

# Introducing the Zacks Deep Value Portfolio

Finding Attractive Opportunities Without the 'Value Trap'



Presented by:

Mayur Thaker, CFA  
Equity Strategist  
February 2025

# Disclosures



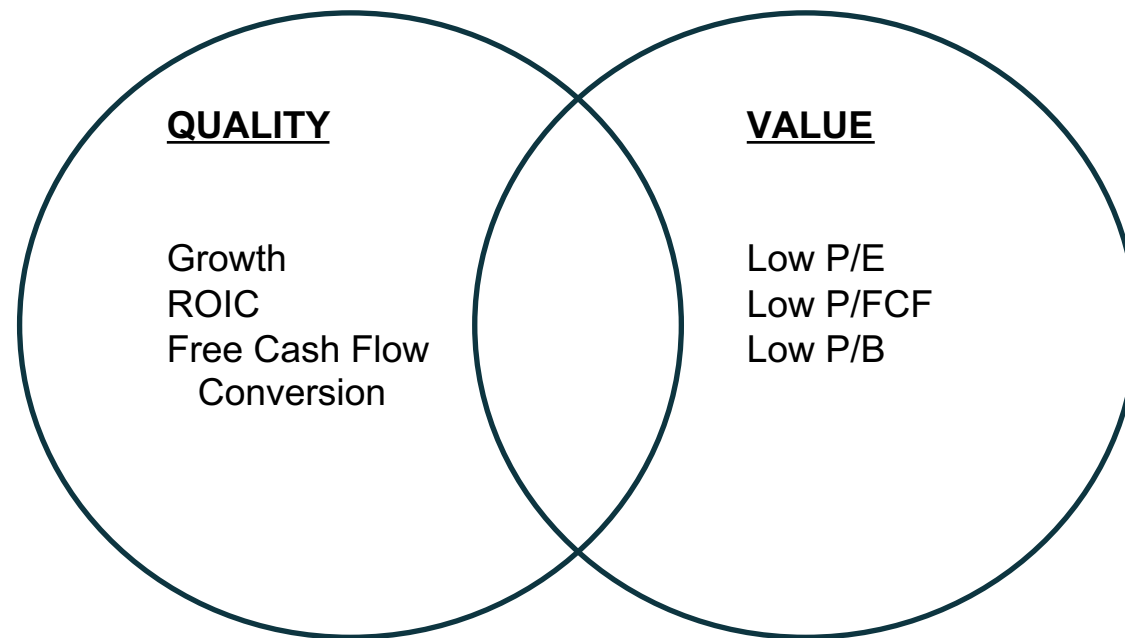
The views of Mayur Thaker, CFA are not necessarily the views of Zacks Investment Research. Past performance is no guarantee of future results. Inherent in any investment is the potential for loss. ***This material is being provided for informational purposes only and nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security.*** No recommendation or advice is being given as to whether any investment is suitable for a particular investor. It should not be assumed that any investments in securities, companies, sectors or markets identified and described were or will be profitable. All information is current as of the date herein and is subject to change without notice. Any views or opinions expressed may not reflect those of the firm as a whole. Zacks Investment Research is not a licensed securities dealer, broker or US investment adviser or investment bank. The S&P 500 is an unmanaged index.

# Value Investing



Great businesses rarely trade for a great price

Awful businesses trade for a great price but rarely make good investments



So how can we target the cross section between quality businesses and attractive price?



Answer: by buying quality businesses who are experiencing a temporary (cyclical) downturn, and whose shares are trading at a deeply compressed multiple to ***normalized earnings***.



This method requires two things to occur to be successful:

1. The company successfully navigates through the rough patch and returns to revenue & earnings growth
2. Time & patience



We know 'value investing' means buying a business at a discount to intrinsic value, but the way we measure these factors differ widely.

The Zacks approach is unique, and we believe it offers superior approach than traditional P/E or P/FCF multiples which are traditionally at the center of any value-oriented equity strategy.

# Traditional Value Investing vs the Zacks Deep Value Approach



Traditional	Zacks Deep Value Proxy
Low P/E	Deep multiple compression to <b><i>normalized earnings</i></b>
Low P/FCF	Track record of consistently high ROIC
Low P/B	Track record of long-term earnings growth
Low EV/EBITDA	Industry leader
Low EV/Sales	Consistently high free cash flow conversion



Rather than focusing on absolute price multiples, such as  $P/E < 15x$ , we select companies that have endured substantial **multiple compression** to normalized earnings using the Shiller P/E, also known as the Cyclically Adjusted P/E (CAPE), with an established track record of core quality characteristics: growth, ROIC, and free cash flow conversion.





