

## **AVI GLOBAL TRUST PLC**

### **Monthly Update**

AVI Global Trust plc (the "Company") presents its Update, reporting performance figures for the month ended **31 March 2024**.

This Monthly Newsletter is available on the Company's website at:

<https://www.assetvalueinvestors.com/content/uploads/2024/04/AGT-MAR-2024.pdf>

### **Performance Total Return**

This investment management report relates to performance figures to 31 March 2024.

<b>Total Return (£)</b>	<b>Month</b>	<b>Calendar Yr to date</b>	<b>1Y</b>	<b>3Y</b>	<b>5Y</b>	<b>10Y</b>
AGT NAV	1.9%	5.2%	24.6%	30.7%	74.4%	171.0%
MSCI ACWI	3.3%	9.2%	20.6%	33.6%	73.2%	202.9%
MSCI ACWI ex US	3.3%	5.6%	10.9%	15.7%	37.8%	100.2%

### **Manager's Comment**

#### **AVI Global Trust (AGT)'s NAV increased +1.9% in March.**

D'Ieteren (+78bps), Hipgnosis Songs Fund (+57bps), Schibsted (+44bps) and Aker (+31bps) were the most significant positive contributors. We continued to average down in Entain which we wrote up last month and which shaved off -24bps from performance. A fellow newer holding Chrysalis Investments detracted -21bps whilst our long standing (and long suffering!) holding in IAC detracted -20bps.

March marks the halfway point in AGT's financial year. For the interim period AGT achieved a NAV total return (£) of +13.6%. This lagged the MSCI AC World index, which returned +16.1%. The interim report will be published in June.

### **News Corp**

We started building a position in News Corp last year and wrote it up in the April 2023 newsletter, highlighting the deeply discounted valuation and the overlooked quality and prospects for Dow Jones generally, and its Professional Information Business ("PIB") specifically. In recent months we have added to the position such that it is now our largest position (6.7% of NAV).

In February, News Corp reported a solid set of results which have seen the shares rise +8% subsequently. For the quarter ending December 2023, group EBITDA (which includes the consolidated stake in REA Group) increased by +16%, some +12% ahead of consensus expectations.

Results showed the strong continued evolution of Dow Jones (37% of NAV), where revenues grew +4% and EBITDA +17% as margins expanded +320bps to 27.9%. The key driver here was PIB, where revenues grew +13%, led by Dow Jones Risk & Compliance and Dow Jones Energy.

We argued last year that that these assets were overlooked by the market and misunderstood by the sell side, who carried Dow Jones at derisorily low multiples in their sum-of-the-parts ("SOTP") models, and for whom the ramp up in margin and evolution of business quality was missed. The margin impact is coming through and investors - aided by improved disclosure - are starting to appreciate the attractive nature of these sticky, largely recurring and

high margin revenue businesses. We note that sell side analysts have started to increase the multiple at which they carry Dow Jones in their SOTP models, but the prospects and value of these businesses remains overlooked by many.

Indeed, we certainly do not believe these attractions are captured in News Corp's current valuation, with the company trading at a 38% discount to our estimated NAV.

Adjusting for the stake in REA, the stub trades at an implied value of \$5.4bn, or approximately 4.7x next year's EBITDA. We estimate that Dow Jones alone is worth ~1.6x the implied stub value and note that the New York Times at 15x and Info Services peers which trade between 19-29x.

Management have become increasingly vocal about the undervaluation. As CEO Robert Thomson described on the last earnings call, the company is engaged in "*serious introspection about structure...[and] how to fully monetize a precious, prestigious portfolio that has an obvious growth trajectory. That is indeed not an evolution, but a revolution*".

At current prices, the market is seemingly ascribing a low probability to "a revolution", with significant upside if management do indeed take concrete and tangible steps to unlock value. Combined with strong operating and earnings momentum, prospective returns appear attractive.

## D'Ieteren

D'Ieteren was the top contributor during a month in which the company reported full year results. The shares rose +16% adding +78bps to AGT's NAV. We had been adding to the position during January and February, which combined with strong share price performance has pushed the company to be our third largest position (5.8% of NAV).

Although in our last update we wrote more extensively about D'Ieteren's newer holdings TVH and PHE, the bulk of the value and crux of the investment case lies in Belron, the global no.1 operator in the Vehicle Glass Repair and Replacement ("VGRR") industry which accounts for 61% of our estimated NAV.

Belron continues to benefit from structural trends toward increased windshield complexity and the proliferation of Advanced Driver Assistance Systems ("ADAS"), with recalibrations now accounting for 36% of replacement jobs. Belron is many multiples larger than competitors with >40% US market share and this results in significant scale advantages in terms of purchasing economies of scale and cost leadership, as well as relationships with insurance partners who are industry gatekeepers and account for c.70% of jobs. Moreover, scale has allowed for technological investment, which has become increasingly relevant as ADAS recalibrations - which require more expensive capital equipment - have grown to become a larger proportion of replacement jobs. Mom and pop operators are increasingly ill-suited to meet the increased technical complexity required for new vehicles. As such we expect Belron to continue taking share and driving growth.

For FY23 Belron grew sales +9% organically with a further boost of +2% for M&A. Positive mix effect and price increases saw operating margins increase +226bps to 20.5%, which led operating profits to increase +22% year on year. For the year ahead, management are forecasting sales to grow at mid-to-high-single digits and margins to continue towards what for some time now has appeared a relatively modest 2025 margin target of 23%. We expect Belron to provide updated targets at next year's Capital Markets Day - which will be the first since Carlos Brito became CEO.

As readers may remember, in 2021 a consortium of private equity investors (led by Hellman & Friedman) became minority shareholders in Belron at a €21bn enterprise value. We estimate the EV is closer to €24.5bn today (17x our 2024e EBIT), and D'Ieteren's 50% equity interest accounts for 61% of D'Ieteren's NAV. In due course we expect a liquidity event for these investors to help highlight Belron's significant value, and like situations such as this where we are aligned with highly incentivised PE co-owners and management teams. As such we see scope for a further narrowing of D'Ieteren's 33% discount, as well as NAV growth underpinned by strong earnings growth prospects.

## Contributors / Detractors (in GBP)

Largest Contributors	1- month contribution bps	% Weight
D'Ieteren	78	5.8

Direktorat	70	5.0
Hipgnosis Songs	57	5.5
Schibsted ASA 'B'	43	5.1
Aker ASA	30	4.9
FEMSA	23	4.8

<b>Largest Detractors</b>	<b>1- month contribution bps</b>	<b>% Weight</b>
Entain	-24	2.6
Chrysalis Investment	-21	3.4
IAC	-20	3.1
News Corp	-14	6.7
Keisei Electric Railway	-14	1.1

**Link Company Matters Limited**  
**Corporate Secretary**

9 April 2024

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