STERN IAG

Board of Advisors Meeting

April 13th, 2023

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Letter from Portfolio Managers

Dear Board of Advisors,

Welcome to our second oversight meeting of the semester! Over the last month, we have discussed a variety of ideas in our P-team meetings, looking at unique industry tailwinds as well as situational setups. With that in mind, we are excited to present our investment opportunity to you today. Last cycle's overnight meeting was also Rahul Parikh and Niranjan Narasimhan's final one as portfolio managers, and we would like to thank them for all the time and effort that they have committed to IAG during their three years in the club.

We would also like to introduce ourselves, Nithin Mantena and Winston Yin, as IAG's next portfolio managers. We both joined the club during our first semester at NYU in the fall of 2021 and are excited to lead the portfolio team going forwards.

As portfolio managers, our focus will be to continue to identify compelling opportunities in the market while furthering the development of our analysts and promoting an interest for investing among the student body at NYU. We are also looking to implement several near-term changes to the club operations, including more detailed breakdowns of the fund's performance as well as a greater emphasis on partnerships between our most junior and senior analysts. We believe that this will allow the Board to better contextualize the returns of our portfolio and accelerate the learning experiences of our newer analysts.

Since our meeting in early March, we have seen several major changes in the market, the most notable being the failures of multiple regional banks in the U.S such as Silvergate, Signature, and Silicon Valley. These failures have driven a significant downturn in the financial sector and recalibrated interest rate expectations as the market prices in a significant slowdown – or possible reversal – in interest hikes for 2023. These two factors have coincided favorably for large-cap indices such as the S&P 500, which is up ~6% since our last meeting, but unfavorably for small-cap indices more exposed to financials and less to high-growth tech, and as such the Russell 2000 has traded down ~7%.

Over the last month, our portfolio has lost ~5%, bringing our LTM spread with the S&P 500 from 20.5% to 13.5% and the Russell 2000 from 15.6% to 18.2%. In 2023 thus far, IAG has returned 5.4%, while the S&P 500 has returned ~7% and the Russell 2000 has returned 1%. Our outperformance over the last year has been driven by increases in Builders FirstSource, Thryv Holdings, and Transdigm. Whether this outperformance is complete luck or skill is hard to determine and will require many more years of data.

In addition, we would also like to highlight two promising ideas in our pipeline: Gap (NYSE:GPS) and HLS Therapeutics (OTC:HLTRF). We believe that these ideas will become actionable in the near future and plan to present further updates at the next meeting.

During today's oversight meeting, we would like to propose the following investment recommendations to the Board:

1. LNA Santé SA (EPA: LNA): A French elderly-care facility provider overly punished by a scandal and consequent collapse of its larger peer Orpea.

As always, we are happy to answer any questions about the performance of our portfolio, our pipeline of future ideas, as well as any of our current holdings. We look forward to beginning our tenure as portfolio managers and bringing in many more ideas for the months to come!

Best,

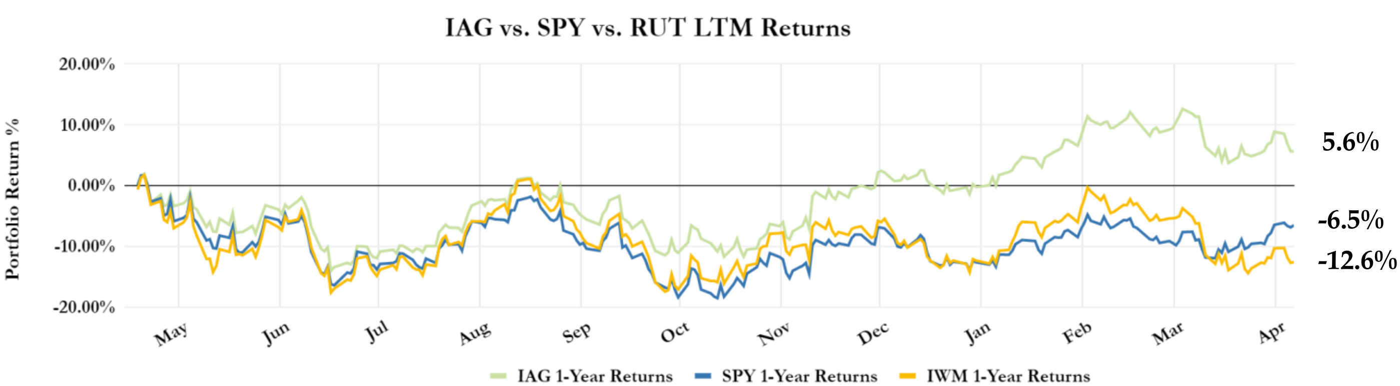
Nithin Mantena and Winston Yin

Portfolio Managers

II. Performance Analysis

Holdings Summary *(as of April 10th, 2023)*

Current Holdings													
Company Name	**Ticker**	**Coverage**	**Date of Purchase**	**% of Portfolio**	**Share Count**	**Price At Purchase**	**Share Price**	**Current Return**	**1-Year Contribution**	**Beta**	**Industry**	**Holding Type**	
3U Holding AG	ETR: UUU	Nithin M.	3/13/2023	**3.24%**	540	5.43	5.84	7.60%	0.25%	0.72	Industrials	**Oppt.**	
APi Group Corp	NYSE: APG	Rahul P.	9/24/2020	**3.45%**	160	14.29	20.97	46.75%	0.28%	1.50	Industrials	**Core**	
Berry Global Group Inc	NYSE: BERY	Chirstina M.	12/2/2020	**2.97%**	50	54.60	57.72	5.71%	0.11%	1.17	Industrials	**Core**	
Builders FirstSource Inc	NYSE: BLDR	Rahul P.	10/5/2021	**7.27%**	80	52.20	88.38	69.31%	3.30%	2.41	Industrials	**Core**	
Camtek LTD	NASDAQ: CAMT	Nithin M.	10/7/2022	**2.42%**	90	22.68	26.12	15.17%	0.37%	1.03	Technology	**Core**	
Catapult Group Int. LTD	ASX: CAT	Rahul P.	3/11/2022	**1.58%**	2100	1.07	0.73	-31.78%	-0.70%	2.52	Technology	**Oppt.**	
Conrete Pumping Holdings	NASDAQ: BBCP	Alex I.	3/26/2021	**2.06%**	300	7.07	6.69	-5.37%	0.17%	1.17	Industrials	**Core**	
Embecta Corp	NASDAQ: EMBC	Rhys B.	10/7/2022	**4.41%**	150	28.05	28.61	2.00%	0.09%	1.53	Healthcare	**Core**	
Exelon Corp	NASDAQ: EXC	Rhys B.	4/30/2021	**3.10%**	70	31.74	43.10	35.79%	-0.39%	0.57	Utilities	**Oppt.**	
Flex Ltd	NASDAQ: FLEX	Rhys B.	10/5/2021	**7.41%**	335	18.58	21.51	15.77%	2.01%	1.35	Industrials	**Core**	
HCA Healthcare Inc	NYSE: HCA	Karen P.	9/26/2019	**5.29%**	19	119.99	270.77	125.66%	0.22%	1.60	Healthcare	**Core**	
JD.com Inc ADR	NASDAQ: JD	Nithin M.	4/30/2021	**1.63%**	40	77.55	39.73	-48.77%	-0.51%	1.16	Cons. Cyclical	**Core**	
Joyce Corporation LTD	ASX: JYC	Nithin M.	12/20/2022	**1.48%**	730	2.39	1.97	-17.50%	-0.26%	1.20	Cons. Cyclical	**Core**	
Methode Electronics Inc	NYSE: MEI	Carol S.	2/19/2021	**3.44%**	80	38.56	41.87	8.58%	-0.25%	1.50	Technology	**Core**	
Monster Beverage Corp	NASDAQ: MNST	Alice Y.	11/9/2021	**2.20%**	41	91.00	52.22	-42.62%	0.59%	1.11	Cons. Defensiv	**Core**	
Palo Alto Networks Inc	NASDAQ: PANW	Alex I.	9/24/2020	**5.96%**	30	80.17	193.15	140.94%	-0.37%	1.16	Technology	**Core**	
Restoration Hardware	NYSE: RH	Christina M.	3/30/2022	**2.46%**	10	323.66	239.47	-26.01%	-0.66%	1.79	Cons. Cyclical	**Core**	
Rimini Street	NASDAQ: RMNI	Winston Y.	11/11/2022	**2.16%**	515	4.29	4.08	-4.90%	-0.11%	1.20	Technology	**Oppt.**	
Sea Ltd ADR	NYSE: SE	Niranjan N.	2/18/2022	**2.04%**	24	133.00	82.78	-37.76%	-0.42%	1.70	Technology	**Oppt.**	
Sonic Automotive Inc	NYSE: SAH	Sean C.	5/5/2022	**3.64%**	70	48.00	50.59	5.40%	0.20%	1.85	Cons. Cyclical	**Core**	
Thryv Holdings Inc	NASDAQ: THRY	Winston Y.	12/9/2022	**3.71%**	160	17.50	22.53	28.74%	1.07%	1.04	Technology	**Oppt.**	
TransDigm Group Inc	NYSE: TDG	Raunakk J.	4/9/2020	**8.28%**	11	546.37	731.82	33.94%	1.29%	1.40	Industrials	**Core**	
United Rentals Inc	NYSE: URI	Carol S.	3/14/2019	**5.25%**	14	114.85	364.65	217.50%	0.39%	2.00	Industrials	**Core**	
Willis Towers Watson	NASDAQ: WTW	Mikhail T.	11/9/2021	**4.10%**	17	231.70	234.38	1.16%	0.02%	0.70	Financial	**Core**	
ZTO Express	NYSE: ZTO	Niranjan N.	3/14/2019	**2.94%**	100	19.43	28.63	47.35%	0.26%	0.60	Industrials	**Core**	
Total Equity Holdings				**92.52%**	**$89,960**					1.30			
Cash				**7.48%**	**$7,275**								
Total Portfolio Holdings				**100.00%**	**$97,235**								

