**Editor’s Panel #4 – Best Ideas Panel: Unknown Opportunities**

**Brian Beach: Clearpoint Neuro (CLPT)**

Clearpoint Neuro is a very small company that enables minimally invasive brain surgeries.

It's near all time lows around five dollars. Wall Street analysts, for whatever it's worth think it's $15 or $16 stock. It's interesting when a lot of there's a lot of consensus behind it.

This is a “razor and blade” model which is one reason why a lot of the value investing folks are interested in it.

What that means is they sell device that’s loaded with software to enable these minimally invasive surgeries. But the process requires cannulas, which are basically little hollow tubes. So the cannula are the “blades.”

Every single time we do one of these procedures, you have to use them. So that’s a model. You get the partner signed up, they give you big capital.

They buy a large device with some software loaded on it. Then CLPT gets recurring revenue streams as they use these cannulas. And there's also a pretty good service revenue component of this.

One of the reasons the stock is super low is just because this they really had some headwinds with COVID.

This tech requires people to be in a hospital, a clinic or an office. During COVID, a lot of people put it off. So there's some pent up demand here.

The technology has lots of patents, about 90 patents and very few direct competitors.

Plus, lots of new partners are working with CLPT. For example Bayer, a huge company, just started to use it.

Clearpoint Neuro charges consulting fees. And every time they sign up a new partner they get this service revenue component to it as well.

The company has 12 million in cash. They're not burning through it.

Best of all, the company is supposed to be flipping to cashflow positive this year. That's a big, big deal. Revenues are soaring. But it's not yet profitable, right? So the once the cash burn stops, that is a catalyst that a lot of investors want to see. And that should be happening here in the next 12 months.

**Alan Gula – OTC Markets Group (OTCM)**

In the movie Wolf of Wallstreet, Leonardo DiCaprio plays Jordan Belfort. There’s a scene where he looks for a job. He walks into a boiler room for stockbrokers, and he doesn't see any computers.

And the stockbroker says no no, we don't even need computers here. We just pull penny stocks right off the Pink Sheets.

And then Belfort proceeds to pitch someone on a six cent per share penny stock. It’s supposedly a cutting-edge high-tech firm, awaiting imminent patent approval on a next generation of radar detectors.

But in reality, the company is actually based out of the shed, and this is all a scam.

So long story short, Belfort goes to jail for securities fraud.

So they're pulling these penny stocks right the “pink sheets.” These are lists of micro-cap stocks trading over the counter (OTC) that used to be printed on pink sheets of paper. Hence the name.

But thanks to Belfort and other unscrupulous brokers, the Pink Sheets developed a stigma…

But Alan contends that pink sheets have been modernized. They have increased investment protections, and we can make money from stocks without actually owning pink sheets in the first place…

Alan’s pick today is a “gatekeeper” of the financial markets…

Gatekeepers are Securities Exchanges, derivatives exchanges, financial data providers. These guys have fantastic business models. They have some of the widest operating margins of any group of companies in the world.

On a virtual panel three years ago in 2020, Alan pitched CBOE, a leading options exchange and the owner of the VIX Volatility Quotient. CBOE is up 100% since, easily outperforming the S&P 500.

Alan has another gatekeeper for you today. It’s much smaller so, a word of caution – if you are retired, or otherwise have a low risk tolerance, this stock is not for you. There are other safer gatekeepers today. For example, London Stock Exchange Group (LNSTY). It’s still below it's buy-up-to price.

But if you have a higher risk tolerance, you might consider Alan’s pick today, which is the Pink Sheets.

“OTC: just means any trade that does not happen on an exchange. There are 1000s of micro caps that trade OTC. And then there are a lot of American Depository Receipts which also trade OTC.

You probably recognize a lot of ADRs: Roche, Nestle, Nintendo… These are huge companies.

So it's not just micro caps that trade OTC. Bu what you need to know is the pink sheets have been modernized. They have transitioned to an electronic service, and the service’s name is OTC Markets Group (OTC: OTCM).

Technically, it's not a not an exchange. It's an operator of a network that connects broker dealers. There are 12,000+ OTC securities that trade on this on this network.

OTCM breaks into three tiers…

Tier one is OTC QX. This tier prohibits penny stocks. It has the most stringent requirements. then there's two levels below that, with decreasing levels of investor disclosures.

