



Snowball Research Notes

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Idea Generation Report

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What is the objective of the report?

It is not the scarcity of "money"; instead, it is the scarcity of "time" that underscores the importance of idea generation. Even if a fund manager has an army of analysts and a huge research budget, he/she is still required to "prioritize" the stock to spend time re-searching and thinking—that's where "filters" play a significant role.

The stocks that we flag are worthy of "further research." In other words, the best outcome after reading our report is this – you pick a stock highlighted in the report for the next level of research and/or add it to your watch list.

We believe our time is well spent on highlighting interesting stocks. You pay for the information that isn't well-publicized.

What is the advantage? What is the expected outcome?

Hidden qualitative factors: Unlike focusing on quantitative data, we focus mostly on "qualitative information" to filter ideas. Our process is tied heavily to plenty of reading. As such, many qualitative factors that we highlight are typically hidden in quantitative screening techniques.

Most ignored section in the equity research process:

At one end of the spectrum, you have plenty of services that help in the "initial phase" of research to narrow down thousands of stocks with quantitative metrics, providing financial statements, ratios, etc. In the other segment of the services, you have free and paid services to review stock ideas.

Snowball Research focuses on the "most ignored" section in the equity research process: narrowing down ideas from plenty of screens.

SEVEN SCREENS

1. CEO/MANAGEMENT CHANGES

Every time a company (under \$2.5 billion Market Capitalization) appoints a new CEO, we research the track record of the CEO.

Every year, hundreds of new CEOs are appointed. CEOs who have an A+ track record get hidden among others.

By uncovering an excellent CEO, you can uncover a great investment idea. The newly-appointed CEO is not a magician that is able to bring changes in the blink of an eye. It takes time to fix things. The CEO's impact can be noticed only in the long run. So, this provides ample time for value investors to research the stock.

Q&A

a. Isn't business more valuable than jockey?

Well, this is not a "business vs. jockey" debate. We are not arguing that the CEO is more important than the business. Our message is simple: a CEO with a good track record generally gravitates to good companies.

By tracking good CEOs, we can uncover unique investment ideas, and the odds of success are higher for a company that has appointed a CEO who has a proven track record.



b. Why reading the CEO's bio isn't sufficient?

Not all CEOs explain their achievements. We dig it out for you. Some CEOs' backgrounds are full of self-praise and obfuscations. We cross-check and validate their claims.

2. 8-K (KEYWORDS)

We predominantly use keywords to narrow down filings from the thousands of 8-K filings. The objective of this project is to capture "significant events" and "significant changes" that are not captured in the remaining screens that we run.

One example is to search for keywords like "strategic alternative" in SEC filings.

3. 13D/ACTIVISM

Even though we summarize all significant 13Ds filing, we flag companies with notable points - companies that experienced majority board changes, companies making substantial changes after activist involvement, significant settlement agreement terms and valuation insight, etc.

4. CHANGES AFTER APPOINTING NEW CEO

We research the changes the newly hired CEOs are making after their appointment. We manually read the SEC filings and conference call transcripts to find out the list of changes a CEO is making.

5. ACCOUNTING PROBLEMS

Accounting irregularities, restatement, delisting, and failure to file financial statements on time provides a unique opportunity to find both long and short ideas.

For long ideas, patience is required to identify the companies that emerge "clean" from the accounting problems. Typical characteristics include the termination of the responsible management/board members, consistent improvement in solving the accounting problem, and a solid business. A falling business that emerges from an accounting fiasco is not the right candidate. So, the ideal situation is to identify an operationally strong company that faces temporary airplane turbulence. For a short idea, identifying poor management/board's action and motivation is important.

6) INSIDER BUYING 7) PRICE CRASH

Self-explanatory.

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A quick update

Dear clients:

Two quick updates-

1. NT filing: We have summarized the situation and provided the necessary links.
2. ChatGPT: We've included a small training manual as to how to use ChatGPT for our research. Please check the last few pages of ["Leslie's \(LESL\): Non-discretionary aftermarket pool business; 13G by Ariel Investment"](#)

Thank you.

Best,
Raghurman. S.S
Head of Research,
Snowball Research

The Joint Corp (JYNT): Franchise business; solid growth; long run way for growth; recent price crash; Non-cash impact of the current accounting restatement

- M.Cap: \$141 million | Debt: \$28 million | Cash: \$14 million | EV: \$156 million | Revenue: \$112 million | EV/Revenue: 1.4X
- Volume: 469,472
- Major shareholders: Bandera - 18.1% | Blackrock - 7% | Vanguard - 6.9% | Alta Fox Capital - 4.5% | Millennium Manag. - 3.6% | Federated Hermes - 2.9% | Skylands - 2.7%.
- Screen: Price crash & NT filing

I. BASIC

- Chiropractors may use various manual techniques to adjust spinal joints and other body parts during a session.
- A significant segment of the population prefers drug-free treatments, with chiropractic care being the go-to for spinal issues.

II. WHAT WE LIKE

1. Franchisor, Cash-based, Competitive Pricing

- The company is a fast-growing franchisor and operator of chiropractic clinics, utilizing a private-pay, cash-based model.
 - Franchised Clinics: 85%
 - Company-Owned Clinics: 15%
- Cash-based
 - Payments are accepted in cash or major credit cards.
 - The company does not accept insurance or Medicare.
- Competitive pricing and convenience
 - Clinics are located in high-visibility retail settings near popular eateries and cafes, offering gym-like memberships for flexible walk-ins.
 - Membership Cost: The monthly memberships start at \$69 for adults and \$39 for youths, averaging \$17 per visit. Traditional chiropractic visits typically start at a \$40 co-pay.
 - The company believes its pricing model is competitive because it avoids third-party reimbursement overheads.
- Referrals
 - As per recent data, 30% of new patients come through referrals from existing patients.
- Market expansion
 - A 2023 survey by WestGroup Research indicates that 35% of the company's new patients had never tried chiropractic care before, up from 16% in 2013. This suggests that the company is expanding the overall market for chiropractic services.

2. Lead player; first-mover advantage

- Even though the company represents only 2% of \$19.5 billion, the company's clinic network has more than 5 times greater the number of clinics than the nearest competitor and is larger than all the other industry network players in aggregate in terms of system-wide sales.
- The company enjoys the first mover advantage in developing franchise of Chiropractors clinics.
- Recognition
 - Top 10% of The Franchise 500: Entrepreneur magazine named The Joint the "Top Franchise" in the chiropractic services category and "Top 10%" of the Franchise 500®.
 - Franchise Business Review identified The Joint as a "Top Franchise for 2023," and one of the "Most Profitable Franchises" and "Top Franchises for Veterans."
 - For the eighth year running, Franchise Times recognized The Joint as experiencing rapid, yet sustainable, growth on its "2023 Fast & Serious" list.

2. Lead player; first-mover advantage

- Market share and size
 - Despite making up just 2% of the \$19.5 billion market, the company's clinic network is 5x larger than its nearest competitor in terms of the number of clinics, and surpasses all other industry players in aggregate system-wide sales.
- First-mover
 - The company was the first to develop a franchise model for chiropractic clinics, giving it a first-mover advantage.
- Recognition
 - Entrepreneur magazine ranked the company in the "Top 10%" of the Franchise 500 and as the "Top Franchise" in chiropractic services.
 - Franchise Business Review labeled the company as a "Top Franchise for 2023," one of the "Most Profitable Franchises," and a top pick for veterans.
 - For the eighth consecutive year, Franchise Times included the company in its "2023 Fast & Serious" list, recognizing its rapid and sustainable growth.

3. Revenue grew by 15X in less than a decade

- The company's operation grew from eight clinics in 2010 to 870 clinics in operation as of March 31, 2023.
- Revenue grew consistently from \$7 million in FY 2014 to \$108 million in March 2023.
- Expansion:
 - As per the CEO's 2022 letter, the company has been testing proof of concepts in small markets and pedestrian-driven urban sites as well as evaluating expansion into Canada.

(\$, mm)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM Mar 2023
Revenue	7.1	13.8	20.5	24.9	36.7	48.5	58.7	80.9	101.9	108.0
Operating income	-1.6	-9.3	-15.0	-3.3	0.1	3.4	5.5	5.4	2.1	2.6
Net income	-3.0	-8.8	-15.2	-3.4	0.1	3.3	13.2	6.6	1.2	3.3

4. Franchise operation: Solid growth & profitable

- One among the top 5% of franchisor: In the US, only 4.9% of franchise concepts have over 500 units according to FRANdata. As of now, the company has 870 clinics, out of which 740 are franchise clinics.

- **Solid growth:**
 - The number of franchise clinics increased from 242 in FY 2014 to 740 as of March 2023. The company had a solid pipeline for future franchise clinic openings with 214 franchise licenses in active development.
 - **4.3X revenue growth:** Franchise revenue increased by 4.3X, from \$10.3 million to \$44 million in LTM March 2023.
- **Closure rate:** At less than 1%, the company's closure rate remains one of the lowest in the franchise community.
- **Solid franchisees trust:** 76% of the company's new licenses were purchased by existing franchisees.

(\$, mm)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM Mar 2023		3M Mar 2022	3M Mar 2023
Franchise revenue	10.3	12	13.8	17.1	22.6	26.9	36.5	42.5	44		9.8	11.3
Operating income	4.2	4.6	6.1	8.1	11	12.6	16.7	19.6	19.8		4.4	4.6
Revenue growth		17%	15%	24%	32%	19%	36%	16%	4%			15%
EBIT margin	41%	38%	44%	47%	49%	47%	46%	46%	45%		45%	41%
Number of franchise clinics	265	309	352	394	453	515	610	712	740		636	740

5. Technology/Digital marketing

- The company uses Youtube & Facebook to attract new clients. As per the recent CC (Q2 2023), the company started testing TikTok in four markets. After positive initial results with lead costs 15% lower than when compared to Meta, the company has expanded to additional four markets.
- In the recent letter to shareholders, the company's CEO explained in detail how the company's enhancement of search engine optimization (SEO) strategy helped website traffic growth.
- **Guerilla marketing activity:** Given the fact that the company has to educate its consumers that live, travels and works within that 5-minute to 15-minute radius around the clinic, the company attracts its new patients by the coupon drop or the outreach to the gym or the school or the hospital or whatever is around that specific clinic.

6. Negligible debt

- Debt: \$2 million
- Operating lease liabilities: \$25.8 million

7. FCF

(\$, mm)	2018	2019	2020	2021	2022
CFO	5.4	7.5	11.2	15.2	11.1
Capex	-1.1	-3.5	-3.2	-7.0	-5.9
FCF	4.3	4.0	8.0	8.2	5.2

WHY ARE WE FLAGGING THIS?

1. Accounting problem: Non-cash item; recent price crash

On August 10, 2023, the company announced that it would postpone the issuance of its second-quarter financial results as of June 30, 2023. On this news, the company's stock price tanked by 26%.

The problem pertains to regional developer arrangements and would have a non-cash impact on the company's financial statements.

a) Some background about regional developers

- The company sells a regional developer the rights to open a minimum number of clinics in a defined territory.
- The regional developer's job is to identify and qualify potential new franchisees in the territory and assist the company in providing field training, clinic openings, and ongoing support.
- The company pays 3% of the ongoing royalties to the regional developer and also shares a portion of the initial franchise fees.
- In 2022, regional developers were responsible for 67% of the 75 franchise license sales for the year.

b) Re-acquired regional developer rights: Decision to restate past financials

- The company has previously amortized acquired regional developer rights as intangible assets.
- The Company has concluded that this treatment was incorrect in accordance with U.S. GAAP. The Company should not have capitalized the re-acquired Regional Developer Rights but instead should have recognized the full cost of the re-acquisition as an expense in the respective period.
- As per the September 6, 2023, [press release](#), the company plans to restate and reissue the previously issued financial statements to reflect the revised method of accounting for the re-acquired regional developer rights and transfer pricing adjustments.

c) Non-cash impact

- The combined impact of re-acquired Regional Developer Rights and pricing adjustments for the year ending December 31, 2022, is a net income reduction of about \$0.6M. .
- These changes are expected to have no effect on Adjusted EBITDA or cash as of December 31, 2022.

Overall - it's a non-cash issue, and the company should be able to solve this problem soon.

2. Trading below the purchase price of Bandera Partners

- Current ownership: 23.6%
- Recently, Bandera Partners filed an SC13D. Make no mistake. The fund clearly explained that it filed an SC13D solely as a result of beneficially owning in excess of 20% of the o/s shares of the company and remains passive investors. [Source](#)
- Average purchase price: \$12.3/share
- Current stock price: \$9.5

OUR THOUGHTS

The company is building a highly valuable franchise business in a niche industry – chiropractic. In fact, the company is one among the top 5% in the franchise industry (across all sectors) in terms of "number of units."

More than 3/4th of the company's new licenses were purchased by existing franchisees. This speaks volumes about the "trust" the company has garnered among its franchisees.

Well, given the company's position in the industry, the company builds its "digital moat" through YouTube, Facebook, and TikTok. Moreover, it spends a significant amount of its marketing expenses to educate potential customers who live within a 5-15 minute travel radius of each clinic. The company's annualized SG&A is roughly \$16 million. It is hard to replicate the company's effort by a firm that has fewer clinics under its umbrella, and it is quite unimaginable for solo operators.

Typically, companies that aggressively expand their operations run into problems and take on aggressive debt to fuel revenue growth. This is not the case with the company. The company has negligible debt of \$2 million. Even though the company carries roughly \$26 million in operating lease liabilities, the company can rebrand the clinics and get them off its balance sheet.

Accounting problem

This is the third time the company has delayed filing its annual/quarterly report on time. In the past, the company terminated its public accounting firm after the issuance of a material weakness.

Nevertheless, the company appointed BDO USA, LLP as its audit firm in March 2021. As such, we are happy about the board's action in fixing the accounting problem.

Overall:

This is a "micro-cap" company that runs a franchise business that is not only profitable and generates free cash flow, but is also growing and has a long runway.

Additional thoughts/data + Question to the management

1. Insurance

Many investors would question the attractiveness of the "non-insurance" business model.

Significant percentage of users have no chiropractic insurance.

Even though it is old data, it is interesting to note that, as per the report published in January 2016 by the Centers for Disease Control and Prevention's National Center for Health Statistics, roughly 40% of those who sought chiropractic services had no chiropractic insurance coverage at all, and 41% had only partial coverage.

Suggested further reading: <https://waldronchiropractic.com/study-most-people-seeing-chiropractors-are-paying-for-care/>

2. Sounds like a hassle?

As per ehealthinsurance.com, many marketplace plans will only cover “medically necessary” chiropractic care. The patient’s primary care doctor may need to show that the chiropractic services are medically necessary to treat an injury or medical condition. In addition, the insurance company may require proof that the condition is improving with the treatment.

Provider networks: if the plan requires using a provider network, the patient has to select a chiropractor included in the network. If the patient goes out of the network, the cost could be higher or may not be covered at all.

Further research or question to the management: Do they have any latest data about the percentage of insurance vs non-insurance?

2. Concentration

Even though the company operates in 40 states (as per the recent 10-K), the company runs 50% of clinics in just four states.

1. TX: 148
2. CA: 120
3. FL: 64
4. GA: 52

How difficult is it to expand to new territories? How long does it take to be profitable in a new state?

Please note that The BearCave flagged that the company is having difficulty expanding into new territories. <https://thebearcave.substack.com/p/more-problems-at-the-joint-corp-jynt>

Additional reading/listening

Short pitch

In October 2021, The Bear Cave published a short report on the company.

<https://thebearcave.substack.com/p/problems-at-the-joint-corp-jynt>

<https://thebearcave.substack.com/p/more-problems-at-the-joint-corp-jynt>

The Billion Dollar Chiropractic Franchise: The Economics of The Joint Chiropractic

<https://www.youtube.com/watch?v=bhuTqF2LxvU>

Find Out if The Joint Chiropractic Franchise is Worth It

<https://www.youtube.com/watch?v=q8gL-xwERoM> (Economics: 1.14 to 2.46 minutes)

Press release that explains the latest accounting problem

SCOTTSDALE, Ariz., Sept. 06, 2023 (GLOBE NEWSWIRE) --

Background and Determination

The Company enters into agreements with its regional developers (the "RD Agreements"). Under each RD Agreement, the Company sells to each of its regional developers the exclusive rights to open a minimum number of clinics in a defined territory (the "Regional Developer Rights"). Upon entering into each RD Agreement, the regional developer pays the Company an upfront fee for such Regional Developer Rights. Each regional developer helps the Company to identify and qualify potential new franchisees in its territory and assists the Company in providing field training, clinic openings and ongoing support. In return, the Company shares with the regional developer part of the initial upfront franchise fee paid to the Company by new franchisees in the regional developer's protected territory and pays the regional developer 3% of the 7% ongoing royalties the Company collects from the franchisees in the regional developer's protected territory. From time to time, the Company has re-acquired Regional Developer Rights from certain of its regional developers.

Historically, the Company has recorded the re-acquired Regional Developer Rights as an intangible asset and amortized the re-acquired Regional Developer Rights over the contractual terms under the RD Agreement remaining at the time of the re-acquisition. The Company has concluded that this treatment was incorrect in accordance with U.S. GAAP. The Company should not have capitalized the re-acquired Regional Developer Rights but instead should have recognized the full cost of the re-acquisition as an expense in the respective period. In addition, the Company has historically recorded the upfront fee paid by the regional developer as a deferred liability, which was then recognized ratably to revenue as the regional developer performed various service obligations. The amended treatment will still defer the upfront payment, but the deferred liability will be ratably recognized against cost of revenue as an offset against future commissions.

Additionally, the Company files standalone Federal corporate and State tax returns as well as city income and franchise tax returns for itself and its four variable interest entities ("VIEs") which it controls under its corresponding management agreements. The four VIEs were set up due to the various States' regulatory and legal requirements. The Joint Corp has management agreements with each of the four VIEs ("PCs or professional corporations").

The Company has historically charged the VIEs a management fee for the benefit of the Company providing non-clinical administrative services needed by the professional corporation chiropractic practice. However, the standalone professional corporations have not historically been profitable from an income tax perspective and are fully valuing their deferred tax assets and related attributes for ASC 740 purposes. As such, the Company has initiated a review of its transfer pricing with the VIEs.

The economic compensation or profitability resulting from an intercompany transaction between two or more parties is based on each party's relative contribution to the economic activity under analysis. Or stated in transfer pricing terms, the economic compensation or profitability from an intercompany transaction is based on each party's functions performed, risks assumed, and assets employed in the activity.

Overall, the PCs earned annual losses were not consistent with their function, risk, and asset profile for transfer pricing. As such, the Company has estimated transfer pricing adjustments

which were computed based on assumed targets of profitability. The resulting operating profit, after incorporating estimated transfer pricing adjustments, were further used as a means for computing overall potential tax exposure and correlative benefit.

The Company plans to restate and reissue the Previously Issued Financial Statements to reflect the revised method of accounting for the re-acquired Regional Developer Rights and transfer pricing adjustments. The Company intends to file as soon as practical a 10-K/A, which will contain the restated Previously Issued Financial Statements utilizing the correct methods of accounting. Based on the Company's preliminary estimates, the Company will also revise and reissue the financial statements for the year ended December 31, 2021, and the quarters and cumulative periods ended March 31, 2021, June 30, 2021 and September 30, 2021 (the "2021 Financial Statements") in the 10-K/A in order to make meaningful comparisons of the Previously Issued Financial Statements to the 2021 Financial Statements. While the Company currently anticipates that the changes to the 2021 Financial Statements will not be material in the aggregate, it is possible the conclusion with respect to the materiality of the errors on the 2021 Financial Statements will change upon finalizing the revised amounts.

Additionally, going forward, the Company will utilize the amended methods of accounting for any financial statements in newly-issued periodic reports. The Company intends to file its quarterly report on Form 10-Q for the quarter ended June 30, 2023 (the "2023 Q2 10-Q") as soon as practicable after the filing of its 10-K/A. The six month period ended June 30, 2023 included in the 2023 Q2 10Q will include revised results of operations for the period ended March 31, 2023 for purposes of comparison. However, the Company anticipates that the changes to the financial statements for the quarter ended March 31, 2023 will not be material in the aggregate.

The Company is also evaluating the impact of the identified errors on its internal control over financial reporting and disclosure controls and procedures. Although the evaluation is not yet complete, the Company expects it will result in one or more material weaknesses in the Company's internal control over financial reporting and that its disclosure controls and procedures were ineffective during the applicable periods related to the Previously Issued Financial Statements. The Company continues to evaluate and implement remedial measures to address such material weaknesses.

Estimated Non-cash Impact

The Company is in the process of, but has not yet completed, its determination of the degree to which these errors will have an effect on the Company's Previously Issued Financial Statements. Based on its review to date, the following preliminary estimated impact of the identified errors on the Previously Issued Annual Financial Statements are management's current estimates of the impact and are subject to change in connection with the completion of the restatements.

For the year ended December 31, 2022 the annual impact of the re-acquired Regional Developer Rights to the historical period will be:

- An estimated reduction of total revenue of approximately \$0.7M, with an offsetting adjustment to Cost of Revenue of the same \$0.7M.
- An estimated reduction in Depreciation and Amortization expenses of approximately \$1.0M, and an increase in General & Administrative expenses of approximately \$2.2M.
- Resulting in an estimated reduction of Net Income by \$1.2M or \$0.9M net of income taxes.

For the year ended December 31, 2022 the annual impact of the transfer pricing adjustments to the historical period will be:

- An estimated income tax benefit of \$0.3M.

Therefore, the total aggregated impact of both the re-acquired Regional Developer Rights and transfer pricing adjustments for the year ended December 31, 2022 would be a reduction to net income of approximately \$0.6M.

The Company estimates that these impacts would result in no change to Adjusted EBITDA for the period, or to cash, cash equivalents and restricted cash as of December 31, 2022.

Potbelly (PBPB): Significant changes after the appointment of new CEO; new CEO is a former Wendy's COO; Shift from company-owned store to franchisee store; 13D by Nierenberg Investment

- M.Cap: \$237 million | Debt: \$200 million | Cash: \$34 million | EV: \$402 million | Revenue: \$483 million | EV/Revenue: 0.8X
- Volume: 230,730
- Major shareholders: Nierenberg Investment. - 9.2% | Renaissance - 5.6% | Blackrock - 5.4% | Soviero Asset Mgt- 5.3% | Punch & Assoc. - 4.5% | Archon Capital - 4.3% | Vanguard - 4%.
- Screen: 13D

RESEARCH

I. BASICS

Potbelly owns and operates Potbelly Sandwich Shop concepts in the United States.

(\$, mm)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM June 2023
Revenue	373	407	428	423	410	291	380	452	483
Operating Income	9	13	-2	-11	-9	-71	-22	-4	-7
Net Income	6	8	-7	-9	-24	-65	-24	5	10

• Number of stores

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM June 2023
Company-owned	372	411	437	437	428	400	397	384	363
Franchise	36	43	55	49	46	46	46	45	53
Total	408	454	492	486	474	446	443	429	416

• Free cash flow

(\$, mm)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM June 2023
CFO	40	46	42	31	18	-12	-5	12	22
Capex	36	37	35	21	14	11	9	8	12
FCF	4	9	7	10	4	-23	-14	4	10

II. Significant changes after the appointment of new CEO

In June 2020, the company appointed

1. Management shakeup

- Management team
 - April 2020: CFO
 - July 2020: CEO
 - Dec 2020: Chief Legal Officer
 - Aug 2021: Chief Marketing Officer

- Jan 2023: Chief Operating Officer
- April 2023: Chief People Officer
- June 2023: SVP - Franchising

- New directors

- Five new directors were added to the board since 2020.

2. Improved financial profitability

- Despite significant wage and inflationary pressures, the company's profitability improved sequentially. The improvement in profitability is driven by robust demand levels, successful implementation of cost-cutting strategies, and strategic price increases.
- Cost-cutting strategies included the permanent shutdown of shops, reduction in G&A, and renegotiation of hundreds of leases.

- Quarterly Adjusted EBITDA (\$, mm)

QE Mar 2020	QE Mar 2021	QE Mar 2022	QE Mar 2023
-4.2	-6.6	-2.3	5.56
QE June 2020	QE June 2021	QE June 2022	QE June 2023
-14.4	1.9	5.8	8.04
QE Sep 2020	QE Sep 2021	QE Sep 2022	-
-7.3	2.7	4.7	
QE Dec 2020	QE Dec 2021	QE Dec 2022	-
-6.9	2.6	7.5	

- Annual Adjusted EBITDA

Year	Adjusted EBITDA (\$, mm)
FY 2017	42
FY 2018	35
FY 2019	26
FY 2020	-33
FY 2021	1
FY 2022	16
LTM June 2023	26

3. Shift to a franchise-focused business

- In March 2022, the company's CEO launched a plan to accelerate franchise growth through multi-unit area agreements, including the refranchising of some company-run shops.
- Two goals
 - Refranchise approximately 25% of the company-operated shops by the end of 2024.
 - Over the next 8 to 10 years, the company aims to have 2,000 total shops, with at least 85% of those owned by franchisees.
- Current status: Roughly 8% of company-operated stores refranchised
 - In 2022, the company announced a plan to refranchise 25% of its total operated shops but made no progress that year. However, between March and July 2023,

the company successfully refranchised 8% of its shops, making headway toward its goal.

- Details:

- In March 2023, the company sealed a deal in NYC to open 13 new shops in eight years and refranchised eight existing shops. Source.
- In July 2023, the company finalized a multi-unit development agreement to develop 15 new Potbelly shops over the next eight years. The transaction included refranchising 12 existing shops.
- In July 2023, the company announced that it had finalized a 27-shop agreement in Maryland with the company's founder, Bryant Keil, and his son Hampden. The agreement grants the founder and his son the right to develop 15 new Potbelly shops in the next eight years. Additionally, Potbelly will refranchise 12 existing restaurant locations as part of the transaction.

4. Other significant changes

• Liquidity:

- In 2020, amid a chaotic situation, the company raised \$16 million through private placement and amended credit facilities.

• Simplified the menu

- Consolidated menu boards and fixed value with a wider price ladder.
- Introduced product enhancements, such as offering smaller sandwiches and half salads outside the Pick Your Pair promotion.
- The company started testing larger-sized options featuring more meat, cheese, and toppings.
- Added new variety to the menu: Avo Turkey Sandwich and Steakhouse Beef Sandwich.
- Additionally, the company reduced SKUs, resulting in a more efficient system and faster customer experiences.
- After testing the simplified menu, the company launched it nationwide in August 2021.

We're getting a whole lot of love on social media for the various flavors we've introduced and how much people are creating videos about how much they like our cookies and the LTO cookies are no exception. – Q2 2022

• Digital marketing

- In mid-2021, the company revamped its Tech Stack, which includes a new mobile app, website, online ordering portal, digital ordering integration and Perks loyalty program integration. Moreover, the company improved its engagement with its customers through targeted digital advertising.
- Outcome? The company experienced increased enrollment and engagement in its Perks loyalty program and increased its topline.