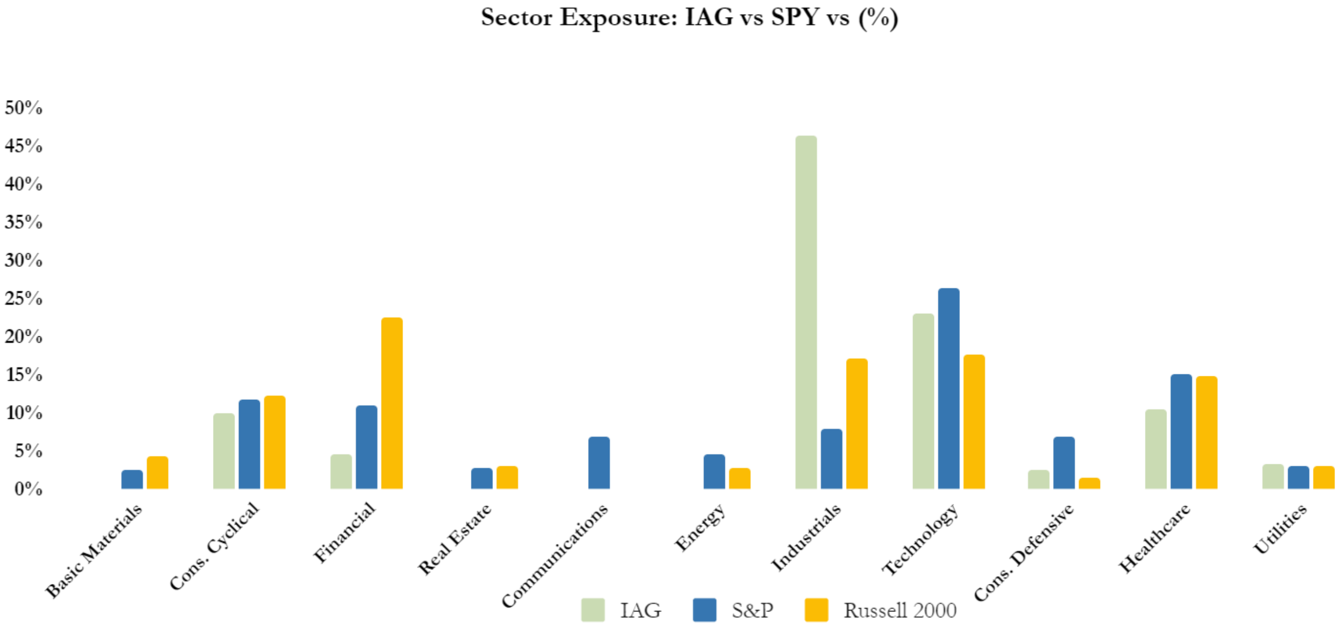


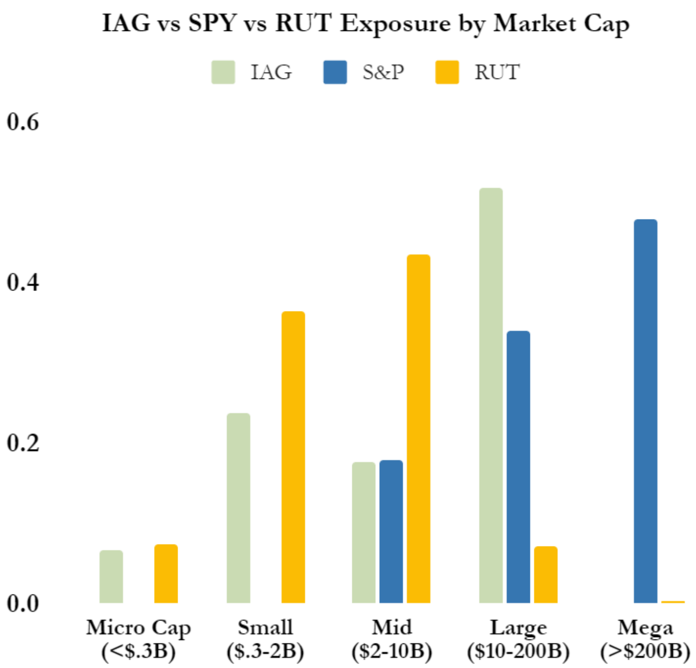
On a last twelve-month basis, **IAG's portfolio has returned 5.6%** while the S&P 500 returned -6.5%. Since the last oversight meeting, **the spread between IAG's portfolio and the S&P 500 improved from 20.46% (3/3/23) to 13.53% (4/10/23).** Over the last twelve months, we are also significantly outperforming the Russell 2000, an index that follows much smaller companies in the US.

We estimate that the true risk of the portfolio relative to the market can be represented by a beta of 1.3. We will continue to further refine our calculations for the weighted average beta of the portfolio.

Our opportunistic positions now represent approximately 17% of the portfolio. We define an opportunistic position as a position whose theses tend to have a shorter-term fundamental catalyst that will drive returns. Core positions on the other hand tend to be higher quality businesses that we would be comfortable holding on to for longer periods of time.

Portfolio Exposure vs. Benchmark





While historically we have felt that the SP500 provides an ample proxy to the market, because IAG is overexposed to smaller companies relative to the SP500 we have also added the Russell 2000 index as a benchmark for our returns.

IAG is still overexposed to micro and small cap stocks and underexposed to mega cap stocks compared to the SP500. IAG still believes that the best investment opportunities exist within the small cap space due to a variety of well researched factors.