OTCM company makes money via three segments, the first being “OTC link.” This is its trading venue.

The second segment is working on data licensing. So if you if you pull up the chart of Tencent on Bloomberg FX, that data has been bought from OTC Markets Group.

And the third and most important section is corporate services…

OTC Markets group charges companies to be on those trading tiers. This is a source of dependable subscription revenue.

The company has compounded revenues at a 12% growth rate since 2008. That's fantastic. Profit margins are at 25%. Plus the company’s market cap is about $600 million.

Note that the CEO owns about 30% of the shares. So you have to be careful because the float is is fairly small. But it does have nice dividend yield.

The stock is priced at around $52 a share. Its valuation is at the lowest level it's been since March 2020. So the stock is historically cheap. You just have to be careful. This stock trades OTC itself, so there's not a lot of liquidity. And when you trade OTC securities, you're required to use limit orders. Be careful.

Buy into weakness, don't chase it higher and just be patient.

**Matt McCall – Argan (AGX)**

Argan is a $600 billion energy infrastructure company dealing a lot with the power generating industry.

Matt thinks there's going to be this huge Renaissance with the US power grid.

The US power grid is ridiculous. There's more power right now, ready to go online via wind and solar, than all the United States generates at this point.

So obviously, we need to have massive upgrades to our power generation system. Argan is a small infrastructure company that Matt believes could be leading that charge.

There are a couple of tailwinds for this company… First is the Inflation Reduction Act (IRA).

This bill came out about two years ago as an infrastructure measure, and money is finally starting to flow into the sector.

Anytime you have government backing something, it’s a big tailwind.

The aging grid is an issue that we've had in this country for a very long time. And we're starting to see that when we have inclement weather, it can knock the grid out. So Argan will benefit from money coming in from the IRA, and aging infrastructure…

They do a lot with renewable energy and battery storage. Companies like this will benefit from the fact that renewable energy is still growing dramatically.

Solar still only makes up a fraction of all electricity produced the United States right now. That is going to increase. Any company with a head start should do well.

Battery storage is the key to everything. We need solar and wind power. But when the sun goes down and the wind stops blowing… we need it stored up. That’s a tailwind for Argan.

also, consider the electrification of the entire economy. If you plug in an electric car, while you're going to need more power generation, right so the electrification of the economy is going to lead to the need for more reliable electric production.

Finally Matt discusses the fundamentals. We're looking for mid- to high-teens grow from both the top line and bottom line. That's revenue and earning. Forward P/E ratio is low - 13.7. And prices-to-sales is below the S&P 500’s.

And you compare it against itself, a five-year average on price to sales is about 1.66. It’s underpriced by this metric, by 65-70%.

Plus it’s in a very strong cash position. Argan is a $600 million company, sitting on $346 million in cash and no debt. It has a backlog of $800 million, and it actually pays a dividend 2.6% dividend as well.

**Chris Igou – Verra Mobility (VRRM)**

Verra Mobility is a leader in toll management solutions for rental car companies and commercial trucking fleets. Those segments make up 46% of revenue. Verra is number one in automated Traffic Solutions. That's our government segment, that makes up about 43%. And they're number one in automated parking management.

Toll management saves 50% compared to unmanaged toll methods.

2.2 million violations are processed annually. And violation processing reduces costs up to 80%.

So it's an easy pitch to rental car companies or commercial trucking fleets to say, “hey, let us do it for you and you’ll *save* money.”

Its government is our catalyst right now. One of Verra’s big goals is to make our roadways safer. Our school zones, our work zones, our intersections.

There was a week-long study done in Florida where 92% of tickets issued were in school zones.

60% of contractors reported crashes in their work zone. But with red light cameras they're seeing a 21% reduction in red light running. And this is a growing trend.

We're seeing more and more states and more countries take on this technology. And we've had four states in the last year issued new legislation that will help Verra Mobility down the road.

Washington authorized the automated camera enforcement and work zones.

Florida signed two bills into law, one for school zone speed enforcement and one for school bus violation enforcement.

Colorado signed a bill that allows automated identification for collecting tolls fees or civil penalties.

And Connecticut did one for pedestrian safety.

What's great about this is that none of this is baked into the company's guidance right now. They even said so on their second quarter earnings calls. It takes time from when a bill is signed into law to when they can actually start bidding on contracts. It takes six to 12 months. So once they can start bidding on contracts, we’ll get a better view of the numbers, then we'll see the tech getting baked into guidance.

