



October 02, 2024

THE LONG PULL: September Portfolio Review (Part 1: APM, IDR, MSA, HME)

We just closed the books for September and Q3 2024. Please note our returns for the month, quarter, and year-to-date below:

- **September:** +9.47%
- **Q3 2024:** +11.67%
- **YTD 2024:** +43.36%

This compares to the S&P 500's returns of:

- **September:** +2.02%
- **Q3 2024:** 5.25%
- **YTD 2024:** +20.81%

We don't trade against a benchmark, and our strategy doesn't fit into any "style box." That said, the S&P 500 remains the global standard for next-best available options for 99.99% of investors. So there you go.

This week, we examine a few monthly stock charts and update our valuation models. Spoiler alert: our best performers still have a long way to go!

Let's get after it!

Monthly Stock Charts: The 30,000ft View

"Price action is far more important than any other information, and if you sacrifice some of what it is telling you to gain information from something else, you are likely making a bad decision." - Al Brooks

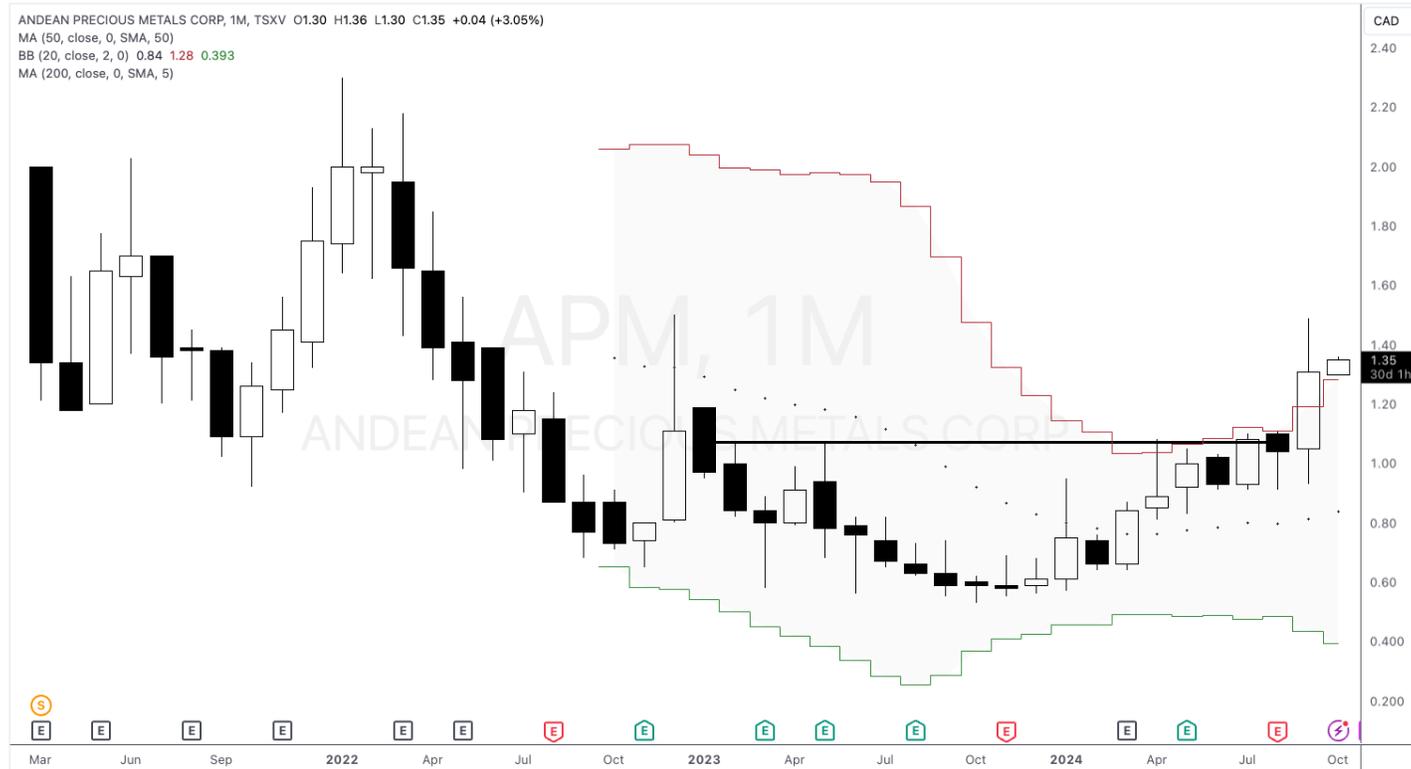
There are two benefits to using monthly time frames for tape reading:

- 1) It orients my technical views with my fundamental views** (i.e., a longer-term fundamental trade *should* coincide with longer-term technicals)
- 2) It removes all the noise of shorter-term, less meaningful price movements** (i.e., As long as the trend remains intact, who cares about daily price action if I plan on holding the stock for 18-24 months?)

Starting with the A's ...

Andean Precious Metals (APM.V)

BrandonBeylo published on TradingView.com, Oct 01, 2024 15:25 UTC-4



TradingView

APM closed September with a monthly bull breakout bar above its upper Bollinger Band for a confirmed VBO. Notice the compressed Bollinger Bands from January until September.

The price is now outside the congestion zone. The next bullish target is a tick above September's high of ~CAD 1.50/share.

We're up ~73% from our cost basis with an average R-multiple return of 5.86R between our two legs. However, there's still plenty of upside left.

As [I mentioned last week](#), APM has more cash than before the Golden Queen acquisition. The Golden Queen asset pays for itself; it's earning ~\$4/oz in pure profit from its silver operation, and the company keeps buying back stock.

PM investing legend Eric Sprott bought another 700,000 shares this month, too.

Filed 2024-09-25 09:56 Tx date 2024-09-24	\$APM Andean Precious Metals Corp.	2176423 Ontario Ltd. 3 - 10% Security Holder of Issuer Direct Ownership	Common Shares 10 - Acquisition or disposition in the public market	\$952,000 +700,000 vol \$1.36 each	22,759,338
Filed 2024-09-25 09:53 Tx date 2024-09-24	\$APM Andean Precious Metals Corp.	Sprott, Eric 3 - 10% Security Holder of Issuer Holder: 2176423 Ontario Ltd. (Indirect Ownership)	Common Shares 10 - Acquisition or disposition in the public market	\$952,000 +700,000 vol \$1.36 each	22,759,338

Despite its share price increase, the company trades for **<1.3x cash, 0.6x revenue, and 1.5x EBITDA.**

I ask monthly, “Does this position still meet our Trifecta Lens criteria?” If it does, I look to add on pullbacks. If it doesn’t, I start thinking about trailing stops and taking profits.

Does APM.V meet our Trifecta Lens criteria? Yes.

- **Fundamentals:** Very cheap, growing production, not getting credit for Golden Queen acquisition or gold/silver price increases
- **Technicals:** Monthly VBO on above-average volume
- **Sentiment:** Everyone still hates precious metals junior miners

Let’s review the valuation (see below).

Unit Economic Model	2024	2025	2026
Silver Eq. Production (Moz)	5.00	5.00	5.00
Avg. Silver Price	\$32.00	\$32.00	\$32.00
Total Revenue	\$160.00	\$160.00	\$160.00
AISCs (\$/oz)	\$28.00	\$28.00	\$28.00
Total Costs	\$140.00	\$140.00	\$140.00
Net Profits	\$20.00	\$20.00	\$20.00
Less Capex	\$4.20	\$4.20	\$4.20
Pre-Tax Free Cash	\$15.80	\$15.80	\$15.80
FCF Yield	12.93%	12.93%	12.93%
Golden Queen Mine	2024	2025	2026
Gold Production (oz)	60,000	68,000	62,000
Avg. Gold Price	\$2,600.00	\$2,700.00	\$2,850.00
Total Revenue	\$156,000,000	\$183,600,000	\$176,700,000
AISCs (\$/oz)	\$1,752	\$1,750	\$1,750
Total Costs	\$105,120,000	\$119,000,000	\$108,500,000
Net Profits	\$50,880,000	\$64,600,000	\$68,200,000
Less Capex	\$10,000,000	\$10,000,000	\$10,000,000
Free Cash Flow	\$40,880,000	\$54,600,000	\$58,200,000
FCF Yield	33.47%	44.70%	47.64%
Total Free Cash Flow	\$56,680,000	\$70,400,000	\$74,000,000
Current EV	\$122,154,320	\$122,154,320	\$122,154,320
FCF Yield	46.40%	57.63%	60.58%
FCF Per Share	\$0.38	\$0.47	\$0.50

