

Ben Graham Centre's 2022 Virtual Value Investing Conference

Contrarian Investing Through the Cycle

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April 20, 2022





- What does it mean to be contrarian?
- Past example: BMW
- Current example: B&M



“a person who opposes popular opinion or current practice”





Contrarian

Long-term

Fundamental

Exploiting the mistakes of other investors



Average business at a
great price



Mitsubishi

10_x

EPS (FY1)[^]

Great business at an
average price



22_x

EPS (FY1)[^]

FTSE World Index* **21_x**



“Everybody has a plan until they
get punched in the mouth”

- Mike Tyson



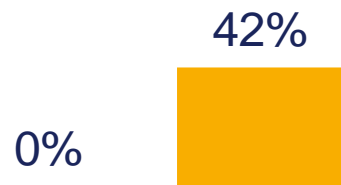
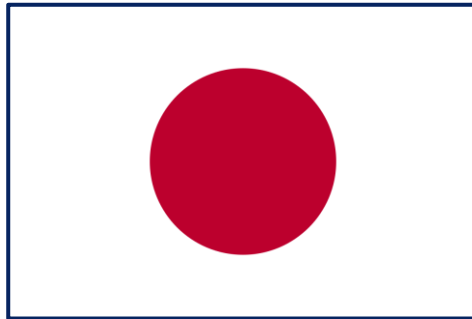
**No outside
ownership**

**Closely
aligned
interests**

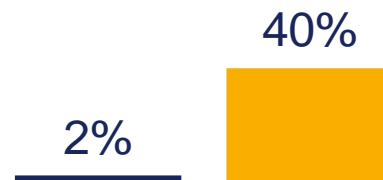
**Individual
accountability**



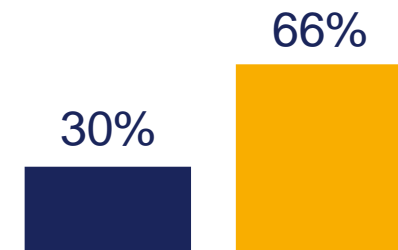
Japan (1990)



TMT (2000)



US (2021)



