



Great Hill Capital

The Fundamentals of Value Investing

Tom Hayes
February 2025



Professional Background

2015 – Present

Great Hill Capital, LLC

- Chairman and Managing Member

2013 – 2015

Cornwall Capital Management

- Commodity / Equity Research Consultant

2011 – 2013

Wright Investors Service Holdings

- Chief Operating Officer, \$1.6B AUM

2009 – 2013

Bedford Oak Advisors

- Managing Director



Our Investment Philosophy in a Nutshell

- We make our money by buying on weakness and selling on strength
- Our confidence to step in when others are bailing is rooted in deep research and the premise that the more a price becomes dislocated, the more risk has been removed
- Most market participants see volatility as increased risk; we view it as increased opportunity



Great investment opportunities come around when excellent companies are surrounded by unusual circumstances that cause the stock to be misappraised.

— Warren Buffett —

“Price is what you pay.
VALUE
IS WHAT YOU GET.”

— Warren Buffet

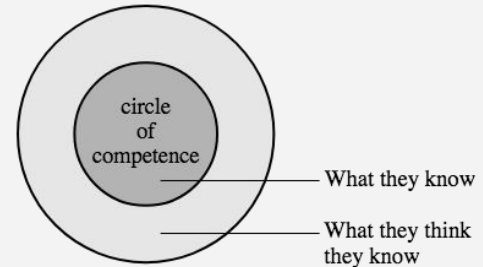
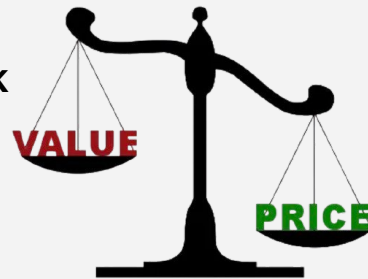
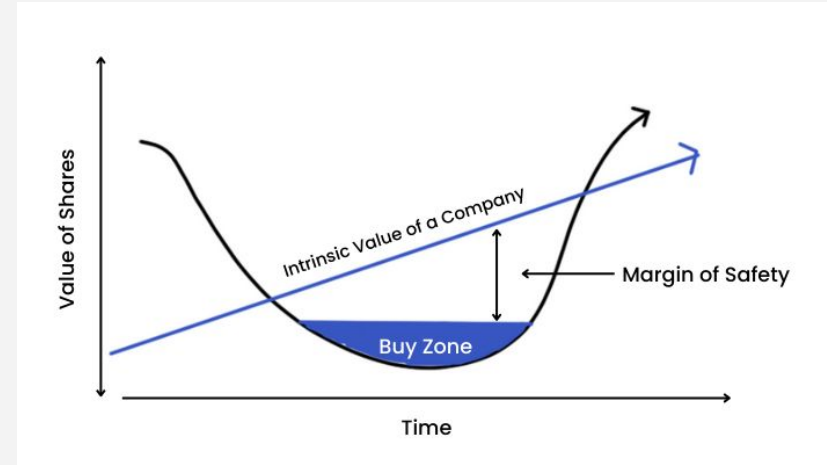


Growth vs. Value

Value Investing

"Buy low, Sell High"

- Investing with a margin of safety by purchasing stocks below their intrinsic value
- Seeking high-quality companies that are temporarily out of favor
- Typically stocks with low (normalized) price-to-earnings (P/E) ratios, price-to-book value, and price-to-cash-flow metrics
- Favors "reversion to the mean"

