— Issue #312: May 2025 —

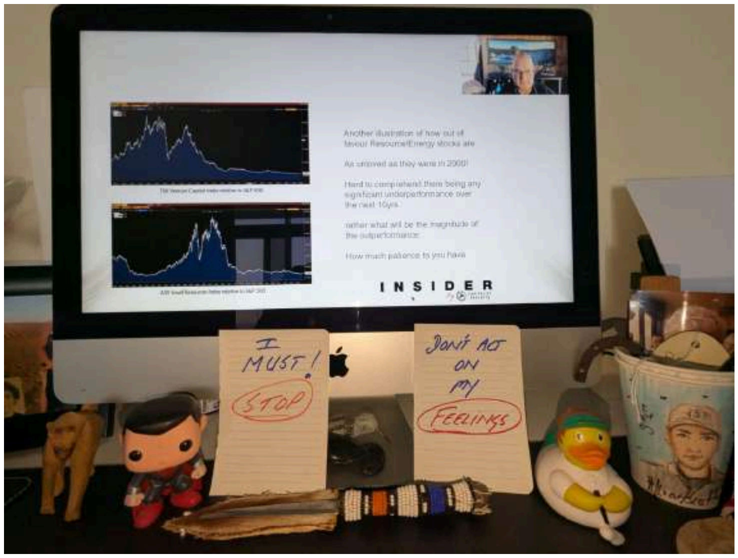
Greetings, friends!

First off, we have a brief video for you, where we cover some of the topics in this Newsletter issue. Click here or on the image below to watch it.

From Ramiro taken from the top floor of his building in Montevideo, Uruguay looking east into lake Calcagno. I'd call that a "bird's-eye view."

And from Henry in Point Lonsdale, Straya.

And while not a sunset or sunrise shot I had to share this one with you all, from subscriber Paul. It did make me laugh.



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CELEBRATION

In the last week of April, the peasants in Europe celebrated net zero day. Zero electricity, that is.

Spain's unprecedented power outage sparks a blackout blame game over green energy

"- An abrupt and widespread blackout, one of Europe's worst in living memory, affected the entire Iberian Peninsula on April 28.

- Alongside Spanish opposition parties, some external observers have flagged renewables and net-zero emissions targets as possible reasons for the outage.

- Henrik Andersen, CEO of Danish wind turbine manufacturer Vestas, said "a degree of statesmanship" is required, particularly as Spanish policymakers continue to investigate the outage."

Frankly, I'm rather surprised that a sufficiently "diverse" panel of "experts" has not been trotted out to explain that no, it's because of ~~global warming~~ ~~climate change~~ climate emergency… or Putin. Actually, maybe they already have been. I've stopped looking at the BBC, so it's possible.

At least they're not now spending millions blocking out the sun. Oh, wait! Oh, dear!

UK Agency Starts Funding Highly Controversial Solar Geoengineering Experiments Despite Enormous Risks

"The UK government, through its Advanced Research and Invention Agency (ARIA), has allocated approximately £56.8 million (around $75 million) to fund solar geoengineering research projects aimed at exploring methods to artificially cool the Earth by reflecting sunlight away from the planet. This funding supports 21 projects, including five small-scale outdoor experiments such as thickening Arctic sea ice, cloud brightening, and

studying non-toxic materials for stratospheric aerosol injection. The projects are part of ARIA's five-year "Exploring Climate Cooling" program and represent one of the largest government investments in solar geoengineering research globally."

You know, I used to think these muppets were simply stupid. But no. It is clear they are evil and they do desire pain and suffering on us all.

Anyway this was all entirely predictable. How do we know? Well we predicted it years back. Well if a few grumpy hedge fund managers can figure it out then really it isn't that hard. We have been accused of being smart, but never geniuses.

Which brings me to…

INCOMING

Theft, that is.

Consider that the deindustrialisation of the communist union of Europe continues apace and with it the acceleration of the bankruptcy.

Of course, the blow dried TV robots won't tell you this, but…

The next step in this process is asset seizure.

Remember when they first printed trillions and told us inflation was "transitory?"

Now, they're taxing trillions and telling us taxes are transitory.

France just announced new tax hikes. Italy is raising capital gain taxes from 26% to 42%. The UK got rid of their "non-dom" rules essentially destroying tax incentives, and across the rest of Europe it's plain wealth taxes.

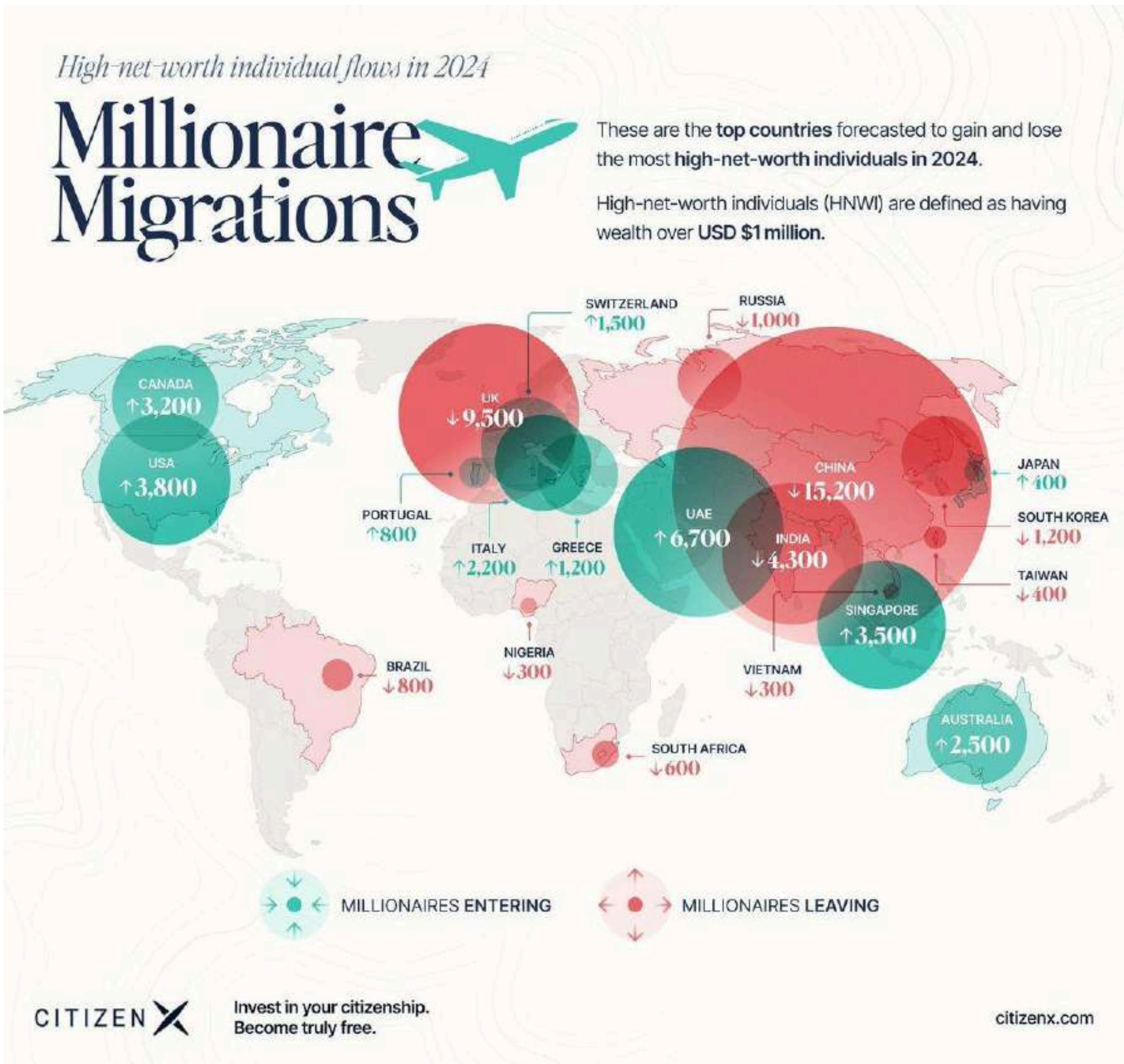
Norway showed us how this will transpire. The muppets in power there raised wealth taxes to bring an additional $146 million in yearly tax revenue. Instead, individuals worth $54 billion left the country, leading to a loss of $594 million in yearly wealth tax revenue. A net decrease of $448 million.

