SNOWBALL RESEARCH

Snowball Research Project-X

Jan 2023

Testimonial

” If everybody's thinking the same thing, then nobody's thinking.”
- General George S. Patton

“That Indian Snowball provides fresh, unbiased data which allows independent consumers to formulate his or her own opinion. It is unique, stellar and a bargain.”

- J. Carlo Cannell, Cannell Capital LLC

Snowball is a tremendous research tool for value- and change-orientated investors that literally does the heavy lifting to help you find great, needle-in-the-haystack investment ideas.”

- William C. Martin, Raging Capital Ventures

Raghu’s research saves us an enormous amount of time researching what other activ ists are doing with domestic public companies. He is on top of the latest news and he often supplements the news with value-added analysis and background about the activists and the executives. Our payback on subscribing is enormous. ”

- David Nierenberg, The D3 Family Funds

“In a world of too many research services providing too many reports of dubious value, Snowball stands out as a worthwhile and differentiated publisher. Further Snowball’s key personnel are responsive to input from clients and always trying to improve their product, which bodes well for the future.”

- Portfolio Manager (AUM: $200 million*)

Testimonial

“Your product is a good statistical reminder of companies that are ongoing changes. It exposes me to companies I might not be taking a look at. While limited, it is a good starting point for further investigation.”

- Portfolio Manager (AUM: $200 million*)

I’ve been getting these awesome in depth research reports flagging interesting ideas and special situations via @snowballresearch. Highly recommend checking them out - purely qualitative / special situation screens

- Adam Wilk, Portfolio Manager, Greystone Capital Management LLC

The Bear Cave

Featured in “A Hedge Fund Analyst Christmas List” under the list of the best-paid resources for professional investors

"Very intriguing research”

- Individual Investor

Project-X: Manual

What is Project-X?
This publication focuses on a completely different set of screening methodologies.

We focus on the following:
1. Owner-operators: Research companies that are run by owner-operators.
2. Find ideas from fund letters and fund commentaries.

3. 13F: Self-explanatory.

4. Segments: We find companies with multiple segments and flag the peculiar ones.

5. OTC: Self-explanatory

6. Business: We focus on companies that generate recurring revenue and/or show "some sign" of competitive advantage.

FAQ:
- Market cap? Stocks under $5 billion market capitalization.
- Frequency? 8- 10 reports in a year.
- How many stocks? At least 5 stocks in a month.

INDEX

I. Reports

II. 13D weekly update

Company name	M.Cap	Notes
INITIATED		
TALKSPACE, INC (TALK)	105	Harbor Spring Master Fund initiates discussions with Talkspace, Inc.
WORLD WRESTLING ENTERTAINMENTINC (WWE)	6300	World Wrestling Entertainment provides update regarding composition of its board of directors and exploration of strategic alternatives
WHEELER REAL ESTATE INVESTMENT TRUST, INC. (WHLR)	13.81	SR Equity Ventures nominates Board candidates to the board of Wheeler Real Estate Investment Trust
BOARD SEAT/ AGM RESULTS		
Orion Energy Systems (OESX)	60	Philotimo Fund reaches agreement with Orion Energy Systems, Inc.
ONGOING		
ENVESTNET, INC. (ENV)	3516	Impactive Capital nominates four directors for election to the board of Envestnet
SESEN BIO, INC. (SESN)	130	Bradley L. Radoff and JEC II Associates oppose the proposed merger of Sesen Bio, Inc with Carisma Therapeutics
KINGSTONE COMPANIES, INC. (KINS)	16	Gregory Fortunoff delivered a letter to the Board of Kingstone Companies

InMode (INMD): Excellent FCF; Stellar Revenue Growth; Highly Profitable; Significant "New" Purchase from Ophir Asset Management, Tairen Capital & Neumeier Poma Investment

- M.Cap: $3.18 billion | Cash: $486 million | Debt: $4 million | EV: $2.69 billion
- FCF: $176 million| FCF/ EV yield: 6.5% | EV/FCF: 15X | EV/EBITDA: 14X
- Volume: 2.6 million
- Analyst rating: https://seekingalpha.com/symbol/INMD/ratings/sell-side-ratings
- Major shareholders: Acadian Asset Management:3.4% | Renaissance Technologies: 2.7% | Blackrock: 2.25% | Meitav Dash Investments: 2% | Noked Capital: 2%
- Screen: 13F

I. BASICS

The company develops, manufactures, and markets devices harnessing novel radio-frequency (RF) based devices that strive to enable new emerging surgical procedures as well as improve existing treatments.

- Face:
  - Evoke is a hands-free, non-invasive radiofrequency energy treatment that remodels skin and tissue on the cheeks, neck, and jawline to reveal more defined facial features and improved appearance.
- Body treatment
  - EvolveX is a hands-free, non-invasive total body transforming treatment to remodel skin, treat fat, and tone muscles with bipolar RF energy and EMS.
- Hair removal
  - DiolazeXL can be safely used on most areas of the face and body to remove unwanted hair, targeting coarse and stubborn hair, up to skin type VI, with pulse and power for quick results.
- Women wellness
  - VTone is a small anatomically shaped applicator that delivers intravaginal electrical muscle stimulation (EMS) to rehabilitate weak pelvic floor muscles treating stress, urge, and mixed urinary incontinence.
  - FormaV is a non-invasive treatment that quickly and effectively addresses a range of issues. It provides improvements in blood circulation, muscle pain relief and muscle relaxation.
  - Morpheus8 is a deep fractional treatment that delivers exceptional skin, fat and collagen remodeling with decreased downtime, with uniform results.
  - Morpheus8 Body with 3D Smart Frame and Burst technology provides deep fractional treatments, delivering RF energy in a sequential radiating pattern to multi-level depths in a single cycle. The result is customized skin, tissue, fat, and collagen remodeling with reduced treatment times.
  - Tone is electrical muscle stimulation (EMS) technology to rehabilitate and refine the strength and appearance of your abdomen.

II. WHAT WE LIKE

1. Cash payment, not covered by insurance

- Most procedures performed using the company's products are not reimbursable through government or private health insurance and are therefore elective procedures, the cost of which must be borne by the patient.

2. Broad regulatory approvals/peer-reviewed publications

- The company has 28 FDA clearances and, in addition to the United States, are permitted to sell in Europe, Argentina, Australia, Brazil, Canada, China, Colombia, the Commonwealth of Independent States, Israel, Mexico, Panama, Philippines, Russia, South Korea, Taiwan, and Thailand.
- The company has a portfolio of 65 peer-reviewed publications. There are 60 completed and 18 ongoing third-party clinical studies for several of their products.

> We believe that we have a very strong IP on all of our base technologies, which have been registered in several countries. So far, no one has tried to copy these technologies since we believe that everyone knows that our IP covered the technology very well. – *CEO, CC, Q3 2019*

3. Stellar revenue growth: solid margin, highly profitable

- Revenue grew consistently from $23 million in FY 2016 to $421 million in LTM Sep 2022.
- The company enjoys a solid EBIT margin and net income margin.

> Every time that we go back to the drawing board to design the next platform, and we're designing at least two new platforms every year, on the drawing board, we have all kinds of formulation to calculate that the systems that we're designing will have 85% gross margin, otherwise we do not start – *Q3 2019 CC*

($, mm)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	LTM Sep 2022		9M Sep 2021	9M Sep 2022
Revenue	53.5	100.2	156.4	206.1	357.6	431.2		247.0	320.7
Operating income	9.0	23.5	59.6	72.8	167.5	192.1		113.3	138.0
Net income	8.8	22.4	61.2	75.0	165.1	176.5		112.4	123.8
Revenue growth		*87.4%*	*56.1%*	*31.8%*	*73.5%*	*20.6%*			*29.8%*
EBIT Margin	16.7%	23.5%	38.1%	35.3%	46.8%	44.5%		45.9%	43.0%
Net income margin	16.5%	22.3%	39.1%	36.4%	46.2%	40.9%		45.5%	38.6%

4. Growing consumables revenue

- Only minimally invasive and ablative products generate a "disposable" revenue stream. The hands-free and non-invasive products do not have any disposables. Notable products that use disposables are BodyTite, NeckTite, AccuTite and Morpheus8.
- As the company's installed base continues to grow, the company's consumables revenue is growing alongside it.

