



Ben Graham Centre's 2021 Virtual Value Investing Conference

FRANCISCO GARCÍA PARAMÉS

Toronto, 14th April 2021

International Portfolio

(Data as of 03/31/2021)

Ratios

- PER 2021e: 6,8x (Benchmark: 16,5x)
- ROCE: 28% (ex-commodities: 44%)
- FCF yield (unlevered): 20%
- Upside: 121%
- Group of control: 64%
- Europe: 62%

Main Blocks

	Weight
LNG: long term contracts	19%
Italy	17%
Out of fashion / Brexit	11%
Commodities (oil, oil services)	10%
Automotive	6%
Restructuring	6%
Shipping	5%
Asia	7%
Rest (including cash)	19%



 Dixons
Carphone

DIXONS CARPHONE

Dixons Carphone

One of the **leading electronic and appliances distribution companies** in Europe, number 1 in the UK, Nordic countries and Greece.

Generates **ROCEs of 100%** and the business is protected by **significant entry barriers**.

Able to **compete with Amazon**, has gained market share in the UK in the last six years, both online and offline.

Dixons Carphone

Longer term comparison with Best Buy

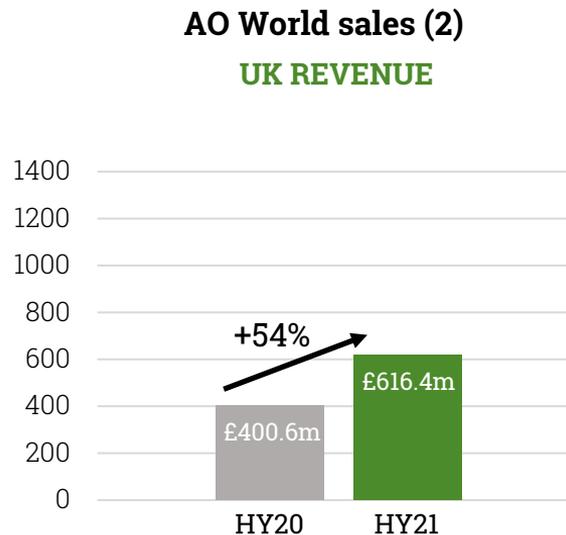
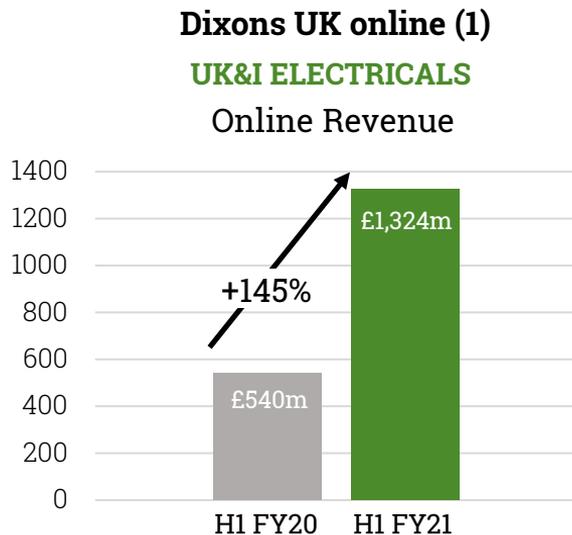
Share price performance last 5y - Base 100



Source: Factset.

Dixons Carphone

Comparison with AO World shows a clear market inefficiency



Source: Dixons Carphone, AO World. (1) First Half closing in october (2) First half closing in september

Dixons Carphone

Trading at 7x P/E

Valuation (£MM)

FCF 2022e	250
Multiple	17x
Valuation	4,244
Adjustments	-308

Total Valuation (2022) **3,936**
Market Cap (06/04/2020) **1,769**

Upside **123%**



Peers

Best Buy	15x
AO World	22x

Dixons Carphone

How can the value gap close?

- **Delivery of strategic plan** Main goal is to generate £1bn FCF over a 5y period and a 3.5% EBITA margin. **Shoplive.**
- **Mobile phone business restructuring** They will stop losing money in the spring of 2022.
- **Potential Nordic Business IPO** that should help cristalize value and could highlight how undervalued the UK business has become.
- **Potential European consolidation** after Ceconomy corporate structure simplification.



