INSIDER Weekly

Issue 116 (25 May 2019)

THE WOLVES HAVE TURNED

Hello, and welcome back!

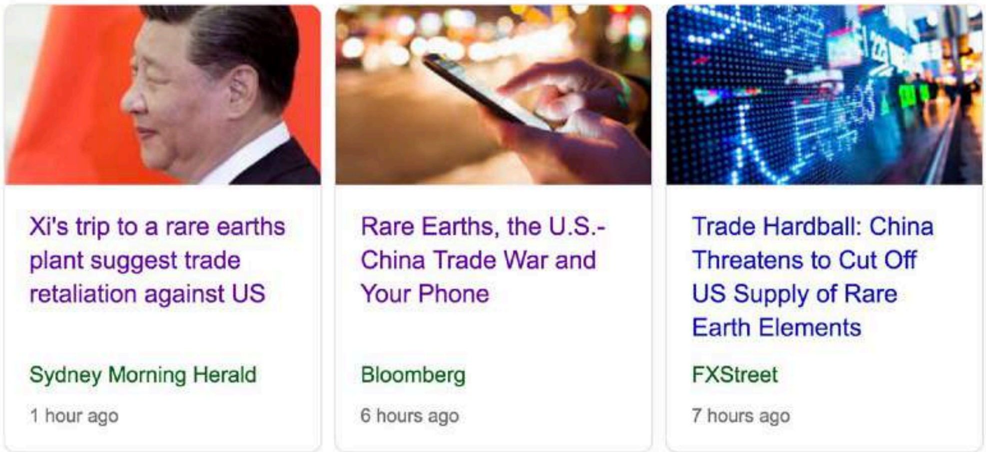
Sunset over Ulaanbaatar, thanks to your fellow Insider member Lachlan.

THIS WEEK

- Trade war: China pulls the rare earths card
- Pile on: The wolves have turned
- Offshore drilling: What the hell?
- Could solar and wind replace coal and gas?
- More hydrogen trains for Germany
- More “beyond stupid” valuations
- Cleaner air/fuel equals more water
- Civil disobedience: It’s coming, I promise you that much.
- The Big Five:
    1. Rossiysikye
    2. Vallourec
    3. Greenland Minerals and Energy
    4. Shelf Drilling
    5. Petrovietnam Drilling

CHINA PULLS THE REM CARD

Well, they haven't pulled the card yet. But by Xi's trip to a rare earths plant, they have let Trump know that this card sits in their pack. It's not every day that a Chinese premier visits a dirty rare earths plant in the middle of nowhere.



China holds roughly 80% (some say it's 90%) of the world's supply of REMs.

Rare earths are actually not particularly rare, but the refining of them is a polluting toxic concoction, and China pretty much owns this space. Brazil are catching up, but really this remains a China story for now.

Perhaps it is hardly surprising that REM stocks have been a bit jumpy over the last few days.

Ways to trade this?

The obvious trade is the VanEck Vectors Rare Earth/Strategic Metals ETF (REMX). We put out a report on rare earths in mid-2017.

We continue to hold our bullish outlook for rare earth metals and lesser known base metals in general.

We're happy to wait and be patient. New highs will come... and they'll be in the multiples.

Other ways to play this?

Lynas is the only REM miner actually producing metals outside of China. Other developers would be Greenlands Metals and Energy (GGG:ASX), Arafura (ARU:ASX), Hastings Technology Metals (HAS:ASX), Peak Resources (PEK:ASX), Northern Minerals (NTU:ASX).

While we aren't bullish on REMs because we think that China might turn off the REM export tap to the US, it acts as a very cheap synthetic call option for us.

Recall that 9 years ago China halted exports of REMs to Japan amidst a political tiff, and prices of REMs (and REM stocks) took off like the police were after them.

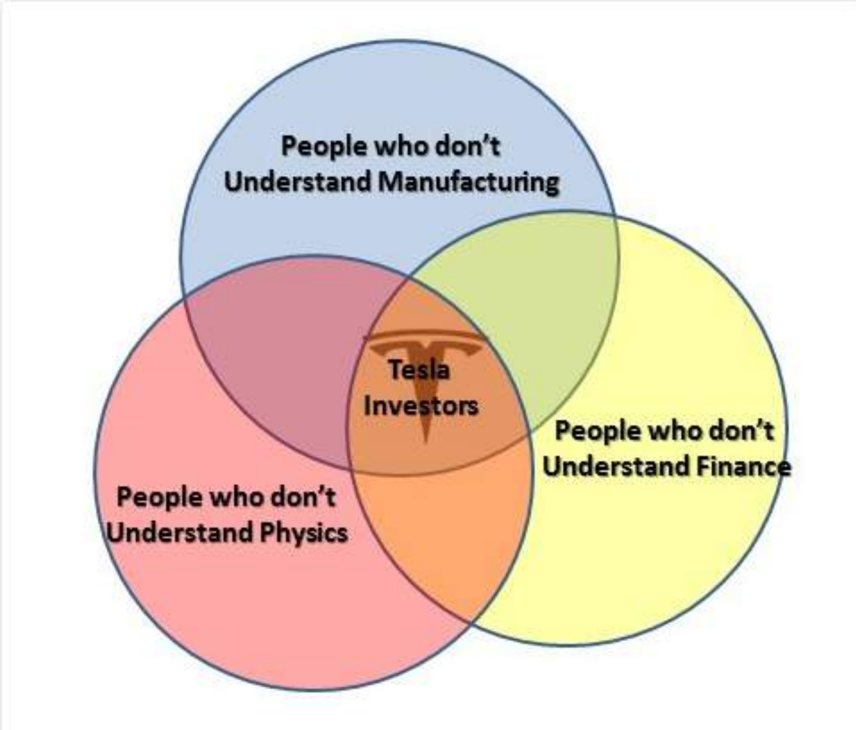
Part of our thesis at HQ here — and this goes for everything we're doing — is that the world is increasingly politicized.

PILE ON: THE WOLVES HAVE TURNED

When we first highlighted the massive issues at Tesla it was a contrarian call. We were pariahs on the landscape.

Analysts were falling over themselves to highlight the genius of Musk, and as the Chairman offered up new and wonderful visions (none of which were sustainable or made any economical sense), Wall Street simply fawned over him and gave him more and more money.

We repeatedly pointed out the absurdities, the financial spaghetti that has been their financial statements and concluded the following:



That zeitgeist with respect to Tesla began slowly changing in 2018 as previously bullish analysts began to question the financials and the SolarCity deal (long concluded but by then clearly a monumental waste of capital and used to bailout Musk and his family).

In just the last month, it was fascinating to watch how the herd behaviour of humans can and does turn and begin to demolish its former loved icon.

Once that inflection takes place, it begins to feed on itself.

My friend Derek Sivers (who has sadly left NZ for the murky shores of Britain) provided an excellent video on this topic. It shows someone becoming a leader and the change in the mood that allows for herd mentality to take over.

Remember when you were at school and there was a fight?

I do, and we'd have what was called a "pile on". This was when a bunch of kids would all literally pile on. The reason it became a pile on was because the risks to the individual piling on were dramatically less than earlier in any skirmish.

This was because the fray had already been started and kids could literally just jump on top of a pile of sweaty schoolboys. Why wouldn't the kids do so when there was just one kid on the ground? Because that kid may overpower you and punch you in the face.

Once there were 2 or 3 or 4 kids on top, the asymmetry changed and you could jump on and "enjoy" being part of the herd without risking your own neck in the process. It's cowardly, but we see it all the time.

Today we're at the point where the risks now changed, and it's difficult to find a positive article about Tesla in the MSM. Quite the change of tune to when we first put this trade in front of you, heh?

The "analysts" and media herd now calling out Tesla and Musk are cowards. They're now simply part of the feeding frenzy because they don't see risk to taking that position.

Sadly, though, while the perceived risk to being wrong and short in the eyes of the crowd now is massively changed, so, too, is the pricing. Quite frankly, if we had no positions in Tesla, I'd be questioning whether it's worth bothering at all.

Speaking of which, I noticed something odd going on with the stock and bonds at the moment.

If we look at the equity, it's down a bunch, but not a bloodbath yet. The options, however, are screaming (yay!), though this means getting more isn't really all that lucrative anymore as mentioned.

What is fascinating, though, is the way the bonds are trading relative to the equity. You see, the bonds are always more stable than the equity. Always. Except they're not here.

Now, I don't have any real idea why this is, but in thinking about this some more, I think it has to do with those converts.

Take a look at the bonds. This is the most recent convertible bond.

What you're looking at here is the yield. Clearly this thing is collapsing like a teenager after drinking an entire bottle of Absolut. Nasty to watch.

The bonds are down a hair over 12% (which for bonds is a monstrous move), and the equity is "only" down about 15%.

Now, last week I explained how the bond holders would have shorted the equity in order to "cover themselves" and simply earn the spread.

