STERN IAG

Board of Advisors Meeting

March 7th, 2022

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Letter from Portfolio Managers

Dear Board of Advisors,

Welcome to our first meeting of the semester! Over the winter break our analysts worked hard to each individually produce a pitch. Over the past five weeks, we have worked diligently to additionally research and discuss these ideas so that we could present two pitches today for your consideration.

Operationally, we are also excited to announce that we have hired new trainees for this spring. The spring roster is as follows: Anita Gao, Aryann Gupta, Claire Luo, and Christian Rosario.

Since our last meeting in December 2022, the market has been relatively flat with a slight gain (~3%) in major indices across the board, on the back of slowing rate hikes and more optimistic economic data. While the market return over this past month has been positive, there is still plenty of room for uncertainty regarding market conditions. Analysts and investors have been focused over the past month or so on inflation, consumer spending trends, and ongoing political tension overseas, as well as perceived improvements regarding the pandemic globally. Underlying these variables are the ongoing issues of supply chain backlogs, input costs, and a volatile housing market.

Overall, we are extremely pleased with the recent performance of our portfolio since our last meeting. On an LTM basis, we have returned 17.56% compared with the S&P 500 benchmark return of -2.90%, increasing our spread from 13.39% to 20.46% since our last meeting. Gains have been driven by both our larger core positions as well as newer more opportunistic ones. In particular, Builders FirstSource (6.88% of portfolio) and United Rentals (6.48% of Portfolio) have returned ~55% and ~64% respectively over the last six months. Additionally, Thryv Holdings has already appreciated nearly 40% since adding the position in December.

Today, we are asking to add to our portfolio two positions.

1) 3U Holdings: (ETR: UUU) – A German holding company trading under Net Asset Value due to misunderstood capital allocation ability

2) ZIM Integrated Shipping Services: (NYSE: ZIM) – A shipping company oversold with the rest of the industry with a unique and attractive business model and improving business fundamentals

We look forward to the rest of the semester and are more than happy to continue being a source of information to the Board. We encourage you all to reach out with feedback or clarifications at any time.

Best,

Niranjan Narasimhan & Rahul Parikh

Portfolio Managers

II. Performance Analysis

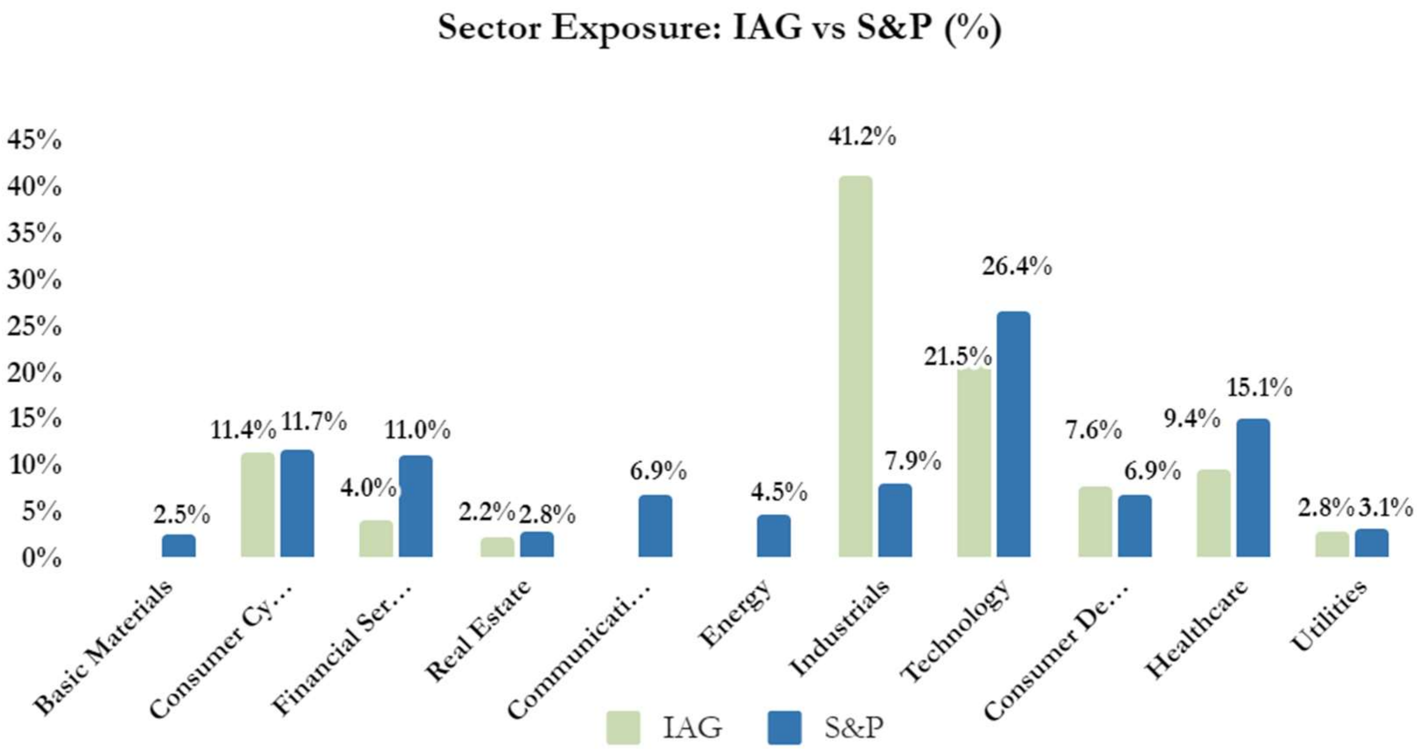
Holdings Summary *(as of March 2nd, 2022)*

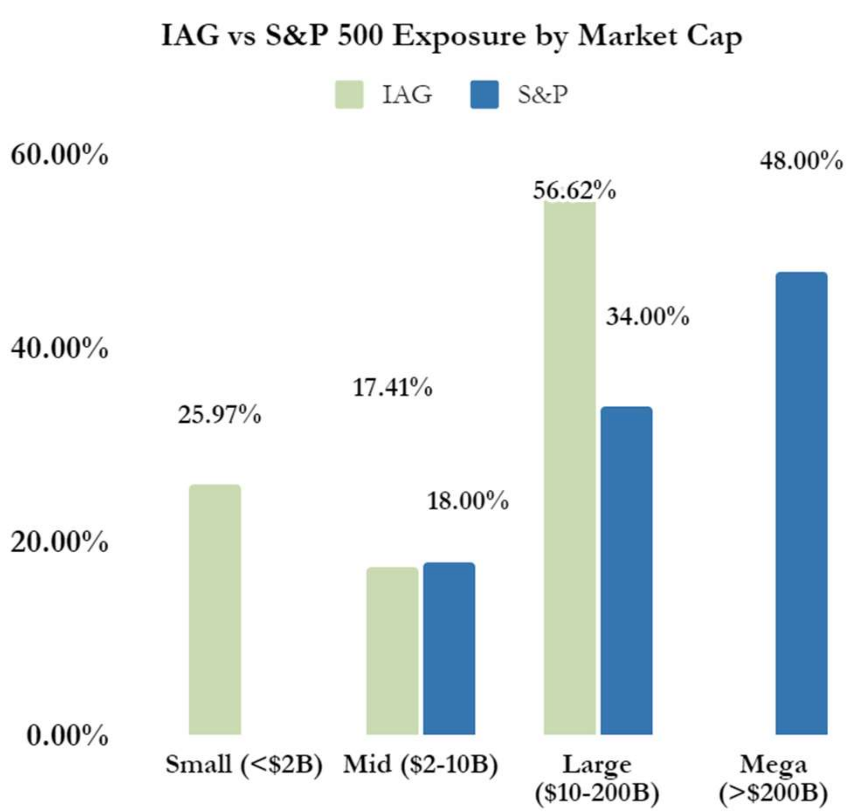
Company Name	Ticker	Coverage	Date of Purchase	% of Portfolio	Share Count	Price At Purchase	Share Price	Current Return	Industry	Holding Type
Current Holdings										
APi Group Corp	NYSE: APG	Rahul Parikh	9/24/2020	**3.72%**	160	14.29	24.11	**68.72%**	Industrials	**Core**
Berry Global Group Inc	NYSE: BERY	Christina Monev	12/2/2020	**3.08%**	50	54.60	63.89	**17.01%**	Industrials	**Core**
Builders FirstSource Inc	NYSE: BLDR	Rahul Parikh	10/5/2021	**6.88%**	80	52.20	89.18	**70.84%**	Industrials	**Core**
Camtek LTD	NASDAQ: CAMT	Nithin Mantena	10/7/2022	**2.47%**	90	22.68	28.40	**25.22%**	Technology	**Oppt.**
Catapult Group International Ltd	ASX: CAT	Rahul Parikh	3/11/2022	**1.46%**	2100	1.07	0.72	**-32.71%**	Technology	**Oppt.**
Concrete Pumping Holdings Inc	NASDAQ: BBCP	Alex Isaac	3/26/2021	**2.29%**	300	7.07	7.90	**11.74%**	Industrials	**Core**
Embecta Corp	NASDAQ: EMBC	Rhys Berezny	10/7/2022	**4.59%**	150	28.05	31.74	**13.16%**	Healthcare	**Core**
Exelon Corp	NASDAQ: EXC	Rhys Berezny	4/30/2021	**2.79%**	70	31.74	41.38	**30.37%**	Utilities	**Oppt.**
Flex Ltd	NASDAQ: FLEX	Rhys Berezny	10/5/2021	**7.40%**	335	18.58	22.90	**23.25%**	Industrials	**Core**
HCA Healthcare Inc	NYSE: HCA	Karen Phua	9/26/2019	**4.58%**	19	119.99	249.99	**108.34%**	Healthcare	**Core**
JD.com Inc ADR	NASDAQ: JD	Nithin Mantena	4/30/2021	**1.83%**	40	77.55	47.46	**-38.80%**	Consumer Cyclical	**Oppt.**
Joyce Corporation LTD	ASX: JYC	Nithin Mantena	12/20/2022	**2.43%**	730	3.6	3.45	**-4.17%**	Consumer Cyclical	**Oppt.**
Krispy Kreme Inc	NASDAQ: DNUT	Niranjan Narasimhan	12/7/2021	**3.39%**	260	16.50	13.50	**-18.18%**	Consumer Defensive	**Oppt.**
Methode Electronics Inc	NYSE: MEI	Carol Sun	2/19/2021	**3.87%**	80	38.56	50.15	**30.06%**	Technology	**Core**
Monster Beverage Corp	NASDAQ: MNST	Alice Yu	11/9/2021	**4.04%**	41	91.00	102.01	**12.10%**	Consumer Defensive	**Core**
Office Properties Income Trust	NASDAQ: OPI	Raunakk Jalan	10/28/2020	**2.13%**	130	17.85	16.97	**-4.93%**	Real Estate	**Core**
Palo Alto Networks Inc	NASDAQ: PANW	Alex Isaac	9/24/2020	**5.55%**	30	80.17	191.59	**138.99%**	Technology	**Core**
Restoration Hardware	NYSE: RH	Christina Monev	3/30/2022	**2.87%**	10	323.66	297.21	**-8.17%**	Consumer Cyclical	**Core**
Rimini Street	NASDAQ: RMNI	Winston Yin	11/11/2022	**2.51%**	515	4.29	5.06	**17.95%**	Technology	**Oppt.**
Sea Ltd ADR	NYSE: SE	Niranjan Narasimhan	2/18/2022	**1.52%**	24	133.00	65.67	**-50.62%**	Technology	**Oppt.**
Sonic Automotive Inc Class A	NYSE: SAH	Sean Chen	5/5/2022	**4.02%**	70	48.00	59.52	**24.00%**	Consumer Cyclical	**Core**
Thryv Holdings Inc	NASDAQ: THRY	Winstin Yin	12/9/2022	**3.73%**	160	17.50	24.17	**38.11%**	Technology	**Oppt.**
TransDigm Group Inc	NYSE: TDG	Raunakk Jalan	4/9/2020	**8.14%**	11	546.37	767.22	**40.42%**	Industrials	**Core**
United Rentals Inc	NYSE: URI	Carol Sun	3/14/2019	**6.48%**	14	114.85	479.57	**317.56%**	Industrials	**Core**
Willis Towers Watson PLC	NASDAQ: WTW	Raunakk Jalan	11/9/2021	**3.95%**	17	231.70	240.85	**3.95%**	FInancial Services	**Core**
ZTO Express (Cayman) Inc ADR	NYSE: ZTO	Niranjan Narasimhan	3/14/2019	**2.39%**	100	19.43	24.72	**27.23%**	Industrials	**Core**
Total Equity Holdings				**98.12%**	**$101,686**					
Cash				**1.88%**	**$1,950**					
Total Portfolio Holdings				**100.00%**	**$103,636**					

On a last twelve-month basis, **IAG's portfolio has returned 17.56%** while the S&P 500 returned -2.90%. Since the last oversight meeting, **the spread between IAG's portfolio and the S&P 500 improved from 13.39% (12/7/22) to 20.46% (3/3/23).**

Our opportunistic positions now represent ~22.6% 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 and large-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 December 2022 Meeting

