

WELCOME TO THE

15th V.I.S.

Value Investing Seminar

*Sharing experience, knowledge
and investment ideas*



July 12-13, 2018
Hotel San Paolo al Convento
Trani, Italy

15th
V.I.S.
Value Investing Seminar

A Wide Moat and a Long Runway for Growth

tr🐾panion™
Medical insurance for your pet.

 WIEDOWER
CAPITAL

DISCLAIMER:

This document does not constitute an offer to sell or the solicitation of any offer to buy. No part of this document is a recommendation or a solicitation. The information and beliefs contained herein are believed to be correct, but there is no guarantee.



One-man shop founded in 2015

I look for the highest-quality companies and CEOs that have industry tailwinds behind them and long runways for growth ahead of them.

Concentrated with low turnover

“Over the long-term, it’s hard for a stock to earn a much better return than the business which underlies it earns... if a business earns 18% on capital over 20 or 30 years, even if you pay an expensive looking price, you’ll end up with a fine result.”

— Charlie Munger

Key driver behind business and stock appreciation

The ability to invest free cash flow...

At high rates of return...

For long periods of time

trpanionTM
Medical insurance for your pet.

#2 pet insurer in North America

18% market share

(total addressable market > \$100B)

\$1.1 billion market cap

\$243 million revenue in 2017

(29% yoy growth)

Slightly profitable

(reinvesting most "profits" for growth)

Darryl Rawlings, CEO/founder

**Owns ~7% of shares
(90% of net worth)**

Industry Overview

Pet insurance penetration rates

North America = 1.2%

Sweden = 40%

United Kingdom = 25%

Western Europe = 5-15%

Australia, New Zealand, South Africa = 5-10%

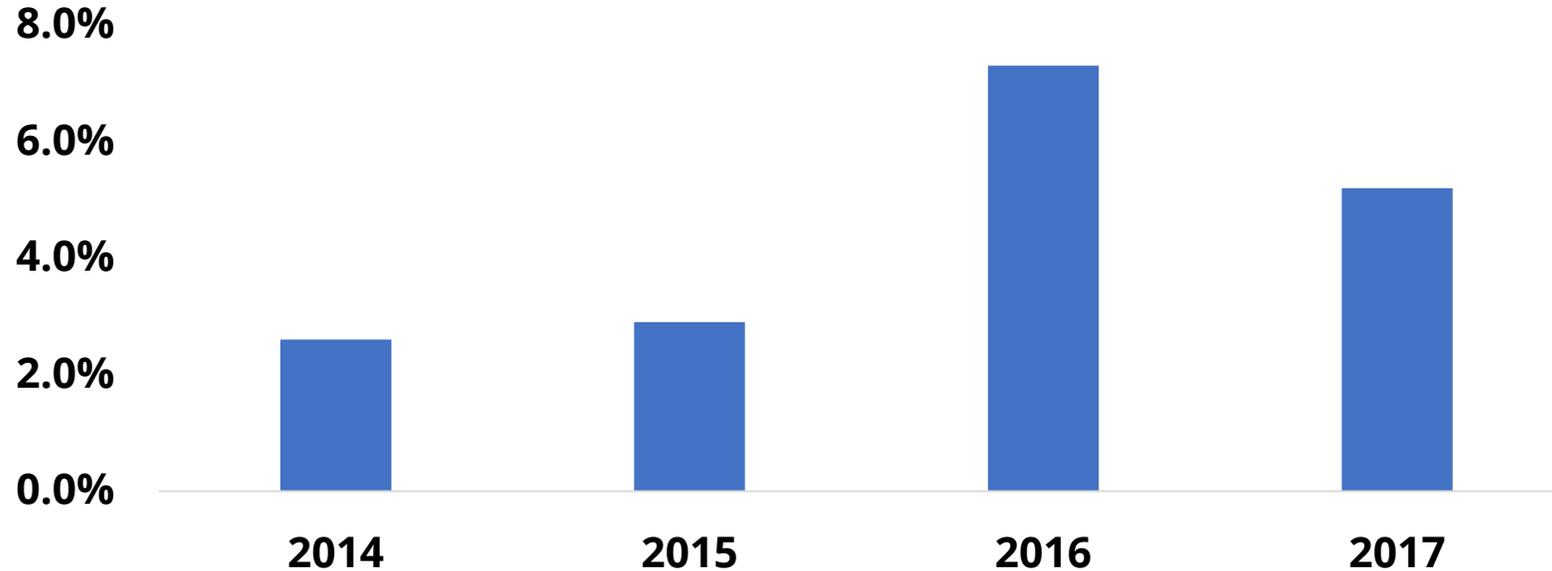
Key traits that make pet insurance unique