Well, it looks to me like they're freaking out and just dumping the bonds now, or maybe professional bond traders are shorting the bonds themselves, smelling blood in the water and thinking, *"Hey, why not? This bucket of spew (Tesla bonds) is probably only worth maybe 20 cents on the dollar,"* remembering that the Gigafactory and many other assets are already mortgaged so they'd stand second in line.

The other thing holding the stock up is probably shorts booking gains. Remember, one of the annoying things with Tesla is that there has been an isht ton of short interest.

Either way, I don't really know for sure, and I only mention this because it fascinates a weirdo like me.

What else?

Well, Musk is bailing out as well as you can see from the EDGAR filings. He is almost certainly now himself trying to get out while there is still some value left in the stock. He just exercised 175,000 options with a $31.17 strike price that don't expire until 13 August 2022.

The only reason you'd exercise an option at this price is if you thought that the company isn't going to be worth more tomorrow… or the next day… or at any time up until the 13th August 2022. That, I'll remind you, is over 3 years hence.

There is another plausible reason for him exercising these options: to meet a margin call. Either way, it simply adds selling pressure.

I think all of the above highlights exceptionally well why we take long time frames (buying ourselves time) and are happy to be contrarian and unpopular, while not being held hostage to time (we only need our own patience... and that, gratefully, is 100% under our own control).

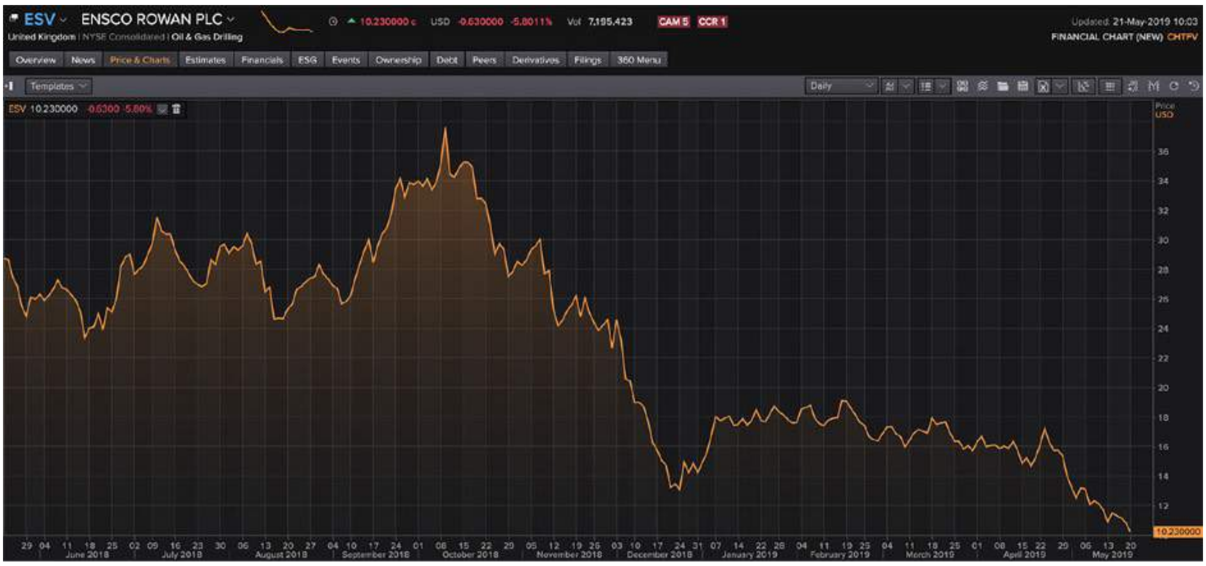
If you look at most any of the sectors we're invested in, you'll see this common theme running consistently through them all.

Which brings me to...

OFFSHORE DRILLING: WHAT THE HELL?

If there was ever a time when the market was pricing the offshore drilling sector as if there would be no oil produced from offshore sources within the next 5 years, that time is now.

We use Ensco as a poster child for offshore drillers:



For a bit of "useless" trivia this is the lowest Ensco has been since 1993.

The current market cap of Ensco is $2.1 billion with debt of $7.7 billion and cash of $1.7 billion. So **the company's cash position and steel value of rigs are roughly equal to debt and market cap.**

One could say that Ensco is now worth more dead than alive. No value is placed on Ensco as a going concern with its long-term relations with customers, no value to ARO Drilling (inherited from the Rowan merger), its rigs and prominent position in the Middle East, and no value ascribed to its current $2.6 billion backlog.

What about liquidity? Ensco has ample liquidity to get it through until 2024 when its first big debt repayment comes due (that's 5 years away).

What about the long-term outlook for the industry?

That all depends on the willingness of E&Ps to get their feet wet.

We have bantered about the fact that E&Ps will need to venture offshore to replenish their reserves sooner rather than later.

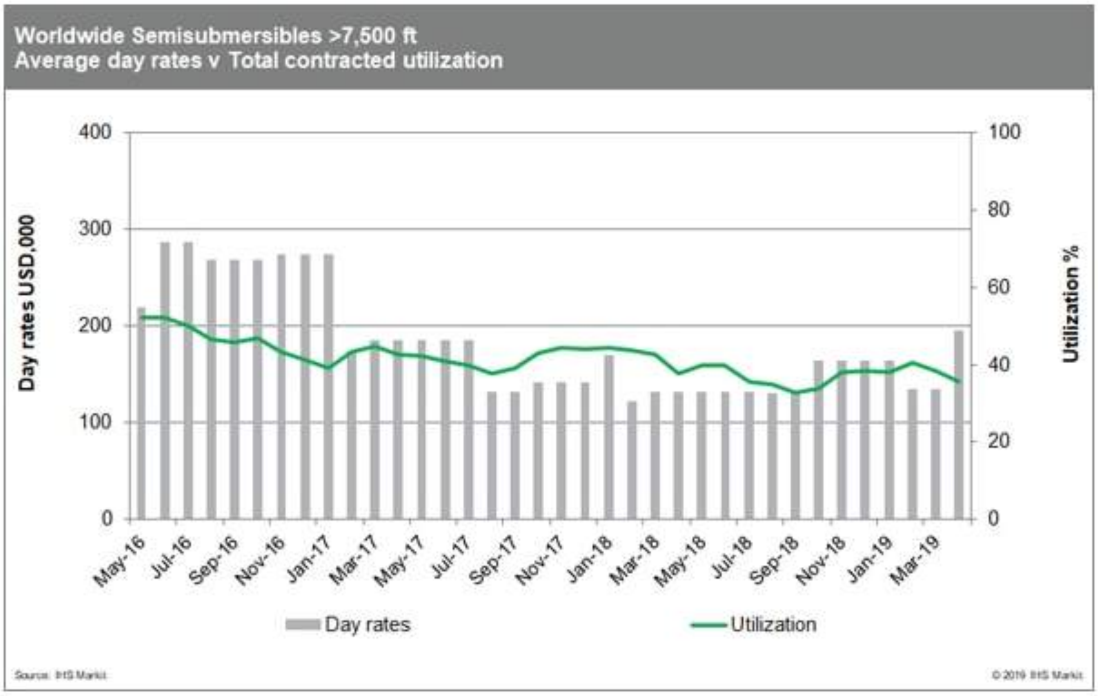
Then it comes down to utilization and day rates. Suffice to say that utilization rates are improving for offshore rigs. Day rates, not so much, but that will come as utilization rates creep higher.

Let's have an objective look at rig utilization and day rates:

Semi-submersibls: Essentially for deep water deployment where harsh conditions are often encountered.

Due to these rigs being highly stable, they are used primarily for developmental work rather than exploration. Most recent tenders have been for exploration rather than development of fields, so this has impacted on the ability of semi-subs to get work.

The last month did see day rates rise, but given that utilization rates aren't showing any evidence of turning higher, we wouldn't place too much importance on this as being a "sign" of a change in trend.



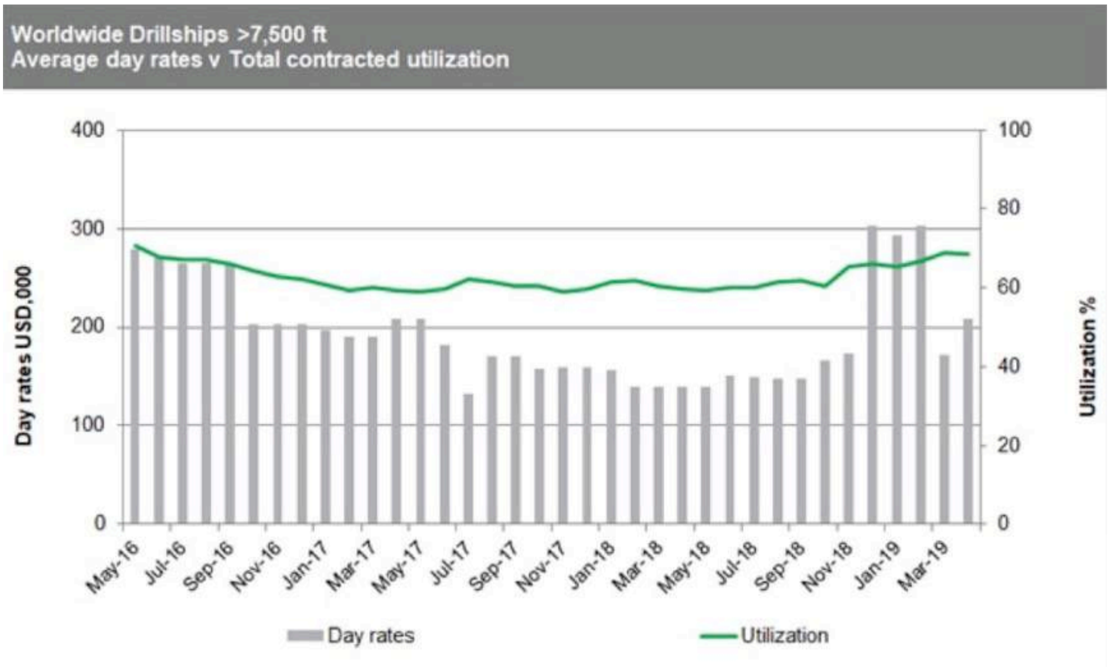
As exploration leads to development, one would expect utilization rates for semis to rise along with day rates.