($, mm)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	LTM Sep 2022		9M Sep 2021	9M Sep 2022
Revenue	1.8	3.7	7.3	14.1	20.6	39.3	55.9		26.3	42.9
Revenue growth		114%	94%	94%	46%	91%	42%			63%

5. Solid FCF

($, mm)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	LTM Sep 2022	9M Sep 2021	9M Sep 2022
Free cash flow	62	37	62	79	174	176	121	123

III. WHY ARE WE FLAGGING THIS?

Significant "New" Purchase in Q3 2022

OPHIR ASSET MANAGEMENT	4% of portfolio
TAIREN CAPITAL	2.3% of portfolio
NEUMEIER POMA INVESTMENT COUNSEL	1% of portfolio
CRAWFORD LAKE CAPITAL MANAGEMENT	0.97% of portfolio

THOUGHTS

The company's pitch is simple – it fills a gap in the market. The company claims that its products are positioned between "laser" and "plastic surgery" – this innovation could be the reason for the rapid growth of the company.

The company has a strong balance sheet and generates an impressive free cash flow - $176 million of FCF in LTM Sep 2022.

The discipline to introduce products that generate 85% gross profits and control costs is a solid strategy.

International growth engine

The company's international revenue grew from $9 million in FY 2017 to $121 million in FY 2021. The company's product is sold in over 60 countries. The company has passed all the regulatory approval processes in a number of countries, which is expensive and time-consuming. This is a significant barrier to entry for other competitors.

The company can establish subsidiaries in plenty of countries and wait for the market to grow. This "staying power" is hard for competitors who don't generate enough cash to match.

Valuation

In the last 5 years and 9 months, the company generated total free cash flow of $537 million. The current EV is $2.49 billion.

FURTHER RESEARCH

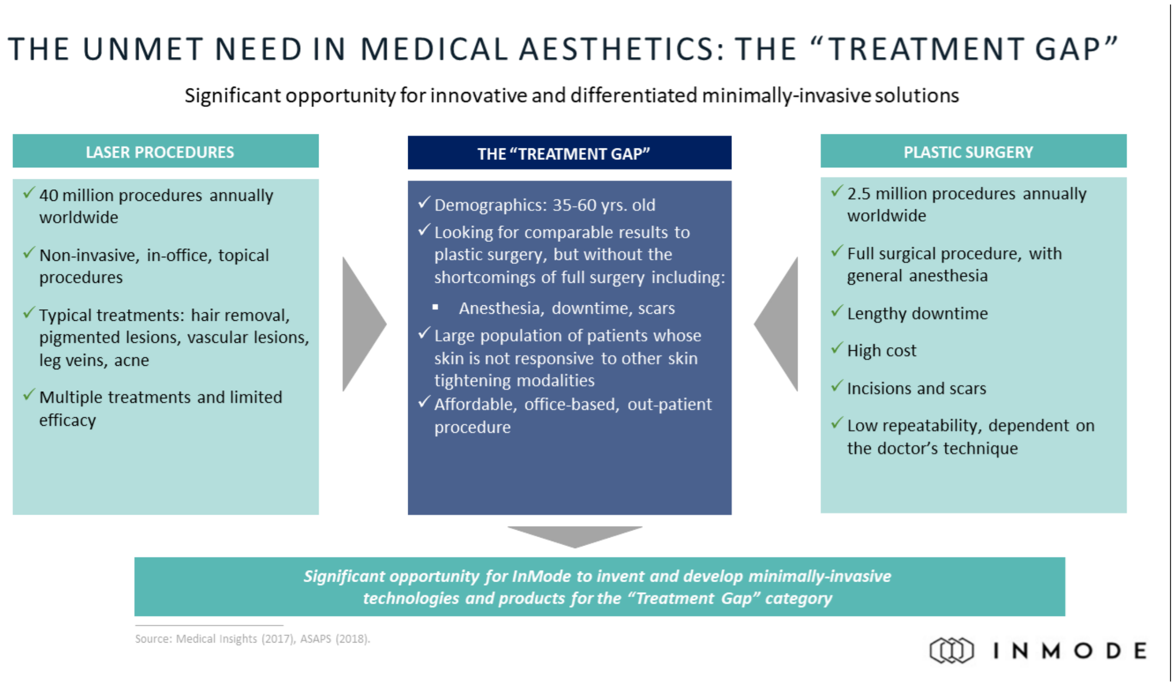
1. American Society of Plastic Surgeons (Plasticsurgery.org)
This website has a good amount of content. The below link has plenty of data about plastic surgery.

https://www.plasticsurgery.org/documents/News/Statistics/2020/plastic-surgery-statistics-full-report-2020.pdf

2. The Aesthetic Society
Every year, The Aesthetic Society releases its annual Aesthetic Plastic Surgery Statistics with data collected on the society's accurate digital technology.
https://www.theaestheticsociety.org/media/procedural-statistics

3. Scuttlebutt research thoughts
We'd also recommend you speak with surgeons who deal with all competitors except InMode. Example - For hair removal, this NY-based clinic uses three of the company's competitors – *Candela,* Lumenis & *Soprono™* but does not deal with the company's product. https://baredmonkey.com/services/laser-hair-removal/#

A final tip- When you do in-depth research, don't forget to compare product names – many times, a company's product name is widely used.



AESTHETICS INDUSTRY UNDERGOING A PARADIGM SHIFT

"Treatment Gap" patients are increasingly looking for solutions that address the shortcomings of laser-based aesthetics and the complexity of full surgery

From: Traditional Laser-Based Aesthetics

- In-office procedures – mainly hair removal
- Non-invasive laser-based procedures
- Very limited results that typically require multiple treatments

To: Minimally-Invasive/Ablative Aesthetic Surgery

- Patients are seeking new procedures with more significant and longer-lasting results
- Growing demand for face and body contouring and not just "laser" rejuvenation or hair removal

The new competitive dynamics of the aesthetic surgery industry require a major technological change and a new product portfolio

Angi (ANGI): Newly appointed CEO is a representative of a major shareholder & is expected to fix the self-inflicted problems; Recent price crash

- M.Cap: $1.2 billion | Cash: $328million | Debt: $495 million | EV: $1.37 billion
- FCF & EBITDA: Negative; Generated $135 million of FCF in 2020 | EV/Revenue: 0.7X
- Volume: 0.6 million
- Analyst rating:
    - https://seekingalpha.com/news/3890379-angi-slips-to-all-time-low-as-ceo-change-shows-challenges
    - https://seekingalpha.com/symbol/ANGI/ratings/sell-side-ratings
- Major shareholders: Brown Advisory: 15% | Vanguard: 7.8% | Freshford Capital: 3.3%
- Screen: Price crash

I. RESEARCH

1. Basics

The company's platform connects consumers with service professionals nationwide for home repair, maintenance, and improvement projects (and 500 different categories).

- Angi Ads business connects consumers with service professionals for local services through a **nationwide online directory**
- Angi Leads business provides helps consumers to find local, pre-screened and customer-rated service professionals according to their needs
- Angi Services business allows consumers to browse and buy common household services at set prices directly from Angi, rather than requesting quotes, from service professionals.

2. Solid network effect

- The company owns two leading home services brands in the United States - Angi and HomeAdvisor. This website brings both customers and contractors.
- The company is the #1 online player in the industry with a single-digit market share.
- It is easy for an incumbent to build a website, but how is it going to attract customers and contractors? This "network effect" acts as a significant barrier to entry.
- Total number of app downloads in Play Store:
    - Angi: 5M+
    - The company's closest competitor, Thumbtack: 1M+

3. Revenue growth

Growth through acquisition: The company grew from $361 million in FY 2015 to $1.86 billion through acquisitions.

$, mm	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	LTM 2022		9M Sep 2021	9M Sep 2022
Revenue	361	499	736	1,132	1,326	1,468	1,685	1,866		1,270	1,450
Operating income	-2	24	-148	64	39	-6	-77	-95		-48	-66
Net income	-4	11	-105	78	35	-4	-71	-101		-45	-75

Business name	Aggregate cost	Date
Total Home Roofing	$25M	2021
Handy	$168M	2018
Angie's List	$781M	2017
HomeStars Inc	$13M	2017
MyBuilder Limited	$41M	2017
MyHammer Holding AG	$20M	2016

II. CURRENT CHALLENGES

1. Name change (rebrand) affected organic search results

- In March 2021, the Company changed its name to Angi Inc. and migrated its website from *www.angihomeservices.com* to www.angi.com.
- Since the company relies heavily on free/organic search results, this rebranding initiative – esp. changing the domain name to angi.com – adversely affected the placement and ranking of Angi.com in organic search results.
- This resulted in a negative impact on service requests from organic search results and via its mobile applications.
- To fix the problem, the company increased its marketing expense – esp. for paid search engine marketing to generate service requests.
- Overall, these factors increased marketing spend and reduced revenue during the year ended December 31, 2021, materially more than expected at the launch of the brand initiative in March 2021.
- In FY 2021, the company's SG&A expenses increased by $121 million, out of which the company attributed $52.8 million in online marketing spend triggered by the brand integration initiative.

