

19th Value Investing Seminar (VIS)

Trani, July 6-7, 2023

 Liechtensteinische
Landesbank ¹⁸⁶¹
Tradition meets Innovation.



Content

- ♦ Reunion of an old family – thank you Ciccio and Whitney
- ♦ A picture is worth a thousand words ...
- ♦ Value/Growth and Europe – a bunch of opportunities even in a difficult market environment.
- ♦ Two interesting value stocks
 - ♦ Inditex (ITX SM) – "A culture of customer Co-creation"
 - ♦ Swedish Orphan Biovitrum (SOBI SS) – The business with rare diseases and a meaningful M&A transaction
- ♦ My three favourite books
- ♦ Learning lessons for the markets and
- ♦ My biggest mistake

Reunion of an old family – thank you Ciccio and Whitney.



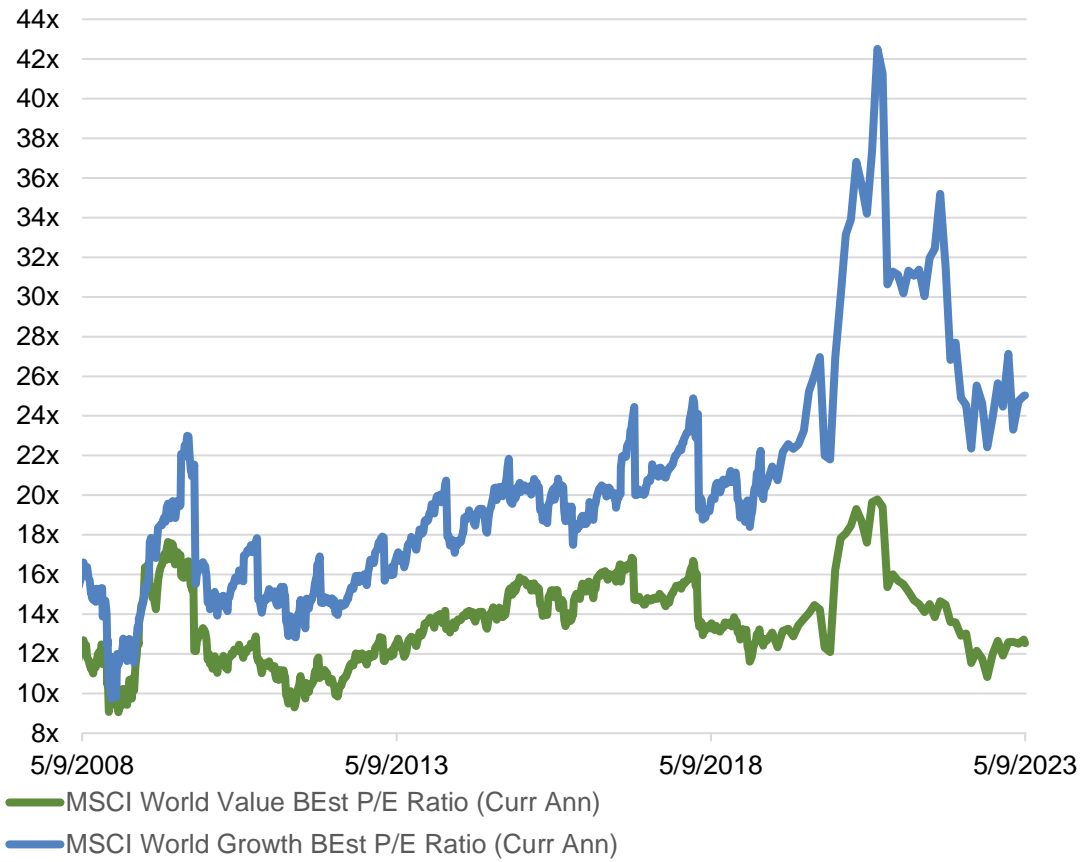
A picture is worth a thousand words ...



Source: <http://www.hedgeye.com>

Value and Europe: Both offer opportunities!

Value versus Growth – Still a massive spread



Source: Bloomberg

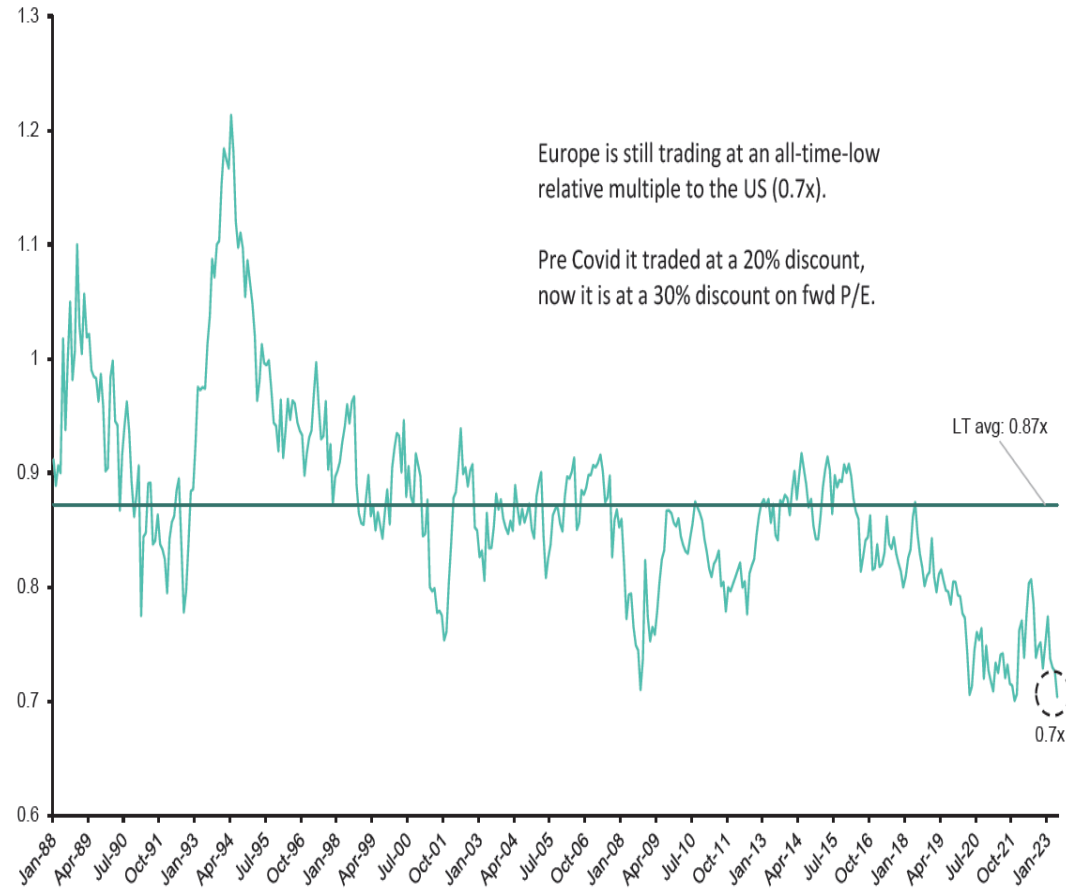
Stoxx 600 – Valuation P/E 23E: June 2023