As demoralizing as these low rates are, there is a silver lining: it's ultimately going to lead to more semis being scrapped (the older ones that are cold stacked).

Deepwater drillships: Operating in deep water environments but typically not where harsh environments prevail.

As the picture below depicts, these vessels have mono hulls and travel under their own steam, allowing them to be quickly deployed and are more maneuverable than semi-subs. The downside is that they aren't as stable as semis, which ideally don't make them suitable for harsh environments. Most of the time these vessels are used for exploration work.

We're starting to see a pick up in utilization and day rates for drillships. I think this is beyond reasonable doubt.



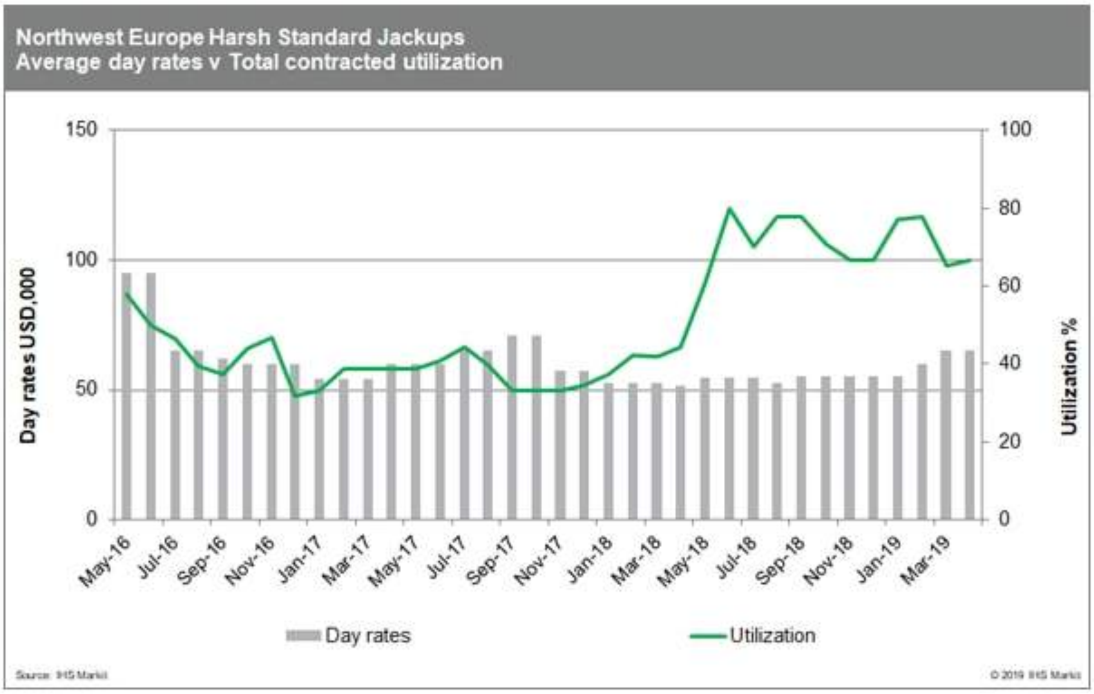
Jack-ups: Operating in depths up to about 400ft.

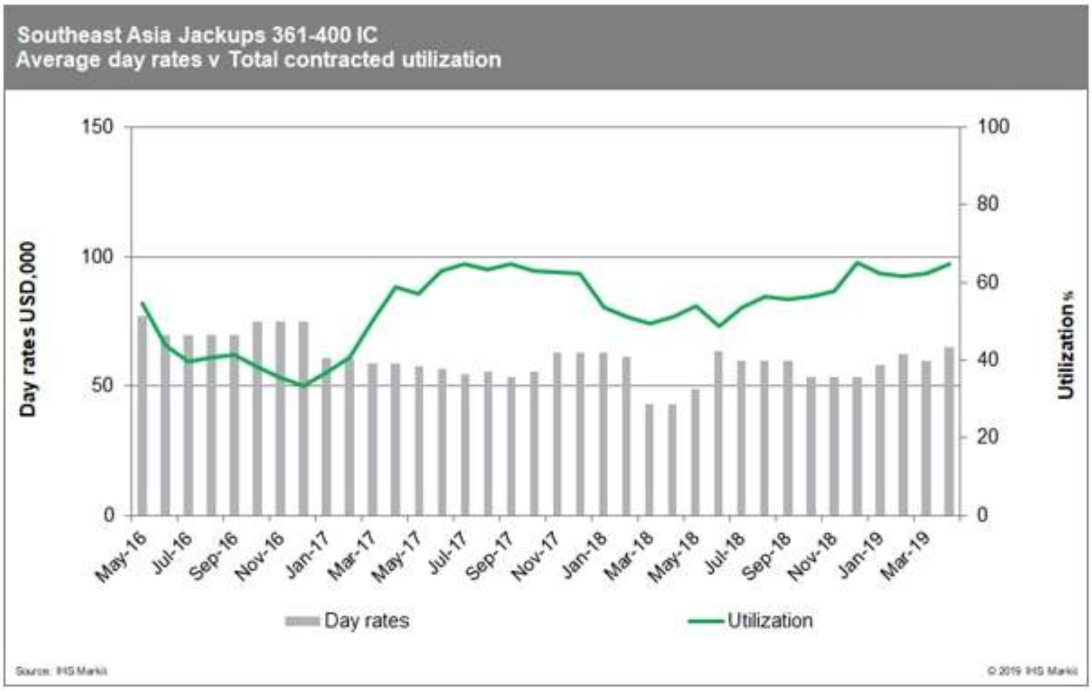
These are floating platforms where legs are lowered and fixed on the seafloor. They can operate in harsh or calm environments. These are the most numerous of offshore rigs and what happens within this sector is a reasonable proxy for the offshore drilling sector as a whole.

Different regions/environments have differing rates, perhaps for obvious reasons as they have differing specs. Let's not get caught up in semantics.

The real deal is what is happening in the charts below. **It would seem that utilization rates and day rates are picking up.** Once utilization rates get above 80%, day rates will follow in quick succession.

I'm picking that 12-18 months' time utilization rates will be above 80%.





So can we conclude that fundamentals are picking up for offshore drillers?

We're thinking that give it another 24 months, and we should have seen a material improvement in utilization and day rates. Typically, though, the equities begin moving well before this takes place. Certainly that's been what takes place usually.

A few thoughts on rigs that are currently cold stacked.

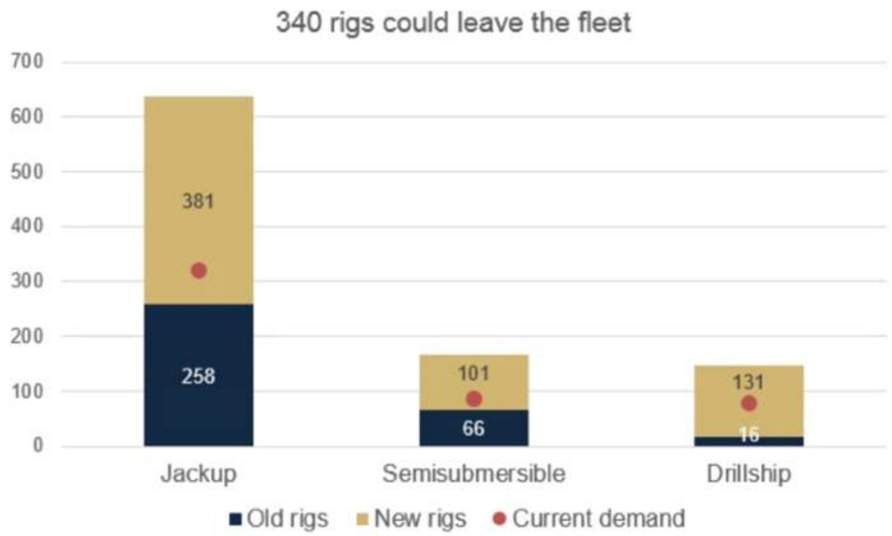
Is the utilisation rate the "true" rate? I suspect that many rigs won't come back into production. They are too old and have been out of commission for too long, and that means it is going to cost significant amounts to bring them back online. That's consistent with what industry insiders tell us, too.

