



March 20, 2024

THE LONG PULL: Portfolio Updates (NOA Earnings & APM Hammers Buybacks)

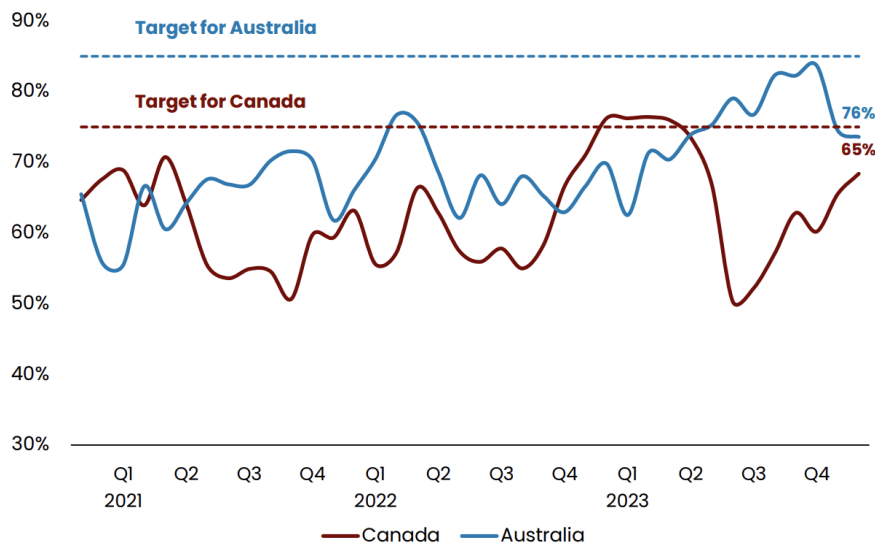
This week, we cover North American Construction (NOA) Q4 earnings and APM turning on the buyback machine.

North American Construction (NOA): Long-Term Fundies Looks Great

NOA is a perfect example of Mr. Market's obsession with the short-term.

Last Wednesday, NOA reported Q4 earnings of \$0.44/share and revenue of \$246M. Although the revenue exceeded analysts' expectations of \$241 million, earnings came in 43% lower than anticipated.

There were two main reasons for the earnings miss, both temporary. First was the heavy rainfall in Australia in November-December, which reduced utilization rates from ~85% to mid-70%. Higher utilization rates equals higher revenues.



NOA can't predict the weather. So at least we know the headwinds weren't an own-goal.

The second reason for the earnings miss was underperformance from NOA's joint venture (JV) with Nuna.

According to the NOA, Nuna is a group of companies that *“is regarded as the premier trusted Indigenous contractor in northern Canada and has over 30 years of reputation to uphold.”*

The Nuna JV reported a Q4 operating loss of \$6.16M, down from the previous year's profit of \$3.63M. On a full-year basis, Nuna generated \$1.1M in net income compared to the prior year's \$19M.

Statements of Operations for affiliates and joint ventures

Three months ended December 31, 2023	Nuna	MNALP	Fargo	Other entities	Total
Revenue	\$ 19,042	\$ 97,161	\$ 50,301	\$ 3,158	\$ 169,662
Gross profit (loss)	(4,754)	3,547	9,679	198	8,670
Income (loss) before taxes	(6,855)	2,762	6,094	111	2,112
Net income (loss)	\$ (6,161)	\$ 2,762	\$ 5,724	\$ 76	\$ 2,401

Three months ended December 31, 2022	Nuna	MNALP	Fargo	Other entities	Total
Revenue	\$ 55,544	\$ 110,784	\$ 13,254	\$ 3,424	\$ 183,006
Gross profit	6,653	3,934	3,286	669	14,542
Income before taxes	3,910	3,375	946	446	8,677
Net income	\$ 3,634	\$ 3,375	\$ 946	\$ 446	\$ 8,401

