



BEST IDEAS FOR 2025

Richard Howe, CFA
STOCK SPIN-OFF INVESTING

Disclaimer:

Rich Howe owns shares of MEDXF. Everything in this report is for informational purposes only. This report is not investment advice. All expressions of opinion are subject to change without notice. We do not warrant the completeness or accuracy of this content. Please do your own due diligence and consult with an investment adviser before buying or selling any stock mentioned in this reporter on www.stockspinoffinvesting.com.

Introduction

Welcome to the **2025 Stock Spin-off Investing Best Ideas Report**.

Thank you to all those who contributed an idea for this report.

The range of ideas is broad.

The smallest market cap is a \$15MM Canadian micro-cap that is trading below its net cash, and the largest is an \$25BN market cap online travel company that is gobbling up its own shares.

We have ideas profiled from Poland, Canada, India, Austria, Argentina, Italy, and of course, the United States

The report will start with my personal favorite idea and then cover the additional ideas in alphabetical order.

Best Idea for 2025: Medexus

Medexus Pharmaceuticals

MEDXF: \$1.94 USD

MDP.TO: \$2.82 CAD

Market Cap: \$62MM

Enterprise Value: \$105MM

Price Target: \$5+

Upside: 100%+

Summary

Medexus (MDP.TO / MEDXF) is my best idea for 2025. The stock trades at a distressed valuation despite the current launch of a new drug that could double revenue and triple EBITDA within 3 years. I see 100% upside in 2025, but there is the potential for 400% to 500% upside over a three-year period. Downside is limited as Medexus has minimal debt (net debt to EBITDA of 0.7x) and a stable base business.

Company Overview

Medexus Pharmaceuticals Inc. is a specialty pharmaceutical company based in Canada. However, the majority of sales are in the U.S.

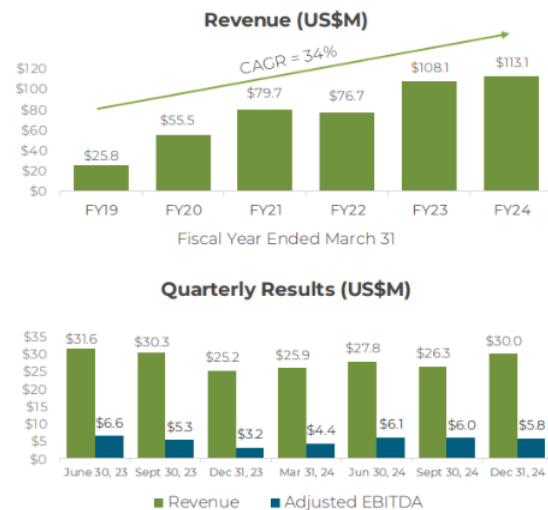
Proven Product Portfolio

- Our portfolio features leading products that address a variety of diseases.
- We provide innovative prescription and over the counter brands to patients and healthcare professionals, which we believe greatly enhances quality of life.

		Country	Phase
 Hematology - Oncology	Treosulfan		Commercial
			Commercial
	Gleolan		Commercial
			Commercial
	IXINITY		Commercial
 Allergy / Dermatology	Rupall		Commercial
	NYDA		Commercial
 Rheumatology	Rasuvo/		Commercial
	Metोजect		Commercial



Sales and EBITDA have grown nicely over the past 5 years although growth has stagnated over the past twelve months.



Why is Medexus a Compelling Buy Today?

It's compelling because the business is currently stable generating ~\$110MM of revenue and ~\$22MM of EBITDA. Yet a new product was recently approved that has the potential to double revenue and triple EBITDA.

You would expect a company with incredible growth prospects to trade at a high valuation. But it's not (see valuation information below).

Medexus Capitalization (MM)

Shares	32 Pro forma for capital raise
Share Price	\$1.91
Market Cap	\$61 Pro forma for capital raise
Cash	\$27 Pro forma for capital raise
ST Debt	\$18 As of 9/30/2024
LT Debt	\$25 As of 9/30/2024
Payables	\$27
Enterprise Value	\$104
As of 2/27/2025	
LTM Revenue	110
EV/Revenue	0.9x
LTM EBITDA	22.3
EV/EBITDA	4.7x
Annualized FCF	19
P/FCF	3.2x

What is the New Product?

On January 22, 2025, Medexus shared that GRAFAPEX (Treosulfan) has been approved with fludarabine as a preparative regimen for allogeneic hematopoietic stem cell transplantation (alloHSCT) in adult and pediatric patients one year of age and older with acute myeloid leukemia (AML) or myelodysplastic syndrome (MDS).

Jan 22, 2025 10:59am EST

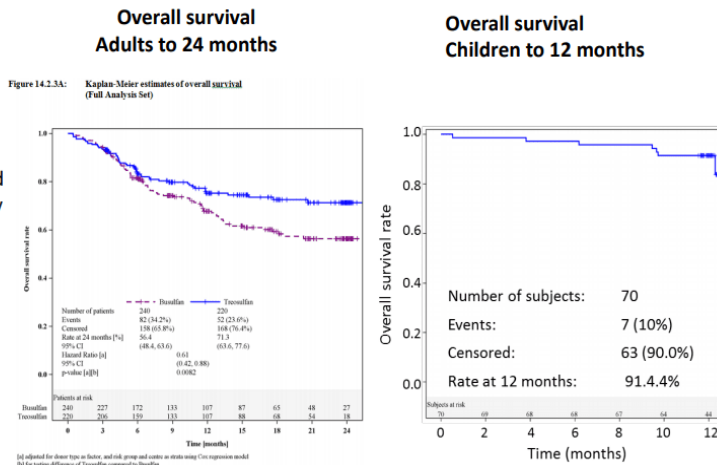
Medexus Announces FDA Approval of GRAFAPEX (treosulfan) for Injection and Provides Business Update

GRAFAPEX (Treosulfan) is given to acute myeloid leukemia ("AML") and myelodysplastic syndrome ("MDS") patients prior to stem cell transplantation. It is a big improvement over the current standard of care, busulfan.

- Treosulfan has been demonstrated to have a 26% improvement in overall survival over 24 months for leukemia patients.

- Demonstrated an increased rate of event-free survival after 2 years after allogeneic transplantation, compared to the current standard of care in pivotal phase III study, and is particularly associated with clinically meaningful benefits for higher-risk allo-HSCT patients.

- The New Drug Application was filed by medac GmbH in the U.S. in August 2020. It is supported by the completed follow-up results from a pivotal Phase III study covering 570 randomized AML and MDS patients, including superiority testing, which may result in even stronger claims in a final label.



How Big Can GRAFAPEX (Treosulfan) Be?

Management believes the drug has the potential to generate \$100MM of sales within 5 years.

Mr d'Entremont continued: "Given our experience in Canada with Trecondyv® (treosulfan for injection), we are very optimistic about the potential of GRAFAPEX™ in the US market. As we have previously mentioned, not only will GRAFAPEX™ make a substantial contribution to alloHSCT in the United States, but it also solidifies Medexus's leadership position in this therapeutic field. We anticipate that GRAFAPEX™ will have a meaningful impact on Medexus's total revenue and believe that annual product-level revenue in the United States has the potential to exceed **US\$100 million** within five years after commercial launch, providing a significant uptick to our growth profile."

Is \$100MM reasonable?

I think so...

The GRAFAPEX (Treosulfan) Math

The current standard of care is busulfan.

Before this drug went generic, it generated \$97MM of sales.



December 4, 2017

 [Mylan and Aspen Announce Launch of Generic Busulfex® Injection](#)

Mylan and Aspen Announce Launch of Generic Busulfex® Injection

HERTFORDSHIRE, England, PITTSBURGH and DURBAN, South Africa, Dec. 4, 2017 /PRNewswire/ -- [Mylan N.V.](#) (NASDAQ TASE: MYL) and its partner, Aspen (JSE: APN), today announced the U.S. launch of Myleran (busulfan) Injection, 60 mg/10 mL (6 mg/mL) Single-dose Vial, a generic version of Otsuka Pharmaceutical's Busulfex® Injection. Aspen received final approval from the U.S. Food and Drug Administration (FDA) for its Abbreviated New Drug Application (ANDA) for this product, which is indicated for use in combination with cyclophosphamide as a conditioning regimen prior to allogeneic hematopoietic progenitor cell transplantation for chronic myelogenous leukemia. (1)

As part of its partnership with Aspen, Mylan will commercialize Busulfan Injection, 60 mg/10 mL (6 mg/mL) Single-dose Vial in the U.S. [Mylan](#) has one of the largest injectable portfolios in the industry and is also one of the largest suppliers of cancer medicines by volume in the U.S.

U.S. sales for Busulfan Injection, 60 mg/10 mL (6 mg/mL) Single-dose Vial were approximately \$97 million for the 12 months ending Sept. 30, 2017, according to IQVIA.

About Mylan

The fact that the previous standard of care (GRAFAPEX will now be standard of care) generated \$97MM of sales suggests that a \$100MM sales target is reasonable.

We can also use a bottom up estimate.

ChatGPT estimates that there were about 10,000 allogeneic hematopoietic stem cell transplants (alloHSCTs) performed in the US in 2023.

how many allogeneic HSCTs were there performed in the US in 2023?

As of February 2025, specific data on the number of allogeneic hematopoietic stem cell transplants (alloHSCTs) performed in the United States for the year 2023 have not been published. The most recent comprehensive data available are from 2021, during which over 9,000 alloHSCTs were reported.

PUBMED CENTRAL

While precise figures for 2023 are pending release, industry analyses suggest that the number of alloHSCTs in the U.S. exceeded 10,000 in 2023.

GLOBENEWSWIRE

It's important to note that data collection and reporting for medical procedures like alloHSCTs often involve a lag of several years due to the complexities of gathering and analyzing nationwide information. Therefore, detailed statistics for 2023 are expected to be published in the coming years.

Sources 

This is also consistent with what Medexus CEO Ken d'Entremont's estimated in a June 2021 conference call (market has grown since 2021):

Andre Uddin

Just one last question just in terms of treosulfan. Assuming it is FDA approved, how many patients do you think you'll target and what type of pricing do you think, like where do you think it would be priced around?

Ken d'Entremont

Great question. So in terms of the patient target, there's 9,000 allo transplants roughly done per year in the U.S., about 60% of those are on label for us. And so that will be the labeled target. In terms of pricing, we're still doing the work on that. But we think the pre-generic busulfan pricing is probably about the range that we'll come in. We can show a pretty significant cost savings to the system as a result of fewer side effects, less hospitalization. And then, of course, there's the improvement in overall survival.

Andre Uddin

Where was that pre-generic pricing level around?

Ken d'Entremont

Pre-generic, they're about \$25,000 per patient.

What About Pricing?

As noted above, Medexus was thinking the pricing would be ~\$25,000 per patient.

Medexus has since finalized pricing:

Medexus has established a wholesale acquisition cost for GRAFAPEX™ in the United States of US\$3,050 per 5-gram vial and US\$610 per 1-gram vial. The dosage form for GRAFAPEX™ is treosulfan as a lyophilized powder in a single-dose vial for injection.

Patients undergoing alloHSCTs generally received between 30 grams and 42 grams of the drug over a 3 days period prior to the transplant. We can assume the midpoint (36 grams).

Medexus said 60% of the alloHSCTs are on the label for GRAFAPEX.

So we can estimate a market size of:

$$10,000 \times 36 \text{ grams} \times \$610/\text{gram} \times 60\% = \$132\text{MM}$$

What kind of market share should GRAFAPEX take?

Judging by Canada's experience, 80% market share seems reasonable.

ChatGPT 4o ▾

🔗 Share



what market share does treosulfan have in canada?

Treosulfan, marketed as Trecondyv®, received Health Canada approval in June 2021 for use in combination with fludarabine as a conditioning regimen prior to allogeneic hematopoietic stem cell transplantation (alloHSCT) in adult patients with acute myeloid leukemia (AML) or myelodysplastic syndromes (MDS) who are at increased risk with standard conditioning therapies. HEALTH PRODUCTS CANADA

In its budget impact analysis, the Canadian Agency for Drugs and Technologies in Health (CADTH) initially estimated a modest market uptake for treosulfan: 5% in the first year, 10% in the second, and 15% in the third. However, clinical experts consulted by CADTH anticipated a more rapid and extensive adoption, projecting market shares of 40% in year one, 60% in year two, and 80% in year three. CDA AMC

$$80\% \times \$132\text{MM} = \$105\text{MM}$$

Based on a bottom up estimate, GRAFAPEX sales of \$100MM seem like a reasonable outcome.

There also seem to be many potential off label uses for GRAFAPEX because busulfan is used off label:

is busulfan used for anything other than as a preparative regimen for allogeneic hematopoietic stem cell transplantation (alloHSCT) in adult and pediatric patients one year of age and older with acute myeloid leukemia (AML) or myelodysplastic syndrome (MDS).

Yes, busulfan is used for indications beyond its role as a preparative regimen for allogeneic hematopoietic stem cell transplantation (alloHSCT) in patients with acute myeloid leukemia (AML) or myelodysplastic syndrome (MDS). Notably, it is FDA-approved for use in combination with cyclophosphamide as a conditioning regimen prior to alloHSCT in patients with chronic myelogenous leukemia (CML). Pfizer Medical Information

Additionally, busulfan has off-label uses in conditioning regimens for alloHSCT in various hematologic malignancies and nonmalignant disorders, such as hemoglobinopathies, congenital metabolic diseases, and primary immunodeficiencies. NCBI

Historically, busulfan was used as monotherapy for CML, but this practice has largely been replaced by newer targeted therapies. Wikipedia

In summary, while busulfan's primary approved indication is as part of a conditioning regimen for alloHSCT in CML patients, it is also utilized off-label in conditioning regimens for other hematologic malignancies and nonmalignant disorders.

Sources  

What About Reimbursement?

Management seems confident that it will be able to secure reimbursement for GRAFAPEX at \$610/gram or ~\$25,000 per patient.

I'm confident that reimbursement won't be an issue for a several reasons:

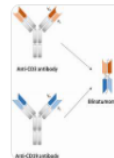
- (1) Pricing is consistent with pre-generic busulfan pricing.
- (2) Many other chemotherapies are as expensive or more expensive than GRAFAPEX.