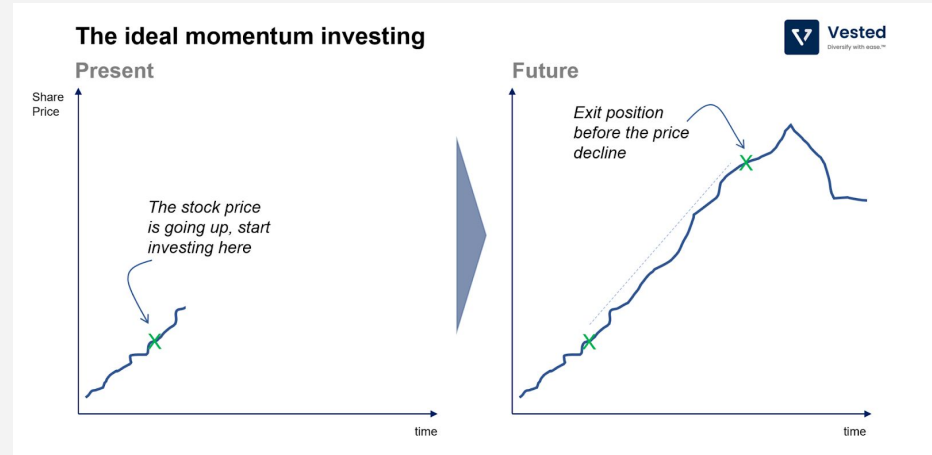


Growth vs. Value

Growth Investing

"Buy High, Sell Higher"

- Prioritizes companies with the potential for significant growth in revenue, earnings, and cash flow
- Capital appreciation > current valuation
- Identifies potential innovators and industry disruptors
- Chasing today's new "shiny object"
- Favors "Inertia"

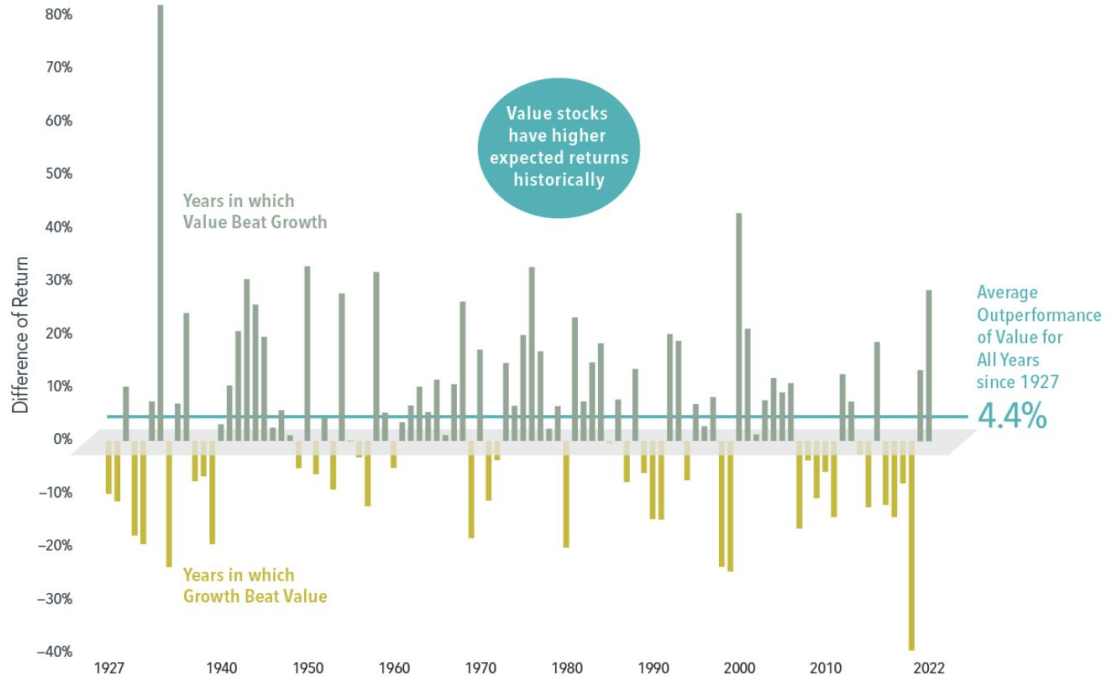


Which Investment Style Performs Better?

- While "Growth" has outperformed "Value" since 2010, believing this trend will continue indefinitely is rooted in recency bias
- Zooming out, we see that since 1927, "Value" has outperformed "Growth" by an average of 4.4% per year