Pitch Log Since March 2023 Meeting

Internal Pitches Since March 2023 Meeting				
	Company	Stage	Date	Analysts
1	LNA Sante SA	Initial Screen	3/29/2023	Sean Chen, Nihir Addla
2	Warner Bros. Discovery	Initial Screen	3/29/2023	Alice, Carol, Sherry, Nihir
3	Academy Sports Outdoors	Initial Screen	3/29/2023	Liam Cho
4	LNA Sante SA	First Update	4/5/2023	Sean Chen, Nihir Addla
5	Clear Channel Outdoor	First Update	4/5/2023	Karen Phua
6	GAP	Initial Screen	4/5/2023	Sean Chen, Pravar Jain
7	Air Lease	Initial Screen	4/5/2023	Jash Bhatia
8	LNA Sante SA	Second Update + DA	4/7/2023	Sean Chen, Nihir Addla
9	Academy Sports Outdoors	First Update	4/7/2023	Liam Cho, Claire Luo
10	HLS Therapeutics	Initial Screen	4/7/2023	Sherry Hu

Active Pipeline				
	Company	Stage	Date	Analysts
1	Digital Turbine	Initial Screen	2/1/2023	Winston Yin
2	Academy Sports Outdoors	Initial Screen	3/29/2023	Liam Cho, Claire Luo
3	GAP	Initial Screen	4/5/2023	Sean Chen, Pravar Jain
4	HLS Therapeutics	Initial Screen	4/7/2023	Sherry Hu

Oversight Meeting				
	Company	Stage	Date	Analysts
1	LNA Sante SA	Second Update + DA	4/7/2023	Sean Chen, Nihir Addla

III. Key Holdings Update

Portfolio Updates Since March 2023 Meeting

Company	Ticker	Update
3U Group **Share Price: $5.84** **PT: $6.93**	UUU	We suggest holding 3U with a price target of 6.38 euros, representing a 19% upside. At the time of pitching the company, 3U was in a very interesting position, trading at a negative enterprise value. This was due to their recent sale of a subsidiary for around 190 million euros, which was greater than their market cap of 160-170 million euros. We believed that the market lacked confidence in management's ability to allocate capital, resulting in the negative EV. However, after conducting deep due diligence into management and the potential business units for investment, we concluded that they could generate a minimum NPV of 0 with the cash on hand. Unfortunately, shortly before purchasing the stock, management announced a dividend of 120 million euros (75% of their market cap), causing the share price to rise by 10% to 5 euros. Despite this, we remain confident in our thesis and will continue to closely monitor the share price and any further announcements. Although a 19% upside may seem modest, our high degree of certainty in our forecasts means that a 19% margin of safety is all we need.
APi Group Corp **Share Price: $21.09** **PT: $31.20**	APG	We propose to hold our position in the APi Group. Since our purchase in 2019, the stock has increased ~46%. Moreover, not much has materially changed since our last update. For FY 2023, they are guiding Chubb's organic growth to be around 3%, which takes 5% of customer attrition into account from restructuring, and with that, net revenue is expected to range around $6.8 billion to $6.95 billion (3.7% - 6% growth YoY). The results for Q1 has not come out yet, but the management expects the net revenue to be $1.54 billion to $1.56 billion (4.6% - 6% growth YoY), which represents organic growth of 6% to 8%. Management is continuing its effort to integrate and restructure Chubb to bring synergies, which they estimate it to be around $100 million. In addition to integrating and restructuring Chubb, the management is also continuing its deleveraging effort to the target Net Debt/EBITDA range of 2 – 2.5x (expecting to achieve near year-end 2023), which will allow APi to produce generate substantial free cash flow. Looking at long term, our first thesis point on M&A still holds as there is an attractive market for M&A given that the industry is fragmented, and the management claims that they will allocate capital for M&A as well. We will monitor future earnings as the integration of Chubb plays out further, as well as leverage ratio for the financial health of the firm.
Berry Global Group Inc **Share Price: $58.06** **PT: $70.52**	BERY	We propose a hold on Berry Global. Our position in the company is down almost 6% from our last oversight meeting. Directly following the last meeting, Berry offered early tender for its first priority senior secured notes originally due in 2024, which could be the explanation behind the slight decline in the stock price. The stock has somewhat recovered from its dip, and we maintain conviction in the strength of Berry's business model. Berry recently launched a new drainable building wrap, which can be used for larger, commercial build sites. This is the first product of its kind designed for larger scale applications under Berry's portfolio of product offerings. Berry also benefits from its diverse line of existing products. Berry has specifically benefited from strong demand for packaging in the food service and hygiene segments, where many products are non-discretionary. We maintain our conviction in Berry Global as a strong core holding, and our price target remains at $70.52.
Builders FirstSource Inc **Share Price: $88.62** **PT: $97**	BLDR	We propose a hold on our stake in Builders FirstSource. Since our last meeting, the stock price has remained relatively stable around ~$86 per share, representing about 65% upside since we opened the position. Since the march meeting, there has been no news from the company or any earnings reports. The only major update has been the board of directors appointing a new CEO, Stephen Herron, the former Senior VP of operations. We remain confident in our theses and will keep looking forward to successful M&A Integration and any updates moving forward.

Portfolio Updates Since March 2023 Meeting

Company	Ticker	Update
Camtek Ltd. **Share Price: $26.11** **PT: $37.88**	**CAMT**	We still suggest a hold on our position in Camtek with a price target of $37.88 representing upside potential of 44%. In our last oversight update we spoke about the newly released full year 2022 numbers in which Camtek set record revenue and EBIT. Since March not much has changed for the company or its macro environment especially because of their highly diversified revenue base across multiple countries. Our thesis for the company remains the same and we believe that Camtek, if our belief on the importance of metrology for semiconductors is true and that China will be the next semiconductor superpower, will be a long-term compounded with the ability to generate a ROIC of upwards of 20% over the next decade.
Catapult Group International Ltd. **Share Price: $.69** **PT: $2.10**	**CAT**	We propose to continue our hold on Catapult Sports. Since our last meeting, the stock has ticked up to around $.69 cents per share, without any news coming from the company or financial updates. On the business side, we are continuing to look for improvements looking into long-term recurring contracts and connecting with their cross-selling platforms in big leagues like the NBA and NCAA. We look forward to any announcements from the company in the coming weeks to our next meeting.
Concrete Pumping Holdings Inc **Share Price: $6.68** **PT: $10.85**	**BBCP**	We propose to continue holding our position in BBCP. Our position is down 7.3% from our purchase at $7.08. Concrete Pumping Holdings reported a strong performance for the first quarter of fiscal year 2023. The company had a 10% increase in revenue to $93.6 million compared to the first quarter of fiscal year 2022, driven by strong growth in each of the company's segments. Gross profit increased by 7%, while income from operations increased by 27% and net income increased to $6.5 million compared to $1.2 million the previous quarter. Additionally, BBCP continued to expand its market share in the commercial and infrastructure end markets. The company also executed its M&A strategy acquiring the assets of Cherokee Pumping and Cherokee Materials for $6.3 million. The company expects continued strength in the commercial and infrastructure end markets, with potential opportunities in the residential end market. With double-digit top and bottom-line growth, expansion in every segment, and proactive M&A strategy, BBCP looks well positioned to continue delivering value to shareholders..
Embecta Corp **Share Price: $28.88** **PT: $40**	**EMBC**	We propose a hold on Embecta. It has been a very quiet last month as there have been no observable company developments since our last update, which was quite a rollercoaster. Embecta is down a few percentage points and is back at its purchase price. As a recap and as expected, margins were substantially impacted by the spin-off as the company can no longer utilize BD's resources, e.g. cannula. Hopefully, greater details on the patch pump will be announced on Embecta's next earnings call (Q2) next month which will provide more visibility into its launch expectation date. We remain bullish on its medium-longer-term prospects as it continues to produce cash in a relatively stable competitive landscape and is cementing its position as a durable standalone entity.
Exelon Corp	EXC	We propose holding our position in Exelon. Exelon's stock has increased in line with the market along with peers since our last update. There have not been any significant developments in the utilities industry or with Exelon specifically. Exelon continues to have good relations with PUCs and other regulators and continues to increase its authorized ROE and rate base across its plants. We are also confident that Exelon is a top-of-the line pureplay utilities player due to its favorable geographic positioning and historical performance. The necessity for improved transmission and distribution lines is a longer-term growth driver, especially in the Northeast and Midwest. We believe that Exelon is a great hold in the utilities industry and a strong defensive position in our portfolio.

