



WEIRD SHIT INVESTING



THE MANUAL

26 IDEAS PRESENTED AT
WEIRD SHIT INVESTING 2024

www.weirdshitinvesting.com

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Let's do something different

Dear readers,

It seems many investors are keen to hear about investment ideas that are:

- Truly original.
- Rooted in independent thinking.
- Very lucrative (potentially!).
- Accessible to professional investors.
- Fun to learn about.



When I sent out a tentative invite to potentially host a "Weird Shit Investing" conference, I was inundated with interest.

When you read this, the inaugural editions of the event will have just taken place in London and New York. This manual includes one-page summaries of all the ideas presented at both events.

Depending on feedback, I may host the conference again in 2025 – and potentially in Hong Kong, too. You can register your interest to participate by [dropping me an email](#).

What I am eager to hear from you is the following:

- Do you find the underlying idea of this event useful?
- Was this manual of value to you?
- Do you have ideas on how we can change and improve the format?

This manual was designed to have the public benefit from the event, and to inspire others to take up similar work than what we do.

It's also supposed to add a bit of fun to the investing world. I hope it achieves this goal!

Best regards

Swen Lorenz
Organiser, Weird Shit Investing conference
Founder, Undervalued-Shares.com

What participants said



"This is the best fucking conference of my entire life."

"Really good event. Very impressed with some of these private investors. You have some outstanding people in your community. Thanks for including me."



"Huge thanks for yesterday. A brilliant event. Fun, authentic and really stimulating. Delightful to spend 14 hours with so many fellow pirates."

"Just a great big thank you. It was brilliant even down to the wacky restaurant for dinner! Maybe time to start a weird fund, Swen!"



"This conference has the highest hit rate of great ideas."

Bank of Georgia Group PLC

About the company

Ticker symbol & ISIN: BGEO LN, GB00BF4HYT85

Place of primary listing: LSE

Market cap: GBP 1.7bn (USD 2.2bn)

Free float: 69%

Average daily trading volume: 155,000 shares (GBP 600,000)



What is the investment case about?

BGEO's strategic acquisition

BGEO has been listed in London since 2006 and has evolved into a technologically advanced, well-capitalized financial institution. In early 2024, BGEO acquired Ameria, the largest bank in Armenia by loans and a close second in deposits. This acquisition, priced at USD 303m (0.65 times book value and a P/E below 3), marks the cheapest price paid for a leading, well-managed franchise in the author's career.



Why is this interesting and weird?

BGEO's acquisition of Ameria went largely unnoticed, with minimal market reaction. Armenia, considered a frontier market within a frontier market, presents unique opportunities for growth and consolidation. The Central Bank of Armenia's focus on governance and ownership standards limits competition for future acquisitions, providing BGEO with a competitive edge. The bank's guides for 15% annual loan growth and 20%+ ROE for the combined entity, with a policy to distribute 30-50% of its income to shareholders via dividends and buybacks.



What is the valuation and return profile?

Consolidating its acquisition of Ameria, BGEO trades around book value, with a P/E ratio of approximately 4, falling to around 3 for 2025. With projected growth, BGEO has the potential to double in value within 12-18 months, eventually trading at a P/E of 5. The dividend yield is expected to be around 8%, assuming the lower range of distribution guidance. Investors comfortable with the geopolitical risks should consider a longer-term hold.



Anything else one should know?

Reviewing BGEO's filings, particularly the Annual Report and materials on the Ameria transaction, is essential. Understanding the complex geopolitics of the region is crucial, as this heavily influences valuation. BGEO emphasizes its compliance with AML and sanctions regulations from the EU, US, and UK, ensuring it is not a conduit for undesirable capital.

About the author

Name disclosed to attendees only

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Not for distribution

Bhutan National Bank

About the company

Ticker symbol & ISIN: BNBL

Place of primary listing: Bhutan Royal Securities Exchange

Market cap: USD 185m

Free float: 488m shares

Average daily trading volume: <USD 10,000



What is the investment case about?

Generally exploring the Bhutan equity market and highlighting the country's second-largest bank and largest ferro silicon manufacturer, both of which are exceedingly expensive. While my research has surfaced no ways to short Bhutanese equities, the country's macro situation combined with the extremely high valuations of these micro-cap securities makes for an interesting case.



Why is this interesting and weird?

Bhutan is one of the most isolated nations in the world and possesses one of the smallest equity markets globally. Access to the market is nearly impossible with only Bhutanese citizens allowed to own securities. No institutions are present in the country but there is an incredibly high retail stock participation with nearly 25% of all adults holding a stock account.



What is the valuation and return profile?

The Bhutan National Bank trades at a 100% premium compared to its regional banking peers while reporting far worse fundamental returns on equity, revenue growth, and capitalization.



Anything else one should know?

Please understand that acting on this trade is, at least from my research, nearly impossible and would require local relationships inside of Bhutan in order to take advantage of the situation. One would need local capital, personnel, and an ability to repatriate capital outside of the country.

About the author

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Cairomezz Plc

About the company

Ticker symbol & ISIN: Cairomezz GA, CY0109232112

Place of primary listing: Athens ALT

Market cap: EUR 132m

Free float: 67%

Average daily trading volume: EUR 350,000 turnover



What is the investment case about?

From 2020-2022, EUR ~38bn of NPLs were securitized by the four systematic banks, or ~65% of the remainder NPL stock. The securitizations were designed to allow banks to maintain limited upside-risk exposure to NPL recoveries and reduce the equity investment required by the buyers. To fully align incentives w/ originator bank and shareholders, servicers of the securitized underlying NPLs were required to purchase significant portions of the mezzanine and junior tranches. As with the bank recaps, the NPE securitizations were designed and priced to be 1/antifragile 2/make whole the Senior tranche in a (further) stressed environment 3/remunerate and endorse shareholders and stakeholders inclusive of the HFSF-GR/ECB/EC who underwrote the restructuring and recovery of Greece and her place within the EU/NATO.



Why is this interesting and weird?

Backwaters of the Athens market: listed Cypriot-based PLC units of securitized NPE tranches. Underfollowed, mis-analysed, physical barrier (turnover).



What is the valuation and return profile?

Cairo Mezzanine (and Junior) Notes offer both a current margin of safety (~50% discount to shareholder cash equity) and multiples upside asymmetry over the next 1-3 years.