Year ended December 31, 2023	Nuna	MNALP	Fargo	Other entities	Total
Revenue	\$ 165,741	\$ 395,040	\$ 117,543	\$ 7,975	\$ 686,299
Gross profit	9,622	13,954	25,353	709	49,638
Income (loss) before taxes	1,246	10,869	15,344	(639)	26,820
Net income (loss)	\$ 1,098	\$ 10,869	\$ 14,522	\$ (674)	\$ 25,815

Year ended December 31, 2022	Nuna	MNALP	Fargo	Other entities	Total
Revenue	\$ 213,745	\$ 330,259	\$ 40,598	\$ 11,431	\$ 596,033
Gross profit	30,667	10,216	6,575	2,123	49,581
Income before taxes	21,741	8,825	7,049	1,881	39,496
Net income	\$ 19,298	\$ 8,825	\$ 7,049	\$ 1,881	\$ 37,053

So clearly, something went wrong. But what exactly? CEO Joseph Lambert explained on the company's earnings call (emphasis added):

Analyst: *“Let's talk about Nuna a little bit. It sounds like you're expecting the issues that you encountered in the fourth quarter to be contained to the fourth quarter. But can you just elaborate on that?”*

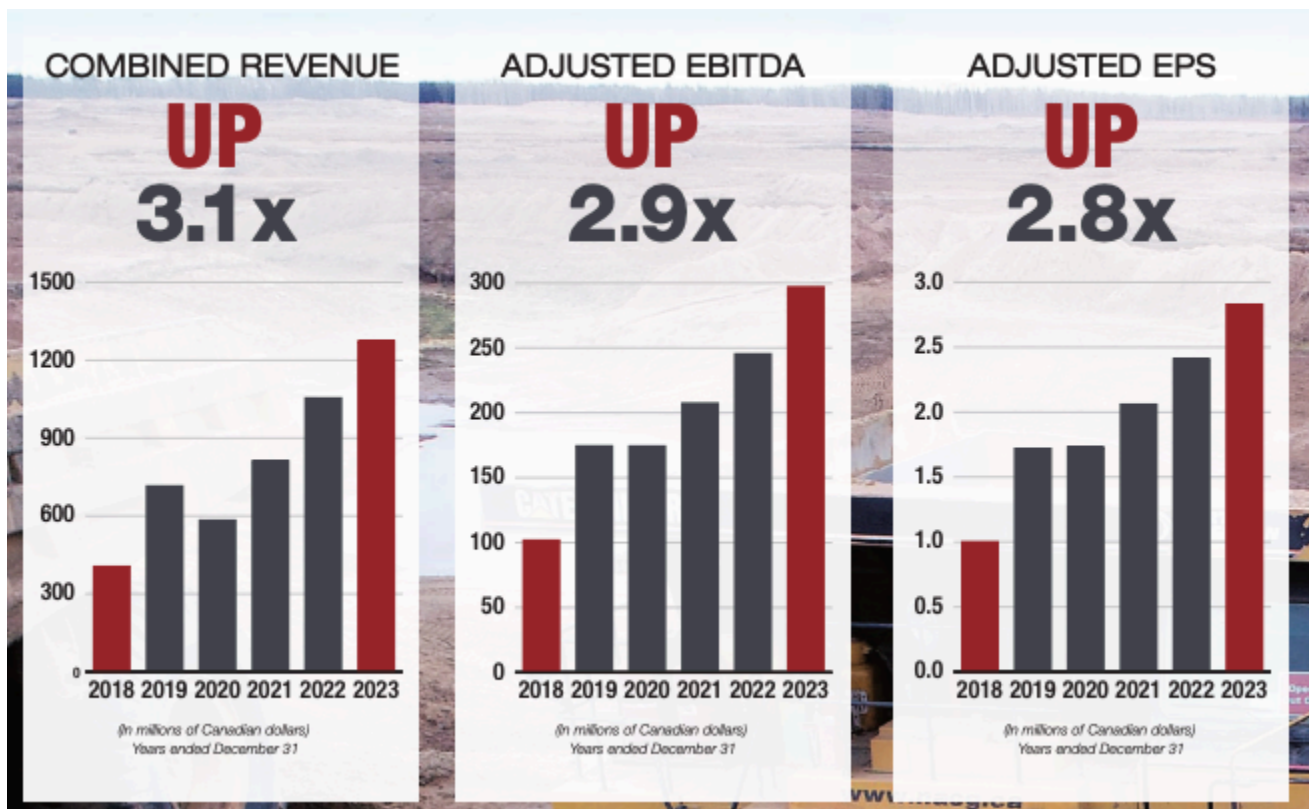
Lambert: *“These projects are predominantly complete. There's a little bit of tail end work on 1 or 2 of them. **We've put new leadership in place.** The issues we*