## Case Study



*This webinar has not been authorized, sponsored, or otherwise approved or endorsed by the companies discussed herein. Each of the company logos used in this webinar are the trademarks of the referenced companies. [www.zackspro.com](http://www.zackspro.com)*

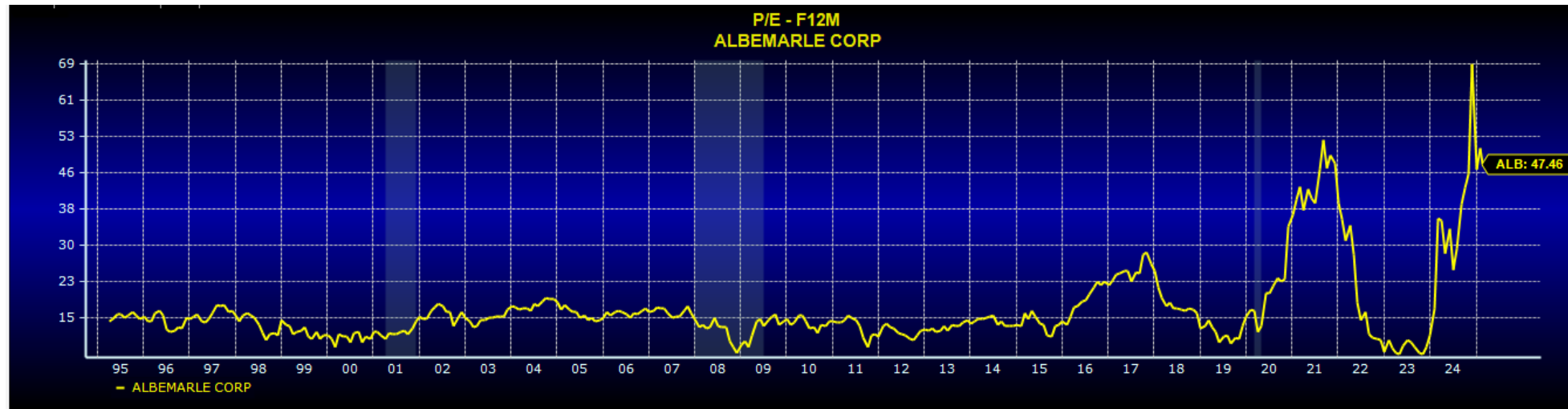


Albemarle is the world's largest lithium producer for applications in electric vehicles, battery storage systems and consumer electronics.

But shares have been under severe pressure over the past two years as lithium prices have collapsed due to oversupply, as original estimates of electric vehicle adoption in North America were sharply lowered. This forced the company to cut production, stall factories, cancel projects, and book substantial one-time restructuring expenses and asset writedowns.



But those focused on traditional valuation multiples like P/E, even if they use forward-looking estimates, would miss this opportunity and fail to buy the stock because it looks ‘expensive’.



Title	High	Low	Median	Current	Start Date	End Date
ALBEMARLE CORP	68.77	7.20	14.71	47.46	03-31-1995	02-18-2025



Title	High	Low	Median	Current	Start Date	End Date
ALBEMARLE CORP	52.27	9.85	21.32	9.85	12-31-1997	02-18-2025



Shiller P/E uses *normalized earnings*, which are calculated based on a 10-year moving average of inflation-adjusted EPS, rather than nominal earnings during any single year.

This reveals the actual multiple shares trade at, since single year financial results can and frequently are impacted by short-term effects

# Top Ideas in Deep Value Cyclical



*This webinar has not been authorized, sponsored, or otherwise approved or endorsed by the companies discussed herein. Each of the company logos used in this webinar are the trademarks of the referenced companies. [www.zackspro.com](http://www.zackspro.com)*

# Thank You for Attending!



**Mayur M Thaker, CFA**

Equity Strategist

Zacks Professional Services

Support: 866.794.6065 | [info@Zackspro.com](mailto:info@Zackspro.com)

Twitter: @freshjiva

[linkedin.com/in/mayur-m-thaker-cfa-86234235/](https://www.linkedin.com/in/mayur-m-thaker-cfa-86234235/)

866-794-6065

strategycall@zackspro.com

www.zackspro.com



Zacks Professional  
Services



@ZATools

