

The market is a voting machine in the short-run but a weighing machine in the long-run

Good News: The Long-Run is Here

Bob Robotti
Robotti & Company Advisors

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1. Where the opportunities are today
2. Why market forces continue to set the stage for outsized returns
3. Macroeconomic secular trends supercharge these opportunities



- Focused on a single philosophy dedicated to the investment principles that trace back to Benjamin Graham
- A research-oriented investment firm managing private funds & separate accounts
- Over four decades of building an entrepreneurial culture that has attracted independent thinkers passionate about investing
- A business infrastructure modeled after Tweedy, Browne and Gabelli
- Focused mainly on small and mid-cap equities – where value can be found
- Independent and employee-owned





- The Russell 2000 is well positioned
- The Zombie 1000 – making money by digging through the garbage heap
- Valuations are so discounted you do not need external corporate action

Schumpeter's Process

Taking advantage of the cyclical process to generate superior, long-term returns

Transition Phase:

Where you want to invest and where we are now!

New entrants
attracted by prospect
of high returns:
Investors Optimistic

Rising competition
causes returns to fall
below cost of capital:
**Share Price
Underperforms**

Business investment
declines, industry
consolidation, firms
exit:
Investors Pessimistic

Improving supply
side causes returns to
rise above cost of
capital: **Share Price
Outperforms**

Source: Capital Returns,
Edward Chancellor, editor
(2015)



“In economics, things take longer to happen than you think they will, and they happen faster than you thought they could.”

-Rudiger Dornbusch

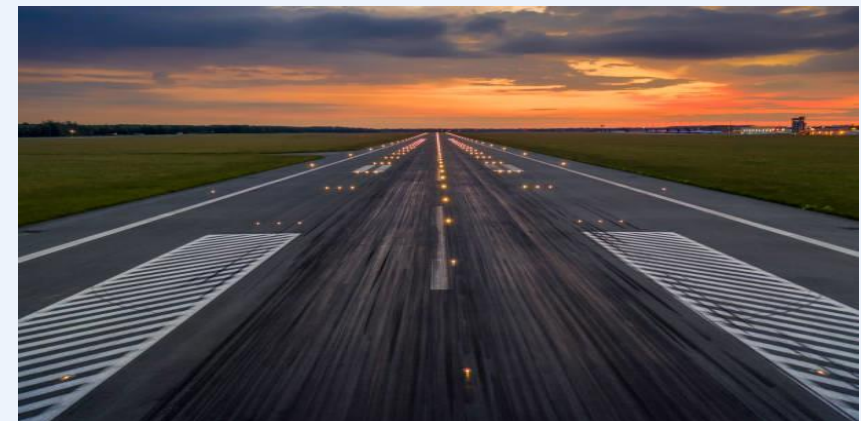


Ugly Ducklings

- Look for companies or industries that are beaten-up, out of favor, or out of fashion
- Commonly investors avoid near-term uncertainty and only invest once the dust has settled
- We concentrate on understanding the long-term normalized earning power of a business well before it turns into a swan

Long Runways

- Industries facing significant short-term headwinds / “unknowns”
- The dynamics are in place for very long runways of growth once headwinds dissipate



2004 - 2020

Bob Robotti invited on the board of PHX Minerals Inc. (fka Panhandle Oil & Gas) based in Oklahoma City, Oklahoma as the firm was the largest outside owner of PHX.



2019 - 2023

Canadian asset manager Edgepoint, the largest shareholder of PrairieSky recommended Bob to the board. PrairieSky Royalty Ltd. is based in Calgary, Alberta.



2007 - present

Bob becomes chairman of the board in 2013 for Pulse Seismic Inc. based in Calgary, Canada. The firm owns ~16% of the company.



2016 - present

Bob joins the board of AMREP Corporation based in Rio Rancho, New Mexico. The firm owns ~10% of the company.



2012 - 2015

Bob becomes board member of BMC – Building Materials and Construction Services after fellow shareholder Davidson Kempner’s recommendation. BMC merged with Builders FirstSource, Inc. in 2021 where the firm still holds a significant position.