Another way to think about it is you pay ~3x Golden Queen's cash flow and get APM’s silver operations (which generate \$16M in cash) **for free.**

The combined mining operations generate a 46% FCF yield or \$0.38/share in pre-tax profits.

Here's where things get interesting. **If the junior miner market heats up, APM will fetch 5-10x cash flow multiples.** That's not a stretch. They're a multi-asset, bimetallic producer with net cash, high insider ownership, and a history of buybacks.

That leaves us with another 200%+ upside potential (see below).

Upside Potential	EV	Per-Share	Upside
FCF Yield (15%)	\$469	\$3.14	226.64%
Cash Flow Multiple (7x)	\$493	\$3.30	242.97%
Average	\$481	\$3.22	234.81%

Which is nice because my original assumption was that we'd get a double, maybe a little more. Now, APM has a path of 3-5x in 2-3 years.

Upcoming Catalysts:

- **Q3 2024 Earnings:** Golden Queen AISC will be the most critical metric.
- **Renewing NCIB:** The fact that they haven't done this yet makes me think they'll ...
- **Buy another mine:** Tier-1 or 2 jurisdictions at a great price, something like Golden Queen, with a mix of cash and debt (no need to dilute with their balance sheet).

Upcoming Risks:

- **Metals price crash:** Would take a considerable drop considering AISCs and silver margin business model
- **Bad terms on future mining deal:** Don't think management would take a poor deal when they can buy back their stock at 40%+ FCF yields
- **Stock issuance:** I don't want to see it. Even in an M&A deal, the reward must be tremendous to dilute. Plus, management owns 50%+ of the common, so it is doubtful.

Idaho Strategic (IDR)

BrandonBeylo published on TradingView.com, Oct 01, 2024 19:58 UTC-4



IDR has been our best-performing investment across any asset class. It's up 150% from our original entry for a 7.24R profit.

We've written extensively about the company [here](#), [here](#), and [here](#). I also had CEO John Swallow [on my podcast](#), which ignited our buying.

When we first bought the company, IDR was a \$60M market cap gold producer with no following and no social media presence. Since then, they've added \$151M in market cap, gained a larger following on Twitter/X, increased gold production, revenues, and profits, and [spoke at Ian Cassel's MicroCap Club conference](#) ...
breathe

The chart speaks for itself. I don't know what else I could add. IDR, specifically John Swallow (and his son!), exceeded all expectations.

Holding this stock has been the most challenging part of the year. I can't tell you how often I've texted Alex, *"Hey, I think we should take some profits, even if a little; the stock just looks overextended."*

Each time, Alex managed to yank my finger off the trigger.

A stock's price will converge with its long-term earnings power. So, let's think about valuation.

My IDR thesis is that the company will ramp production from 5,000oz/year to 20,000oz/year in an inflecting gold price environment.

Let's assume they hit 20Koz/year with a \$2,600/oz gold price and \$1,300/oz average AISCs. How much would you pay for this business? Tier-1 jurisdiction, small share count (12M), low float, highly profitable, with the US's most extensive REE land package.

In a raging bull market, 15-20x EBIT is normal. At 15x pre-tax profits, IDR is worth \$420M, or 200% upside from the current share price (see below).

Idaho Strategic Upside		
Annual Production	20,000	oz
Gold Price	\$2,700	oz
AISC	\$1,300	oz
Pre-Tax Profits	\$28,000,000	
Multiple	15	
Enterprise Value	\$420,000,000	
Upside	200%	

Again, this model is very simplistic (read: rough), but it helps me hold during the ride-up.

