



A UK focused Turnaround Value Investment Partnership

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CURRENT MARKET CONDITIONS

1. Inflation remains widespread
2. Energy crisis is now everywhere
3. Supply chains are disrupted
4. US yield curve unstable
5. UK energy crisis
6. Where to find value

1. INFLATION EVERYWHERE

INFLATION – US CPI IS NOW BROAD BASED

+0.3% August 2021 CPI Print

Biggest drivers:

- 1.5% used cars (3.49% weight)
- +1.2% new vehicles (3.78% weight)
- 8.5% car and truck rental (0.21% weight)
- 2.9% lodging away (1.11% weight)
Of which -3.3% hotels, motels (0.99% weight)
- +0.2% rent of shelter (32.23% weight)
- 2.3% transportation services (5.22% wgt)
- +0.4% apparel (2.64% weight)
- +2.0% energy (7.26% weight)
- +0.3% Medical care services (7.05% wgt)

+0.4% September 2021 CPI Print

Biggest drivers:

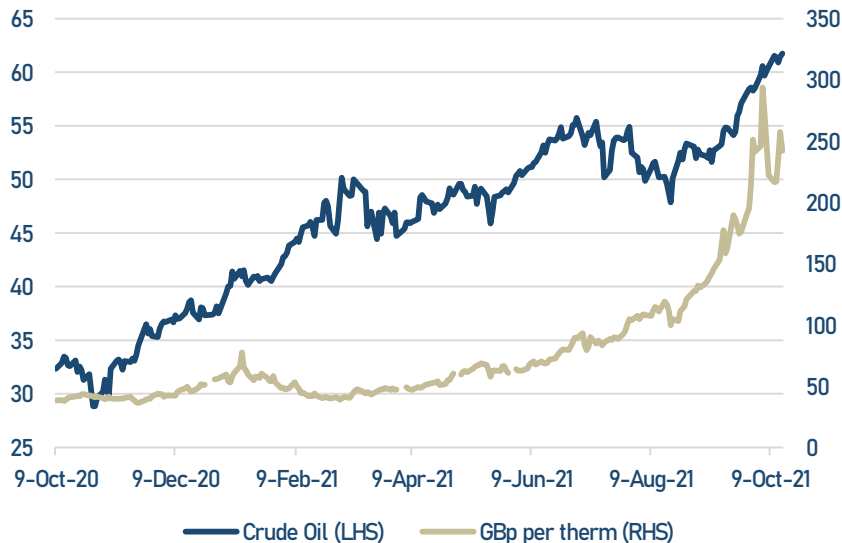
- 0.7% used cars (3.43% weight)
- +1.3% new vehicles (3.81% weight)
- 2.9% car and truck rental (0.19% weight)
- 0.6% lodging away (1.05% weight)
Of which -0.6% hotels, motels (0.94% weight)
- +0.4% rent of shelter (32.21% weight)
- 0.5% transportation services (5.09% wgt)
- 1.1% apparel (2.69% weight)
- +1.3% energy (7.29% weight)
- +0.9% Food (13.9% weight)
- 0.1% Medical care services (7.06% wgt)

