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Best Ideas 2020

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Curtis Jensen

Robotti & Company Advisors, LLC



Professional Background

2016 - Present

Robotti & Company Advisors, LLC

- ▶ Inception September, 2016

1995 - 2014

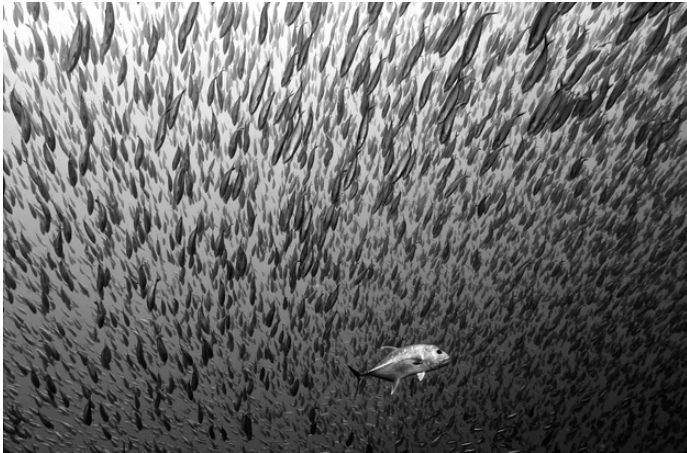
Third Avenue Management LLC

- ▶ Partner, CIO, PM, Senior Analyst
- ▶ Senior PM Small Cap Value Strategy

1984 - 1993

Banker & Business Owner

Characteristics of an “Edge” – Uncomfortably Idiosyncratic



National Geographic

Time Horizon:

Quality of Capital Base & Partners

Capacity to “Suffer”:

Experience, Temperament

Structural:

Focused, Flexible Mandate

Informational:

Small & Mid Cap Companies

How Do You Lose Money Investing?

- ✗ Buy a Buggy Whip Business (competition, substitution, obsolescence)
- ✗ Too much leverage (inappropriate capital structure)
- ✗ Overpay (exposes downside with stagnant or declining business value)
- ✗ Position size (overconfidence, poor process)

How Do I Find Ideas?

Industry Structural Change

- ▶ Capital Flight / Industry
- ▶ Capacity Rationalization
- ▶ Regulatory Development

Corporate Action

- ▶ Management Change
- ▶ Asset Sales / Divestitures

Industry Food Chain Analysis

- ▶ Identify Profit Pools

Peer Network

- ▶ Executives, Bankers, Consultants

Internal Library

- ▶ Diligenced Names

Small Cap Canada:

“There is no bid.”

Index Performance - Annualized Return %

	1 Year	3 Year	5 Year	10 Year
MCSI Canada	13.87	6.72	2.04	3.65
MCSI World	14.53	12.35	7.75	9.34

Source: MSCI November 29, 2019

Perfect Storm – Shoot First, Ask Questions Later



Bloomberg

09/19/2019 13:02:11 [BN] Bloomberg News

Trump Trade-War Boomerang Hits Steelmakers as Prices, Profit Sag

- Trade frictions, manufacturing slump hurting metal customers
- U.S. Steel joins Nucor, Steel Dynamics in reducing outlook



‘We will not back down’: Canada puts tariffs on US\$12.6 billion of US goods, gives state support to local companies

Canada will apply a 25 per cent tariff on steel products, and 10 per cent on aluminium and consumer goods



Stelco Holdings Inc.