Spain just recorded 1,000 fewer high-net-worth taxpayers. It was the first negative millionaire migration for the country since they imposed a wealth tax.

Thousands of millionaires are leaving while (coincidentally) tax pressure is at all-time highs.

Democracy is a joke. Who for example voted for higher taxes? Nobody of course, but the peasants will get them anyway.

In the UK, it's the same story. Millionaires and billionaires are escaping as fast as they can.



Just in 2023, the UK lost around 12,500 high-net-worth individuals (HNWIs). Another 9,500 more are expected to have left in 2024.

The proposed solution? An exit tax for citizens leaving the country.

Modern feudalism is already here in Europe.

I don’t want to sound like a broken record, but the next steps are all too obvious. We’ve had inflation, taxation, and next comes confiscation.

The first steps towards this have been taken. The requirement for all citizens to register all your assets in a central EU register to "help with financial transparency."

politics finance Perspectives Earth knowledge health entertainment panorama

EU Commission President Ursula von der Leyen — Authors' Union Mobility / European Parliament

FOCUS online guest author **Sebastian Hell**

Wednesday, July 24th, 2024, 12:06

Because financial transparency is becoming more and more important, a significant change is apparently imminent. Financial professional Sebastian Hell explains what could be behind a possible EU wealth register. The EU Commission contradicts the alleged plan.

Eliminating cash is well underway.

Your bank accounts, shares, cars, real estate, precious metals, works of art, that old bottle of plonk that might be worth a few hundred bucks… and crypto, of course. Be a good little peasant and register it all to "fight money laundering."

They're going to seize it all. Watch!

This brings me to Bitcoin…

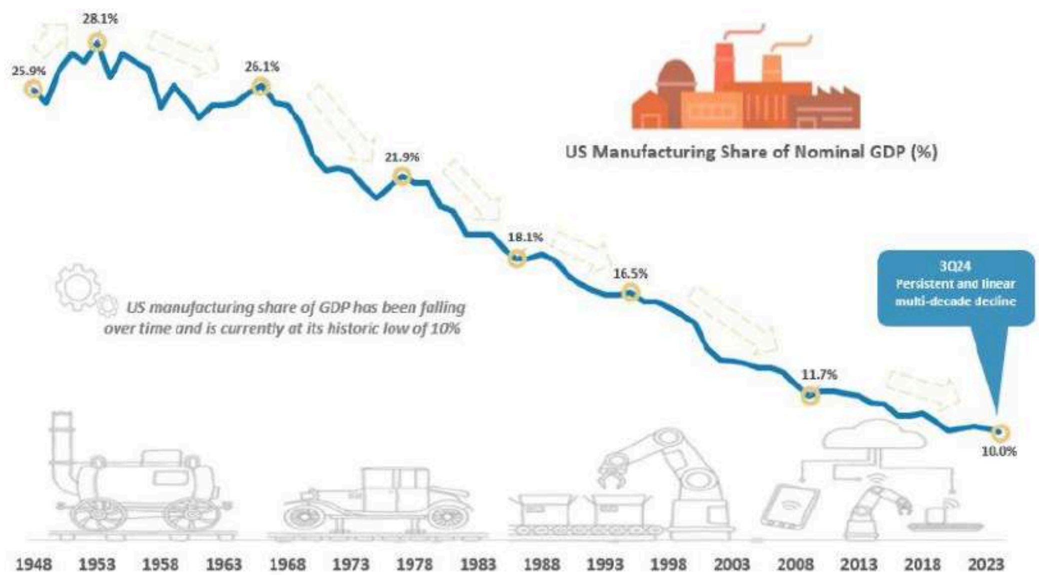
I haven't spoken much about Bitcoin as it's not in our portfolio. The reason is simple. Buying Bitcoin in your Interactive Brokers account means you're losing the most critical value component of it: the ability to self custody. Buy Bitcoin and get it off exchanges. They can't seize Bitcoin you self-custody.

What will they do instead? Probably revoke your passport, which is another excellent reason to get more than one.

IT'S BEEN STRIP MINED FOR PAPER

The Donald's stated objective is to MAGA by bringing back production to the US. Fine, ok. Here's the trajectory:

Exhibit 2: US manufacturing's decline



Source: Haver Analytics, Shutterstock

This, my friends, is terminal decline.

Every tick down you see has been a decision. Not by the people, but by Wall street, who traded production for paper. Wall Street didn't miscalculate. They extracted. Parasites prey on the host. It's just what they do.

Post-WW2, America was the engine of the world. Steel, oil, ships, chips. Real output. Real leverage.

But beginning in the late 1960's and accelerating through the 1980's, financialisation took hold. Wall Street took hold — not towards innovation in production, but rather innovation in finance. It was the beginning of the gutting of the productive class.

They replaced the forge with the spreadsheet. America stopped building and started branding. Showmanship, marketing, and bluster became American ideals while production was shipped offshore.

Cheap labor overseas and “structured finance” and derivatives in the US. The illusion of growth was sustained by financial alchemy while the foundation rotted out. Banks, lawyers, brokers — the financial class. This is where people wanted to send their kids. Universities pumped out lawyers instead of engineers (now gender studies instead of STEM).

This is why the American middle class collapsed. Now we arrive at Trump who wants to Make America Great Again. The problem is that he’s doing this not by incentivising the US becoming better, but rather blaming other nations. The blame lies at Wall Street's door, but Wall Street funded his campaign, so the real root cause of the problem will go unmentioned and is therefore unlikely to be “fixed” if it was possible at this stage at all. US National security is now dependent on Chinese supply chains so…

The fact is the US has been strip-mined in favour of globalization.

Trump is attempting to bring it all back. To reverse decades of asset stripping. It explains the hatred by the globalists for him. The issue is that not only is the US nothing like its former self - the same goes for the rest of the world. China in particular is nothing like its former self.

Weaponising the USD system against Russia has backfired spectacularly, and now the US is weaponizing global trade. Just as the weaponizing of the USD banking system has led to an explosion in countries entering cross border trade… sans the US system (we spoke about this in the last issue) so, too, the same will result now in the form of trade.

To top it all off the US is sitting on mountains of IOUs with a bloated and out of date military.

This is the time when those bonds get repriced and with it all the asset classes that have benefited from falling bond yields get repriced, too. It is a time to hold hard assets.