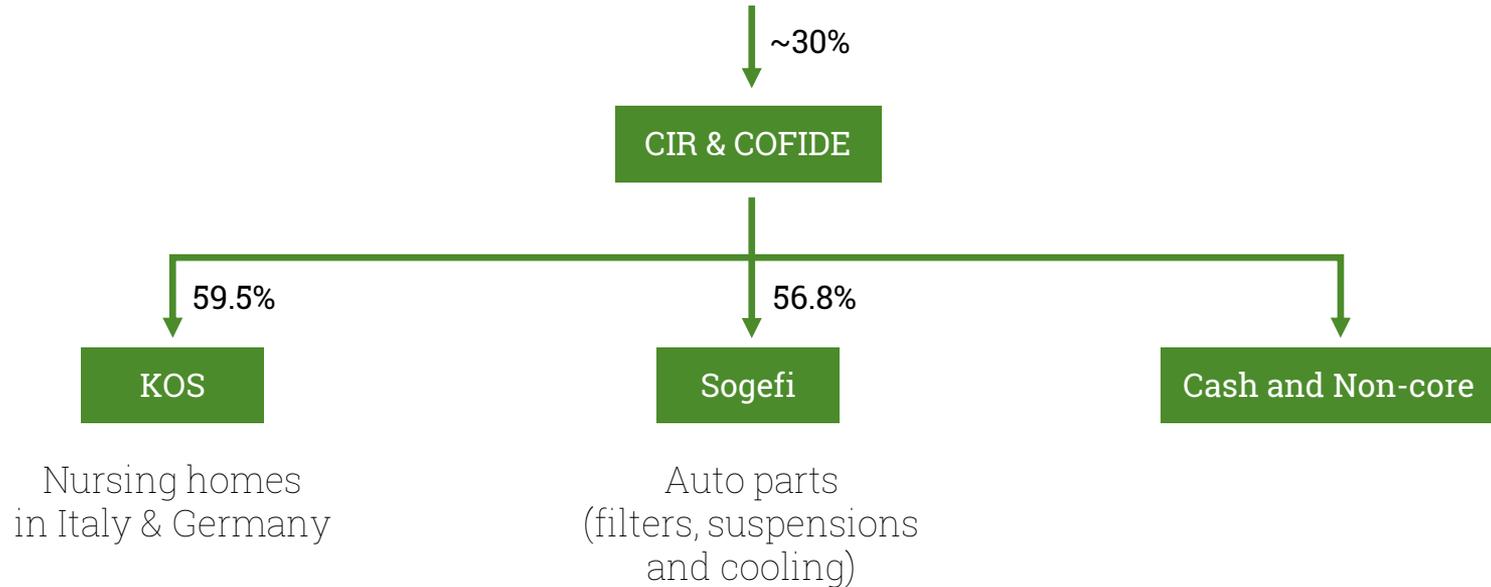
CIR

CIR

Photo: www.cirgroup.it

CIR

Holding Company controlled by the De Benedetti family



KOS, nursing homes

Description

Italy

KOS: Leader in Italy, very fragmented market

85 centers with > 8,000 beds

Germany

Charleston: Country diversification

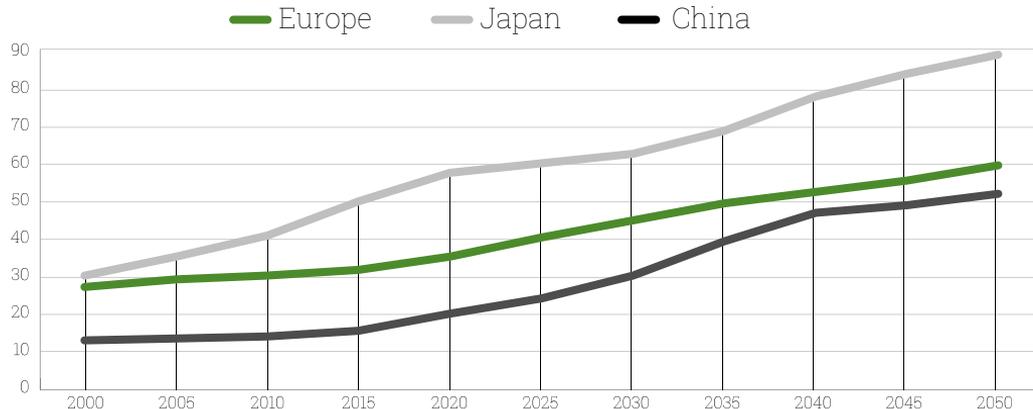
47 centers with > 4,000 beds

KOS, nursing homes

Sector: strong fundamentals

1. Demography: Recurring and growing income

Population percentage over 65 years old over the active population



Source: United Nations.