Anything else one should know?

Our work shows – as presented in person - that the Cairomezz securitization is
1/ materially over-collateralised 2/ curing and collections rates underestimated
3/ prospects of re-performing loan sales and/or
re-securitizations underappreciated.

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Presentation download:

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Detroit Legal News Co.

About the company

Ticker symbol & ISIN: OTC:DTRL, US2510551094

Place of primary listing: OTC Markets

Market cap: USD 12m

Free float: 45%

Average daily trading volume: about USD 4,000 (past 90 days)



What is the investment case about?

An unusual bet that could make serious money if there is another significant economic crisis. DTRL is in the business of legal notices that need to be published. The business is entrenched and supported by a printing business which makes money due to involvement with the Michigan election cycle.

You get paid to wait. DTRL regularly pays out dividends.



Why is this interesting and weird?

This is a classic OTC business that has been forgotten. Investors do not see much potential because the industries are dying. However, I do not see any short-term risk to legal notices and printing could actually be 'last man standing' kind of business supported by the regular election revenue.

DTRL's management is a good steward of business. Returned about 25% of current market cap in the past seven years (not including a one-off special dividend).



What is the valuation and return profile?

There is a clear margin of safety. The liquidation value is at least 80% of the current market cap. This is a conservative estimate of just cash, building and equipment. No value in the operating businesses.

The future return depends on the legal notice business, but dividends can significantly increase the attractiveness. If you held from 2017, you'd be looking at an average P/E of about 10x. The same thing can happen in the future.



Anything else one should know?

People pass up on these opportunities regularly. They might think it is not exciting and some far-fetched scenario of another crisis is not attractive enough. Multi-year horizon is off-putting.

I wrote about DTRL in 2016. Now your original cost would be down to about USD 200 per share so you would profit even if DTRL just liquidates today. Your position would mean you hold the stock at about 6x P/E (average).

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Diversified Energy Company

About the company

Ticker symbol & ISIN: DEC.L, GB00BQHP5P93

Place of primary listing: London

Market cap: GBP 500m

Free float: 86%

Average daily trading volume: GBP 4m



What is the investment case about?

The Diversified Energy Company (DEC) is the largest owner of old natural gas wells in the USA. Due to a series of exaggerated scandals (well leaks, aggressive accounting), DEC fell 70% between late 2022 and early 2024, and now looks exceptionally cheap (8% DY, gross margins 50%, PE TTM 0.91). Is its business model sound? I think yes, particularly if Natural Gas prices surge in the next few years, as I expect.



Why is this interesting and weird?

US natural gas output has soared over the last 20 years, due to shale, and it's now by far the world's largest producer. But output in 6/11 shale fields has clearly peaked, and the largest (Marcellus) is currently peaking. Over the next five years I expect US natural gas output to fall, exports to rise, and prices to rise towards world levels, equivalent to around USD 8-10/Mcfe.



What is the valuation and return profile?

DEC is highly geared to the NG price, aside from hedges. Its big upside would come from a sustained rise in NG to the USD 8-10 range, which could lead to a huge surge in DEC earnings, and its price quintupling or more.

The chief risk is that it's been growing very fast, and has more debt than I would prefer. Could something go awry here? I don't think so, but am watching closely.



Anything else one should know?

US NG is one of my biggest macro calls for the next 3-5 years. I am studying alternative ways of getting exposure to higher NG prices.

About the author

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Equity Commonwealth

About the company

Ticker symbol & ISIN: EQC

Place of primary listing: NYSE

Market cap: ~USD 2.1bn

Free float: 97.9%

Average daily trading volume: 904,815



What is the investment case about?

EQC is an Office REIT with a current market value of ~USD 2.1bn, cash and equivalents of ~USD 2.2bn, and an enterprise value of negative USD 80m, that is less than its reported net cash. EQC is a former Office REIT that tried unsuccessfully to pivot into the industrial REIT space. In its pursuit, it reduced its portfolio of 168 office properties to just four but was thwarted in closing a negotiated Industrial REIT acquisition in 2021. The disposition of a majority of its portfolio allowed it to pay off all outstanding debt and most of its preferred shares.



Why is this interesting and weird?

Sam Zell became EQC's chairman in 2015, after a high-profile, protracted proxy fight, and passed away in May 2023, before completing the successful shift from Office REIT to Industrial (Warehouse and Logistics) REIT. The most reasonable explanation for EQC's current negative enterprise value is investors' perception that his successors just don't measure up to their task while receiving excessive and wasteful compensation.



What is the valuation and return profile?

The current market value of EQC is less than the reported value of its cash, indicating that the value of its office buildings provide a 20% in excess value for potential investors. EQC shares are currently trading at USD 19.32 while our estimate of their intrinsic value is USD 23.09 per share. We value the four of-fice properties by applying a 10% cap rate to their reported NOI for the trailing 12 months ending 31 March 2024.



Anything else one should know?

CATALYST: Activist investor Jonathan Litt of Land and Buildings Investment Management LP issued a press release on 13 March 2024, reporting a 3% equity stake in EQC and disclosing a letter to its BoD about returning capital to shareholders by selling the remaining properties and liquidating the company. On the company's Q1/2024 call (2 May 2024), management announced that three of the company's four properties would be put up for sale by the end of May, and EQC would be wound down by year-end if no Industrial deal materialises.

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Gaming Realms

About the company

Ticker symbol & ISIN: GMR, GB00BBHXD542

Place of primary listing: AIM

Market cap: GBP 115m

Free float: 72%

Average daily trading volume: 307,433



What is the investment case about?

GMR is a B2B provider of unique gaming IP in an expanding market that is growing at double-digit rates yet trades at a low valuation. The 2015 acquired IP called Slingo is a combination of two games: bingo and slots. The company added a gambling element and constantly publishes new themes and variations of the game. This development results in a moat, because even if a competitor created something similar, they could not offer the full portfolio to clients. 85% of revenues are from content licensing (58% adjusted EBITDA) that grew 30% in 2023. Tailwinds include the addition of new providers and online casino growth in US.



Why is this interesting and weird?

