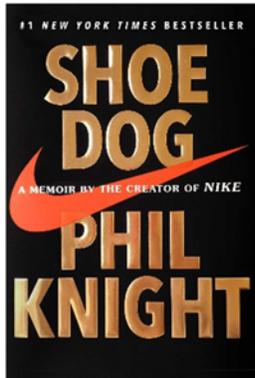


Blog Post: Pender Book Review

Shoe Dog: A Memoir by the Creator of Nike

By Phil Knight



Building a business is hard. This is the reality for many CEOs. Just look at some of the most successful companies today. Facebook was confronted with questions on its ability to monetize its network post IPO, and was temporarily in the doghouse. Amazon was constantly questioned on its business model but is now firing on all cylinders and a stock market darling. During the financial crisis of 2008-09, no one was going to spend \$5 on a latte, so Starbucks was punished. These are all companies that we admire and look to for insight into building a business, and they all have one thing in common. They are all founder-led.

We speak about founder-led companies a lot and we eat our own cooking as we also invest heavily in founders. The examples above give us some clues why. Founders exhibit characteristics that improve the odds of a company succeeding. They are driven by their passion to build the business and their interests are aligned. But this is only part of the equation. Not all founders run successful businesses. If you invest in a founder with a terrible business, the outcome is almost certain. Let's start with a business where the underlying economics of the business are good-to-great, as assessed by looking at the financial performance of the company. Now we're getting somewhere. When we find a company like this, with strong fundamentals that is also founder-led, then we start to get really interested.

Why? Back to my opening...building a business is hard. Almost every single business that we have looked at has faced periods of adversity and this is where we think founders shine. They are passionate about and identify with the business and they are committed to their long-term vision. This is what drives founders to try and solve even the hardest challenges their business may face. Some business thought leaders call this resilience, others call it perseverance. Whatever you call it, we cherish it in the management teams we invest in.

All of this means that we like to read about founders who have achieved success so that we can identify traits that may help us in assessing future investment opportunities. On my reading list was [Shoe Dog by Phil Knight](#). Having grown up in the period of Air Jordan and the rise of Nike, the story Phil Knight tells of building one of the greatest retailers and most recognizable brands in the world was almost impossible to put down. This is a must read for anyone who has started or wants to start a business as his story is fascinating.

From the outside looking in, Nike was a huge success. Every year, a better shoe would hit the shelves, other athletic gear would come out, and more and more people would talk about them. It seemed so easy. But as this story clearly demonstrates - building a business is hard. Phil talks about the challenges he faced building the company from scratch. Dealing with manufacturers who wanted to compete with him, trying to secure financing, floating his working capital and having barely any cash flow despite booming sales.

Even as it grew into a global success story, the company was repeatedly on the brink of disaster and the stories of how each disaster was successfully averted, by the skin of their teeth, were the most interesting part for me. I couldn't help but think how a hired-gun management team would have capitulated and thrown in the towel on any one of these occasions. The Nike management team showed resilience and drove a wonderful outcome at the end of the day.

Having a founder leading a company is only one factor. You cannot underestimate how big a role luck can play, especially in the early days, with even the most successful companies. But that's why we like to invest after the fundamentals of the business show potential, because after all, building a business is hard.

David Barr

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