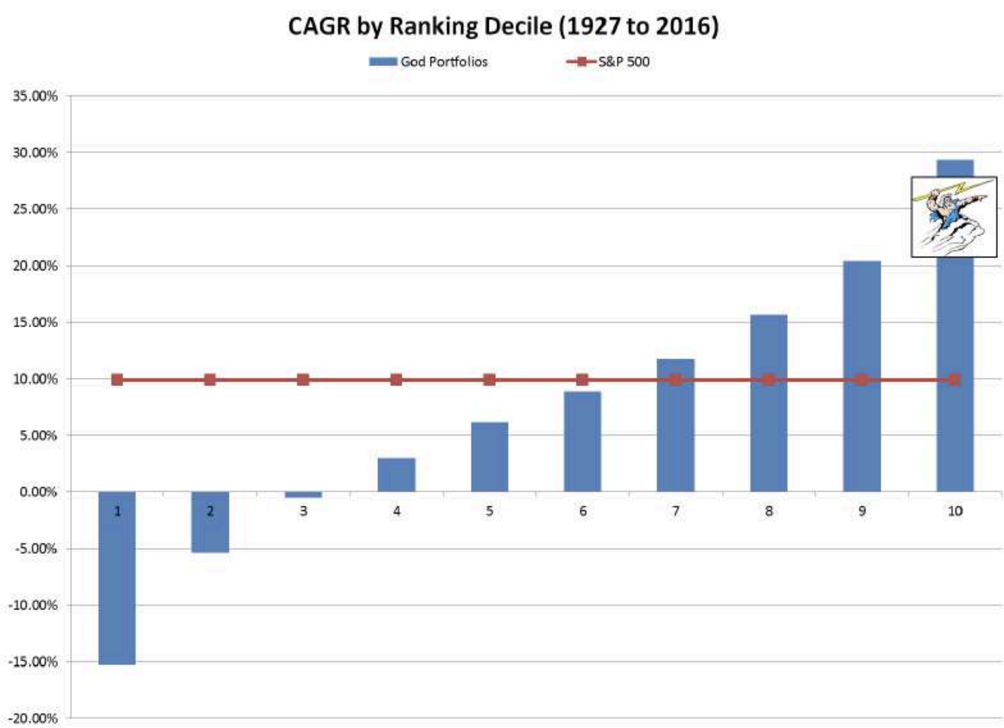
THE ALMIGHTY PORTFOLIO

Here is a great study which highlights that if you want to outperform, **you have to accept greater volatility than the market and have a long-term time horizon**. Ironically, the very two things most investors lack.

In essence, an active investor who was clairvoyant (i.e. "God") and who knew ahead of time exactly which stocks were going to be long-term winners and long-term losers would likely get fired many times over if they were managing other people's money.

The study assumes that the Clairvoyant knew which stocks would be the best performers in five years. So the Clairvoyant would invest now and then readjust his portfolio in five years time based on what he/she knew would be the best performers five years hence:

We first look at the decile portfolios rebalanced every 5 years. These portfolios highlight what perfect foresight can achieve. The Decile 10 portfolios represent value-weighted portfolios sorted on future top 5-year performers and the Decile 1 represents value-weighted portfolios sorted on future bottom 5-year performers. The compound annual growth rates for the 10 decile look-ahead portfolios are mapped below:



Summary Statistics

Here we investigate some statistics and charts on the performance of the 5-year look ahead portfolio.

- **God_Best** = Top decile 5-year winner portfolio
- **God_Worst** = Bottom decile 5-year loser portfolio
- **SP500** = S&P 500 Total Return Index

First, the raw summary statistics:

Summary Statistics	God_Best	God_worst	SP500
CAGR	29.37%	-15.32%	9.87%
Standard Deviation	22.41%	29.13%	18.96%
Sharpe Ratio (RF=T-Bills)	1.12	-0.53	0.42
Worst Drawdown	-75.94%	-99.99	-84.59%

So the standard deviation and Sharpe Ratio suggest that **this portfolio will be way more volatile than the market even though the returns will be dramatically higher.**

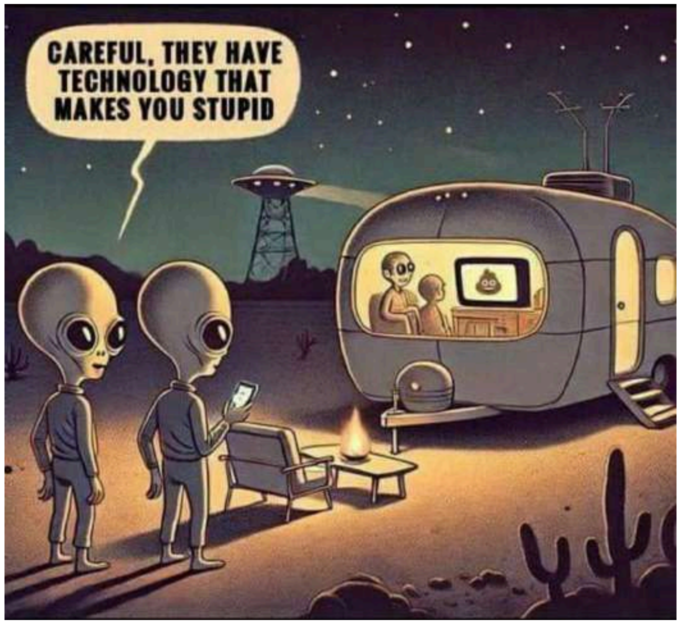
So would the average investor invest in this portfolio or be able to stomach the volatility?

Probably not. We are reminded of the legendary Peter Lynch, who from 1977 to 1990 managed the high-flying Fidelity Magellan Fund. Under his management, the fund averaged an astounding annual return of 29%. It would seem all you had to do was ride along with Lynch and you would earn phenomenal returns. But guess what? That didn't happen. According to Fidelity Investments, **the average Magellan Fund investor actually lost money during Lynch's tenure there.**

No doubt you're asking why? How?

The answer comes from Lynch himself who found that the volatility of the fund coincided with his investors redeeming and reinvesting. In essence, they traded his fund as if it were individual stocks.

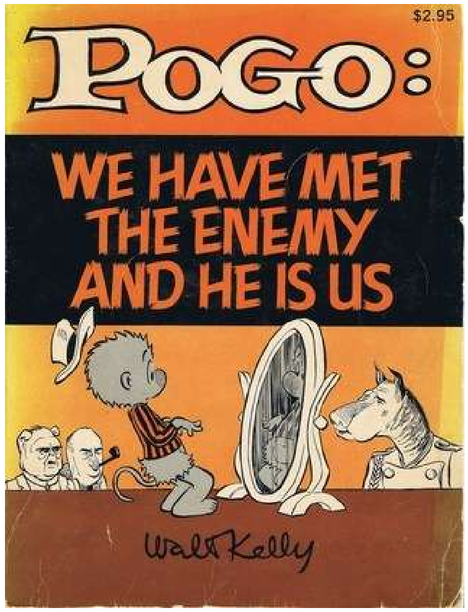
The problem was they sold after a drawdown and then bought back in after it had run up again. It is almost certain those investors didn't think they were trading. They just got conflicting information. Probably from the shiny white toothed dolly birds on CNBC doing what they always do — looking great but offering nothing intelligent. In fact, being counterproductive.



And so after viewing the idiot box, they freaked out and dumped their shares. Then when things were going well and the CNBC giggling bimbos were giddy with excitement they reinvested. It translated into the majority of his investors actually losing money. Nuts when you think about the fact that his fund was the best performing fund for over 20 years. All they had to do was pretend they were dead and they would have compounded at an astonishing rate.

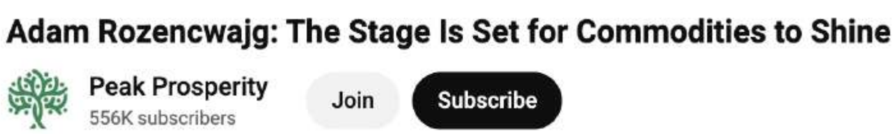
Consider that $100,000 invested with the Magellan fund compounded at 29% annually for 20 years would be worth approximately $70.76 million.

Now you may begin to appreciate the saying…



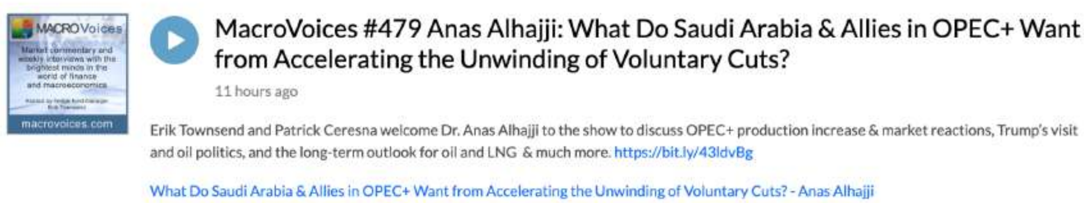
A GREAT RECAP ON THE OUTLOOK FOR COMMODITIES

Probably nothing new in this YouTube discussion, but each time we hear the argument it reaffirms our thinking — not that we particularly want to find people agreeing with our thinking for the sake of comfort.



