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Mr. Speice

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Interview Assessment 4

Name of Professional: Dan Walker

Profession/Title: Portfolio Manager

Business/Company name: Weitz Investment Management

Date of Interview: November 10th, 2018

This interview was conducted with Mr. Dan Walker, a Portfolio Manager at Weitz Investment Management. Since I already knew the team at Weitz Investments were value investors, the goal of this interview was to learn how to find companies to invest in. Mr. Walker was able to help me learn more about how to find ideas and industries through explaining his own experiences and gave me advice on how to proceed in building my portfolio for the future.

We started by talking about the process used to find companies. I had always filtered through various news sources and general industry trends to find investment opportunities, but Mr. Walker introduced me to some new ways to get ideas. Mr. Walker finds opportunities through conducting stock screens and observing industries that are often overlooked. This way, one can find stocks that generally fly under the radar and therefore do not have many investors. These stocks, however, are often the ones that hold a great deal of growth potential. For example, Mr. Walker had been researching industrial furnace companies for the past few weeks. These companies, he explained, have almost every advantage you can imagine. Because they are so

large and complicated to install, furnaces cannot be installed by the buyer or shipped over the internet. Additionally, there are only one or two furnace companies per city, so they have a near monopoly of the area. Companies like this that are the strongest businesses to buy, but in order to find them, you must adopt a very disciplined way of thinking.

Mr. Walker recommended that I switch my focus from large companies that are harder to understand to simple, small to mid-cap companies that have are in more obscure industries. By doing this, I will get a better understanding in order to more fully engage my creativity and more thoroughly understand each part of a company individually. In addition to allowing me to get more practice working with smaller companies, evaluating smaller companies will also give me opportunities to practice actually speaking to upper-level management to get more information about their company. By introducing myself as an individual investor and speaking to different types of managers, I will learn how to think on my feet and process the information that they give me very quickly.

To get me started, Mr. Walker recommended that I look into Sally Beauty Supply, a beauty supply store that is headquartered in Denton. Along with doing a discounted cash flow over the corporation, I am able to schedule a meeting with management as an individual investor. Mr. Walker's advice, however, also led me to find another company that could be a possible investment, Installed Building Products (IBP). Taking his advice of looking at different, less popular industries, I looked around my house for things that most people don't think about when they buy a home. For example, seeing the insulation in my attic led me to look up companies that install drywall and insulation, which then led me to IBP.

Overall, this interview was very successful and provided me a new method to get ideas in a market where opportunities for value investors can seem few and far between. These new methods, along with additional ways to get real world experience through conducting interviews with corporate management, will ultimately help me get a better general understanding into both how a corporation works and how to value a company and allow me to create an even safer portfolio.

- What are some industries that you're excited about?
 - Furnaces
 - Chlorine
 - Calcium
- What kind of companies should I look into?
 - Generally hated
 - Small to mid cap
 - Easier to understand
 - Less complicated business structure
 - Sally Beauty Supply
 - Interview with upper level management
- Discounted Cash Flow
 - Bringing cash flows into today's dollars
 - Practice with incorporating into a portfolio