2. Focus on Angi Services increases the cost

- What is Angi Services? It allows consumers to browse and buy common household services at set prices rather than requesting quotes from service professionals, as well as instantly book appointments online for household services.
  - Angi began offering pre-priced offerings after acquiring Handy in October 2018 – this was officially launched in August 2019 on the Angi platform.
  - Acquisition: In July 2021, Angi acquired Total Home Roofing which was integrated into this segment.
- The company has invested significantly in Angi Services and expects to continue to do so going forward. In fact, in Q4 2020 CC, the former CEO mentioned that the company expects to achieve 50% of revenue from the fixed-price model and expects to achieve this goal within 5-7 years.
- This increased investment in Angi Services has contributed to losses for the Company for the year ended December 31, 2021, and this investment is expected to continue through 2023 at least.

3. Roofing

- As per the Q2 2022 CC, the company went very aggressive on the pricing aspect of the service and it impacted the company significantly.
- Not much other information is available.

III. WHY ARE WE FLAGGING THIS?

Price crash and new CEO appointment

a) Price crash

- Due to the problems outlined in the above section, the company's stock price crashed by 70% in the last year.
- The portfolio managers of Parnassus Mid Cap Fund shared their opinions as to why they sold the shares. Here it is:

  > We also sold ANGI Inc., a leading online home services provider. While we believe the company has a significant opportunity to penetrate the online home services category, we became concerned with the company's increasing investments required to rebrand the business, slow turnaround progress, and high valuation.

b) A representative of a major shareholder appointed as CEO

- In October 2022, the company appointed Joey Levin, CEO of IAC and Chairman of Angi, as CEO.
- **Solid motivation:**
  - IAC/InterActiveCorp holds 98% voting rights in the company ~ 84% of Class A shares and 100% of Class B shares.
  - Mr. Levin's boss, Barry Diller, owns 41% of IAC. IAC owns 89% of Angi. Since Angi is in trouble, Mr. Levin has stepped in.
- **Fixing the problems**
  - In recent CC (Q3 2022), Mr. Levin commented that the company has overcomplicated the product and it has to be simplified.
  - He also acknowledged the fact that the company's operating expense growth in the last few years has outpaced its gross profit growth – mostly relating to the rebranding efforts. The CEO thinks the company must be more disciplined on expenses.

    > We've made some recent mistakes that we need to fix. – CEO, Q3 2022 CC
- **Mr. Levin's letter**

This is a must-read letter written by the new CEO.

> I've now taken on direct management of Angi myself. As a reminder, IAC owns 425 million shares of Angi worth a little under $1 billion today, representing 84% of the economic interest and 98% of the voting interest in Angi. Though smaller than it used to be, Angi is still among the largest assets in IAC, and Angi's business results matter a great deal to the overall success at IAC - and those results have not been good. Not only did we burn capital, but we spread it too thin and lost focus on some fundamentals. Several weeks into my new role at Angi, I have high confidence in our ability to do better and, if correct, deliver substantial value to IAC and Angi shareholders.
>
> We have a lot to work with here. One in seven American households use Angi to care for their home each year, generating approximately 30 million service requests for our engaged and active network of 238,000 service professionals. We have by far the highest brand awareness of any pure player in the category, at least 2x the nearest competitor in Aided and 5x in Unaided, and we generate substantially more revenue. We have the most valuable content in the category for any homeowner searching online for help with a home project: service professional directories and ratings, closed-loop user reviews, real cost data, and the ability to get the job done on our site,

all wrapped in a unified brand built for the category. We haven't yet exposed many of those features to a broad audience with a clean and fast user interface, which could help recover lost ground in search. Yesterday's mistakes are tomorrow's opportunities and, as we've taken some big swings and misses in our efforts to change the category, we've created plenty of opportunities.

When we transitioned from the Angie's List and HomeAdvisor brands to Angi in March 2021 to consolidate our marketing and product firepower behind one enduring brand, we expected a short term hit to marketing efficiency to eventually more than recover. We still believe that a true category leader wins with one category-defining brand, but we now estimate that the transition cost us much more than expected – over $100 million in annual profit from traffic coming from search engines that hasn't yet returned, and small details in execution were buried and forgotten in the wake of a massive brand initiative. I expect real upside in traffic acquisition relative to current performance with a new leader and team now focused on fundamentals and empowered to make real change. Another big area of opportunity is Services. The great news is we've done nearly $1 billion of Services revenue since we launched the product, and in that time learned a tremendous amount about how to deliver a differentiated Services offering for homeowners, where to focus our investment, and where to pull back. But sometimes an organization can be consumed by a new growth product at the expense of almost every other area, and I believe Services cast a long shadow over the rest of Angi. We are still completing Services jobs for homeowners with previously unimaginable lifts in customer satisfaction, and this product line will be essential for our customers going forward, but we will better balance priorities between Services and other parts of the business.

Despite our faults, in the last 12 months, we delivered almost $1.8 billion of revenue, growing 15% year-over-year with $1.4 billion of gross profit in a category that's not an easy beast to tame. I believe we now have an opportunity to invest our gross profit more productively with more responsible operating expenses and cash flow accountability by chasing fewer ideas and focusing on key segments and initiatives with steady progress.

Skepticism is warranted here given our recent results, but I want to be unequivocally clear that I don't share it. I believe in this business and our ability to become indispensable to customers. When I became CEO of Mindspark in 2009, the first business I ran for IAC, the business had just dropped to nearly breakeven in its most recent quarter, after delivering profits for years. The trends were bad, but we had nine figures of annual revenue and a bright and committed team and rightly believed we had enough clay to work with. When I went to be CEO of Vimeo, we had a similar story. I acknowledge that being Angi's fourth CEO in five years is not confidence-inspiring, but I take on the role of Angi CEO with a head start, having served as Chairman through the challenges of the past few years, not dissimilar to the situations at Mindspark and Vimeo. I own the decisions we made and the resulting performance, but getting in and running the business day to day is a very different mode, and I am optimistic. Of course, we have opportunities throughout IAC to increase value, which are covered below, but I'm focused heavily on Angi right now

> given the scale of the opportunity and the potential improvement in both near-term and long-term profit relative to today.

Source: https://ir.iac.com/static-files/c07e9a3b-9b45-4d98-b893-65b1854f666f

- **Interview**
  - Mr. Levin explains his optimism about Angi's service. You can read the transcript of the interview by clicking on the text “Click Here to Read the Interview Transcript” in the below link. https://www.boyarvaluegroup.com/blog/iac-ceo-joey-levin-on-why-his-company-took-a-12-stake-in-mgm-which-companies-within-iac-he-is-most-excited-about-lessons-learned-from-working-with-barry-diller-and-how-he-approaches-capital-allocat/
  - Cove Street interview https://compounders.podbean.com/e/searching-for-investments-where-the-future-is-obvious-with-joey-levin-ceo-of-iacinteractive-nasdaq-iac/
  - Others: https://magazine.wharton.upenn.edu/issues/fall-winter-2018/4-wharton-alumni-transforming-your-digital-life/

Overall –

1. The company holds the MOST valuable website for home improvement/service. It is very hard for an entrant to replicate the company’s network effect.

Yelp.com attracts a whopping 133 million visitors. It has a page that is dedicated to hiring home services – but it is not exhaustive like Angi. The CEO of Yelp.com is not trying to expand the company’s service and compete with Angi. The CEO of Yelp is busy using the FCF to buy back Yelp shares. Regardless, Yelp is the only company (currently) that could pose a potential threat to Angi.

2. Most of the current problems faced by Angi are “self-inflicted”. We are still scratching our heads and wondering why a CEO would change a domain name when a business is 100% online. It was a costly mistake. Anyways, he is no longer in the office.

3. Reduction of expenses

As you can see below, the operating expense as a % of total revenue has been declining for the past two quarters.

	Q2 2020	Q2 2021	Q2 2022
Revenue	375.1	421	515.8
Total operating expense	357.4	384	408.9
OPEX as a % of total revenue	95%	91%	79%

	Q3 2020	Q3 2021	Q3 2022
Revenue	389.9	461.6	498
Total operating expense	392.9	377.1	400
OPEX as a % of total revenue	101%	82%	80%

4. New CEO

We believe that the new CEO has the right motivation to fix Angi's problems. This is the top reason for flagging this stock.