Online casinos benefit from the variety and quantity of games they offer to customers. Via Slingo GMR owns a gaming genre (and product) that is in demand without need for aggressive marketing. Operators will welcome it without much difficulty and any marketing would be limited to introducing the game to new players. The game has already won several awards. The board is packed with gaming experience, and business owners with M&A exits. The chairman is the largest shareholder with a c9% stake while there was relatively large insider purchase at 35p. Interests appear to be aligned and an M&A exit post value creation is a very likely scenario.



What is the valuation and return profile?

The company is expected to grow revenues by 17% in 2024 and EBITDA by 32%. There is no debt, the company is asset-light, generated an ROE of 28% last year, and forward CAPEX needs are low according to what we heard from management at a call last year. Specifically, 2024-26 CAPEX will continue to be 5-6m even if the business keeps growing and would only change if a new game is developed. Overly complicated valuation models are not needed as the company is trading at c8x EV/EBITDA '24E. As free cash flow expands over the next 1-2 years, price should follow. Growth seems highly likely as their markets are not yet mature.



Anything else one should know?

An acquirer such as Evolution Gaming (another B2B gaming company) could easily pay a high premium because GMR currently only operates in regulated markets. A launch in the grey markets could double the revenues generated, and thus justify a high multiple. In addition, the much larger EVO trades at c13x EV/EBITDA '24E so that alone would be reason enough. Also, the company has unused GBP 28.4m in tax losses. This could be of value to an acquirer. Finally, certain non-US regulated geographies Slingo has entered recently are significantly larger than the current revenues represent. As Slingo variations are added, these can grow a great deal.

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Presentation download:

<https://fatalpha.com/gaming-realms-screaming-garp>

Genel Energy

About the company

Ticker symbol & ISIN: GENL

Place of primary listing: London

Market cap: USD 320m

Free float: 125m

Average daily trading volume: 374,000



What is the investment case about?

Genel is a small London-based energy company operating in Iraqi Kurdistan. In March 2023, the Erbil Pipeline which provided export capability from the Kurdistan Region to Turkey was closed following an international arbitration ruling that the oil export route violated a 1973 treaty. Since that time, Genel's production has been limited to local sales at a sharp discount to global prices. In 2021, the Kurdish Regional Government terminated the Production Sharing Agreements on two additional energy projects after Genel had invested USD 1.4bn. Genel is currently pursuing restitution under arbitration hearings.



Why is this interesting and weird?

Genel has net cash plus a receivable owed from the Kurdish Regional Government (KRG) of USD 107m for USD .83/shr of NAV and is operating around break-even just selling into the local energy market. This provides an interesting level of downside support. Reopening the Erbil pipeline under prior terms would generate ~USD 100m of annual FCF for Genel. Genel's London arbitration is close to conclusion and a decision is expected by year-end. The upside catalysts here involve matters of intra-Iraqi power struggles, international geopolitics, and international law – all pretty weird topics for most investors!



What is the valuation and return profile?

Status quo NAV/shr = USD .83/shr.

Erbil reopening: USD 100m FCF at 5x multiple = USD 500m incremental value
= incremental USD 1.82/shr.

Arbitration victory: USD 1.4bn = incremental USD 5.10/shr.

Stock currently trades at USD 1.14/shr. Erbil Reopening and Arbitration victory are uncorrelated independent sources of value. USD 7.75 potential upside (~7x) vs USD .83 downside (~30%) creates a very interesting return profile.



Anything else one should know?

While the payoff profile here is very interesting, there is a sizeable list of caveats. First, oddball micro-cap energy companies are not statistically wonderful stewards of shareholder capital. Go in with eyes open on this front. Second, while I focus on litigation special situations, the closed nature of these proceedings makes handicapping the outcome here impossible. Optionality runs in Genel's favour, but that is about all one can say. Third, we are dealing with Middle East geopolitics layered on top of the murky status of the KRG as a counterparty vis-à-vis Baghdad. There is a lot more going on here than fits on a single page so please don't rely on this summary alone.

About the author

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Presentation download:

[Available upon request](#)

Halyk Bank

About the company

Ticker symbol & ISIN: HSBK LI, US46627J3023

Place of primary listing: LSE

Market cap: USD 5bn

Free float: 28.5%

Average daily trading volume: USD 1m



What is the investment case about?

Halyk Bank is a universal bank with leading positions in corporate and retail banking in Kazakhstan. The bank boasts stellar profitability with over 30% ROE and double-digit EPS growth since 2021. Halyk Bank's valuation significantly derated in 2022 after the start of the Russia-Ukraine war and has never fully recovered since, despite its continued strong financial performance. Assuming no multiples expansion, we see a potential return of over 40% in the bank's shares over the next 12 months. If the P/B ratio recovers to its pre-November 2021 level, the return potential could be as high as over 100%.



Why is this interesting and weird?

Halyk Bank's share price declined by over 60% from November 2021 to March 2022 due to riots in Kazakhstan and the Russia-Ukraine war. Since then, the share price has recovered slowly and is now trading around its November 2021 level. However, the bank's EPS in USD increased by 40% in 2023 compared to 2021 and is expected to grow by another 17%+ year-over-year in 2024. HSBK is scarcely covered, and Kazakhstan is a frontier market, making it an unconventional investment. Although there are political risks involved, with a 2024 P/E of about 3x and a dividend yield of over 15%, you are compensated for taking those risks.



What is the valuation and return profile?

We see a return potential of 46-133% in Halyk Bank's shares over the next 12 months. The bank currently trades at 0.9x P/B for 2023, despite generating over 30% ROE since 2021. Its 2024 P/E is 2.8x, with KZT EPS growth guided at 15%+ this year. Halyk Bank pays out 50% of its net income as dividends, and the dividend yield for 2024 is expected to be over 18%. Assuming the P/B ratio remains unchanged, the total return over the next 12 months should amount to 46%. If Halyk Bank's P/B multiple reverts to the pre-war level of 1.5x, the upside could be more than 100%.



Anything else one should know?

Halyk Bank is 69.6% owned by Almex Holding, which is controlled by Timur Kulibaev and Dinara Kulibaeva, the son-in-law and daughter of former President of Kazakhstan Nursultan Nazarbayev. Last January, there were rumors that they were planning to sell a minority stake in the bank on the market. Although the sale did not happen then, the idea of an equity offering may reappear in the future. Regardless, we believe that any potential change in Halyk Bank's ownership may cause short-term volatility rather than adversely impact its investment case.

