

**MOI
GLOBAL**

Capital Allocation, Investor Relations, & Corporate Governance



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Special note

This is really, really not investment advice. The companies mentioned below are only examples used to demonstrate certain ideas and practices.



Agenda

- **Recap of 2019 presentation (see Appendix)**
- **Feedback**
- **Experiences and lessons learned from 2019**
- **How to persuade**

Three things all companies need

- **Effective capital allocation**
- **“Good” shareholders**
- **Meaningful communication with stakeholders**

Maybe these three things are related...

...and as companies, or even capitalism, come under fire, they are absolutely critical



Why companies should care

- **Capital allocation will determine the fate of most executives and companies whether they like it or not**
 - **Vast fortunes will be won or lost and careers will be made or ruined on the back of capital allocation**
 - **Understanding and exploiting capital allocation makes good CEOs great**
- **Very, very few CEOs and directors get their positions due to capital allocation expertise; few even have any experience**
- **Changes for the worse come gradually and are easy to miss**
- **Over time companies get the shareholders they deserve**

Why companies should care, well said

“We could not do what we do at Markel without the right sort of owners of our business. To have a long-term way of thinking, to have a long-term way of running the business, and not be caught up in the short-term way of doing things requires an ownership group that’s all on the same page in thinking about the long-term health of the business. This [meeting] and your interest, your support, your ownership of Markel has been critical for us to be able to do what we have done, and it will be critical going forward.” -- Tom Gayner, Co-CEO of Markel, May 2019

Rule #1 is...

...do not destroy value

- **Many – maybe most – acquisitions and share repurchases do destroy value**
- **All dividends entail explicit tradeoffs: perceived permanence, double taxation, etc.**

Tenets:

- **Capital allocation is a process and there is no finish line**
- **Conditions change, and uses of cash should change too**
- **A thoughtful framework is required, but there are no hard-and-fast rules – one size does not fit all**



A decision tree for capital allocation

Every company is different, but they all need a process in place

1. **Is the balance sheet healthy and resilient? If not, fix it.**
2. **Is there an opportunity to strengthen our operations and position, and earn a reasonable return, by investing in our existing business? If yes, do it.**
3. **Is there excess cash? If so, don't "return" it – use a consistent, opportunity-cost driven approach to evaluate:**
 - **Share repurchases (if the price is below a reasonable range estimate of intrinsic value)**
 - **M&A (if the deal actually makes sense from multiple angles – easier said than done)**
 - **Dividends (if there really is nothing better to do and hoarding/wasting cash is the next most likely outcome)**

Common traits

Companies adept at capital allocation often have similarities

- Investing mindset permeates the company, especially at the top
- CEO and board embrace role as capital allocators
- Attention on cash flow and per-share metrics
- Long-term view; willing to absorb short-term pain
- Autonomy and decentralized decision-making
- Practice of hiring for attitude and fit, not skills
- Focus on culture, not strategy
- Willing to learn, adapt, be different, and look temporarily dumb
- Frugality
- Humility
- Ownership stake on equal terms – a true partnership

What *not* to do

- Deny there is a problem, or just ignore it
- Pay a dividend or repurchase shares to “return cash to shareholders” or “reward shareholders”
- Use share repurchases to offset dilution
- Set a dividend based on a targeted yield (% of market price)
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- Spend lots of time/attention on the sell-side community
- Neglect shareholder communication
- Neglect the annual meeting
- Issue financial guidance
- Rely on the issuance of stock options for “alignment”
- Anything just because the peer group is doing it
- “Return” capital to owners – every decision is an investment

Best practices in corporate governance

- **Executive team**

- **Dedicated, interdisciplinary capital allocation team**
- **Pre- and post-mortem of all capital allocation decisions**

- **Board of directors**

- **Capital allocation committee**
- **Capability**
- **Diversity**
- **Evaluate CEO and capital allocation without CEO's presence**
- **Pre- and post-mortem of all capital allocation decisions**
- **Direct interaction with all stakeholders**

Best practices in investor relations

- **If a dedicated IR function is necessary, make it a rotational and/or cross-functional role**
 - IR does not exist to please Wall Street, court favor with sell-side analysts, or get the stock price as high as possible
- **Communicate as needed, not just because of the calendar**
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 - For calls, do not read the press release
- **Focus investor attention on the things that actually matter**
 - Create, report, and explain the right KPIs

Creating an “Owner’s Manual”

- **A simple, concrete step every company can take**
- **An owner’s manual explains what a company and its shareholders should expect from each other**
 - **Lay out a plan so stakeholders can hold the company responsible for the right metrics/milestones**
 - **Create transparency, accountability, and trust**
 - **Examples**
 - **Google/Alphabet, Zayo, Morningstar, and of course, Berkshire**
 - **Hopefully at least two others in 2020...stay tuned**

A new (and running) list of exemplars

- **No company is perfect (with one possible exception*)**
- **Maintaining a list of companies who “get it” can yield fruitful investment ideas**
 - **These are just a few companies that I happen to be somewhat familiar with. I have no doubt missed many examples, so please send me your suggestions!**
 - **[A longer list is in the Appendix]**

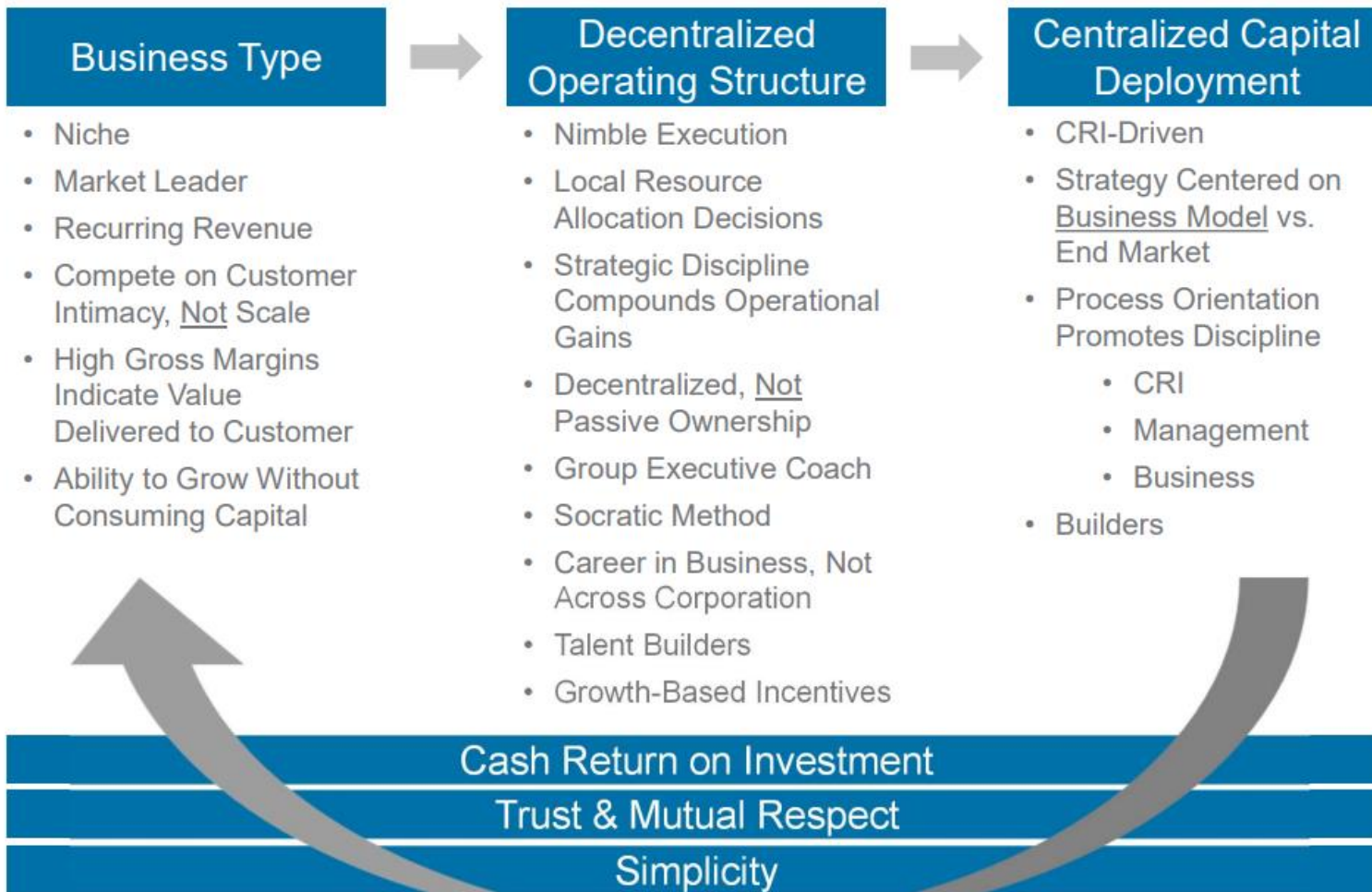
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ROP

- **Clearly stated strategy & consistent execution, backed by strong culture**
- **Excellent CEO letter to shareholders**
- **Emphasis on operating cash flow, free cash flow, and “cash return on investment”**
- **Directors all sign the proxy statement**
- **Declassified board: 1-year terms**
- **Dozens of acquisitions of highly-profitable, niche-leading businesses made with FCF and sustainable levels of debt**
- **Decentralized operations, centralized capital deployment**
- **“The combination of outstanding business performance and disciplined capital deployment results in a ‘compounding effect’ on cash flow that is the core driver of value creation for our shareholders.”**
- **“Our governance model is built on a foundation of trust and mutual respect”**

ROP

CONSISTENT ROPER STRATEGY



ROP

Key Metric: Cash Return on Investment

Cash return on investment ("CRI") is the key operating metric Roper uses to measure the performance and value of its operating businesses and potential acquisitions. Our business leaders and Board of Directors focus on cash flow growth and disciplined investments.