Portfolio Updates Since March 2023 Meeting

Company	Ticker	Update
Flex Ltd. **Share Price: $** **PT: $21.56**	**FLEX**	We propose a hold on Flex. Since our last update, Flex's stock price is flat. Since the major spin-off announcement last update, there are no new company-specific developments. NEXTracker, which Flex retains a >50% ownership share, has soared to record highs since the IPO and is now worth roughly $4.7B; it has solidified itself as the market leader in the solar tracker space. We are currently awaiting news regarding the cash allocation strategy from the spin-off. It is likely that Flex will pursue buybacks based on past management comments which we believe could allow for greater value realization. Flex continues to weather the supply chain storm and we remain confident in their ability to improve margins.
HCA Healthcare Inc **Share Price: $271** **PT: $278**	**HCA**	We propose a hold on our HCA position with a $278 price target. HCA is currently experiencing positive volume results, lined up with reports of lower acuity, while noting headwinds to pricing and inflation pressure on labor and other operating expenses. HCA saw a sequential increase in contract labor spending recently, driven by higher utilization given the seasonality of demand. Of the three original thesis — consolidation of core cities, superior mix of geographic locations, and acquisitions of surgical and physician operations — all are still intact. HCA continues to be best-in-class in terms of staffing against acute peers and staffing. Management has made continued investments in staffing, with labor trackers showing HCA had nearly 8,000 open positions in August 2022, and this has declined by 15% in January. HCA also announced HCA Healthcare Foundation Grants to promote access to more healthcare careers, feeding into the strong employment pipeline HCA has. While HCA has not announced any new acquisitions in the most recent quarter, continued support from new graduates with the Galen Nursing School should also weather labor cost challenges.
JD.com Inc ADR **Share Price: $39.97** **PT: $79.01**	**JD**	We still propose a hold on JD.com and maintain a price target of $79, compared to the current stock price of approximately $40. JD has not yet released its Q1 2022 earnings, and therefore there are no significant updates on the company's financial performance. Our thesis on JD.com remains the same as before; we believe that because JD.com is a pure-play e-commerce company similar to Amazon's distribution business, there is a very low likelihood that it will be regulated by the Chinese government. Additionally, in a time where conflicts between US and Chinese companies are rising (semiconductors, TikTok, etc.), JD.com being a company that only sells to Chinese consumers means there is no regulatory risk from the US government. Lastly, JD.com is run by Richard Liu, a superstar CEO and investor with a strong understanding of long-term value creation. He is often compared to Jeff Bezos. Similar to many of our other investments, JD.com is a strong long-term compounder and is one of the best businesses currently in the Chinese market.
Joyce Corporation **Share Price: $2.97** **Price Target: $4.54**	**JYC**	Our last update on Joyce Corporation focused on the half year 2023 earnings report in which Joyce surpassed all of our expectations in terms of store growth, same store sales growth, and margins for both their kitchen renovation business and their retail mattress franchise. Since purchasing Joyce in late last year, the stock is down approximately 20%. However, we are not in any way concerned with this fall in price as our view on the quality of Joyce Corporation and its management remains as optimistic as ever. To give you an idea for why we are so optimistic on Joyce let me give you their current financial position. Joyce has a market cap of 84 million AUD. However, they have a net cash position of around 16 million giving them an EV of 68 million AUD. Their kitchen renovation business KWB generates Joyce shareholders' EBIT of around 8 million per year which has been growing for 8 consecutive years since the founding of the business. In addition, we believe that KWB can double their store footprint in Australia while still maintaining their high ROIC. Joyce also has their mattress franchise and retail locations which combined generate a highly consistent EBIT of 4.7 million. This means that the combined Joyce operations generate EBIT of approximately 12 million putting the LTM EV/EBIT multiple at less than 6x. This combined with the conservative capital allocation strategy of management and their excellence in operations make us very confident in Joyce Corporation in the long term. Our updated valuation for Joyce Corporation values the company at an equity value of 128 million AUD representing 53% upside.

Portfolio Updates Since March 2023 Meeting

Company	Ticker	Update
Methode Electronics Inc. **Share Price: $41.70** **PT: $50.11**	**MEI**	We propose a hold on Methode Electronics at $41.70. The new targeted price is $50.11, with a targeted upside of 20%. Since our last update, MEI released Q3 2023 earnings, unfortunately missing projections: MEI earnings came in at an EPS of $0.54 per share, which is 23% lower than market estimates of $0.70 per share. Revenues were down at $280.1 M, a 3.94% decrease in revenues from the year-ago report and is 4.34% lower than consensus estimates set at $292.8 million, partially due to an unfavorable foreign currency impact of $13.0 million (sales were up 3.8% compared to same quarter in 2022 excluding this impact). This earnings miss is concerning because it signals that the firm has been unable to reduce costs (largely attributable to inflationary pressures on material and other manufacturing costs), seeing its profit margin decrease. Q3 sales were particularly hurt by ongoing GM legacy product roll-off and decline in autos and softness in appliances and data centers in China, with legacy GM platform headwind likely to continue weighing on auto sales for the rest of 2023. That being said, we continue to believe that revenue and gross margin impacts will subside in the long run. Inflationary pressures and supply chain headwinds will likely reduce after 2023. Further organic growth upside will be generated by our original thesis point: the diversification of the company from reliance on its automotive segment (the industrial segment continued to grow this quarter and has shown resilient demand throughout the pandemic). The company is still moving forward with its +20 planned new program launches in 2024. Its accelerating EV wins and shift towards margin accretive power distribution products should offset the margin dilutive legacy automotive segment in the next few years. Even then, we continue to believe that MEI stands differentiated from other automotive providers as its evolving product mix, offering more specialized, less competitive products. Recently, MEI has launched a public tender offer for Nordic Lights Group, helping the company expand its reach into high-quality lighting solutions and heavy-duty equipment.
Monster Beverage Corp **Share Price: $52.35** **PT: $60**	**MNST**	We propose to hold Monster Beverage with a price target of $60. Although there hasn't been any operational changes to the business or earnings calls since the previous board meeting, Monster's 2-for-1 stock split had been realized, and the stock price remained essentially unchanged since the last update. Our original thesis relied on Monster's ability to recover from macro headwinds and execute on its international expansion strategy, both of which are currently well underway. Management already saw improvements in margin contraction by reducing reliance on imported aluminum, with Monster's international strategy gaining traction as the brand entered more eastern European markets. Their partnership with Coca-Cola also continues to provide a hedge against downside cases. We believe our core thesis still holds and are confident in the fundamentals of the business.
Palo Alto Networks	**PANW**	We propose a hold on Palo Alto Networks. Since our purchase at $80.17 per share, our position has grown 139.4%. The company has not released new financial results since our last meeting. The company has been increasing its focus on the rapidly growing AI space. The company's Q2 earnings release showcased its strong performance and successful execution of its strategy in the cybersecurity market. PANW grew its number of >10M deals by 144% YoY in Q2 and secured significant contracts including an 8-figure deal with a financial services firm for cloud transformation and a high 7-figure SOC Transformation deal with a retail firm. For the fiscal year 2023, the company updated its guidance, expecting total revenue in the range of $6.85 billion to $6.91 billion, representing YoY growth between 25% and 26%, and a diluted non-GAAP net income per share in the range of $3.97 to $4.03. Overall, we remain confident in our initial thesis and look forward to the Q3 results.
Restoration Hardware **Share Price: $241** **PT: $284**	**RH**	We propose a hold on RH, with our position down 16% since the last oversight meeting. The company has since reported its Q4 and FY 2022 earnings. Quarterly revenues were down about 14% from the previous year, and EBIT margins are down 48%. RH is now struggling with very high levels of inventory, mostly due to the company's continued commitment to not discount merchandise. RH is particularly struggling with a dramatic decline in luxury home sales, which serves partially as an indicator for future sales. Management has decreased guidance for the earlier part of 2023, which places the new estimates far below original analyst expectations. Despite current economic headwinds, we believe that RH can still execute on its expansion into Europe and its overall shift to be more of a luxury lifestyle brand, and we will continue to monitor the situation. Our update price target is $284.

