postcards *from the florida republic*

An independent and profitable state of mind.

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SL: Take A "Fantasy Break" and Make Some Actual Money This Weekend

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Index Momentum

S&P 500	**RED**
Nasdaq	**RED**
Russell	**RED**

Dear Fellow Expat:

Psst…

I know football season has started.

I know your team's defense is "*offensive*"…

And if you're like millions of Americans who play fantasy football, you already want to drop nearly every player on your team after Week 1.

I played fantasy football in my early 20s with a religious fervor. I could remember every draft… every bad trade… every playoff loss.

Until one day, my father delivered one of his greatest pieces of sage advice. He asked:

"How much money would you win in this league?"

"$1,000," I said.

"So, how much is that per hour that you're playing this game?"

I didn't want to answer it… calculating the research time… the constant reading about… football. The time-opportunity costs.

"Now imagine if you did something you were passionate about… that paid you a lot of money per hour instead of allocating your time to fantasy football." he concluded. "What is that worth?"

Oh… *hmm… well…* that changed my perspective quickly…

Unless a league could pay us six figures a year… there's a better use of our time. It might be fun… but I'll bet you that the next five minutes of your day will be far more lucrative than any fantasy sports moment that comes on this Sunday.

Because the stock we're discussing this week has 400% upside.

Meet Your New Energy Coach

John Goff isn't a name most Mom and Pop investors know.

A former accountant, Goff took a job in the mid-1980s with a Texas-based money manager named Richard Rainwater.

One of his first jobs was to put about $50 million into the stock market after the 1987 crash.

Soon after, he and his team put money to work for former Dallas Cowboys great Roger Staubach. Goff's team put money into real estate. They took a 20% stake in a company for $1 million.

That turned into a $70 million investment. Goff saw a clear trend in so many people were moving to Texas. He soon launched a partnership that centered on premier real estate – or Class A buildings. He'd take that company public in a $500 million IPO.

The company was called Crescent Real Estate Equities (CREE) – named after his first and favorite building that he'd acquired…

[Note: *Keep the name "Crescent" in mind*.]

CREE was a massive winner. It provided shareholders with an absurd 15.4% compounded annual return over 13 years.

It paid over $2.5 billion in cash dividends.

And the Midas touch continued for Goff.

In 2007, before the epic market crash – he sold his company to Morgan Stanley for $6.5 billion.

Post-crash… he bought it back for a fraction of his sale price.

By 2021, the company's value surged to $10 billion.

Goff has a simple philosophy when it comes to investing. He likes to purchase things that "Everyone else hates." So, when things are oversold or massively undervalued, he pounces.

So, it's no surprise that he's made a fortune in another unloved sector that has made a massive comeback. The oil sector.

In addition to serving as Chairman of CREE, Goff also became the head of a publicly traded energy exploration and production company called Contango Oil & Gas Company.

Founded in 1999, Contango primarily focused on the exploration, production, and development of oil and natural gas properties. The company operated in various regions in the United States, including the Gulf of Mexico and the Rocky Mountains.

In 2021, Contango engaged in a merger.

It didn't generate many headlines.

But anyone who knew the other party would see that it had commenced one of the greatest marriages of alternative investment minds in the financial markets today.

Meet Your Bag Man

Private equity refers to investments made in private companies that are not publicly traded on stock exchanges. These firms raise money from investors to purchase, invest in, or provide capital to privately held businesses.

Private equity investors aim to improve the company's performance, often with the goal of selling it at a profit in the future. They may also take a hands-on approach to managing and growing the company.

Now, within the world of private equity – there may be no bigger name than **KKR (KKR)**, founded in the 1970s by Jerome Kohlberg, Henry Kravis, and George Roberts.

The company came to prominence during the 1980s thanks to a series of high-profile leveraged buyouts, including the purchase of RJR Nabisco. This deal was famously explored in the book and movie "Barbarians at the Gate."

A few years ago, KKR owned a private oil company called Independence Energy, which also focused on U.S. energy production.

In 2021, John Goff and KKR had an idea.

What if they combined their energy companies – Contango and Independence?

The new company – Crescent Energy – would focus on the development of new and existing projects – using Goff's knowledge and KKR's extensive balance sheet.