A good example of rigs which should have been scrapped but are staying in the fleet for the time being are Transocean's Discoverer Deep Seas (2001), Discoverer Enterprise (1999), and Discoverer Spirit (2000), which are cold-stacked in Trinidad.

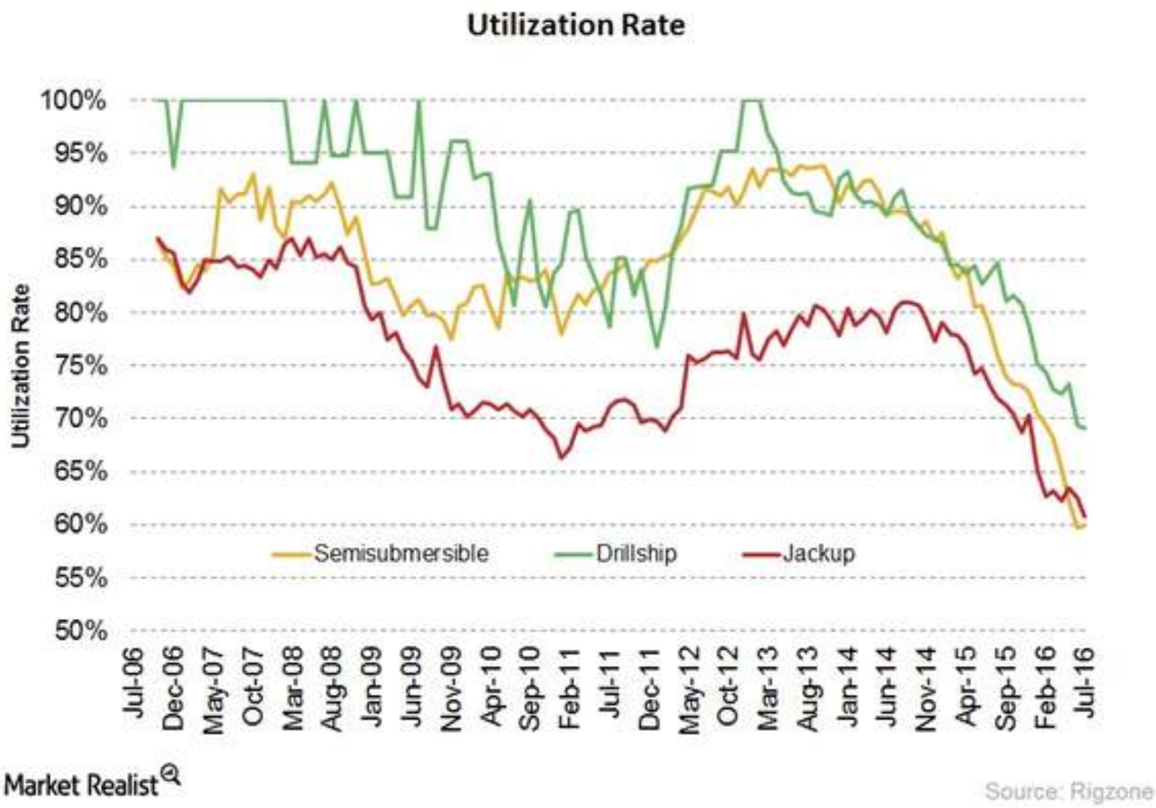
Also, Transocean has recently stated that it increased its reactivation estimates for former Ocean Rig drillships to $45 million to $50 million, which, given the company's financial situation and projected capex spending in 2019 to 2021, means these rigs will likely stay out of the game indefinitely. Don't underestimate the significance of the very real potential for scrapping.

Although, this analysis is some 18 months old, it does give you an appreciation of the percentage of the fleet at the end of 2017 that could be scrapped and how the "true" number of rigs available for work is way less than what everyone is led to believe. I always remind myself that bull markets begin for reasons that few thought about.

By taking out all rigs built pre-1990 which don't have contracts beyond year-end 2019 and any floaters built pre-2000 which are currently cold stacked, we derive a pool of at least 340 rigs with potential to be recycled.



So what did utilization rates look like in the "good old days"? Pre-GFC it averaged at about 90%, and in 2012/13 it averaged 85%.



It would be great to have a chart of utilization rates going back 20 years or so, but we will have to make do with the above.

Our thinking is the worst time to buy offshore drillers is when utilization rates are high, cash flows are pumping, and every man and his dog wants to go and work on an offshore rig.

The best time to buy is when utilization rates are at multi-year lows (let's say 50% or lower — i.e. now), no one wants to touch them, and you can buy rigs for scrap value.

The trick is to buy into drillers that have the capacity to stay out of bankruptcy and make it through to the "otherside" without their capital structure being impaired (equity holders being wiped out or diluted).

Would Buffett say *"if fundamentals haven't changed if you loved it at $28, you gotta love it twice as much at $10"*?

Yeah, it's all easy on paper. But as Tyson once said, "Everyone has a plan until they get punched in the mouth."

Yes, we love Ensco (and many other offshore drillers), more so now that they are trading materially lower than they were 6 to 12 months ago, but we acknowledge that **it is a hell of a challenge being happy about being in love.**

COULD SOLAR AND WIND REPLACE COAL AND GAS?

Short answer: No.

Long answer: Let's answer it with a question…

What is the quantity of resources it would take to replace electricity generated by coal and gas with wind and solar farms?

Well, the details on the next page will make you think and question the popular narrative.

Figure 4 – The "renewables" mirage

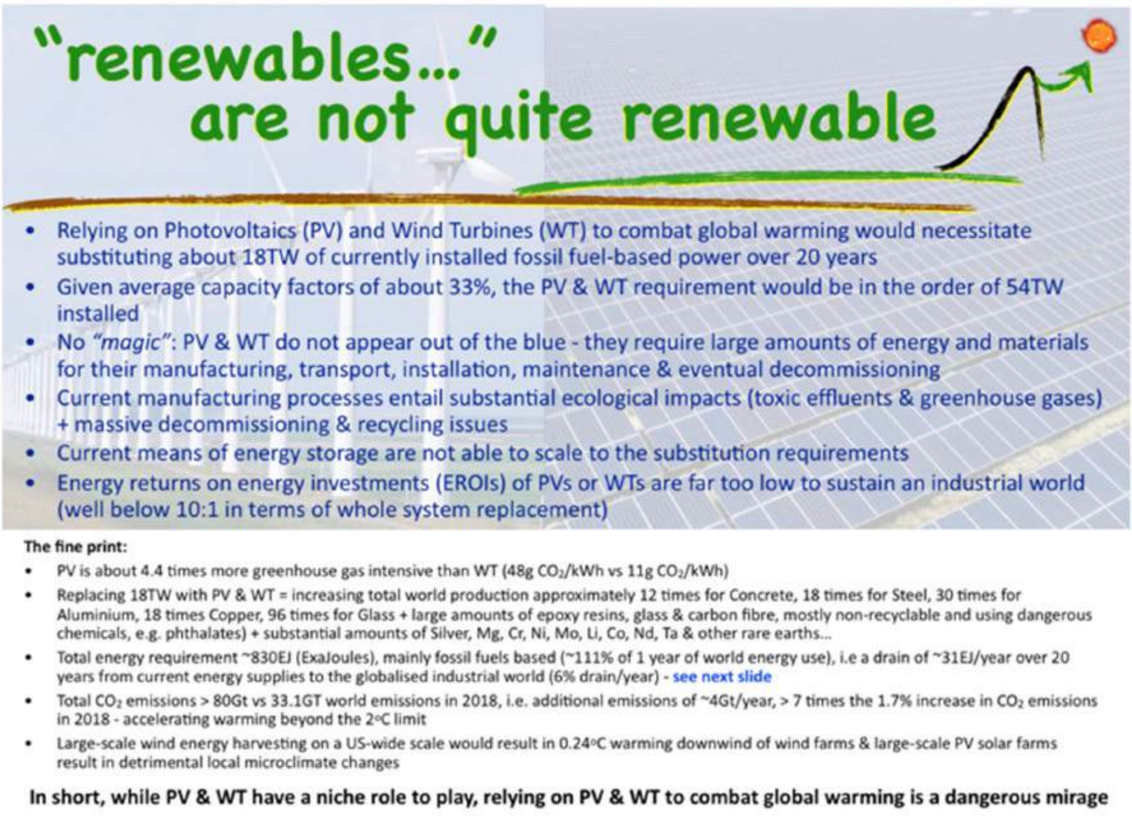


chart by Dr. Louis Arnoux, nGeni

From an investment perspective, that means fossil fuels will be with us for a lot longer than all the geniuses out there are forecasting, and we figure that it will only be when fossil fuels become economically uncompetitive (relative to alternative energy generation technologies) will their importance decline.