A quick note on the technicals. IDR broke through its double top at \$10-12/share. The last bit of resistance is the prior all-time high of \$17.50/share from April 2006. I have no idea where IDR trades from here. It has an equal chance of pulling back 20-40% as it does, blasting past \$18/share.

Mineros S.A. (MSA.V)

MSA is a mid-tier gold mining company operating in two countries, Colombia and Nicaragua. We bought our shares at CAD 0.81 for a CAD 243M market capitalization. Today, the stock trades at CAD 1.23/share for a \$342M market cap.

Check out our research on the company [here](#), [here](#), and [here](#).

Here's what I wrote about MSA.V in our most recent earnings recap (emphasis mine):

“Q3 will be MSA’s “show me” quarter. I don’t want to make snap decisions based on one quarter’s data. However, we have many ideas for recycling our capital with higher shareholder yields.

APM.V may deserve this capital.

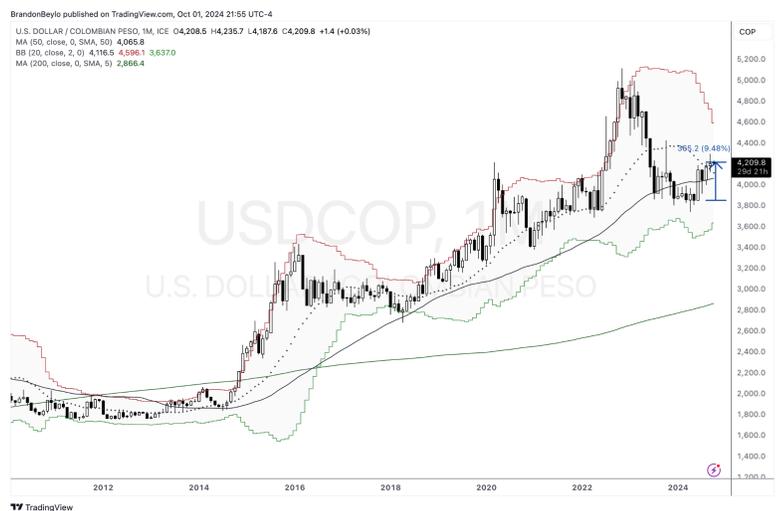
MSA is on a short leash. We’ll exit the position if we get another poor quarter. Until then, we’ll collect our dividends and await management’s earnings call tomorrow.”

We’re still in the “show me” stage and awaiting Q3 2024 results. However, there are two reasons for optimism:

1) Depreciating Colombian Peso:

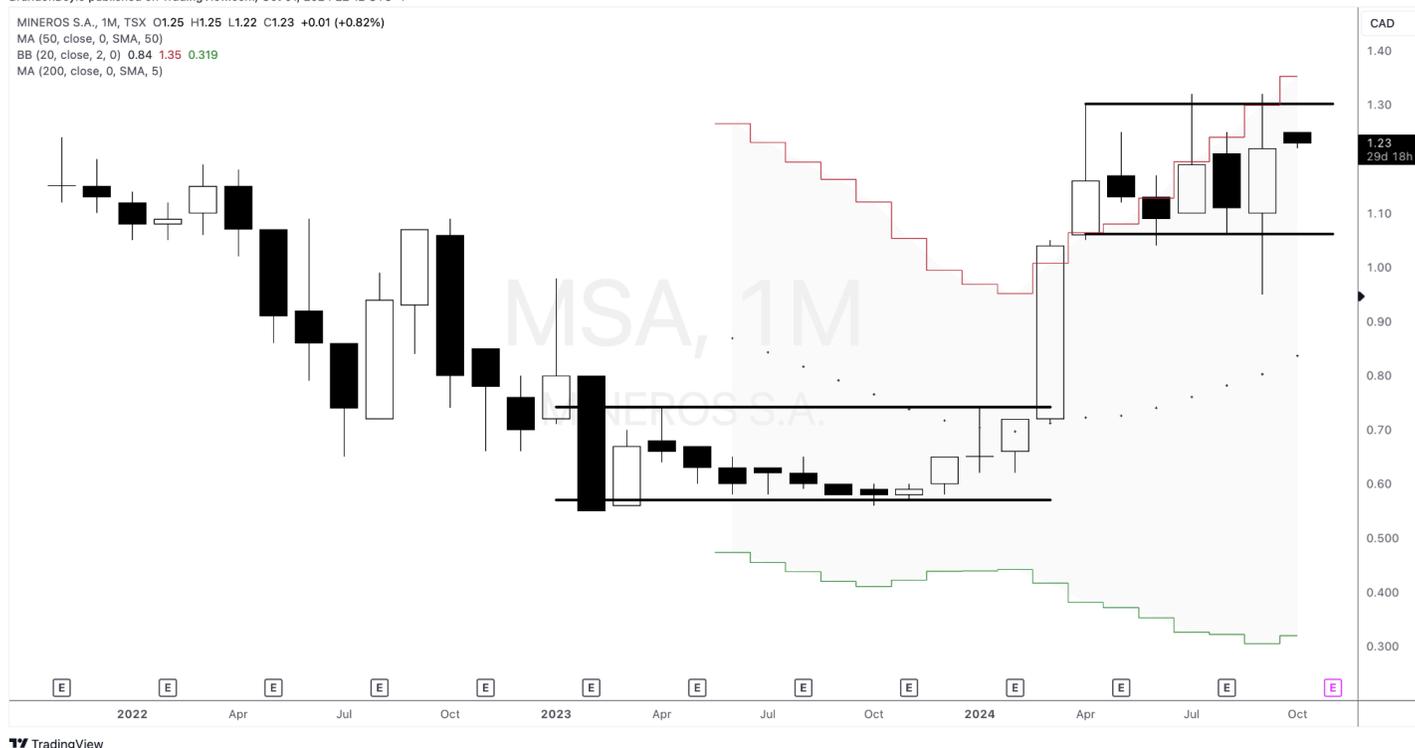
MSA.V sells its gold in USD and pays expenses in Colombian pesos.

So, an appreciating peso increases AISCs and reduces profitability. We *should* see the depreciation benefits flow through this quarter (USD up ~10% against the peso since June).



2) Tax payment unwinds in H2 2024: MSA.V frontloads their tax payments during the first half of the year, which means fewer tax payments in H2 2024. That should provide more incremental free cash flow for dividends and buybacks.

Let's look at the monthly chart.



Since its March breakout bar, the stock has traded sideways in a seven-month flag/rectangle. After such a significant move, we should expect this digestive price action.

Also, we have a clear risk point at the September low to either reevaluate our position and add or cut if fundamentals deteriorate. Either way, the worst-case scenario is we exit with decent gain (barring any massive gap-downs ... knock on the nearest wood, please).

Let's look at valuation.

Unit Economic Model	2024	2025	2026
Gold Eq. Production (Koz)	210	210	210
Avg. Gold Price	\$2,600.00	\$2,700.00	\$2,800.00
Total Revenue	\$546,000.00	\$567,000.00	\$588,000.00
AISCs (\$/oz)	\$1,500.00	\$1,650.00	\$1,700.00
Total Costs	\$315,000.00	\$346,500.00	\$357,000.00
Net Profits	\$231,000.00	\$220,500.00	\$231,000.00
<i>Less Capex</i>	\$81,900.00	\$85,050.00	\$88,200.00
Free Cash Flow	\$149,100.00	\$135,450.00	\$142,800.00
Total Free Cash Flow	\$149	\$135	\$143
Current EV	\$247	\$247	\$247
EV Yield	60.42%	54.88%	57.86%

I get \$149M in pre-tax cash flow on a \$247M EV company (60% yield). Suppose the market values MSA.V at a ~20% yield, which seems conservative. But it's a Colombian alluvial operation.