saw were really around **risk management**, predominantly in **dealing with junior miner clients, changed management, and contract administration**.

These are things that are in our wheelhouse. We were blessed to have some strong bench strength here where we were able to put guys in place that had confidence in, in running those systems and processes going forward.

And this is the slow time of the year for Nuna. Nuna really picks up in Q2 and Q3 with their summer work, predominantly up north. And so **I think the timing and the moves we've made, we'll put it in the past very quickly, and I fully expect that our summer and a kick-off of our summer works will go as planned.**"

The important thing is that management believes the issues are within their control. And I believe them. After all, they've delivered an impressive 5YR track record since 2019 (see below).



Management said they'll fix the issues in Q1, which has historically been Nuna's slowest season.

Another thing to remember is that NOA just completed a massive transformational acquisition. Major acquisitions take time and energy, some of which were probably diverted from Nuna's operations. I expect that to normalize by the end of this year.

Now, let's get to the good parts.

MacKeller Unlocked a 10x Market

One of the reasons why the MacKeller deal was so transformational was because of Australia's market potential. CEO Joe Lambert estimates that the Australian market is roughly *ten times larger* than the Canadian market (emphasis mine):

*"In 2024, **our Australian business is expected to step change up to ~\$575M of top line revenue** and we see this market presenting both a great environment to grow and also to act as relief valve for underutilized assets and any future potential changes in our demand, such as we may see from reduced commitments and terms from our oil sands customers.*

***We have estimated our market in Australia to be about ten times larger than our Canadian market.** In assessing the Queensland coal opportunities specifically, currently more than three quarters of our Australian business revenue comes from Queensland coal, but **we are only active on 6 mines with over 50 currently active mines in the Queensland region alone.**"*

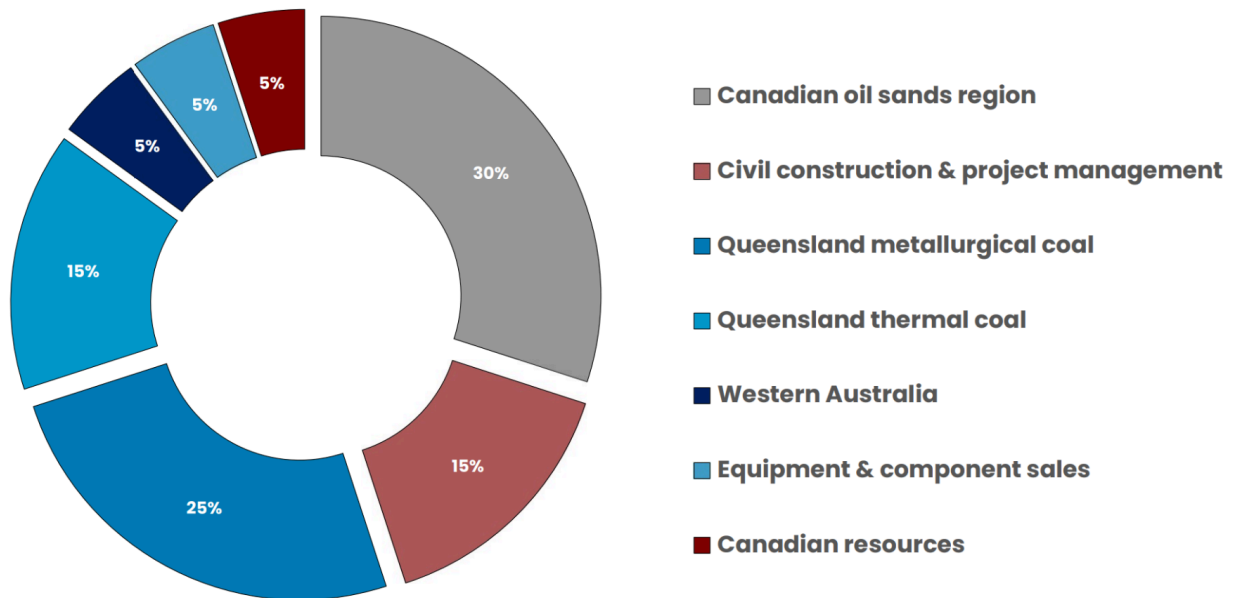
Then there's the contract length. Check out these five MacKeller coal mining contracts below. Expected mine life ranges from 2036 to 2079.