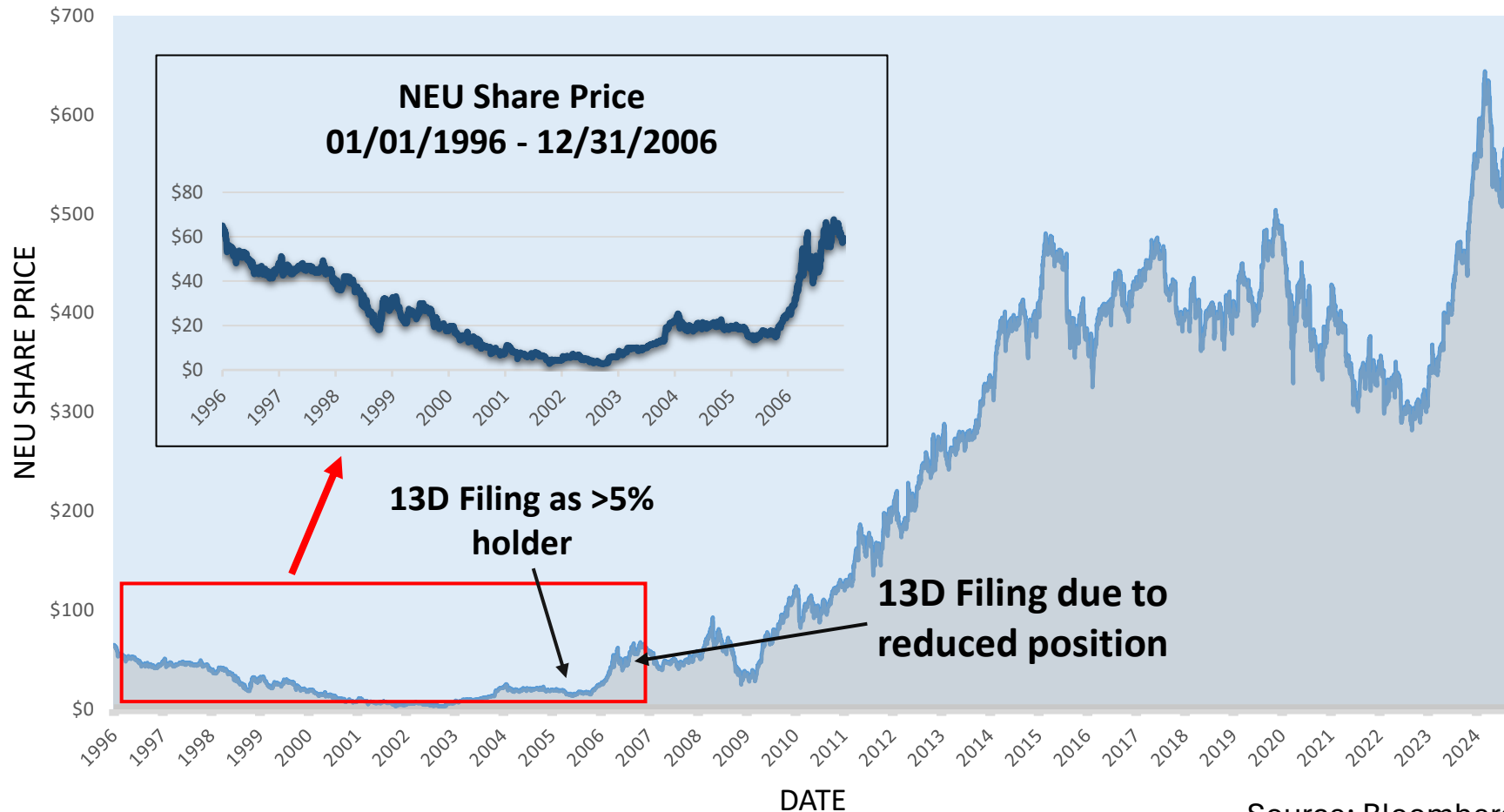
2021 - present

Bob invited to be on the board of Tidewater based in Houston, Texas and named to the board’s ESG committee in 2022. The firm is TDW’s second largest shareholder.