So cutting a long story short, the price of oil is going much higher. Hence one of the big reasons why we continue to bang on about offshore oil and the transportation of it.

MORE HYDROGEN TRAINS FOR GERMANY

In our hydrogen Alert we highlighted that Germany now has a fully functional hydrogen powered commuter train. Now it seems like they're increasing the fleet to 27 by 2022.

Hydrogenics (one of the stocks in our hydrogen Alert) is the supplier of the fuel cells. I'm still surprised that this hasn't made the headlines of mainstream press. That's just fine by us.

'World's largest fleet of fuel cell trains' ordered

21 May 2019

As mentioned in our Alert none of my hedgie mates are looking at hydrogen. It allows us to build positions.

We're watching the hydrogen space with interest (it's amazing what a bit of skin in the game will do). It seems that every week there is another advancement. This week we learnt of innovations in the storage technology.


News

Researchers Discover New Material that Could Unlock the Potential for Hydrogen Powered Vehicle Revolution

By FuelCellsWorks | May 17, 2019

And the medium used to store hydrogen making it easier to transport.


AFC Energy Cracks Use of Ammonia in Alkaline Fuel Cell

Business Wire May 20, 2019

It appears innovations in hydrogen are picking up pace!

MORE "BEYOND STUPID" VALUATINS

What sort of drugs are they putting in the water that we get to a place where a veggie burger patty company can sport price/sales of 53x valuation?


MARKETS

Short seller says Beyond Meat hype is 'beyond stupid,' places bet against the shares

PUBLISHED FRI, MAY 17 2019 · 2:55 PM EDT | UPDATED FRI, MAY 17 2019 · 3:03 PM EDT

Thomas Franck
@TOMWFRANCK

SHARE

I'm sticking with the absolutely delightful grass fed beef stacked in our freezer from a recent kill on my inlaws farm.

I'm old fashioned. Plants are great… right next to my steaks.

CLEANER FUEL/AIR MEANS LESS WATER

There is a price to pay for every gain.

Next year new IMO regulations limiting sulphur content in marine fuel to 0.5% from 3.5%. Great in that it does away with this:

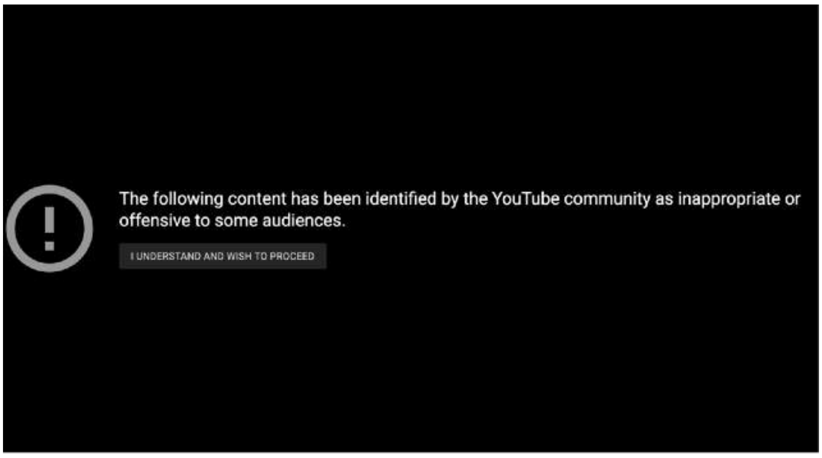
However, there is a cost that few are taking into account: increased demands on water resources:

> *"It is almost certain the US refining complex will consume more water after IMO 2020. While Trucost, part of S&P Global, says that the switch to cleaner marine fuels should save billions in healthcare costs, there may be unintended and unforeseen costs in the amount of water – and money – it will cost to produce them. The lesson is that solutions to problems at a global scale will always require difficult choices and tradeoffs – in the case of IMO 2020 the exchange of potentially vast amounts of water for cleaner air. Only time will tell if this price was right."*

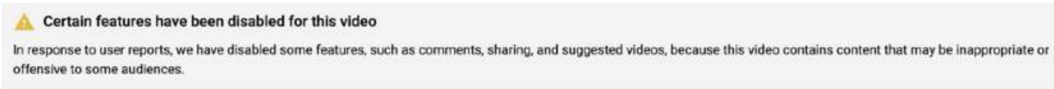
Investment implications? Well, we're trying to figure that one out, but the idea here is to get folks to think about 2nd order consequences. Nothing happens in isolation!

I'll let you know if something crops up.

CIVIL DISOBEDIENCE: IT'S COMING, I PROMISE YOU THAT MUCH



Worried about the content?



The video above was censored by YouTube. You can't share it, the comments are disabled, subscribers weren't notified about it, and it doesn't show up in recommended videos for people.

You can (and should) watch it here. Come back when you're finished watching.

Finished?

Ok, great.

Let me show you something else.

> *"In is brand new song called Doux pays (Sweet country), the rapper strangles to death a white woman, representing France."*

Has he been replatformed on YouTube?

Nope. In today's politically correct world minorities can't be accused of hate crimes.

And this is not a one-off thing. This piece of scum makes a living from this.

> *"I go into a nursery and kill white babies, catch them fast and hang their parents, quarter them to pass the time, entertain the black kids of all ages, young and old. Whip them hard, do it so that it stinks of death, and blood gushes."*

Prosecutors requested a very soft, suspended fine of 5,000€, leaving one wondering if the same would occur if the rapper was white?

Now, I realise this is extremely distasteful, and I apologize for bringing such filth to your attention. I do so because I think it critically important to understand what's taking place and the consequences. These examples above are merely to indicate what's taking place now at scale.

When the government that citizens pay taxes to actively aids and abets violence against those citizens, their family, and their way of life... and when the support services upon which they rely (the police) either look the other way or participate in crimes against them and their fellow citizens, they will absolutely 100% look for a few things.

1. People will seek to protect themselves. If they're rich, they'll get up and leave. If that's not a viable option or not one they philosophically wish to make, they will

take action to protect themselves. If the police are unwilling to do so, they'll take matters into their own hands.

2. People will seek out the comfort and support of others who are in a similar position. Outraged, fearful, angry, and betrayed.

3. Which leads to political backlash, the likes of which we've not seen since the 1940's in Europe. People will look for a leader. This leader has to be strong. Desperate times call for desperate measures. Liberal leaning folks will quickly turn conservative, and conservative folks will quickly turn right wing, and right wing folks will quickly turn "kill the bastards already" aggressive. Those concentration camps scattered throughout Europe may get put to use. Think that's crazy talk? Don't be too complacent.

Something of this sort will happen. It's inevitable.

Realise I'm not wanting any of this, just pointing it out. Investing is all about probabilities. And asymmetric investing is about finding setups where the probabilities are one way and the pricing of such probabilities the other way. The disconnect is where few dare tread. But it's where we must tread.

What seems impossible often suddenly becomes obvious. Go read the piece I just wrote on Tesla again. Think about how quickly the masses are turning on Elon, eating him alive.

This has only just begun.

Over the course of the coming months and even years, the media will eat Elon alive. That, my friends, is a perfect example of human nature at work. Use it as a test case because we're going to watch it unfold in real time.

Where the meat lay for us was in identifying early on (too early probably) the massive disconnect in Tesla. Today it's simply closing that gap. In Europe we've a similar setup but of a much graver concern.

There are no good outcomes here. There are bad, less bad, and truly awful. We don't know what that will look like yet. Here are the probabilities, though.

Crafty political forces will channel local anger at a domestic level against forces at an international level. This is already happening.

Take a look at what's taking place in Italy today. Salvini and co are pushing back hard against Brussels. The locals know where to direct their ultimate anger.

I have no particular insights into what each country may or may not do or look like a decade from now.

Some may well simply continue to crumble socially, with services, infrastructure, and institutions looking more and more like those of North Africa from whence the migrants have fled. They'll default on debts, they'll default on their obligations to their citizens with law and order becoming haphazard, corruption will become a feature rather than an anomaly, and living standards will plunge. Economies will shrink and the power vacuum will allow foreign players to excerpt controls today considered unimaginable.

Others will fight back, some will likely find themselves under constant states of "national emergency" and uncomfortable decisions will be made, decisions which will elicit international outcries, much as Hungary has already done by building a fence and deporting illegals.

What I'm sure of is that the status quo will not remain for much longer.

Here is the EU:

When I look at this map and then go look at my old currency charts and indicators for the respective countries, it's absolutely astonishing to me that they all came together in this union. I think the old story of how long it takes to build something while tearing it down takes only a fraction of the time will hold true.

The disintegration right now is a trickle. It'll turn into a flood, a bloodbath (maybe literally in some instances).

The many paths that each member state can take and how they interact with one another and with countries outside of this zone is going to be quite something to watch unfold.