Source: Bloomberg

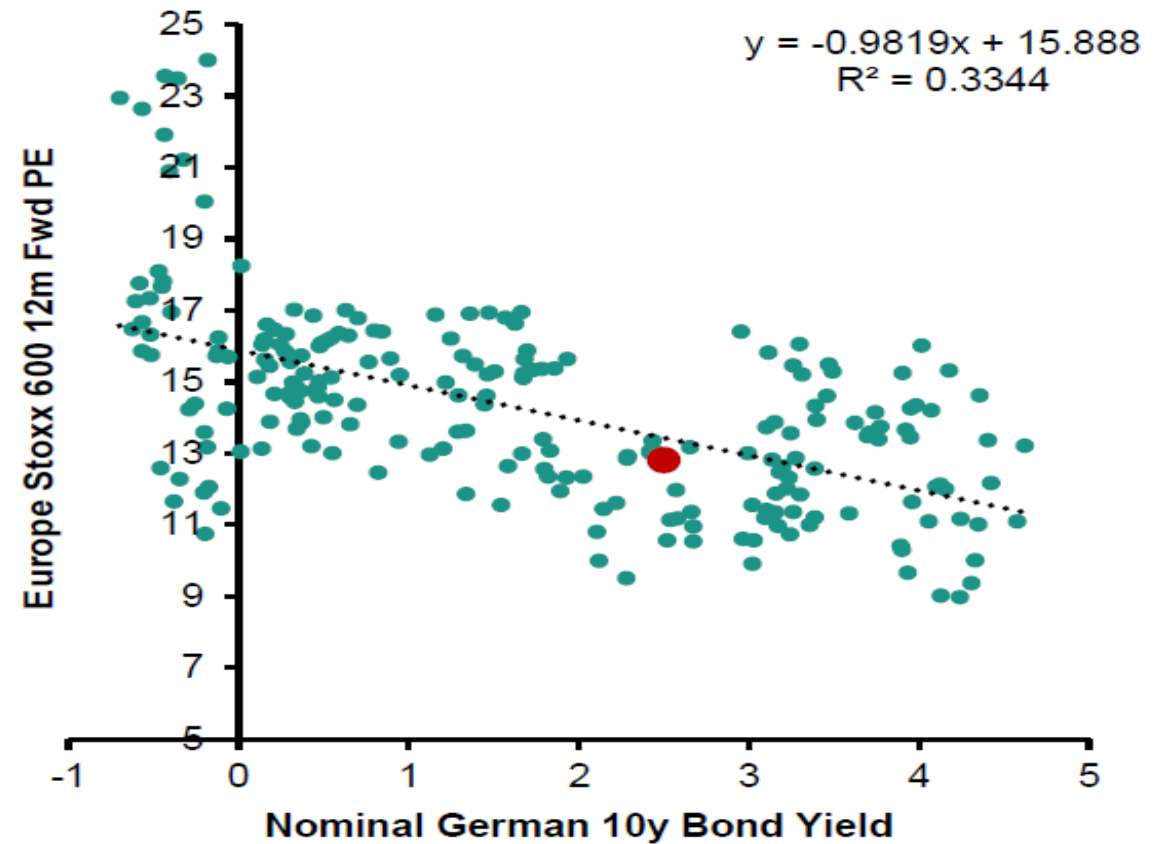
Regarding the long run and recession back or forth: We think it is a good entry opportunity.