Internal Pitches Since December 2022 Meeting

	Comapny	Stage	Date	Analysts
1	Northwest Pipe Co.	Initial Screen	2/1/2023	Christina Monev
2	Digital Turbine Inc	Initial Screen	2/1/2023	Winston Yin
3	Keywords Studios PLC	Initial Screen	2/1/2023	Carol Sun
4	Enhabit Inc	Initial Screen	2/1/2023	Sean Chen
5	Clear Channel Outdoor Holdings	Initial Screen	2/8/2023	Karen Phua
6	Inmode LTD	Initial Screen	2/8/2023	Pravar Jain
7	Leonardo SpA	Initial Screen	2/8/2023	Raunakk Jalan
8	Geo Group Inc	Initial Screen	2/8/2023	Nihir Adla
9	3U Holding AG	Initial Screen	2/8/2023	Nithin Mantena
10	Advanced Drainage Systems	Initial Screen	2/15/2023	Liam Cho
11	Canada Goose Holdings	Initial Screen	2/15/2023	Jash Bhatia
12	Haemonetics Corporation	Initial Screen	2/15/2023	Sherry Hu
13	ZIM Integrated Shipping Services	Initial Screen	2/15/2023	Alex Isaac
14	Northwest Pipe Co.	First Update + DA	2/22/2023	Christina, Liam, Rhys
15	ZIM Integrated Shipping Services	First Update + DA	2/22/2023	Alex, Raunakk, Carol, Sherry
16	3U Holdings AG	First Update + DA	2/22/2023	Nithin, Pravar, Alice, Jash
17	3U Holdings AG	Second Update	3/1/2023	Nithin, Pravar, Alice, Jash
18	ZIM Integrated Shipping Services	Second Update	3/1/2023	Alex, Raunakk, Carol, Sherry

Active Pipeline

	Comapny	Stage	Date	Analysts
1	Digital Turbine	Initial Screen	2/1/2023	Winston Yin
2	Enhabit Inc	Initial Screen	2/1/2023	Sean Chen

Oversight Meeting

	Comapny	Stage	Date	Analysts
1	3U Holdings AG	Second Update	3/1/2023	Nithin, Pravar, Alice, Jash
2	ZIM Integrated Shipping Services	Second Update	3/1/2023	Alex, Raunakk, Carol, Sherry

III. Key Holdings Update

Portfolio Updates Since December 2022 Meeting

Company	Ticker	Update
APi Group **Share Price: $24.11** **PT: $25.14**	**APG**	We propose to hold our position in the API Group. Since our purchase in 2019, the stock has increased ~68%. Management just released its FY 2022 results, whose financial performance was heavily impacted by the acquisition of Chubb. Following the acquisition of Chubb in January of 2022, API became the world-leading life, safety, and security service provider. EBITDA Organic Growth is expected to be around 9% - 15%, which is driven by a mix of margin expansion and revenue growth, as well as synergies with Chubb. The management is continuing its efforts on thoughtful incremental M&A, further integration of Chubb, and deleveraging to the target Net Debt/EBITDA range of 2 – 2.5x, which will allow API to produce record earnings and generate substantial free cash flow. Despite a recent significant acquisition of Chubb, the management still plans to strategically execute M&A for revenue growth. Moreover, with its focus on higher margin and cost cutting measures, the management expects EBITDA Margin to be over 13% by 2025. We will monitor future earnings as the integration of Chubb plays out further for revenue and margin expansions.
Berry Global **Share Price: $63.99** **PT: $70.52**	**BERY**	We propose a hold on Berry Global. Our position in the company has maintained relatively flat since the last oversight meeting, with the stock only up around 3%. The demand for the company's products continues to be stable, with only slight weakness in the automotive, surface coatings, and industrial end markets. Berry has also been pursuing a strong cost cutting strategy, which should continue to improve margins, despite inflationary pressures and softer expected product volumes in the first half of the year. Berry appears to be better positioned than other players in the market due to the company's ability to pass on higher costs to consumers, in addition to its widespread cost reduction measures. Berry has also made some progress in lowering its net debt leverage (currently around 3.7x), with a target leverage ratio of 2.5-3.0x. In Q1 2023, Berry achieved 3% operating EBITDA growth, as well as 11% adjusted EPS growth. The company is transitioning its product portfolio to appeal to higher growth end markets, as well as general consumer demands for more sustainable packaging. We maintain our conviction in Berry Global as a strong core holding, and our price target remains at $70.52.
Builders FirstSource **Share Price: $89.18** **PT: $98.50**	**BLDR**	We propose a hold on our stake in Builders Firstsource. Since our last update, the stock price has significantly increased to around ~$89 per share, representing about 67% upside since we opened the position. Since the meeting in December, the major news from the company has been the FY 2022 earnings report that the company released last week. The highlights from the report were a small decrease (6%) in net sales, and a following drop in EBITDA. However, the primary driver was commodity deflation and less starts, headwinds that management believes are transitory. Additionally, the positive reaction to this earnings report was also a result of the relative outperformance of BLDR to peers during the tough macro period. We will continue to monitor the organic growth and acquisition strategy of the company as we are pleased with the position so far.
Camtek LTD **Share Price: $27.88** **PT: $36.22**	**CAMT**	We suggest a hold in our Camtek position with a price target of $36.44 compared to the current market price of 27.88. Camtek recently released their 2022 FY numbers. In short, Camtek set another record quarter and year topping estimates. However, the macro environment still remains weak and uncertain according to management as interest rates will largely determine whether new semi fabs are constructed around the world. We still believe that Camtek will succeed in the long-term (5+ years) due to the rising importance of metrology (increasingly in the mid-end of the manufacturing process) as well as the growth of China's semiconductor industry over the next decade. Camtek should be able to benefit from these trends due to their specific product mix and their strong presence in China that is supported by the fact that they are an Israeli company. Our forecasts for long-term margins and revenue growth remain largely unchanged.
Catapult Sports **Share Price: $0.72** **PT: $1.97**	**CAT**	We propose a hold on Catapult Sports. Since our last meeting, the stock price has drawn down ~5%, generally due to the higher beta nature of the early stage tech business combined with the broader market sell-off. However, we believe the business has fundamentally improved for a few key reasons. The first is that it has entered into 3 new long term (8+yr recurring revenue) contracts with new sports leagues, namely the XFL, NCAA hockey, and a new contract structure to the NBA. This is crucial because as the company is becoming profitable, they are locking in recurring revenue as the Saas platform has been able to cross sell video editing solutions, keeping ACV churn to <5%. From a financial perspective, they have not reported results since our last oversight meeting, as the company has only released the news that they have entered into the XFL contracts, and are developing a smart football with wireless charging for teams to use in practice, adding an extra element to the suite of offerings for the NFL and XFL. We will closely monitor any financial and qualitative news from the company as we hope for a market turnaround to act as a tailwind.

Portfolio Updates Since December 2022 Meeting

Company	Ticker	Update
Concrete Pumping Holdings **Share Price: $7.90** **PT: $10.85**	**BBCP**	We propose a hold on our position in Concrete Pumping Holdings. Our position is currently up 11.74% since our purchase at $7.08 per share. The company posted strong results in its FY22 earnings. Revenue grew 31% in the period, driven primarily by strategic acquisitions, growth in the infrastructure end market, and increased capacity to meet post-recovery demand. Organically, the company also had impressive growth of 20% on the top line. Eco-pan concrete waste management saw significant topline growth of 68.2% in the year, driven by a revamp of the salesforce, with an increased focus on in-person conversions. The company expects continued strong demand across its commercial and infrastructure segments in fiscal year 2023. The company plans to leverage its scale to mitigate cost inflation, invest in equipment, and attract top talent to drive profitable growth and superior shareholder value. As our thesis continues to play out, we look forward to continuing to see management effectively execute M&A, increase margins, and grow revenue across segments.
Embecta Corp **Share Price: $31.74** **PT: $40.00**	**EMBC**	We propose a hold on Embecta. Since our last update, there have been two earnings updates. The first one greatly underwhelmed expectations and the stock price dropped around 30% between mid-December and January. The combination of unexpected spin-off related expenses, low revenues, and unexpected impairment charges were the primary negative factors. This caught us a little off-guard as there was not previously much warning about the events that transpired. However, the next earnings call greatly exceeded expectations and the stock has mostly recovered since then. EBITDA margins returned to a strong 40% and net income reverted to previous quarters. Fortunately, the prior quarter seemed to be a blip rather than a negative long-term performance trend. We have seen greater volatility than we would have liked, but fortunately, Embecta seems to have a solid plan and less uncertainty moving forward.
Exelon Corp **Share Price: $41.38** **PT: $45.00**	**EXC**	We propose holding our position in Exelon. Since the last update, Exelon's stock has been in line with the rest of the utilities market as well as the S&P 500. Two weeks ago, Exelon reported its full year earnings and performed in line with expectations. Exelon has impressed us as it has continued to affirm or improve guidance and we are confident in Exelon's long-term performance outlook. Exelon has guided a 9-10% ROE over the next 4 years after returning 9.4% this year, and expects 8% rate base growth, and 6-8% EPS growth as well. After a year of record spending (as a % of revenue), Exelon has increased its capital investment plans by 875 million, which included $20.8 billion in distribution assets, $6.7 billion in transmission assets, and $3.9 billion in gas delivery over the next 4 years. Exelon, as a company, costs customers less in terms of monthly utilities expenses compared to the averages of 47/50 states which means more negotiating power with the PUCs. Overall, we are continually satisfied with Exelon's operational performance and its position as a strong, defensive asset in our portfolio.
Flex Ltd. **Share Price: $21.17** **PT: $32.35**	**FLEX**	We propose a hold on Flex. Since our last update, Flex underwent a major development. Flex has successfully completed its spin-off of NEXTracker, their solar tracker business, which went public via an IPO back in early February. NEXTracker's shares were offered at $24.00 per share for 26.6 million shares which sizes the IPO at $638 million; there was very strong demand in the IPO and NEXTracker granted the underwriters a 30-day option to expand the IPO and purchase up to an additional 4 million shares. NEXTracker's current market capitalization greatly exceeded our expectations and currently sits at $4.5 billion compared to our estimate of $3-3.5 billion. We estimate that Flex retains an estimated 60-65% of NEXTracker. The corporate structure allows Flex to pursue a tax-free spin down to 50.1% ownership over the next couple of months, garnering additional hundreds of millions of cash for Flex in the near-term. In the medium to long-term, Flex could dwindle down its position of NEXTracker and increase its cash position to over 1/3 of Flex's market cap. While Flex has not specifically stated what they do with their increased cash position, we infer that they will continue to buy back shares based on historical comments by management stating how the stock is undervalued. We still do not believe that the market is ascribing fair value to Flex given its massive inflows of cash and the better-than-expected NEXTracker performance. We await further comments on cash-utilization in the next earnings call or investor presentation. Overall, we are impressed with how our theses have played out and will consider selling part of our position after incremental value realization.

Portfolio Updates Since December 2022 Meeting

Company	Ticker	Update
HCA Healthcare **Share Price: $249.99** **PT: $263**	**HCA**	We propose a hold on our HCA position. The largest contract operator of hospitals in the United States, HCA has stood resilient against rising labor costs and a temporary volume drop. In Q4 2022, same facility admissions increased 2.9% and same facility emergency room visits increased 11.4% YoY. Same-facility inpatient surgeries decreased 0.1% YoY and same-store revenue increased 2.7% YoY. Of the three original thesis — consolidation of core cities, superior mix of geographic locations, and acquisitions of surgical and physician operations — all are still intact. HCA continues to be best-in-class in terms of staffing against acute peers and staffing. Management has made continued investments in staffing, with labor trackers showing HCA had nearly 8,000 open positions in August 2022, and this has declined by 15% in January. Continued support from new graduates with the Galen Nursing School should also weather labor cost challenges.
JD.com **Share Price: $47.46** **PT: $76.00**	**JD**	We propose a hold on JD.com and maintain our price target at $76 compared to the current stock price of 46.81. Since the last oversight meeting, JD.com has not released their fourth quarter earnings. Based on other similar companies earnings such as Alibaba, the Chinese ecommerce industry is showing strength. Alibaba cited that revenue increased 2% and income from operations increased by 9% year over year. This is likely characterized by the sudden move by Xi to remove many lockdown restrictions. In addition, the Chinese economy is expected to grow at a little above 5% in 2023 supported by the close to $650 billion of excess savings that Chinese households have. However, not all is good as price wars are starting to heat up between JD.com and other ecommerce companies such as Pinduoduo. JD.com has stated that they will be providing close to $1 billion in direct subsidies to various merchants on their platform to outcompete Pinduoduo. We still believe that in the long-term it will be JD.com's very strong free cash flow generation and their superior logistics network that will allow them to sustain high enough levels of efficiency to drive away competitors. In addition, JD.com, as a pure play Chinese ecommerce logistics business, should be able to stay under the radar of Chinese regulators who are cracking down on data privacy as well as the US regulators who are trying to maintain distance from Chinese businesses.
Joyce Corporation **Share Price: $3.45** **PT: $4,82**	**JYC**	We propose a hold on Joyce Corporation with a price target of 4.82 compared to the current stock price of 3.50. Joyce has recently released their 1st half 2023 report. On a bad note, there were quite a few forecasting errors that we made in our original pitch to oversight. On a good note though, adjusting for these errors has increased our upside as Joyce has exceeded expectations on all fronts! Joyce has two main business segments: a kitchen renovation business called KWB and a mattress retailer called Bedshed. For KWB we had originally forecasted no store openings in 2023 as well as a -13% decline in same store sales across their network of 25 stores. However, KWB significantly outperformed adding one new store in the first half of 2023 and increasing same store sales by 3%. In addition, net operating profit margins stayed very strong at close to 18%. As far as Bedshed which is a smaller part of the business, we originally forecasted a decline in revenue in 2023 due to oversupply of inventory due to COVID. This forecast has remained largely unchanged. But, on the margin front, Bedshed has again significantly outperformed achieving 17% operating margins for the company owned stores and 47% for the franchise operations. We attribute this to Bedshed's quick implementation of an ecommerce strategy during COVID. However, as competitors also adapt this strategy, we forecasted margins normalizing.
Krispy Kreme Inc	**DNUT**	Sell Note