Looking at the background of Mr. Levin, he is more of an asset allocator rather than an operator. So, we expect Mr. Levin to fix the problem and relinquish the CEO title to a suitable successor.

DLH Holdings Corp (DLHC): Solid growth under the current CEO; Recent acquisition; Recent price crash; Solid FCF

- M.Cap: $ 150 million | Cash: $ 0.2 million | Debt: $39 million | EV: $189 million
- FCF: $0.4 million – the company generated FCF of $46M in FY 2020|
- Volume: 0.175 million
- Analyst rating: 1 analyst https://seekingalpha.com/symbol/DLHC/ratings/sell-side-ratings
- Major shareholders: Wynnefield Capital: 30% | Punch & Associates: 4.4% | Cove Street: 3.4%
- Screen: Price crash

I. BASICS

- The company operates primarily through prime contracts awarded by the government through competitive bidding processes.
- Type of contracts: Time and materials contracts (78%), cost-reimbursable contracts (12%), and the remaining are firm fixed price contracts (10%).
- Major Customers: (a) The company derives 99% of its revenue from agencies of the Federal government. (b) Department of Homeland Security: 32% (c) Department of Veterans Affairs: 32% (d) Department of Health and Human Services: 26% (e) Department of Defense: 9%
- Key services/solutions
  - ***Defense and Veteran Health Solution:*** The company ensures that veterans receive their outpatient prescriptions on time, each day, through the consolidated Mail Order Pharmacy ("CMOP") program.
  - ***Human Services and Solution:*** The company combine subject matter expertise with experience in information technology and analytics to provide large-scale program monitoring and evaluation; electronic medical records migration; data collection and management; and nutritional and social health assessments.
  - ***Public Health and Life Sciences:*** The company provides services that include clinical trials, epidemiology studies, advancing disease prevention methods, and health promotion to underserved and at-risk communities.

II. WHAT WE LIKE

1. Solid financial performance under Mr. Parker

- Zachary Parker is serving as the CEO since 2010. Under his watch, the company's market cap grew from $41 million in FY 2010 to $269 million in FY 2022 (revenue excluding the FEMA – short-order contract.
- In 2021, the company was awarded two short-term task orders under a FEMA contract to provide support for states seeking temporary medical staffing support and COVID-19-related community testing, vaccination, and therapy.
- "EBITDA adjusted for the FEMA contract" grew from a meagre $0.4 million in FY 2013 to $28.5 million in FY 2022.
- The EBITDA margin grew from 1% in FY 2013 to 15% in FY 2022.

($, mm)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenue	53.5	60.5	65.3	85.6	115.7	133.2	160.4	209.2	246.1	395.2
Short order contract - FEMA									1.7	125.8
Adj. Revenue (Excluding short order)	53.5	60.5	65.3	85.6	115.7	133.2	160.4	209.2	244.4	269.4
Adj. Revenue growth (Excluding short order)		13%	8%	31%	35%	15%	20%	30%	17%	10%
EBITDA	0.4	0.9	2.6	4.5	8.4	11.0	13.9	20.5	25.3	40.9
EBITDA - short order contract									0.1	12.5
Adj. EBITDA (Excluding short order)	0.4	0.9	2.6	4.5	8.4	11.0	13.9	20.5	25.2	28.5
Adj. EBITDA Margin	1%	1%	4%	5%	7%	8%	9%	10%	10%	15%

2. Growth through selective acquisitions

- The company raises debt to acquire a company. Subsequently, it reduces the debt load through the free cash flow.
- Recent big-ticket acquisition: In December 2022, the company acquired Grove Resources for $185 million ($178M cash & 7M equity). This is the company's largest acquisition in its history.

FY 2016	Danya International	$39 million
FY 2019	Social & Scientific Systems, Inc.	$70 million
FY 2020	Irving Burton Associates, LLC	$32 million
Dec 2022	Grove Resource	$185 million

3. Solid FCF

($, mm)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
FCF	1.8	1.7	1.8	5.5	6.3	13.4	17.6	19.3	45.6	0.4

- In the last 10 years, the company generated a total free cash flow of $113 million.

4. Insider ownership

- CEO: 3.9%
- Wilson - President, DLH Solutions: 2.4%
- Chairman: 1.9%
- Delaney (Director): 1.4%

5. Others

- **Backlog:** As of September 30, 2022: Backlog was approximately $482.5 million
- **Wynnefield**
  - Wynnefield owns roughly 30% and has had a representative on the board since July 2020.
  - This stock is the #1 position of Wynnefield and accounts for roughly 30% of its portfolio as per the recent 13F.

OUR THOUGHTS

We like the way the company grows – acquiring a company in the related industry by raising debt and then repaying the debt with the free cash flow and repeating this process.

The recent acquisition is the largest in the company's history and we expect the company to repay the debt through its free cash flow.

The only major concern is the dependency on a few government contracts.

So, the crux of the research is to figure out the "worst-case scenario". Did any company in the industry go out of business due to its inability to renew or secure new contracts with the VA/HHS?

Verint Systems (VRNT): Price Crash; Growing Cloud Revenue; Positive FCF

- M.Cap: $2.3 billion | Cash: $263million | Debt: $454million | EV: $2.9billion
- FCF: $102 million| FCF/ EV yield: 3.5% | EV/FCF: 28X | EV/EBITDA: 28X
- Volume: 0.54 million
- Analyst rating: https://seekingalpha.com/symbol/VRNT/ratings/sell-side-ratings
- Major shareholders: Vanguard: 9.7% | Clal Insurance: 8.7% | Blackrock: 7.5% | Victory Capital: 5.8% | Senvest Management: 5.4% | RGM Capital: 4% | Cardinal Capital: 3.8%
- Screen: 13F & price crash

I. BASIC

- It is a Customer Engagement Company that draws on the latest advancements in AI and analytics to help customers close The Engagement Capacity Gap.
- The Company generates revenue from multiple sources, including software license revenue, maintenance revenue from customer support, and services revenue primarily derived from the Company's cloud-based solutions and other software applications.
- Diverse customers: The company's customer engagement solutions are used by approximately 10,000 organizations in 175 countries across a diverse set of verticals, including financial services, healthcare, utilities, technology, and government.

II. WHAT WE LIKE

1. Pure-play customer engagement

- Pure-Play Customer Engagement Company
  - Spin-off: On Feb 1, 2021, the company completed the spinoff of its Cyber Intelligence business into an independent public company called Cognyte Software Ltd. (Nasdaq: CGNT).
  - Following the spin-off, the company is now a pure-play customer engagement company.
- Leader – Magic Quadrant: In 2021, Gartner named Verint a Leader in its 2021 Magic Quadrant for Workforce Engagement Management (WEM).
- In December 2022, the company's Voice of the Customer (VoC) Analytics™ was named as a leader in Frost & Sullivan's Frost Radar for Voice of Customer Analytics 2022 Report.
- Patent: As of January 31, 2022, the company had more than 650 patents and patent applications worldwide across areas including data capture, artificial intelligence, machine learning, unstructured data analytics, predictive analytics and automation.

2. Revenue growth

- Revenue grew from $695 million in FY 2016 to $900 million in LTM Sep 2022.

$, mm	FY 2020	FY 2021	FY 2022	LTM Sep 2022	9M Sep 2021	9M Sep 2022
Revenue	846.5	830.2	874.5	900.2	640.3	666.0
Gross profit	542.4	542.7	575.9	596.3	423.4	443.8
Operating income	-2.0	57.4	46.8	29.9	40.6	23.7
Net income	35.7	-0.1	15.7	-1.7	19.9	2.6

- Due to the spin-off of the Cyber intelligence business in Feb 2021, the company's historical financials are not comparable. The customer engagement business was reported as a separate segment. Below are the financials.

($, MM)	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Revenue	694.9	705.0	740.1	796.3	846.5	830.2
Segment contribution	264.4	269.0	286.2	316.8	338.1	339.7

3. Transition to cloud business: strong cloud momentum

- The company's open cloud platform helps brands to provide boundless customer engagement in the contact center as well as across the enterprise. Moreover, the company's Cloud Platform was designed to connect the contact center to other parts of the organization involved in customer engagement activities.
- Growing cloud revenue: Cloud revenue increased from $153 million in FY 2019 to $477 million in LTM September 2022.
- Cloud revenue as a % of total revenue increased from 19% in FY 2019 to 54% in 9 months ending September 2022.
- Shifting the revenue mix to the cloud has many benefits, including more recurring revenue, better visibility and improved economics over the customer's lifetime.