In the United States, several chemotherapy drugs are notably expensive, with costs often exceeding \$100,000 annually. While reimbursement policies vary based on insurance providers and specific patient circumstances, many of these high-cost treatments are covered by insurance plans, including Medicare. Here are some of the most expensive chemotherapy drugs:

Blinatumomab (Blincyto)

Approved for certain types of acute lymphoblastic leukemia, Blinatumomab was priced at approximately \$178,000 per year upon its release.

[WIKIPEDIA](#)



Palbociclib (Ibrance)

Used in the treatment of advanced breast cancer, Palbociclib's annual cost is around \$118,200.

[WIKIPEDIA](#)



Ibritumomab Tiuxetan (Zevalin)

This radioimmunotherapy for non-Hodgkin's lymphoma was one of the most expensive single-dose treatments, costing over \$24,000 per dose at the time of its approval.

[WIKIPEDIA](#)



Imatinib (Gleevec)

Initially priced at \$26,000 per year in 2001, the cost of Imatinib had risen to approximately \$120,000 per year by 2016.

[WIKIPEDIA](#)



(3) Cost benefit analyses suggest that GRAFAPEX is well worth the cost due to fewer adverse effects which results in fewer expensive days in the ICU for sick patients.

have there been any cost benefit analysis related to treosulfan in europe?

Yes, several cost-benefit analyses have been conducted in Europe evaluating treosulfan-based conditioning regimens for allogeneic hematopoietic stem cell transplantation (allo-HSCT).

Viad Medica Journals

Italy:

A cost-effectiveness analysis compared treosulfan plus fludarabine to busulfan plus fludarabine in adult patients aged 60 and above with acute myeloid leukemia (AML) or myelodysplastic syndromes (MDS). The study found that treosulfan was both more effective and less expensive, resulting in an increase of 1.11 life-years and 0.96 quality-adjusted life-years (QALYs) per patient, along with a cost reduction of €41,784 per patient. Over five years, the introduction of treosulfan was projected to generate cumulative savings of approximately €179,174.

About Science Journals

Poland:

An analysis adapted a UK-based partitioned survival model to the Polish healthcare setting, comparing treosulfan plus fludarabine to low-dose busulfan plus fludarabine in patients undergoing allo-HSCT. The results indicated that treosulfan-based conditioning was more effective, with an incremental gain of 0.78 QALYs, and less expensive by 1,139 PLN per patient over a lifetime horizon. The probability of treosulfan being cost-effective at a threshold of 155,514 PLN was 99.6%.

Viad Medica Journals +2

Viad Medica Journals +2

These studies suggest that treosulfan-based conditioning regimens may offer a cost-effective alternative to busulfan-based regimens in specific patient populations within Europe.

Here's a real world example of potential cost savings. Busulfan is often associated with a side effect called hepatic veno-occlusive disease (VOD).

Veno-occlusive disease (VOD), also known as sinusoidal obstruction syndrome (SOS), is a serious liver condition characterized by the blockage of small blood vessels within the liver. This obstruction leads to reduced blood flow, causing liver damage and potentially affecting other organs. VOD/SOS most commonly arises as a complication following high-dose chemotherapy and radiation therapy, particularly in preparation for hematopoietic stem cell transplantation (HSCT).

Jazz Pharmaceuticals sells a drug called Defitelio (defibrotide). Defibrotide is primarily used to treat VOD/SOS. In the United States, it is approved for adult and pediatric patients with hepatic VOD/SOS accompanied by renal or pulmonary dysfunction following HSCT. In the European Union, defibrotide is indicated for the treatment of severe hepatic VOD/SOS in HSCT therapy for adults, adolescents, children, and infants over one month of age.

In 2023, Defitelio generated [\\$184MM of sales](#) for Jazz Pharmaceuticals. The incidence of VOD is lower for patients treated with GRAFAPEX, and so using the GRAFAPEX instead of busulfan should result in savings for health care providers and insurers.

How Much GRAFAPEX Profit Will Drop to the Bottom Line?

GRAFAPEX likely has a 90% gross margin and management has estimated sales and marketing to support GRAFAPEX will amount to \$4MM per quarter.

Potential Contribution to the Bottom Line

Treosulfan Sales	\$100
Gross Margin	90%
Gross Profit	\$90
SG&A Cost	\$16
Operating Profit Contribution	\$74

As such, the contribution to the bottom line will be significant.

Management previously suggested that its EBITDA margin could increase to 40% with the launch of GRAFAPEX. Judging by estimates, this estimate is reasonable/conservative.

What is the stock worth?

Specialty Pharma stocks in Canada and the U.S. trade at 2.9x NTM revenue and 8.4x NTM EBITDA.

Ticker	Name	Sector	Market Cap	Enterprise Value	Last Price	EV/Sales (NTM)	EV/EBITDA (NTM)	EBITDA Margin % (LTM)	Net Debt / EBITDA (LTM)
• GUD	Knight Therapeuti...	Health Care	\$384.03M	\$302.41M	5.53	1.2x	8.0x	16.45%	-
• BHC	Bausch Health Co...	Health Care	\$2.73B	\$24.35B	7.42	2.4x	6.8x	32.56%	6.4x
• CPH	Cipher Pharmaceu...	Health Care	\$213.86M	\$243.08M	12.07	5.1x	10.2x	47.52%	2.5x
+ Add Ticker	+ New Group								
AVERAGE			1.11B	8.30B	8.34	2.9X	8.4X	32.18%	4.4X

I think Medexus can generate \$200MM of sales and \$60MM of EBITDA by 2028.

Assuming the stock trades at 2.0x revenue and 6.7x EBITDA, it will be worth ~\$11.

Medexus Potential Valuation

Target Revenue Multiple	2.0x
2028 Revenue	\$200
Target EV/EBITDA Multiple	6.7x
2028 EBITDA	\$60
Target EV	\$400
Cash	\$27
ST Debt	\$18
LT Debt	\$25
Payables	\$27
Target Market Cap	\$357
Shares Outstanding	32.0
Target Share Price	\$11.17
Upside Potential	476%
Current Price	\$1.94

Why Isn't the Stock Higher Today?

Medexus raised cash through an equity offering after Treosulfan was approved. There were two problems with the secondary offering:

- 1) The cash raised was more than I expected. I was hoping for \$10MM USD or less of equity dilution and we got \$20MM. This isn't the end of the world because it de-risks the balance sheet.
- 2) The news that Terbinafine (another pipeline product) was delayed was buried in the prospectus and management wasn't upfront about this news. This is frustrating because Terbinafine doesn't really matter now considering that Treosulfan is approved. But I can understand how investors would feel burned.

When Will the Selling Pressure End?

I think we are close.

Raymond James sold 7.5MM shares in the secondary offering. So far 3MM shares have traded.

With spin-offs that experience indiscriminate pressure, you don't typically see a bottom until at least 40% of shares have traded. We are currently at the 40% threshold.

Risks**GRAPAFEX / Treosulfan is a Huge Disappointment**

- I think this is unlikely given how much of an improvement it is versus busulfan. Nonetheless, it would be problematic given Medexus' base business is facing patent expirations.

Additional Dilution

- This seems to be a big concern for investors, but I think dilution within the next 3-5 years is unlikely. The current valuation is ridiculously low, and Medexus doesn't need additional cash. It is well capitalized and can utilize debt markets if needed in the future (current net debt to EBITDA = 0.7x). Finally, the CEO, Ken d'Entremont owns 1.5MM shares and is incentivized to maximize his stock price and personal wealth.

AT&S Austria VIE: ATS

Symbol: WBAG: ATS

Author: Jiri Janda

Contact Information: jjcasna@gmail.com

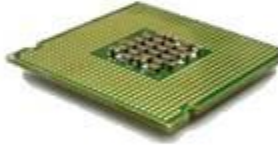
AT & S Austria VIE: ATS

ATS is high-tech PCB and ABF substrates producer. The business is with high competition and is also cyclical. The cycle is related to the semiconductor cycle. Semiconductor cycle typically last from 4 to 6 years. The biggest downturn occurred in early 2023, but there are signs of recovery now.



HIGH-END TECHNOLOGIES ...

AT&S solutions enable the most advanced electronics applications and technologies

High-End PCBs	ABF Substrates	Substrates for Modules
 - Printed circuit boards designed to support the most complex, high-density and powerful systems - In-house technologies to provide higher circuit density, better electrical behavior and signal transmission	 - ABF substrates for Flip Chip technology - Enabling packaging of high-performance Integrated Circuits across multiple applications - Highly automated, contact-free build-up process providing the best balance of performance, reliability and value	 Comprehensive solutions for modules including integration services such as co-design, simulation, architectural optimization, assembly and test services

5 AT&S Investor Presentation – H1 2024/25

... TO ENABLE HIGH-END APPLICATIONS

AT&S solutions enable the most advanced electronics applications and technologies

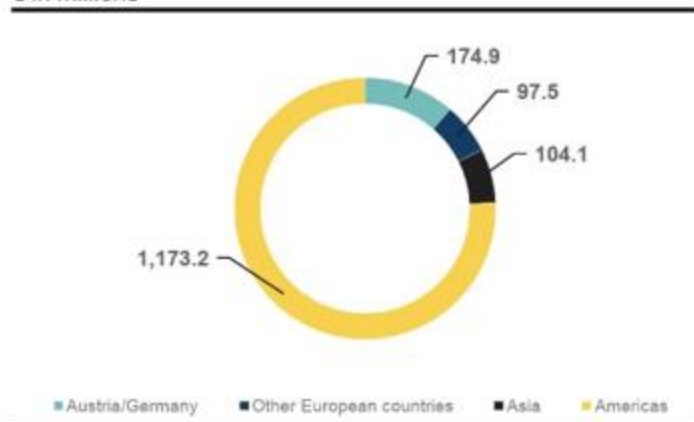
High-End PCBs	 Robots	 Smartphone	 Neurostimulation	 Consumer electronics
ABF Substrates	 Server & cloud computing	 High performance computers	 Notebooks and 2-in-1-devices	
Substrates for Modules	 Smartphones (camera, RFFE)	 Bluetooth earbuds	 ADAS systems	 M2M / C2X

6 AT&S Investor Presentation – H1 2024/25

ATS has opted to pursue expansion during the economic upturn. They created two new manufacturing sites. The leverage ratio increased to 6.1, and during the downturn in the cycle, ATS experienced more impact than its competitors. Last month ATS finished sale of ATS Korea and got leverage ratio to planned level less than 3. In 2024, they lost their CEO due to personal reasons and have not yet appointed a new one. The political situation in Austria and inflation/recession in the EU didn't help ATS either. Even though that just a small part of revenue comes from the EU.

REVENUE BROKEN DOWN BY REGION, based on customers' headquarters

€ in millions



The company's revenue is expected to rise from €1.55 billion to over €2.1 billion in FY 2026/2027, thanks to two new manufacturing sites operating from mid-2025, while keeping an EBITDA margin of 24-28%. The guidance has been revised due to market conditions and a slower than expected recovery. The previous guidance €3 billion in revenue and margin of 27-32%. The revenue of €3 billion is still feasible but a bit later than previously expected. Overall, the market does not respond favorably to that. In the last upturn, ATS performed well even without new manufacturing sites.

Přehled trhů > AT&S Austria Technologie & Systemtechnik

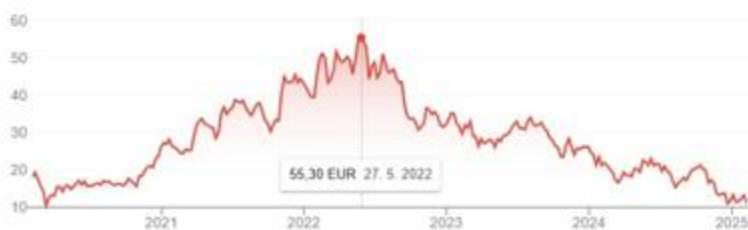
11,05 EUR

-6,94 (-38,58 %) ↓ uplynulých 5 let

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+ Sledovat

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Risk/Opportunities

Risk.:

- Longer cycle than expected due to prolonged automotive crisis.

- Recession in the USA and EU with higher inflation.
- Challenges in starting new manufacturing businesses

Opportunities.:

- The EU is planning to have strong semiconductor and chip producers. ATS might become part of it (the talks are about AIRBUS consortium model)
- In IC SUBSTRATE strong growth predicted
- AI as tailwind for whole industry

Very limited downside!

Valuation

My personal price target is €39. I own ATS at an average price €12 as 6% of my portfolio.

Conservativ	Low EITDA from €2.1 billion Revenue EBITDA margin 21%	
AT & S Austria 2026/2027e	Revenue valuation	EBITDA multiple
EBITDA	€504,00	4,6
TOTAL EV (MM)	€2 318,40	
Debt (MM)	€960,00	
Equity Value (MM)	€1 358,40	
Diluted Shares outstanding (MM)	38,85	

Fair Price	€34,97	
Current price	€11,50	
Upside/downside	204,05%	
Conservativ	EITDA from €2.5 billion Revenue EBITDA margin 25%	
AT & S Austria 2026/2027e	Revenue valuation	EBITDA multiple
EBITDA	€625,00	5,5
TOTAL EV (MM)	€3 437,50	
Debt (MM)	€1 100,00	
Equity Value (MM)	€2 337,50	
Diluted Shares outstanding (MM)	38,85	
Fair Price	€60,17	
Current price	€11,50	
Upside/downside	423,19%	

Competitors ratio	EV/Revenues	EV/EBITDA
Compeq	1,02	5,41
Unimicron Technology Corp	1,44	5,6
TTM	1,18	8,08
Tripod	1,23	5,21
Meiko	1,99	7,85
Zhen Ding	0,79	4,29
Smasung	0,83	3,4
Kyocera	1,04	10,5
Kinsus Interconnect Technology Corp.	1,55	5,93
AVG	1,23	6,25

Avidity Life Sciences

Symbol: RNA

Author: Anonymous (Miami Mike)

Contact Information: Anonymous but introduction available upon request

Investment Thesis

- Three drugs going through testing
- All have proven, significant efficacy with limited side effects
- Shareholder base includes top fundamental analyst

Runner Up Ideas:

- Eli Lilly (LLY)
- Takeda (TSE: 4502)

Cash**Symbol:** \$\$\$**Author:** Anonymous**Contact Information:** Anonymous but introduction available upon request**Summary**

To be frank, I am struggling with what could qualify as my "best" idea for 2025 and do not have one I would readily die in a ditch over.

