STERN IAG

Board of Advisors Meeting

Dec 6th, 2021

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Letter from Portfolio Managers

Dear Board of Advisors,

We would like to start off our letter by thanking several of the members from our current Senior class who are graduating at the end of this semester. We want to thank Jaro van Diepen, Cody Fang, and Simran Korpal for their tireless commitment to the club over their past 4 years, and we wish them well as they move into the starts of their respective careers. We would also like to thank the current outgoing President and Vice President, Srikar Alluri and Simran Korpal, and welcome Achyut Seth and Sophie Pan, whom the club have recently elected to the roles, respectively.

Turning to the portfolio, the market has seen some major developments since our last meeting in November. Namely these include the recent volatility seen in the market from the new COVID variant Omicron, as well as the passage of the $1 trillion infrastructure bill in November. And underlying all of these new developments are the ongoing inflation fears (namely in labor and input costs), which have been heavily shaping the discussion being had by investors, particularly within the consumer sectors.

Overall, these events have caused us to reanalyze several of our position's current valuations. This can particularly be seen for our positions with exposure to the airline industry – namely TransDigm Group (TDG). This position – for example – has faced heavy selloffs over the past two weeks due to the broader market's excessive fears around the spread of the new Omicron variant, prompting us to recommend a double-down on the position. Because of our long-term oriented investment process, we are choosing to try and look beyond the recent short-term debates on the quarterly earnings impacts from such rising inflation. Instead, we continue to discuss, value, and analyze investment opportunities on the basis of their long-term sustainable cash flows.

Turning towards some of our work internally, we have had many fruitful discussions over the past several weeks and are happy to present the following investment recommendations to the Board:

1. Krispy Kreme Inc. (NASDAQ: DNUT) — a iconic American consumer brand with a new attractive hub and spoke model
2. Catapult Group Intl. Ltd. (ASX: CAT) — an early-stage sports analytics company undergoing a physical to SaaS transition

We have also internally begun drafting an end of year report for the Dean's office, where we will discuss our internal investment process and report the Fund's performance for the year. We hope to have the final document ready and sent out by mid-January.

This meeting marks the conclusion of IAG's Fall 2021 semester, and the start of our winter recess. We plan to resume our regular internal p-team meeting schedule at the end of January and will likely next meet with you all in mid-late February. Over this break, we will continue to work to monitor and cover our positions and alert the Board if any situation arises. Please feel free to reach out to either of us during this time with any feedback, questions, or clarifications which may arise. We look forward to seeing you all in 2022 and hope it will be better than 2021!

Best,

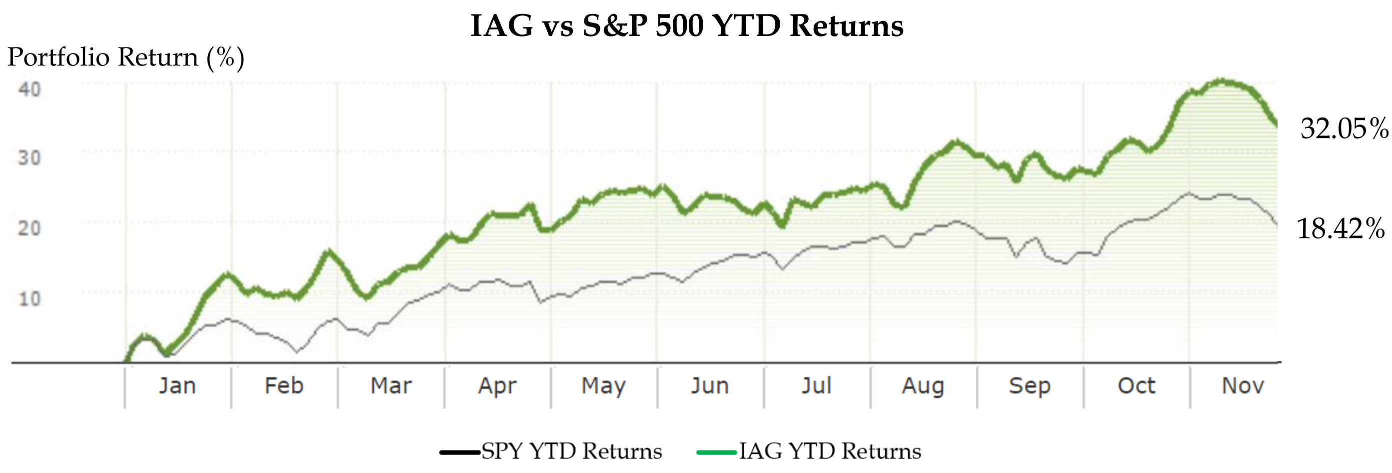
Caleb Nuttle & Tony Wang

Portfolio Managers

II. Performance Analysis

Holdings Summary *(as of Dec 3rd, 2021)*

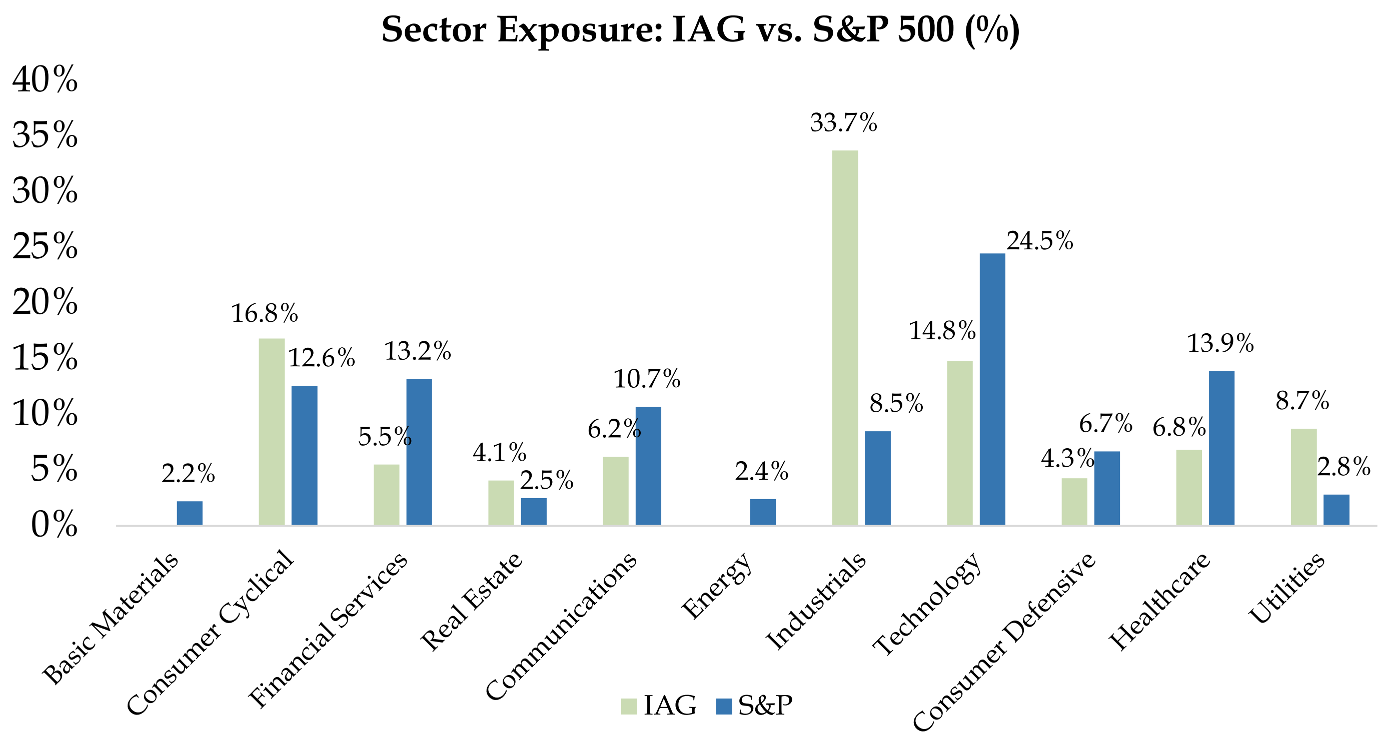
Current Holdings											
Company Name	Ticker	Coverage	Date of Purchase	% of Portfolio	Share Count	Price At Purchase	Share Price	Current Return	Morningstar Industry	Holding Type
Allison Transmission Holdings Inc	ALSN	Mikhail Talib	12/3/19	**2.2%**	50	$47.72	$36.02	**(24.5%)**	Consumer Cyclical	**Core**
APi Group Corp	APG	Srikar Alluri	9/24/20	**4.3%**	160	$14.29	$22.64	**58.4%**	Industrials	**Core**
Concrete Pumping Holdings Inc	BBCP	Alex Isaac	3/26/21	**2.9%**	300	$7.07	$8.07	**14.1%**	Industrials	**Core**
Berry Global Group Inc	BERY	Sophie Pan	12/2/20	**4.2%**	50	$54.60	$69.81	**27.9%**	Consumer Cyclical	**Core**
Builders FirstSource Inc	BLDR	Rahul Parikh	10/5/21	**6.7%**	80	$52.20	$70.56	**35.2%**	Industrials	**Core**
CVS Health Corp	CVS	Alice Yu	12/16/16	**2.2%**	20	$77.28	$90.45	**17.0%**	Healthcare	**Core**
Exelon Corp	EXC	Rhys Berezny	4/30/21	**4.4%**	70	$44.83	$52.43	**17.0%**	Utilities	**Oppt.**
FirstEnergy Corp	FE	Alex Isaac	10/29/19	**2.3%**	50	$45.66	$38.63	**(15.4%)**	Utilities	**Core**
Flex Ltd	FLEX	Rhys Berezny	10/5/21	**4.6%**	230	$17.88	$16.60	**(7.2%)**	Technology	**Core**
GXO Logistics Inc	GXO	Niranjan N.	8/2/21	**4.7%**	45	$32.21	$87.14	**170.5%**	Industrials	**Core**
HCA Healthcare Inc	HCA	Srikar Alluri	9/26/19	**5.2%**	19	$119.99	$228.85	**90.7%**	Healthcare	**Core**
Identiv Inc	INVE	Tony Wang	9/24/20	**10.5%**	400	$5.68	$22.06	**288.4%**	Technology	**Oppt.**
JD.com Inc ADR	JD	David Zhou	4/30/21	**3.7%**	40	$77.55	$77.25	**(0.4%)**	Consumer Cyclical	**Core**
Methode Electronics Inc	MEI	Achyut Seth	2/19/21	**4.3%**	80	$38.56	$44.93	**16.5%**	Technology	**Core**
Monster Beverage Corp	MNST	Achyut Seth	11/9/21	**4.1%**	41	$91.00	$83.48	**(8.3%)**	Consumer Defensive	**Core**
Office Properties Income Trust	OPI	Mikhail Talib	10/28/20	**3.6%**	130	$17.85	$23.52	**31.8%**	Real Estate	**Core**
Palo Alto Networks Inc	PANW	David Zhou	9/24/20	**6.2%**	10	$240.50	$520.84	**116.6%**	Technology	**Core**
Points International Ltd	PCOM	Tony Wang	10/28/20	**4.6%**	240	$10.01	$16.09	**60.7%**	Communications	**Oppt.**
TransDigm Group Inc	TDG	Sophie Pan	4/9/20	**2.1%**	3	$362.96	$578.00	**59.2%**	Industrials	**Core**
United Rentals Inc	URI	Caleb Nuttle	3/14/19	**5.5%**	14	$114.85	$329.50	**186.9%**	Industrials	**Core**
Willis Towers Watson PLC	WLTW	Mikhail Talib	11/9/21	**4.7%**	17	$231.70	$229.94	**(0.8%)**	Financial Services	**Core**
XPO Logistics Inc	XPO	Niranjan N.	10/20/19	**3.9%**	45	$42.87	$73.12	**70.6%**	Industrials	**Core**
ZTO Express (Cayman) Inc ADR	ZTO	David Zhou	3/14/19	**3.4%**	100	$19.43	$28.88	**48.6%**	Industrials	**Core**
Total Equity Holdings				**100.0%**			**$83,970.81**			
Cash				**0.0%**			**$0.00**			
Total Portfolio Holdings				**100.0%**			**$83,970.81**			

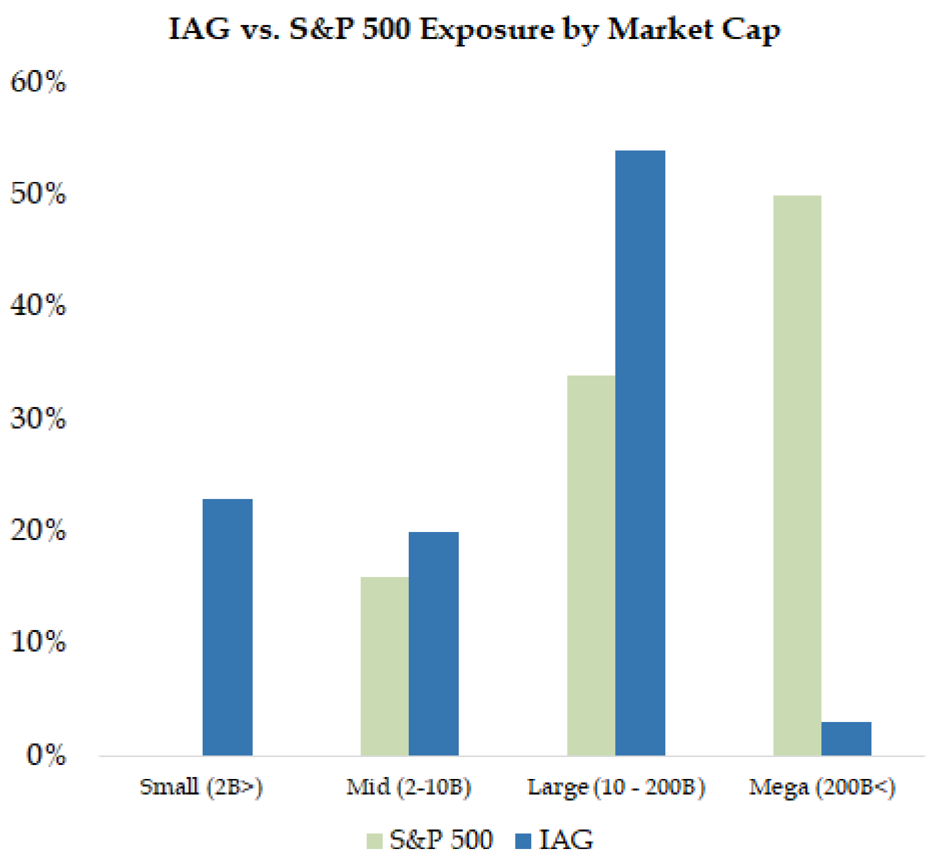


On a last twelve-month basis, **IAG's portfolio has returned 40.80%** while the S&P 500 returned 21.86%. Since the last oversight meeting, **the spread between IAG's portfolio and the S&P 500 widened from 14.28% (11/5/21) to 18.94% (12/3/21).**

Our opportunistic positions now represent ~15% of our portfolio which is in line with our expectations.

Portfolio Exposure vs. Benchmark





IAG continues to use the S&P 500 as the core benchmark as specified in the fund mandate. While our industrial exposure is still substantially overweight, the two proposed positions today will help improve the composition.

IAG continues to be underexposed to mega-cap positions, yet drastically overexposed to small-cap companies. We will continue to look at the mega cap space for potential opportunities but do not think that the underexposure poses a major issue.