And those aren't the only states. California also has legislation going into law for a “speed safety system pilot program” for six major cities. That includes Oakland, Long Beach, San Francisco, so big major cities. And if that was successful, and they'll expand further.

Now for Illinois, this one isn't an immediate impact. But they're looking to create a “zero traffic fatalities” taskforce that will then be able to write legislation that will help the company down the road.

So this is our immediate impact for “why now.”

But it's also a long term growth story. Verra’s commercial services revenue is only 348 million, but the total addressable market is $7 billion. Parking solutions revenue is $84 million… total addressable market is $4 billion. And we're seeing the same thing and Government Solutions, $349 million in revenue and a $4 billion market. When they look at the entire mobility space, they're seeing a $26 billion market. So plenty of upside from here.

In short, they're an industry leader, their new legislation right now that's gonna help their business that's not baked into guidance, and they have a long runway for growth.

**Austin Root - Fiserv (FI)**

Austin highlights a company that is not a recommendation per se, but it's an example of the type of company that fits an “all weather strategy.”

An all weather strategy is focused on producing strong long term returns over an investment cycle, but with a focus on capital preservation.

Given the tenor of some of the speakers this week, it may be helpful to think about a company like that.

Austin favors productive assets – first class businesses that are capital efficient and generate great returns for every dollar invested.

When you find one, they're great because they're compounding machines. So that's one attribute Austin focuses on.

The other one is pricing power. There's two ways to have for your business to have pricing power.

The first is just an incredibly good defensible business with a differentiated product. These are great, but oftentimes, they're great for a little bit. Then someone can find a competing product.

The other way, though, is just a simple business model structure… where you're a “toll taker.” Austin likes toll taking businesses very much. As inflation goes up, these companies get paid on the basis of a percentage of revenues.

So in these types of businesses, you can actually see your earnings power go *up* when other businesses earnings power go *down* by the very nature of the inflation.

The textbook example of this is visa, a world class business. But this is the unknown stock panel. So there's another business that's very much like that..

Fiserv (FI) is a $140 stock. It has between a 60 and $70 billion market cap. But we expect this share price to incrrease north of $8 closer to $8.50 over the next 12 months.

So, it’s a world class business trading at a below market multiple.

Fiserv is projected to continue low double-digit revenue growth. This is possible because they are a payment processor. So while they work with businesses to have payments run on the debit and credit networks, like Visa’s rails, MasterCard, or even an American Express or Discover, and increasingly online with PayPal and the like. They help enable businesses to process these payments. They work with the merchants to be able to process lots of different payments.

The broad payment system is complex. There’s lots of different payers and payees. And if you’re a small business, even if you’re a large business, you need one of these payment processors to help you through this. You need software to be able to accept cross-border payments, omni-channel payments. So if you have inventory, you want to be able to sell that in a visible store online or some other marketplace.

So Fiserv’s revenue growth is not only from the inflation that we’re seeing. It’s also a continued secular move in payments, from physical to digital. And from in person to online and omni channel.

And so that has enabled Fiserv to grow low double-digits for nine consecutive quarters. They’re guiding to continue organic growth at that level.

The earnings power here is really strong. Operating margins are going up. It has a 36% operating margin today. So every dollar of revenue, it can turn into a really a large amount of cash. It’s going to generate a lot of free cash.

It doesn’t pay a dividend but they do retire 5% of their shares. So you own 5% more of the company than you did last year just by virtue of them retiring that.

When you think about a company’s yield, you don’t just want to think about the dividend yield. You want to talk about the overall shareholder yield. And buybacks and stock retirements really play a nice part into that.

Fiserv also has a hot cloud-based point of sales system called Clover that is growing fast. It’s helping small and medium sized businesses do all the things that the large businesses are doing. That’s probably about 25% a year. At some point there might be a corporate action where they split that business out, because it is so fast growing and so profitable.

This is a stock that you can think about as being durable in an inflationary environment, or an environment where fiat currencies are being debased. That means that they just increase their revenues.

A lot of things that have come out to try to supplant and displace the credit card networks. And in the end, you know, even a company as strong as Apple decided that the way to do it is to *partner* with existing credit card networks.

So as more and more payments transfer from physical to digital, we think of this. There’s no such thing as a true forever stock but this is as close as they come.