Value Add


Yearly observations of premiums: value minus growth in US markets, 1927–2022



Source: Dimensional

How We Identify Potential Investment Opportunities

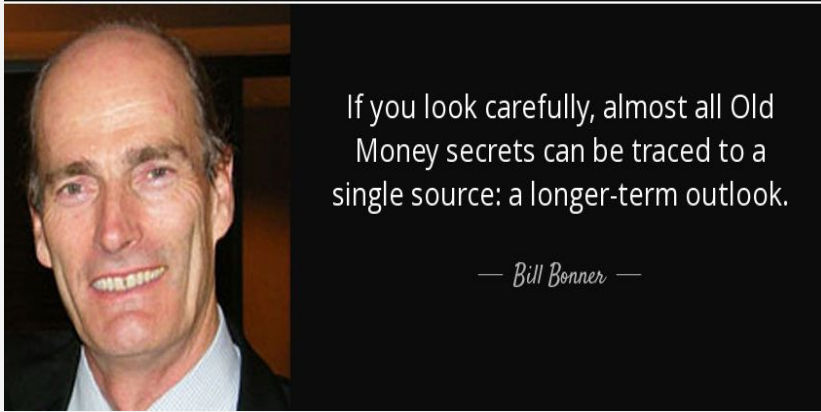
- **Solvency Risk Analysis:** Does the company have a solid balance sheet? Can they meet upcoming debt obligations?
- **Moat:** Does the company have a sustainable competitive edge? Do they have a history of performing well through economic cycles?
- **Management:** Does management prioritize shareholder value? Are their incentives aligned with the interests of shareholders?
- **Near-Term Catalyst:** Is there a significant catalyst that could unlock value? (e.g., new CEO, spin-offs, cost-cutting, activist investor)

A close-up portrait of Warren Buffett, an elderly man with white hair and glasses, wearing a dark suit and a white shirt with a red tie. He is looking slightly to the left of the camera with a slight smile.

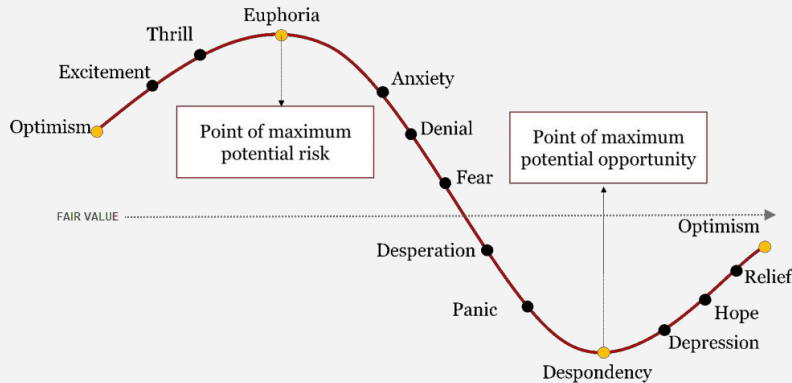
I DON'T LOOK TO
JUMP OVER 7-FOOT
BARS: I LOOK
AROUND FOR 1-FOOT
BARS THAT I CAN
STEP OVER.

WARREN BUFFETT

What's Our Edge?



- Every time you purchase a stock, someone else is selling, and both of you think you're smart. We believe we have two key advantages:
- **Time Horizon (2-3 years):** In the short run, the market is a voting machine, but in the long run it is a weighing machine
- **Temperament:** The ability to drown out the "noise" and avoid being swayed by Mr. Market's emotional ups and downs. Wall Street is the only place where when they hold a clearance sale, everyone runs OUT of the store!



Case Study #1 – V.F. Corporation (\$VFC)