Orbis Global ■ Global Index



BMW during the Covid crash

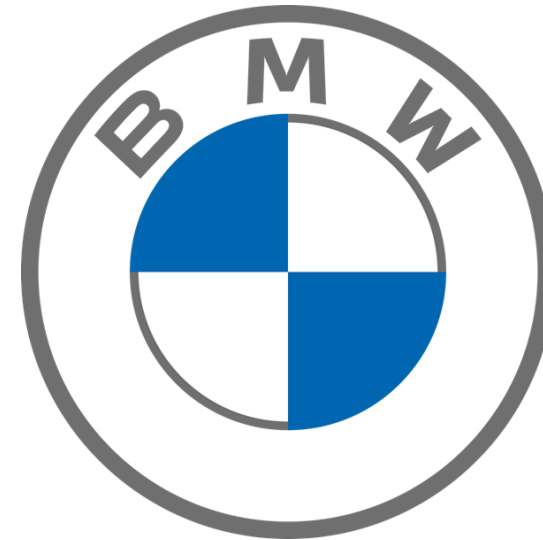


B&M today

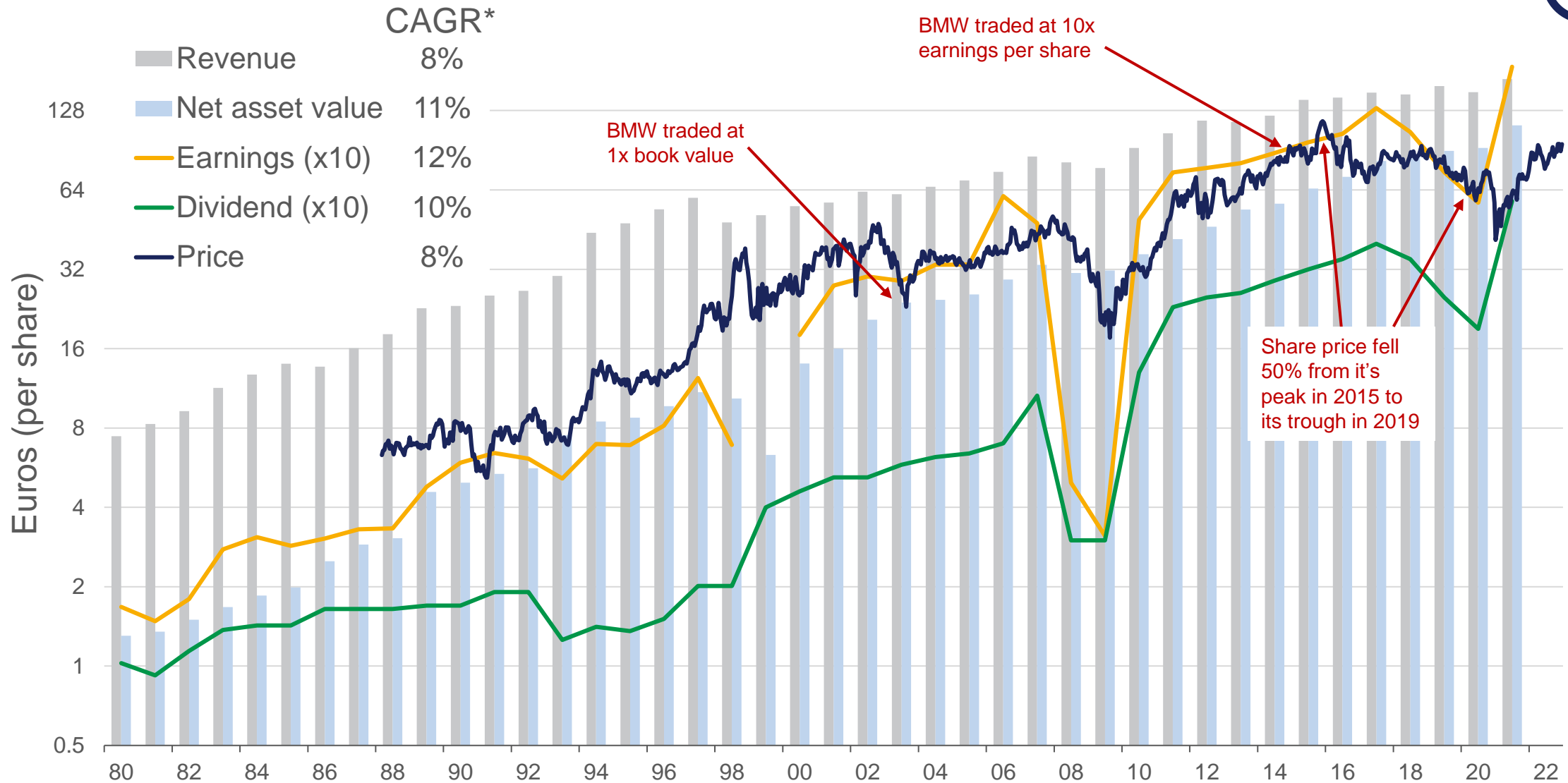
BMW during the Covid crash: greedy when others are fearful



Market cap	€31B
Revenue growth	8% (5yr CAGR)
Price-to-earnings	6x



BMW: good long-term track record and share price fell 50% from 2015-2019



28 Feb 2022 | Source: Refinitiv, Worldscope, Orbis. Statistics are compiled from an internal research database and are subject to subsequent revision due to changes in methodology or data cleaning. *Compounded annual growth rate calculated for the period 31 December 1980 to 31 December 2021. Price CAGR for the period 8 January 1988 to 28 February 2022. The gap in reported earnings between 1999 and 2001 is due to a loss during the period. Fortnightly share price from 8 January 1988 to 28 February 2022.