THE REAL DEAL WITH OPEC+ UNWINDING OF VOLUNTARY CUTS

Someone we really respect is Anas Alhajji. He is someone who knows the inner workings and thinking of OPEC and not just a talking head from the press of popular opinion. You might want to listen to [this podcast](#).



Seems like the media and “analysts” misunderstood OPEC.

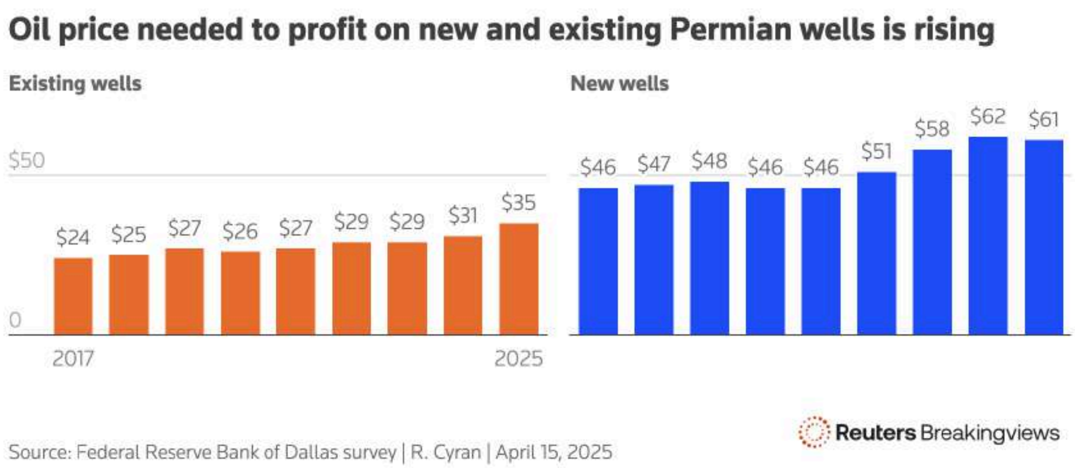
Something perhaps unrelated to Anas’s discussion — [crack spreads](#). Granted, the chart below is full of noise, but something strange is playing out. Crack spreads have been rising (on no uncertain terms) since the start of the year whereas crude oil has been weak. A divergence free of noise! So who is foretelling of the next move in crude: crack spreads or the price of crude itself?

We have a suspicion that the weakness we have seen in crude since the start of the year is a delusion.

THE HEART OF THE US OIL BOOM IS SLOWING

Here's an interesting article from Reuters. Not that this is anything new to us, but it is nonetheless interesting that the press of popular opinion is starting to catch on.

Rising costs suggests that oilers are being forced to focus on "tier 2" (less productive) regions, that is shale is running into geological problems.



From the article:

> *"Operating costs are not yet high enough to threaten existing wells, plenty of which are profitable at current prices. The Dallas Fed survey indicates that it would take a further 50% cut to the price of oil before it no longer made sense to keep pumping.*
>
> *Snag is, shale wells have an extremely short lifespan. On average, production drops by more than two-thirds after one year and 95% after six years. So if new wells begin to look like a bad bet, that will show up in overall production numbers quickly.*
>
> *Of course, average figures belie the wide differences in the quality of land from one patch to the next. Problem is, the best spots are running out. On so-called tier-one acreage in the Permian, drilling can generate a 30% return, based on net present value, at $50 a barrel*

oil. That's enough to cover operational risk, service debt and pay dividends. This prime real estate could run out in about 3.5 years, reckons research outfit Enverus.

That's not the end of the world; there's another 3.5 years worth of oil that clears the hurdle at prices of $55. But put all of this together, and it's enough to make some of the earliest champions of fracking increasingly bearish.

*Harold Hamm, who made billions by pioneering the practice in North Dakota, said at an industry conference in March that **U.S. crude production was beginning to plateau.** Scott Sheffield, founder of Pioneer Natural Resources, said in a CNBC interview that **one of the main reasons he sold the company to Exxon for $65 billion in 2023 was that it was running out of tier-one inventory - and that everyone else is, too."***

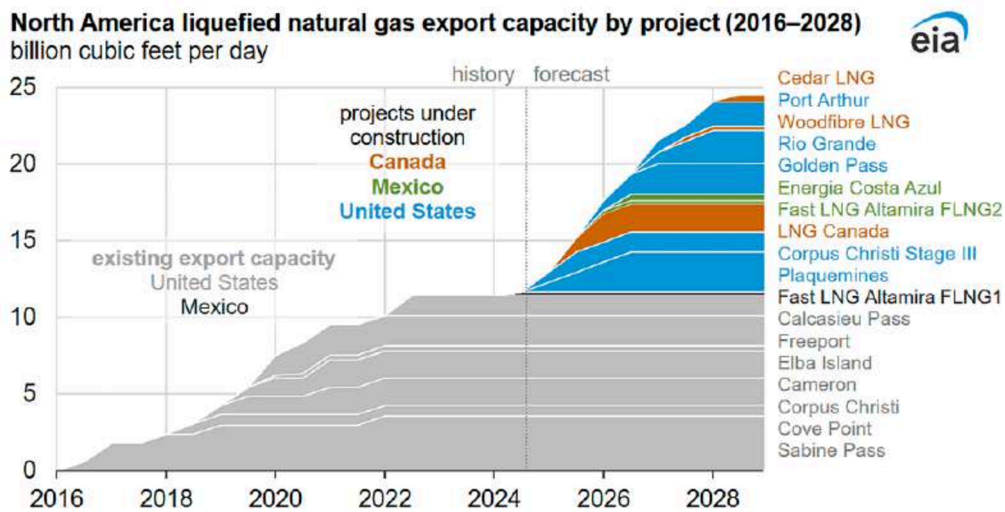
Perhaps the ultimate confirmation of the true health of shale will be exposed by the price of oil itself. By that we mean that if we see $80 oil (laugh at your peril) and shale oil production does not pick up in any meaningful way, then there is "objective" confirmation in what Scott Sheffield is saying.

NATURAL GAS PRODUCERS

Take a look at this…

Something is going on with natural gas producers. We highlight the performance of the big dedicated natural gas producers, Expand Energy (EXE) and EQT (EQT) vs the average oil and gas producer, depicted by the SPDR S&P Oil & Gas Exploration & Production ETF (XOP).

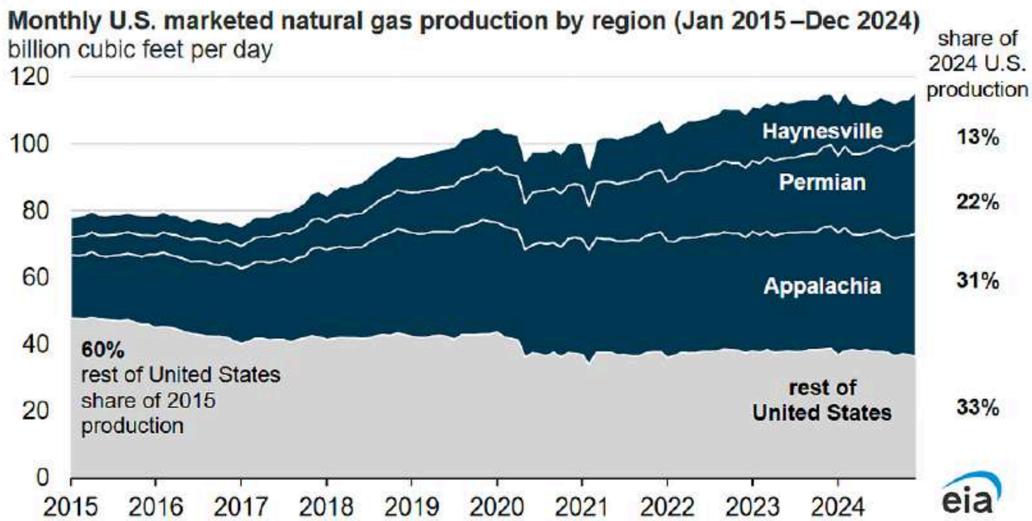
Our fundamental view is that demand for natural gas is set to increase dramatically. This is primarily due to 10 LNG export terminals that are either in the planning phase, under construction, or have been recently completed. This will effectively double the current export capacity of LNG by 2028.