Pitch Log Since Nov 2021 Meeting

Internal Pitches Since Nov 2021 Meeting

	Company	Stage	Date	Analysts
1	**Origin Materials**	**Quick Screen**	**11/11/21**	Cody Fang, Niranjan Narasimhan
2	**Catapult Group**	**Quick Screen**	**11/11/21**	Rahul Parikh
3	**U.S. Silica Holdings, Inc.**	**First Update**	**11/11/21**	Niranjan Narasimhan
4	**Oak Street Health**	**Devils Advocate**	**11/11/21**	Srikar Alluri
5	**FirstEnergy Corp.**	**Position Update**	**11/18/21**	Alex Isaac
6	**Allison Transmissions**	**Position Update**	**11/18/21**	Amy Chen, Cody Fang
7	**TransDigm Group Inc.**	**Position Update**	**11/18/21**	Tony Wang
8	**United Rentals Inc.**	**Position Update**	**11/18/21**	Caleb Nuttle
9	**Krispy Kreme, Inc.**	**Quick Screen**	**11/18/21**	Caleb Nuttle, Robert Eisenman
10	**Brown & Brown, Inc.**	**First Update**	**11/18/21**	Mikhail Talib, Winston Yin
11	**Oak Street Health**	**Second Update**	**11/18/21**	Sophie Pan
12	**Krispy Kreme, Inc.**	**Second Update**	**12/1/21**	Caleb Nuttle, Robert Eisenman
13	**Brown & Brown, Inc.**	**Second Update**	**12/1/21**	Mikhail Talib, Winston Yin

Active Pipeline

	Company	Stage	Date	Analysts
1	**U.S. Silica Holdings, Inc.**	**First Update**	**10/28/21**	Niranjan Narasimhan
2	**EchoStar Corp.**	**First Update**	**11/4/21**	Amy Chen
3	**Origin Materials**	**First Update**	**11/11/21**	Cody Fang, Niranjan Narasimhan
4	**Brown & Brown, Inc.**	**Second Update**	**12/1/21**	Mikhail Talib, Winston Yin

Oversight Meeting

	Company	Stage	Date	Analysts
1	**Krispy Kreme, Inc.**	**Second Update**	**12/1/21**	Caleb Nuttle, Robert Eisenman
2	**Catapult Group**	**First Update**	**12/1/21**	Rahul Parikh

III. Key Holdings Update

Portfolio Updates Since Nov 2021 Meeting

Company	Ticker	Update
Allison Transmissions	**ALSN**	We propose holding our stake in Allison Transmissions. Since purchasing ALSN in December 2019, our position is down 24%. The company continues to experience weakness in the North America on-highway market driven by raw material inflation and widespread industry supply chain issues. These issues may continue to affect Allison through 2022 and possibly even into 2023. However, it is important to note that there are built-in price escalators starting in 2022 with several major contracts, and the business is expecting to be able to pass on 100bps of commodity pricing in 2022. An industry headwind for Allison, and a risk in our analysis, is the shift to electric trucks and vehicles in the North American market. However, Allison recently partnered with Team de Rooy to develop an electric truck for motorsport competitions. While Team de Rooy is a relatively small client, this development shows that Allison realizes the shifting trend away from traditional ICEs and towards electric vehicles. Overall, our thesis remains intact, and the end market demand remains strong in the short and long term - boosted by increased demand for hydraulic fracking applications.
APi Group	**APG**	We would like to propose a hold on the API Group. Since inclusion in our portfolio, we have achieved a return of 70%. Our initial thesis involved the business doing larger M&A, the business trading in line with more of the fire safety providers rather than the project divisions comparable, and margin expansion from 10% to 12%. We have been able to fully realize the last two points as we have seen EBITDA Margins rise to 12%. We saw the business re-rate to roughly a 12x forward EBITDA. Looking forward we still do see upside with the investment. The business recently executed on their large M&A promise with Chubb, the fire safety business of Carrier Global. The division was a non-core asset of Carrier, and as a result the business had 9% EBITDA margins. The purchase price was $3.1 billion, and they received a preferred equity investment from Blackstone to help fund the acquisition. The acquisition immediately increased the fire safety segment to 70% of the business and gave the business a worldwide presence. I believe the multiple on the business should now trade at between 15-20x, which is in line with some of the smaller fire safety platforms. My original thesis had a more conservative multiple on the fire safety business, and looking back, the business is higher quality than some of the other fire safety players. The Chubb segment also has been traditionally neglected, thereby giving opportunity for management to work to expand margins to 12% or more. Moving towards the project-based construction side of the business, it has seen somewhat of a rebound and should benefit on the influx of infrastructure spending. The company reported backlogs in all three of their segments and they see emerging areas like data centers as promising.
Berry Global	**BERY**	We propose a hold in our stake in Berry Global. Since the last oversight meeting, Berry reported Q4 and full year earnings, with the most prominent figures being on leverage and growth. We have seen some of the thesis points materialize, including deleveraging after the RPC acquisition in late 2019 and Berry has reached ~3.8x leverage within 2 years after the deal closed, as management guided previously. Furthermore, we believe the attractiveness of the plastic packaging substrate is still intact - as evidenced by the 4% organic growth reported. Berry's free cash flow continues to outperform industry peers, with 13% CAGR and consistency being very attractive aspects to our investment. Again, we would like to highlight that the modest increase in costs is an industry-wide issue, and Berry has largely managed inflation with efficient cost recovery, at 92% in 4Q and 95% for FY21.
Builders FirstSource	**BLDR**	We propose a hold on Builders Firstsource. Since our last meeting, there are no updates within the business, but we are looking forward to housing start data that comes out around the 17th of December. We have updated our model to reflect the Q3 earnings that BLDR reported. The main changes were adjustments to SGA (significantly lower than projected as a result of cost leverage), and % growth in manufactured products (Growing 7% faster than we projected). The remainder of our theses seem intact, and the integration of BMC is still well ahead of schedule. The stock has run up to ~$70 per share, but the updated model still reflects 37% upside with a new target price of $95.58.

Portfolio Updates Since Nov 2021 Meeting

Company	Ticker	Update
Concrete Pumping Holdings	**BBCP**	We propose a hold on our stake in BBCP. Our position is up 15.4% since our purchase at $7.08 per share. The company continues to be a strong business with good growth potential. Management has effectively reduced leverage to sustainable levels, positioning the company to execute on its M&A strategy. With consistent bolt-ons at 4.0x-5.0x, BBCP's strong inorganic growth will continue, increasing its incremental margins, improving financials and aiding stock growth. Their performance in the core segment will also aid cross-selling in Eco-pan, diversifying revenue and capturing share in the end-market. While outstanding warrants from the SPAC may affect performance in the long term, there is still substantial value to be unlocked before they become relevant. Lastly, President Biden has recently signed a $1.2T bipartisan infrastructure bill with $110B for roads and bridges. These projects are likely to boost topline growth over the next few years. BBCP has successfully positioned itself for value creation, warranting its continued position in the portfolio.
CVS Health	**CVS**	**Sell Note in Packet**
Exelon Corp	**EXC**	We propose holding our position in Exelon. The original thesis is still intact and, most importantly, we are waiting for February 2022 when the spin-off takes place. There have been no material changes to current overall operations. The regulated utilities side has been performing strong as usual and continues to outperform other comps both operationally and financially. As the Exelon's shares have shot up around 20% since we purchased it, the regulated side is still trading at a discount, albeit not nearly as cheap as it used to be. From a valuation perspective, it is now trading at the base case. Continued regulatory tailwinds, consistent operational growth and continued gains in terms of authorized ROE better position this firm for future profitability. The second thesis still stands with SpinCo having not much value assigned to it. As mentioned earlier, the share price has increased, but not yet to our target price. We are looking to wait until February 2022 for the spin-off as we believe another 10% of value can be created. From there, we will likely sell the spin-off company and could sell the regulated side.
First Energy	**FE**	**Sell Note in Packet**

Portfolio Updates Since Nov 2021 Meeting

Company	Ticker	Update
Flex Ltd.	**FLEX**	We propose a hold on Flex. As mentioned in the previous update, on October 18, Flex announced that it had acquired Anord Mardix, a global leader in critical power solutions, in a $540 million all-cash transaction. On December 1, this acquisition was fully completed and should generate $360 million in revenues in the first year with HSD margins. In terms of the macro environment, supply chain difficulties continue to persist and will be an issue for not just Flex, but all EMS companies over at least the next six months. None of these short-term supply chain issues change our theses and we remain confident in our outlook. With regards to NEXTracker, a major direct comparable called Array Technologies dropped roughly 20 percent on November 29, as a result of them offering 325 million of convertible senior notes to pay for the cash portion of an acquisition, demonstrating some financing issues in this current environment. With regards to our spin-off thesis for NEXTracker, we do not think this event has a very material impact given NEXTracker's supply chain benefits being part of a large, global company. We remain confident in Flex's ability to perform in the future.
GXO Logistics	**GXO**	**Sell Note in Packet**
HCA Healthcare	**HCA**	We propose to hold our position on HCA Healthcare. HCA remains the largest hospital operator in the US in 2021, with a presence in 21 states for a total of 184 hospitals; roughly 5% of all US hospital visits were within the HCA network. They also operate surgical centers, physicians' offices, and ambulatory centers. Our initial theses were as follows: (1) Pricing power through consolidation, (2) good performance in high margin surgeries, (3) High ROIC with acquisitions, and (4) effectively dealing with high labor costs and shortages, specifically with nurses, by acquiring nursing schools. As of now, all theses remain relevant, and have yet to fully realize their potential influence on share price. With respect to the first thesis, HCA has been effective with expanding their network of hospitals through consolidation, specifically in Texas and Florida. These two states continue to see population growth rates well above the national average, leading to a greater demand for medical and hospital services. To meet this continuously increasing demand, HCA now operates 48 hospitals in Florida and 47 in Texas. Additionally, HCA acquired one hospital in Georgia, and plans to purchase two more in Nashville and Savannah and five more in Utah. HCA spent 488M in buyouts in the first 9 months of 2021. This has, as the original thesis suggested, allowed HCA to gradually gain more negotiating leverage over insurance providers to grow top-line revenue. HCA has also remained on track to further developing their high margin surgeries. They have continued to expand to operate more ambulatory surgery centers (+2.4% in 2021 and projected +2.1% in 2022), and in 2019 achieved a 3.7% increase in number of surgeries over PY. Continued growth in this branch is expected. ROIC remains strong and well above that of its peers at 19.88% in Q3 2021. Labor remains a challenge, especially with COVID. In addition to the normal 2.5-3% annual wage rate inflation, HCA expects it to go up by 100bps; real turnover rate disregarding COVID factors remains consistent, and they have seen no need to offer bonuses like their peers. Galen School of Nursing currently produces around 2,000 nurses and is expected to generate over 6,000 over the "next several years", so HCA will theoretically be in a good position in terms of labor in the foreseeable future.
Identiv	**INVE**	We propose a hold on INVE. The business has most recently signed on a permanent CFO, Justin Scarpulla. Scarpulla has prior experience scaling semiconductor businesses and interesting SpaceX FP&A work under his belt. A common theme throughout prior work is the strong end market tailwinds underpinning capital allocation decisions. This is the sort of management experience Identiv needs given the rapid NFC market growth. No other notable updates since our last meeting - the stock is down MSD percent, but the growth prospects are strong as ever.

Portfolio Updates Since Nov 2021 Meeting

Company	Ticker	Update
JD.com	**JD**	We propose to hold our position in JD. The company's fundamentals remain strong despite supply chain headwinds. After impressive Q3 earnings, the stock jumped +10.1%. In the third quarter, JD achieved revenue growth of 26% yoy, sustaining the growth momentum of the retail industry and real economy. In terms of user base, LTV total active users reached 552M, up 25% yoy. JD's mobile DAU grew by 30%, with total order volume growing 40% yoy. Penetration of the lower-tier cities is well under way, with 80% of new users coming from this group. The company is actively investing in the Jingxi new business segment over the quarter, and fulfillment costs per order have lowered by nearly 50% compared to earlier stages of the business. Overall, management is on track to serve price-sensitive customers.
Methode Electronics Inc.	**MEI**	We propose to hold Methode Electronics. Since the last update, MEI released Q2 2022 earnings - revenue declined 1.8% YoY due to lower automotive sales and net income declined 29% YoY. Additionally, management lowered guidance for the full year due to ongoing supply chain disruptions, which has recently put downward pressure on the stock. Despite weaker than expected earnings and supply chain headwinds, our thesis on Methode Electronics hasn't changed. Dependence on customers GM and Ford for the top-line is significantly decreasing, as the two customers now represent 36% of total sales (59% in FY'17). One of our thesis points was that EV exposure should allow MEI to outperform in terms of sales because both hybrid vehicles ($1.2-1.7x) and electric battery vehicles ($2-2.5x) require increased content per vehicle than the conventional car with internal combustion engine ($1.0x). In the latest quarter (Q2 '22), EV represented 16% of total sales, which is already outpacing original management forecasts (>10% of sales by FY'22). Another quality of MEI that made us bullish is that earnings and margins aren't as significantly impacted by headwinds of the auto industry as the market expects. Given the current headwinds of the semiconductor chip shortage, reduced auto production, and supply chain disruptions (e.g. port congestion), MEI continues to deliver strong organic growth. Although MEI (8-8.5x EV/EBITDA) is no longer trading below historical multiples, it continues to trade at a discount to the industry median.
Office Property Income	**OPI**	We propose a hold on Office Properties Income Trust (OPI). The REIT's strong tenants, continued portfolio recycling as market conditions stabilize, and high-yield dividend reinforce our original theses. OPI currently trades at $23.93, down from the price of $26.11 at the previous update after Quarter 3 results were reported. However, from Google's midwest headquarters in Chicago to Insight Global's headquarters in Atlanta, OPI continues to make attractive acquisitions of high grade properties with creditworthy tenants. Quarter 3 earnings showed growth in normalized FFO and same property cash basis NOI that exceeded prior expectations primarily due to a decrease in operating expenses of $1.1 million driven by a decrease in real estate taxes and lower repairs and maintenance costs at certain of OPI's properties. Leasing volume accelerated with new and renewal leasing, and acquisition activity continues to grow. OPI recently acquired a property located in Boston, MA, for a purchase price of $27.0 million. OPI's portfolio cap rate is 6.63% compared to 5.26% at the previous update, its capital recycling program remains strong, and the attractive dividend yield remains intact and was paid out in full each quarter since we made the purchase. No significant updates to be made in this regard.

Portfolio Updates Since Nov 2021 Meeting

Company	Ticker	Update
Palo Alto Networks	**PANW**	We Propose a hold in PANW. The company delivered another strong quarter in the last release, beating consensus and raising Q2 expectations. Total billings grew 28% yoy to $1.38 billion, RPO grew 37% yoy to $6 billion, Next Gen Security ARR reached $1.27 billion, and adj. FCF reached an astounding 44.4%. This well-reflects the success of the firm's transition from a single-product firewall vendor, to a multi-product security platform with solution across different verticals. Notably, product revenue grew by 25% in the quarter, almost twice as fast as people have expected, to mainly to strong demand from PANW installed customer base, who look to upgrade their old products as they return to office. In addition, the company is also gaining new customers through its new products, in particular for its cloud-based firewall business, Prisma SASE. This segment saw a customer addition of +61% to 1756, of which 25% of net new to PANW. We view PANW as actively acquiring new customers and pushing for cross-selling at the same time. We believe there's more return to harness as this growth path materializes.
Points International	**PCOM**	We propose a hold on PCOM. The stock is down 9% in the past month off of recent COVID shutdown fears, trading at a HSD/LDD normalized FCF multiple. Given the numerous call options we originally identified in our thesis, we believe that PCOM is still an attractive hold at these levels, despite the majority of our original thesis playing out. TSA throughput is at ~80% of normal levels and recent COVID fears seem relatively unfounded. We are also encouraged by the signing of 5-10 new partners over the past year.
TransDigm Group	**TDG**	**Buy Note in Packet**
United Rentals	**URI**	We would like to propose holding our stake in United Rentals (URI) at $332.83, up 189.80% since inception in March 2019. The position has certainly performed well within its industry, and we are considering possibly trimming or exiting the position during the next oversight cycle. United Rentals currently trades at 13.9x EV/EBITDA. This is overall at a discount to Caterpillar, which trades at 14.9x EV/EBITDA. This is despite the fact that the equipment rental business model is more attractive in the US' current construction economic environment, where economic activity has slowed and construction project volume is down, making it harder to justify a purchase of new construction equipment rather simply rent. Additionally, URI's management has continued their promise to focus on decreasing leverage rather than revert to their historic acquisition heavy strategy. Overall, while the market has certainly realized most of its previous discount, we still believe URI is a position worth holding for the time being. We believe that it should be considered as one of the portfolio's core holdings, especially within the industrial holdings.