($, mm)	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**LTM Sep 2022**
Cloud revenue (a)	**152.6**	**220.5**	**277.4**	**388.4**	**476.8**
Support revenue (b)	313.1	313.9	298.2	244.7	196.8
Total recurring revenue (a) + (b)	465.7	534.4	575.6	633.1	673.6
Perpetual revenue (x)	196.1	179.9	141.8	138.1	124.4
Professional services revenue (y)	134.5	132.3	112.8	103.3	102.0
Total non-recurring revenue (x) + (y)	330.6	312.1	254.6	241.4	226.4
Total revenue	796.3	846.5	830.2	874.5	900.1

4. FCF

$, mm	**FY 2020**	**FY 2021**	**FY 2022**	**LTM Sep 2022**	**9M Sep 2021**	**9M Sep 2022**
Free cash flow	207.0	232.5	101.1	102.4	43.7	45.0

5. Special note: Verint Da Vinci: Recent innovation

- Verint Da Vinci is specifically designed to automate customer engagement business processes.
- It infuses AI-powered automation across all business applications running in its cloud platform and is a key driver in helping brands reduce their operating costs while elevating the customer experience across the enterprise.
- Since the platform is designed with an open architecture, the company's partners are able to develop their own application or unique functionality. So, instead of just reselling SaaS, the partners are able to innovate and create value for customers.
- There are roughly 150 partners that have developed something around the company's ecosystem and put it in the marketplace.

- As per the Q4 2022 conference call, Verint Da Vinci's revenue is minimal.
- Nevertheless, the company is optimistic about the future of this product.

III. WHY ARE WE FLAGGING THIS?

1. Pragma Gestao, a Brazil-based fund, initiated a stake in Q3 2022 and the stock accounted for 3.3% of the fund's total portfolio.

2. Many investors are betting a significant percentage of their portfolio on this stock. Out of this, two investors have held the stock for more than a decade: Lapides Asset Management & American Capital Management.

<u>% of total portfolio value (Portfolio value is based on the latest 13F)</u>

RGM Capital	5.9%
Senvest Management	5.0%
PRAGMA GESTAO DE PATRIMONIO LTD	3.3%
Global Alpha Capital	3.2%
Cardinal Capital Management	2.9%
CLAL Insurance	2.6%
Lapides Asset Management	2.6%
American Capital Management	2.2%
Private Capital Management	1.7%
Neumeier Poma Investment	1.4%

Skyline Champion (SKY): Recent Price Crash; Excellent FCF; Beneficiary of the Affordable Housing Crisis

- M.Cap: $ 3.1 billion | Cash: $677 million | Debt: $50 million | EV: $2.47billion
- FCF: $372 million| FCF/ EV yield: 15% | EV/FCF: 6.6X | EV/EBITDA: 4.2X
- Volume: 0.29 million
- Analyst rating: https://seekingalpha.com/symbol/SKY/ratings/sell-side-ratings
- Major shareholders: Wellington Management: 13% | Vanguard: 10% | Blackrock: 6.5% | MAK Capital: 5.27%
- Screen: Recent price crash

RESEARCH

I. Affordable housing crisis

This report is heavily focused on this thesis.

- What is affordable housing? As per the U.S. Department of HUD, affordable housing is generally defined as housing on which the occupant is paying no more than 30% of gross income for housing costs, including utilities.
- According to the report published by The National Low Income Housing Coalition (Shortage of Affordable Home, March 2021), there is a shortage of 6.8 million units for renters with extremely low incomes.
- Only 37 rental homes are affordable and available for every 100 extremely low-income renter households.
- The relative supply of affordable and available rental homes improves as incomes increase

A sharp decline in new construction:

- Since the great depression (2008-2009), there has been a significant decline in new construction. Please see the table on the right.
- Source: https://www.census.gov/construction/nrc/historical_data/index.html ("Housing Units Completed")
- We strongly urge you to read the below report titled "America's rental housing 2022" published by Harvard.
- https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_Americas_Rental_Housing_2022.pdf
- Other links
  - https://www.npr.org/2022/07/14/1109345201/theres-a-massive-housing-shortage-across-the-u-s-heres-how-bad-it-is-where-you-l
  - https://www.epi.org/blog/the-growing-housing-supply-shortage-has-created-a-housing-affordability-crisis/

Year	Total Units*	Year	Total Units*	Year	Total Units*
1968	1,319.8	1986	1,756.4	2004	1,841.9
1969	1,399.0	1987	1,668.8	2005	1,931.4
1970	1,418.4	1988	1,529.8	2006	1,979.4
1971	1,706.1	1989	1,422.8	2007	1,502.8
1972	2,003.9	1990	1,308.0	2008	1,119.7
1973	2,100.5	1991	1,090.8	2009	794.4
1974	1,728.5	1992	1,157.5	2010	651.7
1975	1,317.2	1993	1,192.7	2011	584.9
1976	1,377.2	1994	1,346.9	2012	649.2
1977	1,657.1	1995	1,312.6	2013	764.4
1978	1,867.5	1996	1,412.9	2014	883.8
1979	1,870.8	1997	1,400.5	2015	968.2
1980	1,501.6	1998	1,474.2	2016	1,059.7
1981	1,265.7	1999	1,604.9	2017	1,152.9
1982	1,005.5	2000	1,573.7	2018	1,184.9
1983	1,390.3	2001	1,570.8	2019	1,255.1
1984	1,652.2	2002	1,648.4	2020	1,286.9
1985	1,703.3	2003	1,678.7	2021	1,341.0

**Total units are in thousands*

High rental cost

- One of the biggest drivers of recent inflation is the higher rent price.
- The average nation's average rent increased from $1660 in Feb 2020 to $2090 in August. In 2021, the year-over-year rental growth increased from 1.7% in 1st quarter 2021 to 10.9% in the 3rd quarter.
- Other links
  - https://www.zillow.com/research/july-2021-zillow-market-report-29992/
  - https://www.vox.com/policy-and-politics/2022/9/14/23351128/inflation-rent-prices-high

II. Manufactured home: Solid tailwind?

a) Some basics

- It is a prefabricated housing that is largely assembled in factories.
- Let's get some basics right – 1) Factory-built homes are secured to a permanent foundation 2) they meet federal/regional standards for hurricane/fire/snow loads, etc. 3) they are customizable – you can select the square footage and the number of rooms, etc.
- Manufactured Vs Mobile Vs Modular homes - https://www.claytonhomes.com/studio/defined-mobile-manufactured-and-modular-homes/

b) 87% decline

The total number of manufactured home unit shipments declined from 3.73 million units in 1998 to a meagre 49.7K units in 2008, a staggering 87% decline in 12 years.

Possible reasons

- Stricter HUD code: this cannot be interpreted as outright bad – this stricter regulation improved the quality of the home.
- Restrictive zoning: some local ordinances prohibit manufactured housing outright whereas others limit permitted locations or impose additional design standards.
- Lack of financing availability.
- The below two articles are the best at explaining the industry. The author, Brian Potter, is a structural engineer (LinkedIn). Interesting read.

c) A solid tailwind?

After a decade of consistent decline, the total number of shipments has grown steadily in the last 12 years, besides a few hiccups.

Moreover, the cost per sq. foot is also increasing. The average cost per sq. foot increased from $51.26 in 2016 to $73.58 in 2021. During the same period, the average sales price increased from $89.5K to $132K.

Year	Total number of units	% increase
2009	49717	
2010	50046	1%
2011	51618	3%
2012	51881	1%

2013	60228	16%
2014	64331	7%
2015	70544	10%
2016	81136	15%
2017	92902	15%
2018	96555	4%
2019	94615	-2%
2020	94390	0%
2021	105772	12%

- A solution to housing crisis
  - In a recent article (Oct 2022) published by the Center on Budget and Policy Priorities (CBPP), the author suggested that directing more resources to manufactured housing is one of the few solutions capable of addressing the affordability gap.
  - In May 2022, President Biden announced several actions to ease the burden of housing costs – one such proposal is to eliminate needless barriers to affordable housing production, including permitting for manufactured housing communities.
  - https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/16/president-biden-announces-new-actions-to-ease-the-burden-of-housing-costs/
- Other links:
  - The Role of Manufactured Housing in Increasing the Supply of Affordable Housing (Link)
  - https://www.washingtonpost.com/realestate/a-factory-built-home-as-a-means-to-affordable-housing/2021/09/08/289c504a-e0fa-11eb-9f54-7eee10b5fcd2_story.html
  - https://www.bizjournals.com/bizjournals/news/2022/07/25/manufactured-homes-affordable-housing.html
  - https://www.multihousingnews.com/white-houses-manufactured-housing-plan-stirs-optimism/
  -

Overall-

Even though manufactured homes are cheaper than houses built on site, it still accounts only for 6% of total units built in 2021.