Ethyl Corp / NewMarket (NEU)

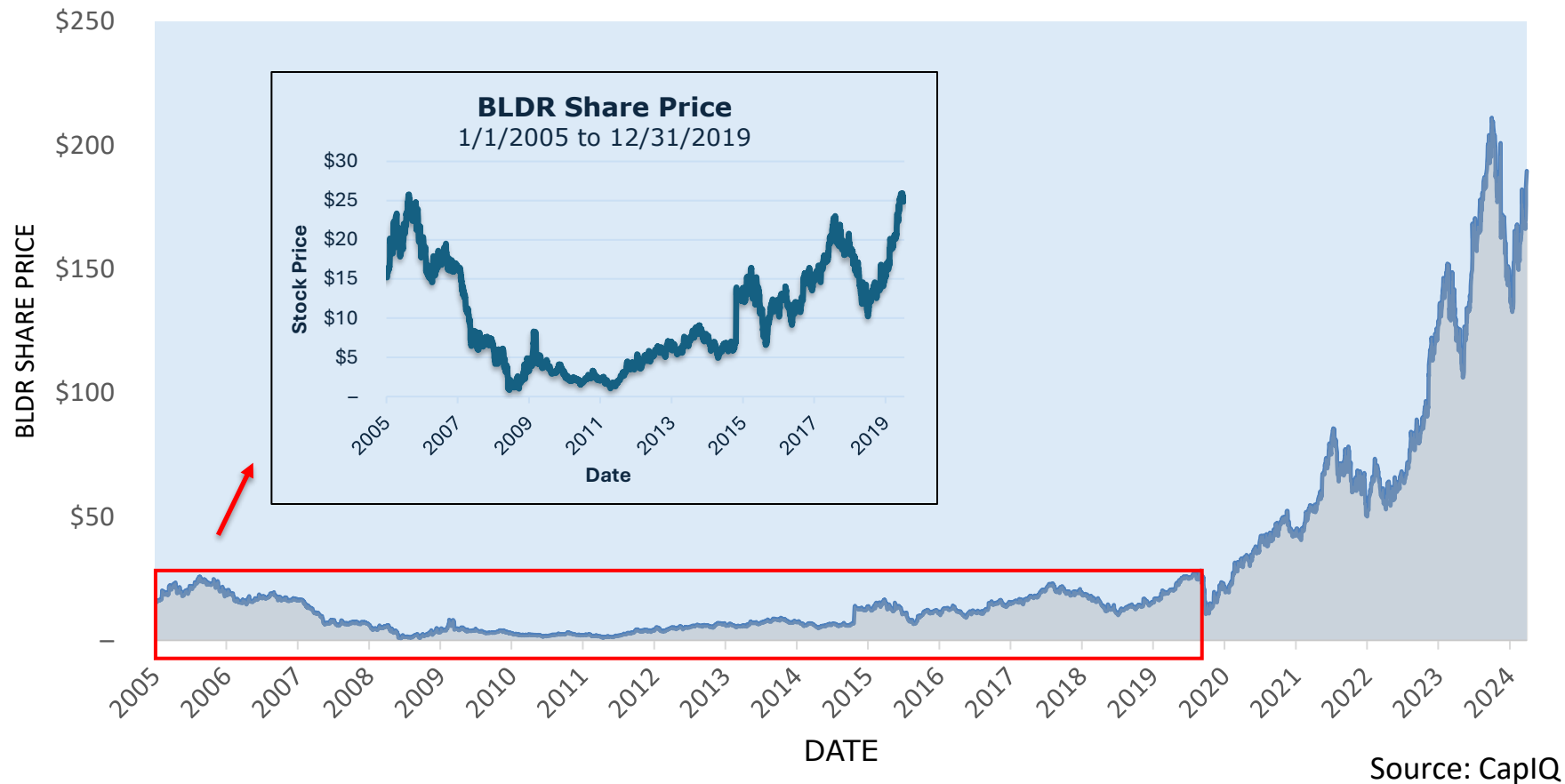
January 1, 1996 - Present