Relative PE Europe versus US – All-time-low



Source: Bernstein Research

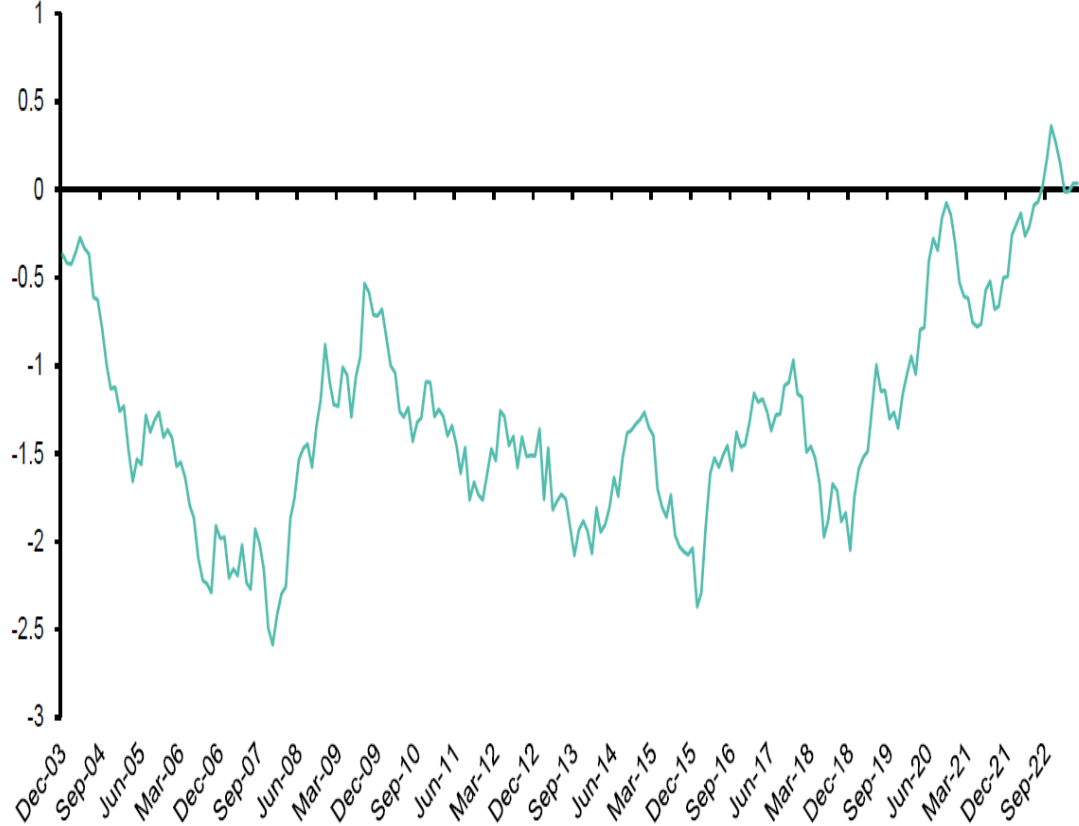
Stoxx 600 below fair value



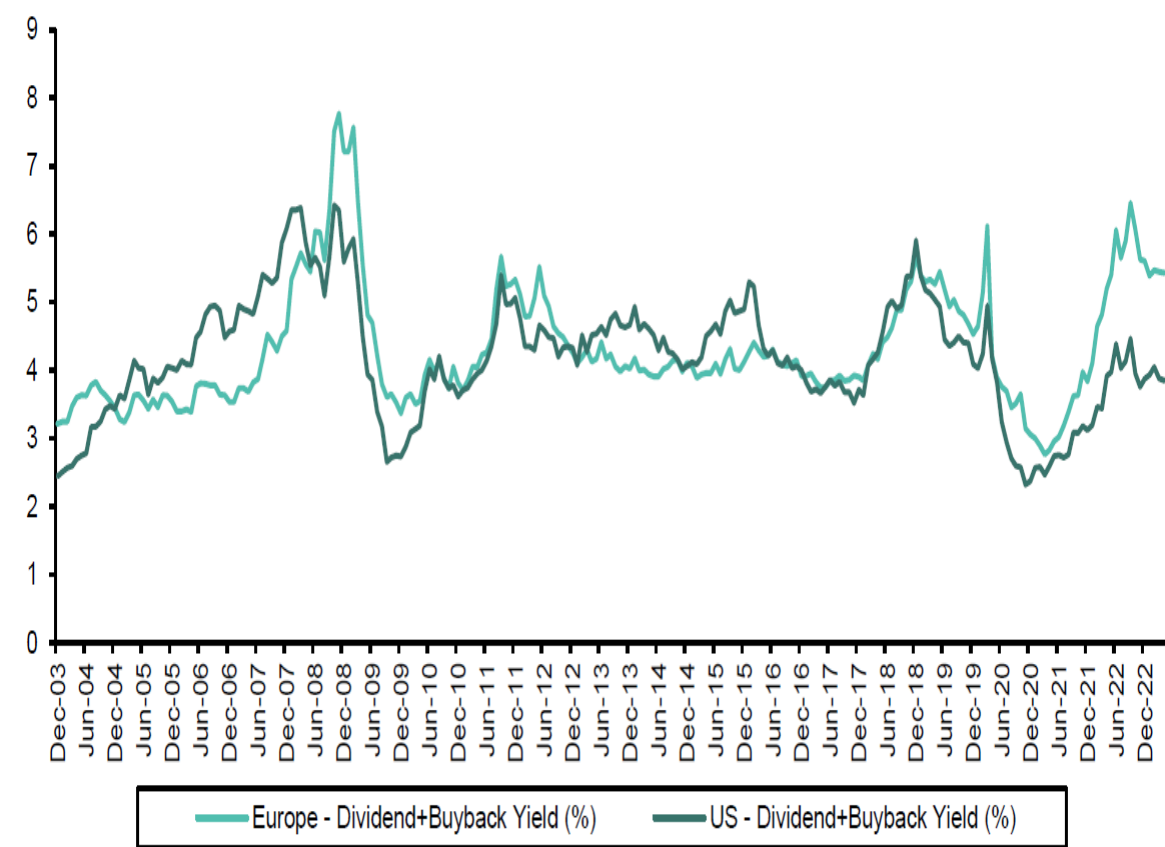
Source: Bernstein Research

Buyback Yield higher than US for the first time and quite a large Yield Gap.

Buyback Yield – higher than US for the first time



Large Yield Gap between Europe and the US



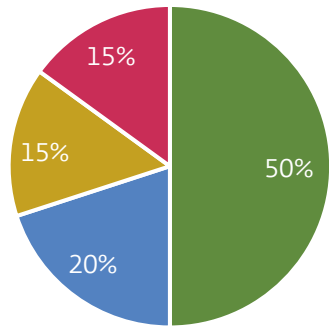
Source: Bernstein Research

Inditex (ITX SM) – "Give the customer what they want and get it to them faster than with any other provider"

INDITEX

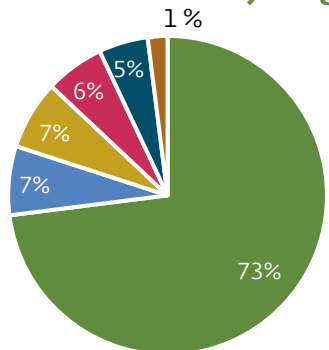
LLB
sustainability
fulfilled

Revenues by region



■ Europe ex Spain ■ Americas ■ Spain ■ Asia

Revenues by segment



■ Zara & Zara Home ■ Bershka ■ Pull & Bear ■ Stradivarius ■ Massimo Dutti ■ Oysho

Source: Bloomberg

Zara Home: housewares and decorative items, founded in 2003. Operating in 183 markets, of which 70 have stores. Pull & Bear: casual, relaxed clothing and accessories for youth, founded in 1991. Operating in 185 markets, 75 of which have stores.

Massimo Dutti: High-end clothing and accessories for cosmopolitan men and women, acquired 1995. Operates in 186 markets, 74 of which have stores.

Bershka: Mixes urban styles and modern fashion for young women and men, founded in 1998. Operates in 185 markets, 74 of which have stores.

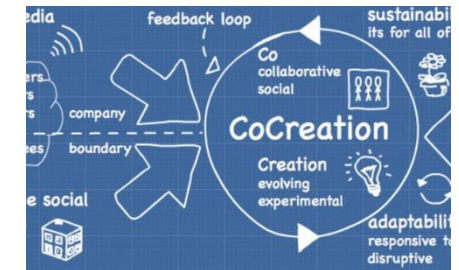
Stradivarius: casual and feminine clothing for young women, acquired 1999. Operates in 180 markets, 67 of which have stores.

Oysho: Lingerie, casual wear, loungewear and original accessories, founded in 2001. Operates in 176 markets, 58 of which have stores.

Company description

- ◆ The world's largest apparel retailer: "A culture of customer Co-creation!"