Portfolio Updates Since December 2022 Meeting

Company	Ticker	Update
Methode Electronics Inc. **Share Price: $50.15** **PT: $51.39**	**MEI**	We propose a hold on Methode Electronics at $50.15. The new targeted price is $51.39, with a targeted upside of 2.47%. Since our last update, there have not been any additional earnings releases. To recap, Q2'23 earnings had gross margin increase 0.1% compared to last year. However, macroeconomic concerns continued to be a concern, with SG&A up to 11.6% from 10.6%, operating income margin down from 11.2% to 10.4%, and cash down from $172.0m to $129.6m. However, as noted in the last update, we continue to believe that revenue and gross margin impacts will subside in the long run as supply chain related headwinds die down. In the 25th Annual Needham Growth Conference, MEI management continued to highlight sales growth despite pandemic and supply chain challenges, its cost-efficient footprint in relation to its global locations, and its growing diversification of products offered (67% of sales from automotive compared to >70% back in 2020). The company continues to have a strong balance sheet focus, with 60% of capital being growth oriented and low leverage (Net Debt/EBITDA of 0.2). The company estimates a 3-year organic sales target CAGR of 6%, and anticipates significant tailwinds as a result of capitalization on growing EV, user interface, lighting, sensor, power distribution, and cloud computing technologies, becoming a one-stop shop within this industry.
Monster Beverage Corp **Share Price: $102.01** **PT: $110.00**	**MNST**	We propose to hold Monster Beverage with a price target of $110. The company most recently released full-year financial results. Operationally, Monster achieved record sales of $1.5B, representing a 12% increase YoY. International sales consisted of 36% of total sales and increased by 23% YoY. Despite strong sales increases, gross margins suffered a slight decrease by 2% as a result of 1) increase ingredients and input costs, 2) geographical and product sales mix, and 3) logistical costs, though this decrease was slightly offset by pricing increases. In terms of product innovation, the brand most recently launched its first flavored malt beverage alcohol product, unflavored water, and wellness energy drink. The firm will also continue to roll out Monster products via Coca Cola's international distribution line, including the Philippines. Lastly, Monster also announced a 2-for-1 stock split program to be executed on March 28, 2023. Given Monster's long runway for product innovation and international growth, we are confident that the long-term prospects outweigh short-term macro headwinds.
Office Property Income	**OPI**	Sell Note
Palo Alto Networks **Share Price: $191.59** **PT: $220**	**PANW**	We propose a hold on Palo Alto Networks. Since our purchase at $80.17 per share, our position has grown 139.0%. The company's recent Q2 earnings release demonstrated excellent results, including a 26% YoY growth in quarterly revenue to $1.7 billion and a 26% YoY growth in first-quarter billings to $2.03 billion. Furthermore, operating income increased substantially by 55% YoY, and EPS exceeded guidance by 36%. The company secured significant contracts, such as an 8-figure deal with a financial services firm for cloud transformation and a high 7-figure SOC Transformation deal with a retail firm. Notably, PANW grew its number of >10M deals by 144% YoY in Q2. PANW is executing on its strategy, remaining at the forefront of the industry, and cementing its dominant market share in cybersecurity. We are confident in our initial thesis and look forward to seeing the company's strong performance reflected in its valuation.
Restoration Hardware **Share Price: $297.21** **PT: $350**	**RH**	We propose a hold on RH, with our position up 13% since the last oversight meeting. Since our last meeting, RH released Q3 earnings. Revenues were down on an annual basis, but revenues have increased 28% since Q3 2019. Despite an overall slowdown in the housing market and a slight contraction in gross margins, RH delivered an adjusted operating margin of 20.8%, which places the company fairly in line with other luxury retail brands. These Q3 earnings include the rollout of several new revenue streams, including RH Contemporary, the RH Guesthouse, the development of RH International, and the rollout of RH In-Your-Home. Although RH does still face inflationary pressures, the company is currently well positioned, with the opening of RH England expected in 2023, as well as the launch of several new collections and the opening of new European locations in the next several years. RH is moving forward with the redesign of all of its galleries in 2023, which we believe will continue to add value to the brand. Concurrently with the expansion strategy, RH completed the acquisitions of luxury upholstery company Dmitriy & Co. and bespoke furniture business Jeup Inc. in order to further solidify its luxury brand positioning. We maintain conviction that RH will successfully execute on its expansion and luxury rebrand strategy, and our updated price target is $350.

Portfolio Updates Since December 2022 Meeting

Company	Ticker	Update
Rimini Street **Share Price: $5.06** **PT: $7.25**	**RMNI**	We propose a hold on Rimini Street. Since our previous oversight meeting, Rimini Street has reported their FQ4 2022 earnings, which appear to corroborate our initial investment thesis on the business. In Q4 2022, billing inflected positively, and sales growth rebounded to MSD. Gross margin on the business also improved significantly as the labor market cooled down, and the company beat on consensus EPS numbers by over 100%. The company also guided for LDD revenue growth in FY2023, in-line with original estimates on our model. The right macro signs appear to be present as well. Gartner has cut their projection of global IT spend in half, and this is the perfect opportunity for Rimini to step in and offer companies desperately looking for cost savings another lever to boost margins and focus on generating free cash flow. Finally, the legal issues surrounding Rimini Street appear to be letting up, with several major developments occurring in the last three months. Oracle recently announced that it would be dropping the Rimini II case, withdrawing all complaints against the company and as its CEO, Seth Ravin. The Rimini I case still remains, and there will likely be a decision handed out in the near future, though more appeals look on the way. Regardless of decisions, our previous analysis of legal issues makes us confident that there is still no existential risk with regards to Rimini I. Litigation expenses will also moderate going forwards, serving as a boost for the bottom line. We await future earnings reports from Rimini to see if a recovery remains in the works, but we come into 2023 with a much more positive outlook on the business.
Sea Ltd. **Share Price: $65.67** **PT: $145.63**	**SE**	We propose a hold. Since our last meeting, SE shares have appreciated ~10%. The company is scheduled to have its Q4 and 2022 full year earnings call on March 7th, the morning of oversight. There, we expect to hear positive news surrounding improvement in Shopee profitability, as we have been the last couple of quarters. The company has shown a continued ability to increase take rates (8.7% in Q3 2022), decrease promotions and discounting, and decrease sales and marketing expenses. These should help Shopee achieve its management guidance of EBITDA breakeveness by the end of this year, though we may be able to expect that to happen much sooner. There is also evidence to show that Garena's user decline has at the least plateaued, with Free Fire MAUs starting to increase again starting in September of 2022. Since this news has been what has driven the massive share price decline in recent months, positive news surrounding this segment should be a big plus. Finally, SeaMoney continues to beat our expectations and its potential upsides are still not being captured in our model. Additionally, our model only accounts for revenues from SE Asia and LATAM, so any other international growth opportunities would provide additional call options for us on this stock.
Sonic Automotive Inc **Share Price: $59.52** **PT: $76.00**	**SAH**	Maintain Share Price Target of $76.We propose holding the position on Sonic. Sonic Automotive performed well at the beginning of 2023 due to a few factors. Sonic recently reported Q4 earnings, which was the first beat of the fiscal year 2021. Although we originally didn't place much value on the new dealership, we are starting to see an inflection in new vehicle production and sales, which Sonic has been able to capitalize on and outperform the industry volume change. New vehicle GPU decreased, however higher volumes and financing fees drove new vehicle related GPU to increase, which we don't see as a big issue. We are still favorable on Sonic's two-sided approach of benefiting from the Echopark used car segment when demand or supply is constrained for new car sales, and vice versa during other cycles. We are still concerned about the drop in used vehicle pricing in the Echopark segment, although volumes have been able to drive same-store sales growth. We believe that, given the valuation standpoint, we are still confident in the position. We will be following channel checks closely and monitoring pockets of demand and we might need to sell the position if investors don't want to place value on Echopark going forward. "
Thryv Holdings Inc **Share Price: $24.17** **PT: $36**	**THRY**	We propose holding the position on Thryv. Since buying we are currently up 38% of the Thryv position from a mixture of multiple expansion due to small-cap recovery as well as fundamentals playing out the way we expected. Thryv beat Q4 earnings by 30%, and the results indicated that our thesis has been correct that new subscribers and ARPU are both growing at healthy double-digit numbers, allowing Thryv to penetrate the SMB Saas space. The legacy yellow pages business is still able to generate 30-35% EBITDA margins, which we like as the cash generated allows Thryv to invest in new products. Thryv is actively addressing concerns from customers by consolidating multiple-point solutions and rolling out new products to stay as the cheapest integrated enterprise software provider.

Portfolio Updates Since December 2022 Meeting

Company	Ticker	Update
TransDigm Group **Share Price: $546.37** **PT: $790**	**TDG**	"Upgrade PT to $790 based on earnings updates. We propose a hold on TDG after it posted Q1'23 revenue, EBITDA, and EPS ahead of consensus estimates. Commercial aftermarket is growing at a rate of 31%+ y/y and EBITDA came in at 50% margin, meeting management expectations. Commercial OEM was up 20% Y/Y and defense was up 3% y/y. Operating Cash flow came in at $377mn ahead of $279mn from a year ago. Management expects commercial OEM to grow mid teens % this year while aftermarket revenue will likely grow by high teens % while defense is expected to grow by LSD-MSD%. Valuation seems fair after a rally late last year. We will look to hold TDG until valuation meaningfully reaches our target."
United Rentals **Share Price: $479.57** **PT: $602.86**	**URI**	We would like to propose holding our stake in United Rentals (URI) at $479.57, up 38.3% since our last update. The updated price target is $602.86 (a targeted upside of 26%). Since our last update, URI has released Q4 and FY 2022 results: rental revenue for the quarter was a record $2.747 billion, which is an increase of 18.8% YOY. Fleet productivity increased 5.9% and average original equipment at cost increased 14.2% (both YOY). These numbers all factor in the effects of the Ahern Rentals acquisition, which was completed in December 2022 for approximately $2 billion in cash, and has added 60,000 rental assets and 106 locations to URI in the US, which makes the company's rental solutions available to thousands of new customers. Used equipment sales in the quarter increased 26.2% YOY and net income for the quarter increased 32.8% YOY to $639 million, primarily reflecting higher gross margins from rental revenue and used equipment sales, and a reduction in non-rental D&A as a % of revenue. The company continues to delever, now at a leverage ratio of 2.0x, compared to 2.2x at the end of 2021. Specialty rentals continue to increase and diversify the company's offerings, reducing its reliance on the rental segment only. The company is now trading at a 8.17x EV/EBITDA multiple, no longer trading at recession levels, which was a concern in the last few updates.
Willis Towers Watson PLC **Share Price: $240.85** **PT: $358.00**	**WLTW**	We propose a hold on Willis Tower Watson. Since the last oversight meeting, the stock is down approximately 2%. We originally bought the stock last year and our original thesis focused on a management turnaround and improved capital allocation initiatives led by activists that we thought should lead the stock to trade at a multiple comparable to its peers in the insurance oligopoly. In Q4 of 2022 WTW returned excess capital to shareholders with $440 mm in share repurchases; adj EPS also grew by 11.7% YoY. The company started to close the gap to peers in H2 2022 in terms of organic revenue growth, but this is only two quarters, and we think there needs to be more quarters, combined with stronger margins and a pick-up in free cash conversion for WTW to close the valuation gap to peers.
ZTO Express **Share Price: $24.72** **PT: $32.57**	**ZTO**	We propose a hold on ZTO. Since our last meeting, the share price has largely remained flat as the company has not released any new information, They have scheduled their quarter 4 and 2022 full year earnings call for March 16th, where we expect to see continued recovery in ASP as well as continued growth in market share as our theses continue to play out. The macro situation in China also seems to be heading in the right direction with government intervention seeking to prevent a debt-caused collapse in the real estate sector along with the dropping of harsh zero-covid policies which should help increase demand for e-commerce parcels, especially in the south.

IV. Sell Notes

Sell Note: OPI (NYSE: OPI)

Dear Board of Advisors,

We would like to sell our positions in **Office Income Properties Trust,** representing a combined **-4.93% downside**. We believe that our initial investment theses have failed to play out as expected and a challenging macroeconomic environment supports allocation towards other positions.

OPI is an office REIT that owns and leases office properties in the United States, As of June 30, 2020 the company had 160 wholly owned properties totaling 21 million sq ft. The company's largest tenant is the US government, representing 19.7% of annualized rental income. As of FY22, the properties were leased to 274 different tenants with an average remaining lease term of 6.6 years. Our chief investment thesis was that we believed OPI had a solid portfolio with high occupancy rates, sustainable debt loads, and an excellent capital recycling strategy. However, events have failed to play out has hoped.