Interesting articles

<https://www.nrn.com/fast-casual/how-potbelly-started-gaining-market-share-and-traffic>

<https://www.qsrjournal.com/finance/potbellys-profitability-strategy-hits-new-stride>

III. WHY ARE WE FLAGGING THIS?

Nierenberg Investment Management Company highlights the changes and suggests the board to use its free cash flow to repay debt and buyback shares

- On July 21, 2022, Nierenberg Investment Management Company (9.4%) stated its belief that the market is far from recognizing the Company's rapidly improving unit and corporate economics, its substantial potential profitability increase from franchising, the quality and experience of the Company's management and board, its brand, and unique positioning. [Source](#)
- On August 7, 2023, Nierenberg Investment Management expressed its opinion that the Company's strong performance post their July SC 3D filing justifies an update to reflect increased company value and a request for opportunistic repurchase of 8M shares over 9 years. It anticipates a 7-9 times share price increase to \$69-86 by 2032, indicating enhanced confidence in leadership, governance, strategy, and execution compared to last year. Nierenberg Investment Management's suggested actions for the company include:
 - Clear existing borrowings while maintaining a prudent line of credit.
 - Thoroughly review all corporate level costs for potential savings.
 - Utilize free cash flow to decrease the share count from 29.3 million to 23 million.
 - Encourage insiders to invest in shares.

We strongly urge you to read the below section extracted from the 13D filing of Nierenberg Investment Management.

The Issuer's excellent execution since the Reporting Persons filed the Schedule 13D last July justifies updating that filing to reflect the company's increased value and to ask the Issuer to repurchase over 8M shares opportunistically over the next nine years, beginning as soon as possible. The Reporting Persons now model that the Issuer's share price could multiply 7-9 times, to \$69-86, by 2032. That is 70-115% more than the Reporting Persons estimated last year. This reflects the Reporting Persons' increased confidence in the Issuer's leadership, governance, strategy, and execution:

- In the Issuer's second quarter same shop sales jumped 12.9%, driving average weekly sales (AWS) up 13.3% to \$25,950, versus the same quarter last year, and shop margin climbed 300 basis points to 14.4%. The Issuer already is ahead of its 2024 annual shop revenue goal of \$1.3M. Shop margin already has climbed to 90% of its 2024 goal. Cash climbed \$8.7M in Q2 after rising \$10M in Q1. Unrestricted cash of \$34.6M now exceeds debt by \$11.9M.
- As a result, through August 3, the Issuer's share price climbed 89% after the Reporting Persons filed the Schedule 13D. This enabled the Issuer to rejoin the Russell 2000 index (the "R2K"). The combination of improved operating and financial performance, the share price rebound, and readmission to the R2K increased the Issuer's average daily share trading volume ("ADTV") over 10X and its average daily dollar value traded 17X since the Schedule 13D. Last July, ADTV was only 25,000 shares, worth \$125,000; now ADTV has jumped to 239,000 shares, worth \$2.17M. The Reporting Persons hope this substantial improvement in liquidity might generate additional Wall Street sponsorship.
- The Reporting Persons expect that most of the Issuer's projected growth through 2032 will come from refranchising 100 company-owned shops and franchisees opening 1600 shops. Since the Reporting Persons filed the Schedule 13D, the Reporting Persons' confidence in the Issuer's growth strategy has grown substantially because of the consistently positive operating results just mentioned and because Lynette McKee joined the Issuer to drive its franchising growth. At its current run rate, AWS annualized is more than double the investment a franchisee would make to open a new

shop, which is an attractive ratio. More importantly, Lynette McKee is viewed as a franchising “rock star” by virtue of her 25 years in franchising, including success at Burger King, Dunkin Brands, and other restaurant companies. For example, in her final year at Dunkin, Dunkin sold 2,300 franchised units and 800 stores were opened. Hence the Reporting Persons’ higher confidence that the Issuer could successfully execute its franchise growth strategy.

Let’s illustrate how high franchising success might drive the Issuer’s share price over the next nine years. The Issuer will retain about 300 company-owned shops after refranchising 80 more shops. Over the next nine years the Reporting Persons model that inflation could compel the Issuer to increase prices 3% annually and that shop traffic could grow 2% more annually, for total annual shop revenue growth of 5% compounded. This would propel annual shop revenue to almost \$2.1M. Assuming 16% shop margins and corporate costs of 8%, the 300 shops could generate 2032 revenue of \$628M, \$100M of shop margin, and about \$50M of pre-tax profit at the corporate level. The 1700 franchised shops, also with sales of \$2.1M each, could generate \$3.57B of system-wide franchise revenue and \$214M of franchise fees paid to the Issuer. Assuming a 42.5% pre-tax margin on the franchise fees, pre-tax franchising profit at the Issuer could be \$91M. Thus, at the Issuer’s corporate level, total revenue could grow to \$842M, pre-tax profit to \$141M, and profit after 30% taxes to about \$99M.

To project earnings per share, and the share price, one must address what the Issuer’s share count could be. Today it is 29.3M shares. As noted earlier, the Issuer’s unrestricted cash now exceeds its debt by \$11.9M. The company now generates free operating cash flow, which the Reporting Persons expect could grow substantially with time. Finally, the Reporting Persons estimate that refranchising 80 shops could generate approximately \$300,000 each for the Issuer, which could be \$24M more cash. Although the Reporting Persons certainly do appreciate why the Issuer worked hard last and this year to obtain a line of credit, during COVID and when the turnaround was less proven than it is today, the Reporting Persons believe that the Issuer’s current circumstances no longer justify borrowing \$22M, on which it pays 15% interest. In Q2, for example, the Issuer reduced its hard-won earnings by paying \$1M of interest on \$22M of no-longer necessary debt. Without that drag, the Issuer could have earned \$0.10 per share rather than \$0.07.

The Reporting Persons therefore urge the Issuer to pay off the debt as soon as possible, while retaining the safety net of a line of credit somewhere.

Considering how much pressure the Issuer puts on its shops and staff to reduce costs and prudently expand margins, the Reporting Persons believe that corporate level costs should not have any “immunity” from cost reduction. While eliminating interest on unnecessary debt is the largest opportunity the Reporting Persons see for corporate-level profit improvement, the Reporting Persons do not believe it is the only one. The Reporting Persons urge the Issuer to commit to a \$5M corporate-level cost reduction program, about 80% of which could be met by debt elimination, with most of the rest potentially coming from reducing audit fees and reducing its board size from nine to seven directors. The Reporting Persons estimate that this could produce a significant and unexpected \$0.13 jump in annual EPS.

Returning to the share count, the Reporting Persons ask the Issuer to deploy its excess cash, free cash flow, and the proceeds from refranchising opportunistically to repurchase 2M shares through the end of 2024. After that, as free cash flow from operations and franchising grows, the Reporting Persons ask the Issuer to repurchase opportunistically about 2% of its shares each year in 2025 and 2026 and 3% per year thereafter. After nine years, the Reporting Persons model that Issuer could reduce its share count 21%, from 29.3M shares to 23M.

\$99M of 2032 after tax profit divided by 23M shares would generate EPS of approximately \$4.30. At a 16X P-E ratio, the Issuer's share price could rise to \$68.80; at 18X to \$77.40; and at 20X to \$86.00.

Recall from the original Schedule 13D that the Reporting Persons urged insiders of the Issuer to take advantage of this substantial upside opportunity by investing their own cash to buy open market shares. The Reporting Persons are delighted that senior management did exactly this multiple times. While the Reporting Persons are pleased that most directors are taking their board fees in shares, rather than cash, the Reporting Persons encourage them to buy shares too---because life does not present many 7-9X investment opportunities, particularly in companies they know well and where they have strong faith in management, governance, strategy, and execution.

In conclusion, the Reporting Persons ask the Issuer to:

- pay off its borrowings while prudently maintaining a line of credit
- scrutinize all corporate level costs for more savings opportunities
- use free cash flow to reduce the share count from 29.3 to 23M
- encourage insiders to buy shares

Ranger Energy Services (RNGR): Significant changes after the appointment of new CEO; Company turned debt-free; initiated dividend and buyback; FCF; Solid market share

- M.Cap: \$317 million | Debt: \$31 million | Cash: \$6 million | EV: \$319 million | Revenue: \$652 million | EV/Revenue: 0.5X
- Volume: 287,653
- Major shareholders: T. Rowe Price - 10.5% | Encompass Capital - 6.4% | Blackrock - 3% | Vanguard - 2.7% | Royce & Associates - 2.2% | Franklin - 2.2% | Huber Capital - 1.3%.
- Screen: Significant changes after the appointment of a new CEO

I. Basics

- Operating in 25 locations across 8 basins, the company's 11 different service offerings provide critical support to E&P companies.
- Market leading provider of oil & gas support services with ~2,000 employees and 5,000 operational assets.

Segments

- High Specification Rigs (49% of total revenue): Provides high-spec well service rigs and complementary equipment and services to facilitate operations throughout the lifecycle of a well.
- Wireline Services (32% of total revenue): Provides services necessary to bring and maintain a well on production and consists of our wireline completion, wireline production, and pump down lines of business.
- Processing Solutions and Ancillary Services (19% of total revenue): Provides other services often utilized in conjunction with our High Specification Rigs and Wireline Services segments. These services include equipment rentals, plug and abandonment, logistics hauling, processing solutions, as well as snubbing and coil tubing.

(\$, mm)	FY 2020	FY 2021	FY 2022	LTM Mar 2023		3M Mar 2022	3M Mar 2023
<u>High Specification Rigs</u>							
Revenue	83	140	293	306		65	78
Operating Income	-9	0	34	39		8	12
Net Income	-9	37	34	39		8	12
Capital expenditures	5	6	8	9		1	2

<u>Wireline Services</u>							
Revenue	79	118	197	208		39	50
Operating Income	16	-6	8	14		-5	2
Net Income	16	-6	8	14		-5	2
Capital expenditures	2	2	4	5		1	1

<u>Processing Solutions and Ancillary Services</u>							
Revenue	26	35	118	128		20	30
Operating Income	-1	0	20	22		1	3

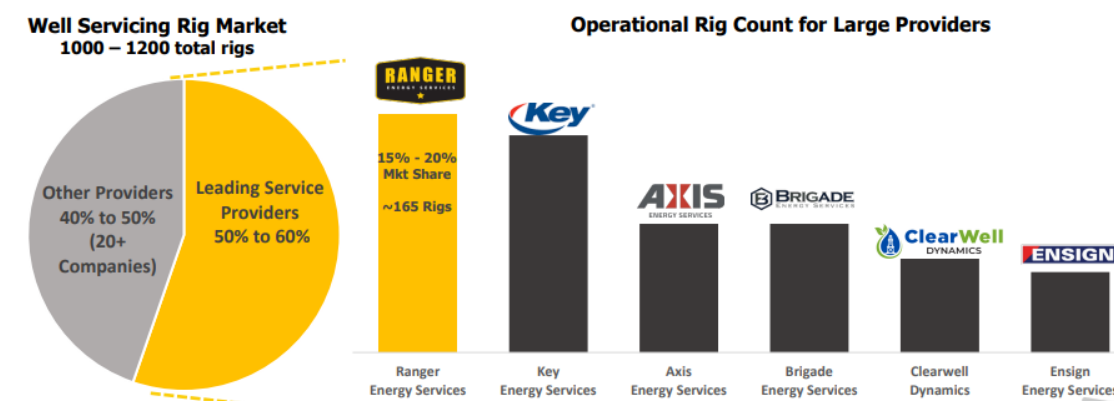
Net Income	-1	0	20	22		1	3
Capital expenditures	1	1	7	11		0	4

II. Research

1. Market share

- As per the IR presentation (2023), the company enjoys roughly 15%-20% market share.

RANGER HAS THE HIGHEST ACTIVE RIG COUNT IN THE INDUSTRY WITH ~165 ACTIVE RIGS.



2. Solid growth through acquisitions

- Revenue grew from \$21 million in FY 2015 to \$642 million in LTM March 2023.
- During the same period, the net income transformed from a loss of \$7 million to a profit of \$27 million.

(\$, mm)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM
Revenue	21	53	154	303	337	188	293	609	642
Operating Income	-6	-5	-21	-2	12	-17	-41	20	34

Growth through acquisitions

- In the last 8 years, the company has invested approximately \$200 million in acquisitions.

Business name	Aggregate cost (\$, mm)	Date
Patriot Well Solutions	11.0	May 14, 2021
PerfX Wireline Services	20.1	July 8, 2021
Basic Energy Services, Inc.	37.1	September 15, 2021
MVCI Energy Services	4.0	January 31, 2018
ESCO	59.7	August 16, 2017
Magna	12.7	June 24, 2016
Bayou	50.5	October 3, 2016

3. Free Cash Flow

(\$, mm)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM June 2023
CFO	-5	-5	-17	28	52	26	-39	45	78
Purchase of property	-26	-11	-22	-76	-24	-7	-6	-14	18

and equipment									
Proceeds from disposal of property and equipment	1	2	1	6	1	2	9	24	18
FCF	-31	-14	-38	-43	29	20	-36	56	114

II. SIGNIFICANT CHANGES AFTER THE APPOINTMENT OF NEW CEO

(a) Strategy laid-out by the Chairman of the Board

- In June 2021, the company appointed the Company's Chairman of the Board, Bill Austin, as interim CEO. In the Q2 2021 CC, Mr. Austin outlined the company's strategy.
 1. Focus on long-term, sustainable cash flow
 2. Continue the low-cost G&A structure.
 3. Goal of net debt zero
- He stated that the corporate strategy would stay the same, regardless of future CEO appointments.

But I expect there are also questions about our CEO transition, so I'd like to address that right off the bat. On this point, most importantly, you should see no change to Ranger's overall strategy. – *Chairman of the Board, Q2 2021 CC*

(b) New CEO

- In September 2021, the company appointed Stuart Bodden as its new CEO.
- Prior to the appointment, he led Express Energy Services as CEO from 2015 until the merger with Butch's Cos., an oil and gas company.
- McKinsey: He served as a partner at McKinsey & Co. from 1998 to 2009. He led projects in the oilfield services and upstream oil and gas sectors during his 10+ year tenure.

(c) Significant management changes

- Six out of eleven executives have been appointed since 2021.
 - Sep 2021: CEO
 - Oct 2021: Senior Vice President, Ranger Wireline Services
 - May 2022: Vice President – Torrent Energy Services
 - May 2022: Vice President of Information Technology
 - June 2022: CFO
 - Oct 2022: General Counsel and Corporate Secretary

(d) Significant changes

1. Elimination of dual-class of shares

- To simplify the capital structure, the company collapsed its equity structure into a single class of stock.

2. Reduction of debt by over 99%

- Since mid-2021, the goal of achieving net zero debt is one of the core strategies of the company.
- After two quarters of his appointment as CEO, the new CEO reduced the debt by 99%.

(\$, mm)	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
Total debt	62.5	76.7	56.8	43.5	18.4	15.8	0.3

We acknowledge that there is a higher theoretical cost of capital with an unlevered balance sheet. But in our minds, the practical reality of distress at the bottom of the cycle far outweighs that concern. Our target leverage remains a net debt zero. – *Bill Austin, Chairman, Q2 2021 CC*

3. M&A

- The last acquisition the company did was in September 16, 2021 i.e. less than two weeks after the appointment of Mr. Bodden as CEO.
- During his entire tenure, the company did not engage in any acquisition. It simply focused on reducing debt.
- Recent acquisition - Payback within two years: As per the Q2 2023 preliminary result press release, the company has signed an agreement to acquire a pump down assets and support equipment for \$7.25 million. The payback is less than two years.

4. Repurchase of shares

- In Q1 2023, the company announced a share repurchase program worth \$35 million.
- During the Q2 2023, the company repurchased approximately \$6 million of the company's stock, equivalent to 37% of its second quarter FCF.

5. Initiating a quarterly dividend

- In Q2 2023, the company initiated a quarterly dividend of \$0.05 per share of common stock, payable on September 8, 2023.
 - As a reminder, we committed to returning at least 25% of our annual free cash flow to investors through dividends and share repurchases. – Q2 2023, CEO

CFO	508	227	606	656	643	803	448	623	-359	214
Capex	64	99	83	87	86	101	54	69	112	108
FCF	444	128	523	569	557	702	702	391	-471	106

5. Significant changes after the appointment of new CEO

In August 2020, the company appointed Steve Bratspies as new CEO.

a) Management shakeup

- August 2020: CEO
- Sep 2020: Chief Human Resources Officer
- February 2021: Group President, Global Innerwear
- March 2021: Chief Compliance Officer
- August 2022: Chief Information Officer:
- August 2022: President, Global Activewear
- July 2023: Chief Financial Officer

b) Recent divestments

- In the first quarter of 2021, the company announced its decision to exit its European Innerwear business and completed the sale of this segment in March 2022.
- In the fourth quarter of 2021, the company decided to divest its U.S. Sheer Hosiery business, including the L'eggs brand. Status: Still pending

c) Simplifying SKUs

- The company removed 20% of its SKUs while also implementing a formal product lifecycle management process.

Happy to say that we're over 30% reduced from where we were a couple of years ago – CFO, Q4 2021 CC

d) Revised capital allocation strategy: Focus on repayment of debt; elimination of dividend

- In February 2023, the company announced its decision to change its capital allocation strategy to focus on using all its FCF to reduce debt. Moreover, the company also eliminated its dividend.
- In the recent Q2 2023, the company reduced total debt by nearly \$100 million.

What's changing is the allocation of our free cash flow, which will now fully direct toward accelerating debt reduction. This decision was not made lightly. And we believe that a meaningful reduction in our debt will drive significantly higher shareholder returns long-term. – CEO, Q4 2022 CC

We're confident in our ability to exit the year with gross margin in the high 30% range, generate \$500 million of operating cash flow, and pay down more than \$400 million of debt, despite the difficult apparel market, particularly in Australia and the U.S. activewear category, which caused us to adjust our second-half outlook." – CEO, [8-K, Aug 10, 2023](#)

e) Refinancing completed

- The Company successfully refinanced its 2024 maturities in Q2 2023 with a \$900 million senior secured term loan B facility due in 2030 and \$600 million of senior unsecured notes due in 2031.

Outlook

- For fiscal-year 2023, the Company currently expects:

- Net sales from continuing operations of approximately \$5.80 billion to \$5.90 billion
- GAAP operating profit from continuing operations to range from approximately \$376 million to \$426 million
- Free cash flow of approximately \$450 million.

OUR COMMENTS & WHY ARE WE FLAGGING THIS

1//

M.Cap: \$1.6 billion

Debt: \$3.6 billion

Pension and postretirement benefits: \$110 million

Lease liabilities: \$466 million

Cash: \$192 million

EV (excluding lease liabilities): \$5.1 billion

EV (including lease liabilities): \$5.6 billion

2023

FCF 2023(E): \$450 million

FCF 20234 (E)/ Current EV (including operating lease): 8%

2016-2018

Average FCF (2016 to 2018): \$550 million

FCF 20234 (E)/ Current EV (including operating lease): 9.8%

2019-2020

Average FCF (2019 and 2020): \$700 million

FCF 20234 (E)/ Current EV (including operating lease): 12.5%

2//

If the CEO can stick to the current capital allocation strategy for the next 3 years, the debt would be cut by \$1.2 billion (~\$400 million * 3 years).

The company's shareholder value would improve on two counts: a) reduced debt and b) improved FCF from interest expense savings.

3//Price crash:

The company is trading near 10-year low price

Moreover, the FCF yield is very appealing. Given the strong brand name and recession resistant (not recession proof) the business can bounce back.

4//

13D by Barington

On August 7, 2023, Barington sent a letter to the Chairman of the board urging the company to focus on cash generation, debt reduction, and efficient operations for shareholder value. They suggest swift cost-cutting, skilled leadership additions, and

immediate action for a stronger apparel company future. Barington proposes a plan for the company to enhance shareholder value by taking three crucial steps: 1) Cut SG&A costs by \$300 million annually, using savings to reduce debt; 2) Reduce inventory to 170 days by year-end and 150 days within 18 months, directing proceeds towards debt reduction; 3) Improve gross margins via facility optimization. Barington asserts that this cost-effective strategy, potentially led by a new CEO, could position the company for excellence and substantial long-term shareholder value, requiring additional experienced directors on the board. [Source](#)

DigitalOcean Holdings (DOCN): Business focusing on niche SMBs; Free cash flow

- M.Cap: \$2.2 billion | Debt: \$1.7 billion | Cash: \$551 million | EV: \$3.3 billion | Revenue: \$650 million | EV/Revenue: 5X
- Volume: 2,100,578
- Major shareholders: Vanguard - 7% | Blackrock - 5.7% | IA Venture Strategies - 5% | Alliancebernstein - 3.9% | Invesco - 1.8% | First Trust Advisors - 1.7% | State Street - 1.5%.
- Screen: Price crash

I. BASICS

- The company is a leading cloud computing platform offering on-demand infrastructure, platform, and software tools for startups, as well as small and medium-sized businesses ("SMBs"). The company offers Infrastructure-as-a-Service ("IaaS"), Platform-as-a-Service (PaaS), and Software-as-a-Service (SaaS) solutions to its customers.
- Infrastructure-as-a-Service (IaaS) offerings include compute, storage, and networking products.
 - Droplets are the core compute offering. Developers can spin up the virtual machine of their choice in under a minute.
 - Storage solutions allow customers to store and quickly access any amount of data reliably in the cloud.
 - Networking Offerings: A suite of networking capabilities to secure and control traffic to customers' applications.
- Platform-as-a-Service (PaaS) offerings provide a complete development and deployment environment.
 - Managed Databases, a fully-managed database solution, provides its customers with the application performance they need without the operational demands that come with building and running a database server.
 - App Platform offering allows customers to build, deploy and scale applications quickly using a simple, fully-managed solution.
 - Managed Kubernetes service provides scalability and portability for cloud-native applications.
- Platform-as-a-Service (PaaS) offerings provide a complete development and deployment environment.
 - Managed Databases: A fully-managed database solution that provides customers with the application performance they need, without the operational demands that come with building and running a database server.
 - App Platform: Allows customers to build, deploy, and scale applications quickly using a simple, fully-managed solution.
 - Managed Kubernetes: Provides scalability and portability for cloud-native applications.

II. WHAT WE LIKE

1. One among the top 10 players

- As per the link below, the company is one of the top 10 players, even though it has a meager market share. <https://dgtlinfra.com/top-10-cloud-service-providers-2022/>

2. Wide customer base; strong community

- The company has more than 620K customers spread across over 190 countries.

- Approximately 8 million unique visitors interact with the company's websites, including its developer community, each month to learn, share, and educate others.
- 150K customers pay more than \$50 per month

3. Low churn rate among customers who stay on the platform for more than a year.

- The company experiences customer churn in the first year after acquiring a customer.
- If a customer (small/large) stays on the company's platform for a year or more, the churn is essentially de minimis—literally less than 0.5% or certainly less than 1%.
Source: Q1 2021 CC.

4. Solid growth

- Founded in 2012, the company grew its revenue from scratch to \$650 million in FY 2023.

(\$, mm)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM June 2023
Revenue	203	255	318	429	576	650
Operating profit	-27	-30	-15	-11	-26	-39
Net Income	-36	-40	-43	-19	-24	-15

• Key metrics

(\$, mm)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Customers	501649	542708	572960	608709	NA
ARPU	35.97	40.16	47.78	59.96	75.19
ARR (in millions)	226	285	357	490	659
Net dollar retention rate	101%	100%	103%	113%	115%

5. Free cash flow – 18% of revenue

- In the past two and a half years, the company has generated positive FCF.
- In the LTM ending June 2023, the company generated FCF of \$115 million from revenue of \$650 million. In other words, the company converts 18% of revenue into cash.

(\$, mm)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM
FCF	-13	-31	-52	30	80	108

6. Repurchase

- Over the past 2 years, the company has repurchased more than 27 million shares for \$1.3 billion.

7. Others

- Cash balance: \$551 million.
- The current long-term debt of \$1.47 billion is 0% convertible senior notes due in 2026 and carries no interest.

III. OUR COMMENTS

First things first—when someone reads about the business, AWS comes to mind, raising concerns about competition. Here are the top three Q&A.

a) How do they compete with AWS and Google cloud?

- Few players control the market
 - Top three control 65% market: Amazon web service (“AWS”): 32%; Microsoft/Azure: 23%; Google Cloud w: 10% [Source](#)

- AWS has 100+ data centers, compared to 15 for DigitalOcean. So, how does DigitalOcean compete when it has fewer data centers and less functionality?
- Target market is different; Excellent Support; Cheaper than the biggest competitors
 - The company focuses predominantly on developers, startups, as well as small and medium-sized businesses.
 - SMBs don't need multiple data centers or all the features: Large companies with a global presence require cloud service providers with data centers in various global locations. This is not the case for small businesses. Additionally, SMBs don't need all the complex features. One of the company's co-founders mentioned this on Quora: "We will never offer every single product that Amazon has, but we'll cover the most widely used components." <https://www.quora.com/profile/Ben-Uretsky-1>
 - AWS is complex to implement: AWS not only has numerous functionalities, but these are also complex. It requires a large IT team to configure and maintain. This is not the case with the company's cloud platform, which is simpler to implement and maintain.
 - Cheaper: Many sources, including the company itself, claim that the company's product is 50% cheaper than that of larger competitors. Source <https://dgtlinfra.com/top-10-cloud-service-providers-2022/> <https://www.digitalocean.com/reports/forrester-total-economic-impact-study>
 - Support: Smaller buyers often don't receive the necessary level of support from larger competitors.

b) Will Amazon lower prices to undercut the company?

It is highly unlikely. The company generates a meager \$650 million in revenue compared to AWS's \$80 billion. Any price reduction would hurt Amazon more; it's like stabbing themselves 1,000 times to stab the company once.

c) Will the company's customers migrate to competitors as they grow larger?

- When a startup grows larger, do they migrate to AWS or Google Cloud? The CEO mentioned that this typically doesn't happen. Customers usually adopt a multi-cloud approach for certain applications.
- On a different note, this article claims that a staggering 89% of businesses use multi-cloud. <https://aag-it.com/the-latest-cloud-computing-statistics/>

What you do see in almost every business that's in the cloud is people go multi-cloud. And we encourage multi-cloud because it's part of simplicity in our view.

So we don't see graduation. We certainly see people go multi-cloud as they grow and scale, embrace that. We think that's a tailwind to our business. Historically, in technology, it's about us versus them. And I think that's been a barrier, and people have looked at the risk profile of churn differently. And in our business, serving customers well and if they want to go multi-cloud for certain apps, et cetera, we embrace it.

Signs of moat

The company has a niche moat as a "cloud service provider" for SMBs.

This isn't a gas station business; you can't just decide one day to compete against AWS or DigitalCloud.

Why?

