

MAGALLANES



VALUE INVESTORS

ValuEspaña 2015

1st Conference

On March 12th-13th, 2015

Madrid, Spain



INVESTMENT IDEAS



- ✓ **Baron de Ley:** Produces and distributes high quality Rioja wines, for national consumption and overseas



- ✓ **Thermador Groupe:** Specialized Distributor of plumbing accessories, pump valves and other liquid products



- ✓ **Baron de Ley:** Produces and distributes high quality Rioja wines, for national consumption and overseas





DESCRIPTION

- ✓ Barón de Ley is one of the **top Spanish market leaders in DO Rioja** wine
- ✓ **DO Rioja** is the top quality consideration for premium wines in Spain with strong entry barriers, DO Rioja certification is **closed to new entrants by law**, there is **no more land available**
- ✓ BDL has the most compelling **mix of products among its competitors, 86% of total sales** comes from high-quality/high-price **Crianza** wines **versus 57%** rest of Rioja producers (delivering **higher average price per liter** sold versus competitors)
- ✓ **“El Coto” brand is the absolute leader** among Rioja wines, with a **market share of 6%**
- ✓ BDL is **controlled by its Chairman and CEO**, Mr. Santos-Ruiz, with a **43,76% stake**
- ✓ **High entry barriers** and **high profitable branding** business model **managed by an outstanding CEO**
 - ✓ Gross Margins >40% and ROCE >13,5%
 - ✓ FCF Yield > 12,5%
 - ✓ CAGR EPS 10yr >8,2% (EPS 2,2x in 10 years, in spite of flattish Sales)



FINANCIAL and MARKET METRICS as of 28/2/15

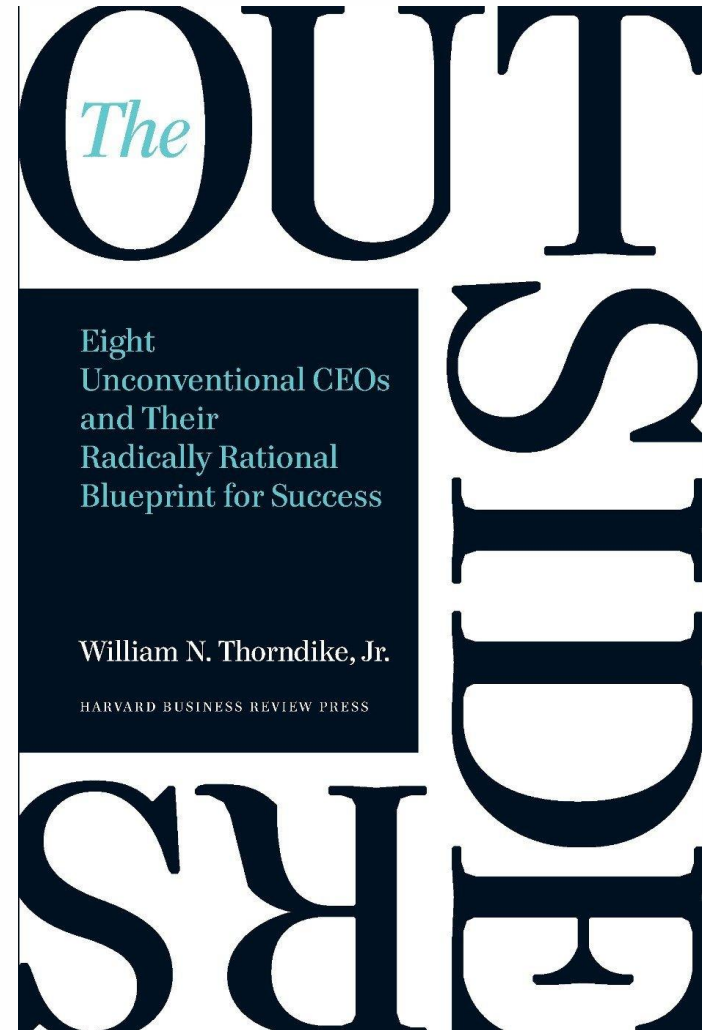
- ✓ Price per share = €79,7
- ✓ Sales **€87M** +5,4%
 - ✓ €45,1M Wine Spain, +1,6%
 - ✓ €38,8M Wine Exports, +3,8%
 - ✓ €3,1M Others Spain, +10,2%
- ✓ Market Cap = €359M
- ✓ Net Cash as of 31/12/14 = €112M, **33% of Market Cap is Net Cash**(Financial Investment considered as Cash available)
- ✓ EV = €247M
- ✓ **EV/EBITDA = 8x**
- ✓ **Net Debt/EBITDA = -3,7x**
- ✓ Free Cash Flow 2014 (unlevered) €27,7M
- ✓ **FCF Yield = 11,2%**
- ✓ Capital Employed 2014 = €106M
- ✓ EBIT after taxes 2014 = €15,3M
- ✓ **Return on Capital Employed = 14,5%**