Consider that the Chinese, for example, are already using this political fragmentation and angst to muscle their way into both Greece and Italy (already owning ports, airports, and other key infrastructure) and how a power vacuum will create "opportunities" for these global players.

There will be money to be made. That is for sure.

But right now the key risks are in the idea that the euro will retain value, that member states will continue to pledge allegiance to Brussels, and that sovereignty and nationalist self interest will take a backseat to the desires of the pointy-shoed power brokers sipping Perrier and scoffing back foie-gras in Brussels. THAT is a very risky bet to be placing, and it's one that the market is currently placing.

It is one very, very good reason we are long the USD. I'll remind you that the EUR makes up roughly 45% of the Dollar Index.

THE BIG FIVE

FROM OUR TRADING DESK

Five stocks that look to be hammering out long-term bottoms and coming out of long-term bear markets. **These aren't trade alerts** but rather invitations to take a closer look because the charts are suggesting the start of a long term bullish move.

OK, while these aren't official trade alerts, we do think you would be **insane to short these stocks in equal amounts** and hold those short positions for 5 years:

1. Rossiysikye

2. Vallourec
3. Greenland Minerals and Energy
4. Shelf Drilling
5. Petrovietnam Drilling

ROSSIYSIKYE

A Russian utility stock (market cap of about $4 billion). Brace yourself and take a look at these metrics:

KEY RATIOS — Fiscal Year | Calendar Year

		HISTORICAL		FORECAST (MEAN)		
	LTM 31-Dec-18	FY-1	FY0	FY1	FY2	FY3
Enterprise Value/Revenue	1.05	--	--	1.03	1.00	0.97
Enterprise Value/EBITDA	3.76	--	--	3.50	3.39	3.27
Enterprise Value/EBIT	6.37	--	--	6.18	6.05	5.38
Total Debt/Enterprise Value	0.53	--	--			
Total Debt/EBITDA	2.00	1.96	2.00	1.86	1.80	1.74
EBITDA/Interest Expense	11.83	10.61	11.83	36.84	128.91	78.02
EBITDA-Capital Expenditures / Interest Expen...	2.64	2.57	2.64	2.46	17.80	13.95
EBIT/Interest Expense	--	--	--	20.87	72.19	47.42
PE	2.73	1.80	1.69	2.12	2.14	2.04
PEG	4.31	0.10	4.22	0.15	0.15	0.14
Dividend Yield	0.95	--	--	1.33	1.33	1.86
FOCF Yield	--	--	--	4.61	12.81	25.75
Price/Sales	0.25	--	--	0.24	0.24	0.23
Price/Cash Flow	1.06	--	--	0.90	0.88	0.79
Price/Book Value	0.22	--	--	0.15	0.14	0.13
Return on Assets	5.13%	5.31%	5.13%	--	--	--
Return on Equity	8.51%	9.17%	8.51%	9.00%	8.20%	7.80%
Return on Invested Capital	--	--	--	5.10%	4.80%	4.70%

More cash than they need. Yet a P/book of 0.22 implies that it is priced for bankruptcy.

CAPITAL STRUCTURE

MARKET CAP	251,741	SHAREHOLDERS EQUITY	1,117,000
- Cash & Short Term Invest...	131,248	TOTAL CAPITAL	--
+ Short Term Borrowing	--	Debt to Equity	--
+ Short Term Debt	21,497	Debt to Capital	--
+ Current Long Term Debt	65,771		
+ Long Term Debt	480,989		
+ Preferred Stock	--		
+ Minority Interest	377,962		
= ENTERPRISE VALUE	1,066,712		

* Price as of 20-May-2019. All Financials in RUB million. Date filed 31-Dec-2018.

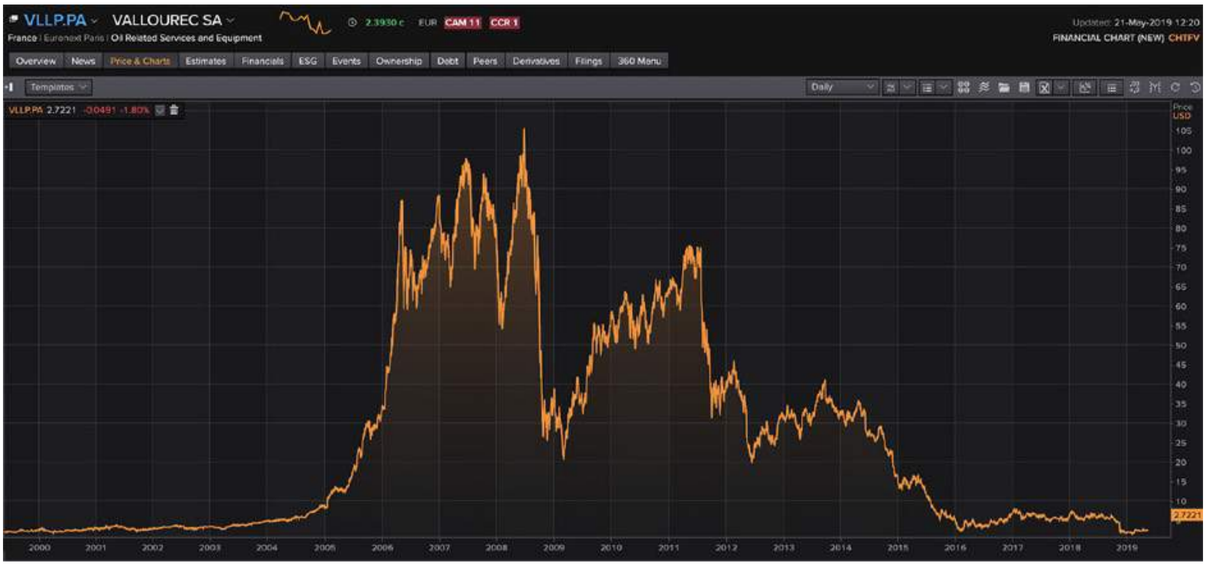
A "cooperative" stock price (in USDs).

This trades as an ADR on the LSE (RIC code: RSTIq.L).

VALLOUREC

Manufacturer of seamless steel tubing/piping primarily for the oil and gas sector. Yes, absolutely bashed.

I give you the long-term chart to give you an idea of the asymmetry offered if this stock makes it through to the "other side".

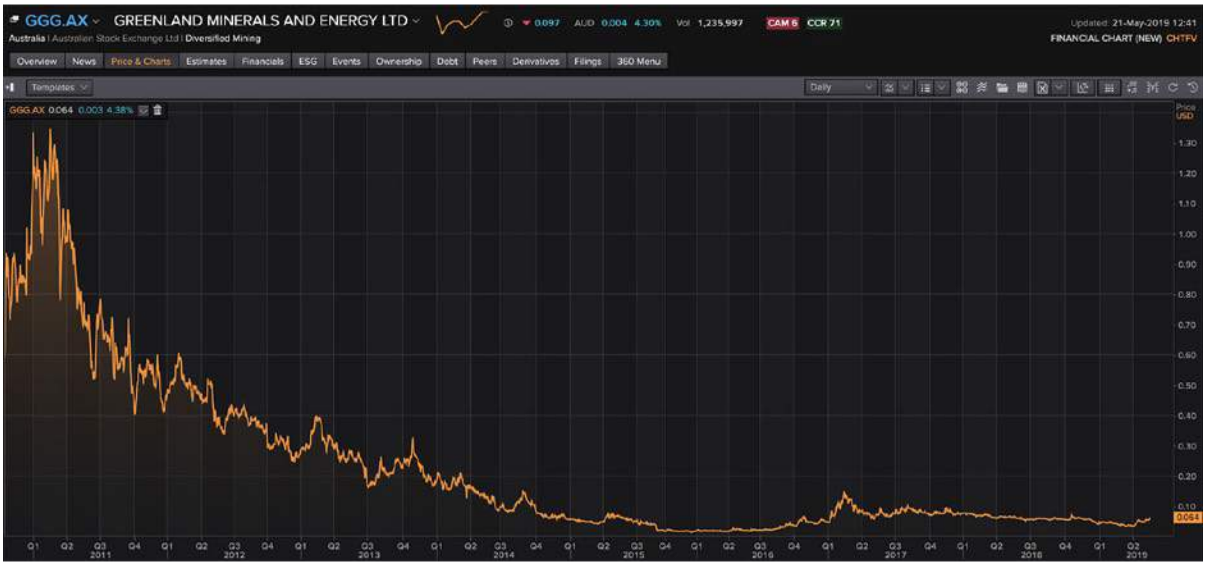


But if you get out your magnifying glass, it seems to have made a bottom. Well, maybe. Maybe not.

But I am willing to bet that 5 years from now this stock either went to zero (equity holders wiped out) or it traded above 20 and no in between.