1

The cycle



2

Electrification



3

Peak car

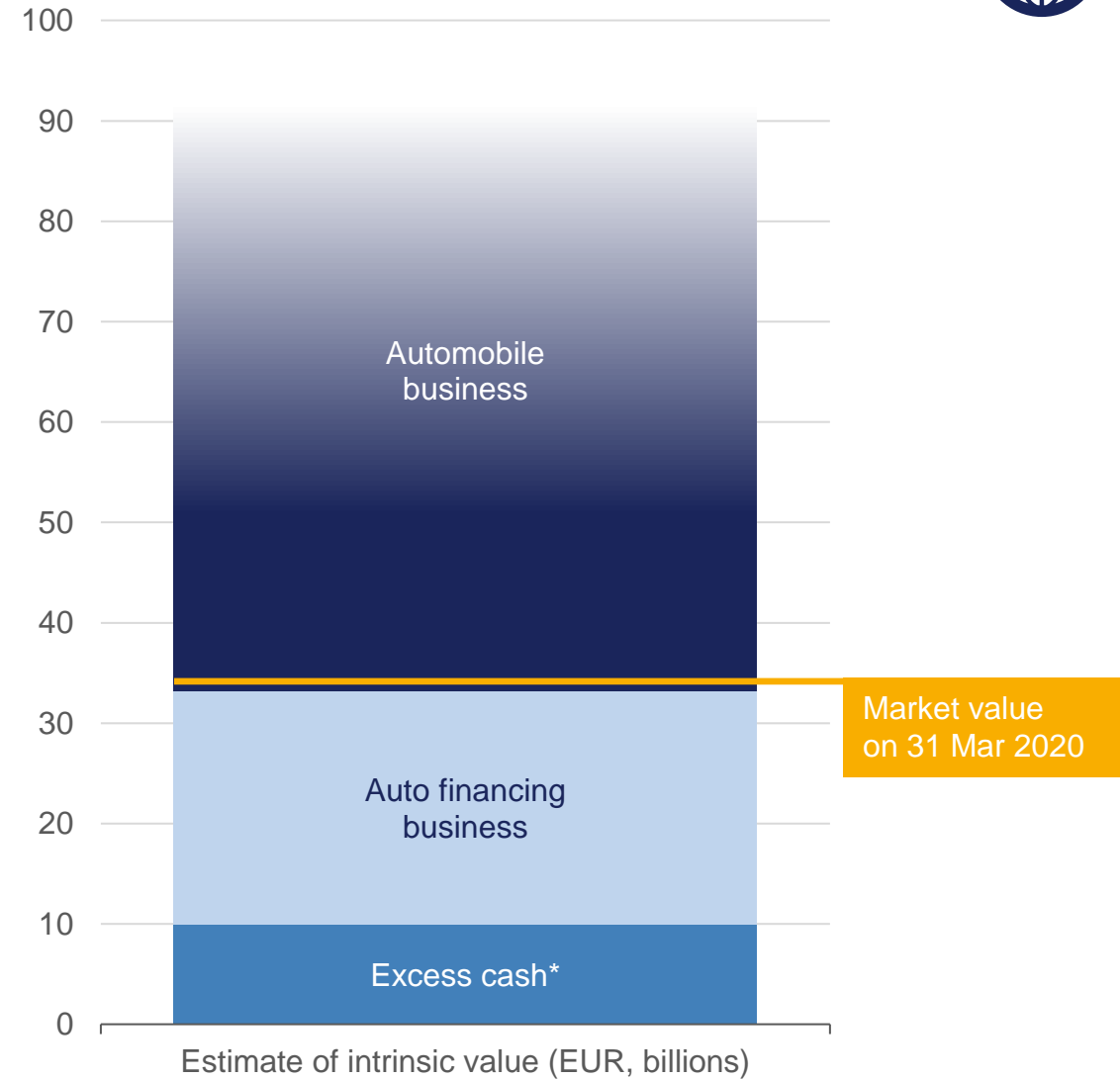
Uber

BMW: stress test and extreme valuation gave us conviction

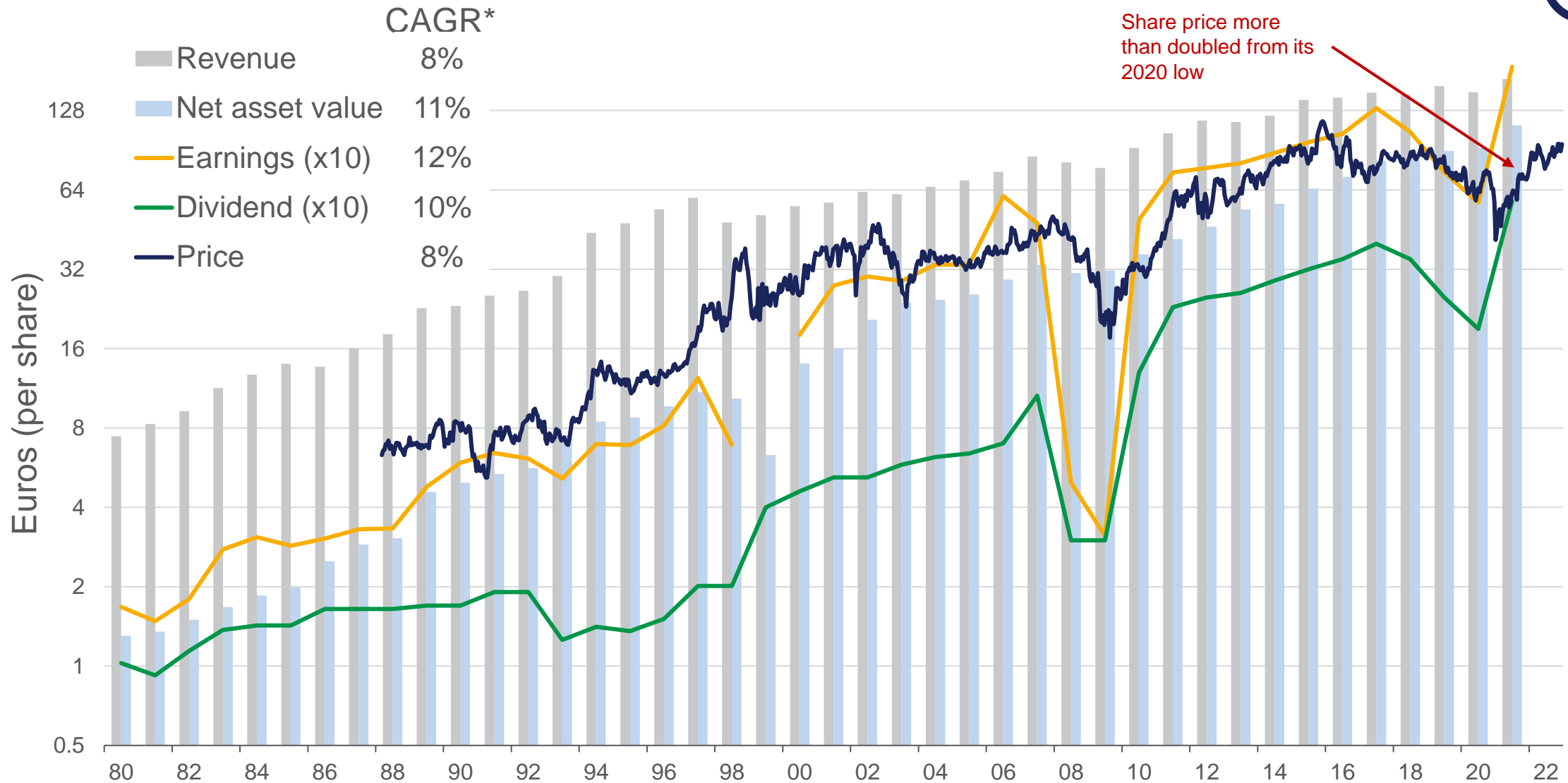


Extreme assumptions used in stress test

- ▶ 20% decline in residual values for the financing business over three years
- ▶ 30% decline in cars sold in 2020



BMW: share price more than doubled from its trough in 2020



28 Feb 2022 | Source: Refinitiv, Worldscope, Orbis. Statistics are compiled from an internal research database and are subject to subsequent revision due to changes in methodology or data cleaning. *Compounded annual growth rate calculated for the period 31 December 1980 to 31 December 2021. Price CAGR for the period 8 January 1988 to 28 February 2022. The gap in reported earnings between 1999 and 2001 is due to a loss during the period. Fortnightly share price from 8 January 1988 to 28 February 2022.