It's not just the "mission-critical" nature of the business; building an "active developer community" is a daunting task for newcomers.

The company's business model revolves around "self-service." To succeed, it needs an engaged developer community. It offers 30K+ tutorials, technical guides, and community-generated Q&As, attracting 8 million unique visitors across its websites.

Thanks to its "first-mover" advantage, the company has built a vast user community tailored to self-servicing SMBs.

Though much smaller than AWS, the company ranks among the top 10 service providers.

Newcomers would find it challenging to disrupt this setup.

IV. WHY ARE WE FLAGGING THIS?

Recent price crash

The company's stock price plummeted approximately 50% in the past 45 days due to a reduced outlook and CEO change.

Trading cheaper than recent takeover multiple

- In early 2022, Akamai acquired Linode for \$900 million. At the time of the acquisition, Linode had \$100 million in revenue.
- <https://techcrunch.com/2022/02/15/akamai-acquires-linode-for-900m/>
- EV/Revenue: 9X
- Currently, the company is trading at 4.9X its estimated 2023 revenue.

Suggested further readings

- Although the article below is authored by the company, it provides valuable insights into the differences between the company and AWS.
<https://www.digitalocean.com/blog/aws-vs-digitalocean-cloud-platform>
- Gartner review: <https://www.gartner.com/reviews/market/cloud-infrastructure-and-platform-services/vendor/digitalocean/product/digitalocean#reviews>
- We recommend reading this article to understand the segmentation of the "cloud computing" industry. <https://www.linkedin.com/pulse/why-should-we-compare-digitalocean-aws-ziffity>
- https://medium.com/@muhammad.saad_16819/cloud-computing-aws-gcp-azure-and-digitalocean-408b7c450cea
- Industry growth: <https://www.grandviewresearch.com/industry-analysis/cloud-computing-industry>
- <https://www.cloudways.com/blog/digitalocean-alternatives-comparison/>
- <https://www.pcworld.com/article/1806027/digital-ocean-web-hosting-review.html#>
- <https://www.pcmag.com/reviews/digitalocean>
- <https://www.cloudzero.com/blog/cloud-computing-statistics>

Leslie's (LESL): Non-discretionary aftermarket pool business; 13G by Ariel Investment [with "how to use ChatGPT"]

- M.Cap: \$1 billion | Debt: \$1.1 billion | Cash: \$19 million | EV: \$2.1 billion | Revenue: \$1.5 billion | EV/Revenue: 1.4X
- Volume: 15,341,014
- Major shareholders: Blackrock - 13.5% | Vanguard - 9.8% | Ariel Inves. - 9% | Champlain Inves. - 8.4% | Kayne Anderson Rudnick Inves. - 6% | Clarkston Capital - 5.2% | JP Morgan Chase - 4%.
- Screen: 13G

I. BASICS

- Founded in 1963, the company operates in the aftermarket pool and spa care industry, which is broadly comprised of: (i) chemicals; (ii) equipment, parts, and accessories; and (iii) services.
- It is the only direct-to-consumer pool and spa care brand with national scale.
- The company offers a comprehensive product assortment, consisting of more than 30,000 products across chemicals, equipment and parts, cleaning and maintenance equipment, and safety, recreational, and fitness-related categories.

II. WHAT WE LIKE

1. Recurring & Non-Discretionary

- More than 80% of the company's product sales are non-discretionary and recurring in nature. These products are critical for the ongoing maintenance of pools and spas.
 - According to the company's estimate, an average in-ground pool owner spends \$800 each year on chemicals, equipment, parts, and accessories for maintenance.
 - Neglecting pool maintenance is not an option, as it can result in equipment failure, structural damage, or other costly issues.
- The company serves over 12 million consumers who rely on it for their ongoing pool and spa care needs.
- The business is not dependent on new pool construction and can generate strong growth from a fixed installed base through increased pool usage, frequent sanitization, and recurring maintenance.

2. Solid Physical Network

- The company operates an integrated marketing and distribution ecosystem powered by a network of 1,009 branded locations.

3. Largest Player

- The physical network is larger than the combined networks of its 20 largest competitors.
- Digital sales are 5 times larger than those of its next largest digital competitor.

4. Proprietary Brands

- Roughly 55% of the company's total sales and 80% of its chemical sales come from proprietary brands and custom-formulated products.
- This allows the company to solidify consumer relationships, control its supply chain, and capture attractive margins.

5. In-store water testing & in-store experts

- The company pioneered the complimentary in-store water test using its proprietary AccuBlue® water diagnostics software engine. This “pharmacist-like” relationship with its consumers builds a solid relationship. In fact, the company argues that consumers who regularly test their water with the company spend approximately 2.5x more with the company per year than other consumers.
- The company employs the industry’s largest network of in-field technicians who perform on-site evaluations, installations, and repair services for residential and commercial consumers.

6. Solid edge in online platform

- From the following website traffic, we can safely conclude that the company’s website is popular and attracts a wide range of customers.

- Company owned website (Traffic)

- lesliespool.com: 1.7 million
- intheswim.com: 631K

- Competitors (Traffic)

- inyopools.com: 635K
- poolsupplies.com: 152K
- poolsuppliessuperstore.com: 64K
- PoolSupplyWorld: 5K

7. Millions of loyalty members

- In 2014, the company launched the industry's first loyalty program.
- According to data from October 2020, the company's loyalty program has more than 3.3 million members.

8. Financials

- Except for the recent two quarters, the company claims to have generated positive revenue growth for the past 57 consecutive years.

(\$, mm)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM July 2023	9M July 2022	9M July 2023
Revenue	893	928	1112	1343	1562	1494	1087	1019
Operating Income	115	122	146	209	239	147	156	64
Net Income	17	0.7	59	127	159	69	101	11
Number of locations	940	952	936	952	990	1009	979	1009

- M&A

- The aftermarket pool and spa industry remains highly fragmented, and the company uses M&A to drive consolidation.
- Since 2018, the company has spent roughly \$161 million on acquisitions.

(\$, mm)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	9M ended July 2023
Acquisitions	12	10	6	9	108	15.5

- Solid FCF

(\$, mm)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM July 2023
CFO	43	58	102	169	67	-81
Capex	29	27	21	29	32	33
FCF	14	31	81	140	35	-114

III. CURRENT CHALLENGES

The company boasts that it has delivered consecutive years of sales growth for over 50 years and has demonstrated its ability to deliver strong financial results through all economic cycles.

However, in the last two quarters, the company's revenue declined.

QE July 2023: (9.3)%

QE April 2023: (6.7)%

The company attributed the following reasons for the negative revenue growth:

- Industry-wide headwinds are due in part to continued unfavorable weather and typical consumer purchasing behavior.
- About 20% of the company's total sales are discretionary, such as heaters and floats. These products are facing recessionary impact. In the recent quarter, non-discretionary sales were down 6%, and discretionary sales were down 24%.
- The company and the pool industry initially benefited from strong consumer demand due to the pandemic. Now, the industry is returning to more normalized, pre-pandemic seasonal consumer purchase patterns.
- Additionally, customers had a greater-than-normal amount of leftover chemicals from last year.

IV. WHY ARE WE FLAGGING THIS?

13G filing

In August 2023, Ariel Investment disclosed a 10.9% passive stake in the company.

V. OUR COMMENTS

The company generates 80% of its revenue from "non-discretionary" products. The company claims these products are not subject to technology or fashion risks, indicating resilience during challenging economic periods.

The real challenge is managing SG&A costs and elevated inventory levels.

In the last five years, SG&A as a percentage of revenue hovered between 27%-29%. In the recent 9 months ending July 2023, SG&A has shot up to 32%. The 4% increase equates to roughly \$40 million in elevated SG&A expenses.

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022		9M July 2022	9M July 2023
SG&A as a % of revenue	27%	28%	28%	29%	28%		28%	32%

Secondly, the company is investing in higher inventory levels both in stores and in distribution centers to mitigate supply chain issues.

And then importantly, the strategic decision that we made to intentionally pull forward 2023 receipts in advance of season.

We believe that pull forward is appropriate. When you look at the last two years, the industry has had a number of supply chain challenges and we've had far too many out of stocks on key products and we're not – unable to serve consumers. So, the pull forward allows us to load

our stores with more product and facilitate the replenishment cycle during the early part of our season. – Q1 2023

Overall – high SG&A expense and elevated inventory levels are affecting the company's free cash flow.

The company expects to generate positive free cash flow in 2024, which it intends to use for debt reduction and M&A.

M.Cap: \$1 billion
Debt: \$814 million
Cash: \$19 million
EV: \$1.8 billion
Adj. EBITDA (LTM July 2023): \$207 million

Pre-pandemic
Adj. EBITDA (2019): \$160 million
Adj. EBITDA (2018): \$152 million
Current EV/Adj. EBITDA (FY 2019/2018): 11.3X to 11.8X

In the following few pages, we have included a few examples of "how to use ChatGPT for research."

Our question

I need the best online place to read about the pool industry's recent trends, competitors, market share, etc. I want niche sites that offer industry news. I don't want suggestions that include common business news sites like Bloomberg, MarketResearch.com, and Statista.

Chatgpt

Pool & Spa News: This website offers industry news, trends, and analysis related to the pool and spa industry. It's a dedicated source for industry-specific information.

Website: [Pool & Spa News](#)

AQUA Magazine: AQUA is a publication that provides articles, trends, and insights exclusively related to the pool and spa industry.

Website: [AQUA Magazine](#)

Pool Pro Magazine: Pool Pro Magazine offers resources, news, and articles tailored to pool professionals, including information on trends and competitors.

Website: [Pool Pro Magazine](#)

Pool & Spa Marketing: This publication focuses on the pool and spa industry in Canada but often covers broader industry trends and insights.

Website: [Pool & Spa Marketing](#)

The Association of Pool & Spa Professionals (APSP): The APSP website provides industry news, research, and resources, offering insights into market trends and regulatory changes.

Website: [APSP](#)

Our question

Are there any trade meetings or conference about pool supplies?

Chatgpt

The International Pool | Spa | Patio Expo: This event is one of the largest in the pool and spa industry. It gathers manufacturers, suppliers, and professionals to showcase products and innovations, attend educational sessions, and discuss emerging trends.

Website: [Pool | Spa | Patio Expo](#)

Pool & Spa Show by the Northeast Spa and Pool Association (NESPA): NESPA hosts an annual trade show featuring the latest pool and spa products and services. It's a regional event that attracts industry experts and professionals.

Website: [NESPA Pool & Spa Show](#)

Western Pool & Spa Show: This event caters to the Western United States and focuses on pool and spa industry products and services. It includes an exhibition, educational seminars, and networking opportunities.

Website: [Western Pool & Spa Show](#)

Various Regional Events: Depending on your location, there may be smaller regional trade shows and conferences that cater to the pool supplies industry. These events often provide insights and networking opportunities tailored to specific regions.

Our question

I live in NY. Are there any trade events or conferences about the pool supplies/industry? If so, when do they happen?

Chatgpt

Yes, there are trade events and conferences related to the pool supplies and industry in New York. One of the notable events is the NESPA Pool & Spa Show hosted by the Northeast Spa and Pool Association (NESPA). Here are the details for this event:

NESPA Pool & Spa Show:

Location: This event typically takes place in Atlantic City, New Jersey, which is easily accessible from New York.

Schedule: The NESPA Pool & Spa Show is usually held annually in January. The specific dates may vary from year to year, so I recommend checking the official NESPA website for the most up-to-date information.

Our question

What are the popular websites to purchase pool supplies in the USA?

Chatgpt: Some popular websites to buy pool supplies in the USA are:

Amazon

PoolSupplyWorld

In The Swim

PoolZoom

Leslie's Pool Supplies

Specialty Pool Products

Pool Deals

Pool Geek

Doheny's Pool Supplies Fast

Pool Express

These websites offer a wide range of pool supplies and equipment for your needs.

Other notes

1) Related businesses (*Publicly-traded*)

Pool Corp: Pool equipment distributor

Hayward Holdings Inc.: Pump maker

Latham Group Inc.: Pool builder

2) Poor reviews in Glassdoor

<https://www.glassdoor.co.in/Reviews/Leslie-s-Swimming-Pool-Supplies-Reviews-E1707.htm?filter.iso3Language=eng>

3) Suggested further reading

<https://www.edgewaterpools.ca/how-covid-19-changed-the-pool-industry/>

Cutera (CUTR): Newly appointed CEO has served as CFO of several multi-billion dollar companies that got acquired during his tenure; Potential sale?

- M.Cap: \$187 million | Debt: \$431 million | Cash: \$223 million | EV: \$395 million | Revenue: \$ 246 million | EV/Revenue: 1.6X
- Volume: 1,259,113
- Major shareholders: RTW Invest. - 9.3% | Millennium Manag. - 7.3% | Pura Vida Invest. - 6.3% | Blackrock - 6.3% | Gamco - 5.7% | Point72 Asset - 4.9% | Vanguard - 4.8%.
- Screen: New CEO appointment

WHY ARE WE FLAGGING THIS?

We featured this company in our last report. We're flagging it again this month due to the track record of the new CEO. Below the CEO's track record, we have included content from the past report.

Track record of the new CEO

In July 2023, the company appointed Taylor Harris as its new CEO.

a) Sale of MyoKardia for \$13 billion

- For 2.8 years (Apr 2018 to Nov 2020), he served as CFO of MyoKardia, a clinical-stage biopharmaceutical company.
- In 2020, the company was acquired by to Bristol Myers Squibb for \$13.1 billion.

b) Sale of ZELTIQ for \$2.4 billion

- For 1.2 years, he served as CFO of ZELTIQ.
- In 2017, Allergan acquired the company for \$2.4 billion.

c) Sale of Thoratec for \$3.3 billion

- He served the company for 5.9 years. At the time of his resignation, he served as CFO of the company.
- In 2015, St. Jude Medical acquired Thoratec for \$3.3 billion.

d) VP, JP Morgan

- For 11.6 years, he served as VP of JP Morgan.

Overall – he is a dealmaker. After working for JP Morgan for approximately 11 years, all the companies that he joined as CFO were acquired.

Given the activist involvement and the appointment of Mr. Harris as CEO, we believe that there is a very high probability that this company will be sold.

I. BASCIS

The company designs, develops, manufactures, distributes, and markets light and energy-based product platforms for use by physicians and other qualified practitioners, enabling them to offer safe and effective aesthetic treatments to their customers.

- **truSculpt**: Non-surgical body sculpting market.

- **Secret PRO:** Skin resurfacing and radio frequency microneedling for deep dermal remodeling.
- **truSculpt flex:** Bio-electrical muscle stimulation device designed to strengthen, firm, and tone the abdomen, buttocks, and thighs.
- **excel V+:** Vascular and benign pigmented lesion treatment platform explicitly designed for the market of dermatologists and plastic surgeons.
- **ExcelHR:** Hair removal solution.
- **xeo:** Removal of unwanted hair, treatment of vascular lesions, and skin revitalization by treating discoloration, fine lines, and laxity.

Key financials

(\$, mm)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM March 2023
Revenue	75	78	95	118	151	163	182	148	231	252	249
Gross Profit	42	43	54	68	86	80	98	76	133	140	133
Operating Income	-5	-11	-5	2	11	-13	-12	-23	2	-38	-49
Net Income	-5	-11	-4	3	30	-31	-12	-24	2	-82	-92

Free cash flow

(\$, mm)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM March 2023
CFO	4	-4	-1	2	14	0	-2	-17	1	-67	-74
Capex	1	1	1	1	1	1	1	1	1	23	34
FCF	3	-5	-2	1	13	-1	-3	-18	0	-90	-108

II. CURRENT SITUATION

The company's revenue consistently grew over the past 10 years, except for a decline in FY 2020 due to the pandemic.

The growth is fuelled by continuous new product introduction and improvements.

Please see the list of product introduction/improvements.

- In 2003, the Company introduced the xeo platform - unwanted hair, treatment of vascular lesions, and skin revitalization by treating discoloration
- In June 2014, the Company introduced the excel HR platform - premium hair removal solution
- In December 2014, the Company introduced the enlighten laser platform - tattoo removal and the treatment of benign pigmented lesions and acne scars.
- In January 2018, the Company introduced a new fractional RF microneedling device - revitalizes the tissue, via hemostasis, and coagulation of the tissue
- In July 2018, the Company introduced a hands-free version of the Company's truSculpt platform, the truSculpt, for the non-surgical body sculpting market.
- In February 2019, the Company introduced the excel V+, a new iteration of the excel V vascular platform originally introduced in 2011.
- In June 2019, the Company introduced the truFlex for the muscle-sculpting market.

- In 2020, the Company expanded its distribution of the Secret PRO device. In 2020, the Company expanded its distribution of the Secret PRO device.

Despite growth fueled by product introductions, the company did not burn a lot of money to grow its business.

Apart from FY 2020 (due to the pandemic), the company's negative free cash flow remained between \$(1) million and \$(5) million.

New ace treatment product; first-mover advantage; huge losses

In March 2022, the FDA approved AviClear for the treatment of acne. AviClear is the first FDA-approved, prescription-free, drug-free laser treatment that is safe for all skin types and tones.

AviClear significantly eliminates acne in three, 30-minute treatments. It effectively treats active acne and helps prevent future acne by suppressing the sebaceous glands.

The device is now widely available in the US and Canada.

Two challenges

1. Loss making AviClear

- The company is heavily investing in the Company's sales force, promotion activities, and other expenses for the commercialization of AviClear.
- **Loss-making**: As you can see from the table below, the company is losing money on this segment.
- **Huge capex**: Moreover, the capital expenditure for the AviClear segment accounts for roughly 92% of the total capital expenditure for FY 2022.
- **Segment financials (2022)**

(\$, mm)	Revenue	Operating income/loss
Cutera Core	248	21
AviClear	4	-28

- **CAPEX (FY 2022)**

	CAPEX (\$, mm)	% of total CAPEX
Cutera Core	1.8	8%
AviClear	20.9	92%
Total	22.7	100%

2. Declining core revenue

The company started reporting two segments since the fourth quarter of 2022 - Cutera Core and AviClear. Cutera Core contains all business except AviClear.

The company's core revenue declined in Q4 2022 and Q1 2023. The company cited that the higher-than-anticipated volume of deals for the newly launched AviClear diverted the attention of its sales team away from core promotional events and core capital equipment sales.

III. TWO MAJOR POTENTIAL POSITIVES

1. Fixing sales team problems

As per the Q4 2022 CC, the company has implemented activity tracking utilizing the Salesforce.com application to help sales managers ensure that adequate time and attention are being applied by each representative across both segments. Moreover, the company has implemented an uncapped compensation program that rewards sales performance when it achieves goals in both the segments - core and AviClear.

Additionally, sales managers are delivering a strong accountability message, emphasizing that efforts must be applied across both segments.

2. Cash flow break-even expected

In the recent quarter (Q1 2023), the total cash balance declined by roughly \$50 million. Out of this, \$23 million was spent to support AviClear. According to the management, this represents the high watermark for cash burn, and they expect it to trend downwards throughout 2023. Moreover, it's worth noting that the core business has historically consumed cash in Q1 and Q2 of the year.

As per the Q4 2022 report, the management expected to achieve cash flow breakeven by Q4 2023.

IV. WHY ARE WE FLAGGING THIS?

Trading below the purchase cost of activist investors

In May 2023, the company announced that it has entered into cooperation agreements with Pura Vida Investments and RTW Investments.

Pura Vida Investments

- Purchase cost: \$29.76
- Current stock price: \$9.36
- Return: (69)%

RTW Investments

- Purchase cost: \$48
- Current stock price: \$9.36
- Return: (81)%

OUR SHORT COMMENTS

1)

The company is currently carrying \$417 million of outstanding convertible notes, which come with a 2.25% interest rate.

Given recent trends and expectations of continued losses, many investors anticipate that the company's cash reserves may deplete, potentially leading the company to seek additional funding. Furthermore, sustained losses might compel the company to incur expensive debt to cover its financial needs.

2)

The company is strategically trying to fully leverage the first-mover advantage gained by the introduction of AviClear. As a result, the company is currently experiencing losses, but the management anticipates reaching break-even by the end of this year.

Additionally, the company's core business has witnessed declining revenue, which the company attributes to the diversion of attention of the sales team to AviClear.

3)

AviClear is considered a breakthrough product, addressing a common problem worldwide, and its potential demand is expected to be significant.

Given its potential, AviClear could be an attractive acquisition candidate.

If the company fails to meet its targets, activists might push for a sale of the company. The company may consider selling the entire company or auctioning off the AviClear product to maximize its value.

Exhibits

a) 13D summary

- On April 10, 2023, J. Daniel Plants, Founder and Chief Investment Officer of Voce Capital Management LLC and Executive Chairman of the Board of Cutera, Inc., and David Mowry, Cutera's CEO and a Director – who together own approximately 7.0% of the outstanding shares of Cutera – commented on the fact that they have each delivered to the Company separate notices calling for a special meeting of stockholders, pursuant to the company's amended and restated bylaws, which expressly empowers each of them to requisition the special meeting. Both Notices call for the removal of Directors Gregory Barrett, Sheila Hopkins, Timothy O'Shea, Juliane Park and Janet Widmann (the "Entrenched Directors"); neither notice seeks to remove Independent Director Joseph Whitters. Kindly [click here](#), to read more.
- On April 11, 2023, Daniel Plants and David Mowry shared a letter of support from Cutera senior employees that has been sent to the Company's Board.
- On April 12, 2023, Daniel Plants and David Mowry filed a lawsuit against Directors Gregory Barrett, Sheila Hopkins, Timothy O'Shea, Juliane Park and Janet Widmann (the "Entrenched Directors"). Mr. Plants and Mr. Mowry also commented on the fact that the Entrenched Directors have purportedly fired them for cause from their roles as Executive Chairman and CEO, respectively, in retaliation for their recent actions taken with the intent of removing and replacing the Entrenched Directors.
- On April 12, 2023, RTW Investments (9.3%) announced that it was in favor of the Company holding the previously-called Special Meeting of Stockholders (the "Special Meeting") for the purpose of reconstituting the Board. RTW is concerned about the events that have transpired at the Company this past week, particularly with respect to the Board's removal of David Mowry as CEO of the Company on April 11, 2023. RTW would like the Board to act in the best interests of the Company's stockholders and move forward with holding the Special Meeting so the voices of all stockholders may be heard. RTW believes that the market reaction to the removal of Mr. Mowry as CEO demonstrates the need for the Special Meeting and the lack of confidence in the Board. Additionally, RTW believes the Company should re-open the

director nomination period for the Company's AGM. RTW also believes that the Board should not have terminated Mr. Mowry and that he should continue as CEO while the Board searches for his replacement. RTW asks the Board to immediately reinstate him as the interim CEO. Source

- On April 13, 2023, Pura Vida Investments (6.74%) stated that in light of the recent changes at the company, it intended to engage in conversations with certain members of the Board and the management team, stockholders, industry analysts, and other interested parties, in each case to discuss the company's business, operations, financial condition, strategic plans, governance, the composition of the executive suite and the Board and possibilities for changes thereto, as well as other matters related to the company. Source
- On April 25, 2023, Voce Capital Management LLC filed proxy materials seeking support for its nominees.
- On May 10, 2023, the company announced that it has entered into cooperation agreements with Pura Vida Investments and RTW Investments. Pursuant to the agreements, the company will appoint Kevin J. Cameron, Taylor C. Harris, Nicholas S. Lewin and Keith J. Sullivan (the New Independent Directors) to the Board following the Special Meeting of Stockholders to be held on June 9, 2023
- On May 11, 2023, Voce Capital stated that it has terminated its proxy solicitation and will not vote any further proxies received from shareholders of the company on the BLUE proxy card at the special meeting. Source

b) Resignation letter of J. Daniel Plants

One Embarcadero Center
Suite 1140
San Francisco, California 94111

Cutera, Inc.
3240 Bayshore Blvd.
Brisbane, California 94005

Attention: Board of Directors

June 9, 2023

Ladies and Gentlemen:

I hereby resign from the board of directors (the "Board") of Cutera, Inc. (the "Company"), effective immediately. As you know, my resignation from the Board is a direct result of numerous and irreconcilable disagreements with the Board – and specifically directors Gregory Barrett, Sheila Hopkins, Timothy O'Shea, Juliane Park, and Janet Widmann – on various matters relating to the Company's operations, policies, practices, and corporate governance.

Sincerely,

/s/ J. Daniel Plants

TrueCar, Inc. (TRUE): TrueCar appoints a CFO as its new CEO; Potential sale? Why we think the company should explore strategic alternatives?

- M.Cap: \$213 million | Debt: \$21 million | Cash: \$142 million | EV: \$93 million | Revenue: \$152 million | EV/Revenue: 0.6X
- Volume: 462,006
- Major shareholders: Caledonia (Private) Inves. - 20.4% | Cannell Capital - 9.1% | United Services Automobile - 8.8% | Blackrock - 7.9% | Vanguard - 4.7% | Dimensional - 3.9% | Renaissance - 2.3%.
- Screen: -

RESEARCH

TrueCar is a leading automotive digital marketplace that enables car buyers to connect to the network of Certified Dealers.

Current challenge

- The company's revenue declined from \$335 million to \$162 million. For declining revenue, the company blamed pressure on our close rates brought on by higher vehicle prices and limited new vehicle inventories.
- The company expects the cash balance to decline from \$147 million to \$125 million in the near term. At the same time, the company anticipates breakeven or positive Adjusted EBITDA and double-digit year-over-year revenue growth in the fourth quarter of 2023.

(\$, mm)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM
Revenue	260	278	323	335	355	279	232	162	152
Operating Income	-64	-39	-34	-33	-61	-19	-33	-126	-110
Net Income	-65	-42	-33	-28	-55	77	-38	-119	-135
(\$, mm)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM
CFO	-11	3	22	25	20	39	14	-29	-38
Capex	30	17	20	16	10	10	11	12	13
FCF	-41	-14	2	9	10	29	4	-41	-50

OUR THOUGHTS

Why we think the company should evaluate strategic alternatives?

The success of any online automotive business is all about "ability to attract traffic". This needs an army of solid SEO experts and huge marketing expenses.

Website traffic

1. Cargurus.com attracts a whopping 50.1 million visitors.
2. Carfax.com attracts 44.9 million visitors
3. Cars.com: 38 million visitors
4. autotraders: 31 million visitors

VS

Truecar attracts 12.2 million visitors.

The company is the 14th largest player (in terms of website traffic).

Cargurus.com VS Truecar

Let's compare the company with its top competitor, Cargurus.com

Number of backlinks

- Cargurus.com: 14.7 million
- Truecar: 1.5 million

Referring domains

- Cargurus.com: 74.5K
- Truecar: 18.9K

SG&A spending

- Cargurus.com spent \$336 million on sales & marketing (2022), 3.3X more than Truecar.
- Cargurus.com spent \$125 million on product development, (2022), 2.7X more than Truecar.