- CRI is highly correlated to shareholder value creation and we believe our strategy of improving CRI has been a key driver of our long-term performance.
- Our CRI discipline, as applied throughout the organization, allows Roper to focus our investment on areas that will increase shareholder value, drive cash flow growth, and minimize physical assets.
- Through a combination of internal improvements and disciplined capital deployment, Roper has increased CRI dramatically over the past 16 years, a key driver of our strong shareholder returns over the period.

$$\frac{\text{Cash Earnings}}{\text{Gross Investment}} = \text{Cash Return on Investment}$$

Net Income + D&A – Maintenance Cap-Ex

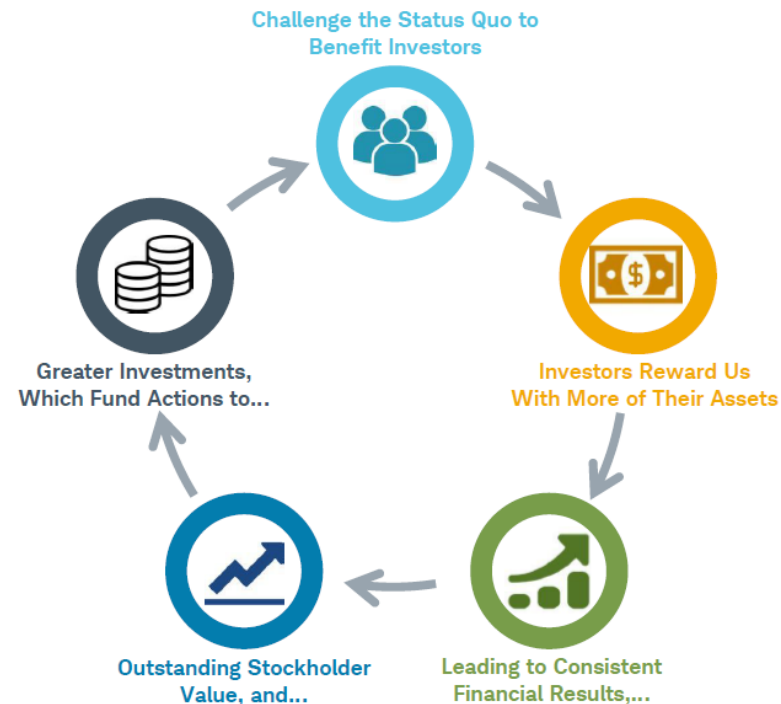
Net Working Capital + Net PP&E + Accumulated Depreciation

Our long history of superior shareholder returns is the result of Roper's simple yet powerful strategy:

- **Cash Generation Through Operating Excellence:** Our business is comprised of niche, asset-light businesses with leading solutions and technologies that create significant free cash flow, enabling future investments for sustainable growth. Operating excellence, underpinned by our strategic focus on intellectual capital, product development, channel expansion and a high degree of customer intimacy, drives cash generation, with record performance in 2018 for operating cash flow and free cash flow.
- **Disciplined Capital Deployment:** We have a unique and disciplined capital deployment model that has guided the successful investment of billions of dollars in new businesses. Unlike many companies that use cash to pay large dividends and buy back shares, Roper uses most of its available cash to buy new businesses to fuel compounding growth and value creation for shareholders, as we did in 2018 with our deployment of \$1.3 billion to acquire exceptional software businesses.

SCHW

- Intelligent, consistent strategy; good execution; strong culture
- Iconic founder serves as Chairman, lead shareholder
- Excellent CEO and CFO letters to shareholders
- **Written commentary as needed from the CFO:** “Periodically, Peter Crawford, our Chief Financial Officer, will use this forum to provide insight and commentary regarding Schwab's financial picture.”



FCPT

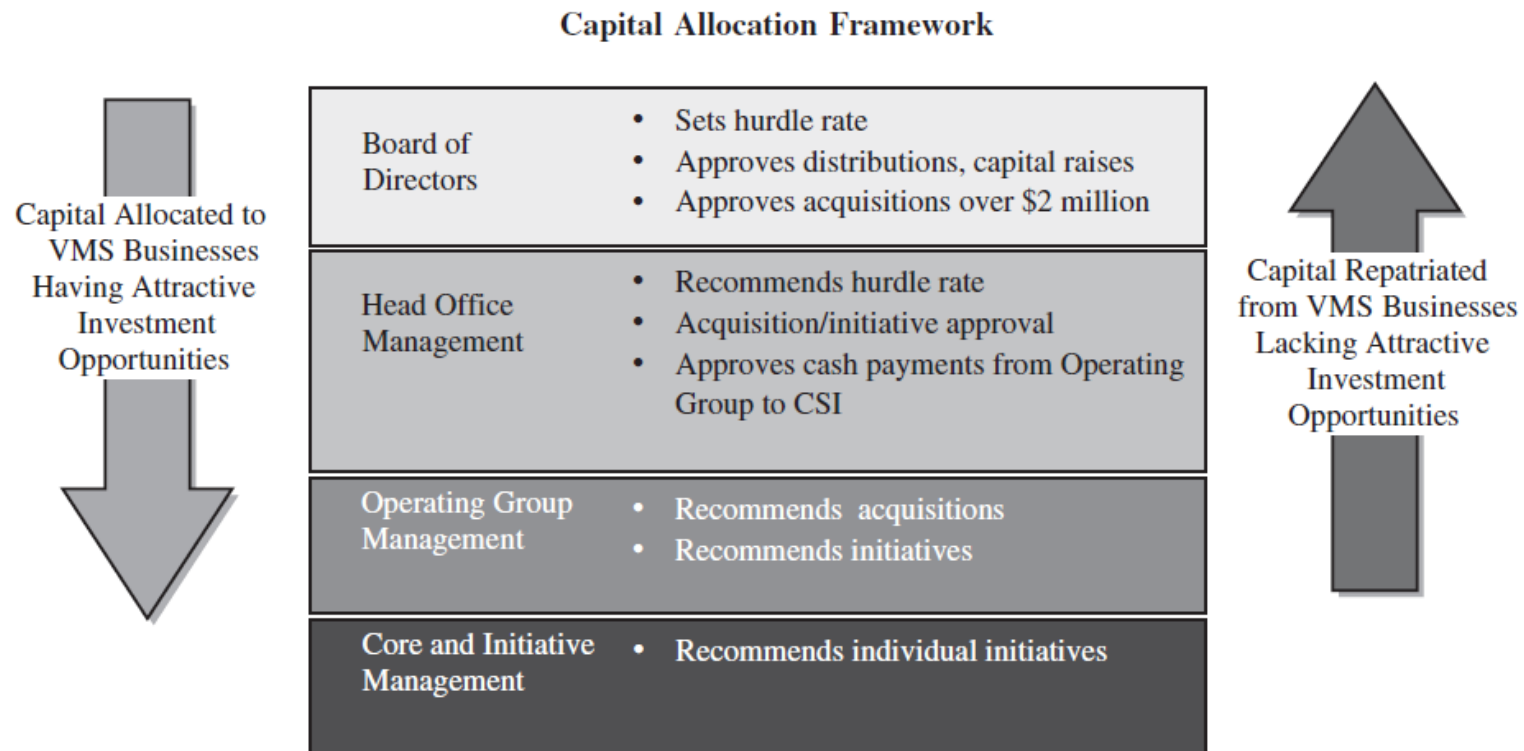
- **Business nirvana: CEOs with operating and capital allocation chops**
 - CEO Bill Lenehan has a multi-disciplinary background:
 - investor (10 years in the real estate group of Farallon)
 - a board member (previously of Darden Restaurants, EVOQ Properties, Grammercy Property Trust, and currently of Macy's)
 - a business leader (previously as CEO of Granite REIT)
- **Commitment to transparent disclosure, best-in-class corporate governance**
 - “We do not currently provide any acquisition or earnings guidance and instead focus on creating long-term stockholder value”
 - Declassified board
 - Investment Committee at the board level
- **Willingness to learn, change, adapt, and improve**

ZAYO

- Exemplary “owner’s manual” written by Chairman & CEO Dan Caruso: “The Owner’s Related Business Principles that Guide Decision Making of Zayo Management”
- Emphasis on partnership, transparency
- Deliberate communications/IR effort
- Written definition of “intrinsic value” and attending focus on measuring, communication, and enhancing it
- Clear, simple, episodic letters from the CEO

Constellation Software (CSU-CA)

- “Management teams within each of our operating groups and VMS businesses recommend how best to deploy capital. The following chart shows (i) the decision-making responsibilities and hierarchy that we use in deploying capital for tuck-in acquisitions and organic initiatives that have the prospect of generating high returns on incremental capital, and (ii) the repatriation of capital from those VMS businesses that do not have the prospect of generating high returns on capital:



Texas Instruments (TXN)