Data source: U.S. Energy Information Administration, *Liquefaction Capacity File*, and trade press
Note: Export capacity shown is project's baseload capacity. Online dates of LNG export projects under construction are estimates based on trade press. LNG=liquefied natural gas; FLNG=floating liquefied natural gas

Added to this is the rise of AI data centers. Although it is hard to put a figure on this additional demand, it will likely be significant.

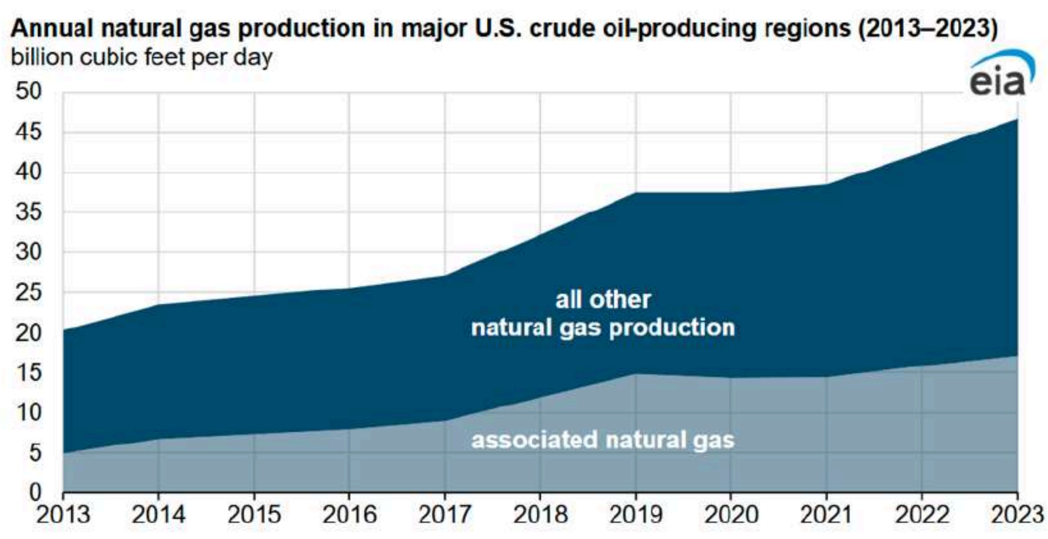
But supply is unlikely to keep up with this demand. If we take production from early 2020 until now , it is an increase of about 17% (17 billion cubic feet). But it is going to have to increase by at least another 15 billion cubic feet by 2028 just to meet the additional demand from LNG export terminals coming online.



Data source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, April 2025

The required increase in supply is demanding considering what is happening with producers.

Few folks are aware that some **1/3 of US natural gas is produced as a result of a byproduct of oil production**. This is referred to as "associated gas." It is produced because about 50% of the energy produced by a typical shale well comes from natural gas.



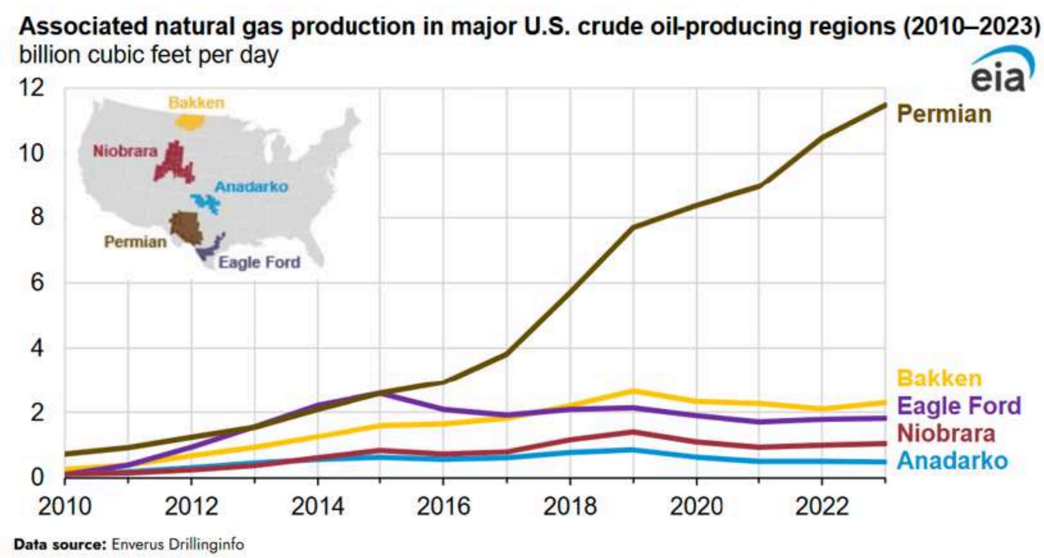
Data source: Enverus Drillinginfo
Note: For consistency, the various state pressure bases used to measure natural gas volumes have been converted to the federal pressure base of 14.73 pounds per square inch absolute (psia) and 60°F.

Over the last few years, associated gas production has grown at a higher rate than oil. This is due to the following reasons:

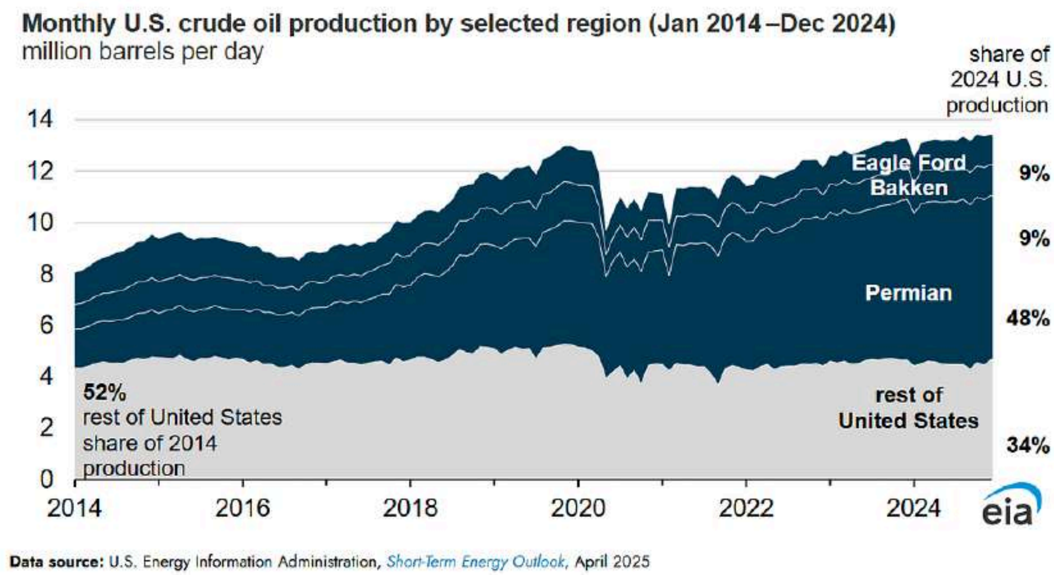
- Wells produce more gas as they age.
- Flaring regulations (producers now have to capture gas instead of flaring it).
- The quality of new oil wells is declining. New wells are producing greater volumes of natural gas than wells drilled in the past. This "gasification" of oil wells will continue as producers are increasingly moving to less productive assets (often referred to as tier two assets).