Problem

In 2015, the company generated \$259 million in revenue. At that time, Cargurus.com generated just \$98 million in revenue. In 2022, Cargurus.com hit its peak revenue of \$1.6 billion in FY 2022. At the same time, the company's revenue declined to \$162 million.

Cargurus.com was founded by the founder of Tripadvisor. He knows everything about building a successful ecommerce business.

Well, during this period, the company experienced massive management turnover.

In 2019, the company's CEO, CTO and chief Marketing Officer resigned. From 2015 to till date, the company has seen three CEOs. The company also experienced CFO turnover.

The market is highly competitive.

Clearly, it is hard to compete against the biggest player without spending hundreds of millions of dollars.

Nevertheless, given the competitive scenario, we believe the company should explore strategic alternatives. We believe this could be the best way to improve shareholder value.

New CEO?

In June 2023, the company “terminated” the CEO and appointed Jantoon Reigersman as its new CEO

In most of his career, Mr. Reigersman has served as “CFO”.

Well, he has served as the CFO of the company for 2.2 years and COO for about 3 months. He knows the company. At the same time, he doesn’t have relevant experience in the “core technology” and does not have any track record in building a business.

Why a CFO? Why not a tech person with proven track record?

The only possible explanation could be that the board is exploring sale and that’s why the board has appointed him as the CEO. It is to be noted that the new CEO, Mr. Reigersman, started his career as an investment banker.

<https://www.streetsmartretail.com/automotive/autotrader-cargurus-cars>

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Restaurant	2270	2323	2351	2439	2482	2032	2227	2565	2723
Retail	572	589	575	591	589	490	594	702	713
Total revenue	2842	2912	2926	3030	3071	2522	2821	3267	3436

3. Solid FCF

- In the last eight years (FY 2015 to FY 2022), the company generated a total free cash flow of \$1.2 billion.

(\$, mm)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM April 2023
CFO	334	271	320	330	362	161	301	205	250
Capex	90	114	110	152	138	297	71	98	126
FCF	244	157	210	178	224	-136	230	107	124

4. Settlement agreement with Sardar Biglari

- After multiple efforts to secure a few board seats, Sardar Biglari entered into a settlement agreement with the company in September 2022 and added one candidate (Jody L. Bilney) to the board.

The Company has failed to achieve its three-year plan, failed to increase customer traffic, lagged in total shareholder return, and botched its investment in Punch Bowl Social, which cost shareholders over \$137 million in eight months. – One of the few important arguments of Sardar Biglari

5. Others

- Launch of beer and wine
 - Beginning in 2020, certain of the company's restaurants began serving an assortment of beer and wine.
 - After ongoing expansion of this program, 86% of the restaurants serve beer and wine as of the end of 2022.

II. WHY ARE WE FLAGGING THIS?

1. New CEO

In July 2023, the company appointed Julie Felss Masino as its new CEO.

a) Taco Bell (5 years & 6 months, Jan 2018 to June 2023)

- She most recently served as President, International, overseeing the expansion of the division to more than 1,000 restaurants in 32 countries.
- Prior to that, she served as President of North America and led the \$11 billion US Taco Bell business, where she and her teams launched numerous culinary, technology, and business model innovations during eight consecutive quarters of positive comp growth.

b) Starbucks Coffee Company (12 years, 2002-2014)

- After several years, she was appointed as VP-Global Beverage in January 2010.
- At the time of resignation, she served as VP, Strategy, Americas & EMEA.

It is important to note that "CEO change" is triggered within a year after the company entered into a settlement agreement with Sardar Biglari.

2. Recent stock price crash

The current stock price is \$80.6. Aside from March 2020, during the pandemic, the company's stock has not traded around \$80 in the last eight years.

M.Cap: \$1.54 billion

Cash: \$25 million

Debt: \$415 million

Operating lease liabilities: \$702 million

EV (excluding operating lease liabilities): \$1.9 billion
EV (including operating lease liabilities): \$2.6 billion

Average FCF: Roughly \$200 million
FCF/EV (excluding operating lease): 10.5%

NeuroPace (NPCE): hires a top executive of \$25 billion St. Jude Medical as its new CEO

- M.Cap: \$224 million | Debt: \$71 million | Cash: \$64 million | EV: \$231 million | Revenue: \$55 million | EV/Revenue: 4.2X
- Volume: 94,439
- Major shareholders: KCK Limited - 21.7% | Orbimed Advi. - 15.5% | Soleus Capital - 9.5% | Morgan Stanley - 9.1% | FMR - 4.7% | Millennium Manag. - 2.4% | Nantahala Capital - 1.6%.
- Screen: New CEO appointment

I. RESEARCH

1. First and only commercially available brain-responsive platform

- RNS System is the only commercially available device recording continuous brain activity for remote and in-person patient monitoring.
- The company began the commercial rollout of our RNS System in early 2014.
- The RNS System is clinician-programmed to deliver precise therapy by monitoring brain activity, identifying unique abnormal patterns, and responding with subtle electrical pulses to prevent seizures.
- As of December 31, 2022, over 4,000 patients have received the company's RNS System.

2. For whom?

- The product is predominantly targeted for use in adult epilepsy patients, meaning patients who are 18 years of age or older, with drug-resistant focal epilepsy.
- **Drug-resisting epilepsy**
 - Epilepsy is a chronic brain disorder causing sudden bursts of electrical energy, disrupting function and causing seizures.
 - Antiepileptic drugs are the primary treatment, effectively controlling seizures for many.
 - About one-third of patients remain drug-resistant due to incomplete seizure control or drug intolerance.
- **Focal epilepsy**
 - Epilepsy is divided into focal and generalized categories.
 - About 60% have focal epilepsy, with discharges in specific brain areas. The other 40% have generalized epilepsy, with widespread brain discharges.
 - The company's focus is on Focal epilepsy.

3. Target

- The company sells the RNS System in the US directly to epileptologists and neurosurgeons who prescribe and implant devices in about 200 Level 4 CECs.
- CECs are specialized hospitals for epilepsy care. Level 3 CECs offer basic evaluations, simple surgeries, and VNS implantation. Level 4 CECs provide comprehensive care and complex surgeries.
- NAEC advises referring patients with uncontrolled seizures after 3 months with a primary care physician or 12 months with a general neurologist to Level 3/4 CECs.
- Today, US drug-resistant epilepsy patients often start care at physician offices or community hospitals, receiving Level 1/2 care from primary care physicians or neurologists. About 50,000 patients are annually referred to Level 4 CECs, with 48% (24,000) being adults with focal epilepsy.

4. Competition

- Surgery
 - Historically, removing brain tissue at the seizure source through resective or ablative surgery was preferred for drug-resistant focal epilepsy.
 - Yet, this surgery holds risks, including neurological ones, and just around 50% become seizure-free within two years. Only about 20% of such patients have safe and effective foci for removal, coupled with willingness to undergo the procedure.
- Products
 - Two other approved neuromodulation devices, Vagus Nerve Stimulation (VNS) and Deep Brain Stimulation (DBS), target the 80% of drug-resistant focal epilepsy patients not suitable for surgery.
 - They stimulate for hours daily, causing side effects like memory issues, depression, sleep disruption, and vocal disturbances.
- The company's claim about its advantage
 - The company's RNS System benefits are shown through four FDA-approved studies with around 600 patients and up to nine years of follow-up.
 - Retrospective studies also support real-world outcomes.
 - Initial clinical data indicates a median 44% reduction in seizures at one year, improving to 75% reduction at nine years, along with lasting improvements in quality of life and cognition.

5. Insurance coverage: The only neuromodulation system that is reimbursed

- Currently, RNS System is the sole epilepsy neuromodulation system with reimbursed in-person or remote brain activity reviews.
- By December 31, 2022, commercial payors covered 200+ million lives in the US. Medicare and Medicaid routinely cover RNS System implantation and care.
- The company believes that only under 1% couldn't get RNS System implant due to coverage issues.

6. Potential further usage?

- The company believes that its RNS System may be effective in treating other brain disorders including depression, impulse control disorders, memory disorders, and post-traumatic stress disorder.

7. Financials

(\$, mm)	FY 2019	FY 2020	FY 2021	FY 2022	LTM June 2023	6M ended June 2022	6M ended June 2023
Revenue	37	41	45	46	55	22	31
Operating Income	-22	-13	-24	-41	-36	-21	-16
Net Income	-30	-24	-36	-47	-42	-24	-20

• FCF

(\$, mm)	FY 2019	FY 2020	FY 2021	FY 2022	LTM June 2023	6M ended June 2022	6M ended June 2023
CFO	-25	-22	-25	-37	-29	-22	-14
Capex	0	0	0	1	0	1	0
FCF	-25	-22	-25	-38	-29	-23	-14

II. WHY ARE WE FLAGGING THIS?

Track record of Joel Becker

1. Viking North Ventures

- Most recently, he served as the President of Viking North Ventures, which specializes in working with medical technology and healthcare Companies, Boards and Investors

to accelerate growth by providing advisory, leadership and strategy development services.

2. Top executive of St. Jude Medical, a \$25 billion company

- At the time of his resignation, he served as President of Americas division.
- He was one among the top 16 executives of the company.
- In 2017, the company was acquired by Abbott for \$25 billion
 - Mr. Becker joined St. Jude Medical in 1993 as Senior Associate in Corporate Development.
 - In 1999, he left the Company to join Myocor, Inc., a venture-backed heart failure company, as SVP. Mr. Becker returned to St. Jude Medical in 2002 where he held numerous leadership positions in both the Cardiovascular and Atrial Fibrillation divisions.
 - He began serving as Vice President Program Management & Business Development for the Atrial Fibrillation Division from 2004 to February 2011.
 - He then served as SVP-Marketing for the U.S. Division from February 2011 to October 2011. Mr. Becker was promoted in October 2011 to President, U.S. Division, which was expanded in January 2014 to become the Americas Division.

The Gap (GPS): attracts former COO of Mattel as new CEO [Short notes]

- M.Cap: \$4.1 billion | Debt: \$5.7 billion | Cash: \$1.4 billion | EV: \$8.4 billion | Revenue: \$15.1 billion | EV/Revenue: 0.6X
- Volume: 24,386,433
- Major shareholders: Dodge & Cox - 10.2% | Vanguard - 7.3% | Blackrock - 5.9% | Dimensional - 3% | Pzena - 2.8% | Arrowstreet - 2.5% | State Street - 1.8%.
- Screen: -

RESEARCH

The company operates as an apparel retail company.

The company has four billion-dollar lifestyle brands - Old Navy, Gap, Banana Republic, and Athleta.

Out of this, Athleta is growing consistently. The number of stores increased from 35 stores in fiscal 2013 to 257 in fiscal 2023.

The company's revenue is stagnant for the past 10 years. As you can see below, the profitability and free cash flow has taken a massive hit in the last four years.

(\$, mm)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	LTM
Revenue	16,435	15,797	15,516	15,855	16,580	16,383	13,800	16,670	15,616	15,415
Operating Income	2,083	1,524	1,191	1,479	1,362	574	-862	810	-69	118
Net Income	1,262	920	676	848	1,003	351	-665	256	-202	-58
(\$, mm)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	LTM
CFO	2,129	1,594	1,719	1,380	1,381	1,411	237	809	607	984
Capex	714	726	524	731	705	1,045	392	694	685	574
FCF	1,415	868	1,195	649	676	366	-155	115	-78	410

Over the last few years, the company divested smaller, non-strategic brands, closed underperforming North American stores, and transitioned its European market to an asset-light partnership model.

Track record of new CEO

In July 2023, the company appointed Richard Dickson as its new CEO.

(a) COO, Mattel

- Top executive: He served the company for 9.8 years. Most recently, he served as COO of Mattel.

- Under his leadership, the company developed and launched the Mattel Playbook, a brand-building approach that has been instrumental in growing Mattel's power brands and in accelerating Mattel's transformation.
- Barbie: He was credited for reviving Barbie sales through his marketing plan.

(b) Others

- For four years (2010-2014), he served as the President & CEO of Branded Businesses for Jones Apparel Group, Inc.
- With over a decade of diverse experience at Bloomingdales, Richard co-founded Gloss.com, a pioneering online retailer of luxury cosmetics. In 2000, Estee Lauder acquired Gloss.com and appointed Richard as Vice President of Brand Management and Merchandising for its emerging online division.

OUR COMMENTS

10-year low

Right now, the company's stock price is trading near its 10-year low.

In fact, the company traded below \$10 only during two time periods in the last 10 years – in the first quarter of 2020 and from June to August 2022.

Best case scenario

The company generates positive free cash flow and is not under any financial pressure.

Except for Athleta, the number of stores for all the other brands has declined. As such, projecting solid year-over-year growth is not realistic.

So, the best-case scenario is to improve profitability and increase free cash flow.

Wait and watch

Well, he can use his regular playbook to revive the brands. But this won't happen overnight. Turning around retail is not easy; it's hard.

It is better to wait and watch.

Latch, Inc. (LTCH): A nano-cap company, latch, attracts \$1.2 billion Ring founder as its new CEO [Short notes]

- M.Cap: \$162 million | Debt: \$2.7 million | Cash: \$264 million | EV: \$159 million | Revenue: \$48 million | EV/Revenue: 3.3X
- Volume: 216,686
- Major shareholders: Avenir Manag. - 14.9% | Vanguard - 4.6% | Brookfield Corp - 3.3% | Blackrock - 1.2% | Millennium Manag. - 1.1% | Financial Architects - 1% | Qvidtm Manag - 1%.
- Screen: New CEO appointment

RESEARCH

- Latch has created a full-building operating system, LatchOS, which addresses the essential requirements of modern buildings.
- The company's product offerings, designed to optimize the resident experience, include smart access, delivery and guest management, smart home and sensors, connectivity and personalization and services.
- LatchOS software starting pricing ranges from \$7-12 per apartment per month, depending on which capabilities the building owner selects, for the LatchOS Smart Access, Smart Home and Guest Management modules.

(\$, mm)	FY 2019	FY 2020	FY 2021	LTM March 2022
Revenue	14.9	18.1	41.4	48.4
Operating Income	-49.7	-61.8	-148.6	-167.9
Net Income	-50.2	-66.0	-166.3	-172.4
(\$, mm)	FY 2019	FY 2020	FY 2021	LTM March 2022
CFO	-47.6	-53.6	-105.9	-135.3
Capex	3.8	5.5	8.8	9.9
FCF	-51.4	-59.1	-114.7	-145.2

Track record of Jamie Siminoff

In July 2023, the company acquired Honest Day's Work, which was founded by Jamie Siminoff in exchange for shares.

Subsequently, he was appointed as the CEO of the company

<https://techcrunch.com/2023/05/16/rings-founder-will-become-latches-ceo-after-selling-a-stealth-startup-to-the-company/>

Track record

- Sold Ring for \$1.2 billion: In 2011, he invented the world's first Wi-Fi video doorbell in his garage. Amazon acquired his home security company, Ring, for \$1.2 billion in 2018.
- Before Ring, Siminoff founded multiple successful companies including PhoneTag, the first voicemail-to-text service, and Unsubscribe.com, a tool for decluttering

commercial emails.

<https://www.inc.com/xintian-tina-wang/how-ring-founder-jamie-siminoff-went-from-near-bankruptcy-to-a-1-billion-sale-to-amazon.html#>

OUR COMMENTS

Yes – the new CEO has a solid track record. We believe that he sees something highly valuable at Latch given his track record.

Two problems

1. After filing its 10-Q in May 2022, the company has not filed any subsequent 10-K/Q and got delisted. It is now trading on the OTC market.
2. Moreover, the company has been losing a lot of money.

Given the above two problems, it is worth tracking the company from the sidelines

Jones Soda Co. (JSDA): A nano-cap company, Jones Soda, attracts a former VP-Marketing for Gatorade International at PepsiCo as its new CEO [short notes]

- M.Cap: \$18 million | Debt: N/A | Cash: \$5 million | EV: \$13 million | Revenue: \$17 million | EV/Revenue: 0.8X
- Volume: 14,671
- Major shareholders: Private Capital Advisors, Inc. - 0.23%.
- Screen: New CEO appointment

I. RESEARCH

- Jones Soda is the company's premium carbonated soft drink.
- Label photos from customer: Unique interaction
 - The company sells Jones Soda in premium glass bottles and cans, with labels featuring photos sent to the company by its consumers. More than one million photos have been submitted to the company.
 - The company believes that this unique interaction with its consumers distinguishes its brand and offers a strong competitive advantage for Jones Soda.

The company introduced cannabis products in March of 2022 which generated approximately \$353,000 in revenue during this year.

Sales growth in FY 2021 and FY 2022

After the company's revenue declined consistently from \$15.6 million in FY 2016 to \$11.8 million in FY 2020, the company's revenue grew in FY 2021 and FY 2022.

Sales growth

- FY 2021: 25%
- FY 2022: 29%

(\$, mm)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM June 2023
Revenue	13.5	15.6	13.3	12.5	11.5	11.8	14.7	19	17.1
Operating Income	-0.8	0.0	-1.1	-1.8	-2.3	-2.8	-1.9	-6	-5.7
Net Income	-1.1	-0.2	-1.2	-2	-2.7	-2.9	-1.8	-6.4	-5.7

Cash flow

(\$, mm)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	LTM
CFO	-1.0	-0.3	0.0	-1.7	-3.3	-1.5	-3.4	-5.9	-4.1
Capex	0.0	0.0	0.0	0.1	0.1	0.2	0.0	0.9	0.9
FCF	-1.0	-0.4	-0.1	-1.8	-3.4	-1.7	-3.4	-5.9	-4.1

The company attributed the sales growth to its "turnaround strategy".

We are a bit sceptical about the claims. We are concerned that part of the sales growth could be triggered due to the recovery from the pandemic. Also, it is worth noting that the company's revenue declined in the recent two quarters. Q1 2023: (14.4)% ; Q1 2023: (20)%

II. OUR COMMENTS

The new CEO's past experience could help the company to expand national retail footprint across North America. In other words, he can drive revenue by launching products in large restaurant chains, grocery stores and other type of retail stores. Execution is the key.

It is worth tracking the stock.

CEO & CFO turnover

1	Nikola Corporation (NKLA) (M.Cap: \$2.24 billion) - CEO resigned within 11 months
	Michael Lohscheller, who was appointed as CEO in Aug 2022, resigned in August 2023
2	4Front Ventures Corp. (FFNTF) (M.Cap: \$83million) - CFO resigned within 1 year 1 month
	Keith Adams, who was appointed as CFO in Jun 2022, resigned in August 2023.
3	DIRTT Environmental Solutions Ltd. (DRTT) (M.Cap: \$46 million) - CFO resigned within 11 months
	Bradley S. Little, who was appointed as CFO in Aug 2022, resigned in August 2023.
4	Core Scientific, Inc. (CORZQ) (M.Cap: \$358 million) - CEO resigned within 1 year 6 months
	Michael Levitt, who was appointed as CEO in Jan 2022, resigned in August 2023.
5	Bird Global, Inc. (BRDS) (M.Cap: \$23 million) - CEO resigned within 11 months.
	Shane Torchiana, who was appointed as CEO in Sep 2022, resigned in August 2023.
6	Troika Media Group, Inc. (TRKA) (M.Cap: \$17 million) - The Company terminated the CEO
	Sadiq (Sid) Toama, who was appointed as CEO in May 2022, the company terminated in August 2023

7	Troika Media Group, Inc. (TRKA) (M.Cap: \$17 million) - The Company terminated the CFO
	Erica Naidrich, who was appointed as CFO in May 2022, the company terminated in August 2023
8	TrueBlue, Inc. (TBI) (M.Cap: \$468 million) - CEO resigned within 1 year 2 months
	Steven C. Cooper, was appointed as CEO in Jun 2022, will resign on September 12, 2023.
9	Zevia PBC (ZVIA) (M.Cap: \$129 million) - CFO resigned within 1 year 3 months
	Denise D. Beckles, who was appointed as CFO in May 2022, will resign on September 4, 2023.
10	Alico, Inc. (ALCO) (M.Cap: \$180 million) - CFO resigned within 11 months
	Perry G. Del Vecchio, who was appointed as CFO in Sep 2022, resigned in August 2023.
11	Mirati Therapeutics, Inc. (MRTX) (M.Cap: \$2 billion) - CFO resigned within 1 year 3 months
	Laurie Stelzer, who was appointed as CFO in May 2022, will resign on September 8, 2023.
12	The Hain Celestial Group, Inc. (HAIN) (M.Cap: \$1 billion) - CFO resigned within 1 year 6 months
	Christopher J. Bellairs, who was appointed as CFO in Feb 2022, resigned in August 2023.
13	Vitesse Energy, Inc. (VTS) (M.Cap: \$688 million) - CFO resigned within 1 year
	David R. Macosko, who was appointed as CFO in Aug 2022, resigned in August 2023.
14	Shore Bancshares, Inc. (SHBI) (M.Cap: \$234 million) - CFO resigned within 9 months due to merger
	Vance W. Adkins, who was appointed as CFO in Sep 2022, resigned in Jul 2023.
15	MedMen Enterprises Inc. (MMNFF) (M.Cap: \$32 million) - CEO resigned within 1 year 2 months
	Ed Record, who was appointed as CEO in May 2022, resigned in July 2023.
16	MedMen Enterprises Inc. (MMNFF) (M.Cap: \$32 million) - CFO resigned within

	1 year 4 months
	Ana Bowman, who was appointed as CFO in Feb 2022, resigned in July 2023.
17	CareCloud, Inc. (CCLD) (M.Cap: \$44 million) - CFO resigned within 2 months
	Joseph DosSantos, who was appointed as CFO in May 2023, resigned in July 2023.
	On May 10, 2023, Joseph DosSantos resigned as Chief Financial Officer of the Registrant. Effective May 11, 2023, Bill Korn, the Registrant's former Chief Financial Officer and current Chief Strategy Officer, has been appointed Acting Chief Financial Officer until such time as a new Chief Financial Officer is appointed. Mr. Korn joined CareCloud as Chief Financial Officer in July 2013.
18	Southern Missouri Bancorp, Inc. (SMBC) (M.Cap: \$490 million) - CFO resigned within 1 year
	Lora L. Daves, who was appointed as CFO in Jul 2022, resigned in July 2023.
19	Trulieve Cannabis Corp. (TCNNF) (M.Cap: \$762 million) - CFO resigned within 1 month
	Timothy Mullany, who was appointed as CFO in Jun 2023, resigned in July 2023.

NT filing: Summary notes and links for 15 companies that have not filed 10-K/Q

Company Name	Symbol	M.cap	Revenue	Number of 10-Ks and 10-Qs pending.
LATCH, INC.	LTCH	153	48	5
VERADIGM INC.	MDRX	1400	1530	3
TUPPERWARE BRANDS CORP	TUP	101	1310	3
GETAROUND, INC	GETR	38	60	3
URBAN ONE, INC.	UONE	259	484	1
MITEK SYSTEMS INC	MITK	553	140	2
DZS INC.	DZSI	58	389	1
EXELA TECHNOLOGIES, INC.	XELA	25	1070	1
FREEDOM HOLDING CORP.	FRHC	5440	535	1
LIFECORE BIOMEDICAL, INC.	LFCR	220	173	1
JOINT CORP	JYNT	142	108	1
SMITH MIDLAND CORP	SMID	100	53	1
TROIKA MEDIA GROUP, INC.	TRKA	18	419	1
LZG INTERNATIONAL, INC.	LZGI	61	20	1
LOVESAC CO	LOVE	339	663	1

Latch, Inc. (LTCH)

Number of filings pending

- After filing 10-Q for the QE March 2021, the company has not filed any 10-K/Q.
- Total number of 10-Q/K filings pending: 7

Summary of the audit problem

On August 10, 2022, the Company's Audit Committee began an investigation into its key performance indicators and revenue recognition practices. The findings led the Committee to declare that financial statements for 2019-2022 Q1 should not be relied upon and will be restated.

As per the NT 10-K filed in August 2023, the investigation is nearly complete, and remediation efforts, led by interim CEOs and CFOs, are underway to correct errors and improve internal controls.

CFO changes

Date	Name	Action	Position
March 28, 2022	Garth Mitchell	Resignation	CFO and Treasurer
March 28, 2022	Barry Schaeffer	Appointment	Interim CFO
January 5, 2023	Barry Schaeffer	Resignation	Interim CFO and Treasurer
January 5, 2023	Marc Landy	Appointment	Interim CFO
July 3, 2023	David Lillis	Appointment	Senior VP of Finance
Later in 2023	David Lillis	Appointment	CFO

Audit firm

In June 2021, the company appointed Deloitte & Touche LLP ("Deloitte") as the Company's independent registered public accounting firm

Links

Audit firm	6/10/2021	https://www.sec.gov/Archives/edgar/data/1826000/000119312521187281/0001193125-21-187281-index.htm
Non-reliance	1/23/2023	https://www.sec.gov/Archives/edgar/data/1826000/000182600023000013/0001826000-23-000013-index.htm
Non-reliance	8/25/2022	https://www.sec.gov/Archives/edgar/data/1826000/000182600022000108/0001826000-22-000108-index.htm
Non-reliance	4/30/2021	https://www.sec.gov/Archives/edgar/data/1826000/000119312521142548/0001193125-21-142548-index.htm
NT 10-Q	5/16/2023	https://www.sec.gov/Archives/edgar/data/1826000/000182600023000052/0001826000-23-000052-index.htm
NT 10-K	4/3/2023	https://www.sec.gov/Archives/edgar/data/1826000/000182600023000047/0001826000-23-000047-index.htm
NT 10-Q	11/10/2022	https://www.sec.gov/Archives/edgar/data/1826000/000182600022000111/0001826000-22-000111-index.htm

		000111-index.htm
NT 10-Q	8/10/2022	https://www.sec.gov/Archives/edgar/data/1826000/000182600022000098/0001826000-22-000098-index.htm
NT 10-Q	5/17/2021	https://www.sec.gov/Archives/edgar/data/1826000/000119312521163914/0001193125-21-163914-index.htm

VERADIGM INC. (MDRX)

Number of filings pending

- After filing 10-Q for the QE September 2022, the company has not filed any 10-K/Q
- Total number of 10-Q/K filings pending: 3

Summary of current problem

On March 22, 2023, the Company's Board determined that financial statements for 2021 and Q1, Q2, Q3 of both 2021 and 2022 are unreliable due to revenue misstatements from internal control failures.

The internal control failures primarily stem from accounting processes and a software tool implemented by the Company in order to comply with the requirements of FASB's rule ASC 606. Testing during the fiscal quarter ended December 31, 2022 highlighted some duplicate transactions and other errors impacting the results the Company had reported.

Estimates of the impact in revenue

The Company initially estimated a \$40 million revenue reduction due to accounting and internal control errors for the periods 2020 through 2022. As of September 2023, this estimate has now been revised down to approximately \$20 million for the same periods.