2. ENERGY CRISIS IS NOW EVERYWHERE

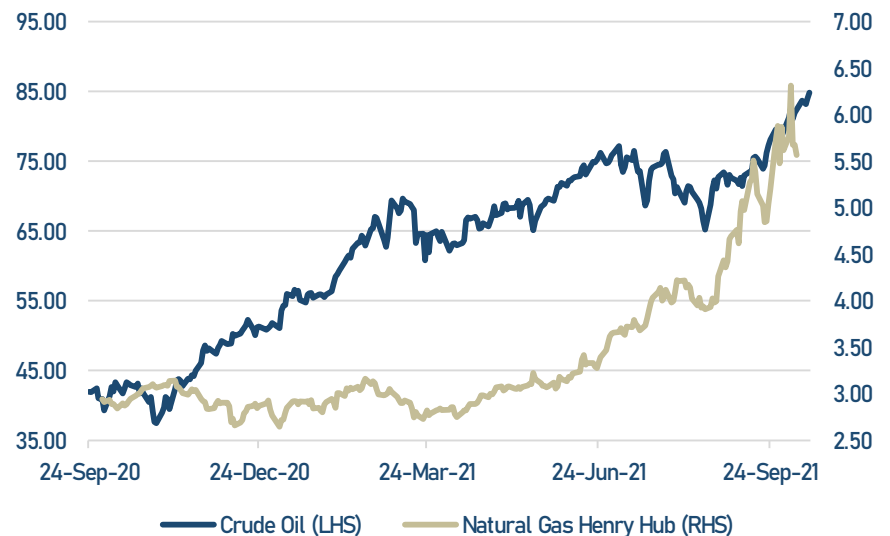
ENERGY – ALL ENERGY PRICES ARE INCREASING

- Oil prices have room to run higher amid substitutability against gas
- US oil and gas prices have doubled equally over the last year
- US shale oil set to see revival

UK Oil and Gas prices in GBP and GBp show that gas prices have risen much faster than oil prices



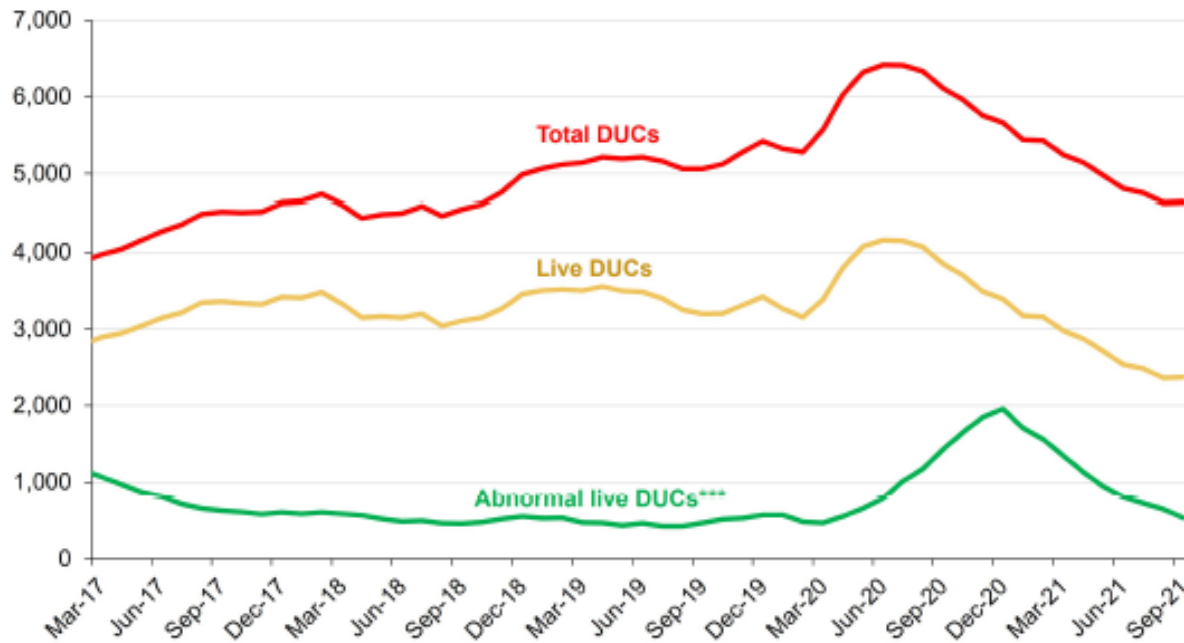
Oil and Gas prices in US\$ have seen similar rises over the last year



ENERGY – US WILL NEED TO START DRILLING AGAIN

- Rystad Energy sees decline in DUC wells stabilising
- New wells need to be drilled now to keep oil production stable
- 400k b/d higher US oil imports now compared to pre-pandemic