The other good thing about Australia is that it's a well-established mining country, particularly Queensland. These mines are "shovel ready" and have decades of life left.

Finally, MacKeller transformed NOA from a predominantly Canadian oil sands company to a well-diversified heavy equipment operator. In 2018, 90% of NOA's revenue came from Canadian oil sands. Today, it's 30%.

Diversification Update



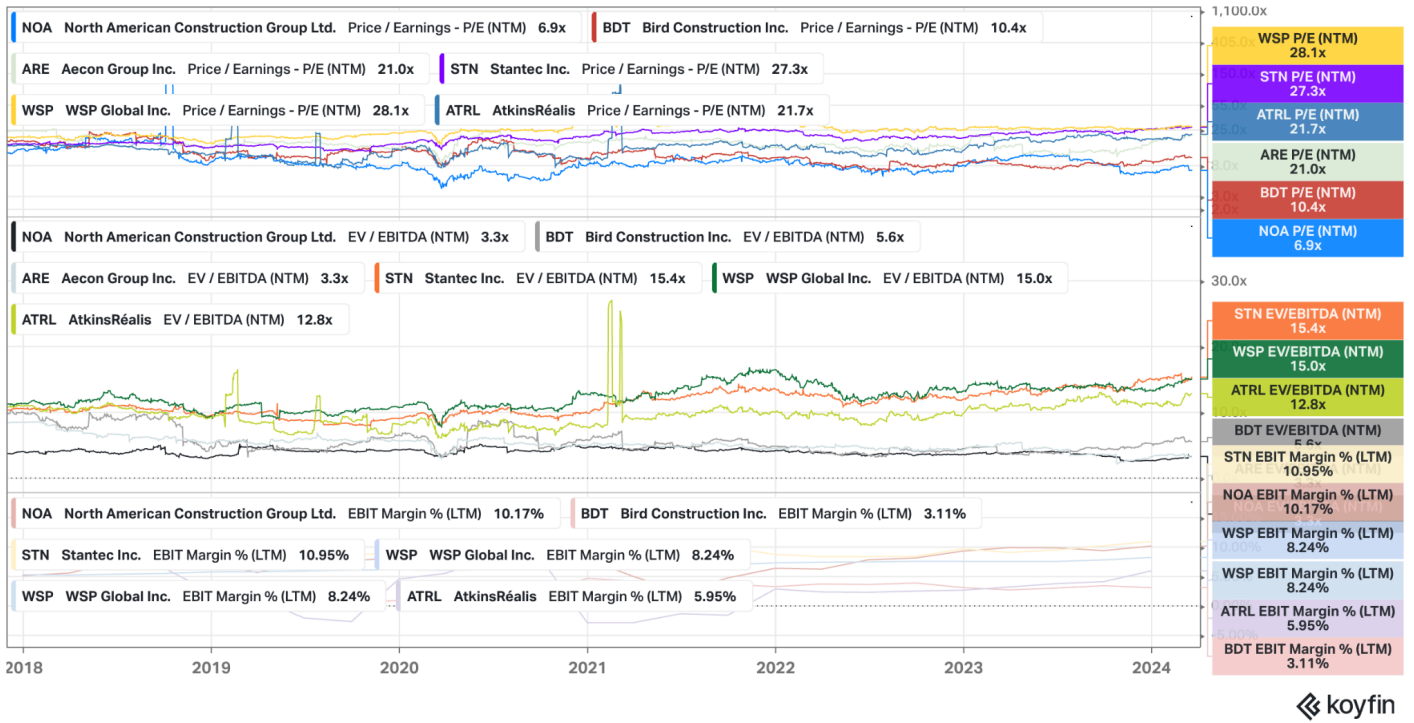
¹ See Slide 2 or 2023 Annual Report for Non-GAAP Financial Measures