V.F. CORP. NYSE-VFC		RECENT PRICE	21.52	P/E RATIO	23.1	(Trailing 41-A Median: 22.0)	RELATIVE P/E RATIO	1.28	DIV'D YLD	1.7%	VALUE LINE								
TIMELINESS	3 Raised 8/22/24	High:	62.5	76.0	77.8	67.1	75.3	97.0	100.2	100.3	90.8	76.6	32.1	23.5					
SAFETY	3 Lowered 7/26/19	Low:	35.7	55.1	61.2	51.8	48.1	67.2	69.1	45.1	66.3	25.0	12.9	11.0					
TECHNICAL	3 Raised 1/10/25	LEGENDS 10.0 x "Cash Flow" p sh ... Relative Price Strength 4-dpt 1991-12/13 Options: Yes Shaded area indicates recession																	
18-Month Target Price Range		Low-High Midpoint (% to Mid) \$7-\$25 \$16 (-20%)																	
2027-29 PROJECTIONS		Price	Gain	Ann'l Total															
High	35	(+65%)	73%	Return															
Low	25	(+15%)	5%																
Institutional Decisions		10/20/24	20/20/24	30/20/24															
To Buy	252	236	217	Percent															
To Sell	334	308	276	sharred															
Hld's(000)	356408	386961	418855	traded															
2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	VALUE LINE PUB. LLC	27-29
17.39	16.37	17.84	21.39	24.66	25.94	28.37	29.01	29.03	29.84	34.90	26.98	23.57	30.50	29.88	26.89	24.50	25.00	Sales per sh	31.65
1.74	1.65	2.01	2.40	2.89	3.23	3.62	3.75	3.85	3.77	4.58	3.45	1.99	3.90	2.77	1.55	1.25	1.75	"Cash Flow" per sh	3.20
1.39	1.29	1.61	2.01	2.41	2.73	3.08	3.11	2.97	3.78	2.68	1.31	3.18	2.10	1.74	.50	.95	.95	Earnings per sh ^B	2.20
.58	.59	.61	.65	.76	.92	1.11	1.33	1.53	1.72	1.94	1.90	1.94	1.98	1.81	1.78	.36	.36	Div's Decl'd per sh ^C	.36
.28	.19	.26	.39	.57	.62	.54	.60	.42	.43	.63	.74	.51	.63	.43	.38	.45	.45	Cap'l Spending per sh	.45
8.09	8.64	8.94	10.23	11.63	13.80	13.01	12.62	11.93	9.40	10.83	8.63	7.80	9.09	7.49	4.27	3.70	4.85	Book Value per sh ^D	7.15
439.39	441.14	431.75	442.23	440.82	440.31	432.86	426.61	414.01	365.82	396.83	388.81	381.94	368.30	368.67	368.84	390.00	392.00	Common Shs Outs'g ^E	395.00
12.6	12.3	12.3	13.7	15.3	17.4	20.8	23.1	19.3	20.1	22.1	31.9	54.5	23.2	17.8	24.7	25.0	25.0	Avg Ann'l P/E Ratio	13.0
.76	.82	.78	.86	.97	.98	1.09	1.16	1.01	1.01	1.19	1.70	2.80	1.25	1.03	1.39	1.40	1.40	Relative P/E Ratio	.70
3.3%	3.7%	3.1%	2.4%	2.1%	1.9%	1.7%	1.9%	2.5%	2.9%	2.3%	2.2%	2.7%	2.7%	4.8%	4.3%	4.1%	4.1%	Avg Ann'l Div'd Yield	1.3%
CAPITAL STRUCTURE as of 9/28/24																			
Total Debt \$6241.8 mill. Due in 5 Yrs \$4750 mill.																			
LT Debt \$4028.5 mill. LT Interest \$180 mill.																			
(LT Interest earned: 5.8x) (74% of Cap'l)																			
Leases, Uncapitalized: Ann'l rentals \$362.0 mill.																			
Pension Assets-\$324 \$1085.2 mill.																			
Oblig. \$976.1 mill.																			
Pfd Stock none																			
Common Stock 389,318,655 shrs.																			
as of 10/26/24																			
19.8%																			
24.1%																			
15.5%																			
15.5%																			
14.2%																			
13.7%																			
14.0%																			
17.4%																			
9.6%																			
NMF																			
13.4%																			
3.9%																			
NMF																			
107%																			
72%																			
38%																			
All Div's to Net Prof																			
16%																			
MARKET CAP: \$8.4 billion (Mid Cap)																			
CURRENT POSITION																			
2022																			
2023																			
9/28/24																			
35%																			
43%																			
48%																			
57%																			
51%																			
70%																			

Built a position in V.F. Corp at a blended basis of ~\$15.53.

Company Overview



VF Corporation is one of the world's largest apparel, footwear, and accessories companies. Originally founded in 1899 as a glove and mitten manufacturer, the company has evolved into a global leader with a portfolio of iconic brands

 CORPORATION	
Ticker / Share Price	"VFC" / \$25.97
Market Cap	\$10.12B
Enterprise Value	\$13.40B
FY2024 Financials	
Revenue	\$10.45B
EBIT	\$585.20M
EPS	\$0.74





Key Catalysts for the Turnaround

- **Betting on the Jockey:** Newly appointed CEO Bracken Darrell is a proven turnaround specialist. His first turnaround was Old Spice, where he tripled market share. In 2013, he took over Logitech when the stock was down 82%. Over the next eight years, the stock went from \$5 to \$133 (26-Bagger)
- **Solvency Risk Eliminated:** Sold Supreme for \$1.5B in cash last October. Net debt has been reduced by ~\$2B since last year and remains on track to reach 2.5x net leverage
- **Return to Growth:** North Face revenues are up 5% YoY. The SKIMS collaboration became one of the fastest-selling in brand history. Vans continues to strengthen, with Knu Skool now its second-largest franchise globally. Timberland revenues have grown 12% YoY



VF sells Supreme for \$1.5B

Luxury eyewear company EssilorLuxottica agreed to buy the brand.