With associated gas playing an increasing role in addressing domestic demand, any decline in oil prices that leads to a reduction in drilling will, by default, cause natural gas production to decline. Less natural gas supply vs increasing demand will lead to higher prices.

The Permian basin accounts for most of associated natural gas production.



The Permian also accounts for the majority of growth in shale oil production over the last 10 years.



As we have said many times before, **solve what happens with the Permian basin and you solve what happens with US oil and gas production and to a large extent global production.** Remember, the Permian produces about the same energy content as Saudi Arabia.

The trend of rising associated natural gas production has important implications for the Permian basin and the US as a whole. More gas and less oil will reduce US shale's profitability and increase its cost per barrel. This higher marginal cost of production will push companies to increasingly deploy exploration and development capital to outside the US, namely the offshore space.

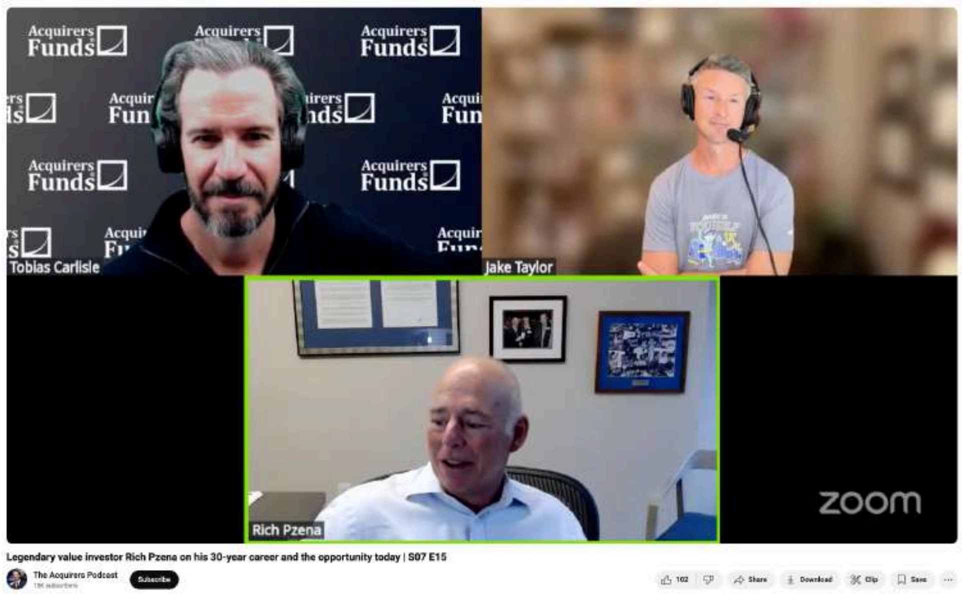
Needless to say, producers whose production profile is primarily focused on natural gas (like EQT, Expand, Range Resources, Comstock, Antero) will do exceptionally well.

Perhaps this is what the market is starting to anticipate with the recent strength in these stocks.

Don't forget that our largest direct exposure to oil and gas producers is via natural gas producers (EXE, CNX, RRC, AR, and EQT).

MEMORIES OF THE TMT BUBBLE

A candid discussion with an investment great, Rich Pzena. If you want to shortcut it - listen from the 13-minute mark when he talks about the TMT/dot-com bubble some 25 years ago.



It was a hell of a time being a value investor in the late 1990s. But looking back, it was the best of times. Wisdom is said to be derived from outcomes you never intended.

THE BIG FIVE

Five deep value ideas that you probably wouldn't have heard of before let alone considered. These aren't trade ideas as such, but if you were to take each position short them in equal weights and hold those short positions for five years, you would most likely be taken to the cleaners, which answers the question of whether or not they would be a good investment. Please read our important disclaimer here regarding any recommendations.

1. BW LPG
2. DOF Subsea
3. Cal-Maine Foods
4. BW Offshore
5. Kier Group

BW LPG

It's an owner of a fleet of LPG carriers. It seems that whichever way one looks within the shipping sector, fantastic value is to be had — with low P/Es, both forward and actual (below 5x) and high dividend yields, projected and actual (10% or more). Many of these stocks could sit well within both the Asymmetric and Dividend strategies. BW LPG is a classic example.

		HISTORICAL		FORECAST (MEAN)		
	LTM 31-Dec-24	FY-1	FY0	FY1	FY2	FY3
Enterprise Value/R...	0.75	0.80	0.76	3.76	3.68	4.04
Enterprise Value/E...	4.37	3.36	4.39	5.40	5.14	5.88
Enterprise Value/E...	6.52	4.88	6.54	9.83	9.42	12.80
Total Debt/Enterpri...	0.44	0.24	0.44			
Total Debt/EBITDA	1.91	0.81	1.91	2.36	2.25	2.57
EBITDA/Interest Ex...	30.94	25.64	30.94	15.36	23.79	27.40
EBITDA-Capital Ex...	0.60	21.37	0.60	11.85	23.02	27.40
EBIT/Interest Expe...	20.76	17.66	20.76	8.44	12.98	12.60
PE	3.92	4.23	4.18	6.95	6.12	7.64
PEG	-0.16	0.04	-0.17	--	--	--
Dividend Yield	23.21	23.18	21.95	15.23	15.48	--
FOCF Yield	9.30	20.27	8.79	25.84	--	25.04
Price/Sales	0.47	0.67	0.42	2.32	2.28	2.50
Price/Cash Flow	2.22	3.87	1.97	3.43	3.15	--
Price/Book Value	0.88	1.33	0.93	0.83	0.78	0.78
Return on Assets	13.52%	19.41%	13.52%	--	--	--
Return on Equity	21.64%	31.90%	21.64%	--	--	7.47%

Look at the power of dividends — the stock price performance (white) and total return (red):

DOF SUBSEA

DOF is an operator of a fleet (77) of offshore service and subsea service vessels — a Norway-based provider of integrated subsea project and marine services to the global offshore energy market. The company operates in three segments of the offshore services market:

- PSV (Platform Supply Vessels),
- AHTS (Anchor Handling Tug Supply vessels), and
- Subsea (Subsea vessels and Subsea engineering services). Included in the subsea segment are engineering companies that provide services within the subsea project and renewable markets.