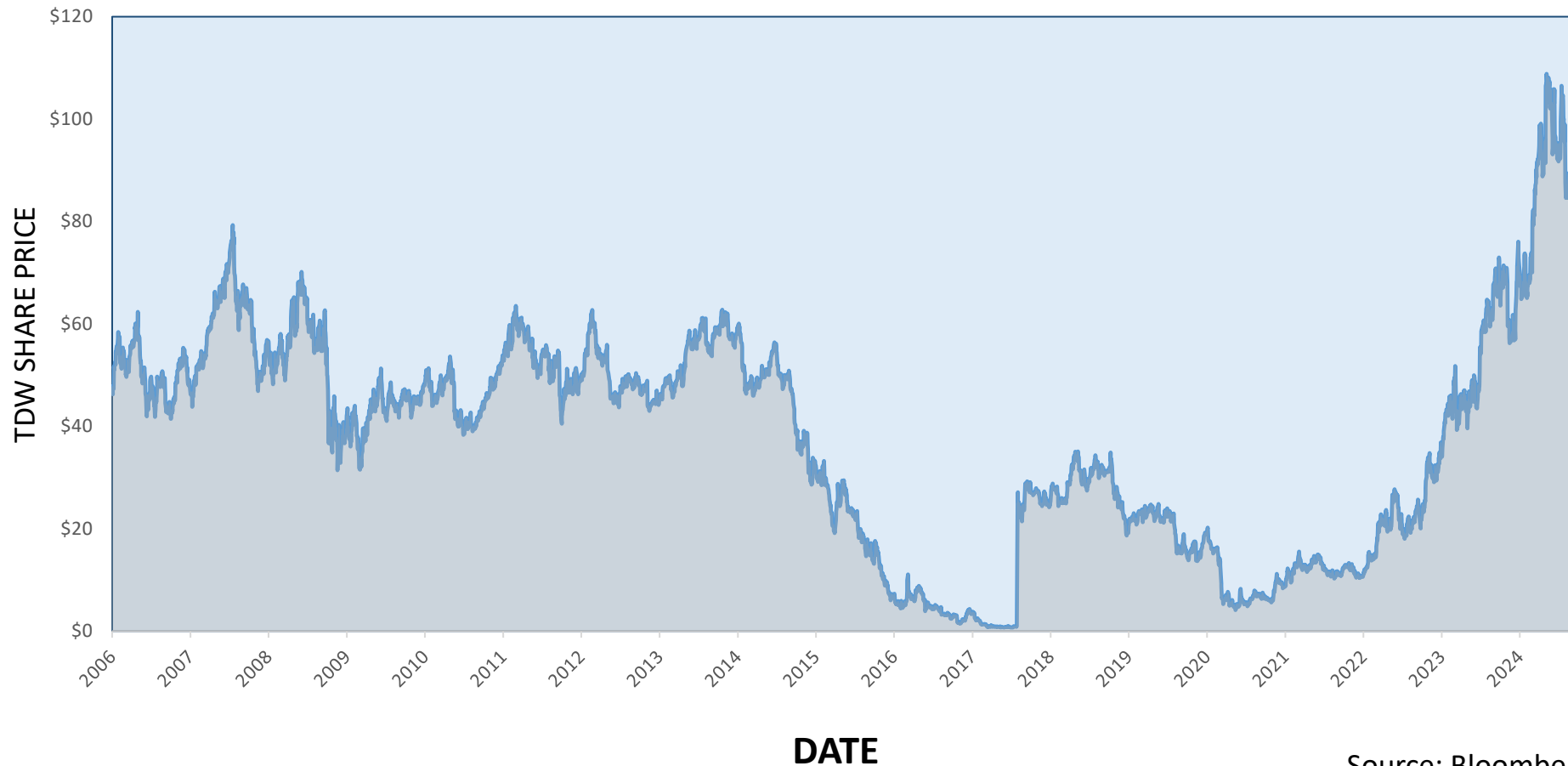
Source: Bloomberg

Builders FirstSource (BLDR)