Performance measurement

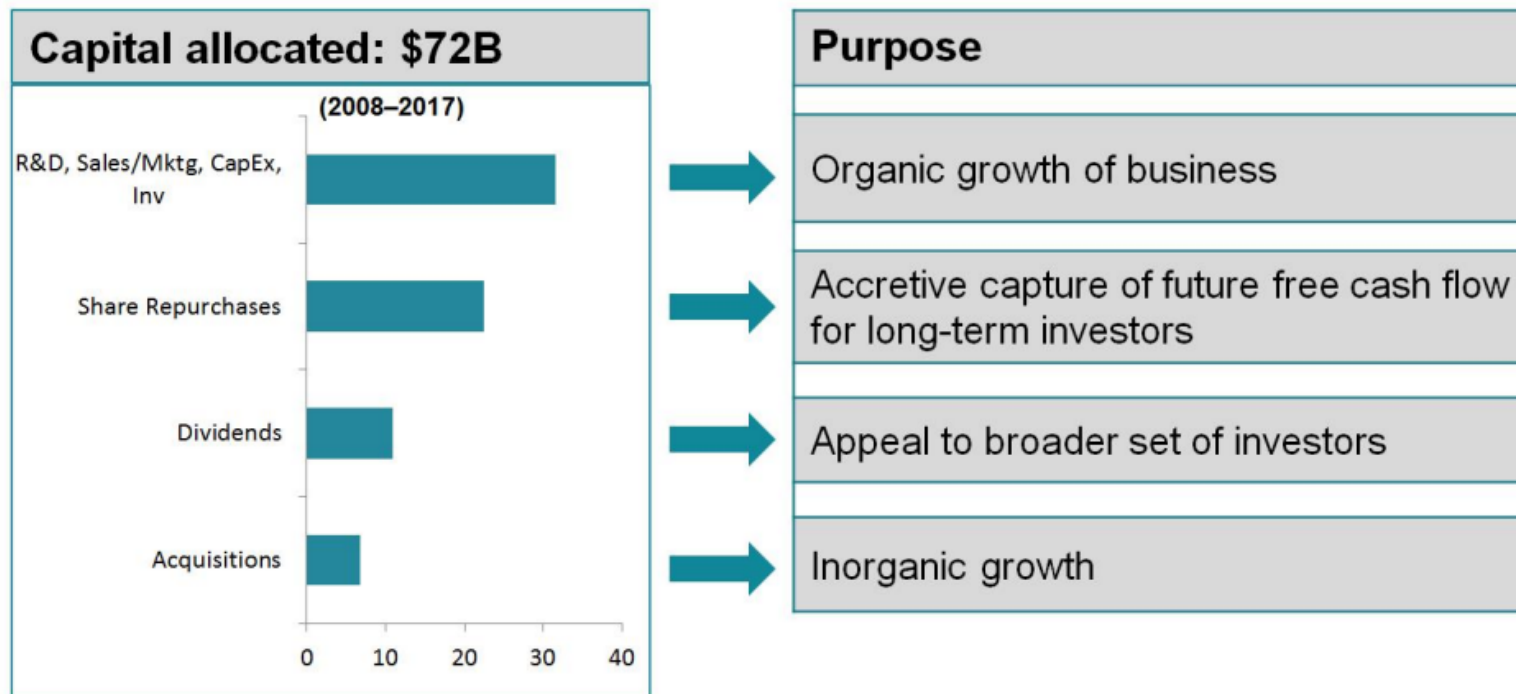
Capital management **2017 scorecard**

Metric	Target	Result	
Free cash flow generation	20 – 30% of revenue (TTM)	31.2%	✓
Inventory	105 – 135 days	134	✓
Cash owned by U.S. entities	~80%	78%	✓
Cash plus short-term investments	10% revenue (TTM) + dividends (NTM) + debt (NTM)	101%	✓
Pensions	Fully fund on tax-efficient basis	Fully funded	✓
Debt	When economics make sense	\$4.1B @ average 2.05%	✓
Capital expenditures	~4% of revenue	4.6%	✓
Cash return	FCF + proceeds from exercises – net debt retirement (TTM)	90%	✓
Dividends	50 – 80% trailing 4 years average FCF	57%	✓
Repurchases	Cash return target – dividends (TTM)	84%	✓

Texas Instruments (TXN)

“Ten-year view of our capital allocation”

Where and why we’ve allocated our capital



Phillips 66 (PSX)

PSP ROCE

We believe PSP ROCE is an important metric for evaluating the quality of capital allocation decisions, measuring portfolio value, and measuring the efficiency and profitability of capital investments. Management uses this measure as a factor in its assessment of performance for the purposes of compensation decisions. PSP ROCE is a ratio, the numerator of which is adjusted earnings plus after-tax interest expense, and the denominator of which is average adjusted total equity plus total debt.

Our calculation of PSP ROCE, and its reconciliation to ROCE prepared using GAAP amounts, is set forth below.

MILLIONS OF DOLLARS (EXCEPT AS INDICATED)				
	PSP AVERAGE 2015-2017	2017	2016	2015
PSP ROCE				
Numerator				
Net income	\$	5,248	1,644	4,280
After-tax interest expense		285	220	201
GAAP ROCE earnings		5,533	1,864	4,481
Adjustments ⁽¹⁾		(2,837)	(57)	(34)
PSP ROCE Earnings		2,696	1,807	4,447
Denominator				
GAAP average capital employed ⁽²⁾		35,700	33,344	31,749
In-process capital		(2,233)	(3,097)	(3,016)
Cash adjustment		(60)	(37)	(1,141)
PSP Average Capital Employed	\$	33,407	30,210	27,592
PSP ROCE (percent)	10.1%	8.1%	6.0%	16.1%
GAAP ROCE (percent)	11.7%	15.5%	5.6%	14.1%

(1) Primarily related to gains on asset dispositions, impairments, certain tax impacts and pending claims and settlements.

(2) Total equity plus total debt.

PSP = Performance Share Program

Source: https://www.sec.gov/Archives/edgar/data/1534701/000114420418014335/tv487943_phillips66-2018pxy.htm

A new ETF?

The Capital Allocation All-Stars

2019 TSR

▪ Amazon (AMZN)	+23%
▪ Berkshire Hathaway (BRK/A)	+11%
▪ Credit Acceptance (CACC)	+16%
▪ Cimpres (CMPR)	+22%
▪ Constellation Software (CSU-CA)	+48%
▪ Henry Schein (HSIC)	+8%
▪ Markel (MKL)	+10%
▪ Morningstar (MORN)	+39%
▪ Netflix (NFLX)	+21%
▪ Phillips 66 (PSX)	+34%
▪ Sherwin-Williams (SHW)	+50%
▪ Texas Instruments (TXN)	+40%
▪ WABCO (WBC)	+26%
Equally-weighted basket	+27%
<i>S&P 500</i>	<i>+31%</i>

This is for illustrative purposes only – and just 13 companies for measured for just a year might not illustrate anything at all.

Historical case studies

Just don't overdose on *The Outsiders*! (A great idea can be taken too far...)

- | | |
|--------------------------|--|
| ▪ Bill Franke | <i>various airlines</i> |
| ▪ Tom Murphy | Capital Cities |
| ▪ Henry Singleton | Teledyne |
| ▪ Bill Anders | General Dynamics |
| ▪ Phebe Novakovic | General Dynamics |
| ▪ Dick Smith | General Cinema |
| ▪ Randal Kirk | <i>various medical/healthcare companies</i> |
| ▪ Ed Breen | <i>various companies</i> |
| ▪ Scott Thompson | Group 1 Auto., Dollar Thrifty, Tempur Sealy (?) |
| ▪ Sam Zell | <i>various real estate companies/assets</i> |
| ▪ Buffett/Munger | Blue Chip Stamps |

Influence

Most boards and execs do not want to change

- **Speak to interest, not reason**
 - Good/great CEOs can be fired without support from the right shareholders
 - Good CEOs can become great with the right capital allocation
 - The right shareholders act as a buffer against short-termism, hostile takeovers, ill-conceived activist campaigns, etc.
 - Passive holders will continue to grow, furthering governance questions
- **Everything is a people business**
- **Inertia is a very powerful force**
- **Career risk, career risk, career risk**

ESG

The definitions are fuzzy, but the concept is real

- **Vague or contradictory ESG standards are no excuse**
- **Every company needs a dedicated ESG strategy and message**
- **Ignoring the topic is guaranteed to fail**

Women on boards

Major changes are underway and likely to continue for years

- **Women held ~20% of board seats at R3000 companies in 2Q 2019, up from 17% in 2018 and 15% in 2016**
- **In July 2019 Copart became the last company in the S&P 500 to add a woman to its board**
- **<2% of S&P 500 companies have boards with $\geq 50\%$ women; 77% have boards that are more than two-thirds male**
- **Just less than half of new directors appointed to R3000 boards in 1H 2019 were women; ~half of them were first-time directors**

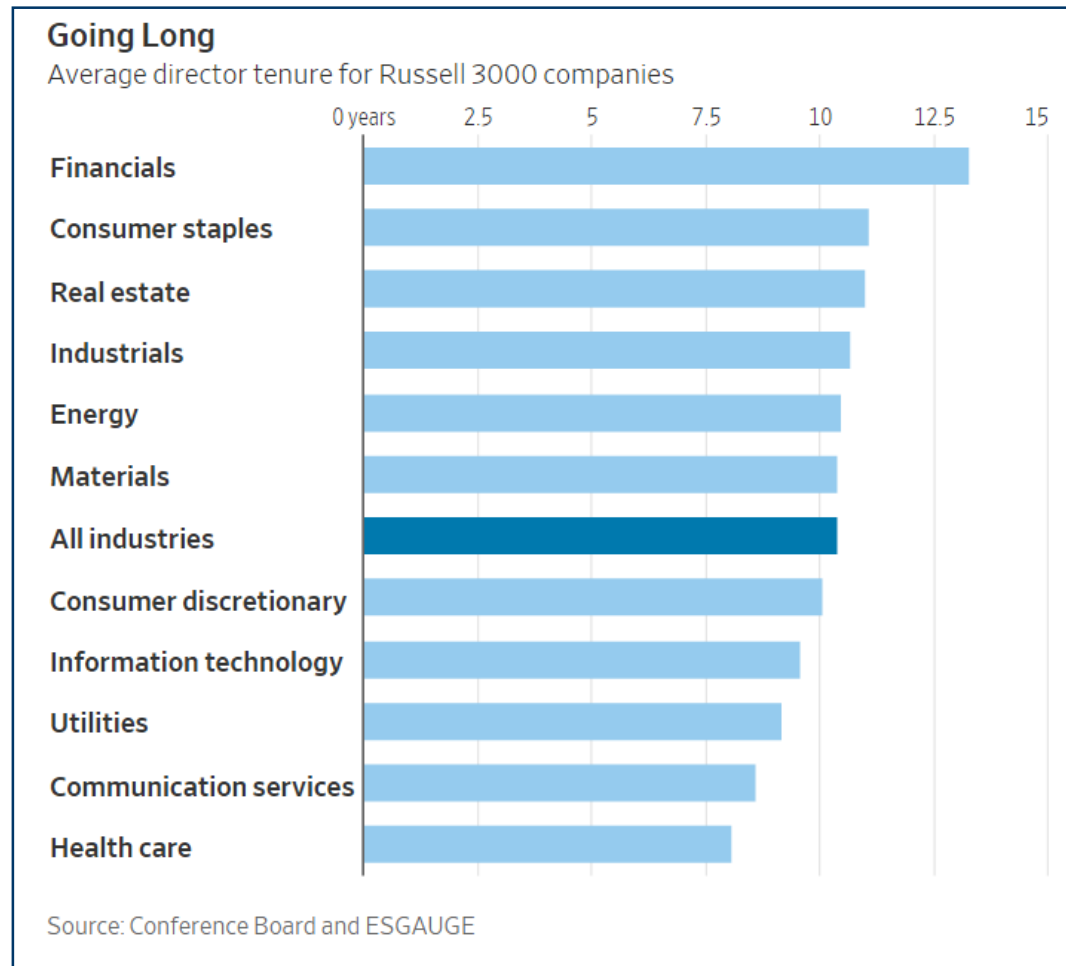
Regulation

- **California law now requires all public companies in the state to have at least one woman on the board, rising to two by the end of 2021 (three for boards of ≥ 6)**
 - **Of 600 companies in California, ~one-third had no women on the board when the law was passed in 2018**
 - **Failure to comply = one-time fine of \$100,000, rising to \$300,00 in 2021; avg. California-company director pay: \$181,000**
- **Public companies based in Illinois are now required to report board diversity by gender and ethnicity (reported by just 3% of S&P 500 companies in 2019)**
- **Beyond regulatory considerations, Board roles are slowly being redefined as functional rather than relational/experiential**