Given the affordable home crisis, manufactured homes are a feasible solution.

We are not arguing that the manufactured homes industry would breeze through these problems. For example, the “zoning barrier” is very hard to overcome (community and resident concerns about the safety, quality, and appearance of the manufactured homes).

The US government is also taking steps to fix the current affordable housing problem – this in turn would help the manufactured home industry.

For example, the government’s pressure to relax zoning regulations could slowly create a “permanent shift” in the industry’s outlook.

RESEARCH: Skyline Champion (SKY)

Industry dynamics

- For calendar 2021, the top three companies had a combined market share for HUD code homes of approximately 75%.
- Given the high fixed cost, it is hard for a smaller player to survive a downturn.
- Manufactured housing is a regional business; a typical manufacturing facility can cost-effectively cater to up to a 350-mile radius.

Skyline Champion Corporation

In 2018, Skyline merged with Champion Home Builders and renamed the merged entity "Skyline Champion".

1. One among the top player; Increase in market share:

- The company is the #2 player in the manufactured housing market segment in the US
- #1 modular builder in the US.
- Based on industry data, the Company's U.S. wholesale market share of HUD code homes sold was 19.3%, 16.9%, and 16.5% in fiscal 2022, 2021, and 2020, respectively.
- The company's market share in the US increased from roughly 8% at the beginning of fiscal 2011 to roughly 19% in fiscal 2022.
- Strategically located manufacturing facilities
  - The company operates 41 manufacturing facilities located in 19 states across the United States and three provinces in western Canada.
  - The company operates 16 manufacturing facilities in the ten states with the greatest growth in the number of manufactured homes shipped in the last ten years.

2. Stellar financial performance

- The company is profitable and constantly improving its operating margins.
- The most interesting thing is the company's ability to convert profits into cash.
- In the last 6 years and 6 months, the company generated a total FCF of $755 million.
- Recent performance:
  - Since July 2020, U.S. and Canadian housing demand has been robust.
  - In FY 2022, the company's revenue grew by 55% and in the recent 6 months ending October 2022, revenue increased by 48%.
  - In the recent 6 months ending October 2022, the company generated a whopping FCF of $347 million.
  - The company is activating a few idle manufacturing units to meet the growing demand.
  - No major acquisitions: In the last 3 years, the company spent less than $60 million on acquisitions.

($, mm)	2017	2018	2019	2020	2021	2022	LTM Oct 2022		6M Oct 2021	6M Oct 2022
Revenue	861	1,065	1,360	1,370	1,421	2,207	2,706		1,034	1,533
EBIT	35	55	-30	87	109	333	555		126	347
EBIT Margin	4%	5%	-2%	6%	8%	15%	21%		12%	23%
FCF	27	22	53	61	146	193	372		74	253

3. No debt; Massive cash balance

- The company is sitting on a massive cash pile of $677 million ~ roughly 22% of the market cap. At the current run rate, the company would accumulate a total of $1 billion of cash within the next 3-4 quarters.

- No debt
- In the recent CC (Q2 2023), when an analyst asked whether the company would venture into the "floor plan lending" business, the CEO simply mentioned that it is always in discussion – but didn't provide many details.

4. The CEO thinks that factory-built housing does better during an inflationary period.

> So generally, as inflation happens and interest rate increases happen, generally manufactured housing or off-site construction does better than site-built during those times. So as we see the inflation and as we see this, we anticipate gaining share versus site-build over time. – Q4 2021

Cavco Industries (CVCO): Ultra short notes

Basic

- The company generates 85% of its total EBT from factory-built housing and the remaining 15% of EBT from the financial services business.

- Financial performance:
  - The company's revenue increased from $712 million in FY 2016 to $2.1 billion in LTM October 2022. After four years of stagnant EBIT margin (22018-2021), the company margin expanded in the last 1.6 years.
  - In the last 7 years and 6 months, the company generated $588 million of cumulative FCF.
- Solid balance sheet
  - No debt
  - Cash: $349 million
- Recent acquisition: In 2021, the company spent $146 million to acquire a manufactured housing company.

($, mm)	2016	2017	2018	2019	2020	2021	2022	LTM Oct 2022		6M Oct 2021	6M Oct 2022
Revenue	712.4	773.8	871.2	962.7	1061.8	1108.1	1627.2	2103.0		689.9	1165.7
EBIT	46.3	56.8	73.8	84.1	84.9	88.8	202.5	294.1		77.7	169.3
EBIT Margin	7%	7%	8%	9%	8%	8%	12%	14%		11%	15%
FCF	40.0	40.5	50.6	25.2	87.4	88.5	125.6	179.9		75.4	129.7

Valuation thoughts

Name	M.Cap	Debt	Cash	EV	Revenue	EBITDA	FCF
Cavco	$2.03B	$23M	$349M	$1.7 B	$2.1B	$309M	$180M
Skyline Champion	$3.02B	$51M	$677M	$2.39B	$2.71B	$578M	$372M

Name	EV/Revenue	EV/EBITDA	FCF/EV
Cavco	0.81	5.5	11%
Skyline Champion	0.88	4.1	16%

Both companies have the Ft. Knox balance sheet.

Given the depressed valuation for both companies, it is clear that the market doesn't believe that their current performance is sustainable.

We are flagging these stocks for the FCF these two companies generate and for the company's ability to adjust the business operation during a downturn.

Skyline has a better margin and a cheaper valuation compared to Cavco.

Further research
If you are planning to do scuttlebutt research (e.g., zoning regulation), we suggest you research the top 8 states – these states account for 53% of total units sold in 2021.

State	**2021**	**% of total units**
Texas	18,478	17%
Florida	7,601	7%
Alabama	5,153	5%
North Carolina	6,129	6%
South Carolina	5,216	5%
Louisiana	5,623	5%
Michigan	4,037	4%
Georgia	4,211	4%
Totals	**1,05,772**	

Excellent resources

Manufactured home statistics
https://www.census.gov/data/tables/time-series/econ/mhs/latest-data.html
Manufactured Housing Institute ("MHI")
https://www.manufacturedhousing.org/
Rental price inflation
https://data.bls.gov/PDQWeb/cu
Zillow housing data
https://www.zillow.com/research/data/
Cost comparison: https://nextstepus.org/wp-content/uploads/2022/07/Next-Step_Infographic-Cost-Comparison.pdf
Others

- https://www.huduser.gov/portal/periodicals/em/WinterSpring20/highlight1.html
- https://www.zillow.com/research/july-2021-zillow-market-report-29992/
- https://www.zillow.com/home-values/102001/united-states/
- https://www.zillow.com/research/renters-consumer-housing-trends-report-2022-31265/

Freddie Mac & Manufactured home

- https://sf.freddiemac.com/faqs/manufactured-housing-faq
- https://sf.freddiemac.com/working-with-us/origination-underwriting/mortgage-products/manufactured-homes

Others
https://www.manufacturedhomelivingnews.com/
https://www.thespruce.com/best-mobile-home-manufacturers-5080789
https://www.thehomesdirect.com/blog/average-cost-of-a-manufactured-home

Weekly 13D Report - Jan 2, 2023 to Jan 6, 2023

INITIATED

Harbor Spring Master Fund initiates discussions with Talkspace, Inc.

Market Cap: $105 million | Talkspace, Inc. operates as a virtual behavior healthcare company. It delivers healthcare through encrypted web and mobile platform..

On January 6, 2023, Harbor Spring Master Fund (5%) stated that it has been and may continue to be in contact with members of the management and Board regarding alternatives that the company could employ to enhance shareholder value, which alternatives may include, without limitation, engaging independent financial advisors to explore strategic alternatives for the company. Source

World Wrestling Entertainment provides update regarding composition of its board of directors and exploration of strategic alternatives

Market Cap: $6.3 billion | World Wrestling Entertainment, Inc., an integrated media and entertainment company, engages in the sports entertainment business in North America, Europe, the Middle East, Africa, the Asia Pacific, and Latin America.