Portfolio Updates Since March 2023 Meeting

Company	Ticker	Update
Rimini Street **Share Price: $4.11** **PT: $7.25**	**RMNI**	We propose a hold on Rimini Street. Since our previous meeting, where the company reported a blowout quarter that provided significant validation to our investment thesis, RMNI stock has declined ~20%, but we believe that the trade-down has nothing to do with the fundamentals of the business and is most likely the product of a higher level of volatility in the broader market. There have been no negative read-throughs for the business from any of the major macro events that have occurred in the last month, and the company's growth trajectory appears to be on track to accelerate in the next three quarters of the year. A positive leading indicator of a strong performance in FQ1 2023 would be the announcement of 3 deals totaling an estimated $40mm in TCV over the last month with Daekyo, GE Lighting, and Clifford Hallam Healthcare. In a three-month quarter, this would imply run-rate billings in announced deals of ~$120mm, which would exceed quarterly guidance of $105mm without counting unannounced deals. These deals should provide us with a strong margin of safety on FQ1 2023 billings, and we look forward to seeing our investment thesis of a salesforce restructuring, focus on IT services optimization, as well as an alleviation of legal issues playing out in the months to come.
Sea Ltd. **Share Price: $83.53** **PT: $167**	**SE**	We propose a hold in our position in Sea. On the date of our last oversight meeting, Sea released their 4Q 22 and full year results. The earnings call was incredibly positive. The company was able to decrease Sales & Marketing spend by 50% while increasing take rates from 10.1% to 11.7%. At the same time, Shopee was able to expand its market share by about 100 bps in the core markets of Malaysia, Singapore, Philippines, and Indonesia. Due to these factors, Shopee was able to generate $195m in EBITDA while street estimates were for it to lose $400m in EBITDA. This also means that Shopee was able to be EBITDA positive a full year ahead of management's original guidance, calling into question whether Shopee can hit its self-sustainability target (the point where it is no longer reliant on cash flows from Garena), earlier than Management's guidance of 2025. Additionally, our thesis on Brazil seems to be playing out as well, as Brazil contribution margin loss per order was cut by 54% QoQ. There are several things we should continue to monitory closely however -- namely that orders were down QoQ, there appears to be increasing competition in SE Asia (we still believe that Shopee is the best platform available to consumers), and new proposals by the Brazilian government to increase cross-border e-commerce taxes. PT $167.
Sonic Automotive Inc **Share Price: $50.98** **PT: $76**	**SAH**	Our recommendation for Sonic this cycle is to maintain a hold, with a target price of $76. Despite no significant changes since the last update, we continue to view this position as a longer-term hold, with the profitability of Echo Park's used-car segment being a key driver. While expectations for profitability have been pushed out to early 2024 due to market fluctuations, we remain optimistic about Sonic's investments in infrastructure to take advantage of market normalization.
Thryv Holdings Inc **Share Price: $22.65** **PT: $36**	**THRY**	Our recommendation for Thryv is to maintain its current price target of $36, as we have not received any fundamental updates on the business since the release of Q4 22' earnings in the last cycle. The company continues to show double-digit growth in ARPU and new subscribers, as well as success in cross-selling the existing yellow-pages customer base to the SaaS segment. We are particularly impressed with Thryv's strategy to increase ARPU through the rebalance of its software segment. By phasing out freemium customers, the company has successfully identified a customer base willing to pay for the full suite of Thryv services. While we may be too conservative in our estimates of the legacy yellow-pages business, which is declining at a slower rate than initially forecasted, we prefer to maintain our current estimates rather than be overly aggressive. After all, this segment is ultimately a "melting ice-cube." Overall, we remain positive on Thryv's prospects for the future.

Portfolio Updates Since March 2023 Meeting

Company	Ticker	Update
TransDigm Group **Share Price: $733** **PT: $790**	TDG	We propose a hold on TDG. There have been no changes since the last oversight meeting. The company remains on track to meet projections for 50% EBITDA margins and a recovery in supply chain disruptions. The stock price is near our target and the stock has rallied 30%+ since we doubled down as credit concerns have faded.
United Rentals **Share Price: $365** **PT: $630**	URI	We would like to propose holding our stake in United Rentals (URI) at $355.27. The updated price target is $629.74 (a targeted upside of 77%). There has not been much news since our last update. The stock price did see a reduction (at our last update in March the price was $479.57) but that is not due to a defined event: no earnings miss, no large announcements from the company. A possible explanation was provided by Baird analysts, who downgraded both Caterpillar (Buy to Neutral) and URI (Neutral to Underperform), citing general risks for the rental/construction equipment manufacturing industry going forward. The analysts cited tight equipment supply/demand balance underpinning the 2022/1H23 results as concerning, as they believe as equipment supply increases, demand will eventually slow. Baird is concerned that full impact on 2024 earnings cannot be measured as utilization, pricing, equipment, and rental margins coming under pressure. Regardless, we do not believe this decrease in share price should concern us. As stated in my last update, we continue to see our thesis points play out with this company: The company continues to delever, now at a leverage ratio of 2.0x, compared to 2.2x at the end of 2021. Specialty rentals continue to increase and diversify the company's offerings, reducing its reliance on the rental segment only. In addition, as indicated by the Baird downgrade, some investors in the market continue to move URI and CAT simultaneously and group the two companies together despite the objectively better business model URI has as outlined in our original thesis point (URI's EV/EBITDA multiple still at a discount compared to CAT). Overall, short term macroeconomic headwinds throwing off supply and demand balance is not a reflection of our continual belief in the strength of the business.
Willis Towers Watson PLC	WTW	We propose a hold on Willis Tower Watson. The company has shown strong progress on turnaround initiatives and there has been a material improvement in WTW fundamentals. Margin expansion is set to continue as transformation initiative takes hold, talent re-vamp slows down, and operating leverage returns. We see WTW achieving the high end of its 2024 adj. operating margin range of 23-24%. The cost savings from the transformation program are highly likely and the shift to more opportunistic hiring will further improve margins. WTW has now reported two quarters of 5%+ organic growth, meeting our thesis expectations. With accelerating contributions from significant talent investments made in 2022, growth continues to have strong runway.
ZTO Express (Cayman) Inc ADR		We propose a hold in ZTO. Since our last meeting, ZTO reported Q4 and full year earnings results. The company delivered net profit growth of 25% YoY in Q4 and managed to increase parcel delivery at above market rates to expand its market share to 21.6% despite the very difficult macro conditions affecting the Chinese economy this year. ASPs continued to increase 4.7%, and our theses of recovering ASPs post government intervention to alleviate the pricing war has largely been recognized by the market now. Our other points still continue to play out. We see that industry capex spending as flatlined, supporting our view that as Chinese logistics companies are cutting capex to improve FCF returns, ZTOs advantage of having the largest network will be further entrenched. As asset utilization increases, ZTO should achieve some operating leverage on its fixed assets, resulting in better margins. We saw this play out as network transit costs fell by 80 bps while line-haul transportation costs fell by 250 bps.

IV. New Position Proposals

LNA Santé SA. (EPA: LNA)

Over-sold, high quality French nursing home operator at an attractive price

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Price Target: €53.5

April 10th, 2023

Company Overview:

LNA Sante is a French company that operates nursing homes and health complexes for the elderly. These care facilities' services support elderly people across the spectrum of dependency. They primarily operate in France but also have facilities in both Poland and Belgium. LNA's founder, JP Siret was the CEO and chairman till 2022, when his son, the then COO, became CEO. The founding family owns ~31% of the shares outstanding. LNA has 3 operating segments, EHPAD, SMR/PSY and HAD. Accommodation establishments for the Dependent Elderly (EHPAD ~44% of revenue) provide full-time and temporary accommodation for elderly people and has specific facilities for those with Alzheimer's. LNA's Medical Rehabilitation/Psychiatric and Surgery segment (SMR/PSY ~45% of revenue) offers care solutions to those who have been hospitalised for an extended period of time and wish to regain autonomy, this is only accessible through a doctor's referral or self judgement that critical care is necessary. Home Hospitalisation (HAD ~10% of revenue) allows patients to receive care while at home, primarily undertaken as per a doctor's recommendation. LNA also has a real estate segment (~8% of revenue) as LNA purchases, re-develops sells the property to a private investor who in return lease the property back to LNA. LNA sells these properties at cost and conducts their operations in this manner such that they can be more focused on providing high quality care.