Low severity
+ Uncorrelated claims
+ Highly predictable losses

= No long-tail risk

Cost of pet care is increasing 4-6%/year on average due to human treatments being ported over to pet care

Growth in industry premiums



Competitor marketing strategies

Corporate benefit programs

Online ads

Review sites

Direct to consumer

Shelters

Breeders

Trupanion is different.

**They are the only North American pet insurer
with a **nationwide salesforce** that builds
relationships directly with veterinarians.**

**Ultimate goal of a territory partner:
Get vet to sign up for **Trupanion Express****

**Express is vet software that manages their
insurance policies and **pays the vet direct**
within 5-minutes of a claim being submitted.**

**Trupanion Express is a
Win-Win-Win**

Pet owners

**Bills are paid upfront by Trupanion
(besides 10% deductible)**

**Can bring pets into vet more often
(less concern about bills)**

Veterinarians

Give the **best care to pets**

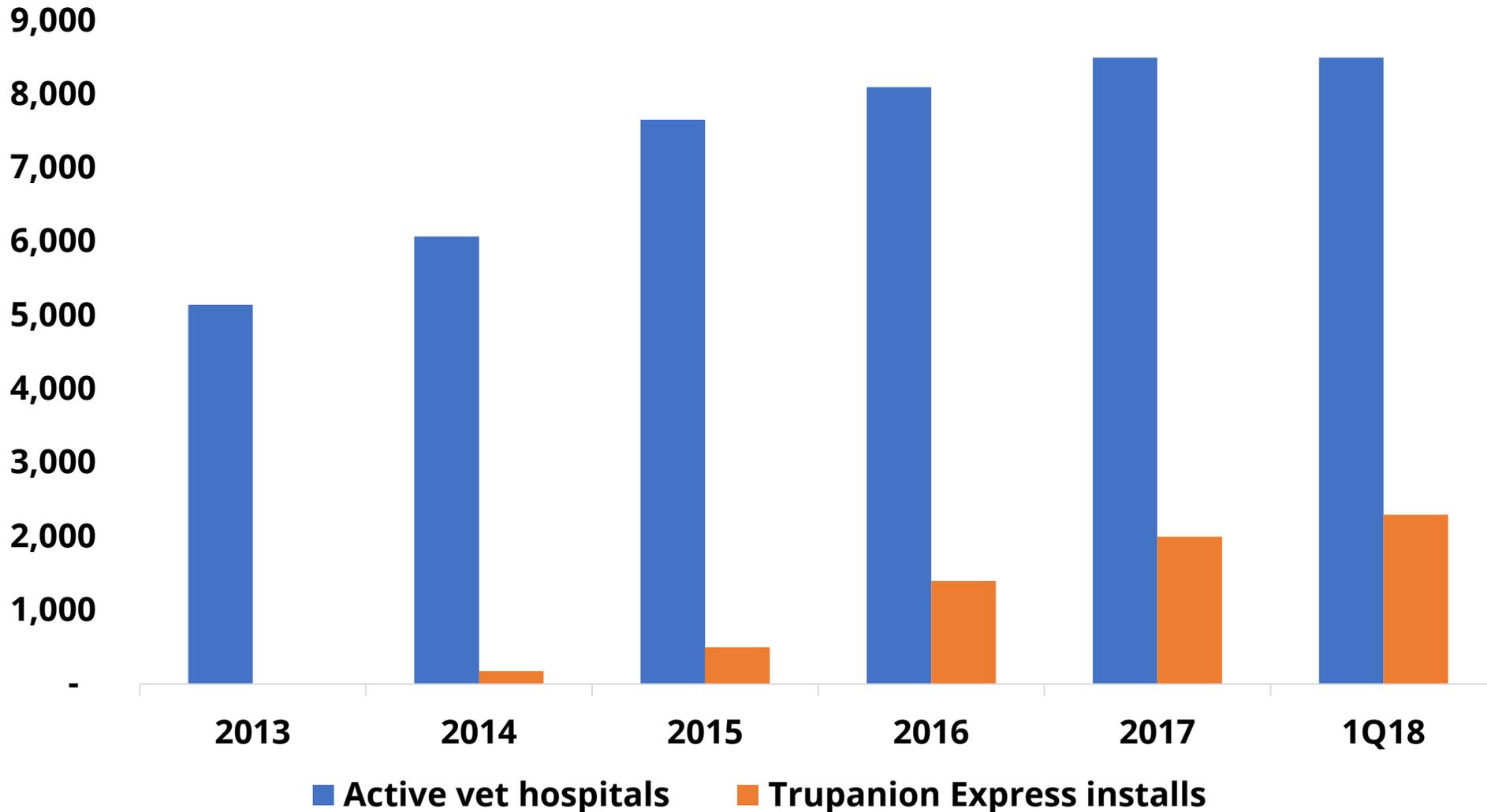
**Increase revenue via more expensive operations,
more customer visits, fewer credit card fees**