But I'll give you a half-joking, half-serious response: Probably my best idea for 2025 is cash (at least a higher allocation in one's portfolio). I think with Trump in office and uncertainty around Tariffs + likely expanded fiscal deficits with whatever tax cuts get pushed through congress will put the Fed in a very difficult spot with inflation. I think there is a very good chance that interest rates at the very least stay elevated and a decent chance interest rates go up from here. Given that we have been in a high-interest rate environment for over a year (fairly long for the last 2 decades as a benchmark) I think we are skirting the fence on inducing a recession and in that instance, there are few industries / asset classes immune from a decline. *Not* losing money may be the name of the game for 2025...

Bank Buyouts

Symbol: Various

Author: Bill Marriott

Contact Information: bill_marriott@yahoo.com

Investment Case

This is not one idea but is something that I shared in another forum.

2025 Bank Buyout Bingo (Here is my Bingo Card)

There seems to be significant interest in bank consolidation with the new administration. Quite a few of these are former thrift conversions. Likewise many of these have been recommended by some noted bank experts on their blogs/substacks/twitter feeds/etc.

BCOW Small needs to go... 5 years old.

NSTS Just at the 3 year point on the 19th. Should not be independent. Could it be an inauguration day payoff?... apparently not by inauguration day, but perhaps soon.

PVBC Also needs to go... 5 years old.

SMAL Had a broken deal in 2019. In CA, and there was a recent CU deal in CA. Plenty more targets there. CEO is 79ish.

PROV Also in CA, if not SMAL why not PROV? Old board...who knows what greed lurks in the heart of men.

BNCC A broken clock is right 2x a day. This has been pitched over and over as a takeout, all while returning capital in massive amounts. The latest, a \$4 special.

AFBI Broken deal in GA and Lehman was involved (Is he still?). HSBI (Lehman also) broke and was taken out again in about a month. I can't imagine that they still don't want out given the number of people they talked to before, so why not have them on the list. Perhaps not a great premium here.

PDLB Just signed up to buy up those ECIP prefs, and just over the 3 year mark. Have a branch in FL now. (You could just buy all the ECIP banks and likely have a winning bingo card.)

PBBK 3 Years old and a rumored PA CU deal. Why not these guys?

WTBFB Potential for a merger or an uplist...a win either way.

TCBC I continue to think the CEO is happy in Thomasville, and the COB is General Counsel for Flowers bakery, which is a pretty great job. Both are mid 50's, but Colarion seems to think they will sell to Vystar. Perhaps they have better luck with them than HSBI.

Bonus 2025 prediction CZBS, one of 2 well run ECIP banks buys another ECIP bank.

2026 Preview:

- CPBI
- FSEA

Chain Bridge Bancorp

Symbol: CBNA

Author: Derek Pelici

Contact info: derek.pilecki@gatorcapital.com

Investment Case

We purchased shares in a recent initial public offering (“IPO”) of Chain Bridge Bancorp (“Chain Bridge” or “CBNA”). Chain Bridge has a specialty deposit business providing banking services to Republican political campaigns and political action committees. These political campaigns deposit their funds in the bank in non-interest bearing checking accounts. Because of the zero-cost deposits, the bank invests its balance sheet conservatively and still earns high returns.

We think the shares of Chain Bridge provide an attractive risk/reward at the current share price. Here’s our investment thesis:

1. **Unique Customer Focus** – Chain Bridge’s specialty deposit business brings zero-cost deposits to the bank. Chain Bridge’s customers are the Treasurers of Republican political campaigns and Political Action Committees (“PACs”). These customers value the ability to open accounts quickly with a bank that understands their accounts. These customers have a lot of money moving in and out of their accounts, so they are not interested in earning interest. Instead, they are concerned about their transactions getting completed in a timely manner. Chain Bridge’s bankers are focused on serving these customers.
2. **Deposit Franchises in Demand** – After the Regional Bank Crisis in March 2023, banks with strong deposit franchises have been in demand. We believe investors will recognize the value of Chain Bridge’s deposit franchise.
3. **High Returns** – Chain Bridge has posted high returns on equity. We expect returns to be diluted in the near-term while the bank digests the fresh capital raised in the IPO. However, we also expect the bank to leverage its fixed expense base and potentially generate higher returns going forward as it continues to grow.
4. **Virtually Zero Credit Risk** – Chain Bridge has a very small loan portfolio. 80% of its loan portfolio is single-family mortgages. Since the bank started in 2007, total loans charged-off are less than \$300k.
5. **Very Liquid Balance Sheet** – Chain Bridge has a very liquid balance sheet. Having a liquid balance sheet provides stability especially when the stock market gets concerned about a potential recession and sells down the regional banking

sector. We expect CBNA to trade with a significantly lower beta than the average regional bank.

6. **Management** – Peter Fitzgerald is the Founder and Chairman of Chain Bridge. He is a former U.S. Senator from Illinois. His father started and grew Suburban Bancorp in Chicago before selling it to Bank of Montreal in 1994. Fitzgerald was the general counsel at Suburban. His brothers currently own several private banks in Illinois. Fitzgerald brings Republican credibility to the bank. We believe Fitzgerald is a prudent banker who excels at risk mitigation. We also think he will sell the bank when the bank achieves a premium valuation.
7. **Valuation** – Chain Bridge IPO'd at \$22. We estimate Q3 tangible book value will be a pro forma \$21.50 after adjusting for the IPO. We note that book value is lower if we adjust for losses in the bank's Held-to-Maturity bond portfolio, but this issue will resolve itself in the coming years.
8. **Attractive Acquisition for a Mid-size Bank** – We believe Chain Bridge Bank would be an attractive acquisition for banks that would appreciate its deposit franchise. Ideal acquirers are Axos Bank, Enterprise Financial Services, and Western Alliance Bancorp. All three of these banks have niche deposit gathering franchises, and could easily absorb another deposit gathering franchise by acquiring CBNA. We understand that the Too Big to Fail banks don't want the headline risk of providing banking services to political campaigns. We believe mid-sized banks can make the business decision to endure the headline risk.

Some downsides to the Chain Bridge story are worth noting, highlighted by the following points: :

1. **Legacy Bond Portfolio** – Chain Bridge invests in short-term bonds, but even short-term bonds sustained losses during the rate increases of 2022-23. Chain Bridge does have some longer-term municipal bonds in its investment portfolio which will take longer to mature. We are confident that Chain Bridge has learned from this and will keep its bond portfolio invested in short-term maturities going forward.
2. **Cyclicality of the Business** – Chain Bridge's deposit base is cyclical with peaks during both Presidential and Mid-Term election years. This will cause earnings to decline in non-election years. Some investors will avoid investing in the bank due to the volatility in earnings. We are less concerned due to the high-quality nature of Chain Bridge's business.
3. **Dual-class Structure** – Chain Bridge Bancorp has a dual-class stock structure. The stated reason is to prevent an activist investor from making a political claim that would damage the bank's business. We disagree with this reasoning and believe that the dual share class should be collapsed. Some equity index

providers will not add companies with super-voting shares to their indices. With passive ownership of stocks so high in the current environment, we believe Chain Bridge's dual-class structure will result in lower passive ownership of the stock and a lower valuation.

4. **Small Company, Low Liquidity** – Chain Bridge Bancorp has a small market cap and a limited float. We expect trading in the shares to average less than 30k shares a day going forward. Some larger institutions will avoid the stock due to the lower trading volumes.
5. **Unseasoned Stock** – As a recent IPO, CBNA is an unseasoned stock. At most, we expect three sell-side brokerage firms to publish research reports on the company. Very few investors know the story of CBNA.

At the current stock price, Chain Bridge Bancorp presents an attractive asymmetrical investment opportunity. At tangible book value, investors are paying nothing for a very attractive deposit gathering franchise. We believe Chain Bridge will grow tangible book value while we wait for others to recognize the value of their franchise.

Disclaimer: The discussion of any security is meant solely as an illustration of our investment and thought process and should NOT be considered as a recommendation or suggestion to buy or sell any securities. Before you make any investment, do your own research and talk to your own financial adviser. Information in this report is received from external sources. Therefore, we can make no guarantee as to the completeness or accuracy of the information provided.

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Comstock Holding Companies, Inc.

Symbol: CHCI

Author: [Brian's Substack](#)

Contact Information: [Brian's Substack](#)

CHCI is a hidden gem in the micro-cap space, set for 100%+ growth. With a capital-light model, over 60% insider ownership, and a compelling valuation of just 11.5x recurring earnings (or just 4.5x when factoring in guaranteed revenue/incentive fees) It represents a rare and overlooked opportunity in real estate management.

Quick snapshot of financials/valuation:

Metric	2024 (Today)	2027 (Estimates)
Share Price	\$8.17	\$17.83
Market Cap	\$84 million	\$183.55 million
Net Cash	\$20 million	\$49 million*
Enterprise Value (EV)	\$64 million	\$134.55 million
Full-Year Revenue	\$45 million	\$95.85 million
Expected Recurring Earnings	\$5.5 million	\$11.7 million
Earnings Multiple (EV/EBIT)	11.5x	11.5x
Shares Outstanding	~10.3 million	~10.3 million
Insider Ownership	Over 60%**	Over 60%*
AUM	\$1.5 billion	\$3.2 billion
Managed Square Feet	4 million	9 million
Expected Return	N/A	118% total (29.71% IRR)

* Includes 3 yrs cash build and incentive fees

** 30% each by Dwight Schar and CEO

At first glance, Comstock Holding Companies (CHCI) appears reasonably priced at \$8.17 per share. With \$20 million in net cash, its enterprise value is just \$64 million. Recurring earnings in 2024 are expected to reach \$5.5 million, implying a valuation of 11.5x earnings.

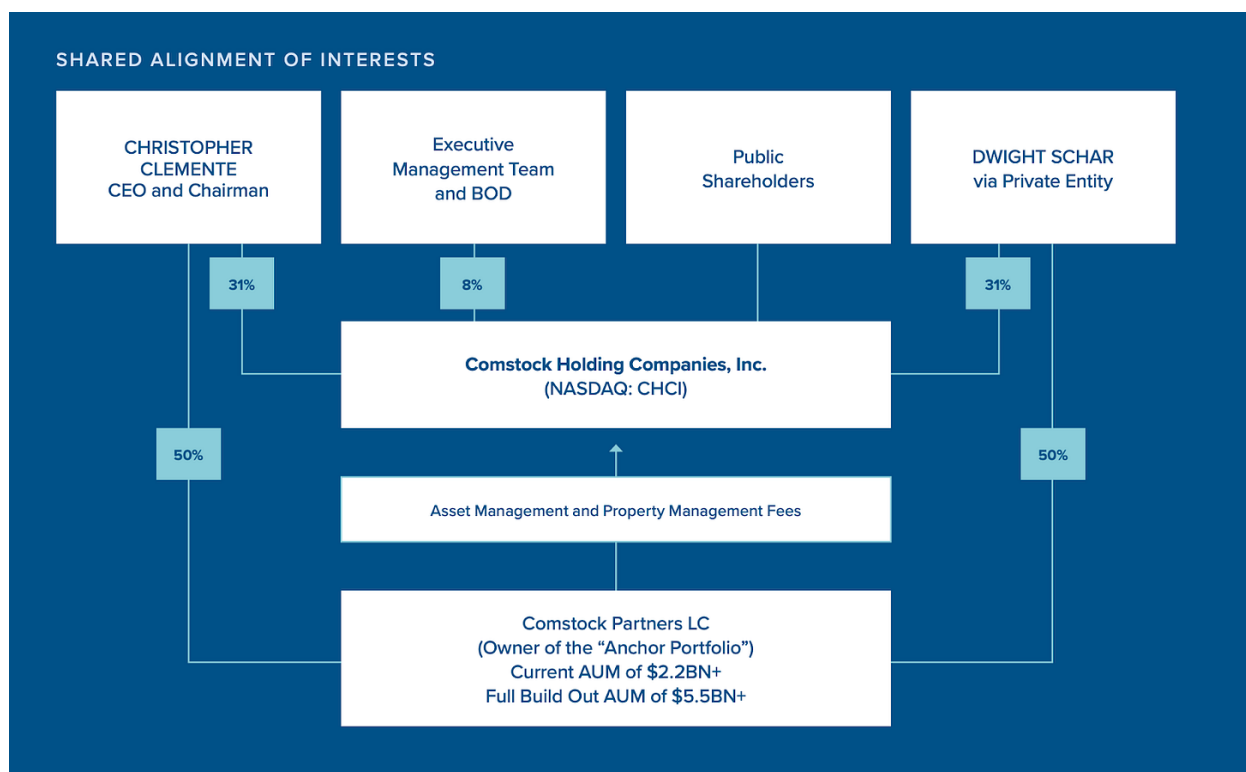
For a micro-cap real estate management company, a multiple of 11.5x doesn't initially seem particularly exciting. Some might even argue it's too expensive given CHCI's relatively illiquid status. However, upon closer inspection, there are compelling aspects to this story that warrant a deeper dive.

Management Alignment and a Legendary Investor

One of the most intriguing aspects of CHCI is management's ownership of over 60% of outstanding shares. This level of insider ownership signals strong alignment with shareholders. What's even more exciting is that Dwight Schar, the founder of the legendary homebuilder NVR, owns a 30% stake in CHCI. For context, NVR pioneered a capital-light homebuilding model that resulted in a staggering 180x increase in its stock price since 2000. CHCI's CEO, Christopher Clemente, owns an additional 30% stake, reinforcing the alignment of interests.

CHCI operates with a similar capital-light model. Rather than owning real estate, CHCI acts as a manager, collecting fees based on the revenue generated by the properties it oversees. This approach allows the company to participate in real estate appreciation while minimizing the downside risks/capex typically associated with building out properties. Notably, nearly all properties managed by CHCI are owned in a 50/50 partnership between Clemente and Schar, creating a unique setup where they effectively pay CHCI to manage their own private real estate portfolio.