Revenue projection

- Revenue is expected between \$615 million and \$635 million
- Non-GAAP Adjusted EBITDA is expected between \$160 million and \$170 million

CFO changes

Date	Event	Incoming CFO	Outgoing CFO	Additional Notes
May 3, 2022	Board appointed new CFO and CEO	Leah Jones	Richard Poulton	Richard Poulton became CEO
March 3, 2020	Dennis Olis no longer serving, new CFO appointed	Rick Poulton	Dennis Olis	Dennis Olis served since Jan 2018
Jan-18	Dennis Olis became CFO	Dennis Olis	-	-
May-17	Dennis Olis served as interim CFO	Dennis Olis (Interim)	-	-

Audit firm change: No

Links

Non-reliance	3/22/2023	https://www.sec.gov/Archives/edgar/data/1124804/000095017023009164/0000950170-23-009164-index.htm
NT 10-Q	8/10/2023	https://www.sec.gov/Archives/edgar/data/1124804/000119312523209011/0001193125-23-209011-index.htm
NT 10-Q	5/11/2023	https://www.sec.gov/Archives/edgar/data/1124804/000119312523142003/0001193125-23-142003-index.htm
NT 10-K	2/28/2023	https://www.sec.gov/Archives/edgar/data/1124804/000119312523054136/0001193125-23-054136-index.htm
NT 10-K	3/1/2013	https://www.sec.gov/Archives/edgar/data/1124804/000119312513087998/0001193125-13-087998-index.htm

TUPPERWARE BRANDS CORP

Summary

The Company has disclosed in multiple reports since March 2023 that it found prior period misstatements and material weaknesses in its financial reporting. Work is ongoing to rectify these issues, including restating financial statements.

Going concern

The Company disclosed on April 7, 2023, that it has substantial doubt about continuing as a going concern.

Debt restructuring

On Aug. 3, 2023, Tupperware Brands Corp announced a debt restructuring agreement to support its turnaround efforts. The deal includes:

- Reduction of about \$150 million in cash interest and fees.
- Extension of \$348 million of principal and interest to FY 2027.
- Lowering amortization payments by around \$55 million through FY 2025.
- Immediate access to \$21 million in revolving borrowing capacity.

CFO

Name	Start Date	End Date
Mariela Matute	May- 2022	-
Cassandra (Sandra) Harris	April-2019	May 24, 2022 (expected)

Links

Non-reliance	3/16/2023	https://www.sec.gov/Archives/edgar/data/1008654/000100865423000022/0001008654-23-000022-index.htm
NT 10-Q	8/3/2023	https://www.sec.gov/Archives/edgar/data/1008654/000100865423000060/0001008654-23-000060-index.htm
NT 10-Q	5/8/2023	https://www.sec.gov/Archives/edgar/data/1008654/000100865423000037/0001008654-23-000037-index.htm
NT 10-K	3/16/2023	https://www.sec.gov/Archives/edgar/data/1008654/000100865423000024/0001008654-23-000024-index.htm
NT 10-K	2/27/2020	https://www.sec.gov/Archives/edgar/data/1008654/000100865420000011/0001008654-20-000011-index.htm

GETAROUND, INC

Number of filings pending

- After filing 10-Q for the QE September 2022, the company has not filed any 10-K/Q
- Total number of 10-Q/K filings pending: 3

Summary

Getaround, Inc. is delayed in filing its Q2 2023 report and Annual Report for FY 2022 due to unresolved audit and accounting issues, including complications from a business combination with InterPrivate II. The Q2 report can't be finalized until the FY 2022 report is complete. The company has switched accounting firms to expedite the process.

Links

Audit firm	8/11/2023	https://www.sec.gov/Archives/edgar/data/1839608/000095017023041929/0000950170-23-041929-index.htm
Audit firm	12/14/2022	https://www.sec.gov/Archives/edgar/data/1839608/000119312522304902/0001193125-22-304902-index.htm
Non-reliance	11/17/2021	https://www.sec.gov/Archives/edgar/data/1839608/000121390021060305/0001213900-21-060305-index.htm
NT 10-Q	8/15/2023	https://www.sec.gov/Archives/edgar/data/1839608/000095017023042881/0000950170-23-042881-index.htm
NT 10-Q	5/16/2023	https://www.sec.gov/Archives/edgar/data/1839608/000095017023022545/0000950170-23-022545-index.htm
NT 10-K	3/31/2023	https://www.sec.gov/Archives/edgar/data/1839608/000119312523088100/0001193125-23-088100-index.htm
NT 10-Q	11/15/2022	https://www.sec.gov/Archives/edgar/data/1839608/000121390022072588/0001213900-22-072588-index.htm
NT 10-Q	8/16/2022	https://www.sec.gov/Archives/edgar/data/1839608/000121390022048346/0001213900-22-048346-index.htm
NT 10-Q	5/17/2022	https://www.sec.gov/Archives/edgar/data/1839608/000121390022027506/0001213900-22-027506-index.htm
NT 10-Q	11/16/2021	https://www.sec.gov/Archives/edgar/data/1839608/000121390021059677/0001213900-21-059677-index.htm
NT 10-Q	8/17/2021	https://www.sec.gov/Archives/edgar/data/1839608/000121390021043207/0001213900-21-043207-index.htm
NT 10-Q	5/18/2021	https://www.sec.gov/Archives/edgar/data/1839608/000121390021027400/0001213900-21-027400-index.htm

MITEK SYSTEMS INC

Number of filings pending

- Total number of 10-Q/K filings pending: 2

Summary

The Company switched its accounting firm, leading to delays in filing various quarterly reports including Q1 and Q2 for 2023, and the Annual Report for FY 2022. In July 2023, the company filed the 10-K.

Recent financial update

In September 2023, the company reported a 41% YoY increase in total revenue for Q1 of fiscal 2023.

Financial projection

As per the Sep 2023 press release, the company is raising its fiscal 2023 guidance for the year ending September 30, 2023, and now expects revenue to be in the range of \$169.0 million to \$171.0 million, an increase of approximately 18% year over year from the mid-point of the guidance range. In addition, Mitek now expects its non-GAAP operating margin for fiscal 2023 to be in the range of 30.0% to 31.0%.

CFO changes

- Frank Teruel, who was appointed as CFO in June 2021 resigned in January 2023.
- In January 2023, the company retained Fuad Ahmad, a partner at FLG Partners, LLC, a CFO services and board advisory consulting firm, as the Company's Interim CFO.

Links

Audit firm	7/18/2022	https://www.sec.gov/Archives/edgar/data/807863/00008078632200084/0000807863-22-000084-index.htm
Audit firm	5/27/2022	https://www.sec.gov/Archives/edgar/data/807863/00008078632200079/0000807863-22-000079-index.htm
Non-reliance	5/8/2023	https://www.sec.gov/Archives/edgar/data/807863/00008078632300027/0000807863-23-000027-index.htm
Non-reliance	10/27/2022	https://www.sec.gov/Archives/edgar/data/807863/00008078632200097/0000807863-22-000097-index.htm
NT 10-Q	8/10/2023	https://www.sec.gov/Archives/edgar/data/807863/00008078632300053/0000807863-23-000053-index.htm
NT 10-Q	5/11/2023	https://www.sec.gov/Archives/edgar/data/807863/00008078632300031/0000807863-23-000031-index.htm
NT 10-Q	2/10/2023	https://www.sec.gov/Archives/edgar/data/807863/00008078632300014/0000807863-23-000014-index.htm
NT 10-K/A	12/19/2022	https://www.sec.gov/Archives/edgar/data/807863/00008078632200139/0000807863-22-000139-index.htm
NT 10-K	12/15/2022	https://www.sec.gov/Archives/edgar/data/807863/00008078632200136/0000807863-22-000136-index.htm
NT 10-Q	8/10/2022	https://www.sec.gov/Archives/edgar/data/807863/00008078632200091/0000807863-22-000091-index.htm

Urban One, Inc.

Summary

On April 7, 2023, Urban One, Inc. announced that it will restate its financial statements for annual and interim periods ending December 31, 2021, and September 30, 2022. The restatement is due to undervalued investment in MGM National Harbor. The company's management and audit committee concluded that the previously issued financial statements for these periods could not be relied upon and need to be corrected. Alongside the restatement, the company identified a material weakness in its internal control over financial reporting and has laid out a remediation plan, which is further detailed in its 2022 Form 10-K filed on June 30, 2023.

Current status

In June 2023, the company filed the 10-K for the period ended December 2022.

As of now, the recent two quarterly reports are pending.

CFO: Peter D. Thompson has been Chief Financial Officer (“CFO”) of Urban One since February 2008.

Links

Audit firm	7/12/2023	https://www.sec.gov/Archives/edgar/data/1041657/000155837023011838/0001558370-23-011838-index.htm
Audit firm	6/17/2016	https://www.sec.gov/Archives/edgar/data/1041657/00010416571600084/0001041657-16-000084-index.htm
Non-reliance	4/7/2023	https://www.sec.gov/Archives/edgar/data/1041657/000155837023005612/0001558370-23-005612-index.htm
Non-reliance	11/14/2019	https://www.sec.gov/Archives/edgar/data/1041657/00010416571900036/0001041657-19-000036-index.htm
Non-reliance	11/12/2019	https://www.sec.gov/Archives/edgar/data/1041657/00010416571900034/0001041657-19-000034-index.htm
NT 10-Q	8/10/2023	https://www.sec.gov/Archives/edgar/data/1041657/000155837023014386/0001558370-23-014386-index.htm
NT 10-Q	5/10/2023	https://www.sec.gov/Archives/edgar/data/1041657/000155837023009156/0001558370-23-009156-index.htm
NT 10-K	3/10/2023	https://www.sec.gov/Archives/edgar/data/1041657/000155837023003492/0001558370-23-003492-index.htm
NT 10-Q	8/10/2022	https://www.sec.gov/Archives/edgar/data/1041657/000155837022013087/0001558370-22-013087-index.htm

DSZ Inc.

- | |
|--------------------------------|
| • Number of filings pending: 1 |
|--------------------------------|

Summary

DZS will restate its Q1 2023 financial statements due to timing issues in recognizing \$15 million in revenue from two customer projects. Most of this revenue will be recognized in Q2 and Q3 2023. The customer relationships are stable, and payments have started.

Guidance withdrawal; Reduction in 2023 guidance

In June 2023, DZS withdrew its Q2 earnings guidance and said it would provide an update after resolving the timing of the restated Q1 revenue and adjusted EBITDA.

Moreover, the company also adjusted its full-year guidance, taking into account the risk of customer delays in deploying inventory.

Full Year 2023 guidance

- Net revenue of approximately \$370 million vs. approximately \$400 million previously.
- Adjusted EBITDA of approximately \$15-22 million vs. \$22-27 million previously.

CFO

- Misty Kawecki has been the CFO of the company since July 29, 2021.

NT 10-Q	8/9/2023	https://www.sec.gov/Archives/edgar/data/1101680/000110168023000095/0001101680-23-000095-index.htm
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EXELA TECHNOLOGIES, INC.

- | |
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| • Number of filings pending: 1 |
|--------------------------------|

Summary

In April 2023, the Company's previous accounting firm (KPMG) declined to continue for 2023 but agreed to review Q1 financials. The audit committee is close to hiring a new firm, which will then review the unaudited interim financial data. Once reviewed, the Company will file the Form 10-Q as soon as possible.

Nevertheless, the company filed the preliminary results in August 2023 -

https://www.sec.gov/Archives/edgar/data/1620179/000110465923091039/tm2323663d1_ex99-1.htm

Links

Audit firm	4/10/2023	https://www.sec.gov/Archives/edgar/data/1620179/000110465923043356/0001104659-23-043356-index.htm
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NT 10-Q	8/10/2023	https://www.sec.gov/Archives/edgar/data/1620179/000110465923089870/0001104659-23-089870-index.htm
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FREEDOM HOLDING CORP.

- Number of filings pending: 1

Summary

The Registrant couldn't file its Q2 Form 10-Q by the deadline due to delays in filing its annual Form 10-K, which was finally filed on August 3, 2023. The late 10-K reduced the time available to prepare the 10-Q.

<https://www.sec.gov/Archives/edgar/data/924805/000092480523000080/nt10-qlatefiling30062023.htm>

LIFECORE BIOMEDICAL, INC.

- Number of filings pending: 1

Summary

On January 31, 2023, Lifecore Biomedical's Audit Committee determined that the company's financial statements for the year ended May 29, 2022, and the three months ended August 28, 2022, should not be relied upon due to errors related to non-cash impairment charges. The company concluded these errors were material and will restate the financials. The restatement is not expected to adversely affect the company's operations or liquidity.

Moreover, the company couldn't file its Annual Report for fiscal year ending May 28, 2023, on time due to delays in gathering information related to non-routine corporate transactions in Q4 2023.

Links

Non-reliance	2/1/2023	https://www.sec.gov/Archives/edgar/data/1005286/000100528623000032/0001005286-23-000032-index.htm
NT 10-K	8/14/2023	https://www.sec.gov/Archives/edgar/data/1005286/000100528623000101/0001005286-23-000101-index.htm

JOINT CORP

The company is discussed in detailed in this report. Please refer the index page.

SMITH MIDLAND CORP

Resignation of audit firm

On May 24, 2023, FORVIS, LLP informed Smith-Midland Corporation that they will stop serving as the company's independent accounting firm, effective the same day.

Consequently, the company couldn't file its Q2 2023 report on time as it needs to appoint a new accounting firm.

NT 10-Q	8/15/2023	https://www.sec.gov/Archives/edgar/data/924719/000165495423010836/0001654954-23-010836-index.htm
Audit firm	8/23/2023	https://www.sec.gov/Archives/edgar/data/924719/000165495423011192/0001654954-23-011192-index.htm

TROIKA MEDIA GROUP, INC.

On August 14, 2023, Troika Media Group fired its CEO, Sadiq Toama, and CFO, Erica Naidrich, for "Cause." Both were investigated for a personal relationship and its impact on the company. Their relationship was confirmed and deemed materially injurious, leading to their termination.

The company couldn't file its periodic report on time because Naidrich refused to sign the Form 10-Q, which disclosed their relationship, despite approval from the audit committee and a directive from the board chairman.

Link

NT 10-Q	8/15/2023	https://www.sec.gov/Archives/edgar/data/1021096/000162828023029586/0001628280-23-029586-index.htm
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LZG INTERNATIONAL, INC.

Summary

The company couldn't file its Form 10-K for the year ended May 31, 2023, on time due to delays in handling accounting for acquisitions. These delays were mainly because of the company's rapid growth.

NT 10-K

https://www.sec.gov/Archives/edgar/data/1126115/000165495423011360/lzgi_nt10k.htm

LOVESAC CO

Summary

The Lovesac Company couldn't file its Q3 report due to ongoing internal investigations into errors in last-mile shipping expenses and accrual calculations. These errors led to unreliable prior financial statements, prompting a restatement. The delay in completing this restatement is causing a delay in the Q3 filing. The company doesn't expect to meet the extended deadline of five calendar days.

NT 10-Q:

https://www.sec.gov/Archives/edgar/data/1701758/000121390023075381/ea184835-nt10q_lovesac.htm

Summary of 13D filings: July 24, 2023 to Sep 15, 2023

INITIATED		
JOINT CORP (JYNT)	141	Bandera Partners Considers Engaging with Joint Corp After its Financial Restatement and Q2 2023 Report Delay
GODADDY INC. (GDDY)	11000	Starboard Voices Concerns about GoDaddy's Performance
MARIADB PLC (MRDB)	31	Runa Capital Fund Opposes Highly Dilutive Equity Financing at MariaDB
CUE HEALTH INC. (HLTH)	89	Tarsadia Investments Sends Letter To Board of Cue Health, Inc.
GROUPON, INC. (GRPN)	359	Windward Management CIO expresses confidence in Groupon's turnaround efforts and valuation potential
PC TEL INC (PCTI)	81	Chain of Lakes Investment Fund challenges PCTEL Board on shareholder value
YELLOW CORPORATION (YELLQ)	130	MFN Partners Management urges new board appointments at Yellow Corporation
EMCORE CORP (EMKR)	38	Bradley L. Radoff raises concerns over company's performance and calls for board refresh at EMCORE Corp
BLOOMIN' BRANDS, INC. (BLMN)	2400	Starboard initiated an active stake in Bloomin' Brands
STARTEK, INC. (SRT)	137	MCI Capital, LC and Iowa City Capital Partners raise concerns over acquisition offer in letter to StarTek Board
HANESBRANDS INC. (HBI)	1860	Barington proposed a plan for Hanesbrands Inc
AG MORTGAGE INVESTMENT TRUST, INC. (MITT)	133	Terra Property Trust acquires 5.2% stake in AG Mortgage Investment Trust to unlock value
SPORTSMAN'S WAREHOUSE HOLDINGS, INC. (SPWH)	220	Cannell Capital push Sportsman's Warehouse Holdings for board changes
BOARD SEAT/ AGM RESULTS		
AMERICAN OUTDOOR BRANDS, INC. (AOUT)	131	Engine Capital's Cooperation Agreement and Amendment for Bradley T. Favreau's board position
STRATTEC SECURITY CORP (STRT)	89	GAMCO secured board seats in Strattec Security Corp
FRESHPET, INC. (FRPT)	3650	Freshpet and JANA Partners announce Cooperation Agreement
GEE GROUP INC. (JOB)	55	GEE Group Inc. announces cooperation agreement with Red Oak Partners
ONGOING		
PROVIDENT BANCORP, INC. /MD/ (PVBC)	176	Joseph Stilwell intended to seek board representation at Provident Bancorp
SLEEP NUMBER	567	Stadium Capital Management delivered a letter to the board of Sleep

CORP (SNBR)		Number Corporation
OCEAN POWER TECHNOLOGIES, INC. (OPTT)	24	Paragon Technologies' Board Nomination and Unanswered Exemption Requests
IMPERIAL PETROLEUM INC./MARSHALL ISLANDS (IMPP)	34	Galloway Capital Raises Concerns Over Imperial Petroleum's Shareholder Value
CHARGE ENTERPRISES, INC. (CRGE)	118	Arena Investors Urges Strategic Changes at Charge Enterprises
REPUBLIC FIRST BANCORP INC (FRBK)	11	Norcross Braca Group Supports Republic First's Capital-Raising Efforts and Halts Litigation
AMERISERV FINANCIAL INC /PA/ (ASRV)	50	Driver Management seeks SLC Appointment and Clarity on Fiduciary Duty Investigation
VENTAS, INC. (VTR)	17310	Land & Buildings Issues Letter to Ventas Shareholders
ABCAM PLC (ABCM)	3500	Dr. Jonathan Milner opposes Danaher's acquisition of Abcam and calls for EGM to replace Board
FORTE BIOSCIENCES, INC. (FBRX)	31	ISS, Glass Lewis, and BML Investment Partners Advocate for Board Changes in Upcoming AGM
MEI PHARMA, INC. (MEIP)	34	Anson Funds and Cable Car Capital nominated Board candidates to MEI Pharma
PERFORMANCE SHIPPING INC. (PSHG)	23	George Economou Submits Formal Notice to Nominate Director Candidate for Performance Shipping Inc
MARKETWISE, INC. (MKTW)	451	Frank Porter Stansberry sent a letter to the board of Marketwise Inc
AIM IMMUNOTECH INC. (AIM)	32	Ted D. Kellner takes legal action against company's bylaw changes and board at AIM ImmunoTech Inc
SCULPTOR CAPITAL MANAGEMENT, INC. (SCU)	676	Daniel S. Och sent a letter to the Board of Sculptor Capital Management
DIVERSIFIED HEALTHCARE TRUST (DHC)	690	All three leading Independent Proxy Advisory Firms recommend shareholders of Diversified Healthcare Trust Vote AGAINST the Proposed Merger with Office Properties Income Trust
ONESPAN INC. (OSPN)	457	Legion Partners sent a letter to the board of OneSpan outlining its concerns and recommendations
RESEARCH SOLUTIONS, INC. (RSSS)	63	Peter Dercyz nominated board candidates to Research Solutions
CANO HEALTH, INC. (CANO)	237	Former Directors voice concerns and propose changes following Cano Health 's sale intent announcement
NANO DIMENSION LTD. (NNDM)	724	Murchinson issued a presentation on Nano Dimension Ltd
EXICURE, INC. (XCUR)	7	CBI USA calls for resignations and proposed nominations
LIFEVANTAGE CORP (LFVN)	63	Bradley L. Radoff nominated board candidates to LifeVantage Corporation
POTBELLY CORP (PBPB)	252	Nierenberg Investment Management suggests Potbelly Corporation for potential growth and improved performance

SOUND FINANCIAL BANCORP, INC. (SFBC)	95	Joseph Stilwell sought board representation at Sound Financial Bancorp
ALGONQUIN POWER & UTILITIES CORP. (AQN)	7514	Starboard Value urges Algonquin Power & Utilities to unlock value through sale of Renewable Energy Group
OTHERS		
GYRODYNE, LLC (GYRO)	16	Star Equity Fund withdrew its nominations for Gyrodyne
LL FLOORING HOLDINGS, INC. (LL)	127	F9 Investments withdrew its acquisition proposal for LL Flooring Holdings
NOBLE ROMANS INC	6	Noble Roman's, Inc. adjourns annual meeting due to quorum insufficiency
STRATASYS LTD. (SSYS)	1300	Nano Dimension withdrew its director nominations at the upcoming AGM

INITIATED

Bandera Partners Considers Engaging with Joint Corp After its Financial Restatement and Q2 2023 Report Delay

Market Cap: \$141 million| The Joint Corp. develops, owns, operates, supports, and manages chiropractic clinics.

On September 15, 2023, Bandera Partners (25%) stated that it may engage in talks with the management and Board following the company's restatement of its 2022 financials and failure to file its Q2 2023 report timely, to discuss ways to increase stockholder value. [Source](#)

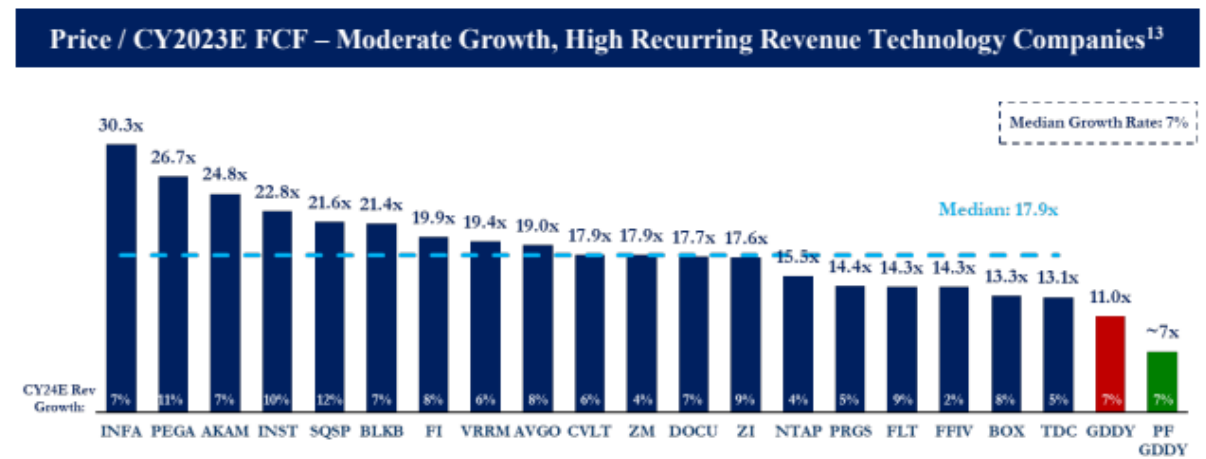
Starboard Voices Concerns about GoDaddy's Performance

Market Cap: \$11 billion| GoDaddy Inc. engages in the design and development of cloud-based products in the United States and internationally.

On September 12, 2023, Starboard (7.8%) delivered a [letter](#) to the company expressing disappointment in the company's operational, financial, and stock price performance over the past 18 months. Starboard believes that the company has the potential to improve its growth and profitability metrics by reducing expenses, especially in Technology & Development. Furthermore, Starboard stated that if the company is not able to execute on these goals or should the market continue to discount the opportunity, it should also remain open-minded about alternative value creation opportunities, which could include a potential sale of the Company

Valuation insight

If GoDaddy achieves 7% revenue growth and 28% Adjusted EBITDA margins in Q4 2023, it can aim for a 40% growth + profitability metric by end of 2024. Regardless of 2024's revenue growth, cost-cutting measures are advised. Generating 7-8% revenue growth in 2024 with 32-33% Adjusted EBITDA margins could mean over \$1.5 billion in Adjusted EBITDA. GoDaddy's undervaluation at 11x 2023E FCF could significantly improve with these targets, reaching a pro forma multiple of about 7x, closer to peers.



Runa Capital Fund Opposes Highly Dilutive Equity Financing at MariaDB

Market Cap: \$31 million| MariaDB plc operates as a cloud database company in North and South America, Europe, the Middle East, Africa, and the Asia Pacific..

On September 7, 2023, Runa Capital Fund (4%) sent a [letter](#) to the board expressing opposition to highly dilutive equity financing by the company, citing concerns about substantial dilution to shareholders. They suggested alternative financing options, including debt financing.

Tarsadia Investments Sends Letter To Board of Cue Health, Inc.

Market Cap: \$89 million| Cue Health Inc., a healthcare technology company, designs and develops diagnostic platform for diagnostic tests for individuals, enterprises, healthcare providers and payors, and public health agencies.

On August 31, 2023, the Tarsadia Investments and Twelve Holdings formed a group (together, 7.4%) and issued a press release containing a [letter](#) to the Board. In the letter, Tarsadia Investments expressed grave concerns about the company's financial decline and strategic direction. Tarsadia, which has invested in Cue since its Series B round in April 2018, noted that Cue's stock price has plummeted by 97% since its IPO, and its quarterly revenues have similarly fallen. Additionally, Tarsadia cited a prediction by Morgan Stanley that Cue would need to raise \$75 million in Q4 2023, resulting in over a 50% dilution for existing shareholders. Tarsadia had previously communicated these concerns to Cue's board but claimed no concrete actions had been taken. To address these issues, Tarsadia recommended the board take immediate actions: (i) Conduct a strategic review of the current business plan, (ii) Realign Cue's cost structure to

achieve \$50 million in annualized cost savings, and (iii) Appoint independent stockholder representatives to the board.

Windward Management CIO expresses confidence in Groupon's turnaround efforts and valuation potential

Market Cap: \$359 million | Groupon, Inc. operates online local commerce marketplaces that connect merchants to consumers by offering goods and services at a discount in North America and internationally.