***“THE OUTSIDERS: EIGHT
UNCONVENTIONAL CEOs AND
THEIR RADICALLY RATIONAL
BLUEPRINT FOR SUCCESS”***

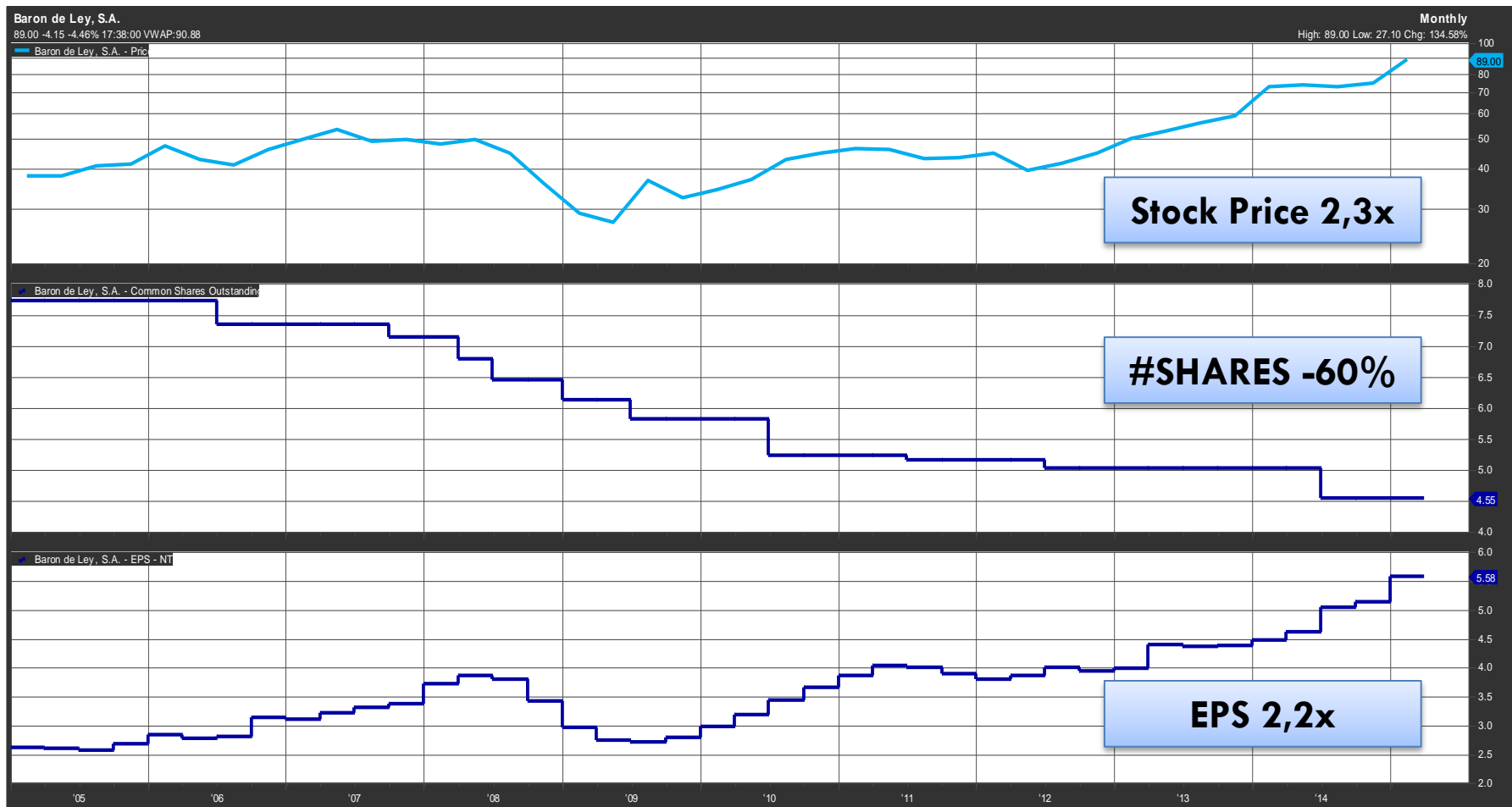
By William N. Thorndike, Jr.
Harvard Business Review Press