Other considerations

Among Russell 3000 companies the average director's tenure is more than a decade, with ~25% staying more than 15 years

- **<10% of R3000 directors are under age 50**
 - **>20% are over age 70**
 - **So ~70% of directors come from a single generation, aged 50-70**
- **Half of R3000 boards made zero director changes in 2018**



In an ideal world...

Cognitive diversity + ownership = success

- **Diversity (as typically defined) on many boards is often subpar, hindering progress**
- **Mandating diversity might be a net positive, but it also has unintended consequences and ignores key attributes**
- **Cognitive diversity – a natural outgrowth of other types of diversity – is the ideal for making optimal decisions**
- **Directors should think and act as owners**
 - **Mandating ownership gets tricky**
 - **D&O, compensation considerations**
- **An ownership mentality and a capital allocation function are lacking on most boards**
- **Change is never easy, but how can investors and companies work together to get closer to the ideal?**

Recommended resources (new)

- **“The Character of the Corporation: Stop Fighting ESG” by Marran Ogilvie and Evan Dunn**
- **Behind Boardroom Doors: Lessons of a Corporate Director by Betsy Atkins**
- **Be Board Ready: The Secrets to Landing a Board Seat and Being a Great Director by Betsy Atkins**
- **The Director’s Manual: A Framework for Board Governance by Peter C. Browning and William L. Sparks**
- **Boards That Deliver: Advancing Corporate Governance From Compliance to Competitive Advantage by Ram Charan**
- **The Perfect Corporate Board: A Handbook for Mastering the Unique Challenges of Small-Cap Companies by Adam Epstein**
- **National Association of Corporate Directors (www.nacdonline.org)**
- ***Directors & Boards* (www.directorsandboards.com)**

Appendix



January 2019 Presentation

**Capital allocation, investor
relations, and corporate
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Special note

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Three things all companies need

- **Effective capital allocation**
- **“Good” shareholders**
- **Meaningful communication with stakeholders**

Maybe these three things are related...

Three things all companies need

- Effective capital allocation
- “Good” shareholders
- Meaningful communication with stakeholders

There are at least a few dozen examples of companies who "do it right" when allocating capital and interacting with their investors.

Studying the companies who get it right should yield a fruitful list of potential investment ideas.

Companies are much stronger when they have the right shareholders



Why investors should care

- **Capital allocation – better yet, “how we use our cash” – is at the top of all lists of managerial responsibility**
- **The CEO/board will deploy the majority of the capital employed in a business after 5-10 years, on average**
- **No matter how cheap the security, a bad capital allocation regime will ruin any business/investment**

“How we use our cash” is a fundamental question that doesn’t differ much for an investment manager or a CEO.

Everything involves tradeoffs, and having a clear framework – based on opportunity cost – to evaluate those tradeoffs is essential.

Why companies should care

- **Capital allocation will determine the fate of most executives and companies whether they like it or not**
 - **Vast fortunes will be won or lost and careers will be made or ruined on the back of capital allocation**
 - **Understanding and exploiting capital allocation makes good CEOs great**
- **Very, very few CEOs and directors get their positions due to capital allocation expertise; few even have any experience**
- **Changes for the worse come gradually and are easy to miss**
- **Over time companies get the shareholders they deserve**

Why companies should care

- **The index funds are coming**
 - Vanguard, Blackrock, etc. are usually a company's biggest shareholder
 - Index funds have many benefits, but corporate governance is not one of them – don't lose your company to ISS/Glass-Lewis
- **The activists are coming**
 - By the time an activist arrives – especially via proxy fights – it's almost always too late
- **Long-term institutional and retail shareholders are not coming**
 - The average holding period is ≤ 1 year
 - “Career risk” is paramount
 - Meaningful shareholders who take an engaged, patient, long-term, non-activist approach are a vanishing breed

Rule #1 is...

- **Capital allocation is a process and there is no finish line**
- **Conditions change, and uses of cash should change too**
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Best practices in corporate governance

- **Executive team**

- **Dedicated, interdisciplinary capital allocation team**
- **Pre- and post-mortem of all capital allocation decisions**

- **Board of directors**

- **Capital allocation committee (e.g., JAKK, PLYA, CRL, REG)**
- **Capability**
- **Diversity**
- **Evaluate CEO and capital allocation without CEO's presence**
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Best practices in investor relations

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Exemplars

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Constellation Software (CSU-CA)

- **One of the great investment home-runs of the recent past**
 - **Compounded annual shareholder returns:**
 - **+24% last two years**
 - **+34% last three years**
 - **+44% last 10 years**
 - **+38% since 2006 IPO (+5,779% total return)**
- **Is it any coincidence that capital allocation is at the very core of this company?**

Constellation Software (CSU-CA)

- **Excellent, thoughtful shareholder letters**
- **Written responses to investor questions**
- **Explicit focus on capital allocation: “At the heart of our business model is the effective allocation of our capital.” (2006 IPO)**
- **Clear, consistent capital allocation framework (see below)**
 - **Custom, common-sense metrics and regular reporting**
 - **Project-specific evaluation of IRR against hurdle rate**
- **Published case studies**
- **Exceptional, unique (?) director search criteria (see below)**
- **Intentional development of capital allocators within the company**

Constellation Software (CSU-CA)

We acquire, manage and build VMS businesses. Generally, these businesses provide mission critical software solutions that address the specific needs of our customers in particular vertical markets. Our focus on acquiring businesses with growth potential, managing them well and then building them has allowed us to generate significant cash flow and revenue growth during the past five years.

Using a combination of proprietary software and market expertise, we provide software solutions designed to meet certain mission critical requirements of our customers. We believe that our proven software solutions enable our customers to boost productivity, operate more cost effectively, increase sales and improve customer service and satisfaction.

Our principal strategy is to acquire, manage and build VMS businesses. We believe that each VMS business that we acquire has the potential to be a leader within its particular market. We target the VMS sector because of the attractive economics that it provides and our belief that our management teams understand those economics better than most of our competitors. We seek acquisition targets that provide software solutions to both the public and private sectors, with the following characteristics:

- diversified customer base
- mission critical enterprise software solutions
- low customer attrition
- leading or increasing market share
- fragmented competition
- potential to grow through geographic and/or product expansion

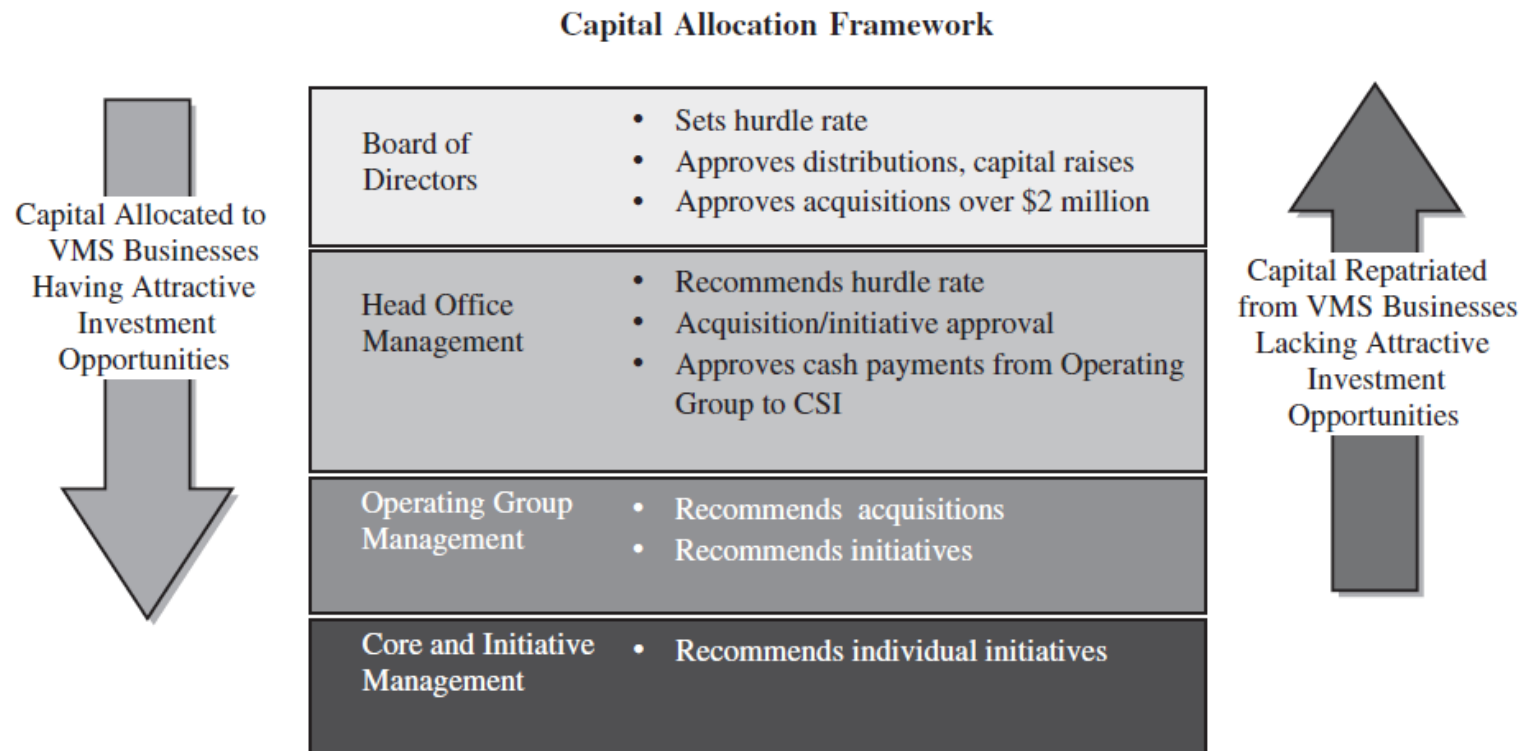
We believe that owning VMS businesses with the foregoing characteristics enhances our ability to earn above average returns on our capital.