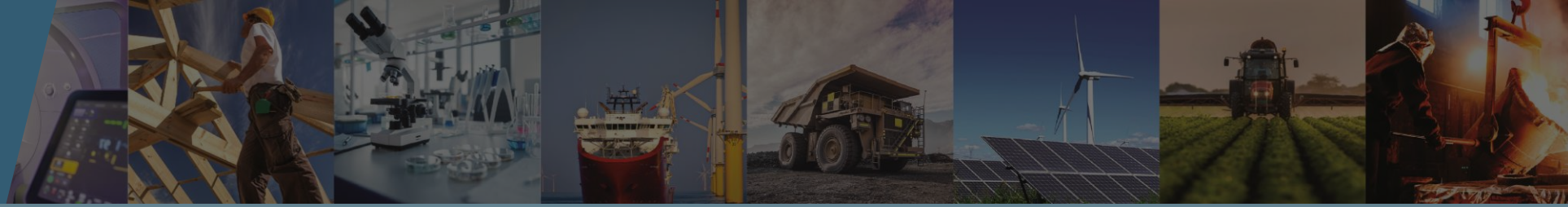
January 1, 2005 to Present



Tidewater (TDW) January 1, 2006 - Present



Source: Bloomberg



Why market forces continue to set the stage for outsized returns

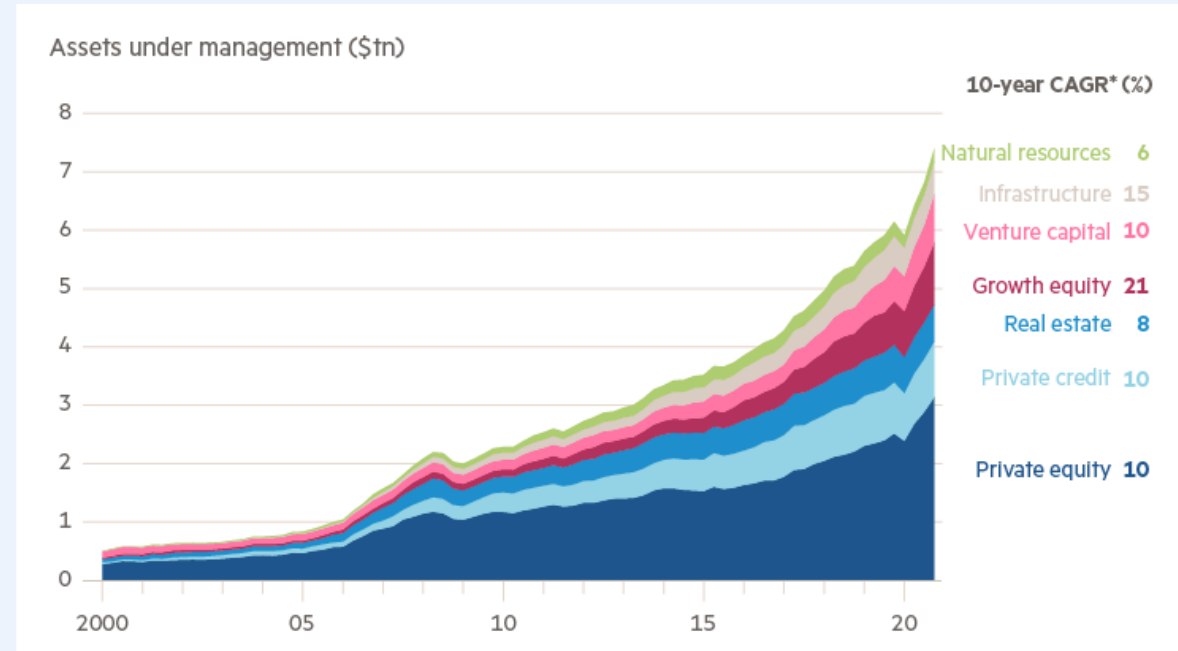


10 Year US Treasury Bond Yield



Source: Macrotrends.net

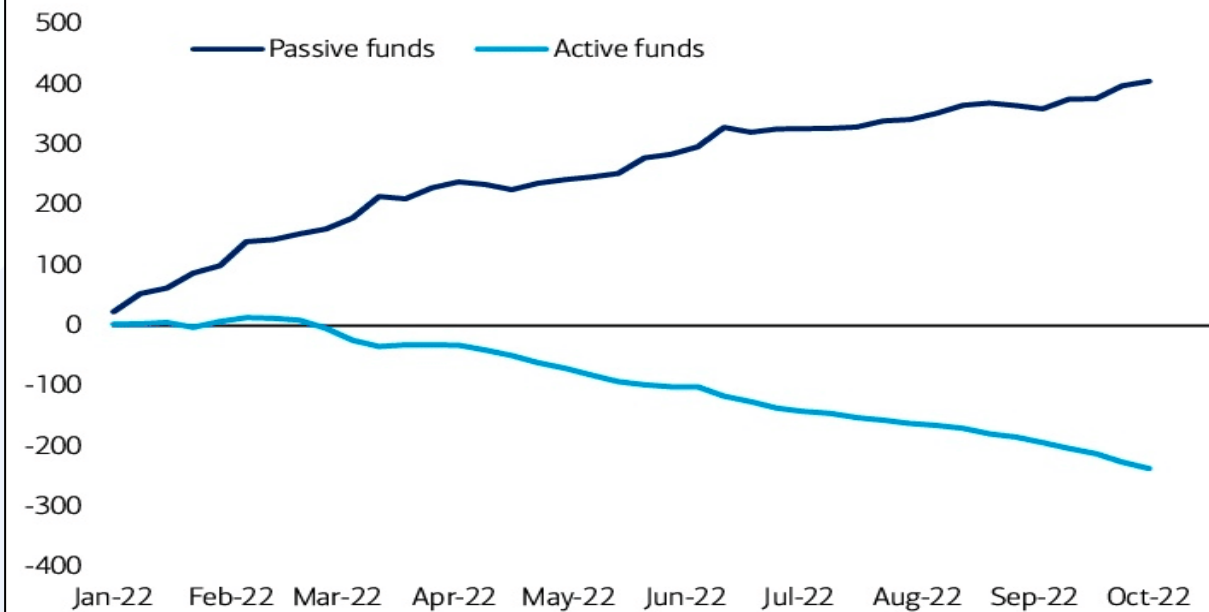
The Growing Power of Private Capital