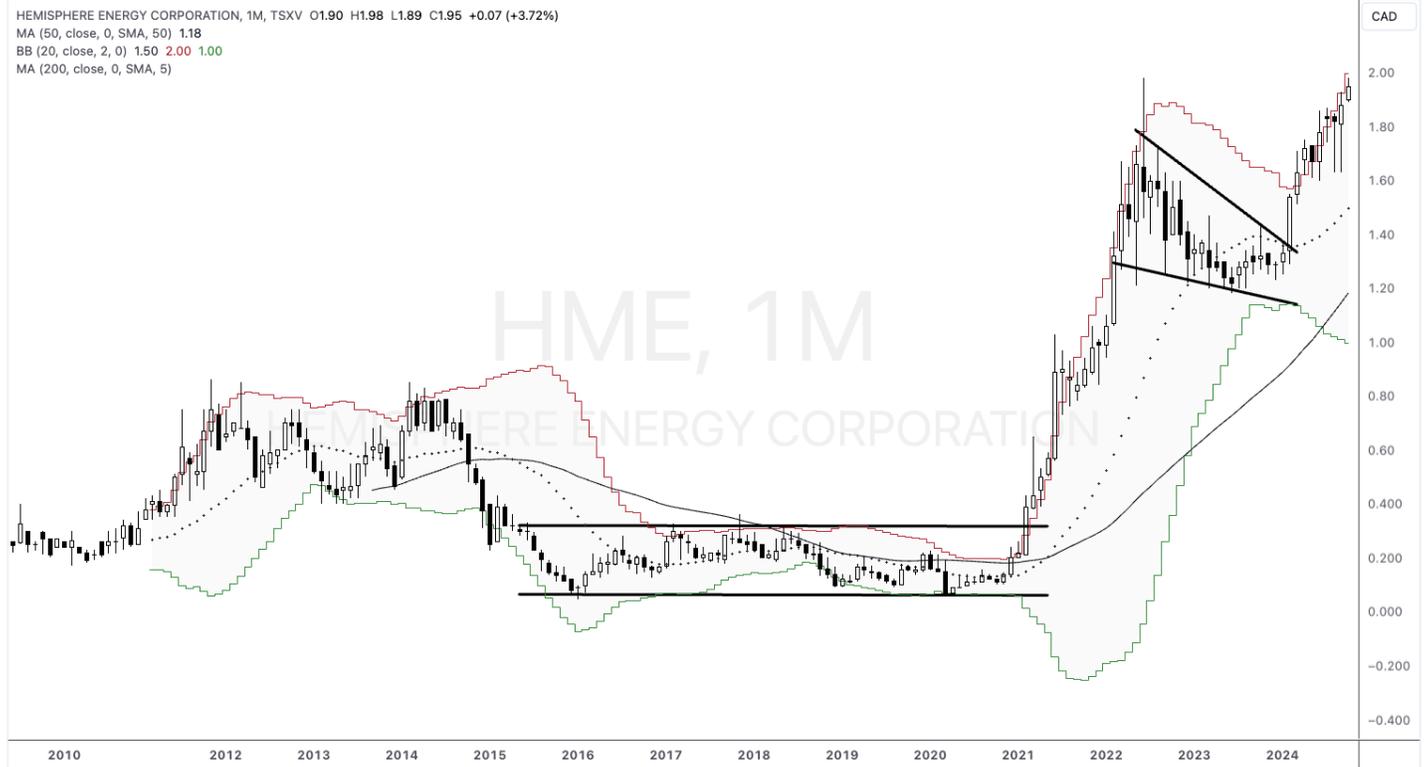
That gets us another 189% upside from the current price with a target EV of \$712M.