This is a helpful breakdown of the unique corporate structure :



CHCI currently manages 4 million square feet of real estate, representing \$1.5 billion in assets under management (AUM). According to the most recent investor presentation, an additional 5 million square feet is either under development or in the pipeline, translating to \$3.2 billion in AUM. This expansion is expected to largely materialize by the end of 2026, representing a 113% increase in AUM. The whole thesis can basically be explained with this one screenshot taken directly from Comstocks website :



The Chart below from the 2024 investor presentation is an in depth breakdown of the 5 million square feet of property currently being developed and in the pipeline for completion by 2026:

NAME	LOCATION	ASSET CLASS	TOTAL GSF	UNITS	COMPLETION DATE
UNDER CONSTRUCTION					
JW MARRIOTT HOTEL & CONDOS	Reston Station	Multifamily/Retail/Hospitality	520,511	243 Keys/94 Condos	2025
BLVD HALEY	Reston Station	Multifamily/Retail	427,000	420	2025
TWO RESTON ROW	Reston Station	Office	254,000	N/A	2025
JEWEL BOX	Reston Station	Retail	11,786	N/A	2024
UNDER CONSTRUCTION SUBTOTAL			1,213,297	243 Keys/94 Condos/420 Units	
DEVELOPMENT PIPELINE					
HERNDON DOWNTOWN	Herndon	Multifamily	293,000	273	2025
ONE GRAMERCY	Loudoun Station	Office	187,000	N/A	2026
BLVD GRAMERCY WEST (A)	Loudoun Station	Office/Retail	187,000	N/A	2026
BLVD GRAMERCY WEST (B)	Loudoun Station	Office/Retail	187,000	N/A	2026
ONE COMMERCE	Reston Station	Office	462,000	N/A	2026
BLVD WEST	Reston Station	Multifamily	237,000	227	2026
EXTENDED STAY HOTEL	Reston Station	Hotel	145,000	140 Keys	2026
COMMERCE DISTRICT PHASE II	Reston Station	Multifamily	455,000	450	2026
LOUDOUN STATION PHASE IV (2)	Loudoun Station	Multifamily/Retail	259,000	249	2025
LOUDOUN STATION PHASE IV (3)	Loudoun Station	Multifamily/Retail	310,000	300	2025
MIDLINE DISTRICT	Reston Station	Multifamily/Retail	1,200,000	1,100	2026
1891 METRO CENTER DR	Reston Station	Office	512,000	N/A	2026
DEVELOPMENT SUBTOTAL			4,434,000	140 Keys/2,599 Units	
TOTAL UNDER CONSTRUCTION & DEVELOPMENT			5,647,297	383 Keys/94 Condos/3,019 Units	

Assuming margins remain consistent and there is no operating leverage (a conservative assumption), CHCI would effectively be trading at just 5.5x earnings by 2026. However, the story doesn't end there. Embedded within CHCI's business model are several "free call options" that could add substantial upside.

Hidden "Free Call Options"

1. ParkX - Parking Management Business

- ParkX operates as a subsidiary of CHCI and has seen explosive growth of 75% this year, with a 2024 annualized revenue run rate of \$9.5 million.
- Over 40% of ParkX's contracts are with properties outside CHCI's core Anchor Portfolio, offering uncapped growth potential.
- The expansion into adjacent services, such as security, provides additional upside.

2. Venture Platform

- Through its Venture Platform, CHCI makes small, low-risk capital investments that yield development fees and long-term management contracts.

- Example: A \$1.5 million land investment is projected to return the full investment, generate development fees, and secure property management rights. These investments are made with pre-arranged partnerships, minimizing risk.

3. Incentive Fees

- In 2023, CHCI earned \$4.8 million in incentive fees from triggering events on three assets. In 2024, an incentive fee tied to seven commercial assets was deferred.
- Assuming similar metrics, the deferred fees could amount to approximately \$11 million, expected no later than 2027. Factoring this into valuation reduces CHCI's enterprise value to \$53 million and its earnings multiple to just 4.5x.

Strategic Positioning in High-Value Real Estate Markets

Approximately 50% of CHCI's managed assets are in commercial real estate, but potential sector concerns are mitigated by:

- **Strategic Location:** Northern Virginia's proximity to economic hubs and federal institutions creates consistent demand for high-quality properties.
- **Improved Connectivity:** The Silver Line Metro expansion enhances access to Reston, Dulles Airport, and Loudoun County.
- **Supportive Land Use Plans:** High-density, mixed-use developments near metro stations are encouraged by local policies.
- **Impressive List Of Tenants Including:**

MAJOR OFFICE TENANTS



TOUS *les* JOURS

- **High Occupancy Rates**
- **Commercial Properties:** 94% leased, significantly outperforming national averages.
- **Residential Properties:** 95% leased, demonstrating strong demand and operational excellence.

Why Does This Opportunity Exist?

The market may be overlooking CHCI due to its transformation from a capital-intensive homebuilder to a fee-based management company. This transition began in 2018 and was further refined in 2022 with Dwight Schar's involvement. The company's micro-cap status and relative illiquidity also contribute to the valuation disconnect.

Risks and Mitigants

Risks:

The biggest risk to this thesis is that management has been overly optimistic about its square footage expansion projections. If there is a market downturn in CHCI's concentrated geographic area (primarily Northern Virginia near Washington, DC), the company may be forced to delay much of its pipeline or, in the worst-case scenario,

cancel the buildout altogether. This would significantly impact future square footage growth projections, and consequently, revenue and earnings growth could stall or decline.

Mitigants:

- **Trophy Properties:** CHCI's portfolio consists of high-quality properties located near metro stations, ensuring strong demand even during challenging market conditions.
- **Valuation Protection:** Even if growth halts entirely today (an unlikely scenario), CHCI would still generate \$5.5 million in recurring earnings, and it would be difficult to justify a valuation lower than 11.5x earnings.

This conservative baseline provides downside protection for investors while leaving room for upside if management's projections materialize.

Conclusion

For an asset-light, fee-based management business run by a highly competent team with a proven track record, CHCI's current valuation is simply too cheap. Between organic growth, operational leverage, and "free call options" in its model, CHCI represents a compelling opportunity for investors seeking outsized returns in the micro-cap space. With its growth path already in motion and downside protection firmly in place, CHCI offers a rare chance to invest in a micro-cap with asymmetric upside.

Custom Truck One Source

Symbol: CTOS

Author: Wyatt Sparks

Contact Information: wyatt@seameadowcapital.com

Custom Truck One Source, Inc. (NYSE: CTOS)

Enterprise Value (\$3.7bn), Market Cap (\$1.2bn)

Ownership: Platinum Equity (PE Sponsor, 2021): 69.5%, Mark D. Elin (Board): 2.3%, Fred Ross (Founder): 1.0%

Recent Transactions: Platinum & CTOS repurchased (~7.0% outstanding) shares at (\$4.00): 8-K (Feb '24)

- CTOS retired 3.5% of its shares with existing (on-hand liquidity)
- Removes Minority (PE) Overhang (See 2021 Transaction: Nesco & Custom Truck)
- M&A (Exit Liquidity): HEES & HERC (Feb '25), In 2024, Platinum sold YAK to URI

Custom Truck One ("CTOS") is a leading provider of construction equipment (i.e. specialized trucks). The underlying business consists of: Truck & Equipment Sales (TES: 50-60% of Total Revenue), Equipment Rental Solutions (ERS: 30-40% of Total Revenue), and Aftermarket Parts & Services (APS: 10% of Total Revenue). Gross Margins, however, are significantly better in the ERS (~60%) vs. the TES (High-Teens) and ASP (25%) businesses, so performance (Gross Margins, EBITDA, and FCF) hinge on ERS, which relies upon pricing (OEC) and utilization (LTA: 60-80%).

On its 3Q24 call, Mgmt. updated 2024E Adj. EBITDA to decline by ~20% vs. 2023(A): \$427.0mm. Declines were driven by lack of PX increases from lower fleet utilization rates (72.3% YTD vs. +80% in '23). Critical KPIs began to inflect in October and strength continued through 4Q (see Mgmt. Update at BAML LevFin: December). Mgmt. anticipates DD Adj. EBITDA growth in '25 (~\$400.0mm):

- 2024 Weakness: Utility & Transmission Delays (Policy Uncertainty, Permitting Delays, and Interest Rates)
 - T&D (60%): End Customer (Utility Management: PWR, MYG, Asplundh & Utilities: Duke, AEP)
 - Healthy Other Markets: Infrastructure (25%), Rail (6%), Telcom (4%), and Other (7%)
 - Rental Fleet (10,000 Trucks): ~\$1.6bn

- Project Approvals and Capital Deployment Improving: 70% of Rental Fleet is Utility-Oriented
 - Transmission (Geography & End Markets)
 - Distribution (Base Rate Approvals) and Maintenance/Repair
 - Disaster Relief/Recovery Efforts: Utilization (Tightened) and OEC (+20-30% from “Storm Work”)

The Bull Thesis: KPIs (Utilization & OEC) inflect from trough levels to normalized (or above/average) levels based on Utility CapEx spend, Data Center Demand, and IIJA (cash) deployment. As utilization rates tighten, CTOS can increase PX (which it did not do in 2024 vs. +6% in '23 and +10% in '22). Utilization tightening will support OEM sales (TES) and ASP (demand), leading to improved Gross Margins across all three of CTOS's businesses.

Complementing end-market improvements are company-specific levers to improve FCF:

- 1) Lapping significant CapEx investment (fleet). Should see % of CapEx normalize with rental fleet (avg. age ~3.2 years). 2025E: \$70 to \$100mm on Growth CapEx (unlevered ROICs: up to 20%)
- 2) Backlogs normalizing within OEM (+12 months to ~5 months), should support after-market sales for rental fleet (retirement) and working capital (needs). Floor-planning costs have improved by 100bps (since 3Q24)

There is a reasonable path to ~\$475.0mm in Adj. EBITDA ('26), which at 8.0x would value the company at ~\$3.6bn (EV), back out debt (\$1.6bn), and you get +\$9.50/share (234.0mm shares) vs. \$5.00 (today). More importantly, CTOS should have continued visibility to de-leveraging the balance sheet (~3.0x), which would allow the company to pursue accretive roll-ups and/or improved shareholder returns.

Entravision Communications

Symbol: EVC

Author: Anonymous

Contact Information: Anonymous but introduction available upon request

Investment Case

This idea is Anonymous' favorite idea, and was presented recently by Gate City Capital Management:



Entravision Communications (EVC) Investment Thesis

- In December 2022, the Company's founder and controlling shareholder passed away, which resulted in the Class B super voting shares collapsing.
- In March 2024, Entravision's stock price plunged after Meta (Facebook) decided to end its relationship with Entravision.
- Entravision has been selling the Company's international digital operations and has two valuable businesses that could still be monetized.
- Entravision owns a profitable collection of Hispanic-focused television and radio stations in the United States.
- Following the Meta announcement, Entravision has aggressively cut costs to right-size the expense structure.
- The appointment of Brendan Carr as the new FCC Chair could lead to additional consolidation in traditional media or a spectrum auction.
- Entravision continues to control valuable spectrum bands that could generate substantial proceeds in another auction.

Expedia Group

Symbol: EXPE

Author: Multiples Capital Management

Contact Information: multiplescap@gmail.com

Investment Case

Expedia Group (Market Cap \$26B, EV \$28.5B): Positioned for Growth Amid Industry Evolution

Expedia, a leading online travel agency (OTA), operates brands like Expedia, Hotels.com, and Vrbo, alongside others like Trivago and Orbitz.

While OTAs may seem competitive with major hotel chains like Marriott (MAR) and Hilton (HLT), they are also crucial distribution partners, accounting for about 50% of all online hotel bookings in the U.S., as per industry articles.

Expedia's only true main peer in the consumer-facing business is Booking Holdings (BKNG), which operates Booking.com, Priceline, Agoda, Kayak and OpenTable websites. Together these two companies essentially operate in a duopoly (estimated at 42% market share of global OTA market as per Skift Research). While Booking holds a stronger international presence, Expedia leads in the U.S. market.

I am bullish on Expedia's prospects and believe the shares today offer an attractive entry point.

Performance

The last 5 years have been good for the hotel industry as the world bounced back from COVID19 lockdowns. But despite having a better bottom line performance, Expedia's stock underperformed its peers and the S&P 500. The table below highlights key business metrics and stock performance for major OTAs and hotel brands over the past five years.

2019-2024	Expedia	Booking*	Marriott	Hilton
Revenue Grwt 5 Yrs	13%	53%	24%	23%
Op. Inc. Margin Chg	4.2 pts	-6.8 pts	20.6 pts	7.7 pts
EBITDA Grwt 5 Yrs	39%	24%	71%	30%
EPS Grwt 5 Yrs	144%	31%	118%	102%
Stock Returns 5 Yrs	64%	153%	96%	135%
Current GAAP P/E	21.5x	34.0x	33.9x	42.9x
Current EV/EBITDA	15.6x	23.4x	21.8x	29.9x
Current FCF Yield	8.9%	5.1%	2.5%	3.0%
Estimated '25 Rev Grwt	5.8%	7.8%	5.7%	7.9%
Estimated '25 EPS Grwt	18.5%	13.8%	10.3%	12.6%
# of Analysts	26	28	24	24

* Booking results are based on Q3 2024 TTM.

Source: Seeking Alpha

Today, Expedia is trading at higher free cash flow yield (9% vs 3-5% for peers) and with a forward P/E of 18.4x (14x on Non-GAAP P/E) vs 28x-34x for peers, while projecting to grow earnings at a much faster rate over peers.

Unifying Tech, Streamlining Brands and Customer Experience

Expedia's top-line growth was hindered by a major technology overhaul in recent years, which is now behind it.

Since 2020, Expedia has undergone a major transformation, unifying its technology, streamlining its brand portfolio and enhancing efficiency. This overhaul simplified operations, eliminating inefficiencies from past acquisitions and internal competition.

Expedia noted in their Q2 2024 earnings call, that the unified tech platform allowed the company to release flexible date search in all its brands simultaneously, something that wouldn't have been possible before the platform work.

Expedia also refocused on its three core brands—Expedia, Hotels.com, and Vrbo—while scaling back or divesting smaller ones like Orbitz and Travelocity.

Further strengthening its ecosystem, Expedia introduced One Key, a cross-brand loyalty program, now driving customer engagement and cross-selling. Nearly 50% of all room nights booked come from high-tier members, signaling strong adoption. With planned international expansion, this program is set to further enhance traveler retention and platform synergy.

Growth from International Expansion & B2B

With 61% of revenue from the highly competitive U.S. market, Expedia earns lower commission rates than Booking Holdings, which enjoys higher commission rates in the highly fragmented international markets where major hotel chain penetration is much lower than in the US. This is seen in Booking Holdings higher EBITDA margins (31% vs 13% for Expedia). To bridge this gap, Expedia is accelerating international expansion, with non-U.S. revenue growing 13% in 2024, outpacing U.S. growth of 3% and surging to 17% in Q4.

