

Stacey Muirhead Capital Management Presentation to:



June 2, 2022



An Underappreciated Ben Graham/Warren Buffett Investment Technique

Event Driven Investing

All figures are in USD

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Event Driven Investments

Arbitrage

Work-Outs

Risk Arbitrage

They are all the same thing.



Event Driven Investments

- Pursuit of profits from ***announced*** corporate events
- Mergers, recapitalizations, spin-offs, liquidations, reorganizations, self tender offers, etc.
- Decisions based on probability assessment using four questions
- We expect to profit regardless of the behaviour of the stock market in most circumstances
- The major risk is that the announced event does not occur



Event Driven Investments

“To evaluate arbitrage situations you must answer four questions: (1) How likely is it that the promised event will indeed occur? (2) How long will your money be tied up? (3) What chance is there that something still better will transpire – a competing takeover bid, for example? And (4) What will happen if the event does not take place because of anti-trust action, financing glitches, etc.?”

Berkshire Hathaway 1988 Letter to Shareholders

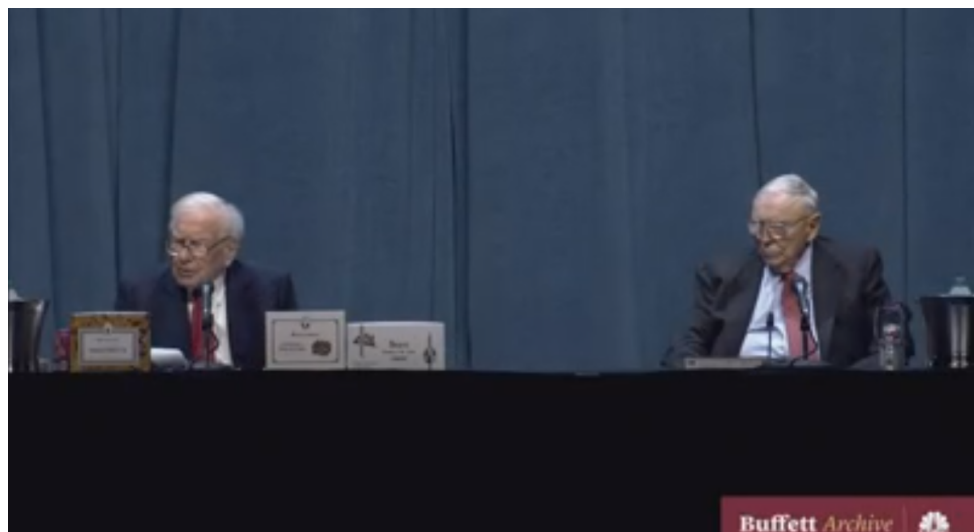
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Event Driven Investments

Case Study





<https://buffett.cnbc.com/video/2022/05/02/buffett-is-buying-activision-as-a-merger-arbitrage-play.html>



Event Driven Investments

Transaction Details

- Definitive agreement for Microsoft to acquire Activision Blizzard on 01/18/22
- \$95.00 per Activision Blizzard share in cash
- Activision shareholder approval required
- Extensive regulatory approvals required
- Transaction expected to close during Microsoft's Fiscal Year 2023



Event Driven Investments

Key Considerations

- First purchase of Activision Blizzard shares on 01/19/22
- No financing condition – Microsoft has cash on hand
- Activision Blizzard shareholders approved the transaction on 04/28/22
- Anti-trust issues are paramount
- Optionality



Event Driven Investments

Expected Return Analysis

Cash to be Received	\$95.00
Price Paid (05/27)	<u>78.20</u>
Gross Profit	\$16.80
Gross Spread	21.48%
Expected Closing Date	03/31/23
Weighted Average Holding Period	308 days
Annualized Rate of Return	<u>25.46%</u>



Event Driven Investments

Case Study

veoneer

Qualcomm



Event Driven Investments

Transaction Details

- Definitive agreement for Qualcomm and SSW Partners to acquire Veoneer on 10/04/21
- \$37.00 per Veoneer share in cash
- Topped an earlier definitive bid by Magna at \$31.00 per share
- Veoneer shareholder approval required
- Regulatory approvals required in United States, Germany, Italy, France, and China
- Transaction expected to close in the middle of 2022



Event Driven Investments

Key Considerations

- First purchase of Veoneer shares on 02/23/22
- No financing condition – Qualcomm had cash on hand
- Veoneer shareholders approved the transaction on 12/16/21
- Regulatory approvals already received from the United States, Germany, France and Italy
- SAMR (China) approval was still required
- Earliest allowable close was 04/04/22



Event Driven Investments

Return Analysis

Cash Received	\$37.00
Price Paid	<u>35.19</u>
Gross Profit	\$1.81
Gross Spread	5.14%
Closing Date	04/04/22
Weighted Average Holding Period	35 days
Annualized Rate of Return	<u>53.64%</u>



Event Driven Investments - Summary

Positives

- Returns depend on transaction completion and not on movement in equity markets
- Most transactions are uncorrelated with each other
- Short completion times lead to cash availability
- Multi-strategy benefits – adds another page to our “investment playbook”
- Good information availability – ***Read the Documents!***



Event Driven Investments - Summary

Negatives

- Transactions can break for many reasons
 - Financing issues
 - Shareholder rejection
 - Regulatory concerns and anti-trust approvals
 - Material Adverse Event
- A good batting average is required
- Short term nature of event driven investing creates tax exposure



Question & Answer Period