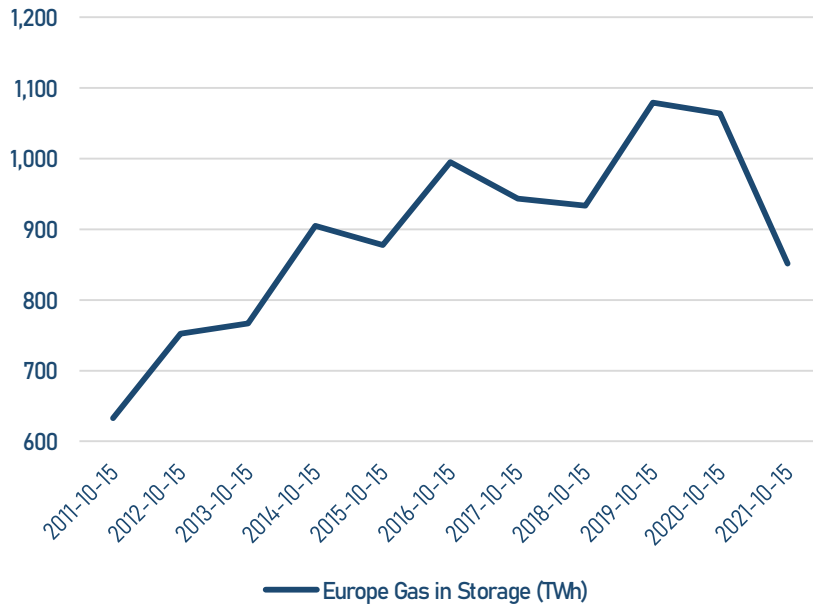
Figure 1: Total and live* DUC inventory in major oil regions by month**
Number of wells



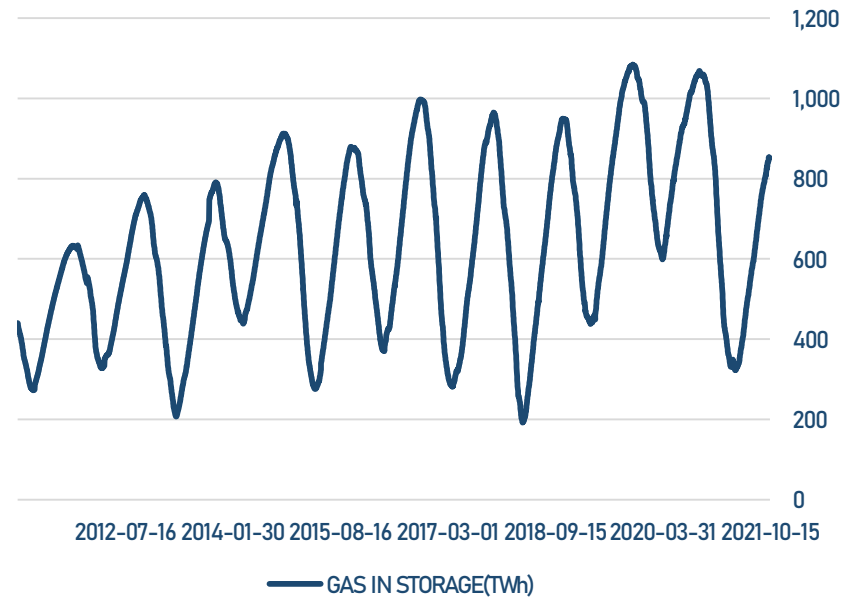
ENERGY – GAS STORAGE CRISIS

- Gas storage is lowest since 2013 at this time of the year
- Winter forecasts predict a “La Nina” winter in North America
- European winter expected to be warmer than last year

Europe Gas in Storage (TWh) is around 20% lower than last year



Europe Gas in Storage (TWh) is generally peaking at this time of the year, declining from December