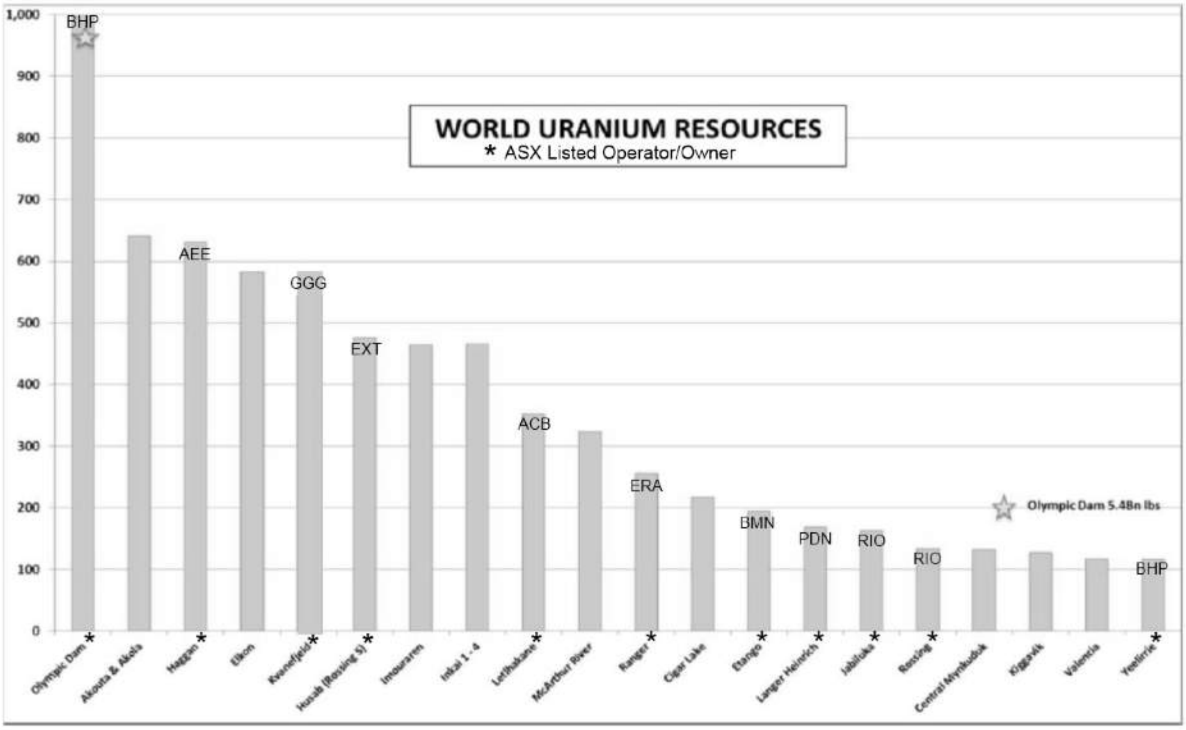
GREENLAND METALS AND ENERGY (GGG)

Developing a large REM resource in Greenland with significant deposits of uranium and zinc.



How big is GGG's uranium deposit?

The graph on the following page gives you an idea. I think it is one of the better kept secrets out there… or at least a resource that no one is taking seriously.

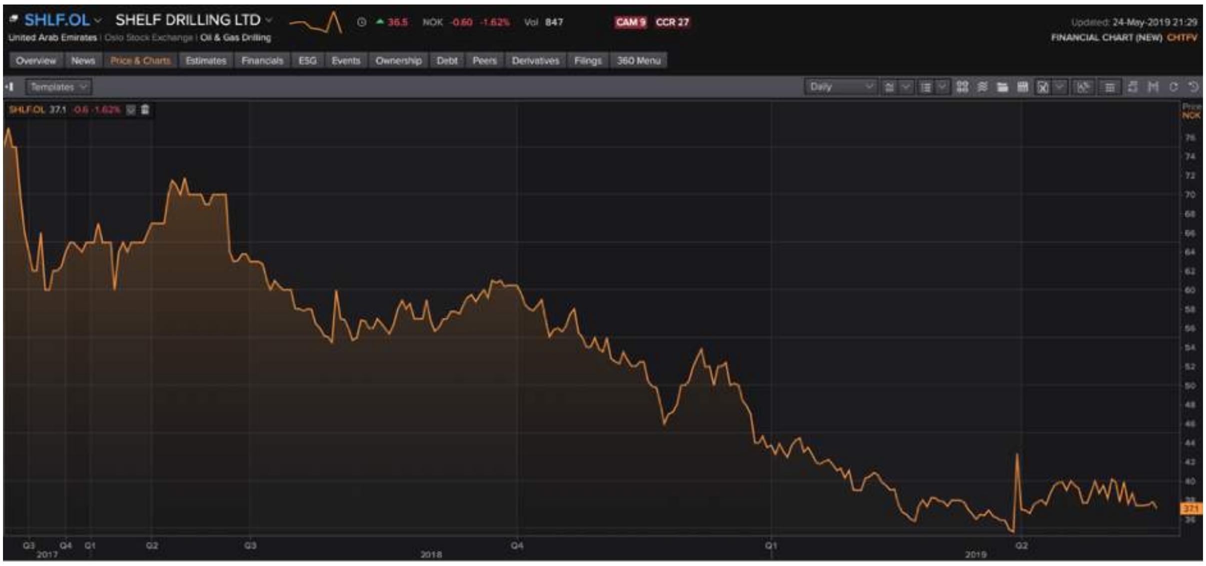


SHELF DRILLING

You probably haven't heard of this company, and you probably don't want to hear about another offshore oil rig operator.

But for those who want to, read on, it has the largest fleet of jackups operating primarily in the Middle East and Southeast Asia. Quite bizarre because few outside the industry have heard of this company.

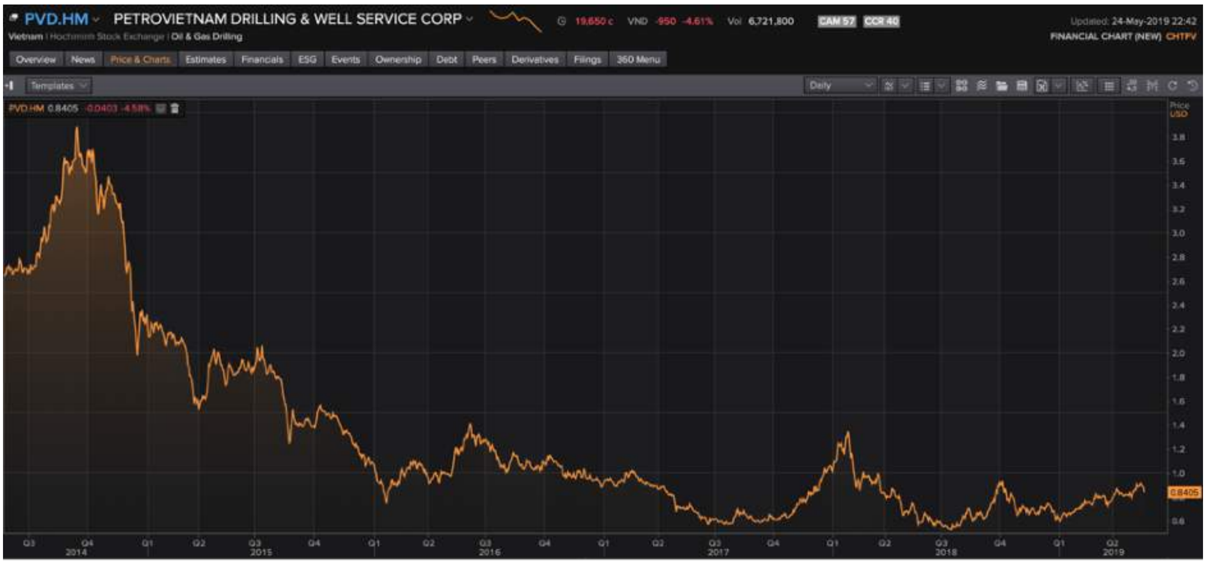
OK, not the sort of bottoming action that we are typically after, and given the general behavior of offshore drillers, the chart below probably doesn't convey much information that we can take seriously.