Industry Overview:

The European nursing home industry is highly fragmented and regulated. Pricing and licenses for new facilities are controlled by the government. The industry will also benefit from TAM tailwinds which should bolster future demand. The nature of these TAM tailwinds is twofold. On one hand, the share of elderly in the EU is expected to amount to 55% of the youth and working-age population by 2050 vs. 32% currently. Moreover, life expectancy in the EU has increased by 3.5 years between 1997 and 2012, meaning that people are increasingly susceptive to chronic diseases. The industry is incredibly fragmented. To illustrate this point, Orpea was the largest nursing home operator in Europe in 2021 yet only had 5% market share. Such a fragmented industry is ripe for consolidated, especially considering the number of licenses being fixed making it hard to open new facilities. LNA guides for 8% forward revenue growth, 2% of which comes from inorganic growth. The distribution private, non-profit and public nursing homes in LNA's key markets is shown in figure 1.

Situation Overview:

On the 26th of January 2022, a book titled 'Les Fossoyeurs' (The Gravediggers) was released. This book conducted an independent investigation on Orpea, the largest (€5.89B Mkt Cap) of the three public French nursing home companies (the other two being LNA and Korian), accusing them of grossly mistreating their patients. This mistreatment includes feeding patients on one euro's worth of food a day, a lack of sanitary products and an unhygienic environment with human waste on the floor and walls. Not only is Orpea's occupancy rate at ~80% (90+ is considered healthy) but they've also lost ~300 mm Euros on an LTM basis. The market reacted extremely negatively to the book's release, with the price reaction for all three nursing homes shown in figure 2.

Key Ratios and Statistics (€M):

Price Target	**€53.5**
Upside	**67.1%**
Share Price (4/10)	€32.00
Market Cap	€336
Enterprise Value	€1145
52-Week Low	€24.55
52-Week High	€39.15

Price Action

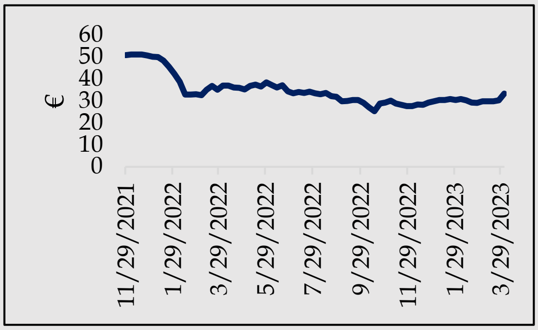


Figure 1. Breakdown of LNA's key geographies

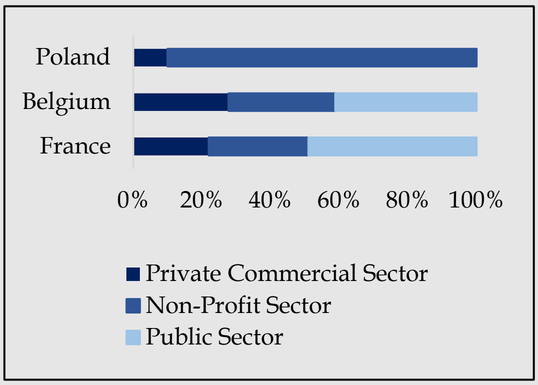
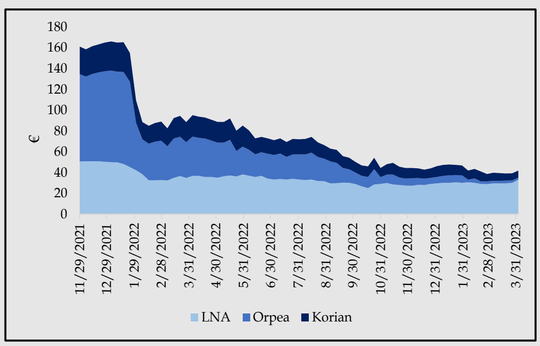


Figure 2. LNA, KORI and ORP post book release



Situation Overview Continued:

LNA has consistently beaten earning alongside management expectations and occupancy rates have recovered to pre-covid levels. To put numbers to how the market views the company, we ran a reverse DCF assuming a 9% discount rate and a 2% perpetuity growth rate. The results are shown in Figure 3. The market is pricing in a decrease in topline at lower than historical margins. Based on the theses discussed below, we believe management's target of 6% organic topline growth and stable operating margins to be a more accurate reflection as to how the business will perform.

Investment Theses:

I. The market's reaction to Les Fossoyeurs is unwarranted given LNA's high quality of service. We believe LNA's quality of service is substantially higher than Orpea or Korian's, as evidenced by aggregated reviews online and unmatched occupancy rate recovery. While reviews online are not always the most reliable source in determining consumer sentiment. We found over 1,400 reviews of LNA online on an independent source, 97% of which were positive. Our research showed that the negative reviews were idiosyncratic in nature and not representative of the LNA experience.

Moreover, occupancy has recovered to pre-covid levels while those of Orpea and Korian have not, as shown in figure 5. This is the strongest argument to suggest that LNA's quality of service is higher than peers, as it is representative of the fact that elderly people willingly went back to LNA's facilities. LNA is also the only one of the three public operators that has not been through a scandal while Korian has had multiple worker strikes and is currently being sued for manslaughter towards 30 of its patients. Les Fossoyeurs also makes extended references to the similarities of Korian and Orpea, while the only mention of LNA is a positive example.

We didn't have the opportunity to speak to management or customers personally, but we were able to speak to a hedge fund, Palm Harbor Capital, who had spoken to industry professionals, customers and management. They confirmed our beliefs that service was high quality and that LNA had a favorable reputation throughout the industry. Regulation in this space serve to favour incumbents as it hurts smaller players more and it allows quality players like LNA to capture market share.

We believe that LNA's service quality will translate to strong top-line growth and consistent margins going forward. Given the industry fragmentation and tailwinds, LNA's top-tier service will attract new patients and win patients from other providers. Continued strength in occupancy rates will allow LNA to open new facilities, expand the number of beds to fulfill demand and keep consistent pricing. We project the number of beds to increase in line with management expectations, which we deem as conservative given LNA's outperformance. Alongside the increase in bed number, we anticipate steady Revenue per bed and EBITDA per cruising bed given pricing regulations.

On a normalized basis LNA has been able to grow the number of cruising speed beds by ~500 beds per year through both location openings, acquisitions and bed restructurings. LNA has a strong growth runway with 1000 beds under restructuring and 900 projected to be installed over the next three years, which gives us comfort in our model of adding between 450-500 cruising speed beds per year.

Additionally, keeping occupancy rates above 95% allows LNA to keep pricing consistent and in line with pricing allocated by the French budget. Stable pricing gives us conviction on our Revenue and EBITDA per bed number, which ultimately translates to stable margins going forward.