- **Renewal rates pressured on near term lease expiries:** Approximately ~11.2% and ~14.7% of the annual rental income is scheduled to expire in 2023 and 2024. Increases in WFH and a general reduction in office footprints, macroeconomic weakness induced layoffs, and an aging portfolio challenge renewal rates. Properties are concentrated in the Washington D.C area (22.6% of rental income) and businesses in the area are likely to shift to WFH policies.

- **Cautious on debt outlook amid rising rates:** Remain cautious on OPI given ~$1bn of debt maturing in '24/'25 (vs a market cap of $824mn). The company's only floating rate debt is on its LOC and we can expect the company to continue to draw on the facility to fund development and handle near term debt maturities. The company has the tightest recurring FCF payout ratio among REIT peers and there is expected to be additional capex spend with two development projects finishing in 2023. OPI was recently downgraded by Moodys from Ba1 to Baa3 with considerations of elevated leverage, challenging environment for capital recycling and deleveraging, and a challenging transaction environment for commercial office real estate.

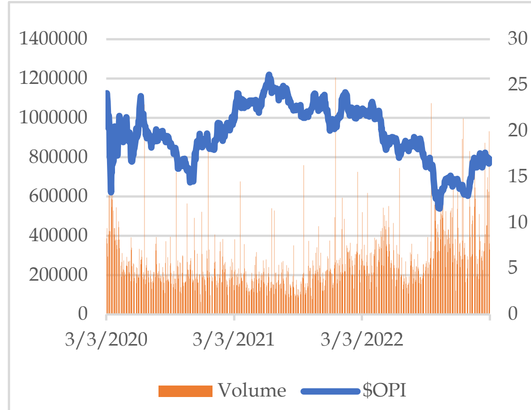
- **Weakening fundamentals for portfolio:** After growing by a weak +0.3%, Same store sales are expected to fall by -1.1% in 2023, further challenging the outlook. The company has 14% of rent rolling in '23 and '24. For '23, ~3-5% of the revenue that is rolling is expected to vacate with 4% of the 2023 roll in advanced stages to resign leases. While the majority of known vacates are back loaded, there will be continued pressure on same store NOI in 2023 for the company given more normalizing NOI margins (YTD same store NOI margins for the company are down -180bps vs 2021 levels). There is not expected to be much contribution in revenue from either the 20 Mass Ave development in DC ($215mn investment) or the Seattle development ($28mn investment) in 2023. The company has $1bn in debt maturing in 2024-25 at a current rate of 4-5% (trading at 8-9% yield).

- **Challenging environment for capital recycling:** Our original theses focused on its excellent properties, capital recycling, and high FFO payouts. However, the prospect for capital recycling, which underpins everything, is challenged as rates remain high, credit markets remain frozen, and the company faces troubles selling its existing assets. The fall in asset sale volumes challenges their ability to deleverage, requiring them to draw on the revolver with a floating rate instead.

Best,

Raunakk Jalan

Historical Price Performance



Key Statistics

Share Price (3/3)	$16.97
Market Cap ($mm)	$824
Enterprise Value ($mm)	$3,068
Dividend Yield (LTM)	13.03%
Occupancy Rate	90.6%
Debt	$2.5bn
NOI ($mn)	$359mn
CAD ($mn)	$126mn

Sell Note: Krispy Kreme (NASDAQ: DNUT)

Dear Board of Advisors,

We would like to sell our positions in **Krispy Kreme, representing a 18% loss**.

To recap our initial investment theses, we felt that the company's new hub & spoke distribution model would greatly improve the margin profile of the company and presented an incredibly attractive growth strategy for a historically struggling QSR-styled business. Second, we felt that many investors were overly concerned with artificially low GAAP EBITDA numbers that were being weighed down by transitory costs resulting from the costs of disfranchising strategy. Finally, we felt that Insomnia Cookies and their Consumer-Packaged Goods (CPG) line were being largely ignored by investors and acted as hidden gems to bolster our valuation.

Since investing in Q4 2021, we feel that the value of Insomnia Cookies and the CPG segment have been recognized by investors, with it being now an often-mentioned aspect of many sell-side reports after the company repeatedly highlighted them in earnings calls and investor day presentations. When we invested, Insomnia and CPG segments were not being broken out separately by sell-side reports. Now, many firms not only break out Insomnia separately, but underwrite more aggressive growth numbers in the segment than we currently model. This has been helped by management, who dedicated an entire section of their presentation to the segment during their December 15th Investor Day Presentation.

Our thesis on the transitory margin pressures has been somewhat of a mixed bag. Costs associated with the New York franchise store have been fully dealt with. Acquisition and integration expenses have gone down from ~12.68mm to ~2.3mm. Still, other expenses such as shop closure expenses related to defranchising have remained stickier than we anticipated and will likely persist into the future. As a result, we have no clear view or direction on if this thesis is playing out or not.

Finally, we were probably too aggressive in modeling how margin accretive the new distribution strategy would be. In our initial model, we had estimated that the adjusted EBITDA Margin (after accounting for costs we deemed transitory) could reach 15% by 2023 when management now guides for low double-digit EBITDA margin. This is partly because of the difficulty in generating profitable hubs. Management disclosed during their investor day presentation that nearly half of the hubs without spokes were still generated little to no EBITDA, while the other half were producing at ~20% EBITDA margin. This seemingly confirms the thought that DNUT is running out of highly attractive markets (NYC, LA, etc) and have struggled to create similarly performing hubs in other geographic markets like we anticipated.

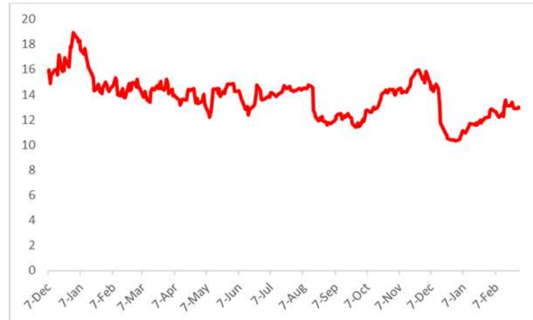
Still, the company's margins were certainly deflated by input cost inflation and management has outlined new measures to create ~250bps of improvement. However, the market still seems to be in a "wait-and-see" mode with management and we do not expect a large revision in investor sentiment to help us realize the upside we initially projected.

Considering all those factors, we feel it is better to sell this position and allocate the capital to new investment opportunities than to continue to bet on management's ability to deliver on their new hub and spoke distribution model.

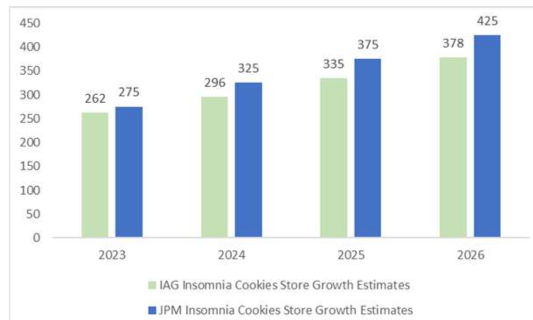
Best,

Niranjan Narasimhan

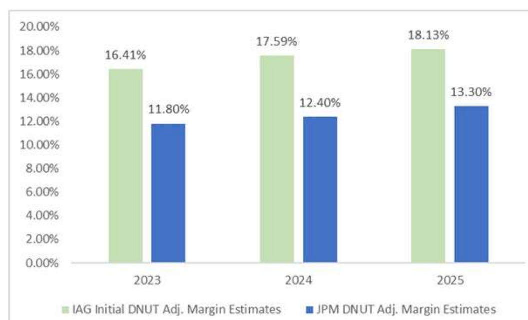
DNUT Share Performance Since Purchase



IAG vs JPM Insomnia Growth Estimates



IAG vs JPM Adj. EBITDA Margin Estimates



V. New Position Proposals

3U Holding AG (ETR: UUU)

Telecomm, Renewable, and HVAC Ecommerce Holdco Trading at Net-net

Nithin Mantena
Senior Analyst
nnm6116@stern.nyu.edu

Alice Yu
Senior Analyst
ay2137@stern.nyu.edu

Pravar Jain
Junior Analyst
pj2224@stern.nyu.edu

Jash Bhatia
Junior Analyst
jpb9123@stern.nyu.edu

Price Target: $30.50

March 3rd, 2023

Company Summary:

3U is a German holding company that owns a dozen plus subsidiaries that operate in a variety of industries. These subsidiaries can be grouped into three main segments: Information and Telecommunications (ITC), Sanitary, Heating, and Air Conditioning (SHAC), and Renewable Energy (RE). The ITC segment is currently characterized by a telecommunications infrastructure business and a singular 8000 square foot data center operation. The RE segment consists of three wind farms and one solar farm that, in total, have 53MW of peak energy output. The last segment is the SHAC segment which is an ecommerce business that sells HVAC parts directly to German DIY consumers.

History and Situational Overview:

Founded in the late 90s, 3U developed a large telecommunications infrastructure throughout Germany and parts of Europe. 3U served individual consumers and businesses by providing them call by call phone services (landline charged by the second). However, as mobile phones and bundle phone plans became more popular, households moved away from the call-by-call services that 3U provided. Whilst at a slower rate, businesses also began to get rid of their landline call-by-call service plans in exchange for mobile phones.

In the last decade, 3U recognized this shift and attempted to use its technological competence to run a cloud ERP business called Weclapp. 3U acquired Weclapp in 2011 when revenue was only a few hundred thousand. Over the past decade, 3U increased Weclapp's sales to over 60 million. In 2022, they sold Weclapp for €270 million, collecting their €160 million share of the stake in cash. Looking at their balance sheet today, they have close to €190 million worth of cash on hand with only approx. €19 million in total debt. This leaves 3U with an enterprise value of - €14 million.

We believe that the market is skeptical of management's skills and discipline in allocating the excess cash in a value accretive manner, therefore creating a mispricing opportunity. However, upon examining 3U's capital allocation history, conversing with 3U management, and assessing potential growth avenues of 3U's current lines of business, we believe that 3U's business and management are stronger than what the market gives them credit for. With a €60 million margin of safety, we believe that 3U is a compelling investment opportunity with limited downside.

Liquidation Valuation:

Using a similar framework to that of Graham and Dodd, we valued 3U on a liquidation basis at €196 million. This value derives mostly from their large cash position, in addition to their renewable energy assets, data center facility, and new SHAC warehouses. 3U also has around €33.24 million in liabilities.

Key Ratios and Statistics (€M):

Intrinsic Value	**219.7**
Liquidation Value	**196.0**
Upside	45.0%
Price Target	€6.23
Share Price (3/3)	€4.29
52-Week Low	€4.44
52-Week High	€2.06

(Euros M)	**2020a**	**2021a**	**2022e**	**2023e**
Revenue	61.25	56.70	48.27	49.95
EBIT	2.11	4.05	2.92	3.61

Figure 1 – Liquidation Valuation

(€M)	BV	Liquidation
Cash	189.61	189.61
Inventories	11.64	9.31
Trade Receivables	4.04	3.23
Wind Farm	10.00	6.20
Solar Park	21.41	12.84
SHAC Warehouse	11.00	8.25
Liabilities (-)	33.24	33.24
Value	214.46	196.20

Figure 2 – 3U's Share Price

<u>**Investment Theses:**</u>

Management are "resourceful" and "scrappy" capital allocators indicated by a number of both small and large investment decisions throughout the last 15 years

While it would be hard to argue that management is brilliant, we do believe that management is thoughtful and creative in extracting value out of the assets they currently own. Below are just some of the largest capital allocation decisions that management has made over the past 15 years.

1. Weclapp: Weclapp grew from a few hundred thousand in sales in 2011 to 10+ million in sales in 2021. Originally planning to IPO at market peak in 2021 for €300 million, a market crash just a few weeks later led them to scrap the plan. Over the next year, shareholders pressured management to IPO, albeit at a lower valuation. Resisting investor pressures, management took a disciplined approach and sought a financial buyer for Weclapp instead. In 2022, management sold Weclapp to a financial acquirer for €270M, rewarding investors for their patience. Prior to the IPO, management also made a number of smaller strategic acquisitions such as Itscope and FinanzGeek which expanded the Weclapp ERP offering, substantially increasing its value at the time of sale.
2. Solar Farm: In 2010, 3U pursued a solar project that involved using solar energy to heat water for air conditioning in office buildings. However, competition from Chinese products forced them to quit pursuing the project, leaving them with leftover solar equipment. Instead of selling off the solar panels, management sought to create long-term value through these leftover panels by establishing a solar farm in Adelebsen (Germany) that supports peak capacity at ~10 Megawatts. The project costs €20 million, requires little maintenance (only needs one worker), and holds a terminal life of 25 years. In addition, the investment has a low correlation with the market, making it resistant to cyclicality and macroeconomic conditions.
3. Voice Segment: As explained in the situational overview, the voice segment is characterized by two sub-segments that are both losing substantial market share to more advanced voice over internet protocols (VoIP). Management has shown strong constraint by not investing substantially into this business as there is great uncertainty in VoIP's future. By analyzing the change in wording of how management talks about the business throughout the last 2 decades of annual reports, we believe that management is treating this business as a cigarette butt, with a decade of cash generation ability left.
4. Data Center: Upon first glance, 3U's 8,000 square foot data center operation may appear discrepant with the rest of the business. However, after speaking with management, we believe that the data center is a sensible investment. Because of the number of subsidiaries that management had under control, they built an 8,000 square foot data center facility for all their companies to use. For the first 5 or 6 years of the operation, the data center servers and physical space were only used minimally. In an effort to extract value out of the facility, one of the managers of 3U thought to lease the remaining space to SMBs in the area.
5. Wind Farm: 3U invested into their renewable energy business by building three wind farms, which have a combined 43 MW of capacity. 3U treats their wind turbine business like a private equity firm would: they buy undervalued wind turbines, renovate them, maintain them, leverage them using debt, and eventually sell at a higher price. This is representative of management's attempts to achieve high returns on equity. Initially, 3U's turbines operated and received a subsidy under the Renewable Energy Sources Act. However, this has since been removed, and the company is still making strong profit due to favorable contracts being achieved for 2023.