Increased revenue diversification *should* raise NOA's EBITDA multiple as investors realize the company isn't a one-trick pony.

NOA's Valuation Mismatch

Speaking of valuation ... NOA is still *very* cheap on almost every metric. The company trades at ~7x NTM P/E and 3.3x NTM EBITDA. Meanwhile, its peers trade at multiples that are ~4x higher.

This would make sense if NOA a) had an inferior business and b) generated inferior margins. But that's not the case. On average, NOA generates ~10% EBIT margins while its peers make around 5-8%.



Or look at EBITDA margins. NOA makes 23-25% while its peers top out around 13.5%.



Eventually, the market will realize this valuation mismatch, probably after NOA has a full year of MacKeller revenue and earnings under its belt (MacKeller should add \$540M+ in revenue this year alone), and reconciles the Nuna underperformance.

However, investors still win through debt reduction, share buybacks, and dividends (currently \$0.40/share annually).

According to the latest 10-K, NOA ended 2023 with 1.7x leverage, which is incredible for a company that just completed a massive acquisition with 100% debt.

At 8.5% interest, I'd prefer more debt reduction to get net leverage under 1.25x.

Finally, I want to discuss the bid pipeline and backlog.

A Record Backlog & Bid Pipeline

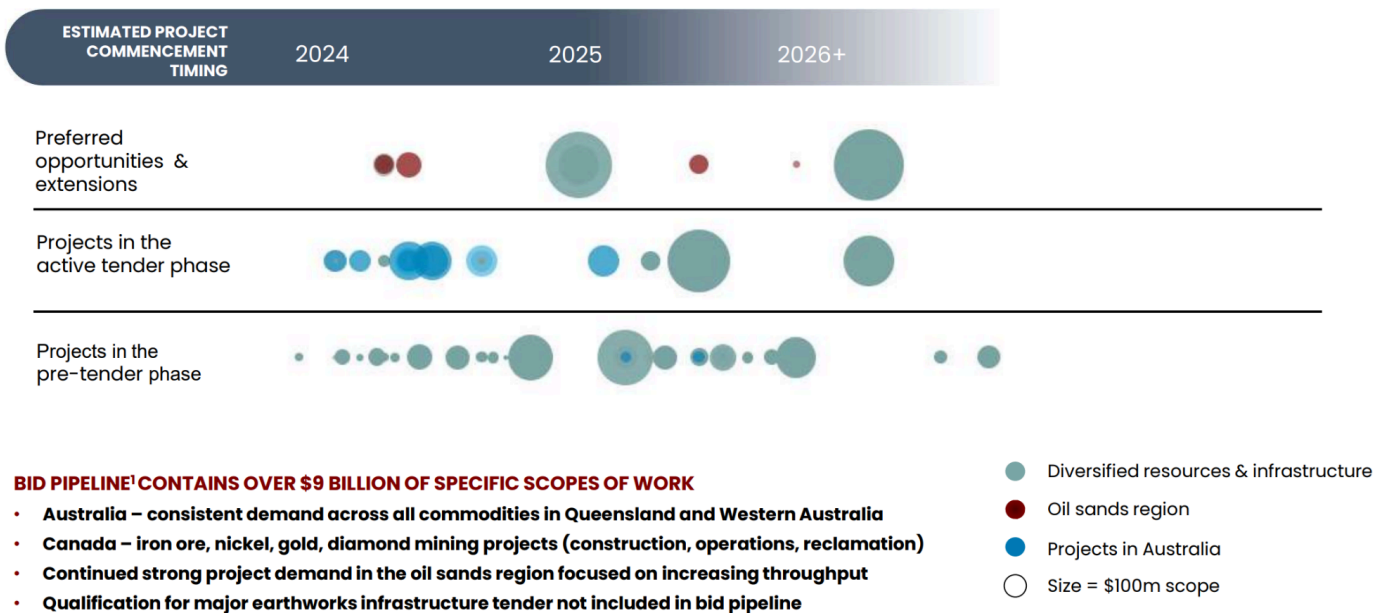
NOA has \$3.3B in contractual backlog as of year-end 2023. That's the highest in company history. As Joe Lambert mentioned in the earnings call (emphasis added):