Portfolio Updates Since Nov 2021 Meeting

Company	Ticker	Update
Willis Towers Watson PLC	**WLTW**	We propose to hold our position in Willis Towers Watson. Since adding WLTW to our portfolio in early November, WLTW's stock price has fallen approximately 4%. This is in line with WLTW's comparables along with the greater market. Our thesis, which has an emphasis on a management turnaround as well as operating improvement, remains intact. Due to the small the amount of time that has passed since the last update, it is hard to quantify any operational/margin improvement in the company. However, there has been a continuation in management changes over the last month, which aligns with our thesis. According to the firm, after a "constructive engagement with Elliott Investment Management LP," four new board members will be added: Inga Beale, Fumbi Chima, Michael Hammond, and Michelle Swanback. Three of these members will be added along with the new CEO, Carl Hess, on January 1st, and Fumbi China will be added on April 1st. All four new board members have ample experience in the insurance brokerage industry, which further aligns with our thesis that new experienced management will improve employee turnover and operational margins. In addition, WLTW recently acquired Leaderim, an insurance broking and risk consultancy business in Israel. We believe that this acquisition aligns with our thesis that WLTW will continue making acquisitions that lead to accretive growth. WLTW has also sold its global reinsurance business to Arthur J. Gallagher & Co. for $3.25 billion, which signifies that Willis Towers Watson realizes their past mistakes and is willing to move forward to focus on the higher-margin parts of its business.
XPO Logistics	**XPO**	**Sell Note in Packet**
ZTO Express	**ZTO**	We propose to hold ZTO. Parcel volume continue to grow steadily, reaching 5,700 million units in Q3, up 23% year-over-year. The company gross and operating margin of 21.2% and 18.4% respectively, up from 21% and 17.6% last year, despite falling ASP as a result the price ware in the express delivery industry. This indicate continued improvements in economies of scale and operating efficiency, as the firm increases usage of more self-owned and higher-capacity vehicles and installment of automation equipments. On the pricing side the battle has been slightly softening, due in part to regulatory pressure mentioned in the last note, and the CEO expects price to starting stabilizing next year. In Q3, ZTO's ASP per unit rose by 0.03 to 1.24 RMB, up from 1.21 in Q2, after several consecutive quarters of declined. However, this is not to be viewed with too much optimism as seasonality is also at play. Overall, the difficulty with regard to pricing comes within our expectations, and we believe is in the best position to outcompete as the cost leader.

IV. Sell and Buy Notes

Sell Note: CVS Health Corporation (NYSE: CVS)

Dear Board of Advisors,

We would like to sell our position on CVS Health Corp (NYSE: CVS), representing a **16.89% upside.** We initially invested in the company on 12/6/2016 for its thesis points of

HealthHub initiative to drive margins: Rise of HealthHub was seen as a realignment opportunity to lead to higher margin operations by boosting available health services for its customers and entering the Direct Medical Equipment space. Given modest margin expansion since our investment, we believe that this thesis had been largely priced in.

Maintain margins in oligopolistic PBM market: We believed that CVS' oligopolistic position from being vertically integrated with insurance, PBM, and retail afforded CVS the ability to negotiate better with drug manufacturers, and more importantly with non-CVS pharmacies which represent 85% of the CVS Caremark network. However, given the rise of Amazon and PBM startups, we believe that CVS will face heightened competitive pressure as they expand their footprints.

Synergies from Aetna acquisition to create all-in-one model: We believed that CVS' PBM business would benefit from Aetna's adoption of Medicare Part D plans. However, there remains uncertainty over the all-in-one-care model, and most of the synergies announced have already materialized.

We would like to sell for the following reasons:

Lack of clarity on future of HealthHub concept: We are unsure of the strategic direction in which the company is going as we are not confident in CVS' HealthHub concept. HealthHub concept is a follow-up to the failed strategic bet on MinuteClinic, which aimed for in-store clinics to help manage chronic care costs. HealthHub was released as a more comprehensive MinuteClinic that offered almost 80% of the capabilities of a primary care physician. We lack conviction in the implementation of HealthHubs to bring about transformative change.

Uncertainty over all-in-one-care model: The CVS-Aetna acquisition had been underway for three years by now. The all-in-one-care model is unproven. Additionally, the PBM business is facing growing competition through increasing industry consolidation between competitors (Express Scripts /Cigna, UNH/Optum), as well as unfavorable regulatory changes limiting the PBM's rebate take-rate, particularly with Medicare users.

Increasingly competitive pharmaceutical space against digital retail: We believe that the pharmaceutical space is becoming increasingly competitive given the rise of Amazon. With regards to CVS' retail segment, foot traffic at retail stores could face continual decline as consumers increasingly favor online retailers.

Uncertainty over new management: CVS is currently undergoing a leadership transition with Karen Lynch, the leader of Aetna, replacing long-term CVS leader Larry Menlo.

We believe the current stock price reflects our thesis points have played out and that there are better opportunities for capital allocation.

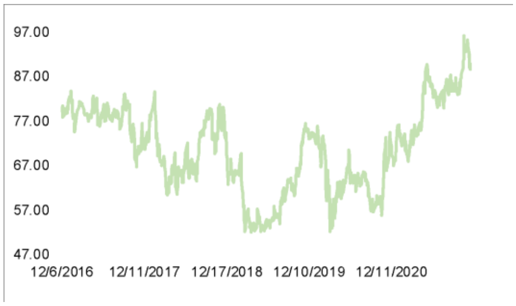
Best,

Alice Yu

Stock Overview (LTM Figures)

	At Purchase:	Current:
Share Price	77.28	90.20
Market Cap	$78.42 B	$121.47 B
Sales	$177.53 B	$283.98 B
Net Debt	$24.07 B	$65.82 B
EV/EBITDA	10.44x	8.46x

Performance Since Purchase on 12/6/2016



Sell Note: FirstEnergy Inc. (NYSE: FE)

Dear Board of Advisors,

We would like to sell our existing position in FirstEnergy Inc. We bought the firm at $47.30 with a target price of $56.40, and now the stock has fallen to around $38.84 per share.

Investment Thesis Recap:

Nuclear bankruptcy concerns were overblown: In 2019, FE spun off FES, its nuclear energy division, due to poor performance and industry headwinds. FE's share price dropped due to the news, presenting a potential mispricing. During the spinoff, FE transferred the nuclear cleanup liabilities to its creditors and received a generous restructuring plan which was overlooked by investors. Additionally, FE received an annual subsidy from the Ohio House of Representatives of $150mm. These details demonstrated that investors were overreacting to the bankruptcy, positioning FirstEnergy to rerate.

FE traded below comps: During the initial pitch, FE traded below the S&P utility sector, despite having similar operating metrics in ROA, EBIT margins, and Net Debt / EBITDA (3.6% vs 2.8%, 20.8% vs 19.4%, 5.7x vs 5.3x,). The thesis expected FE to rerate following completion of write-downs and restructuring expenses.

Negative correlation to portfolio and low beta: FE presented an attractive opportunity to add utilities exposure. At the time, IAG's portfolio was under-indexed to utilities. FE's growing dividend yield and low beta positioned it for steady performance.

Current Thesis Standing:

Nuclear Thesis: In July 2020, the FBI arrested Ohio House Speaker Larry Householder and four other representatives in a public corruption case related to the aforementioned $150mm subsidy. FirstEnergy had paid the lawmakers over $60mm in bribes to push through the approval process. As a result of the bribery, FE was fined $230mm and paid $306m in refunds to Ohio customers. In August 2021, the Ohio AG added additional defendants, including former CEO Charles Jones. Multiple cases and investigations are still ongoing in agencies, including the SEC and the Federal Energy Regulatory Commission. While the FE has implemented reforms, the position's key thesis point was based on snake oil.

Comps: FirstEnergy continues to trade below the utilities on EV/EBIT, EV/EBITDA, and P/E (see appendices). However, we do not expect a rerate until the conclusion of the bailout investigations. In the Q3 earnings call, CFO Jon Taylor said he expects the legal situation to be concluded "by the end of '23, maybe first part of '24," but the timing is still unclear. The potential financial and headline risks are likely to deter investors over the next two years.

Utilities Exposure: Since the introduction of Exelon in April 2021, IAG's portfolio has been over-indexed to the benchmark in the sector (6.5% vs 2.8%). As an inferior company in the space, selling FE presents an opportunity to align more closely with benchmarks.

Carl Icahn Activist Position:

In February of 2021, Carl Icahn purchased a 3.49% stake in FirstEnergy. In the acquisition, Icahn received two board seats with one member also serving on the company's compliance reform committee. Since May, there has been little public news regarding Icahn's involvement in the business.

Conclusion:

On the whole, FirstEnergy continues to be a key player in the utility industry, posting healthy quarterly results with a focus on growth in new areas such as renewables. However, FE's legal issues across a wide array of agencies are likely to be a headwind for at least the next six quarters, negatively impacting FE's stock price. We believe that the initial thesis points have settled and that the stock's recovery from previous lows provide an opportunity to sell.

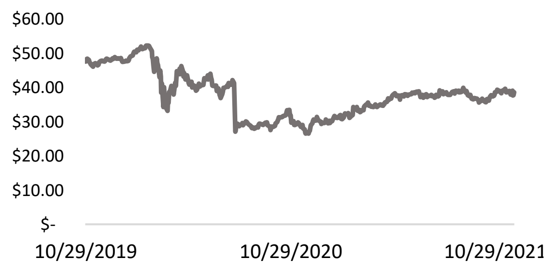
Best,

Alex Isaac

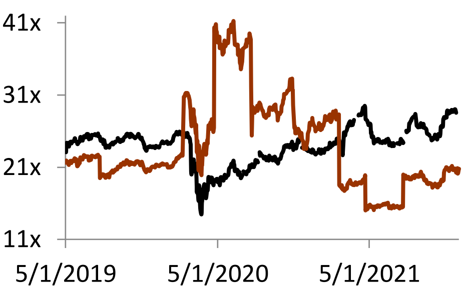
Stock Overview (LTM Figures)

	At Purchase:	Current:
Share Price:	$47.30	$38.84
Market Cap ($B)	26.1	21.5
LTM P/E	21.6x	20.14x
FY2 P/E	19.3x	13.8x
EV / EBITDA	12.6x	10.9x
Net Debt / EBITDA	5.7x	5.7x

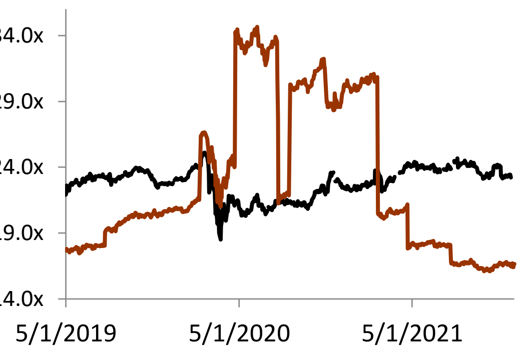
Stock Performance Since Purchase



FE (Brown) Diluted PE vs. S&P 500 Utilities



FE (Brown) EV/EBIT vs. S&P 500 Utilities



Appendix

Consolidated Operating Model and Valuation

	2018	2019	2020	2021	2022	2023	2024	2025	Terminal
Subsidiary Ratebase	$17,684	$19,647	$21,631	$23,783	$26,175	$28,840	$31,811	$35,129	
Subsidiary NI	$984	$1,103	$1,231	$1,353	$1,489	$1,641	$1,810	$1,999	
Discontinuation of Operations	$326	$8	$76						
Other Income (Expenses)	$38	($199)	($228)	($176)	($193)	($213)	($235)	($251)	
GAAP NI	$1,348	$912	$1,079	$321	$1,296	$1,428	$1,575	$1,748	
Payout Ratio	57%	90%	78%	75%	75%	75%	75%	75%	
Projected Dividend	$772	$820	$845	$241	$972	$1,071	$1,181	$1,311	$20,473
Period				0.25	1.25	2.25	3.25	4.25	
PV of Dividend				$236	$883	$901	$920	$945	$14,761

Sum of PV	$18,646
Shares Outstanding	544.42
PV per share	**$ 34.25**
Current Shareprice	$ 38.62
Return %	-11.3%
EV	$41,802
Implied EV/EBITDA	10.3 x
Current EV/EBITDA	10.9 x

WACC	8%
Payout Ratio	75%
Terminal Growth Rate	1.5%

Sensitivity Tables

Payout Ratio \ WACC	6%	7%	8%	9%	10%
60.0%	$39.92	$32.52	$ 27.40	$ 23.65	$ 20.78
70.0%	$46.57	$37.94	$ 31.97	$ 27.59	$ 24.25
75.0%	$49.90	$40.65	$ 34.25	$ 29.56	$ 25.98
80.0%	$53.23	$43.36	$ 36.53	$ 31.53	$ 27.71
90.0%	$59.88	$48.78	$ 41.10	$ 35.47	$ 31.18

Payout Ratio \ Terminal Growth	0.5%	1.0%	1.5%	2.0%	2.5%
60.0%	$ 24.32	$ 25.75	$ 27.40	$ 29.32	$ 31.60
70.0%	$ 28.38	$ 30.04	$ 31.97	$ 34.21	$ 36.86
75.0%	$ 30.40	$ 32.19	$ 34.25	$ 36.65	$ 39.50
80.0%	$ 32.43	$ 34.33	$ 36.53	$ 39.10	$ 42.13
90.0%	$ 36.48	$ 38.63	$ 41.10	$ 43.98	$ 47.39

Terminal Growth \ WACC	6%	7%	8%	9%	10%
0.5%	$ 41.85	$ 35.24	$30.40	$ 26.71	$ 23.79
1.0%	$ 45.47	$ 37.72	$32.19	$ 28.05	$ 24.83
1.5%	$ 49.90	$ 40.65	$34.25	$ 29.56	$ 25.98
2.0%	$ 55.43	$ 44.16	$36.65	$ 31.30	$ 27.28
2.5%	$ 62.55	$ 48.46	$39.50	$ 33.30	$ 28.75

Sell Note: XPO & GXO (NYSE: XPO, NYSE: GXO)

Dear Board of Advisors,

We would like to sell our positions in **XPO Logistics and GXO Logistics**, representing a combined **115.4% upside**. We believe that our initial theses have largely played out and that there is more upside to be seen by allocating cash to our newer position ideas.

Our chief investment thesis was that we believed the market was undervaluing XPO's LTL (Less-Than-Truckload) segment, which was somewhat hidden by XPO's pure-play logistics and truck brokerage segment. At the time of investment, XPO's operating ratio was near-industry leading at 80.3% compared to an average of 88.5% for its competitors. We believed this was a result of prudent management and smart technology investments that had increased network efficiencies. Since then, we believe that the market has correctly given the LTL business the attention it deserves, driven by the company's initiative to make XPO more of a pure-play LTL business. These efforts allowed an LTM EV/EBITDA margin expansion from 5.47x to about 9.70x by July of FY21. The company aggressively pursued this initiative by spinning off the contract logistics segment into GXO on August 2nd and announcing an asset sale of nearly half its remaining non-LTL business on November 21st.

The theses for XPO played out exactly how we wanted them to, and now we believe that there is more upside to be had by selling this position and allocating the cash towards some of our new ideas than to just sit on it. Further, we believe that due to XPO's recent mismanagement regarding their insourcing of trucking operations amidst labor and equipment shortages, there is increased risk in holding this stock. While XPO's operating ratio jumped by 190 basis points year over year to 83.9%, many of its competitors were able to lower their operating ratios to record lows.

As mentioned before, we received shares of GXO via its spin off from XPO Logistics. GXO was formerly the pure-play contract logistics segment of XPO and began trading as an independent company on August 2nd. Since the spin-off, shares have risen dramatically as investors are bullish on the company's positioning within the warehouse automation segment, its long-term contracts with a blue-chip customer base (Apple, Intel, Nike, Disney, etc), and its geographic reach and scale.

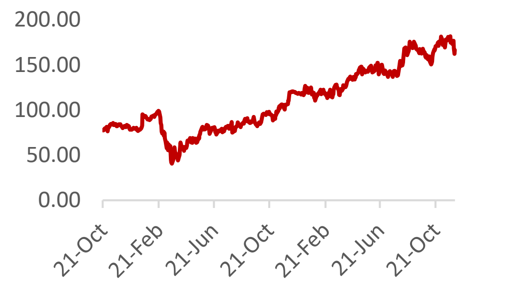
Our initial theses on XPO Logistics back in 2019 were not really focused on its contracting logistics segment. As a result, we do not really have a strong differentiated view on this and feel that many of it's tailwinds are priced-in.

Similarly, we believe that there is more upside to be had by selling this position and using the cash to invest in newer ideas.