The Path to \$40+



- As is common in turnarounds, VFC currently sits at trough margins, with operating margins around 5%, less than half of the historical average of +10%
- VFC aims to double its operating margins to at least 10% by FY2028
- With zero growth from current levels, operating income would be ~\$955M
- Assuming a normalized tax rate and reduced interest expense (due to debt repayment), earnings per share would exceed ~\$2+
- Factoring in low single-digit revenue growth and a normalized multiple suggests a share price +\$40, with potential for even more upside

INVESTOR DAY FY25 | PART 1



CREATING THE OPTIMAL P&L STRUCTURE TO ACHIEVE AT LEAST 10% OPERATING MARGIN

	Medium-term
GROSS MARGIN	55%
SG&A % OF REVENUE	45%
OPERATING MARGIN	10%

39

REINVENT TO GROW

Case Study #2 – Alibaba (\$BABA)



BABA Alibaba Group Holding Ltd. NYSE

31-Jan-2025

BABA (Daily) 98.84

Volume 36,503,532

@StockCharts.com

Open 102.00 High 102.50 Low 98.00 Close 98.84 Volume 36.5M Chg -3.90 (-3.80%)




ALIBABA GROUP (ADS) NYSE-BABA		RECENT PRICE	85.12	PIE RATIO	8.2 (Trailing: 4.0 Median: N/A)	RELATIVE PIE RATIO	0.44	DIVID YLD	Nil	VALUE LINE	Target Price 2027	Target Price 2028	Target Price 2029
TIMELINESS	2 Raised 11/15/24	High:	120.0	105.3	109.9	191.8	211.7	218.1	319.3	274.3	138.7	121.3	117.8
SAFETY	3 Raised 2/8/23	Low:	82.8	57.2	59.3	88.1	129.8	129.8	170.0	58.0	70.1	66.6	
TECHNICAL	2 Raised 1/31/25	LEGENDS - - - - - Cash Flow "p" ADR Relative Price Strength Options: Yes Shaded area indicates recession											
BETA	.90 (1.00 = Market)												
18-Month Target Price Range													
Low-High Midpoint (% to Mid)													
\$47-\$106 \$77 (-10%)													
2027-29 PROJECTIONS													
Price	210	Gain	(+145%)	Ann'l Total Return	25%								
High	140	Low	(+65%)	Return	13%								
Institutional Decisions													
to Buy	10284	20284	30284	Percent	30								
to Sell	583	482	622	shares	20								
Hrs(000)	342308	331651	364409	traded	10								
Alibaba Group Holding Limited completed its initial public offering on September 18, 2014. At that time, 368.12 million shares were sold to the public at an average price of \$68.00 per share. The underwriting syndicate included Credit Suisse, Citibank, Deutsche Bank, Goldman Sachs, JPMorgan Chase, and Morgan Stanley.													
2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	© VALUE LINE PUB. LLC 27-29	
4.93	6.34	9.19	14.90	21.50	26.80	40.36	50.41	49.13	53.62	63.05	73.30	Revenues per ADS	79.35
1.85	2.93	3.68	5.86	6.66	8.52	9.94	9.70	10.68	11.49	11.60	13.50	"Cash Flow" per ADS	15.80
1.56	2.60	3.46	5.00	5.67	7.48	8.35	8.21	7.92	8.62	9.85	11.65	Earnings per ADS ^A	13.60
--	--	--	--	--	1.86	1.29	--	3.15	1.82	2.25	2.35	Cap'l Spending per ADS	2.45
9.44	13.60	16.01	22.84	28.75	40.09	53.25	56.61	56.66	56.68	63.05	70.35	Book Value per ADS	82.20
2495.5	2473.9	2529.4	2571.9	2587.1	2686.5	2712.4	2668.7	2565.8	2434.0	2300.0	2275.0	Equiv ADSs Outsg ^{BC}	2250.0
--	29.5	26.6	32.6	30.1	24.8	29.7	20.2	11.7	9.7			Avg Ann'l P/E Ratio	13.0
--	1.49	1.40	1.64	1.63	1.32	1.53	1.09	.68	.54			Relative P/E Ratio	.70
--	--	--	--	--	--	--	--	--	--			Avg Ann'l Div'd Yield	Nil
CAPITAL STRUCTURE as of 9/30/24													
12293	15686	23254	38322	55616	71985	109480	134567	126050	130500	145000	166750	Revenues (\$mill)	178500
36.4%	35.8%	37.6%	31.5%	27.9%	35.9%	17.9%	15.7%	17.1%	17.8%	26.0%	26.0%	Operating Margin	27.5%
712.0	584.0	768.0	1401.0	2229.0	2899.0	4028.0	4386.0	6827.5	6156.5	4000	4250	Depreciation (\$mill)	4500
3914.0	6655.0	8550.0	13673	15010	19993	22941	21515	20568	21811	22660	26500	Net Profit (\$mill)	30600
19.8%	16.0%	19.2%	18.1%	15.1%	14.3%	17.7%	16.9%	9.8%	12.5%	21.0%	21.0%	Income Tax Rate	21.0%
31.8%	42.4%	36.8%	35.7%	27.0%	27.8%	21.0%	16.0%	16.3%	16.7%	15.6%	15.9%	Net Profit Margin	17.1%
16525	12721	12893	19282	9336.6	31141	40600	40186	45472	45839	50000	52000	Working Cap'l (\$mill)	57500
8160.4	8278.7	11163	19040	16659	16944	20718	20902	21686	19613	22500	18500	Long-Term Debt (\$mill)	12500
23560	33652	40504	58751	74385	107700	144335	151142	145388	137959	145000	160000	Shr. Equity (\$mill)	185000
13.0%	16.2%	16.9%	17.9%	16.9%	16.3%	14.1%	12.7%	12.6%	14.2%	13.5%	15.0%	Return on Total Cap'l	15.5%
16.6%	19.8%	21.1%	23.3%	20.2%	18.6%	15.9%	14.2%	14.2%	15.8%	15.5%	16.5%	Return on Shr. Equity	16.5%
16.5%	19.8%	21.1%	23.3%	20.2%	18.6%	15.9%	14.2%	14.2%	15.8%	15.5%	16.5%	Retained to Com Eq	16.5%
Cash Assets	76286	76089	54720										