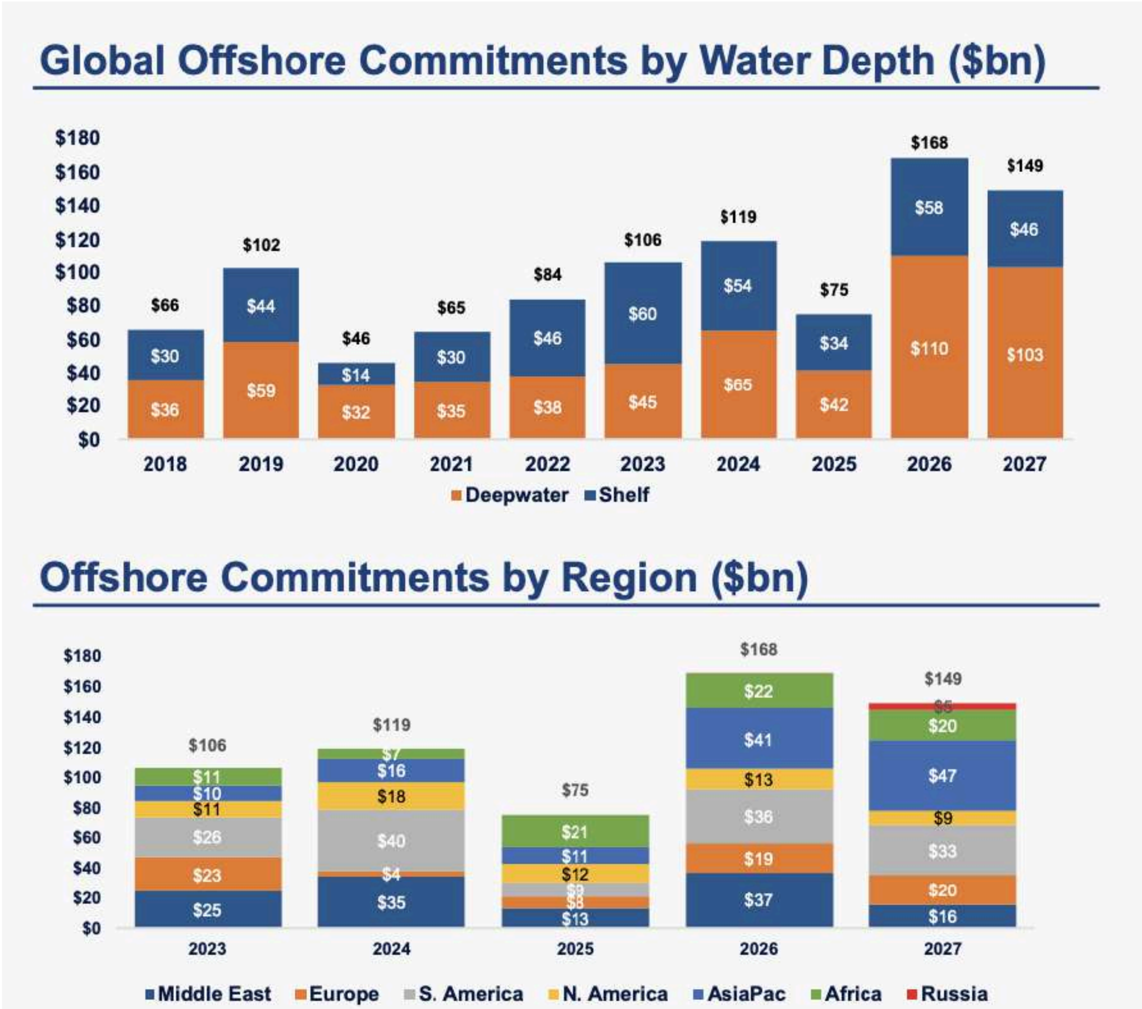
Like most OSV operators it went bankrupt after COVID but came back recapitalized with debt holders becoming the new debt holders. You might want to take a look at its latest earnings presentation.

A couple of things caught our attention — fleet utilisation is currently sitting around 88%. The fair value of its assets (ships) is about US$4.2 billion, but its market cap is about US$1.9 billion. And look at the forward P/E of 6x and the projected dividend yield of 11.5%.

KEY RATIOS ›		Fiscal Year	Calendar Year			
		HISTORICAL		FORECAST (MEAN)		
	LTM 31-Dec-24	FY-1	FY0	FY1	FY2	FY3
Enterprise Value/R...	2.28	1.96	2.22	1.70	1.60	1.55
Enterprise Value/E...	6.38	6.38	6.73	4.16	3.69	3.61
Enterprise Value/E...	11.72	10.20	11.37	6.23	5.24	4.97
Total Debt/Enterpri...	0.53	0.64	0.54			
Total Debt/EBITDA	3.35	4.08	3.63	2.18	1.94	1.90
EBITDA/Interest Ex...	--	3.24	4.38	7.12	8.83	9.30
EBITDA-Capital Ex...	--	2.08	3.27	5.40	7.38	8.09
EBIT/Interest Expe...	--	2.03	2.60	4.75	6.22	6.75
PE	8.94	2.59	7.96	5.99	4.76	4.53
PEG	-0.12	0.11	-0.14	--	--	--
Dividend Yield	3.86	--	4.04	11.47	18.09	17.84
FOCF Yield	14.47	--	15.13	16.57	24.39	22.87
Price/Sales	1.38	0.83	1.02	1.03	0.97	--
Price/Cash Flow	4.87	7.58	3.61	3.27	3.01	--
Price/Book Value	1.08	0.96	1.03	1.28	1.18	1.74
Return on Assets	5.48%	14.77%	5.51%	--	19.60%	--
Return on Equity	12.66%	68.70%	12.73%	--	21.42%	20.15%

With current utilisation sitting on 88%, that is near full deployment. As business picks up, profitability is likely to increase in an asymmetric way. Because there aren't going to be any more ships coming into the global fleet as I discuss below.

Here are a few screen grabs from the latest [TDW investor presentation](). 2025 is a bit of a “lull year,” but look at the pickup in 2026 and 2027. These are contracts locked in and ready to execute. Note the big pickup in Deepwater projects:



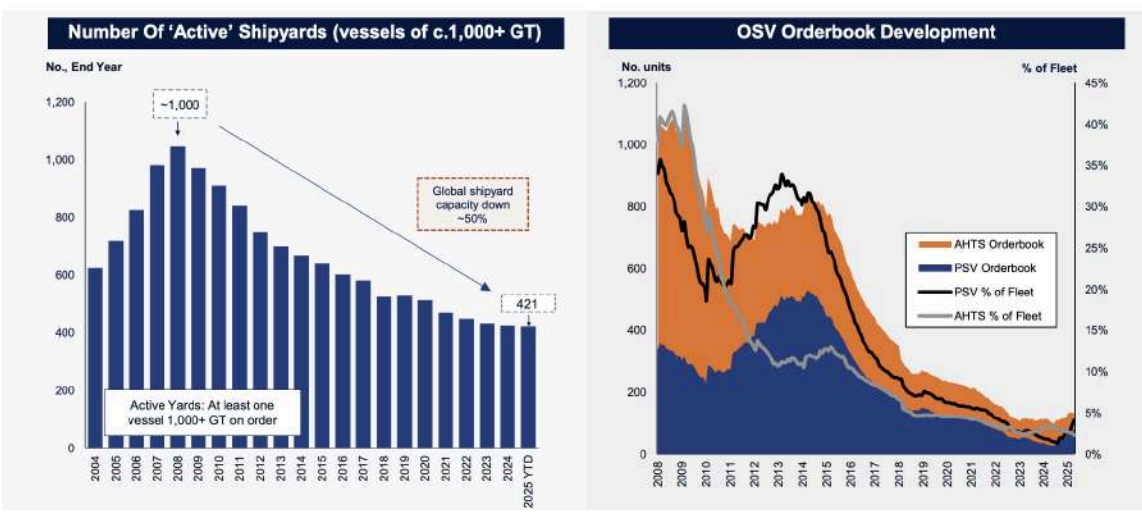
In about four years, the average age of PSVs (platform supply vessels) and AHTs (anchor handling tugs) will be 20 years. Many of those ships will be on their way to a beach in Bangladesh. Also, look at the utilisation rates. At 82% and 86% that is not far off full utilisation.

Global Fleet Profile by Vessel Type

Vessel Class	Number of Vessels	Average Age (yrs)	Active(1)	Laid-up	Average Age – Laid-up (yrs)	Active as % of Total
>900m² PSV	397	13.9	377	20	20.2	95.0%
700 - 900m² PSV	410	13.5	351	59	20.8	85.6%
<700m² PSV	747	21.6	539	208	29.1	72.2%
PSV Sub-total	**1,554**	**17.5**	**1,267**	**287**	**26.8**	**81.5%**
>16k BHP AHTS	167	14.8	160	7	21.9	95.8%
12 - 16K BHP AHTS	186	18.6	165	21	24.3	88.7%
8 - 12K BHP AHTS	190	16.9	162	28	25.0	85.3%
<8K BHP AHTS	733	15.7	609	124	21.6	83.1%
AHTS Sub-total	**1,276**	**16.2**	**1,096**	**180**	**22.5**	**85.9%**

Global shipyard capacity (capacity to build ships) is still down some 50% on its peak in 2007 (although that was probably too much capacity to start with). Note the order book. It is only PSVs orders that have picked up, and even then the orders will not be enough to offset the rapidly aging fleet.