On September 7, 2023, Marc Chalfin, CIO of Windward Management (9%), stated that he has sent a letter (refer, "[Exhibit C](#)") to the CEO of the company expressing appreciation for the efforts of Dusan, the CEO of Groupon, in turning the company around. Windward Management highlights the following key points:

- Groupon's core business, though previously struggling, is viewed as having significant growth potential.
- New management, controlled by activist investors aligned with Windward, is making positive changes, including addressing misalignment of sales incentives and leveraging AI to improve inventory.
- Chalfin believes that Groupon will return to growth by Q4, with an impending inflection across all three financial statements (revenues, EBITDA, and the balance sheet).
- The company is expected to benefit from cost restructuring, which will lead to a material increase in EBITDA.
- Chalfin anticipates an improvement in the balance sheet due to the sale of assets and a reduction in debt.
- Cash flow is expected to become positive, with significant improvement in the second half of the year.
- Windward's investment is structured with both stock and options, providing leverage for potential upside.
- Chalfin concludes the letter by stating that Windward looks forward to working constructively with Groupon's management to help the company realize its embedded value.

Valuation insight

"It is our contention that the stock is worth \$55+ or 5x where it currently trades. We believe that as we skate forward to The Fall of '24 it will be apparent that the company will do \$200M+ of EBITDA in '25

8x \$200M of EBITDA assuming only 10% share buyback/4M shares at \$22 (100% up from current levels) over the next 12 months results in \$55, even after accounting for dilution from Dusan's options grant

To put in perspective, when GRPN hit \$60 in June of '21, the stock was discounting 10x 175M of EBITDA, but this was on an OPEX base \$250M higher. Top line recovery needs to be far less to achieve same EBITDA

If we are correct in our assumptions across all the financial statements, GRPN will have \$100M+ of net cash pro forma after buyback exiting '24 and could likely buy back significantly more stock than we model

Given stock hasn't had any real revenue growth during the last 8 years, we wouldn't be surprised to see the multiple expand to 10x EBITDA, if they could see multiple consecutive

quarters of top line growth. If Groupon could return to 60% of 2019 levels, a number that wouldn't be shocking to us, the company would generate upwards of \$300M of EBITDA and the stock could flirt with triple digits in our Bull case"

Past

MIG Capital

- On January 31, 2020, MIG Capital (5%) entered into an agreement with the company and pursuant to it, Richard P. Merage will serve as an advisor to the Board of Directors. As an advisor, so long as MIG beneficially owns at least 3.5% of the outstanding shares of Common Stock, Mr. Merage shall be permitted to attend and reasonably participate at portions of all regularly scheduled and special meetings of the Board from February 1, 2020 to April 30, 2020. [Source](#)
- On April 27, 2020, MIG Capital (5.7%) stated that it is encouraged by recent developments at the company, including the leadership and strategy changes and the cost optimization efforts that are underway. Given these positive developments, MIG Capital has determined not to extend Richard P. Merage's status as an advisor to the Board beyond April 30, 2020 in accordance with the terms of the Agreement. [Source](#)

Jan Barta

- On June 13, 2022, Jan Barta entered into a cooperation agreement with the company and pursuant to it, immediately following the company's 2022 AGM scheduled to be held on June 15, 2022, the company will (i) increase the size of its Board to nine directors and (ii) appoint Dusan Senkypl to the Board to serve as a new director and appoint Jan Barta to initially serve as a Board observer and then as a new director by November 30, 2022.
- On March 30, 2023, Jan Barta entered into an agreement with the company in connection with the company's appointment of Mr. Senkypl as Interim CEO and irrevocable nomination of Messrs. Senkypl and Barta for re-election as directors at the company's 2023 AGM. [Source](#)

Chain of Lakes Investment Fund challenges PCTEL Board on shareholder value

Market Cap: \$81 million | PCTEL, Inc., together with its subsidiaries, provides industrial Internet of Thing devices (IoT), antenna systems, and test and measurement solutions worldwide.

On August 29, 2023, Chain of Lakes Investment Fund (8.7%) stated that the long-tenured Board members have been ineffective at creating shareholder value. The fund criticized the Board members' inability to increase shareholder value, noting the stock price is lower than when they joined. They're worried about the company's small scale in Antenna/IoT and Test and Measurement sectors, along with an inefficient structure, which risks more value loss for shareholders. The Fund suggests the Board swiftly reviews strategic options, potentially selling the whole company for quicker capital return, despite separate sales possibly yielding more value. [Source](#)

MFN Partners Management urges new board appointments at Yellow Corporation

Market Cap: \$130 million| Yellow Corporation, through its subsidiaries, provides various transportation services primarily in North America.

On August 23, 2023, MFN Partners Management (42.3%) sent a letter to the company requesting that the company fill the two vacancies on its board by appointing two new directors who possess deep and relevant experience in structuring, implementing, and/or overseeing value-maximizing transactions in special situations to the Board. MFN Management has suggested one such qualified individual to fill one vacancy and intends to suggest a second individual in the near future to fill the other vacancy. MFN Management also requested that the company consider and implement a key employee incentive and retention program. [Source](#)

Bradley L. Radoff raises concerns over company's performance and calls for board refresh at EMCORE Corp

Market Cap: \$38 million| EMCORE Corporation is engaged in designing and manufacturing indium phosphide (InP) optical chips, components, subsystems and systems for the broadband and specialty fiber optics market.

On August 24, 2023, Bradley L. Radoff (8%) stated that he is concerned about the Company's share increase, price decline, and shareholder dissatisfaction. He urges a quick Board refresh with skilled directors, emphasizes shareholder input, and aims to unlock Company value through collaboration with the Board. [Source](#)

Past

- On April 11, 2022, Cannell Capital disclosed a 9.98% active stake in the company and sent a [letter](#) to the Chairman of the Board requesting that the company replace two members of the Board immediately.
- On August 3, 2022, Cannell Capital delivered a [letter](#) to the Board expressing its concerns that (i) EMKR's weak CEO is unable to retain or attract good people, (ii) EMKR's adrift management has missed "street" earnings estimates three out of the last six quarters, (iii) EMKR's disengaged BOD has little to no capital allocation experience and scant skin in the game. CC defines "skin" as that which you buy, not that which you are given; and (iv) EMKR faces a structural conflict wherein numerous external parties are allegedly interested in enjoying control, or significant ownership, in EMKR but the flaccid and self-serving BOD repels them.

Starboard initiated a active stake in Bloomin' Brands

Market Cap: \$2.4 billion | Bloomin' Brands, Inc. is a holding company. The Company owns and operates casual, upscale casual and fine dining restaurants.

On August 18, 2023, Starboard initiated a 9.9% active stake in the company.

Past

(i) Jana Partners

On April 8, 2020, Jana Partners and the company entered into a cooperation [agreement](#) and pursuant to it, they announced that the Company will be adding two new independent directors recommended by Jana Partners to its Board effective July 1, 2020.

(ii) Barington Capital

On February 21, 2018, Barington Capital sent a letter and detailed presentation to the Chairman and CEO recommending that the company implement a variety of measures to improve long-term value. It stated its belief that the company can address its challenges by taking the following steps: (a) spin off its smaller brands (Bonefish Grill, Carrabba's and Fleming's) into a new company, leaving Outback to operate independently, in order to improve strategic focus and operating execution at each brand; (b) enhance the guest experience to increase revenues and improve customer loyalty; (c) reduce excessive expenses including advertising and corporate overhead; and (d) improve the Company's corporate governance and the composition of its board of directors.

Valuation Insight

Barington is convinced that the company's intrinsic value per share is well above its current market price and believes that if the company effectively executes its recommendations, the value of the company's stock could increase to approximately \$41 per share.

Barington's letter and presentation to the Company are available at <http://www.barington.com/bloomin.html>

MCI Capital, LC and Iowa City Capital Partners raise concerns over acquisition offer in letter to StarTek Board

Market Cap: \$137 million | StarTek, Inc., a business process outsourcing company, provides customer experience, digital transformation, and technology services in various markets.

On August 10, 2023, MCI Capital, LC and Iowa City Capital Partners, LC (7.5%) sent a [letter](#) to the Board expressing concerns about an offer from CSP Management Limited to acquire the company at \$3.80 per share. They believe this price undervalues the company, citing CSP's prior attempts at higher prices. They suggest an independent fairness opinion and call for measures to protect minority stockholders' interests. While supportive of the take-private concept, they find the current price and process unreasonable.

Barington proposed a plan for Hanesbrands Inc

Market Cap: \$1.8 billion | Hanesbrands Inc., a consumer goods company, designs, manufactures, sources, and sells a range of basic apparel for men, women, and children.

On August 7, 2023, Barington sent a letter to the Chairman of the board urging the company to focus on cash generation, debt reduction, and efficient operations for shareholder value. They suggest swift cost-cutting, skilled leadership additions, and immediate action for a stronger apparel company future. Barington proposes a plan for the company to enhance shareholder value by taking three crucial steps: 1) Cut SG&A costs by \$300 million annually, using savings to reduce debt; 2) Reduce inventory to 170 days by year-end and 150 days within 18 months, directing proceeds towards debt reduction; 3) Improve gross margins via facility optimization. Barington asserts that this cost-effective strategy, potentially led by a new CEO, could position the company for excellence and substantial long-term shareholder value, requiring additional experienced directors on the board. [Source](#)

Terra Property Trust acquires 5.2% stake in AG Mortgage Investment Trust to unlock value

Market Cap: \$133 million | AG Mortgage Investment Trust, Inc. operates as a residential mortgage real estate investment trust in the United States.

On July 25, 2023, Terra Property Trust (5.2%) issued a [press release](#) announcing its intention to engage in communications with the management team and board regarding opportunities to enhance shareholder value, including, without limitation, a strategic combination involving the company.

Past:

On April 12, 2022, Hill Country Asset Management disclosed an 8.6% active stake in the company and stated that it intends to engage with the board and management team regarding its operations, performance, and compensation practices, including the company's management relationship with affiliates of Angelo, Gordon & Co. and the company's share buy-back program. Hill Country Asset Management seeks to engage with the company to increase shareholder value. [Source](#)

Cannell Capital push Sportsman's Warehouse Holdings for board changes

Market Cap: \$220 million | Sportsman's Warehouse Holdings, Inc., together with its subsidiaries, operates as an outdoor sporting goods retailer in the United States.

Background:

On April 27, 2023, GAMCO (5.59%) sent a [letter](#) to the company's Chairman and Interim CEO, seeking board representation.

Update:

On July 25, 2023, Cannell Capital (9.8%) expressed dissatisfaction with the company's 2023 performance, as its stock declined 38% compared to competitors' gains. They suggested adding new members to the Board, introducing four potential candidates. However, the company's Cooperation Agreement attempted to restrict Cannell Capital's actions in exchange for adding one of their suggested board members. Cannell Capital disapproved the draft agreement and believes the incumbent Board should resign, allowing shareholders to select a new, independent Board. Potential repercussions from major proxy advisory services are warned if the current Board does not take this opportunity. [Source](#)

BOARD SEAT/ AGM RESULTS

Engine Capital's Cooperation Agreement and Amendment for Bradley T. Favreau's board position

M.Cap: \$131 million | American Outdoor Brands, Inc. provides outdoor products and accessories for rugged outdoor enthusiasts in the United States and internationally..

On August 30, 2023, Engine Capital stated that on August 7, 2022, it has entered a Cooperation and Support Agreement with the company. This agreement led to the addition of Bradley T. Favreau to the Board, and he was also appointed to the Compensation Committee. An amendment on May 24, 2023, specified that Mr. Favreau would be nominated for re-election at the 2023 Annual Meeting and continue on the Compensation Committee. [Source](#)

Past

On November 29, 2021, Voss Capital disclosed 4% and stated that it has engaged, and expects to continue to engage, in discussions with management and the Board regarding available opportunities to enhance stockholder value and certain corporate governance-related topics, including, among other items, the composition of the Board of Directors. [Source](#)

GAMCO secured board seats in Strattec Security Corp

Market Cap: \$89 million | Strattec Security Corporation designs, develops, manufactures, and markets automotive access control products under the VAST Automotive Group brand primarily in North America.

Background

- On June 2, 2023, GAMCO (17.76%) stated that it is reviewing the possibility of nominating two directors for the board. [Source](#)
- On June 28, 2023, GAMCO (18.3%) sent notice to the company of its intent to nominate Mr. Bruce M. Lisman as a candidate for election to the Board at the AGM.
- On July 7, 2023, GAMCO (18.5%) sent notice to the company of its intent to also nominate Mr. F. Jack Liebau, Jr. as a candidate for election to the Board at the AGM. [Source](#)

Update

On August 25, 2023, the company announced it will nominate Mr. Lisman and Mr. Liebau for appointment as directors at the 2023 Annual Meeting. As a result, GAMCO will withdraw its nominees and will vote its shares in favor of the election of all of the company's nominees at the 2023 Annual Meeting. GAMCO believes that the election of Mr. Lisman and Mr. Liebau will add value to the Board. [Source](#)

Past

- On September 22, 2021, the company announced that it will be holding its AGM on October 5, 2021 and at the AGM, shareholders will vote on the election of two directors and a proposal to increase (from 12 million to 18 million) the company's number of authorized shares of common stock. [Source](#)
- On September 23, 2021, GAMCO (19.5%) stated that it is uncomfortable providing the company a "blank check" increase in its share authorization without a detailed and verifiable plan for the use of the additional shares during this time of transition. GAMCO's Proxy Voting Committee (the "PVC") believes that it is good corporate governance for shareholders to be able to make an informed decision if the company, for example, is considering a joint venture or acquisition comprising over 10% of enterprise value. Therefore GAMCO, on behalf of its investment advisory clients for which it has voting authority, intends to "Withhold" on the election of the company's nominees and vote "Against" the proposal to increase the authorized common stock at the AGM. [Source](#)

- At the [AGM](#) held on October 5, 2021, shareholders voted to elect the company's nominees and also voted in favour of the proposal.
- On August 8, 2022, the company announced, that its CFO, Mr. Patrick J. Hansen, was retiring effective September 9, 2022. Given Mr. Hansen's longevity and importance to the company, GAMCO (16.71%) believes that the company should consider adding Mr. Hansen to the Board potentially at the upcoming 2022 AGM. [Source](#)

Freshpet and JANA Partners announce Cooperation Agreement

Market Cap: \$3.7 billion | Freshpet, Inc. manufactures and markets natural fresh meals and treats for dogs and cats in the United States, Canada, and Europe.

Background

- On September 22, 2022, JANA Partners (9.6%) announced its intention to engage in discussions with the board and management team regarding strategic value assessment, capital allocation, operations, investor communication, management, and board governance matters. [Source](#)
- On December 15, 2022, JANA (8.9%) informed the company of its plan to solicit proxies at the company's 2023 AGM. [Source](#)
- On May 24, 2023, JANA Partners (9.3%) nominated four candidates for election to the board at the 2023 AGM. It issued a [letter](#) to the shareholders stating its belief that the company's pattern of missteps stems directly from a Board that has disregarded its most basic duties to shareholders.
- On May 25, 2023, JANA Partners delivered a notice to the company of its intent to propose the nomination of Diane Dietz, Timothy R. McLevish and Scott Ostfeld for election at the 2023 AGM, and for Kurt T. Schmidt to serve as an alternate nominee in the event any of the JANA Nominees are unable to stand for election. [Source](#)
- On June 1, 2023, JANA Partners filed a verified complaint in the Court against each member of the board and the company. In the Verified Complaint, the plaintiffs seek orders (i) declaring that the defendant Board members breached their fiduciary duties by decreasing the number of directors in Class III and increasing the number of directors in Class I; (ii) declaring that stockholders have an opportunity to elect four Class III directors at the annual meeting; and (iii) compelling a director in Class I or Class II to stand for election at the annual meeting as a Class III director. [Source](#)
- On June 5, 2023, JANA Partners criticizes the company's insufficient attempts to address governance issues, calling for meaningful board-level changes. It remains open to a satisfactory resolution that addresses the root causes of dysfunction at Freshpet. [Source](#)

Update

On August 21, 2023, the company entered into a cooperation [agreement](#) with JANA Partners and pursuant to it, the company appointed Timothy McLevish and Joseph E. Scalzo to its Board.

GEE Group Inc. announces cooperation agreement with Red Oak Partners

Market Cap: \$55 million | GEE Group Inc. provides permanent and temporary professional and industrial staffing and placement services in the United States.

Background

On May 25, 2023, Red Oak Fund (8.7%) delivered a letter to the company nominating a slate of two candidates for election to the board at the 2023 AGM. [Source](#)

Update

- On August 9, 2023, Red Oak Partners entered into a [cooperation agreement](#) with the company and pursuant to it, the Board will increase its size from seven to nine directors and appoint two new independent directors, David Sandberg (Red Oak Capital's nominee) and J. Randall Waterfield) to serve as Class I and Class II directors, respectively, filling the newly created vacancies on the Board.
- On August 15, 2023, Goldenwise Capital Group (5.2%) stated that since May 2023, it has been engaged, and intends to continue to engage, in discussions with management regarding opportunities to unlock value, including: Changes to Board Composition, De-staggering Board, Share Repurchase, Corporate Governance Improvement, Potential Selling of the Company. [Source](#)

ONGOING

Joseph Stilwell intended to seek board representation at Provident Bancorp

Market Cap: \$176 million | Provident Bancorp, Inc. operates as the bank holding company for BankProv that provides various financial services to individuals and small businesses in the United States.

Background

On June 21, 2023, Joseph Stilwell (9.1%) stated his belief that he hopes to work with management and the board to maximize shareholder value. He believes the company is doing a poor job of controlling expenses and should focus on basic community banking fundamentals.

[Source](#)

Update

On September 13, 2023, Joseph Stilwell increase his stake to 10.1% and stated that he intended to seek board representation with the goal of maximizing shareholder value at the company.

[Source](#)

Stadium Capital Management delivered a letter to the board of Sleep Number Corporation

Market Cap: \$567 million| Sleep Number Corporation, together with its subsidiaries, offers sleep solutions and services in the United States.

Background

On August 25, 2023, Stadium Capital Management (8.5%) stated that it is concerned with the company's long-term underperformance and believe shareholder representation on the Board is needed to drive improvements to the governance, capital allocation and operations. Stadium

Capital stated that it is engaging in discussions with the Board and management regarding the composition of the Board and opportunities to enhance shareholder value. [Source](#)

Update

On September 13, 2023, Stadium Capital Management (9%) issued a [letter](#) and press release to the Board requesting a meeting with the independent directors to discuss the urgent need for shareholder-driven Board change. In the letter, Stadium Capital asserted that the Board has presided over abysmal shareholder returns, egregious capital allocation, poor corporate governance practices and questionable compensation decisions. Stadium Capital also expressed its views that the Board's ineffective oversight has enabled management to let costs run out-of-control in pursuit of its wellness technology strategy. It has also expressed disappointment with the Board's rejection of a good faith offer to collaborate on director refreshment, including adding its representative to the board.

Valuation insight

"Sleep Number spends 2x on R&D relative to Tempur Sealy even though Tempur Sealy generates, by our estimates, roughly 4x the retail sales of Sleep Number. Yet, based on our research, if Sleep Number spent proportionally the same amount on R&D as Tempur Sealy does, Sleep Number's 2023 expected EPS would double."

Paragon Technologies' Board Nomination and Unanswered Exemption Requests

Market Cap: \$24 million | Ocean Power Technologies, Inc. develops and commercializes proprietary systems that generate electricity by harnessing the renewable energy of ocean waves in North America, South America, Europe, and Asia..

Background

- On July 7, 2023, Paragon Technologies (3.9%) provided a [letter](#) to the stockholders with respect to its views regarding the Company's financial condition and the performance of the board. It expressed its concerns about the company's ongoing cash burn and lack of a coherent plan for profitability. It highlighted the company's history of net losses since its inception in 1994, declining share price, failed commercialization efforts, and high operating expenses. Paragon intends to provide a slate of director nominees with the aim of reducing losses, addressing the cash burn, and implementing a go-to-market strategy to create profitable operations at the company.
- On July 14, 2023, Paragon Technologies (4%) expressed its concerns about alleged wrongdoing and mismanagement by the board and management. It has requested access to the company's records and will pursue litigation if the board does not comply. Furthermore, it stated that it may make binding or non-binding stockholder proposals or may nominate one or more individuals as nominees for election to the board. [Source](#)
- On July 17, 2023, Paragon sent an Inspection Demand to the company, requesting access to the company's books and records for the purpose of investigating apparent wrongdoing and/or mismanagement by the Board and/or management. [Source](#)
- On July 27, 2023, Paragon filed a complaint in the Delaware Court of Chancery to enforce for inspecting Company's books and records.
- On August 2, 2023, Paragon Technologies, Inc. issued a [press release](#) regarding the company, demanding clear explanations from the board on how the company will fund operations beyond July 31, 2024.
- On August 11, 2023, Paragon Technologies (4%) calls on the company to REFRAIN from ALL future equity share sales that will dilute shareholders and immediately announce a

significant cost cutting plan to demonstrate the Board's commitment to protecting shareholder value. [Source](#)

- On August 25, 2023, Paragon demands corporate governance adherence and shareholder value enhancement, urging to:
 - Reinstatement of the Company's bylaws to their original form prior to Paragon's calling out the Company's worsening financial performance
 - Termination of the Company's poison pill and grant of Paragon its limited waiver
 - Allow Paragon, as is Paragon's right as a shareholder, to examine the Company's books and records
 - Reconstitution of its Board to appoint Paragon's directors to the Company's Board.
- [Source](#)

Update

On August 25, 2023, Paragon Technologies notified its intent to nominate five directors for the company's board at the 2023 annual meeting. On August 29, 2023, Paragon Technologies submitted a second request for an exemption related to the "Section 382 Tax Benefits Preservation Plan" adopted by the company's board on June 29, 2023, limiting ownership to 19.9% of the company's outstanding shares. The company's board has not responded to these exemption requests. [Source](#)

Galloway Capital Raises Concerns Over Imperial Petroleum's Shareholder Value

M.Cap: \$34 million | Imperial Petroleum Inc. provides international seaborne transportation services to oil producers, refineries, and commodities traders.

Background:

On August 30, 2023, Galloway Capital Partners (2.3%) sent a [letter](#) to the Board expressing concern over Imperial Petroleum's declining shareholder value, citing a nearly 99% drop in share price since March 2022. Galloway highlighted positive financial results, emphasizing strong revenues and profitability, but questioned the need for recent dilutive financing given the company's solid balance sheet and financial performance. Galloway also pointed out self-dealing perceptions in ship acquisitions and share issuances, requesting an immediate halt and reversal of such transactions. Furthermore, Galloway called for a share repurchase, board expansion, and enhanced fiduciary duties to enhance shareholder value.

Update:

On September 11, 2023, Galloway Capital Partners sent a [letter](#) to the Chairman and CEO of the company expressing grave concerns. Galloway Capital Partners was dismayed by recent actions taken by the company, including the approval of a Share Repurchase Program and the acquisition of vessels from affiliates of the CEO. Galloway Capital Partners found these actions self-serving and damaging to shareholders. It demanded an immediate tender for recently sold shares and warrants, questioned a hyper-dilutive financing decision, and recommended two candidates for the Board of Directors.

Arena Investors Urges Strategic Changes at Charge Enterprises

Market Cap: \$118 million | Charge Enterprises Inc. operates as an electrical, broadband, and electric vehicle (EV) charging infrastructure company.

Background

On August 21, 2023, Arena Investors (10%) sent a [letter](#) to the Board urging them to improve management and operations due to a 78% stock decline in a year. Arena believes that better leadership can drive profits, growth, and electric vehicle charging expansion. However, Arena criticized the current board for not responding to six months of private engagement, thereby impeding crucial performance improvements.

Update

On September 11, 2023, Arena Investors (10%) sent a [letter](#) to the Board expressing concerns about the underperformance of the stock and urged the board to take specific actions to enhance the company's value for shareholders. Arena's key recommendations and concerns include: (i) elimination of a staggered board structure, (ii) reinvigoration of the board, (iii) changes in management/operations, (iv) engaging a professional interim advisor, (v) integration and incentivization of subsidiaries, (vi) revisiting general and administrative costs, and (vii) rationalize cost of capital. In conclusion, Arena expressed its commitment to Charge's long-term potential but insisted on immediate and comprehensive actions to improve the company's performance and value for shareholders.

Norcross Braca Group Supports Republic First's Capital-Raising Efforts and Halts Litigation

Market Cap: \$11 million | Republic First Bancorp, Inc. operates as the holding company for Republic First Bank that provides a range of credit and depository banking products and services to individuals and businesses.

Background

George E. Norcross, III

- In January 2022, the Norcross Braca Group expressed concerns about the underperforming stock price of Republic First Bancorp and called for leadership changes. Over the following months, the group increased its stake in the company, opposed director reappointments, filed complaints and demands with the SEC and court, proposed a \$50 million investment, and requested the appointment of a special committee to investigate misconduct. In November 2022, they called for the resignation of the interim CEO and nominated Gregory B. Braca for the Board. Legal battles ensued, and in May 2023, the group resumed their proxy fight, aiming to replace board members and install new management. They also questioned the company's decision to suspend a capital raise and urged the cutting of director perks. Throughout this period, the group sought transparency, engagement, and changes to improve the company's performance.
- On June 1, 2023, the Norcross Braca Group blasted the appointment of Andrew B. Cohen as Chairman of the Board.

- On June 2, 2023, the Norcross Braca Group filed a shareholder derivative complaint against directors of the company, alleging breaches of fiduciary duties, self-dealing, false statements, and mismanagement. The plaintiffs seek restitution for the company, including the disgorgement of compensation and benefits received during the alleged misconduct. [Source](#)
- On June 6, 2023, the Norcross Braca Group publicly demanded the resignation of Thomas X. Geisel as President, CEO, and board member, alongside their call for the resignation of other board members.
- On June 20, 2023, the Norcross Braca Group delivered a [letter](#) to the Board calling for the resignation or removal of Andrew B. Cohen as Chairman of the Board.
- On June 26, 2023, the Norcross Braca Group issued a [press release](#) calling on the board to schedule its long-overdue annual meeting, stop resorting to gamesmanship to protect their own positions, and end the secrecy around the company's operations.
- On July 14, 2023, the Norcross Braca Group announced three candidates to be nominated to serve on the board. In the [press release](#), the group stated that the company has faced dysfunction, poor performance, and various issues in the past 18 months. Braca expressed confidence in revitalizing the company with new leadership. The Norcross Braca group filed a complaint to prevent board size reduction and nominated three candidates following a court order requiring the company to reopen the nomination window.
- On August 8, 2023, the Norcross Braca Group filed proxy materials seeking support for its nominees.
- On August 29, 2023, the Norcross Braca Group stated that they are in early discussions for a potential equity investment and broader capital raising with the company and others. This transaction could potentially resolve ongoing litigation, impact governance arrangements including board representation, and involve expense reimbursement. [Source](#)

Driver Management

On December 9, 2021, Driver Management nominated three candidates for the board at the 2021 Annual General Meeting (AGM). They filed proxy materials on January 14, 2022, seeking support for their nominees and sent a letter to the board on February 2, 2022, emphasizing the need for significant change. On April 13, 2022, Driver Management expressed that it had demanded a shareholder list but had not received it. They filed additional proxy materials on April 26, 2022, and a complaint on May 2, 2022, seeking to compel the holding of the 2022 AGM. Meanwhile, on May 19, 2022, the company disclosed non-compliance with NASDAQ Listing Rules. On June 2, 2022, Driver Management filed proxy materials for a Special Meeting of shareholders, nominating a candidate for election to the board. On September 20, 2022, they expressed concerns about the employment agreement between the company and the interim CEO. Finally, on October 4, 2022, the company disclosed a cooperation agreement with Driver Management, appointing Peter B. Bartholow as a director on the board.