Source: Morgan Stanley Research

Chart 14: Inflows to passive funds > outflows from active funds in '22

Cumulative flows to equities in 2022: active vs passive (\$ bn)

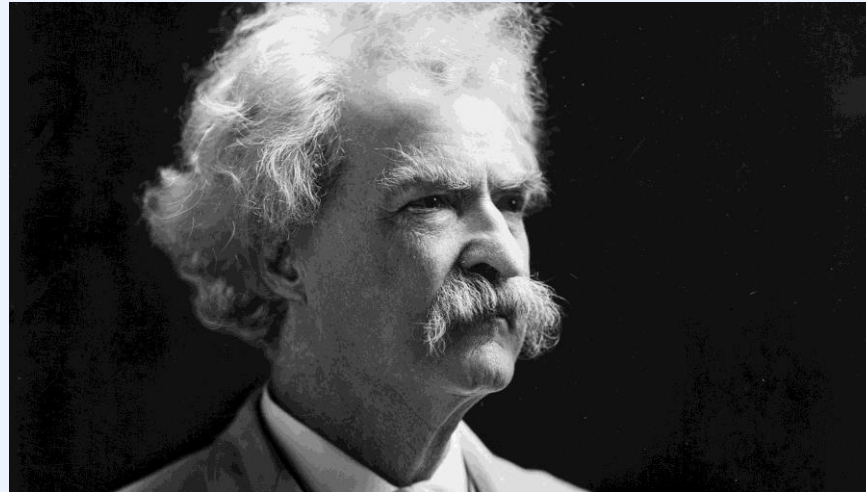


Source: BofA Global Investment Strategy, EPFR

**Investors are still piling into
passive funds!**



"It ain't what you don't
know that gets you into
trouble..."