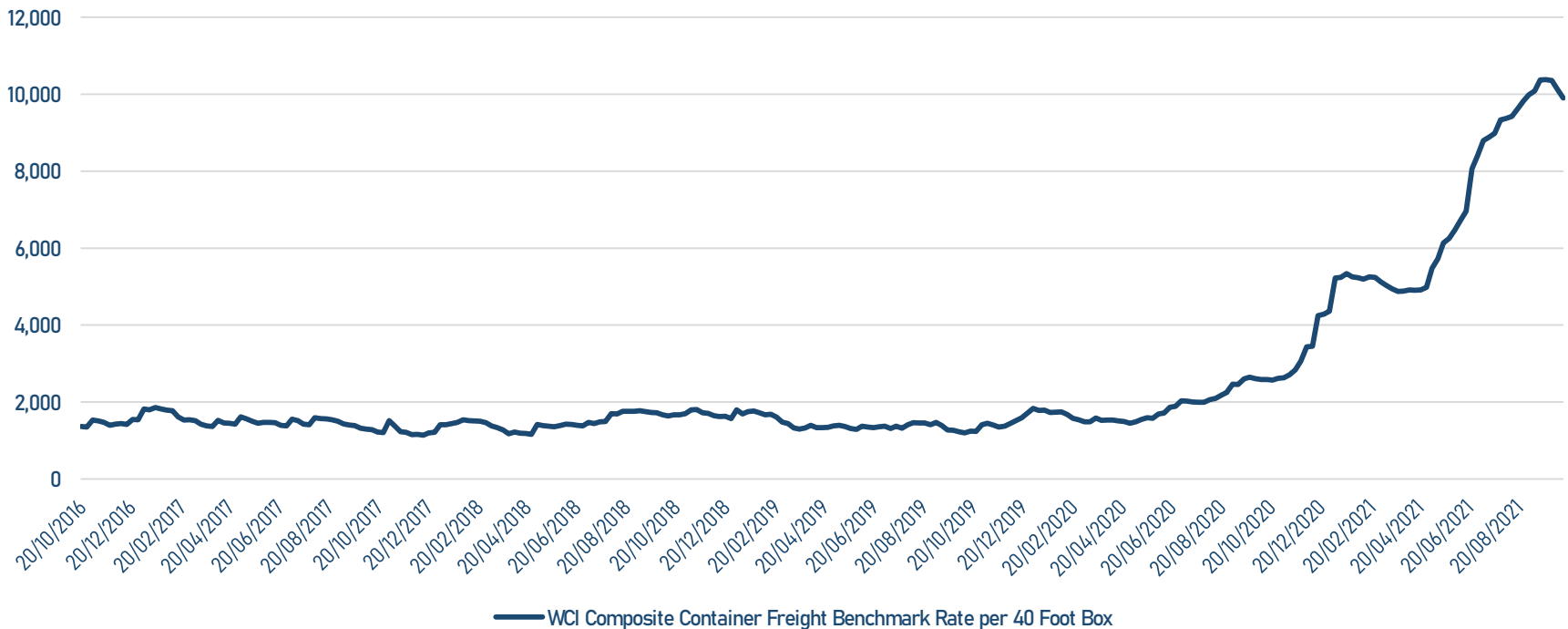


3. SUPPLY CHAINS ARE DISRUPTED

SUPPLY CHAIN – CONTAINER FREIGHT COSTS TO EASE

- WCI Composite container freight costs below \$10,000 per 40 foot box again
- US LA port boosts capacity by 40% with new 24/7 model
- In the UK, Maersk stops sending large container ships to UK ports amid HGV driver shortage