Update

On September 11, 2023, the Norcross Braca Group confirmed their support for the company's efforts to raise additional capital and mentioned ongoing discussions with another financial institution for a potential transaction. They have temporarily halted litigation against the company and are focused on assisting Republic First in securing additional capital. [Source](#)

Driver Management seeks SLC Appointment and Clarity on Fiduciary Duty Investigation

Market Cap: \$50 million | AmeriServ Financial, Inc. operates as the bank holding company for AmeriServ Financial Bank that provides various consumer, mortgage, and commercial financial products.

Background

- On January 17, 2023, Driver Management (8.6%) delivered a letter to the company nominating a slate of director candidates: J. Abbott R. Cooper, Julius D. Rudolph, and Mr. Simmons, for election to the Board at the 2023 AGM. [Source](#)
- On January 20, 2023, Driver Management delivered a [letter](#) to the CEO of the company stating that it is exercising its right to inspect certain books and records and demands to inspect certain documents.
- On March 15, 2023, the company disclosed that Driver management's notice of director candidate nominations is invalid. [Source](#)
- On March 16, 2023, Driver Management sent a [letter](#) to the counsel of the company regarding the unlawful attempt by the company to prevent Driver's nominees from serving as candidates for election to the board.
- On March 17, 2023, the Company filed a complaint against Driver Management and the Driver Nominees in the Court seeking declaratory judgment that (i) the Company properly rejected Driver Opportunity's notice of intent to nominate director candidates at the annual meeting, which was submitted on January 17, 2023, and (ii) because of such rejection, Driver has no right to nominate candidates for election to the Board and the defendants have no right to seek election to the board at the annual meeting. Driver reiterates its belief that there is no justification for the conclusions reached by the Company and is committed to defending itself against what it views as, an attempt to prevent it from exercising its rights as a shareholder. [Source](#)
- On March 29, 2023, Driver Management filed a complaint in the Court against the Company and the Company's board of directors. [Source](#)
- On May 31, 2023, the company announced that shareholders voted to elect the company's three director candidates. [Source](#)
- On September 7, 2023, Driver Management delivered a [letter](#) to the Chairman of the board stating that it intends to nominate J. Abbott R. Cooper for election to the board at the company's 2024 AGM

Update

On September 12, 2023, Driver Management delivered a [letter](#) to the Company's counsel regarding a demand made on August 1, 2023, for the company to appoint a special litigation committee (SLC) to investigate alleged breaches of fiduciary duties by current and former members of the board. The demand relates to ongoing litigation preventing shareholders from voting for certain director candidates. Driver Management seeks confirmation of the SLC's appointment, the estimated investigation completion date, and expresses concern about ongoing corporate waste.

Land & Buildings Issues Letter to Ventas Shareholders

Market Cap: \$17 billion | Ventas, an S&P 500 company, operates at the intersection of two powerful and dynamic industries – healthcare and real estate.

On September 11, 2023, Land & Buildings Investment Management delivered a [letter](#) to the shareholders criticizing the company's underperformance and undervaluation. They highlighted the widening gap in performance compared to Welltower, expressing dissatisfaction with the

board and management. The letter pointed out poor earnings growth, operational missteps, and a lack of effective oversight. Land & Buildings called for urgent action to restore investor confidence and improve performance while leaving room for dialogue with the company.

Past

- On March 7, 2022, Land & Buildings Investment Management issued an open [letter](#) to the shareholders, expressing concerns with the performance of the company and nominated its Founder and CIO, Jonathan Litt, for election at the upcoming 2022 AGM.
- On April 6, 2022, Land & Buildings issued an [Investor Presentation](#) titled “Curing a Decade of Underperformance”, reiterating its concerns and seeks support for its nominees.
- On April 11 2022, Land & Buildings issued a Rebuttal [Investor Presentation](#) titled “Responding to the Company’s Underwhelming ‘Winning Strategy’”.
- On April 20, 2022, the company [announced](#) that ISS and Glass Lewis have recommended that shareholders vote “FOR ALL” of Ventas’s 11 experienced directors on the WHITE proxy card in advance of the upcoming annual meeting of stockholders to be held on April 27, 2022.
- On April 25, 2022, the company [announced](#) that Land & Buildings has withdrawn its director nominee.
- At the [AGM](#) held on April 27, 2022, shareholders elected all the company's director nominees.
- On April 24 2023, Land & Buildings sent a letter to the board expressing its dissatisfaction with the company's long-term underperformance and undervaluation. In an open letter to the board, Land & Buildings highlighted the need for further action to address the lackluster returns experienced by shareholders under the current board. As a result, Land & Buildings intends to vote against the re-election of Lead Independent Director James Shelton and Board Chair Debra Cafaro at Ventas' upcoming AGM.
- At the [AGM](#) held on May 16, 2023, shareholders elected all the company's director nominees. However, the shareholders had expressed their displeasure with several directors, as Lead Independent Director James Shelton and Chair Debra Cafara received poor votes.

Dr. Jonathan Milner opposes Danaher's acquisition of Abcam and calls for EGM to replace Board

Market Cap: \$3.5 billion | Abcam plc, a life science company, focuses on identifying, developing, and distributing reagents and tools for scientific research, diagnostics, and drug discovery.

Background

- On May 17, 2023, Jonathan Milner (6.3%), founder of the company, issued a [press release](#) stating that he intends to call an extraordinary general meeting of shareholders. His plan is to remedy a period of sustained operational underperformance and value destruction by the current Board and leadership team since he resigned from the Board in October 2020 by giving the Company more effective leadership at the Board level. Jonathan Milner intends to solicit shareholder support to replace the Chairman of the Board, Peter Allen, with himself as Executive Chairman.
- On May 30, 2023, Jonathan Milner delivered a [notice](#) to the company compelling to call an extraordinary general meeting of shareholders.
- On June 5, 2023, Jonathan Milner delivered a [notice](#) to the company compelling to call an extraordinary general meeting of shareholders.

- On June 5, 2023, Jonathan Milner published a slide-deck [presentation](#) regarding the company.
- On June 12, 2023, Jonathan Milner published a slide-deck [presentation](#) regarding the company and issued an open [letter](#) to shareholders calling for the removal of Peter Allen, Michael S. Baldock and Sally W. Crawford as Directors of the Company; and the appointment of Jonathan Milner as a Director of the Company and Executive Chairman, to help restore Abcam's financial and operational performance and create shareholder value by giving the Company more effective Board-level leadership.
- On June 19, 2023, Jonathan Milner, through his legal counsel, sent four letters to the company and its outside counsel about multiple concerns regarding corporate governance. [Letter 1](#), [Letter 2](#), [Letter 3](#), [Letter 4](#)
- On June 23, 2023, the company [announced](#) that the board has unanimously decided to initiate a process to explore strategic alternatives for the Company. The comprehensive process will begin immediately and will evaluate a broad range of options to maximize shareholder value, including a potential sale of the Company
- On June 23, 2023, Jonathan Milner issued an open [letter](#) to the shareholders in response to the Company's recent disclosures about strategic interest and false claims that Jonathan Milner would be hostile to strategic opportunities.
- On June 26, 2023, Jonathan Milner (6.3%) issued a [press release](#) regarding the suspension of his proxy solicitation for the EGM. He stated that in response to credible M&A interest and the board's pursuit of strategic alternatives, he suspends his solicitation efforts to allow the board to focus on maximizing shareholder value. Also, he expresses willingness to join the board in a leadership role to support the strategic review process.
- On August 16, 2023, Jonathan Milner (6.14%) has sent a [letter](#) to the Board regarding the ongoing "Review of Strategic Alternatives." The review was initiated nearly two months ago, exploring various options including a potential sale of the company. Dr. Milner had temporarily suspended his campaign and offered to re-join the Board to assist with the review process. However, his offer was not acted upon and he expressed disappointment over this. As a significant shareholder who supports a full and fair sale of the company, he has requested an investor update on the review's progress by August 31, 2023. Dr. Milner also warned that if his offer continues to be refused and if the Board fails to meet expectations, he might resume his campaign in the coming months

Update

On September 15, 2023, Jonathan Milner (6.14%) [announced](#) his decision to vote against the proposed acquisition of Abcam by Danaher Corporation. He intends to request a General Meeting (EGM) to replace the current Board, including the CEO, CFO, and Chairman.

ISS, Glass Lewis, and BML Investment Partners Advocate for Board Changes in Upcoming AGM

Market Cap: \$31 million | Forte Biosciences, Inc. operates as a clinical-stage biopharmaceutical company in the United States.

Background

Camac Fund, ATG Fund and McIntyre Capital

- On August 4, 2022, ATG Fund (9.9%) stated that it has previously expressed dissatisfaction with the strategic direction of the company in connection with the company's introduction of its "poison pill." It is the current intention of ATG Fund to engage in discussions with the

management, board, other representatives regarding potential alternatives and recommendations that ATG Fund believes would present the opportunity for more immediate and certain value creation for the stockholders. Such alternatives and recommendations may include, without limitation, liquidation of the company's assets and return of capital to the stockholders. [Source](#)

- On August 17, 2022, Camac Partners (7.1%) expressed concerns regarding the Company's sizable trading price discount relative to its cash on hand and the Board's decision to conduct a highly dilutive equity capital raise following the emergence of four separate Schedule 13D filers. [Source](#)
- On February 17, 2023, Camac Fund delivered a letter to the company nominating Michael G. Hacke and Chris McIntyre for election to the board at the 2023 AGM.
- On May 25, 2023, Camac Fund filed proxy materials seeking support for its nominees.
- On July 3, 2023, Camac Fund resubmitted its nomination of the Nominees for election to the Board at the annual meeting following the company's disclosure that the annual meeting will be held on September 19, 2023. [Source](#)
- On August 31, 2023, Camac Fund, LP, ATG Capital Management, LLC, and McIntyre Capital (collectively referred to as 'the Concerned FBRX Stockholders') formed a group and issued an Investor [Presentation](#) titled "The Case for Boardroom Change at Forte Biosciences".
- On September 6, 2023, the Concerned FBRX Stockholders addresses various misrepresentations by the company, highlighting that they are not advocating for liquidation but rather accountability and improved governance. They criticize Forte's recent private placement, which they view as dilutive and done to entrench current leadership. They also question Forte's comparisons with other biotech transactions and point out that their concerns extend beyond management's performance to its misalignment with stockholders. The group urges stockholders to vote "FOR" their independent nominees at AGM on September 19, 2023. [Source](#)

BML Investment Partners

- On May 24, 2022, Braden Leonard, BML Investment Partners (8.9%), sent an email to the company's Chairman & CEO, Paul Wagner, indicating that BML believes that the company should liquidate and return cash to shareholders. [Source](#)
- On July 6, 2022, Braden Leonard, BML Investment Partners (9.1%), sent a follow up email to the company's Chairman & CEO, Paul Wagner, indicating that BML believes that the company should liquidate and/or return cash to shareholders. [Source](#)
- On August 15, 2022, Braden Leonard, BML Investment Partners (7.2%) sent a follow up email to the Chairman & CEO, Paul Wagner, indicating that BML believes that the company is destroying shareholder value by issuing shares at the current price. Also, he reiterated that shareholders would be far better off if the Board had decided to liquidate. [Source](#)

Funicular Funds

- On July 6, 2022, Funicular Funds disclosed a 7.5% active stake in the company and stated its belief that the Board could made an immediate value creation through a substantial buyback program, tender offer at a premium, or special dividend. Funicular Funds requested that the Board evaluate, in conjunction with the company's continued development program, a tender offer or other extraordinary transaction to return \$20 million (or such other amount deemed appropriate under the circumstances) and promptly report back to holders.
- On July 19, 2022, Funicular Funds (9.9%) expressed its concerns regarding the company's adoption of poison pill. [Source](#)
- On August 24, 2022, Funicular Funds sent a [letter](#) to the Board expressing its concern with the Board's failure to address the legitimate concerns previously raised by stockholders and its decision to embark on a value-destructive, scorched-earth path with a dilutive and

unnecessary capital raise, without so much as an explanation for its actions. In the letter, the Fund urges the Board to immediately establish a special committee comprised solely of independent directors to: (i) thoroughly investigate recent actions taken in response to stockholder feedback, (ii) rectify the recent dilutive capital raise by formulating a plan to return capital to stockholders, (iii) consider and recommend a separation of the Chairman and CEO roles at the company, and (iv) exercise the Board's authority under the company's Bylaws to call a special meeting of stockholders to allow the owners of the company to determine its future direction.

Update

- On September 14, 2023, ISS and Glass Lewis recommended stockholders support boardroom change at the company's upcoming AGM. [Source](#)
- On September 15, 2023, BML Investment Partners announced its plans to vote its shares in favor of proposals put forth by Camac Partners and ATG Capital Management. [Source](#)

Anson Funds and Cable Car Capital nominated Board candidates to MEI Pharma

Market Cap: \$34 million | MEI Pharma, Inc., a late-stage pharmaceutical company, focuses on the development and commercialization of various therapies for the treatment of cancer.

Background:

- On July 17, 2023, Anson Funds and Cable Car Capital LLC, holding approximately 14.8% filed preliminary consent materials with the SEC to remove MEIP's entire Board of Directors. They claimed the Board's actions were not in the shareholders' best interest, citing a speculative transaction with Infinity Pharmaceuticals and a refusal to consider an all-cash acquisition proposal. They aimed to reconstitute the Board and sought support from fellow shareholders. [Source](#)
- On July 19, 2023, Anson Funds and Cable Car Capital LLC, holding approximately 14.8% responded to the Company's invalidation of their consent solicitation to remove the entire Board. Despite the Company's actions, they intended to present the removal proposal to stockholders after the SEC review. [Source](#)
- On July 23, 2023, the company revealed that the stockholders did not approve the merger agreement with Infinity Pharmaceuticals, Inc. Based on the certified results, 59.70% of outstanding shares were voted, with 47.86% in favor and 51.44% against the proposed transaction. Consequently, the company sent a notice to Infinity terminating the merger agreement. [Source](#)
- On August 4, 2023, Anson Funds and Cable Car Capital LLC filed proxy materials demanding a complete overhaul of the board to stop declining stockholder value and ensure better management in the shareholders' interest.

Update:

On September 15, 2023, Anson Funds and Cable Car Capital LLC (together 15%) nominated a slate of three candidates for election to the board at the 2024 AGM.

George Economou Submits Formal Notice to Nominate Director Candidate for Performance Shipping Inc

Market Cap: \$23 million | Performance Shipping Inc. provides shipping transportation services through its tanker vessels worldwide.

Background

- On August 31, 2023, George Economou (9.5%) sent a [letter](#) to the Board alleging that the dual-class structure, formed through a 2022 Exchange Offer, violates laws and rules, significantly devaluing common shares for the benefit of PSI's controlling shareholder, Mango Shipping Corp. Mango gained substantial control through coercive tactics. The letter accused Mango and the board of breaching fiduciary duties for personal gain. It demanded the board publicly acknowledge the impropriety and invalidity of the dual-class structure, with potential Nasdaq delisting as a consequence.
- On September 4, 2023, George Economou (9.1%) delivered a [letter](#) to the board raising concerns about Mr. Michalopoulos and Ms. Paliou's delayed filings and their involvement in the 2022 Exchange Offer. He also questioned the recent increase in Common Shares and whether they should be considered a "group" under the Exchange Act. Director Andreas Nikolaos Michalopoulos, is the husband of the company's Chairperson, Aliko Paliou.

Update

On September 15, 2023, George Economou submitted to the company a formal notice of his decision to nominate a director candidate for election to the board at the company's AGM.

Frank Porter Stansberry sent a letter to the board of Marketwise Inc

Market Cap: \$451 million | MarketWise, Inc. operates a multi-brand platform of subscription businesses that provides financial research, software, education, and tools for investors in the United States and Internationally.

Background

- On June 27, 2022, Frank Porter Stansberry (69%) filed a letter to the company demanding production of certain books and records relating to the series of transactions culminating in the company becoming a public company. He subsequently withdrew the demand letter on August 25, 2022.
- On September 6, 2022, Mr. Stansberry informally expressed interest to certain board members and executive officers of the company in obtaining a board seat. Mr. Stansberry also informally identified potential strategic acquisitions for the company and a potential role for him on the management team. On multiple occasions, Mr. Stansberry has also expressed to certain board members and executive officers his disagreements with management.
- On December 20, 2022, the Board invited Mr. Stansberry to join the Board. On January 13, 2023, Mr. Stansberry informed the company that he is not accepting the invitation to join the Board. [Source](#)
- On January 20, 2023, Mr. Stansberry issued a [letter](#) to the Board communicating his concerns with the Board's and company's performance since becoming a public company, highlighting specific, problematic actions taken by the Board and current and former management. Additionally, Mr. Stansberry demands the immediate resignation of the entire board of

directors, with the exception of Van Simmons, the calling of a special shareholder meeting to constitute a new board, and the firing of the company's General Counsel. Further, Mr. Stansberry demands the Board launch investigations into the Ascendant transaction, the September 2022 warrant conversion transaction, and specific actions taken by the former CEO of the company. Mr. Stansberry intends to explore all potential ways to change the composition of the board.

- On March 3, 2023, Mr. Stansberry submitted to the company his notice of intent to nominate Matthew Smith, Glenn Tongue, and Charles N. Curlett, Jr. for election to the Board at the 2023 AGM.
- On April 28, 2023, Mr. Stansberry entered into a settlement [agreement](#) with the company and pursuant to it, the company has agreed to increase the size of the Board and to appoint David Eifrig, Glenn Tongue, and Matthew Smith to the Board prior to the 2023 AGM. Mr. Stansberry has withdrawn his director nominees and candidates for election to the Board at the 2023 AGM.
- On August 11, 2023, Mr. Stansberry (66%) sent a [letter](#) to the Board expressing his concerns with the company's financial results for the second quarter ended June 30, 2023, and with the Board's refusal to investigate the IPO and warrant exchange offers. Mr. Stansberry requests that the Board take action and commence a thorough review of actions that led to the current financial condition of the compNY, to adopt a plan to return the business to delivering value to its shareholders on a consistent basis, and to review the IPO and warrant exchange offers. [Source](#)
- On August 28, 2023, Mr. Stansberry (66%) sent a [letter](#) to the Board countering allegations of company harm, stressing his significant financial involvement. He critiques management for decreasing metrics and increasing management bonuses. Stansberry urges an impartial investigation into these concerns and the IPO process, with the goal of protecting shareholders' interests and improving company performance.

Update

On September 8, 2023, Mr. Stansberry (63%) entered into an amendment agreement with the company dated as of April 28, 2023. Pursuant to the Amended Agreement, Mr. Stansberry will join the Board and has agreed to not sell shares prior to December 31, 2023. In the [letter](#) to the Board dated September 8, 2023, Mr. Stansberry expresses his hope to resume buying shares pending changes to the company's capital allocation policy and his desire for the board to increase dividend payments.

Ted D. Kellner takes legal action against company's bylaw changes and board at AIM ImmunoTech Inc

Market Cap: \$32 million | AIM ImmunoTech Inc., an immuno-pharma company, focuses on the research and development of therapeutics to treat multiple types of cancers, viral diseases, and immune-deficiency disorders in the United States.

Background

On August 7, 2023, Ted D. Kellner (who, together with Todd Deutsch, owns 6.5%) stated that he had delivered a notice to the Company regarding his intent to nominate himself, Mr. Chioini, and Mr. Deutsch for election to the board at the 2023 AGM. [Source](#)

Update

On August 23, 2023, the Company rejected Mr. Kellner's Notice. On August 25, Mr. Kellner sued in the Delaware Court of Chancery seeking declarations that the bylaw amendments are unlawful and accuses directors of breaching fiduciary duties. He requested a quick trial before the 2023 Annual Meeting. [Source](#)

Past

In July 2022, Jonathan Jorgl and his nominees, Robert L. Chioini and Michael Rice, collectively known as the AIM Stockholder Full Value Committee, notified AIM ImmunoTech Inc of their intention to nominate Chioini and Rice for the company's board, aiming to replace Directors William Mitchell and Stewart Appelrouth. The committee reiterated its commitment to this cause in August, and later, in September, filed proxy materials seeking support for their nominees. Disagreements arose as AIM considered the nomination notice invalid due to non-compliance with the company's bylaws. Jorgl sued AIM in Delaware's Chancery Court seeking validation of the nomination. In October, AIM's claims against the committee were dismissed, and the committee continued to voice its concerns, especially after discovering alarming statements made by incumbent directors during the ongoing legal proceedings. In November, the Chancery Court denied Jorgl's plea for a preliminary injunction. Although the committee disagreed with this decision, they opted against proceeding with a trial or seeking an appeal. Finally, at the AGM held on November 3, 2022, all three company's director nominees were elected to the Board.

Daniel S. Och sent a letter to the Board of Sculptor Capital Management

Market Cap: \$676 million | Sculptor Capital Management, Inc. is a publicly owned hedge fund sponsor. The firm provides investment advisory services to its clients.

Background

- On November 3, 2022, Daniel S. Och (0.6%) sent a [letter](#) to the Board that along with the other founding partners of the company, he brought a books-and-records action related to governance failures that resulted in an exorbitant compensation package to the Company's CEO, totaling \$145.8 million in 2021 alone, despite sustained poor performance. He urges the Board to publicly announce that it will pursue a broad range of strategic alternatives
- On January 27, 2023, Daniel S. Och (0.85%) stated that he has corresponded with the Special Committee of the Board regarding potential concerns about whether the strategic process is being run in the best interest of all stockholders. Those concerns include: (1) the Special Committee may be discouraging potential bidders from making bids for distinct parts of the Company's business, including the profitable CLO business, even though analysts have noted the Company is worth less than the sum of its parts; (2) the Special Committee may not be encouraging potential bidders to consider alternative solutions to Mr. Levin's compensation package, effectively precluding potential bidders from preparing offers that would maximize value to all stockholders; and (3) the messaging of the process may be implying to potential buyers that management's approval is effectively necessary for any deal. [Source](#)
- On August 16, 2023, Daniel S. Och (0.82%) sent a [letter](#) to the Board expressing with the Rithm Capital Corp. acquisition, citing undervaluation and alleged Board breaches. He criticizes the sale process, suspecting exclusion of potential bidders, and raise concerns about management's influence on the deal. He stated his intention to oppose the transaction unless significant improvements are made.

- On August 22, 2023, Daniel S. Och (0.82%) penned a [letter](#) to the Special Committee of the board, criticizing the company's preliminary proxy statement. He deems it misleading and biased toward management rather than shareholders. The letter highlights dismissed higher bids due to management's compensation concerns and questions the CEO's exit terms for potential company instability. Och requests transparency, equitable bid consideration, and bidder discussions. The letter concludes with his opposition to the Rithm transaction unless shareholder interests are prioritized.

Update

On August 29, 2023, Daniel S. Och sent a [letter](#) to the Special Committee of the Board questioning the decision to prevent open communication with other bidders and highlights the need for transparency to achieve maximum value for shareholders. The letter concludes by stating that if the Committee does not act in the best interests of shareholders, legal action may be considered.

All three leading Independent Proxy Advisory Firms recommend shareholders of Diversified Healthcare Trust Vote AGAINST the Proposed Merger with Office Properties Income Trust

Market Cap: \$690 million| Diversified Healthcare Trust is a real estate investment trust, or REIT, focused on owning high-quality healthcare properties located throughout the United States.

Background

- On May 23, 2023, Flat Footed LLC (7.4%) delivered a [letter](#) to the Board expressing its strong opposition to the company's proposed merger with Office Properties Income Trust and its intention to vote against the Proposed Merger.
- On June 12, 2023, D. E. Shaw (6.1%) stated that it has delivered a private letter to the Board expressing opposition to the company's proposed merger with Office Properties Income Trust, its intention to vote against the Proposed Merger, and its request that the Board pursue superior alternative actions. [Source](#)
- On June 14, 2023, Flat Footed LLC (9.8%) filed proxy materials soliciting votes against the company's proposal to approve the proposed merger between the company and Office Properties Income Trust at the upcoming special meeting of shareholders
- On June 28, 2023, Flat Footed LLC filed proxy materials urging shareholders to vote "AGAINST" the DHC Merger Proposals. [Source](#)
- On June 30, 2023, H/2 Special Opportunities (6.2%) delivered a [letter](#) to the Chairman of the Board expressing concerns about the proposed merger. It believes that the merger is not in the best interests of the company, its shareholders, or its creditors. The letter suggests that there are alternative solutions to address the company's near-term challenges, such as refinancing the 2024 debt maturities through bank lender financings, bondholder financings, asset sales, or bondholder consents. H/2 Special Opportunities stated that it is interested in participating in these alternatives and is currently working on an updated proposal to resolve the company's 2024 debt maturities.
- On July 14, 2023, D. E. Shaw (5.85) filed a [presentation](#) setting forth its opposition to the proposed merger.
- On July 19, 2023, Flat Footed (9.8%) responds to the growing shareholder opposition to the proposed merger with Office Properties Income Trust (OPI). It expresses encouragement

that fellow shareholders share their concerns about the value-destructive nature of the merger. It mentions that significant shareholders, including D.E. Shaw and H/2 Capital Partners, have also opposed the deal and proposed alternative solutions. FFL criticizes the company for canceling meetings, removing the Special Meeting date from the latest proxy amendment, and resorting to fear-mongering tactics to garner support for the deal.

- On July 27, 2023, Flat Footed (9.8%) filed proxy materials, reiterating its stance and stated that the company has rescheduled its special meeting for August 30, 2023. [Source](#)
- On August 1, 2023, Flat Footed issued an Investor [Presentation](#) titled “The Case for Voting **AGAINST** the Proposed DHC-OPI Merger”
- On August 14, 2023, ISS and Glass Lewis recommend shareholders vote **AGAINST** the proposed merger with Office Properties Income Trust at the Company’s upcoming Special Meeting of Shareholders on August 30, 2023. [Source](#)

Update

On August 21, 2023, Egan-Jones recommended that shareholders vote **AGAINST** the proposed merger with Office Properties Income Trust. [Source](#)

Legion Partners sent a letter to the board of OneSpan outlining its concerns and recommendations

Market Cap: \$457 million | OneSpan Inc., together with its subsidiaries, designs, develops, and markets digital solutions for identity, security, and business productivity worldwide.