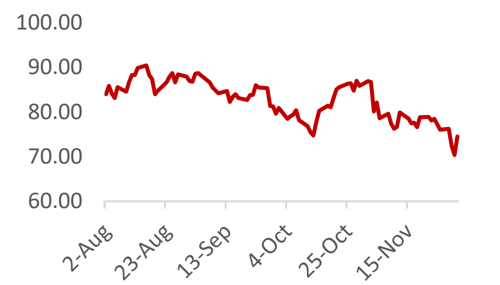
Best,

Niranjan Narasimhan

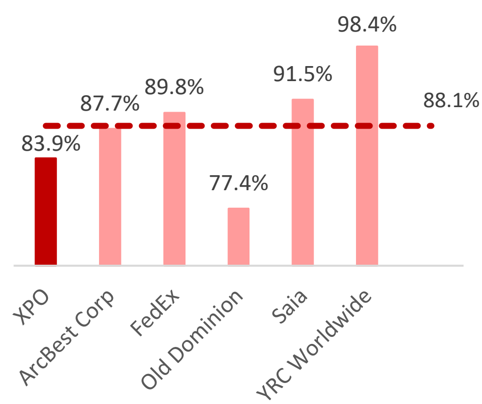
XPO & GXO Combined Performance Since Purchase on 4/17/19



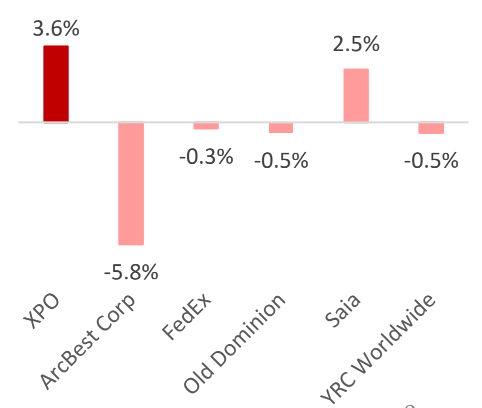
XPO Performance Post Spin (8/2/21)



LTL Q3 Operating Ratios



LTL Change in Operating Ratio since 2019



Buy Note: TransDigm Group (NYSE: TDG)

Dear Board of Advisors,

We would like to **double down** on our existing position in TransDigm, currently representing a ~60% return. We propose purchasing 4 shares, bringing TDG to **~4.8%** of our portfolio and our overall cost basis to **~$487**. We originally purchased TDG in April 2020, near the troughs of the initial COVID sell-off. The thesis behind our double down has a relatively similar rationale to our initial purchase.

1. Overzealous COVID Sell-Off of a Fantastic Business

TDG is down ~15% from its monthly peak for unwarranted reasons. The market has sold off airlines and other travel names (JETS down 14% this month) due to broader fears of new COVID variants. However, as we established in our initial pitch, TransDigm has secondary (and often tertiary) exposure to potential demand headwinds in air travel, with the brunt of impact bore by the airlines.

Much of the aftermarket business is non-discretionary; fleet operators must replace/repair parts once certain flight-hour thresholds are met. Further, the key volume drivers of the business (fleet size, age of fleet, revenue passenger miles, throughput) may face short-term headwinds but are not meaningfully impaired in the long term. The first surge of COVID proved how resilient this business model and leverage profile is. Thus, we find the recent sell-off overly pessimistic.

2. Organic Growth Profile More Than Justifies Current Valuation

Accretive inorganic growth has been part of the playbook since inception. TransDigm recently walked away from a deal with Meggitt, a UK-based aerospace parts player after a bidding war with fellow parts manufacturer, Parker-Hannifin. Sell-side and bears question TDG's future reinvestment potential, citing Meggitt as an example of the obstacles to future M&A.

However, we believe that, at the current valuation, investors don't even need to believe that TransDigm can pursue accretive M&A. RPM's grow at mid-to-high single digit CAGR. On top of that, TransDigm is able to exert pricing power, which contributes 3-4% of sales growth a year. Thus, earnings grow at HSD-DD rates a year in a normalized environment. Further, TransDigm has refinanced its debt and trimmed the fat from its cost base, providing additional upside to earnings. Underwriting these assumptions with the excess cash used for de-leveraging or returned to shareholders, we get a LDD IRR.

This would suggest that we are getting inorganic growth optionality for free. TransDigm has proved that it can successfully pursue large, complex M&A through the Esterline deal. Additionally, we spoke with a large TDG shareholder who believes there are 200+ parts producers that would fit TransDigm's M&A strategy. Although this is a low-visibility data point, it suggests that the business can continue deploying capital at attractive ROIIC's for decades to come.

Overall, TDG is a durable compounder that we are excited to own at these prices. We would recommend doubling down and believe this trade fits well within our broader goal of concentrating the portfolio.

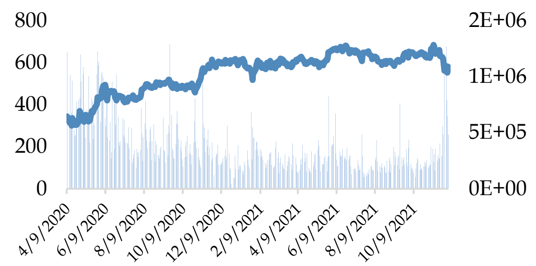
Best,

Tony Wang

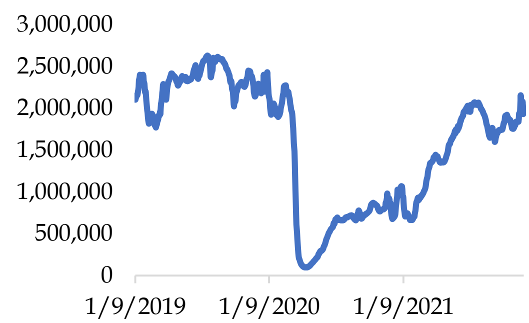
Stock Overview (LTM Figures)

	At Purchase:	Current:
Share Price:	$362.96	$579.13
Market Cap (mm)	17,551.3	31,960.0
Revenue	5,970	4,798
EBITDA Margin	38.16%	47.08%
Organic Growth	(13.8%)	(7.4%)
EV/EBITDA	16.34x	20.47x
P/E	43.42x	70.22x

Performance Since Inception (4/9/2020)



TSA Throughput (Weekly Moving-Average)



Valuation Update

Case 1 - No Inorganic Growth, $3bn in Cash Returned to Shareholders Through 2026

Valuation		**Return Stream**	**Dec-21**	**Sep-22**	**Sep-23**	**Sep-24**	**Sep-25**	**Sep-26**
EV	65,549	Dividend/share		1.64	4.95	5.00	5.00	5.04
(-) Net Debt - Assets	9,495	Cap Gain	(577.57)	-	-	-	-	942.08
Equity Value	56,054	Cash Flow	(577.57)	1.64	4.95	5.00	5.00	947.12
Per Share	942.08	IRR	11.30%					

EV Today	50,730	EV Out-Year	65,549	% Change	29.21%
Sales	4,798	Sales	7,329	% CAGR	8.84%
Margin	43.2%	Margin	49.8%	Expansion	6.54%
EBITA	2,074	EBITA	3,647	% CAGR	11.94%
Multiple	24.46x	Multiple	17.97x	Expansion	-6.49x
Net Debt - Assets	15,012	Net Debt - Assets	9,495	De-lever	(5,516)
Shares Outstanding	62	Shares Outstanding	60	DSO delta	(2)
Price	577.57	Price	942.08	% Change	63.11%

Dividends Per Share 11.59

Case 2 - Full Inorganic Growth Runway, $4.5bn in M&A Cash Deployed Through 2026

Valuation		**Return Stream**	**Dec-21**	**Sep-22**	**Sep-23**	**Sep-24**	**Sep-25**	**Sep-26**
EV	88,603	Dividend/share		-	-	-	-	-
(-) Net Debt - Assets	9,158	Cap Gain	(577.57)	-	-	-	-	1,276.89
Equity Value	79,445	Cash Flow	(577.57)	-	-	-	-	1,276.89
Per Share	1,276.89	IRR	17.86%					

EV Today	50,730	EV Out-Year	88,603	% Change	74.66%
Sales	4,798	Sales	9,883	% CAGR	15.54%
Margin	43.2%	Margin	49.9%	Expansion	6.65%
EBITA	2,074	EBITA	4,929	% CAGR	18.89%
Multiple	24.46x	Multiple	17.98x	Expansion	-6.48x
Net Debt - Assets	15,012	Net Debt - Assets	9,158	De-lever	(5,854)
Shares Outstanding	62	Shares Outstanding	62	DSO delta	0
Price	577.57	Price	1,276.89	% Change	121.08%

Case 3 - Bear Case, RPM's Permanently Impaired, No Inorganic Reinvestment Opportunity

Valuation		**Return Stream**	**Dec-21**	**Sep-22**	**Sep-23**	**Sep-24**	**Sep-25**	**Sep-26**
EV	50,029	Dividend/share		1.09	3.28	3.31	3.30	3.32
(-) Net Debt - Assets	9,872	Cap Gain	(577.57)	-	-	-	-	666.54
Equity Value	40,157	Cash Flow	(577.57)	1.09	3.28	3.31	3.30	669.86
Per Share	666.54	IRR	3.49%					

EV Today	50,730	EV Out-Year	50,029	% Change	(1.38)%
Sales	4,798	Sales	6,504	% CAGR	6.27%
Margin	43.2%	Margin	47.8%	Expansion	4.54%
EBITA	2,074	EBITA	3,107	% CAGR	8.41%
Multiple	24.46x	Multiple	16.10x	Expansion	-8.36x
Net Debt - Assets	15,012	Net Debt - Assets	9,872	De-lever	(5,140)
Shares Outstanding	62	Shares Outstanding	60	DSO delta	(2)
Price	577.57	Price	666.54	% Change	15.41%

Dividends Per Share 7.68

V. New Position Proposal

Krispy Kreme Inc. (NASDAQ: DNUT)

“Show-Me” Stock with Compelling New Hub & Spoke Business Model

Caleb Nuttle	**Robert Eisenman**
Portfolio Manager	Junior Analyst
Caleb.Nuttle@stern.nyu.edu	Robert.Eisenman@stern.nyu.edu

Price Target: $22.13 (40.96% upside) December 6th, 2021

Business Description:

Krispy Kreme is an American donut company chain originally founded in 1937 in North Carolina, which has since grown into an iconic American consumer brand with ~400 store location in US and Canada and 35 locations internationally. The company recently re-IPOd in July 2021 after previously being taken private by JAB in 2016. Since being taken private, the company has significantly changed their operating model by defranchising their store locations in both the US and International markets (respectively +85% and 100% of US/CAN and International locations are now company owned) and converting their distribution model to that of a Hub and Spoke strategy. Under this new model, the Company uses their legacy store infrastructure as miniature factories and distributes their donuts daily to nearby company owned and branded cabinets in convenience and grocery stores. As of Q3’21, DNUT has 238 of these hubs (referred to as Hot Light Theatres) and 5,220 spokes (referred to as DFD cabinets) in the US/CAN market (and 30 hubs and 2,415 spokes in the International market). The company’s segments are grouped as US/CAN Market Revenues (reflecting company owned store revenues in the US/CAN market), International Market Revenues (reflecting company owned store revenues primarily in the EMEA market), and Market Development Revenues (reflecting the royalties collected from all global franchisees). In FY2020, 70%, 21%, and 9% of total revenues came from these three segments respectively. Additionally, in the US market the Company owns the growthy Insomnia Cookies brand (with 206 shops primarily on US college campuses as of Q3’21), which generated ~10.5% of total company revenues in FY2020.

Company History (pre-2016):

- **Aggressive Growth Strategy:** Krispy Kreme first went public under the ticker KKD in 2000, riding the wave of the dot-com bubble for its early success. At the time, the Company primarily viewed itself as a QSR business, and sought to expand extremely quickly by heavily rely on new franchised locations (~80%+ of locations were franchised). The advantage of such a strategy was to grow top-line revenues quickly while increasing EBITDA margins due to the strategy’s asset light approach. The franchisee contracts were structured such that Krispy Kreme Inc. would collect 4.5% of on-premise sales and 1.5% of off-premise CPG sales as royalties. The Company grew mostly in the Southern California market, as well as the US South-East region to much fanfare.
- **Disappointing ROIC and Organic Growth:** However, after quickly growing following their first IPO, the Company began to run into significant headwinds. Firstly, the actual store locations were (and still are) very costly to build, making it very unattractive to new franchisees. An average location costs ~$1.5M to build, with 1/3 of the cost coming from just the industrial grade donut machine on each location (~$500K). This high startup cost heavily reduced each location’s ROIC to <20%, implying a repayment period of 5.5 – 6.5 years. Secondly, while the total number of stores grew quickly across the country, the demand for donuts appeared flat – at least to the market at the time. So, while it was true that during the first 3-6 months of a new Krispy Kreme Store opening, demand and fanfare would be high (with each location generating ~$100K in sales per week) sales would shortly thereafter fall off by ~60%+.
- **Acquired by JAB in 2016:** The result of this obviously disappointing performance caused the public market valuation of the Company to plummet from ~$50 per share in 2003 to ~$10 in 2004, with the valuation only slightly recovering to ~$17 per share in 2016, at which point JAB Holding Company stepped in buy it out at $21 per share (reflecting a ~$1.35B Enterprise Valuation). The timing of this acquisition coincided with JAB’s recent involvement in the US Coffee Market. Around the same time as their KKD acquisition, JAB acquired Peets Coffee, Caribou Coffee, Keurig, Panera, and many other coffee brands, seemingly in an attempt to corner the coffee market.

Key Ratios and Statistics:

Recommendation	**Buy/Long**
Price Target	$22.13 – 30.16
Implied Return	41.0% – 92.1%
Share Price (12/3/2021)	$15.70
Market Cap	$2.63 B
52-Week Low	$12.63
52-Week High	$21.69

Figure 1 – (DNUT) Performance Since IPO

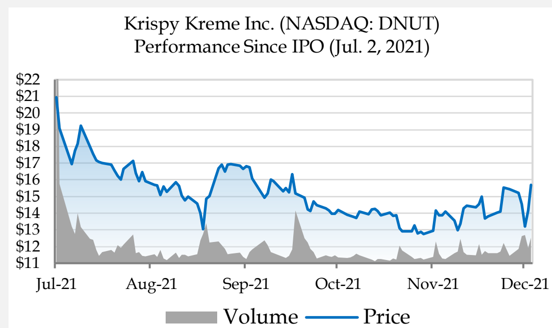


Figure 2 – Previous KKD Performance

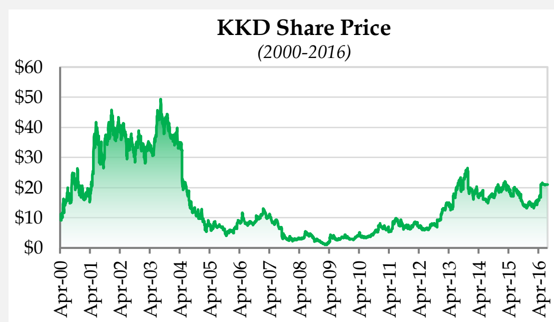
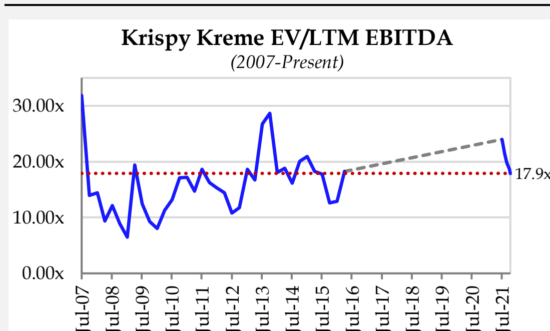


Figure 3 – Krispy Kreme EBITDA Multiple



Investment Thesis:

- **New Defranchising and Hub & Spoke Strategy will Significantly Improve ROIC and EBITDA Margin in the Still Many Underpenetrated US/CAN Markets:** We believe the market improperly compare's DNUT's ROIC and EBITDA margin and multiple to that of various QSR names (namely Dunkin Donuts, SBUX, Tim Hortons, WEN, and TXRH). Under the new H&S model, DNUT's legacy store locations aren't as much restaurants as they are miniature factories. Because of this, the incremental ROIC is exceptionally high (see figure 6), as future CAPEX spend will primarily come from new DFD cabinets (costing only ~$5K in new spend). In this way, the new H&S model is essentially a way to better monetize legacy infrastructure that has largely already been built out, meaning heavy debt and CAPEX spend fears are misplaced.