“Our pro forma backlog sits at \$3.3 billion with the award of the Queensland major metallurgical coal mine and the award of the regional oil sands tender, offset by our normal quarterly drawdown from executed work.

*The \$3.3 billion backlog is the highest in company history and **provides improved confidence and predictability in our business**, especially in our Australian business.”*

The company also has over \$9B in its bid pipeline. As the slide below shows, most of these projects involve “diversified resources and infrastructure.” Again, this highlights the shift from 90%+ oil sands to 30%.

Bid Pipeline



What To Do From Here

NOA is cheap with sustained long-term fundamental drivers in place. Management has an excellent 5YR track record, and they'll fix the Nuna issues by Q2 this year.

The stock is making higher highs and lows in a well-defined uptrend (see below).



NOA trades at a significant discount to its peers despite higher margins, better management, and a lower-cost operating model.

There's a path to \$80/share as MacKeller Group propels revenues to \$2.4B with 12% operating margins (\$275M EBIT).

By then, the market should recognize NOA as an industry leader with better-than-average management and a highly diversified revenue/earnings stream and value the company's earnings at a more appropriate multiple of ~7-10x.

Onto APM.

Andean Precious Metals (APM): Hammering The Buybacks

APM is a \$130M Bolivian silver producer that recently purchased a gold mining asset in California (Golden Queen).

The thesis is straightforward.

APM generates \$12M in annual free cash flow from its Bolivian operations at current silver prices. Once ramped, the company's Golden Queen mine should generate another \$30-\$33M in free cash flow.

We bought our shares around CAD 0.70 for an implied FCF yield of ~39-42%. Management owns ~50% of the shares. There's \$44M in net cash on the balance with no outstanding warrants. Then add another \$100M+ in metals inventory (gold and silver), which is probably worth more than our initial purchase price.

But what I like even more is that management is buying back stock. Check out the most recent buybacks below.