- On January 5, 2023, Vince McMahon (40%), the founder and controlling shareholder of the company announced that he has taken necessary actions to position the Company to capitalize on a unique opportunity to maximize long-term value for all WWE shareholders. The actions, communicated to WWE's Board via written consent, include the election to the Board of Mr. McMahon, as well as Michelle Wilson and George Barrios – former WWE Co-Presidents and Board members, and currently the Co-Founders and Co-CEOs of Isos Capital Management – and the requisite removal from the Board of three directors. Mr. McMahon expects to assume the role of Executive Chairman of the Board. Prior to delivering written consent, Mr. McMahon sent two separate letters (December 20, 2022, December 31, 2022) to the Board in late December in which he expressed the urgency of his return to the Company as Executive Chairman and his desire to work collaboratively with the Board and management team. Following conversations with representatives of the Company both before and after Mr. McMahon's most recent letter on December 31, Mr. McMahon determined, consistent with his rights as controlling shareholder, that the steps announced are necessary to maximize value for all WWE shareholders.

- On January 6, 2023, the company provided an update regarding the composition of its Board of Directors and the exploration of strategic alternatives. The company announced that Vince McMahon, will be returning to the Board. Also, the company welcomed back Michelle Wilson and George Barrios to its Board. In connection with the change in the composition of the Board of Directors and in cooperation with Vince McMahon as majority shareholder, the Company intends to undertake a review of its strategic alternatives with the goal being to maximize value for all WWE shareholders. Vince McMahon, in his capacity as controlling shareholder of the Company, has removed JoEllen Lyons Dillon, Jeffrey R. Speed and Alan M. Wexler from the Board. Vince McMahon, George Barrios and Michelle Wilson have been added to the Board to fill the resulting vacancies. Source

SR Equity Ventures nominated Board candidates to the board of Wheeler Real Estate Investment Trust

Market Cap: $14 million | Wheeler Real Estate Investment Trust, Inc. is a self-managed commercial real estate investment company.

On December 30, 2022, SR Equity Ventures (8.14%) delivered a letter to the company nominating a slate of six director candidates for election to the Board at the 2023 AGM. Source

Past

(i) Steamboat Capital Partners

- On June 24, 2020, Steamboat Capital Partners disclosed 12% and sent a letter to the Board requesting that a meeting be called to elect directors to represent the Series D Preferred Shareholders and indicating that it had suggested potential candidates for the company to nominate to fill those seats. Source
- On December 31, 2020, Steamboat Capital Partners (12%) stated that it has determined, at this time, not to take further action or make further efforts to seek the calling of a meeting to elect directors to represent the Series D Preferred Shareholders or to have particular candidates fill any such seats. Source
- On May 21 2021, Steamboat Capital Partners (14.5%) had a conversation with management in which it requested the election of directors to represent the Series D Preferred Shareholders. In addition, Steamboat Capital had discussions with management regarding the company's capital structure and the possible acquisition and disposition of securities by clients of Steamboat Capital Partners. Source
- On October 25, 2021, Steamboat Capital Partners filed a complaint against the company alleging that the company's distribution of rights to the common stockholders, and notes pursuant to the rights, when accrued Series B and Series D preferred dividends had not been fully paid, breached the provisions of the company's governing documents and violated the rights of the Series B and Series D preferred stockholders and, in the case of the notes so distributed, Maryland law. The Complaint seeks, as a result, to require the company to pay all dividends accrued, as of the date of the distribution of rights, on the Series B and Series D preferred stock and to prohibit the company from paying interest on the notes distributed to the common stockholders upon exercise of the rights until all accrued dividends on the Series B and Series D preferred stock are paid. Source
- On December 20, 2022, Steamboat Capital Partners sent a letter to the Board and explained why it does not intend to tender shares of Series D Preferred Stock of the company held by its clients and therefore does not intend to consent to the proposed amendments to the charter of the company adversely affecting the rights of the Series D Preferred Stock. Steamboat also expressed its view on the value of the company and

the need to negotiate with all stakeholders to address the challenges the company faces.

(ii) Daniel Khoshaba

- On January 6, 2020, Daniel Khoshaba disclosed 7.5% and expressed his belief that the company's financial performance can be improved to increase shareholder value. Accordingly, Mr. Khoshaba has sent a letter (refer, "Exhibit B") to the Chairman of the Board, in which he requested that the company immediately appoint him to fill the current vacancy on the Board.
- On February 25, 2020, the company filled the vacancy on the Board by electing Daniel Khoshaba to be a director. Source
- On April 13, 2020, the company terminated the employment of the company's CEO and President David Kelly and appointed Daniel Khoshaba, a current director of the Company, as a CEO. Source
- On July 5, 2021, Daniel Khoshaba has tendered his resignation as the President and CEO of the company and as a member of the Board.
- On August 23, 2021, Mr. Khoshaba, the ex-CEO of the company (11.4%) sent a letter (refer, Exhibit A") to the company and the Board expressing his concerns with the recent developments at the company. Mr. Khoshaba believes that the Board has failed to provide effective corporate governance and sound leadership to the company, especially in the wake of the Board's decision to pressure him to resign as CEO..He stated that he may seek to improve the composition of the Board
- On December 13, 2021, Mr. Khoshaba sent a letter (refer "Exhibit A") to the Board reiterating his concerns on the company.

(iii) JCP Investment Management

- On June 11, 2018, JCP Investment Management (7.2%) submitted a letter to the company exercising its right to have the company redeem their Shares at a redemption price of $25 per Share due to the company's failure to maintain the required asset coverage specified in the Asset Coverage Provision. JCP Investment Management stated that it may take further action, including but not limited to pursuing litigation to enforce its rights as holders of Shares if the company fails to redeem their Shares. Source
- On June 28, 2018, JCP Investment Management filed a complaint against the company stating that it believes that the Certificate of Corrections filed by the company significantly altered the terms of the Shares and the rights of holders of preferred stock without a vote and was filed in breach of the Articles Supplementary and in violation of Maryland law. In addition, the Complaint states that the plaintiffs believe that the company's failure to comply with the requirements of the Asset Coverage Provision, including the mandatory redemption of Shares, have caused tens of millions of dollars in damages for the holders of the preferred stock. The Complaint requests that the court enjoins the company from continuing to violate the Articles Supplementary and that the court compels the company to redeem preferred stock in accordance with the Articles Supplementary. Source
- On February 26, 2020, JCP entered into a confidential Settlement Agreement with the company pursuant to which JCP agreed to make a filing with the court to have the lawsuit dismissed without prejudice and agreed not to refile a lawsuit relating

to the issues raised by the Complaint for at least one year from the date of entry of the dismissal order. Source

- On December 9, 2020, JCP Investment Management increased its stake to 8.7% and stated that it may consider prosecuting the believed breach of the Settlement Agreement and/or refiling a lawsuit relating to the issues raised by the Complaint within the year following the date of the dismissal order. Source

(iv)Westport Capital Partners

- On December 18, 2017, Westport Capital Partners (9.3%) informed the company that it was nominating two candidates for election to the Board at the 2018 annual meeting of shareholders. Source
- On April 11, 2018, Mr. Armstrong, representative of Westport Capital Partners was appointed to serve as a director on the board. Source
- On September 13, 2019, Mr. Armstrong resigned from his position as a director on the board. Source
- On February 11, 2020, Westport Capital Partners reduced its stake to 4.6%.

(v) Joseph Stilwell

- On July 3, 2017, Joseph Stilwell disclosed 8.2% stating that he hopes to work with the Board to maximize shareholder value. Source
- On November 30, 2017, Joseph Stilwell delivered a written consent to be named in the proxy statement and to serve on the board if elected. On December 4, 2017, Joseph Stilwell increased his stake to 9.7% and announced his nominees and alternate nominee for the company's upcoming election of directors. Source
- On January 17, 2018, Joseph Stilwell (9.7%) announced his belief that Jon S. Wheeler, Chairman and Chief Executive Officer, should be removed from the company. Source
- On January 30, 2018, the company announced that the Board of Directors has terminated Jon S. Wheeler as the Company's Chairman, Chief Executive Officer and President. In addition, Mr. Wheeler resigned his position from the Board of Directors. Effectively immediately, the Board of Directors named David Kelly as the Company's CEO and President.
- On July 24, 2018, Joseph Stilwell (9.7%) filed proxy materials nominating three candidates for election to the Board at the upcoming AGM.
- On July 25, 2018, Joseph Stilwell delivered an open letter to shareholders claiming that Jon S. Wheeler, Chairman and CEO made loans from company's funds for his outside projects.
- On September 19, 2018, the company announced that Glass Lewis recommends shareholders to vote in favor of: (i) the re-election of eight members of the Board, the full slate of the Company's nominees; (ii) Advisory vote on the frequency of executive compensation advisory votes for every year; (iii) Advisory vote to approve executive compensation; and (iv) The ratification of Cherry Bekaert LLP as the Company's independent registered public accounting firm for the fiscal year ending, December 31, 2018.
- On September 21, 2018, the company announced that ISS recommends shareholders to vote in favor of: (i) the re-election of seven of its eight members of the Board; (ii) Advisory vote on the frequency of executive compensation advisory

votes for one year; and (iii) The ratification of Cherry Bekaert LLP as the Company's independent registered public accounting firm for the fiscal year ending, December 31, 2018. ISS has also recommended DO NOT VOTE for the Stilwell Group's nominees on the green proxy card.