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Presentation download:

<https://drive.google.com/drive/folders/1TMPNcPCcCL03KoE329NGhM0aMrtDkXgd>

Hang Lung Group

About the company

Ticker symbol & ISIN: HK:10, HK0010000088

Place of primary listing: Hongkong

Market cap: USD 1.6bn

Free float: 60%

Average daily trading volume: 2.5m shares = USD 3m



What is the investment case about?

Leading developer and owner of luxury shopping malls and offices in Mainland China & legacy assets in Hongkong.



Why is this interesting and weird?

- Idea generation: insider cluster buys by Industry & Company (also Sun Hung Kai Properties (HK:16), Sino Land (HK:83), Hysan Development (HK:14)).
- Contrarian: real estate (interest rates "higher for longer").
- Contrarian: Hongkong ("submerging financial centre").
- Contrarian: China real estate ("bubble").
- Holding discount: 45% discount for single asset holding (subsidiary Hang Lung Properties (HK:101)).



What is the valuation and return profile?

Deep value: P/B 0.15x, earnings yield >20%.



Anything else one should know?

- Index situation: index deletion MSCI Hong Kong (Hang Lung Properties effective 31 May 2024).
- Family leadership (third generation).
- Ronnie Chan interview: www.youtube.com/watch?v=Dwyh87xOOhk
- HKEX insider: https://di.hkex.com.hk/di/NSSrchCorp.aspx?src=MAIN&lang=EN&g_lang=en

About the author

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Presentation download:

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Helios Underwriting

About the company

Ticker symbol & ISIN: HUW, GB00B23XLS45

Place of primary listing: AIM

Market cap: GBP 140m

Free float: 25%

Average daily trading volume: <GBP 100,000 (but massive overhang available right now!)



What is the investment case about?

HUW has built a portfolio of investments in the Lloyd's of London insurance market. Lloyd's of London is world-famous, but it only has a 5% global market share in insurance. The market is not just highly complex, but also very opaque. For over 30 years, its reputation suffered under the catastrophic losses caused by asbestos claims in the 1980s and 1990s. However, during the past decade or so, Lloyd's of London has truly moved on – operationally, financially, and strategically. Helios Underwriting has carved out a niche for generating attractive returns by deploying capital through Lloyd's of London. It's quasi a "Lloyd's investment fund".



Why is this interesting and weird?

Unbeknown even to most people in the finance industry, there are still nearly 2,000 individual "names" – the famous individual backers of Lloyd's who once provided the capital backbone of Lloyd's of London, but then lost their shirts when asbestos claims hit their unlimited liability. Their number is down from 34,000 in the 1980s, and most of these names are in their 70s and 80s, dealing with growing complexity, and not wanting to leave this complex asset to their heirs. The underwriting capacity owned by these names is a property right that can be traded, primarily via auctions. HUW is practically the only professional, at-scale buyer of these assets.



What is the valuation and return profile?

Unlike other publicly listed insurance companies operating within Lloyd's of London, HUW operates on the traditional three-year accounting cycle. The reporting of larger peers provides a high degree of visibility for HUW's future profitability. Thanks to an advantageous confluence of factors, these insurance underwriters are expected to experience a boom period lasting another 3-5 years. Based on its expected 2025 earnings, HUW trades at a P/E of 5 and comes with a 9.9% dividend yield. Lloyd's of London is currently experiencing a renaissance and wants to double in size, which will provide HUW with plenty of growth opportunities.



Anything else one should know?

The stock has been held back by the forced selling of two infamous shareholders. Odey Asset Management was a seller, as was Hudson Structured. There is a tiny sector of specialists scouring the Lloyd's of London insurance market and its fringes for interesting opportunities – the kind of investors who would actually go to the annual capacity auctions and pick up assets that no one else can make any sense of. I bet a cookie that there will soon be a concerted effort to clear away the overhang and establishing HUW as a sought-after niche investment for long-term HNWI's and small family offices. Once the market cap reaches USD 250m, the stock will be re-rated.

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Iridium (the element)

About the company

Ticker symbol & ISIN: n/a

Place of primary listing: n/a

Market cap: n/a

Free float: n/a

Average daily trading volume: n/a



What is the investment case about?

Iridium is an ultra-rare precious metal from the platinum group with only 8-9 tons mined per year. Iridium is the most corrosion-resistant material known and an effective catalyst in green hydrogen production. Favourable supply/demand development possible over the next years. The ratio of economic importance to supply risk looks promising as South Africa has a 90%+ market share of this. And iridium is only a byproduct of platinum miners. High historic price volatility of rare PGM (see rhodium).



Why is this interesting and weird?

Iridium comes from space and is the rarest precious metal. Allocation to most portfolios won't be astronomically.



What is the valuation and return profile?

The listed side: currently PGM miners and recycling/PGM experts valuation below last years. An equal weighted basket of PGM miners and recyclers yields currently around P/E 16 and dividend yield 3.5% with an average discount around 45% below ATH in 2021/2022.



Anything else one should know?

There is no ETF yet (in contrast to the other PGM like palladium; platinum and rhodium or classic precious metals like gold and silver).
The unlisted side: professional industrial metal account.

About the author

Name disclosed to attendees only

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Presentation download:

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ITM Power Plc

About the company

Ticker symbol & ISIN: ITM LN, GB00B0130H42

Place of primary listing: UK

Market cap: GBP 386m

Free float: 78%

Average daily trading volume: GBP 1.2m



What is the investment case about?

Hydrogen has extraordinary properties as you can create it from water and electricity, and once consumed, it turns back into water. It has had a chequered history on stockmarkets, with many false dawns, and is yet to have a serious place in the energy mix, but this will have to change if targets are going to be met. There are plenty of doubters, but Toyota famously embraced the hybrid, ignored the EV, and leapfrogged to hydrogen. Would you bet against Toyota?



Why is this interesting and weird?

ITM Power builds and develops Proton Exchange Membranes (PEM) to create hydrogen from electricity. The International Energy Agency (IEA) stands by their forecast that the world needs much more hydrogen capacity and ITM is ideally placed to deliver it. It is a huge growth market, and unlike most companies in the space, ITM has GBP 230m of cash (EV GBP 140m), when many competitors face a funding crisis. ITM is funded for the next five years, and sales have started to accelerate at a time when there is enormous scepticism from investors.