Built a position in Alibaba at a blended basis of ~\$82.61.

Company Overview

Alibaba Group is one of the world's largest retailers and e-commerce companies. As a Chinese multinational technology giant, Alibaba specializes in e-commerce, retail, internet, and technology services. The company operates a vast digital ecosystem, including online marketplaces, cloud computing, digital payments, and logistics

	
Ticker / Share Price	"BABA" / \$98.84
Market Cap	\$236.66B
Enterprise Value	\$223.06B
FY2024 Financials	
Revenue	\$130.35B
EBIT	\$15.70B
EPS	\$8.62



Key Catalysts for Alibaba

- **Shareholder-Friendly Management:** In 2024 alone, management repurchased 9% of outstanding shares, increasing our slice of the pie without requiring any additional capital
- **Hong Kong Stock Connect:** In September, Alibaba was added to the Hong Kong Stock Connect, enabling nearly 200 million mainland Chinese investors access to the country's "Amazon." Analysts estimate +\$20 billion in potential inflows from new buyers
- **Top Global A.I. Play:** Investing in Alibaba is like owning a "China A.I. ETF." A.I. revenues continue to grow at triple-digit rates year-over-year, while its Cloud business is up 6% YoY. Yet, BABA trades at a forward P/E of just 10.8x compared to NVDA's 42.79x and AMZN's 46x

	Three months ended							
	Mar. 31, 2023	Jun. 30, 2023	Sep. 30, 2023	Dec. 31, 2023	Mar. 31, 2024	Jun. 30, 2024	Sep. 30, 2024	Dec. 31, 2024
Repurchase amount (US\$Bn)	\$1.9	\$3.1	\$1.7	\$2.9	\$4.8	\$5.8	\$4.1	\$1.3
Shares repurchased (Mn ADSs)	22	36	19	37	65	77	52	15
Outstanding shares (Mn ADSs)	2,566	2,549	2,531	2,499	2,434	2,378	2,327	2,315