We use a disciplined set of key operating ratios and metrics to monitor and manage the performance of each of our VMS businesses. These ratios and metrics are compared to a series of benchmarks which we have developed. This allows us to assess how each VMS business is performing in order to pursue optimal financial returns and capital allocation.

Once our acquired VMS businesses begin to achieve targeted financial performance, we continue to build them through a disciplined combination of internal organic growth and acquisitions of other VMS businesses in the same vertical market (“tuck-in acquisitions”), further expanding their customer, geographic and product reach.

Constellation Software (CSU-CA)

- “Management teams within each of our operating groups and VMS businesses recommend how best to deploy capital. The following chart shows (i) the decision-making responsibilities and hierarchy that we use in deploying capital for tuck-in acquisitions and organic initiatives that have the prospect of generating high returns on incremental capital, and (ii) the repatriation of capital from those VMS businesses that do not have the prospect of generating high returns on capital:



Constellation Software (CSU-CA)

- “Capital Allocation and Our Compensation Plan: The objective of our compensation plan is to reward employees for working towards our corporate goal of increasing shareholder value. We believe that shareholder value is created by managing two financial components: profitability and growth. As such, our corporate bonus plan, which compensates employees at all levels of our organization, is based upon each operating group’s ability to achieve a high ROIC, and to grow their revenues year-over-year.
- “Our bonus plan encourages all employees to balance our short-term and long-term objectives, while ensuring that they participate through share ownership in the value that they have created. Approximately 45% of our employees are shareholders.
- “Our senior executives and a majority of our other employees are paid an annual bonus based on the profitability and growth of the VMS business in which they are employed pursuant to our Bonus Plan. We measure profitability for the purpose of our Bonus Plan by netting a “risk free” rate of return established by our Board (currently 5%) from the ROIC generated by the VMS business. If the ROIC does not exceed the risk free rate of return, then the managers of that VMS business receive no bonus.
- “Managers and employees are encouraged to invest a significant portion of their after-tax bonus in our Common Shares. All Common Shares purchased under this program are escrowed for a three to five year period, after which the employees are free to hold them or sell them.”

Constellation Software (CSU-CA)

CSI Board Role Search Criteria

THE ROLE

Thought Partner	Thought partner for senior leadership.
Long-term Orientation	Unfazed by short term pressure. Focused on CSI's long-term issues.
Timeframe	Able to serve on the board for 20+ years.
Investment in CSI	Willing to make a significant equity investment in CSI, above and beyond board comp.

THE CANDIDATE

High Quality Business	Understands what constitutes a high quality business.
Autonomy	Appreciates the motivational power of autonomy, decentralisation.
Cultural Fit	Respects and gets along with the current senior CSI management as well as the board.
Ownership	Believes in the motivational power of equity ownership.
High Impact / Low Ego	Will intervene when necessary, contribute meaningfully, but not dominate discourse.
Out of Kitchen	Can resist the urge to get into the kitchen when there's a chef already in there.

EXPERIENCE

Builder	Helped build or maintain (as a director, manager or major shareholder) a large organisation (>1000 employees) over an extended period, while providing a superior return to owners (ideally including employee owners).
Decentralized	Experience with a decentralised company (nice, not necessary).
Capital Allocation	Experience in a capital allocation role (nice, not necessary).

LIKELY BACKGROUND

Family owned business operator or director.
CEO / #2 for exceptional business.
Entrepreneur

SEARCH PATHS

Multi-generational family owned businesses with high ROIC within reach of our network and ideally local to CSI (increases involvement, eases reference checks, more likely to know CSI, decreases absenteeism).
High quality businesses with strong shareholder alignment.
Great capital allocators in the corporate world.
CEOs with great shareholder letters and high quality businesses.

Texas Instruments (TXN)

- **Thoughtful, detailed capital management strategy**
- **Exceptional IR materials dedicated to capital allocation**
- **Active outreach to seek the “right” shareholders**

“At Texas Instruments, we as managers think that allocation of capital is one of the most important jobs that we have.”

Texas Instruments (TXN)

Capital management strategy

- **“Our business model is designed around four sustainable competitive advantages. We invest with a long-term view to strengthen and leverage these competitive advantages.”**
- **“Grow, generate *and* return” cash**
- **“Objective: Maximize long-term growth of free cash flow per share”**
- **“Strategy:**
 - 1. Great business model: built around four sustainable competitive advantages.**
 - 2. Discipline: allocate capital to the best opportunities.**
 - 3. Efficiency: constantly strive for more output per \$ of input.”**

Texas Instruments (TXN)

Performance measurement

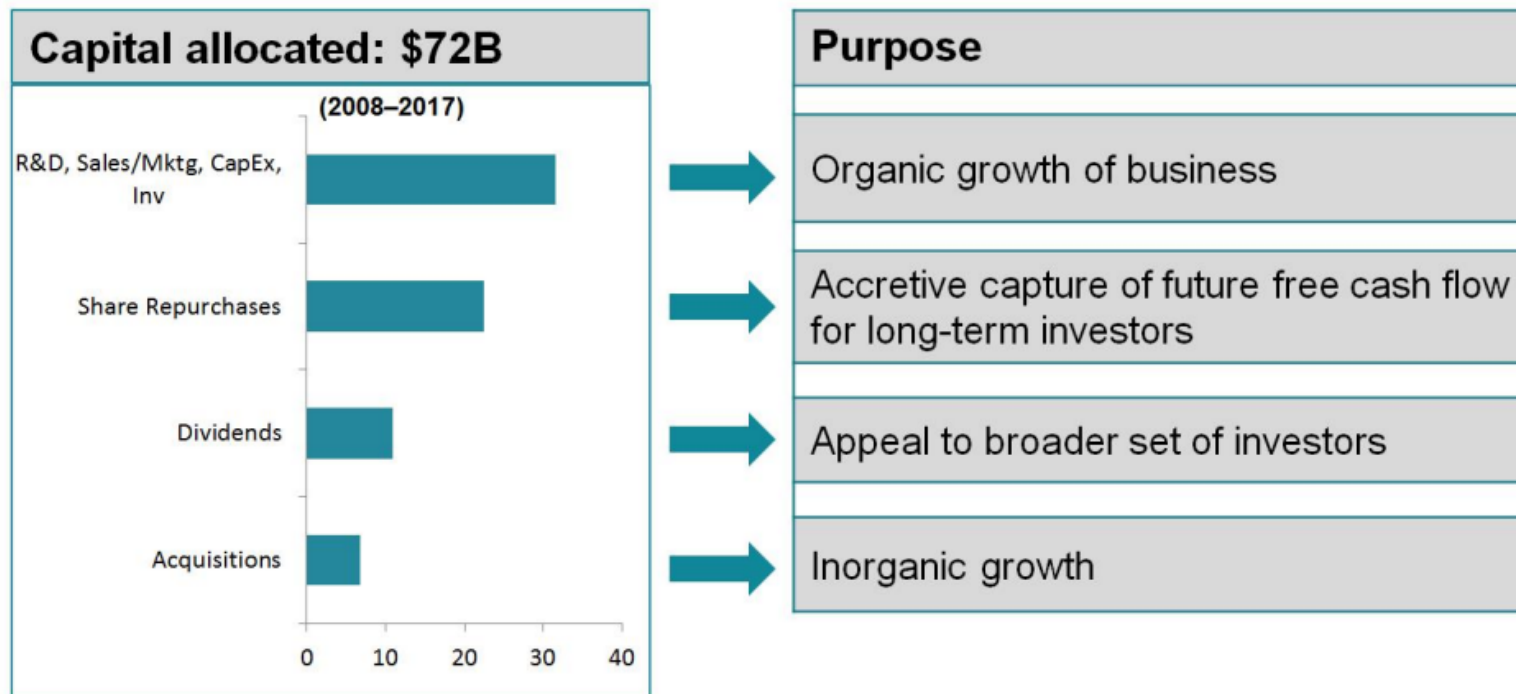
Capital management **2017 scorecard**

Metric	Target	Result	
Free cash flow generation	20 – 30% of revenue (TTM)	31.2%	✓
Inventory	105 – 135 days	134	✓
Cash owned by U.S. entities	~80%	78%	✓
Cash plus short-term investments	10% revenue (TTM) + dividends (NTM) + debt (NTM)	101%	✓
Pensions	Fully fund on tax-efficient basis	Fully funded	✓
Debt	When economics make sense	\$4.1B @ average 2.05%	✓
Capital expenditures	~4% of revenue	4.6%	✓
Cash return	FCF + proceeds from exercises – net debt retirement (TTM)	90%	✓
Dividends	50 – 80% trailing 4 years average FCF	57%	✓
Repurchases	Cash return target – dividends (TTM)	84%	✓

Texas Instruments (TXN)

“Ten-year view of our capital allocation”

Where and why we’ve allocated our capital



Morningstar (MORN)

- **Candid, written IR communications (monthly investor Q&A, owner's guide)**
- **No analyst meetings and no financial guidance**
- **Decentralized structure and long-term focus**
- “We strive to manage Morningstar to maximize our long-term results, while staying focused on our mission of helping investors and adhering to our company values. We invest significantly in new product development and in enhancing our current offerings. It typically takes many years to recoup these investments, but we believe they are critical to building long-term value for our shareholders. We plan to continue this practice as a publicly held company.”
- “We do not make public financial forecasts for our business. We are uneasy with management forecasts because they are, by their nature, subjective and could have an effect on a company's stock price. We prefer to avoid this potential conflict and let our results speak for themselves. We also want to avoid creating any incentive within our company to alter behavior to ‘make the numbers.’”