What is the valuation and return profile?

Sales were GBP 3m in 2020, GBP 12m this year, and GBP 50m next year (forecast). ITM has seen a boom-and-bust cycle twice and in the 2021 green energy bubble, reached an EV of GBP 3bn. This stock knows how to move. Sales have started to take off, and key to this is the new CEO, Dennis Schulz, who came from 16% strategic shareholder Linde (LIN), the industrial gases company. He understands production and procurement, in contrast to his predecessor who ran it like an R&D department. Schulz has delivered on his promises since he arrived a year ago. He has slashed costs, reduced the product range, and has grown sales. He's a winner.



Anything else one should know?

This is a high-risk, high-return situation. Hydrogen has fallen flat in the past, and it may not take off for years, if indeed ever. Yet if you believe that governments remain committed to net zero, hydrogen will have a place and the growth opportunity is substantial.

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[Available upon request](#)

JPMorgan Russian Securities plc

About the company

Ticker symbol & ISIN: JEMA, GB0032164732

Place of primary listing: LSE

Market cap: ca. GBP 40m

Free float: 100%

Average daily trading volume: n/a



What is the investment case about?

JPMorgan Russian Securities plc (LSE: JEMA, ex. JRS), established in 2002, is a UK investment trust (closed-end) that was dedicated to stock investments in Russia. Following the Russian invasion of Ukraine, the company shifted its investment strategy towards Emerging Europe, the Middle East and Africa and was renamed to JPMorgan Emerging EMEA Securities plc in November 2022.



Why is this interesting and weird?

JEMA trades around GBP 1 currently, which is ca. 100% above NAV as published by JEMA on a daily basis. This published '*Fair Value*' NAV discounts the frozen Russian assets (equities and accumulated dividends and tender offer proceeds in a so called 'S' account, inaccessible) by about 99.5% compared to current prices on the Moscow Exchange.

It's sanctions back and forth of course, but if the situation ever gets resolved, JEMA could offer huge upside.



What is the valuation and return profile?

According to my calculations, today's (5 June 2024) published 'FV' NAV of 47.5p decomposes as 3.7p for the Russian equities, 0p for the inaccessible RUB-cash accumulated in the S-account, and 44p for the liquid EMEA equities that correspond to the new mandate. However, using Moscow Exchange (MOEX) prices for the Russian equities gives 545p for the Russian equities, converting the estimated RUB 5.1bn accumulated in the S-account gives an additional 112p, and adding back the EMEA portion of 44p makes for a total of 701p 'Naïve MOEX' value, which is to be discounted at your discretion (on top of a standard ca. 20% closed-end discount).



Anything else one should know?

Biggest risks are fairly obvious:

1. Asset grab by the Russians in response to similar action by the G7.
2. A Cuba scenario: sanctions eternity.
3. Investment manager screwing up, e.g. issuing new shares to pursue the new mandate, or not following up on tenders, corp. actions, ...

About the author

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Presentation download:

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Klaveness Combination Carriers AS

About the company

Ticker symbol & ISIN: KCC.OL, NO0010833262

Place of primary listing: Oslo

Market cap: USD 590m (13 May 2024)

Free float: 21.7m

Average daily trading volume: 153,000



What is the investment case about?

Klaveness Combination Carriers' own unique vessels can carry both dry-bulk and clean petroleum products. This reduces ballast (empty) voyages significantly and leads to higher day rates and lower CO2 emissions. Both shipping segments (dry-bulk and tanker) are very profitable at today's rates and low orderbook-to-fleet ratios in an ageing fleet indicate more highly profitable years ahead. The company is very shareholder-oriented with a high payout ratio and a strong majority shareholder owning >50% of the shares.



Why is this interesting and weird?

Klaveness Combination Carriers is the only company in the world whose vessels can carry both dry-bulk and clean petroleum products. The vessel design and engineering technology (special pipes in the cargo holds etc.) which make this possible are kept a secret and were never successfully copied. At the end of their life span, the vessels will be sold as dry-bulk vessels with all combination carrier engineering removed.



What is the valuation and return profile?

Generous dividend policy: distribute quarterly a minimum 80% of free cash flow after debt service and maintenance cost. New investments will rather be subject to separate equity raises than a "war chest" of cash savings.

TTM dividend: NOK 12.9 -> 12.2% annual yield (13 May 2024).

TTM EV/EBITDA 5.7; forward P/E 5.3 (13 May 2024).



Anything else one should know?

Norwegian Withholding Tax needs to be considered (in many cases 15%).

About the author

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Presentation download:

[Available upon request](#)

Letshego Africa

About the company

Ticker symbol & ISIN: LETSHEGO BG, BW0000000322

Place of primary listing: Botswana

Market cap: BWP 2.4bn/USD 175m

Free float: USD 85m

Average daily trading volume: estimated 600,000 shares (~USD 50,000)



What is the investment case about?

Letshego is the largest pure-play consumer finance company in Southern Africa. It has a robust Deduction at Source lending franchise. It trades at a depressed valuation due to macro headwinds from Ukraine and other mishaps, but we believe this is temporary and will abate. Earnings power is likely to rebound strongly. We then have multiple ways to win including: earnings growth, capital returns (10% buyback approved!), a buyout or some kind of relisting of the business to a more active market.



Why is this interesting and weird?

The African non-bank financial ecosystem is fascinating and we believe that the proliferation of fintech usage will become an exciting global story in time. Letshego is fairly central to that as most traditional banks don't want to lend to consumers and most fintechs don't have the licenses, underwriting acumen or balance sheets.

For most investors, the weirdness of a Botswanan-listed company is probably self-explanatory?



What is the valuation and return profile?

Currently trading at 0.5x BV and <5x Lookthrough EPS. We believe both are demonstrably depressed.

Downside seems boundable given valuation and credit history of DAS book (90% of loans). Best case, operational improvement could lead to resumed earnings growth and valuation expanding. >1x BV in the bull case seems quite plausible – and BV would have presumably expanded in that case. Otherwise, a mid-teens or better yield off of capital return alone is an attractive base case.



Anything else one should know?

Liquidity is badly needed by local owners, blocks are available pretty regularly. This is a sizable regional champion with experienced management from Barclay's and a substantial franchise. Reporting is in English and of good quality.