B&M today: fearful when others are greedy



- ▶ UK-based discount retailer
- ▶ Founded in 1978, listed in 2014
- ▶ Over 1000 stores across UK and France

Market cap

£5.5B

Revenue growth

19% (5yr CAGR)

Price-to-earnings

14x

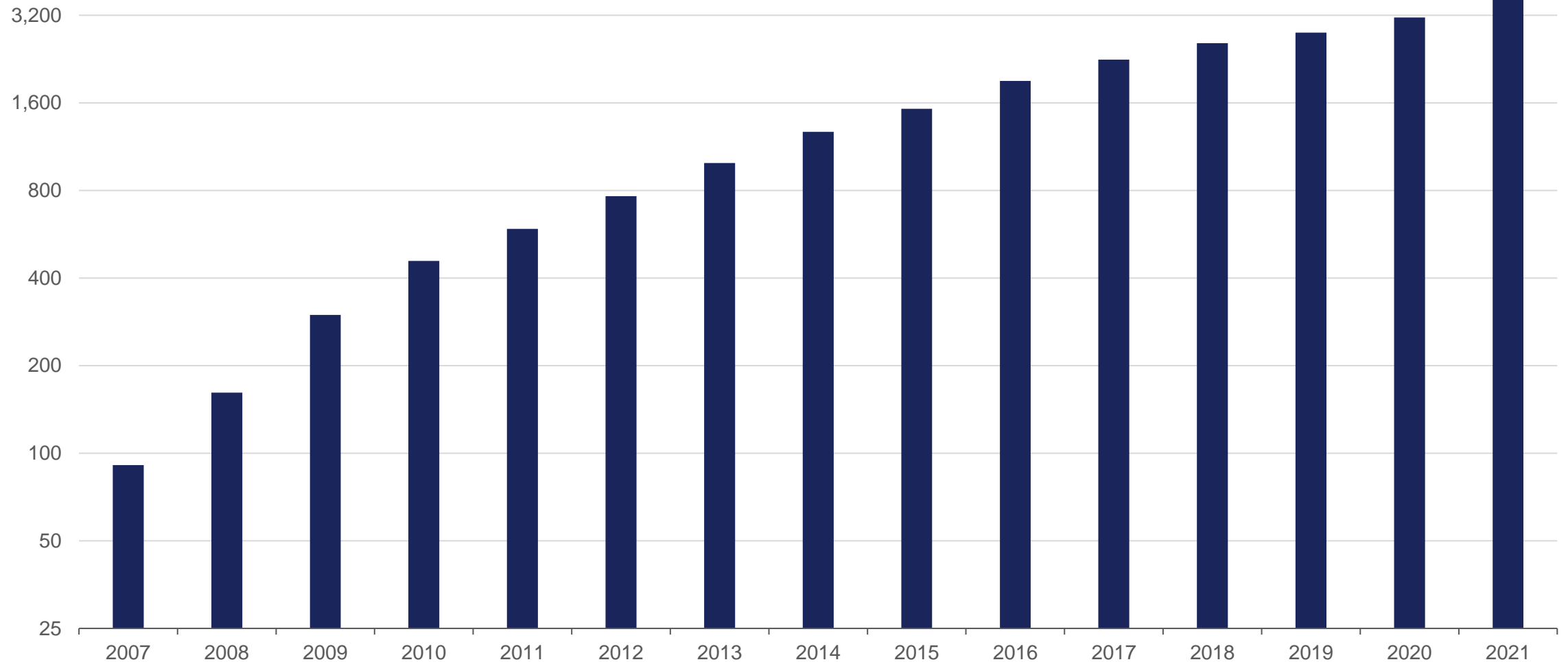


B&M: a fantastic track record of long-term growth



Revenue, GBP(millions)

Last 5-year CAGR: 19% p.a.

