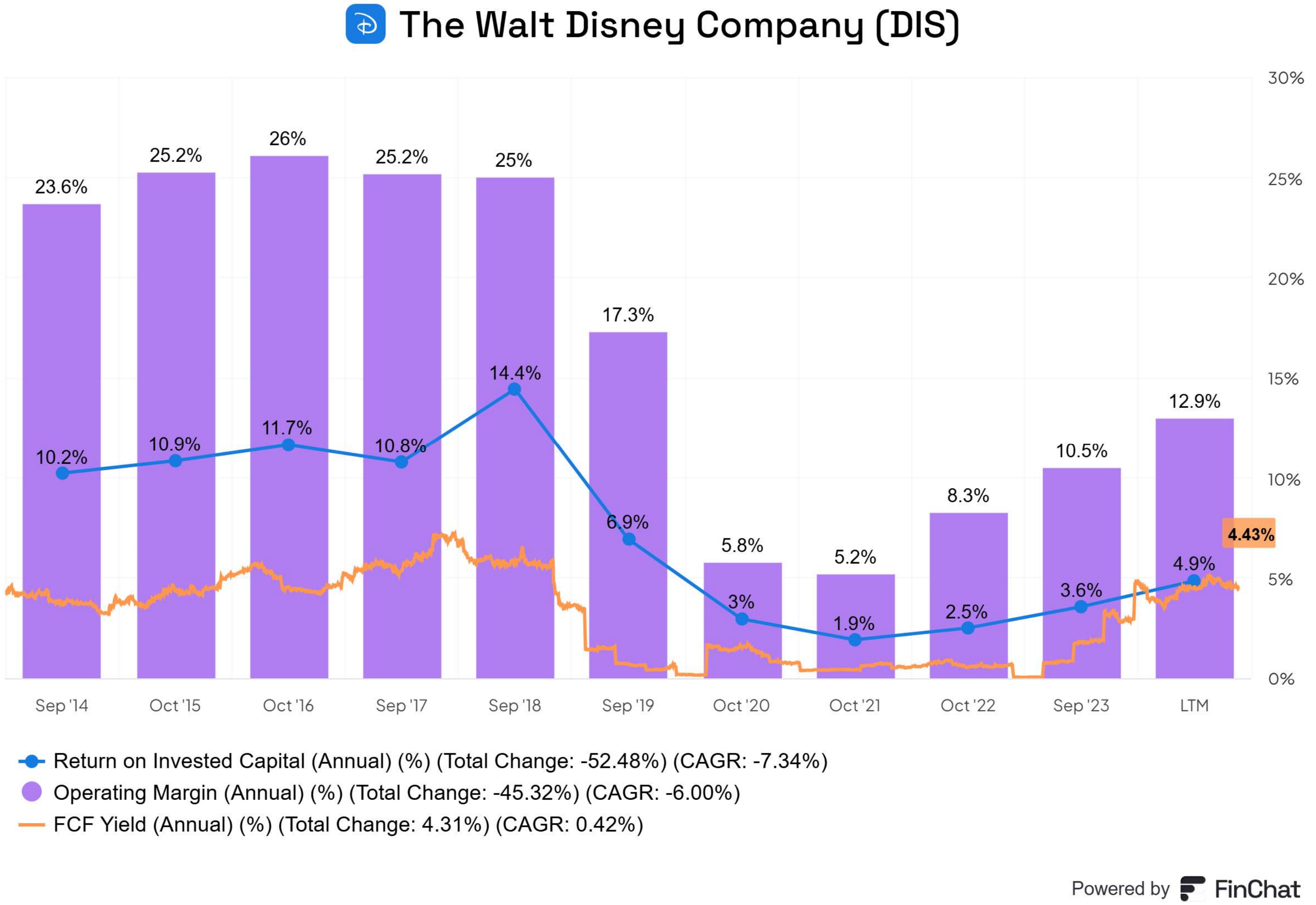


Merken en MOATS

De TOP 25 sterkste merken ➡️



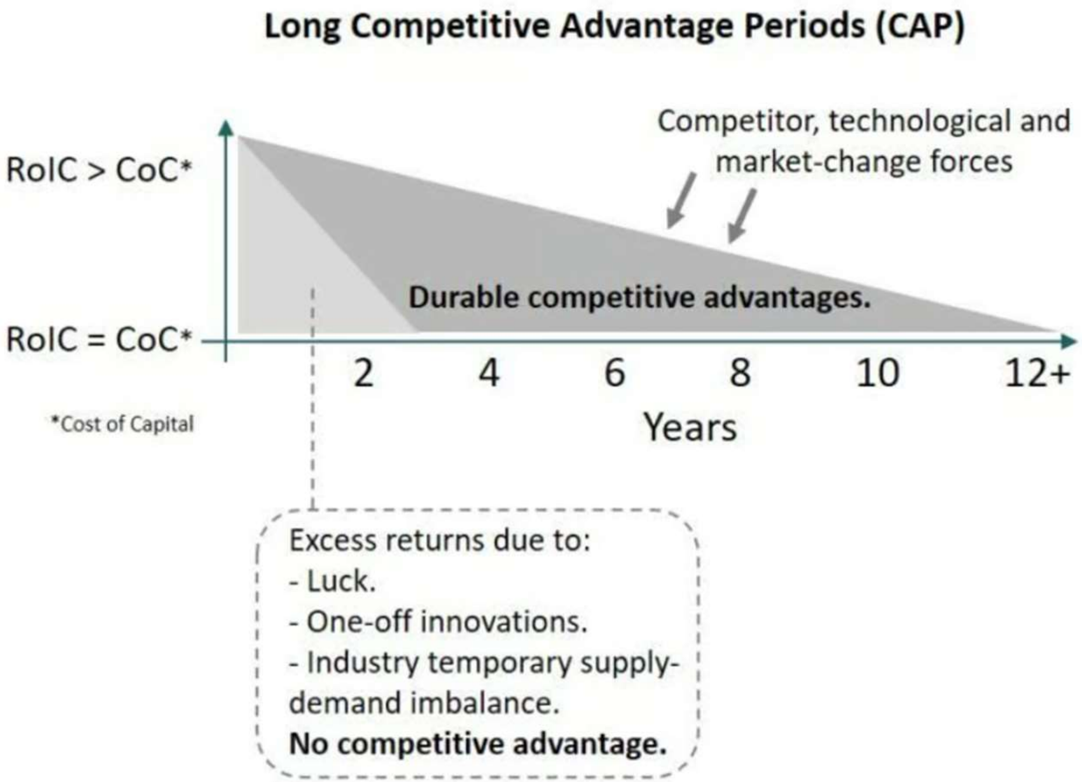
Voorbeeld



The Walt Disney Company (DIS)
30%
25%
20%
15%
10%
5%
0%
23.6%
25.2%
26%
25.2%
25%
17.3%
5.8%
5.2%
8.3%
10.5%
12.9%
10.2%
10.9%
11.7%
10.8%
14.4%
6.9%
3%
1.9%
2.5%
3.6%
4.9%
4.43%
Sep '14
Oct '15
Oct '16
Sep '17
Sep '18
Sep '19
Oct '20
Oct '21
Oct '22
Sep '23
LTM
Return on Invested Capital (Annual) (%) (Total Change: -52.48%) (CAGR: -7.34%)
Operating Margin (Annual) (%) (Total Change: -45.32%) (CAGR: -6.00%)
FCF Yield (Annual) (%) (Total Change: 4.31%) (CAGR: 0.42%)
Powered by FinChat

Valkuil 3: Tijdelijke MOAT

- Het bedrijf lijkt tijdelijk een voordeel te hebben (bv. COVID boost)



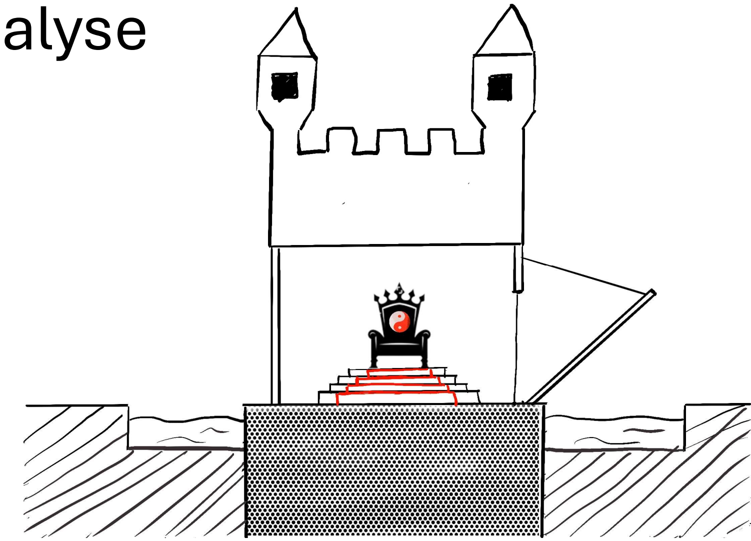
Wat kan je doen?

1. Richting → Check de MOAT **trend**
2. Fake MOAT → Aanval succesvol **verdedigd**?
3. Tijdelijke MOAT → Check de **context**

Wat kan je nu meenemen?

1. Mental models (**duurtijd** (CAP) toevoegen aan je toolkit)
2. Yin-Yang (bepaal waar je **precies** naar zoekt)
3. Weet wat je bedoelt met **kwaliteit**
4. Wat zijn **MOATs** en waarom zo belangrijk?
5. Hoe **waarderen:** geen DCF zonder MOAT-analyse
6. **Quality Traps** (pas op voor de valkuilen)

> *"Luck is what happens when preparation meets opportunity"*
> \- Seneca



The End…

My name is Kevin.

I write and draw (badly) about business and finance.

Join 3,000 hunters from 102 countries at my stock investing newsletter at www.atmosinvest.com

May the markets be with you, always!

Evalueer mij!