About the author

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Presentation download:

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MHP SE

About the company

Ticker symbol & ISIN: MHPC, US55302T2042

Place of primary listing: LSE

Market cap: USD 351m

Free float: 96.59%

Average daily trading volume: ~10,000



What is the investment case about?

MHP is a Ukrainian food production operating successfully in a war zone since February 2022. Current P/E of 2.5. Sales are growing, and net debt is reducing. The catalyst is the 2024 US Presidential election, so the war may end within a year.



Why is this interesting and weird?

Cheap. Ukraine has traditionally been the food basket of Europe.

Financial information is sparse. Only a minority of investors will be interested in this special situation.



What is the valuation and return profile?

No current dividend; but 2021 dividend divided by current low price would be 15%. Expect P/E ratio to increase to at least 6 (vs 2.5 now) if war ends.

Two play options if war ends:

- Capital gain of 2-3 times likely.
- Wait and hopefully collect double-digit dividends.



Anything else one should know?

We live in a partially dysfunctional era, which is likely to lead massive transfers of wealth.

Crisis = Opportunity + Danger.

Currently, there really shouldn't be a shortage of ideas. Generally, we prefer double-digit dividend plays. The asymmetry play in this special situation is high.

About the author

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Presentation download:

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Ovid Therapeutics

About the company

Ticker symbol & ISIN: OVID

Place of primary listing: USA

Market cap: USD 220m (with USD 90m cash) – USD 120m EV

Free float: 85%

Average daily trading volume: approximately 188,000 shares (USD 600,000)



What is the investment case about?

Ovid offers a compelling opportunity through its strategic partnership with Takeda Pharma (USD 45bn) for developing soticlestat, a promising treatment for two rare childhood epilepsy conditions. With significant upside potential from substantial royalties (up to 20%) and USD 660m of regulatory and sales milestones, and a strong leadership team with skin in the game, Ovid should do well if Takeda's phase 3 trials succeed without further capital outlay over the next two months. The discounted NPV at 100% success of Ovid's soticlestat royalties and milestones at 15% discount rate could be worth up to USD 1bn, almost 5x current market cap and 10x current EV.



Why is this interesting and weird?

Small cash-burning biotech which has gone nowhere since listing is holding a valuable royalty in a compound which is owned by big pharma (Takeda) and has very high probability of success in two childhood epilepsies. It's hidden in the wash and the delay it has taken for the two Phase 3 trials to finish. The royalty deal ensures this small biotech has no further capital outlay if the two Phase 3 trials succeed by mid 2024.



What is the valuation and return profile?

If the two Phase 3 trials in DS and LGS fail, the downside could be up to 50% as they have cash and some further assets in the pipeline. The probability of this in my opinion is low, though, as soticlestat has been through eight clinical trials as well as two-year OLE (Open Label Extension) data. If Takeda's two Phase 3 trials succeed and are approved, the NPV to Ovid at a 15% discount rate with conservative pricing and penetration estimates to 2038 is worth around USD 1bn. This will play out over the longer term or Ovid can monetize the royalty.



Anything else one should know?

n/a

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Presentation download:

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Pair trade – PDN+BOE, NXE+DNN

About the company

Ticker symbol & ISIN: PDN.AX, BOE.AX, NXE.US and DNN.US

Place of primary listing: ASX/NYSE

Market cap: USD 1-4bn

Free float: >50%

Average daily trading volume: USD m's



What is the investment case about?

This is a pair trade stemming from a geographic mispricing for very similar projects that are highly correlated in nature and long-term performance. All companies presented are in the final stages of developing or restarting a uranium mine and the froth in that space has created an opportunity with some assets being mispriced. The ASX listed entities are trading at 2x NAV whereas the Canadian entities are trading at normal valuations of 0.6-0.7x NAV.



Why is this interesting and weird?

This is interesting as the trade offers a low-risk way of getting above average returns. Estimations of an IRR of 26% across an 18-month hold period suggest this is worth looking at. The four-year trend lines of the disparity in valuations support a very low-risk trade with decent upside. The concept is particularly niche, within a niche sector.



What is the valuation and return profile?

The return upon successful equalisation of valuations of the assets to fair value is 47%, which is expected to occur within an 18-month time frame. This could be improved by the equalisation happening in a shorter time frame. There is further upside in the overvalued companies having higher execution risks which could ultimately mean they are valued lower than the currently undervalued peers. Finally, depending on the broker account held, margin requirements may improve the return further.



Anything else one should know?

We look for low-risk, high-return investments, and are thus proposing this. It is not a field with that many eyeballs on it, which means valuations can easily become out of whack with reality. The nature of this trade, a pair trade with equal size long short positions, means we remove the uncertainty of the price of the underlying commodity.

About the author

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Presentation download:

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Polymetal International PLC

About the company

Ticker symbol & ISIN: POLY (pending change to "CORE"), JE00B6T5S470

Place of primary listing: Astana International Exchange (AIX)

Market cap: USD 1.4bn (USD 3.03/share as of 11 June 2024)

Free float: 356,962,301 shares (out of 473,645,141 outstanding)

Average daily trading volume: 88,583 shares (30-day average as of 11 June 2024)



What is the investment case about?

Polymetal owns two profitable gold mines in Kazakhstan. It trades at an inexpensive price (~3.2x EV/NOPAT) despite an unlevered balance sheet, strong/aligned CEO (Vitaly Nesis) and three decades in remaining reserves. Furthermore, Polymetal has unique expertise when it comes to building and operating pressure oxidation ("POX") facilities used to treat complicated refractory ores. It will construct Kazakhstan's first POX facility ("Ertis POX") by 2028, putting Polymetal in a strong competitive position to develop various refractory deposits across Central Asia which had been previously ignored before POX technology was developed and proven.



Why is this interesting and weird?

Polymetal previously owned an additional eight mines in Russia. When Russia invaded Ukraine in 2022, Polymetal's shares fell ~90%. As a business operating in Russia, domiciled in the Channel Islands (Jersey) and traded on the London Stock Exchange, investors were understandably concerned about the risk of both Western sanctions and Russian countersanctions. Polymetal has successfully side-stepped this risk by redomiciling in a neutral jurisdiction (Kazakhstan) and selling off its Russian assets. It is now listed on an obscure, difficult-to-access exchange (the Astana International Exchange), hence the still attractive valuation.