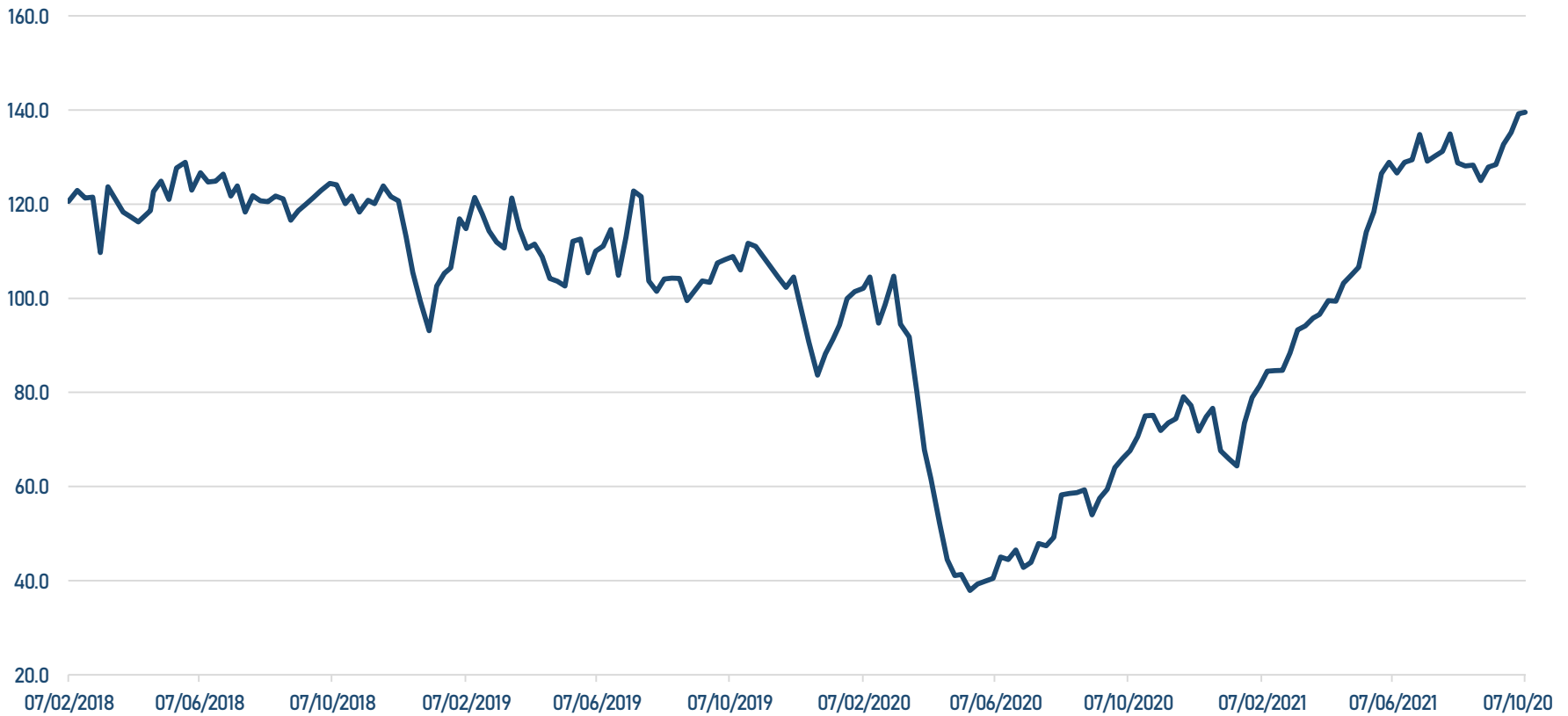
Container Freight Costs are beginning to decline



SUPPLY CHAIN – LABOUR SHORTAGES

- Labour shortage remains acute
- Logistics job adverts continues to climb to new record highs