Granted, the past is not a perfect indicator of the future. Nevertheless, at a minimum, we believe that management appears to be persistent and creative in how they utilize their assets to create value.

Figure 3 – Weclapp Sales (€M)

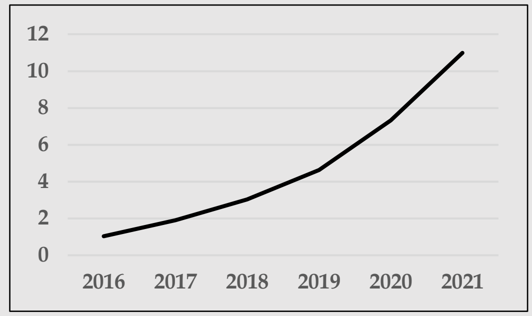


Figure 4 – Data Center Build

Data Center Build					
Year Ending Dec 31st	**2022e**	**2023e**	**2024e**	**2025e**	**2026e**
Cost per Square Foot	0.0010	0.0010	0.0010	0.0010	0.0010
	2%	*2%*	*2%*	*2%*	*2%*
Square Feet Utilized	2193	2239	2285	2331	2377
	71.5%	*73%*	*74.5%*	*76.0%*	*77.5%*
Revenues	2.11	2.20	2.29	2.39	2.48
EBIT	**0.42**	**0.44**	**0.41**	**0.43**	**0.42**
	20%	*20%*	*18%*	*18%*	*17%*

Figure 5 – Voice Segment EBIT (€M)

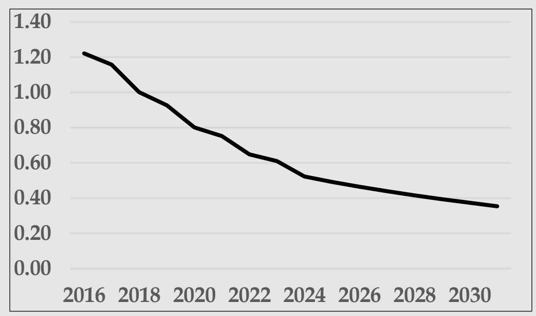
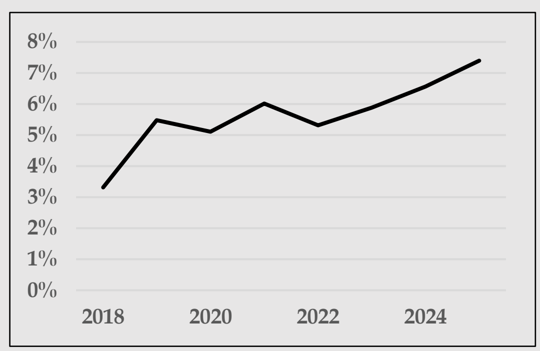


Figure 6 – Renewable Energy EBIT ROA



Investment Theses:

SHAC segment has clear runways for accretive investment

We believe that management will invest a large portion of cash into the SHAC segment over the next decade. For those reasons, we decided to dedicate a large portion of our research to this segment. The SHAC segment consists of Selfio, Samoba, and Pelia, which all operate in conjunction with each other. Selfio is responsible for selling SHAC equipment and parts directly to consumers through their ecommerce website Selfio.com. Samoba is responsible for leasing out the high-power tools and equipment needed to install the product that Selfio sells. This segment helps decrease cost of a project for a consumer. Finally, Pelia is B2B arm of the SHAC segment that sells directly to home contractors.

a) Fragmented market allows for bolt on M&A strategy with little additional capex

3U recently acquired a large distribution facility within a logistics hub in Koblenz, Germany. The facility resides next to other major distributors, such as Amazon, and is very close to many major highways. The facility cost around 10 million dollars to construct, and we estimate that the interior warehouse space of the facility is 14,407 square meters. After talking to IR, we believe that the warehouse can support close to 50 to 100 million in sales per year. This would be equivalent to the facility holding approximately 20-30 million in inventory or about €1400 worth of inventory per square meter which is reasonable.

The addition of this facility (which is only being 1/3 utilized) incurs a large amount of fixed costs which are currently being spread across a small number of sales leading to low profitability this year. We believe that 3U can acquire the 4 or 5 other competitors in Germany who are operating a similar business model to 3U. An example of what these competitors look like is DD-Baustoffe, a seller of underfloor heating systems and composite pipe systems that is approximately 10x smaller than Selfio. Acquisitions like would incur very few integration costs, all while spreading the fixed warehousing overhead over a larger number of sales, thereby increasing margins.

b) Scale advantages have created strong reputation

The primary challenge in expanding Selfio has been persuading customers to undertake the installation process on their own. With Selfio achieving substantial scale in recent years, the company has been able to implement extensive marketing initiatives. Selfio has developed an extensive collection of YouTube videos to assist in installing some of their most popular systems. These videos have garnered millions of views, with others amassing hundreds of thousands. Additionally, Selfio has invested heavily in creating easy-to-read user manuals that further facilitate consumer installation. Such SG&A expenditures are infeasible for smaller competitors, as the fixed marketing cost per SKU would be disproportionately high relative to the minimal number of SKU sales.

c) Strong German HVAC industry with DIY becoming more prevalent

While not to the extent of the U.S., the German DIY market remains very large and growing. Besides Australia, the USA, Canada, and South Africa, Germany has the highest DIY expenditure as a percent of GDP adjusted for PPP.

In addition, the HVAC industry is highly stable with strong recurring revenues coming from constant replacement of parts. With ample scale, we believe that Pelia (B2B arm of SHAC) could pivot towards a Howden Joinery model but for SHAC/HVAC equipment. This thesis could play out later down the road when 3U's HVAC arm expands nationally and achieves scale.

Figure 6 – DIY Expense as % of GDP

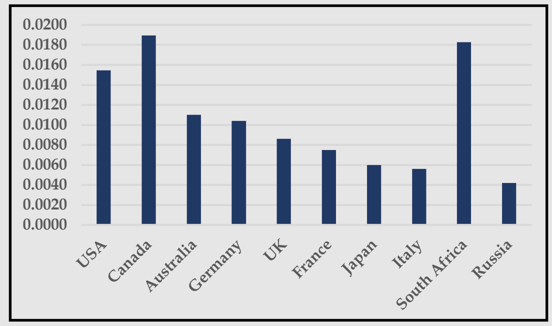


Figure 7 – SHAC Historical Operating Build

SHAC Operating Build						
	2016	**2017**	**2018**	**2019**	**2020**	**2021**
Revenues	21.6	23.6	26.7	30.4	33.1	27.0
% growth		*9%*	*13%*	*14%*	*9%*	*-19%*
EBIT	1.1	0.6	0.3	(0.4)	0.7	(1.0)
% margins	*5%*	*2%*	*1%*	*-1%*	*2%*	*-4%*

Figure 8 – SHAC Distribution Facility

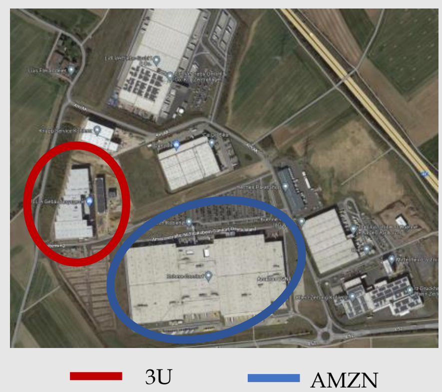
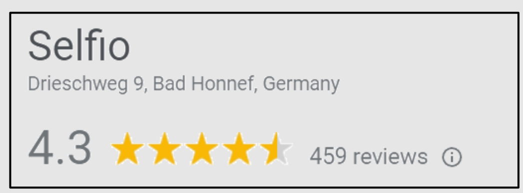


Figure 9 – Selfio Google Reviews



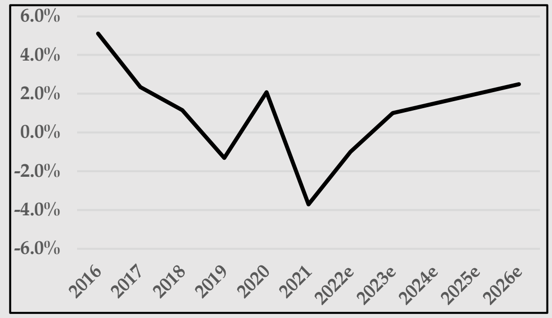
d) SHAC Valuation

Although a large part of the SHAC thesis is based on inorganic growth through various bolt on acquisitions, we have decided not to implement the inorganic growth and synergies into our model. This is largely because we do not know at what price Selfio would be able to acquire these other competitors and we do not know when these acquisitions will take place.

In addition to our model only representing organic growth, we forecasted the SHAC segment to shut down by 2041. This adds a small level of conservatism.

We forecasted long-term margins for the SHAC segment of approximately 3% by 2027. We also forecasted a revenue growth CAGR of 3.2% over the next 8 years. Again, we believe this is conservative.

Figure 10 – SHAC Margins Forecast



Investment Summary

In no way are we arguing that the management team is an excellent capital allocator or that the businesses they run earn high levels of risk adjusted returns.

However, after analyzing as many of the past and current projects, speaking with investor relations, and after reading through the past two decades of annual reports decoding as much of the management's communication as possible, we believe that 3U is a compelling investment with limited downside risk.

In addition, 3U has multiple promising investment avenues that they can pursue within the SHAC segment, potentially creating value through M&A and scale.

Lastly, speaking with investor relations makes us even more confident that 3U will pay out close to half of their 2021 net income (~ €160 million) as a dividend within the next few weeks.

The combination of all these points make it very unlikely that the 60-million-euro margin of safety that we have will be eroded over the remaining lifetime of 3U.

Risks

SHAC: We do not fully understand the operational efficiency of the Selfio business. We had initially planned to speak with someone on the C-suite or the operations manager in charge of the Selfio operations. However, time did not permit. We hope to continue to conduct diligence post-oversight in order to get a firmer understanding of how the operations are run and if Selfio can reach and maintain consistent LSD margins as we have projected.

Additionally, we are not certain on the competitive landscape of the German DIY ecommerce market. While we do feel comfortable in saying that the German DIY ecommerce industry is high fragmented with no one-stop HVAC shop existing besides Selfio, we are uncertain as to whether other competitors not currently in the HVAC vertical could enter the space. For example, Obi or Hornbach (the Lowe's or HD of Germany) could pose a slight danger.

Other M&A: The risk always exists that management purchases or invests in a new company that is not directly in their area of expertise. We hope to clear up this risk through more calls with executive management post-oversight. These meetings are already being planned.

Valuation

SHAC Operating Build	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e
Revenues	21.6	23.6	26.7	30.4	33.1	27.0	31.8	34.4	36.4	38.2	39.8	41.0	41.8	42.6	43.5	44.3
% growth		*9%*	*13%*	*14%*	*9%*	*-19%*	18%	8%	6%	5%	4%	3%	2%	2%	2%	2%
EBIT	1.1	0.6	0.3	(0.4)	0.7	(1.0)	-0.3	0.3	0.5	0.8	1.0	1.2	1.3	1.3	1.3	1.3
% margins	*5%*	*2%*	*1%*	*-1%*	*2%*	*-4%*	*-1.0%*	*1.0%*	*1.5%*	*2.0%*	*2.5%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*	*3.0%*