The Secret of Zara's Success: A Culture of Customer Co-creation

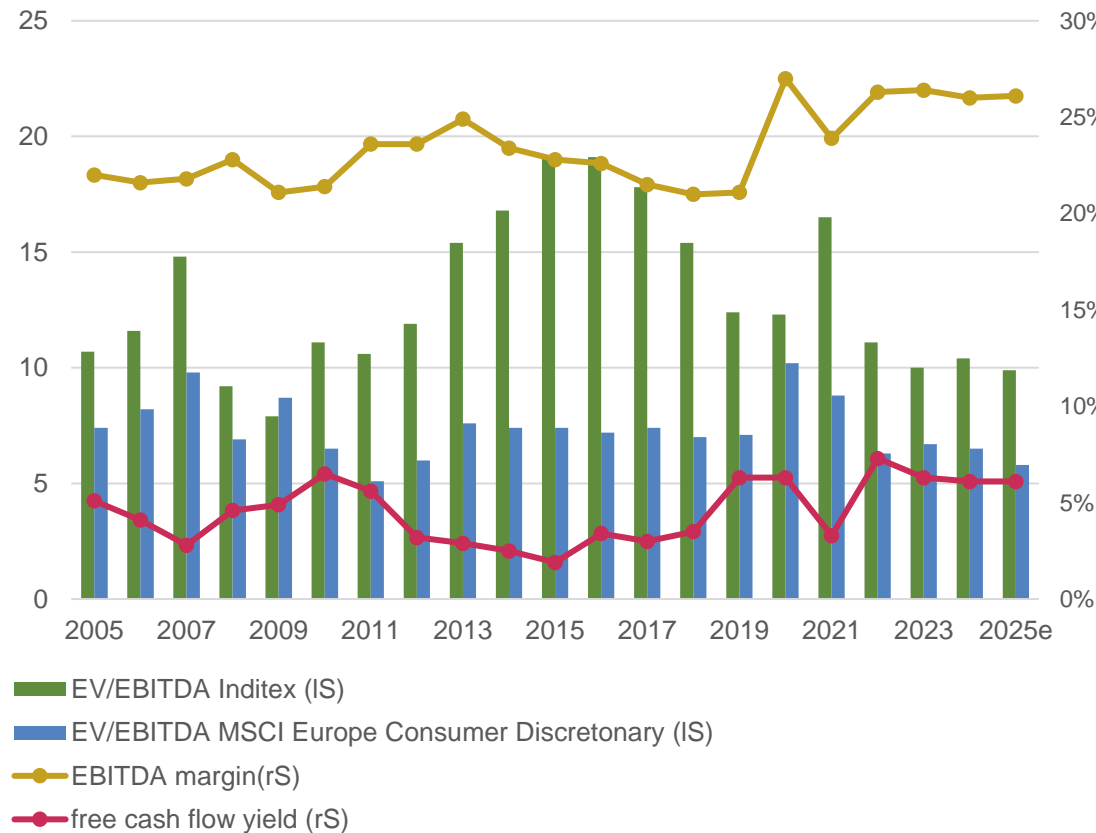


- ◆ Spring/Summer Collection 2023



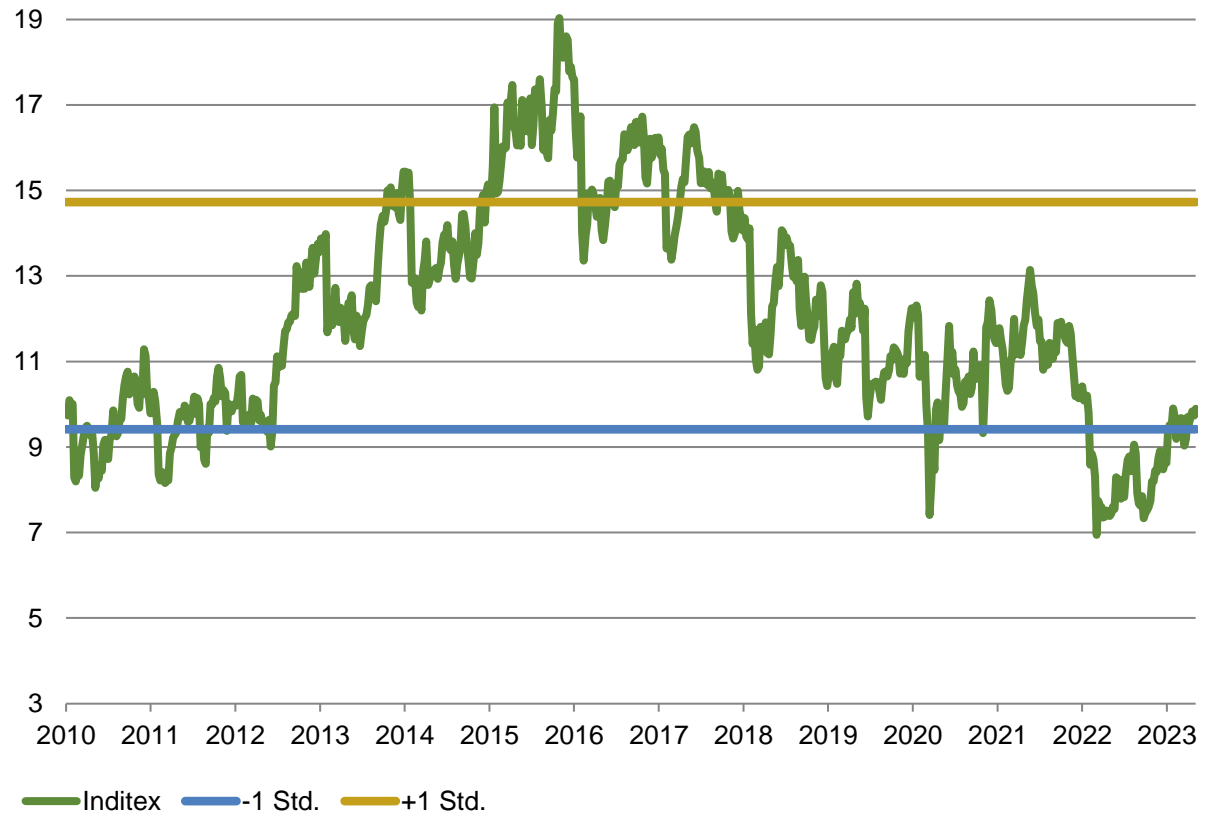
Inditex consistently generates an EBITDA margin of over 20% (EV/EBITDA of 10). The expansion strategy is not capital-intensive.

Not cheap relative to the sector, but highly profitable



Source: Bloomberg

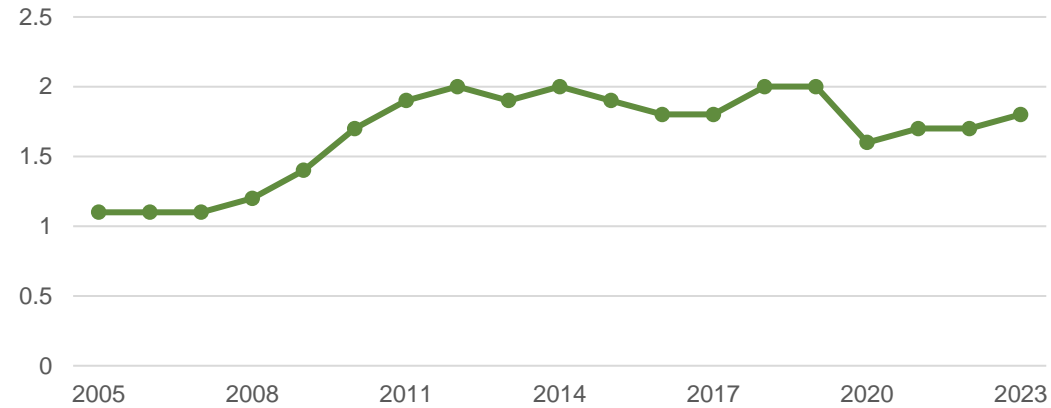
EV/EBITDA: An opportunity to its own history



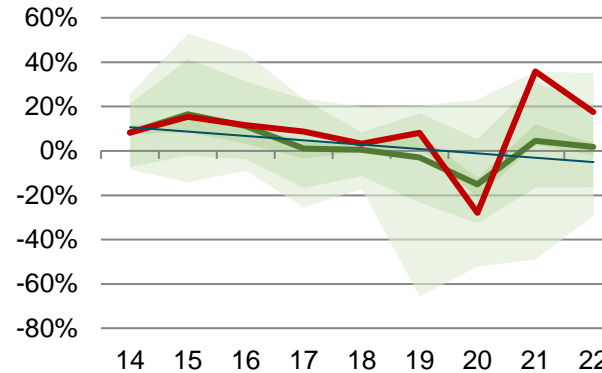
Source: Bloomberg

Inditex impresses with efficiency, a solid balance sheet and high profitability. The growth momentum remains intact.