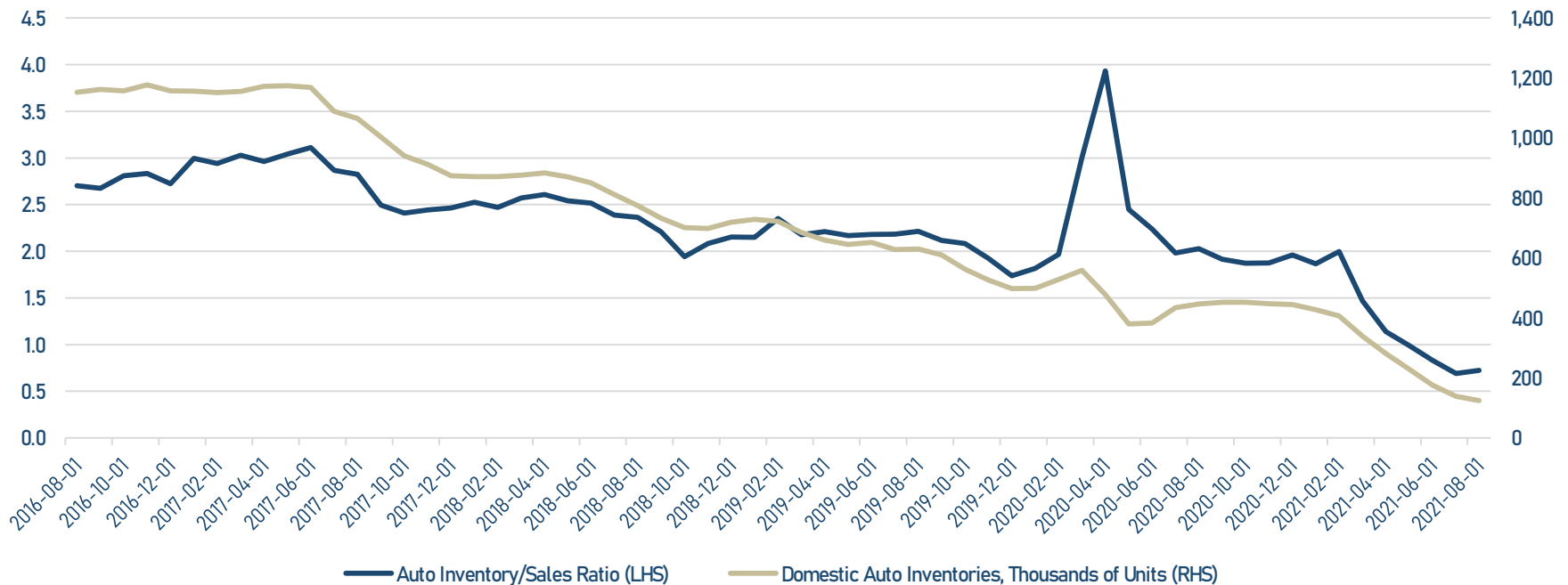
UK total online job adverts by Adzuna are climbing again



SUPPLY CHAIN – CHIP & CAR SHORTAGES

- Chip shortages continue to worsen with iphone production set to slow
- Car inventories are the lowest in decades
- Low inventories increase retail seller's margins, but soon they have not much to sell
- Car parts are also short in supply now

