



NOMAD IS ON THEIR WAY

The investment world tends to overrate near-term prospects while undervaluing 5- to 10-year potential. Given our aligned investor base, this presents a compelling competitive advantage for our investors and our own money.

History is replete with examples that show the stock market is designed to transfer money from the active investor to the patient investor. We are investors at FMT Investment Advisory, so we are more than content to be patient and long-term oriented while happily taking short term speculators money from them over time.

In the case of one of our **Superinvestor Wealth Compounds**, Nomad Foods, the investment universe is undervaluing its currently quoted price in the marketplace while also vastly undervaluing the company's long-term prospects (while overvaluing sector peers, markets indices, etc.).

While the market is yawning, we are salivating over the company's progress and its journey we have joined on with very fortuitous entry points.

Nomad Foods reported their fiscal year 2016 results on March 30, 2017, and their transformation into a world-class, global packaged food company is well underway.

For fiscal year 2016, Nomad generated \$223 million in adjusted free cash flow, \$23 million higher than the guidance they gave throughout the year. This compares quite favorably with a market capitalization of just \$2 billion.

While Nomad is in its embryonic stages – which is a real advantage to us since we can establish a meaningful position, whereas most institutions cannot – the management has been executing flawlessly by building a larger moat to protect its profits and to catalyze the company to be a world-class consolidator across geographies by fine-tuning their already well established blue-print while sharpening management skills.

With brevity, we believe Nomad is primed and ready for a stellar compounding journey.

While Nomad already held the #1 and #2 market positions in their respective markets, the company has set the stage for bolt-on acquisitions to establish pure dominance in the frozen food section across multiple geographies in Europe.

With a robust balance sheet, significant free cash flow generation, and an exceptionally strong base of a *growing* free cash flow stream, Nomad Foods is living up to every bit of its short and long-term business expectations, which are being completely underrated and overlooked today because of the company's modest size and lack of sex appeal to market speculators.

Year ended
Dec 31 2016

Net cash provided by / (used in) operating activities	282.10
Net cash used in investing activities	(50.40)
Net cash (used in) / provided by financing activities	(67.70)
Net increase/(decrease) in cash and cash equivalents	164.00
Cash and cash equivalents at end of the period	329.50

Nous l'avons déjà vu!

The blueprint Nomad is utilizing is one that co-founder, Martin Franklin used when he took over Jarden Corporation, which began with Ball Corporation (canning jars!) as its only business. Franklin took that nondescript business into a 6,000% wealth compounder in just 15 years, for a 31% annualized return!

Every \$100,000 invested in Jarden under Martin Franklin is worth \$6 million in just fifteen years. And Jarden owned countless brands by the time he sold the company to Newell Rubbermaid in 2015.

So boring doesn't bother us at FMT Advisory, nor being long-term owners with a world-class management team, that controls strong and growing cash flows, along with a strong balance sheet this early in the journey! This kind of boring especially doesn't bore us since we've bought the company at a discount to its current and future cash flows!

Not Very Often

Over the course of time, there are not many companies that meet our rigorous standards to qualify as a **Superinvestor Wealth Compounder** portfolio addition. The management team has to be exemplary, the assets must have durable competitive advantages, and the price we pay has to be reasonable.

Those variables all adding up is relatively rare, and to pass our due diligence under each component is an exhaustive test. Nomad Food indeed fits the bill.

Management isn't promotional at all, which is something we look for on top of egos being checked at the door. The only promotion Buffett has utilized for almost 50 years at Berkshire Hathaway is one annual shareholder letter and meeting. He generally lets his allocation skills and performance do most of the talking over the long-term.

I see a lot of similarities with Nomad. They march to the beat of their own drummer. They couldn't care less about Wall Street since they are a self-funding cash gusher, and in their recent conference call, CEO Stéfan Descheemaeker sums up their values well: "we are never satisfied and we are always striving and we will always be slightly dissatisfied with where we are and trying to achieve better."

While this kind of commentary garners no fans amongst short-term speculators, we're again thrilled to be invested with a team that is wholly focused on creating sustainable long-term value and wealth for all stakeholders.

We continue to look forward to working with and being shareholders alongside Nomad Foods, as the journey is setting up to be far more prosperous than it already has been.

Sincerely,

Nicholas Green, CIO