- At the AGM held on October 3, 3018, Stilwell's nominees were not elected to the Board.
- On October 29, 2018, Stilwell Group (9.8%) stated that it intends to nominate again at the 2019 annual meeting. It stated its belief that a meaningful number of the company's legacy directors should resign. Source
- On April 15, 2019, Stilwell (9.8%) nominates five candidates for election to the Board at the upcoming annual meeting of shareholders. Source
- On May 7, 2019, Joseph Stilwell announced his intent to nominate an additional nominee on his slate of candidates for election as directors at the upcoming annual meeting. Source
- On December 3, 2019, the Stilwell Group announced that ISS has recommended that stockholders vote on Stilwell's **GREEN** proxy card FOR the election of two of Stilwell's nominees, Joseph Stilwell and Paula Poskon, at the Company's upcoming 2019 annual meeting of stockholders. ISS also recommended that stockholders vote AGAINST the Company's say on pay proposal and omnibus stock plan.
- On December 11, 2019, Glass Lewis recommends shareholders to vote for the company's nominees on its **WHITE** proxy card. Source
- On December 17, 2019, Egan Jones recommends shareholders to vote for the company's nominees on its **WHITE** proxy card. Source
- On December 19, 2019, the Stilwell Group announced that based on preliminary voting results from Wheeler's Annual Meeting of Shareholders, shareholders have elected all three of Stilwell's director nominees, Joseph D. Stilwell, Paula J. Poskon and Kerry G. Campbell, to the Board.
- On June 17, 2020, the Stilwell Group increased its stake to 10.9%.
- On June 19, 2020, the Board voted to increase the size of the Board from seven directors to eight directors and appointed Ms. E. J. Borrack as a director to the Board to fill the resulting vacancy with immediate effect. In addition, Ms. Borrack was appointed to the Compensation Committee of the Board. Since 2013, Ms. Borrack has been the General Counsel at a group of private investment partnerships known as The Stilwell Group. Source
- On September 22, 2020, the Stilwell Group increased its stake to 13.1%.

(vi) NS Advisors

- On July 21, 2017, NS Advisors disclosed 5.4% stating that it has become concerned about the company's current trading price. It stated that it intends to engage in a dialogue with the management and the board to address these concerns and questions. Mr. Jones, the managing partner of NS Advisors, sent a letter dated July 20, 2017, to the Chairman and CEO of t he company addressing, among other things, ways in which it believes shareholder value may be maximized.
- On January 29, 2018, NS Advisors (6.8%) revealed that on January 26, 2018, it sent a letter to the Lead Director of the company addressing concerns related to the performance of the company. It request that the Board undertake the following steps: (i) Publically commit to a plan of complete liquidation that will result in the sale of all the company's assets in an orderly manner, (ii) Appoint a committee of

independent directors to oversee the liquidation and insure that the assets are sold for full market value, (iii) Hire a nationally recognized commercial real estate broker to market the company's assets.
- On February 27, 2018, the company issued a press release announcing that its Board of Directors has retained KeyBanc Capital Markets to lead the process in identifying and evaluating strategic alternatives in order to maximize shareholder value.
- On April 17, 2018, Andrew R. Jones. Founder and Chief Executive Officer of NS Advisors (5.8%) was appointed to the Board. Source
- On December 10, 2019, NS Advisors reduced its stake to 4.7%.

BOARD SEAT/ AGM RESULTS

Philotimo Fund reaches agreement with Orion Energy Systems, Inc.

Market Cap: $60 million| Orion Energy Systems, Inc. researches, designs, develops, manufactures, markets, sells, installs, and implements energy management systems for commercial office and retail, exterior area lighting, and industrial applications in North America.

On January 3, 2023, Philotimo Fund and Charles McDulin (5.2%) entered into a cooperation agreement with the company and pursuant to it, the Board increased its size and appointed Mr. McDulin as a Class II director with a term expiring at the company's 2024 AGM. Source

ONGOING

Impactive Capital nominated four directors for election to the board of Envestnet

Market Cap: $3.5 billion| Envestnet, Inc., together with its subsidiaries, provides wealth management software and services in the United States and internationally.

Background

On November 15, 2022, Impactive Capital (7.2%) issued a press release and sent an open letter to the Board regarding its concerns with the company's long-term underperformance, lack of shareholder alignment, poor Board governance, and disingenuous shareholder engagement. In the press release and letter, Impactive Capital stated they may consider nominating a slate of directors at the next AGM if Ms. Wolfe is not immediately appointed to the Board.

Update

On January 4, 2023, Impactive Capital (7.5%) nominates a slate of four director nominees for election at the 2023 AGM. Impactive firmly believes in Envestnet's business and the Company's considerable future potential. Source

Bradley L. Radoff and JEC II Associates oppose the proposed merger of Sesen Bio, Inc with Carisma Therapeutics

Market Cap: $130 million | Sesen Bio, Inc., a late-stage clinical company, focuses on designing, engineering, developing, and commercializing targeted fusion protein therapeutics (TFPTs) for the treatment patients with cancer.

Background

- On September 20, 2022, the company and Carisma Therapeutics Inc**.** announced that they have entered into a definitive merger agreement to combine the companies in an all-stock transaction.
- On November 18, 2022, Bradley L. Radoff and JEC II Associates (together 5.7%) stated their belief that the proposed merger with CARISMA Therapeutics Inc. significantly undervalues the company and that the consummation of the CARISMA Merger is not in the best interest of the company or its stockholders. Bradley L. Radoff and JEC II Associates stated that they intend to vote against the approval of the CARIMSA Merger and the transactions related thereto. Source
- On December 1, 2022, Bradley L. Radoff and JEC II Associates increased their stake to 7.4%.

Update

On January 5, 2023, Bradley L. Radoff and JEC II Associates (together 8.4%) reiterated their intent to vote **AGAINST** the Company's proposed merger with Carisma Therapeutics Inc. Source

Gregory Fortunoff delivered a letter to the Board of Kingstone Companies

Market Cap: $16 million | Kingstone Companies, Inc., through its subsidiary, Kingstone Insurance Company, underwrites property and casualty insurance products to individuals in New York. .

Background

- On July 21, 2022, Mr. Gregory Fortunoff (3.64%) submitted a letter to the Shareholders relating to the Shareholders meeting scheduled for August 11, 2022. Mr. Fortunoff urges shareholders to vote to "Withhold All" for the board members and to vote "Against" the Company's executive compensation plan.
- At the AGM held on August 11, 2022, shareholders voted to elect all the company's director nominees and approved the compensation plan.
- On September 27, 2022, Mr. Gregory Fortunoff (3.56%) sent a letter to the Board stating that the recent vote in the proxy statement that showed over 30% of the votes cast withholding their votes for the Board of Directors proves that shareholders are fed up with this puppet Board. He demanded that the Board address his issues, convey the current status of all outstanding items to shareholders in a public forum and move in a deliberate and expeditious manner to secure the integrity and value of the company.

- On November 16, 2022, Mr. Gregory Fortunoff (5.3%) submitted a letter to the Directors of the company highlighting the management actions against the potential buyers during negotiation. In addition, Gregory Fortunoff stated that in considering the actions of current CEO and board, to regain footing he would do the necessary steps to replace the board in the next election with a diversified slate of insurance and financially savvy people, remove Barry Goldstein as chairman and CEO, appoint Meryl Golden as chairman and CEO, management and the board will be transparent and respect the fact that they are running a public company.

Update

On January 4, 2023, Mr. Gregory Fortunoff submitted a letter to the Board stating that he would do whatever he has to do in order to protect the current investment and take actions that he believes are in the best interests of all shareholders. Gregory Fortunoff added that he stands ready to engage with the current management and Board regarding his request for board representation, while at the same time, he would be preparing for the proxy action that he believes would be necessary to effect meaningful and positive change.