Executive excellence at Long4Life

Perspectives: January 19th, 2021

It always amazes us to find how few executives of listed businesses anywhere in the world correctly utilize one of the most powerful value creation mechanisms in their capital allocation toolkit – that of counter-cyclical and meaningful share buy back & issuance.

I mean to say it is not exactly in the realm of rocket science. Issue as many shares as possible whenever the share price is *significantly* over-valued and buy back as many shares as possible whenever it is *significantly* under-valued. As if by magic, this simple yet powerful equation can create spectacular long-term growth in per-share business revenues, profits, and value in even the most neglected, challenged, boring business, industry, or country. Executed well it is truly a low risk, high return proposition, working with certainties.

In comparison, things like large capital projects, deal-making and the integration of business acquisitions are all very much in the realm of rocket science. The evidence is perfectly clear – most large capital projects and deals do not deliver the values envisaged at the outset. Executed poorly it is truly a high risk, low return proposition, working with uncertainties.

At JSE listed **Long4Life**, despite only being listed for 4 years, the executives have already demonstrated an uncanny capital allocation discipline, and an understanding of creating long-term per share business value. They have bought decent businesses at good prices, issued over-valued shares in doing so, walked away from a large, troubled deal following due diligence, and bought back significant amounts of their own shares at deeply under-valued price levels – which is ongoing as of this writing.

Because it is such a rare find, anywhere in the world, it leads me to suspect there must be significant forces at work that I do not yet fully understand or appreciate undermining an executive's ability to make full use of judicious share buy back and issuance. On the one hand its rarity is a pity - as is my ongoing lack of understanding and appreciation! On the other hand, it makes finding it so much more valuable and rewarding.

Our work continues...

Daniel Malan
Managing Director & Chief Investment Officer
daniel@perspectiveim.co.za

Perspective Investment Management
www.perspectiveim.co.za

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