What is the valuation and return profile?

Using gold's latest price (USD 2,332/oz as of 11 June 2024), the midpoint of Polymetal's guided 2024 production (475,000 oz) and the top of its 2024 AISC guidance (USD 1,350/oz), Polymetal trades at <4x earnings. The game plan moving forward is to complete the Ertis POX facility while identifying a few new assets that push Polymetal over 1m oz in annual gold-equivalent production, then re-list on a major international exchange in the second half of the 2020s (most likely the LSE). I like Polymetal's odds of achieving this given its history of executing profitable projects. If it does, the combination of earnings growth and multiple re-rating will generate a very strong IRR.



Anything else one should know?

Polymetal provides gold exposure at an attractive price. Why do I like gold exposure? US federal debt held by the public now exceeds 100% of GDP (and the CBO *optimistically* has this ratio exceeding 180% by 2053). I expect dollar debasement to be the go-to tool used by the US government to manage its debt load (as well as its trade deficit). Meanwhile, the 20th century shift from multipolar to unipolar geopolitical order took gold as a percentage of global international reserves from 72% (1950) to 14% (2020); this process may very well reverse as we move back to a (more typical) multipolar environment. These are powerful dual tailwinds for gold.

About the author

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Presentation download:

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Rave Restaurant Group

About the company

Ticker symbol & ISIN: RAVE

Place of primary listing: NASDAQ

Market cap: 26.7m

Free float: n/a

Average daily trading volume: ~USD 45,000



What is the investment case about?

RAVE is the franchisor of roughly ~125 Pizza Inn locations in rural communities throughout the Southeastern United States. Pizza Inn primarily caters to working class Americans with an affordable all-you-can-eat pizza buffet. The company has been around since 1958, has a lot of brand value in its local markets, but is largely seen as a dying business that peaked with ~700 locations in the 1980s.

A new CEO, Brandon Solano, came in October 2019. He helped Domino's turnaround in 2008-2014 and will do the same with RAVE.



Why is this interesting and weird?

The chart is ugly, the stock is hated, the business is not glamorous, it is small, it is illiquid, the company's buffets were hit hard in the pandemic, there is management turnover, and to an outsider it looks like a mess.



What is the valuation and return profile?

Downside protection: clean balance sheet and reasonable valuation. USD 27m market cap, USD 6.3m in cash, no debt. USD 2.2m in TTM earnings, earnings growth of ~20% YoY. 16th straight quarter of profitability, ~10x earnings ex-cash.

Upside: same store sales growth of ~13% over the last two years, new franchise concept is getting great reviews, CEO believes store count can ~10x just re-entering old markets that were lost over the last 30 years.



Anything else one should know?

Brandon Solano played a large role turning around Domino's from 2008-2014 as the company's VP of Innovation. He gave a great 2013 talk "Brandon Solano - Peter F. Secchia Breakfast Lecture" about the pizza business available on YouTube [here](#) (500 total views).

Solano is a winner and an investment in Pizza Inn is a bet on him.

About the author

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Presentation download:

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R.E.A. Holdings

About the company

Ticker symbol & ISIN: RE.

Place of primary listing: London

Market cap: USD 46m

Free float: 70%

Average daily trading volume: variable



What is the investment case about?

REA is a London-quoted Indonesian palm producer. Stock was well over 400p pre-Covid. Now 80p. Why? Too much debt. Invested into a nascent quarry and sand business - thereby starving the core business of investment. This led to a "doom loop" - less investment led to less free cash flow at a time when quarry/sand was costing more to develop. Equity crunched. This is about acknowledging the problem as a first step to solving the problem. Deleveraging validating the asset backing allowing the company to break the doom loop - less debt, less interest, more investment leading to more free cash flow.



Why is this interesting and weird?

This is interesting as it has multiple free cash flow drivers a) better yields from better harvesting techniques b) better prices by having more environmentally certified compliant fruit c) first production from stone and hoped-for first free cash flow from sand by end year (what the market perceives as an open ended liability swings to an asset - size of resource and potential free cash flow more than justifies the equity stand alone) d) firmer palm oil prices than forecast. Super geared given bank debt. Preference debt is not callable but offers limited upside (its terms).



What is the valuation and return profile?

The NAV of the business is 250p. The question is time. The longer the family hold the more equity upside there is each year as free cash flow "eats" into the net debt thereby super charging the equity NAV. Realistically the Chairman is 80 and wants this sell. I believe MP Evans or a local player will acquire in the next 12-18 months (upon realisation that stone/sand are assets not liability and that the core estate is as good as peers.



Anything else one should know?

I own in the fund. The risks aside from Indonesian are 1) the completion of the land package disposal. We need the second tranche (completed USD 50m and USD 25m to come) to absolutely ensure retirement off the Sterling Bond next year and to allow investment in the core business 3) no permit to allow sand production - unlikely as sand needed in country (redeploying the capital) and poor/wrong economics at stone. M&G 14% holder - only institution on the register - maybe a seller above 100p - but circumstances changes i.e. why would they sell if the thesis is correct and if they sell do we care as its liquidity?

About the author

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Presentation download:

<https://www.undervalued-shares.com/wp-content/uploads/2024/06/REA.pdf>

Surgutneftegaz

About the company

Ticker symbol & ISIN: SNGSP, RU0009029524

Place of primary listing: Moscow

Market cap: USD 18bn

Free float: 73%

Average daily trading volume: ca. USD 3m (past 90 days)



What is the investment case about?

This is a stuck Russian equity. The preferred shares are still incurring dividends as the company has a dividend policy tied to net income. Therefore, there is additional value compared to some other Russian stocks. The preferred shares averaged about 10% dividend yield before the war (volatile though) and were a relatively favourite target for several investors. The dividend is peculiar given Surgut's large cash pile which drives the net income.



Why is this interesting and weird?

I'd say relatively self-explanatory. There are plenty of investors stuck in their positions and while there is no official way out, perhaps people with expertise and appetite for risk-taking could figure something out.

What makes it more interesting than some other similarly positioned securities is the dividend policy which ensures that there is some value at the end of the day.



What is the valuation and return profile?

This is tough to estimate as it depends on what type of price investors can get from existing holders. However, perhaps there are creative ways to structure a deal without violating international sanctions and maintain enforceability.



