

“Values” Investing

Agenda

- 1. Values**
- 2. Principles / Discipline**
- 3. Lorne's biases**
- 4. Time horizon**
- 5. Valuation**
- 6. Risk / Portfolio Management**

Values

“Patience, discipline, humility, and a long-term perspective...” GA

“You’re not as smart as you think you are...” AA

“Know what you don’t know”

“Why do I own this stock?”

“Am I crazy or is everyone else crazy?”

Lorne's biases

“When in doubt, go watch a movie”

“Start with a blank sheet of paper”

Time Horizon

“I always invest with a 100 – year time horizon and sometimes things work out early...”

Valuation

No formula

- **Quality:** Balance Sheet, free cash flow.
- **Capital allocation:** rational approach.
- **Management:** track record is the best indicator.
- **"No head scratchers":** add or sell.

Valuation: Management

Focus on track record because...

“CEO presentations look better than my first CV...”

Valuation: Balance sheet

“Don’t believe everything they tell you...”

Dylex and JC Penney

Valuation: Growth

“Ben, you’re not in Kansas anymore...”

- **Estimating the value of growth?**
- **Capital allocation**
- **Profit margin and ROIC**

Risk / Portfolio Management

“ The managers who survive will be those who run concentrated portfolios...” - Bill Miller

Because we are not smart, we own a diversified portfolio of 40 – 50 financially strong businesses...

Lorne Steinberg Wealth Management Inc.

Allstate (ALL: NYSE)

- Mgmt has favoured profits vs growth. PIF ↓ 2023.
- Share buybacks: 2003: 704mm / 2013: 449mm / 2023: 263mm
- Didn't have to raise capital in 2008/2009.
- Great business model: reprice every year.
- Rising interest rates – positive.
- P/E: 11
- If the share price doesn't ↑, I will own the company.

Lorne Steinberg Wealth Management Inc.

Rentokil (RTO: LSE) Price: GBP 5.20 Jan. 17, 2023

- **Leader in pest control business.**
- **Strong track record of steady margins.**
- **M&A: astute acquirer of mom and pops.**
- **Outstanding track record.**
- **FCF growth.**
- **Major acquisition of Terminix – large share issue.**
- **Wall Street models: accept mgmt growth, margin and EPS estimates!**
- **Carmin Abbandonato: “Don’t tell me what this property might be worth in 5 years, tell me what the cash flow is today...”**