



**Company Summary:** Bolloré is a nearly 200-year old French-based holding company. The company offers transportation, logistics, communications, and electricity and battery storage solutions, as well as manages a portfolio of communication and agricultural sectors which includes oil palm and rubber trees plantations, video game console supplies, and manufacturing of steel tubes.

**What is the market pricing?:** The stock has gone sideways for 7 years. There are now only a handful of analysts from smaller shops left covering it. At its current market cap of approximately €11B, the stock trades at a large discount to its stake in Vivendi. Meaning... the market isn't assigning any value to the rest of BOL's portfolio of assets. Assets that are consistently growing revenues and churning out large amounts of free cash flow.

**Our Variant Perception:** Is built around three pillars (1) Top tier capital allocator (2) Grossly underpriced assets and (3) A secular tailwind to BOL's prized asset in Vivendi (VIV).

- **Exceptional Capital Allocator:** A young Vincent Bolloré took back control of Bolloré, his family paper rolling business, from Kimberly Clark and Edmund Rothschild for the price of a single franc in the early 80s. Through decades of buying and building businesses under the BOL holding company, Vincent has created and unlocked enormous value, with the stock returning roughly 2,500% over the last 30-years. As far as skill in capital allocation is concerned Vincent is on par with a John Mallone or a Henry Singleton and he's not set to retire until 2022.
- **Bargain Bin Prices:** At an €11B valuation BOL is trading at just 4x its 2018 EBITDA, less than the value of its 26% controlling stake in Vivendi, assigning zero value to the rest of BOL's businesses ([link to BOL org chart](#)). These other businesses include their transportation and logistics business which is largely comprised of Bolloré Africa Logistics (BAL). BAL is the largest transport and logistics operator in Africa, where it has a network of 250 subsidiaries and approximately 24,000 employees across 55 countries — it's the de facto toll-road for the African continent. This segment grew revenues at 14% over the last 18-months and generated €284 million in EBITA which was up 10% over the same period a year prior. Growth in this business has slowed somewhat over the last few years due to the long bear market in

commodities. But with [S-Curve dynamics](#) set to pick up dramatically over the next 10-years, this segment should see strong secular growth

- BOL also owns African railways, oil storage and transport — it's the leading independent distributor of heating oil in France — as well as an electric battery and plastic film business.
- Tailwinds for Vivendi: Bolloré owns a 26% controlling stake in Vivendi. Vivendi's prized asset is Universal Music Group (UMG). UMG is the largest music label in the world. It owns 30% of the music created in the Western world. Queen, Taylor Swift, Prince, Kendrick Lamar, Drake, Lady Gaga, and many more fall under UMG. The music industry is coming back from the dead. Years of declining CD sales and music pirating is being reversed. Streaming has now reached a critical mass where it more than offsets both. The rise of devices like Amazon's Alexa and Google Home are driving an exponential increase in the amount of time spent listening to music. And UMG collects a royalty each time one of their songs is played — this is one reason why audio streaming platforms like Spotify are a much tougher business than video because their fixed costs rise with their revenues, unlike say Netflix who pays once for its content. Chinese tech giant Tencent (TCEHY) recently bought a 10% stake in UMG for \$3bn, implying a \$30bn valuation. That's more than Vivendi's entire market cap and Vivendi owns a number of other good businesses, such as Canal +, Havas, Gameloft and others that are easily worth another \$10bn which makes the market's current valuation a total headscratcher.

**Conclusion:** George Soros' early partner, Jim Rogers, often says that the key to his success is that he just "waits until there is money lying in the corner, and all I have to do is go over there and pick it up." BOL represents a BIG pile of money lying in the corner. The technicals for this trade are setting up perfectly. A 7-year consolidating wedge means there's only strong hands left holding the stock. It's close to  $\frac{2}{3}$  of the way towards the apex of this wedge which is where these patterns tend to break out. The valuation is just off the charts stupid. BOL is trading at well below the value of its stake in VIV. Which means we get all of its other growing positive FCF businesses for free. And the cherry on top of all this is that BOL is run by one of the smartest operators in the game. Tough to see how we lose on this one.

It's likely the nCov virus is going to keep the lid on this stock in the near-term; especially considering their exposure to global trade through their African logistics business. But we'll be keeping a close eye on BOL and I'll be backing up the truck on the stock once it gets over the €4 level.

Would love to hear your questions and comments. Reply to this email or hit me up in the CC.

I'm working on a number of stock write-ups at the moment. Here's my backlog of equity reports that'll be coming out over the next couple of weeks (RR/LN, LDO/MIL, YNDX, PDD, VEEV, 2013/HK, LVGO, TLRA).

Your Macro Operator,

Alex