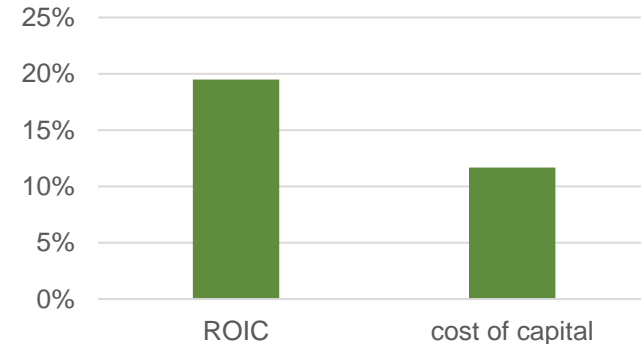
Current Ratio – Inditex is an efficient company



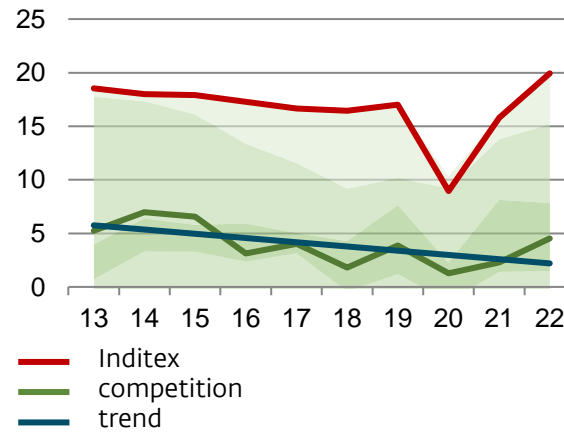
Revenues



ROIC/WACC – Inditex earns its cost of capital



EBITDA margin

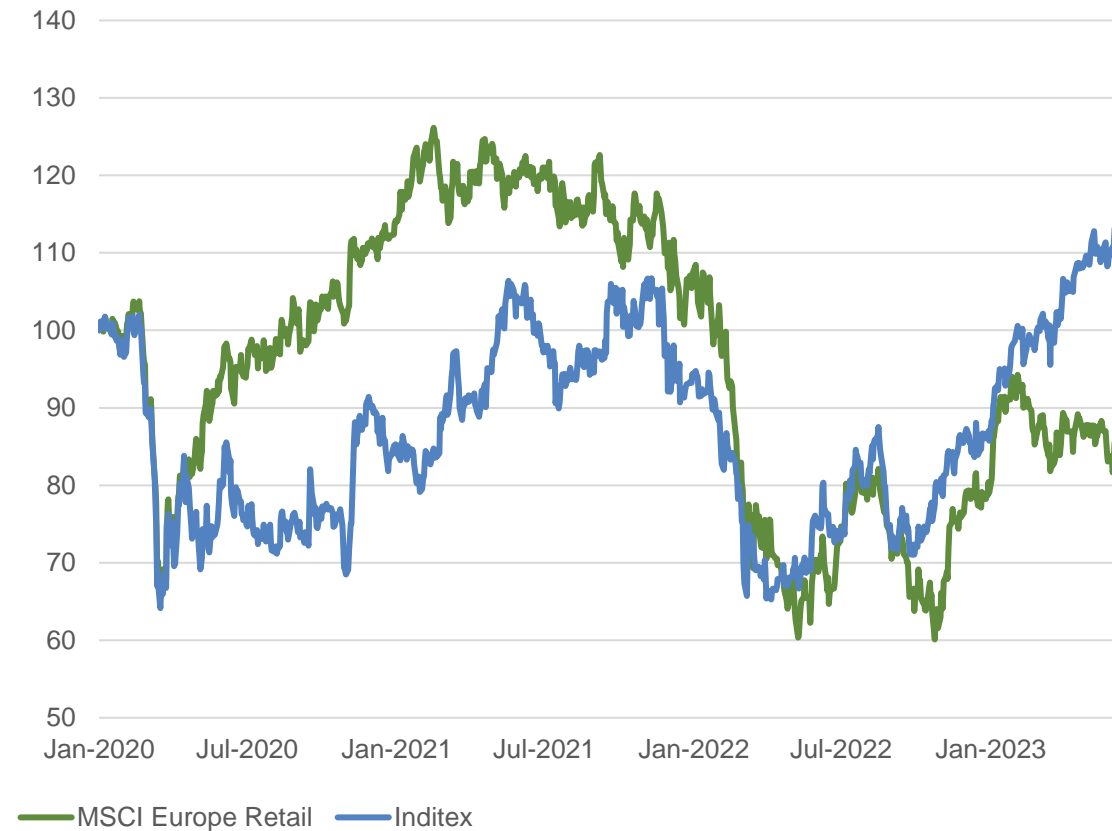


Source: Bloomberg

Source: Bloomberg

Inditex should continue to develop positively. The new expansion strategy is not yet reflected in the share price. We buy the share.

Outperformance should continue



Source: Bloomberg, data from June 2023

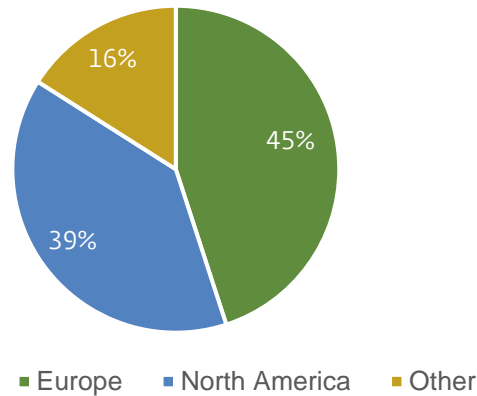
Buy arguments für Inditex

- ◆ Inditex has a unique concept without imitation. With the "culture of customer co-creation" principle, the most demanded products are quickly generated and replenished.
- ◆ This concept, based on top locations, gets by with word-of-mouth advertising and achieves above-average margins and growth rates.
- ◆ The creation of a new distribution and store concept has been well received.
- ◆ Other attributes: Solid balance sheet, not capital intensive, highly profitable, early identification of trends, highly successful location selection, loyal clientele, successful entry into new markets.