Expedia does not break out Vrbo's revenue but it is estimated that Vrbo has about 28% of the market share in the US (vs 42% for Airbnb), but only 2% of the European market, providing plenty of runway ahead.

Expedia's B2B segment is another key growth driver. As an industry leader, it powers travel services for major clients like Amex Global Business Travel, Marriott's vacation packages, and Cathay Pacific via white label templates. B2B bookings grew at a 16% CAGR from 2018 to 2023 and delivered 21% growth in 2024. With B2B now 30% of total revenue and the company estimating that it has only captured 3% of the addressable market, the upside potential is significant.

In addition, Expedia has initiated various cost reduction initiatives, contributing to margin expansion. This was evident in their Q4 2024 earnings which saw adjusted EBITDA grow 21% on 10% revenue growth, demonstrating strong overhead leverage.

Shareholder-Focused Capital Allocation

Expedia has been a consistent free cash flow generating business. Over the last two years, the company produced a total of \$4.18B in free cash flow, and used \$3.97B of it to buy back shares, reducing its share count by 15%.

The company also recently reinstated a quarterly dividend of \$0.40 per share (0.8% yield).

With net debt at just \$2.1B—well below its target leverage ratio—Expedia remains well positioned to return capital to shareholders through its \$3B remaining buyback authorization or potential dividend increases.

Risks

Search Engine Dependence: Expedia and all other OTA's rely on internet search engines like Google to generate website traffic. Changes in search engine algorithms or dynamics could negatively affect the placement and cost of links to Expedia's websites. Google's increasing addition of its own travel search functionality could reduce traffic to Expedia's websites.

International Expansion: Expedia could falter in its international expansion strategy. Today it lists Australia, Canada, China and the United Kingdom as its primary international markets and is reinvesting heavily to expand in the European Union.

Conclusion

Expedia has undergone a significant transformation over the past few years, streamlining its operations, unifying its technology, and focusing on its core brands. While these changes initially weighed on growth, the company is now well-positioned for future success.

With an emphasis on international expansion, a thriving B2B segment, attractive valuations and disciplined capital allocation, Expedia is poised to drive margin improvement and shareholder returns. As the company leverages its strong free cash flow and strategic initiatives, it has the potential to close the performance gap with its peers and capture greater value in the evolving online travel market.

F.I.L.A. S.p.a.

Symbol: (MIL:FILA)

Author: Federico Bogas

Contact Information: fbogas@yahoo.es

Investment Case

This idea is Federico's favorite idea, and was written up recently by Smoak Capital:

"FILA is an Italian-based company that makes pencils, paper, paints, and many other products for the fine arts, school, and hobby/leisure sectors. While you have likely never heard of FILA (and no this is not the sportswear company), you may have heard of one or more of its brands (Dixon Ticonderoga, Canson, Giotto, Strathmore, or others). FILA has assembled and grown this strong portfolio of brands through strategic M&A and operational expertise, increasing Sales and Adj EBITDA over 200% since their IPO in 2015. Most importantly, FILA completed a transformational IPO of its fast growing Indian subsidiary, DOMS, last year and the market has yet to recognize the valuation implications. FILA's stock trades at around €9.50/sh and its stake in DOMS is currently valued at over €9/sh, ascribing almost no value to the remaining business generating €105M adj EBITDA per year.

Admittedly, DOMS is currently trading at a more than healthy 35x fwd EBITDA, but slashing that valuation by over 65% to a more reasonable level still gives you extremely attractive look-through valuation (deducting DOMS stake @12x fwd EBITDA(€150M) from FILA's market cap of €487M) for the core FILA operations of 3.2x P/EBITDA and around 5-6x my estimate of 2025 FCF. US listed comparables of FILA, which look inferior by many metrics, trade at 3 or 4x that valuation. I believe US-listed peers (NWL probably closest comp) are the most appropriate because North America is FILA's largest and most profitable geography making up over 50% of Sales and nearly 60% of EBITDA.

A quick side note of the valuation of DOMS. DOMS is a very valuable and successful company in its own right, largely due to FILA's deliberate involvement in their operations, strategy, and growth since 2015 (FILA still has 4 board members on DOMS' board). Consensus Revenue growth estimates for FY26 and FY27 for DOMS are 25.8% and 22.7% respectively, and DOMS grew revenue 34.9% YoY in its latest quarter. DOMS is a profitable, fast growing business with a large runway ahead of it as India's per capita spending on stationery and art material is far behind other developing countries and should continue to increase. At the time of their IPO, FILA's projection was for DOMS to grow revenues and profits by 20% per year for the next 5 years. DOMS looks to be easily on pace to match that and likely exceed it. Given their fast

growth, high margins, and strong profitability, it's not hard to see why the market has awarded DOMS with a high multiple of EBITDA. One can quibble about whether DOMS is worth 10x, 20x, or 30x EBITDA, but no matter what it has substantial value as well as FILA's core operations.

FILA's most iconic and well-known brand in the US is Dixon Ticonderoga. Despite being introduced more than 100 years ago, Ticonderoga is still the #1 graphite pencil brand in the US with over 50% market share. If the name doesn't ring a bell at first, the iconic yellow and green #2 pencils with "TICONDEROGA" in green lettering certainly will. Not to be outdone, FILA's portfolio of fine art paper brands (Canson, Strathmore, and others) boast over 50% market share globally. FILA also owns many other brands which are strong in their own product categories and geographies (paints, brushes, markers, modeling clays, and more). Because of FILA's breadth of product and geographic diversification, its cash flows are extremely resilient as evidenced by its track record of no year below a 10% operating margin since 2010.

FILA's business is seasonal with a particularly strong period during back-to-school shopping.

During the 4th quarter, when receivables from this period are paid down, FILA generates a large portion of its cash flow for the year. FILA also sold another 4.6% of its ownership in DOMS in December for €91M. Because of these factors, net debt will be much improved at YE from the end of Q3, perhaps down to only 1-1.5x EBITDA. Historically, FILA has been very focused on paying down debt (reduced net debt by over €220M since end of 2018), often taken on during its large acquisitions. I believe management's focus has not changed and the company could be debt free by as early as 2027, likely spurring them to search harder for accretive M&A. As an added benefit, FILA has revised its dividend payout target going forward to 20-40% of adjusted earnings so dividends will increase substantially going forward.

I believe FILA's stock represents an incredible value for a high quality business with iconic

consumer brands at only 3.2x core EBITDA when assigning a reasonable valuation to DOMS. If both pieces are valued at even close to fair value, I believe upside is in excess of 100%. I also believe that improved earnings, FCF, and net debt in 2025 will be a catalyst for shares to begin to re-rate. If you're interested in learning more about FILA I would suggest starting with their in-depth capital markets day presentation from November 2024."

Fulgent Genetics

Symbol: FLGT

Author: Brian Harper

Contact Information: bh@harperasset.com

Investment Case

My idea is Fulgent Genetics (FLGT).

Fulgent was a covid highflier as they gushed cash flow from 2020-2012 on covid tests. They also did follow-on offerings, selling add'l shares at \$42/shr during those years.

As a result they piled up a war chest of \$815 million/\$27/shr in cash, no debt and trade at around 60% of cash.

The company retains a specialty lab testing business which does ~ \$280 mil a year in revenue. The underlying specialty business is growing in high single digits, but the top line is obscured by covid testing having ceased. In the third quarter of 2024, the specialty business grew 9.1% excluding the covid testing contribution from the prior year.

The CEO, Ming Hsieh, previously ran a biometric testing business, Cogent, which he sold to 3M in 2010 for just under a billion gross/around \$500 mil in EV. After the sale, he promptly founded Fulgent. He's 69 years old and owns 29% of the company, now worth about \$150 million. He is Chinese born, but is a US citizen and long-time resident and got his masters at USC, and has been a generous philanthropist to the school and other organizations.

Fulgent has a drug development business which is generating an estimated ~ \$20 mil a year in losses. They expect to execute enrollment for a clinical trial on their lead candidate in early 2026.

On an overall basis, the company is about breakeven on an adjusted EBITDA basis.

In short, you have a net-net where the CEO has a lot of skin in the game, which also has a specialty lab testing business given away for free, plus optionality on the drug devo business. The company has some genetic testing IP which was acquired and developed over the years.

The main risk from a stockholder perspective is the company spending the cash hoard on an overpriced acquisition. They did do a couple of acquisitions in prior years, a total of about \$220 million. The company had been repurchasing shares in 2022-23, but did not in the first 9 months of 2024 despite a much lower share price. I think the stock has some degree of hangover from the shareholder base who played it during the Covid years. Furthermore, there doesn't seem to be an immediate catalyst at present, and activism is unlikely given the CEO's substantial stake.

That said, it's not often you can buy ~ \$820 million in cash, a \$280 mil specialty testing business, and optionality on new drug development for a current price of \$486 million.

We are long FLGT.

High Arctic Energy Services

Symbol: TSX: HOH

Author: Bob Snyder

Contact Information: BSnyder@cig.com

Investment Case

Selling at \$1.26 CAD with \$1.72 in CAD cash providing substantial downside. They have all the equipment (in good shape) necessary for the drilling companies when a contract is let by the Papua New Guinea Government, anticipated for this year.

Since the rental prices should be available soon after the contract is decided, the stock should react fairly quickly to the future earnings potential.

Kelly Services

Symbol: KLYA

Author: Colin King

Contact Information: colin@circlecitycapitalgroup.com

Investment Case

Kelly Services Inc (KELYA)



\$KELYA 5yr chart

Two things caught my eye with this one: 1) the staffing industry is ridiculously beaten down; and 2) despite crummy industry performance, management is going on the offensive.

What they do...

Kelly Services (KELYA) is a staffing firm with revenue coming from a few sources...

- Traditional temp staffing is generally billed to customers on a per-hour basis (major working capital lag on this revenue stream)
- Placement services for direct hires are billed when an employee starts working for the customer

- Talent solutions usually have a fixed fee structure for managing various pieces of the customer workforce (hiring, HR, payroll, etc.)

It's a highly cyclical business model with significant working capital intensity

Seasonality and Economic Cycles

Our operating results have historically been affected by the cyclical response to both economic downturns and upswings. Customers use our services to supplement their existing workforce and generally hire permanent employees when long-term demand is expected to increase. As a consequence, our revenue from services tends to increase when the economy grows. During periods of increasing demand, we are generally able to improve our profitability and generate operating leverage. Conversely, our revenue from services decreases when the economy declines and customer demand for our services also declines. When demand drops, our operating profit is typically impacted unfavorably as we experience a deleveraging of our selling and administrative expense base which may not decline at the same pace as revenue. Our business also experiences seasonal fluctuations each year, particularly in our Education operating segment. Revenue in Education is generally lowest in the third quarter in line with schools' summer break.

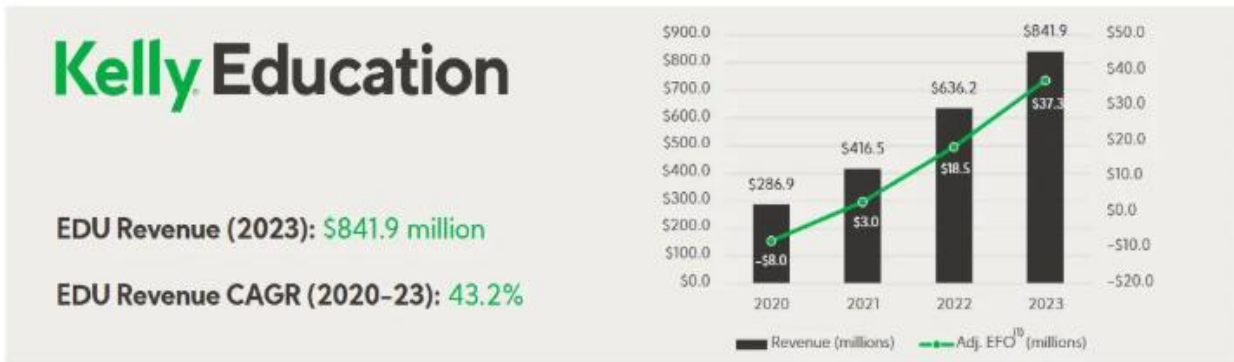
Working Capital

Our working capital requirements are primarily generated from our staffing businesses resulting from employee payroll which is generally paid weekly or monthly and customer accounts receivable which is generally outstanding for longer periods. When we operate as a managed service provider, our payment terms to suppliers are generally in line with payment terms from customers, which does not result in a significant use of working capital. Based on the nature of our business, accounts receivable is our most significant asset with days sales outstanding ("DSO") of 59 days as of December 31, 2023. Since receipts from customers lag payroll payments to temporary employees, working capital requirements increase and operating cash flows may decrease substantially in periods of growth. Conversely, when economic activity slows, working capital requirements may substantially decrease and operating cash flows increase. Such increases dissipate over time if the economic downturn continues for an extended period.

The staffing industry as a whole is quite large and extremely fragmented. There are subsets of that industry with varying margin profiles, growth rates, and competitor concentration. Today, KELYA operates in 4 areas within the staffing market:

1. Professional & industrial (36% of 3Q24 sales) — finance, accounting, admin, call center, light industrial
2. Science, engineering & technology (39%) — highly specialized and skilled staffing in SET industries
3. Education (14%) — Pre-K-12 staffing (largest provider of substitute teachers)
4. Outsourcing & consulting (11%) — global talent supply chain and workforce solutions, including Managed Service Provider ("MSP"), Recruitment Process Outsourcing ("RPO"), Payroll Process Outsourcing ("PPO")

SET and Education segments have considerably higher EBITDA margins than the others. KELYA is the largest player in the education staffing market which is growing nicely (even in the face of broader industry challenges) — this segment looks like a potential gem.



Education segment overview

Why it's interesting...