Mineros SA Upside	
Avg Yield	20.00%
Avg Pre-tax Profits	\$142.45
Estimated EV	\$712.25
Upside	188.60%

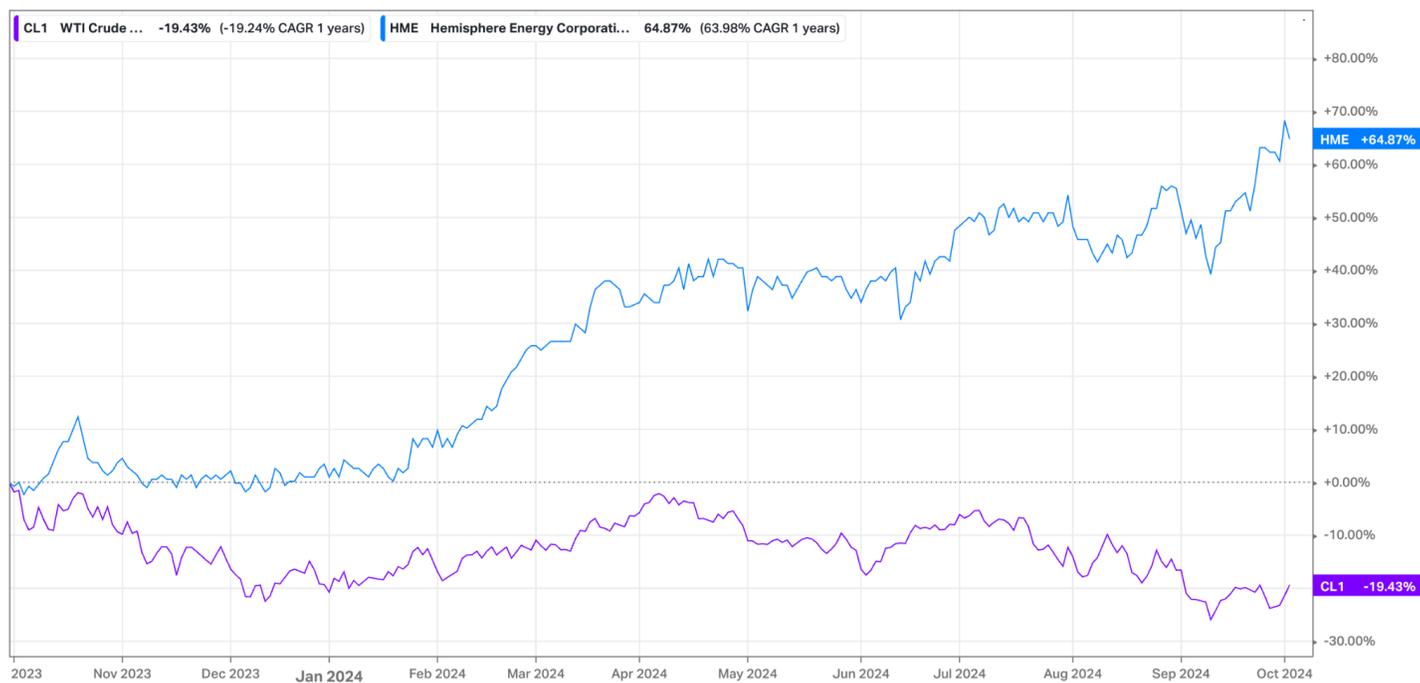
However, we have a tight leash on MSA.V and will cut if Q3 2024 disappoints on AISCs and margins.

Hemisphere Energy (HME.V)

BrandonBeylo published on TradingView.com, Oct 02, 2024 10:45 UTC-4



HME is a textbook example of a leader leading. The stock is up 64% over the past year, while crude oil returned 19.30% during the same period (see below).



You can read our original write-up [here](#).

The company has everything you want in an E&P stock.

They own **low-decline, high-quality production assets**, have **no debt** with minimal abandonment liabilities, and use free cash flow to **buy back stock and pay regular/special dividends**.

Plus, management owns 19% of the company.

It's a boring story. But we *love* boring. Look at the latest buybacks.