Morningstar (MORN)

- “We will strive to communicate with candor and tell you the unvarnished truth about our business. You’ll notice, for example, that we voluntarily chose to expense stock options in our financial statements. Although our results would have looked substantially better without this election, we believe it is the right thing to do. We’ll also strive to communicate equally with all shareholders, without special treatment for large shareholders or research analysts.”
- “When our analysts evaluate a stock, they focus on assessing the company's estimated intrinsic value—the value of the company's future cash flows, discounted to their worth in today's dollars. Our approach to evaluating our own business works the same way. Our goal is to increase the intrinsic value of our business over time, which we believe is the best way to create value for our shareholders.”
- “We provide three specific measures that can help you generate your own assessment of how our intrinsic value has changed over time: Revenue; Operating income (loss); and Free cash flow.”

Morningstar (MORN)

OCTOBER 6, 2016

Capital Allocation

Please describe your capital allocation policy, including ranking internal investment, M&A, payment of dividends, stock repurchase activity and/or debt repayment. Additionally, if applicable, please enumerate any targets or guidelines you have for each of these buckets, such as a target dividend payout ratio, etc. On a related note, can you shed any light on your criteria for M&A activity and expectations of areas where you're most likely to look for opportunities?

Answer

In a broad sense, we look at deploying our capital in a couple of ways: investing it back into the business to drive organic expansion and fund acquisitions; or returning it to shareholders in the form of dividends and share repurchases. We make all of these decisions in consultation with our board of directors, which is responsible for capital allocation in its role of representing shareholders' interests. In general, we would rank our priorities as follows, although the order may shift based on the relative attractiveness of a given area at the time:

- Internal investment/organic expansion
- Stock repurchases
- Payment of dividends
- Debt repayment
- M&A

For dividends, we don't target a specific payout ratio, but we do evaluate payout ratios for companies in our peer group and try to keep our payout ratio in a similar range.

Morningstar (MORN)

For stock repurchases, we would expect to be more active if our stock price experienced a significant decline. When looking at potential returns from stock repurchases, we use a standard cost of capital framework that compares the expected rate of return from stock repurchases to returns available from other investment alternatives.

Similarly, we take an opportunistic approach to acquisitions and may or may not make any acquisitions in a given year. We evaluate acquisitions on a case-by-case basis, and consider making acquisitions if they support our growth strategies. We evaluate the returns of any potential acquisition relative to expected returns for the other uses of capital listed above, again working in close consultation with our board of directors.

In reviewing potential acquisitions, we focus on transactions that:

- Offer a good strategic fit with our mission of creating great products that help investors reach their financial goals;
- Help us build our investment databases, research capabilities, technical expertise, or customer groups faster or more cost effectively than we could if we built them ourselves; and
- Offer a good cultural fit with our entrepreneurial spirit and brand leadership.

MAY 5, 2017

Capital Allocation

Buybacks have slowed over the years. Does this reflect any shift in capital allocation priorities or is it related to your view of the stock price?

Answer

The decision to repurchase stock is driven by many factors, including debt levels, cash flows, and valuation. We repurchased fewer shares in 2016 and the first quarter of 2017 partly because of the PitchBook acquisition, which resulted in less available "excess" cash to use for share repurchases. After expanding our single-bank credit facility to finance this acquisition, we are balancing share repurchases with debt repayment and other uses of cash.

Graham Holdings (GHC)

- **No empire building: sold the crown jewel (The Washington Post), spun off the cash cow (Cable One), etc.**
- **Deep, diverse, talented board**
- **Willingness to change: younger executives, new industries, etc.**
- **Exactly one sell-side conference per year (UBS in December)**
- **(A corporate DNA that includes four decades of ownership and tutelage by Warren Buffett doesn't hurt!)**

Credit Acceptance (CACC)

- **Written Q&A with investors, filed as 8-K**
- **Clear, candid capital allocation practices**

“Like any profitable business, we generate cash. Historically, we have used this cash to fund originations growth, repay debt or fund share repurchases. **We have used excess capital to repurchase shares when prices are at or below our estimate of intrinsic value (which is the discounted value of future cash flows).** As long as the share price is at or below intrinsic value, we prefer share repurchases to dividends for several reasons.”

Credit Acceptance (CACC)

“At times, it will appear we have excess capital but we won’t be active in repurchasing our shares. This can occur for several reasons. **First, the assessment of our capital position involves a high degree of judgment.** We need to consider future expected capital needs and the likelihood that this capital will be available. Simply put, when our debt-to-equity ratio falls below the normal trend line, it doesn’t necessarily mean we have concluded that we have excess capital. **Our first priority is always to make sure we have enough capital to fund our business, and such assessments are always made using conservative assumptions.** **Second, we may have excess capital but conclude our shares are overvalued relative to intrinsic value or are trading at a level where we believe it’s likely they could be purchased at a lower price at some point in the future.**

“The assessment of intrinsic value is also highly judgmental. Fortunately for shareholders, we have two members of our Board, Tom Tryforos and Scott Vassalluzzo, who have had long and remarkable careers in investing in equities and are perfectly suited for the task of assessing the value of our business. My track record is less impressive. For reasons I can’t defend, I have often argued on the side of waiting for a lower price. After many years of being wrong, I have learned to defer to Tom and Scott on this topic.”

Cimpress (CMPR)

- **A CEO with an “aha” moment on capital allocation**
- **Annual “Capital Allocation Letter to Investors”**
- **Clear and documented capital allocation philosophy, including hurdle rates**
- **Long-term mindset and focus on intrinsic value per share**
- **Disclosure tracking all organic investments, M&A, and share repurchase activity**
- **Dedicated and updated document covering long-term incentive compensation**

Amazon (AMZN)

- **Replication of other brilliant capital models (Costco, etc.)**
- **Exceptional shareholder letters**
 - “It’s the absolute dollar free cash flow per share that you want to maximize.”
 - “We will continue to make investment decisions in light of long-term market leadership rather than short-term profitability considerations or short-term Wall Street reactions.”
 - “We will balance our focus on growth with emphasis on long-term profitability and capital management.”
 - “We will continue to measure our programs and the effectiveness of our investments to remove those that do not provide acceptable returns.”

Phillips 66 (PSX)

- **Dedicated “capital program” to delineate investment priorities**
 - “Disciplined capital allocation is a top priority for us, and we continue to have a long-term objective to reinvest 60 percent of our cash flow into the business and return 40 percent to our shareholders through dividends and buybacks. We are committed to a secure and competitive dividend with annual increases. Through our ongoing share repurchase program, **we buy our shares when they trade below intrinsic value** and have \$2.1 billion remaining on our share repurchase authorizations as of Sept. 30. Since 2012, we have returned \$21.6 billion to shareholders through dividends, share repurchases and exchanges.”
 - “We operate in a volatile industry; however, our diversified portfolio enables us to be resilient through industry cycles. Through our disciplined capital allocation model, we increase our enterprise value by strategically investing capital in our higher-valued businesses while returning a significant portion of capital to shareholders through dividends and share repurchases.”

Phillips 66 (PSX)

PSP ROCE

We believe PSP ROCE is an important metric for evaluating the quality of capital allocation decisions, measuring portfolio value, and measuring the efficiency and profitability of capital investments. Management uses this measure as a factor in its assessment of performance for the purposes of compensation decisions. PSP ROCE is a ratio, the numerator of which is adjusted earnings plus after-tax interest expense, and the denominator of which is average adjusted total equity plus total debt.

Our calculation of PSP ROCE, and its reconciliation to ROCE prepared using GAAP amounts, is set forth below.

MILLIONS OF DOLLARS (EXCEPT AS INDICATED)				
	PSP AVERAGE 2015-2017	2017	2016	2015
PSP ROCE				
Numerator				
Net income	\$	5,248	1,644	4,280
After-tax interest expense		285	220	201
GAAP ROCE earnings		5,533	1,864	4,481
Adjustments ⁽¹⁾		(2,837)	(57)	(34)
PSP ROCE Earnings		2,696	1,807	4,447
Denominator				
GAAP average capital employed ⁽²⁾		35,700	33,344	31,749
In-process capital		(2,233)	(3,097)	(3,016)
Cash adjustment		(60)	(37)	(1,141)
PSP Average Capital Employed	\$	33,407	30,210	27,592
PSP ROCE (percent)	10.1%	8.1%	6.0%	16.1%
GAAP ROCE (percent)	11.7%	15.5%	5.6%	14.1%

(1) Primarily related to gains on asset dispositions, impairments, certain tax impacts and pending claims and settlements.