Car shortages are unlikely to ease over next month

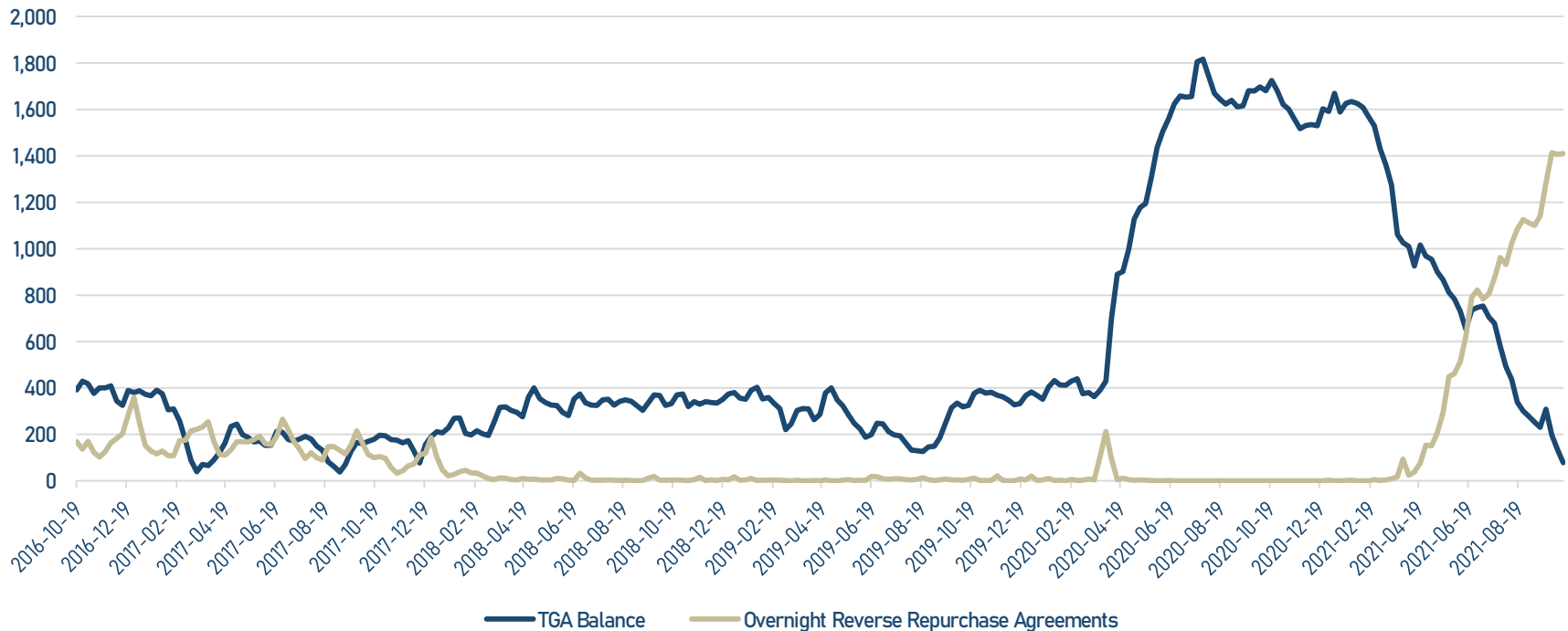


4. US YIELD CURVE UNSTABLE

US YIELD CURVE – HIGHER YIELDS EXPECTED

- Rates sold off, then rallied
- Overnight repo facility leaves buffer
- \$480bn debt limit increase until December opens door to temporary net issuance hike
- Massive stimulus package unpopular with public

TGA balance (\$bn) points to more, not less issuance in Q4 2021



5. UK ENERGY CRISIS

UK ENERGY CRISIS – OFGEM TARIFF

- 15 Downstream suppliers with over 2.4mio customers have ceased trading this year (13 in last two months alone)
- Customers on Ofgem tariff are protected and energy suppliers need to hedge from Mar-Aug for Oct-Mar period and from Sep-Feb for Apr-Sep period
- Businesses don't have access to Ofgem tariff, hence factory shutdowns are looming
- Industry levy already will cost consumers £2bn in additional costs
- Energy suppliers taking on additional customers will mostly see working capital outflow
- Biggest risk is sudden decline in energy prices for winter 22/23, as customers on Ofgem tariff will switch to fix tariffs and some energy suppliers might be overhedged at expensive prices

6. WHERE TO FIND VALUE

LIST OF COMPANIES – ATTRACTIVE VALUATIONS

Iodine

- Iofina – small market cap, but set to benefit from iodine supply crunch

Automotive retailer

- Marshall Motors – cleanest balance sheet of UK car retailer, is expanding

Audiobooks advertising

- Audioboom – set to grow further, now profitable

Gold

- Hummingbird – attractive valued miner with expansion plans doubling their gold mining
- Capital Limited – drilling equipment service provider for gold mining

Platinum

- Sylvania Platinum – platinum producer with large payouts

LIST OF COMPANIES – ATTRACTIVE VALUATIONS

NFT

- NFT investments – first listed NFT investment firm

eSports

- Guild esports – 5% owned by David Beckham, play on esports growth

Energy

- Argo Blockchain – Bitcoin set to go higher after China blocks mining
- Yellow cake – Uranium prices expected to increase amid nuclear being part of the green wave
- Hurricane Energy – UK oil explorer with good cash flows