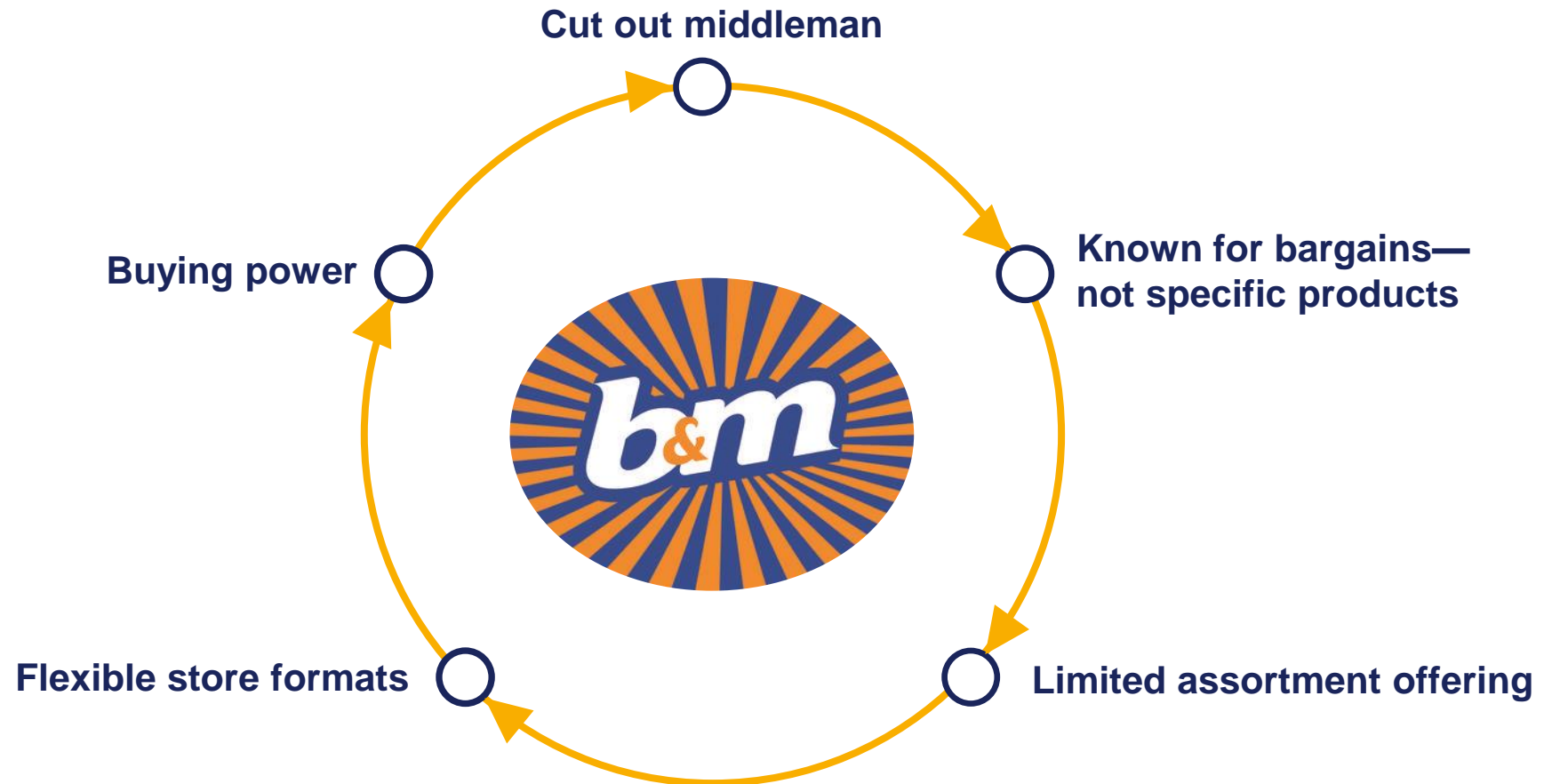


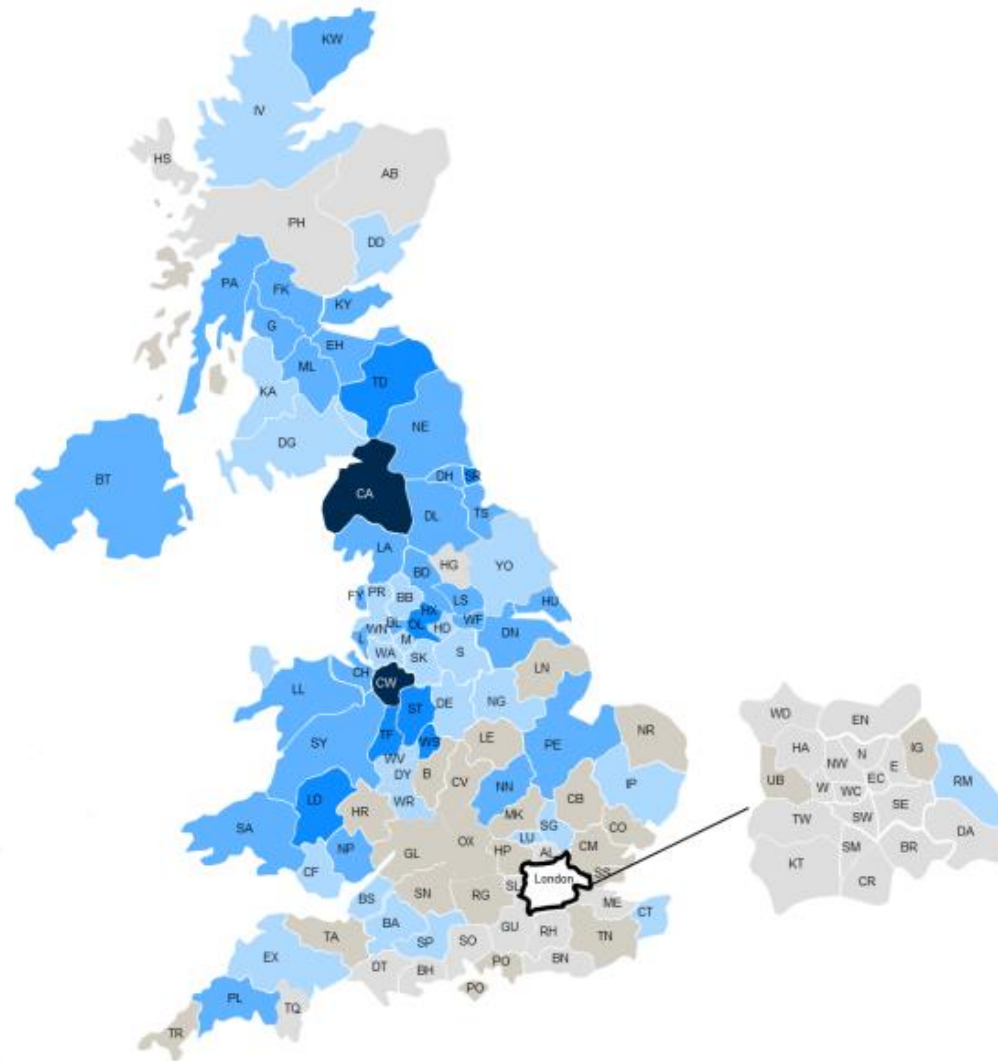
31 Mar 2021 | Source: Refinitiv, Company reports, Orbis. Financial year end to March. B&M UK only. 2007 – 2014 value estimated because prior to 2015 financial year ran from Jan – Dec.

Well-positioned to benefit from growth in discount retail, with little competition



An attractive flywheel that widens the competitive advantage





B&M stores per 100k people





Disruption from online marketplace



Cannibalization when new stores eat into existing business



Competition from a better mousetrap

B&M: high-quality, defensive business at a real bargain!