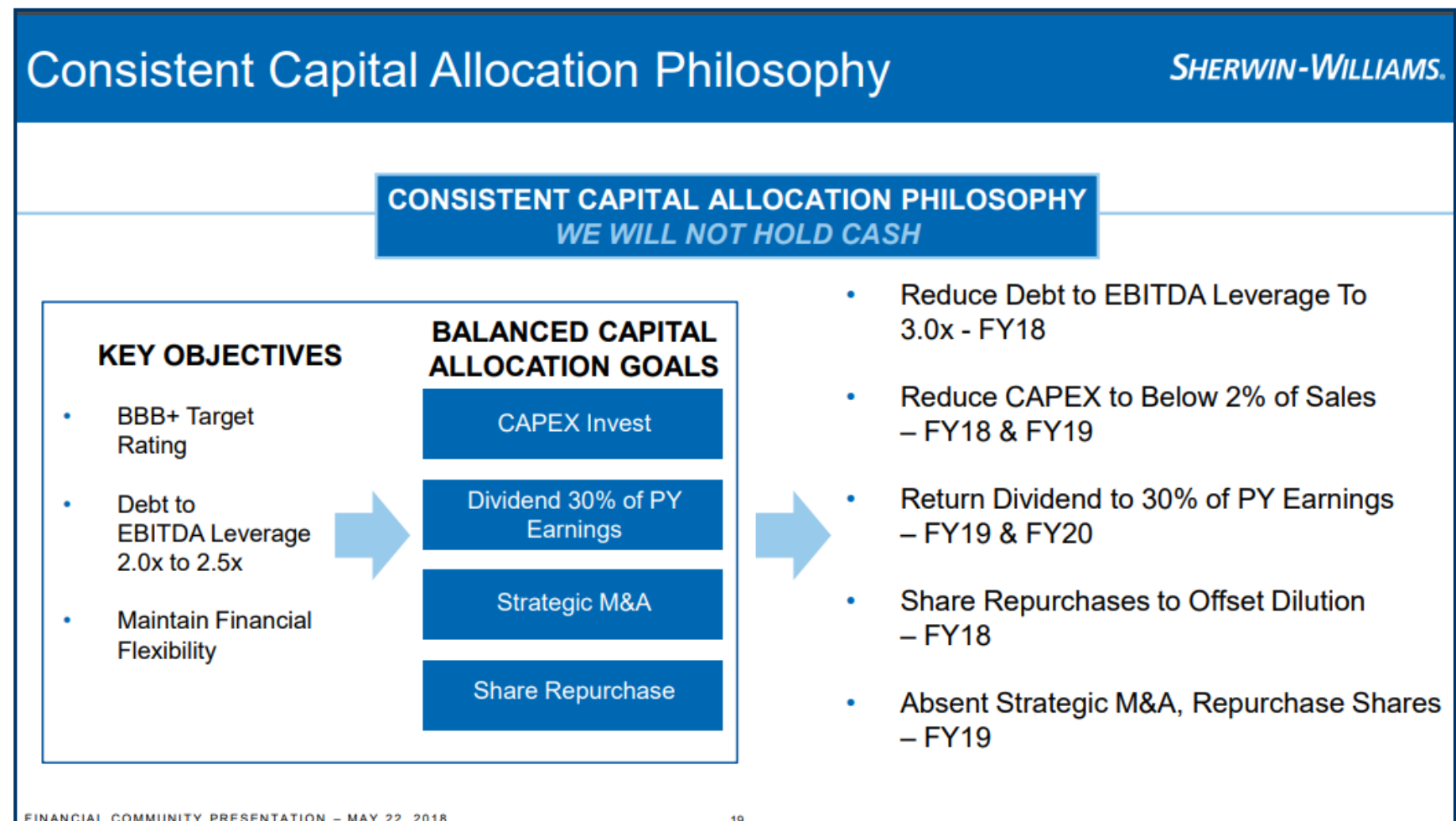
(2) Total equity plus total debt.

PSP = Performance Share Program

Source: https://www.sec.gov/Archives/edgar/data/1534701/000114420418014335/tv487943_phillips66-2018pxy.htm

Sherwin-Williams (SHW)

- Aggressive share repurchases in 2008-2010
- Clear framework



WABCO Holdings (WBC)

- **Aggressive, contrarian, value-based share repurchases, with press release and special conference call in Sept. 2011**

“In the last couple of months, we have seen a significant increase in the level of uncertainty around the economy, around our industry that have raised significantly also the level of anxiety across the market. This has resulted into a fairly significant dive in the stock price across the board, particularly for companies in our industry and even more particularly for those companies in our industry that have strong roots in Europe.

“Naturally, we have received a lot of request from shareholders and analysts lately to provide valuable and material information on the status of our business and the status of our company. But as you know, we are not in a position to exchange that kind of information without doing it as part of a formal, official framework like this call. And actually this is the purpose of this call today to do it with you, and we'll do it by first sharing information in our current view on our markets, then we'll provide some insights on a couple of, what WABCO's considered to be leading indicators for the markets. Because those indicators were actually very useful to us back in 2008 as we anticipated the significant drop in truck manufacturing in our industry, six months ahead of that drop. And then we'll provide you with a view of our order book, which is actually, certainly reflecting the way our customers are anticipating the evolution of production of trucks in the coming month.

“Actually, you will see that after reading all this data, it leads us to confirm the 2011 financial guidance that we have upgraded and shared with you during our last quarterly call back in late July. And actually, **we also share with you that we decided that it was in the best interest of our shareholders to accelerate our buyback program that we have started in early June. And actually today – as of today, we have already purchased back \$400 million of WABCO's shares.**

Now, again, before we proceed and to be clear, the purpose of the call is not to eliminate the uncertainty around the economy, around our industry, around WABCO. That is to share the relevant and timely information that will allow you to make the best informed decisions.”

Netflix (NFLX)

- **Capital spending as a weapon to swamp the competition**
- **How to value – and then acquire and retain – a subscriber**
- **Board practices**
 - Directors are encourage to get out of the board room and interact with the company, attend monthly/quarterly staff and management meetings, as observers
 - Board communication via memos that directors can access and amend; a living document, not a ponderous “board book”
- **IR practices**
 - Clear, accessible documents covering strategy (“Long-Term View”), “Top Investor Questions,” accounting, culture, & governance

Henry Schein (HSIC)

- **Organic growth: international, new product lines, etc.**
- **Significant share repurchases (based on value/return)**
- **Spin-offs (animal health business spin-off pending as of 1Q19)**
- **Acquisitions (>200 since 1989)**
- **“We are very clear with Wall Street: Henry Schein does not exist for the investors. Having said that, we promise the investors a good rate of return and we deliver on those expectations. It's not the greatest return, it's not a bad return, it's consistent.”**

Daily Journal (DJCO)

- **Built a massive cash hoard for years, then deployed it all in a matter of days into shares of high-quality financial institutions in March 2009**
- **Lean management and zero bureaucracy**
- **Plenty of patience – willing to invest a decade or more in software transformation**
- **(Charlie Munger as Chairman for four decades doesn't hurt!)**

Fiat (FCAU)

- **Sergio Marchionne was a turn-around artist with a background in philosophy, law, and accountancy who became an exemplary CEO and capital allocator**
- **He took over Fiat in 2004, and the rest was capital allocation history (>10x increase in value)**
 - **Lead acquisition of Chrysler in 2009**
 - **Spun off CNH and Ferrari**
 - **Reduced debt, shored up balance sheet, and optimized operations**
- **A willingness to learn, act decisively, and take responsibility**
 - **“He could take a fire hose of complexity and reduce it to its fundamentals in minutes. He had the courage to make very aggressive decisions, and if it went badly he’d be totally accountable for it.” – Mike Jackson, CEO of AutoNation**

Fiat (FCAU)

“Confessions of a Capital Junkie: An insider perspective on the cure for the industry’s value-destroying addiction to capital”

Purpose of the pitch



- Goal is to provide clarity on two issues that have been raised publicly by FCA
 - Industry has not earned its cost of capital over a cycle
 - Consolidation is the key to remedying the problem
- What this is **not** about
 - An excuse for FCA’s current ranking in the automotive food chain
 - Putting FCA up for sale
 - A revision to our 5 year plan (which remains a firm commitment)
 - A matter of life or death for FCA
 - SM’s final big deal
- What this is about
 - Dispassionate look at the industry from the outside using insider knowledge
 - It is about choosing between mediocrity or fundamentally changing the paradigm for the industry

Post Holdings (POST)

- **Bill Stiritz is an original “Outsider” CEO**
- **Clear goals/mission: “We are dedicated to creating long-term shareholder value. It is our policy to conduct our business with integrity and an unrelenting passion for providing value to our customers and consumers.”**
- **Candid communication and opportunistic capital structure**

- **Nov. ’18 discussion of rationale for convertible preferred stock offering:**

“This call is in connection with our announced preferred issuance. This is a fairly modest tactical move. However, since we are offering the preferred under SEC Rule 144A, there cannot be a general market participation in the investor call. We wanted to provide you an opportunity to ask any questions and have them answered and that's really the only reason for the call. First the rationale, based on our expected issue terms, the cash dividend rate of 4% to 4.5% will be below our 10 year pre-tax cost of money. It is perpetual capital having no requirement to be refinanced. We anticipate a 25% to 30% conversion premium to our trading price which makes the all in cost of capital an attractive trade. This will modestly dilute the common if we trade above the conversion price, and if we have not over time seized the shares issued with opportunistic repurchases. The immediate use of funds is to retire a portion of our term debt which expands capacity for other cash transactions including cash acquisitions and opportunistic share repurchases. It also expands flexibility for structured transactions. So to summarize, the issuance has negligible impact on our current cash flow, replaces a portion of our debt ladder with permanent capital and expands our strategic capacity.”