1. Beaten down industry
2. Business pivot via capital allocation
3. Valuation + outlook

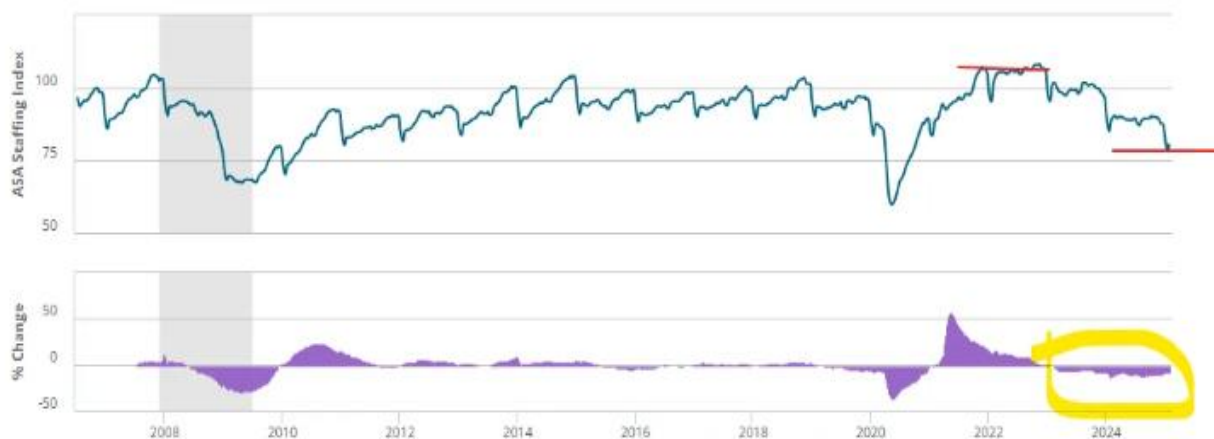
1) Beaten up industry

It'd be hard to find an industry more beaten down than staffing... most of these stocks are down 30-40% over the past year. Estimates are coming down too; though not quite as fast as share prices. Stocks are trading at a median ~8x EBITDA multiple and generally in a 6-8x range (KELYA is potentially the cheapest in the industry at <5x).

Ticker	Market Cap	EV/Sales (NTM)	P/E (NTM)	EV/EBITDA (NTM)	P/B (LTM)	EBITDA Margin % (LTM)	EV/EBITDA (LTM)	Total Revenues, CAGR (1Y TTM)	Total Return (1Y)
* STAF	\$4.24M	0.2x	9.9x	5.2x	-	-5.93%	-	13.64%	-9.79%
* JOB	\$25.41M	-	-	-	0.3x	-2.40%	-	-23.59%	-44.98%
* BGSF	\$57.32M	0.4x	-	8.3x	0.7x	4.29%	7.5x	-11.12%	-48.47%
* MHH	\$150.54M	0.7x	13.5x	-	1.7x	4.16%	13.5x	-8.49%	50.23%
* TBI	\$216.67M	0.2x	-	17.0x	0.7x	0.03%	10.8x	-15.12%	-43.96%
* RGP	\$264.07M	0.4x	12.8x	6.4x	0.8x	4.44%	6.3x	-17.38%	-35.64%
* KELYA	\$466.70M	0.2x	5.8x	4.2x	0.4x	2.33%	5.6x	-9.60%	-36.23%
* KFRC	\$944.57M	0.7x	19.4x	11.6x	6.1x	5.19%	12.3x	-8.26%	-21.10%
* AMN	\$959.84M	0.8x	16.2x	8.9x	1.1x	10.09%	6.6x	-25.12%	-66.01%
* MAN	\$2.68B	0.2x	14.3x	7.8x	1.3x	2.20%	6.3x	-5.61%	-17.56%
* ADEN	\$4.05B	0.3x	9.1x	8.2x	1.1x	3.67%	6.2x	-2.85%	-36.04%
* RHI	\$6.02B	1.0x	23.1x	13.9x	4.1x	5.08%	19.3x	-9.33%	-23.07%
* RAND	\$7.52B	0.4x	13.3x	7.8x	1.6x	3.02%	8.8x	-7.73%	-14.60%
+ Add Ticker	+ New Group								
MEDIAN	466.70M	0.4X	13.4X	8.2X	1.1X	3.67%	7.5X	-9.33%	-35.64%
AVERAGE	1.80B	0.4X	13.7X	9.0X	1.7X	2.78%	9.4X	-10.04%	-26.71%

Peer valuations

I'm not arguing the industry is set to turn a corner (yet). The ASA staffing index is way below 2022-2023 levels (and significantly lower than the 2011-2019 post-GFC period).



ASA staffing index ([link](#))

Guidance from peers is abysmal... Manpower (MAN) calling for double digit revenue declines in 1Q25 and Robert Half (RHI) with this chart highlighting 6 straight quarters of double-digit revenue declines in staffing:

		Year-Over-Year Growth Rates (As Reported)					
		2023		2024			
		Q3	Q4	Q1	Q2	Q3	Q4
Global							
Finance and accounting		-16.0	-17.2	-17.5	-13.6	-9.2	-9.5
Administrative and customer support		-21.5	-18.7	-8.9	-9.8	-9.2	-8.8
Technology		-21.3	-21.7	-18.6	-13.1	-6.1	-3.5
Elimination of intersegment revenues (1)		-24.2	-26.6	-10.3	1.4	21.6	18.9
Total contract talent solutions		-17.3	-17.2	-16.7	-14.5	-11.9	-11.5
Permanent placement talent solutions		-23.3	-22.0	-20.4	-12.2	-11.9	-11.1
Total talent solutions		-18.1	-17.8	-17.2	-14.2	-11.9	-11.4
Protiviti		-6.0	-7.1	-6.1	-0.9	6.4	5.3
Total		-14.7	-14.7	-14.0	-10.2	-6.3	-6.1

Robert Half quarterly revenue trends

How does this make for an attractive investment? Investor skepticism is high, expectations are low (and getting lower), and valuations are resetting against lower numbers (hopefully nearing a trough).

2) Business pivot + capital allocation

While the industry carnage has been underway, KELYA has been making changes...

Since FY20, KELYA sold ~\$525m worth of assets (business units and equity investments) and deployed >\$900m into a series of acquisitions, including a \$425m acquisition in FY24. That's a massive pivot for a sub-\$500m market cap!



Strategic plan timeline

So what changed?

On the divestiture side, they've sold idle / non-earning assets in equity investments (earnings impact should be negligible). Real estate was monetized. And they've exited most of their international operations (Europe, Brazil, Russia).

The largest of 7 acquisitions since 2020 was IT staffing firm Motion Recruitment Partners (MRP) in May 2024 for \$425m. MRP was on the pricier side at 0.8x 2023 revenue and 11x EBITDA, but it gives KELYA more exposure to the higher margin IT staffing market. MRP's 7% EBITDA margin is juicy compared to the 2-3% margins at legacy KELYA. Note: shares are down 40% since this acquisition closed.

I can't emphasize enough how dramatic this recycling of capital is... take a look at the balance sheet and you'll find a long-running net cash position which flipped to net debt recently. You'll also find steadily increasing tangible book value which peaked at ~\$31/share in FY23 before plummeting to \$18/share today (mainly from the MRP acquisition).

...but maybe this pivot is set to payoff?

Current guidance for 2024 is >\$130m EBITDA (+20% from 2023) and analyst estimates call for solid EBITDA growth in 2025 at a time when peers have lost 30-40% of their prior peak EBITDA. Hmm...



3) Valuation

The stock is plain cheap regardless of whether you believe results will improve going into 2025. At \$13/share x 35.6m shares outstanding = \$470m market cap. Net debt is \$196m for a ~\$660m EV.

Capital Structure		Valuation		
KELYA	\$13.13	<u>EBITDA</u>		
Share count	35.6	FY22	\$103	6.4x
Market cap	467.6	FY23	\$99	6.7x
		TTM	\$102	6.5x
Net debt	196.0	<u>FCF</u>		
EV	663.6	FY22	(\$88.3)	-5.3x
		FY23	\$61.4	7.6x
		TTM	\$43.2	10.8x

Tangible book value is \$18/share for a 0.73x multiple (roughly in-line with long-run historic median).

Balance Sheet				
	Share count	TBV	TBV/share	Net Debt (Cash)
FY14	37.7	\$741	\$19.6	\$9
FY15	38.0	\$804	\$21.2	\$13
FY16	38.2	\$923	\$24.1	(\$30)
FY17	38.4	\$1,026	\$26.7	(\$22)
FY18	38.9	\$1,036	\$26.6	(\$33)
FY19	39.1	\$1,087	\$27.8	(\$24)
FY20	39.3	\$1,137	\$28.9	(\$223)
FY21	39.4	\$1,089	\$27.7	(\$113)
FY22	37.2	\$931	\$24.8	(\$153)
FY23	35.3	\$1,103	\$31.3	(\$126)
TTM	35.6	\$644	\$18.1	\$196

Balance sheet summary

Trailing 12-month net income on a GAAP basis is ~\$42m or \$1.20/share = 10.9x P/E. Again, that's zero credit for any uplift from acquisitions or growth.

Income Statement

	Revenue	EBITDA	Margin	Net Income	Per Share
FY14	\$5,563	\$56	1.0%	\$23.7	\$0.63
FY15	\$5,518	\$89	1.6%	\$53.8	\$1.42
FY16	\$5,277	\$88	1.7%	\$120.8	\$3.16
FY17	\$5,374	\$106	2.0%	\$71.6	\$1.86
FY18	\$5,514	\$114	2.1%	\$22.9	\$0.59
FY19	\$5,356	\$122	2.3%	\$112.4	\$2.87
FY20	\$4,516	\$59	1.3%	-\$72.0	-\$1.83
FY21	\$4,910	\$82	1.7%	\$156.1	\$3.96
FY22	\$4,965	\$103	2.1%	-\$62.5	-\$1.68
FY23	\$4,836	\$99	2.1%	\$36.4	\$1.03
TTM	\$4,373	\$102	2.3%	\$42.6	\$1.20

Income statement summary

At \$132m EBITDA, I get \$2.40/share in earnings. Interest is running \$4.4m per quarter (\$18m per year), D&A guided \$14m in Q4 but capex should be \$20m or less per year, and taxes are a mid-teens rate. Ignoring working capital which is a drag during growth years and tailwind during declining years, that works out to \$2.40/share in EPS (owner earnings technically).

Peers are trading between 12-14x earnings currently. Using a 10x multiple, that would make KELYA a \$24 stock (almost a double from here). If consensus estimates prove right and EBITDA is closer to \$170m in 2025, that would mean ~\$3.30/share in owner earnings. Hmm...

I don't want to lean on consensus estimates or guidance too much so I'm asking myself whether past numbers are attractive on their own. Given what peers are going through, I find it impressive that KELYA is guiding to positive organic growth in Q4 (reporting this week) and a big uplift in margins.

Summing it up...

These are not great businesses (staffing) and I've got no clue when the industry cycle will begin to turn. That said, this is a really interesting setup. Partly via the broad business changes via capital allocation, and partly from the aggressive stance management is taking.

A final "tell" which probably gets me over the hump to buy this one... 1) insiders bought a modest amount of stock in November; 2) management is pouring on the gas with continued acquisitions; and 3) they [announced a \\$50m share buyback](#) (>10% of market cap) in December.

This idea has the makings of a nice inflection point investment. Leave a comment if you've looked at the business or others in the staffing industry.

Disclosure: I don't own shares but will likely purchase a small position before Q4 earnings on Thursday 2/13.

Resources:

- [2023 Form 10-K](#)
- [3Q24 Form 10-Q](#)
- [3Q24 investor presentation](#)
- [June 2024 acquisition slides](#)

MGM Resorts International

Symbol: MGM

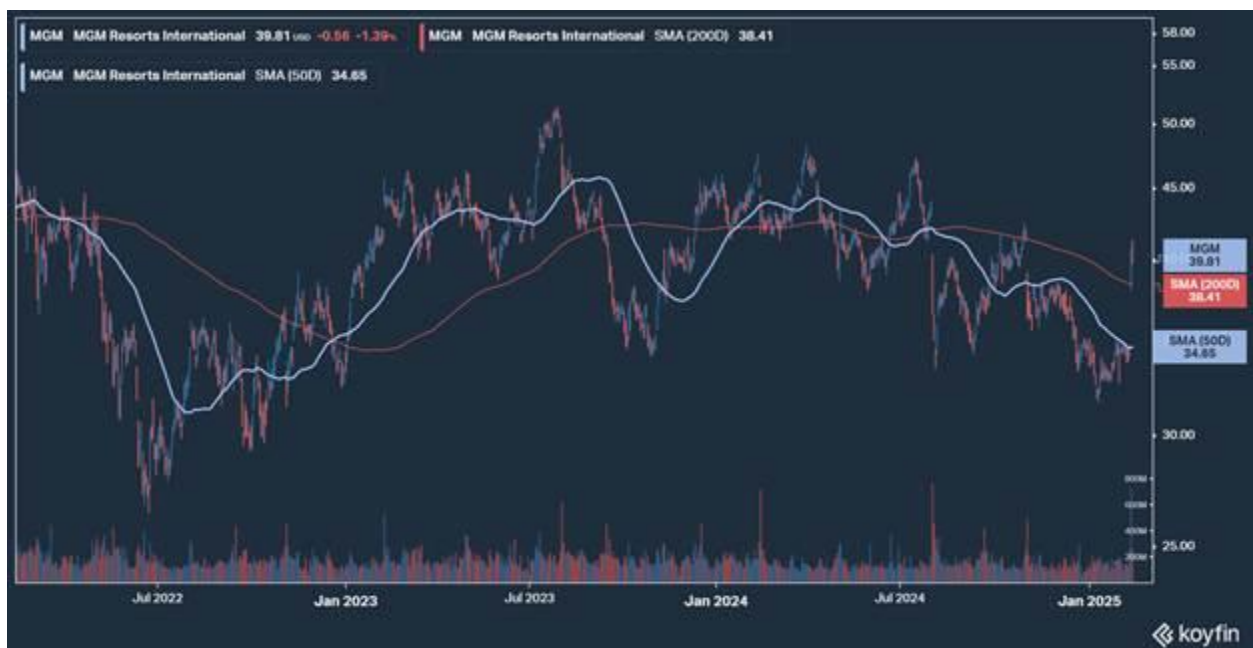
Author: Anonymous

Contact Information: Anonymous but introduction available upon request

MGM-“Don’t Play the Game, Own the Casino” (\$39.81 2/14/25)

Company Description (taken from 2023 10-K): MGM Resorts International is a global gaming and entertainment company with domestic and international locations featuring best-in-class hotels and casinos, state-of-the-art meeting and conference spaces, incredible live and theatrical entertainment experiences, and an extensive array of restaurant, nightlife and retail offerings, and sports betting and online gaming operations.