Breaking Into Wall Street: What it Takes

Education

- Finance, economics, and accounting—the language of business—along with statistics are essential. An MBA can help, but real-world experience is king



CFA

Skills / Certifications

- CFA (Chartered Financial Analyst) is the gold standard for investment professionals
- Analytical thinking, effective oral and written communication, patience, and discipline

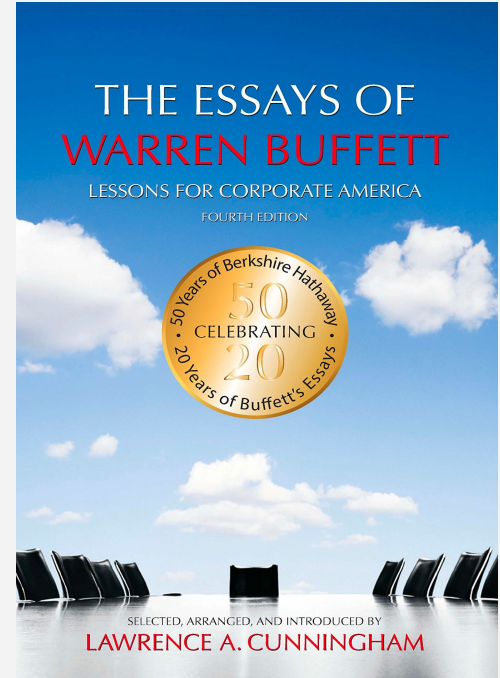
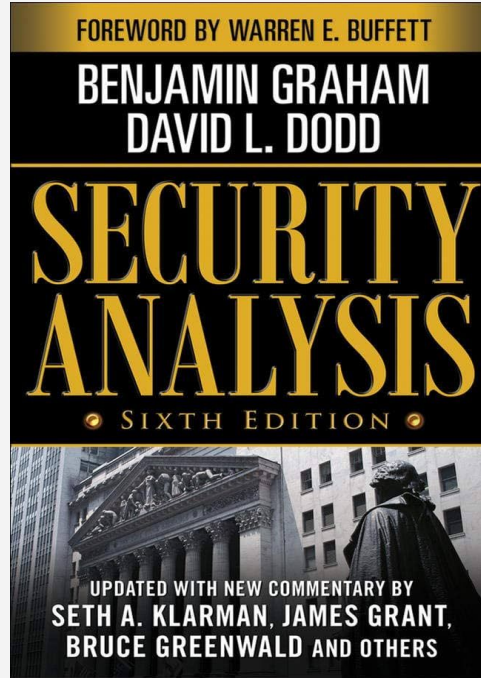
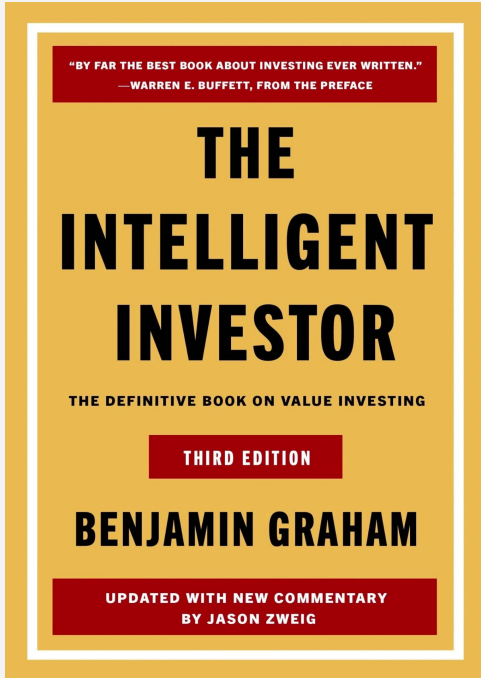


Excel

Experience

- Start early – follow the markets, read investor letters, build your own stock pitches, and consider internships

Recommended Reading



Contact Information / Q&A

- **Top Ranked Podcast:** Hedge Fund Tips with Tom Hayes
- **Twitter:** @HedgeFundTips
- **YouTube:** "Hedge Fund Tips"
- **Email:** tjh@greathillcapital.com
- **Phone:** 212-951-1478

Thank You!
Q&A

*Opinion, Not Investment Advice