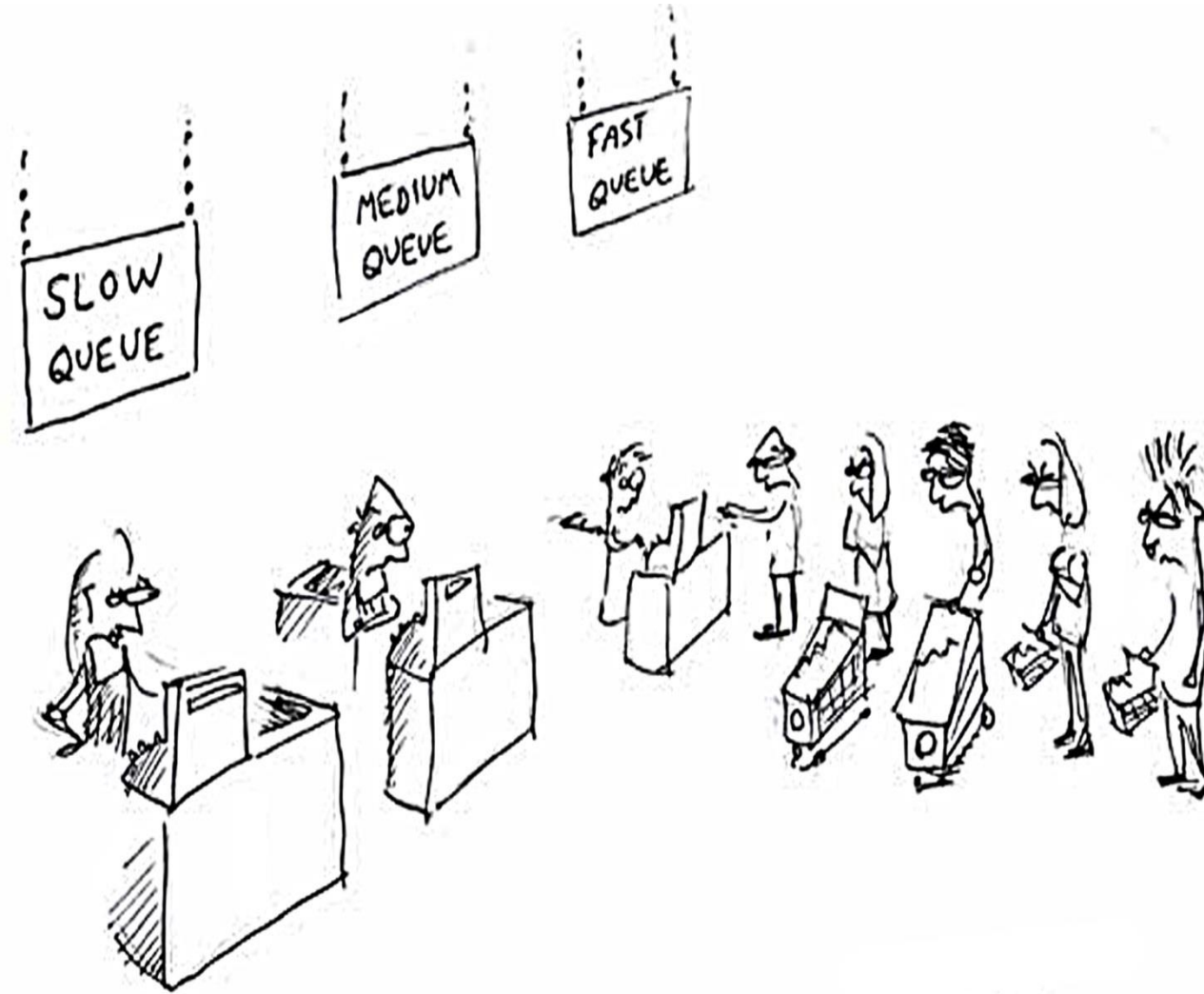


FTSE World Index

One-year forward estimates [#]	FCF* yield	6%	3%
	Price-to-earnings	14x	21x
	Dividend yield	6%	2%
Medium-term estimates [†]	EPS growth	8%	
	Return expectation	= 14%	

31 Mar 2022 | Source: Refinitiv, Orbis. ^Earnings before interest, tax, depreciation, and amortisation. *Free cash flow. #Orbis estimates for B&M and IBES for FTSE World Index, with the exception of FCF yield for the index which is a normalised FCF yield. †Earnings per share (EPS) growth and return expectation over the next 4-5 years.

Contrarian investing isn't for everyone





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Net returns for Orbis Funds are calculated gross of all income, net of fees and expenses, and assume reinvestment of dividends.

RRF Share Class Returns

Orbis Core RRF class returns are based on a hypothetical Member in the Orbis Core RRF structure since the inception of each identified Orbis Fund, and assume a US\$20 million investment at inception with no subsequent transactions in the Fund. The returns of an actual Member may vary depending on the timing and value of a Member's subscriptions and redemptions.

Strategy Data

Strategy gross returns are our reasonable estimate of the asset-weighted actual gross returns of all portfolios following the same investment objective. Strategy net returns are based on the specified fee structure applied to the Strategy gross returns and do not represent actual net returns experienced by investors in the relevant Funds. Certain sections of this presentation may refer to a representative account for a Strategy. With respect to each Strategy, the representative account is considered to illustrate the characteristics of the overall Strategy and consists of data relating to one or more constituent Funds that employ that Strategy. Additional information about the representative accounts is available upon request.

Sources

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