

As many people know Cambria Automotives earlier this year received a buyout offer from the main shareholder and CEO Mark Lavery. Our first reaction was that of anger towards the bid, then we found out that we could roll the bid into private shares. Then we again got disappointed by the terms of the alternative offer and now finally negotiated good terms that allows us to vote to tender our shares for alternative shares in Cambria.

We constantly went back and forth around what the best decision was. But in the end, we ended up going back to the core principles that have guided us here at Symmetry Invest since inception. We invest alongside smart, aligned, honest and passionate founders. Mark Lavery clearly fits this description. It is this philosophy that have helped us achieve some of the strongest investment returns of all European funds over the last 8,5 years (+24 % net CAGR and +30 % gross CAGR).

In this situation Mark felt that Cambria would be able to prosper more and create more shareholder value in a private vertical. While we initial was sceptic about that, in the end we decided to trust Mark on the topic.

Symmetry Invest is not an activist fund. We don't work against the management teams or vote against their will. We cooperate with management teams on friendly terms. When we had reflected on that, we also understood that just saying no to the deal was really not an option.

- Either we believed in Marks visions and the future of Cambria and then decided to go along with him privately
- Or we decided that we have lost confidence in Mark and decided to sell our shares for cash.

We ended up with the first solution.

We have heard from some investors that the best thing to do would just be to vote "no" and block the deal and then things could get "back to normal". We think that is a really naïve mindset. When shareholders go activist here, they also go against the wishes of management. We think, if this scenario where to happen that Cambria would be a battleground stock for years with the shareholder base split in fractions etc. That is just not the type of environment we want to be in. There are always other investment ideas out there. If one doesn't trust management its always better to just sell and move on.

We have seen people comparing this takeover offer to other such offers like Entains bid for Enlabs etc. We think there is a huge difference here. In the Enlabs takeover minority shareholders would be squeezed out of their position without any option to keep their shares.

The situation is totally different at Cambria. Management have added 2 solutions. If you want to cash out, you can take it, if you want to stay as a shareholder, you can elect that. This is actually the best of both worlds because people that elect to stay as shareholders will end up doubling their ownership stake without having to add more money.

While there has been a lot of noise on social media etc. around the inequality of the cash offer it is worth remembering that such noise is coming from mainly a small fraction of the shareholder base. More than 25 % of the shareholder base have elected to tender their shares for cash. This clearly shows that a lot of shareholders actually think the cash offer is fair and reasonable. And for those who don't, they can elect for the alternative offer and double their ownership %. As such, we think the offer actually solves the needs of most shareholders because it gives a way out for those who want and gives an ability to stay for those who want.

We understand that some people are not allowed to tender for alternative shares (ie. US funds or private ISA etc.). That's unfortunate because there is a lot of smart investors in Cambria that for these reasons is not allowed to roll their position. Also, some that I respect a lot. But Mark needs to do what's best for Cambria and the majority of shareholders and not a small minority of shareholders.

Another point addressed was that Mark didn't listen to the shareholders etc. we do not agree with that. He designed a cash offer that attracted more than +25 % of the shareholders.

As one of the biggest minority shareholders we thought it was in our position to make sure the alternative offer was good enough. We have engaged UK lawyers and tried our best to work out a good solution. When Symmetry approached the independent committee about making changes to the articles of association to enable stronger minority protection we were met with a constructive and open mindset. The independent committee and Bidco clearly listened to our concerns and willingly made the needed adjustments. We think the willingness and openness Bidco showed towards us was a clear indication that he actually wanted to create a great solution for these minority shareholders that wanted to take the alternative offer.

That is not to say that everything has been smooth. Clearly there was some learnings and mistakes also from the independent committee/Bidco:

- First of all, while management thinks Cambria would be better in a private setting the management should have first used more options to create shareholder value in a public setting. Management could have done share buybacks, tender offers, recapitalizations etc. that would have created shareholder value. Would that have worked? There is no guarantee for that, but at least we think they should have tried before deciding that going private was the best option
- We think it was a huge mistake not to issue any trading updates during the takeover period. It created a resentful shareholder base that clearly did not trust management and felt they hid earnings numbers for them. Instead, management should have been more open around current trading which probably also would have led people more willing to accept the alternative offer
- The first articles of association of Cambria Investments were not friendly enough towards minority shareholders. While management was really supportive of our suggestions, they should have tried harder to make the alternative offer more shareholder friendly to begin with.
- We are not 100 % sure we think the "independent committee" is really independent enough to be a sound voice that protects all shareholders rights. James Mullins has been the closest business partner of Mark for +15 years and his current job as CFO depends on him keeping a good relationship with Mark. Committee member William Charnley is a partner of King & Spading – the same law firm that is consulting for Bidco in the transaction. Clearly the company could have done better here. I want to state that is nothing against James (that I respect a lot) and William (that I don't know) – but I understand why the optics on this doesn't look good.

With that being said we think that with the recent adjusted articles the alternative offer is the superior solution to vote for. The shareholder protection in it regarding dilution rights etc. is in our mind superior to these that you now get as a public shareholder.

Sometimes it can feel good to “stand our ground” against the takeover and give a kind of adrenaline kick to fight for the small guy in the “David vs. Goliath” scenario. But that’s not the rational thing to do. As a fund manager we have the fiduciary to do what’s best financially for our shareholders.

And looking from a pure financial perspective we also think the alternative offer is superior.

In our view the P/E ratio of Cambria is currently around 3-4x on FY21 numbers.

When electing the alternative offer shareholders would double their ownership % in the company without having to buy more shares. The company can finance this with low-cost debt (3 % according to documents) and will on top on that have quite significant savings from not being a public company. We think the effective P/E ratio people get when electing the alternative offer is around 1,5-1,8 x current year earnings. While the current earnings are clearly inflated by the unusual used car market it still shows just how extraordinary attractive the alternative offer is and why we have chosen it.

Again, we think a lot of people underestimate how the situation will look like in a “no-scenario”. This will be a battleground stock with a management that maybe feels a grudge towards the shareholders that recently voted against them. Another point is that Cambria traded at 50-60p before the takeover offer. As such, there is a big change the share price would drop significantly in a no-scenario. It is also worth remembering here that +25 % of the shareholders have clearly indicated that they are sellers at +80p here. If the vote ends up as a “no” then there is a big change that these shareholders will instead be sellers in the open market. It can put a hard cap on the stock price for an eternity if 25 % of the shareholders want to exit an illiquid stock.

In summary we have been invested in Cambria for several years and have gotten to know Mark through that period. We have always thought highly of Mark and the relationship we have build with him over the years. We clearly want to support Mark and stay on as a supportive constructive shareholder no matter the outcome of this event.

Is there a change that Mark has a loophole in the articles to screw over minority shareholders? Yes.

Is there a change that he would use that loophole to screw over minority shareholders? Yes.

But investing is about people. Symmetry have built one of the best track records out there by finding and investing with people that is trustworthy and capable. There is a change we could be wrong about Mark, but our track record clearly shows we have a good hit ratio in finding managers, and therefore we have decided the right thing is to give Mark our support and vote for the alternative offer.



It is important to understand that everyone can vote until next Friday the 3. September. Have you already voted you can still change your mind. If people have questions around why we have chosen to vote this way feel free to reach out at aa@symmetry.dk or pm me at twitter [Symmetry \(@Symmetry_Invest\) / Twitter](https://twitter.com/Symmetry_Invest)

All the best

Andreas Aaen

CEO – Symmetry Invest A/S

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