  Additionally, we believe the key issue with legacy Krispy Kreme locations was not that demand was flat/declining – as the market seemed to believe pre-2016 – but rather that consumers were (and still are) not willing to go out of their way for the product, making this a distribution rather than a demand issue. Wherever Krispy Kreme would improve the mobility factor in purchasing, revenues would pick up right away. For example, simply adding a drive-through to a location would increase weekly store revenues by 11%, and >50% of a Krispy Kreme location's revenues were generated from sales to CPG markets (i.e., where they ship the donuts to other local stores). As such, we believe that this new distribution model will significantly improve this mobility constraint, while also spreading the high fixed cost per location (from the machine) across greater volumes.

  And finally, while the model is set-up to work in denser urban areas, the Company is still largely under-penetrated in the large US markets (see figure 7). In the top 10 US cities, DNUT's model is only fully rolled out in Atlanta and (to a lesser extent) Los Angeles. However, in the handful of smaller cities where the new H&S model has been more fully implemented (namely London, Tampa, Atlanta, and Denver), we have seen impressive EBITDA margin expansion from ~11% to ~30%.
- **Recent Artificially Low EBITDA Margins Weighing on the Valuation are Transitory:** Shortly after going public, the initial reaction to DNUT's private reorganization was negative, as investors saw revenues double (increasing from $518M in 2016 to $1,122M in 2020) but EBITDA margin nearly halve (from 14.1% in 2016 to 8.1% in 2020) (see figure 8). The consensus – among bears at least – was that JAB sacrificed profitability for top-line growth, and had made the Company less attractive, as it no longer had the more stable, high margin Franchisee royalty payments. We believe that simply looking at the GAAP reported EBITDA margins is misleading, as there were many one-time expenses relating to the IPO and expenses resulting from the defranchising strategy. When adjusting for these expenses (see figure 9) the margin compression argument is not seen. Additionally, in terms of the defranchising strategy, we believe JAB and DNUT were very successful in their acquisition of such assets. While the Company was private, they threatened to cancel each franchisee's CPG distribution contracts, and as such were able to buy out their franchisees at a very cheap discount of just 6-7x EBITDA.
- **Insomnia Cookies and the New CPG Product Line are Hidden Gems:** We believe the market is not fully appreciating or valuing the smaller assets which DNUT was able to acquire while being private. We are namely referring to the Insomnia Cookies and the new CPG Product line businesses. Insomnia Cookies is a very attractive growth asset with a long runway for TAM (currently there are only 206 locations across ~100 colleges, with there being +4,000 college campuses in the US alone) while also possessing attractive unit economics (27% contribution margin, <$200K CAPEX, ~1yr payback period). Additionally, this asset is not just a small portion of DNUT's revenues (the business made up ~10% of FY2020 revenues). As for the new CPG product line, the Company was able to cheaply repurpose their legacy wholesale production factory infrastructure into a new vertical with accretive LT EBITDA margins of ~20-25%. As of Q3'21 the new business will only require an additional $2M in CAPEX to fully convert said factories and is expected to be profitable by EOY 2021. Despite these two attractive assets, most sell-side coverage of the company do not model out the two businesses, and the market assigns roughly the same multiple valuation to the company as it did pre-2016 (despite the company not having said assets).

Figure 4 – DNUT Ownership Summary

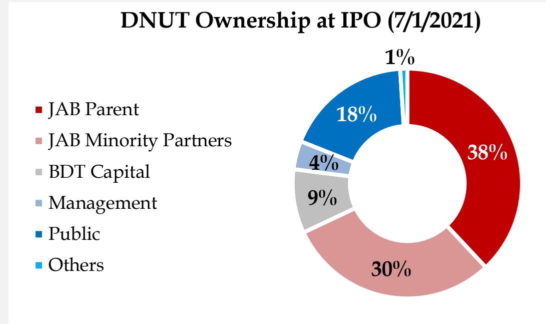
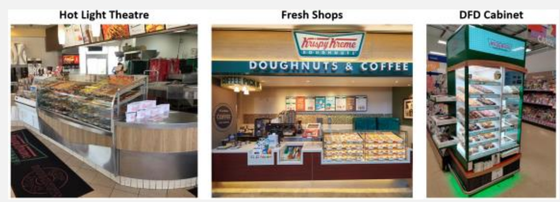


Figure 5 – Krispy Kreme Location Types



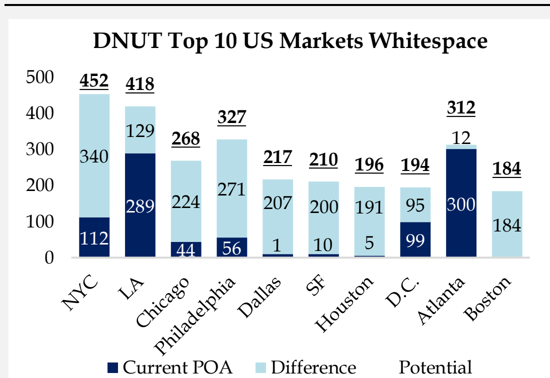
Points of Access #	HLT	FS	DFD	Total
US/CAN	238	57	5,220	5,515
International	30	353	2,465	2,848
Emerging Market	111	761	607	1,497
Total	379	1,171	8,292	9,842

Figure 6 – H&S Model Market Case Studies

Hub & Spoke - Southern CA (i.e., LA)	2018	2019	2020	2021	2022e
Total Points of Access	**17**	**28**	**143**	**219**	**289**
Hot Light Theater Shops (Hubs)	14	15	16	16	16
Fresh Shops	3	3	3	3	3
DFD Shops	0	10	124	200	270
Sales ($M)	**$3.8**	**$4.2**	**$4.7**	**$5.0**	**$5.3**
Sales Per Hub ($000s)	**$271.4**	**$280.0**	**$293.8**	**$312.5**	**$331.3**
Total Hub EBITDA	$17.1	$19.2	$24.6	$26.2	$27.8
EBITDA Margin (All-In)	32%	31%	33%	33%	34%
Cumulative CAPEX		**$1.0**	**$2.5**	**$4.3**	**$6.1**
ROIIC		**210%**	**360%**	**89%**	**88%**

Hub & Spoke - UK	2016	2017	2018	2019	2020
Total Points of Access	**29**	**63**	**80**	**77**	**86**
Hot Light Theater Shops (Hubs)	1	1	1	1	1
Fresh Shops	2	4	4	5	5
DFD Shops	26	58	75	71	80
Sales ($M)	**$2.3**	**$4.1**	**$5.4**	**$6.0**	**$4.5**
Total Hub EBITDA	$0.5	$1.2	$2.1	$2.3	$1.4
EBITDA Margin (All-In)	21%	31%	38%	27%	32%
Cumulative CAPEX	**$2.1**	**$2.3**	**$2.4**	**$2.6**	**$2.6**
ROIIC		**350%**	**900%**	**100%**	

Figure 7 – DNUT H&S Whitespace



Risks:

- **JAB and Minority Partners Liquidation Risk:** The primary risk in this investment comes from DNUT's previous owners JAB, who may begin aggressively selling their shares following the lockup period ending in 2022. In fact, one of the main bear thesis points on DNUT is that JAB is using the recent IPO as a way to liquidate their position in the company following a "failed" turn-around story. While we agree that it is a fair point to consider, we are ok accepting this risk, as we don't agree with the view that JAB is simply looking to exit the company as soon as the lockup period ends. Firstly, JAB has been recently IPO-ing their coffee portfolio (which they had acquired from 2012-2018), which can be seen by their decision to take Keurig (via the KDP merger) and Panera Bread (which recently filed an S-1 on Nov. 8th, 2021) public. Because of this we don't think JAB is necessarily selling off DNUT because of a failed turnaround story (i.e., that the defranchising and H&S model are unattractive), but rather because they weren't able to incorporate coffee into DNUT's model (while private JAB had apparently tried to roll-out a "coffee corner" in Krispy Kreme locations. This hasn't worked with coffee only being ~1% of sales). Secondly, JAB and other company insiders have been buying up shares at the current valuation (see figure 10). And third, in other sold coffee assets (namely KDP) JAB did not sell off their large stakes in the business and have still remained as large shareholders in the business since it's "re-IPO" in 2018.
- **Mostly Unproven Management in a High Operating Risk Strategy:** While we believe the defranchising strategy and the rollout of the new H&S model for DNUT are attractive, we admit that it is one which bears high operating risk. Because of this, another primary risk we identify with the investment would be the largely unproved management team. The current CEO Mike Tattersfield was previously the CEO of Caribou Coffee (both before and after it was acquired by JAB in Jan. 2013) and does not necessarily have a lot of experience in operating the new H&S model. He has also largely built his career alongside JAB, meaning that he may not align himself as closely with the public equity shareholder if push came to shove between JAB. However, we would not necessarily consider him to be inexperienced or a bad manager, as he had a decent track record at Caribou Coffee, growing revenues faster than his predecessor while also turning the business EBIT positive (see figure 11). On the other hand, the current COO and CFO is Josh Charlesworth who – prior to DNUT – worked at Mars Inc. and does not have a "restaurant" business background. Because of this management risk we believe the market is treating – and valuing DNUT – as a "show me" stock, since we only have 2 quarters so far to go on. We believe that the market simply may need to see more quarters of a successful implementation of the new strategy, potentially providing us a good opportunity to get into the investment.
- **High Inflationary Pressures in the Short Term**: A primary focus of sell-side equity research analysts and investors with a shorter-term horizon is the impact that higher input costs may have on the margin profile of the business. Since the new H&S model does require additional CAPEX spend (due to the installation of DFD cabinets) and the purchase of a fleet of delivery trucks, there is risk that higher labor input costs could compress EBITDA margins for the next several quarters. Again, while we believe this is a valid concern, we think the longer-term fundamentals of the business will continue to improve, regardless of the shorter-term transitory expenses they may incur.

Figure 8 – Post IPO Margin Compression

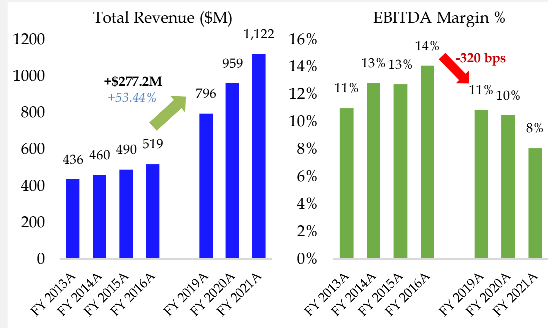


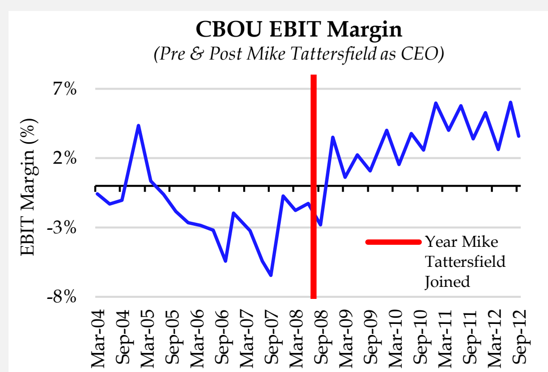
Figure 9 – Adjusted EBITDA Margins

Adjusted EBITDA Calculations ('000s)	FY 2019A	FY 2020A	FY 2021A	YTD Q3'21A
Revenue	$795,883	$959,408	$1,122,036	$1,013,794
GAAP EBITDA	$78,473	$102,375	$85,779	$99,013
Margin	*9.86%*	*10.67%*	*7.64%*	*9.77%*
Share-based compensation	9,449.0	10,680.0	11,619.0	16,973.0
Other non-operating expense	5,443.0	(609.0)	(1,101.0)	1,886.0
New York City Flagship Opening	0.0	3,784.0	6,513.0	0.0
Strategic initiatives	5,342.0	4,059.0	20,517.0	0.0
Acq. and integration expenses	9,972.0	20,433.0	12,679.0	3,663.0
Store closure expenses	3,396.0	629.0	6,269.0	0.0
Rx and severance expenses	5,703.0	583.0	0.0	1,393.0
Other (Asset impairments & Legal)	6,469.0	4,450.0	3,159.0	3,064.0
IPO Expense	0.0	0.0	0.0	14,221.0
Adjusted EBITDA	$124,247	$146,384	$145,434	$140,213
Margin	*15.61%*	*15.26%*	*12.96%*	*13.83%*
Adjusted EBITDA (incl SBC expense)	$114,798	$135,704	$133,815	$123,240
Margin	*14.42%*	*14.14%*	*11.93%*	*12.16%*

Figure 10 – DNUT Recent Insider Activity

INSIDER	LAST DATE	TRANSACTION	SHARES TRADED	PRICE	SHARES HELD
JAB INDULGENCE B.V.	11/22/2021	Buy	263,900	$14.12	73,367,902
JAB INDULGENCE B.V.	11/19/2021	Buy	223,988	$13.83	73,104,002
JAB INDULGENCE B.V.	11/18/2021	Buy	241,700	$14.07	72,880,014
JAB INDULGENCE B.V.	11/17/2021	Buy	238,841	$14.79	72,638,314
JAB INDULGENCE B.V.	11/16/2021	Buy	241,700	$14.65	72,399,473
JAB INDULGENCE B.V.	11/15/2021	Buy	232,749	$14.44	72,157,773
JAB INDULGENCE B.V.	11/12/2021	Buy	178,000	$14.56	71,925,024
JAB INDULGENCE B.V.	11/11/2021	Buy	88,000	$14.25	71,747,024
GOUDET OLIVIER	11/11/2021	Buy	50,000	$13.86	734,853
TATTERSFIELD MICHAEL J.	11/11/2021	Buy	40,000	$13.86	2,705,610