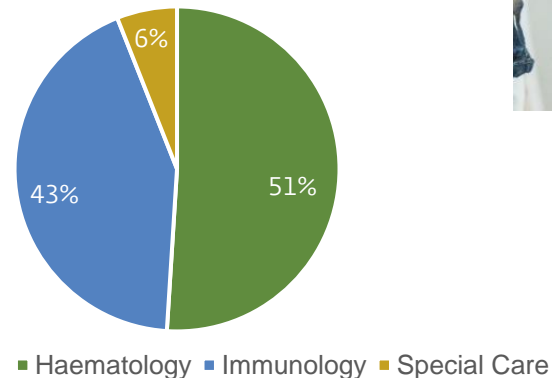
SOBI (SOBI SS) - Focus on rare diseases = innovation, pricing power and attractive margins -



Revenues by region



Revenues by segment



Source: Bloomberg

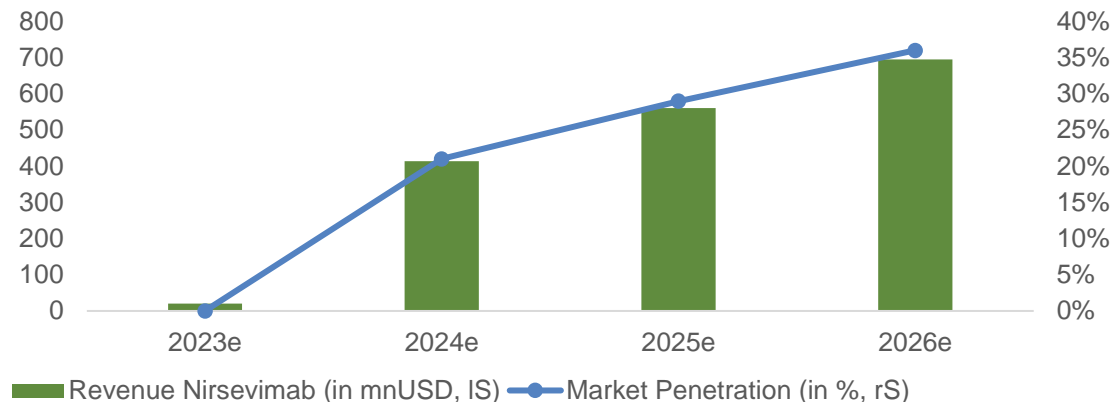


Company description

- ◆ As an international biopharmaceutical company, SOBI focuses on rare diseases, or two main therapeutic areas: Haematology (blood diseases) and Immunology (science of the body's defence mechanism).
- ◆ Specialty care is also part of the portfolio.
- ◆ However, the immunology portfolio, with three fast-growing products, each addressing a high unmet medical need, represents a new focus.
- ◆ The SOBI organisation spans more than 30 countries and provides treatments for patients around the world.

A full pipeline and strong growth of "Nirsevimab" in the US should continue to boost the share price.

Dynamic development Nirsevimab (RSV)



Full Pipeline

H1 2023	H2 2023
efanesoctocog alfa – haemophilia A (paediatric): XTEND-Kids phase 3 study data readout	efanesoctocog alfa – haemophilia A: regulatory submission (EU)
Doptelet – CLD ³ : regulatory decision (JP)	Aspaveli/Empaveli – ALS ⁵ : MERIDIAN phase 2 study data readout (by Apellis in mid-2023)
Empaveli – PNH: regulatory decision (JP)	Kineret – FMF: regulatory decision (CN)
loncastuximab tesirine – DLBCL: regulatory decision (EU) (by ADC Therapeutics in the first quarter of 2023)	Gamifant – MAS in rheumatological diseases: regulatory submission (US)
Gamifant – MAS ⁴ in rheumatological diseases: EMERALD phase 3 study data readout	SEL-212 – CRG: regulatory submission (US)
SEL-212 – CRG: phase 3 studies data readout	

Source: Bloomberg, SOBI, RSV: Respiratory Syncytial Virus

Update to licensing agreement with Sanofi

- ◆ Through a new licensing agreement with Sanofi, Sobi will receive a quarterly royalty on net sales of Nirsevimab in the US (RSV lower respiratory tract disease; approved in neonates and infants).
- ◆ Royalties begin at 25 percent of net sales at launch, expected in 2023, continue in 2024, and gradually increase each year from 2025 to 2028 to a range of 30 to 35 percent of net sales.
- ◆ The 2023 outlook provided by SOBI on Feb. 9 excluded all elements of SOBI's claim to the full share of U.S. profits and losses for Nirsevimab, hence the strong share price reaction in early April 2023.

Normally we dislike richly paid acquisitions, but in this case the valuation multiple makes sense.

M&A CTI BioPharma Corp.

- ◆ The company's lead product Vonjo is highly complementary to Sobi's existing drug Doptelet, which is also an oral therapy for rare haematology (blood disorder).
- ◆ The company expects Vonjo to accelerate Sobi's sales growth and margins by leveraging Sobi's existing U.S. sales infrastructure to achieve significant cost synergies.
- ◆ Sobi pays a premium in line with former rare disease transactions.
- ◆ The acquisition makes strategic sense as it leverages Sobi's existing infrastructure. We expect the acquisition to be earnings accretive over the long term.

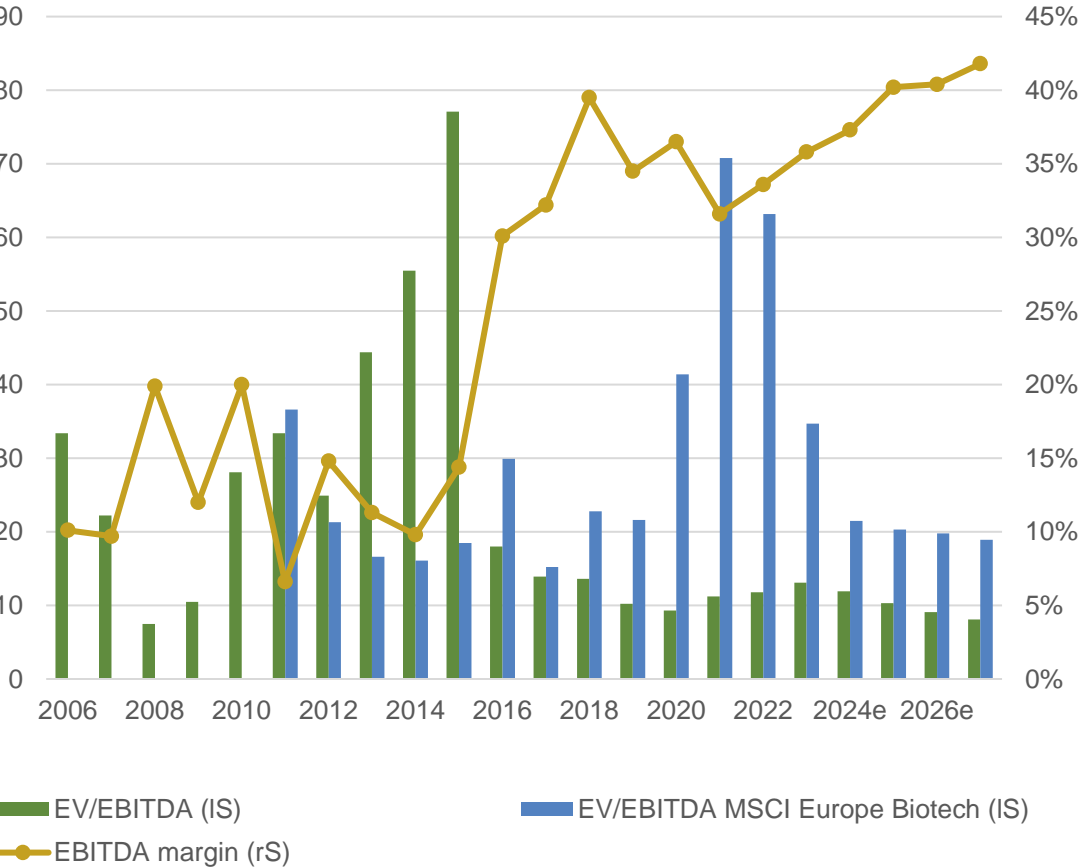
When does it pay off?