Filed 2024-03-18 11:18 Tx date 2024-03-07	\$APM Andean Precious Metals Corp.	Andean Precious Metals Corp. 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	-35,000 vol	0	+
Filed 2024-03-18 11:17 Tx date 2024-03-07	\$APM Andean Precious Metals Corp.	Andean Precious Metals Corp. 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	\$25,200 +\$5,000 vol \$0.72 each	35,000	+
Filed 2024-03-18 11:16 Tx date 2024-03-06	\$APM Andean Precious Metals Corp.	Andean Precious Metals Corp. 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	-55,000 vol	0	+
Filed 2024-03-18 11:16 Tx date 2024-03-06	\$APM Andean Precious Metals Corp.	Andean Precious Metals Corp. 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	\$37,999 +\$5,000 vol \$0.69 each	55,000	+
Filed 2024-03-18 11:16 Tx date 2024-03-05	\$APM Andean Precious Metals Corp.	Andean Precious Metals Corp. 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	-100,000 vol	0	+
Filed 2024-03-18 11:15 Tx date 2024-03-05	\$APM Andean Precious Metals Corp.	Andean Precious Metals Corp. 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	\$72,250 +\$100,000 vol \$0.72 each	100,000	+
Filed 2024-03-18 11:15 Tx date 2024-03-04	\$APM Andean Precious Metals Corp.	Andean Precious Metals Corp. 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	-1,500 vol	0	+
Filed 2024-03-18 11:15 Tx date 2024-03-04	\$APM Andean Precious Metals Corp.	Andean Precious Metals Corp. 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	\$1,080 +\$1,500 vol \$0.72 each	1,500	+
Filed 2024-03-18 11:14 Tx date 2024-03-01	\$APM Andean Precious Metals Corp.	Andean Precious Metals Corp. 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	-71,000 vol	0	+
Filed 2024-03-18 11:14 Tx date 2024-03-01	\$APM Andean Precious Metals Corp.	Andean Precious Metals Corp. 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	\$47,570 +\$71,000 vol \$0.67 each	71,000	+

Recent filings						
Filed 2024-03-18 11:23 Tx date 2024-03-15	\$APM Andean Precious Metals Corp.	Andean Precious Metals Corp. 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	-7,000 vol	0	+
Filed 2024-03-18 11:23 Tx date 2024-03-15	\$APM Andean Precious Metals Corp.	Andean Precious Metals Corp. 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	\$5,550 +\$7,000 vol \$0.79 each	7,000	+
Filed 2024-03-18 11:22 Tx date 2024-03-14	\$APM Andean Precious Metals Corp.	Andean Precious Metals Corp. 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	-156,000 vol	0	+
Filed 2024-03-18 11:21 Tx date 2024-03-14	\$APM Andean Precious Metals Corp.	Andean Precious Metals Corp. 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	\$121,680 +\$156,000 vol \$0.78 each	156,000	+
Filed 2024-03-18 11:21 Tx date 2024-03-13	\$APM Andean Precious Metals Corp.	Andean Precious Metals Corp. 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	-61,500 vol	0	+
Filed 2024-03-18 11:20 Tx date 2024-03-13	\$APM Andean Precious Metals Corp.	Andean Precious Metals Corp. 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	\$48,252 +\$61,500 vol \$0.78 each	61,500	+
Filed 2024-03-18 11:20 Tx date 2024-03-12	\$APM Andean Precious Metals Corp.	Andean Precious Metals Corp. 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	-56,000 vol	0	+
Filed 2024-03-18 11:20 Tx date 2024-03-12	\$APM Andean Precious Metals Corp.	Andean Precious Metals Corp. 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	\$40,880 +\$6,000 vol \$0.73 each	56,000	+
Filed 2024-03-18 11:19 Tx date 2024-03-11	\$APM Andean Precious Metals Corp.	Andean Precious Metals Corp. 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	-55,000 vol	0	+
Filed 2024-03-18 11:19 Tx date 2024-03-11	\$APM Andean Precious Metals Corp.	Andean Precious Metals Corp. 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	\$40,650 +\$55,000 vol \$0.74 each	55,000	+
Filed 2024-03-18 11:18 Tx date 2024-03-08	\$APM Andean Precious Metals Corp.	Andean Precious Metals Corp. 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	-50,000 vol	0	+
Filed 2024-03-18 11:18 Tx date 2024-03-08	\$APM Andean Precious Metals Corp.	Andean Precious Metals Corp. 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	\$36,000 +\$50,000 vol \$0.72 each	50,000	+

That's just from this Monday! Management has hammered the buybacks since February.

This is how you allocate capital. It doesn't matter what multiple the market gives the company. Over the next few years, APM will generate ~40% of our cost basis in annual cash flow.

Investing in junior producers is easier when management does the right thing with its cash.

Until next week.

Your Value Operator,

Brandon