On August 14, 2023, Legion Partners Asset Management (8.7%) sent a [letter](#) to the Board expressing concerns about the company's shift from growth to cash flow optimization. The letter criticized this change for diverting attention from the company's strengths and lacking the necessary urgency for achieving fair market value or maximizing a near-term sale price. Legion Partners made three main recommendations: target 30%+ Adjusted EBITDA Margins by 2024, increase capital returns to \$50+ million, and explore the possibility of selling the company.

Valuation insight

Legion Partners believes OneSpan has the potential to generate \$70 to 80 million of 2024E Adjusted EBITDA (based on 30-34% margins) with high free cash flow conversion given minimal capital expenditures needed and no interest expense. Utilizing a range of 10-12x EV / EBITDA multiples applied to this profit range yields an implied valuation per share of roughly \$19-26, representing ~80-140% upside from current levels.

Past

In May 2021, the company [announced](#) that it has entered into an agreement with Legion Partners pursuant to which two of Legion’s independent director nominees, Sarika Garg and Michael McConnell, were appointed to the Board.

Peter Dercyz nominated board candidates to Research Solutions

Market Cap: \$63 million | Research Solutions, Inc., through its subsidiaries, provides cloud-based software-as-a-service research platform.

Background

- On July 27, 2023, Peter Derycz, Executive Chairman of the company, together with Bristol Fund, formed a group (who together own 20.1% of the company) to enhance shareholder value at the company. They intend to take certain actions, including engaging in communications with the Board and potentially nominating a slate of director candidates for election to the board at the company's 2023 AGM.
- On August 4, 2023, Peter Derycz issued an open [letter](#) to the company's board nominating six candidates to the company's board.

Update

Cove Street Capital

On August 10, 2023, Cove Street Capital (8.14%) sent a [letter](#) to the Board urging the Derycz group to resolve their differences privately within the Board to find a solution that serves the best interests of shareholders. Cove Street Capital has reviewed the Derycz group's filing and strongly opposes the slate of directors proposed by the group.

Peter Derycz

On August 16, 2023, Mr. Derycz delivered a letter to the Company nominating a slate of four candidates, including Peter Derycz, Paul Kessler, Janice Peterson and Andrew Ritter, for election to the board at the 2023 AGM. [Source](#)

Former Directors voice concerns and propose changes following Cano Health 's sale intent announcement

Market Cap: \$237 million | Cano Health, Inc. provides primary care medical services to its members in the United States and Puerto Rico.

Background

- On March 30, 2023, Barry Sternlicht (9.4%) resigned as a director of the company. In connection therewith, he delivered a letter to the board in protest of the company management led by CEO Marlow Hernandez. Kindly [click here](#), to read the entire letter.
- On April 2, 2023, the Former Directors (Barry Sternlicht, Elliot Cooperstone and Dr. Lewis Gold) and certain of their affiliates (together own 36%) entered into the Group Agreement pursuant to which they agreed to act together to pursue change at the company, including, but not limited to, the replacement of the CEO, sale of non-core assets and enhancement of shareholder value. [Source](#)
- On April 10, 2023, the Former Directors (36%) issued a press release and an open [letter](#) to the shareholders expressing their belief that urgent leadership and strategy changes are needed at the company.
- On April 14, 2023, the Former Directors delivered a [letter](#) to the board demanding that the Board immediately re-open the nomination and proposal window under the company's by-laws for a period of at least 30 days, given the recent disclosures by CEO Dr. Marlow Hernandez and the company and the significant changes at the company that have all occurred following the expiration of the nomination and proposal deadline.
- On April 26, 2023, the Former Directors delivered a [letter](#) to the shareholders stating their belief that the appointment of Solomon "Sol" Trujillo as Chairman represents a self-interested entrenchment maneuver and slap in the face to concerned shareholders. They further reiterated their concerns that Dr. Hernandez must be removed as CEO given his poor

capital allocation, abysmal performance, and disregard for good corporate governance, transparency and ethics.

- On April 27, 2023, the Former Directors delivered a [letter](#) to the shareholders regarding the board's entrenchment maneuvers and latest governance failures. They highlighted the interlocks among board members, including Mr. Trujillo and CEO Marlow Hernandez.
- On April 28, 2023, the Former Directors commenced a litigation in the Court against the current members of the Board and the company seeking, among other things, an order of the Court compelling the company to reopen the window under the company's Bylaws for stockholders to propose the removal of one or more directors and to nominate director candidates and bring forth other proposals at the 2023 AGM. [Source](#)
- On May 10, 2023, the Former Directors filed proxy materials seeking shareholders to vote **WITHHOLD** with respect to the election of Dr. Alan Muney and Ms. Kim M. Rivera (the "Company Nominees") to the board as Class II directors.
- On May 11, 2023, the Former Directors issued an open [letter](#) to stockholders announcing the launch of the Withhold Campaign so that regardless of the outcome in their pending litigation to compel the company to reopen the nomination and proposal window under the By-Laws, stockholders can make their voices heard at the annual meeting.
- On May 18, 2023, the Former Directors Group issued a [press release](#) soliciting votes to WITHHOLD with respect to the election of certain directors, Dr. Alan Muney and Ms. Kim M. Rivera, of Cano Health, Inc. at the company's 2023 AGM.
- On May 19, 2023, the Former Directors Group nominated two candidates for election to the board at the 2023 AGM. [Source](#)
- On May 22, 2023, the Former Directors Group filed proxy materials seeking support for their nominees.
- On May 25, 2023, the Former Directors Group filed proxy materials soliciting WITHHOLD votes against the re-election of Dr. Alan Muney, Chair of Cano's Compensation Committee, and Kim Rivera, Chair of Cano's Nominating and Corporate Governance Committee. Also, the group launched a website to communicate with the Company's stockholders regarding the annual meeting. The website address is www.savecano.com. [Source](#)
- On May 30, 2023, the Former Directors Group issued an Investor [Presentation](#) titled "The Urgent Need for Changes in Leadership and Strategy at Cano Health" that outlines the urgent case for changes in leadership and strategy at the Company.
- On June 7, 2023, ISS and Glass Lewis have recommended that Cano stockholders withhold support for the re-election of Company's two director candidates, Dr. Alan Muney and Kim Rivera as directors at the 2023 AGM on June 15, 2023. [Source](#)
- On June 15, 2023, the company announced the results of its AGM. Based on the vote tabulation by the Company's proxy solicitor, Cano Health's two director nominees, Dr. Alan Muney and Kim Rivera, have been re-elected to the Company's Board of Directors. [Source](#)
- On June 16, 2023, Mark Kent, the current Chief Strategy Officer, has been appointed as Interim CEO of the company, while an external search is underway to find a permanent successor. Dr. Marlow Hernandez has agreed to resign immediately as CEO but will remain as a member of the Board. [Source](#)
- On June 20, 2023, the Former Directors Group issued a response to the Company's announcement. They acknowledged the resignation of Dr. Marlow Hernandez as CEO, which they considered a positive step. They expressed their support for Mark Kent as a suitable replacement for Dr. Hernandez, citing his integrity and relevant healthcare experience. However, they emphasized the need for a credible and confidence-inspiring Board to support the new management team in achieving a lasting turnaround for Cano. They criticized the current Board, which includes two "WITHHOLD" directors and the former CEO, stating that it is not adequately equipped to oversee the company during this critical period. [Source](#)
- On July 17, 2023, the Former Directors Group (35%) expresses satisfaction with over 82% of stockholders rebuking the current Board at the recent Annual Meeting. They credit their

efforts for the CEO's resignation due to mismanagement. At the same time, the group stated that the Board has disregarded the unambiguous results of the Annual Meeting, where more than 82% of the votes cast WITHHELD support for Dr. Alan Muney and Kim Rivera. The letter criticizes the Board for ignoring shareholder disapproval and demands a board refreshment process. They call for new leadership support and policy changes. [Source](#)

Update

On August 14, 2023, the Former Directors Group stated that after the Q2 earnings release and sale intent announcement, Former Directors voiced dissatisfaction with company performance and governance. They questioned the Board's effectiveness in overseeing the sales process and requested Mark Kent's immediate appointment as CEO and Board member, specific Board members' resignation, and the addition of Lewis Gold and Guy Sansone to facilitate the sale process. [Source](#)

Past

On March 9, 2022, Third Point LLC (6.4%) stated its belief that the Board should immediately engage financial and legal advisors to commence a review of strategic alternatives. It believes this strategic review should focus on a sale of the company, and that a properly run sales process is likely to result in offers representing a substantial premium to the company's trading price. It also stated that it has no present plan to pursue a proxy contest with the company, but may consider initiating a proxy contest seeking to elect one or more members of the Board and bring such other proposals as Third Point deem appropriate should the Board not adequately address the value gap between the current share price of the company and the intrinsic value thereof, including by commencing a review of strategic alternatives. [Source](#)

Murchinson issued a presentation on Nano Dimension Ltd

Market Cap: \$724 million | Nano Dimension Ltd., together with its subsidiaries, provides additive electronics in Israel and internationally.

Background

- On January 22, 2023, Murchinson Ltd and certain funds (5.1%) delivered a letter to the Board demanding that the company convene a special general meeting of shareholders to allow shareholders to vote upon resolutions proposed by the Proposing Shareholders to improve the company's corporate governance by way of (i) amending certain provisions of the Company's Amended and Restated Articles of Association, including to allow shareholders to fill Board vacancies and remove directors at a general meeting by a simple majority vote, (ii) removing several members of the Board, namely, the Chairman of the Board and CEO Yoav Stern, and current directors Oded Gera, Igal Rotem and Dr. Yoav Nissan-Cohen and (iii) appointing two new highly-qualified, independent and experienced director nominees, Kenneth H. Traub and Dr. Joshua Rosensweig, as directors of the company (such demand, the "Special Meeting Demand"). The Special Meeting Demand instructs the Board to immediately, and no later than February 12, 2023, call the Special Meeting, and hold it no later than 35 days thereafter, as required by the Companies Law. [Source](#)

- On February 13, 2023, Murchinson Ltd (5.1%) called on the company to hold a special meeting to remove four incumbent directors, including its chairman/CEO, and install two independent board members. [Source](#)
- On March 6, 2023, Murchinson Ltd issued a [presentation](#) outlining why it believes change is urgently needed at Nano Dimension.
- On March 6, 2023, Nano Dimension Ltd (14.5%) stated that it intends to engage in communications with the company regarding opportunities to enhance shareholder value and improve corporate governance, including through potential changes in the corporate structure, potentially, among other options, including changes to the composition of the Board. [Source](#)
- On March 9, 2023, Nano Dimension Ltd delivered a [letter](#) to the board proposing a non-binding indicative offer to acquire the remaining outstanding shares for \$18.00 per share in cash.
- On March 10, 2023, Anson Funds (5.1%) issued a letter to the Board to express its disappointment in the company's apparent refusal to constructively engage with its shareholders. In addition, Anson Funds called on the board to implement a meaningfully larger return of capital program and expressed its concern that the company is overcapitalized and its belief that management's recent actions highlight poor corporate governance at the company. It also urges the board to halt the proposed takeover of Stratasy, Ltd. [Source](#)
- At the special general meeting held on March 20, 2023, the shareholders voted in favor of the Proposing Shareholders' proposals to (i) amend certain provisions of the company's Articles of Association, (ii) remove four incumbent members of the Board, including Chairman and Chief Executive Officer Yoav Stern, and (iii) appoint two director nominees, Kenneth H. Traub and Dr. Joshua Rosensweig, as directors of the company. Although the Proposing Shareholders believe that the Special Meeting was valid, including that Messrs. Traub and Rosensweig were duly elected to the Board at the Special Meeting, the company is challenging the validity of the Special Meeting in Israeli court, which the Proposing Shareholders are vigorously defending. Most recently, the Israeli court issued an order stating that Messrs. Traub and Rosensweig shall serve as non-voting observers on the Board during the pendency of the litigation.
- In addition to the Israeli litigation, on March 27, 2023, the company filed a lawsuit against Murchinson Ltd and certain other third parties.
- On May 1, 2023, Murchinson Ltd (5.8%) filed a lawsuit against the company and certain other third parties, including Mr. Stern seeking to recover its costs and attorneys fees and punitive damages arising from the company's Complaint. [Source](#)
- On May 2, 2023, Anson Funds (6.2%) stated its belief that the allegations by the company contained in the complaint are without merit and intend to defend themselves. [Source](#)
- On June 27, 2023, Murchinson delivered a private [letter](#) to the Board expressing its concerns over the increased tender offer price for Stratasy shares and the lack of due process and shareholder approval. It criticizes potential plans for a hasty equity issuance that would dilute shareholders' interests.
- On July 20, 2023, Murchinson (5.9%) sent a [letter](#) to the Board expressing concerns about the delayed AGM and the Board's alleged attempts to disenfranchise shareholders. It also informed the Board of its decision to convert a portion of ADSs held by Nomis Bay into Ordinary Shares, which was completed on July 18, 2023. As a result, Nomis Bay now holds 1,500,000 ADSs and 3,000,000 Ordinary Shares.
- On July 31, 2023, Murchinson demanded the company to add resolutions to improve corporate governance at the AGM on September 7, 2023. This includes electing experienced and independent director nominees, amending the Articles of Association, and replacing/removing Board members. [Source](#)

Update

On August 17, 2023, Murchinson released an investor [presentation](#) detailing why they believe wholesale change to the Board is urgently required to restore accountability, address broken governance and drive shareholder value at the company. The Investor Presentation also details the Proposing Shareholders' five-pillar plan to improve leadership, capital allocation and corporate governance at the company, which they believe can only be accomplished through a reconstituted Board. The Proposing Shareholders therefore encourage the shareholders to support the proposals to remove the incumbent directors, elect their independent nominees and improve corporate governance at the AGM, scheduled for September 7, 2023. The Proposing Shareholders believe their independent nominees who would join current non-voting directors Kenneth Traub and Dr. Joshua Rosensweig, have the right skill sets and expertise to put the company on the path to shareholder value creation.

CBI USA calls for resignations and proposed nominations

Market Cap: \$7 million | Exicure, Inc., an early-stage biotechnology company, develops nucleic acid therapies targeting ribonucleic acid against validated targets.

Background

- On September 26, 2022, the company entered into a securities purchase agreement with CBI USA, pursuant to which the company agreed to issue and sell to CBI USA in a private placement an aggregate of 3,400,000 shares of the company's common stock, par value \$0.0001 per share, at a purchase price of \$1.60 per share.
- On February 2023, the company announced the closing of the previously-announced private placement transaction with CBI USA, Inc.
- On May 17, 2023, CBI USA, Inc. (50.4%) sent a [letter](#) to the board proposing that each of Jo, Ahn and Kim resign due to their continuing failure to act in the interests the Company and the stockholders and be replaced by designees of CBI USA. The letter also notified the board that CBI USA would promptly pursue all available legal options if the requested action is not taken.

Update

- On August 1, 2023, Mr. Jo resigned in response to these allegations, eliminating the need for further legal action against him. [Source](#)
- On August 8, 2023, CBI USA, Inc. (39.3%) announced its intention to persist in seeking the resignations of Messrs. Ahn and Kim. Should Mr. Ahn decline to resign, CBI USA plans to nominate a replacement for him at the upcoming 2023 AGM, following the Company's bylaws. CBI USA also urges the board to promptly conduct the 2023 AGM and is prepared to take legal actions to ensure its convening. [Source](#)

Bradley L. Radoff nominated board candidates to LifeVantage Corporation

Market Cap: \$63 million | LifeVantage Corporation engages in the identification, research, development, formulation, sale, and distribution of nutrigenomic activators, dietary supplements, nootropics, pre- and pro-biotics, weight management, skin and hair care products, bath and body, and targeted relief products.

Background

On May 15, 2023, Bradley L. Radoff (5.7%) stated his belief that the company's current share price materially undervalues the business and are encouraged by the most recent operating results. He also stated that the company would benefit from an enhanced board of directors that would, among other things, bring a stockholder's perspective to the boardroom, hold management accountable to a double digit EBITDA margin and implement a consistent and value enhancing capital allocation framework. [Source](#)

Update

On August 9, 2023, Mr. Radoff delivered a letter to the company nominating Dayton Judd, Michael Lohner and Bradley L. Radoff for election to the Board at the 2024 AGM.

Nierenberg Investment Management suggests Potbelly Corporation for potential growth and improved performance

Market Cap: \$252 million | Potbelly Corporation owns and operates Potbelly Sandwich Works sandwich shops in the United States.

Background

Nierenberg Investment Management Company

On July 21, 2022, Nierenberg Investment Management Company (9.4%) stated its belief that the market is far from recognizing the Company's rapidly improving unit and corporate economics, its substantial potential profitability increase from franchising, the quality and experience of the Company's management and board, its brand, and unique positioning. [Source](#)

Valuation insight

Nierenberg Investment Management views the Company as a coiled spring that could become as much as a 10X for its shareholders over the next decade. Using a 10% discount rate, Nierenberg Investment Management estimates that this \$5 stock could be worth \$17.77 today; with a 15% discount rate, it could be worth \$10.03 today, double where it is right now.

If the Company were to use future free cash flow to freeze its share count at 29M, Nierenberg Investment Management could envision EPS climbing to over \$2.00 in 10 years. With profitable, growing franchisors valued at 20X earnings and 3X revenues, Nierenberg Investment Management could see the Company's share price rise to about \$40-60 in 10 years, the midpoint being 10X where it is today.

Update

On August 7, 2023, Nierenberg Investment Management restated its 13D that the Company's strong performance post their July SC 3D filing justifies an update to reflect increased company value and a request for opportunistic repurchase of 8M shares over 9 years. It anticipates a 7-9 times share price increase to \$69-86 by 2032, indicating enhanced confidence in leadership, governance, strategy, and execution compared to last year.

Nierenberg Investment Management outlined a projection based on high franchising success for the company over the next nine years. Retaining 300 company-owned shops after refranchising 80, they estimate an annual shop revenue growth of 5%, potentially reaching almost \$2.1M per shop by 2032. With this, the corporate level revenue could grow to \$842M, pre-tax profit to \$141M, and post-tax profit to around \$99M. Nierenberg Investment Management suggests that

with efficient cost reduction and the elimination of unnecessary debt, the company's annual EPS could potentially increase by \$0.13. It recommends a share buyback plan to reduce the share count by 21% over nine years, estimating a potential share price rise to \$68.80 to \$86.00 based on P-E ratios.

Nierenberg Investment Management's suggested actions for the company include:

- Clear existing borrowings while maintaining a prudent line of credit.
- Thoroughly review all corporate level costs for potential savings.
- Utilize free cash flow to decrease the share count from 29.3 million to 23 million.
- Encourage insiders to invest in shares.

[Source](#)

Joseph Stilwell sought board representation at Sound Financial Bancorp

Market Cap: \$95 million | Sound Financial Bancorp, Inc. operates as the bank holding company for Sound Community Bank that provides banking and other financial services for consumers and businesses.

Background

On May 12, 2023, Joseph Stilwell (13.1%) sought board representation, stating that he did not believe the value of the company's assets was adequately reflected in the current market price of the common stock. [Source](#)

Update

On August 1, 2023, Joseph Stilwell (14.3%) reiterated that he sought board representation and support for maximizing shareholder value at the company. [Source](#)

Starboard Value urges Algonquin Power & Utilities to unlock value through sale of Renewable Energy Group

Market Cap: \$7.5 billion | Algonquin Power & Utilities Corp., a renewable energy and utility company, that provides energy and water solutions and services in North America and internationally.

Background

On July 6, 2023, Starboard (5.1%) delivered a [letter](#) to the company stating that a sale of the company's renewable business could help it reduce leverage and provide a safer dividend. Starboard suggests two key objectives: reducing leverage to industry-standard levels of around 5x gross leverage, with excess proceeds used for share repurchases to drive EPS growth, and improving EPS to align with peers, targeting an achievable EPS of 75 cents in FY 2025. By achieving these objectives, Algonquin could enhance its financial position, increase shareholder value, and bring its dividend payout ratio in line with industry standards. It stated that, "For example, if, following the sale of the Renewable Energy Group, Algonquin were to also sell its Water Utility and use the majority of the proceeds to repurchase shares, we believe that it could increase pro forma EPS to nearly 90 cents.

Update

On July 24, 2023, Starboard increased its stake to 7.6%.

OTHERS

Star Equity Fund withdrew its nominations for Gyrodyne

Market Cap: \$16 million | Gyrodyne, LLC. owns, leases and manages diverse commercial properties.

Background

(i) Star Equity Fund

- On April 25, 2023, Star Equity Fund (5.4%) delivered a letter to the company nominating a slate of director candidates including Hannah M. Bible and Matthew R. Sullivan for election to the board at the 2023 AGM. [Source](#)
- On April 28, 2023, Star Equity Fund filed proxy materials seeking support for its nominees.
- On June 21, 2023, Star Equity Fund issued a [press release](#) expressing its belief that the Board is utilizing entrenchment tactics to stonewall Star Equity Fund's director nominations of Hannah M. Bible and Matthew R. Sullivan for election to the Board at the 2023 AGM.
- On August 18, 2023, GAMCO (19.35) stated that it is open to the idea of Star Equity having representation on the Board. [Source](#)

(ii) Leap Tide Capital Management LLC

On July 26, 2023, the company entered into a Cooperation Agreement with Leap Tide Capital Management LLC, and pursuant to it, Mr. Loeb will be appointed to the Board and nominated for election at the company's 2023 annual meeting. [Source](#)

Update

On September 5, 2023, Star Equity Fund and a company entered a settlement [agreement](#). The agreement includes the company proposing a new stock incentive plan at the 2023 annual meeting to replace the existing cash retention bonus plan for directors, with no increase in director fees. Star Equity Fund also withdrew its nomination of two Board candidates and compensation-related proposals.

Past

- On August 1, 2022, Star Equity Fund (5%) disclosed that on March 23, 2022, together with other shareholders, it delivered a letter to the company announcing its intent to nominate candidates for election to the board. Unfortunately, despite multiple requests by the Shareholder Group, the company refused to provide certain documents required for a shareholder to nominate candidates. The company also refused to waive provisions of the LLC Agreement requiring ownership of at least 1% of the outstanding Shares for more than a year, or 5% of the outstanding Shares, for a shareholder to nominate candidates for election to the board. On August 1, 2022, the Shareholder Group issued a [press release](#) and open letter to the board announcing the Shareholder Group's intent to vote at the annual meeting as follows: (i) WITHHOLD on the re-election of incumbent board members Paul Lamb and Richard Smith and (ii) AGAINST Proposal 2, the compensation of the company's

named executive officers. The Shareholder Group calls for specific corporate governance changes including the declassification of the board.

- On August 16, 2022, Star Equity Fund issued a [press release](#) regarding the 2022 AGM, taking note of ISS and Glass Lewis, two proxy advisory services firms, recommendations to vote against the re-election of the incumbent Board members Paul Lamb and Richard Smith and against the ratification of the executive officers' compensation. The Shareholder Group reiterated its intent to vote as follows: (i) WITHHOLD on the re-election of incumbent Board members and (ii) AGAINST the compensation of the named executive officers.
- On August 30, 2022, Star Equity Fund issued a [press release](#) emphasizing the results of the company's [2022 AGM](#), wherein 56% of votes cast voted WITHHOLD on the re-election of Paul Lamb and Richard Smith to the Board in line with both ISS and Glass Lewis, two proxy advisory services firms, recommendations. The Aug 30 Press Release also took note that 57% of votes cast voted against the approval of the company's executive compensation in a non-binding advisory vote.

F9 Investments withdrew its acquisition proposal for LL Flooring Holdings

Market Cap: \$127 million| LL Flooring Holdings, Inc., together with its subsidiaries, operates as a multi-channel specialty retailer of hard-surface flooring, and hard-surface flooring enhancements and accessories.

Background

On May 30, 2023, F9 Investments together with Thomas D.Sullivan and John Jason Delves (9.4%) stated that it is in the process of initiating contact with LL Management and Board with the intent of exploring a possible combination between LL and CTG. It believes such a combined entity will better position LL's financial and competitive standing. [Source](#)

Update

On August 17, 2023, F9 Investments sent a [letter](#) to the CEO and Chairperson of the Board stating that due to the company's declining financial performance and decreasing value, the previously proposed offer to purchase all outstanding shares of the company at \$5.76 per share, initially presented on May 26, 2023, and confirmed on June 9, 2023, is now being revoked.

Noble Roman's, Inc. adjourns annual meeting due to quorum insufficiency

Market Cap: \$6.4 million| Noble Roman's, Inc. sells and services franchises, and licenses and operates foodservice locations for stand-alone restaurants and non-traditional foodservice operations.

Background

- On April 17, 2023, BT Brands (8.11%) delivered a letter to the company nominating Gary Copperud for election to the Board at the company's 2023 AGM. [Source](#)
- On June 23, 2023, BT Brands filed proxy materials seeking support for its nominee.

- On July 5, 2023, BT Brands filed proxy materials urging shareholders to vote for its nominees.
- On July 25, 2023, BT Brands filed proxy materials stating that preliminary results from the 2023 annual meeting of shareholders show overwhelming support for Gary Copperud, BT Brands' nominee, over NROM's nominee Scott Mobley (78.1% to 21.8%). BT Brands nominated Copperud to bring fresh ideas to NROM's board, but his eligibility was questioned by NROM due to broker-held shares. BT Brands is exploring legal remedies. Shareholders are encouraged to continue voting for Copperud using the BLUE proxy. [Source](#)
- On August 2, 2023, BT Brands took legal action against the company and its directors by filing a lawsuit alleging federal law violations for omitting crucial information from the Definitive Proxy Statement. The suit also accuses them of breaching fiduciary duties in hindering the nomination of BT Brands' CEO, Gary Copperud. [Source](#)

Update

On August 10, 2023, the company held its annual shareholder meeting, aiming to establish a quorum with 11,107,757 shares out of 22,215,512 needed. However, only 9,074,749 shares were represented, leading to an adjournment without voting. The next meeting is set for 2024. [Source](#)

Nano Dimension withdrew its director nominations at the upcoming AGM

Market Cap: \$1.3 billion | Stratasy Ltd. provides connected polymer-based 3D printing solutions.

Background:

- On March 6, 2023, Nano Dimension Ltd (14.5%) stated that it intended to engage in communications with Stratasy regarding opportunities to enhance shareholder value and improve corporate governance, including through potential changes in the corporate structure, potentially, among other options, including changes to the composition of the Board. Also, it proposed to acquire the company for \$18 per share. [Source](#)
- On June 13, 2023, Nano Dimension Ltd. demanded an EGM of the shareholders. It wanted to replace seven directors with its own nominees and improve corporate governance. [Source](#)
- On July 17, 2023, Nano Dimension Ltd urged shareholders to replace the current Board with its nominees at the AGM on August 8, 2023. On July 20, 2023, it outlined plans to appoint independent directors for long-term representation. [Source](#)

Update:

On July 28, 2023, Nano Dimension Ltd withdrew its seven director candidates for nomination at the upcoming AGM. [Source](#)