Figure 11 – CEO Track Record at Caribou Coffee



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Summary Sheet - Base Case - $ in MM								
Fiscal Quarter/Year	FY 2018A	FY 2019A	FY 2020A	FY 2021E	FY 2022E	FY 2023E	FY 2024E	FY 2025E
Calander Period	12/30/2018	12/29/2019	1/3/2021	1/3/2022	1/3/2023	1/3/2024	1/3/2025	1/3/2026
Base Case								
Financial Statemet Summary								
Revenue from Hubs Without Spokes	156.8	170.0	205.4	282.2	331.2	387.4	462.5	542.5
# of Hubs Without Spokes:	*83*	*104*	*118*	*121*	*145*	*169*	*201*	*233*
Revenue from Hubs With Spokes	161.1	204.4	331.0	472.2	569.1	638.1	715.7	776.5
# of Hubs With Spokes:	*53*	*76*	*113*	*127*	*139*	*151*	*159*	*167*
# of Spokes per Hub:	*2,606*	*2,288*	*4,137*	*5,565*	*6,499*	*7,673*	*8,735*	*9,715*
Sweet Treats Branded Product Line Revenues	125.7	112.1	128.6	21.6	22.0	38.0	45.0	50.0
Insomnia Cookies Revenues	0.0	101.0	117.7	152.7	199.9	227.7	248.4	268.2
# of Insomnia Cookie Shops:	*146*	*168*	*184*	*213*	*241*	*265*	*287*	*309*
Total US/CAN Market Revenues	**443.6**	**587.5**	**782.7**	**928.7**	**1,122.3**	**1,291.2**	**1,471.6**	**1,637.2**
Growth		*32.46%*	*33.22%*	*18.65%*	*20.85%*	*15.06%*	*13.97%*	*11.26%*
Total International Market Revenues	**185.8**	**223.1**	**230.2**	**324.0**	**334.5**	**337.8**	**344.0**	**352.5**
Growth		*20.06%*	*3.17%*	*40.76%*	*3.24%*	*0.97%*	*1.86%*	*2.46%*
Total Market Development Revenues	**166.5**	**148.8**	**109.1**	**122.3**	**131.5**	**140.4**	**149.0**	**155.1**
Growth		*(10.64%)*	*(26.64%)*	*12.07%*	*7.48%*	*6.82%*	*6.08%*	*4.14%*
Total Revenues	**795.9**	**959.4**	**1,122.0**	**1,375.0**	**1,588.2**	**1,769.4**	**1,964.6**	**2,144.8**
Growth		*20.55%*	*16.95%*	*22.55%*	*15.51%*	*11.41%*	*11.03%*	*9.18%*
Gross Profit	**253.5**	**306.5**	**323.1**	**394.7**	**469.2**	**544.1**	**607.0**	**658.3**
Margin		*31.95%*	*28.79%*	*28.71%*	*29.54%*	*30.75%*	*30.90%*	*30.69%*
US & CAN - Segment Adj. EBITDA	**54.5**	**71.6**	**91.6**	**100.4**	**162.5**	**223.6**	**273.8**	**313.6**
Segment Margin		*12.19%*	*11.70%*	*10.82%*	*14.48%*	*17.32%*	*18.60%*	*19.15%*
International - Segment Adj. EBITDA	**41.1**	**53.3**	**44.6**	**80.1**	**87.1**	**89.3**	**90.5**	**92.5**
Segment Margin		*23.87%*	*19.36%*	*24.73%*	*26.04%*	*26.44%*	*26.31%*	*26.25%*
Market Development - Segment Adj. EBITDA	**56.3**	**51.6**	**39.1**	**39.6**	**33.7**	**36.9**	**40.0**	**41.9**
Segment Margin		*34.67%*	*35.79%*	*32.38%*	*25.60%*	*26.29%*	*26.84%*	*27.04%*
Corporate - Segment Adj. EBITDA	**(27.6)**	**(30.1)**	**(29.8)**	**(37.3)**	**(54.2)**	**(67.2)**	**(66.5)**	**(67.0)**
Margin		*(3.13%)*	*(2.65%)*	*(2.71%)*	*(3.41%)*	*(3.80%)*	*(3.38%)*	*(3.12%)*
EBITDA (non-GAAP)	**124.2**	**146.4**	**145.4**	**182.9**	**229.0**	**282.6**	**337.8**	**381.1**
Margin	*15.61%*	*15.26%*	*12.96%*	*13.30%*	*14.42%*	*15.97%*	*17.19%*	*17.77%*
EBIT (non-GAAP)	**74.8**	**82.6**	**65.0**	**81.6**	**125.2**	**180.4**	**234.5**	**279.6**
Margin		*8.61%*	*5.80%*	*5.93%*	*7.88%*	*10.20%*	*11.94%*	*13.03%*
Interest Income/(Expense)	(27.9)	(38.1)	(34.7)	(29.8)	(17.4)	(16.0)	(13.0)	(8.3)
Interest Expenses: Related Parties	(18.9)	(21.9)	(22.5)	(10.4)	0.0	0.0	0.0	0.0
Provision for Income Taxes Income/(Expense)	5.3	(12.6)	(9.1)	(10.6)	(22.6)	(34.5)	(46.5)	(57.0)
Net-Income (GAAP)	**(12.4)**	**(34.0)**	**(60.9)**	**(17.6)**	**63.5**	**112.2**	**155.4**	**192.9**
Minority Interest Income/(Expense)	(1.6)	(3.4)	(3.4)	(6.7)	2.5	4.5	6.2	7.7
Net Income (Loss) attributable to Krispy Kreme, Inc. (GAAP)	**(14.1)**	**(37.4)**	**(64.3)**	**(24.3)**	**66.0**	**116.7**	**161.6**	**200.6**
Margin		*(3.90%)*	*(5.73%)*	*(1.77%)*	*4.16%*	*6.59%*	*8.23%*	*9.35%*
Total Adjustments to Non-GAAP Net Income	62.0	73.8	103.3	85.2	52.9	47.1	46.0	44.8
Adjusted Net Income attributable to Krispy Kreme, Inc. (non-GAAP)	**48.0**	**36.3**	**39.0**	**60.8**	**118.9**	**163.8**	**207.6**	**245.4**
Margin		*3.79%*	*3.47%*	*4.43%*	*7.49%*	*9.26%*	*10.57%*	*11.44%*
EPS (non-GAAP) (Diluted)	**$0.38**	**$0.29**	**$0.31**	**$0.37**	**$0.72**	**$0.99**	**$1.25**	**$1.48**
Liquidity Statistics								
Days Inventory Outstanding (DIO)		**12.6**	**17.6**	**13.5**	**12.5**	**12.5**	**12.5**	**12.5**
Days Sales Outstanding (DSO)		**18.4**	**24.2**	**17.0**	**19.0**	**19.0**	**19.0**	**19.0**
Operating Cycle (DIO + DSO)		**31.0**	**41.8**	**30.5**	**31.5**	**31.5**	**31.5**	**31.5**
Days Payable Outstanding (DPO)		**77.6**	**67.9**	**65.0**	**65.0**	**65.0**	**65.0**	**65.0**
Cash Conversion Cycle (DIO + DSO + DPO)		**108.6**	**109.7**	**95.5**	**96.5**	**96.5**	**96.5**	**96.5**
Solvency Statistics								
Total Debt		**1,170.2**	**1,309.0**	**817.7**	**721.3**	**580.0**	**397.3**	**177.0**
EBITDA (non-GAAP)		146.4	145.4	182.9	229.0	282.6	337.8	381.1
Adjusted Cash Flow From Operating Activities (Adjusted CFO)								
Cash Flow From Operations			28.7	147.0	234.4	270.1	320.3	357.7
Provision for Income Taxes Income (Expense)		12.6	9.1	10.6	22.6	34.5	46.5	57.0
Total Interest Expense		38.1	34.7	29.8	17.4	16.0	13.0	8.3
Adjusted CFO		**50.7**	**72.5**	**187.4**	**274.4**	**320.6**	**379.8**	**422.9**
Leverage Ratios								
Total Debt / TTM EBITDA		**7.99x**	**9.00x**	**4.47x**	**3.15x**	**2.05x**	**1.18x**	**0.46x**
Total Debt / TTM Adjusted CFO			**18.05x**	**4.36x**	**2.63x**	**1.81x**	**1.05x**	**0.42x**

Revenue Build - Base Case - $ in MM												
Fiscal Quarter/Year	FY 2018A	FY 2019A	FY 2020A	Q1'21A	Q2'21A	Q3'21A	Q4'21E	FY 2021E	FY 2022E	FY 2023E	FY 2024E	FY 2025E
Calander Period	12/30/2018	12/29/2019	1/3/2021	4/3/2021	7/4/2021	10/3/2021	1/3/2022	1/3/2022	1/3/2023	1/3/2024	1/3/2025	1/3/2026
Base Case												
Revenue Build:												
US/CAN Market Segment												
# of Hubs Without Spokes:												
Beginning Amount		83	104	118	124	124	117	118	121	145	169	201
Net Openings (Closings) (incl. de-franchise)		44	51	6	1	0	10	17	36	36	40	40
Conversions		(23)	(37)	0	(1)	(7)	(6)	(14)	(12)	(12)	(8)	(8)
Ending Period Count	83	104	118	124	124	117	121	121	145	169	201	233
# of Hubs With Spokes:												
Beginning Amount		53	76	113	113	114	121	113	127	139	151	159
Conversions		23	37	0	1	7	6	14	12	12	8	8
Q4'21E Hubs		0	0	0	0	0	6	6	6	6	6	6
Q1'22E Hubs		0	0	0	0	0	0	0	3	3	3	3
Q2'22E Hubs		0	0	0	0	0	0	0	3	3	3	3
Q3'22E Hubs		0	0	0	0	0	0	0	3	3	3	3
Q4'22E Hubs		0	0	0	0	0	0	0	3	3	3	3
Q1'23E Hubs		0	0	0	0	0	0	0	0	3	3	3
Q2'23E Hubs		0	0	0	0	0	0	0	0	3	3	3
Q3'23E Hubs		0	0	0	0	0	0	0	0	3	3	3
Q4'23E Hubs		0	0	0	0	0	0	0	0	3	3	3
FY 2024E Hubs		0	0	0	0	0	0	0	0	0	8	8
FY 2025E Hubs		0	0	0	0	0	0	0	0	0	0	8
Closings		0	0	0	0	0	0	0	0	0	0	0
Ending Period Count	53	76	113	113	114	121	127.0	127.0	139.0	151.0	159.0	167.0
# of Spokes per Hub:												
On Pre-Q3'21 Hubs W/ Spokes		35.5	43.8	41.7	44.6	44.4	45.0	55.3	49.0	53.0	55.0	55.0
On Q4'21E Hubs		0	0	0	0	0	20.0	20.0	40.0	60.0	70.0	80.0
On Q1'22E Hubs		0	0	0	0	0	0.0	0.0	35.0	55.0	70.0	80.0
On Q2'22E Hubs		0	0	0	0	0	0.0	0.0	30.0	50.0	70.0	80.0
On Q3'22E Hubs		0	0	0	0	0	0.0	0.0	25.0	45.0	70.0	80.0
On Q4'22E Hubs		0	0	0	0	0	0.0	0.0	20.0	40.0	60.0	80.0
On Q1'23E Hubs		0	0	0	0	0	0.0	0.0	0.0	35.0	55.0	80.0
On Q2'23E Hubs		0	0	0	0	0	0.0	0.0	0.0	30.0	50.0	80.0
On Q3'23E Hubs		0	0	0	0	0	0.0	0.0	0.0	25.0	45.0	80.0
On Q4'23E Hubs		0	0	0	0	0	0.0	0.0	0.0	20.0	40.0	60.0
On FY 2024E Hubs		0	0	0	0	0	0.0	0.0	0.0	0.0	35.0	55.0
On FY 2025E Hubs		0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	35.0
Beginning of Period # of Operating Spokes		2,606	2,288	4,137	4,712	5,067	5,220	4,137	5,565	6,499	7,673	8,735
Net Openings (Closings)		(318)	1,849	575	355	153	345	1,428	934	1,174	1,062	980
End of Period # of Operating Spokes	2,606	2,288	4,137	4,712	5,067	5,220	5,565	5,565	6,499	7,673	8,735	9,715
# of Insomnia Cookie Shops:												
Beginning Amount	0	146	168	184	191	199	206	184	213	241	265	287
Net Openings (Closings)	146	22	16	7	8	7	7	29	28	24	22	22
Ending Period Count	146	168	184	191	199	206	213	213	241	265	287	309
Revenue from Hubs Without Spokes	**$156.8**	**$170.0**	**$205.4**	**$71.1**	**$64.5**	**$72.8**	**73.8**	**282.2**	**331.2**	**387.4**	**462.5**	**542.5**
Revenue per Hub ($MM)	$1.89	$1.82	$1.85	$0.59	$0.52	$0.60	$0.62	$2.36	$2.49	$2.47	$2.50	$2.50
Revenue from Hubs With Spokes	**161.1**	**204.4**	**331.0**	**109.7**	**118.6**	**113.0**	**130.8**	**472.2**	**569.1**	**638.1**	**715.7**	**776.5**
Sales per Hub ($MM)	$3.04	$3.17	$3.50	$0.97	$1.05	$0.96	$1.05	3.9	4.3	4.4	4.6	4.8
Hub Revenue	100.1	117.3	199.8	66.4	59.1	71.0	76.9	273.4	328.6	355.4	387.5	407.5
Hub Revenue per Hub ($MM)	$1.89	$1.82	$2.11	$0.59	$0.52	$0.60	$0.62	$2.36	$2.49	$2.47	$2.50	$2.50
Spoke Revenue	61.0	87.1	131.3	43.3	59.5	42.1	53.9	198.8	240.5	282.7	328.2	369.0
Spoke Revenue per Spoke ($MM)	$0.02	$0.04	$0.03	$0.01	$0.01	$0.01	$0.01	$0.04	$0.04	$0.04	$0.04	$0.04
Sweet Treats Branded Product Line Revenues	**125.7**	**112.1**	**128.6**	**3.9**	**12.3**	**2.4**	**3.0**	**21.6**	**22.0**	**38.0**	**45.0**	**50.0**
Insomnia Cookies Revenues	**0.0**	**101.0**	**117.7**	**37.7**	**35.5**	**37.6**	**41.9**	**152.7**	**199.9**	**227.7**	**248.4**	**268.2**
Revenue per Shop ($MM)	$0.00	$0.64	$0.67	$0.20	$0.18	$0.19	$0.20	$0.77	$0.88	$0.90	$0.90	$0.90
Total US/CAN Market Revenues	**$443.6**	**$587.5**	**$782.7**	**$222.5**	**$230.9**	**$225.8**	**$249.5**	**$928.7**	**$1,122.3**	**$1,291.2**	**$1,471.6**	**$1,637.2**
International Market Segment												
# of Hubs With Spokes:												
Beginning Amount		25	36	36	38	37	35.0	36.0	35.0	35.0	35.0	36.0
Net Openings (Closings)		11	0	2	(1)	(2)	0.0	(1.0)	0.0	0.0	1.0	1.0
On Q4'21E Hubs		0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0
On Q1'22E Hubs		0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0
On Q2'22E Hubs		0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0
On Q3'22E Hubs		0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0
On Q4'22E Hubs		0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0
On Q1'23E Hubs		0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0
On Q2'23E Hubs		0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0
On Q3'23E Hubs		0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0
On Q4'23E Hubs		0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	0.0
On FY 2024E Hubs		0	0	0	0	0	0.0	0.0	0.0	0.0	1.0	1.0
On FY 2025E Hubs		0	0	0	0	0	0.0	0.0	0.0	0.0	0.0	1.0
Ending Period Count	25	36	36	38	37	35	35.0	35.0	35.0	35.0	36.0	37.0
# of Spokes per Hub:												
On Pre-Q3'21 Hubs W/ Spokes		67.1	63.2	65.8	68.7	74.8	75.0	73.9	75.0	75.0	75.0	75.0
On Q4'21E Hubs		0	0	0	0	0	0	0	0	0	0	0
On Q1'22E Hubs		0	0	0	0	0	0	0	0	0	0	0
On Q2'22E Hubs		0	0	0	0	0	0	0	0	0	0	0
On Q3'22E Hubs		0	0	0	0	0	0	0	0	0	0	0
On Q4'22E Hubs		0	0	0	0	0	0	0	0	0	0	0
On Q1'23E Hubs		0	0	0	0	0	0	0	0	0	0	0
On Q2'23E Hubs		0	0	0	0	0	0	0	0	0	0	0
On Q3'23E Hubs		0	0	0	0	0	0	0	0	0	0	0
On Q4'23E Hubs		0	0	0	0	0	0	0	0	0	0	0
On FY 2024E Hubs		0	0	0	0	0	0	0	0	0	35.0	55.0
On FY 2025E Hubs		0	0	0	0	0	0	0	0	0	0	35.0
Beginning of Period # of Operating Spokes		1,879	2,214	2,334	2,535	2,618	2,767.0	2,334.0	2,625.0	2,625.0	2,625.0	2,585.0
Net Openings (Closings)		335	120	201	83	149	(142.0)	291.0	0.0	0.0	(40.0)	55.0
End of Period # of Operating Spokes	1,879	2,214	2,334	2,535	2,618	2,767	2,625.0	2,625.0	2,625.0	2,625.0	2,585.0	2,640.0
Revenue from Hubs With Spokes	**$185.8**	**$223.1**	**$230.2**	**$66.5**	**$89.2**	**$87.3**	**$81.0**	**$324.0**	**$334.5**	**$337.8**	**$344.0**	**$352.5**
Sales per Hub ($MM)	$7.43	$7.32	$6.39	$1.80	$2.38	$2.42	$2.31	$9.13	$9.56	$9.65	$9.69	$9.66
Hub Revenue	47.2	55.5	74.6	21.7	19.5	21.7	21.7	84.7	86.5	85.8	88.8	91.3
Hub Revenue per Hub ($MM)	$1.89	$1.82	$2.07	$0.59	$0.52	$0.60	$0.62	$2.39	$2.47	$2.45	$2.50	$2.50
Spoke Revenue	138.6	167.6	155.6	44.8	69.7	65.5	59.3	239.3	248.1	252.0	255.3	261.3
Spoke Revenue per Spoke ($MM)	$0.07	$0.08	$0.07	$0.02	$0.03	$0.02	$0.02	$0.10	$0.09	$0.10	$0.10	$0.10
Total International Market Revenues	**$185.8**	**$223.1**	**$230.2**	**$66.5**	**$89.2**	**$87.3**	**81.0**	**324.0**	**334.5**	**337.8**	**344.0**	**352.5**
Market Development Segment												
Hubs & Spokes (Franchisee) - # of Doors	1,144	1,146	1,339	1,339	1,395	1,505	1,532	1,532	1,694	1,819	1,924	2,009
Hubs Beginning Amount		237	189	142	135	138	137	142	134	136	141	146
Net Openings (Closings)		(48)	(47)	(7)	3	(1)	(3)	(8)	2	5	5	5
Hubs Ending Period Count	237	189	142	135	138	137	134	134	136	141	146	151
Beginning of Period # of Operating Spokes		907	957	1,197	1,204	1,257	1,368	1,197	1,398	1,558	1,678	1,778
Net Openings (Closings)		50	240	7	53	111	30	201	160	120	100	80
End of Period # of Operating Spokes	907	957	1,197	1,204	1,257	1,368	1,398.0	1,398.0	1,558.0	1,678.0	1,778.0	1,858.0
Total KK Revenues from Franchisees	**$47.0**	**$46.6**	**$36.9**	**$8.2**	**$8.0**	**$8.5**	**8.4**	**33.1**	**36.0**	**39.2**	**42.7**	**44.6**
Per Hub + Spokes ($MM)	$0.041	$0.041	$0.028	$0.006	$0.006	$0.006	$0.006	$0.022	$0.021	$0.022	$0.024	$0.024
Japanese Corporate Owned Store Revenues & Other	**119.5**	**102.2**	**72.2**	**24.6**	**21.1**	**21.3**	**22.3**	**89.3**	**95.5**	**101.2**	**106.3**	**110.5**
Total Market Development Revenues	**$166.5**	**$148.8**	**$109.1**	**$32.8**	**$29.0**	**$29.7**	**$30.7**	**$122.3**	**$131.5**	**$140.4**	**$149.0**	**$155.1**
Corporate-Level Revenues												
Total DNUT Revenues	**$795.9**	**$959.4**	**$1,122.0**	**$321.8**	**$349.2**	**$342.8**	**$361.2**	**$1,375.0**	**$1,588.2**	**$1,769.4**	**$1,964.6**	**$2,144.8**