As of December 31, 2023, we operate 16 domestic casino properties and, through our 56% controlling interest in MGM China Holdings Limited operate two casino properties in Macau. We also have global online gaming operations through our consolidated subsidiary LV Lion Holding Limited (“LeoVegas”) and our unconsolidated 50% owned venture, BetMGM, LLC (“BetMGM”). We also have a 50% ownership interest in Osaka IR KK, an unconsolidated affiliate, which plans to develop an integrated resort in Osaka, Japan.



Key Investment Considerations:

- We are believers in Las Vegas; MGM has premier assets here.

- MGM China post Covid Rebound.
- Multiple opportunities outside of Las Vegas.
- Excellent Capital Allocation-Buybacks, buys/sells (Mirage, Gold Strike, Cosmopolitan) and VICI transaction.
- BetMGM is Recovering!
- Lumpy 20% over smooth 15%. Value will be realized eventually somehow!
- Undemanding valuation, especially on key US assets.

What's the case and what's the upside?

There are a lot of ways to win at MGM and we are hopeful that 4Q24 results demonstrated this concept. The best way to think about MGM is as 4 units: US Casinos (which we would probably divide into Las Vegas Strip and Regionals), MGM China (they own 56% of it, rest is floated in Hong Kong under ticker 2282 HK), BetMGM (online iGaming and Sportsbook in the US which is 50% owned with Entain), and MGM Digital (BetMGM outside of the US as well as LeoVegas).

US Casinos: This is the dominant piece of value at MGM. The company has a great position in Las Vegas, which we believe is a growing market that is a destination for travelers throughout the world. Here is a map of MGM's locations on the Las Vegas Strip (circled below). While there are tough comps in 2025 as the company laps Super Bowl LVIII which was played in Las Vegas as well as the renovation of the MGM Grand, the company is optimistic that EBITDA will grow in 2025. The company is also benefitting from an agreement with Marriott to list rooms on Marriott Bonvoy to fill any excess room capacity. The Regional business is solid and very profitable, highlighted by MGM National Harbor.



MGM China: MGM China consists of two casinos in Macau. MGM owns 56% of MGM China and consolidates this business. I tend to look at it on a mark to market basis and back out the net debt held at MGM China to get a core MGM value. This business is benefitting from a delayed COVID rebound and trades at ~6.5x EBITDA, which also feels a bit low.

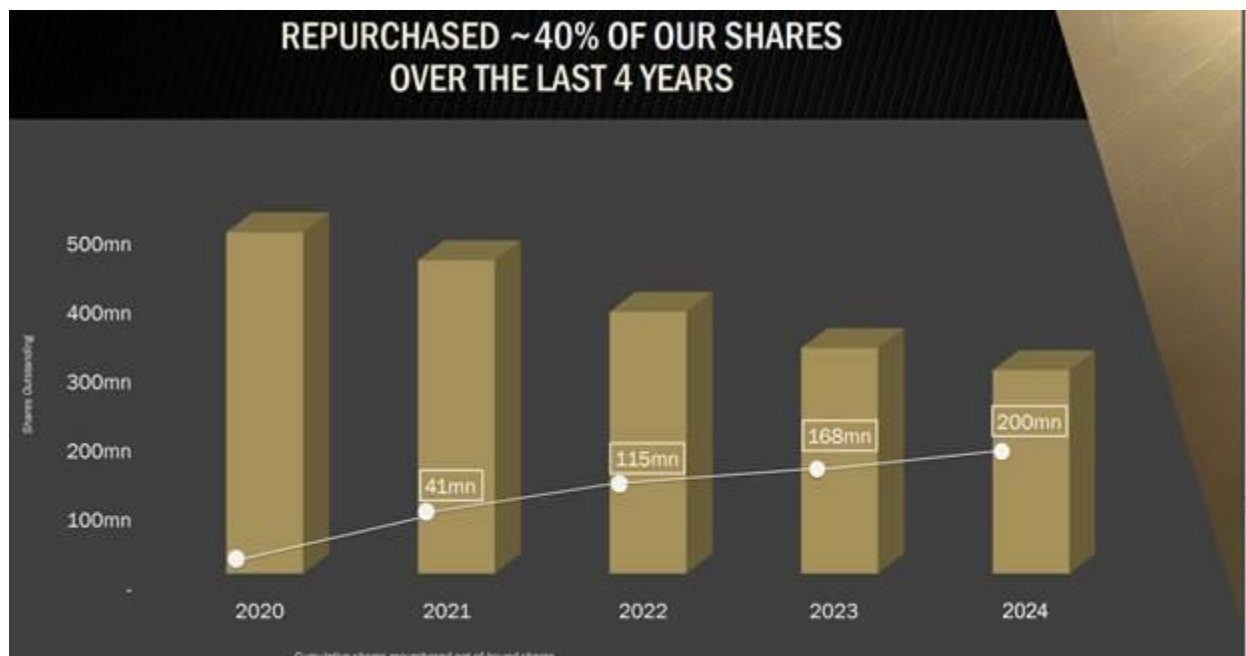
BetMGM: Until recently, this business was a little bit of a black mark for MGM, as it was a distant number 3 behind DraftKings (DKNG) and FanDuel (owned by FLUT) and the forward trajectory was murky. That said, the company's annual update a few weeks ago was a significant catalyst as it showed BetMGM is back on track and moving towards breakeven in 2025. The company's mid range \$500mn EBITDA target seems in place and represents a upside lever for us going forward.

MGM Digital: This piece is the least understood within MGM and basically includes "everything else" the company is working on. That said, the company broke out this unit for the first time in 4Q24; it represents \$500mn in revenues and EBITDA losses of around \$80mn. The "but" here is that the company said they are actively investing in the business here; without that the segment would be solidly profitable.

A Word on Capital Allocation:

MGM generates significant cash flow (I would estimate over \$4 per share, but that does include MGM China as well) and has done some fantastic buying and selling of properties over the past few years, including selling their properties to VICI at a favorable lease rate right before interest rates increased. What have they spent the

proceeds on? Mainly buying back their own stock at prices around these levels. Below is a slide from the 4Q24 results (and does not include another 8mn shares, or 2%+ of outstanding repurchased in January 2025). Going forward, it is less clear how many shares the company will be able to buy back as they plan on paying a license fee for a casino in New York state, and funding another exciting development in Osaka, Japan, but the company has clearly “put its money where its mouth is!”



Putting it Together: I tend to think of MGM as a Sum of the Parts case where we work backwards and look at fulcrum points. The quick summary is there are a lot of \$5 and \$10 bills per share lying around here.

Here is a synopsis:

MGM Share Price	\$39.81	2/14/2025
Shares	<u>299.447</u>	4Q24
Market Cap	\$11,921	
Less 56% of MGM China	\$2,847	2/14/2025
Less 50% Value of Bet MGM	\$2,000	
Plus MGM Net Debt	<u>\$2,785</u>	4Q24
Adjusted EV	\$4,289	
Calculated EBITDA	\$1,324	4Q24
EV/EBITDA of MGM US	3.2x	

In the above analysis, I have marked MGM China to market (which I think is pretty cheap at 6.4x EV/EBITDA), and taken their \$3bn of debt and \$700mn in cash out of MGM's Net Debt calculation. My estimate for BetMGM is 8x their \$500mn target; the multiple is very conservative to reflect the uncertain time frame of achievement; what I feel comfortable in is that the segment is back on the right track, a change from this time last year. That leaves us a very conservative Stub MGM trading at 3x EV/EBITDA and is absorbing \$75-\$80mn of losses at MGM Digital and \$400 mn of non cash rent. I am confident the private market value here is significantly higher than the current market cap.

Here is some arithmetic for you:

1. Each multiple point on MGM US: ~\$4.50 per share
2. Each multiple point on MGM China: \$2.00 per share
3. Each multiple point on \$500 mn of BetMGM at 50% ownership: a little less than \$1 per share.
4. Each multiple of revenue on MGM Digital as it moves to profitability: \$1.75 per share.

And in the medium/longer term we still get upside on NY Casino and MGM Osaka! And the company will most likely continue to buy back shares!

Biggest risks are the lease obligations (~\$26bn) and how they are considered/screen. (I don't consider them as debt, but acknowledge the rent expense). Another concern is a general "growth rate" for the company. There seems to be always a tough comp every year, be it the Super Bowl, or Formula 1, etc.

Finally, given the overall debt picture here, I could see this stock as a lumpier way to returns as I still think there is a non-zero chance private equity or someone else buys this company, but a \$60 Fair Value or higher is not an arithmetic stretch by any means. I can get there just by putting a 7 multiple on MGM US, far from aggressive. I would also point you to CEO Bill Hornbuckle's comments in the 4Q24 transcript, he said he thought the stub was trading around 4x EV/EBITDA. That is higher than my math but directionally correct.

Mineros S.A.

Symbol: TSX: MSA

Author: Anonymous

Contact Information: Anonymous but introduction available upon request

Investment Case

Mineros ([MSA.TO](#)) could be one of the cheapest investible gold miners globally, maybe even the cheapest.

Mineros is a company with steady production (>200k oz/yr), ample reserves, two jurisdictions, a net cash position, a CEO with a master's from Harvard, and a new majority shareholder with deep mining expertise holding board seats.

However, net of cash, Mineros sells for just ~2x earnings, ~1x EBITDA, and a FCF yield in excess of 50%.

How could Mineros possibly be this cheap?

While Mineros was founded in 1974 in Colombia, it only started trading on the Toronto Stock Exchange in 2021. Not long after, the company's mine in Argentina saw losses from the country's currency crisis. Mineros sold that mine in September 2023.

What we have now is a company that has only been listed in North America for a couple of years, that sold a mine that was obscuring earnings, has a net cash position, and would need to trade at 6-8x earnings to be in-line with peers.

While investors are just starting to figure out how cheap Mineros really is (note the price chart), holders are paid a dividend while waiting (dividend in USD, share price in CAD).

In March's Annual General Meeting it will be interesting to see if Mineros chooses to continue special dividends, initiate a buyback or tender, or something different.

After all, generating >50% of your enterprise value in cash each year presents its own unique challenges.

Good luck out there.

Not investment advice, not an offer to buy or sell securities

MSCI Argentina ETF

Symbol: ARGT

Author: Domagoj Duvnjak

Contact Information: domagoj.duvnjak@outlook.com

Investment Case

ARGT Investment Case: Harnessing Argentina's Resurgence through Soros's Reflexivity

The Global X MSCI Argentina ETF (ARGT) offers a compelling investment opportunity, driven by President Javier Milei’s libertarian reforms. Using Soros’s concept of reflexivity, we see how changing perceptions and economic progress can amplify growth.

Economic Transformation: Milei’s policies—fiscal discipline, tax cuts, and proentrepreneurship initiatives—drove a 61% surge in ARGV in 2024, fueled by falling inflation, a fiscal surplus, and a 60% reduction in country risk. With GDP growth projected at 5.5% for 2025, Argentina’s recovery gains momentum

Valuation Insight: Current indicators reinforce ARGV’s attractiveness. As of January 2025, the P/E ratio improved from 18.3 (2023) to 17.69, and the P/B ratio decreased from 2.29 to 2.12, highlighting increased value. Additionally, a 12.5% return on equity underscores the strength of ARGV's holdings.

ETF Characteristics As of 01/17/25

Return on Equity ?	12.50%	
Weighted Avg. Market Cap ?	20,635 M	
	2023	2024
Price-to-earnings ?	18.30	17.69
Price-to-book value ?	2.29	2.12

Source: AltaVista Research, LLC

Reflexivity at Work: Soros's theory posits that investor sentiment and economic reality interact in a feedback loop. As Milei's reforms bolster confidence, foreign capital inflows drive economic growth, which in turn enhances sentiment—an upward spiral that ARGT is positioned to capture through holdings like MercadoLibre and YPF.

Risks and Reflexivity's Shield: Risks such as political uncertainty and concentration in MercadoLibre persist. Yet, Soros's framework suggests that positive feedback from improving fundamentals and investor optimism can help buffer these risks.

Conclusion: ARGT stands at the nexus of Argentina's economic transformation and reflexive market dynamics. With attractive valuations and structural reforms fueling momentum, ARGT is a prime vehicle for investors to leverage Argentina's resurgence and the self-reinforcing cycles of Soros's reflexivity.

OppFi Inc

Symbol: OPFI

Author: JT Crownover

Contact Information: jcrownover14@gmail.com

Investment Case

Here are a couple tag lines from their website:

OppFi is a tech-enabled, specialty finance platform that broadens the reach of community banks to extend credit access to everyday Americans

We facilitate safe, simple and more affordable credit access to the 60 million everyday Americans who currently lack traditional options while rebuilding their financial health.

Full Year 2024 Guidance Update From last Quarterly Report:

- Affirm total revenue for the year
 - \$510 million to \$530 million
- Raised adjusted net income
 - \$74 million to \$76 million, from previous range of \$63 million to \$65 million; and
- Increased adjusted earnings per share
 - \$0.85 to \$0.87 from previous range of \$0.73 to \$0.75, based on approximate weighted average diluted share count of 86.5 million
- In April 2024, issued a \$.12/sh special dividend and authorized a \$20M share repurchase.

Though my pick for 2025 has had a massive run up, I believe there is still plenty of opportunity for additional upside. Founded in 2012 by Todd Schwartz in Chicago, IL to provide improved credit opportunity to low credit worthy individuals. Todd's goal was to create better credit options for individuals in short term financial difficulties or "life emergencies" as compared to the previous options.

For example: pawn shops, payday loan shops, and cash for title types of businesses. Todd's goal was to provide much needed credit to these individuals while helping them build credit and move up the credit ladder to more standard forms of credit.

Todd started from a small office in Chicago, hand writing loans and requiring auto draft payments for the loan. After some initial growing pains, the business grew rapidly. In

2021, Todd made the decision to go public through a SPAC. This SPAC went like most at that time, an almost immediate fall in stock price from \$10 to a low of \$1.58 two years later. In 2015 Todd had appointed a new CEO that only last a few months once the company went public.

A new CEO was appointed in December 2021, but Todd quickly stepped back into the position two short months later in February 2022. At this point OppFi really looked like a mess on the surface, but came across to me as a possible opportunity, entering the stock in the fall of 2021.