2. High entry barriers

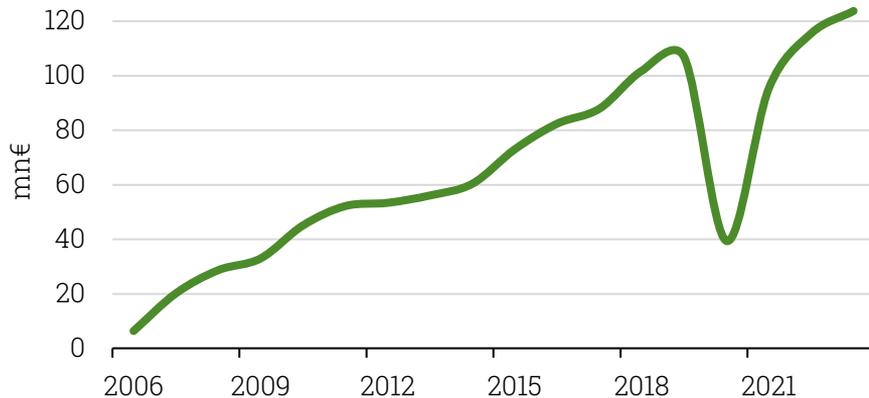
- Local authorizations
- Knowledge of the local market
- Reputation – Track record

KOS, nursing homes

Details

- Strong organic & inorganic growth.
- Temporarily affected by Covid-19.
- Business model based on holding 25% of real estate assets.
- Controlled Net debt: ~2.0x Ebitda.

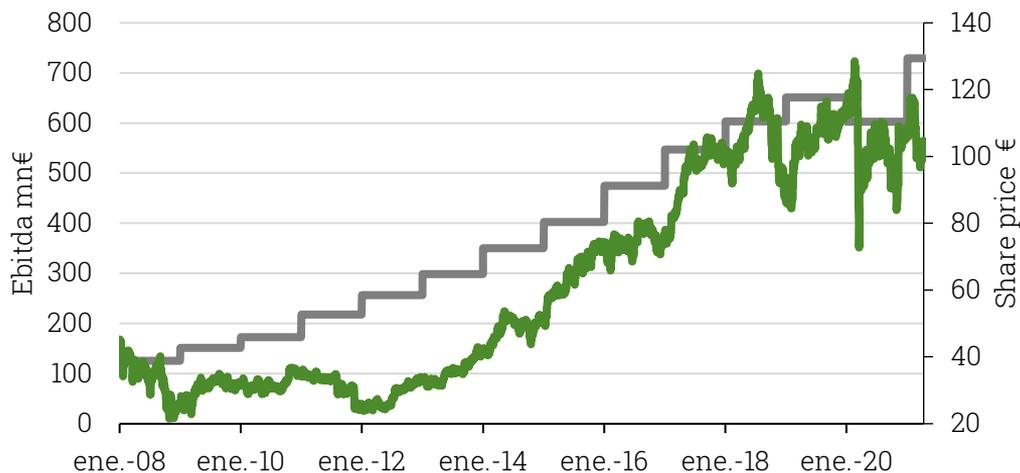
KOS: Ebitda evolution



KOS, nursing homes

The competitors have taken advantage of this trend

ORPEA: Ebitda & Share price evolution



Peers

P/E	2020	2021	2022	Avrg 10y
Orpea	45x	28x	24x	26x
Korian	36x	24x	19x	24x
LNA Sante	38x	18x	13x	21x
Avrg	40x	23x	19x	24x

Source: Bloomberg and Orpea.

Source: Factset.

CIR

~60% of Mkt Cap on NET CASH in the balance sheet

Valuation (€MM)

KOS	723
Net Cash	349
Sogefi	132
Other Assets	27

Total Valuation 1,231
Market Cap (04/09/2021) 593

Upside 108%



Our Valuation 20x P/E
Orpea is trading at 28x P/E

CIR: Share price



CIR

How can the value gap close?

DONE

- ✓ Corporate structure simplification. → Merge between CIR & COFIDE
- ✓ Reducing weight of Italy. → Gedi disposal (Italian newspaper)
Charleston acquisition (German nursing home)
- ✓ De Benedetti family is buying shares.

PENDING

- Disposal of SOGEFI, on the agenda.
- Restart of the share buyback in the next AGM (30-apr-21).

TRANSFORMATION STORY:

Holding Co. → Nursing Home Co.

Conclusions

1. Invest only in what you can understand (circle of competence).
2. If you want to know about economics, learn German and study the Austrian masters.
3. Study companies, not the Markets.
4. Speculators and volatility are our friends.
5. Walk the untrodden paths, buy what nobody else wants to own.
6. Don't do models. Read. Think.
7. Be an optimist.
8. **Own assets, don't be a creditor.**

Wiley Finance Series

978

6532

Investing for the Long Term

FRANCISCO GARCÍA PARAMÉS

"Paramés is Spain's most successful fund manager
and is often compared with Warren Buffett."
—*Financial Times*

WILEY

A photograph of a forest with a tree trunk in the foreground that has been painted with teal paint. The text "ANY QUESTION?" is overlaid in white.

ANY QUESTION?

Photo: Evan Dennis, Unsplash

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asset management

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