- ✓ **Capital allocation** is a CEO's most important job
- ✓ What counts in the long run is the **increase in per share value**, not overall growth or size
- ✓ **Cash Flow**, not reported earnings, is what determines long-term value





Mr. SANTOS-RUIZ, HAS PROVED TO BE ONE OF THE BEST SPANISH “OUTSIDERS“





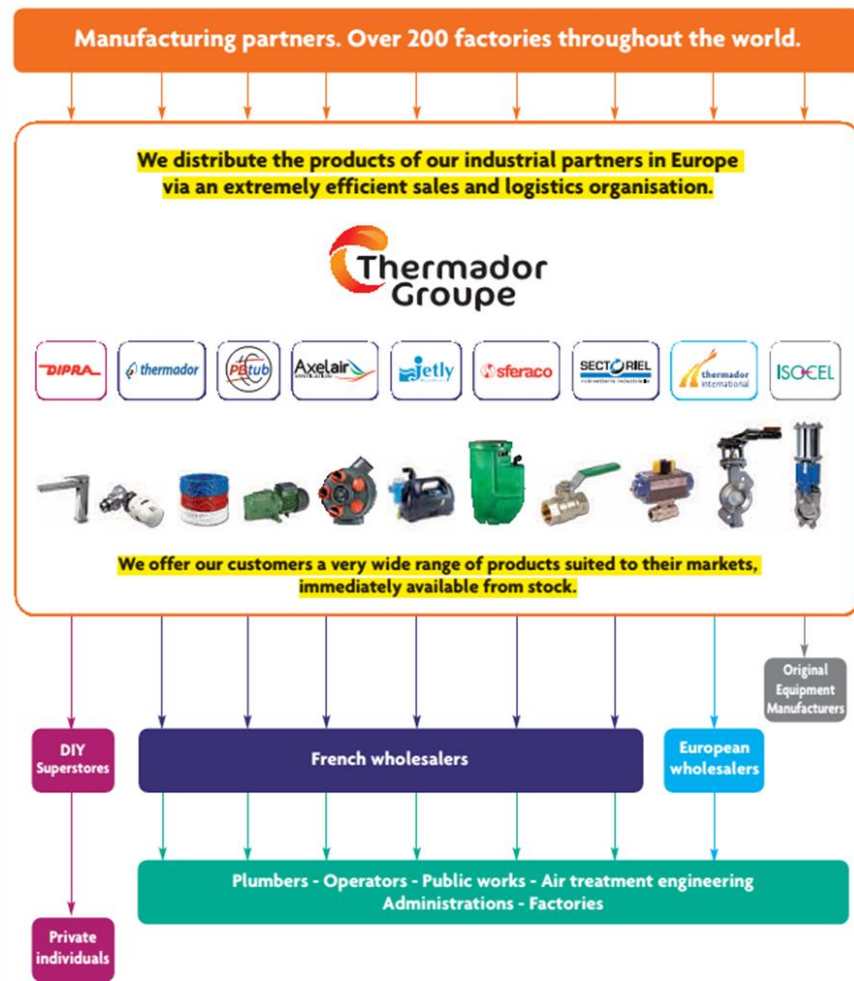


DESCRIPTION

- ✓ **Thermador**, founded in 1968, managed and controlled by its founding partners, **fills the gap** between **manufacturers** and **final clients** in the plumbing industry:

MARKET METRICS as of 28/2/15

- ✓ Price per share = €76,85
- ✓ **Family** / founders controls at least **40%**
- ✓ **No coverage** from sell-side
- ✓ Market cap (as of 28/2/15) = €332,3M
- ✓ EV = €308,3M (Net cash as of 31/12/14 of €24M)
- ✓ Dividend Yield 2014 = 4,5%
- ✓ EV/EBITDA = 8,5x
- ✓ **ROCE = 17%**
- ✓ **FCF yield = 6,8%**
- ✓ Net Debt/EBITDA = -0,7x





- ✓ Over more than 30 years operating, Thermador has developed a **strong competitive advantage: SWITCHING COST** for both manufacturers and clients:
 - ✓ **For manufacturers:** Thermador operates as a logistic partner, managing the stock of products. They represent the final, and may be most valuable, part of the manufacturing process for their partners.
 - ✓ **For final clients:** Thermador offers one of the best and widest catalogues of plumbing products, with more than 53,000 references across Europe. Furthermore, Thermador guarantees delivery of products in 24-48 hours (in France) and in 2 days for the rest of Europe. Thermador has a well diversified base of clients, the biggest exposure is 7% in a single client, top ten represents <39%. Historical customer loss ratio has been below 1%.