ITC Operating Build																
Year Ending Dec 31st	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022e**	**2023e**	**2024e**	**2025e**	**2026e**	**2027e**	**2028e**	**2029e**	**2030e**	**2031e**
Euros																
Revenues																
Weclapp	1.03	1.91	3.03	4.64	7.33	10.99	0	0	0	0	0	0	0	0	0	0
% growth		*85%*	*59%*	*53%*	*58%*	*50%*										
Voice Retail	3.99	3.11	2.46	1.95	2.23	1.85	1.52	1.24	1.02	0.84	0.69	0.56	0.46	0.38	0.31	0.25
% growth		*-22%*	*-21%*	*-21%*	*14%*	*-17%*	-18%	-18%	-18%	-18%	-18%	-18%	-18%	-18%	-18%	-18%
Voice Business	9.09	5.72	6.77	5.03	7.19	7.27	7.42	7.19	6.83	6.42	6.10	5.80	5.51	5.23	4.97	4.72
% growth		*-37%*	*18%*	*-26%*	*43%*	*1%*	2%	-3%	-5%	-6%	-5%	-5%	-5%	-5%	-5%	-5%
Data Center	1.79	1.63	1.74	1.66	1.74	2.03	2.11	2.20	2.29	2.39	2.48	2.58	2.68	2.79	2.89	2.99
% growth		*-9%*	*7%*	*-5%*	*5%*	*17%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*	*3%*
Other	1.05	0.73	0.78	0.78	0.12	1.84	1.88	1.91	1.95	1.99	2.03	2.07	2.11	2.16	2.20	2.24
% growth		*-30%*	*7%*	*0%*	*-85%*	*1433%*	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Total Revenue	16.95	13.1	14.78	14.06	18.61	23.98	12.92	12.55	12.10	11.64	11.30	11.01	10.76	10.55	10.37	10.21
% growth		*-23%*	*13%*	*-5%*	*32%*	*29%*	*-46%*	*-3%*	*-4%*	*-4%*	*-3%*	*-3%*	*-2%*	*-2%*	*-2%*	*-2%*
EBIT																
Weclapp	-0.74	-0.16	-0.07	0.82	2.50	1.74	0	0	0	0	0	0	0	0	0	0
% margins	-72%	-9%	-2%	18%	34%	16%										
Voice Retail	0.48	0.37	0.30	0.23	0.27	0.22	0.18	0.15	0.11	0.09	0.07	0.06	0.04	0.03	0.02	0.02
% margins	*12%*	*12%*	*12%*	*12%*	*12%*	*12%*	*12%*	*12%*	*11%*	*11%*	*10%*	*10%*	*9%*	*9%*	*8%*	*8%*
Voice Business	1.27	0.80	0.95	0.70	1.01	1.02	1.04	1.01	0.89	0.84	0.73	0.70	0.61	0.58	0.50	0.47
% margins	*14%*	*14%*	*14%*	*14%*	*14%*	*14%*	*14%*	*14%*	*13%*	*13%*	*12%*	*12%*	*11%*	*11%*	*10%*	*10%*
Data Center	0.36	0.33	0.35	0.33	0.35	0.41	0.42	0.44	0.41	0.43	0.42	0.44	0.46	0.47	0.49	0.51
% margins	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*18%*	*18%*	*17%*	*17%*	*17%*	*17%*	*17%*	*17%*
Total EBIT	1.4	1.3	1.5	2.1	4.1	3.4	1.64	1.60	1.41	1.36	1.22	1.19	1.10	1.08	1.01	1.00
	8%	*10%*	*10%*	*15%*	*22%*	*14%*	*13%*	*13%*	*12%*	*12%*	*11%*	*11%*	*10%*	*10%*	*10%*	*10%*

Data Center Build																
Year Ending Dec 31st	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022e**	**2023e**	**2024e**	**2025e**	**2026e**	**2027e**	**2028e**	**2029e**	**2030e**	**2031e**
Euros																
	3067 <---- Square footage of the facility in total															
Cost per Square Foot	0.00095	0.00095	0.00095	0.00095	0.00095	0.00095	0.0010	0.0010	0.0010	0.0010	0.0010	0.0011	0.0011	0.0011	0.0011	0.0011
		0%	*0%*	*0%*	*0%*	*0%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*2%*	*1.5%*
Square Feet Utilized	1893	1724	1840	1756	1840	2147	2193	2239	2285	2331	2377	2423	2469	2515	2561	2607
	62%	*56%*	*60%*	*57%*	*60%*	*70%*	*71.5%*	*73%*	*74.5%*	*76.0%*	*77.5%*	*79.0%*	*80.5%*	*82.0%*	*83.5%*	*85.0%*
Revenues	1.79	1.63	1.74	1.66	1.74	2.03	2.11	2.20	2.29	2.39	2.48	2.58	2.68	2.79	2.89	2.99
		-9%	*7%*	*-5%*	*5%*	*17%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*	*4%*	*3%*
EBIT	**0.36**	**0.33**	**0.35**	**0.33**	**0.35**	**0.41**	**0.42**	**0.44**	**0.41**	**0.43**	**0.42**	**0.44**	**0.46**	**0.47**	**0.49**	**0.51**
	20%	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*20%*	*18%*	*18%*	*17%*	*17%*	*17%*	*17%*	*17%*	*17%*

Renewable Operating Build																
Year Ending Dec 31st	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022e**	**2023e**	**2024e**	**2025e**	**2026e**	**2027e**	**2028e**	**2029e**	**2030e**	**2031e**
Euros																
Revenues																
Rev per Wind Farm	0.65	1.07	1.05	1.30	1.28	1.50	1.30	1.35	1.42	1.50	2.33	2.45	2.57	2.70	2.83	2.98
# of Farms	5	4	4	4	4	3	3	3	3	3	3	3	3	3	3	3
Wind Farm Revenue	3.24	4.26	4.2	5.2	5.1	4.51	3.89	4.06	4.26	4.50	6.99	7.34	7.71	8.10	8.50	8.93
MW						*43*	*43*	*43*	*43*	*43*	*63.5*	*63.5*	*63.5*	*63.5*	*63.5*	*63.5*
Rev per MW						*0.10*	*0.09*	*0.09*	*0.10*	*0.10*	*0.11*	*0.12*	*0.12*	*0.13*	*0.13*	*0.14*
Rev per Solar Farm	1.68	1.68	2.1	2.02	2.03	1.78	2.01	2.10	2.21	2.33	2.45	2.55	2.65	2.76	2.87	2.98
# of Farms	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Solar Farm Revenue	*1.68*	*1.68*	*2.1*	*2.02*	*2.03*	*1.78*	*2.01*	*2.10*	*2.21*	*2.33*	*2.45*	*2.55*	*2.65*	*2.76*	*2.87*	*2.98*
MW	10.1	10.1	10.1	10.1	10.1	*10.1*	*10.1*	*10.1*	*10.1*	*10.1*	*10.1*	*10.1*	*10.1*	*10.1*	*10.1*	*10.1*
Rev per MW	0.17	0.17	0.21	0.20	0.20	0.18	0.20	0.21	0.22	0.23	0.24	0.25	0.26	0.27	0.28	0.30
Total Revenue	4.92	5.94	6.3	7.22	7.13	6.29	5.90	6.17	6.47	6.82	9.44	9.89	10.36	10.85	11.37	11.91
Total EBIT	1.4	3.9	1.2	2.0	4.9	1.9	1.59	1.67	1.75	1.84	2.55	2.67	2.80	2.93	3.07	3.21
EBIT margins%	*29%*	*65%*	*19%*	*27%*	*69%*	*30%*	*27%*	*27%*	*27%*	*27%*	*27%*	*27%*	*27%*	*27%*	*27%*	*27%*

Valuation

3U DCF										
As of 3/3/2023										
Year	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e
Period	0.1	1.1	2.1	3.1	4.1	5.1	6.1	7.1	8.1	9.1
ITC EBIT	1.64	1.60	1.41	1.36	1.22	1.19	1.10	1.08	1.01	1.00
SHAC EBIT	-0.32	0.34	0.55	0.76	0.99	1.23	1.25	1.28	1.30	1.33
Renew. EBIT	1.59	1.67	1.75	1.84	2.55	2.67	2.80	2.93	3.07	3.21
Corporate Tax Rate	15.83%	15.83%	15.83%	15.83%	15.83%	15.83%	15.83%	15.83%	15.83%	15.83%
EBIAT	2.46	3.03	3.12	3.34	4.01	4.28	4.34	4.45	4.53	4.67
D&A - Capex	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Change in Net Working Capital	0	0	0	0	0	0	0	0	0	0
Unlevered Free Cash Flows	0.23	2.83	2.92	3.14	3.81	4.08	4.14	4.25	4.33	4.47
WACC (Discount Rate)	7.58%									
PV of FCF	0.22	2.62	2.50	2.50	2.83	2.81	2.65	2.53	2.40	2.30
Sum of PV of FCFs (stage 1) 37.86										

3U Value		
Perp. Rate		1.30%
Discount Rate Used		7.58%
Free Cash Flow in 1+t		2.81
Terminal Value		44.77
PV of Terminal Value		**11.09**
Enterprise Value		48.95
less Debt		(18.78)
plus Cash and Cash Equivale		189.61
Equity Value		219.78
Diluted Shares Outstanding		35
Equity Value per Share	$	6.23
Upside		**45%**

3U Perp Growth	Perp	Rev Weight	
ITC	-1.00%	23.39%	-0.23%
SHAC	2.00%	24.14%	0.48%
Renewable Energy	2.00%	52.47%	1.05%
Weighted Perp. Growth			**1.30%**

3U Beta	Beta	Profit Weight	
ITC	0.47	23.39%	0.11
SHAC	1.30	24.14%	0.31
Renewable Energy	0.56	52.47%	0.29
Weighted Beta			**0.72**

ZIM Integrated Shipping Services Ltd (NYSE: ZIM)

Oversold Shipping company with solid business fundamentals

Alex Isaac
alex.isaac@stern.nyu.edu

Raunakk Jalan
raunakk.jalan@stern.nyu.edu

Sherry Hu
sherry.hu@stern.nyu.edu

Price Target: $34.08 (+52.1%)

February 3th, 2023

Company Summary:

ZIM is a global container shipping company founded in Haifa, Israel 78 years ago. The company currently operates 118 vessels, running at 96.9% of Twenty-foot equivalent unit (TEU) capacity, servicing 70 shipping cargo route ("lines") across 304 ports in over 90 countries. Unlike other containership companies, ZIM charters the majority (96.6%) of its ships on long-term contracts and contracts them out on a short-term basis (<12 months). In addition, ZIM offers value-added cross-sale services to customers, including land transportation, custom brokerage, LCL, project cargo, and air freight services. These services accounted for 20% of the total volume utilized in 2021. ZIM has 36,000 customers, with the top 10 and top 50 customers contributing 17% and 32% of freight revenues respectively. All of the top 10 customers have had a long-standing relationship with the company. On January 28th, 2021, ZIM went public on the NYSE.

Company History and Overview:

Phase 1: Early years (1945-2000): In its early years, ZIM was primarily focused on serving the Israeli market. However, it began to expand globally in the 1970s and 1980s. During this period, ZIM faced significant competition from larger shipping companies, and its financial performance was often volatile. Despite these challenges, ZIM continued to grow and modernize its fleet, which allowed it to compete more effectively in the global shipping market.

Phase 2: Privatization and Restructuring (2001-2008): In 2004, the Israeli government sold its controlling stake in ZIM to a group of investors led by Israel Corporation. This marked a significant turning point in ZIM's history, as it became a private company focused on maximizing profits. ZIM embarked on a significant restructuring effort, which involved reducing costs, improving efficiency, and selling off non-core assets. These efforts resulted in improved financial performance and a more streamlined business model.

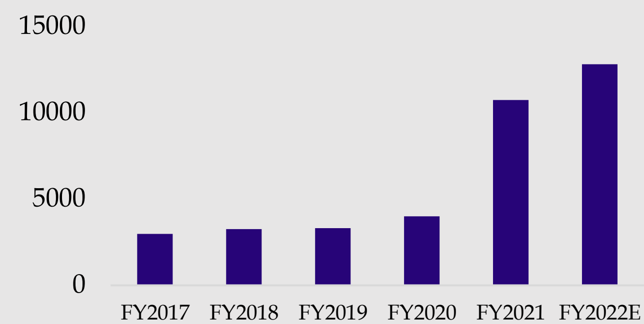
Phase 3: Financial challenges and debt restructuring (2009-2016): The global financial crisis of 2008 had a significant impact on ZIM's financial performance, as demand for shipping services plummeted. In addition, ZIM was burdened by a heavy debt load, which made it difficult to weather the economic downturn. In 2009, ZIM embarked on a debt restructuring effort that involved negotiating with creditors and selling off additional assets. These efforts helped to stabilize the company's financial situation, although it continued to face challenges from overcapacity in the shipping industry and fluctuating demand.

Phase 4: Return to profitability and IPO (2017-present): In 2017, ZIM returned to profitability for the first time in several years, driven by a combination of cost-cutting measures and a recovery in global shipping demand. ZIM continued to improve its financial performance over the next few years, and in 2021, it completed an initial public offering (IPO) on the New York Stock Exchange. The IPO was highly successful, raising $306 million and valuing the company at over $1 billion.

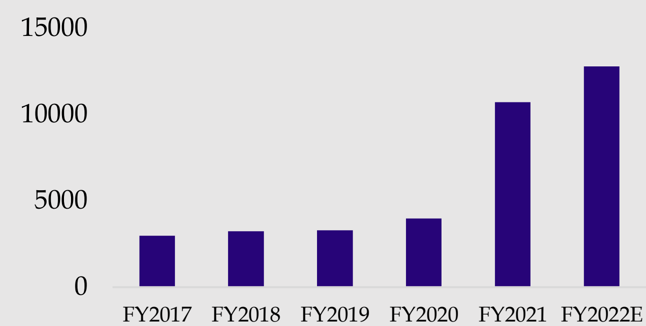
Key Ratios and Statistics ($mm)

Price Target	**$34.08**
Upside	**52.1%**
Share Price (3/2)	$22.41
Market Cap (3/2)	$2.88B
Enterprise Value (3/2)	$4.40B
52-Week Low	$16.23
52-Week High	$91.23
Total Debt ($mn)	$4700
Cash & Investments ($mn)	$4450
Net Debt ($mn)	$250

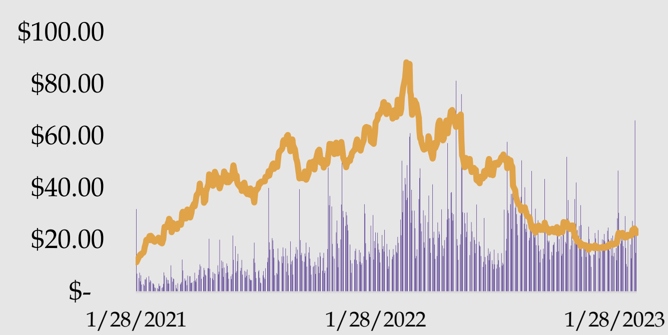
Revenue (2017-2022)



EBIT (2017-2022)



Share Price and Volume (2021-Present)



In 2020-21, as shipping rates rose amid a shortage of containers and high goods demand, ZIM chartered additional ships with elevated charter rates to meet the demand. These ships had an average charter duration of 3-5 years, with the average ship in their fleet having a remaining lease lifespan of 25 months. At the same time, management ordered 46 new ships to be delivered from 2024 onwards that have $300-$400/TEU lower operating costs. ZIM made more than $4bn in FCF in both 2021 and 2022, leaving the company with a lower debt load and a strong net cash position of $4.4bn.