Anything else one should know?

While it may seem like a far-fetched scenario, in today's world there is enough liquidity to take up on even such obscure cases such as Surgut. I have seen investors such as Thomas Braziel venture into the world of peculiar claims with tough and complex return profiles only to come out with a profitable investment.

Obviously, this is a game of numbers. You need to look at enough deals, but I would say that Surgut might be worth following. The situation is likely to resolve one day.

About the author

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Presentation download:
[Available upon request](#)

TBC Bank Group PLC

About the company

Ticker symbol & ISIN: TBCG.L, GB00BYT18307

Place of primary listing: London

Market cap: GBP 1.51bn

Free float: ~75%

Average daily trading volume: GBP 3.1m



What is the investment case about?

TBC Bank Group PLC is a very profitable, high-growth banking franchise in Caucasus, offering, at current valuation, a free-option in the shape of a very high-growth and profitable digital retail bank in Uzbekistan. Its dividend capacity, with no withholding tax, offers you a decent and growing dividend yield while you wait for this long-term, value-case story to play out.



Why is this interesting and weird?

Georgia, the Switzerland of Caucasus, is overlooked by most investors, where the banking duopoly is high-tech, and perceived risks are in great dissonance with real risks. Georgia and TBC stand to benefit from the new multipolar world and the new trading routes, and if the country continues on its pragmatic path, it will become an ever more important link between the North and the South, the East and the West. TBC is making great inroads into the underbanked Uzbekistan, offering investors a unique exposure to the fast-growing market of Uzbekistan. Oh, and the valuation is dirt cheap...



What is the valuation and return profile?

TBC Bank trades at 3.0x P/E 2024E on a P/B of 0.7x, underpinned by an ROE of 26 %. It's well capitalized, great asset quality with an impressive C/I ratio, offering a dividend yield of 12 %. Current share price GBp 2,700 as ongoing political turmoil offers a great entry point for the contrarian, long-term value investor, where the fundamental value, in our humble opinion, is north of GBp 6,000.



Anything else one should know?

If you are a contrarian long-term value investor, and believe in a new, fairer multipolar world order, where the Belt-and-Road Initiative and BRICs will play a secularly growing economic role in world affairs, TBC offers a very exciting opportunity to capitalize on this and be part of the new, exciting world!

About the author

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Presentation download:

[Available upon request](#)

Viel & Cie

About the company

Ticker symbol & ISIN: EPA:VIL, FR0000050049

Place of primary listing: Euronext Paris

Market cap: EUR 714.4m

Free float: 13.88%

Average daily trading volume: 8,499 average vol. (3m)



What is the investment case about?

Viel and its main subsidiary **Compagnie Financière Tradition** operate in the weird, discrete and profitable niche of **InterDealer Intermediation**. In addition, Viel holds **other stakes** in a **broker** and a **private bank**. The thesis is to play the **simplification of the corporate structure** on which management is working; value creation through **rerating of multiples** and closure of **discount to NAV**; and in the meantime, enjoy returns through **dividends and buybacks**.



Why is this interesting and weird?

While InterDealer Brokers have the **critical role** of facilitating trading between market makers, dealers, banks and broker-dealers in global financial markets, they are quite **unknown to the wider public**. They perform the sensitive **function of price-discovery** in illiquid markets and cater exclusively to professional institutions.

This is a **niche market** that is **not mediated** and with **three key players** enjoying more than **80% market share**.



What is the valuation and return profile?

Over the long term, Viel's main asset Compagnie Financière Tradition had a total return of **17.4% p.a. with dividends reinvested** since 1 January 1997. Today, Viel is trading with a **41% discount to NAV**, with two of its main assets (listed) growing and enjoying solid balance sheets and profitability.



Anything else one should know?

Viel and its listed subsidiaries all trade with **narrow floats**, the majority stake is held directly and indirectly by the **founder/operator**.

Other professional investment managers hold together a **threshold large enough to prevent a hostile takeover** as per exchange rules of their listing places.

About the author

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Presentation download:
[Available upon request](#)

WM Technology

About the company

Ticker symbol & ISIN: MAPS, US92971A1097

Place of primary listing: United States

Market cap: USD 154m

Free float: 44% (73m shares)

Average daily trading volume: USD 0.6m



What is the investment case about?

I believe the stock is compelling for the following reasons:

- Cannabis is likely to get rescheduled in 2024. This will eliminate Section 280E, a provision that prevents cannabis firms from writing off expenses other than COGS.
- The elimination of Section 280E will have a material impact on the profitability of the cannabis sector. Some of the profits will be reinvested into marketing, where MAPS will be a big beneficiary.
- Valuation is attractive with WM trading at <3.0x EBITDA.
- Chairman and founder filed a 13D, which might lead to a takeover offer.



Why is this interesting and weird?

- **Cannabis is a left-for-dead sector:** the cannabis sector has suffered from excess supply, increased competition, price deflation, and increasing costs.
- **Broken SPAC:** WM came to market via a SPAC in 2021.
- **Complicated structure:** the company used an Up-C structure to go public, which creates messiness.
- **Governance/management issues:** the company had not filed its annual report until 24 May 2024. On Friday, 24 May 2024, it finally filed its Q4 and Q1.



What is the valuation and return profile?

- MAPS is currently trading <3.0x EBITDA.
- Upside scenario: the retail cannabis business will save ~USD 2bn in taxes from the elimination of Section 280E. I assume 10% of this goes into marketing, where MAPS captures 30% of this. At an incremental 50% EBITDA margin, that's an incremental USD 30m in EBITDA. Call it, USD 70m in EBITDA for my upside case. At a 10x multiple, the stock is worth more than USD 4 per share.
- Downside scenario: I assume sales decline by 15%. Put a 0.5x EV/sales multiple. Downside ~30%.



Anything else one should know?

There are many risks to consider, so size this appropriately.

- Timeline: there's a possibility that the rescheduling extends past the election, or onto 2025.
- No reschedule: there's a possibility that this takes too long and the next administration cancels the reschedule.
- Industry risk: there is risk that the fundamentals for legal cannabis deteriorate further (dispensaries stop paying, etc.)

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Presentation download:

www.clarksquarecapital.com/p/a-pick-and-shovel-play-with-a-major

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