

The IC Screener:

United Therapeutics

Tobias Carlisle is one of the exciting “new generation value investors”. There is a lot of information on Tobias in the public domain and that makes it relatively easy to follow him. [His website](#) is a treasure of valuable information and insights.

His approach is explained in the book [The Acquirer’s Multiple: How the Billionaire Contrarians of Deep Value Beat the Market](#). The Acquirer’s Multiple® is the value metric financial acquirers use to find takeover targets. Deeply undervalued stocks are good to own because they can be taken over, creating a quick win, or simply revert back to value over time. On May 31, 2018, Johnny Hopkins, financial analyst at The Acquirer’s Multiple, wrote [a blog on United Therapeutics Corporation \(NASDAQ: UTHR\)](#), as one of the cheapest stocks in their All Investable Stock Screener.

On [my website](#), I write a lot about “Intelligent Cloning.” The idea of Intelligent Cloning is all about combining Ben Graham thinking on risk aversion with the Munger rule nr. 1 on how to become a successful investor. You could argue that Intelligent Cloning is a screening approach, very similar to the Acquirer’s Multiple® screening approach.

There are similarities and there are differences. If you use e.g. the original Joel Greenblatt ranking system, you rank e.g. 10 candidates by ROC. The highest gets 1 point and the lowest 10 points. And then you rank them by margin of safety. The highest gets 1 point and the lowest 10. You add the numbers and choose the lowest number.

If you have two companies with identical ROC and company A grows e.g. with 3% free cash flow per share and company B with 6%, both companies are treated equally. I tend to believe that there is value in adding additional weight to company B. So I introduced the “Value Creation Engine”. The more aggressive definition of this “Value Creation Engine” is ROC times GROWTH. A more conservative approach is to add just a few extra points to the ROC for company B. In the latter case you could argue that the Value Creation Engine is a sort of adjusted ROC. And I use different valuation metrics to come up with my estimate of the degree of undervaluation.

If I apply the conservative approach of the Value Creation Engine (VCE) with the preferences I have for Margin of Safety and have a look @ United Therapeutics, I must admit that the **Acquirer’s Multiple® screener** generated quite a compelling investment idea. The **Intelligent Cloning (IC) screener** I prefer to use tells me that the Value Creation Engine (VCE) of United Therapeutics is 54.8, which is exceptionally high. Everything above 40 is considered “high quality”. And the undervaluation of United Therapeutics is above 50%, which is also very exceptional. So thank you, team Acquirer’s Multiple®, for bringing up such a great idea!

[United Therapeutics Corporation](#) is a biotechnology company focused on the development and commercialization of innovative products to address the unmet medical needs of patients with chronic and life-threatening conditions. They have five approved products on the market today and are relentless in their pursuit of “medicines for life”®.

United Therapeutics can be found in the portfolios of investing legends like Jeremy Grantham, Charles Brandes, Ray Dalio and Joel Greenblatt (source Gurufocus.Com).

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