Trupanion

Gets a **very sticky partner once software is installed and the staff is trained on it**

Vet more likely to push Trupanion vs competitors

Express is 27% of their vets, goal is 90% within 10-years



Competitive Advantages

Trupanion Express

Very sticky veterinarian partners

Result:

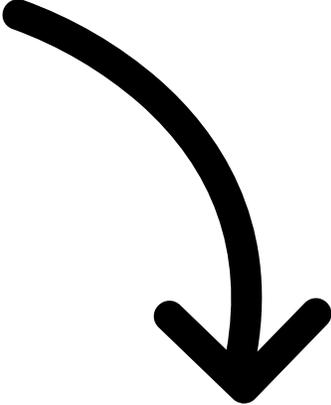
More data to Trupanion

Evidence of data advantage

Trupanion has high variability in their pricing (down to zip code and even vet in some cases)

**Nationwide, the #1 pet insurer,
prices by state**

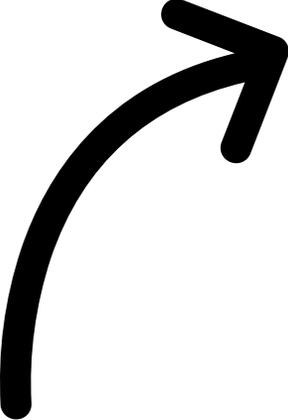
More pets



More data



Lower pricing



Low-cost operator

**Structural cost advantage by having
their own underwriter**

**Evidence:
70% loss ratio vs
competition at 40-60%**

Valuation

Penetration gets to ~5% in 10 years

Pet care cost continues to increase 4-6%/year

25%+ market share

5% net margin

More importantly!

Returns on capital is what ultimately drives long-term share appreciation...

LTV:CAC = 4-5x

IRRs per pet = 30-40%

In Summary...

Durable competitive advantages

+ Long runway for growth

+ High returns on incremental invested capital

= Ability to invest free cash flow at high rates of return for potentially decades

Questions?

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