	2022	2023e	2024e	2025e	2026e		
Net profit SOBI	302	329.7	390.3	484.3	571.2	Transaction price (USD mn)	1700
Net profit CTI	-92	-40	61.9	118.8	182.6	refinancing with capital (USD mn)	850
Net profit combined entity	210	289.7	452.2	603.1	753.8	Current mkt cap SOBI (USD mn)	6820
Synergies			5	10	15	Refinancing as % of current market cap	12%
M&A related costs (restructuring, other)			15	15		Number of shares impact of cap increase	20%
Interest costs due to M&A			34	34	34	Debt amount (USD mn)	850
Earnings power combined entity	210	245.7	413.2	584.1	734.8	Interest Rate	4.0%
Old number of shares	309.8	309.8	309.8	309.8	309.8	Interest Burden	34
New number of shares	371.76	371.76	371.76	371.76	371.76	as % of combined entity	7.5%
EPS current SOBI	0.97	1.06	1.26	1.56	1.84		
EPS new SOBI	0.56	0.66	1.11	1.57	1.98		
(Dilution) / Accretion	-42%	-38%	-12%	1%	7%		

Source: Bloomberg, own calculations

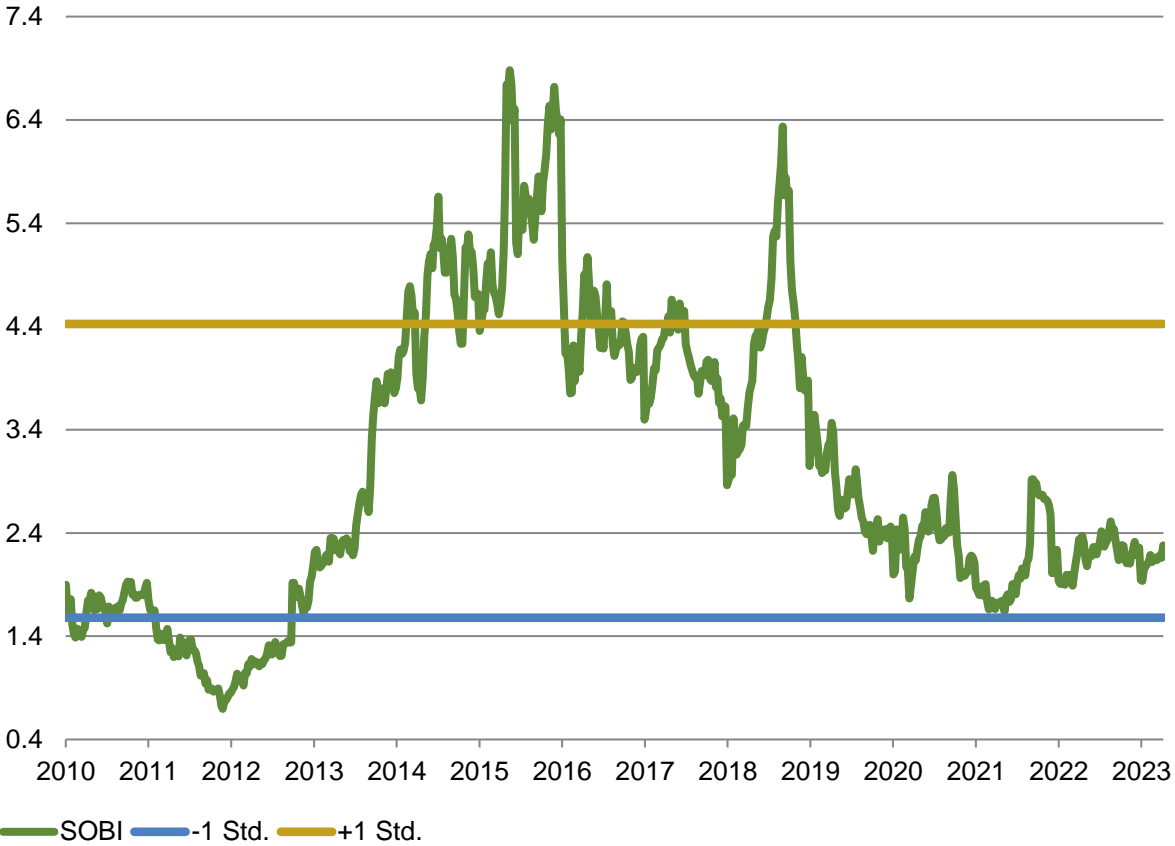
SOBI is still attractively valued, both in comparison with its peer group and its own history. The company is highly profitable.