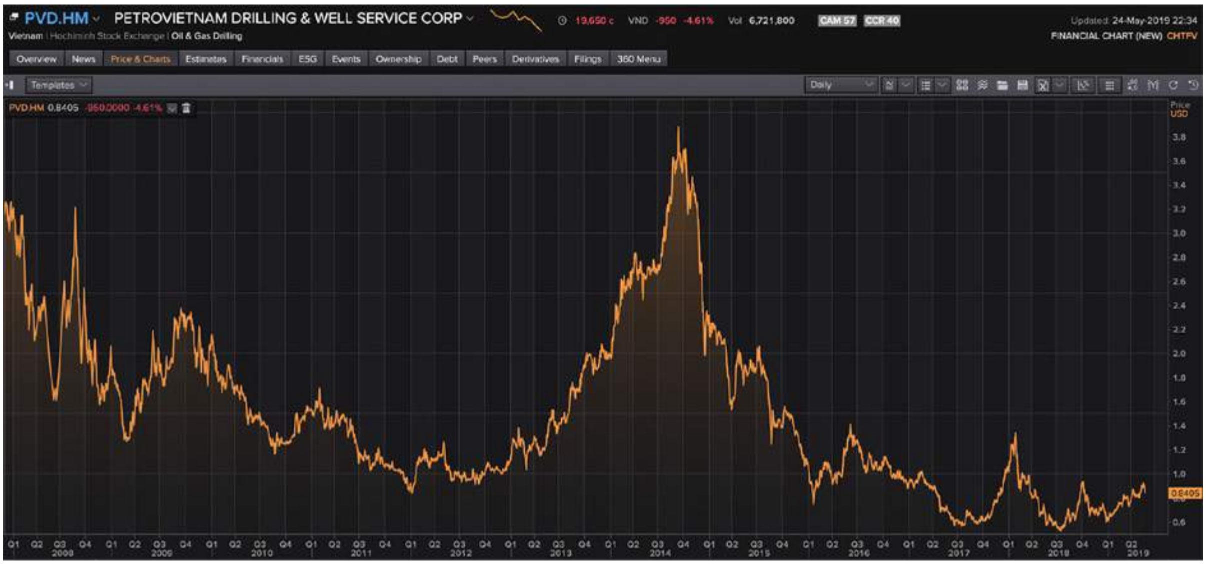
We note that a little known Spanish value fund, Magallanes, has been an aggressive buyer of Shelf over the last few months.

PETROVIETNAM DRILLING

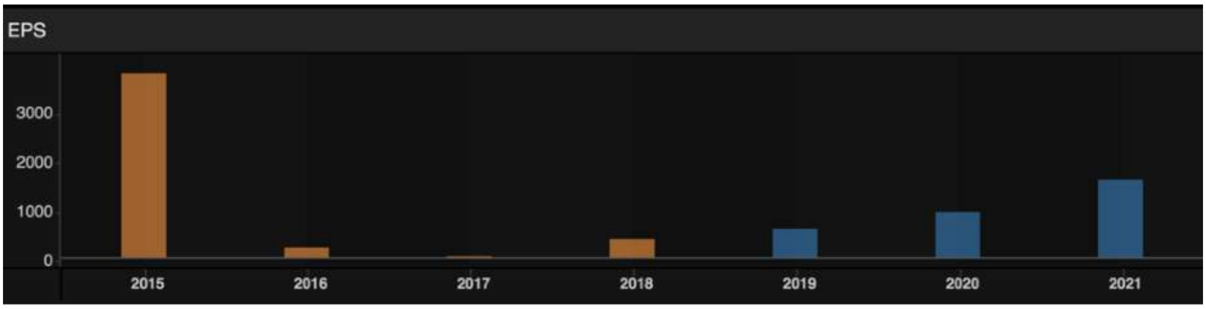
Now, check this one out. Vietnam's offshore driller (4 jackups and 1 semi-sub) with a range of associated services. Plus, a chart that defies the behavior of all other offshore drillers.



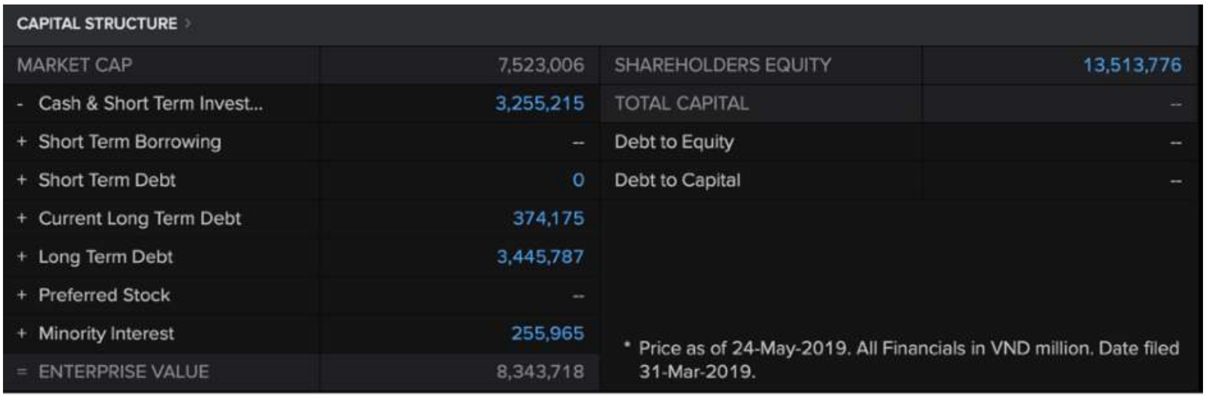
But not unlike most other drillers, its stock price is near record lows:



Now, this is where it gets real interesting. They are making money. Not much (ROE 2.64%), but that is huge given the losses all other drillers are incurring.



They sit on a P/Book of 0.5x and it almost has as much cash as it does debt.



CAPITAL STRUCTURE			
MARKET CAP	7,523,006	SHAREHOLDERS EQUITY	13,513,776
- Cash & Short Term Invest...	3,255,215	TOTAL CAPITAL	--
+ Short Term Borrowing	--	Debt to Equity	--
+ Short Term Debt	0	Debt to Capital	--
+ Current Long Term Debt	374,175		
+ Long Term Debt	3,445,787		
+ Preferred Stock	--		
+ Minority Interest	255,965		
= ENTERPRISE VALUE	8,343,718		

* Price as of 24-May-2019. All Financials in VND million. Date filed 31-Mar-2019.

And 50.5% owned by state controlled Petrovietnam.

But here is the catch: it trades on the Ho Chi Minh exchange. Let me know if you are aware of a broker who will allow you to buy Vietnamese stocks.

Yeah, it is a bit of a bugger. How many times have we come across great looking deep value situations where it is near impossible to trade them (at least for mere mortals like ourselves).

REFER A FRIEND

Much of our subscriber base love our work and refer their friends. For this we're extremely grateful as we're isht at marketing, dislike it, and prefer to spend our time on things that make us happy. Markets basically.

I'd hate for any of you to refer friends and not get something out of it, which is why we have a 30% discount both for your friends, colleagues, and even your enemies if you send them this way. And you'll score yourself a bonus 4-month subscription, which amounts to the same thing.

Nobody wants to feel like they're selling their mates something only so they can get something in return. That's not how friends work.

In any event, below is the link for this so when you're singing the praises to your friends, please use this link to ensure they get a better deal… and you do, too.

INSIDER COMMUNITY

As per usual, a gentle reminder to join us on the Slack community. Just go here.

As always, thanks for reading and being part of Insider.

Sincerely,

Chris MacIntosh

Founder & Editor In Chief, Capitalist Exploits Independent Investment Research
Founder & Managing Partner, Glenorchy Capital

Unauthorized Disclosure Prohibited

The information provided in this publication is private, privileged, and confidential information, licensed for your sole individual use as a subscriber. Capitalist Exploits reserves all rights to the content of this publication and related materials. Forwarding, copying, disseminating, or distributing this report in whole or in part, including substantial quotation of any portion of the publication or any release of specific investment recommendations, is strictly prohibited.

Participation in such activity is grounds for immediate termination of all subscriptions of registered subscribers deemed to be involved at Capitalist Exploits. Capitalist Exploits reserves the right to monitor the use of this publication without disclosure by any electronic means it deems necessary and may change those means without notice at any time. If you have received this publication and are not the intended subscriber, please contact admin@capitalistexploits.at.

Disclaimers

Capitalist Exploits website, World Out Of Whack, Insider, and any content published by Capitalist Exploits is obtained from sources believed to be reliable, but its accuracy cannot be guaranteed. The information contained in such publications is not intended to constitute individual investment advice and is not designed to meet your personal financial situation. The opinions expressed in such publications are those of the publisher and are subject to change without notice. The information in such publications may become outdated and there is no obligation to update any such information. You are advised to discuss with your financial advisers your investment options and whether any investment is suitable for your specific needs prior to making any investments.

Capitalist Exploits and other entities in which it has an interest, employees, officers, family, and associates may from time to time have positions in the securities or commodities covered in publications or the website. Corporate policies are in effect that attempt to avoid potential conflicts of interest and resolve conflicts of interest should they arise, in a timely fashion.

Capitalist Exploits reserves the right to cancel any subscription at any time, and if it does so it will promptly refund to the subscriber the amount of the subscription payment previously received relating to the remaining subscription period. Cancellation of a subscription may result from any unauthorized use or reproduction or rebroadcast of any Capitalist Exploits paid publication/s, any infringement or misappropriation of Capitalist Exploits proprietary rights, or any other reason determined in the sole discretion of Capitalist Exploits.

Affiliate Notice

Capitalist Exploits has affiliate agreements in place that may include fee sharing. If you have a website and would like to be considered for inclusion in the Capitalist Exploits affiliate program, please email admin@capitalistexploits.at. Likewise, from time to time Capitalist Exploits may engage in affiliate programs covered by other companies, though corporate policy firmly dictates that such agreements will have no influence on any product or service recommendations, nor alter the pricing that would otherwise be available in absence of such an agreement. As always, it is important that you do your own due diligence before transacting any business with any firm, for any product or service.