I was impressed that Todd had stepped back into the mess. I really began focusing on him as a manager. Listening to as many interviews I could find on him, having a zoom call with management, etc. I became confident this was a founder who was focused on turning the company into what he knew it could become.

Growing up in a family that used Payday loans regularly, I know this product is a much needed option for areas that are in a “credit desert” like where I live in the rural south of the United States. Though this product would have been useless to my family 30 years ago, even the most rural of areas have internet access and a checking acct these days.

OPFI's valuation seems reasonable at 11x forward earnings, given strong business momentum and a large addressable market.

Pebblebrook Hotel Trust

Symbol: PEB

Author: Asif Suria

Contact Information: asuria@insidearbitrage.com

Investment Case

Pebblebrook Hotel Trust (PEB): \$12.44

Market Cap: \$1.49B

Enterprise Value: \$3.93B

Pebblebrook Hotel Trust is a REIT founded in 2009 that focuses on acquiring and investing in upscale, full-service hotels located in urban markets within major gateway cities across the United States. They have a number of operator and brand relationships with notable companies such as Marriott International, Springboard Hospitality, Hilton Hotels, Hyatt, and more.

As of July 2024, Pebblebrook owned interests in 46 hotels totaling 11,924 guest rooms, with a 50/50 business and leisure customer mix. In September of 2018, Pebblebrook acquired LaSalle Hotel Properties, which owned 10,451 rooms across 41 US hotels. The \$5.2 billion acquisition was highly contentious, especially considering that LaSalle backed out of a \$4.8 billion all-cash deal with Blackstone in order to complete the merger with Pebblebrook. The merger made Pebblebrook the largest owner of unique independent, small brand, and collection hotels and the third-largest company in the lodging REIT sector.

However, since 2019, Pebblebrook has sold a number of these properties in an effort to realign its portfolio. The company has sought to reduce smaller urban hotels and add larger, leisure-focused properties to decrease business transient reliance. In total, the company acquired 5 leisure-oriented properties for \$802 million while selling 14 urban properties for \$1.1 billion, which most notably reduced their west coast urban footprint. As it stands today, Pebblebrook's portfolio spans key locations in 11 states, including cities like San Francisco, Los Angeles, Boston, Miami, and Washington, D.C.



A

map of Pebblebrook's properties

In addition to the acquisition and disposition of properties over the last few years, Pebblebrook has engaged in a number of redevelopment projects for existing properties in their portfolio. In 2023, capital investments in the portfolio totaled \$152.3 million and included 5 different projects to redevelop, renovate, and otherwise upgrade various hotels across the nation. Three more redevelopment initiatives were completed in Q2 2024, bringing the estimated total 2024 portfolio capital investments to about \$90 million. However, with the completion of these last few projects, nearly all the hotels in Pebblebrook's portfolio have undergone significant renovations, and the company plans to reduce capital investment over the next few years and instead focus on driving improvements in cash flow due to the already completed renovations.

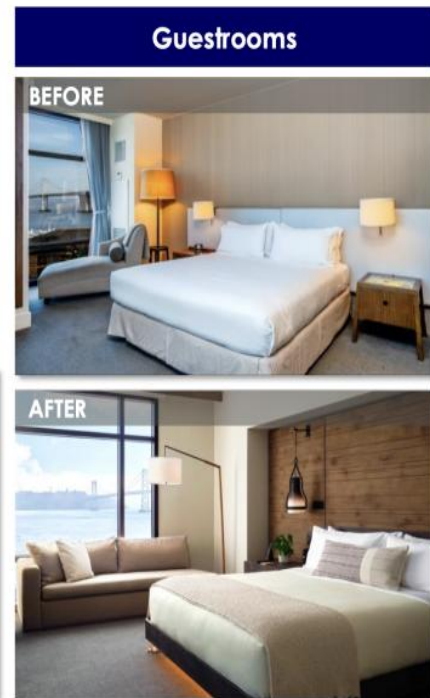
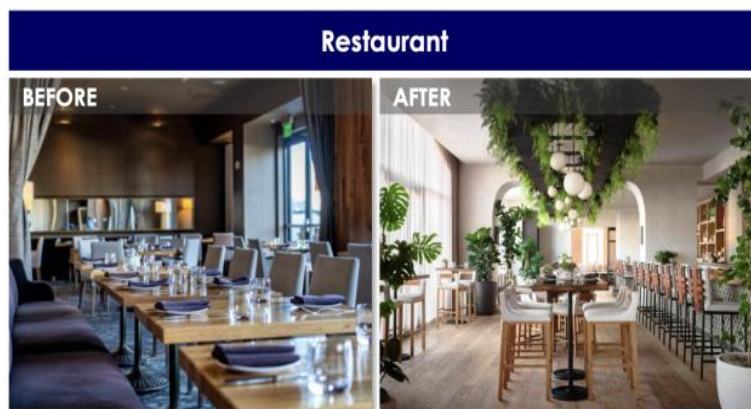
The case study below, taken from Pebblebrook's July 2024 investor presentation details the impact of both a renovation and rebranding, including a 60% increase in RevPAR (revenue per available room) and a cash-on-cash return of 22%, even though the property is not yet fully stabilized.

Case Study: 1 Hotel SF Redevelopment & Value Creation

In 2022, the Company completed a \$28.0 million redevelopment, transformation and conversion of Hotel Vitale into the luxury and eco-focused 1 Hotel San Francisco, of which \$19.6 million was identified as ROI-related capital. This relaunch included renovated guestrooms and suites, public areas and meeting/event venues, as well as enhanced spa and food and beverage offerings, connecting guests to a comprehensive wellness program.

ROI Capital	RevPAR Penetration vs. Sub-Market			Operating Profit Gain ⁽¹⁾	Cash-on-Cash Return
	Pre-Reno (2019)	Post-Reno (2023)	% Chg		
\$19.6	143.3	228.8	60%	\$4.2	22%

The \$19.6M of ROI capital invested in 1 Hotel San Francisco's redevelopment and rebranding has so far resulted in a cash-on-cash return of 22%. The property is not yet fully stabilized.



Overall, Pebblebrook appears to be reaching the end of a transition period, and all the prior capital investment in upgrading the company's portfolio coupled with increased urban recovery following the end of the pandemic appears to be partly reflected in their recent financial results.

What drew our attention to Pebblebrook was the \$367,340 purchase by Chairman and CEO Jon E. Bortz, which followed a \$790,680 purchase of the company he made on August 5th. Mr. Bortz is the founder of Pebblebrook Hotel Trust, and had previously served as the Chairman and CEO of LaSalle Hotel Properties from April 1998 through September 2009. He founded Pebblebrook a month after retiring from LaSalle. He also currently serves on the Executive Committee of the Board of Governors of NAREIT.

We always like to see purchases from founder CEOs who have been with companies through many market cycles, which Mr. Bortz has, and it's likely Mr. Bortz has a deeper understanding of Pebblebrook, especially in this transition period, compared to the rest of the market. This isn't Mr. Bortz's only purchase of Pebblebrook, he's pretty consistently purchased shares of the company over the last two years or so, all within

the \$12 to \$16 price per share range. However in late 2021, Mr. Bortz was consistently selling Pebblebrook stock when the company was trading at \$25 per share, which could be an indicator that he understands when the stock is both undervalued and overvalued.

Currently Trading at a Significant Discount to NAV

The Company's NAV and individual property values are continually re-evaluated as transaction and capital markets change. At \$14.00 per share, Pebblebrook's recent public market valuation represents an approximate 46% to 55% discount to its recently calculated private market valuation. This private market valuation is based on relevant market and transaction-based individual valuations for each property, including renovation disruption and depressed markets, *not* on capitalization rates.

	Hotel NOI		2019 Cap Rate		Hotel NOI		2023 Cap Rate		Estimated Value			
	2019		High	Low	2023 ⁽¹⁾		High	Low	Mid/Key	Low	Mid	High
Resorts	\$109.2		4.4%	3.9%	\$146.1		5.9%	5.2%	\$850	\$2,470	\$2,631	\$2,816
Boston	73.4		6.6%	6.1%	69.5		6.3%	5.8%	588	1,112	1,156	1,205
San Diego	37.4		6.4%	5.8%	27.6		4.7%	4.3%	469	589	615	641
Los Angeles	48.3		6.5%	5.9%	34.1		4.6%	4.2%	435	747	779	815
Washington DC	19.4		7.3%	6.8%	10.0		3.8%	3.5%	397	265	275	285
San Francisco	55.9		12.2%	11.6%	16.9		3.7%	3.5%	323	459	471	481
Portland	14.2		11.7%	11.2%	3.5		2.9%	2.8%	246	121	124	127
Chicago	14.6		9.2%	8.7%	10.0		6.3%	6.0%	147	159	163	168
Club/Retail Space ⁽²⁾	9.2		7.3%	6.8%	8.8		7.1%	6.5%	N/A	125	129	135
Total Portfolio	\$381.7		6.3%	5.7%	\$326.6		5.4%	4.9%	\$532	\$6,047	\$6,343	\$6,673

Private Valuation				Public Valuation		Comparison to Public		
	Low	High	Mid		Mid	Low	High	Mid
Enterprise Value	\$6,047	\$6,673	\$6,343	Enterprise Value	\$4,571			
Net Debt ⁽³⁾	(1,358)	(1,358)	(1,358)	Net Debt ⁽³⁾	(1,358)			
Convertible Notes ⁽⁴⁾	(750)	(750)	(750)	Convertible Notes ⁽⁴⁾	(750)			
Preferred Equity	(768)	(768)	(768)	Preferred Equity	(768)			
NAV	\$3,172	\$3,798	\$3,468	Equity Market Cap	\$1,695			
Shares Outstanding	121.1	121.1	121.1	Shares Outstanding	121.1	(46%)	(55%)	(51%)
NAV Per Share	\$26.00	\$31.00	\$28.50	Current Share Price	\$14.00	(\$12.00)	(\$17.00)	(\$14.50)

With a small dividend yield of 0.32%, Pebblebrook doesn't make much sense as a REIT dividend play but looking at the image above, the company is trading at a discount to NAV, a gap that could be closed as the company continues to profit from the recent renovations and portfolio realignment.

Now that the capital investment cycle is behind us, we will likely see the company either increase its dividend or buyback shares before eventually increasing the dividend. This might partially explain why the CEO was selling preferred shares below par value to buy common stock on the open market.

A combination of a potentially higher dividend, its portfolio trading below NAV and a recent transaction by Hyatt to acquire Playa Hotels & Resorts could provide the catalyst Pebblebrook needs to rerate higher.

Shankara Building Products

Symbol: NSEI: SHANKARA

Author: Anonymous

Contact Information: Anonymous but an introduction is available upon request

Investment Case

Shankara Building Products: A Strong Growth Opportunity

Introduction

Shankara Building Products, a company that has largely underperformed since its IPO in April 2017, is now emerging as a compelling investment opportunity. Despite doubling its top line and growing PAT at 30%, the stock trades at a historic low PE of 18 compared to its IPO valuation of 25. With a strategic demerger, strong retail expansion, and robust growth in both steel and non-steel segments, the company presents a significant upside potential.

Business Model & Growth Drivers

Shankara operates in two primary segments:

1. **Marketplace Business** (Retail) – 90 stores across South and West India selling building products, including:
 - Steel Tubes & Pipes (60%)
 - Steel Flats, Roofing & Long Products (29%)
 - Sanitary Ware, Tiles & Paints (11%)
 - High ROC business at 27-28%
2. **Manufacturing Business** – Produces pipes and color roofing products but with a low ROC of 3-4%.

Sales have doubled since March 2022, with a consistent 15-20% annual growth rate despite soft steel prices. Management projects continued sales growth in the low teens to 20% range.

Key Growth Triggers

1. **Retail Growth & Store Efficiency** – Store count has reduced from 134 in 2019 to 91, yet revenue has grown with rising average ticket sizes (+17% YoY).
2. **Steel Volume Growth** – A 24% CAGR over three years, with a 27% YoY increase in FY24 despite steel price fluctuations.

3. **Non-Steel Segment Expansion** – While only 10% of revenue, it is growing at 30% CAGR, with higher EBITDA margins (6% vs. 3% for steel). This segment alone could contribute ₹60 crore to EBITDA in three years.
4. **New Product Initiatives** – Shankara is diversifying with its own private-label ceramic brand (Fotia) and strategic partnerships with brands like Nippon Paints, Panasonic, and Kohler.
5. **Geographical Expansion** – South India currently accounts for 86% of sales, but the company is expanding into Western and Central India, which could contribute 25% of sales in three years.

Valuation & Potential Upside

Post-demerger (expected by March 2025), the high-growth Marketplace business is expected to trade at a PE of 30, implying a valuation of ₹2,200 crore. The Manufacturing business, even at a conservative 0.75x book value, is valued at ₹300 crore. This totals ₹2,500 crore, offering a **75% margin of safety** at current valuations of ₹1,400 crore.

With a projected 20% CAGR, Marketplace PAT could reach ₹130 crore in three years, potentially driving the stock to a ₹4,200 crore valuation—a 3x upside from current levels.

Conclusion

Shankara Building Products presents a compelling investment case, driven by strong growth in steel and non-steel retail, an efficient store network, strategic partnerships, and upcoming demerger benefits. With improving financials, valuation comfort, and supportive technicals, the stock has significant upside potential for long-term investors.

TOYA S.A.

Symbol: WSE: TOA

Author: Anonymous

Contact Information: Anonymous but an introduction is available upon request

Investment Case

Toya (TOA PW) is a Polish supplier of value-oriented hand and power tools, building products, and restaurant equipment. It's a manufacturing-light operation, primarily sourcing from Asian suppliers.

EV is PLN 610mm or ~5.6x EBITDA and a 15% FCF yield (excluding NWC). Revenue has grown at a 13% CAGR and EBITDA at 11% CAGR since 2019. Since 2009, they've also generated positive FCF (ex-NWC) and ROIC has exceeded 10% in every year.

Supply chain issues and the war in Ukraine have persistent headwinds since 2022, and I would expect the war ending and Ukraine reconstruction to become a modest tailwind (possibly more than modest) over the intermediate term. FCF is choppy as is typical of distributors, but FCF ex-NWC has grown at a 15% clip since 2019, and I expect meaningful inventory burnoff over the next 12-18 months.

This is a capex-light business, and given the valuation, I'd expect the company to allocate the bulk of FCF to share buybacks.