

# FCL*Capital*

February 2019

## Thesis Updates

We decided to dedicate this letter to update some of our past thesis instead of writing about new ideas so our investors can get a sense of how some of our past ideas are being seen by us in the current environment. All of them except the first one, are still in at least one of this house's portfolios.

## Braskem

We are very proud of our investment in Braskem and regard it as one of this house's successes. We first wrote about this investment in 2011 and hold a significant position in several of our investment vehicles since at least 2014.

Our average buying price back then was around 14 BRL per share, and the company was being traded at extremely cheap multiples due to its role in the Lava Jato Brazilian corruption scandal.

Many investors thought the controlling shareholder, Odebrecht, and Braskem itself was beyond saving, overlooking an unique competitive position (Brazil's petrochemical near monopoly) and incredible collection of operational assets.

We decided to take a deep value perspective, betting that somehow the company would be worth more in the future than during the hype of Lava Jato. Our bet paid off.



We sold our remaining position at prices around 55 BRL from both our investment vehicles (FCL Hedge and FCL Opportunities) during the first quarter of 2019, resulting in a very positive return for our investors.

## Ebitda and market cap

2014 (entry price) Market cap: BRL 8.3 billion on a BRL 5.3 billion Ebitda and a 4.80 EV/ Ebitda multiple

2019 (exit price) Market cap: \$ 43.2 billion on a \$ BRL 12.3 billion Ebitda and a 5,82 EV/ Ebitda multiple.

## Dufry

Dufry has been a loser in our portfolio. We built our position almost two years ago, during the early days of our Opportunities fund at around 140 CHF per share and today shares trade at around 100 CHF per share.

Operationally, though, the group has achieved sound results under the leadership of the current team. There are still many growth and M&A opportunities in Asia, Dufry's last underpenetrated market.

## Ebitda (CHF)

2016: 840 million

2017: 1084 million

2018(consensus): 1037 million

## Dufry EV/Ebitda multiple



All in all, even considering the fact we had some disagreements with the company's Hudson IPO, felt some concern about the CFO's recent departure and would like to see more focus and growth in Asia, we felt the market is suddenly feeling too pessimistic about the company's prospects.

We understand that Dufry is an emerging market overleveraged play: unfairly or not the market sees this swiss operator as an emerging markets company and rerates its multiples depending if it feels enthusiastic or pessimistic about emerging markets in general. We see this business differently and still think of Dufry as a consolidator in a promising part of retail not harmed by the internet.

## Match group

Match has been the main reason for our outperformance in the past 18 months. Basically, our thesis, that Tinder's international growth was being neglected by a too US-Focused sell side started being accepted.



We reduced our position around current levels, taking some profits, since the margin of safety seems a bit smaller than before. That being said, we still love the business and its prospects and Match remains one of our top 3 positions.

## Minerva

Minerva is an on again off again affair for this house over the past decade. While the company has been the theme of many of our past letters - to sum it up, we think South America is at a competitive advantage to increase its share in the international meat trade and that thanks to Chinese consumption this trade will explode in the next couple of decades

- we think with the current deleveraging campaign the time might be right for Minerva to finally shine - as long as the management finally keeps its word of not doing additional acquisitions/investments.

Minerva is currently around 10% of our FCL Hedge fund, focused in Brazil, and around 6% of our global FC Opportunities fund.

## Anta

Anta will finalize the acquisition of Amer Sports - the Finnish maker of Wilson tennis racquets - next month and this will add a new growth avenue.



Our thesis, exposed on our past letters, is about the growth in consumption and premiumization of the Chinese middle-class shopping habits.

Anta is at the intersection of several secular trends and despite a valuation that might seem a little demanding, remains one of top positions and one where we feel top quality should command an even higher premium.

FCL Team.

## Sobre a FCL Capital

A FCL Capital é uma gestora de recursos sediada no Rio de Janeiro, cujo objetivo é maximizar o retorno de seus investidores. A FCL tem como nicho principal, mas não exclusivo, investimentos em empresas abertas, listadas em bolsa de valores (posições compradas e vendidas nos mercados acionários). Para saber mais sobre nosso trabalho, entre em contato conosco ou acesse nosso website: [www.fclcapital.com](http://www.fclcapital.com).

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