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Revenue Build - Base Case - $ in MM											
Fiscal Quarter/Year	Q4'21E	Q1'22E	Q2'22E	Q3'22E	Q4'22E	Q1'23E	Q2'23E	Q3'23E	Q4'23E	FY 2024E	FY 2025E
Calander Period	1/3/2022	4/3/2022	7/3/2022	10/3/2022	1/3/2023	4/3/2023	7/3/2023	10/3/2023	1/3/2024	1/3/2025	1/3/2026
Base Case											
Discounted Cash Flow Valuation Analysis											
EBIT (GAAP)	8.364	21.471	21.577	30.185	30.312	39.545	35.952	43.331	43.880	214.904	258.115
(-) Taxes	1.8	4.5	4.5	6.3	6.4	8.3	7.6	9.1	9.2	45.1	54.2
Tax Rate	*21.00%*	*21.00%*	*21.00%*	*21.00%*	*21.00%*	*21.00%*	*21.00%*	*21.00%*	*21.00%*	*21.00%*	*21.00%*
EBIAT	6.6	17.0	17.0	23.8	23.9	31.2	28.4	34.2	34.7	169.8	203.9
(+) Depreciation	14.9	13.8	14.4	14.9	15.4	14.3	14.9	15.3	15.7	64.6	66.3
(+) Amortization	12.2	11.3	11.3	11.3	11.3	10.5	10.5	10.5	10.5	38.6	35.2
(+) Share Based Compensation	7.2	6.6	5.8	5.1	4.2	4.2	4.3	4.5	4.6	19.6	21.4
(-) Capital Expenditures	30.0	29.0	29.1	25.2	25.3	29.2	29.3	23.5	23.6	114.4	114.2
(-) Changes in NWC	(12.4)	(18.0)	(8.9)	(8.2)	(7.8)	(8.0)	(8.0)	(8.7)	(8.8)	(35.8)	(34.2)
Free Cash Flow to the Firm	**23.3**	**37.7**	**28.3**	**38.1**	**37.4**	**39.0**	**36.7**	**49.8**	**50.7**	**214.1**	**246.9**
Terminal Value											4,623.0
Discount Period	0.25	0.50	0.75	1.00	1.25	1.50	1.75	2.00	2.25	3.25	4.25
Present Value	23.1	36.8	27.3	36.3	35.2	36.3	33.7	45.2	45.5	182.7	3,957.9
Firm Value	**4,459.8**										
(-) Debt	830.3		**Projection Period WACC**		**5.00%**						
(+) Cash	44.9		**Terminal Value WACC**		**8.50%**						
Equity Value	3,674.5		**Terminal Growth**		**3.00%**						
Shares Outstanding	166.0										
Implied Share Price	**$22.13**										
Current Share Price	$ 15.70										
Return	**40.96%**										

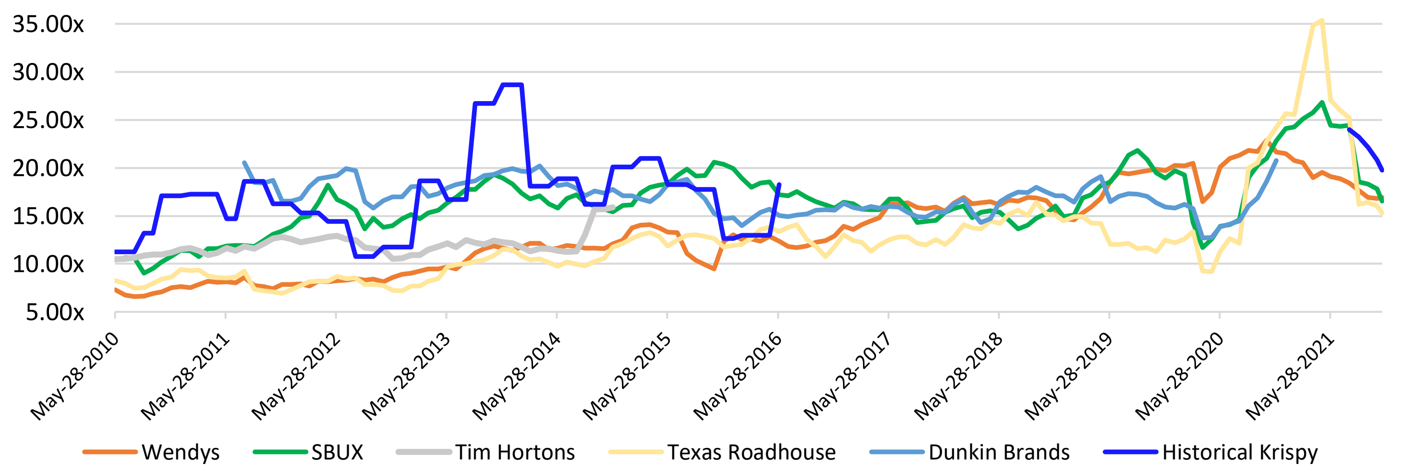
Projection Period WACC	Terminal Growth 0.50%	1.00%	1.50%	2.00%	2.50%	3.00%	3.50%
8.00%	(19.33%)	(13.16%)	(6.10%)	2.04%	11.53%	22.76%	36.23%
7.50%	(17.32%)	(11.02%)	(3.83%)	4.48%	14.16%	25.61%	39.35%
7.00%	(15.26%)	(8.83%)	(1.49%)	6.98%	16.86%	28.54%	42.55%
6.50%	(13.14%)	(6.59%)	0.90%	9.54%	19.62%	31.53%	45.83%
6.00%	(10.98%)	(4.29%)	3.35%	12.16%	22.44%	34.60%	49.18%
5.50%	(8.76%)	(1.94%)	5.85%	14.85%	25.34%	37.74%	52.62%
5.00%	(6.49%)	0.47%	8.42%	17.60%	28.31%	40.96%	56.14%
4.50%	(4.16%)	2.94%	11.06%	20.42%	31.35%	44.26%	59.76%
4.00%	(1.77%)	5.47%	13.76%	23.32%	34.47%	47.64%	63.46%

Terminal Value WACC	Terminal Growth 0.50%	1.00%	1.50%	2.00%	2.50%	3.00%	3.50%
10.00%	(21.75%)	(16.80%)	(11.27%)	(5.04%)	2.01%	10.07%	19.38%
9.50%	(17.23%)	(11.72%)	(5.53%)	1.50%	9.52%	18.79%	29.59%
9.00%	(12.18%)	(6.01%)	0.98%	8.97%	18.19%	28.95%	41.66%
8.50%	(6.49%)	0.47%	8.42%	17.60%	28.31%	40.96%	56.14%
8.00%	(0.04%)	7.87%	17.01%	27.67%	40.26%	55.37%	73.85%
7.50%	7.33%	16.42%	27.02%	39.56%	54.60%	72.99%	95.97%
7.00%	15.83%	26.38%	38.86%	53.83%	72.14%	95.01%	124.42%
6.50%	25.74%	38.16%	53.07%	71.28%	94.05%	123.32%	162.36%
6.00%	37.46%	52.30%	70.43%	93.09%	122.22%	161.07%	215.46%

Company Name	EV/LTM Rev	EV/LTM EBITDA	LTM P/E	EV/LTM-1 Rev	EV/LTM-1 EBITDA	LTM-1 P/E	EV/NTM Rev	EV/NTM EBITDA	NTM P/E	EV/2023 EBITDA
The Wendy's Company (NasdaqGS:WEN)	5.33x	17.06x	25.89x	5.35x	16.81x	26.08x	4.26x	17.04x	26.42x	15.09x
Starbucks Corporation (NasdaqGS:SBUX)	5.13x	24.11x	31.44x	5.49x	27.15x	46.69x	4.56x	21.07x	32.56x	18.87x
Texas Roadhouse, Inc. (NasdaqGS:TXRH)	2.11x	55.99x	30.05x	2.28x	19.25x	33.78x	1.80x	16.45x	27.70x	13.01x
Krispy Kreme, Inc. (NasdaqGS:DNUT)	2.71x	30.08x	(46.88x)	2.82x	30.67x	(39.74x)	2.42x	18.39x	34.90x	14.54x

Krispy Kreme vs Comps (EV/LTM Adj. EBITDA)

(2010-Present)



Catapult Group International Ltd. (ASX: CAT)

Underfollowed, early-stage growth business with a SaaS transition and underappreciated TAM

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Price Target: $2.21 (75.9% Upside) December 6th, 2021

Business Description:

Catapult Group is an Australian based sports analytics company. They primarily operate in two business segments: Wearables and Video Analytics. The wearable is a vest that athletes use during training and practice, collecting data points like linear motion or rotational movements. They can access the data through a software that is subscription based. The video analytics business includes breaking down footage for tactical and coaching purposes. The data contextualization aids teams with things like game analysis, VR tools, situational coaching, and injury protection.

Industry Description:

The only competitor in the sports wearable technology space is Statsport. Statsport is a European based private company that is about 1/5 the size of Catapult and is concentrated in European soccer (About 85%). Catapult, by comparison, has a customer base that is 40% North America, 30% APAC, and 30% EMEA.

Investment Thesis:

- **A growing SaaS business trading at historical non-SaaS multiples:** From 2017 until 2019, the old Catapult management team had significant trouble perfecting the hardware product. There were issues with data collection accuracy and durability of the vest. To compound issues, management's strategy was to sell data to big broadcasting companies for commercial purposes. Post 2019, the business has reinvented itself. The company perfected the hardware product by early 2020, so they would not have to offer replacement to customers. The focus shifted on expanded and improving the software business, which they have grown significantly (46%) since then. Part of the fuel comes from a rebuild of the executive team -- Catapult has brought on former Amazon and Spotify execs who have experience hyper-scaling US b2b SaaS. The focus has been evident in recent strategy, as the innovation and product creation has been focused on the video analytics software's. The company has targeted 90% of its revenue coming from subscription by 2025. At its current level, 78% of the revenue is SaaS, which is a significant increase from 2018 levels which were around 40-50% software. Despite the dramatic shift in revenue and focus, Catapult has maintained its 3-4x revenue multiple throughout the period.
- **Cross-Selling opportunities, recruiting market expand TAM opportunity:** Watching film is a critical part of high-level sports. Regardless of whether the team already uses Catapult wearables, quality video analysis is a tool that all teams find use in. Catapult offers both general video tools that breakdown film and find spots in games to exploit opponents, and more specific data contextualization software's like playbooks, situational lineups, or how to approach a defensive assignment within a specific sport. The teams 'subscribe' to these software's individually, so the idea is that they can cross-sell the solutions to teams they already generate revenue from. The cross-selling potential within a specific team is explosive once the team trusts the product. For example, Catapult increased its ACV from 25K to 500K with a NCAA basketball team by cross selling scouting, recruiting, situational coaching, and training software's to the team. On average, successful cross selling will lead to a 10-12x increase in ARPU. The first step though, is working with wearables customers to use the video analysis as well, which the new management has done well thus far. Customers with more than one solution has increased 50% over the last full year, and cross-selling potential expands the professional TAM by nearly 3 times. The traditional thought surrounding this company is that the growth is tied to the number of professional teams they can sign deals with, and thus it is capped there. However, more reputability for Catapult means teams expand into video solutions. Importantly, if a team in your league utilizes Catapult for video analysis software and you do not, you are at an inherent disadvantage. For existing wearable customers, it is especially useful to have these solutions because Catapult has products that combine data from wearables and from video analytics to optimize performance against a specific opponent.

Key Ratios and Statistics:

Share Price (12/3/21)	$1.17
Market Cap	$289mm
Enterprise Value	$238mm
52-Week Low	$1.15
52-Week High	$1.78
Revenue (FY21)	$67.mm3
EBT (FY21)	$(8.3)

$ in Millions	2021A	2022E	2023E	2024E
Revenue	67.3	83.2	106.2	140.2
EBITDA	5.6	9.8	22.3	43.4
Net Inc.	(8.3)	(6.0)	5.1	21.1

Figure 1 – Diversity of Teams

Figure 2 – CAT 5-Point Performance Model

Valuation – Bear Case (No Cross-Selling, 3.5x sales multiple)

ASX:CAT	2021	2022	2023	2024	2025
SaaS	48.4	60.0	75.0	93.0	115.4
Capital	18.9	18.3	18.0	17.1	15.7
Revenue	67.3	78.3	93.0	110.1	131.1
Cogs	17.6	25.9	29.8	33.0	38.0
S&M	17.2	17.9	19.5	21.4	24.5
Contribution	32.5	34.6	43.7	55.6	68.6
G&A	26.9	28.2	31.1	34.8	40.4
EBITDA	5.6	6.4	12.7	20.8	28.2
R&D	13.9	14.9	16.2	18.0	20.2
EBIT	(8.30)	(8.51)	(3.55)	2.82	8.08
Tax Expense	(0.05)	1.45	(0.60)	0.48	1.37
NI to CE	(8.25)	(9.96)	(2.95)	2.34	6.70

Drivers	2021	2022	2023	2024	2025
SaaS Revenue		*24%*	*25%*	*24%*	*24%*
Capital Revenue		*-3%*	*-2%*	*-5%*	*-8%*
growth		*16%*	*19%*	*18%*	*19%*
% of sales	*26%*	*33%*	*32%*	*30%*	*29%*
S&M		*4%*	*9%*	*10%*	*14%*
Contribution	*48%*	*44%*	*47%*	*51%*	*52%*
G&A		*5%*	*10%*	*12%*	*16%*
margin	*8%*	*8%*	*14%*	*19%*	*22%*
R&D		*7%*	*9%*	*11%*	*12%*
Margin	*-12%*	*-11%*	*-4%*	*3%*	*6%*
Tax Rate	*1%*	*-17%*	*17%*	*17%*	*17%*
Margin	*-12%*	*-13%*	*-3%*	*2%*	*5%*

Discounted Cash Flow					
	FY21	FY22	FY23	FY24	FY25
EBIT	(8.3)	(8.5)	(3.5)	2.8	8.1
1-tax rate	0.8	0.8	0.8	0.8	0.8
NOPAT	(6.9)	(7.1)	(2.9)	2.3	6.7
D&A	13.9	14.9	16.2	18.0	20.2
Capex	9.3	10.2	12.1	14.3	17.0
Delta NWC	(6.6)	(0.2)	(3.6)	(3.6)	(4.4)
Free Cash Flow	4.3	(2.1)	4.8	9.6	14.2
Period		0.5	1.5	2.5	3.5
Discount Factor	1.00	0.95	0.87	0.79	0.72
PV of FCF	**4.3**	**(2.0)**	**4.2**	**7.6**	**10.2**