ZIM is more exposed to spot rates than their peers with charters depending on market spots. As rates shot up, ZIM outperformed on profitability and market performance and has similarly underperformed peers as rates have declined precipitously.

<u>Investment Theses:</u>

1) *Rightsizing capacity as the industry heads into a cyclical downturn*

During the previous cyclical downturn in the shipping industry, ZIM faced significant challenges as it owned many ships and had a substantial debt burden. However, this time around, the company is in a much better position with a cash reserve of more than $4.4 billion and a total of $4.7 billion in lease and debt liabilities. As a result, ZIM's financial health is robust, and it should be able to weather this prolonged period of weakness without significant impact on its operations.

With the economy showing signs of weakness in 2022, the shipping industry's demand outlook has diminished, leading to a decline in rates that has negatively impacted ZIM's profitability. As a result, we anticipate that ZIM's Gross Profit per TEU will only be marginally positive in 2023 and 2024. However, we expect costs to decrease as leases reset at lower rates and the company begins using its newly built fleet.

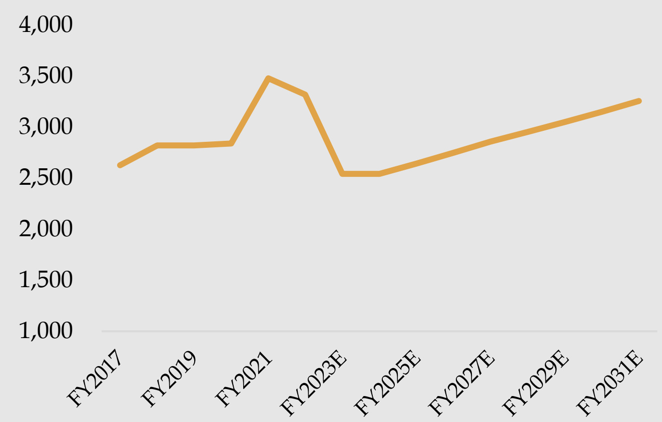
- **Blank Sailings & Speed Reductions:** To reduce global capacity, shipping companies are implementing measures such as skipping ports on their manifests altogether. This industry-wide practice has resulted in a 50% increase in blank sailings compared to the previous year. Additionally, tonnage speed reductions from 14 to 13 knots will reduce global capacity by approximately 6%.

- **Charter Renewals:** With the average charter expiring in 2024-25, ZIM has indicated it will not renew many charters and instead rely on its new 46 newbuilding fleet for capacity improvements. Combined with lower charter rates in 2024-25, we expect a reduction in operating expenses per TEU.

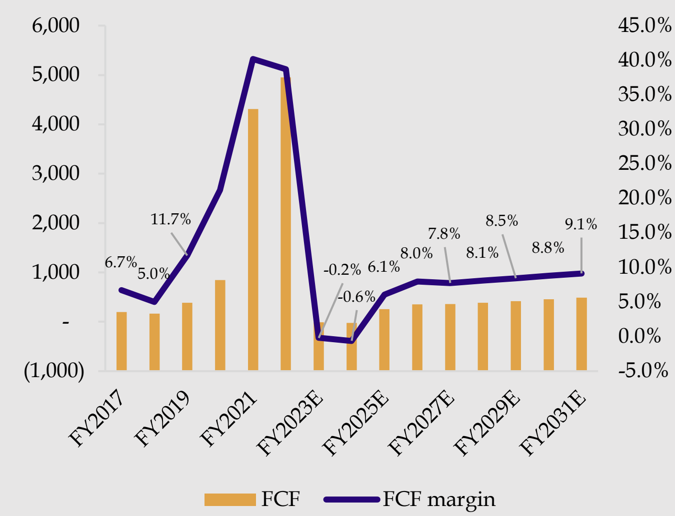
- **Minimal Consumer Exposure:** ZIM's lanes have less exposure to consumer demand than its peers, resulting in lower impact of freight rate reductions compared to its competitors. Furthermore, the company's newbuilding fleet boasts higher TEU capacities, enabling it to concentrate further on these highly profitable lanes.

These measures support out thesis that by reducing capacity, the company can limit the hit to cash flow from lower rates and higher costs and use its elevated cash position to navigate the downturn.

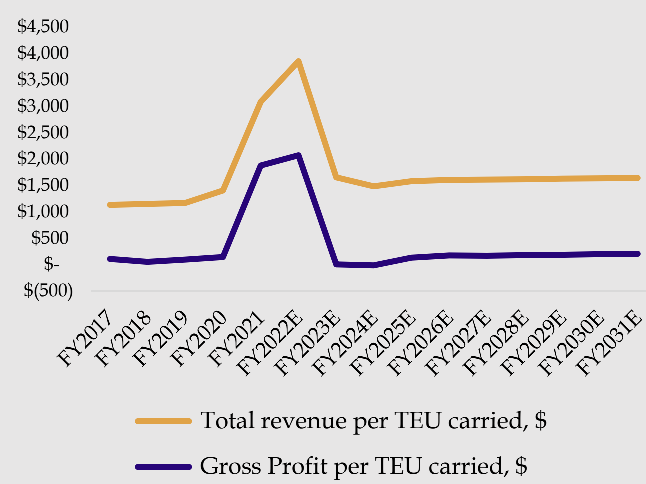
Total TEUs carried, 000s



Free cash flow generation to recover after 2024



Revenue and Gross Profit per TEU carried ($)



Differentiation from Comps:

ZIM leases ~96% of its fleet, compared to a median of ~40-50% for peers. Although leasing necessitates paying higher charter rates during periods of growth, it also allows for expanding capacity at significantly lower rates during downturns. Furthermore, the leasing model offers fleet flexibility since the company can opt not to renew leases during times of weaker demand. In contrast, peers are stuck with ships and have unprofitable unit economics during weaker demand environments when there is an oversupply of capacity.

In contrast to Maersk and MAE, ZIM operates a smaller fleet primarily focused on transporting essential goods such as perishables and high-value products, which exhibit durable demand. This characteristic reduces ZIM's sensitivity to the global economy's fluctuations compared to its peers. This effect is reflected in ZIM's average freight rates, having risen 56% relative to 2019 levels in 2022 vs peers have seen rates only 35% higher.

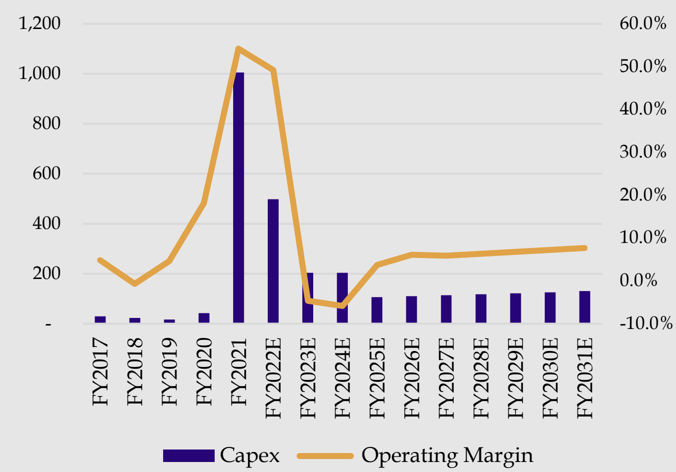
2) *Improvements to technology and ancillary service offerings to improve revenue cyclicality and margins*

In the dynamic competitive landscape of the shipping industry, having a robust digital infrastructure is increasingly becoming essential for customers. ZIM offers its customers the benefit of avoiding payment for booking and documentation services. Customers can easily get quotes, make bookings, and complete all documentation through their website, which is a more efficient and cost-effective process. The company is differentiating itself by providing web tools that enable customers to complete all their tasks in-house. Additionally, ZIM's information systems "push" relevant information to customers, such as changes in the cutoff or the DOC cut, keeping them informed and eliminating the need to constantly check for updates. This feature is particularly valuable, as customers can rely on ZIM to keep them up to date on any changes that might affect their shipments.

Another area of importance is container technology, with ZIM integrating their ZIMonitor reefer system. This system tracks the temperature and location of containers, providing customers with constant updates on their cargo and improving the accuracy of ETA estimates. This feature is especially important for pharmaceutical containers that are often worth hundreds of thousands of dollars. If there is a temperature fluctuation, an alarm is triggered, allowing for immediate fixes, and avoiding service failures and losses of goods.

The company has been ramping up Capital Expenditures on technology improvements, building capabilities on port procedures handling, container tracking, post-shipping transportation support, etc. to make its platform more attractive for customers. Being a smaller company, they can roll out these changes faster and be nimbler than peers. These investment support some margin improvement and growth in non-freight revenue.

Technology Investments Improve Margins



Reefer Crates (ZIMonitor)

New Build Ships

Risks:

1) **Capital Allocation**: Management strays from its conservative capital allocation strategy and issues another super dividend. The company has a 30% payout policy since its IPO but issued a 130% dividend yield in 2021 with its huge cash pile. While market participants expect another big dividend this year, management has given all the signals of being conservative as they enter a cyclical downturn

2) **Deep recession:** The risk of a deep recession remains strongly over the horizon as the Fed might overtighten policy. However, important data releases over the past month have shown continued resilience in consumer demand, inventory piles falling, and industrial activity rebounding. If the global economy continues to remain strong, ZIM's outlook for the medium term strengthens as the downturn is likely to be shallow and quick

Revenue Build:

Revenue Model

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022E	FY2023E	FY2024E	FY2025E	FY2026E
Pacific freight revenues from containerized cargo, mm	1,133.0	1,385.6	1,365.8	1,860.6	5,278.8	5,805	1,156	1,073	1,214	1,274
Cross-Suez freight revenues from containerized cargo, mm	425.4	387.3	328.4	392.7	1,254.2	1,614	415	346	392	441
Atlantic-Europe freight revenues from containerized cargo, mm	494.3	493.7	571.2	577.4	960.7	1,188	424	347	405	425
Intra-Asia freight revenues from containerized cargo, mm	341.8	353.2	372.9	453.1	1,714.6	2,063	717	478	574	591
Latin America freight revenues from containerized cargo, mm	222.7	216.0	209.0	208.4	490.3	601	267	248	255	263
Total freight revenues from containerized cargo, mm	2,617.2	2,835.8	2,847.3	3,492.2	9,698.7	11,271.7	2,978.4	2,491.7	2,839.6	2,993.9
Other revenue, mm	361.1	412.0	452.5	499.5	1,030.0	1,524.4	1219.5	1280.5	1344.5	1411.7
Total revenue, mm	**2,978.3**	**3,247.9**	**3,299.8**	**3,991.7**	**10,728.7**	**12,796.1**	**4,197.9**	**3,772.2**	**4,184.1**	**4,405.6**