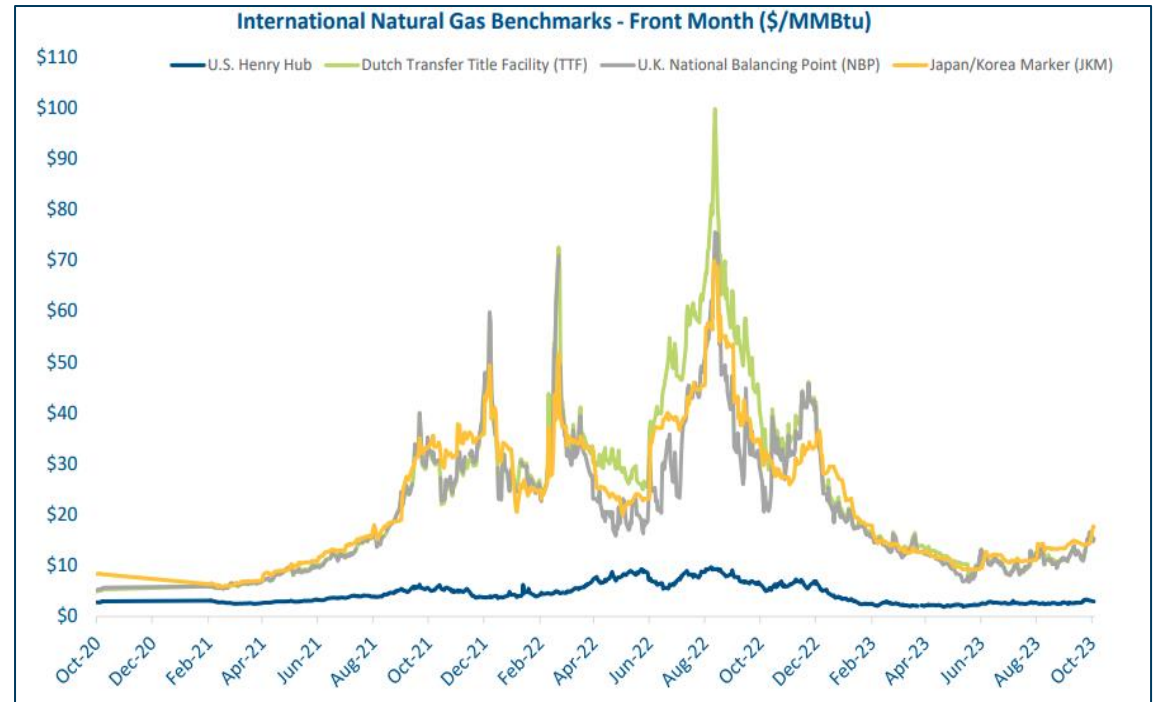
It's what you
know for sure that just
ain't so."

-Mark Twain

The Industrial Renaissance

NORTH AMERICA: DRIVEN BY COMPETITIVE ADVANTAGE

- Durable competitive advantage driven by supply of cheap energy, mainly natural gas
- Globally low-cost production in many industries, especially energy intensive businesses
- Inflation Reduction Act supercharging the buildout of infrastructure and manufacturing capacity in the US
- Additional reshoring to Mexico and other neighboring countries
- Largely separated from major geopolitical issues and spillover effects