Figure 3. Key results of Reverse DCF

	2023	2024	2025	2026	2027
Revenue	680.9	636.6	595.2	556.5	520.4
YoY Growth %	-6.5%	-6.5%	-6.5%	-6.5%	-6.5%
EBIT	47.7	44.6	41.7	39.0	36.4
Margin %	7%	7%	7%	7%	7%
FCF	103.8	100.9	94.4	88.2	82.5

Assumed WACC	9.0%
Perp Growth Rate	2.0%

Figure 4. Aggregated Online Reviews

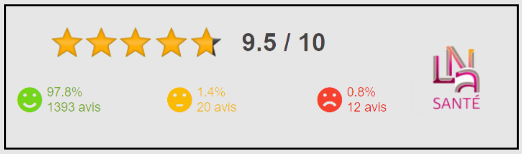


Figure 5. Post-Covid Occupancy Rates

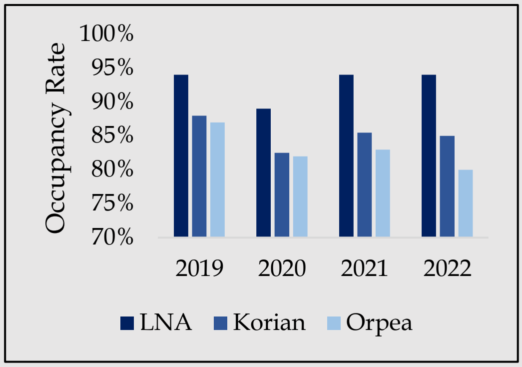
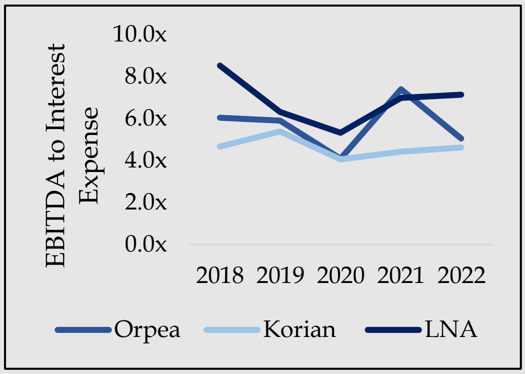


Figure 6. LNA's leverage compared to peers



II. LNA's approach to real estate development insulates them from macro headwinds and reduces operating costs. A key difference between the way LNA, Korian and Orpea operate lies in their approach to property ownership. Orpea owns ~40% of their properties, Korian owns ~14% of their properties and LNA doesn't own any properties. LNA either constructs the facility, acquires a smaller player or purchases a public facility from the government, it then renovates it and sells it at cost to Fidexi, a real estate operator specialising in healthcare. LNA then leases back the property from Fidexi and conducts its operations. Fidexi has been LNA's exclusive partner for this sale-leaseback structure and has expressed no intention to alter this joint venture.

Part of LNA's business plan is to spend little effort on the property development side. Orpea and Korian generate a lot of revenue from its real estate operations by selling properties at premium prices compared to the cost of acquisition. However, LNA is primarily focused on its core operations. LNA sells its properties at cost to Fidexi and is able to lease them back at favorable prices compared to industry peers.

The primary benefit of this, as per management commentary, is that LNA isn't as levered as it's competition, as shown in figure 6, and can focus more so on the quality of its operations rather than worrying about selling their real estate at a profit. LNA also doesn't have to squeeze margins to cover their debt load, allowing them to provide a consistently high level of service. Debt has been a major driver of difficulty within the industry, as another large part of the reason Orpea's stock has dropped significantly has been them beginning restructuring of their €9.5B debt pile. Korian too has significant upcoming debt maturities (FY23 €900mm & FY24 €800mm).

Risks:

1.) **Labour costs rise faster than tariffs and the rate at which prices are allowed to increase.** There could be a lag between these two factors which could lead to compressed margins. This should not be a concern in the long-term, however.

2.) **Leftist French Government could impose harmful legislation or nationalise nursing homes.** This isn't something we can predict or foresee happening, but extreme regulation would hurt the private nursing home market significantly.

Catalysts:

1.) **Continued expectations beat.** If LNA continues to beat their self-set expectations for topline growth, then this should signal to the public that their sustained occupancy rate, a key driver of topline growth, stems from their service quality.

2.) **Accelerated buyback program.** Management has been buying back shares since the stock dipped below €52. We project that they'll have enough FCF to purchase over a third of their free-float.

Model Assumptions:

1.) **Topline.** We project that LNA will continue to add beds according to management guidance, while keeping pricing flat as this is indicative of French government budget allocation. The addition of new beds is from a combination of two new facilities that will be open alongside the completion of old beds that were renovated. Management has indicated that there are 1000 new beds that will be restructured to "cruising speed" (full operational capabilities) and 900 new beds that are added from the facility openings. LNA is consistently able to achieve 2% revenue increase from M&A, however given uncertainty in multiples we have decided to remain conservative and exclude this from our modeling.

2.) **Margins.** We project that only beds that have reached "cruising speed" (full operational capabilities) will be able to generate EBITDA. We used historical EBITDA margins for each segment to calculate EBITDA per bed and forecast this to be constant going forwards. Going with these assumptions, we backed out staffing costs, which increase at a healthy 2% per year on the per staff level. We have kept leasing rates constant as we are favorable on LNA's sale-lease back operation, which is beneficial to keeping LNA's leasing costs as low as possible.

Operating Build:

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
EPHAD Segment (€mm)											
Number of Beds	4375	4433	4588	4433	4655	4655	4763.8	4872.5	4981.3	5090.0	5198.8
New Beds		58	155	-155	222	0	108.8	108.8	108.8	108.8	108.8
Beds at cruising speed	3982	4124	4232	4124	4478	4498	4463	4565	4667	4769	4871
% Beds at cruising speed	91.0%	93.0%	92.2%	93.0%	96.2%	96.6%	93.7%	93.7%	93.7%	93.7%	93.7%
Revenue Per Bed	$51.2	$52.4	$52.0	$55.7	$55.0	$57.9	$60.0	$60.0	$60.0	$60.0	$60.0
Revenue Per Bed at cruising speed	$56.3	$56.4	$56.3	$59.8	$57.1	$60.0	$60.0	$60.0	$60.0	$60.0	$60.0
EBITDA per bed at cruising speed			$13.8	$14.2	$13.7	$14.9	$14.9	$14.8	$14.8	$14.7	$14.6
Total Revenue	**224**	**232**	**238**	**247**	**256**	**270**	**286**	**292**	**299**	**305**	**312**
Y/Y growth		3.7%	2.5%	3.5%	3.7%	5.4%	6.0%	2.3%	2.2%	2.2%	2.1%
Total EBITDA	**0**	**0**	**58**	**59**	**61**	**67**	**66.5**	**67.6**	**69.1**	**70.1**	**71.1**
EBITDA Margin	0.0%	0.0%	24.5%	23.8%	24.0%	24.8%	23.3%	23.1%	23.1%	23.0%	22.8%
HAD Segment (€mm)											
Number of Beds	448	473	473	473	610	735	793.0	851.0	909.0	967.0	1025.0
New Beds		25	0	0	137	125	58.0	58.0	58.0	58.0	58.0
Beds at cruising speed	368	423	423	423	580	635	703	754	806	857	909
% Beds at cruising speed	82.1%	89.4%	89.4%	89.4%	95.1%	86.4%	88.7%	88.7%	88.7%	88.7%	88.7%
Revenue Per Bed	$76.6	$81.4	$95.6	$112.5	$105.6	$101.4	$104.0	$103.7	$103.5	$103.4	$103.3
Revenue Per Bed at cruising speed	$93.2	$91.0	$106.9	$125.8	$111.0	$117.3	$117.3	$117.0	$116.8	$116.6	$116.5
EBITDA per bed at cruising speed			$21.4	$23.3	$18.9	$19.9	$20.0	$21.0	$22.0	$21.0	$20.0
Total Revenue	**34**	**39**	**45**	**53**	**64**	**75**	**82**	**88**	**94**	**100**	**106**
Y/Y growth		12.2%	17.4%	17.7%	21.1%	15.7%	10.7%	7.0%	6.6%	6.2%	5.9%
Total EBITDA	**0**	**0**	**9**	**10**	**11**	**13**	**14.1**	**15.8**	**17.7**	**18.0**	**18.2**
EBITDA Margin	0.0%	0.0%	20.0%	18.5%	17.0%	17.0%	17.1%	17.9%	18.8%	18.0%	17.2%
SMR/PSY Segment (€mm)											
Number of Beds	1752	1979	2462	2789	3479	3320	3751.8	4183.5	4615.3	5047.0	5478.8
New Beds		227	483	327	690	-159	431.8	431.8	431.8	431.8	431.8
Beds at cruising speed	1258	1417	1831	2436	2688	2688	2897	3231	3564	3898	4231
% Beds at cruising speed	71.8%	71.6%	74.4%	87.3%	77.3%	81.0%	77.2%	77.2%	77.2%	77.2%	77.2%
Revenue Per Bed	$72.4	$69.1	$64.8	$68.8	$81.5	$89.8					
Revenue Per Bed at cruising speed	$100.9	$96.5	$87.1	$78.8	$105.5	$110.9	$110.0	$109.5	$109.0	$108.5	$108.0
EBITDA per bed at cruising speed	$0.0	$0.0	$17.4	$14.7	$17.9	$18.8	$18.8	$18.6	$18.5	$18.4	$18.4
Total Revenue	**127**	**137**	**160**	**192**	**284**	**298**	**319**	**354**	**388**	**423**	**457**
Y/Y growth		7.7%	16.7%	20.4%	47.7%	5.1%	6.9%	11.0%	9.8%	8.9%	8.1%
Total EBITDA	**0**	**0**	**32**	**36**	**48**	**51**	**54.5**	**60.1**	**65.9**	**71.7**	**77.8**
EBITDA Margin			20.0%	18.6%	17.0%	17.0%	17.1%	17.0%	17.0%	17.0%	17.0%
International (€mm)											
International Revenue	26.92	27.349	27.31	26.777	27.735	33.2	34.86	36.603	38.4332	40.3548	42.3725
y/y growth		1.6%	-0.1%	-2.0%	3.6%	19.7%	5.0%	5.0%	5.0%	5.0%	5.0%
International EBITDA	0.0	0.0	6.0	5.9	5.5	5.5	7.1	7.4	7.8	8.2	8.6
%margin	0	0	22.0%	22.2%	20.0%	16.7%	20.2%	20.2%	20.2%	20.2%	20.2%
Total (€mm)											
Total Revenue	**$412.3**	**$435.0**	**$470.4**	**$518.7**	**$631.5**	**$675.4**	**$721.8**	**$771.0**	**$819.9**	**$868.6**	**$917.1**
y/y growth		5.5%	8.1%	10.3%	21.7%	6.9%	6.9%	6.8%	6.3%	5.9%	5.6%
Purchases and external charges	(116.8)	(147.5)	(100.0)	(112.2)	(133.2)	(147.0)	(154.7)	(154.7)	(154.7)	(154.7)	(154.7)
%Revenue	28%	34%	21%	22%	21%	22%	21%	21%	21%	21%	21%
Staff Costs	(219.2)	(233.2)	(256.0)	(279.9)	(348.4)	(377.0)	(404.8)	(443.7)	(481.7)	(521.5)	(561.0)
Staff Number	6000	6200	6700	7500	8000	8900	8711	9271	9831	10392	10952
Staff/Beds	0.9	0.9	0.9	1.0	0.9	1.0	0.9	0.9	0.9	0.9	0.9
Implied Costs per Staff	37	35	35	34	35	39	46	48	49	50	51
y/y growth		-3%	-2%	-2%	2%	12%	19%	3%	2%	2%	2%
Other Expense			(9)	(17)	(24)	(16)	(20)	(22)	(23)	(24)	(26)
% Revenue			1.9%	3.2%	3.8%	2.3%	2.8%	2.8%	2.8%	2.8%	2.8%
EBITDA			**$105.4**	**$110.1**	**$126.1**	**$135.8**	**$142.1**	**$150.9**	**$160.5**	**$168.0**	**$175.7**
% Margin			22.4%	21.2%	20.0%	20.1%	19.7%	19.6%	19.6%	19.3%	19.2%

Valuation:

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Free Cash Flow Calculation											
Total Revenue	**$412.3**	**$435.0**	**$470.4**	**$518.7**	**$631.5**	**$675.4**	**$721.8**	**$771.0**	**$819.9**	**$868.6**	**$917.1**
y/y growth		5.5%	8.1%	10.3%	21.7%	6.9%	6.9%	6.8%	6.3%	5.9%	5.6%
EBITDAR Post IFRS	106.7	113	105.4	110.1	126.1	135.8	142.1	150.9	160.5	168.0	175.7
% Margin	25.9%	26.0%	22.4%	21.2%	20.0%	20.1%	19.7%	19.6%	19.6%	19.3%	19.2%
(-) Rent	(58.2)	(61.8)	(53.2)	(56.9)	(62.3)	(65.7)	(68.2)	(72.4)	(77.0)	(80.6)	(84.3)
% EBITDA	54.5%	54.7%	50.5%	51.7%	49.4%	48.4%	48.0%	48.0%	48.0%	48.0%	48.0%
EBITDA pre IFRS	**48.5**	**51.2**	**52.2**	**53.2**	**63.8**	**70.1**	**73.9**	**78.5**	**83.5**	**87.3**	**91.4**
%Margin	11.8%	11.8%	11.1%	10.3%	10.1%	10.4%	10.2%	10.2%	10.2%	10.1%	10.0%
(-) Interest	(6.0)	(6.4)	(4.5)	(6.1)	(5.2)	(4.3)	(4.4)	(4.4)	(4.4)	(4.4)	(4.4)
%Long Term Debt	3.2%	3.7%	2.6%	3.5%	2.3%	1.9%	2.0%	2.0%	2.0%	2.0%	2.0%
(-) Cash Tax	(7.0)	(8.3)	(8.3)	(10.2)	(11.0)	(13.7)	(25.6)	(27.2)	(28.9)	(30.2)	(31.6)
%EBITDA	14.4%	16.2%	15.9%	19.2%	17.2%	19.6%	18%	18%	18%	18%	18%
(-) CAPEX	(8.0)	(8.7)	(5.9)	(7.8)	(9.0)	(10.1)	(10.8)	(11.6)	(12.3)	(13.0)	(13.8)
% revenue	2%	2%	1%	2%	1%	2%	2%	2%	2%	2%	2%
LNA Reported FCF	**27.5**	**27.8**	**33.5**	**29.1**	**38.6**	**41.9**	**33.0**	**35.3**	**37.8**	**39.6**	**41.5**
(+) D+A Tax Shield	1.6	1.6	9.0	13.4	14.1	16.7	22.7	23.6	24.6	25.6	26.6
(-) Changes in NWC	(29.6)	2.7	(5.8)	(84.0)	46.8	13.0	5.3	1.2	1.3	1.3	1.4
UFCF	**(0.4)**	**32.1**	**36.7**	**(41.6)**	**99.5**	**71.6**	**61.0**	**60.1**	**63.7**	**66.5**	**69.5**
Discounted FCF							**56.0**	**50.6**	**49.2**	**47.1**	**45.2**

WACC for Nursing Homes	
Tax Rate	20.0%
Adj Risk Free Rate	2.20%
Un-levered Beta	0.71
Re-levered Beta	1.12
Market Risk Premium	6.79%
Cost of Equity	9.80%
Equity %	58.1%
Cost of Debt	5.00%
Debt %	41.9%
WACC	**7.8%**
Utilized WACC	**9.0%**
Perp Growth rate	**2.0%**

Capitalization Table	
Stock Price €	$32.0
DSO	10.7
Market Capitalisatio	342.4
Debt (+)	246.9
Company Value	589.3
Cash (-)	102.0
Enterprise Value	487.3

Exit Multiple Method	
Present Value of FCF	248.0
Exit Multiple	15x
Terminal Value	722
Discounted Terminal Value	469.6
Present Value	717.6
(-) Operating debt	(247)
(+) Cash	102.0
Equity Value	572.7
Diluted Shares Outstanding	10.7
Target Price	**$53.5**
Margin of Safety	**67.1%**

Gordon Growth Method	
Present Value of FCF	248.0
Perpetuity Growth Rate	2.0%
Terminal Value	658
Discounted Terminal Value	428
Present Value	675.7
(-) Operating debt	(247)
(+) Cash	102.0
Equity Value	530.8
Diluted Shares Outstanding	10.7
Target Price	**$49.6**
Margin of Safety	**54.9%**