Operating Stats - TEUs carried

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022E	FY2023E	FY2024E	FY2025E	FY2026E
Pacific TEUs carried, 000s	881	1,017	1,017	1,126	1,376	1,101	826	826	867	910
Cross-Suez TEUs carried, 000s	419	356	356	343	345	407	346	346	356	367
Atlantic-Europe TEUs carried, 000s	542	590	590	593	619	514	385	385	405	425
Intra-Asia TEUs carried, 000s	596	671	671	607	939	1,062	796	796	820	845
Latin America TEUs carried, 000s	191	187	187	172	202	238	191	191	196	202
Total TEUs carried, 000s	**2,629**	**2,821**	**2,821**	**2,841**	**3,481**	**3,322**	**2,544**	**2,544**	**2,644**	**2,749**
Pacific average freight per TEU carried, $	$ 1,286	$ 1,362	$ 1,343	$ 1,652	$ 3,836	$ 5,274	$ 1,400	$ 1,300	$ 1,400	$ 1,400
Cross-Suez average freight per TEU carried, $	$ 1,015	$ 1,088	$ 923	$ 1,145	$ 3,635	$ 3,966	$ 1,200	$ 1,000	$ 1,100	$ 1,200
Atlantic-Europe average freight per TEU carried, $	$ 912	$ 837	$ 968	$ 974	$ 1,552	$ 2,311	$ 1,100	$ 900	$ 1,000	$ 1,000
Intra-Asia average freight per TEU carried, $	$ 573	$ 526	$ 556	$ 747	$ 1,826	$ 1,944	$ 900	$ 600	$ 700	$ 700
Latin America average freight per TEU carried, $	$ 1,166	$ 1,155	$ 1,117	$ 1,211	$ 2,427	$ 2,522	$ 1,400	$ 1,300	$ 1,300	$ 1,300
Total average freight per TEU carried, $	**$ 996**	**$ 1,005**	**$ 1,009**	**$ 1,229**	**$ 2,786**	**$ 3,394**	**$ 1,171**	**$ 980**	**$ 1,074**	**$ 1,089**
Total revenue per TEU carried, $	**$ 1,133**	**$ 1,151**	**$ 1,170**	**$ 1,405**	**$ 3,082**	**$ 3,852**	**$ 1,650**	**$ 1,483**	**$ 1,582**	**$ 1,603**
Fuel and lubricants per TEU carried, $	147	190	137	127	213	450	300	200	200	200
Expenses related to cargo handling per TEU carried, $	489	489	504	504	540	700	700	650	650	650
Port expenses per TEU carried, $	96	97	71	73	73	90	100	120	120	120
Agents' salaries and commissions per TEU carried, $	61	57	53	56	69	80	80	80	80	80
Slots purchase and hire of vessels per TEU carried, $	137	170	183	175	152	220	220	200	200	180
Other operating expenses and cost of services per TEU carried, $	60	60	49	62	75	90	100	100	100	100
Operating expenses and cost of services per TEU carried, $	$ 989	$ 1,063	$ 996	$ 998	$ 1,122	$ 1,630	$ 1,500	$ 1,350	$ 1,350	$ 1,330
Depreciation per TEU carried, $	$ 37	$ 36	$ 80	$ 266	$ 84	$ 150	$ 150	$ 150	$ 100	$ 100
Gross Profit per TEU carried, $	**$ 107**	**$ 52**	**$ 93**	**$ 141**	**$ 1,876**	**$ 2,072**	**$ 0**	**$ (17)**	**$ 132**	**$ 173**
Depreciation and amortization in operating expenses per TEU carried, $	$ 4	$ 4	$ 7	$ 8	$ 7	$ 8	$ 8	$ 8	$ 8	$ 8
Total depreciation and amortization per TEU carried, $	$ 41	$ 39	$ 87	$ 111	$ 224	$ 158	$ 158	$ 158	$ 108	$ 108
Capex per TEU carried, $	$ 11	$ 8	$ 6	$ 15	$ 289	$ 150	$ 80	$ 80	$ 40	$ 40
Growth Analysis:										
Pacific freight revenue growth, %		*22.3%*	*-1.4%*	*36.2%*	*183.7%*	*10.0%*	*-80.1%*	*-7.1%*	*13.1%*	*5.0%*
Cross-Suez freight revenue growth, %		*-8.9%*	*-15.2%*	*19.6%*	*219.4%*	*28.7%*	*-74.3%*	*-16.7%*	*13.3%*	*12.4%*
Atlantic-Europe freight revenue growth, %		*-0.1%*	*15.7%*	*1.1%*	*66.4%*	*23.6%*	*-64.3%*	*-18.2%*	*16.7%*	*5.0%*
Intra-Asia freight revenue growth, %		*3.3%*	*5.6%*	*21.5%*	*278.4%*	*20.3%*	*-65.3%*	*-33.3%*	*20.2%*	*3.0%*
Latin America freight revenue growth, %		*-3.0%*	*-3.2%*	*-0.3%*	*135.3%*	*22.6%*	*-55.6%*	*-7.1%*	*3.0%*	*3.0%*
Total freight revenue growth, %		*8.4%*	*0.4%*	*22.7%*	*177.7%*	*16.2%*	*-73.6%*	*-16.3%*	*14.0%*	*5.4%*
Other revenue growth, %		*14.1%*	*9.8%*	*10.4%*	*106.2%*	*48.0%*	*-20.0%*	*5.0%*	*5.0%*	*5.0%*
Total Revenue Growth, %		***9.1%***	***1.6%***	***21.0%***	***168.8%***	***19.3%***	***-67.2%***	***-10.1%***	***10.9%***	***5.3%***
Pacific TEUs carried Y/Y change, %		*15.4%*	*0.0%*	*10.7%*	*22.2%*	*-20.0%*	*-25.0%*	*0.0%*	*5.0%*	*5.0%*
Cross-Suez TEUs carried Y/Y change, %		*-15.0%*	*0.0%*	*-3.7%*	*0.6%*	*18.0%*	*-15.0%*	*0.0%*	*3.0%*	*3.0%*
Atlantic-Europe TEUs carried Y/Y change, %		*8.9%*	*0.0%*	*0.5%*	*4.4%*	*-17.0%*	*-25.0%*	*0.0%*	*5.0%*	*5.0%*
Intra-Asia TEUs carried Y/Y change, %		*12.6%*	*0.0%*	*-9.5%*	*54.7%*	*13.0%*	*-25.0%*	*0.0%*	*3.0%*	*3.0%*
Latin America TEUs carried Y/Y change, %		*-2.1%*	*0.0%*	*-8.0%*	*17.4%*	*18.0%*	*-20.0%*	*0.0%*	*3.0%*	*3.0%*
Total TEUs carried Y/Y change, %		***7.3%***	***0.0%***	***0.7%***	***22.5%***	***-4.6%***	***-23.4%***	***0.0%***	***4.0%***	***4.0%***
Pacific TEUs carried as % of total TEUs carried, %	*33.5%*	*36.1%*	*36.1%*	*39.6%*	*39.5%*	*33.1%*	*32.5%*	*32.5%*	*32.8%*	*33.1%*
Cross-Suez TEUs carried as % of total TEUs carried, %	*15.9%*	*12.6%*	*12.6%*	*12.1%*	*9.9%*	*12.3%*	*13.6%*	*13.6%*	*13.5%*	*13.4%*
Atlantic-Europe TEUs carried as % of total TEUs carried, %	*20.6%*	*20.9%*	*20.9%*	*20.9%*	*17.8%*	*15.5%*	*15.1%*	*15.1%*	*15.3%*	*15.5%*
Intra-Asia TEUs carried as % of total TEUs carried, %	*22.7%*	*23.8%*	*23.8%*	*21.4%*	*27.0%*	*32.0%*	*31.3%*	*31.3%*	*31.0%*	*30.7%*
Latin America TEUs carried as % of total TEUs carried, %	*7.3%*	*6.6%*	*6.6%*	*6.1%*	*5.8%*	*7.2%*	*7.5%*	*7.5%*	*7.4%*	*7.4%*
Total TEUs carried as % of total TEUs carried, %	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***

Operating Build:

Operating Model

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022E	FY2023E	FY2024E	FY2025E	FY2026E
Total revenue, mm	2,978	3,248	3,300	3,992	10,729	12,796	4,198	3,772	4,184	4,406
Operating expenses and cost of services, mm	2,600	3,000	2,811	2,835	3,906	5,414	3,816	3,434	3,570	3,656
Depreciation, mm	97	100	226	292	756	498	382	382	264	275
Gross profit, mm	**281**	**148**	**263**	**865**	**6,066**	**6,884**	**1**	**(44)**	**350**	**474**
Other operating income, mm	4	5	38	13	15	13	4	4	4	4
Other operating expenses, mm	3	38	1	(4)	1	13	4	4	4	4
Other operating income (expenses), net, mm	**2**	**(33)**	**37**	**17**	**14**	**26**	**8**	**8**	**8**	**9**
Salaries and related expenses, mm	103	98	105	115	193	448	139	124	138	145
Office equipment and maintenance, mm	15	17	12	12	15	27	19	17	18	18
Depreciation and amortization, mm	11	11	19	23	23	27	20	20	21	22
Consulting and legal fees, mm	6	6	5	4	20	24	8	7	8	8
Travel and vehicle expenses, mm	6	5	4	2	2	13	4	4	4	4
Other, mm	7	7	7	8	15	26	8	8	8	9
General and administrative expenses, mm	**148**	**144**	**152**	**163**	**268**	**564**	**198**	**180**	**197**	**207**
Share of profit of associates, mm	8	5	5	3	4	13	4	4	4	4
Operating income, mm	**143**	**(23)**	**153**	**722**	**5,816**	**6,358**	**(185)**	**(213)**	**165**	**281**

Operating Stats - % of revenue

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022E	FY2023E	FY2024E	FY2025E	FY2026E
Operating expenses and cost of services as a % of revenue	*87.3%*	*92.4%*	*85.2%*	*71.0%*	*36.4%*	*42.3%*	*90.9%*	*91.0%*	*85.3%*	*83.0%*
Depreciation as a % of revenue	*3.3%*	*3.1%*	*6.8%*	*7.3%*	*7.0%*	*3.9%*	*9.1%*	*10.1%*	*6.3%*	*6.2%*
Gross margin	***9.4%***	***4.6%***	***8.0%***	***21.7%***	***56.5%***	***53.8%***	***0.0%***	***-1.2%***	***8.4%***	***10.8%***
Other operating income as a % of revenue	*0.1%*	*0.2%*	*1.2%*	*0.3%*	*0.1%*	*0.1%*	*0.1%*	*0.1%*	*0.1%*	*0.1%*
Other operating expenses	*0.1%*	*1.2%*	*0.0%*	*-0.1%*	*0.0%*	*0.1%*	*0.1%*	*0.1%*	*0.1%*	*0.1%*
Other operating income (expenses), net, mm	***0.1%***	***-1.0%***	***1.1%***	***0.4%***	***0.1%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.0%***
Salaries and related expenses as a % of revenue	*3.4%*	*3.0%*	*3.2%*	*2.9%*	*1.8%*	*3.5%*	*3.3%*	*3.3%*	*3.3%*	*3.3%*
Office equipment and maintenance as a % of revenue	*0.5%*	*0.5%*	*0.4%*	*0.3%*	*0.1%*	*0.5%*	*0.5%*	*0.5%*	*0.5%*	*0.5%*
Depreciation and amortization as a % of revenue	*0.4%*	*0.3%*	*0.6%*	*0.6%*	*0.2%*	*0.2%*	*0.5%*	*0.5%*	*0.5%*	*0.5%*
Consulting and legal fees as a % of revenue	*0.2%*	*0.2%*	*0.1%*	*0.1%*	*0.2%*	*0.2%*	*0.2%*	*0.2%*	*0.2%*	*0.2%*
Travel and vehicle expenses as a % of revenue	*0.2%*	*0.2%*	*0.1%*	*0.0%*	*0.0%*	*0.1%*	*0.1%*	*0.1%*	*0.1%*	*0.1%*
Other, as a % of revenue	*0.2%*	*0.2%*	*0.2%*	*0.2%*	*0.1%*	*0.2%*	*0.2%*	*0.2%*	*0.2%*	*0.2%*
General and administrative expenses as a % of revenue	***5.0%***	***4.4%***	***4.6%***	***4.1%***	***2.5%***	**4.7%**	**4.8%**	**4.8%**	**4.8%**	**4.8%**
Share of profit of associates as a % of revenue	*0.3%*	*0.2%*	*0.1%*	*0.1%*	*0.0%*	*0.1%*	*0.1%*	*0.1%*	*0.1%*	*0.1%*
Operating margin	***4.8%***	***-0.7%***	***4.6%***	***18.1%***	***54.2%***	***49.2%***	***-4.7%***	***-5.9%***	***3.7%***	***6.1%***
Change in NWC as a % of revenue	***-0.2%***	***1.2%***	***1.2%***	***0.3%***	***0.2%***	*1.2%*	*1.2%*	*1.2%*	*1.2%*	*1.2%*

Discounted Cash Flows

						0.25	1.25	2.25	3.25	4.25
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022E	FY2023E	FY2024E	FY2025E	FY2026E
Operating income, mm	143	(23)	153	722	5,816	6,358	(185)	(213)	165	281
(-) Taxes, mm	14	14	12	17	1,010	1,272	(37)	(43)	33	56
Effective tax rate	*10.0%*	*-60.9%*	*7.7%*	*2.3%*	*17.4%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*	*20.0%*
(+) D&A, mm	108	111	245	314	779	525	402	402	286	297
(-) Capex, mm	29	23	16	43	1,005	498	204	204	106	110
(-) Change in NWC, mm	7	(112)	(17)	130	271	154	50	45	50	53
Stub						4,767				
FCF	**200**	**163**	**388**	**847**	**4,309**	**193**	**(0)**	**(17)**	**262**	**359**
DCF						**189**	**(0)**	**(14)**	**199**	**250**

Valuation:

WACC	
ERP (Israel)	7.2%
Beta	1.20
10yr Shekel Rate	4.0%
Cost of Equity	12.6%
Avg Rate on Debt	5.5%
Tax Rate	23%
Cost of Debt	4.24%
Debt	4,685
Equity Book Value	5,811
Invested Capital	10,495
Debt % of Capital	44.64%
Equity % of Capital	55.36%
WACC	8.8%

Valuation	
Discount rate	8.8%
Perp. growth rate	2.0%
Terminal value, mm	7,425
PV of stage 1 FCF, mm	1,778
PV of terminal value, mm	3,390
Enterprise value, mm	**4,014**
(-) Debt, mm	4,685
(+) Cash,mm	1,286
(+) Investments, mm	3,438
Equity value, mm	**4,053**
Diluted shares outstanding, mm	119
Target price	**34.08**
Current price	22.41
Implied upside	**52.1%**

		Growth Rate						
	52%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
	7.3%	70%	82%	96%	113%	134%	159%	191%
	7.8%	54%	64%	76%	90%	106%	126%	150%
	8.3%	40%	49%	59%	70%	83%	99%	118%
WACC	8.8%	29%	36%	44%	53%	64%	77%	92%
	9.3%	18%	25%	31%	39%	48%	59%	71%
	9.8%	9%	15%	21%	27%	35%	44%	54%
	10.3%	1%	6%	11%	17%	23%	31%	39%