Filed 2024-09-04 14:05 Tx date 2024-09-03	SHME Hemisphere Energy Corporation	Hemisphere Energy Corporation 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	-319,800 vol	0	+
Filed 2024-09-04 14:04 Tx date 2024-08-29	SHME Hemisphere Energy Corporation	Hemisphere Energy Corporation 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	\$73,720 +40,000 vol \$1.84 each	319,800	+
Filed 2024-09-04 14:03 Tx date 2024-08-26	SHME Hemisphere Energy Corporation	Hemisphere Energy Corporation 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	\$36,000 +20,000 vol \$1.80 each	279,800	+
Filed 2024-09-04 14:03 Tx date 2024-08-23	SHME Hemisphere Energy Corporation	Hemisphere Energy Corporation 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	\$37,548 +21,000 vol \$1.79 each	259,800	+
Filed 2024-09-04 14:02 Tx date 2024-08-21	SHME Hemisphere Energy Corporation	Hemisphere Energy Corporation 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	\$41,760 +24,000 vol \$1.74 each	238,800	+
Filed 2024-09-04 14:01 Tx date 2024-08-19	SHME Hemisphere Energy Corporation	Hemisphere Energy Corporation 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	\$33,066 +19,800 vol \$1.67 each	214,800	+
Filed 2024-09-04 14:00 Tx date 2024-08-16	SHME Hemisphere Energy Corporation	Hemisphere Energy Corporation 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	\$51,390 +30,000 vol \$1.71 each	195,000	+
Filed 2024-09-04 14:00 Tx date 2024-08-13	SHME Hemisphere Energy Corporation	Hemisphere Energy Corporation 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	\$34,000 +20,000 vol \$1.70 each	165,000	+
Filed 2024-09-04 13:59 Tx date 2024-08-12	SHME Hemisphere Energy Corporation	Hemisphere Energy Corporation 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	\$45,000 +25,000 vol \$1.72 each	145,000	+
Filed 2024-09-04 13:58 Tx date 2024-08-07	SHME Hemisphere Energy Corporation	Hemisphere Energy Corporation 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	\$34,000 +20,000 vol \$1.70 each	120,000	+
Filed 2024-09-04 13:58 Tx date 2024-08-06	SHME Hemisphere Energy Corporation	Hemisphere Energy Corporation 1 - Issuer Direct Ownership	Common Shares 38 - Redemption, retraction, cancellation, repurchase	\$85,000 +50,000 vol \$1.70 each	100,000	+
Filed 2024-09-04 13:57 Tx date 2024-08-02	SHME Hemisphere Energy Corporation	Hemisphere Energy Corporation 1 - Issuer	Common Shares 38 - Redemption, retraction,	\$88,750 +50,000 vol	160,000	+

And just last week, the company announced *another* special dividend (emphasis added):

*“Given the strong financial position and performance outlook of the Company, Hemisphere is pleased to announce that its board of directors has approved the declaration of a special dividend of **C\$0.03 per common share**, in accordance with its dividend policy.*

*The special dividend will be paid on October 25, 2024 to shareholders of record on October 11, 2024, and is designated as an eligible dividend for Canadian income tax purposes. **It is in addition to the Company's quarterly base dividend of C\$0.025 per common share.**”*

HME is one of the cheapest oil stocks globally, trading at 3x NTM EBITDA (see below).

	Current	Percentile Rank		
		vs. 10-Year History	vs. Global Energy	vs. Global
Valuation Multiples				
EV / EBITDA (LTM)	3.4x	35	22	8
EV / EBIT (NTM)	3.7x	60	13	5
EV / EBIT (LTM)	4.6x	29	14	8
EV / Gross Profit (LTM)	3.1x	37	29	24

Quality matters, and eventually, the market will realize HME’s above-average capital allocation, balance sheet quality, and management team and re-rate the company somewhere around 5-6x EBITDA (or another double from here).

Conclusion: Leaders Lead

One thread connects each of these positions: They all have the highest relative strength in their industry/peer group and outperform their underlying commodity.

I know I sound like a broken record, but leaders lead. Over time, our biggest winners have been the stocks with the highest relative strength against their industry—the ones consistently making new highs, *not* new lows.

As a value investor, this realization has been one of the toughest pills to swallow. We’re drawn to the “New Lows” list. It’s our Siren Song that almost always leads to disaster.

Freeing myself from that lullaby was the best thing that’s happened to me as an investor. I can’t wait to write more about that evolution, but that’s for another *Long Pull Report*.