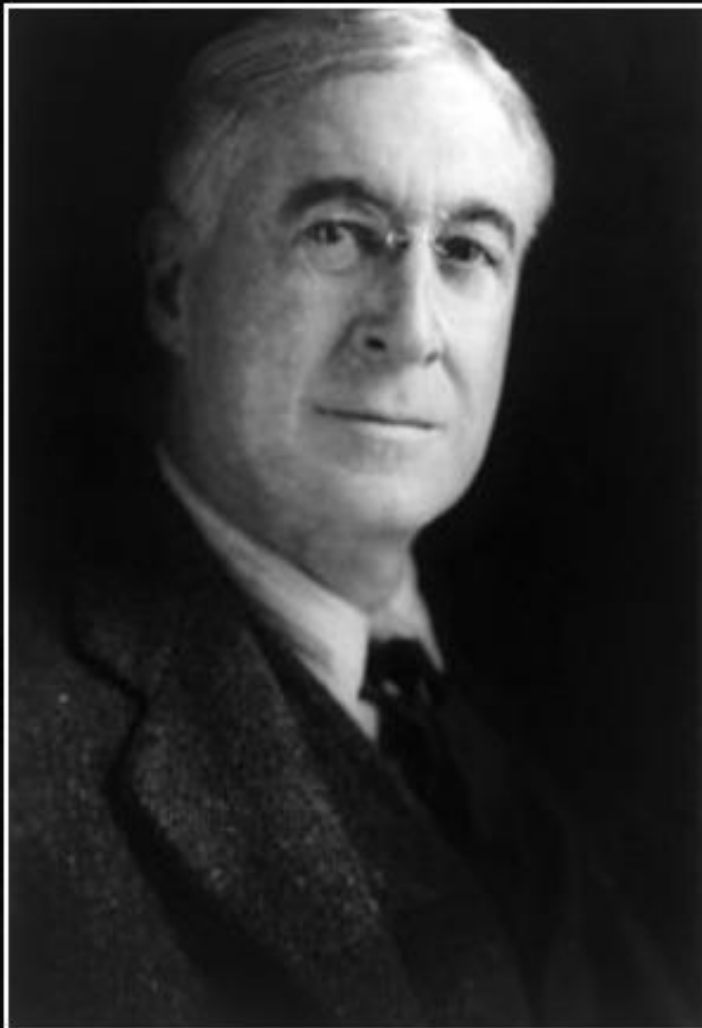
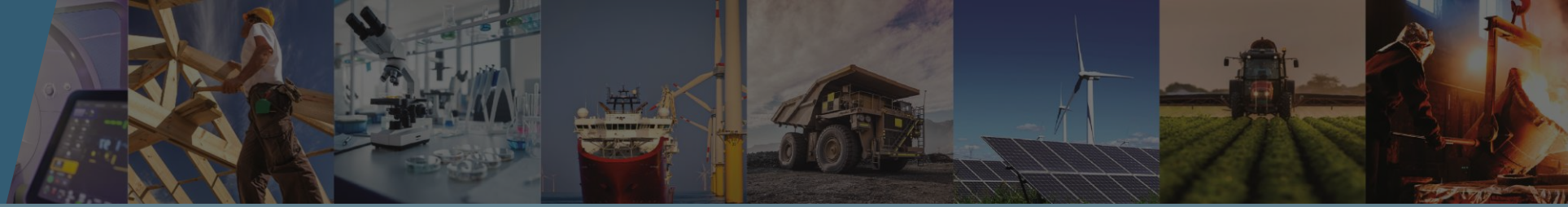


Source: LSB Industries Investor Presentation December 2023



Why Today?

- The risk of conventional wisdom
- Underlying economic environment is better than ever
- The pressure is on active managers
- Europe is de-industrializing
- For decades, we had no cost of capital – we are not going back there
- Private equity doesn't know what to do – it's a slam dunk for securities that private equity should own



Information cannot serve as an
effective substitute for thinking.

— *Bernard Baruch* —



Where to Look in the Zombie 1000

- Steel Industry
- North American Lumber Industry
- North American Fertilizer Manufacturing
- Canadian Oil & Gas companies
- Energy Services
- Land Development companies

Disclosure: Ownership Information

<u>Disclosures</u>	NewMarket (NEU)	Builders FirstSource (BLDR)	Tidewater (TDW)
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Robotti & Company Advisors, LLC

Contact Us:

Spencer Cibelli
Spencer@robotti.com

David Yazdan
Yazdan@robotti.com

212-986-4800

www.robotti.com

 [@BobRobotti](https://twitter.com/BobRobotti)