In addition, KKR's energy team was one of the most renowned teams in the world – creating their own Super Bowl-style roster that could make big ways in the sector.

This isn't a team that's looking to make a deal for a 30% gain.

When all is said and done, this is the type of team that will be seeking a compounded annual return of 20% or more.

Let's explore how.

Invest in What Works

Crescent Energy (CRGY) emerged with two goals in mind.

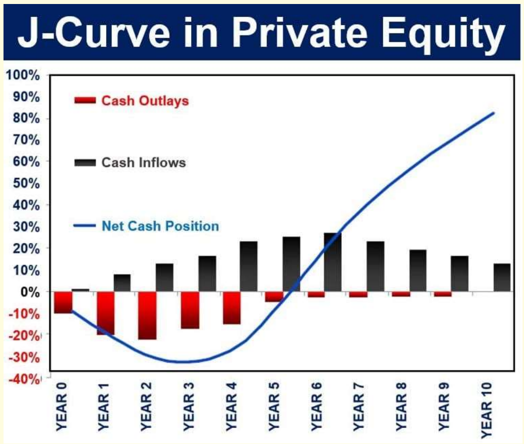
Invest in assets with a predictable base of production (low-declining assets in the oil wells they own) and aim for better-than-average returns through proper financial and operational management.

Now, here's what's interesting about this deal.

The private equity industry is misunderstood by most retail investors. Private equity deals aren't centered on making money in the next three months, let alone the next two years.

Unlike public companies that trade on stock exchanges, private equity companies take businesses "private," restructure them, and ultimately aim to either resell the companies or launch a new IPO.

Private equity deal-making centers on what's known as the J curve. The J-curve is a graphical representation of investment returns over time. This chart shows the projections of a company's expected returns and the visual of this J-curve.



Initially, it shows negative returns due to fund startup costs and capital deployment, creating the downward-sloping "J."

Over time, as investments mature and generate profits, returns rise, forming the upward-sloping part of the "J."

This illustrates the delayed positive returns in private equity investments, where investors often experience losses in the early years before realizing gains in the long term.

Simply put… *patience is critical*. It will pay off HUGE.

Crescent Energy is a company with a private equity approach that is trading in the public markets.

You can see – firsthand – what is happening with this name.

Shares will bounce around – frustrating a lot of short-term traders who aren't willing to ride out the long-term vision of KKR and John Goff.

Shares went public in late 2021 north of $16.00.

They pulled back to $9.54 at the onset of June 2023 before a steady recovery back to the $13.00 level. There could be another decline due to seasonality or recessionary concerns.

But the management team is well prepared for anything.

The last few months have centered heavily on financial discipline, as the company focuses on boosting cash flow, preparing for an opportunity to put capital to work, and boosting its asset base in the future to expand its footprint.

Price chop will be normal for the next year or two.

Each pullback creates a long-term opportunity.

As you know, stocks don't go straight up. But things are just getting started… turning at the bottom of that curve.

Why Do We Love CRGY?

Crescent is a masterclass in cash flow production, proper management, and attracting investor confidence.

Right now – the company's rolling with a Perfect Piotroski F score of 9, a Graham number UNDER 0.5, a P/E ratio of 3.4, and recent upgrades with 12-month targets north of $18.00.

These numbers are fantastic.

But that's just the appetizer of why we love this company…

Soon, we'll discuss:

- The importance of these metrics – the F score, the Graham number, and other value and income metrics… and how they play into the company’s ability to outperform in 2024.
- Why Crescent could purchase remarkable oil-producing assets at a discount to some of the best deals in Texas over the last few years… and how those deals will boost cash flow.
- The importance of strong, disciplined management… and why Crescent’s team is one of the best energy management structures in all of U.S. oil.
- Why its latest deal in the Eagle Ford shale in Texas sets it up to become a dominant player in one of the most attractive oil formations in North America.
- How Crescent will be a leader in operational efficiency, which will boost margins and reduce risk against inflation.

Finally, Crescent isn’t a stock that you trade.

It’s not a stock that you hold for two months or only two years. It’s a long-term bet on great management, U.S. energy, and the importance of putting shareholders first.

One of the most important rules in the Florida Republic is to put your money into companies that PUT YOU FIRST. We'll highlight how Crescent does so as well.

Stay positive,

Garrett Baldwin
Secretary of Finance
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