Exit Multiple (Sales) (USD)	
WACC	10%
EV/Sales	**3.50**
TV	458.7
NPV of TV	313.3
NPV of FCF	24.2
Cash	42.12
Debt	12.73
Equity Value	366.8
S/O	231.92
Target Price	**1.58**
Target Upside	**27%**

EV/Sales \ WACC	9.50%	9.75%	10.00%	10.25%	10.50%	10.75%	11.00%	11.25%
3.00x	12.8%	12.0%	11.1%	10.3%	9.4%	8.6%	7.8%	7.0%
3.25x	20.7%	19.7%	18.8%	17.9%	17.0%	16.1%	15.3%	14.4%
3.50x	28.5%	27.5%	26.5%	25.6%	24.6%	23.6%	22.7%	21.8%
3.75x	36.4%	35.3%	34.3%	33.2%	32.2%	31.2%	30.1%	29.1%
4.00x	44.3%	43.1%	42.0%	40.9%	39.8%	38.7%	37.6%	36.5%
4.25x	52.1%	50.9%	49.7%	48.5%	47.3%	46.2%	45.0%	43.9%
4.50x	60.0%	58.7%	57.4%	56.2%	54.9%	53.7%	52.5%	51.3%
4.75x	67.8%	66.5%	65.1%	63.8%	62.5%	61.2%	59.9%	58.7%
5.00x	75.7%	74.3%	72.9%	71.5%	70.1%	68.7%	67.4%	66.0%
5.25x	83.6%	82.1%	80.6%	79.1%	77.7%	76.2%	74.8%	73.4%
5.50x	91.4%	89.8%	88.3%	86.8%	85.2%	83.7%	82.3%	80.8%
5.75x	99.3%	97.6%	96.0%	94.4%	92.8%	91.3%	89.7%	88.2%

Valuation – Base Case (Consistent Cross-Selling, limited Upselling, 4x sales multiple)

ASX:CAT	2021	2022	2023	2024	2025
SaaS	48.4	62.4	81.8	109.6	148.0
Capital	18.9	18.3	18.0	17.6	16.9
Revenue	67.3	80.8	99.8	127.2	164.9
Cogs	17.6	26.7	31.9	38.2	47.8
S&M	17.2	17.7	18.8	20.3	22.1
Contribution	32.5	36.4	49.1	68.8	94.9
G&A	26.9	28.2	31.1	34.8	40.4
EBITDA	5.6	8.2	18.0	34.0	54.6
R&D	13.9	14.9	16.2	18.0	20.2
EBIT	(8.30)	(6.72)	1.78	15.97	34.43
Tax Expense	(0.05)	1.14	0.30	2.72	5.85
NI to CE	(8.25)	(7.86)	1.47	13.26	28.57

Drivers	2021	2022	2023	2024	2025
SaaS Revenue		*29%*	*31%*	*34%*	*35%*
Capital Revenue		*-3%*	*-2%*	*-2%*	*-4%*
growth		*20%*	*24%*	*28%*	*30%*
% of sales	*26%*	*33%*	*32%*	*30%*	*29%*
S&M		*3%*	*6%*	*8%*	*9%*
Contribution	*48%*	*45%*	*49%*	*54%*	*58%*
G&A		*5%*	*10%*	*12%*	*16%*
margin	*8%*	*10%*	*18%*	*27%*	*33%*
R&D		*7%*	*9%*	*11%*	*12%*
Margin	*-12%*	*-8%*	*2%*	*13%*	*21%*
Tax Rate	*1%*	*-17%*	*17%*	*17%*	*17%*
Margin	*-12%*	*-10%*	*1%*	*10%*	*17%*

Discounted Cash Flow					
	FY21	FY22	FY23	FY24	FY25
EBIT	(8.3)	(6.7)	1.8	16.0	34.4
1-tax rate	0.8	0.8	0.8	0.8	0.8
NOPAT	(6.9)	(5.6)	1.5	13.3	28.6
D&A	13.9	14.9	16.2	18.0	20.2
Capex	9.3	10.5	13.0	16.5	21.4
Delta NWC	(6.6)	(0.2)	(5.0)	(5.8)	(7.9)
Free Cash Flow	4.3	(1.0)	9.8	20.5	35.2
Period		0.5	1.5	2.5	3.5
Discount Factor	1.00	0.95	0.87	0.79	0.72
PV of FCF	**4.3**	**(0.9)**	**8.5**	**16.1**	**25.2**

Exit Multiple (Sales) (USD)	
WACC	10%
EV/Sales	**4.00**
TV	659.5
NPV of TV	450.4
NPV of FCF	53.2
Cash	42.12
Debt	12.73
Equity Value	533.0
S/O	231.92
Target Price	**2.30**
Target Upside	**84%**

EV/Sales \ WACC	9.50%	9.75%	10.00%	10.25%	10.50%	10.75%	11.00%	11.25%
3.00x	47.1%	46.1%	45.0%	44.0%	42.9%	41.9%	40.9%	39.9%
3.25x	57.0%	55.9%	54.7%	53.6%	52.4%	51.3%	50.2%	49.1%
3.50x	66.9%	65.7%	64.4%	63.2%	62.0%	60.8%	59.6%	58.4%
3.75x	76.8%	75.5%	74.1%	72.8%	71.5%	70.2%	69.0%	67.7%
4.00x	86.7%	85.3%	83.8%	82.4%	81.1%	79.7%	78.3%	77.0%
4.25x	96.6%	95.1%	93.6%	92.1%	90.6%	89.1%	87.7%	86.3%
4.50x	106.5%	104.9%	103.3%	101.7%	100.1%	98.6%	97.1%	95.5%
4.75x	116.4%	114.7%	113.0%	111.3%	109.7%	108.0%	106.4%	104.8%
5.00x	126.3%	124.5%	122.7%	120.9%	119.2%	117.5%	115.8%	114.1%
5.25x	136.2%	134.3%	132.4%	130.6%	128.7%	126.9%	125.2%	123.4%
5.50x	146.0%	144.1%	142.1%	140.2%	138.3%	136.4%	134.5%	132.7%
5.75x	155.9%	153.9%	151.8%	149.8%	147.8%	145.8%	143.9%	142.0%

Valuation – Bull Case (Aggressive Cross-Selling, Upselling, 4.5x sales multiple)

ASX:CAT	2021	2022	2023	2024	2025
SaaS	48.4	64.9	88.2	122.6	172.9
Capital	18.9	18.3	18.0	17.6	17.3
Revenue	67.3	83.2	106.2	140.2	190.1
Cogs	17.6	27.5	34.0	42.1	55.1
S&M	17.2	17.7	18.8	19.9	21.3
Contribution	32.5	38.0	53.4	78.2	113.7
G&A	26.9	28.2	31.1	34.8	40.4
EBITDA	5.6	9.8	22.3	43.4	73.3
R&D	13.9	14.9	16.2	18.0	20.2
EBIT	(8.30)	(5.10)	6.14	25.45	53.17
Tax Expense	(0.05)	0.87	1.04	4.33	9.04
NI to CE	(8.25)	(5.96)	5.09	21.12	44.13

Drivers	2021	2022	2023	2024	2025
SaaS Revenue		*34%*	*36%*	*39%*	*41%*
Capital Revenue		*-3%*	*-2%*	*-2%*	*-2%*
growth		*24%*	*28%*	*32%*	*36%*
% of sales	*26%*	*33%*	*32%*	*30%*	*29%*
S&M		*3%*	*6%*	*6%*	*7%*
Contribution	*48%*	*46%*	*50%*	*56%*	*60%*
G&A		*5%*	*10%*	*12%*	*16%*
margin	*8%*	*12%*	*21%*	*31%*	*39%*
R&D		*7%*	*9%*	*11%*	*12%*
Margin	*-12%*	*-6%*	*6%*	*18%*	*28%*
Tax Rate	*1%*	*-17%*	*17%*	*17%*	*17%*
Margin	*-12%*	*-7%*	*5%*	*15%*	*23%*

Discounted Cash Flow					
	FY21	FY22	FY23	FY24	FY25
EBIT	(8.3)	(5.1)	6.1	25.4	53.2
1-tax rate	0.8	0.8	0.8	0.8	0.8
NOPAT	(6.9)	(4.2)	5.1	21.1	44.1
D&A	13.9	14.9	16.2	18.0	20.2
Capex	9.3	10.8	13.8	18.2	24.7
Delta NWC	(6.6)	(0.2)	(6.4)	(7.1)	(10.5)
Free Cash Flow	4.3	0.1	13.9	28.0	50.1
Period		0.5	1.5	2.5	3.5
Discount Factor	1.00	0.95	0.87	0.79	0.72
PV of FCF	**4.3**	**0.1**	**12.0**	**22.1**	**35.9**

Exit Multiple (Sales) (USD)	
WACC	10%
EV/Sales	**4.50**
TV	855.6
NPV of TV	574.1
NPV of FCF	74.3
Cash	42.12
Debt	12.73
Equity Value	677.8
S/O	231.92
Target Price	**2.92**
Target Upside	**134%**

EV/Sales \ WACC	9.50%	9.75%	10.00%	10.25%	10.50%	10.75%	11.00%	11.25%
3.00x	72.6%	71.4%	70.2%	68.9%	67.7%	66.6%	65.4%	64.2%
3.25x	84.0%	82.7%	81.4%	80.0%	78.7%	77.5%	76.2%	74.9%
3.50x	95.4%	94.0%	92.6%	91.1%	89.7%	88.4%	87.0%	85.6%
3.75x	106.8%	105.3%	103.8%	102.2%	100.7%	99.3%	97.8%	96.3%
4.00x	118.3%	116.6%	115.0%	113.3%	111.7%	110.2%	108.6%	107.0%
4.25x	129.7%	127.9%	126.2%	124.4%	122.7%	121.0%	119.4%	117.7%
4.50x	141.1%	139.2%	137.4%	135.5%	133.7%	131.9%	130.2%	128.4%
4.75x	152.5%	150.5%	148.6%	146.6%	144.7%	142.8%	141.0%	139.1%
5.00x	163.9%	161.8%	159.7%	157.7%	155.7%	153.7%	151.8%	149.9%
5.25x	175.3%	173.1%	170.9%	168.8%	166.7%	164.6%	162.6%	160.6%
5.50x	186.7%	184.4%	182.1%	179.9%	177.7%	175.5%	173.4%	171.3%
5.75x	198.1%	195.7%	193.3%	191.0%	188.7%	186.4%	184.2%	182.0%

Putting it Together

Probability Weighted Valuation	
Bear Case Upside	27%
Base Case Upside	84%
Bull Case Upside	134%
Probability (Bear Case)	*30%*
Probability (Base Case)	*50%*
Probability (Bull Case)	*20%*
Weighted Upside	**76.9%**

Sensitizing Weighted Upside to Exit Multiple and WACC

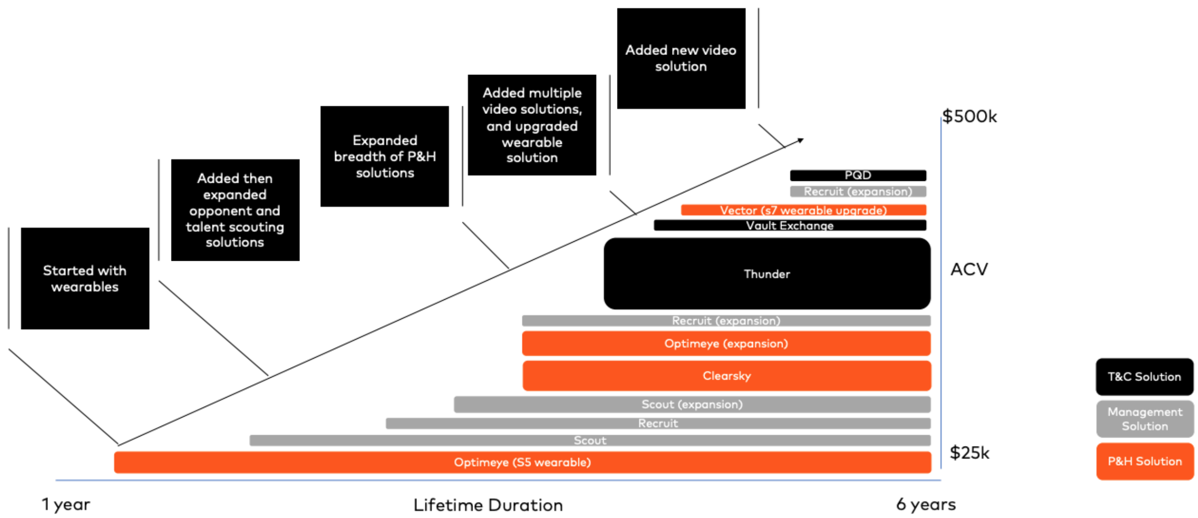
EV/Sales \ WACC	9.50%	9.75%	10.00%	10.25%	10.50%	10.75%	11.00%	11.25%
3.00x	57.7%	56.6%	55.5%	54.4%	53.3%	52.3%	51.2%	50.2%
3.25x	67.9%	66.7%	65.5%	64.3%	63.2%	62.0%	60.9%	59.8%
3.50x	78.1%	76.8%	75.5%	74.3%	73.0%	71.8%	70.6%	69.3%
3.75x	88.3%	86.9%	85.6%	84.2%	82.9%	81.5%	80.2%	78.9%
4.00x	98.5%	97.0%	95.6%	94.1%	92.7%	91.3%	89.9%	88.5%
4.25x	108.7%	107.2%	105.6%	104.1%	102.5%	101.0%	99.5%	98.1%
4.50x	118.9%	117.3%	115.6%	114.0%	112.4%	110.8%	109.2%	107.7%
4.75x	129.1%	127.4%	125.6%	123.9%	122.2%	120.5%	118.9%	117.2%
5.00x	139.4%	137.5%	135.7%	133.9%	132.1%	130.3%	128.5%	126.8%
5.25x	149.6%	147.6%	145.7%	143.8%	141.9%	140.0%	138.2%	136.4%
5.50x	159.8%	157.7%	155.7%	153.7%	151.7%	149.8%	147.9%	146.0%
5.75x	170.0%	167.8%	165.7%	163.6%	161.6%	159.5%	157.5%	155.5%

TAM Build

Markets	Pro Football	Pro Basketball	Pro Baseball	Pro Hockey	Pro Cricket	Pro soccer	Other Pro sports	NCAA football	NCAA basketball	Other College Sports	High school sports	Youth Soccer / other sports
Teams / Users	32	17	65	94	13	106	60	212	150	394	105	86
Revenue per team / year	100,000	90,000	90,000	75,000	100,000	80,000	65,000	70,000	55,000	38,000	14,000	20,000
Potential Teams	32	140	200	450	160	520	307	550	295	740	683	202
Potential Revenue per team / year	415,000	375,000	315,000	345,000	420,000	450,000	270,000	400,000	350,000	225,000	31,000	32,000
Market Size	13,280,000	52,500,000	63,000,000	155,250,000	67,200,000	234,000,000	82,890,000	220,000,000	103,250,000	166,500,000	21,173,000	6,464,000
Current Penetration	24%	3%	9%	5%	2%	4%	5%	7%	8%	9%	7%	27%
% Penetration by competitors	0%	0%	0%	0%	0%	43%	1%	0%	0%	0%	0%	31%

Total TAM: 1,185,507,000

'Land and Expand' Case Study



Comps

Ticker	Company	EBIT Margin (%)		EV/Sales		EV/Gross Profit	
		2022	2023	2022	2023	2022	2023
AXON	Axon Enterprise, Inc.	0.4%	3.6%	10.3x	8.9x	19.0x	16.1x
ASX: NEA	Nearmap Ltd	-21.4%	-10.0%	4.6x	3.8x	7.2x	6.0x
FARO	FARO Technologies, Inc.	10.3%	15.1%	2.9x	2.6x	6.0x	4.9x
ASX:CAT	Catapult Group International Limited	4.8%	12.0%	2.8x	2.5x	4.2x	3.9x