Shipyard Capacity & Orderbook Status



So there is the setup. Now we just gotta be patient and not worry too much about the price of oil. The coming supply crunch will more than offset any deterioration in demand due to low oil prices, if indeed oil prices remain at or below current levels (good luck on that one with US shale entering the decline phase).

CAL-MAINE FOODS

This is something a little different — the largest producer of chicken eggs in the US. There is more to eggs than the morning poached eggs on toast.

Sitting on a P/E of 5x (actual and forward) and a forecasted dividend yield of near 8%. It's a wonderful candidate for the Dividend portfolio because it brings more diversity of cash flows to the portfolio. My goodness, look at the return on assets: 38%.

KEY RATIOS ›						
		HISTORICAL		FORECAST (MEAN)		
	LTM 1-Mar-25	FY-1	FY0	FY1	FY2	FY3
Enterprise Value/R...	0.91	0.53	0.95	0.86	1.23	--
Enterprise Value/E...	2.63	1.62	5.68	2.19	5.20	--
Enterprise Value/E...	2.82	1.74	7.16	2.44	7.58	--
Total Debt/Enterpri...	--	--	--			
Total Debt/EBITDA	--	--	--	--	--	--
EBITDA/Interest Ex...	--	1,777.85	708.26	312.50	3,328.25	--
EBITDA-Capital Ex...	--	1,543.59	440.29	282.79	2,428.25	--
EBIT/Interest Expe...	--	1,653.95	562.10	281.19	2,285.00	--
PE	4.78	3.06	10.85	4.15	11.45	--
PEG	0.02	0.01	-0.17	--	--	--
Dividend Yield	4.41	10.83	3.04	7.89	3.64	--
FOCF Yield	18.29	31.18	10.06	--	12.45	--
Price/Sales	1.24	0.74	1.30	1.16	1.67	--
Price/Cash Flow	4.58	2.69	6.68	5.91	7.93	--
Price/Book Value	1.99	1.45	1.68	1.83	1.58	--
Return on Assets	37.93%	44.75%	13.35%	--	--	--
Return on Equity	48.27%	55.83%	16.29%	--	--	--

BW OFFSHORE

BW is an operator of a fleet of FSPOs (ok, it has just 4 vessels) — a much smaller competitor to SBM Offshore.

A FPSO vessel is designed to receive hydrocarbons produced by itself or from nearby platforms, process them, and store oil until it can be offloaded onto a tanker or — less frequently — transported through a pipeline.

Here's an interesting chart. Note how business was starting to pick up from 2017, but then along came COVID. Seems like it is picking up again… and so are dividends.

KIER GROUP

Kier is an infrastructure services and construction company. From Reuters:

> *"The Company is a provider of infrastructure services, construction, and property development. The Company's segments include Infrastructure Services, Construction and Property. The Infrastructure Services segment consists of Highways, Infrastructure and Utilities businesses. The Highways business designs, builds and maintains roads for National Highways, Transport for London and a number of district and county councils. The Infrastructure business delivers major and complex infrastructure and civil engineering projects. The Utilities business provides construction and maintenance services, under long-term contracts, to the water, energy, and telecom sectors. The Construction segment comprises regional building, strategic projects, Kier Places, as well as its international business. The Property segment invests and develops primarily mixed-use commercial and residential schemes and sites across the United Kingdom."*

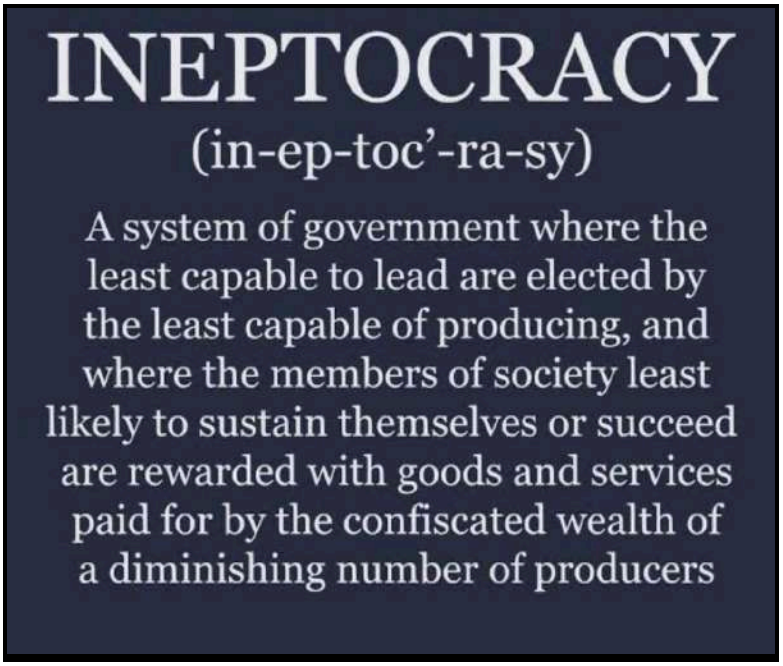
That was one hell of a smack down. This was one of the stocks that [took down Neil Woodford](), a famous UK fund manager who used to take concentrated positions in stocks. Not a great outcome! If there are any lessons learnt here, it is to make sure that not a single position can take you out. If one puts lots of tiny positions into your portfolio with asymmetric setups, then even if a few go the way of Kier in 2018/2019, it won't affect you.

It does look like Kier has bottomed out now, after a five-year bottoming process. Often, bottoming processes take way longer than you think.

On a forward earnings basis, this is not an expensive stock:

KEY RATIOS ›				Fiscal Year	Calendar Year	
		HISTORICAL		FORECAST (MEAN)		
	LTM 31-Dec-24	FY-1	FY0	FY1	FY2	FY3
Enterprise Value/Reve...	0.20	0.14	0.15	0.19	0.18	0.18
Enterprise Value/EBIT...	4.06	2.50	3.37	3.64	3.53	3.43
Enterprise Value/EBIT	7.34	4.60	6.15	5.09	4.91	4.71
Total Debt/Enterprise ...	1.56	3.30	2.61			
Total Debt/EBITDA	6.32	8.25	8.79	5.67	5.50	5.34
EBITDA/Interest Expe...	4.78	4.77	4.37	7.13	7.77	8.33
EBITDA-Capital Expen...	4.37	4.59	3.97	6.77	7.39	7.88
EBIT/Interest Expense	2.64	2.59	2.39	5.10	5.59	6.07
PE	13.92	8.07	11.73	7.36	6.96	6.57
PEG	0.59	0.03	0.55	1.31	1.24	1.17
Dividend Yield	3.52	--	3.89	4.29	4.70	5.15
FOCF Yield	25.10	52.78	35.67	12.33	16.33	17.46
Price/Sales	0.17	0.10	0.15	0.17	0.16	0.16
Price/Cash Flow	3.67	1.81	2.60	6.04	5.17	4.81
Price/Book Value	1.42	0.65	1.15	1.36	1.31	1.23
Return on Assets	1.74%	1.48%	1.51%	1.80%	2.10%	2.40%
Return on Equity	10.20%	7.69%	9.87%	12.40%	13.90%	15.40%

WEEKLY HUMOUR



Sincerely,

Chris MacIntosh
Founder & Editor In Chief, Capitalist Exploits Independent Investment Research

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