AutoNation (AN)

- **CEO since 1999, outgoing CEO Mike Jackson has overseen repurchases of >85% of AN's total shares**
 - “We use the choppiness (in the U.S. vehicle market) to our advantage,” Jackson said. “We, from strength, can repurchase our stock.”
- **Mike Larson is/was a big holder and Lead Independent Director**
- **Two large, long-term holders with a constructive relationship**
 - “I have a large shareholder, Eddie Lampert, who's been with me 15 years. Today he owns 16 percent of the company. He gave me a Ph.D. in capital allocation. We have another large shareholder, Michael Larson (who manages assets for the Bill and Melinda Gates Foundation), who represents 15 percent of the company. He taught me very much how to think long-term, which taught me discipline and patience. He encouraged me to make bold decisions that would be controversial in the near term. I don't have to worry about activists because nobody's going to take on those two!”
- **Finance Committee has explicit oversight of capital allocation**

BNSF

- **Bad old days: spending a lot of capital, getting 7.5% ROIC**
- **Now: still spending a lot and getting 10-12%, but the right way?**

BNSF's outgoing CEO Matt Rose: “The railroads are still investing significant sums, but we’re starting to be goaded into lower capital targets by Wall Street, the sell-side guys. They’re giving railroads kudos for saying, ‘Oh, I can spend capital as a percent of revenue.’ **That’s not the best measure. We don’t spend capital as a percent of revenue. We spend capital based on gross ton-miles we haul. Bridges don’t wear out with revenue; they wear out with units and gross ton-miles.**

“So now, there’s this line of thinking out there where some of the railroads are saying: ‘We can get our capital as a percent of revenue down to 15%.’ Somebody else has said 13%. And yet, railroads are making record profits. And now we’ve also got political shifting of the sands...I think we’re at a tricky time now. **The Street—I’m talking about sell-side analysts—has been extremely aggressive with the publicly traded railroads. They’re saying that less is better. Less capital is better. Fewer market opportunities are better. Fewer unit trains are better. It’s all about lowering the operating ratio. I disagree with almost all of that. I truly believe that every industry, every business, needs growth.**”

BNSF

Railway Age Editor-in-Chief William Vantuono: “Since BNSF became part of Berkshire Hathaway, you haven’t had to answer to Wall Street. Would you say that’s been an advantage?”

Rose: “**Yes.** [C]ould we outperform vs. being a standalone company? And I think the answer is yes. Why is that? Warren has given me, personally, tremendous flexibility to run the company. He’s been very interested in our returns, and we have done a good job for him. They’ve got a couple basic philosophies. Charlie Munger says, ‘We don’t have to make the last dollar.’ Warren talks about this in his annual letter. He says that we make these investments with the belief that the future regulator—not the regulator who’s there today, the regulator who’s there tomorrow—will take all this into account. **I simply call it the unwritten commitment. That is, we spend enormous amounts of capital on these networks, and we get a regulator who allows us to provide good returns. All that’s worked, I think, pretty well.**”

BNSF

Vantuono: “How do you view hedge funds coming into our industry? Do you think it’s been beneficial, or not?”

Rose: “When we were publicly traded, I would go to sell-side conferences. It used to be me with investors and sell-side analysts. And then it changed. The meetings got larger. There’d be 20 hedge fund analysts; they all seemed to be under 30 years of age. **Creating transparency about how you’re doing versus another company, and the old spirit of how you’re running your company versus somebody else, I think that’s fine. But when a hedge fund says, ‘I really want to know how you’re going to do next quarter’ on a railroad that is making 30-, 40-, 50-year-long asset investments, it’s really not consistent.**

“The day after the shareholders voted 97% in favor of the Berkshire Hathaway transaction, I called Warren, and I said, ‘Okay Warren, you now own a railroad. Congratulations. What do you want me to do? You want me to come to Omaha and bring a PowerPoint and show you what our next five-year plan’s going to be?’ And **he said, ‘No. I want you to run this company like you own it, and you’re going to be in charge of it for the next 100 years.’** And I don’t think that’s consistent with a hedge fund wanting to know what the next quarter’s going to look like.”

BNSF

Vantuono: *“Do you think shareholder value is misinterpreted? Or there’s too much emphasis on share price?”*

Rose: *“Yes. We’ve always looked at the value proposition of the railroad as a three-legged stool. Shareholders are a very important leg of that stool because they provide the capital for us to make investments. The second leg of the stool is the employees. They provide the services that allow us to make the investments that allow us to make the returns to provide to the shareholders. And then finally, there are the customers. People are always asking, ‘What’s the most important?’ Well, they’re all important. And if you think about a three-legged stool, if one of those legs gets a little out of whack, things don’t work very well.”*

Vantuono: *“So, you believe that you’ve got to have a balance. The three legs should be more or less even?”*

Rose: *“Right. You have to be worrying about all those constituencies. And if you’re not, bad things are going to occur. You would think that as the railroads become more profitable, by however measure you want to look at it, service would actually improve. And I’m not sure we’ve seen that. I think we’ve seen, actually, a degradation in overall performance of the rail network in general.”*

General Electric (GE)

- **Changes made by then-CEO John Flannery in November 2017**
 - **New emphasis on “capital allocation principles” and priorities**
 - **New “Finance & Capital Allocation committee of the Board”**
 - **Reduced board from 18 to 12 directors**
 - **Reinforced annual director elections, proxy access at 3% ownership for three years, director meetings with investors, 15-year term limit for directors**

(I never said this was easy!)

A new ETF for 2019

The Capital Allocation All-Stars

- **Amazon (AMZN)**
- **Berkshire Hathaway (BRK/A)**
- **Credit Acceptance (CACC)**
- **Cimpres (CMPR)**
- **Constellation Software (CSU-CA)**
- **Henry Schein (HSIC)**
- **Liberty Media/Interactive/Global (*various*)**
- **Markel (MKL)**
- **Morningstar (MORN)**
- **Netflix (NFLX)**
- **Phillips 66 (PSX)**
- **Sherwin-Williams (SHW)**
- **Texas Instruments**
- **WABCO (WBC)**



Others to consider

- **Loews (L), TransDigm (TDG), Seacor (CKH)**
- **Lifco AB**
- **Danaher (DHR), Colfax (CFX), Fortive (FTV), DentalCo (tbd)**
- **NVR, Cable One (CABO)**
- **Alleghany (Y), White Mountains (WTM), WR Berkeley (WRB), Arch Capital (ACGL)**
- **JP Morgan (JPM), Jeffries (JEF), Bank OZK (OZK)**
- **Fairfax (FFH-CA), Brookfield (BAM)**

Historical case studies

Just don't overdose on *The Outsiders*!

- **Bill Franke** *various airlines*
- **Tom Murphy** **Capital Cities**
- **Henry Singleton** **Teledyne**
- **Bill Anders** **General Dynamics**
- **Phebe Novakovic** **General Dynamics**
- **Dick Smith** **General Cinema**
- **Randal Kirk** *various medical/healthcare companies*
- **Ed Breen** *various companies*
- **Scott Thompson** **Group 1 Auto., Dollar Thrifty, Tempur Sealy (?)**
- **Sam Zell** *various real estate companies/assets*
- **Buffett/Munger** **Blue Chip Stamps**

Thank you

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Questions, comments, and feedback are
always welcome!

Recommended reading

- **Buffett: The Making of an American Capitalist by Roger Lowenstein**
- **The Essays of Warren Buffett by Warren E. Buffett and Lawrence Cunningham**
- **The Buffett Essays Symposium: 20th Anniversary Annotated Transcript**
- **Poor Charlie's Almanack Edited by Peter Kaufman**
- **Made in America by Sam Walton**
- **The Everything Store: Jeff Bezos and the Age of Amazon by Brad Stone**
- **The Outsiders by Will Thorndike (and various interviews/podcasts)**
- **You Can Be a Stock Market Genius by Joel Greenblatt**
- **Dear Chairman: Boardroom Battles & the Rise of Shareholder Activism by Jeff Gramm**

- ***Various articles/essays/interviews by Larry Cunningham* <https://goo.gl/VKYx8v>**
 - *Annual Shareholder Meetings: From Populist to Virtual* <https://goo.gl/d4PCtr>
 - *Cunningham's new book on "getting the shareholders you deserve" in 2020*
 - *How the unique Warren Buffett shareholder has built and preserved Berkshire* <https://goo.gl/ZicQAS>
 - *Warren Buffett's 10 Commandments for Directors* <https://goo.gl/qH57Er>
 - *Berkshire's Blemishes: Lessons for Buffett's Successors, Peers, and Policy (2016)* <https://goo.gl/XCrstV>
 - *NACD Lifetime Achievement Award acceptance speech* -<https://goo.gl/6BWFaF>

- **Various BCG studies**
 - *Ten Lessons from 20 Years of Value Creation Insights* <https://goo.gl/h3WJyC>
 - *The 2018 Value Creators Rankings* <https://goo.gl/PXGPBp>
 - *How Top Value Creators Outpace the Market—for Decades* <https://goo.gl/upynEk>
 - *Capital Strategy and Value Creation: A "New CEO" Draft Curriculum (2018)*

Recommended reading

- Various resources/interviews/studies by MOI Global
- Various books/essays/presentations/interviews by Pat Dorsey
- Various essays by Michael Mauboussin, especially:
 - *A Long Look at Short-Termism: Questioning the Premise (2014)*
 - *Share Repurchase from All Angles: Assessing Buybacks, No Matter Where You Sit (2012)*
 - *A Surge in the Urge to Merge (2010)*
 - *Calculating Return on Invested Capital: How to Determine ROIC and Address Common Issues (2014)*
 - *Capital Allocation: Evidence, Analytical Methods, and Assessment Guidance (2014, 2015, 2016)*
 - *Capital Allocation Outside the U.S.: Evidence, Analytical Methods, and Assessment Guidance (2016)*
 - *Clear Thinking about Share Repurchase: Capital Allocation, Dividends, and Share Repurchase (2006)*
 - *Disbursing Cash to Shareholders: Frequently Asked Questions about Buybacks and Dividends (2014)*
 - *Estimating the Cost of Capital: A Practical Guide to Assessing Opportunity Cost (2013)*
 - *Form Follows Function: Organizational Structure and Investment Results (2016)*
 - *Reclaiming the Idea of Shareholder Value (2016)*
 - *Thoughts on Dividends and Buybacks: Clearing Up Some Common Misconceptions (2016)*
 - *Thirty Years: Reflections on the Ten Attributes of Great Investors (2016)*
 - *To Buy or Not To Buy: A Checklist for Assessing Mergers & Acquisitions (2017)*
- *Capital Allocation Strategies for Audit Committee Members (Law360, 2015)*
- *Capital Allocation Decisions: Bringing the Board of Directors on Board (Alsdorf, 2017)*