Cheap and highly profitable



Source: Bloomberg

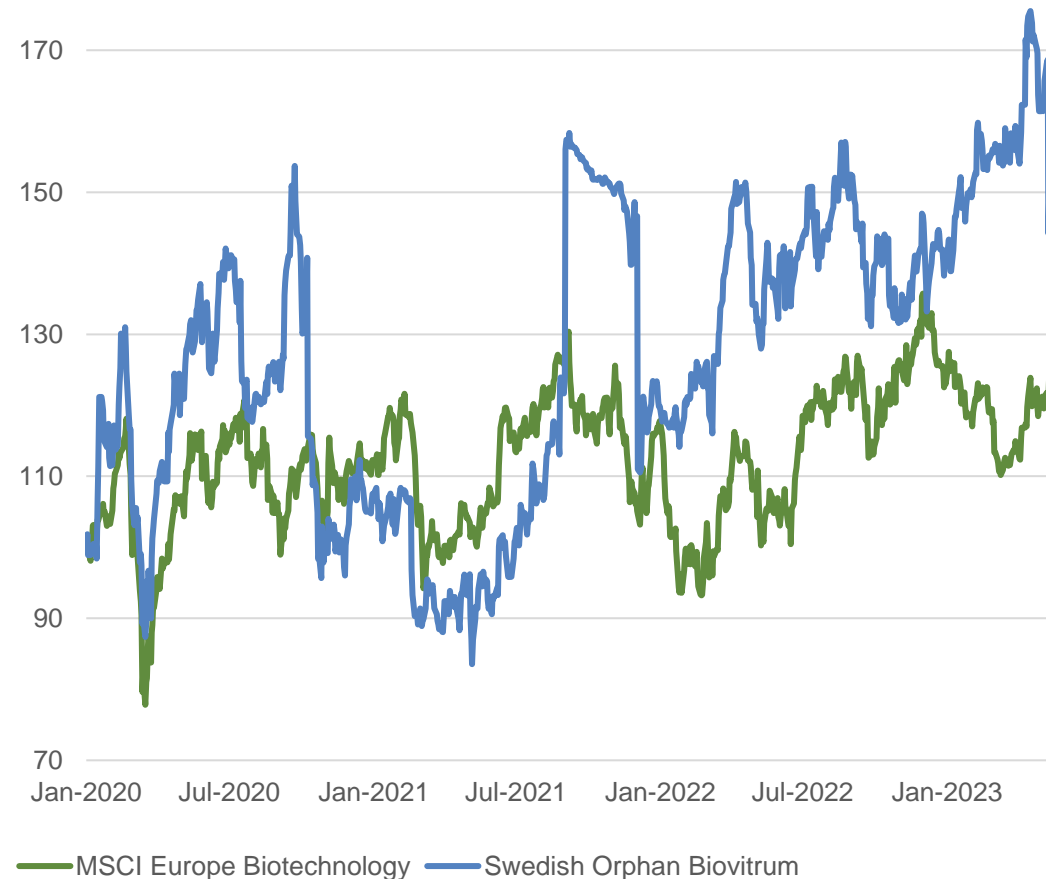
Price to Book Ratio to its own history



Source: Bloomberg

Four new immunology drugs (Empaveli, Nirsevimab, Efanesoctocog alfa and Zynlonta) offer strong synergies.

Performance

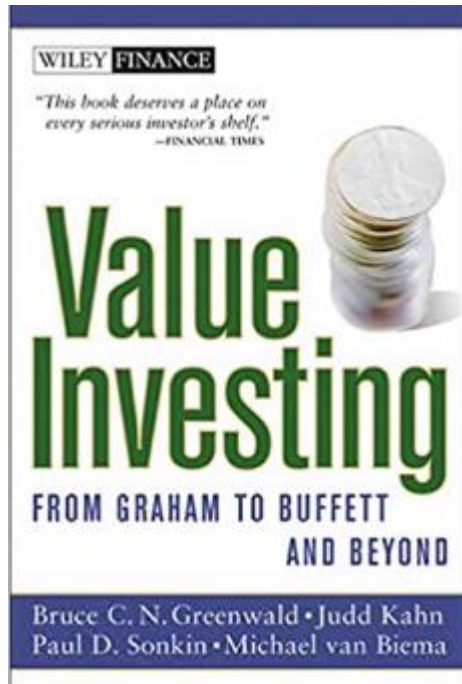


Source: Bloomberg, data from June 2023

Why do we recommend SOBI

- ◆ SOBI offers three strong opportunities: These include industry-leading, risk-free revenue growth with limited patent exposure risk. In addition, there is innovative pipeline leverage with multiple catalysts, such as entering new markets and acquisitions.
- ◆ SOBI has a strong balance sheet position and thus the potential for further acquisitions in the rare disease space.
- ◆ The company is attractively valued and earns its cost of capital.
- ◆ Despite the high research and development costs, free cash flow generation is above average.

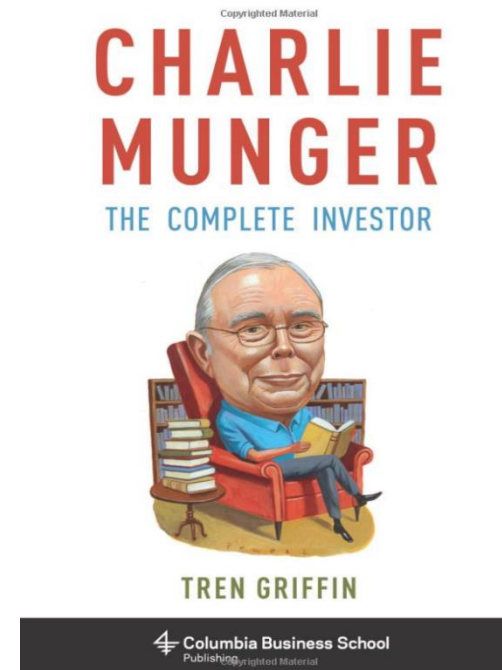
My three favourite books.



There is **one simple but very important formula** behind that book:

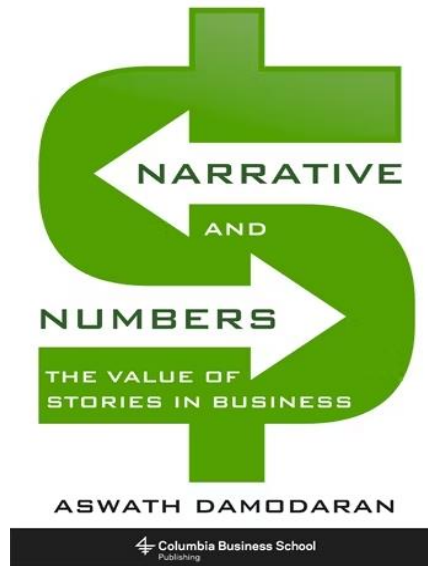
$$\text{EPV} = \text{Book Value x } \frac{\text{ROIC}}{\text{COC}}$$

(Assets plus Franchise)



This book is not simply about investing. It is about **cultivating mental models for your whole life.**

My three favourite books.



We have the poets and we have the quants – why not combine them?

In business, there are the storytellers who spin compelling narratives and the number-crunchers who construct meaningful models and accounts. Both are essential to success, but only by combining the two, Damodaran argues, can a business deliver and sustain value.

Learning lessons for the markets and my biggest mistake.

- ♦ **If you have the wrong character, stay out of the market. If you think that you are the Master of the Universe – stay out!**
- ♦ **Don't try to predict the future – work hard in the past, because that is the only thing you know for sure.**
- ♦ **Never buy Banks – Never ever (crisis over crisis), as long as we do not have a Separation Banking System.**
- ♦ **Keep learning and don't do dumb things (Bitcoin).**
- ♦ **Learn how consumer behave (Apple, LVMH, Inditex, energy transformation).**
- ♦ **Don't invest in cheap companies that stay cheap (with no story and in a dying business; read narrative and numbers).**
- ♦ **Make it simple and make it clear. Investing is looking for mispriced jewels. And you have to know that – that is all.**
- ♦ **Act like a pilot – work with a checklist. If the last point of your research checklist is not fulfilled, don't buy that stock.**
- ♦ **Buy low and sell high – don't be a dreamer: try to have the best stocks (and buy it at a reasonable price) in your basket.**
- ♦ **Start as young as possible (I started to invest in Nestlé (CHF 10) and Roche (CHF 13) in 1986) and then, be invested for a long time (take the best stock market days and never underestimate the compounding effect, read the book Invested, Danielle Town).**
- ♦ **What was my biggest mistake? It was to sell good stocks – hold them till the end of the days!!! (never underestimate the compounding effect).**

Thank you for your attention.



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Are there any questions?

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Further information about our publications, in particular: Summary of the important sources of information, Valuation principles and methods, Explanation of the meaning of the recommendations, List of all recommendations as well, Information on conflicts of interest can be requested at www.llb.li/legal-notes. We are providing this information also free of charge in paper form.

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