

Peapod Lane Capital LLC Investor Feature

Peapod Lane Capital LLC is an investment manager that launched in 2010 that invests in the micro and nano cap space. Peapod's managers, Erik Conrad and Martin Friederichs, are generalists that look for stocks that are "out of favor" and trade cheap on an asset basis ("net-net" style investments). Erik and Martin met during their time at Gabelli Asset Management. Erik is the portfolio manager and is responsible for their investment decisions, while Martin oversees operations, compliance, and other non-investing areas of the business. Martin also acts as a sounding board for Erik's idea generation.

Erik and Martin classify themselves as "old school" value investors that take a balance sheet first approach to their investment analysis. While searching for a "fantastic price," they screen for companies that have hit 52-week or multi-year lows, busted IPOs, and busted secondaries. Then they search for companies with limited financial leverage and companies that own "some sort of hard asset." They explained that this "hard" asset could be as simple as cash or working capital. Other times it can be more complicated and what they described as "something like water sitting under the desert in the Western US." From a financial perspective, these hard assets usually translate into low price-to-book stocks, adjusted to current economic reality. Erik and Martin want to buy assets at a discount through publicly traded stocks. They are investing where they can own the operating business for free or at a discounted price.

When we asked Erik and Martin about some of their better investment decisions or "winners," Erik told us their investment winners are usually "singles and doubles with the occasional home run." He then explained that a recent winner was an electronic components company that transitioned from a low P/B stock to a P/E stock. For years this stock was a "net-net" where it traded at a discount to its working capital assets, and the operating business was close to breaking even for years. Initially, the company did not have enough revenue to justify its expense base, and when revenues significantly increased, the company became profitable. Peapod Lane had a margin of safety when they purchased the stock as the assets protected their downside. Erik explained that the company could have been liquidated at a profit to existing shareholders, and they had a lot of "optionality to the upside as the market assigned zero or negative value to the operating business." Erik and Martin attempt to "buy from the overly pessimistic."

Erik and Martin enjoy reading anything from other value investors such as John Templeton and Walter Schloss. They recently read "There is Always Something to Do" about Peter Cundill because their strategy shares similarities with the Cundill Strategy. They also enjoy reading biographies and recommend those about Sam Walton and Phil Knight.

For more information about Erik and Martin, you can visit their [website](#). There is marketing material and contact information attached to the site. The Co/Investor Club has enjoyed following Peapod Lane Capital and looks forward to keeping up with Erik and Martin.