Ticker: TSX: STLC

Price (12/11/19): C\$11.25

Market Cap: C\$980MM

Origination: CEO Conference presentation

Business Description: Integrated steel production

Estimate of Fair Value: C\$18 – C\$22 per share

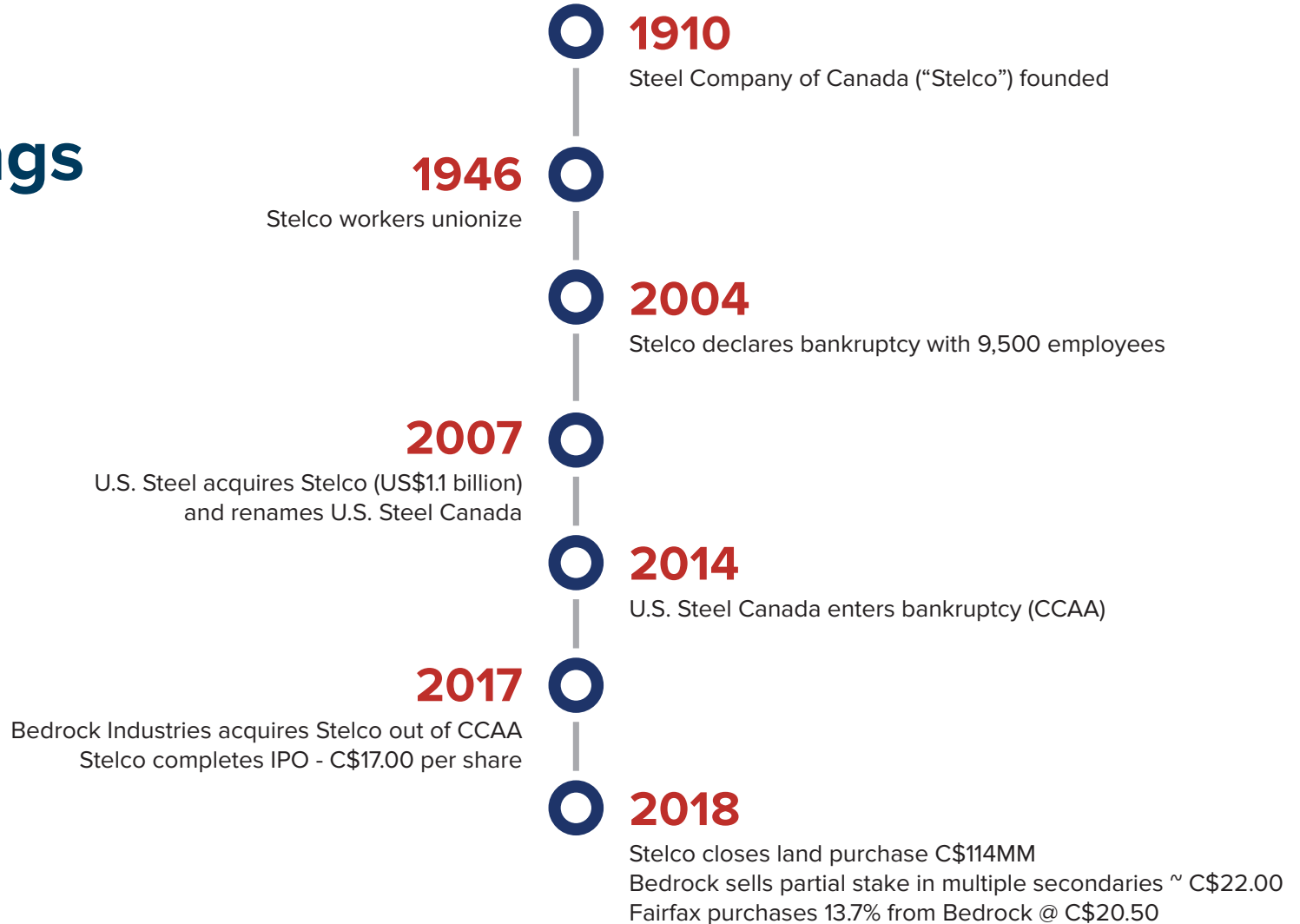
Key Shareholders: Bedrock Industries (46%)
Fairfax Financial (15%)

Thesis: Owner-operated steel manufacturer. Efficient, low-cost operations, limited legacy liabilities, latent value in non-income producing real estate, NOLs, internal investment; special dividends



Stelco Holdings Inc.

Stelco Timeline



CLARKE

Clarke Inc.



Ticker: TSX: CKI

Price (12/11/19): C\$12.25

Market Cap: C\$205MM

Origination: Conference presentation

Business Description: Investment company focused on small public and private assets

Estimate of Fair Value: C\$17 – C\$20 per share





Key Shareholders: Armoyan Family (43%)
Directors/Officers: (9%)

Thesis: Active, long-term owner operator focused on compounding NAV. Expanded liquidity following acquisition. Seeks out of favor, distressed assets. Repurchased 40% of shares and paid \$6 (cumulatively) of dividends since 2002.

CLARKE

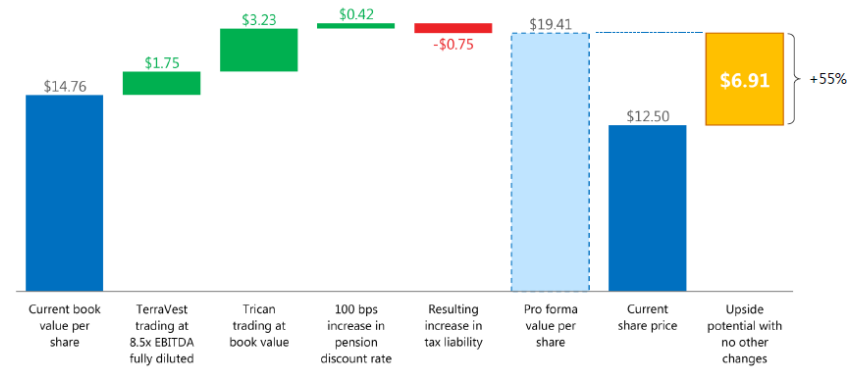
Clarke Inc.

Sum of the parts: management's view

	Investment	Method	Total Value	Per Clarke Share
Publicly Traded				
	TerraVest Industries	Market Value	\$70mn	\$4.24
	Trican Well Service	Market Value	\$31mn	\$1.87
Privately Owned				
	Holloway Hotels	Book Value	\$175mn	\$10.54
	Holloway Management Services	Book Value	nil	nil
	Ferry Operations	Book Value	\$1.2mn	\$0.07
Real Estate				
	Houston Developments	Cost	\$18mn	\$1.05
Parent Company				
	Clarke Inc. - Cash and Pension Surplus - Debt and Deferred Taxes	Book Value	\$30mn (\$80mn)	\$1.81 (\$4.82)
Total			\$245mn	\$14.76

Significant Potential Upside

- Potential upside of **\$6.91 per Share**
- Potential return on investment of **55%**
- For illustrative purpose only:



Thank You!

and

Q&A

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